

The Alumasc Group plc

Annual Results to 30 June 2020



Levolux Limited – Nicad Building, Newcastle

Contents

01

Overview of FY2020

02

Strategic Delivery

03

Financial Review

04

Business Review

05

Outlook

06

Appendices

Paul Hooper
Chief Executive

Sarah Lee
Group Financial Controller



Alumasc Roofing – Derbigum BluRoof – Redcliff Quarter, Bristol



01

Overview of FY2020

Alumasc Water Management Solutions - Steel Rainwater - Conningbrook Lakes

Resilient performance against a difficult, COVID-19 affected, economic backdrop:

- Revenues from continuing operations: £76.0m (2018/19: £90.1m) -16%
- Underlying operating margin: 5.5% (2018/19 : 6.5%)
- Net Debt of £4.3m at year end compared to PY of £5.1m. Headroom of nearly £19m
- Delivered fixed cost savings of £2.4m against an original target of £2.0m
- Strong profit and cash performance in each of June, July and August. Record July
- Underlying EPS: 8.2p (2018/19: 12.4p)
- Dividend: 2.0p (2018/19: 7.35p)

Delivery of strategic priorities:

- Execution of Levolut business improvement plan
- Creation of an Alumasc Building Envelope division: specification cross-selling
- Implement a more cost efficient operating structure
- Focusing investment and innovation to drive profitable growth
- Proactive portfolio management
- Close alignment with sustainability agenda



Alumasc Roofing – Nottingham Trent University

Immediate March post-lockdown actions:



- Within days after 23 March Timloc, AWMS Burton Latimer and AWMS Halstead closed and furloughed employees while Levolux, Roofing and Rainclear furloughed some employees. 276 (64%) of employees were furloughed, 109 (25%) worked from home
- The management teams immediately sprang into action to conserve cash
- The following have taken place:
 - freeze on recruitment
 - freeze on Capex (unless H&S) or essential to continue operations
 - freeze on discretionary spend
 - freeze on travel and entertainment (lockdown has assisted here!)
 - cancellation of purchase orders where appropriate
 - chase down of circa £16m debtors (circa 90% insured)
 - negotiated cash payment deferrals:
 - VAT - March 2021
 - Import Duty - to July 2020
 - 3 months pension holiday agreed with pension trustees
 - 2 – 3 month rent deferrals on some properties
 - Rates deferrals
 - Car leases/rentals – 90% of Group achieved for 3 months



