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Carclo plc

Investor Presentation 12 July 2023

Unaudited Preliminary Results for FY22/23

Joe Oatley – Chairman

Frank Doorenbosch – CEO

David Bedford – CFO

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£143.4m

Total Revenue

Last year £138.2m*

* At constant exchange rates

Markets we serve

-  **Life Science**
-  **Specialised optics**
-  **Aerospace**
-  **Precision Tech**



13 sites

1,116 employees

● Carclo facilities ● Markets we serve



Design & Engineering

Innovative solutions and strategic partnerships for enduring customer success.



Manufacturing Solutions

Streamlined, specialised manufacturing processes for efficient global production.



Aerospace

Delivering superior, high precision aerospace components for a post-COVID-19 resurgence.

New Strategy and Team

Revitalised strategy, team, and operations in H2 to overcome rising debt costs, input expenses, and market shifts. Positioned for enhanced resilience and agility.

Operational Excellence

While making good progress on our new strategy, we acknowledge that we are still at an early stage and there is significant work ahead.

Market Performance

Maintained robust performance in the Design & Engineering, and Manufacturing Solutions, with remarkable improvement in the Aerospace division.

Financial Health

We are rebuilding margins and implemented stricter working capital and capex management in H2 to enhance cash flow and address net debt challenges.

Investment in Talent and Infrastructure

Significant investments in training facilities and programs.

Sustainability Efforts

Launch of the 'Zelda' initiative aimed at waste reduction and energy consumption optimisation.

84%

Cash Conversion*

Last year 43%

£34.4m

Net Debt**

Last year £33.9m***

£143.4m

Revenue

Last year £138.2m***

* Cash generated from operations /EBITDA

** Including IFRS16 Lease liabilities

*** At constant exchange rates

Health & Safety #1

Championed an uncompromising commitment to health & safety, emphasising its importance at every level of operations.

Leadership in Transformation

Leading the company through a critical period of strategic transformation.

Promoting Diversity

Enhanced decision-making through the promotion of board and executive team diversity.

Regional Focus

Drove stronger margins, especially in the EMEA region through successful strategic realignment. Regional reset in the US is ongoing.

Commitment to Sustainability

Demonstrated leadership in embracing sustainability, starting with the 'Zelda' initiative and EcoVadis partnership.

Revenue Resilience

Navigated market fluctuations to ensure revenue resilience.

1.47

Incident Frequency Ratio*

Last year 2.55

31%

Female senior executives

Last year 11%

155 tCO₂

Energy Intensity**

Last year 172 tCO₂

* All incidents per 100.000 hours worked
** Tons of CO₂ generated per £1m of revenue

A photograph of three people in a factory setting. A woman in a bright orange blazer and safety glasses is on the left, looking towards two men. One man in a light blue shirt and safety glasses is in the middle, and another man in a dark blue blazer and safety glasses is on the right, gesturing with his hand. The background shows industrial machinery and a blue metal structure.

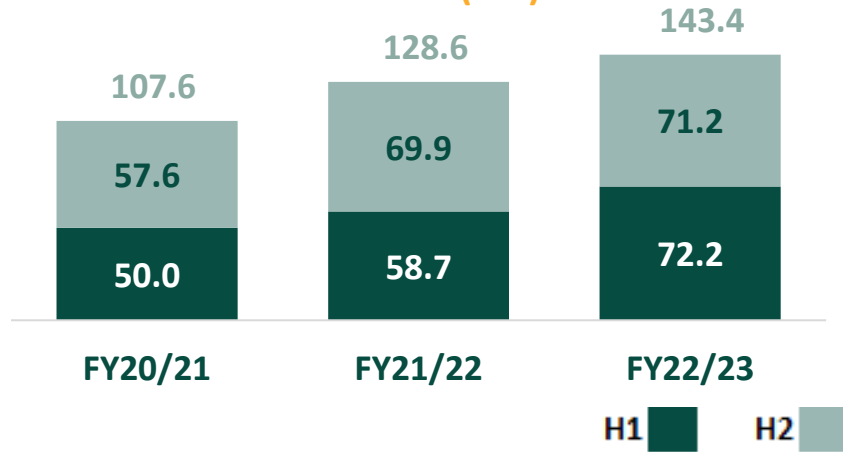
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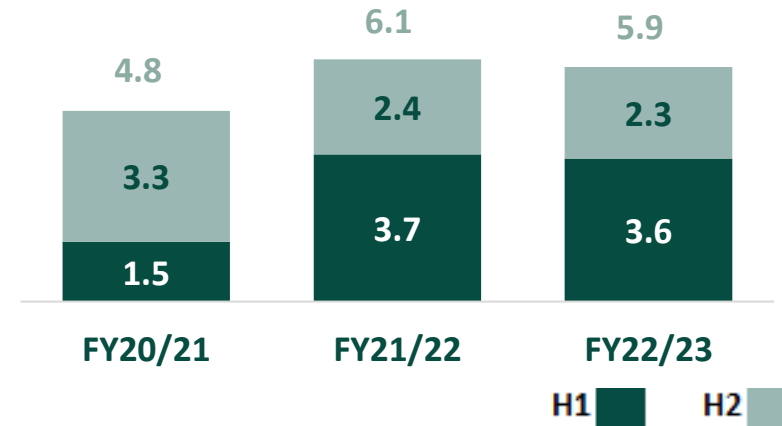
Financial Overview & Business Performance

