The Alumasc Group plc

Annual Results to 30 June 2023

Alumasc Water Management Solutions
Soffit, Fascia, Sloping Coping, Rainwater Goods including GX Joggle Box Gutters and flush joint pipe, Bespoke Box Ends and Bespoke Dormer Window Surrounds
Dukeries Homes, Lake View, Mansfield

Contents

Paul Hooper
Chief Executive

Simon Dray
Group Finance Director

Rainclear Systems – BS200 Canopy in Side Panel

01
FY23 Overview

Alumasc Water Management – Skyline Architectural Aluminium – Highwood Lodge

Overview

Continuing operations	FY23	FY22	Change
Revenue	£89.1m	£89.4m	-0.3%
Underlying* profit before tax	£11.2m	£12.7m	-12.2%
Underlying* operating margin	13.6%	14.9%	
Reported profit before tax	£10.5m	£12.0m	-12.4%
Underlying* earnings per share	25.0p	28.6p	-12.6%
Basic earnings per share	23.3p	26.8p	-13.1%
Dividends per share	10.3p	10.0p	+3.0%
Net bank debt	£2.8m	£4.7m	

** Before non-underlying items, see slide 25*

Resilient performance against challenging market backdrop and a comparative which included a significant contribution from export contracts

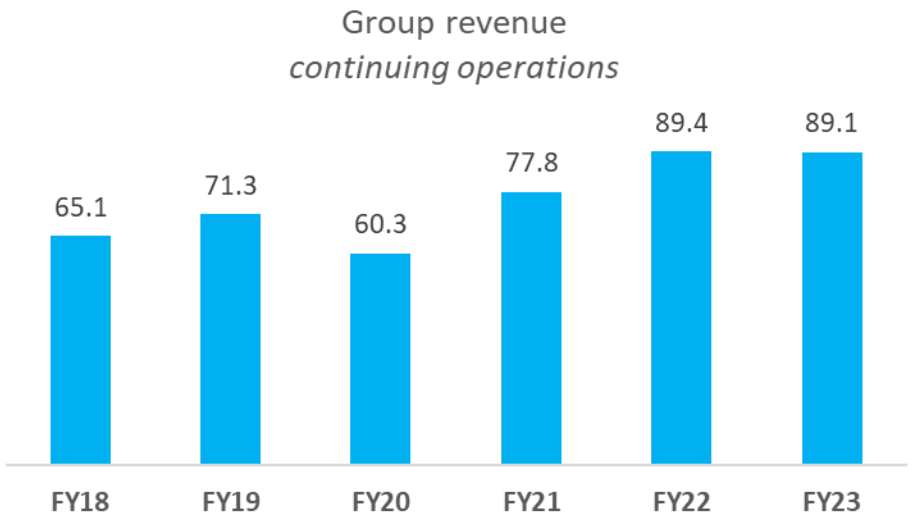
- Revenue £89.1m (FY22: £89.4m)
- Underlying PBT* £11.2m (FY22: £12.7m)
  - Resilient in-line performance in challenging market
  - Strong performance at Building Envelope and Housebuilding Products
  - Water Management, as expected, declined due to significant export contracts in prior year; resumption expected in FY24
- Full year dividend 10.3p (FY22: 10.0p); +3.0%
  - *Final dividend 6.9p (FY22: 6.65p); +3.8%*
- Net bank debt £2.8m, gearing at 0.2x
- Further delivery of growth strategy including post-year end acquisition of ARP Group (subject to CMA approval)
- Strong alignment with environmental growth drivers
- Good momentum and strong order book
- Robust platform in place

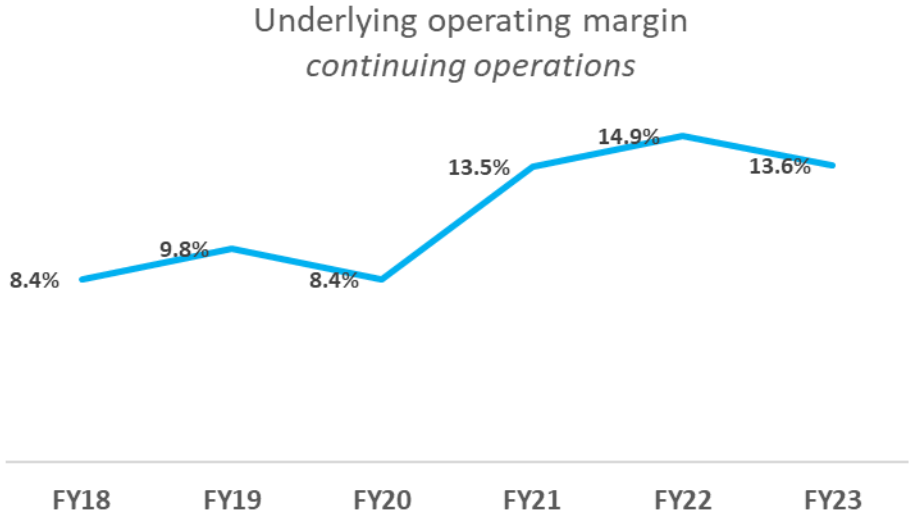
02

Strategic Delivery

Alumasc Water Management – Wade Linear – Wembley Steps

Strategic Overview





FY18-FY23 CAGR: Revenue +6.5%; Underlying Operating Profit +17.5%

Execution of strategic priorities

Accelerating sales growth

- *Long term structural growth drivers underpinned by building standards/legislation*
- *Maintain/grow share through market-leading customer service and cross-selling*
- *New product development targeting existing and adjacent markets*
- *Geographical sales expansion*

