



norcross

Preliminary Results

Year ended
31 March 2017

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Introduction

**Martin Towers
Chairman**



Highlights

- Eighth consecutive year of growth
- Underlying operating profit up 11.7% at £23.8m (2016: £21.3m)
- Strong cash generation – net debt reduced by £9.3m to £23.2m
- Underlying ROCE at 18.4% (2016: 18.3%) – ahead of strategic target
- Full year dividend increased by 9.1% to 7.2p

Revenue¹
£271.2m +15.0%

Underlying operating profit
£23.8m +11.7%

Underlying EPS
27.8p

Underlying operating cash flow
£29.8m +46%

Underlying ROCE %
18.4% +10bp

Dividend
7.2p +9.1%

¹ On a constant currency basis

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Financial Review

**Shaun Smith
Group Finance
Director**

Income Statement

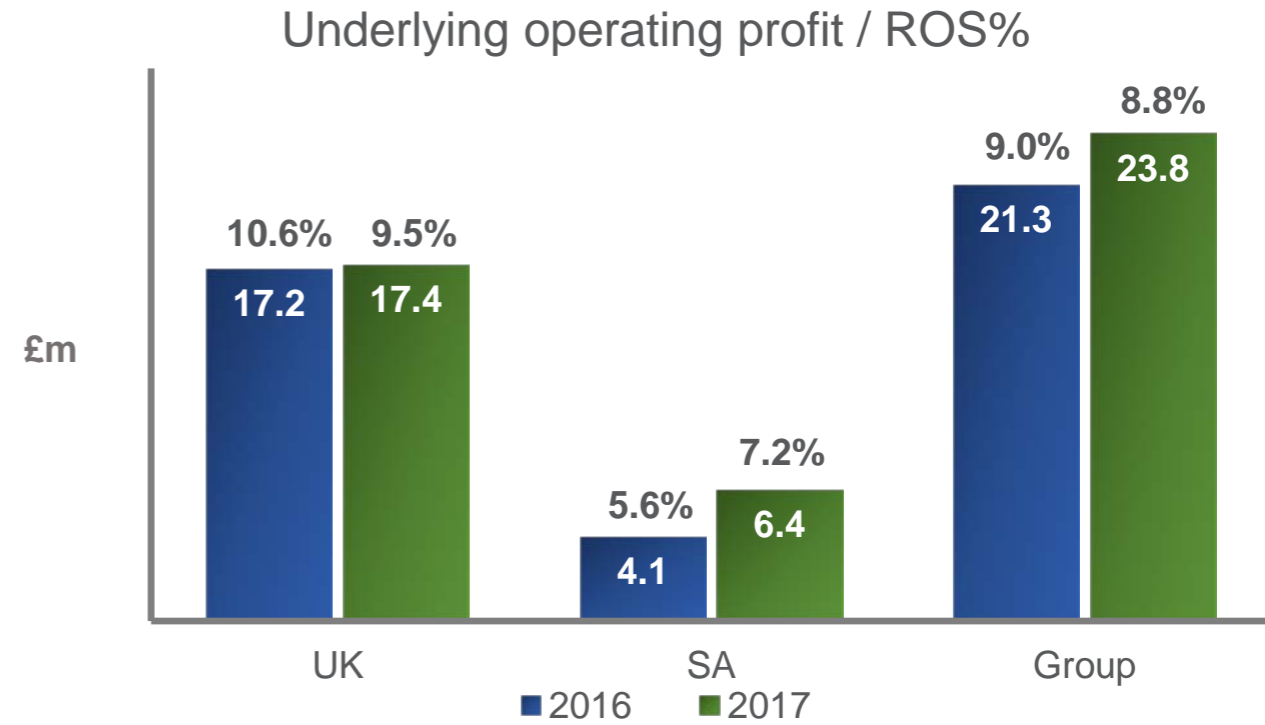
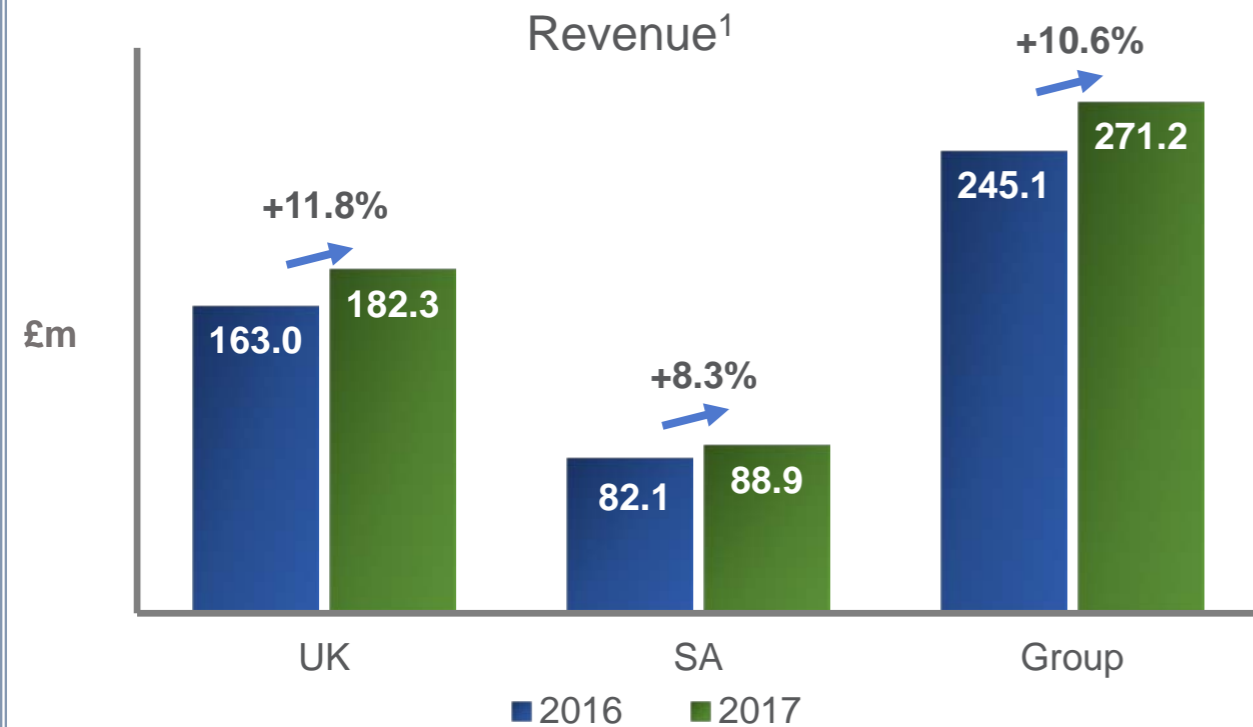
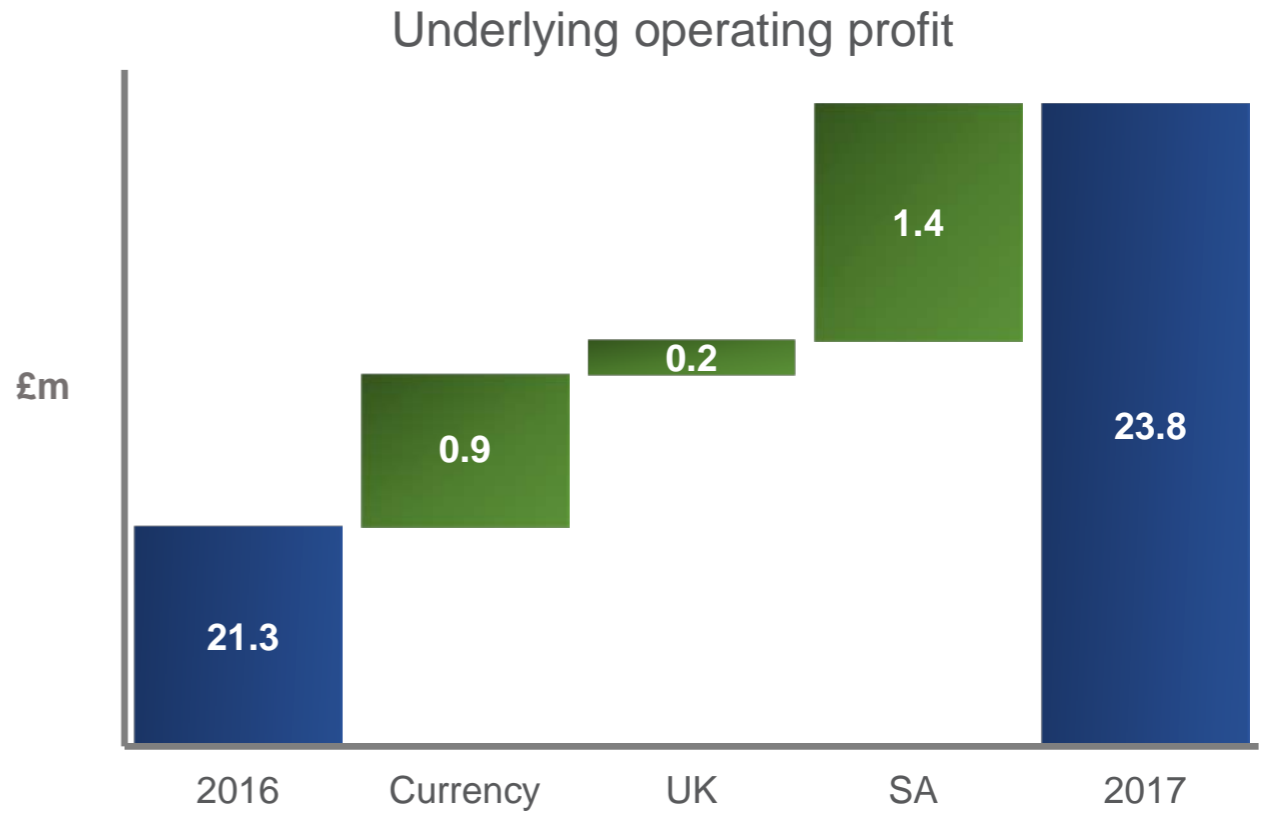
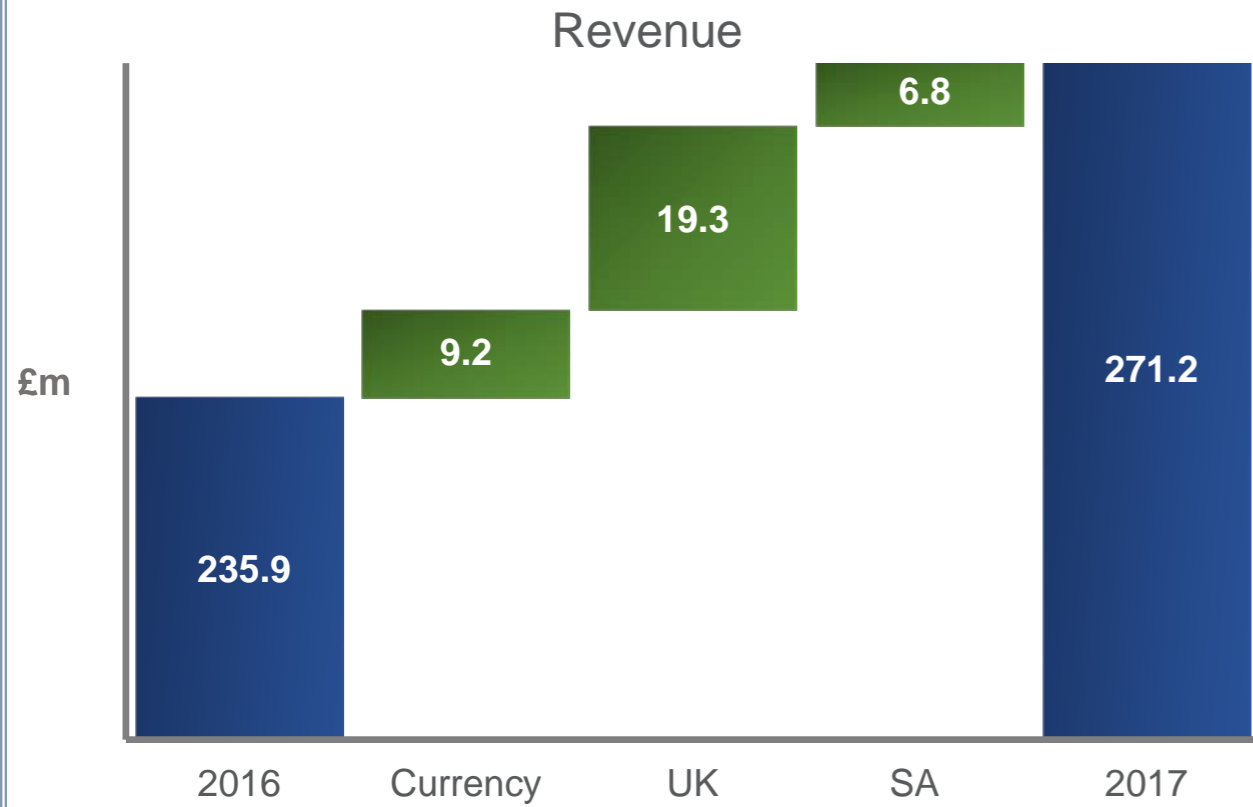
	2017	2016	+/-	+/-
	£m	£m	Reported	Constant Currency
Revenue	271.2	235.9	+15.0%	+10.6%
Underlying ¹ operating profit	23.8	21.3	+11.7%	+7.2%
<i>Margin</i>	8.8%	9.0%		
Finance charges – cash	(0.9)	(0.9)		
Underlying ¹ PBT	22.9	20.4	+12.3%	
Exceptional operating items ²	(2.3)	2.3		
IAS19R admin expenses	(2.0)	(1.7)		
Acquisition related costs ²	(2.7)	(5.2)		
Finance charges – non cash ³	(4.4)	(0.4)		
PBT as reported	11.5	15.4	-25.3%	

