

Preliminary Results Presentation

November 2018



**DELIVERING
GROWTH**

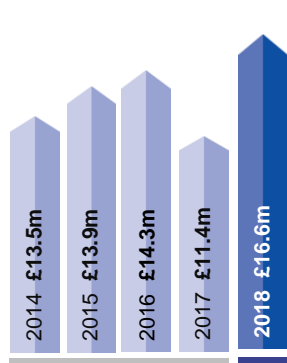
Agenda

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

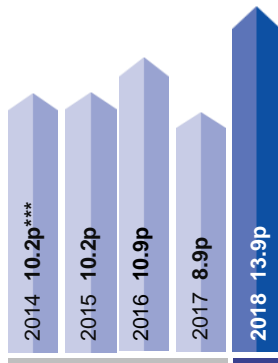
Continuing Operations

- Revenue **increased** 16.5% to £403.2m (2017: £346.2m)
- EBITDA **increased** 40.1% to £18.8m (2017: £13.4m)
- Underlying operating profit* **increased** 44.4% to £17.5m (2017: £12.1m)
- Underlying profit before tax* **increased** 45.2% to £16.6m (2017: £11.4m)
- Basic EPS **increased** 68.8% to 13.0p (2017: 7.7p)
- Adjusted* EPS **increased** 56.2% to 13.9p (2017: 8.9p)
- Total dividend per share** **increased** 12.5% to 4.5p (2017: 4.0p)
- £15.4m net debt (£14.1m net debt as at 2 September 2017)



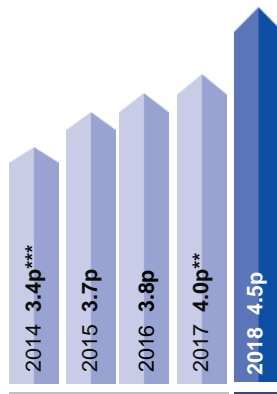
UNDERLYING PROFIT
BEFORE TAX*

£16.6m



ADJUSTED EARNINGS
PER SHARE*

13.9p



TOTAL DIVIDEND
PER SHARE

4.5p



REVENUE

£403.2m

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

** Excluding the special dividend of 17.54p per share paid in October 2016

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

Financial Review

Segmental Analysis

	2018 (£m)	2017 (£m)	% Change
Segmental revenue:			
Agriculture	359.6	315.9	13.8
Engineering	43.6	30.3	43.6
Total revenue	403.2	346.2	16.5
EBITDA	18.8	13.4	40.1
Segmental underlying operating profit:			
Agriculture	13.4	11.5	16.9
Engineering	4.1	0.6	533.5
Total underlying operating profit	17.5	12.1	44.4
Net finance costs	(0.9)	(0.7)	31.3
Underlying profit before tax	16.6	11.4	45.2
EPS (p) – basic	13.0	7.7	68.8
EPS (p) – adjusted	13.9	8.9	56.2
Interest cover	18.2	15.5	17.4

- Non-recurring items of £0.8m: acquisition costs (£0.3m) and impairment of goodwill (£0.5m)

Financial Review

Balance Sheet

	At 1 September 2018 £m	At 2 September 2017 £m	% Change
Fixed assets	86.4	82.4	4.8
Net working capital	43.9	36.8	19.0
Assets employed	130.3	119.2	9.2
Pension surplus	10.1	5.2	94.8
Net debt	(15.4)	(14.1)	8.6
Tax provisions	(4.0)	(4.4)	(8.0)
Net assets	121.0	105.9	14.2
Gearing	12.7%	13.3%	

Key points

- Acquisitions increased fixed assets, including £0.7m goodwill
- Increased pension surplus largely due to a reduction in the valuation of scheme liabilities
- Gearing consistently low

