



Norcros plc
Interim Results
Six months to 30 September 2016



Introduction
Martin Towers
Chairman

- Robust first half performance
- Revenue increased by 9.2% on a constant currency basis
- Underlying operating profit increased by 11.1% to £11.0m
- Underlying profit before tax increased by 11.7% to £10.5m
- Strong underlying operating cash generation: 113% of underlying EBITDA
- Diluted underlying earnings per share 9.3% higher at 12.9p
- Interim dividend increased by 9.1% to 2.4p per share

Revenue¹

£128.8m +9.2%

Underlying operating profit

£11.0m +11.1%

Underlying profit before tax

£10.5m +11.7%

Profit before tax

£7.7m +10.0%

Underlying operating cash

£16.0m +20.3%

Underlying diluted EPS

12.9p +9.3%

Dividend

2.4p +9.1%

¹ On a constant currency basis



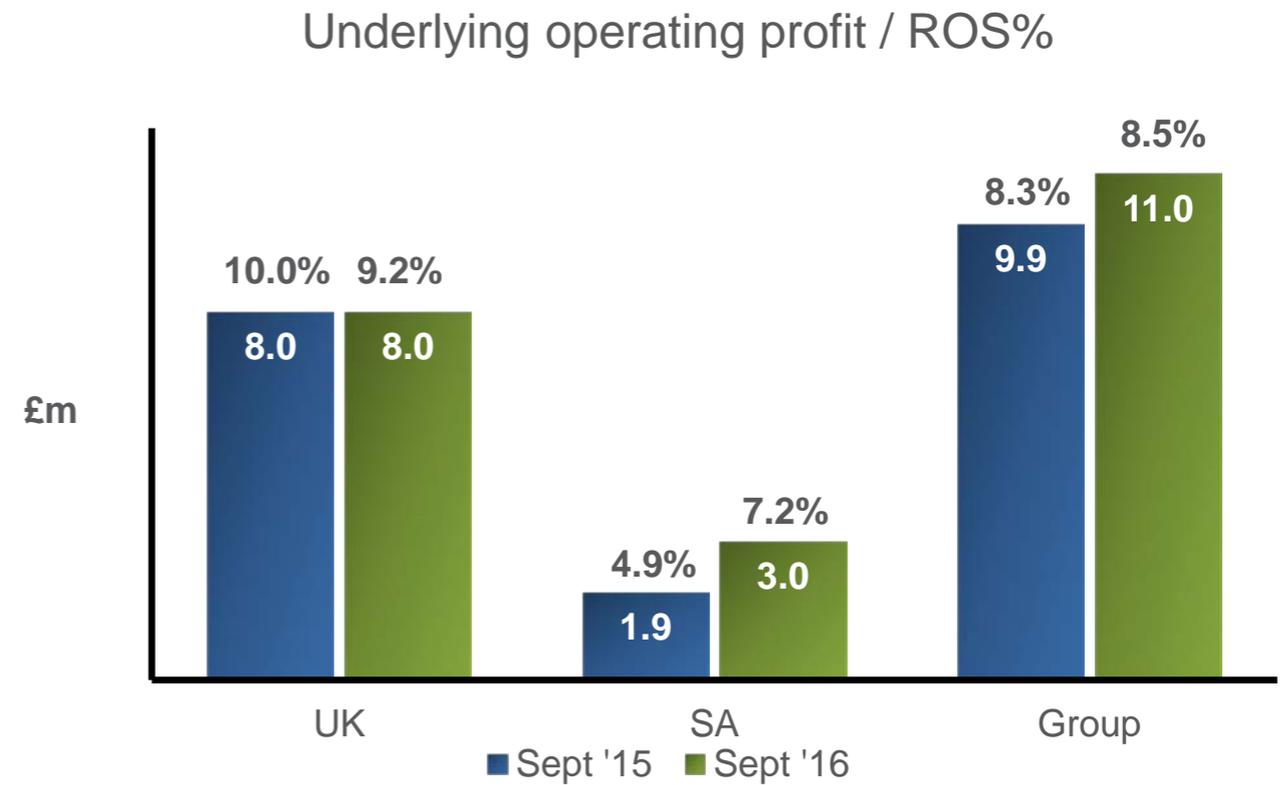
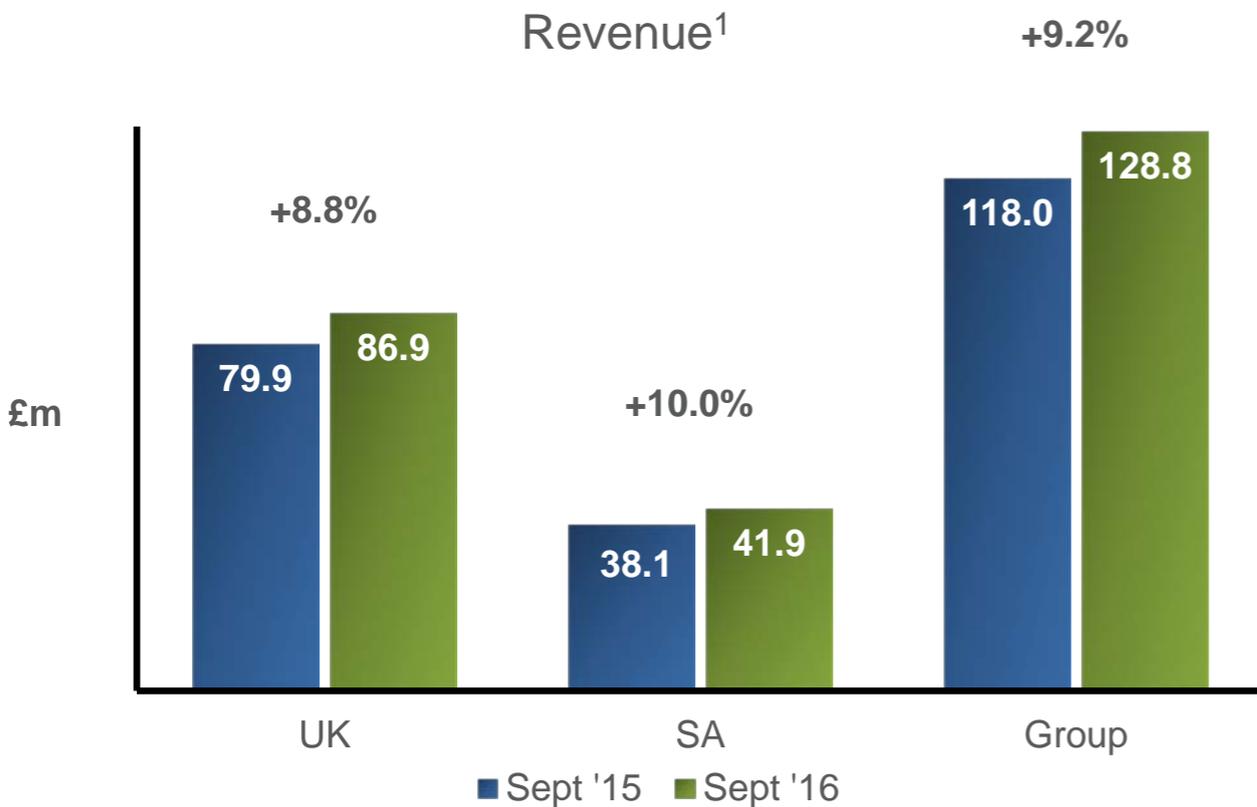
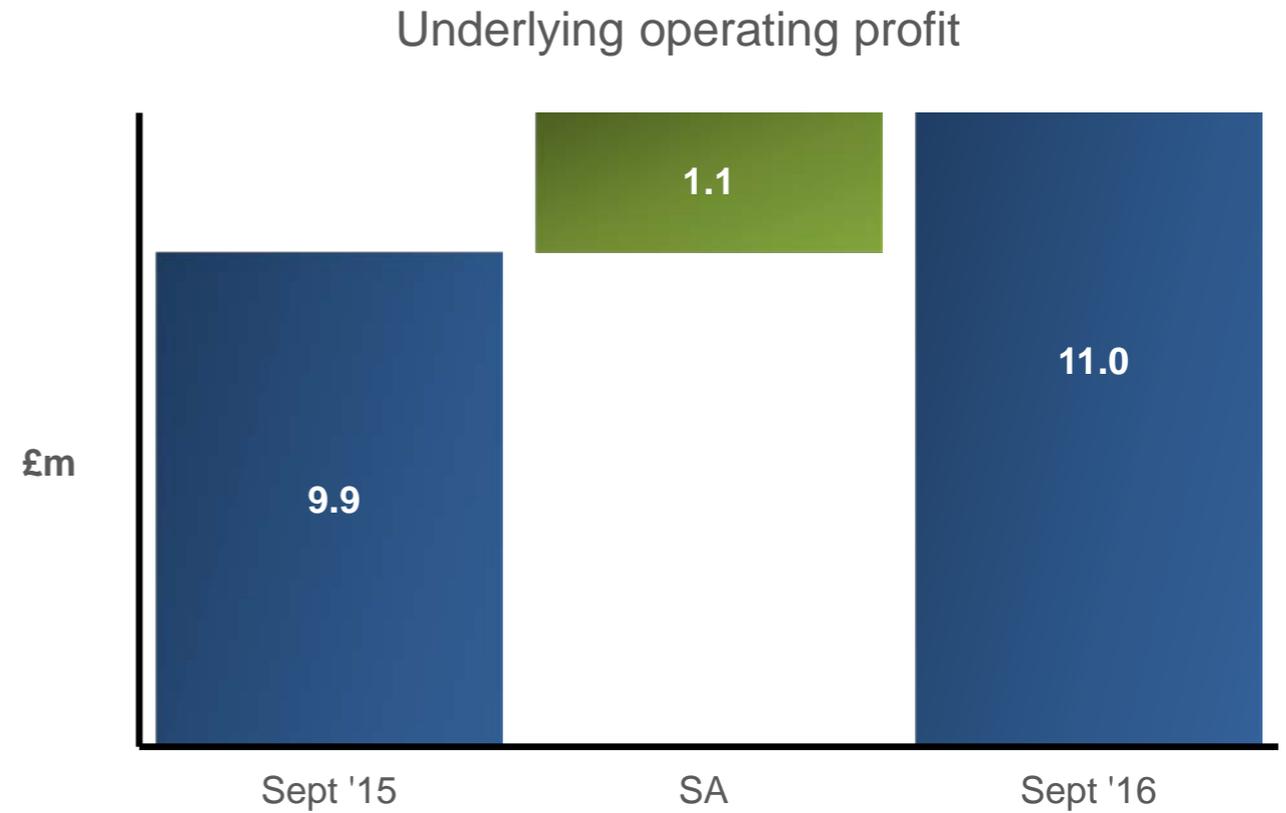
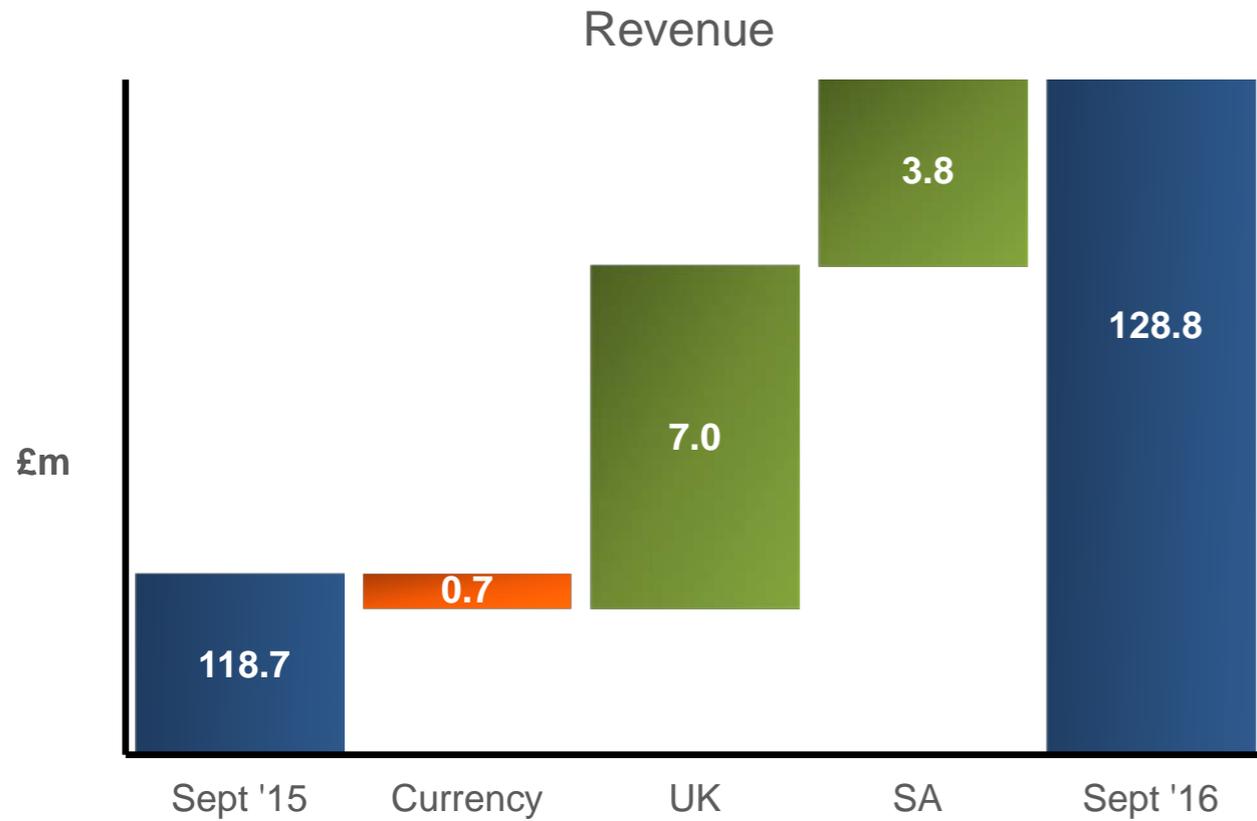
Financial Review
Shaun Smith
Group Finance Director

