

LUPUS CAPITAL

Lupus Capital plc
Results Presentation

Year ended 31 December 2010



Agenda

- Overview
- 2010 Financial Review
- 2010 Operating Review
- Outlook
- Lupus Capital plc Businesses

Overview

2010 Overview

- Encouraging year despite flat building products markets and highly competitive environment
- Gall Thomson enjoyed another year of excellent performance
- New Executive Team – Louis Eperjesi and James Brotherton
- Successful recovery of input cost increases
- Sustained improvements in gross and net margins
- 39 per cent. increase in Underlying Earnings per Share to 13.06p (2009: 9.39p)
- Operating Cash Conversion in year of 105 per cent.; Underlying Net Debt reduced to £94.7m
- Self help strategy has enabled the Group to gain market share and make further progress
- Resumption of Dividend Payments

2010 Financial Review

2010 Financial Highlights

- Sales – £266.2m
- Underlying Operating Profit – £33.7m
- Underlying Profit before Taxation - £24.5m
- Underlying Earnings Per Share – 13.06p
- Underlying Net Debt – £94.7m
- Gross and net margin improvement
- Underlying Operating Profit drop-through of 33 per cent.
- 105 per cent. operating cash conversion
- 2p per share dividend

2010 vs. 2009



10 per cent.



32 per cent.



56 per cent.

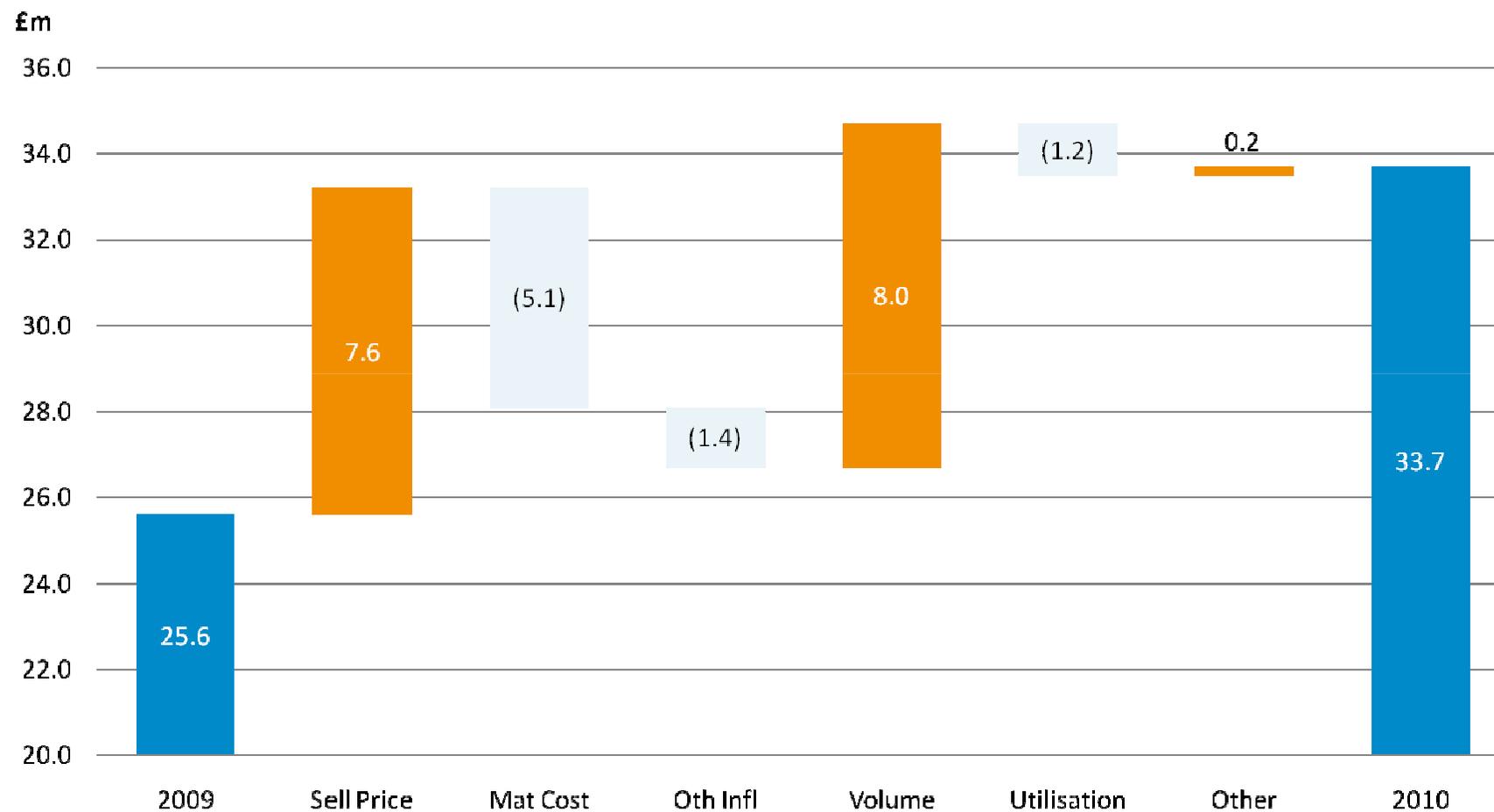


39 per cent.



19 per cent.

