CARCLO PLC

Results for full year ended 31 March 2018

Presentation to Analysts
5 June 2018

Carclo is a leading global manufacturer of fine tolerance parts for the Medical, Industrial, Aerospace and Luxury and Supercar Lighting markets

Global contract manufacturer to medical market

Leading designer and manufacturer of luxury and supercar LED Lighting

Leading supplier of aviation control cables in Europe

Our strategy is to deliver a sustainable growth in revenues and operating profits through the development of innovative and efficient solutions for our customers.

FY2018 Highlights

- Group revenue increased by 5.7% to £146.2 million (2017 - £138.3 million), driven mainly by sales growth within Wipac
- Underlying* operating profit decreased by 13.5% to £10.8 million with underlying operating margin decreasing 160 bps to 7.4%
- Underlying* profit before tax decreased by 17.7% to £9.1million (2017 - £11.0 million)
- Underlying* EPS decreased from 12.1p to 9.8p
- The Group has undertaken a review of financial performance and implemented a corrective action plan “COMP”

*before all exceptional items

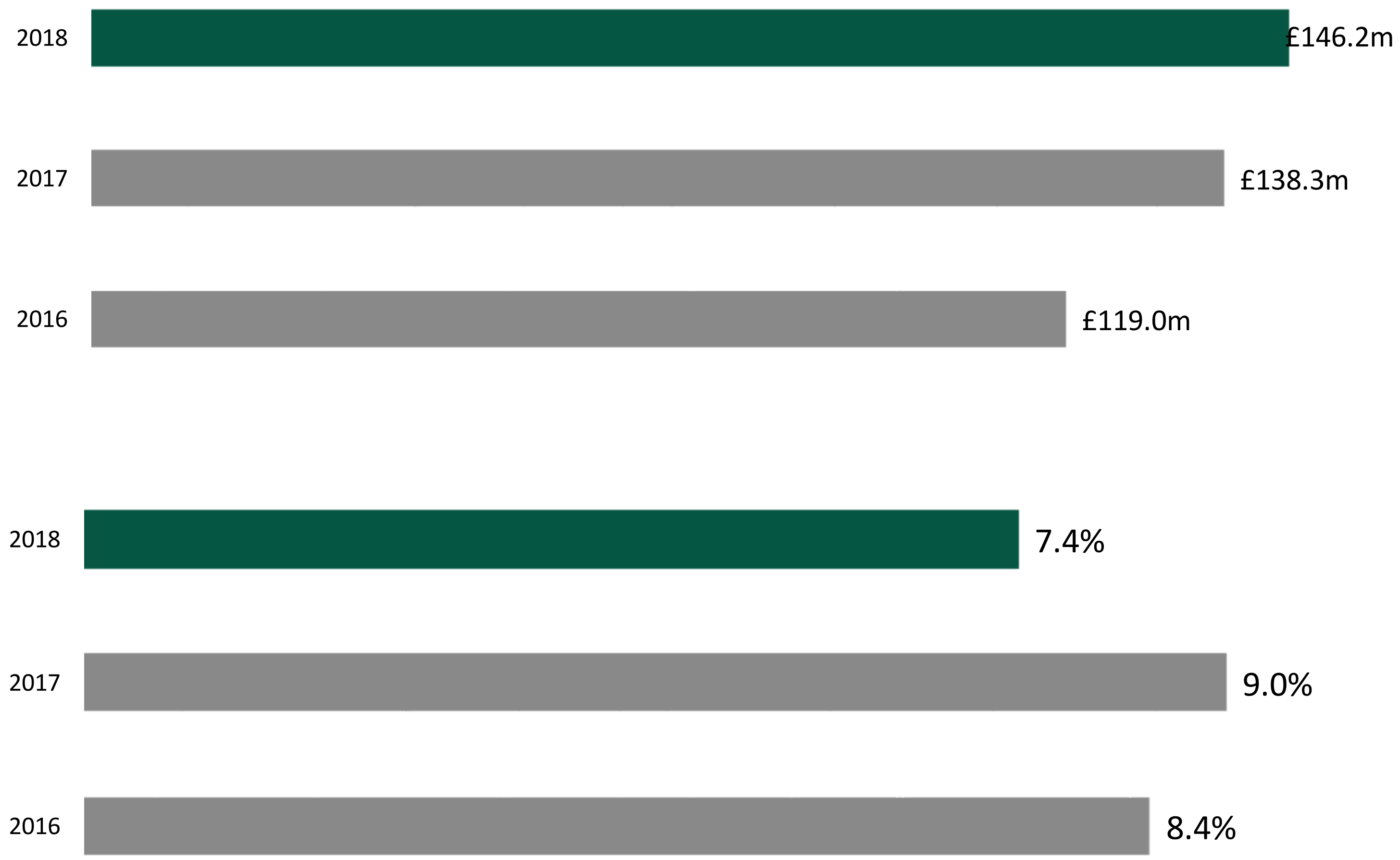
Strategic KPIs

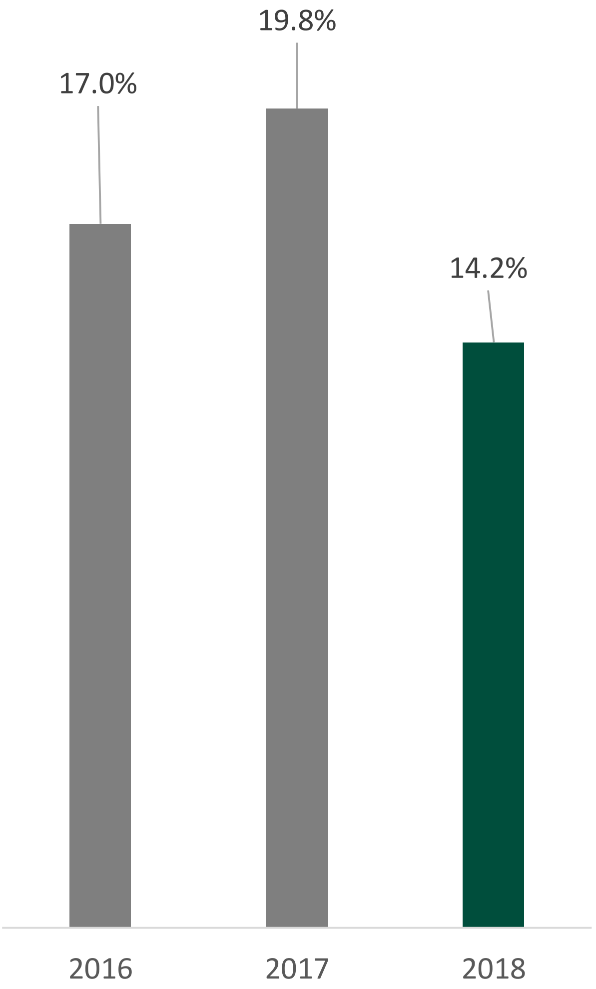
Revenue growth

- Year on year revenue growth is a strong indicator of success in delivering the Group's strategy – up 5.7% on the prior year

