



RENOLD

Half Year Results

Half year ended
30 September 2023

“Strategic and operational progress driving record earnings growth”

Financial highlights

- Revenue £125.3m, up 7.7%, 10.7% at constant exchange rates
- Adjusted operating profit up 56.3% to £15.0m (HY23 £9.6m)
- Return on sales increased by 370bps to 12.0%
- Net debt reduced to £28.3m despite acquisition of Davidson Chain in the period (FY23 £29.8m)
- Adjusted EPS growth of 40.7% to 3.8p (HY23 2.7p)
- Pension deficit reduced by 15.3% to £52.7m (FY23 £62.2m)

Business highlights

- Strong first half sales performance, despite slower order intake of £109.7m
- Closing order book of £83.6m compared to prior year record high (HY23 £99.0m) as order book shortened following normalisation of supply chains
- Acquisition of Davidson Chain business increases the Group’s access to the Australian CVC and adapted transmission chain markets, the business is performing in line with expectations
- Good progress on capital investment, productivity improvements and cost reduction programmes, accelerating the STEP2 strategic programme and increasing capabilities
- £2.2m exceptional profit from the assignment of a lease for a closed legacy site leading to £0.7m per annum reduction in lease property cash flows

“Ongoing successful management of difficult economic conditions and changes to the supply chain”

Financial review
Jim Haughey
Group FD



	HY24	HY23	Change	Constant exchange rates
	£m	£m	%	%
Revenue	125.3	116.3	+7.7%	+10.7%
Adjusted operating profit	15.0	9.6	+56.3%	+59.4%
<i>Return on sales</i>	12.0%	8.3%		
Adjusting items	1.2	(0.8)		
Statutory operating profit	16.2	8.8	+84.1%	
Profit before tax	12.5	6.5		
<i>Effective tax rate</i>	27.2%	26.2%		
Adjusted EBITDA	20.6	15.0	+37.3%	
<i>Adjusted EBITDA margin</i>	16.4%	12.9%		
Net debt	28.3	34.0		
Adjusted EPS	3.8p	2.7p	+40.7%	
Basic EPS	4.4p	2.3p	+91.3%	

- Revenue growth driven by strong improvement in TT and continued growth in Chain
- Significant improvement in adjusted operating profit and return on sales, despite softening of order intake and a period of sustained cost inflation
- Return on sales increased by 370bps, a record high in recent history, driven by productivity enhancements and the benefit of increased sales volumes and pricing
- Net debt reduced despite acquisition of Davidson Chain, YUK deferred consideration and additional cash contributions to UK pension scheme brought forward from H2

Significant revenue growth and strong increase in earnings

Chain	HY24	HY23	Change	Constant
	£m	£m		exchange
			%	rates
				%
Revenue	98.9	95.1	+4.0%	+6.7%
Adjusted operating profit	15.8	12.5	+26.4%	+28.0%
<i>Return on sales</i>	16.0%	13.1%		
Non-recurring items	1.2	(0.2)		
Reported operating profit	17.0	12.3	+38.2%	+39.8%

- Continued growth in chain revenue and margins to achieve 16.0% ROS
- Acquisition of Davidson Chain completed and performing in line with expectations and will enhance the full year results
- HY24 flattered by £2.2m profit on assignment of lease of closed Bredbury site, offset by £0.5m acquisition costs and £0.5m amortisation of acquired intangibles

Torque Transmission	HY24	HY23	Change	Constant
	£m	£m		exchange
			%	rates
				%
Revenue	28.8	23.0	+25.2%	+29.6%
Adjusted and reported operating profit	4.6	1.5	+206.7%	+213.3%
<i>Return on sales</i>	16.0%	6.5%		

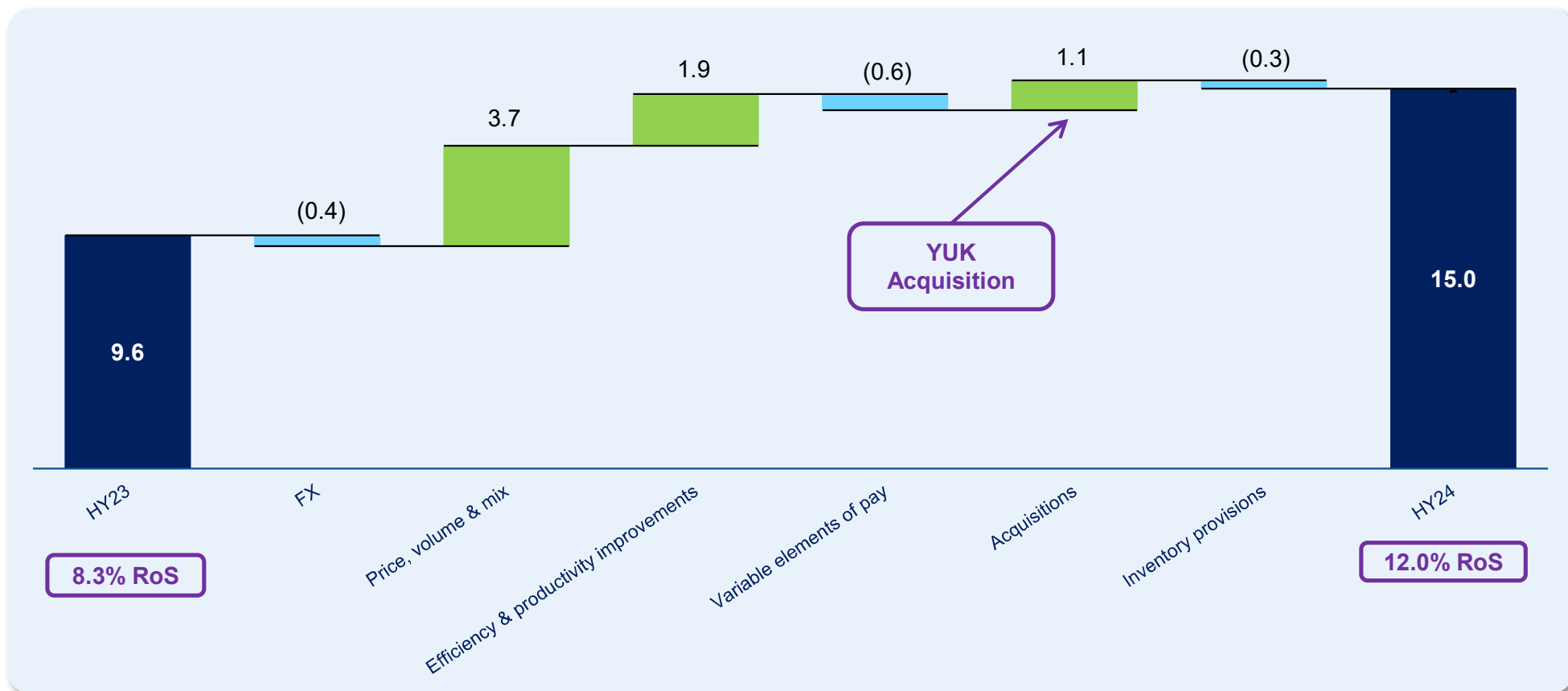
- Increased demand for Military Couplings within Cardiff business and further strengthening in demand in North American market
- A return to more normal product mix has increased ROS to 16.0%
- Benefit of long-term military contracts

Central costs	HY24	HY23
	£m	£m
Intersegment revenue elimination	(2.4)	(1.8)
Central costs	(5.4)	(4.4)
Non-recurring items	-	(0.6)
Reported operating loss	(5.4)	(5.0)

- Central costs increased due to share-based payments and Group bonus accruals
- HY23 non-recurring items includes £0.6m acquisition costs

Resilient margins despite continued inflationary cost pressures

Adjusted operating profit bridge, £m



- Cost inflation recovered through proactive management
- Strategic plan benefitting operating profit as a result of:
 - Measurable efficiency and productivity improvements
 - Successful acquisitions

