LANGLEY

2020

Langley Holdings PLC:

INTERIM TRADING STATEMENT

6 MONTHS ENDED 30 JUNE


ROLAND 700




"Providing world-class engineering solutions to world-class clients, building mutually beneficial long-term relationships."

LANGLEY

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Company Information

6 Months ended 30 June 2020

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Key Highlights

6 Months ended 30 June 2020

	Actual Year Ended 31 December 2019 €´000	Actual 6 months to 30 June 2020 €´000	Forecast Year Ending 31 December 2020 €´000
REVENUE	820,194	370,445	796,524
NON-RECURRING ITEMS	(4,073)	(0)	(3,000)
OPERATING PROFIT	57,658	3,464	19.828
PRE TAX PROFIT	55,837	3,913	20,033
NET ASSETS	707,394	683,246	695,892
CASH	238,858	267,156	267,377
ORDERS ON HAND	254,300	265,209	290,939
	No.	No.	No.
EMPLOYEES	4,918	4,761	4,591

This Statement has been prepared in accordance with International Financial Reporting Standards (IFRS).

"6 Divisions
More than 100 Subsidiaries
Circa 4,800 Employees"

Chairman's Review

6 Months ended 30 June 2020

In the six months to 30 June 2020, the group posted a profit before tax of €3.9 million on revenues of €370.4 million. This compares with €20.1 million for the same period last year on revenues of €358.1 million. Net assets at the half year were €683.2 million (June 2019: €649.0 million) and at 30 June 2020 the net consolidated cash balance stood at €267.3 million (June 2019: €230.1 million). There were no shareholder dividends in the period (June 2019: €90.0 million).

In my review of the 2019 annual results, published in February this year, I commented that it was too early to say what impact Coronavirus would have on our businesses. A much-anticipated slow down had already begun in the latter part of 2018 and continued in 2019, following a number of successively record profit years. Nonetheless, a profit before tax of €55.8 million was a satisfactory outcome for 2019 and the group came into 2020 with almost €240 million of cash and net assets of over €700 million, this after a dividend of €90 million. The reported reduction in net assets between 31 December 2019 and 30 June 2020 is due primarily to the pounds sterling assets in the UK parent company, at 31 December 2019, being converted into euros. The pound fell from 1:1.17 to 1:1.11 against the euro in the period.

Revenues for the first half of 2020 were slightly up on the same period last year, but this year includes the Marelli Motori business, which the group acquired in May 2019. Like-for-like revenues are down by some €50 million on the same period, largely attributable to Coronavirus. The pandemic has had a significant effect on the group and will continue to do so in the second half.

Since March I have been preparing our businesses for a prolonged and deep recession, the beginnings of which I believe we are only just starting to see. Overall the group has managed to post a positive result for the first six months of 2020 and I do expect a better second half. During the first half the group's cash position has improved by some €30 million, largely due to a surplus land disposal in the period and I expect the cash will be at a similar level at the year end. No further dividends are anticipated in the foreseeable future.

Although the 2020 result is not yet secure at this point, we do have reasonable visibility on the second half and my principal concern now is for 2021, although the extent to which Coronavirus impacts our businesses next year will not start to become apparent until the autumn. Currently all divisions are reporting delays to capital equipment order placements and I expect these delays to continue into next year. I hope to be proven wrong but any notion of a rapid recovery from the economic fallout from Coronavirus would in my view, be wishful thinking.

Piller Group, based in Germany, which principally manufactures power protection equipment for high-end data centres, experienced a sharp reduction in service and parts revenues at the onset of the crisis but as Piller equipment is mission-critical to these facilities, aftermarket activity is now bouncing back strongly and is expected to be only slightly behind original expectations by year end. Piller's eventual result for 2020 will depend on the timing of still to be ordered capital projects for delivery this year.

ARO, our French automotive welding equipment producer, saw its US factory in Detroit MI mandatorily closed for 7 weeks and, hardly surprisingly, their Chinese assembly facility in Wuhan was ordered to close for 10 weeks. The main factory in France has been operating throughout, albeit on much reduced capacity and continues to do so. Despite the headwind, the division is into positive territory at 30 June and is expected to remain profitable for the remainder of the year.

Claudius Peters, our German plant machinery builder and aircraft stringer producer, began the year with a low order book in both divisions. At the half year, order intake in the plant division was still behind target which, due to lead times for this type of equipment, means that the outcome for 2020 is now largely determined. The aerospace division has also been heavily impacted by Coronavirus and, in addition to short-time working, management have agreed tariff reductions with the workforce. The business is just about awash at 30 June and with these measures in place, should remain so in the second half.

Manroland Sheetfed, our German printing press producer, began the year with a good order backlog, albeit at very slim margins, due to strong order intake in the final quarter of 2019 and this continued into February 2020. Order intake slowed significantly from early March and remains depressed, although there are signs of a pickup in Manroland's Chinese market. During the period, the company launched several innovative new projects, I expect that with the support of the workforce, combined with ongoing support from Langley, the company will emerge from the current crisis strongly, although the immediate future will be challenging.

Marelli Motori, our Italian motor and generator producer, acquired by the group in May 2019, posted a nominal loss at the half way and does not now expect to reach positive territory this year. During the period it was decided to discontinue the loss making Malaysian manufacturing operation. Notice to terminate the lease was served in April this year and the property will be

Chairman's Review / contd

6 Months ended 30 June 2020

vacated in April 2021. Options to relocate to smaller, freehold premises have been considered, however, a viable business case could not be established and production at the Malaysian factory will be discontinued at the end of the year. Products currently manufactured at this facility are to be manufactured in the Italian factory and/or outsourced, with a sales, service and distribution footprint maintained in the territory. A non-recurring cost of €3.0 million associated with the closure is anticipated in the full year forecast.

