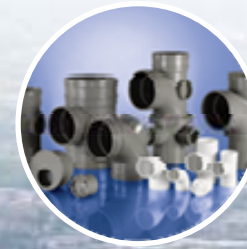


# Polypipe Group plc

## Interim Results

6 months to 30 June 2014



# Disclaimer



The information contained in this presentation has not been independently verified and this presentation contains various forward-looking statements that reflect management's current views with respect to future events and financial and operational performance. The words "growing", "scope", "platform", "future", "expected", "estimated", "accelerating", "expanding", "continuing", "potential" and "sustainable" and similar expressions or variations on such expressions identify certain of these forward-looking statements. Others can be identified from the context in which the statements are made.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors, which may be beyond Polypipe Group plc's (the "Group's") control and which may cause actual results or performance to differ materially from those expressed or implied from such forward-looking statements. All statements (including forward-looking statements) contained herein are made and reflect knowledge and information available as of the date of preparation of this presentation and the Group disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this document should be construed as a profit forecast.

# Agenda

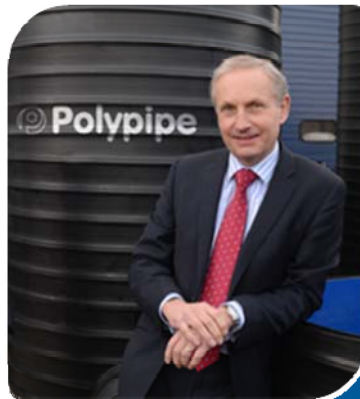


## Highlights

David Hall



## Presentation Team



**David Hall**

Chief Executive Officer



**Peter Shepherd**

Chief Financial Officer

# Operational highlights

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- Delivering the strategy set out during successful IPO in April
- Continuing to benefit from UK construction market recovery
- Strategic focus on structural growth opportunities delivered growth above the market
- Revenue growth in the UK of 12.9% over H1 2013
- Positive impact from operational gearing

# Agenda



**Highlights**  
David Hall



**Financial Review**  
Peter Shepherd





# Financial highlights



Revenue	£168.2m	↑ 11%
Operating profit*	£22.7m	↑ 29%
Adjusted EPS	7.05p	↑ 74%
Cashflow from operations	£17.8m	↑ 42%
Net Debt to EBITDA	1.7x	
Interim dividend	1.5p	

