



Norcros plc
Interim Results
Six months to 30 September 2015

Introduction

Martin Towers Chairman



- Strong first half performance
- Revenue increased by 12.0% on a constant currency basis
- Underlying operating profit increased by 34% to £9.9m
- Underlying profit before tax increased by 40% to £9.4m
- Profit before tax increased by 11% to £7.0m
- Continued strong underlying operating cash generation: 104% of underlying EBITDA
- Acquisition of Croydex completed on 25 June 2015
- Diluted underlying earnings per share 46% higher at 11.8p
- Interim dividend increased by 19% to 2.2p per share

Revenue¹

£118.7m +12.0%

Underlying operating profit

£9.9m +34%

Underlying profit before tax

£9.4m +40%

Profit before tax

£7.0m +11%

Underlying operating cash

£13.3m +15%

Underlying diluted EPS

11.8p +46%

Dividend

2.2p +19%

¹ On a constant currency basis – continuing operations

Financial Review

Martin Payne

Group Finance Director



Income Statement – continuing operations

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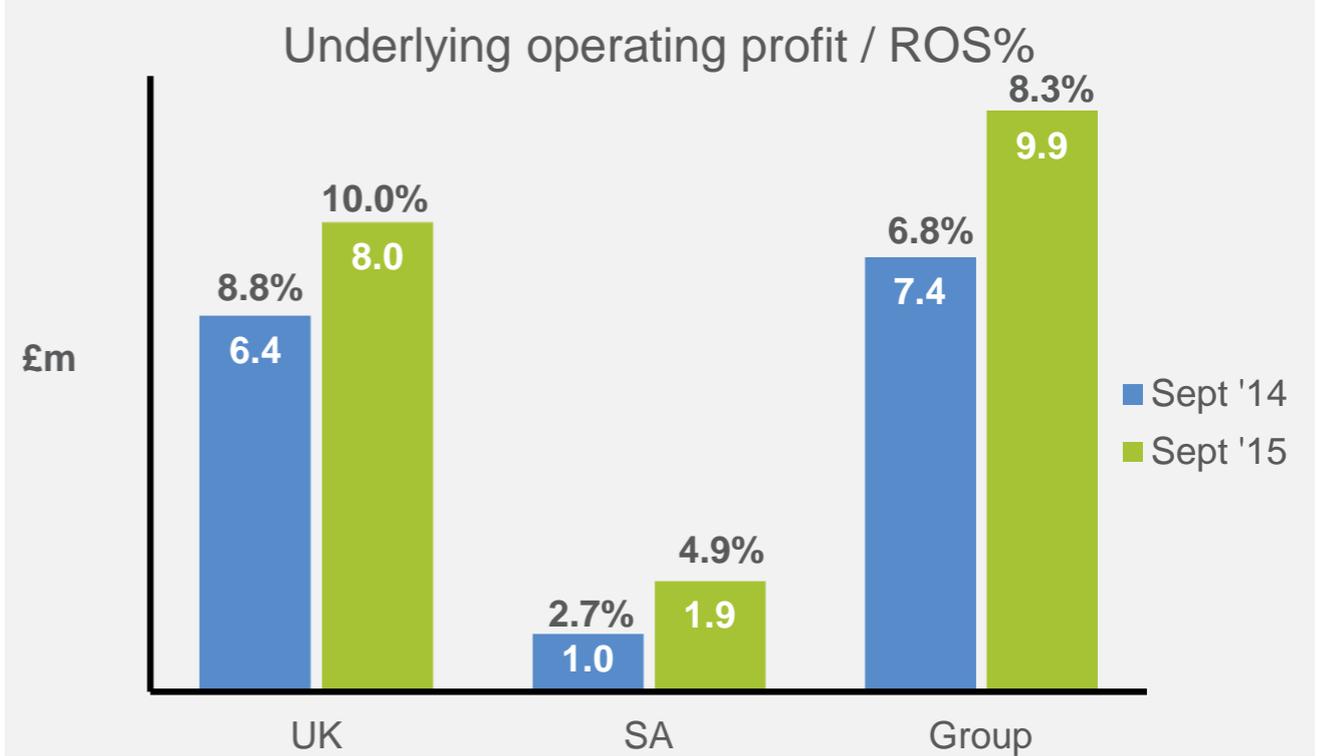
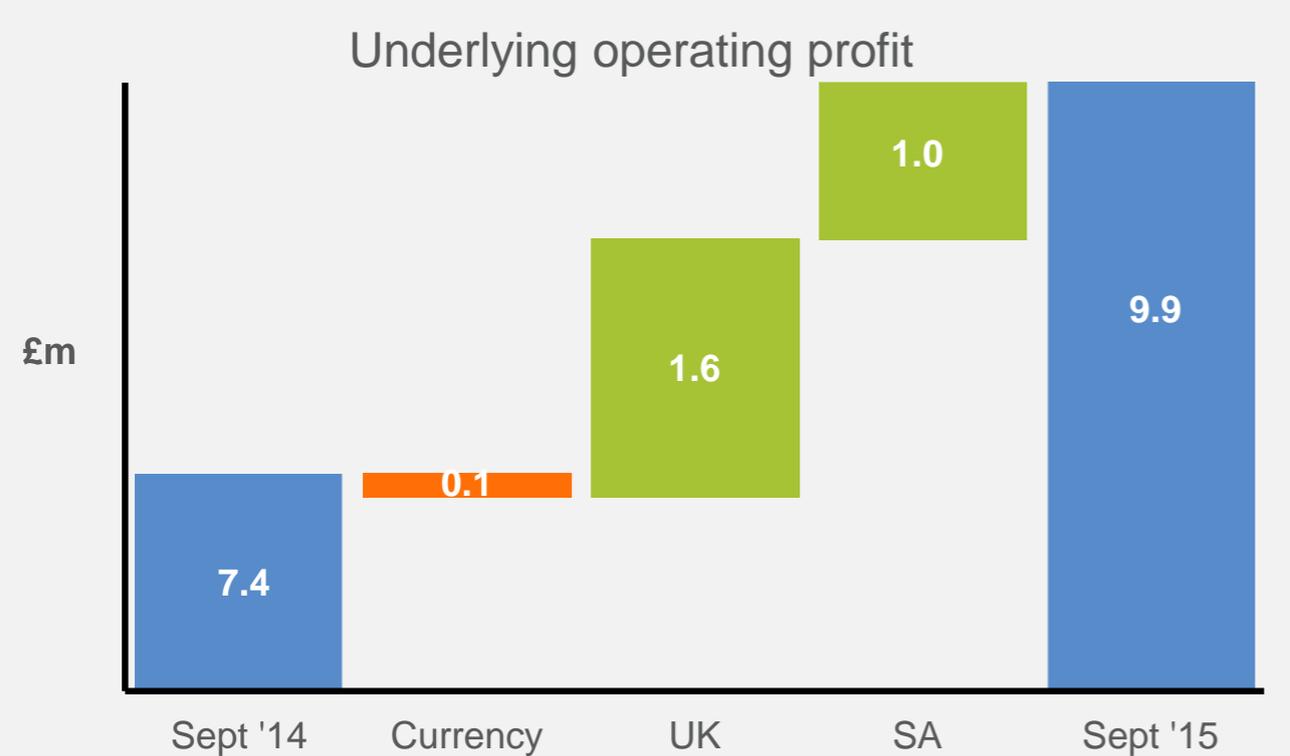
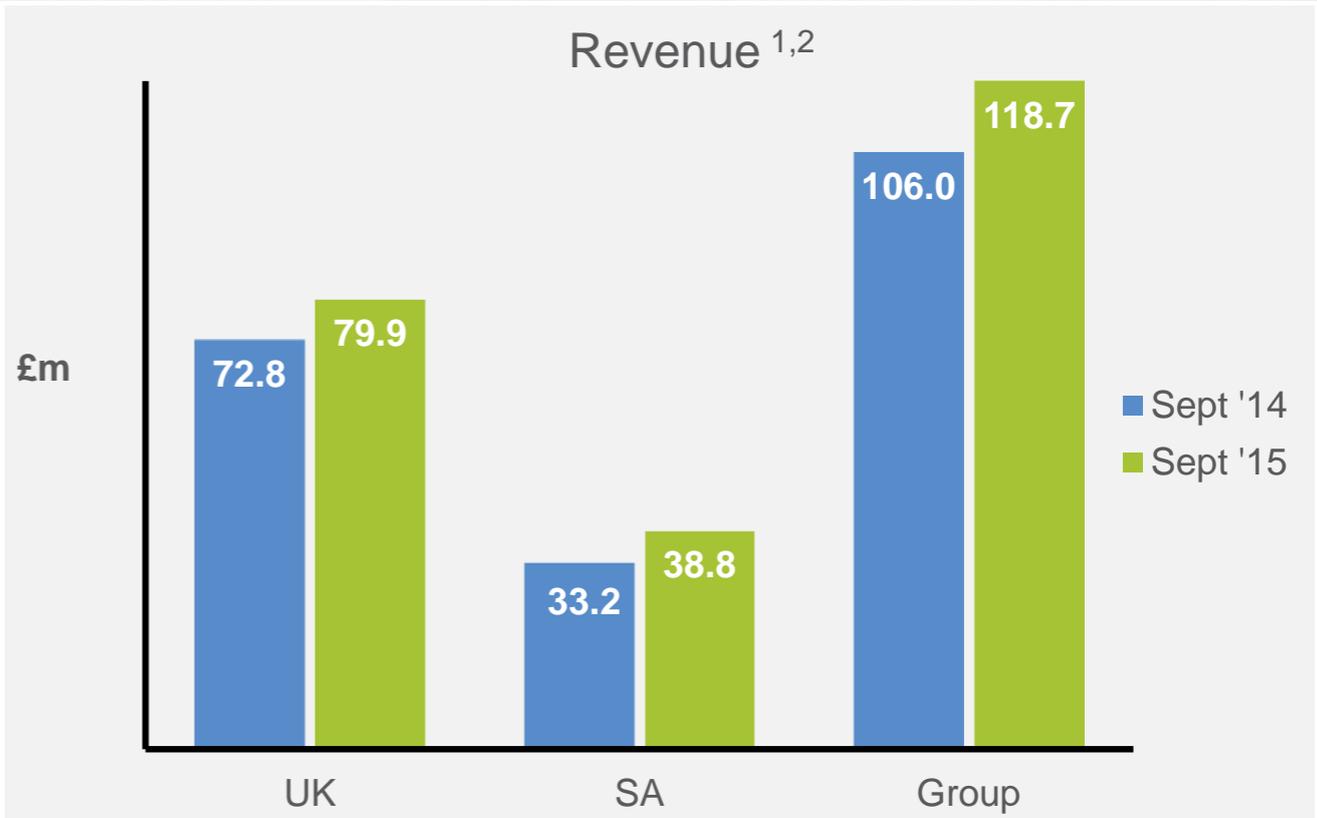
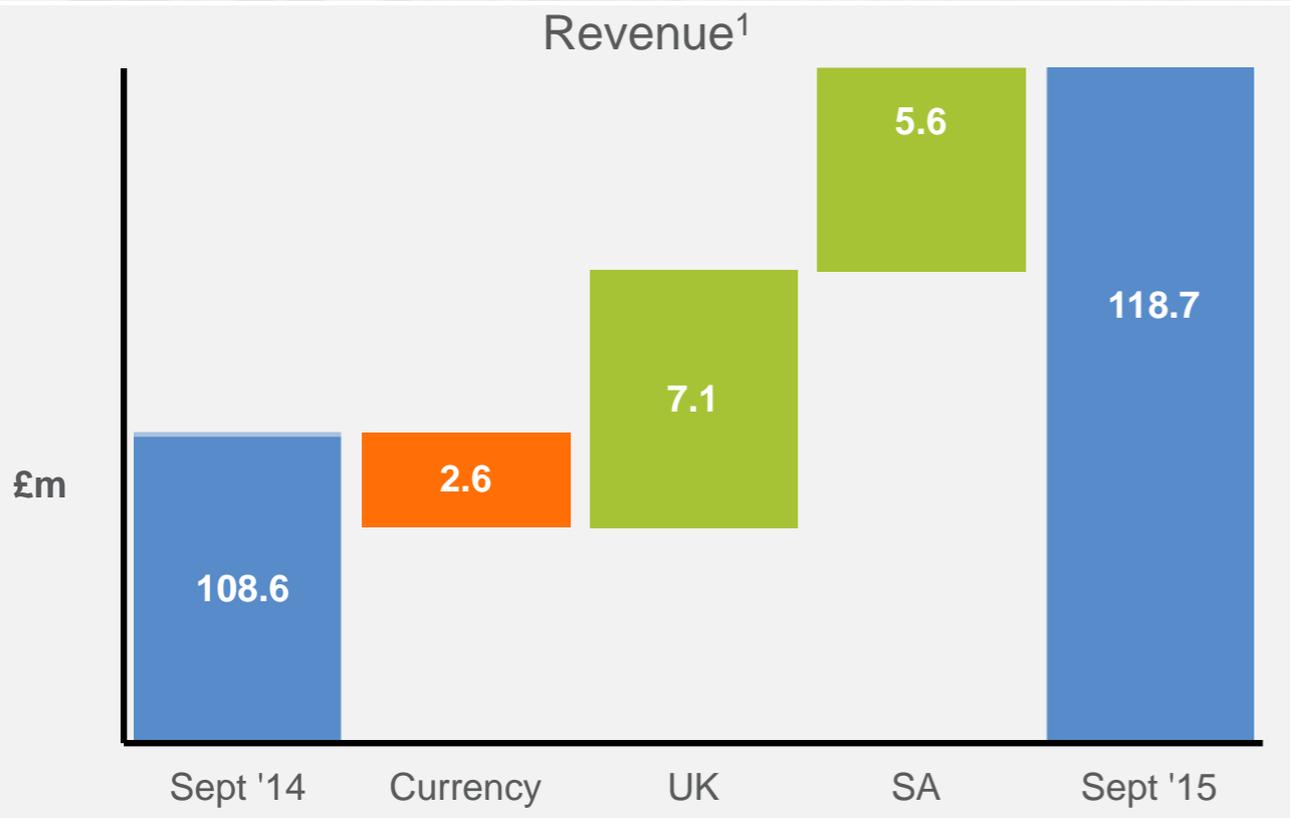
	Interim Sept 2015 £m	Interim Sept 2014 £m	+/- Reported	+/- Constant Currency	Full Year Mar 2015 £m
Revenue	118.7	108.6	+9.3%	+12.0%	222.1
Underlying ¹ operating profit	9.9	7.4	+34%	+37%	17.0
<i>Return on Sales</i>	8.3%	6.8%			7.6%
Finance charges – cash	(0.5)	(0.7)	(29%)		(1.2)
Underlying ¹ PBT	9.4	6.7	+40%		15.8
Exceptional operating items ³	2.3	0.3			(2.5)
IAS19R admin expenses	(0.8)	(0.8)			(1.7)
Acquisition related costs ³	(2.6)	(0.5)			(2.2)
Finance charges – non cash ²	(1.3)	0.6			1.6
PBT as reported	7.0	6.3	+11%		11.0

