

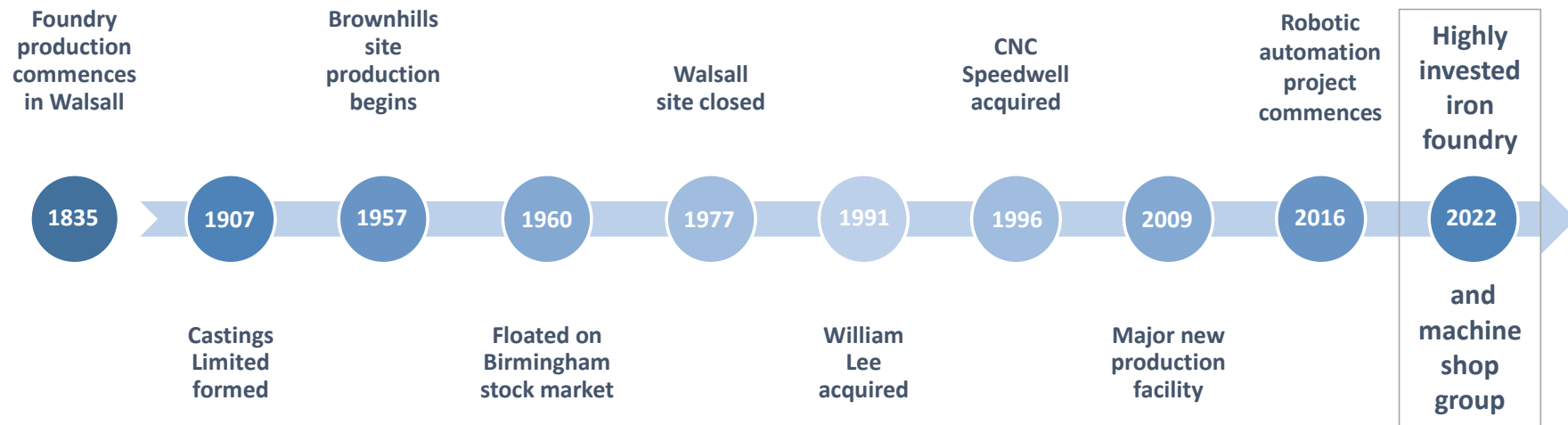
Castings PLC

Interim results to 30 September 2022

November 2022



Timeline



The Castings group



Foundry | Brownhills
Founded 1835
30,000 tonnes capacity
390 employees

Wm Lee



Foundry | Dronfield
Acquired 1991
40,000 tonnes capacity
441 employees

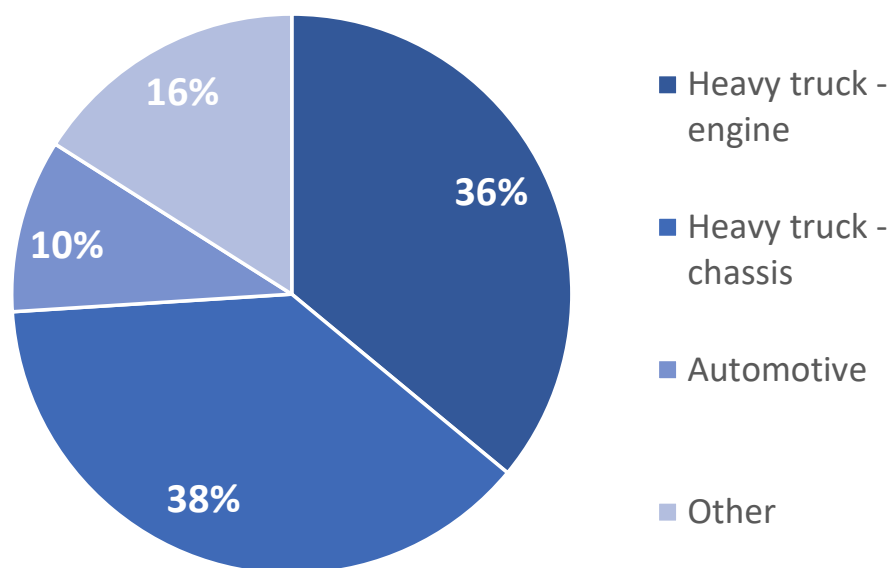
CNC Speedwell Ltd



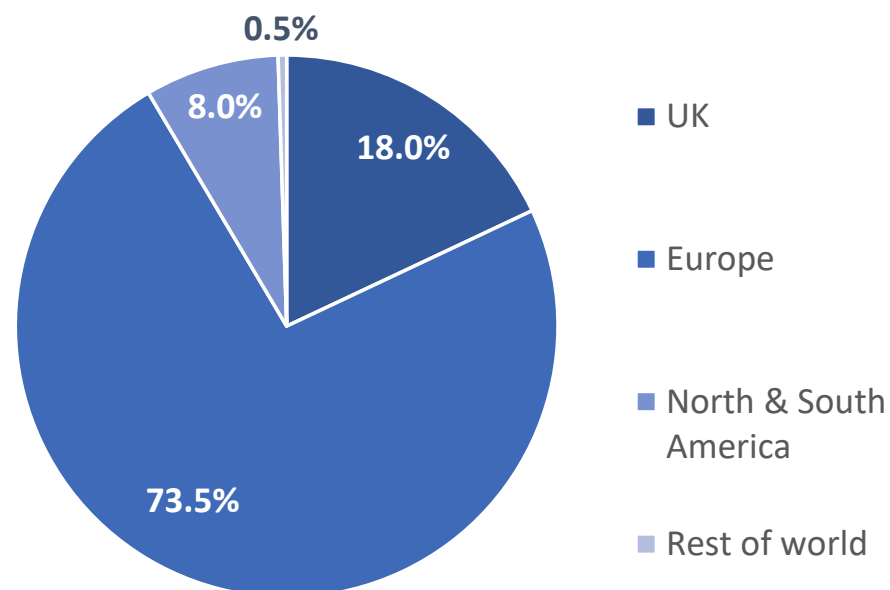
Machinist | Brownhills
Acquired 1996
Over 100 CNC machines
350 employees

