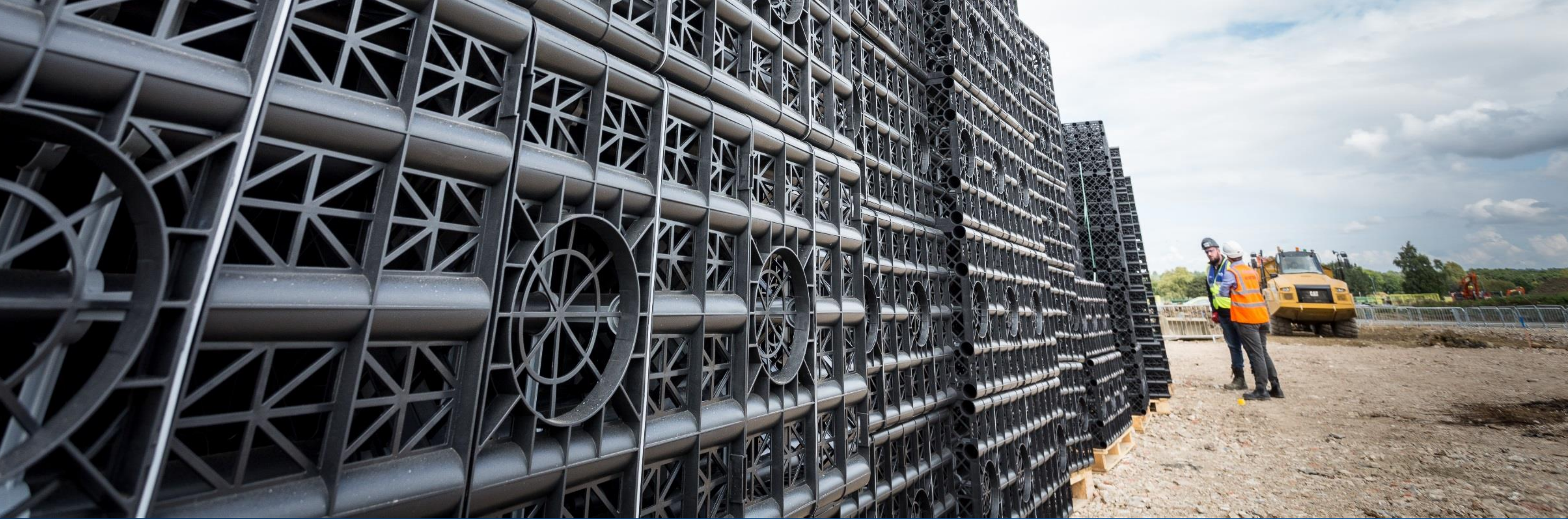

Polypipe Group plc

Full Year Results 2019

17 March 2020

Agenda

1 INTRODUCTION

2 FINANCIAL SUMMARY

3 MARKET CONTEXT

4 BUSINESS REVIEW

5 STRATEGY

6 SUMMARY & OUTLOOK

Highlights

- Continued to deliver on Group strategy
- Revenue 3.3% higher in an uncertain environment
- Further progress on underlying operating margin - 30bps higher
- Underlying basic earnings per share 4.2% higher
- Alderburgh acquired in October 2019 and performing in line with expectations
- Improving our sustainability has been a focus of the Group for some time and will continue to be as we look ahead to 2020. Comprehensive set of Group sustainability targets will be reported on later in the year
- Continuing to monitor Coronavirus situation closely and taking appropriate actions where necessary

Agenda

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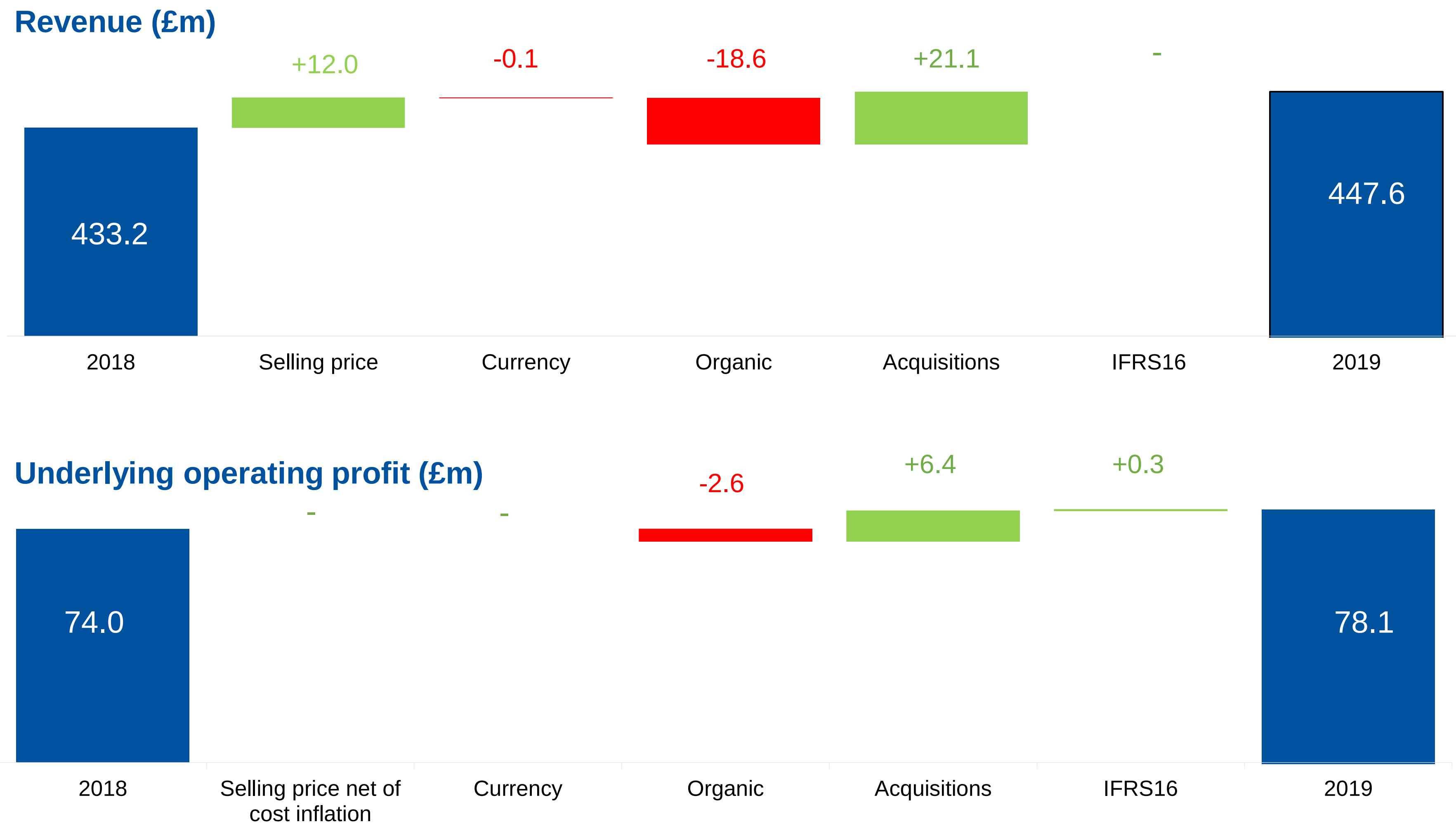
Financial highlights

