Volex

FY2022 ANNUAL RESULTS
Year ended 3 April 2022

NAT ROTHSCHILD
Executive Chairman

JON BOADEN
Chief Financial Officer

23 June 2022

Record performance, ahead of medium-term targets…

Record performance

- Group revenue up 38.6% year-on-year, 19.4% organic growth
- Underlying operating profit up 31.0% to $56.2m, at margin of 9.1%
- Final dividend increased by 9.1% to 2.4 pence per share

Winning in attractive markets

- Electric Vehicles revenue has almost doubled to $104m
- Significant recovery in Medical – now above pre-Covid levels
- Qualified on the next-generation of 400Gbs data centre products

Investing for long-term growth

- Completion of four acquisitions in the last year and compelling M&A pipeline
- Significant planned investment in our operations to drive growth
- Outperforming FY2020 strategic plans and launching a new five-year plan

…launching new ambitious targets

Global capabilities enabling market share gains

North America

- 6 production sites
- 1,500 people
- PCBa capability

Asia

- 6 production sites
- 4,400 people
- R&D centre
- Cable extrusion

Europe

- 6 production sites
- 1,400 people
- Cable extrusion

India

- 1 production sites
- 500 people
- PCBa capability

Sector key

- Electric Vehicles
- Consumer Electricals
- Medical
- Complex Industrial Technology

- Customers looking to bring production closer to home to simplify supply chains following the pandemic
- Our footprint is ideally placed to support these initiatives and provide us with cross sales opportunities
- Global capabilities allow us to create deep partnerships with significant world-wide customers
- Sites achieve competitive advantage through points of differentiation including cost base and capabilities

FINANCIAL REVIEW

Strong financial performance

Revenue
$614.6m
+38.6%
FY2021: $443.3m

Underlying operating profit
$56.2m
+31.0%
FY2021: $42.9m

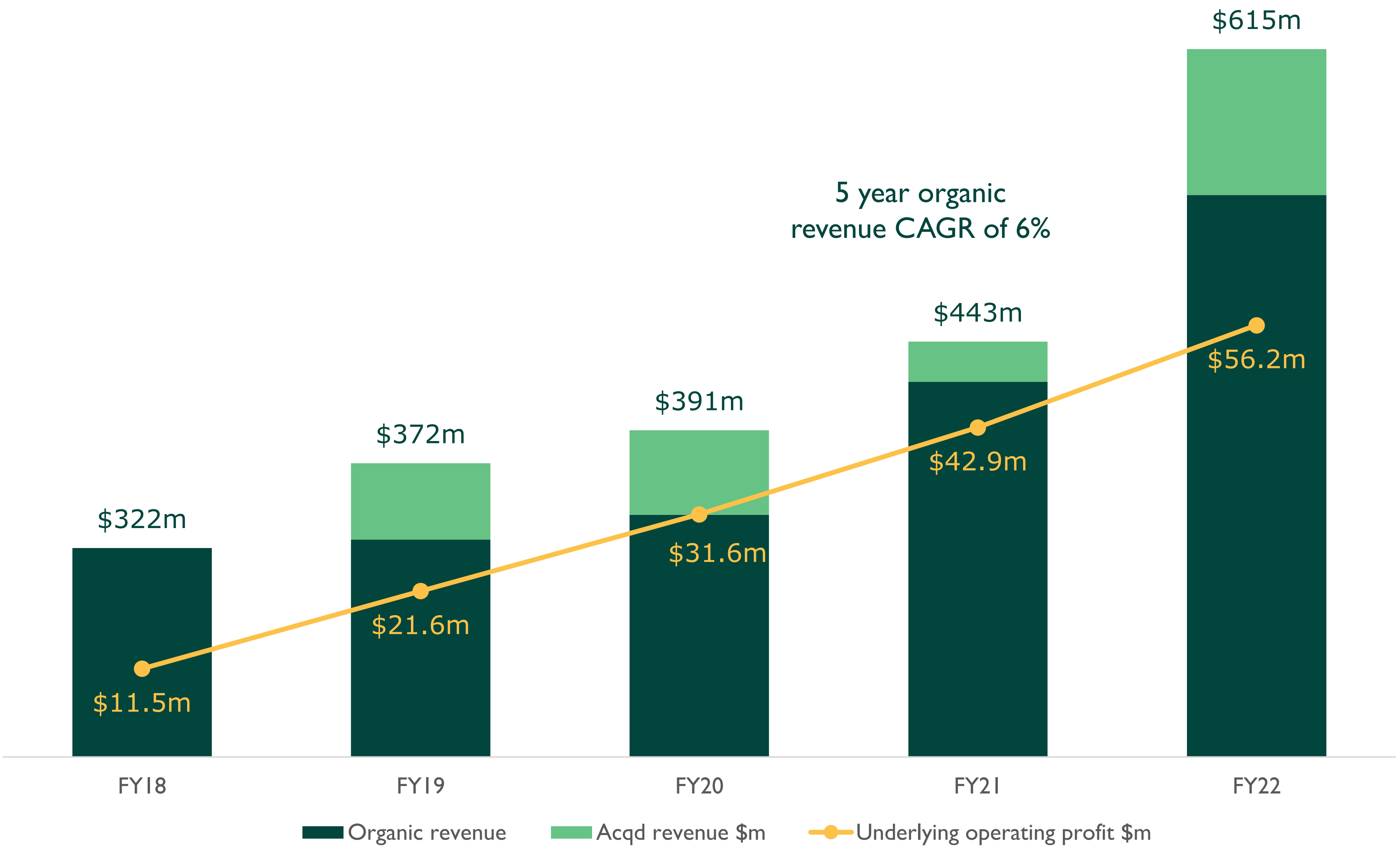
Underlying operating margin
9.1%
-60bps
FY2021: 9.7%

