



The agriculture & engineering group

# Full Year Results Presentation

November 2020



# Agenda

1. Introduction | Tim Davies, CEO
2. COVID-19 | Tim Davies, CEO
3. Financial Results | Neil Austin, CFO
4. Divisional Review
5. Summary
6. Q&A

# COVID-19

## Overview

- We remain operational across both Agriculture and Engineering in the UK and overseas
- Health, safety and wellbeing of all of our employees and customers remains our overriding objective
- Lessons learned in lockdown 1 apply for lockdown 2. All locations operating COVID secure procedures
- Robust financial position
- High level of uncertainty remains



# COVID-19

## Measures implemented

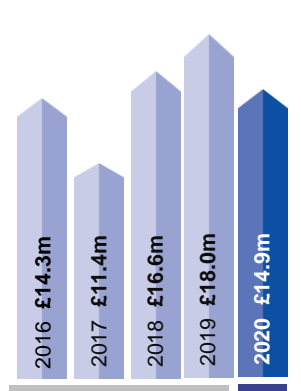
- Following all government and industry guidelines in all locations
- Rigorous social distancing controls, hygiene measures and shift-working practices implemented across all locations
- Working from home wherever possible
- Supporting high risk and vulnerable people



# Results Overview

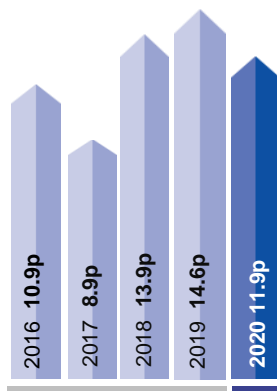
## Continuing Operations

- Revenue **decreased** 2.0% to £395.6m (2019: £403.9m)
- Adjusted EBITDA\* **decreased** 1.8% to £20.8m (2019: £21.2m)
- Adjusted operating profit\* **decreased** 14.2% to £16.2m (2019: £18.9m)
- Adjusted profit before tax\* **decreased** 17.4% to £14.9m (2019: £18.0m)
- Basic EPS **decreased** 21.4% to 10.3p (2019: 13.1p)
- Adjusted\* EPS **decreased** 18.5% to 11.9p (2019: 14.6p)
- Total dividend per share **maintained** at 4.75p (2019: 4.75p)
- £18.9m net debt excluding leases (£20.9m as at 31 August 2019 excluding finance leases)



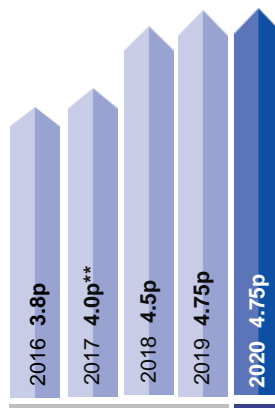
ADJUSTED PROFIT BEFORE TAX\*

**£14.9m**



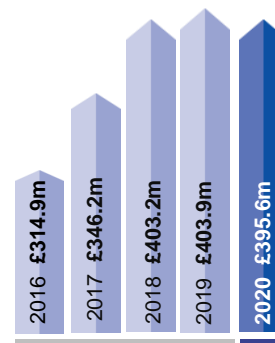
ADJUSTED EARNINGS PER SHARE\*

**11.9p**



TOTAL DIVIDEND PER SHARE

**4.75p**



REVENUE

**£395.6m**

\* Adjusted results are consistent with how business performance is measured internally and are presented to aid comparability of performance. Adjusting items are disclosed on the next slide

