

carclo

Results for half year ended  
30 September 2015



Presentation to Analysts  
17 November 2015

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



Investing in point of care diagnostics platform



● Manufacturing locations

Strategy to expand manufacturing capabilities to further drive value



## Results and Summary

- Strong growth in group turnover and underlying operating profit driven by Technical Plastics and LED divisions
- Revenue increased by 17.2% to £57.2 million, reflecting excellent sales progression across our businesses
- Underlying operating profit increased by 82.2% to £4.7 million with underlying operating margin increasing 290 bps to 8.2%
- Underlying profit before tax of £4.1 million (2014 - £2.3 million), up 80.0% on the prior year interims
- Basic underlying EPS increased by 76.0% to 4.4p
- Interim dividend increased by 5.9% to 0.90p
- Group very well placed to continue with its growth strategy



# Strategic KPIs

## Revenue Growth – first half



The revenue growth seen year on year is a strong indicator of success in delivering the group’s strategy – up 17.2% on 2014.

## Underlying Operating Profit Margin – first half

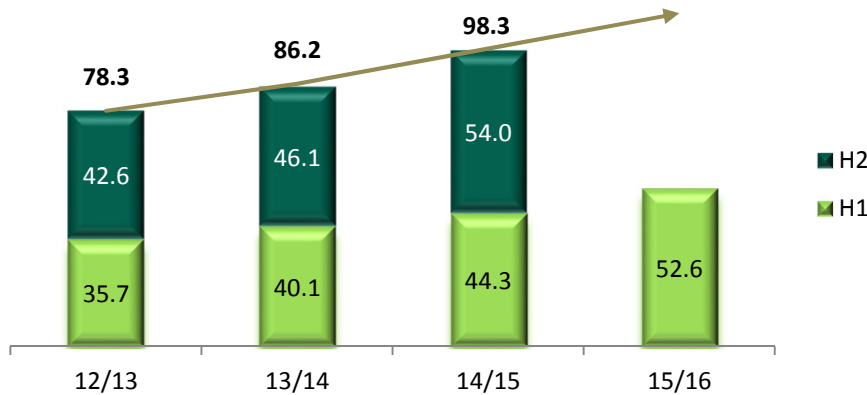


Margin strengthened from 5.3% in 2014 to 8.2% in the current year.

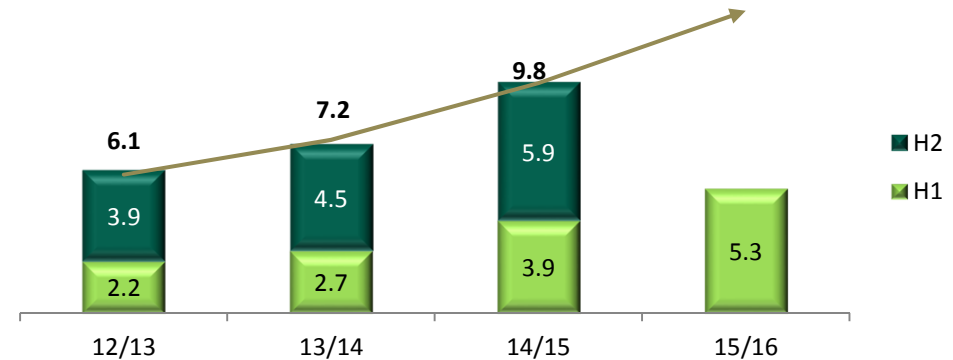


# CTP and LED divisions drive strong group performance

## CTP & LED Revenue £m



## CTP & LED Underlying Operating Profit £m



### Revenue

- Existing global accounts in CTP continue to show good growth
- Completion of new China factory for CTP will drive growth through 2016/17
- Growth opportunity in LED from first programme win for major new group
- No impact on H1 from VW Group programme postponement

### Margin

- CTP profit benefits from efficiency gains
- Further efficiency gains expected in H2 from the US business
- LED division margins have benefitted from new design and tooling programmes
- LED division optics profits have increased through efficiency increases following Harthill closure

