

Interim Results Presentation

April 2019



**DELIVERING CONTINUED
GROWTH**

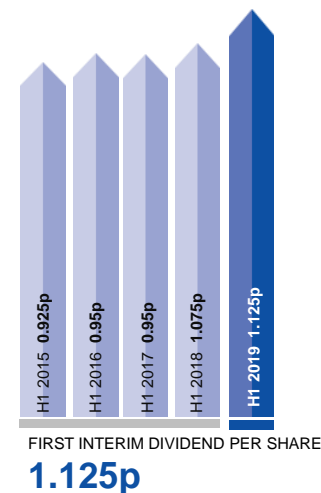
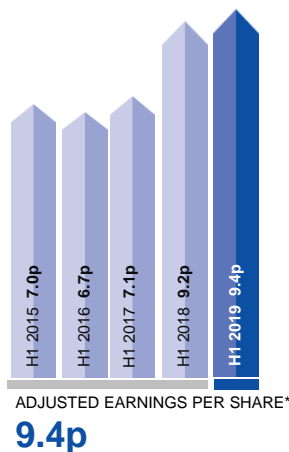
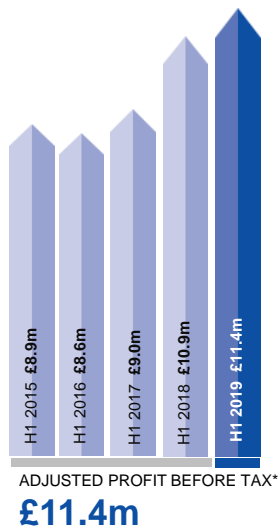
Agenda

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** 3.0% to £206.2m (H1 2018: £200.1m)
- Adjusted* EBITDA **increased** 7.3% to £12.2m (H1 2018: £11.3m)
- Adjusted* operating profit **increased** 5.2% to £11.9m (H1 2018: £11.3m)
- Adjusted* profit before tax **increased** 4.5% to £11.4m (H1 2018: £10.9m)
- Reported profit before tax **decreased** 2.6% to £10.3m (H1 2018: £10.6m)
- Basic EPS **decreased** 7.8% to 8.3p (H1 2018: 9.0p)
- Adjusted* EPS **increased** 2.2% to 9.4p (H1 2018: 9.2p)
- First interim DPS of 1.125p (H1 2018: 1.075p)
- £23.3m net debt (£15.4m as at 1 September 2018)



* Adjusted EBITDA, adjusted operating profit, adjusted profit before tax and adjusted EPS are before charging amortisation of acquired intangible assets and non-recurring items

Financial Review

Segmental Analysis

	H1 2019 (£m)	H1 2018 (£m)	% Change
Segmental revenue:			
Agriculture	185.2	178.3	+3.9
Engineering	21.0	21.8	-3.7
Total revenue	206.2	200.1	+3.0
Adjusted EBITDA	12.2	11.3	+7.3
Segmental adjusted operating profit:			
Agriculture	10.0	10.0	-0.2
Engineering	1.9	1.3	+45.1
Total adjusted operating profit	11.9	11.3	+5.2
Net finance costs	(0.5)	(0.4)	+25.9
Adjusted profit before tax	11.4	10.9	+4.5
EPS (p) – basic	8.3	9.0	-7.8
EPS (p) – adjusted	9.4	9.2	+2.2
Interest cover	21.8	27.9	

- Non-recurring items of £0.9m: acquisition costs (£0.1m) and costs of GMP equalisation (£0.8m)

Financial Review

Balance Sheet

	At 2 March 2019 £m	At 1 September 2018 £m	% Change
Fixed assets	93.9	86.4	+8.7
Net working capital	50.0	43.9	+13.8
Assets employed	143.9	130.3	+10.4
Pension surplus	6.8	10.1	-32.6
Net debt	(23.3)	(15.4)	+51.6
Tax provisions	(4.5)	(4.0)	+10.9
Net assets	122.9	121.0	+1.6
Gearing	18.9%	12.7%	

Key points

- Acquisitions increased fixed assets, including £4.3m goodwill
- Decreased pension surplus primarily due to market conditions and an adjustment for GMP equalisation
- Net debt increased following the acquisition of Animax and seasonal working capital increases