	H1 Sept 2016 £m	H1 Sept 2015 £m	+/- Reported	+/- Constant Currency	FY Mar 2016 £m
Revenue	128.8	118.7	+8.5%	+9.2%	235.9
Underlying ¹ operating profit	11.0	9.9	+11.1%		21.3
<i>Return on Sales</i>	8.5%	8.3%			9.0%
Finance charges – cash	(0.5)	(0.5)			(0.9)
Underlying ¹ PBT	10.5	9.4	+11.7%		20.4
Exceptional operating items ³	-	2.3			2.3
IAS19R admin expenses	(0.9)	(0.8)			(1.7)
Acquisition related costs ³	(1.3)	(2.6)			(5.2)
Finance charges – non cash ²	(0.6)	(1.3)			(0.4)
PBT as reported	7.7	7.0	+10.0%		15.4

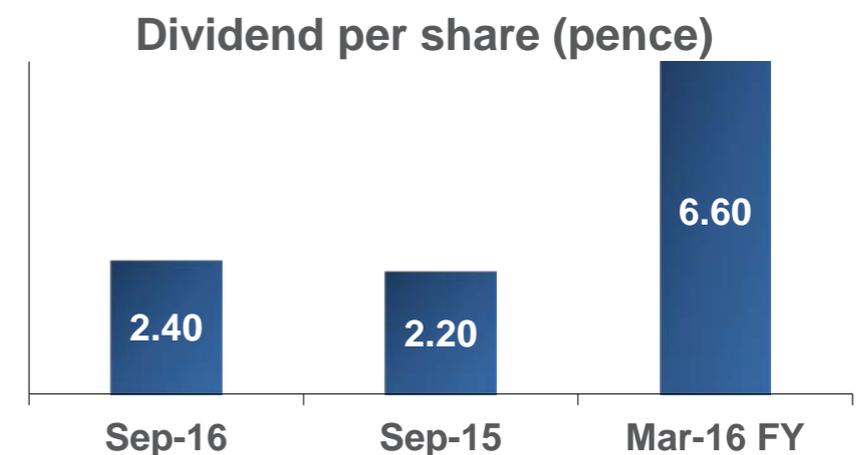
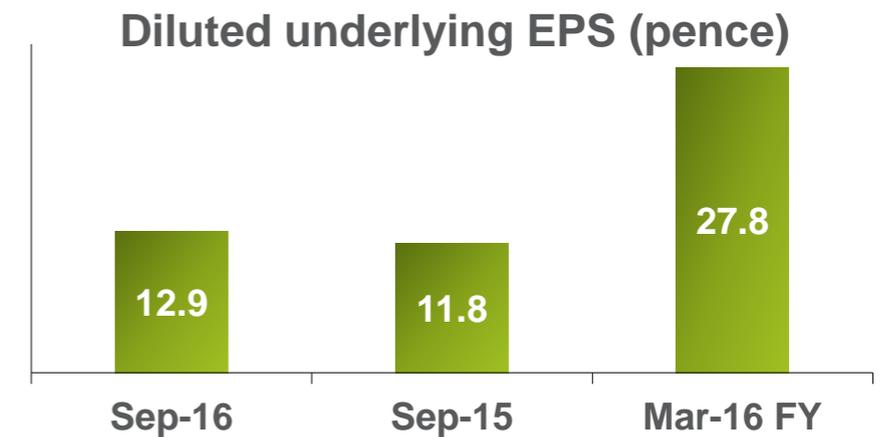
1 Underlying means before exceptional operating items, IAS19R admin costs, acquisition related costs and where relevant, non-cash finance costs

2 Includes £1.0m reduction in charges relating to “mark to market” on FX forward contracts

3 See Page 32 for details



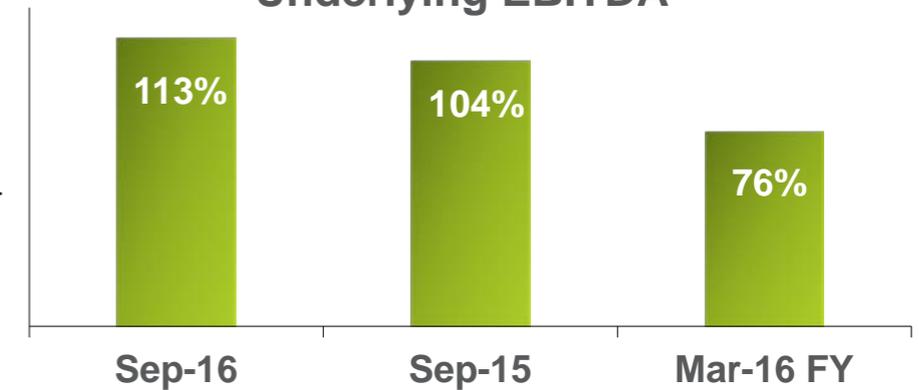
	Underlying ¹			Reported		
	H1 Sept 2016 £m	H1 Sept 2015 £m	FY Mar 2016 £m	H1 Sept 2016 £m	H1 Sept 2015 £m	FY Mar 2016 £m
Profit before Tax	10.5	9.4	20.4	7.7	7.0	15.4
Tax charge	(2.4)	(2.1)	(3.1)	(1.6)	(1.6)	(2.4)
Earnings	8.1	7.3	17.3	6.1	5.4	13.0
Effective Tax rate	22.9%	22.3%	15.1%	20.8%	23.1%	15.5%



