Carr's Group plc Interim Results Presentation

April 2021





Highlights

Hugh Pelham - CEO



Highlights



£201.4m +0.7% Revenue

£10.4m +8.1% Adjusted PBT £(10.6m) -58.5% Net debt 1.175p Increased dividend

318kt +0.4% Total feed 101kt +8.4% Feed blocks / minerals £44m -7.9% Engineering order book

Reduced
Accident frequency rate

Highlights

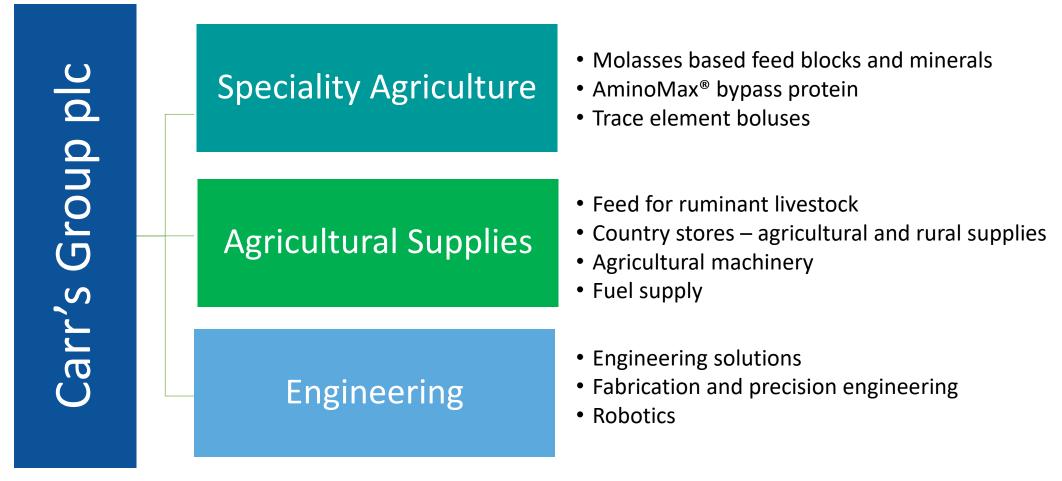


- Initial business review complete
- Group now organised into three divisions: Speciality Agriculture, Agricultural Supplies and Engineering
- Resilient group business model despite COVID-19 and Brexit uncertainty
- COVID-19 controls effective and reportable accident frequency rates reduced
- Improved underlying profitability driven by strong performance from Speciality Agriculture and Agricultural Supplies
- High livestock prices driven increased product demand
- Engineering adversely impacted by travel restrictions (COVID-19) and low oil prices in H1 but action taken to reduce fixed costs and improve margins
- Engineering order intake now improving
- Business improvement programme initiated to simplify, standardise, and generate synergies between business units in each division



New Group Structure





Carr's operates a decentralised business model that empowers operating subsidiaries enabling them to be agile, competitive and effective in their individual markets whilst setting overall standards and goals.

Group Vision, Strategy and Values



STRATEGY

Group Strategy

We invest in established businesses with distinct value propositions or new companies with proven technology and strong growth prospects

We create value by:

Differentiating

Investing in innovative technology, patented products/processes and better customer service

Consolidating

Creating scale and critical mass by consolidating similar businesses in a market sector

Optimising

Simplifying, standardising and seeking synergies between related companies in our portfolio

Growing

Expanding our geographic presence, cross selling to our customer base and developing/ marketing new products



VALUES

We treat our colleagues, customers and suppliers with respect

We do the right thing

We seek to meet high standards and continuously improve what we do

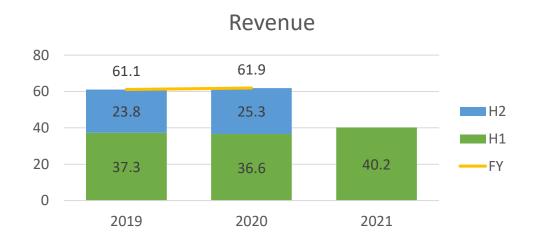
We are committed to operate in a safe and sustainable manner

