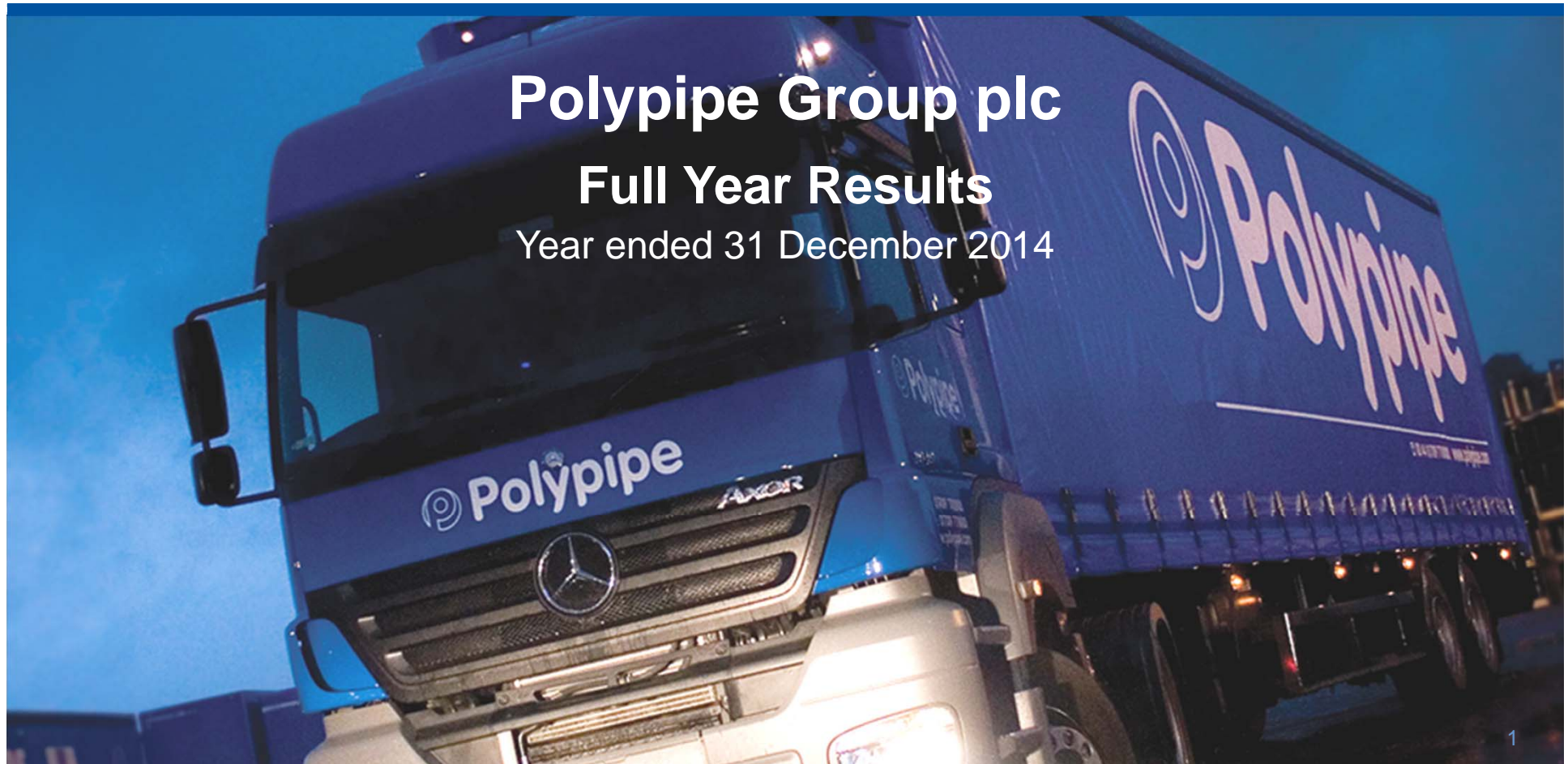


# Polypipe Group plc

## Full Year Results

Year ended 31 December 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



**Financial Review**  
Peter Shepherd



**Business Review**  
David Hall

## Presentation Team



**David Hall**  
Chief Executive Officer



**Peter Shepherd**  
Chief Financial Officer

# Highlights

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- Delivering the strategy set out during the Group's successful IPO in April 2014
- UK construction market recovery, combined with our strategic focus on structural growth opportunities, generated above market revenue growth from UK operations of 12.4% over 2013
- Improved UK volumes resulted in Group operating profit increasing by 16.6% to £46.3m
- Broadened product offer through two bolt-on acquisitions – Ferrob and Surestop
- French operations remain profitable despite continuing difficult market conditions

# Agenda



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David Hall



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Peter Shepherd



**Business Review**  
David Hall