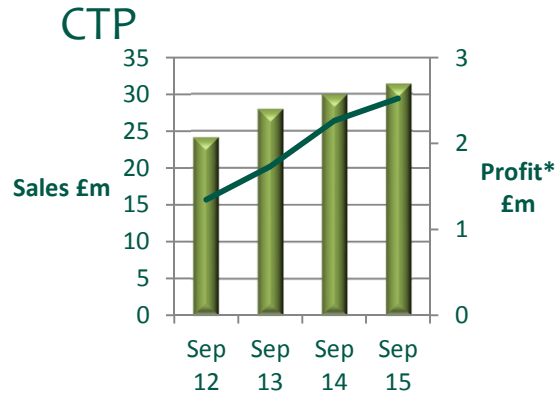


# Financial Highlights

	HY ended 30 September 2015 £000	HY ended 30 September 2014 £000
Revenue		
Technical Plastics	31,468	29,995
LED Technologies	21,172	14,340
Precision Engineering	3,063	2,719
CIT Technology	1,483	1,742
Total	57,186	48,796
Operating profit before exceptional items	4,683	2,570
Exceptional items	17	(23,499)
Operating profit / (loss)	4,700	(20,929)
Underlying profit before tax	4,076	2,265
Profit / (loss) before tax	4,093	(21,234)
Basic earnings per share	4.5p	(31.7p)
Underlying earnings per share	4.4p	2.5p
Dividend per share	0.90p	0.85p
Net debt	27,276	22,428



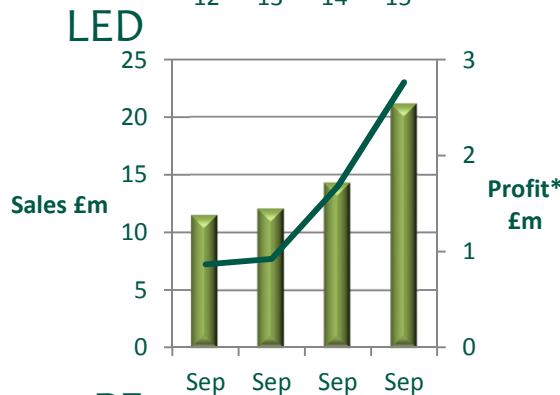
# Divisional Analysis



Revenue change  
+4.9%

Operating profit\*  
+11.5%

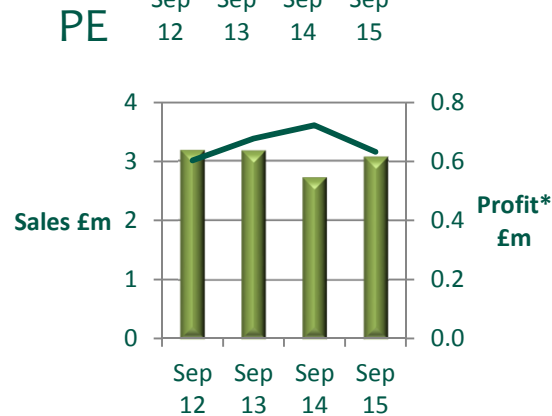
- Revenue growth in H1 came from most sites (excluding China)
- Site expansion and efficiency improvements leading to better returns
- Further revenue and margin growth expected in H2



Revenue change  
+47.6%

Operating profit\*  
+64.6%

- Multiple new customer programmes won last year now in design, tooling and prototype phases
- All programmes have run to cost targets
- New LED cornering light technology now adopted for first programme

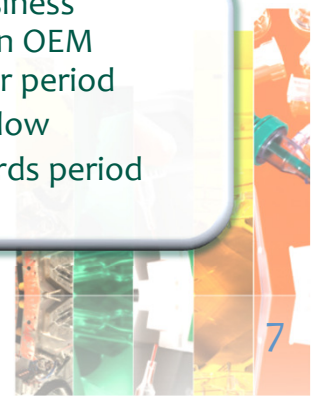


Revenue change  
+12.7%

Operating profit\*  
-12.6%

- Lower margin machining business traded ahead but high margin OEM spares quiet through summer period
- Continued strong free cash-flow
- Order intake increased towards period end