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

2 Includes £2.1m adverse variance for “mark to market” on FX forward contracts

3 See Page 30 for details

Income Statement – key bridges



¹ Continuing operations
² Constant currency basis

Tax, Earnings and Dividends

	Underlying ^{1,2}			Reported ²		
	Sept 2015 £m	Sept 2014 £m	Mar 2015 £m	Sept 2015 £m	Sept 2014 £m	Mar 2015 £m
Profit before Tax	9.4	6.7	15.8	7.0	6.3	11.0
Tax charge	2.1	1.7	2.8	1.6	1.6	2.9
Earnings	7.3	5.0	13.0	5.4	4.7	8.1
Effective Tax rate	22.3%	25.5%	17.7%	23.1%	25.1%	26.6%

- Effective underlying tax rate of 22.3%
- Diluted underlying¹ EPS up 46% at 11.8p (2014: 8.1p)
- Interim dividend up 19% to 2.2p
- Anticipate similar full year dividend cover to prior year

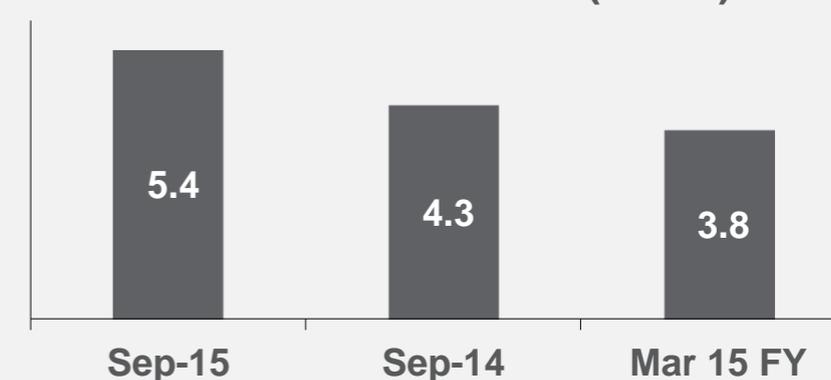
Diluted underlying EPS (pence)



