2020 Interim Results

5 August 2020

Derek Muir — Chief Executive Officer
Hannah Nichols — Chief Financial Officer

Delivering intelligent protection solutions

Hill & Smith Holdings PLC

Stock Code HILS

Key messages

- Safety, health and wellbeing of our employees remain our key priority
- Resilient H1 performance
  - Strong Q1 performance; Q2 impacted by COVID-19 related disruption
  - All divisions remained profitable throughout the period
  - US businesses delivered organic revenue and profit growth
  - Progressive recovery in Group trading since April
- Robust financial position
  - Strong cash generation supported by cash preservation actions
  - Net debt to EBITDA 1.7 times, £193m facilities headroom
- Interim dividend of 9.2p declared
- Paul Simmons to join as CEO
- Well positioned for recovery and further growth
  - Outlook for infrastructure spend remains positive

COVID-19 Update

- **Operating a COVID secure environment**
  - Group following all public health and safety guidelines
  - Social distancing measures have minimal impact on production output
- **Cost control & cash preservation actions**
  - Businesses acted quickly and decisively to limit discretionary spend
  - Continued focus on driving local efficiency plans
  - Tight control of working capital and capital expenditure
  - Withdrawal of 2019 final dividend
- **Government support schemes**
  - Government furlough schemes accessed to preserve jobs (£3.6m)
  - No plans to utilise beyond July 2020 (inc. UK Job Retention Bonus)
  - £7.4m deferral of tax payments until 2021
- **Continue to focus on growth opportunities**

Results summary

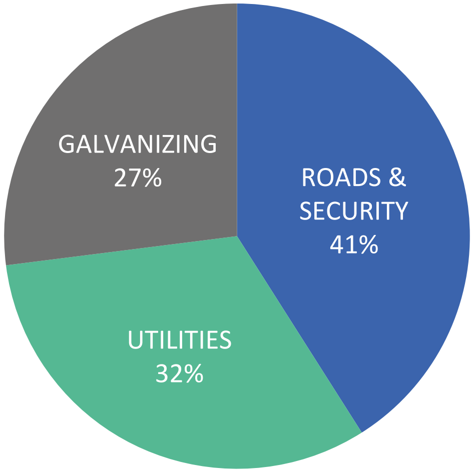
	H1 2020	H1 2019	Reported +/-	Organic^ +/-
Revenue (£m)	**315.6**	339.5	-7%	-10%
Operating profit (£m)	**26.8**	40.2	-33%	-35%
Operating margin (%)	**8.5**	11.8	-330bps	
Profit before tax (£m)	**22.8**	36.9	-38%	-40%
Earnings per share (p)	**23.1**	37.5	-38%	-40%
Dividend (p)	**9.2**	10.6	-13%	

	FX impact
Revenue (£m)	+ £3.1m
Operating profit (£m)	+ £0.6m

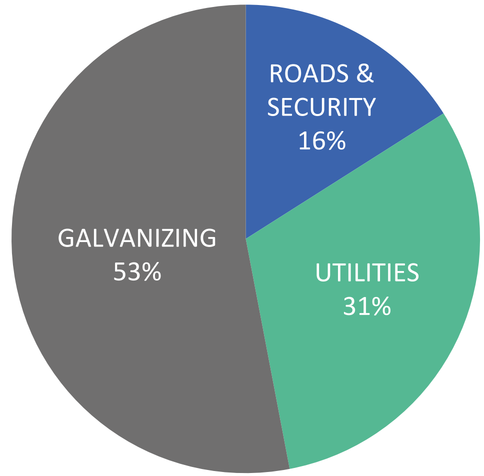
^ Adjusted for the effect of acquisitions, disposals and foreign exchange movements

H1 2020 at a glance

Revenue by segment: £315.6m

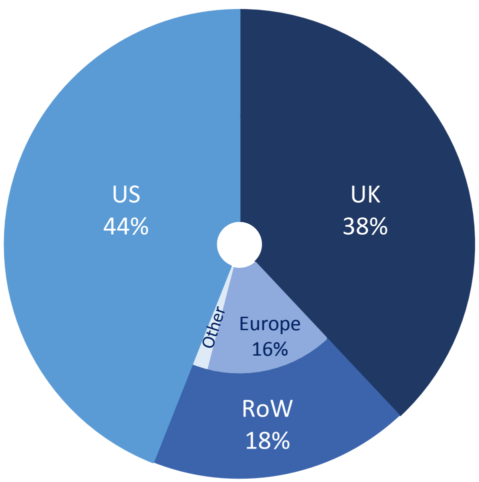


Operating Profit by segment: £26.8m

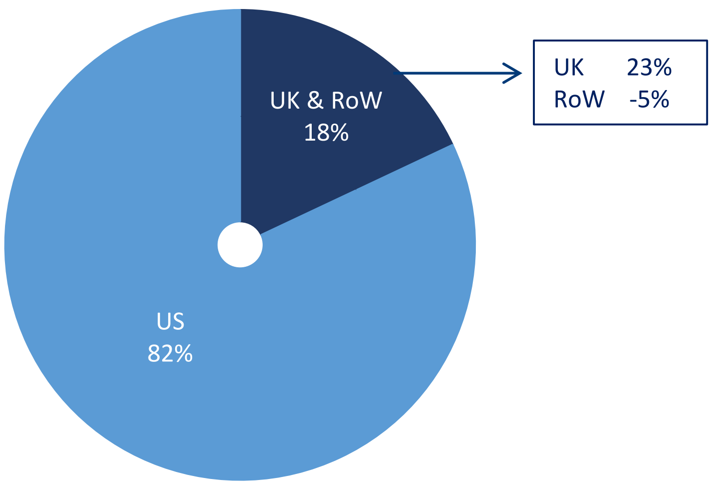


A well balanced business: products, markets and geographies

Revenue by end market geography: £315.6m



Operating Profit by plant location: £26.8m



Roads & Security

	H1 2020	H1 2019*	Organic Change
Revenue (£m)	128.2	128.9	-9%
Operating profit (£m)	4.3	10.7	-59%
Operating margin	3.4%	8.3%	