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

2 Business unit restructuring and acquisition costs, see Page 35 for details

3 Includes £3.4m increase in charges relating to “mark to market” on FX forward contracts

Income Statement – Key Bridges

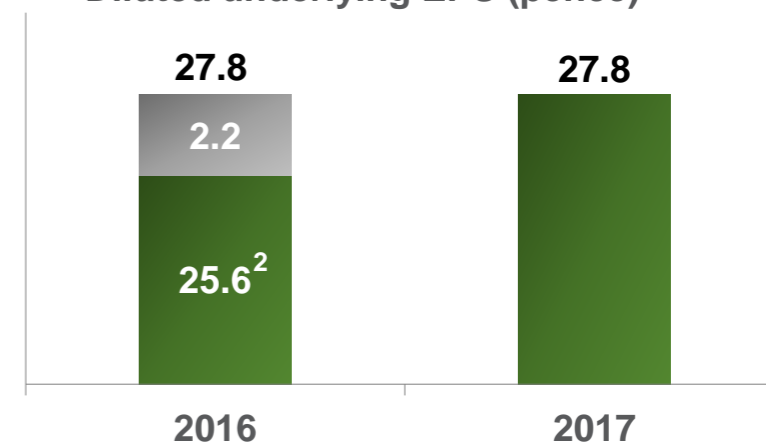


¹ Constant currency basis

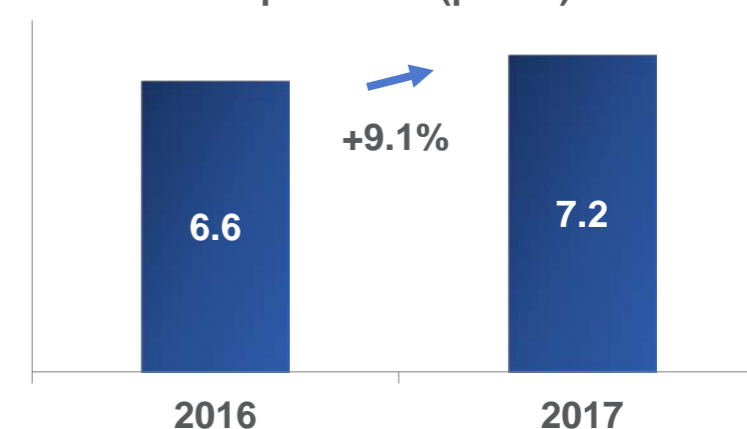
Tax, Earnings and Dividends

	Underlying ¹		Reported	
	2017 £m	2016 £m	2017 £m	2016 £m
Profit before Tax	22.9	20.4	11.5	15.4
Tax charge	(5.3)	(3.1)	(3.0)	(2.4)
Earnings	17.6	17.3	8.5	13.0
Effective Tax rate	23.1%	15.1%	26.1%	15.5%

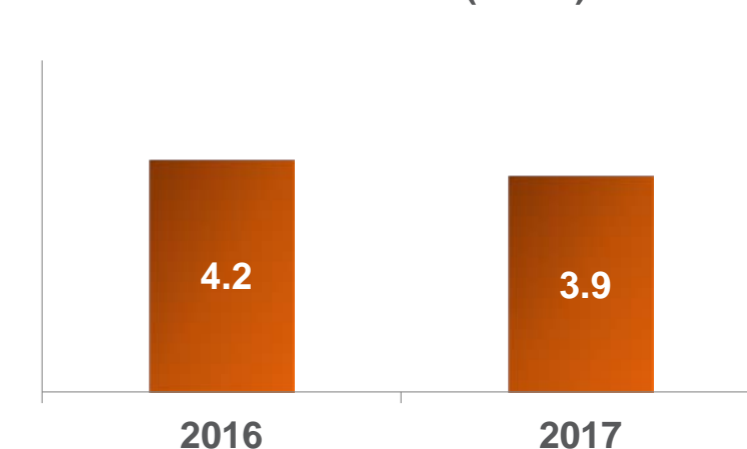
Diluted underlying EPS (pence)



Dividend per share (pence)



Dividend cover (times)