Driving margin improvement

- *Flexible and agile production capacity*
- *Simple streamlined business*

Championing sustainable building products

- *Durable, low maintenance products*
- *Addressing environmental challenges facing building industry*
- *Embracing the circular economy*

Value-enhancing investment

- *Organic growth – capability, R&D/NPD, sales and marketing resource*
- *Bolt-on synergistic acquisitions in existing and adjacent markets*

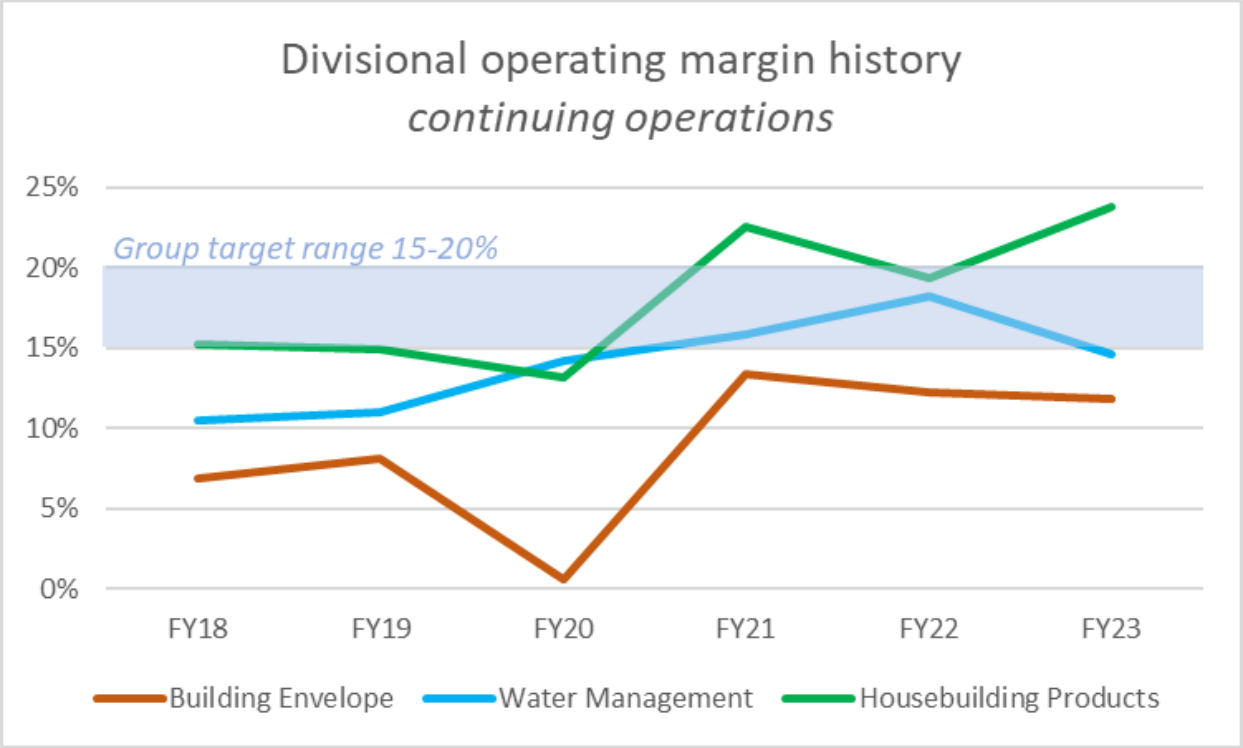
Strategic Delivery – Accelerating Sales Growth


Alumasc Water Management Solutions – Gatic Kerb

- Target UK construction sector growth outperformance
  - FY18-23 CAGR: Alumasc **+6.5%**
    UK construction **+4.4%***
- Strong positions in niche markets supported by long term growth drivers:
  - 80% provide environmental solutions
  - 80% supported by building regulations/specification
- Market-leading customer service and support
  - OTIF 90%-100% across Group
- New product development to grow share and target adjacent markets
  - Slotdrain E (Water Management) – cost and environmental benefits to customers
  - Tile Vent (Housebuilding Products) – entry into new merchant category
- Geographical sales expansion
  - Additional representation in Asia, South America, Middle East