Business improvements are delivering margin growth

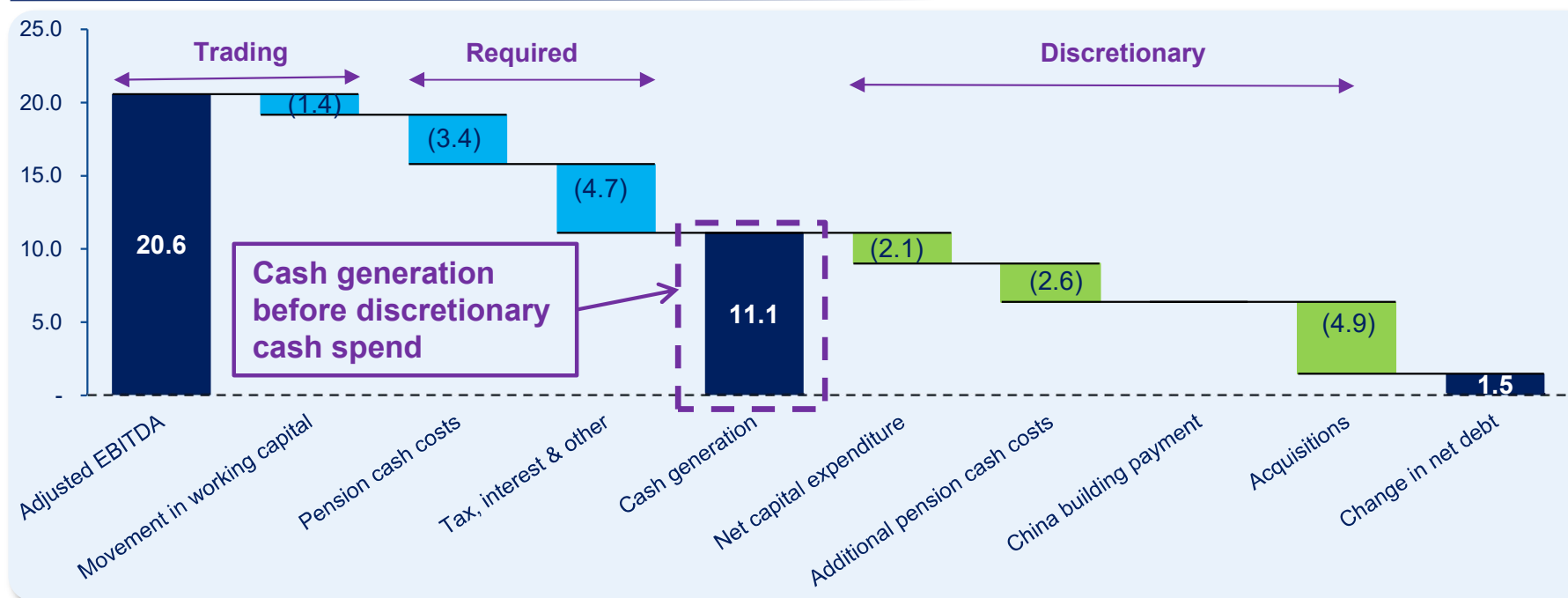
	HY24	HY23
	£m	£m
Adjusted operating profit	15.0	9.6
Depreciation and amortisation	4.9	4.9
Share-based payments	0.7	0.5
Adjusted EBITDA	20.6	15.0
Movement in working capital	(1.4)	(7.6)
Net capital expenditure	(2.1)	(2.2)
Operating cash flow	17.1	5.2
Income taxes	(1.3)	(1.3)
Pensions cash costs ¹	(6.0)	(3.1)
Leasing	(1.4)	(1.2)
Financing costs paid	(2.2)	(1.3)
Consideration paid for acquisitions	(4.9)	(17.8)
Other movements	0.2	(0.7)
Cash inflow / (outflow)	1.5	(20.2)
Closing net debt	(28.3)	(34.0)

Operating cash conversion 114% (HY23: 54%)

¹ Pension cash costs exclude pension administration costs which are included within operating profit

- Net debt reduced despite successful acquisition of Davidson Chain for £3.1m and initial deferred consideration relating to the YUK acquisition €2.0m (£1.7m)
- Additional cash contributions of £2.6m to UK pension scheme brought forward from H2
- Targeted inventory increase to support US sales expansion
- Financing costs increased due to interest rate environment and acquisition of YUK in 2022
- Refinancing agreed in May 2023, new facilities £85m plus £20m accordion, leverage covenant expanded to 3.0x adjusted EBITDA
- Balance sheet continues to strengthen significantly

H1 Cash flow bridge, £m



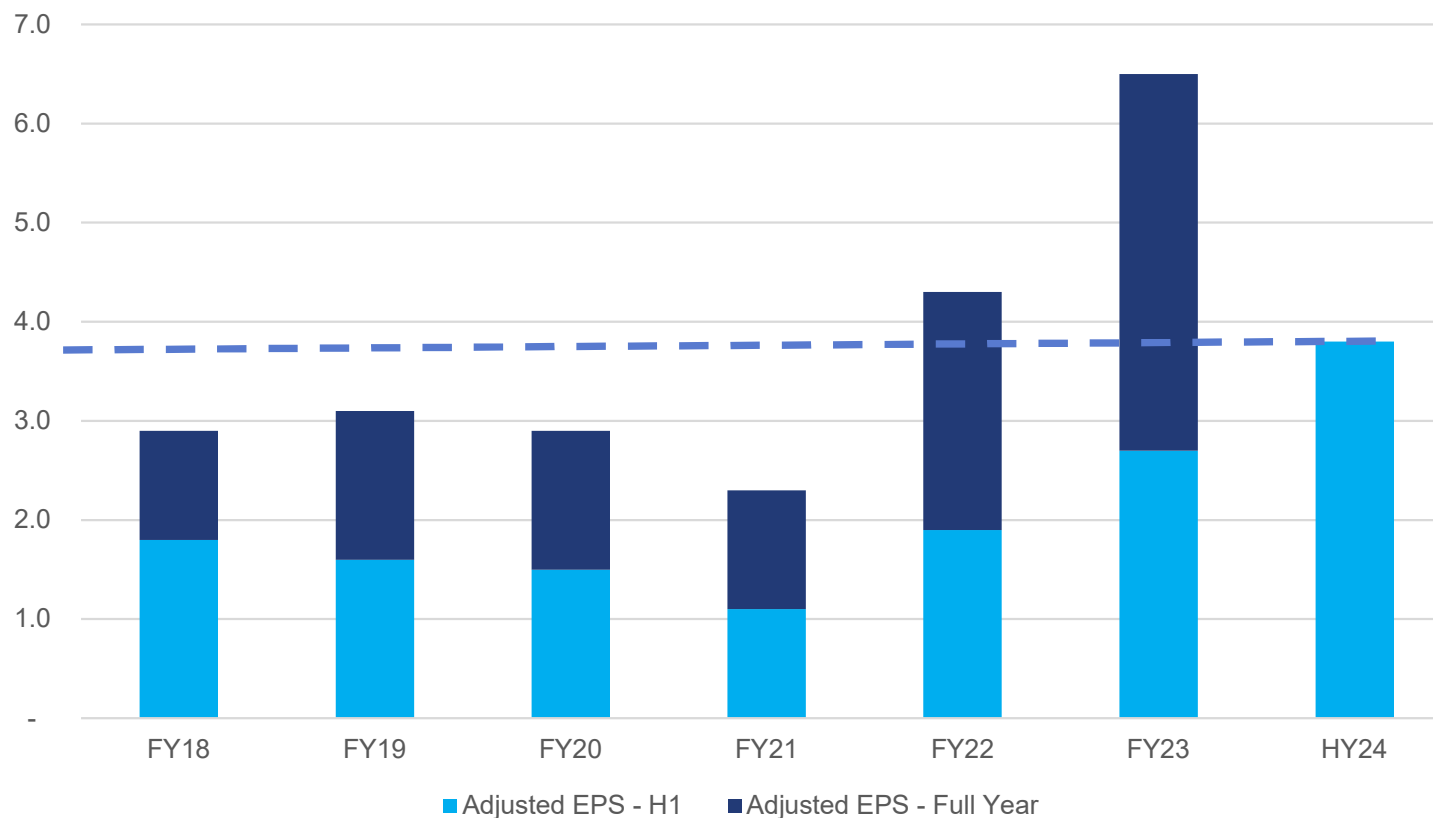
£'m	Future Years*			
	HY24	FY24**	FY25**	FY26**
Cash generation	11.1	18.0	18.0	18.0
Net capital expenditure	(2.1)	(8.5)	(8.5)	(8.5)
Bredbury lease savings	-	0.3	0.7	0.7
Additional pension cash costs	(2.6)	-	-	-
China building payment	-	(2.3)	(2.7)	-
Acquisitions	(4.9)	(4.9)	(1.8)	-
Future discretionary spends	(9.6)	(15.4)	(12.3)	(7.8)
Net cash generation	1.5	2.6	5.7	10.2