David Bedford - CFO

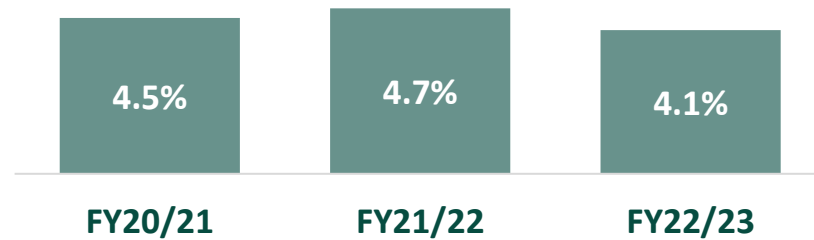
Revenue (£m)



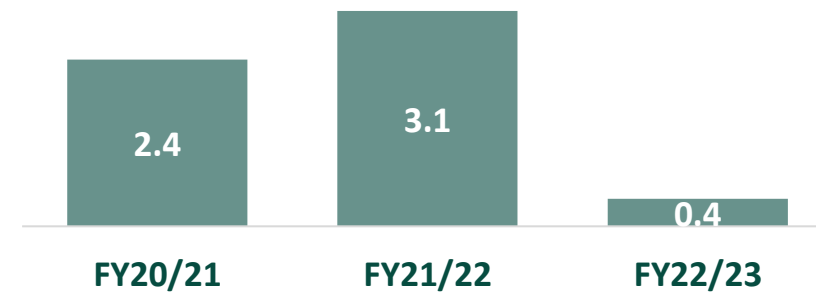
Underlying Operating Profits (£m)



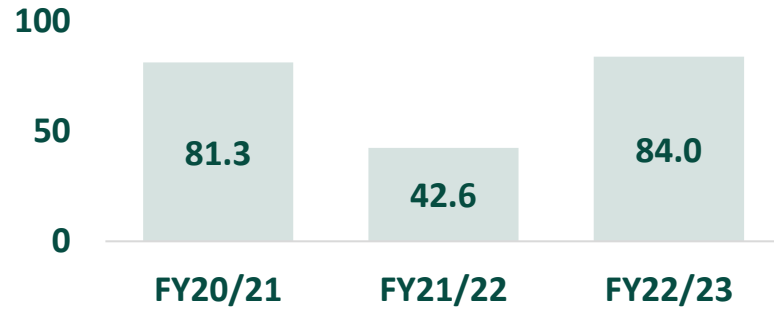
Return on Sales



Underlying Earnings per Share (pence)

