2019 Interim Results

7 August 2019

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Delivering intelligent protection solutions

Hill & Smith Holdings PLC

Stock Code HILS

Key messages

- **A good first half**
  - Strong performance from UK and US operations
  - Smaller international businesses more challenging
  - Organic growth in revenue (+3%) and operating profit (+5%)
- **Continued portfolio development**
  - ATG acquired in February
  - Investment in expansion of temporary road safety barrier fleet
  - New US Galvanizing facility under construction
  - Debt facilities expanded
- **Well positioned for further growth**

Underlying Trading Results

	H1 2019	+/-	H1 2018	FY 2018	
					FX impact: Revenue +£5.2m Operating Profit +£1.0m
Revenue (£m)	339.5	↑ 15%	295.4	637.9	Constant currency growth 13%
Operating profit* (£m)	40.2	↑ 16%	34.6	80.1	Constant currency growth 13%
Operating margin* (%)	11.8	↑ 10bps	11.7	12.6	
PBT* (£m)	36.9	↑ 12%	33.0	76.3	
EPS* (p)	37.5	↑ 14%	32.8	77.8	Benefitting from lower tax rate
Dividend (p)	10.6	↑ 6%	10.0	31.8	Maintaining progressive dividend policy

* All references to profit measures in this presentation refer to underlying profits, which exclude certain non-underlying items as detailed on page 22

Roads

	H1 2019	H1 2018	Organic Change
Revenue (£m)	114.7	87.2	+7%
Operating profit (£m)	10.3	8.5	-1%
Operating margin	9.0%	9.7%	-70bps

- UK
  - Road Investment Strategy (“RIS1”)
    - Increasing utilisation of temporary barrier
    - Fleet expanded; +41km in H1, +20km committed H2
    - Lower demand for permanent products in H1; H2 outlook more encouraging
  - Hostile Vehicle Mitigation
    - Good demand for growing product range
    - ATG acquisition provides platform for further expansion
- USA
  - Federal and state investment programmes driving activity
  - New product development to meet market requirements
- Other International
  - France ahead of prior year
  - Scandinavia challenging; project delays and aggressive competition
  - Lower demand in Australia against strong comparatives

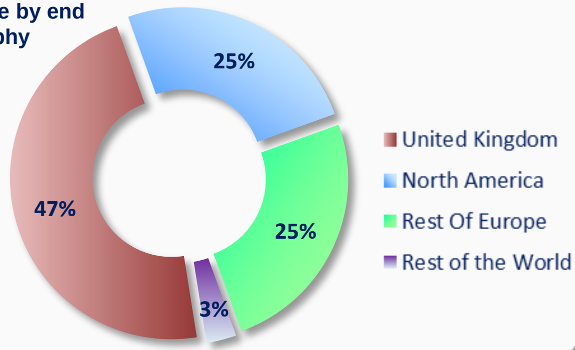
£m	Revenue	Operating profit
2018	**87.2**	**8.5**
F/X	(0.2)	-
M&A	21.7	1.9
Organic	6.0	(0.1)
2019	**114.7**	**10.3**

2019 Revenue

£114.7m **Up 7% organically**

UK	**+7%**	**£60m**
USA	**+54%**	**£28m**
International	**-8%**	**£27m**

Revenue by end geography



Utilities

	H1 2019	H1 2018	Organic Change
Revenue (£m)	126.5	113.0	+3%
Operating profit (£m)	9.6	7.3	+17%
Operating margin	7.6%	6.5%	+110bps

- **UK**
  - Overall mixed; cautious investment environment
  - Building products and industrial flooring ahead y-o-y
  - Non-core drainage pipe operation divested early August
- **USA**
  - Further organic growth in both Composites and Utility transmission
  - Prior year acquisitions trading well
  - Good order backlogs for H2
- **Pipe Supports**
  - US business benefitting from robust commercial construction
  - India encouraging; new products gaining traction
  - Overall improvement in profitability and margin

