

22 September 2020

Billington Holdings Plc

(“Billington”, the “Group” or the “Company”)

Interim Results

Billington Holdings Plc (AIM: BILN), one of the UK's leading structural steel and construction safety solutions specialists, is pleased to announce its unaudited interim results for the six months ended 30 June 2020.

	Unaudited six months to 30 June 2020	Unaudited six months to 30 June 2019	Percentage Movement
Revenue	£32.78m	£47.15m	(30.5%)
EBITDA	£1.59m	£3.55m	(55.2%)
Profit before tax	£0.61m	£2.68m	(77.2%)
Cash and cash equivalents	£17.48m	£10.01m	74.6%
Earnings per share (EPS)	4.1p	17.8p	(77.0%)

Highlights

- Revenue decreased 30.5 per cent to £32.78 million (H1 2019: £47.15 million) as the Covid-19 pandemic resulted in delayed and cancelled projects
- Profit before tax decreased 77.2 per cent to £0.61 million (H1 2019: £2.68 million)
- Cash and cash equivalents increased by 74.6 per cent to £17.48 million at 30 June 2020 (30 June 2019: £10.01 million). The average cash balance during the period was £14.68 million (H1 2019: £8.51 million)
- The Group has seen improved trading conditions towards the end of the period and post period end, although margin pressure remains across the industry
- Recently secured contracts combined with a strong pipeline of opportunities provides a solid foundation on which to build on for 2021

Mark Smith, Chief Executive Officer of Billington, commented:

“Following an exceptional 2019, the first half of the year has been dominated by the impact of the Covid-19 pandemic on the construction sector and the consequential restrictions on site access, project delays and cancellations. We have

seen a significant impact on our first half revenue, however with all Group operations having now returned to near full capacity and with the majority of projects having restarted, we look forward to the remainder of the year with cautious optimism. We anticipate improved Group financial performance in the second half of the year, before hopefully moving to more normal trading conditions in 2021 assuming the economy stabilises and commences its recovery from the pandemic.”

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Chief Executive Statement

Introduction

Following a record performance in 2019, the first half of 2020 was dominated by the impact of the Covid-19 pandemic. Whilst all the Group companies have been operational and have traded during the period, all have experienced varying levels of delays, postponements and associated pricing pressures.

Many projects have been subject to delays and restrictions to site access, resulting in revenue decreasing by 30.5 per cent to £32.78 million for the period. The reduction in revenue is as a result of two significant projects being completed in the prior period along with the impact of contract delays.

Anticipated output for H2 indicates that all facilities will operate at near full capacity and with only a minor need to subcontract excess production requirements. The corresponding period in 2019 experienced large production overloads that were managed through the longstanding, approved Group supply chain.

Whereas margin pressure remains evident across the industry, we anticipate an improved performance in the second half whilst mindful of the continuing disruption caused by the Covid-19 pandemic and consequential ongoing project delays.

Group Companies

Billington Structures and Shafton Steel Services

Billington Structures is one of the UK's leading structural steelwork contractors with a highly experienced workforce capable of delivering projects from simple building frames to complex structures in excess of 12,000 tonnes. With facilities in Barnsley and Bristol and a heritage dating back over 70 years, the business is well recognised and respected in the industry with the capacity of processing over 40,000 tonnes of steel per annum.

The Shafton facility operates in two distinct business areas. The first undertakes activities for Billington Structures. The second, Shafton Steel Services offers a complete range of steel profiling services to a large number of diverse external engineering and construction companies, providing further opportunities to increase the capacity of the business as well as allowing for the supply of value added, complementary products and services to enhance the comprehensive offering of the Group. Opportunities related to HS2 and the wider infrastructure market are currently being tendered and have been delivered for a range of current and new customers with further opportunities anticipated in this market.

During the first half of the year the business has faced challenges as a result of Covid-19. A number of projects were cancelled or delayed and even though the business remained open throughout the period, it suffered from a lack of productivity, particularly in April and May.

