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GROWING TO PLAN

Carclo plc Full Year Results for the year ended 31 March 2022

Investor Presentation

5 & 6 July 2022

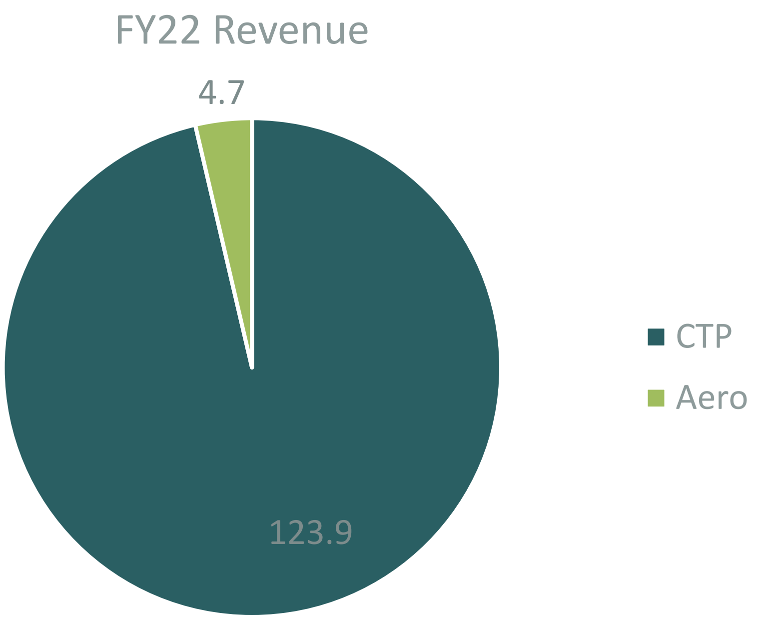
Nick Sanders
Executive Chair

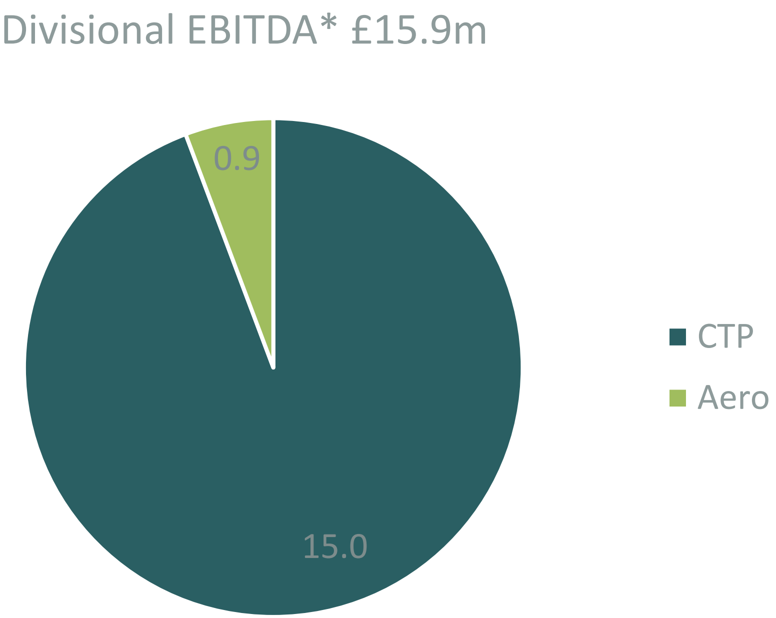
Phil White
Chief Financial Officer

Agenda

- Overview
- Strategy
- Financial Overview
- Summary and Outlook

Group Performance Overview

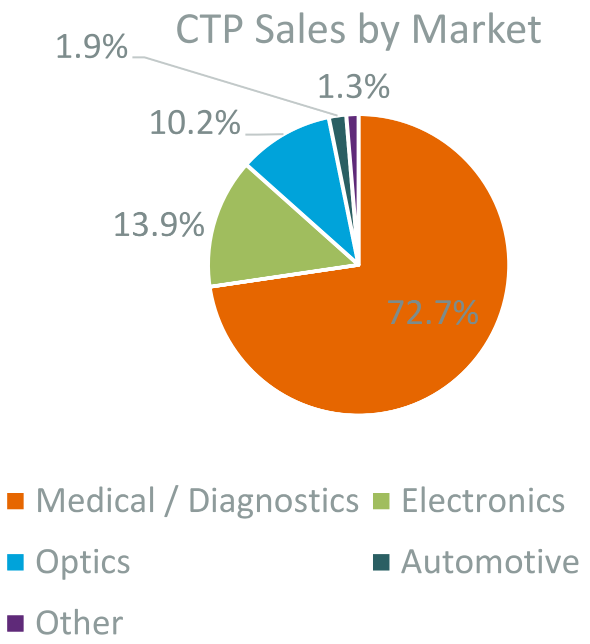


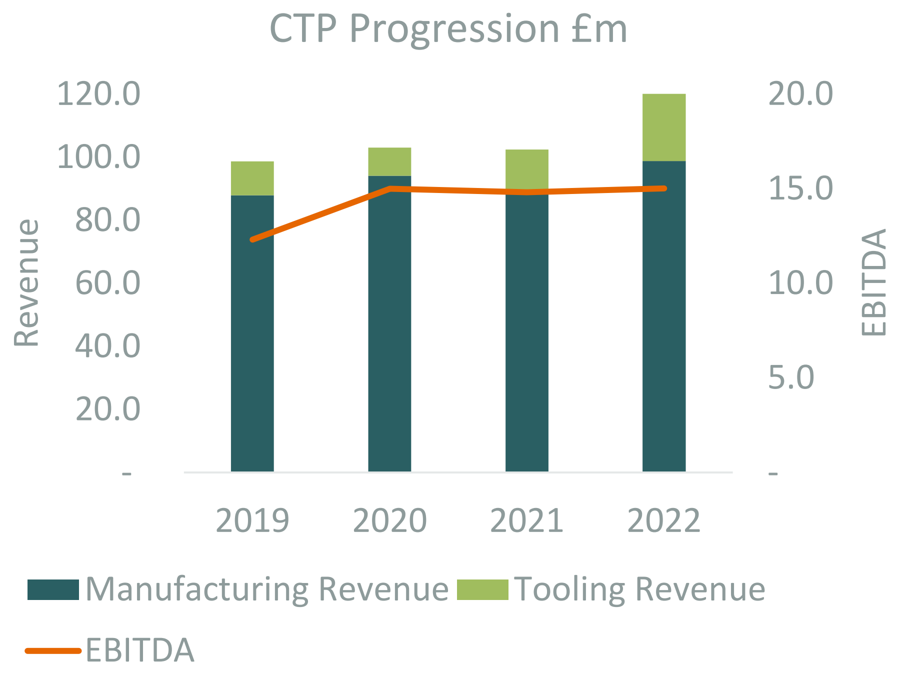


- Strong growth in revenues (19.5%) and EBITDA* (21.3%) despite global economic headwinds
- CTP revenue up by (20.9%), Aerospace down by (7.8%) but orders exceeding sales and growing into FY23
- EBITDA* of £13.1m up £2.3m
- Continuing to invest in growth
  - High CapEx maintained - £9.8m
  - Strengthened management
  - Processes improved
- IAS Pension deficit reduced by £11.3m to £26.0m
- Post-COVID operational pressures in H2
- Net assets more than trebled from £7.9m to £24.4m
- Chosen markets remain strong but operational challenges continue

*EBITDA is defined as earnings before interest, tax, depreciation, amortisation, separately disclosed items and exceptional items.

CTP





- Strong demand continuing in chosen sectors (medical/diagnostics, optics)
- Strong tooling sales – precursor to future product sales
- Now operating as an integrated global business
- Headwinds in H2
  - Labour shortages in US impacting efficiency
  - Material and energy inflation, being progressively mitigated by price increases
  - Logistics delays, mitigated by holding more inventory
  - Strengthening operational management, processes & systems

