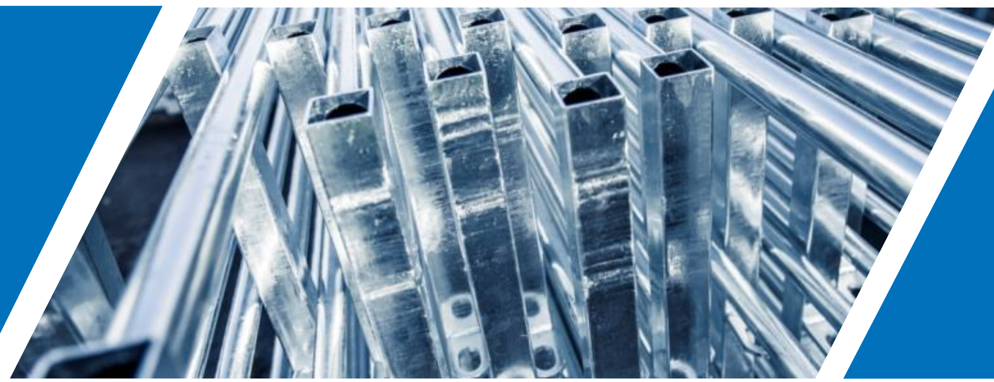
2017 Interim Results

Six months ended 30 June 2017

Derek Muir Group Chief Executive

Mark Pegler Group Finance Director



Hill & Smith Holdings PLC

Key messages

- **Another strong performance**
  - Record first half revenue & profitability
  - Organic revenue growth 5% (at constant currency)
  - Operating profit* up 13% (at constant currency)
  - Operating margin* 13.3%, up 100bps
- **Active Portfolio Management**
  - One acquisition and one disposal completed
  - Four restructuring projects further improving returns
- **Positive outlook**

Proposed interim dividend 9.4p, up 11%

* All references to profit measures in this presentation refer to underlying profits, which exclude certain non-underlying items as detailed in the Appendices on page 25

Underlying Trading Results

	H1 2017	+/-	H1* 2016	FY 2016	
					FX impact: Revenue +£15.0m Operating Profit +£2.3m
Revenue (£m)	**291.8**	13%	259.3	540.1	Organic growth +5% (at constant currency)
Operating profit (£m)	**38.8**	21%	32.0	70.6	Organic growth +4% (at constant currency)
Operating margin (%)	**13.3**	100bps	12.3	13.1	Strategic initiatives driving improved returns
PBT (£m)	**37.4**	22%	30.7	68.0	
EPS (p)	**36.2**	22%	29.7	65.9	Tax and interest neutral
Dividend (p)	**9.4**	11%	8.5	26.4	Maintaining progressive dividend policy

* The prior year H1 comparatives throughout this presentation have been re-presented as explained in the Appendices on page 25

Utilities

	H1 2017	H1 2016	Organic Growth
Revenue (£m)	**107.1**	100.4	2%
Operating profit (£m)	**7.6**	4.7	8%
Operating margin (%)	**7.1**	4.7	240bps

- **UK**
  - Overall mixed performance, AMP6 delays continuing
  - Security fencing/housing markets strong
- **US**
  - Absence of larger contracts in H1
  - Market fundamentals remain, improved outlook for H2
  - Kenway (composites) acquired March
- **Pipe Supports**
  - US demand for engineered supports continuing
  - Rationalisation of US distribution network
  - India expansion completed, strong growth in domestic and international markets

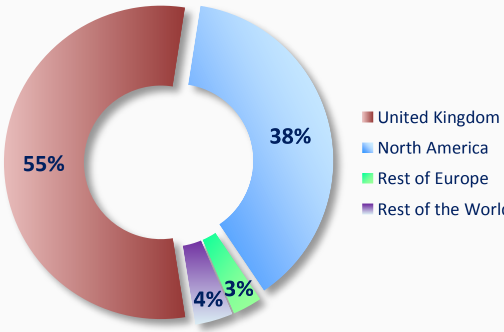
£m	Revenue	Operating Profit
2016	**100.4**	**4.7**
F/X	5.9	0.4
Acquisitions	8.0	0.6
Non-US Pipes	(9.5)	1.5
Organic	2.3	0.4
2017	**107.1**	**7.6**

2017 Revenue

£107.1m **Up 2% organically**

UK	**up 4%**	**£61m**
US	**down 11%**	**£22m**
Pipes (US/India)	**up 9%**	**£24m**

Revenue by geography



Roads

	H1 2017	H1 2016	Organic Growth
Revenue (£m)	**93.8**	77.5	9%
Operating profit (£m)	**10.2**	9.0	1%
Operating margin (%)	**10.9**	11.6	-70bps

- **UK** **(68% of revenue)**
  - Government's Road Investment Strategy progressing as planned
  - Good utilisation of temporary safety barrier rental fleet
  - Positive trends continuing in VMS, parapets and lighting columns
- **International** **(32% of revenue)**
  - Scandinavia solid, enhanced product offering
  - Excellent progress with Zoneguard safety barrier in US and Australia
- **Portfolio Management**
  - CA Traffic (non-core) disposed in April
  - VMS: Rationalisation of manufacturing footprint
  - Closure of Indian roads business

