

A light gray world map serves as a background for the central text. The map shows the continents of North America, South America, Europe, Africa, and Asia.

# FOCUSING ON **GROWTH** IN OUR CORE **MARKETS**

**Interim Results Presentation**

April 2017



# THE AGENDA

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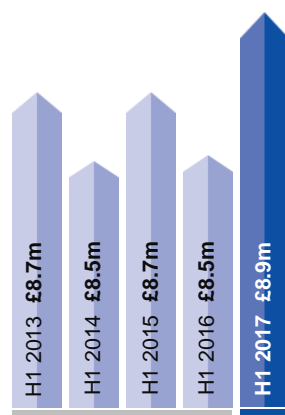
1. Introduction | Tim Davies, CEO
2. Financial Results | Neil Austin, Group FD
3. Group Strategic Vision | Tim Davies, CEO
4. Divisional Review
5. Summary
6. Q&A



# RESULTS OVERVIEW

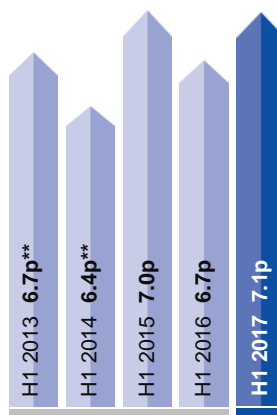
## Continuing operations

- Revenue **increased** 15.3% to £176.8m (H1 2016: £153.4m)
- EBITDA **increased** 3.9% to £9.6m (H1 2016: £9.2m)
- Operating profit (before exceptional items) **increased** 0.9% to £7.5m (H1 2016: £7.5m)
- Pre-tax profit (before exceptional items) **increased** 4.8% to £8.9m (H1 2016: £8.5m)
- Pre-tax profit (after exceptional items) **decreased** 2.6% to £8.3m (H1 2016: £8.5m)
- Basic EPS **decreased** 3.0% to 6.4p (H1 2016: 6.6p)
- Adjusted EPS\* **increased** 6.0% to 7.1p (H1 2016: 6.7p)
- Proposed first interim DPS of 0.95p (H1 2016: 0.95p)
- £11.5m net debt (£8.1m net cash as at 3 September 2016)



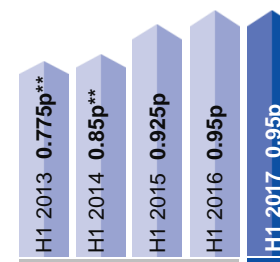
PROFIT BEFORE TAX\*\*\*

**£8.9m**



ADJUSTED EARNINGS PER SHARE\*

**7.1p**



FIRST INTERIM DIVIDEND PER SHARE

**0.95p**

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

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

\*\*\* Before exceptional items



# FINANCIAL REVIEW

## Segmental Analysis

	H1 2017 (£m)	H1 2016 (£m)	% Change
Segmental revenue (continuing operations):			
Agriculture	160.5	139.3	15.2
Engineering	16.2	14.0	15.7
<b>Total revenue</b>	<b>176.7</b>	<b>153.3</b>	<b>15.3</b>
<b>EBITDA (continuing operations)</b>	<b>9.6</b>	<b>9.2</b>	<b>3.9</b>
Segmental operating profit before exceptional items (continuing operations):			
Agriculture	7.3	7.0	4.9
Engineering	0.3	0.5	(52.4)
<b>Total operating profit before exceptional items (continuing operations)</b>	<b>7.5</b>	<b>7.5</b>	<b>0.9</b>
<b>Net finance costs</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(15.6)</b>
<b>Share of associate</b>	<b>0.9</b>	<b>0.7</b>	<b>19.3</b>
<b>Share of JVs</b>	<b>0.8</b>	<b>0.7</b>	<b>20.9</b>
<b>Profit before tax before exceptional items (continuing operations)</b>	<b>8.9</b>	<b>8.5</b>	<b>4.8</b>
<b>Profit for the year from discontinued operations</b>	<b>-</b>	<b>2.0</b>	
<b>Exceptional items*</b>	<b>0.6</b>	<b>-</b>	
<b>EPS (p) – basic</b>	<b>6.4</b>	<b>6.6</b>	
<b>EPS (p) – adjusted</b>	<b>7.1</b>	<b>6.7</b>	
<b>Interest cover</b>	<b>25.7x</b>	<b>22.4x</b>	