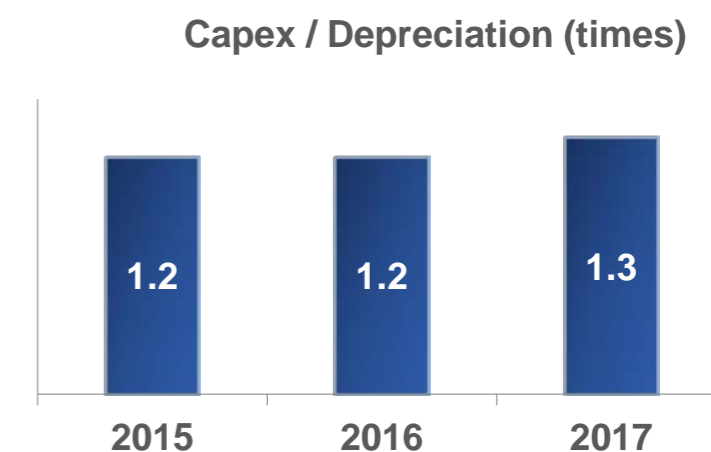
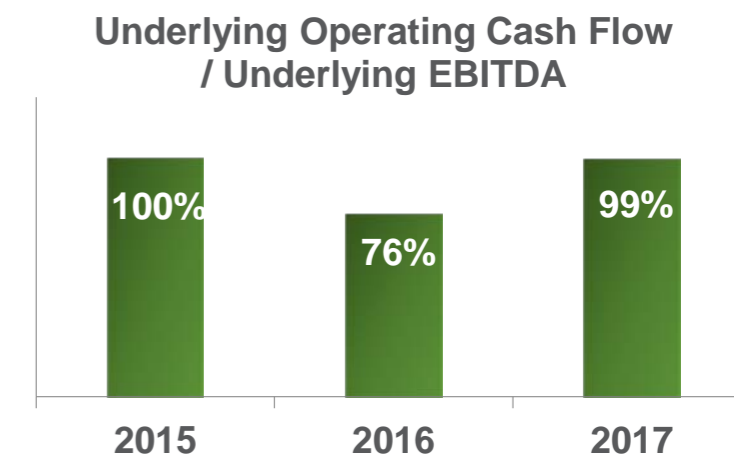
- Diluted underlying¹ EPS 27.8p (2016: 27.8p)
- Adjusted² diluted underlying EPS 2016 25.6p
- Full year dividend up 9.1%

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

² Adjusted for one-off tax benefit resulting from foreign exchange losses on historic intra-group loans

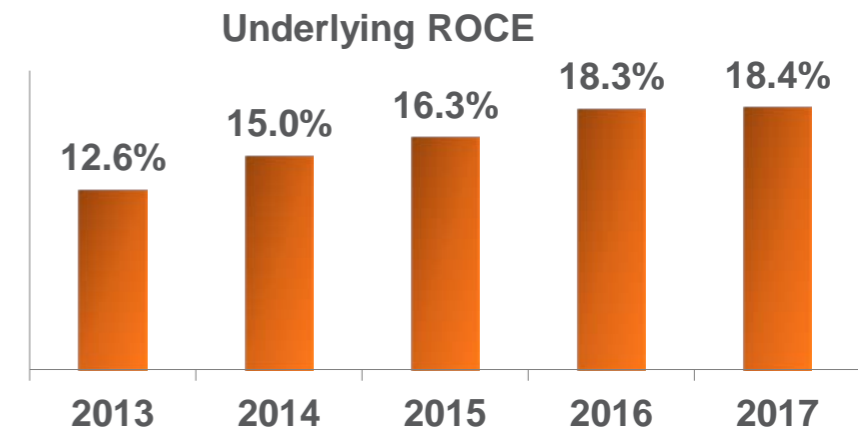
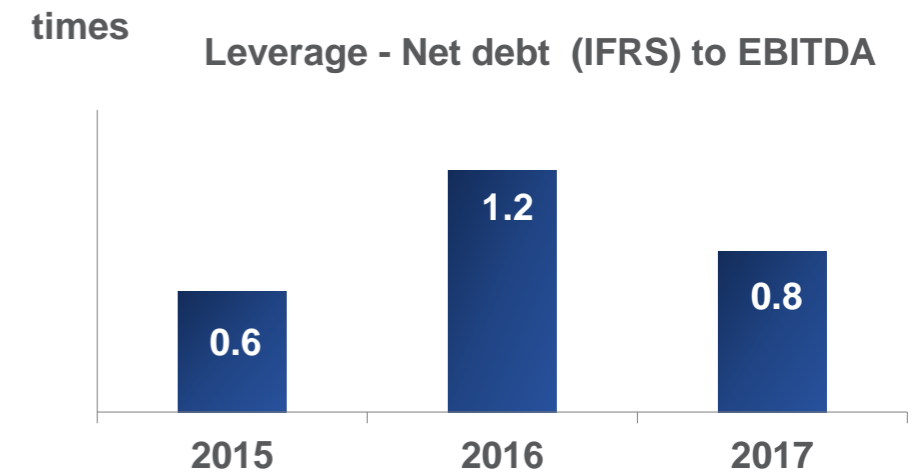
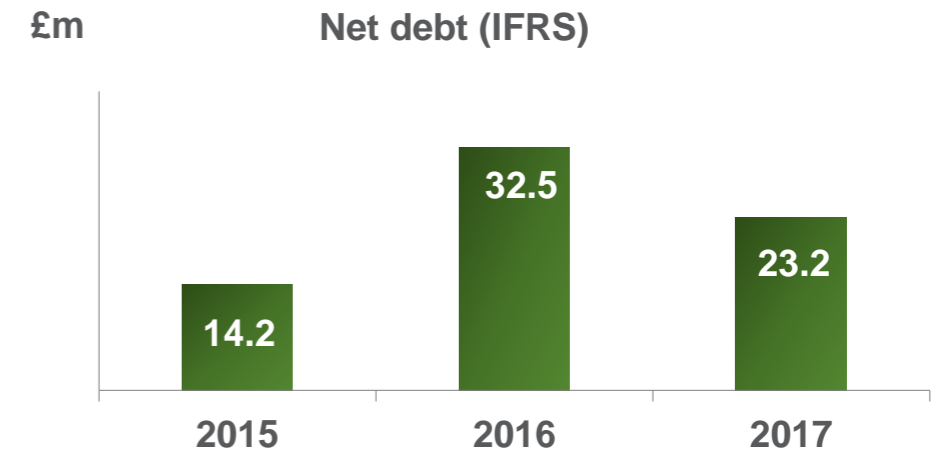
Cash Flow

	2017 £m	2016 £m
Underlying EBITDA	30.2	26.8
Working capital	(1.8)	(7.7)
Other	1.4	1.3
Underlying operating cashflow	29.8	20.4
Capital expenditure	(8.0)	(6.6)
Pension deficit recovery	(2.5)	(2.1)
Tax	(1.9)	(1.0)
Underlying free cash flow pre-financing & dividends	17.4	10.7
Exceptional and acquisition related costs	(1.8)	0.2
Interest	(0.9)	(0.9)
Dividends	(4.2)	(3.6)
Acquisition of subsidiaries	(2.7)	(23.6)
Other items	-	0.1
Net Cash Flow	7.8	(17.1)



Balance Sheet

- Strong cash generation leaves net debt at £23.2m
- Leverage 0.8x underlying EBITDA
- Underlying ROCE at 18.4% above our medium term strategic target of 12-15%



