

norcross

Interim Results

**Six Months to
30 September 2017**



norcross

Introduction

Nick Kelsall
Group Chief
Executive



Highlights

- Revenue increased by 7.2% on a constant currency basis
- Underlying operating profit increased by 6.4% to £11.7m
- Underlying profit before tax increased by 9.5% to £11.5m
- Strong underlying operating cash generation, net debt reduced by £2.4m to £20.8m
- Interim dividend increased by 8.3% to 2.6p
- Announcement of acquisition of Merlyn – compelling strategic and financial rationale

Revenue¹
£145.0m +7.2%

Underlying operating profit
£11.7m +6.4%

Underlying Profit before tax
£11.5m +9.5%

Underlying Operating Cash
£16.2m +1.3%

Underlying Diluted EPS
14.0p +8.5%

Dividend per share
2.6p +8.3%

¹ On a constant currency basis

norcros

Financial Review

Shaun Smith
Group Finance
Director



Income Statement

	H1 Sept 2017 £m	H1 Sept 2016 £m	+/- Reported	+/- Constant Currency	FY Mar 2017 £m
Revenue	145.0	128.8	+12.6%	+7.2%	271.2
Underlying ¹ operating profit	11.7	11.0	+6.4%		23.8
<i>Return on Sales</i>	8.1%	8.5%			8.8%
Finance charges – cash	(0.2)	(0.5)			(0.9)
Underlying ¹ PBT	11.5	10.5	+9.5%		22.9
Exceptional operating items ²	-	-			(2.3)
IAS19R admin expenses	(0.7)	(0.9)			(2.0)
Acquisition related costs ³	(1.2)	(1.3)			(2.7)
Finance charges – non cash ⁴	(2.2)	(0.6)			(4.4)
PBT as reported	7.4	7.7	-3.9%		11.5

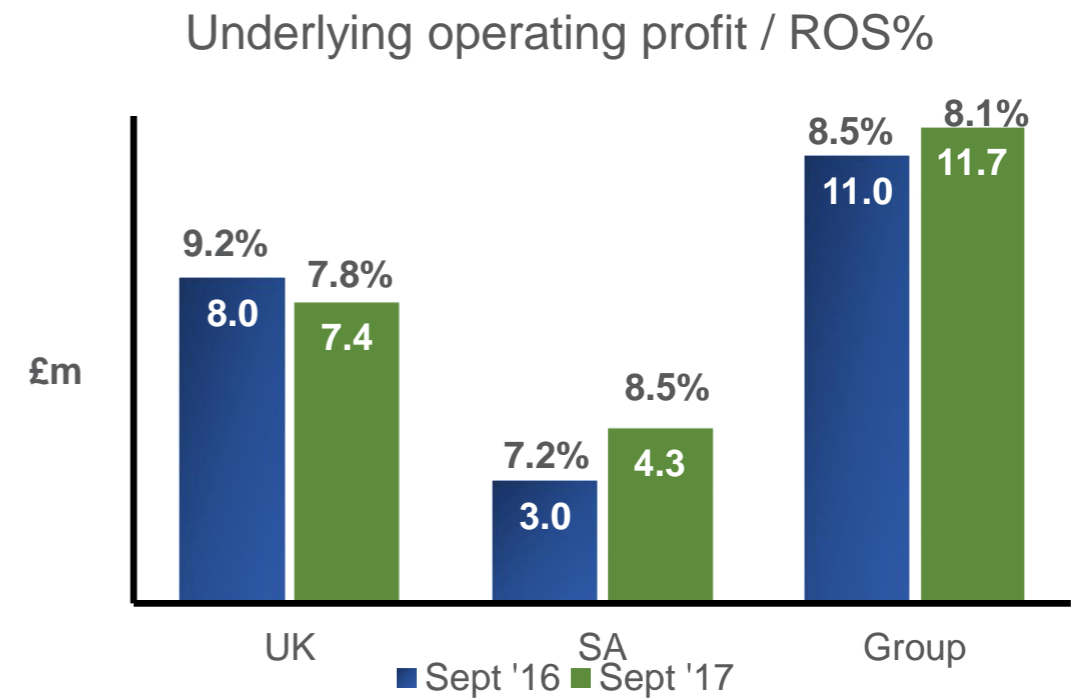
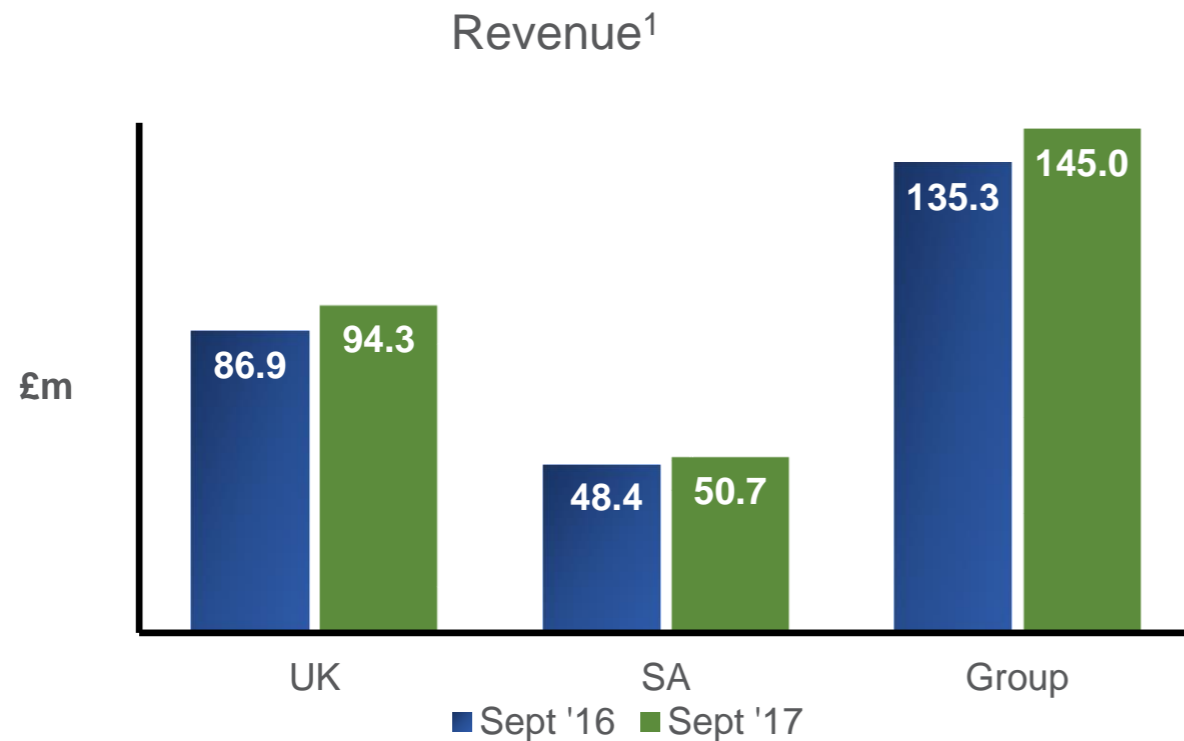
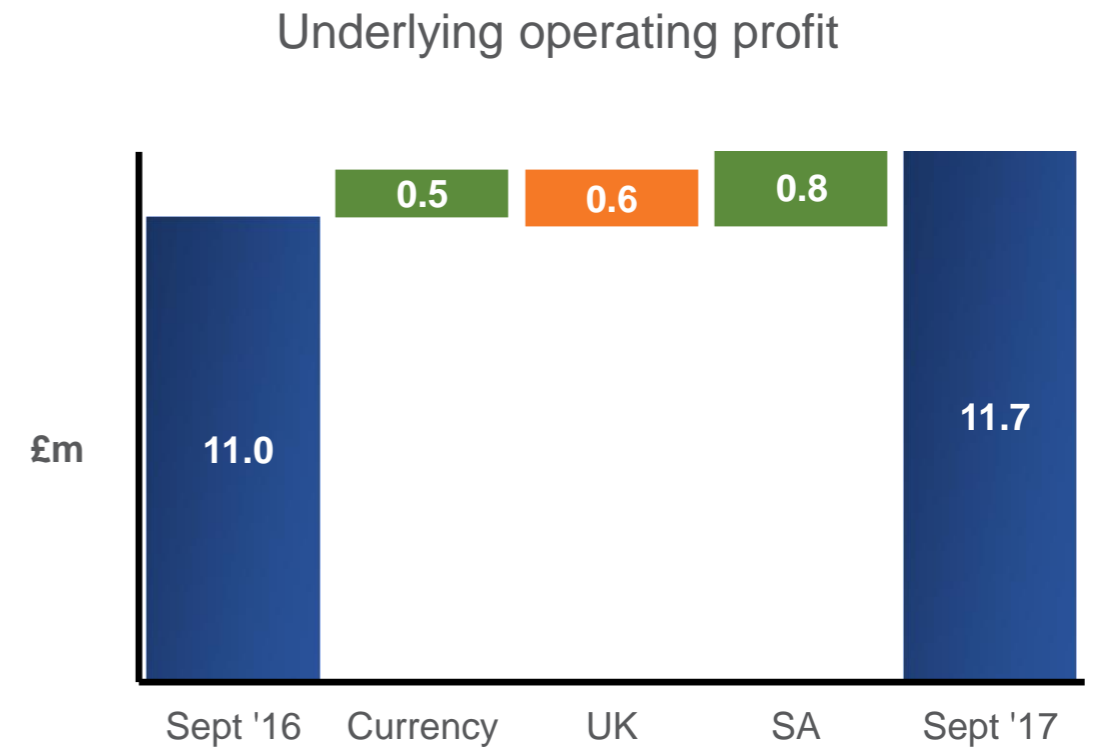
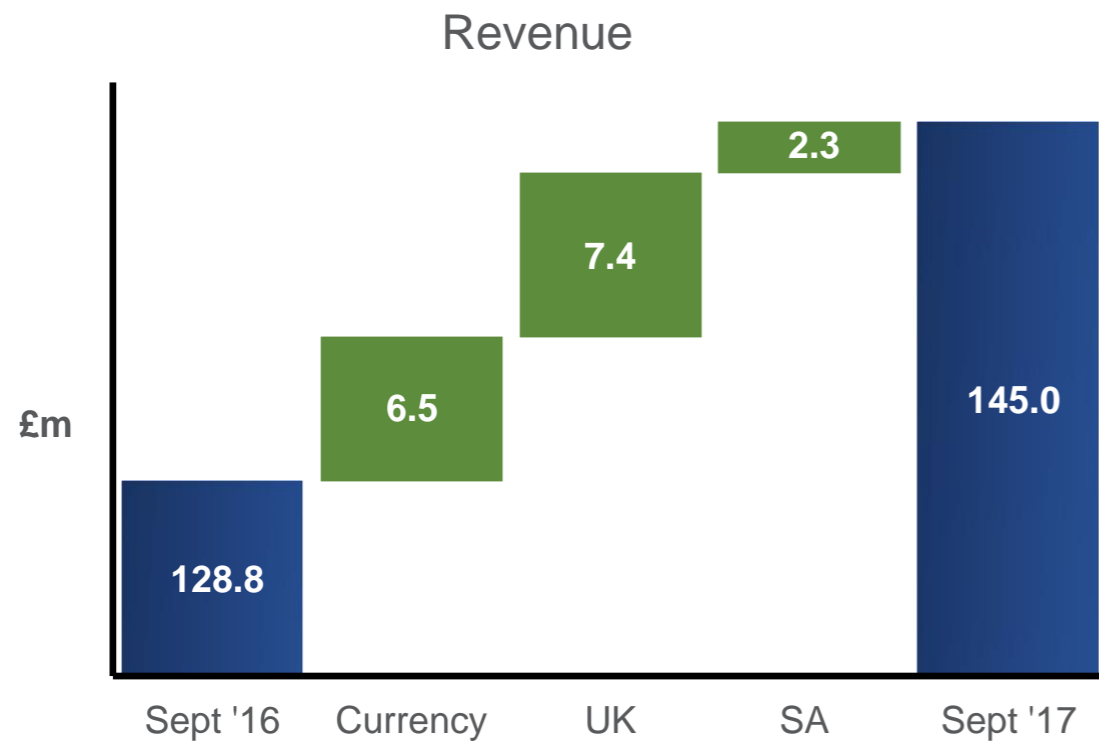
¹ Underlying means before exceptional operating items, IAS19R admin costs, acquisition related costs and where relevant, non-cash finance costs