# Financial highlights



Revenue	£327.0m	↑ 8.7%
Operating profit*	£46.3m	↑ 16.6%
Adjusted EPS * *	16.11p	↑ 61.9%
Operating cashflow* after Capex	£48.0m	↑ 26.3%
Net Debt to EBITDA	1.26x	
Final proposed dividend	3.0p	

\* Before operating exceptional items

\* \* Before operating exceptional items, exceptional finance costs and related tax relief

# 2014 results summary



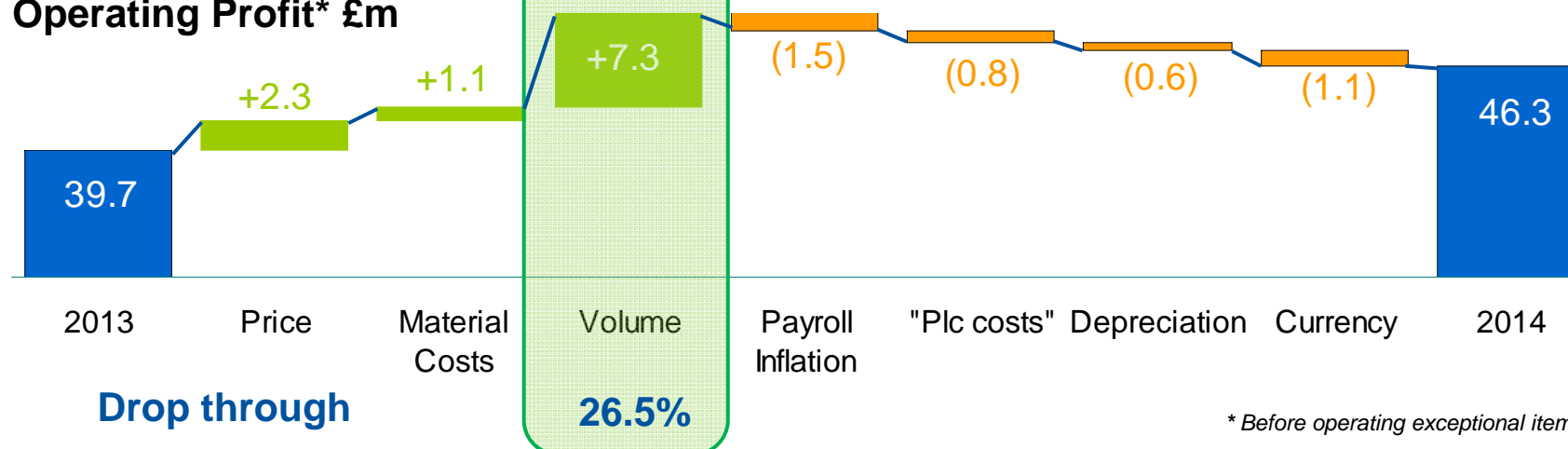
£m	2014	2013	change	% change
<b>Revenue</b>	<b>327.0</b>	<b>300.8</b>	<b>26.2</b>	<b>8.7%</b>
Cost of sales	(202.4)	(188.3)	(14.1)	
<b>Gross profit</b>	<b>124.6</b>	<b>112.5</b>	<b>12.1</b>	<b>10.8%</b>
<i>Gross profit margin</i>	<i>38.1%</i>	<i>37.4%</i>		
Distribution costs	(49.8)	(46.9)	(2.9)	
SG&A	(28.5)	(25.9)	(2.6)	
<b>Operating profit pre exceptionals</b>	<b>46.3</b>	<b>39.7</b>	<b>6.6</b>	<b>16.6%</b>
<i>Operating profit margin</i>	<i>14.2%</i>	<i>13.2%</i>		
Operating exceptional items	(12.1)	0.1	(12.2)	
Operating profit post exceptionals	34.2	39.8	(5.6)	
Net finance costs – normal	(8.7)	(15.2)	6.5	
– exceptional	(8.6)	-	(8.6)	
Profit before tax	16.9	24.6	(7.7)	
Tax	(3.0)	(4.6)	1.6	
Profit after tax	13.9	20.0	(6.1)	

