



# Castings PLC Interim results 30 September 2023



# 1. Introduction and overview

# Timeline

1835	Foundry production commences in Walsall
1907	Castings Limited incorporated
1957	Move to current Brownhills location
1960	Floated on Birmingham stock market
1991	Foundry capacity increased through acquisition of William Lee Limited
1996	Machining started in group through acquisition of CNC Speedwell Limited
2009	Major new production facility completed
2016	Robotic automation investment begins
2023	Announce new foundry facility investment
Today	Highly invested iron foundry and machining group

# The Castings group



**Wm Lee**

**CNC Speedwell Ltd**



Foundry | Brownhills  
Founded 1835  
30,000 tonnes capacity\*  
389 employees



Foundry | Dronfield  
Acquired 1991  
40,000 tonnes capacity\*  
459 employees

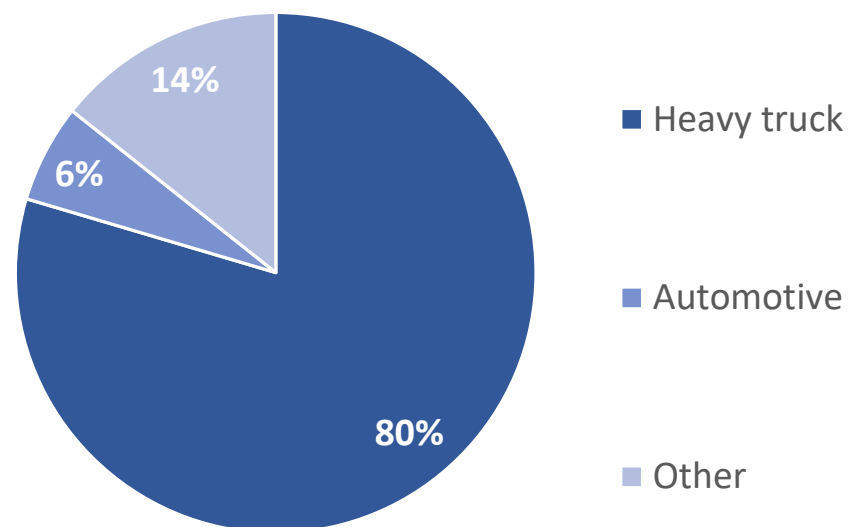


Machinist | Brownhills  
Acquired 1996  
Over 100 CNC machines  
374 employees

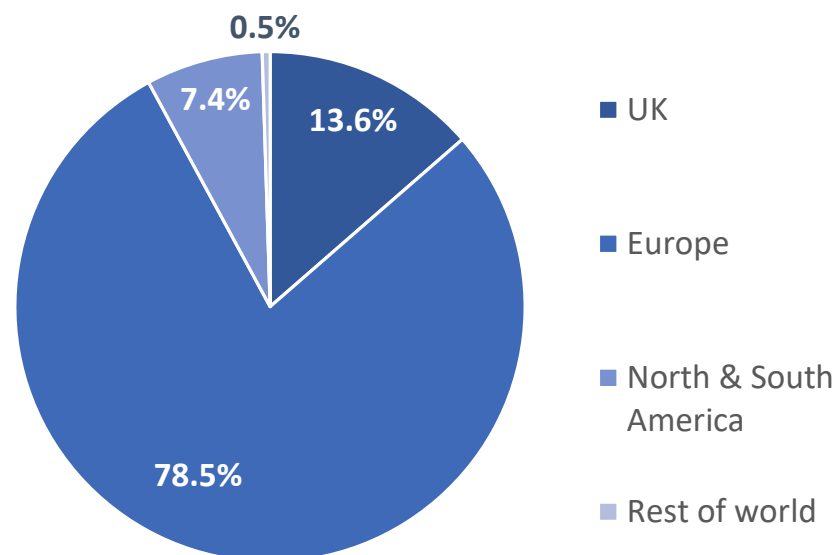
\* production capacity which, after machining, converts to a sales capacity of c. 90%