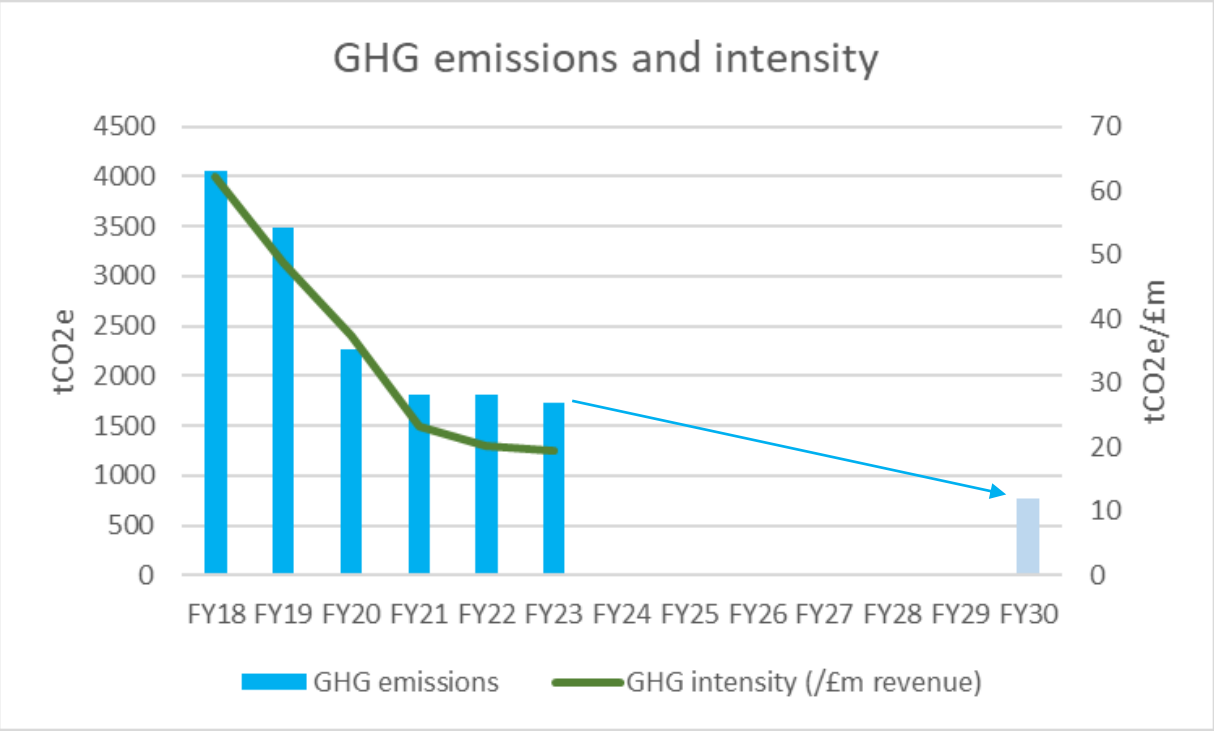
** Company estimate based on inflation-adjusted CPA figures conformed to June year end*

Strategic Delivery – Driving margin improvement



- Cost-effective and adaptable structure
  - Small centre, agile and empowered businesses
- Flexible and agile production capacity across Group
- Underlying operating profit CAGR FY18-FY23 **+17.5%**
  - Building Envelope **+24.0%**
  - Water Management **+10.0%**
  - Housebuilding Products **+16.9%**
- Future improvements driven by:
  - Volume growth (UK and export)
  - Inflation stabilisation
  - New product development
  - Efficiency gains

Strategic Delivery – Championing Sustainable Building Products



GHG market-based emissions (scope 1, 2 and scope 3 business travel) in tCO_2e and per £m revenue

- Durable, low maintenance and environmentally-efficient products
- Demand supported by long term environmental drivers:
  - Building decarbonisation (construction and in use)
  - Water management
  - Occupant wellbeing / urban biodiversity
- GHG emission reduction
  - 69% reduction in market-based intensity since 2018
  - Science-based targets in place to 2030
  - Scope 3 value chain emissions calculation in progress

Strategic Delivery – Value-Enhancing Investment

Alumasc Water Management

Organic

- Further targeted investment in capabilities
  - Capital expenditure; operational, R&D/NPD, sales/marketing capability

Inorganic

- Acquisition of ARP Group announced July 2023
  - Subject to CMA approval (anticipated in Autumn)
  - Maximum £10m consideration before working capital/net debt
    - £8.5m initial, £1.5m earn-out over two years to November 2024
  - Synergies from
    - Products/routes to market
    - Procurement
    - Operations
  - EBITDA multiple 6.8x on initial consideration, expected to reduce below 5.0x as synergies delivered
  - Immediately accretive to underlying earnings
  - Further headroom on balance sheet: June 2023 proforma gearing 0.75x

03
Business Review

Alumasc Roofing – Hydrotech - Nucleus Building, Edinburgh

Water Management

	FY23	FY22
Revenue (£m)	39.8	47.6
Underlying operating profit (£m)	5.8	8.8
Underlying operating margin (%)	14.5%	18.4%
Operating profit (£m)	5.6	8.7