2009–2010 EBITA Bridge

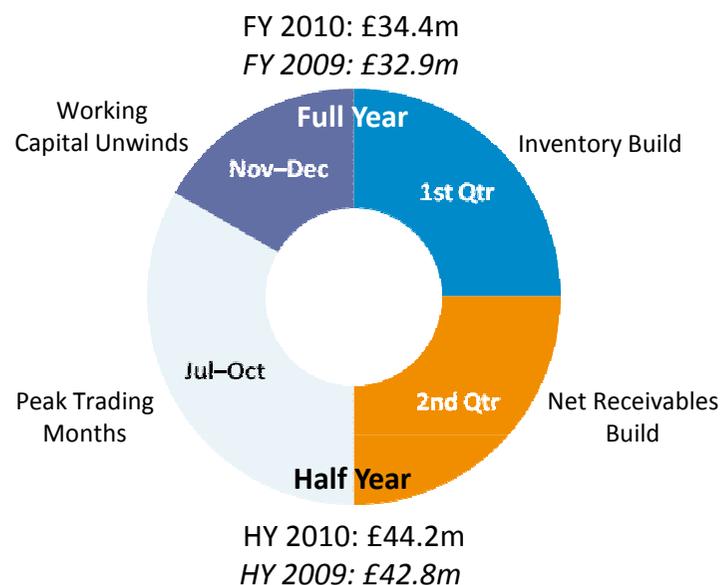


Cash Conversion

£m	FY 2010	FY 2009
Net Cash Inflow from Operating Activities	36.3	36.5
Income Tax Paid	2.3	2.1
Net Tangible Asset Capital Expenditure	(3.3)	(2.1)
Operating Cashflow Post-Capital Expenditure	35.3	36.5
Underlying Operating Profit	33.7	25.6
<i>Operating Cash Conversion</i>	<i>105%</i>	<i>142%</i>
Investments in Intangibles, Net Interest and Tax	(11.8)	(12.8)
Free Cashflow before Debt Repayments and Refinancing Costs	23.5	23.7

- Lower operating cash conversion reflecting increased activity levels in 2010 – still exceeded 100%
- Free Cashflow largely in line with 2009

Working Capital



Days except where stated	FY 2010	H1 2010	FY 2009
Trade Working Capital Days	55.3	63.4	61.8
Trade Working Capital	£34.4m	£44.2m	£32.9m
Trade Working Capital: Sales	12.9%	17.1%	13.6%
Total Working Capital	£18.6m	£28.7m	£19.1m
Total Working Capital: Sales	7.0%	11.1%	7.9%

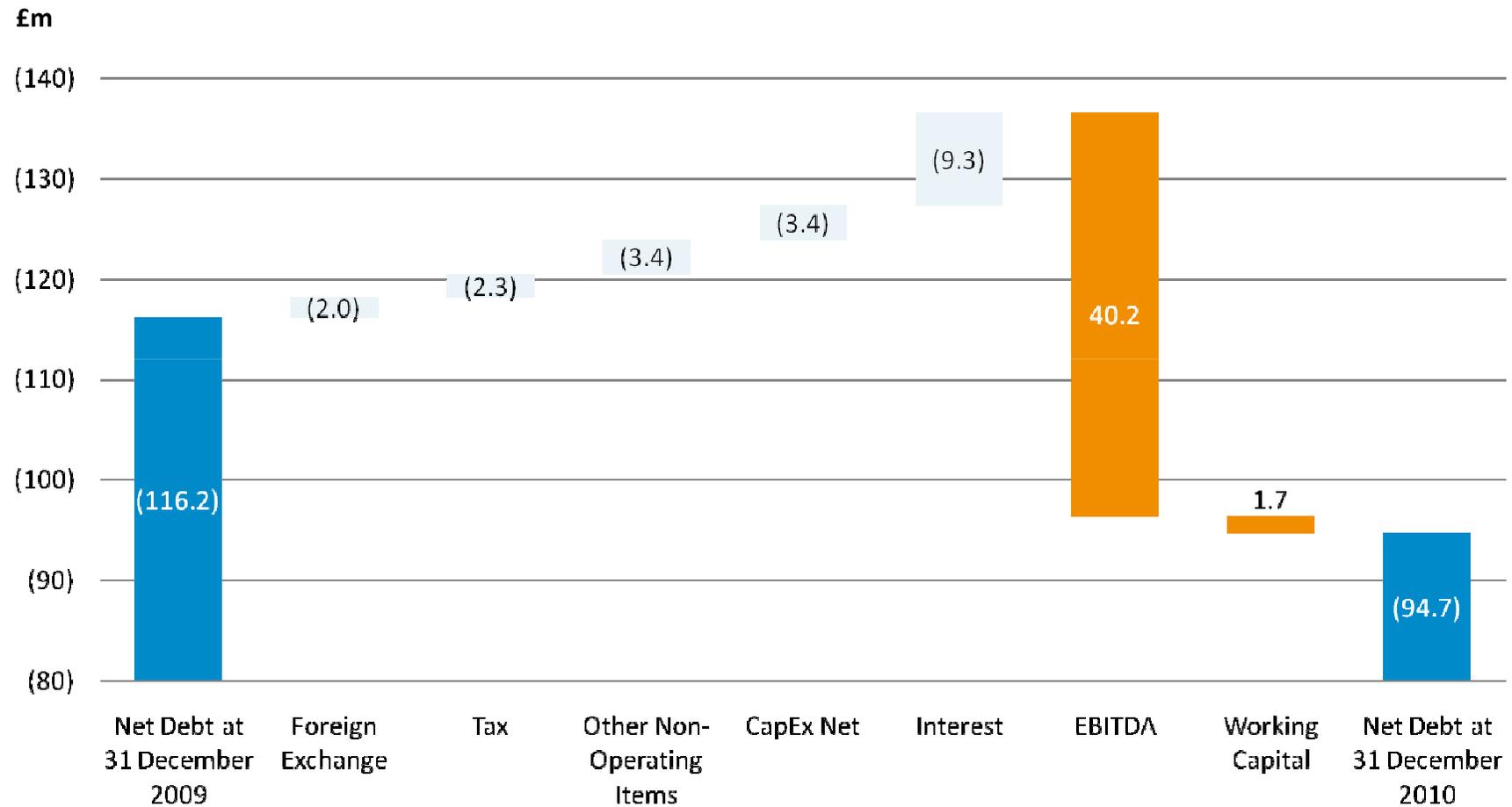
- Despite 10.2 per cent. increase in sales, total working capital decreased over the year
- Trade working capital increased by £1.5m – principally due to higher receivables
- Investment in inventory only permitted where there is clear evidence of demand
- Management of receivables remains a high priority – bad debts written off 0.1 per cent. of 2010 sales
- Credit insurers returning to the market but still limited availability