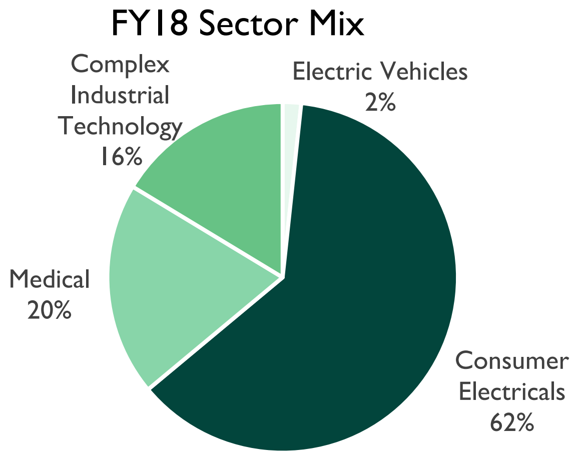
Organic revenue growth
19.4%

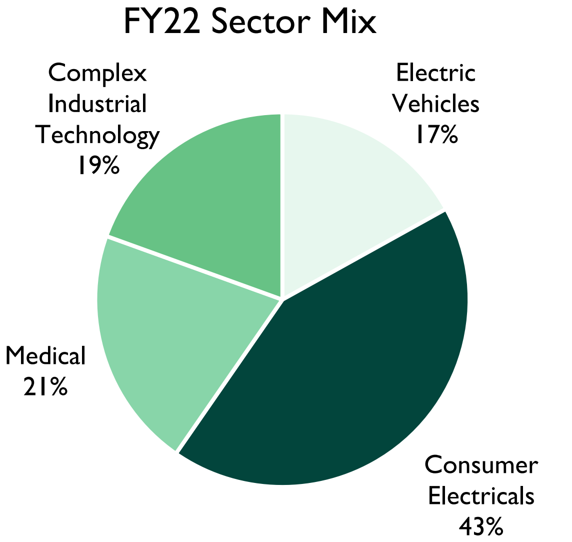
Profit before tax
$36.2m
+23.1%
FY2021: $29.4m

Total dividend per share
3.6 pence
+9.1%
FY2021: 3.3 pence

Delivering long-term growth and diversifying the customer base







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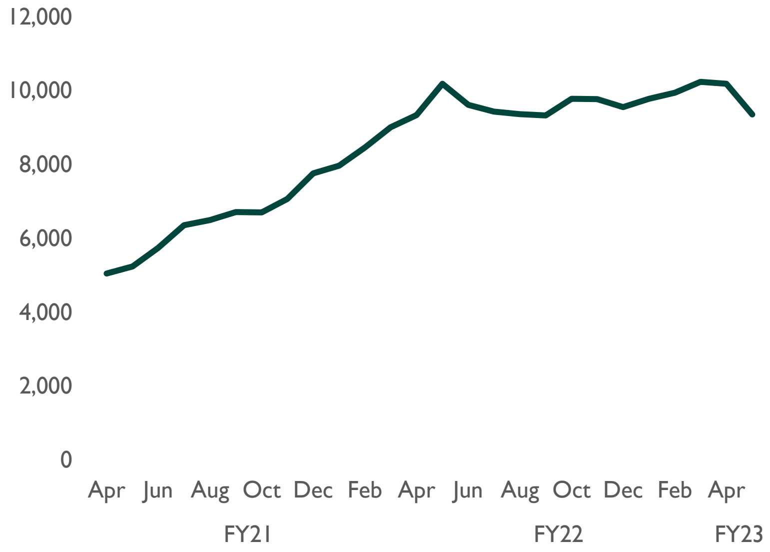
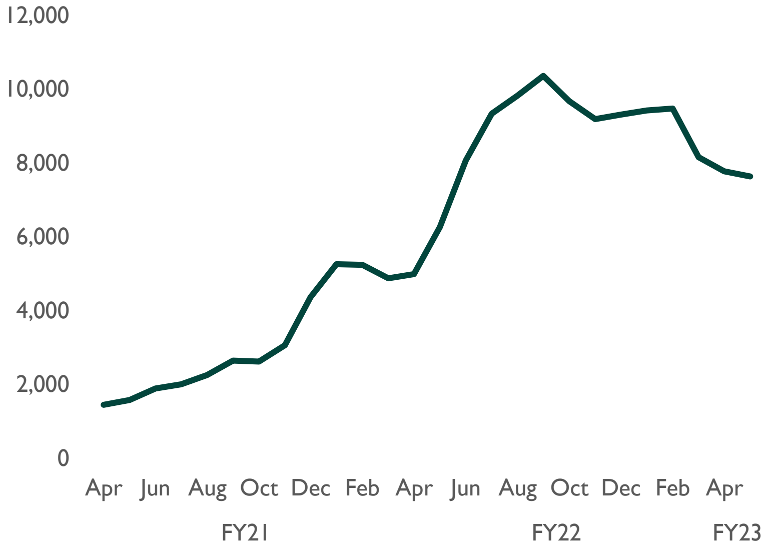
Confident in continuing to mitigate inflationary pressures

