carclo

Results for year ended 31 March 2016

Presentation to Analysts

7 June 2016

Carclo is a leading global manufacturer of fine tolerance parts for the Medical, Industrial, Aerospace and Luxury and Supercar Lighting markets

Global contract manufacturer to medical market

Leading designer and manufacturer of luxury and supercar LED Lighting

Leading supplier of aviation control cables in Europe

Manufacturing locations

Strategy is to expand key manufacturing assets to drive shareholder value

Results and Summary

- Strong growth in group revenue and underlying operating profit driven by Technical Plastics and LED divisions
- Revenue increased by 10.7% to £119.0 million (2015 - £107.5 million), reflecting excellent sales progression across our businesses
- Underlying operating profit increased by 28.8% to £10.0 million with underlying operating margin increased to 8.4% (2015 -7.2%)
- Underlying profit before tax of £8.8 million (2015 - £7.1 million), up 22.9% on the prior year
- Net debt in line with Board's expectations at £24.8 million
- Basic underlying EPS increased by 27.8% to 10.1p
- Exit from CDS, incurring a £4.9 million impairment charge, to focus on growth opportunities in Technical Plastics and LED Technologies
- Dividend increased by 3.6% to 2.85p reflecting Board confidence in the business
- Group very well placed to continue with its growth strategy

Please note: Underlying profit is defined as before all exceptional items

Strategic KPIs

Revenue Growth

Revenue growth year on year is a strong indicator of success in delivering the group's strategy – up 10.7% on 2015.

Underlying Operating Profit Margin

Margin strengthened 120 bps to 8.4% in 2016.

Strategic KPIs

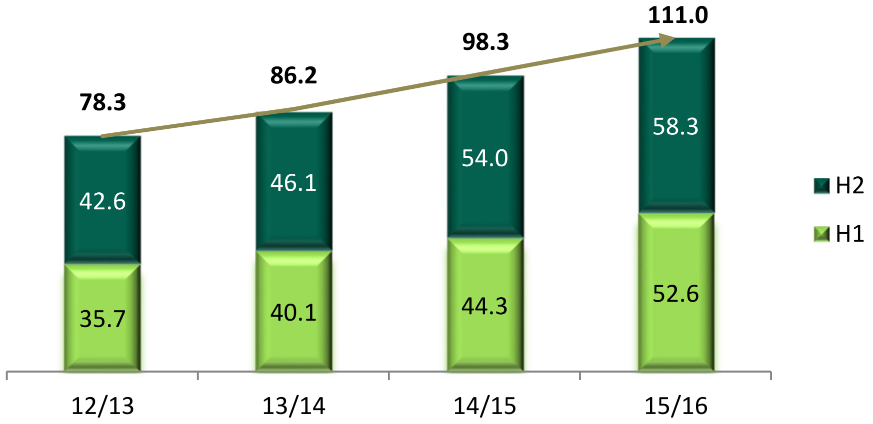
Return on Investment*

Underlying operating profit as a percentage of annual investment shows improving returns

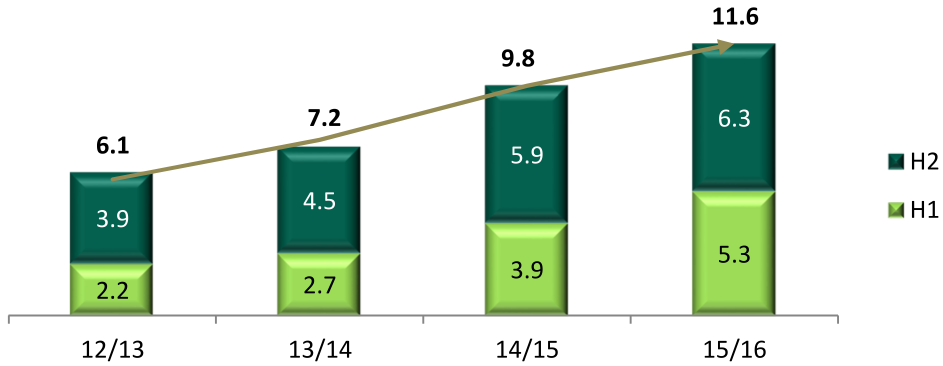
*calculated on a 5-year rolling basis with investment/ performance in CIT, CDS & PDL excluded to provide a more meaningful benchmark for future comparison.

