



carclo



**PREPARING
FOR GROWTH**

Carclo plc Full Year Results Investor Presentation
30 June 2021



Nick Sanders
Executive Chairman



Phil White
Chief Financial Officer

Agenda

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- Overview
- Strategy
- Financial Overview
- Summary and Outlook

Overview



- Resilient revenue performance despite COVID-19
- Net cash from operating activities from continuing operations was £8.4m (2020: £6.9m)
- Statutory operating profit from continuing operations increased to £9.3m (2020: £1.8m)
- Net exceptional gain in the year of £4.5m, reflects a £6.5m pension credit, primarily from the introduction of flexible early retirement benefits, offset by £2.0m restructuring costs
- Group stabilised and simplified after LED Technologies business disposal
- New Board recruited
- Three-year agreement on financing and pension contributions provide a stable platform for the business to move forward
- Continuing to invest in support of strong growth momentum in the Technical Plastics business

¹Underlying operating profit is defined as operating profit from continuing operations adjusted to exclude all exceptional items.

Overview

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- CTP
 - Strong performance in challenging circumstances
 - Winning new business and new customers in medical and diagnostics sector
 - Investment in CAPEX for future growth
- Aerospace
 - Remained EBITDA profitable and cash generative
 - Market recovery some way off
 - Focus on winning new customers
- Improved business processes
 - Simplified central structure and autonomous divisions
 - Focus on operational performance through rigorous weekly and monthly reviews
 - Strong focus on working capital

Our strategy is to leverage our position as a trusted and collaborative provider of engineering solutions for medical, optical, electronic and aerospace markets.

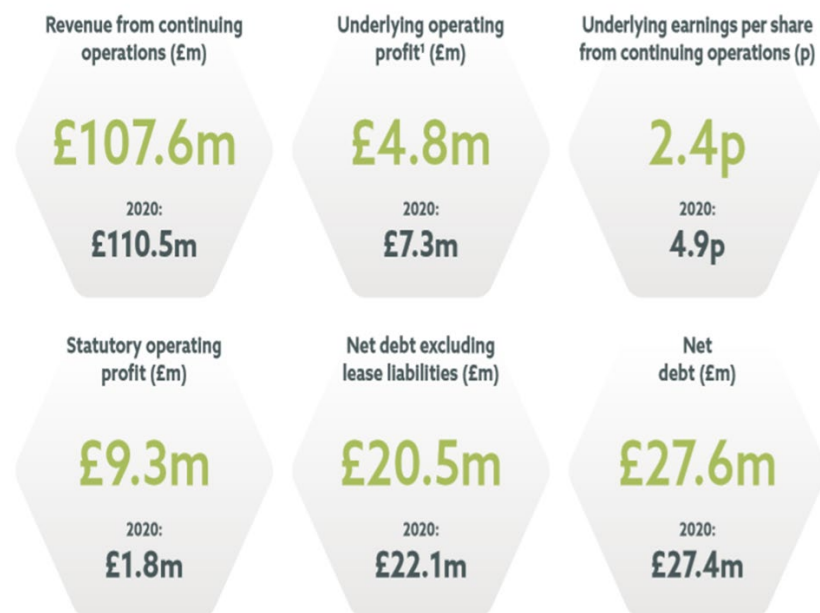
- Strategic reviews completed of both divisions
 - Strengthening business development focus
 - Maximise sales to existing customers in Europe and Asia
 - Expanding production capacity to capitalise on future growth opportunities
 - Focusing on operational excellence
- Our goal is to deliver sustainable, profitable growth