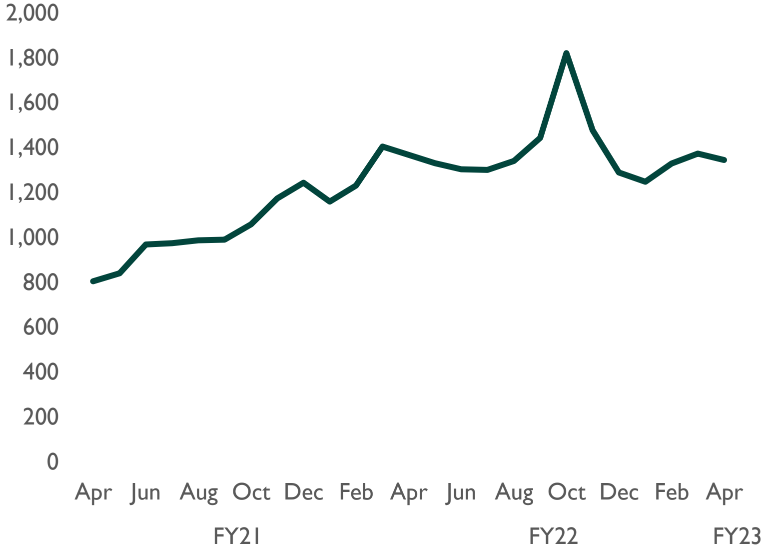
Copper LME Prices ($ per tonne)



Freight costs ($ per 40ft container)



PVC Resin ($ per tonne)



Expertise and history of responsive pricing

- Contractual copper price pass-through mechanism operated effectively
- Efficient cost control and productivity improvements
- Deep customer relationships facilitating productive negotiations

For our high volume power cord customers we have utilised technical expertise from DE-KA to create efficiencies to maintain margins whilst reducing prices, allowing us to be the lowest cost producer

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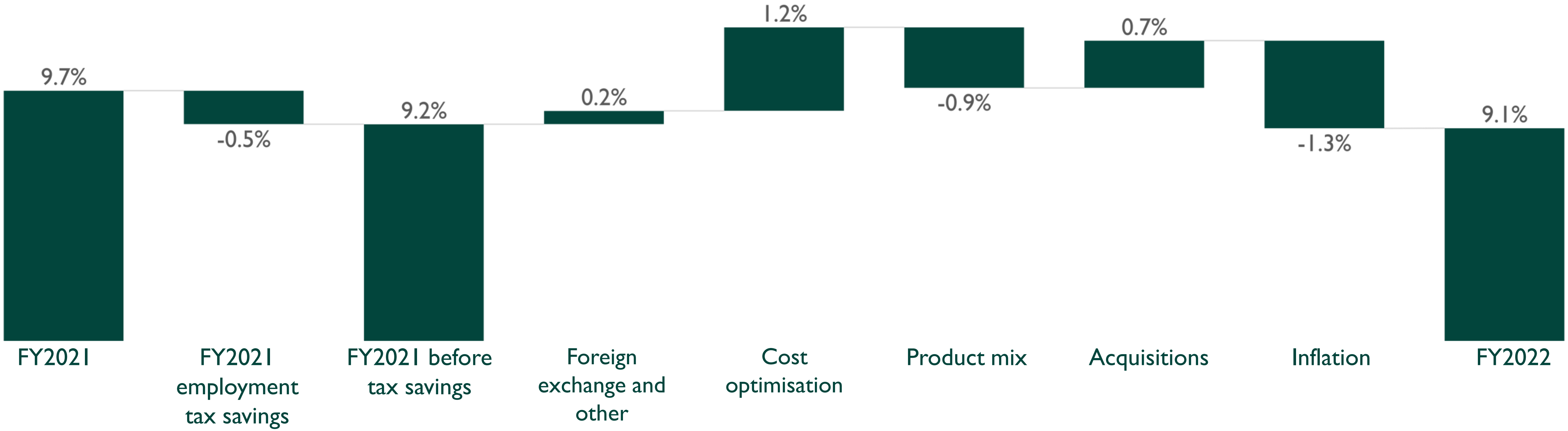
Underlying operating margin



