



# **VOLEX INTERIM RESULTS TO OCTOBER 5 2014**

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## Key Summary

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- Tripled sales pipeline with significant new business wins
- Strong revenue growth with increased gross margins
- Doubled operating margins and profits
- Operating cash flow positive
- De-risked the balance sheet
- Positive EPS

→ the Volex Transformation Plan (VTP) is delivering results

# Progress of the Volex Transformation Plan

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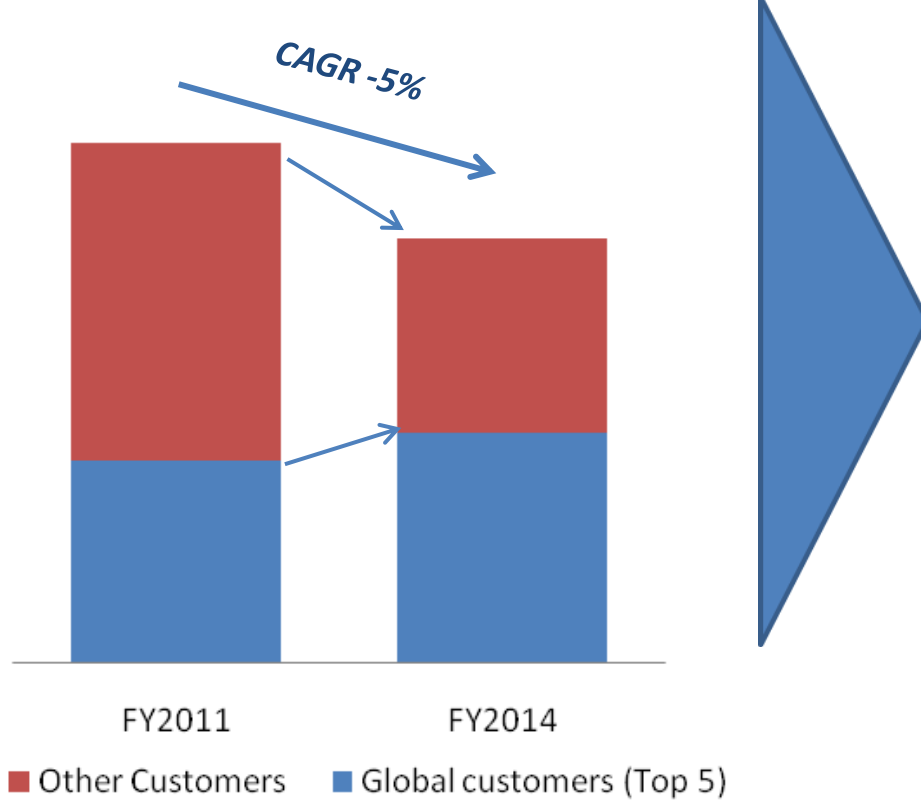


- Renewed Executive Management and Board
- Established new structure with two divisions and four sales regions
- Repositioned Volex to focus on its market leadership and differentiation
- Realigned product portfolio by divisions
- Strong investment in transforming sales and operations
- Established group wide harmonised CRM processes
- Introduced localisation and design-to-cost within supply chain
- Sustainably refinanced the company

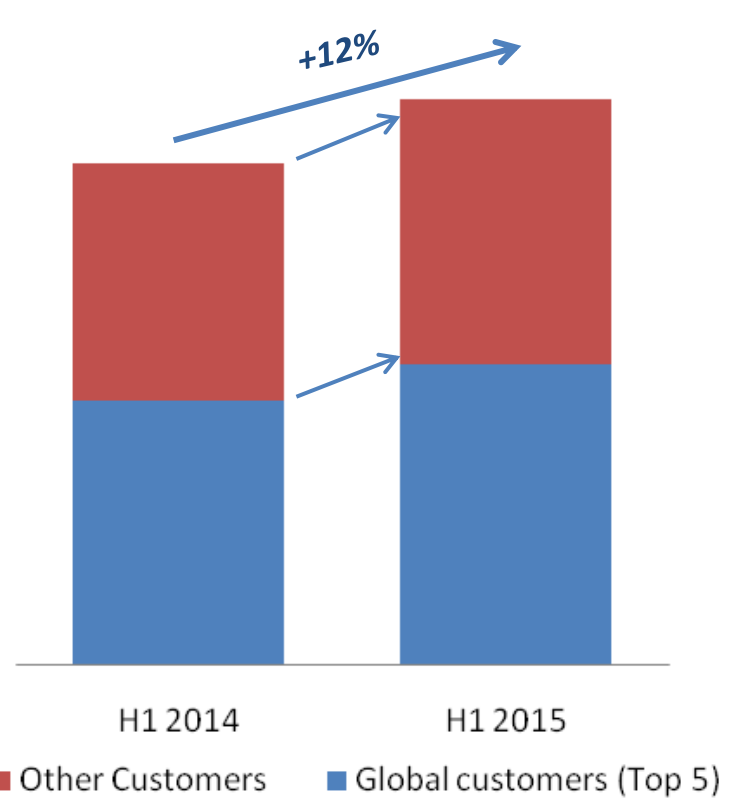
# Voilex returned to above market growth