UK Pension Scheme

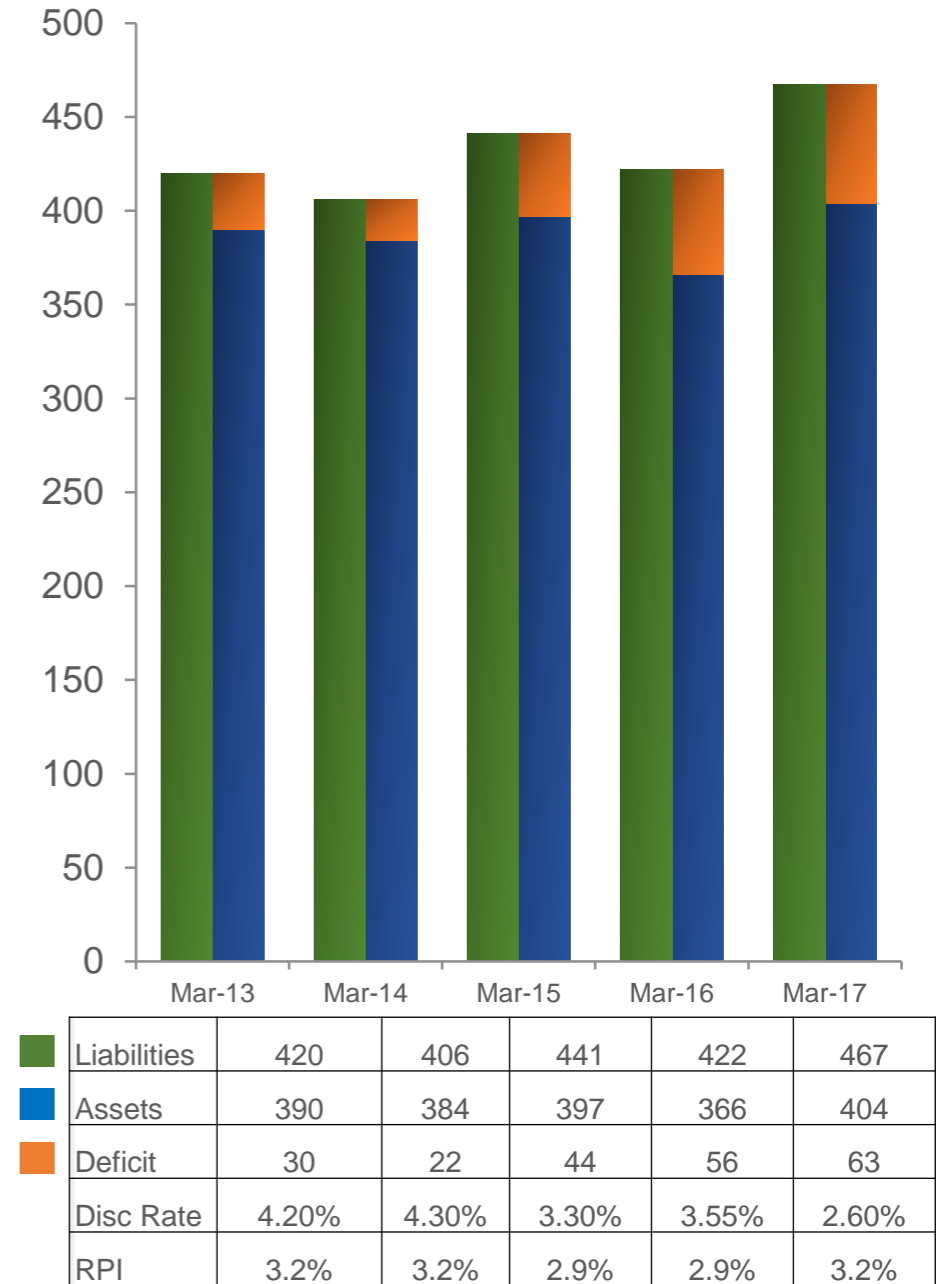
- IAS 19R deficit £62.7m (March 2016: £55.7m)
 - Assets increased by £38.5m to £404.4m
 - Liabilities increased by £45.5m to £467.1m; lower discount rate of 2.60% (March 2016: 3.55%)
 - Discount rate sensitivity: 10bp rise = £6.7m deficit reduction

- Super-mature scheme
 - 7,621 members (March 2016: 7,973). 68% pensioners with average age 77
 - Annual pensioner payroll near peak

- 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 further strengthening of covenant
 - Beneficial to all stakeholders





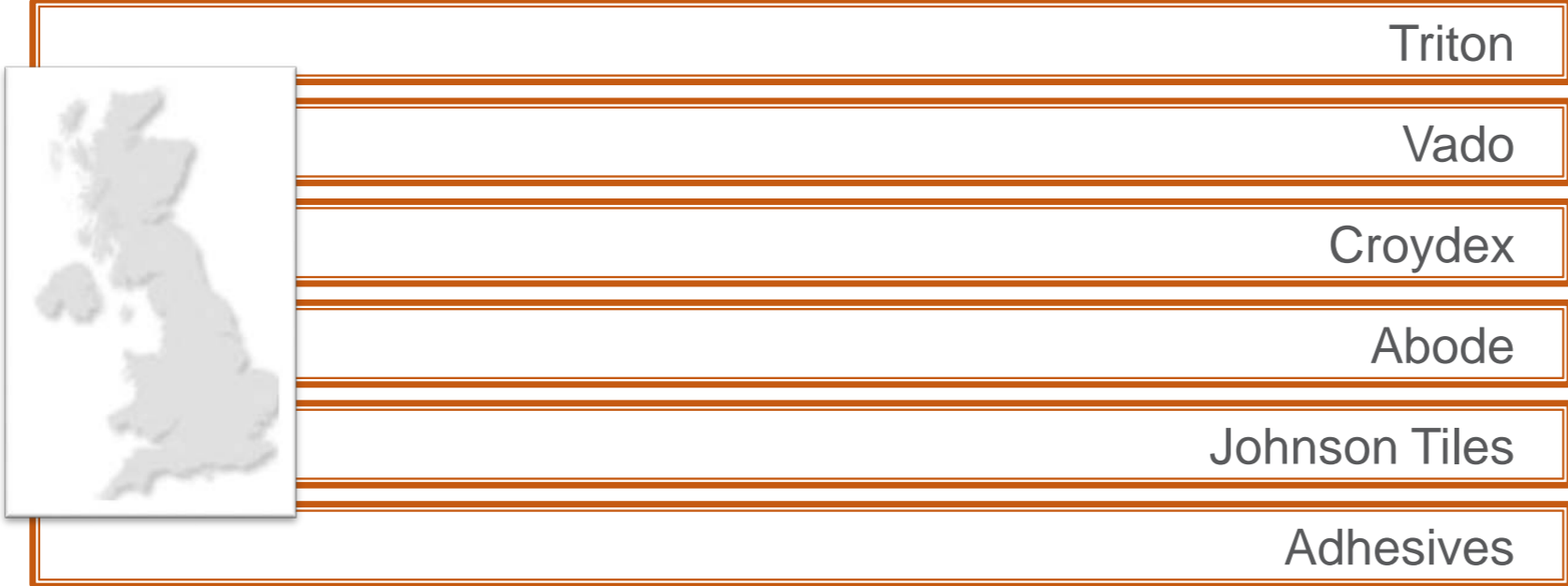
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Operating Review

Nick Kelsall
Group Chief
Executive

Business Overview

Revenue Growth (constant currency – 12 months to 31st March 2017)



Group Revenue (reported – 12 months to 31st March 2017)

UK	SA	Group
+11.8%	+8.3%	+10.6%
£ 48.7m		
£ 37.2m		
£ 24.7m		
£ 10.6m		
£ 53.2m		
£ 7.9m		
	£ 10.8m	
	£ 21.1m	
	£ 57.0m	
£182.3m	£88.9m	£271.2m



Market Focused Synergies

➤ Successful launch of Vado & Croydex in Tile Africa



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JOHNSON-TILES



TRITON | THE UK'S SHOWER COMPANY

See you first thing Britain

abode

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UK Operations

Nick Kelsall
Group Chief
Executive



Strong recovery in H2

- Overall Revenue - 3.8%
 - UK - 6.1%
 - Exports + 9.0%

- Maintained market leading position in the UK
- UK – significant improvement in H2 after H1 destocking
- UK retail – more stable and market share gains
- Export growth – successful new product launches
- Significant investment in New Product Programmes
- Digital mixer launch H1 18 – joint development with VADO
- Significant brand marketing campaign planned for H1 18
- Margins and profits remain strong; highly cash generative



UK growth sustained. Strong recovery in exports

- Overall Revenue + 12.4%
 - UK + 17.5%
 - Exports + 1.0%

- Continued progress in UK retail & trade:
 - Market share gain in independents & merchants
 - Expansion in specification (house builders & hotels)
 - Strong specification pipeline
 - NBG group supplier of the year – 2nd year awarded

- New Middle East & Africa export strategy delivering:
 - Strong recovery in H2 revenues v H1
 - Change in Middle East distributor – improving momentum
 - New Jebel Ali warehouse facility established

- Strong performance of VADO & 'Evox' ranges launched into Tile Africa

- New Product Development:
 - 3 major new ranges launched
 - Well developed pipeline for FY18

- Profits ahead of prior year; good cash generation



Strong growth in UK and export

- Overall Revenue + 10.8% (versus 12 months to March 2016¹)
 - UK + 8.5%
 - Exports + 64.0%

- Excellent performance in first full year of ownership

- UK Retail – strong performance in DIY and high street accounts

- Export growth – new blue-chip accounts:
 - Amazon, Jacuzzi and Medline (USA); Toom (Germany)

- Patents granted – “Stick N Lock” “Flexi Fix” and “Spacer Saver”
 - Products with patents represent c.30% of sales

- Investing in digital assets: development of online fulfilment service

- Synergy momentum:
 - Tile Africa – “Flexi Fix” & accessories - well received
 - VADO – wall mounted accessories

- Strong profit and cash generation ahead of last year

¹ Acquired June 2015



Excellent performance post acquisition

- Overall Revenue + 5.0% *(versus 12 months to March 2016¹)*
- Strong performance in first full year of ownership
- Seamless integration
- Growth in Abode branded sales across all product categories
- New business wins and new products:
 - Bathstore, Homebase/Bunnings
 - PRONTEAU “4-in-1” hot water tap – positive feedback
- Supply contracts renewed with two large OEM accounts
- PRONTEAU “3-in-1” taps launched in May 17
- Significant new business & supply chain opportunities being progressed
- Good profit and cash generation – in line with expectations



¹ Acquired March 2016

Robust performance in a challenging market

- Overall Revenue - 1.7%
 - UK - 1.3%
 - Exports - 4.8%
- UK market – trade more resilient than retail; both sectors stronger in H2
- UK trade +1.3% - house builder gains offset weak social housing market
- UK retail -3.8% - weak DIY channel but stronger H2
- Export – Middle East improving; soft French market
- CristalGrip – innovative tile fixing product - undergoing test marketing in France
- Profits below prior year given continued challenging UK retail market
- Operations restructured to improve performance and manufacturing flexibility - cash pay back within twelve months