Underlying operating margin

- Margin weakened 160 bps to 7.4% in 2018





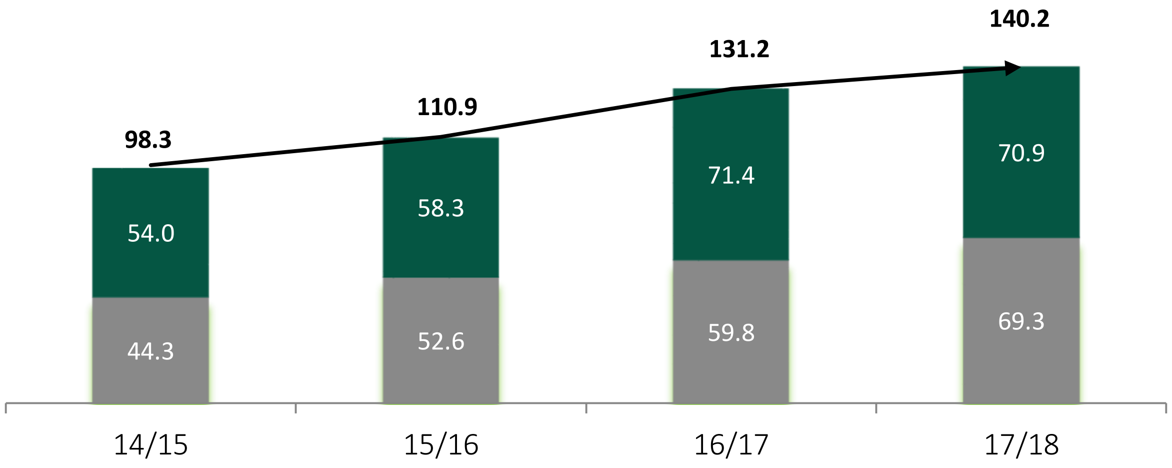
Strategic KPIs

Return on Capital Employed

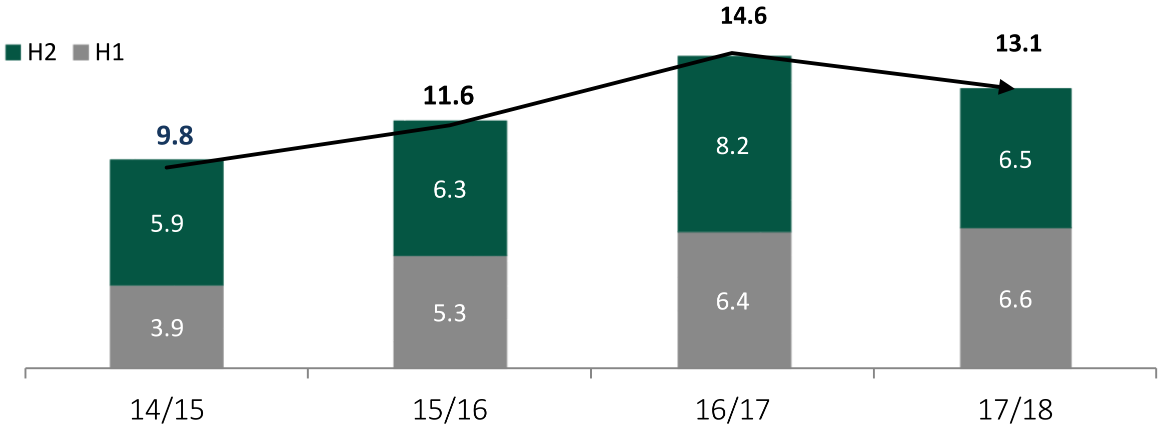
- Our criteria for all major capital investment continues to require that investments enhance our ROCE performance in the medium term
- The reduction in 2018 mainly reflects the weak operating performance during the year but also reflects the major investments for future growth wherein investments can be a year ahead of revenues and profits.

CTP and LED divisions performance

CTP & LED Revenue £m

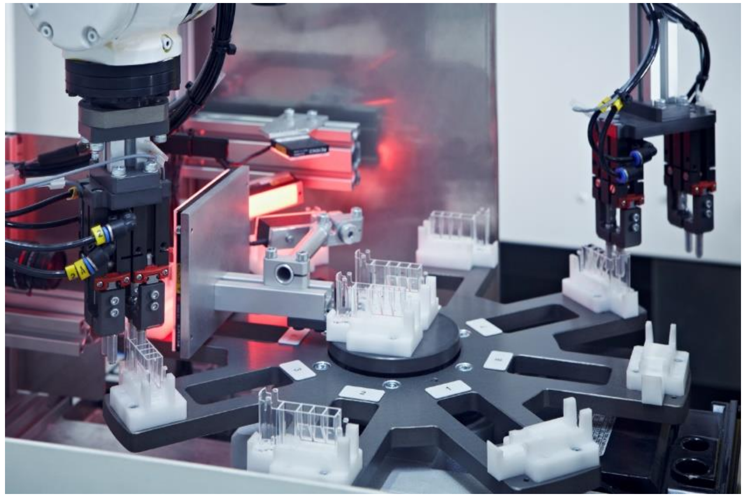


CTP & LED Underlying operating profit £m



- Technical Plastics revenue showed a modest increase of 2.1% with growth from product sales
- LED revenues up 16.5% due to increased activity in design development and tooling activities with only a small increase in product sales