Revenue growth FY2011 to FY2014



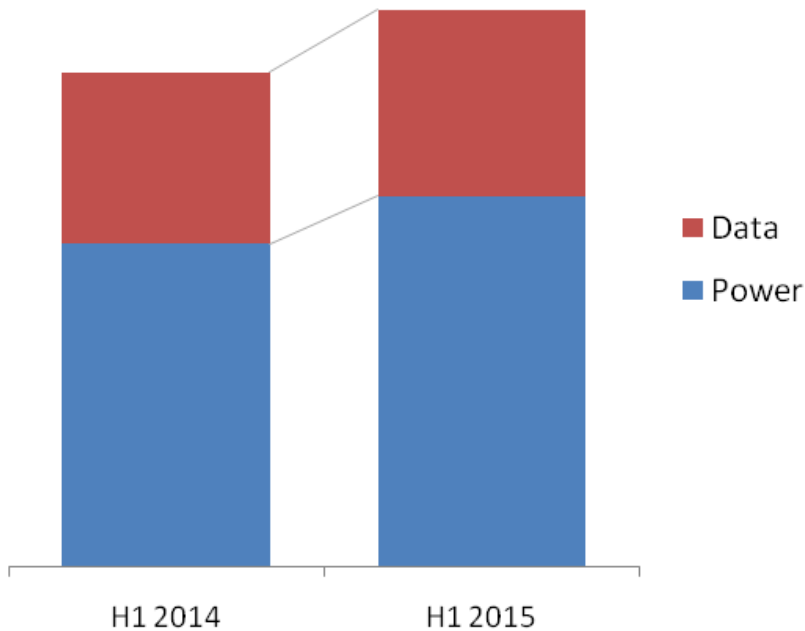
Revenue growth H1 2014 to H1 2015



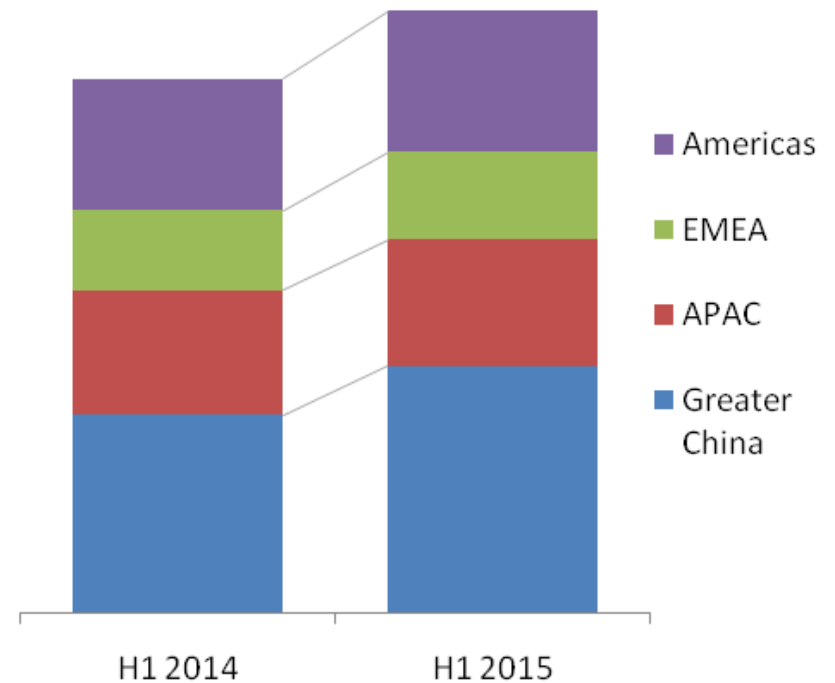
# Volet growth in both Divisions and across all Regions