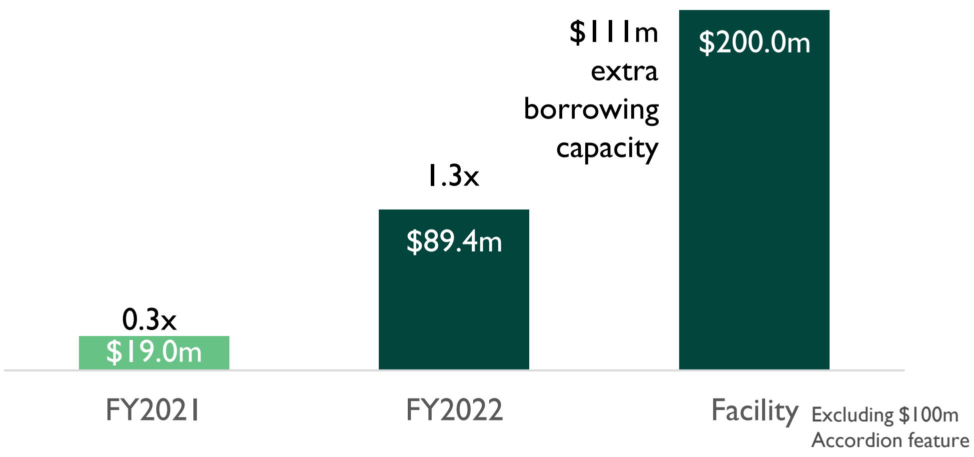
- Operating expenses as a percentage of revenue improved 250 bps to 11.3% from 13.8% in FY2022, assisted by ongoing efficiencies
- Due to the low operating cost base of DE-KA, acquisitions have had a positive impact on operating margin
- Successfully passing on inflation to customers to maintain absolute operating profits, inflation has mathematical and timing impact on margin

Group Cash Flow

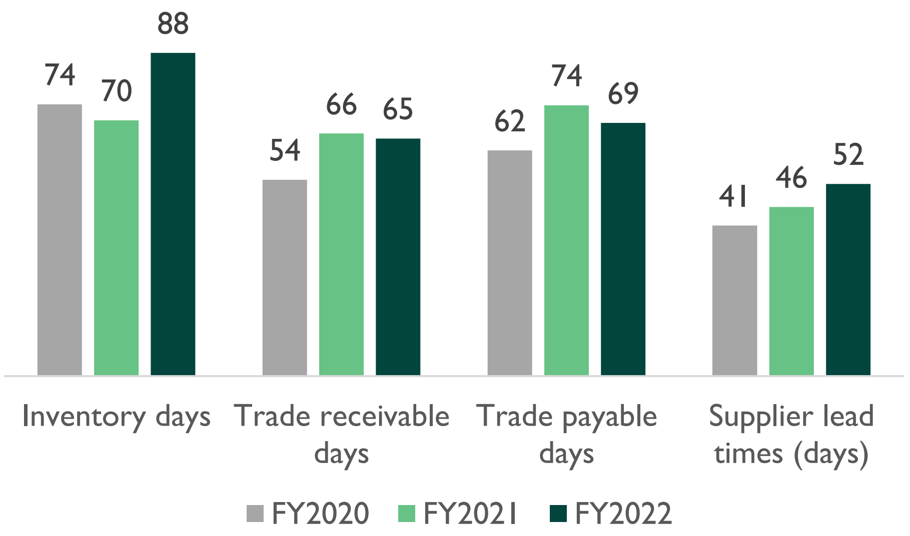
$m	FY22	FY21
Underlying EBITDA	**66.1**	**50.8**
Net capital expenditure	(14.5)	(7.4)
Underlying working capital	(35.9)	(7.6)
Net interest and tax	(8.0)	(3.7)
Other including pension	(1.6)	(0.4)
Underlying Free Cash Flow	**6.1**	**31.7**
Acquisitions	(54.9)	(42.2)
Acquired debt	(1.1)	(10.9)
Dividends	(7.2)	(6.0)
Repayment of leases	(4.7)	(3.9)
Share based payments	(5.1)	(9.1)
Other	(0.3)	1.2
Movement in net debt (excl. leases)	**(67.2)**	**(39.3)**

