

# 2019 Preliminary Results

4 March 2020

Derek Muir  
Hannah Nichols

Chief Executive Officer  
Chief Financial Officer

Delivering intelligent  
protection solutions



Hill & Smith Holdings PLC



Stock Code HILS



- **Results in line with Board expectations**

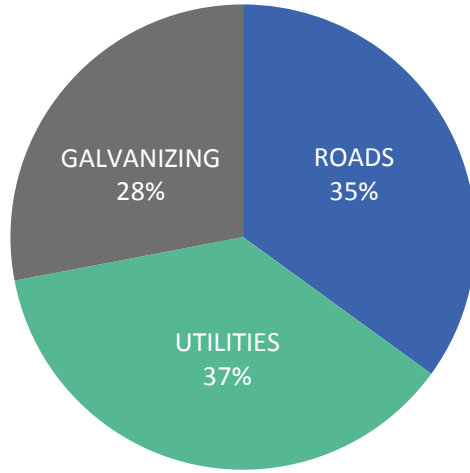
- 9% revenue growth; 8% operating profit growth
- Strong performance from UK and US operations
- Challenges in Scandinavia; action taken to restructure

- **Continued portfolio development**

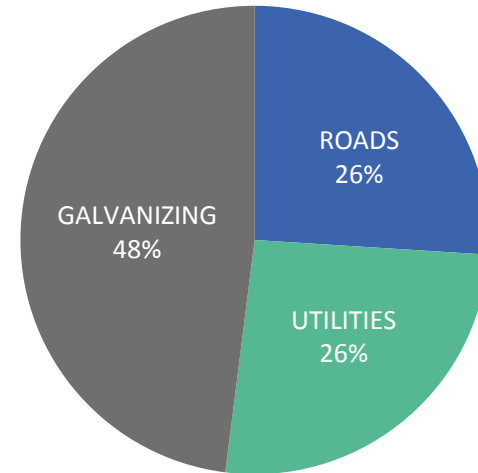
- Three acquisitions strengthen our Roads & Security portfolio
- Investment in expansion of temporary road safety barrier fleet
- New US Galvanizing facility now operational
- Debt facilities expanded and extended
  - **Well positioned for further growth**

	2019	+/-	2018	
Revenue (£m)	694.7	+9%	637.9	<b>FX impact:</b> - Revenue +ve £6.7m - Operating profit +ve £1.4m  Constant currency growth +8%
Operating profit (£m)	86.3	+8%	80.1	Constant currency growth +6%
Operating margin (%)	12.4	-20bps	12.6	Challenges in Scandinavia
Profit before tax (£m)	79.4	+4%	76.3	IFRS 16 increases interest expense
Earnings per share (p)	80.7	+4%	77.8	Tax rate neutral at 19.5%
Dividend (p)	33.6	+6%	31.8	Progressive dividend policy maintained – 17th successive year

Revenue by segment: £694.7m

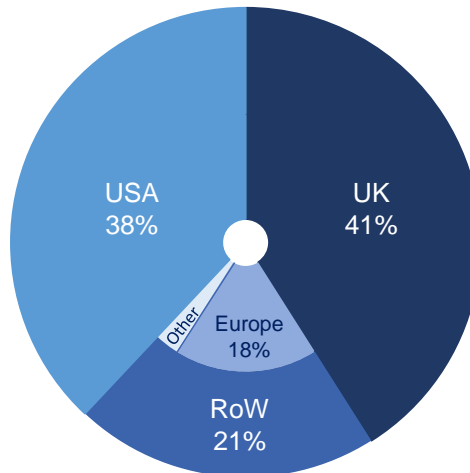


Operating Profit by segment: £86.3m

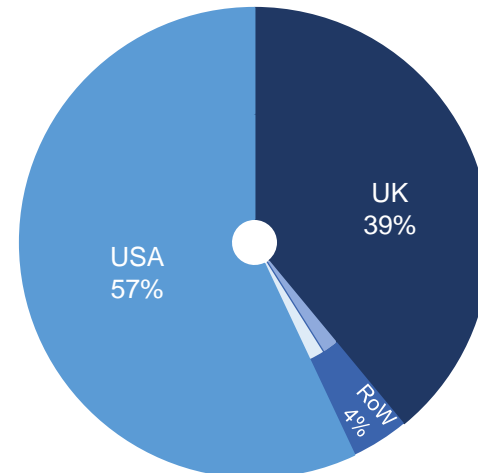


## A well balanced business: products, markets and geographies

Revenue by end market geography: £694.7m



Operating Profit by plant location: £86.3m



	2019	2018	Organic Growth
Revenue (£m)	246.3	208.5	1%
Operating profit (£m)	22.3	24.2	-21%
Operating margin	9.1%	11.6%	-250bps

£m	Revenue	Operating Profit
2018	208.5	24.2
F/X	(0.3)	-
M&A	35.4	3.1
Organic	2.7	(5.0)
2019	246.3	22.3

## UK Roads

- High level of demand for temporary road safety rental barrier (under RIS 1)
- c.£15m fleet expansion: 72km of steel and 10km of concrete barrier
- Lower demand for permanent road products
- Bolt on acquisition of Signpost Solutions (acquired December for £6.4m)
- Short term uncertainty on timing of RIS2 scheme commencements

## UK Security

- Strong UK and international demand
- Acquisitions (ATG & Parking Facilities) strengthen product portfolio

## USA

- Strong demand benefiting from wider distribution network & product range
- Continued product development to meet market requirements

## Other International

- Challenges in Scandinavia: action taken to restructure the business
- France ahead of prior year
- Australian demand lower against strong comparatives