CTP and LED divisions drive strong group performance

CTP & LED Revenue £m



CTP & LED Underlying Operating Profit £m



Revenue

- Year-on-year increases show continued growth in our key divisions
- Continued strong growth in CTP global medical customer revenues
- New CTP China factory complete and fully operational driving growth through 2016/17
- Wipac continued to secure further programme wins and several vehicle lighting programmes moved into production

Margin

- CTP profit growth reflects efficiency gains particularly at main USA facility which was expanded in 2015
- LED margins have continued to benefit from new design and tooling programmes and the higher manufacturing volumes at Wipac
- LED optics profits have increased with good revenue growth and improved manufacturing efficiencies

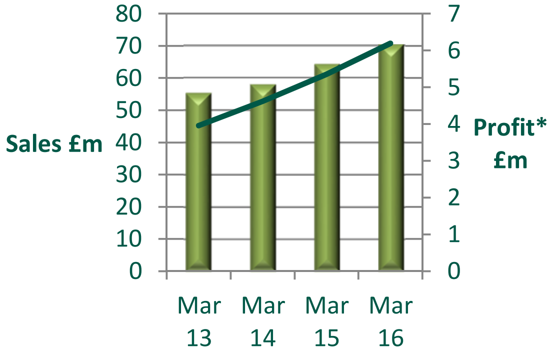
Financial Highlights

	Year ended 31 March 2016	Year ended 31 March 2015
	£000	£000
Revenue		
Technical Plastics	70,473	64,296
LED Technologies	40,468	34,053
Aerospace	6,386	6,304
CIT Technology	1,647	2,850
Total	118,974	107,503
Underlying operating profit before exceptional items	10,034	7,789
Exceptional items	(4,857)	(31,668)
Operating profit / (loss)	5,177	(23,879)
Underlying profit before tax	8,752	7,123
Profit / (loss) before tax	3,895	(24,545)
Basic earnings per share	3.3p	(33.2p)
Underlying earnings per share	10.1p	7.9p
Dividend per share	2.85p	2.75p
Net debt	24,750	24,518

Please note: Underlying profit is defined as before all exceptional items

Divisional Analysis

CTP

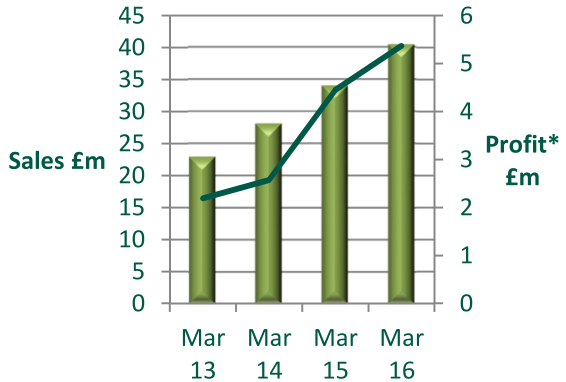


Revenue +9.6%

Operating profit* +15.7%

- Revenue growth mainly from expanded sites in USA and Czech Republic
- Site expansion and efficiency improvements now generating better returns
- Strong demand mainly in medical device sector continues to support future growth

LED

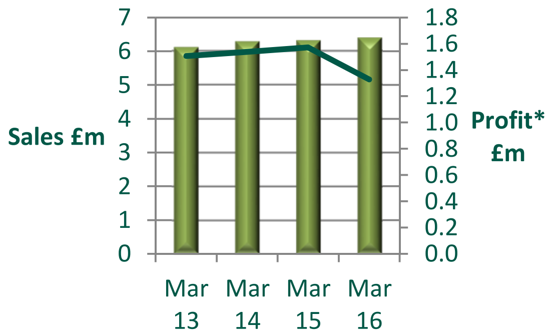


Revenue +18.8%

Operating profit* +20.7%

- All targeted new customer design wins secured during the year
- All customer programme completion dates achieved
- Strong growth potential across the business enhanced by new programme win in the medium-volume sports car and premium sector