Financial Review

Cash Flow

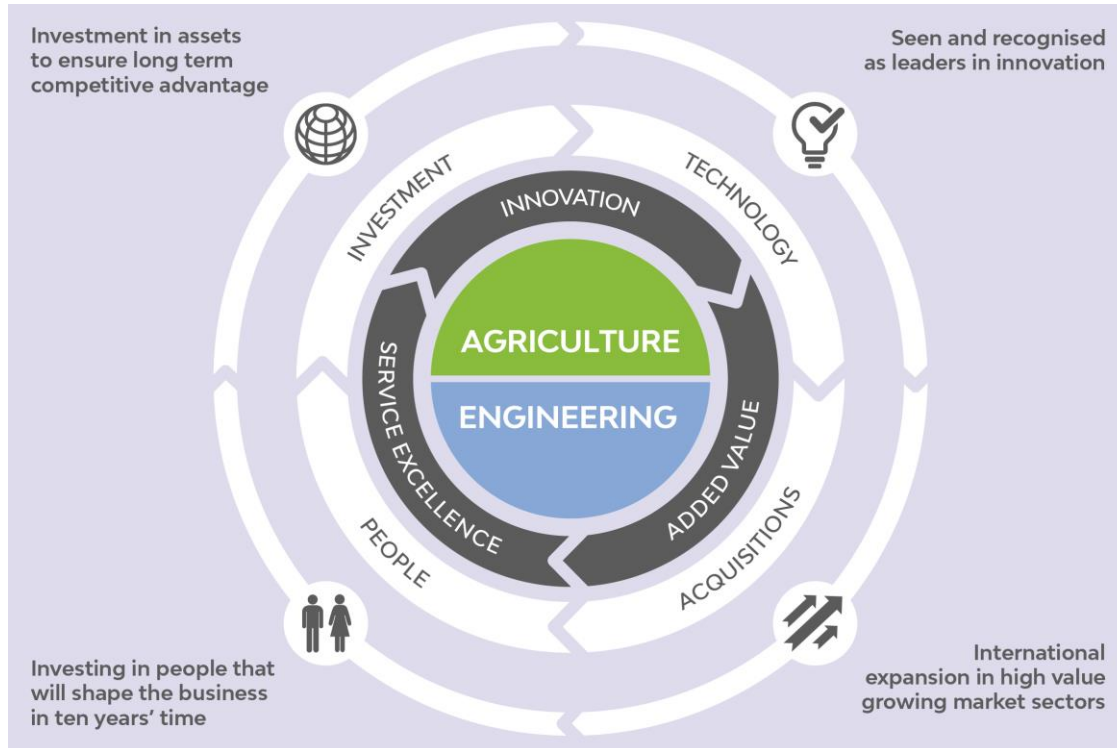
	H1 2019 £m	H1 2018 £m
EBITDA	12.2	11.3
Working capital changes	(7.3)	(5.0)
Net interest	(0.5)	(0.4)
Taxation	(0.7)	(1.0)
Other	0.1	0.6
Cash flow from operating activities	3.8	5.5
Capex	(2.4)	(1.9)
Acquisitions	(4.9)	(2.1)
Dividends	(3.1)	(2.8)
Other	(1.3)	(0.7)
Increase in net debt	(7.9)	(2.0)

Key points

- Seasonal working capital cash flow movement increased year on year
- Borrowing headroom available for future growth

	Expiry	Facility £m	Utilised H1 2019 £m
Working capital facilities (UK)	12 month rolling/2021	35.5	24.0
Working capital facilities (US)	12 month rolling	2.3	0.7
Working capital facilities (EU)	12 month rolling	2.2	-
Term loans	Various	5.6	5.6
Revolving credit facility	2023	27.0	19.4
Cash			(29.2)
		72.6	20.5
Finance leases			2.8
Net debt			23.3

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

Agriculture



UK Agriculture

Performance

- Extraordinarily dry and warm start to the winter
- Weather pattern has continued through winter and into spring
- Robust performance due to good procurement and raw material positions
- Manufactured feed volumes: 4.1% decrease in tonnes sold
- Machinery: 10.2% decrease in total revenues
- Fuel volumes: 6.0% decrease in litres sold
- Retail: 5.5% like for like sales decrease, 0.4% total sales decrease

Strategy

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

Outlook

- Unseasonable weather continued into March and April
- Weather has been good for our customers
- Brexit uncertainty continues