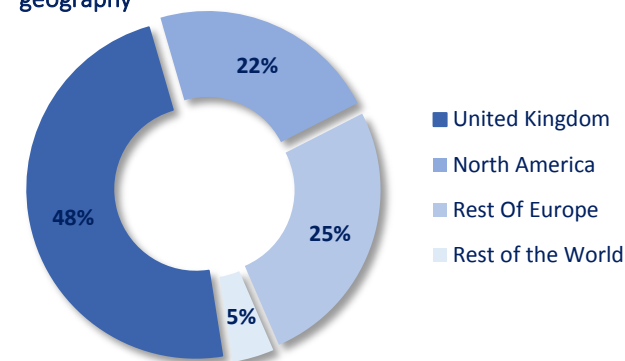
### 2019 Revenue

**£246.3m**

Up 1% organically

UK	up 2%	£133m
USA	up 5%	£54m
International	down 2%	£59m

### Revenue by end geography



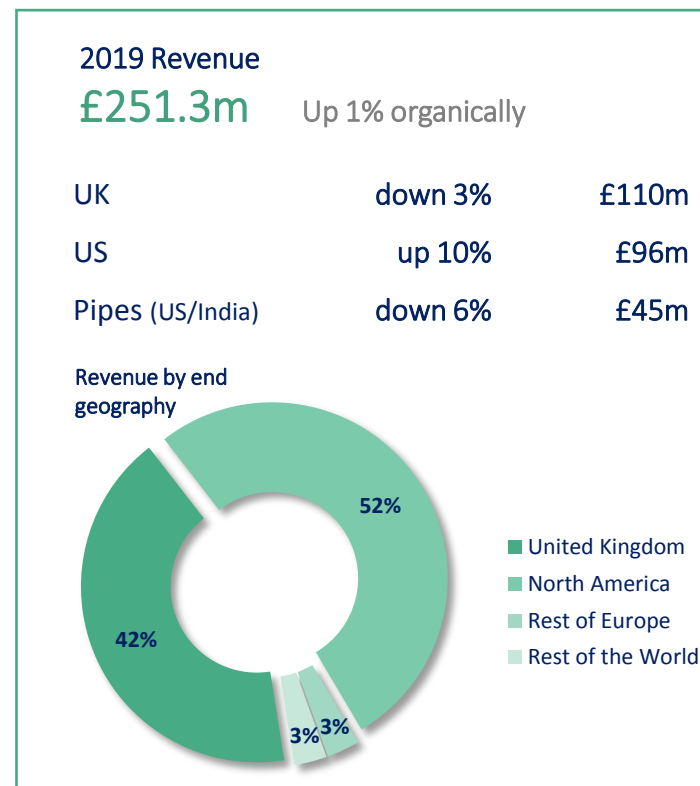
	2019	2018	Organic Growth
Revenue (£m)	251.3	239.0	1%
Operating profit (£m)	22.2	18.3	9%
Operating margin	8.8%	7.7%	+110bps

£m	Revenue	Operating Profit
2018	239.0	18.3
F/X	4.5	0.5
M&A	6.2	1.7
Organic	1.6	1.7
2019	251.3	22.2

- **UK**
  - Overall mixed performance; cautious investment environment
  - Improved performance in security access cover operation
  - Non-core drainage pipe business divested in August

- **US**
  - Strong organic growth in both composites and utility transmission
  - Key growth drivers: upgrade of ageing US infrastructure and increasing acceptance of composite systems for infrastructure projects
  - Strong order book as we enter 2020

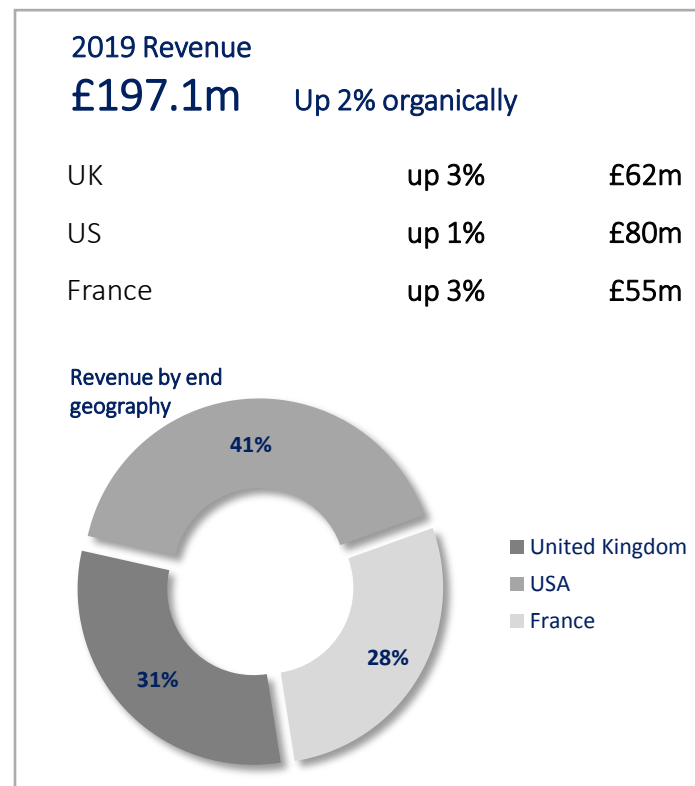
- **Pipe Supports**
  - Lower demand for engineered pipe supports in US power sector
  - Growth in US profits due to operational efficiencies and robust commercial construction market
  - India: solid performance, new products gaining traction



	2019	2018	Organic Growth
Revenue (£m)	<b>197.1</b>	190.4	2%
Operating profit (£m)	<b>41.8</b>	37.6	9%
Operating margin	<b>21.2%</b>	19.7%	+150bps

£m	Revenue	Operating Profit
2018	190.4	37.6
F/X	2.5	0.9
Organic	4.2	3.3
2019	197.1	41.8

- Overall**
  - Good organic profit growth
  - Improvement in operating margins driven by increase in average selling prices, lower zinc input costs and plant efficiencies
- UK: 189k tonnes ↓ 2%**
  - Successful focus on higher margin work from smaller customers
  - Profits and margins ahead of prior year
- USA: 165k tonnes ↓ 3%**
  - Infrastructure investment and wider economy strong
  - Profit growth driven by average selling price and plant efficiency
  - New York plant construction completed and operational January 2020
- France: 129k tonnes ↑ 3%**
  - Volumes recovered strongly in H2
  - Market remains competitive, however average selling prices maintained supporting margins



£m	2019	2018
Underlying Operating Profit	86.3	80.1
Depreciation and amortisation	31.3	19.5
Underlying EBITDA	117.6	99.6
Other non-cash items	1.1	0.4
Working capital	(12.9)	(6.3)
Capital expenditure (net)	(46.8)	(31.6)
Underlying operating cash flow	59.0	62.1
Restructuring spend (net)	2.5	(1.7)
Provisions/Pension	(3.8)	(2.5)
Interest paid (inc. £0.9m IFRS 16)	(6.8)	(3.9)
Tax paid	(14.4)	(13.3)
Free cash flow	36.5	40.7
Dividends	(25.1)	(23.6)
Acquisitions/disposals	(50.9)	(47.6)
Lease movements under IFRS16	(11.1)	-
Share issues/other (net)	1.3	(0.1)
Net cash flow	(49.3)	(30.6)
FX impact	2.9	(3.3)
Adoption of IFRS 16	(36.0)	-
Net debt	215.3	132.9