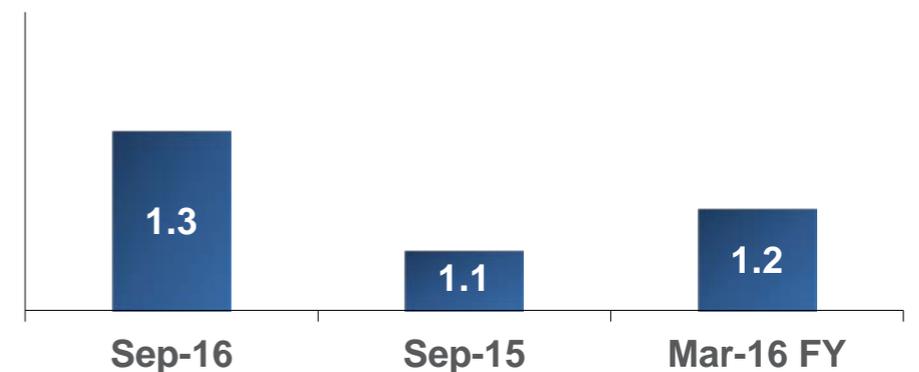
- Effective underlying tax rate of 22.9%
- Diluted underlying¹ EPS up 9.3% at 12.9p (2015: 11.8p)
- Interim dividend up 9.1% to 2.4p (2015: 2.2p)

	H1 Sept 2016 £m	H1 Sept 2015 £m	FY Mar 2016 £m
Underlying EBITDA	14.1	12.8	26.8
Working Capital	1.2	(0.2)	(7.7)
Other	0.7	0.7	1.3
Underlying operating cash	16.0	13.3	20.4
Capital Expenditure	(4.0)	(3.2)	(6.6)
Pension deficit recovery	(1.2)	(1.1)	(2.1)
Tax	0.4	(0.6)	(1.0)
Underlying free cash flow pre financing and dividends	11.2	8.4	10.7
Exceptional & acquisition related costs	(1.0)	0.7	0.2
Interest	(0.8)	(0.5)	(0.9)
Dividends	(2.7)	(2.2)	(3.6)
Net proceeds from sale of business	-	-	-
Acquisition of subsidiaries	(2.7)	(20.5)	(23.6)
Other items	-	-	0.1
Net Cash Flow	4.0	(14.1)	(17.1)

Underlying Operating Cash Flow / Underlying EBITDA



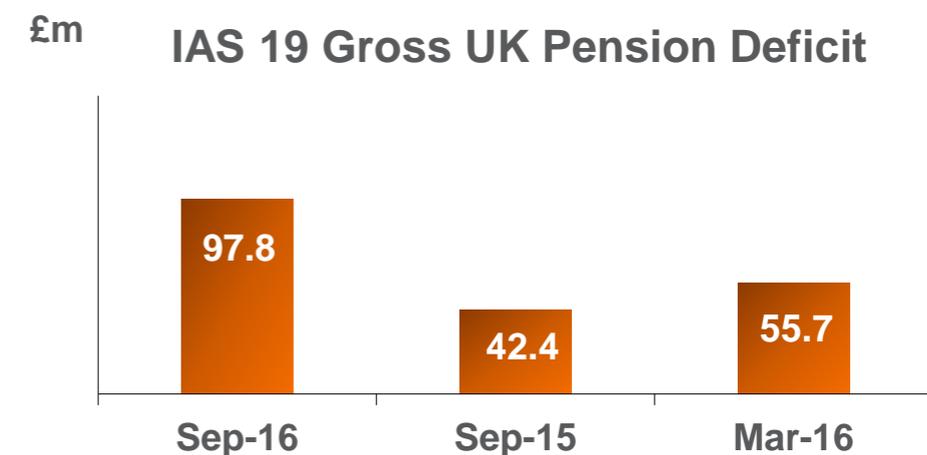
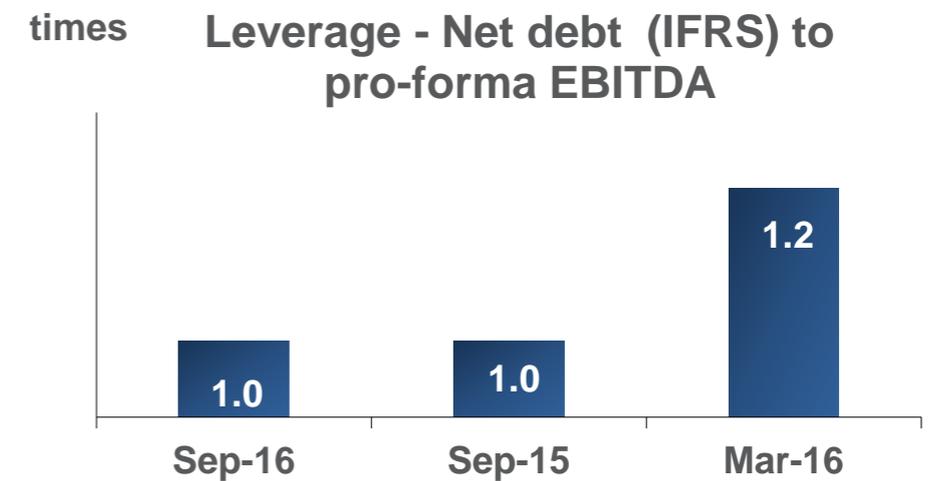
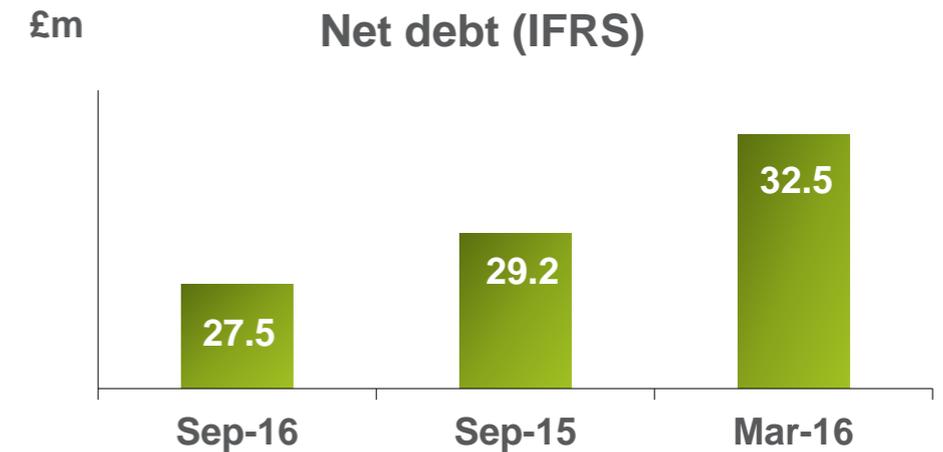
Capex / Depreciation (times)



➤ Strong cash generation reduced Net debt to £27.5m (March 16: £32.5m)

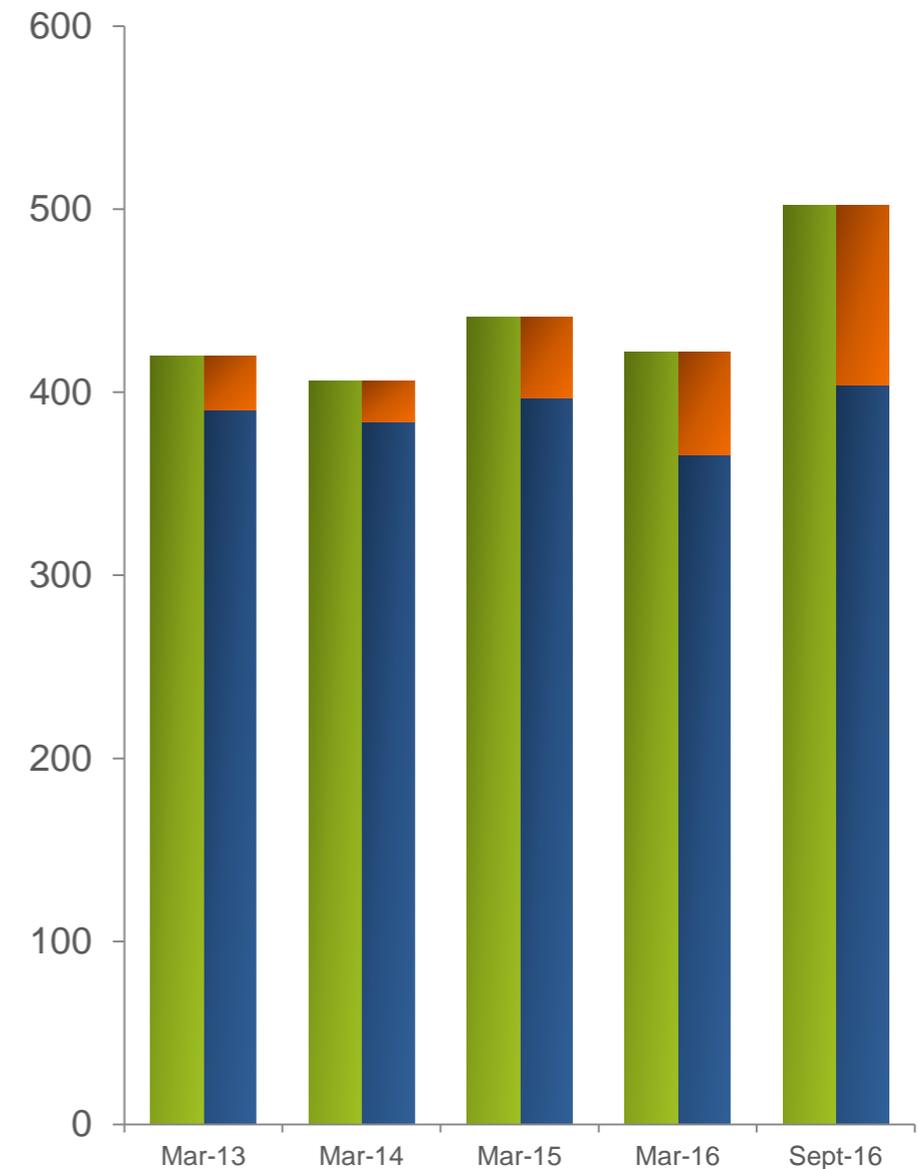
➤ Leverage 1.0 times pro-forma underlying EBITDA