- 3 years of growth FY19-FY22
- FY23 more subdued:
  - UK sales resilient, supported by new product launches
  - Export sales reduced, as expected:
    - Several large projects completed in prior year, including Chek Lap Kok airport (HK) – c.£6.6m of sales
    - Next phase of airport work delayed into FY24
- Order book healthy
- Acquisition of ARP Group anticipated to strengthen division

Water Management – Dukeries Homes, Lake View, Mansfield

Building Envelope (Roofing)

Continuing operations	FY23	FY22
Revenue (£m)	34.6	29.4
Underlying operating profit (£m)	4.1	3.6
Underlying operating margin (%)	11.8%	12.2%
Operating profit (£m)	4.1	3.1

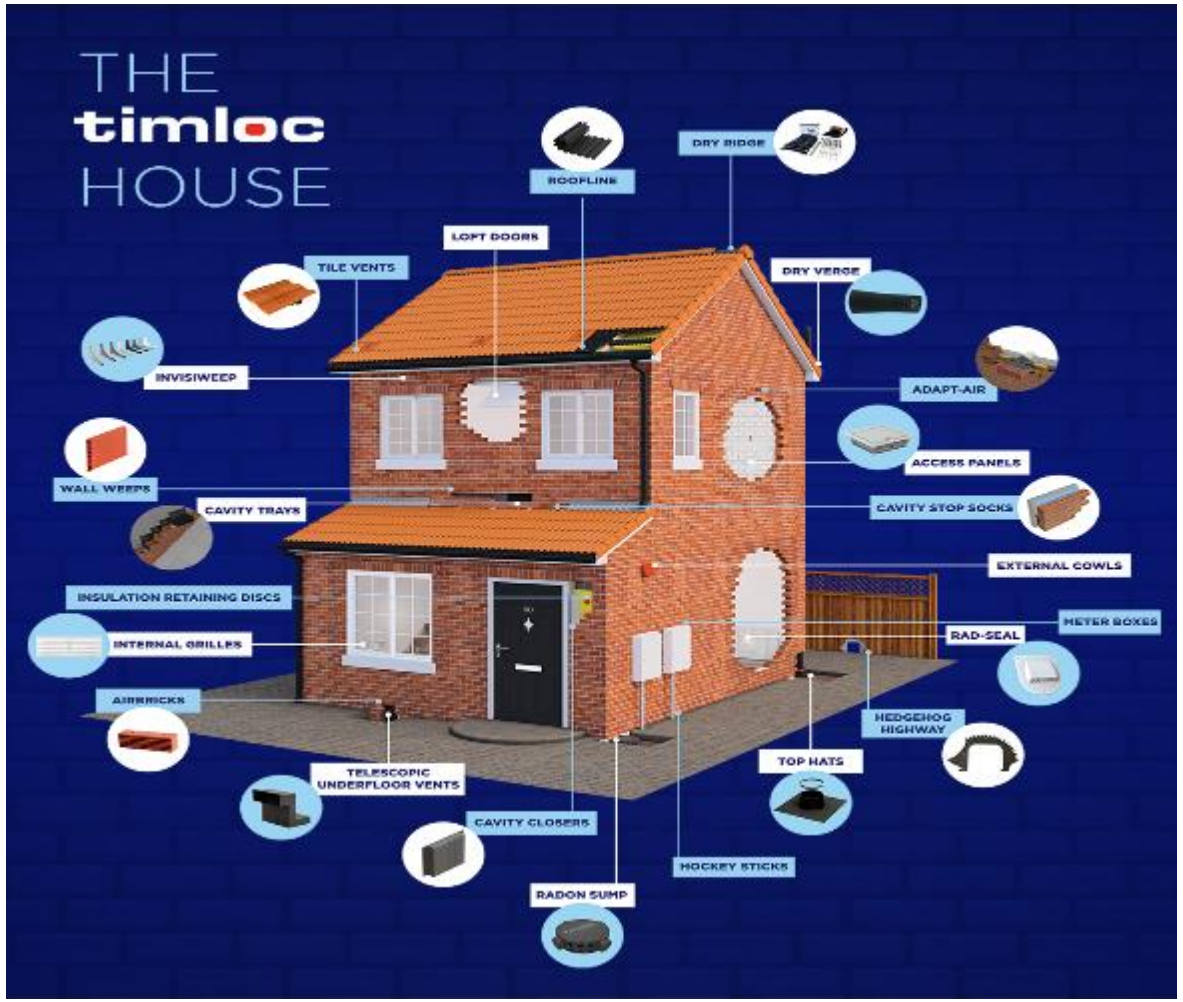
- 18% revenue increase driven by market share gains
  - Strengthened sales force
  - New product launches
- Success driven by:
  - Focus on high end specification work
  - Excellent customer service and warranties
  - Low carbon systems
  - Safety in installation through approved contractors

Building Envelope – Airtile Villa System – The Chequers, Litchfield

Housebuilding Products (Timloc)

	FY23	FY22
Revenue (£m)	14.7	12.4
Underlying operating profit (£m)	3.5	2.4
Underlying operating margin (%)	23.9%	19.7%
Operating profit (£m)	3.3	2.4

