



RENOLD

Preliminary results 2017



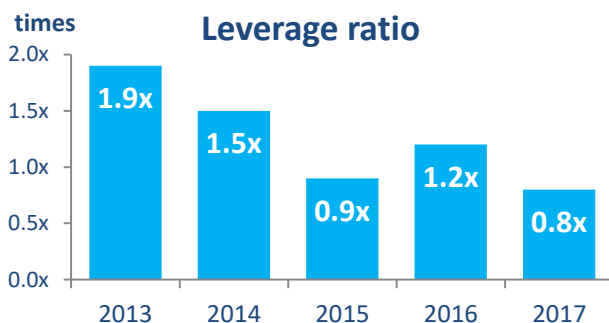
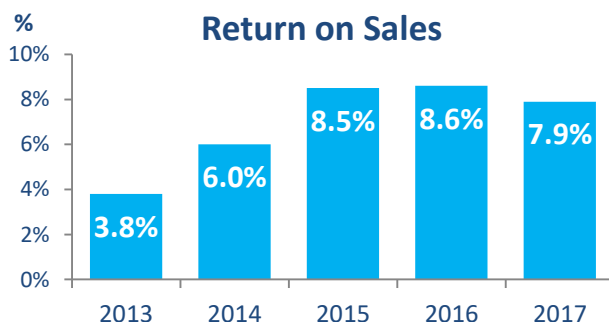
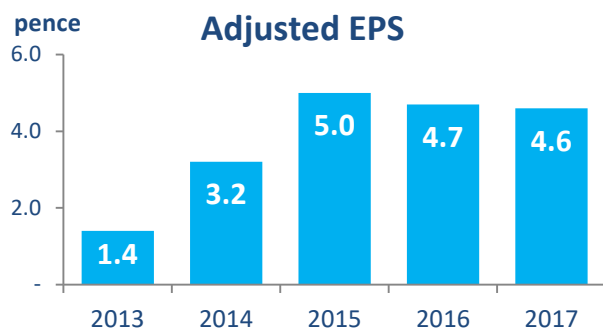
Robert Purcell
Ian Scapens

CEO
CFO

30 May 2017



Robust performance in challenging markets; STEP 2020 partially mitigating market headwinds



- Underlying* revenue broadly stable; growth from acquisition offset by reductions elsewhere
- Underlying revenue growth in H2 of 2.8% vs. 4.0% H1 decline; improved order intake in H2

- Improving order intake later in the year, particularly in Chain where H2 order intake was 11.9% ahead
- Markets remained challenging, particularly North America and South-East Asia

- Strong delivery of STEP 2020 Restructuring actions in spite of headwinds
- Return on Sales impacted by revenue headwinds and investment to support organic growth

- Leverage reduced to 0.8x benefiting from property disposals
- Investment plan to continue, including relocation of Chinese Chain facility

- Positioning the Group for organic growth
- Mid-teen operating margins deliverable when volumes improve

*Throughout this document, 'Underlying' means after eliminating the impact of movements in foreign exchange rates. 'Adjusted' excludes exceptional items, pension costs, the amortisation of acquired intangible assets and any associated tax thereon. The leverage ratio is calculated as Net Debt / Adjusted EBITDA.



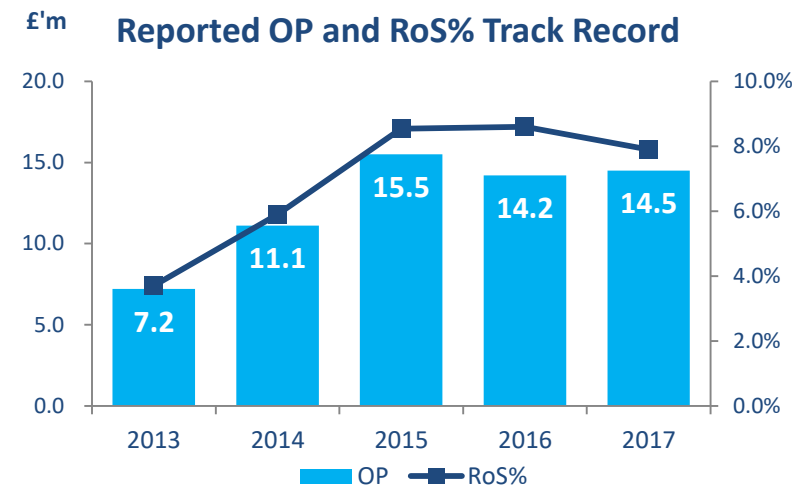
Re-engineering our future: Financial Performance

Ian Scapens, CFO

Continuing to deliver despite market headwinds

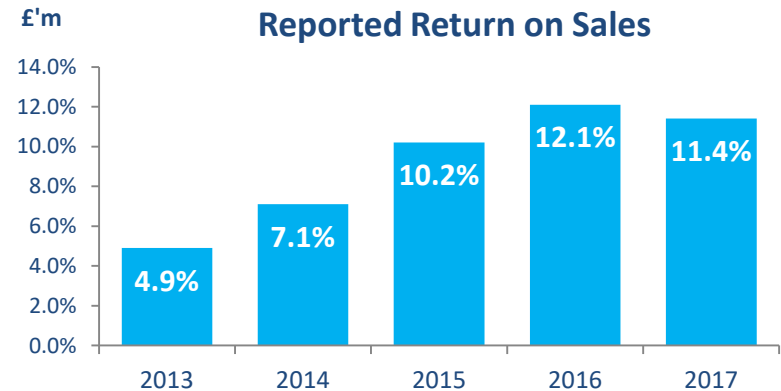
	2017 £m	2016 £m	Var £m
Revenue as reported	183.4	165.2	
Impact of FX	-	19.5	
Underlying revenue	183.4	184.7	(1.3)
Reported adjusted operating profit	14.5	14.2	
Impact of FX	-	2.6	
Underlying adjusted operating profit	14.5	16.8	(2.3)
<i>Underlying Return on Sales %</i>	<i>7.9</i>	<i>9.1</i>	
Exceptional items	(1.7)	(2.2)	0.5
Profit before tax	6.7	7.4	(0.7)
Adjusted EPS	4.6p	4.7p	(0.1p)