Now operating at near full capacity, Billington Structures has a stable order book for the remainder of the year and into 2021. Whilst the detailed timing of certain projects remains uncertain, the focus will be on both the successful completion of existing contracts and the securing of new business for 2021 and beyond.

Peter Marshall Steel Stairs

Based in Leeds, Peter Marshall Steel Stairs is a specialist designer, fabricator and installer of bespoke steel staircases, balustrade systems and secondary steelwork. It has the capability to deliver stair structures for the largest construction projects and operates in sectors spanning retail, commercial offices, education, healthcare, rail and many more.

During the first half Peter Marshall Steel Stairs benefited from supplying to projects involving both Billington Structures and other large projects from the wider engineering and construction market. The business continues to have a good order book and enjoys a robust market position, particularly when viewed against its smaller competitors, in what is a fragmented market.

easi-edge

easi-edge is a leading site safety solutions provider of perimeter edge protection and fall prevention systems for hire within the construction industry. Health and safety is at the core of the business which operates in a legislation driven market.

In the first half the business was impacted by Covid-19 related delays to the start of projects, although an improving picture was seen towards the end of the period and post period end. easi-edge continues to benefit from a strong order book and whilst certain projects have been delayed, the investments made in the business in 2019, adding to the stock available for hire, mean it is well positioned as the market recovers in one of the higher margin segments for the Group.

hoard-it

hoard-it produces a unique range of re-usable temporary hoarding solutions which are environmentally sustainable and available on both a hire and sale basis tailored to the requirements of its customers.

Covid-19 related restrictions on site access and the start of new projects constrained the business in the first half. However, significant progress continues to be made to establish the product as the number one choice for main contractors and developers in the construction industry. There remains a particular focus on growing the business in the residential construction market, where hoard-it's range of printed boards and panels are proving attractive to developers looking for a professional and promotional site image. The Board anticipates increased demand in the second half as the market continues to recover.

Financial Results

Revenue and Profit Before Tax

Group revenue decreased by 30.5 per cent over the period to £32.78 million (H1 2019: £47.15 million). This decrease has been primarily as a result of the impact of the Covid-19 pandemic and the consequential restrictions on site access delaying projects and the postponement of orders. 2019 included the delivery of two large contracts whereas to date in 2020 the portfolio of projects has been of a more typical nature and size.

Despite the reduction in turnover, the Group remained profitable and profit before tax for the period was £0.61 million (H1 2019: £2.68 million), a decrease of 77.2 per cent.

Earnings per Share

Earnings per share for continued operations for the first half of the year decreased by 77.0 per cent to 4.1 pence (H1 2019: 17.8 pence).

Liquidity and Capital Resources

The Group's gross cash and cash equivalents as at 30 June 2019 was £17.48 million, broadly similar to the balance as at 31 December 2019 of £17.86 million. The cash balance at 30 June 2020 reflected good cash collection and included approximately £1.00 million of deferred VAT and certain modest customer pre-payments.

Capital expenditure

During the first half capital expenditure has been restricted to essential repairs and renewals, with larger long-term capital equipment replacement programmes placed on hold until improved visibility in the wider economy is noted. A number of key items of machinery have been identified for replacement and process expansion over the medium term and therefore an increase in the current level of capital expenditure is expected when it is prudent to do so. However, appropriate investment has been made in the Group's capital assets during the period to ensure reliable production and the maintenance of quality.

Dividend

In the first half of 2019 Billington declared a final dividend of 13.0 pence per share amounting to £1,565,000. No final dividend was declared in the first half of 2020 as the dividend was suspended to preserve the Company's cash resources. No interim dividend for 2020 has been declared (2019: nil) a policy consistent with prior years.

Corporate Social Responsibility

During this unprecedented period the focus has been on the welfare and protection of our dedicated workforce. The Company has been committed to ensuring that appropriate measures have been implemented at all of our facilities in a timely manner and in adherence to UK Government guidance. A new office facility has been renovated and brought into operation as employees have returned to office working to ensure that social distancing can be maintained.

