

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

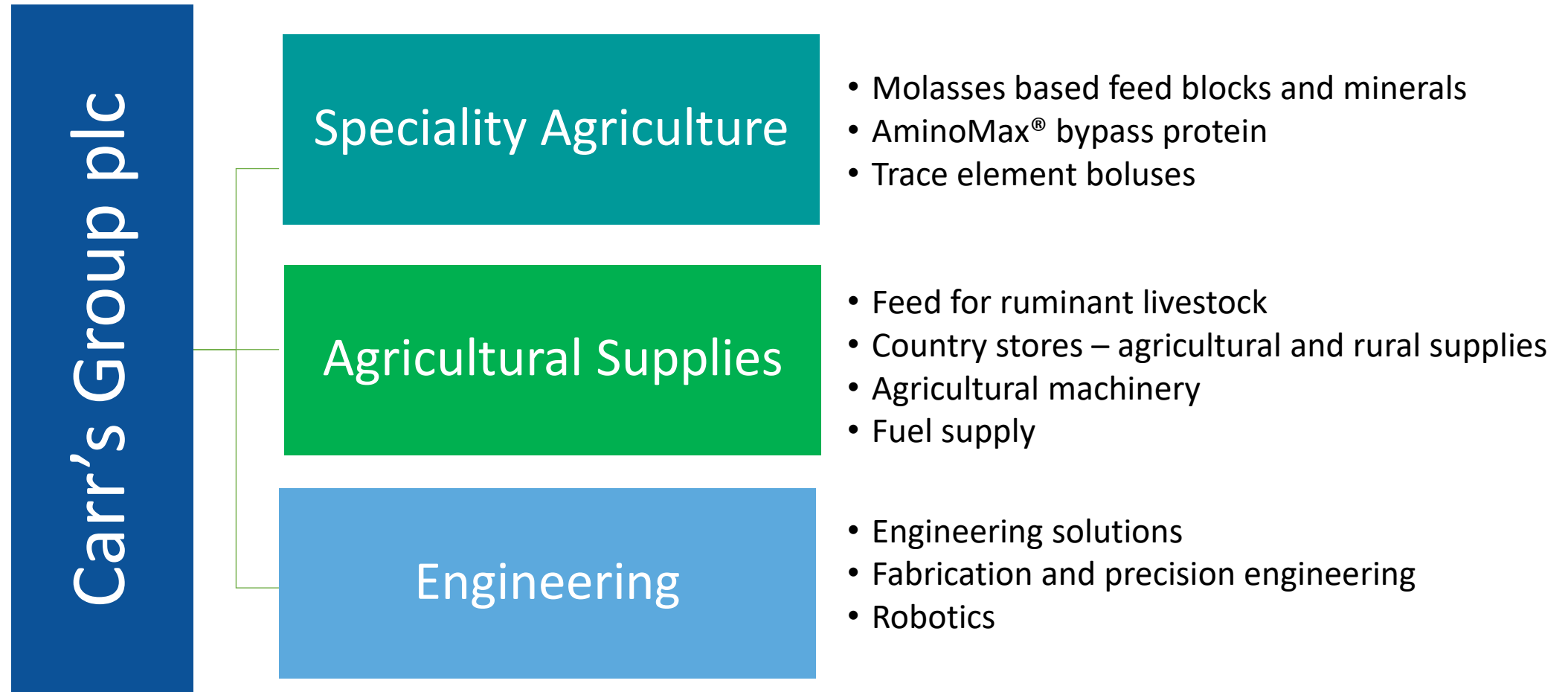


- Initial business review complete
- Group now organised into three divisions: Speciality Agriculture, Agricultural Supplies and Engineering
- Resilient group business model despite COVID-19 and Brexit uncertainty
- COVID-19 controls effective and reportable accident frequency rates reduced
- Improved 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

