

LUPUS CAPITAL

# Lupus Capital plc Results Presentation

Six months ended 30 June 2011



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# Overview

# H1 2011 Overview

- Group sales in the period decreased by 4% to £124.7 million in constant currency
- Building Products sales in the period decreased by 6% to £114.6 million
- Oil Services performance driven by increased volumes of Gall Thomson and Klaw sales
- Gross margins maintained despite lower volumes
- Continued successful recovery of material cost increases
- Underlying H1 EPS performance marginally ahead of 2010 reflecting the restructuring of the balance sheet and improved tax position
- Operating Cash Conversion over last twelve months of 101 per cent.
- Net debt at half year in line with 2010 year end despite slower trading
- No Interim Dividend but committed to a Full Year Dividend of not less than 2p per share
- Successful refinancing of debt facilities to March 2016

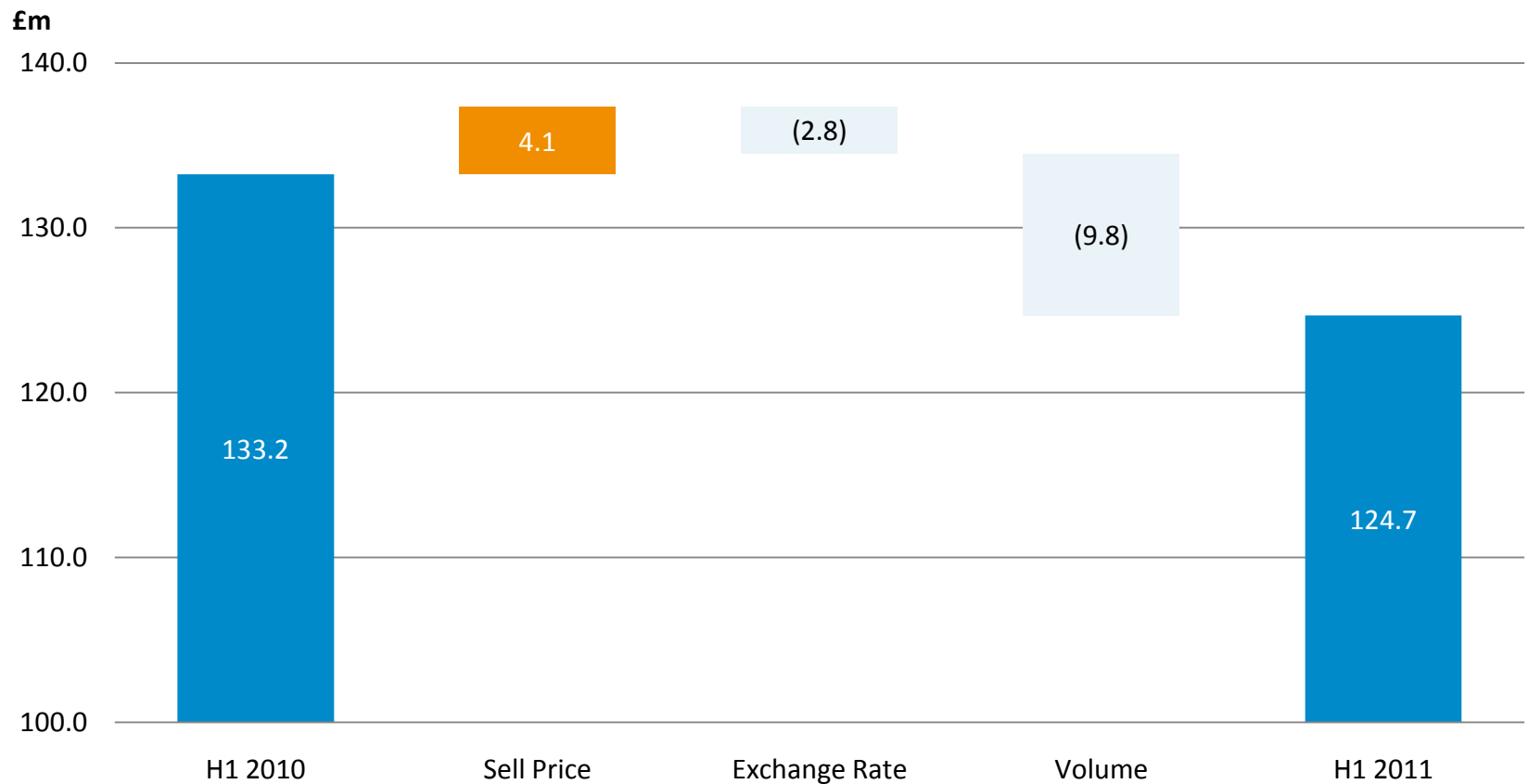
# H1 2011 Financial Review

# H1 2011 Financial Highlights

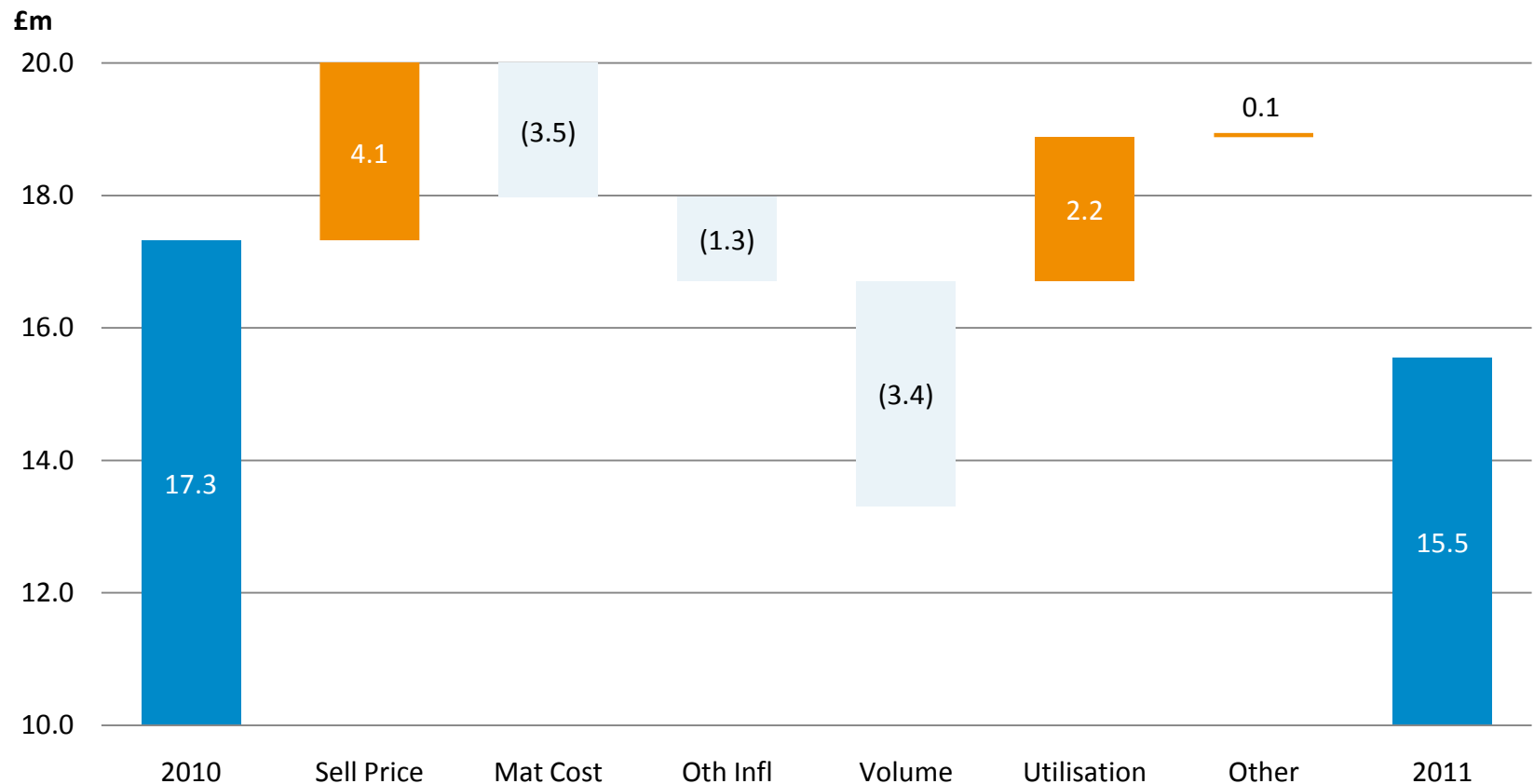
## Constant Currency H1 2011 vs. H1 2010

■ Sales – £124.7m	↓	4 per cent.
■ Underlying Operating Profit – £15.5m	↓	8 per cent.
■ Underlying Profit before Taxation - £12.4m		Flat
■ Underlying Earnings Per Share – 6.83p		Flat
■ Underlying Net Debt – £94.6m	↓	20 per cent.
■ Gross margin maintained – driven by Oil Services		
■ 101 per cent. operating cash conversion over last twelve months		