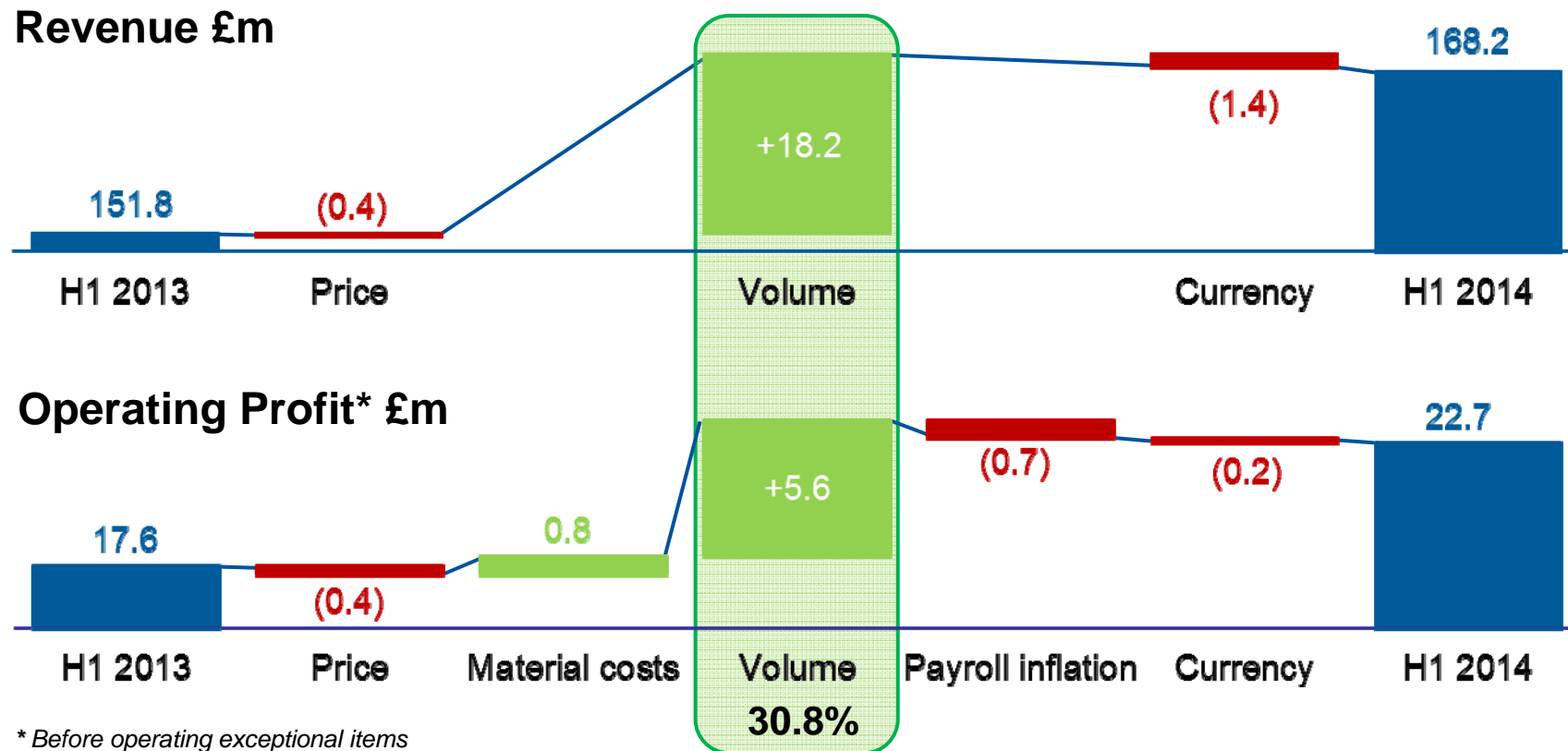
\* Before operating exceptional items

# 2014 Interim results summary



£m	H1 2014	H1 2013	change	% change
<b>Revenue</b>	<b>168.2</b>	<b>151.8</b>	<b>16.4</b>	<b>10.8%</b>
Cost of sales	(105.3)	(97.0)	(8.3)	8.6%
Gross profit	62.9	54.8	8.1	14.8%
Gross profit margin	37.4%	36.1%		
Distribution costs	(16.1)	(14.6)	(1.5)	10.3%
SG&A	(24.1)	(22.6)	(1.5)	6.6%
<b>Operating profit pre exceptionals</b>	<b>22.7</b>	<b>17.6</b>	<b>5.1</b>	<b>29.0%</b>
<b>Operating exceptional items</b>	<b>(12.4)</b>	<b>(0.2)</b>	<b>(12.2)</b>	
<b>Operating profit post exceptionals</b>	<b>10.3</b>	<b>17.4</b>	<b>(7.1)</b>	
Net finance costs – normal	(6.3)	(7.7)	1.4	
– exceptional	(8.6)	-	(8.6)	
<b>(Loss)/ profit before tax</b>	<b>(4.6)</b>	<b>9.7</b>	<b>(14.3)</b>	
Tax	1.1	(1.8)	2.9	
<b>(Loss)/ profit after tax</b>	<b>(3.5)</b>	<b>7.9</b>	<b>(11.4)</b>	

# Revenue and operating profit bridge





# Balance sheet summary



£m	H1 2014	H1 2013	change
Non Current Assets			
– property, plant & equipment	88.8	83.6	5.2
– intangibles	234.4	234.4	-
Net Working Capital	9.4	15.8	(6.4)
Outstanding listing costs	(3.5)	-	(3.5)
Cash	18.1	41.7	(23.6)
Long term debt – senior secured notes	-	(150.0)	150.0
– bank debt	(120.0)	-	(120.0)
Taxation	(0.5)	(3.4)	2.9
Other	0.5	(2.5)	3.0
Net Assets	227.2	219.6	7.6

