

Full Year Results Presentation 2023

December 2023

David White, Chief Executive Officer
Gavin Manson, Chief Financial Officer

2023: Agriculture challenging, Engineering strong

Highlights

- Continuing operations revenue for the year increased 15.3%
- Strong second half performance in Engineering, supported by order book 47% higher than prior year end
- Conditions in key Speciality Agriculture markets remain difficult
- Completion of disposal of Agricultural Supplies division in October 2022, driving net cash position at end of FY23 and maintenance of dividend in line with prior years
- New Board and senior leadership team in place to deliver improved performance in FY24

Adjusted (Continuing Operations)	FY23	FY22	+/-
Revenue (£m)	143.2	124.2	+15.3%
Adjusted ¹ operating profit (£m)	8.0	11.9	-33.2%
Adjusted ¹ profit before tax (£m)	7.5	11.2	-33.2%
Adjusted ¹ EPS (p)	6.2	10.0	-38.0%
Statutory (Continuing Operations)	FY23	FY22	+/-
Revenue (£m)	143.2	124.2	+15.3%
Operating profit (£m)	2.0	8.2	-76.3%
Profit before tax (£m)	1.5	7.6	-80.1%
Basic EPS (p)	0.4	6.4	-93.8%
Dividend (p per share)	5.2	5.2	
Net cash/(debt) (£m)	4.2	(14.0)	

Disposal of Agricultural Supplies division reshaped the business and focus

What we said

- Future focus on two divisions with international businesses, differentiated products and high margins
- Scope to apply existing know-how to develop adjacent products and services with positive environmental impact
- Balance sheet enables earnings-enhancing investments and acquisitions, with capacity to return capital to shareholders
- Refreshed Board brings relevant experience for earnings growth

What we are doing

- Experienced management team in Engineering division delivered improved performance in H2 and now maintaining order book levels at c.£60m
- **continuing**
- Refreshed global Speciality Agriculture leadership, and began consolidation of UK business to deliver improved efficiency and service to customers
- **current**
- Focused application of capital allocation to assess growth opportunities vs return of capital
- **continuing**
- Board changes combine continuity with experience in supporting growth businesses
- **done**

Speciality Agriculture offers growth opportunities

Opportunities

- Demand driven by growth in low intensity pasture-based grazing, part of a wider trend of sustainability-related nutrition programmes and desire to reduce methane emissions
- Our products contribute to nutrition programmes which help to:
 - Optimise liveweight gain
 - Improve milk yield
 - Improve reproductive efficiency in calving intervals and lambing percentages
- Market-leading brands supported by targeted marketing campaigns in the UK and North America

Market Trends

Medium / Long Term Opportunity

- Global beef production is projected to grow by 8%¹ in the period up to 2031
- Dairy production is projected to increase by 1.8% per annum up to 2031²

Short / Medium Term Challenges

- Continuing drought in key US livestock geographies
- Raw material prices compounding input price rises for farmers in UK and US

Sources: ¹OECD-FAO Agricultural Outlook 2022–2031, chapters 6 and 7, ²Mordor Global Feed Additives Market (2020-2025)

Products and services

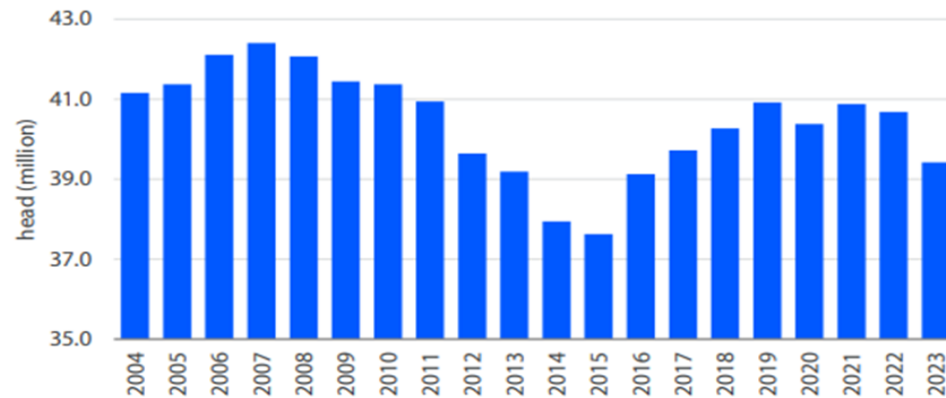
- Molasses-based feed blocks and minerals
- Trace element boluses
- AminoMax® bypass protein