Aerospace

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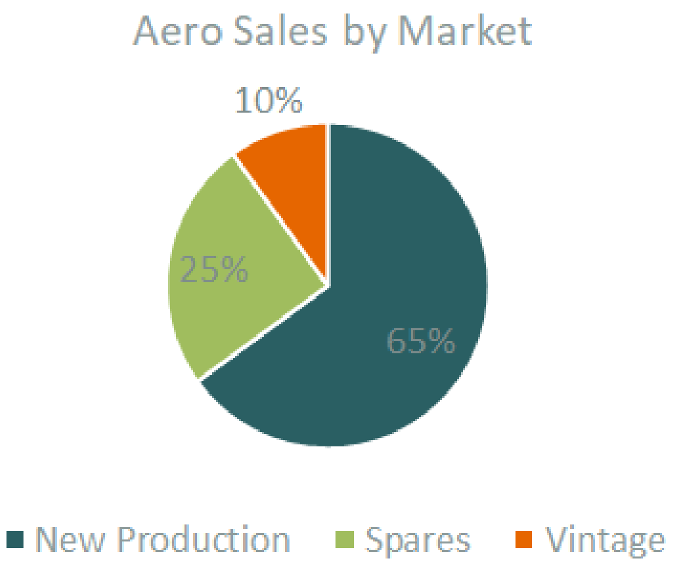

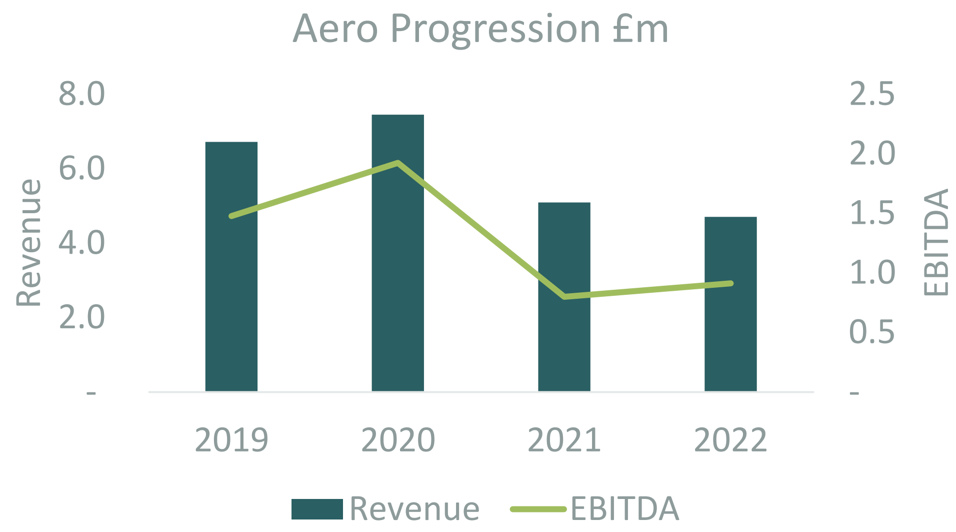

- Remained profitable and cash generative throughout pandemic
- Strong order intake in H2 FY2022 continuing into FY2023
- Investing in growth
    - More business development resources
    - CapEx investment planned
    - Margins held up well despite inflationary pressures

Pension Deficit

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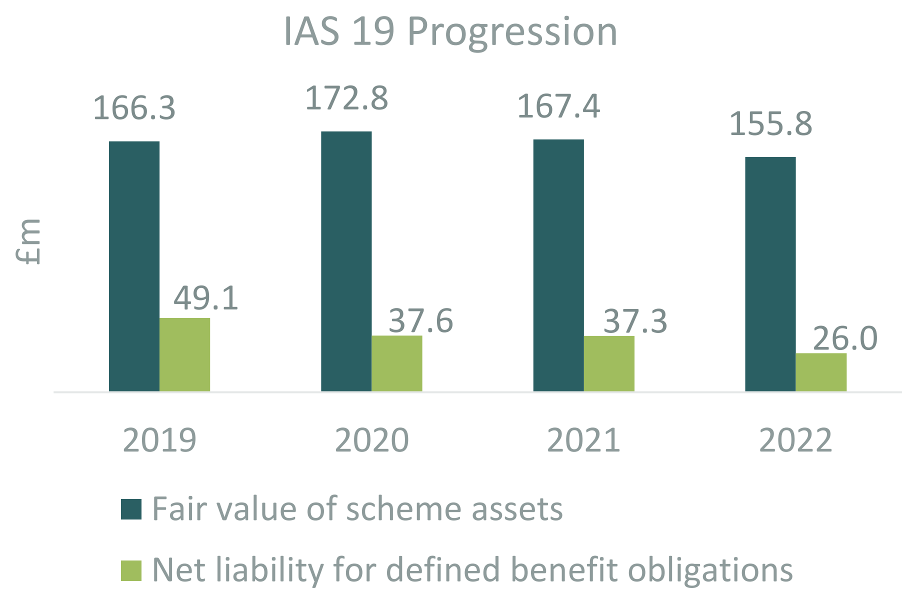

