Langley Holdings plc

IFRS Annual Report & Accounts 2020

Company Information

IFRS Report and Accounts 2020

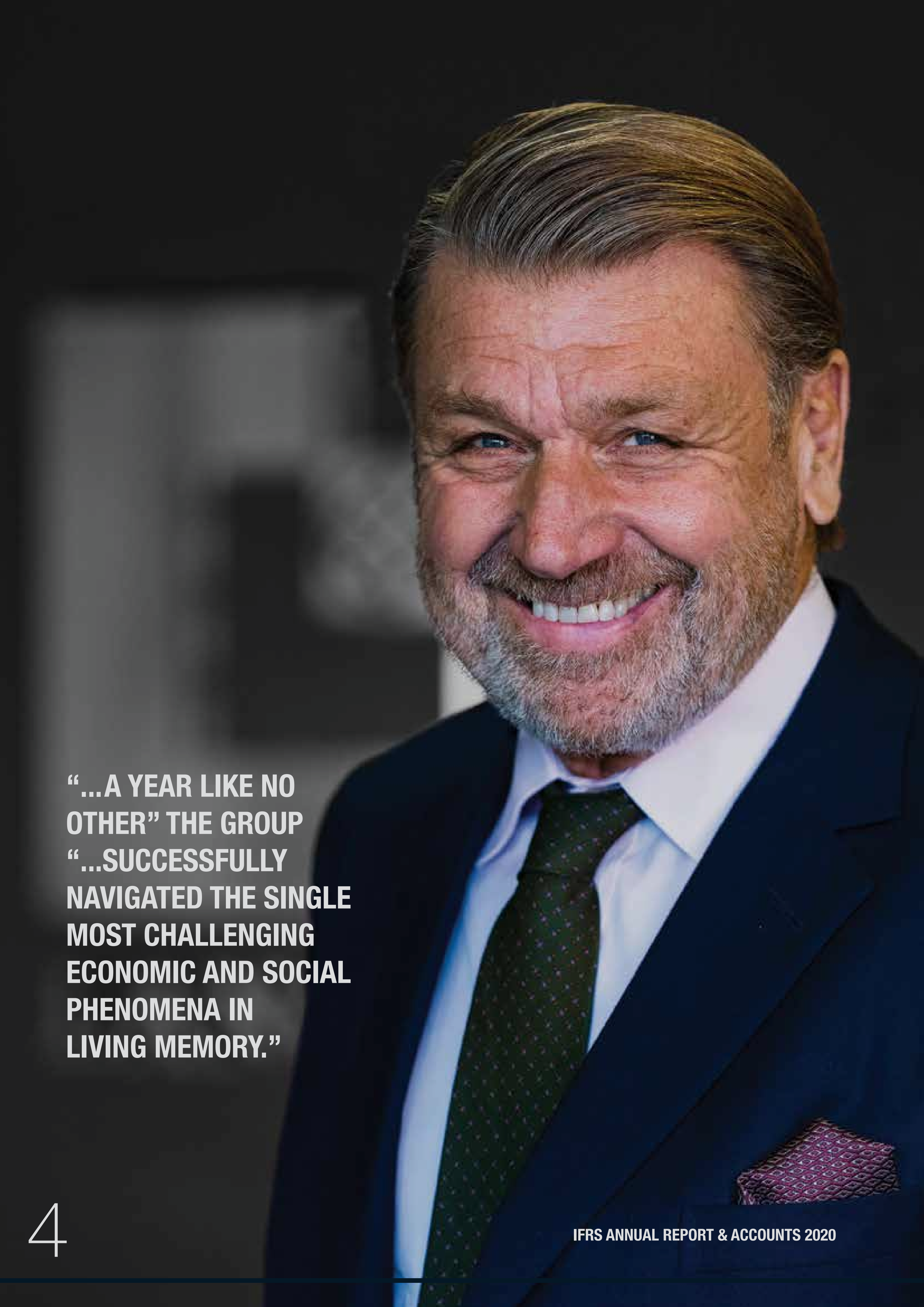
DIRECTORS:	A J Langley – Chairman B J Langley W A Langley M J Neale B A Watson (resigned 19 March 2020)
COMPANY SECRETARY:	P Sexton
REGISTERED OFFICE:	Enterprise Way Retford Nottinghamshire DN22 7HH United Kingdom
REGISTERED IN ENGLAND NUMBER:	1321615
AUDITOR:	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE United Kingdom
PRINCIPAL BANKERS:	Barclays Bank PLC PO Box 3333 One Snowhill Queensway Birmingham B4 6GN United Kingdom Deutsche Bank AG Adolphsplatz 7 20457 Hamburg Germany Commerzbank AG Sand 5-7 21073 Hamburg Germany