Dividend per share (pence)



Dividend cover (times)



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

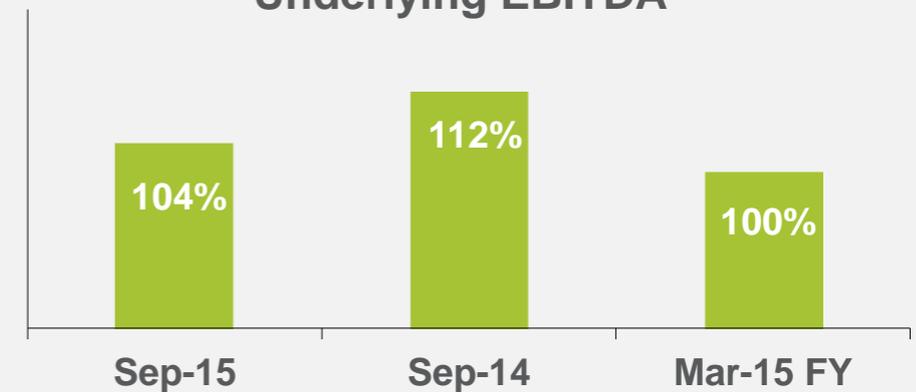
² Continuing operations

Cash Flow

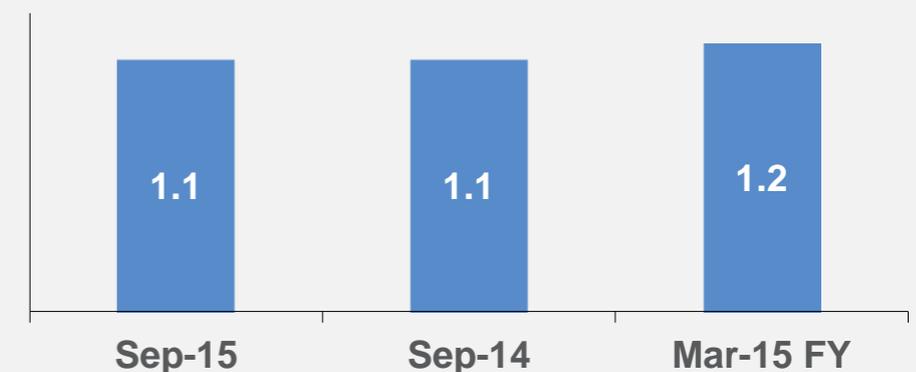
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	Interim Sept 2015 £m	Interim Sept 2014 £m	Full Year Mar 2015 £m
Underlying EBITDA	12.8	10.4	23.0
Working Capital	(0.2)	0.6	(1.5)
Other	0.7	0.6	1.4
Underlying operating cash	13.3	11.6	22.9
Capital Expenditure	(3.2)	(3.4)	(7.0)
Sheffield freehold purchase	-	-	(0.9)
Proceeds from property disposal	-	0.4	6.5
Pension deficit recovery	(1.1)	(1.0)	(2.1)
Tax	(0.6)	(0.2)	(0.5)
Underlying free cash flow pre financing and dividends	8.4	7.4	18.9
Exceptional & acquisition related costs	0.7	(0.7)	(4.7)
Interest	(0.5)	(0.7)	(1.3)
Dividends	(2.2)	(2.0)	(3.1)
Net proceeds from sale of business	-	3.8	3.8
Cash costs of acquisitions	(20.5)	(0.3)	(0.5)
Other items	-	(0.6)	(0.4)
Net Cash Flow	(14.1)	6.9	12.7

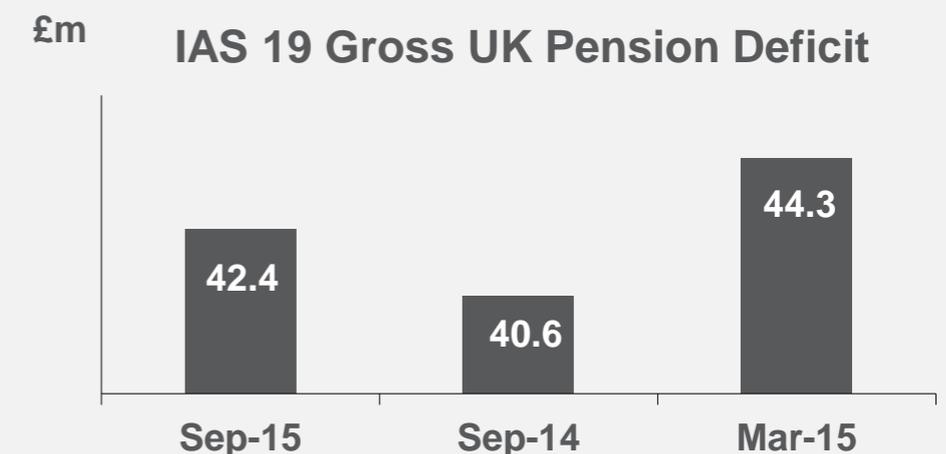
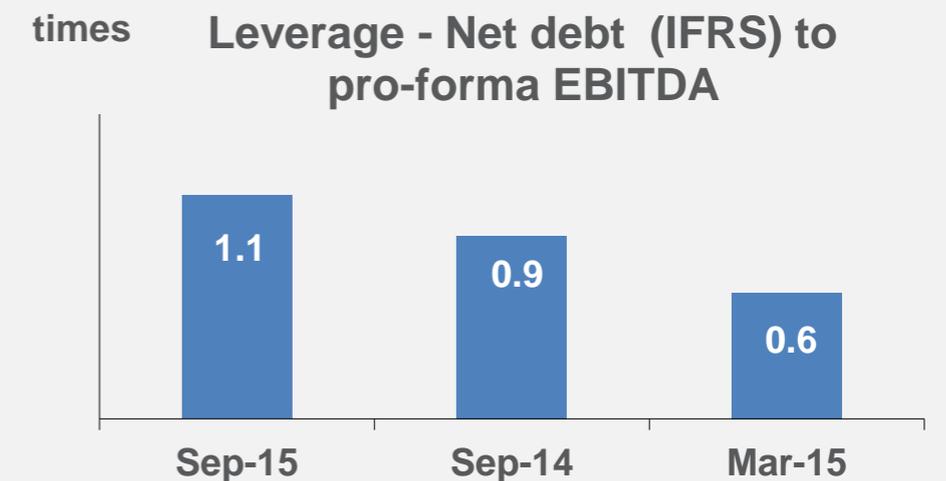
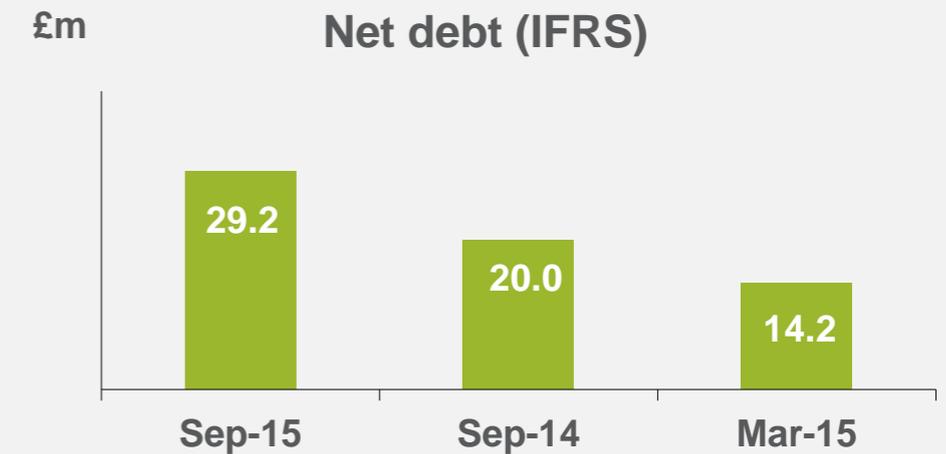
Underlying Operating Cash Flow / Underlying EBITDA



Capex / Depreciation (times)



- Strong cash generation leaves net debt at £29.2m after the acquisition of Croydex
- Leverage 1.1 times pro-forma underlying EBITDA
- IAS19R deficit decreased to £42.4m (Mar 15: £44.3m)
 - Discount rate improved from 3.3% to 3.8%
 - Equity & bond markets lower
- Triennial valuation discussions ongoing