- CTP underlying operating margin declined from 9.9% to 7.4% reflecting poor manufacturing efficiencies in the year and reduction in margin from non-medical customers
- LED's underlying operating margin fell slightly from 13.6% to 12.7% due mainly to the additional costs of pre-engineering for product launches



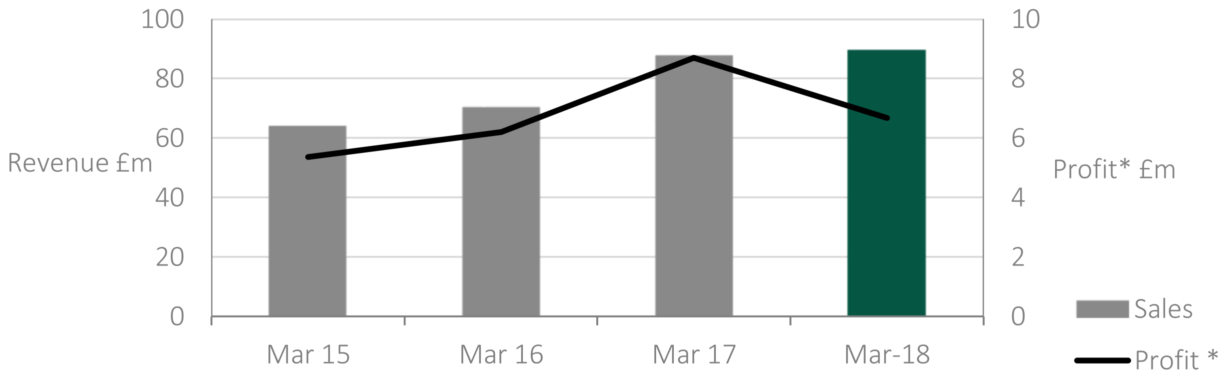
Financial Highlights

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Revenue		
Technical Plastics	89,653	87,814
LED Technologies	50,589	43,419
Aerospace	5,972	7,049
CIT Technology	Nil	Nil
Total	**146,214**	**138,282**
Underlying operating profit*	**10,811**	**12,498**
Exceptional items	(904)	(541)
Operating profit	**9,907**	**11,957**
Underlying profit before tax	**9,071**	**11,019**
Profit before tax	**8,167**	**10,478**
Basic earnings per share	11.6p	11.5p
Underlying earnings per share	**9.8p**	**12.1p**
Dividend per share	Nil	Nil
Net debt	31,476	26,025

*before exceptional items

carclo

Technical Plastics



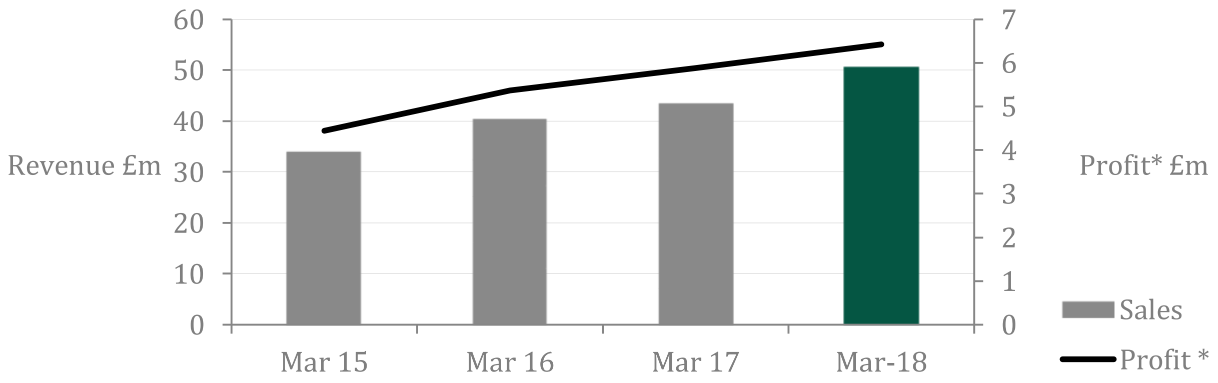
Revenue increase	+2.1%
Underlying operating profit decrease	-23.4%

