2016/17 Preliminary Results

8 June 2017

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Volex

Volex is

bringing **power** and **connectivity** to equipment that is changing how we work and live!

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Volex

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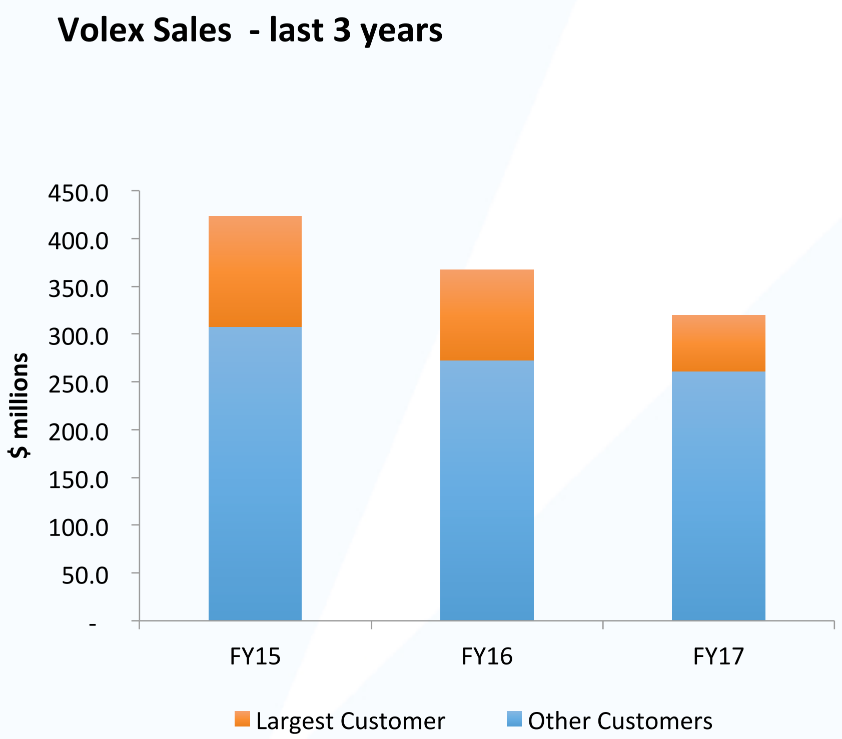
Introduction

- A year of massive cultural change within the organization, to create a best in class team
- Intense efforts to right-size our business foot-print, improve our cost-competitiveness and begin to diversify our customer-base
- Volex is ungeared at the year-end, and ready for growth
- Our strategy has been to
  - exit loss-making activities, and reduce our reliance on our largest customer;
  - and improve working capital management which has resulted in very strong cash generation in the year
- We continue to improve our sales and engineering effectiveness and we see exciting opportunities to grow and diversify our business in the future

Summary of FY17 Results

- Strategy to reduce unprofitable activities resulted in a 13% sales reduction, however
  - gross margin improved from 16.4% to 17.4%
  - on going operating expenses reduced by 13% from $53.2million to $46.4million
- As a result, pre exceptional operating profit increased by 26% to $9.1million
- **Strong free cash flow generation – ended the year in a net cash position of $11.3million (compared to net debt of $3.2million at the prior year-end)**

Revenue Progression



- The top 3 customers as a proportion of the total sales has reduced: from 47% in FY15 to 40% in FY17
- Total sales decreased by 13% in FY17 as we executed our strategy to exit loss-making business and to improve return on capital
- Excluding sales to our largest customer, revenue declined by 4% in FY17 but revenue quality has improved
- In H2 sales, excluding sales to our largest customer, grew by 1%. Our core business is starting to return to growth as we regain our competitiveness
- Factory new business hit rate is much higher than in the previous 12 months, as we have fixed our quoting process and improved our efficiency

Main activities in FY17

- **Structural Cost Reduction Activities**
  - Shrunk Shenzhen facility into 2 buildings (from 4) to cope with decline in revenue from our largest customer
  - Closure of loss-making Brazil factory
  - Reduced office and hub footprint / exit onerous leases