- IAS19R deficit increased to £97.8m (Mar 16: £55.7m)
- Discount rate reduced from 3.55% to 2.25%
 - Interest rate sensitivity analysis: 10bp rise results in a circa £6.0m deficit reduction
 - Deficit recorded in main UK trading subsidiary (as scheme sponsor)
 - Distributable reserves in Norcros plc in excess of £100m

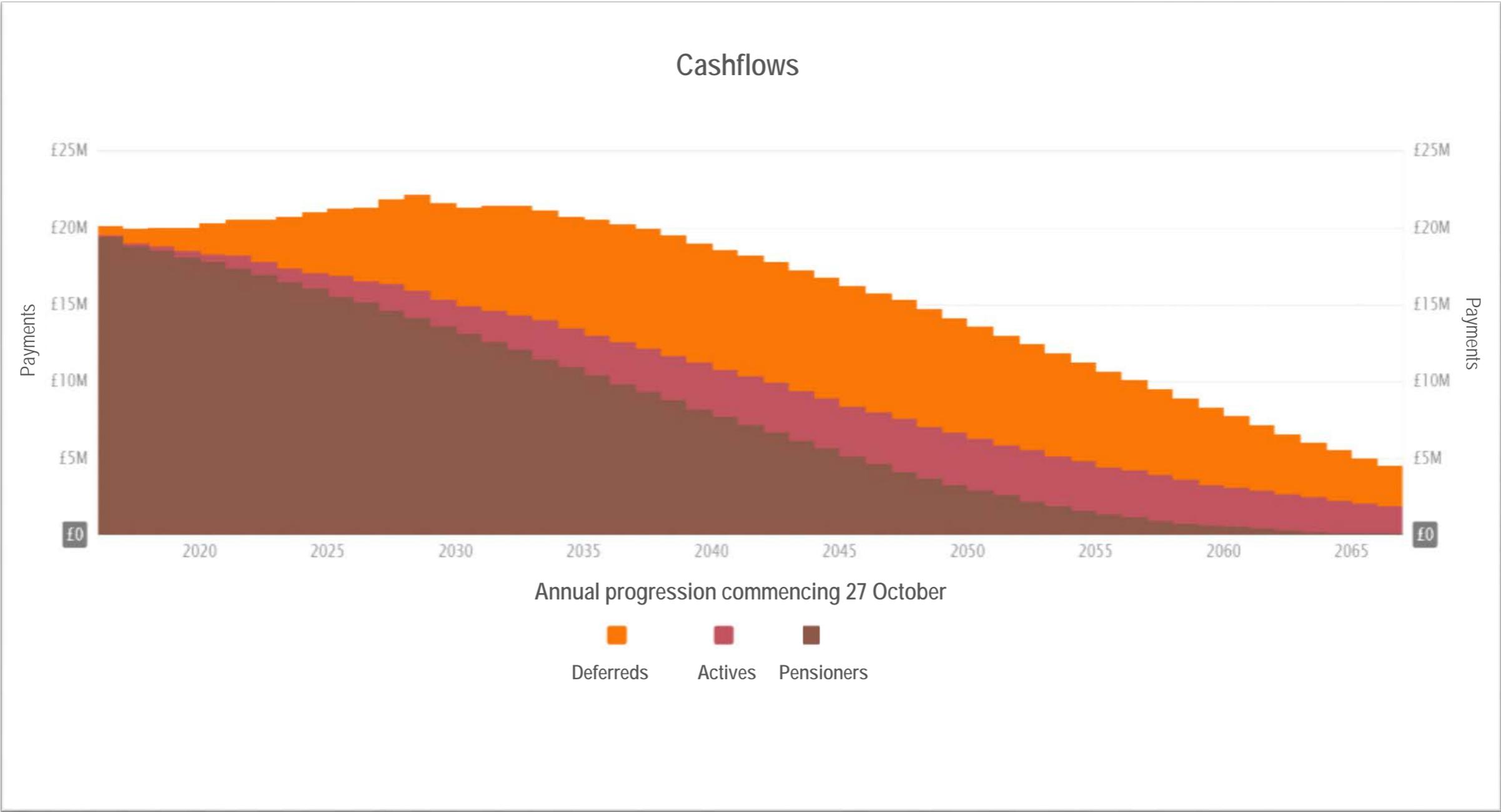


- IAS 19R deficit £97.8m (March 2016: £55.7m)
 - Assets increased by £37.8m to £403.7m
 - Liabilities increased by £79.9m to £501.5m mainly as a result of lower discount rate of 2.25% (March 2016: 3.55%)
 - Interest rate sensitivity analysis: 10bp rise = £6.0m deficit reduction
- Super-mature scheme
 - 7,922 members (March 2016: 7,973). 66% pensioners with average age 77
 - Annual pensioner payroll near peak at £20m pa
- Scheme closed to new entrants and future accrual in April 2013
- Current recovery plan in place since April 2016
 - 10 years at £2.5m per annum + CPI
- Company focused on covenant improvement
 - Beneficial to all stakeholders

UK Pension IAS 19R Assets & Liabilities



Liabilities	420	406	441	422	502
Assets	390	384	397	366	404
Deficit	30	22	44	56	98
Disc Rate	4.20%	4.30%	3.30%	3.55%	2.25%
RPI	3.2%	3.2%	2.9%	2.9%	3.0%



- Payroll in payment almost at peak
- Cashflow significantly less volatile than balance sheet liability (measured on a mark to market basis)



Operating Review
Nick Kelsall
Group Chief Executive

Group Revenue (6 months to September 2016)		UK	SA	Group
		£86.9m	£41.9m	£128.8m
	Triton	£22.9m		
	Vado	£16.6m		
	Croydex	£12.2m		
	Abode	£5.6m		
	Johnson Tiles	£25.4m		
	Norcros Adhesives	£4.2m		
	Johnson Tiles		£5.3m	
	TAL		£10.1m	
	Tile Africa		£26.5m	
Revenue Growth (constant currency):		+8.8%	+10.0%	+9.2%



The Great British Shower Company 

- Overall Revenue - 12.6%
 - UK - 14.2%
 - Exports - 4.5%

- Significant destocking; more recently in trade channels

- Maintained market leading position in the UK and Ireland
 - Increased market share in electric and mixers

- Ireland impacted by destocking prior to T90SR launch

- Growing momentum in South America:
 - Q3 Brazil launch – largest global electric shower market

- Additional investment in New Product Development (NPD):
 - H2 digital mixer launch – joint development with VADO
 - Silent T90SR – positive feedback
 - South America low pressure model – strong feedback post market testing

- Margins strong though profits lower: confident of progress in H2





- Overall Revenue + 4.4%
 - UK + 14.3%
 - Exports - 19.1%

- Strong performance in the UK sustained:
 - Specification – progress with housebuilders and hotel groups
 - Retail – growth into independent merchants and boutiques

- Revised Middle East + Africa export strategy:
 - New ME distributor – Al Shaya
 - Rationalised product offering to enhance customer service
 - Jebel Ali warehouse facility being established

- Further traction in South American export markets

- Increased sales of VADO & Evox brands through Tile Africa

- Further focus on NPD – 3 significant ranges to launch in H2

- Continued strong profits and cash generation





- Overall Revenue + 11.9% (versus 6m to September 2015*)
 - UK + 10.7%
 - Exports + 33.3%

- Continued strong growth across UK retail
- Strong growth in Croydex branded ranges
- Good growth in export markets e.g. Germany and USA
- Hang 'n' Lock cabinets & mirrors extended into export markets
- Ongoing NPD focus across all ranges
- Group sales momentum with VADO and Tile Africa
- Good profitability and cash generation

* Acquired June 2015



abode

- Overall Revenue £5.6m (6 months contribution*); + 2.2% LfL
- Business seamlessly integrated
- Strong growth in branded sales – new customer wins
- OEM sales robust despite short-term destocking
- Long term supply agreement signed with key account
- 'PRONTEAU' hot water tap well received
- Group supply chain synergies progressing
- Profit and cash generation in line with expectations

