

# Strategic update and interim results

18 April 2024

David White, Chief Executive Officer  
Gavin Manson, Chief Financial Officer

# Strategic update



# Optimisation of shareholder value

Review of the performance, composition and organisation of the Group undertaken:

- **Post-Agricultural Supplies disposal we have two operating divisions**

Both divisions have strong brands, market leading products and growth opportunities, however,

- no synergies
- central overheads costly
- separate businesses limit management and investment focus

- **Immediate opportunity – Engineering**

- Strong recent performance
- Order book healthy
- End markets offer growth opportunities

- **Medium-term opportunity – Agriculture**

- Transformation plans now being developed and implemented
- Leadership in place to drive growth in existing and current markets

- **Exploring options to maximise shareholder value for the Engineering division**

- Engaged Alantra to support the process



# Interim results



# H1 2024: Agriculture challenging, Engineering strong

## Highlights

- Board and management appointments in anticipation of the transformation of the Group completed
- Transformation of Agriculture Division underway with new leadership across global businesses – Josh Hoopes joined as CEO Agriculture in March supported by new leadership teams in the UK and US
- Process to explore the options to maximise shareholder value for the Engineering division initiated
- Central function / cost reductions now in train – aligned to key strategic milestones
- Group Bank Facilities of £25m extended to December 2026
- Final £4m deferred consideration from the sale of the Agricultural Supplies Division received in October 2023

Adjusted (Continuing Operations)	H1 FY24	H1 FY23	+/-
Revenue (£m)	<b>81.4</b>	79.8	<b>+2.0%</b>
Adjusted <sup>1</sup> operating profit (£m)	<b>5.8</b>	5.8	<b>-1.4%</b>
Adjusted <sup>1</sup> profit before tax (£m)	<b>5.6</b>	5.6	<b>+0.6%</b>
Adjusted <sup>1</sup> EPS (p)	<b>4.8</b>	5.0	<b>-4.0%</b>
Statutory (Continuing Operations)	H1 FY24	H1 FY23	+/-
Revenue (£m)	<b>81.4</b>	79.8	<b>+2.0%</b>
Operating profit (£m)	<b>3.5</b>	5.2	<b>-32.1%</b>
Profit before tax (£m)	<b>3.4</b>	5.0	<b>-31.3%</b>
Basic EPS (p)	<b>3.0</b>	4.5	<b>-33.3%</b>
Interim dividend (p per share)	<b>2.35</b>	1.175	<b>+100.0%</b>
Net cash (£m)	<b>8.0</b>	8.6	<b>-7.7%</b>