- Reported revenue increased by 11%
- Underlying revenue down 0.7%
 - H1 underlying decline of 4.0%
 - H2 underlying growth of 2.8%
- Underlying order intake 4.6% ahead of PY
 - H2 underlying growth of 9.5%
- Operating margins of 7.9% with Reported Adjusted EBITDA increasing to £21.3m



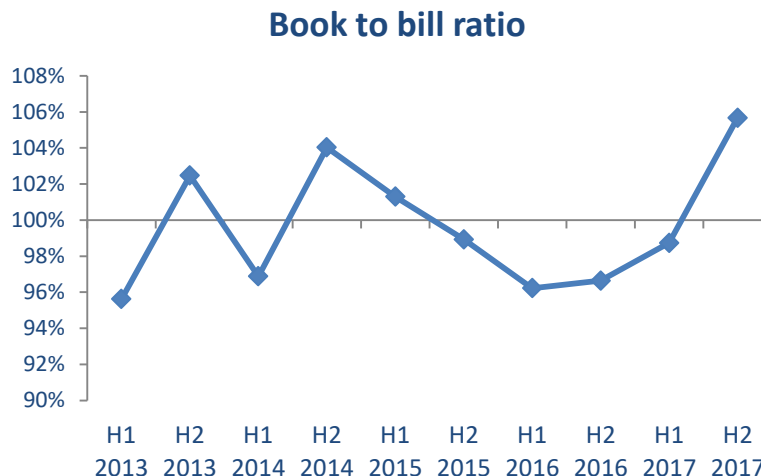
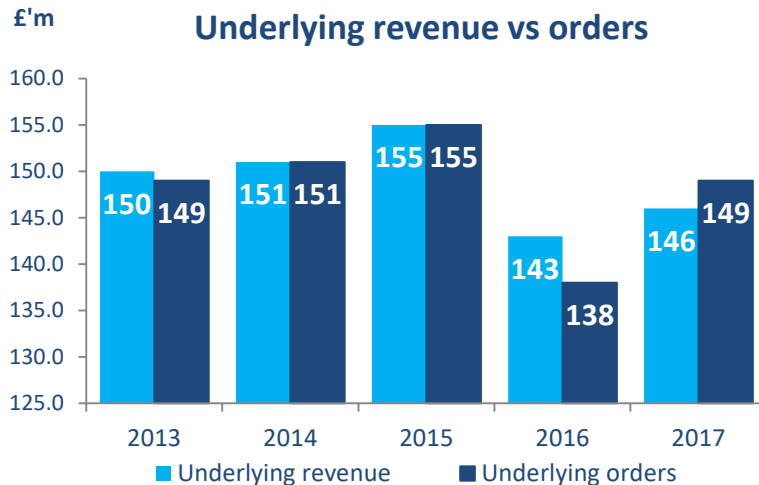
Mixed performance; Europe strong off-setting declines elsewhere

	2017 £m	2016 £m	Var %
Underlying revenue	146.1	143.0	2.2%
Underlying adjusted operating profit	16.6	17.8	(6.7%)
<i>Underlying Return on Sales %</i>	11.4	12.4	



- Underlying revenue 2.2% ahead of prior year
 - Excluding acquired growth, revenue declined by 1.6%
- Strong European growth
 - 16.3% growth; 5.9% excluding acquisitions
- More challenging conditions experienced in North America (down 7.3%) and Australasia (down 3.9%)
- Variable margins broadly unchanged from prior year
- Increased overheads from acquisition and additional commercial and marketing activities
- Significant capex invested in the year with major element commissioned in March
- Chain target for operating margins remains mid-teens in a GDP+ growth environment

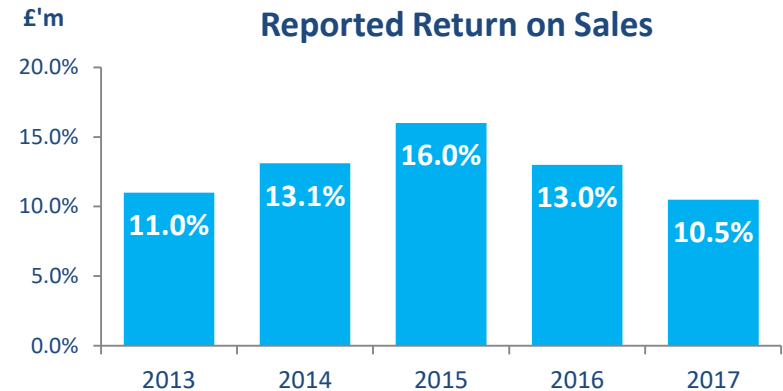
Strong order intake indicative of improving outlook



- Orders were ahead of revenue for the year with a book to bill ratio of 102%
- H1 book to bill of 99%
 - Underlying order intake growth in H1 of 4.6%
 - Strong growth in Europe off-set by declines in Americas and Australasia
- Growth in order intake accelerated in H2 with growth of 11.9% over PY
 - Americas and Australasia recovered whilst European growth continued
 - Book to bill ratio for H2 of 106%
- Strong order intake points to improving outlook for FY18

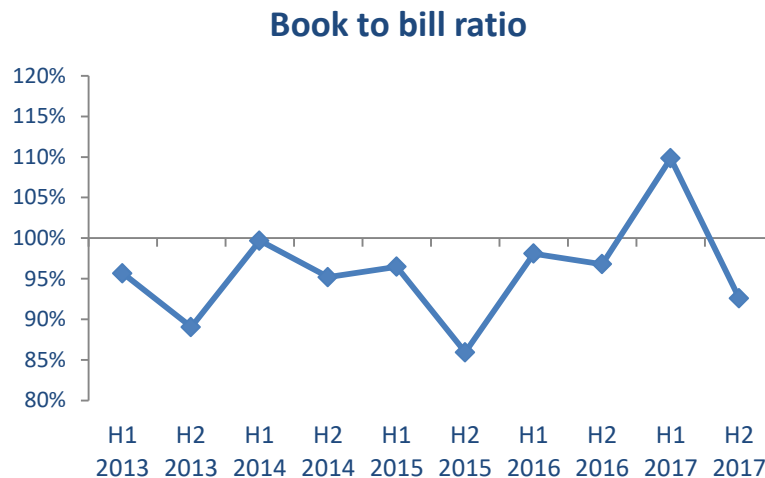
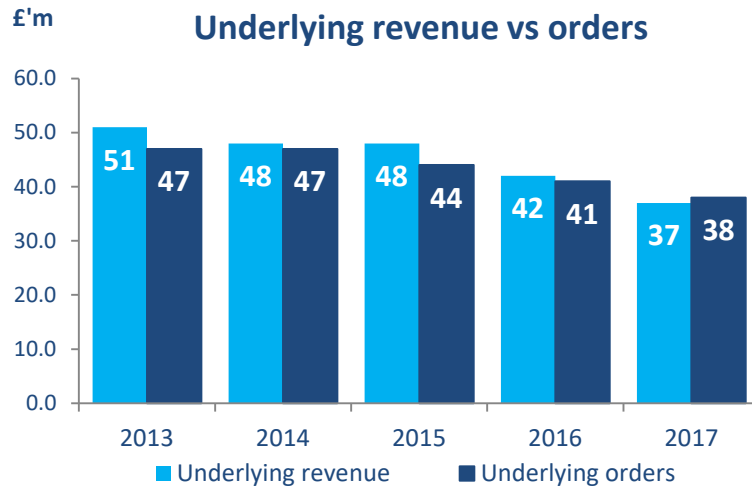
Challenging year for Torque Transmission as customer demand remained subdued; stabilisation and self help improving profitability in H2