² Business unit restructuring

³ See page 36 for details

⁴ Includes £1.8m increase in charges relating to “mark to market” on FX forward contracts

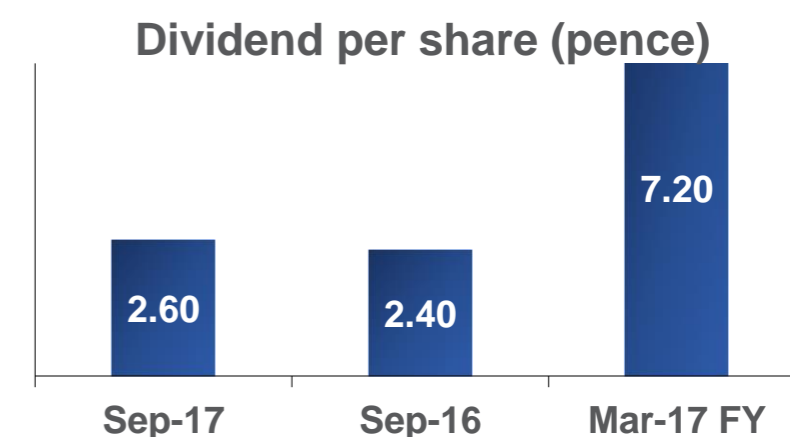
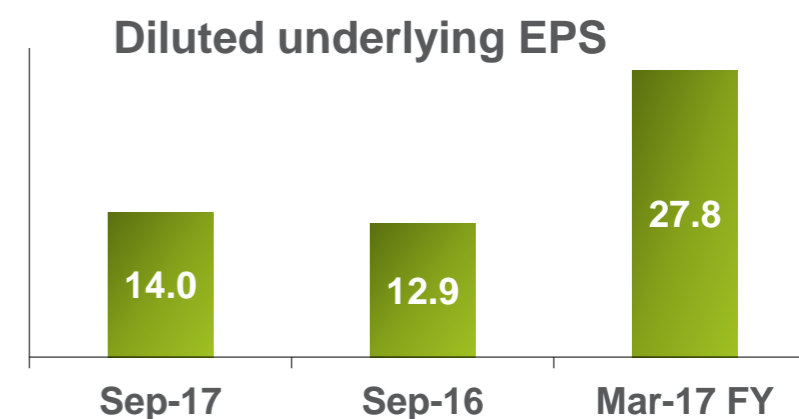
Income Statement – Key Bridges



¹ Constant currency basis

Tax, Earnings and Dividends

	Underlying ¹			Reported		
	H1 Sept 2017 £m	H1 Sept 2016 £m	FY Mar 2017 £m	H1 Sept 2017 £m	H1 Sept 2016 £m	FY Mar 2017 £m
Profit before Tax	11.5	10.5	22.9	7.4	7.7	11.5
Tax charge	(2.6)	(2.4)	(5.3)	(1.9)	(1.6)	(3.0)
Earnings	8.9	8.1	17.6	5.5	6.1	8.5
Effective Tax rate	22.6%	22.9%	23.1%	25.7%	20.8%	26.1%



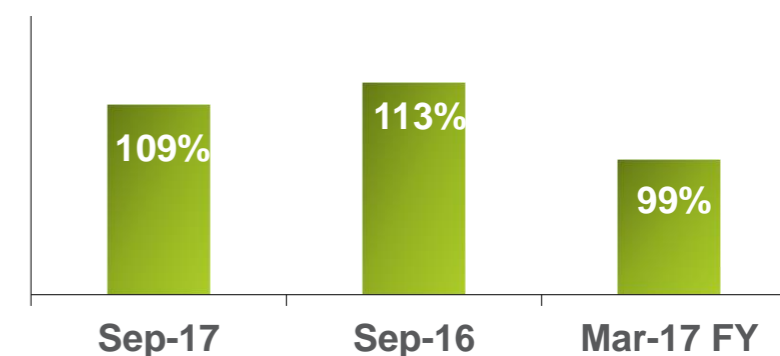
- Effective underlying tax rate of 22.6% (2016:22.9%)
- Diluted underlying¹ EPS up 8.5% at 14.0p (2016: 12.9p)
- Interim dividend up 8.3% to 2.6p (2016: 2.4p)

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

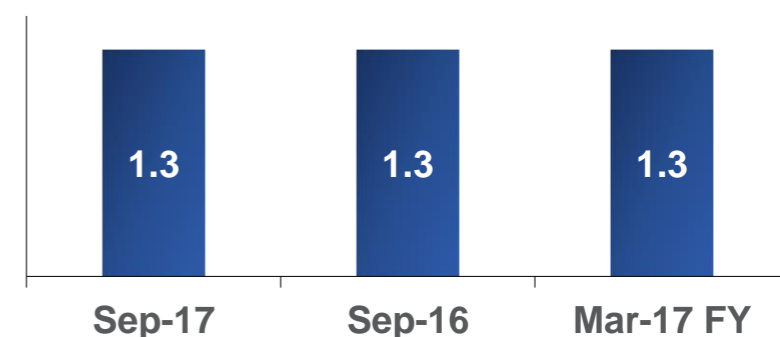
Cash Flow

	H1 Sept 2017 £m	H1 Sept 2016 £m	FY Mar 2017 £m
Underlying EBITDA	14.8	14.1	30.2
Working capital	0.7	1.2	(1.8)
Share based payments	0.7	0.7	1.4
Underlying operating cash	16.2	16.0	29.8
Capital expenditure	(4.1)	(4.0)	(8.0)
Pension deficit recovery	(1.3)	(1.2)	(2.5)
Tax	(2.5)	0.4	(1.9)
Underlying free cash flow pre financing and dividends	8.3	11.2	17.4
Exceptional & acquisition related costs	(2.0)	(1.0)	(1.8)
Interest	(0.2)	(0.8)	(0.9)
Dividends	(3.0)	(2.7)	(4.2)
Acquisition of subsidiaries	-	(2.7)	(2.7)
New shares issued	0.4	-	-
Net Cash Flow	3.5	4.0	7.8

Cash conversion¹



Capex / Depreciation (times)



¹ Underlying Operating Cash Flow / Underlying EBITDA

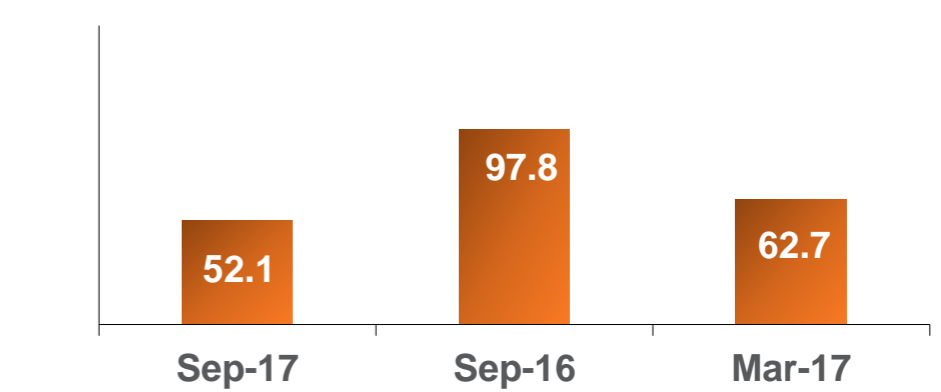
Balance Sheet

➤ IAS19R deficit reduced to £52.1m (March 17: £62.7m, September 16: £97.8m)

