



## **Interim Results Presentation**

April 2016

CEO: Tim Davies  
Group FD: Neil Austin

1	Introduction	Tim Davies, CEO
2	Financial results	Neil Austin, Group FD
3	Group strategic vision	Tim Davies, CEO
4	Divisional review	
5	Strategic delivery and future outlook	
6	Q&A	



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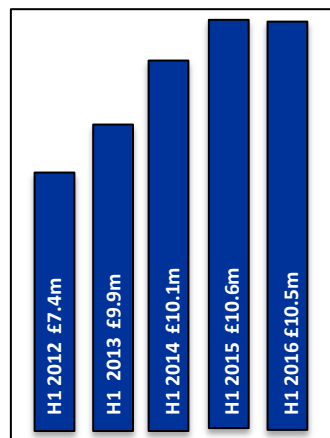
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- Revenue decreased 9.4% to £189.1m (H1 2015: £208.6m)
- EBITDA increased 0.9% to £12.3m (H1 2015: £12.2m\*\*)
- Operating profit increased 0.5% to £9.6m (H1 2015: £9.6m)
- Pre-tax profit decreased 0.9% to £10.5m (H1 2015: £10.6m)
- Adjusted EPS\* increased 3.4% to 9.0p (H1 2015: 8.7p)
- First interim DPS increased 2.7% to 0.95p (H1 2015: 0.925p)
- £27.0m net debt (£24.4m as at 29 August 2015)

\* Adjusted EPS is after adding back amortisation of intangibles and non recurring items, e.g. acquisition related costs

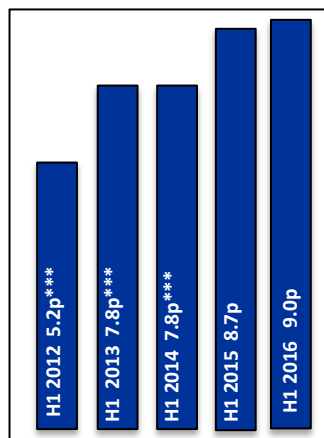
\*\* Restated for the reclassification of net interest on the net defined benefit retirement asset to interest income

\*\*\* Restated for the effect of the 10:1 share split in January 2015



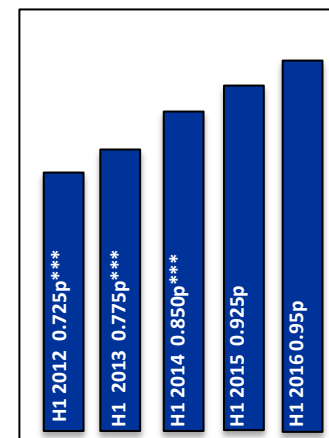
PROFIT BEFORE TAX

**£10.5m**



ADJUSTED EARNINGS PER SHARE

**9.0p**



FIRST INTERIM DIVIDEND PER SHARE

**0.95p**

	H1 2016 (£m)	H1 2015 (£m)	% Change
Segmental Revenue			
Agriculture	139.3	149.7	-7.0
Food	35.7	41.7	-14.3
Engineering	14.1	17.2	-18.3
<b>Total Revenue</b>	<b>189.1</b>	<b>208.6</b>	<b>-9.4</b>
Segmental Operating Profit			
Agriculture	7.4	6.7	+10.5
Food	1.6	1.5	+8.9
Engineering	0.6	1.4	-58.2
<b>Total Operating Profit</b>	<b>9.6</b>	<b>9.6</b>	<b>+0.5</b>
<b>Net finance costs</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>-3.6</b>
<b>Share of associate</b>	<b>0.7</b>	<b>0.9</b>	<b>-16.3</b>
<b>Share of JVs</b>	<b>0.7</b>	<b>0.7</b>	<b>-2.3</b>
<b>Profit before tax</b>	<b>10.5</b>	<b>10.6</b>	<b>-0.9</b>
<b>EBITDA</b>	<b>12.3</b>	<b>12.2</b>	<b>+0.9</b>
<b>EPS (p) – basic</b>	<b>8.9</b>	<b>8.5</b>	<b>+4.7</b>
<b>EPS (p) – adjusted</b>	<b>9.0</b>	<b>8.7</b>	<b>+3.4</b>
<b>Interest cover</b>	<b>20.4</b>	<b>19.8</b>	

