

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, Asia, and Australia.

# FOCUSING ON **GROWTH** **MARKETS** WORLDWIDE

## Preliminary Results Presentation

November 2016

# THE AGENDA

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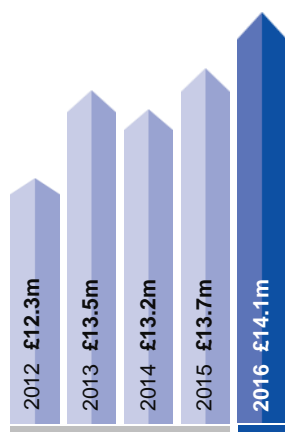


1. Introduction | Tim Davies, CEO
2. Financial Results | Neil Austin, Group FD
3. Group Strategic Vision | Tim Davies, CEO
4. Divisional Review
5. Summary
6. Q&A

# RESULTS OVERVIEW

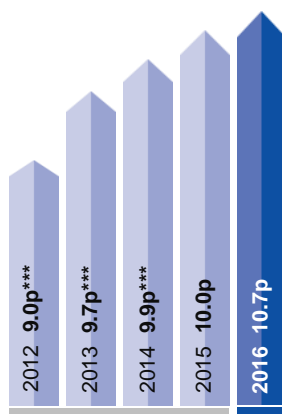
## Continuing operations

- Revenue **decreased** 4.9% to £314.9m (2015: £331.3m)
- EBITDA **increased** 6.6% to £16.5m (2015: £15.5m\*)
- Operating profit **increased** 5.6% to £12.8m (2015: £12.1m\*)
- Pre-tax profit **increased** 2.8% to £14.1m (2015: £13.7m)
- Basic EPS **increased** 7% to 10.7p (2015: 10.0p)
- Adjusted EPS\*\* **increased** 6.9% to 10.9p (2015: 10.2p)
- Proposed final DPS **increased** 2.7% to 1.9p (2015: 1.85p)
- £8.1m net cash (£24.4m net debt as at 29 August 2015)



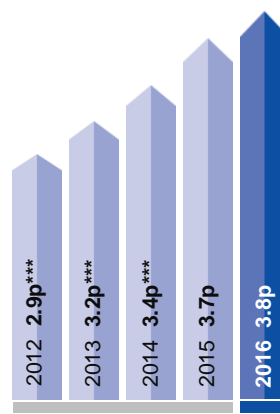
PROFIT BEFORE TAX

**£14.1m**



EARNINGS PER SHARE

**10.7p**



TOTAL DIVIDEND PER SHARE

**3.8p**

\* Restated by £141,000 for the reclassification of net interest on the net defined benefit retirement asset to interest income

\*\* 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

# FINANCIAL

## REVIEW: Segmental Analysis

	2016 (£m)	2015 (£m)	% Change
Segmental revenue (continuing operations):			
Agriculture	284.8	297.8	-4.4
Engineering	30.1	33.5	-10.2
<b>Total revenue</b>	<b>314.9</b>	<b>331.3</b>	<b>-4.9</b>
<b>EBITDA (continuing operations)</b>	<b>16.5</b>	<b>15.5</b>	<b>+6.6</b>
Segmental operating profit (continuing operations):			
Agriculture	10.3	9.4	+8.6
Engineering	2.5	2.6	-4.9
<b>Total operating profit (continuing operations)</b>	<b>12.8</b>	<b>12.1</b>	<b>+5.6</b>
<b>Net finance costs</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>+9.3</b>
<b>Share of associate</b>	<b>1.2</b>	<b>1.5</b>	<b>-17.4</b>
<b>Share of JVs</b>	<b>0.8</b>	<b>0.8</b>	<b>+4.3</b>
<b>Profit before tax (continuing operations)</b>	<b>14.1</b>	<b>13.7</b>	<b>+2.8</b>
<b>Profit for the year from discontinued operations</b>	<b>2.8</b>	<b>3.0</b>	<b>-6.5</b>
<b>EPS (p) – basic</b>	<b>13.8</b>	<b>13.4</b>	<b>+3.0</b>
<b>EPS (p) – adjusted</b>	<b>14.0</b>	<b>13.6</b>	<b>+2.9</b>
<b>Interest cover</b>	<b>19.2</b>	<b>20.4</b>	