# Revenue and operating profit bridge

## Revenue £m



## Operating Profit\* £m



\* Before operating exceptional items



# Balance sheet summary



£m	2014	2013	change
Non Current Assets			
– property, plant & equipment	89.2	89.0	0.2
– intangibles	235.0	234.4	0.6
Net Working Capital	(4.4)	(1.7)	(2.7)
Cash	43.1	65.9	(22.8)
Long term debt – senior secured notes	-	(150.0)	150.0
– bank debt	(120.0)	-	(120.0)
Taxation	(2.9)	(4.0)	1.1
Other	(2.3)	(2.2)	(0.1)
Net Assets	237.7	231.4	6.3

# Net working capital



£m	2014	2013	change
Inventories	39.9	38.9	1.0
Trade & Other receivables	20.9	21.4	(0.5)
Trade & Other payables	(65.2)	(62.0)	(3.2)
<b>Net operating working capital</b>	<b>(4.4)</b>	<b>(1.7)</b>	<b>(2.7)</b>
Net operating working capital to revenue	-1.3%	-0.6%	

# Cashflow

£m	2014	2013
<b>EBITDA (before operating exceptional items)</b>	<b>60.8</b>	<b>53.6</b>
Capital expenditure	(15.1)	(21.1)
Working capital	2.3	5.5
<b>Operating Cashflow</b>	<b>48.0</b>	<b>38.0</b>
Financing costs – net interest paid	(10.4)	(14.3)
Taxation	(3.7)	(4.9)
Dividend paid	(3.0)	-
Purchase of own shares / other	(1.8)	0.1
<b>Cashflow before IPO / refinancing costs</b>	<b>29.1</b>	<b>18.9</b>
IPO / refinancing costs	(21.9)	-
<b>Decrease in net debt</b>	<b>7.2</b>	<b>18.9</b>
<b>Cash Conversion rate (operating cashflow after capex:EBIT)</b>	<b>103.7%</b>	<b>95.7%</b>

# Taxation

	Tax rate		
	£m	£m	%
Profit before tax (before exceptional IPO listing and refinancing costs) and related tax	37.7	5.4	14.3
Exceptional IPO listing (£12.2m) and refinancing costs (£8.6m) and related tax relief	(20.8)	(2.0)	
<b>Profit before tax and related tax – current year</b>	<b>16.9</b>	<b>3.4</b>	<b>20.1</b>
Prior year credit	-	(0.4)	
<b>Profit before tax and tax as reported</b>	<b>16.9</b>	<b>3.0</b>	<b>17.8</b>

# Proposed final dividend

- Proposed final dividend: 3.0p per share

## Timetable

May 2015						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	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



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

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**Positioning to benefit from the market recovery**