Structure and Strategy

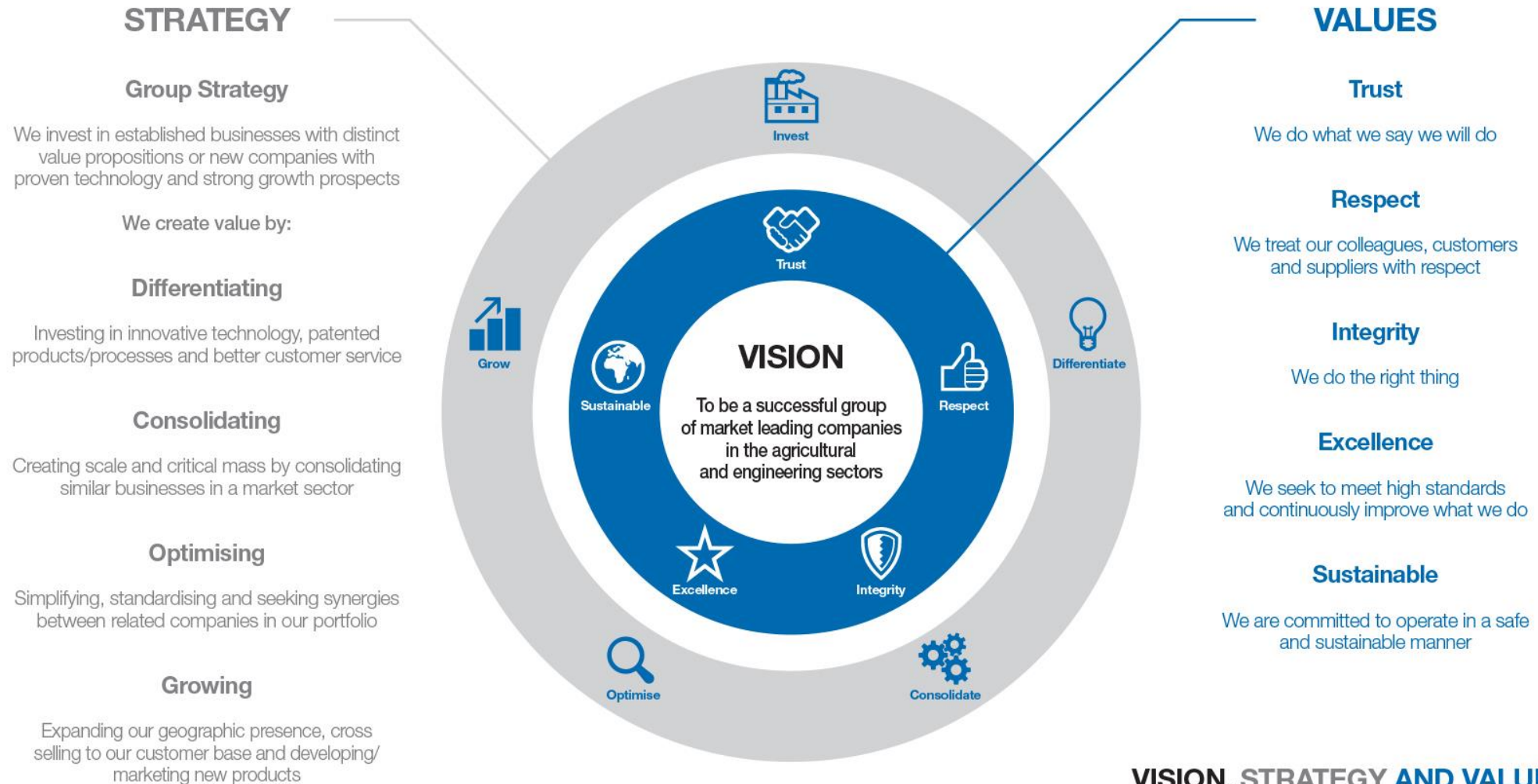
Hugh Pelham - CEO

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



VISION, STRATEGY AND VALUES

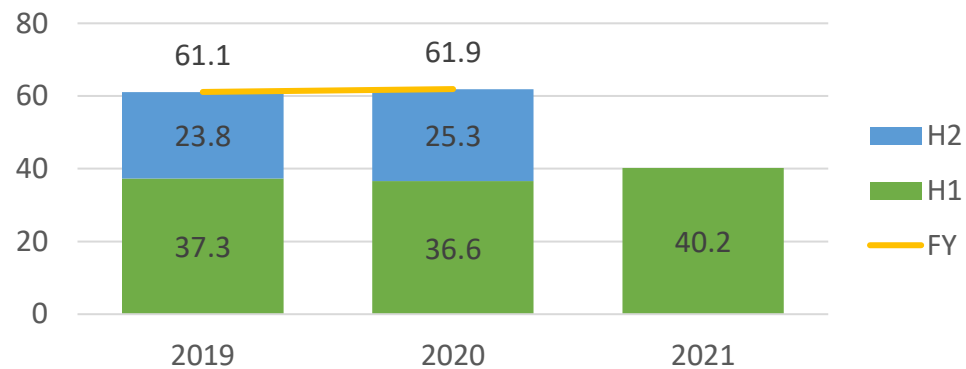
Operating Performance and Future Priorities

Hugh Pelham - CEO

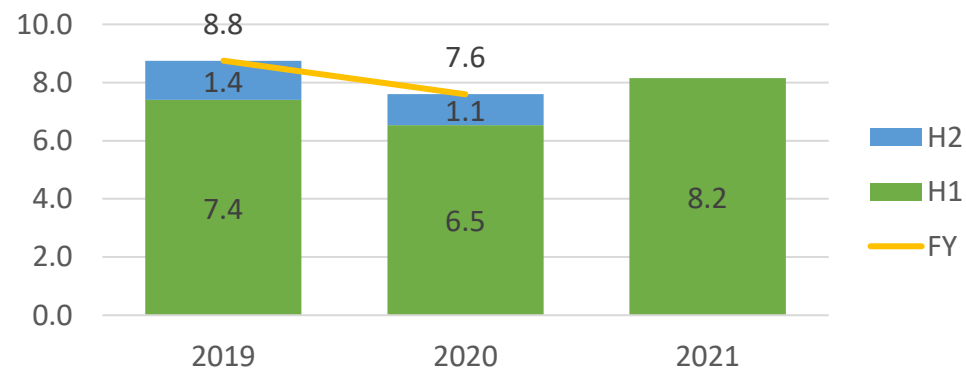
Speciality Agriculture



Revenue



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

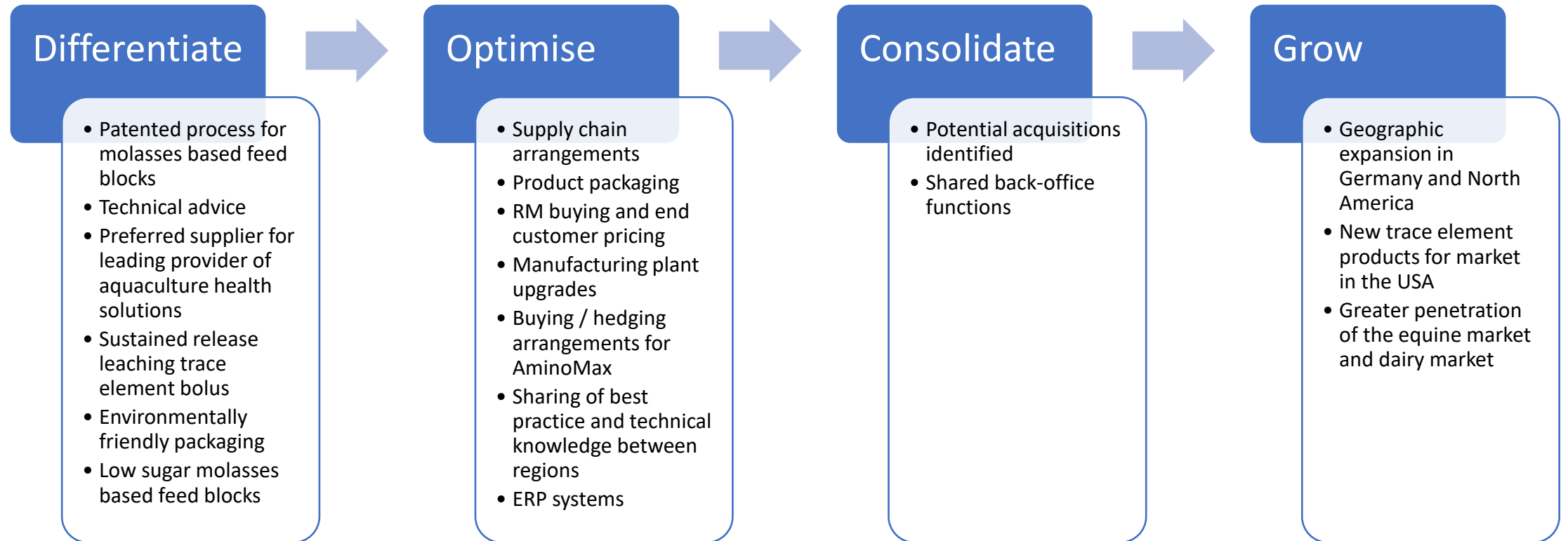
- Growth in Europe and North America
- New product development
- Improving Animax performance and automation of plant
- Greater penetration of the dairy and equine markets
- Management of raw material price fluctuations