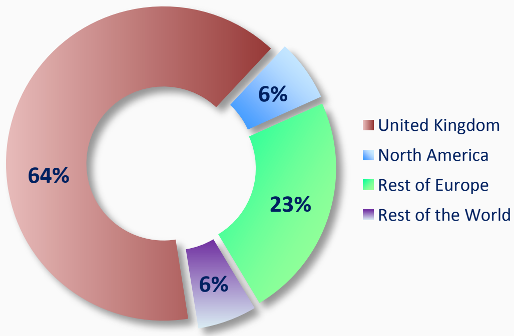
£m	Revenue	Operating Profit
2016	**77.5**	**9.0**
F/X	2.5	0.1
Acquisitions / Disposals	6.7	1.0
Organic	7.1	0.1
2017	**93.8**	**10.2**

2017 Revenue

£93.8m **Up 9% organically**

UK	**up 7%**	**£64m**
International	**up 13%**	**£30m**

Revenue by geography



Galvanizing

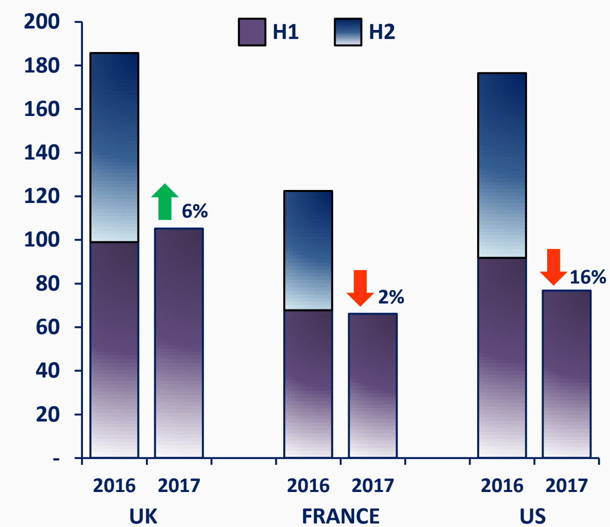
	H1 2017	H1 2016	Organic Growth
Revenue (£m)	**90.9**	81.4	3%
Operating profit (£m)	**21.0**	18.3	5%
Operating margin (%)	**23.1**	22.5	60bps

- **UK**
  - Wider infrastructure investment driving 6% volume growth
  - Operational efficiencies delivering further margin improvement
- **France**
  - Volumes down 2%, Presidential elections impacting
  - Signs of improving sentiment in French/European markets
- **USA**
  - As expected, volumes down 16%, strong prior year comparatives
  - LNG and solar projects not repeated in 2017
  - Underlying market demand remains robust
  - Improved margin on more favourable product mix

£m	Revenue	Operating Profit
2016	**81.4**	**18.3**
F/X	6.6	1.8
Organic	2.9	0.9
2017	**90.9**	**21.0**

2017 Tonnes Galvanized

248,000 tonnes Down 4%



Free cash flow and net debt

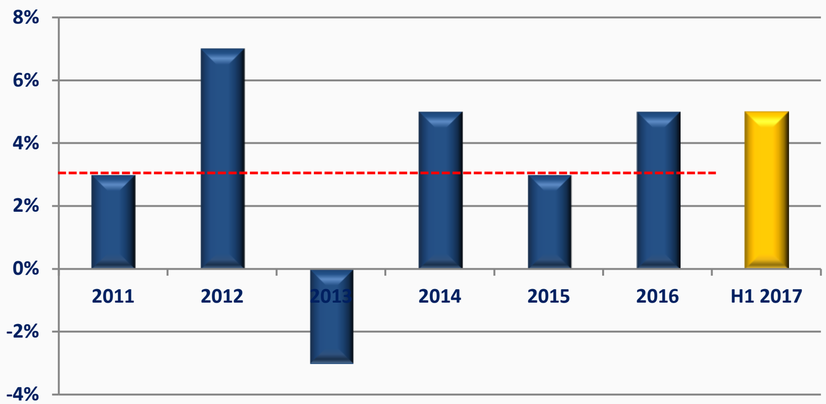
£m	**H1 2017**	H1 2016	FY 2016
Underlying Operating Profit	**38.8**	32.0	70.6
Depreciation and amortisation	**9.6**	8.7	18.4
Underlying EBITDA	**48.4**	40.7	89.0
Other non-cash items	**1.1**	0.8	1.4
Working capital	**(16.6)**	(4.8)	(3.8)
Capital expenditure (net)	**(7.4)**	(9.8)	(20.9)
Underlying operating cash flow	**25.5**	26.9	65.7
Restructuring	**(2.4)**	(0.8)	(1.5)
Pension	**(1.2)**	(1.2)	(2.3)
Interest paid (net)	**(1.3)**	(1.4)	(2.8)
Tax paid	**(9.0)**	(6.9)	(15.7)
Statutory free cash flow	**11.6**	16.6	43.4
Dividends	**(6.7)**	(5.5)	(16.2)
Acquisitions	**(5.3)**	(14.9)	(39.2)
Disposals	**2.6**	-	-
Share issues/other (net)	**(1.6)**	(0.9)	(1.6)
Net cash flow	**0.6**	(4.7)	(13.6)
Note: F/X impact	**2.3**	(3.3)	(6.9)

