

Carr's Group plc Preliminary Results Presentation

December 2021



Highlights

Peter Page – Executive Chairman



Highlights



£417.3m
+5.5%
Revenue

£16.6m
+11.1%
Adjusted PBT

£(10.0m)
Reduction of £8.9m
Net debt

5.0p
+5.3%
Total Dividend

491kt
+2.6%
Total feed

162kt
+12.3%
Feed blocks / minerals

£38.8m
+15.9%
Engineering order book

2.03
Down from 3.76 in FY20
Injury frequency rate

Highlights



- Results ahead of Board's improved expectations set out in 19 July trading update
- Substantial increase in profitability of both Agriculture divisions:
 - Strong performance in Speciality Agriculture assisted by livestock prices in the UK and USA
 - Successful year in Agricultural Supplies with feed volumes, machinery revenues, and retail sales all improved
- Engineering adjusted profits marginally higher, despite lower oil prices and COVID-19 impacting in Q1
- Year end Engineering order book 15.9% higher than prior year
- Strong cashflow performance ending the year with a robust balance sheet
- Board remains confident in prospects of all three divisions

Financial and Operational Review

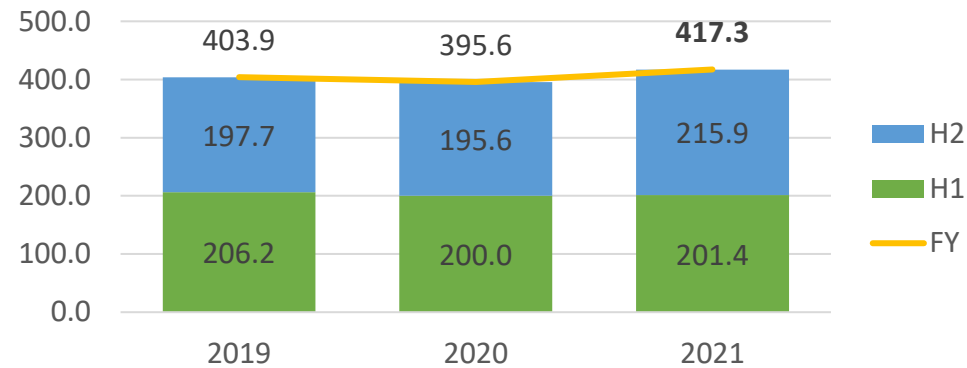
Neil Austin – Chief Financial Officer

Group financial performance

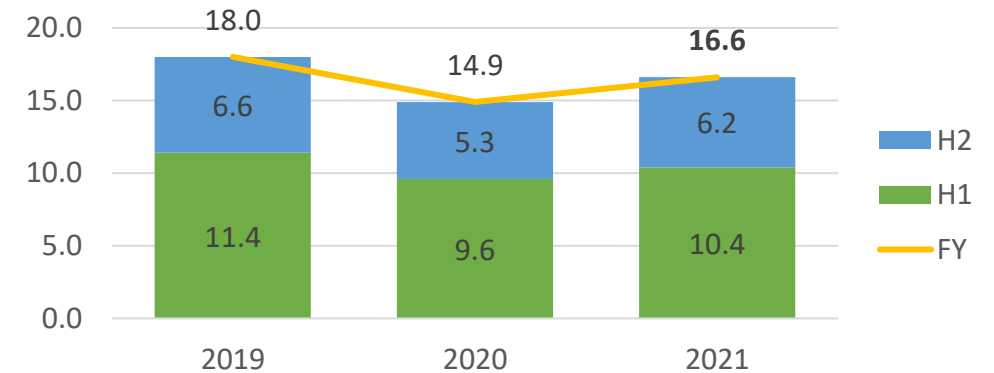
Key figures



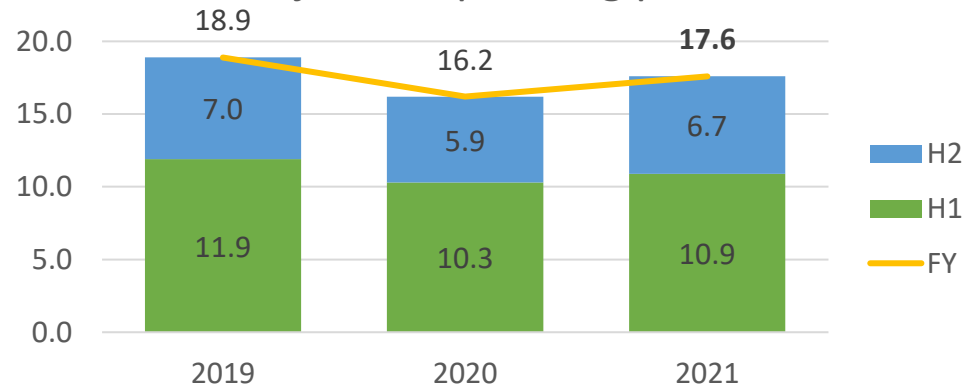
Revenue



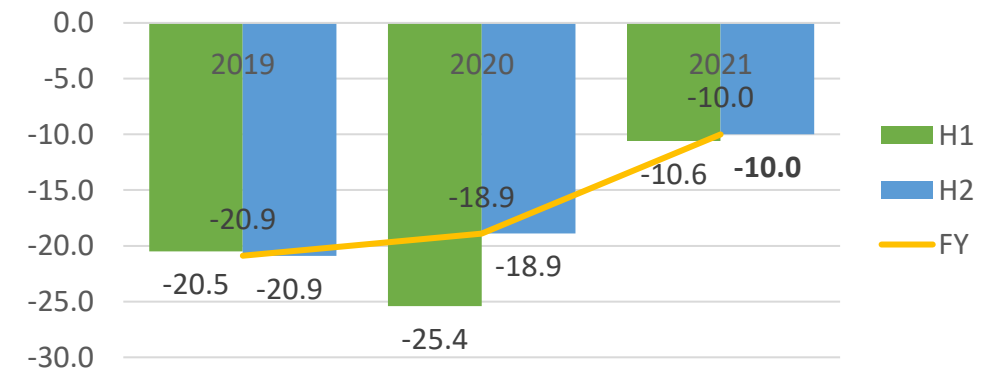