02

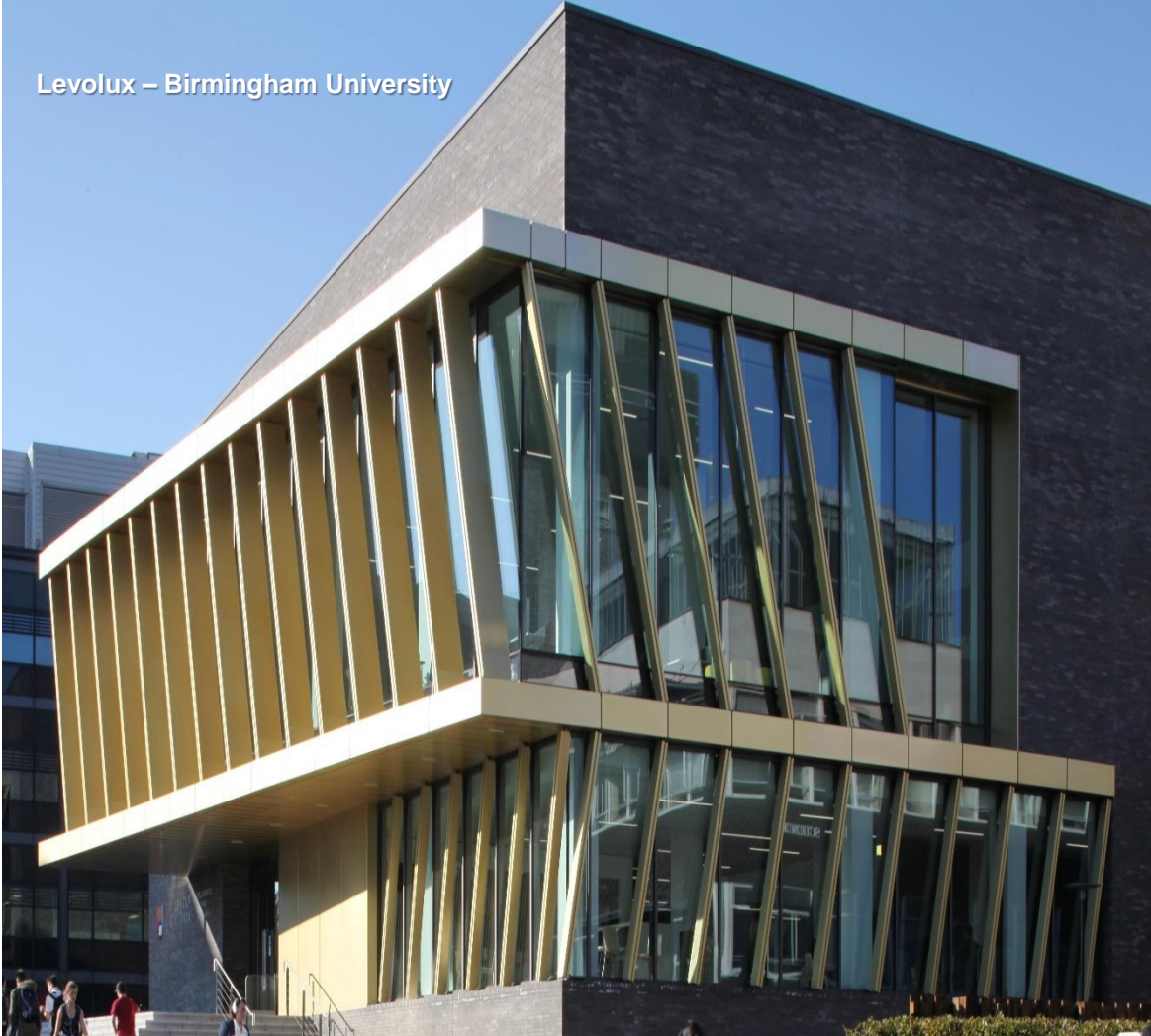
Strategic Delivery

Roof-Pro – PP3 Riser Penetration Units

Strategic delivery – Levolux business improvement plan



Levolux – Birmingham University



Targets

- Return business to sustainable profit as soon as possible
- Incorporate Levolux into the new Building Envelope division
- Focus on design & supply activities (install only where it adds value)
- Accelerate profitable growth in North American export business

Delivery

- Significant restructuring and the relocation from two leased facilities to one freehold, net cost savings of c.£1.8m, ahead of £1.0m target
- Return to profit took place in H2 after some legacy project cost impacts in H1
- Levolux was incorporated into the new Building Envelope Division
- By year end, Levolux's supply only order book was building nicely
- During the year, Levolux hired a very experienced US sales person

Strategic delivery – Creation of Building Envelope Division



- Effective from 1 July 2019
- Specification cross selling to developers and architects
- Building Envelope offer differentiates Alumasc in marketplace
- Roofing, Walling (incl. Levolux) & integrated aluminium detailing
- 40 strong Alumasc Roofing & Levolux combined sales force
- The merger of Levolux and Roofing into one Division was achieved and, in addition, further cross-selling opportunities were developed with the Water Management Division
- There have been several projects which have involved Levolux and Roofing and other businesses, including Water Management

