Half Year Results

Six months Ended 30 June 2015

Derek Muir Group Chief Executive
Mark Pegler Group Finance Director

Hill & Smith Holdings PLC

2015

Key messages

- **Strong first half performance**
  - Favourable conditions in UK and US infrastructure markets
  - Organic revenue growth 5%
  - Good operating profit* growth - up 14% (at constant currency)
  - Margins higher in all 3 segments
- **Momentum continuing into second half**

Proposed interim dividend 7.1p, up 11%

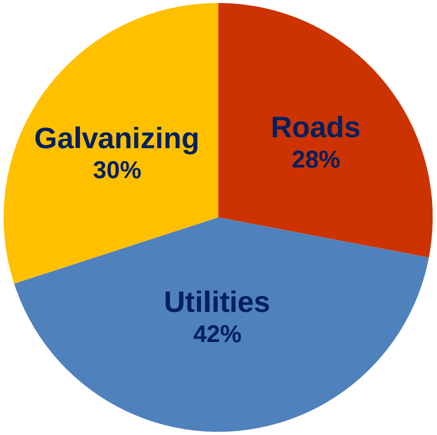
* All references to profit measures in this presentation refer to underlying profits, which exclude certain non-operational items as detailed in the Appendices on page 23

Trading Results

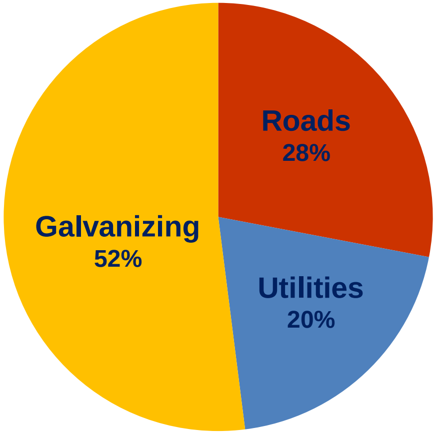
	H1 15	+/-	H1 14	FY 2014	FX impact: Revenue +£0.6m Underlying OP +£0.5m
Revenue (£m)	**233.0**	↑ 4 %	223.8	454.7	Organic growth +5%
Underlying operating profit (£m)	**26.3**	↑ 17%	22.5	49.2	Organic growth +11%
Underlying operating margin (%)	**11.3**	↑ 120bps	10.1	10.8	Strategic initiatives driving improved returns
Underlying PBT (£m)	**24.8**	↑ 19%	20.8	46.0	
Underlying EPS (p)	**24.2**	↑ 19%	20.3	45.0	Tax and interest neutral
Dividend (p)	**7.1**	↑ 11%	6.4	18.0	Maintaining progressive dividend policy

Segment and geographical analysis

Revenue : £233.0m
By segment

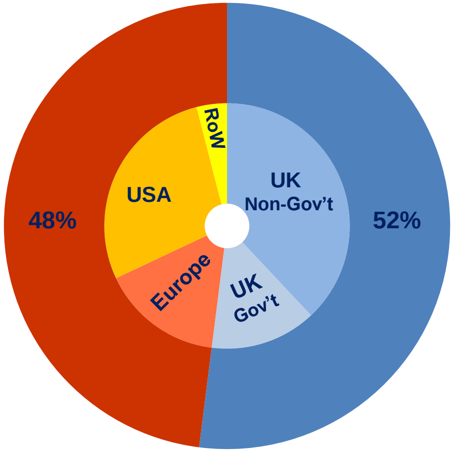


Underlying Operating Profit : £26.3m
By segment

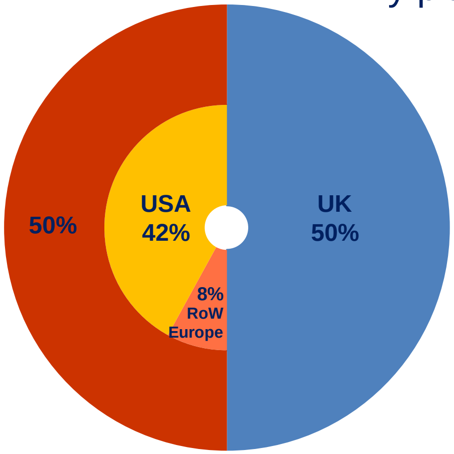


A well balanced business: products, markets & geographies

Revenue : £233.0m
By end market geography



Underlying Operating Profit : £26.3m
By plant location



Utilities

	H1 2015	H1 2014	Organic Growth
Revenue (£m)	98.8	99.4	3%
Operating profit (£m)	5.2	4.6	-
Operating margin (%)	5.3	4.6	70bps

- **UK**
  - Good organic growth
  - Margins assisted by prior year non-core divestments
- **US**
  - Performance marginally ahead
- **Pipe Supports**
  - Poor first half due to weak opening order book
  - RoW order backlog improving (June 15 £12.2m ; Dec 14 £7.6m)
  - Non-underlying impairment charge taken in relation to The Paterson Group