- **Working capital outflow £12.9m**
  - Working capital to annualised sales 17.4% (2018: 17%)
  - Outflow largely due to timing of key supplier payments
  
- **Capex 2.3 times depreciation/amortisation**
  - Gross spend of £48m broadly in line with guidance
  - Strategic investment in UK temporary barrier fleet (£15.2m) and New York galvanizing plant (£8.6m)
  - 2020 guidance: c.£30m
  
- **Underlying cash conversion 67%**
  - 95% excluding £23.8m of strategic capex
  - 10 year average 82%
  
- **Net debt: EBITDA 1.6 times (Dec 2018: 1.3 times)**
  - Debt facilities expanded and extended
  - Net debt of £215.3m includes £40.0m IFRS16 impact
  
- **Strong cash flow and balance sheet create capacity for investment in higher return markets**



3% - 5%

Organic revenue growth

12% - 15%

Operating margins

17% - 20%

Return on invested capital (inc. IFRS 16)

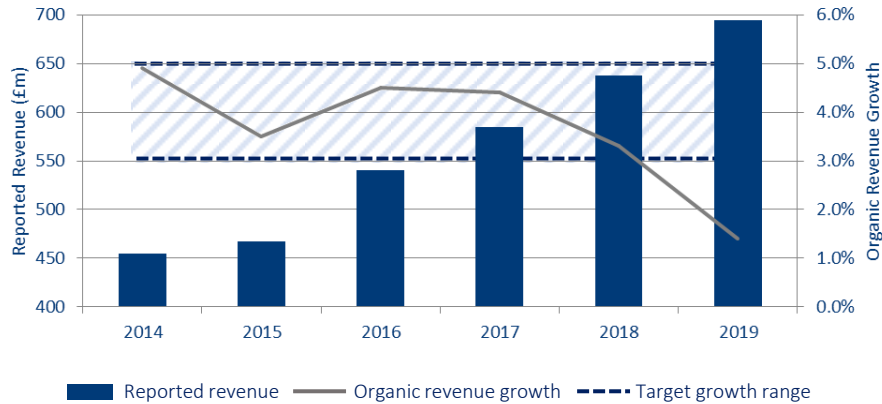
Cash

90% underlying cash conversion  
Net debt: EBITDA 1.5 – 2 times

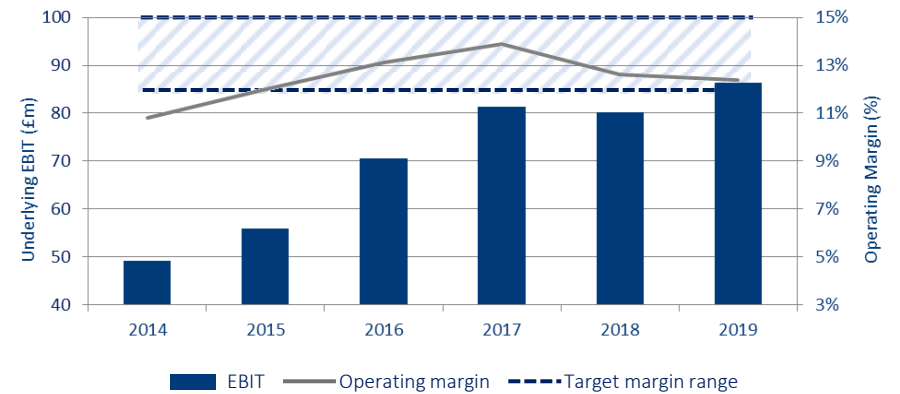