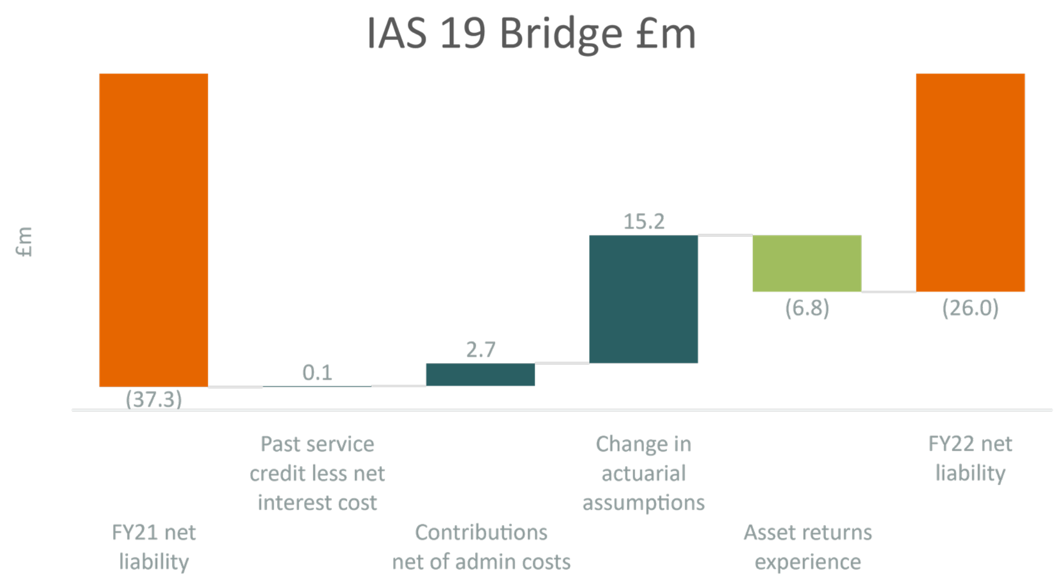

- Overall £11.3m reduction. Key changes:
  - £15.2m actuarial assumption gains, mainly increased liability discount rates from 2.0% to 2.7%
  - £2.7m contributions added from £3.9m gross less £1.2m pension admin costs including PPF levy £0.6m
  - (£6.8m) lower asset returns mainly Q4 equity market drop after Russia/Ukraine conflict
  - £0.2m other including £0.9m gain introducing Pension Increase Exchange less £0.7m notional IAS 19 interest on liabilities

- Technical Provisions - actuarial valuation deficit:
  - 31 March 2018 - £90.4m
  - 31 March 2021 - £82.8m (draft)

Strategy

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CTP

- Focus on organic growth with existing blue-chip customers on a global rather than national basis
- Continue to invest in CapEx and strengthening management
- ROCE focused operational improvements
- Optimising and then expanding manufacturing base to grow with our customers

Aerospace

- Focus on organic growth within existing niche markets
- Acquire new customers through focused business development activity
- Grow operational capacity to accommodate growth

Pension

- Continue to work with trustees to reduce the deficit

Phil White

Chief Financial Officer

Financial Results for the full year ended 31 March 2022

Financial Overview: Income Statement

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Revenue from continuing operations (£m)

£128.6m

2021: **£107.6m**

Underlying operating profit[1] (£m)

£6.1m

2021: **£4.8m**

Operating profit before exceptional items[2] (£m)

£8.2m

2021: **£4.8m**

Statutory operating profit (£m)

£8.9m

2021: **£9.3m**

- Group revenue up £21.0m to £128.6m
  - CTP growth from manufacturing £10.6m and tooling £10.8m
    - Manufacturing growth includes high input cost inflation pass through
  - Aero revenue down £0.4m, but orders exceed sales (longer term pipeline)

- Underlying operating profit £6.1m, up £1.3m on 2021
- Underlying operating profit/revenue up at 4.7% (2021: 4.5%) despite inflation

- £8.2m Operating profit after £2.1m US COVID grant
- £8.9m Statutory operating profit after £0.7m exceptional gains
  - £0.4m lower than 2021 (£9.3m) from:
  - £1.3m Higher underlying operating profit (£6.1m v £4.8m) less:
  - (£1.7m) Lower non-recurring gains (£2.8m v £4.5m) comprising:
    - 2022: £2.1m US loan income, £0.9m pension credits, (£0.1m) other
    - 2021: £6.5m pension credits less £2.0m restructuring costs)

