Norcros plc
Preliminary Results
Year ended 31st March 2013

Introduction

Martin Towers
Chairman

2013 Highlights

- Fourth consecutive year of revenue and profit growth
- South Africa returned to profit
- Strategy Review
  - Faster and focused growth strategy
  - Organic growth and by acquisition
  - New strategic targets
- Acquisition of Vado - first step
- Continued focus on legacy issues
  - UK defined benefit pension scheme closed to future accrual
  - Good progress on surplus property
- Full year dividend up 9.5%

Revenue[1]		
£210.7m	+10.2%	▲
Underlying[2] **operating profit**		
£13.0m	+7.4%	▲
EBITDA pre exceptional items		
£19.2m	+4.3%	▲
Dividend		
0.46 pence	+9.5%	▲

[1] On a constant currency basis [2] Underlying means before exceptionals and, where relevant, non cash finance costs

Board Changes

- Retirees from the Board at the AGM on 24 July 2013
  - John Brown, Senior Independent Director and Chairman of the Audit Committee
  - David Hamilton, Executive Director and Company Secretary

- New appointments
  - David McKeith to join the Board at AGM as Senior Independent Director and Chairman of the Audit Committee
  - Richard Collins has replaced David Hamilton as Company Secretary, but in line with best practice will not be appointed to the Board as an Executive Director

Financial Review

Martin Payne
Group Finance Director

Income Statement

	2013 £m	2012 £m	+/- Reported	+/- Constant Currency
Revenue	210.7	200.3	+5.2%	+10.2%
Underlying[1] operating profit	13.0	12.1	+7.4%	+7.3%
Margin	*6.2%*	*6.0%*		
Finance charges – cash	(1.3)	(1.4)	- 7.1%	
Underlying[1] PBT	11.7	10.7	+9.3%	
Exceptional operating items	(4.4)	-		
Exceptional finance charges	-	(1.2)		
Non cash finance income / (charge)	2.7	(0.1)		
PBT as reported	10.0	9.4	+6.4%	

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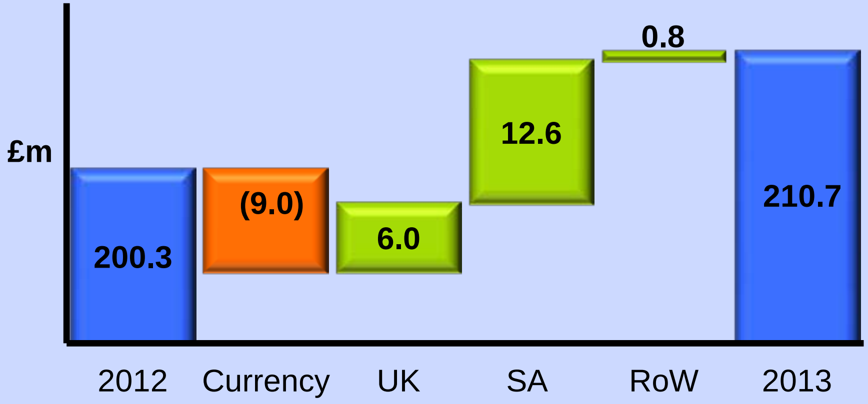
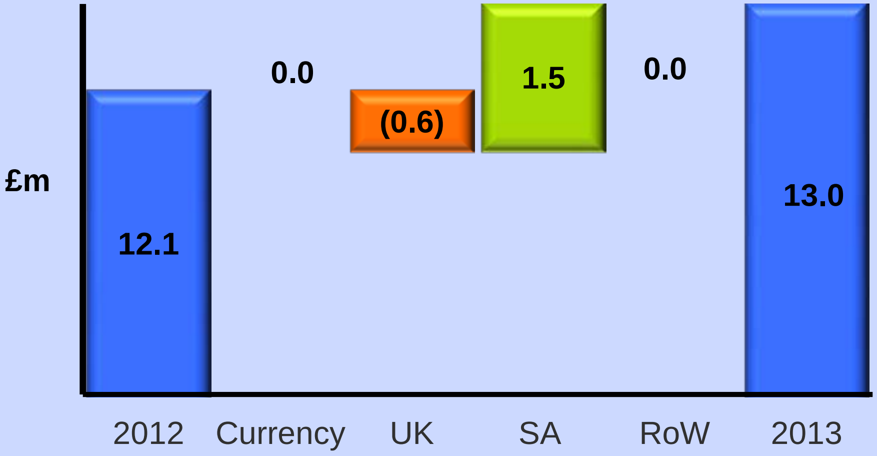
[1] Underlying means before exceptionals and, where relevant, non cash finance costs

