



A diversified industrial engineering company

Building a platform for growth

Results for the year ended 30 March 2019

Strategic & Operational review

Summary

- Good financial performance & significantly improved financial position
 - Completion of \$270m pension scheme buyout de-risks balance sheet
 - Cash surplus \$5.2m net of tax from pension scheme windup now returned to the Group
 - Continued improvement in revenue and profit growth
- Moving up the value chain
 - Continued focus on operational efficiencies and increased operational flexibility
 - Sustainable profit growth supported by investment in product innovation and higher value customer offering across both divisions
 - Post-period acquisition of Control Micro Systems significantly enhances customer offering in growing global laser market
- Positive outlook
 - Launch of new European Technology Centre reflects strategic focus on product innovation
 - Revenue visibility underpinned by an improved orderbook, up 6.5%
 - Recommended final dividend of 0.5p per share reflects Board's confidence for the future

Group activities



- TWO REPORTING DIVISIONS
- STRONG OPERATING BRANDS
- DIVERSIFIED END MARKETS
- LOYAL, BLUE CHIP CUSTOMERS
- BROAD PRODUCT PORTFOLIO
- GLOBAL DISTRIBUTION NETWORK
- REPUTATION FOR QUALITY
- EXTENSIVE CUSTOMER SERVICE OPERATION
- EXPERIENCED MANAGEMENT

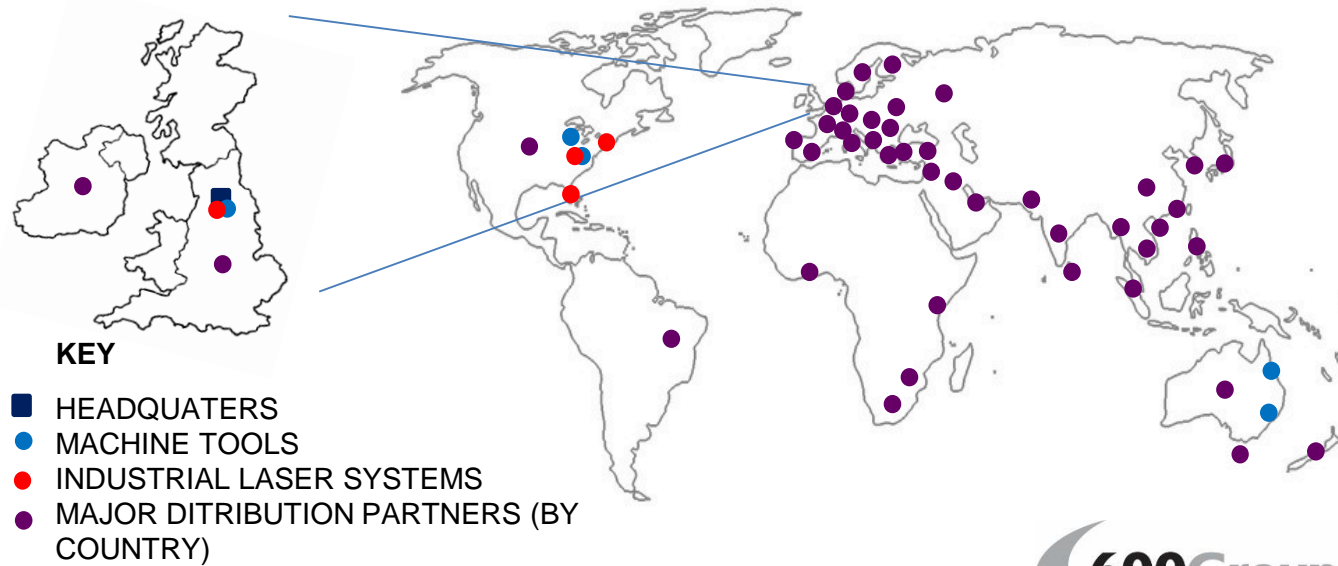
MACHINE TOOLS AND PRECISION ENGINEERED COMPONENTS
(70% revenue, 58% operating profit)



INDUSTRIAL LASER SYSTEMS
(30% revenue, 42% operating profit)



Automotive Transport Aerospace Oil & Gas Industrial Military/Defence Education



Building a platform for growth

De-risking the business – progress and priorities

- UK restructuring and cost base rationalisation
- Completion of \$270m pension scheme buy-out
- De-risking cyclicalities by targeting non-discretionary, recurring revenue streams

Growth agenda

- Leverage strong global brands into new geographies and growth markets
- Active approach to new product development across both divisions
- Enhance direct sales and distribution resource to support organic growth
- Opportunities for Divisional operational and distribution synergy benefits
- Fragmented market provides targeted acquisition opportunity

Divisional overview

Machine Tools: World-recognised operating brands

- Recognised world wide brands
- 100,000 machines in operation globally
- Direct sales in Europe / North America / Australia
- Distribution in 50 countries
- Over 400 distributors in North America

Metal cutting



Precision components



Spares and service

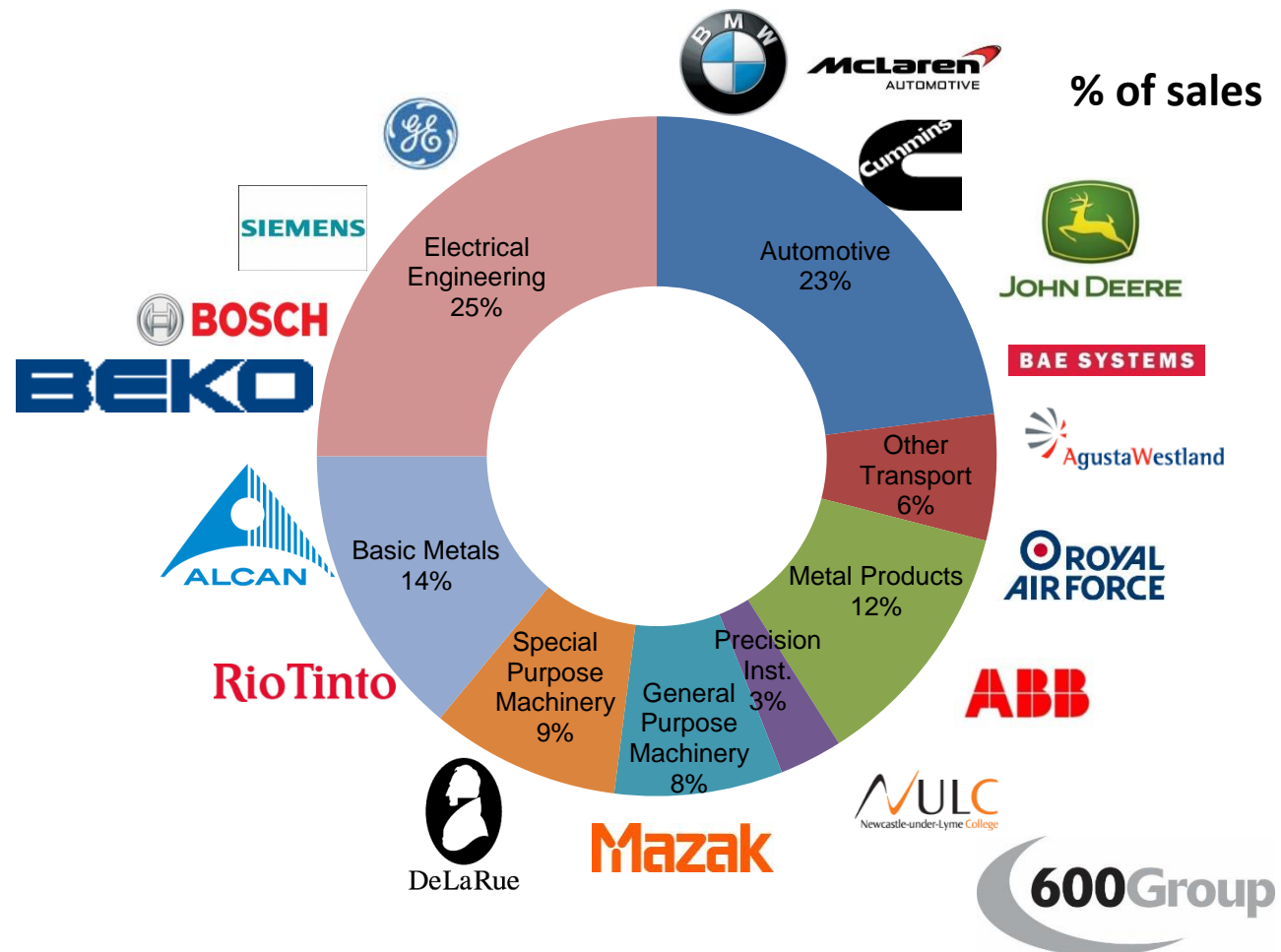


UK & USA Spares & Service



Supplying world class customers across diverse end markets

- Serving a broad customer base
- High degree of loyalty
- Top 10 customers represent less than 25% of revenues



Targeting growth

Strong market fundamentals:

- Large global market (and growing) - \$79bn annual market with growth projection to over \$99bn by 2022
- Structural evolution of machine tool industry driven by technology advances
- Capital good innovation central to global economic growth

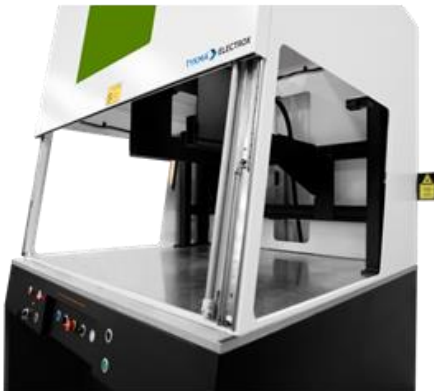
Growth strategy:

- Enhanced and new product development within existing markets
- Product extension into new geographies/ high growth emerging markets
- Increased focus on international markets to leverage brand strength
- Enhance direct sales and distribution resource to support organic growth
- Grow high margin parts and services revenue stream

Industrial Lasers

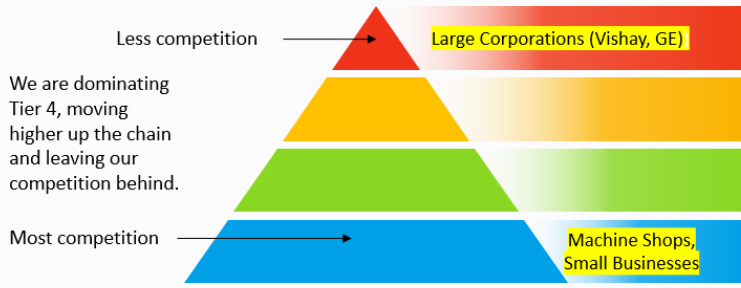


- Industrial Laser Systems provide a technologically superior alternative to traditional techniques
- Applications include marking, engraving, drilling, welding and cutting
- Broad addressable market across a wide range of industries including medical, aerospace and pharmaceutical

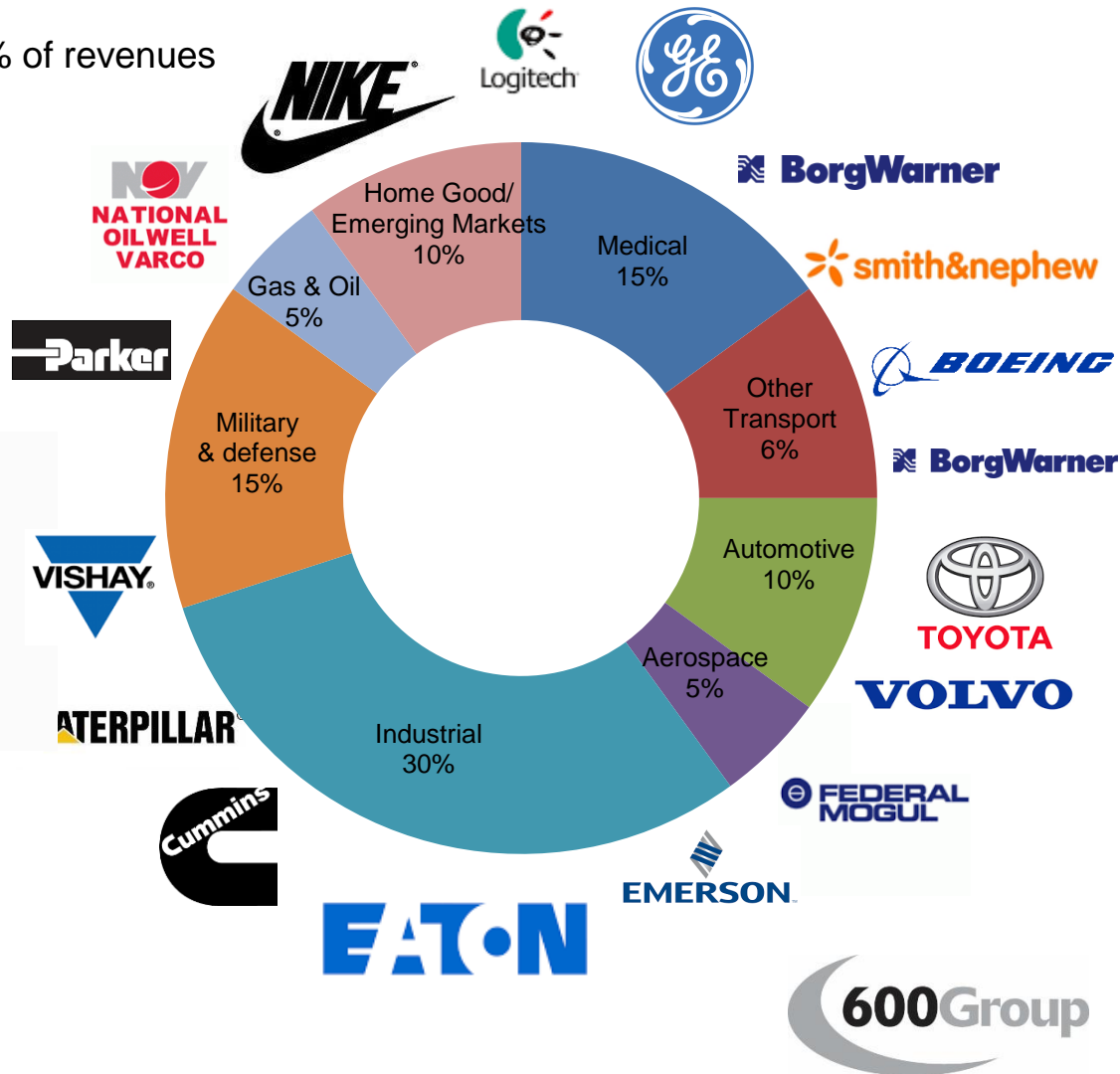


Supplying world class customers across diverse end markets

- Serving a broad customer base
- High degree of loyalty
- Top10 customers represent less than 27% of revenues



Driving market penetration across the value chain - tier 4 to tier 1



Strong drivers underpin growth

Strong market drivers

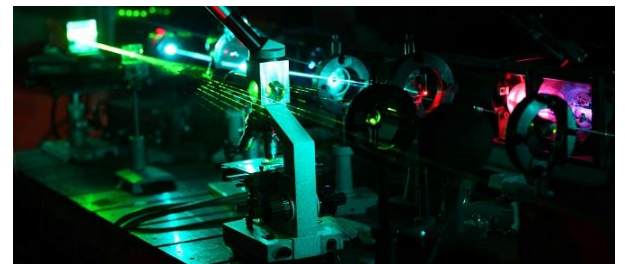
- Increase regulation around product traceability
- Environmental agenda driving reduction in consumables
- Product superiority versus traditional alternatives: permanence, durability, cosmetics and cost effectiveness
- Increasing adoption across a growing range of industry sectors

Growth strategy

- Develop global customer base through distributor expansion
- Extensive product development programme
- Target new industry segments
- Move up the customer value chain – tier 4 to tier 1
- Product extension into new geographies/ high growth emerging markets
- Highly fragmented global market provides M&A opportunity

Acquisition of Control Micro Systems Inc.

- Post-period acquisition of Control Micro Systems Inc.
- CMS provides turnkey, custom-designed and fully-automated laser process machines and systems
- Diverse base of US and international blue-chip customers
- Industry-leading positions in the high-growth precision medical equipment, pharmaceutical and aerospace sectors
- Cross-selling potential through the Group's established sales platform and marketing capability
- Robotic and vision capabilities
- Total consideration of \$10m (\$9m cash, \$1m shares)
- Turnover of \$11.6m generating Pre-tax \$1.2m in year to December 2018 and gross assets of \$7m including \$3.1m in cash.



Financial review

Neil Carrick

Financial priorities to support growth

- Maintain robust management of working capital
- Expand margins through higher margin product mix
- Reduce indebtedness - on an annual declining trend
- Balance shareholder returns with investment in growth

Summary

- Continued improvement in revenue and profit growth
 - Revenue from continuing operations up 1.9% to \$65.2m (2018: \$63.9m)
 - Underlying* operating profit up to \$5.3m (2018: \$1.8m)
 - Gross margin improved 7% to 36.1% (2018: 33.7%)
 - Underlying* pre-tax profit up to \$4.1m (2018: \$0.6m)
- Completion of \$270m pension scheme buyout de-risks balance sheet
- Cash surplus \$5.2m net of tax from pension scheme windup now returned to the Group
- Group order book up 6.5%, providing good visibility
- Recommended final dividend of 0.5p per share

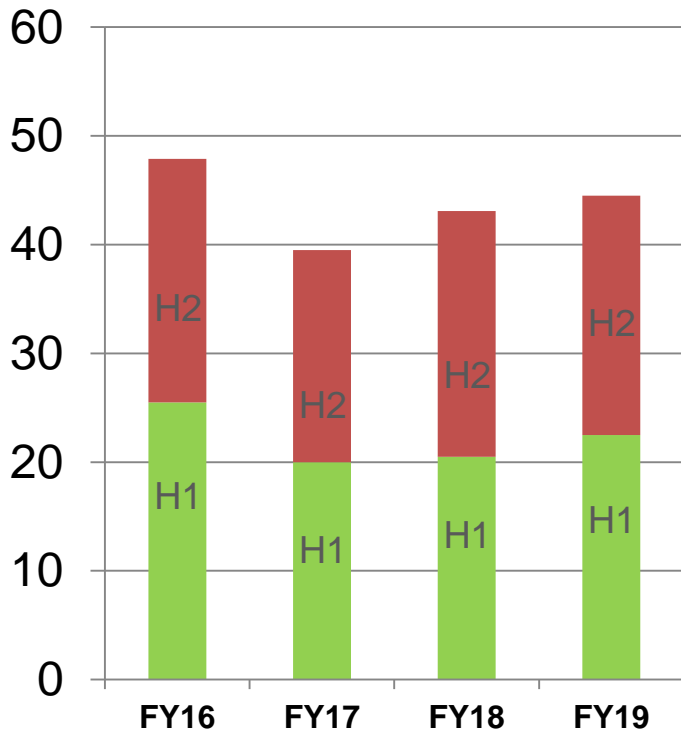
Loan notes & warrants

- The £8.5m of 8% loan notes entitle holders to warrants at 20p
- There are 43.95m warrants outstanding
- Loan notes mature and warrants expire 14th February 2022
- Loan notes will be covered by funds from investors exercising warrants or the 600 Group will re-finance the loan
- If warrants are exercised the Group would save loan note interest of £680k pa and with no tax effect (due to substantial carry forward losses in the UK) the net effect on EPS is a little over 12% dilution if all warrants are exercised
- A large percentage (over 2/3rds) of the warrants (over 29m) are owned by institutional holders/ existing shareholders. These investors are more likely to retain these shares and if this were the case there is only likely to be about 10% of total share capital becoming liquid

Machine Tools division financials

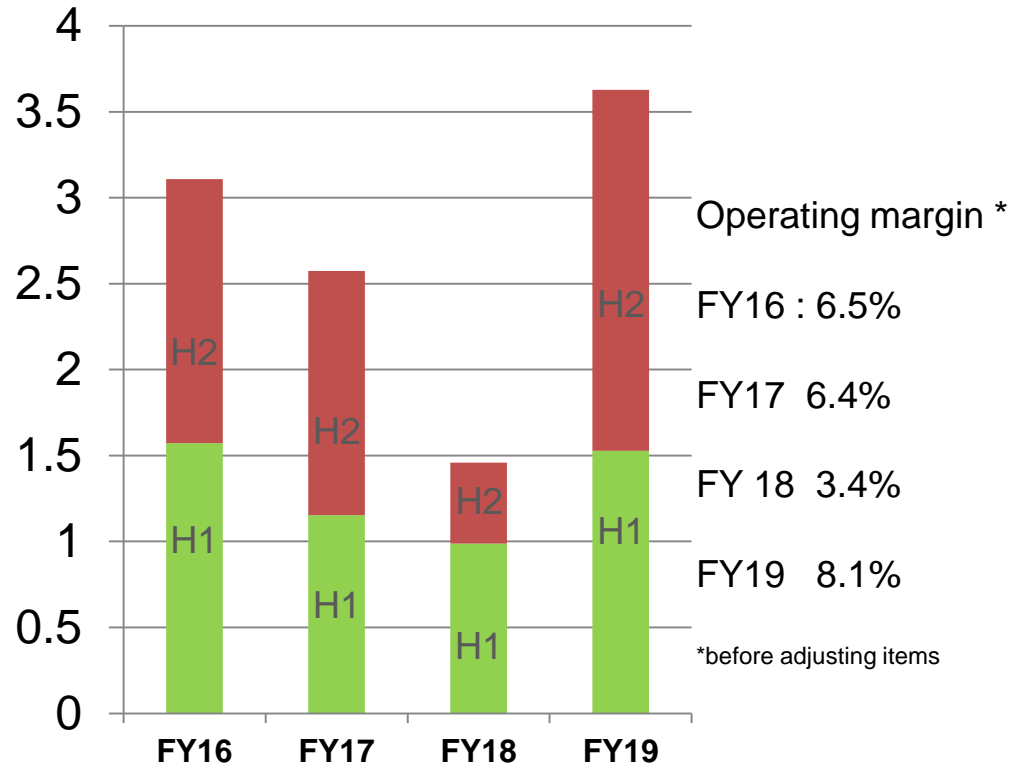
REVENUE - FY16 to FY19

\$m (years to end of March)



EBIT – FY16 to FY19

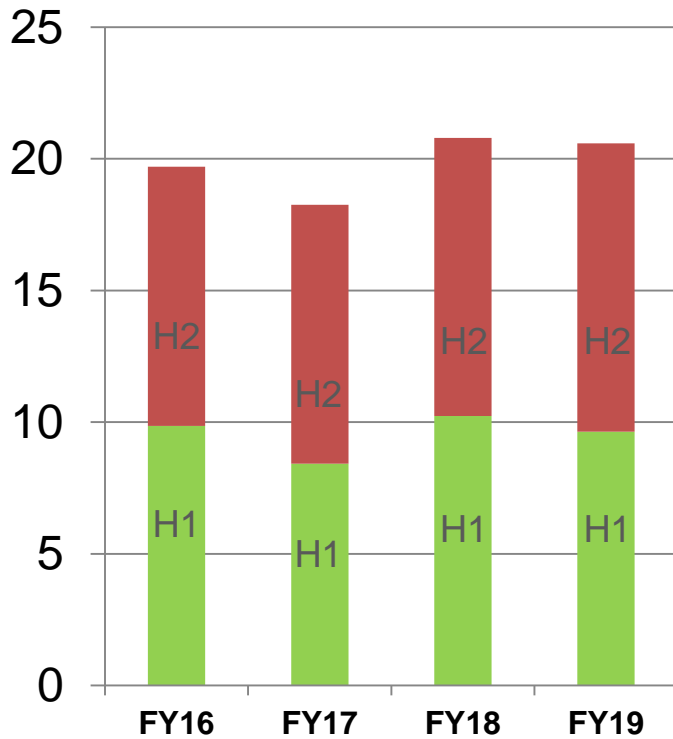
\$m



Industrial Lasers division financials

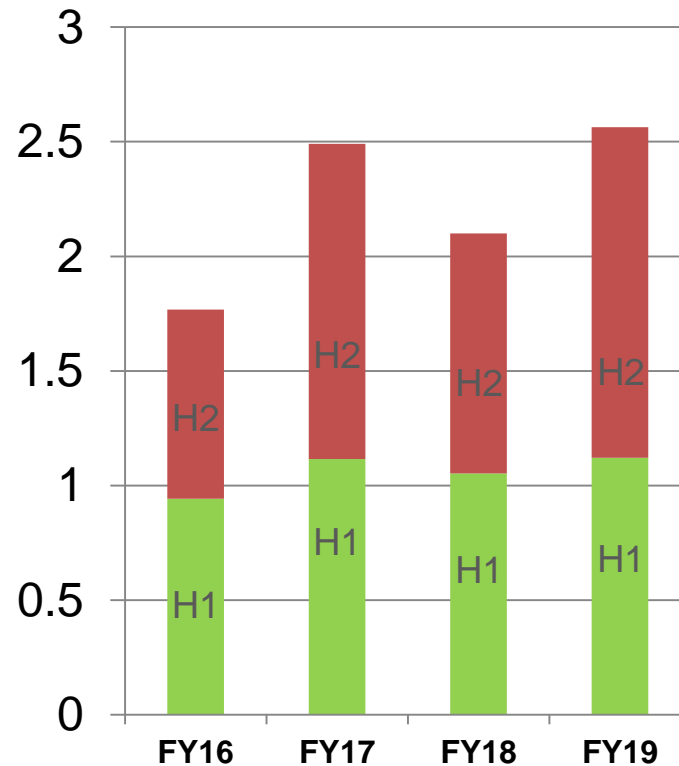
Revenues – FY16-FY19

\$m (years to end of March)



EBIT – FY16 to FY19

\$m



Operating margin*

FY16: 8.9%

FY17 13.6%

FY18 10.1%

FY19 12.4%

*before adjusting items

Consolidated income statement

\$m	FY19 \$m	FY18 \$m	
REVENUE	65.17	63.94	
GROSS PROFIT*	23.53	21.58	
GROSS MARGIN*	36.1%	33.8%	
OPERATING PROFIT*	5.26	1.78	
OPERATING MARGIN*	8.1%	2.78%	
Bank and loan note interest	(1.20)	(1.18)	
ADJUSTED PBT*	4.06	0.60	
OTHER ITEMS (including ProPhotonix profit \$1.26m 2018)	0.29	2.71	
TAXATION	(0.12)	(0.71)	
NET PROFIT FOR THE PERIOD	4.23	2.60	
Basic Earnings per share (c)	3.75	2.38	
Underlying earnings per share (c)*	3.53	1.03	
Underlying earnings per share (p)* equivalent	2.69	0.79	
*from continuing activities, before adjusting items			

Gross margins up 2.3%

Operating margins up 5.3%

Adjusted PBT up 577%

Underlying EPS up 243%

Statement of financial position

\$m	March 19	March 18
FIXED ASSETS & DEVELOPMENT COSTS	4.54	4.52
Assets held for sale – Gamet property and assets	1.11	-
GOODWILL	10.33	10.33
NET PENSION SURPLUS - UK (Net of associated deferred taxation)	4.85	35.31
NET PENSION / RETIREE HEALTH DEFICIT -USA (Net of associated deferred taxation)	(0.98)	(0.97)
WORKING CAPITAL		
Inventory	19.03	19.96
Receivables	9.16	9.73
Payables	<u>(8.10)</u>	<u>(9.20)</u>
	<u>20.09</u>	<u>20.49</u>
NET DEBT		
Cash & cash equivalents	0.95	1.68
Bank and financial leases	(5.97)	(5.99)
Loan Notes	<u>(9.52)</u>	<u>(11.29)</u>
	<u>(14.54)</u>	<u>(15.60)</u>
OTHER ASSETS (NET)	<u>4.24</u>	<u>4.51</u>
NET ASSETS	<u>29.64</u>	<u>58.59</u>

\$0.6m investment in Laser software upgrade and \$0.5m on new UK site

Gamet assets at realisable value – expected conclusion September 19

IAS accounting figure reduced to expected net proceeds – actual receipt \$5.2m in May 19

Loan notes extended by 2 years to 2022 – amortisation adjusted

Cash flow statement

\$m	FY19	FY18	
PROFIT FOR PERIOD	3.13	2.91	
ADJUSTMENT FOR NON CASH ITEMS	1.67	0.91	
WORKING CAPITAL AND OTHER ITEMS	(1.55)	(2.17)	
TRADING CASH FLOW	3.25	1.65	
INTEREST AND TAXATION PAID	(1.36)	(1.18)	
OPERATING CASH FLOW	1.89	0.47	
INVESTING ACTIVITIES	(1.49)	(0.50)	
SALE OF PROPHOTONIX	-	1.97	
EQUITY RAISED	-	1.52	
DIVIDEND PAID	(1.10)	-	
DEBT DRAWN / (REPAID)	0.06	(3.04)	
NET CASH FLOW	(0.64)	0.42	
DEBT FINANCING	(0.06)	3.04	
FX MOVEMENTS/ LOAN AMORTISATION	1.76	(1.97)	
MOVEMENT IN NET DEBT	1.06	1.49	

Continuing businesses stock and trade debtors largely unchanged
Other creditor reduction due to payment of redundancy & restructuring costs

