



Phil Brierley, Chief Executive
Chris Kelly, Group Finance Director



Interim Results

for the six months ended 31 March 2017

June 2017

Redhall Group plc

The top left corner of the slide features a stylized graphic of the word "Redhall" in a white, serif font, overlaid on a blue background with abstract, curved lines. The rest of the top header is a solid dark blue.

Agenda

- First half overview
- Proposed placing and debt conversion
- Strategic update
- Progress against the strategic plan
- Financial review
- Summary
- Appendices
 - Redhall Group businesses
 - Timetable for placing and debt conversion
 - Shareholders

- Continued focus on creating a market leading high integrity manufacturing and services business delivering into complex and hazardous environments
- First major project wins for Hinkley Point C
- Order book increased to £32 million (December 2016: £27 million) due to award of nuclear contracts *
 - Confirmed preferred bidder status for Hinkley Point C projects of c£8 million
 - Major defence contract win of £3.4 million
 - Increasing Crossrail awards (now £10 million)
 - Major food projects awarded £2.8 million for process line manufacture and installation
 - Continuing focus on infrastructure and nuclear projects with high levels of tender activity across the Group
- Pipeline in Decommissioning and Nuclear New Build continues to increase
- Order book and pipeline illustrate higher margin nature of work now undertaken by the Group

** Order book stated on a like for like basis excluding the marine contract and including confirmed preferred bids*

- Operating profit of £1.2 million before central costs of £1.0 million
 - Reflecting a 130bps improvement in margin to 6.5%
 - Operating profit of £0.2 million (H1 2016: £0.1 million loss)
 - No exceptionals
- Company trading in line with full year market expectations
- Activity already ramping up for second half
 - Booth Industries secured orders moving from engineering into production
 - Jordan Manufacturing orders mainly “build to print” – rapidly in production
 - Revenue and profit recognition increase with production



Proposed placing and debt conversion

- **Fundraising**

- › Placing of new ordinary shares announced to raise approximately £9.5 million
- › Placing at 10 pence per share (11.1% premium to closing price on 13 June 2017)

- **Debt Conversion**

- › £3.75 million of LOIM debt to be converted into equity at the placing price
- › LOIM funds retain options over 18.5 million shares

- **Banking Arrangements**

- › Renegotiation of facilities with HSBC
- › Agreement in Principle to a 4 year £5.5m facility plus £2.5m accordion
- › Facilities at better margins

Rationale for placing and debt conversion

- Working capital required to fund growth in manufacturing activities
- Investment in product development, key accreditations and equipment
- Ability to agree more competitive terms with customers and suppliers
- Credibility for conversion of larger opportunities that are being presented particularly in the nuclear market

Redhall Group Today

- A high integrity manufacturing and services business
- Businesses all serve complex and hazardous environments
- Operating in nuclear, oil & gas, telecoms and specialist infrastructure and food
- Strong blue-chip client base
- Management team has implemented agreed strategic turnaround plan
 - › First stage restructuring completed in 2015
 - › Second stage – platform established in 2016
 - › Third stage – growth and investment in key markets in 2017/18

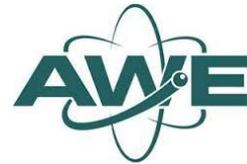


Phil Brierley, CEO



Chris Kelly, Group FD

A Selection of Our Current Blue Chip Client Base



Recent developments

- Pipeline growing as a result of strategic shift towards manufacturing
- Order book continues to increase – dominated by nuclear sector – defence, decommissioning and now new build
- Orders in defence and decommissioning progressing albeit slightly slower than plan
- Conversely nuclear new build orders are materialising earlier than anticipated – Redhall aims to cement its position in the supply chain
- Higher margin manufacturing activities are due into production at the same time across the Group

Nuclear

Nuclear defence

- AWE capital projects
- Other opportunities

Nuclear decommissioning

- Sellafield/Magnox/DSRL
- New facilities

Nuclear new build

- Hinkley Point C
- Five possible future sites



Future UK nuclear new build and decommissioning represents a substantial long term opportunity

- Nuclear new build investment to meet UK power needs
 - Estimated spend of c£140bn over 20 years (source: National Audit Office)
- Nuclear decommissioning investment to clean up UK (and others) legacy facilities
 - Estimated spend, a front end loaded c £161bn over 100 years (source: NDA)
 - Sellafield spend currently c£2bn p.a.
- A significant proportion of spend to be with UK companies
- Niche nature of work is reflected in higher achievable margin