# Net working capital



£m	H1 2014	H1 2013	Dec 2013
<b>Inventories</b>	<b>41.0</b>	<b>34.8</b>	<b>38.9</b>
Trade & Other receivables	25.8	32.1	21.4
<b>Trade &amp; Other payables</b>	<b>(60.9)</b>	<b>(51.1)</b>	<b>(62.0)</b>
Net working Capital as reported	5.9	15.8	(1.7)
Outstanding listing and refinancing costs excluded from NWC	3.5	-	-
<b>Net operating working capital</b>	<b>9.4</b>	<b>15.8</b>	<b>(1.7)</b>
Net operating working capital to revenue	3.0%	5.2%	(0.6%)

# Cashflow

£m	H1 2014	H1 2013
<b>EBITDA<sup>1</sup></b>	<b>30.0</b>	<b>24.5</b>
Capital expenditure	(7.3)	(8.3)
Working capital	(12.1)	(11.4)
<b>Operating Cashflow</b>	<b>10.6</b>	<b>4.8</b>
Financing costs – net interest paid	(7.8)	(7.1)
– refinancing costs	(9.3)	-
Taxation	(2.4)	(2.7)
Listing costs	(8.9)	-
Other	-	(0.3)
<b>Increase in net debt</b>	<b>(17.8)</b>	<b>(5.3)</b>

<sup>1</sup> Before operating exceptional items

# Taxation

	H1 2014
<b>Reconciliation of tax charge</b>	
UK tax* rate for 2014	21.5%
Benefit of brought forward unutilised non trading tax losses (expires end 2015)	(7.0)%
<b>Underlying full year tax rate (before exceptional items)</b>	<b>14.5%</b>
Impact of limited tax relief on exceptional items (£1.6m on £21m of exceptionals)	9.4%
<b>Full year tax rate on Statutory PBT</b>	<b>23.9%</b>

*\*Impact of non-UK tax rates is not significant*

# Interim dividend

- Interim Dividend: 1.5p per share

## Timetable

August 2014							September 2014						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
					1	2		1	2	3	4	5	6
3	4	5	6	7	8	9	7	8	9	10	11	12	13
10	11	12	13	14	15	16	14	15	16	17	18	19	20
17	18	19	20	21	22	23	21	22	23	24	25	26	27
24	25	26	27	28	29	30	28	29	30				
31													

*Ex-Dividend date*  
  *Record date*  
  *Payment date*

**Policy:**  
 Minimum 40% of PAT  
 (excluding exceptionals)  
  
 One third Interim/two  
 thirds Final  
  
 Pro rata for period listed

# Agenda



**Highlights**  
David Hall



**Financial Review**  
Peter Shepherd



**Business Review**  
David Hall





## **Focused strategy continuing to drive growth**

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**Positioning to benefit from the market recovery**