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

# Financial Review

## Segmental Analysis

	2020 (£m)	2019 (£m)	Change
Segmental revenue:			
Agriculture	342.6	357.4	-4.1%
Engineering	53.0	46.5	+14.0%
<b>Total revenue</b>	<b>395.6</b>	<b>403.9</b>	<b>-2.0%</b>
<b>Adjusted EBITDA</b>	<b>20.8</b>	<b>21.2</b>	<b>-1.8%</b>
Segmental adjusted operating profit:			
Agriculture	13.4	14.7	-8.5%
Engineering	3.8	5.9	-35.6%
Central	(1.0)	(1.6)	-41.2%
<b>Total adjusted operating profit</b>	<b>16.2</b>	<b>18.9</b>	<b>-14.2%</b>
<b>Net finance costs</b>	<b>(1.3)</b>	<b>(0.9)</b>	<b>+51.6%</b>
<b>Adjusted profit before tax</b>	<b>14.9</b>	<b>18.0</b>	<b>-17.4%</b>
<b>EPS (p) – basic</b>	<b>10.3</b>	<b>13.1</b>	<b>-21.4%</b>
<b>EPS (p) – adjusted</b>	<b>11.9</b>	<b>14.6</b>	<b>-18.5%</b>
<b>Interest cover</b>	<b>10.3</b>	<b>19.4</b>	

- Adjusted profit measures are before adjustments totalling £2.4m, comprising: amortisation of acquired intangible assets (£1.4m); restructuring/closure costs (£2.0m); and adjustments to contingent consideration in respect of acquisitions (-£0.9m)

# Financial Review

## Balance Sheet

	At 29 August 2020 £m	At 31 August 2019 £m	Change
Fixed assets	119.4	107.4	+11.2%
Net working capital	42.8	45.2	-5.2%
Assets employed	162.2	152.6	+6.3%
Pension surplus	8.0	7.8	+3.4%
Net debt (excluding leases)	(18.9)	(20.9)	-9.6%
Lease liabilities	(13.9)	(2.9)	+377.2%
Tax provisions	(3.2)	(5.6)	-41.3%
Net assets	134.2	131.0	+2.4%
Net debt (excluding leases): Adjusted EBITDA	0.91	0.99	

### Key points

- The adoption of IFRS 16 increased fixed assets by £11.5m and lease liabilities by £12.7m on 1 September 2019. Comparatives were not restated
- Net working capital reduced – strong area of focus throughout the pandemic
- Legacy DB pension scheme remains in surplus

# Financial Review

## Cash Flow

	2020 £m	2019 £m
EBITDA	<b>20.8</b>	21.2
Working capital changes	<b>5.2</b>	(5.0)
Net interest	<b>(1.5)</b>	(1.1)
Taxation	<b>(3.1)</b>	(2.3)
Other	<b>(3.3)</b>	(0.2)
Cash flow from operating activities	<b>18.1</b>	12.6
Capex	<b>(8.0)</b>	(5.8)
Contingent consideration/acquisitions	<b>(2.7)</b>	(10.2)
Dividends to equity shareholders	<b>(3.3)</b>	(4.2)
Transition to IFRS 16	<b>(12.7)</b>	-
Other	<b>(0.4)</b>	(0.9)
Increase in net debt (including leases)	<b>(9.0)</b>	(8.5)
Increase in lease liabilities	<b>11.0</b>	0.6
Decrease/(increase) in net debt (excluding leases)	<b>2.0</b>	(7.9)

	Expiry	Facility £m	Utilised 2020 £m
Working capital facilities (UK)	12 month rolling/2023	29.5	<b>7.2</b>
Working capital facilities (US)	12 month rolling	2.3	<b>0.2</b>
Working capital facilities (EU)	12 month rolling	3.2	-
Term loans	Various	8.5	<b>8.5</b>
Revolving credit facility	2023	27.0	<b>18.1</b>
COVID-19 assistance loans (US and EU)		2.5	<b>2.5</b>
Cash			<b>(17.6)</b>
Net debt (excluding leases)			<b>18.9</b>
Leases			<b>13.9</b>
<b>Net debt (including leases)</b>			<b>32.8</b>

### Key points

- Net interest impacted by adoption of IFRS 16 – lease interest £0.4m higher vs 2019
- No acquisitions made in the year – outflow represents historic contingent consideration
- Majority of facilities committed until 2023



# Agriculture



# Supplements

## Performance

- Revenues of £61.9m (2019: £61.1m)
- Global feed block sales volumes up 1.2% on previous year
- Increased raw material costs not fully recovered, impacting margins, particularly in the UK
- Strong H2 sales volumes in both UK and USA
- NZ feed block sales volumes up 40% on previous year
- European feed block sales volumes down 4.1% on previous year
- Challenging year for Animax due to weather conditions and market pressures. New commercial director appointed