# H1 2010 to H1 2011 Sales Bridge



# H1 2010 to H1 2011 EBITA Bridge





# Cash Conversion

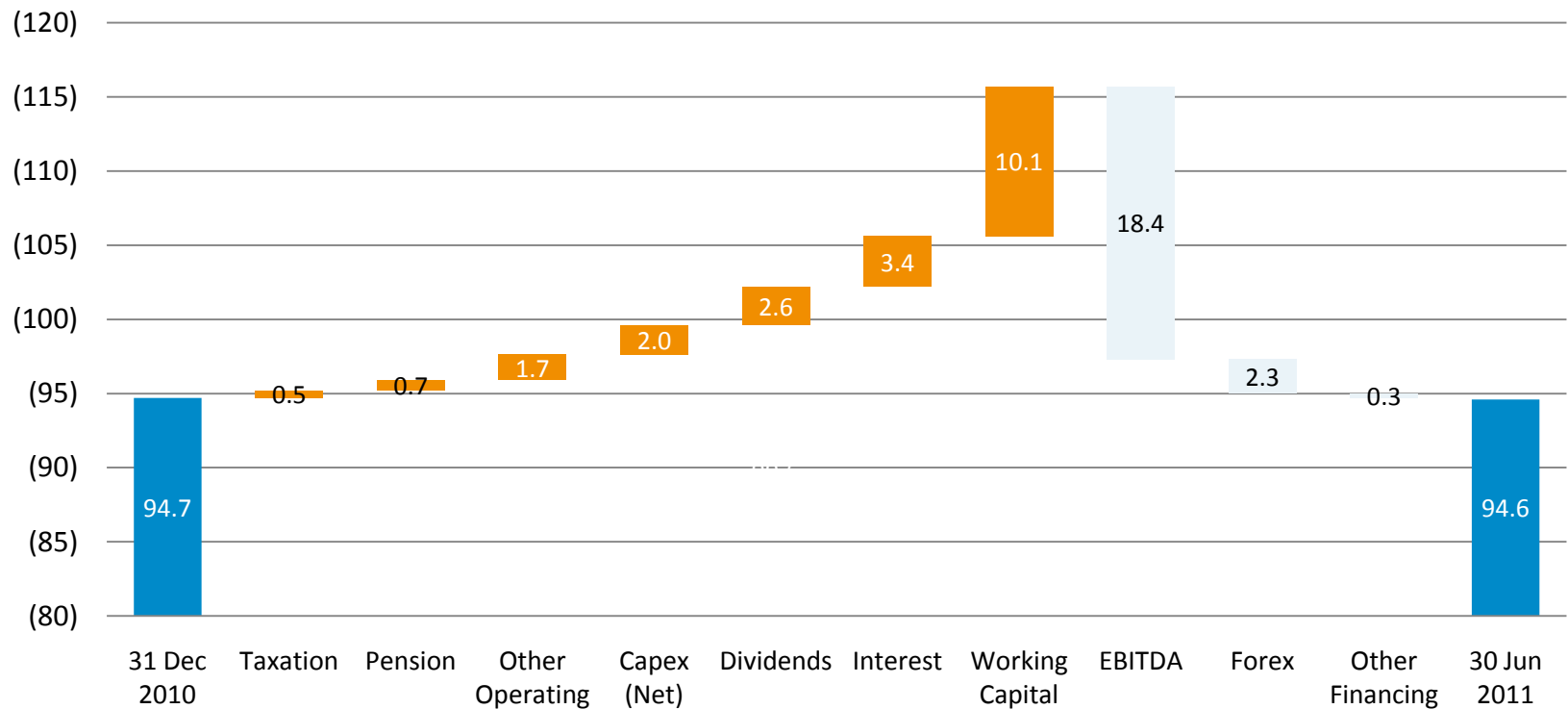
£m	H1 2011	H1 2010	LTM	FY 2010
Net Cash Inflow from Operating Activities	5.9	8.7	33.4	36.3
Income Tax Paid	0.5	0.3	2.5	2.3
Net Tangible Asset Capital Expenditure	(1.7)	(1.3)	(3.7)	(3.3)
<b>Operating Cashflow Post- Capital expenditure</b>	<b>4.7</b>	<b>7.7</b>	<b>32.2</b>	<b>35.3</b>
Underlying Operating Profit	15.5	17.3	31.9	33.7
<b><i>Operating Cash Conversion</i></b>	<b>30%</b>	<b>44%</b>	<b>101%</b>	<b>105%</b>
Investments in Intangibles, Net Interest, Refi. Costs & Tax	(4.0)	(4.7)	(11.1)	(11.8)
<b>Free Cashflow *</b>	<b>0.6</b>	<b>3.0</b>	<b>21.1</b>	<b>23.5</b>

Free cashflow = cashflow before debt repayments, dividends and share purchases

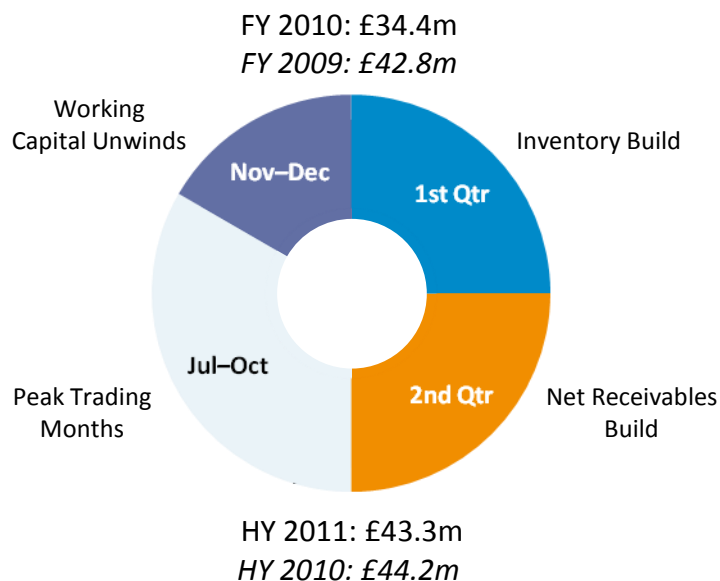
- Lower operating cash conversion reflecting reduced activity levels in H1 2011
- LTM cashflow conversion exceeded our internal target of 100%

# 2010 to H1 2011 Underlying Net Debt Bridge

£m



# Working Capital



Days except where stated	H1 2011	H1 2010	FY 2010
Trade Working Capital Days	66.6	63.4	55.3
Trade Working Capital	£43.3m	£44.2m	£34.4m
<b>Trade Working Capital: Sales</b>	<b>16.8%</b>	<b>17.1%</b>	<b>12.9%</b>
Total Working Capital	£29.2m	£28.7m	£18.6m
<b>Total Working Capital: Sales</b>	<b>11.3%</b>	<b>11.1%</b>	<b>7.0%</b>

- Working capital metrics remain in line with our expectations
- Inventory management a key priority for H2 2011
- Management of receivables remains a high priority
- Credit insurers returning to the market but still limited availability