Income Statement – Key Bridges

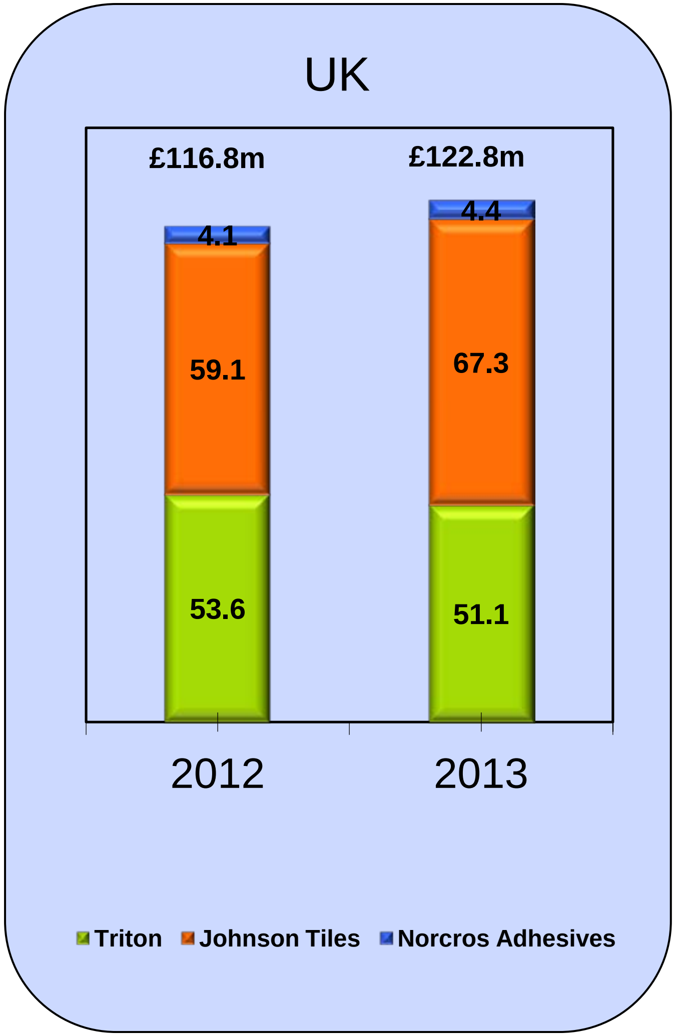
Revenue

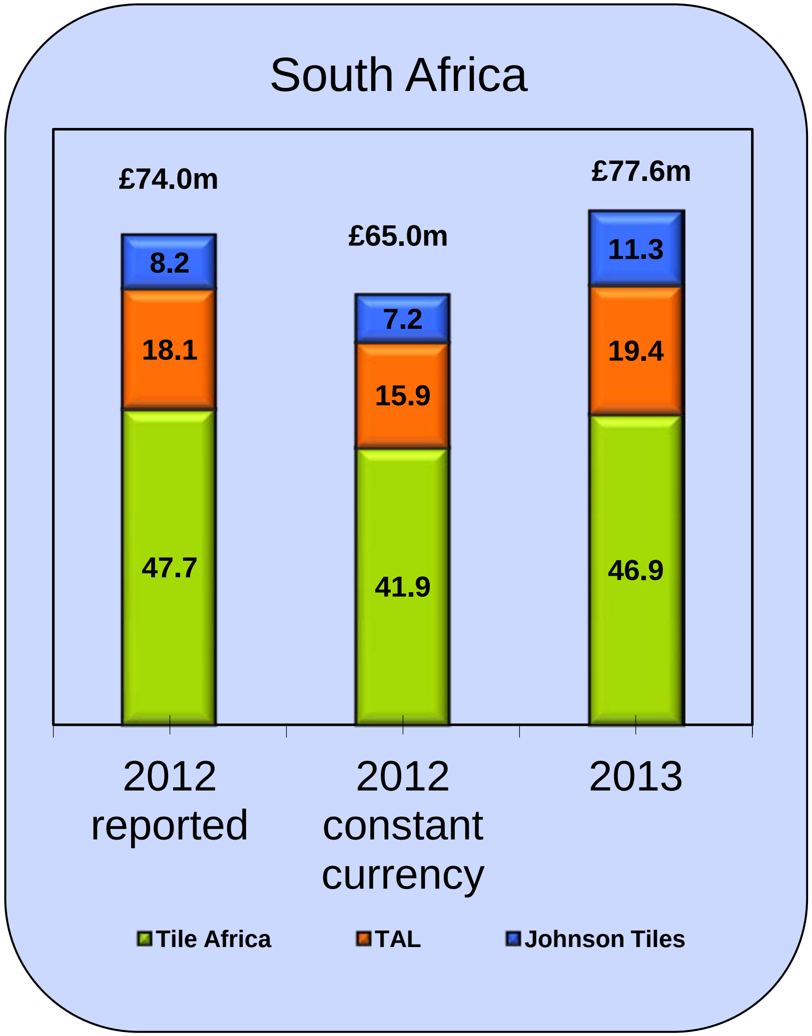


Underlying operating profit



Revenue Analysis – broken down by business unit





Tax, Earnings & Dividends

	Underlying		Reported	
	2013 £m	2012 £m	2013 £m	2012 £m
Profit before Tax	11.7	10.7	10.0	9.4
Tax (charge)/credit	(0.7)	0.4	(0.9)	-
Earnings	11.0	11.1	9.1	9.4
Effective Tax rate	6.0%	n/a	9.0%	n/a

- Effective tax rate reflects recognition of £1.7m of South African deferred tax assets
- Effective underlying tax rate excluding SA deferred tax asset = 21%
- Diluted underlying[1] EPS at 1.9p (2012: 1.9p)
- Dividend up 9.5%

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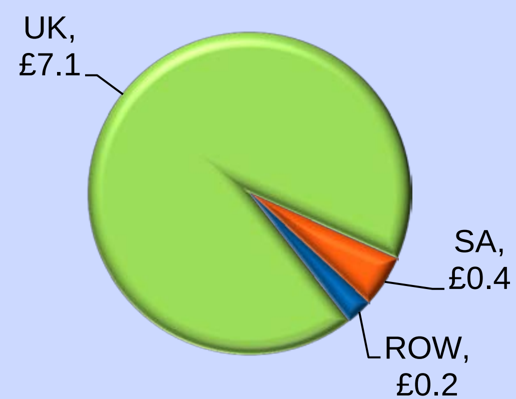