Contract disruption and the need to ensure social distancing of employees has necessitated the use of the UK Government's Job Retention Scheme ("JRS"). At the peak of the pandemic 46 per cent of the workforce were placed on furlough leave. It is pleasing to note that at the time of writing only 2% of employees remain on furlough leave with the majority of those previously on furlough having now returned to work.

Market and Economic Outlook

Whilst the General Election in December 2019 and the UK's departure from the European Union at the end of January 2020 has reduced some market uncertainty, the current environment is dominated by the Covid-19 pandemic. As the UK negotiates its position with the EU in relation to Brexit during the remainder of the transition period, we remain alert to the possible effect this may have within the industry.

The markets in which Billington operates remain constrained, with many of the main construction contractors under significant pressure. However, the Group continues to focus on projects with the more robust larger contractors and we continue to assess the risks associated with individual projects on a case by case basis. To date we have been able to secure acceptable levels of credit insurance on our significant projects. Additionally, as the Group has remained materially operational, we do not currently foresee any contractual issues as a result of Covid-19.

Plans have been made, as far as possible to ensure business continuity whatever the nature of the UK's future trading relationship with the EU. These plans include the utilisation of continental European based hauliers and firms with access to smaller ports and their own shipping. Additionally, the Group is ensuring products are dual certified, with both an EU derived CE mark as well as one from the UK. The Company is able to use European metric steel sizes for EU based projects, which are now being manufactured in the UK.

Following the completion of the takeover of British Steel by Jingye in March 2020 we have seen improved supply and some stability return to the UK steel supply market. However, the Group is conscious of the continued upward price pressure of the raw materials for steel production and aims to mitigate the risk associated with price escalation using a number of mechanisms.

Prospects and Outlook

The Group has faced a challenging first half of the year and whilst the overall market continues to be uncertain in the light of Covid-19, the outlook for Billington is encouraging.

We remain in a financially robust position and well placed for the future. The 2021 order book continues to grow, comprising of both delayed and new projects. There are a number of larger projects in prospect and the number and quality of enquires is at near historic levels. We are seeing opportunities in all sectors, particularly large retail distribution warehouses, data centres, food processing developments, public sector works and rail infrastructure. It is encouraging that the more robust developers are also continuing with commercial office development projects where significant pre-lets can be secured.

In closing, I would like to thank Billington's Board, employees, shareholders and stakeholders for their continued support during these difficult times, and I look forward with cautious optimism to the second half of the year.

Mark Smith

Chief Executive

21 September 2020

Condensed consolidated interim income statement

Six months ended 30 June 2020

	Unaudited Six months to 30 June 2020 £'000	Unaudited Six months to 30 June 2019 £'000	Audited Twelve months to 31 December 2019 £'000
<i>Continuing operations</i>			
Revenue, excluding movements in work in progress	33,888	48,352	108,357
Decrease in work in progress	(1,110)	(1,204)	(3,446)
Revenue	<u>32,778</u>	<u>47,148</u>	<u>104,911</u>
Raw material and consumables	20,524	31,855	73,995
Other external charges	1,719	1,906	3,621
Staff costs	7,605	8,304	16,700
Depreciation	979	862	1,814
Other operating charges	1,341	1,536	2,845
	<u>32,168</u>	<u>44,463</u>	<u>98,975</u>
Group operating profit	610	2,685	5,936
Share of post tax profit in joint ventures	-	-	-
Total operating profit	610	2,685	5,936
Net finance income/(expense)	4	(6)	(5)
Profit before tax	614	2,679	5,931
Tax	(117)	(531)	(1,135)
Profit for the period from continuing operations and attributable to equity holders of the parent company	<u>497</u>	<u>2,148</u>	<u>4,796</u>
Earnings per share (basic and diluted) from continuing operations	<u>4.1 p</u>	<u>17.8 p</u>	<u>39.8 p</u>

Earnings per ordinary share has been calculated on the basis of the result for the period after tax, divided by the weighted average number of ordinary shares in issue in the period, excluding those held in the ESOT, of 12,064,500. The comparatives are calculated by reference to the weighted average number of ordinary shares in issue which were 12,040,608 for the period to 30 June 2019 and 12,052,554 for the year ended 31 December 2019.