	2017 £m	2016 £m	Var %
Underlying revenue	37.3	41.7	(10.6%)
Underlying adjusted operating profit	3.9	5.2	(25.0%)
<i>Underlying Return on Sales %</i>	10.5	12.5	



- TT performance stabilised in H2
 - H1 revenue fell by £5.0m (22%) with adjusted operating profit down by £2.7m
 - H2 revenue increased by £0.5m (4.8%) with adjusted operating profit increasing by £1.4m as stable revenues and self-help measures improved profitability
- Demand remains subdued, particularly in extractive and commodity sectors
- Short term goal is to return the division to mid-teens operating margins and growth
- Restructuring activities delivered in UK Couplings and in China will help support margin improvement

Market stabilised, but no visibility on sustained improvement yet



- Orders were marginally ahead of revenue for the year with a book to bill ratio of 101%
- Orders intake in H1 2017 was bolstered by large mass transit orders
 - Despite this, H1 underlying order intake declined by 13% (revenue decline of 22%)
 - Weak revenue in H1 contributed to strong book to bill of 110%
- Delivery of the mass transit orders bolstered H2 revenue
 - H2 underlying order intake unchanged from prior year
 - H2 book to bill to 93%
- Improvement in prospects for end-customers is yet to convert to increased orders, resulting in volatile order intake

STEP 2020 restructuring costs offset by profits on property disposal

	2017 £m	2016 £m	Var £m
Adjusted operating profit	14.5	14.2	0.3
Exceptional items	(1.7)	(2.2)	0.5
Pension admin costs	(0.7)	(0.7)	-
Amortisation of acquired intangible assets	(1.1)	(0.2)	(0.9)
Reported operating profit	11.0	11.1	(0.1)
Pension scheme financing charges	(2.5)	(2.0)	(0.5)
External financing charges	(1.7)	(1.5)	(0.2)
Other interest charges	(0.1)	(0.2)	0.1
Profit before tax	6.7	7.4	(0.7)
Taxation	(1.9)	(2.0)	0.1
Profit after tax	4.8	5.4	(0.6)

- The main exceptional items were:
 - STEP 2020 restructuring costs of £4.3m
 - Integration costs for Tooth Chain of £0.3m
 - Gain from Australian property sale of £2.9m
- Amortisation costs reflect full year impact of the Tooth Chain acquisition
- Pension scheme finance charges increased as liabilities increased
- Financing charges increased
 - FX impact of overseas borrowings
 - Average increase in borrowing over the year
- The adjusted effective tax rate for the year was 18% (2016: 17%) reflecting accessible tax losses in certain territories

Property disposals support cost of restructuring and reductions to net debt

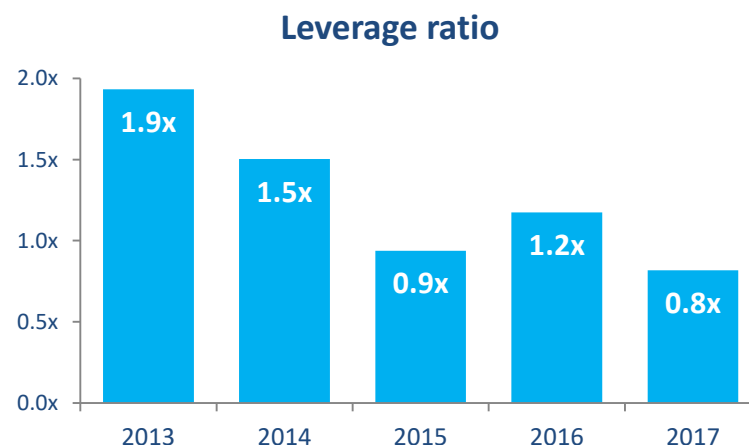
	2017 £m	2016 £m	Var £m
Adjusted EBITDA	21.3	20.0	1.3
Movement in working capital	(2.5)	0.3	
Pensions cash costs	(6.0)	(5.4)	
Restructuring spend	(5.1)	(3.8)	
Taxes and other	(0.3)	(0.3)	
Net cash from operating activities	7.4	10.8	(3.4)
Acquisition consideration	-	(3.7)	
Property disposal proceeds	10.2	-	
Investing activities	(9.6)	(9.5)	
Financing costs paid	(1.5)	(1.8)	
Other movements / FX	(0.4)	0.2	
Change in net debt	6.1	(4.0)	10.1
Opening net debt	(23.5)	(19.5)	
Closing net debt	(17.4)	(23.5)	6.1

- EBITDA increased, reflecting additional depreciation from capex
- Increased working capital reflects strong March trading when compared with prior year
- Pension cash costs increased with one-off contribution to UK scheme of £0.5m in support of completed medically-underwritten buy-ins and FX movements
- Restructuring spend includes:
 - costs of Bredbury onerous lease
 - STEP 2020 restructuring initiatives
 - costs of Tooth Chain integration
- Capex unchanged from prior year
 - increased capital creditor at March 2017 of £1.9m
- Cash tax of £1.0m (equivalent to 8% effective rate on adjusted PBT)
 - increased cash tax expected in FY18
 - return to normalised levels in FY19

