Interim Results 2018/19

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Volex Today

Advanced connectivity solutions for the modern world

AC adapters to allow for home charging of the new generation of electric vehicles

40Gbps passive copper cables fill the need for short, cost effective connectivity in the data centre

Patient critical medical sub assemblies for advanced Magnetic Resonance Imaging

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 <u>and</u> we see continued opportunites 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 H1 Results

Financial Highlights

- Pre Exceptional operating profit up 80% to \$9.9million (H1FY18 \$5.5million) driven by cost reduction, improvement in product mix and contribution from acquisitions
- Recovery in profitability of core business driven by Power Cord improvement – Pre Exceptional operating profit excluding acquisitions improved by 48% to \$8.1million
- Consolidated revenue increased 13% to \$182million as compared with the prior year (H1FY18 \$162million) – customer base continues to diversify
- **Pre Exceptional operating profit margin up from 3.4% to 5.4%**
- Net cash position of \$25million at end of H1 which will improve in H2 as a result of our continued focus on cash generation

Operating Margin above 5% for first time since 2012

Summary of H1 Results

Operational Highlights

- Successful integration of MC Electronics and Silcotec – 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
- Focus on operational efficiency has delivered clear benefits in Power Cord division. Management now focused on Cable Assemblies and expect to see a steady improvement in margin

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 profitability	✓	Margin improvement in Power Cords division as a result of cost reduction, product line simplification and automation
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. We intend to refinance our bank facility in 2019 to provide additional flexibility and headroom
Diversify our footprint	✓	Successful acquisition of MC Electronics and Silcotec. Both operations are profitable and cash generative under Volex ownership

Our strategy is yielding positive results and creating shareholder value

Financial Review

Volex – H1 FY19

Power Cords Division H1 FY19 Sales $104million *OM 7.7%*	Cable Assemblies Division H1 FY19 Sales $78million *OM 6.7%*

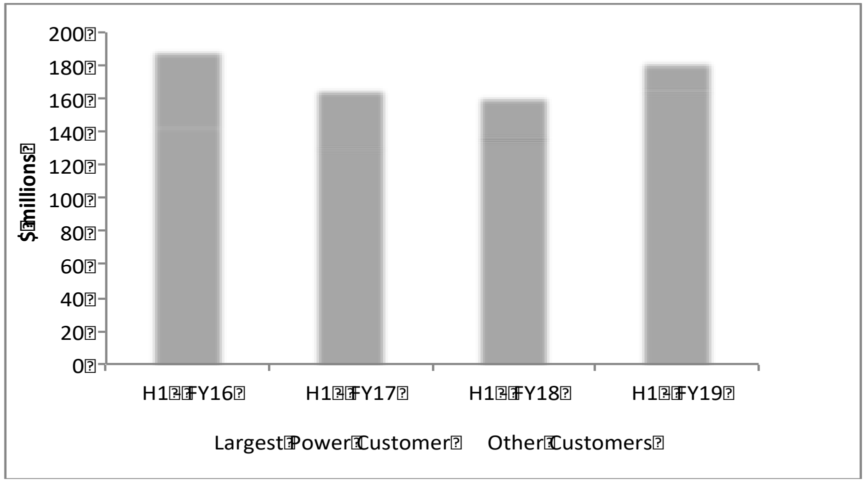
- **4 Manufacturing locations:**
    - Shenzhen (China)
    - Zhongshan (China)
    - Hanoi (Vietnam)
    - Batam (Indonesia)

- **6 Manufacturing locations:**
    - Suzhou (China)
    - Komarno (Slovakia)
    - Bydgoszcz (Poland)
    - Hollister (US)
    - Tijuana, Juarez (Mexico)

More than 6,000 employees committed to improving our company

Revenue Progression

Volex H1 Sales - last 4 years



Recent new customer wins

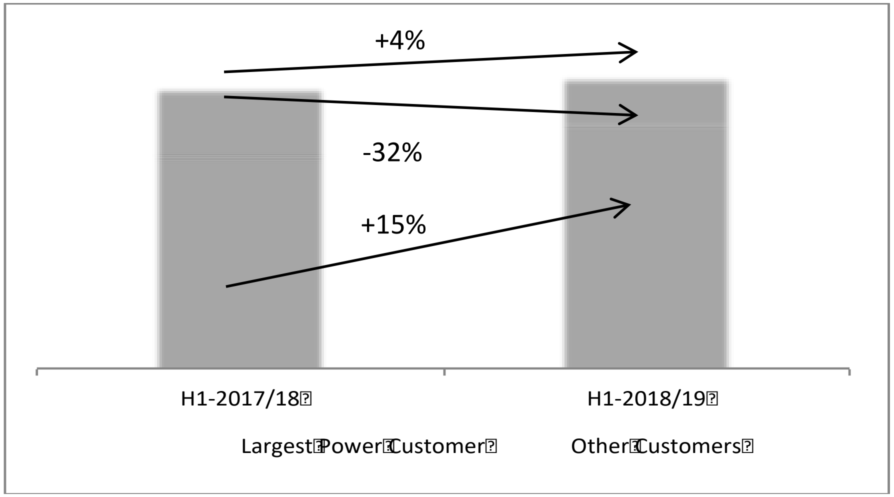
Confidential

- The top 3 customers as a proportion of the total sales has reduced: from **47%** in FY15 to **34%** in H1 FY19
- Excluding sales to our largest power customer, revenue increased by 10% in H1 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"

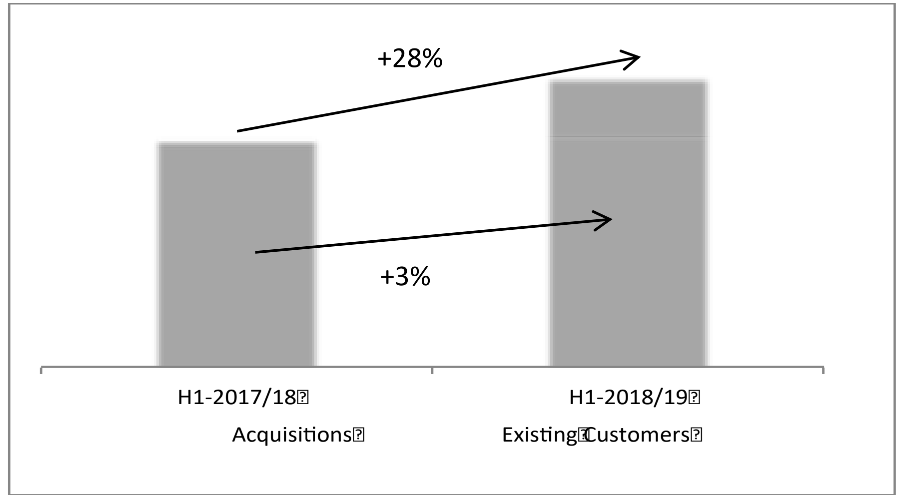
H1 Revenue Performance

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

Power Cords – HY2018 to HY2019



Cable Assemblies – HY2018 to HY2019



- Sales growth from $100.5 to $104.2 million
- Largest customer continued to fall as a result of a move to lower power devices with USBC charger
- Growth in Batam site with established consumer customers and EV also starting to contribute to sales

- Sales increased from $60.9 to $78.2million
- MC and Silcotec revenue adds to the growth in this division
- We continue to make progress on performance issues at our Tijuana site which we expect to contribute to the operating margins in H2

Financial Summary

$m	FY18	H1-18	H1-19
Revenue	**322.4**	**161.4**	**182.4**
Gross Profit	56.0	28.9	34.0
Gross Margin	*17.4%*	*17.9%*	*18.6%*
Operating Costs	(44.5)	(23.4)	(24.1)
Operating Profit	**11.5**	**5.5**	**9.9**
Operating Margin	*3.6%*	*3.4%*	*5.4%*
Exceptional Items / SBP	(2.7)	(0.4)	(4.1)
Loss from associates	(0.2)	(0.1)	(0.2)
Finance Costs	(1.6)	(0.9)	(0.7)
Tax	(3.1)	(0.7)	(1.6)
Profit After Tax	**3.9**	**3.4**	**3.3**
Underlying EPS	9.2	4.4	6.0
Net Cash / (Debt)	**9.9**	**5.8**	**24.9**

- Sales diversification and growth strategy starting to show benefits
- H1 sales in Power Cords benefited from customers increasing inventory ahead of US tariffs
- Gross margin continue to increase as lean initiatives take effect and we exit lower margin business
- Exceptional items relate to 3 main categories
  - Shenzhen downsizing
  - India closure
  - Acquisition costs
  - Share based payments

Adjusting Items

$m	FY-18	H1-18	H1-19
Restructuring Costs	0.9	-	1.9
Acquisition Costs	0.1	-	0.8
Amortistion of Acquired Intangibles	-	-	0.6
Transition to AIM	0.5	-	-
Exceptional Costs	**1.5**	-	**3.3**
Share based payments	**1.1**	**0.4**	**0.8**
	2.6	**0.4**	**4.1**

- 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 $0.4m of consideration deemed as deferred (bonuses / consultancy retention payments). The balance is legal fees
- Amortisation costs relate to non cash charges resulting from the two acquisitions made during the period

Cable Assemblies

$m	FY18	H1-18	H1-19	*Change*
Revenue	**118.8**	**60.9**	**78.2**	*28.4%*
Gross Profit*	22.1	12.7	15.2	*19.7%*
*Gross Margin**	*18.6%*	*20.9%*	*19.5%*	
Operating Costs	18.6	9.7	10.0	*3.1%*
Operating Profit*	**3.5**	**3.0**	**5.2**	*73.3%*
*Operating Margin**	*2.9%*	*5.0%*	*6.7%*	

*Underlying measure before Share Based Payments and Exceptional Items

- Divisional revenues up by 28.4 per cent when compared to last year – including the income from acquisitions MC and Silcotec

- Recovery in margin is underway. H2 2018 suffered from cost inflation and increased investment in new business. Selective price increases and the ramp-up of new customers should contribute to improved margin in H2

- Like for like profitability in H1 has improved versus prior year

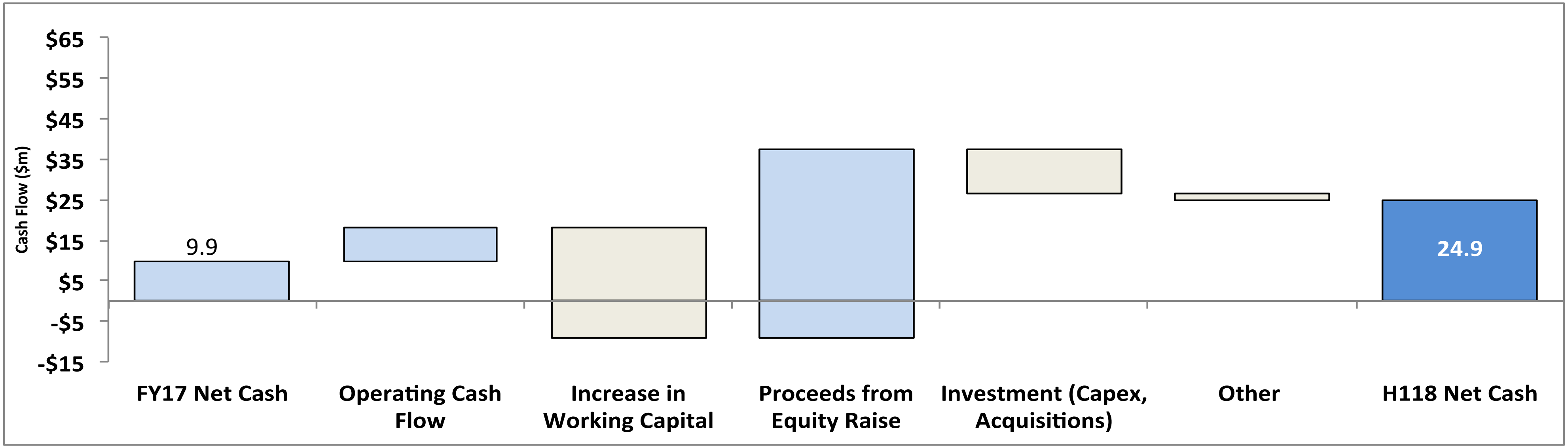
Power Cords

$m	FY18	H1-18	H1-19	*Change*
Revenue	**203.6**	**100.5**	**104.2**	*3.7%*
Gross Profit*	33.9	16.1	18.8	*16.8%*
*Gross Margin**	*16.6%*	*16.0%*	*18.0%*	
Operating Costs	21.8	11.2	10.7	*-4.5%*
Operating Profit*	**12.1**	**4.9**	**8.1**	*65.3%*
*Operating Margin**	*6.0%*	*4.9%*	*7.7%*	

*Underlying measure before Share Based Payments and Exceptional Items

- Divisional revenues up 3.7% - despite continued decline in largest customer
- Gross margin increased again as we focus on the higher margin customers and remove cost in Shenzhen facility
- Profitability up 59% versus the prior year
- Aim to consolidate margin at current levels in the Power Cord division and run business to generate cash flow

