

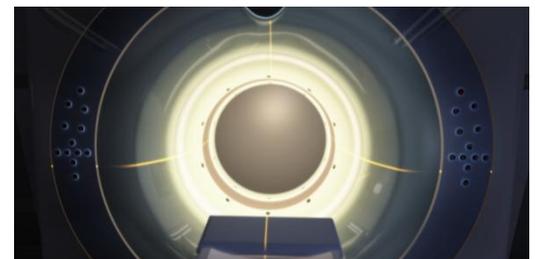
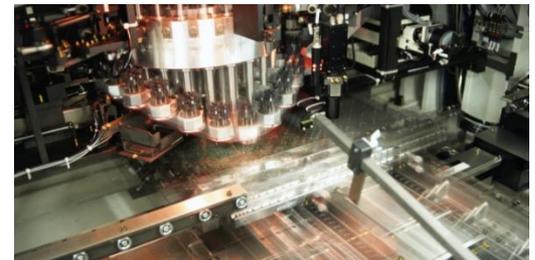
# Half year results for the 26 weeks ended 29 September 2013

14 November 2013

Karen Slatford, Chair

Christoph Eisenhardt, CEO

Nick Parker, CFO



**Building for the Future**

# Agenda

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Chair

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CEO

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CFO

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All

# Disclaimer

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THIS PRESENTATION CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE A NUMBER OF RISKS AND UNCERTAINTIES. ACTUAL RESULTS MAY DIFFER MATERIALLY. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE GENERAL ECONOMIC CONDITIONS, CURRENCY FLUCTUATIONS, COMPETITIVE FACTORS, THE LOSS OR FAILURE OF ONE OR MORE MAJOR CUSTOMERS, CHANGES IN RAW MATERIALS OR LABOUR COSTS, AND ISSUES ASSOCIATED WITH IMPLEMENTING OUR STRATEGIC PLAN AMONG OTHER RISKS. BY MAKING THESE FORWARD-LOOKING STATEMENTS, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE THESE STATEMENTS FOR REVISIONS OR CHANGES AFTER THE DATE OF THIS PRESENTATION.

# Executive Summary

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Karen Slatford, Chair



# Board and Senior Management Changes

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New appointments with highly relevant experience



# Executive summary

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- Difficult period with challenging market conditions and delays in product launches
- New executive management team and Board members
- Volex Transformation Plan initiated
- Focus on delivering a sustainable value creation (revenue growth)
- Strong underlying business:
  - ✓ **Leading provider** of power and data cords
  - ✓ **Blue-chip customer base**
  - ✓ **Highly recognised and established** brand
  - ✓ **Unique global manufacturing and sales footprint**
  - ✓ **Reputation for quality** and delivery excellence

# Business Review

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Christoph Eisenhardt, CEO



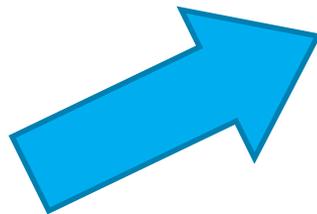
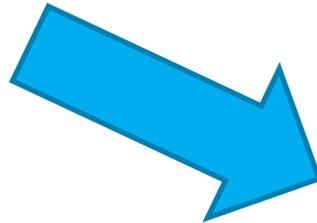
# Business Review and Transformation Plan

## Strengths

- Market leadership
- Unique global manufacturing and sales footprint
- Reputation for quality and delivery excellence
- Blue-chip customer base

## Areas to address

- Business generation
- Time to market
- Design-to-cost
- Operational efficiency



## Volex Transformation Plan

### Objectives

- Deliver sustainable revenue growth
- Drive supply chain excellence

### Areas of focus

- Market and industry specific product offering
- Customer intimacy and technical sales competencies
- De-centralise and empower local facilities

### Business structure

- Two divisions – Power and Data

# Why two divisions?

- Address market specific dynamics and better leverage Volex's strengths
- Improve competitiveness to benefit better from the growing markets
- Capitalise on Volex's unique global manufacturing footprint and sales presence
- Increase business transparency & accountability

