Interim Results 2019/20

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Volex

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Volex Today

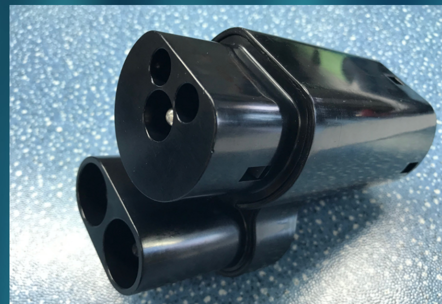
- **Global leader** in the production of interconnect solutions
  – **complex assemblies** and **power products**

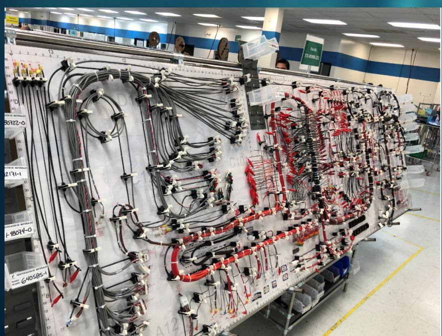
- **Cash generation** allows us to invest in **growth**
  - Electric Vehicle plugs, connectors and cable
  - Data Centre high speed interconnects
  - Medical complex sub-assemblies
  - **Acquisitions** – to fill-out **IMS** capability and **improve Power** cost structure

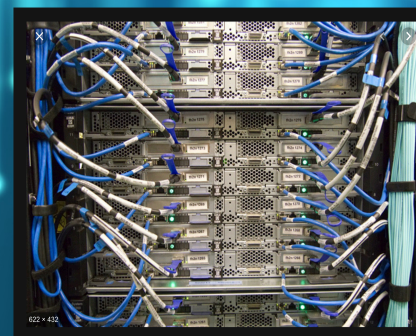
- Creating a **diversified** factory footprint, customer base and product offering - **Resilient** and **Cash generative** business

- **Successful strategy** to improve operating margins – up from **1.6%** in H1 FY15 to **8.1%** in H1 FY20

Volex Today – Products

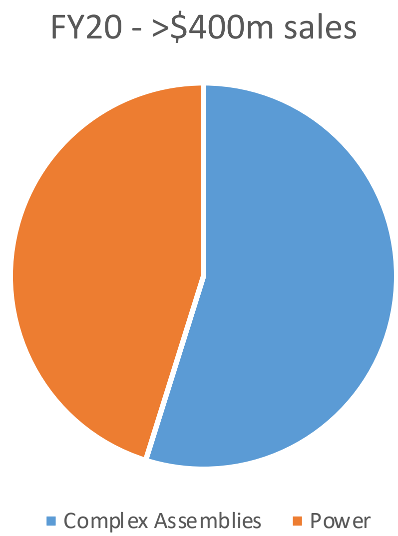





- Volex has a long history of high quality production and deep engineering expertise in **Power Products**
- This allows us to carve a niche position in **Electric Vehicle** connectors and charging solutions
- And has allowed us to design and manufacture complex harnesses and sub-assemblies for high-growth **Medical**, **Data Centre** and mission-critical Industrial products

Volex Today - Strategic Direction

Where do we want to be in 5 years time?