- **Lean Implementation**
  - Complete actions with Yomo in Tijuana and Shenzhen factories
  - Senior hires in Asia and US to improve operational performance
  - Focus on improving efficiency and reducing inventory – clear progress as evidenced by improvement in gross margin and cash generation

- **Improve Quality and Energy of Sales Team**
  - Launched new Sales Incentive Plan and increased performance-based pay
  - Attracted higher quality management in Engineering and Sales
  - Focus on ROCE and joint new product development with customers

Improved competitiveness has resulted in a number of significant new customer wins

Opportunities for Volex in the medium term

FY18 is all about **Execution in our Sales and Operations**

- **Sourcing 1** – there is an opportunity to better leverage our global sourcing spend, and a new China based global head of sourcing starts in August
- **Sourcing 2** – JV cable company is poised to win safety approvals and should address a structural cost disadvantage in power
- **Sourcing 3** – we plan to invest in a new ERP system over the next 36 months which can transform our competitiveness

- Asia sales team under new leadership. Our strategy is to generate higher-quality sales more efficiently

- Finally, with investment, there is opportunity to grow our Tijuana operation where we see strong revenue growth year on year

Financial Summary

$m	FY16	FY17	Change
Revenue	**367.5**	**319.6**	***-13.0%***
Gross Profit	60.4	55.5	*-8.1%*
- Gross Margin	*16.4%*	*17.4%*	
Operating Costs	(53.2)	(46.4)	
Operating Profit	**7.2**	**9.1**	***26.4%***
- Operating Margin	*2.0%*	*2.8%*	
Exceptional Items / Share based payments	(3.7)	(15.6)	
Finance Costs	(1.9)	(1.9)	
Tax	(3.9)	1.5	
Profit after Tax	**(2.3)**	**(6.9)**	
Underlying EPS	1.5	9.5	
Cash Generated by Operations	12.6	24.9	
Net (Debt) / Cash	**(3.2)**	**11.3**	

- Gross margins have improved due to factory rationalisation, improved efficiency, elimination of loss-making sales and procurement efficiencies
- Continued focus on opex reduction with a 13% reduction year on year
- Exceptional costs include $12.5m of fixed asset write-downs. Cash costs of $2.4 million related to restructuring and lean-consultancy
- Significant improvement in pre-exceptional post-tax earnings and cash generation

Exceptional Costs

$m	FY16	FY17
Impairment/Product portfolio realignment	1.5	12.5
Restructuring costs	2.7	1.6
Manufacturing optimisation consultancy	-	0.8
Movement in onerous lease provision	1.1	0.3
Provision for historic sales tax claims	-0.6	-
Total non-recurring items	**4.7**	**15.2**
Cash impact of Exceptional Costs	4.5	5.7

- The largest exceptional item is a non-cash charge to impair the value of production assets in Shenzhen. We are attempting to improve the terms of trade with our largest customer and this write-off highlights the importance of a focus on ROCE
- Restructuring costs reduced to $1.6m made up of costs associated with the closure of activities in Brazil, Ireland, Austin, Japan and Jakarta
- $0.8m spent on manufacturing consultancy to contribute to improved profit margin

Cable Assemblies

$m	FY16	FY17	*Change*
Revenue	**137.3**	**131.3**	***-4.4%***
Gross Profit*	30.6	27.9	
Gross Margin*	*22.3%*	*21.2%*	
Operating Costs	(20.8)	(17.4)	
Operating Profit*	**9.8**	**10.5**	***7.1%***
Operating Margin*	7.2%	8.0%	

* Underlying measure before Share Based Payments and Exceptional Items

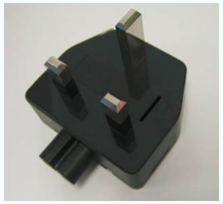
- Sales declined due to end of life for internal assemblies on laptops with our largest customer and continued decline of sales to a large European telecom customer (production miniaturisation and reduced demand)