Feed Blocks and Supplements

Performance

- Global feed block sales volumes: 0.5% decrease
- USA feed block sales volumes: 5.6% increase (including JVs)
- UK feed block sales volumes: 14.1% decrease
- Profit impact mitigated through increased efficiencies, strict cost control and better procurement
- Strength of brands, e.g. Crystalyx[®], Tracesure[®], SmartLic[®], Megastart[®], FlaxLic[®] and Horslyx[®]
- Integration of Animax progressing well
 - Positive contribution in H1
 - Good progress in new product development

Investment/Research

- Shelbyville, Tennessee new low moisture block plant, excellent performance
- Continue to invest in new products and brands across all territories
- Acquisition of Animax enhances global research capabilities

International Growth

- Fill existing expanded capacity
- New Zealand: direct sales operation
- South America: trials and development ongoing
- Developing export markets for Horslyx[®]



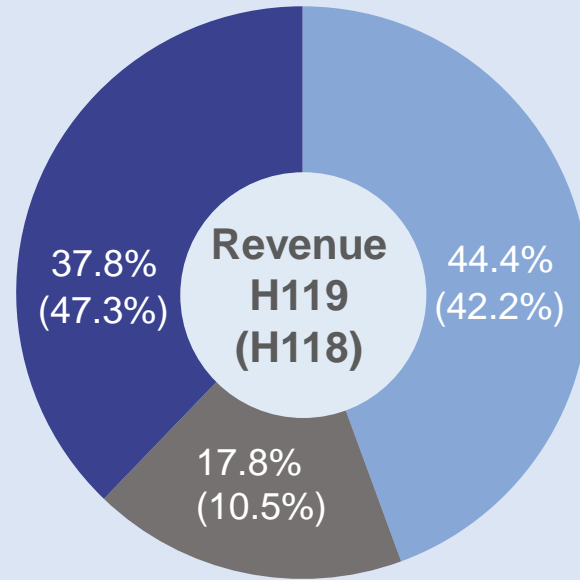
Engineering



Engineering

Performance

- Overall adjusted divisional operating profit up 45.1%
- Improved performance in UK Manufacturing
- Strong performance in USA Engineering
- Short term impact of softer order book in Remote Handling
- Contract wins across the division
- Strong order books building particularly in UK Manufacturing and USA Engineering



■ UK Manufacturing
 ■ USA Engineering
 ■ Remote Handling

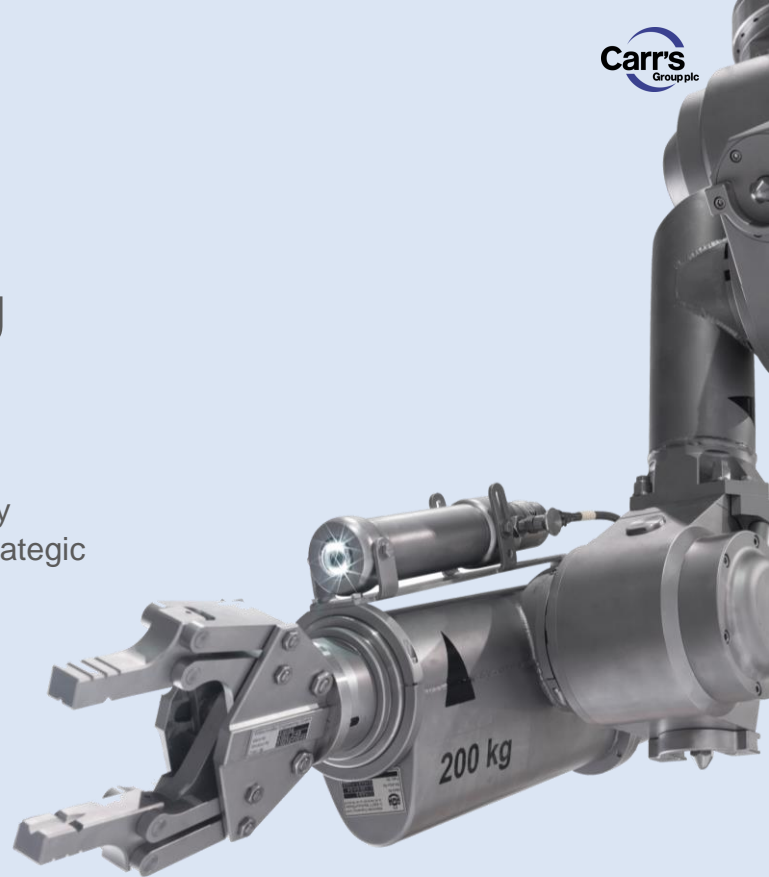
Engineering

UK Manufacturing

- New management teams driving significant improvement in performance
- Strong order book and uplift in opportunity pipeline
- Improved manufacturing efficiencies implemented
- Recovery in the oil price