Improving asset base being offset by higher pension deficit

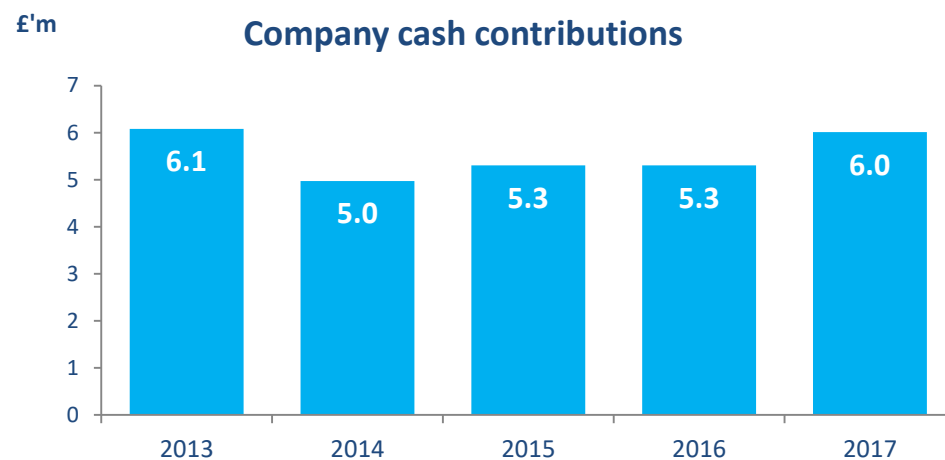
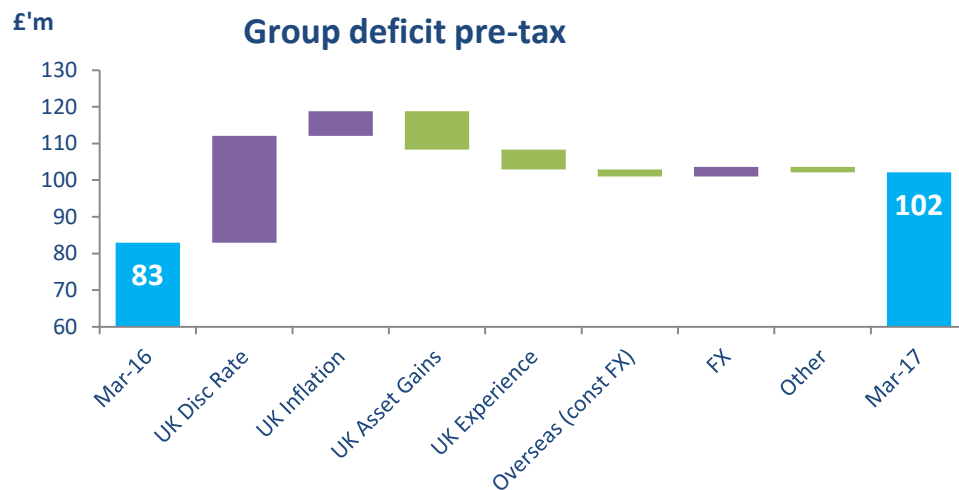
	2017 £m	2016 £m	Var £m
Goodwill	26.4	22.7	3.7
Intangible assets	9.7	10.3	(0.6)
Fixed assets	47.2	44.4	2.8
Deferred tax	20.6	16.7	3.9
Inventories	40.4	36.3	4.1
Receivables	36.8	30.5	6.3
Payables	(41.9)	(36.2)	(5.7)
Net working capital	35.3	30.6	4.7
Net debt	(17.4)	(23.5)	6.1
Provisions	(7.7)	(6.2)	(1.5)
Retirement benefit obligations	(102.0)	(82.9)	(19.1)
Current tax liability	(4.2)	(2.2)	(2.0)
Other	(0.1)	0.6	(0.7)
Net assets	7.8	10.5	(2.7)
Leverage⁽¹⁾ ratio	0.8x	1.2x	

- Balance sheet impacted by FX changes
- Working capital increase – largest element is FX movements
- IAS19 pension deficit driven by liability assumptions
- Tax liability reflects increased payments due in FY18
- Leverage of 0.8x comfortable compared to 2.5x covenant



(1) Leverage is calculated as Net debt / adjusted EBITDA

Deficit volatile but cash funding remains stable



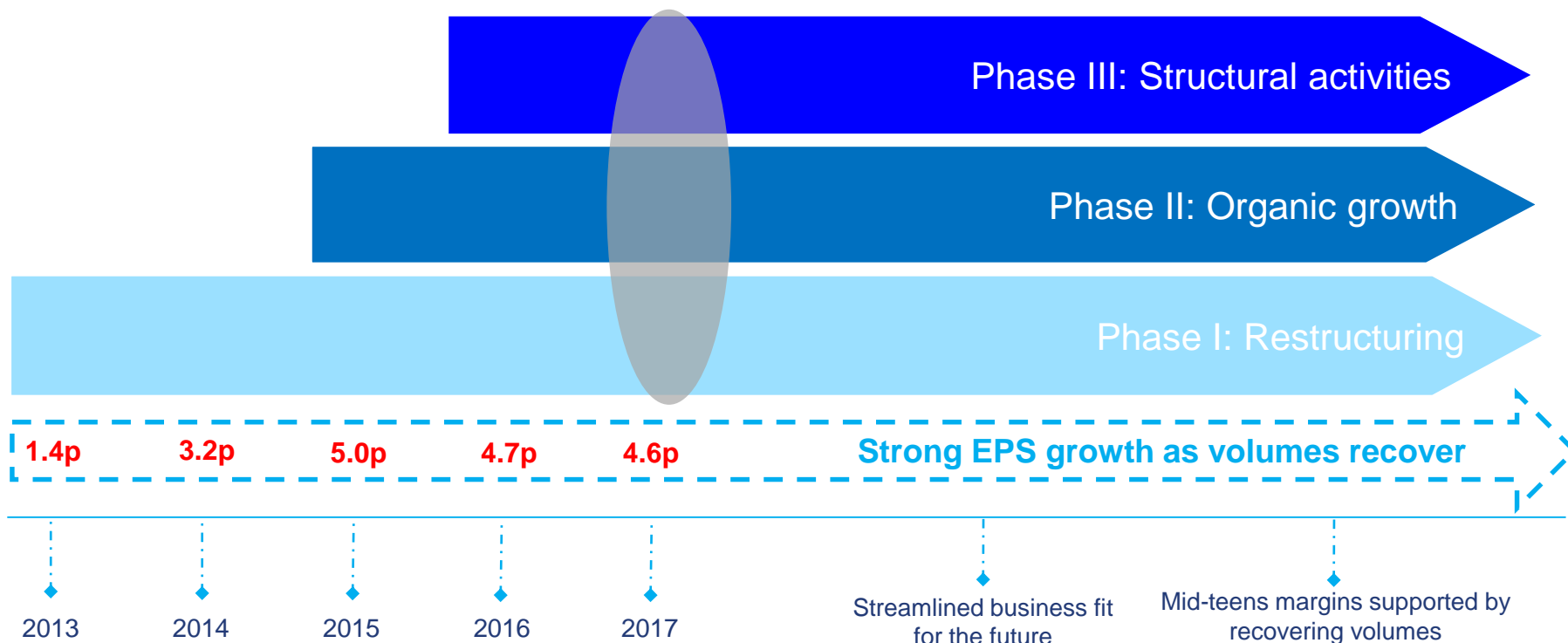
- UK Triennial Review dated 31 March 2016 completed in period – no changes to future company contributions:
 - Annual RPI linked increases remain
 - Profit linked additional contribution mechanism remains
- UK deficit increased to £72.0m; but reduced from £78.1m at September 2016
- Overseas scheme deficit stable at £30.0m (£29.3m at March 2016)
- Liability assumptions result in increased deficit:
 - Further declines in UK discount rates
 - Increases in inflation
- Cash contributions remain stable; 2017 increase from:
 - One off UK contribution of £0.5m in respect of prior year medically underwritten buy-in
 - FX movements on contributions to overseas schemes