# Revenue profile

Revenue by sector



Revenue by location

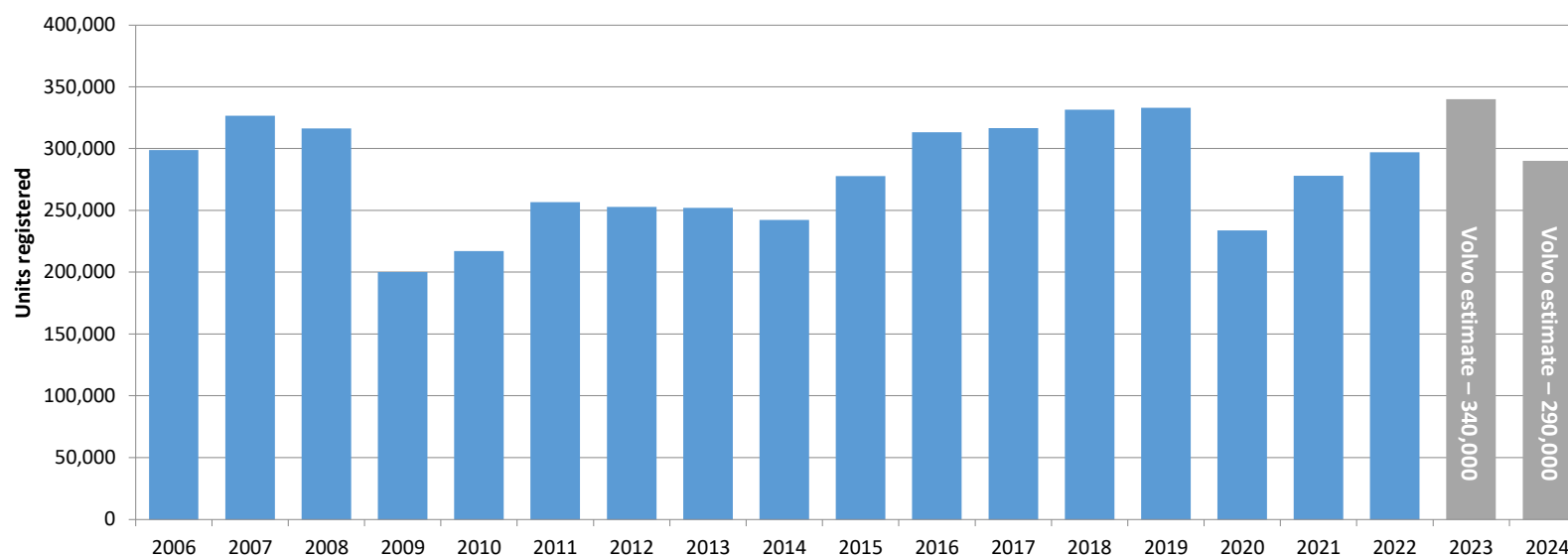


# Our customers



# Heavy truck registrations

European heavy truck registrations (calendar year)



Source: Data from Scania website (<https://www.scania.com/group/en/home/investors/truck-registrations.html>), ACEA & Volvo Third Quarter 2023 Results



## 2. Performance review



# Financial headlines

## Results

- Despatch weight up 1.6% to 25,500 tonnes
- Revenue up 30% to £111m
  - Underlying revenue growth of 11% excluding energy related surcharges
- Operating profit up 30.7% to £9.6m
- Strong balance sheet with cash of £31.3m, pension surplus and no debt

## Dividends

- Supplementary dividend paid of 15p and final dividend paid of 13.51p – total £12.4m
- Interim ordinary dividend declared of 4.13 p (up 7.5 %)
- Uninterrupted 42-year track record of growing or maintaining dividend

# Operational highlights

- Unprecedented level of demand in commercial vehicle sector
- Strong demand in US
- Growth in wind energy, trailer braking and trailer coupling sectors
- Demand exceeding foundry capacity
- Growth in sales tonnes (1.6%)
- Mix of machined work at record high (62.1% by weight)
- Energy surcharges to recover energy cost inflation (at nil margin) continues
- Operating margin maintained at 8.6% (10.1% excluding energy surcharge dilution)
- Strong profitability in the machine shop
- Foundry capacity investment approved (c. £17m spend, up to 24 month build time)
- Machine replacement programme commenced