\*Underlying operating profit    Sales    Profit \*





# Income Statement Comparative

	30-Sep-15	30-Sep-14
<b>Operating profit</b>		
Divisional operating profit	5.9	3.6
Central costs	(1.2)	(1.0)
Underlying operating profit from continuing ops	4.7	2.6
Exceptional Items	-	(23.5)
Operating profit / (loss)	4.7	(20.9)
Net financing charge	(0.6)	(0.3)
Profit/ (loss) before tax	4.1	(21.2)
Income tax (expense) /credit	(1.2)	0.2
<b>Profit/ (loss) for the period</b>	<b>2.9</b>	<b>(21.0)</b>
<i>Basic earnings per share</i>	<b>4.5p</b>	(31.7p)
<i>Underlying earnings per share</i>	<b>4.4p</b>	2.5P
<i>Dividend per share</i>	<b>0.90p</b>	0.85P

- Group revenue increased by 17.2% to £57.2 million
- Underlying divisional operating profit increased 62.8% to £5.9 million
- Increased interest charge includes £0.2 million IAS 19 pension financing charge
- Underlying tax charge of 28% due to a greater proportion of taxable profits being generated in high tax countries
- Underlying earnings per share increased 76% to 4.4p
- Dividend increased 5.9% to 0.90p per share





# Financial Position – Cash Flow

	£million	£million
Net debt at start of period		(24.5)
Underlying cash from operations	6.7	
CIT royalty payment	3.0	
Exceptional cash flows	(0.8)	
Working capital	(6.4)	
Interest and tax	(0.7)	
Net capital expenditure	(3.2)	
<b>Free cash flow</b>	<b>(1.4)</b>	
Additional pension contributions	-	
Proceeds from share transactions	-	
Equity dividends	(0.6)	
<b>Cash flow from corporate activities</b>	<b>(0.6)</b>	
Development expenditure	(0.8)	
Exchange movement	0.0	
<b>Movement in net debt</b>		<b>(2.8)</b>
<b>Net debt at end of period</b>		<b>(27.3)</b>

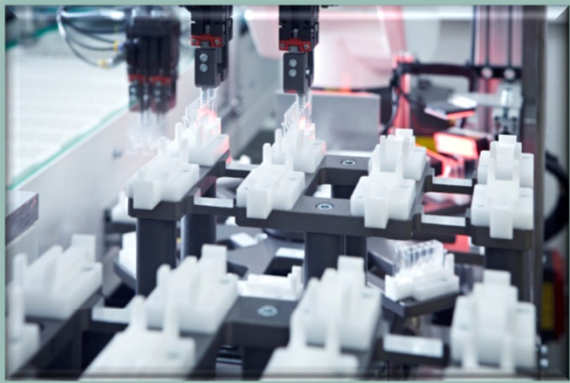
- Strong underlying cash generation from operations
- In CIT a royalty payment of £3 million was received from UniPixel in respect of the deal to license CIT's fine line technology
- Increase in working capital primarily due to increased sub contract tooling in Wipac supercar lighting business which has grown by 46.3% over the prior year comparative period
- Net capital expenditure of £3.2 million included £1.5m on new China facility and £1.7m on new plant and machinery in Technical Plastics and LED Technologies
- £0.8 million of development expenditure relates to our investment in CDS



## Financial Position – Debt & Facilities

### Net Debt

- £27.3 million at 30 September 2015
- Increase since 31 March 2015 due to continued investment in the group's manufacturing capacity and higher working capital to support growth
- Expected to reduce slightly by the financial year end with more significant reduction in next financial year aiming to achieve our medium-term target of a 1.5X net debt to EBITDA ratio



### Bank Facilities

- £30.0 million of committed facilities through to March 2020 and £10.8 million of overdraft facilities
- The group continues to have good levels of headroom on its main banking covenants