Strategy – Speciality Agriculture

Enhanced livestock nutrition and unique animal health solutions



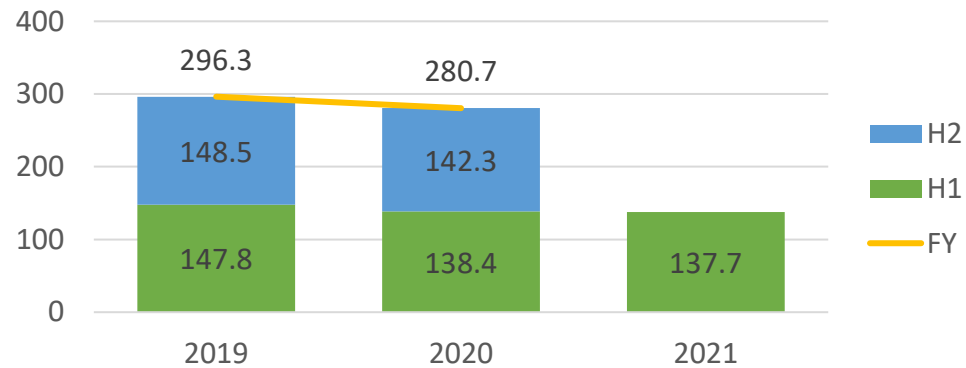
Our target market / customer are farmers that value a scientifically proven approach to livestock diet