Lead indicators of market recovery

US

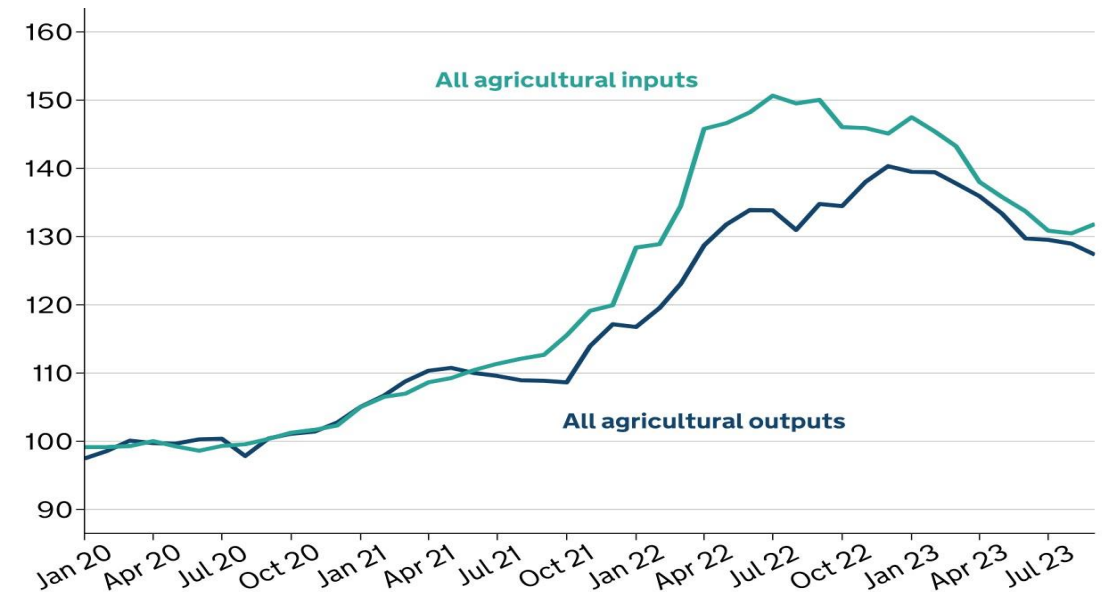
- Following three years of increasingly dry conditions, although later than anticipated there is now a reduced area affected by drought, improving prospects for grazing and restocking of ranch herds
- Proportion of US herd in drought conditions has reduced from 73% in November 2022 to 37% in November 2023
- USA beef sector approaching turning point of 10-year cycle with the cow calf herd headcount at lowest since 2016



Source: USDA, Rabobank 2023

UK

- UK agricultural prices lead indicator improved in second half of FY23
- Reduced gap between inputs and outputs