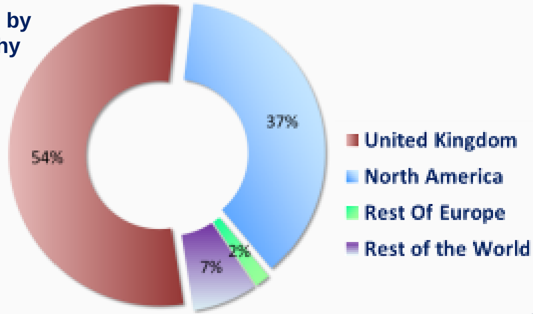
£m	Revenue	Operating Profit
2014	**99.4**	**4.6**
F/X	3.5	0.2
Acquisitions /Disposals	(7.2)	0.4
Organic	3.1	-
2015	**98.8**	**5.2**

2015 Revenue

£98.8m Up 3% organically

UK	up 12%	£54m
US	up 1%	£21m
Pipe Supports	down 5%	£24m

Revenue by geography



Roads

	H1 2015	H1 2014	Organic Growth
Revenue (£m)	**64.6**	59.3	4%
Operating profit (£m)	**7.3**	5.4	30%
Operating margin (%)	**11.3**	9.1	220bps

- **UK** **(73% of revenue)**
  - Government's investment plan progressing as planned
  - High utilisation of enlarged temporary safety barrier rental fleet
  - VMS acquisition successfully integrated; order book encouraging
- **International** **(27% of revenue)**
  - Scandinavia fine despite SEK depreciation
  - French market conditions subdued
  - Progress slow in US temporary safety barrier market
  - India/Australia remain in "start up" development phase

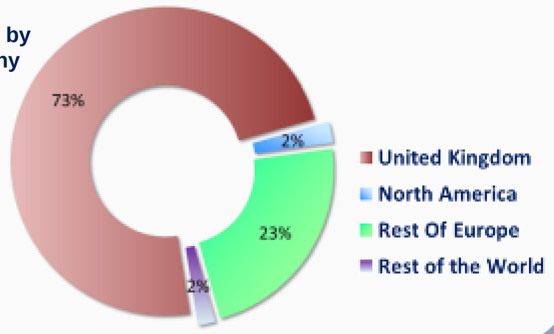
£m	Revenue	Operating Profit
2014	**59.3**	**5.4**
F/X	(2.0)	-
Acquisitions	4.8	0.3
Organic	2.5	1.6
2015	**64.6**	**7.3**

2015 Revenue

£64.6m **Up 4% organically**

UK	**up 12%**	**£49m**
International	**down 12%**	**£16m**

Revenue by geography



Galvanizing

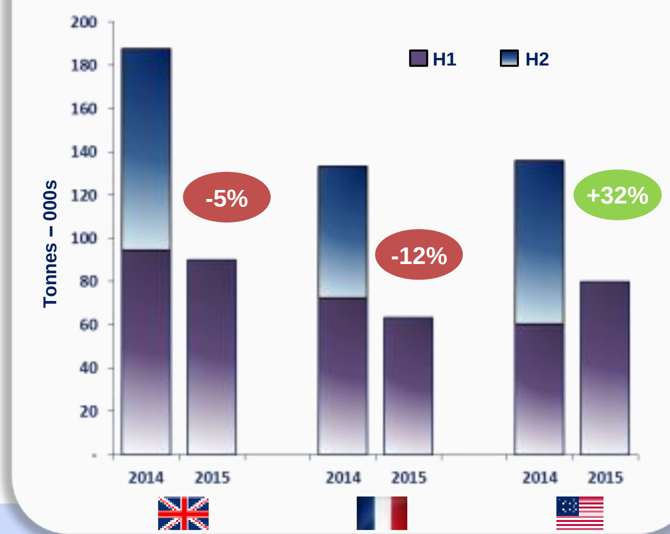
	H1 2015	H1 2014	Organic Growth
Revenue (£m)	**69.6**	65.1	8%
Operating profit (£m)	**13.8**	12.5	8%
Operating margin (%)	**19.8**	19.2	60bps

- **UK**
  - Hereford closure Dec 14; underlying volumes similar to prior period
  - Improved profitability and returns from rationalisation
- **France**
  - Market remains challenging
  - Bordeaux Stadium H1 14; underlying volumes down 8%
  - Pricing, mix and cost control supporting profitability
- **USA**
  - Volumes up 21% excluding Memphis
  - Alternative energy (particularly solar) and bridge/highway key market drivers
  - Memphis profitable in Q2; second half outlook positive

£m	Revenue	Operating Profit
2014	**65.1**	**12.5**
F/X	(0.9)	0.3
Organic	5.4	1.0
2015	**69.6**	**13.8**

2015 Tonnes Galvanized

234,000 tonnes Up 3%



Foreign exchange sensitivities

	H1 2015	H1 2014	Change	Memo: 2014 FY
Average rates				
Euro	**1.37**	1.22	(12%)	1.24
US$	**1.52**	1.67	9%	1.65
Closing rates				
Euro	**1.41**	1.25	(13%)	1.28
US$	**1.57**	1.71	8%	1.56

Ready reckoner for translation impact of movement in FX rates

Sensitivity to +/- 1 cent move in:	Revenue	Operating profit
Euro	+/- £0.4m	+/- £40k
US$	+/- £0.8m	+/- £160k