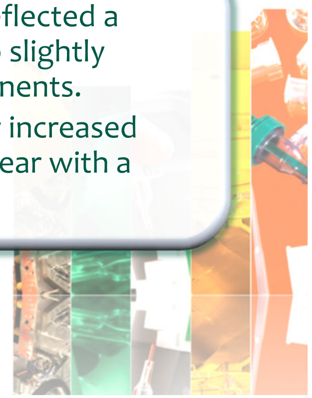
Aerospace



Revenue +1.3%

Operating profit* -15.5%

- Higher sales and lower profit reflected a slow first half and the switch to slightly lower margin machined components.
- As anticipated, second half saw increased levels of activity, finishing the year with a good level of demand



*Underlying operating profit

Sales — Profit *

Income Statement Comparative

	31-Mar-16	31-Mar-15
Revenue	**119.0**	**107.5**
Operating profit		
Divisional operating profit	**12.8**	9.9
Central costs	**(2.8)**	(2.1)
Underlying operating profit from continuing ops	**10.0**	7.8
Exceptional Items	**(4.8)**	(31.7)
Operating (loss) / profit	**5.2**	(23.6)
Net financing charge	**(1.3)**	(0.7)
(Loss) / profit before tax	**3.9**	(24.5)
Income tax credit / (expense)	**(1.7)**	1.8
Loss on discontinued operations, net of tax	**(0.0)**	(0.0)
(Loss) / profit for the period	**2.2**	(22.8)
Basic earnings per share	***3.3p***	*(33.2p)*
Underlying earnings per share	***10.1p***	*7.9p*
Dividend per share	***2.85p***	*2.75p*

- Group revenue increased by 10.7% to £119.0 million
- Underlying divisional operating profit increased 28.4% to £12.8 million
- Underlying operating profit increased 28.8% to £10.0m
- Increased financing charge includes £0.4 million IAS 19 pension financing charge
- Profit before tax of £3.9 million (underlying PBT of £8.8 million)
- Underlying tax charge of 24% reflects greater proportion of taxable profits being generated in higher tax countries
- Underlying earnings per share increased 27.8% to 10.1p
- Dividend increased 3.6% to 2.85p per share

Please note: Underlying profit is defined as before all exceptional items

Financial Position – Cash Flow

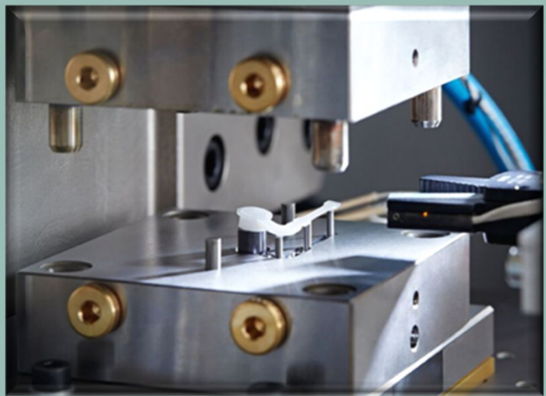
	£million	£million
Net debt at start of period		**(24.5)**
Underlying cash from operations	14.5	
CIT royalty payment	3.0	
Exceptional cash flows	(1.4)	
Working capital	(1.0)	
Interest and tax	(2.1)	
Net capital expenditure	(8.4)	
Free cash flow	**4.6**	
Additional pension contributions	(1.1)	
Proceeds from share transactions	-	
Equity dividends	(1.8)	
Cash flow from corporate activities	**(2.9)**	
Development expenditure	(1.4)	
Exchange movement	(0.6)	
Movement in net debt		**(0.3)**
Net debt at end of period		**(24.8)**

- Strong underlying cash generation from operations
- Royalty payment of £3 million was received from UniPixel in respect of the licence of CIT fine line technology
- Exceptional cash flows primarily related to the cash costs of the closure of CIT
- Working capital grew moderately with the expansion of our inventories and receivables due to growth in the businesses
- Net capital expenditure of £8.4 million included £3.1m on new China facility and £5.3m on new plant and machinery in Technical Plastics and LED Technologies
- Development expenditure of £1.4 million related to investment in CDS

Financial Position – Debt & Facilities

Net Debt

- £24.8 million at 31 March 2016
- Stable year-on-year reflecting continued investment in the group's manufacturing capacity
- Net debt/ EBITDA was 1.77X moving towards our medium-term target of 1.5X



