Full Year Results 2018/19

Nat Rothschild
Daren Morris
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Volex

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Volex Today

- Global leader in the production of interconnect solutions – **power products** and **complex cable assemblies**

- Strong balance sheet for flexibility through the economic cycle

- Strategy to improve profitability in power and cable assemblies is on track and we see continued opportunities for further improvement

- Creating a **diversified** factory footprint, customer base and product offering, enabling management to focus on cash generation

- Company executive chaired by Nat Rothschild; day to day management led by John Molloy and Daren Morris together with a team of 20 key managers across the globe

Summary of FY19 Results

Financial Highlights

- Pre Exceptional operating profit up 88% to $21.6million (FY18 $11.5million) driven by cost reduction, improvement in product mix and contribution from acquisitions
- Recovery in profitability of core business driven by operational improvements - existing business (ex acquisitions) delivered a $5.2million increase in profitability
- Consolidated revenue increased 15.4% to $372.1million as compared with the prior year (FY18 $322.4million) – our customer base continues to diversify
- **Pre Exceptional operating profit margin up from 3.6% to 5.8%**
- Year end net cash position of $20.6million as a result of our continued focus on cash generation

Full year operating margin above 5% for first time since 2012

Summary of FY19 Results

Operational Highlights

- Successful integration of MC Electronics, Silcotec and GTK – diversifying our customer base and manufacturing footprint
- Staged restructuring in Shenzhen will allow us to harvest-for-value as our largest power customer declines. Ongoing consolidation of all PVC activities in Zhongshan together with automation expected to deliver further benefits
- Successful closure of India factory together with transfer of a majority of production to other Volex locations
- Power Cord division margin continues to increase (from 6.0% in FY18 to 6.7% in FY19) despite decline in overall revenues
- Management now focused on Cable Assemblies and expect to see a steady improvement in margin as we address issues in Tijuana site and continue to focus on profitable business. Margins have increased from 3.0% in FY18 to 7.8% in FY19

Full year operating margin above 5% for first time since 2012

Our progress continues

Reduce customer concentration	Success in winning new customers and reducing over reliance on legacy customer base
Increase profit margins	Margin improvement in both divisions - Power Cords margin aiming for 8% - Cable Assemblies margin aiming for at least 10%
Buy better	Upgrades to our planning, people and IT system are underway and yielding positive results in terms of material usage and pricing
Reduce financial risk	Strong balance sheet with cash reserves available for new projects and opportunistic acquisitions. New 3-year credit facility in place shortly
Diversify our footprint	Successful acquisition of MC Electronics, Silcotec and GTK. All entities are profitable and cash generative under Volex ownership

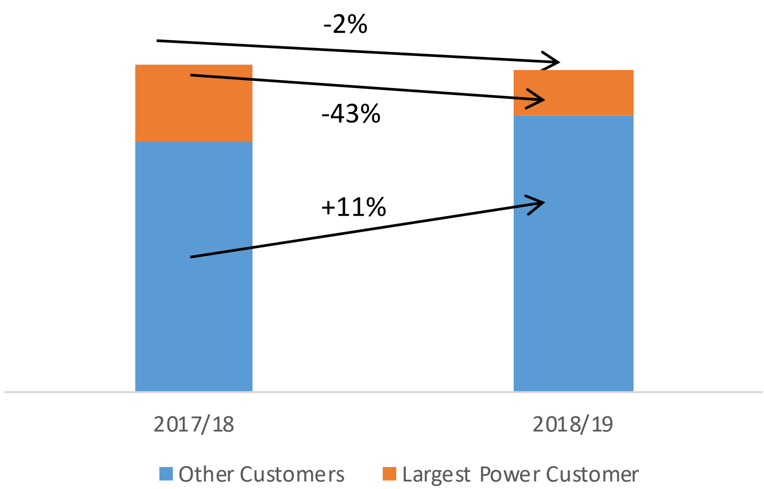
Our strategy is yielding positive results and creating shareholder value