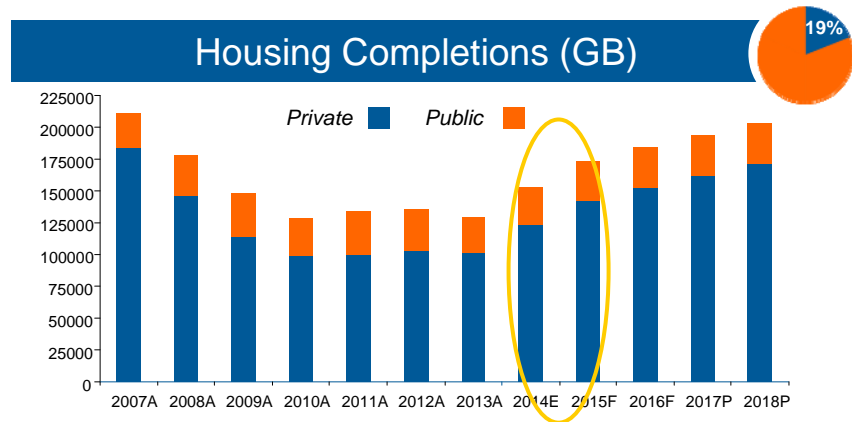
**Continued product development**

**Leverage leading brand position and end-user relationships**

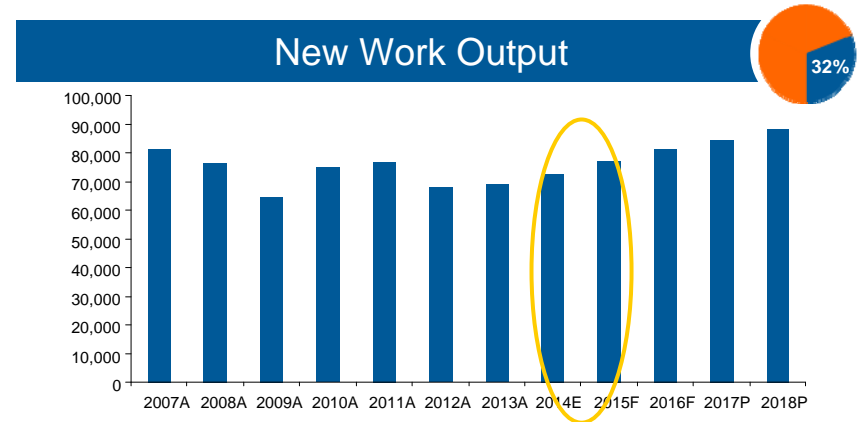
**Continuous investment in processes and efficiency initiatives**

**Selective development in France and the Middle East**

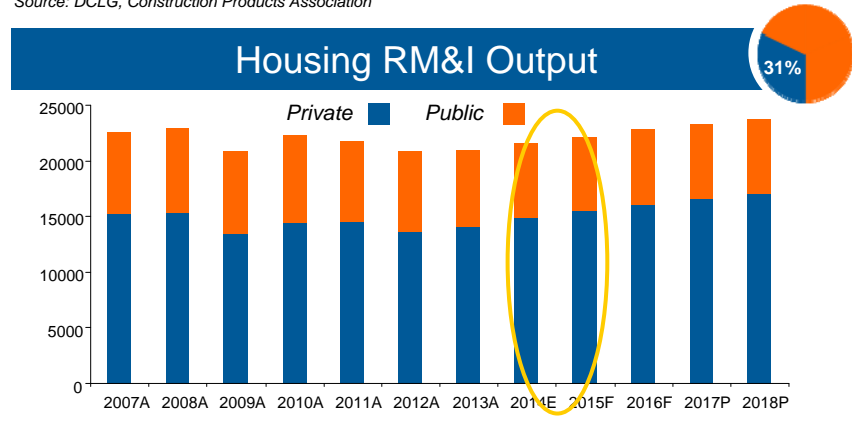
# Improving market backdrop



Source: DCLG, Construction Products Association



Note: New Work Output used as proxy for commercial, public non-housing & infrastructure works



Source: ONS, Construction Products Association

% of Group sales based on Company analysis of 2013 statutory results

### European Construction Markets

Market Forecasts	2014E	2015F	% 2013 Sales*
France	-1.2%	0.0%	15.8%
Republic of Ireland	9.7%	6.1%	1.7%
Italy	0.2%	1.0%	0.4%

Source: Euroconstruct June-14, Deutsche Bank

\* Sales by destination

# Strategic growth drivers

## Water Management Solutions

- Strong growth for water management system sales
- Ridgiform XL capacity expansion on stream, new accessible Polystorm attenuation cells introduced
- Flooding in Q1 served to heighten awareness of legislative requirements



**Gulls Way  
Welsh Water**

Polypipe's ability to design and prefabricate a modularised drainage solution has been utilised as part of a flood alleviation scheme for Welsh Water

## Carbon Efficient Solutions

- Strong progress in our ventilation segment
- New air ducting components with focus on whole system integrity gaining traction
- Underfloor heating growth – progress limited with major housebuilders to mainly high end London apartments



**Paynes &  
Borthwick**

Development in West Greenwich, London has been fitted with Polypipe Ventilation's award winning Silavent Green Line HRX Mechanical Ventilation with Heat Recovery (MVHR) systems

# Strategic growth drivers

## Substituting Legacy Materials

- Plastic plumbing growth underpinned by use in residential new build
- Infrastructure requirements for residential development resulted in strong growth in Polysewer sales
- Continued long term trends of plastics substitution against legacy materials