Re-engineering our future:
Next Steps

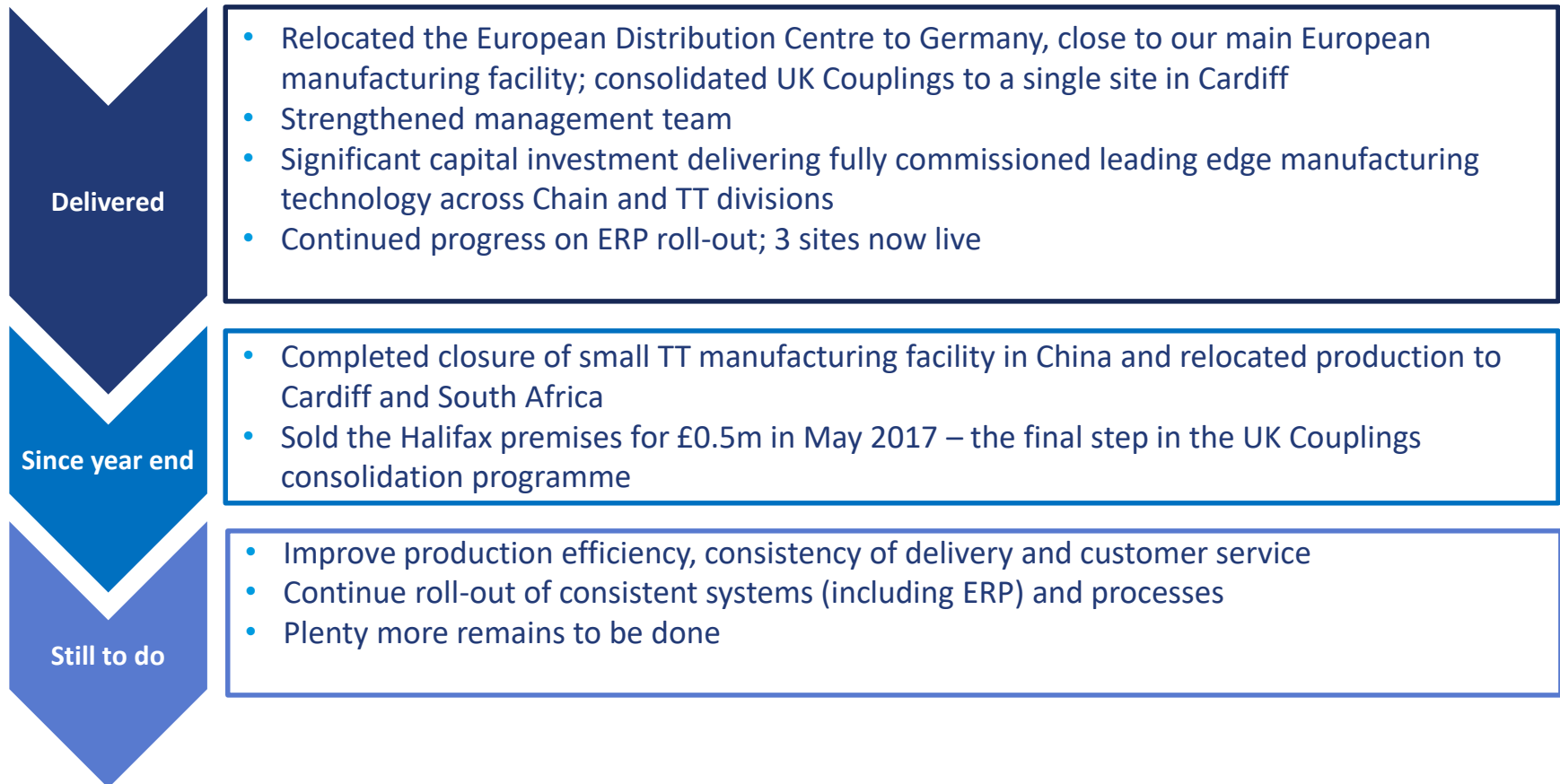
Robert Purcell, CEO

Continued STEP 2020 delivery despite market volatility



- Challenging market environment has impacted EPS progress in FY16 and FY17
- STEP 2020 programme has continued despite market conditions, with benefits mitigating the impact of reduced demand
- Signs of recovering market, particularly in Chain
- Further self-help measures being put in place to mitigate challenging market conditions
- We remain confident that we will achieve mid-teen margins as volumes improve

Strong progress on restructuring activities in the year; further projects underway



- Challenging market environment has not delayed delivery of restructuring activities
- Significant amount of change delivered in the year
- FY18 challenge is to ensure that the financial benefits of actions are delivered