- Revenue growth continued, but just below expectation due to delays in new program placements
- Profit reduced against prior year due mainly to operational inefficiencies and resin price increases as well as weak demand from an established non-medical customer
- Operational inefficiencies from new program start-up costs and issues associated with high production staff turnover, particularly in US and Czech operations
- Lower level of tooling and validation contracts versus original expectations

*underlying operating profit

carclo

LED Technologies



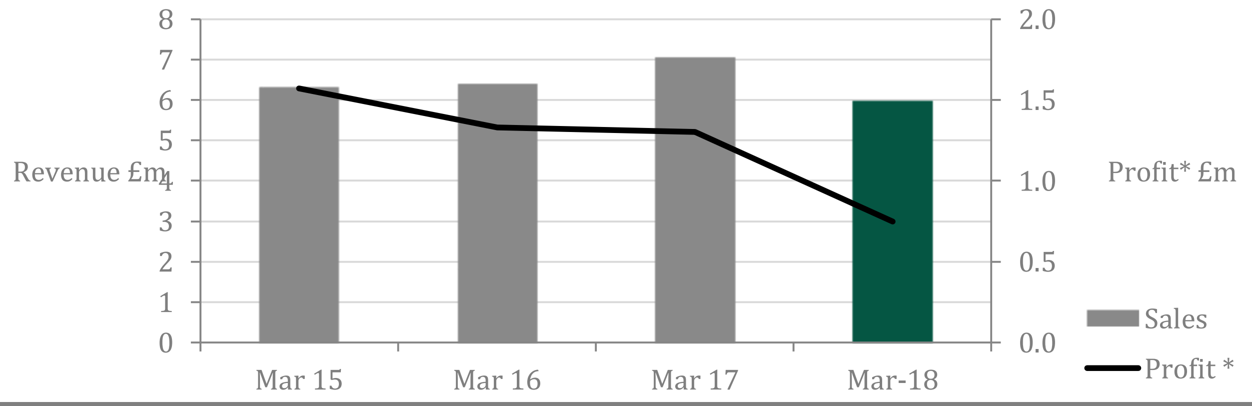
Revenue increase +16.5%

Underlying operating profit increase +9.1%

- Strong growth in revenues and an increase in profit over prior year
- Delays in placement of new projects resulted in lower profit than expected
- Operating margin % reduced due to significant pre-production direct and fixed costs for programs launching in 2018/19 year
- Vehicle mix was not as expected with some high Wipac content vehicles below forecast volumes, which suppressed operating margin performance

*underlying operating profit

Aerospace



Revenue decrease -15.3%

Underlying operating profit decrease -42.7%

- Revenues reduced due to weaker demand for our product range and the completion of a multi year contract for the supply of machined components in the prior year
- Demand for new production awards started later than anticipated but reached targeted rates by year end
- Overall demand for the core “control cable” product fell more sharply than anticipated, particularly in the French market

*underlying operating profit

carclo

Income Statement Comparative

	31-Mar-18	31-Mar-17
Revenue	146.2	138.3
Operating profit		
Divisional underlying operating profit	13.8	15.9
Central costs	(3.0)	(3.4)
Underlying operating profit	10.8	12.5
Exceptional items	(0.9)	(0.5)
Operating profit	9.9	12.0
Net financing charge	(1.7)	(1.5)
Profit before tax	8.2	10.5
Income tax credit / (expense)	0.3	(2.5)
Profit for the period	8.5	8.0
Basic earnings per share	11.6p	11.5p
Underlying earnings per share	9.8p	12.1p
Dividend per share	Nil	Nil

