

# JAMES CROPPER <sup>PLC</sup>

ESTABLISHED 1845



**TECHNICAL  
FIBRE PRODUCTS**

JAMES  
CROPPER

3D  
PRODUCTS

JAMES  
CROPPER

EST. 1845



# Headlines



*Growth strategy is delivering*

## REVENUE

(2016: £87.9m)

**£92.4m**    **+5%**

## ADJUSTED PROFIT BEFORE TAX

(after exceptional items but before IAS19 impact)

(2016: £5.2m)

**£6.6m**    **+27%**

## NET BORROWINGS

(2016: £7.3m)

**£7.4m**    **+1%**

## DILUTED EARNINGS PER SHARE

(2016: 31.8p)

**50.0p**    **+57%**

## ADJUSTED OPERATING PROFIT

(excluding IAS 19 impact & exceptional items)

(2016: £6.3m)

**£6.9m**    **+10%**

## PROFIT BEFORE TAX

(2016: £3.9m)

**£5.6m**    **+46%**

## FULL YEAR DIVIDEND PER SHARE

(2016: 9.3p)

**11.8p**    **+27%**

## Balance Sheet Highlights

	2017	2016	Movt.
Capital Investment £'m	5.3	4.1	1.2
Net Debt £'m	7.4	7.3	0.1
Leverage ratio (Net Debt/EBITDA)	0.8	0.9	(0.1)
Shareholders' funds £'m	21.9	26.7	(4.8)



*Increased future  
growth investment*



*Steve Adams joins  
as MD*



## Paper Products

Sales £71m, up 3% on prior year

Operating profit £3.2m up 24% on prior year

Steve Adams, new MD for Paper joined January 2017

Continued focus on key growth markets including digital imaging and packaging

Activity to support growth of key partners is performing well

Managing portfolio including exiting low margin products

Investment in additional overseas sales e.g. USA & China





*Focus on export growth*



# Paper Products

Paper £'m	2017	% Sales	2016	% Change
UK	39.4	55.5%	39.9	(1%)
Europe	15.7	22.1%	14.0	12%
Americas	8.1	11.4%	7.8	4%
Asia	6.4	9.0%	6.1	5%
Other	1.4	2.0%	1.4	0%
<b>Total</b>	<b>71.0</b>		<b>69.2</b>	<b>3%</b>

Sales up 3%, operating profit up 24%

EBITDA up from £4.2m to £4.6m



*Investment in R&D  
to support growth*

# Technical Fibre Products



Sales £21.3m up 14% on prior year

Operating profit £5.9m up 1% on prior year

Increased costs from labour and depreciation to support new production line which doubles capacity

R&D continuing to play a key role in new product growth. For example:-

- New products for aerospace markets such as fracture toughness solutions
- New solutions for automotive to prevent galvanic corrosion in composites

Increasing growth from fuel cells for buildings and transport



***Strong overseas growth***

# Technical Fibre Products



TFP £'m	2017	% Sales	2016	% Change
UK	2.6	12.2%	3.0	(13%)
Europe	4.5	21.1%	3.7	22%
Americas	12.9	60.6%	10.5	23%
Asia	0.7	3.3%	0.4	75%
Other (*2016 includes BI)	0.6	2.8%	1.1	(47%)
<b>Total</b>	<b>21.3</b>		<b>18.7</b>	<b>14%</b>

Sales up 14%, operating profit up 1%

EBITDA up from £6.4m to £6.6m





*Strong pipeline,  
with revenue  
emerging*

# 3D Products

Strong interest following business launch in September 2016

Revenue emerging from development, prototyping and commercialisation

Commercialisation cycle-time proving longer than anticipated, however strong pipeline

Investment is now complete to double capacity

Investment in additional sales and marketing resource





***Continued focus  
on growth &  
investment  
across all  
divisions***

## Outlook

Increased capacity in TFP will accelerate profits, building on existing growth plan incl. niche markets such as fuel cells

Paper leadership driving growth strategy

Export growth from paper following investment in additional overseas sales resource

Focus on pipeline conversion in 3DP

Additional differentiated capability investment in 3DP e.g. rapid prototyping

Growth in profits are aligned with Board expectations for 2017/18

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Supplementary Information

# Profit and Loss Summary

Profit Summary	2017	2016	Change	Change
	£'m	£'m	£'m	%
Paper Products	3.2	2.6	0.6	24%
Technical Fibre Products	5.9	5.9	0.0	1%
3D Products	(0.4)	(0.4)	0.0	-3%
Other Group expenses	(1.9)	(1.8)	(0.1)	3%
Operating profit before interest prior to IAS 19 and exceptional	6.9	6.3	0.6	10%
Net interest prior to IAS 19 finance costs	(0.3)	(0.3)	0.0	-13%
Profit before tax prior to IAS 19 and exceptionals	6.6	5.9	0.6	11%
Exceptional costs	(0.0)	(0.8)	-	-
Profit before tax prior to IAS 19	6.6	5.2	1.4	27%
<u>Net IAS 19 pension adjustments</u>	(0.9)	(1.3)	0.4	-29%
Profit before tax	5.6	3.9	1.8	46%



# Balance Sheet

Balance sheet	2017	2016
	£'m	£'m
Non-pension assets - excluding cash	63.4	57.5
<u>Non-pension liabilities - excluding borrowings</u>	<u>(18.5)</u>	<u>(17.0)</u>
	44.9	40.5
<u>Net IAS 19 pension deficit (after deferred tax)</u>	<u>(15.6)</u>	<u>(6.5)</u>
	29.3	34.0
<u>Net borrowings</u>	<u>(7.4)</u>	<u>(7.3)</u>
<u>Equity shareholders' funds</u>	<u>21.9</u>	<u>26.7</u>
Gearing % - before IAS 19 deficit	20%	22%
Gearing % - after IAS 19 deficit	34%	27%
Capital expenditure £'m	5.3	4.1