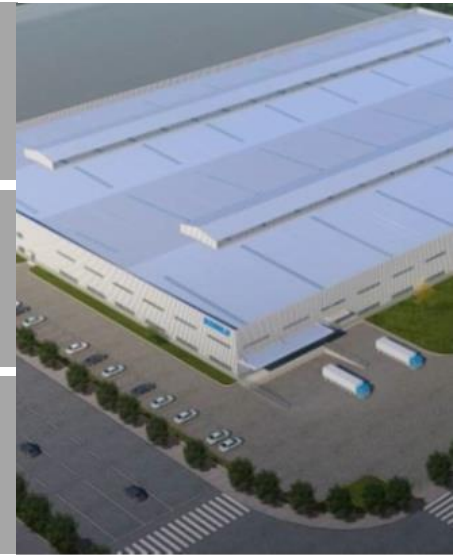
Building capability for the long term

- Chain Europe grew organically by 5.9% in FY17
- Continued to invest in our commercial capabilities
 - Sales people, numbers and management
 - Product management
 - Product development
 - Incremental and fundamental
 - Complementary products
 - Marketing development including the roll out of new websites
 - Training and development
 - Our teams
 - Distributors
- Developed new Chain sales organisation in Spain and Poland
- New and improved services rolled out
 - Expanded configured chain offering
 - 24 hour chain cutting offering in China
 - Continued expansion of 'off-the-shelf' product
- Sector focus approach to markets in Chain
- Product attribute and sector focus approach in TT
- Moved Malaysian business to an enlarged site to give room for growth and new service offerings



Delivering a sustainable platform for growth in the world's largest chain market

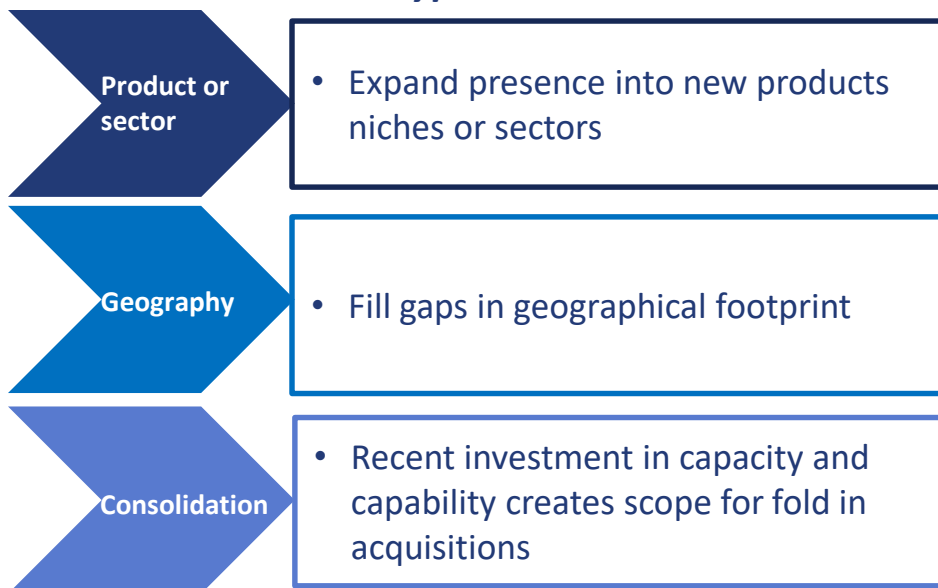
Project Stratos	<ul style="list-style-type: none"> Relocation of Chinese chain manufacturing facility to purpose built facility
Strategic rationale	<ul style="list-style-type: none"> Owned manufacturing facility in every major territory Platform to target Chinese domestic market - world's largest Protect and enhance through margin from global supply Build capacity to support insourcing from acquisitions
Why now ?	<ul style="list-style-type: none"> Existing leased site has been re-zoned as residential
Timetable	<ul style="list-style-type: none"> Land purchased in April 2017 Construction scheduled to commence in July Facility expected to be ready for relocation in FY19
Investment programme	<ul style="list-style-type: none"> Build cost of c£6m deferred and paid FY22-FY25 Capex of c£7m to support land purchase, facility fit-out and new equipment capex <ul style="list-style-type: none"> substantially FY18 cost, with smaller element in FY19 Restructuring costs of c£3m to cover redundancies, recruitment, training, equipment moves and dual running <ul style="list-style-type: none"> split over FY18 and FY19 Total programme cost of c£16m over 7 years



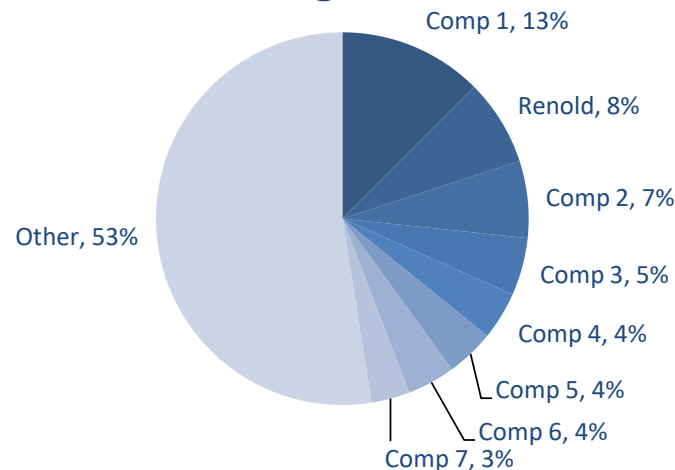
Successful delivery of Tooth Chain acquisition; template for future acquisitions

- Global industrial chain market remains highly fragmented
- Many western suppliers have outsourced certain manufacturing to Asia
- Interesting market niches like Tooth Chain (est. £50m+ market) through to table top (est. £500m+ market)