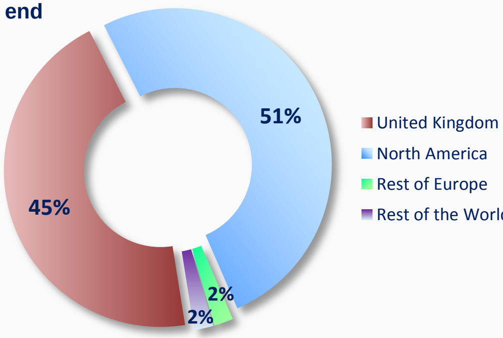
£m	Revenue	Operating profit
2018	**113.0**	**7.3**
F/X	3.0	0.2
M&A	7.3	0.8
Organic	3.2	1.3
2019	**126.5**	**9.6**

2019 Revenue

£126.5m Up 3% organically

UK	+1%	£58m
USA	+14%	£46m
Pipes (US/India)	-8%	£22m

Revenue by end geography

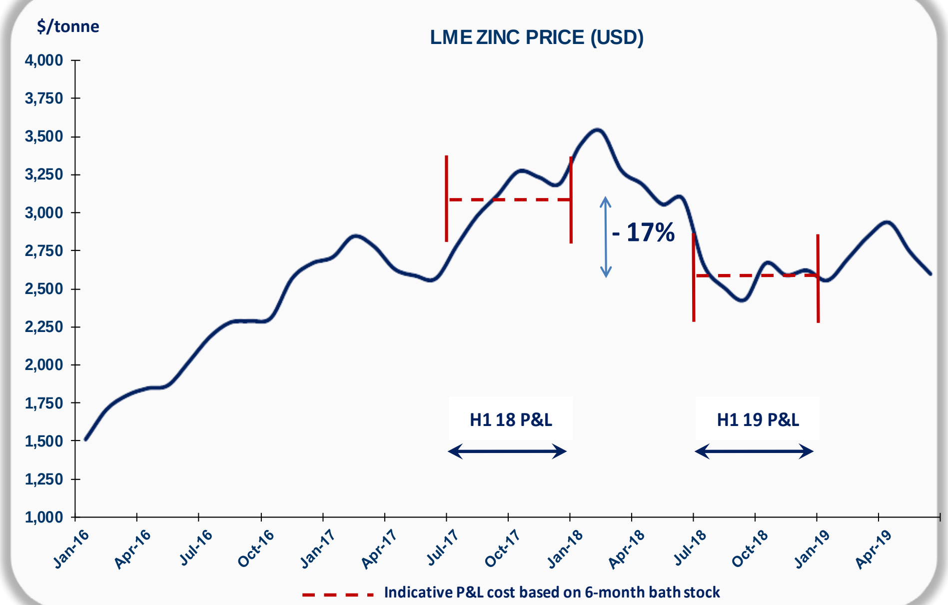


Galvanizing

	H1 2019	H1 2018	Organic Change
Revenue (£m)	98.3	95.2	+1%
Operating profit (£m)	20.3	18.8	+4%
Operating margin	20.7%	19.7%	+100bps

£m	Revenue	Operating Profit
2018	**95.2**	**18.8**
F/X	2.4	0.8
Organic	0.7	0.7
2019	**98.3**	**20.3**

- UK: 97k tonnes ↓ 1%
  - Q2 demand affected by slowing UK construction activity
  - Strategic focus on higher return work
  - Improvement in profitability and margins
- USA: 81k tonnes ↓ 6%
  - Higher selling prices offsetting volume reduction
  - Profitability similar to prior year
  - New York plant on track for completion end 2019
- France: 64k tonnes ↓ 4%
  - Q1 impacted by political factors; better Q2
  - Market still highly competitive
  - Selling price increases supporting profitability



Free cash flow and net debt

£m	H1 2019	H1 2018	FY 2018
Underlying Operating Profit	**40.2**	34.6	80.1
Depreciation and amortisation	**15.3**	9.9	19.5
Underlying EBITDA	**55.5**	44.5	99.6
Other non-cash items	**0.3**	(1.0)	0.4
Working capital	**(21.8)**	(22.3)	(6.3)
Capital expenditure (net)	**(22.5)**	(8.5)	(31.6)
Underlying operating cash flow	**11.5**	12.7	62.1
Restructuring spend	**(1.0)**	(0.9)	(1.7)
Provisions/Pension	**(1.2)**	(1.2)	(2.5)
Interest paid (net)	**(2.8)**	(1.6)	(3.9)
Tax paid	**(6.0)**	(7.9)	(13.3)
Statutory free cash flow	**0.5**	1.1	40.7
Dividends	**(7.9)**	(7.4)	(23.6)
Acquisitions/disposals	**(24.6)**	(33.3)	(47.6)
New leases	**(4.3)**	-	-
Share issues/other (net)	**0.4**	(0.7)	(2.2)
Net cash flow	**(35.9)**	(40.3)	(32.7)
Note: F/X impact	(0.2)	(1.9)	(1.2)