Revenue profile

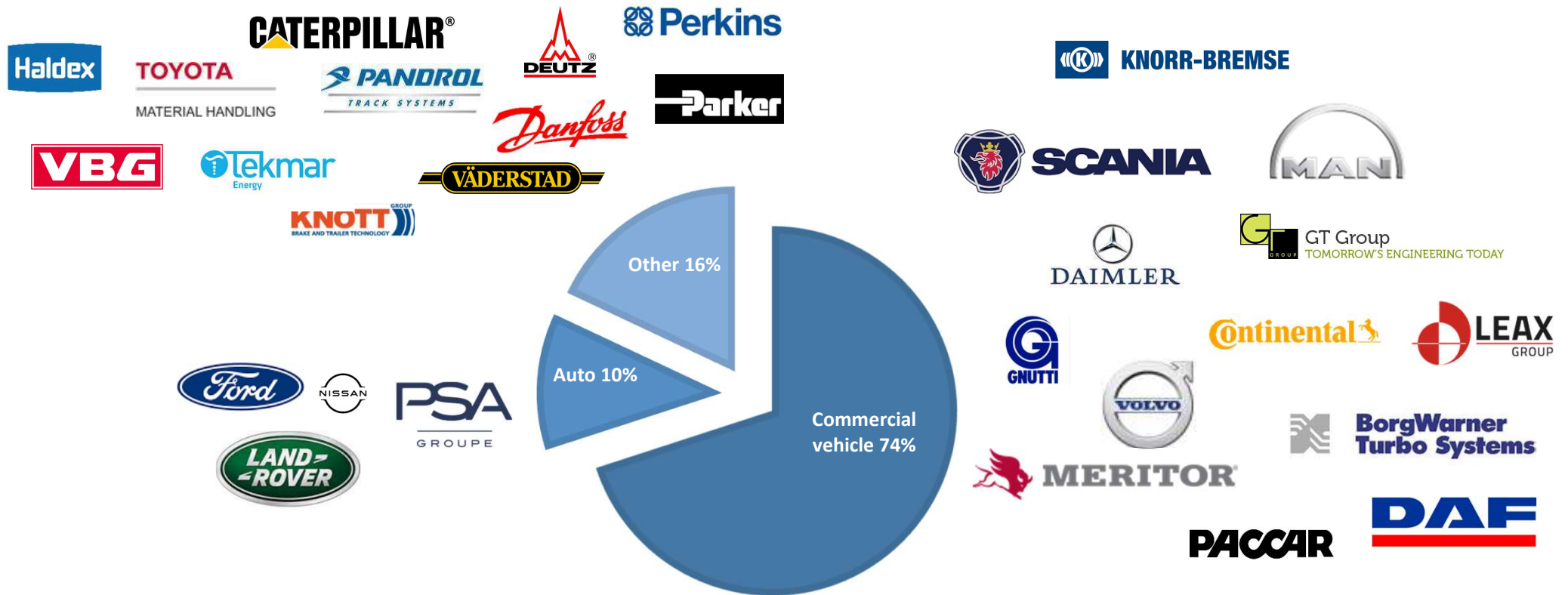
Revenue by sector



Revenue by location

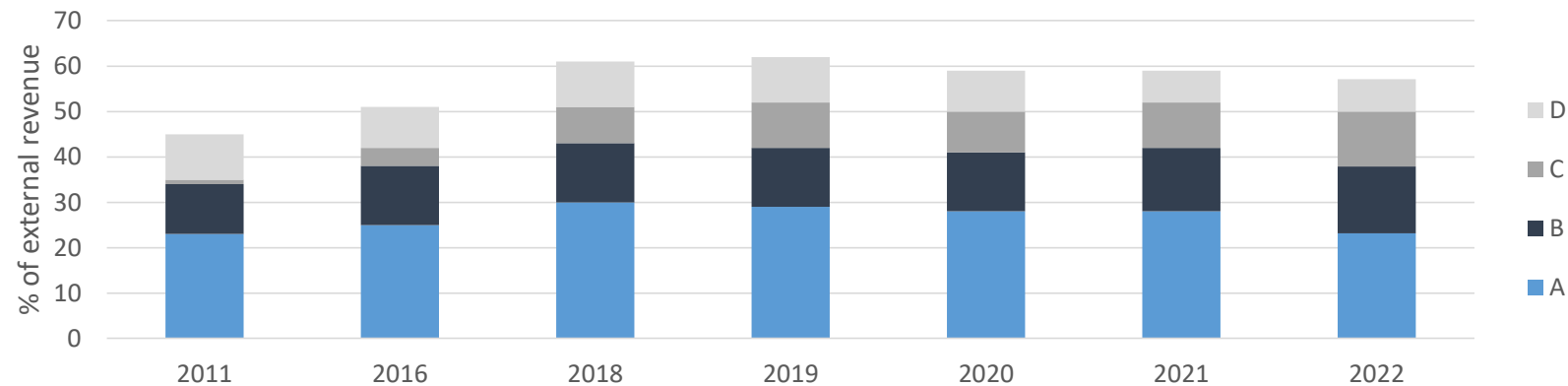


Our customers



Commercial vehicle customer revenue mix

	2011	2016	2018	2019	2020	2021	2022
Customer							
A	23%	25%	30%	29%	28%	28%	23%
B	11%	13%	13%	13%	13%	14%	15%
C	1%	4%	8%	10%	9%	10%	12%
D	10%	9%	10%	10%	9%	7%	7%
Total	45%	51%	61%	62%	59%	59%	57%



H1 headlines

Customers

- Increased truck demand
- Improved schedule conversion
- New engine platforms for two customers
- Innovation on new platform
- US tier 2 growth
- Trailer braking and coupling
- Rail

Production

- Automation investment
 - Automated pouring
 - Robotic investment
- New platform transitional phase
- Rebalancing of production lines
- Recruitment of skills

Costs

- Input price increases
- Labour cost increases
- Surcharge mechanisms
- Additional price increases to customers
- Electricity contract ended 30 September 2022



H2 outlook

- High build rates for heavy trucks continues
- Pent-up demand
- OEMs restricting order intake due to capacity
- New engine platforms
 - Increased content
 - Embedded into production
- US opportunity
- Other sector contribution
- Improved balance between plants
- Skilled recruitment progressing
- New electricity contract from 1 October

Interim results overview

£m (unless stated)	Sep-18	Sep-19	Sep-20 [#]	Sep-21	Sep-22
Revenue	68.3	73.1	41.7	69.7	85.6
Profit/(loss) before tax*	5.8	7.3	(1.3)	5.4	7.5
Gross margin	19.9%	21.6%	12.3%	20.0%	20.3%
Net margin*	8.5%	10.0%	-3.1%	7.8%	8.7%
Interim dividend per share declared	3.38p	3.48p	3.57p	3.66p	3.84p
Free cash flow (excluding pension payments)	1.6	7.5	8.2	4.8	2.9
Net cash position	19.6	25.8	35.2	34.7	25.6