* Assumed as FY24

** Analyst projections cashflow FY24

Sustained and improving cash generation projected for future years

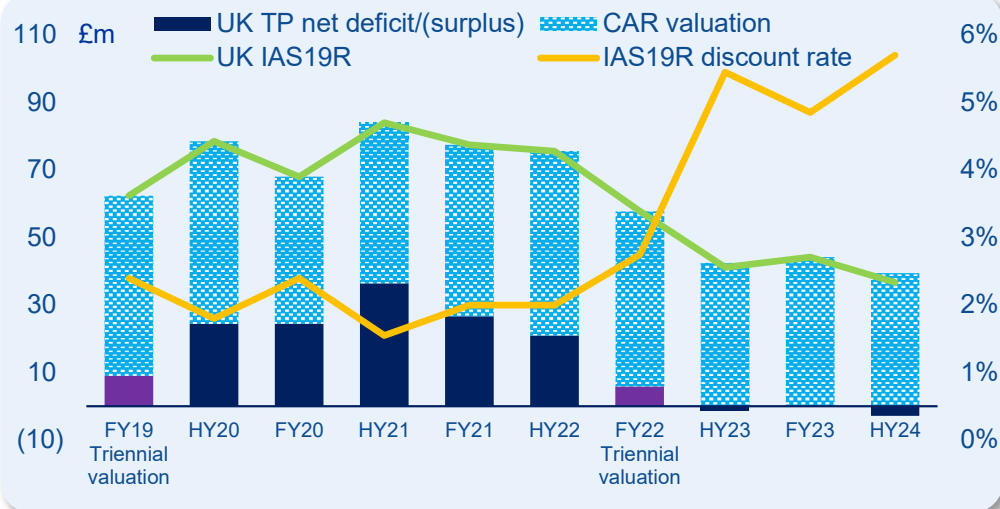
Adjusted EPS FY18 to HY24, Pence



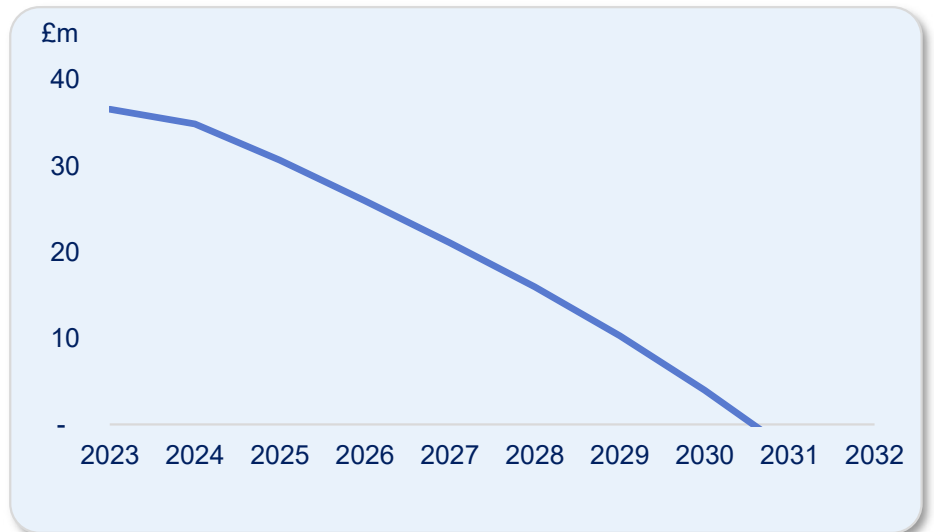
- Adjusted EPS growth of 40.7% to 3.8p
- Performance well ahead of pre-pandemic levels

Record adjusted EPS

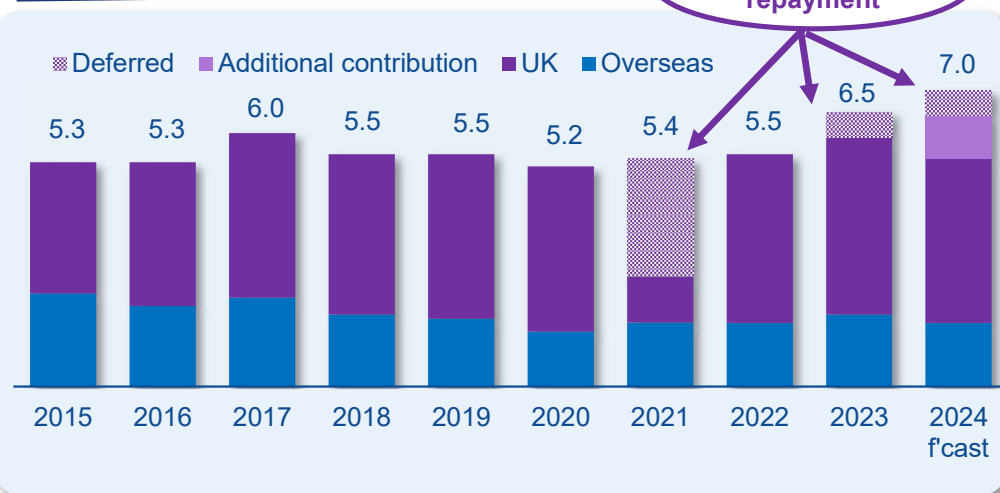
UK scheme deficit



UK scheme: future outlook

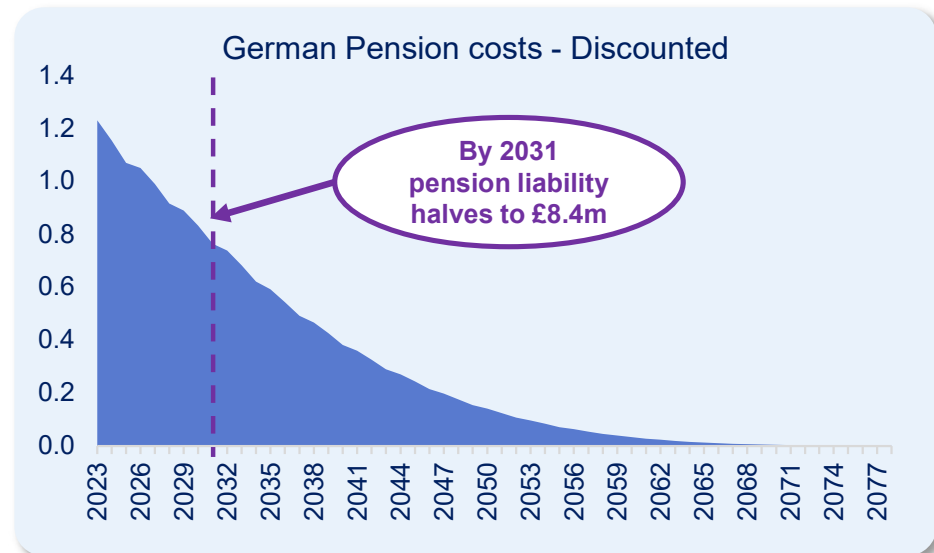


Pension cash costs, £m



Cash costs include pension administration costs which are included within operating profit (FY23: £0.7m), and NZ pension scheme closure costs (FY23: £0.2m)