Impact on H1 2015:		
	Revenue	+ve £0.6m or flat
	Operating profit	+ve £0.5m or 2%

Potential full year impact:*		
	Revenue	-ve £2.4m or 1%
	Operating profit	+ve £0.4m or 1%

* Compares impact on 2014 results of using exchange rates at 24 July 2015 (principally £1 = $1.55 and £1 = €1.41) versus average exchange rates for 2014

Free cash flow and net debt

£m	**H1 2015**	H1 2014	FY 2014
Underlying Operating Profit	**26.3**	22.5	49.2
Depreciation and amortisation	**8.3**	7.4	15.1
Underlying EBITDA	**34.6**	29.9	64.3
Other non-cash items	**0.4**	0.5	1.3
Working capital	**(5.6)**	(10.5)	(5.5)
Capital expenditure (net)	**(8.3)**	(16.6)	(35.2)
Underlying operating cash flow	**21.1**	3.3	24.9
Restructuring spend	**(0.7)**	(2.5)	(0.6)
Provisions/Pension	**(1.0)**	(2.2)	(5.7)
Interest paid (net)	**(1.5)**	(1.7)	(3.2)
Tax paid	**(5.9)**	(4.3)	(9.3)
Statutory free cash flow	**12.0**	(7.4)	6.1
Dividends	**(5.0)**	(4.7)	(12.4)
Acquisitions/disposals	**(1.5)**	0.1	0.2
Share issues/other (net)	**(0.1)**	(0.8)	(2.4)
Net cash flow	**5.4**	(12.8)	(8.5)

- Working capital 14.4% of annualised sales (H1 2014: 15.0%)
  - H1 outflow reflective of seasonal trading patterns
  - Efficiency improvement *c.*£3m yoy
- Capex 1.0 times depreciation/amortisation
  - Spend more normalised (2014: Zoneguard/Memphis investment)
  - 2015 guidance *c.*£18m (1.1 times)
- Restructuring spend £0.7m
  - Hereford closure announced Dec 2014 (FY *c.*£1.1m)
- Pension £1.3m (H1 2014: £2.2m)
  - Triennial valuation at April 2015 in progress
- Tax paid £5.9m
  - In line with underlying income statement change
- Acquisition of Novia Associates 30 April 2015
- Net debt : EBITDA 1.3 times (Dec 2014: 1.5 times)