Adjusted profit before tax



Adjusted operating profit



Net debt (excluding leases)



Income statement



	2021 (£m)	2020 (£m)	Change
Revenue:			
Speciality Agriculture	68.5	61.9	+10.6%
Agricultural Supplies	297.5	280.7	+6.0%
Engineering	51.3	53.0	-3.2%
Total revenue	417.3	395.6	+5.5%
Adjusted EBITDA	20.9	20.8	+0.7%
Segmental adjusted* operating profit:			
Speciality Agriculture	9.5	7.6	+25.0%
Agricultural Supplies	6.7	5.8	+15.7%
Engineering	3.9	3.8	+3.0%
Central	(2.5)	(0.9)	N/A
Total adjusted operating profit	17.6	16.3	+7.9%
Net finance costs	(1.0)	(1.3)	-27.6%
Adjusted profit before tax	16.6	15.0	+11.1%
EPS (p) – basic	8.3	9.1	-8.8%
EPS (p) – adjusted	13.2	12.0	+10.0%
Interest cover	13.4	9.1	+47.3%

- Adjusted profit measures are before adjustments totalling £4.6m, comprising: amortisation of acquired intangible assets (£1.2m); restructuring/closure costs (£0.2m); adjustments to contingent consideration in respect of acquisitions (-£1.0m), cloud configuration and customisation costs (£1.9m), impairment of investment in joint venture (£2.1m), and the effect of a change in the rate of deferred tax in our associate (£0.2m).
- Prior year numbers have been restated in respect of cloud configuration and customisation costs. Adjusted profits in FY20 increased by £0.05m in respect of previously charged amortisation.