- Excellent performance in challenging market conditions
  - Continued customer focus
  - Lower housebuilding volumes offset by new product launches
- Operating margin at record 24%, despite cost increases
  - Efficiency and cost control
  - Cost pass-through where required
  - Outstanding customer service
- Continued investment and focus on sustainability
  - First carbon neutral building products manufacturer
  - Helping with carbon neutral homes
- New product launches help offset forecast reduction in housebuilding



Timloc Building Products

04

Financial Review

Alumasc Roofing
Built-up Derbigum system, Alumasc BGT PIR insulation, CFC and HCFC free rigid urethane thermal insulation board, Roof-Pro accessories, and Caltech QC terminations
Haven Green Court, London

Income statement summary

Year ended 30 June

Continuing operations	FY23 £m	FY22 £m	Change %
Revenue	**89.1**	**89.4**	**-0.3%**
Gross profit	**32.7**	**33.4**	
Gross margin %	*36.7%*	*37.3%*	
Sales, general & administration overheads	**(20.6)**	**(20.1)**	
Underlying operating profit*	**12.1**	**13.3**	**-9.2%**
Underlying operating margin %	*13.6%*	*14.9%*	
Net finance costs	(0.9)	(0.6)	
Underlying PBT*	**11.2**	**12.7**	**-12.2%**
Underlying tax charge	(2.3)	(2.4)	
Underlying PAT*	**8.9**	**10.3**	
Non-underlying items (after tax)	(0.6)	(0.7)	
PAT	**8.3**	**9.6**	
Underlying EPS (p)	25.0p	28.6p	-12.6%
Basic EPS (p)	23.3p	26.8p	-13.1%
Dividend per share (p)	10.3p	10.00p	+3.0%

Gross margin 60bp below FY22

- Stabilising material prices but inflation still high
- Pass-through where necessary

Underlying operating margin reflects:

- Lower volume at Water Management
- Investment in capability (sales, NPD)
- Small dilution from cost pass-through

Underlying tax rate 20.0% (FY22: 19.4%)

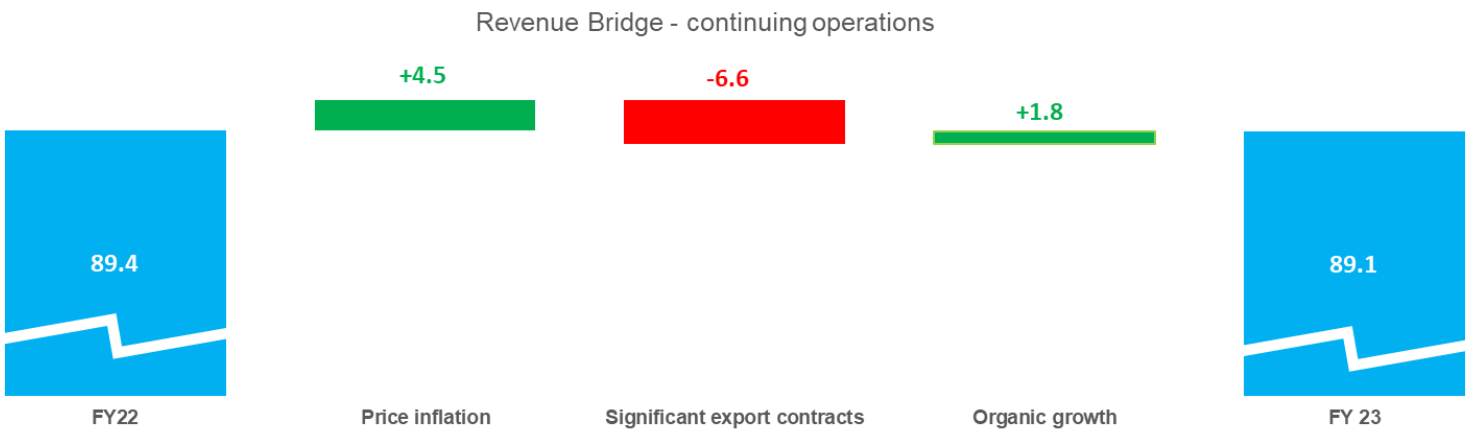
Underlying EPS reflects underlying PBT and increased tax rate

