

A photograph of a shower head with water spraying. The shower head is a large, square, chrome-finished rain shower head mounted on a wall. The wall behind it has peeling grey paint, revealing a brownish-orange surface underneath. To the right, a brick wall is visible. The water is spraying downwards from the shower head.

**Norcros plc**  
**Preliminary Results**  
**Year ended 31 March 2015**

# Introduction

## Martin Towers *Chairman*



- Sixth consecutive year of growth
- Strong cash generation - underlying operating cash flow 12.8% higher at £22.9m
- Significant improvement in South African performance
- Good progress on legacy issues
- Net debt reduced to £14.2m from £26.9m
- Underlying ROCE at 16.3% - ahead of strategic target
- Full year dividend increased by 9.8%

## Revenue<sup>1</sup>

**£222.1m** +5.0%

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## Underlying operating profit

**£17.0m** +5.8%

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## Underlying operating cash

**£22.9m** +12.8%

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## Underlying ROCE %

**16.3%** +1.3%

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## Dividend

**0.56p** +9.8%

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<sup>1</sup> On a constant currency basis – continuing operations

# Financial Review

**Martin Payne**  
*Group Finance Director*

# Income Statement – continuing operations

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	2015 £m	2014 £m	+/- Reported	+/- Constant Currency
Revenue	222.1	218.7	+1.5%	+5.0%
Underlying <sup>1</sup> operating profit	17.0	16.1	+5.8%	+7.5%
<i>Margin</i>	7.6%	7.3%		
Finance charges – cash	(1.2)	(1.5)	(17.9%)	
Underlying <sup>1</sup> PBT	15.8	14.6	+8.1%	
Exceptional operating items <sup>3</sup>	(2.5)	(1.2)		
IAS19R admin expenses	(1.7)	(1.4)		
Acquisition related costs <sup>3</sup>	(2.2)	(0.7)		
Finance charges – non cash <sup>2</sup>	1.6	(5.5)		
PBT as reported	11.0	5.8	+88.4%	

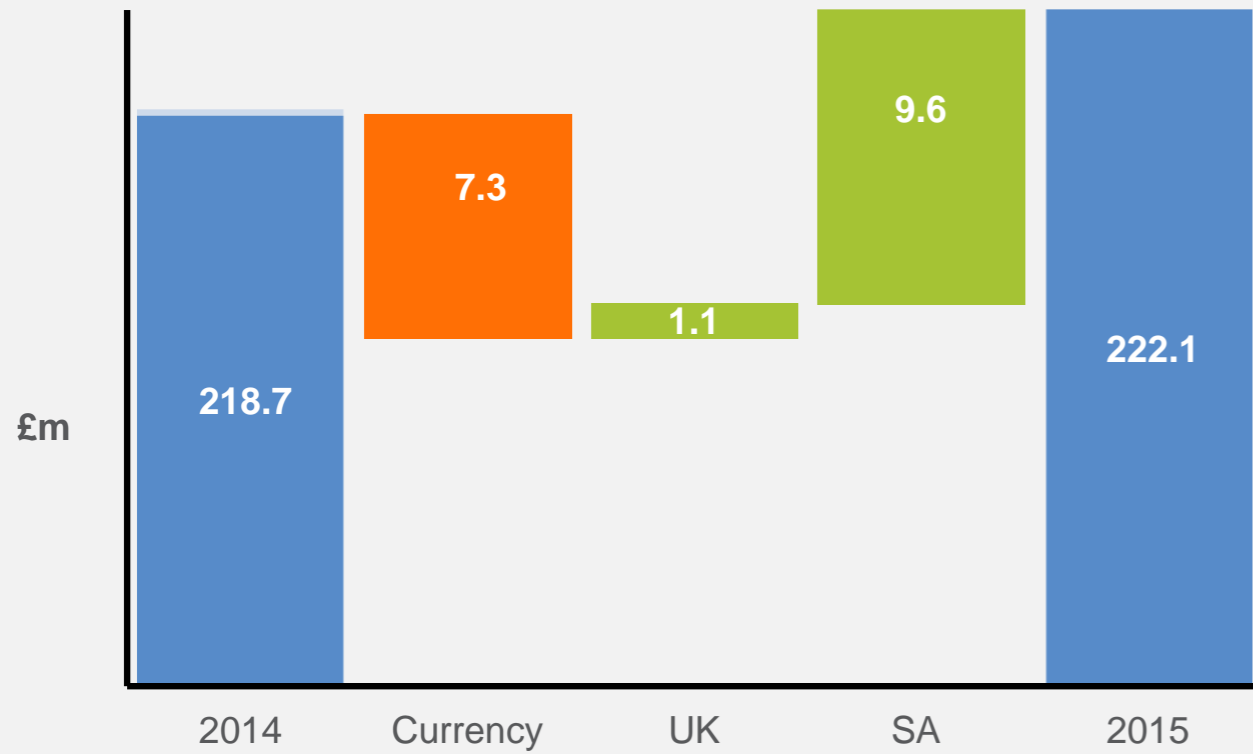
<sup>1</sup> Underlying means before exceptional operating items, IAS19R admin costs, acquisition related costs and where relevant, non-cash finance costs

<sup>2</sup> Includes £7.0m improvement for “mark to market” on FX forward contracts