[1] Underlying means before exceptionals and, where relevant ,before non cash finance costs and after attributable tax

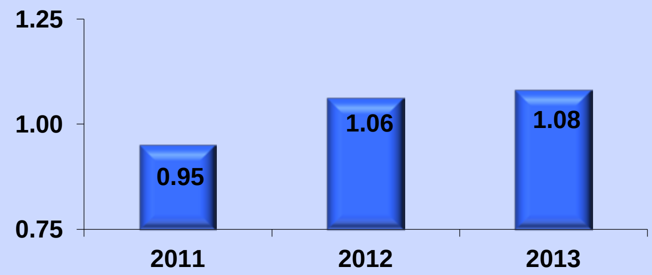
Cash Flow

	2013 £m	2012 £m
EBITDA pre exceptional items	**19.2**	**18.4**
Working capital	(7.7)	(0.4)
Other	(0.7)	0.1
Underlying Operating cash flow	**10.8**	**18.1**
Capex	(6.7)	(6.7)
Proceeds from property disposal	2.5	-
Pension deficit recovery	(2.0)	(1.0)
Tax	(1.0)	(0.6)
Underlying free cash flow, pre financing & dividends	**3.6**	**9.8**
Exceptional items - lease buy out	-	(7.8)
Exceptional items - other	(2.2)	(3.3)
Interest	(1.3)	(1.6)
Dividends	(2.5)	(2.2)
Cash cost of acquisition	(10.6)	-
Other	0.2	(0.6)
Net cash flow	**(12.8)**	**(5.7)**