- Working capital £16.6m
  - H1 outflow reflective of seasonal trading patterns/organic growth
  - Zinc price *c.*£5m impact on inventories
- Capex 1.0 times depreciation/amortisation
  - 2017 guidance *c.*£22m (1.1 times)
- Restructuring spend £2.4m
  - Non-US Pipe Supports, India Roads, US Pipes reorganisation
  - Full year *c.*£4m
- Acquisition of Kenway £5.7m
- Disposal of CA Traffic £2.6m
- Net debt : EBITDA 1.1 times (Dec 2016: 1.2 times)

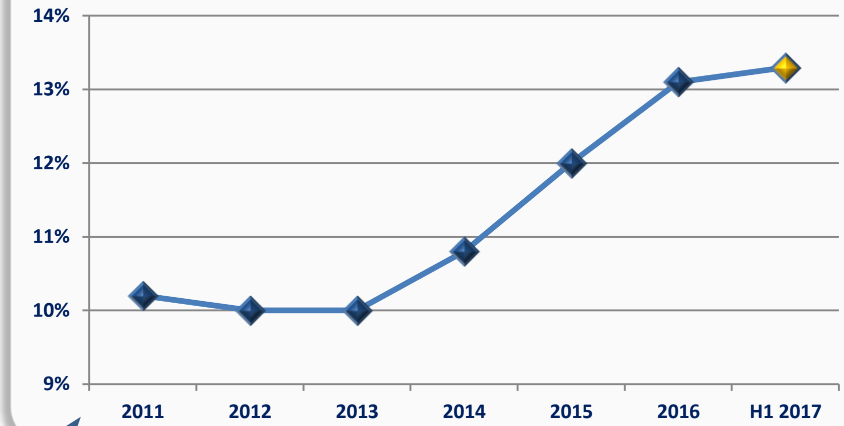
£m	**H1 2017**	H1 2016	Dec 2016
Net debt	**109.1**	99.5	112.0

Strategic KPI's

Organic revenue growth

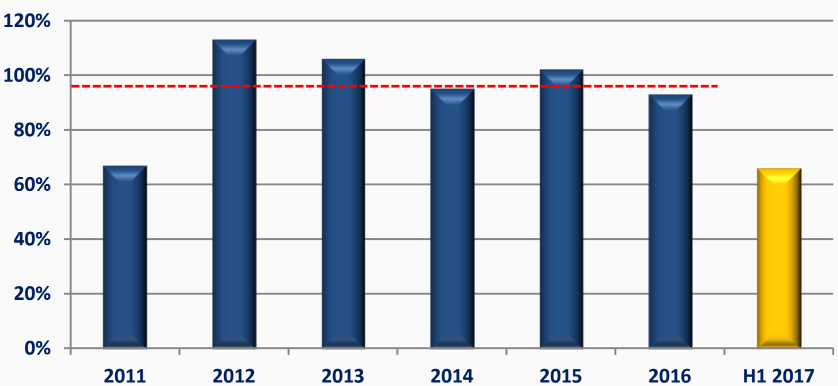


Operating margin



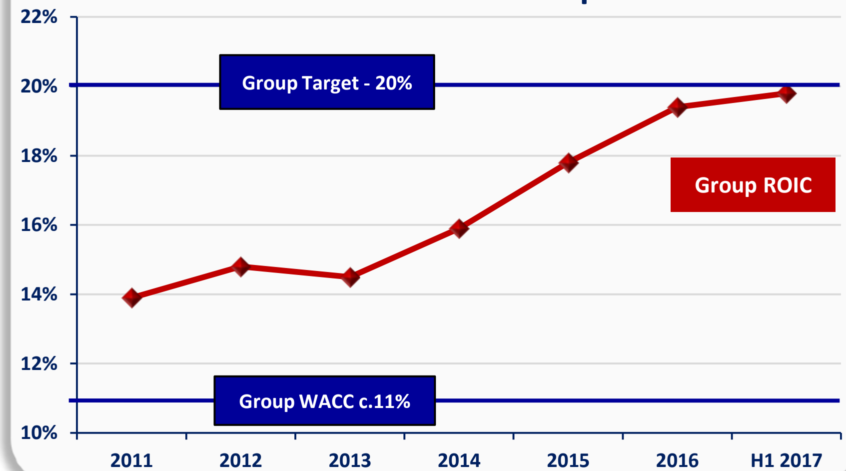
6-Yr Average

Underlying cash conversion *



*excluding strategic capex

Return on invested capital



Strategy and Outlook

Derek Muir

UK Infrastructure

ENERGY

- Offshore wind - landing platforms
- Biogas anaerobic digestion
- Solar with battery storage
- Energy from Waste
- Hinkley Point - nuclear

RAIL

- CP5 - markets remain strong
- HS2 - contracts awarded - construction commences 2018
- Five year security upgrade on electrification and renewals
- New train depots for Crossrail and other network franchisees

AMP6

- Water treatment plant security a focus
- AMP6 projects slow to start
- Thames Tideway Tunnel