# 2019 Financial target performance

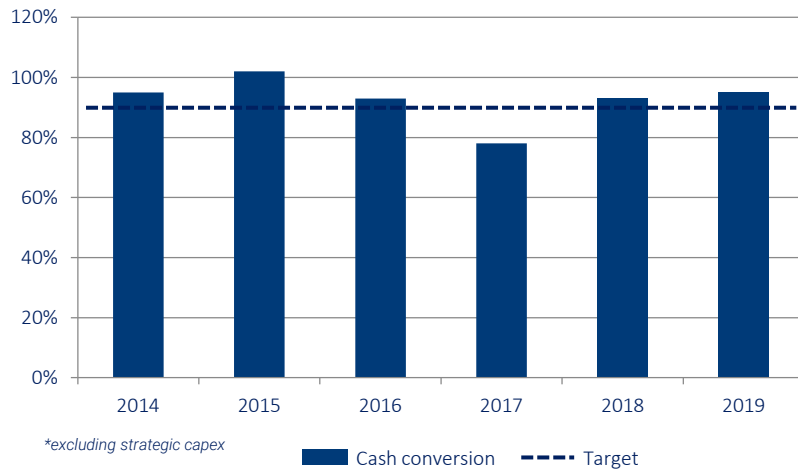
### Organic revenue growth



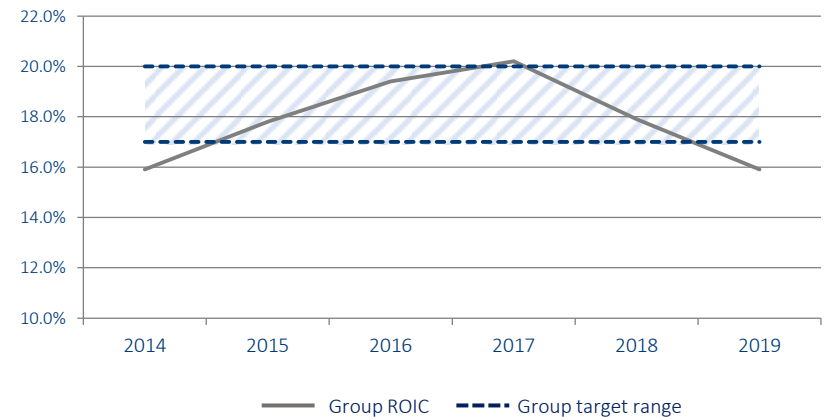
### Operating margin



### Underlying cash conversion\*

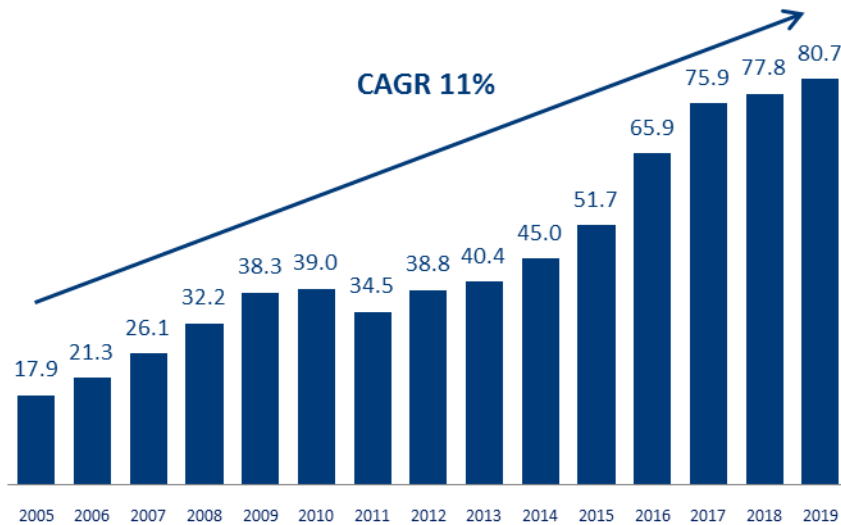


### Return on invested capital

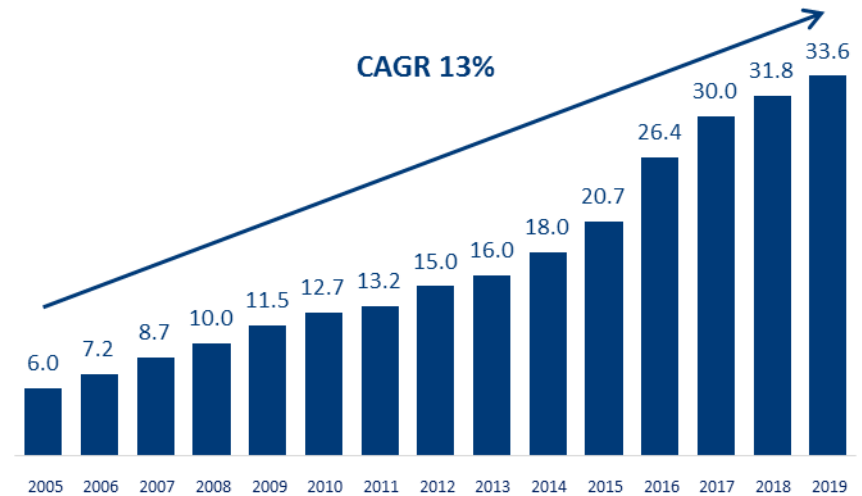


\*excluding strategic capex

Earnings per share (p)



Dividend per share (p)



- Strategy delivers sustainable long-term growth
- Efficient conversion of profit to cash enables progressive dividend policy
- 17 years of uninterrupted dividend growth
- Central to strategy and TSR ethos
- Prudent cover at c.2.4 times underlying earnings

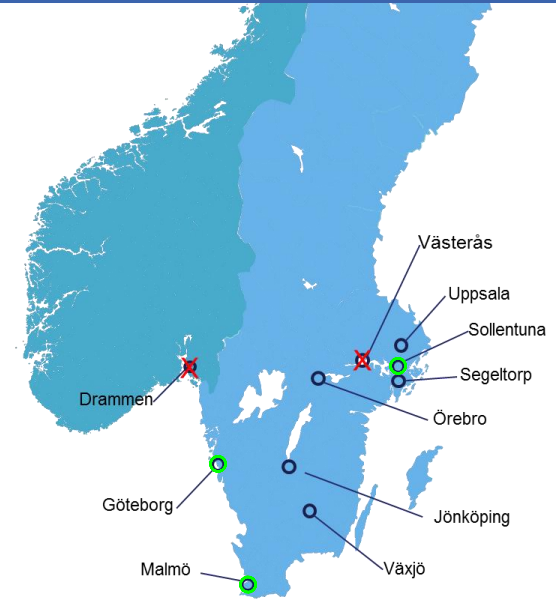
Dividend per share	2019	2018
Interim	10.6p	10.0p
Final	23.0p	21.8p
<b>Total</b>	<b>33.6p</b>	<b>31.8p</b>

↑ 6%

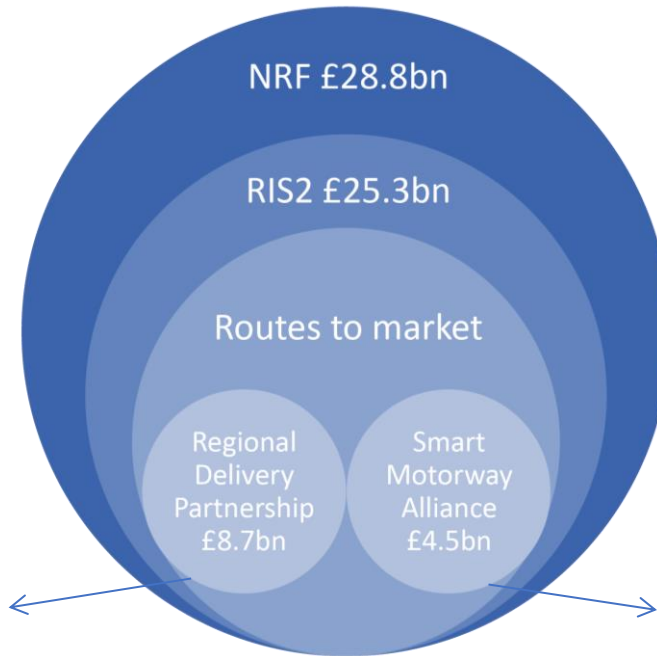


## Derek Muir, Group Chief Executive Officer

- Scandinavia
  - Infrastructure spend
    - RIS 2
    - HS2
  - Key US drivers
    - Acquisition update
      - Roads & Security division
      - Outlook