	At 27 February 2016 £m	At 29 August 2015 £m	Change %
Fixed assets	87.9	83.9	+4.8
Net working capital	48.1	40.7	+18.2
Assets employed	136.0	124.6	+9.1
Pension surplus	3.9	1.8	
Net debt	(27.0)	(24.4)	+10.7
Tax provisions	(4.7)	(3.0)	
Net assets	108.2	99.0	+9.3
Gearing	25.0%	24.7%	

	H1 2016 £m	H1 2015 £m	Change %
EBITDA	12.3	12.2	+0.9
Working capital changes	(9.1)	(4.4)	
Net interest	(0.6)	(0.6)	
Taxation	(0.1)	(1.6)	
Other	(1.2)	(1.4)	
Cash flow from operations	1.3	4.2	-69.7
Capex	(3.2)	(2.2)	
Acquisitions	(0.3)	(1.2)	
Dividends	(2.5)	(2.3)	
JV loans	2.1	-	
Other	-	0.1	
Increase in net debt	(2.6)	(1.4)	

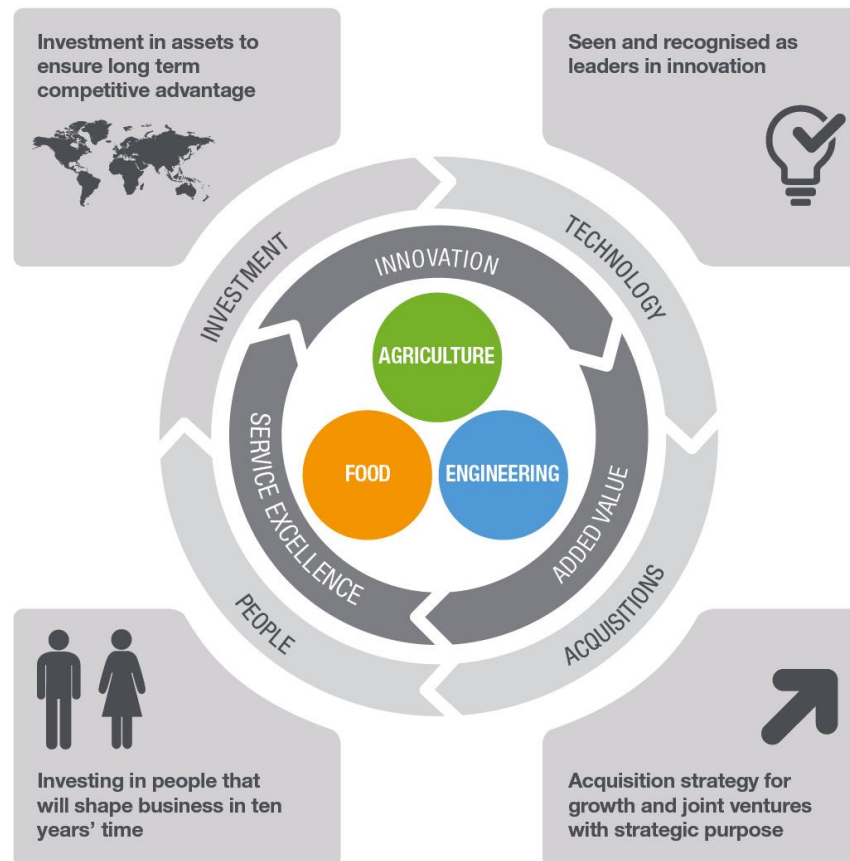
	Expiry	Facility £m	H1 2016 £m
Working capital facilities (UK)	12 month rolling/2019	40.5	5.5
Working capital facilities (US)	12 month rolling	1.1	0.4
Working capital facilities (EU)	12 month rolling	3.2	1.0
Term loans	2019	4.4	4.4
Revolving credit facility	2019	19.5	15.0
Other loans		0.5	0.5
Cash			(8.7)
		69.2	18.1
Finance leases			8.9
<b>Net debt</b>			<b>27.0</b>

