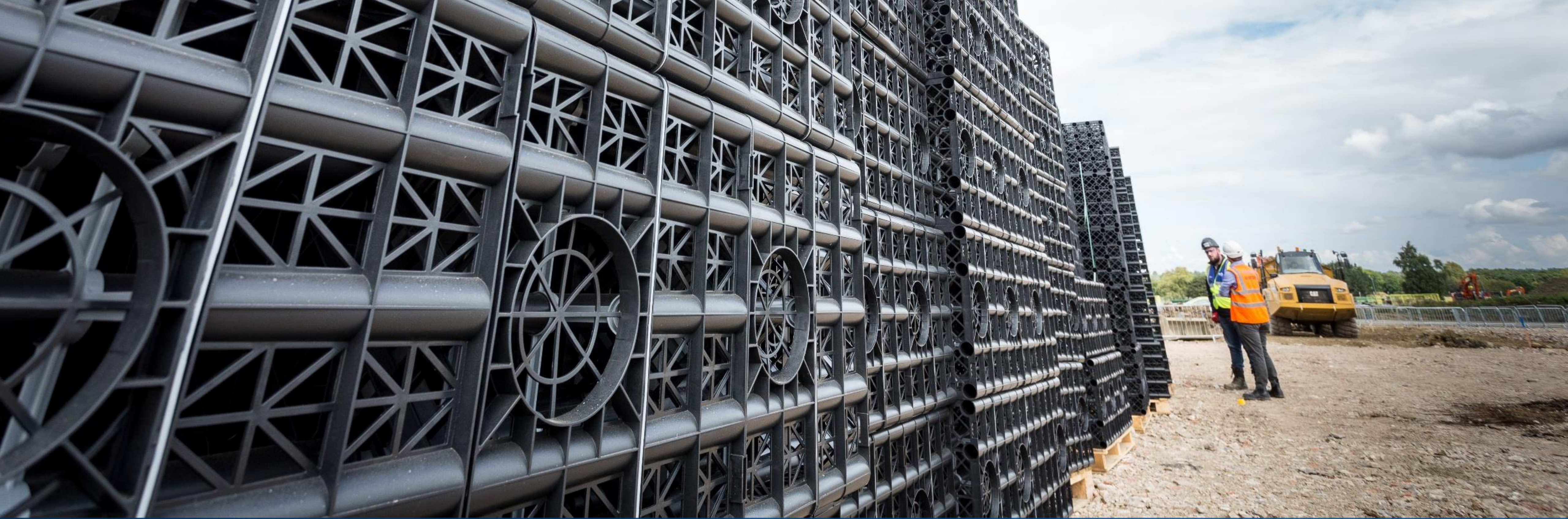

Polypipe Group plc

Interim Results, August 2019

Sustainable water and climate management solutions for the built environment

Polypipe

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Introduction

- Strong first half performance
- Revenue 6.2% higher with strong contribution from recent acquisitions
- Residential Systems revenue 8.4% higher, with Manthorpe performing well
- Commercial & Infrastructure revenue 3.4% higher despite challenging UK market conditions
- 30 basis point improvement in margins to 17.6%
- Resolution of H2 2018 operating inefficiencies and selective cost reductions implemented
- Encouraging start to the second half of the year
- Board’s profit expectations for the year remain unchanged

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Financial highlights

- Group revenue 6.2% higher, 1.0% on a like for like basis
- Underlying operating profit 8.3% higher at £39.3m
- Underlying earnings per share 8.9% higher at 14.7 pence
- Cash generated from operations at £21.7m, reflecting normal first half working capital increase
- Net debt of £178.5m at 30 June 2019 is 1.8 times LTM EBITDA and is on track to meet management expectations for the year
- Interim dividend increased 8.1% to 4.0 pence per share

