Volex – Preliminary Results 2015/16

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Introduction

- We have organisation-wide agreement on the key issues to address
  - Central management was detached from our factories, sales team and customers
  - The last strategy added a lot of cost and a lot of new people – and in the process Volex lost focus on its core areas of expertise

- We have simplified the structure and empowered our factory managers, sales people and engineers
  - Significant reduction in central overhead (~40% reduction year on year)
  - Focus on our core competencies – e.g. medical, high-speed data
  - Increase our speed of execution and our hit-rate on new business wins
  - Rigorous cost-cutting and procurement focus in our Power Cord business

- We have a clear understanding of our business and which activities generate an acceptable return
  - Remove loss-making customers and activities
  - Share information and best-practice so that our people learn how to make Volex more competitive

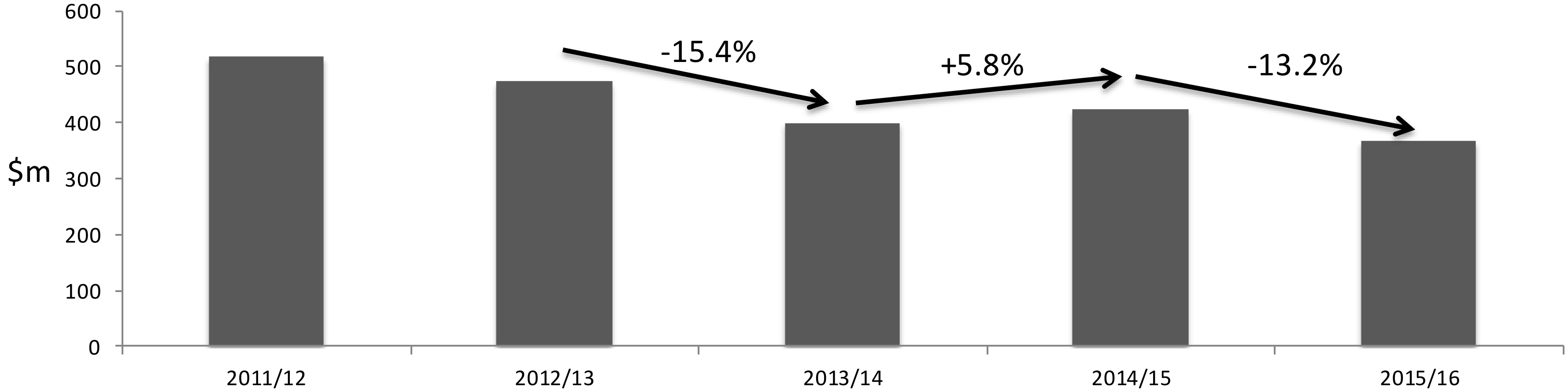
Priorities for FY17

- Align cost base to our competition, by completing current lean manufacturing initiatives
- Improve sales effectiveness with best-in-class RFQ response times and competitive pricing
- Remove all loss-making and in-efficient activities – by P/N, office and factory
- Improve working capital management – inventory focus with an aim to reduce by 20 to 30%
- Improve customer engagement – so that customers understand, appreciate and pay for our value and quality proposition

Key Summary – FY2016 Results

- 13% reduction in sales (9% on a like for like basis – extra week and FX)
- Our major markets saw reduced demand – global PC sales volumes fell more than 10% in 2015; our largest cutomer tablet sales down 22%
- Cost control resulted in small reduction in gross margin – from 16.7% to 16.4%
- On-going operating expenses reduced by 14%, from $62.1million to $53.2million
- Pre exceptional operating profit down by 18%, from $8.8 million to $7.2 million
- Existing credit facility renewed through until June 2018