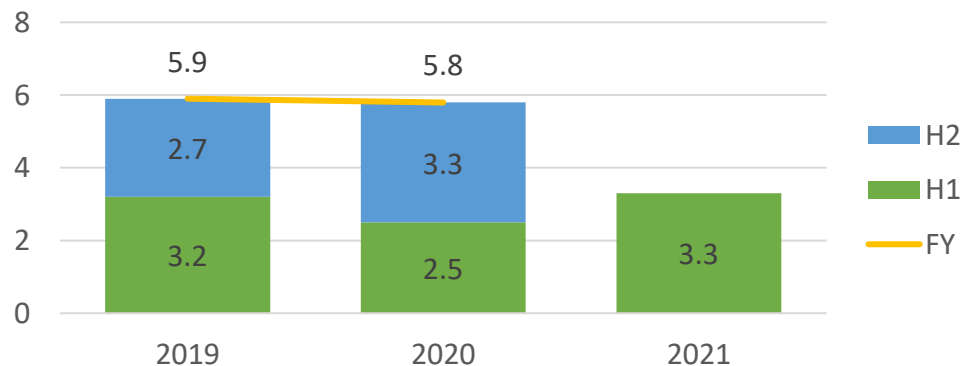
Agricultural Supplies



Revenue



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

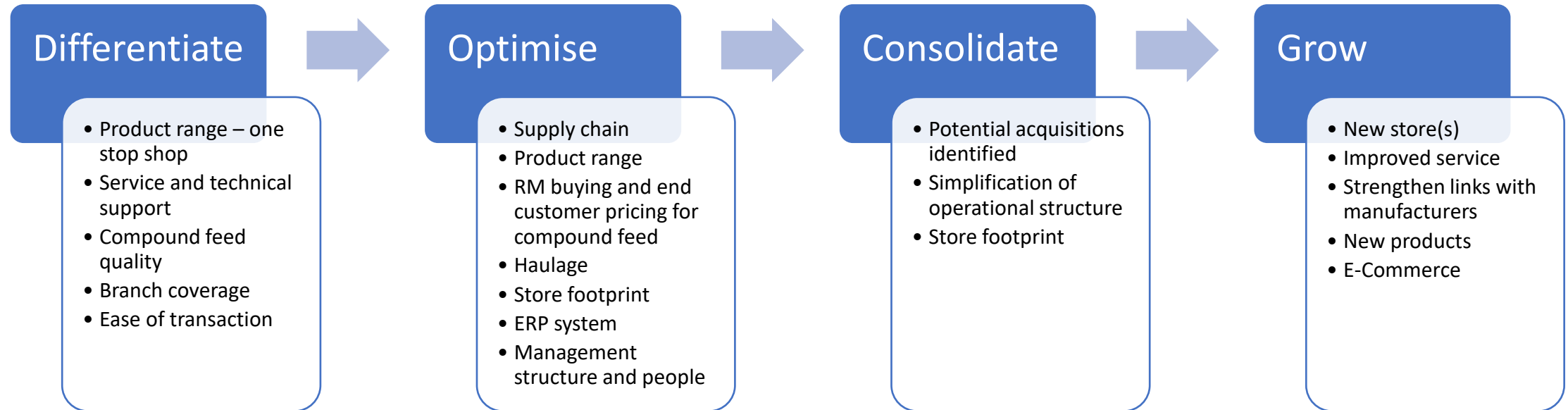
Key priorities

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

Strategy – Agricultural Supplies

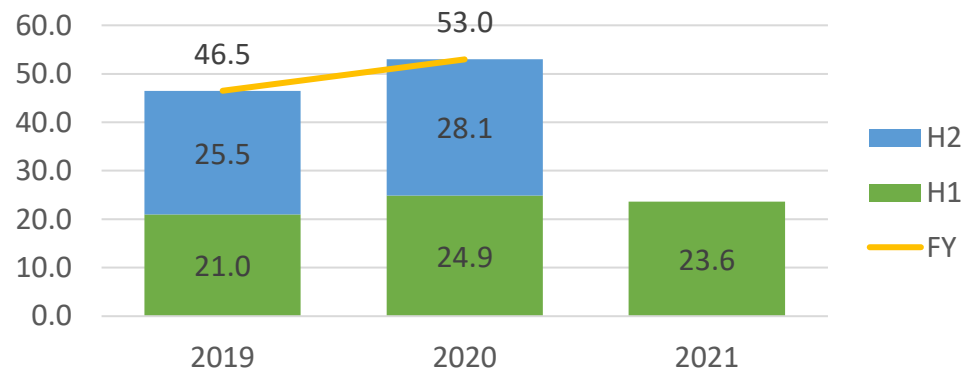
Providing all a farmer needs

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

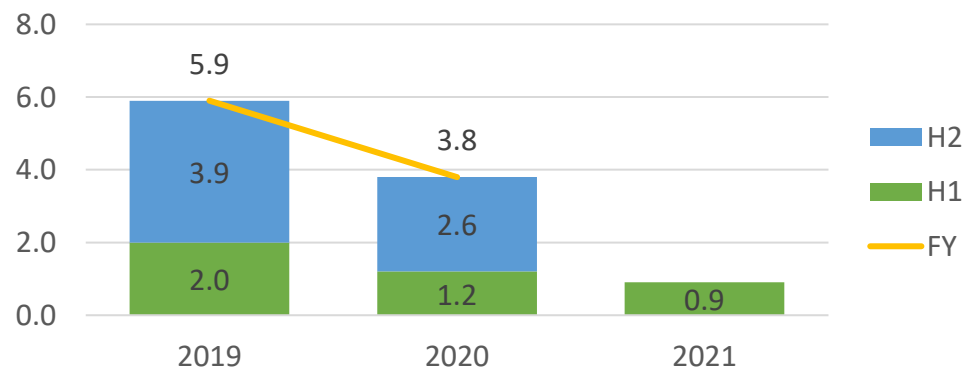


Engineering

Revenue



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

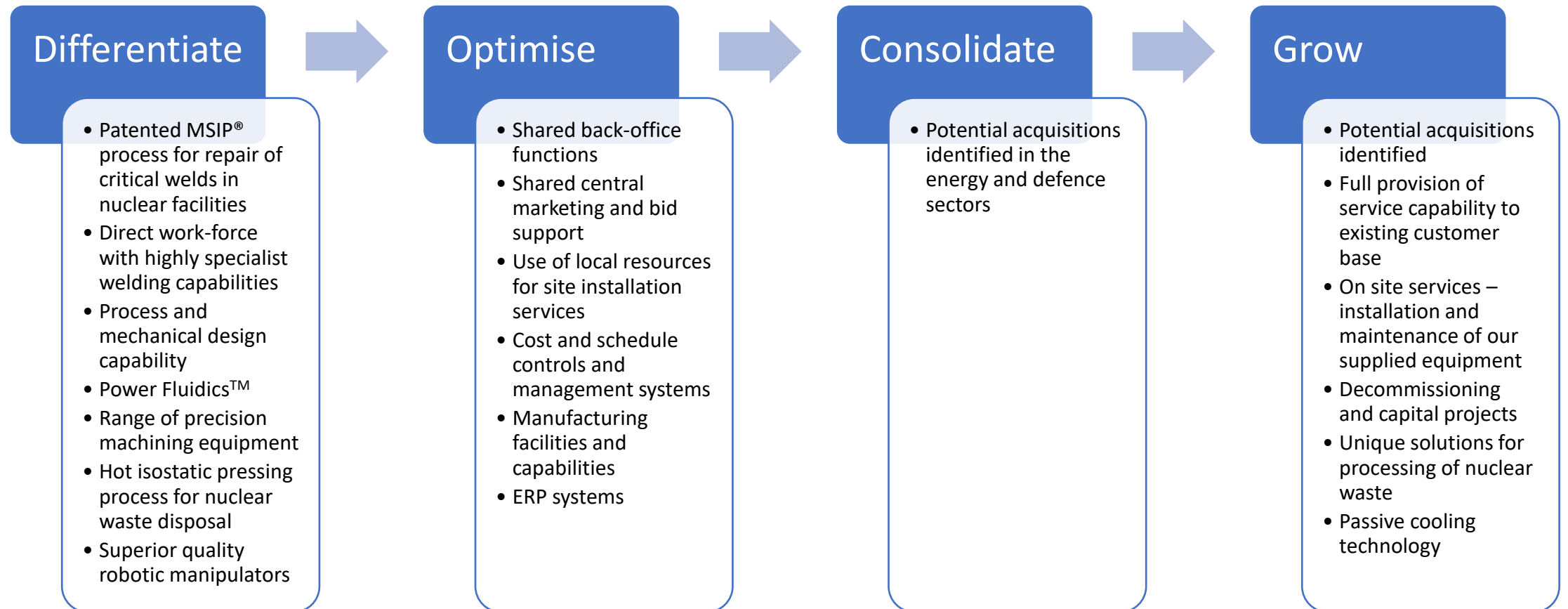
- Delivery of critical projects in defence sector
- Securing increased orderbook in precision engineering
- Export license(s) for China
- Delivery of projects for Sellafield

Strategy – Engineering

Unique high quality engineered solutions



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



Engineering Services

Engineering Solutions

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

Robotics

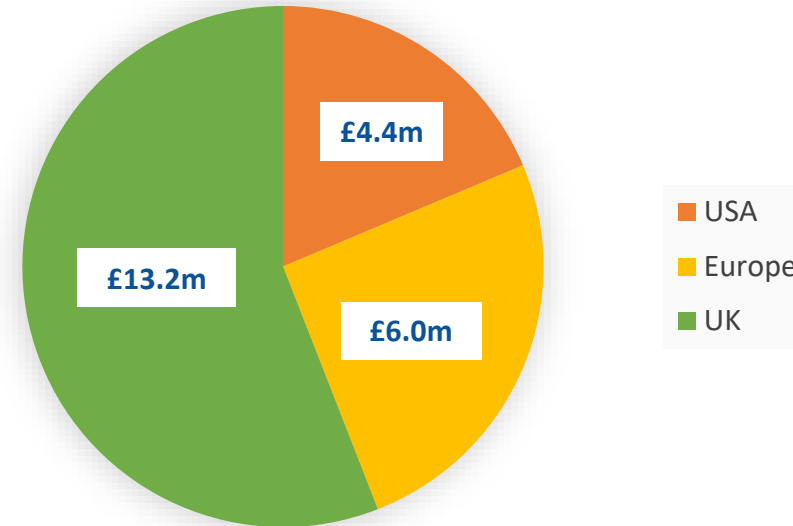
- Master slave manipulators
- Handling equipment
- Telbot robot™

Fabrication and Precision Engineering

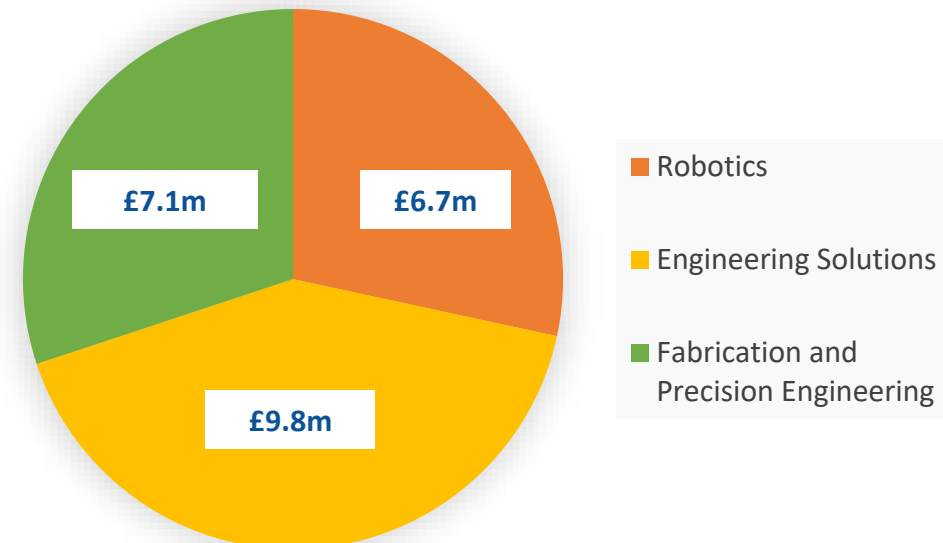
- Pressure vessel design and fabrication
- Advanced precision machining

