acal plc

INTERIM RESULTS

Half year ended 30 September 2011

28 November 2011

Agenda

- Overview of results & outlook
- Financial review
- Review of operations
- Summary

Overview of first half results

	H1 11	**H1 12**
Revenue	£127m	**£134m**
Gross Profit	£36.0m	**£39.5m**
Underlying Operating Profit[(1)]	£2.8m	**£4.1m**
Underlying Profit before Tax[(1)]	£2.6m	**£3.6m**
Profit/(loss) before Tax	£(0.4)m	**£1.9m**
Underlying diluted EPS[(1)]	6.8p	**9.7p**
Fully diluted EPS	(0.7)p	**5.0p**
Dividend per Share	2.33p	**2.5p**

- Reported gross profit up 10%
  - GM % up 1.2pp to 29.5%
  - Reported revenue up 5%
- Underlying operating profit up 46%
- Underlying EPS up 43%
- Operating margin at 3.1% (up ~1ppt)
- Interim dividend up 7%

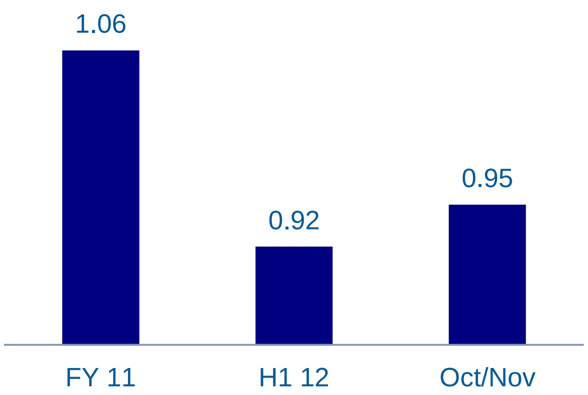
1. Underlying profits exclude exceptionals, amortisation of acquired intangibles and IAS 19 charge on legacy pension fund

Operational highlights – H1

- Good H1 performance – strategy delivering results
- Accelerated specialisation focus
  - Reduction in non-specialist business
- Attracted new specialist suppliers
- Acquisitions are adding value and performing well
- Supply Chain division winning new higher margin outsource contracts
- Differentiated market position

Outlook

Electronics Division Book to Bill ratio



- Continuing to make progress in second half
  - Developing new suppliers and gaining market share
  - Improving gross margins
  - Tight control of costs and working capital
  - Strong balance sheet with high level of committed facilities
- Healthy order book of c.3.5 months
  - 47% higher than two years ago
  - Book to bill ratio 0.95 in October & November
- Economic uncertainty
  - Reduced visibility & full year growth expectations
- Well positioned to navigate economic uncertainty

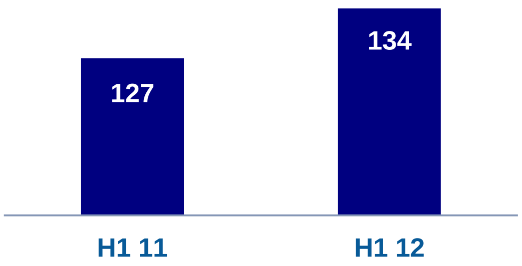
acal plc

Agenda

- Overview of results & outlook
- Financial review
- Review of operations
- Summary

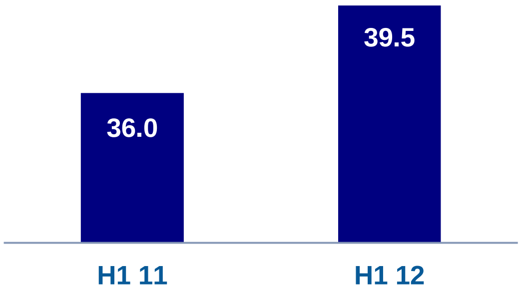
Shift to higher margin business boosts gross profit

Reported Sales (£m)