Phil White

Chief Financial Officer

Financial Results for
the full year ended
31 March 2021

OUR HIGHLIGHTS

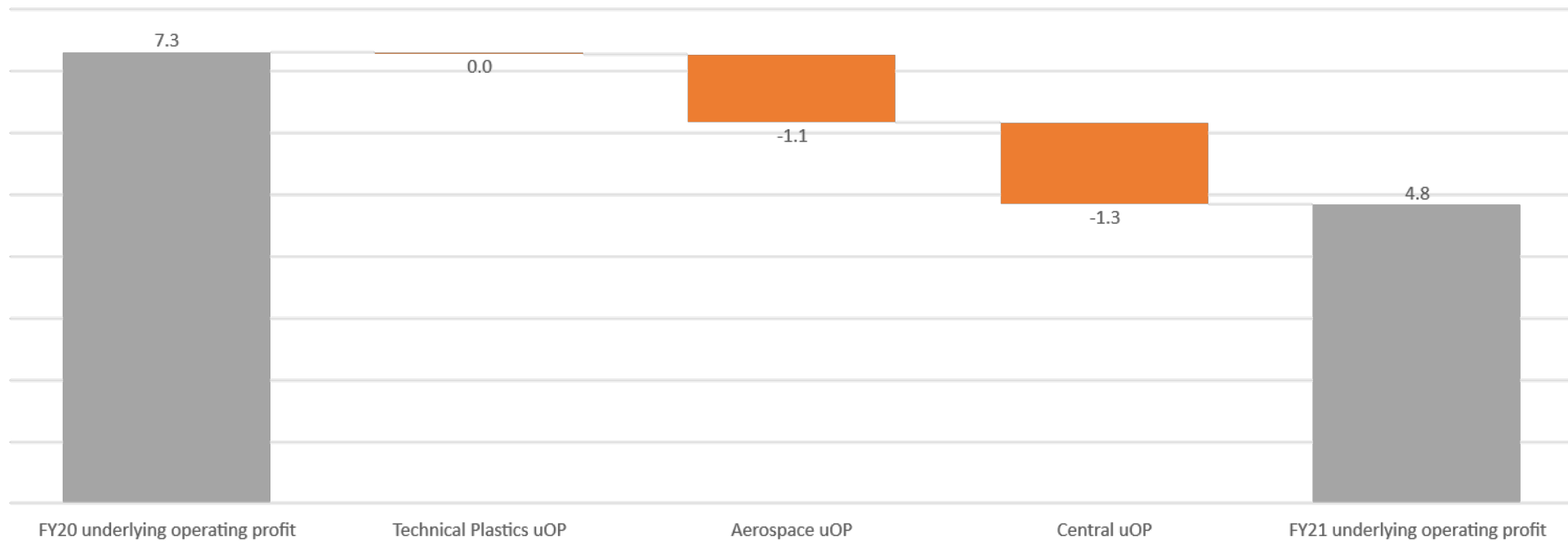


Summary – COVID-19 impact significantly mitigated

- Revenue resilient at 2.7% down YOY despite COVID-19 impact
- CTP Revenue broadly similar YOY £102.5m (2020: £103.1m)
- Aerospace Revenue £5.1m, down 31.7% (£2.4m) YOY on COVID-19 sector impact
- Underlying operating profit £4.8m, down £2.5m YOY comprising:
 - CTP operating profit almost level at £9.2m (2020: £9.3m)
 - Aerospace operating profit £1.1m down on £2.4m lower revenue
 - Central costs up £0.6m on fx translation and £0.7m higher PPF levy costs
- Underlying eps down to 2.4p from 4.9p on £1.7m earnings down from £3.6m
- Group statutory retained operating profit rose £7.5m YOY to £9.3m on £10m gains in exceptional items
- Net debt (excluding leases) was £1.6m lower at £20.5m
- Net debt (which includes lease liabilities) broadly level £27.6m (2020: £27.4m)
- Net debt funding now underpinned by new principal banking facilities agreed in August 2020.

¹Underlying operating profit is defined as operating profit from continuing operations adjusted to exclude all exceptional items.