German scheme: future cash commitment

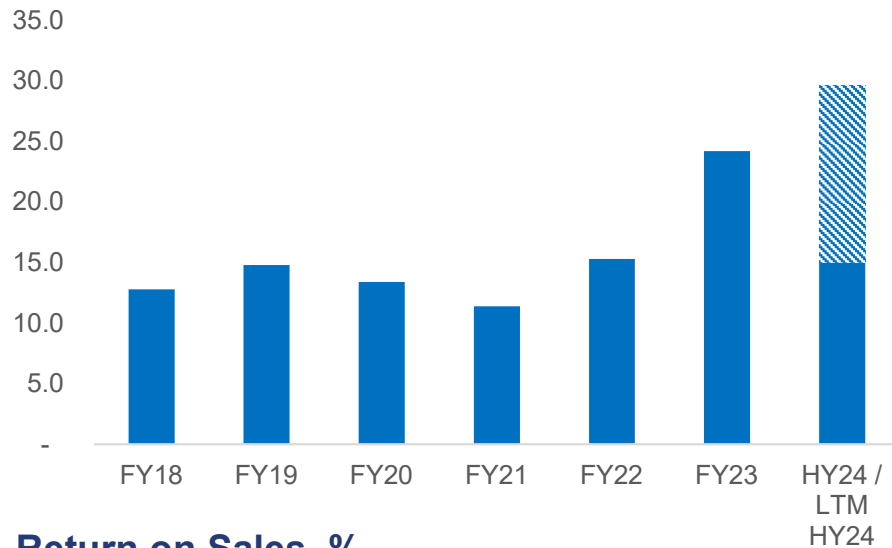


Sustainable and predictable pension cashflows

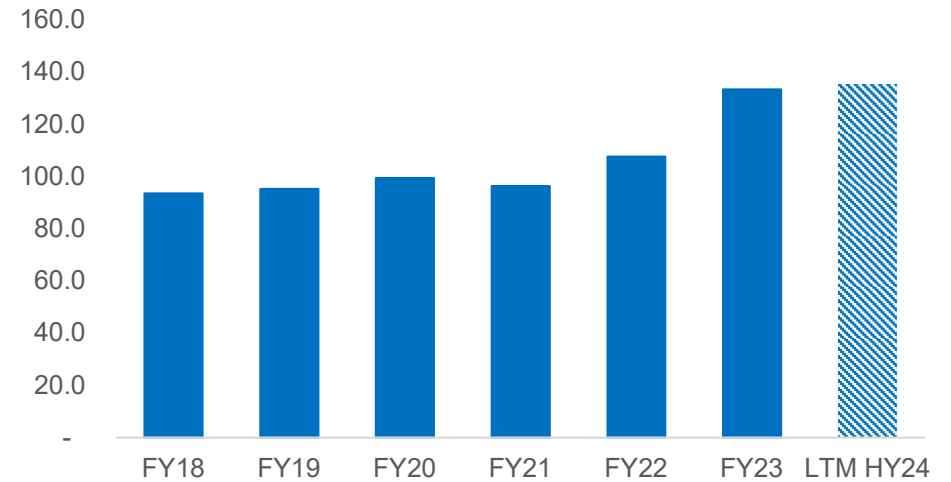
Business review
Robert Purcell
CEO



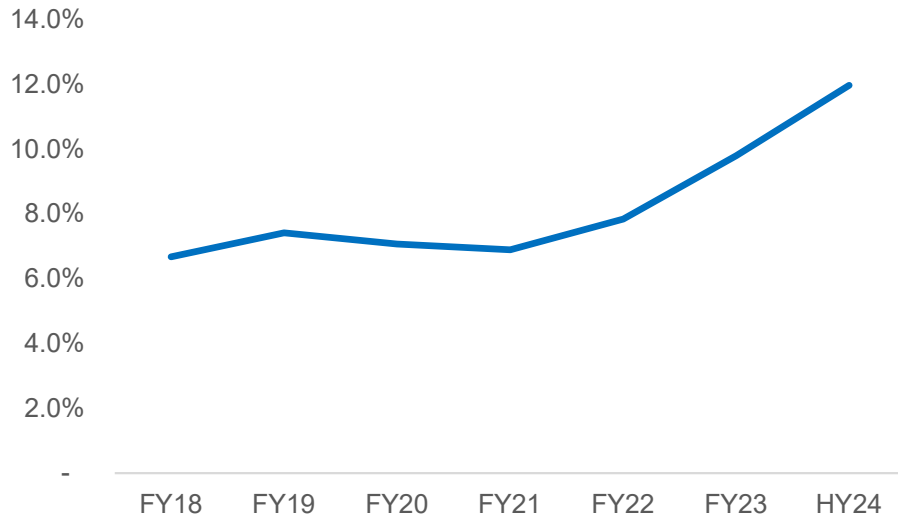
Adjusted operating profit, £m



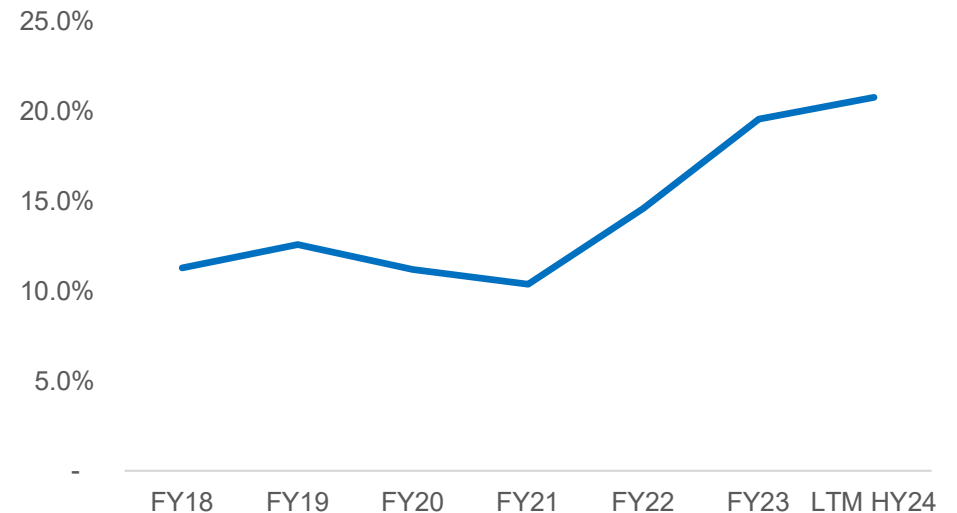
Sales per employee, £'000



Return on Sales, %



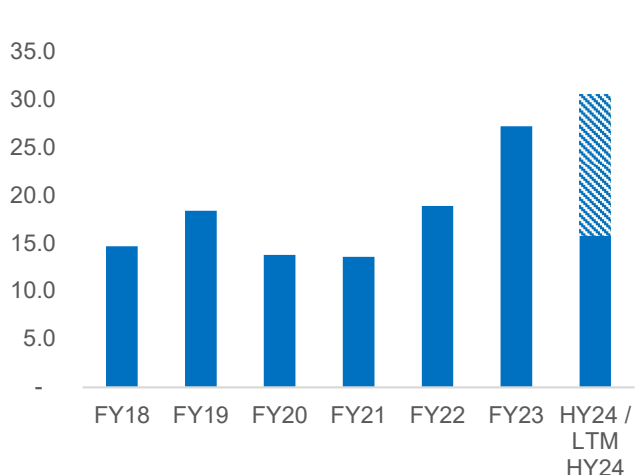
Return on Capital Employed, %



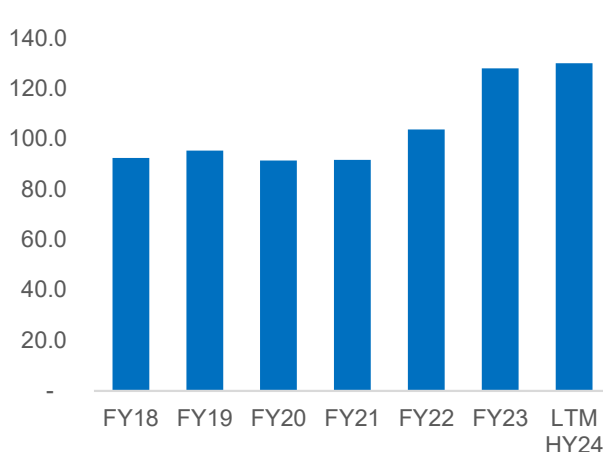
Long term performance improvements

Chain

Adjusted Operating Profit



Sales per employee



11.2%

FY19

RoS%

16.0%

HY24

Adjusted operating profit five-year CAGR to LTM HY24 of **c.11%**

24.1%

FY19

ROACE (%)

32.6%

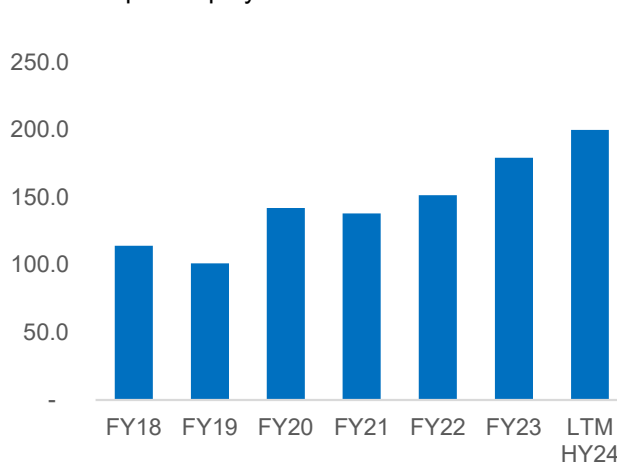
LTM HY24

Torque Transmission

Adjusted Operating Profit



Sales per employee



9.2%

FY19

RoS%

16.0%

HY24

Adjusted operating profit five-year CAGR to LTM HY24 of **c.21%**

19.8%

FY19

ROACE (%)

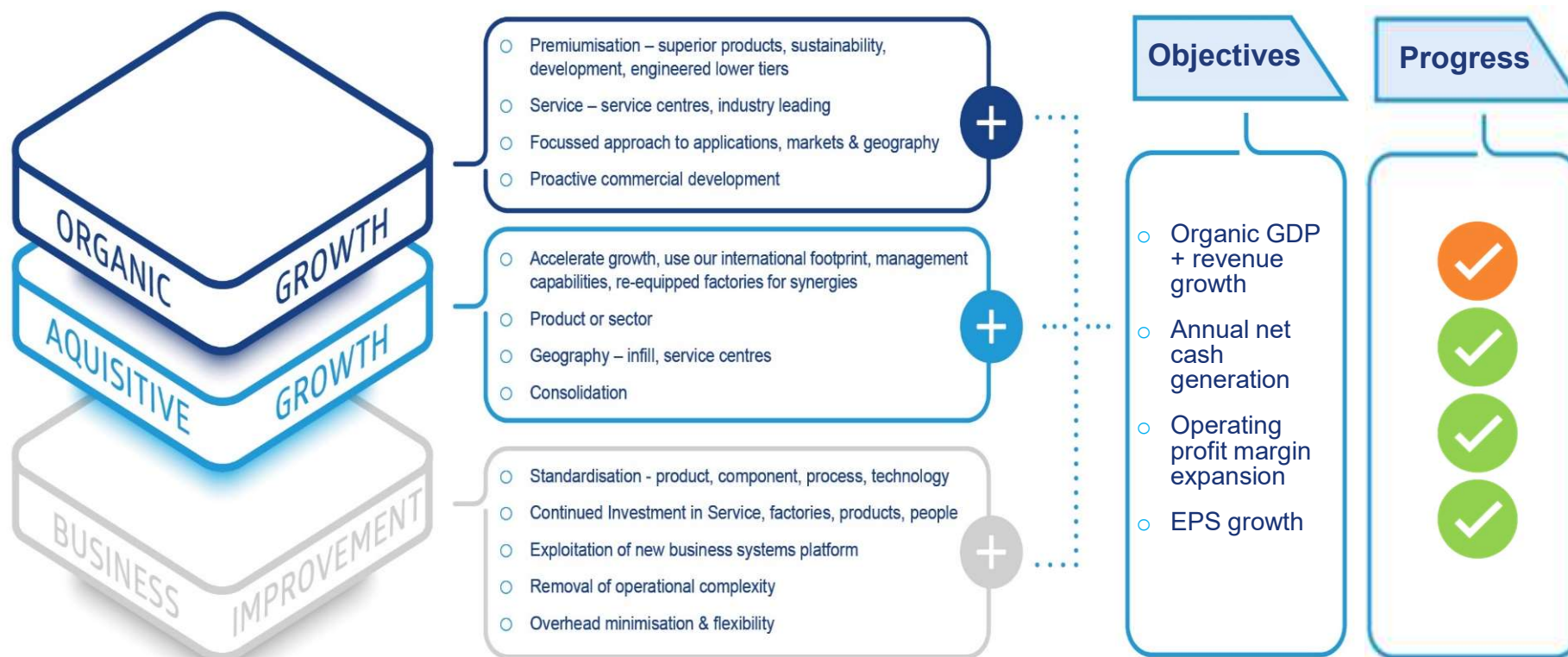
46.0%

LTM HY24

RoS – Return on sales
ROACE – Return on average capital employed
LTM – Last Twelve Months

Significant potential remains

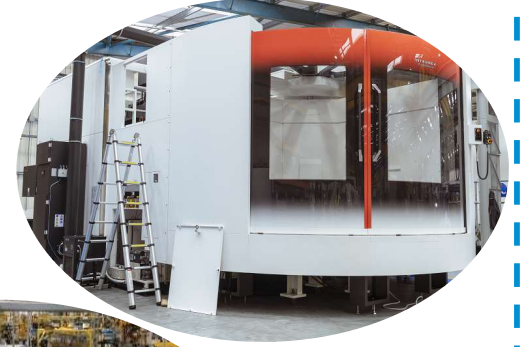
A leading premium supplier of high specification, sustainable, Industrial Chain and Torque Transmission products that facilitate others to achieve complex operational needs more reliably and with lower total cost of ownership. Our products whilst critical are a small part of the total cost.