# FINANCIAL

## REVIEW: Balance Sheet

	At 3 September 2016 £m	At 29 August 2015 £m	% Change
Fixed assets	<b>62.8</b>	83.9	-25.2
Net working capital	<b>40.9</b>	40.7	+0.5
Assets employed	<b>103.7</b>	124.6	-16.8
Pension surplus	<b>0.3</b>	1.8	
Net cash / (debt)	<b>8.1</b>	(24.4)	
Tax provisions	<b>(2.0)</b>	(3.0)	
Net assets	<b>110.1</b>	99.0	+11.2
Gearing	-	24.7%	

### Key points

- Reduction in fixed assets following disposal of Food division
- Net cash at the year end due to timing of disposal and payment of special dividend post year end
- Reduced pension surplus following reduction in gilt yields used to value liabilities

# FINANCIAL

## REVIEW: Cash Flow

	2016 £m	2015 £m	Change %
EBITDA (continuing operations)	16.5	15.5	+6.6
Working capital changes	(8.5)	(4.1)	+107.3
Net interest	(0.5)	(0.5)	
Taxation	(1.1)	(3.9)	
Other	(1.8)	(2.2)	
Cash flow from continuing operations	4.6	4.8	-2.8
Net cash from discontinued operations	3.6	2.8	
Capex	(5.8)	(4.6)	
Acquisitions / disposals*	28.7	(1.7)	
Dividends	(3.3)	(3.1)	
JV loans	2.3	0.1	
Other	2.5	1.9	
Decrease in net debt	32.6	0.2	

\*Including £6.0m of external debt disposed of with Carr's Flour Mills Limited

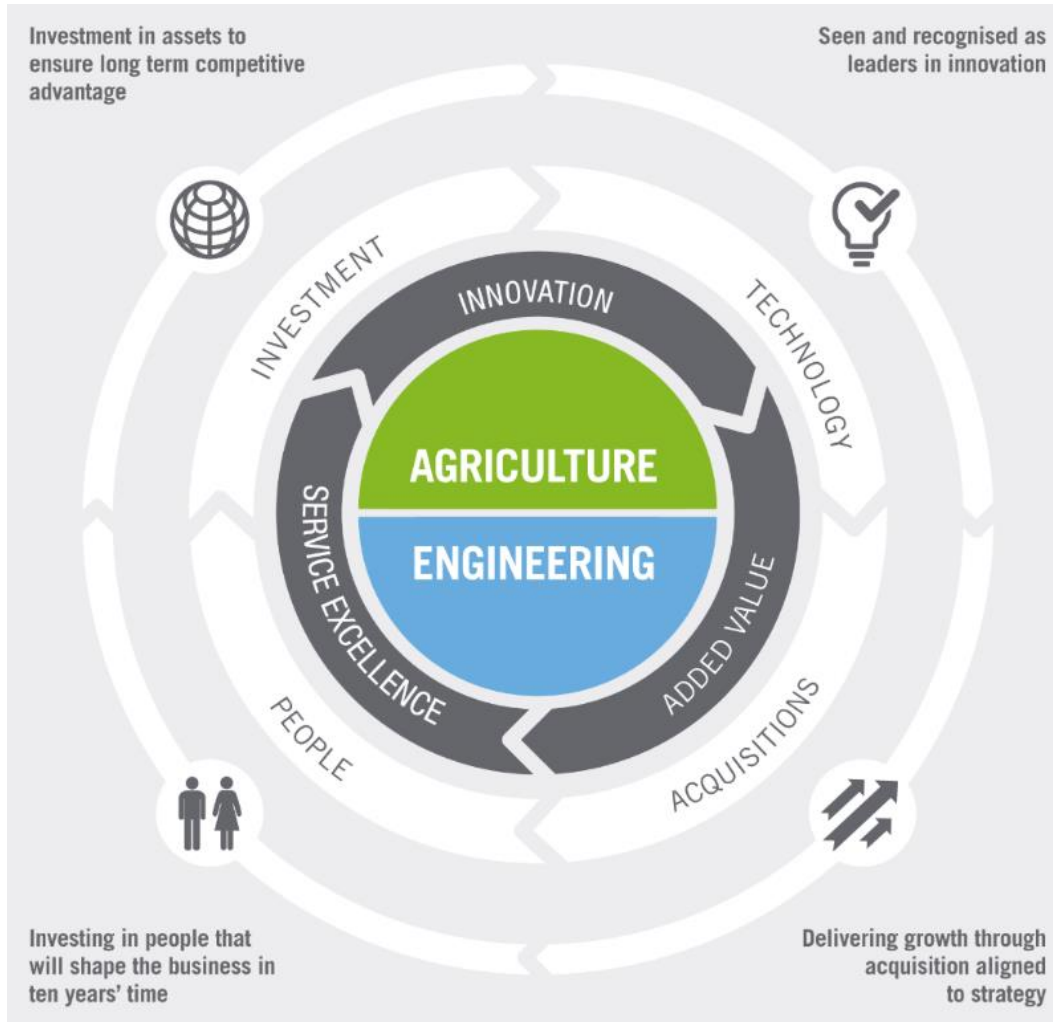
### Key points:

- 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

	Expiry	Facility £m	Utilised 2016 £m
Working capital facilities (UK)	12 month rolling /2019	40.5	18.2
Working capital facilities (US)	12 month rolling	1.1	0.2
Working capital facilities (EU)	12 month rolling	3.3	-
Term loans	2019	4.7	4.7
Revolving credit facility	2019	19.5	15.0
Cash			(48.4)
		69.1	(10.3)
Finance leases			2.2
<b>Net (cash)/debt</b>			<b>(8.1)</b>

# 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: 2.1% increase in tonnes sold against a national average decline of 4.0%
- Fuel volumes: 7.1% increase in litres sold despite the mild winter
- Retail: 5% like for like sales increase. 16% total sales increase
- Machinery: 8.1% decrease in sales against a national decline in new tractor sales of 14.8%

## INVESTMENT

- Retail store development
  - £3.0m investment over last 3 years
  - Penicuik, Midlothian
  - Wigton, Cumbria
  - Leek, Staffordshire
  - 41 locations by end of calendar year
- Acquisitions
  - Reid and Robertson Ltd: £0.9m (acquired June 2015)
  - Green Agriculture (Co): £0.3m
  - Phoenix Feeds Ltd, Lancashire: £1.7m

## STRATEGY

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

## OUTLOOK

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





# FEEDBLOCKS



## PERFORMANCE

- Global feedblock sales up 6%
- USA sales growth: 5.1% increase in tonnes sold (excluding JVs)
- USA JV sales up 34.2%
- Strength of brands, e.g. Crystalyx®, SmartLic®, Feed in a Drum® and Horslyx®
- Developing export markets for Horslyx®
- UK feedblock sales flat due to mild winter weather



## INVESTMENT

- Silver Springs, Nevada, USA investment (\$4m) commissioned and commenced manufacture of the branded SmartLic® product in December 2015
- Shelbyville, Tennessee new low moisture block plant, \$4.6 million, target completion August 2017

## RESEARCH

- During the year, 16 trials were underway across the UK, Europe, North America and South America

## INTERNATIONAL GROWTH

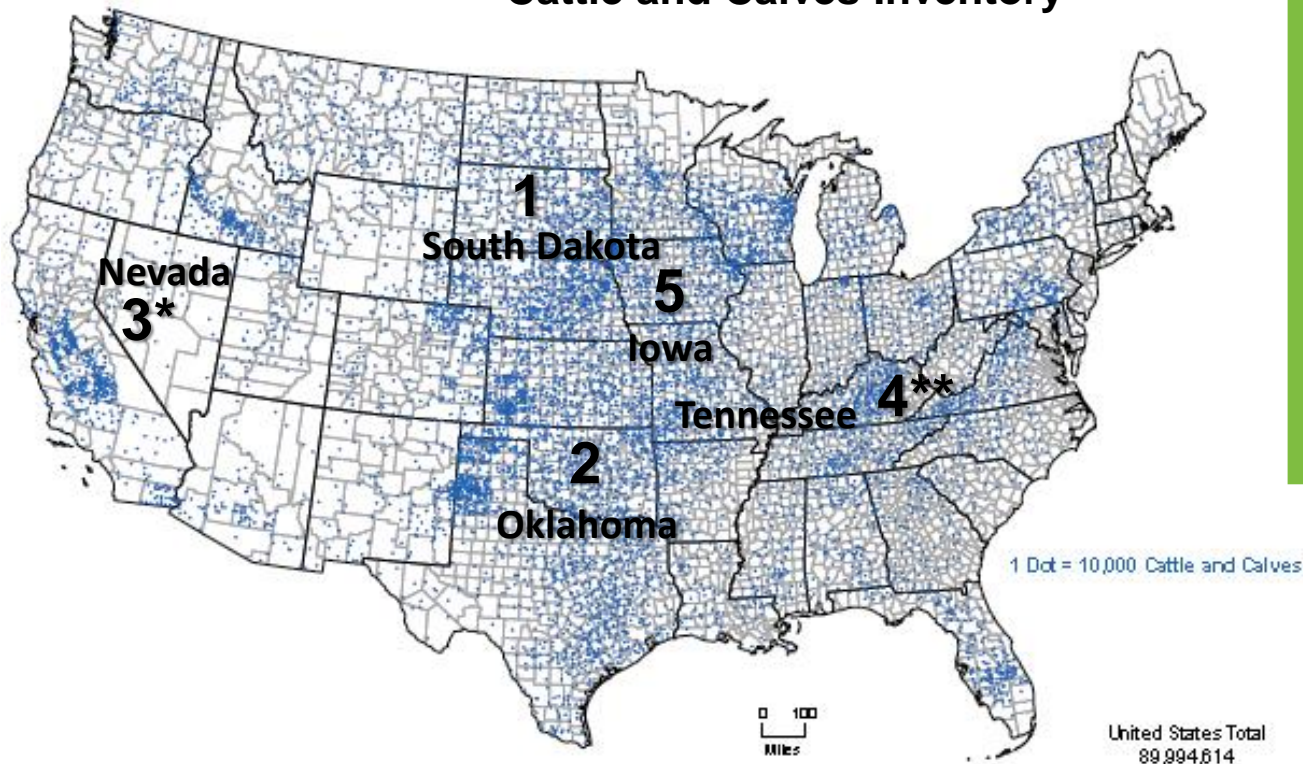
- Fill existing expanded capacity
- New build USA
- New Zealand development
- South America on-farm trials
- Europe growth