HOUSING

- UK housing market remains strong
- Good volume for building products business
- Increased demand for flood alleviation systems

Highways England: Road Investment Strategy ('RIS')


Temporary Safety Barrier

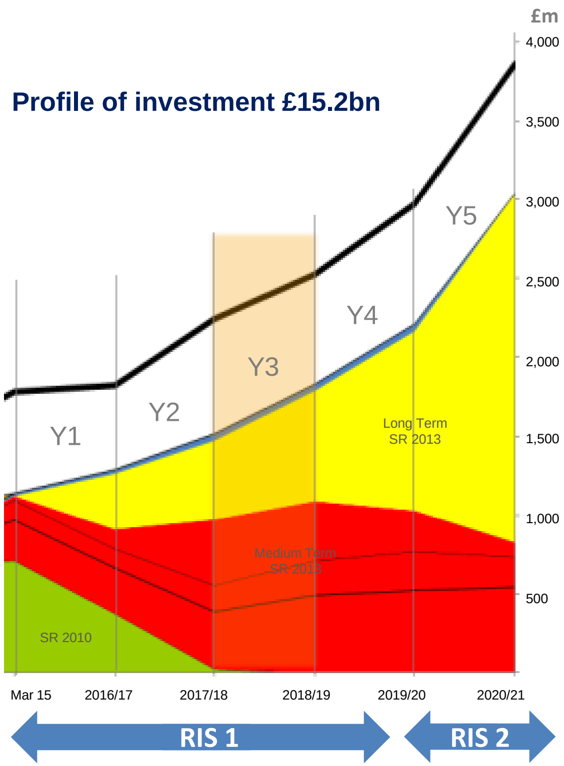

Crash Cushions


Permanent Safety Barrier

Variable Message Signs

ROTTM Sign

Profile of investment £15.2bn



Source: Highways England Strategic Business Plan 17 December 2014

Major improvement schemes

Scheme	Start
M1 junctions 13-19	Current
M6 junctions 16-19	Current
A14 Cambridge to Huntingdon	Current
M1 junctions 24-25	Current
M20 junction 10a	Q1 18
M4 junctions 3-12	Q1 18
M6 junctions 2-4	Q1 18
M6 junctions 13-15	Q1 18
M20 junctions 3-5	Q1 18
M23 junctions 8-10	Q1 18
M27 junctions 4-11	Q1 18
M62 junctions 10-12	Q1 18

Source: Highways England Delivery Plan 2017-2018

£1bn annual fund for councils to improve or replace the most important A-roads in England

Central to proposals is the creation of a Major Road Network, by combining Highways England's 4,200 miles of strategic roads with 3,800 miles of council-controlled 'A' roads. Priority would be given to council schemes that combat congestion and improve connections around towns and cities.

Part of the cash will be used as a bypass fund to alleviate traffic issues in villages.

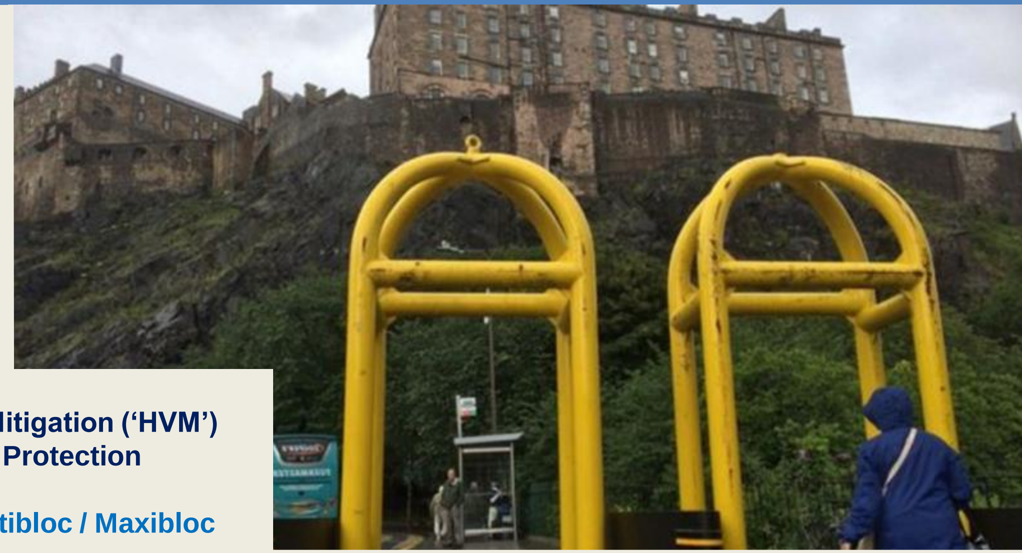
Up to £1bn a year is expected to be ring-fenced from the near £6bn raised annually from vehicle excise duty.

Transport Secretary Chris Grayling said:

"The transport investment strategy sets out a blueprint for how we can harness the power of transport investment to drive balanced economic growth, unlock new housing projects, and support the government's modern industrial strategy."

Source: Construction Enquirer July 2017

UK Market for HVM products



Hostile Vehicle Mitigation (‘HVM’)
Pedestrian Protection

Varioguard / Multibloc / Maxibloc

Increased demand for our market leading range of temporary and permanent, steel and concrete products in key locations as the threat of terrorism increases.

