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CARCLO PLC

Results for half year ended 30 September 2017

14 November 2017

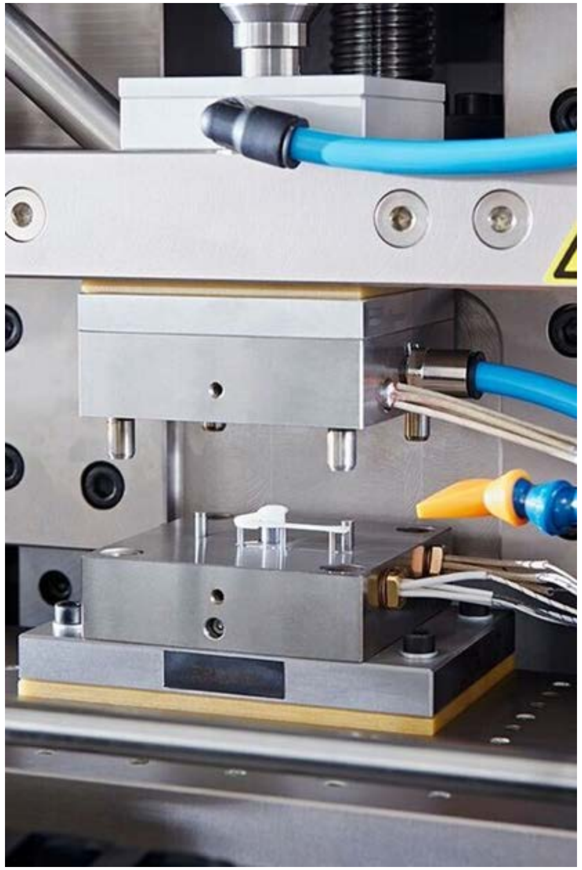
Carclo is a leading global manufacturer of fine tolerance parts for the Medical, Industrial, Aerospace and Luxury and Supercar Lighting markets

Global contract manufacturer to medical market

Leading designer and manufacturer of luxury and supercar LED Lighting

Leading supplier of aviation control cables in Europe

Strategy to expand manufacturing capabilities to further drive value



H1 - Highlights

- Solid H1 trading performance overall, with outperformance by LED offsetting weaker performance by CTP
- Group revenue increased by 14.1% to £72.2 million (2016 - £63.3 million)
- Operating profit before exceptional items was £5.4 million (2016 - £5.6 million), with operating margin of 7.5% (2016 - 8.8%)
- Basic underlying* earnings per share of 4.5p (2016 - 5.6p)
- Operational issues at CTP in H1 now largely resolved
- Group remains well placed to continue delivering its growth strategy with a strong order book and momentum into H2

*before exceptional items

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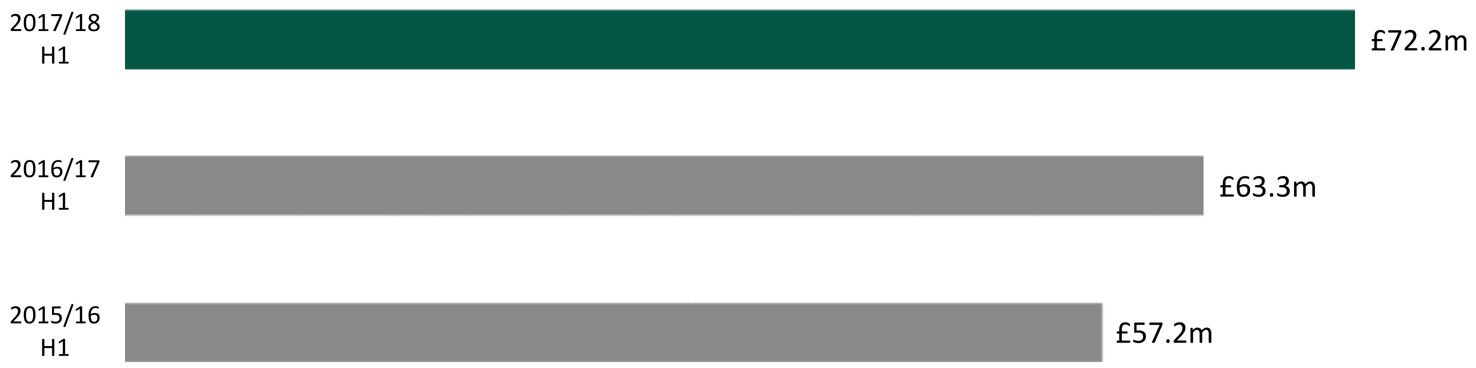
Revenue growth – H1