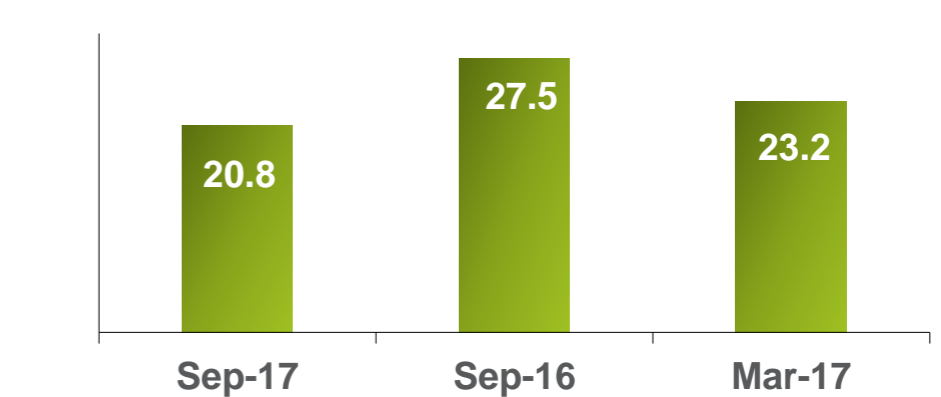
➤ Strong cash generation reduced net debt to £20.8m (March 17: £23.2m, September 16: £27.5m)

➤ Leverage 0.7 times underlying EBITDA

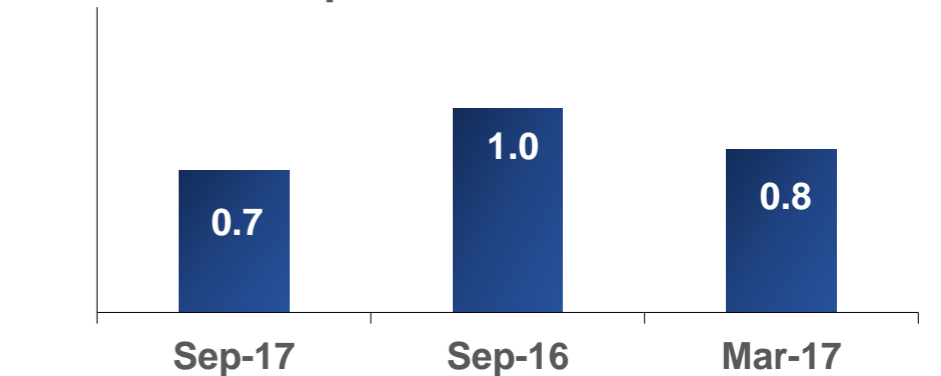
IAS 19 Gross UK Pension Deficit



Net debt (IFRS)



Leverage - Net debt (IFRS) to pro-forma EBITDA



Merlyn Financial highlights & Funding structure

Financial Highlights

- Revenue £30.7m, EBIT £6.4m, EBITDA £6.8m (Y/E 31 March 2017)
- Expected to be earnings accretive in first full year to 31 March 2019
- Targeted to deliver pre-tax ROCE in excess of 13% in Y/E 31 March 2019

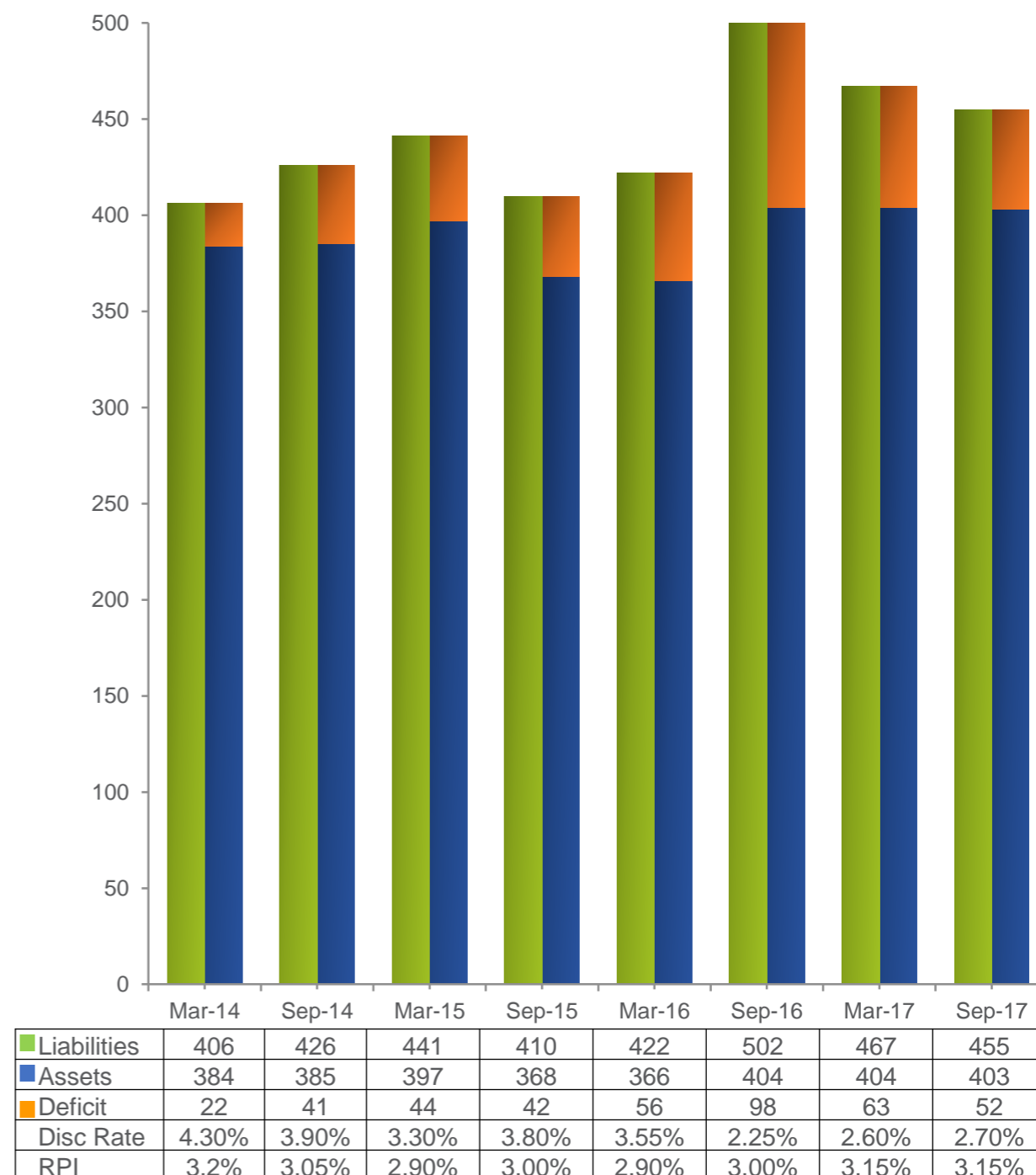
Funding structure

- Consideration £60m debt free, cash free basis (subject to certain adjustments)
- Funding structure
 - Equity £31.4m, 18,254,161 new shares issued, eligible for interim dividend
 - Bank debt facility increased to £120m plus £30m accordion.
 - Maturity extended to November 2021 (with option to extend to November 2022)
- Pro forma Net Debt to EBITDA 1.3x at March 2018
- Provides capital flexibility to execute on growth opportunities

UK Pension Scheme

- IAS 19R deficit £52.1m (March 17: £62.7m, September 16: £97.8m)
 - Assets reduced by £1.8m to £402.6m
 - Liabilities reduced by £12.4m to £454.7m primarily as a result of a higher discount rate of 2.70% (March 2017: 2.60%)
- Super-mature scheme
 - 7,484 members (March 2017: 7,621). 68% of pensioners with average age 77
 - Annual pensioner payroll near peak at £20m pa
- Scheme closed to new entrants and future accrual in April 2013
- Recovery plan in place since April 2016
 - 10 years at £2.5m per annum + CPI
- Next triennial valuation due 31 March 2018
- Company focused on covenant improvement
 - Beneficial to all stakeholders

UK Pension IAS 19R Assets & Liabilities



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Operating Review

Nick Kelsall
Group Chief
Executive

Business Overview

Group Revenue (6 months to 30 September 2017)



Group Revenue (constant currency)

UK	SA	Group
£94.3m	£50.7m	£145.0m
£ 24.5m		
£ 20.8m		
£ 12.3m		
£ 6.5m		
£ 25.8m		
£ 4.4m		
	£ 5.9m	
	£ 12.3m	
	£ 32.5m	
+8.5%	+4.8%	+7.2%



UK Operations

**Nick Kelsall
Group Chief
Executive**

Solid H1 Performance

- Overall Revenue + 7.0%
 - UK + 4.8%
 - Exports +16.7%
- Robust performance despite customer destocking & rationalisation
- Market leading position maintained
- UK Trade – more stable off take
- UK Retail – growth in online channels offset by lacklustre DIY
- Strong Export growth driven by success of T90SR in Ireland
- “See you first thing Britain” – National TV and brand campaign
- Digital mixer launch early 2018 – joint development with VADO
- Strong NPD ~ 25% of sales from products launched in past 3 years
- Profit ahead of prior year; highly cash generative



Strong Revenue Growth - Profitability Maintained

- Overall Revenue +25.3%
 - UK +18.0%
 - Exports +50.0%

- Strong progress across all channels:
 - Retail – growth in existing accounts
 - Specification – strong growth and new housebuilder accounts
 - New Glastonbury warehouse to facilitate growth
 - VADO launch into Material Lab – London Design Studio

- Middle East export strategy delivering results:
 - Robust pipeline; improved stockholding; additional resource
 - Strong performances in Africa, Sri Lanka and New Zealand

- NPD momentum:
 - 3 major new top-end ranges launched since April
 - Product launched in the past 3 years ~ 29% of total sales