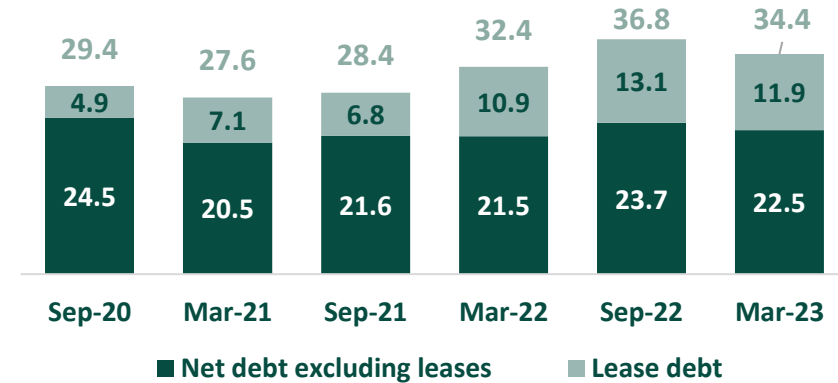


Cash Conversion rate (%)*

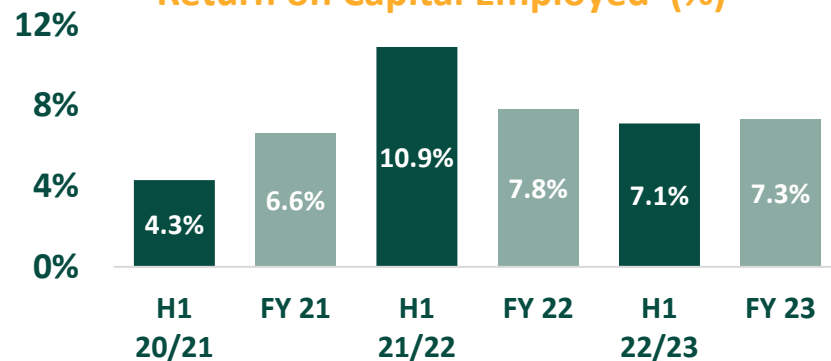


* Cash generated from operations / EBITDA

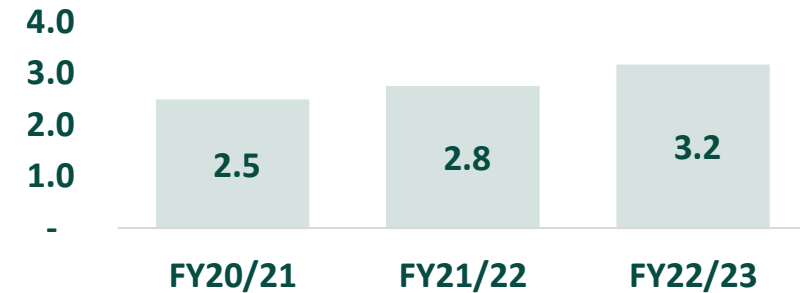
Net Debt (£m)



Return on Capital Employed (%)



Fixed Asset Utilisation**



** Revenue / Tangible Fixed Assets

£000		
<i>Continuing operations:</i>	FY22/23	FY21/22
Revenue	143,445	128,576
Underlying operating profit	5,939	6,096
COVID-related US government grant income	0	2,087
Operating profit before exceptional items	5,939	8,183
Exceptional items	(4,710)	721
Operating profit	1,229	8,904
Finance revenue	218	77
Finance expense	(3,967)	(3,066)
(Loss) / Profit before tax	(2,520)	5,915
Income tax (expense) / credit	(1,437)	(809)
Profit on discontinued ops, net of tax	0	693
(Loss) / Profit for the period	(3,957)	5,799

£'000

	FY22/23	FY21/22
Continuing Operations		
Rationalisation costs	(3,404)	(133)
Cancellation of future supply agreement	(877)	-
Doubtful debt and related inventory provision	(896)	-
Legacy claims	(302)	-
Credit on disposal of surplus properties	769	-
Gain in respect of retirement benefits	-	854
	<u>(4,710)</u>	<u>721</u>
Discontinued Operations		
Profit from disposal of discontinued operations	-	693
	<u>(4,710)</u>	<u>1,414</u>

One off cash

Net effect of:

- Sales Proceeds of Building Tucson £2.8m inflow
- Exceptional cash cost FY22/23 £2.2m outflow

£m	Mar 23	Sep 22	Mar 22
Tangible Fixed Assets	45.3	49.5	47.0
Intangibles	23.5	24.6	22.7
Inventories	15.2	18.1	17.0
Other working capital	0.6	3.5	(0.3)
Net working capital	15.8	21.6	16.7
Cash	10.4	10.7	12.3
Gross Debt	(44.8)	(47.6)	(44.8)
Net tax liabilities	(4.1)	(4.2)	(3.6)
Retirement benefit obligations	(34.5)	(24.9)	(26.0)
Net assets	11.6	29.7	24.4

	Mar 23	Sep 22	Mar 22
Gearing*	92%	76%	74%
Net debt	(34.4)	(36.8)	(32.4)
Net debt to uEBITDA**	2.5	2.7	2.5
Undrawn facilities	-	-	-

* gearing is defined as net debt as a proportion of total equity excluding tax-sheltered retirement benefit obligations