Summary & outlook

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Q&A

Appendix

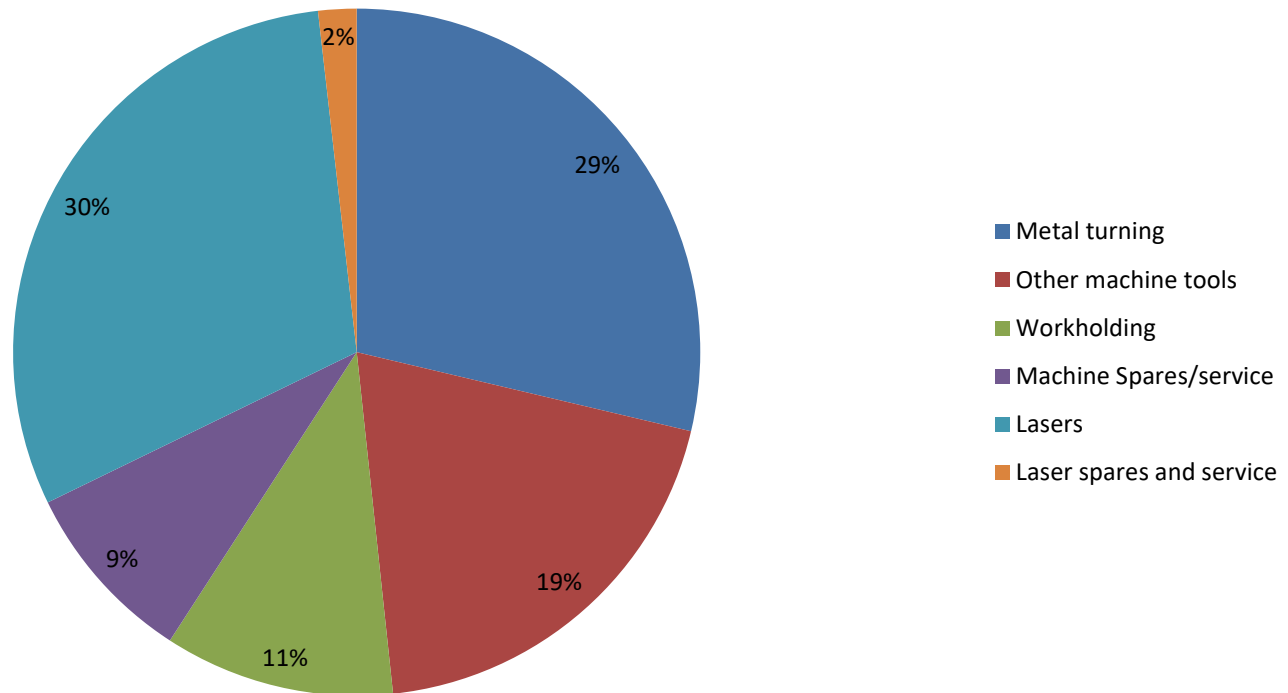


Board of Directors

- **Paul Dupee**
Appointed to the Board as a non-executive Director on 2 February 2011, appointed Chairman on 14 September 2011 and appointed Executive Chairman on 30 April 2015. A private investor and currently Managing Partner of Haddeo Partners LLP. He has been involved in the management of both public and private companies in the USA and UK over many years and has extensive experience in corporate transactions
- **Neil Carrick**
Appointed to the Board as Group Finance Director on 3 October 2011. Previously Group Finance Director and Company Secretary of Cosalt plc. He has over 29 years' experience at board level in a finance role in public companies with overseas operations and has substantial experience in corporate transactions.
- **Derek Zissman***
Appointed to the Board as a non-executive Director on 2 February 2011 and the senior non-executive Director. Currently a non-executive director of a number of companies including Amiad Water Solutions Ltd (AIM Listed), Sureserve Group plc (AIM listed) and HelloFresh SE (listed on the Frankfurt SE). He was a previous Vice Chairman of KPMG LLP and has considerable experience in both public and private companies throughout the World and extensive City and private equity experience.
- **Stephen Fiamma***
Appointed to the Board as a non-executive Director on 13 May 2015. Until 2014 he was a partner in the tax practice of Allen & Overy LLP and has significant experience of multinational tax planning, particularly involving the USA.
- **Stephen Rutherford***
A non-executive Director since 1 October 2007. Managing Director of Neofil Limited and Cares UK Limited. He is a Chartered engineer by background and has managed several multinational engineering and manufacturing companies and has extensive experience in the Far East, where a substantial proportion of the Group's suppliers are based.
- * Non-executive Director and member of the Audit Committee and member of the Remuneration Committee.

Group revenues by product range

- **FY 19 % of total Revenues**



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