- Operational issues identified in H1
  - Aggressive new competitor (breakaway from Saferoad)
  - Competitive pricing landscape
  - Rapid cost base growth from new hire depots
  - Delayed contracts
- Corrective action taken in H2
  - New leadership team
  - Legacy low margin contracts unwinding
  - Exited Norway
  - Monitoring underperforming depots (1 closure in 2019)
  - Cost base restructuring plan in place



Regional Delivery Partnership £8.7bn

Smart Motorway Alliance £4.5bn

Lot	Regions	Total value	Winners
1	South-West   Midlands	£200m	Alun-Griffiths-Farrans JV   Osborne
2	South-East   East of England	£350m	John Graham Construction   VolkerFitzpatrick
3	North-West   North-East and Yorkshire	£200m	Amey-Sir Robert McAlpine JV   North Midlands Construction
4	South-West	£800m	Galliford Try   Taylor Woodrow
5	Midlands	£1.25bn	Bam Nuttall   Skanska UK
6	South-East	£1.1bn	Balfour Beatty Civil Engineering   Bam Nuttall
7	East of England	£2.8bn	Costain   Galliford Try   Skanska UK
8	North-West   North-East and Yorkshire	£2bn	Balfour Beatty Civil Engineering   Costain   Kier Highways

- 3 contractors to be announced
- 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
- Confirmation of infrastructure spend in Budget 11 March 2020



## Smart motorways network

### Dynamic hard shoulder running

01	M62 J25-30	04	M1 J10-13
02	M6 J5-8	05	M42 J3a-7
03	M4 J19-20 and M5 J15-17	06	M6 J4-5
		07	M6 J8-10a

### All lane running

08	M25 J5-6/7	28	M5 J4a-6
09	M25 J23-27	32	M62 J25-26 (part of M62 J25-30)
10	M1 J32-35a		
11	M1 J28-31		
12	M62 J18-20 (part of Manchester smart motorways)		
13	M1 J39-42		
14	M6 J10a-13		
15	M3 J2-4a		
16	M4 J3-12		
17	M6 J16 - 19		
18	M1 J24 - 25		
19	M1 J19 - 16		
19a	M1 J16 - 13		
20	M23 J8 - 10		
21	M62 J10 - 12		
22	M6 J13 - 15		
23	M6 J2 - 4		
25	M27 J4 - 11		
26	M20 J3-5		

### Controlled motorways

42	M1 J23a-24	49	M25 J2-3
43	M25 J16-23	50	M25 J10-16
44	M25 J27-30	51	M20 J5-7
45	M60 J8-18 (part of Manchester smart motorways)	52	M25 J7-10
46	M62 J28-29	53	M1 J31-32
47	M1 J25-28 (part of M62 J25-30)	54	M42 J7-9
48	M1 J6a-10	55	M20 J4-5
		56	M6 J10a-11a (part of M6 10a-13)

— Traditional motorway

Colour code to status of scheme

Operational - In construction

Details correct as of October 2019

## Potential schemes for RIS2

- M3 J9 - J14 (all lane running)
- M6 J21a - J26
- M25 J10 - J16 (upgrade to through junction running)
- M40 J16 - M42 J3a (upgrade to all lane running)
- M42 J3 - J4 (all lane running)
- M56 J6 - J8 (all lane running)
- M60 J1 - J14 & J24 - J27 (all lane running)
- M62 J20 - J25 (all lane running)
- A1(M) J6 - J8 (all lane running)
- M1 J19 - J23a & J35a - J39
- M5 M6 J8 - J4a
- M42 M5 J4a - J3
- M53 J5 - J11



- Increase in requirement for green bridges
- Important part of sustainability of future transport projects
- Joining up habitats disturbed by new roads
- Reduces visual environmental impact





# RIS 2 Potential - lighting, parapets, signs and pre-cast concrete



- Precast concrete central reserve
  - Promotes off-site build
  - Speeds up installation
- Passive Safety Signs and Lighting Columns
- Complex parapets on junction improvements

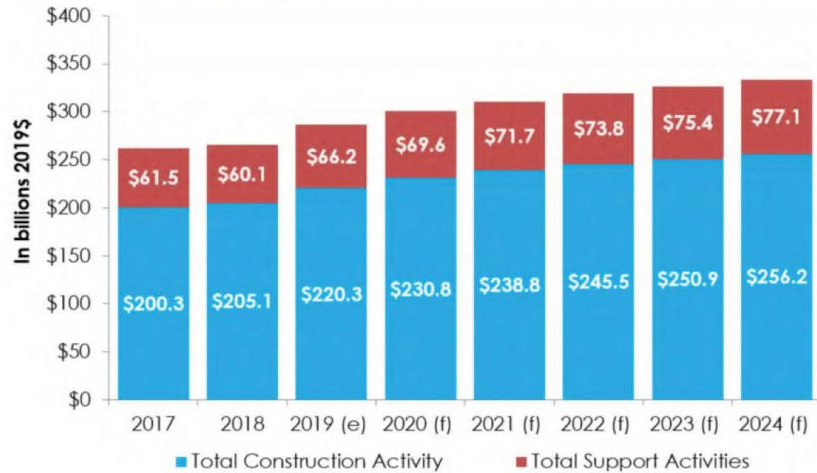




- Opportunities for:
- Temporary barriers
  - BEBO arches
  - Noise barrier
  - Security fencing
  - HVM bollards
  - Galvanized overhead masts
  - Access platforms (train depots)
  - Bridge parapets
  - Vehicle restraint systems



## ARTBA 2020 Forecast of Real Value of U.S. Transportation Construction Market



Source: ARTBA forecast model. Measuring U.S. Census Bureau Value of Construction Put in Place for major modes, plus estimates of planning and design work, right of way and maintenance expenditures for state and local governments, and private driveway, parking lot and residential development streets and bridges. Nominal values adjusted with ARTBA Price Index.