** last twelve months uEBITDA

Post Year End Debt Reduction

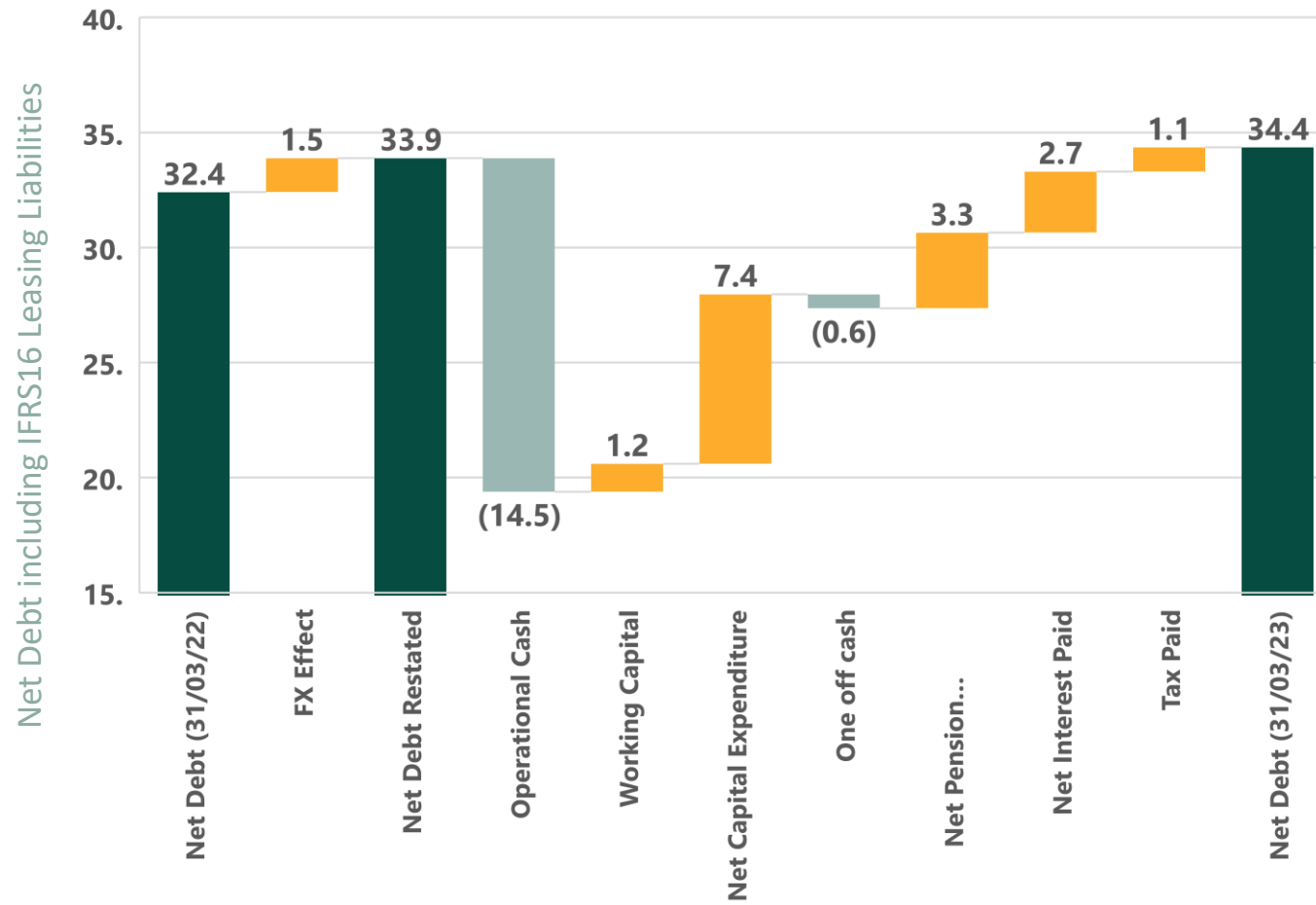
Since March 31, 2023, the Group has repaid £3.7 million of term loans ahead of schedule and reduced its RCF balance from £3.5 million to £2 million, leaving £1.5 million undrawn as at the end of June.

£m	FY22/23	FY21/22	Change
(Loss) / Profit for the Year	(4.0)	5.8	(9.8)
Net pension scheme contribution	(2.7)	(2.7)	
Depreciation and amortisation	8.0	7.0	
Net exceptional (gains) and losses	2.5	(0.9)	
Conversion of COVID loan to grant		(2.1)	
Profit on business disposal		(0.7)	
Net interest expensed	3.7	3.0	
Taxation expense	1.4	0.8	
Other	(0.0)	0.1	
Working capital decrease / (increases)	(1.2)	(3.6)	
Cash Generated from Operations	7.8	6.8	1.0