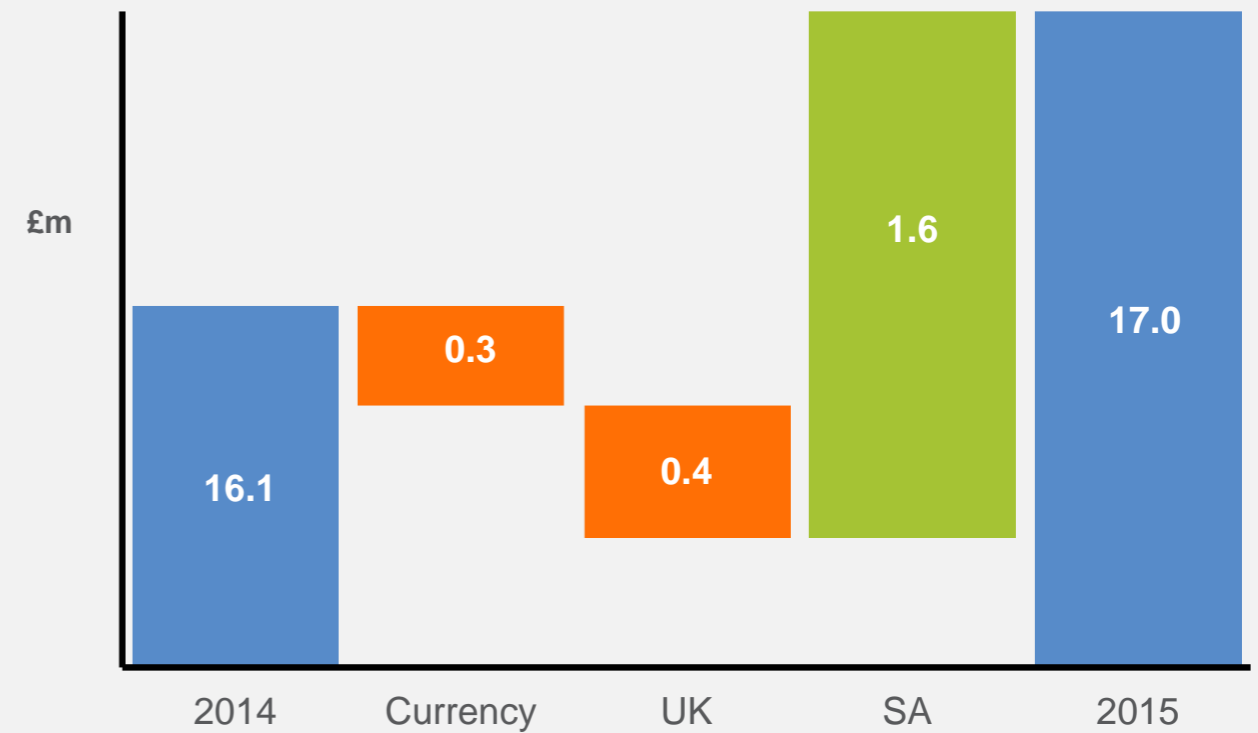
<sup>3</sup> See Page 31 for details

# Income Statement – key bridges

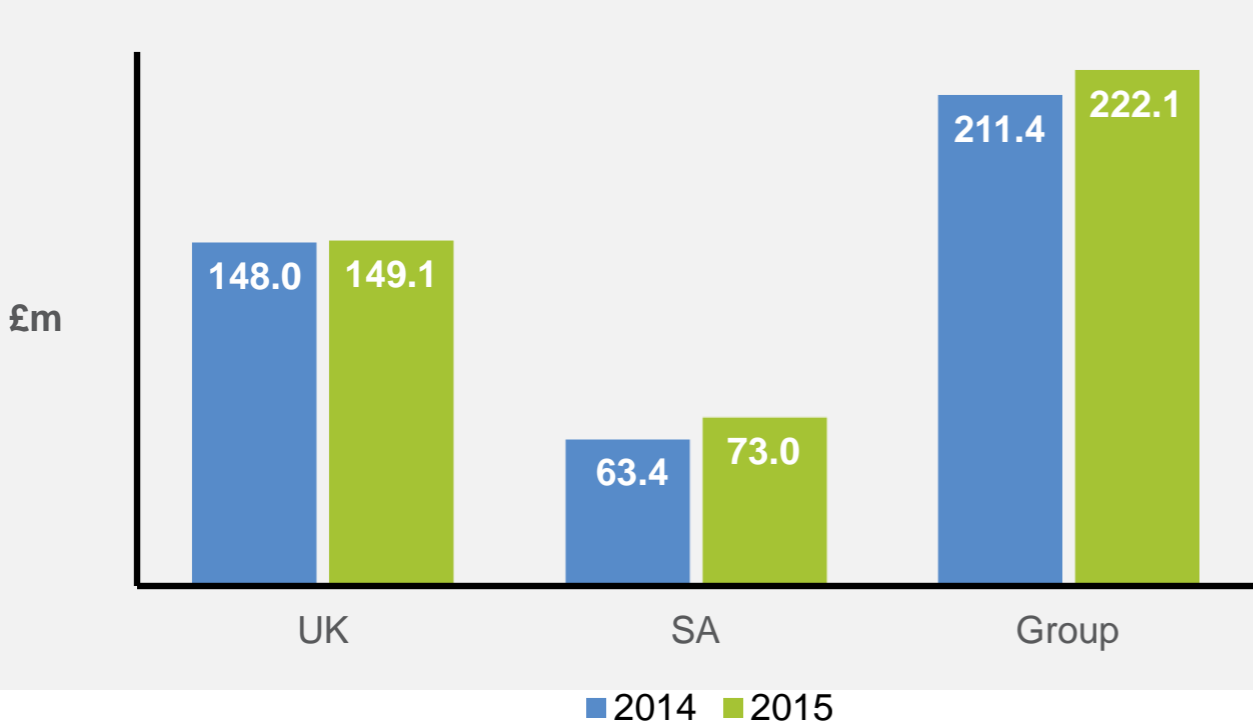
Revenue <sup>1</sup>



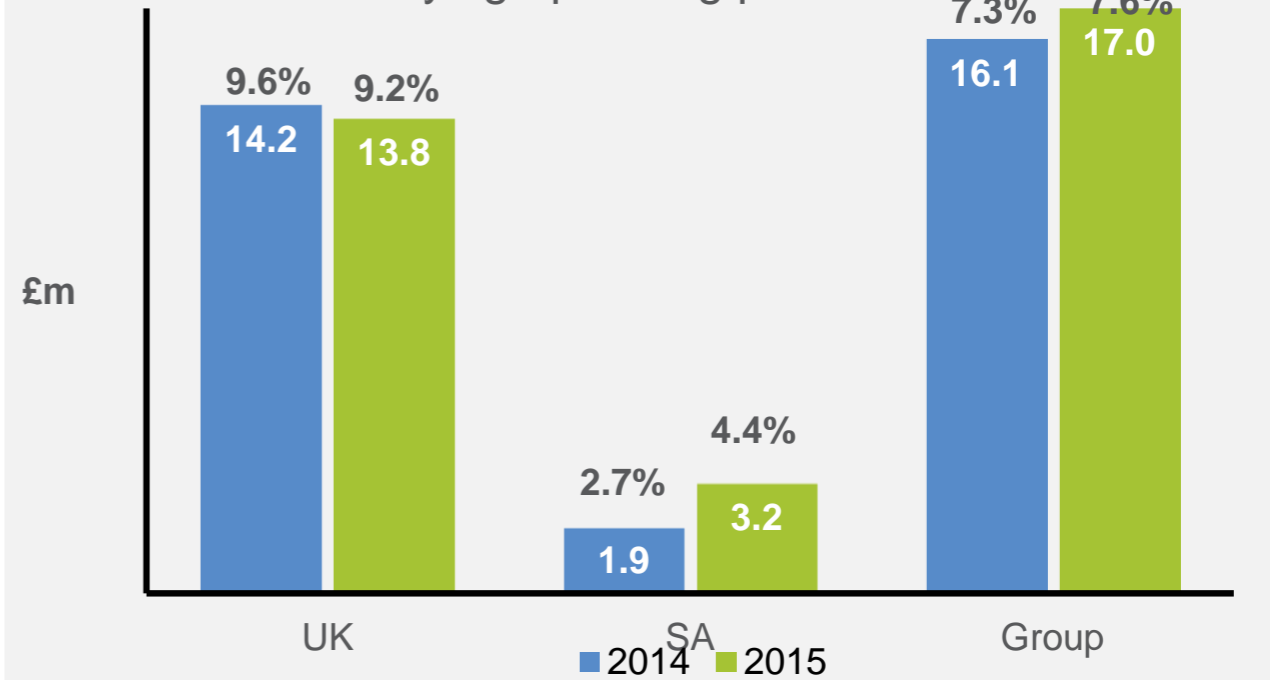
Underlying operating profit



Revenue <sup>1</sup>



Underlying operating profit / ROS<sup>%</sup>



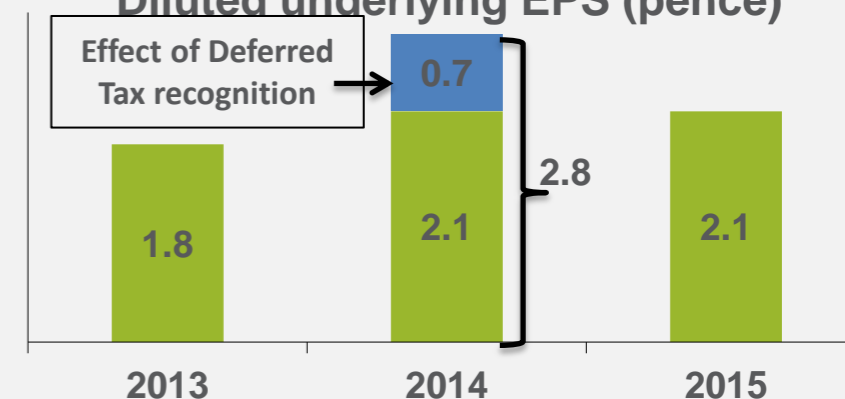
<sup>1</sup> Continuing operations

# Tax, Earnings and Dividends

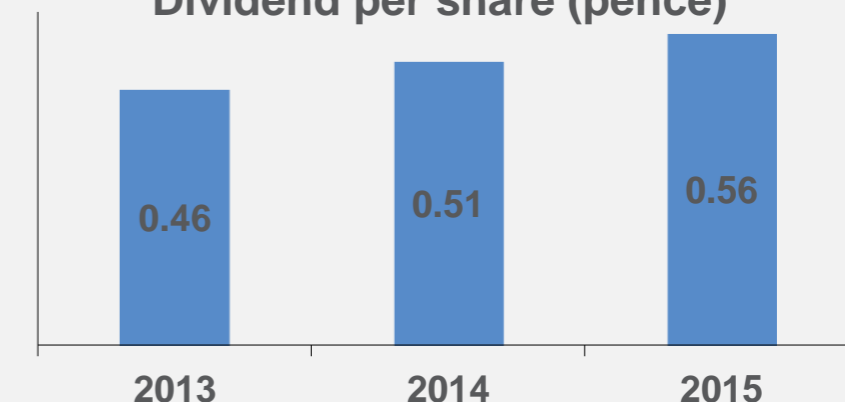
	Underlying <sup>1</sup>		Reported	
	2015 £m	2014 £m	2015 £m	2014 £m
Profit before Tax	15.8	14.6	11.0	5.8
Tax (charge)/credit	(2.8)	2.4	(2.9)	4.3
Earnings	13.0	17.0	8.1	10.1
Effective Tax rate	17.7%	n/a	26.6%	n/a

- Diluted underlying<sup>1</sup> EPS at 2.1p (2014: 2.8p)
- Diluted underlying<sup>1</sup> EPS excluding deferred tax recognition at 2.1p in 2014
- Full year dividend up 9.8%

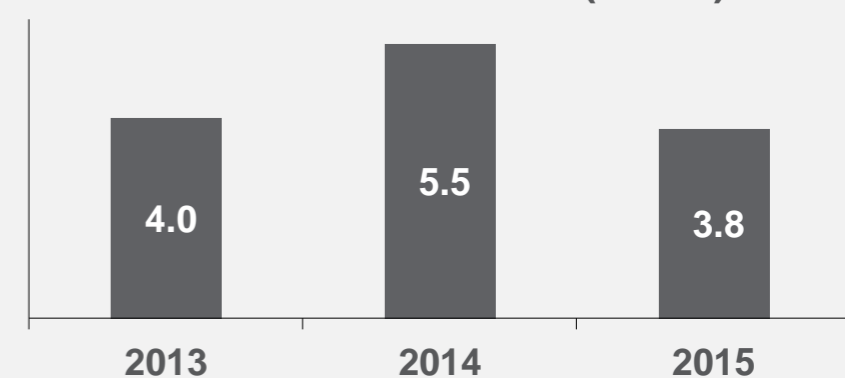
Diluted underlying EPS (pence)



Dividend per share (pence)



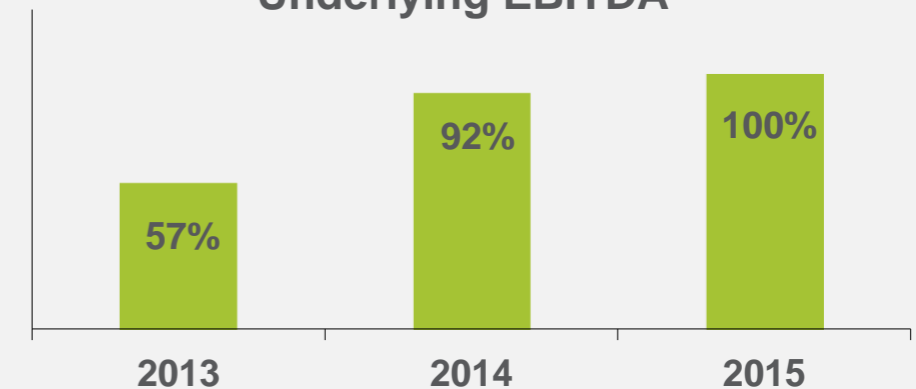
Dividend cover (times)