## Revenue Growth by Division



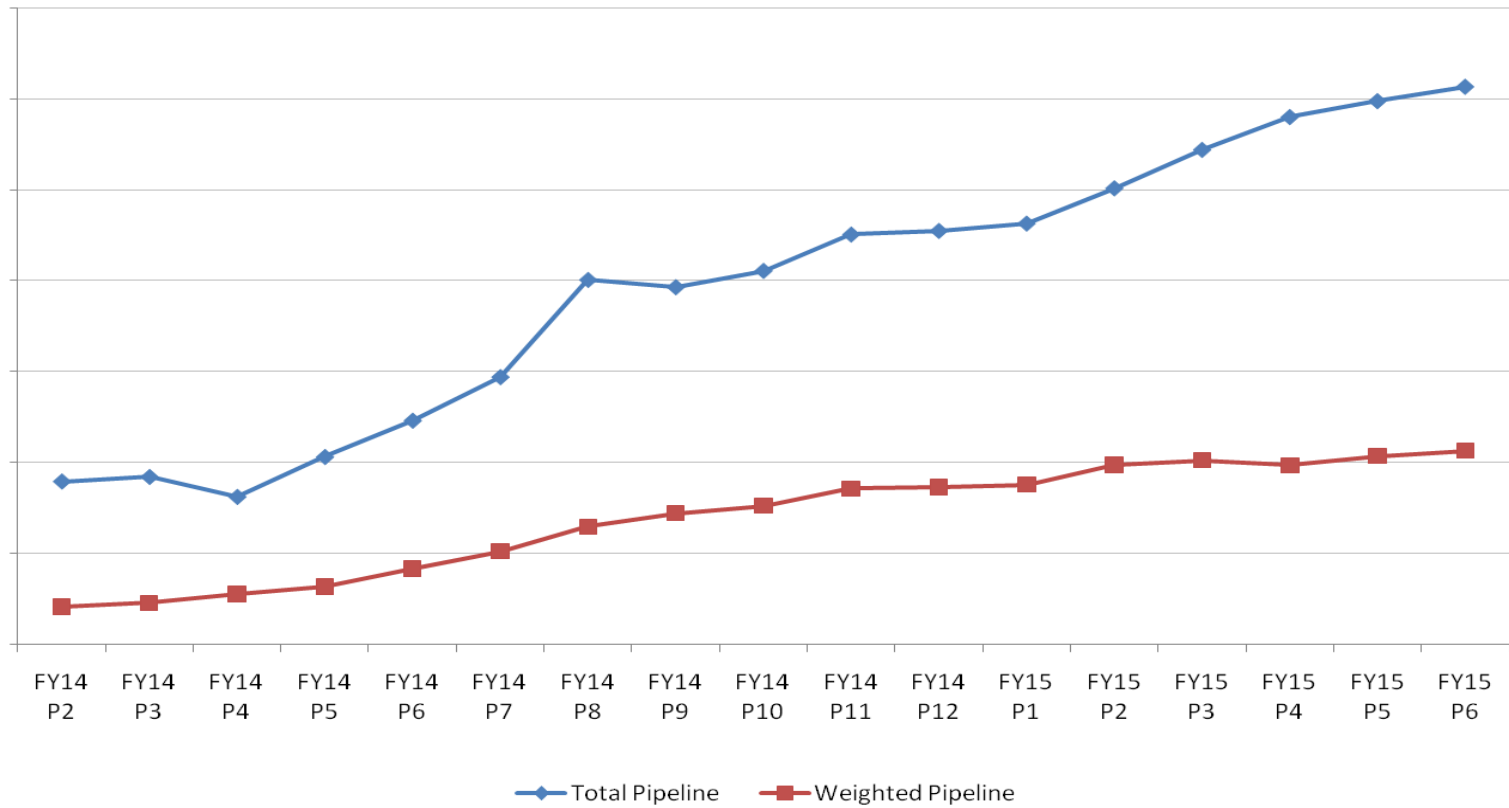
## Revenue Growth by Region



# Sales pipeline underpins revenue growth



## Sales Pipeline development





# Financial Review



# Financial Highlights



\$m	FY 2013	FY 2014	H1 2014	H1 2015
<b>Revenue</b>	<b>473.2</b>	<b>400.2</b>	<b>196.5</b>	<b>220.9</b>
Gross Profit*	85.3	66.5	33.7	38.0
<i>Gross Margin*</i>	<i>18.0%</i>	<i>16.6%</i>	<i>17.1%</i>	<i>17.2%</i>
Operating Costs	(73.0)	(62.0)	(32.1)	(34.5)
<b>Operating Profit*</b>	<b>12.3</b>	<b>4.5</b>	<b>1.6</b>	<b>3.5</b>
<i>Operating Margin*</i>	<i>2.6%</i>	<i>1.1%</i>	<i>0.8%</i>	<i>1.6%</i>
Exceptionals	(8.0)	(11.6)	(5.8)	(8.0)
Share Based Payments	(0.2)	2.3	1.6	0.5
Finance Costs	(2.2)	(2.8)	(1.5)	(1.7)
Tax	(2.8)	(6.6)	(0.1)	(1.0)
<b>Profit After Tax</b>	<b>(0.9)</b>	<b>(14.2)</b>	<b>(4.2)</b>	<b>(6.7)</b>
Basic EPS * **	10.8 cents	(8.6) cents	0.0 cents	1.0 cents
<b>Cash generated by operations *</b>	<b>12.0</b>	<b>(8.2)</b>	<b>(13.6)</b>	<b>3.0</b>
<b>Net Debt</b>	<b>19.5</b>	<b>32.2</b>	<b>41.4</b>	<b>5.6</b>

\*Underlying measure before Share Based Payments and Exceptional items

\*\* Restated for impact of share issue

- 12% growth in revenue
- 125% growth in operating profit
- Increase in operating costs due to investment in growth
- Exceptional costs driven by VTP and product portfolio realignment
- Return to cash generation
- Net debt reduced following successful equity raise of net \$27.9m