## Power Singapore

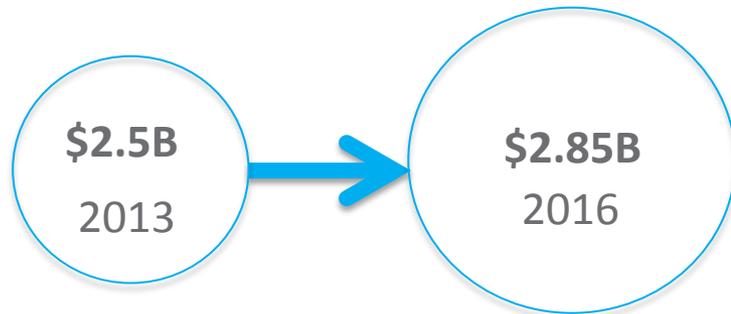


## Data USA

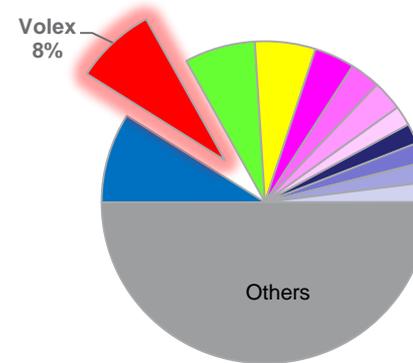


# Power – retain leading position as power cable manufacturer

## Addressable Power Market



## Voilex Market Share



## Specifics

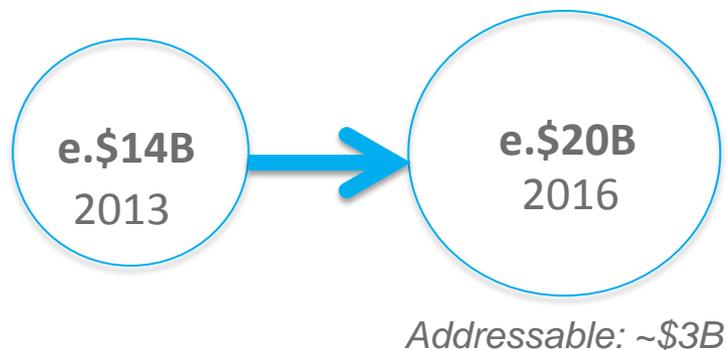
- Volume and price sensitive
- Dynamic sales allocations
- Regional safety regulations apply
- Increasing cosmetic requirements

## Voilex Transformation Plan

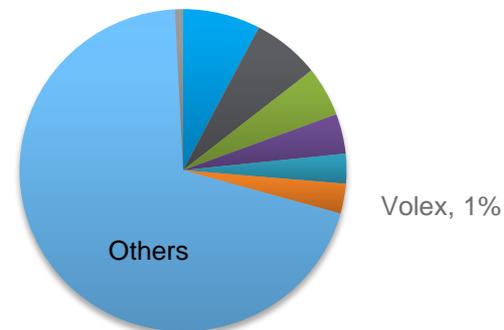
- Regionalise sales and engineering to drive sales growth
- Improve competitiveness through design-to-cost and local sourcing
- De-centralise and empower local facilities to address evolving customer requirements

# Data – grow share in diverse micro-connectivity market

## Micro-Connectivity Market



## Voilex Market Share



## Specifics

*Market segmenting into volume and niche value provider*

- Highly engineered products with long lifecycle
- Technical specification and performance (Innovation)
- Long term trusted supplier-customer relationships

## Voilex Transformation Plan

- Leverage existing technology expertise and customer base to drive sales growth
- Enforce Field Engineering to directly interface with customer's R,D&E teams
- Expand product portfolio through innovation and strategic partnerships

# Key operational priorities for next 12 months

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**Stabilize the business during the second half...**

**... and deliver sustainable growth next year**

## **Through:**

- Increased business generation and plant utilisation
- Enforced design-to-cost capabilities
- Improved business focus and accountability

