



Interim Results Presentation
for 6 months ended 30 September 2019

Introduction

- Tricorn develops and manufactures tube solutions for an international OEM customer base
- Over recent years the Group has extended its manufacturing footprint and invested in extending its capabilities enabling it to grow its customer base and win new business
- Operational base spans three key geographic regions (USA, UK and China)
- At the start of the financial year the Group consolidated its brands with Franklin Tubular Products and the newly announced expansion at Rabun Gap operating as Tricorn USA and Malvern Tubular Components and Maxpower Automotive as Tricorn UK. The joint venture in China remains as Minguang-Tricorn Tubular Products
- Reporting is now on a geographic segment basis

Key Points for six months ended 30 September 2019

Corporate

- Revenue down 7.3% on corresponding period
- Profitability adversely impacted by lower revenue and short term impact on US margins
- China JV performed in line with expectations and dividend declared and paid shortly after period end
- Strong pipeline of new opportunities

UK

- Demand slowed significantly during the 2nd quarter
- Impact of lower volume partially offset by efficiency gains
- Malvern site successfully transitioned to the same IT system as the West Bromwich site

USA

- Expansion announced at Rabun Gap, Georgia
- Above, operational ahead of plan and generating new opportunities
- Short term impact on US margins from additional US import tariffs

All references to EBITDA, profit before tax and EPS are before intangible asset amortisation and share based payment charges.

Financial Review – Profit & Loss

<u>£m</u>	<u>Sept 19</u>	<u>Sept 18</u>
Revenue	10.581	11.415
Gross margin	37.6%	38.5%
EBITDA	0.944	1.130
EBITDA Return %	8.9%	9.9%
Profit Before Tax	0.280	0.530
EPS	0.77p	1.45p
Dividend	-	-

Operational Summary

- US expansion operational ahead of plan
- Impact from tariffs and adverse sales mix in the US

Profit & Loss

- Revenue down 7.3%
- Group looked to maintain operational efficiency through targeted internal projects to improve productivity and reduce costs
- Strong gross margins and EBTIDA return
- Operational gearing at 30.6% (2018: 29.5%)
- EBITDA and profit before tax down on last half year
- EPS at 0.77p (2018: 1.45p)

**All references to EBITDA, profit before tax and EPS are before intangible asset amortisation and share based payment charges*

*** Where relevant, comparative figures for 2018 have been restated for the effects of IFRS 16 Leases*

Financial Review – Cash Flow & Balance Sheet

<u>£m</u>	<u>Sept 19</u>	<u>Sept 18</u>
Cash generated by operations	0.512	0.506
EBITDA	0.944	1.130
Cash generation/EBITDA ratio	0.54:1	0.45:1
Capital expenditure	0.433	0.327
Capex/depreciation ratio	0.88	0.76
Net borrowing	3.469	3.093
Gearing %	46.2%	45.4%

Cashflow Highlights

- Cash generated by operations at £0.512m, in line with last year
- Cash generation/EBITDA ratio at 0.54:1 impacted by first half weighting on annual payments and adverse working capital movements, particularly around inventories
- Continued investment up on last year, mainly on expenditure associated with the paint facility and start up at Rabun Gap, US