### Birmingham City Council

A major project to replace “live” cast iron soil stacks in Birmingham City high rise towers using pre-fabricated soil and waste stacks to minimise installation time on site and disruption to residents

## Middle East, Gulf & Export

- Project works picking up in UAE and Kuwait gave strong sales growth in the Middle East encouraging distributors to start re-stocking
- Region continuing to develop on the global map – World Expo 2020 Dubai
- Market slow to develop in Qatar - options for effective servicing of this region remain under consideration



### Fairmont Abu Dhabi Hotel

Polypipe provides above and below ground drainage and pressure pipes for the Fairmont Abu Dhabi Hotel.

# Operating segment review

Residential	H1 2014	H1 2013	% Growth
Revenue	£86.8m	£78.1m	up 11.1%
Operating profit*	£13.2m	£11.1m	up 18.9%
Operating profit margin	15.2%	14.2%	

- Large housebuilder volumes strong, greater geographic spread
- Some smaller regional developers returning to the market
- Private RMI improving
- Public/ social housing RMI muted
- Drop through of 24% from revenue growth with operational gearing benefits partially offset by higher rebates associated with new build growth

\* Before operating exceptional items

# Operating segment review

Commercial & Infrastructure UK	H1 2014	H1 2013	% Growth
Revenue	£56.4m	£47.3m	up 19.2%
Operating profit*	£8.6m	£5.5m	up 56.4%
Operating profit margin	15.2%	11.6%	

- Road and rail volumes strong
- High rise developments continued in London but also other cities
- Growth in exports to Middle East
- Variability of input material improving but polymer reprocessing plant still below output potential
- Strong drop through of 34% from revenue growth due to operational gearing effect

\* Before operating exceptional items



# Operating segment review



Commercial & Infrastructure Europe	H1 2014	H1 2013	% Growth
Revenue	£30.6m	£31.5m	down 2.9%
Operating profit*	£0.9m	£1.0m	down 10%
Operating profit margin	2.9%	3.2%	

- Performance roughly flat in local currency. Strong exports and modest market share gains offset a declining construction market in France
- Price/ volume balance carefully monitored – distributors continue to be cost focused
- Some improvement in water management but full product approvals progressing slowly

\* Before operating exceptional items

# Summary & outlook

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- Positive start to life as a public company, delivering on our strategy
- UK market recovery expected to continue, more geographic balance across a broader base
- Continued focus on structural growth opportunities
  - Substituting Legacy Materials
  - Water Management Solutions
  - Carbon Efficient Solutions
  - Middle East, Gulf & Export opportunities
- Confident about current prospects and outturn for the full year

# Questions & Answers

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# **Polypipe Group plc**

## **Appendices**

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# Polypipe at a glance



## Manufacturing

**Over 20,000** product lines covering residential piping systems under-floor heating above-ground drainage systems below-ground sewerage pipes rainwater harvesting systems

**16** Facilities in the UK, France, Italy and Dubai

**£130m** Approximate investment in manufacturing assets, in-house logistics & infrastructure since 2005

**2,017** Employees in the Group

## Key Strengths

Market leadership in an attractive UK construction market

A differentiated product range focused on higher margin integrated piping systems and fittings

Strong financial performance despite economic downturn

Significant structural growth opportunities in the plastic piping industry

Brand strength and successful business model in a market with relatively high barriers to entry

Management team with significant industry experience

## Markets

**80%** Approximate revenues from sales to customers in the UK (2013)

**21%** Adjusted EBITDA for UK operations in 2013

**28%** Approximate revenues from development products (material substitution, water management and carbon efficiency) from Group sales in 2013

**50:50** Approximate end-market exposure between residential and commercial/civil/ infrastructure

## Company history

Polypipe was founded in Doncaster in 1980 as a manufacturer of extruded and moulded plastics. It was first listed as a public company in 1986 before entering into private ownership again from 1999. The company was bought by its management in 2005 with support of private equity investors. In 2014, the company signalled its intention to return to the London stock market, nearly two decades after its first listing.