- **Nuclear New Build**
 - Preferred bidder/order for c£8m of early stage works for Hinkley Point C
 - Significant tender activity for Hinkley Point C
 - Door and blast products; specialist fabrication, e.g. marine items, pond liners, gloveboxes
- **Nuclear decommissioning**
 - Significant tender activity for nuclear decommissioning across manufacturing businesses
 - Multiple ongoing projects for Sellafield, Magnox and DSRL
 - Confirmed framework participant on Magnox and DSRL
 - Includes products for new buildings including doors, glove boxes, containers and other specialist fabrications

- Nuclear defence
 - Nuclear defence continues to be a key focus of strategy
 - Ongoing projects in nuclear defence
 - A number of new opportunities
- Large UK infrastructure projects
 - Crossrail, HS2, Crossrail 2, London Underground
- Strong underlying order book for food process business
 - Recent £2.8 million order from major UK food manufacturer
 - Return to higher levels of capital spend by customers in the sector in H2 2017 and beyond

First stage – restructuring (2014/2015)

- ✓ **Debt burden reduced**
- ✓ **Risk profile reduced**
 - ✓ Sale of RESL and withdrawal from site-based nuclear contracting
- ✓ **Cost base reduced**
 - ✓ Divisional structure removed, support functions centralised and local overheads reduced

Second stage – business improvement (2016)

- ✓ Strengthen management and structure
- ✓ Improve processes
- ✓ Investment in R&D and equipment
- ✓ Build high quality order book
- ✓ Focussed on growing high integrity, high margin manufacturing and services (profitable throughout)
- ✓ Improvement process continues through 2017

Third stage – growth in key markets (2017+)

- Continue to grow and deliver order book in key markets
- Invest in businesses for increased competitiveness
- Expansion of product range and service offering
- Invest in additional capacity and capabilities

1 - Continue to grow and deliver order book

- Order book progression – growth coming from high integrity manufacturing

	£'m	
	Total	Manufacturing
Dec-15	15	11
Jun-16	20	17
Dec-16	27	23
Jun-17	32	26

Orders on a like for like basis - excluding Marine

- Significant pipeline of bids awaiting response
- Opportunities identified for bids also increasing

1 - Continue to grow and deliver order book

- Order book continues to grow in terms of volume and quality
 - Proportion of higher margin manufacturing orders increasing
 - Gross margin in order book improved
- Growth coming from manufacturing with higher capital needs
- Manufacturing order book moving into production in Booth and Jordan simultaneously
- Many contracts in production before the financial year end
 - International defence contract
 - UK defence contract
 - Hinkley Point C

2 – Invest in business to increase competitiveness

- Ability to agree terms demanded by the market
- Establish competitive terms with supply chain
- Create more flexibility and options for material purchases resulting in potential for increased margin
- Continued investment in people, plant and equipment, processes and technology

3 – Expansion of product range and service offering

- Invest in product development to expand range to meet customer requirements
- Invest in R&D to optimise efficiency of existing products and retain accreditations
- Expand our “end to end” capability

4 – Invest in additional capacity and capability

- Current manufacturing facilities require update and consolidation
- Additional facilities also a likely requirement as pipeline opportunities are converted
- Consideration being given to non-organic opportunities for growth in capacity and complementary capabilities



FINANCIAL REVIEW

Income Statement

- Underlying revenue for H1 2017 consistent with H1 2016 on a like for like basis
- Group reports adjusted operating profit – £183k v £91k loss in H1 2016
- Operating profit pre central costs increased by 130bps to 6.5%
- No exceptional charge on continuing operations
- Central costs include HR, Finance and IT
- Finance charge consistent with prior period
- Company trading in line with full year market expectations

	H1 2017 £'000	H1 2016 £'000
Revenue*	18,964	21,352
Adjusted operating profit before central costs	1,228	1,105
Central costs*	(1,045)	(1,196)
Adjusted operating profit/(loss)*	183	(91)
Net financial charge	(439)	(398)
Adjusted loss before tax*	(256)	(489)
Exceptional items	-	-
Amortisation of intangible assets	(153)	(162)
IFRS2 (charge)/credit	(210)	(101)
Loss before tax	(619)	(752)
Tax on profit on ordinary activities	(93)	157
Loss for period – continuing operations	(712)	(595)
Loss on discontinued activities	(72)	(159)
Group loss	(784)	(754)

* Before exceptional items, amortisation of intangible assets and IFRS2 charge.