- Revenue growth of 3.3% despite challenging trading conditions
- Underlying operating profit and underlying profit before tax both 5.5% higher
- Underlying operating margin up 30 basis points to 17.4%
- Underlying basic earnings per share 4.2% higher
- Underlying operational cash generation 2.2% higher with a conversion rate of 93%
- Balance sheet remains strong with group pro forma leverage of 1.7x (2018: 1.7x) despite £14m invested in acquisition and impact of IFRS16 of £14.8m
- Proposed final dividend of 8.1p, bringing the total for the year to 12.1p, 4.3% ahead of last year

Revenue and underlying operating profit bridge



- Price increase achieved circa 3%
- Currency effect negligible with 90% UK revenues
- Organic volume drop through low at 14% - a result of cost efficiencies and other initiatives – circa £3.0m benefit
- Acquisitions performing well at over 30% operating margin
- IFRS16 effect

2019 underlying results summary – continuing operations

£m	2019	2018	Change	Change
Revenue	**447.6**	**433.2**	**14.4**	**3.3%**
Cost of sales	(255.2)	(251.8)	(3.4)	1.4%
Gross profit	**192.4**	**181.4**	**11.0**	**6.1%**
Gross margin	*43.0%*	*41.9%*	*+110bps*	-
Selling, distribution and administration costs	(114.3)	(107.4)	(6.9)	6.4%
Underlying operating profit	**78.1**	**74.0**	**4.1**	**5.5%**
Operating margin	*17.4%*	*17.1%*	*+30bps*	-
Net finance costs	(7.3)	(6.9)	(0.4)	5.8%
Underlying profit before tax	**70.8**	**67.1**	**3.7**	**5.5%**
Underlying tax	(11.9)	(10.5)	(1.4)	13.3%
Underlying profit after tax	**58.9**	**56.6**	**2.3**	**4.1%**
Underlying basic earnings per share (p)	**29.6**	**28.4**	**1.2**	**4.2%**
Dividend per share (p)	**12.1**	**11.6**	**0.5**	**4.3%**
Underlying tax rate	*16.8%*	*15.6%*	+120bps	-

2019 statutory results

£m	2019	2018
Underlying profit after tax	**58.9**	**56.6**
Non-underlying items:		
- Amortisation of intangible assets	(7.5)	(5.9)
- Acquisition costs	(2.4)	(2.0)
- Contingent consideration on acquisitions	(0.8)	(0.3)
- Unamortised debt issue costs written off	-	(0.6)
- Loss on disposal of assets classified as held-for-sale	-	(0.1)
Profit/(loss) from discontinued operations	-	0.3
Tax effect of non-underlying items	1.4	1.1
Profit for the year	**49.6**	**49.1**

- Amortisation of intangibles includes the full year effect of the acquisitions of Manthorpe and Permavoid towards the end of 2018 and the acquisition of Alderburgh in October 2019
- Acquisition costs include the purchase of Alderburgh and other M&A activity

Balance sheet summary

£m	2019 As reported	Alderburgh acquisition	2019 (excl. acquisition)	2018	Change (excl. acquisition)
Non-current assets					
▪ property, plant and equipment	125.8	5.9	119.9	118.4	1.5
▪ Right of use assets	14.8	0.1	14.7	-	14.7
▪ goodwill	345.6	2.6	343.0	343.0	-
▪ other intangible assets	56.2	4.7	51.5	58.9	(7.4)
Net working capital	3.0	0.9	2.1	(4.1)	6.2
Net debt	(164.8)	0.5	(165.3)	(164.2)	(1.1)
Taxation	(14.3)	(1.1)	(13.2)	(17.3)	4.1
Other	(4.9)	(3.0)	(1.9)	(3.5)	1.6
Net assets	**361.4**	**10.6**	**350.8**	**331.2**	**19.6**

- No defined benefit pension scheme

Net working capital

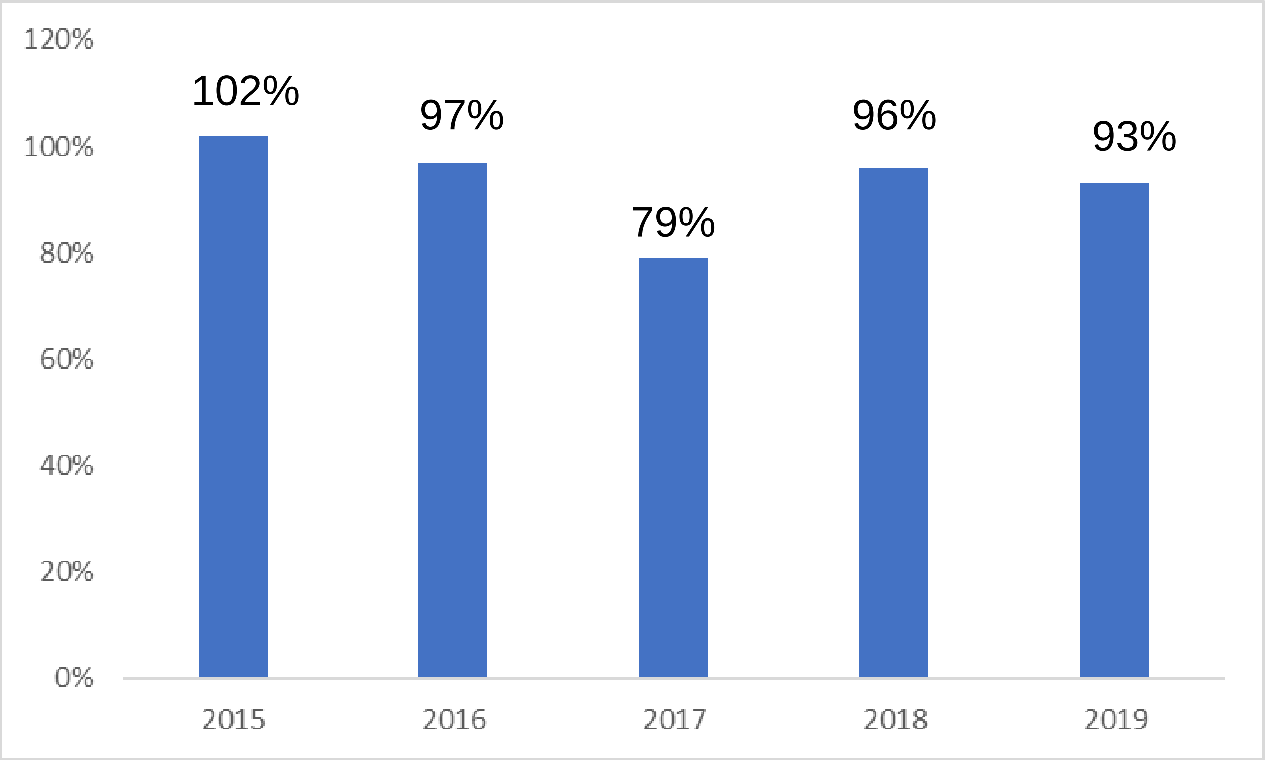
£m	2019 As reported	Alderburgh acquisition	2019 (excl. acquisition)	2018	Change (excl. acquisition)
Inventories	59.7	1.0	58.7	58.1	0.6
Trade and other receivables	40.8	3.2	37.6	37.4	0.2
Trade and other payables	(97.5)	(3.3)	(94.2)	(99.6)	5.4
Net working capital	**3.0**	**0.9**	**2.1**	**(4.1)**	**6.2**
Net working capital to LTM revenue	**0.7%**	**-**	**1.1%**	**-**	**-**