- Investment in sales and marketing and profitability maintained

VADO

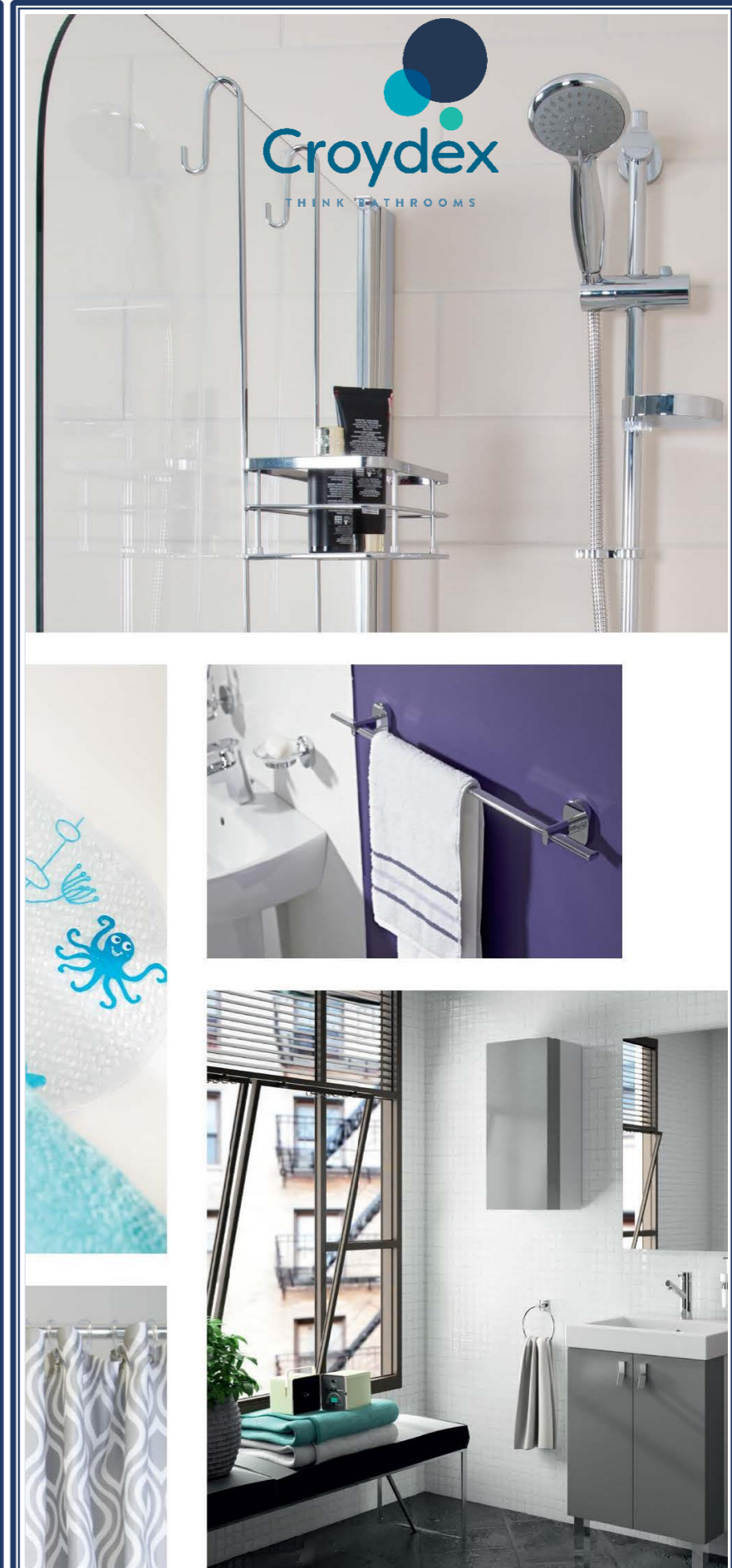


VADO winner of
the 'Best Bathroom
Tap Brand 2017'



Strong Profitability & Cash Generation

- Overall Revenue + 0.8%
 - UK - 10.8%
 - Exports +118.2%
- UK Retail – H1 customer destocking and soft DIY
- UK Trade – robust performance and focus for growth:
 - “Metlex” trade brand relaunch
 - New ranges of specification focussed products
- Outstanding export performance – momentum in USA and Germany
- Strong NPD momentum:
 - ~40% of sales from products launched in past 3 years
 - Next generation ‘No More Movement’ toilet seats - Q3 launch
 - Leveraging Flexi Fix, Hang n Lock, Stick n Lock across all channels
- Group sales into Tile Africa – strong consumer acceptance
- Strong profitability and cash generation



Strong H1 Performance

- Overall Revenue + 16.1%
- Excellent H1 revenue performance – increasing momentum
- Major new account wins: Travis Perkins, Benchmarx and Wickes
- Branded revenue growth across all product categories
- NPD momentum maintained:
 - Strong sales of PRONTEAU “3-in-1” hot water tap
 - New tap and new sink designs to launch 2018
- Designer Kitchen & Bathroom Awards - Gold Design Award
- Supply chain opportunities progressing – leveraging Group expertise
- Good profits and cash generation



Revenue Growth and Restructuring On Plan

- Overall Revenue + 1.6%
 - UK + 4.0%
 - Exports - 16.7%

- Improved UK Retail & robust Trade offset challenging Export

- UK Retail + 9.8% – improved performance despite challenging market

- UK Trade - 0.8% – robust specification and housebuilder channel offset by soft social housing sector

- Export – tough market environment:
 - Exit from low margin Middle East business
 - Lacklustre French market
 - Adverse political situation impacting Oman & Qatar

- CristalGrip – rolled out in France & trials in Spain

- Operations restructure to improve performance and manufacturing flexibility – progressing to plan

- CristalGrip start up costs and timing of restructuring benefits resulted in a H1 operating loss



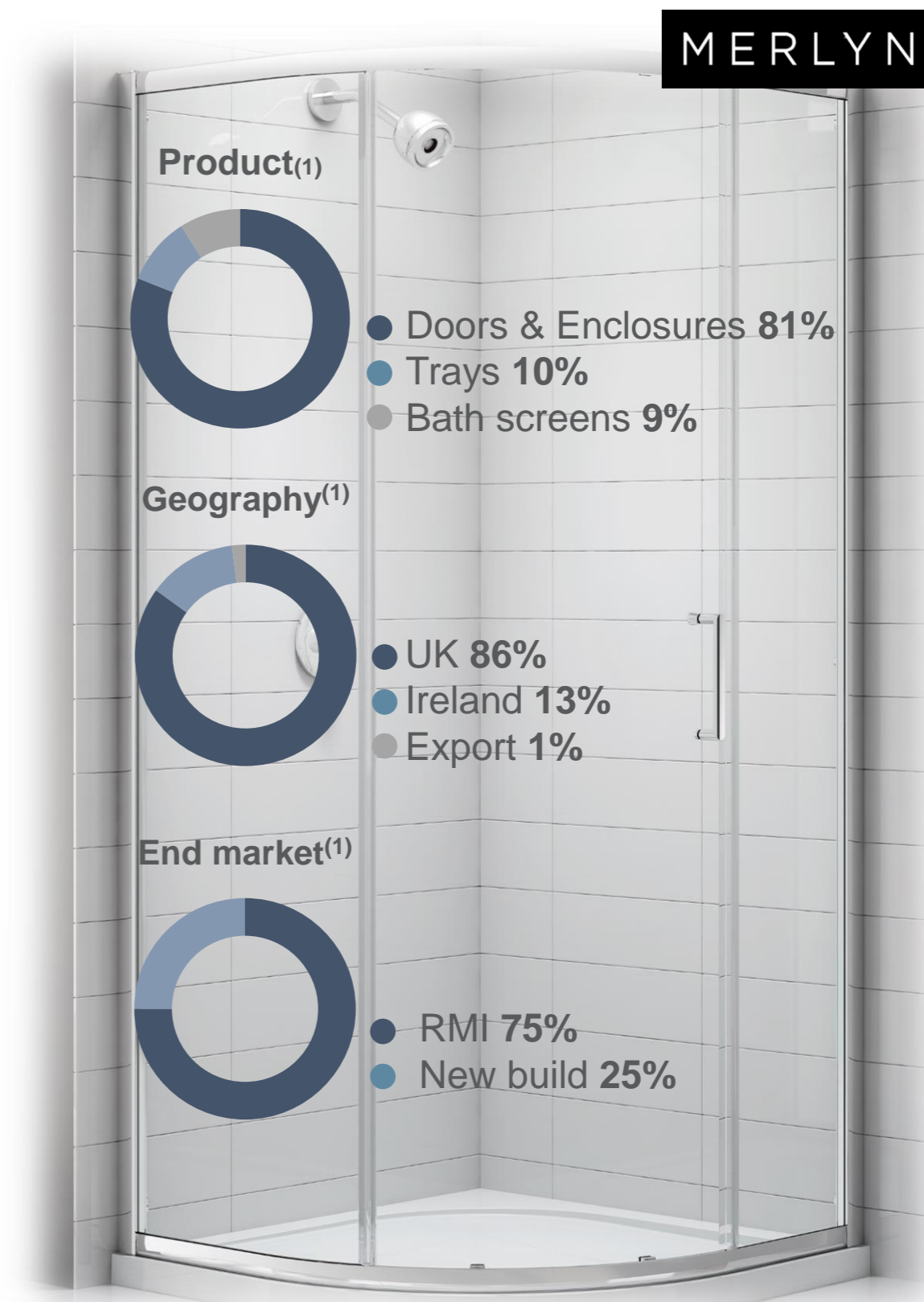
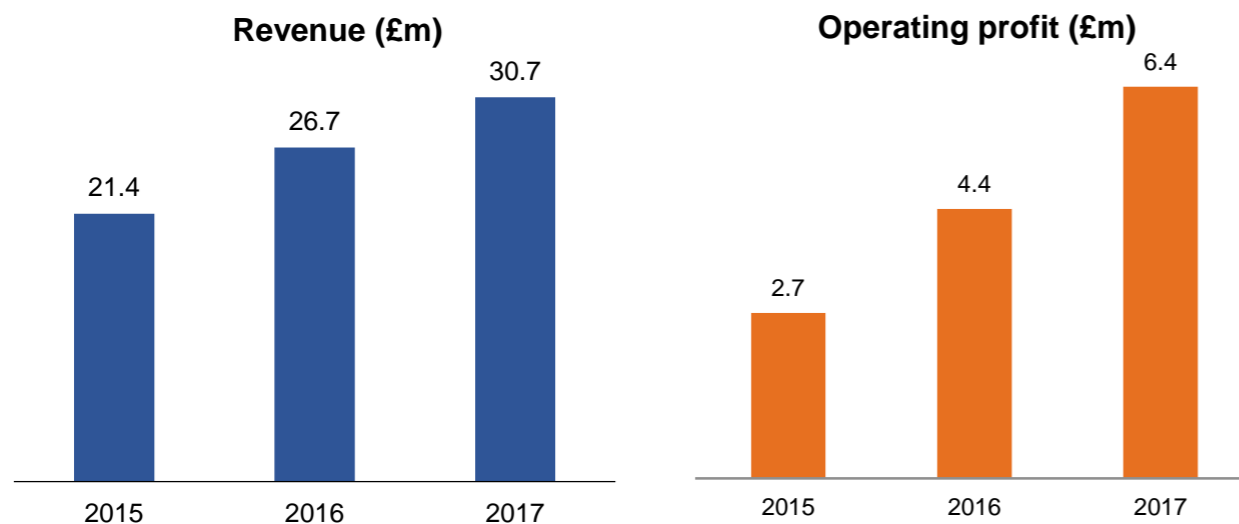
Strong Export Momentum