# 3. Financial review

# Interim results overview

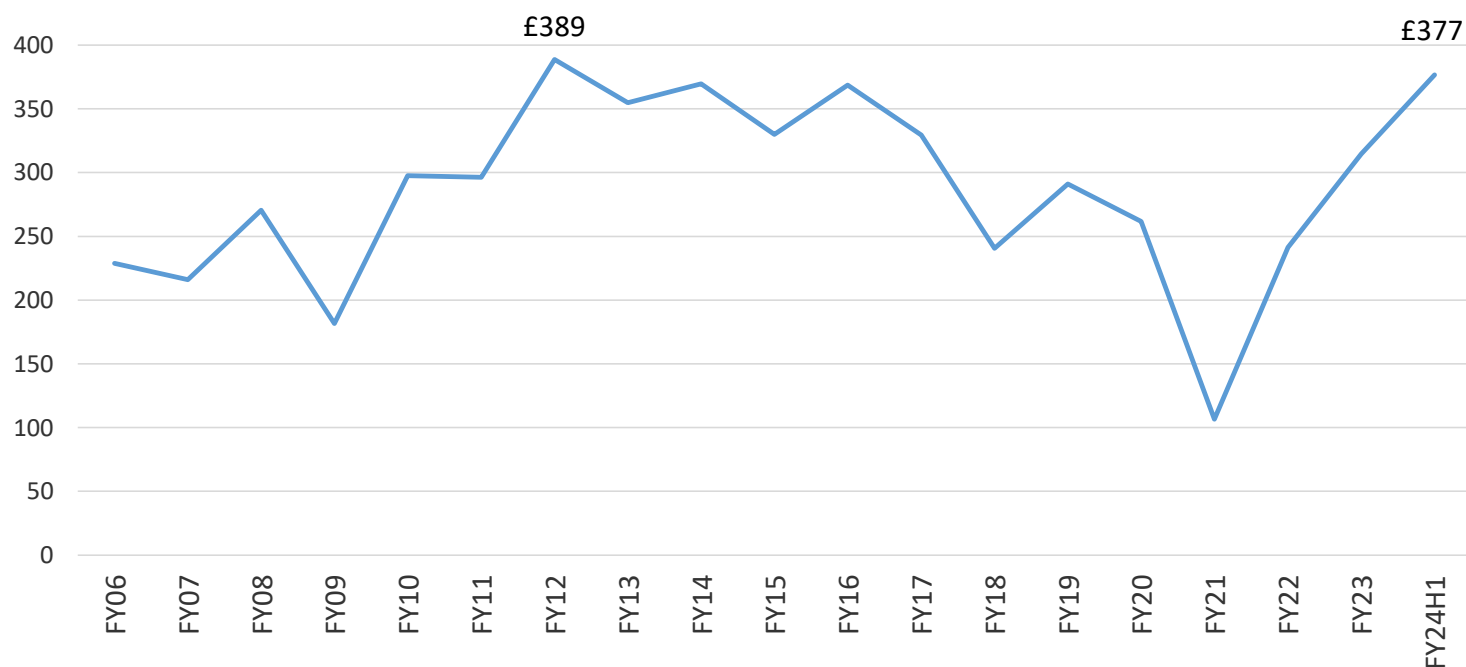
£m (unless stated)	FY20 H1	FY21 H1 <sup>2</sup>	FY22 H1	FY23 H1	FY24 H1	Growth
Revenue	73.1	41.7	69.7	85.6	111.3	30.1%
Operating profit <sup>1</sup>	7.2	(1.3)	5.4	7.3	9.6	31.5%
Operating margin <sup>1</sup>	9.9%	-3.2%	7.7%	8.6%	8.6%	-
Operating margin adjusted for electricity	9.9%	-3.2%	7.7%	8.6%	10.1%	-
Profit before tax <sup>1</sup>	7.3	(1.3)	5.4	7.5	10.3	37.6%
Interim dividend per share	3.48p	3.57p	3.66p	3.84p	4.13p	7.5%
Free cash flow <sup>3</sup>	7.5	8.2	4.7	3.1	9.6	211%
Net cash	25.8	35.2	34.7	25.6	31.3	22.3%