## Key points:

- Higher increase in working capital is mainly driven by the stage of completion of contracts in the Engineering division
- Working capital changes also reflect the final amount paid in the US under a long term management incentive plan
- Borrowing headroom available for future growth

## Vision

**To be recognised as a truly international business at the forefront of technology and innovation**



## Performance

- Manufactured feed volumes: 0.3% decrease in tonnes sold against a national average decline of c4.3%
- Fuel volumes: 6.2% increase in litres sold despite the mild winter
- Retail: 2% increase in like for like sales
- Machinery: 11.7% decrease in sales

## Investment

- Retail store development
  - £3.0m investment over last 2½ years
- Acquisitions
  - Reid and Robertson Ltd: £0.9m (acquired June 2015) now fully integrated
  - Green Agriculture (Co): £0.3m

## Strategy

- Lead in dairy nutrition
- Strengthen current geographical position
- Expand into areas where current offer would be aligned

## Outlook

- Challenging and deteriorating background – UK milk price collapse, falling agricultural commodity prices
  - Pressure on farm incomes and cash flow
  - Low grain prices
  - Competition from extra feed capacity
- Diverse and strong agriculture business





## Performance

- USA sales growth: 11.7% increase in tonnes sold (excluding JVs)
- Strength of brands, e.g. Crystalyx®, SmartLic®, Feed in a Drum® and Horslyx®
- Exploring export opportunities of Piglyx® and Horslyx®
- UK feed block sales down 2.8% due to mild winter weather

## Investment

- Silver Springs, Nevada, USA investment (\$4m) commissioned and commenced manufacture of the branded Smartlic® product in December 2015

## Research

- There are eight projects ongoing, two in the UK, two in Europe, one in North America and three in South America