Capital Expenditure

£m	FY 2010	FY 2009
Net Tangible Asset Capital Expenditure	3.3	2.1
Depreciation	6.5	6.7
<i>Capital Expenditure / Depreciation</i>	<i>0.51x</i>	<i>0.32x</i>

- Historically a low Capital Expenditure business
- Increased Capital Expenditure in H2 2010
- Capital Expenditure expected to increase in future years although unlikely to reach same levels as Depreciation

2009–2010 Underlying Net Debt Bridge



Debt Facilities

£m	FY 2010	FY 2009	Average 2010	Average 2009
Gross Debt	(122.4)	(141.2)	(140.0)	(164.0)
Cash Balances	27.7	25.0	26.1	28.4
Underlying Net Debt ⁽ⁱ⁾	(94.7)	(116.2)	(113.9)	(135.6)
Loan Fee Amortisation	2.9	5.2	4.1	4.6
IFRS Net Debt ⁽ⁱⁱ⁾	(91.7)	(111.0)	(109.8)	(131.0)
Net Debt: EBITDA ⁽ⁱⁱⁱ⁾	2.4x	3.6x	2.8x	4.2x

(i) Underlying Net Debt is defined as interest bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs added back

(ii) 2010 IFRS Net Debt number has been rounded

(iii) Calculated on the same basis as banking covenants

- Average Net Debt: EBITDA ratio below 3.0x for 2010
 - Year end Net Debt: EBITDA 2.4x
 - Headroom of between 46 and 77 per cent. on banking covenants at December 2010
 - Operational Deleveraging expected to continue in 2011
- } Key Banking Metric

Interest Charges

£m except where stated	FY 2010	FY 2009
Bank Finance Costs Payable	9.4	9.9
Average Gross Debt	(140.0)	(164.0)
<i>Average Bank Interest Rate Payable</i>	<i>6.7%</i>	<i>6.0%</i>

Interest Charge

- 2009 benefited from lower margins prior to refinancing
- 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) under present financing arrangements expected to be c. 5.5 per cent.

Taxation

Percentage Tax Rates	FY 2010	FY 2009
Underlying Taxation rate	32%	28%
Underlying Cash Tax rate	9%	14%

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

Underlying Tax Rate

- Rate for the year 32 per cent. as expected
- Increase in 2010 due to geographic mix of profit growth

Cash Tax Rate

- Below the underlying tax rate due to historic losses
- Expected to trend towards underlying tax rate over the coming years

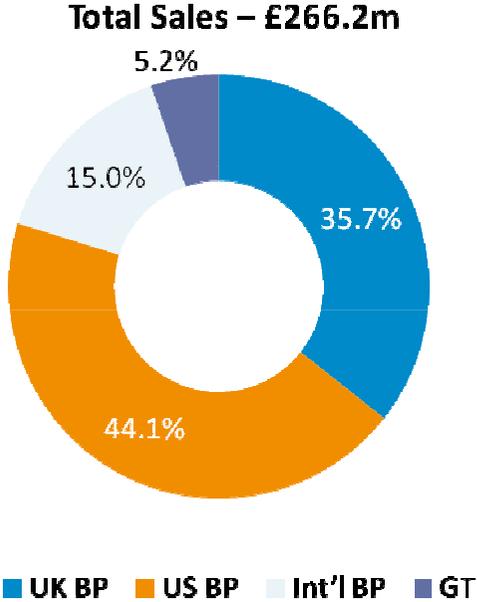
Dividend

- 2009 Banking arrangements precluded dividends until net debt ratios reduced
- Final dividend proposed of 2p per share with unanimous consent of banking syndicate
- Subject to approval at May AGM
- Absolute level of future dividends will take into account underlying earnings, cash flows, balance sheet strength and capital investment plans

