



Full Year Results Presentation 2022

March 2023

Peter Page, Chief Executive Officer
David White, Chief Financial Officer

2022: Strong performance in a transformational year

Highlights

- Adjusted operating profit up 7.5% on 2021 at £11.9m
- Revenue for the year from continuing operations increased 3.3%
- Agricultural Supplies business sold at market comparable 6.4x2021 EBITDA
- Post year end disposal leads to net cash on balance sheet
- Group now focused on higher-margin, differentiated, international businesses
- Refreshed Board and management team

Adjusted (Continuing Operations)	FY22	FY21 (restated ²)	+/-
Revenue (£m)	124.2	120.3	+3.3%
Adjusted ¹ operating profit (£m)	11.9	11.1	+7.5%
Adjusted ¹ profit before tax (£m)	11.2	10.4	+8.0%
Adjusted ¹ EPS (p)	10.0	10.1	-1.0%
Statutory (Continuing Operations)	FY22	FY21 (restated ²)	+/-
Revenue (£m)	124.2	120.3	+3.3%
Operating profit (£m)	8.2	8.2	+0.4%
Profit before tax (£m)	7.6	7.5	+0.4%
Basic EPS (p)	6.4	6.2	+3.2%
Dividend (p per share)	5.2	5.0	
Net debt (£m)	14.0	10.0	

¹ Adjusted results are consistent with how business performance is measured internally and is presented to aid comparability of performance

² Restated to provide comparable information for continuing operations following disposal of Carr's Billington Agriculture business in the current year and to reflect the prior period restatement relating to recognition of revenue from customer contracts in the Engineering division

Corporate activity in 2022 fundamentally reshaped the business

Strategic Development

- Future focus on two divisions with international businesses, differentiated products and high margins
- Business capabilities align with long-term growth trends that address food and energy security
- Scope to apply existing know-how to develop adjacent products and services with positive environmental impact
- Balance sheet enables earnings-enhancing investments and acquisitions, with capacity to return capital to shareholders
- Refreshed Board brings relevant experience for earnings growth

Operational Development

- Margin enhancements through operating efficiencies and management input
- Experienced management team focused on driving profitability in two divisions
- Substantial working capital reduction following the sale of the Agricultural Supplies division

Carr's Group supports long term sustainable trends

Agriculture and Energy represent two of the world's most challenging industries in terms of impact on the environment. Carr's Group delivers products and solutions that enable these sectors to maximise the benefits of their business activities, to address long-standing sustainability issues, and to mitigate adverse environmental impacts.

Speciality Agriculture

- Products contribute to the reduction of methane emissions in livestock agriculture by optimising productivity in the key traits of milk yield and composition, liveweight gain and carcase quality, and reproductive efficiency in calving intervals and lambing percentages
- Continues to benefit from demand generated by increasing use of low intensity pasture-based grazing, the rise in sustainability-related nutrition programmes, and the growing interest in welfare-centered management systems

Engineering

Advanced technology deployed by the engineering division supports the strategically important energy sector through

- Extending the lifespan of existing nuclear facilities, allowing operators to generate low carbon energy for longer
- Safe removal, disposal and storage of nuclear waste
- Development of small modular reactors to generate low carbon electricity faster and at lower cost than current nuclear technologies

Speciality Agriculture supports sustainable livestock production

Market Trends

- Demand for meat and dairy protein increases in line with rising disposable income in emerging and developing economies
- Over the decade 2022-2031 global beef production is projected to grow by 5.8%¹
- Fresh dairy production is projected to increase by 1.8% per annum up to 2030¹
- Global ruminant feed additive sales CAGR 2020-2025 is estimated to be 5.1%²

Strategic Actions

- Speciality Agriculture addresses the needs of sustainable livestock production by supporting the efficiency of low-input grass-fed ruminant agriculture systems on marginal land and in mixed farming systems
- Feed supplement products, Crystalyx®, SmartLic® and Tracesure®, enable livestock farmers to enhance efficiency and increase yields
- Capital investment opportunities of up to c.£10m to expand and enhance manufacturing capacity under review
- The Group will carefully consider acquisitions for Speciality Agriculture only where they will generate shareholder value

Sources: ¹OECD-FAO Agricultural Outlook 2022-2031, chapters 6 and 7, ²Mordor Global Feed Additives Market (2020-2025)