Source: UK National Statistics: Agricultural Prices Indices Sept. 23

Engineering demand continues to grow

Our products and services

Robotics

Engineering
Solutions

Fabrication and
Precision
Engineering

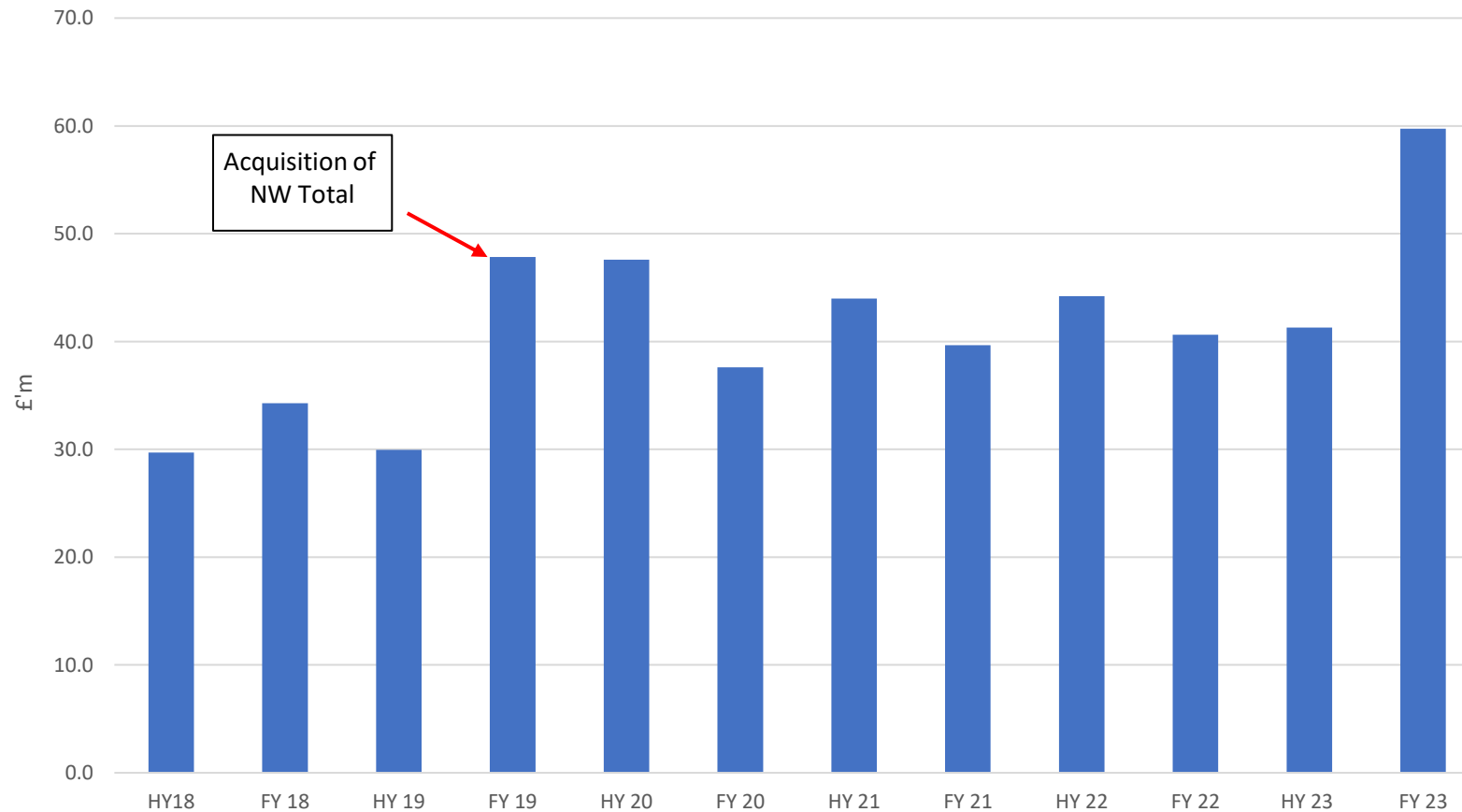


Engineering

- Market leading technologies, supported by long-standing customer relationships allow the division to support the nuclear power sector globally, including:
 - Extending the lifespan of existing nuclear facilities, allowing operators to generate low carbon energy for longer
 - Support for decommissioning work on existing nuclear power plants including the safe removal, disposal and storage of nuclear waste
- Support to critical government contractors within the UK defence sector
- Precision tools supplied to the growing nuclear medicine sector

Order book growth will deliver increased revenue

- Demand is international, supported by government policies and public funding.
- Long-term contracts provide security of earnings and visibility over next 18 to 24 months
- Order book growth demonstrates sector demand, coupled with strong reputation for service and product quality



Board changes and restructured leadership team

Board changes

- Experienced Non-Executive Board members will lead the Group's ongoing strategic change:
 - Tim Jones became Non-Executive Chairman of the Board 21 February 2023
 - Gillian Watson joined the Board on 9 October 2023 and became Senior Independent Director on 31 October 2023
 - David White appointed Chief Executive Officer in November 2023, replacing Peter Page
 - Martin Rowland appointed as Executive Director of Transformation and Gavin Manson appointed as Chief Financial Officer in November 2023, bringing experience of supporting businesses with growth opportunities

Restructured leadership team

- UK Speciality Agriculture structure updated to bring additional commercial expertise, renewed focus on marketing our brands and provide more cohesive service to customers, while succession plan in the US has been enacted.
- Recruitment process underway for global Speciality Agriculture leader to support existing operations and deliver on business development opportunities