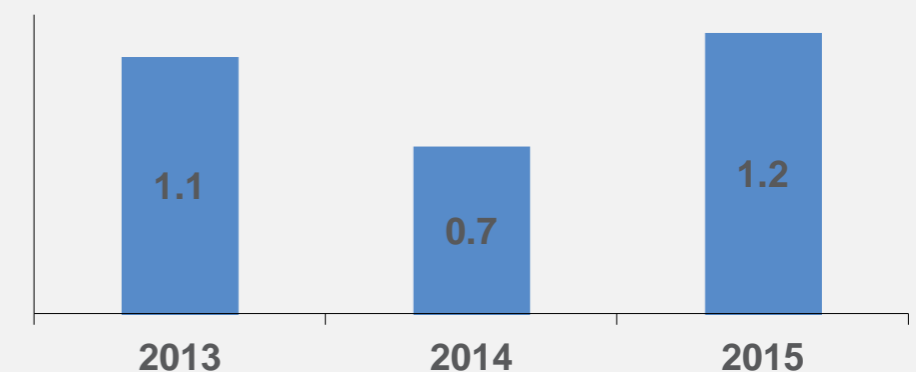
<sup>1</sup> Underlying means before exceptional operating items, IAS19R admin costs, acquisition related costs and where relevant, non-cash finance costs, and where relevant after attributable tax

	2015 £m	2014 £m
<b>Underlying EBITDA</b>	<b>23.0</b>	<b>22.0</b>
Working Capital	(1.5)	(2.6)
Other	1.4	0.9
<b>Underlying operating cash</b>	<b>22.9</b>	<b>20.3</b>
Capital Expenditure	(7.0)	(4.2)
Sheffield freehold purchase	(0.9)	-
Proceeds from property disposal	6.5	1.4
Pension deficit recovery	(2.1)	(2.0)
Tax	(0.5)	(1.7)
<b>Underlying free cash flow pre financing and dividends</b>	<b>18.9</b>	<b>13.8</b>
Exceptional & acquisition related costs	(4.7)	(4.4)
Interest	(1.3)	(1.6)
Dividends	(3.1)	(2.8)
Net Proceeds Sale of Business	3.8	-
Cash costs of acquisition	(0.5)	0.1
Other items	(0.4)	(0.1)
<b>Net Cash Flow</b>	<b>12.7</b>	<b>5.0</b>

**Underlying Operating Cash Flow / Underlying EBITDA**

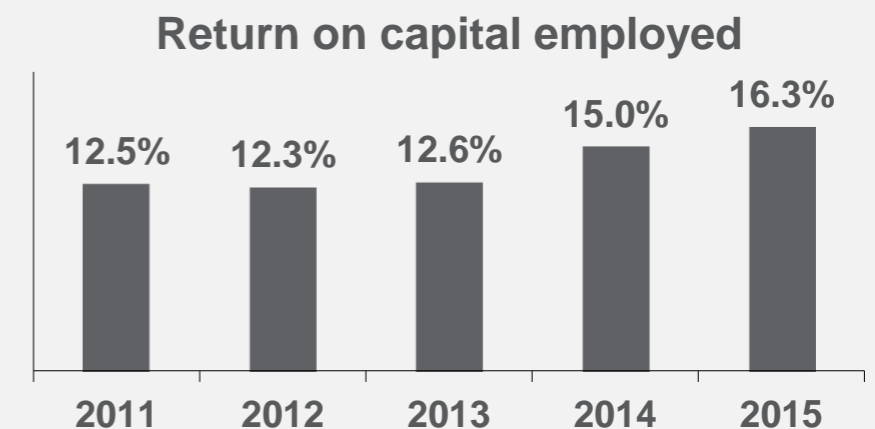
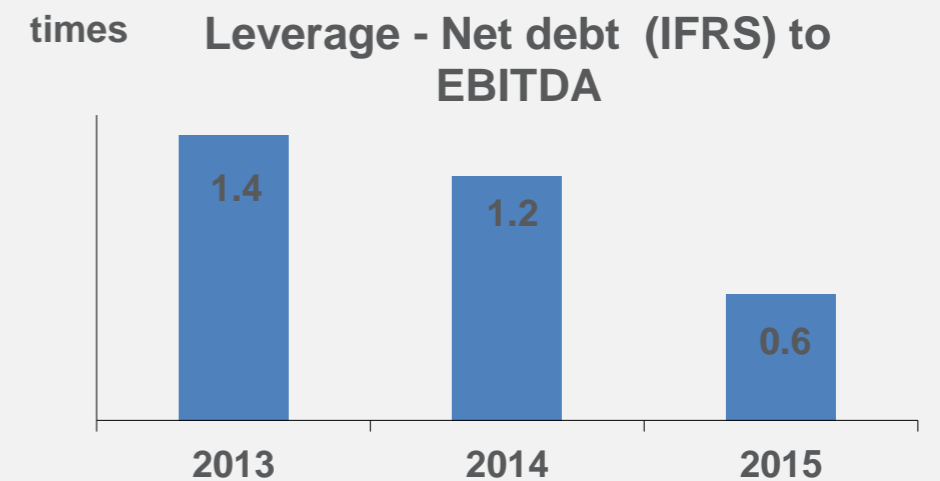
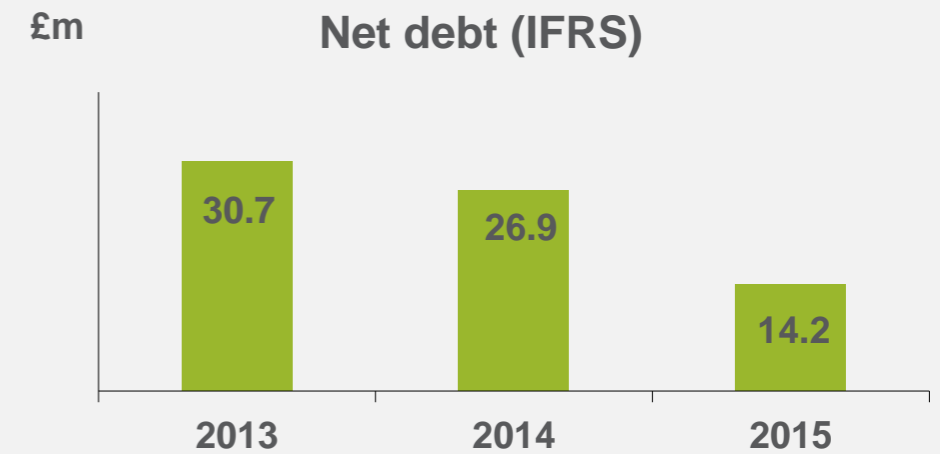


**Capex / Depreciation (times)**



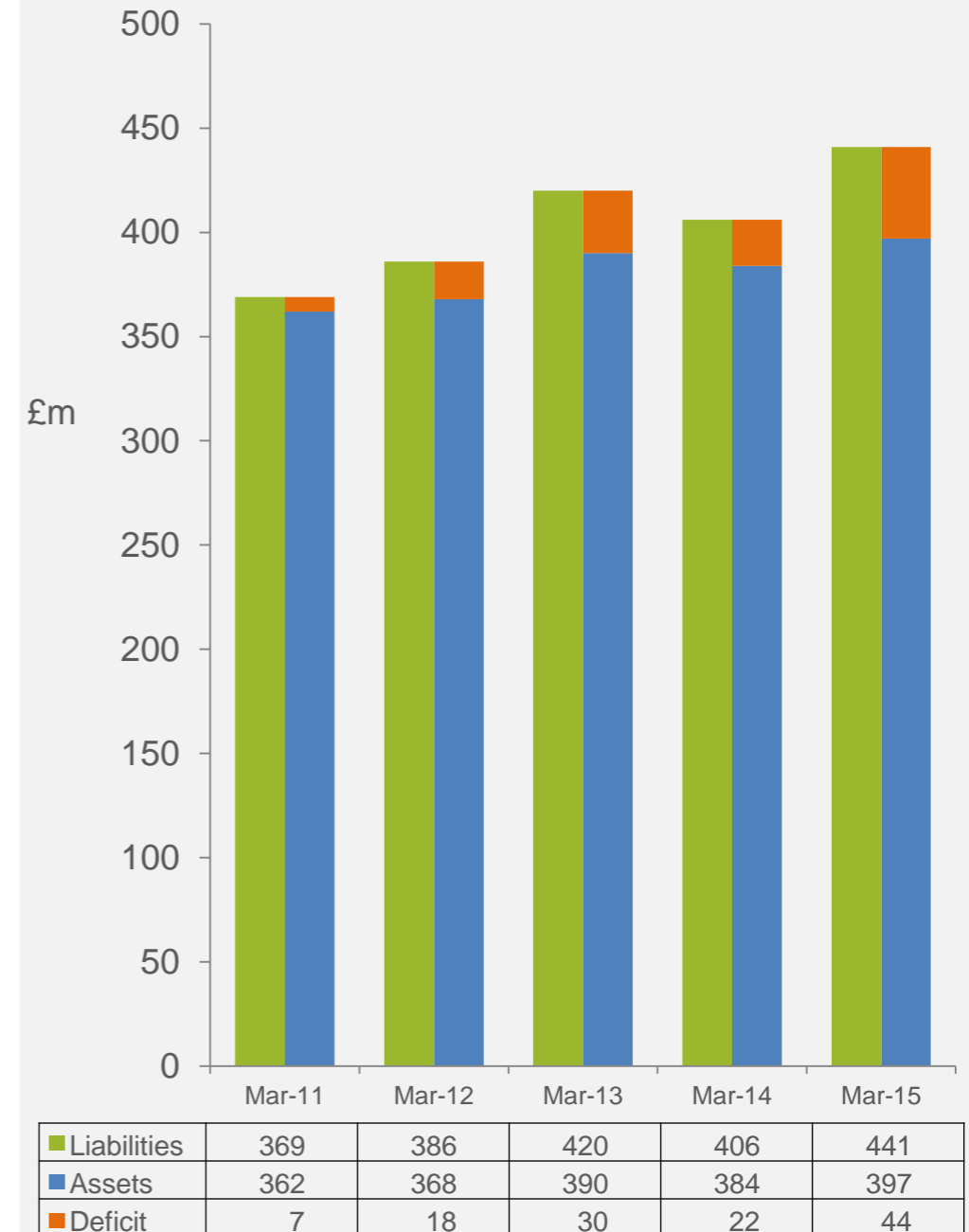


- Strong cash generation reduces debt to £14.2m
- Leverage 0.6x underlying EBITDA
- Refinanced July 2014
  - £70m RCF plus £30m accordion
  - 5 years to July 2019
  - Improved terms
- ROCE above long term target at 16.3%