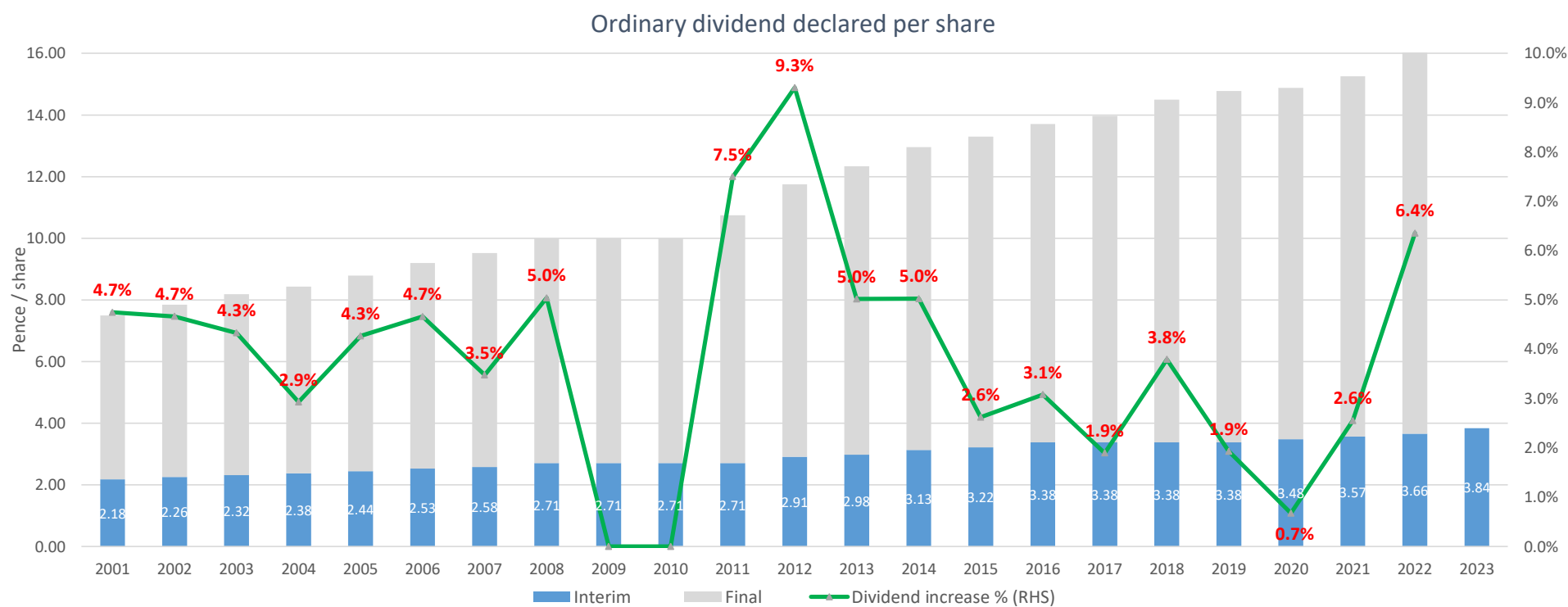
* excluding exceptional items

[#] greatest impact of COVID-19 pandemic

Summary cash flow statement

£m	Sep-18	Sep-19	Sep-20	Sep-21	Sep-22
PBT net of tax payments	4.4	3.7	(1.4)	4.0	6.0
Depreciation	3.9	4.2	4.3	4.1	4.0
Working capital movement	(3.5)	3.3	6.0	(0.9)	(3.7)
Capex	(3.2)	(3.7)	(2.6)	(2.4)	(3.4)
Sale of property	-	-	1.9	-	-
Free cash flow (excluding pension payments)	1.6	7.5	8.2	4.8	2.9
Advances to pension scheme	(1.2)	(1.0)	(1.4)	(1.1)	(1.1)
Dividend – ordinary	(4.9)	(5.0)	(5.0)	(5.1)	(5.5)
Dividend – special	-	(6.5)	-	-	(6.5)
Net cash(outflow)/inflow	(4.5)	(5.0)	1.8	(1.4)	(10.2)