Underlying operating profit bridge £m

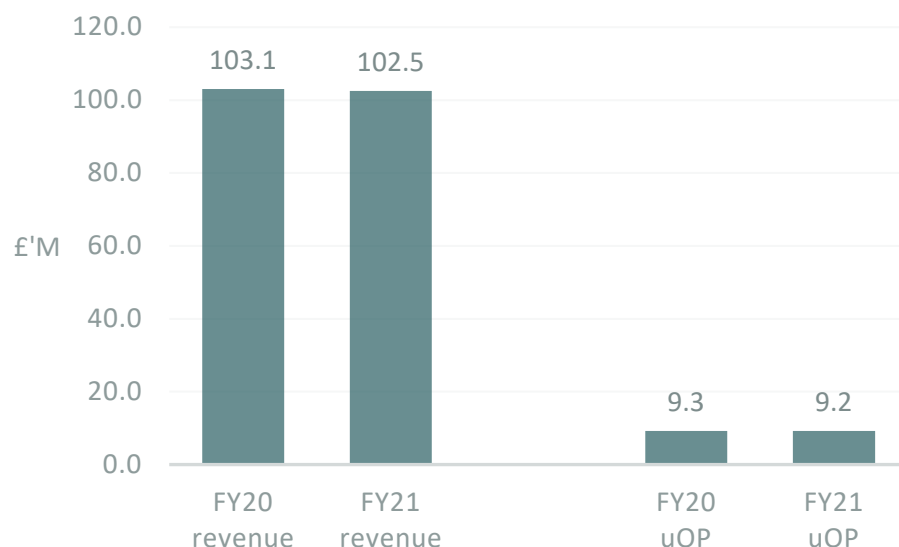


- Underlying profit down by £2.5m to £4.8m
- CTP resilient, profitability broadly unchanged at £9.2m
- Operating profit results include all COVID-19-related adverse impact and support (no COVID-19 financials in Exceptionals)
- Main impact is £1.1m Aerospace, and £1.3m central costs (£0.7m higher PPF levy and £0.6m fx)

Divisional Operating Performance Summary



Carclo Technical Plastics Revenue and Underlying Op. Profit £m



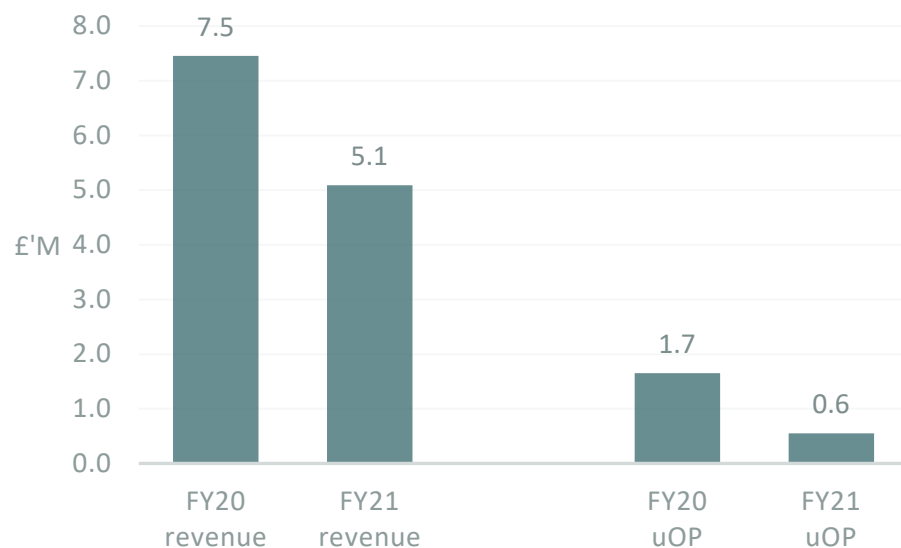
CTP – Performance Summary

- Revenue stable at only 0.6% down YOY
 - Lower volumes from COVID-19 impact offset by new business won
 - H2 Recovery to £55.3m, 17% up on H1 (£47.2m) hit by mandatory closures across global sites
- Underlying op. profits stable, 0.4% down at £9.2m (2020: £9.25m)
 - H2 £6.0m, £2.8m increase from H1 £3.2m on £8.1m higher sales
 - 2020 level at H2 £4.6m, against £4.7m H1
- Operating margin stable at 9.0%
- Prospects for CTP remain robust, with new major customers gained in the year