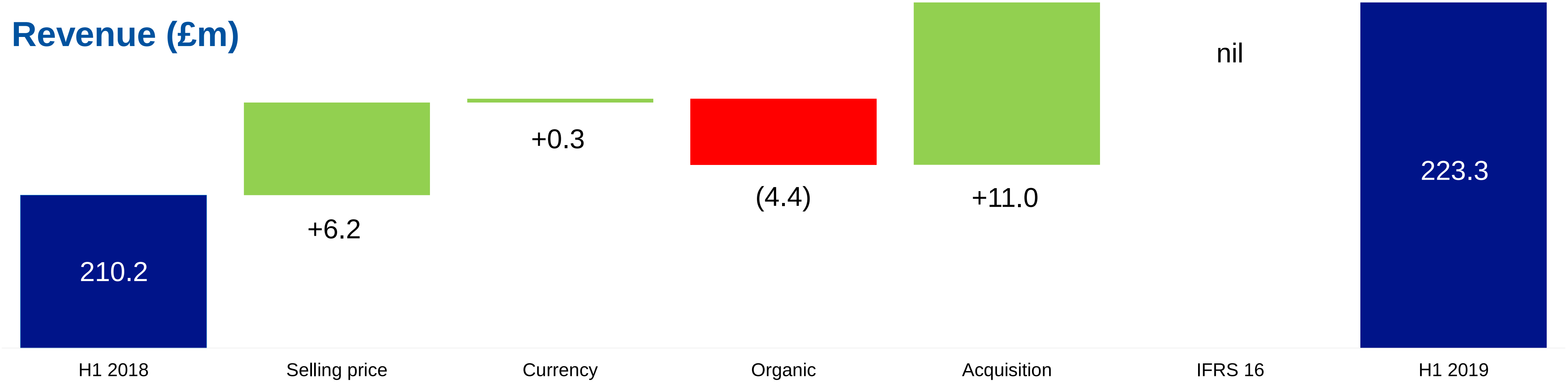
Underlying results summary

£m	H1 2019	H1 2018*	% Change
Revenue	**223.3**	**210.2**	**6.2%**
Cost of sales	(127.9)	(121.4)	
Gross profit	**95.4**	**88.8**	**7.4%**
Gross margin	*42.7%*	*42.2%*	
Selling & distribution costs	(35.9)	(34.3)	
Administrative expenses	(20.2)	(18.2)	
Underlying operating profit	**39.3**	**36.3**	**8.3%**
Operating margin	*17.6%*	*17.3%*	
Finance costs	(3.7)	(3.4)	
Underlying profit before tax	**35.6**	**32.9**	**8.2%**
Underlying tax	(6.3)	(6.0)	
Underlying profit after tax	**29.3**	**26.9**	**8.9%**
Underlying basic earnings per share (p)	**14.7**	**13.5**	**8.9%**
Dividend per share (p)	**4.0**	**3.7**	**8.1%**
Underlying tax rate	*17.7%*	*18.2%*	

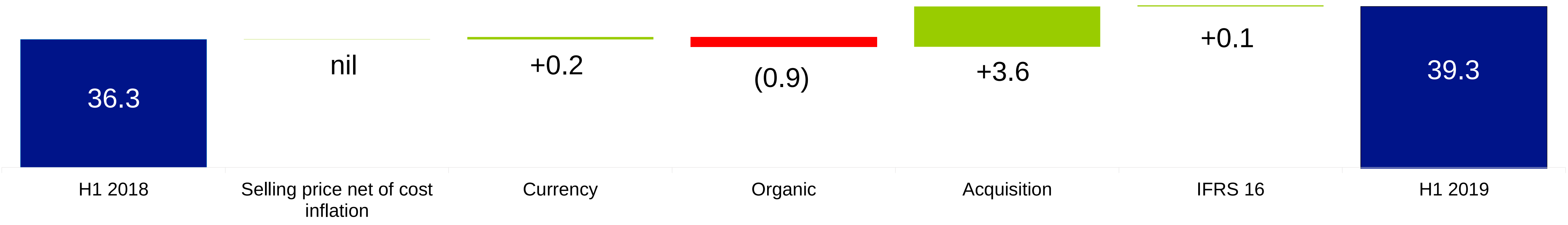
* H1 2018 excludes discontinued operations (Polypipe France)

Revenue and underlying operating profit bridge
- *"good operational savings and strong acquisition margins"*

Revenue (£m)



Underlying operating profit (£m)