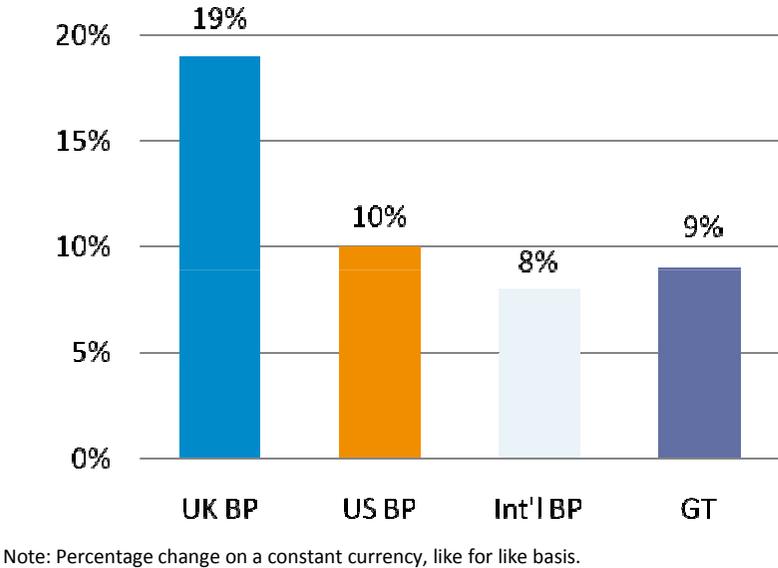
2010 Operating Review

2010 Revenues

2010 Sales by Sector



Percentage Change in 2010 Sales

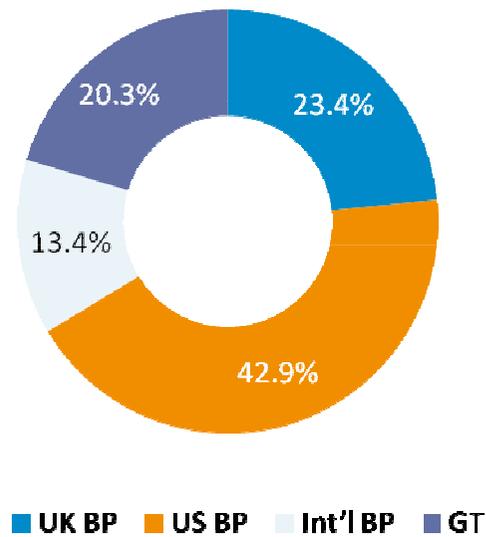


- Encouraging year across all businesses despite flat building product markets
- “Self Help” strategy has enabled market share gains in a highly competitive environment
- Excellent performance from Gall Thomson across the year as a whole

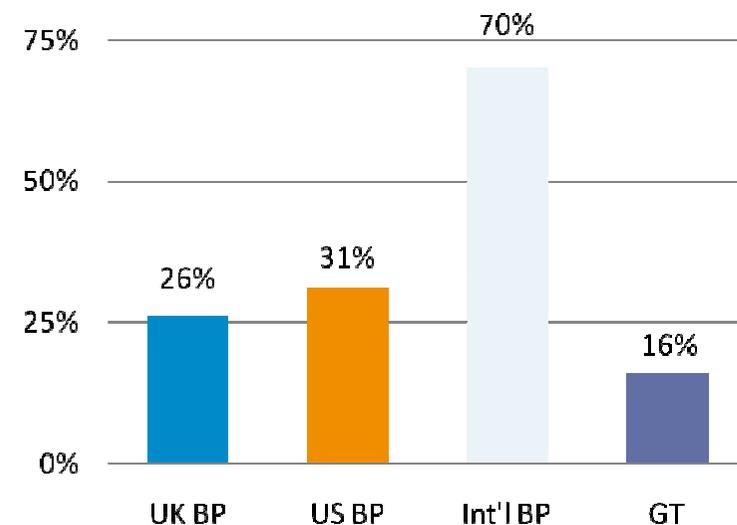
2010 Operating Profit

2010 Operating Profit by Sector

Total Operating Profit – £33.7m



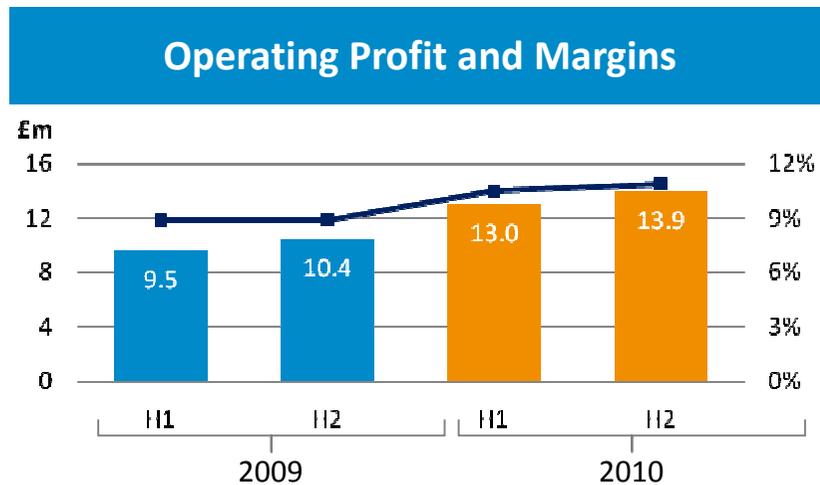
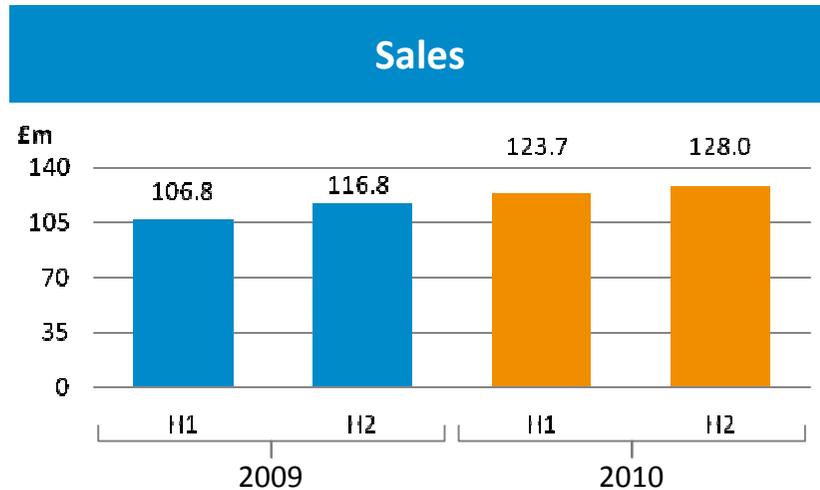
Percentage Change in 2010 Operating Profit