Remote Handling

- Short term softer order book
- Medium term outlook positive
- Contract win USA \$8.5m mainly impacting 2020 – significant strategic milestone



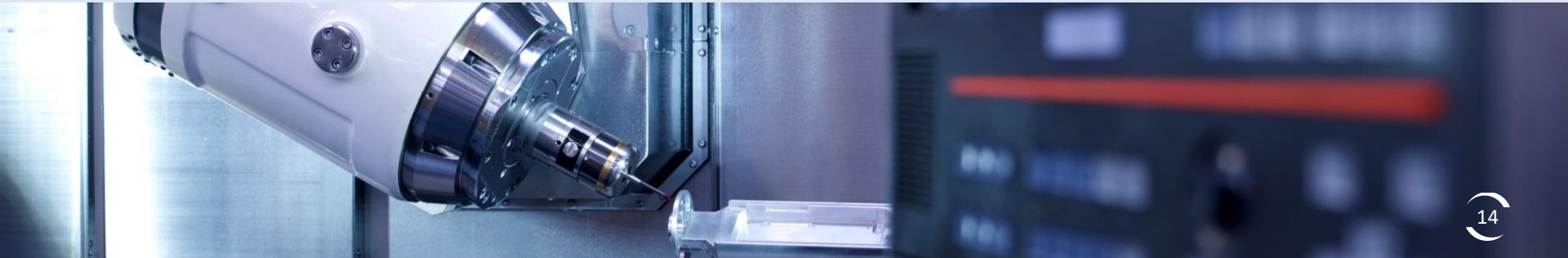
Engineering

USA Engineering

- Strong performance in first half year
- Two significant MSIP® contract wins running to FY21
- Confirmation of funding from US Department of Energy to develop passive cooling technology to retrofit existing nuclear plants – work due to start in H219
- Strong order book

Divisional Outlook

- Strong order books across most of the division, offsetting short term softer order book in Remote Handling
- Significant opportunities in the USA nuclear market
- Synergies across the Engineering division will be delivered
- Strong prospects in the medium term
- Continue to assess acquisition opportunities



Summary

- Continued growth in first half despite challenging market conditions

Agriculture

- The warm and dry winter weather has impacted sales volumes
- The impact on profitability has been mitigated by improved procurement, business efficiency and cost control
- Animax integration progressing well
- New feed block plant in Tennessee – excellent performance

Engineering

- Strong performance significantly ahead of prior year
- Strong performance in USA Engineering driven by new contract wins
- Improved performance in UK Manufacturing
- Significant contract wins
- Softer short term order book in Remote Handling, but medium term outlook positive

Outlook

- The performance of the Group is in line with the expectations of the Board, outlook remains unchanged