- **Working capital outflow £21.8m**
  - Reflects seasonality of trading
  - Lead indicators ahead of prior year H1
- **Capex 2.2 times depreciation/amortisation**
  - Strategic investment in temporary barrier fleet £8.7m
  - H2 investment in new galvanizing plant (£7m) and further barrier (£3m)
  - FY19 guidance *c.*£45m
- **Net debt : EBITDA 1.6 times (Dec 2018: 1.3 times)** *(excluding IFRS 16 impact)*
  - Facilities extended and increased

£m	H1 2019	Dec 2018	H1 2018
Net debt	**203.1***	132.9	141.2

Including lease liability of £33.6m

New appointments

Alan Giddins
Chairman
1 October 2019

Following a thorough selection process, Alan will become Chairman of the Board from 1 October 2019. He will succeed Jock Lennox, who retires on that date. Alan joined the Group in October 2017 as SID and has recently retired from his role as Managing Partner and head of Private Equity at 3i Group plc.

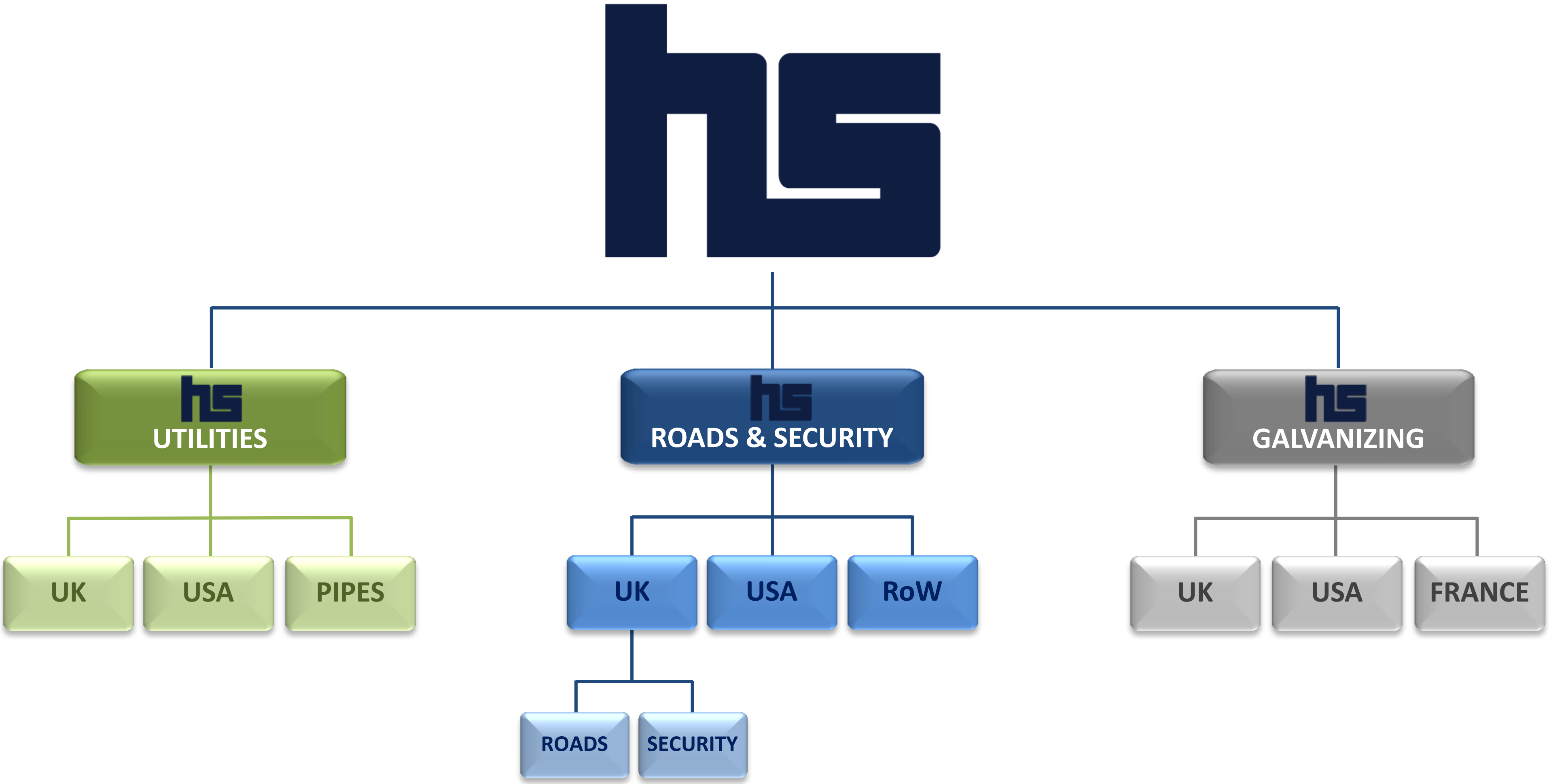
Hannah Nichols
Group CFO
16 September 2019