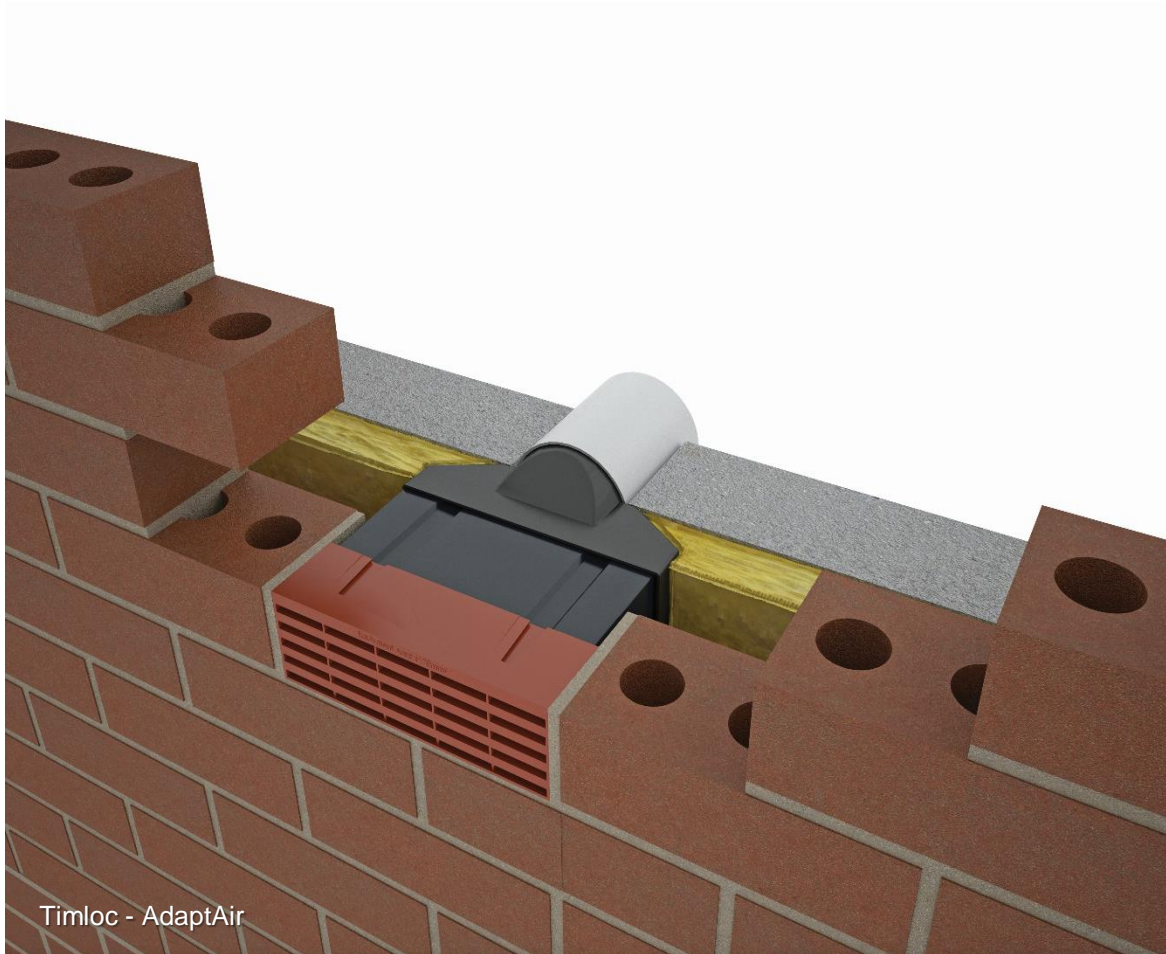
Strategic delivery – A cost-efficient operating structure



Alumasc Water Management – Rushden Lakes

- Reduce from 10 operating sites in 2018 to 6 by 30 June 2020, delivering £2.4m of cost savings versus a targeted £2.0m
- Sharing common overhead structures across the Group
- The two legacy defined benefit pension schemes were merged in the prior year
- Simplification of the group's legal structure (4 trading entities reduced to 2)
- Move to AIM market concluded in June 2019
- Refreshing of the plc Board

Strategic delivery – Investment and innovation to drive profitable growth



Timloc - AdaptAir

- Focus on key manufacturing businesses: Timloc, Wade, AWMS
- Timloc: capacity, machinery upgrade & automation
- Ongoing innovation with numerous new product launches
- Investment in sales reach for Building Envelope
- An investment in tooling at strategic suppliers for Water Management improved manufacturing efficiencies and significantly lowered carbon footprint and ensured continuity of supply
- Weaker sales areas of the UK for Building Envelope have now been strengthened by senior sales resource

Strategic delivery – Pro-active portfolio management



Wade – Victoria & Albert Museum, London

- Bolt-on acquisitions will continue to be sought. There are no plans to make divestments