- Overall Revenue + 4.8%
 - UK 0.0%
 - Exports +66.7%
- UK performance impacted by exit of low margin retail account in H2 FY17
- Robust trade revenues in a subdued market
- Middle East – revenue momentum:
 - Warehouse established; shared office facility with VADO
 - Increased sales of specialist products
 - Solid project pipeline
- Investment sustained in NPD:
 - “Pro Gyp-base” – fast track anhydrite screed system
 - 4 in 1 Grouts – efflorescent resistant
- Further infrastructure investment – capacity upgrade and warehouse management system
- Profits marginally below prior year but strong revenue momentum



Compelling Strategic Fit

- Leading position in growing shower enclosure market
- Premium branded proposition
- Culture of innovation and product development
- Successful multi-channel sales strategy
- Track record of organic growth; highly profitable and cash generative
- Further growth opportunities



2017

DELOITTE BEST MANAGED COMPANY

2016

INNOVATION 4 GROWTH PROGRAMME
MOST INNOVATIVE COMPANY

2016

CCMA CONTACT CENTRE OF THE YEAR

2015

EY ENTREPRENEUR OF THE
YEAR FINALIST

Compelling strategic fit - Multi Channel Strategy

MERLYN

Independent Retail / Regional Merchants

Largest and most established of Merlyn's sales channels, with the Business serving this market since inception in 2000.

% revenue ⁽¹⁾

62%



Specification

Recognising the opportunity to develop in the new build market, Merlyn began specifically targeting the Specification channel in 2013.

22%



National Merchants

Following Merlyn's success in the Independent channel, the Business began directly targeting the national merchants in 2011, with the 4 major players in the space.

12%



Distribution

Merlyn has served the Distribution market since 2005. Customers in this channel are primarily specialist bathroom product distributors who typically buy in bulk and sell on to independent merchants and specifiers using their own catalogues.

4%



(1) Percentages relate to gross revenue pre-rebates and are unaudited

Compelling Strategic Fit

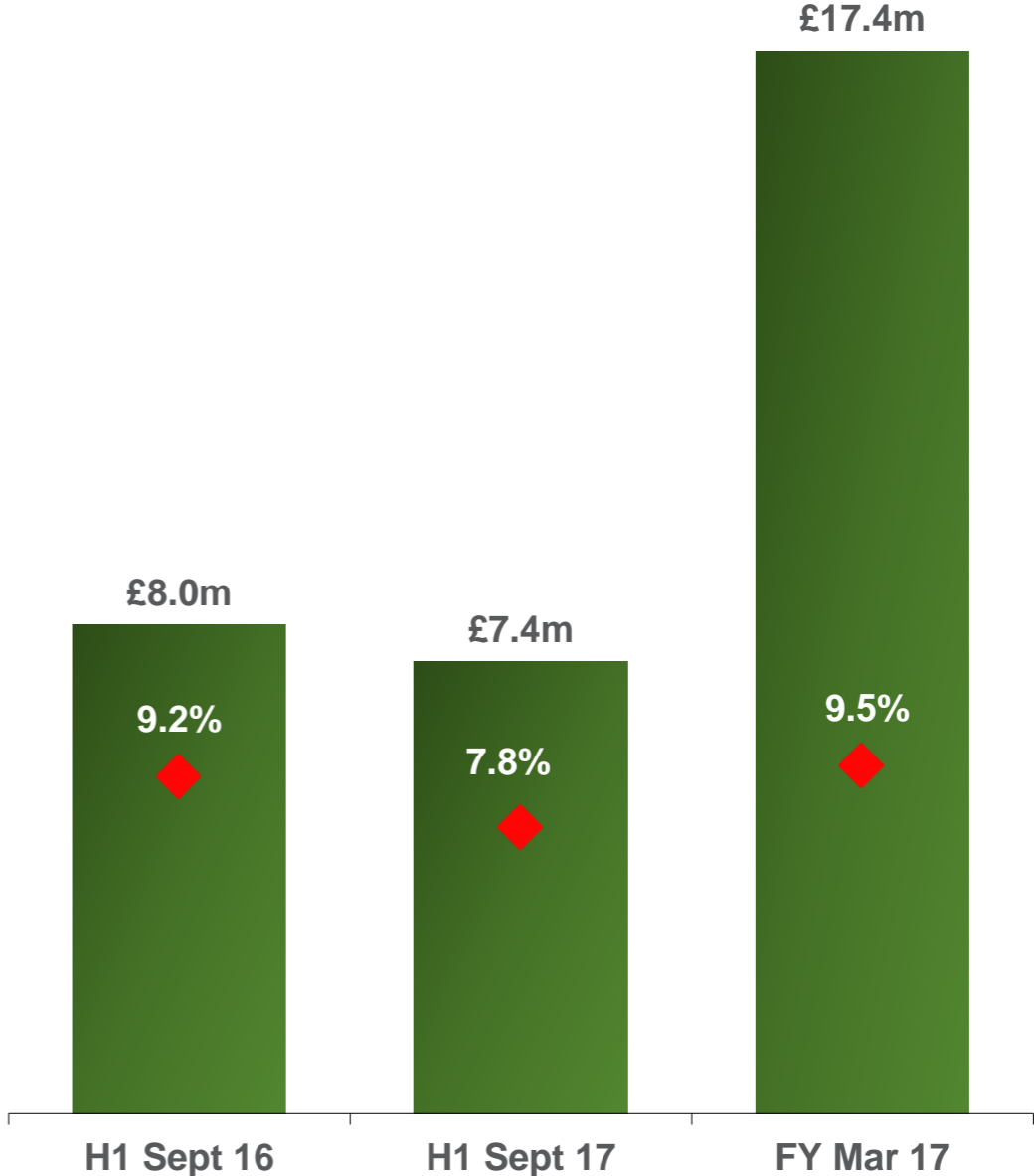
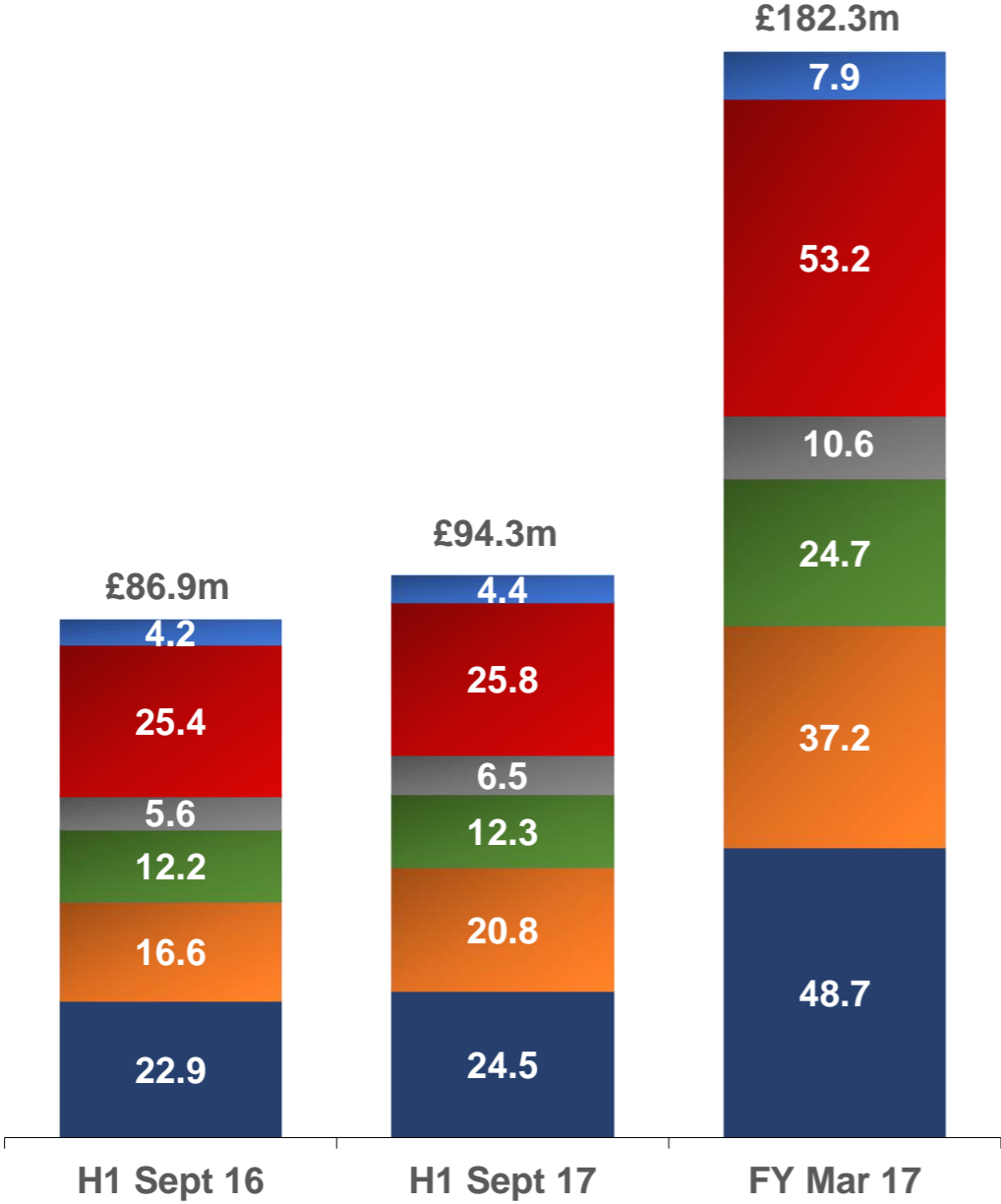
- Market leader in the UK and Ireland:
 - Multi-brand/channel sales strategy
 - Culture of innovation and design led product development
 - Operational excellence – 99% OTIF and Stock Availability
 - Award winning customer service
- Attractive channel mix:
 - Independent retailers and regional merchants
 - Specification
 - National Merchants
 - Distribution
- Operations (Kilkenny, Ireland & West Bromwich, UK):
 - Strong management team
 - Low capital intensity and scalability
 - Components sourced from the Far East
 - 84 employees
- Stand alone business unit – focus and business as usual
- Significant growth opportunities – enhanced by Norcros ownership
- Meaningful revenue synergies - customers/channels/specification
- Potential new export markets - SA, ME, France