**Continued product development**

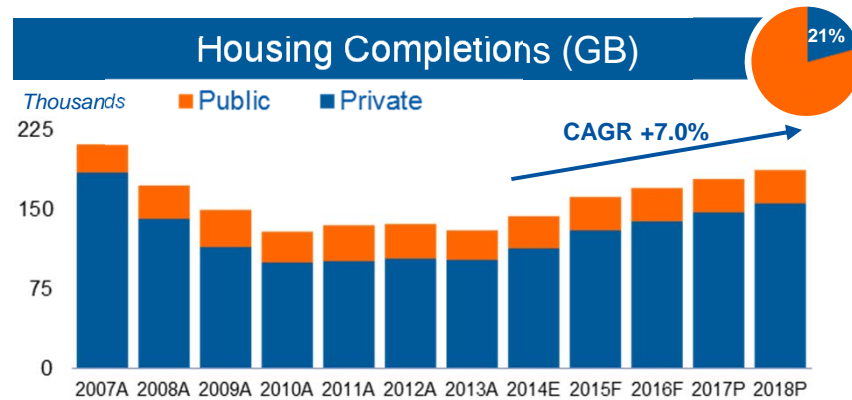
**Leverage leading brand position and end-user relationships**

**Continuous investment in processes and efficiency initiatives**

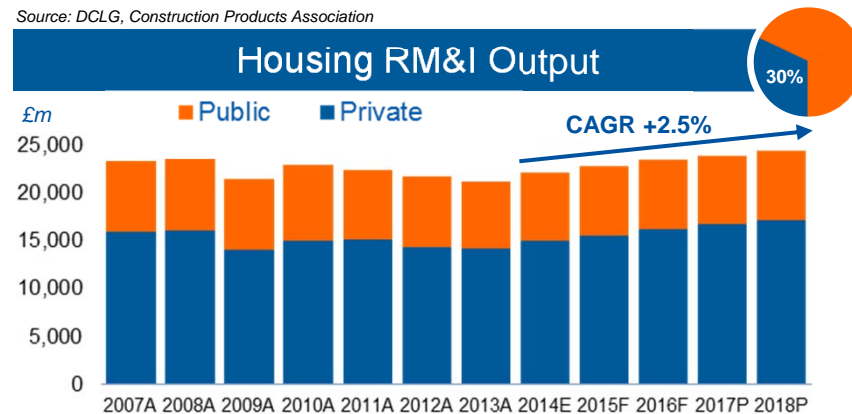
**Selective development in the Middle East**


**Two small acquisitions and further potential**

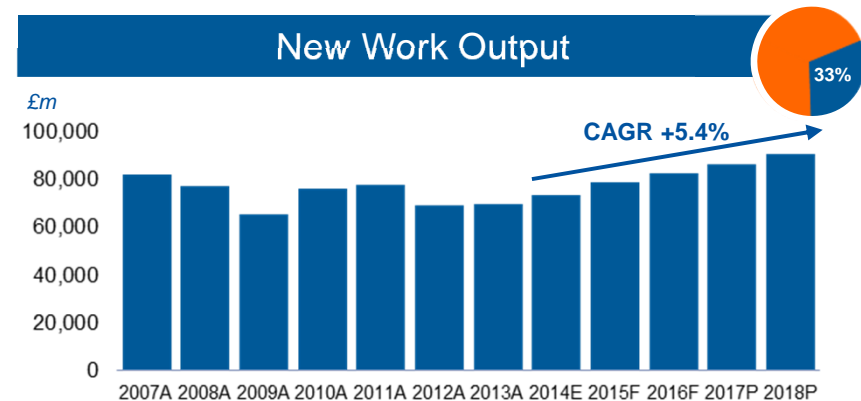
# Improving market backdrop



Source: DCLG, Construction Products Association



Source: ONS, Construction Products Association. 2011 constant prices  
 % of Group sales



Note: New Work Output used as proxy for commercial, public non-housing & infrastructure works.  
 2011 constant prices