\* Exceptional items relate to business combination expenses and restructuring costs



# FINANCIAL REVIEW

## Balance Sheet

	At 4 March 2017 £m	At 3 September 2016 £m	% Change
Fixed assets	71.1	62.8	13.2
Net working capital	43.3	40.9	6.1
Assets employed	114.5	103.7	10.4
Pension surplus	5.7	0.3	1,800.0
Net (debt) / cash	(11.5)	8.1	(242.0)
Tax provisions	(4.5)	(2.0)	125.0
Net assets	104.2	110.1	(5.4)
Gearing	11.0%	-	

### Key points

- Fixed assets includes goodwill on acquisition of STABER GmbH
- Pension surplus significantly increased, primarily due to a reduction in the valuation of liabilities
- Movement in net debt is primarily due to payment of dividends (£18.6m) and acquisition of STABER (€5.85m)



# FINANCIAL REVIEW

## Cash Flow

	H1 2017 £m	H1 2016 £m
EBITDA (continuing operations)	<b>9.6</b>	9.2
Working capital movements	<b>(3.1)</b>	(7.9)
Net interest	<b>(0.4)</b>	(0.3)
Taxation	<b>(0.4)</b>	(0.1)
Other	<b>(0.5)</b>	(1.1)
Operating cash flow from continuing operations	<b>5.2</b>	(0.2)
Net cash from discontinued operations	-	0.5
Capex	<b>(1.2)</b>	(2.9)
Acquisitions	<b>(4.7)</b>	(0.3)
Dividends	<b>(18.6)</b>	(2.5)
JV loans	-	2.0
Other	<b>(0.3)</b>	0.8
Increase in net debt	<b>(19.6)</b>	(2.6)

	Expiry	Facility £m	Utilised H1 2017 £m
Working capital facilities (UK)	12 month rolling /2019	40.5	<b>15.9</b>
Working capital facilities (US)	12 month rolling	1.2	<b>0.2</b>
Working capital facilities (EU)	12 month rolling	2.2	-
Term loans	2019	4.2	<b>4.2</b>
Revolving credit facility	2019	19.5	<b>9.6</b>
Cash			<b>(21.2)</b>
		67.6	<b>8.7</b>
Finance leases			<b>2.8</b>
<b>Net debt</b>			<b>11.5</b>

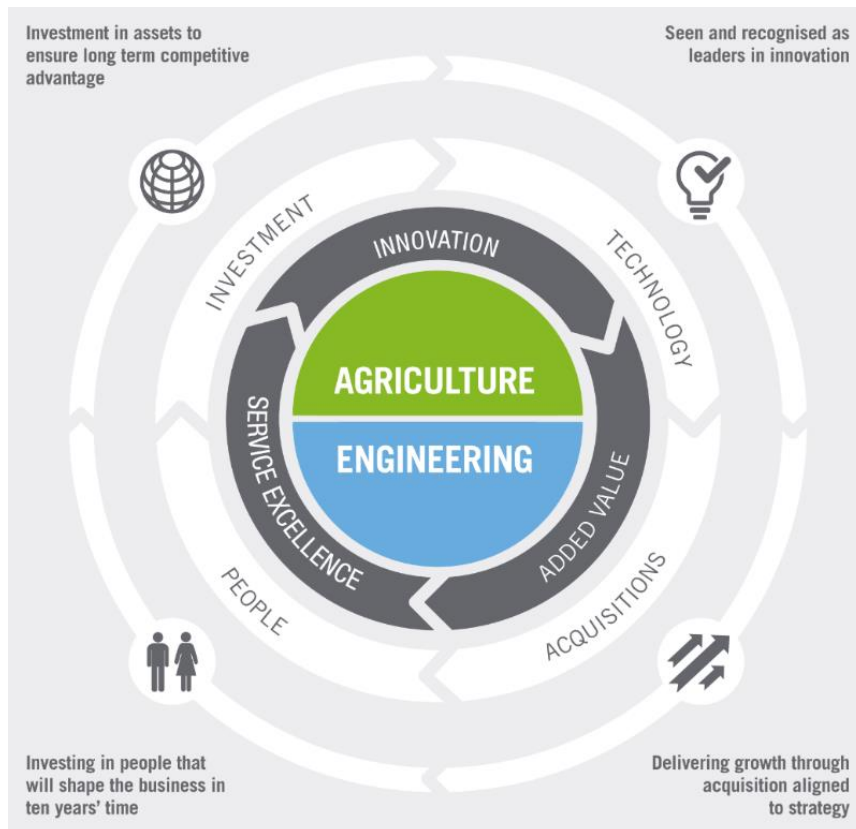
### Key points:

- Seasonal working capital cash flow movement reduced year on year
- Dividends paid include special dividend, 2016 second interim dividend and 2016 final dividend



# GROUP STRATEGIC VISION

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



## Strategic Objectives

1. Build value by focusing on markets with growth potential
2. Grow our international footprint
3. Differentiate through innovation and technology
4. Lead in our chosen markets



# UK AGRICULTURE



## PERFORMANCE

- Compound feed volumes: 11.6% increase in tonnes sold against a national average decline of 1% to 2%
- Fuel volumes: 0.9% increase in litres sold despite the mild winter
- Retail: 3.8% like for like sales increase.
- Machinery: 43.4% increase in sales as confidence recovers

## INVESTMENT

- Retail store development, £2.0m investment over 3 years

### New sites

- Rothbury, Northumberland
- Selkirk, Borders
- Malton, North Yorkshire
- Bakewell, Derbyshire
- Wigton, Cumbria
- Penicuik, East Midlothian

### Major developments

- Gisburn, Lancashire
- Wooler, Northumberland
- Leek, Staffordshire
- Spennymoor, Durham
- Brock, Lancashire
- Skipton, North Yorkshire

### Acquisitions £4.7m (since 2014)

- Williams, Wales
- Nicholls, Wales
- Reid & Robertson, Scotland
- Greens, Northumberland
- Phoenix Feeds, Lancashire
- Horse and Pet, Scotland

## STRATEGY

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

## OUTLOOK

- Milk price recovery and improving farm incomes
- Farm balance sheets damaged
- Raw material price increases
- Feed margin pressure continues
- Recovery will take time
- Brexit uncertainty
- Diverse and strong business





# FEED BLOCKS



## PERFORMANCE

- Global feed block sales down 0.8%
- UK feed block sales up 6.0%
- USA sales down 10.1% (excluding JVs)
- USA JV sales up 15.9%
- USA feed block sales impacted by cattle price decline
- Strength of brands, e.g. Crystalyx®, SmartLic®, Feed in a Drum® and Horslyx®
- Developing export markets for Horslyx®

## INVESTMENT

- Shelbyville, Tennessee new low moisture block plant, \$4.6 million, providing access to Eastern US States
- Pick Block plant at Oldenburg, Germany, €1.1m

## RESEARCH

- During the year 18 trials were underway across the UK, Europe, North America and South America

## INTERNATIONAL GROWTH

- Fill existing expanded capacity
- New build USA
- New Zealand development
- South America on-farm trials
- Europe growth