Operating Review

Nick Kelsall
Group Chief Executive



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	UK	SA	Group
Group Revenue (continuing operations)	£ 79.9m	£ 38.8m	£ 118.7m
 Triton	£ 26.2m		
Vado	£ 15.9m		
Croydex	£ 5.8m		
Johnson Tiles	£ 27.9m		
Adhesives	£ 4.1m		
 Johnson Tiles		£ 5.4m	
TAL		£ 9.4m	
Tile Africa		£ 24.0m	
Revenue Growth (constant currency)	+9.8%	+16.9%	+12.0%



The Great British Shower Company 

- Overall Revenue + 3.1%
 - UK + 1.9%
 - Exports + 10.0%

- UK market volumes marginally up; mixer outperforming electric
- Maintained high share and position as market leader
- Trade share gain driven by electrics
- Focus on mixer share gain via specification
- Strong performance in Ireland and other export markets targeted
- New product drive maintained
 - Recent introduction of T80 Z FF thermostatic
 - Building on Safeguard+; drive into inclusive market

- Margins and profits maintained; high cash generation





- Overall Revenue + 7.4%
 - UK + 16.7%
 - Exports - 9.6%

- Continued strong performance in UK retail and trade:
 - Further brand traction in retail and additional resource
 - Robust specification pipeline (Cala and Miller Homes wins)

- Actions taken to improve Middle East performance

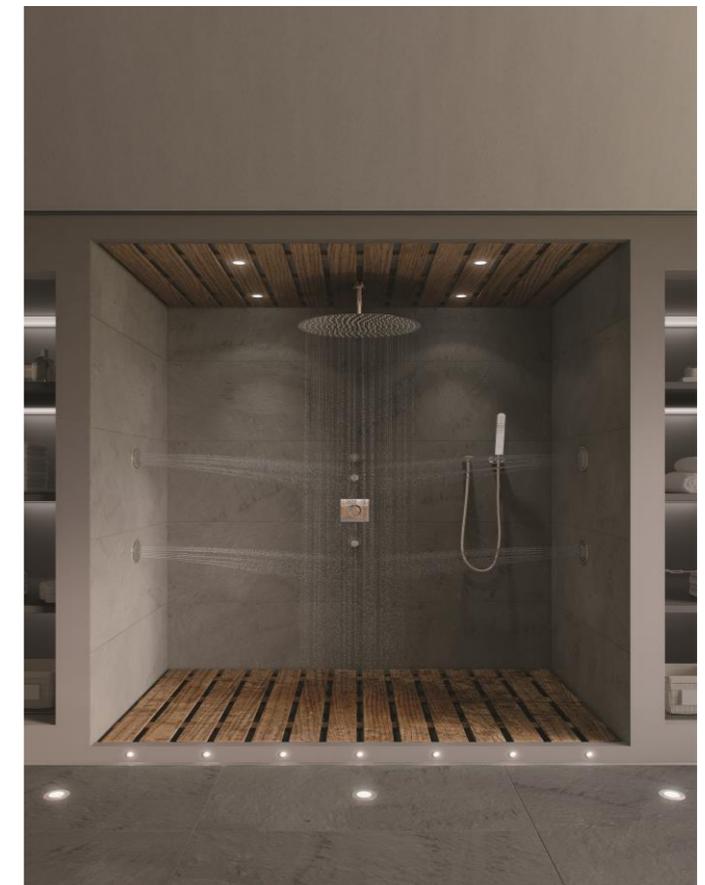
- ROW performance held back by credit issues

- Focus on NPD - 2 significant new product launches in H2 FY16

- Design partnership with Conran – FY17

- Vado launched in South Africa via Tile Africa

- Profits ahead of prior year and good cash generation





Acquired June 2015

Leading Market Position

- Innovative products
- Full category management
- Unique coverage of accessories market

Products

- Bathroom accessories and cabinets
- Shower rods and rails
- Toilet seats

Channels

- Retail DIY
- Builders merchants, plumbers merchants
- Contract and specification

Operations (Andover, Hampshire)

- Strong management team and financial performance
- Low capital intensity, flexible capacity
- 82 employees
- Components sourced from Asia





- Overall Revenue £5.8m (3 months to September 2015)
- Robust financial performance post acquisition
- Growth momentum being maintained
- Business as usual – seamless integration
- Synergies being initiated; customers/specification/sourcing
- Potential to launch Croydex into new export markets
- Profit and cash generation in line with expectations



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- Overall Revenue - 4.5%
 - UK - 2.7%
 - Exports - 16.7%

- UK market; trade continuing to strongly outperform retail
- UK trade +5.0%; growth in housebuilder and private specification
- UK retail -9.6%; key account performance and reduction in lower margin lines
- Export – Middle East restructure complete; soft market in France
- Consistent production performance and in line with historic levels
- Profitability substantially improved

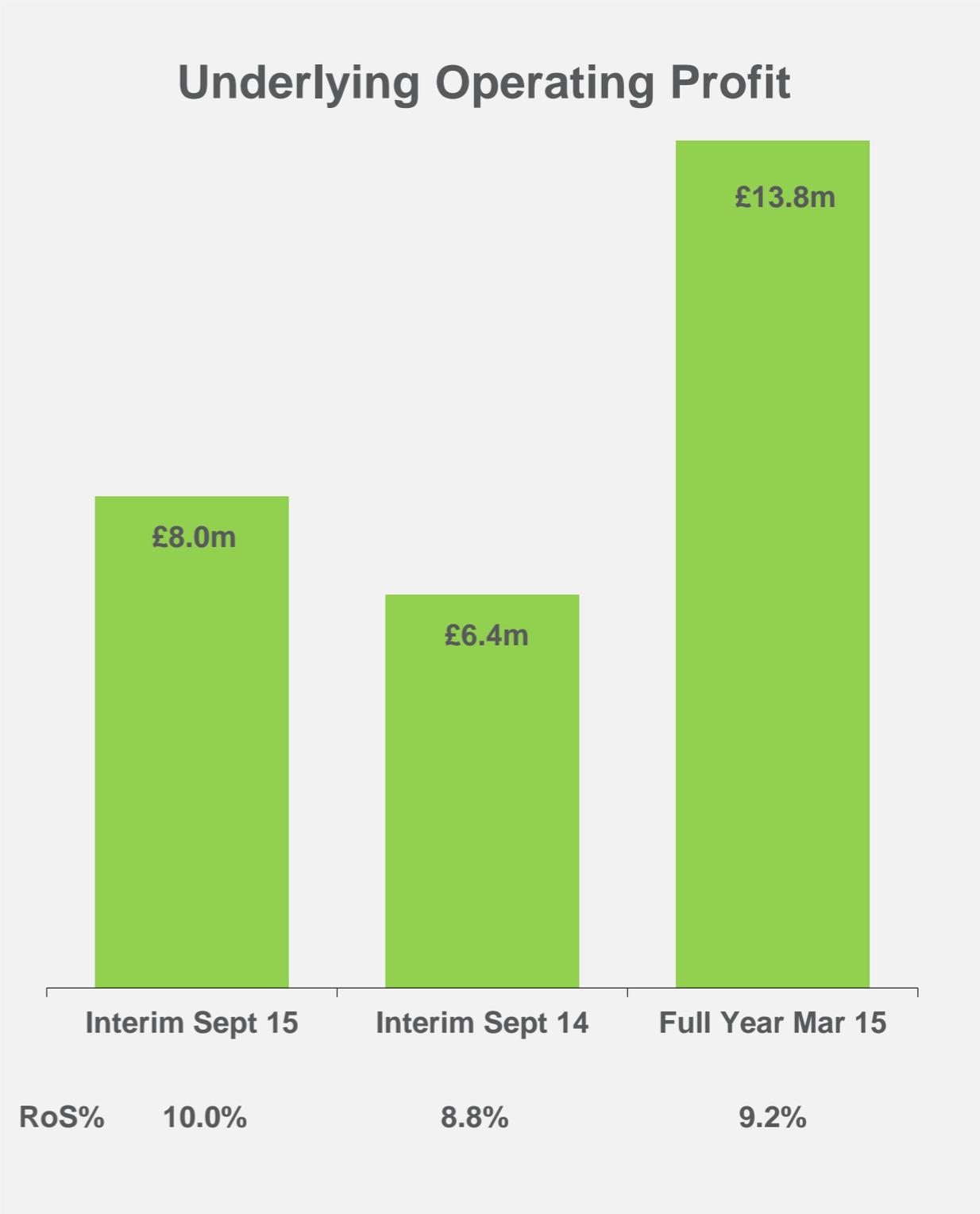
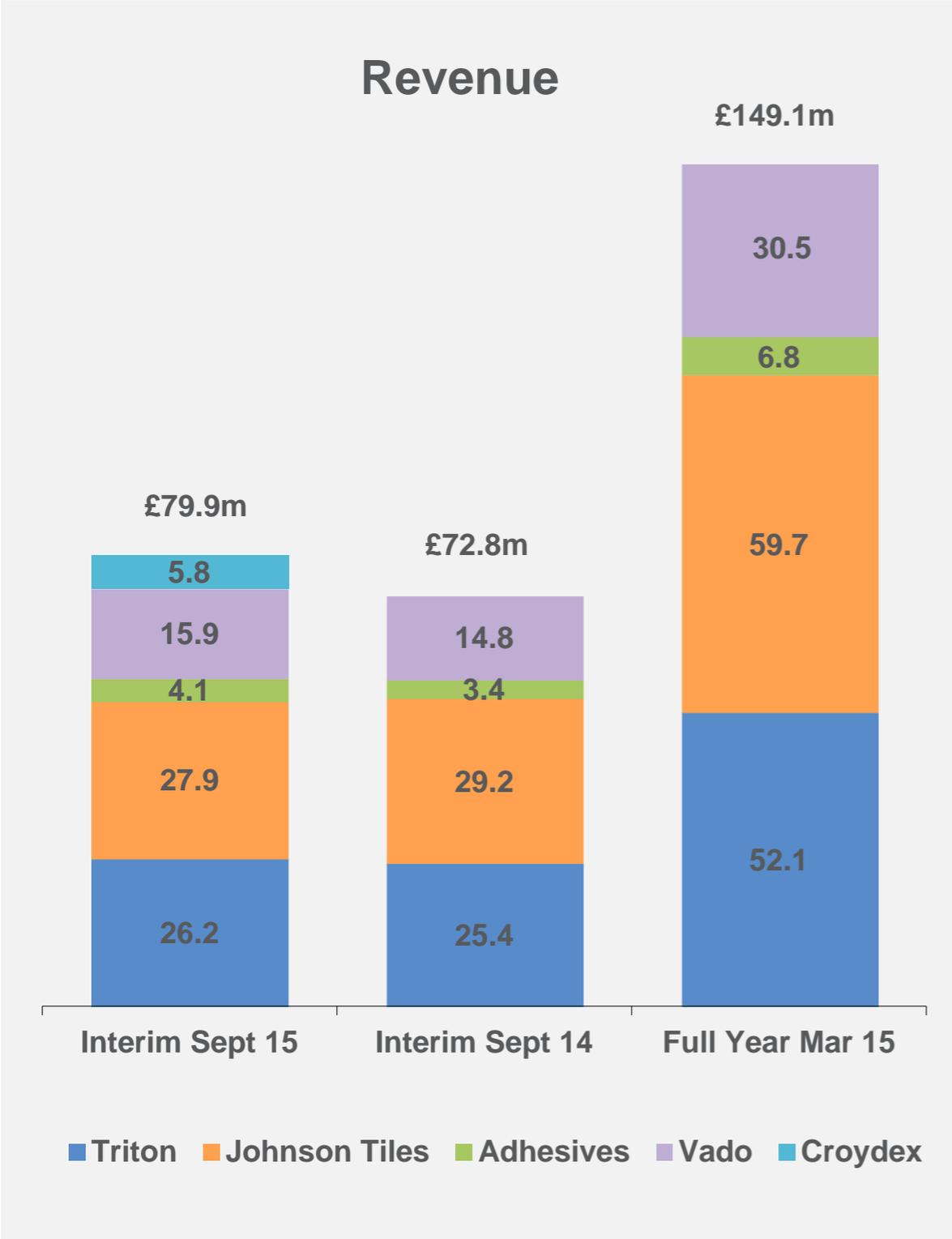