Solid performance despite market challenges

- Overall Revenue - 1.3%
 - UK - 7.6%
 - Exports + 500.0%

- UK trade – growth in merchants offset by decline in specialists
- UK retail – loss of low margin customer
- Middle East – revenue growth & specification pipeline momentum

- Product development investment sustained:
 - “Pro DPM” – surface moisture suppressant
 - “Pro Gybase” – enables fast track tiling onto gypsum screeds

- Onsite Norcros Skills Centre – well received & building fixer loyalty

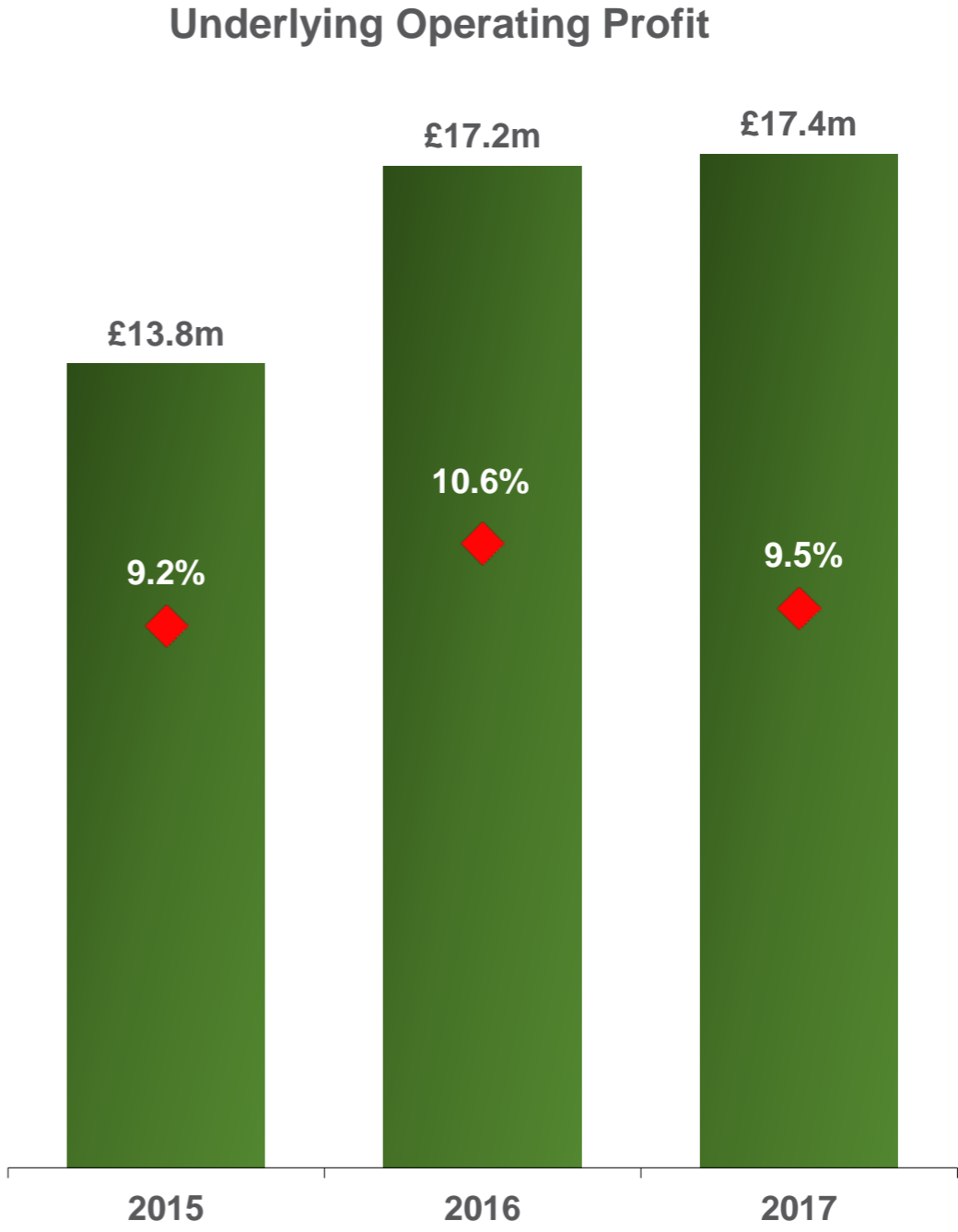
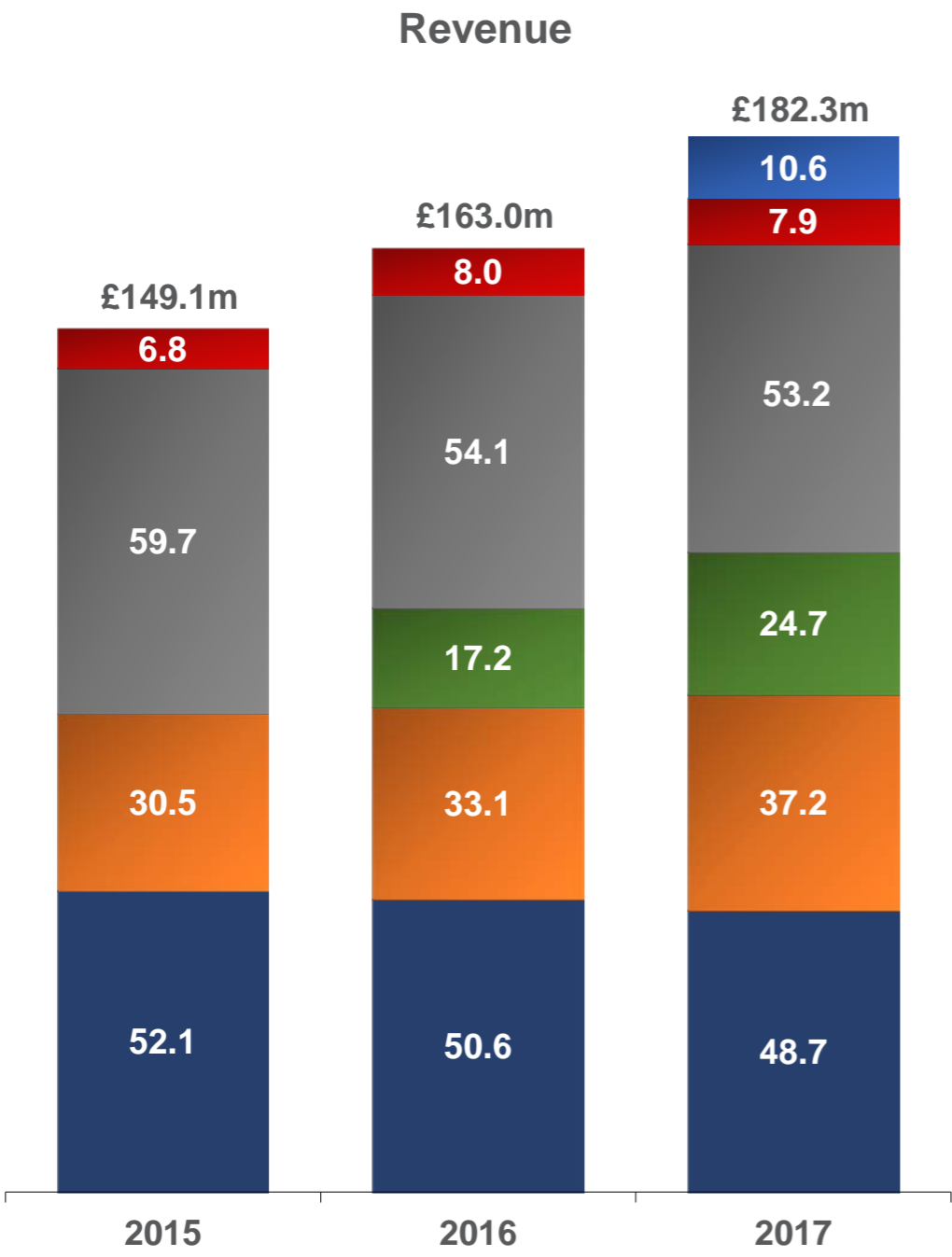
- New ERP system implemented

- New customer accounts secured in Q4 FY17

- Profits marginally behind prior year



UK: Revenue and profit growth in challenging markets



- Triton
- Vado
- Croydex ¹
- Johnson Tiles
- Adhesives
- Abode

- Underlying Operating Profit
- ◆ Return on Sales %

¹ Nine months revenue. Acquired June 2015



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SA Operations

Nick Kelsall
Group Chief
Executive

Continuing strong operating performance

- Overall revenue - 1.8% at constant currency¹
- Continuing to operate manufacturing facility at full capacity
- Decline in independent revenue offset by increased inter-company demand into Tile Africa
- Good revenue growth in export accounts
- Additional higher value large format ranges introduced
- NPD momentum maintained – several new designs launched FY17:
 - “Johnson White” collection – good early traction
- Manufacturing operations continue to perform strongly
- Ongoing investments improving efficiency – ISO 14001 awarded
- Strong operating performance – growth in profits and cash generation; ahead of prior year