Hannah joins the Board after 14 years with BT Group plc, most recently as CFO, Asia, Middle East & Africa for BT Global Services, where she led a 70-strong globally and culturally diverse finance team, providing services to over 800 multinational and domestic customers across 46 countries.

Andrew Beaney
MD, Roads & Security Group
1 August 2019

A new senior management role leading strategic development across our range of businesses in the roads and security markets, through both organic growth and acquisition. Andrew joins us after 18 years with Interserve, most recently as the Managing Director of Interserve Engineering Construction, based in Abu Dhabi.

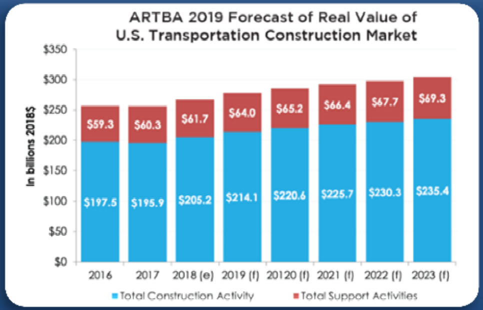
Group structure



Key growth opportunities - USA

- GALVANIZING – V&S
  - Growth in infrastructure spend
  - Product substitution from paint (e.g. trailer chassis)
  - Increased footprint – New York site increases capacity
  - Acquisition opportunities
  - Focus on customer service to gain market share

- ROADS – Hill & Smith Inc.
  - FAST Act
  - Ageing US infrastructure
  - Platform for new products
  - Strong product development programme



- UTILITIES – Creative Composites Group
  - Market expected to grow 8-10% p.a. through product awareness
  - Product substitution / lightweight / corrosion resistant
  - New applications in OEM markets
  - Design & Supply projects
  - Specialists in fabricated structural systems
  - Utility poles & cross-arms

Key growth opportunities - UK

- SECURITY
  - Market expected to grow 5-6% per annum
  - Higher potential growth if threat level increases
  - Strong pipeline of product development for specialist applications
  - Develop international export markets
  - Packaging opportunities – Fences / Bollards / Gates / Covers
  - Consolidation of UK market to improve product offering

- ROADS
  - Road Investment Strategy 2
  - Increased product development activity
  - Enlarged rental barrier fleet - Zoneguard
  - £4.5bn Smart Motorway Programme