Financial Review

FY Revenue Performance

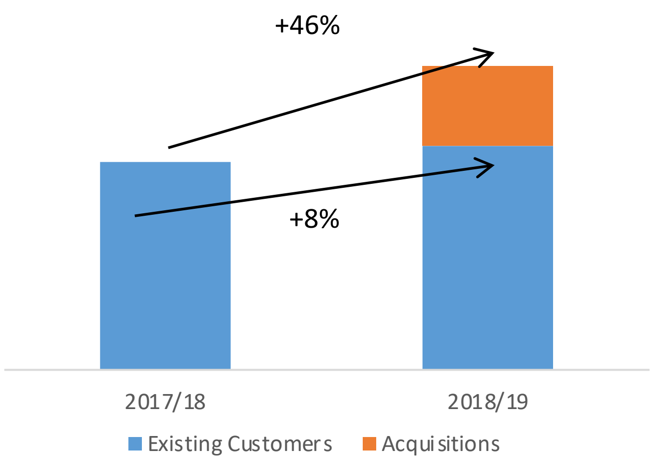
Note – PY numbers restated to classify our Batam site into our Power Cords division

Power Cords – FY2018 to FY2019



- Sales declined from $204million to $199million
- Largest customer continued to fall as a result of a move to lower power devices with USBC charger
- Strong growth in Batam site and in EV volumes led to an 11% increase in sales to other customers on a like for like basis

Cable Assemblies – FY2018 to FY2019



- Sales increased from $119 to $173million
- 3 acquisitions during the year
- Organic growth in the Volex core division of 8% with a strong performance from medical and data centre customers

Financial Summary

$m	FY19	FY18
Revenue	**372.1**	**322.4**
Gross Profit	73.5	56.0
- Gross Margin	*19.8%*	*17.4%*
Operating Costs	(51.9)	(44.5)
Operating Profit	**21.6**	**11.5**
- Operating Margin	*5.8%*	*3.6%*
Adjusting Items / SBP	(8.4)	(2.7)
Loss from associates	(0.2)	(0.2)
Finance Costs	(1.2)	(1.6)
Tax	(2.6)	(3.1)
Profit After Tax	**9.2**	**3.9**
Underlying EPS	13.1	9.2
Net Cash / (Debt)	**20.6**	**9.9**

- Sales diversification and acquisition growth strategy starting to show benefits
- Gross margins improve due to more higher margin cable assemblies and ongoing focus on lean initiatives
- Operating margin up to 5.8% - a 6-year high
- Adjusting items breakdown:
  - Restructuring costs
  - Acquisition costs
  - Amortisation of intangibles
  - Share based payments

Adjusting Items

Volex

$m	FY-19	FY-18
Restructuring Costs	1.9	0.9
Acquisition Costs	1.8	0.1
Amortistion of Acquired Intangibles	2.0	-
Other	0.3	0.5
Exceptional Costs	**6.0**	**1.5**
Share based payments	**2.4**	**1.1**
	8.4	**2.6**

- Restructuring costs primarily relate to severance payments resulting from a reduction in the Shenzhen power cord factory and the closure of our India factory
- Acquisition costs include legal fees and staff retention payments
- Amortisation costs relate to non cash charges resulting from the three acquisitions made during the period
- Share based payments have increased due to the strong financial and share price performance which increases the likelihood that the management PSP will vest

Cable Assemblies

$m	FY19	FY18	*Change*
Revenue	**173.2**	**118.8**	*45.8%*
Gross Profit*	37.1	22.1	*67.9%*
*Gross Margin**	*21.4%*	*18.6%*	
Operating Costs	23.7	18.6	*27.6%*
Operating Profit*	**13.5**	**3.5**	*283.5%*
*Operating Margin**	*7.8%*	*3.0%*	

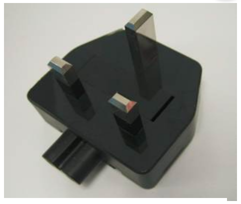
*Underlying measure before Share Based Payments and Adjusting Items