The Other Businesses division has been impacted least by the crisis. Druck Chemie, our German print chemicals business, put in a strong performance, exceeding its budget significantly. Much of Druck Chemie's products for the printing industry are alcohol based and nimble thinking by management saw production switch to sanitiser products, in high demand due to Coronavirus. The second half is looking equally strong for Druck Chemie. Clarke Chapman, although hampered by the crisis, was only marginally behind plan at the half year and is expected to be more or less on budget at the year end. The order book for nuclear and rail infrastructure largely unaffected by Coronavirus. Similarly, Bradman Lake, our food packaging machinery business, has so far not been materially negatively impacted and is expected to be on plan for the year, the company hampered mainly only by operational limitations. Reader Cement Products also bucked the trend, with the demand from the UK home improvement sector being particularly strong during lockdown. Oakdale Homes, the small regional UK house builder, closed its operations for approximately six weeks, although the effect is not material to these accounts.

In conclusion to this half-year review of our businesses, considering the extraordinary circumstances, I am satisfied with the result for the 6 months to June and with the forecast to December, which I believe is prudent. Having reviewed our operations in detail, the group is, on the whole, managing the crisis well. However, it is with personal sadness that many of our employees are experiencing hardship as a result of the short time and furlough measures that are necessary and that job losses are unavoidable. I thank those that may have to leave our family of businesses for their service and those that remain, for their continued dedication and in many cases, personal sacrifice.

2020 is without doubt an extraordinary year. I believe the economic effects of Coronavirus will be long lasting and severe and whereas I hope to be proven wrong, in the meantime that is my working assumption. As I write, we have all more or less adjusted to the "new normal". However, in my view this is not the end of the crisis, neither is it the beginning of the end. It is though, hopefully, the end of the beginning.

Anthony J Langley

Chairman

31st July 2020

Consolidated Income Statement

6 Months ended 30 June 2020

	Actual Year Ended 31 December 2019 €´000	Actual 6 months to 30 June 2020 €´000	Forecast Year Ending 31 December 2020 €´000
REVENUE	820,194	370,445	796,524
Cost of Sales	(558,679)	(256,071)	(549,298)
GROSS PROFIT	261,515	114,374	247,226
Net operating expenses	(203,857)	(110,910)	(224,398)
OPERATING PROFIT BEFORE NON-RECURRING ITEMS	57,658	3,464	22,828
NON-RECURRING ITEMS	(4,073)	(0)	(3,000)
OPERATING PROFIT	53,585	3,464	19,828
Finance income	2,564	668	629
Finance costs	(355)	(219)	(424)
PROFIT BEFORE TAXATION	**55,794**	**3,913**	**20,033**
Income tax expense	(14,104)	(1,969)	(5,179)
PROFIT FOR THE PERIOD	**41,690**	**1,944**	**14,854**

This Statement has been prepared in accordance with International Financial Reporting Standards (IFRS).

Consolidated Statement of Financial Position

As at 30 June 2020

	Actual 31 December 2019 **€´000**	Actual 30 June 2020 **€´000**	Forecast 31 December 2020 **€´000**
NON-CURRENT ASSETS			
Intangible assets	5,003	2,843	3,086
Property, plant and equipment	241,536	227,829	224,045
Investments	14	14	14
Investment properties	53,160	53,035	52,910
Trade and other receivables	2,426	1,862	1,714
Deferred income tax assets	28,205	31,647	32,813
	330,344	**317,230**	**314,582**
CURRENT ASSETS			
Inventories	214,685	238,911	244,336
Trade and other receivables	182,655	143,188	159,138
Cash and cash equivalents	238,858	267,156	267,377
Current income tax recoverable	5,933	4,619	4,264
Assets held for sale	16,782	0	0
	658,913	**653,874**	**675,115**
CURRENT LIABILITIES			
Current portion of long term borrowings	0	691	677
Current income tax liabilities	5,749	7,136	8,693
Trade and other payables	194,652	205,070	208,819
Provisions	16,728	16,219	18,294
	217,129	**229,116**	**236,483**
NET CURRENT ASSETS	**441,784**	**424,758**	**438,632**
Total assets less current liabilities	772,128	741,988	753,214
NON-CURRENT LIABILITIES			
Provisions	977	1,412	814
Long term borrowings	-	196	196
Trade and other payables	19,567	15,643	14,963
Retirement benefit obligations	14,066	13,767	13,741
Deferred income tax liabilities	30,124	27,724	27,608
	64,734	**58,742**	**57,322**
NET ASSETS	**707,394**	**683,246**	**695,892**
EQUITY			
Share capital	71,227	71,227	71,227
Merger reserve	4,491	4,491	4,491
Revaluation reserve	28,920	28,920	28,920
Retained earnings	602,756	578,608	591,254
TOTAL EQUITY	**707,394**	**683,246**	**695,892**

This Statement has been prepared in accordance with International Financial Reporting Standards (IFRS).

Reconciliation of Retained Earnings

6 Months ended 30 June 2020

	Actual 6 months to 30 June 2020 €´000	Forecast Year Ending 31 December 2020 €´000
At 1 January 2020	602,756	602,756
Current profit for the period	1,944	14,854
Currency exchange difference arising on retranslation	(26,092)	(26,356)
TOTAL RETAINED EARNINGS AT PERIOD END	**578,608**	**591,254**

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