[1]Underlying profit is defined as operating profit before discontinued operations, separately disclosed items and exceptional items.
[2]Operating profit before exceptional items is underlying operating profit before discontinued operations and exceptional items.(uEBITDA less depreciation and amortisation including separately disclosed income)

Financial Overview – Other KPIs

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Underlying earnings per share from continuing operations (p)

3.1p

2021: **2.4p**

ROCE

7.8%

2021: **6.6%**

Net debt excluding lease liabilities (£m)

£21.5m

2021: **£20.5m**

Net debt (£m)

£32.4m

2021: **£27.6m**

- Basic & diluted uEPS up 29% to 3.1p on uPAT of £2.3m (2021: £1.7m)
- Basic & diluted statutory EPS 7.9p (2021: 10.1p) on PAT of £5.8m (after US COVID grant £2.1m, exceptional gains £0.7m, discontinued business gain £0.7m)

- ROCE up 1.2% to 7.8%
  - (underlying operating profit including discontinued business, as % of average net assets excluding pension deficit)

- Net debt up £4.8m to £32.4m (2021: £27.6m), comprising:
- Lease debt £3.8m (supporting CapEx funding)
- Plus lower cash balance £3.2m (mainly funding inventory)
- Less COVID loan forgiven (£2.1m) converted to profit and
- (£0.1m) bank debt (£1.6m repaid less £1.5m RCF drawn)
- Current bank facilities expire July 2023, discussing currently, extension expected

CTP Division Operating Performance

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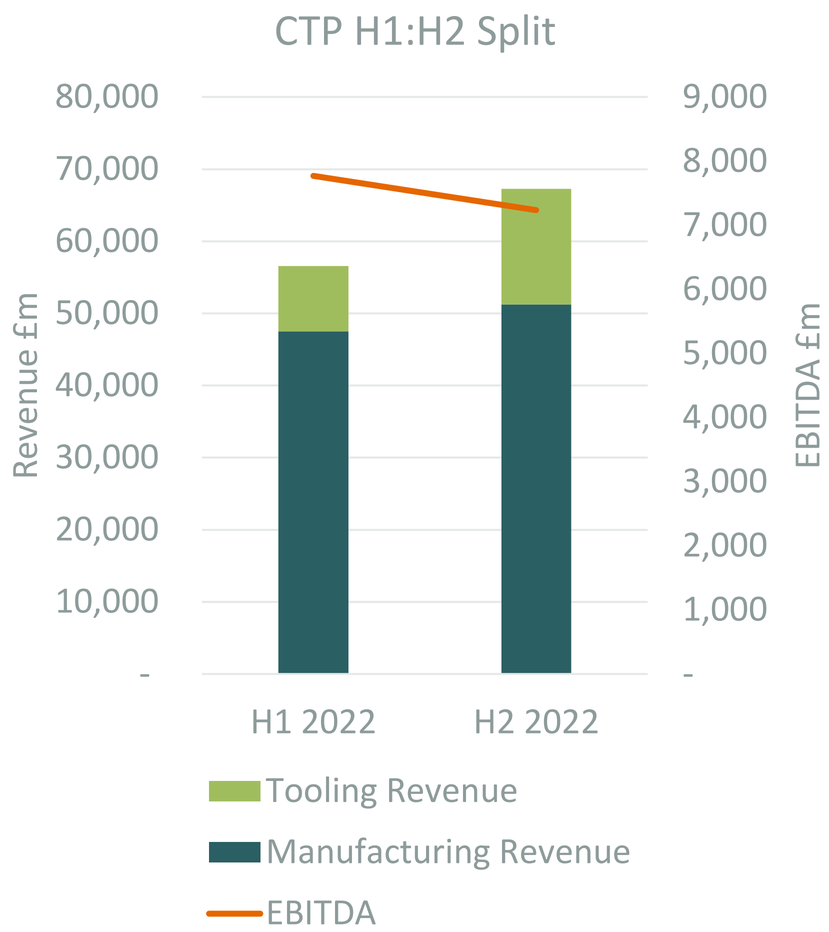