Key Highlights

Year ended 31 December 2020

LANGLEY

	Year ended 31 December 2020 €'000	Year ended 31 December 2019 €'000
REVENUE	766,778	820,194
PROFIT BEFORE TAXATION AND NON-RECURRING ITEMS	28,539	59,910
NON-RECURRING COSTS	(4,492)	(4,073)
NET ASSETS	707,178	707,394
CASH AND CASH EQUIVALENTS	287,963	238,858
ORDERS ON HAND	220,169	254,300
	No.	**No.**
EMPLOYEES	4,661	4,918



"...A YEAR LIKE NO OTHER" THE GROUP "...SUCCESSFULLY NAVIGATED THE SINGLE MOST CHALLENGING ECONOMIC AND SOCIAL PHENOMENA IN LIVING MEMORY."

Chairman's Review

Year ended 31 December 2020

LANGLEY

In the year to 31 December 2020 the group recorded revenues of €766.8 million (2019: €820.2 million) and generated a profit of €28.5 million (2019: €59.9 million) before tax and non-recurring costs of €4.5 million (€2019: €4.1 million). The current year non-recurring costs related to the closure of the manufacturing facilities in Malaysia of Marelli Motori, the Italian electric motor and generator producer acquired by the group in 2019.

There were no shareholder dividends during the year (2019: €90.0 million). At the year end the consolidated cash balance stood at €288.0 million (2019: €238.9 million) and net assets were €707.2 million (2019: €707.4 million). The group had nil net debt throughout the period (2019: nil). Orders on hand at the year-end were €220.2 million (2019: €254.3 million).

2020 was a year like no other. At this time last year, it was too early to say what impact the emerging Coronavirus threat would have on our businesses. As the year progressed it became apparent that a global humanitarian and economic crisis of unprecedented proportions was unfolding. By March the pandemic was sweeping across Europe and by the middle of the year very few countries, if any, were left untouched. Healthcare systems strained to the limit and freedom of movements and activity were severely curtailed.

Our own businesses were all hampered considerably by the pandemic, yet only three of our seventeen manufacturing sites around the world (Detroit, Wuhan and Kuala Lumpur) actually ceased operations entirely, and then only for a limited period. Most of our factories operated short-time working and all implemented remote working for their white collar staff, as did many of our 80+ sales and service subsidiaries around the world. A few of our businesses performed at or above budget, but these represented a relatively small proportion of total group activity.

Across the group, revenues were down by some 11% when compared with 2019 and 24% down against 2020 budget. Overall the group remained profitable, albeit down on 2019, itself reflecting a slow down from previous successive record profit years.

Crucially, cash reserves were not only preserved during this extraordinary year, but actually increased by almost €50 million over the period. Prudent cash management, overhead cost reductions, (including much reduced travel costs), a surplus land sale and lower working capital requirements, together with governmental employment support – mainly in the EU where the majority of our employees are situated – all contributed to a strong cash position at the year end.

In March, when the scale of the crisis started to become apparent, capital expenditure was deferred wherever possible and all other expenditure closely scrutinised. Pay increases, replacement of leavers and dividends were all suspended across the group.

At this time of crisis, the depth and duration at that time unknown, my priority was to shore up the group for what was then an indeterminable downturn. Management responded quickly and decisively to the unique challenges presented by the pandemic and to the board's strategic direction. The group is in good shape as a result of these actions and all things considered, the result for the year was satisfactory.