Divisional Operating Performance Summary

Aerospace

Revenue and Underlying Op. Profit £m



Aerospace – Performance Summary

- Aerospace is hardest hit and may take c.3-4 years to recover, but is:
 - Generating cash at its low point
 - Much smaller in scale and impact at below 5% of Carclo turnover
- COVID-19 impact taking longer to work through, given high proportion of aftermarket sales
 - H2 sales (£2.4m), H1 (£2.7m)
- £0.6m underlying operating profit down £1.1m on £2.4m lower revenue

Consolidated Income Statement



Consolidated income statement	2021	2020
year ended 31 March	£000	£000
Continuing operations		
Revenue	107,564	110,506
Underlying operating profit	4,840	7,313
- Rationalisation costs	(1,968)	(4,065)
- Past service credit in respect of retirement benefits	6,458	-
- Impairment of Aerospace	-	(1,405)
Exceptional items	4,490	(5,470)
Operating profit	9,330	1,843
Finance revenue	42	97
Finance expense	(2,701)	(2,485)
Profit / (loss) before tax	6,671	(545)
Income tax expense	(457)	(1,355)
Profit/(loss) after tax but before profit/(loss) on discontinued ops	6,214	(1,900)
Profit / (loss) on discontinued operations, net of tax	1,198	(9,509)
Profit / (loss) for the period	7,412	(11,409)

Consolidated Income Highlights

CONTINUING OPERATIONS

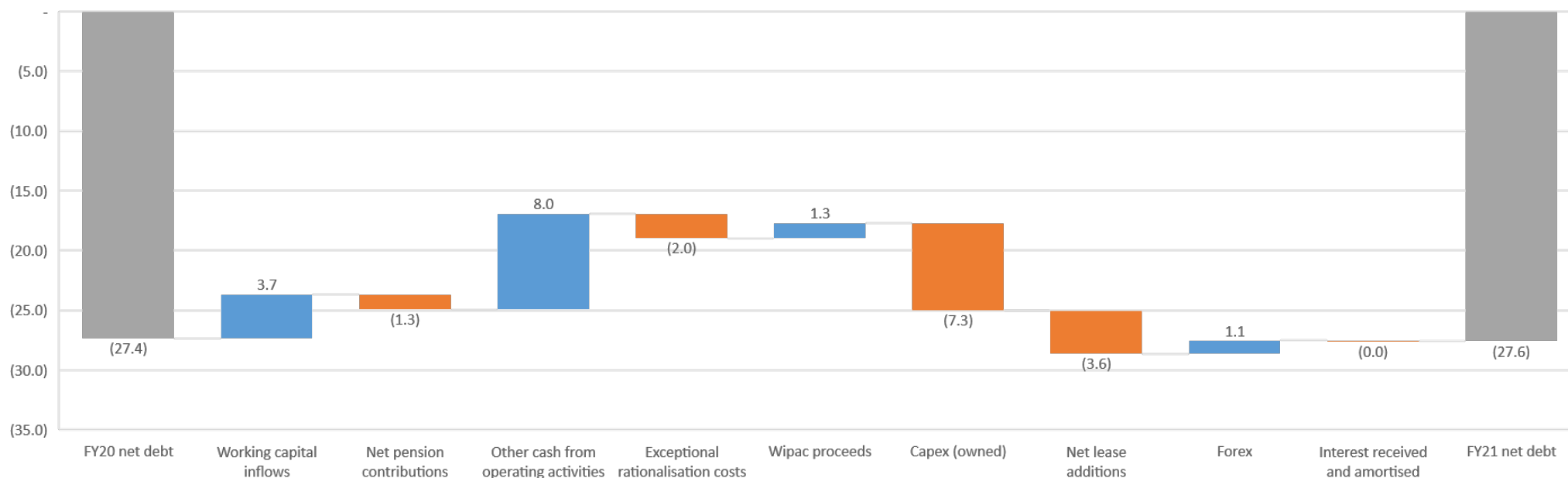
- Of £107.6m Revenue H1 of £50.0m rose 15% to £57.6m in H2 with COVID-19 recovery
 - This contrasts with 2020 H2 Revenues dropping 3% at £54.4m on H1 (£56.1m)
- Of £4.8m underlying Op. Profit. H2 at £3.3m, was up £1.8m on H1 £1.5m on £7.6m higher revenue
 - (2020 H2 u Op. Profit £4.0m, up £0.7m on £3.3m for H1 2020)
- Exceptionals YOY £10m overall reversal gain from:
 - Exceptional rationalisation costs halved by £2.1m to £2.0m from £4.1m 2020
 - Exceptional past service pension credits £6.5m (£6.7m new flexible retirement offer effect, £0.2m GMP equalisation costs)
- Finance costs up £0.2m to £2.7m including new bank agreement fees
- Income tax reduced to £0.5m from £1.4m from provisions no longer required, reduced taxable profits and lower mix of regional tax rates
- £8.1m improvement in Profit After Tax for continuing operations to £6.2m