- Inventories broadly equal to 2018 after running down of Brexit stock levels towards year end
- Little absolute movement in trade debtors value although given growth in the business over the year, debtor days have improved
- Trade creditors lower as there was an absence of pre-price increase buying-in of supplies in 2019 compared to the previous year

Cash flows

£m	2019	2018	Change
EBITDA (before non-underlying items)	**95.5**	**89.6**	**5.9**
Capital expenditure	(22.3)	(24.1)	1.8
Proceeds from disposals of property, plant and equipment	4.3	0.9	3.4
Movement in net working capital	(5.9)	3.8	(9.7)
Share-based payments	1.2	1.0	0.2
Operating cash flows after capital expenditure	**72.8**	**71.2**	**1.6**
Financing costs – net interest paid	(7.4)	(6.1)	(1.3)
Settlement of lease liabilities	(3.5)	-	(3.5)
Taxation	(12.4)	(11.2)	(1.2)
Dividends paid	(23.7)	(22.3)	(1.4)
Cash flows after interest, taxation and dividends	**25.8**	**31.6**	**(5.8)**
Non-underlying cash items	(1.4)	(4.4)	3.0
Acquisition / disposal of businesses	(12.2)	(42.5)	30.3
Proceeds from exercise of share options net of purchase of own shares	2.4	0.3	2.1
Movement in unamortised debt issue costs and foreign exchange	(0.4)	(0.8)	0.4
Decrease / (increase) in net debt	**14.2**	**(15.8)**	**30.0**
Cash conversion rate	93%	96%	-

Consistently strong cash conversion



- Cash conversion* typically over 90%
- 2017 temporarily impacted by the need to stock build after pre-price increase pull-forward demand at the end of 2016

** Operating cash flows after capital expenditure as a percentage of underlying operating profit*

Banking facilities

Headroom at 31 December 2019:

£m	Drawn as at 31 December 2019	Facility	Headroom
Bank loan	199.0	300.0	101.0
Cash and cash equivalents	(47.7)	-	47.7
Net debt excluding unamortised debt issue costs	**151.3**		**148.7**
Unamortised debt issue costs	**(1.3)**		
Net debt including unamortised debt issue costs	**150.0**		
Lease liabilities	**14.8**		
Net debt	**164.8**		

- Uncommitted "accordion" facility of up to £50m available in addition to the £300m facility

Covenant	Covenant requirement	Position at 31 December 2019
Interest cover (Underlying operating profit : Finance costs excluding debt issue cost amortisation)	>4.0:1	11.3:1
Leverage (Net debt : pro forma EBITDA)	<3.0:1	1.5:1