Balance Sheet Highlights

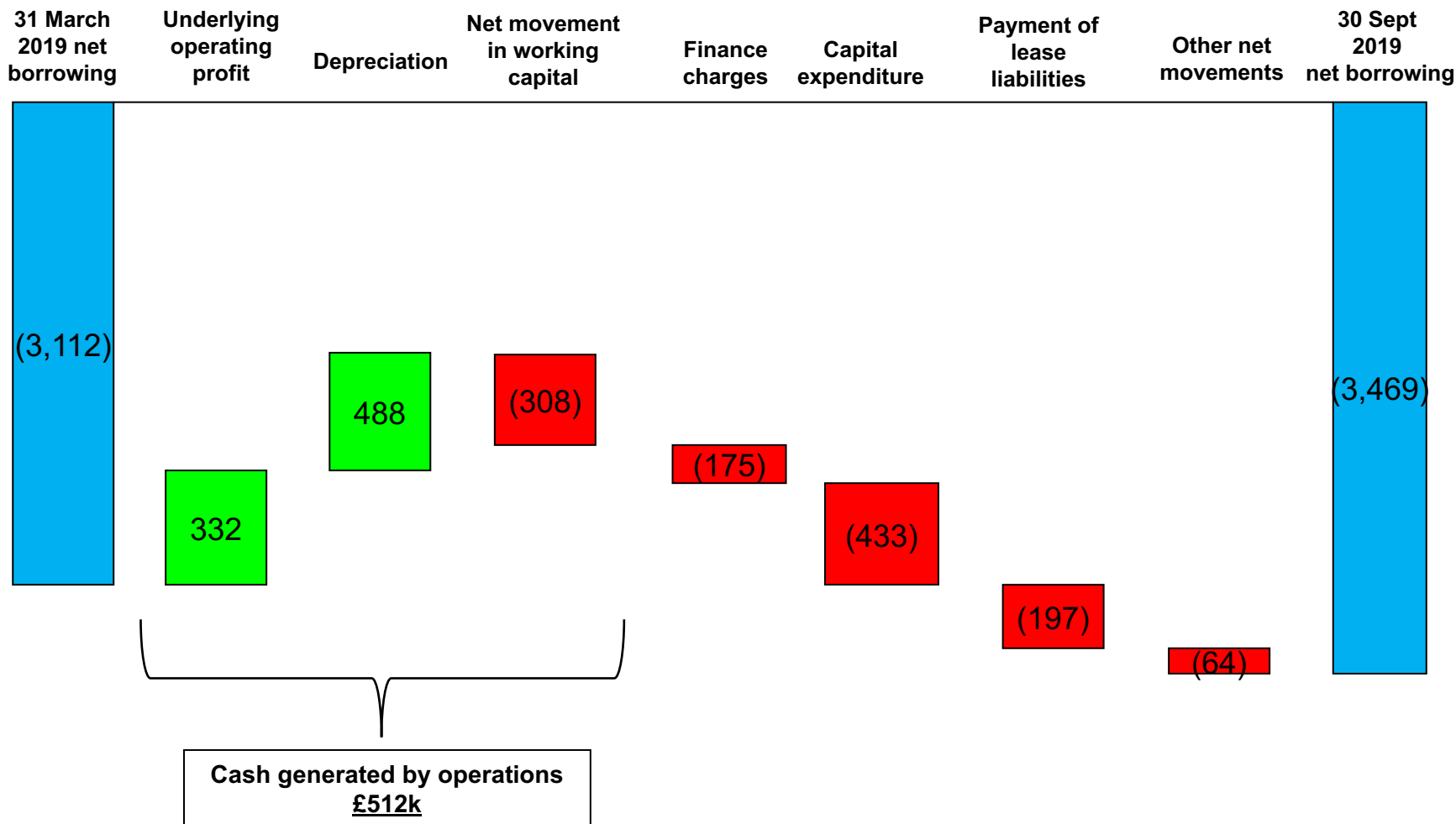
- Net assets up to £7.499m (2018: £6.807m) on the back of profit generation in the last 12 months
- Net working capital increased to £4.379m (2018: £4.012m) on the back of higher inventory levels
- Net borrowing increased to £3.469m, driven by investment in Rabun Gap, US and inventory
- The Group operates without any covenants on its borrowings

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** Where relevant, comparative figures for 2018 have been restated for the effects of IFRS 16 Leases

Financial Review - change in net funds

£000's



Business Review

Products and Applications

Products

- Fluid Transfer Tubes
 - Hydraulic
 - Oil
 - Air
 - Fuel
 - Coolant
- Structural Assemblies
 - Grab rails
 - Guards
 - Oil gauges

Applications

- Actuator control
- Low pressure fuel lines
- Exhaust gas recirculation
- Oil transfer tubes
- Coolant tubes
- Leak off rails
- Braking systems
- Gearbox lubrication
- Seat adjusters
- Oil level checking