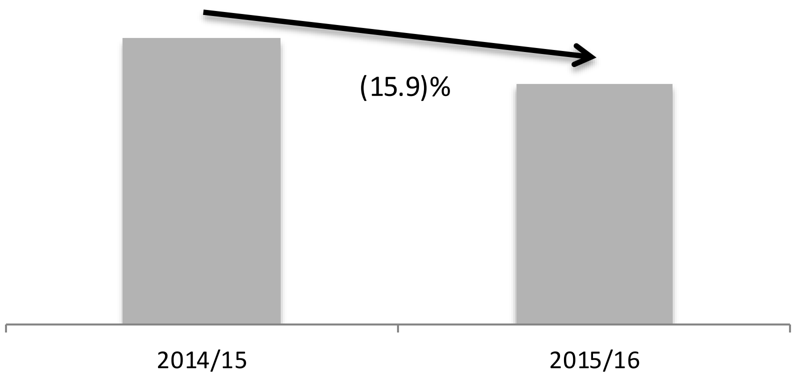
Revenue reduction in 2015/16



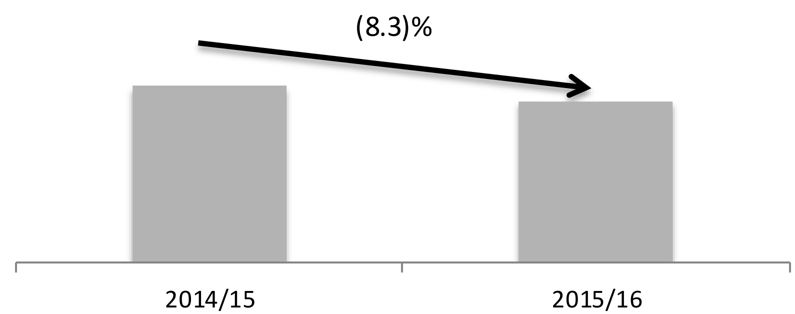
- Revenue decreased by 13% to $368million
    - Tough trading conditions
    - Reduced sales volumes across nearly all customers
    - Decline in copper price and decline in sales volumes with largest customer
- Revenue share of top 3 customers continued to decline from 47% to 45%
- When it became clear that H2 revenues were going to be below expectations management took decisive action to remove cost
    - Q4 was particularly disappointing with consumer electronics customers reducing stock balances

Revenue breakdown by activity

Power Cords – FY2015 to FY2016



Cable Assemblies – FY2015 to FY2016



- Sales fell from $274 to $230 million
- Adjusting for extra week and for copper price fall, decline was 12%
- The revenue decline seen at our largest customer was 22%
- We are predicting a small decline in sales in the power cord sector for the coming year – copper price continues to fall

- Sales reduced from $150 to $137 million
- Largest accounts had a difficult year – Philips, Ericsson and Omnitracs all down, with markedly lower sales volumes at Ericsson
- FX headwinds as sales in Euros for top 2 customers
- Growth seen with other customers, and we expect this trend to continue

Financial Review

Financial Summary

$m	FY15	FY16	*Change*
Revenue	**423.4**	**367.5**	***-13.2%***
Gross Profit	70.9	60.4	*-14.8%*
- Gross Margin	*16.7%*	*16.4%*	
Operating Costs	(62.1)	(53.2)	
Operating Profit	**8.8**	**7.2**	***-18.2%***
- Operating Margin	*2.1%*	*2.0%*	
Exceptional Items / Share based payments	(13.4)	(3.7)	
Finance Costs	(2.6)	(1.9)	
Tax	(3.5)	(3.9)	
Profit After Tax	**(10.7)**	**(2.3)**	
Underlying EPS	2.8	1.5	
Cash Generated by Operations	18.2	12.6	
Net Cash / (Debt)	**1.9**	**(3.2)**	

- Gross margins under pressure, but broadly maintained, as a result of improved procurement and continued operational focus
- Operating costs reduced due to fast response by management team to revised demand forecast

Operating margin at 2.0% and positive profit before tax for the first time in 3 years

Business absorbed cash in the year due to cash restructuring costs

Exceptional Costs

$m	FY15	FY16
Impairment / Product Portfolio Realignment	5.8	1.5
Restructuring Costs	5.2	2.7
Financing	0.1	-
Provision for Historic Tax Claims	0.1	-0.6
Movement in Onerous Lease Provisions	1.1	1.1
Other	0.2	0
Exceptional Costs	**12.5**	**4.7**
Cash impact of Exceptional Costs	5.4	4.5