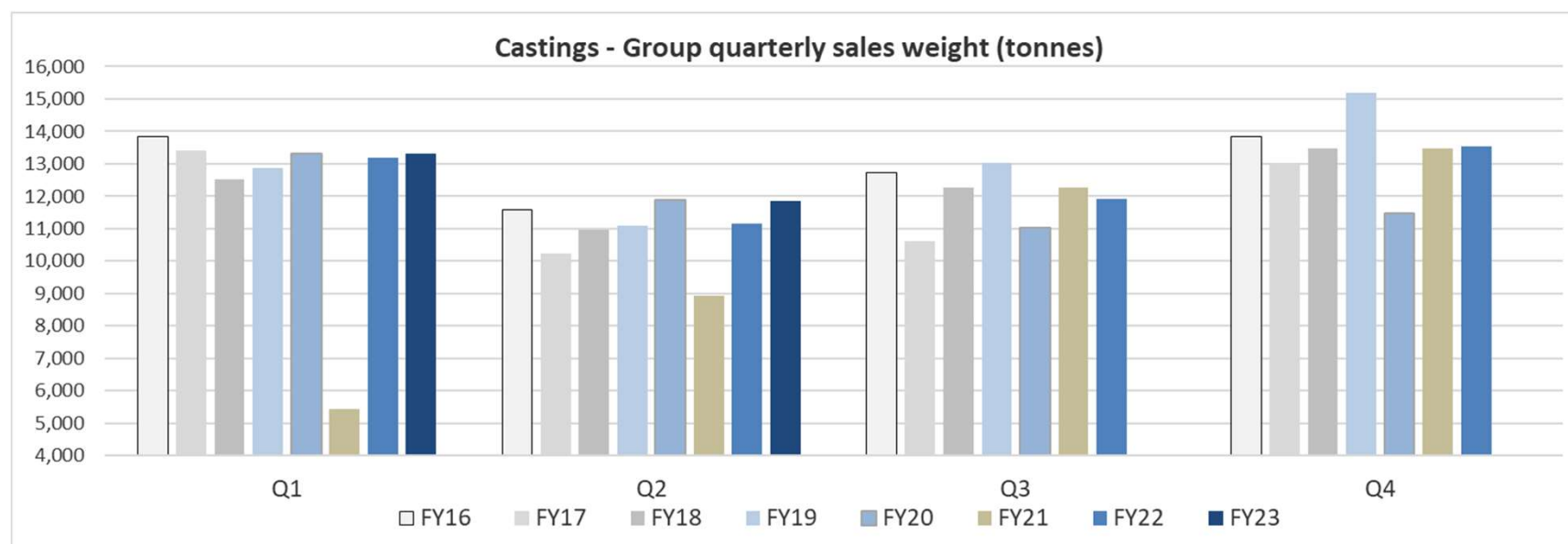
Dividend growth record



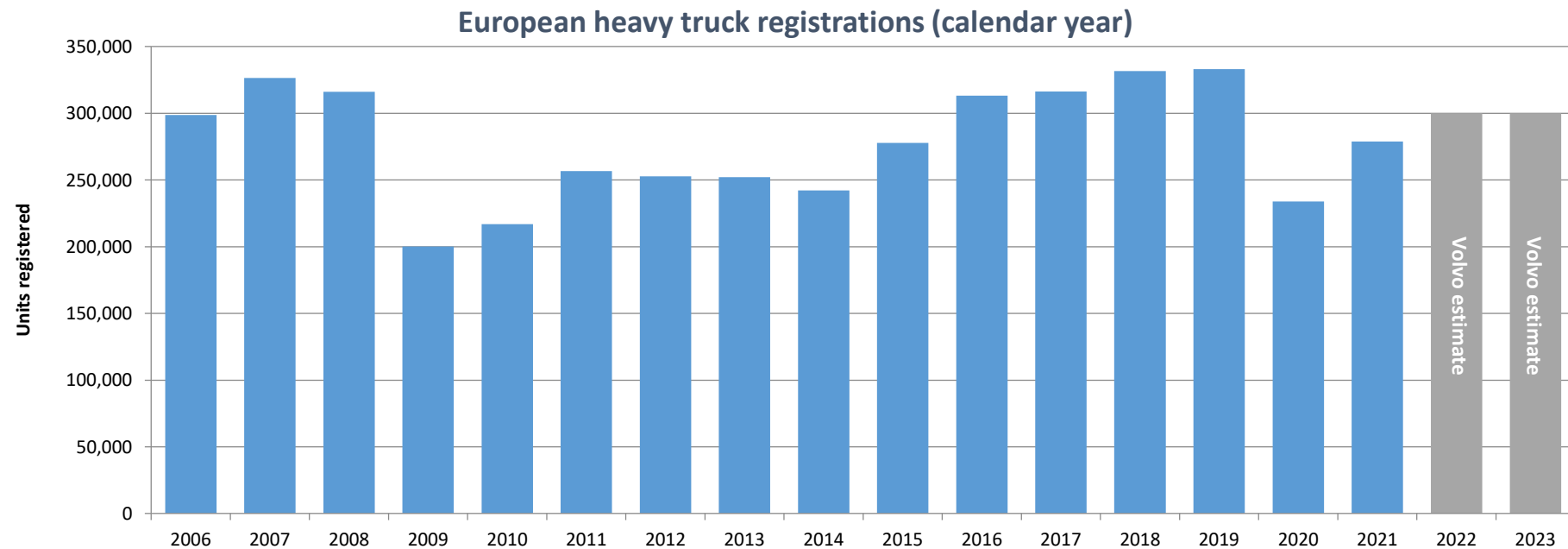
Plus supplementary dividends declared in 2016 (30p/share), 2019 (15p/share) and 2022 (15p/share).

Foundry sales weight

6 month period to:	Sep-18	Sep-19	Sep-20	Sep-21	Sep-22
Foundry sales weight (tonnes)	23,900	25,200	14,350	24,300	25,100



Heavy truck registrations (70% of group revenue)



Source: Data from Scania website (<https://www.scania.com/group/en/home/investors/truck-registrations.html>), ACEA & Volvo Third Quarter 2022 Results

Segmental results - Foundry

£m (unless stated)	Sep-18	Sep-19	Sep-20	Sep-21	Sep-22
Foundry sales weight (tonnes)	23,900	25,200	14,350	24,300	25,100
Average selling price (£/tonne)	£2,720	£2,782	£2,822	£2,802	£3,374
Revenue					
Gross	74.4	79.7	44.6	75.6	95.0