# Interest Charges

£m except where stated	HY 2011	FY 2010
Bank Finance Costs Payable	3.2	9.4
Average Gross Debt	(118.6)	(140.0)
<b><i>Average Bank Interest Rate Payable</i></b>	<b><i>5.4%</i></b>	<b><i>6.7%</i></b>

## Interest Charge

- Debt repayments typically made towards year end so have little impact on current year interest

## Outlook

- Group's cost of funds fixed at between 1.85 and 2.045 per cent. until June 2012
- 2011 average interest rate payable (cost of funds plus margin) following new financing arrangements expected to be c. 5.25 per cent.
- 2012 average interest rates will depend in part on future cost of funds post June 2012

# Taxation and Dividends

Percentage Tax Rates	HY 2011	FY 2010
Underlying Taxation rate	29%	32%
Underlying Cash Tax rate	n/a	9%

Underlying Cash Tax rate defined as Income Tax paid as a percentage of Underlying Profit before Taxation

## Underlying Taxation Rate

- Reduced to 29 per cent. which is the Group's new long term expected tax rate
- Reduction due to decreases in the rate of UK Corporation tax and more stable earnings' profiles in overseas jurisdictions

## Cash Tax Rate

- Expected to trend towards underlying tax rate over the coming years

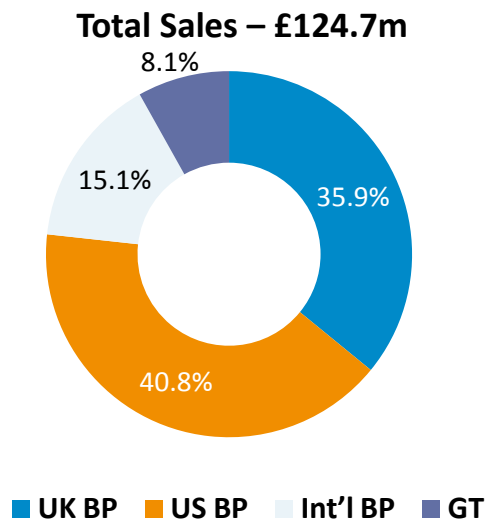
## Dividends

- No Interim Dividend, however will pay a final dividend for 2011 of not less than 2p

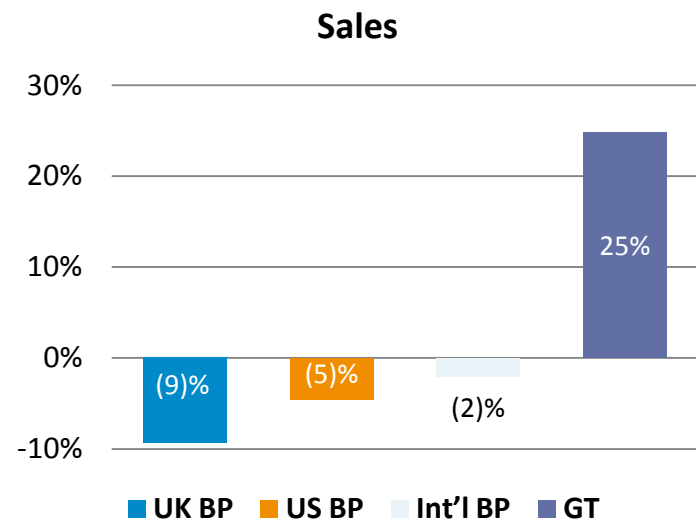
# H1 2011 Operating Review

# H1 2011 Revenues

## H1 2011 Revenues by Sector



## Percentage Change in H1 2011 Revenues



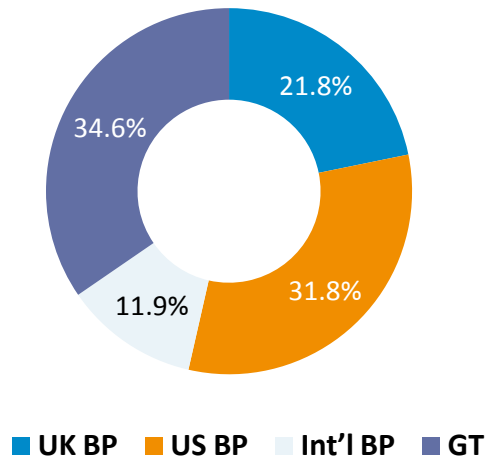
Note: Percentage change on a constant currency, like for like basis.

- Subdued building product markets in the UK and US
- Have maintained market share in a competitive environment
- Solid performance from Gall Thomson in the period against tough comparators