VISION, STRATEGY AND VALUES

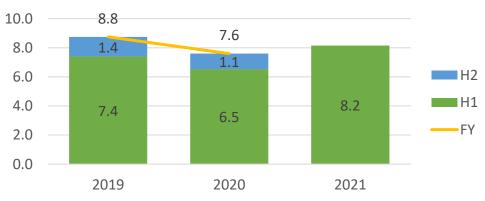


Speciality Agriculture





Adjusted operating profit



Products and services

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

Commentary

- 101 kt + 8.4% vs prior year
- Increased demand due to strong livestock prices and seasonal weather patterns
- Improved results in Animax

Key priorities

- Growth in Europe and North America
- New product development
- Improving Animax performance and automation of plant
- Greater penetration of the dairy and equine markets
- Management of raw material price fluctuations

Strategy – Speciality Agriculture

Carr's Grouppic

Enhanced livestock nutrition and unique animal health solutions

Our target market / customer are farmers that value a scientifically proven approach to livestock diet

Differentiate

- Patented process for molasses based feed blocks
- Technical advice
- Preferred supplier for leading provider of aquaculture health solutions
- Sustained release leaching trace element bolus
- Environmentally friendly packaging
- Low sugar molasses based feed blocks

Optimise

- Supply chain arrangements
- Product packaging
- RM buying and end customer pricing
- Manufacturing plant upgrades
- Buying / hedging arrangements for AminoMax
- Sharing of best practice and technical knowledge between regions
- ERP systems

Consolidate

- Potential acquisitions identified
- Shared back-office functions

Grow

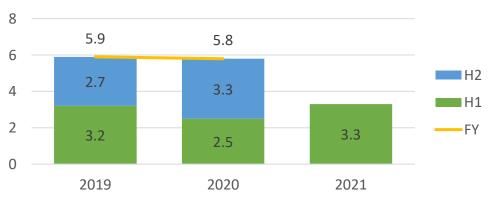
- Geographic expansion in Germany and North America
- New trace element products for market in the USA
- Greater penetration of the equine market and dairy market

Agricultural Supplies





Adjusted operating profit



Products and services

- Feed for ruminant livestock
- Country stores agricultural and rural supplies
- · Agricultural machinery
- Fuel supply

Commentary

- 318kt feed delivered +0.4% year on year
- Strong retail (+8.1% like for like) and agricultural machinery sales (+29.1%)
- Impact of rising raw material prices offset by improved retail and fuel margins
- Store improvements being delivered

Key priorities

- Material buying and market pricing for livestock feed
- ERP and supply chain improvements
- Product range simplification
- Opportunities for market consolidation
- New store development opportunities





Providing all a farmer needs

Our target market / customers are farmers that value service, higher quality feed and long-term relationships

Differentiate

- Product range one stop shop
- Service and technical support
- Compound feed quality
- Branch coverage
- Ease of transaction

Optimise

- Supply chain
- Product range
- RM buying and end customer pricing for compound feed
- Haulage
- Store footprint
- ERP system
- Management structure and people

Consolidate

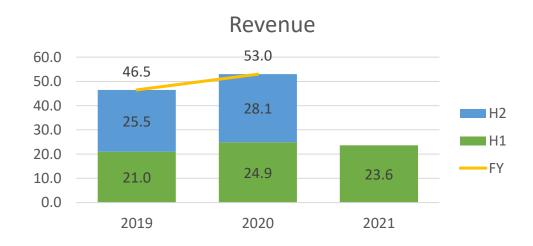
- Potential acquisitions identified
- Simplification of operational structure
- Store footprint

Grow

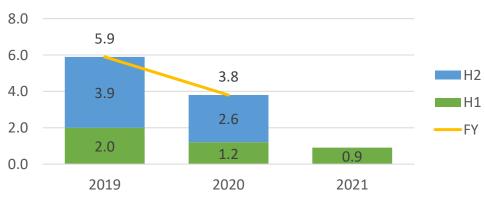
- New store(s)
- Improved service
- Strengthen links with manufacturers
- New products
- E-Commerce

Engineering





Adjusted operating profit



Products and services

- Engineering solutions
- Fabrication and precision engineering
- Robotics

Commentary

- Revenues impacted by COVID-19 and low oil & gas prices
- Non core body repair business closed
- Additional work secured in defence
- Robotics performance improved
- Action taken to reduce fixed costs
- Order book increasing

Key priorities

- Delivery of critical projects in defence sector
- Securing increased orderbook in precision engineering
- Export license(s) for China
- Delivery of projects for Sellafield

Strategy – **Engineering**

Unique high quality engineered solutions



Our target markets are niche / specialist services in the nuclear, defence and oil & gas sectors