Highways England: Road Investment Strategy ('RIS') 1 & 2

Temporary Safety Barrier

Crash Cushions

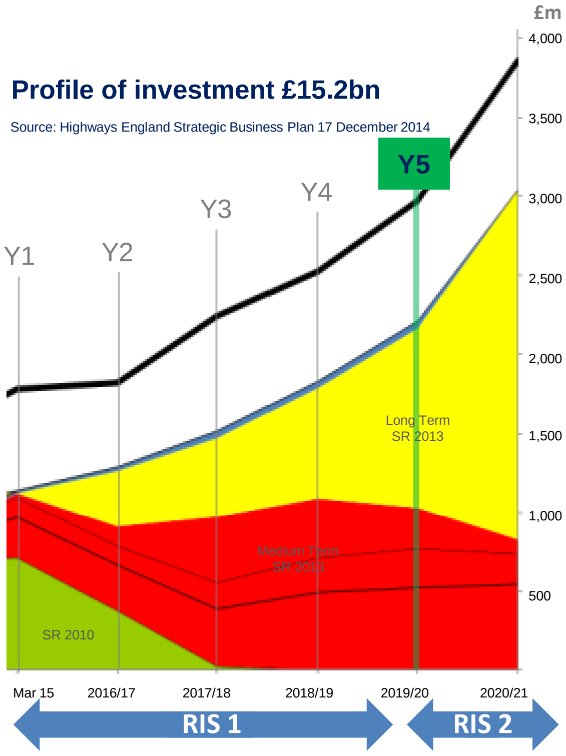
Permanent Safety Barrier

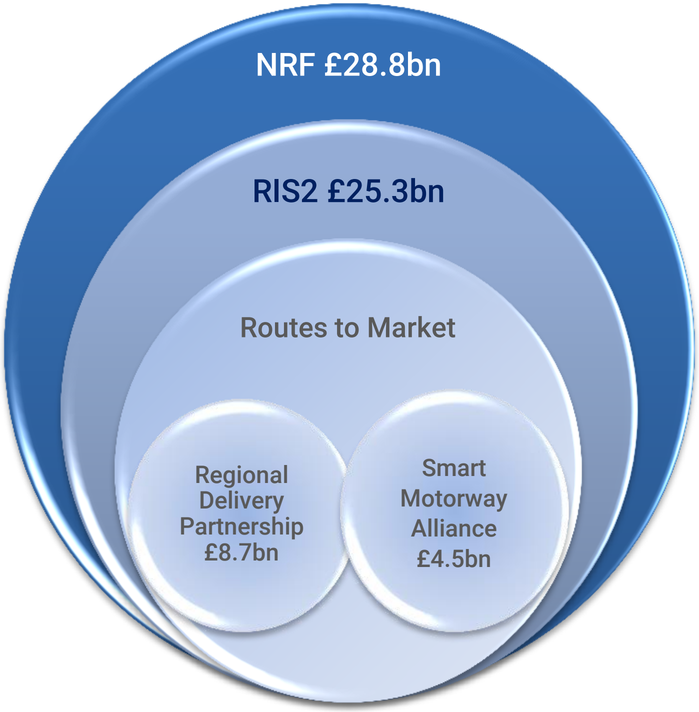
Variable Message Signs

ROTTM Sign

Profile of investment £15.2bn

Source: Highways England Strategic Business Plan 17 December 2014





- **National Roads Fund ('NRF')** - Government delivering commitment to ring-fence English Vehicle Excise Duty for roads spending, announcing that the NRF will be **£28.8bn** between 2020-25
- **RIS2** - largest ever investment in England's strategic roads with Government expecting to spend **£25.3bn** on this strategy, funded by the NRF, between 2020-25

- **RIS 1* (update)**
  - 112 schemes planned in RIS1
  - 70 schemes started by end of RIS1
    - 44 already underway
    - **26 scheduled to start 2019/20**
  - 29 pushed into RIS2
  - 13 not viable to road users

*Source: Office of Rail and Road ('ORR') Review July 2019

Outlook

UTILITIES

- UK steady; cautious investment environment
- Growth opportunities in USA
- Pipe Supports continuing improvements in profitability and returns

ROADS & SECURITY

- Road Investment Strategy underpinning UK demand
- Opportunities for growth in US markets
- Short term challenges in Scandinavia and Australia

GALVANIZING

- UK steady; watchful over construction activity levels
- US maximising opportunities from infrastructure spend
- France flat; focus on pricing and operational efficiencies

"Our full year expectations are unchanged."