UK – Revenue Growth in Challenging Markets

Revenue

Underlying Operating Profit



- Triton
- Vado
- Croydex
- Abode
- Johnson Tiles
- Adhesives

- Underlying Operating Profit
- ◆ Return on Sales %



SA Operations

Nick Kelsall
Group Chief
Executive

Strong Performance Constrained by Capacity

- Overall revenue - 3.3% at constant currency¹
- Growth constrained by current plant capacity:
 - Plan to deliver 10% increase
- Focus on servicing demand from Tile Africa
- Market remains soft; subdued housebuilding activity
- Export revenues – impact of Zimbabwe financial & import restrictions
- NPD momentum maintained:
 - ~50% revenues from products launched in prior three years
 - “Johnsons White” & new & updated ranges successfully launched
- Sustained strong manufacturing performance
- Profits ahead of prior year

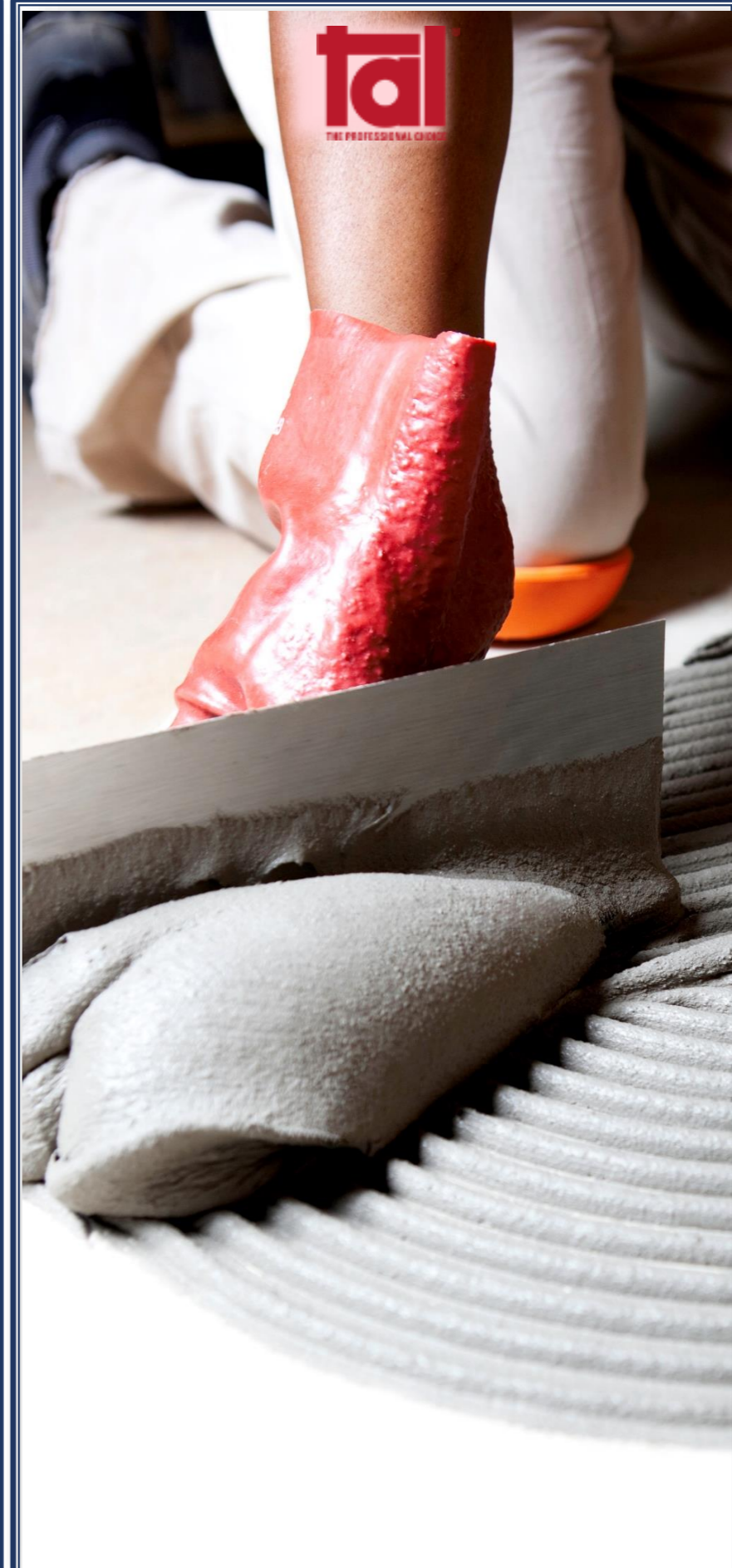
¹ Excludes inter-company sales to Tile Africa



Strong Revenue and Profit Growth

- Overall revenue + 5.1% at constant currency¹
- Market leadership maintained
- Tile adhesive – growth driven by long standing key customers
- Construction products – progress in large commercial projects
- Export revenues – impact of Zimbabwe financial & import restrictions
- Sustained production performance in all three plants:
 - Further investment to enhance capacity & efficiency
- Extensive NPD continues:
 - Tile-to-Tile and water based epoxy grout launched; positive feedback
 - Robust pipeline of further initiatives
- Continued strong profit and cash generation; ahead of prior year

¹ Excludes inter-company sales to Tile Africa



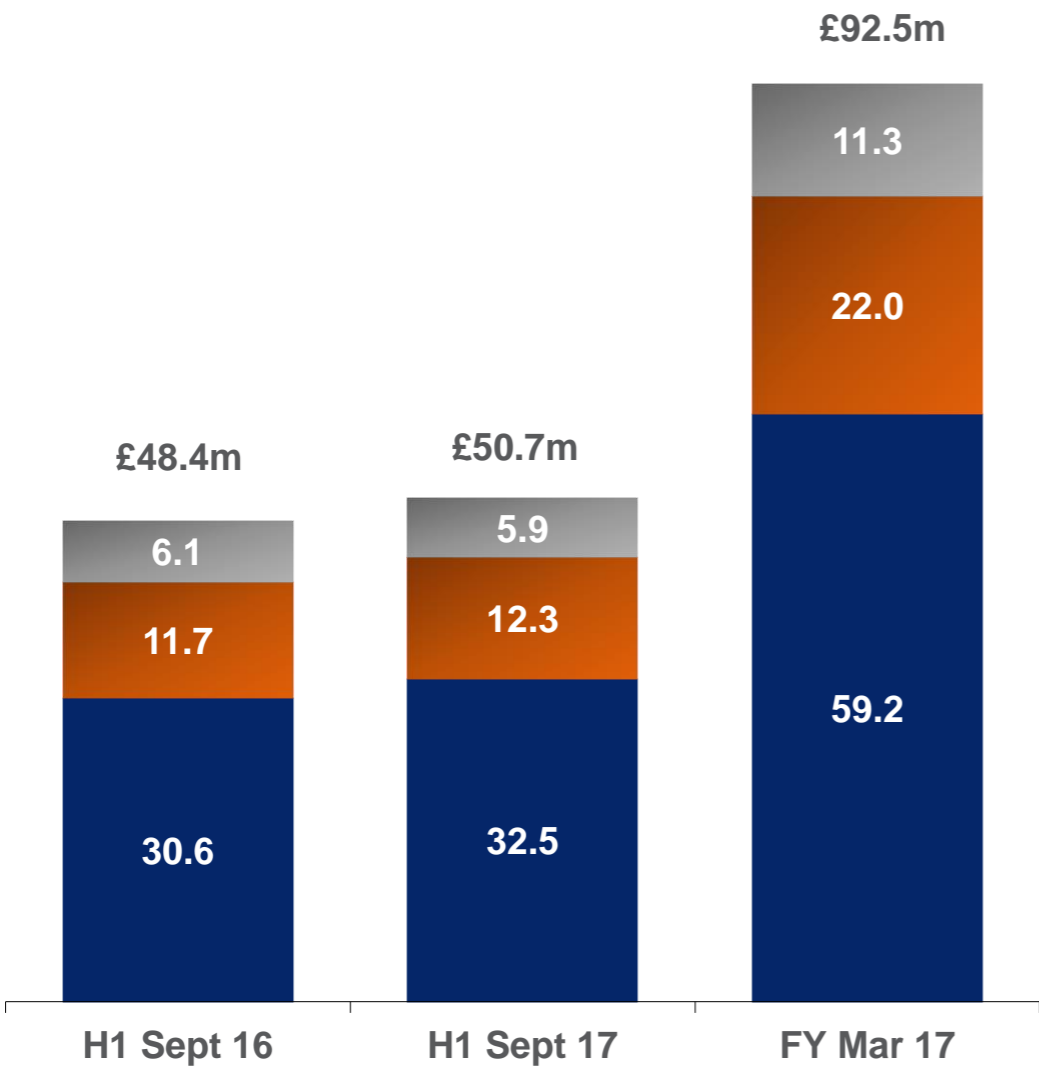
Retail Growth Driven by CX Format

- Overall revenue + 6.2% at constant currency
- Retail revenue growth despite challenging macro environment
- CX format “store-within-a-store” continues to drive performance
- Contract division – project delays impacting growth
- Growth across all categories - taps, showers, sanitary ware, bathroom fittings, tiles & adhesives
- Group synergies – continued progress:
 - Croydex accessories – strong momentum
 - VADO & Evox ranges – 74% of H1 tap sales
- 32 stores & 2 franchises – new store and refurbishment pipeline:
 - New Clearwater store opened October
 - 2 stores to refurbish to CX format FY18
 - 2 new stores FY19
- Good profit and cash generation