Less: inter-group revenue	(9.4)	(9.6)	(4.1)	(7.5)	(10.3)
External revenue	65.0	70.1	40.5	68.1	84.7
Segmental result	6.5	7.1	0.8	5.3	7.8
Segmental margin on gross sales	8.7%	8.9%	1.7%	7.1%	8.2%

Segmental results - Machining

£m (unless stated)	Sep-18	Sep-19	Sep-20	Sep-21	Sep-22
Revenue					
Gross	12.9	13.3	6.0	11.0	10.7
Less: inter-group revenue	(9.6)	(10.3)	(4.8)	(9.4)	(9.8)
External revenue	3.3	3.0	1.2	1.6	0.9
Segmental result	(0.8)	0.1	(2.1)	0.05	(0.5)
Segmental margin on gross sales	-6.0%	1.0%	-35.2%	0.5%	-4.7%
EBITDA	2.7	2.3	(0.1)	1.8	1.1
Cash generation/(outflow)	(0.9)	1.7	(1.0)	0.9	(0.1)
Capex	1.3	0.6	0.8	0.3	0.3

Outlook

Short to medium term

- New platform volume ramp-up
- MAN volumes on CBE engine in 2024
- Volume increases from other sector wins
- US growth into tier 1s
- Alternative materials, e.g. aluminium