In 2020 our trading divisions fared as follows:

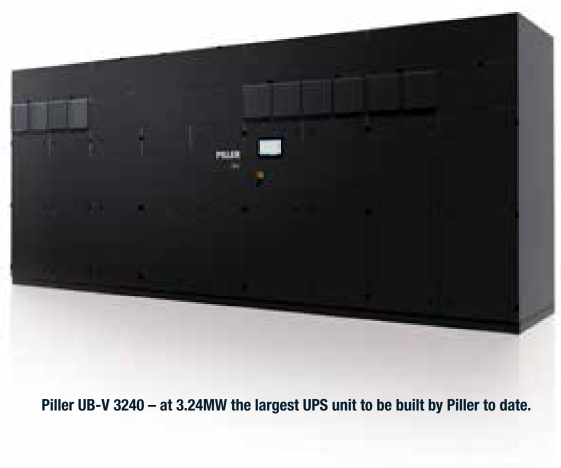
Piller Power Systems Division

Revenue: €171.8 million. (2019: €217.9 million). Orders on hand: €59.6 million. (2019 €74.0 million). Headquarters: Osterode, Germany. Employees: 918.

Piller Power Systems, our German producer of electrical equipment – principally mission-critical UPS systems for data centres, along with its overseas sales and service subsidiaries in the USA, UK, France, Italy, Spain, Singapore, India, China and Australia – was the largest contributor to the group's 2020 result, despite the practical challenges posed by Coronavirus restrictions and market headwinds.

Capital projects expected in 2020 were generally delayed rather than being lost or cancelled and are now expected in the current quarter. The Piller group has over 200 field service technicians world-wide and these services were initially hampered by border closures, particularly technicians needing to travel overseas from Germany, those servicing French speaking countries travelling from France, and also those technicians attached to Piller Singapore, the division's Far East hub. Elsewhere, where Piller has in-country subsidiaries, the logistical problems were less acute.

Overall across the Piller group, all customer-facing companies closed with positive results, five of the subsidiaries exceeding their budgets. A very satisfactory outcome, all things considered.



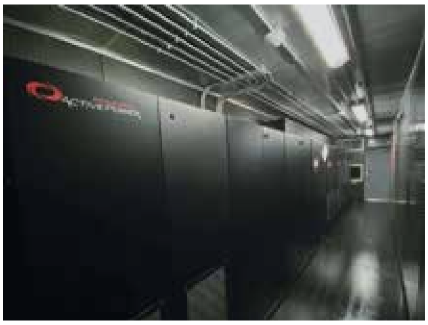
Piller UB-V 3240 – at 3.24MW the largest UPS unit to be built by Piller to date.

In 2020 Piller announced the latest development from its R&D programme, the Uniblock™ UB-V Series UPS. Four years in development, this state-of-the-art technology offers significant benefits over prior and competitor power conditioning and backup technologies. During the year, the company received its first order for the new range which has a single unit capacity up to 3.24MW, the largest rating to be offered by Piller to date.

Active Power Inc.

Active Power, the Austin Texas based flywheel UPS builder, previously integrated into Piller's US subsidiary after it was acquired in 2016, became an independent company again on 1 January 2020. Active Power Inc. remains part of the Piller group and export activities continue to be represented by Piller subsidiaries outside of the USA.

The newly formed company had a successful first year, despite the challenges presented by Covid-19, benefiting from freshly focused management. During the year the company launched and received the first order for its new Powerhouse™ product, which offers up to 1.2MW of 'plug & play' UPS built into a standard 40-foot (12 metre) ISO container.



Active Power Inc.'s Powerhouse™ – up to 1.2MW of 'plug & play' UPS built into a standard 40-foot (12 metre) ISO container.

Claudius Peters Division

Revenue: €80.2 million (2019: €98.8 million). Orders on hand: €28.5 million (2019: €43.9 million). Headquarters: Buxtehude, Germany. Employees: 459.

Claudius Peters, our materials handling and plant machinery builder – principally to the global cement, gypsum and iron & steel industries – started the year with a historically low order book and any optimism to significantly improve quickly evaporated as the pandemic took hold.

Claudius Peters posted a loss in 2019 for the first time since we acquired the business in 2001 and management was changed in the first quarter of 2020. The company is operating the joint Geschäftsführer model common in Germany and with which our Piller division has successfully operated for more than ten years now.