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

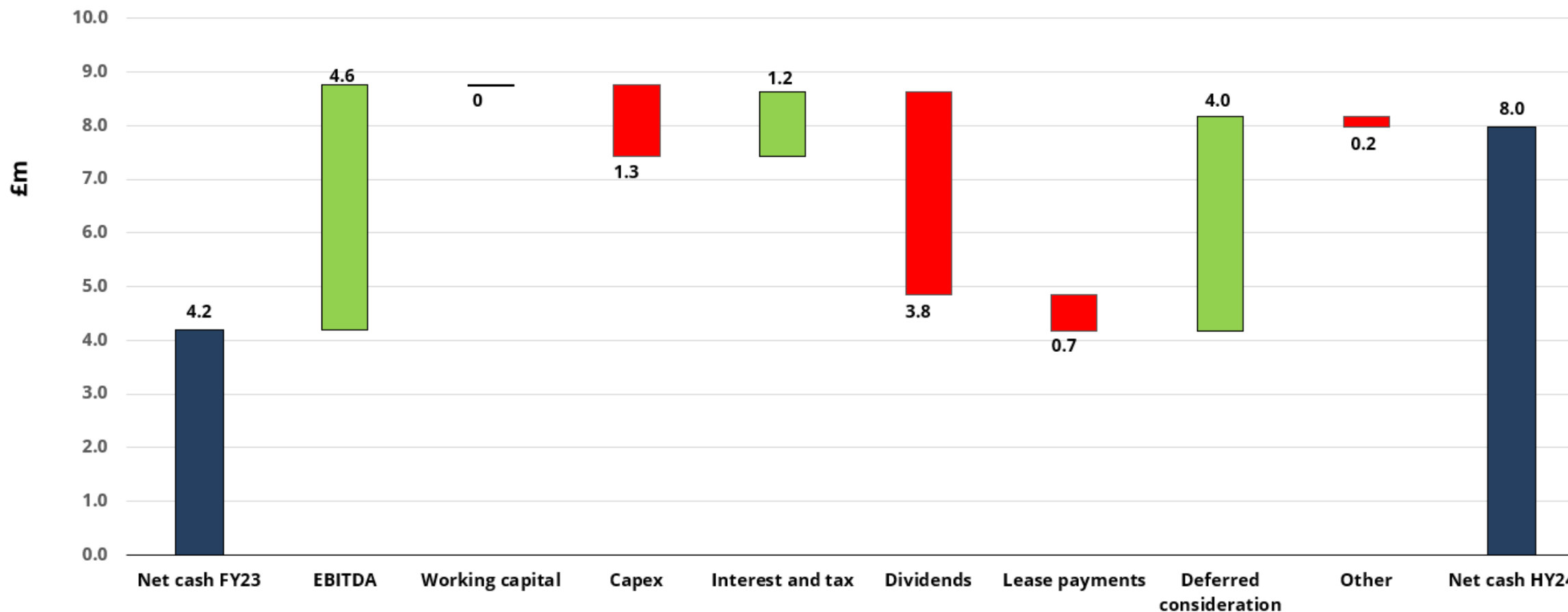
# Balance sheet

	At 29 February 2024 £m	At 4 March 2023 £m	Change
Fixed assets	69.3	76.8	-9.7%
Net working capital	33.6	32.8	+2.3%
Deferred consideration	-	4.0	-100%
Assets employed	102.9	113.6	-9.4%
Pension surplus	5.9	5.9	+0.2%
Net cash (excluding leases)	8.0	8.6	-7.7%
Lease liabilities	(6.6)	(7.1)	-7.6%
Tax provisions	(2.5)	(1.5)	+69.3%
Net assets	107.7	119.5	-9.9%

- Fixed assets impacted by intangible impairments of £3.8m at end FY23
- Working capital influenced by increased input prices and timing of engineering contract milestones
- Positive net cash of £8.0m following receipt of £4m deferred consideration from the disposal of Agricultural Supplies Division and payment of FY23 dividends
- Pension scheme buy-in in progress
- Sale of investment properties will deliver cash by Q1 FY25

# Net cash movement – 6 months to end H1 FY24

## Movement in net cash (excluding leases)



Of note:

- Main bank facility renewed and in place until December 2026
- Final £4m disposal proceeds from Agricultural Supplies received in October 2023

# Focus, improve, deliver

## Focus

- Exploration of value for Engineering
- Improving Agriculture in UK and US whilst assessing other opportunities
- Right sizing group infrastructure and support

## Improve

- Integration of UK Agriculture management underway
- Detailed improvement plans across Agriculture's three UK sites in implementation phase
- Automation of UK bolus production processes - first phase Q2 FY24, second phase live in Q4 FY24
- Management succession in US feed blocks business with focus now on market share
- New management in US protein bypass business and turnaround plan in place
- Central cost reduction and surplus assets realisation under-way

## Deliver

- Engineering LTM Adjusted Operating Profit of £6.6m , reflecting a 11.7% Operating Margin
- UK Agriculture returned to volume growth in H1 FY24
- Dividend equivalent to First and Second Interims of recent years combined



# Leadership



**Tim Jones**  
Chair

- Joined the Board in 2023
- Chair Treatt Plc 2012-2023
- Chair Allia Charitable Group
- Chair of SP-Logistics Holdings Limited, trading as the Oximio Group
- Chair City and Continental Debt Capital
- FCA-approved Person
- Member of the Chartered Institute of Securities and Investment
- Associate of the Chartered Insurance Institute



**David White**  
CEO

- Joined the Board in 2023
- Senior finance and management roles at Aggreko plc 2006 to 2022
- Weir Group plc 2003 to 2006
- Chartered Accountant, qualifying in London in 1997



**Gavin Manson**  
CFO

- Joined Carr's in November 2023
- Chief Financial and Operating Officer of Electra Private Equity PLC
- Chairman of Hostmore plc
- Finance Director of Thomas Cook Group Plc
- Group Finance Director of Premier Farnell Plc
- Managing Director of Merck Services UK Ltd
- Finance Director of Glenvarigill Co Ltd