US Infrastructure

HIGHWAYS

- Fixing America's Surface Transportation ('FAST') Act
- $305bn five year bill to 2020
- Long-term funding certainty and project visibility
- Year 2 spending on track
- Further investment in Zoneguard fleet

RENEWABLES

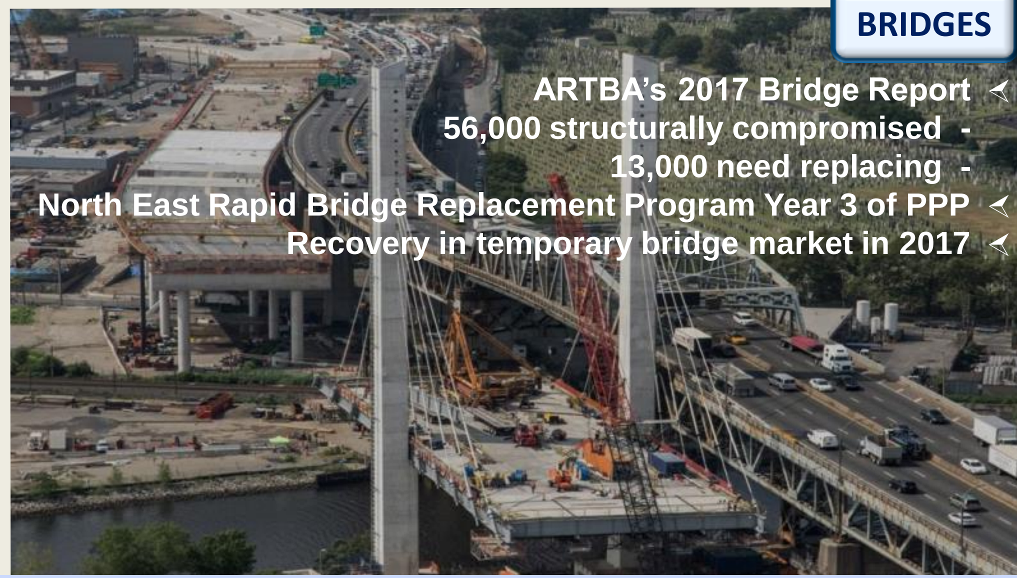
- 5 year extension to solar investment tax credits (ITC)
- Utility sector ITC to increase by 73%
- Suniva petition under S201, projects held, decision Q4 17

UTILITIES

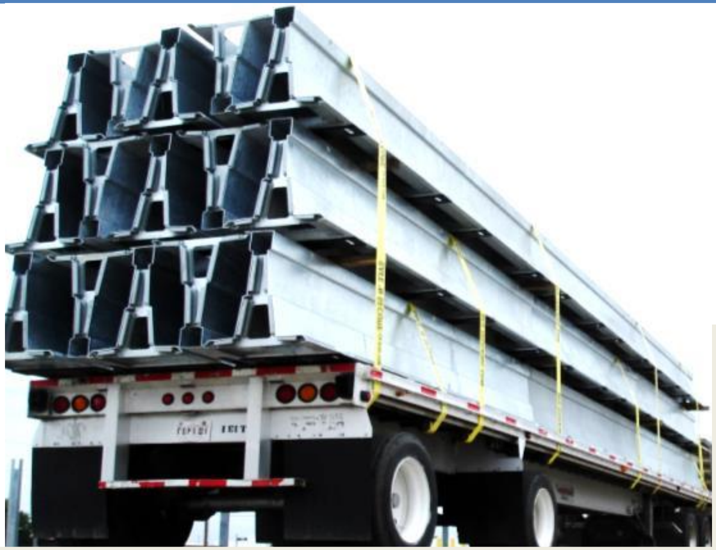
- Steady pipeline of CCGT power plants
- Upgrades to waste water treatment plants
- Power transmission investment continues
- LNG terminals delayed

BRIDGES

- ARTBA's 2017 Bridge Report
  - 56,000 structurally compromised
  - 13,000 need replacing
- North East Rapid Bridge Replacement Program Year 3 of PPP
- Recovery in temporary bridge market in 2017



Developing International Markets



Zoneguard temporary safety barrier
- Further penetration in Australia & USA
- Potential new markets
  - Canada
  - New Zealand
  - Middle East