¹ Excludes inter-company sales to Tile Africa



Strong performance, continued profit growth

- Overall revenue + 4.5% at constant currency¹
- Market leadership maintained
- Revenue growth in domestic and export markets
- Further progress made in sub-Saharan Africa – c.17% of revenue
- Tile adhesive – ranges continuing to perform strongly
- Focus on operational efficiencies:
 - Tight control of raw material input costs
 - Improved manufacturing efficiencies
 - Logistics enhancements
- Extensive New Product Programme to be launched in FY18
- Strong profit and cash generation; ahead of prior year

¹ Excludes inter-company sales to Tile Africa



Improved store offer driving performance

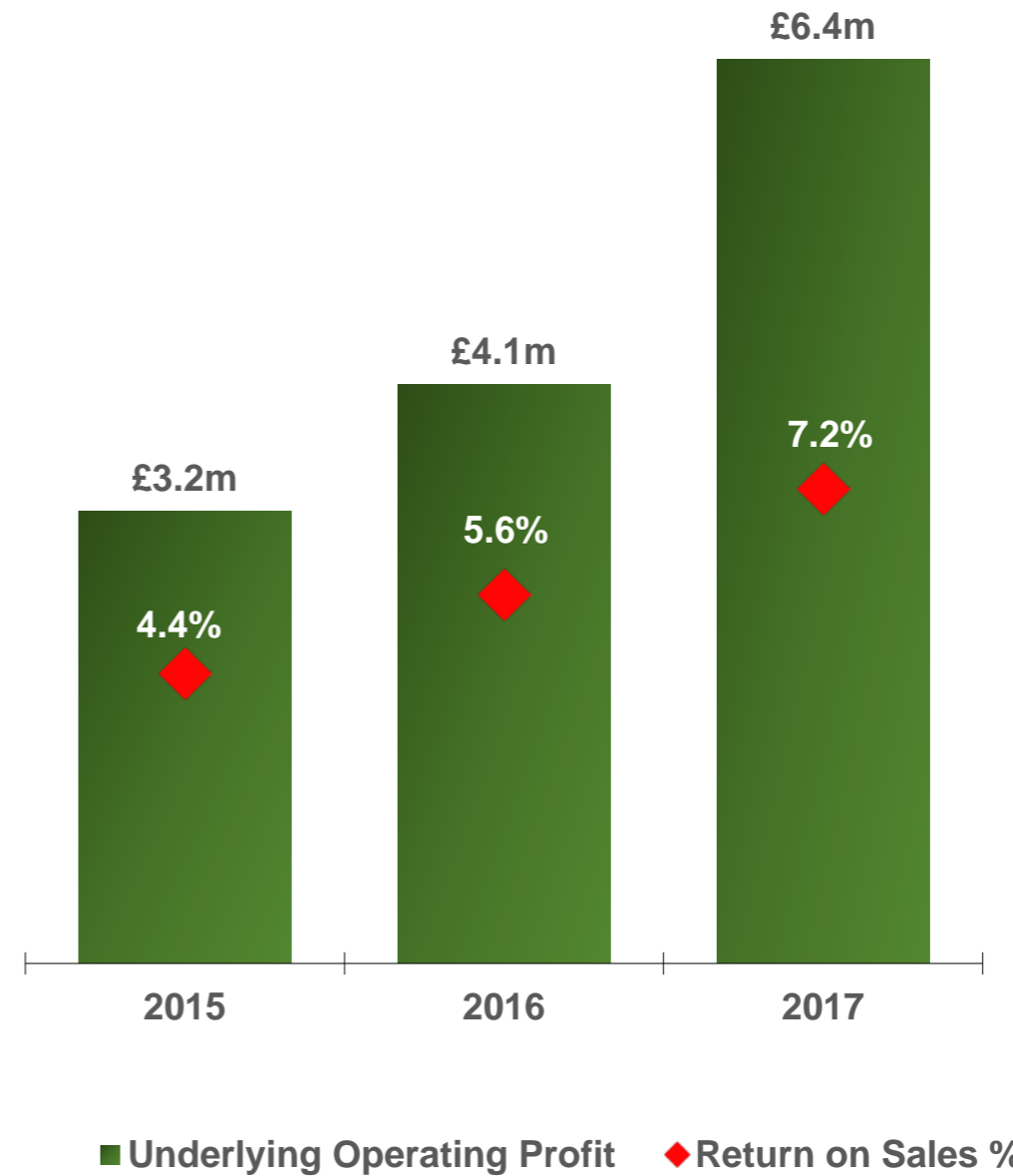
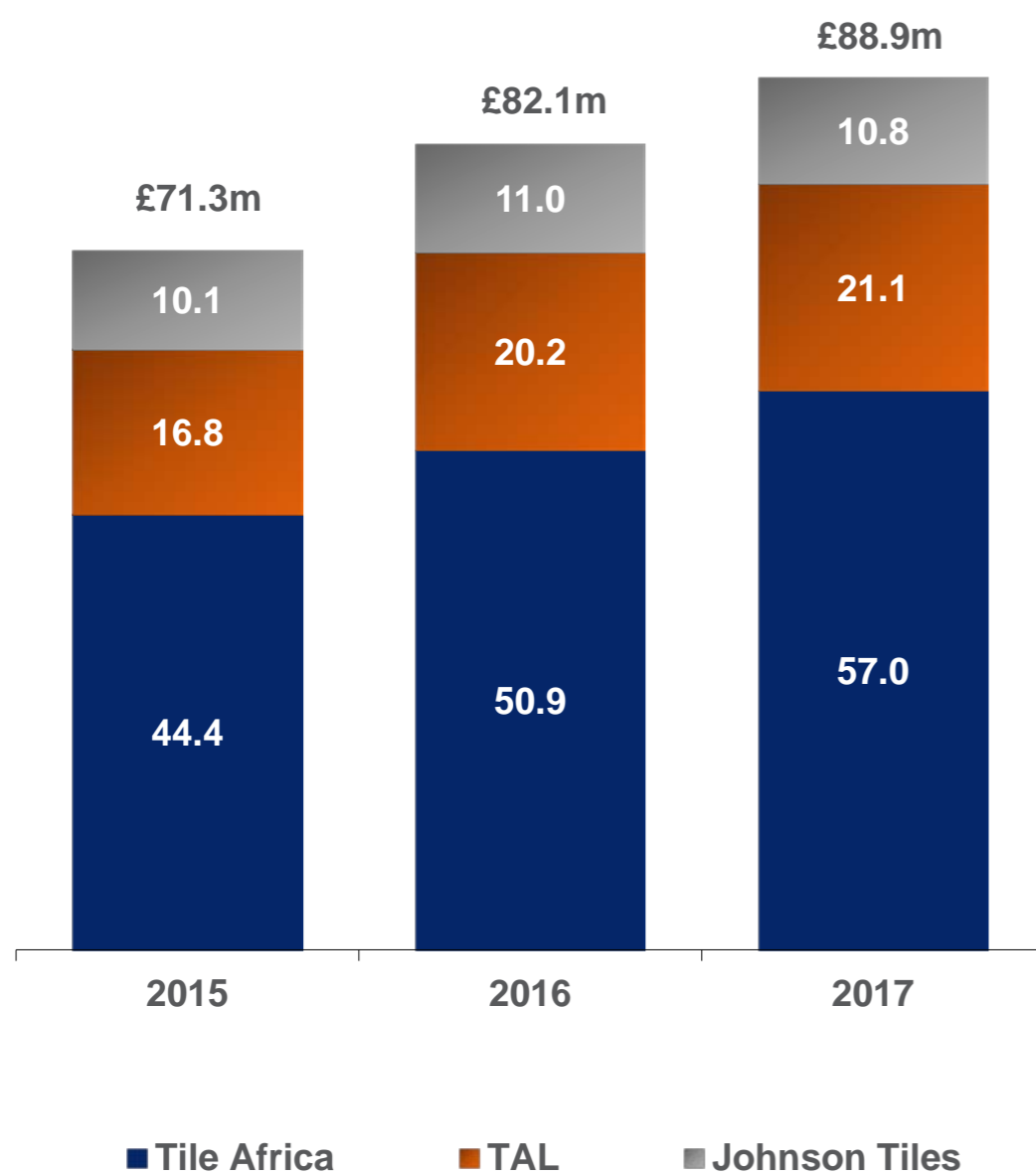
- Overall revenue + 12.0% at constant currency
- Focus on store experience and supply chain
- Success of in-stock and on-display programme
- Solid growth across all product categories – tiles, adhesives, taps, showers, sanitary ware and bathroom fittings
- CX format including bathroom store-within-a-store concept driving growth
- Group synergies - excellent progress:
 - Croydex – “Flexi Fix”, accessories and toilet seats
 - Evox – mid-market brassware range by VADO
 - VADO – premium branded brassware
- 31 stores & 2 franchises – new store and refurbishment pipeline:
 - Southgate store opened May 17. Further new store in FY18
 - Additional 3 stores to upgrade to CX format
- Strong profit and cash generation; ahead of prior year