Longer term

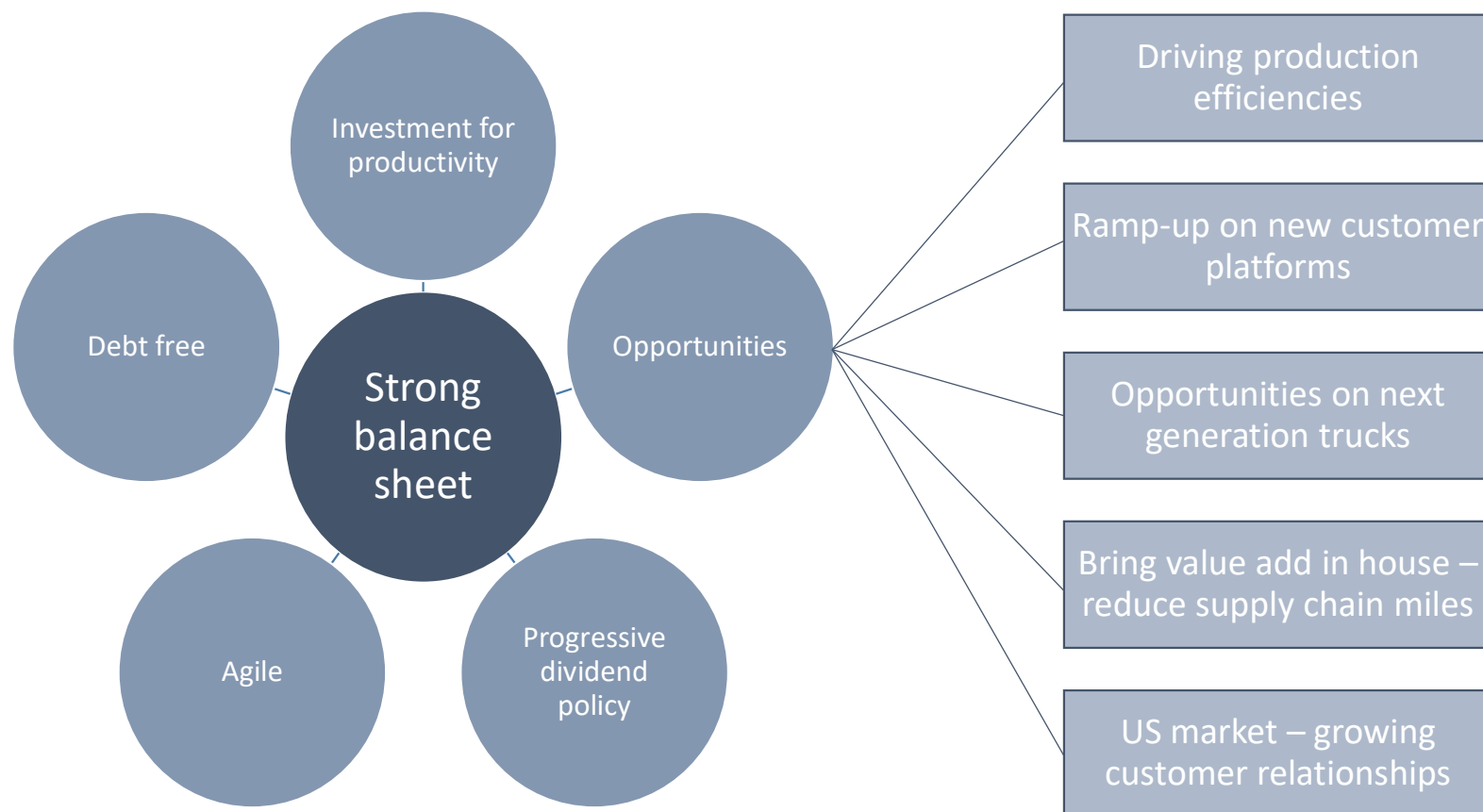
- Electrification of heavy duty trucks
- Threat to manifold and other engine parts, but what's the real timeframe?
 - Scania: 50% electric by 2050
 - Volvo: 100% reduction in CO₂ by 2040
 - Daimler: CO₂ neutral by 2050
- Evolution of product offering

Sustainability

- Castings plc is a recycler
- Electric melting only, unlike a number of competitors
 - Electricity (scope 2) - 89% of our total energy kWh in FY22
 - 100% REGO backed supply
 - Nil emissions using market based approach
- Natural gas (scope 1)
 - Emissions of 2,984 tCO₂e in FY22 (location based approach)
 - New green gas contract from October 2023
- On-going initiatives include:
 - Centralised cooling plant at CNC – more efficient
 - Sand reclamation project being assessed – one of largest by-products currently
 - Reducing supply chain miles by bringing finishing processes in-house
- Local sourcing by customers



In summary



Additional information

Strategy

Deliver long term sustainable revenues and higher average margins through the following strategic priorities:

Reinvestment for innovation and efficiency

- Innovative design processes
- Reinvestment in automation
- Balanced with return to shareholders

Increase OEM market share

- Collaborative, dedicated customer teams
- Increase share within customer base
- React to opportunities

Strength of balance sheet

- Financial stability
- Agile to react to opportunities
- Supports strategic objectives

Investment in our people

- Over 1,150 employees in the UK
- Targeted and balanced training
- Strong apprenticeship programme

Business Model

Design collaboration & our people

- Experienced teams
- Technical knowledge
- Close customer relationships
- Latest design simulation