- Reported sales up 5%
  - Like for like(1) sales down 2% following shift away from lower margin non-specialist business
    - Ongoing non-specialist business down from 22% to 14% in 1 year

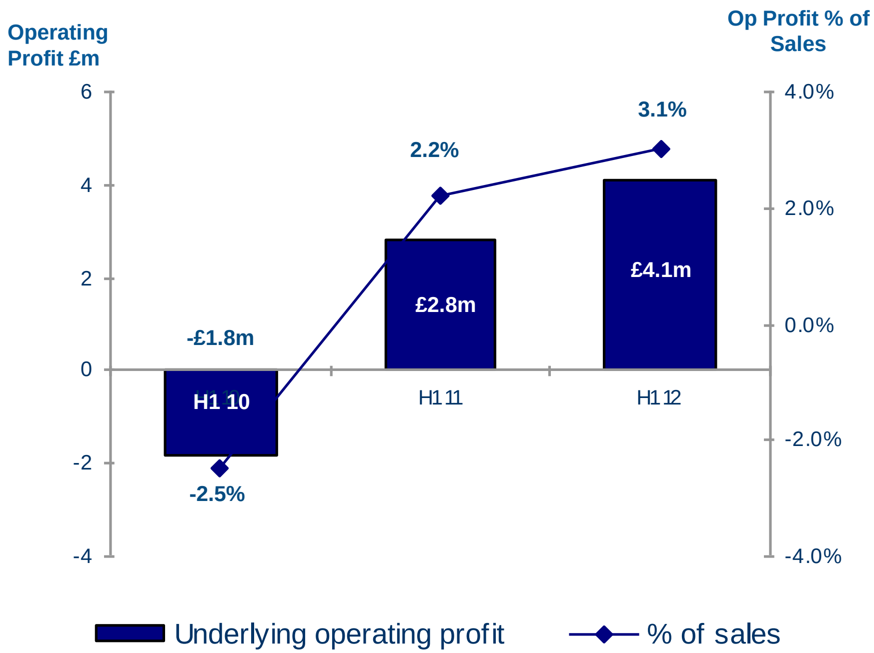
Reported Gross Profit (£m)



- Good continuing gross profit growth
  - Reported gross profit up 10%
  - Like for like(1) gross profit up 2%

1. Like for like is at constant exchange rates, including Compotron and Hectronics acquisitions and excluding ATM Parts disposal in FY 11.

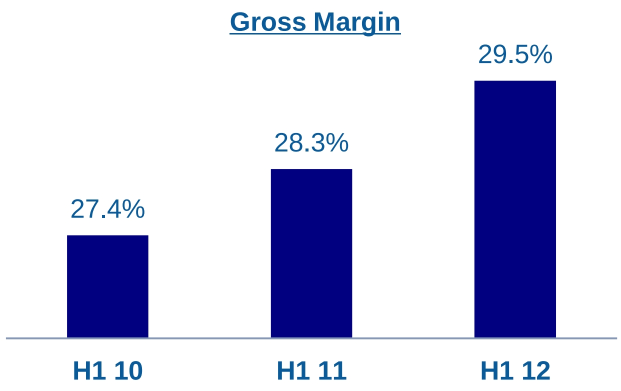
Further improvements delivered in H1 operating profitability



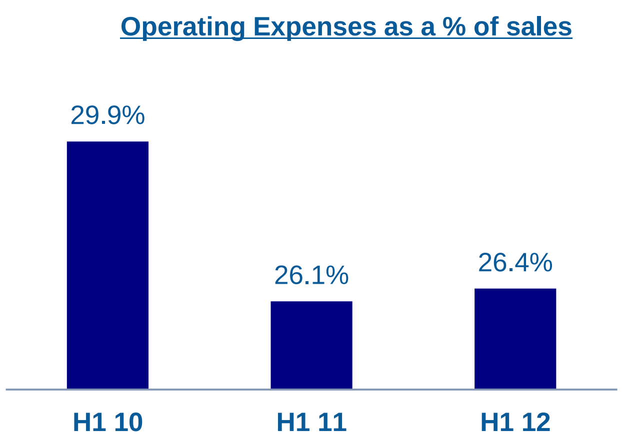
- H1 operating profit(1) increase to £4.1m
  - Up £1.3m (46%) over last yr
  - Operating margin up 0.9% to 3.1%