- **UK Roads**
  - UK Government confirmed commitment to RIS 2 spend: £27.4bn (2020-25)
  - Temporary rental barrier business operated with minimal disruption
  - Strong demand for permanent barriers driven by release of new RIS 2 schemes
  - Other permanent road product businesses impacted by COVID-19 related delays
  - RIS 2 Smart Motorway schemes to commence 2021
- **UK Security**
  - Security fencing and access cover businesses temporarily closed, reopened in May
  - Security bollard and HVM projects impacted by customer delays and Middle East uncertainty
  - Low demand for security barrier rental due to cancellation of public gatherings
  - Outlook for data centre security solutions encouraging
- **US Roads**
  - Strong performance, good demand for product range including crash attenuators and barrier
  - Good prospects for further growth
- **Other International Roads**
  - Sweden restructuring progressing to plan under new management
  - France impacted by COVID-19 lockdown measures
  - Improved trading performance in Australia

** Where noted throughout this presentation, 2019 has been restated to reflect the Group's revised segmental structure effective 1 January 2020*

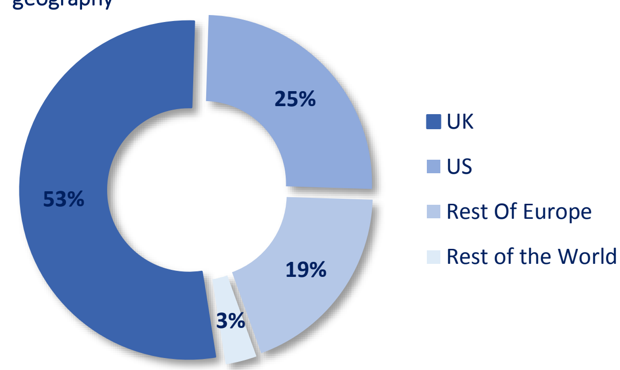
£m	Revenue	Operating Profit
H1 2019*	**128.9**	**10.7**
F/X	0.5	0.1
M&A	10.3	(0.1)
Organic	(11.5)	(6.4)
H1 2020	**128.2**	**4.3**

2020 H1 Revenue

£128.2m Down 9% organically

UK Roads	down 7%	£51m
UK Security	down 33%	£22m
US Roads	up 7%	£31m
International	down 10%	£24m

Revenue by end geography



Utilities

	H1 2020	H1 2019*	Organic Change
Revenue (£m)	**101.4**	112.3	-7%
Operating profit (£m)	**8.2**	9.2	-16%
Operating margin	**8.1%**	8.2%	

- **UK**
  - Building products business temporarily closed, reopened in April
  - Industrial flooring remained open
  - Gradual recovery in activity but H2 outlook uncertain
- **US**
  - Businesses deemed 'essential' and allowed to remain open
  - Strong organic growth in both composites and utility transmission
  - Key growth drivers: upgrade of ageing power infrastructure and increasing acceptance of composite systems for infrastructure projects
  - Good order books for H2
- **Pipe Supports**
  - US: business awarded 'essential' status and continued to operate
  - India: COVID-19 forced shutdown impacted H1 trading; H2 focus on managing order backlog

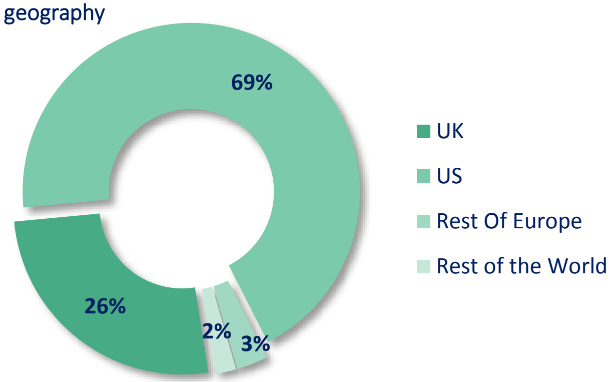
£m	Revenue	Operating Profit
H1 2019*	**112.3**	**9.2**
F/X	1.5	0.2
M&A	(4.6)	0.3
Organic	(7.8)	(1.5)
H1 2020	**101.4**	**8.2**

2020 H1 Revenue

£101.4m Down 7% organically

UK	down 28%	£27m
US	up 11%	£54m
Pipes (US/India)	down 10%	£20m

Revenue by end geography



Galvanizing

	H1 2020	H1 2019	Organic Change
Revenue (£m)	**86.0**	98.3	-13%
Operating profit (£m)	**14.3**	20.3	-31%
Operating margin	**16.6%**	20.7%	

£m	Revenue	Operating Profit
H1 2019	**98.3**	**20.3**
F/X	1.1	0.3
Organic	(13.4)	(6.3)
H1 2020	**86.0**	**14.3**