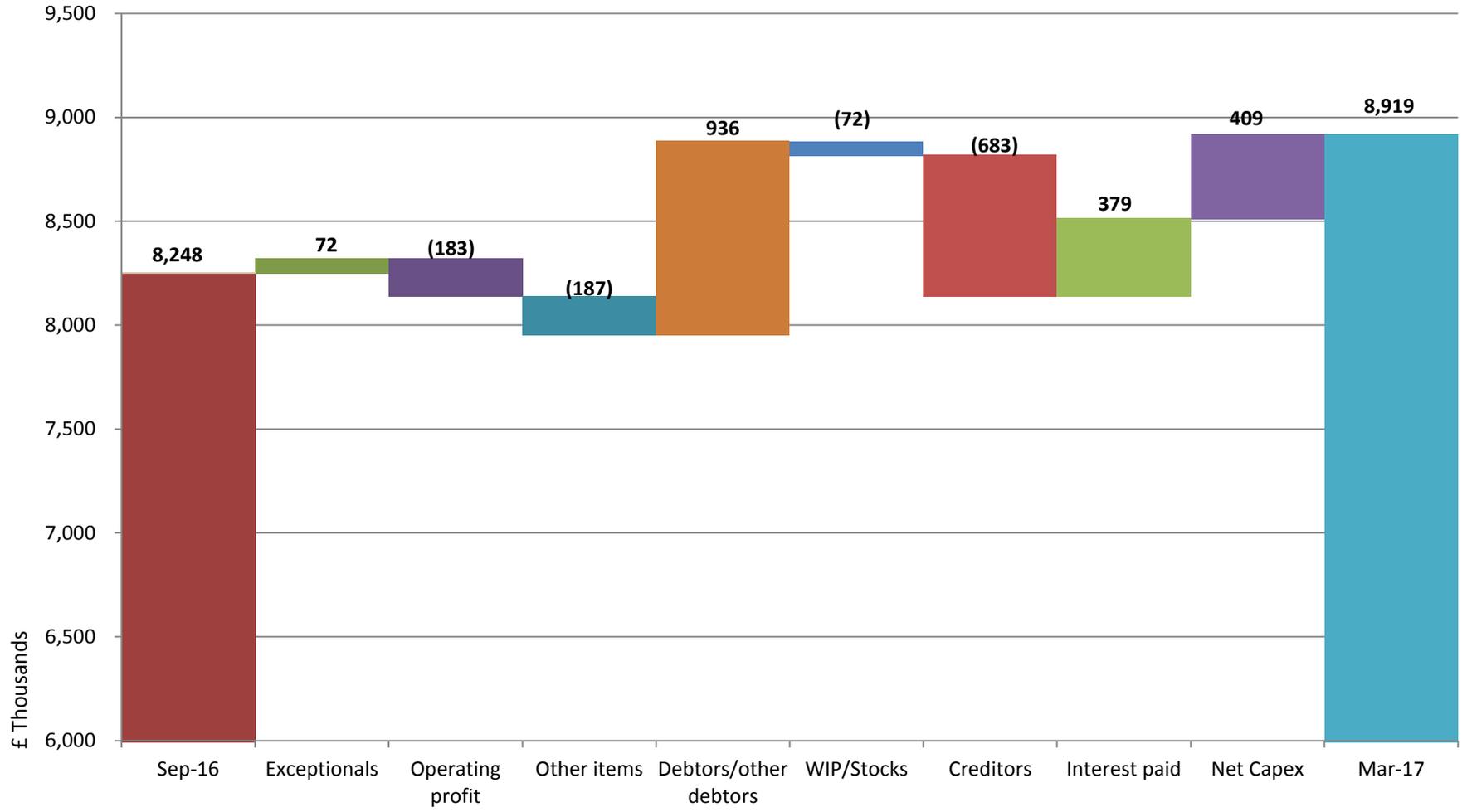
Cash Flow Statement

- Cash generated from operations in the period
- Substantial investment in capital expenditure and product development, partly funded by finance leases
- Increase in net borrowings arises from capex and outflows following completion of Marine contract