Agenda

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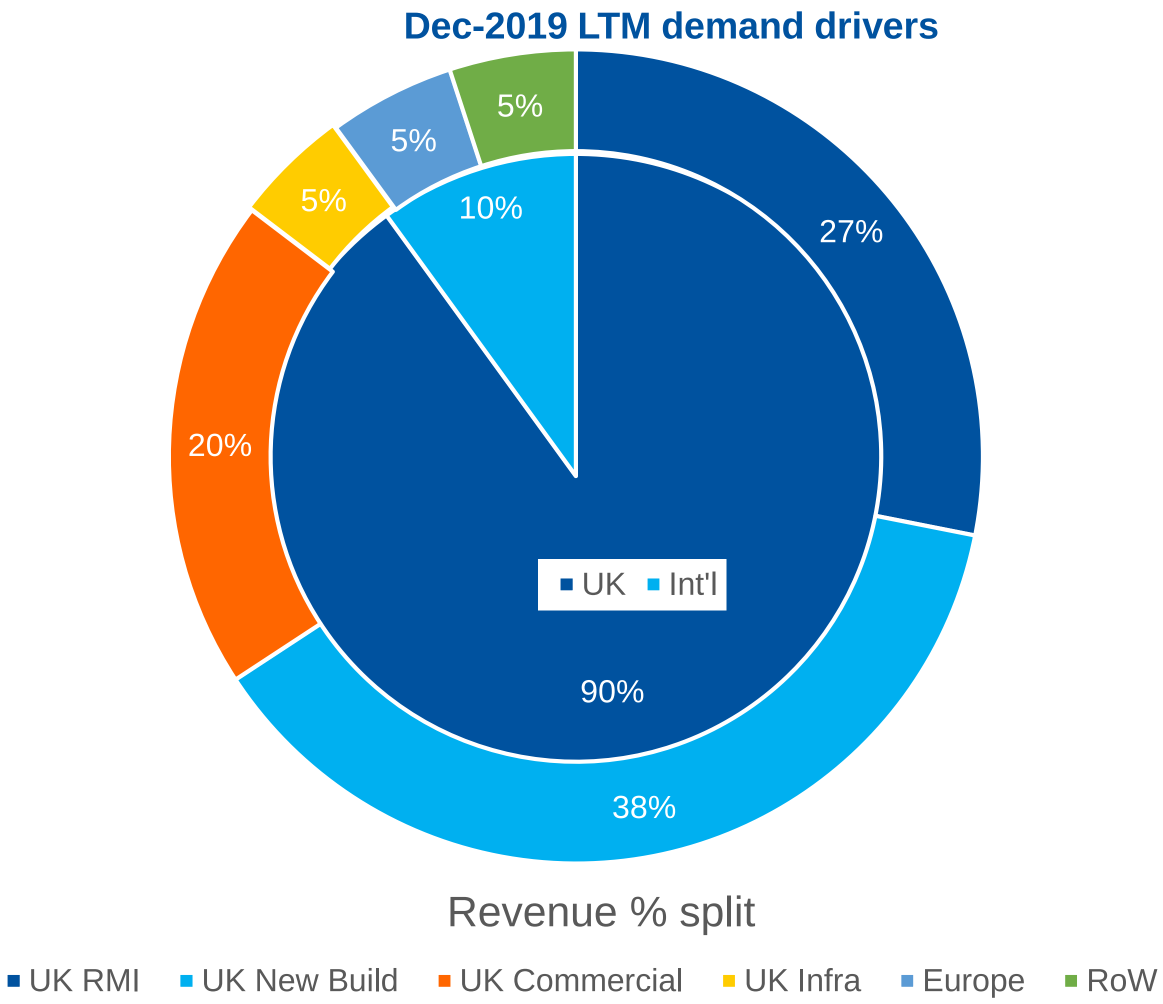
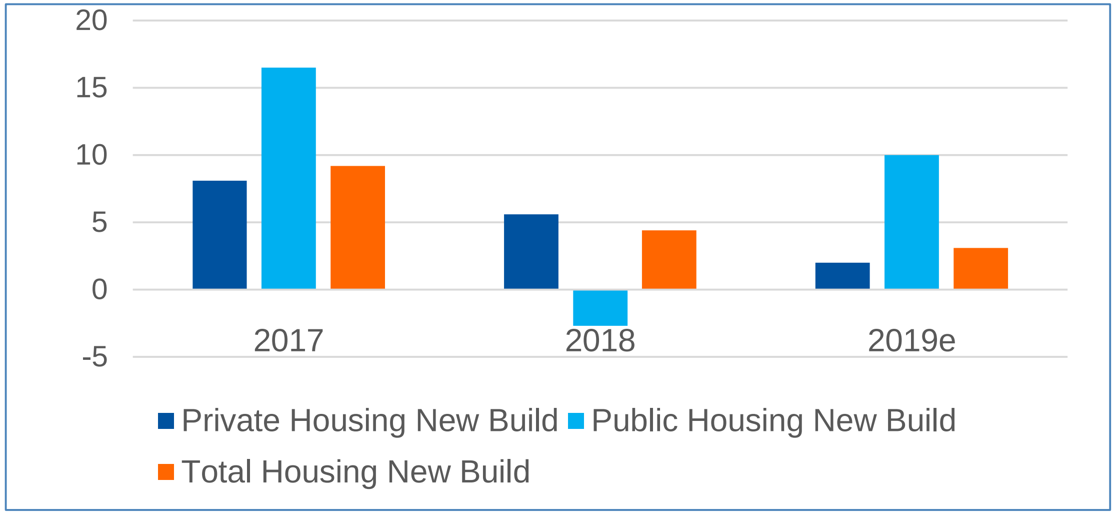
Demand Drivers



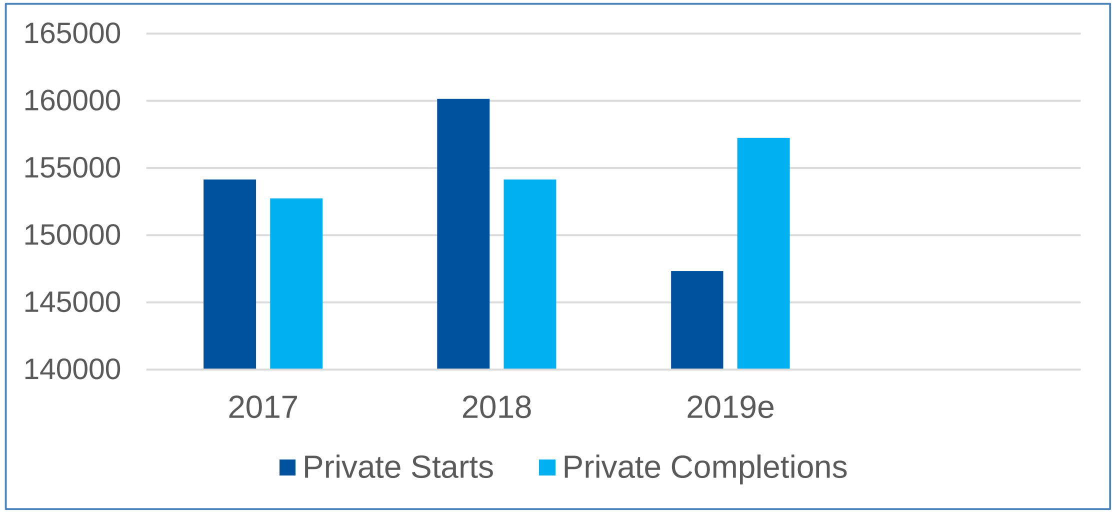
- 90% revenue derived from UK market
- Balanced exposure to different segments of UK Construction market
- Gives resilience through the cycle