* Acquired March 2016



JOHNSON-TILES

- Overall Revenue - 9.0%
 - UK - 10.0%
 - Exports - in line with last year
- UK trade market more resilient than retail
- UK trade - 3.9% – robust house builder & specification channel offset by weaker social housing
- UK retail -16.4% – weak DIY channel; importing directly
- Robust export performance:
 - Middle East performing well – strong specification pipeline
 - New Dubai distributor – encouraging start
 - Offset by de-stocking in France
- Manufacturing performance sustained and stable
- Good operational performance though profits lower
- CristalGrip – new innovative tile fixing system; launch in Q4

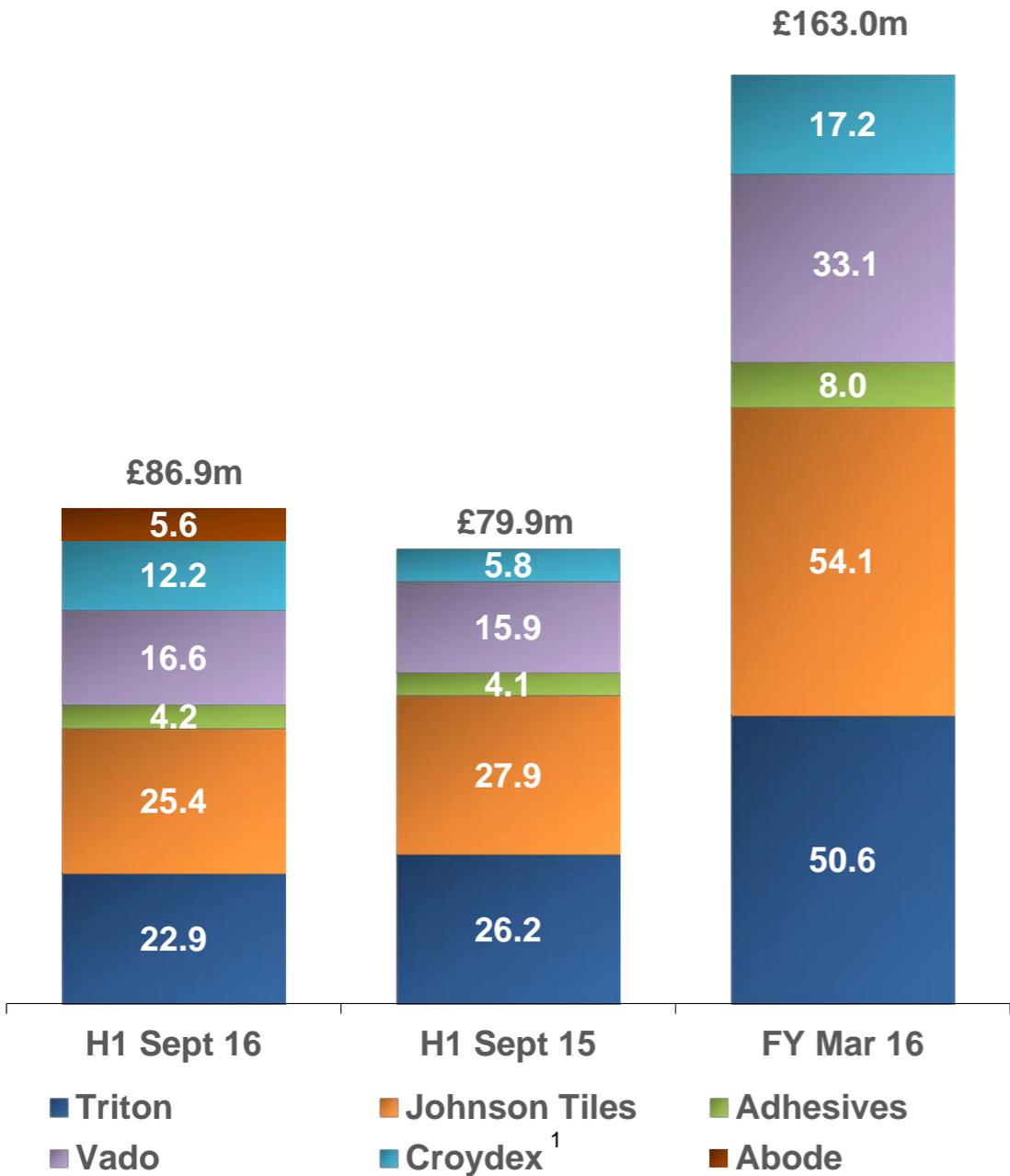




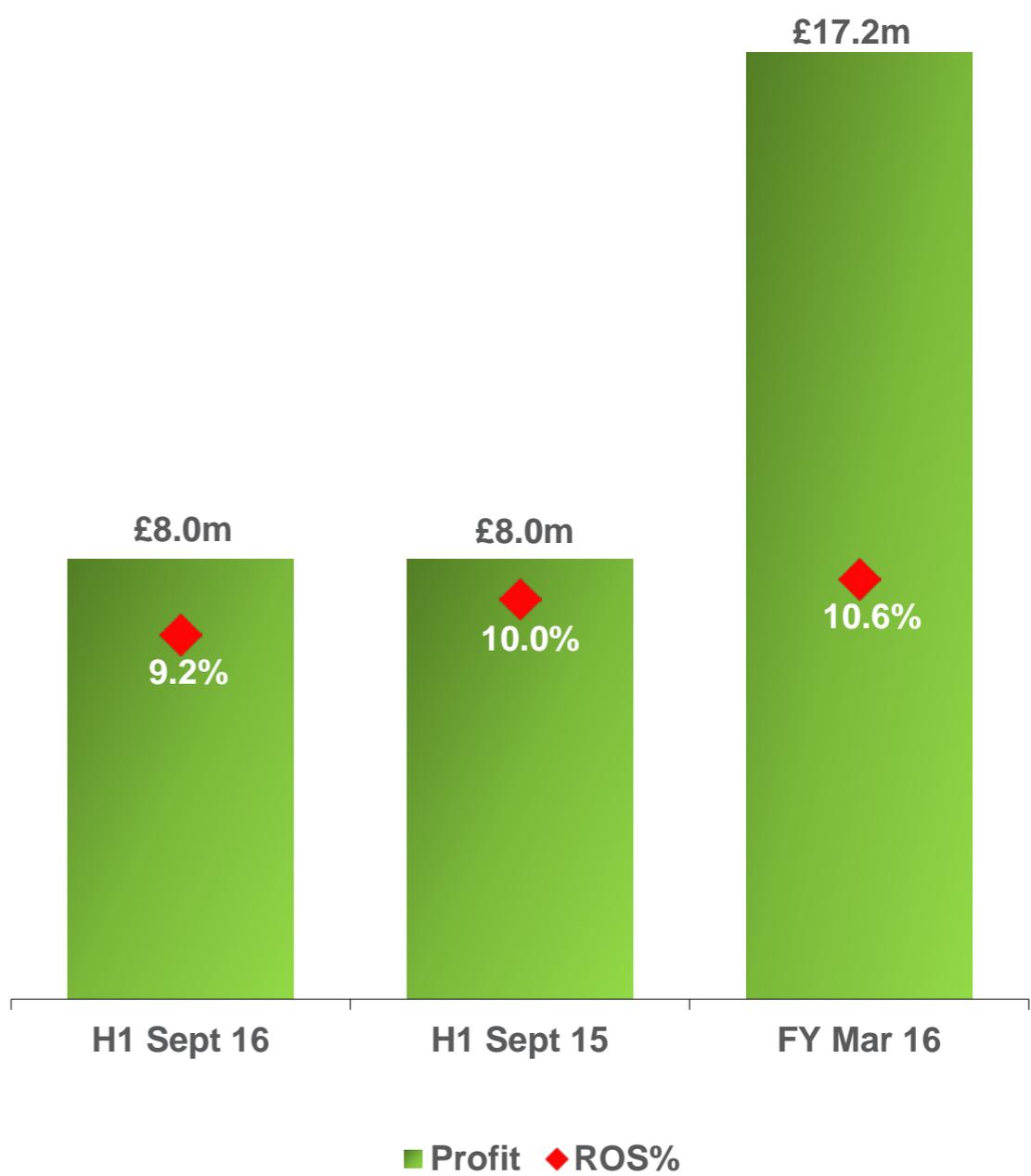
- Overall Revenue + 2.4%
- Solid performance in UK trade; UK retail softer
- Traction building in the Middle East:
 - Increased specification approvals
 - Robust H2 pipeline across the Gulf
- Ongoing NPD – Moisture suppressant product “Pro DPM”
- Enhancing customer engagement – onsite fixer training centre
- Operational investment – manufacturing capacity and new ERP system
- Profit in line with expectations and marginally ahead of last year



Revenue



Underlying Operating Profit



¹ 9 months Full Year March 16; 3 months Interim September 15

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- Overall revenue - in line with last year at constant currency
- Sustained improvement in operating performance and profitability
- Focus on value added products e.g. large format
- Solid manufacturing performance sustained; efficiency improved
- Selling 100% of manufacturing capacity – capacity increase options being considered
- NPD momentum maintained – 49 new designs in H1
- Profits and margins ahead of prior year; in line with expectations





- Overall revenue + 8.6% at constant currency
- Share gain in domestic market and export growth
- Tile adhesive and building and construction ranges all robust
- Implementation of digital and social media marketing strategy
- Continued improvement in operational performance and efficiency:
 - Awarded ISO 14001 accreditation
 - Investment in plant efficiencies at Olifantsfontein and Cape Town
- Ongoing investment in NPD:
 - 18-hour fast-setting adhesive; fast setting mosaic adhesive
- Strong profit and cash generation