	FY22/23	FY21/22	Change
Cash Generated from Operations	7.8	6.8	1.0
Net interest paid	(2.7)	(2.4)	
Tax paid	(1.1)	(1.3)	
Capital expenditure	(2.4)	(4.9)	
Disposal of fixed assets	1.4	0.0	
Disposal of business	-	0.7	
Net repayment of loans	(1.5)	(0.7)	
Lease repayments	(4.1)	(3.2)	
Sale and lease back of property	1.2	1.4	
Refinancing costs paid	(0.3)		
FX impact on cash held	(0.3)	0.5	
Overall Movement in Cash	(2.0)	(3.1)	1.1
Cash at Start of Period	12.3	15.5	
Cash at End of Period	10.4	12.3	
Cash Conversion Rate	84.0%	42.6%	

Net Debt movement FY21/22 to FY22/23

Net Debt Bridge (£m)

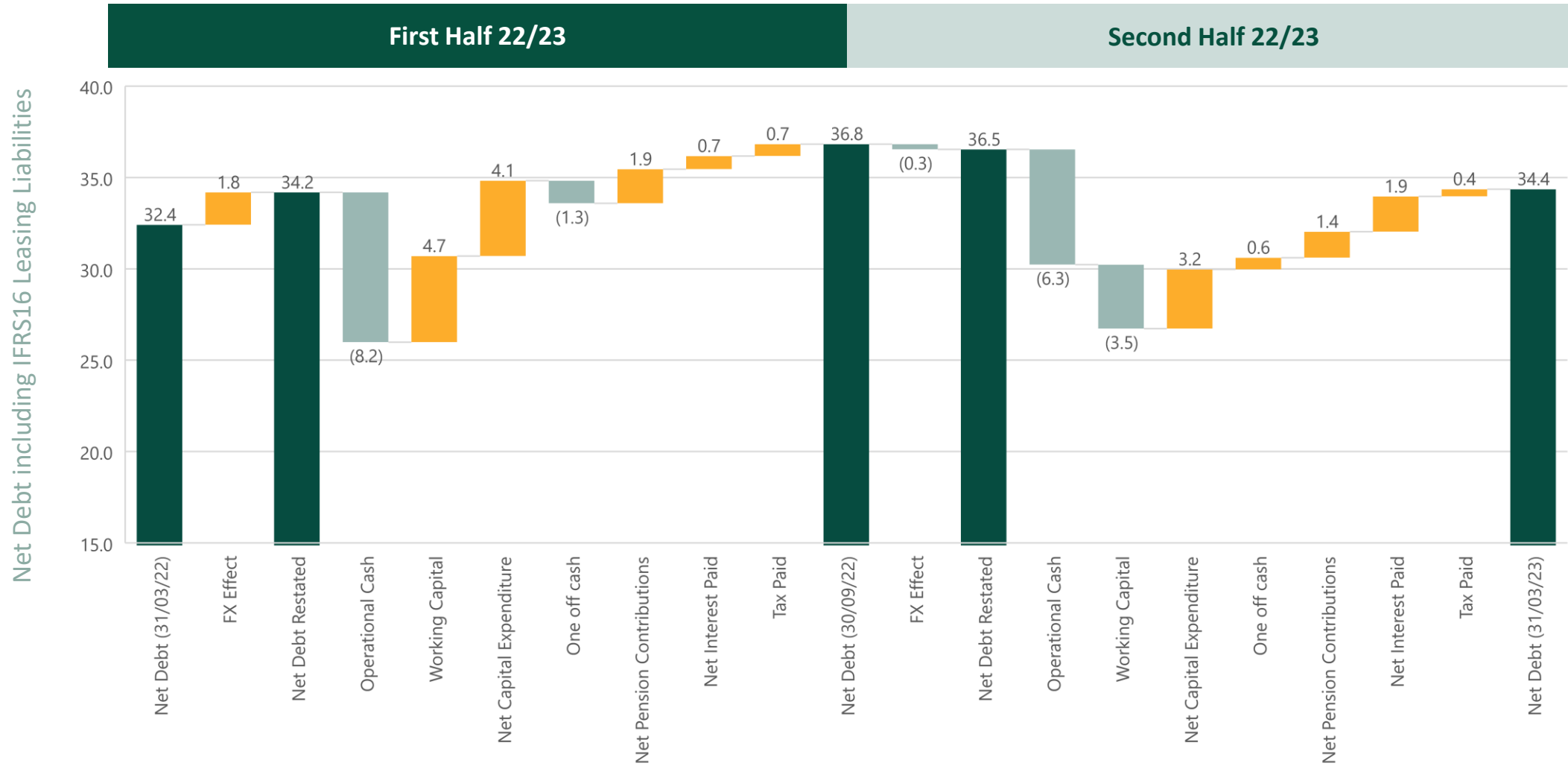


One off cash

Net effect of:

- Sales Proceeds of Building Tucson £2.8m inflow
- Exceptional cash cost FY22/23 £2.2m outflow

Net Debt Bridge – Half Year Movements



£m	FY22/23	FY21/22
Deficit b/f	(26.0)	(37.3)
Net interest cost	(0.7)	(0.7)
Administration cost	(1.4)	(1.2)
Company Contributions	4.1	3.9
Change in Liabilities	40.7	16.1
Asset return experience	(51.2)	(6.8)
Deficit c/f	(34.5)	(26.0)

Market Volatility

The year saw significant market volatility, with bond and gilt yields spiking after the September 2022 "mini budget," impacting the value of pension assets.

Liability Hedge Impact

The pension fund, which maintained an 80% liability hedge through LDI and bond holdings, experienced a decline in asset value, although to a lesser extent than the corresponding liabilities being hedged.

Investment Returns

Other scheme assets, including property and global equity funds, also faced negative returns during the period, contributing to an increase in the IAS 19 deficit.

Adjusted Hedged Liability

In response to the market conditions, the Trustees reduced the level of the hedged technical provisions liability to 60%, mitigating the risk of unsupportable hedges in the event of future gilt yield rises.

Increased Liquidity

To enhance stability, the scheme maintains "cashflow matching" bonds, covering a significant portion of expected pension outflows for the next 9 years, providing greater certainty in meeting payment obligations.



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Business Review & Outlook

Frank Doorenbosch - CEO



Strong Revenue Performance

Achieved robust revenues of £20.1m in FY22/23, showcasing our ability to generate sustained revenue growth.

Strategic Focus on Life Sciences

Despite a decline from peak levels in the prior year, CTP D&E sales remained significantly higher than the average of the last 3 years, highlighting our strong strategic partnerships with existing customers.

Healthy Order Book

Entered FY24 with a solid order book and a promising pipeline of opportunities, positioning us favourably for continued success and growth.

State of the Art Training Facility

Establishing a cutting-edge training facility at our Roseytown location in Pennsylvania, serving as a dedicated space for validation and in-house training on manufacturing lines, mould technology, and material behaviour.

Investment in Excellence

Our commitment to excellence is evident through our investment in enhancing design and engineering capabilities, ensuring we stay at the forefront of the industry and deliver innovative solutions to our customers.



Stable Revenue Performance

Adjusted for exchange rates, CTP Manufacturing Solutions saw a modest rise in sales to £116.7m (FY21/22: £104.9m). Inflation and energy cost pressures were offset with pricing adjustments and surcharges, primarily in H2.

Profit Generation down on FY21/22

Overall, the CTP Division (including CTP Design & Engineering) delivered an operating profit before exceptional items of £7.3m (£3.2m lower than in FY21/22, which included £2.1m of COVID-19 grant income).

Successful Pivot Following Contract Cancellation

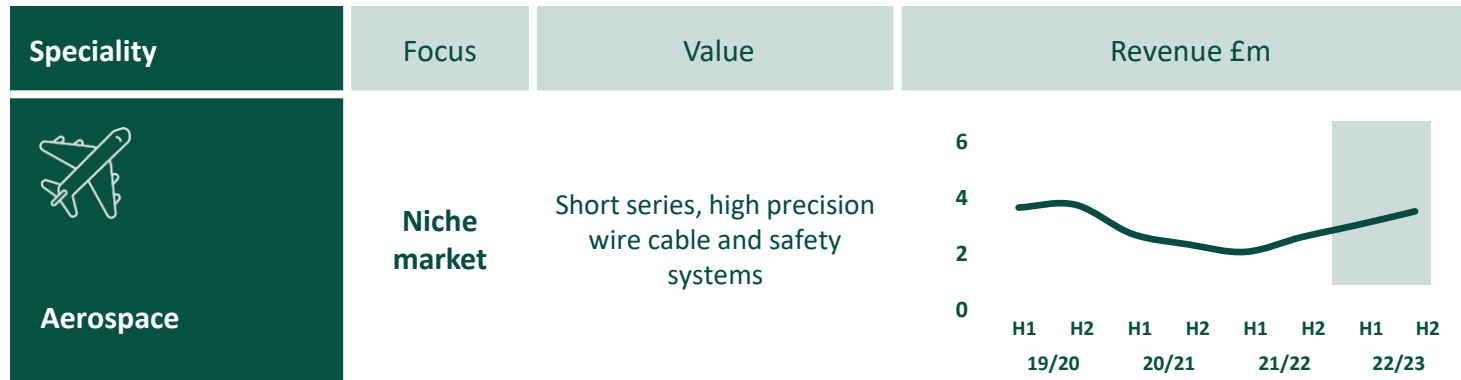
Rapidly responded to news that a major new contract related to COVID-19 testing was not going ahead with assets redeployed to other projects and successfully negotiated an appropriate commercial settlement.