Financial Review

Cash Flow

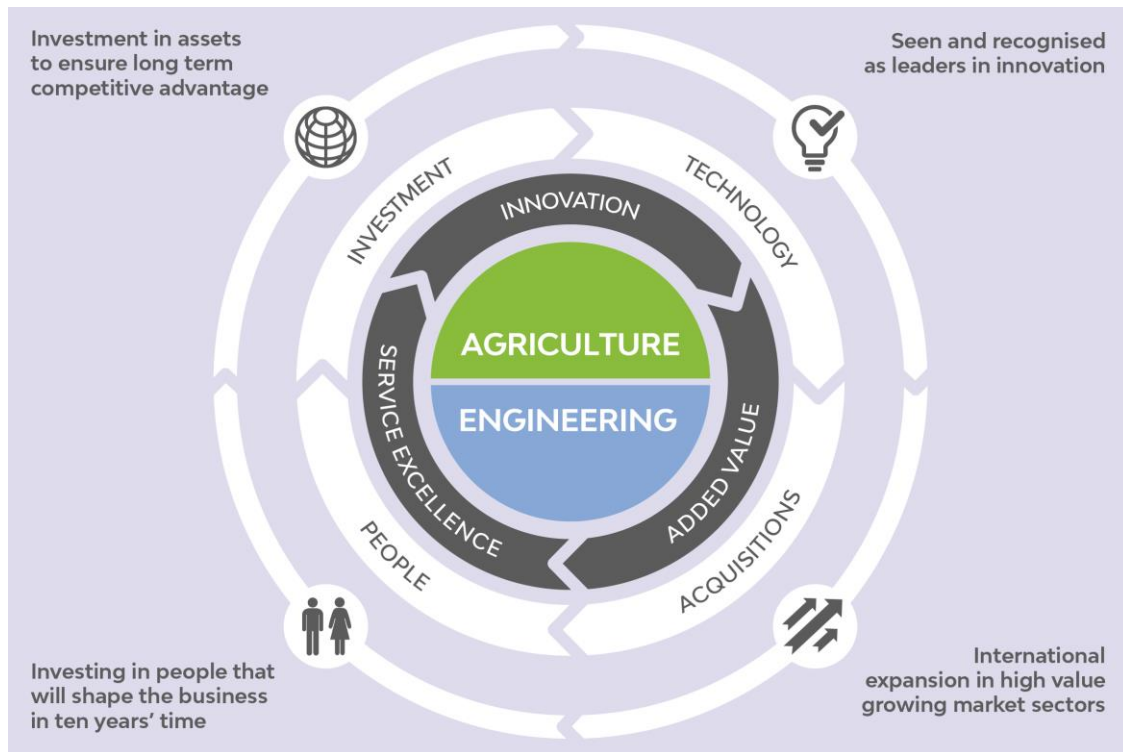
	2018 £m	2017 £m
EBITDA	18.8	13.4
Working capital changes	(4.7)	1.6
Net interest	(1.0)	(0.7)
Taxation	(2.5)	(1.2)
Other	0.9	0.1
Cash flow from operating activities	11.5	13.2
Capex	(4.8)	(3.2)
Acquisitions	(4.1)	(13.2)
Dividends	(3.7)	(19.5)
Other	(0.2)	0.5
Increase in net debt	(1.3)	(22.2)

	Expiry	Facility £m	Utilised 2018 £m
Working capital facilities (UK)	12 month rolling/2021	35.5	19.4
Working capital facilities (US)	12 month rolling	0.8	0.1
Working capital facilities (EU)	12 month rolling	2.9	-
Term loans	Various	6.3	6.3
Revolving credit facility	2023	27.0	11.8
Cash			(24.6)
		72.5	13.0
Finance leases			2.4
Net debt			15.4

Key points

- Outflow of working capital primarily related to busier summer months in UK Agriculture
- Capex increased and will be higher in FY19
- Acquisitions includes £2.6m in deferred and contingent consideration, primarily STABER
- Borrowing headroom available for future growth

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

- Manufactured feed volumes: 8.7% increase in tonnes sold, in line with national average
- Machinery: 7.8% increase in total revenues. New tractor sales up 5.9% versus a market increase of 3.2%
- Fuel volumes: 4.6% increase in litres sold
- Retail: 4.4% like for like sales increase, 12.1% total sales increase
- Overall improved business performance

Strategy

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

Outlook

- Improved farm incomes expected to be sustained in near term
- Some visibility on farming support post Brexit, although uncertainty remains over future trade arrangements