£m	**H1 2015**	H1 2014	Dec 2014
Net debt	**89.2**	98.5	96.0

Strategy and Outlook

Derek Muir

Key opportunities for growth

UK Roads

UK & US Infrastructure

US & UK Galvanizing Market Opportunities

UK & US driving 92% of profits

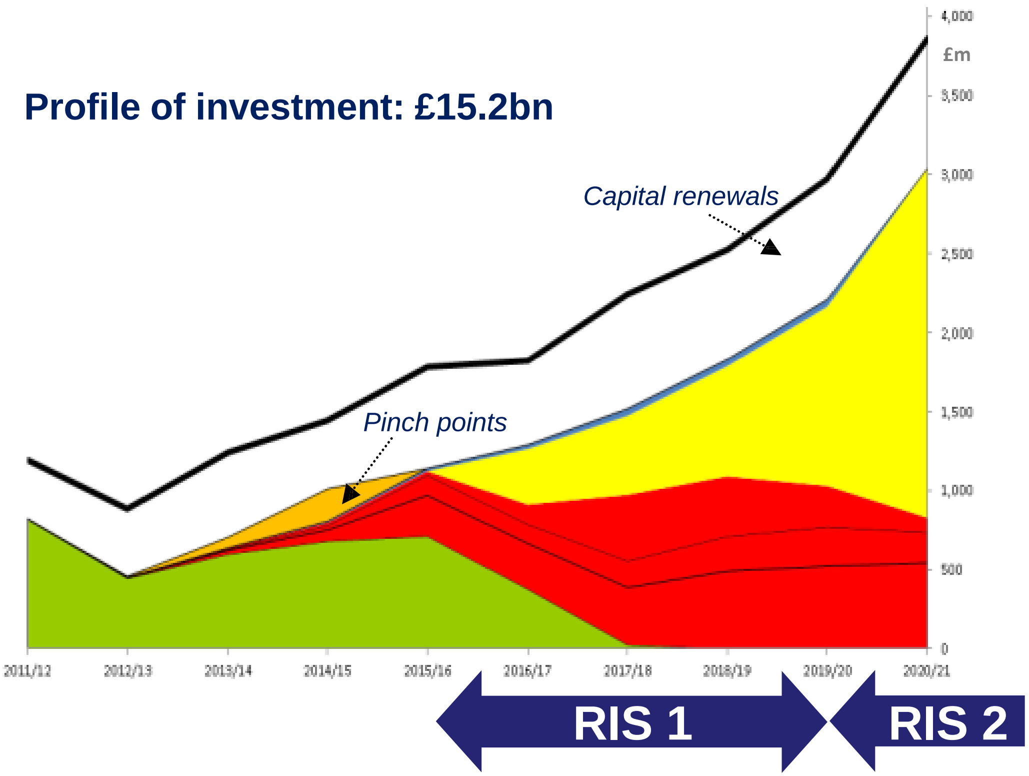
Highways England: Investment Plan

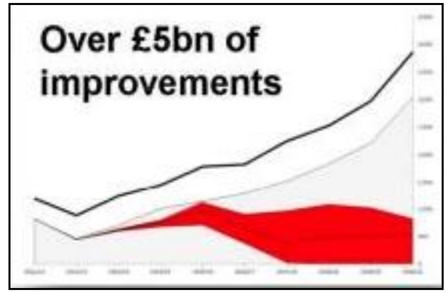
Temporary safety barrier

Permanent safety barrier

VMS

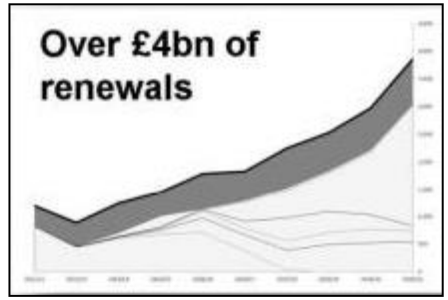
Profile of investment: £15.2bn



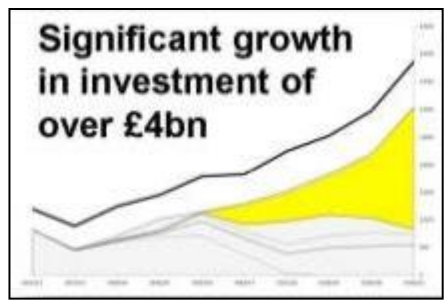


Medium term investment

- ➢ Modernising the network
  - A14 Cambridge to Huntingdon
  - Smart Motorways
  - Junctions, widening & bypass schemes
  - Tackling pinch points



- ➢ Maintaining the network
  - Stepping up the asset renewals programme
  - Resurfacing carriageways
  - Concrete barrier in median



Longer term investment

Continuing to modernise the network

- ➢ Route Strategies identifying
  - More Smart Motorways
  - More junctions, widening and bypasses
- ➢ Responding to the feasibility studies
  - A303/A30/A358 corridor
  - A1 North of Newcastle
  - A1 Newcastle-Gateshead Western Bypass
  - A27 Corridor
  - Trans-Pennine routes
  - A47/A12 Corridor

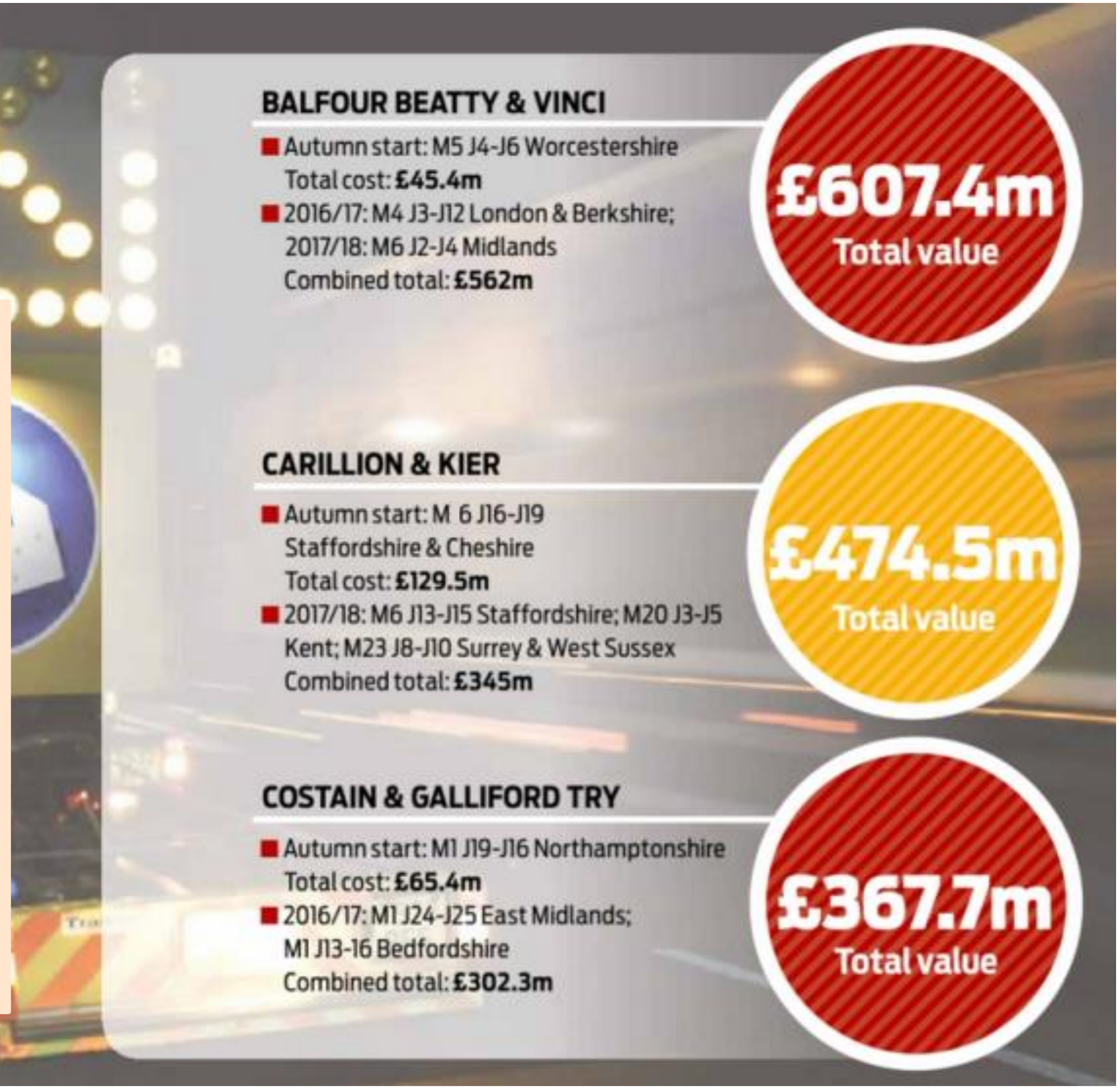
Source: Highways England Strategic Business Plan 17 December 2014