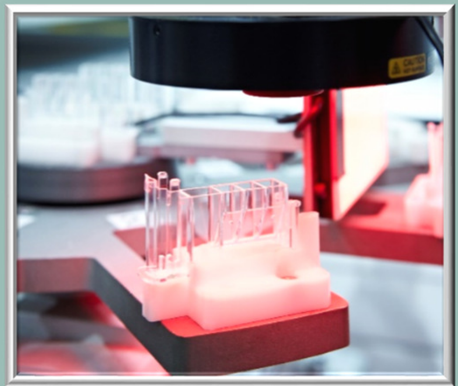
Bank Facilities

- £30.0 million of committed facilities through to March 2020 and £10.8 million of overdraft facilities
- The group continues to have good levels of headroom on its main banking covenants

Financial Position – Pensions

- IAS 19 pension deficit increased to £19.0 million (net of deferred tax) at 31 March 2016 (deficit of £9.7 million at 31 March 2015)
- Scheme assets decreased by £15.3 million since 31 March 2015 and scheme liabilities decreased by £4.2 million
- IAS19 financing expense of £0.4 million and scheme administration costs of £0.6 million reflected in the income statement
- Triennial funding valuation concluded in October 2015 and an agreement with the trustees was made setting the annual recovery payment at £1.2m per annum for three years starting in 2016

Markets & Strategy Actions



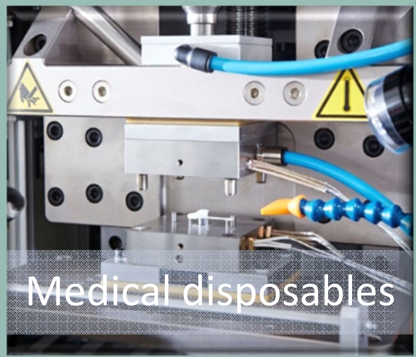
Technical Plastics

LED Technologies

Aerospace

Technical Plastics

	Mar-16	Mar-15
	£m	£m
Revenue	70.5	64.3
Profit*	6.2	5.4
Margin	8.8%	8.3%

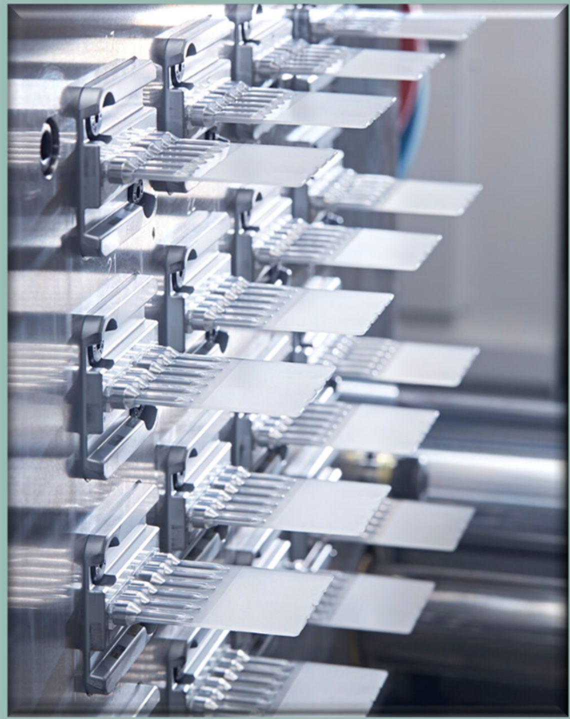


- Operating margin increased to 8.8%, close to our medium term target of 10%. We look to achieve our target of a 10% operating margin within the near term
- As the global healthcare market continues to expand and develop, we are seeing an increasing trend for larger customers to manufacture their own devices in the same regions as their markets. Our own global footprint in the US (both East and West Coast), UK, Czech Republic, India and China is exceptionally well positioned to meet this increasing demand
- New major state of the art facility at Taicang, China is now complete and fully operational. Over the medium term we aim to significantly grow our revenues from within China by developing relationships with local branches from within our global customer base
- In Czech Republic and India we have increased our footprint during the year. In India further capacity will be created when we build a new unit on our site, possibly later in the current year

*Underlying operating profit

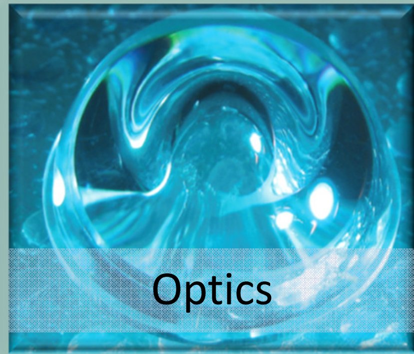
Technical Plastics –
Next Phase Strategy