Condensed consolidated interim statement of comprehensive income

Six months ended 30 June 2020

	Unaudited Six months to 30 June 2020 £'000	Unaudited Six months to 30 June 2019 £'000	Audited Twelve months to 31 December 2019 £'000
Profit for the period	497	2,148	4,796
Other comprehensive income			
Remeasurement of net defined benefit surplus	-	-	581
Movement on deferred tax relating to pension liability	-	-	(98)
Cash flow hedging - current year profit	-	514	831
Other comprehensive income, net of tax	-	514	1,314
Total comprehensive income for the period attributable to equity holders of the parent company	497	2,662	6,110

Condensed consolidated interim balance sheet

As at 30 June 2020

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Assets			
<i>Non current assets</i>			
Property, plant and equipment	13,823	14,109	14,251
Pension asset	2,205	1,630	2,205
Investment in joint ventures	-	-	-
Deferred tax asset	-	41	-
Total non current assets	16,028	15,780	16,456
<i>Current assets</i>			
Inventories and work in progress	7,246	10,755	8,342
Trade and other receivables	8,670	13,821	7,350
Cash and cash equivalents	17,475	10,008	17,856
Total current assets	33,391	34,584	33,548
Total assets	49,419	50,364	50,004
Liabilities			
<i>Current liabilities</i>			
Current portion of long term borrowings	1,375	250	1,500
Trade and other payables	19,050	23,292	19,433
Lease liabilities	38	-	105
Current tax payable	139	785	686
Total current liabilities	20,602	24,327	21,724
<i>Non current liabilities</i>			
Long term borrowings	-	1,375	-
Lease liabilities	-	-	11
Deferred tax liabilities	176	-	176
Total non current liabilities	176	1,375	187
Total liabilities	20,778	25,702	21,911
Net assets	28,641	24,662	28,093

Equity

Share capital	1,293	1,293	1,293
Share premium	1,864	1,864	1,864
Capital redemption reserve	132	132	132
Other reserve	(820)	(1,161)	(820)
Accumulated profits	<u>26,172</u>	<u>22,534</u>	<u>25,624</u>
Total equity	<u><u>28,641</u></u>	<u><u>24,662</u></u>	<u><u>28,093</u></u>

**Condensed consolidated interim statement
of changes in equity**

(Unaudited)

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other components of equity £'000	Accumulated profits £'000	Total equity £'000
At 1 January 2019	1,293	1,864	132	(1,675)	21,837	23,451
Equity dividends	-	-	-	-	(1,565)	(1,565)
Credit related to equity-settled share based payments	-	-	-	-	114	114
Transactions with owners	-	-	-	-	(1,451)	(1,451)
Profit for the six months to 30 June 2019	-	-	-	-	2,148	2,148
Other comprehensive income						
Financial instruments	-	-	-	514	-	514
Total comprehensive income for the period	-	-	-	514	2,148	2,662
At 30 June 2019	1,293	1,864	132	(1,161)	22,534	24,662
At 1 July 2019	1,293	1,864	132	(1,161)	22,534	24,662
Credit related to equity-settled share based payments	-	-	-	-	(17)	(17)
ESOT movement in period	-	-	-	24	(24)	-
Transactions with owners	-	-	-	24	(41)	(17)
Profit for the six months to 31 December 2019	-	-	-	-	2,648	2,648
Other comprehensive income						
Actuarial gain recognised in the pension scheme	-	-	-	-	581	581
Income tax relating to components of other comprehensive income	-	-	-	-	(98)	(98)
Financial instruments	-	-	-	317	-	317
Total comprehensive income for the period	-	-	-	317	3,131	3,448
At 31 December 2019	1,293	1,864	132	(820)	25,624	28,093