## Financial Position – Pensions

- IAS 19 pension deficit has increased to £15.0 million net of deferred tax at 30 September 2015, in comparison to the prior year deficit of £9.7 million at 31 March 2015
- Scheme assets have decreased by £13.5 million since 31 March 2015 and scheme liabilities have decreased by £6.9 million
- IAS19 financing expense of £0.2 million and scheme administration costs of £0.3 million reflected in the income statement
- Triennial funding valuation commenced in March 2015 and agreement with the trustees is expected later in the financial year



# Markets & Strategy Actions



Technical Plastics



LED Technologies



Aerospace

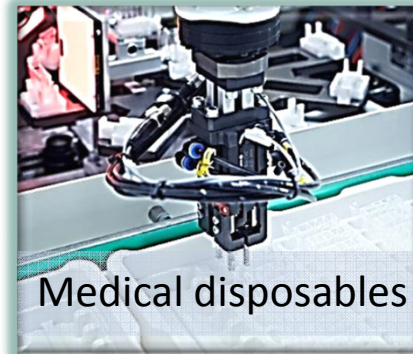


CDS



# Technical Plastics

	Sep-15	Sep-14
	£m	£m
Revenue	31.5	30.0
Profit*	2.5	2.3
Margin	8.0%	7.5%



- Underlying operating profit margin increased from 7.5% to 8.0% . Further margin increase anticipated in the second half as the US business moves into a more efficient phase on new programmes to bring the division closer to the 10% target
- New major facility at Taicang, China is now complete and pre-production is underway for our multi-year programme for medical component manufacture by an existing US-based customer. Feedback from prospective customers of our Taicang facility has been excellent
- Plan to expand the manufacturing facility at Bangalore, India to satisfy increasing demand from both existing and new international clients. Expansion will take place on land we already own and is expected to be operational next financial year at a cost of approx. £1.1m
- A new lease has been signed to further increase the manufacturing and warehousing footprint in Brno, Czech Republic as we continue to see opportunities in this region and commence our plan to use the facility as an overflow for the UK's medical business growth

\*Underlying operating profit





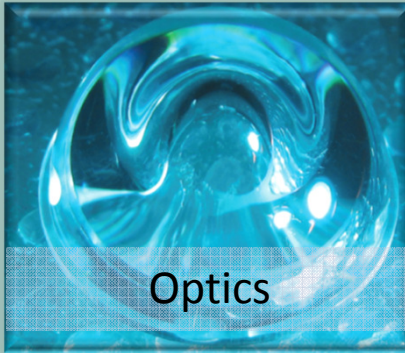


## Technical Plastics – Next Phase Strategy

- Customer feedback analysis has confirmed that further ‘added value’ opportunities exist for CTP
- Detailed investigations into the available markets, key technologies and players has continued
- The board is committed to enhancing CTP’s product offering to encompass further complementary value added activities where these enhance our ROI
- Opportunities to do this through continued investment and/ or selective acquisitions



# LED

	Sep-15	Sep-14	
	£m	£m	
Revenue	21.2	14.3	 OEM Lighting
Profit*	2.8	1.7	 Aftermarket
Margin	13.1%	11.7%	 Optics

- Performance substantially stronger than the comparative period last year; turnover increasing significantly by 47.6% and underlying operating profit increasing 64.6%
- Performance driven by high level of design and development work being performed in the supercar lighting division as a number of projects approach the manufacturing stage
- Secured a flagship vehicle programme for a new major customer group and we see significant potential over the next few years to develop this relationship
- Our reliance on VW has reduced in recent years as we have developed other customers
- The postponed VW vehicle was our sole vehicle under a ‘volume’ brand and all other of our more niche vehicle programmes appear unaffected by recent reported or speculated concerns over emission performance
- LED Optics business remains successful and revenue has grown by 11.1% on last year with good first half trading, particularly in the area of custom optics