Feed Blocks

Performance

- Global feed block sales volumes up 15.0%
- USA sales volumes increase: 17.7% increase in tonnes sold (including JVs)
- UK feed blocks – good performance: sales volumes up 8.9%
- Strength of brands, e.g. Crystalux®, SmartLic®, Megastart®, FlaxLic® and Horslyx®

Investment/Research

- Shelbyville, Tennessee new low moisture block plant, \$4.6 million, completed December 2017
- Continue to build volume through the plant
- During the year, 20 trials were underway across the UK, Europe, North America and South America

International Growth

- Fill existing expanded capacity
- New Zealand: volumes growing in our direct sales operation
- South America: first commercial sale
- Europe growth: 12.4% increase in sales volumes
- Developing export markets for Horslyx®



Animax Limited

Acquisition September 2018



Background

- Established in 1982, located at Stanton, Bury St Edmunds, Suffolk
- Specialises in the research, development and manufacture of highly effective trace element supplements, which are patented
- Established brands include Tracesure[®], Allsure[®], Copinox[®], Easycal[®] and Pardevit[®]

Rationale

- Animax will remain a stand-alone business within Carr's, sitting alongside our AminoMax, UK and US feed block businesses
- It is the intention to grow and develop the existing Animax business with a particular focus on R&D and international sales
- Complementary to feed block businesses in USA, New Zealand, Europe, UK and Ireland

Plan

- Strategically important acquisition
- Integration of the business underway



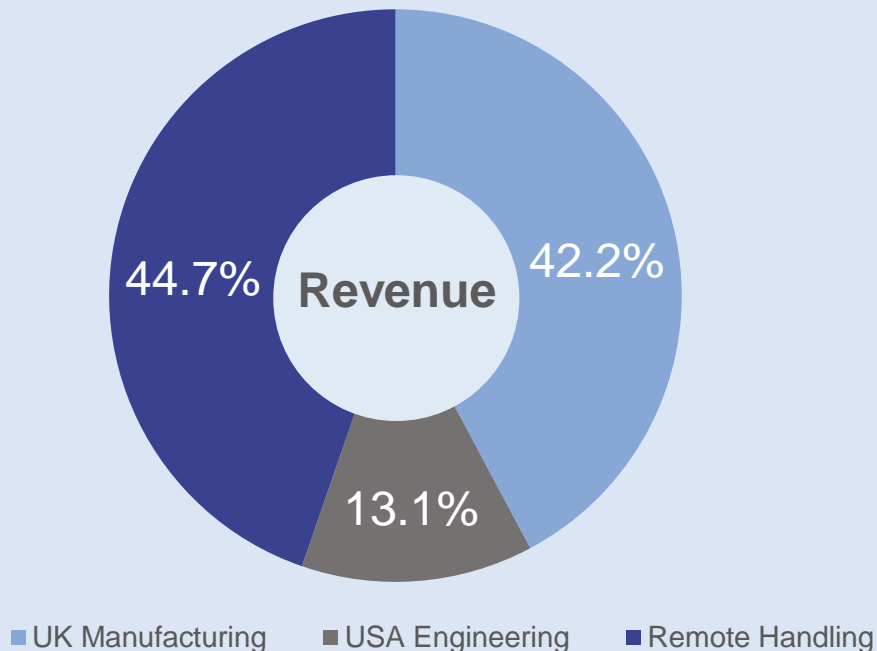
Engineering



Engineering

Performance

- Overall adjusted divisional operating profit up 533%
- Appointment of Divisional Managing Director
- UK Manufacturing recovered strongly
- Strong performance in Remote Handling
- Successful Integration of NuVision, acquired August 2017
- Disposal of associate business in the USA