- Overall Revenue + 20.6%
- Increase in share – good performance in UK retail and trade
- Further traction into targeted key accounts
- Focus on specification and new contract resource in H2
- Fixer training school to be opened Q3
- New product development continued; emphasis on levelling products
- Investment in small Middle East operation established
- Profits marginally ahead of last year



UK Operations – Strong progress across all businesses



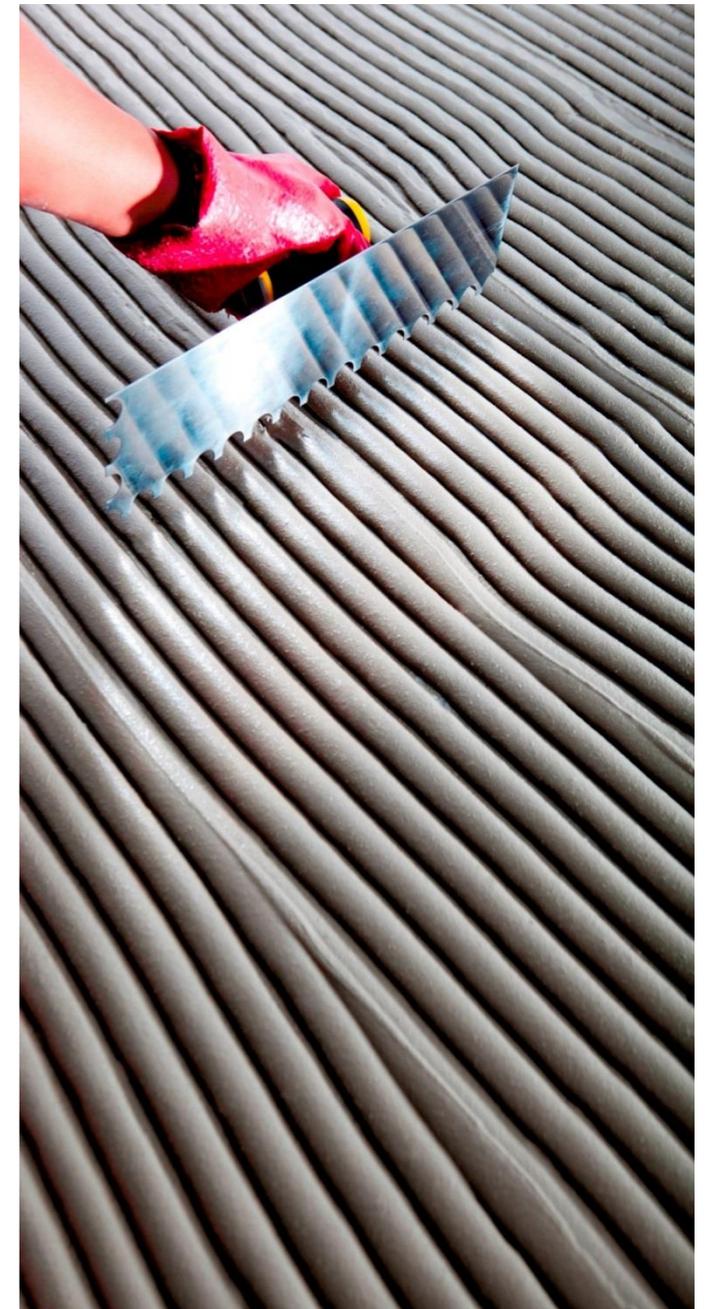
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- Overall revenue + 12.5% at cc
- Further improvement in performance – business in profit
- Good growth in all market sectors
- Growth driven through NPD – additional sizes and inkjet ranges
- New stand-by generators installed to reduce impact of power outages
- Strong manufacturing performance maintained
- Selling 100% production - capacity increase options being considered
- Focus on medium term growth plans





- Overall revenue + 20.5% at cc
- Share gain in domestic market + exports
- Growth in tile adhesive driven by focus on rapid set products
- Building and construction products performed well - waterproofing and flooring products
- Additional growth opportunities in sub-Saharan Africa being investigated
- Further investment required in plant capacity; packaging lines
- Underlying profit higher and strong cash generation