- This decline masks strong growth, particularly in our high speed business which sells cables to support data centres and cloud storage

- Margins have increased during the year, largely due to opex savings

Power Cords

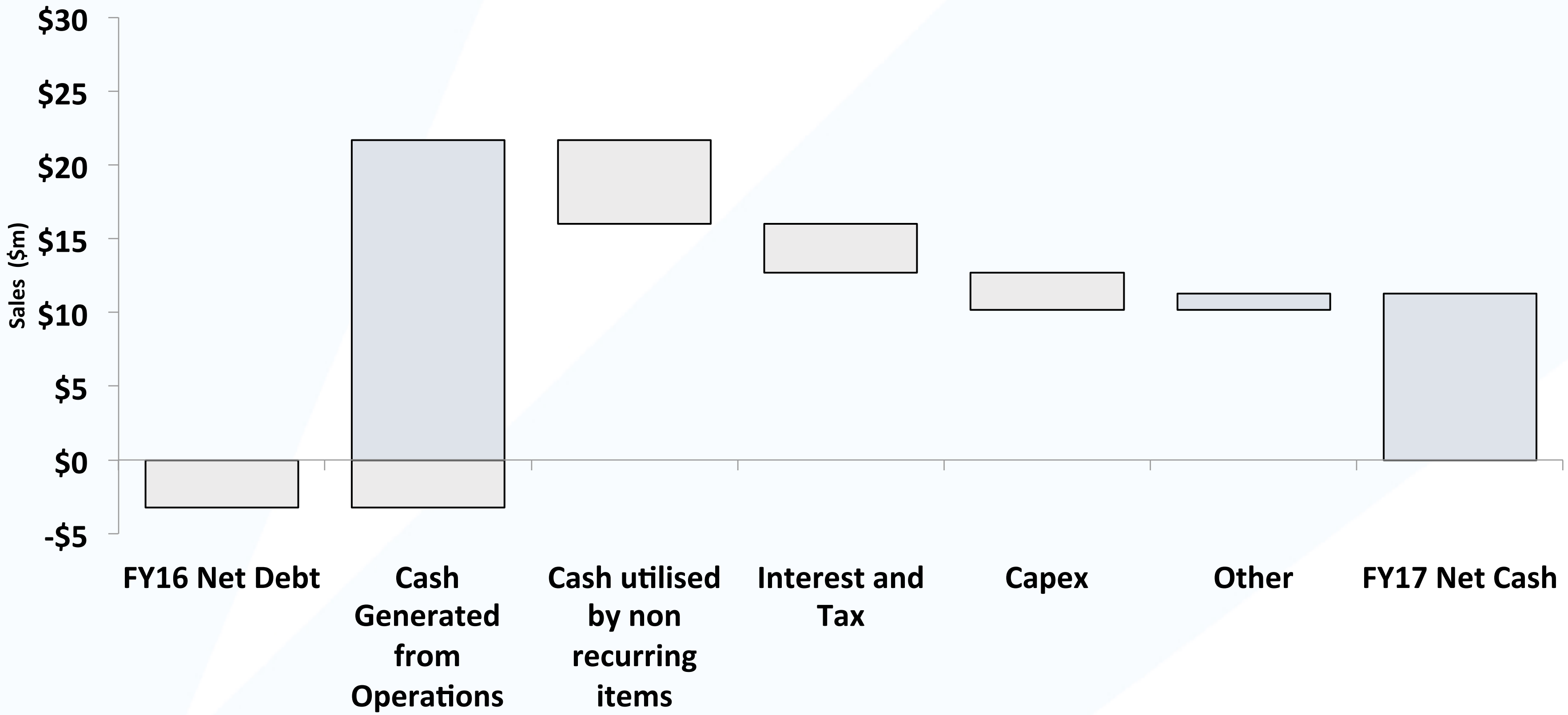
$m	FY16	FY17	*Change*
Revenue	**230.2**	**188.3**	***-18.2%***
Gross Profit*	29.8	27.5	
Gross Margin*	*12.9%*	*14.6%*	
Operating Costs	(27.5)	(24.3)	
Operating Profit*	**2.3**	**3.2**	***39.1%***
Operating Margin*	1.0%	1.7%	