## Investment/Growth

- Successful launch of FesCool® in USA designed to mitigate impact of fescue toxicity on animal performance
- £2.1m investment in two USA feed block manufacturing sites to improve production efficiency and establish a new research facility
- Animax continues to focus on completing its automated production system. This system will facilitate the launch of new products, improve efficiency and produce even higher quality products
- During the period, 24 research trials are underway across the UK, Europe, North America and New Zealand

## Outlook

- Feed block growth plans focused on Europe, New Zealand and North America
- Canadian feed block market – increased access, product registrations and sales support. Supplied from manufacturing plant in South Dakota, USA
- Focus on international growth for Animax



# UK Agriculture

## Performance

- Revenues of £280.7m (2019: £296.3m)
- Resilient performance despite reduced feed sales volumes in H1 due to uncertainty, large winter forage stocks and very mild weather. Strong H2 largely offset this
- Compound feed volumes: 6.9% decrease in tonnes sold, in line with national average
- Fuel volumes: 2.9% increase in litres sold
- Machinery: 19.2% increase in total revenues
- Retail: 1.6% like for like sales increase, 0.6% total sales increase
- Cost efficiencies, improved processes and more centralised purchasing being implemented
- Key appointments being made into the management team to effect change

## Strategy

- Lead in dairy nutrition with focus on technical services
- Strengthen current geographical position
- Expand into areas where current offer would be aligned
- Focus on efficiency and cost reduction



## Outlook

- Uncertainty: Brexit and COVID-19 impact on the industry
- Expanded geography and more focused product range for our machinery business
- Agriculture sector remains crucial in supplying raw materials and ingredients to the food chain
- Remain confident in the medium and long-term prospects for UK Agriculture





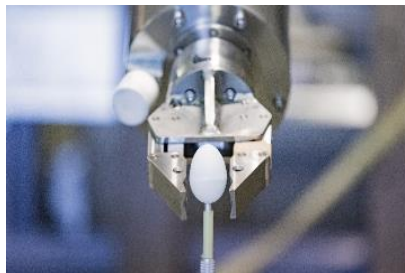
# Engineering



# Engineering

## Performance

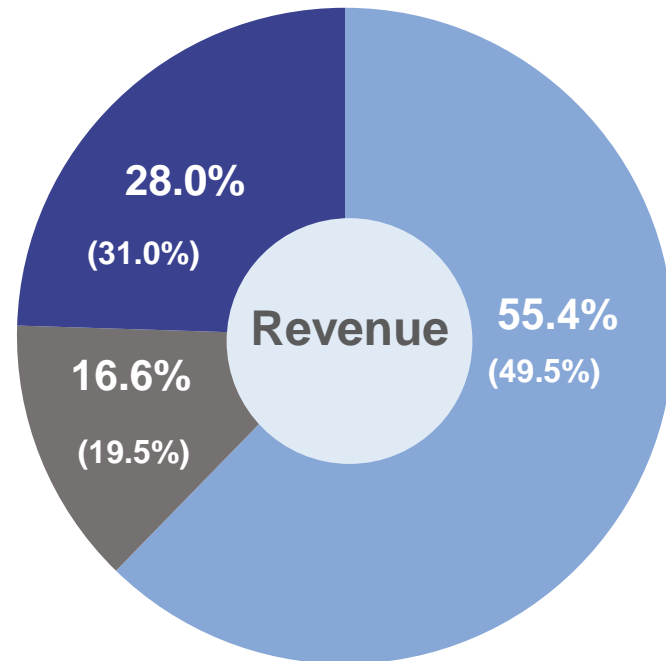
- Revenue up 14% to £53.0m (2019: £46.5m)
- Engineering division performed resiliently despite significant challenges
- First half trading slow as expected due to contract phasing and delays in receiving key orders
- Second half expected recovery impacted by COVID-19 and low oil price
- NW Total, acquired in June 2019, contributed £11.4m (2019: £1.9m) to divisional revenue



Wälischmiller : H1000 hydraulic manipulator demonstrating its dexterity



NW Total: Astute Class Submarine in the dock



- UK Service & Manufacturing
  - Global Technical Services
  - Global Robotics
- (%) prior year