Foundry production

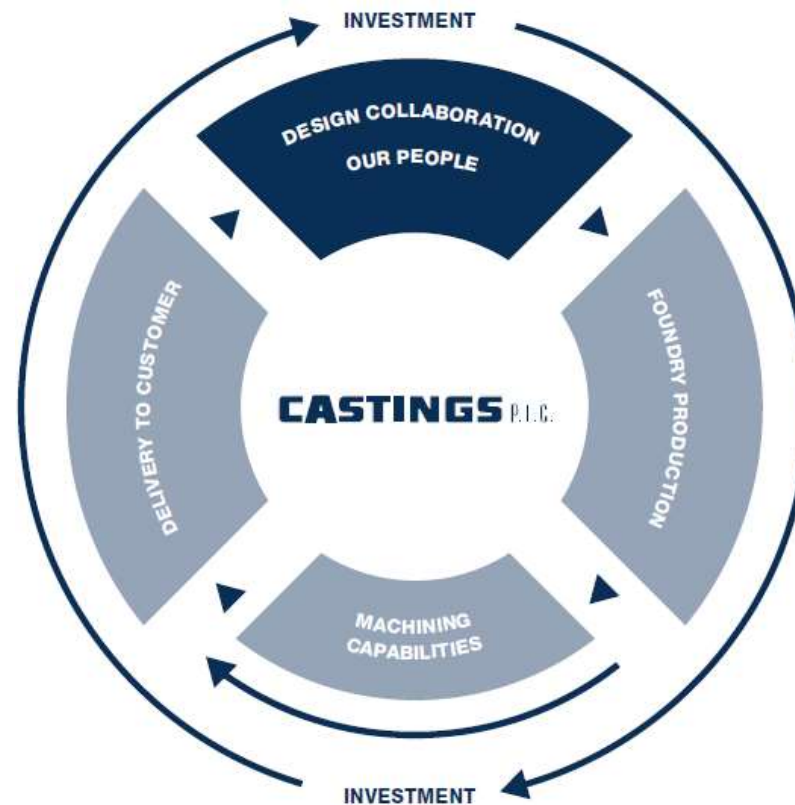
- High volume plant in low batch environment
- Flexibility
- Automation productivity

Machining capabilities

- Well invested
- Automation roll-out
- Vertical integration – assembly

Delivery to customer

- Investment in logistics
- Experienced teams



Value for stakeholders

Customers

- Flexibility, cost-effective, quality
- Capability for diverse range
- Long term security

Employees

- Investment in training
- Challenged and ambitious

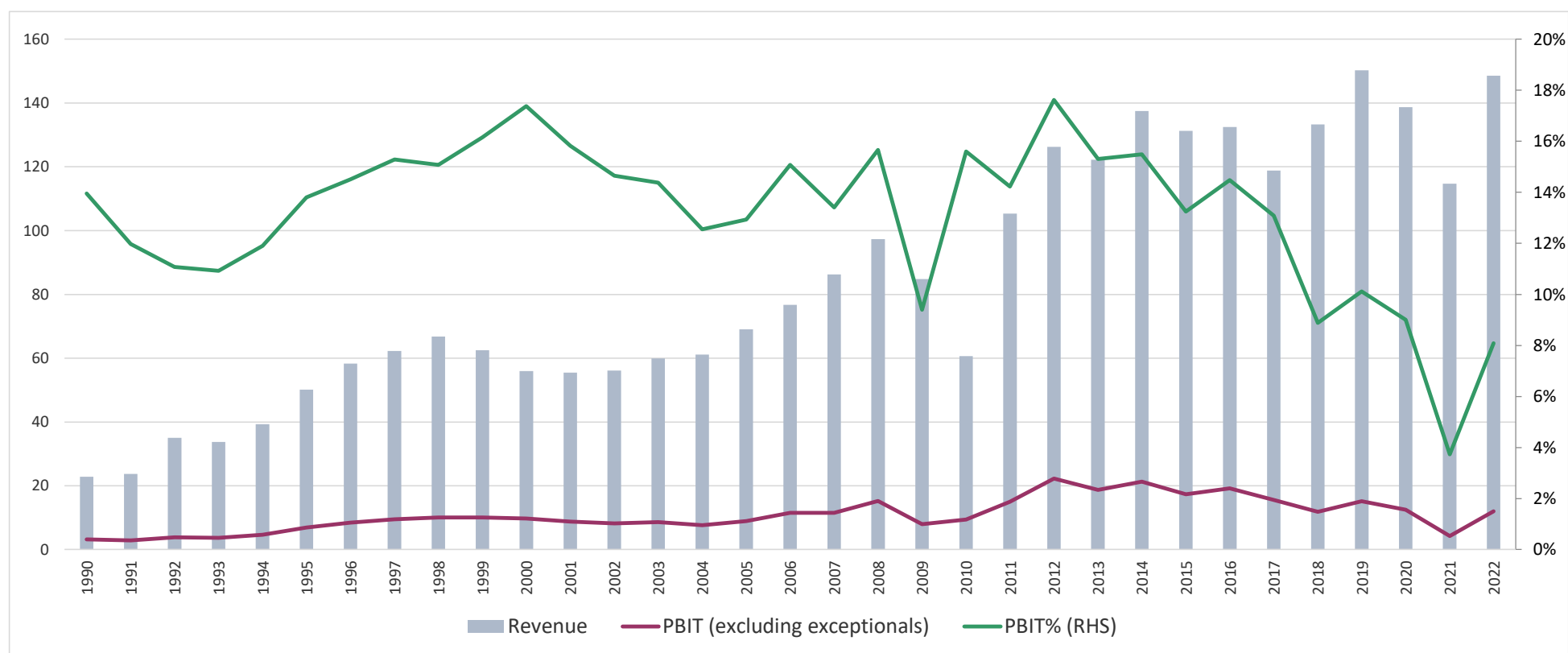
Shareholders

- Competitive position
- Growth opportunities
- Strong cash generation
- Progressive dividend policy