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

- Double digit earnings growth across each of our business sectors
- International Building Products benefits from high degree of operational gearing
- Continued focus on cost base to drive drop-through

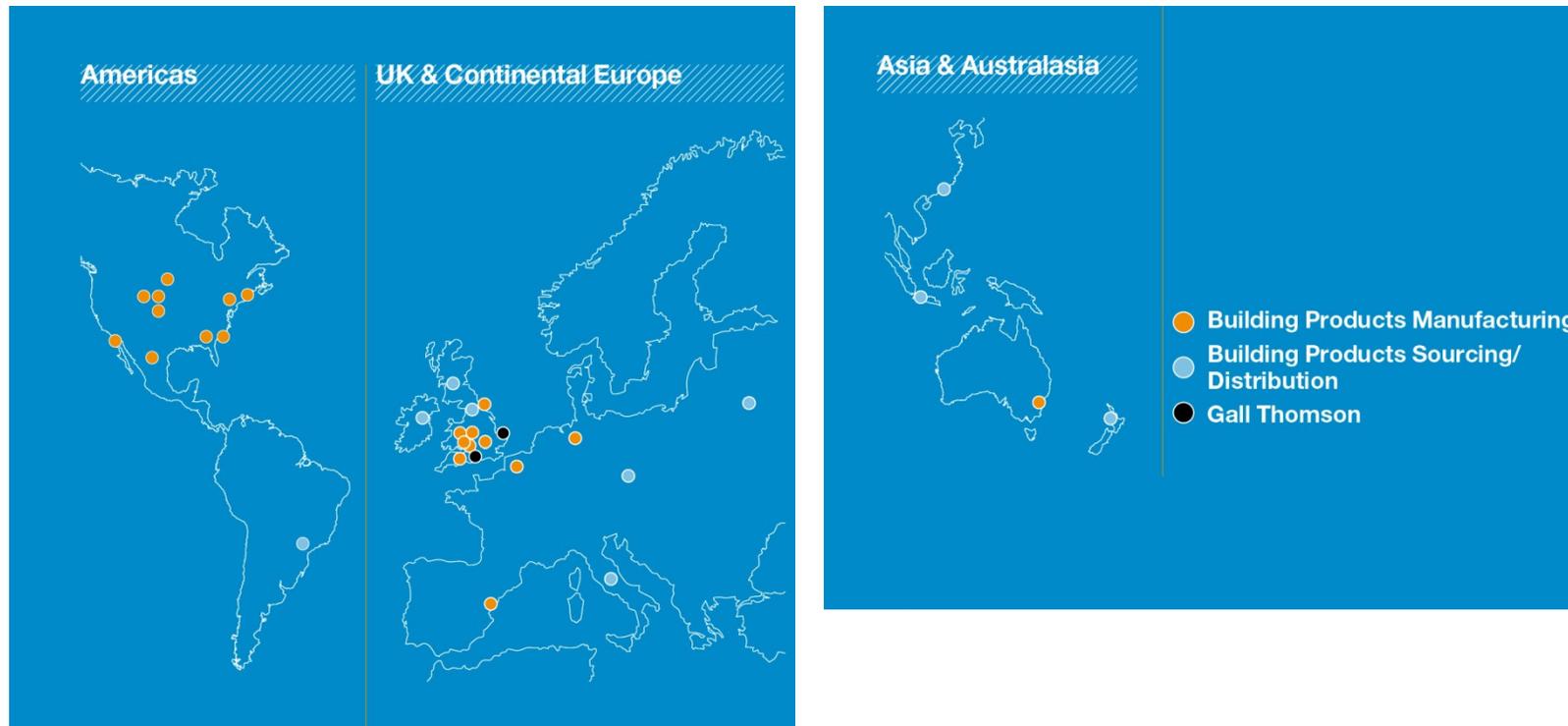
Building Products Progression



Note: All numbers presented on a constant currency basis.

- Consistent improvements in the Building Products Division since start of 2009
- Sales per employee pa have increased from £111k to £129k
- Cumulatively, since H1 2009:
 - ↑ Sales up 19.8 per cent.
 - ↑ Operating Profit up 46.7 per cent.
 - ↑ Operating Margin improved by 2 points