Working capital increase £7.7m



Capex / Depreciation (times)



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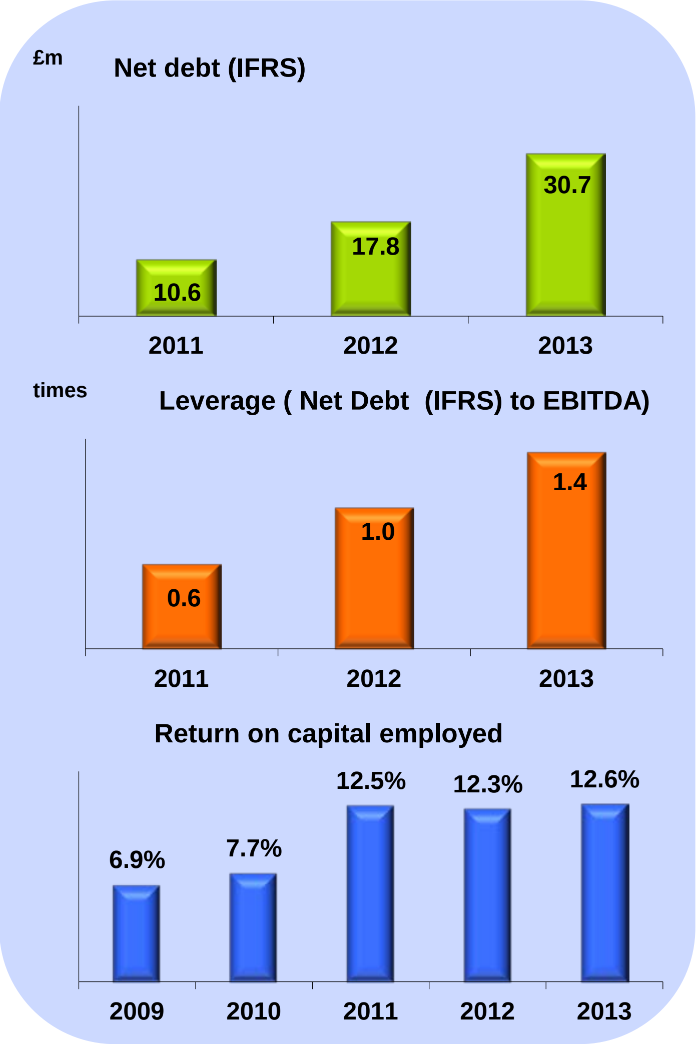
Balance Sheet

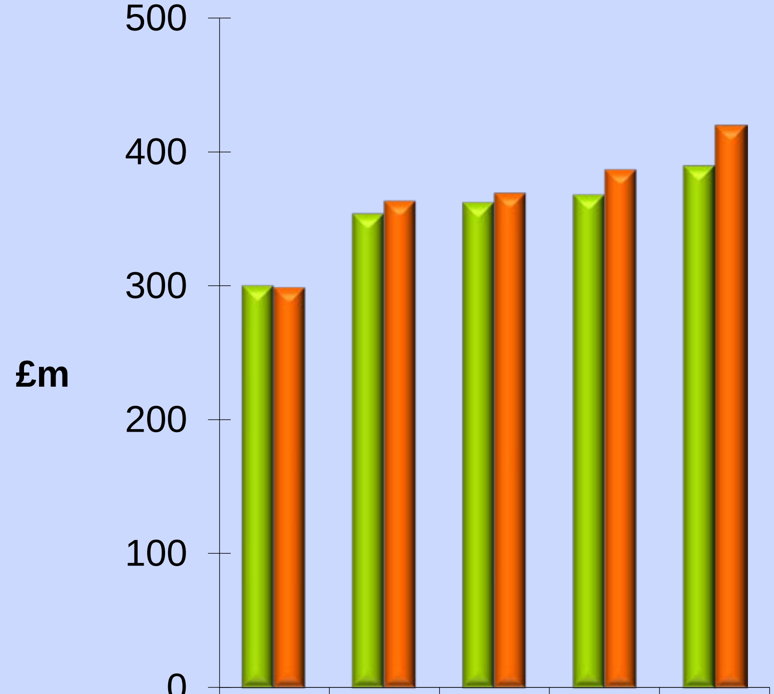
- Net debt includes £10.6m net cash effect of Vado acquisition
- Leverage 1.4x EBITDA on a proforma basis
- Property
  - Planning consent obtained for Highgate Park / Morrisons project in Tunstall
  - Early discussions on remaining sites in Tunstall
- Return on Capital Employed
  - Strategic KPI
  - Underlying operating profit / capital employed
  - Capital employed defined as net assets adjusted for net debt, pension deficit (net of deferred tax), and FX
- ROCE in excess of cost of capital 2011 onwards