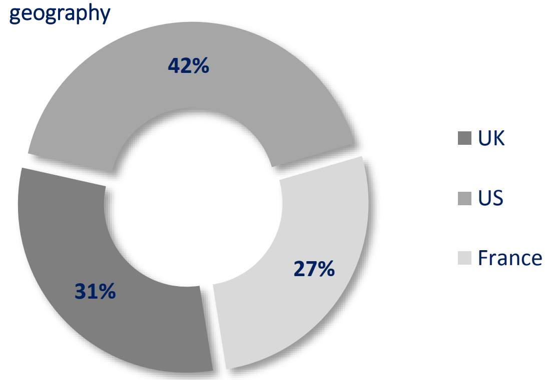
- **Overall**
  - H1 trading impacted by COVID-19 related closure and slowdown in volumes
  - Progressive volume recovery since April supported by wide sectoral spread of customers
- **UK: 79k tonnes ↓ 19%**
  - All plants remained opened to support essential work, albeit with lower activity
  - Gradual recovery with June volumes similar to prior year
- **US: 75k tonnes ↓ 7%**
  - All plants awarded 'essential' status and continued to operate
  - Slowdown in activity due to COVID-19 customer delays; gradual recovery with June volumes ahead of prior year
  - New York plant operational January 2020 with baseload of new customers
- **France: 57k tonnes ↓ 10%**
  - Strong start to the year
  - Forced closure of all plants in mid March; volumes now recovering after reopening at end April
  - June volumes in line with prior year

2020 H1 Revenue

£86.0m Down 13% organically

UK	down 16%	£27m
US	down 9%	£36m
France	down 16%	£23m

Revenue by end geography



Cash generation and financial position

- **Strong cash generation in period**
  - Underlying cash conversion 162%
- **Working capital inflow £18.3m** (H1 2019: £21.8m outflow)
  - Reflecting reduced Q2 trading levels, efficient working capital management and deferral of UK VAT payments
  - Debtor days: 56 days (Dec 2019: 61 days)
- **Capex 1.1 times depreciation/amortisation**
  - Gross spend of £12.9m
  - Rigorous review to prioritise spend without limiting longer term growth prospects
  - Revised FY 2020 guidance £24m
- **Strong liquidity headroom position with a robust balance sheet**
  - Net debt reduced to £195.4m (Dec 2019: £215.3m)
  - Net debt to EBITDA: 1.7 times (covenant 3.0 times)
  - £193.4m headroom against borrowing facilities
  - Facilities have long maturities (95% 2024 onwards)

£m	H1 2020	H1 2019	FY 2019
Underlying Operating Profit	**26.8**	40.2	86.3
Depreciation and amortisation	**16.8**	15.3	31.3
Underlying EBITDA	**43.6**	55.5	117.6
Other non-cash items	**(0.3)**	0.3	1.1
Working capital	**18.3**	(21.8)	(12.9)
Capital expenditure (net)	**(12.3)**	(22.5)	(46.8)
Underlying operating cash flow	**49.3**	11.5	59.0
Restructuring spend (net)	**(0.6)**	(1.0)	2.5
Provisions/Pension	**(1.7)**	(1.2)	(3.8)
Interest paid (inc. IFRS 16)	**(3.3)**	(2.8)	(6.8)
Tax paid	**(10.0)**	(6.0)	(14.4)
Free cash flow	**33.7**	0.5	36.5
Dividends	**(8.4)**	(7.9)	(25.1)
Acquisitions/disposals	**-**	(24.6)	(50.9)
Lease movements under IFRS 16	**(1.0)**	(4.3)	(11.1)
Share issues/other (net)	**0.4**	0.4	1.3
Net cash flow	**24.7**	(35.9)	(49.3)
FX impact	**(4.8)**	(0.3)	2.9
Adoption of IFRS 16	**-**	(34.1)	(36.0)
Net debt**	**195.4**	203.1	215.3

*** includes £36.3m IFRS 16 (Dec 2019: £40.0m)*

Capital allocation and dividends

Effective deployment of capital to support growth ambitions

Organic Growth

- Allocation of capital to higher return markets
- Tight management of working capital
- £7.2m of H1 2020 capex allocated for growth investments

Acquisitions

- Continued financial capacity for acquisitions given strong cash generation
- Pipeline focused on growth markets and businesses we understand

Progressive Dividend

- 2020 Interim dividend: 9.2p per share
- Balanced decision based on current trading and outlook, potential growth opportunities and need to maintain prudent ratios
- Focus on maintaining sustainable and progressive dividend policy

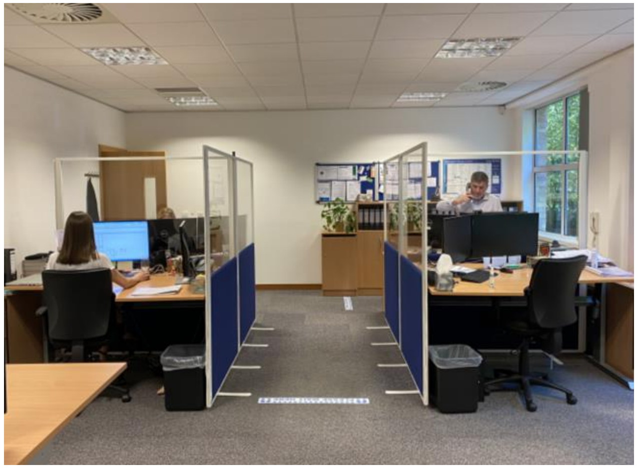
Group ROIC target range: 17% -20%

Derek Muir, Group Chief Executive Officer

- Operating a COVID-19 secure environment
  - Key growth opportunities
    - UK Road Investment Strategy 2 (RIS 2)
    - US road infrastructure spend
    - US Composites
  - Outlook

Operating a COVID-19 secure environment

- UK and US subsidiary businesses categorised ‘essential’
- Enhanced protocols in all facilities
- Compliant with Government guidance on managing the risk of COVID-19:
  - Risk assessments completed and results shared with employees
  - Cleaning, handwashing and hygiene procedures in place
  - All reasonable steps taken to help people work from home
  - Practical solutions implemented to maintain 2m social distancing in workplace
  - Protective screens installed where required
  - Temperature checking put into practice
  - PPE available to all staff
  - Track’n’Trace procedure implemented



Electronic 2m Safe Distance System

Key growth opportunities

- **ROADS & SECURITY**
  - UK Road Investment Strategy 2 - £27.4bn
  - Ageing US infrastructure
  - Collaborative security partnerships
  - Growth markets in data centres
  - Strong product development programme