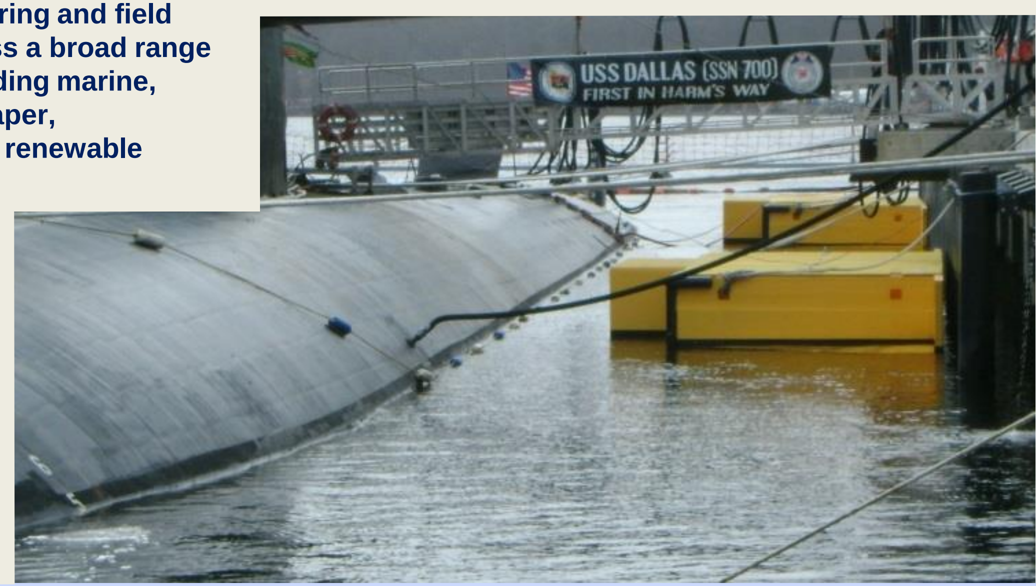
Bristorm Zero & Bristorm Impeder
- Increasing demand for hostile vehicle mitigation products to protect key locations. Products tested to UK BSI PAS 68 and USA standard ASTM
- Insurance companies driving spend

Acquisitions Update

KENWAY CORPORATION

Acquired 24 March 2017
Acquisition cost: $7.235m
Annual revenue: $10m

Kenway Corporation, a specialist in technologically advanced composite design, manufacturing and field service work across a broad range of industries including marine, power, pulp and paper, transportation and renewable energy.



Outlook

UTILITIES

- US/UK infrastructure investment outlook strong
- Pipe Supports delivering improved profitability and returns

ROADS

- UK Road Investment Strategy underpinning spend
- Opportunities to grow International businesses

GALVANIZING

- US/UK operations in sweet spot of infrastructure plans
- Sentiment improving in France

OVERALL

- Positive outlook in major end markets

"…we expect to report a year of good progress in 2017..."

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 approval. 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.