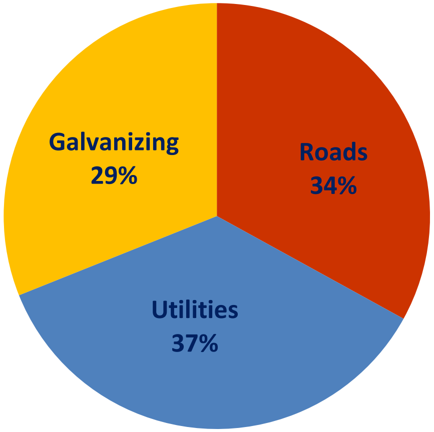
Appendices

Cautionary statement

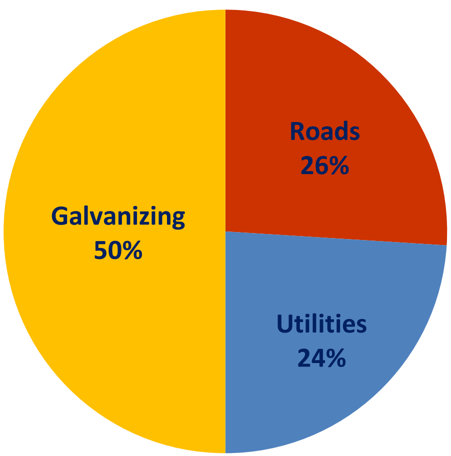
This presentation contains forward looking statements which are made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a number of risks and uncertainties that are inherent in any forward looking statement which could cause actual results to differ materially from those currently anticipated. Nothing in this document should be regarded as a profits forecast.

Segment and geographical analysis

Revenue: £339.5m
By segment

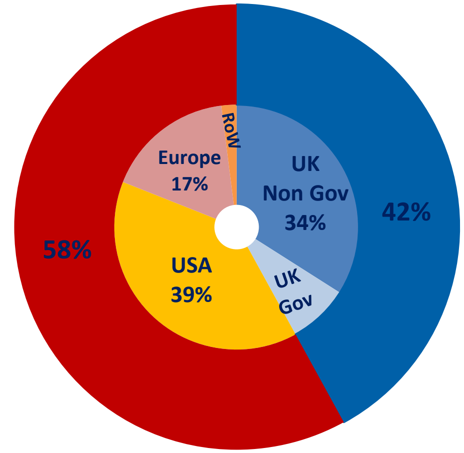


Operating Profit: £40.2m
By segment

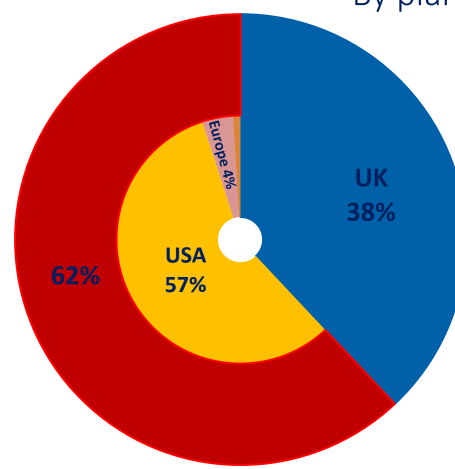


A well balanced business: products, markets & geographies

Revenue: £339.5m
By end market geography



Operating Profit: £40.2m
By plant location



Segment analysis

£m	H1 2019	Organic	M&A	FX	H1 2018
Utilities					
Revenue	**126.5**	3.2	7.3	3.0	113.0
Underlying operating profit	**9.6**	1.3	0.8	0.2	7.3
Margin	***7.6%***				*6.5%*
Roads					
Revenue	**114.7**	6.0	21.7	(0.2)	87.2
Underlying operating profit	**10.3**	(0.1)	1.9	-	8.5
Margin	***9.0%***				*9.7%*
Galvanizing					
Revenue	**98.3**	0.7	-	2.4	95.2
Underlying operating profit	**20.3**	0.7	-	0.8	18.8
Margin	***20.7%***				*19.7%*
Group					
Revenue	**339.5**	9.9	29.0	5.2	295.4
Underlying operating profit	**40.2**	1.9	2.7	1.0	34.6
Margin	***11.8%***				*11.7%*

- UK mixed but overall positive
- Strong growth in US
- Pipe Supports improving returns

- Smart motorway programme underpinning UK demand
- Good growth in US markets
- Smaller international businesses more challenging

- Higher selling prices compensating for slightly lower volumes
- Margins increasing on lower zinc input costs