UK Construction Market – Residential New Build

New House Build %Y/Y Value Change



Starts v Completions - Units

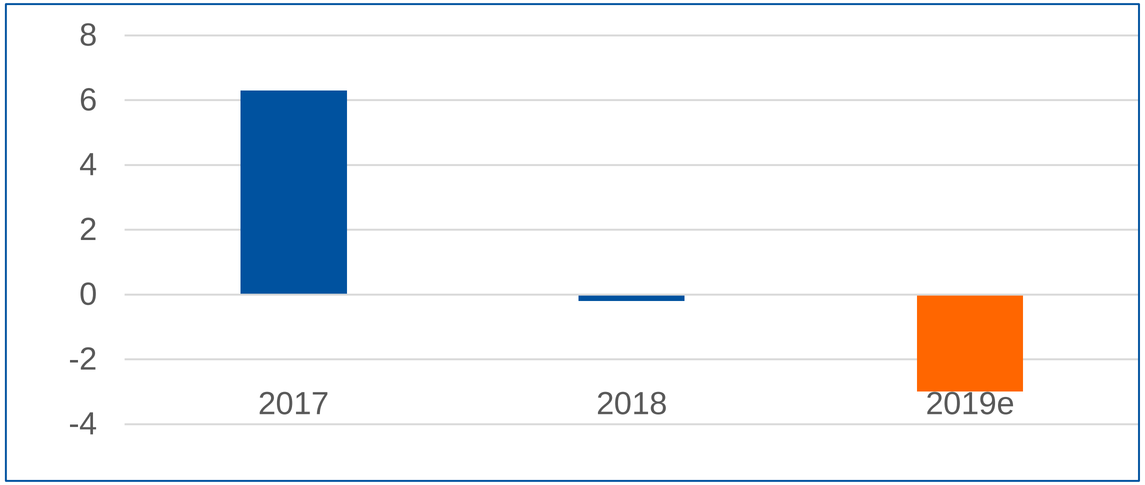


Source: ONS/Construction Products Association (CPA) Winter forecast 2019/20

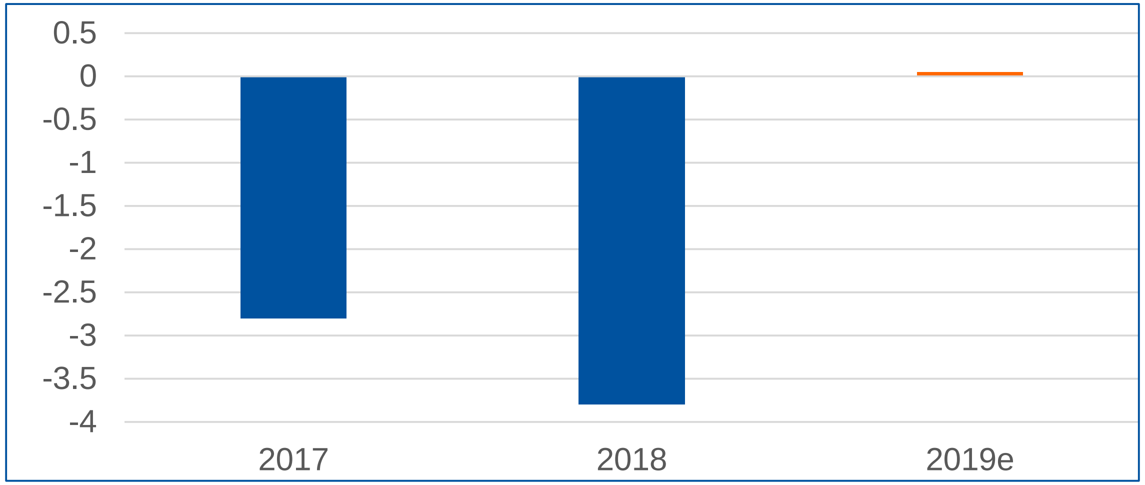
- Market
  - Market value estimated 3.1% higher in 2019
  - Private starts down 8% in 2019 v completions 2% higher

UK Construction Market – Residential RMI

Private Housing RMI %Y/Y Value Change



Public Housing RMI %Y/Y Value Change

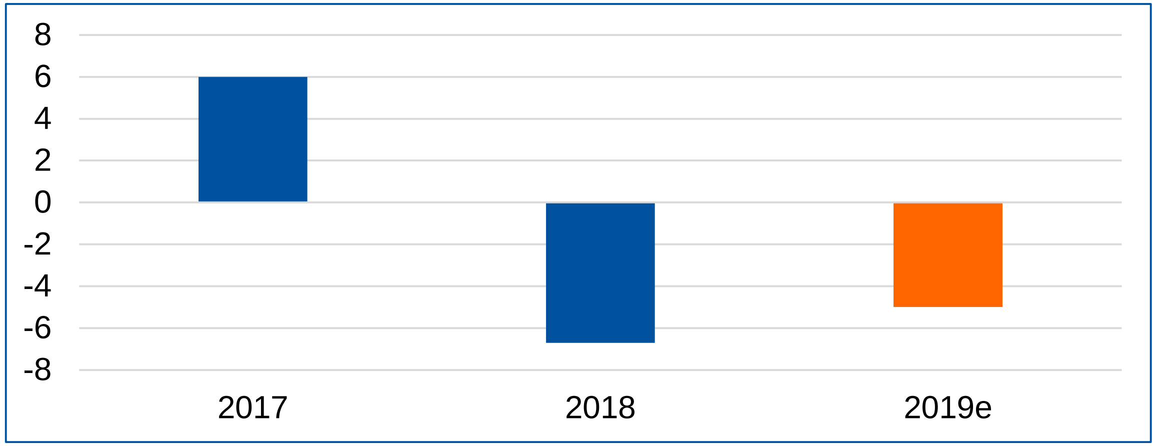


Source:ONS/ Construction Products Association (CPA) Winter forecast 2019

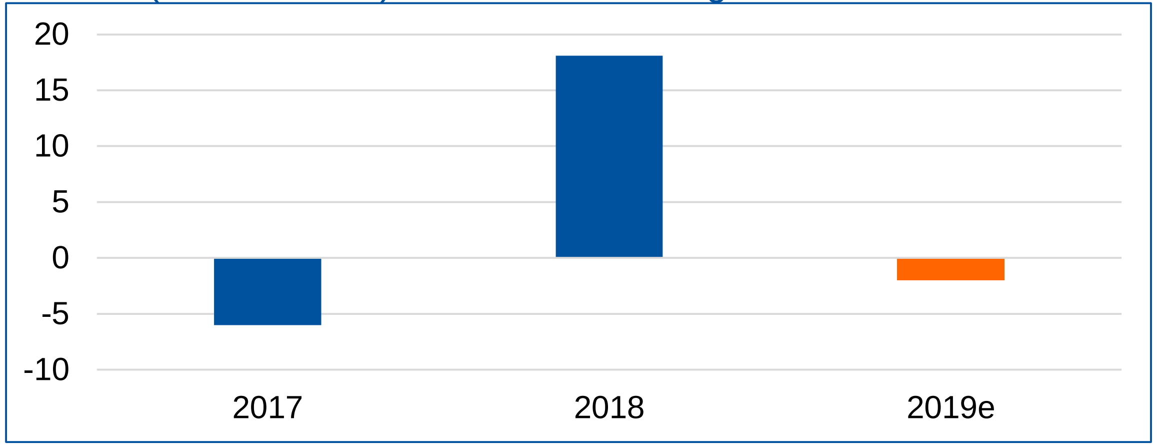
- Market
  - Private housing RMI 3% down in 2019
  - Public housing RMI flat in 2019 following declines in prior years

UK Construction Market – Commercial and Infrastructure

Commercial Construction % Y/Y Value Change



Roads (Infrastructure) % Y/Y Value Change



- Market
  - Commercial market 5% lower in 2019
    - Positive for hotels, warehousing,
    - Negative for offices, retail
  - Roads infrastructure market 2% lower in 2019
    - Smart motorway upgrades progressing
    - Some delays in new road projects
  - Statistical and anecdotal evidence of projects being delayed or slowed down, given 2019 uncertainty
  - HS2 announcement, and further government policy commitments on infrastructure create positive backdrop moving forward

Source: Construction Products Association (CPA) Winter forecast 2019

Agenda

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2019 saw Further Progress on our Sustainability Journey

- 10% reduction in CO_2 tonnes equivalent emissions in 2019
- 3% reduction in all accident frequency rate
- 7th consecutive RoSPA Gold Medal Award for exceptional performance
- Project started to set comprehensive sustainability targets for the Group, will be reported on later in the year

POLYPIPE'S 'SMART ROOF' SYSTEM BEARS FRUIT AT GREEN APPLE AWARDS

13th December 2019 News 652 Views

Polypipe has won a Green Apple Environment Award in the annual international campaign by the Green Organisation to recognise, reward and promote environmental best practice.