- Underlying EBITDA improved by 30.1%
- Working capital movement includes impact of extended supply chain lead times
- Acquisition spend includes cash payment for Irvine, Prodamex, TC and in Yantra in addition to DE-KA earn-out payments

Covenant net debt



Working capital management



Investing for growth

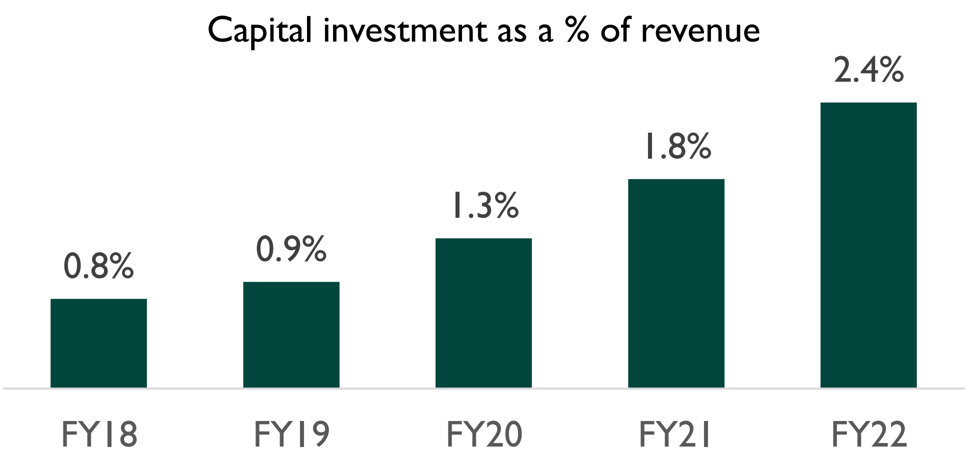
Higher levels of investment supported our organic growth this year as invested in vertical integration and the next generation of high-speed data cables. Now have capability to produce own cable in multiple locations

Majority of our projects payback within 2 years

Capex lower in FY18-FY19 as Group executed turnaround strategy

Future focus is on delivering customer growth which will require additional investment, likely to be greater than 3% of revenue in the medium term

Capex requirements are expected to be higher in FY23 as we step up the investment in our high growth sectors and grow our manufacturing footprint at key locations to meet demand



We are planning to expand the space in a number of our facilities in the next 18 months to meet growing customer demand

Location	% increase in space
Indonesia	52%
India	250%
Poland	75%
Mexico	22%

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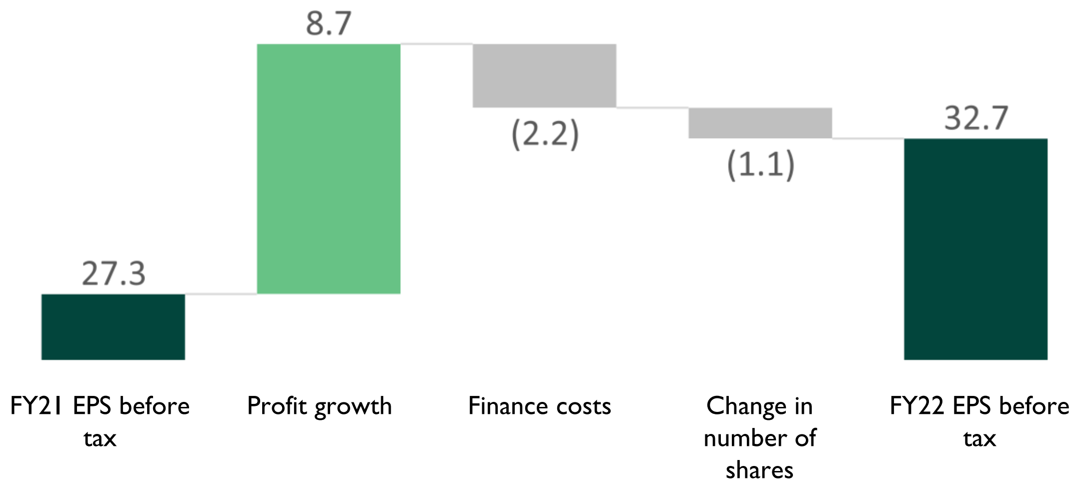
Earnings per share

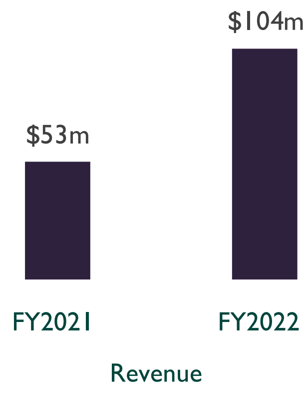
Underlying basic EPS before tax (cents)