CTP – Performance Summary H2 v H1

- Manufacturing revenue up £3.8m to £51.3m (H1 £47.5m)
  - Predominantly pass through of inflation costs to sales
- Tooling revenue up £7.0m to £16.1m (H1 £9.1m)
  - New major contract ramp-up in cost of work completed
- CTP total EBITDA down £0.5m to £7.2m
  - High cost inflation from H2 in materials & all operating costs
  - Increased prices, some in FY22, mostly from Q1 FY23
  - Cost increases will be largely passed on, some absorbed
  - Inflation pass through creates dilution of % return on sales
- Operating margin (uEBITDA/sales) in H2 declined from inflation & mix:
  - H2 10.7% (£7.2m/£67.4m) v H1 16.1% (£7.8m/£56.6m)
  - Margin % reduction mainly arising from:
  - Higher tooling mix attracting lower GM%
  - Effect of abnormally high pass on of inflation costs to sales
  - Global price increases applied after H2 from April

Aerospace Division Operating Performance

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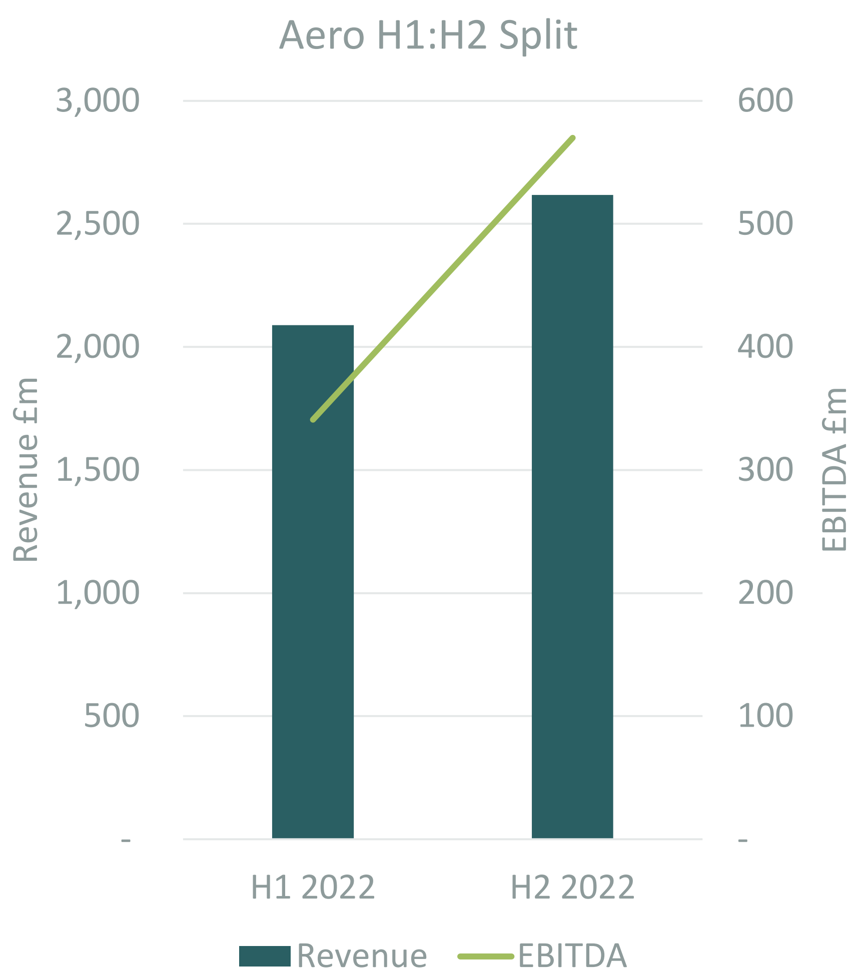

Aerospace – Performance Summary H2 v H1

- Aerospace EBITDA increase of 46% from £0.37m to £0.54m
- Revenue rising by 25% to £2.6m H2 against £2.1m H1
  - Order intake continually trending to exceed sales from H2
  - Short haul, narrow body aircraft usage increasing
  - Post-COVID recovery of aircraft sector exceeding expectations
- Increasing operating margin returns from higher volume on low variability of overheads base
- Contract structure makes it easier to pass through price increases
- Investment will be selectively made in key overheads and infrastructure to grow further capacity