- Super-mature scheme
  - 8,492 members. 64% pensioners with average age 77
  - Reduced by 993 during year
  - 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
- March 15 1AS19R deficit £44.3m (2014 :£21.8)
  - Increase despite above actions
  - Real yields reduced by 70bps as bond yields have reduced significantly
- Recovery plan
  - 15 years at £2.0m per annum +CPI from April 12
  - Triennial valuation April 15

UK Pension IAS 19R Assets & Liabilities



## ➤ **Geographic Focus**

- Disposal of non core Australian tiles business in May 2014 for £3.8m

## ➤ **Property Leases**

- Lease exit and acquisition of freehold at Sheffield
  - Purchased from landlord for £3.4m on November 2014
  - £2.5m exceptional P+L charge
- Drakes Way, Swindon-lease ended December 2014
- One remaining lease at Groundwell, Swindon, currently sublet to Network Rail: £0.2m p.a.

## ➤ **Freehold Property**

- Disposal of surplus legacy freehold property portfolio to Clowes Developments
  - £6.5m cash consideration
  - Comprises all legacy sites in Tunstall, Boston and Sheffield
  - £1.5m exceptional P+L charge

- **Only remaining material legacy issue is Pension Scheme**

# Operating Review

**Nick Kelsall**  
*Group Chief Executive*



The Great British Shower Company



JOHNSON-TILES®

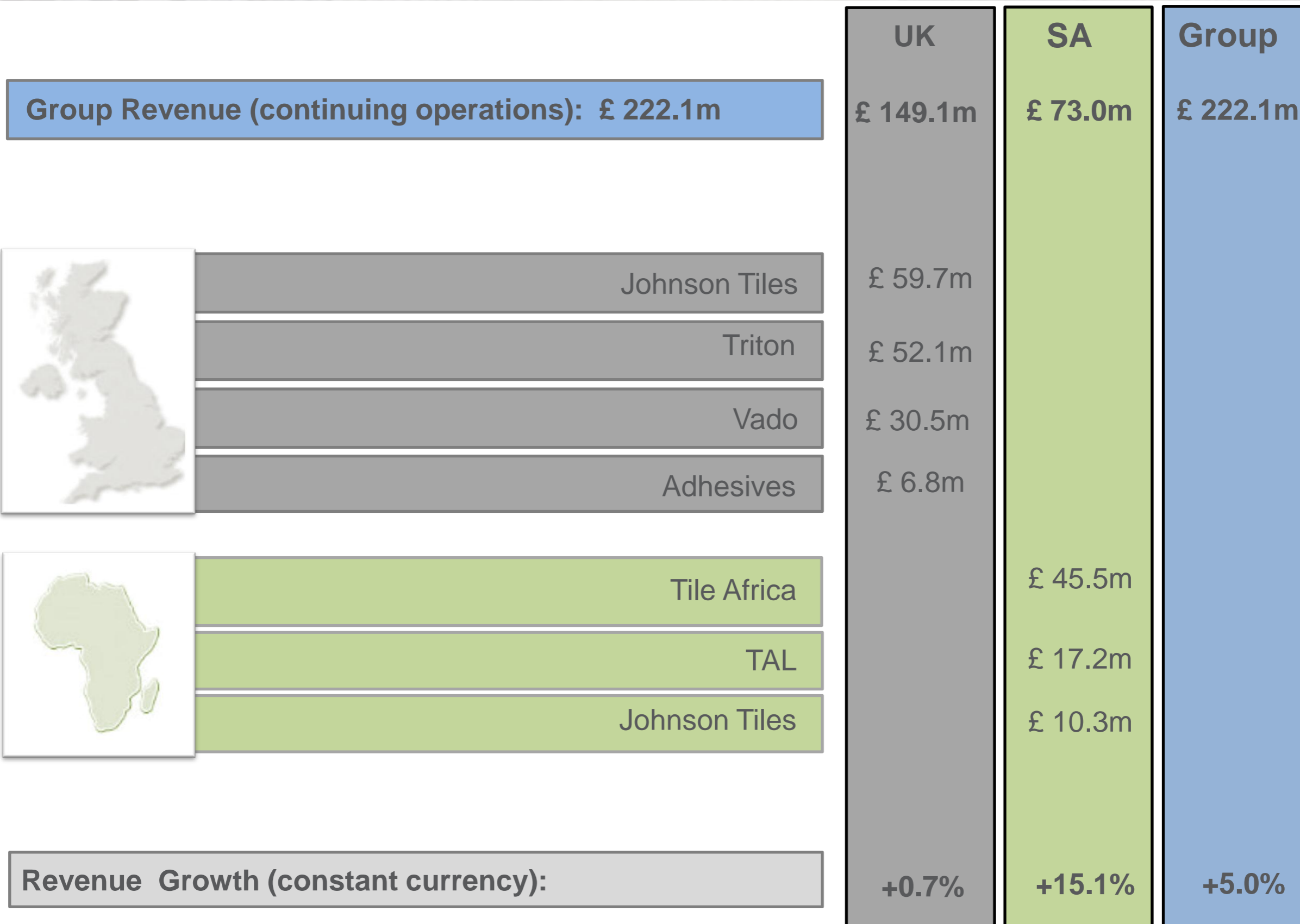


norcros™  
SA (PTY) LTD

JOHNSON-TILES®



TILE AFRICA





- Overall Revenue + 0.4%
  - UK - 2.1%
  - Exports + 17.3%
  
- Overall UK market volumes marginally up
- Maintained high share with gains in electric
- Triton share of retail retained
- Gain in share of trade electrics
- Strong performance in Ireland driven by market recovery
- New product drive maintained
  - Share growth in thermostatic electric showers in trade
  - Safeguard + product performing well in care market
  
- Margins and profits remain strong; highly cash generative





- Overall Revenue + 4.7%
  - UK + 19.8%
  - Exports - 15.8%
  
- Strong performance in UK retail and trade:
  - Further traction with Vado partnership programme
  - New developers added (Avant Homes & Lovell)
  
- Export performance impacted by project delays & customer destocking.
  
- Hydrologics Studio generating further brand awareness and loyalty
  
- Focus on new product programmes - 3 major ranges in FY16
  
- Launch of Vado into South Africa through Tile Africa in Q2
  
- Profits ahead of prior year and good cash generation

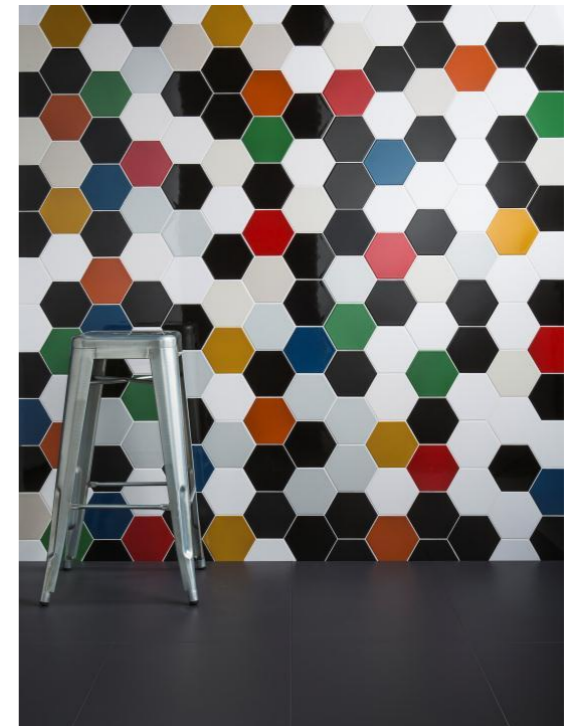


# Johnson Tiles – performance to benefit from improving consumer confidence

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## JOHNSON • TILES

- Overall Revenue - 3.2%
  - UK - 2.8%
  - Exports - 5.5%
- UK market; trade outperforming retail
- UK trade +9.6%; growth across all sectors reflecting focused marketing efforts
- UK retail -11.9%; key account performance and reduction in promotional lines
- High profile success of bespoke Tower of London “Poppy” project
- Export – growth in H2; growth in France with restructuring in Middle East
- Change in tile body recipe disrupted production performance - now resolved
- Small full year loss; production performance and retail impact