Target sales of $650m

Organic growth and selected acquisitions

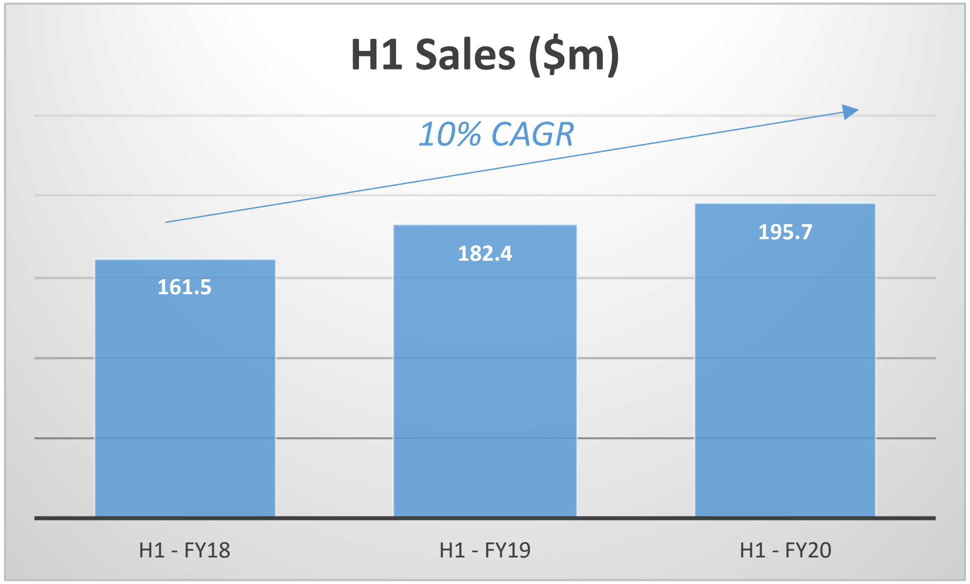
2/3 of business in IMS/Data Centres

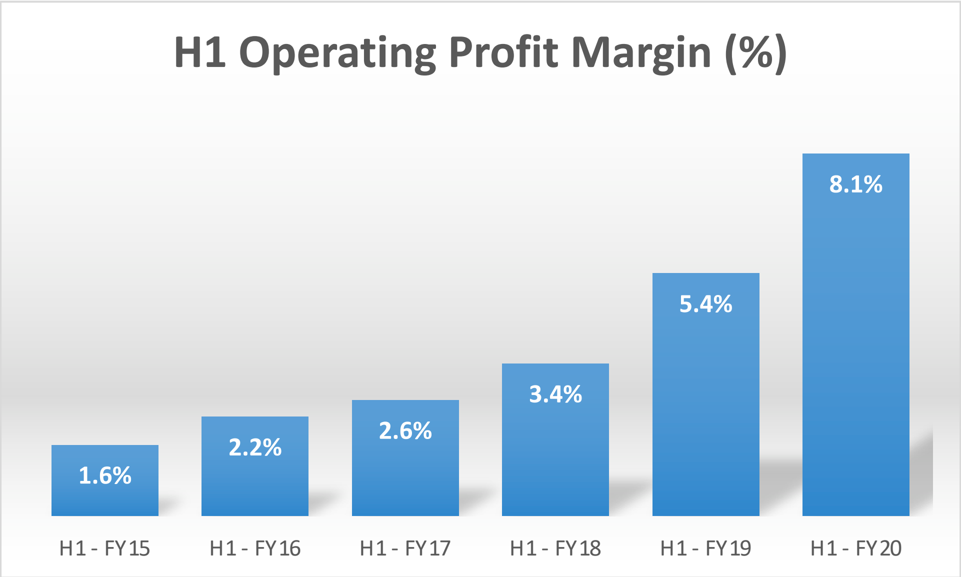
Operating margin to exceed 10%

- Integrated Manufacturing Services
- Data Centre Products
- Consumer Power Cords
- Electric Vehicle Power

For our customers – Quality and On-time delivery is the key

Volex Today – Transformed





- Growth following a repositioning away from legacy business with low margin customers

- We are replacing this with higher margin customers and products focusing on:
  - Medical
  - Hyperscale Data Centres
  - Electric Vehicles

- Successful strategy translating into increased profitability and cash generation

- Aiming for group margins in excess of 10% in the medium term

Volex Today - Summary of H1 Results

Financial Highlights

- Pre Exceptional operating profit up 62 % to $16.0 million (H1FY19 $9.9million) driven by cost reduction, improvement in product mix and contribution from acquisitions
- Consolidated revenue increased 7% to $196million as compared with the prior year (H1FY19 $182million) – customer base continues to diversify
- Movement in underlying diluted EPS from 5.8c to 8.5c (47% increase)
- **Pre Exceptional operating profit margin up from 5.4% to 8.1%**
- Net cash position (pre IFRS 16 adjustment) of $7.9million at end of H1 which will improve in H2 as a result of our continued focus on cash generation
- Dividend re-instated – interim of 1 pence per share