Responsibility for global sales and overseas subsidiaries rests with Kurt Herrmann, who hitherto successfully looked after the Claudius Peters' China subsidiary in Hong Kong and Beijing, while Frank Siefert, who was recruited from outside the organisation as CEO, has responsibility for operations.

Despite a significant Coronavirus related downturn in both the plant machinery and aircraft stringer businesses, the division overall posted a small profit for the year; a satisfactory outcome in the circumstances. Notable exceptions to the malaise were the China and US subsidiaries which both exceeded budget, as did the Romanian outpost.

Order intake is currently looking much more promising than a year ago with several major projects, delayed due to the pandemic, coming into the decision phase during the current quarter. With an operational overhaul now well under way, the future for Claudius Peters is looking more positive.

ARO Welding Technologies Division

Revenue: €71.4 million. (2019: €100.4 million). Orders on hand: €21.2 million. (2019: €17.8 million). Headquarters: Chateau-du-Loir, France. Employees: 459.

Despite revenues being down by some 30% on 2019, ARO – our producer of resistance welding equipment to the automotive industry – posted a positive and, in the circumstances, very acceptable profit for the year, albeit much reduced when compared with previous years.

There was a solid contribution from ARO France, the headquarters and principal manufacturing site, which operated under short-time working for much of the year. Meanwhile, ARO in the US performed remarkably well in the circumstances, exceeding its budget despite everything. ARO Benelux also exceeded its budget and ARO China, with its assembly facility in Wuhan, was worst hit. Smaller outposts in Spain, Brazil, Mexico, Slovakia and the UK collectively contributed positively and the subsidiary in Germany broke even after a late recovery.

Marelli Motori Division

Revenue: €98.2 million. (2019: €72.4 million – 7 months). Orders on hand: €29.9 million. (2019 €39.0 million). Headquarters: Arzignano, Italy. Employees: 631.

Marelli Motori – our manufacturer of electric motors and generators for the marine, oil & gas, power generation, co-generation and industrial sectors, based in northern Italy – was the first of our major manufacturing locations to be impacted by the Coronavirus, in March last year. Revenues for the Marelli group were expected to be around €125 million for 2020 but due to the pandemic were down by some 20% at just under €100 million.

Acquired in May 2019, Marelli operates circa 650,000 square feet (60,000 square metres) of dedicated electrical machinery manufacturing facilities in northern Italy and, until recently, a factory in Malaysia. The company has sales, distribution and service subsidiaries in the United States, Germany, and South Africa and an extended sales, distribution and service network across four continents, supplying its motors and generators in more than 120 countries.

For a number of years, the group was under performing whilst owned by private equity. However, under Langley stewardship the company underwent structural reorganisation in Italy during the latter half of 2019, giving rise to a €4.1 million non-recurring charge in the 2019 accounts. In June 2020 the decision was taken to discontinue manufacturing operations in Malaysia, giving rise to the €4.6 million non-recurring item in these accounts. The manufacturing operations in Malaysia ceased at the end of 2020 and equipment is being transferred to Italy during the current quarter. The Malaysian subsidiary is currently being relocated to smaller premises and will continue to operate as a final assembly and distribution hub for the region.

Manroland Sheetfed Division

Revenue: €214.7 million. (2019: €203.5 million). Orders on hand: €54.6 million. (2019: €61.2 million). Headquarters: Offenbach am Main, Germany. Employees: 1,412.

Manroland Sheetfed – our manufacturer of sheetfed offset litho printing presses – actually had a similar financial year in 2020 to 2019. The positive trend in order intake in the latter stages of 2019 continued in the first two months of 2020, January and February enjoying record intakes. Coronavirus impacted the business from March onwards and inflows remained subdued for the remainder of the year, although January 2021 has now seen a significant increase.

The factory in Offenbach operated short time working throughout the remainder of the year and currently remains on a reduced output. It is perhaps too early to say whether January 2021 marks the turning point in the crisis, but certainly the increase in the order intake is welcome and management are, as I write, 'opening the taps' in production in anticipation of continuing increased demand. It will take the remainder of this current quarter to ramp up production, but when the recovery comes, presses need to be available as quickly as possible.