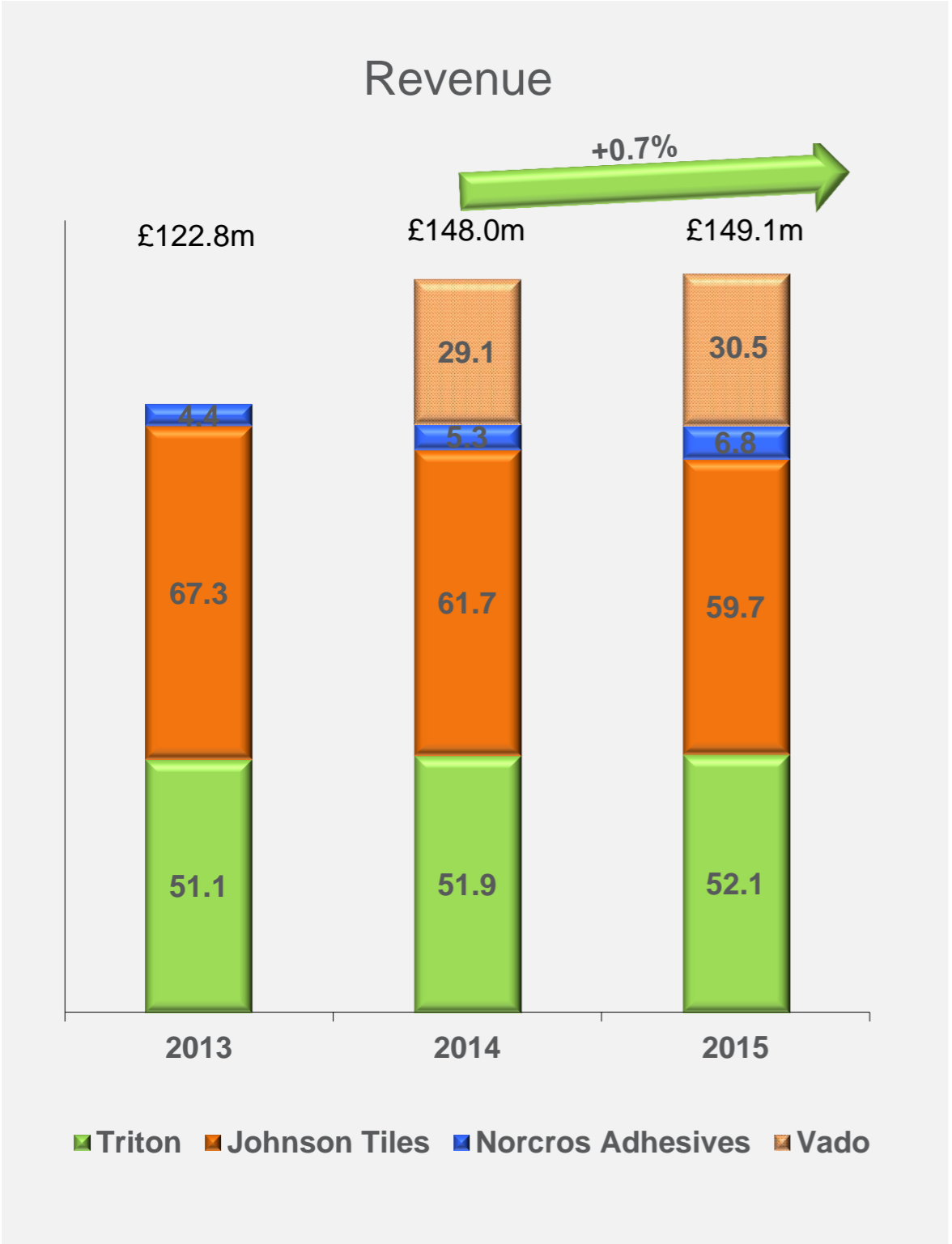




- Overall Revenue + 28.4%
- Increase in share – strong progress in UK retail and trade
- Further penetration of DIY and distribution
- Multi-brand strategy with further investment in retail brand and marketing support material (website/CPD)
- New product development continued; Reinforced Polymer technology well received
- Benefits of increased scale and operational efficiencies - higher profits
- Measured expansion into the Middle East
- Growth momentum being sustained

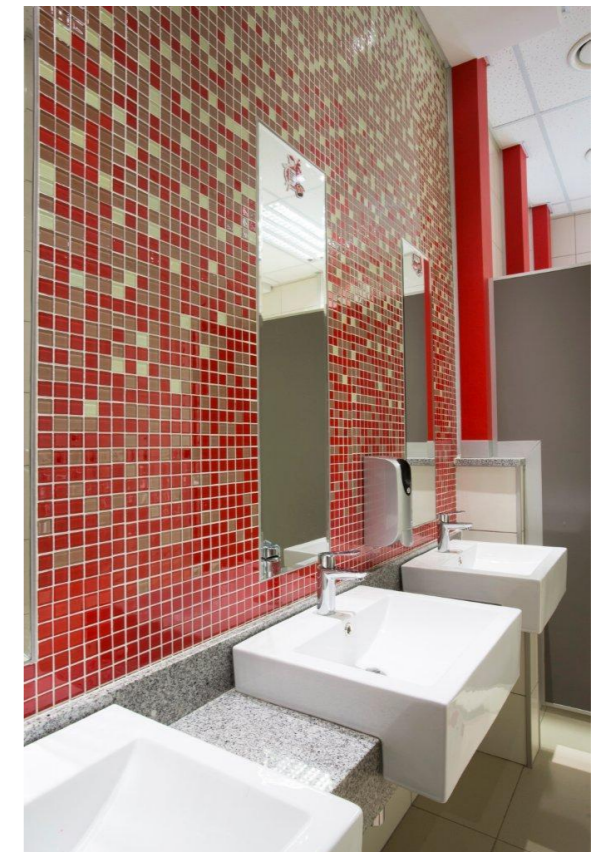


# UK Operations - Robust performance in challenging markets **norcros**



## JOHNSON-TILES®

- Significant improvement in performance – business at breakeven
- Overall revenue + 9.5% at cc
- Good growth in smaller independents + exports
- Growth driven through NPD - product well received
- Successful commissioning of second inkjet printer
- Core manufacturing performance significantly improved
- Further improvement - focus on added value products and increase in plant capacity
- Confident of further progress this year





- Overall revenue + 11.7% at cc
- Share gain in domestic market + strong export growth
- Growth driven by focus on rapid set products despite tight market
- Building and construction products performed well
- Export growth continues - Zimbabwe and Namibia
- Investment in mixers, packing heads & grout packaging line driving efficiencies
- Further investment in plant planned to reduce production costs
- Underlying profit higher and strong cash generation