Balance Sheet

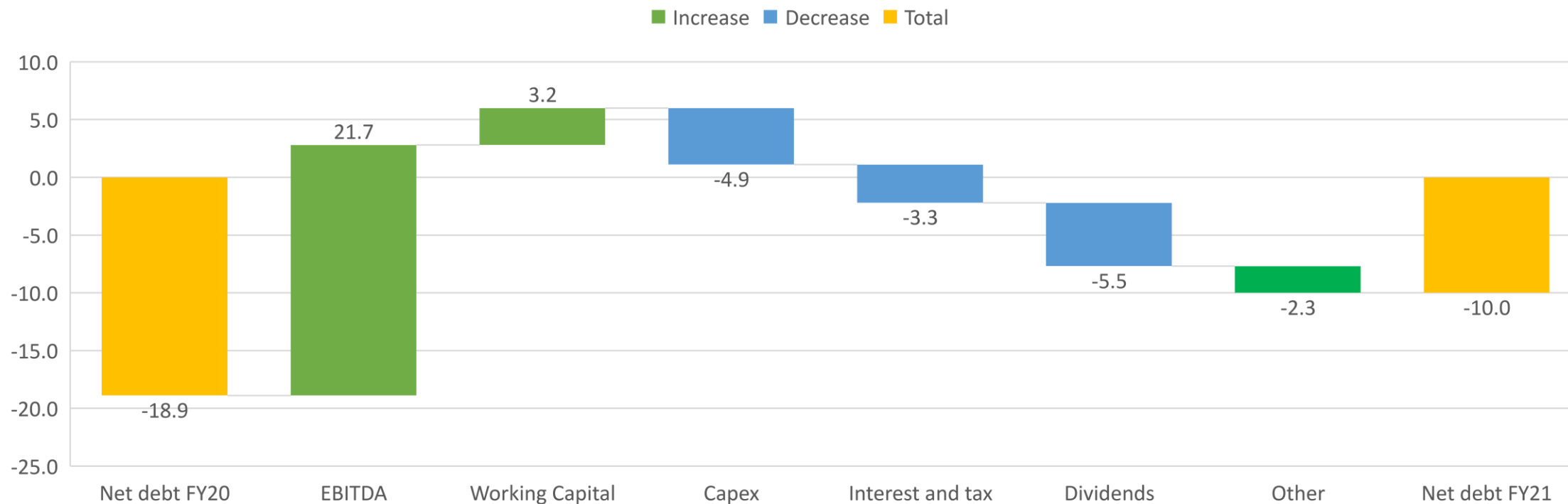


	At 28 August 2021 £m	At 29 August 2020 £m	Change
Fixed assets	114.0	116.4	-2.0%
Net working capital	40.1	42.8	-6.2%
Assets employed	154.1	159.2	-3.2%
Pension surplus	9.4	8.0	+16.6%
Net debt (excluding leases)	(10.0)	(18.9)	-47.2%
Lease liabilities	(15.4)	(13.9)	+10.6%
Tax provisions	(2.9)	(2.8)	+4.7%
Net assets	135.2	131.6	+2.7%
Net debt (excluding leases): Adjusted EBITDA	0.48	0.91	

Key points

- Fixed assets restated to exclude ERP implementation costs
- Net working capital reduced
- Legacy DB pension scheme surplus increased
- Leverage ratio reduced

Movement in net debt

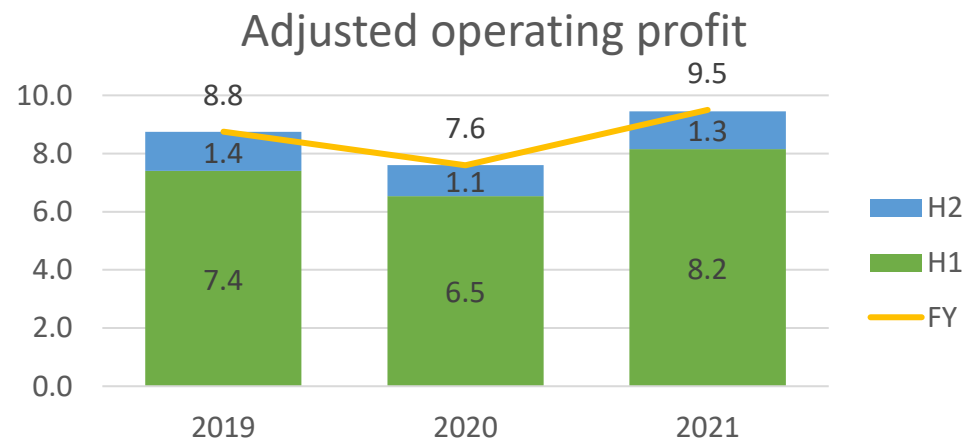
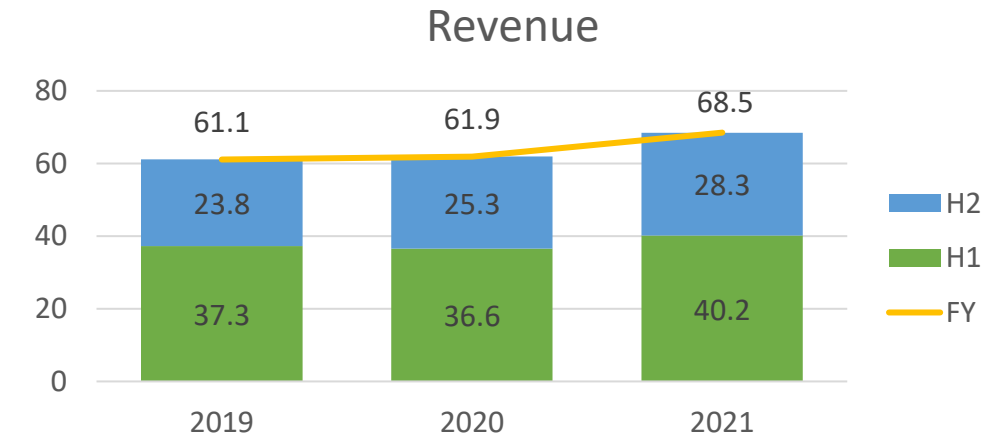