Customers and End Markets

Blue Chip Original Equipment Manufacturers

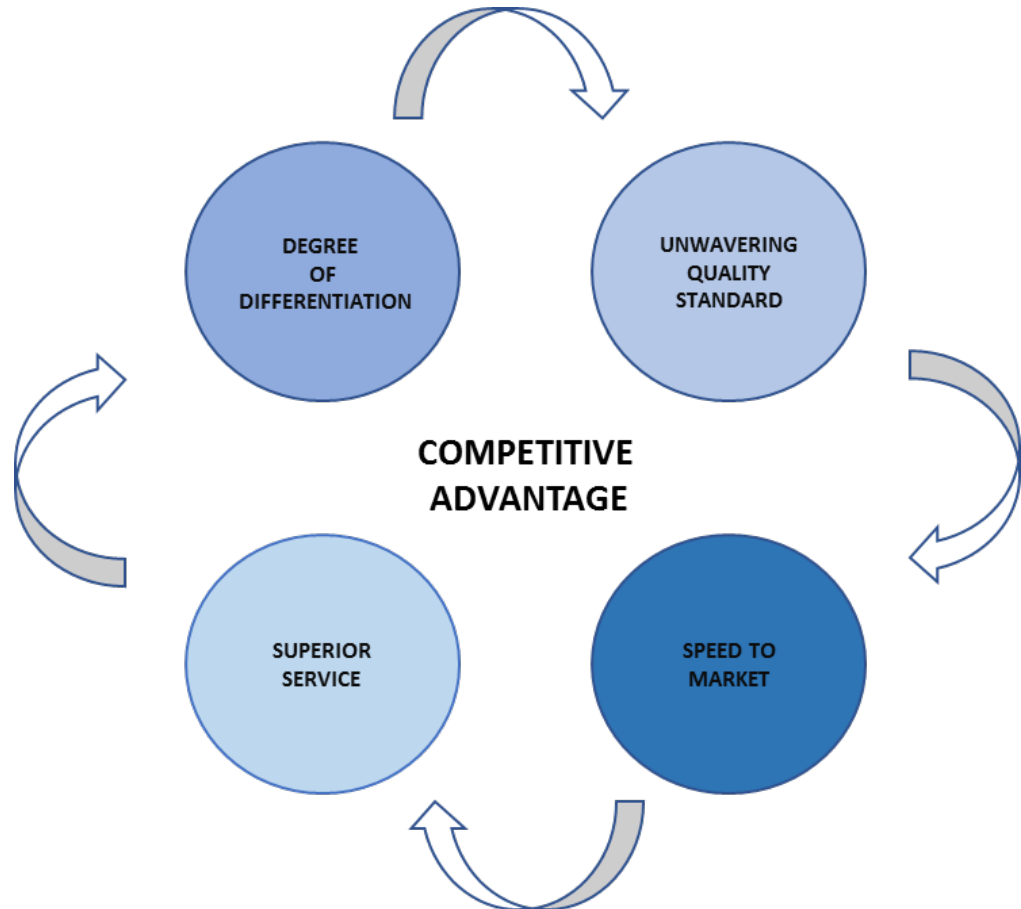
- Engines
- Construction vehicles
- Transmission systems
- Power generators
- Electric vehicles
- Seats
- Radiators

End Markets

- On Highway Vehicles
- Mining
- Construction
- Agriculture
- Energy
- Oil and gas
- Marine

Growth Priorities

- **Focus on large blue chip OEM customers**
 - Building long term collaborative relationships
 - Differentiated offering
 - Engaged from early design through to full production
 - Recurring revenue
- **Capitalise on significant growth opportunities**
 - Alert, agile and responsive to growth opportunities
 - Investing in capability and capacity
- **Drive for operational excellence**
 - Best in class
 - Enhanced competitiveness
 - Employee engagement



From Regional to International

- March 2012-announced £1m investment in China manufacturing facility
- March 2013-acquisition of US tube manufacturing business for £1.95m in cash
- July 2013-announced formation of joint venture in China; invested £0.39m in cash for 51% stake
- June 2016-completed consolidation of China activities. Tricorn owns 63% of enlarged joint venture
- May 2019-announced 2nd facility in the USA at Rabun Gap GA