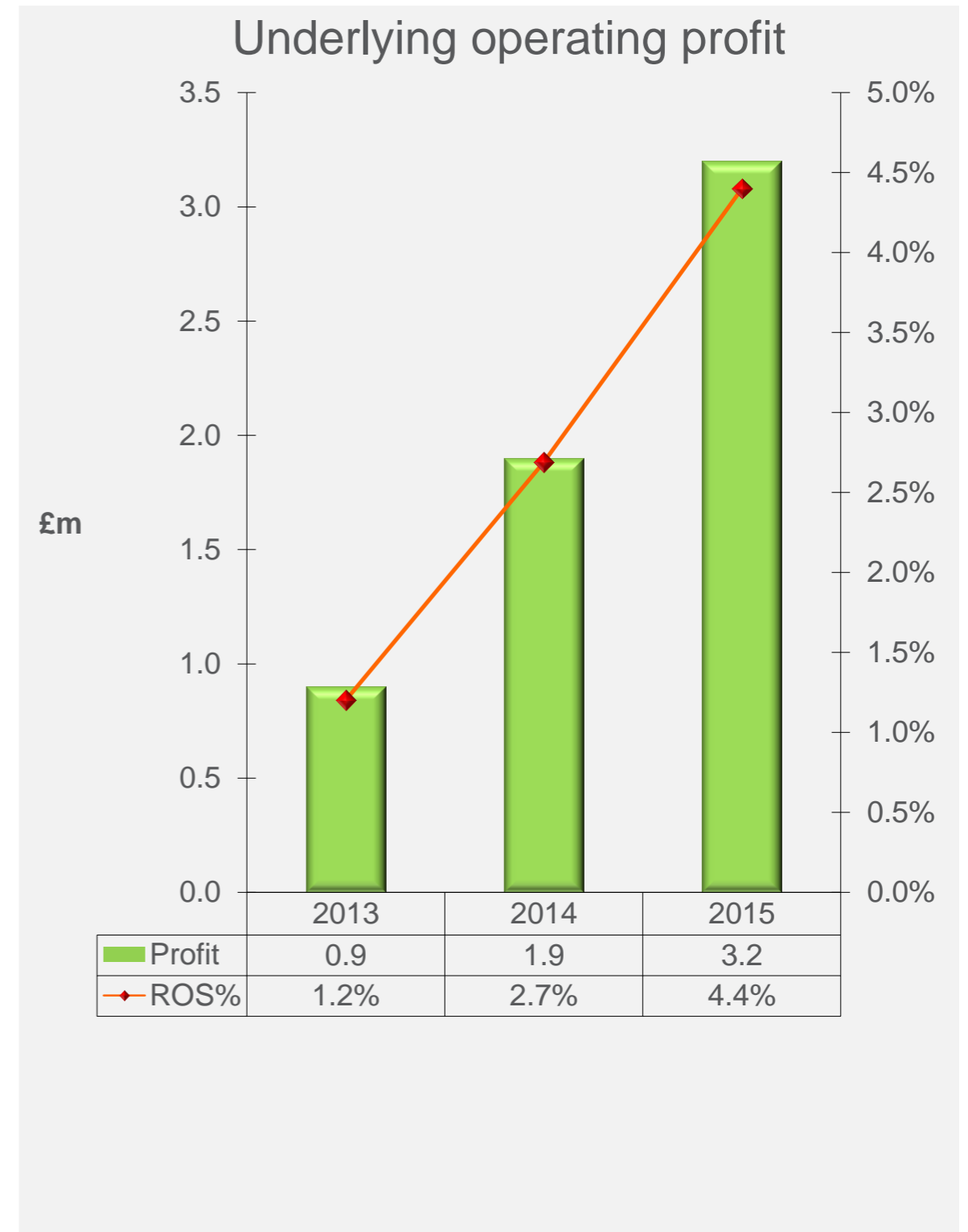
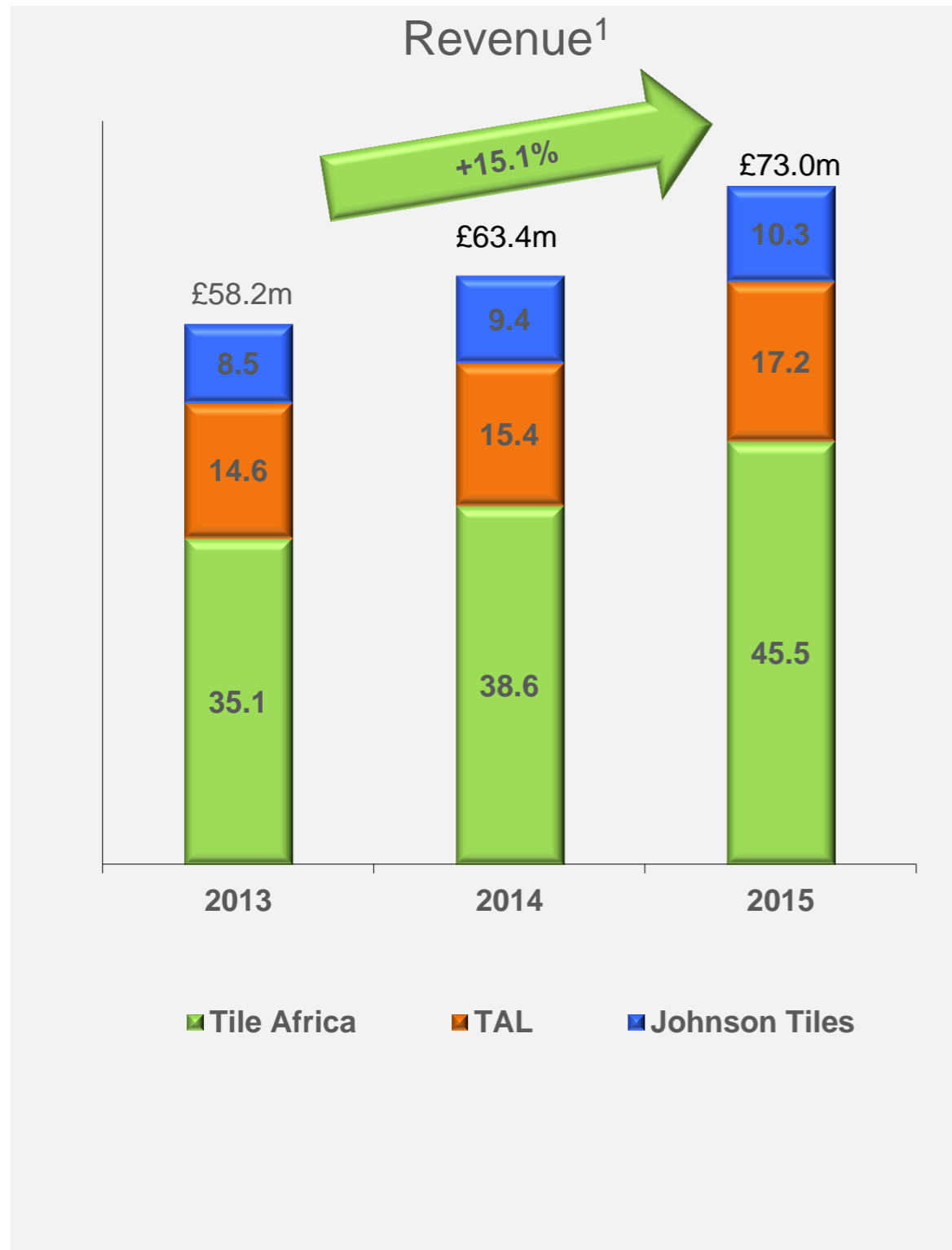




- Overall revenue + 17.8% at cc
- Improved in-store stock levels
- Consistent product ranging in stores
- Continued success of store upgrade model
- New CX store format launched - bathroom store-within-store improving customer experience
- Purchase of Port Elizabeth franchise store – 1 November 2014
- 24 of 29 stores now upgraded. 2 new stores to be opened in FY16
- Underlying operating profits higher



# SA Operations – Strong progress driven by share gain



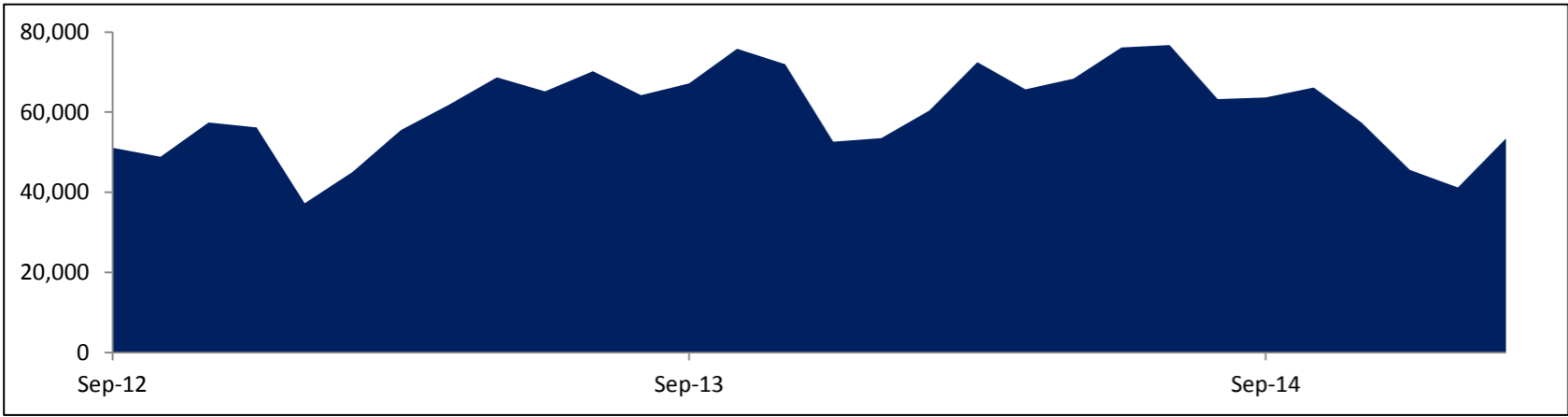
<sup>1</sup> On a constant currency basis