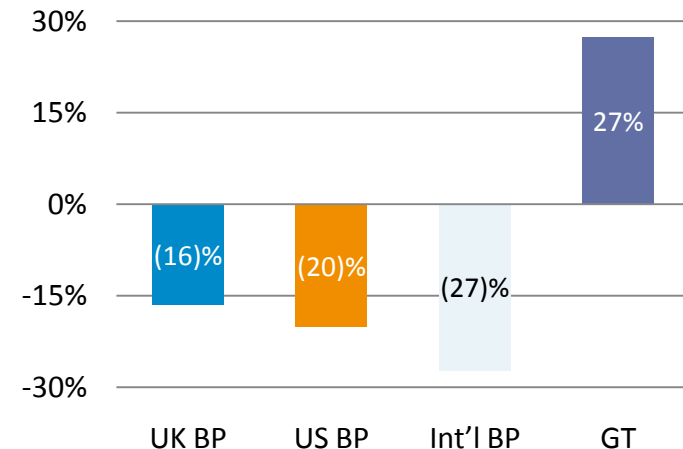
# H1 2011 Operating Profit

## H1 2011 Operating Profit by Sector

Total Operating BP Profit – £15.5m



## % Change in H1 2011 Operating Profit



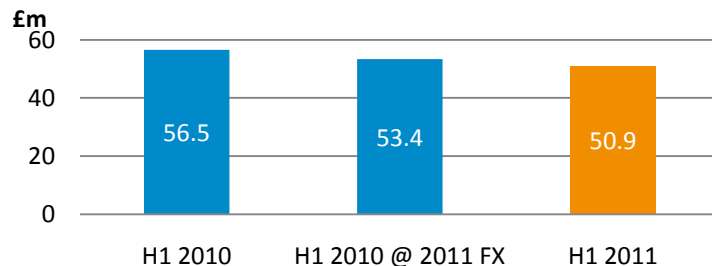
Note: Percentage change on a constant currency, like for like basis.

- Operational gearing of the Group means a disproportionate drop through of declining sales
- Full recovery of material cost increases
- Continued focus on cost base to improve productivity

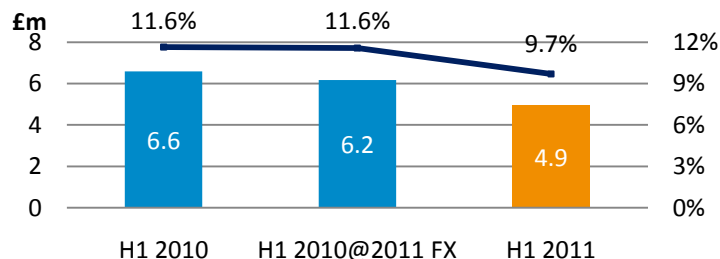


# H1 2011 US Building Products

## Sales



## Operating Profit and Margins



## Markets

- US New Build broadly flat year to date
- No Spring upturn in 2011
- Commodity input cost pressures in H1; more muted in H2
- Tax credits gave market support in Qs 1 & 4 2010
- Maintained market share

## Financials

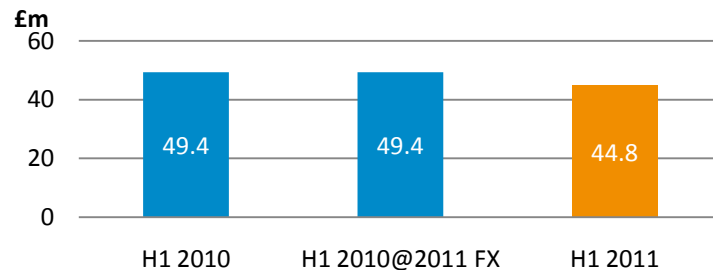
- Sales down by 5% to \$82.3m or £50.9m
- Underlying margins down two points to 9.7%
- Fully recovered increases in input costs

## Highlights

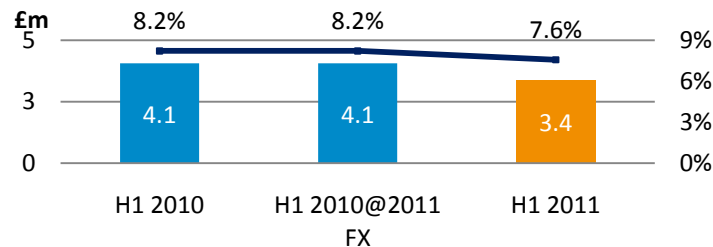
- Development of the National Accounts Program
- Commercial Team Recruited
- Investment in New Product Development
- South East Extrusion opportunity

# H1 2011 UK Building Products

## Sales



## Operating Profit and Margins



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## Markets

- UK and ROI markets remain subdued with little sign of recovery
- Distribution sector performed strongly in H1 2011
- Commodity input cost pressures
- Social Housing contraction continued

## Financials

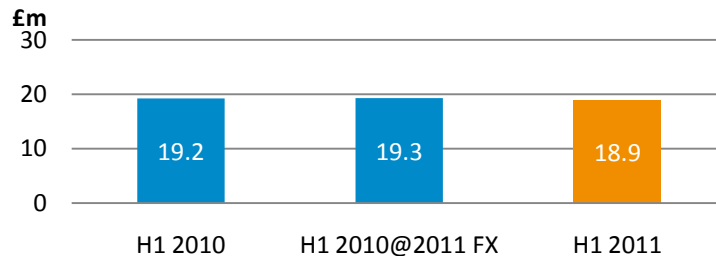
- Sales decreased by 9%
- Underlying margins decreased to 7.6%
- Underlying EBITA down 16%

## Highlights

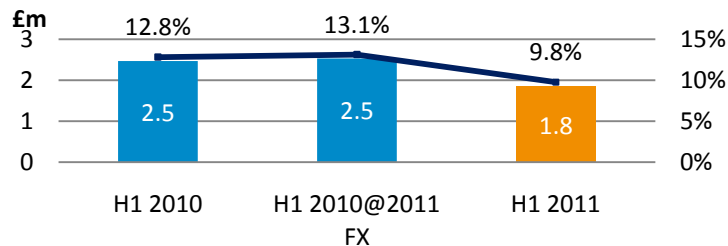
- New product launches well received
- Restructuring of composite doors business
- Portfolio businesses taking significant market share