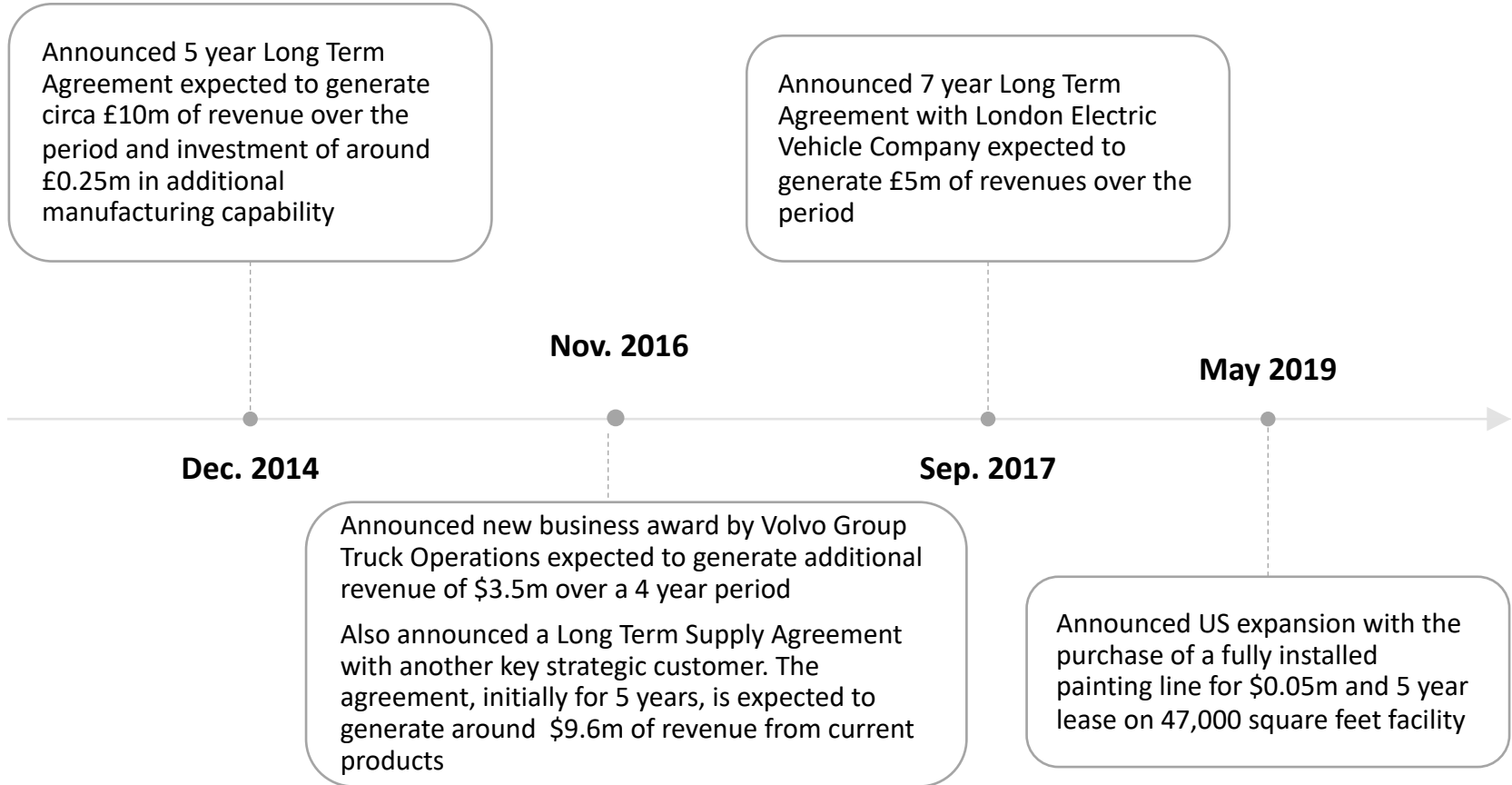
Locations

- 📍 Tricorn UK, Malvern UK - Manufacturing and Registered Office
- 📍 Tricorn UK, West Bromwich, UK - Manufacturing
- 📍 Tricorn USA, Franklin, NC, USA - Manufacturing

- 📍 Tricorn USA, Rabun Gap, Georgia, USA - Manufacturing
- 📍 Minguang-Tricorn Tubular Products, Nanjing, China - Manufacturing
- 📍 Nanjing, China - Purchasing Office



Winning new business and extending capabilities



Business Review - Performance

£'000	UK		USA		H1 2019 Central adjustments	H1 2018 Central adjustments	H1 2019 Group	H1 2018 Group
	H1 2019	H1 2018	H1 2019	H1 2018				
Revenue	6,170	6,975	4,552	4,440	(141)		10,581	11,415
PBT	134	384	87	192	59	(23)	280	553

UK

Revenue
Down £805k

PBT
Down £250k

- Demand slowed significantly through the 2nd quarter
 - Weaker market conditions
 - Some destocking
- Impact of lower revenue partially offset by efficiency gains
- Malvern facility successfully transitioned to the same IT system as West Bromwich

USA

Revenue
Up £112k

PBT
Down £105k

- Demand broadly in line with Board's expectations
- Short term pressure on margins
 - Import tariff
 - Adverse sales mix
- US expansion announced and operational ahead of plan

- Joint Venture
 - Performed in line with Board's expectations
 - Dividend declared and received shortly after period end

Outlook

- USA demand remained broadly in line with Board's expectations
- UK demand slowed significantly in Q2
- Profitability adversely impacted by lower revenue and, in the USA, short term pressure on margins due to import tariff on goods sourced from China
- China JV performed in line with Board's expectations - dividend declared and received shortly after period end
- New paint plant in the USA performed well, was operational ahead of plan and generating new opportunities
- Healthy pipeline of new opportunities across the Group
- For the balance of the year we expect demand to remain low in the UK and to weaken in the USA
- Continue to focus on managing the cost base and working capital to align with these lower volumes whilst capitalising on the many new business opportunities