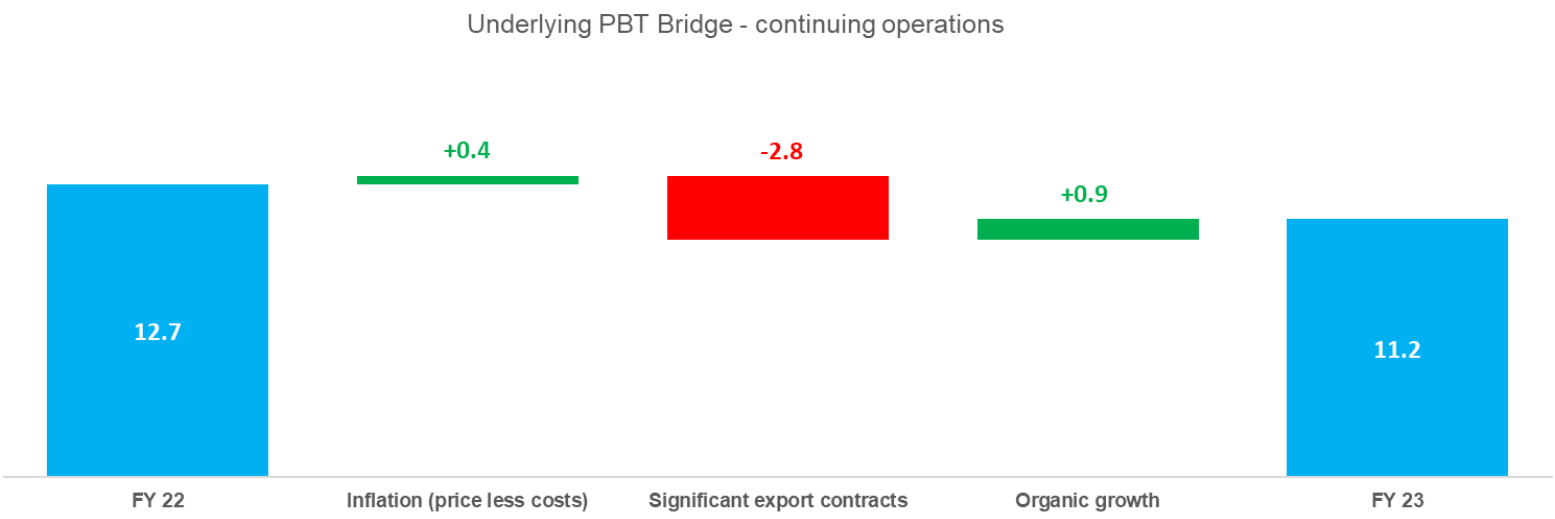
Full year dividend per share 10.3p (FY22: 10.0p)

- Subject to shareholder approval at AGM
- Covered 2.4x by underlying earnings

* A reconciliation of underlying to statutory profit measures is included in the Appendix

Revenue and Profit Bridge





Cost prices passed through, some margin dilution

£6.6m lower sales/£2.8m lower profit from:

- Significant export contract timing (notably Chek Lap Kok airport) projects; and
- Longer term operational investments

Organic growth (excluding inflation, export contracts):

£m	Revenue	Underlying PBT
Group	+1.8	+0.9
Water Management	*-3.0*	*-0.3*
Building Envelope	*+2.9*	*+0.4*
Housebuilding Products	*+1.9*	*+0.9*
Centre	*-*	*-0.1*

Cash flow statement summary

Year ended 30 June

	FY23 £m	FY22 £m	Change £m
EBITDA from continuing operations*	**15.2**	**16.1**	**(0.9)**
Change in working capital	(1.0)	(4.9)	3.9
Operating cash flow – continuing operations	**14.2**	**11.2**	**3.0**
Capital expenditure	(2.7)	(2.6)	(0.1)
Interest	(0.8)	(0.6)	(0.2)
Tax	(0.5)	(1.6)	1.1
Pension deficit funding	(1.6)	(2.6)	1.0
Lease principal repaid	(0.8)	(0.7)	(0.1)
Dividend payments	(3.6)	(3.4)	(0.2)
Own shares purchased/other cash flows	(0.2)	(0.4)	0.2
Sub-total	**4.0**	**(0.7)**	**4.7**
Discontinued operation	(1.7)	(2.3)	0.6
Non-underlying cash flows	(0.4)	(0.8)	0.4
Movement in net bank debt	**1.9**	**(3.8)**	**5.7**
Net bank debt at year end on balance sheet	**(2.8)**	**(4.7)**	**1.9**
Average trade working capital % sales	**19.1%**	**18.1%**	

Improved operating cashflow: 117% of underlying operating profit (FY22: 84%)

- £1.8m inflow from inventory
- Further working capital reductions expected over FY24

Capex at 101% of depreciation (FY22: 104%)

FY23 tax payments net of prior year overpayments

Pension contributions reflect £1.0m p.a. lower contributions from October 2022

£1.7m outflow on Levolux disposal – cash at disposal and costs

Net bank debt reduced by £1.9m to £2.8m, 0.2x geared

EBITDA: Underlying operating profit before share-based payment charges, interest, tax, depreciation and amortisation

Balance sheet summary

at 30 June

	2023 £m	2022 £m	Change £m
Property, plant & equipment	18.2	17.5	+0.7
Intangible assets	10.6	10.7	-0.1
Working capital	11.0	11.5	-0.5
Other net liabilities	(2.8)	(2.6)	-0.2
Capital invested	**37.0**	**37.1**	**-0.1**
Net debt – bank	(2.8)	(4.7)	1.9
Net debt – lease	(5.3)	(5.1)	-0.2
Pension obligations (net of tax)	(3.2)	(1.6)	-1.6
Net assets	**25.7**	**25.7**	**-**
ROI – continuing operations (post tax)*	**26.1%**	**29.8%**	