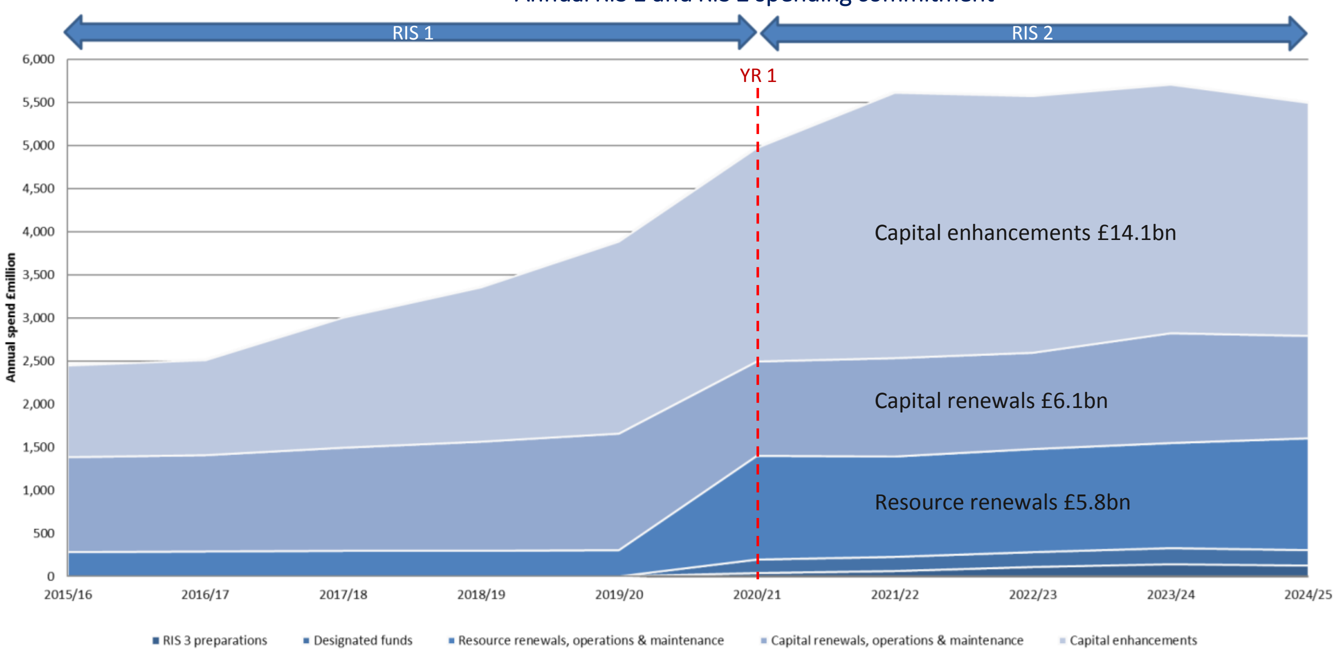
- **UTILITIES – Creative Composites Group**
  - Market expected to grow 8-10%
  - Product substitution / lightweight / corrosion resistant
  - Growing market for composite waterfront products
  - New applications in OEM markets
  - Significant opportunities in utility poles & cross-arms

- **GALVANIZING – V&S USA**
  - Growth in US infrastructure spend
  - Product substitution from paint (e.g. trailer chassis)
  - Increased footprint – New York site increases capacity
  - Acquisition opportunities
  - Focus on customer service to gain market share

UK Government Road Investment Strategy 2 (RIS 2)

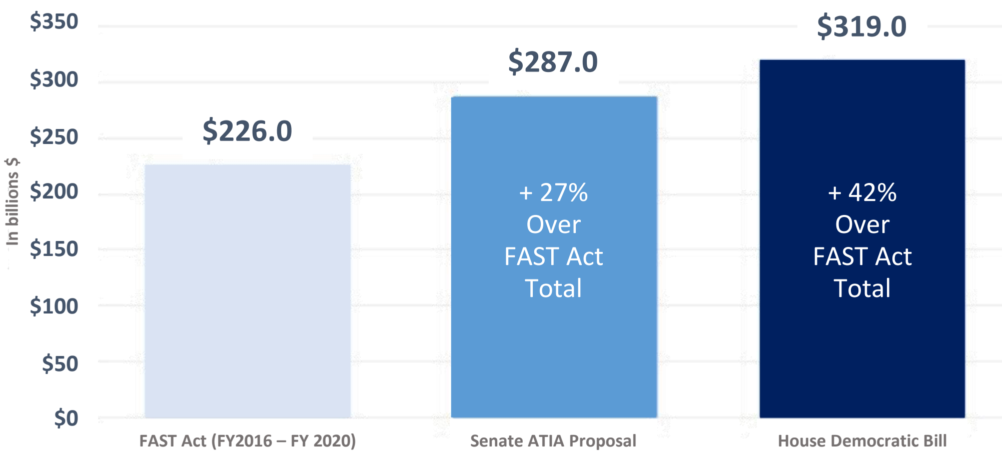
- UK Government commitment to ring-fence English Vehicle Excise Duty for roads spending, announcing National Roads Fund ('NRF') of £28.8bn between 2020-2025
- March 2020 Government publications:
  - Road Investment Strategy 2: 2020-2025 ('RIS 2')
    - total budget £27.4bn; £2.1bn more than originally anticipated
    - £450m for 1,000 miles of safety barrier replacement
  - Review of Smart Motorways Safety:
    - commitment from Government to new, shorter standard spacing for emergency stopping places, leading to increased demand for signs
    - scheme start dates deferred to Q1 2021
- July 2020: Transport Action Network challenge environmental legality of RIS 2 in High Court (Nov 2020)