Revenue FY21 H1

Geography



Services

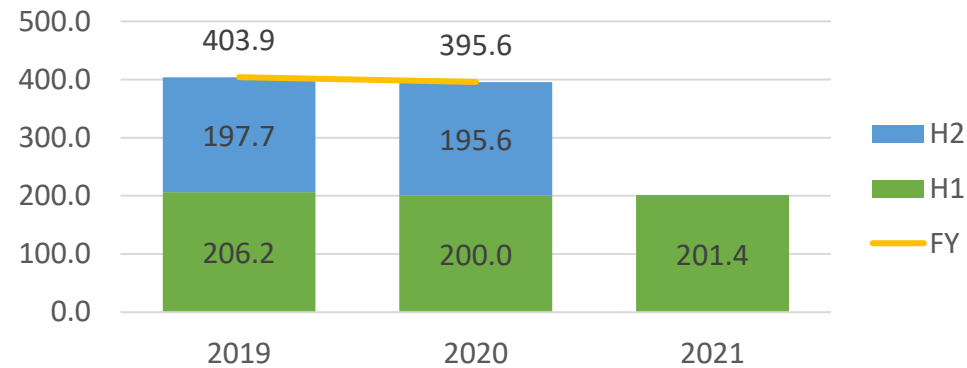


Financial Results

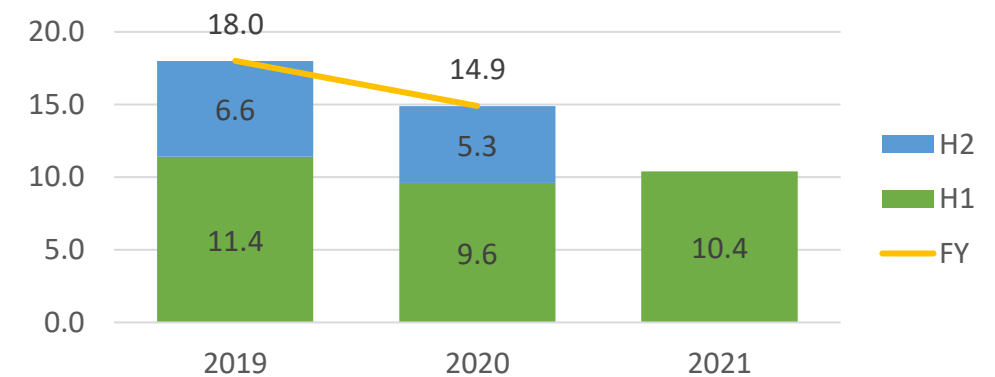
Neil Austin - CFO

Group Financial Performance

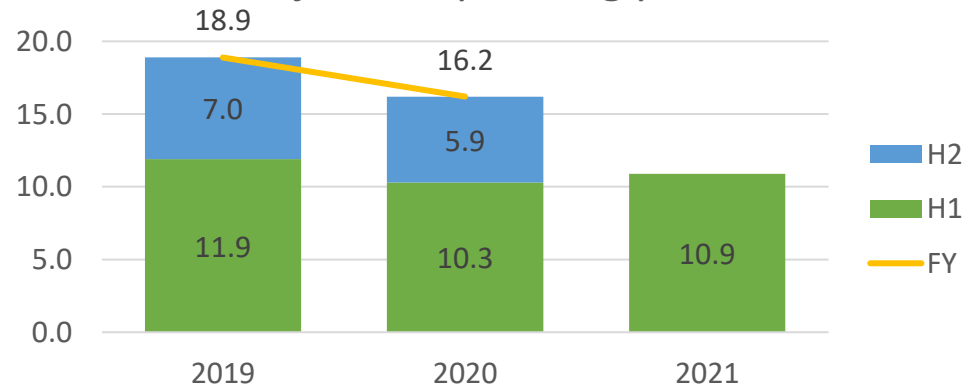
Revenue



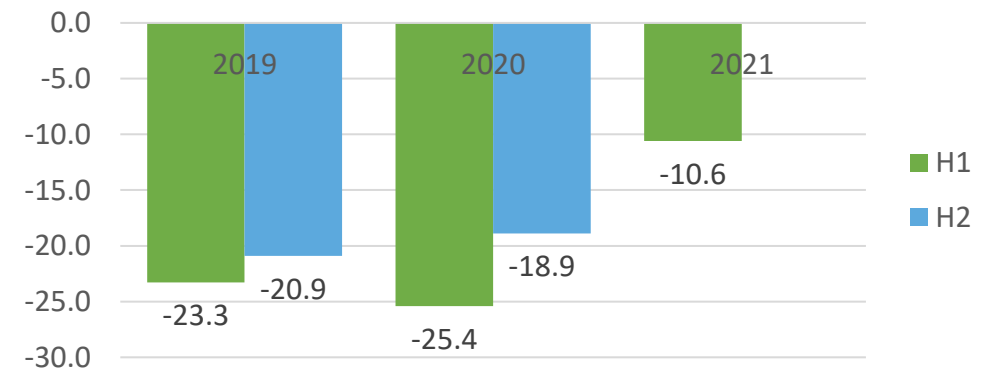
Adjusted profit before tax



Adjusted operating profit



Net debt (excluding leases)



Income Statement



	H1 2021 (£m)	H1 2020 (£m)	Change
Revenue:			
Speciality Agriculture	40.2	36.6	+9.8%
Agricultural Supplies	137.7	138.4	-0.5%
Engineering	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 Agriculture	8.2	6.5	+24.7%
Agricultural Supplies	3.3	2.5	+33.5%
Engineering	0.9	1.2	-24.1%
Central	(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