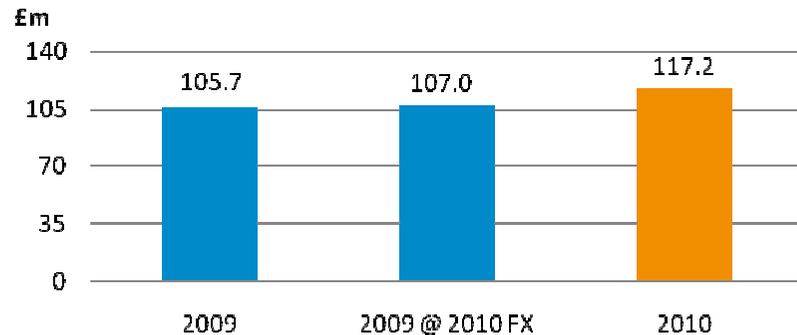
2010 Geographic Footprint



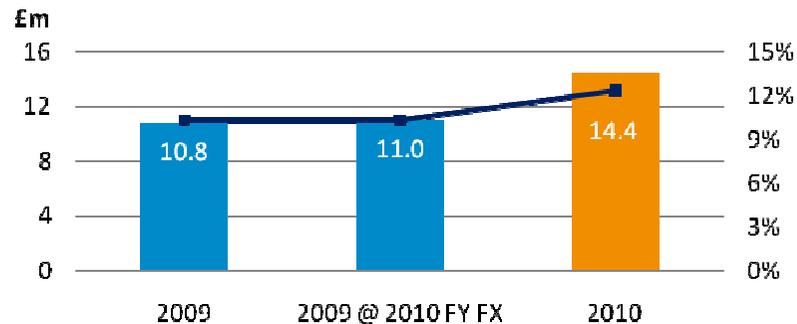
- Conversion of Chinese manufacturing to a sourcing operation
- Mexican plant now operating at increased production levels – exploring other products
- Merger of ERA and LSH businesses to create ERA Security Hardware
- Brazilian Sales Office expanded
- Consolidation of Sioux Falls Facilities now underway

US Building Products – 2010 Financials

Sales



Operating Profit and Margins



Markets

- US New Build ↑ c.6%; RMI ↑ c.4%
- Relatively low price inflation and less affected by commodity input cost pressures
- Tax credits gave market support in Qs 1 and 4

Financials

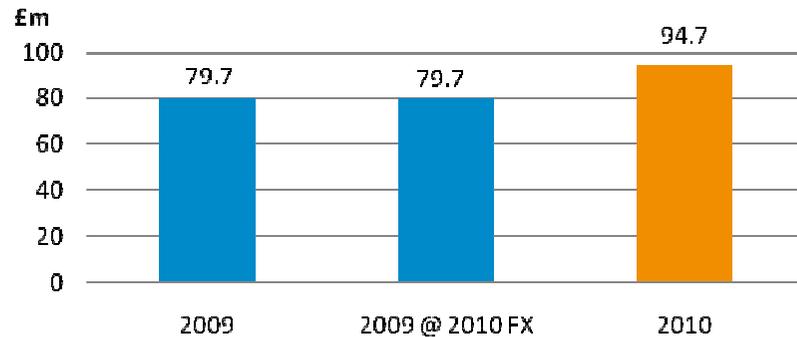
- Sales grew by 10% to \$181.4m or £117.2m
- Underlying margins up two points to 12.3%
- Underlying EBITA 33% higher than 2009
- Underlying drop-through 34%

Highlights

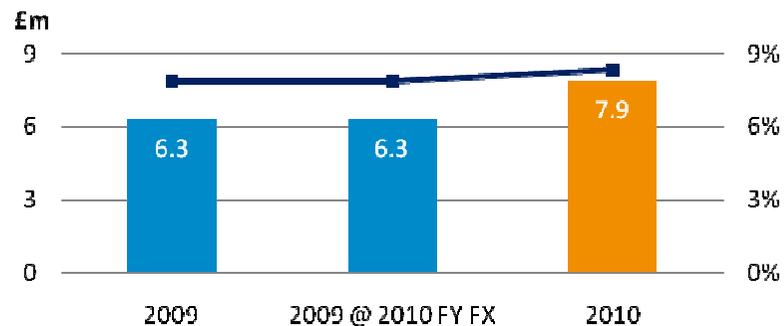
- Continued ramp up of manufacturing in Mexico
- Expansion of the National Accounts Program
- Restructured approach to Amesbury marketing

UK Building Products – 2010 Financials

Sales



Operating Profit and Margins



grouphomesafe▲

Markets

- UK New Build ↑ c.30%; RMI ↓ c.3%
- Significant commodity input cost pressures
- Social Housing contraction started in H2 2010 – impacted Composite Doors

Financials

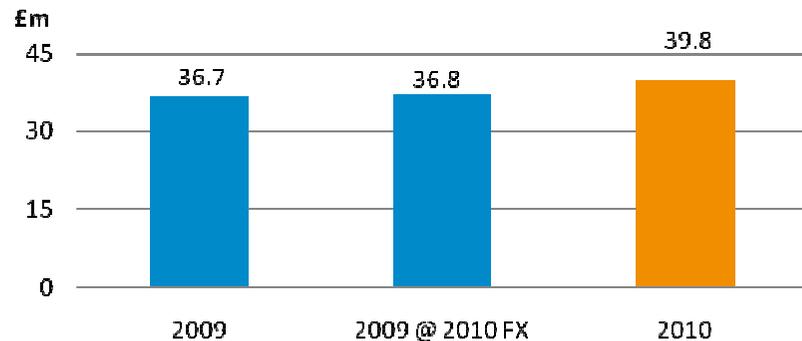
- Sales increased by 19%; c. 50% due to price
- Underlying margins increased to 8.3%
- Underlying EBITA was 26% higher than 2009
- Underlying drop-through 11%