Tile Africa – Share gain driven by improved store offering

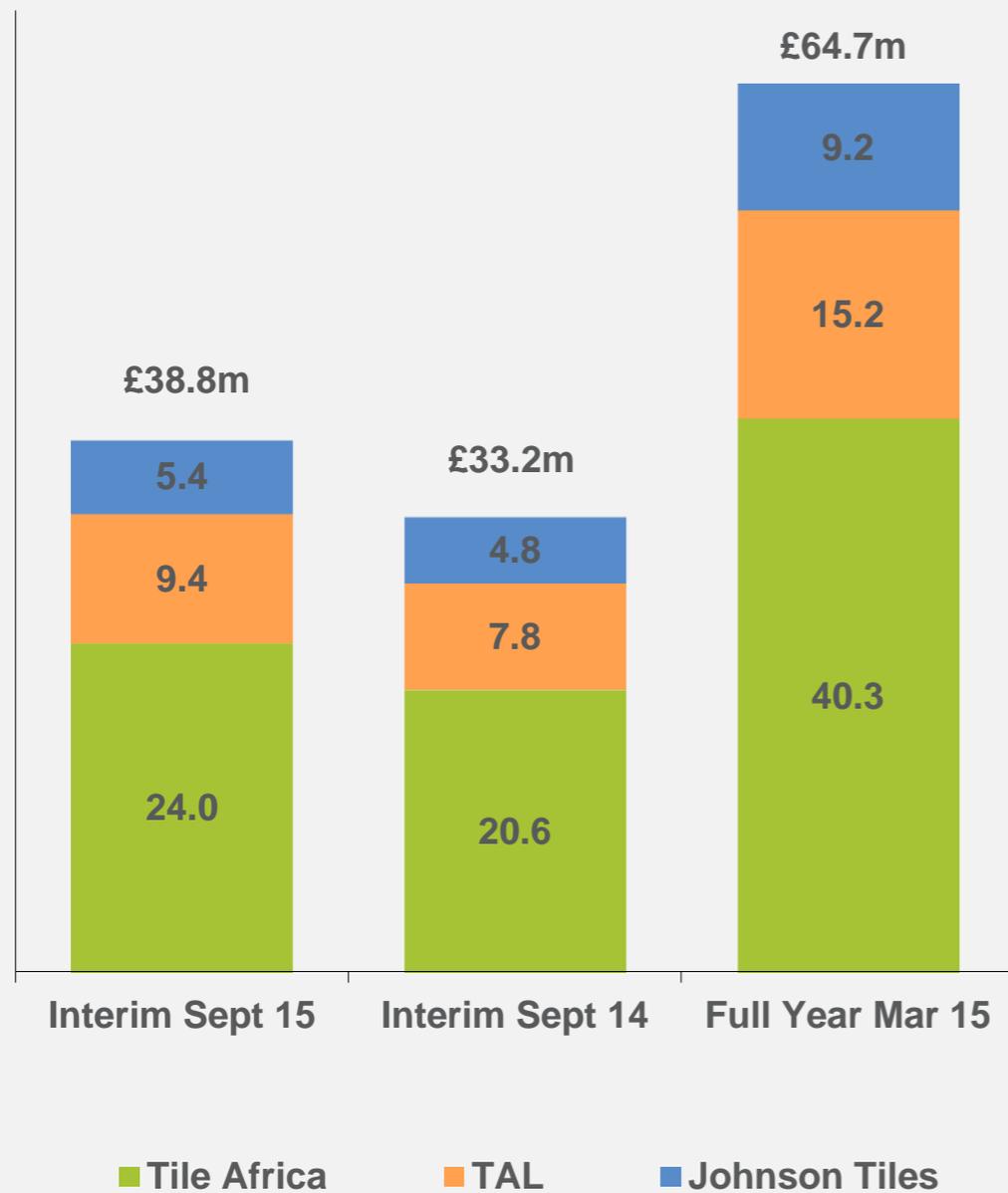
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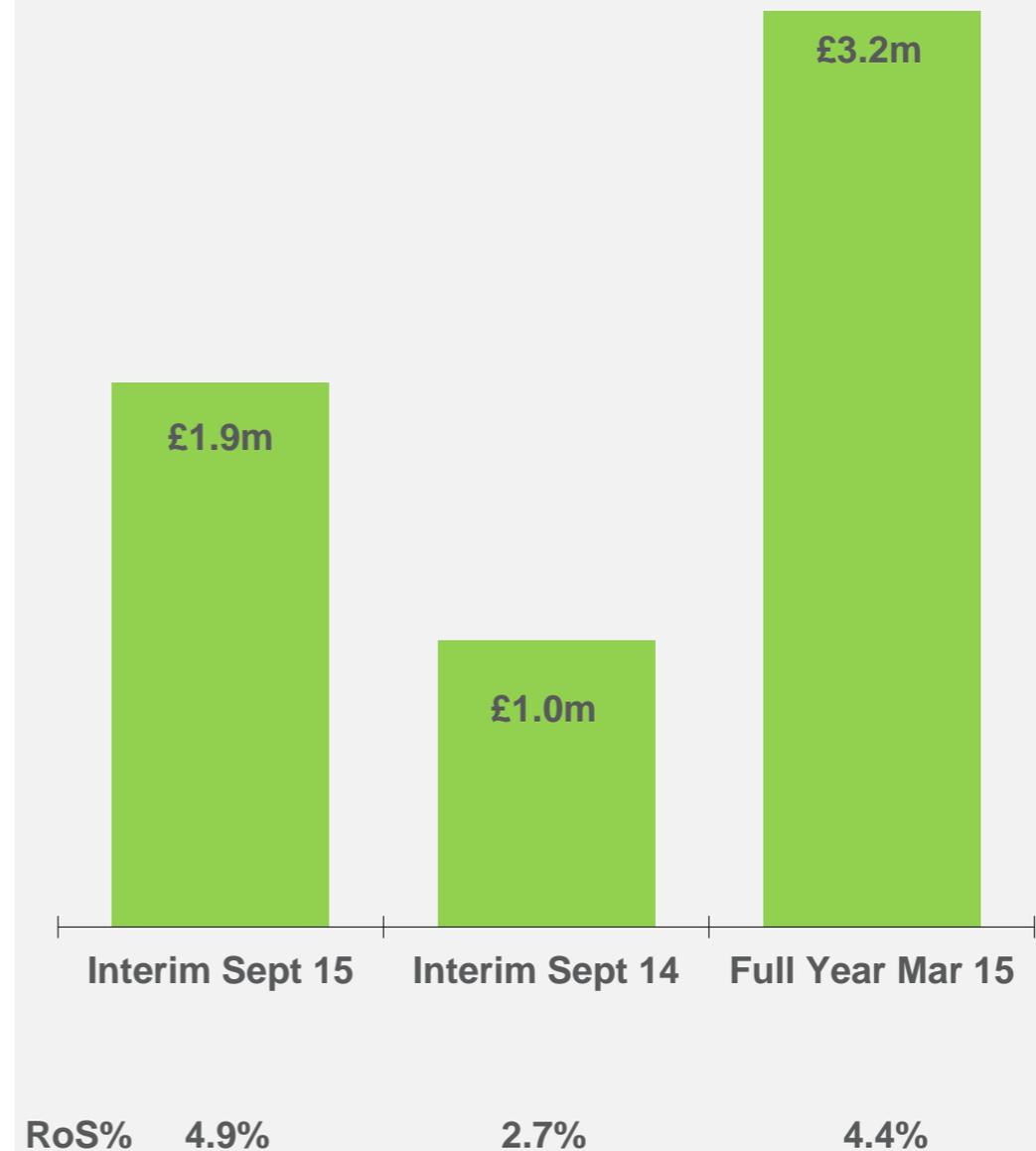
- Overall revenue + 16.5% at cc
- In stock and on display ratio now 90%; key driver
- Further progress made on range consistency and bespoke store offering
- Continued success of “lifestyle” store upgrade model
- New CX store format (7 stores) - bathroom store-within-store concept performing well.
- 1 new store to be opened by end of FY16
- Underlying operating profits higher



Revenue¹



Underlying Operating Profit



¹ On a constant currency basis

Group Outlook & Strategy

Nick Kelsall

Group Chief Executive



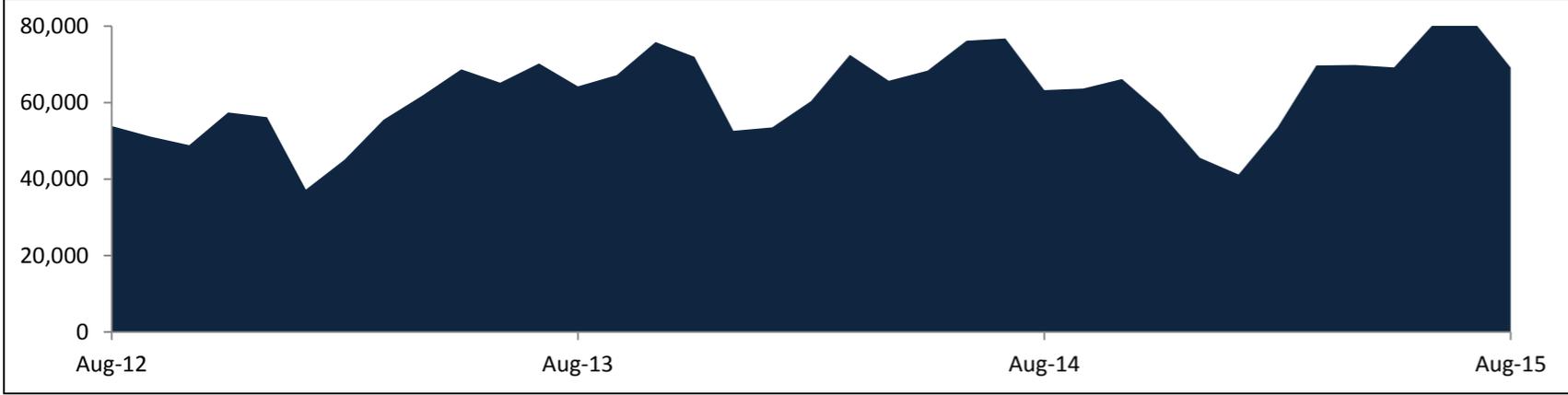
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Lead UK indicators - Cautious optimism