Annual RIS 1 and RIS 2 spending commitment



US road infrastructure spend

Comparison of Federal-Aid Highway Proposals, FY 2020-FY 2025



Source: ARTBA FY 2021 Budget Analysis

ARTBA American Road & Transportation Builders Association

Federal

- 5-year FAST Act ends September 2020
- No agreement yet on new bill; likely 1-yr extension
- Bipartisan support for increase in spending
- Proposals range between 27% and 42% above FAST Act spend

State

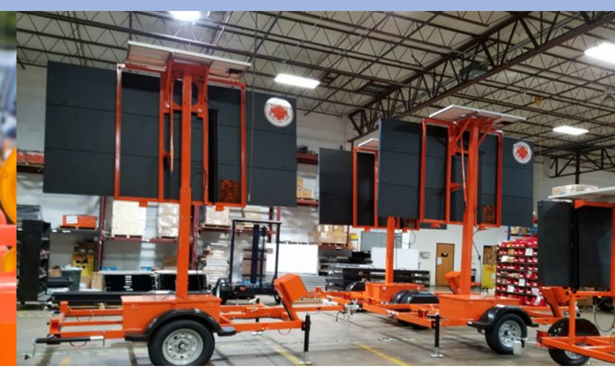
- States have increased fuel tax
- Highway Trust Fund receipts down by ⅓ in Q2 2020 due to reduced traffic volumes

MASH tested attenuators

Zoneguard

Work zone safety products

Portable VMS



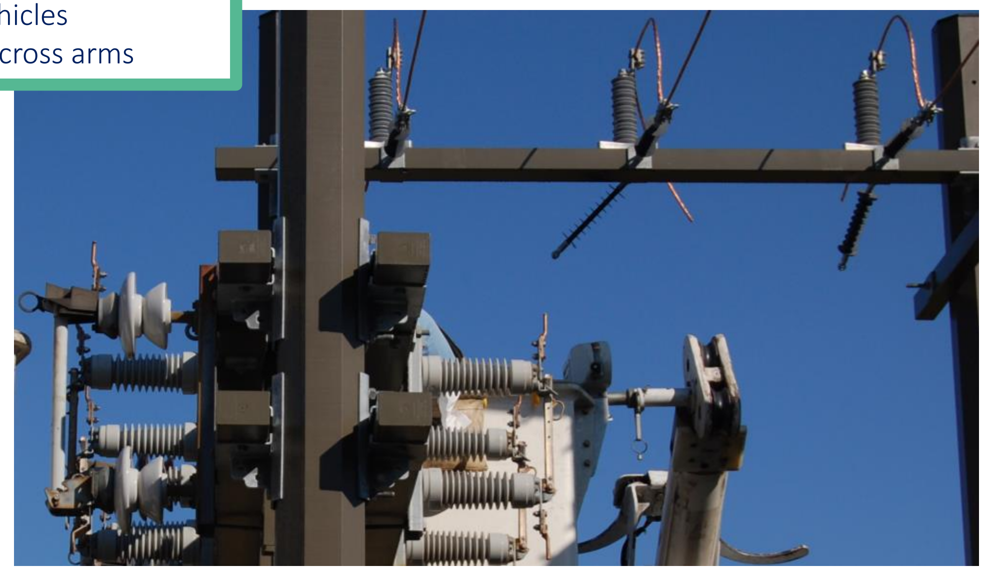
Composites – the benefits

- **Corrosion resistant**
  - will not rust, spall or rot
- **Lightweight**
  - 80% lighter than steel
- **High strength**
  - greater tensile strength than most grade steels
- **High dielectric strength**
  - reduction in electrocution hazards
- **Lower environmental impact**
  - will not leach and has a low embodied energy
- **Ease of fabrication**
  - can be assembled and modified with traditional tools
- **Energy absorbant**
  - absorbs significantly more energy than steel in impact applications

Composites – growth opportunities

Broad range of growth opportunities:

- Cooling towers
- Access walkways
- Waterfront protection
- Lightweight vehicles
- Utility poles & cross arms



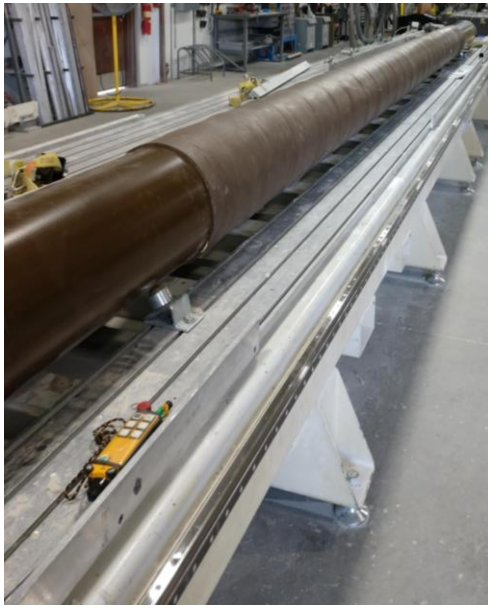
Composites case study: fire resistant utility poles

The issue:

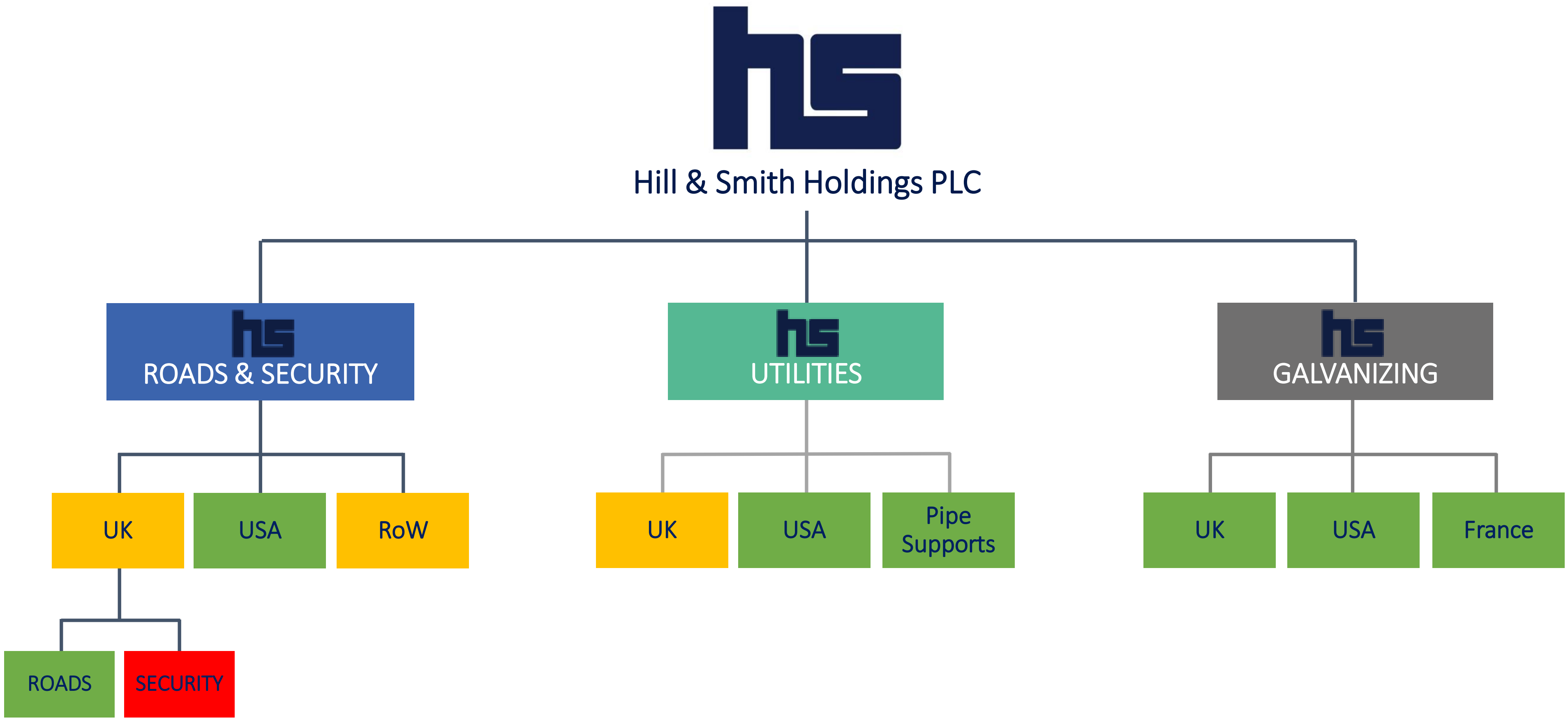
- Frequent damage to existing electricity poles caused by hurricanes and storms in the US
- Fallen poles resulted in wildfires across California in recent years
- Traditional wooden poles contribute to these issues
- State utilities looking for a high strength, fire-resistant alternative

Our solution:

- Creative Pultrusions has developed a fire-resistant composite pole to State specifications
- Pole incorporates an Endothermic Mat as part of a protective fire sleeve
- Product also incorporates a fire strength inspection system (patent pending)
- Technologies tested by independent labs; final approvals expected Q3 2020



Short term outlook (assuming end markets remain open)



COVID-19 market effect in the near term:

- Limited/no impact
- Some impact
- Significant impact

Longer term outlook

UTILITIES

- Gradual improvements in UK as market activity resumes
- Continued growth opportunities in US, particularly in Composites
- Pipe Supports stable; focussing on profitability and returns

ROADS & SECURITY

- 5-year RIS 2 underpins UK demand
- Growth opportunities in US market; well positioned for future spending bill
- Gradual progress in other international markets
- Longer term Security growth prospects remain strong

GALVANIZING

- UK: improvements in demand as end markets recover
- US: infrastructure outlook encouraging across our core markets
- France: market competitive; focus on pricing and efficiencies

"Outlook for infrastructure spend remains positive"