Growth strategy

- **Revenue Growth and Targeted Returns**
  - Mid-single digit organic revenue growth
  - Increase operating margins; Group range 12% to 15%
  - ROIC target 20%
  - Underlying cash conversion target 90%
- **Entrepreneurial culture**
  - Agile and entrepreneurial culture in business units
  - Decentralised management structure
  - Close to local market conditions; responsive to opportunities
- **Portfolio Management**
  - Active portfolio management to drive higher returns
  - Organic growth supplemented with complementary acquisitions to create new growth opportunities
  - Monitor businesses; restructuring or divestment
- **Geographical Expansion**
  - Leading positions in infrastructure products and galvanizing services; major presence in UK and USA
  - Target geographies where Governments are investing in upgrades to infrastructure; existing solutions introduced
  - Acquisitions to enhance market positions

Outcome

A strong track record, over many years, of profitable growth, cash generation and increasing dividends.

A balanced portfolio of responsibly managed businesses with leading positions in niche growth markets.

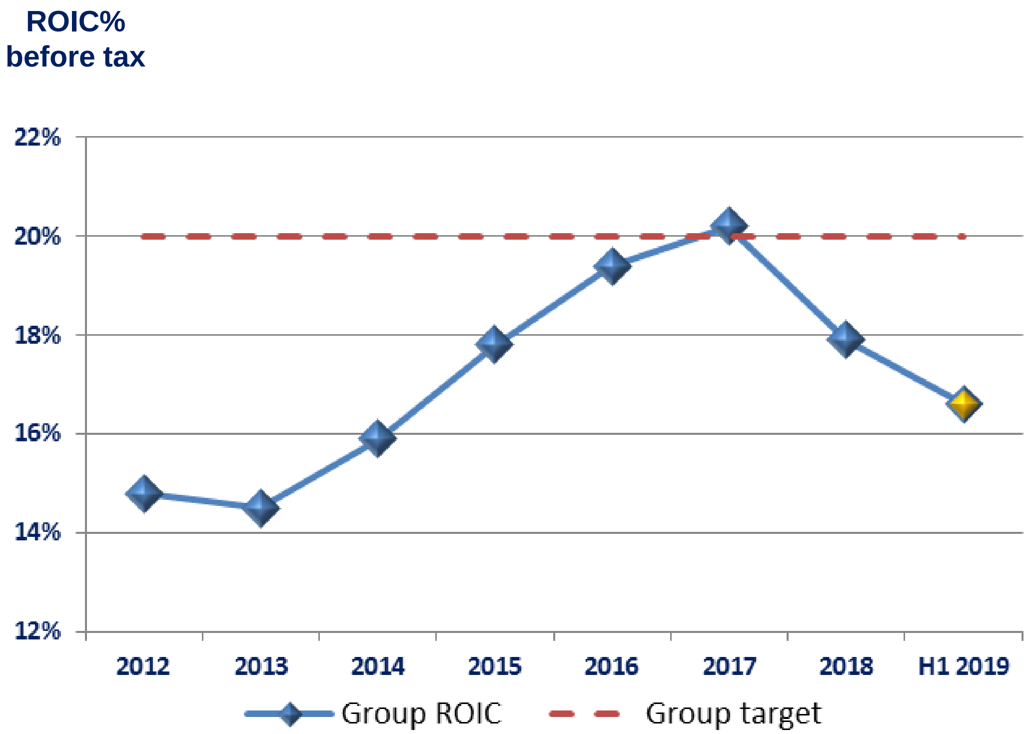
A growth strategy that creates a strong platform for Total Shareholder Return.