### European Construction Markets

Market Forecasts	2014E	2015F	% 2014 Sales*
France	-2.8%	-0.4%	13.7%
Republic of Ireland	10.1%	9.0%	1.6%
Italy	-2.2%	1.1%	0.7%

Source: Euroconstruct Nov-14  
 \*Sales by destination

# Strategic growth drivers

## Water Management Solutions

- SUDS legislation and total installation cost benefits driving strong growth for water management systems
- Good demand from road and rail projects
- Ridgistorm XL capacity expansion now on stream, new accessible Polystorm attenuation cells introduced
- Fabrications capacity and capability investment completed



## Carbon Efficient Solutions

- Legislation continuing to drive growth for carbon efficient heating and ventilation systems
- Further products launched aimed at improving thermal and air movement efficiencies in ventilation systems
- Market applications for product offer broadening e.g. bio reactor storage and earth tube ventilation systems



# Strategic growth drivers

## Substituting Legacy Materials

- Plastic plumbing growth underpinned by use in nearly all 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 – though UK penetration rates remain well below Mainland Europe



## Middle East, Gulf & Export

- Middle East distributors re-stocking in the first half
- Region continuing to develop on the global map – World Expo 2020 Dubai, World Cup confirmed for Qatar in 2022
- Specification gained and system designed in on first new sports facility in Qatar





# Acquisitions Update

## Ferrob

- Acquired October 2014. Consideration £0.3m cash and contingent consideration based on sales growth estimated to be £0.4m
- Manufacturer of extract and positive input ventilation systems with sales of £1.1m
- Enhances Polypipe Ventilation's access to Local Authorities, Registered Social Landlords and Housing Associations throughout the UK
- Solutions aimed at controlling high humidity levels, increased condensation and mould growth in increasingly insulated domestic properties



**FERROB**

## Surestop

- Acquired January 2015 for consideration of £5.2m. 2014 operating profit £0.7m on sales of £2.1m
- Manufacturer of a unique patented range of devices, operated by water pressure, to conveniently switch off mains water supply in properties
- Opportunity to bring Polypipe's channel and specification strengths to this solution aimed at replacing brass stopcocks with a modern alternative



**surestop**<sup>®</sup>  
turn off water at the flick of a switch

# Operating segment review - Residential



Residential	2014	2013	% Growth
Revenue	£173.3m	£158.7m	up 9.2%
Operating profit*	£28.4m	£26.0m	up 9.2%
Operating profit margin	16.4%	16.4%	

- Strong growth in private residential new build driven largely by national housebuilders
- Signs that smaller regional developers are returning to the market
- Private RMI improving slowly, homeowners remain cautious but more positive outlook going forward as wages grow ahead of inflation
- Public / social housing new build and RMI impacted by budget constraints
- Strong operating margin maintained

\* Before operating exceptional items



# Operating segment review – C&I UK



Commercial & Infrastructure - UK	2014	2013	% Growth
Revenue	£111.1m	£94.3m	up 17.8%
Operating profit*	£17.0m	£12.4m	up 37.1%
Operating profit margin	15.3%	13.1%	

- Road and rail volumes strong
- High rise developments continued in London but also other cities
- Growth in exports to Middle East
- Polymer reprocessing plant now performing well
- Strong drop through of 27% from revenue growth due to operational gearing effect and benefit from polymer reprocessing plant investment

\* Before operating exceptional items

## Operating segment review – C&I Mainland Europe



Commercial & Infrastructure – Mainland Europe	2014	2013	% Growth
Revenue	£53.9m	£58.3m	down 7.5%
Operating profit*	£0.9m	£1.3m	down 30.8%
Operating profit margin	1.7%	2.2%	

- Revenue down 2.1% in local currency reflecting weak conditions in our main French market
- Costs flexed down in line with lower volumes
- Price/ volume balance carefully monitored – distributors continue to be cost focused

\* 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
- Construction, new build housing and planning reforms - key themes for all political parties running into the 2015 General Election
- 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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