	H1 2017 £'000	H1 2016 £'000
Cash generated from/(absorbed by) operations	87	(2,419)
Interest paid	(379)	(412)
Net cash from operating activities	(292)	(2,831)
Net cash from investing activities	(310)	10
Net cash from financing activities	(69)	3,570
Net cash flow	(671)	749
Opening net funds	1,021	687
Closing net funds	350	1,436
Borrowings	(9,269)	(9,745)
Net borrowings	(8,919)	(8,309)
Finance leases	(355)	-
Total borrowings	(9,274)	(8,309)



Debt Bridge



30-

Borrowings and facilities

- Total borrowing facility at 31 March 2017

	£'000
Overdraft	2,000
RCF	<u>3,525</u>
Total HSBC	5,525
Debt from Lombard Odier (Term loan)	<u>5,744</u>
	<u>11,269</u>

Facilities expire in December 2018

No amortisation required

Margin 4.25% above LIBOR

Total Borrowings	Current £'000	>1 Year £'000	Total £'000
As at 31/03/17:			
Cash/(Overdraft)	350		350
Loans	-	(9,269)	(9,269)
	350	(9,269)	(8,919)

Balance Sheet

- Investment of £0.4 million net of finance leases
- Pension scheme deficit reduced by over 50% due to change in gilt yields and new mortality data (CMI 2016)
- Deferred tax movement is due to the reduction in pension deficit

	H1 2017	H1 2016	Full Year 2016
	£'000	£'000	£'000
Non-current assets	5,704	5,371	5,380
Goodwill	18,305	18,305	18,305
Non-cash current assets	12,953	13,793	12,088
Net (liabilities) held for sale	-	-	-
Non-cash current liabilities	(9,979)	(9,706)	(9,236)
Deferred tax	607	311	1,032
Pension scheme	(1,815)	(1,836)	(3,796)
Borrowings net of cash balance	(8,919)	(8,309)	(8,248)
Finance leases	(355)		
Net assets	16,501	17,929	15,525

Summary of placing and debt conversion

- **Improve the balance sheet**

- › Fund the existing order book and provide flexibility for growth. High level of tender activity expected for a number of years

- **Greater financial flexibility**

- › Better trading terms with supply chain
- › Working capital to fund growth and access expanding markets
- › Flexibility for investment in capital and facilities
- › Capital from the fundraising is not intended to reduce available bank facilities
- › Anticipate better terms with bond underwriters

- **Improve results**

- › Ability to enhance net profits and improve cash generation

- Significant progress made since 2014 – Group repositioned
- Debt and costs reduced. Group is focussed on high integrity manufacturing and services businesses in complex and hazardous environments
- Achieved significant growth in order book; the quality of which is reflected in margin expansion
- Return to operating profit in first half and ramp up already being experienced in second half
- Pipeline gives confidence of ability to continue to increase activity in core markets
- Proposed placing and debt conversion strengthens our platform for our high margin manufacturing and service businesses in growing markets



Appendices

Strong brands with highly accredited products:

Boothindustries

- Design, manufacture, project management and installation of:
 - › high integrity blast, fire, radiation shielding, acoustic and security doors
 - › fire and blast products including panels, decks and tunnels

Jordanmanufacturing

- Manufacture of bespoke high integrity products including gloveboxes, nuclear civil and defence equipment
- Located in close proximity to Hinkley Point C

R BlackettCharlton

- Providing support to the Group's manufacturing activities in the North of England



Redhall networks

- Provides cellular rigging installations to the mobile telecommunications market throughout England and Scotland



Redhall jex

- Provides design, manufacture, installation and relocation of process equipment to the food and pharmaceutical markets





Placing and debt conversion timetable

Activity

Date 2017

Announcement

14th June

Book Closes (Placing) and publication of shareholder circular

14th June

General meeting held

30th June

Dealings expected to commence

By 5th July

Current shareholders

Shareholders	Shares 13 June 2017	%
1. Lombard Odier Asset Management	55,087,179	27.54
2. Downing LLP	28,000,000	14.00
3. Ruffer LLP	25,500,000	12.75
4. Hargreave Hale	21,690,000	10.84
5. Spreadex	7,808,500	3.90
6. Others	61,965,005	30.97
Total	200,050,684	

Note:
Lombard Odier Asset Management have options over 18.5 million shares. They can exercise options to increase their holding to 29.9%.
Options issued to directors and senior employees amount to 26.64 million options.