# Group Outlook & Strategy

Nick Kelsall  
Group Chief Executive

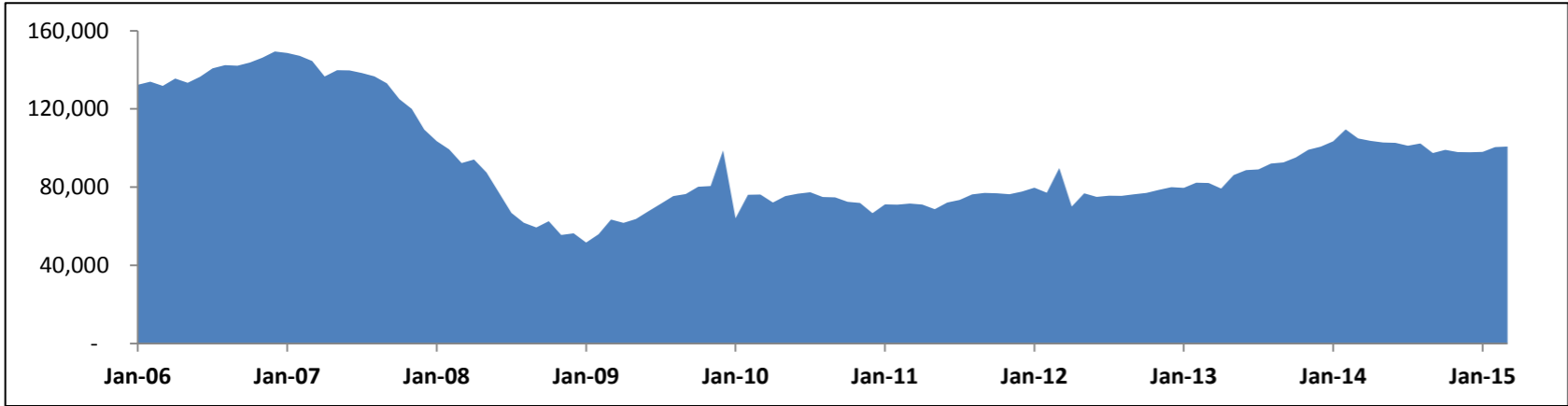
# Lead UK indicators are stable

### Mortgage Loan Approvals (seasonally adjusted)



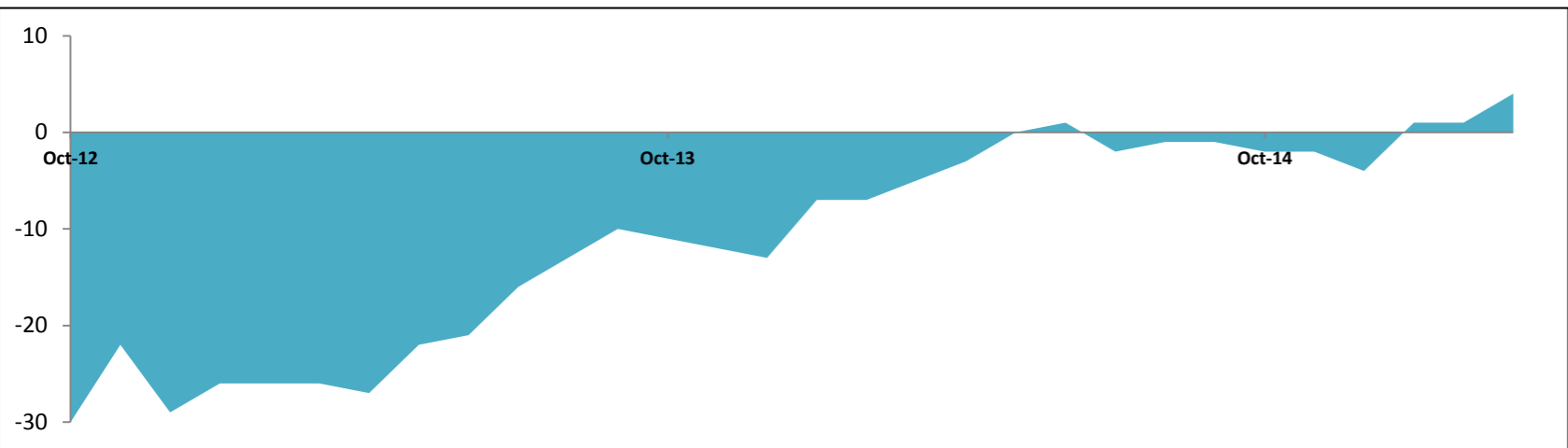
Marginal upturn in recent months but remains below 2013 peak

### Housing Transactions



Transactions 30% below peak and remain flat but cautious signs of growth

### GfK Consumer Confidence



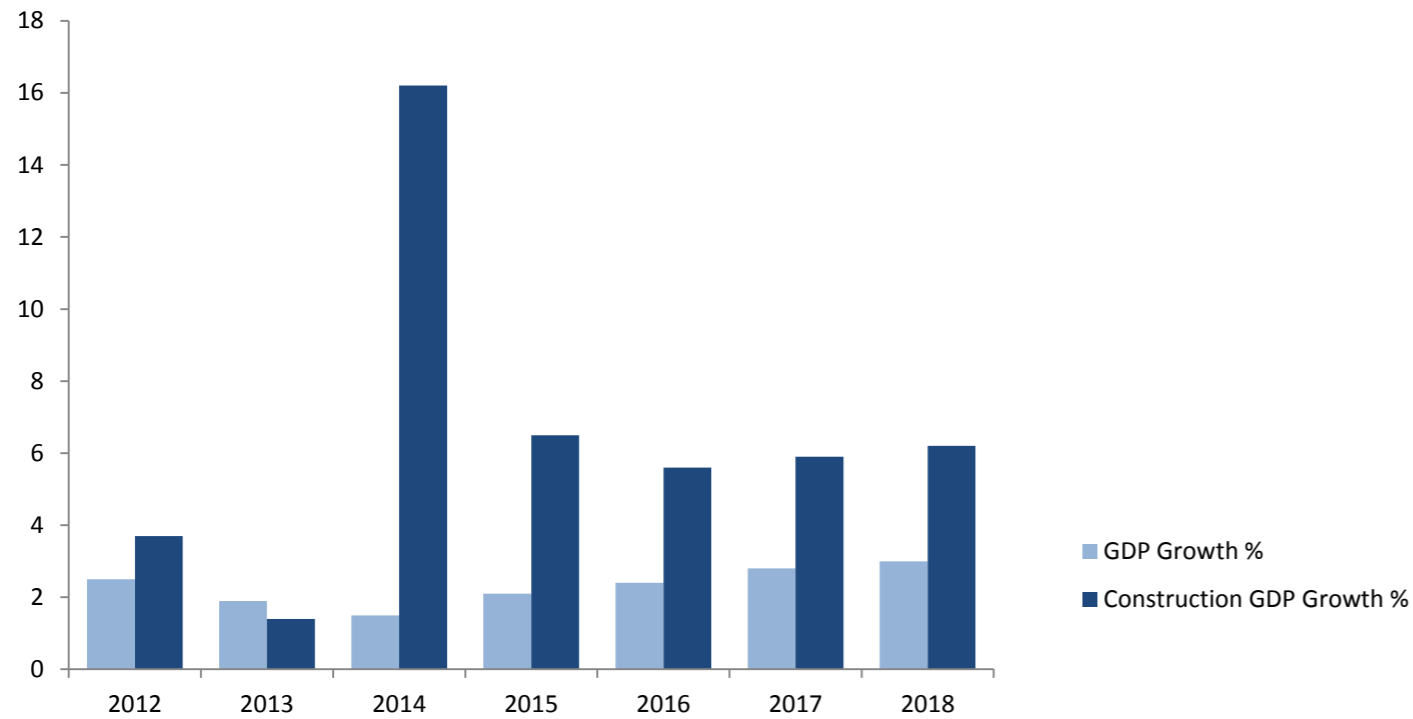
Index improved significantly and is at its highest since 1997

Source: HM Treasury



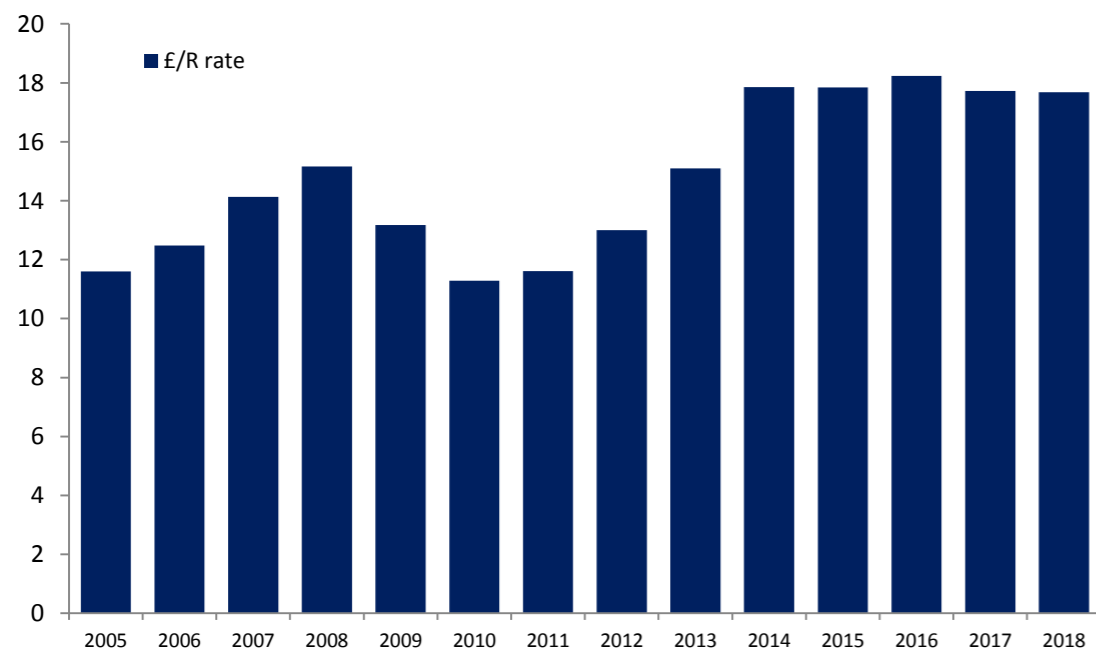
# Lead SA indicators – medium term growth & stabilising Rand