Key points

- Strong EBITDA performance reflected in cashflow
- Interest paid reduced by £0.5m
- Dividends paid £2.1m higher – impact of prior year Covid deferred interim dividend included in current year
- Majority of bank facilities mature in late 2023

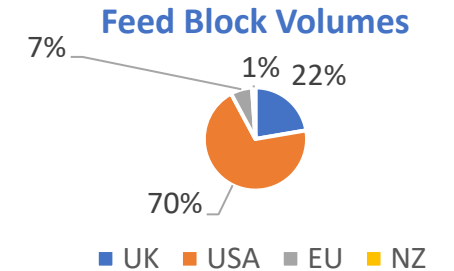
Speciality Agriculture

Strong performance across all geographies



Products and services

- Molasses based feed blocks
- AminoMax® bypass protein
- Trace element boluses



Commentary

- Sales volumes increased 12.3% year on year
 - US sales volumes +13.4%
 - UK sales volumes +10.8%
 - Europe sales volumes + 6.0%
 - New Zealand sales volumes +12.4%
- New dairy product range launched in UK and Ireland
- Product innovation in packaging and novel ingredients
- Automation of bolus manufacturing progressing well

Key priorities

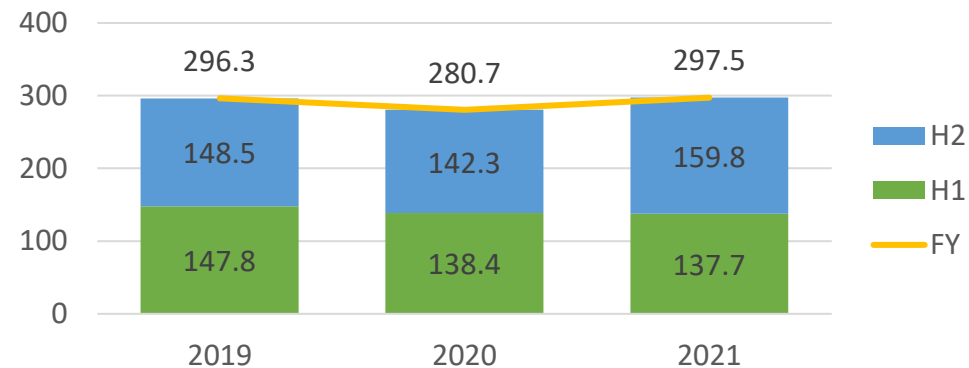
- Growth in North America, Europe and New Zealand
- Continued product innovation
- Completion of bolus automation project
- Acquisitions

Agricultural Supplies

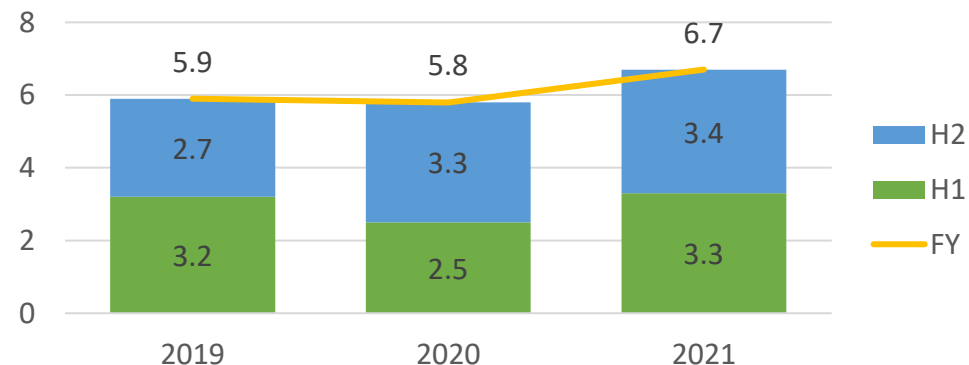
Successful year despite significant increases in commodity prices



Revenue



Adjusted operating profit



Products and services

- Compound feed for ruminant livestock
- Country stores – agricultural and rural supplies
- Agricultural machinery
- Fuel supply