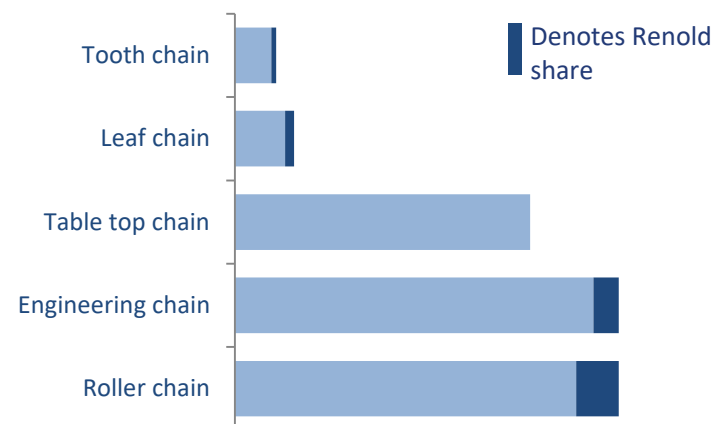
Renold Transaction Types



Market Fragmentation *



Market by Product Type *



Scale, reputation and expertise make Renold a natural consolidator in the Chain sector

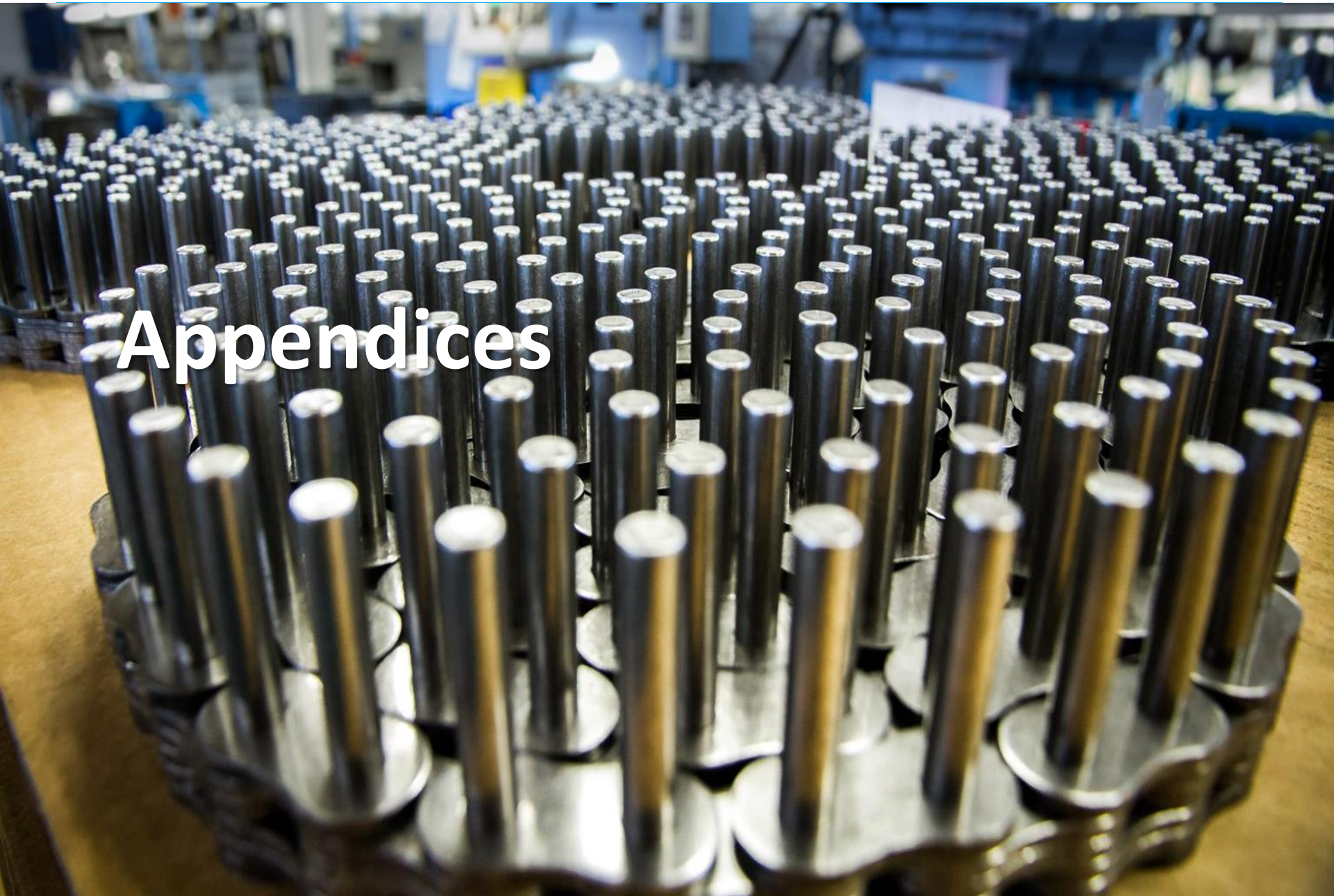
Still moving forward in the face of strong headwinds