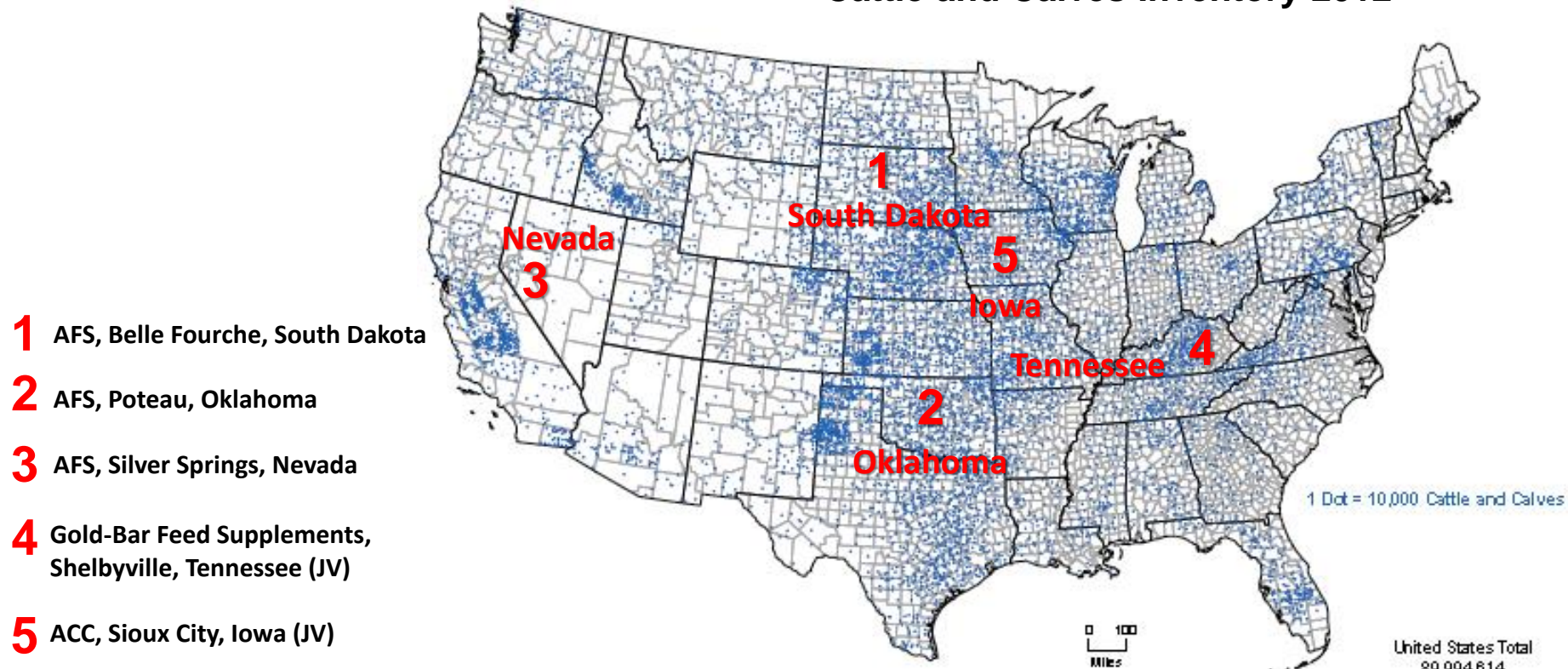
## International Growth

- Fill existing expanded capacity
- New Zealand
- South America

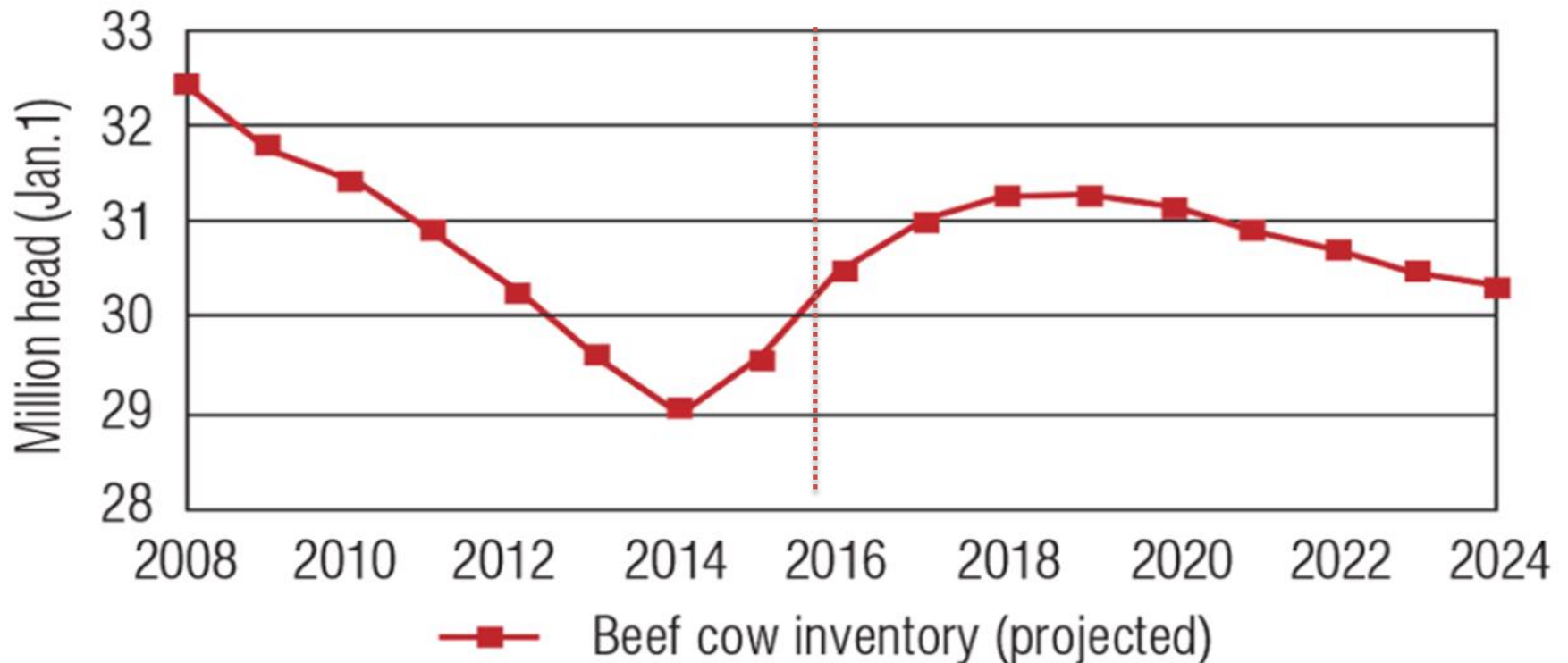


- Strategic location of feed block plants near beef populations
- Newer feed block plants, Nevada **3**, Iowa **5** and Tennessee **4** all located near significant cattle populations

## Cattle and Calves Inventory 2012



**FAPRI's projected beef cow numbers through 2024 in USA**



## Performance

- Underlying sales volumes increase 0.4%
- Operational efficiencies continue to be delivered by the mill at Kirkcaldy

## Market

- Volatile wheat prices in early 2016
- Variable wheat quality 2015

## Flood

- Major customer of Silloth mill affected
- Volumes did not return to normal level until April 2016
- No financial impact due to insurance cover

## Outlook

- Bake off market is strong
- Decline of traditional sliced loaf continues
- Margin pressure due to retail market
- Further efficiency programme underway across the division





## Performance

- Overall divisional operating profit down 58% due to contract weighting to H2
- Revenue from nuclear contracts represent 55.4% of total revenues up from 20.5% last year from UK manufacturing business
- Across the whole Engineering division nuclear represents 64.3% of total revenue

## UK manufacturing

- Depressed oil price accelerated our planned move of precision engineering business into nuclear
- Increased activity from Sellafield with contracts secured through 2017
- New design business driving contract wins
- Seeking further markets for UK manufacturing e.g. defence



## Remote handling

- Performing well in line with expectations
- Relationship with Sellafield continues to be strong
- Completion of specialised A1000 robots for Dounreay
- Successful completion of first live test of Demo 2000
- Commencement of product development programme

## Outlook

- Strong in the medium term
- Ongoing USA opportunities in the nuclear market
- Synergies across the Engineering division with joint bids