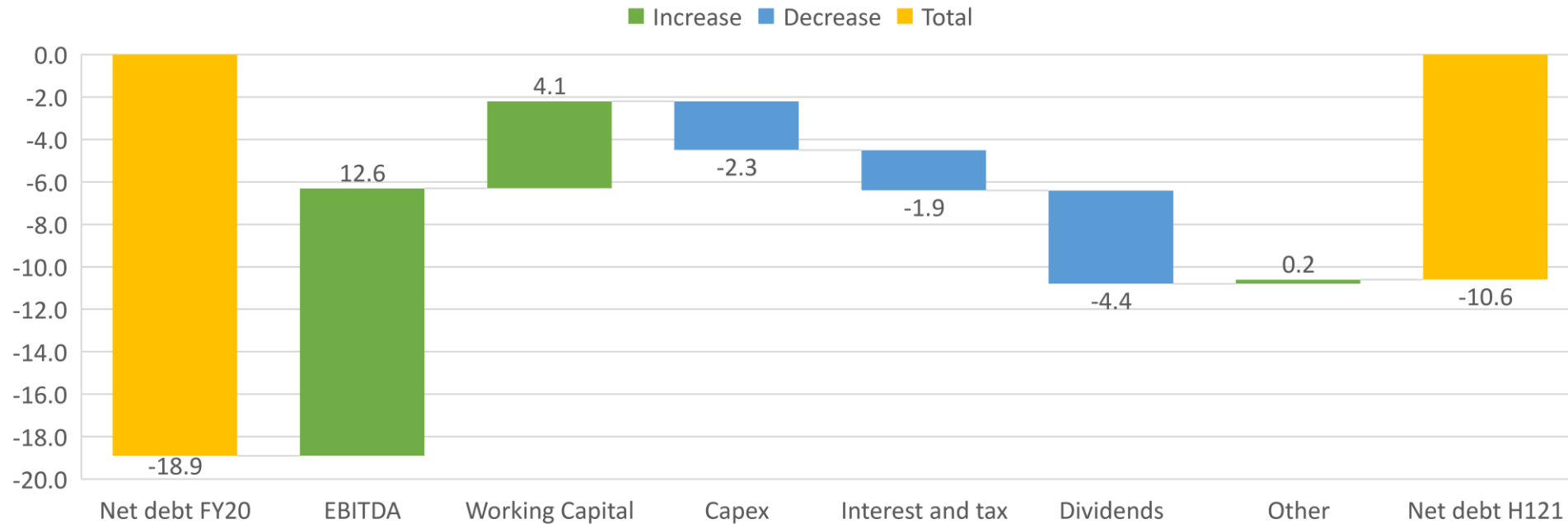
	At 27 February 2021 £m	At 29 August 2020 £m	Change	At 29 February 2020 £m
Fixed assets	119.1	119.4	-0.3%	118.5
Net working capital	38.7	42.8	-9.6%	50.5
Assets employed	157.8	162.2	-2.7%	169.0
Pension surplus	7.8	8.0	-2.9%	6.6
Net debt (excluding leases)	(10.6)	(18.9)	-44.1%	(25.4)
Lease liabilities	(15.1)	(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