Looking forward to improving markets and benefits of actions already delivered

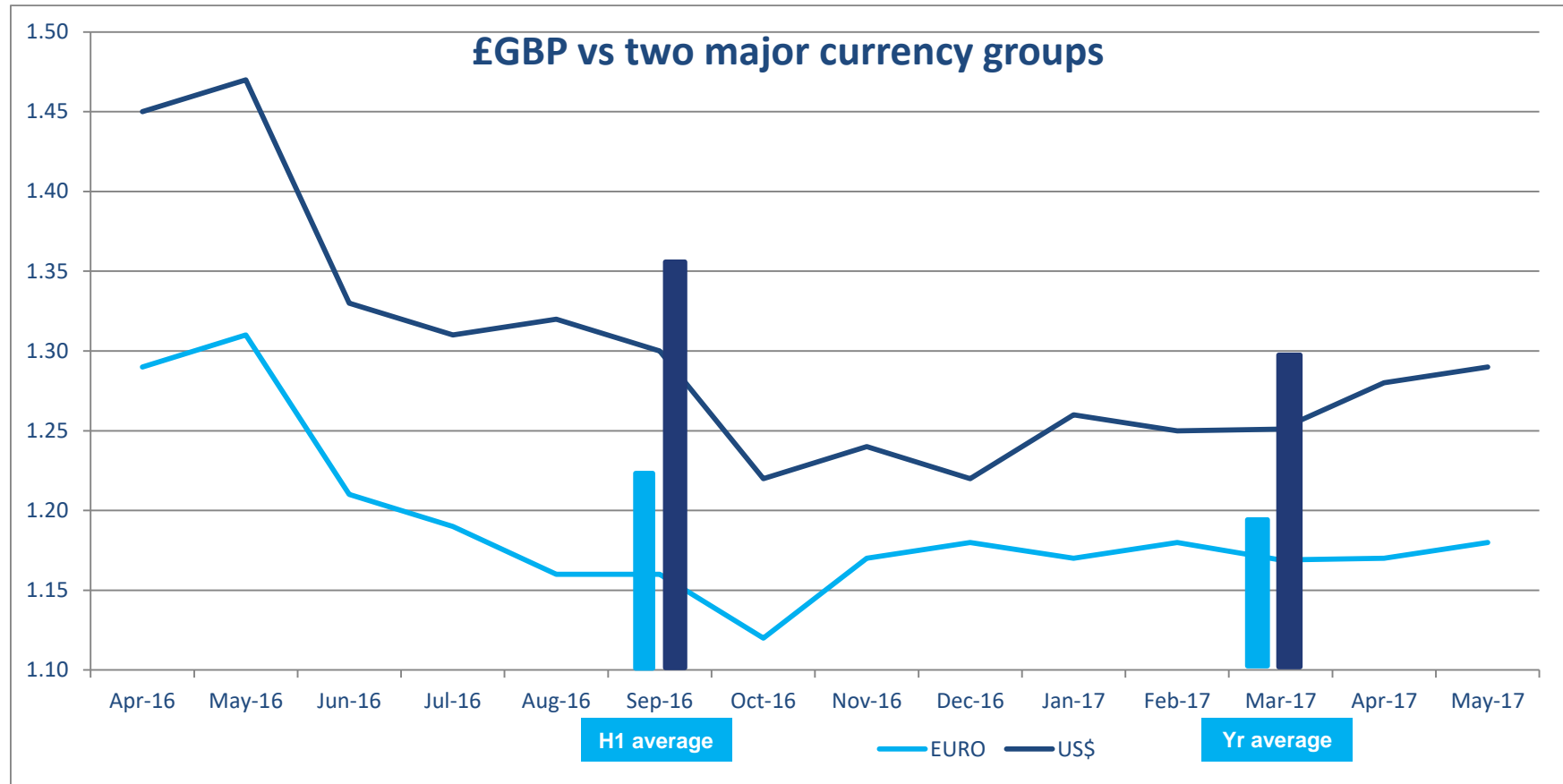


Thank you.
Q&A



Appendices

Significant volatility in foreign exchange rates during the year



- Sales denominated in US\$ represent 33% of the group total, and in Euro's 30%
- The primary impact of the volatility was translational. Full year transactional was limited to £0.5m
- Illustratively, reported sales for the year of £183.4m would have been approximately £5.6m higher at March 17 closing rates. Potential benefit to operating profit around £0.4m depending on mix
- FX rates remain volatile

Disclaimer

These presentation materials (the "Presentation Materials") are being solely issued to and directed at (a) persons having professional experience in matters relating to investments and who are investment professionals as specified in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotions Order"), and (b) persons certified as sophisticated investors within the meaning of Article 50 of the Financial Promotions Order but (for the avoidance of doubt) not those who are self-certified within the meaning of Article 50A of the Financial Promotions Order.

This document is exempt from the general restriction on the communication of invitations or inducements to enter into investment activity and has therefore not been approved by an authorised person as would otherwise be required by section 21 of the Financial Services and Markets Act 2000. Any investment to which this document relates is available to (and any investment activity to which it relates will be engaged with) only those persons described in (a) or (b) above. Persons who do not fall within the above categories of investor should not take any action upon this document, but should return it immediately to Arden Partners Plc, Corporate Finance department, 125 Old Broad Street, London, EC2N 1AR.

It is a condition of your receiving this document that (i) you fall within, and you warrant to Renold plc (the "Company") and Arden Partners Plc ("Arden Partners") that you fall within, one of the categories of person described in (a) or (b) above and (ii) if you fall within category (b) above, it is a condition of your receiving this document that (A) you are a person who has a current sophisticated investor certificate, signed by an authorised person and dated no earlier than 36 months preceding the date of receipt of this document, confirming that, in the opinion of such person, you are sufficiently knowledgeable to understand the risks associated with an investment in a Main Market quoted company and (B) that within the last 12 months you have signed a statement in the terms set out in Article 50(1)(b) of the Financial Promotions Order.

The Presentation Materials do not constitute an invitation or an inducement to engage in investment activity. Similarly, the Presentation Materials do not constitute or form any part of any offer or invitation to sell or issue or purchase or subscribe for any shares in the Company nor shall they or any part of them, or the fact of their distribution, form the basis of, or be relied on in connection with, any contract with the Company relating to any securities. The Presentation Materials are not intended to be distributed or passed on, directly or indirectly, or to any other class of persons. They are being supplied to you solely for your information and may not be reproduced, forwarded to any other person or published, in whole or in part, for any other purpose.

No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. Any reliance on this communication could potentially expose you to a significant risk of losing all of the property invested by you or the incurring by you of additional liability. No representation or warranty, express or implied, is given by the Company, its directors or employees, or Arden Partners or their professional advisers as to the accuracy, fairness, sufficiency or completeness of the information, opinions or beliefs contained in this document. Save in the case of fraud, no liability is accepted for any loss, cost or damage suffered or incurred as a result of the reliance on such information, opinions or beliefs. Recipients of these Presentation Materials should conduct their own investigation, evaluation and analysis of the business, data and property described in this document.

If you are in any doubt about the investment to which these Presentation Materials relate, you should consult a person authorised by the Financial Conduct Authority who specialises in advising on securities of the kind described in this document. Arden Partners will not be responsible in respect of such matters to any other person for providing protections afforded to customers of Arden Partners or for providing advice in relation to those matters.

The information presented here is not an offer for sale within the United States of any shares or any other security of the Company. Any shares referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration under that Act or an available exemption from it. The distribution of this document may be restricted by law and persons into whose possession this presentation comes should inform themselves about, and observe, any such restrictions.

Certain statements made in this presentation may not be based on historical information or facts and may be "forward-looking" statements, including those relating to the Company's general business plans and strategy, its future financial condition and growth prospects, and future developments in its industry and its competitive and regulatory environment. Actual results may differ materially from these forward-looking statements due to a number of factors, including future changes or developments in the Company's business, its competitive environment, information technology and political, economic, legal and social conditions affecting the Company. These forward looking statements speak only as of the date of the Presentation Materials and accordingly you should not place undue reliance on such statements.