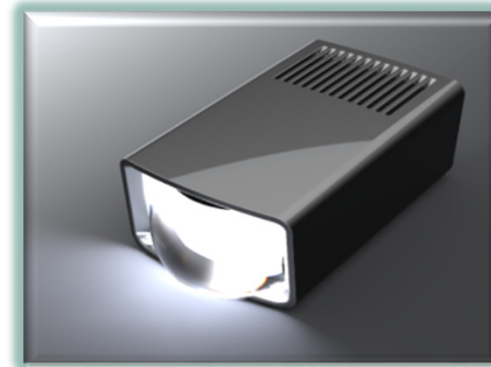
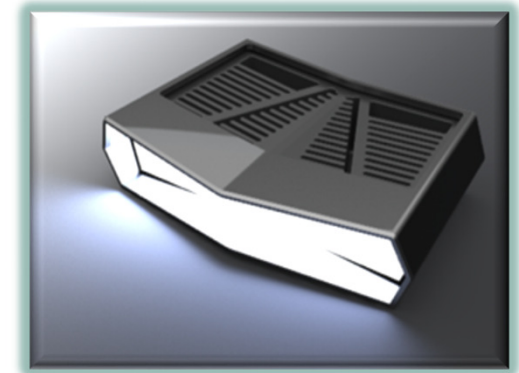
\*Underlying operating profit





## LED – Market and Positioning

- Growth in the number of luxury and supercar vehicles planned for release over the medium term has continued
- Wipac's successful management of multiple new lighting programmes over recent months has continued to enhance it's reputation
- Strong market position is creating new opportunities
- Increased investment in the manufacturing capabilities has continued to enable our key customers to be well supported
- Increased sales activity in Optics business is creating more OEM opportunities



# Precision Engineering

	Sep-15	Sep-14
	£m	£m
Revenue	3.1	2.7
Profit*	0.6	0.7
Margin	20.6%	26.6%



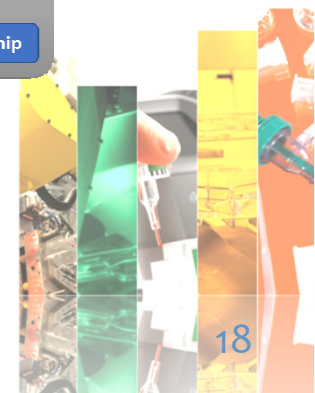
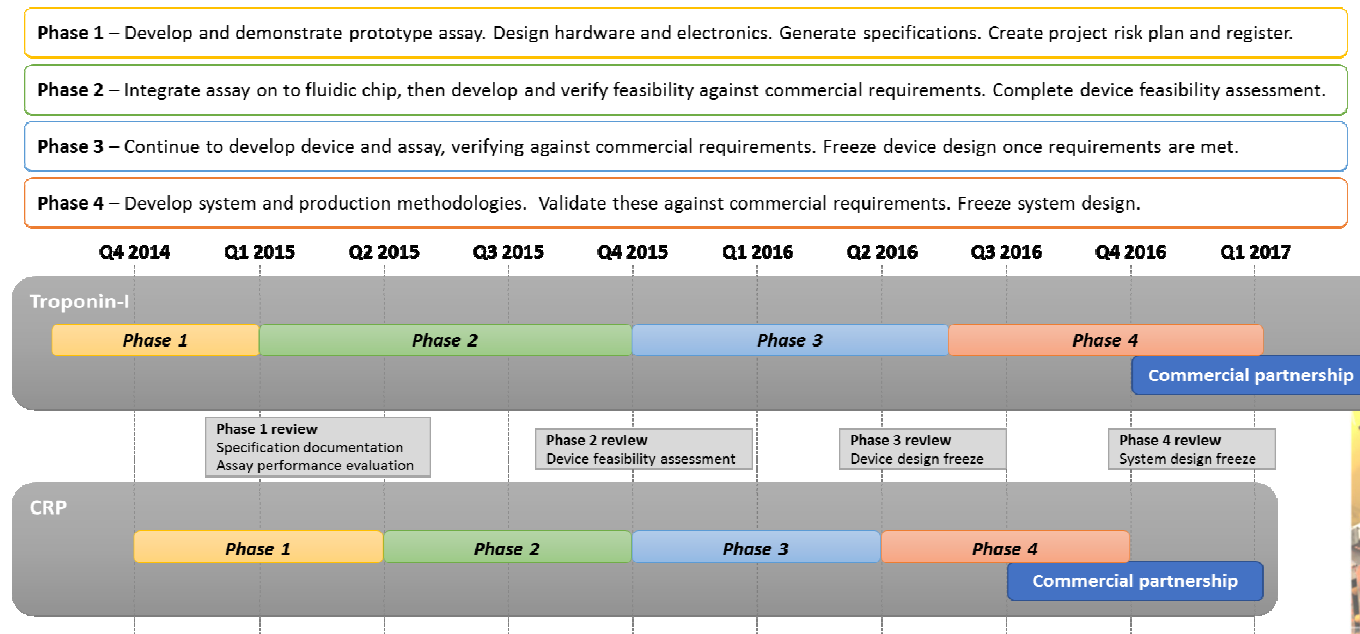
- Focus of growth in OEM cables and machined spares business for both the same OEMs and Tier 1s
- Challenging period in the first half, mainly due to weaker demand impacting the higher-margin OEM spares order book during the summer
- Order intake increased in the latter part of the period and we have a strong order book as we enter the second half
- Continues to be a high margin, highly cash generative business