Volex in good financial health and in a position to invest

Volex Today - Summary of H1 Results

Volex

Operational Highlights

- Successful integration of MC, Silcotec, GTK, Ta Hsing and Servatron – diversifying our customer base and manufacturing footprint
- Servatron and Silcotec allow us to move up value curve by offering more complex integrated manufacturing solutions
- Transfer of high-speed cable production from Suzhou to Batam. Significant expansion planned in Batam, relocation of Suzhou factory and both Singapore and London offices in H2, to continue to restructure footprint and improve efficiencies
- Focus on operational efficiency has delivered clear benefits in both divisions. We will endeavour to focus on profitability improvements and cash generation
- Success in winning three new global customers for Power Cords which we expect to ramp up in H2

Operating Margin increased 190bps in H1 FY2020 vs H2FY2019

Financial Review

Financial Summary

$m	FY19	H1-19	H1-20
Revenue	**372.1**	**182.4**	**195.7**
Gross Profit	73.5	34.0	45.3
- Gross Margin	*19.8%*	*18.6%*	*23.1%*
Operating Costs	(51.9)	(24.1)	(29.3)
Operating Profit	21.6	9.9	15.9
- Operating Margin	*5.8%*	*5.4%*	*8.1%*
Exceptional Items / SBP	(8.4)	(4.1)	(5.6)
Loss from associates	(0.2)	(0.2)	0.0
Finance Costs	(1.2)	(0.7)	(0.7)
Tax	(2.6)	(1.6)	(1.9)
Profit After Tax	**9.2**	**3.3**	**7.7**
Underlying EPS	13.1	6.0	8.8
Net Cash / (Debt)	20.6	24.9	7.9

- Sales diversification and growth strategy starting to show benefits
- Gross margin continues to increase as lean initiatives take effect and we exit lower margin business
- Operating margin exceeds 8% for the first time
- Exceptional items limited to amortization on acquisitions and share based payments – no restructuring costs in period

Adjusting Items

$m		FY-19	H1-19	H1-20
Restructuring Costs		1.9	1.9	0.0
Acquisition Costs		1.8	0.8	0.2
Amortistion of Acquired Intangibles		2.0	0.6	2.8
Pension Past Service Costs / Tax		0.3	-0.1	-0.5
Exceptional Costs		**6.0**	**3.2**	**2.5**
Share based payments		**2.4**	**0.8**	**2.6**
		8.4	**4.0**	**5.1**

- Minimal restructuring during the period
- Acquisition costs include $0.2m of legal fees in relation to Servatron and Ta Hsing acquisitions
- Amortisation costs relate to non cash charges resulting from acquisitions
- Share based payment charges have increased due to the improved share price resulting in historic share options being more likely to crystalise and due to incentives put in place as part of the acquisitions (profit based earnouts)

Complex Assemblies

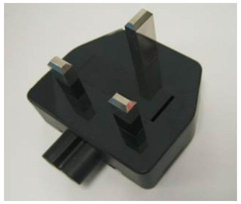
$m	FY19	H1-19	H1-20	*Change*
Revenue	**173.2**	**78.2**	**104.6**	*33.8%*
Gross Profit*	37.1	15.2	26.9	*77.0%*
*Gross Margin**	*21.4%*	*19.5%*	*25.7%*	
Operating Costs	23.7	10.0	15.2	*52.0%*
Operating Profit*	**13.4**	**5.2**	**11.7**	*125.0%*
*Operating Margin**	*7.7%*	*6.7%*	*11.2%*	

*Underlying measure before Share Based Payments and Exceptional Items

- Divisional revenues up by 34% per cent when compared to last year
- Operating profit up 125% as a result of acquisitions and continued improvement in legacy operations
- Recovery in margin continues. We have enjoyed a beneficial mix in H1 which has generated an exceptional profit margin
- Like for like profitability in H1 has improved versus prior year

Power Cords

$m	FY19	H1-19	H1-20	*Change*
Revenue	**198.9**	**104.2**	**91.1**	*-12.6%*
Gross Profit*	36.4	18.8	18.4	*-2.1%*
*Gross Margin**	*18.3%*	*18.0%*	*20.2%*	
Operating Costs	23.1	10.7	11.2	*4.7%*
Operating Profit*	**13.2**	**8.1**	**7.2**	*-11.1%*
*Operating Margin**	*6.7%*	*7.7%*	*7.9%*	