## ARTBA : American Road & Transportation Builders Association *US transportation construction market forecast 2020*

- US transportation infrastructure market expected to grow by 5% in 2020
- Increased transportation investment from all levels of Government – Federal, State and Local
- 31 states have now raised state motor fuel tax to support transportation investment
- Bridge market expected to be \$29.4bn
- 13,000 bridges to be replaced
- Final year of FAST Act 2015-2020

MASH tested attenuators



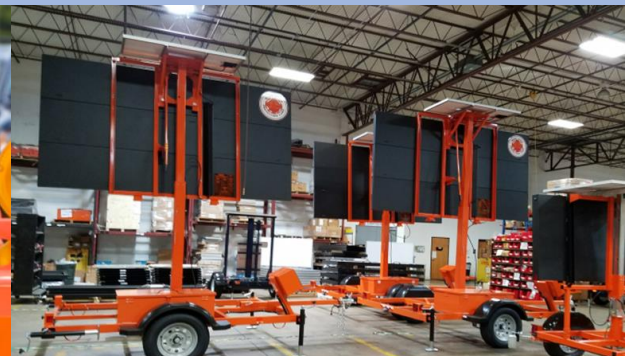
Zoneguard



Work zone safety products



Portable VMS





**Strong backlog for:**

- Cooling towers
- Access walkways
- Refrigerated rail car floors
- Rail platforms
- Waterfront projects
- Utility poles & cross arms





- Power transmission investment strong
- Upgrades to ageing network
- New substations for solar connections
- Market on extended lead times
- Record backlog entering 2020





### New plant – Owego, New York

- 20,000 tonne capacity
- Greenfield to completion 7 months
- Operational January 2020
- Projects transferred from New Jersey
- Uptake from new local customers encouraging





**Parking Facilities Ltd** Tamworth, West Midlands

**Acquired: 27 September 2019**

**Acquisition cost: £14.0m**

**Annual Revenue: c.£12.5m**

Parking Facilities specialises in the design, manufacture and supply of a market-leading range of parking and access control products including cantilever, bi-fold and swing gates, automatic and manual barriers, automatic bollards, rising kerbs, speed ramps and access control equipment, plus a bespoke service supplying custom-built products to match existing surroundings.

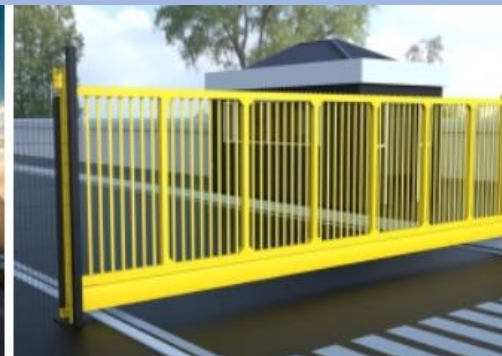
Turnstiles



Automatic Barriers



Cantilever Sliding Gates



Automatic Swing Gates





Signpost Solutions Ltd Tipton, West Midlands

Acquired: 3 December 2019

Acquisition cost: £6.4m

Annual Revenue: c. £9m

Signpost Solutions was acquired by Mallatite, our existing signage and lighting column business. Signpost Solutions operates from two sites and is a leading manufacturer and distributor of a range of products for the highways industry including sign supports and signal poles, sign fixings, bollards, chevrons and passive safety poles.

Passive Safety Poles

Sign Poles

Signal Poles

Accessories

360 Bollards







**ROADS**

Strategic Business Development





## Bristorm

*Wire Rope  
Bollards  
Gates*

## Barkers

*Stronguard  
Fencing  
Gates*

## ATG Access

*HVM  
Bollards  
Blockers*

## Technocover

*Kiosks  
Secure Covers  
Grills / Cabinets*

## Hardstaff

*National Barrier Asset  
Concrete Blocks  
Zoneguard*

## Parking Facilities

*Gates  
Barriers  
Blockers*



£m	2019 Current structure		
	Revenue	Operating profit	Operating margin
Roads	246.3	22.3	8.8%
Utilities	251.3	22.2	9.1%
Galvanizing	197.1	41.8	21.2%
<b>Group</b>	<b>694.7</b>	<b>86.3</b>	

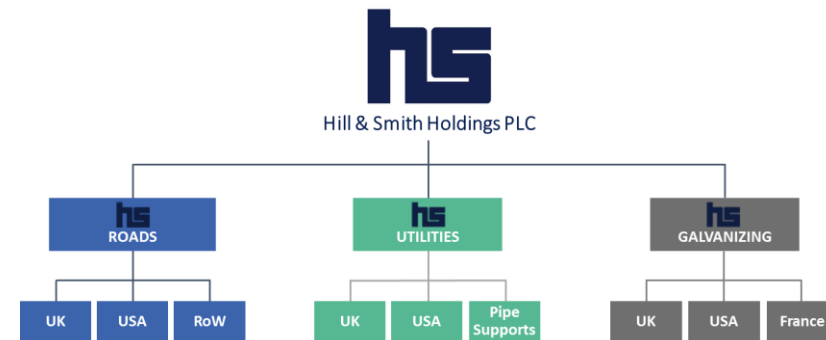
Target margin range %

10 - 14

7 - 10

19 - 22

12 - 15



£m	2019 New structure		
	Revenue	Operating profit	Operating margin
Roads & Security	275.3	23.2	8.4%
Utilities	222.3	21.3	9.6%
Galvanizing	197.1	41.8	21.2%
<b>Group</b>	<b>694.7</b>	<b>86.3</b>	

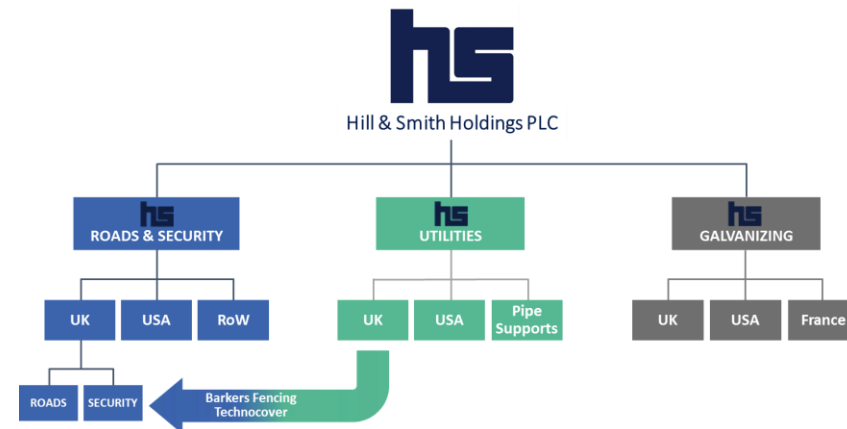
Target margin range %

9 - 13

8 - 11

19 - 22

12 - 15



## UTILITIES

- UK: growing optimism for infrastructure spend
- US: growth opportunities in both composites and power transmission
- Pipe Supports: good order book for 2020

## ROADS & SECURITY

- RIS 2 underpins UK demand; short-term uncertainty on timing of schemes
- Growth opportunities in US markets
- Scandinavian restructuring plan implementation
- UK and international growth in HVM security

## GALVANIZING

- UK customer confidence improving post-Brexit
- US infrastructure spend promising
- France volumes encouraging but market remains competitive

“Strong platform for delivering sustainable growth.”