EPS (cents per share)	Before tax	Current tax	Deferred tax asset recognition	Other deferred tax movements	After tax
FY22	**32.7**	**(6.5)**	**1.8**	**(1.1)**	**26.9**
FY21	27.3	(2.4)	8.5	(1.3)	32.1
Movement	5.4	(4.1)	(6.7)	0.2	(5.2)

- Underlying basic EPS before tax improved by 20% due to the profit growth, offset by higher finance costs associated with the debt drawn to fund the acquisitions made during the year
- In the prior year we recognised a significant deferred tax asset due to the probability of recovering historical losses resulting in a tax credit.
- The effective tax rate excluding deferred tax recognition changes has also increased in the year

Electric Vehicles revenue growing strongly



+96%

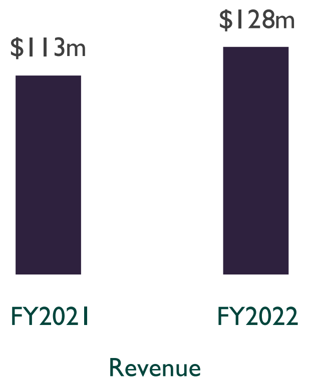
- Another very strong year in Electric Vehicles responding to increasing demand for EVs
- Our customer base has diversified and we have successfully developed our range of products
- We continue to optimise our manufacturing capabilities with vertical integration

Consumer Electricals higher with strong demand in Europe

+60%

- Consumer demand has continued at high levels
- Our Turkish production popular with customers looking to simplify supply chains and freight
- Increases in market share are expected to broadly offset any demand changes due to a softening in consumer appetite
- Successfully cross selling between global sites allowing us to grow

Medical has recovered strongly with high levels of customer demand



+14%

- Strong return of demand for medical - 10% higher than pre-Covid levels
- Our major customers are reporting significant increases in order books
- Strong demand expected to be sustained over the medium term with near-shoring benefit

Complex Industrial Technology showing robust demand

+6%

- Demand good for core industrial business
- Industrial automation customers supporting drive for efficiencies following Covid-19
- Data centre volumes temporarily lower with availability of 400Gbs network equipment delaying roll-out
- Next-generation data centre products have been qualified with key customers

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STRATEGY AND OPERATIONS

Acquiring complementary 'bolt-on' businesses at attractive valuations

Sector key
- Electric Vehicles
- Consumer Electricals
- Medical
- Complex Industrial Technology

Irvine

- 4,600 sqm - California
- 100 people
- PCBa capability
- Defence sector
- Cross sales opportunities

TC

- 3,700 sqm - Montreal
- 100 people
- Wiring harnesses
- Defence sector
- Off-highway opportunities

Prodamex

- 5,500 sqm – Central Mexico
- 380 people
- Wiring harnesses
- Creating global domestic appliances proposition
- Higher-volume requirements in region

InYantra

- 14,000 sqm – Pune, with 40,000 sqm Industrial land
- 500 people
- PCBa capability
- Site expansion – create capacity for medical customers

- Four business acquired for total consideration of $47.1m at an average EV/EBITDA multiple of 5.5x
- Creating cross-sell opportunities in attractive North American and Indian markets
- Strong and exciting pipeline of future acquisition opportunities

Our ESG journey so far

What have we done

- Launched a unified Group Health and Safety policy
- Develop and encourage a diversity of talent in our organisation
- Established Safety, Environment and Sustainability committee
- Approved sustainability framework and implemented sustainability reporting system

Where are we now

- Sustainability is central to how we operate
- Committed to having a positive impact on the communities in which we operate
- Committed to being an equal opportunity employer
- Consistent site-level sustainability data

Future focus

- Establish sustainability targets
- Minimise disposal of waste to landfill
- Improve physical and mental well-being of our employees
- Reduce employee turnover
- New Code of Conduct to train our employees

Capital allocation to deliver sustainable growth

Capital expenditure focused on high-growth areas	Invest to drive organic growth Payback in 2 years for many projects	Target net debt to EBITDA of 1.5x-2.0x (based on covenant net debt which excludes IFRS 16 leases)
Acquire and integrate attractive businesses	Enhance capability, grow customer base, acquire at attractive valuations	
Sustainable through cycle dividend	Dividend increased successively over last three years to full year total of 3.6p (up 9.1% from FY2021)	
Return of capital	Only where capital cannot be deployed to create greater value	

Ambitious new five year plan

New plan: FY2023 – FY2027

Revenue	Underlying operating margin	Revenue from acquisitions
$1,200m By end of FY27	9-10%	$200m