South Africa: Further year of excellent progress

Revenue ¹

Underlying Operating Profit



¹ On a constant currency basis



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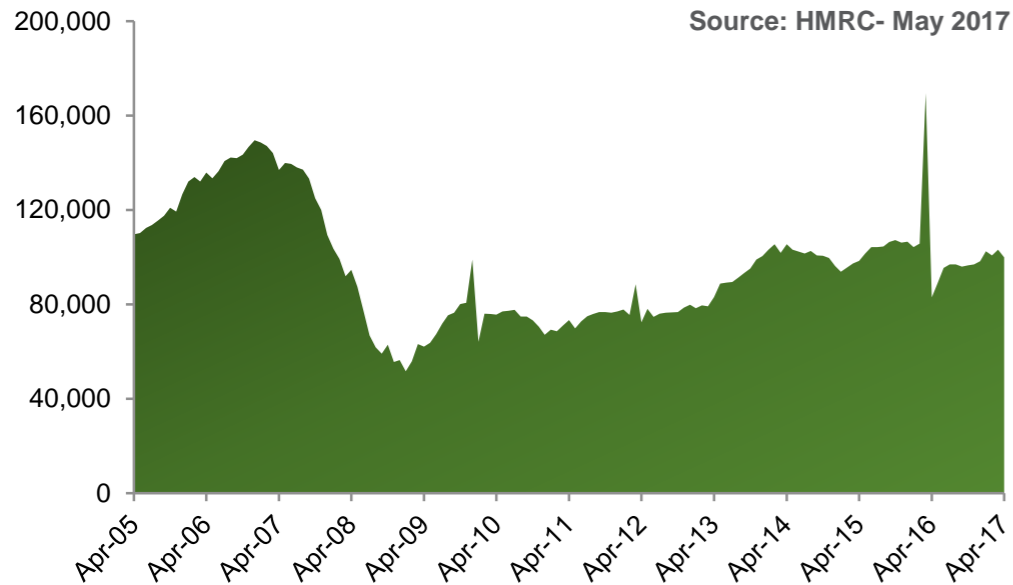
Group Outlook & Strategy

Nick Kelsall
Group Chief
Executive

UK

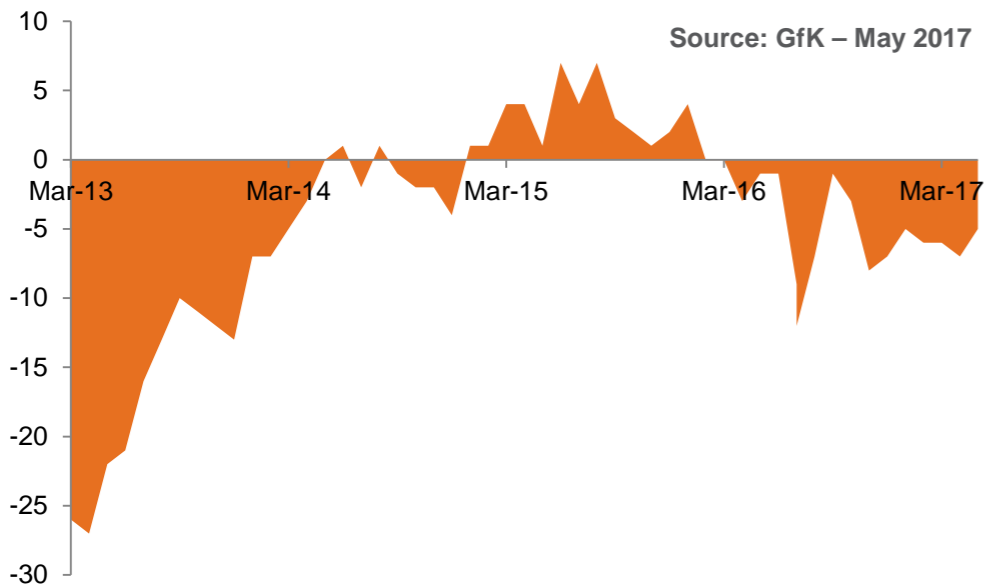
Subdued growth

Housing Transactions



Gradual recovery in transaction levels

GfK Consumer Confidence

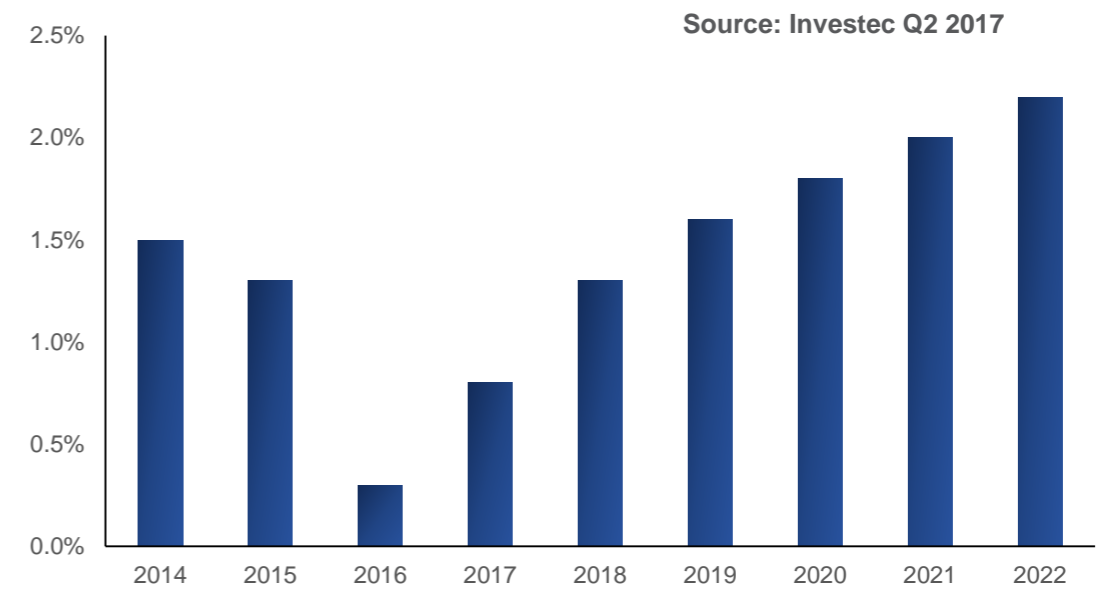


Partial recovery following Brexit decline

South Africa

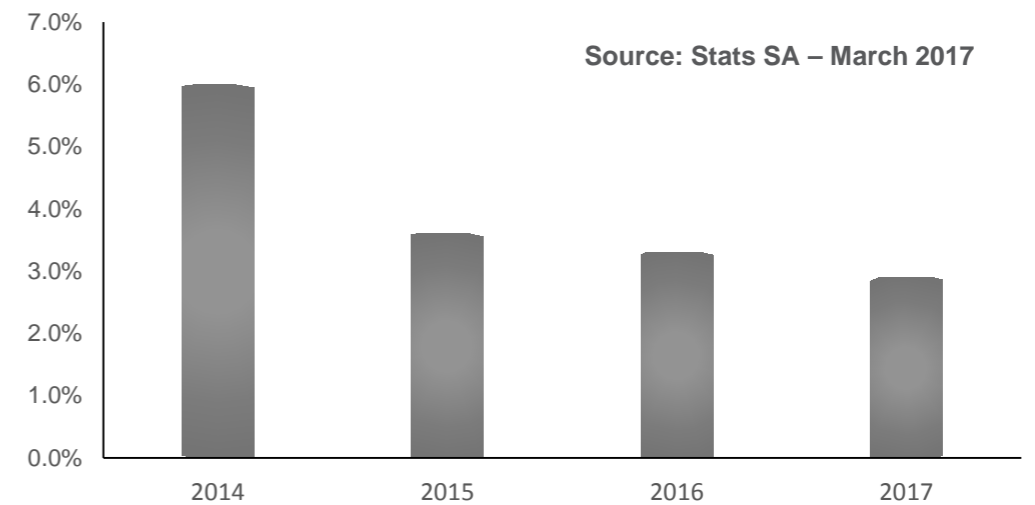
Growth forecast despite downgrade

GDP (% change)



Modest but improving outlook

Hardware/Paint/Glass Retail Sales (% change)