- Return to positive EPS

# Exceptional Costs

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\$m	FY 2013	FY 2014	H1 2014	H1 2015
Product portfolio realignment	-	-	-	5.8
Restructuring costs	7.2	8.6	5.8	2.0
Financing	-	1.6	-	0.1
Provision for historic tax claims	-	0.8	-	0.1
Movement in onerous lease provisions	(0.4)	0.6	-	-
Other	1.2	-	-	0.0
<b>Exceptional costs</b>	<b>8.0</b>	<b>11.6</b>	<b>5.8</b>	<b>8.0</b>
Cash impact of exceptional costs	6.9	7.5	3.1	3.9

- Exceptional costs relating to transformation continue to reduce, to \$2.0m from \$5.8m
- Product portfolio realignment is a non-cash impairment following review of the product portfolio
- Cash flow impact of exceptional costs is \$3.9m, down from \$4.4m in H2 2014

# Power Division



\$m	FY 2013	FY 2014	H1 2014	H1 2015
<b>Revenue</b>	<b>323.1</b>	<b>265.4</b>	<b>128.3</b>	<b>147.2</b>
Gross profit*	48.5	34.5	17.9	20.0
<i>Gross margin*</i>	<i>15.0%</i>	<i>13.0%</i>	<i>13.9%</i>	<i>13.6%</i>
Operating costs	(29.7)	(27.2)	(13.9)	(14.3)
<b>Operating profit*</b>	<b>18.8</b>	<b>7.3</b>	<b>3.9</b>	<b>5.7</b>
<i>Operating margin*</i>	<i>5.8%</i>	<i>2.7%</i>	<i>3.1%</i>	<i>3.9%</i>
*Underlying measure before Share Based Payments and Exceptional items				



- Wins from both existing and new customers driving revenue growth
- Supply chain and design-to-cost improvements driving competitiveness
- Strong improvement of operating margins