Margin

	Margin (%)			
	H1 2019	H1 2018	H1 Target Range %	FY Target Range %
Infrastructure Products	**8.3**	7.9	8 – 11	8 – 11
- Utilities	**7.6**	6.5	7 – 11	7 – 11
- Roads	**9.0**	9.7	9 – 13	10 – 14
Galvanizing Services	**20.7**	19.7	19 – 22	19 – 22
Group	**11.8**	**11.7**	**11 – 14**	**12 – 15**

- All divisions within respective ranges
- Roads impacted by challenges in Scandinavia/Australia
- Galvanizing benefitted from lower zinc input costs

Return on Invested Capital



Group	12m to H1 19		12m to H1 18
	Post IFRS 16	Pre IFRS 16	
Operating Profit (£m)	85.7	85.0	77.1
Av. Invested Capital (£m)	518.7	486.7	425.4
ROIC %	16.5	17.5	18.1

Divisional (%)	12m to H1 19		12m to H1 18
	Post IFRS 16	Pre IFRS 16	
Utilities	17.3	18.7	16.7
Roads	14.0	14.9	17.7
Infrastructure Products	15.3	16.3	17.2
Galvanizing	19.1	19.0	19.1

Foreign exchange sensitivities

	H1 2019	H1 2018	Change	FY 2018
Average rates				
Euro	**1.15**	1.14	↑ 1%	1.13
US$	**1.29**	1.38	↓ 7%	1.33
Closing rates				
Euro	**1.12**	1.13	↓ 1%	1.11
US$	**1.27**	1.32	↓ 4%	1.28

Ready reckoner for annual translation impact of movement in FX rates

Sensitivity to +/- 1 cent move in:	Revenue	Operating profit
Euro	+/- £0.6m	+/- £50k
US$	+/- £2.0m	+/- £380k

Impact on H1 2019:	Revenue	+£5.2m or 2%
	Operating profit	+£1.0m or 3%

Potential full year impact:*	Revenue	+ve £12.7m or 2%
	Operating profit	+ve £2.5m or 3%

* Compares impact on FY2019 results assuming exchange rates at 31 July 2019 (principally £1 = $1.22 and £1 = €1.10) prevail for the remainder of 2019, versus average exchange rates for 2018

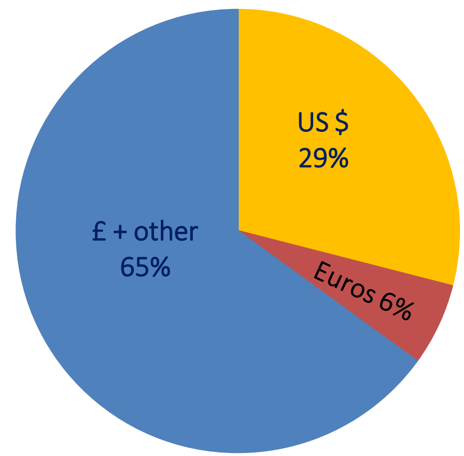
Non-underlying items

	H1 2019	H1 2018	FY 2018
Operating items			
Business reorganisation costs	**-**	(0.3)	(0.7)
Acquisition costs	**(0.7)**	(1.2)	(2.2)
Amortisation of acquisition intangibles	**(2.9)**	(2.0)	(4.8)
Impairment of acquisition intangibles/other assets	**(0.5)**	(0.1)	(6.1)
Pension past service costs	**-**	-	(1.1)
Gain on disposal of assets held for sale	**0.5**	-	-
	(3.6)	(3.6)	(14.9)
Financing costs			
Refinancing income /(expense)	**0.4**	(0.2)	(1.0)
Net pension interest	**(0.3)**	(0.3)	(0.6)
	(3.5)	(4.1)	(16.5)
Cash in year	**0.8**	(1.0)	(2.3)
Future cash	**2.7**	(0.5)	(1.7)
Non cash	**(7.0)**	(2.6)	(12.5)
	(3.5)	(4.1)	(16.5)

Availability and usage of debt facilities

£m	Net Debt	Facility	Maturity			
			On demand	2019 to 2023	2024	2025 onwards
Committed	**194.4**	338.0				
On demand	**-**	11.3	11.3	0.8	282.0	55.2
Cash	**(24.9)**	-				
Leases liability	**33.6**	-				
	203.1	349.3				

Net Debt (excl IFRS 16) by Currency



- Principal revolving credit facility in place until January 2024
- Senior unsecured notes ($70m) – maturities in 2026 & 2029
- Facilities provide significant headroom
  - Net debt : EBITDA 1.6 times (covenant 3 times); Interest cover 18.9 times (covenant 4 times)
- Target net debt : EBITDA range between 1.5 to 2.0 times

Delivering intelligent
protection solutions

Hill & Smith Holdings PLC

Stock Code HILS