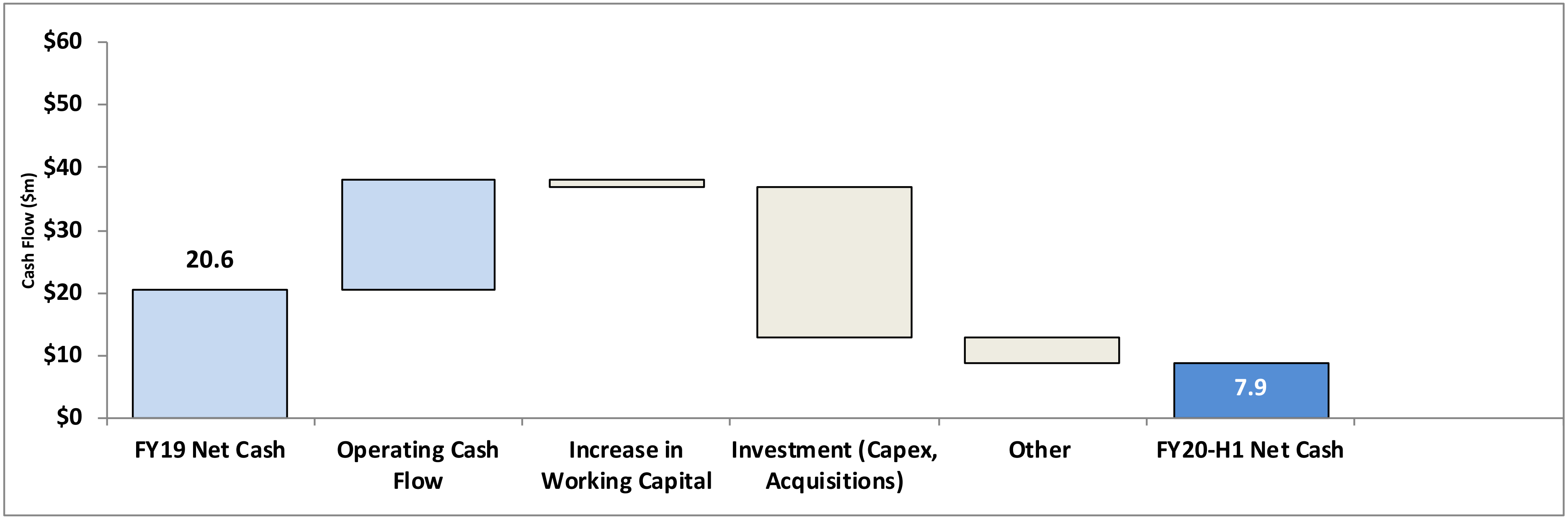


- Revenue down by nearly 13% **(as budgeted)** due to a number of reasons:
  - Prior year H1 was strong as customers in US built inventory prior to the tariff increases on Chinese goods
  - Volex decision to continue to exit legacy low margin business and reposition into electric vehicle products

- Gross margin continue to increase as we focus on the higher margin customers and remove cost in our Shenzhen facility

- Aim to consolidate margin at current levels in the Power Cord division and run business to generate cash flow. Expect to see EV growth in H2 offset consumer electronic customer weakness