# USA FEEDBLOCK OPERATIONS



- Strategic location of feedblock 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

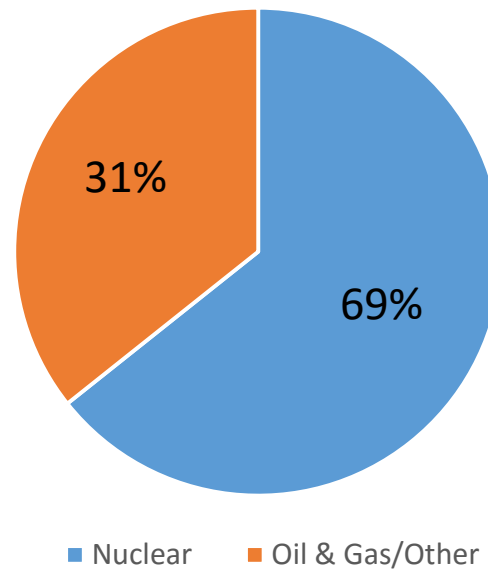
\*\* New Low Moisture Block Plant 2017

# ENGINEERING



## PERFORMANCE

- Overall divisional operating profit down 4.9%
- Revenue from nuclear contracts 69% of total revenues up from 62% last year
- Contract delays impacted current year performance
- Strengthened management teams



# ENGINEERING



## UK MANUFACTURING

- Won the Sellafield Vessels and Tanks Category Management Framework contract £48 million
- Oil and Gas market still adversely affected by low oil price
- Nuclear new build will have a future positive impact
- New design business driving contract wins eg Skip Conveyor System First Generation Storage Pond in Sellafield
- Seeking further adjacent markets for UK manufacturing e.g. defence, new nuclear and aerospace



## REMOTE HANDLING

- Performing well in line with expectations
- Relationship with Sellafield continues to be strong
- Completion of specialised A1000 power manipulators for Dounreay
- Successful completion of first live test of Demo 2000
- V1000 Robbie sold to WAK GmbH
- Commencement of product development programme
- Major contract with Cavendish Nuclear to supply MSMs to Sellafield completed
- Two contracts won in USA. Small but significant wins
- Issues affecting Russian and Japanese markets offset by resurgence in UK nuclear market

# ENGINEERING

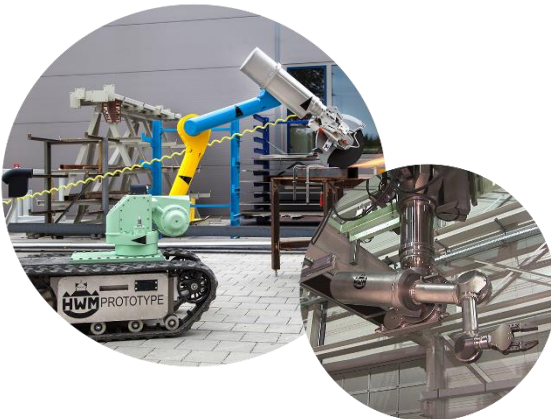


## STABER

- Long term strategic partner supplying parts for remote handling business
- Designed and developed specialised IP of strategic importance
- Full integration into Wälischmiller over next 18 months
- Provides Group with access to new technologies and design expertise
- Highly strategic fit and earnings enhancing from 2017