Highlights

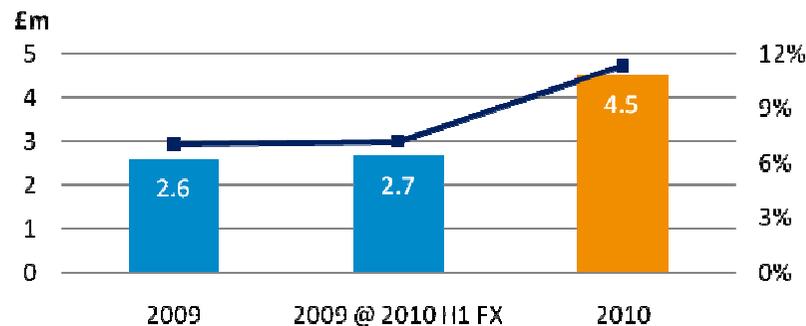
- Creation of grouphomesafe – operationally and financially performing ahead of schedule
- Focus on customer service and differentiation enabled share gain in a difficult market

International Building Products

Sales



Operating Profit and Margins



Markets

- Growing markets in Australasia, South America, Scandinavia and Eastern Europe
- Markets more stable in 2010 than the previous two years
- Southern Europe remains weak

Financials

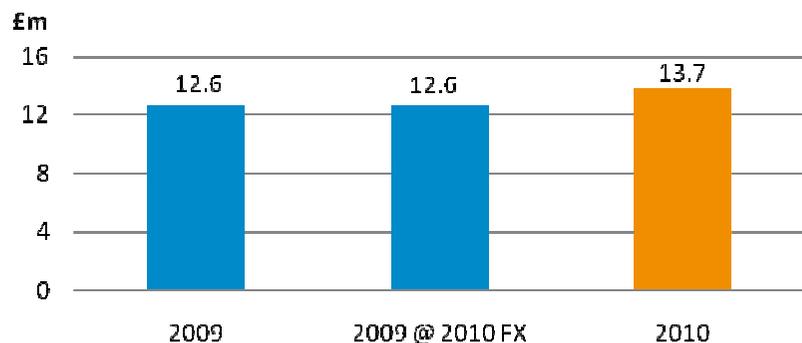
- Sales increased by 8%
- Underlying margins increased to 11.3%
- Underlying EBITA 70% higher than 2009 due to mix of sales growth and operational gearing
- Underlying drop-through of 62%

Highlights

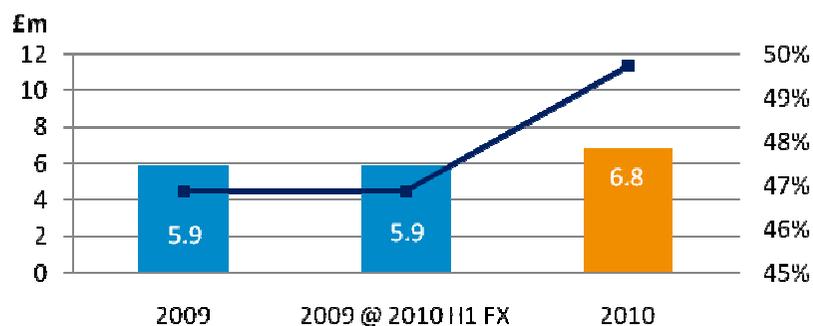
- Expansion of Brazilian sales office
- Roll out of BIS and CRM System to International Business

2010 Oil and Gas Services

Sales



Operating Profit and Margins



Markets

- Offshore markets continued to grow in 2010

Financials

- Sales increased by 9% to £13.7m
- Improvement in overall margins reflects increased sales of high margin MBC product
- Full recovery of steel price increases
- Underlying profit increased by 16% to £6.8m
- Enquiry levels and order intake in both GT and Klaw very strong towards the year end
- Underlying drop-through of 81%

Highlights

- Klaw distribution agreement – Composite Hoses
- LNG Projects Secured

Outlook

2011 Business Focus and Aspirations

- 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

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*	↑ 5–10%	↑ 3–6%
N & E Europe	N/A	↑ 6–10%
S Europe	N/A	Flat