Last plan: FY2020 – FY2024

$650m by end of FY2024	10%	10% each year

Sustainable growth markets supporting our strategic plans

	Electric Vehicles	**Consumer Electricals**	**Medical**	**Complex Industrial Technology**
Opportunities	• Evolving EV charging market • Expand customer base	• Vertical integration and automation • Low-tariff locations	• Technological advancements • Supply chain simplification	• Next generation data centre products • Invest in PCB assembly capability
Market growth estimates	c.19%[1]	c.4%[2]	c5%[3]	c10%[4]

Market growth sources
1 Globe News Wire EV forecast 2022-2027
2 Statista global appliances market annualised growth 2020-2027
3 Fortune business insights annualised growth in medical devices market 2021-2028
4 Fortune business insights annualised growth in industrial automation 2022-2028

At least $200m run-rate revenue from acquisitions by FY27

SUMMARY AND OUTLOOK

Summary and outlook

- Record performance in FY2022, significantly ahead of FY2020-FY2024 plan
- Launching new ambitious long-term target of $1.2bn revenue and 9-10% operating profit

- FY2023 has started well with strong demand from our customers
- Our diversification across sectors, customers and geographies positions us to maintain our growth
- Continuing to effectively manage an inflationary environment
- Investments in people, capability and continuous improvement to help deliver revenue growth in FY2023
- We expect to make a strong start towards our new five-year strategic plans

APPENDICES

Sector detail: Electric Vehicles and Consumer Electricals

Electric Vehicles

Our advantage	
Experienced design team developing technical products with significant safety features	Ability to incorporate and manufacture multiple safety features
Scale from first mover advantage	Technical expertise to deliver requirement for auto-standard quality

Customers	Solutions
Partnering with the biggest EV manufacturers and global Tier 1 automotive suppliers	Grid cords, AC charging solutions, out of home charging cables

Consumer Electricals

Our advantage	
Our customers value our global customer service and exceptional quality standards	High levels of factory automation and efficiency for low-cost manufacturing
Expertise in different standards required for different countries	Competitive production tailored to customer requirements

Customers	Solutions
Blue-chip global household brands with global requirements and commitment to quality	Partner of choice for premium electronics and global domestic appliance manufacturers

Sector detail: Medical and Complex Industrial Technology

Medical

Our advantage

Significant expertise and experience in the market supporting complex customer requirements	Global footprint aids customer flexibility/near-shoring
Ability to manufacture to stringent medical accreditation standards	Reputation for quality and long-standing customer relationships

Customers	Solutions
Global medical manufacturers and leading-edge med-tech including robotic surgery and imaging	Complex cable assemblies and sub-assemblies for advanced medical applications with extensive quality assurance

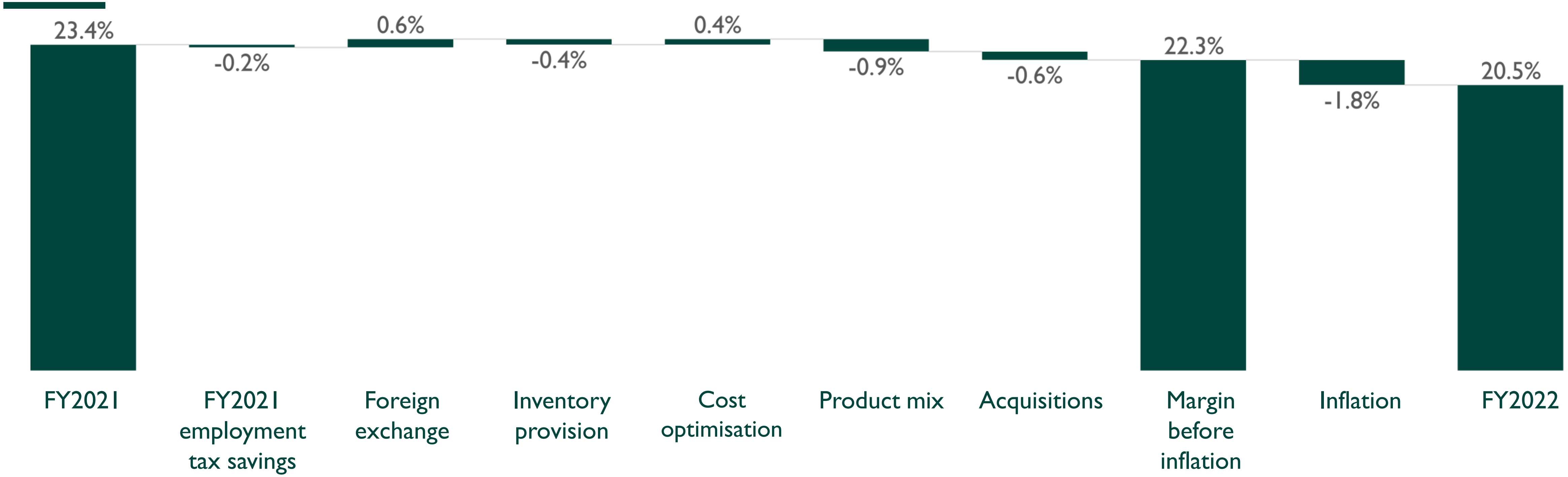
Complex Industrial Technology

Our advantage

Innovative solutions delivered with a deep understanding of the technology and the critical success factors for our customers	Ability to manufacture to stringent accreditation standards
Experienced design team developing technical data centre products	Global footprint aids customer flexibility/near-shoring