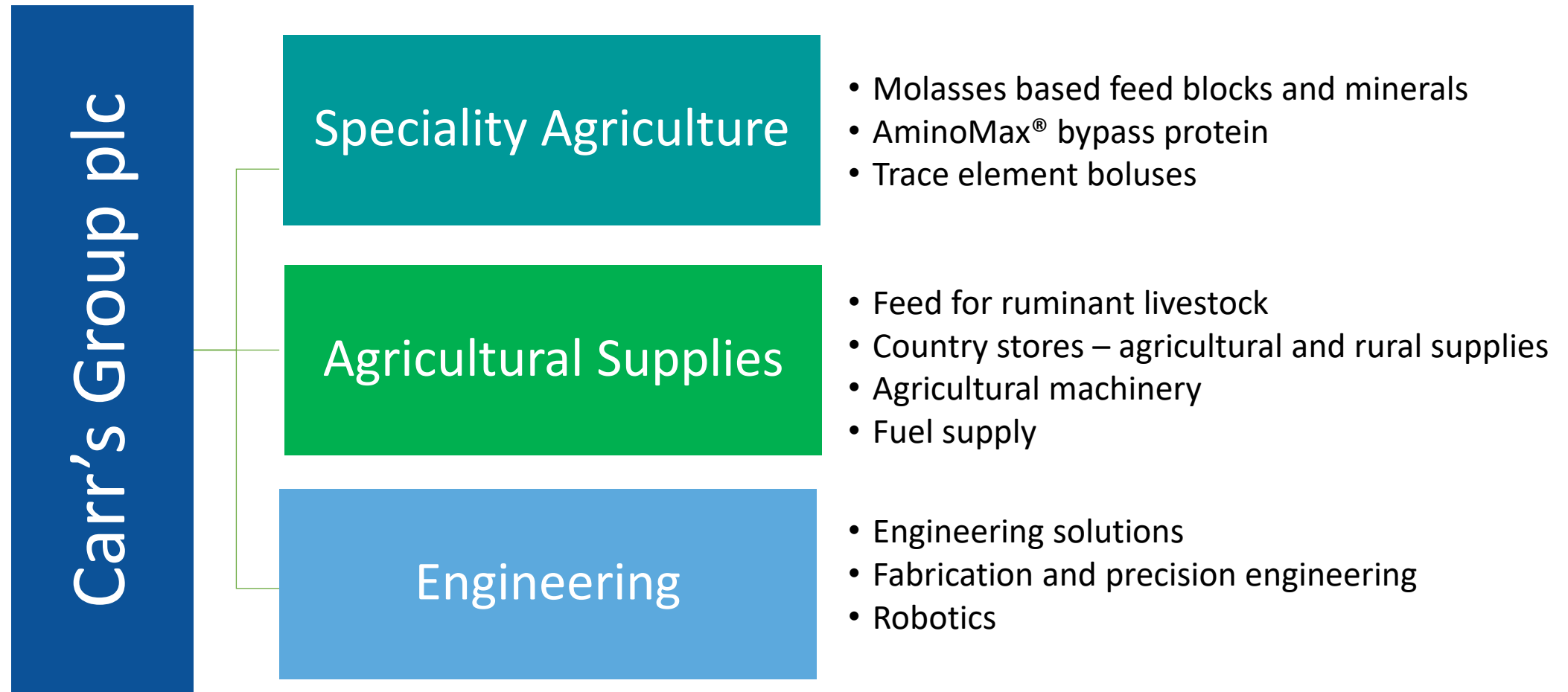
Business Outlook

- 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



Additional Information

Group Structure and Operating Model



Agricultural Divisions and Brands



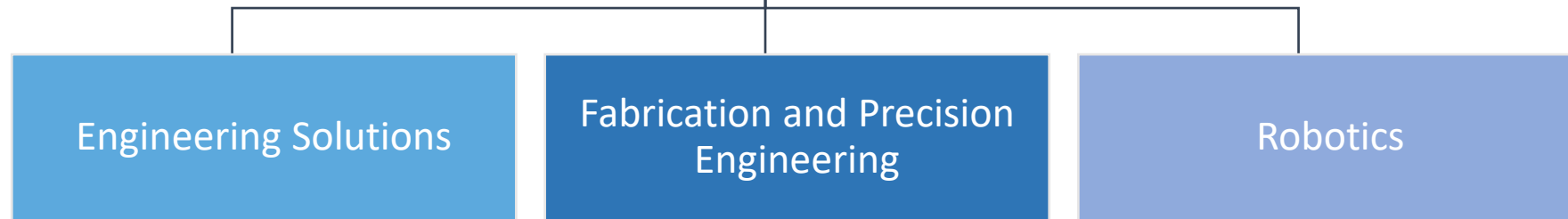
Speciality Agriculture

- 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



Geographic Footprint

International Locations

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

Europe

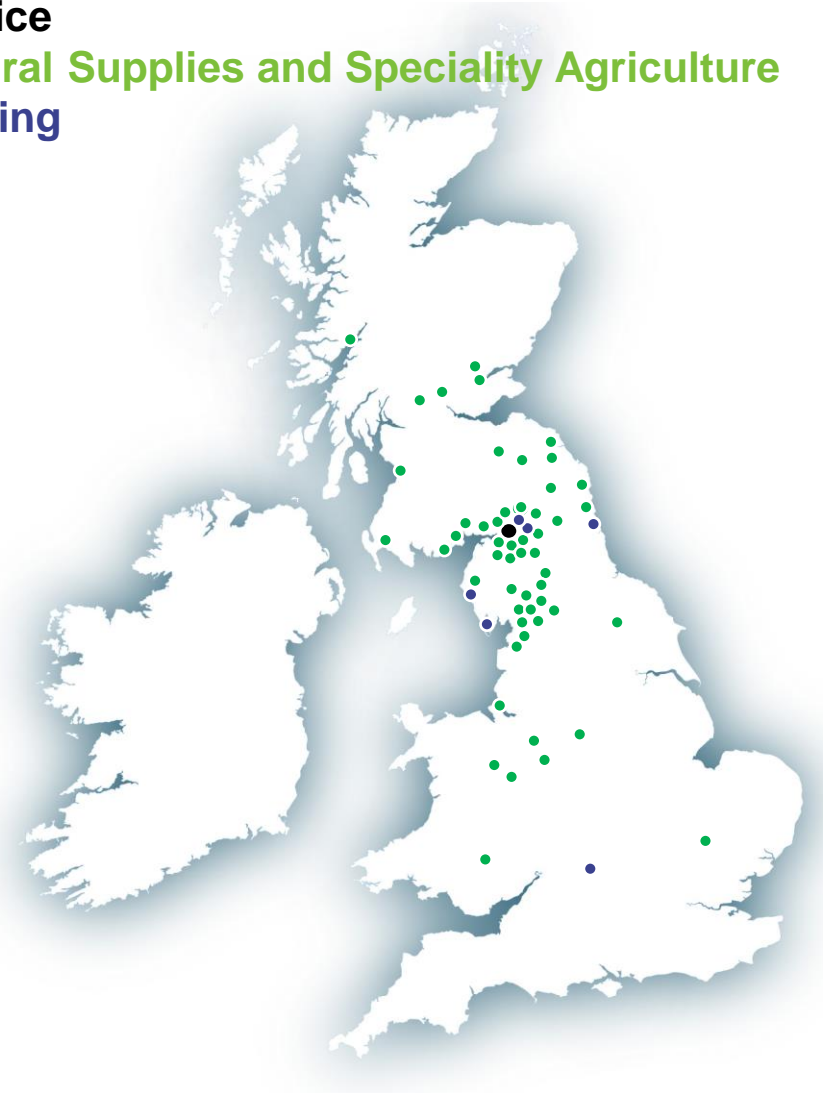
- **Oldenburg, Germany**
- **Markdorf, Germany**

UK Locations

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

USA

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

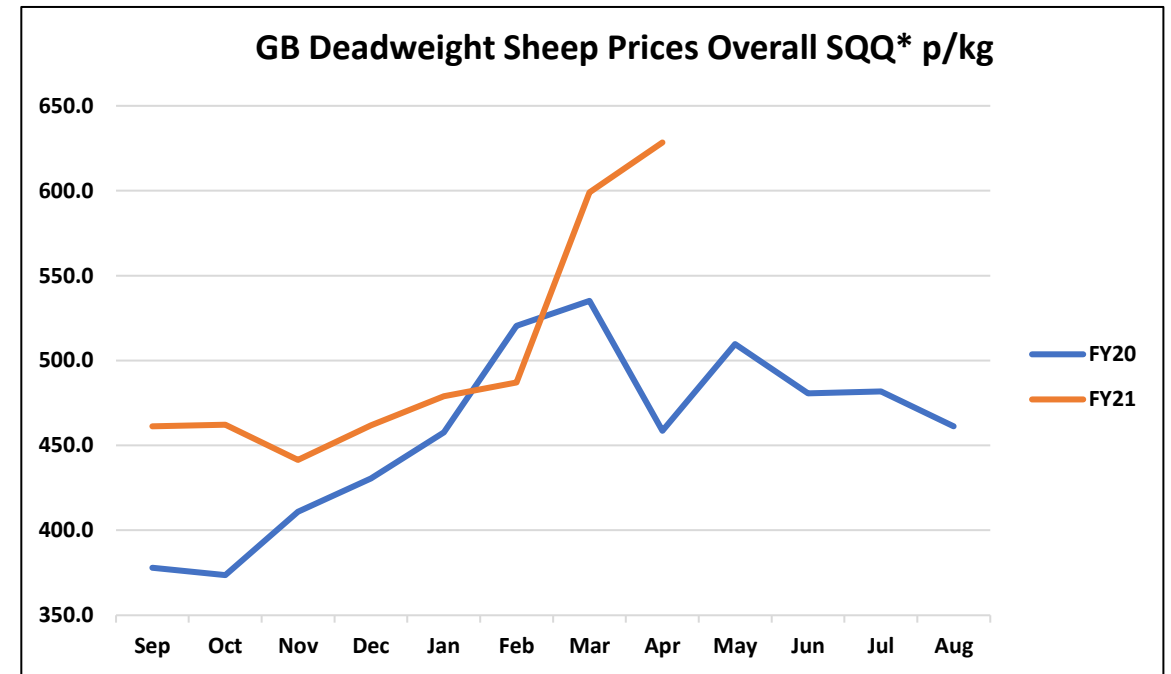
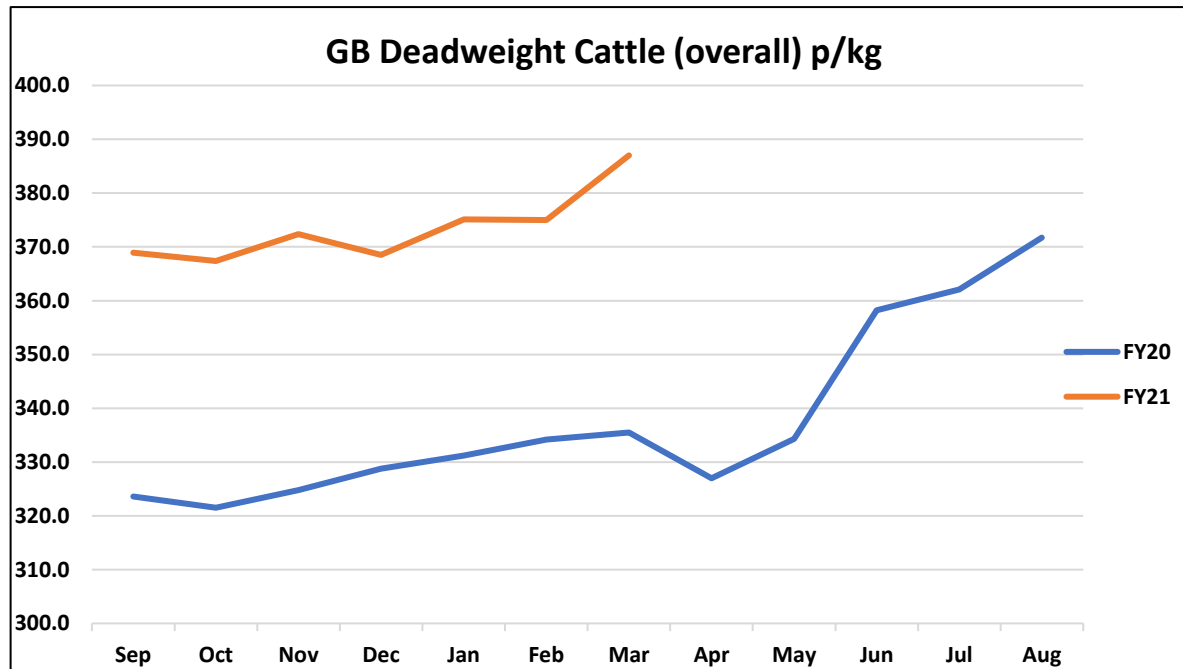


