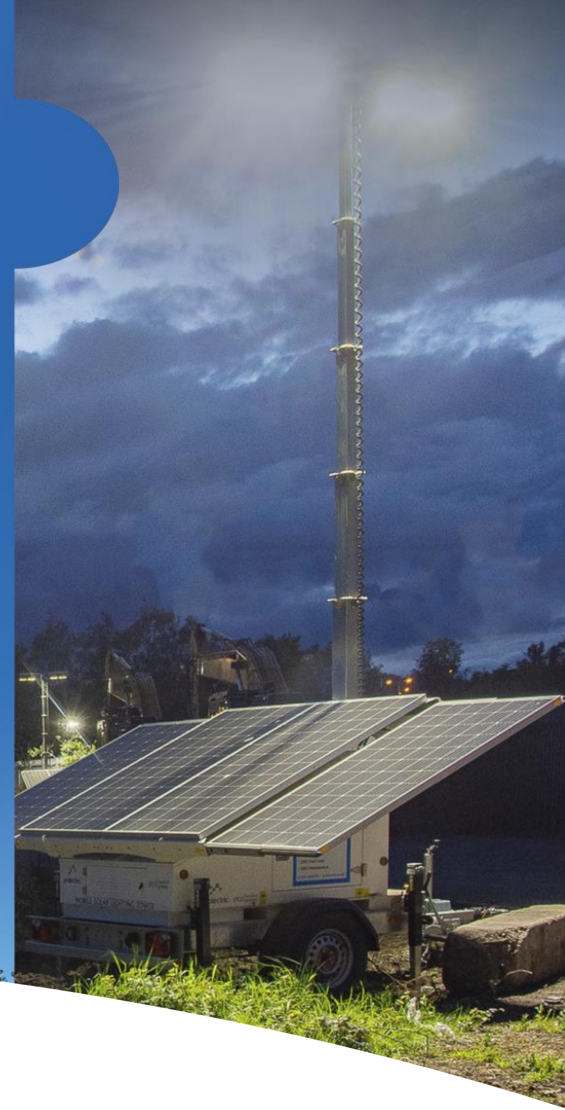


H1 2023

Hill & Smith PLC

9 August 2023

Interim Results
for the six months ended 30 June 2023

HIGHLIGHTS

Record H1 trading performance

- Reflects strong momentum in our US businesses
- Revenue +9%, operating profit +20% on an organic constant currency basis
- Operating margin +240bps to 14.9%

Value enhancing acquisitions

- £38.5m deployed on two acquisitions
- 2022/23 acquisitions performing well
- Continued progress on building M&A pipeline

Strong cash generation

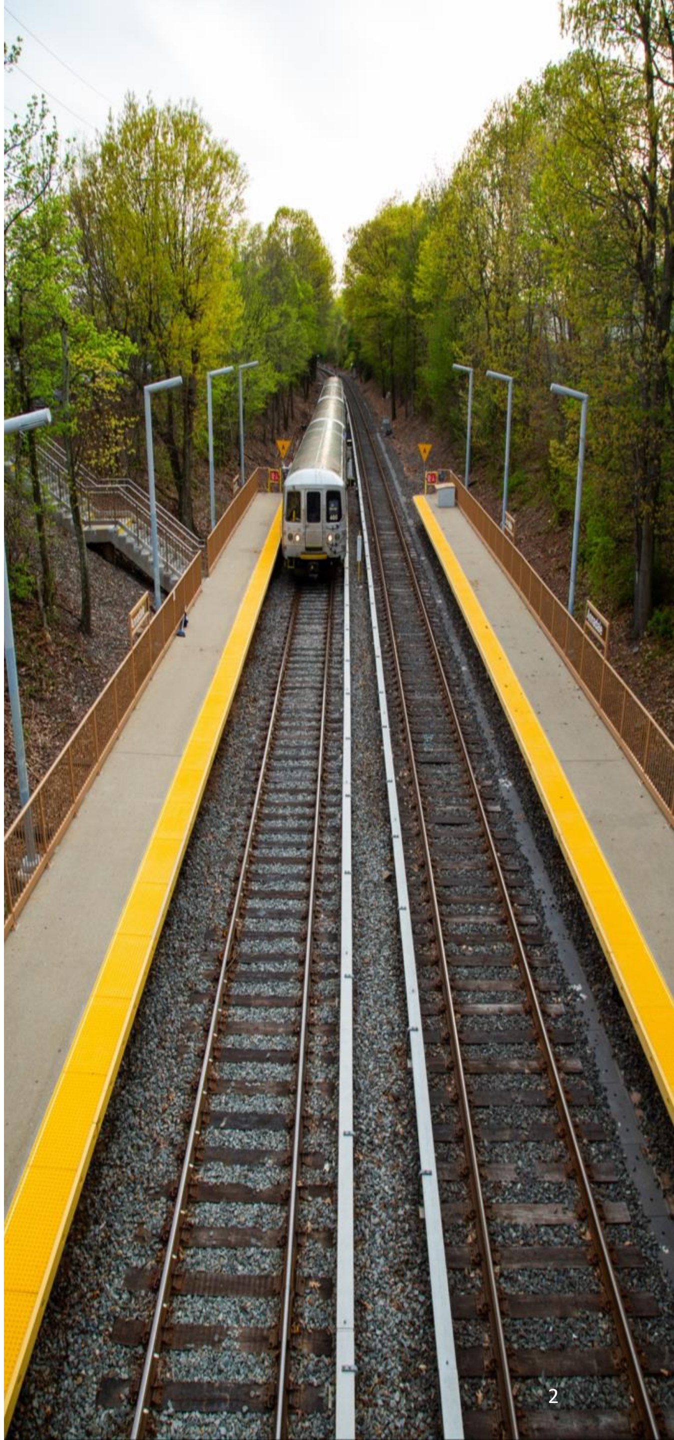
- 87% cash conversion
- Covenant leverage: 0.7 times, substantial M&A firepower

Interim dividend of 15p

- 15% increase vs H1 2022

Positive outlook

- Supported by broad based US industrial growth drivers
- FY2023 operating profit expected to be modestly ahead of current market consensus*
- Full year expected to be first half weighted



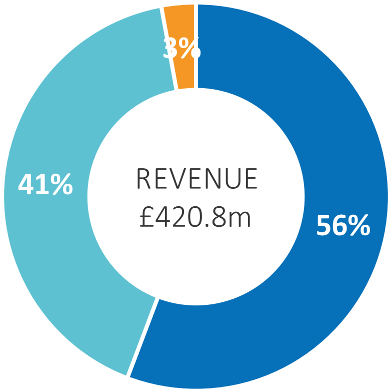
** The current company compiled analyst consensus expectation for FY23 is for underlying operating profit of £111.8m with a range of £110.2m-£112.8m*

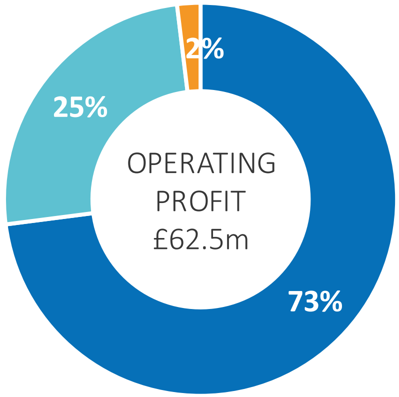
H1 2023 RESULTS
A RECORD FIRST HALF PERFORMANCE

	2023	2022	Reported	Constant Currency	OCC
Continuing Operations					
Revenue	**£420.8m**	£349.9m	***+20%***	***+17%***	***+9%***
Operating profit	**£62.5m**	£43.6m	***+43%***	***+38%***	***+20%***
Operating margin	**14.9%**	12.5%	***+240 bps***		
Profit before tax	**£57.2m**	£40.2m	***+42%***		
Earnings per share	**53.6p**	38.7p	***+39%***		
Total Group					
Earnings per share	**53.6p**	43.2p	***+24%***		
Dividend per share	**15.0p**	13.0p	***+15%***		

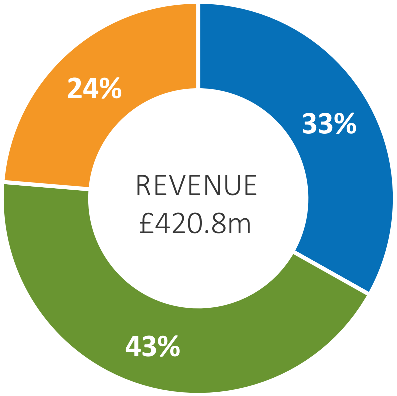
GROUP OVERVIEW
INCREASING IMPORTANCE OF US END MARKETS

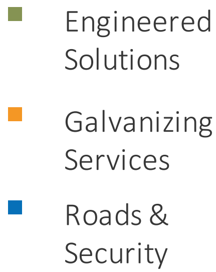
By geography

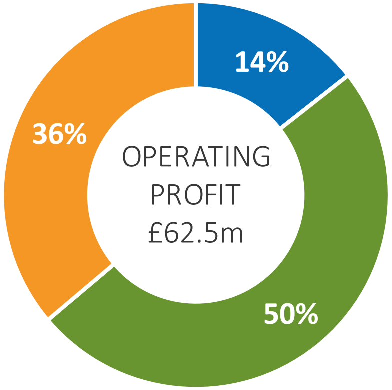




By division







ENGINEERED SOLUTIONS

	2023	2022	Constant Currency	OCC
Revenue (£m)	**181.7**	136.5	+29%	+17%
Operating profit (£m)	**30.9**	14.1	+106%	+89%
Operating margin	**17.0%**	10.3%		

Highlights

- Standout performance driven by US growth
- Operating margin +670bps reflecting volume growth and improved portfolio mix

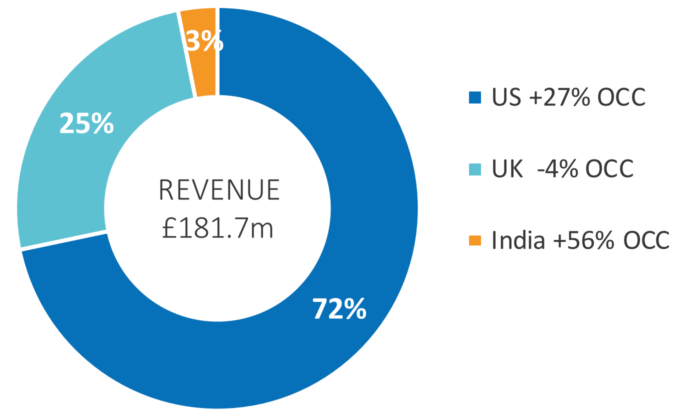
US

- Composite business delivered record results
- Enduro Composites, recent acquisition, trading ahead of expectations
- Strong structural steel demand for electricity substation projects
- **Outlook:** positive, supported by grid modernisation, multi-year government spend and onshoring

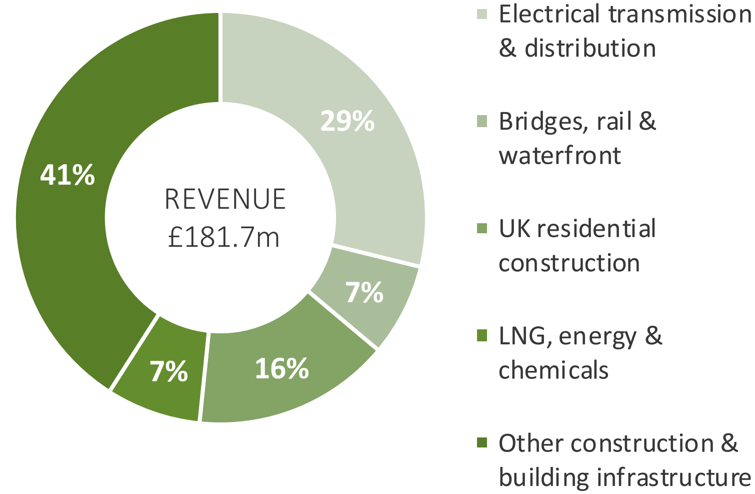
UK

- Industrial Flooring delivered resilient performance
- Lower building product volumes offset by price and cost efficiency
- **Outlook**: mixed, some weakness expected to continue in UK construction/housebuilding

By geography



By end market



GALVANIZING SERVICES

	2023	2022	Constant Currency	OCC
Revenue (£m)	**99.6**	84.5	+14%	+10%
Operating profit (£m)	**22.6**	21.4	+1%	-2%
Operating margin	**22.7%**	25.3%		

Highlights

- Robust performance supported by US growth
- Division continues to deliver superior margins, in line with our expectation

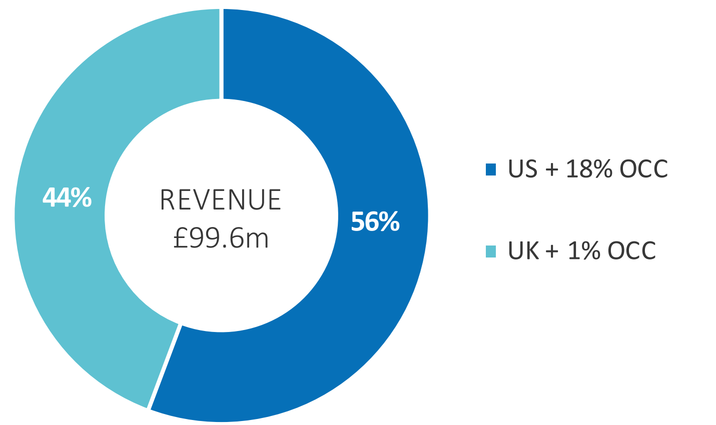
US

- Strong performance with organic volume growth of 15%
- Integration of Korns, H1 acquisition, going well
- **Outlook:** positive, business is well placed to benefit from high industrial activity supported by IIJA, technology investment and onshoring

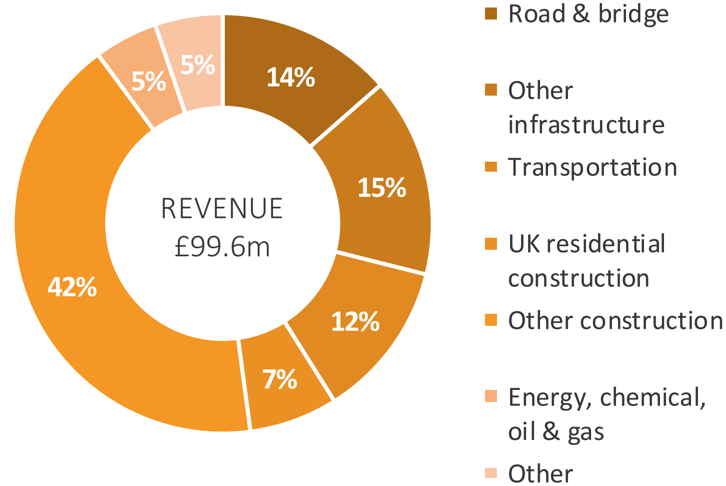
UK

- Organic volume decline of 19% offset by pricing actions
- Widnes trading ahead of expectations
- **Outlook**: certain end markets challenging with business focusing on more resilient growth sectors

By geography



By end market



ROADS & SECURITY

	2023	2022	Constant Currency	OCC
Revenue (£m)	**139.5**	128.9	+7%	-2%
Operating profit (£m)	**9.0**	8.1	+15%	-49%
Operating margin	**6.5%**	6.3%		

Highlights

- Growth driven by strong trading in National Signal

UK Roads

- Improved performance in barrier rental business
- Slowing project activity in wider UK portfolio
- **Outlook:** challenges expected to continue into 2024

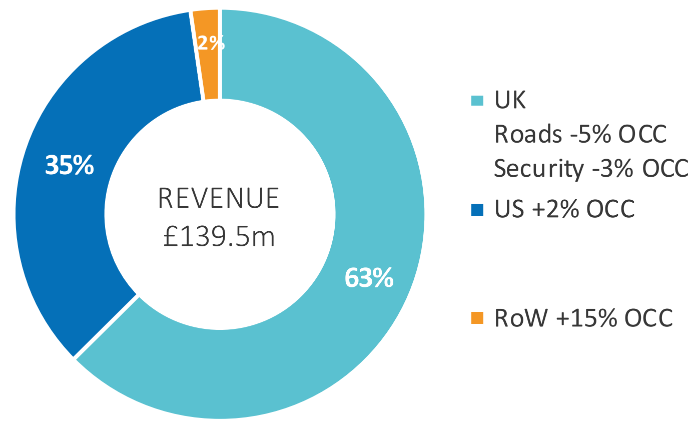
US

- National Signal, H2 2022 acquisition, performing ahead of expectations
- US road business margin impacted by restructuring costs
- **Outlook**: positive, with demand underpinned by government investment and expected boom in infrastructure projects

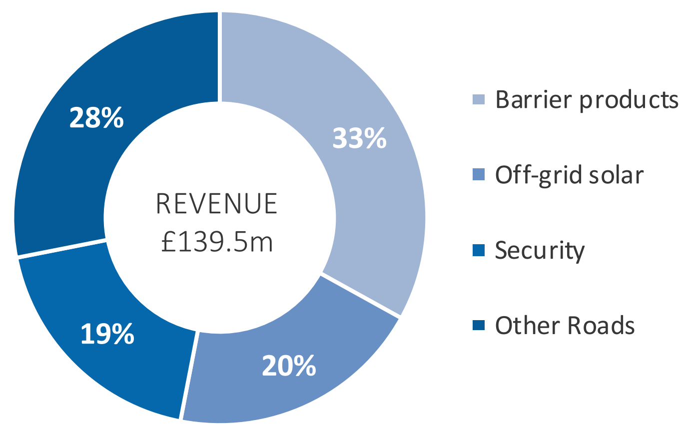
Security

- Resilient performance
- **Outlook:** focus on higher growth end markets

By geography



By product



CASH GENERATION
AND FINANCIAL POSITION

Strong H1 cash conversion at 87%

- Improved working capital efficiency
- Capital investment to maintain and grow: £12.3m
- FY 2023 cash conversion forecast to be c.85-90%

Free cash flow £34.8m

- Supporting acquisition strategy and dividend policy

Allocation of capital to value enhancing acquisitions

- H1 2023: £38.5m consideration across two acquisitions
- Enduro Composites: £29.0m, Korns Galvanizing: £9.5m

Significant liquidity headroom and leverage capacity

- Covenant net debt to EBITDA: 0.7 times
- £217.8m facility headroom

Return on invested capital at 21.3%

£m	H1 2023	H1 2022
Total Group* operating profit	**62.5**	48.4
Depreciation and amortisation	**15.1**	15.7
Underlying EBITDA	**77.6**	64.1
Working capital	**(7.2)**	(41.5)
Capital expenditure (net)	**(12.3)**	(17.0)
Repayments of lease liabilities	**(4.6)**	(4.9)
Movements in provisions / other	**1.0**	0.4
Underlying operating cash flow	**54.5**	1.1
Underlying cash conversion	***87%***	*2%*
Restructuring spend (net)	**1.9**	(0.9)
Pension deficit payments	**(1.9)**	(1.9)
Interest paid (inc. IFRS 16)	**(4.8)**	(2.6)
Tax paid	**(14.9)**	(8.1)
Free cash flow	**34.8**	(12.4)
Dividends	**(10.4)**	(9.6)
Acquisitions/disposals	**(42.6)**	1.5
Lease movements under IFRS 16	**1.6**	4.7
Share issues/other (net)	**0.3**	0.9
Net cash flow	**(16.3)**	(14.9)
FX impact	**3.9**	(5.9)
Net debt	**132.1**	165.5

*Total Group included both continuing operations and France Galva in 2022

ESG FOCUS AREAS
PLANS PROGRESSING

Sustainability is a structural growth driver for our business

Our commitment to Net Zero

- Successful baseline and validation of Scope 3 emissions
- Submission of near and long term SBTi targets
- Commitment to be Net Zero across value chain by 2050, and for Scope 1 & 2 by 2040
- Continued focus on local energy saving initiatives and refinement of decarbonisation roadmap

Our SBTi commitments

Near-term (by 2032):

- We commit to reduce absolute Scope 1 & 2 emissions by 55% from a 2020 base year
- We also commit to reduce Scope 3 emissions by 60% per £million operating profit from a 2022 base year

Long-term:

- By 2040, we commit to reduce absolute Scope 1 & 2 emissions by 90% from a 2020 base year
- By 2050, we commit to reduce Scope 3 emissions by 97% per £million operating profit from a 2022 base year

PROTECTING THE WORLD

ESG FOCUS AREAS:

1. Greenhouse gas emissions and energy efficiency
2. Sustainable products

UN SDGs

SAVING AND ENHANCING LIVES

ESG FOCUS AREAS:

3. Health & safety
4. Talent and engagement
5. Diversity and inclusion

UN SDGs

SUSTAINABLE GOVERNANCE

ESG FOCUS AREAS:

6. Climate risks (TCFD)
7. Ethical conduct

UN SDGs

FINANCIAL FRAMEWORK

THROUGH THE CYCLE

	FRAMEWORK	FY 2022	H1 2023
ORGANIC REVENUE GROWTH	5-7%	14%	9%
TOTAL REVENUE GROWTH	10%+	17%	20%
OPERATING PROFIT MARGIN	15%	13.3%	14.9%
RETURN ON INVESTED CAPITAL	18%+	19.2%	21.3%
CASH CONVERSION	80%+	51%	87%
COVENANT LEVERAGE	1-2x	0.7x	0.7x

US INDUSTRIAL EXPANSION

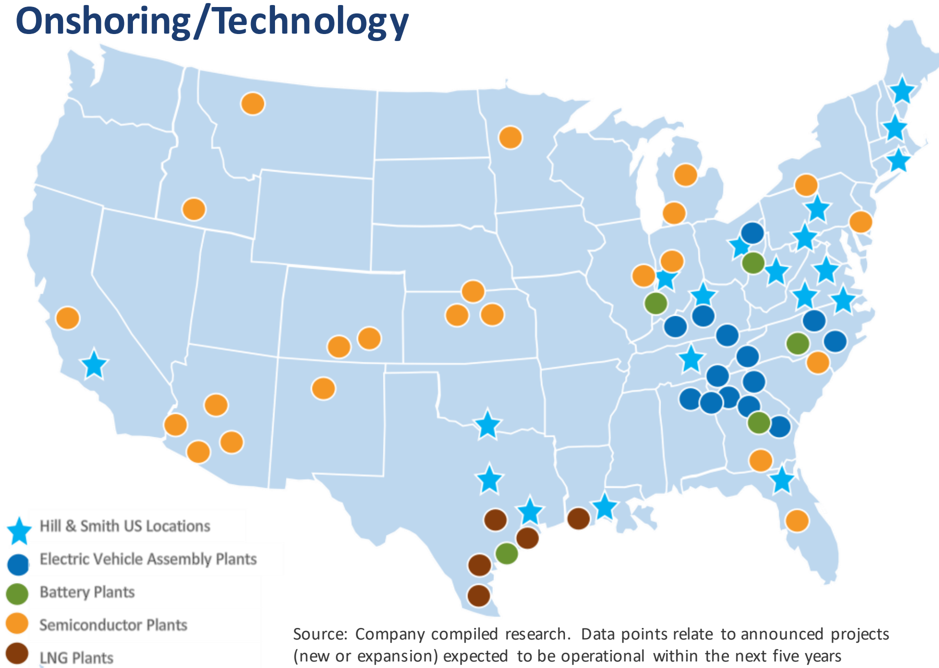
ACCELERATING END MARKET DEMAND

Hill & Smith is exceptionally well placed to benefit from US industrial expansion

Key drivers of activity:

- **Onshoring** e.g. semiconductor, battery production, LNG and other industrial plants
- **Technology** e.g. EV assembly, data centres
- **Federal funding** e.g. IIJA

Onshoring/Technology



Source: Company compiled research. Data points relate to announced projects (new or expansion) expected to be operational within the next five years

Federal/Infrastructure Investment and Jobs Act

- $1.2 trillion with $550 billion of new federal spending to be allocated to infrastructure projects (FY21-27)
- Progress update:

Spend categories relevant to Hill & Smith	Awarded/ Announced to date
Roads, Bridges and Major Projects	$ 63.9 bn
Climate, Energy & Environment – Resilience	$ 10.8 bn
Airports	$ 8.4 bn
Clean Energy and Power	$ 5.5 bn
Ports and Waterways	$ 5.5 bn
Climate, Energy & Environment – Water	$ 5.4 bn
Public Transportation	$ 5.2 bn

Source: Build.gov (2023). Bipartisan Infrastructure Law (BIL) Maps Dashboard 7 July 2023.

- Project activity relevant to Hill & Smith businesses expected to commence in H2 2023 with meaningful benefit from FY24

M&A UPDATE

RECENT ACQUISITIONS PERFORMING WELL

National Signal

- Acquired in October 2022: $25m
- The market leader in solar lighting towers in US
- 180 day integration plan complete
- Trading ahead of expectations:
  - H1 operating margin >15%
- New CFO hired to strengthen back-office functions
- Potential investment in larger plant in H2 23/H1 24

Enduro Composites

- Acquired in February 2023: $35m
- A market leader in the design and manufacture of composite products and solutions
- 180 day integration plan almost complete
- Trading ahead of expectations:
  - H1 operating margin >15%
- $2.2m investment in new pultrusion line approved, expected to be operational by end 2023

Korns Galvanizing

- Acquired in March 2023: $11m
- Expands our capacity in the northeastern US galvanizing market
- 180 day plan almost complete: fully integrated into V&S Galvanizing with new management team in place
- Trading in line with expectations
- $2.9m investment in automated spin line to increase overall plant capacity, expected to be operational Q1 24

Widnes Galvanising

- Acquired in September 2022: £4m
- Expands geographic footprint of our UK galvanizing business into the north west
- 180 day plan complete: fully integrated into Joseph Ash Group with new management team in place
- Trading ahead of expectations
- Modest investment in health & safety and plant upgrades to improve efficiency

OUR M&A STRATEGY IN ACTION

BUILDING A US MARKET LEADER

CREATIVE COMPOSITES GROUP

2009 Revenue $21m

CREATIVE PULTRUSIONS

Acquired in 2008
FRP pultrusion capability

E.T. TECHTONICS™
A Creative Pultrusions Product Line

Acquired in 2016
Fibreglass bridge product line

KENWAY composites

Acquired in 2017
Filament winding and hand layup capability

TOWER TECH
Sustainable Efficiency

Acquired in 2017
Market leading cooling towers

Composite Advantage

Acquired in 2018
Large-part infusion moulding capability

2022 Revenue $105m

enduro composites

Acquired in 2023
Complementary product portfolio, providing access to US Gulf Coast market

Proforma revenue including Enduro: c.$150m

INVESTMENT CASE

DELIVERING LONG TERM STAKEHOLDER VALUE

- Structural growth underpinned by the need for infrastructure investment in our core markets
- Market leader, with a strong track record, in attractive niches with high barriers to entry
- Sustainability at the core of our business model
- Entrepreneurial culture supported by an autonomous business model
- High, and improving, returns profile
- Strong balance sheet, enabling the Group to take advantage of significant organic and inorganic opportunities, supported by excellent cash generation

POSITIVE OUTLOOK

CONFIDENT OF MAKING FURTHER PROGRESS IN 2023

Short term

- FY 2023 operating profit modestly ahead of current market expectations, despite the macroeconomic and FX headwinds:
  - Year to be first half weighted
  - Well positioned in a range of infrastructure markets with attractive structural growth drivers
  - Evolution of geographic mix with a stronger weighting towards US end markets
  - Good M&A pipeline
  - Benefits of our agile, autonomous operating model

Medium to long term

- Positive outlook supported by strong long term growth drivers for both sustainable infrastructure and safe transport
- US businesses are well placed to benefit from both increased onshoring and IIJA spend on infrastructure

APPENDICES

2023
MODELLING GUIDANCE

Capex
c.£30m

Maintenance spend c.£20m

Interest[2]
c.£10m

Cash conversion
c.85-90%

H1/H2 weighting
Profit H1 weighted due to project timing and expected H2 FX headwinds

Effective tax rate[1]
c.24-25%

Cash tax payments H1 weighted

Translation impact of FX rate movements

+/- 1 cent move in:	FY Revenue	FY Operating profit
US$	+/- £3.6m	+/- £0.7m

Updated guidance is in bold

Note 1: Assuming no change in headline corporation tax rates in the UK or US, other than the increase in the UK rate to 25% in April 2023
Note 2: Assumes UK and US base rates are maintained at end July 2023 levels. Includes IFRS 16 lease interest, pension scheme deficit interest and amortisation of refinancing fees, totalling c.£2m

DIVISIONAL ANALYSIS

£m	H1 2023	Organic	M&A	FX	H1 2022
Galvanizing Services					
Revenue	**99.6**	8.7	3.9	2.5	84.5
Operating profit	**22.6**	(0.4)	0.6	1.0	21.4
Operating margin	***22.7%***				*25.3%*
Engineered Solutions					
Revenue	**181.7**	24.5	15.9	4.8	136.5
Operating profit	**30.9**	13.3	2.6	0.9	14.1
Operating margin	***17.0%***				*10.3%*
Roads & Security					
Revenue	**139.5**	(2.5)	11.6	1.5	128.9
Operating profit	**9.0**	(3.8)	5.0	(0.3)	8.1
Operating margin	***6.5%***				*6.3%*
Group					
Revenue	**420.8**	30.7	31.4	8.8	349.9
Operating profit	**62.5**	9.1	8.2	1.6	43.6
Operating margin	***14.9%***				*12.5%*

OUR PURPOSE AND STRATEGY

WHY?

Creating sustainable infrastructure and safe transport through innovation

WHERE?

1 MACRO DRIVERS
- Increasing population
- Urbanisation
- Climate change
- Increasing health and safety regulations

2 MARKET DRIVERS
- Sustainable materials
- Decarbonisation
- Infrastructure safety
- Enabling technology
- Vision Zero

3 APPLICATIONS AND NICHES
- Systematic process
- Faster growing niche opportunities
- Critical applications

HOW?

ORGANIC GROWTH
- Autonomous operating model
- Agility/proximity to market
- Premium on talent
- Innovation

PORTFOLIO MANAGEMENT
- Disciplined M&A
  - Fit with purpose and market drivers
  - Strategic rationale
  - Fast growing niche markets
  - Credible organic growth plan

ESG
- Protecting the world
- Saving and enhancing lives
- Sustainable governance

FINANCIAL MODEL
- Organic profit growth/strong cash conversion
- Conservative financial leverage
- Allocate capital to high growth/return opportunities (M&A and organic)
- 2.5x underlying earnings dividend policy

WHAT?

Superior long-term stakeholder value

PORTFOLIO MANAGEMENT
ACQUISITION HEAT MAP

Strategic considerations

Fit with purpose	Strong			Poor
Fit with strategy	Strong			Poor
Geography	USA	UK	Europe Australia	Asia	ROW
H&S familiarity with niche	Active today	Researched +ve	In research	New

Target financials

Revenue	>£100m	£15m-£50m	<£3m
5 year CAGR growth outlook	5-15%		<3%
Gross margin %	>60%		<20%
Operating margin %	>20%		0%

Target characteristics

Ownership	Private	Trade	PE
Business type	Product		Service
Digitisation	High		Low

Capital allocation

ROIC to exceed WACC	1 year	2-3 years	5 years
Multiple of consideration to EBITDA	> X 15	X 7-10	X 0
Consideration	>£200m	£5m-£195m	£0

SCALE

Likely Possible Unlikely

CAPITAL ALLOCATION

Effective deployment of capital to support growth ambitions

H1 2023 ROIC: 21.3%

Organic growth

- Focus on higher return, higher growth markets
- Working capital investment reflective of growth rates

Acquisitions

- Focus on quality and long-term growth
- Structured approach based on a clear set of financial criteria
- Returns to exceed Group WACC within 3-year time frame
- Target covenant leverage range 1-2 times

Progressive dividend

- Focus on maintaining sustainable and progressive dividend policy
- Dividend cover c.2.5 times underlying earnings
- H1 2023 total dividend 15p per share

Group ROIC target: >18% through the cycle

FINANCIAL CAPACITY

FACILITIES AND USAGE

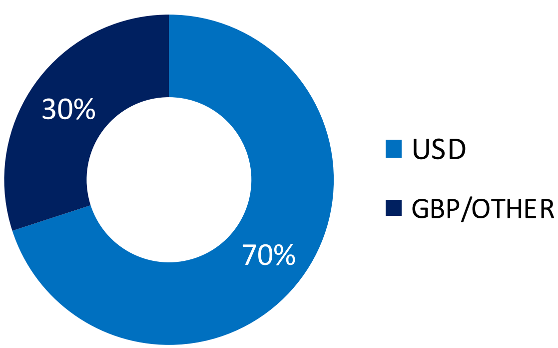
Principal debt facilities

- Revolving credit facility: £250m maturing H2 2026 with one-year extension option
- Senior notes: $70m unsecured notes mature 2026/29
- c.50% of drawn debt at period end subject to fixed interest rates
- Average cost of debt in H1 2023 c.5%

Facilities provide significant headroom of £217.8m

- Net debt: EBITDA 0.7 times (covenant 3 times)
- Interest cover 22.6 times (covenant 4 times)
- Target net debt: EBITDA range between 1.0 and 2.0 times

NET DEBT BY CURRENCY (excl. IFRS 16)



£m	Net debt	Facility
Committed	**117.0**	305.5
On demand	**-**	7.1
Cash	**(22.2)**	-
Net borrowings	**94.8**	312.6
IFRS 16	**39.2**	
IFRS 9	**(1.9)**	
Reported net debt	**132.1**	

Maturity			
On demand	H2 2023	2026 *	2029
7.1	0.1	277.9	27.5

* £250m RCF will mature in 2027 if one-year extension option taken

£217.8m total headroom

RETURN ON INVESTED CAPITAL
CONTINUING OPERATIONS

Group	H1 2023	H1 2022
Operating profit (£m)	**116.0**	83.1
Average invested capital (£m)	**544.2**	475.8
ROIC	**21.3%**	17.5%

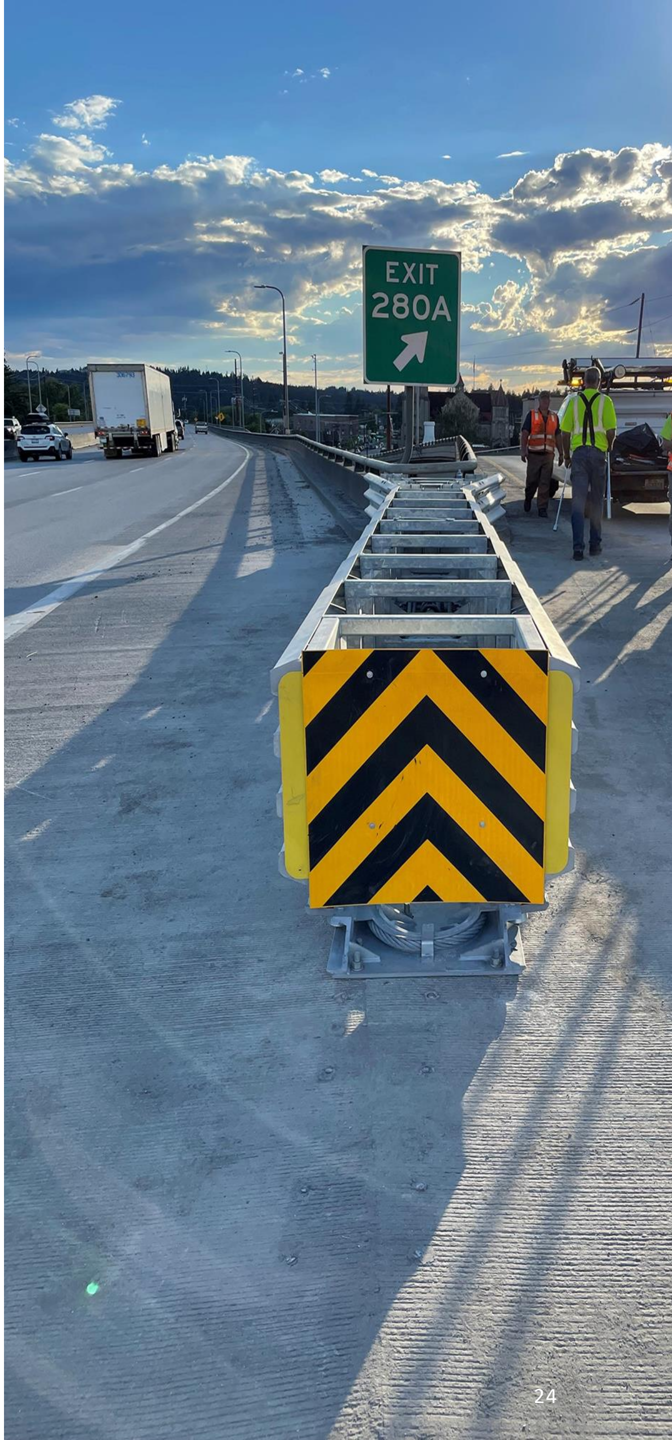
ROIC is defined as **underlying operating profit** for the last 12 months, divided by **average invested capital**.

Invested capital is defined as the sum of intangible assets, property, plant and equipment, right-of-use lease assets, assets and liabilities held for sale, inventories, trade and other receivables, and trade and other liabilities.

NON-UNDERLYING ITEMS
CONTINUING OPERATIONS

£m	H1 2023	H1 2022
Business reorganisation costs	**0.7**	(1.6)
Costs relating to acquisitions and disposals	**(2.2)**	(1.1)
Amortisation of acquisition intangibles	**(4.3)**	(2.9)
Impairment of goodwill/other assets	**-**	(2.5)
Loss on disposal of subsidiaries	**(3.2)**	(0.7)
	(9.0)	(8.8)

Cash in year (net)	**1.7**	1.8
Future cash	**(0.9)**	(2.6)
Non-cash	**(9.8)**	(8.0)
	(9.0)	(8.8)



DISCLAIMER

Cautionary statement

This presentation contains forward looking statements which are made in good faith based on the information available at the time of its publication.

It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated. Nothing in this document should be regarded as a profits forecast.

Hill & Smith PLC