- Healthcare represented 76% of CTP's revenue and we intend to increase this focus further over the coming years
- New plant in China is key to our strategy as China is the fastest growing region at a CAGR of 10.6% (Source: Global Data)
- We are well placed geographically to serve the 4 - 7% pa growth in the medical device sector in Europe and USA
- Following work in 2016 to assess growth drivers, our strategy is to enhance our offering beyond standard moulding to include micro-moulding and prototyping
- We will look to achieve our goals through a combination of organic and acquisition growth opportunities



LED

	Mar-16	Mar-15
	£m	£m
Revenue	40.5	34.1
Profit*	5.4	4.4
Margin	13.3%	13.0%



- Another excellent year of growth for the division with turnover increasing significantly by 18.8% and underlying operating profit increasing to £5.4m
- Performance driven by high levels of design and development work being performed in the supercar lighting division as well as a growth in manufacturing revenues as these programmes move into production
- A flagship vehicle programme was secured in H1 for a new major customer group and we see significant potential to develop this relationship over the next few years
- In addition to the ongoing success of our luxury and super car business, we have determined that the medium-volume sports car and premium sector would be both profitable for us and well suited to our skills and capabilities. We have now secured a new vehicle programme in that sector
- LED Optics business has continued to grow and develop, particularly in the area of custom optics

*Underlying operating profit

LED –
Market and Positioning

- The Wipac business has continued to meet or exceed customer expectations
- The luxury and supercar market continues to expand and grow with additional model variants such as SUV's
- Our strong market position and Wipac's focus away from the 'high volume' sector puts Wipac in a unique market position
- Following detailed review, Wipac has now extended its strategy towards the mid volume segment and has secured its first programme win
- The move into new segment will see an acceleration of growth from 2019 when the first new programme moves into production

Aerospace

	Mar-16	Mar-15
	£m	£m
Revenue	6.4	6.3
Profit*	1.3	1.6
Margin	20.8%	25.4%

- Increased level of activity in H2 and finished the year with a good level of demand as our major end customer, the leading European aircraft manufacturer, continued to increase build rates of new aircraft
- Spares market for components remained steady and we have gained some momentum with the Tier 1 manufacturers during the year
- Continues to be a high margin, highly cash generative business

* Underlying operating profit

Carclo Diagnostic Solutions ("CDS")

The decision to cease further investment in CDS and to exit the business was announced in May.

Followed a review process highlighting the need to develop a wider range of assays which would require an increasing level of future investment.

Further concerns also raised around the cost to and timings of market take up and, consequently future commercialisation.

No credible strategic option to take CDS forward or new investors were identified.

The Board was mindful of the group's overall financial resources and its primary objective to pursue and support the identified future growth opportunities presented by Technical Plastics and LED Technologies.

The Board views the excellent growth prospects in both these divisions as the key drivers of group future performance and the longer term creation of shareholder value.

Group Strategy

- Focus on revenue growth
- Continue to improve underlying operating margin
- Continue to grow ROI over the long term
- Driven by:-

  - LED Technologies can build on its world class brand and manufacturing capability in the mid-volume (10,000 – 30,000) vehicle sector

  - Technical Plastics can add capabilities that enhance our core moulding capabilities such that we offer a more integrated solution to our medical customers

Outlook

- The strong momentum in our two main manufacturing divisions is expected to continue in the coming years

- Within Technical Plastics, we have continued to expand our manufacturing capacity and will continue to do so. All our expanded capabilities are underpinned by existing customer awards. We will add further capabilities, organically and through acquisition, that meet our customers requirements

- LED Technologies saw another excellent year of growth, with a new customer group secured and a first win in the mid-volume sports and premium cars segment. Wipac is well positioned to expand and grow significantly over the coming years

- Our Aerospace business remains both profitable and highly cash generative

- In summary, the group has delivered a strong operational and financial performance through the year and is well placed and focussed to drive further growth opportunities in the current year and beyond

End

Forward looking statements - Certain statements made in this presentation are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events to differ materially from any expected future events or results referred to in these forward looking statements.