1. Underlying operating profit excludes exceptionals and amortisation of acquired intangibles;

Strong increase in gross margin as tight cost control maintained



- Specialisation driving further gross margin improvements
  - GM increase 1.2% points over H1 11
  - GM increase 1.0% points in 6 months
  - Up 3% points in 30 months



- Operating expense ratio marginally up reflecting:
  - New Supply Chain outsource contracts
    - Reduced by remaining BFi synergies (£0.7m)
  - Absolute increase of only 2% year on year[(1)]

1. Like for like is at constant exchange rates, including Compotron and Hectronics acquisitions and excluding ATM Parts disposal in FY 11.

Profitability improvement across both divisions

£m	H1 11			H1 12			Sales Growth	
	Sales	Operating Profit	%	Sales	Operating Profit	%	Reported	LFL[1]
Electronics	100.1	4.0	4.0%	**108.3**	**5.6**	**5.2%**	8%	-1%
Supply Chain	27.2	0.5	1.8%	**25.4**	**0.7**	**2.8%**	-7%	-2%
Unallocated[2]		-1.7	-1.3%		**-2.2**	**-1.6%**		
Total	127.3	2.8	2.2%	**133.7**	**4.1**	**3.1%**	5%	-2%

- Electronics – higher margin sales, tight cost control and good progress from acquisitions delivering continuing margin growth (up 1.2%)
- Supply Chain – good profitability improvement with shift to higher margin contracts
- HO strengthened to support growth strategy
  - 8% less than H2 11

1. Like for like is at constant exchange rates, including Compotron and Hectronic and excluding ATM Parts disposal in FY11
2. As a percentage of sales

Improving earnings performance

£m	H1 11	H1 12
Operating Profit[(1)]	2.8	4.1
Finance costs[(2)]	(0.2)	(0.5)
PBT	2.6	3.6
Effective tax rate	23%	19%
PAT	2.0	2.9
Underlying EPS	6.8p	9.7p
IFRS adj to PBT	(3.0)	(1.7)
IFRS PBT	(0.4)	1.9
IFRS EPS	(0.7)p	5.0p

- Finance costs
  - Increased facilities / utilisation
- Tax
  - Underlying effective tax rate of 19%
  - Tax loss utilisation (~£14m remaining)
- Underlying EPS
  - EPS of 9.7p up 43% over H1 11
- IFRS adjs[(1)(2)] of £1.7m
  - Termination of non-specialist workforce(£0.7m)
  - Acquisition related (£0.4m)
  - Acquired intangibles (£0.4m)
  - Legacy pension (£0.2m)
- IFRS EPS of 5.0p (up 5.7p from last year)

1. Underlying operating profit excludes exceptionals (H1 12: £1.1m) and amortisation of acquired intangibles (H1 12: £0.4m)
2. Underlying finance costs excludes IAS 19 legacy pension cost (H1 12 £0.2m)

Operating cash

	H1 11	H1 12
Operating Cash[(1)]	3.7	5.0
Working capital	(2.9)	(3.8)
Capex	(0.5)	(0.8)
Investments	(3.4)	(4.6)
CF (pre excep + funding)	**0.3**	**0.4**
Interest / tax	0.9	(0.8)
Dividends	(1.3)	(1.5)
Legacy pension	(0.2)	(0.4)
Exceptionals	(3.3)	(1.5)
Acquisitions		(2.2)
Cash flow	**(3.6)**	**(6.0)**