Balance sheet summary

£m	H1 2019	H1 2018	Change	31 December 2018
Non-current assets				
▪ property, plant & equipment	119.0	101.3	17.7	118.4
▪ right-of-use assets	12.7	-	12.7	-
▪ goodwill	343.0	319.7	23.3	343.0
▪ other intangible assets	55.2	34.0	21.2	58.9
Net assets classified as held-for-sale	-	0.7	(0.7)	-
Net working capital	24.2	20.2	4.0	(4.1)
Net debt	(178.5)	(145.8)	(32.7)	(164.2)
Lease liabilities	(12.7)	-	(12.7)	-
Taxation	(16.7)	(13.5)	(3.2)	(17.3)
Other	(3.6)	(3.5)	(0.1)	(3.5)
Net assets	**342.6**	**313.1**	**29.5**	**331.2**

- No defined benefit pension scheme

Net working capital

£m	H1 2019	H1 2018	Change	31 December 2018
Inventories	61.9	52.7	9.2	58.1
Trade and other receivables	57.7	54.8	2.9	37.4
Trade and other payables	(95.4)	(87.3)	(8.1)	(99.6)
Net working capital	**24.2**	**20.2**	**4.0**	**(4.1)**

- First half working capital increase part of normal working capital cycle
- Stock levels higher due to Brexit precautionary measures. Expect to unwind once there is clarity on Brexit.
- Other working capital days in line with June 2018

Cash flows

£m	H1 2019	H1 2018	Change	31 December 2018
EBITDA (before non-underlying items) [1]	**49.4**	**44.5**	**4.9**	**89.9**
Capital expenditure, net of disposals of property, plant & equipment	(8.7)	(10.7)	2.0	(23.2)
Profit on disposal of property, plant & equipment	(0.2)	(0.2)	-	(0.3)
Movement in net working capital	(27.8)	(21.0)	(6.8)	3.8
Settlement of lease liabilities	(1.8)	-	(1.8)	-
Share-based payments	0.8	0.5	0.3	1.0
Operating cash flows after capital expenditure	**11.7**	**13.1**	**(1.4)**	**71.2**
Finance costs – net interest paid	(3.6)	(3.2)	(0.4)	(6.1)
Taxation	(6.0)	(4.8)	(1.2)	(11.2)
Dividends paid	(15.7)	(14.9)	(0.8)	(22.3)
Cash flows after interest, taxation and dividends	**(13.6)**	**(9.8)**	**(3.8)**	**31.6**
Non-underlying cash items	(0.5)	(1.5)	1.0	(4.4)
Acquisition / disposal of businesses	-	13.8	(13.8)	(42.5)
Proceeds from exercise of share options net of purchase of own shares	-	0.3	(0.3)	0.3
Movement in unamortised debt issue costs and foreign exchange	(0.2)	(0.2)	-	(0.8)
Decrease / (increase) in net debt	**(14.3)**	**2.6**	**(16.9)**	**(15.8)**
Cash conversion rate	30%	36%	-6pp	96%

[1] Including EBITDA from discontinued operations (Polypipe France) in H1 2018

Statutory results

£m	H1 2019	H1 2018	31 December 2018
Underlying profit after tax	**29.3**	**26.9**	**56.6**
Non-underlying items:			
- Contingent consideration	(0.5)	-	(2.3)
- Amortisation of intangible assets	(3.7)	(2.8)	(5.9)
- Unamortised debt issue costs written off	-	-	(0.6)
- Middle East closure and other costs	-	-	(0.1)
Tax effect of non-underlying items	0.6	0.5	1.1
Profit/(loss) from discontinued operations	-	0.3	0.3
Profit for the period	**25.7**	**24.9**	**49.1**

Banking facilities

Headroom at H1 2019:

£m	Drawn as at H1 2019	Facility	Headroom
Bank loan	223.0	300.0	77.0
Cash and cash equivalents	(43.0)	-	43.0
Net debt excluding unamortised debt issue costs	**180.0**		**120.0**
Unamortised debt issue costs	**(1.5)**		
Net debt	**178.5**		
Lease liabilities	**12.7**		
Financial liabilities	**191.2**		

Covenant	Covenant requirement	Position at H1 2019
Interest cover (Underlying operating profit : Finance costs excluding debt issue cost amortisation)	>4.0:1	11.2:1
Leverage (Net debt : pro forma EBITDA)	<3.0:1	1.8:1

- New Revolving Credit Facility in place (November 2018) - improved terms till up to 2025, strengthened syndicate and uncommitted £50m “accordion” on top.