Strategic delivery – Closely aligned with sustainability agenda



Levolux – Sir Francis Crick Building

- Strong position in energy management through Levolux's solar shading and Timloc with its sealed ventilation systems
- Strong position in water management assists in the management of the scarce resource of water
- BluRoofs, including products from both the Building Envelope and Water Management Divisions, can provide an economic and elegant alternative and cost effective solution to an attenuation tank
- Our Housebuilding Division is constantly innovating and launching new products that deliver sustainable solutions for our clients
- All Divisions are totally committed to, and insist on, the use of recycled material where appropriate
- 75% of the Group's products are sourced from recycled material



03

Financial Review

Wade – Slot Channel - 190 The Strand

Income statement summary (£m)

12 months to 30 June



	2020 £m	2019 £m	Change %
Continuing operations:			
Revenue	76.0	90.1	-16
Gross profit	22.6	26.8	
Gross margin %	29.7%	29.8%	
Sales, general & administration overheads	(18.4)	(21.0)	
Underlying operating profit*	4.2	5.9	-29
Underlying operating margin %	5.5%	6.5%	
Interest on borrowings & leases	(0.5)	(0.3)	
Underlying PBT*	3.7	5.6	-34
Discontinued operations	0.3	2.9	
Restructuring & relocation costs	(0.8)	(3.0)	
Net IAS19 defined benefit pension scheme costs	(0.3)	(1.2)	
Other non-underlying items (net)	(0.2)	(0.4)	
PBT*	2.7	3.9	-31
Underlying EPS (p)	8.2	12.4	-34
Basic EPS (p)	6.3	10.1	-38
Dividends per share (p)	2.0	7.35	-73

* A reconciliation of underlying profit from continuing operations to reported profits is at Appendix 1

www.alumasc.co.uk

Revenue analysis

Year on year change as a percentage of total group revenues



% change 2019/20 versus 2018/19

	UK (c.85% of Group Revenues)	Export (c.15% of Group Revenues)	Total
Water Management	-20%	+23%	-13%
Building Envelope	-19%	+14%	-17%
Housebuilding Products	-20%	-22%	-20%
Total Group	-20%	+19%	-16%

Cash flow statement summary

12 months to 30 June



	2020 £m	2019 £m	Change £m
EBITDA	6.2	7.4	(1.2)
Change in working capital	2.5	(1.2)	3.7
Operating cash flow	8.7	6.2	2.5
Capital expenditure	(1.7)	(2.4)	0.7
Interest	(0.3)	(0.2)	(0.1)
Tax	(0.1)	(0.6)	0.5
Pension deficit funding	(2.3)	(3.2)	0.9
Finance lease payments	(0.5)	-	(0.5)
Dividend	(1.6)	(2.6)	1.0
Sub-total	2.2	(2.8)	5.0
Facades / other	(1.4)	2.5	(3.9)
Net cash flow	0.8	(0.3)	1.1
Net debt at year end on balance sheet	4.3	5.1	0.8

Balance sheet summary (£m)

at 30 June



	2020 £m	2019 £m	Change £m
Property, plant & equipment	16.9	11.7	5.2
Intangible assets	22.1	22.1	-
Working capital	8.7	9.7	(1.0)
Other net liabilities	(2.1)	(2.3)	0.2
Capital invested	45.6	41.2	4.4
Net debt – cash	(4.3)	(5.1)	0.8
Net debt - lease	(5.9)	-	(5.9)
Pension obligations (net of tax)	(15.6)	(10.7)	(4.9)
Net assets	19.8	25.4	(5.6)
ROI – continuing operations (post tax)*	7.2%	10.2%	

* Underlying post tax operating profit divided by average capital invested for the year



04

Business Review

Alumasc Roofing – Waitrose, High Wycombe, Bucks

Water Management

	2019/20	2018/19
Revenue (£m)	33.7	38.9
Underlying operating profit (£m)	4.8	4.3
Underlying operating margin (%)	14.3%	10.9%

- Despite the COVID-19/lockdown challenges in Q4, this division produced a profit which was £567k (13%) ahead of the prior year.
- Whilst revenue reduced by £5.2m (13%) selective price increases, active product portfolio management, cost reductions (partly brought about by the move of Gatic Slotdrain manufacturing from Dover to Wade's freehold facility), general efficiency improvements and tight cost control contributed to a very strong profit performance.
- Water Management's operating margin increased to 14.3% from a prior year of 10.9%. This was a very encouraging performance and is indicative of the potential for the business as market conditions normalise.
- July started strongly benefitting from good operational gearing.