## GDP and Construction GDP % change

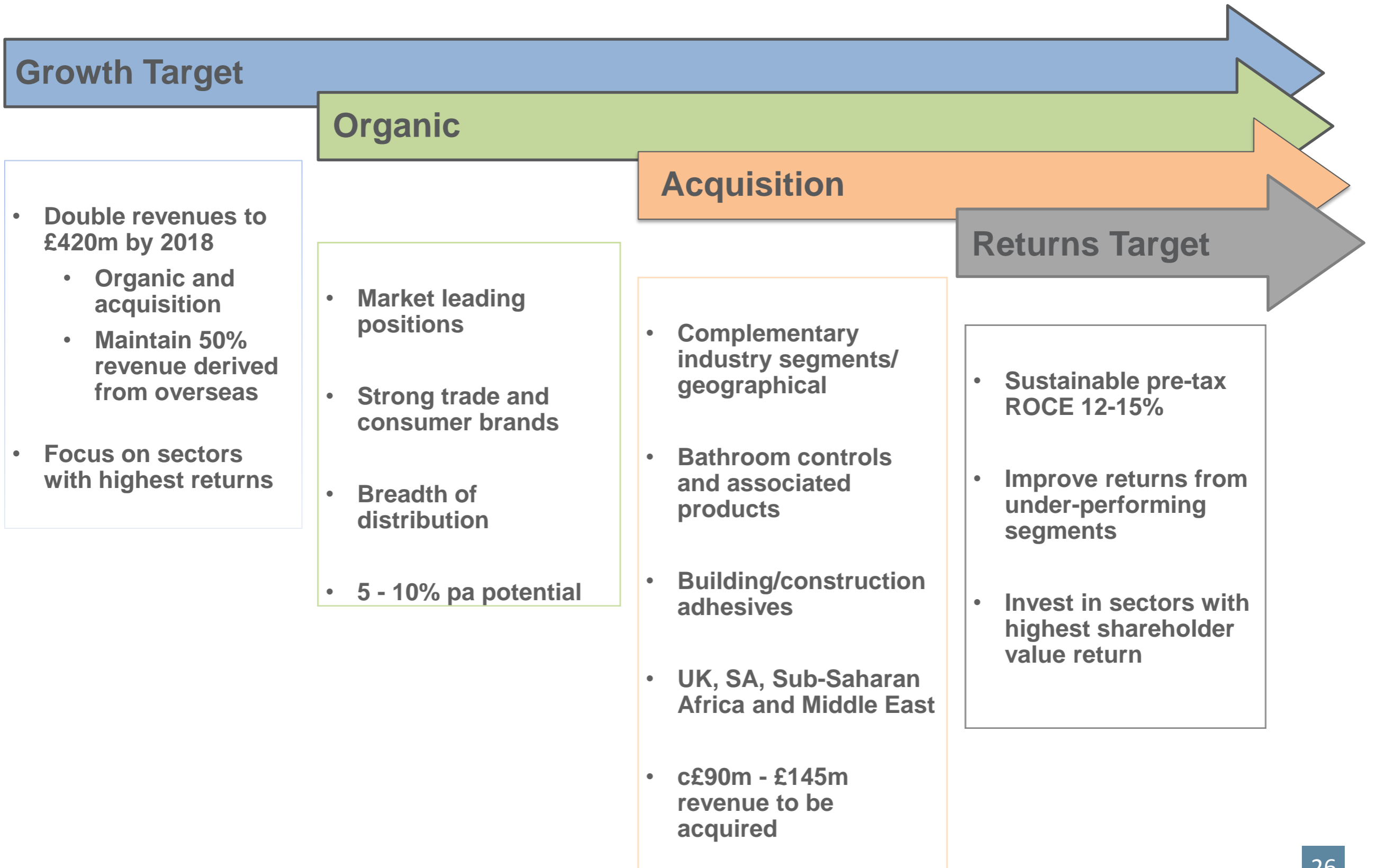


GDP downgraded in the short term due to labour and energy uncertainty. Medium term forecasts remain positive

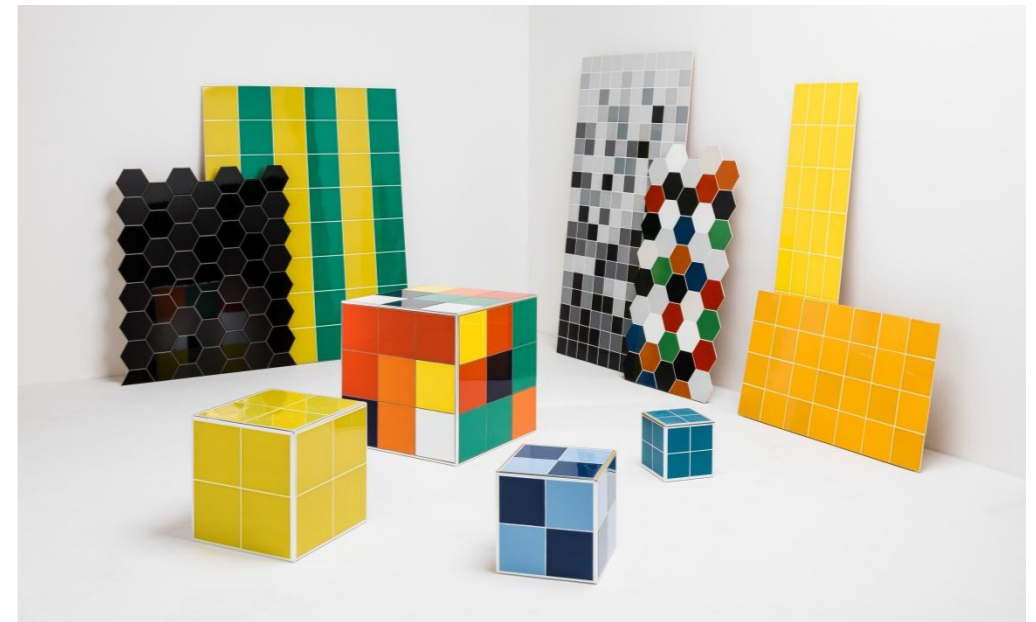
## £/Rand Exchange Rate



Forecasts show stabilising currency in South Africa driven by market correction



- Clear, consistent, and focused growth strategy
- Organic strategies gaining pace
- Trade and specification remains a key focus
- Momentum in acquisition pipeline
- Non-core legacy matters largely resolved
- Sixth year of revenue and profit growth



# Summary

Clear & Focused Growth Strategy

Medium Term Indicators Favourable

Focused Pipeline of Acquisition Opportunities

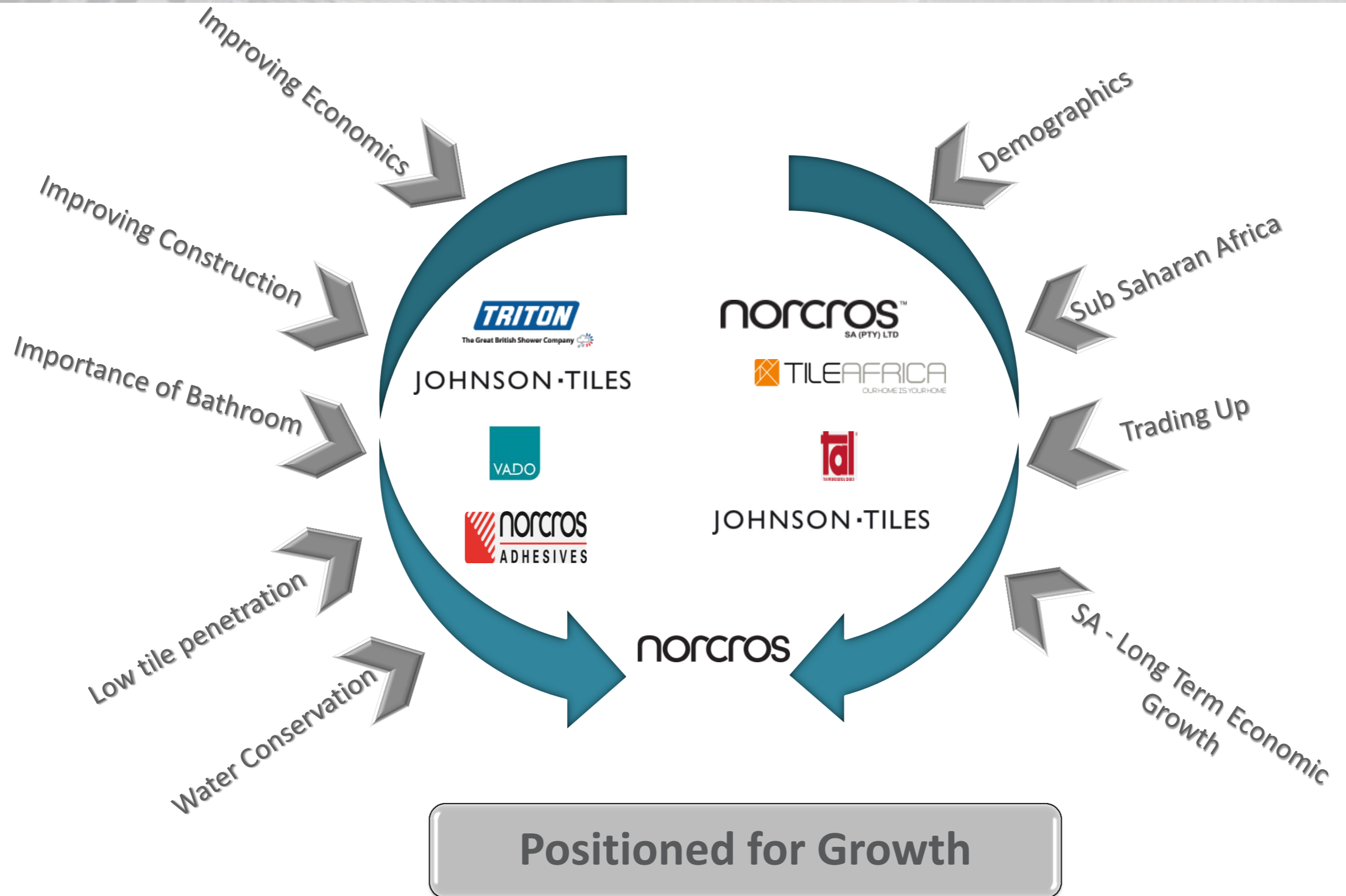
Organic Growth Opportunities

Solid Full Year Results

# Appendices



# Key growth drivers for Norcros markets



# Exceptional items and acquisition related costs

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	2015 £m	2014 £m
<b>Exceptional operating items</b>		
Pension settlement gain	1.7	-
Exit of Sheffield lease	(2.5)	-
Loss on disposal of freehold property portfolio	(1.5)	-
Business unit restructuring	(0.3)	(1.5)
Profit on disposal of residual property at Braintree	0.4	0.5
Highgate Park – legal costs	(0.3)	(0.2)
	<b>(2.5)</b>	<b>(1.2)</b>
<b>Acquisition related costs</b>		
Acquisition related deferred remuneration (earn out)	(1.1)	(0.3)
Intangible amortisation (Vado)	(0.3)	(0.4)
Acquisition related costs - other	(0.8)	-
	<b>(2.2)</b>	<b>(0.7)</b>

# Net debt reconciliation

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	2015 £m	2014 £m
Net debt (IFRS) – opening	(26.9)	(30.7)
Net cash flow	12.7	5.0
Other non cash movements	0.1	(0.4)
Foreign exchange	(0.1)	(0.8)
Net debt (IFRS) - closing	<b>(14.2)</b>	<b>(26.9)</b>