Commentary

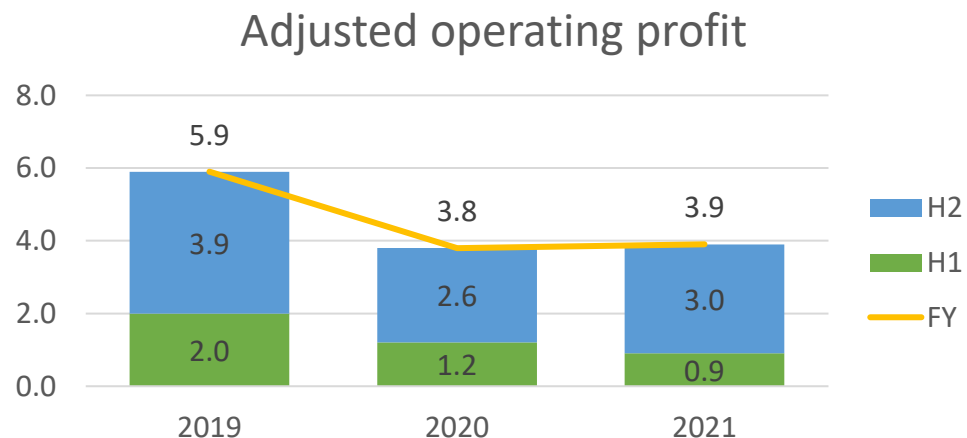
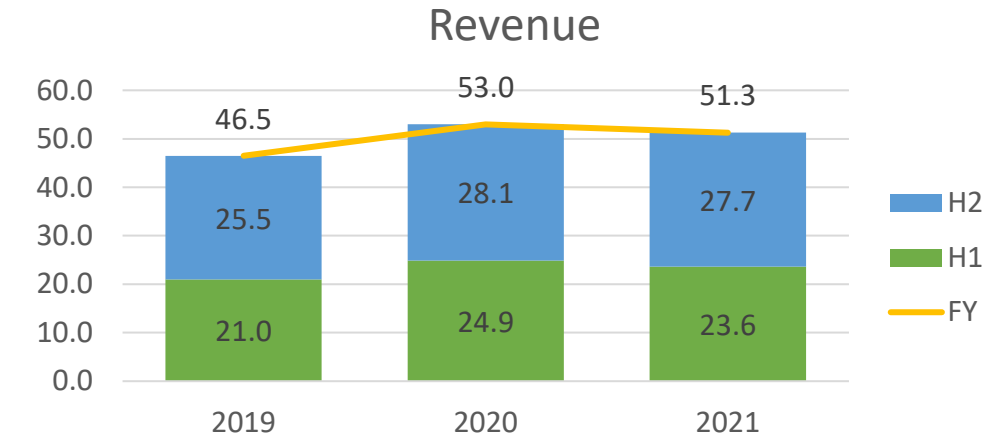
- Strong performance versus prior year
 - Total feed volumes +2.6%
 - Machinery sales +8.3%
 - Fuel volumes - 5.6%
 - Retail like-for-like +6.3%
 - Retail total sales +1.6%
- Exceptional machinery performance; new branch at Skipton and enhanced aftersales offering

Key priorities

- Develop into our expanded machinery territory
- Continuation of modernisation programme
- Development of e-commerce solution

Engineering

A positive year



Products and services

- Engineering solutions
- Fabrication and precision engineering
- Remote handling and robotics

Commentary

- Fabrication and precision engineering: challenged by lower oil prices in precision engineering. Order book now recovered
- Engineering solutions: strong order intake and good progress on major projects
- Remote handling and robotics: strong performance, and enhancement of product range (A150)

Key priorities

- Continued product development in remote handling and robotics
- Development of new technologies, such as Hot Isostatic Pressing

Engineering Services

Engineering Solutions

- Design, procurement and installation of specialist mechanical services
- MSIP®, Power Fluidics™ and HIP technology