## OUTLOOK

- Strong in the medium term
- Ongoing USA opportunities in the nuclear market
- Synergies across the Engineering division with joint bids
- Further M&A opportunities under review



# SUMMARY

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- Resilient performance against a challenging market backdrop
- Outstanding performance by the feedblock business
- Strong performance in UK retail driven by investment
- UK agricultural market conditions stabilising
- Continuing evidence of recovery in the UK nuclear industry
- Disposal of the Food division completed
- Acquisition of STABER GmbH post year end
- New financial year has started well and in line with the expectations of the Board



# 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 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

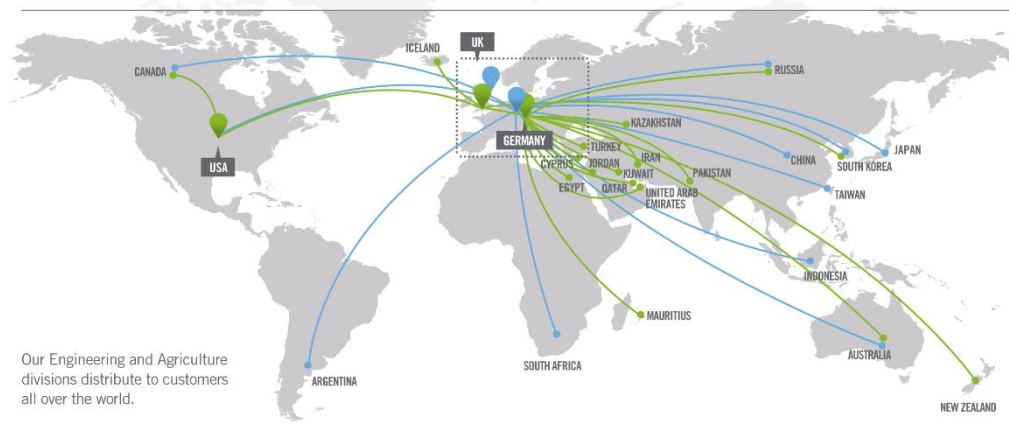
### ENGINEERING

- 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

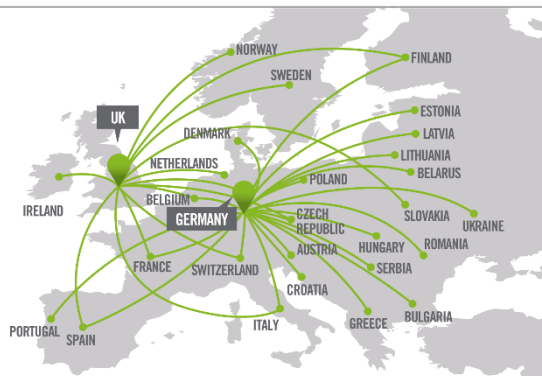
**Innovation, technology and research is at the heart of our DNA and provides the common thread linking this diverse group of businesses**

# GEOGRAPHIC FOOTPRINT

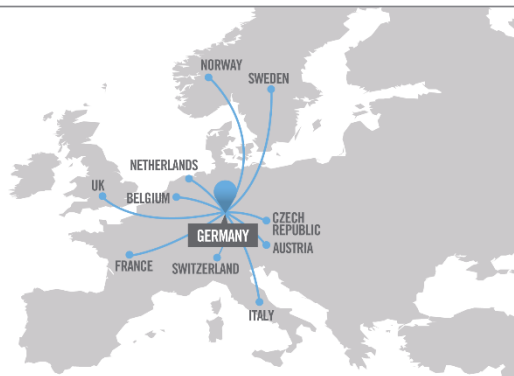
## INTERNATIONAL DISTRIBUTION



## AGRICULTURE EUROPEAN DISTRIBUTION



## ENGINEERING EUROPEAN DISTRIBUTION



## UK LOCATIONS



● HEAD OFFICE ● ENGINEERING ● AGRICULTURE



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