# Financial Review

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Nick Parker, CFO



# Financial Highlights

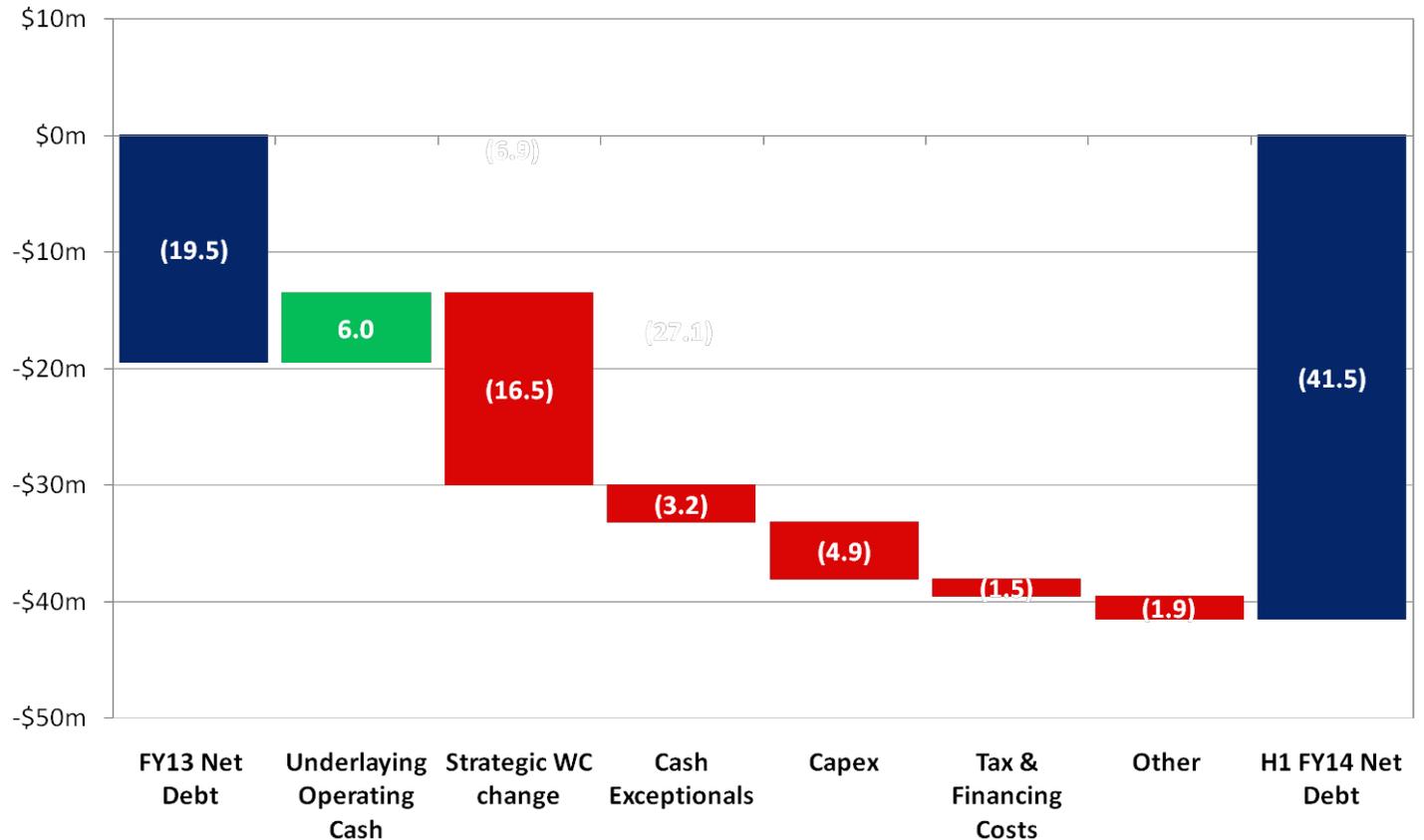
\$m	First six months		Year to 31 March	
	FY2013	FY2014	FY2012	FY2013
Revenue	249.3	<b>196.5</b>	517.8	473.2
Gross Profit*	44.3	<b>33.7</b>	102.5	85.3
<i>Gross margin*</i>	17.8%	<b>17.1%</b>	19.8%	18.0%
Operating costs	(39.0)	<b>(32.1)</b>	(70.5)	(72.9)
<b>Operating Profit*</b>	<b>5.3</b>	<b>1.6</b>	<b>32.0</b>	<b>12.3</b>
<i>Operating margin*</i>	2.1%	<b>0.8%</b>	6.2%	2.6%
Exceptionals	(0.7)	<b>(5.8)</b>	(5.0)	(8.0)
SBP & Finance costs	(2.3)	<b>0.1</b>	(7.8)	(2.4)
Tax	(0.5)	<b>(0.1)</b>	(2.0)	(2.8)
Profit after tax	1.8	<b>(4.2)</b>	17.2	(0.9)
Basic EPS*	5.9	<b>0.0</b>	43.7	11.4