Financial Review

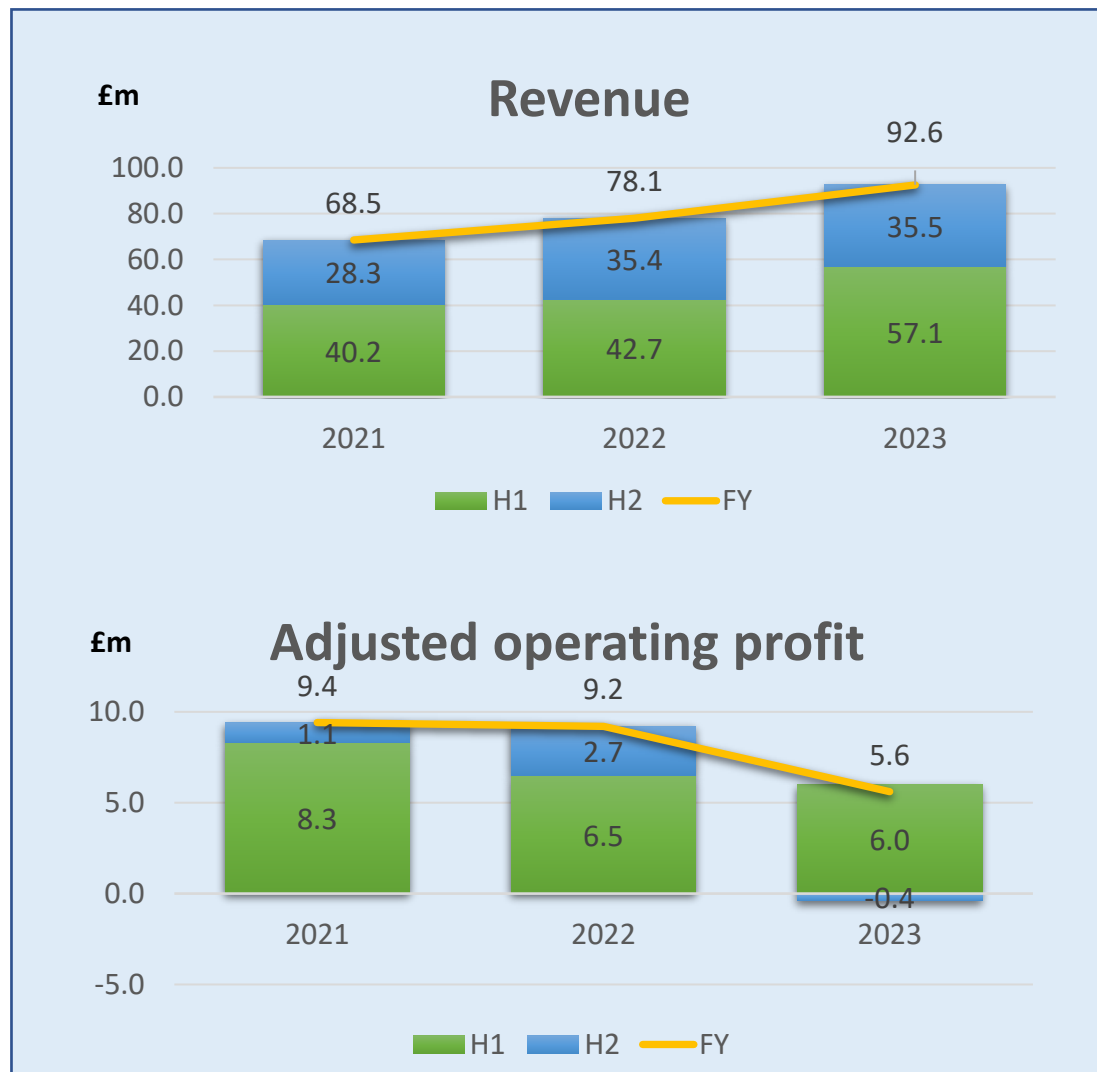


“Focus on continuing activities”

	FY23 – Speciality Agriculture and Engineering £m	FY22 – Speciality Agriculture and Engineering £m	<i>FY21 – Speciality Agriculture and Engineering £m</i>
Revenue	143.2	124.2	120.3
Adjusted EBITDA	10.9	15.1	13.9
Adjusted operating profit	8.0	11.9	11.1
Adjusted PBT	7.5	11.2	10.4
Adjusted EPS (p)	6.2	10.0	10.1
Basic EPS (p)	0.4	6.4	6.2