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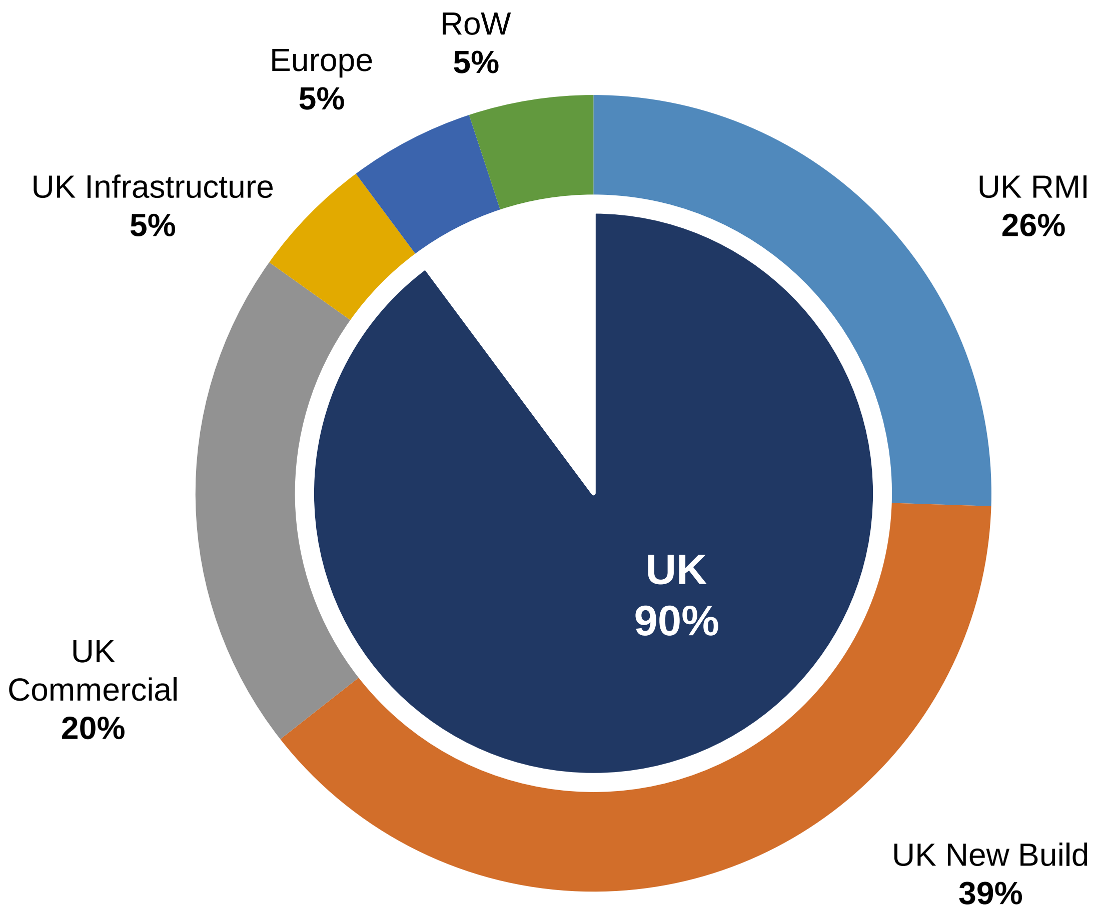
Demand drivers