Appendices

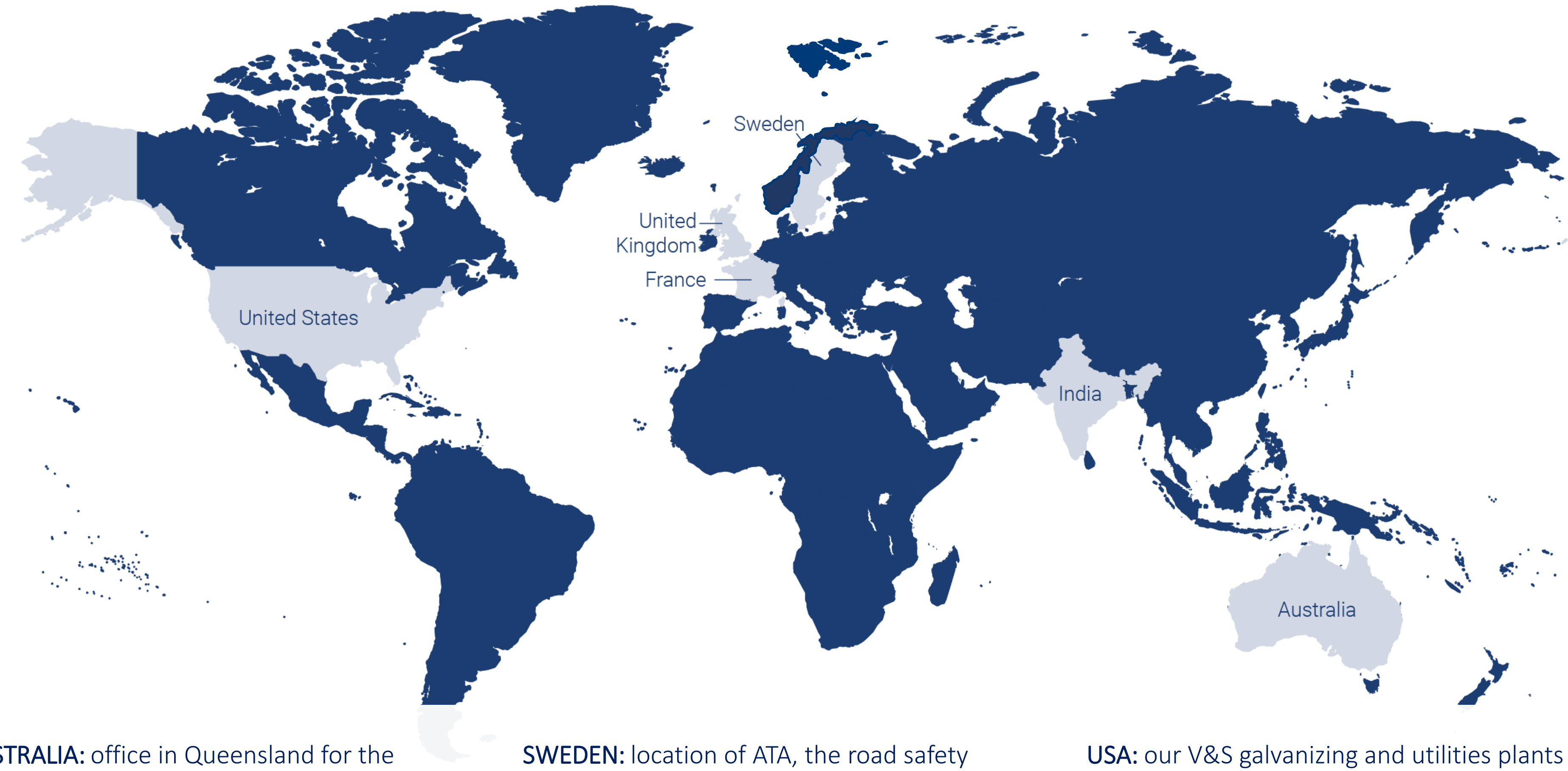
Growth strategy

- **Entrepreneurial culture**
  - Agile and entrepreneurial culture in business units
  - Decentralised management structure
  - Close to local market conditions; responsive to opportunities
- **Portfolio Management**
  - Active portfolio management to drive higher returns
  - Organic growth supplemented with complementary acquisitions to create new growth opportunities
  - Monitor businesses; restructuring or divestment
- **Geographical Expansion**
  - Leading positions in Infrastructure Products and Galvanizing Services; major presence in UK and US
  - Target geographies where Governments are investing in upgrades or renewals to infrastructure
- **Revenue Growth and Targeted Returns**
  - Mid-single digit organic revenue growth
  - Increase operating margins; Group target range 12% to 15%
  - ROIC target range 17% to 20%
  - Underlying cash conversion target 90%

Outcome

A strong track record, over many years, of profitable growth, cash generation and increasing returns to shareholders

Where we operate



AUSTRALIA: office in Queensland for the development of our wire rope and safety barrier products.

FRANCE: the base of France Galva and Conimast, where we have ten galvanizing plants and a lighting column business.

INDIA: manufacturing facility for pipe supports.

SWEDEN: location of ATA, the road safety barrier and signage business.

UK: head office and various locations covering our main infrastructure products businesses and network of galvanizing plants.

USA: our V&S galvanizing and utilities plants are situated on the East Coast along with the Bergen and Carpenter & Paterson pipe support businesses and the glass reinforced composite profiles business, Creative Pultrusions.

Total sites: 76

26 USA | 28 UK | 22 RoW

Financial framework

An organic and acquisitive growth strategy that maintains a strong margin and cash performance

- Strong cash generation & sustainable financial leverage
- Capital allocation to higher growth and return markets
- Acquisitions to enhance growth
- Progressive earnings and dividend growth

A disciplined strategy that delivers superior long term shareholder value

Financial targets

3% - 5%	Organic revenue growth
12% - 15%	Operating margins
17% - 20%	Return on invested capital
Cash	90% underlying cash conversion Net debt: EBITDA 1.5 – 2 times