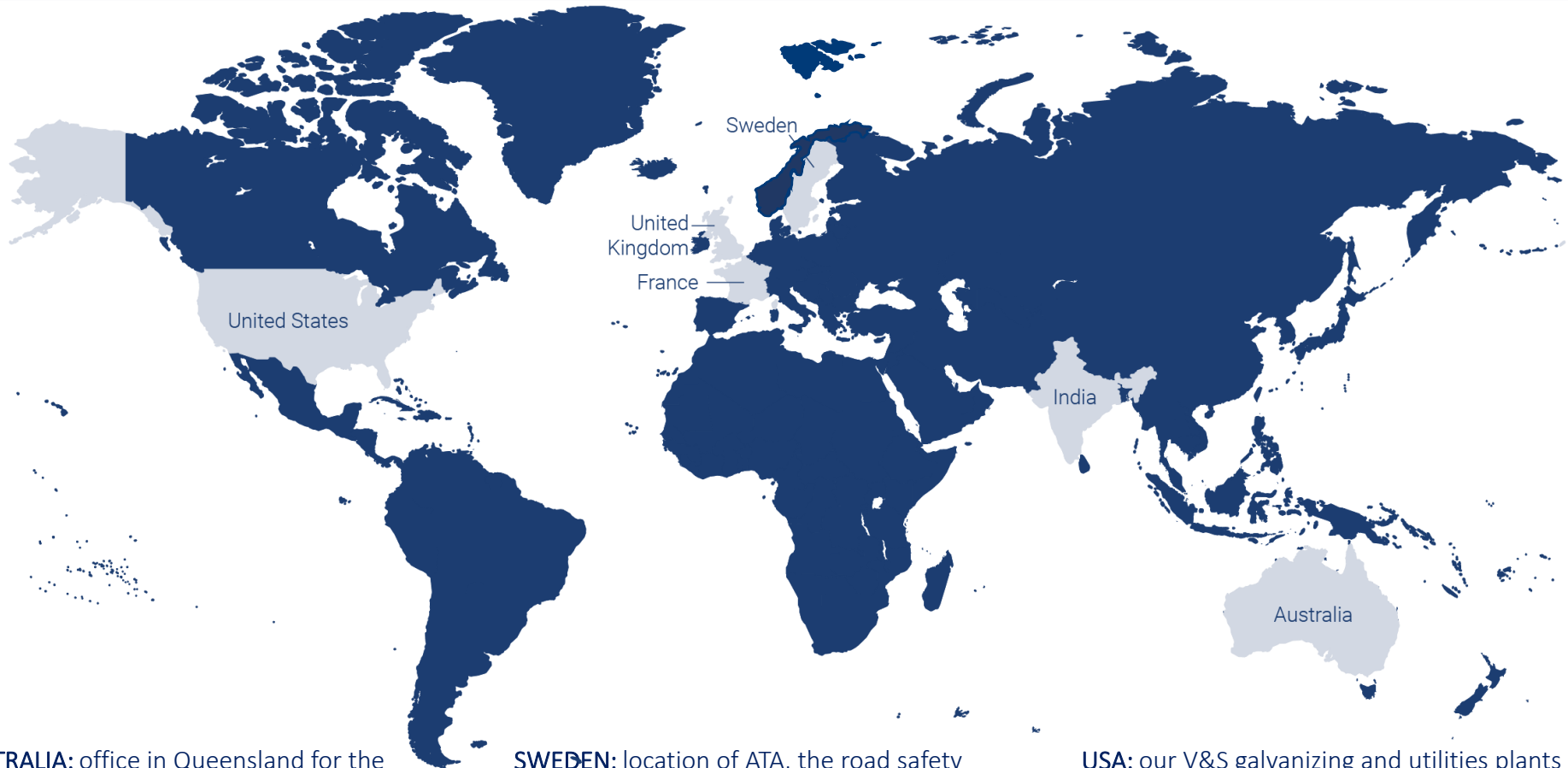
# Appendices

- **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 or renewals to infrastructure
- **Revenue Growth and Targeted Returns**
  - Mid-single digit organic revenue growth
  - Increase operating margins; Group range 12% to 15%
  - ROIC target range 17% to 20%
  - Underlying cash conversion target 90%



## Outcome

A strong track record, over many years, of profitable growth, cash generation and increasing returns to shareholders



**AUSTRALIA:** office in Queensland for the development of our wire rope and safety barrier products.

**FRANCE:** the base of France Galva and Conimast, where we have ten galvanizing plants and a lighting column business.

**INDIA:** manufacturing facility for pipe supports.

**SWEDEN:** location of ATA, the road safety barrier and signage business.

**UK:** head office and various locations covering our main infrastructure products businesses and network of galvanizing plants.

**USA:** our V&S galvanizing and utilities plants are situated on the East Coast along with the Bergen and Carpenter & Paterson pipe support businesses and the glass reinforced composite profiles business, Creative Pultrusions.