Roads: UK Smart Motorways

Source:
Construction News
31 July 2015

WHAT WILL THE WORK INVOLVE?

- **Signage and gantries:** With the focus of smart motorways on communication, the new network will require comprehensive CCTV coverage and the installation of traffic management technology, alongside new static and variable signs for drivers. For example, as part of Costain's planned smart motorway work on the 17-mile stretch between Manchester's M60 and M62, 200 signs, 120 cameras and more than 1,000 new lights will be installed.
- **Broad strengthening:** The conversion of the hard shoulder into a new lane for traffic will require the restructuring and strengthening of the existing road, which is traditionally built on a shallower foundation. In some cases, full-depth carriageway reconstruction is required.
- **Emergency refuge areas:** The absence of a hard shoulder means emergency refuge stops are required along the route for cars that break down. According to Highways England, a refuge stop is required at a maximum of every 2.5km, which could see a total of 147 new areas installed along the 292 miles of road.
- **Concrete barriers:** Steel barriers will be replaced by safer concrete barriers along 191 miles of the network, while new drainage channels will be installed alongside the central reservation's new barriers.



UK Infrastructure Spending

➢ **Government's National Infrastructure Plan 2014-2021: £466bn of public and private investment**

WATER

➢ AMP5 £22bn
➢ AMP6 £44bn

- Focus on reducing flooding
- Adoption of private sewers
- Focus on Totex (total life cost)

Plastic Pipe

RAIL

➢ CP5 £38bn
➢ Crossrail £6bn
➢ HS2 £50bn

- Electrification of 3,000 miles
- Signal upgrades
- Extended trains
- New depots

Fencing

OFFSHORE

➢ North Sea Oil
➢ North Sea Gas
➢ Azerbaijan Gas

- Refurbishment of existing ageing rigs
- New platform construction

Industrial Flooring

POWER

➢ Nuclear rebuild or gas

- Hinckley Point £16bn
- Wylfa £15bn
- Moorside £14bn
  Both in feasibility stage

Pipe Supports

ENERGY

➢ Renewables

- Energy from Waste *Biomass*
- Hydro electric schemes
- Anaerobic Digestion *Bio gas*
- Solar

Handrails

HOUSING

➢ Housing

- 25% increase over next 4 years in build programme for residential housing

Source: CPA

Lintels/Doors

Utilities: US New developments

Novia Associates

- $3m acquisition
  - Vibration Isolation
  - Seismic restraints
  - Roof curbs
- $3m revenue
  - Integrated into Carpenter & Paterson
  - Enlarged sales network

Carpenter & Paterson

- $1m investment in New Orleans
  - New PUF *(polyurethane foam)* machine
  - Double production capacity of cryogenic supports
  - Growing market for LNG

Creative Pultrusions

- Composite utility poles
  - High voltage 280 kva Crossarms
  - 14m long C channels 400 H x 150 D
  - 5 years in development
  - Approved by British Columbia Hydro electric
  - First order received in May