Key indicator for RMI – Index ahead of other economic indicators

Group Strategy – Key Targets

Growth Target

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

Organic

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

Acquisition

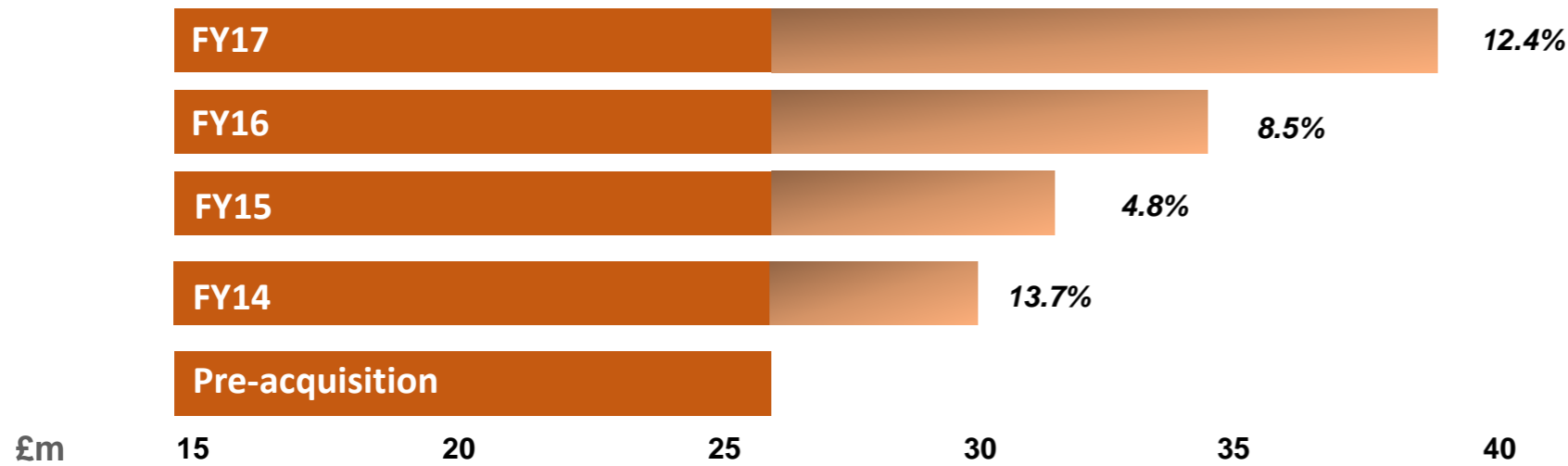
- Complementary industry segments/geographical
- Bathroom controls and associated products
- Building/construction adhesives
- UK, SA, sub-Saharan Africa and Middle East

Returns Target

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

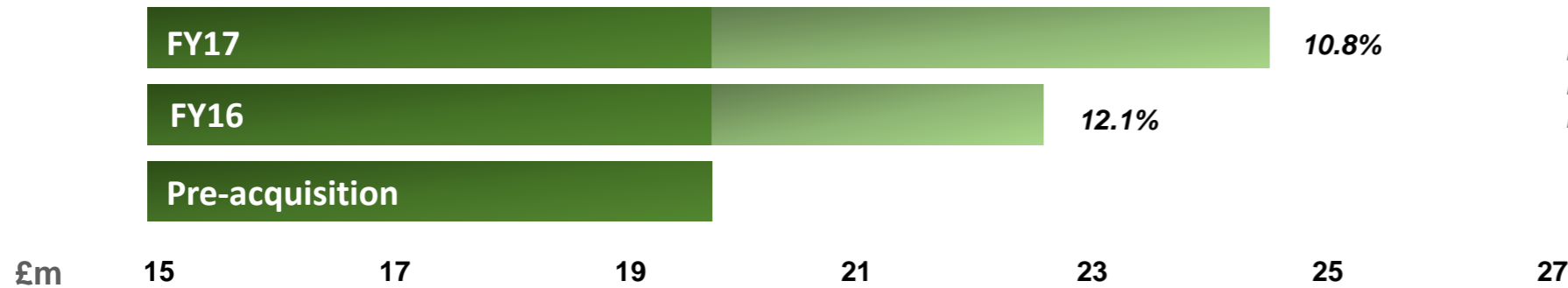
Excellent Post Acquisition Performance – Revenue Growth

Vado



Note:
Pre-acquisition revenue to 31st December 2012

Croydex



Notes:
FY16 revenue includes 3 months pre Norcros ownership
Pre-acquisition revenue to 31st December 2014

Abode



Group Strategy – Delivering growth

- Strategic clarity
- Resilient performance despite market volatility
- Excellent acquisition track record:
 - Abode integrated and performing well
 - Driving group synergies
 - Improving financial performance
- Focused and increasingly developed acquisition pipeline
- Eighth successive year of growth
- ROCE target consistently met
- Well placed for capitalising on future opportunities



Summary



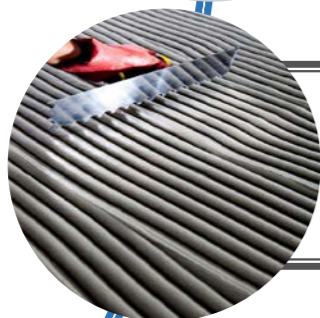
Solid Full Year Results



Clear & Focused Growth Strategy



Organic Growth Opportunities



Developed Pipeline of Acquisition Opportunities



Medium Term Indicators Favourable

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Appendix



Exceptional items and acquisition related costs

	2017 £m	2016 £m
Exceptional operating items		
Business unit restructuring	(2.3)	-
Highgate settlement	-	1.9
Pension settlement gain	-	0.4
	(2.3)	2.3
Acquisition related costs		
Acquisition related deferred remuneration (earn out)	(0.4)	(2.5)
Intangible asset amortisation	(1.2)	(0.9)
Staff costs and advisory fees	(1.1)	(1.8)
	(2.7)	(5.2)

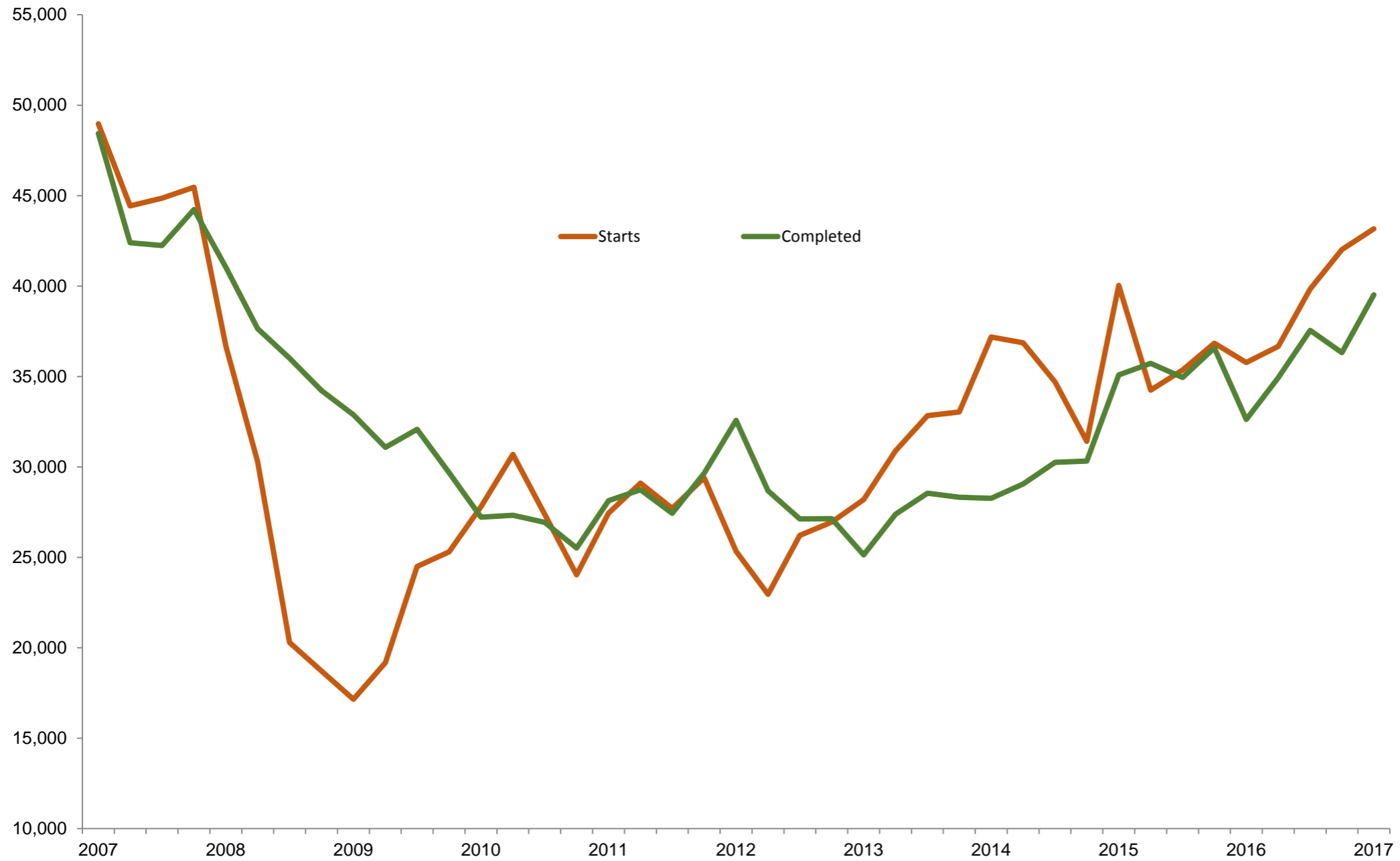
Net debt reconciliation

	2017 £m	2016 £m
Net debt (IFRS) – opening	(32.5)	(14.2)
Net cash flow	7.8	(17.1)
Other non cash movements	(0.2)	(0.2)
Foreign exchange	1.7	(1.0)
Net debt (IFRS) - closing	(23.2)	(32.5)

UK Subdued growth

House Building (Quarterly England)

Source: National Statistics – February 2017



Gradual recovery from financial crisis

Key indicator for RMI – Index ahead of other economic indicators