In the awards, Polypipe was recognised as a Green Champion for Environmental Best Practice. The award is for a group research project into 'smart roofs' and utilizing the installation of a blue-green roof at group company Polypipe Terrain's plant in Aylesford, Kent, to explore new, intelligent water management systems.

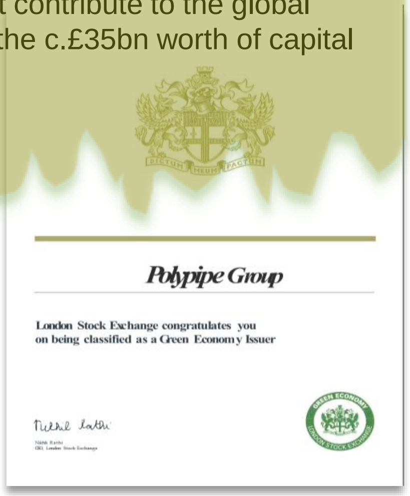
The award was presented on November 26th at a House of Commons event hosted by Green Organisation Managing Director Roger Wolens.

POLYPIPE GROUP PLC

You are one of 74 companies listed in London who have received the new London Stock Exchange Green Economy Mark. We launched the Mark to draw attention to those companies that generate over 50% of their total annual revenues from products and services that contribute to the global green economy. Our aim is to drive investor interest and demand from the c.£35bn worth of capital that now is deployed towards ESG investment.

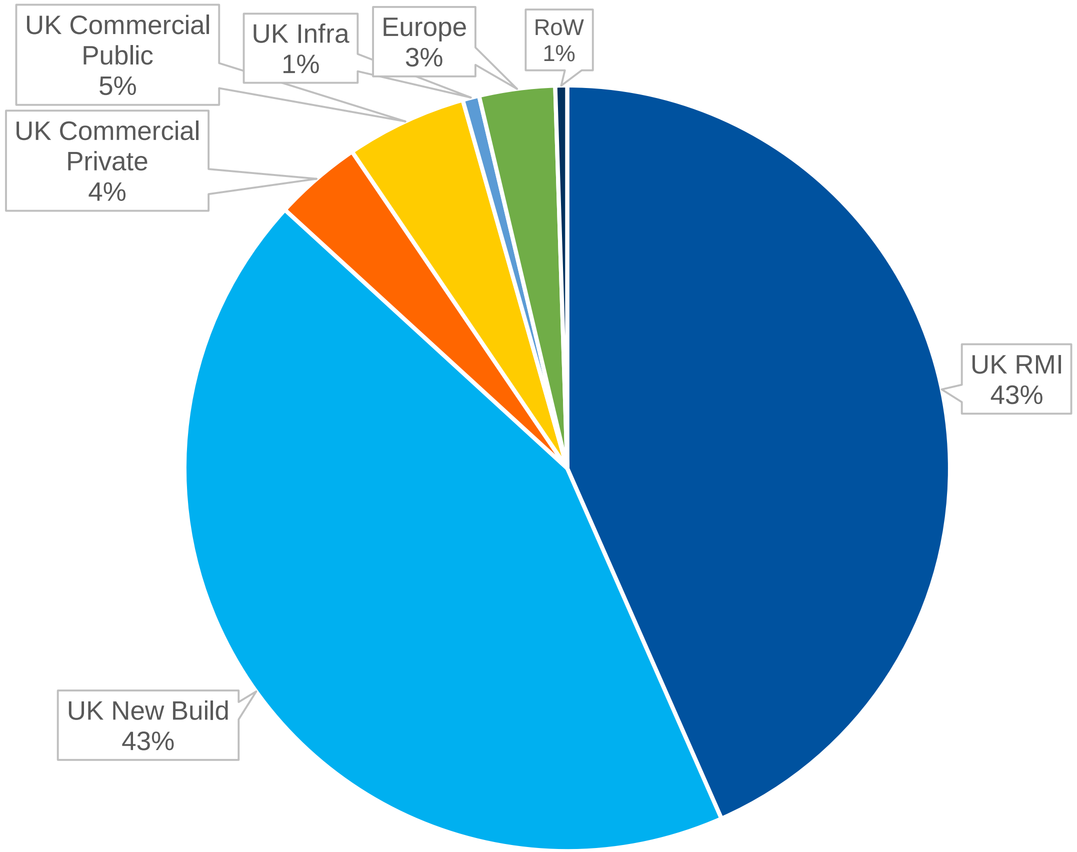
Active apprenticeship programme, with 80 current participants

48,050t of reprocessed materials consumed during 2019; 42% of total tonnage vs 40% in prior year



Operating segment review – Residential Systems

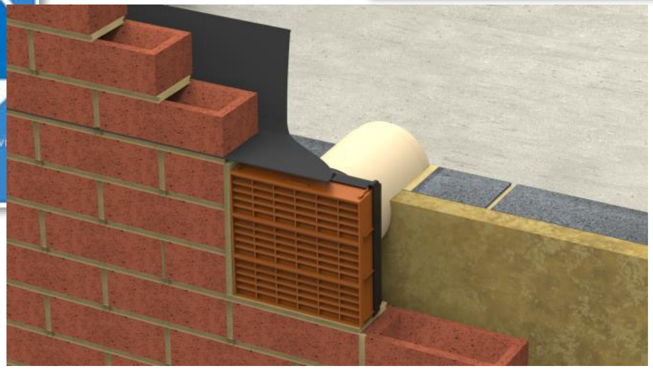
2019 demand drivers



	2019	2018	% Growth
Revenue	£260.3m	£245.3m	+6.1%
Underlying operating profit	£53.4m	£46.3m	+15.3%
Underlying operating margin	20.5%	18.9%	