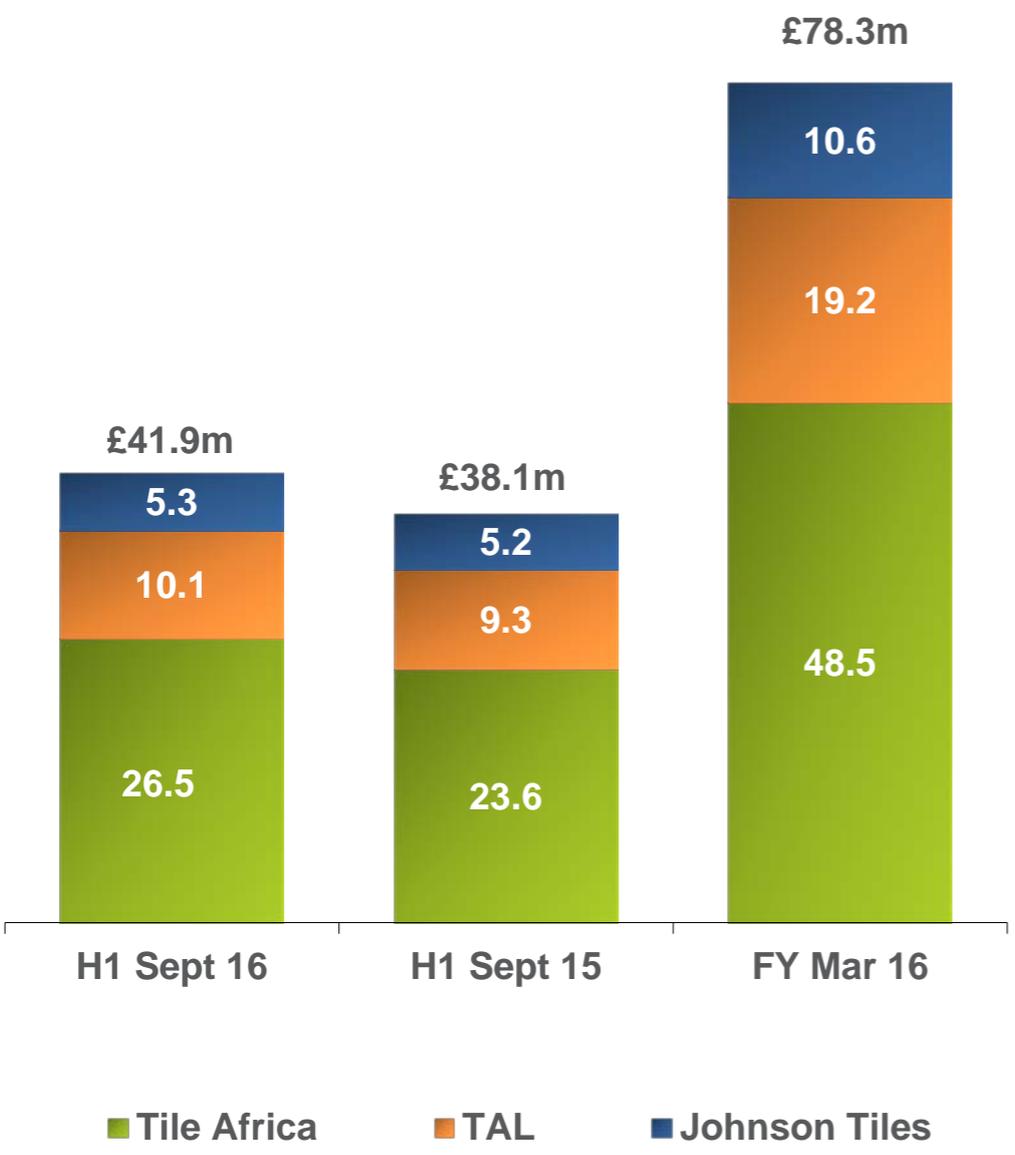




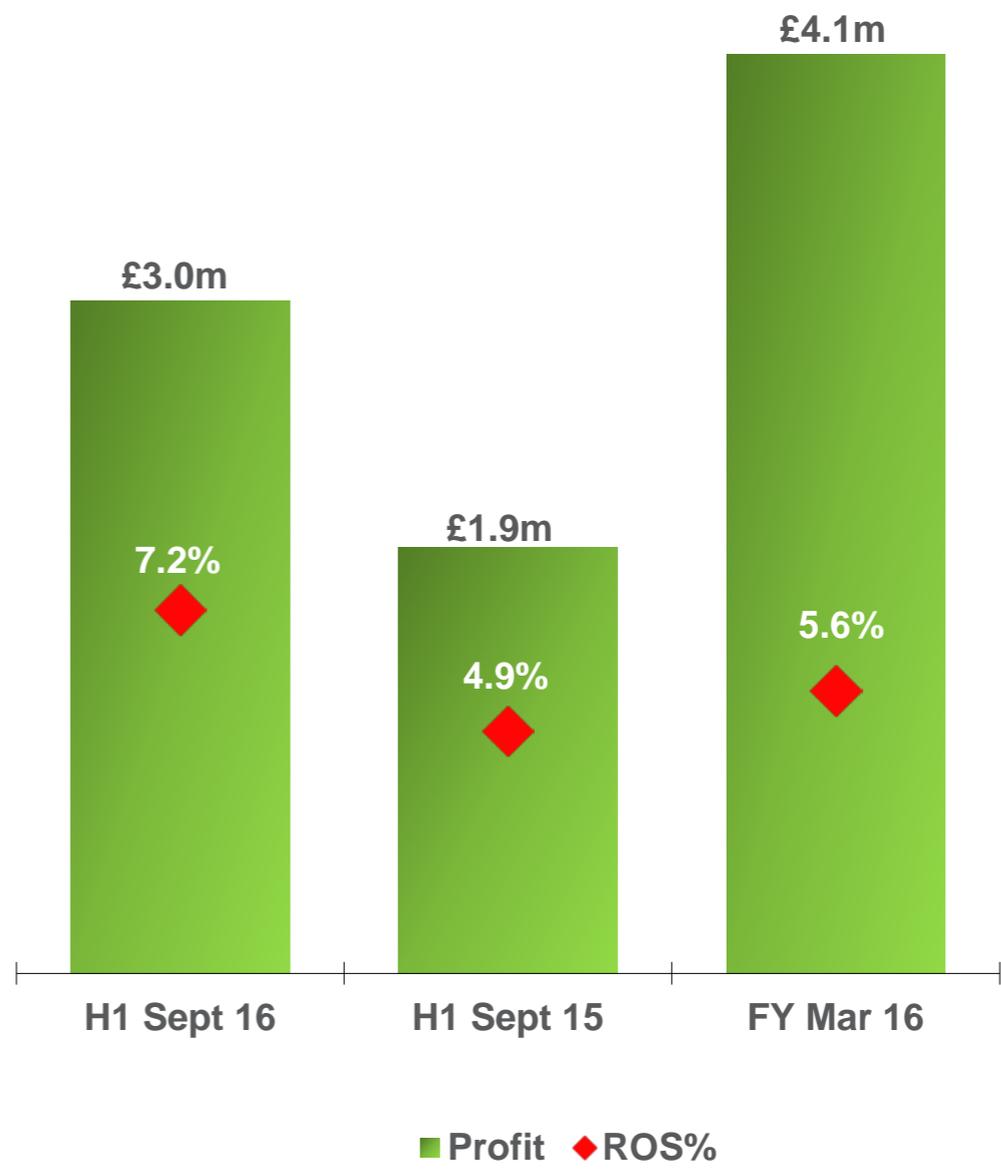
- Overall revenue + 12.8% at constant currency
- CX format performing strongly in new and upgraded stores
- Boksberg (opened March 2016) performing ahead of expectations
- Bathroom store-within-a-store format performing strongly
- Group synergies:
 - VADO and Evox – further ranges introduced
 - Croydex ranges launched – initial feedback positive
 - Leveraging Group supply chain capabilities
- Store estate; 30 stores 2 franchise with further potential:
 - Southgate new store – H2 launch
 - New store pipeline – up to 5 over next 36 months
 - 10 stores to be refurbished
 - 2 underperforming franchise stores closed in H1
- Strong profit and cash generation ahead of last year