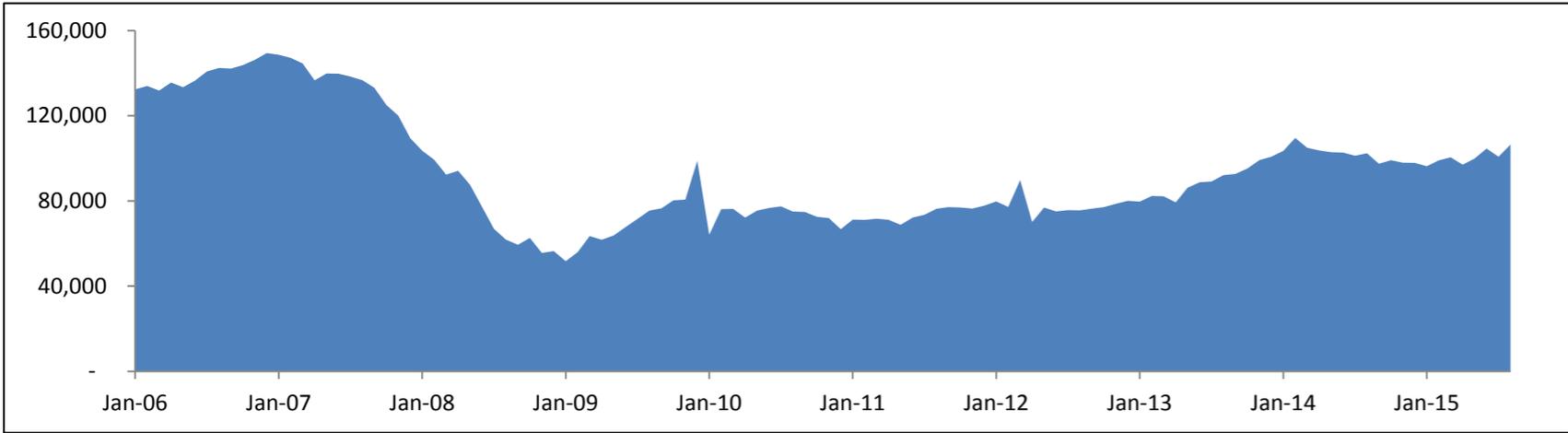
Mortgage Loan Approvals (seasonally adjusted)



Source: HM Treasury

Loan approvals showing some upturn but inconsistent

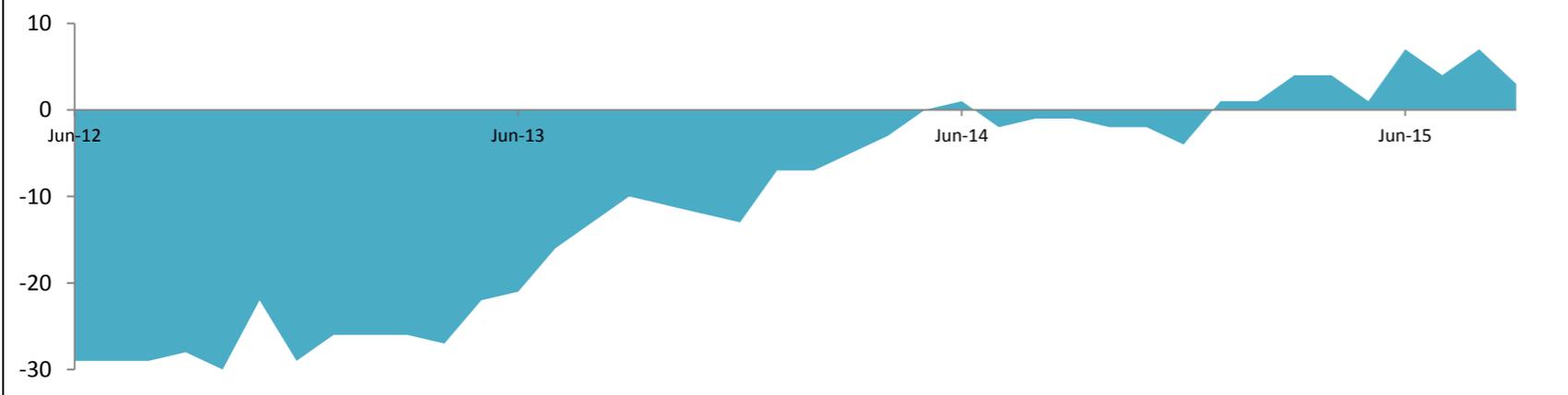
Housing Transactions



Source: HM Treasury

Transactions relatively flat. Government housing measures should benefit medium term

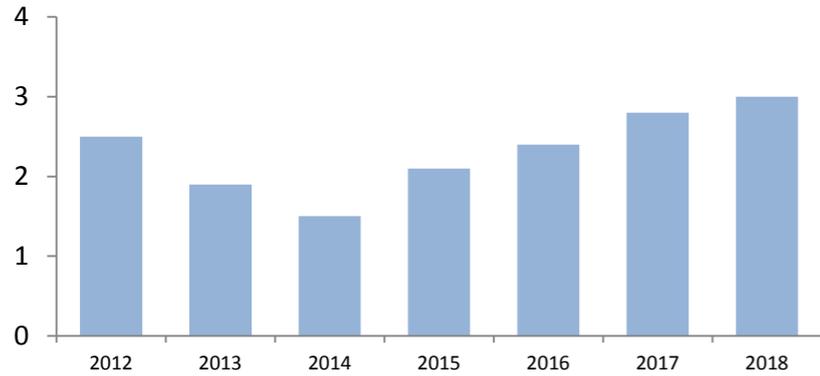
GfK Consumer Confidence



Source: GfK

Index flat over recent months but still at its highest level since 1997

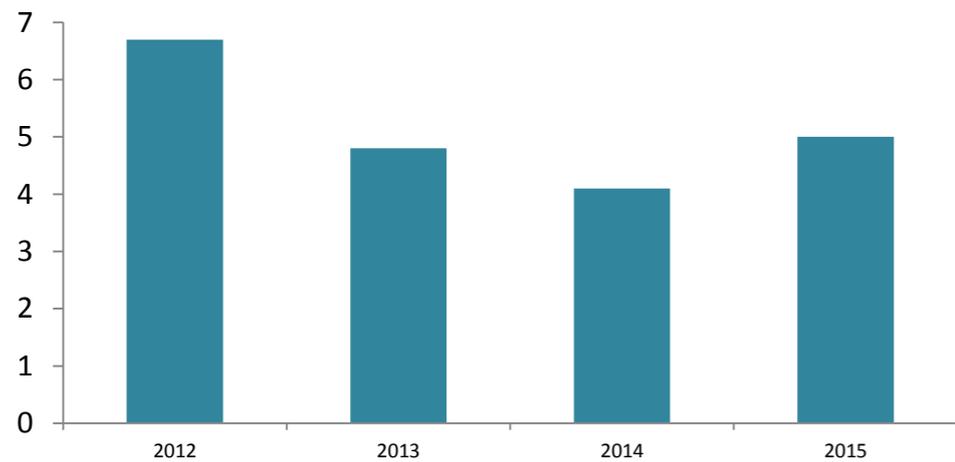
GDP (% change)



Source: Investec

GDP downgraded in the short term due to labour, political and energy uncertainty. Medium term growth forecasts above UK/Eurozone