# Data Division

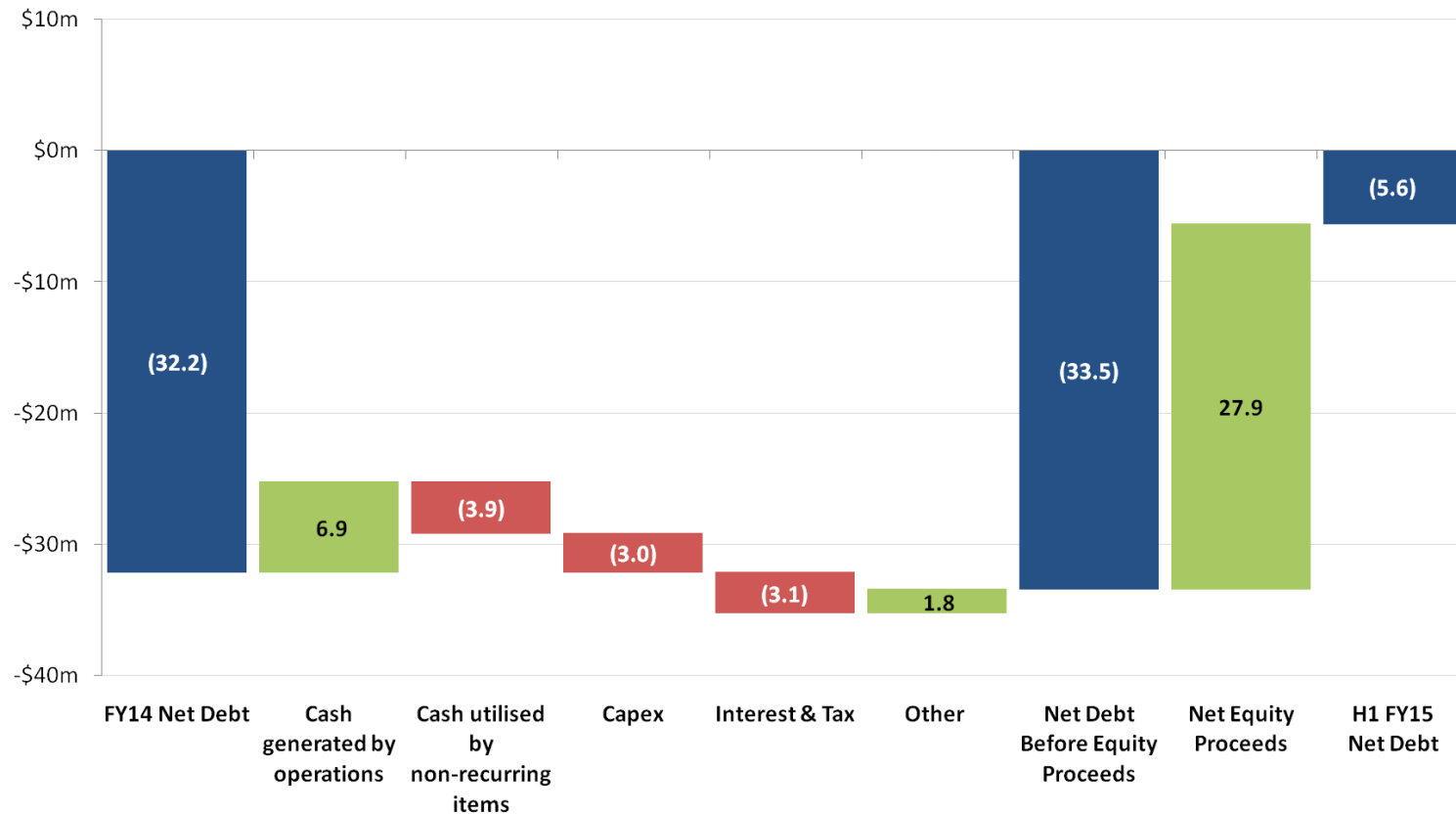


\$m	FY 2013	FY 2014	H1 2014	H1 2015
<b>Revenue</b>	<b>150.1</b>	<b>134.8</b>	<b>68.2</b>	<b>73.7</b>
Gross profit*	36.7	32.0	15.8	18.0
<i>Gross margin*</i>	24.5%	23.8%	23.2%	24.4%
Operating costs	(24.0)	(19.4)	(10.1)	(10.3)
<b>Operating profit*</b>	<b>12.8</b>	<b>12.7</b>	<b>5.7</b>	<b>7.7</b>
<i>Operating margin*</i>	8.5%	9.4%	8.3%	10.5%
*Underlying measure before Share Based Payments and Exceptional items				



- Revenue growth with existing and new customers
- Improved supply chain and procurement driving competitiveness
- Strong improvements in gross margin and operating profit

# Cash Flow



- Anticipate being cash flow neutral in the current financial year
- Successful July refinancing provides the financial flexibility to invest in our business