- Revenue increased by 5.7% to £146.2 million
- Underlying divisional operating profit decreased 12.9% to £13.8 million
- Increased interest charge due to higher debt and interest rates; includes £0.8 million IAS 19 pension financing charge
- Underlying earnings per share decreased 19.0% to 9.8p
- Income tax credit mainly due to impact of lower US tax rates on deferred tax liabilities

Financial Position – Cash Flow

- Strong underlying cash generation from operations of £15.2 million
- Working capital increase of £7.5 million due to increase in design, development and tooling debtor at Wipac (£9.0 million) which mainly relates to mid-volume contracts
- Capex of £9.1 million came mainly from CTP (£6.1 million), the largest item being facilities and molding equipment for CTP Mitcham's new medical contract

	£million	£million
Net debt at start of period		(26.0)
Underlying cash from operations	15.2	
Working capital	(7.5)	
Interest and tax	(2.6)	
Net capital expenditure	(9.1)	
Free cash flow	(4.0)	
Additional pension contributions	(1.2)	
Cash flow relating to corporate activities	(0.3)	
Exceptionals	(0.2)	
Cash flow from corporate activities	(1.7)	
Exchange movements	0.2	
Movement in net debt		(5.5)
Net debt at end of period		(31.5)

Financial Position – Debt & Facilities

Net Debt

- Net debt of £31.5m at 31 March 2018 (£26m at 31 March 2017)
- Reflected investment in Wipac design contracts and capital expenditure for new programs at CTP and Wipac
- Year end net debt to EBITDA ratio was 1.99x (2017 – 1.52x)

Bank Facilities

- £30.0 million of committed facilities through to March 2020 and £16.0 million of overdraft facilities at the year end
- Continued good levels of headroom on main banking covenants of net debt/underlying EBITDA and underlying interest cover

Financial Position – Pensions

- Scheme assets have decreased by £6.9 million and scheme liabilities have decreased by £9.6 million
- IAS19 financing expense of £0.8 million and scheme administration costs of £0.7 million reflected in the income statement

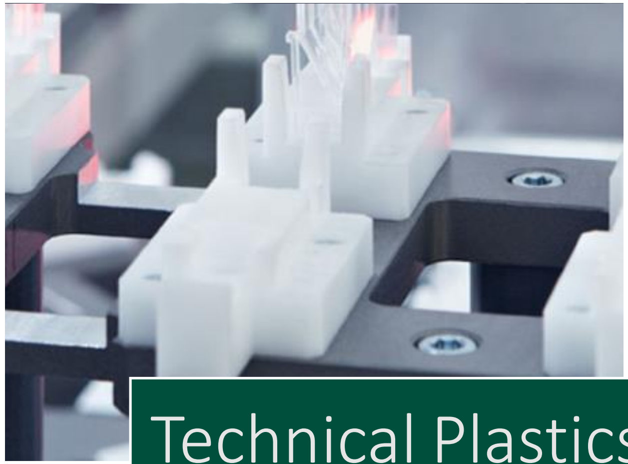
	2018	2017
Defined benefit obligation at the end of the year	£199.9 million	£209.4 million
Fair value of scheme assets at the end of the year	£170.1 million	£176.9 million
Net liability for defined benefit obligations at the end of the year	£29.8 million	£32.5 million
Net liability for defined benefit obligations at the end of the year net of related deferred tax	£24.7 million	£27.0 million
Discount rate at 31 March	2.70%	2.60%

Financial Position – Pensions (cash)