**Martin Rowland**  
Executive Director  
of Transformation

- Joined the Board in in March 2023 originally as non-executive
- Partner, Sumcapital
- Investment Director, LDC
- Chief Operations Officer, DLG
- Head of Business Transformation, Accord plc

# Agriculture





## Opportunities

- Demand driven by low intensity pasture-based grazing, part of a wider trend of sustainability-related nutrition programmes and desire to reduce methane emissions
- Our products contribute to nutrition programmes which help to:
  - Optimise liveweight gain
  - Improve milk yield
  - Improve reproductive efficiency in calving intervals and lambing percentages
- Market-leading brands supported by targeted marketing campaigns in the UK and North America
- New market opportunities internationally – currently in markets representing c20% of global beef production

H1 FY 2024  
REVENUE

**£52.8m**

ADJUSTED OPERATING PROFIT

**£4.9m**

ADJUSTED OPERATING MARGIN

**9%**

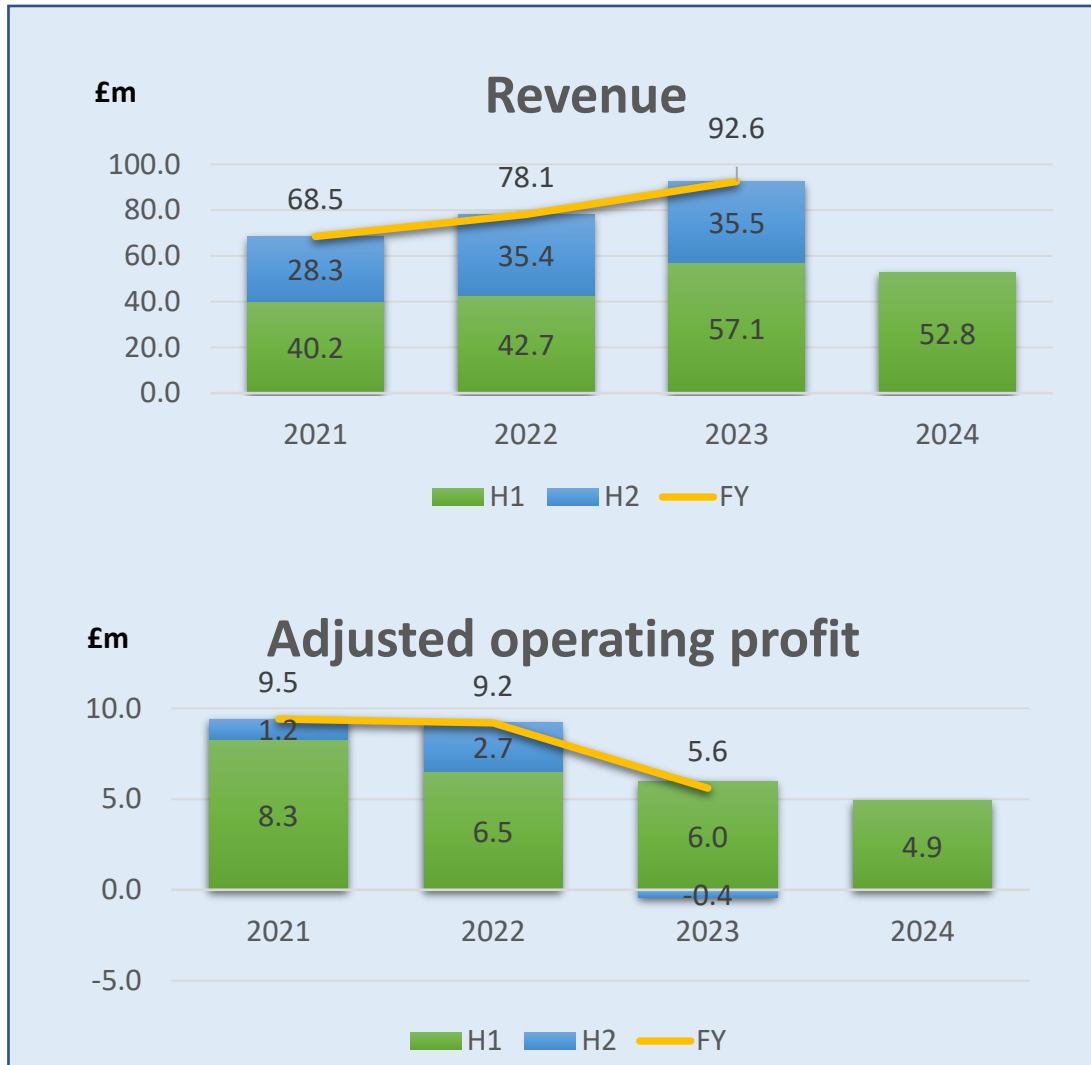
## Our brands



BioTub®



# Summary financials – Agriculture



## Trading

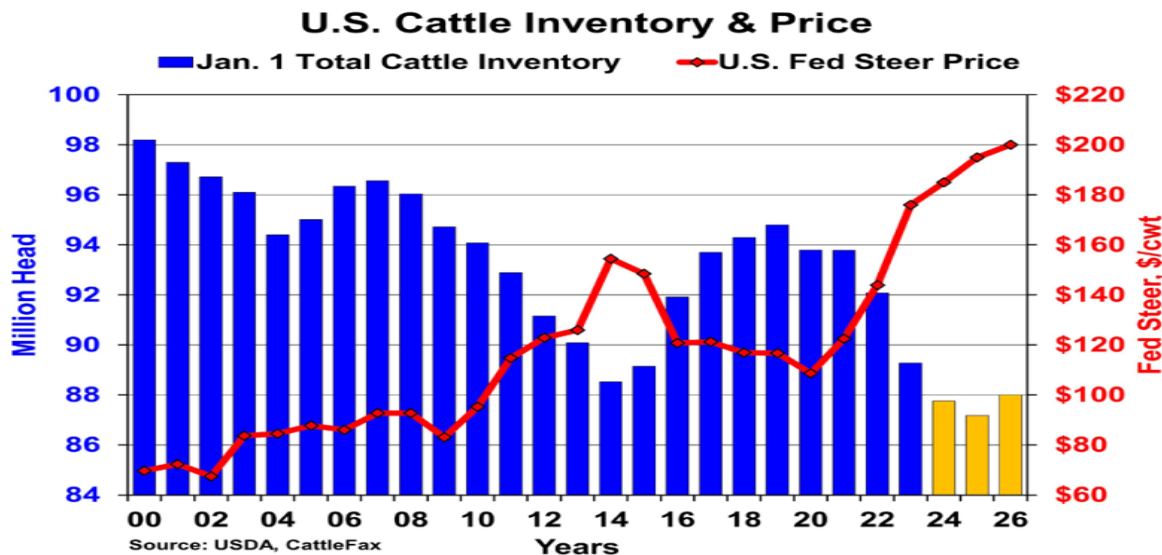
- Revenue down 8% on H1 FY23:
  - UK feed block volumes up 11%, on lower pricing as raw material costs settle from H1 FY23 highs
  - US feed block volumes down 18% as continuing drought in southern states sees herd sizes drop
  - Bolus revenues marginally up on prior period
- Operating Margin down 1pp:
  - Lower pricing in UK driving small decrease in margins
  - US margin up, driven by initial savings from Nevada facility closure
  - Savings from automated manufacture of boluses will support improvement in H2 at Animax