- Divisional revenues up by 45.8 per cent when compared to last year – including the income from acquisitions MC, Silcotec and GTK
- Recovery in margin is underway. FY18 suffered from cost inflation and increased investment in new business. Selective price increases and the ramp-up of new customers is improving the margin in the core Volex business in FY19
- We expect the margin to continue to increase as we improve both our scale and efficiency

Power Cords

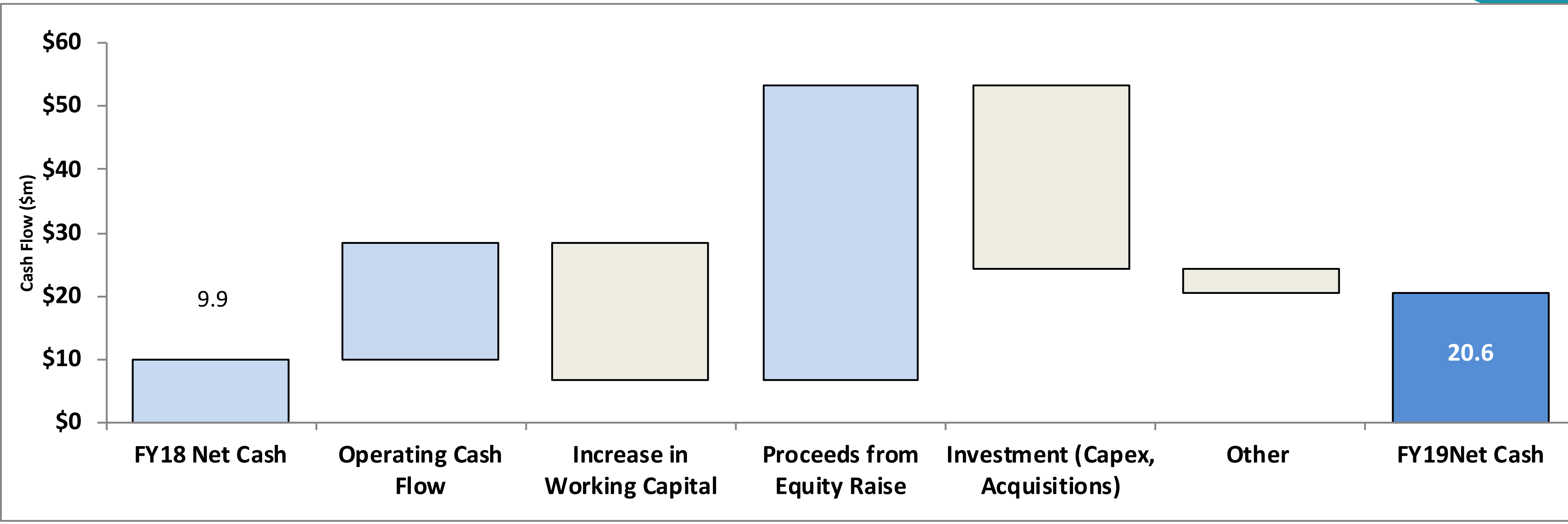
$m	FY19	FY18	*Change*
Revenue	**198.9**	**203.6**	*-2.3%*
Gross Profit*	36.4	33.9	*7.4%*
*Gross Margin**	*18.3%*	*16.6%*	
Operating Costs	23.1	21.8	*6.0%*
Operating Profit*	**13.2**	**12.1**	*9.4%*
*Operating Margin**	*6.7%*	*6.0%*	

*Underlying measure before Share Based Payments and Adjusting Items



- Divisional revenues down 2.3%. Largest customer continued to decline as previously flagged. Remainer of business grew by 10.7%
- Gross margin increased again as we focus on the higher margin customers and removed cost from the Shenzhen facility
- Profitability up 10% versus the prior year
- Aim to consolidate margin at around current levels in the Power Cord division and run business to generate cash flow. Automation should result in some efficiency gains

Cash Flow



- Net cash has increased from $9.9million to $20.6million
- Working capital movement breakdown
  - $10m increase in receivables (circa 50% relates to funding Silcotec WC)
  - $13m decrease in creditors (removal of creditor squeeze)