**Total sites: 76**

**26 USA | 28 UK | 22 RoW**

An organic and acquisitive growth strategy that maintains a strong margin and cash performance

Strong cash generation & sustainable financial leverage

Capital allocation to higher growth and return markets

Acquisitions to enhance growth

Progressive earnings and dividend growth

A disciplined strategy that delivers superior long term shareholder value

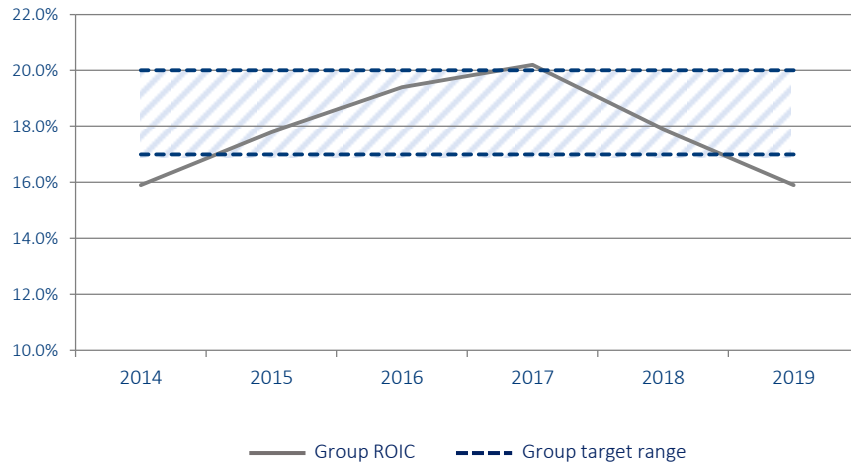


£m	2019	Organic	M&A	FX	2018
<b>Roads</b>					
Revenue	246.3	2.7	35.4	(0.3)	208.5
Underlying operating profit	22.3	(5.0)	3.1	-	24.2
<i>Margin</i>	<b>9.1%</b>				11.6%
<b>Utilities</b>					
Revenue	251.3	1.6	6.2	4.5	239.0
Underlying operating profit	22.2	1.7	1.7	(0.5)	18.3
<i>Margin</i>	<b>8.8%</b>				7.7%
<b>Galvanizing</b>					
Revenue	197.1	4.2	-	2.5	190.4
Underlying operating profit	41.8	3.3	-	0.9	37.6
<i>Margin</i>	<b>21.2%</b>				19.7%
<b>Group</b>					
Revenue	694.7	8.5	41.6	6.7	637.9
Underlying operating profit	86.3	-	4.8	1.4	80.1
<i>Margin</i>	<b>12.4%</b>				12.6%

	Margin		Target Range %
	2019 %	2018 %	
Utilities	8.8	7.7	7 – 10
Roads	9.1	11.6	10 – 14
Galvanizing Services	21.2	19.7	19 – 22
Group	12.4	12.6	12 – 15

- Margin within Group target range
- Further progress in Utilities
- Roads impacted by Scandinavia; expect within range in 2020
- Strong rebound in Galvanizing

## ROIC



Note: ROIC is underlying operating profit divided by average invested capital. Invested capital is defined as net assets excluding current and deferred tax, net debt, provisions, retirement benefit obligations and derivative financial instruments.

Group	2019*	2018
Operating Profit (£m)	86.3	80.1
Av. Invested Capital (£m)	541.7	446.6
ROIC %	15.9	17.9

\*2019 average invested capital increased on adoption of IFRS 16 - ROIC impact of 90bps

Divisional (%)	2019	2018
Utilities	18.5	17.6
Roads	10.6	17.3
Galvanizing	19.7	18.5

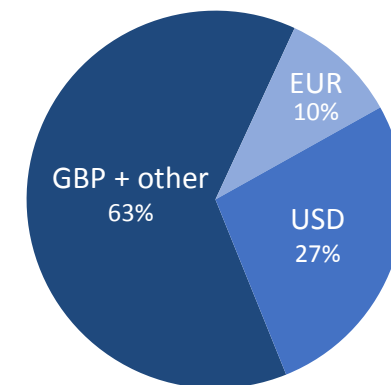
£m	2019	2018
<b>Operating items</b>		
Business reorganisation costs	(1.9)	(0.7)
Acquisition costs	(1.8)	(2.2)
Amortisation of acquisition intangibles	(6.2)	(4.8)
Impairment of acquisition intangibles/other assets	(7.0)	(6.1)
Loss on sale of Weholite Limited	(0.7)	-
Profit on property sales	0.5	-
Pension past service costs	-	(1.1)
	<b>(17.1)</b>	<b>(14.9)</b>
<b>Financing costs</b>		
Net pension interest	(0.5)	(0.6)
Refinancing expense amortisation	-	(1.0)
	<b>(17.6)</b>	<b>(16.5)</b>
Cash in year (net)	1.2	(2.3)
Future cash	(0.6)	(1.7)
Non cash	(18.2)	(12.5)
	<b>(17.6)</b>	<b>(16.5)</b>

Scandinavia

£m	Net Debt	Facility
Committed	205.4	330.9
On demand	-	13.7
Cash and other	(30.1)	-
IFRS 16	40.0	-
	<b>215.3</b>	<b>344.6</b>

Maturity			
On demand	2020 to 2023	2024	2026 / 2029
	1.6	276.3	53.0
13.7			

Net Debt by Currency (Exc. IFRS 16)



▪ **Principal debt facilities expanded and extended**

- Revolving Credit Facility (‘RCF’): term extended April 2021 → January 2024, value increased by £50m to c.£280m; no significant increase in costs; covenants unchanged
- Senior notes: \$70m unsecured notes; mature 2026/29; covenants aligned with RCF

▪ **Facilities provide significant headroom**

- Net debt : EBITDA 1.6 times (covenant 3 times); Interest cover 17.9 times (covenant 4 times)
- Target net debt: EBITDA range between 1.5 to 2.0 times

	2019	2018	Change
Average rates			
Euro	<b>1.14</b>	1.13	↑ 1%
US\$	<b>1.28</b>	1.33	↓ 4%
Closing rates			
Euro	<b>1.18</b>	1.11	↑ 6%
US\$	<b>1.32</b>	1.28	↑ 3%

Ready reckoner for translation impact of FX rates movement

Sensitivity to +/- 1 cent move in:	Revenue	Operating profit
Euro	+/- £0.6m	+/- £50k
US\$	+/- £2.2m	+/- £430k

Impact on FY 2019	Revenue	+ve £6.7m or 1%
	Operating profit	+ve £1.4m or 2%

Projection for FY 2020*	Revenue	-ve £9.8m or 1%
	Operating profit	-ve £0.9m or 1%

\* Compares impact on 2019 results of using exchange rates at 25 February 2020 (£1 = \$1.30 and £1 = €1.20) versus average exchange rates for 2019

## *Cautionary statement*

*This presentation contains forward looking statements which are made in good faith based on the information available at the time of its publication. 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.*