# Lead indicators of market recovery

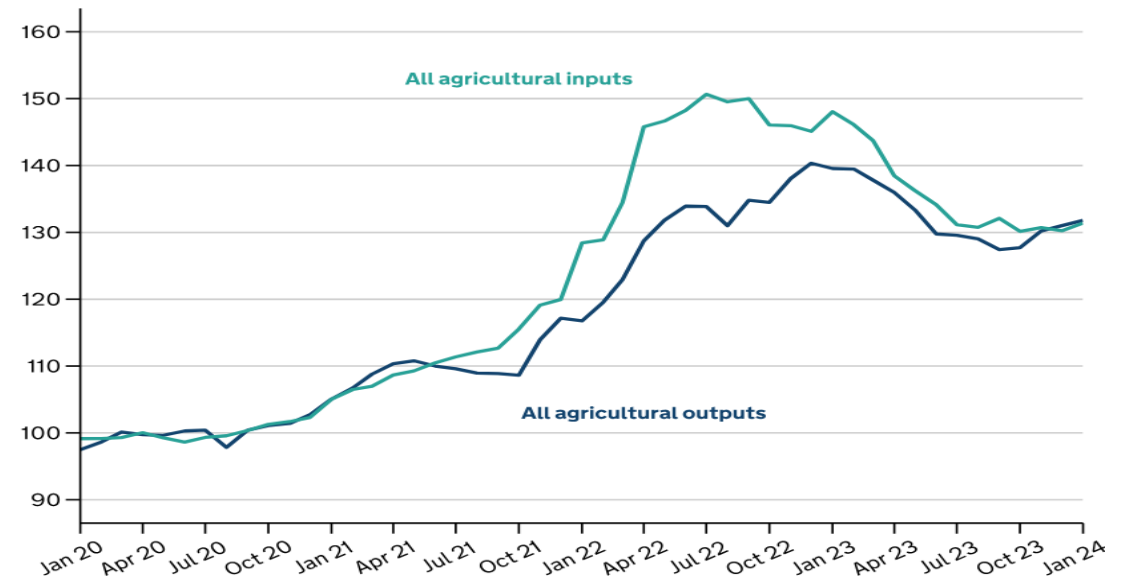
## US

- Following three years of increasingly dry conditions, although later than previously anticipated, there is now a reduced area affected by drought, improving prospects for grazing and restocking of ranch herds
- USA beef sector approaching turning point of 10-year cycle with the cow calf herd headcount at lowest since 2015 with high cattle prices supporting inflexion in 24/25



## UK

- Challenges in UK market in recent years driven by misalignment of farm input and output inflation – driven by wider economic environment
- UK agricultural prices lead indicators improving from second half of FY23
- Output and input indices match in January 2024 after three years of significant misalignment



## Agriculture

- Early signs of improvement in the UK market, US market expected to remain challenging into FY25
- New leadership team bring significant sector experience in global markets
- Active product management:
  - consider rationalisation of low-volume sales lines
  - development of new products
  - pro-active approach to environmental opportunities
- Continue focus on self-help operating efficiencies to drive further cost savings into finished products
  - Sustainable procurement savings to deliver savings in FY25

# Engineering



# Engineering

- Strong customer relationships provide a base for supply of market leading technologies. Nuclear power remains key sector driven by activities including:
- Decommissioning work on existing nuclear power plants including the safe removal, disposal and storage of nuclear waste
- Extending the lifespan of existing nuclear facilities, allowing operators to generate low carbon energy for longer
- Support to critical government contractors within the UK defence sector