Appendices

Business Segments

INFRASTRUCTURE

GALVANIZING

UTILITIES

ROADS

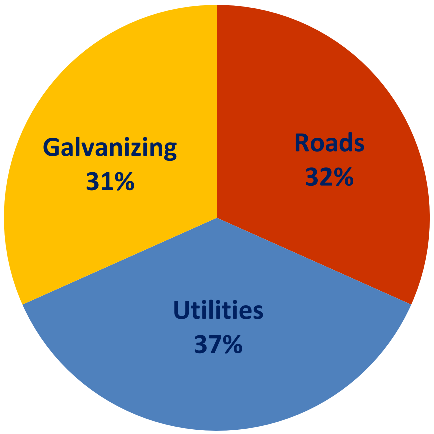
USA

FRANCE

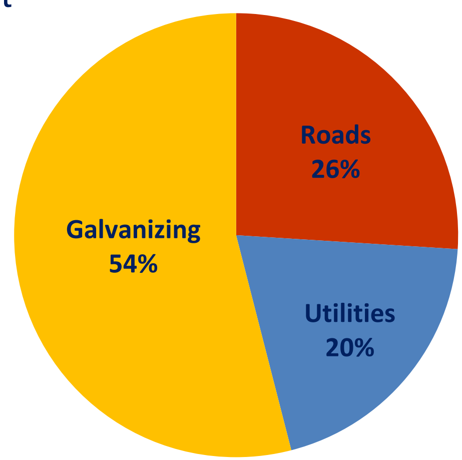
UK

Segment and geographical analysis

Revenue: £291.8m
By segment

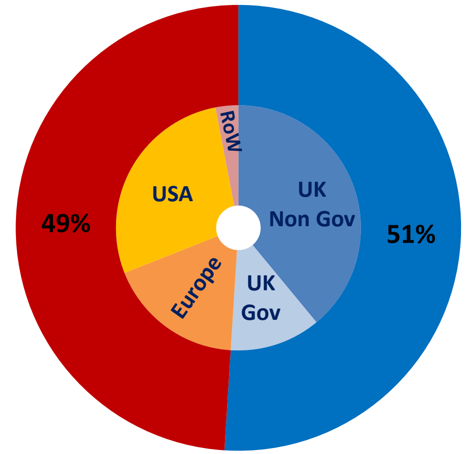


Operating Profit: £38.8m
By segment

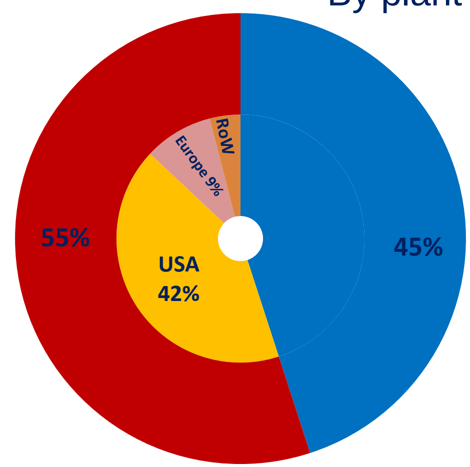


A well balanced business: products, markets & geographies

Revenue: £291.8m
By end market geography



Operating Profit: £38.8m
By plant location



Segment analysis

£m	H1 2017	Organic	M&A	PS Closure Impact	FX	H1 2016
Utilities						
Revenue	**107.1**	2.3	8.0	(9.5)	5.9	100.4
Underlying operating profit	**7.6**	0.4	0.6	1.5	0.4	4.7
Margin	***7.1%***					*4.7%*
Roads						
Revenue	**93.8**	7.1	6.7	-	2.5	77.5
Underlying operating profit	**10.2**	0.1	1.0	-	0.1	9.0
Margin	***10.9%***					*11.6%*
Galvanizing						
Revenue	**90.9**	2.9	-	-	6.6	81.4
Underlying operating profit	**21.0**	0.9	-	-	1.8	18.3
Margin	***23.1%***					*22.5%*
Group						
Revenue	**291.8**	12.3	14.7	(9.5)	15.0	259.3
Underlying operating profit	**38.8**	1.4	1.6	1.5	2.3	32.0
Margin	***13.3%***					*12.3%*

Utilities
- UK mixed, security fencing/housing strong
- Absence of larger projects in US
- Improved Pipe Supports profitability

Roads
- Government investment underpinning UK demand
- Prior year acquisitions integrated
- International markets gaining traction

Galvanizing
- Infrastructure investment driving UK growth
- US volumes down but margin improved
- France challenging but sentiment improving

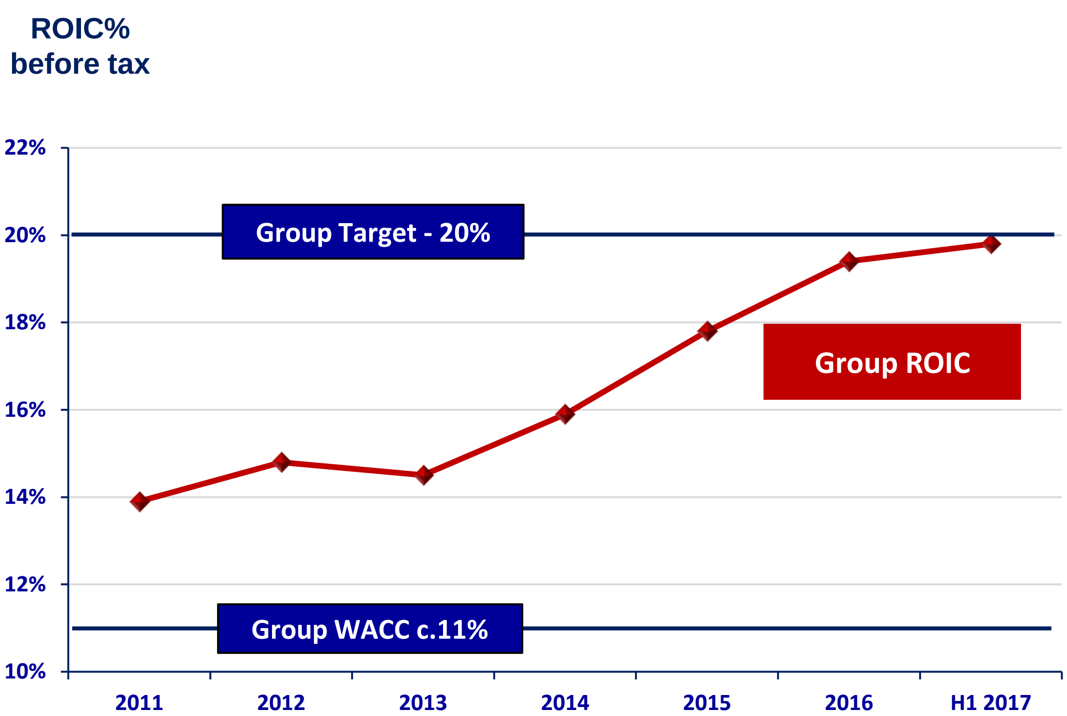
Group
- Strong H1 performance
- Margin up 100bps to 13.3%

Margin

	Margin		
	H1 2017 %	H1 2016 %	Target Range %
Infrastructure Products	**8.9**	7.7	8 – 11
- Utilities	**7.1**	4.7	7 – 11
- Roads	**10.9**	11.6	9 – 13
Galvanizing Services	**23.1**	22.5	19 – 22
Group	**13.3**	12.3	11 – 14

- Utilities improving; Pipe Supports improvement assists
- Roads within range
- Strong performance in Galvanizing

Return on Invested Capital



Group	12m to H1 17	12m to H1 16
Operating Profit (£m)	77.4	61.7
Av. Invested Capital (£m)	390.2	331.1
ROIC %	19.8	18.6

Divisional (%)	12m to H1 17	12m to H1 16
Utilities	17.3	12.5
Roads	20.4	22.5
Infrastructure Products	19.0	17.5
Galvanizing	20.7	19.7