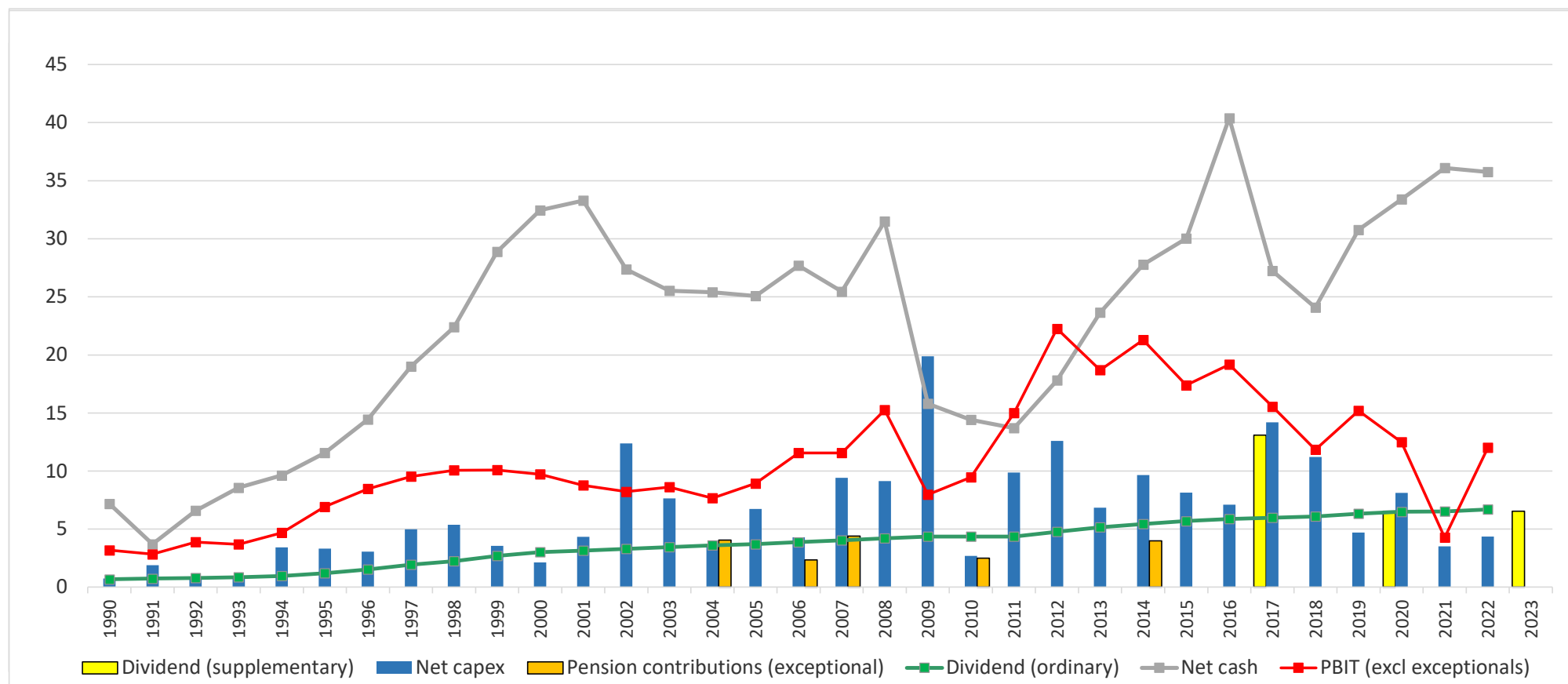
Communities and environment

- Recycler of steel scrap metal produced in UK
- Contribution to communities

Revenue and PBIT



Track record of strong cash generation



Production facilities

- Sites:
 - Castings (Brownhills) – 14 acres
 - William Lee (Dronfield) – 14 acres
 - CNC Speedwell – 4 acres
- Production facilities:
 - Castings (Brownhills) – 32,000 m² (of which 5,000 m² is warehousing)
 - 2 x Disamatic vertical moulding lines (up to 15kg part weight)
 - 1 x GF/Disa horizontal moulding line (up to 25kg part weight)
 - William Lee (Dronfield) – 26,500 m² (of which 2,000 m² is warehousing)
 - 1 x Disamatic vertical moulding line (up to 15kg part weight)
 - 1 x GF/Disa horizontal moulding line (up to 25kg part weight)
 - 1 x HWS horizontal moulding line (up to 45kg part weight)
 - CNC Speedwell – 15,500 m² (of which 5,000 m² is on Castings site)
 - 127 CNC machines

Recent investments

- Robotic handling and processing (started 2016)
 - 55 robots across the group
 - £10m investment to date
 - 4 currently on order and roll-out will continue
- Warehouse management system (started 2017)
 - Bespoke FIFO system in Brownhills
 - £1m investment and on-going
- Heat treatment plant for alloyed parts (commissioned 2020)
 - £0.6m investment
- Disa moulding line upgrade (completed December 2021)
 - £2m investment in productivity improvement and increased output
 - Lower maintenance cost
- HWS automated pouring (completed August 2022)
 - £1.4m investment
 - H&S improvement
 - Productivity improvement, enhanced quality and increased output

Parts in numbers in the period

- 2,448 – total part numbers sold in the period
- £1.6m / 580 tonnes / 46,000 parts – highest revenue single part sold
- 14% of revenue generated by top 10 part numbers sold
- 21% of revenue generated by top 20 part numbers sold
- 352 part numbers each generated over £50,000 of revenue