Strategic Investment in Automated Processes and Technology

We continue to invest in automation to reduce manual labour, improve speed and improve precision. During the year we implemented robust data collection and analysis tools providing improved transparency over our processes, products and customers.

Factory Focus and Specialisation

Our journey towards factory specialisation, emphasising operational excellence and minimising complexities within our manufacturing processes. The first phase of resetting EMEA is delivering improved operational performance, asset utilisation and labour efficiency.



Impressive Revenue Growth

Achieved impressive revenue growth in FY22/23, reaching £6.6m compared to £4.7m in FY22, driven by the ongoing post COVID-19 recovery within the aerospace industry.

Strong Profit Delivery

Demonstrated strong profitability, with the Aerospace Division delivering an operating profit of £1.5m, up from £0.7m in FY22, showcasing our ability to generate sustainable profits.

Robust Order Intake

Maintained a healthy order intake, with customers' production schedules extending further than usual, reflecting the tight supply chain dynamics within the aerospace industry.

Supply Chain Challenges

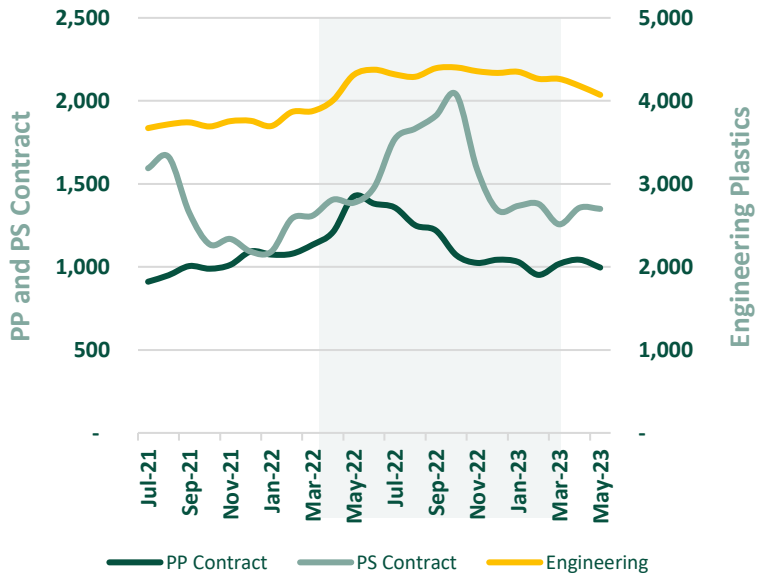
Faced longer lead times for the supply of specialised metals, resulting in pressure on our cash conversion rate within the Aerospace Division.

Positioned for Continued Growth

With the aerospace sector experiencing a continued upswing, we are well-positioned for further growth. Customers value our ability to produce high-quality precision components and meet stringent safety standards from our certified and specialised facilities

Raw material prices

Monthly Averages GBP / tonne



PP = polypropylene

PS = polystyrene

Engineering = Engineering Plastics

Source: Plastrubution Ltd

Margin pressure

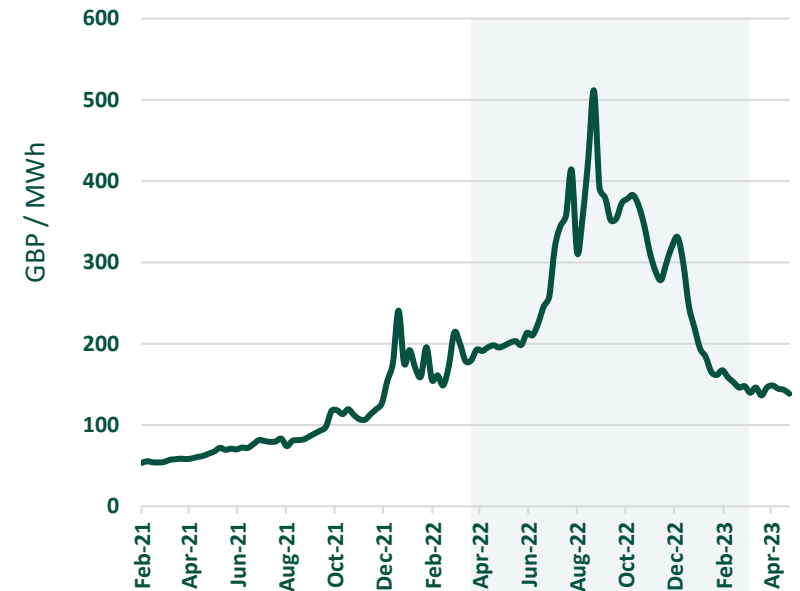
- Time delay in passing on raw material increases
- Higher energy costs
- Inflation of labour cost