# Engineering

## UK Service and Manufacturing

- Revenues of £29.4m (2019: £23.0m)
- Solid H1 performance however H2 significantly impacted by decline in oil price related to COVID-19
- Strong performance by NW Total in its full first year in the Group
- Significant impact of COVID-19 on key customers and site access. New on-site COVID-19 protocols have returned operations to near normal levels
- £1.3m invested in state-of-the-art large scale machining capability at Carlisle manufacturing site

## Global Robotics

- Revenues of £14.8m (2019: £16.5m)
- Delays in contract awards in Japan and export restrictions into China impacted H1 and continued into H2
- Challenges greatly exacerbated in H2 due to COVID-19 with project delays, site access issues and travel restrictions
- Global robotics business continues to develop its position in USA
- Two showrooms opened in Japan and USA
- Order book strengthened



Showroom, Wälischmiller, Germany



NuVision: Hot Isostatic Pressing Can Filling Demonstration



NW Total: ATEX rated mobile vacuum skid for the Chemical industry

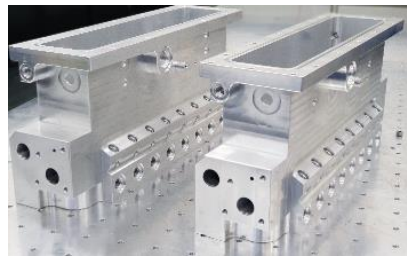
# Engineering

## Global Technical Services

- Revenues of £8.8m (2019: £7.0m)
- Performed in line with expectations
- Strong H2 performance as MSIP® projects progressed
- Passive cooling technology project, funded by US Department of Energy, continues to progress
- Awarded a new \$6m MSIP® contract for delivery through to 2022



Bendalls: Oil and Gas: Large pressure vessel



Chirton: Manifold used for fluid distribution



NuVision: Civil Nuclear Process equipment rack for nuclear decommissioning plant

## Outlook

- Group remains confident in medium-term prospects of the division
- Short-term challenges remain for the areas of the division that serve the oil and gas market
- Improved divisional structure and continued investment in technology and innovation
- Well placed for future growth

# Summary

- **Robust performance in very challenging markets**
- **Strategic investment in people, technology and innovation**
- **Agriculture performance**
  - Tough H1 mitigated by strong H2 performance. Generally improved farm output prices increased demand for our products
  - Uncertainty in UK Agriculture remains surrounding our future relationship with EU
  - Business flexibility and adaptability was key to mitigating COVID-19 impact
  - Growth in international supplement sales following launch of new products and extending distribution



# Summary (continued)

- **Engineering performance**

- Profitability impacted by lower order levels and delays during the year
- H2 impacted by COVID-19 on customer operations and the low oil price affecting contracts and orders
- Major product development continues
- New Global Robotics showrooms established in Japan and USA
- Global Robotics order book strengthened significantly

# Outlook

- Trading in line with expectations
- Global economy continues to be dominated by COVID-19
- Agriculture sector remains crucial in supplying raw materials and ingredients to the food chain
- Growth opportunities remain in international supplements
- Uncertainty associated with Brexit continues but UK Agriculture business remains resilient
- Oil and gas sector continues to be impacted by low oil price, but engineering businesses are predominantly involved in government funded contracts in the nuclear sector
- Enhanced structure and comprehensive offering enables Engineering division to compete on larger scale projects
- Group focus on markets with growth potential, diversifying international footprint and differentiating through innovation and technology

# Questions and Answers



Local  
International  
Sustainable

# Appendices

1. The Group | An Overview
2. Geographic Footprint





# The Group An Overview

International business focused on two sectors: agriculture and engineering



## Agriculture

- An international Supplements business:
  - Manufacturing molasses-based branded feed blocks for farm animals in the UK, Germany and USA, including Crystalix®, Horslyx®, MegaLic® SmartLic®, FlaxLic® and FesCool®
  - Manufacturing livestock trace element supplements, including boluses, sold under the Tracesure® and Allsure® brands based in Suffolk
- A UK Agriculture business:
  - Operating a network of retail outlets across the north of England and southern Scotland, including 7 machinery branches
  - Manufacturing and distributing c500,000 tonnes of animal feed produced at 3 plants in the UK
  - Servicing rural and farming communities in the UK with heating oil and fuel from 8 depots