# Balance Sheet



\$m	FY 2013	FY 2014	H1 2015
Goodwill & Intangibles	7.1	8.7	4.4
Property, Plant & Equipment	39.7	38.7	36.7
Other	5.3	1.3	1.3
<b>Non-current Assets</b>	<b>52.1</b>	<b>48.7</b>	<b>42.4</b>
Inventories	43.0	40.0	46.2
Trade & Other Receivables	85.3	78.5	86.0
Cash and Bank Balances	25.0	13.7	23.6
<b>Current Assets</b>	<b>153.3</b>	<b>132.2</b>	<b>155.8</b>
Trade & Other Payables	98.1	79.4	94.6
Overdraft	1.3	-	6.4
Tax liabilities	5.9	5.8	5.2
Other	3.2	5.6	4.6
<b>Current liabilities</b>	<b>108.5</b>	<b>90.8</b>	<b>110.8</b>
Borrowings	43.3	45.9	22.8
Provisions	2.6	2.7	1.9
Other	5.4	4.8	5.2
<b>Non-current assets</b>	<b>51.3</b>	<b>53.4</b>	<b>29.9</b>
<b>Net Assets / Total Shareholder Equity</b>	<b>45.6</b>	<b>36.7</b>	<b>57.4</b>
<b>Net Debt</b>	<b>19.5</b>	<b>32.2</b>	<b>5.6</b>

- Reduction in intangible assets due to impairment of product development costs
- Net debt down from \$32.2m to \$5.6m driven by equity raise proceeds of \$27.9m
- Working capital held flat despite revenue growth



# Strategy and Operating Review

# Strategic priorities to FY2018

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Global footprint - act globally, operate locally



Design-to-Cost



Customer-centric



Productivity & factory utilisation



Best in class procurement



High performance culture



- \$500m revenue
- 5% operating margin
- Consistent cash generation

... through successful execution of the Volex Transformation Plan (VTP)





# Power Division – Shaping the future

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## 1. Leverage blue-chip customer base

- Continue developing existing customer relationships as foundation to drive further growth

## 2. Become partner of choice for customers in a mature and competitive market, by:

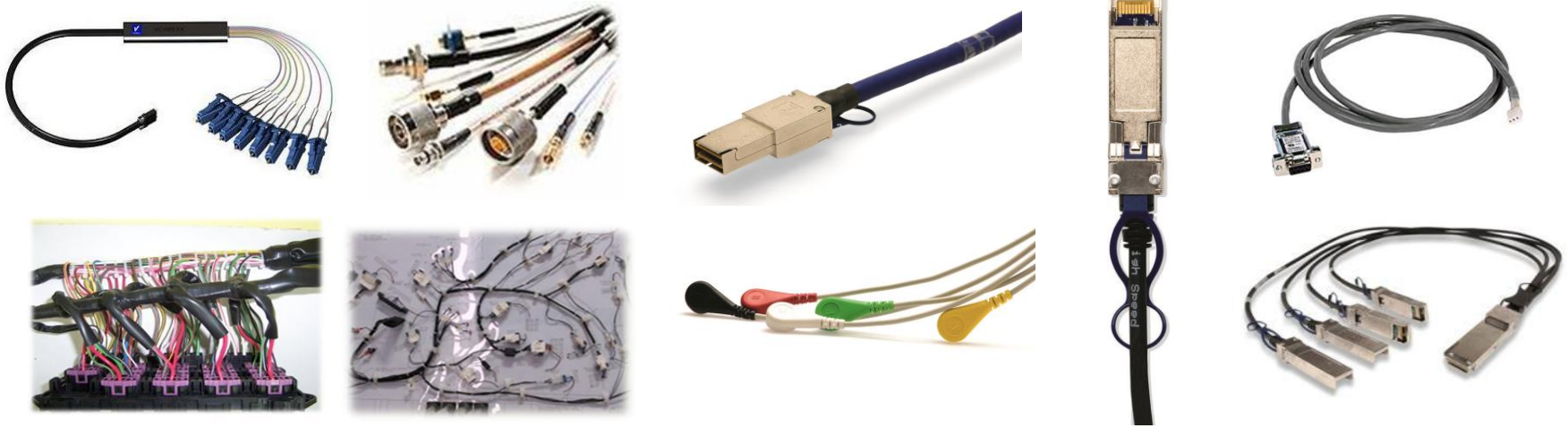
- Globally increasing sales competence and improving regional coverage
- Supply Chain excellence based on design-to-cost to best suit global/regional requirements