UK Pension Scheme

- Scheme closed to new entrants and future accrual from April 13 - stops future build up of liabilities
- Mature Scheme; 10,155 members
  - Pensioners (62%), Deferred (38%)
  - Average age of pensioners is 76
- Assets up 6% at £390m (2012: £368m)
  - after £20m pensioner payroll
  - 11.9% investment returns in FY13 versus discount rate of 4.2%
  - Pensioner payroll largely self funding
- March 13 IAS19 deficit of £30.0m based on:-
  - 4.20% discount rate
  - 3.2% RPI / 2.2% CPI
  - Abnormally low gilt yields driving deficit up
- Actuarial valuation as at March 31 2012 now agreed
  - Deficit £62.4m
  - Recovery Plan
    - 15 years at £2.0m per annum + CPI
    - First £2m payment made in March 13

UK Pension IAS 19 Assets & Liabilities



	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13
Assets	300	354	362	368	390
Liabilities	298	363	369	386	420

Operating Review

Nick Kelsall

Group Chief Executive

Business Overview

Focused supplier of high quality and innovative showers, taps, bathroom accessories, tiles and adhesives

TRITON
The Great British Shower Company

Market leader in Showers

VADO

Niche supplier of Taps, Showers and Bathroom Accessories

JOHNSON • TILES

Leading supplier of Ceramic Tiles

norcros ADHESIVES

Growing supplier of Tile Adhesives, Grout and Related Products

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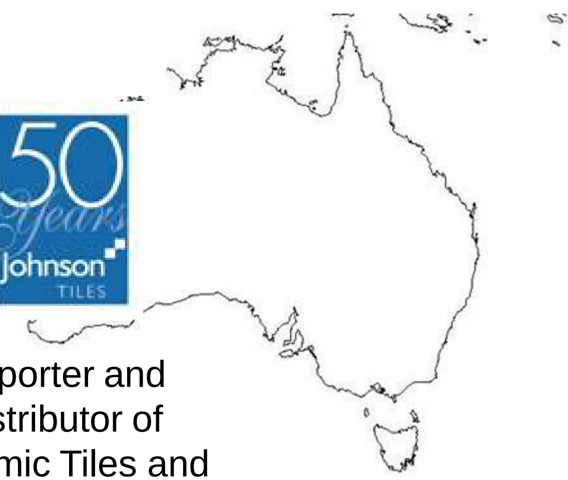
Market leading manufacturer of Tile and Building Adhesives

TILEAFRICA

29 retail stores and 6 franchises selling Tiles, Sanitary ware, Showers and Adhesives

JOHNSON • TILES

Manufacturer of Ceramic and Porcelain Tiles



50 years Johnson TILES

Importer and distributor of Ceramic Tiles and Related Products

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UK Operations – Strong performance in challenging markets

- Overall revenues : -4.6%
  - UK -3.5%, Exports: -10.9%
  - Stronger H2 performance v H1
  - UK market share gain
- Triton volume ahead +1.6%; UK market volume decline –c5.0%
- Increased market share in Retail due to strong performance in B&Q/Screwfix/Trade Point
- Trade market share gain driven by gains in Wolseley and Grafton, particularly in H2
- Exports – satisfactory performance despite challenging Irish market
- Touch control product well received
- Resilient performance; profits lower, but margins and cash generation maintained