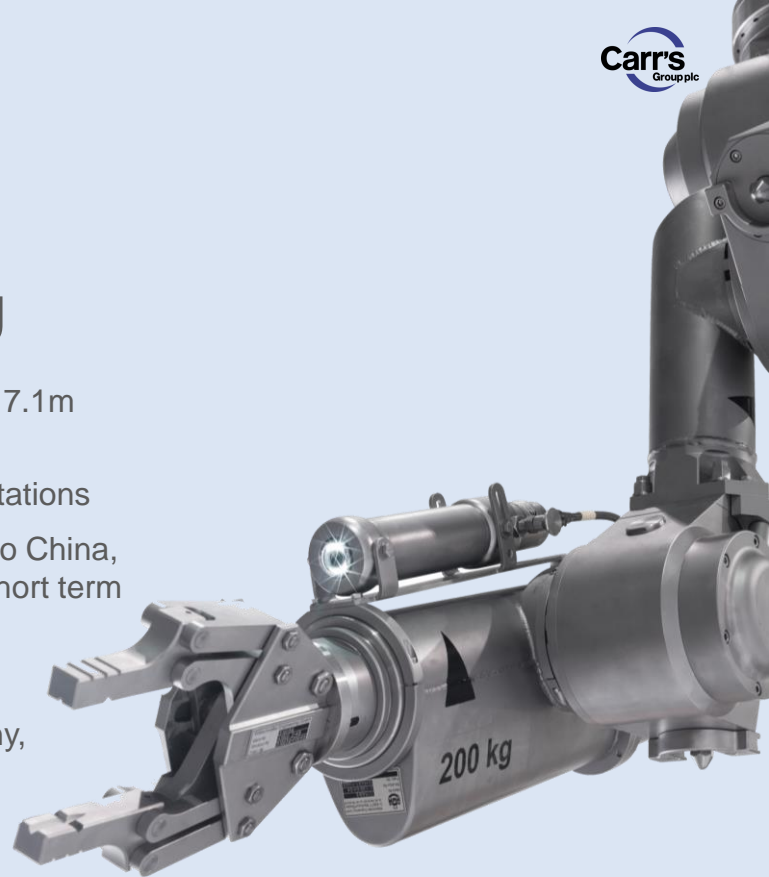
Engineering

UK Manufacturing

- Revenues of £18.4m versus £13.0m in FY17
- Strong recovery in underlying market, helped by oil price stability
- Strong order book
- Previously delayed contract progressing well, including synergies with NuVision

Remote Handling

- Revenues of £19.5m versus £17.1m in FY17
- Performance in line with expectations
- Substantial orders delivered into China, therefore lower order book in short term
- Ongoing product development programme
- Extension in Markdorf, Germany, complete and STABER fully integrated



Engineering

USA Engineering

- Revenues of £5.7m versus £0.2m in FY17
- Presence established in USA through acquisition of NuVision
- Strong performance in in first full year of ownership
- Significant additions of MSIP® work into the order book
- Planned reorganisation of leadership team complete
- Fully integrated into the wider Engineering division

Divisional Outlook

- Strong order books across most of the Division, offsetting softer order book in Remote Handling following large deliveries into China
- Significant opportunities in the USA nuclear market
- Synergies across the Engineering division will be delivered
- Brexit trade uncertainties, however geographically diverse
- Strong prospects in the medium term