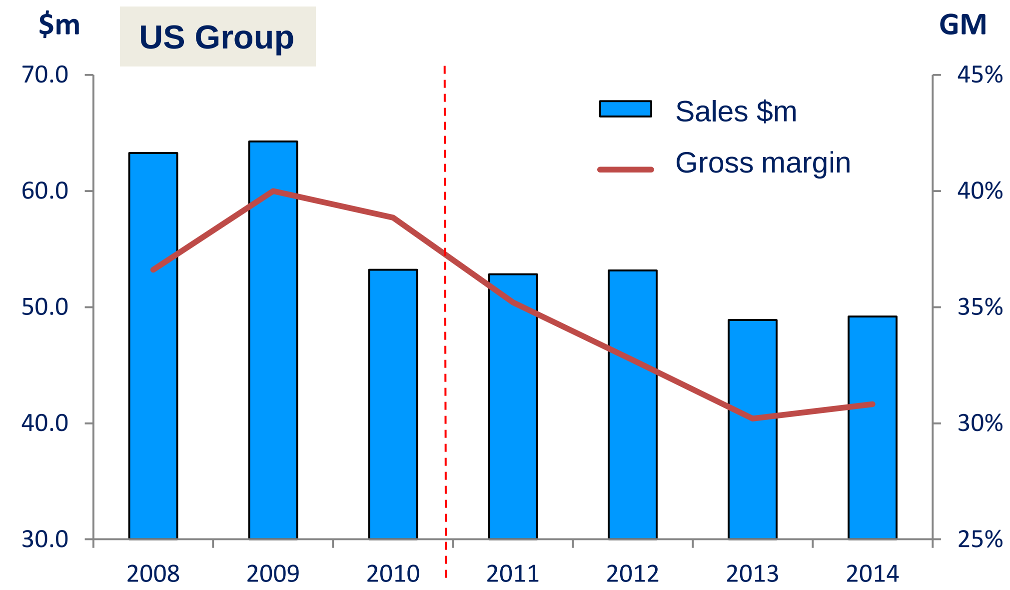
Utilities: Pipe Supports

- Strengthened operational management
- Order book restored for H2 in India and Thailand
  - Thermal power project awards in India
  - LNG project awards in US and India
  - Lower demand in RoW; geographical relocation of refining facilities
  - Subdued activity in Framework Supply Agreements
- Medium term opportunity remains

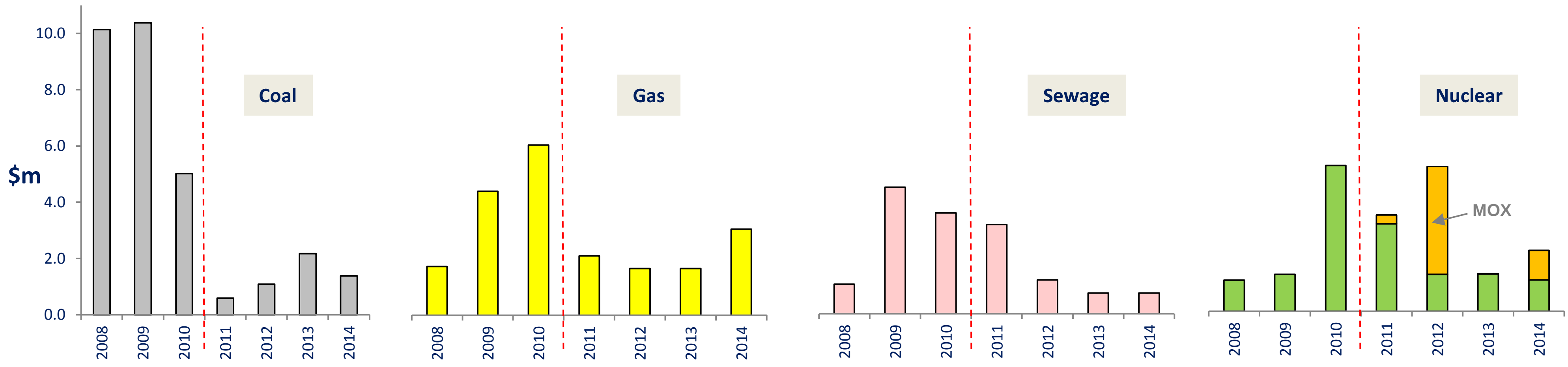
	POWER				OIL & GAS		
	Thermal Power	Nuclear	CCGT Gas	Carbon Capture	LNG	Fertilizer	Petrochemical Ethylene
INDIA	Good prospects	Unable to supply	Good prospects		Good prospects		
UK		Subdued	Subdued	Subdued			
RoW	Subdued				Subdued		Subdued
USA		Subdued	Good prospects	Subdued	Good prospects	Good prospects	Good prospects

Key: Market Conditions
- Good prospects
- Subdued
- Unable to supply

Utilities: The Paterson Group – Market Dynamics



- Obama’s Climate Change / less coal
- Fukushima impacted Nuclear programme
- Growth in Gas plants



Galvanizing: US Market Landscape

- Small number of key players
- Fragmented competitive landscape

Key:

- V&S Galvanizing (Hill & Smith) - 7
- AZZ Galvanizing – 41
- Valmont Industries - 18
- South Atlantic Galvanizing- 6
- Metalplate Galvanizing - 5
- Independents - 64

Group outlook unchanged

GALVANIZING

- France difficult
- US and UK performance maintained

ROADS

- Continued investment in UK roads network
- Niche growth opportunities in international markets

UTILITIES

- Infrastructure investment strong in our chosen markets
- Order book restored in Pipe Supports

OVERALL

- Solid progress - full year outlook unchanged

“we continue to expect 2015 to be a year of good progress”

Appendices

Business model and strategy

To hold leading positions in the niche markets of infrastructure and galvanizing, diversified over different geographies, with a focus on service, margins and product development.