New Touch Screen Shower

UK Operations – Strong performance in challenging markets

JOHNSON · TILES

- Overall revenues : +13.8%
  - UK: +16.8%, Exports: -9.3%
- Strong revenue growth despite market decline of c6%; markets more challenging in H2
- Strong market share gains in UK retail largely driven by B&Q new tiling concept
- Trade performance weaker reflecting decline in social housing
- Export performance reflects timing of major projects in Middle East
- Profits marginally lower reflecting energy cost increases
- Action being taken to reduce the cost base to maintain competiveness

David Wilson Homes 2012

UK Operations – Strong performance in challenging markets

- Overall revenues : +7.1%
  - Second half gain of new accounts
  - Screwfix growth
  - Gains in specification
  - Progress in distributor accounts
  - Targeting new accounts following the withdrawal of competitor

Ready Mix Adhesive Plant, Tunstall

- Profits maintained
- Focus on professional and trade sectors
- Investment in new products driving revenue growth
- Capacity in place to accommodate future growth
- Continued focus on leveraging Group customer relationships

UK Operations – Strong performance in challenging markets

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South Africa – Revenue and market share growth driven by sector focus

JOHNSON • TILES

New sorting line, SA

- Constant currency revenues +56.9%
- Growth in independent market in South Africa and exports
- Operating loss significantly reduced
  - New sorting lines installed without disruption
  - Significant improvement in production performance +16% v LY
  - Achieved targeted production volumes and quality levels
  - Benefits held back by increase in energy costs +26%
- Focus on improving product design via installation of ink jet printing capability
- Continued emphasis on specification market

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South Africa – Revenue and market share growth driven by sector focus

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- Revenue +41% higher on a like-for-like basis
  - Strong growth in the independent South African market
  - Good performance in export markets in Southern and Eastern Africa
- Exited lower margin small scale industrial adhesive business; focus on core business streams of ceramic tile and building adhesives
- Investment in Durban factory driving market share gain in Natal
- Distribution agreement in Kenya; investment in plant in Nairobi by end of 2013/14
- Upgrading main SA manufacturing facility to meet demand, improve production control and drive lower costs
- Good profits and cash generation

Audi Dealership, Pinetown

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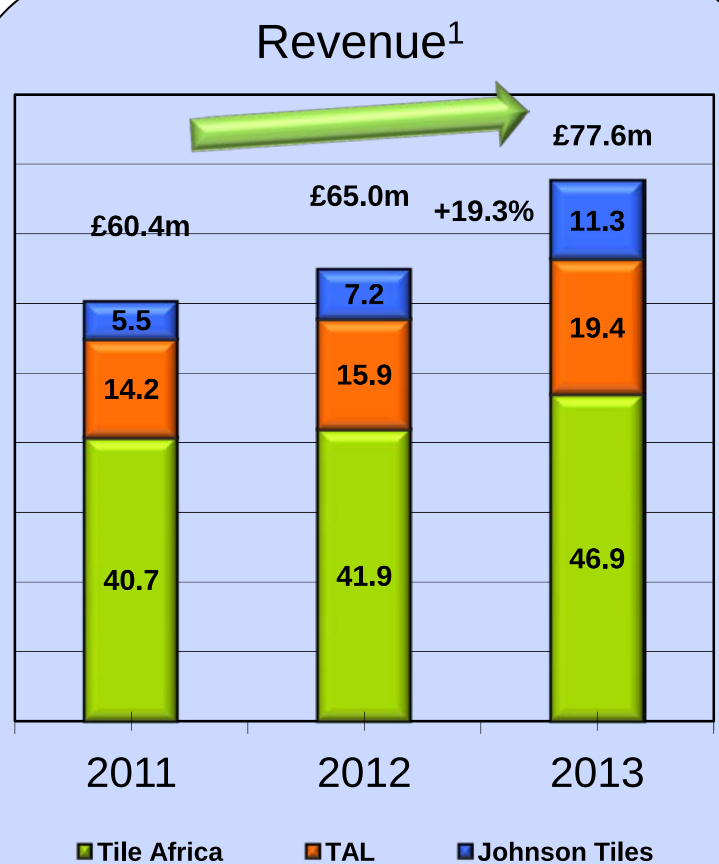
South Africa – Revenue and market share growth driven by sector focus