Consolidated Income Statement

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Consolidated income statement for the year ended 31 March	2022 £000	2021 £000
Continuing operations:		
Revenue	**128,576**	107,564
Underlying operating profit	**6,096**	4,840
COVID-related US government grant income	**2,087**	-
Operating profit before exceptional items	**8,183**	4,840
- Rationalisation costs	**(133)**	(1,968)
- Gain in respect of retirement benefits	**854**	6,458
Exceptional items	**721**	4,490
Operating profit	**8,904**	9,330
Finance revenue	**77**	42
Finance expense	**(3,066)**	(2,701)
Profit before tax	**5,915**	6,671
Income tax expense	**(809)**	(457)
Profit after tax but before profit on discontinued operations	**5,106**	6,214
Discontinued operations:		
Profit on discontinued operations, net of tax	**693**	1,198
Profit for the period	**5,799**	7,412

KPI Movements Summary

- Revenue up 19.5% YOY
- Operating profit up 25.9% YOY

- Operating profit up 69.1% YOY
- Rationalisation costs greatly reduced - business simplified
- £0.9m pension gain from offering Pension Increase Exchange (members offered higher earlier pension in lieu of inflation index)
- Finance costs slightly higher in rate and debt level

- £0.7m final profit on disposal of LED Technologies business
- £5.8m statutory profit after tax after non-recurring gains £3.5m (2021: £5.7m)

Group Net Debt YOY movement

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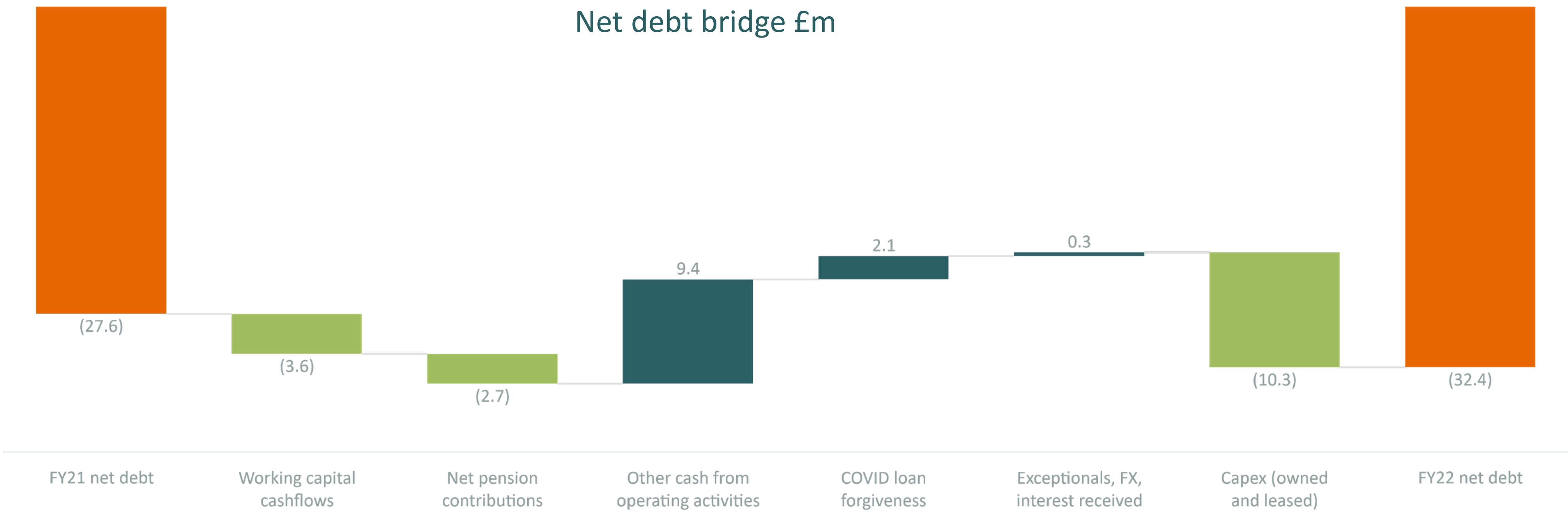