Differentiate

- Patented MSIP® process for repair of critical welds in nuclear facilities
- Direct work-force with highly specialist welding capabilities
- Process and mechanical design capability
- Power FluidicsTM
- Range of precision machining equipment
- Hot isostatic pressing process for nuclear waste disposal
- Superior quality robotic manipulators

Optimise

- Shared back-office functions
- Shared central marketing and bid support
- Use of local resources for site installation services
- Cost and schedule controls and management systems
- Manufacturing facilities and capabilities
- ERP systems

Consolidate

 Potential acquisitions identified in the energy and defence sectors

Grow

- Potential acquisitions identified
- Full provision of service capability to existing customer base
- On site services installation and maintenance of our supplied equipment
- Decommissioning and capital projects
- Unique solutions for processing of nuclear waste
- Passive cooling technology

Engineering Services



Engineering Solutions

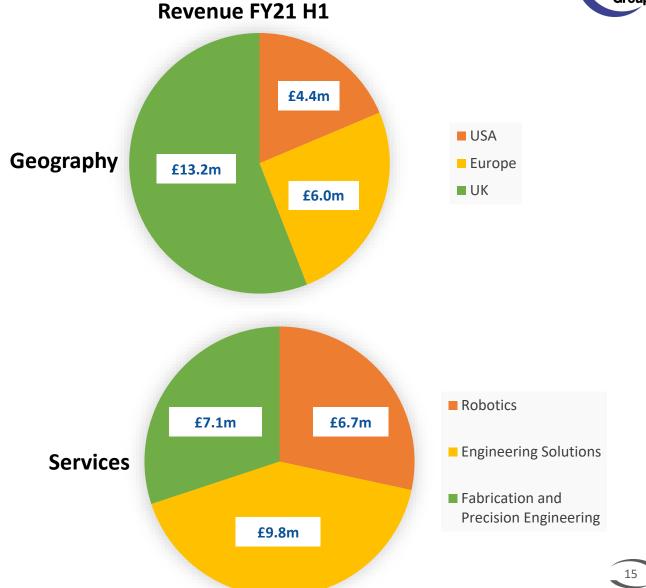
- Design, procurement and installation of specialist mechanical services
- MSIP[®], Power Fluidics[™] and passive cooling technology

Robotics

- Master slave manipulators
- Handling equipment
- Telbot robot™

Fabrication and Precision Engineering

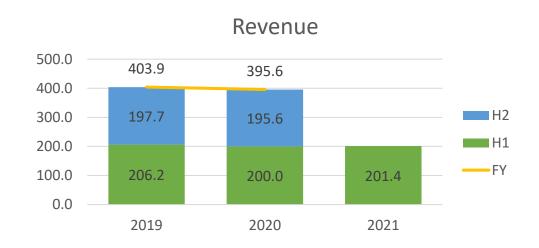
- Pressure vessel design and fabrication
- Advanced precision machining

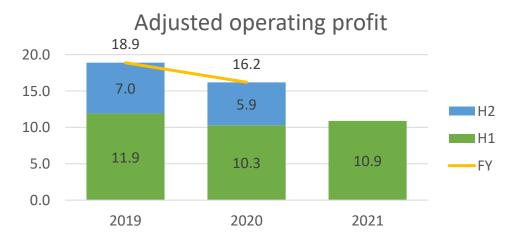


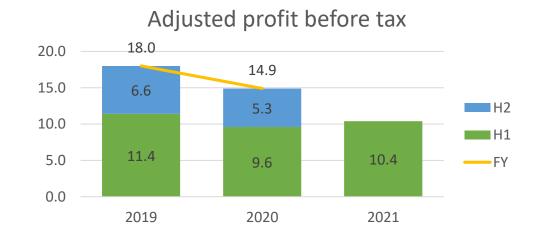


Group Financial Performance











Income Statement



	H1 2021 (£m)	H1 2020 (£m)	Change
Revenue:			
Speciality Agric	ulture 40.2	36.6	+9.8%
Agricultural Su	pplies 137.7	138.4	-0.5%
Engine	eering 23.6	24.9	-5.4%
Total revenue	201.4	200.0	+0.7%
Adjusted EBITDA	12.2	11.7	+3.5%
Segmental adjusted operating profit:			
Speciality Agric	ulture 8.2	6.5	+24.7%
Agricultural Su	pplies 3.3	2.5	+33.5%
Engine	eering 0.9	1.2	-24.1%
C	entral (1.5)	0.1	N/A
Total adjusted operating profit	10.9	10.3	+5.3%
Net finance costs	(0.5)	(0.7)	-31.5%
Adjusted profit before tax	10.4	9.6	+8.1%
EPS (p) – basic	8.2	9.3	-11.8%
EPS (p) – adjusted	8.2	8.0	+2.5%
Interest cover	21.4	15.5	