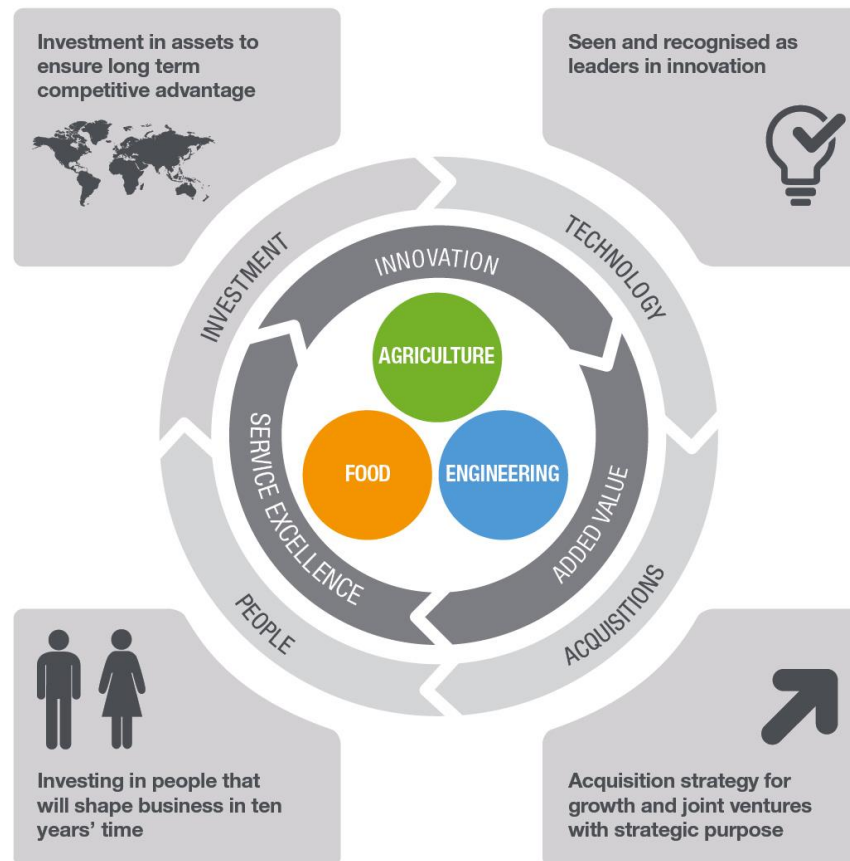
Group Strategic Objectives	Divisional Plans	Delivery
<ul style="list-style-type: none"> <li>• Innovation</li> <li>• Investment</li> <li>• People</li> <li>• Acquisitions</li> </ul>	<b>Agriculture</b> <ul style="list-style-type: none"> <li>• Lead in dairy nutrition</li> <li>• Investment in targeted research</li> <li>• New markets</li> <li>• Consolidate UK position</li> <li>• Acquisitions</li> </ul>	<b>Agriculture</b> <ul style="list-style-type: none"> <li>• AminoMax® – new products</li> <li>• Research – eight trials ongoing</li> <li>• New plant – Silver Springs, USA</li> <li>• New products – Megastart®, Piglyx® and Flaxlic®</li> <li>• New markets – New Zealand and South America</li> <li>• Retail development and growth</li> <li>• Enhanced technical sales department</li> </ul>
	<b>Food</b> <ul style="list-style-type: none"> <li>• Maintain benefits of new mill</li> <li>• Capitalise on market changes</li> <li>• Service excellence</li> <li>• Logistics optimisation</li> <li>• Exploit new areas of market growth</li> </ul>	<b>Food</b> <ul style="list-style-type: none"> <li>• Continued operational improvement</li> <li>• Ethnic flour focus</li> <li>• Strong customer relationships</li> <li>• Logistics improvements and optimisation</li> <li>• Ongoing efficiency programme</li> </ul>
	<b>Engineering</b> <ul style="list-style-type: none"> <li>• Product research, innovation and development</li> <li>• Investment in new products</li> <li>• Exploit growing market sectors</li> </ul>	<b>Engineering</b> <ul style="list-style-type: none"> <li>• Remote handling <ul style="list-style-type: none"> <li>➢ Demo 2000 project</li> <li>➢ New product development</li> </ul> </li> <li>• UK manufacturing <ul style="list-style-type: none"> <li>➢ Closer integration and marketing of combined offerings</li> <li>➢ Design department driving contract wins</li> <li>➢ Adjacent markets being pursued</li> </ul> </li> </ul>

- Resilient performance against a challenging market backdrop
- Outstanding performance in the USA feedblock business
- Strong performance in UK retail driven by investment
- UK agricultural market conditions continue to deteriorate
- Continuing evidence of recovery in the UK nuclear industry
- Growth maintained in Food division
- Second half of the year started as anticipated and expect to deliver the full year expectations of the Board



## Vision

**To be recognised as a truly international business at the forefront of technology and innovation**



## **Questions & Answers**

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The Group: An overview

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Geographic Footprint

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International business focused on three sectors: agriculture, food and engineering

## Agriculture

- Manufacture of molasses-based branded feedblocks for farm animals in the UK, Germany and USA e.g. Crystalyx®, Megalix® and SmartLic®
- Operate 30 rural retail outlets across the north of England and southern Scotland, including seven machinery branches
- Circa 500,000 tonnes of animal feed production at three plants in the UK
- Service country dwellers and farmers with heating oil and machine fuel in the UK