Although the factory under-recovered in 2020, the market organisation subsidiaries – numbering over 40 companies worldwide – made a combined positive contribution, albeit not enough to compensate the factory shortfall.

On the product development front, the company announced its ROLAND 900 *Evolution* printing press, the latest iteration of its iconic large format press series, together with the ROLAND 700 *Evolution*, *Speed*, *Elite* and *Lite* variants. A culmination of several years of research and development, both the 700 and 900 series machines are considered state-of-the-art and technologically industry leading.

In the meantime, apprentice training continued unabated and trainees completing their apprenticeships were taken on permanently. The skills required to build these highly complex machines cannot be learned overnight and it would be short-sighted not to retain these skills, particularly in view of retirements in the coming years.

With growth in the packaging sector and emerging markets increasingly outweighing the decline in traditional commercial print markets, the outlook for Manroland is positive and I expect a much improved performance from the division in 2021.

Druck Chemie Division

Revenue: €59.4 million. (2019: €59.9 million). Headquarters: Ammerbuch, Germany. Employees: 297

Druck Chemie – our German print chemicals producer, together with its distribution subsidiaries in France, Italy, Spain, Belgium, Switzerland, the Czech Republic, Poland and the UK – had a very successful year, despite the pandemic.

From March, when demand from print shops across Europe plummeted, the company switched production of its alcohol-based products to hand sanitiser. The division more or less reached its revenue target and significantly overshot its profit target for the year. The UK operation continued to underperform and is currently under review, whilst Brazil closed one of its three distribution hubs and is expected to be profitable going forward. However, a very satisfactory result overall, thanks largely to adept lateral thinking by management.

Acquisition of HiTech & BluePrint

In December 2020 the division acquired HiTech Chemicals BV and BluePrint Products NL from Heidelberger Druckmaschinen AG, for €20.5 million in cash.

LANGLEY

Kruibeke production facility, Belgium. Acquired in 2020.

The acquisition includes state-of-the-art production facilities in Kruibeke in Belgium that produce high quality printing chemicals for the flexographic, digital and offset printing sectors, complimenting Druck Chemie's offering to these sectors from its production facilities in Ammerbuch. The combined businesses are expected to generate circa €90 million of annual revenues going forward.

Other Businesses Division

Revenue: €71.0 million. (2019: €67.3 million). Orders on hand: €26.4 million. (2019 €18.8 million). Located: United Kingdom, Europe & United States. Employees: 477

Overall, our Other Businesses Division performed satisfactorily, largely either meeting or exceeding profit targets. Following the acquisition of HiTech / BluePrint in December, Druck Chemie has been moved out of Other Businesses to become a separate division in its own right.

Bradman Lake, the packaging machinery business had a successful year, with food packaging, its main area being one of the few sectors where demand actually increased during the pandemic. Revenue targets were more or less achieved and profits exceeded budget by around 10%. A satisfactory year.

Reader Cement Products, the UK cement blending and packing business, exceeded 100,000 tonnes of production for the fifth successive year with a favourable mix of business that resulted in the company's best year so far. Demand for home improvement products with a high proportion of own-brand product drove the result, culminating in a very satisfactory performance.

Clarke Chapman, the specialist materials handler, had another successful year, more or less matching its revenue, profit and order intake targets. Nuclear handling equipment for Sellafield, the British nuclear processor, together with services for the UK rail network and Ministry of Defence work, all made solid contributions, as did aftermarket sales. A very satisfactory outcome, particularly in view of Coronavirus limitations. 2021 looks set to be a similarly good year for Clarke Chapman.

Oakdale Homes, the local house builder, which has been part of the group since 1985, was the only one of our other businesses to post a negative operating result in 2020, albeit nominally. Construction came to a standstill at the beginning of the crisis and progress was hampered through the remainder of the year. However, there is plenty of unrecognised margin in the work-in-progress and this is expected to unwind in 2021.

Commercial Property Activities

Whilst reviewing our other businesses, mention should be made of the group's commercial property activities. Principally these are the operating properties of our subsidiaries, either held by the subsidiaries themselves or by group property holding companies and also include commercial properties let to third parties. Today, over 98% of the group's operating footprint is owned outright.