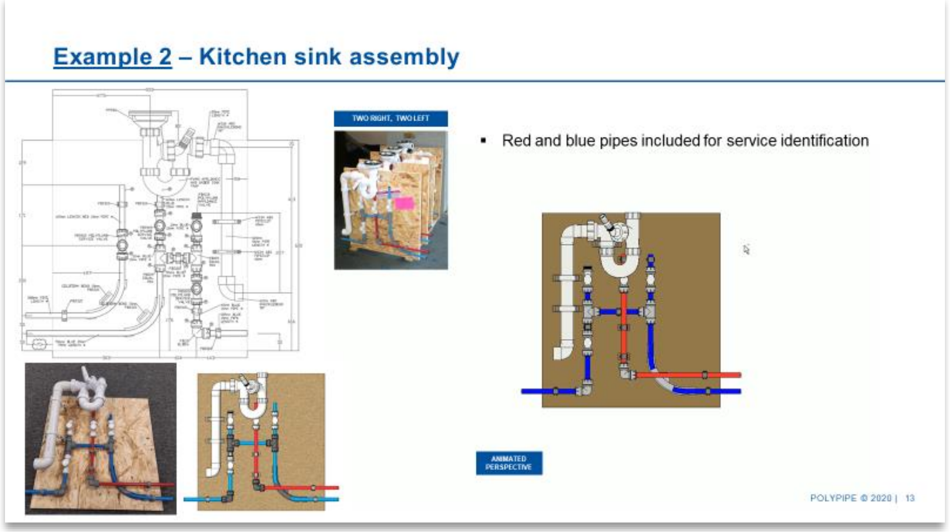
- 6.1% revenue growth with Manthorpe performing ahead of expectations
- Like for like revenue broadly flat year on year, impacted by merchant de stocking and uncertainty
- New House starts down 8% in 2019
- Underlying operating profit up 15.3%, with margin improvement of 160 basis points
  - H2 2018 capacity constraints and inefficiencies resolved
  - Selective cost reduction initiatives progressively through the period
  - Margin accretion from Manthorpe acquisition
- Further multilayer extrusion capacity added, increasing our use of recycled material and reinforcing our ESG credentials
- Launch of Polypipe Offsite Solutions

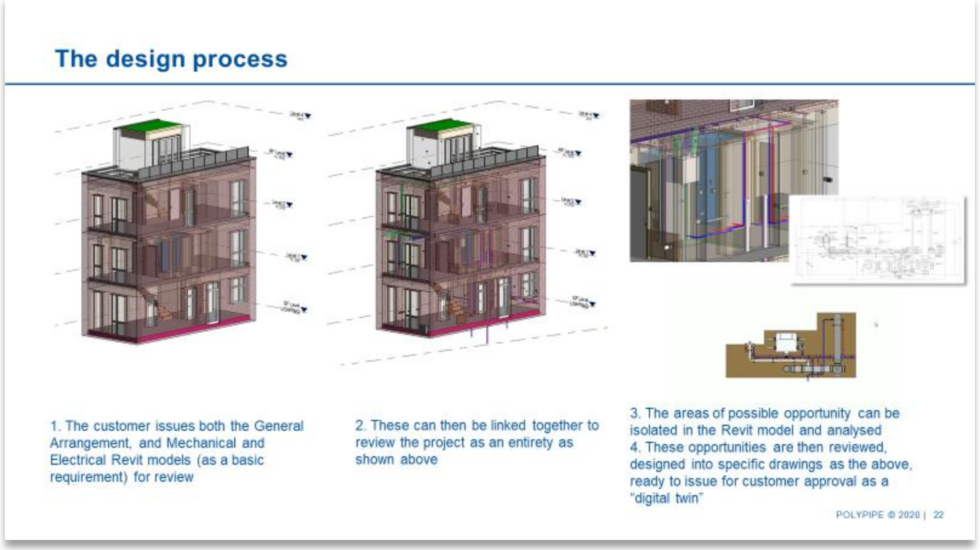
Residential 2019 Product Launches Continue to Drive Growth

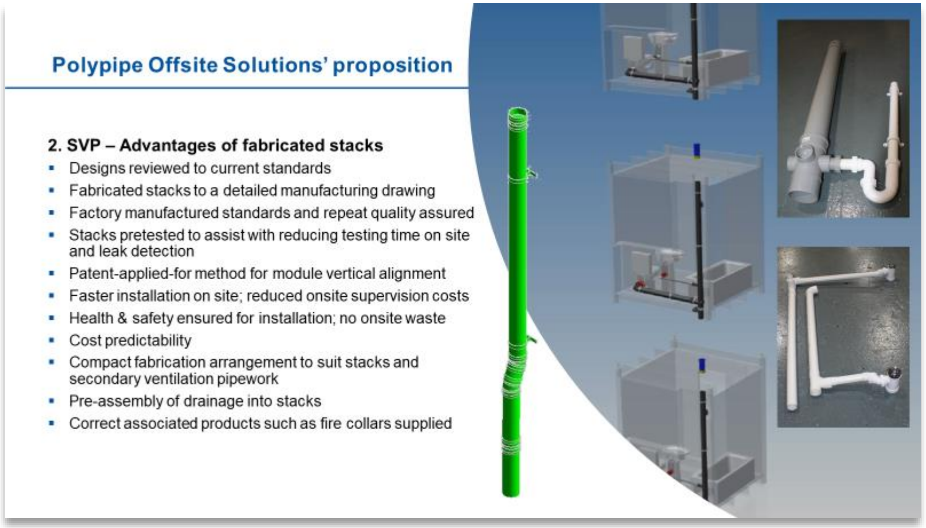


Polypipe Offsite Solutions

- Team established to work with growing modular construction sector, engaging with key players
- Farmer Report, housing shortages, labour supply issues, all driving mid term growth in MMC
- Able to design value-added solutions, with access to market leading portfolio from which to draw, assembled and tested in a controlled manufacturing environment