Robotics

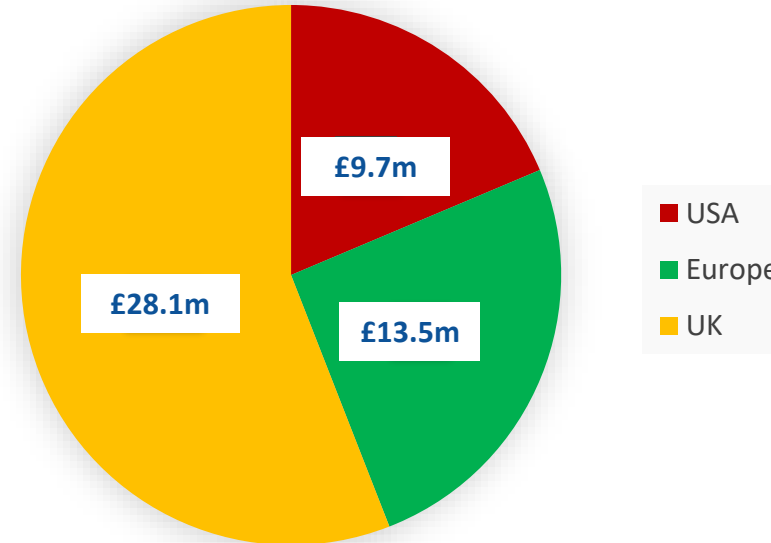
- Master slave manipulators
- Handling equipment
- Telbot robot

Fabrication and Precision Engineering

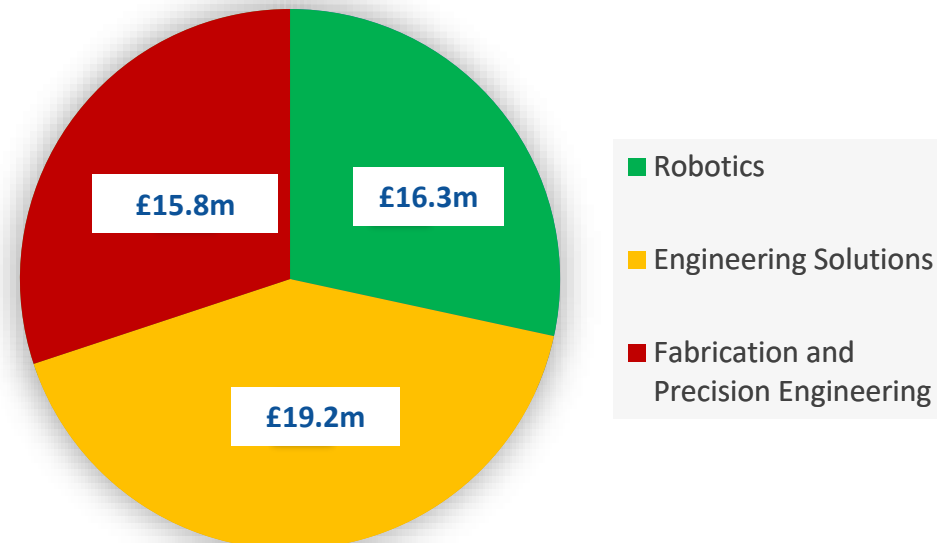
- Pressure vessel design and fabrication
- Advanced precision machining

Geography

Revenue FY21



Services



Outlook

- Livestock and milk prices remain strong, underpinning strong demand for Speciality Agriculture
- Continued investment in Agricultural Supplies, across people, processes and technology
- Strong enquiry levels in Engineering and order book strengthened further since the year end to £44.6m
- Inflationary headwinds being managed
- Trading in FY22 has started positively and in line with our expectations

Interim Leadership and Strategy Development

Peter Page – Executive Chairman

Leadership and direction

- Effective management arrangements in place
 - Interim Executive Chairman: ten years FTSE CEO experience
 - Leading strategy, ESG, H&S
 - Full-time commitment and presence
 - CFO: nine years FTSE CFO experience
 - Day to day operational responsibility
 - Strong knowledge of the business, its people and culture
- Continuity in strategy and operational delivery
- Permanent CEO succession process has begun

Developing a coherent, rational approach to all three elements of ESG that will be core parts of our strategy

- Environment
 - Statutory reporting in place for Scope 1 and Scope 2
 - Start of our journey for targets, change and reduction
 - Business opportunities and risks
- Social
 - Structured approach to engagement with external stakeholders
 - Enhanced internal awareness and activity
- Governance
 - External Board Effectiveness assessment: compliance with the code, areas of priority to improve effectiveness
 - Internal controls and reporting
 - Risk appetite and management

Strategy: current

Continuity in strategy:

- Develop and grow Speciality Agriculture in UK, USA, Europe and international markets
- Optimise Agricultural Supplies by: (i) enhancing efficiencies and with geographical expansion in the UK organically; and (ii) by acquisition
- Engineering focused on nuclear energy and nuclear defence markets, building on strong existing customer relationships, developing synergies within the division