DISCONTINUED OPERATIONS

- £1.2m net profit from the LED technology businesses exit

Group Net Debt YOY movement

Group net debt (£m)

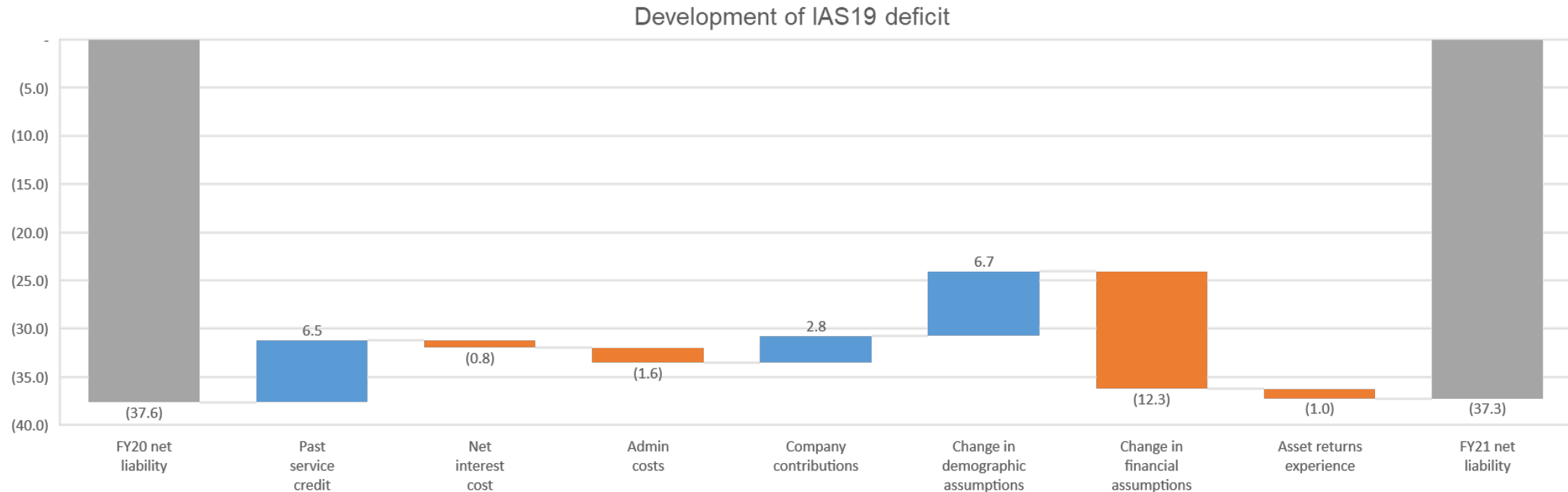


- Net debt marginally increased, up £0.2m to £27.6m
- Operating cash inflows of £8.0m were complemented by working capital inflows of £3.7m, with positive fx gains of £1.1m offsetting P&L losses, and £1.3m receipts from the discontinued technology businesses, totalling £14.1m of inflows
- Against this, £7.3m was invested in capex, £3.6m in lease additions, £1.3m in net pension contributions, and £2.0m in rationalisation costs totalling £14.3m in outflows including nominal movements

IAS 19 Deficit Movements (£m)



IAS deficit movement to 31 March 2021



- Overall £0.3m reduction. Key changes:
 - BPO credit of £6.5m from new flexible retirement offer March 2021
 - Admin Expenses include PPF levy increase to £0.9m, and higher admin expenses from restructuring
 - Financial assumptions £12.3m adverse, mainly lower discount rates; asset returns experience £1.0m lower
 - Demographics £6.7m gain including mortality