Sustainability Initiatives

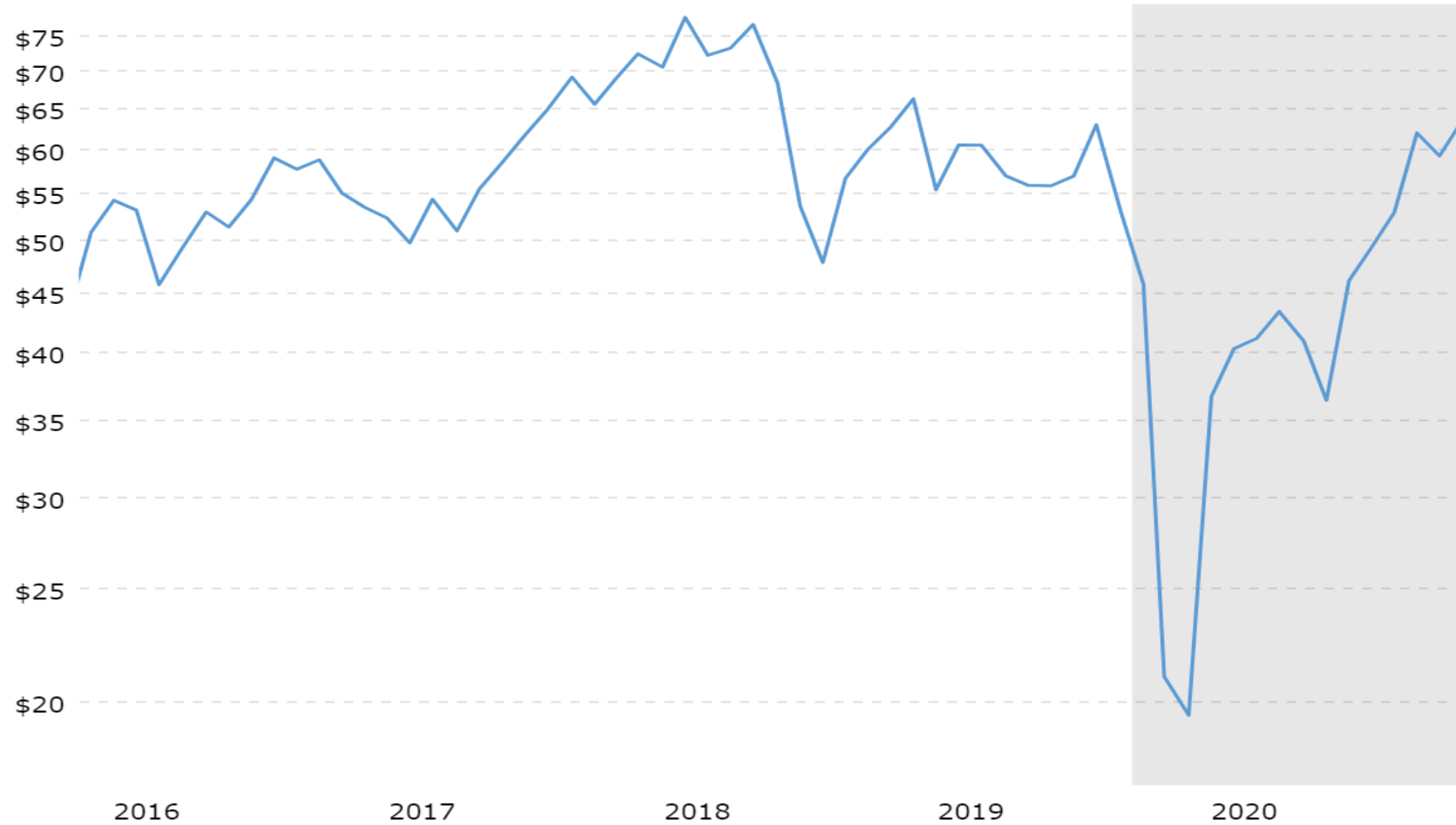


- Development of sustainable packaging
- Changes to logistics arrangements to reduce fuel consumption
- Upgrades to manufacturing to reduce power consumption and utilise renewable energy sources
- Strong links to the community
- Improved HSE standards and guidance
- Policy of directly employing manufacturing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

Livestock Price Trends



Oil Price Trends





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