<sup>1</sup> Excluding exceptional items

<sup>2</sup> Impact of COVID-19 pandemic most prevalent in this year

<sup>3</sup> Excluding pension payments

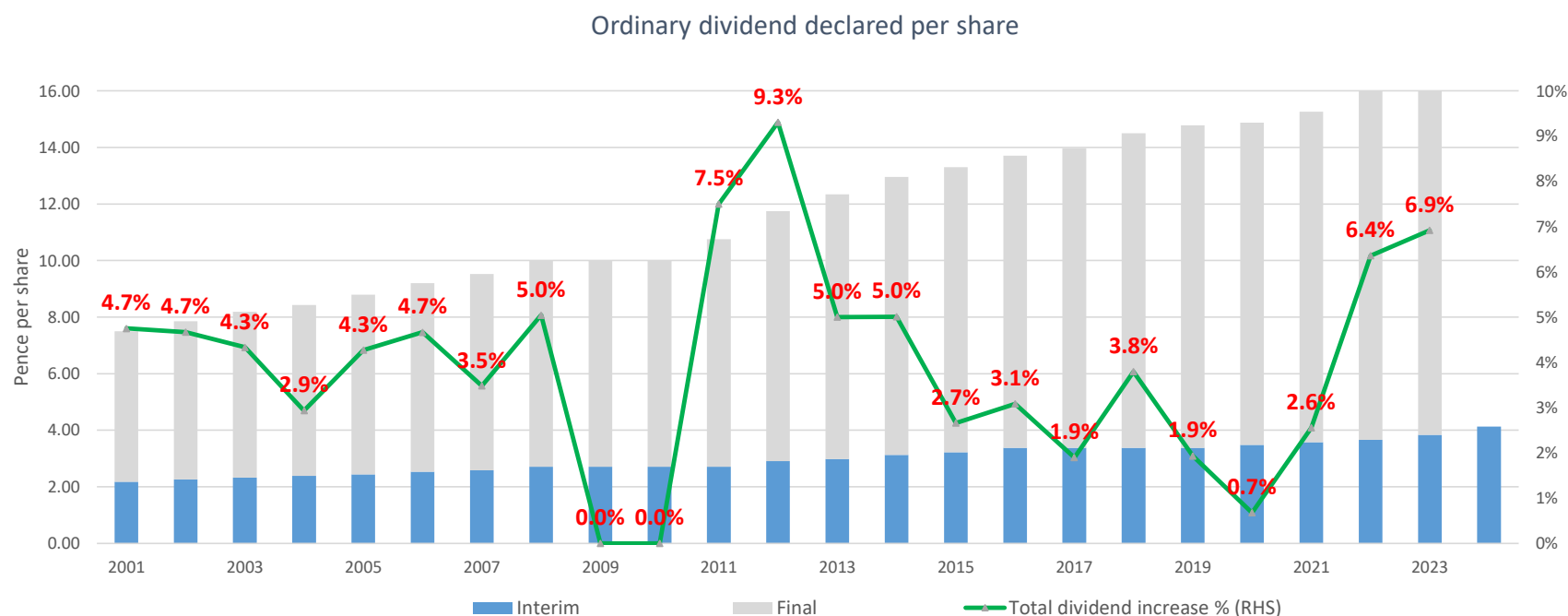
# Operating profit per tonne sold



# Summary cash flow statement

£m	FY20 H1	FY21 H1	FY22 H1	FY23 H1	FY24 H1
PBT net of tax payments	3.7	(1.4)	4.0	6.0	8.7
Depreciation	4.2	4.3	4.1	4.0	3.9
Working capital movement	3.3	6.0	(0.9)	(3.7)	1.4
Capex (net)	(3.7)	(2.6)	(2.4)	(3.4)	(4.8)
Sale of property	-	1.9	-	-	-
Free cash flow (excluding pension payments)	7.5	8.2	4.8	2.9	9.2
Advances to pension schemes	(1.0)	(1.4)	(1.1)	(1.1)	(1.1)
Dividend – ordinary	(5.0)	(5.0)	(5.1)	(5.5)	(5.9)
Dividend – supplementary	(6.5)	-	-	(6.5)	(6.5)
Net cash (outflow)/inflow	(5.0)	1.8	(1.4)	(10.2)	(4.3)

# Dividend growth record



Plus supplementary dividends declared in 2016 (30p/share), 2019 (15p/share), 2022 (15p/share) and 2023 (15p/share).



# Foundry segmental results

£m (unless stated)	FY20 H1	FY21 H1	FY22 H1	FY23 H1	FY24 H1	Growth
Revenue						
Gross	79.7	44.6	75.6	95.0	124.9	31.5%
Less: inter-group revenue	(9.6)	(4.1)	(7.5)	(10.3)	(14.3)	38.8%
External revenue	70.1	40.5	68.1	84.7	110.6	30.6%
Foundry sales weight (tonnes)	25,200	14,350	24,300	25,100	25,500	1.6%
Average selling price (£/tonne)	£2,782	£2,822	£2,802	£3,374	£4,337	28.5%
Segmental result	7.1	0.8	5.3	7.8	7.7	-1.3%
Segmental margin on gross sales	8.9%	1.7%	7.1%	8.2%	6.2%	-