Water Management – The Royal Albert Hall

Building Envelope

	2019/20	2018/19
Revenue (£m)	33.2	39.8
Underlying operating (loss) / profit (£m)	(0.9)	0.6
Underlying operating margin (%)	(2.8)%	1.4%

- Sells principally into the UK commercial new build construction market which, following the previous year, continued to experience falling demand through the year, accelerated inevitably in the final quarter.
- Revenue decline resulted from specific targeting of more profitable projects and some supply only work.
- Levolux's restructuring has taken significant cost out of the business.
- Combined with a more selective strategy for work that it targeted with a focus on supply only, along with a stronger push into export markets, the benefits of Levolux's strategy began to show later in Q4.
- Alumasc Roofing's performance was resilient in the refurbishment sector.
- Roofing enters the new financial year with a significant order book and with its strongest sales team ever.
- July started strongly benefitting from good operational gearing.



Building Envelope – Department of Work and Pensions, Welsh Valleys

Housebuilding Products (Timloc)

	2019/20	2018/19
Revenue (£m)	9.1	11.4
Operating profit (£m)	1.2	1.7
Operating margin (%)	13.7%	15.2%

- Timloc continued to perform well up until the lockdown bolstered by additional operational improvements, in turn benefitting margins.
- The impact of lockdown on this particular sector has been well documented.
- That said, Timloc delivered a very resilient result in FY2020 given its facility was closed for 3 weeks.
- New product development continues to be an important factor in Timloc's success and it launched a new product virtually in every month of the first half year.
- New products include AdaptAir, the Ducting to Airbrick Adaptor, which not only gives a cost saving benefit for housebuilders but also improves Health and Safety on site.
- Timloc is well positioned as housebuilders recommence work on sites post lockdown and the housebuilding sector catches up with significant latent demand.
- July started strongly benefitting from good operational gearing.



Timloc Building Products



05
Outlook

Levolux – Edwardian Hotel, London

- In light of the COVID-19 impact on construction activity the Board is taking a cautious view on 2020/21
- Encouragingly, positive recovery momentum witnessed through the period end has continued with Alumasc having a strong start to the new financial year for both profit and cash
- £2.4m of cost savings taken in 2019/20 should stand the Group in good stead for what could be uncertain times
- Longer term, Alumasc has strong strategic and market positions make it very well positioned for a macro recovery:
 - Water Management is benefitting from both its UK and export re-focusing strategy, as well as extensive online offering;
 - The formation of the Building Envelope division is driving specification cross-selling;
 - Focused investments in new products, manufacturing capability and automation will underpin future progress across the Group;
 - Investments in sales resources will support both domestic and international sales growth;
 - Lower fixed costs and actions taken to deliver efficiencies will improve the Group's quality of earnings and drive operational gearing;
 - closely aligned with the wider sustainability agenda.
- Notwithstanding the uncertain backdrop, Alumasc has had a strong start to the new financial year for both profit and cash as key markets have reopened.

Thank you
www.alumasc.co.uk

Levolux Limited – Nicad Building, Newcastle



Appendix 1 : Underlying To Statutory Profit Reconciliation (£m)



	2019/20		2018/19	
	Operating Profit £'000	Profit Before Tax £'000	Operating Profit £'000	Profit Before Tax £'000
Underlying operating profit / profit before tax	4.2	3.7	5.9	5.6
Brand amortisation	(0.2)	(0.2)	(0.2)	(0.2)
IAS19 costs	-	(0.3)	(0.8)	(1.2)
Restructuring & relocation costs	(0.8)	(0.8)	(3.0)	(3.0)
AIM re-listing costs	-	-	(0.2)	(0.2)
Profits / gains relating to discontinued operations	-	0.3	0.2	2.9
Statutory operating profit / profit before tax	3.1	2.7	1.8	3.9

Appendix 2 : UK end use analysis 2019/20