## Robotics

- Master slave manipulators
- Handling equipment
- Telbot® robot



## Engineering Solutions

- MSIP®, Power Fluidics™ and passive cooling technology



## Mechanical Services

- Design, procurement and installation of specialist mechanical services



## Fabrication and Precision Engineering

- Pressure vessel design and fabrication
- Advanced precision machining



**H1 FY 2024  
REVENUE**

**£28.5m**

**ADJUSTED OPERATING PROFIT**

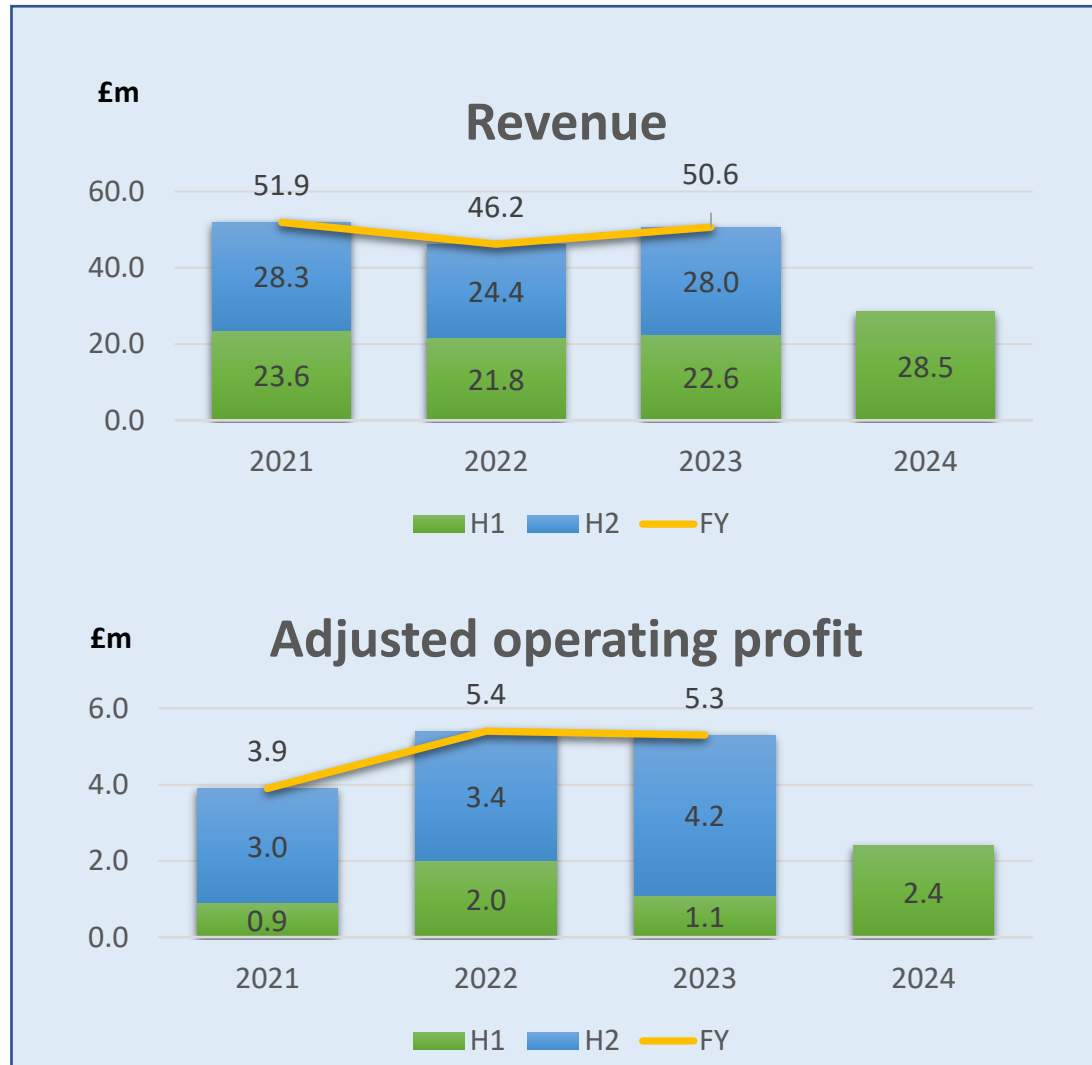
**£2.4m**

**ADJUSTED OPERATING MARGIN**

**9%**



# Summary financials – Engineering



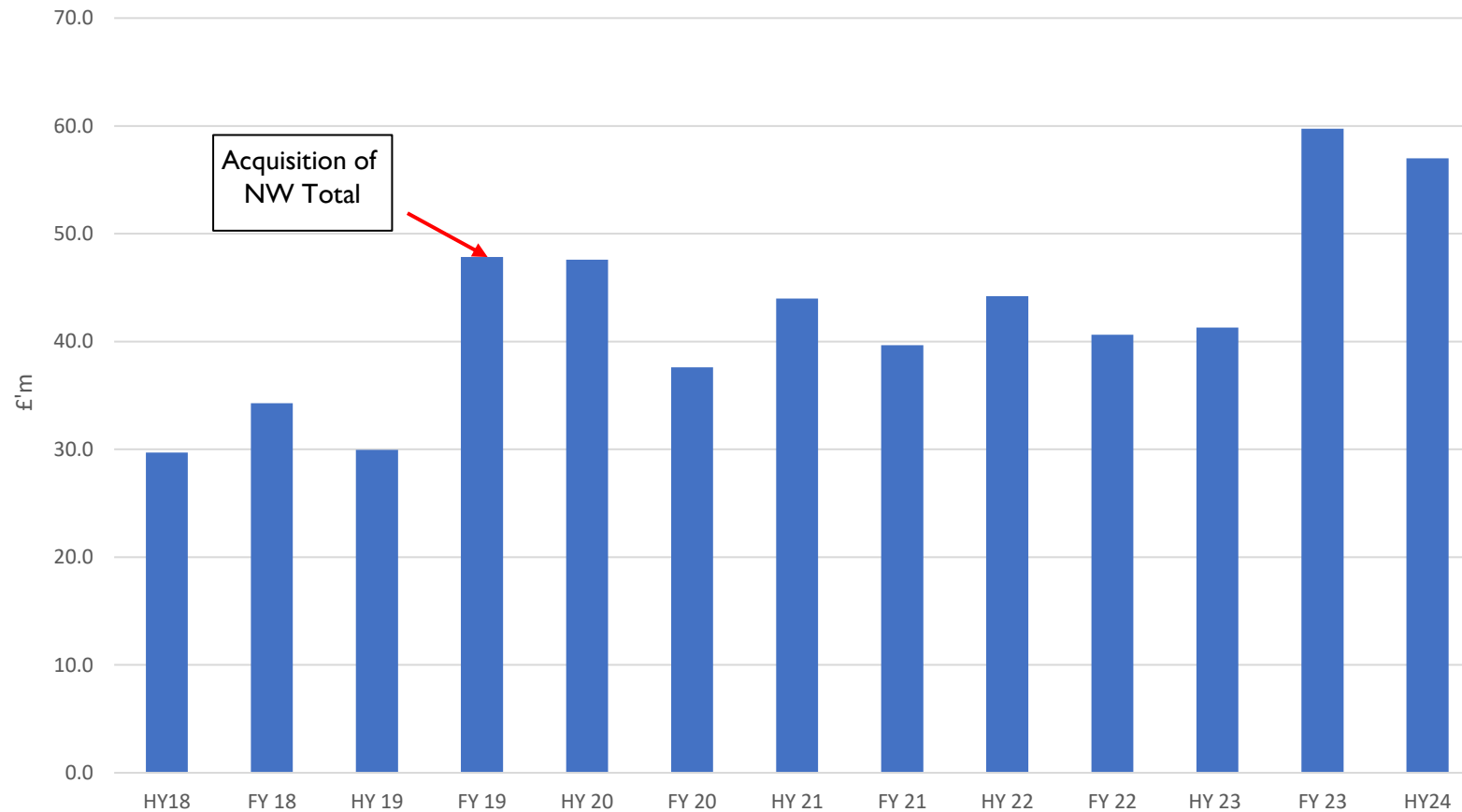
**Revenue growth of 26% underpins margin improvement of 4pp**

**Adjusted Operating Profit more than double H1 FY23**

- Fabrication and precision machinery
  - Continued high activity levels, revenue up 23%
- Robotics
  - Delivery of key contracts in H1 driving 60% revenue increase, off low H1 FY23 base
  - Order book remains strong and will support improved H2
- Engineering solutions
  - 4% decrease in revenue, margins improved by 2pp
- Strong order and multi-year pipeline
  - £58m order book at February 2024, up from £41m at H1 FY23
  - Positive pipeline and conversion trends

# Order book consistently ahead of historic levels

- Demand is international, supported by government policies and public funding
- Long-term contracts provide security of earnings and visibility over next 18 to 24 months
- Order book growth demonstrates sector demand, coupled with strong reputation for service and product quality



## Engineering

- Order book at end of February at £58m with pipeline strong across all businesses
- Working capital remains available to support bids for larger, higher-margin, contracts that will deliver earnings over the next 24 months
- Increasing targeted capacity in existing business
  - two additional facilities in the UK
  - careful capital investment to support growth
  - operational efficiencies

## Central functions

- Transfer of key functional support activities from being centrally managed into both divisions
  - avoiding duplication of costs
  - focus on delivering to the requirements of each division
- Central costs to significantly reduce following conclusion of Engineering division process
  - Capability built to deliver potential transaction while driving sustainable improvements in the business
- Process for disposal of investment properties ongoing and expected to conclude in Q1 FY25
- Defined benefit pension scheme buy-in process in flight, with transaction anticipated this financial year

## Group

- Challenging trading conditions in agriculture, particularly in the US, expected to ease in medium-term
- Our short-term focus is on ensuring that performance is optimised during challenging conditions whilst making the changes necessary to deliver longer term value creation
- Engineering division delivered a strong first half performance, and order book levels will enable year-on-year growth during FY24 and beyond
- Expectations for FY24 remain unchanged



# Q&A





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