Foreign exchange sensitivities

	H1 2017	H1 2016	Change	FY 2016
Average rates				
Euro	**1.16**	1.28	↓ 9%	1.22
US$	**1.27**	1.43	↓11%	1.35
Closing rates				
Euro	**1.14**	1.21	↓ 6%	1.17
US$	**1.30**	1.34	↓ 3%	1.23

Ready reckoner for annual translation impact of movement in FX rates

Sensitivity to +/- 1 cent move in:	Revenue	Operating profit
Euro	+/- £0.6m	+/- £50k
US$	+/- £1.3m	+/- £280k

Impact on H1 2017:	Revenue	+ve £15.0m or 6%
	Operating profit	+ve £2.3m or 7%

Potential full year impact:*	Revenue	+ve £13.2m or 2%
	Operating profit	+ve £2.1m or 3%

* Compares impact on FY2016 results assuming exchange rates at 31 July 2017 (principally £1 = $1.31 and £1 = €1.12) prevail for the remainder of 2017, versus average exchange rates for 2016

Non-underlying items

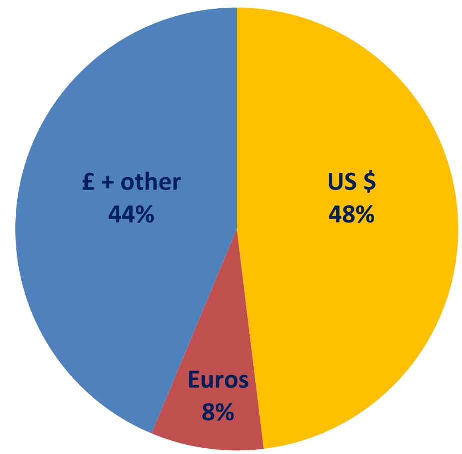
	H1 2017	H1* 2016	FY 2016
Operating items			
Business reorganisation costs	**(2.0)**	(9.2)	(10.5)
Acquisition costs	**(0.2)**	(0.7)	(1.8)
Amortisation of acquisition intangibles	**(2.0)**	(0.9)	(2.6)
Pension settlement gain	**0.2**	-	0.2
CA Traffic - profit on sale/intangible impairment	**0.6**	-	(4.1)
	(3.4)	(10.8)	(18.8)
Financing costs			
Refinancing expense / amortisation	**(0.2)**	(0.2)	(0.4)
Net pension interest	**(0.3)**	(0.3)	(0.5)
	(3.9)	(11.3)	(19.7)
Cash in year	**1.8**	(2.1)	(3.3)
Future cash	**(1.4)**	(4.4)	(2.1)
Non cash	**(4.3)**	(4.8)	(14.3)
	(3.9)	(11.3)	(19.7)

* The prior year comparatives have been re-presented to treat the trading results of the restructured Non-US Pipe Supports business as underlying trading, consistent with their presentation in the 2016 Annual Results.

Availability and usage of debt facilities

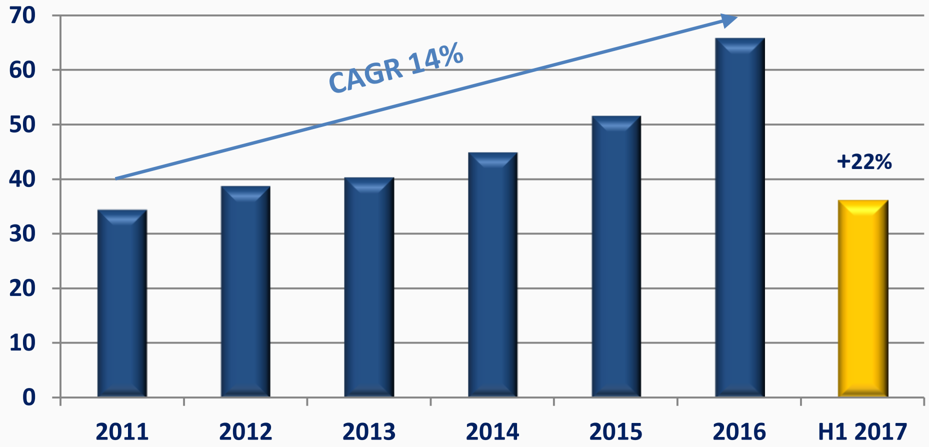
£m	Net Debt	Facility	Maturity		
			On demand	2017 to 2020	2021
Committed	**134.8**	230.6			
On demand	**-**	9.6	9.6	1.4	229.2
Cash	**(25.7)**	-			
	109.1	240.2			

Net Debt by Currency



- Principal facility in place until April 2021
- Facilities provide significant headroom
  - Net debt : EBITDA 1.1 times (covenant 3 times); Interest cover 37.5 times (covenant 4 times)
- Target net debt : EBITDA range between 1.5 to 2.0 times

Earnings and Dividend



Dividend (p)

	2017	Change	2016	Change	2015
Interim dividend per share	**9.4p**	↑ **11%**	8.5p	↑ 20%	7.1p
Final dividend per share			17.9p	↑ 32%	13.6p
Total dividend per share			26.4p	↑ 28%	20.7p

Dividend

- 14 successive years of dividend growth
- Central to strategy and TSR ethos
- Progressive dividend policy driven by:
  - EPS growth
  - FCF generation
- Target cover ratio *c.*2.5 times