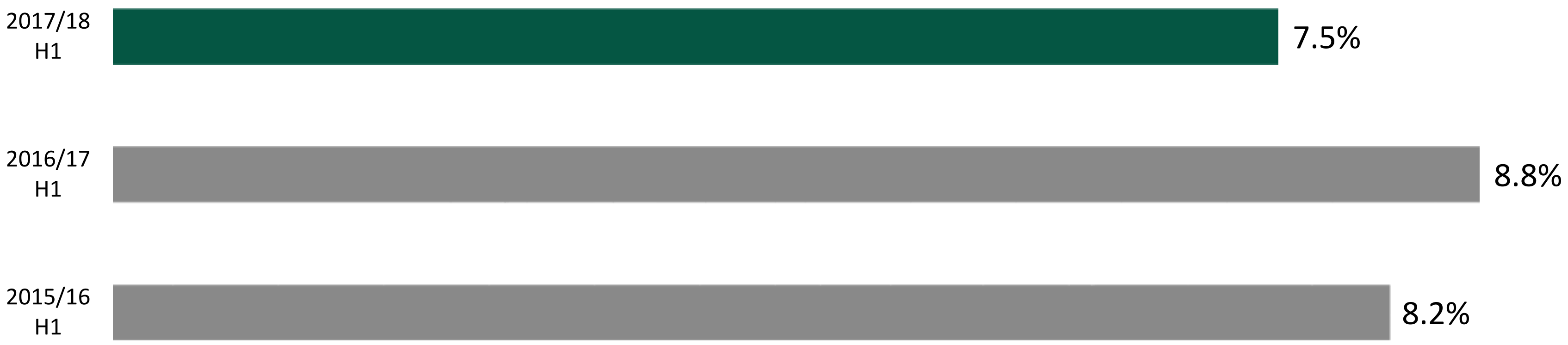
- Year on year revenue growth is a strong indicator of success in delivering the Group’s strategy – up 14.1% on the prior year

Underlying operating margin – H1

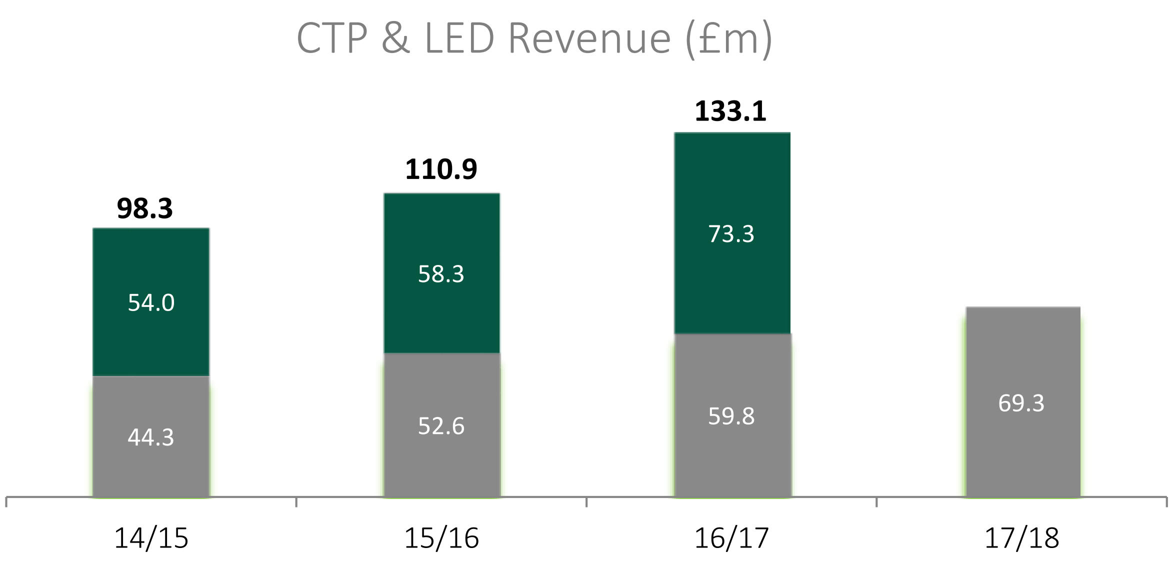
- Margin is 7.5% in 2017 (2016 – 8.8%)
- Weaker margin in CTP due to operational issues which have now largely been resolved