June-2019 LTM demand drivers

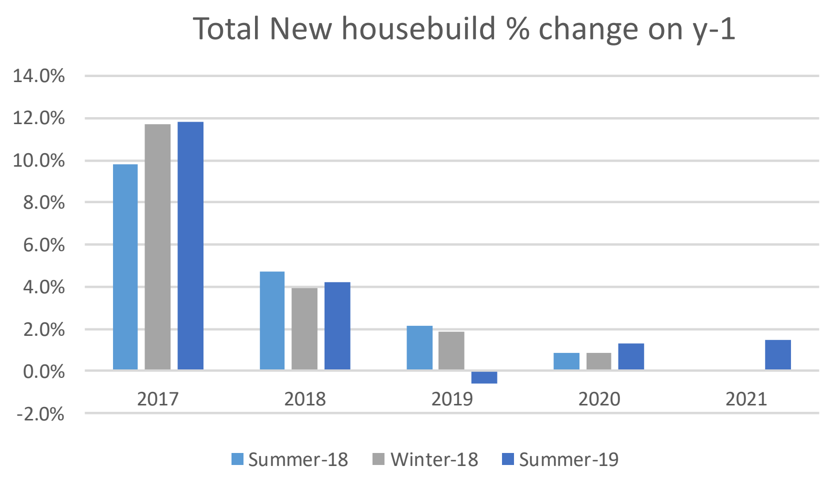


- 90% revenue derived from UK market
- Balanced exposure to different segments of UK Construction market
- Gives resilience through the cycle

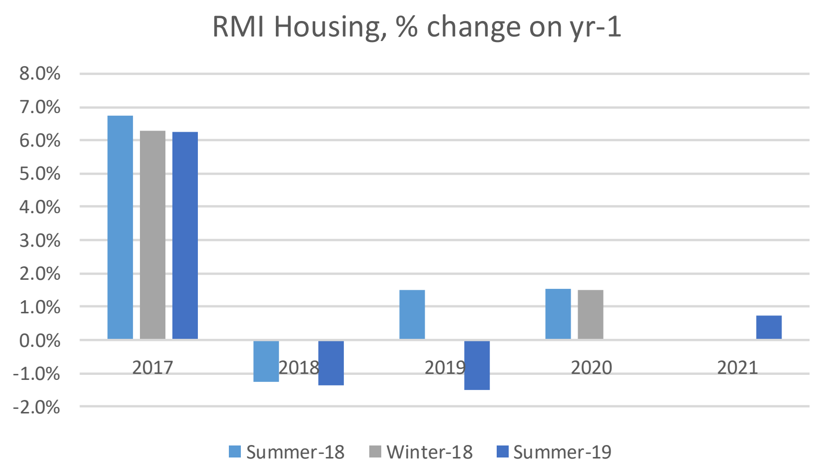
- Historic trends:
  - Growth in new build – Manthorpe acquisition
  - RMI / Commercial broadly flat

UK Construction Market – Residential

New housebuild



RM&I Housing

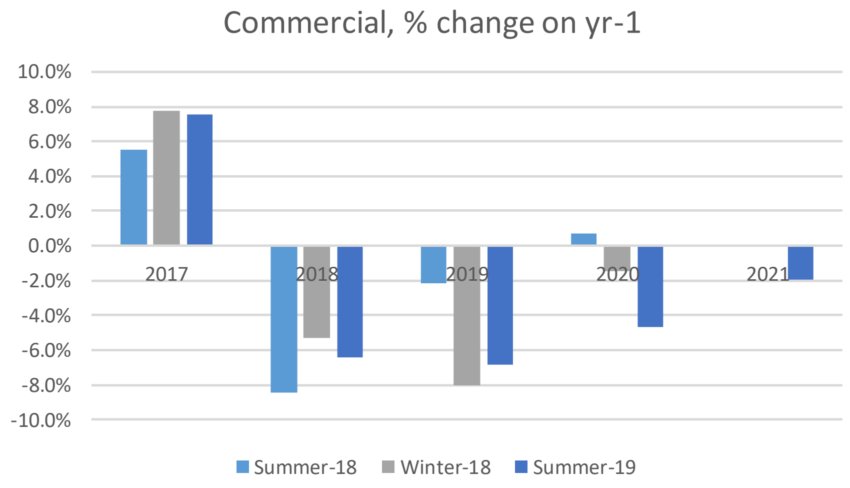


- Market
  - New house build market now forecast to be 0.6% lower in 2019
  - RMI (housing) market now forecast to be 1.5% lower in 2019
  - Midlands, North strong; London, S-E weak
- Fundamentals still strong
  - Structural housing shortage (c. 200k-400k units)
  - Historically low interest rates
  - Help-To-Buy in place to 2023
  - Real wage growth