Engineering supports the low carbon nuclear sector

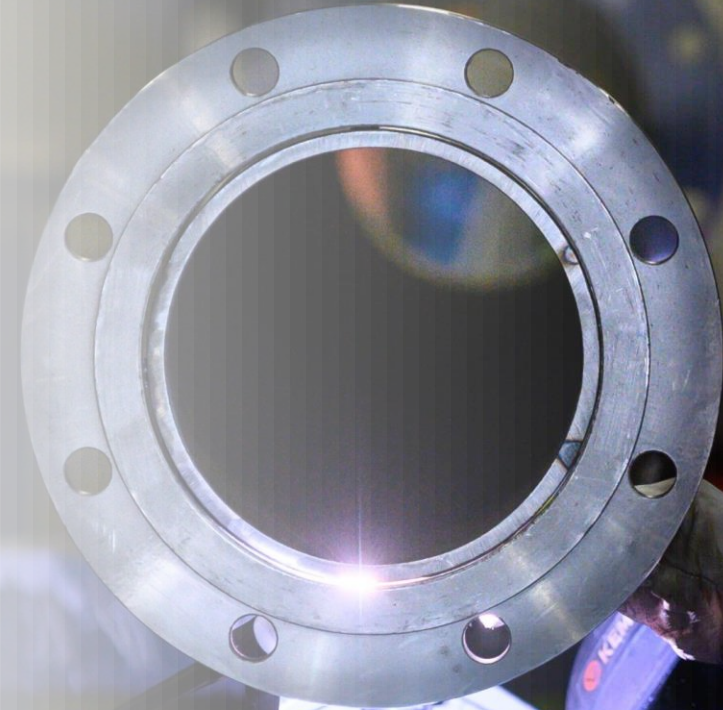
- Growing international demand driven by the need for energy security and national security
- The Engineering division has advanced capabilities delivered by specialists in their fields:



- Customers range from blue-chip companies and internationally recognised research projects to national governments, providing a resilient market with long-term contracts, public funding and political support
- The division's unique qualities and strengths will be developed through investment in skills and technology, with working capital available to enable the division to bid for larger and longer-term contracts
- Strengthening Order Book
 - Closed FY2022 at £40.6m, 2.4% ahead of prior year
 - Focus on quality and profitability of individual project bids rather than volume and top line value

Financial Review

David White



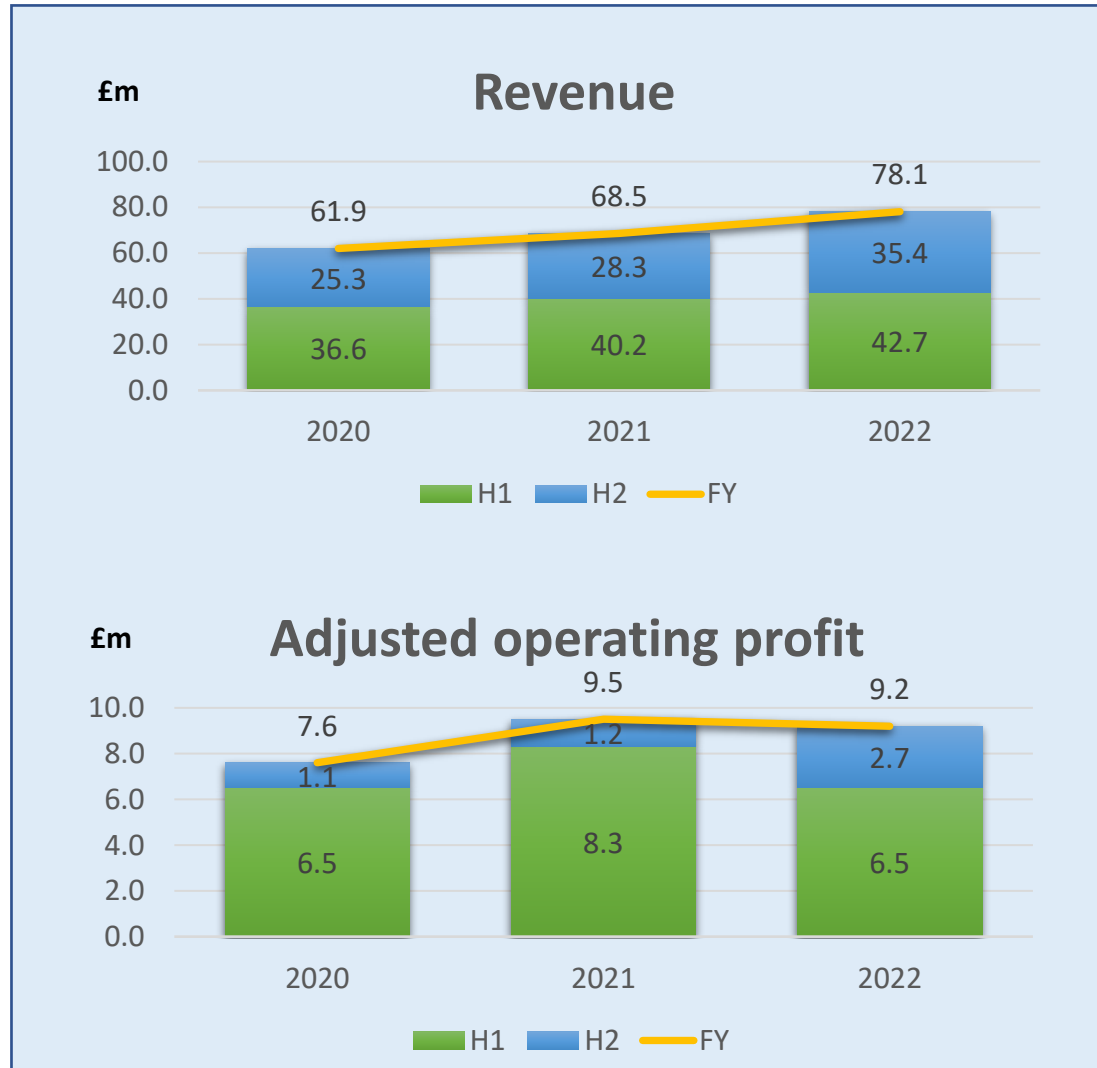
A transformational year:

Financials pre- and post-disposal of Agricultural Supplies Division

	FY22 – Whole Group <i>(historic structure)</i> £m	FY22 – Agricultural Supplies <i>(discontinued activity)</i> £m	FY22 – Speciality Agriculture and Engineering <i>(continuing Group)</i> £m	FY21 – Speciality Agriculture and Engineering <i>(continuing Group)</i> £m
Revenue	468.0	(343.8)	124.2	120.3
Adjusted EBITDA	22.7	(7.6)	15.1	13.9
Adjusted operating profit	18.8	(6.9)	11.9	11.1
Adjusted PBT	17.4	(6.2)	11.2	10.4
Adjusted EPS (p)	13.7	(3.7)	10.0	10.1
Basic EPS (p)	5.4	1.0*	6.4	6.2

- Disposal of Agricultural Supplies division announced on 31 August 2022
- 75% of Group revenue disposed of, with reduction of c.25% adjusted EPS
- Completion of transaction post year end (26 October 2022): in FY22 accounts the division is treated as discontinued, and the divisional balance sheet is classified as assets held for resale and liabilities held for resale

2022 summary financials – Speciality Agriculture



Products and services

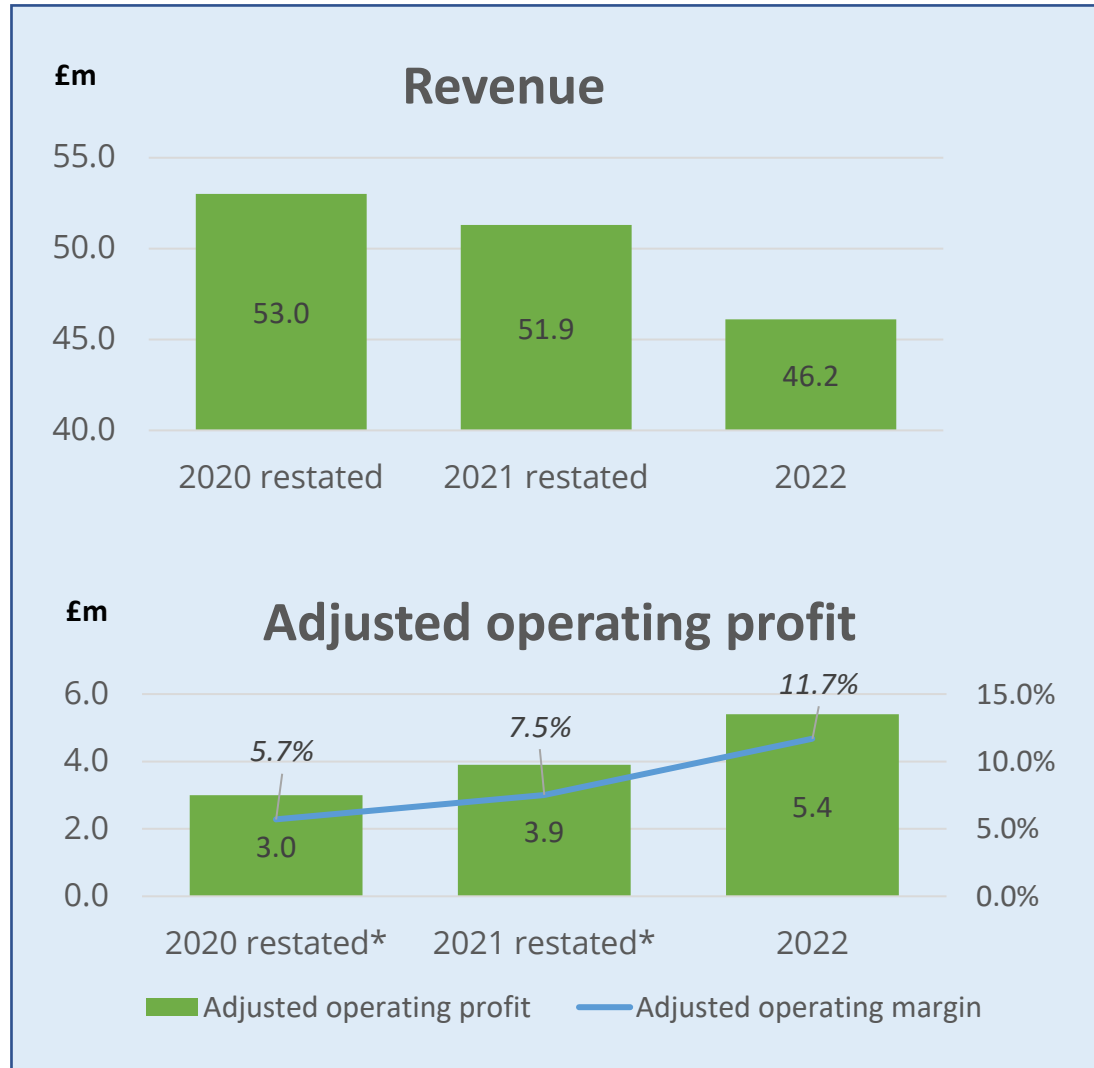
- Molasses-based feed blocks and minerals
- AminoMax® bypass protein
- Trace element boluses

Trading conditions

- US feed block volumes down 2% on FY21
- UK, EU and NZ volumes down 1% on FY21
- Improved profits in H2 reflect pass through of raw material cost inflation
- Animal health volumes stable, with strong demand in UK and Ireland



2022 summary financials – Engineering



Products and services

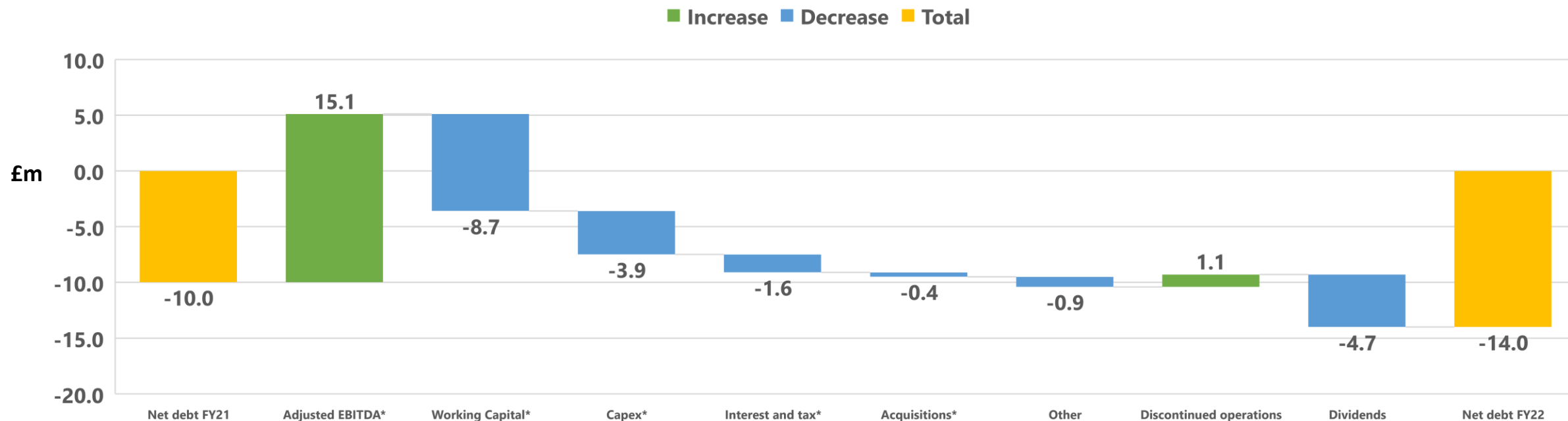
- Engineering solutions
- Fabrication and precision engineering
- Robotics