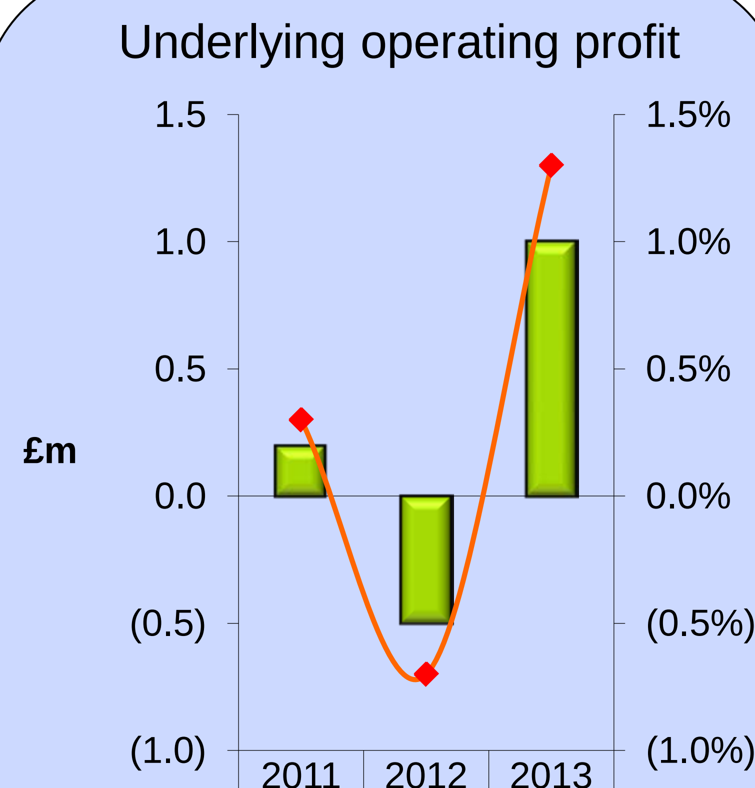
TILEAFRICA

New Tile Africa Klerksdorp Store, SA

- Constant currency revenues +11.7%
- Increased focus on imports to expand breadth of product offer
- Investment in MIS to improve stock planning
- 21 stores now upgraded to the Lifestyle format; additional four in 2013/14
- Two new stores planned for in the coming year
- Focus on specification; new sales office to be opened in East Africa 2014/15
- Improvement in profitability reflecting operational improvements and store restructuring

South Africa – Strong revenue growth & return to profit





	2011	2012	2013
Profit	0.2	(0.5)	1.0
ROS%	0.3%	(0.7%)	1.3%

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[1] At constant currency

Group Strategy

Nick Kelsall

Group Chief Executive

Group Strategy – Strategy updated following comprehensive review

- Pursue faster & focused growth strategy to scale up size of Group organically and by acquisition
- Acquisitions to focus on complementary market/industry segments with attractive returns on capital
- Acquisition of Vado in March 2013 represents first step
- Key strategic targets:
  - Double Group revenues → by 2018
  - Overseas inc emerging market revenues → maintain at approximately 50% of Group total
  - Achieve sustainable pre-tax ROCE → 12-15%

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Group Strategy – Strategy updated following comprehensive review

UK

- Established market leading businesses with strong brands

  - Triton – No 1 in showers
  - Johnson Tiles – No 1 supplier of ceramic and porcelain tiles
  - Vado – global supplier of bathroom controls including taps, showers, accessories and valves
  - Norcros Adhesives – growing supplier of tile adhesives and related products

- Market leading positions, innovative product, excellent customer service and broad distribution channels

- Successfully captured significant share despite markets c 25-30% off 2006/7 peak

- Key strategic initiatives to drive organic growth

  - Maintain investment in NPD programme
  - Drive sharper focus in commercial/specification segments
  - Continue investment in brands and reinforce “designed and built in Britain” credentials
  - Secure additional national account revenues in Norcros Adhesives business
  - Drive faster revenue growth in existing export markets and new emerging export markets
  - Realise Vado revenue synergies