## 3. Market extension and expansion

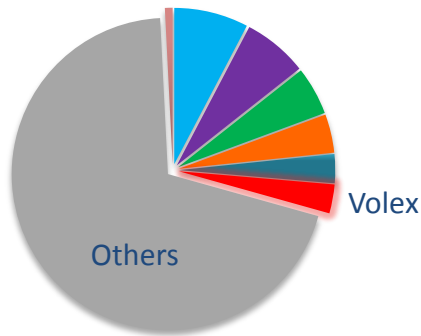
- Extend into industrial and home appliance markets
- Continuously evolve product portfolio (e.g. extend into current/future USB cables)

# Data Division – Summary

## Data products



## Market Share



## Micro-connectivity Market

\$3bn market (5.8% annual growth) currently segmenting into volume and niche value providers:

- Engineered products with long lifecycle
- Technical specification and performance
- Long term established supplier-customer relationships
- Increasing demand for local supplier base
- Value added services for technical and local support, logistics, approvals etc.

# Data Division – Shaping the Future

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1. **Become partner of choice** by leveraging global presence and local proximity, by:
  - Globally increasing sales competence and improving regional coverage
  - Supply Chain excellence based on design-to-cost capabilities
2. **Design In – Engineered Solutions**
  - Early involvement in customers product development/innovation cycles
3. **Transition into the “cable department” of target customers**
  - Evolve from product supplier to value added services (system assembly, support, logistics)

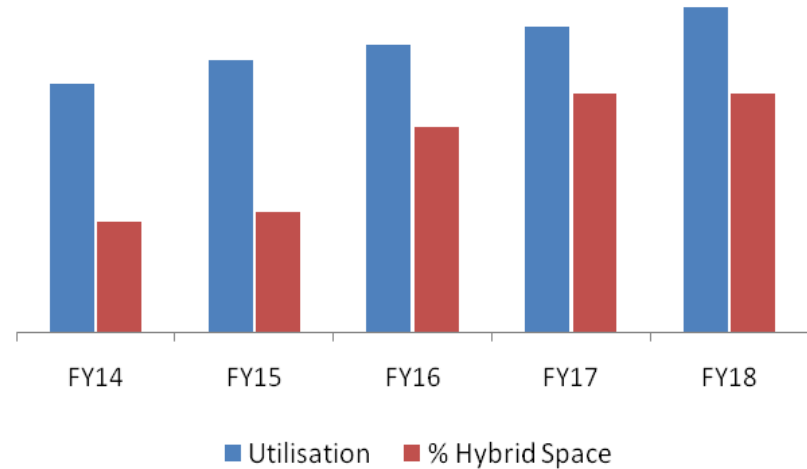
# Excellence in Execution: Operations



## Leveraging Volex's industry leading global manufacturing footprint

- Improve plant utilisation over time with limited additional investment
- Focus plant on local customer requirements, also aligned to divisional product roadmaps
- Increase hybrid space to enable manufacturing flexibility
- Continuous Lean Deployment and Low Cost Automation for Design-to-Cost

## Utilisation Projection



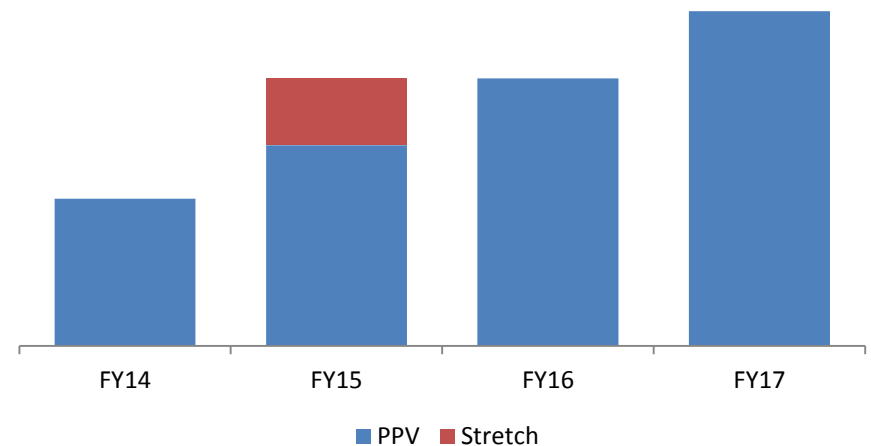
# Excellence in Execution: Supply Chain



## Evolve Volex sourcing model from supplier- to customer-centric

- Enforce requirement specific multi-sourcing (design-to-cost approach)
- Localisation of supply chain activities from RFQs to continuous improvement
- Broaden Category Management to improve focus on divisional portfolios
- Introduce eProcurement