Strategy: external environment

- External environment changes
 - Regional and local versus global
 - Post EU membership effects on UK trade
 - Climate change implications
- Agriculture sector priorities
 - Raw material cost inflation
 - Sourcing and traceability
 - Greenhouse gases, zero carbon 2040
- Nuclear sector opportunities
 - Long term requirement for waste management
 - Government expenditure for defence projects
 - Renewed interest for electricity generation

Outlook

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Appendix

Adjusting Items



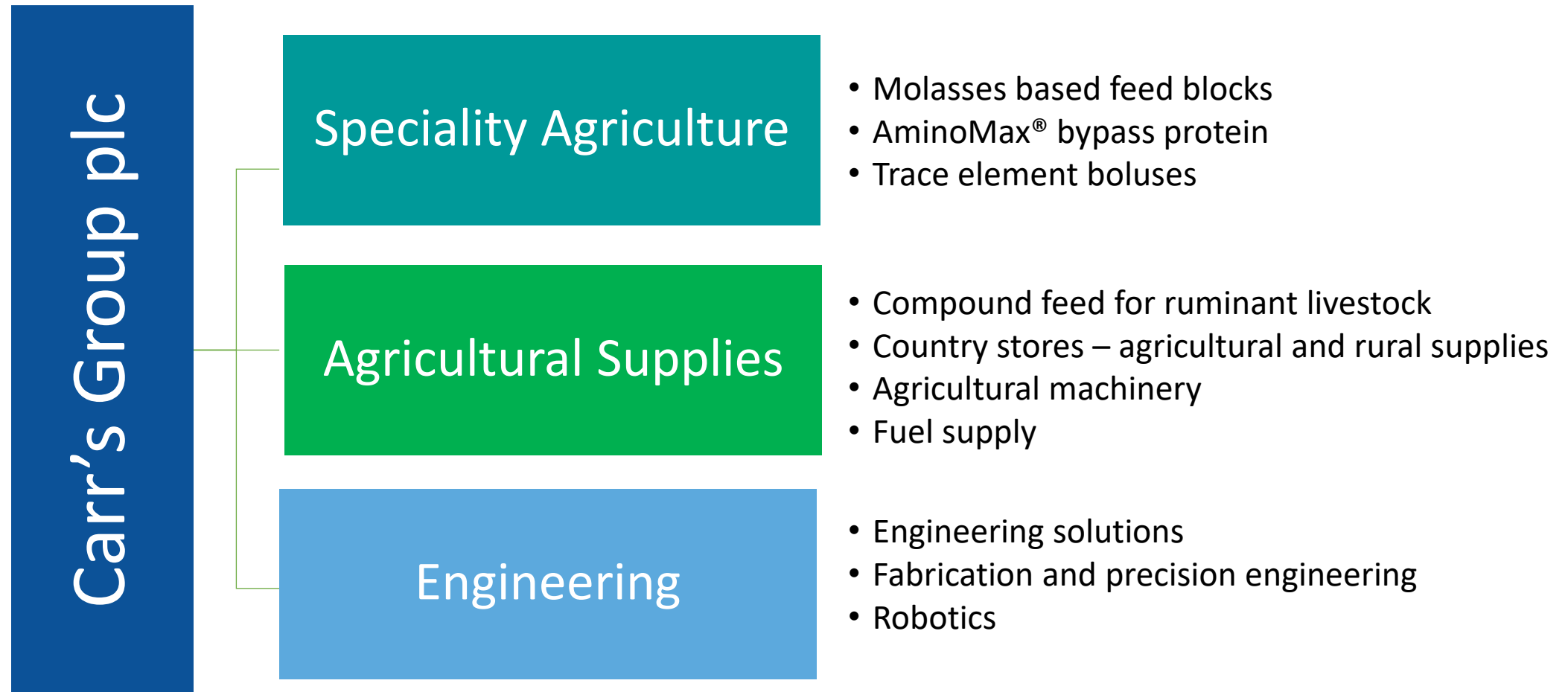
	2021 (£m)	2020 (restated) (£m)
Reported profit before tax	12.1	10.9
Amortisation of acquired intangible assets	1.2	1.4
Adjustments to contingent consideration	(1.0)	(0.9)
Restructuring/closure costs	0.2	2.0
Cloud configuration and customisation costs - Group	1.4	1.4
Cloud configuration and customisation costs – share of associate	0.5	0.2
Impairment of joint venture	2.1	-
Effect of deferred tax rate change – share of associate	0.2	-
Adjusted profit before tax	16.6	15.0

Key points

- Adjustments to contingent consideration is in relation to historic acquisitions where earn out payments were no longer payable
- Cloud computing costs relate to the Group's ERP implementation. FY20 has been restated to expense previously capitalised costs following an agenda decision from IFRIC in April 2021.
- Impairment to joint venture relates to the investment in Afgritech.
- The effect of deferred tax rate change relates to the move in the corporate tax rate to 25% from April 2023.