Movement on Shareholders' Funds	£'m
SH funds at 2 April 2016	26.7
Profit after Tax for the period	4.7
Net actuarial losses on pensions liabilities	(9.6)
Dividends paid	(0.9)
Other adjustments	1.0
SH funds at 1 April 2017	21.9

# Cash Flow

	2017	2016
	£'m	£'m
EBITDA (excluding IAS 19 impact and exceptionals)	9.2	8.6
Pension deficit payments	(1.4)	(1.3)
Increase in working capital	(0.1)	(2.1)
Other	(1.0)	(1.4)
Net cash generated from operations	6.7	3.7
Capital expenditure	(5.3)	(4.1)
Dividends	(0.9)	(0.8)
(Decrease) / increase in loans	(1.7)	1.5
Other	(0.1)	0.1
Increase/(decrease) in cash	(1.3)	0.5
Opening cash	3.2	2.7
Closing cash	1.9	3.2

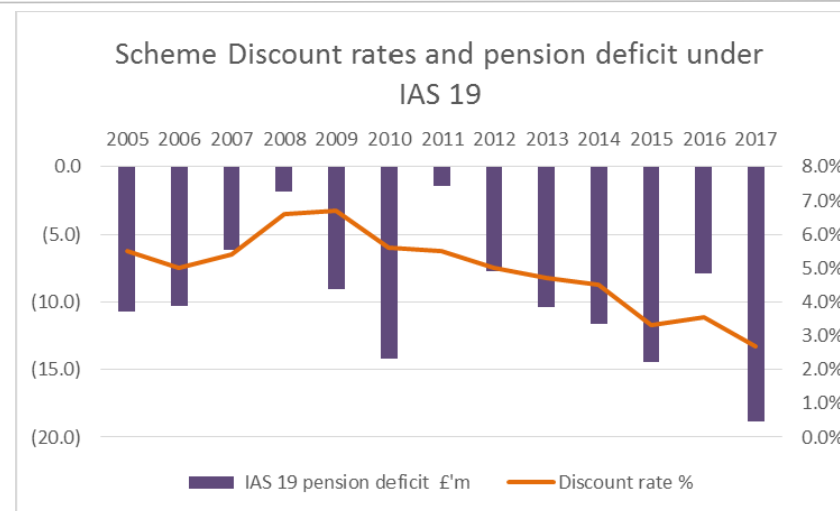
# Facility Profile

	2017 £'m	2016 £'m	Change £'m
Cash and cash equivalents	1.9	3.2	(1.3)
Borrowings: repayable within one year	(1.6)	(3.9)	2.3
Borrowings: non-current	(7.7)	(6.6)	(1.1)
Net debt	(7.4)	(7.3)	(0.1)
Borrowings: repayable within one year	1.6	3.9	(2.3)
Borrowings: non-current	7.7	6.6	1.1
Facilities drawn down	9.3	10.5	(1.2)
Undrawn facilities	7.8	5.0	2.7
Facilities	17.0	15.5	1.5
Cash and cash equivalents	1.9	3.2	(1.3)
Undrawn facilities	7.8	5.0	2.7
Funds available at year end	9.7	8.2	1.5
Borrowings: repayable within one year	(1.6)	(3.9)	2.3
Funds available in excess of one year	8.1	4.3	3.8



# Pension Deficit – IAS 19

IAS 19 pension valuation 2017	Staff Scheme	Works Scheme	Both schemes		
	2017	2016	2017	2016	Change %
Discount rate	2.70%	2.70%	2.70%	3.55%	
	£'m	£'m	£'m	£'m	
Assets	52	54	106	94	12%
Liabilities	(56)	(68)	(125)	(102)	22%
(Deficit)/Surplus	(4)	(15)	(19)	(8)	139%
Funding level - %	93%	78%	85%	92%	



## **IAS 19 Pension**

The discount rate dropped from 3.55% to 2.70% since the 2 April 2016 year end position. The overall deficit has increased by £10.9m, after deferred taxation the net deficit movement is £9.2m. Under IAS 19 the pension deficit is likely to be volatile and may in the future be very different from this current year end position. An indication of the potential variability of the scheme deficits under IAS 19 is set out in the chart to the right. The Group's IAS 19 deficit has fluctuated markedly since 2005.

## **Ongoing 2016 Valuation**

The 2016 on-going valuations concluded with a combined deficit of £15.8m using a discount rate of 3.55% (2013: £12.7m with a discount rate of 4.45%). It was agreed to implement for the staff scheme a reduction in future pensionable accruals and for both schemes the application of CPI to increases in pension once in payment. A new payment plan has been agreed with the trustees extending the period of time over which the deficit will be eliminated and resulting in the Company making annual combined deficit contributions of £1.4m a year (previously £1.3m).

# Pulp Price

The cost of Northern Bleached Softwood Kraft (“NBSK”) wood-pulp opened at \$790/tonne in April 2016 rising continuously to S\$825/tonne by March 2017.

Northern Bleached Hardwood Kraft (“NBHK”) wood-pulp opened at \$744/tonne, dipped to \$653 in Dec 2016 and is now rising progressively, at March 2017 it was \$713.

After the Brexit vote in June 16 Sterling dropped steeply. Pulp is purchased in Euros and Dollars. At the start of the year the average Sterling cost per tonne was £468/tonne, in March 2017 this was £515/tonne. The cost had risen by £47/tonne over the year. In an average year this adds £1.4m to raw material costs.