[•] Adjusted profit measures are before adjustments totalling £0.2m, comprising: amortisation of acquired intangible assets (£0.6m); restructuring/closure costs (£0.2m); and adjustments to contingent consideration in respect of acquisitions (-£0.7m)

Balance Sheet



	At 27 February 2021 £m	At 29 August 2020 £m	Change	At 29 February 2020 £m
Fixed assets	119.1	119.4	-0.3%	118.5
Net working capital	38.7	42.8	-9.6%	50.5
Assets employed	157.8	162.2	-2.7%	169.0
Pension surplus	7.8	8.0	-2.9%	6.6
Net debt (excluding leases)	(10.6)	(18.9)	-44.1%	(25.4)
Lease liabilities	(15.1)	(13.9)	8.6%	(15.2)
Tax provisions	(3.3)	(3.3)	-0.5%	(4.1)
Net assets	136.6	134.2	+1.8%	130.9
Net debt (excluding leases): Adjusted EBITDA	0.50x	0.91x		1.23x

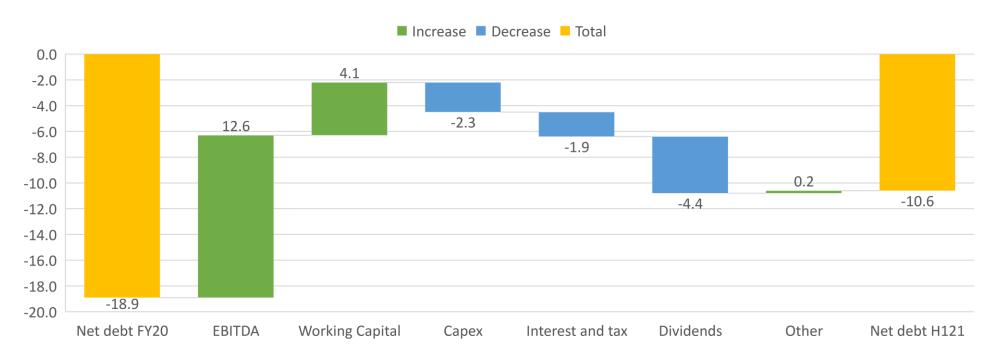
Key points

- Net working capital has been an area of management focus results evident
- Pension scheme remains in surplus buy out remains long term objective
- Leverage ratio reduced in line with strong cash management

Movement in Net Debt



Movement in net debt (excluding leases)



Key points

- Strong operating cashflow underpinned by EBITDA performance and close management of working capital
- Capex slightly reduced versus prior year increased spend expected in H2 taking total to c£7m
- Majority of bank facilities mature in late 2023

Key Takeaways



- Resilient overall performance
- Line of sight of profitability of Speciality Agriculture but note seasonality H1/H2
- Strong cash management
- Engineering materially impacted by low oil & gas prices and travel restrictions in H1



Business Outlook Hugh Pelham - CEO



Business Outlook

- Year end expectations remain unchanged
- Brexit uncertainty removed but experiencing some export/import delays
- Continued positive performance expected in Agricultural Supplies
- Raw material prices expected to remain firm
- Normal seasonal pattern of trading expected in Speciality Agriculture
- Impact of COVID-19 should recede in Engineering in H2
- Order intake continues to increase
- Programme of simplification and standardisation expected to deliver improved performance over time





Group Structure and Operating Model



Molasses based feed blocks and minerals **Group** plc **Speciality Agriculture** AminoMax® bypass protein Trace element boluses Feed for ruminant livestock • Country stores – agricultural and rural supplies **Agricultural Supplies** Agricultural machinery Fuel supply Engineering solutions Engineering Fabrication and precision engineering Robotics