- £1.9 million cash cost of the Pension Scheme includes Scheme administration costs of £0.7 million and a £1.2 million annual recovery plan payment
- Recovery plan provides that the Group will aim to eliminate the funding deficit over a period of 14 years and 8 months from 1 November 2015
- Next triennial valuation underway at March 2018 and expected to complete by end of financial year

Financial Position – Dividends

- The board is not recommending the payment of a dividend
- The Board recognises the need to reward shareholders and for them to participate in the growing profitability of the business. Accordingly it intends to recommence dividend payments when it becomes confident that a sustainable and regular dividend can be reintroduced
- At 31 March 2018, the Company’s reserves were £18.7 million (2017 - £22.4 million)



Technical Plastics

LED Technologies

Aerospace

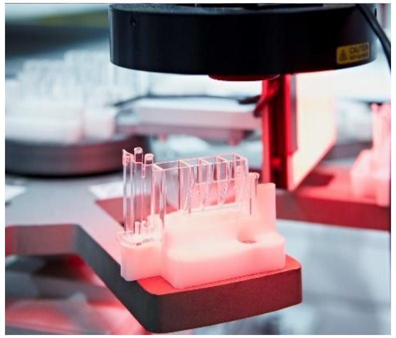
Markets & Strategy Actions

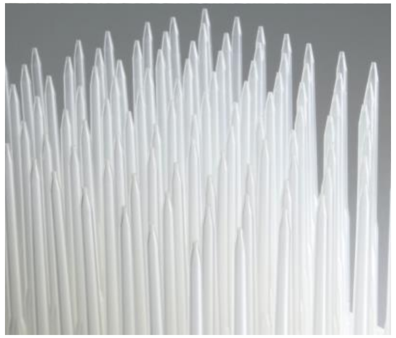
COMP Action Plan

COMP – “**C**ash Initiative”, “**O**perational Excellence”, “**M**anagement” & “**P**ricing”

- Began from investigation into CTP Czech performance issues from September 2017 and implemented across the rest of the CTP Division from January 2018 (with certain elements across the Group). COMP focussed on:-
  - Cash Initiative - customer/vendor contracts and inventory levels. Actions have impacted already on debt levels and will further improve performance
  - Operational improvements are now well underway with significant employee participation and focus on continuous improvement and lean manufacturing principles. Over forty employees already trained in LEAN with more to be trained in the new financial year. Action plans in place and significant opportunities identified
  - Management - new Divisional CEO, new Continuous Improvement Director and a flatter structure already reinvigorating the Division
  - Pricing - review of customer margins undertaken with some short term actions implemented and longer term plans in place for improvements

Technical Plastics





	Mar-18	Mar-17
	£m	£m
Revenue	89.7	87.8
Profit*	6.7	8.7
Margin	7.4%	9.9%

- Revenue grew by 2.1% despite delays in the placement of new tooling and validation programs
- Compound annual growth in revenues over last five years of 11.5% has put strain on several of the operations
- Operational issues surfaced early in the year due mainly to high employee turnover mainly in US operations but also impacting Czech. These issues adversely affected operating margins
- Operating margin further suppressed by delays in passing through resin price increases to customers in the USA
- Major non-medical customer demand fell unexpectedly and continued at lower than anticipated levels throughout the year despite their forecasts to the contrary
- Three of four new tooling projects that impacted the financial year now placed
- High quality facility footprint in place positioning the Division for further growth in revenues

*underlying operating profit

LED



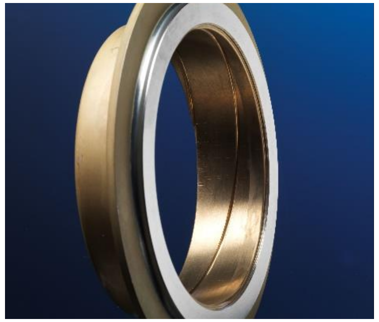
	Mar-18	Mar-17
	£m	£m
Revenue	50.6	43.4
Profit*	6.4	5.9
Margin	12.7%	13.6%