- Disposal of Agricultural Supplies division completed on 26 October 2022

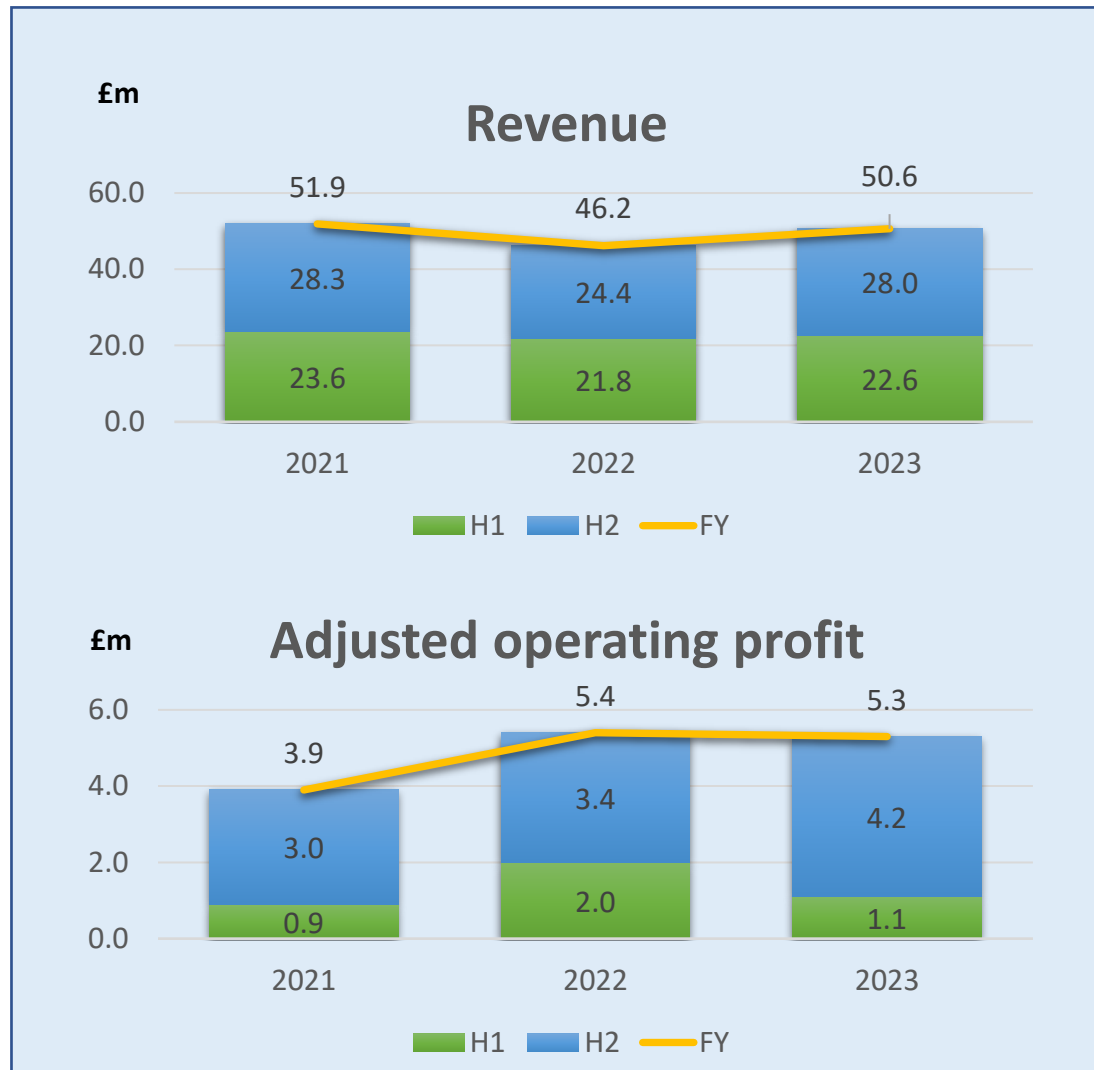
2023 summary financials – Speciality Agriculture



Trading conditions

- US and UK feed block volumes down 16% on FY22 on a LFL basis
- Revenue increase on lower volumes driven by
 - continued impact of high raw material and production/utility costs passed through
 - Accounting impact of US JV becoming wholly owned in FY22
- Volumes also impacted by adverse weather conditions, particularly in North America
 - Drought in southern states extended beyond forecasts
 - Additional rainfall in northern states extended grazing season
- Animal health volumes down 23% on FY22, though improvement expected in FY24 from management changes and benefits from implementation of automated manufacturing