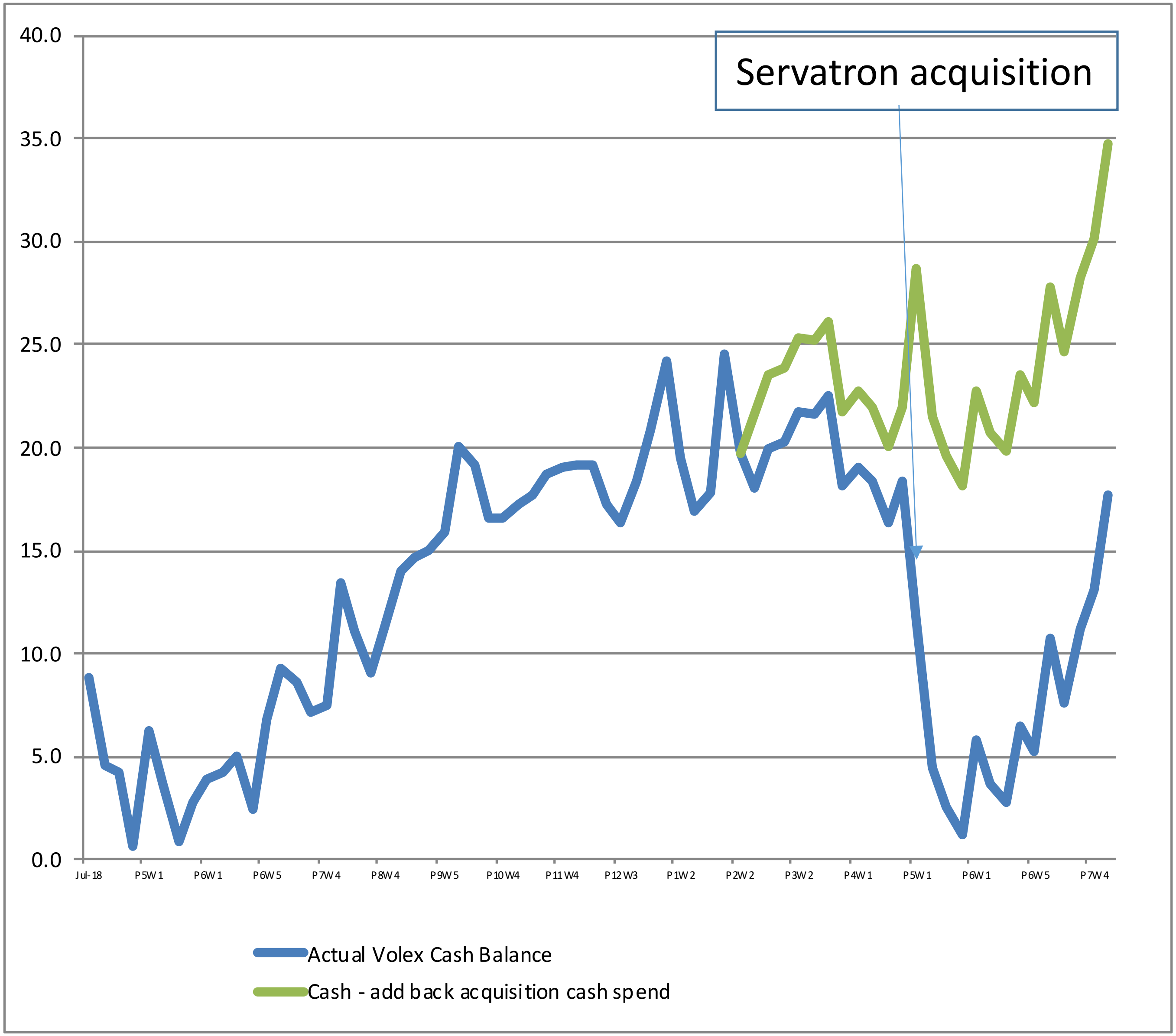
Cash Flow



- Net cash has reduced from from $20.6million to $7.9million
- Operating cash flow before change in WC increased to $17.5million. Working capital increase of $1.3 million
- Main investment in period was acquisition of Servatron and Ta Hsing
- Taxation and interest of $2.8 million during period

Cash Targets

Cash Balances since July 2018 ($m)