### Year-on-Year Procurement savings



# Excellence in Execution: Processes

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## Gradual evolution of process architecture to reflect the increasing need for connectivity and information efficiency

- Introduce group-wide harmonised ERP system with industry specific business warehouse and KPI reporting
- Establish end-to-end sales process supported by a fully integrated CRM system and interlinked with new ERP
- Evolve Communication & Collaboration infrastructure based on industry standard and group-wide harmonised platforms

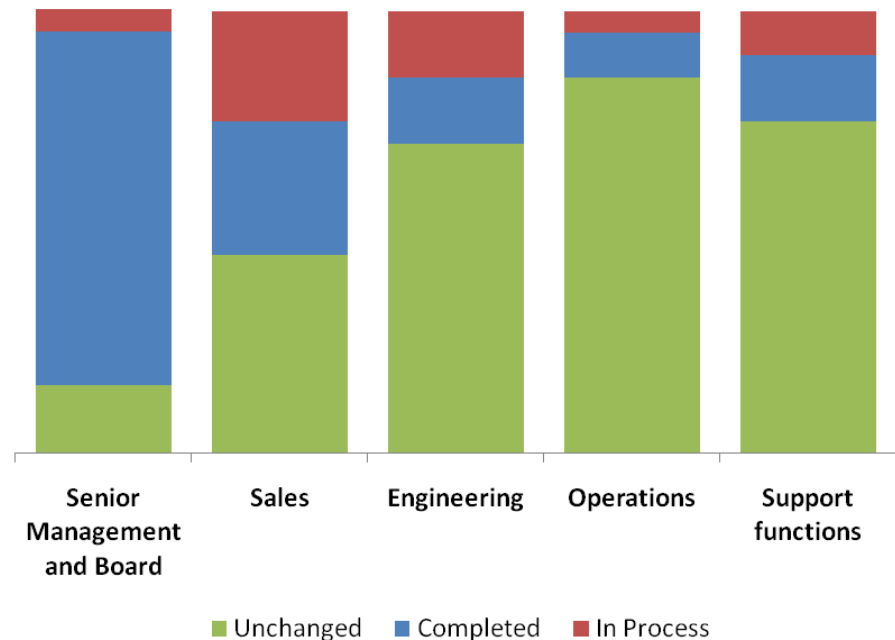


# Excellence in Execution: People



## Become an employer of choice in our industry

- Substantial competence build up throughout all levels and functions of the organisation
- Foster ownership and accountability, introduce revised incentive schemes
- Establish harmonised job architecture and standardise assessment/appraisal system
- Enforce internal information, communication and collaboration





# Key milestones



Strategy to deliver revenues exceeding \$500m and 5% operating margin by FY2018



## Design

- Renew management & Board of Directors
- Revise strategy and market positioning
- Launch Volex Transformation Plan

## Transform

- Establish new structure (Divisions & Sales Regions)
- Streamline main processes in sales and operations
- Realign divisional product portfolios
- Refinance and strengthen balance sheet
- Return to growth with improved profits

## Perform

- Combined global market presence with local customer proximity
- Customer centric supply chain excellence
- Consistent high performance culture
- Harmonised IT architecture
- Sustainable cash generation
- Year-on-Year above market growth and strengthening profitability
- Participate in industry consolidation

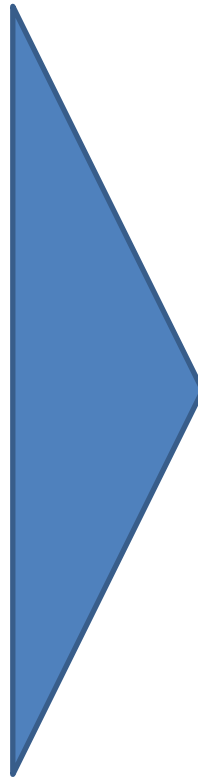
# Volex today and going forward...

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## Status H1 2015

- Tripled sales pipeline with significant new business wins
- Strong revenue growth with increased gross margins
- Doubled operating margins and profits
- Operating cash flow positive
- De-risked the balance sheet
- Positive EPS



## Outlook FY 2015

- VTP continues to deliver strong growth in sales and margins
- Focus upon strong cash generation going forward
- Investment in people and infrastructure delivering
- Board confident that further growth in sales and profitability will be delivered