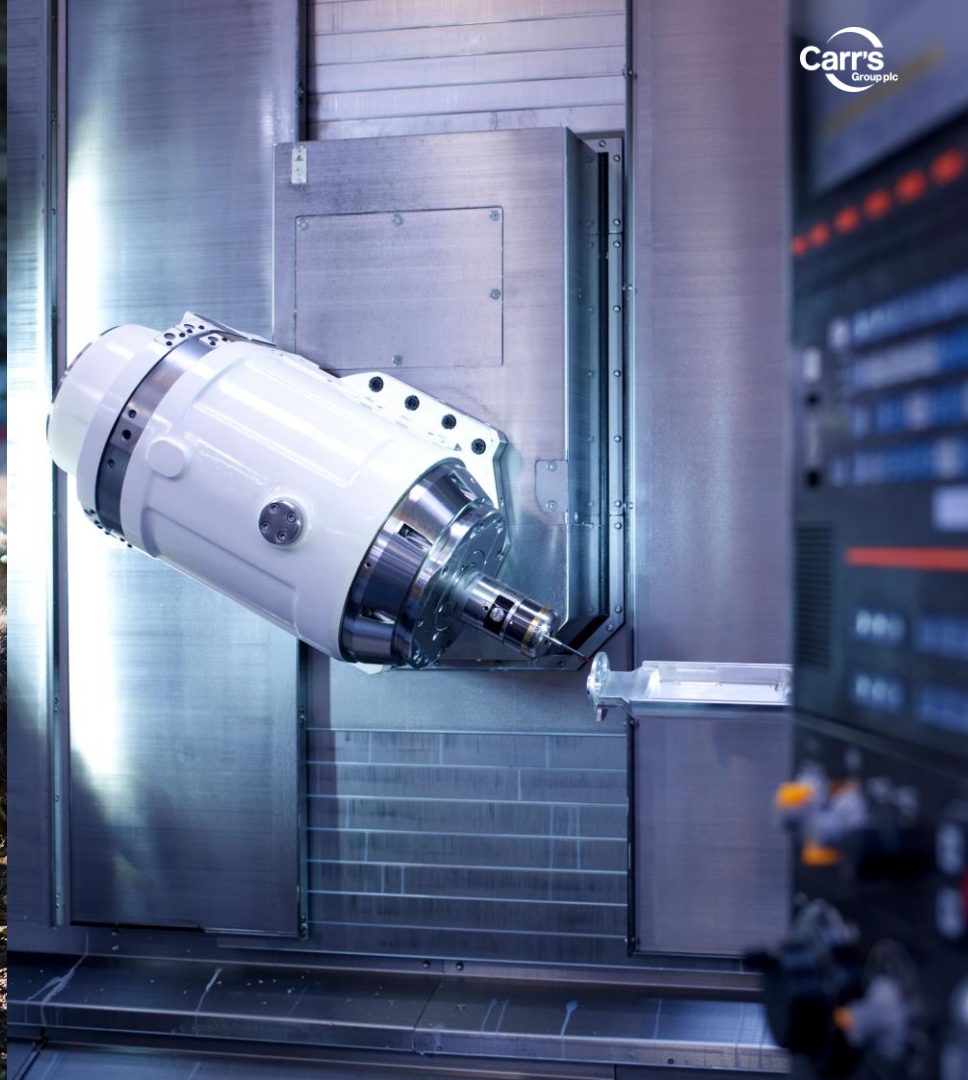
Questions and Answers



**DELIVERING CONTINUED
GROWTH**

Appendices

1. The Group | An Overview
2. Geographic Footprint



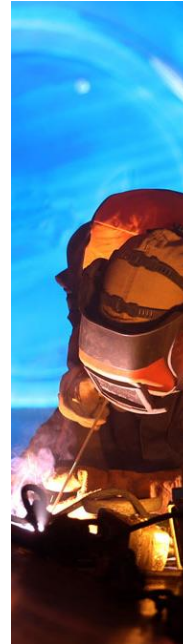
The Group An Overview

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, including Crystalyx®, MegaLic® and SmartLic®
- Operate 43 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 machinery fuel in the UK
- Manufacturer of livestock trace element supplements, including boluses, based in Suffolk



Engineering

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

Innovation, technology and research are at the heart of our DNA and provide the common thread linking the two divisions

Geographic Footprint

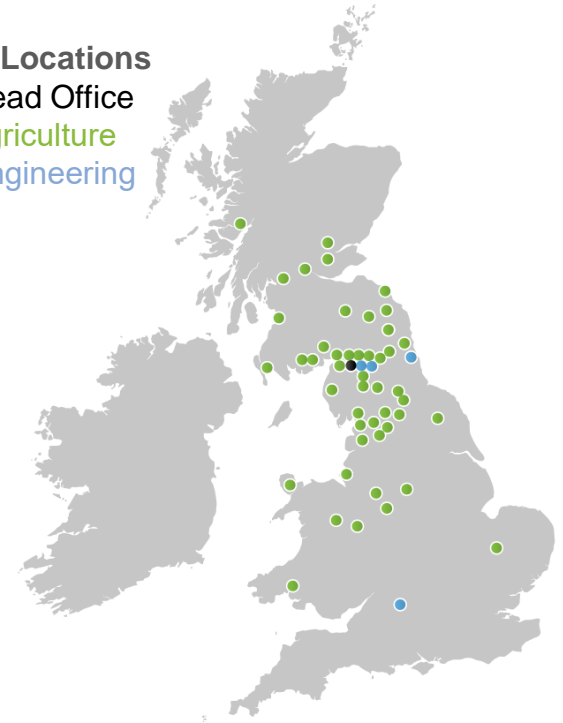
International Distribution

Agriculture
Engineering



UK Locations

- Head Office
- Agriculture
- Engineering



European Distribution

Agriculture
Engineering





Carr's Group plc

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

Telephone: +44 (0) 1228 554600

Email: reception@carrsgroup.com

carrsgroup.com