Consolidated Financial Position



Consolidated statement of Financial Position at 31 March 2021	2021 £000	2020 £000
Intangible assets	21,848	22,880
Property, plant and equipment	43,218	40,395
Deferred tax assets	384	407
Trade and other receivables	112	114
Total non-current assets	65,562	63,796
Inventories	12,821	14,201
Contract assets	2,898	1,424
Trade and other receivables	19,254	19,775
Cash and cash deposits	15,485	19,309
Total current assets	50,458	54,709
Total assets	116,020	118,505
Loans and borrowings	37,997	3,862
Deferred tax liabilities	4,393	4,559
Contract liabilities	866	-
Retirement benefit obligations	37,275	37,620
Total non-current liabilities	80,531	46,041
Loans and borrowings	5,084	42,804
Trade and other payables	17,016	18,420
Current tax liabilities	17	879
Contract liabilities	5,461	1,607
Provisions	-	23
Total current liabilities	27,578	63,733
Total liabilities	108,109	109,774
Net assets	7,911	8,731
Equity		
Ordinary share capital issued	3,671	3,671
Share premium	7,359	7,359
Translation reserve	5,333	7,051
Retained earnings	(8,426)	(9,324)
Total equity attributable to equity holders	7,937	8,757
Non-controlling interests	(26)	(26)
Total equity	7,911	8,731

Consolidated Statement of Financial Position 2021

- Non-Current Tangible Assets: Capitalisation increased by net £2.8m
- Working Capital: Reduced YOY and generated £3.7m in cash flow
- Net Debt excluding leases £20.5m, down £1.6m from £22.1m and includes US COVID-19 support loan of £2.1m (forgiven in May 2021 by the US Government)
- Net Debt including leases £27.6m, up £0.2m from £27.4m, including £1.8m in increased lease debt
- Retirement Benefit Obligations: IAS 19 deficit broadly same YOY at £37.3m (2020: £37.6m)
- Net Assets: Overall £0.8m reduction after fx translation net losses of £1.7m

Group Operating Cash Flow Summary – includes discontinued operations



	2021 £000	2020 £000
Cash generated from operations	11,202	21,803
Interest paid	(1,782)	(1,568)
Tax paid	(1,023)	(933)
Net cash from operating activities	8,397	19,302
Cash flows from investing activities		
Proceeds from sale of business, net of cash disposed	1,250	5,456
Proceeds from sale of property, plant and equipment	21	2,500
Interest received	42	104
Acquisition of business, net of cash acquired	-	(250)
Purchase of property, plant and equipment	(7,180)	(8,512)
Purchase of intangible assets & computer software	(139)	(19)
Net cash used in investing activities	(6,000)	(721)
Cash flows from financing activities		
Drawings on new facilities	38,697	-
Transaction costs associated with the issue of debt	(380)	-
Repayment of borrowings excluding lease liabilities	(31,666)	(9)
Repayment of lease liabilities	(1,601)	(3,122)
Net cash from (used in) financing activities	5,050	(3,131)
Net increase in cash and cash equivalents	7,441	15,450
Cash and cash equivalents at beginning of period	8,352	(7,038)
Effect of exchange rate fluctuations on cash held	(308)	(60)
Cash and cash equivalents at end of period	15,485	8,352

- £11.2m cash generated from operations
 - 2020 comparatives include realisation of assets from LED technologies discontinued operations
- (£2.8m) applied to interest and tax
- (£7.3m) capex spend
- £6.3m generated from financing & sale proceeds
- £7.4m increase in cash and equivalents

Summary and Outlook

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- Business stabilised and now improving
- New management team and Board appointed
- Simplified business structure
- Processes strengthened and rigorous review process in place
- Significant investment in CAPEX for future growth
- CTP performing well, Aerospace will take some time to recover
- Clear strategies in place for both divisions

We are encouraged by our trading performance during the first quarter and the Board expects to see good progress in the current year.

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