Additional information

Group structure and operating model



Agricultural division and brands



Speciality Agriculture

- Manufacturing molasses-based branded feed blocks for farm animals in the UK, Germany and USA, including Megalix, Megastart, Crystalyx®, Horslyx®, MegaLic®, SmartLic®, FlaxLic® and FesCool®
- Manufacturing livestock trace element supplements, including boluses, sold under the Tracesure® and Allsure® brands

Agricultural Supplies

- Operating over 37 rural retail outlets across the north of England and Scotland, including 7 machinery branches
- Manufacturing and distributing circa 500,000 tonnes of animal feed produced at 3 plants in the UK
- Servicing rural and farming communities in the UK with heating oil and fuel from 8 depots

Engineering division and brands



Geographic footprint

International Locations

- **Speciality Agriculture**
- **Engineering**

Europe

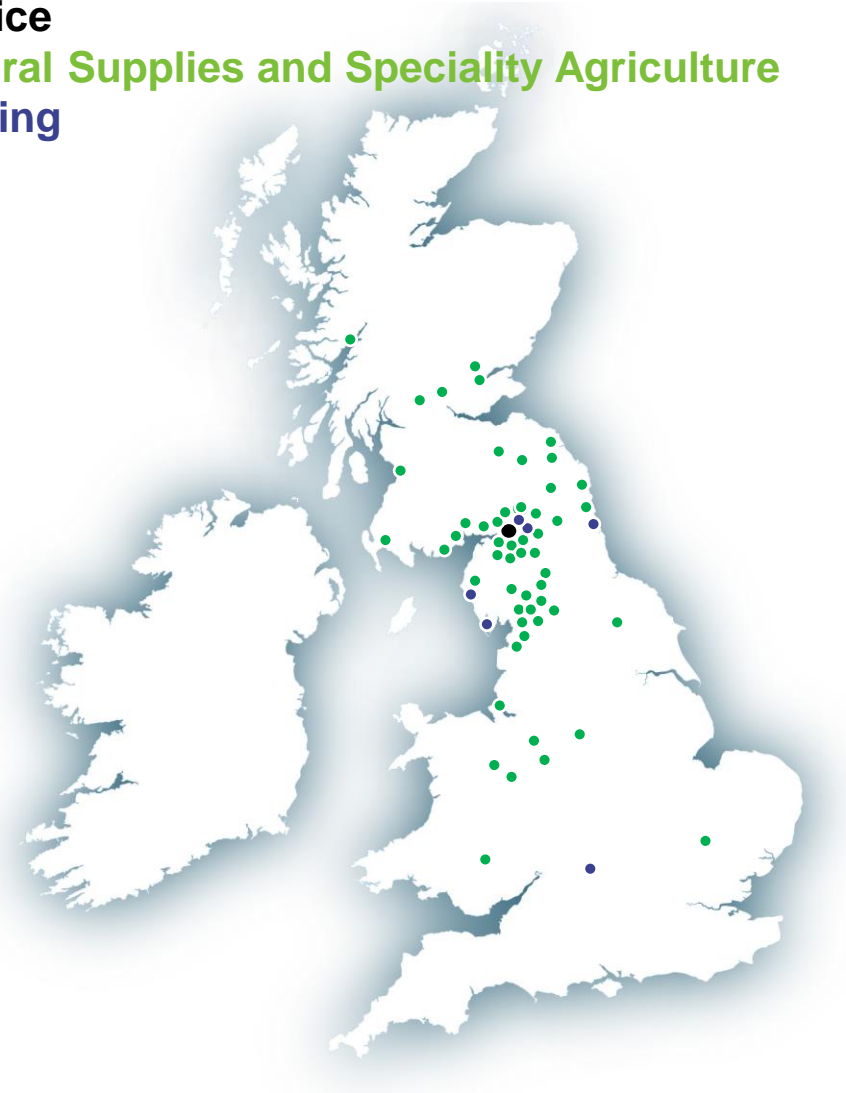
- **Oldenburg, Germany**
- **Markdorf, Germany**

UK Locations

- **Head Office**
- **Agricultural Supplies and Speciality Agriculture**
- **Engineering**

USA

- **South Dakota**
- **Oklahoma**
- **Nevada**
- **Tennessee**
- **Iowa**
- **New York**
- **North Carolina**
- **Pennsylvania**





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