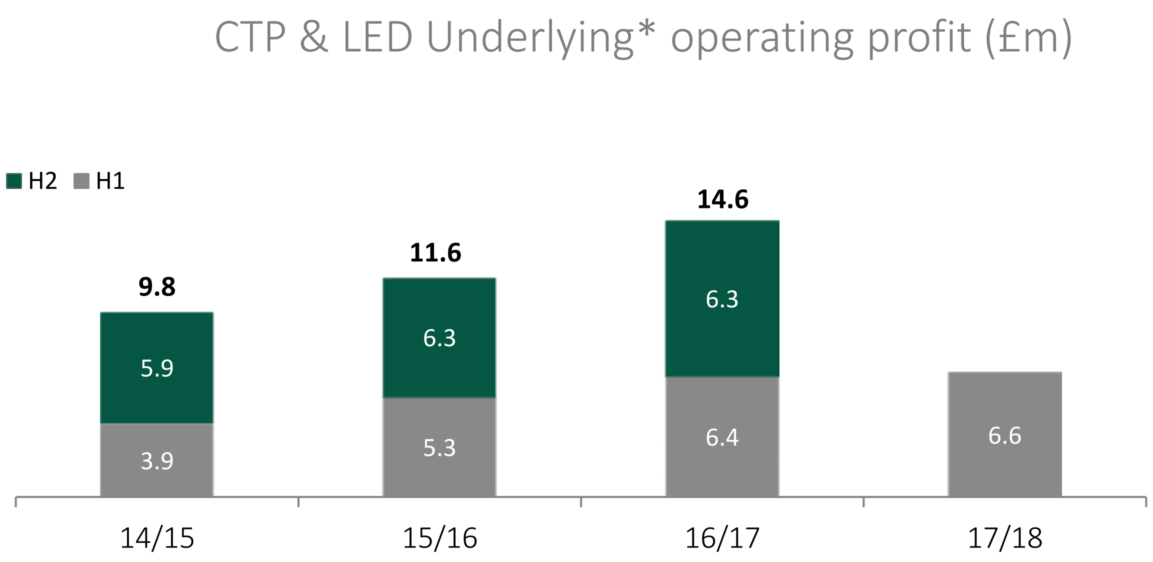
Strategic KPIs





CTP and LED divisions drive strong Group performance





- Technical Plastics revenue increased by 11.5% benefiting from PTD and favourable currency
- LED Technologies performed ahead of expectations with revenue increasing 24.4% due to solid product sales on its supercar lighting business alongside strong design, development and tooling activity

- Technical Plastics underlying operating margin decreased from 8.8% to 7.4%, reflecting some key new programmes being delayed into H2 and some operational issues, which have now been largely resolved
- LED underlying operating margin decreased from 14.2% to 13.2% reflecting timing of profit recognition on new programmes