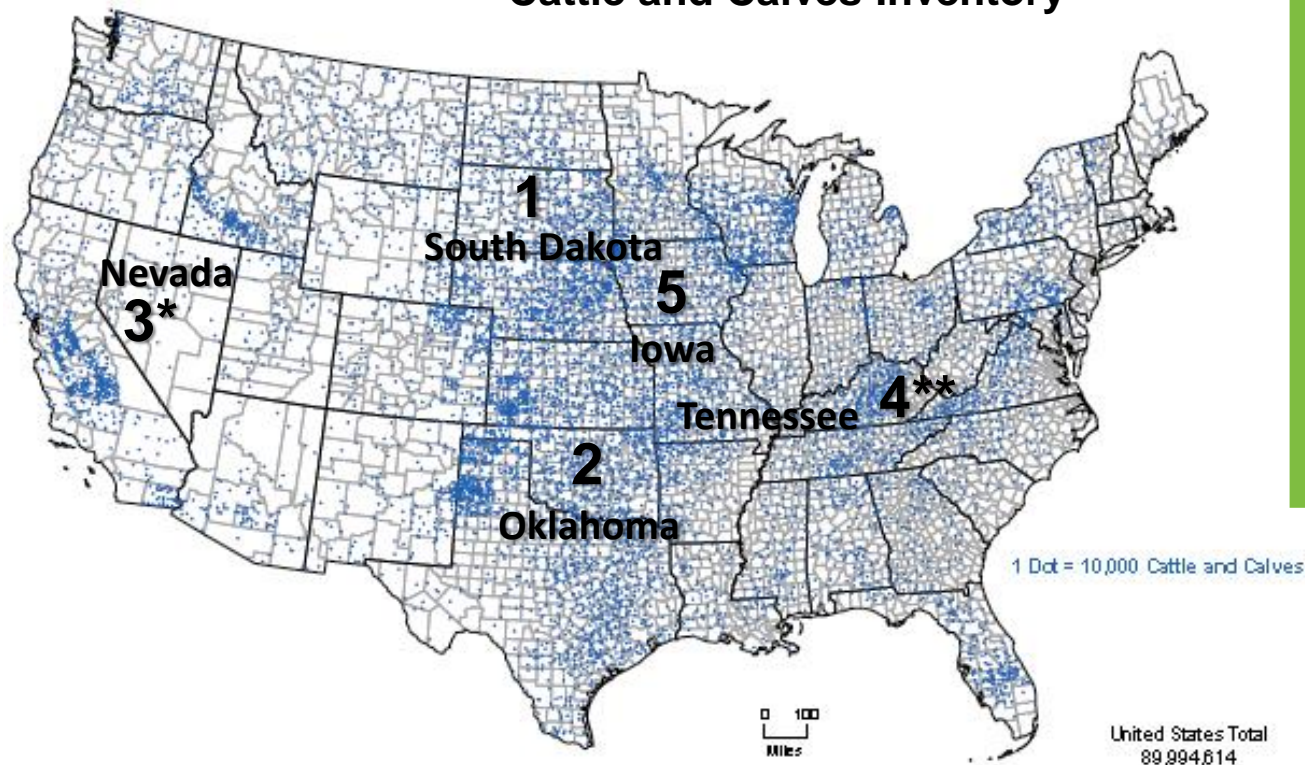


# USA FEED BLOCK OPERATIONS



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

## Cattle and Calves Inventory



- **1** AFS, Belle Fourche, South Dakota
- **2** AFS, Poteau, Oklahoma
- **3** AFS, Silver Springs, Nevada
- **4** Gold-Bar Feed Supplements, Shelbyville, Tennessee (JV) (High Moisture Blocks)
- **5** ACC, Sioux City, Iowa (JV)

\* New Block Plant operational

\*\* New Low Moisture Block Plant 2017

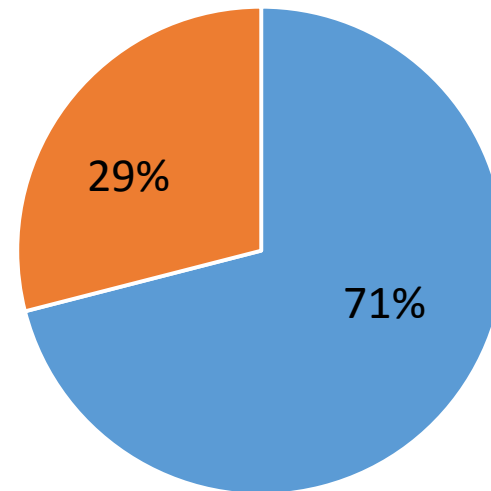


# ENGINEERING



## PERFORMANCE

- Overall divisional operating profit down 52.4%
- Revenue from nuclear contracts 71% of total revenues up from 55.4% last year
- Contract delay impacted first half performance and will impact full year result



■ Nuclear ■ Oil & Gas/Other





# ENGINEERING



## UK MANUFACTURING

- Significant UK contract delay impacting current financial year
- Medium term pipeline looking good, with benefit of £48m Sellafield Vessels and Tanks framework contract to begin during 2018
- Bidding processes ongoing for other significant opportunities
- Progression into adjacent markets of defence and nuclear new-build underway. Other adjacent markets also being explored

## REMOTE HANDLING

- Excellent H1 performance ahead of expectations
- New orders received from China, which is an exciting nuclear market
- Product development programme progressing well
- Continuing strong relationship with Sellafield
- STABER integration progressing well with plans to extend premises at Markdorf, Germany, to incorporate the acquired business





# ENGINEERING



## OUTLOOK

- Short term contract delay, but prospects remain strong in the medium term
- Ongoing USA and China opportunities in the nuclear market
- Highly selective acquisition opportunities under review