## Food

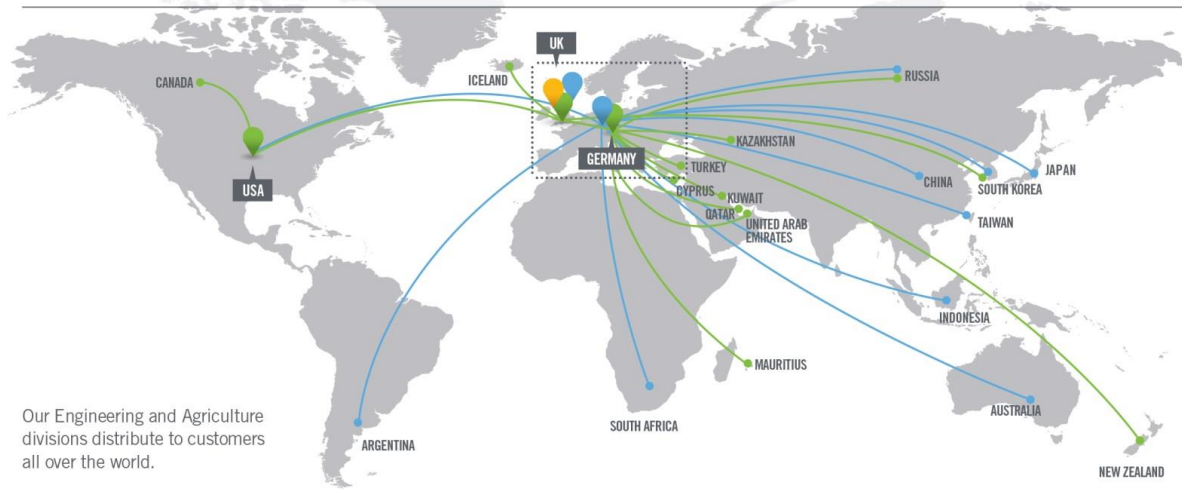
- Supplies flour to bakeries, food manufacturers and multiples across the UK
- Three strategically-located UK mills at Kirkcaldy in Scotland, Silloth in Cumbria and Maldon in Essex
- Produce a range of flours for use in bread and biscuits to speciality flour e.g chapatti

## Engineering

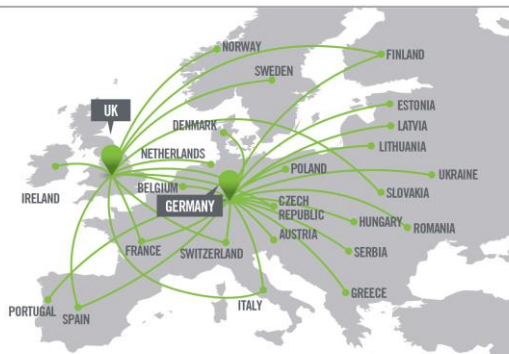
- A remote handling business designing and manufacturing bespoke manipulators and robotics, based in Swindon, UK and Markdorf, Germany
- A UK manufacturing business producing specialist fabrications and precision engineering, based in Carlisle and Newcastle upon Tyne
- Products are used across the nuclear research, nuclear, oil and gas, petrochemical and pharmaceutical industries

**Innovation, technology and research is at the heart of our DNA and provides the common thread linking this diverse group of businesses**

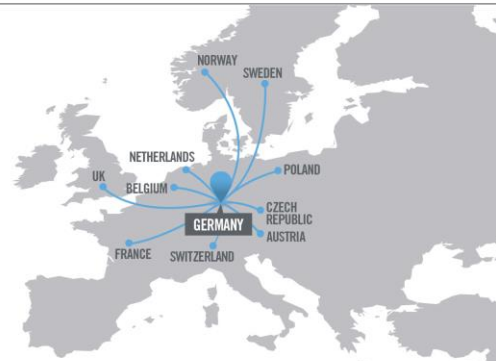
## INTERNATIONAL DISTRIBUTION



## AGRICULTURE EUROPEAN DISTRIBUTION



## ENGINEERING EUROPEAN DISTRIBUTION



## UK LOCATIONS



AGRICULTURE

FOOD

ENGINEERING

## Diversity Strengthens Performance

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