# Machining segmental results

£m (unless stated)	FY20 H1	FY21 H1	FY22 H1	FY23 H1	FY24 H1	Growth
Revenue						
Gross	13.3	6.0	11.0	10.7	18.2	70.2%
Less: inter-group revenue	(10.3)	(4.8)	(9.4)	(9.8)	(17.4)	78.5%
External revenue	3.0	1.2	1.6	0.9	0.8	-17.0%
Segmental result	0.1	(2.1)	0.05	(0.5)	1.9	-
Segmental margin on gross sales	1.0%	-35.2%	0.5%	-4.7%	10.6%	-
EBITDA	2.3	(0.1)	1.8	1.1	3.6	227%
Cash generation	1.7	(1.0)	0.9	(0.1)	2.3	-
Capex	0.6	0.8	0.3	0.3	1.5	400%

## 4. Sustainability and outlook

# Sustainability

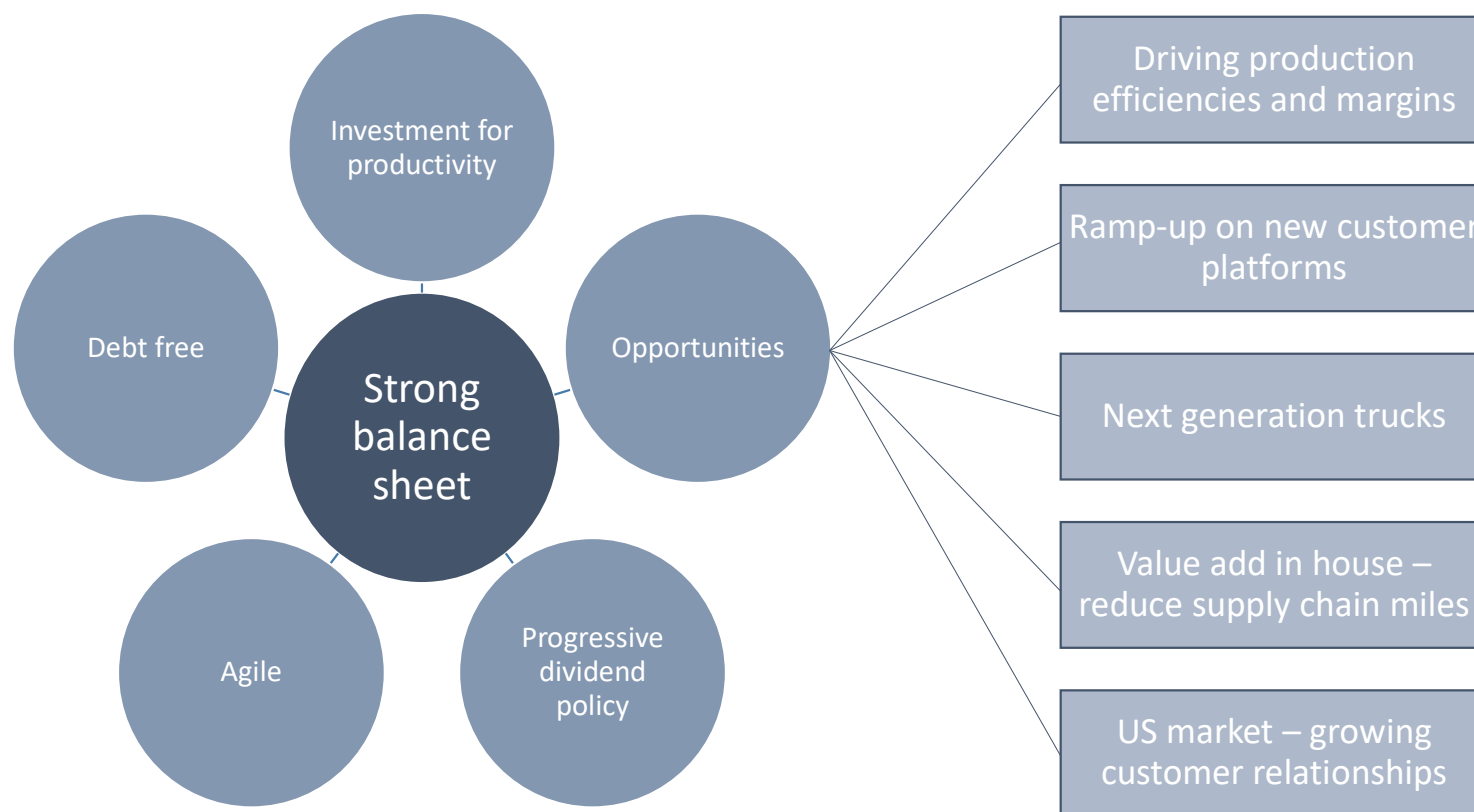
- Castings plc is a recycler
- Overall tCO<sub>2</sub>e per tonne of castings produced reduced to 0.528 (from 0.547) in FY23
- Electric melting only, unlike a number of competitors
  - Electricity (scope 2) - 87% of our total energy kWh in FY23
  - 100% REGO backed supply
  - Nil emissions using market-based approach
- Natural gas (scope 1)
  - Emissions of 3,602 tCO<sub>2</sub>e in FY23 (location-based approach)
  - Now on green gas contract
- On-going initiatives include:
  - 2<sup>nd</sup> centralised cooling plant at CNC – more efficient
  - Sand reclamation project being assessed – one of largest by-products currently
  - Reducing supply chain carbon miles by bringing finishing processes in-house
  - Machining swarf fully recycled back to foundries
- Local sourcing by customers