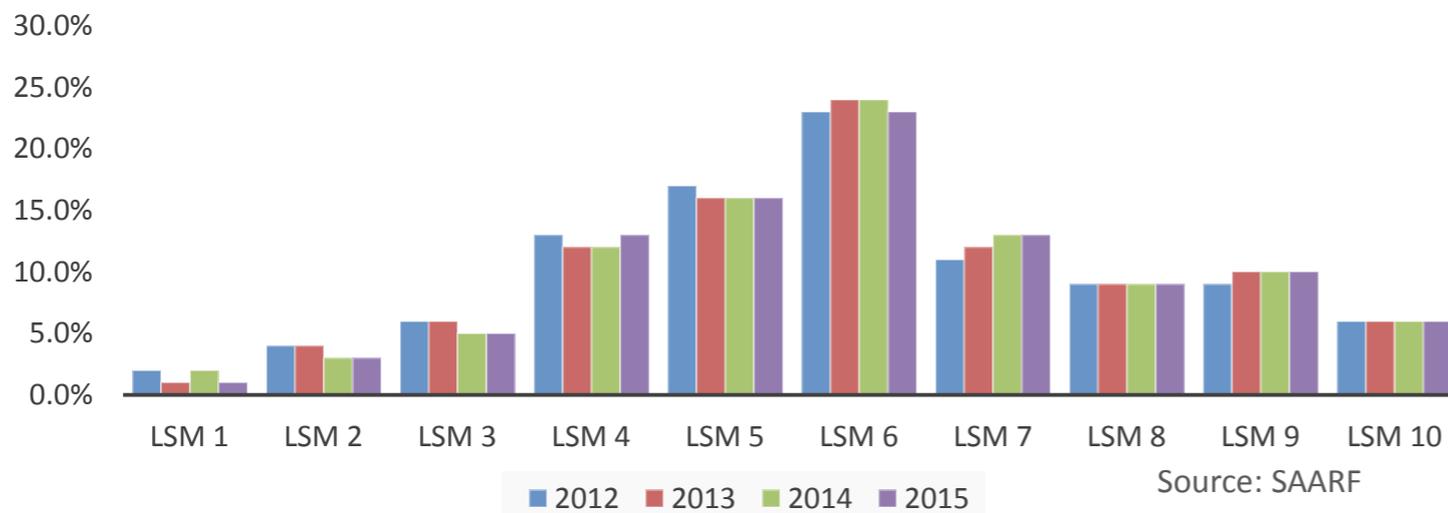
Hardware/Paint/Glass Retail Sales (% change)



Source: Stats SA

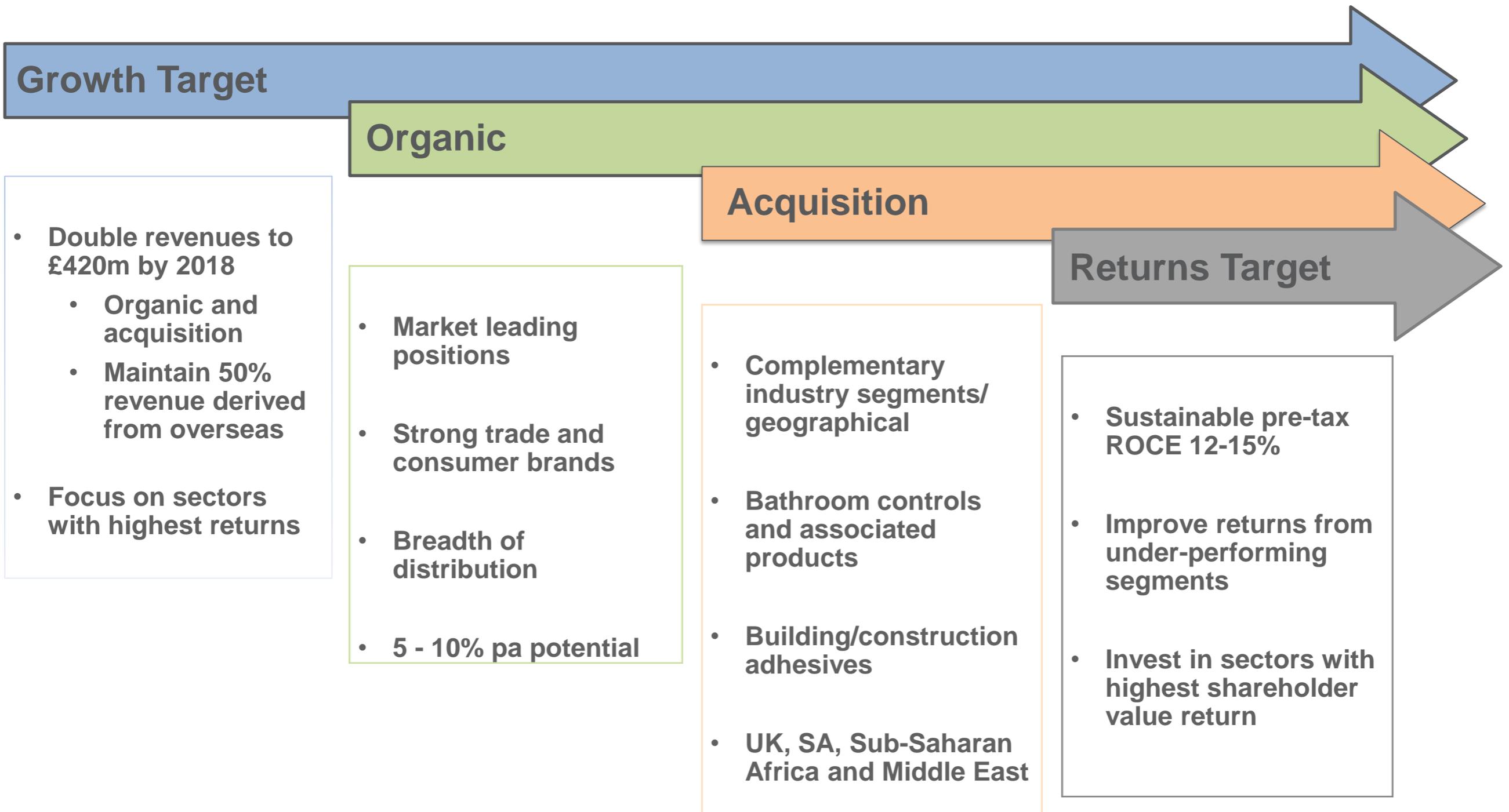
Key indicator for RMI. Positive despite subdued overall macro economy

South Africa LSM Trends (Living Standard Measure)



Source: SAARF

Ongoing growth trends in the emerging middle class



- Clear, consistent, and focused growth strategy
- Croydex acquisition completed + integrated
- Acquisition pipeline is well developed and expanding
- Trade and specification remains a key focus
- Targeted geographical expansion opportunities
- Maintaining strong performance momentum



Summary

**Clear &
Focused
Growth
Strategy**

**Medium Term
Indicators
Favourable**

**Focused
Pipeline of
Acquisition
Opportunities**

**Organic
Growth
Opportunities**

**Solid H1
Results**

Appendices



The Great British Shower Company

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SA (PTY) LTD



TILE AFRICA
OUR HOME IS YOUR HOME

Exceptional items and acquisition related costs

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	Sept 2015 £m	Sept 2014 £m	March 2015 £m
Exceptional operating items			
Highgate Park - dispute settlement	2.0	-	-
Highgate Park - legal costs	(0.1)	(0.1)	(0.3)
Pension settlement gain	0.4	-	1.7
Exit of Sheffield lease	-	-	(2.5)
Loss on disposal of freehold property portfolio	-	-	(1.5)
Business unit restructuring	-	-	(0.3)
Profit on disposal of land & property at Braintree	-	0.4	0.4
	2.3	0.3	(2.5)
Acquisition related costs			
Acquisition related deferred remuneration (earn out)	(1.2)	(0.3)	(1.1)
Intangible asset amortisation	(0.3)	(0.2)	(0.3)
Staff costs and advisory fees	(1.1)	-	(0.8)
	(2.6)	(0.5)	(2.2)

Net debt reconciliation

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	Sept 2015 £m	Sept 2014 £m	March 2015 £m
Net debt (IFRS) – opening	(14.2)	(26.9)	(26.9)
Net cash flow	(14.1)	6.9	12.7
Other non cash movements	(0.1)	0.1	0.1
Foreign exchange	(0.8)	(0.1)	(0.1)
Net debt (IFRS) - closing	(29.2)	(20.0)	(14.2)

- Super-mature scheme
 - 8,266 members. 65% pensioners with average age 77
 - Annual pensioner payroll near peak at c. £20m per annum

- Actions taken to date
 - April 2013 - scheme closed to new entrants and future accrual
 - 2014/15 – Liability management exercises completed reducing liabilities by £6.8m and deficit by £1.7m
 - 2015/16 – Further reduction in liabilities by £2.0m and deficit by £0.4m

- September 15 1AS19R deficit improved to £42.4m (Mar 15 :£44.2m)
 - Real yields improved 40bps since 31 March 15
 - Equity and bond markets performed poorly

- Recovery plan
 - 15 years at £2.0m per annum +CPI from April 12

- Triennial valuation 1 April 15 – discussions ongoing

UK Pension IAS 19R Assets & Liabilities