During the year alterations continued at both Senefelderhaus, the former office headquarters of Manroland AG and at ancillary buildings located in nearby Mühlheim. The final phase of work to the building, converting the facility into a training academy for the Bundespolizei, is expected to be completed and fully occupied in 2022. Work on the project began in 2018 and the properties are currently partially occupied.

During the year a contract to sell approximately 37 acres (15 hectares) of surplus land, adjacent to the Manroland factory in Offenbach, for development as a data centre was completed and circa €19 million of cash was received.

In the UK, part of a new warehouse development, built on surplus land at our Clarke Chapman site in the northeast of England, was let to the National Health Service to create one of several 'Lighthouse' Coronavirus testing laboratories. NHS England were given immediate access to commence their work in September and contracts were finally completed three months later.

One of 6 'Lighthouse' Covid-19 testing laboratories being built in the UK at the group's Baltic Park commercial property development in the northeast of England.

Work continued in 2020 at Manroland's Senefelderhaus facility on the police training academy conversion.

LANGLEY

Our People

As is customary, no review would be complete without mention of our employees, at the year-end numbering 4,661 worldwide. It is their hard work and commitment, never more so than in the last year, that makes the group what it is today.

Everyone within our organisation and their families has felt the impact of Coronavirus in one way or another. Whilst there have been remarkably few actual cases amongst our employees, sadly loved ones have been lost and my heart-felt sympathy goes to those families.

Unavoidably the crisis has meant there has been an economic impact on many of our employees. Throughout it has been my priority to preserve employment wherever possible but this has unavoidably meant some hardship and sacrifice and regrettably there were a high number of job losses in 2020. To all of those good people that we have had to let go during this extraordinary year, thank you for your service.

2020: the year of virtual communication

2020 was the year that meeting virtually became of age. It is almost two decades ago since video conference facilities were installed at our major locations, but it was in 2020, with the advent of Zoom and other platforms, that virtual meetings became commonplace within and outside of our organisation.

Since the onset of this pandemic I have spoken about an 'anxiety cocktail' caused by a combination of concerns over health and the health of loved ones, unprecedented social upheaval and economic uncertainty. My view is that the antidote to this toxic combination is face-to-face communication.

Not only is it good for people's wellbeing to communicate, it is also good management to be closely in touch with developments as they happen and from March last year I initiated regular and frequent Zoom meetings with my own reports and between them and their reports. During the year I have joined many of those virtual meetings to discuss first hand with our people on the front line how the crisis has been impacting our 80+ subsidiaries around the world and how we are managing the unique challenges the pandemic has presented. When navigating uncharted waters, all the more important to keep a hand firmly on the tiller.

With business travel all but impossible, this virtual medium has also been used extensively for meeting customers, suppliers and others. Of course virtual meetings can never replace face-to-face interaction entirely, but in a post-pandemic world the efficiency and savings in time and resource by eliminating travel and the impact that that has on costs and on the environment, I anticipate virtual meetings will continue to be a major part of the way in which business is conducted.

Going Green

Reducing environmental impact by increasing virtual communication is just one way the group is heading towards a greener future. In 2020 we began an initiative to substantially reduce the carbon footprint of our operations by 2030 and I will be reporting on progress on that subject in subsequent Chairman's Reviews.

Conclusion and Outlook

Writing now, a year on from the Coronavirus crisis beginning to unfold, it has become apparent that the long term impact of the pandemic will likely be with us for some time yet, possibly even years to come. Right now though, with widespread rollout of vaccines gathering pace, there is light at the end of the tunnel and my view is that following many months of restriction and business confidence at a low ebb, there is soon to be an economic pick-up as Covid liberation arrives.

Quite how sustainable this pick-up will be is another matter and only time will tell but whatever a post-Coronavirus future holds, I am confident that our businesses will adapt accordingly. Coronavirus put to one side, they all still face their own unique challenges and always will. However, for the time being the group has so far successfully navigated the single most challenging economic and social phenomena in living memory. I expect that the future will be managed as adeptly.

Anthony J Langley
Chairman
12th February 2021

Printed on a Roland 700 *EVOLUTION* using OnePass® technology.

LANGLEY

langleyholdings.com