- Operating cash before investments – up 35%
- Working capital outflow (£3.8m)
  - Inventory – timing issue related to shift from non specialist distribution
  - Debtor days down 4 to 55 days
- Exceptional (£1.5m) – BFi integration payments
- Acquisitions (£2.2m)
  - £1.7m for Hectronic (inc £0.5m overdraft)
  - £0.5m completion payment to Compotron

	H1 12
Cash b/f	6.7
H1 cash flow	(6.0)
FX	(0.1)
Cash c/f	**0.6**

- Average Q2 12 net borrowings of £5.0m
  - £20m of committed facilities [(2)]

1. Operating Cash is Underlying Operating Profit (£4.1m) plus non cash items - D&A (£0.6m) and LTIPs (£0.3m)
2. The Group also has £15m of uncommitted facilities.

Summary financial highlights

- Good gross profit performance
  - Shift to specialisation from high volume/lower margin business

- Ongoing gross margin improvement
  - Up 1.2% in 12 months
  - Whilst retaining base operational leverage

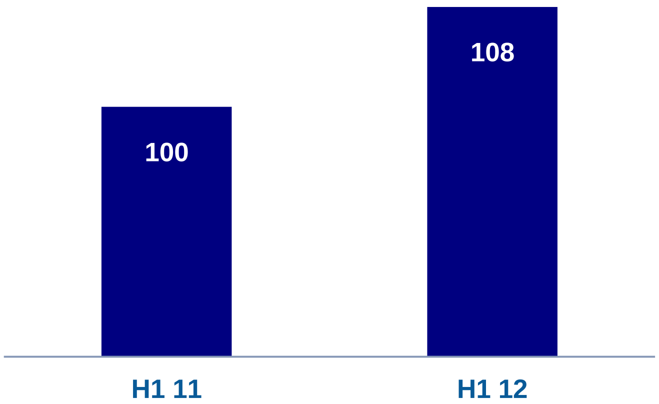
- Delivering profits and improving returns
  - Electronics margin up 1.2% to 5.2%
  - Group operating margin up 0.9% to 3.1%
  - Underlying EPS at 9.7p up 43%
  - IFRS EPS at 5.0p (up 5.7p) to return to overall first half profitability
  - Interim dividend up 7%

Agenda

- Overview of results & outlook
- Financial review
- Review of operations
- Summary

Electronics sales growth focused onto more highly differentiated products

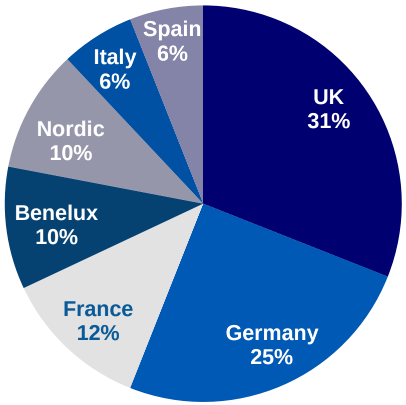
Electronics Division reported sales (£m)



- Reported sales growth up 8%
  - Acquisitions of Compotron & Hectronic
- Like for like sales down 1%
  - Constant for currency & acquisitions
  - Discontinuation of general product sales
    - Flow through into H2
- Gross Profit up 13%
  - Increasing sales of more specialist products
- Attracting new specialist suppliers
  - 6 new European engagements
  - 3 geographic extensions

Growth driven from UK & Germany, accounting for over half of sales

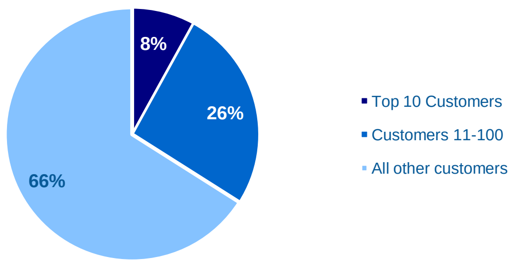
Electronics Division H1 Sales by Country