£25m bank facility (+£20m accordion) extended to August 2026

- Second option available to extend to August 2027

Pension deficit increased:

- Reduced liabilities (due to higher bond yields) offset by lower asset values (due to equity performance)

Strong financial position and disciplined capital allocation process balancing main priorities:

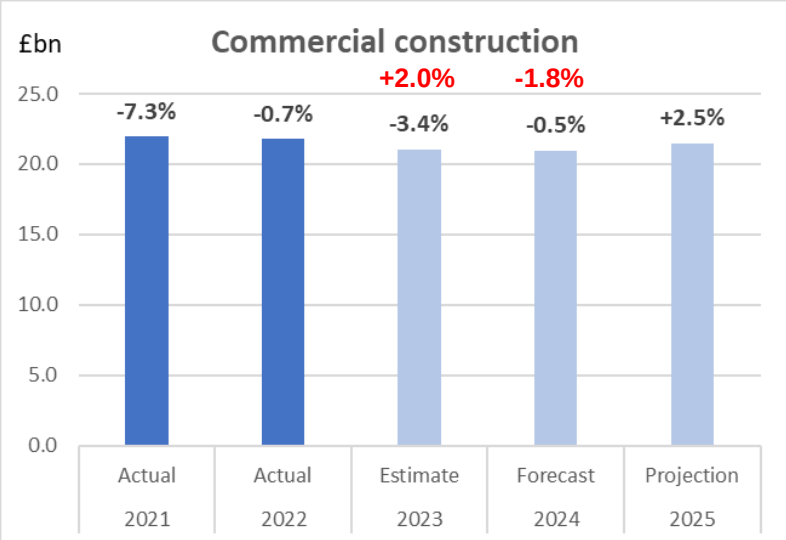
- Manage debt within prudent levels
- Organic growth
- Progressive returns to shareholders
- Inorganic growth through bolt-on acquisitions

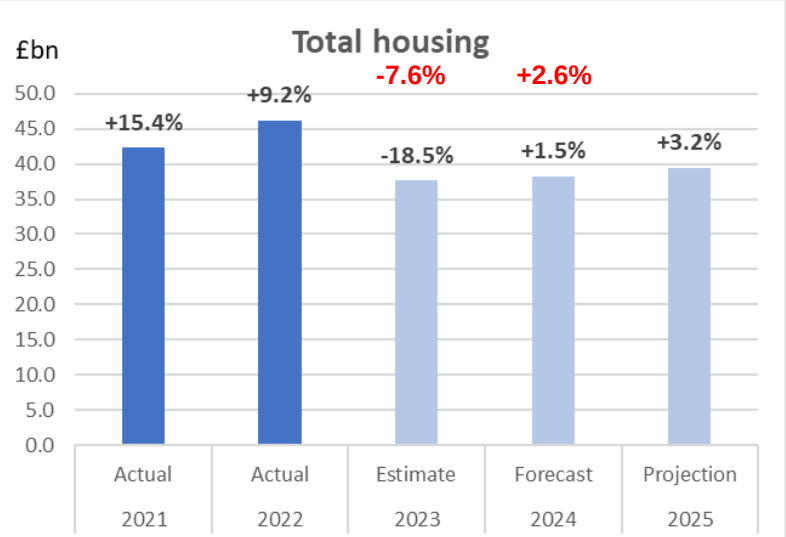
* Underlying post tax operating profit divided by average capital invested for the previous 12 months