Renold, second largest in the global Chain market, strong brand, less than 10% market share. International footprint with no dependency on any geography, customer, product or application. International supply chain and manufacturing footprint.

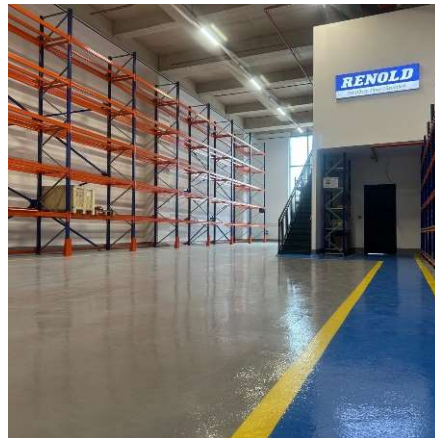
Well placed to achieve growth

Strategic Investments in Equipment



Strategic Investments in Locations

Turkey

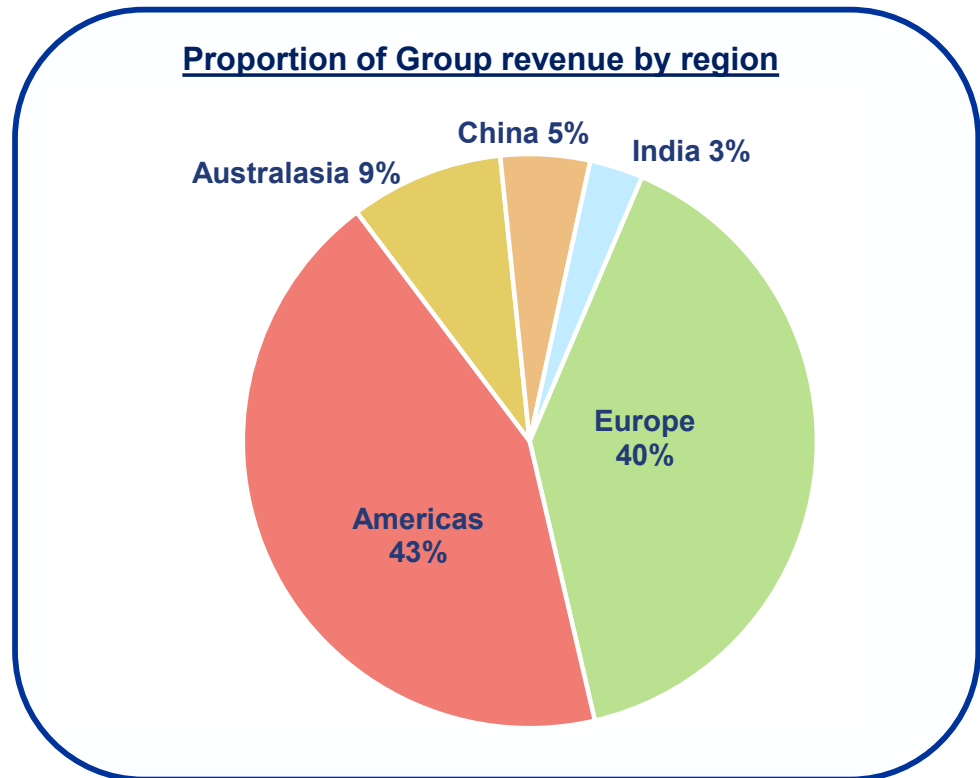
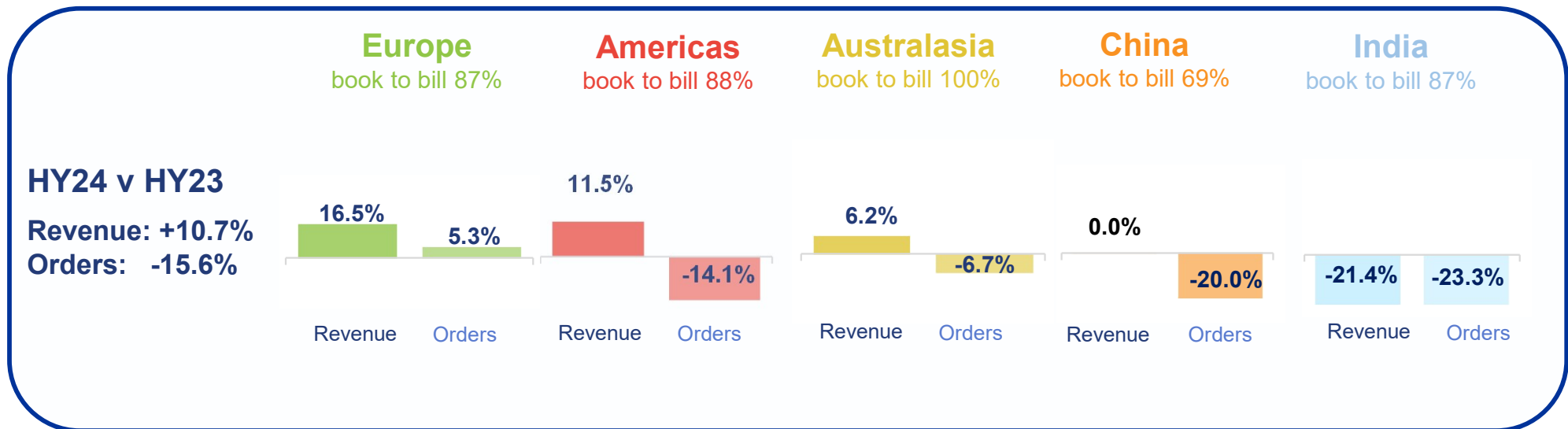


US – West Coast



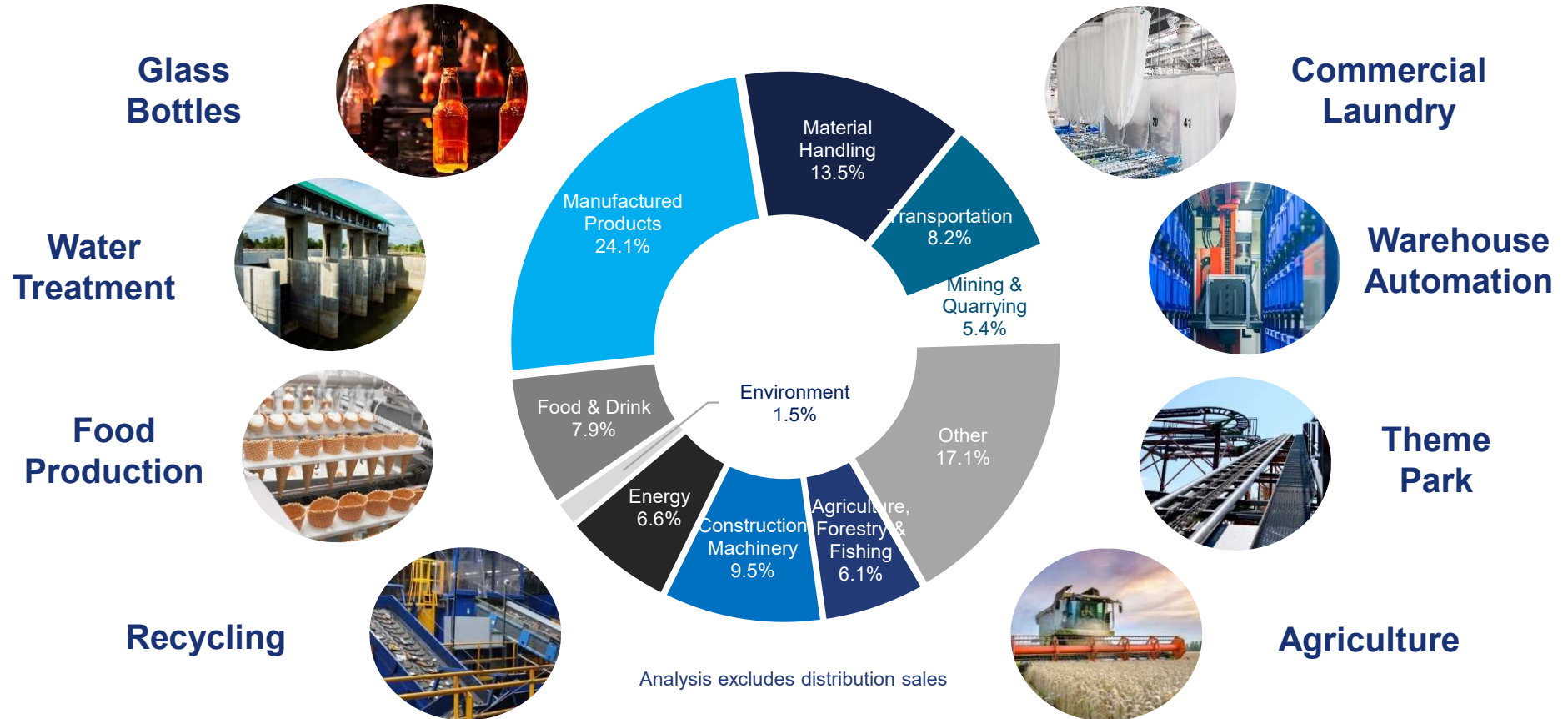
Central India





Note: External revenue and orders for key territories based on data to 30 September 2023 and 30 September 2022
 Data combines Chain & Torque Transmission divisions using constant exchange rates