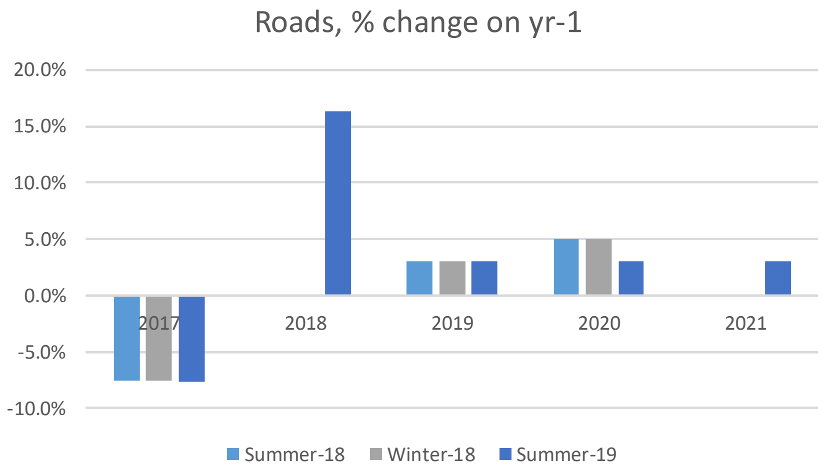
Source: Construction Products Association (CPA) Summer forecast 2019 – where bar chart forecasts are not shown, the value is zero

UK Construction Market – Commercial and Infrastructure

Commercial



Roads (Infrastructure)

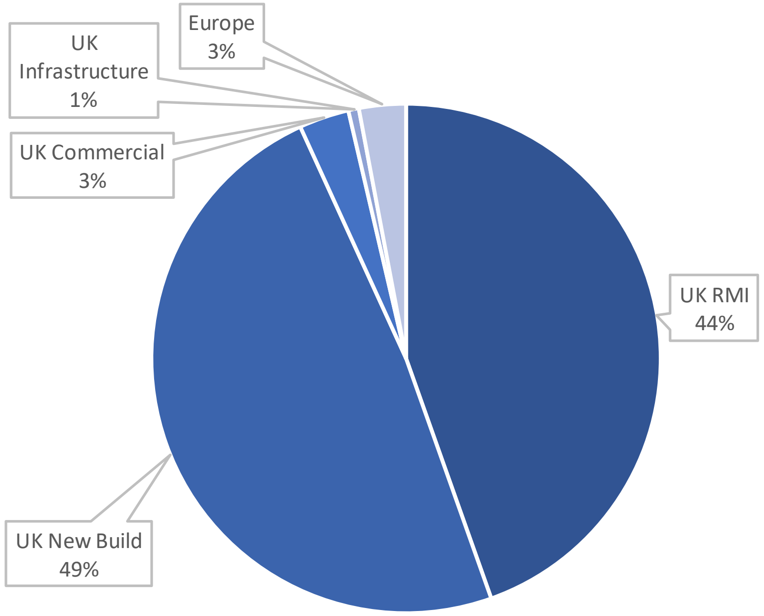


- Market
  - Commercial market now forecast to be 6.9% lower in 2019
    - Positive for hotels, warehousing, high rise resi
    - Negative for offices, retail
  - Roads infrastructure market forecast to grow 3.0%
    - Smart motorway upgrades going well
    - Some delays in new road projects, but growing
- Fundamentals still strong
  - RIS2 announced with £25.3bn funding to 2025
  - Project tracking and quote logs show healthy project banks

Source: Construction Products Association (CPA) Summer forecast 2019 – where bar chart forecasts are not shown, the value is zero