# H1 2011 International Building Products

## Sales



## Operating Profit and Margins



## Markets

- Growing markets in South America, Scandinavia, Germany and Eastern Europe
- Australasia affected by natural disasters
- Southern Europe remains weak

## Financials

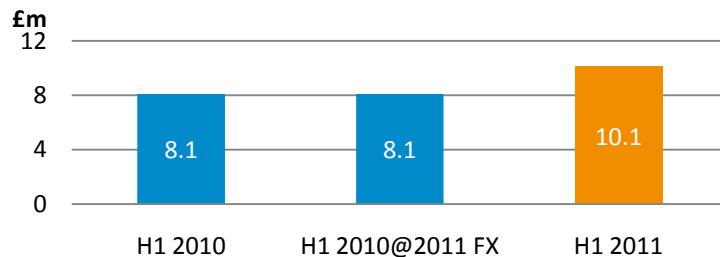
- Sales decreased by 2%
- Underlying margins decreased to 9.8%
- Underlying EBITA 25% lower than H1 2010 due to mix of products sold and operational gearing

## Highlights

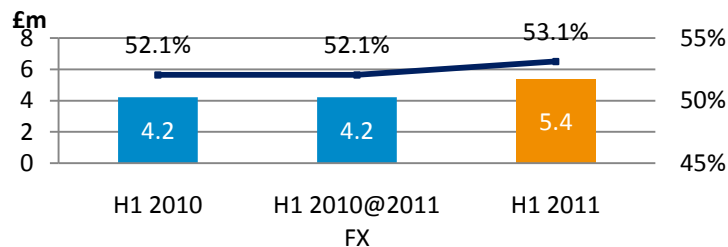
- Strong growth in small Brazilian business
- Focus on cross selling opportunities
- Expand market shares in core sealing products

# H1 2011 Oil and Gas Services

## Sales



## Operating Profit and Margins



## Markets

- Offshore markets continued to grow in H1 2011

## Financials

- Sales increased by 25% to £10.1m
- Improvement in overall margins
- Full recovery of steel price increases
- Underlying profit increased by 27% to £5.4m
- Enquiry levels and order intake in both GT and Klaw remain strong

## Highlights

- New contract wins for Klaw

# 2011 Refinancing

# 2011 Refinancing

- New and significantly improved debt facility agreement to 31 March 2016
- Repayment of approximately £120million of existing facilities
- £110 million multicurrency term loan and a £30 million multicurrency working capital facility
- Unsecured facilities with no debt silos and simplified covenant structures
- Annual amortisation payments of c. £11 million from 2012
- Standard provisions surrounding dividends, M&A activity and capital expenditure
- Market pricing incorporating a margin step down as the Group degears
- Initial step down in margin payable of approximately 75 bps – worth c. £800k per annum
- Bookrunners and Arrangers - Barclays, HSBC, Lloyds and RBS
- Total fees and expenses estimated at £2.7 million

# 2011 Refinancing – Covenant Structure

Covenant Measures	Leverage	Interest Cover	Debt Service
	Less Than	More Than	More Than
Covenant	3.25x	4.00x	1.00x
Pro Forma Measure at 30 June 2011	2.52x	5.26x	2.96x
<b><i>Pro Forma Headroom at 30 June 2011</i></b>	<b><i>29%</i></b>	<b><i>24%</i></b>	<b><i>66%</i></b>

Leverage and Interest Cover Covenants change to 3.00x and 5.00x from 31 December 2012

Covenant Definitions	
Leverage	Total net debt to Underlying EBITDA
Interest Cover	EBITDA to Net Finance Charges
Debt Service Cover	Cashflow available for Debt Service to Debt Service

All covenants tested on the basis of average exchange rates across the period and on frozen GAAP as at 2 September 2011

# Outlook



# 2011 Business Focus

- Not waiting for markets to recover
- Focus on operational cashflow generation will continue
- Price leadership
  - Full recovery of input cost increases except in exceptional circumstances
- Service Levels
  - Aiming to set industry leading standards for delivery on time and in full
- Continued development of CRM and BIS
  - Allow us to monitor margin, payment performance and customer opportunities / churn at point of sale
- Introduction of new products to market
- Seek to enhance our strong geographical positions
- Take market share from a weakened competitor base

# 2011 Current Trading and Outlook

## Building Products

- Trading environment remains challenging
- Few indications of improvements in building products market conditions over next twelve months
- Provided no further deterioration would expect to trade satisfactorily for the balance of the year

## Oil & Gas Services

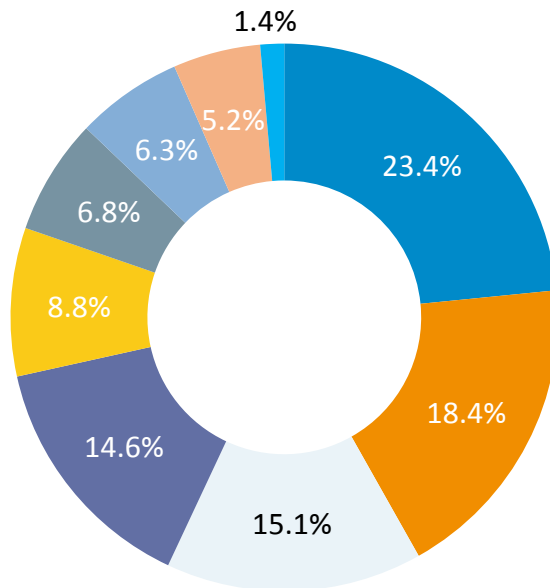
- Strong Enquiry Levels and Order Books at both Gall Thomson and Klaw
- Continued solid performance expected across the balance of the year