- Significant reduction in exceptional costs in the year
- Impairment charge is non-cash and relates to write-down of fixed assets
- Restructuring costs relate to the removal of the majority of the former executive management and ongoing down-sizing activities
- The onerous lease charge relates to the Warrington facility

Divisional Profits

$m	FY15	FY16	*Change*
Revenue			
- Cable Assemblies	149.7	137.3	*-8.3%*
- Power Cords	273.7	230.2	*-15.9%*
- Total	**423.4**	**367.5**	***-13.2%***
Divisional Gross Profit			
- Cable Assemblies	34.2	30.6	*-10.5%*
- Power Cords	36.7	29.8	*-18.9%*
- Total	**70.9**	**60.4**	***-14.9%***
Divisional Operating Profit			
- Cable Assemblies	11.2	9.8	*-12.5%*
- Power Cords	5.4	2.3	*-57.3%*
- Total	16.6	12.1	***-27.1%***
Central Costs	(7.8)	(4.9)	
Operating Profit	**8.8**	**7.2**	***-18.6%***

Central costs relate to central finance, HR, Legal, Board and London listing costs

Cable Assemblies

Volex

$m	FY15	FY16	Change
Revenue	**149.7**	**137.3**	***-8.3%***
Gross Profit*	34.2	30.6	*-10.5%*
*Gross Margin**	*22.8%*	*22.3%*	
Operating Costs	23.0	20.8	*-9.6%*
Operating Profit*	11.2	9.8	*-12.5%*
*Operating Margin**	*7.5%*	*7.2%*	

*Underlying measure before Share Based Payments and Exceptional Items

- Revenue decline due to reduction of business with largest customers
- Overall margin fall not as marked as at half year, due to cost cutting in H2
- Growth forecast for FY17 from current revenue low-point