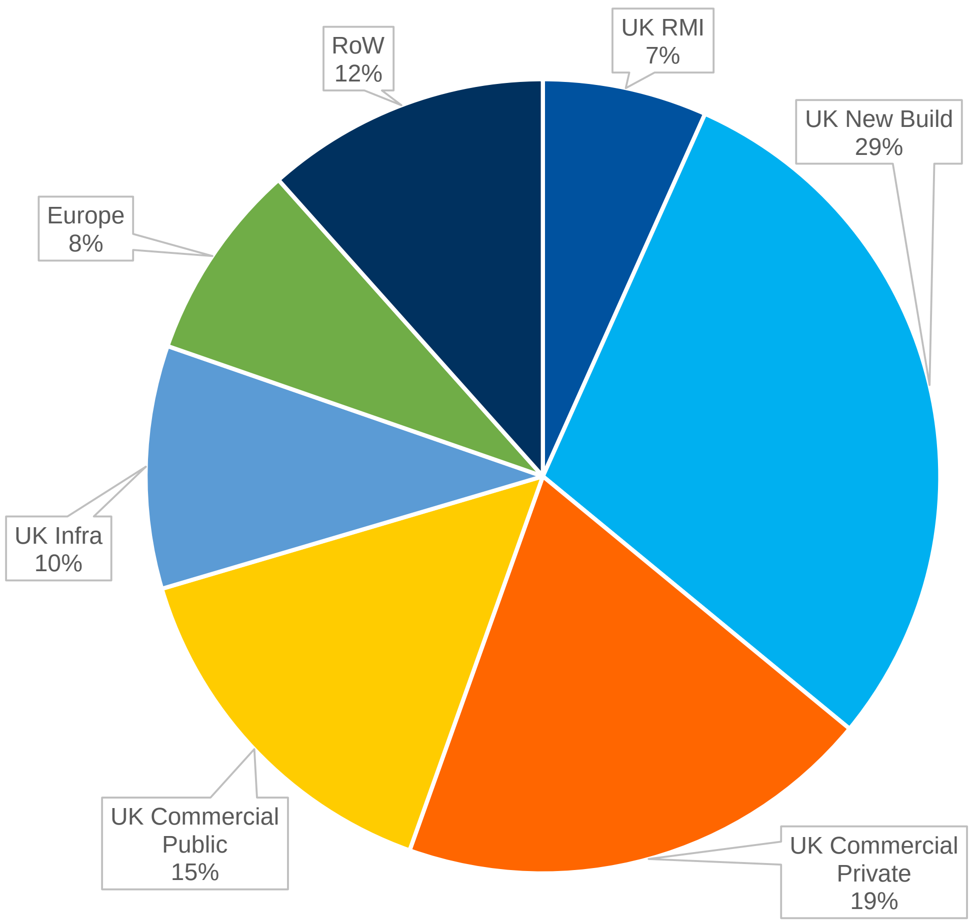






Operating segment review – Commercial and Infrastructure Systems

2019 demand drivers



	2019	2018	% Growth
Revenue	£187.3m	£187.9m	(0.3%)
Underlying operating profit	£24.7m	£27.7m	(10.8%)
Underlying operating margin	13.2%	14.7%	

- Revenue 0.3% lower than prior year in a difficult market
- Acquisitions performing well; Permavoid fully integrated and on plan
- Alderburgh acquired in October 2019 – early days, but performing well
- Like for like revenue 3.5% lower
- UK revenue down 1.5% with uncertainty causing project delays and cancellations, exacerbated by adverse weather towards end of year
- Export revenue 4.6% higher – Permavoid geographic reach improving European results, but Middle East still difficult
- Underlying operating margin at 13.2%, operating leverage on reduced volumes partially offset by cost savings
- Strong product launches in year, and further focus on Green Infrastructure

C&I Product and Value-Added Service Launches Continue to Drive Growth

Polypipe Building Services offer pre-fabricated solutions for pressure and drainage systems

Alderburgh has brought an installation capability to the Group

Permavoid product addressing the needs of urban greening

Agenda

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Strategy Update

Two Target Growth Segments

Sustainable Water Management Solutions

- Plumbing, Soil & Waste. Sewer solutions
- Stormwater - Integrated roof to river solutions
- Sustainable rainwater retention and drainage attenuation systems
- Water quality solutions

Sustainable Climate Management Solutions

- Low energy heat recovery and ventilation (MVHR)
- Low carbon heat distribution, including UFH
- Blue Green solutions to address urban heat island
- Solutions to address air quality challenges

Five Growth Drivers

Legacy Material Substitution

- Use of engineered polymers vs traditional materials (metals, concrete, clay, GRP)
- Increasing acceptance of benefits around ease of installation and corrosion free performance

Legislative tailwinds

- Legislation on air and water quality, carbon reduction, and urban flood resilience continues to tighten
- Extreme weather events getting more frequent
- Drive for Green Urbanisation

Smart Solutions & Innovation

- Innovation driven by intimate knowledge of segments and customer needs
- Highly engineered Smart solutions
- Increased use of smart technologies, app solutions and IoT

Customer-Focused Solutions

- One-Stop shop portfolio proposition
- Leverage existing customer relationships
- Working to provide solutions across product ranges to provide additional customer value

Geographic Reach

- Expansion in selected overseas markets where IP and competence can be leveraged either via export model, license/collaborations or M&A

Sustainable Growth drivers

- People
- Innovation
- Decarbonisation
- Culture
- Digital
- Finance
- Organisation
- Recycling
- M&A

Agenda

1 INTRODUCTION

2 FINANCIAL SUMMARY

3 MARKET CONTEXT

4 BUSINESS REVIEW

5 STRATEGY

6 SUMMARY & OUTLOOK

Polypipe

Coronavirus – our response

The health, safety and wellbeing of our people and customers has always been and continues to be at the forefront of everything we do.

To that end, the actions we are taking include the following:

- Implementing business continuity plans to mitigate the specific risks associated with Coronavirus
- Increasing short term stock levels of core product ranges whilst employee numbers allow
- Cancelling all non-essential business travel, including to and from our own operations
- Using electronic means of communication with customers, suppliers and employees where possible
- Instigating a regular internal communication programme to ensure our employees are aware of the latest Government advice
- Setting up a team of senior leaders to monitor and manage the situation as it develops

Coronavirus – our response

There are certain features of Polypipe's business model that give it resilience including:

- We have 19 sites in the Group, 15 of which are in the UK, 11 of which are manufacturing sites, giving us a degree of flexibility in production, and flexibility of locations for key back office staff
- We have over 200 injection moulding machines and over 100 extruders, which means we can manage our capacity in small steps, allowing us to closely match production to demand or available workforce
- Our primary supply chain has limited dependence on overseas suppliers, and where there is dependence, it is generally in areas that do not impact the Group's core product ranges
- Strong balance sheet and cashflow, no defined benefit pension scheme, significant headroom

We will continue to monitor events and take actions where necessary and will update further as appropriate.

Summary

- Further progress in challenging markets
- Revenue is 3.3% higher than prior year with strong contribution from acquisitions
- Margin improvement of 30 basis points to 17.4%
- Strengthened sustainability credentials
- Continue to closely monitor Coronavirus situation and take appropriate action
- Aside from the yet unknown effects of Coronavirus on the wider economy, the Board expects another year of progress

Appendix

IFRS 16 (Leases)

- Immaterial impact on reporting and covenants

IFRS 16 – balance sheet impact

£m	31 December 2019 Pre IFRS 16	IFRS 16 adjustments	31 December 2019 As reported
Total assets	675.8	14.8	690.6
Total liabilities	(314.4)	(14.8)	(329.2)
Net assets	**361.4**	**-**	**361.4**

IFRS 16 – profit and loss impact

£m	31 December 2019 Pre IFRS 16	IFRS 16 adjustments	31 December 2019 As reported
Underlying EBITDA	**94.7**	3.2	97.9
Underlying operating profit (EBIT)	**77.8**	0.3	78.1
Underlying profit before tax	**70.8**	**-**	70.8

Questions & Answers

Polypipe

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 presentation should be construed as a profit forecast.