- Net debt up £4.8m to £32.4m
  - Working capital outflows £3.6m mainly comprises £4.2m inventory increase, protecting post-COVID supply chain uncertainties
  - Pension contributions £2.7m are net of £3.9m gross contributions, including additional £0.4m agreed in August 2020
    - £1.2m expenses are offset from gross contributions (PPF levy £0.6m plus admin and other net pension expenses £0.6m
  - Other cash from operating activities £9.4m has predominantly supported £10.3m investment in CapEx and lease repayments
    - Actual cash CapEx was £4.8m and other additions in the year from leasing had a CapEx value of £5.0m
- The £4.8m net debt increase funding sources comprise: lease debt increases of £3.8m plus lower cash balances of £3.2m less COVID loan forgiven & written off (£2.1m), less (£0.1m) bank debt (£1.6m repaid less £1.5m RCF drawn)

Consolidated Financial Position

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Net Assets By Type - £000	**2022**	2021
PPE & intangibles	**69,944**	65,066
Inventories	**16,987**	12,821
Other working capital	**(486)**	(1,079)
Net working capital	**16,501**	11,742
Net debt	**(32,405)**	(27,596)
Net tax liabilities	**(3,645)**	(4,026)
Retirement benefit obligations	**(25,979)**	(37,275)
Net assets	**24,416**	7,911

- £4.9m fixed asset movement comprises excess CapEx over depreciation/amortisation of £2.8m plus £2.1m FX gain in valuation
- £4.2m inventory increase due to protect post-COVID supply chain risk
- £0.5m other working capital liability improvement in year
- £11.3m Retirement Benefit Obligations reduced (see slide)

Net Assets By Duration - £000	**2022**	2021
Non-current assets	**71,196**	65,562
Current assets	**57,002**	50,458
Total assets	**128,198**	116,020
Non-current liabilities	**(75,760)**	(80,531)
Current liabilities	**(28,022)**	(27,578)
Total liabilities	**(103,782)**	(108,109)
Net assets	**24,416**	7,911

- £6.5m current assets increase, mainly £4m inventory
- £4.3m total liabilities drop, mainly net tooling assets
- £16.5m net asset increase from £8.5m actuarial gain, £5.8m retained profit, £2.2m FX gain

Consolidated Cash Flows – includes discontinued operations

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Consolidated statement of cash flows for the year ended 31 March	2022 £000	2021 £000
Cash generated from operations	**6,780**	11,202
Interest paid	**(2,502)**	(1,782)
Tax paid	**(1,309)**	(1,023)
Net cash from operating activities	**2,969**	8,397
Cash flows used in investing activities		
Proceeds from sale of business	**693**	1,250
Proceeds from sale of property, plant and equipment	**20**	21
Interest received	**77**	42
Purchase of property, plant and equipment	**(4,804)**	(7,180)
Purchase of intangible assets - computer software	**(135)**	(139)
Net cash used in investing activities	**(4,149)**	(6,006)
Cash flows (used in) / from financing activities		
Drawings on existing and new facilities	**1,575**	38,697
Transaction costs associated with the issue of debt	**-**	(380)
Proceeds from sale and leaseback of property, plant and equipment	**1,410**	-
Repayment of borrowings excluding lease liabilities	**(2,282)**	(31,666)
Repayment of lease liabilities	**(3,196)**	(1,601)
Net cash (used in) / from financing activities	**(2,493)**	5,050
Net (decrease) / increase in cash and cash equivalents	**(3,673)**	7,441
Cash and cash equivalents at beginning of period	**15,485**	8,352
Effect of exchange rate fluctuations on cash held	**535**	(308)
Cash and cash equivalents at end of period	**12,347**	15,485

- Main cash movements in year:
- £4.5m drop in cash generated from operations mainly:
    - 2022 £3.7m working capital negative swing, reversing a £3.6m 2021 gain
- £0.7m interest increase mainly from £0.5m swing in interest accrual from last year now paid off
- £0.3m higher tax paid on profit growth
- £0.6m lower disposal proceeds end discontinued inflows
- £2.3m lower PPE cash investment due to more leased CapEx in 2022

- Financing flows 2022:
- £1.6m drawn on bank mainly RCF
- £1.4m property sold and leased back in UK
- £2.3m repaid to bank: £1.6m in agreed instalments plus £0.7m disposal proceeds

Summary and Outlook

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- Good progress although economic and operating challenges relating to growth and supply chain issues depressed margins in the second half
- Margin pressure is expected to continue into H1 2023.
- However price increases applied across the Group early in H1 2023
- Customer demand remains strong
- Bank refinance currently in negotiation.
- Continuing to invest in CapEx, people and processes

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