Revenue ¹



Underlying Operating Profit

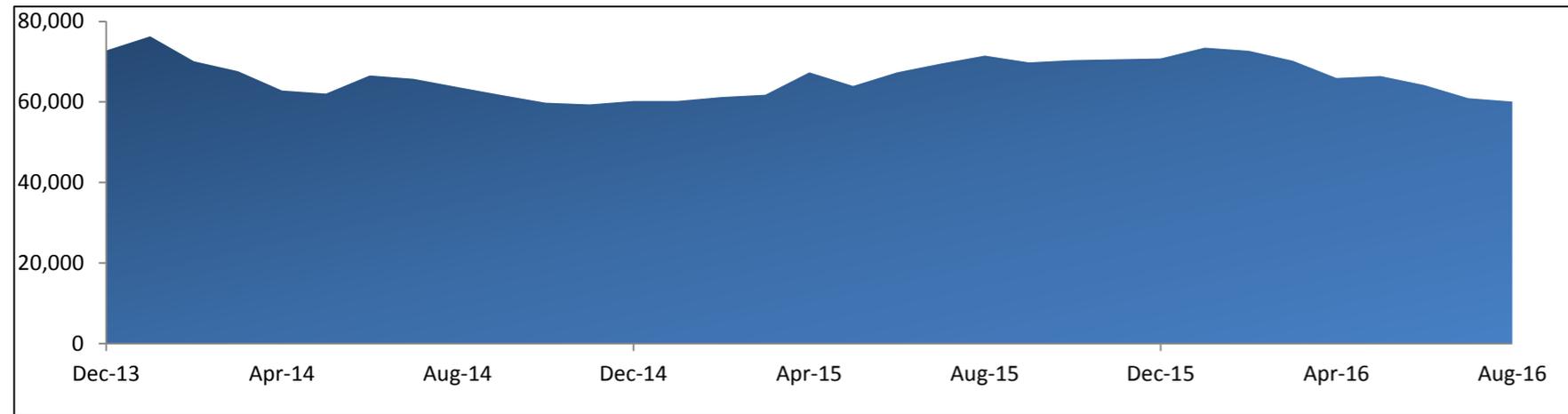


¹ On a constant currency basis



Group Outlook & Strategy
Nick Kelsall
Group Chief Executive

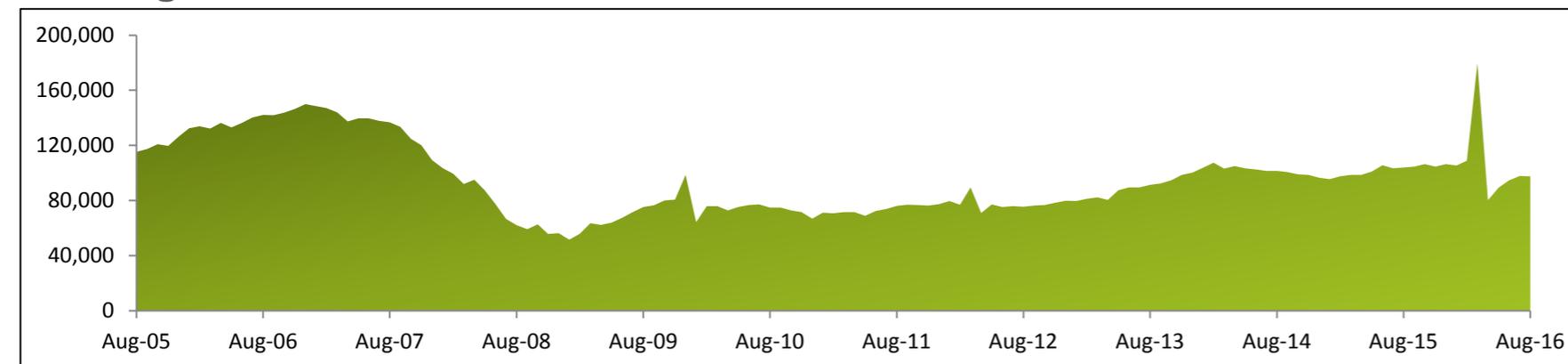
Mortgage Loan Approvals (seasonally adjusted)



Source: Bank of England

Loan approvals remain flat

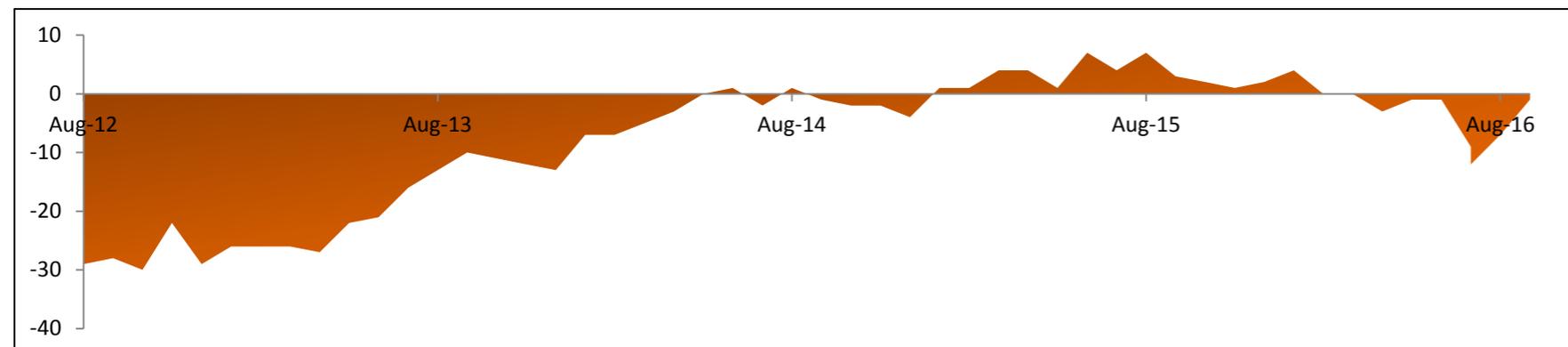
Housing Transactions



Source: HMRC

Recovery post buy to let stamp duty spike/trough

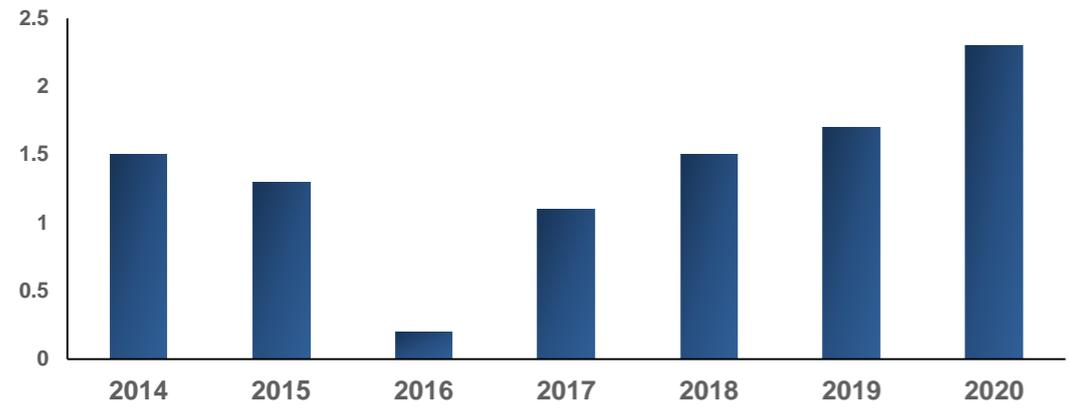
GfK Consumer Confidence



Source: GfK

Recovery to pre Brexit levels

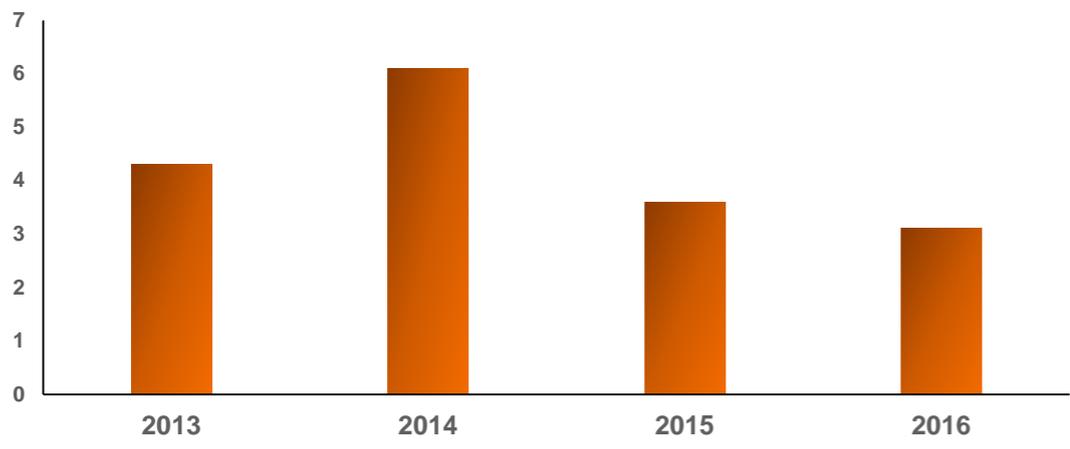
GDP (% change)



Source: Investec

GDP growth remains low with an improving medium term outlook

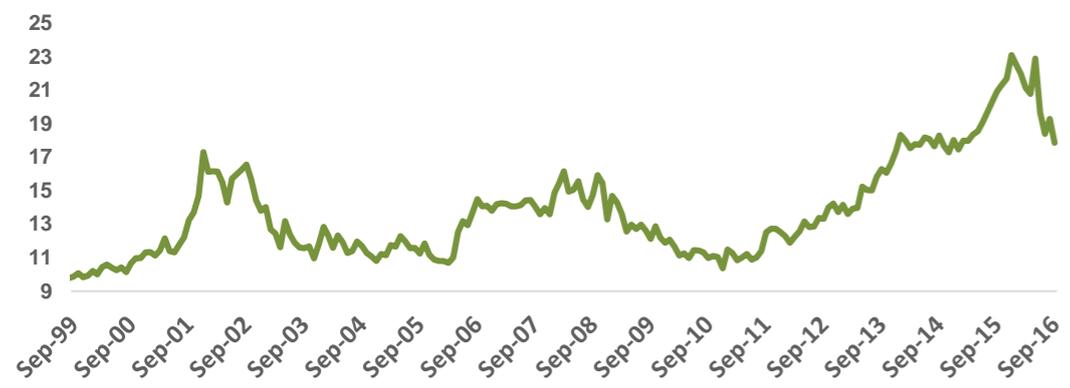
Hardware/Paint/Glass Retail Sales (% change)