Agricultural Divisions 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





Engineering Solutions

Fabrication and Precision Engineering

Robotics















Geographic Footprint

Carr's Group plo

UK Locations

- Head Office
- Agricultural Supplies and Speciality Agriculture
- Engineering

International Locations

- Speciality Agriculture
- Engineering

Europe

- Oldenburg, Germany
- Markdorf, Germany

USA

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





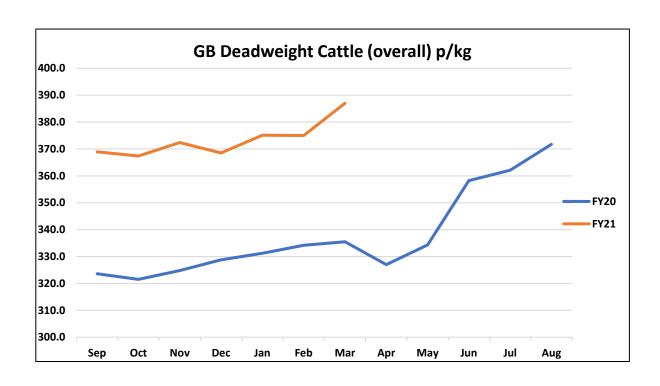
Sustainability Initiatives

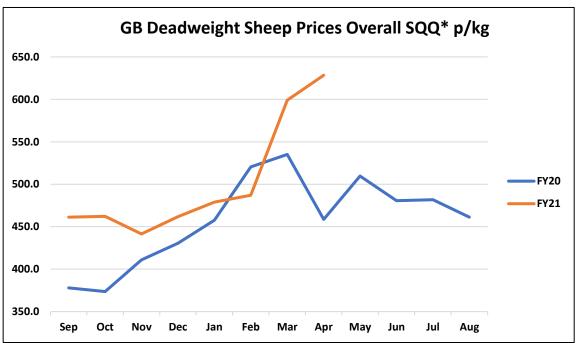


- Development of sustainable packaging
- Changes to logistics arrangements to reduce fuel consumption
- Upgrades to manufacturing to reduce power consumption and utilise renewable energy sources
- Strong links to the community
- Improved HSE standards and guidance
- Policy of directly employing manufacturing and site staff
- Coronavirus Job Retention Scheme not utilised in FY21

Livestock Price Trends

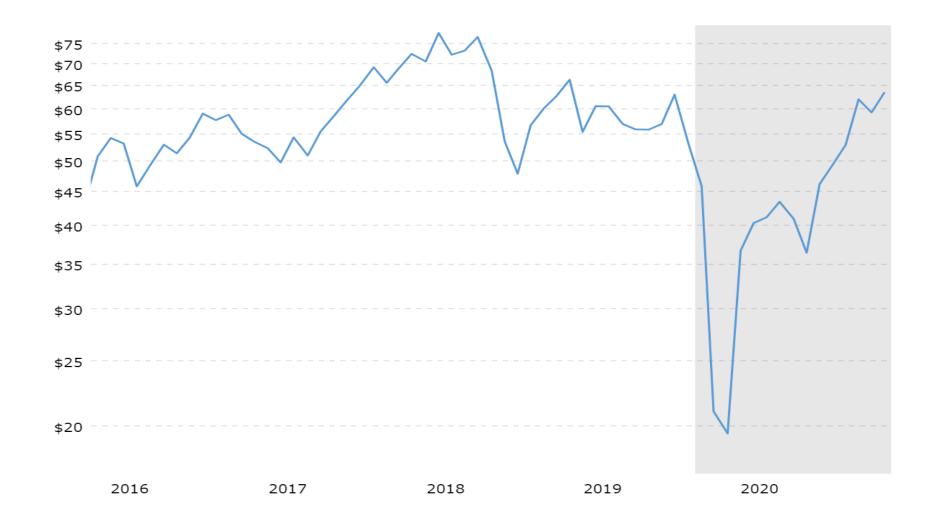






Oil Price Trends







Carr's Group plc

Old Croft, Stanwix, Carlisle, Cumbria, CA3 9BA, UK

Telephone: +44 (0) 1228 554600

Email: hugh.pelham@carrsgroup.com or neil.austin@carrsgroup.com

www.carrsgroup.com

Alternatively contact

Powerscourt on +44 (0) 20 7250 1446

Email: nick.dibden@powerscourt-group.com or Lisa.Kavanagh@powerscourt-group.com or Lisa.Kavanagh@powerscourt-group.com or Sam.Austrums@powerscourt-group.com or Nick.dibden@powerscourt-group.com or Nick.dibdeng@powerscourt-group.com or Nick.dibdeng@powerscourt-group.com</