- Sales growth of 3% in UK & Germany
- Other markets broadly flat
- Spain in decline
  - Reduction in infrastructure projects
- Well capitalised industrial customer base
  - Reduction of 4 debtor days reflects this

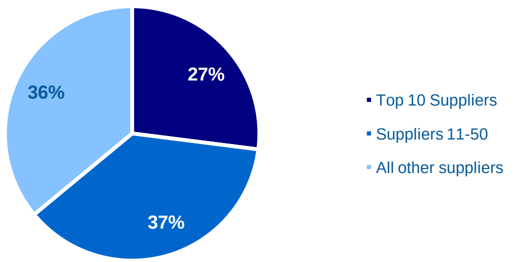
Balanced Electronics portfolio with diversified customer and supplier base

Customers – H1 revenue breakdown



- Largest customer accounts for 1% of revenue
- Top 10 customers account for 8% of revenue
- 12,000 active customers (last 12 months)

Suppliers – H1 revenue breakdown



- Largest supplier accounts for <3% of revenue
- Top 10 suppliers account for 27% of revenues
- Suppliers 11-50 account for 37% of revenue

Acquisitions are performing well

CompoTRON an acal group company

HECTRONIC an acal group company

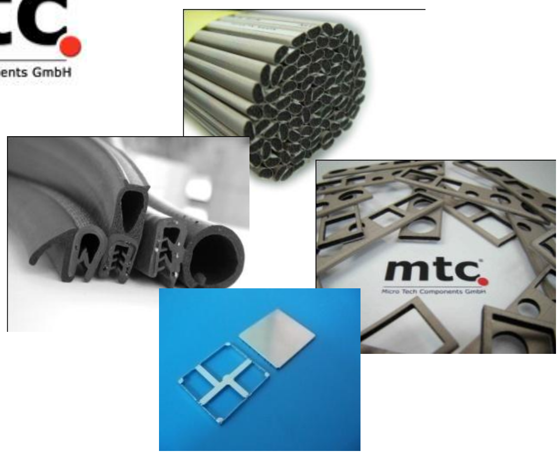
- Acquired January 2011
- Radio Frequency & Microwave components
  - Based in Germany
- Business performing ahead of plan
  - Continued growth in Germany
  - Cross selling initiatives underway
  - Increased operating efficiency

- Acquired June 2011
- Industrial computing technology
  - Based in Sweden
- Business performing as planned
  - Integration of facilities (£0.2m / 5% synergies FY12)
  - Cross selling initiatives underway

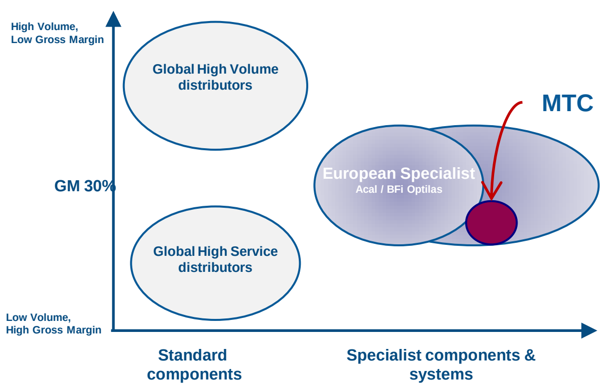
acal plc

The acquisition of MTC brings expertise & manufacturing capability in Electromagnetic shielding products

mtc
Micro Tech Components GmbH



Competitive landscape



- Specialist supplier of Electromagnetic shielding and seals
  - MTC brand
  - In house manufacturing (S Korea)
- Based in Germany with 20 staff
  - 17% of sales into Asia
- Sales expansion throughout Europe
  - High proportion of custom products
  - Complementary customer base
- Acquired for £3.1m cash
  - £2.1m upfront, £1.0m earn out
  - Earnings enhancing