Key focus areas:

- Operational excellence
- Energy saving programs and energy surcharges
- Back-end Automation programs
- Sales pricing to reflect new cost reality

Electricity prices UK

Weekly Forward Delivery Contracts – GBP/MWh



Source: www.gov.uk



Life Science



% Revenue

As the growth related to COVID-19 testing is fading, our focus remains on capitalising on the sustained expansion of the life science market, particularly in the APAC region.



Precision Tech



% Revenue

As the market for traditional ATMs experiences a gradual shift, our precision-engineered parts play a crucial role in driving the advancement of safety products and home automation.



Specialised optics



% Revenue

Responds to the demand for sustainable, high-performance lighting and digitised industries, delivering innovative and tailored optical solutions.



Aerospace



% Revenue

Leveraging experience and precision to address the industry's recovery, championing resilient supply chains and greener aviation with advanced, reliable cable and safety solutions.





CTP EMEA



% Revenue



Revenue
FY22/23 vs
FY21/22

Streamlined factory specialisation amplifies operational efficiency and regional synergy, bolstering sustainable profitability.



CTP Americas



% Revenue



Factory specialisation strategy in progress, primed to seize dynamic market opportunities and reinforce our regional foothold.



CTP APAC



% Revenue



Leveraging growth opportunities, aligning strategies with regional demands and ensuring robust performance in a dynamic market environment.



Aerospace



% Revenue



Post COVID-19 resurgence in Aerospace sector underpins our adaptability, leveraging century-long expertise to target burgeoning market opportunities.



Safety & Wellbeing

Prioritise the health and safety of our colleagues – a cornerstone of our operational DNA.

Strengthening the Balance Sheet

Enhance financial health, control expenditures, improve cash conversion, and reduce net debt levels for a strengthened balance sheet.

Employee Development

Invest in professional enhancement through regional Educational and Excellence Centres.

Operational Excellence

Maximise utilisation and efficiency through process and equipment standardisation.

Product Focus Factory Specialisation

Capitalising on unique facility strengths to enhance efficiency, drive focused performance, and deliver unrivalled customer value.

Embracing Sustainability

Integrating environmental care, social fairness, and economic vitality into the core of our strategic approach, setting new standards.

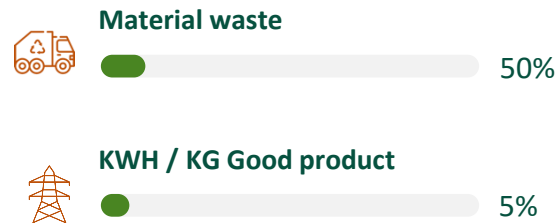


Our Commitment



Regularly setting and refining sustainability targets. Proactively acting and sharing transparent updates on our achievements, challenges, and future steps.

Zelda Initiative



Driving waste reduction by 50% within two years. Aiming for a 5% annual decrease in energy consumption per kilo of good product.

ecovadis Business Sustainability Ratings



Teamed with EcoVadis for advanced business sustainability ratings and improvement plans throughout the supply chain.

Summary:

- **Strategy and Team Transformation**
We have implemented a new strategy, formed a diverse and dynamic leadership team, and reenergised our focus on employees and customers.
- **Promising Results**
Early signs of improvement, particularly in our EMEA operations, reinforce our confidence in the effectiveness of our initiatives.
- **Financial Stability**
Successful renegotiation of banking covenants up to June 2025, ensures our financial stability as we execute our new strategy.
- **Capitalising on Opportunities**
New and replacement projects with potential existing customers, demonstrate our ability to navigate challenges and seize improvement opportunities.

Outlook

- **Harnessing Potential**
We firmly believe in the potential of our new strategy and leadership team to overcome challenges and drive sustained success.
- **Continued Implementation**
We remain committed to the diligent execution of our strategic approach, ensuring every step brings us closer to our goals.
- **Navigating Transformative Period**
As we navigate this transformative period, we value the continued support and collaboration of all stakeholders.
- **A Path to Sustainable Growth**
Our focus on unlocking new avenues of growth will position us for long-term success and expansion.



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When Precision Matters