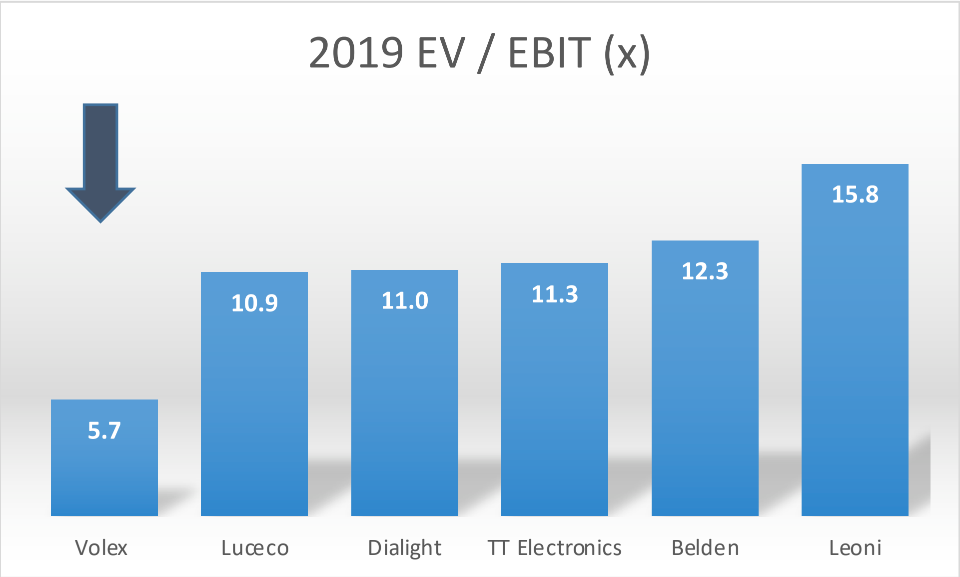


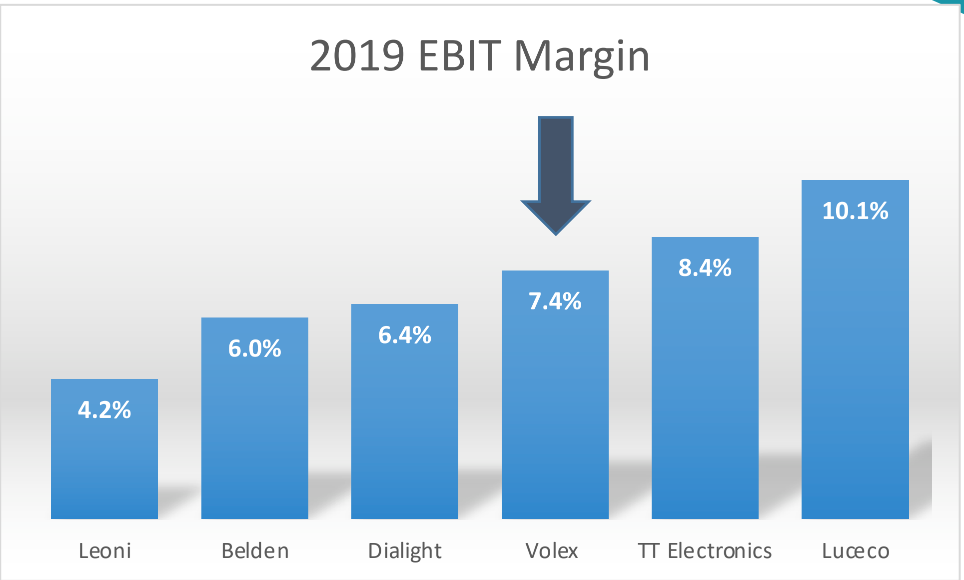
- Management is focused on cash generation as part of the FY2020 incentive scheme
- Ex acquisitions and exceptional items we are incentivized on generating $20 to $26 million of cash flow from operations in FY2020
- This target is on track and dividend is secure
- We have already generated sufficient cash to pay for Servatron and Ta Hsing acquisitions

Outlook for FY20

- Expect to continue to grow both revenue and operating profit 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 will invest alongside our customers to create flexible capacity to allow us to continue to be competitive in the US market
- Outlook for Power division – Reduction in overall revenue FY20 v FY19 as our largest customer continues to decline and softness in consumer electronics customer base; 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 be above 10 per cent for the full year
- **We expect to pay both and interim and final dividend in respect of FY20**

Peer Group Valuation





Source: Market Consensus and Volex assumptions – calenderised to December year end and assumed Volex share price of 109p

- Equivalent US cable assembly businesses have sold in the market for 10 to 15x EBIT.
- Only company comparable to Volex in the UK market is **TT Electronics**
- **Volex rated much lower than TT;** Volex is debt free
- Potential for significant re-rating as business continues to deliver profitable growth