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South Africa

- Capitalise on strong market positions in South Africa (established 1952) and growing presence in sub-Saharan Africa
- Leading market positions and strong brands in South Africa
  - No 1 in Ceramic Tile Adhesives – TAL
  - No 2 in Ceramic Tile Manufacturing – Johnson Tiles
  - No 2 in Ceramic Tile Retailing – Tile Africa
- Economic forecasts for South Africa demonstrate attractive growth prospects for served markets
  - Long term GDP growth of circa 4-5%
  - Considerable rise projected in the economically active LSM 7-10 lifestyle segments
- Growth rates likely to be even higher in sub-Saharan Africa
  - GDP growth currently circa 6%
  - 6 of the 7 fastest growth countries globally are in this region
- Opportunity for Group to exploit these growth markets
  - Roll out satellite adhesive manufacturing facilities to serve local markets
  - Focus on specification markets for tiles, adhesives, taps, and showers

Acquisition of Vado has compelling financial and strategic rationale

VADO

- Leading manufacturer and distributor of taps, mixer showers and bathroom accessories
- In Y/E 31st December 2012 revenue of £25.6m and EBITDA of £2.5m
- 16% CAGR in sales over the last 3 years
- Broad, well established customer base
  - Strong in UK contract/specification and high end boutique retailers and merchants
  - Residential, commercial, hotel and leisure
  - 45% of revenue exported; Middle East and Africa
- Complementary product, channel and geographic markets

JW Marriott Marquis, Dubai Hotel

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Acquisition of Vado has compelling financial and strategic rationale

- Acquisition price was attractive and the transaction earnings enhancing immediately

- Business operates in a sweet spot area for the Group in “bathroom controls”
  - UK market valued at £600m
  - Worldwide market £10bn
  - Opportunity to further expand in this sector

- Significant demand synergies exist
  - Enlarged customer base
  - Broader product offering
  - Strong brands
  - Extended geographic scope

- Excellent fit with Group strategy
  - Complementary product, channel and geographic markets
  - Sensible transaction size
  - Significant overseas business

Vado Identity Range

Vado Origin Range

Summary and Outlook

Strong trading performance in challenging markets

Final dividend increased by 8.9% to 0.305p per share

Soweto Theatre, South Africa

Four Points Sheraton Dubai

Hilton Park Lane, London

The Shard, London

Strong financial position maintained

Revenue and underlying profits ahead for the fourth successive year

New strategic targets

Market share gains driving performance

GROUP WELL PLACED TO ACHIEVE STRATEGIC GOALS

Appendices

Analysis of Exceptional Items

	2013 £m	2012 £m
Exceptional operating items		
Increase in legacy leasehold provision	(3.0)	-
Write back of impairment of investment and associated costs in Greek associate	-	0.5
Business unit restructuring	(0.2)	(0.5)
Disposal of Nortec in TAL business	(0.3)	-
VADO acquisition costs	(0.9)	-
Exceptional operating items	**(4.4)**	**-**

Exceptional finance costs

	2013 £m	2012 £m
Write off of unamortised fees from previous bank re-financing	-	(1.2)
Exceptional finance costs	**-**	**(1.2)**

Legacy Leasehold Obligations

- Swindon – Light Industrial Units
  - Lease expiry 2014
  - Occupied to lease expiry
  - Current cash shortfall against rental income c. £0.5m p.a.

- Swindon – Warehousing / Distribution Unit
  - Lease expiry 2022
  - Vacant
  - Cash shortfall c. £1.0m p.a.

- Sheffield - Warehousing / Distribution Units
  - Lease expiry 2082
  - Vacant
  - Current cash shortfall c. £0.4m p.a.

Net Debt Reconciliation

	2013 £m	2012 £m
Net debt (IFRS) – opening	(17.8)	(10.6)
Net cash flow	(12.8)	(5.7)
Other non cash movements	-	(1.1)
Foreign exchange & other	(0.1)	(0.4)
Net debt (IFRS) – closing	(30.7)	(17.8)

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