# Appendix A

## Lupus Capital plc Businesses

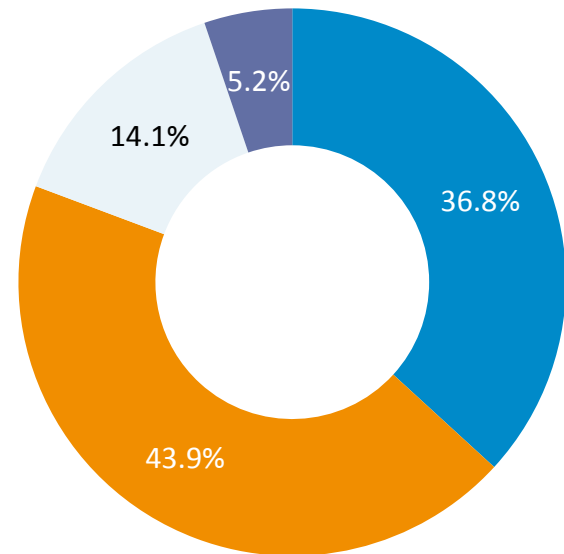
# 2010 Sales by Product and Division

Sales by Product



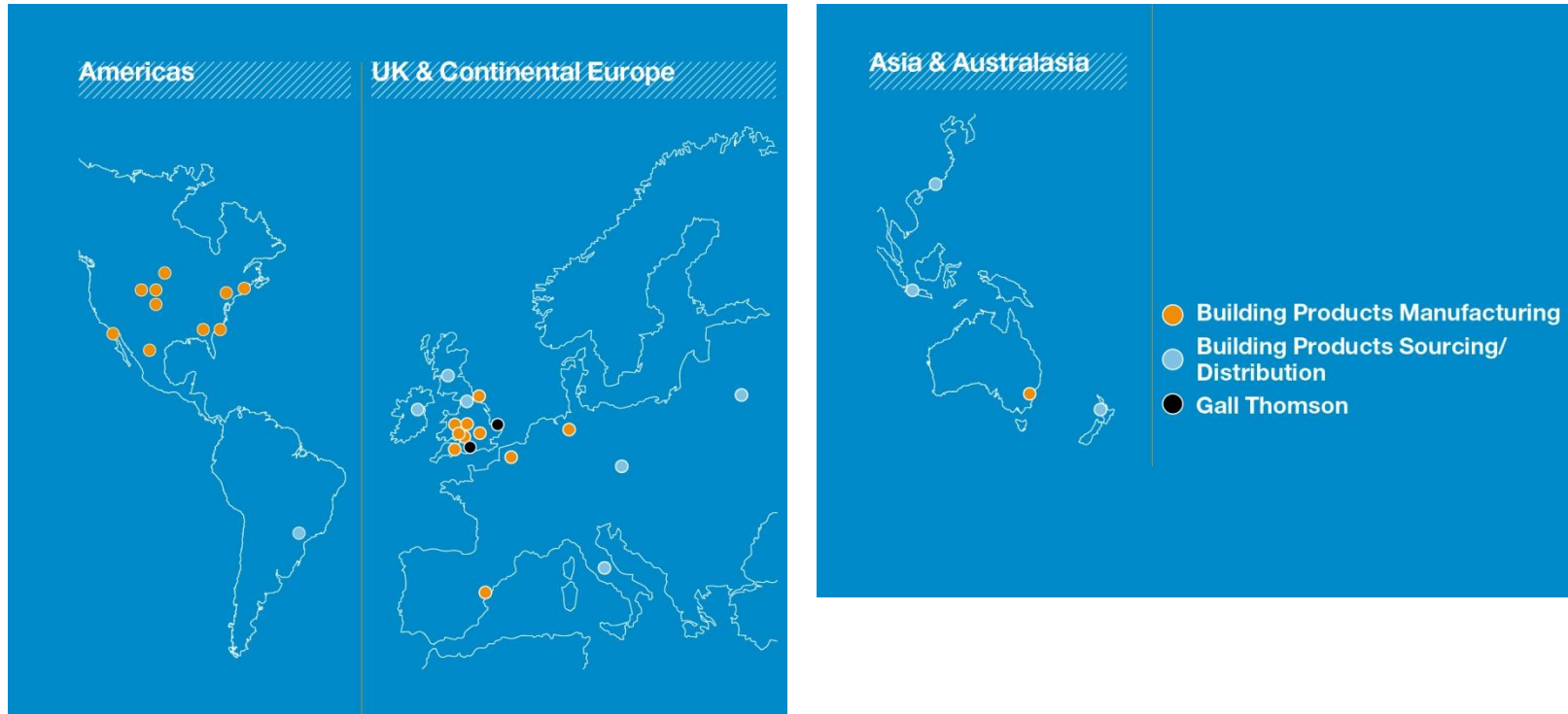
- Door and Window Hardware
- Foam Seals
- Pile Seals
- Balances
- Reinforcer
- Composite Doors

Sales by Division (Restated)