- Revenue growth reflected a combination of new design, development and tooling wins secured during the financial year and prior years. Further design wins were delayed which contributed to revenue and profit being lower than expected
- One customer required a lower level of product than expected on a high value system due to low demand for that vehicle
- Production start-ups expected to double during new financial year, the prior year carried much of the associated engineering cost
- New warehouse was completed releasing significant production space in the main Wipac factory
- The three mid-volume manufacturing contracts are on track to commence during the current and next financial years and are set to have a major positive impact on future Group financial performance
- Market interest and demand is still high and in line with our strategy

*Underlying operating profit

Aerospace

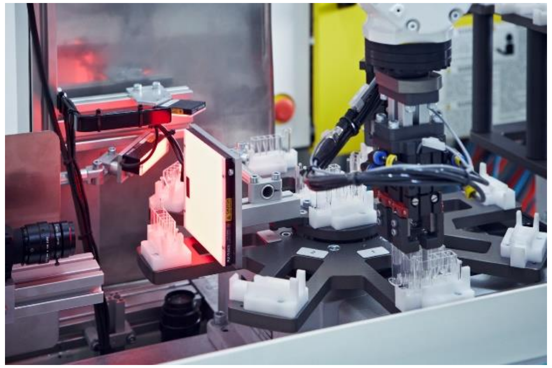




	Mar-18	Mar-17
	£m	£m
Revenue	6.0	7.0
Profit*	0.7	1.3
Margin	12.5%	18.5%

- Revenue and profit declined following the completion of a multi-year large project during the prior year and slower demand for the traditional control cable products
- Product diversification from control cables into machined components continued
- The Division remains profitable and highly cash generative

*Underlying operating profit



Group Strategy

- Creation of sustainable growth in revenues and operating profits through the development of innovative and highly efficient solutions for existing and new customers to ensure that they see real benefits accruing from working in partnership with us
- Improve operating margin through
  - implementation of COMP initiative and a Continuous Improvement culture
  - successful start-up of new Wipac production contracts
  - Securing growth for the existing expanded CTP footprint and benefiting from reduction in operational gearing
  - Further developing customer programs that build on Wipac's transformation into a lighting system solution provider for low to mid volume premium automotive sector

carclo

Outlook

- We expect the actions that we have taken through our COMP initiative to positively impact the current year and subsequent years
- The remodelling of the CTP footprint is now largely complete and this will allow the Division to focus on high quality business development and operational improvements
- Wipac is moving closer to a realisation of its strategy of providing lighting solutions for the mid volume premium automotive segment; this will have a major impact on the Group’s financial performance through 2019 and beyond as all three programs enter production
- Despite a poor financial performance in the year versus our expectations, we are well placed to deliver consistent improvements in our profitability and cash generation over the coming years

carclo

Appendix 1 - Tax

- One-off effect of introduction of lower tax rates in the US lead to a £2 million reduction in the value of deferred tax liabilities
- Effective tax charge higher than current UK corporation tax rate because a large proportion of the Group's profits are generated in countries where the corporation tax rate is higher than in the UK

	2018	2017
Income tax using standard rate of UK corporation tax of 19% (2017 - 20%)	£1,552k	£2,096k
Rate change on deferred tax due to US tax rate changes	(£1,990k)	£0k
Adjustments in respect of overseas tax rates	£341k	£126k
Other items	(£228k)	£274k
Total income tax (credit) / charge in the consolidated income statement	(£325k)	2,496k

carlo

Appendix 2 – Exceptional

- Rationalisation costs in the year related to redundancies (mainly in the US), costs incurred at the remaining CTP property at Harthill and group reorganization costs
- Compensation for loss of office relates to Robert Brooksbank

	2018	2017
Rationalisation costs	£556k	£233k
Compensation for loss of office	£265k	£0k
Credit in respect of retirement benefits	£0k	(£410k)
Costs arising on the disposal of surplus properties	(£4k)	£658k
Other	£87k	£60k
Total	£904k	£541k

Forward looking statements - Certain statements made in this presentation are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events to differ materially from any expected future events or results referred to in these forward looking statements.

End