- Investment figure is reduced by the fact that we bought Silcotec assets (less the receivables) – hence the build up in receivables post acquisition

Outlook for FY20

- Expect to continue to grow both the revenue and operating profit lines in FY20
- Effects of “Trump Tariffs” uncertain at this time. Our global footprint remains a strong differentiator when compared to our China-based competition
  - Volex is reducing capacity at its Shenzhen and Suzhou locations in China and increasing capacity at other locations, for products that ship direct to the US
  - Volex has two manufacturing sites in Mexico generating revenues from US customers of in excess of $50million; we expect any tariffs to be passed onto the customer
  - Volex will invest alongside our customers to create flexible capacity to allow us to continue to be competitive in the US market
- We will continue to drive efficiency and manufacturing improvements. We are currently reducing the size of our Shenzhen facility and concentrating our China power cord activities in Zhongshan. We expect to complete these activities in FY20
- Outlook for Power division – Reduction in overall revenue as our largest customer continues to decline; Margins maintained through improved efficiency and expected growth in EV business
- Outlook for Cable Assembly division – Revenue to exceed that of power cords in FY20; Margins expected to continue to improve
- **We expect to reinstate a dividend with the FY20 interim results in November 2019**

Background

Diversified Factory Footprint

Power Cords Division
FY19E Sales $199million
OM 6.7%

- **4 Manufacturing locations:**
  - Shenzhen (China)
  - Zhongshan (China)
  - Hanoi (Vietnam)
  - Batam (Indonesia)

Cable Assemblies Division
FY19E Sales $173million
OM 7.8%

- **8 Manufacturing locations:**
  - Suzhou (China)
  - Komarno (Slovakia)
  - Bydgoszcz (Poland)
  - Hollister (US)
  - Tijuana, Juarez (Mexico)
  - Basingstoke (UK – GTK)
  - Craiova (Romania – GTK)

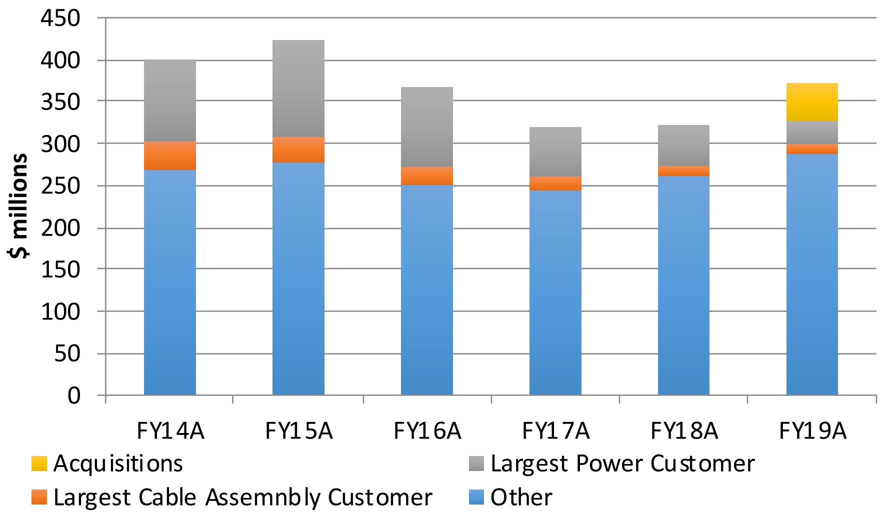
6,200 employees committed to improving our company

Volex Manufacturing Locations

Volex aims to be able to support our customers on a Global basis

Revenue Progression

Volex Annual Sales Progression



- The top 3 customers as a proportion of the total sales has reduced: from **47%** in FY15 to **29%** in FY19
- Excluding sales to our largest power customer and acquisitions, revenue increased by 9.5% in FY19 on an organic basis
- This is an acceleration on the 5% growth we reported in FY18
- Our largest power customer will continue to decline as technology changes in their product range. We expect to maintain our share of this declining business and will "manage for value"