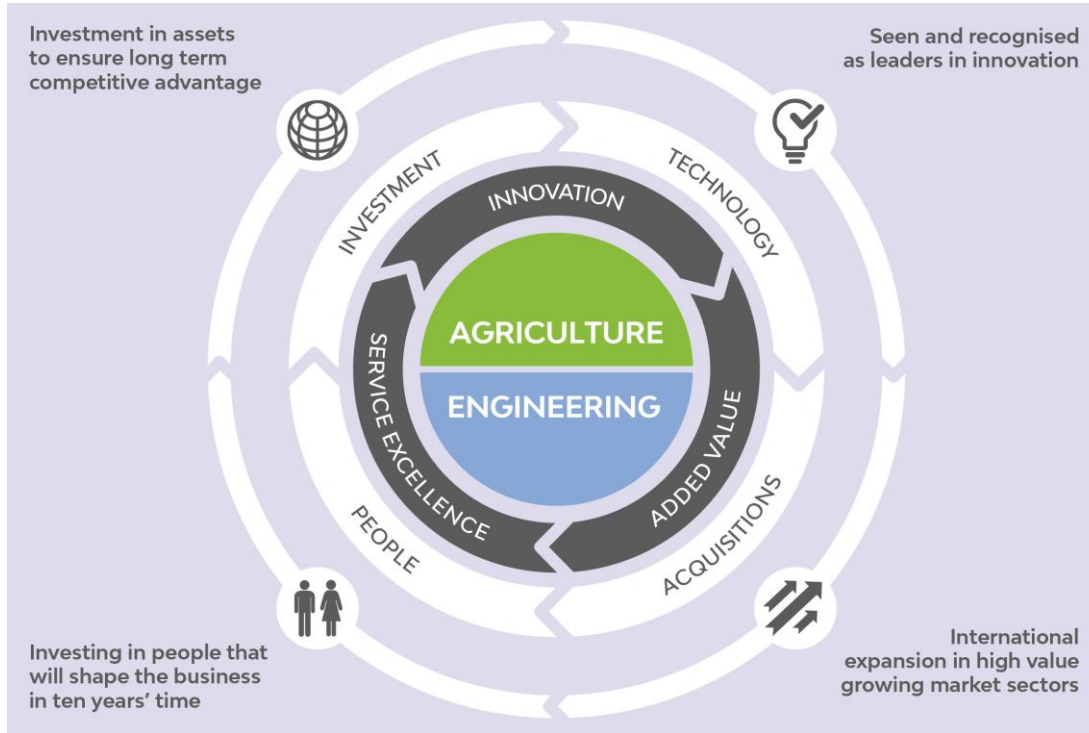
## Engineering

- A Global Robotics business designing and manufacturing bespoke manipulators and robotics, based in Swindon, UK, Markdorf, Germany, and Charlotte, NC, USA
- A UK Service and Manufacturing business producing specialist fabrications, precision engineering and providing engineering solutions based in Carlisle, Newcastle upon Tyne and Barrow-in-Furness
- A Global Technical Services business delivering technology and engineering solutions based in Pittsburgh, PA, USA and Charlotte, NC, USA
- Products are used across the nuclear energy, nuclear defence, oil and gas, petrochemical and pharmaceutical industries

**Innovation, technology and research is at the heart of our business and provides the common thread linking the two divisions**

# 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

# Geographic Footprint

## International Locations

- **Agriculture**
- **Engineering**

## Europe

- Oldenburg, Germany
- Markdorf, Germany

## UK Locations

- **Head Office**
- **Agriculture**
- **Engineering**

## USA

- South Dakota
- Oklahoma
- Nevada
- Tennessee
- Iowa
- New York
- North Carolina
- Pennsylvania



**Carr's Group plc**

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

Telephone: +44 (0) 1228 554600

Email: [reception@carrsgroup.com](mailto:reception@carrsgroup.com)

[carrsgroup.com](http://carrsgroup.com)