Trading

- Profit up 38% on 10% lower revenues
- Fabrication and precision engineering
 - Revenue up 16% on FY21, operating margin improved by 11 percentage points
- Robotics
 - First sale of a powered manipulator into USA and development of A150 for growing nuclear medicine market
 - Slower contract awards leave revenue behind FY21 but margins maintained
- Engineering solutions
 - Key UK defence contract reducing revenue and profit year on year, successfully completed February 2023

Net debt movement

Movement in net debt (excluding leases)



Key points

- Working capital outflow primarily linked to raw materials price inflation and strategically higher levels of inventories in Speciality Agriculture
- Main bank facility in place until December 2024

Post year end

- Cash received from disposal of Agricultural Supplies division leaves the business in a net cash position

*in respect of continuing operations only

Balance sheet and assets held for resale

- Disposal of Agricultural Supplies division completed in October 2022
- Sale will reduce Group net assets by c.35%

	At 3 September 2022 £m	At 28 August 2021 (restated) £m	Change
Fixed assets	75.8	113.7	-33.3%
Net working capital	30.1	39.7	-24.0%
Assets/liabilities held for resale	47.0 ¹	-	N/A
Assets employed	153.0	153.3	-0.2%
Pension surplus	6.8	9.4	-27.1%
Net debt (excluding leases)	(14.0)	(10.0)	+40.6%
Lease liabilities	(7.5)	(15.4)	-51.1%
Tax provisions	(1.7)	(2.7)	-37.6%
Net assets	136.5	134.6	+1.4%
Net debt (excluding leases): Adjusted EBITDA	0.93	0.48	

Note 1 - Held for resale	£m
Fixed assets	40.2
Working Capital	31.4
Net debt	(12.3)
Lease liabilities	(8.2)
Other	0.3
Loss on FV measurement	(4.4)
	47.0

- £4m additional consideration due October 2023

Robust financial position for growth and returns to shareholders

Carr's Group is now a leaner and financially stronger entity:

- Strong cash position
 - Initial cash received (£24.7m) from the sale of the Agricultural Supplies division
 - Unconditional deferred payment of £4 million in October 2023
 - Options and rights for future sale of commercial properties
- Sale of Agricultural Supplies division reduces working capital by £31m and removes need for £10m replacement capital expenditure
- Working towards a low-cost buy out of the fully funded defined benefit scheme to de-risk the balance sheet
- Progressive dividend policy
- Options to balance investment opportunities with returns to shareholders

A refreshed Board and strengthened Management team

- New Executive and Non-Executive Board members with considerable experience will lead the Group's ongoing strategic change:
 - Tim Jones became Non-Executive Chairman of the Board 21 February 2023
 - substantial experience includes 11 years as Chairman of FTSE-listed Treatt plc, where market capitalisation increased eight-fold during his tenure
 - The Group's current Executive Chair, Peter Page, appointed Chief Executive on 21 February 2023
 - David White joined the Board on 21 February 2023 as Chief Financial Officer
 - extensive finance and operational experience at Aggreko plc, Weir Group plc and in professional services
 - Shelagh Hancock (CEO of First Milk) appointed Non-Executive Director 1 September 2022
 - Martin Rowland appointed Non-Executive Director 6 March 2023
 - Stuart Lorimer (Finance Director of AG Barr plc) appointed Non-Executive Director 1 September 2022
 - will become Audit Committee Chair
- Recent senior management appointments include Group Finance Director, Environment and Sustainability Manager, Head of Operational Excellence in Engineering, Business Development Director for Speciality Agriculture, and Vice-President Sales and Marketing for USA Speciality Agriculture

Outlook

Speciality Agriculture

- Volume and revenue growth
- Margin improvements to come from:
 - Cost recovery following raw material cost increases
 - Manufacturing and operating efficiencies
 - Product range rationalisation
- Potential investment of up to £10m to add capacity and enhance efficiency through upgrades

Engineering

- Strong order book, supported by a pipeline of diverse opportunities
- Experienced managing directors with a focus on pursuing operational efficiencies through focus on core capabilities
- Availability of working capital to support bids for larger contracts that will deliver higher margins

Central and overhead costs

- Management expect central costs to be similar in 2023, with ongoing change to enable lower costs from FY2024 onwards
- Conclusion of transitional services agreement for Carr's Billington Agriculture

Q&A