# H2 outlook

- High build rates for heavy trucks continues
- Outsourcing of production – improving foundry operational efficiency
- US opportunities
- Other sector contribution and opportunities
- Input cost stability
- Skilled recruitment progressing
- New plant production commencing
- Delivery of first of the replacement CNC machines

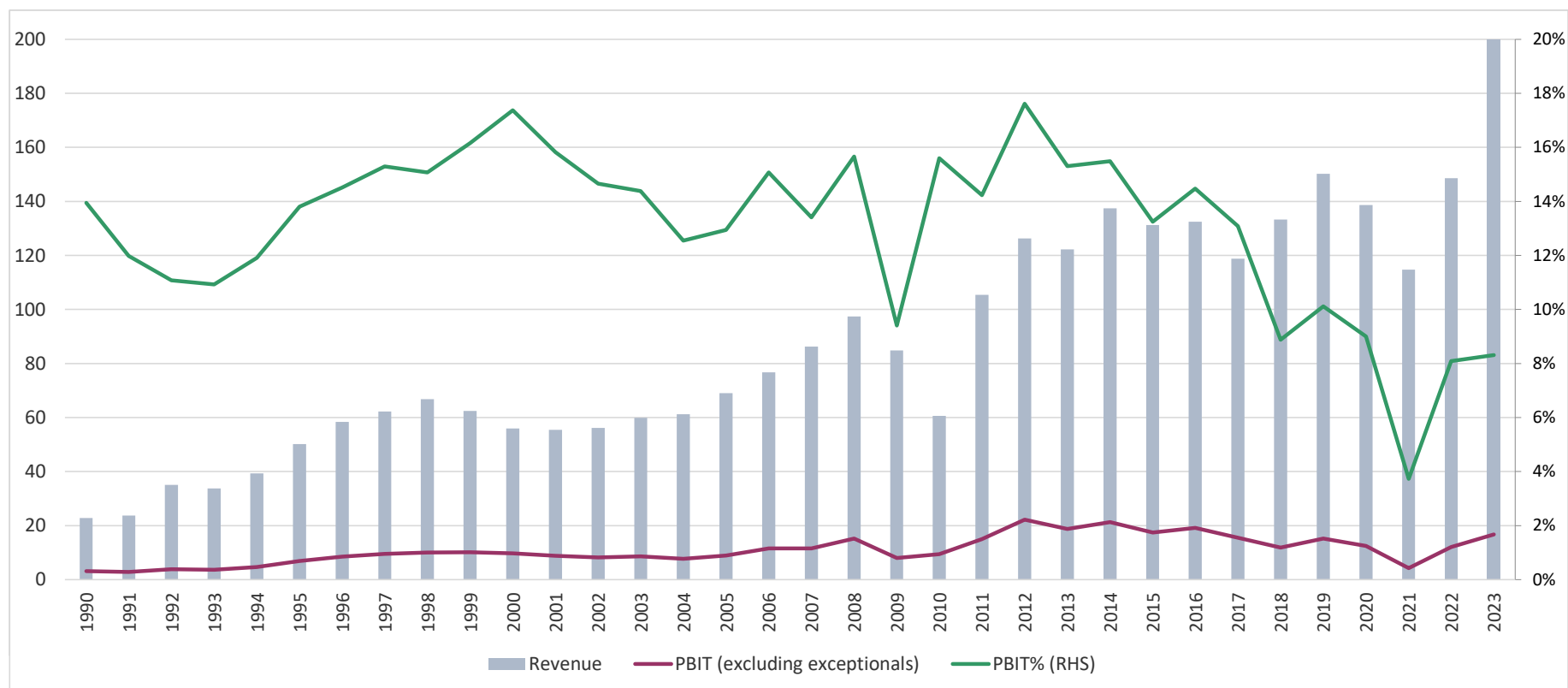
# In summary



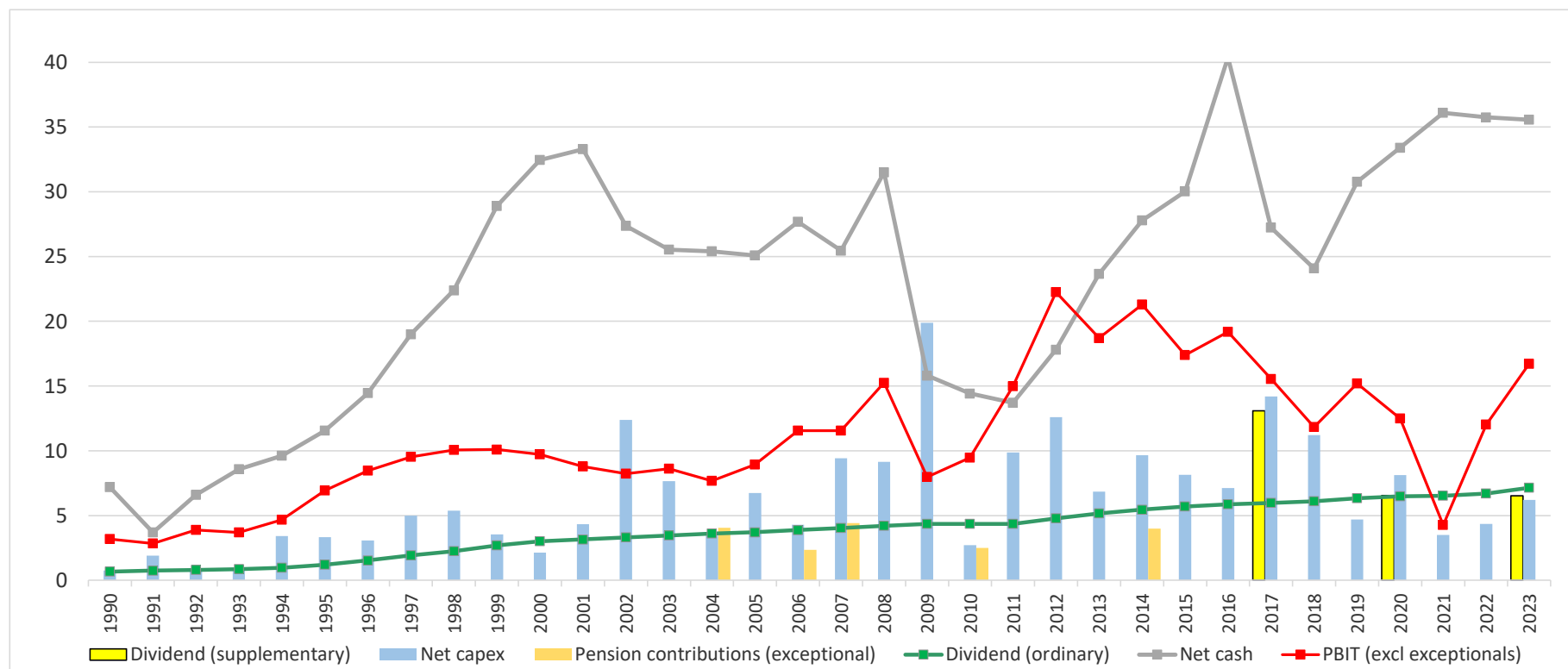
# Appendix - Additional information



# Revenue and PBIT



# Track record of strong cash generation



# 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 1,200 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

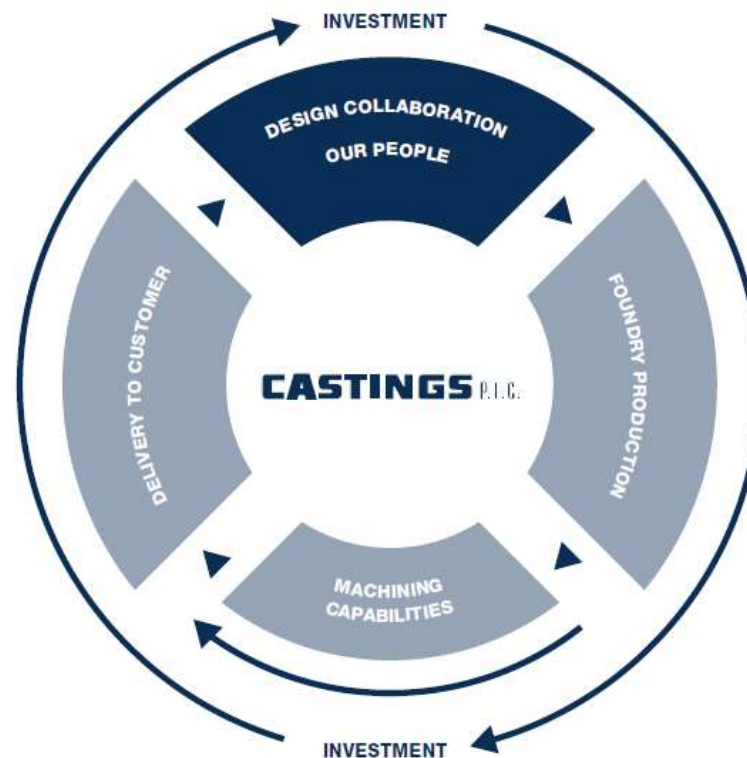