Operating segment review – Residential Systems

LTM to June 2019 demand drivers

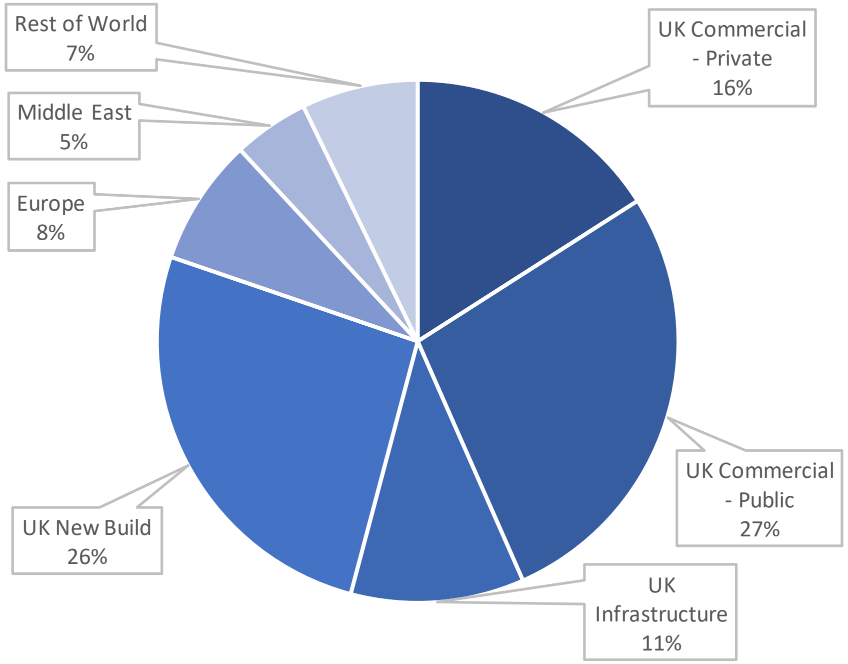


Residential Systems	H1 2019	H1 2018	% Growth
Segmental revenue	£131.6m	£121.3m	
Inter segment revenue	(£2.6m)	(£2.3m)	
Revenue	£129.0m	£119.0m	8.4%
Underlying operating profit	£26.6m	£23.8m	11.8%
Underlying operating margin	20.6%	20.0%	

- 8.4% revenue growth with strong contribution from Manthorpe
- Like for like revenue 0.8% higher, impacted by merchant destocking
- Underlying operating profit up 11.8%, with margin improvement of 60 basis points
  - H2 2018 capacity constraints and inefficiencies resolved
  - Selective cost reduction initiatives progressively through period
- Increased multilayer extrusion capacity, increasing our use of recycled material and reinforcing our ESG credentials
- Nuaire Noxmaster product wins prestigious H&V News Air Movement product of the year

Operating segment review – Commercial and Infrastructure Systems

LTM to June 2019 demand drivers



Commercial and Infrastructure Systems	H1 2019	H1 2018	% Growth
Segmental revenue	£99.3m	£95.0m	
Inter segment revenue	(£5.0m)	(£3.8m)	
Revenue	£94.3m	£91.2m	3.4%
Underlying operating profit	£12.7m	£12.5m	1.6%
Underlying operating margin	13.5%	13.7%	

- 3.4% revenue growth despite challenging market conditions
- Like for like revenue 1.1% higher, 2.7% higher in UK, 5.3% lower exports
- Underlying operating profit up 1.6%, selective cost reduction measures, partially offsetting the dilutive effect of price increases
- Excellent progress on product launches and projects
  - Polystorm Deep launched to address performance levels in forthcoming CIRIA737 Regulations
  - “Inspiring Green Urbanisation” design guide launched
  - Fuze installed at Essex House, world’s tallest prefabricated twin tower

Acquisitions Update

Manthorpe

- Integration continues to go to plan
- Commercial and cost synergies beginning to materialise
- Winner of Housebuilder product award 2019 for the telescopic underfloor void ventilator
- Performing in line with expectations

Permavoid

- Integration complete
- Project quote logs healthy although not immune to current UK project delays
- England Hockey Trust at Stoop – portable pitches
- Performing in line with expectations

M&A Update

Reminder: Two-track M&A strategy

- Bolt-on M&A to gap fill UK product offer and provide “one-stop-shop” to customers
  - Leveraging relationship with customer
  - Adding to our product / technology IP
  - Primarily plastic; but consider other materials
  - Pipeline encouraging
- Wider geographies
  - Look for businesses with established market and manufacturing positions in other geographies
  - Leverage existing IP / technology / knowhow across a wider geography
  - Water management solutions, water distribution, stormwater management, climate management