Revenue by sector, HY24 % of total sales



- Revenue increasing across most sectors, except material handling and mining & quarrying
- Highest sales growth in the European transportation and European, Australian and Americas environment sectors
- Return of End User demand in America, Europe and Australia
- Distributor growth lags other customer groups

▶ **Renold benefits from significant geographic, customer and sector diversity** ◀

Davidson Chain Pty – completed September 2023

The base business

- Delivered revenue of AUD4.2m for the 12 months to June 2023, generating an EBITDA of AUD1.1m
- Manufacturer and distributor of high-quality CVC and adapted transmission chain
- Trading in line with management expectations

What it does for Renold

- Increases Group's access to the Australian CVC and adapted transmission chain markets, building on our existing market position by 26%
- Opportunities exist for significant synergies
 - Manufacturing
 - Purchasing / supply chain
 - Commercial opportunities
- Davidson management team have transferred to the Group, bringing a wealth of industry experience and market knowledge
- Immediately enhance Group EPS and accretive to the Group's operating margin

Positioned for growth

Acquisitions accelerate our business improvement virtuous cycle



Aventics Tooth Chain



Adjacent product range

2016 → 2017

Brooks Conveyor Chain



Top-line with consolidation

2018 → 2019 → 2020

Industrias YUK



Added product, service range & supply synergies

2021 → 2022

Davidson Chain



Enhanced market position in Australia

2023

Acquisitions are a springboard for growth

- Despite uncertainty over the implication of global economic pressures in the medium term, the Board is increasingly confident in delivering a result for the current year ahead of previous market expectations
- Successful bolt-on acquisition of Davidson Chain
- Despite shortening of order book following normalisation of supply chains, closing order book of £83.6m remains higher than historic levels
- Strong profit growth
- Return on sales up 370bps to 12.0%; improving profitability despite a period of sustained cost inflation shows business strength
- Adjusted EPS up 40.7%
- Refinancing agreed in May 2023, new facilities £85m plus £20m accordion, leverage covenant expanded to 3.0x adjusted EBITDA
- Effective management in an uncertain economic environment
- Well placed for future value added acquisitions
- Further development of margin targeted
- Free cash flow is building

Strong momentum in trading and strategy execution



Q&A

Appendices



Renold plc is the second largest industrial chain company in the world, and from its global manufacturing footprint delivers to customers in over 100 countries worldwide

Renold Plc

Sales in over
100
countries

Employ
c.1,900
staff worldwide

Revenue of
£247m
in 2023¹

Adjusted
operating profit of
£24.2m
in 2023¹

Market
capitalisation of
c. £65m

Chain

c.80% of Group Sales

- Global leader in the manufacture of industrial chains including:
 - Transmission chain
 - Conveyor chain
 - Tooth chain
- Reputation for quality recognised worldwide
- Supplied into diverse end customer markets

Torque Transmission (TT)

c.20% of Group Sales

- Supplier of specialist power transmission products including gearboxes, couplings and gear spindles
- Highly specialist products
- Niche applications
- Often supplied into major OEM customers in addition to specialist aftermarket service

¹ Financial year ended 31 March 2023

Renold is the oldest established transmission chain company in the world

Renold is amongst the world's leading industrial brands

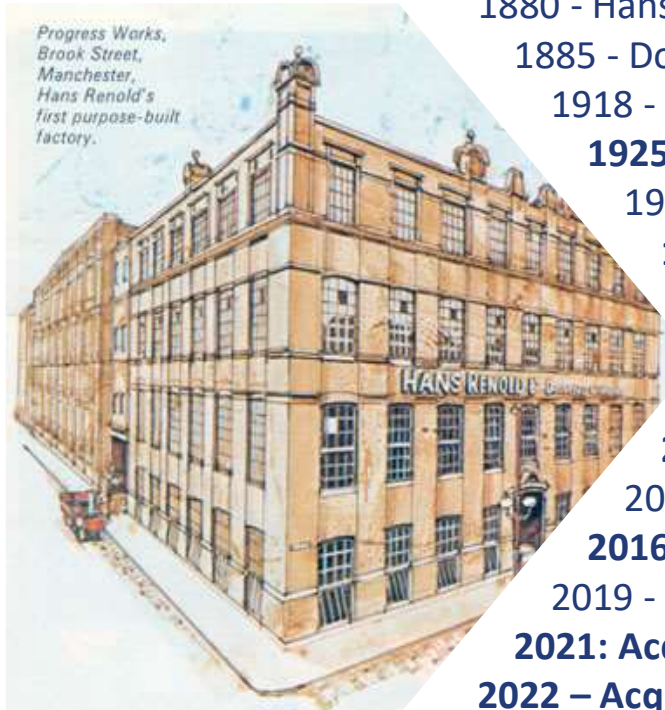
150 years of engineering know-how

Providing premium products and engineered solutions that customers trust

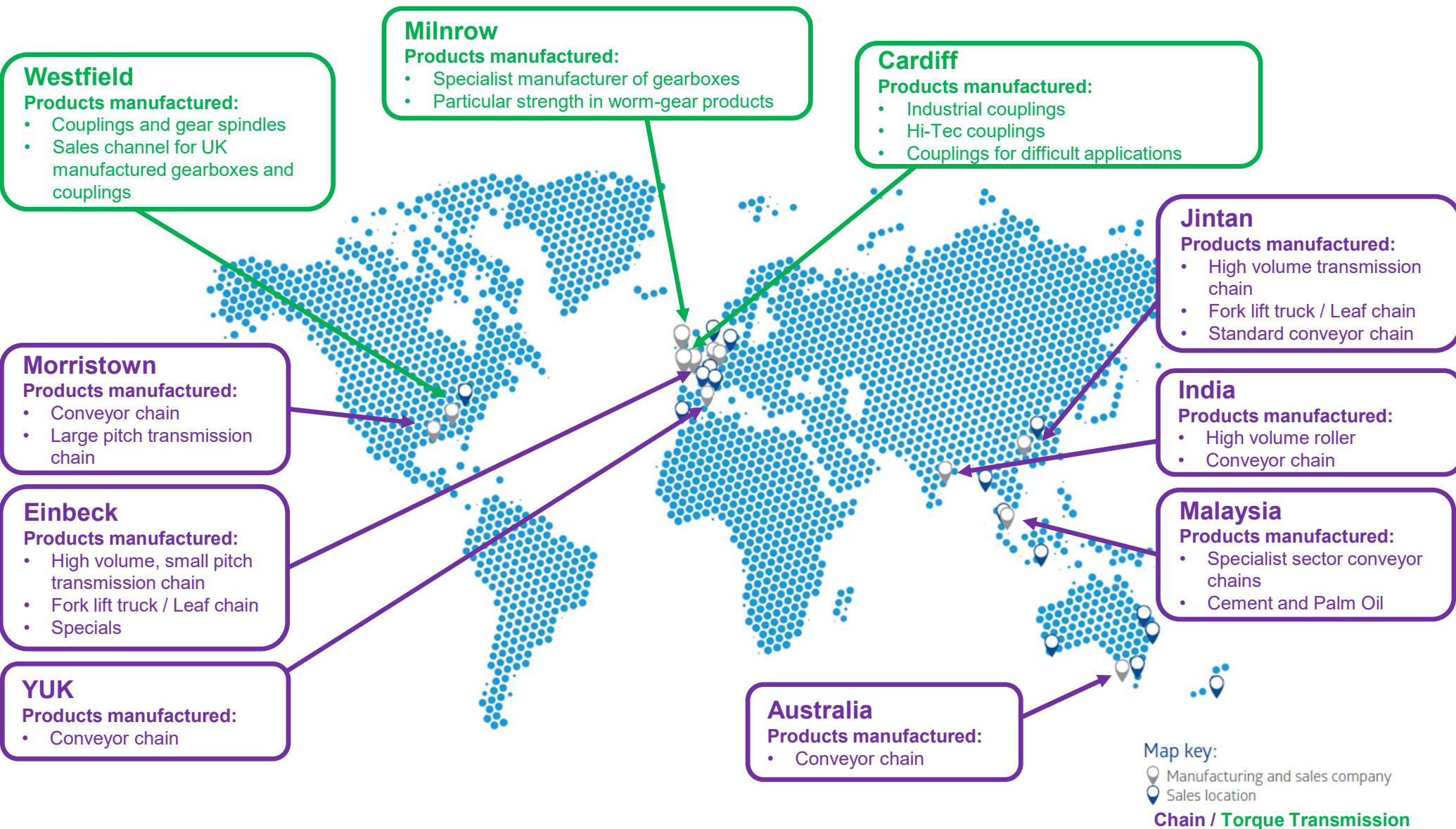
Second largest industrial chain manufacturer in the world with <10% market share