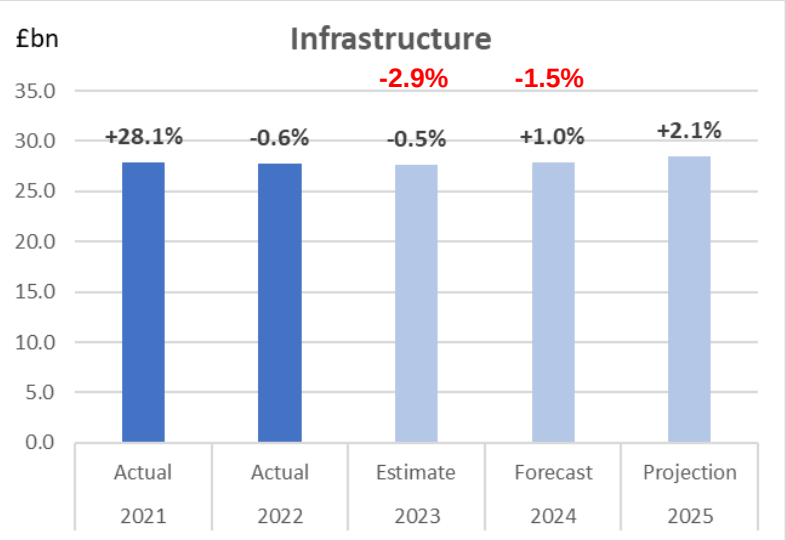
05
Outlook

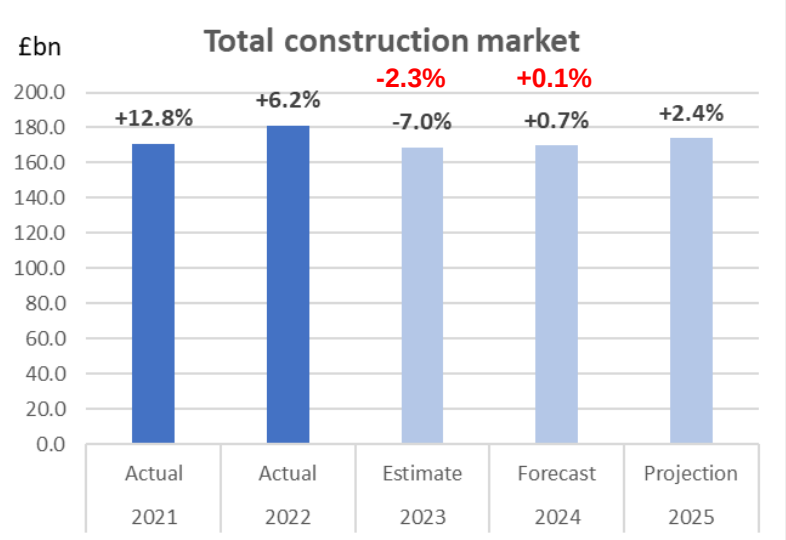
Alumasc Water Management Solutions – Gatic F900 Recessed Duct Covers and Frames, Kai Tak Cruise Terminal in Hong Kong

Outlook – industry forecasts









Further demand headwinds anticipated over remainder of 2023 but expected to be mitigated by:

- Export market growth
- UK share growth, NPD and entry into adjacent markets
- Demand resilience for products assisting energy efficiency and water management
- Continued cost control/efficiency measures
- Opportunities from acquisition of ARP Group

Source: CPA Summer 2023 forecasts, 2023 and 2024 forecast changes from January shown in red

Outlook

- Despite short-term market challenges, Board confident of further progress
  - Proven resilience of business model
  - First call-offs from delayed £7m Chek Lap Kok project in early FY24
  - Completion of ARP acquisition subject to CMA approval; expected in Autumn 2023
  - Current trading in line with management expectations
- Robust platform in place for long term growth once conditions normalise
  - Leading positions in attractive niche markets supported by environmental growth drivers
  - Structural drivers including housing shortage, commercial building retrofit, Government funding for public buildings
  - Building standards and sustainability demands requiring more complex specifications
  - Strong balance sheet and experienced management team

Alumasc Water Management Solutions
Soffit, Fascia, Sloping Coping, Rainwater Goods including GX Joggle Box Gutters and flush joint pipe, Bespoke Box Ends and Bespoke Dormer Window Surrounds
Dukeries Homes, Lake View, Mansfield

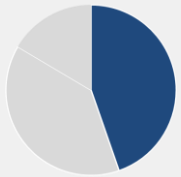
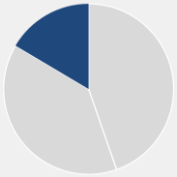
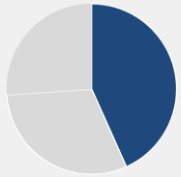
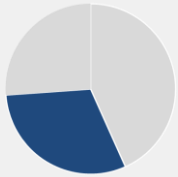
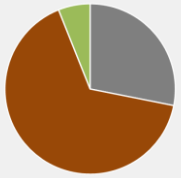
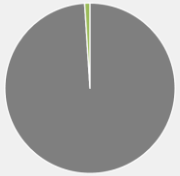
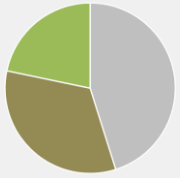
06 Appendices

Rainclear Systems – 115mm Half Round Copper Gutters and 80mm Round Copper Downpipes – Surrey Copper Renovation Project

Underlying To Statutory Profit Reconciliation (£m)

	FY23		FY22	
	Operating Profit £'000	Profit Before Tax £'000	Operating Profit £'000	Profit Before Tax £'000
Underlying profit from continuing operations	**12.1**	**11.2**	**13.3**	**12.7**
Brand amortisation	(0.1)	(0.1)	(0.1)	(0.1)
Net IAS 19 defined benefit pension scheme costs	-	(0.1)	-	(0.1)
Restructuring and other non-recurring costs	(0.3)	(0.3)	(0.5)	(0.5)
Acquisition expenses	(0.2)	(0.2)	-	-
Statutory profit from continuing operations	**11.5**	**10.5**	**12.7**	**12.0**

Diversified end markets

	Water Management	*Building Envelope*	*Housebuilding Products*	*Group*
% of Group revenue				***>80% revenue derived from environmental products*** ***>80% revenue supported by specification/regulation*** ***Export sales FY23: 6% of total (goal >15%)***
% of Group profit				
Private vs Public				
Housebuilding vs Non-residential vs Commercial/infrastructure				
RMI vs New build				

Note: Allocation of end markets to Alumasc divisions is approximate / illustrative. Data based on FY23 results