*Recent forecasts for US markets have tended to be over optimistic

2011 Current Trading and Outlook

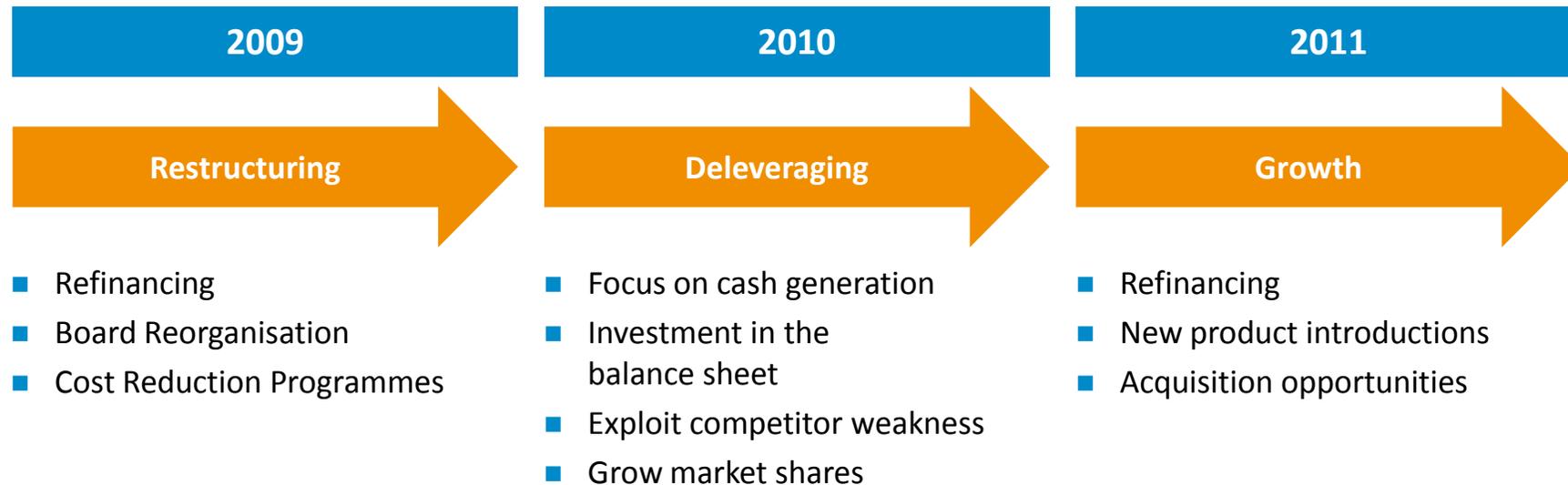
Building Products

- Steady start to 2011 with sales and orders broadly in line with 2010
- Seasonal nature of the businesses and short order books means that the first quarter offers little visibility on the full year
- 2011 not expected to deliver material improvements in building products markets
- Significant input cost pressures expected to continue for foreseeable future
- Well positioned to maintain margins and take advantage of any sustained increase in activity levels

Oil & Gas Services

- Significant Enquiry Levels and Order Books at both Gall Thomson and Klaw

Our Timeline

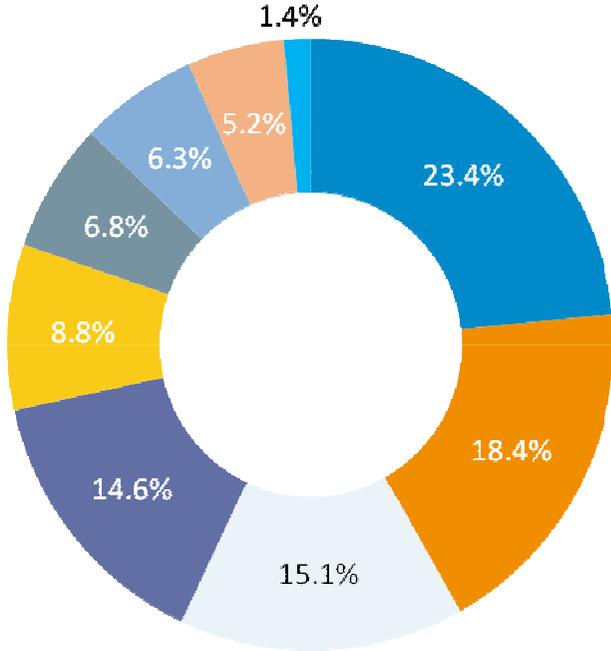


Aiming to grow with our customers

Lupus Capital plc Businesses

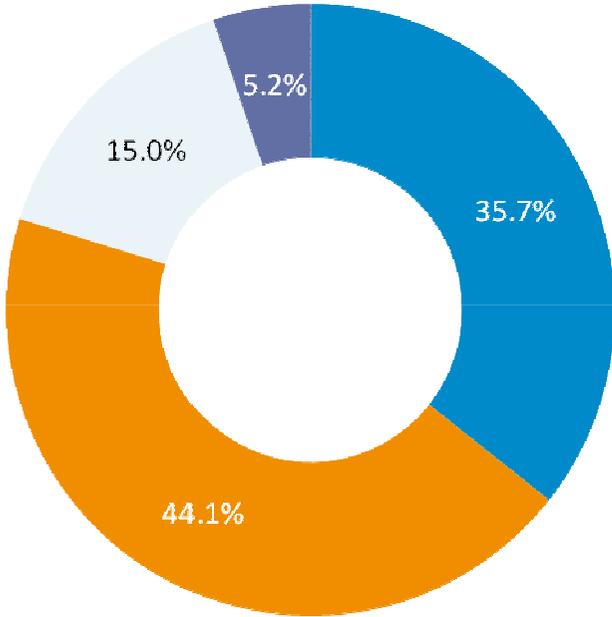
2010 Sales by Product and Division

Sales by Product



- Door and Window Hardware
- Foam Seals
- Pile Seals
- Balances
- Reinforcer
- Composite Doors
- Extrusions
- Oil Services
- Other

Sales by Division

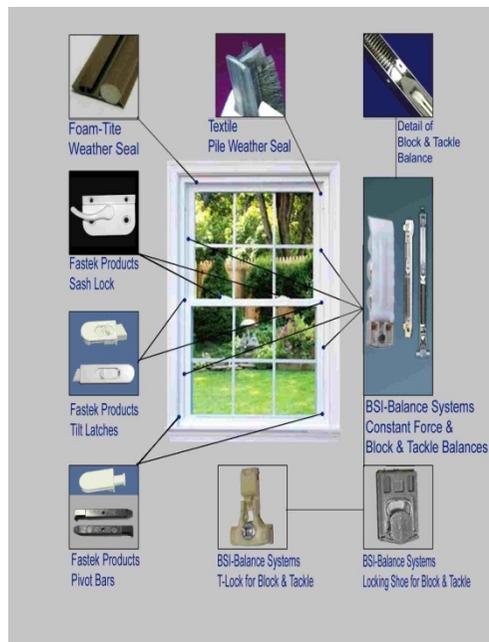


- UK BP
- US BP
- Int'l BP
- GT

Building Products Division – Product Range



Window and door hardware



Seals and extruded products



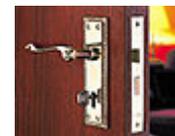
Copier Brush



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