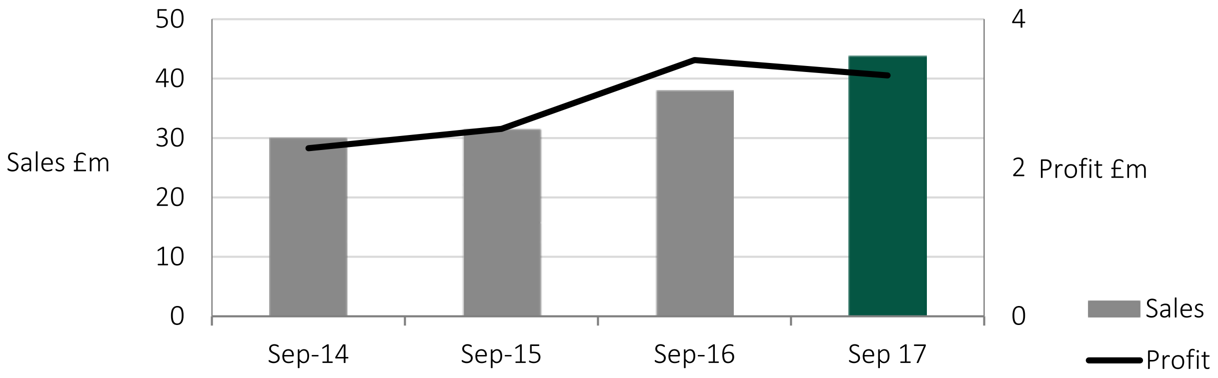
*before exceptional items

Financial Highlights

	Half Year ended 30 September 2017	Half Year ended 30 September 2016
	£000	£000
Revenue		
Technical Plastics	43,748	39,240
LED Technologies	25,571	20,559
Aerospace	2,859	3,485
Total	**72,178**	**63,284**
Underlying* operating profit	**5,404**	**5,575**
Exceptional items	-	(18)
Operating profit	**5,404**	**5,557**
Underlying* profit before tax	**4,550**	**4,848**
Profit before tax	**4,550**	**4,830**
Basic earnings per share	4.5p	5.6p
Underlying* earnings per share	4.5p	5.6p
Net debt	29,626	27,551

*before exceptional items

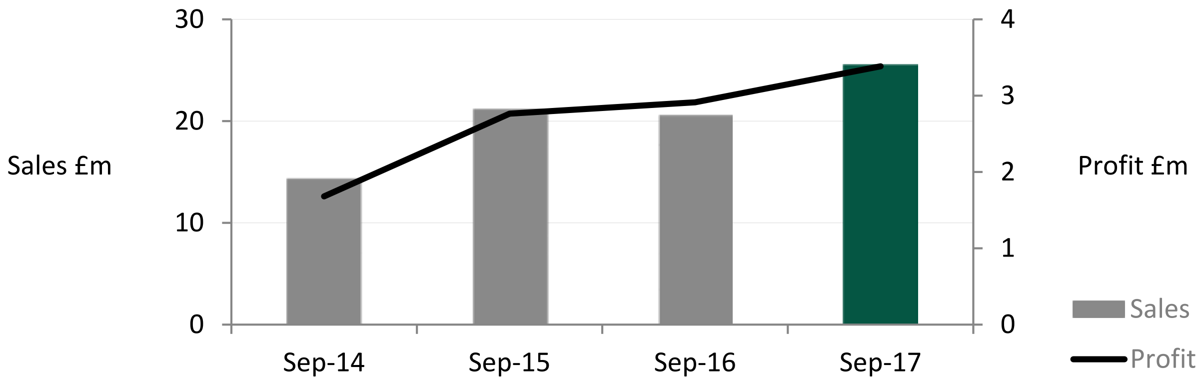
Technical Plastics



Revenue increase	+11.5%
Underlying operating profit decrease	- 6.0%

- Underlying revenue was relatively static. Sales increase came from a first half revenue contribution from PTD and currency retranslation gains versus prior year sales
- Operational difficulties, direct labour, late programme approvals and resin price pressure has constrained revenue and impacted H1 margins. Sales growth and a return to normalised margins expected in H2
- Demand from medical customers has been strong and predictable; non-medical demand has generally been weaker

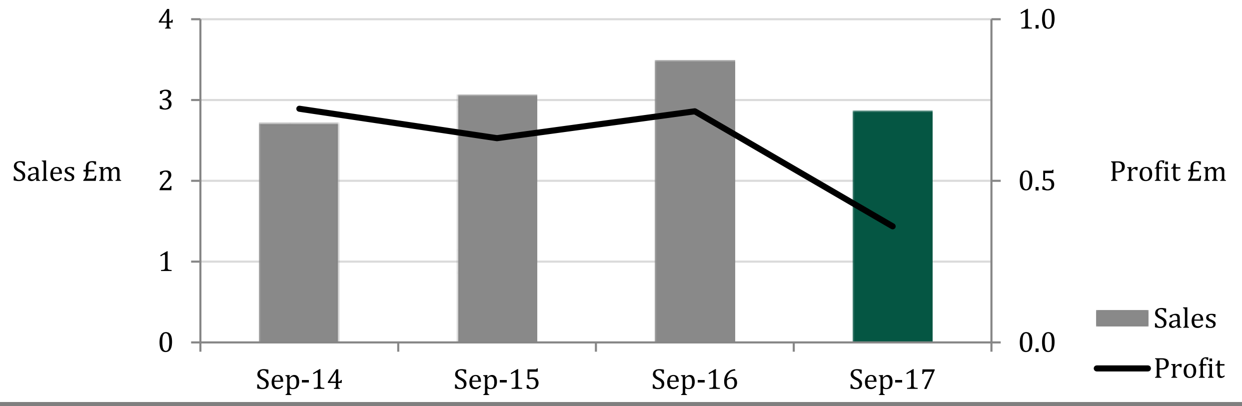
LED Technologies



Revenue increase	+24.4%
Underlying Operating profit increase	+16.2%

- Performance ahead of H1 last year and the Board's expectations
- Healthy product sales in supercar lighting, strong design, development and tooling activity and new customer programme wins
- Working on several pre-development programmes which, once confirmed as project awards, are anticipated to contribute to H2 revenues and profits
- Strong progress on pre-production activities has continued

Aerospace



Revenue increase	-18.0%
Underlying Operating profit decrease	-49.8%

- Revenue decline reflects prior year end to a three year spares upgrade project and newly won programmes not scheduled to commence until H2
- General spares market has been weak but activity has increased towards the end of the period
- H2 is expected to benefit from the strengthening spares demand

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Income Statement Comparative

	30-Sep-17	30-Sep-16
Operating profit		
Divisional operating profit	**7.0**	7.1
Central costs	**(1.6)**	(1.5)
Underlying* operating profit from continuing ops	**5.4**	5.6
Exceptional Items	-	-
Operating profit	**5.4**	5.6
Net financing charge	**(0.8)**	(0.7)
Profit before tax	**4.6**	4.8
Income tax expense	**(1.3)**	(1.1)
Profit/ (loss) for the period	**3.3**	3.7
Basic earnings per share	***4.5p***	*5.6p*
Underlying earnings per share*	***4.5p***	*5.6p*

*before exceptional items

- Revenue increased by 14.1% to £72.2 million
- Underlying* divisional operating profit decreased 1.3% to £7.0 million
- Increased interest charge includes £0.4 million IAS 19 pension financing charge
- Underlying* tax charge of 27.5%
- Underlying* earnings per share decreased 19.6% to 4.5p

Financial Position – Cash Flow

- Strong underlying cash generation from operations of £8.2 million
- Working capital increasing by £4.4 million (2016 - £4.5 million) due mainly to increased sub-contract tooling activity
- Capital expenditure on a cash basis of £5.7 million (2016 - £3.6 million) the majority of which relates to investment in additional capacity in our UK and India Technical Plastics businesses and production machinery in Wipac

	£million	£million
Net debt at start of period		(26.0)
Underlying cash from operations	8.2	
Working capital	(4.4)	
Interest and tax	(1.1)	
Net capital expenditure	(5.7)	
Free cash flow	(3.0)	
Proceeds from share transactions	(0.2)	
Exceptionals	(0.2)	
Cash flow from corporate activities	(0.4)	
Exchange movement	(0.1)	
Movement in net debt		(3.6)
Net debt at end of period		(29.6)

Financial Position – Debt & Facilities

Net Debt

- Net debt of £29.6 million at 30 September 2017
- Increased since 31 March 2017 due to continued investment in the Group's manufacturing capacity and higher working capital to support growth
- Balance sheet remains strong with net debt expected to reduce in the next financial year
- Medium-term target of a 1.5x net debt to EBITDA ratio expected to be achieved at 31 March 2018

Bank Facilities

- £30.0 million of committed facilities through to March 2020 and £16.0 million of overdraft facilities
- Continued good levels of headroom on banking covenants

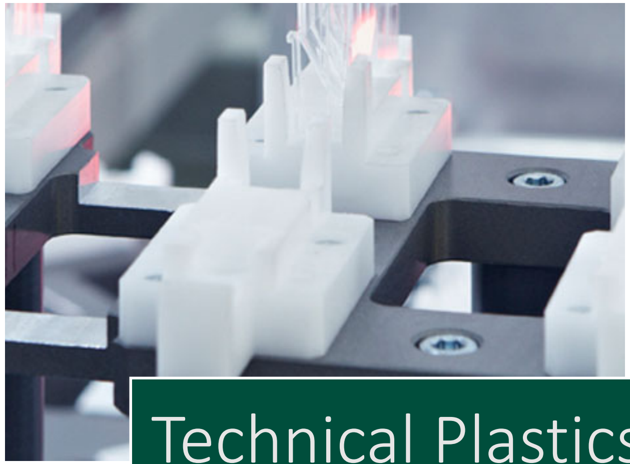
Financial Position – Pensions

- Scheme assets have decreased by £3.9 million and scheme liabilities have decreased by £6.6 million
- IAS19 financing expense of £0.4 million and scheme administration costs of £0.3 million reflected in the income statement

	30 September 2017	31 March 2017
Defined benefit obligation at the end of the period	£202.9 million	£209.4 million
Fair value of scheme assets at the end of the period	£173.0 million	£176.9 million
Net liability for defined benefit obligations at the end of the period	£29.8 million	£32.5 million
Net liability for defined benefit obligations at the end of the period net of related deferred tax	£24.8 million	£27.0 million
Discount rate at 31 March	2.70%	2.60%

Financial Position – Pensions (cash)

- Recovery plan provides that the Group will aim to eliminate the funding deficit over a period of 14 years and 8 months from 1 November 2015
- Annual contributions of £1.2 million, increasing at 2.9% per annum alongside the Scheme’s assumed asset returns which are in excess of the discount rate used to discount the Scheme liability
- Next triennial valuation is expected to be in March 2018



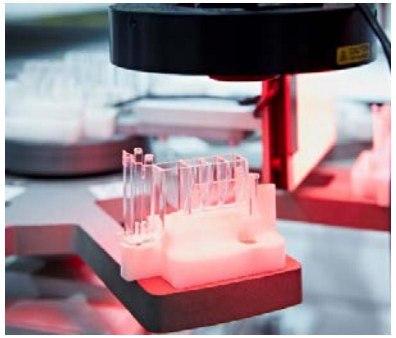
Technical Plastics

LED Technologies

Aerospace

Markets & Strategy Actions

Technical Plastics


	Sep-17	Sep-16
	£m	£m
Revenue	43.7	39.2
Profit*	3.2	3.5
Margin	7.4%	8.8%

- Revenues of £43.7 million (2016 - £39.2 million), up 11.5% on H1 last year. Underlying operating profits were £3.2 million (2016 - £3.5 million)
- Divisional operating margin was 7.4% (2016 - 8.8%), lower than anticipated:-
  - US and Czech businesses were unable to maintain direct labour at the required levels resulting in manufacturing inefficiencies and a depletion of finished inventories
  - Time delays in contractual pass through of resin price increases at US business
  - Several new programmes were delayed due to a number of technical issues

These issues are now largely resolved and we are expecting a stronger H2 performance, in line with original plans

- We expect margin to improve as a result of the resolution of operational issues and as new tooling and project profits are recognised from programmes, several of which are expected to be awarded and commence towards the end of H2

*Underlying operating profit (before exceptional items)

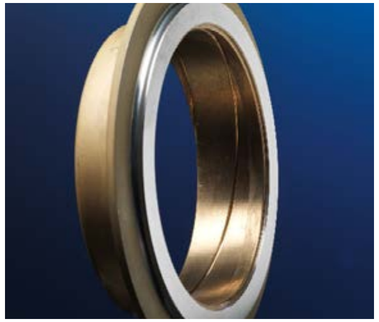
LED Technologies

	Sep-17	Sep-16
	£m	£m
Revenue	25.6	20.6
Profit*	3.4	2.9
Margin	13.2%	14.2%

- Performance was ahead of H1 last year with a 24.4% increase in revenue. Underlying operating profit increased by 16.2%
- Design, development and sub-contract tooling revenues, which in aggregate made up over half of Wipac's sales, were ahead of expectations driving an improved profits performance
- LED Lighting product sales were slightly behind our target due to delayed production ramp ups on two new car launches
- Several new programmes are at pre-development stage with awards anticipated in H2
- Completed the building of an additional warehouse space at our Buckingham facility
- Market for low and mid volume projects remains strong
- Aylesbury based LED Optics continued to generate strong sales and profits especially from strong demand for custom optics

*Underlying operating profit (before exceptional items)

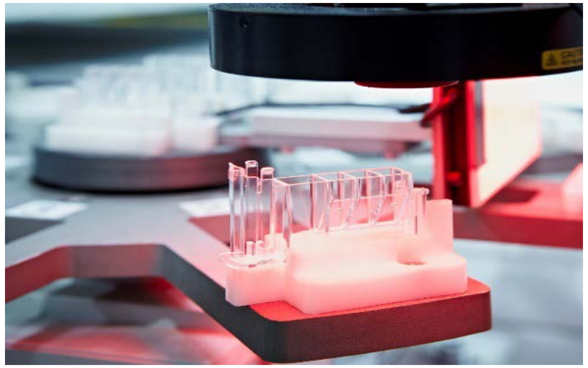
Aerospace

	Sep-17	Sep-16
	£m	£m
Revenue	2.9	3.5
Profit*	0.4	0.7
Margin	12.6%	20.5%

- Aerospace had a weak H1 performance due to a major one-off spares contracts coming to an end, as well as a generally weak spares demand
- H2 is expected to benefit from a strengthening in spares demand, as well as some new programmes won at the end of the last financial year moving to serial production
- The business remains very profitable and cash generative for the Group, with little ongoing investment required

*Underlying operating profit (before exceptional items)



Group Strategy & Delivery

- Creation of sustainable growth in revenues and operating profits through the development of innovative and highly efficient solutions for existing and new customers to ensure that they see real benefits accruing from working in partnership with us
- Focus on organic expansion of our facilities to grow revenues and to look for small bolt on acquisitions that can accelerate growth and provide additional technical capabilities – focus on successful integration of our recent US and Czech acquisitions
- Managing CTP growth has been a challenge in H1, but the business is well placed to return to prior trend of revenue and margin growth
- Investment in our fastest growing business, Wipac, set to continue with market conditions remaining very favourable

Outlook

Technical Plastics

- Operational issues experienced within the first half of the year are now largely resolved
- Margins are expected to improve significantly in the second half
- Expansion of the division with the new factory build in India and the redevelopment of Mitcham, together with our strategy of increasing the proportion of medical work, will help to drive the business forward

LED Technologies

- Wipac well placed to build on the strong H1 performance, with good design, development and tooling activity and continued success in winning new customer programmes
- Several pre-development programmes underway which we anticipate will contribute to a stronger H2
- Warehousing expansion at the Buckingham facility and the successful relocation of LED manufacturing to the CTP facility in Brno will provide capacity to continue to deliver our growth plan going forward

Summary

- The Board expects the Group to trade in line with its expectations for the full year, with all three divisions set to have a stronger H2
- The Group remains on track to grow substantially over the medium term

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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.

End