2023 summary financials – Engineering

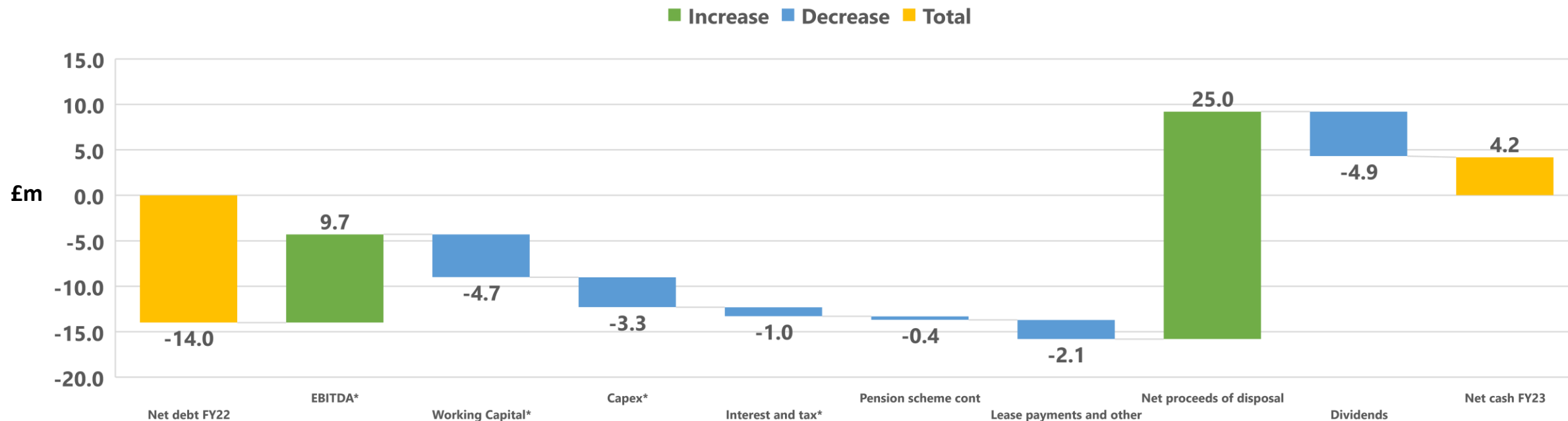


Trading

- Revenue up 10% over FY22
- Strong performance in H2
 - Revenue up 15% on second half of FY22
 - Operating profit up 24% on second half of FY22 and 273% on H1 FY23
- Fabrication and precision engineering
 - Revenue up 16% on FY22, operating margin in line with prior year
- Robotics
 - Revenue up 28% on FY22, with strong growth in US
 - First tranche of revenue earned from £10m NNL contract which will support FY24 and FY25
- Engineering solutions
 - Long-running UK defence contract handed over to customer in Q1 2023
 - Margin improvement of 4 percentage points year on year
 - Pipeline of MSIP work strengthening

Net cash/(debt) movement

Movement in net cash/(debt) (excluding leases)



Key points

- Working capital outflow primarily linked to raw materials price inflation and strategically higher levels of inventories in Speciality Agriculture
- Main bank facility in place until December 2026

Post year end

- Final £4m disposal proceeds from Agricultural Supplies received in October 2023

Balance sheet

Disposal of Agricultural Supplies division completed in October 2022

	At 2 September 2023 £m	At 3 September 2022 Restated £m	Change
Fixed assets	68.6	75.8	-6.9%
Net working capital	33.3	30.1	+11.6%
Assets/liabilities held for resale/deferred consideration	4.0	42.8	N/A
Assets employed	105.9	148.7	-27.3%
Pension surplus	5.3	6.8	-22.1%
Net cash / (debt) (excluding leases)	4.2	(14.0)	N/A
Lease liabilities	(6.8)	(7.5)	-9.3%
Tax provisions	(0.7)	(1.7)	-52.9%
Net assets	107.9	132.3	-16.8%
Net debt (excluding leases): Adjusted EBITDA	-0.38	0.93	

- Fixed assets impacted by intangible impairments of £3.8m
- Working capital increase driven by increased input prices and timing of engineering contract milestones
- Positive net cash of £4.2m following receipt of proceeds of disposal of Agricultural Supplies Division
- Final £4m deferred consideration received October 2023

Outlook

Speciality Agriculture

- Improved volumes as raw material prices stabilise
- Focus on operating efficiencies to drive further cost savings into finished products
- Active product management, to consider rationalisation of low-volume sales lines and development of new products
- New leadership team bring significant sector experience

Engineering

- Order book at end of November remains at £60m with pipeline strong across all businesses
- Working capital remains available to support bids for larger, higher-margin, contracts that will deliver earnings over next 24 months
- Increasing capacity through operational efficiency and careful capital investment will support growth

Functional support

- Transfer of key functional support activities from being centrally managed into both divisions, avoiding duplication of costs and focus on delivering to the requirements of each division
- Process for disposal of investment properties ongoing and expected to conclude in FY24
- Defined benefit pension scheme buy-in process in flight, with visibility of costs expected in February 2024

Q&A