Source: Stats SA

Key indicator for RMI. Index remains ahead of other macro economic indicators

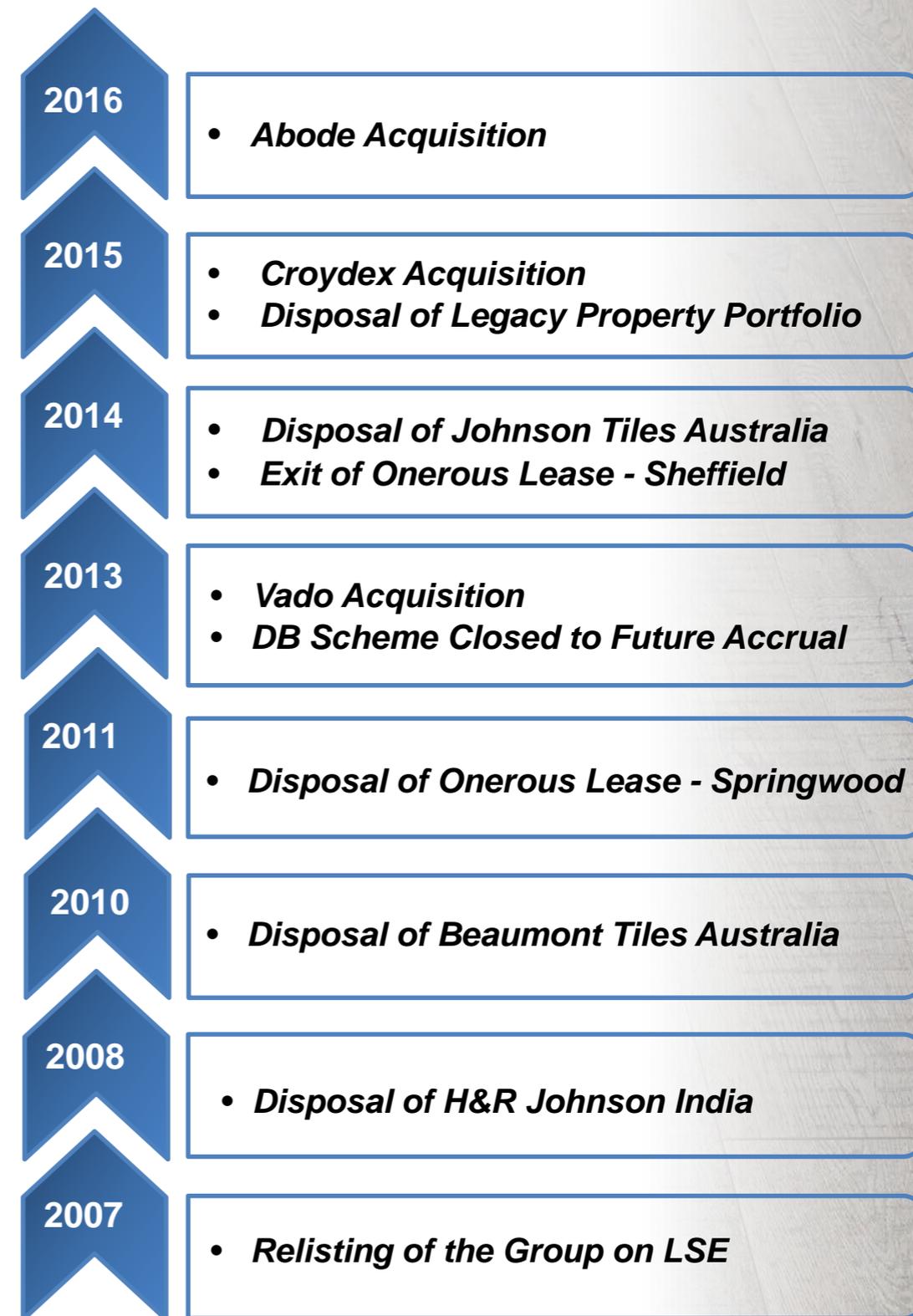
£ : Rand Exchange Rate

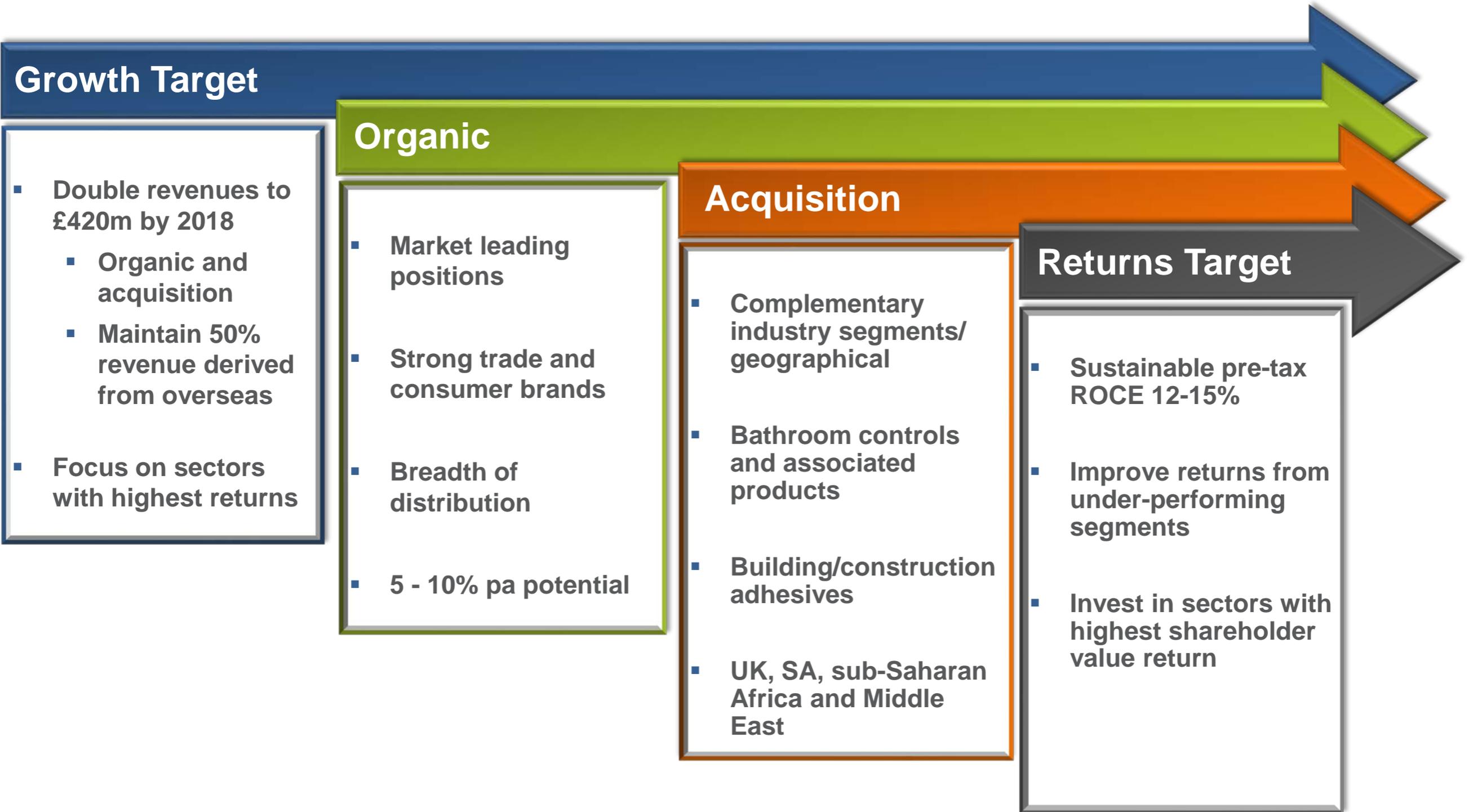


Stronger Rand v £ should benefit H2

Group Strategy – Sustained progress

- Clear, consistent, and focused growth strategy
- All divisions profitable – significant South Africa contribution
- Resilient financial performance despite economic volatility
 - Benefits of geographical and product diversification
- Successful acquisition track record – Vado, Croydex, Abode:
 - Selection, execution and integration
 - Growing revenues and profitability
 - Driving Group synergies
- Well developed acquisition pipeline – “go to” acquirer
- Confident of further progress





Solid Half Year Results

Organic Growth Opportunities

Well Developed Acquisition Pipeline

Medium Term Indicators Favourable

Clear & Focused Growth Strategy



Appendix



	H1 Sept 2016 £m	H1 Sept 2015 £m	FY Mar 2016 £m
Exceptional operating items			
Pension settlement gain	-	0.4	0.4
Highgate Park – legal costs	-	(0.1)	(0.1)
Highgate Settlement	-	2.0	2.0
		2.3	2.3
Acquisition related costs			
Acquisition related deferred remuneration (earn out)	(0.2)	(1.2)	(2.5)
Intangible amortisation	(0.6)	(0.3)	(0.9)
Acquisition related costs - other	(0.5)	(1.1)	(1.8)
	(1.3)	(2.6)	(5.2)

	H1 Sept 2016 £m	H1 Sept 2015 £m	FY Mar 2016 £m
Net debt (IFRS) – opening	(32.5)	(14.2)	(14.2)
Net cash flow	4.0	(14.1)	(17.1)
Other non cash movements	(0.1)	(0.1)	(0.2)
Foreign exchange	1.1	(0.8)	(1.0)
Net debt (IFRS) - closing	(27.5)	(29.2)	(32.5)