\*Underlying measure before Share Based Payments and Exceptional items

- Revenue reduction reflects challenging market conditions in some of our regions and delays in certain customer product launches
- Operating costs reduced by \$7m or 18% year on year due to cost reduction programme
- Business transformation giving rise to exceptional items
- SBP & Finance costs reduced due to a \$1.6m Share Based Payment credit
- High effective tax charge despite overall performance due to requirements at certain locations for minimum profitability
- Interim dividend suspended

# Cash flow

Underlying business is cash generative



- Net debt increased due to change in supplier payment profiles following a strategic decision to move to a multi-sourcing supplier model
- Capital expenditure considerably down on prior year (H1 FY2013: \$9m)
- Exceptional cash outflow primarily related to operational restructuring

# Power Division

\$m	First six months		Year to 31 March	
	FY2013	FY2014	FY2012	FY2013
Revenue	170.8	<b>128.3</b>	332.6	323.1
Gross profit*	25.4	<b>17.9</b>	60.4	48.5
<i>Gross margin*</i>	14.8%	<b>13.9%</b>	18.2%	15.0%
Operating costs	(16.0)	<b>(13.9)</b>	(28.6)	(29.7)
Operating profit*	9.3	<b>3.9</b>	31.8	18.8
<i>Operating margin*</i>	5.5%	<b>3.1%</b>	9.6%	5.8%

\*Underlying measure before Share Based Payments and Exceptional items

- Revenue reduction due to challenging market conditions in some of our regions due to price competition
- Margin reduction off-set by implementation of cost reduction programme
- Future growth plans in place – new products have driven growth historically and can still do so in the future through:
  - Dedicated sales teams understanding customer needs for new products
  - Price competitiveness due to design-to-cost and multiple supplier sourcing

# Data Division

\$m	First six months		Year to 31 March	
	FY2013	FY2014	FY2012	FY2013
Revenue	78.5	<b>68.3</b>	185.1	150.1
Gross profit*	19.0	<b>15.8</b>	42.1	36.7
<i>Gross margin*</i>	24.2%	<b>23.2%</b>	22.7%	24.5%
Operating costs	(13.7)	<b>(10.1)</b>	(25.0)	(24.0)
Operating profit*	5.3	<b>5.7</b>	17.1	12.8
<i>Operating margin*</i>	6.8%	<b>8.3%</b>	9.2%	8.5%

\*Underlying measure before Share Based Payments and Exceptional items

- Reduction in revenue despite strong performance of our healthcare business due to adverse market conditions within telecoms sector
- Operating margin increased due to effective reduction of operating costs by 26% year on year
- Future growth plans in place will be driven by:
  - New opportunities in data cables
  - Close involvement with 4G base station roll-out
  - Data centre cables
  - New healthcare industry opportunities

# Summary & Outlook

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Karen Slatford, Chair



# Summary & Outlook

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## Summary

- The trading environment was and continues to be challenging
- Period of fundamental renewal – new Board and management team
- Prudent decision to suspend interim dividend

## Outlook

- Significant work ahead for the new management team in turning around the business
- Execute the Volex Transformation Plan
- Improve our service to global customer base
- Focus on operational excellence and maximising economies of scale
- Benefit from significant growth opportunities in both divisions: power and data
- Resume dividend payments when appropriate

# Q&A

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All