Continued disciplined approach to acquisitions

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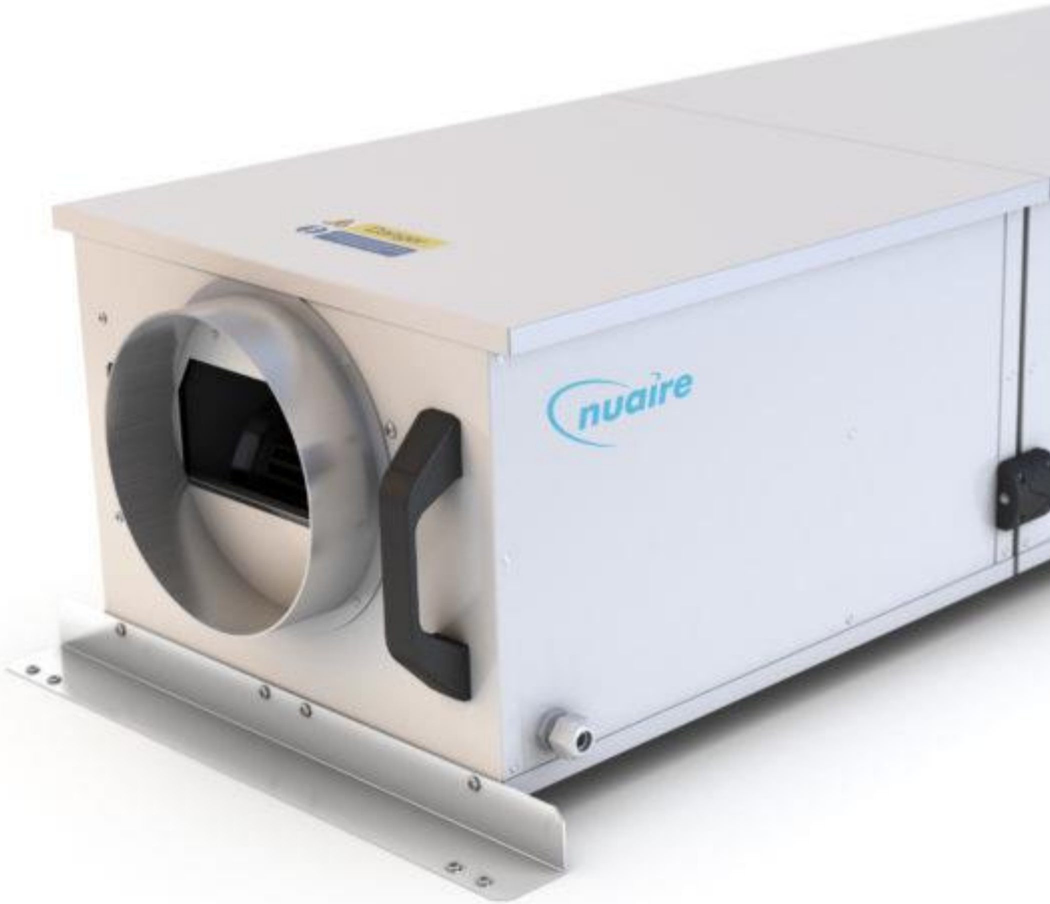
Summary and Outlook

- Strong first half performance
- Revenue 6.2% higher with strong contribution from recent acquisitions
- Medium-term fundamentals in our markets remain strong
- Mindful of continued political and economic uncertainty
- Self-help cost reduction initiatives implemented
- Encouraging start to the second half of the year
- Board’s profit expectations for the year remain unchanged

APPENDIX



IFRS 16 (Leases)

- Immaterial impact on reporting and covenants

IFRS 16 – balance sheet impact

£m	30 June 2019 Pre IFRS 16	IFRS 16 adjustments	30 June 2019 As reported
Total assets	679.8	12.7	692.5
Total liabilities	(337.2)	(12.7)	(349.9)
Net assets	**342.6**	**-**	**342.6**

IFRS 16 – profit and loss impact

£m	30 June 2019 Pre IFRS 16	IFRS 16 adjustments	30 June 2019 As reported
Underlying EBITDA	**47.6**	1.8	49.4
Underlying operating profit (EBIT)	**39.2**	0.1	39.3
Underlying profit before tax	**35.6**	-	35.6

Cautionary Statement

This presentation is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the presentation is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose. Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to the Directors at the time of their approval of this report. These forward looking statements should be treated with caution due to the inherent uncertainties underlying such forward looking information. The user of this review should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside the Company’s control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements.