

## LUPUS CAPITAL PLC

### Pre Close Trading Update

Lupus Capital plc (“Lupus” or the “Group”), a leading international supplier of building products to the door and window industry and the world’s number one manufacturer of marine breakaway couplings, today issues the following pre close trading update for the financial year ended 31 December 2011. The Group will announce its full year results on Wednesday 21 March 2012. Numbers contained within this update are preliminary and remain subject to audit.

#### 2011 Overview

The trading environment in the US and UK building products markets during the second half of the year proved to be as challenging as expected at the time of our interim results. However the continued focus of the Group on self help measures enabled further progress to be made. In Oil Services, good order books and demand levels led to a strong performance in the second half of the year.

Total sales for the year are expected to be around £249 million, a decrease of approximately 6 per cent. compared with 2010 (£266.2 million). On a constant currency basis, this represents a decrease in total sales of around 5 per cent. compared with last year.

Underlying EBITA and Underlying EPS for the year are expected to be towards the upper end of market expectations.

#### Building Products

Total sales for the year for the Building Products Division are expected to be approximately £230 million, a decrease of around 9 per cent. compared with 2010 (£252.5 million). On a constant currency basis this represents a decrease in total sales of around 8 per cent. compared with last year. The high levels of operational gearing within the Building Products Division mean that small changes in sales have a magnified impact on operating profits.

After an encouraging first quarter Amesbury saw demand soften across the remainder of 2011 as US window shipments fell year on year, although quoting levels across Amesbury increased in the fourth quarter. We remain positive about the long term prospects for Amesbury and in 2011 continued to invest in the North American business. Towards the year end we started the fit out of our new extrusion plant in Atlanta which will come on stream in early 2012 and in December 2011 we announced the US\$15 million acquisition of Overland which adds a number of complementary stamping products to the Amesbury offering.

In the UK and Ireland, grouphomesafe’s smaller portfolio businesses exhibited good growth and continued to take market share, partially offsetting weaker demand from larger customers such as window fabricators and social housing contractors.

In our International business, Schlegel saw Australasian and European sales decline year on year, partially offset by increased sales in South America.

#### Oil Services

Total sales for the year for the Oil Services Division are expected to be approximately £19 million, an increase of around 38 per cent. compared with 2010 (£13.7 million). Gall Thomson and Klaw have each had strong years exhibiting growth in both sales and profit, bolstered by an incrementally stronger order book coming into 2011.

## **Organisational Restructuring and Exceptional Items**

During the year we completed an organisational restructuring of our Building Products Division outside of North America with separate MD divisional roles created for the UK and Ireland business and the International business. This reorganisation and strengthening of our divisional management team will enable us to provide increased focus to each region and facilitate expansion into new products and geographies.

In 2011 we continued our restructuring programme for the UK composite doors business to reflect the fundamental changes to its market environment.

These initiatives will lead to exceptional restructuring charges of approximately £0.8 million being taken in 2011.

## **Financial Position**

During the year the Group refinanced its banking facilities into a new £110 million multicurrency term loan and a £30 million multicurrency working capital facility. This successful early refinancing of facilities gives Lupus a sound financial platform until March 2016 and provides the Group with more favourable terms, reduced costs and significantly enhanced flexibility.

As at 31 December 2011, the Group's Underlying Net Debt was approximately £91 million (2010: £94.7 million). This figure is stated after the payment of approximately US\$15 million to acquire Overland, announced on 23 December 2011.

## **2012 Outlook**

Looking ahead to 2012, we expect our building products markets to remain relatively subdued. The UK and Irish markets are expected to show further decline compared with 2011, reflecting lower consumer spending on RMI and continued downward pressure on social housing budgets. In North America we expect markets to be broadly flat across the year and in Continental Europe we expect markets overall to be slightly down with Southern European markets remaining difficult. In Australasian markets we expect to see a return to growth this year and continued development in South American markets.

We expect that the Building Products Division will continue to outperform its key markets in 2012 due to the Group's relative financial strength, the continued investment in development of new products, our strong market positions, new business lines and contributions from acquisitions.

Our Oil Services Division continues to see solid demand for its core MBC and industrial coupling products, however given the variable demand pattern for its products is considered unlikely to repeat the very strong percentage growth demonstrated in 2011.

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# LUPUS CAPITAL

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## **Definitions**

Underlying EBITA is defined as earnings before interest, taxation, amortisation of intangible assets, deferred tax on amortisation of intangible assets, exceptional items, unwinding of discount on provisions, amortisation of borrowing costs and the associated tax effect.

Underlying EPS is defined as earnings per share before amortisation of intangible assets, deferred tax on amortisation of intangible assets, exceptional items, unwinding of discount on provisions, amortisation of borrowing costs and the associated tax effect.

Underlying Net Debt is defined as interest bearing loans and borrowings, net of cash and cash equivalents, plus unamortised borrowing costs added back.