# SUMMARY

- First half year resilient performance in challenging markets
- Second half year will be impacted by combination of contract delay in UK Manufacturing and slow down in US Feed Block sales
- UK Agriculture strong performance driven by:
  - retail sales growth
  - feed volume growth
  - improved machinery sales
  - improved farming income
- Good performance in UK Feed Blocks
- Successful integration in Engineering Division of STABER GmbH
- Remote handling strong performance
- Nuclear market continues to recover
- Board's revised expectations for the full year remain unchanged





# QUESTIONS & ANSWERS





# THE APPENDICES

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1. The Group | An Overview
2. Geographic Footprint



# THE GROUP

## AN OVERVIEW

**International business focused on two sectors: agriculture and engineering**

### AGRICULTURE

- Manufacture of molasses-based branded feed blocks for farm animals in the UK, Germany and USA e.g. Crystalyx®, Megalix® and SmartLic®
- Operate 32 rural Country Stores 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

### ENGINEERING

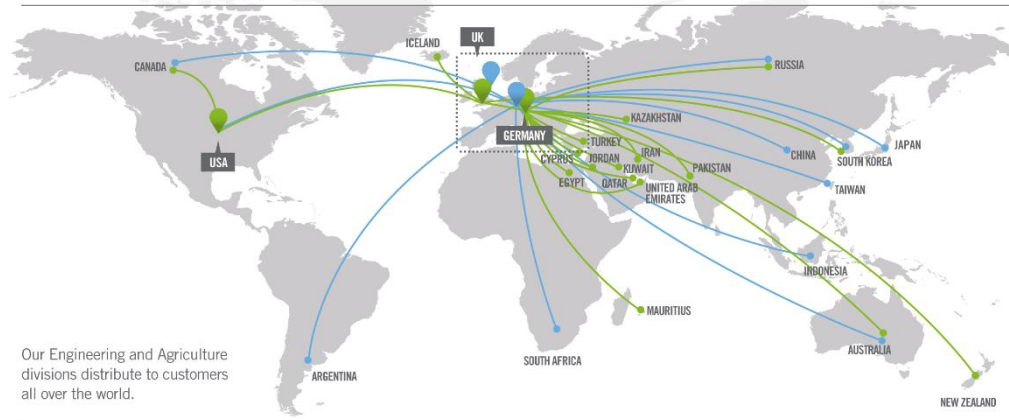
- A remote handling business designing and manufacturing bespoke manipulators and robotics, based in Swindon, UK and Markdorf, Germany
- A UK manufacturing business producing specialist fabrications and precision engineering, based in Carlisle and Newcastle upon Tyne
- Products are used across the nuclear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

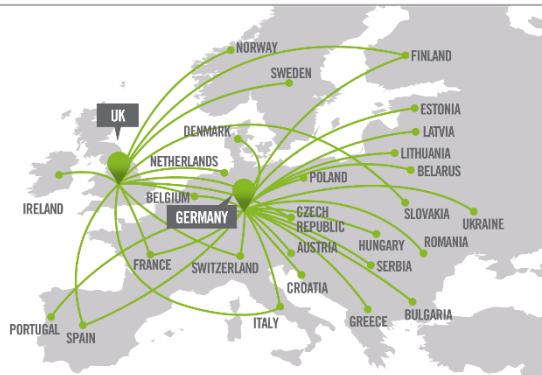


# GEOGRAPHIC FOOTPRINT

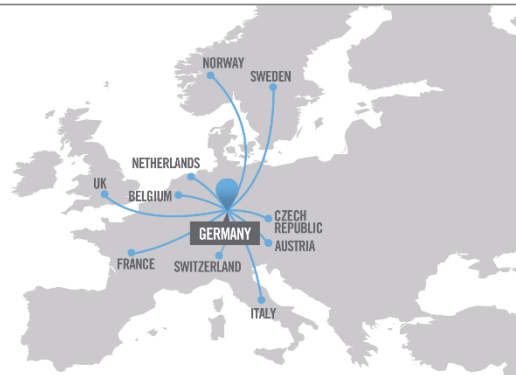
## INTERNATIONAL DISTRIBUTION



## AGRICULTURE EUROPEAN DISTRIBUTION



## ENGINEERING EUROPEAN DISTRIBUTION



## UK LOCATIONS



● HEAD OFFICE ● ENGINEERING ● AGRICULTURE





# FOCUSING ON **GROWTH** IN OUR CORE **MARKETS**



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