- UK BP
- US BP
- Int'l BP
- GT

# 2011 Geographic Footprint



- Mexican plant now operating at increased production levels – exploring other products
- Consolidation of Sioux Falls Facilities now underway
- Consolidation of Composite Doors footprint now in progress
- Exploring extrusion opportunities in the South East of the United States

# 2011 Building Products Opportunities

## grouphomesafe▲

- Build on ghs early wins and reduce churn
- Suited Hardware; high security handles and locks
- Composite Door sales to trade and retail
- Set industry leading standards for delivery on time and in full
- Use relative financial strength to our advantage



- Further penetration of existing products internationally
- Further sales of hardware into existing seal markets
- Continue geographical expansion – eg South America
- Roll out BIS and CRM system to all International Businesses

## AMESBURY

- Focus on lean and green manufacturing
- Site consolidation and increased use of Mexico facility
- New generation seals – Intumescent foam and Microbial pile
- Casement window winders
- Develop commercial market opportunities

### 2011 Building Products Market Expectations

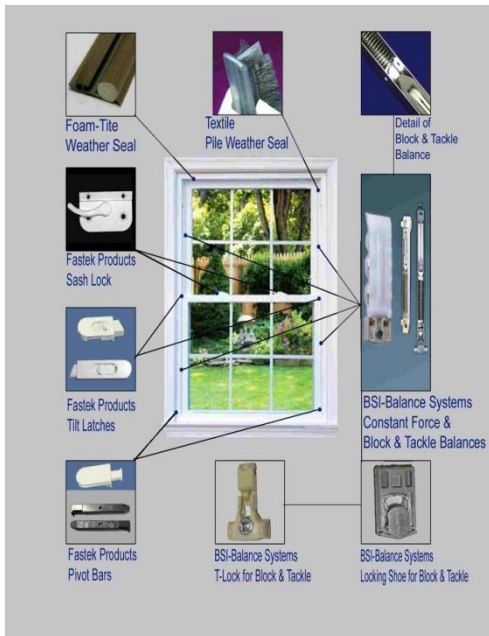
Market	New Build		RMI	
UK	↑	4–6%	↓	2–4%
US*	↑	0–2%	↑	1–4%
N & E Europe*		N/A	↑	3–6%
S Europe		N/A		Flat

\*Revised down since March 2011 in the light of ytd market performance

# Building Products Division – Product Range



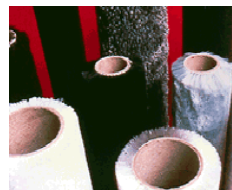
## Window and door hardware



## Seals and extruded products



## Copier Brush



## Security doors



## Hardware and components



# Oil and Gas Services – Product Range

## Marine Breakaway Couplings

- Large global market share
- High barriers to entry
- Made to order for oil majors
- Excellent customer base
- Established management team
- Growth markets / Deep sea oil production increasing

## Industrial Breakaway Couplings

- Replicate MBC skills / expertise
- Create new markets
- Growing fast

## MBC Coupling



## IBC Coupling





# Financial Highlights

	H1 2011 Reported £'000	Margin %	H1 2010 at '11 Rates £'000	H1 2010 Reported £'000	Margin %	FY 2010 Reported £'000	Margin %
Revenue	<b>124,688</b>		130,438	133,238		266,212	
<i>2011 Variance versus 2010</i>			(4.4)%	(6.4)%			
Gross profit	<b>43,909</b>	35.2%	45,725	46,587	35.0%	92,809	34.9%
<i>2011 Variance versus 2010</i>			(4.0)%	(5.7)%			
Underlying operating profit	<b>15,544</b>	12.5%	16,984	17,322	13.0%	33,675	12.6%
<i>2011 Variance versus 2010</i>			(8.5)%	(10.3)%			
Underlying profit before tax	<b>12,428</b>	10.0%	12,423	12,569	9.4%	24,533	9.2%
<i>2011 Variance versus 2010</i>			0.0%	(1.1)%			
Underlying net debt	<b>(94,557)</b>		(112,534)	(117,591)		(94,659)	
<i>2011 Variance versus 2010</i>			(16.0)%	(19.6)%			
Operating cashflow (post capex)	<b>4,659</b>		n/a	7,697		35,265	
<i>Cash Conversion</i>	30.0%			44.4%		104.7%	
Underlying earnings per share	<b>6.83p</b>		n/a	6.79p		13.06p	
<i>Variance</i>				<b>0.6%</b>			

# Definitions and Exchange Rates

Exchange Rates	H1 2011	H1 2010	FY 2010
<b>Closing Rates:</b>			
US Dollars	1.6018	1.5071	1.5471
Euros	1.1131	1.2348	1.1675
<b>Average Rates:</b>			
US Dollars	1.6162	1.5265	1.5463
Euros	1.1525	1.1491	1.1661

## Definitions

- Where appropriate **“Underlying”** is defined as before amortisation of intangible assets, deferred tax on amortisation of intangible assets, exceptional items, unwinding of discount on provisions, amortisation of borrowing costs and the associated tax effect
- **“Underlying Net Debt”** is defined as interest bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs added back
- **“Operating Cash Conversion”** is defined as Net cash inflow from operating activities before Income tax paid and after Payments to acquire property, plant and equipment divided by Underlying operating profit

## Roundings

- Percentage numbers have been calculated using figures rounded to the nearest thousand from the financial statements, which may lead to small differences in some figures and percentages quoted

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