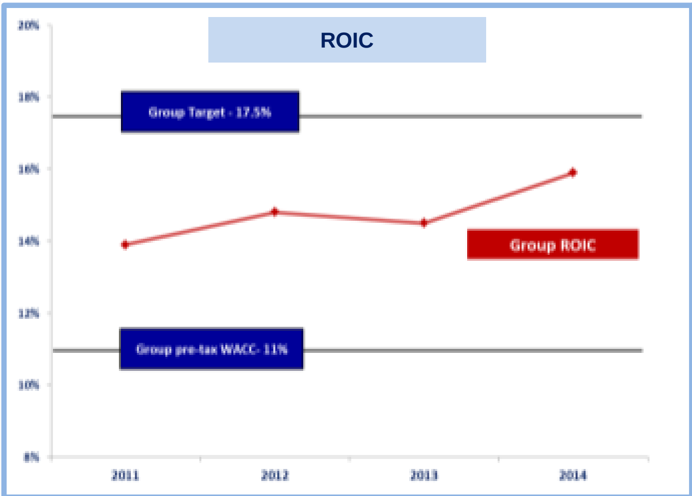
Strategic drivers

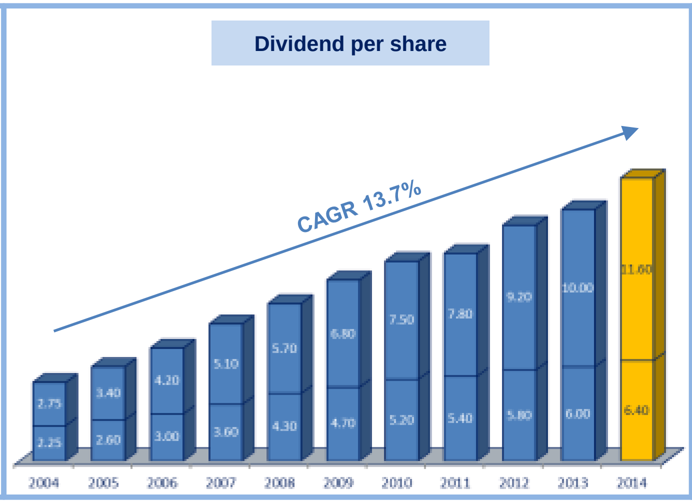
Business model

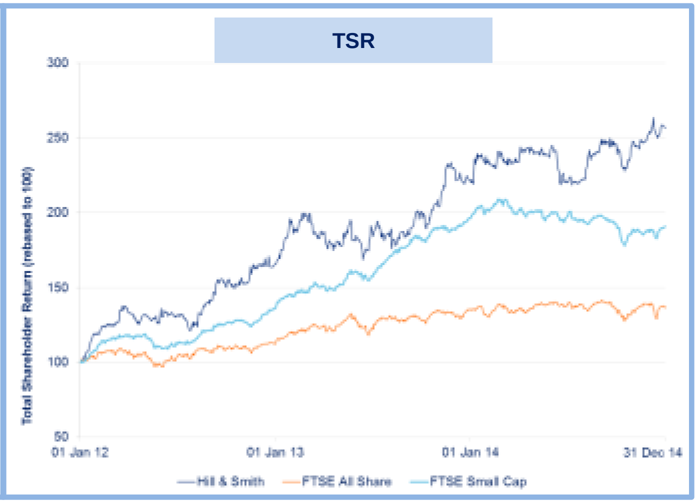
- Organic revenue growth
- Geographic diversification
- Target returns and leverage
- Active portfolio management
- Entrepreneurial culture

Sustainable profitable growth

Superior returns to shareholders







Segment analysis

£m	H1 15	Organic	M&A	FX	H1 14
Utilities					
Revenue	**98.8**	3.1	(7.2)	3.5	99.4
Underlying operating profit	**5.2**	-	0.4	0.2	4.6
Margin	***5.3%***				*4.6%*
Roads					
Revenue	**64.6**	2.5	4.8	(2.0)	59.3
Underlying operating profit	**7.3**	1.6	0.3	-	5.4
Margin	***11.3%***				*9.1%*
Galvanizing					
Revenue	**69.6**	5.4	-	(0.9)	65.1
Underlying operating profit	**13.8**	1.0	-	0.3	12.5
Margin	***19.8%***				*19.2%*
Group					
Revenue	**233.0**	11.0	(2.4)	0.6	223.8
Underlying operating profit	**26.3**	2.6	0.7	0.5	22.5
Margin	***11.3%***				*10.1%*

Utilities:
- UK infrastructure spend strong
- Prior year disposal assists margins
- Bergen Pipe Supports suffered from weak opening order book

Roads:
- Government investment driving UK demand
- VMS successfully integrated
- International markets mixed