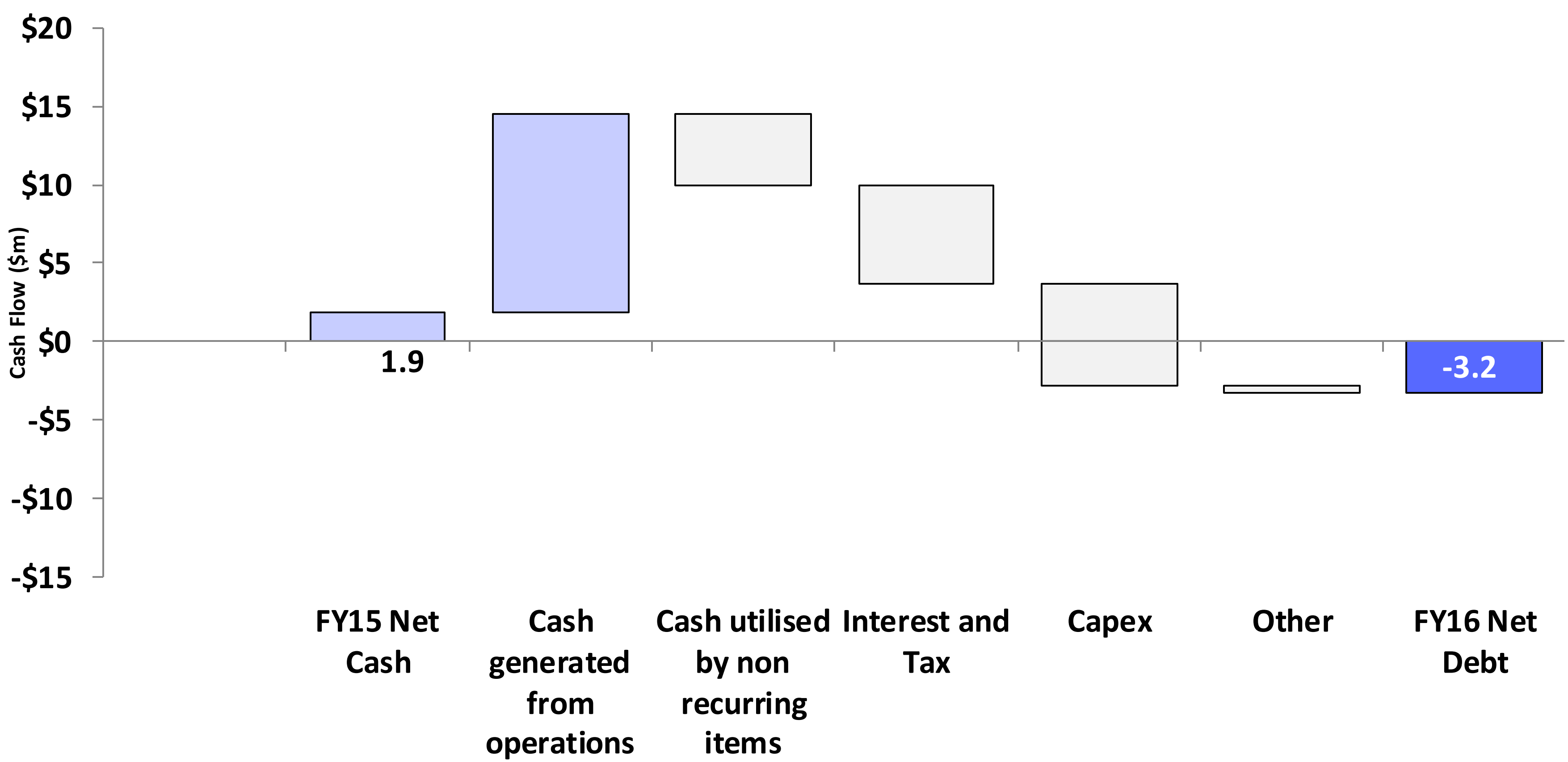
Power Cords

$m	FY15	FY16	Change
Revenue	**273.7**	**230.2**	***-15.9%***
Gross Profit*	36.7	29.8	*-18.9%*
*Gross Margin**	*13.4%*	*12.9%*	
Operating Costs	31.4	27.5	*-12.3%*
Operating Profit*	5.4	2.3	*-57.3%*
*Operating Margin**	*2.0%*	*1.0%*	

*Underlying measure before Share Based Payments and Exceptional Items

- Significant reduction in sales volumes in consumer electronic end-markets
- Largest customer saw tablet sales volume fall 22%; Global PC market sales volumes fell nearly 11%
- High fixed costs mean that the business is operationally geared, and is operating close to breakeven

Cash Flow



- Cash positive – before non recurring items
- Improvement on H1 net debt position
- Current bank facilities extended to June 2018

Balance Sheet

$m	FY15	FY16
Goodwill & Intangibles	4.3	3.7
Property, Plant and Equipment	35.2	33.3
Other	1.9	2.4
Non-current Assets	**41.4**	**39.5**
Inventories	43.4	41.5
Trade & other receivables	75.2	64.1
Cash and bank balances	33.7	30.7
Current Assets	**152.3**	**136.3**
Trade & other payables	88.7	74.6
Overdraft	7.5	5.2
Tax liabilities	6.7	6.2
Other	5.2	2.6
Current Liabilities	**108.1**	**88.6**
Borrowings	24.3	28.8
Provisions	1.5	1.9
Other	5.6	5.1
Non-current Liabilities	**31.4**	**35.8**
Net Assets	**54.2**	**51.4**
Capital Employed	85.6	87.2
EBIT / Average Capital Employed	10.0%	8.3%

- Reduction in working capital as revenue has reduced
- $45m bank facility with June 2018 maturity
- Target to reduce stock balances in FY17
- Target to increase return on capital employed to 15%

Outlook

- Current expectations are that revenues will be in the range of $340 to $360 million in FY17
  - Power Cord volumes and pricing pressures continue but pipeline is now stable
  - Cable Assemblies pipeline is encouraging – aiming for growth this year
- A full year of cost savings from actions taken in FY16 should result in a further reduction in operating costs
- Ongoing review of major production facilities expected to yield further saving and efficiencies
- Initiatives under way to reduce our stock levels and improve cash generation
- Targeting an increase in operating profit and operating cash flow over FY16, resulting in a reduction in net debt