Summary

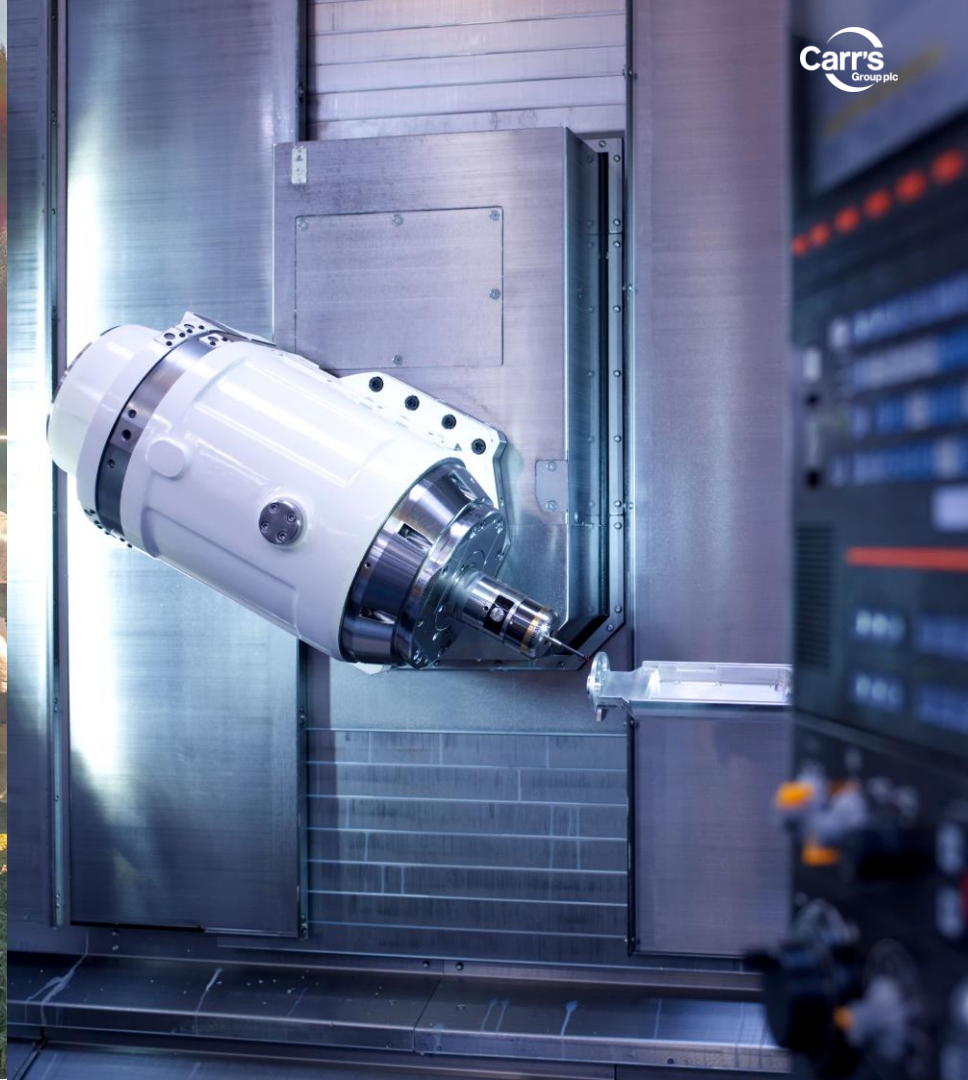
- Strong financial performance in the year across Agriculture and Engineering
- UK agricultural market conditions improved
- USA livestock market recovered as expected
- Strong order books in Engineering
- USA Engineering successfully integrated and performing well
- Acquisition of Animax
- New financial year has started in line with the expectations of the Board

Questions and Answers



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 Crystalux®, 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 machine 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 is at the heart of our DNA and provides the common thread linking the two divisions

Geographic Footprint

International Distribution

Agriculture
Engineering



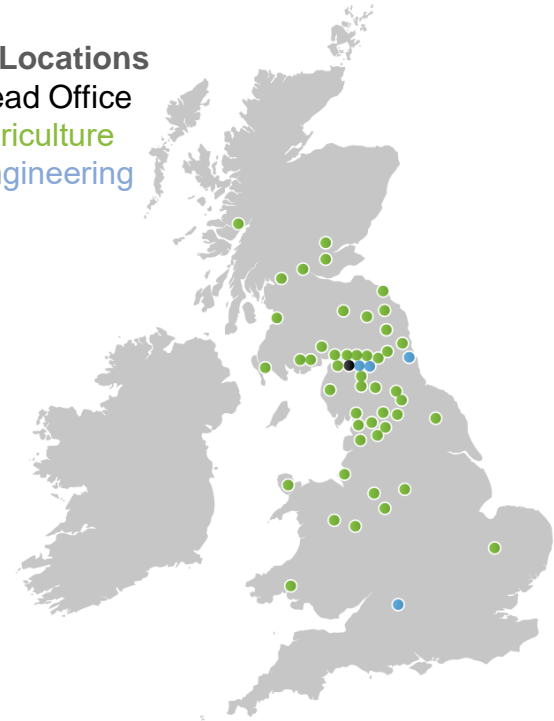
European Distribution

Agriculture
Engineering



UK Locations

- Head Office
- 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