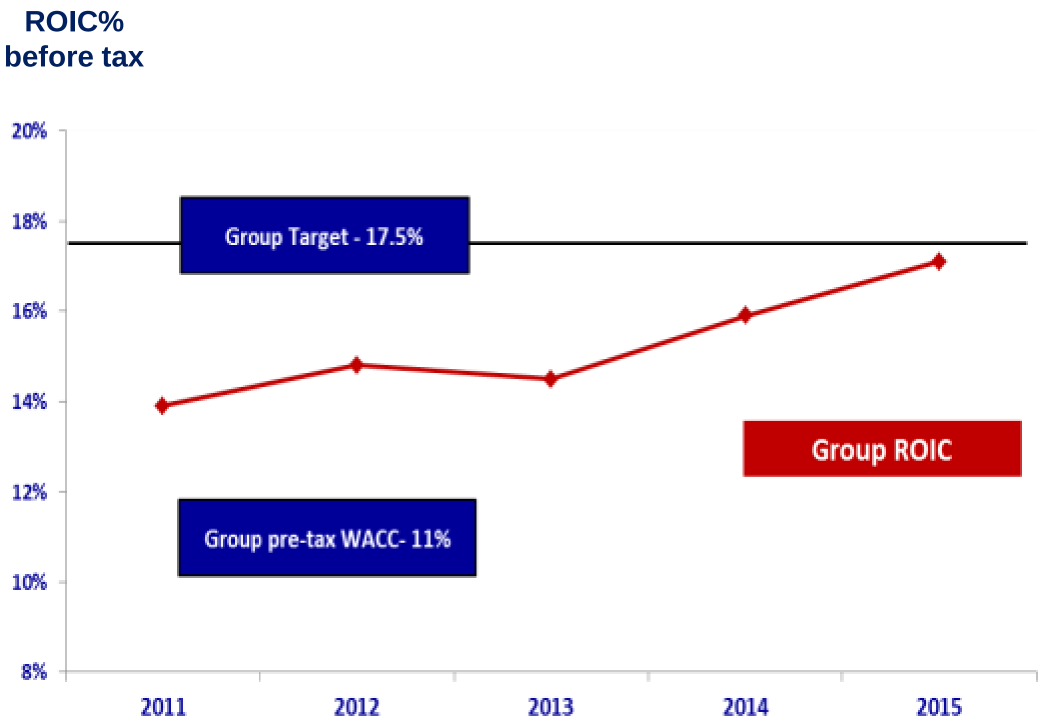
Galvanizing:
- Volumes up 3% year on year
- US strong; Memphis profitable Q2
- UK profits up
- France challenging

Group:
- H1 performance in line with expectations

Non-underlying items

	H1 15	H1 14	Year Ended 2014
Operating items			
Business reorganisation costs	**0.2**	-	(2.6)
Acquisition costs	**(0.4)**	-	(0.1)
Amortisation of acquisition intangibles	**(1.1)**	(1.0)	(2.1)
(Loss)/profit on sale of properties	**(0.1)**	-	0.4
Loss on disposal of subsidiaries	**-**	(3.4)	(3.7)
Impairment of The Paterson Group goodwill	**(15.8)**	-	-
	(17.2)	(4.4)	(8.1)
Financing costs			
Refinancing fees / amortisation	**(0.2)**	-	(0.3)
Net pension interest	**(0.3)**	(0.4)	(0.7)
	(17.7)	(4.8)	(9.1)
Cash in year	**-**	-	0.2
Future cash	**-**	-	(1.5)
Non cash	**(17.7)**	(4.8)	(7.8)
	(17.7)	(4.8)	(9.1)

Return on Invested Capital



Group	12m to H1 15	12m to H1 14
Operating Profit (£m)	53.0	47.5
Av. Invested Capital (£m)	309.2	308.8
ROIC %	17.1	15.4

Divisional (%)	12m to H1 15	12m to H1 14
Utilities	11.7	12.0
Roads	20.9	18.1
Infrastructure Products	15.9	14.5
Galvanizing	18.4	16.3

Margin

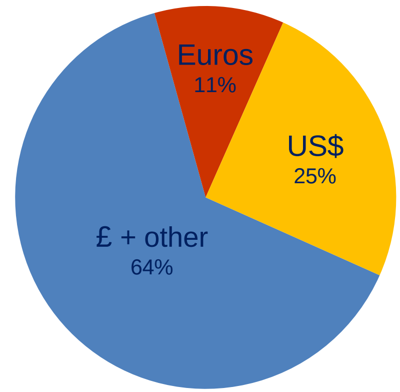
	Margin		
	H1 15 %	H1 14 %	Target Range %
Infrastructure Products	**7.6**	6.3	8 – 11
- Utilities	**5.3**	4.6	7 – 11
- Roads	**11.3**	9.1	9 – 13
Galvanizing Services	**19.8**	19.2	18 – 21
Group	**11.3**	10.1	10 – 13

- Roads and Galvanizing within range
- Utilities improving (margin ex Pipe Supports *c.*9% i.e. mid range)

Availability and usage of debt facilities

£m	Net Debt	Facility	Maturity On demand	Maturity 2014 to 2019	Maturity 2019
Committed	**93.1**	210.3		2.4	207.9
On demand	**-**	9.7	9.7		
Cash	**(3.9)**	-			
	89.2	220.0			

Net Debt by Currency



- Principal facility in place until April 2019
- Facilities provide significant headroom
  - Net debt : EBITDA 1.3 times (covenant 3 times); Interest cover 23.5 times (covenant 4 times)
- Target net debt : EBITDA range between 1.5 to 2.0 times

Dividends

	2015	Change %	2014	Change %	2013
Interim dividend per share	**7.1**	11%	6.4p	**6.7%**	6.0p
Final dividend per share			11.6p	**16.0%**	10.0p
Total dividend per share			18.0p	**12.5%**	16.0p

- 12 successive years of dividend growth
- Central to strategy and TSR ethos
- Progressive dividend policy driven by:
  - EPS growth
  - FCF generation
- Target cover ratio *c.*2.5 times