A history built by acquisition

- 1873 - Hans Renold, emigrates to Manchester, England from Switzerland
- 1880 - Hans Renold invents bush roller chain and an industry was born
- 1885 - Donates cycle chain design to world (and later the sprocket profile)
- 1918 - Extra strong chains for use on motor cycles
- 1925 - Acquisition of Brampton, France**
- 1947 - Greenfield operation set up in Australia
- 1963 - Acquisition of Arnold and Stolzenberg, Germany**
- 1975 - Renold introduces GP Motor Cycle Chains
- 2000 - Acquisition of Jeffrey Chain, USA**
- 2007 - Acquisition of Shanshui Chain Co. China**
- 2008 - Acquisition of LGB Chain, India**
- 2015 - STEP 2020 strategic plan announced
- 2016 - Acquisition of Aventics Tooth Chain, Germany**
- 2019 - Chinese factory relocated to Jintan
- 2021: Acquisition of Brooks conveyor chain business**
- 2022 – Acquisition of Industrias YUK S.A. Spain**
- 2022 – STEP2: Growth strategic plan announced
- 2023 – Acquisition of Davidson Chain Pty Australia**



Renold has a truly global footprint, with major manufacturing in Europe, North America, Asia and Australia



Warehouse Automation



Recycling



Automated Parking



Our applications are wide ranging, including both traditional and fast growing industries

- Products are used in many demanding, high-tech and cutting edge end applications
- Renold products are often a relatively low cost when compared to the customers final project costs, but they are critical to the performance of the entire system
- Renold is amongst the world's leading industrial brands, with 150 years of engineering know-how, providing premium products and engineered solutions that customers trust

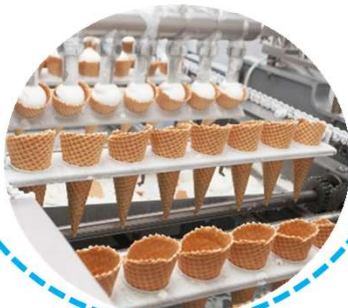
Entertainment



Agriculture



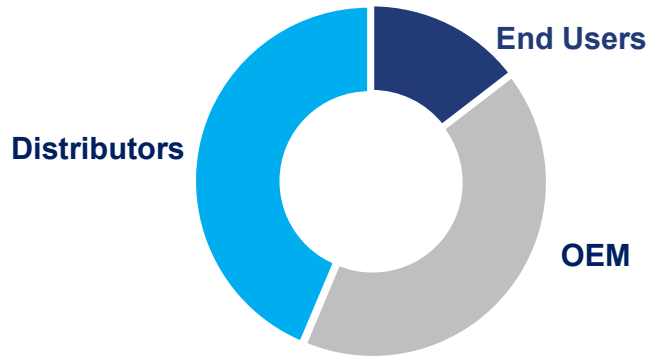
Food Production



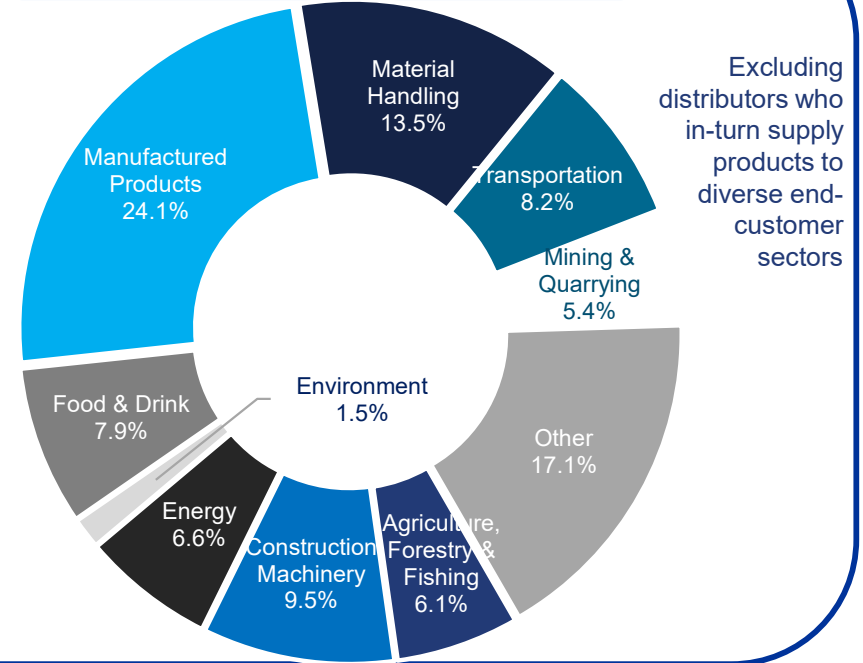
Aviation and Travel



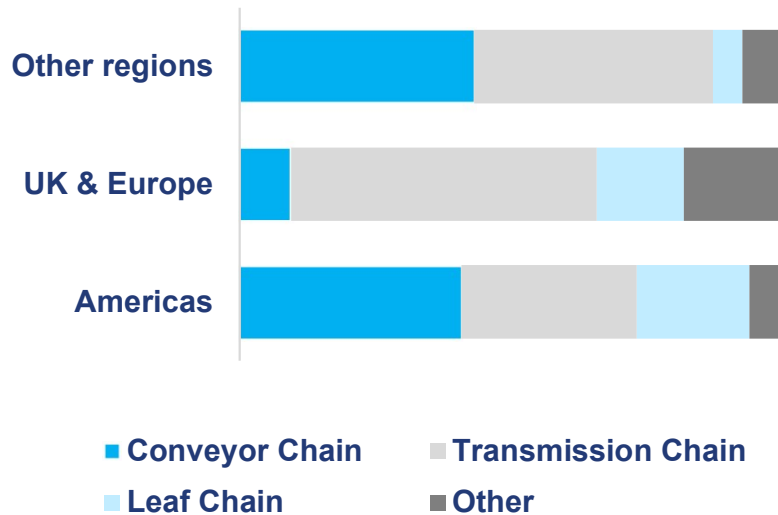
Revenue by customer type



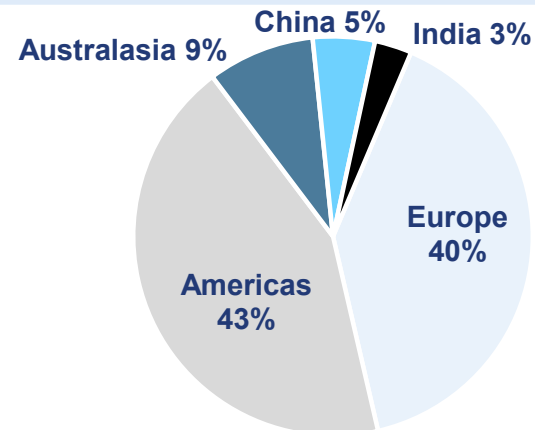
Revenue by sector



Proportion of sales by product type



Proportion of Group revenue by region



➤ **Renold benefits from significant geographic, customer and sector diversity** ◀



Valued and Recognised Brand and Engineering Expertise

With over 150 years of history, within its sectors, Renold is amongst the world's leading industrial brands providing premium products and engineered solutions that customers trust. Our products are specified by a significant number of OEM's and customers frequently ask for our products by name.



Broad Base of Customers and End-user Markets

Renold's products are used in an extremely broad base of final applications, market sectors, for both MRO and capital projects, resulting in a huge spread of customers and industries served. There is no customer or sector dependency. Our product range is second to none.



High Specification Products that Deliver Operational and Environmental Benefits

Our products are engineered and manufactured to class-leading specifications, delivering major benefits to customers:

- Longer life – reduced material and energy requirements, and improved efficiency
- Lower or no lubrication requirements – reduced contamination opportunity, lower cost to run
- Ability to operate in difficult or harsh environments
- Greater efficiency – reduced energy requirements