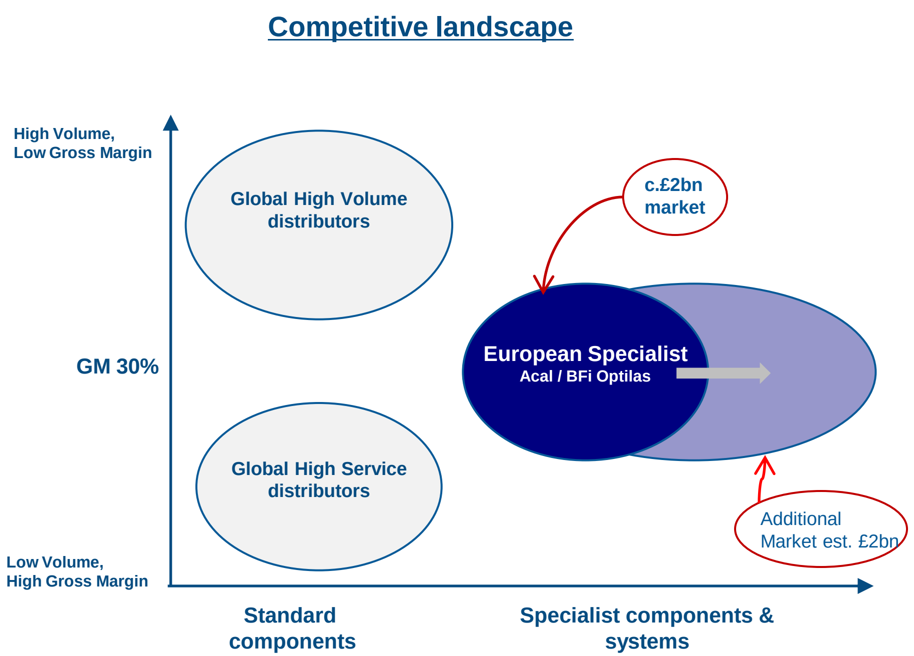
Specialisation strategy making good progress

The Electronics strategy is:

	Full Year To March 2009	Full Year To March 2010*	Half Year to September 2011
Increasing specialist product sales** (as a proportion of total continuing sales)	55%	78%	86%
Balancing product mix (reducing proportion of largest product group)	33%	21%	18%
Building sales outside UK	54%	70%	69%
Increasing gross margin (Group gross margin including Electronics)	26.5%	27.8%	29.5%

* BfiOptilas included pro rata for 12 months
** Excludes Medical

Leading market position in specialist Electronics



- European Market leader
  - 12% share of c.£2bn European market
  - Only specialist with European capability
  - Complementary range of specialist products
- Stable specialist markets
  - Less volatile
  - Fragmented
- Growth opportunities
  - Technology proliferation - growth >GDP
  - New technologies expand market – eg MTC
  - Market consolidation

Customer case study – Thermal Imaging unit

- Full custom thermal imaging unit
  - Separate lens, camera & housing combined to make bespoke unit
  - Compatible with previous generations
- Solution designed by Acal

Our Differentiators

1. Product range and features
2. Technical capabilities of staff
3. Bespoke capabilities for customers

Customer case study – Embedded Computing

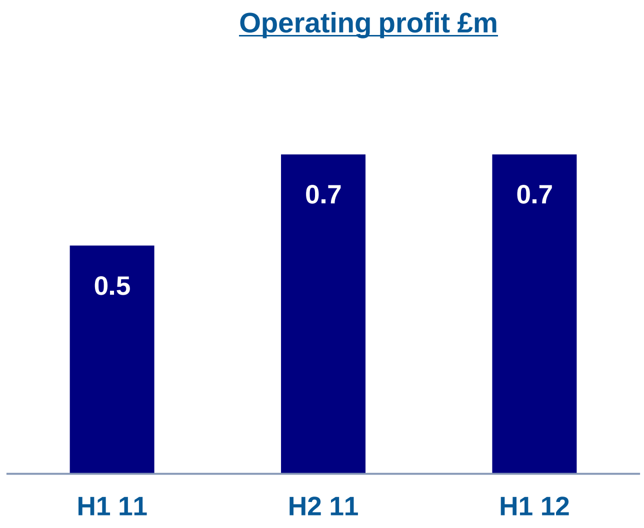
- Custom industrial embedded computer
  - Oncology treatment simulator
    - Computer with customer specific interfaces
    - Power supply with medical certification

- Solution designed by Acal

Our Differentiators

1. Product range and features
2. Technical capabilities of staff
3. Bespoke capabilities for customers

Supply Chain Division stable with improving efficiency



- Operating profitability stable
  - Like for like sales -2%
- Further major outsource contract wins
  - Addition to existing contract – c.£2m pa incremental
  - New major account win
- Move away from lower margin business

Agenda

- Overview of results & outlook
- Financial review
- Review of operations
- Summary

Summary

- A good first half
  - Continued performance improvement
  - Strategy is delivering results
- Successful acquisitions enhancing group performance
  - Strong & differentiated product portfolio
- Continuing to make progress in second half
  - Healthy order book
- Economic uncertainty
  - Reduced visibility & full year growth expectations
- Strong balance sheet with high level of committed facilities
- Well positioned to navigate economic uncertainty

APPENDIX

Underlying to IFRS Reconciliation

6m/e 30 Sep 2011 (£m)

	Underlying	Excep.	Amort	IAS19	IFRS
Gross profit	39.5				39.5
S&D costs	(20.7)				(20.7)
Admin expenses	(14.7)	(1.1)	(0.4)		(16.2)
Operating Profit	4.1	(1.1)	(0.4)		2.6
Net finance costs	(0.5)			(0.2)	(0.7)
Profit before tax	3.6	(1.1)	(0.4)	(0.2)	1.9
Taxation	(0.7)	0.1	0.1	0.1	(0.4)
Profit after tax	2.9	(1.0)	(0.3)	(0.1)	1.5
Effective tax rate	19%				21%
Fully diluted EPS (p)	9.7				5.0

6m/e 30 Sept 2010 (£m)

	Underlying	Excep.	IAS19	IFRS
Gross profit	36.0			36.0
S&D costs	(19.3)			(19.3)
Admin expenses	(13.5)	(2.9)		(16.4)
Other op expenses	(0.4)			(0.4)
Operating Profit	2.8	(2.9)		(0.1)
Net finance costs	(0.2)		(0.1)	(0.3)
Profit before tax	2.6	(2.9)	(0.1)	(0.4)
Taxation	(0.6)	0.8	0.0	0.2
Profit after tax	2.0	(2.1)	(0.1)	(0.2)
Effective tax rate	23%			50%
Fully diluted EPS (p)	6.8			(0.7)

- Management believe that “Underlying profitability” is a useful measure of the underlying profitability of the business.
- Excluded from IFRS results are:-
  - exceptional costs (restructuring and integration)
  - Earn out on acquisitions
  - IAS 19 pension finance charge related to a legacy scheme
  - Amortisation on acquired intangibles

Exceptional Costs and IFRS Adjustments

	H1 11	H1 12
BFi integration	2.3	**(0.2)**
Other restructuring	0.2	
ATM asset w/down	0.4	
Non-specialist terminations		**0.7**
MTC acquisition costs		**0.3**
Hectronic acquisiton costs		**0.1**
Hectronic Integration		**0.2**
Total Exceptionals	2.9	**1.1**
Compotron Earn out	0.2	
Amortisation of acquired intangibles		**0.4**
Legacy pension - IAS19	0.1	**0.2**
Underlying Adjustments	3.2	**1.7**
Tax impact of adjustments	-0.8	-0.3
After tax adjustments	2.4	**1.4**