Segment analysis

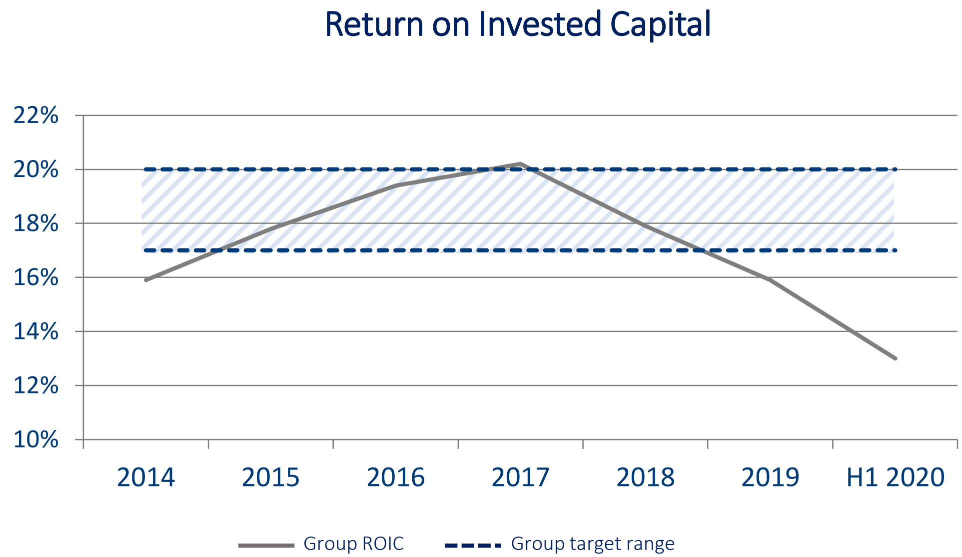
£m	H1 2020	Organic	M&A	FX	H1 2019*
Roads & Security					
Revenue	128.2	(11.5)	10.3	0.5	128.9
Underlying operating profit	4.3	(6.4)	(0.1)	0.1	10.7
Margin	*3.4%*				*8.3%*
Utilities					
Revenue	101.4	(7.8)	(4.6)	1.5	112.3
Underlying operating profit	8.2	(1.5)	0.3	0.2	9.2
Margin	*8.1%*				*8.2%*
Galvanizing					
Revenue	86.0	(13.4)	-	1.1	98.3
Underlying operating profit	14.3	(6.3)	-	0.3	20.3
Margin	*16.6%*				*20.7%*
Group					
Revenue	315.6	(32.7)	5.7	3.1	339.5
Underlying operating profit	26.8	(14.2)	0.2	0.6	40.2
Margin	*8.5%*				*11.8%*

Operating Margin

	Margin		
	H1 2020 %	H1 2019* %	Target Range %
Roads & Security	**3.4**	8.3	10 – 14
Utilities	**8.1**	8.2	7 – 10
Galvanizing Services	**16.6**	20.7	19 – 22
Group	**8.5**	11.8	12 – 15

- H1 2020 margin impacted by operational leverage on lower revenues
- Significant decline in Roads & Security margin mainly as a result of COVID-19 disruption to the security businesses where, despite additional revenue from prior year, underlying operating profits were substantially lower than prior period
- Utilities in line with prior year due to strong performance in US
- Galvanizing impacted by COVID-19 related closures and lower volumes
- Expected recovery in margin across all segments in H2

Return on Invested Capital



Group	12m to H1 2020	12m to H1 2019
Operating Profit (£m)	**72.9**	85.7
Av. Invested Capital (£m)	**560.2**	518.7
ROIC %	**13.0**	16.5

Divisional (%)	12m to H1 2020	12m to H1 2019*
Roads & Security	**7.1**	13.4
Utilities	**18.1**	18.6
Galvanizing	**16.8**	18.3

Note: ROIC is underlying operating profit divided by average invested capital. Invested capital is defined as net assets excluding current and deferred tax, net debt, provisions, retirement benefit obligations and derivative financial instruments.

Non-underlying items

£m	H1 2020	H1 2019
Operating items		
Acquisition costs	**(0.2)**	(0.7)
Amortisation of acquisition intangibles	**(3.1)**	(2.9)
Impairment of acquisition intangibles/other assets	**-**	(0.5)
Gain on disposal of assets held for sale	**-**	0.5
	(3.3)	(3.6)
Financing costs		
Net pension interest	**-**	(0.3)
Refinancing items	-	0.4
	(3.3)	(3.5)
Cash in year (net)	**-**	0.8
Future cash	**(0.2)**	2.7
Non cash	**(3.1)**	(7.0)
	(3.3)	(3.5)

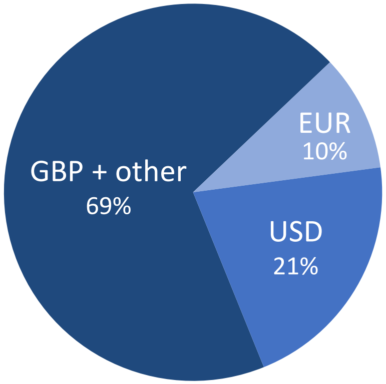
Availability and usage of debt facilities

£m	Net Debt	Facility
Committed	**183.4**	341.8
On demand	**-**	14.5
Cash	**(20.5)**	-
Net borrowings	**162.9**	356.3
IFRS 16	**36.3**	-
IFRS 9	**(3.8)**	-
Reported net debt	**195.4**	356.3

Maturity			
On demand	2020 to 2023	2024	2026 / 2029
	0.9	284.4	56.5
14.5			

193.4 total headroom

Net Debt by currency (exc. IFRS 16)



- **Principal debt facilities have long maturities**
  - Revolving credit facility in place until January 2024
  - Senior notes: $70m unsecured notes mature 2026/29
  - Average cost of debt at 30 June 2020 c.2.2%
- **Facilities provide significant headroom of £193.4m**
  - Net debt : EBITDA 1.7 times (covenant 3 times); Interest cover 15.7 times (covenant 4 times)
  - Target net debt: EBITDA range between 1.5 to 2.0 times

Foreign exchange sensitivities

	H1 2020	H1 2019	Change
Average rates			
Euro	**1.14**	1.15	↓ 1%
US$	**1.26**	1.29	↓ 2%
Closing rates			
Euro	**1.10**	1.12	↓ 2%
US$	**1.24**	1.27	↓ 2%

Ready reckoner for translation impact of FX rates movement

Sensitivity to +/- 1 cent move in:	Revenue	Operating profit
Euro	+/- £0.6m	+/- £40k
US$	+/- £2.0m	+/- £370k

Impact on H1 2020	Revenue	+ve £3.1m or 1%
	Operating profit	+ve £0.6m or 2%

Projection for FY 2020*	Revenue	+ve £1.1m or 0.2%
	Operating profit	-ve £0.2m or -0.2%

** Compares impact on 2019 results of using exchange rates at 29 July 2020 (principally £1 = $1.29 and £1 = €1.10) versus average exchange rates for 2019*

Disclaimer

Cautionary statement

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