At 1 January 2020	1,293	1,864	132	(820)	25,624	28,093
Credit related to equity-settled share based payments	-	-	-	-	51	51
Transactions with owners	-	-	-	-	51	51
Profit for the six months to 30 June 2020	-	-	-	-	497	497
Total comprehensive income for the period	-	-	-	-	497	497
At 30 June 2020	1,293	1,864	132	(820)	26,172	28,641

Condensed consolidated interim cash flow statement

Six months ended 30 June 2020

	Unaudited Six months to 30 June 2020 £'000	Unaudited Six months to 30 June 2019 £'000	Audited Twelve months to 31 December 2019 £'000
Cash flows from operating activities			
Group profit after tax	497	2,148	4,796
Taxation paid	(664)	(376)	(959)
Interest received	30	15	43
Depreciation on property, plant and equipment	979	862	1,814
Share based payment charge	51	114	97
Profit on sale of property, plant and equipment	(60)	(112)	(331)
Taxation charge recognised in income statement	117	531	1,135
Net finance (income)/expense	(4)	6	5
Decrease in inventories and work in progress	1,096	1,256	3,669
(Increase)/decrease in trade and other receivables	(1,320)	(6,294)	177
(Decrease)/increase in trade and other payables	(383)	4,803	1,532
Net cash flow from operating activities	339	2,953	11,978
Cash flows from investing activities			
Purchase of property, plant and equipment	(558)	(657)	(1,751)
Proceeds from sale of property, plant and equipment	67	112	341
Net cash flow from investing activities	(491)	(545)	(1,410)
Cash flows from financing activities			
Interest paid	(26)	(21)	(42)
Repayment of bank and other loans	(125)	(125)	(250)
Capital element of leasing payments	(78)	-	(166)
Equity dividends paid	-	(1,565)	(1,565)
Net cash flow from financing activities	(229)	(1,711)	(2,023)
Net (decrease)/increase in cash and cash equivalents	(381)	697	8,545
Cash and cash equivalents at beginning of period	17,856	9,311	9,311
Cash and cash equivalents at end of period	17,475	10,008	17,856

Notes to the interim accounts - as at 30 June 2020

Segmental Reporting

The Group trading operations of Billington Holdings plc are in Structural Steelwork and Safety Solutions, and all are continuing. The Structural Steelwork segment includes the activities of Billington Structures Limited and Peter Marshall Steel Stairs Limited, and the Safety Solutions segment includes the activities of easi-edge Limited and hoard-it Limited. The Group activities, comprising services and assets provided to Group companies and a small element of external property rentals and management charges, are shown in Other. All assets of the Group reside in the UK.

	Unaudited Six months to 30 June 2020 £000	Unaudited Six months to 30 June 2019 £000	Audited Twelve months to 31 December 2019 £000
Analysis of revenue (including movement in WIP)			
Structural Steelwork	29,549	43,351	96,787
Safety Solutions	3,229	3,797	8,124
Other	-	-	-
Consolidated total	32,778	47,148	104,911
Analysis of Group operating profit before finance income/(costs)			
Structural Steelwork	(56)	1,966	4,315
Safety Solutions	661	733	1,639
Other	5	(14)	(18)
Consolidated total	610	2,685	5,936

Basis of preparation

These consolidated interim financial statements are for the six months ended 30 June 2020. They have been prepared with regard to the requirements of IFRS. The financial information set out in these consolidated interim financial statements does not constitute statutory accounts as defined in S434 of the Companies Act 2006. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019 which contained an unqualified audit report and have been filed with the Registrar of Companies. They did not contain statements under S498 of the Companies Act 2006.

These consolidated interim financial statements have been prepared under the historical cost convention. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated interim financial statements.

Dividends

In the first half of 2019 Billington Holdings Plc declared a final dividend of 13.0 pence per share amounting to £1,565,000. No final dividend has been declared in the first half of 2020 as the dividend was suspended to preserve cash resources. No interim dividend for 2020 has been declared (2019: nil).

These results were approved by the Board of Directors on 21 September 2020.