\* Underlying operating profit



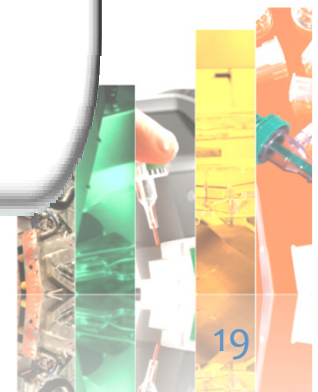
# Carclo Diagnostic Solutions (“CDS”)

- CDS has continued to meet its development timelines with phase 2 requirements all due for completion by Dec 15
- During the period we have been able to generate strong technical data on the performance of our Micropoc platform and this will be shown to potential collaborators at forthcoming medical conferences
- We have commissioned a healthcare practitioner review of the Micropoc platforms and intended applications as part of the board's strategy to continually evaluate the strength of the opportunity given our continued investment in this area
- A successful practitioner review will lead to the opening up of collaborative discussions with potential partners



## CIT

- As previously announced the group agreed to license CIT's fine line technology to UniPixel Displays Inc. ("UniPixel") and entered into a short-term coated film supply agreement with a latest expiry date of 31 October 2015
- Supply of coated film took place through to October but it has now ceased and all contractual supply and support obligations ended at that time
- As expected, CIT was in a breakeven position during this period
- As previously explained, a royalty payment of £3 million was received from UniPixel and booked as exceptional income in H1; this was matched by a £3 million impairment of the remaining intangible asset
- No further closure costs will be incurred



# Group Strategy

Our targets are consistent and clear -

- Focus on year-on-year revenue growth
- To continue to improve underlying operating margin
- To continue to grow our ROI



Our planning has been focused on the medium term and our attention is now moving to longer term objectives where we see opportunities to expand both our core LED and CTP divisions further -

- The LED business can build on its world class brand and manufacturing capability to access further market segments
- CTP has a number of higher added value niche manufacturing opportunities that can further enhance our customer partnerships



## Outlook

- The momentum built up in our two main manufacturing divisions is expected to continue in the coming years
- Within Technical Plastics, the strategy to expand the scale and quality of our manufacturing footprint has resulted in increased turnover, profitability and ROI performance. Further planned expansions are underpinned by these strong growth prospects
- Continued investment at our Wipac facility has enabled further programme wins, significantly increasing the overall profitability of the division
- Our Precision Engineering business remains both profitable and cash generative
- Continued to make good technical progress with Carclo Diagnostic Solutions
- The group is trading in line with the board's expectations and is expected to have a slightly stronger second half than the first



# End

*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.*