Customers	Solutions
Global data centre businesses, major industrial and defence customers	Complex assemblies, box builds, high-speed data centre cables

Gross margin movements and inflation effect



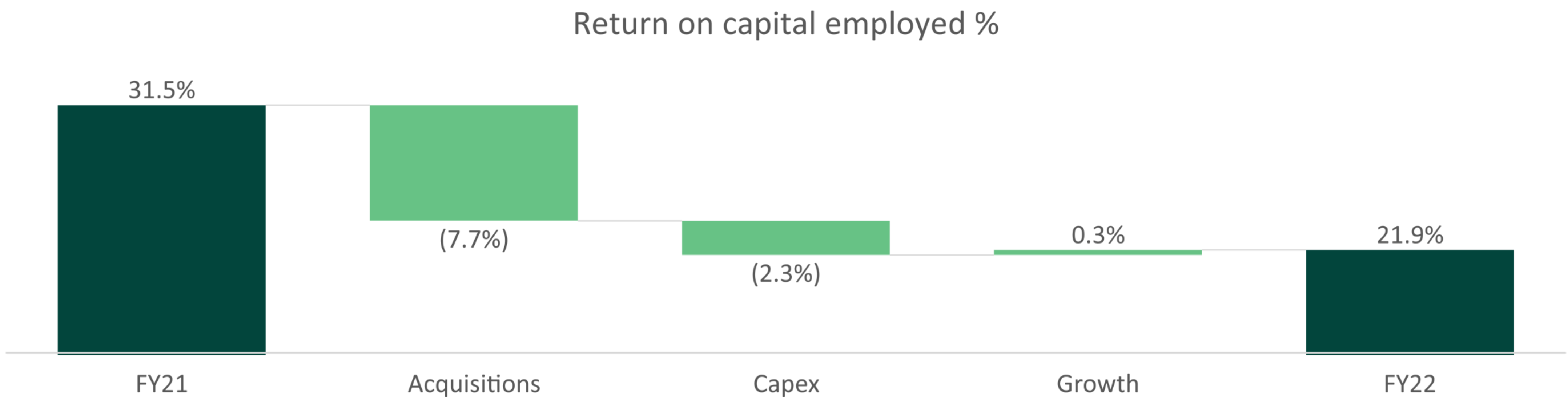
Dealing successfully with inflation

- We pass on higher raw material costs to our customers through regular repricing
- For some raw materials, such as copper, this increases the sales price and maintains the absolute level of margin but which has an adverse effect on percentage margins
- As part of our integration activities, we share knowledge and expertise to improve efficiency and reduce costs

Modelling guidance

	FY22	FY23	
Operating margin	9.1%		Expected to remain broadly flat
Net finance expense	$5.2m		Expected to increase due to the larger facility in place from February 2022
P&L effective tax rate	17.7%		ETR blended up through acquisition of profitable businesses
Working capital movement	25.9% incremental revenue		Working capital cycle expected to remain broadly flat in FY2023
Cash effective tax rate	12.6%		ETR blended up through acquisition of profitable businesses
Capital investment	2.4% of revenue		Increased investment in our high-growth sectors
Acquisition payments	$56.2m		Four acquisitions were completed in FY2022, deferred consideration into FY2023 totals $17m
Net debt : EBITDA	1.3x		Target net debt : EBITDA ratio is between 1.5-2.0x

Return on capital employed



The acquisitions we make reduce the return on capital of the Group due to:

- Consideration is higher than net asset value, generating additional assets (goodwill and intangibles) on acquisition
- We acquire businesses that are smaller than Volex, which require a higher asset base as they don't have the economies of scale
- Over time we increase the returns of these acquisitions in line with the rest of the Group

Balance sheet

$m	FY2022	FY2021
Goodwill and intangible assets	129.9	107.6
Property, plant and equipment	62.8	50.4
Investments	1.5	0.9
Inventories	119.3	76.9
Trade and other receivables	138.2	115.4
Trade and other payables	(147.7)	(140.1)
Pensions and provisions	(5.6)	(7.3)
Taxation (net)	5.4	7.5
Lease liabilities	(20.9)	(20.0)
Net debt excluding lease liabilities	(74.4)	(7.3)
Net assets	**208.5**	**184.0**

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