Cash Flow

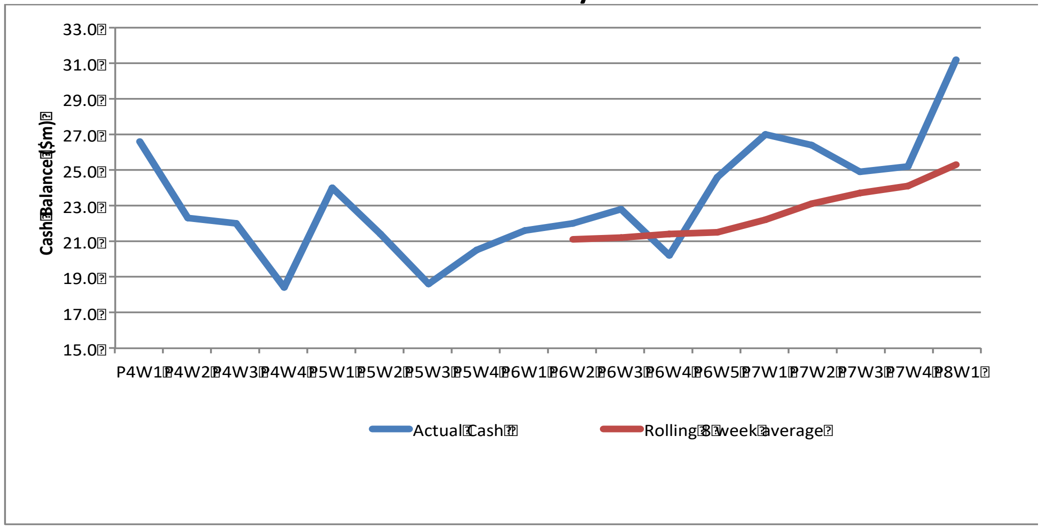


- Net cash has increased from $9.9million to $24.9million
- Working capital movement breakdown
  - $3m increase in inventory
  - $13m increase in receivables (circa 50% relates to funding Silcotec WC)
  - $11m decrease in creditors (removal of creditor squeeze)

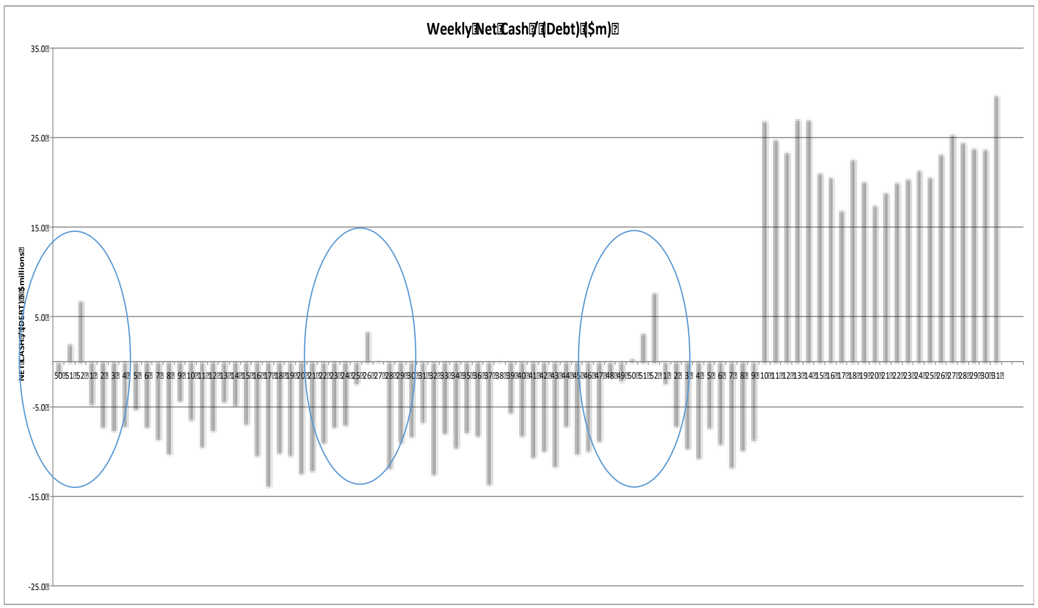
- Investment figure is reduced by the fact that we bought Silcotec assets (less the receivables) – hence the build up in receivables post acquisition

Cash Targets

Cash Balances since July 2018



Cash Balances since March 2017



- Management is focused on increasing average cash balances as part of the FY2019 incentive scheme
- We are targeting an improvement in the 8 week average net cash by the year end, absent any acquisition related expenditure
- Following the fund raise we were able to remove the "creditor squeeze" that was preventing us from securing discounts and improved payment terms
- The chart opposite shows the effect of this squeeze - a swing of some $12 to $15million

Outlook for the full year

- Revenue expected to exceed $355 million
  - H2 revenue usually lower than H1 due to Chinese New Year holidays
  - Power Cord expected to be around $195 million at similar profit margin to H1
  - Cable Assemblies pipeline is encouraging and we should see $160 million of revenue and an improved profit margin

- We will continue to drive efficiency and manufacturing improvements. We are in the early stages of assessing the future of our Shenzhen facility; any reductions will be funded from existing resources and are expected to pay back quickly
- We are actively monitoring the tariff situation between the US and China. Our global footprint remains a strong differentiator when compared to our China-based competition
- Strong operational management has brought clear benefits in our Power Cord operations. Our team are fully focused on improvement projects in Cable Assemblies and we expect to see steady margin enhancement
- **Expect full year Group trading performance slightly ahead of market expectations**