* Underlying measure before Share Based Payments and Exceptional Items

- Reduction in sales mainly due to the reduction of sales to our largest customer, together with the deliberate exit from low margin customers
- We reduced our factory costs to increase our gross margin. In addition lower opex delivered an increase in operating profit
- Step taken to upgrade management of sales, engineering and operations in the Power Cord division

Cash Generation



Significant improvement in our year-end cash position

Lloyds and HSBC continue to support the group with a $30m revolving credit facility extended to June 2019

Return on Capital

Volex

$m	FY16	FY17
Goodwill & Intangibles	3.7	3.0
Property, Plant and Equipment	33.3	18.1
Other	2.4	3.8
Non-current Assets	**39.5**	**24.9**
Inventories	41.5	36.0
Trade & other receivables	64.1	62.0
Cash and bank balances	30.7	29.6
Current Assets	**136.3**	**127.6**
Trade & other payables	74.6	76.2
Overdraft	5.2	0.0
Tax liabilities	6.2	5.3
Other	2.6	1.1
Current Liabilities	**88.6**	**82.6**
Borrowings	28.8	18.2
Provisions	1.9	0.1
Other	5.1	5.4
Non-current Liabilities	**35.8**	**23.7**
Net Assets	**51.4**	**46.2**
ROCE (as at year end)	13.2%	26.1%

- As the revenue has declined, inventory and trade receivables have reduced, generating cash to reduce debt
- The business has generated significant cash flow during the year and paid down the long term borrowings by over $10million
- PPE has reduced due to the impairment of assets in Shenzhen. This reduction in assets has driven an improvement in the return on assets
- Volex has a cleaner, leaner balance sheet and sufficient capital resources to pursue organic growth in FY18
- Tax losses b/f of $139million
- Pension deficit $4.4million

Outlook

- Current expectations are that revenues will show a recovery in FY18
  - Power Cord expected to show a small decline with improved margin
  - Cable Assemblies pipeline is encouraging
- Gross margin % to be consolidated at FY17 levels
- Operating expenses should show a small reduction as full year run-rate savings are realised
- Cash generation to provide funds to invest in future growth

Additional Information

Our customers

Volex

Consumer

mi
Microsoft
dyson
lenovo
LG
PHILIPS
OKI
Panasonic
FUJI xerox
Electrolux
SAMSUNG
brother
SONY
hp
TOSHIBA
Canon
WIK
EPSON

Datacom

Mellanox TECHNOLOGIES
hp
JABIL
ORACLE
DELL
f
Microsoft
lenovo
CISCO
Agilent Technologies

Telecom

ERICSSON
HITACHI
HUAWEI
QUALCOMM
NOKIA Connecting People
AVAYA
Alcatel·Lucent

Industrial

Carrier TRANSICOLD
Universal Instruments
SIEMENS
BELECTRIC
EMMVEE solar
COMAU
Schneider Electric
COHERENT
GE

Healthcare

PHILIPS
Johnson & Johnson
GE Healthcare
ARGON MEDICAL DEVICES
Neusoft Beyond Technology
INTUITIVE SURGICAL
Baxter
Hill-Rom
handicare
FRESENIUS
SUNRISE MEDICAL
Dräger
mindray

Transportation

TATA
JCB
Autoliv
pesa
jacto
Omnitracs
TESLA
Astrata
TAKATA

8 world class manufacturing sites

Volex Heng Gang, Shenzhen – 1745pax

Volex Zhongshan, Guangdong – 1388pax

Volex Batam, Indonesia – 1200pax

Volex de Mexico, Tijuana – 503pax

Volex Chennai, India – 288pax

Volex Hanoi, Vietnam – 283pax

Volex Suzhou, China – 587pax

Volex Poland, Bydgoszcz – 323pax