- High volume plant in low batch environment
- Flexibility
- Automation productivity

## 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

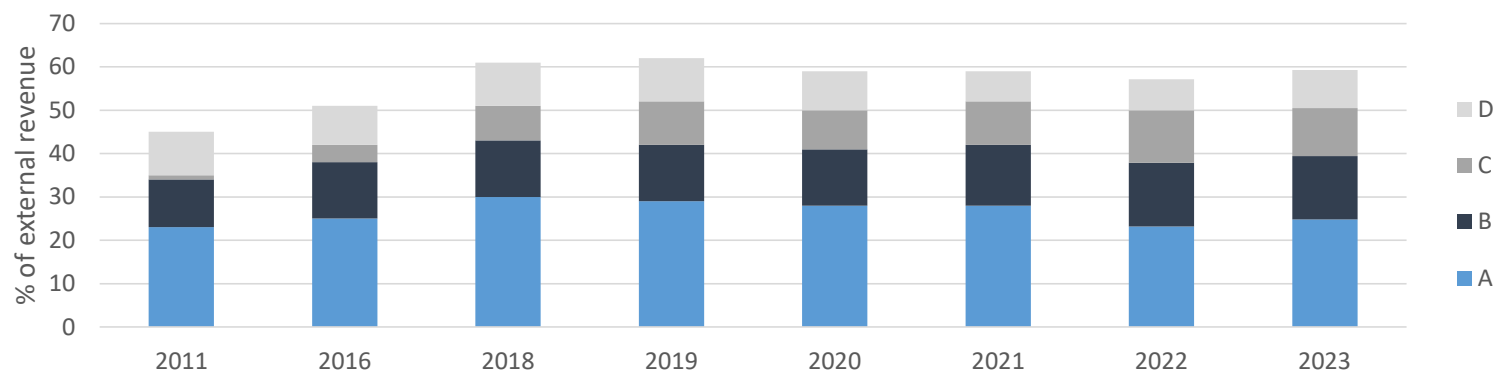
- Competitive position
- Growth opportunities
- Strong cash generation
- Progressive dividend policy

### Communities and environment

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

# Commercial vehicle customer revenue mix

	2011	2016	2018	2019	2020	2021	2022	2023
Customer								
A	23%	25%	30%	29%	28%	28%	23%	25%
B	11%	13%	13%	13%	13%	14%	15%	15%
C	1%	4%	8%	10%	9%	10%	12%	11%
D	10%	9%	10%	10%	9%	7%	7%	9%
Total	45%	51%	61%	62%	59%	59%	57%	60%



# Production facilities

- Sites:
  - Castings (Brownhills) – 14 acres
  - William Lee (Dronfield) – 14 acres
  - CNC Speedwell – 4 acres
- Production facilities:
  - Castings (Brownhills) – 32,000 m<sup>2</sup> (of which 5,000 m<sup>2</sup> 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 m<sup>2</sup> (of which 2,000 m<sup>2</sup> 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 m<sup>2</sup> (of which 5,000 m<sup>2</sup> is on Castings site)
    - 127 CNC machines

# Recent investments

- Robotic handling and processing (started 2016)
  - Over 62 robots across the group
  - £13m investment to date
  - Roll-out continues
- Warehouse management system (started 2017)
  - Bespoke FIFO system in Brownhills
  - £1m+ investment
- 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