Global Market Position and Unique Geographical Manufacturing Capability

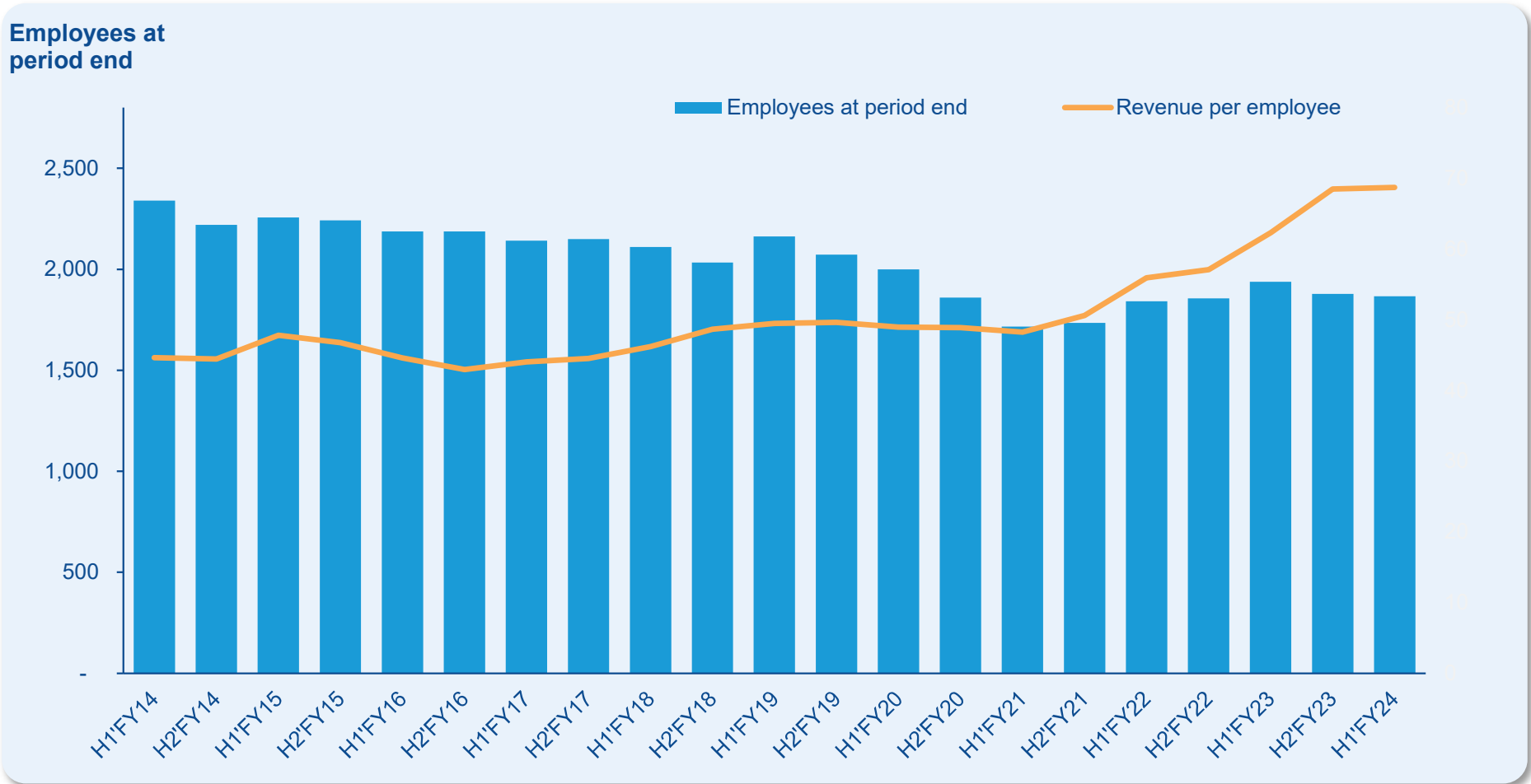
Renold is a global market-leading supplier of industrial chain and torque transmission products produced across the world utilising a unique manufacturing footprint. We are the second largest industrial chain company in the world with less than 10% market share in a highly fragmented market.



Relatively Low Cost but Critical Products

Renold products are often a relatively low cost when compared to the cost of the overall assembly or system of which they are part; but they are critical to the performance of the entire system. The consistent, reliable performance of our class leading products for over a century has demonstrated to customers the value proposition we offer both in MRO and OEM markets.

Revenue per employee, constant exchange rates



“We believe that the focus on sustainability, as well as being the right thing to do, will contribute to lasting economic success.”

A few “top down” group-driven projects delivering in critical areas

↓ Sustainability Progress ↑

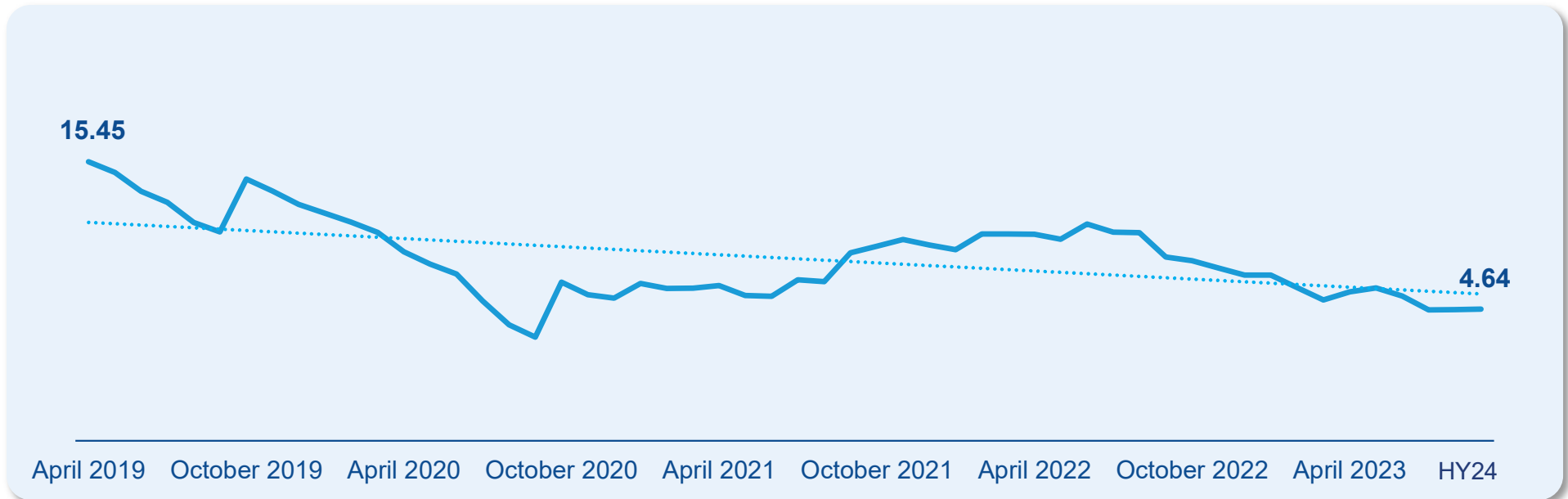
Local sustainability roadmaps identifying locally relevant projects and driving employee engagement

- Environmental sustainability
 - Reduced emissions intensity
 - Energy, packaging and chemical projects
- Customer sustainability
 - Lubrication and lower emission projects
 - Renold chain = Less power usage = Kinder to the environment
- Community sustainability
 - Vaccination clinics and Food Drive
 - Renold natural disaster fund
- Governance sustainability
 - Business integrity and ethics
 - Our values

Phased action plan: realistic, ongoing, proportionate, manageable, scalable, delivers real & lasting outcomes

➤ **Positively making a difference with real sustainable improvements** ◀

Lost Time Accident (LTA) Frequency Rate



- We are committed to providing a safe workplace
- Accident reporting continues to be key agenda for all Board and Executive meetings
- All accidents are thoroughly investigated and lessons learnt are shared throughout the Group
- Continued drive to increase near miss reporting and the sharing of good practice
- LTA frequency rate of 4.64 reduced by 12.8% from 5.32 at 31 March 2023, continuing the trend of recent years

Health, safety and wellbeing is our number one priority

Liquidity

- Refinancing agreed in May 2023, new facilities £85m plus £20m accordion, leverage covenant expanded to 3.0x adjusted EBITDA
- Good level of liquidity, with access to sufficient multi-currency debt facilities
- The Group continues to have clear headroom on all covenants

Covenants	At 30 September 2023
Net debt/adjusted EBITDA ¹ : Max 3.0x	0.7
Interest cover: Min 4.0x	12.4

¹Net debt/adjusted EBITDA calculated in accordance with the Group's banking agreement; this differs to the quoted leverage ratio following the adoption of IFRS 16

Currency

- Every US dollar cent worth c.£20k of adjusted operating profit
- Every Euro cent worth c.£100k of adjusted operating profit

Analysis by currency for the 6 months ended 30 September 2023

Taxation

- Effective tax rate as used for adjusted EPS of 27.2% (HY23: 26.2%)



Clear covenant headroom



	HY24	HY23	Var
	£m	£m	£m
Revenue	125.3	116.3	9.0
Operating profit	16.2	8.8	7.4
Pension scheme financing charges	(1.4)	(1.0)	(0.4)
External financing charges	(1.8)	(0.9)	(0.9)
Interest on lease liabilities	(0.4)	(0.2)	(0.2)
Other financing costs	(0.1)	(0.2)	0.1
Profit before tax	12.5	6.5	6.0
Taxation	(3.4)	(1.7)	(1.7)
Profit after tax	9.1	4.8	4.3
Basic EPS	4.4p	2.3p	

	HY24	FY23	Var
	£m	£m	£m
Goodwill	30.1	28.2	1.9
Intangible assets	11.9	10.9	1.0
Fixed assets	54.4	56.8	(2.4)
Right-of-use assets	15.7	16.5	(0.8)
Deferred tax	3.2	4.0	(0.8)
Inventories	65.2	61.8	3.4
Receivables	41.3	43.5	(2.2)
Payables	(56.2)	(57.2)	1.0
Working capital	50.3	48.1	2.2
Net debt	(28.3)	(29.8)	1.5
Lease liabilities	(15.6)	(20.2)	4.6
Provisions	(5.6)	(5.0)	(0.6)
Retirement benefit deficit	(52.7)	(62.2)	9.5
Current tax liability	(8.8)	(6.0)	(2.8)
Other	(2.8)	(2.2)	(0.6)
Net assets/(liabilities)	51.8	39.1	12.7
Leverage ratio¹	0.7 times	0.8 times	

¹Leverage is calculated as net debt / adjusted EBITDA