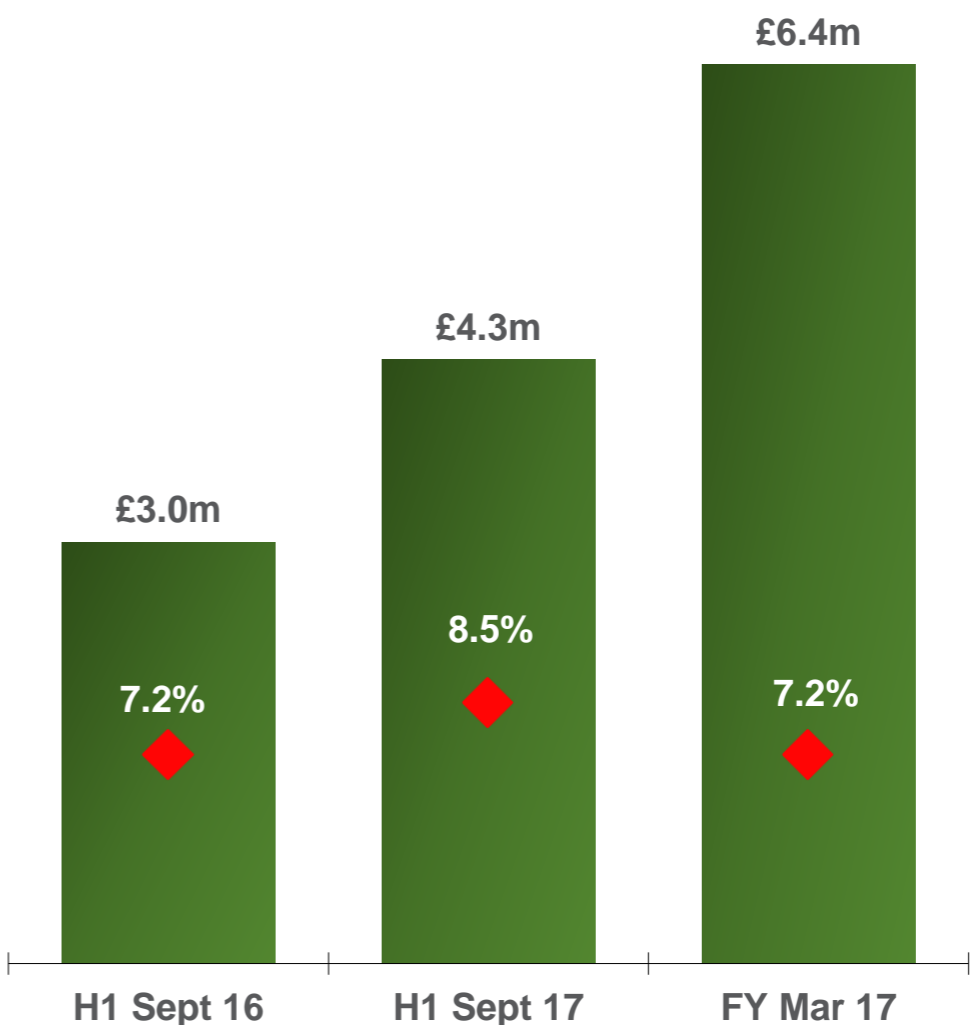


South Africa – Strong H1 Profit Growth

Revenue ¹



Underlying Operating Profit



■ Tile Africa ■ TAL ■ Johnson Tiles ■ Underlying Operating Profit ◆ Return on Sales %

¹ On a constant currency basis

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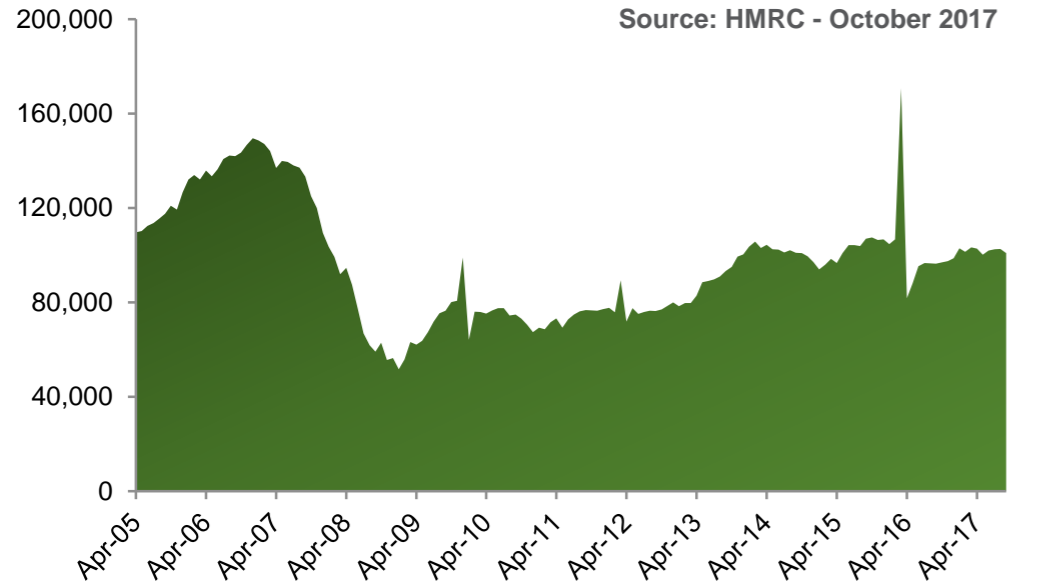
Group Outlook & Strategy

Nick Kelsall
Group Chief
Executive

UK

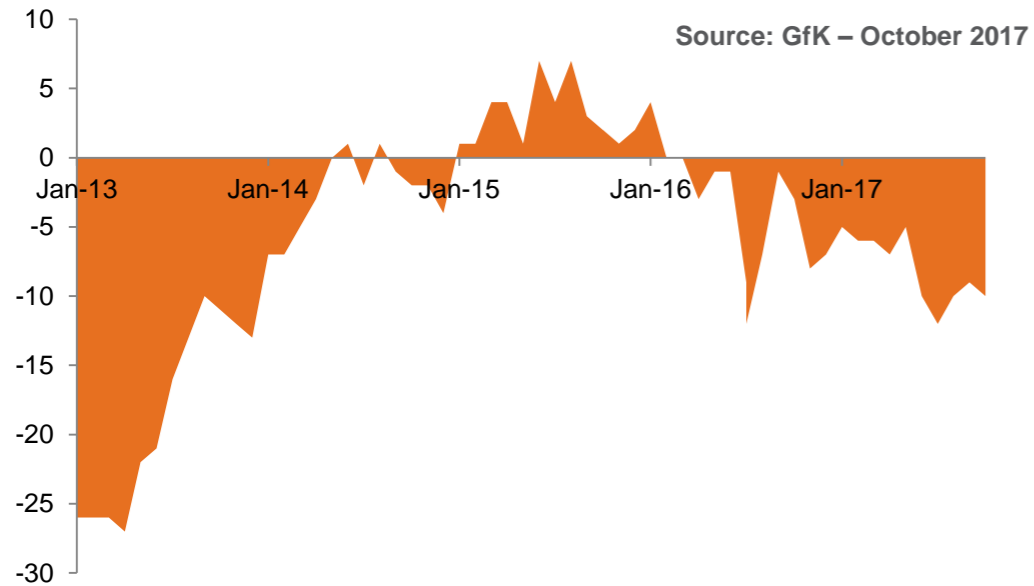
Subdued economic environment

Housing Transactions



Gradual recovery in transaction levels

GfK Consumer Confidence

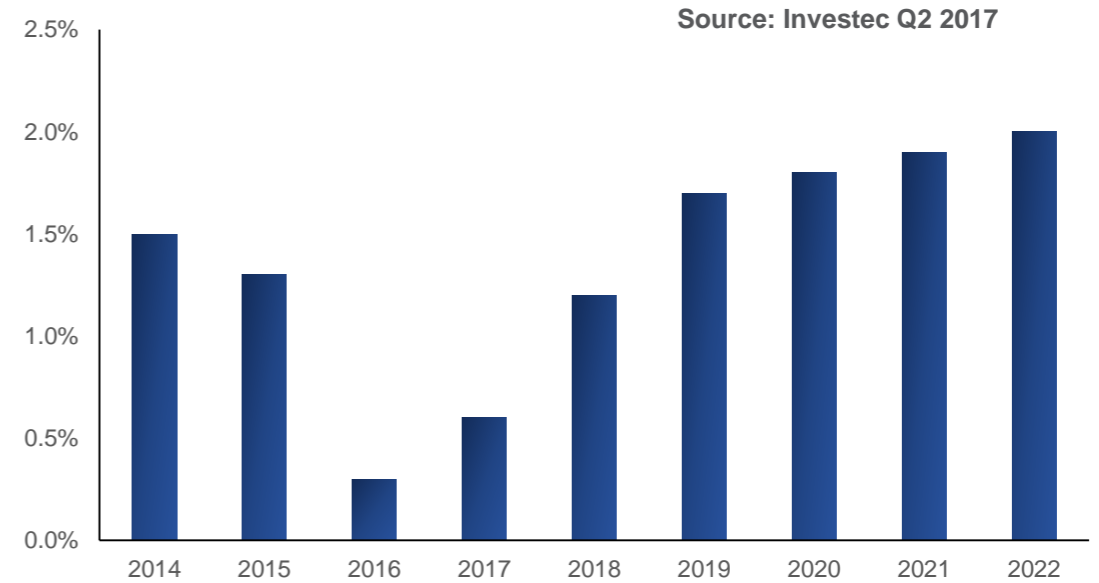


Volatile post Brexit

South Africa

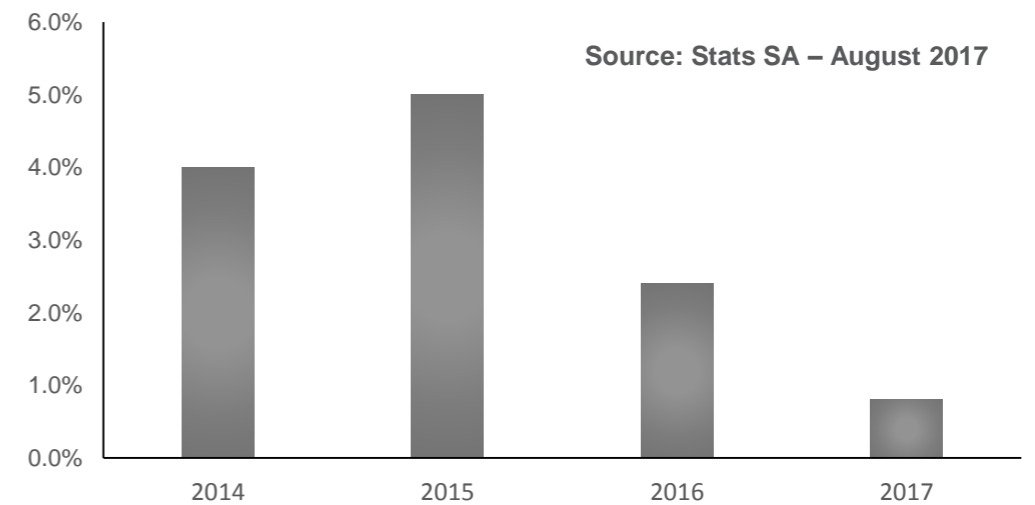
Remains challenging

GDP (% change)



Modest but improving outlook

Hardware/Paint/Glass Retail Sales (% change)



Subdued growth in key indicator for RMI

Group Strategy – Key Targets

Growth Target

- **Double revenues to £420m by 2018**
 - Organic and acquisition
 - Timeline to be reassessed in light of current year progress
- **Maintain 50% revenue derived from overseas**
- Focus on sectors with highest returns

Organic

- Market leading positions
- Strong trade and consumer brands
- Breadth of distribution
- 5 - 10% pa potential

Acquisition

- Complementary industry segments/geographical
- Bathroom controls and associated products
- Building/construction adhesives
- UK, SA, sub-Saharan Africa and Middle East

Returns Target

- **Sustainable pre-tax ROCE 12-15%**
- Improve returns from under-performing segments
- Invest in sectors with highest shareholder value return

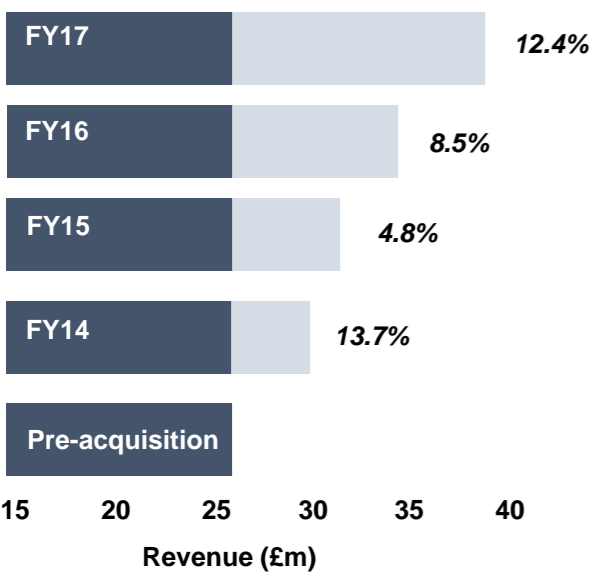
Acquisition Track Record and Merlyn



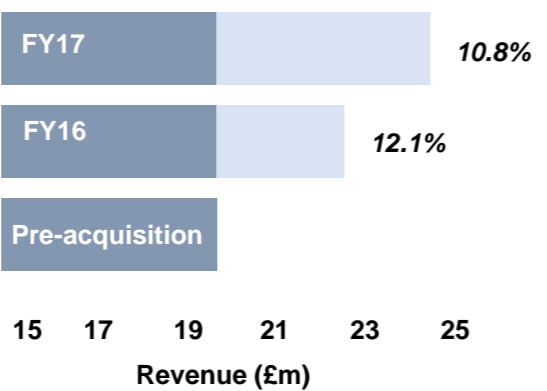
	Vado	Croydex	Abode	Merlyn
Group strategy				
1 Revenue target	✓	✓	✓	✓
2 Underlying ROCE of 12%-15%	✓	✓	✓	✓
3 Geographic fit	✓	✓	✓	✓
Acquisition criteria				
4 Complementary market	✓	✓	✓	✓
5 Preferred channel mix	✓	✓	✓	✓
6 Export potential	✓	✓	✓	✓
7 Growth potential	✓	✓	✓	✓

Management have a successful track record of acquiring and integrating complementary businesses and developing them

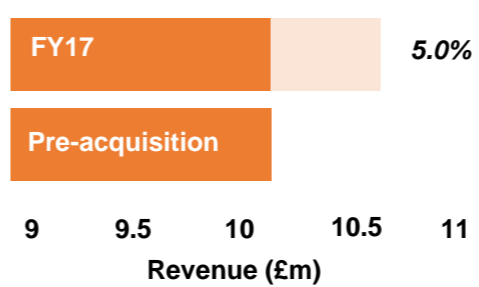
Vado⁽¹⁾ – April 2013: £16.0m



Croydex⁽²⁾ – June 2015: £20.0m



Abode – April 2016: £4.8m



- 3 successful acquisitions to date (funded by debt)
- Significant revenue growth achieved
- Materially earnings enhancing
- ROCE hurdle achieved

1. Pre-acquisition revenue to 31st December 2012
 2. FY16 revenue includes 3 months pre Norcross ownership; pre-acquisition revenue to 31st December 2014

Strong Platform for Further Growth

- Solid interim results in challenging market environments
- Clear and focused growth strategy
- Merlyn – compelling strategic fit:
 - Step change in size & scale of the Group
 - Pro-forma revenue £302m¹
 - Pro-forma underlying operating profit £30.2m¹
 - Meaningful synergies
- Capital flexibility to execute growth agenda:
 - Organic growth opportunities
 - Well developed acquisition pipeline
- Capital discipline/hurdle rates maintained
- Strong foundation to progress development of the Group

¹ Source: Prospectus for proposed acquisition of Merlyn Industries Limited



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Appendix



Acquisition Related Costs

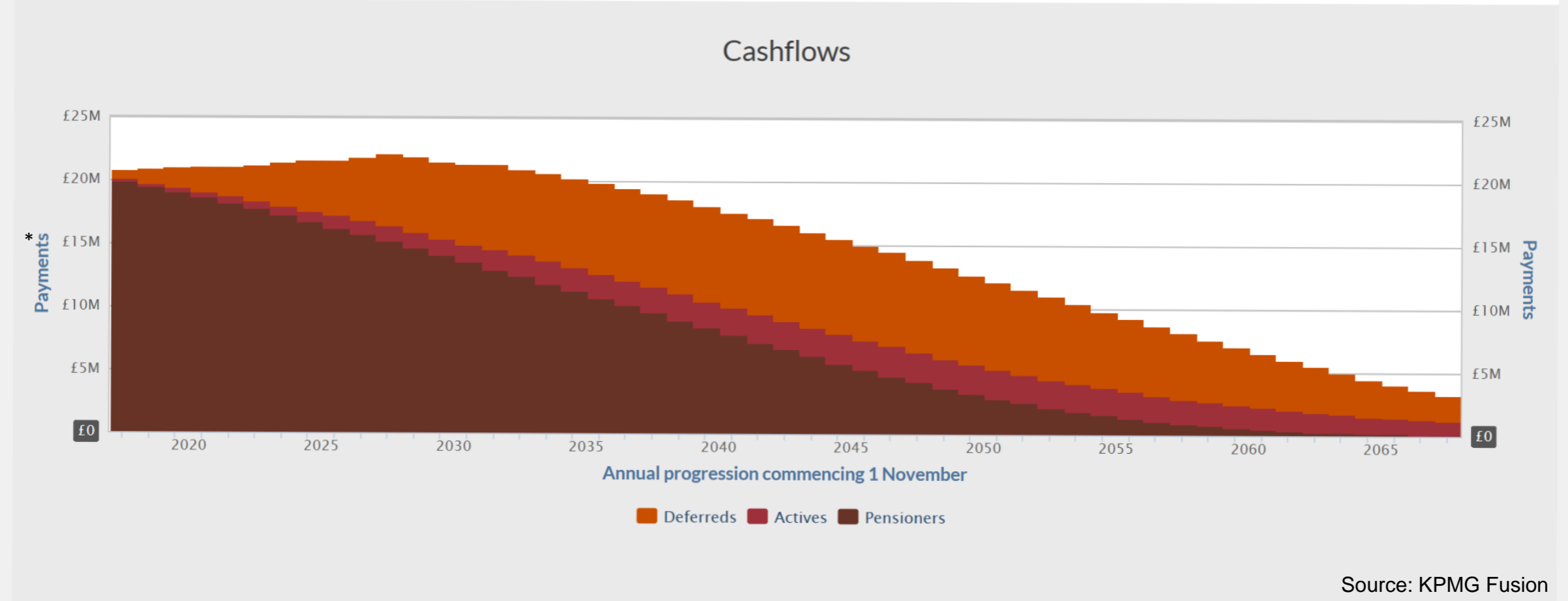
Acquisition related costs	H1 Sept 2017 £m	H1 Sept 2016 £m	FY Mar 2017 £m
Acquisition related deferred remuneration (earn out)	(0.2)	(0.2)	(0.4)
Intangible asset amortisation	(0.6)	(0.6)	(1.2)
Staff costs and advisory fees	(0.4)	(0.5)	(1.1)
	(1.2)	(1.3)	(2.7)

Net Debt Reconciliation

	H1 Sept 2017 £m	H1 Sept 2016 £m	FY Mar 2017 £m
Net debt (IFRS) – opening	(23.2)	(32.5)	(32.5)
Net cash flow	3.5	4.0	7.8
Other non cash movements	(0.1)	(0.1)	(0.2)
Foreign exchange	(1.0)	1.1	1.7
Net debt (IFRS) - closing	(20.8)	(27.5)	(23.2)

UK Pension Scheme cashflows

➤ Cash outflow close to peak



* Annual pensioner payroll, excludes non-predicted costs such as transfer out and early retirement payments

PLEASE NOTE: On 2 November 2017, Norcros plc announced the provisional acquisition of Merlyn Industries Limited (“Merlyn”). A circular and prospectus relating to the acquisition and associated equity raising was issued by the Company on 2 November 2017, and a supplementary prospectus incorporating by reference the interim results summarised in this document will be issued on or around 16 November 2017. Shareholders who are considering participation in the Capital Raising (as that term is defined in the prospectus) should only do so on the basis of the prospectus and supplementary prospectus.