Volex – Interim Results 2017/18

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Volex is

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

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Summary of H1 Results

- Consolidated revenue fell 2.8% to $162million
- **Excluding our largest Power customer, group revenue increased by 5%**
- Pre-exceptional operating profits up 27% to $5.5million despite fall in overall sales, driven by cost reduction and improvement in mix
- **Pre-exceptional operating profit margin up from 2.6% to 3.4%**
- Net cash position of $5.8million at end of H1, reflecting investment into inventory and receivables as we diversify our customer base

Best first half operating profit performance in 5 years

Strategy for FY18 and beyond

Improved execution in our Sales and Operations:

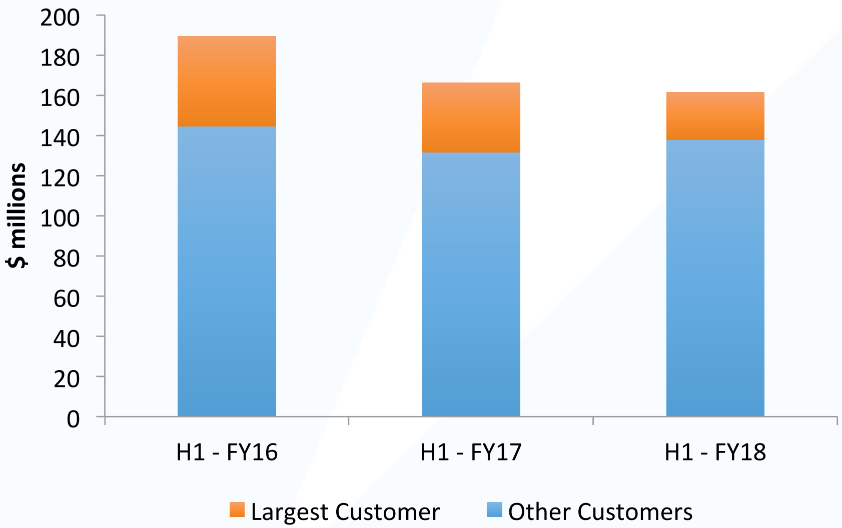
- Diversify our revenue stream to make business more resilient
- Improved use of engineering resources to develop new customers and products
- Introduce lean-manufacturing mentality into all sites
- Leverage our global sourcing spend and upgrade our ERP system
- Continue to pursue vertical integration and automation in Power Cord business to reduce costs and improve competitiveness
- Move to AIM to allow us greater flexibility to grow and diversify our business

Strategy to include bolt-on acquisitions

Financial Review

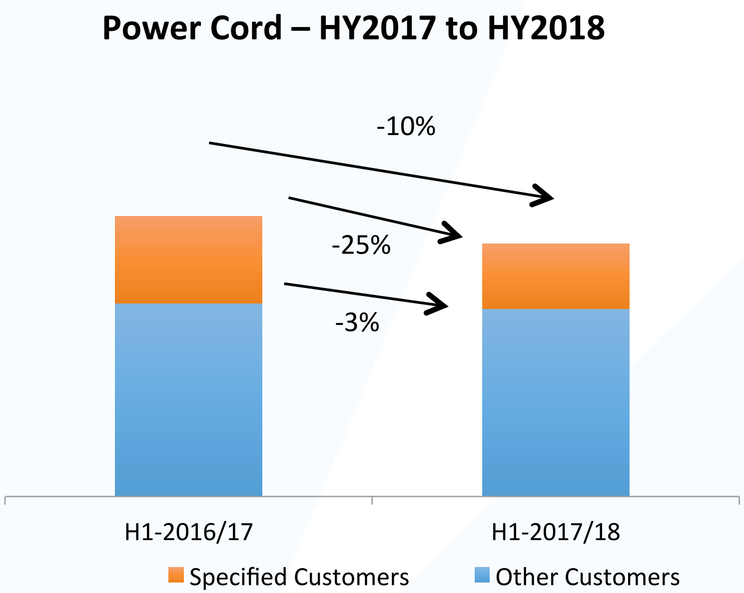
Revenue Progression

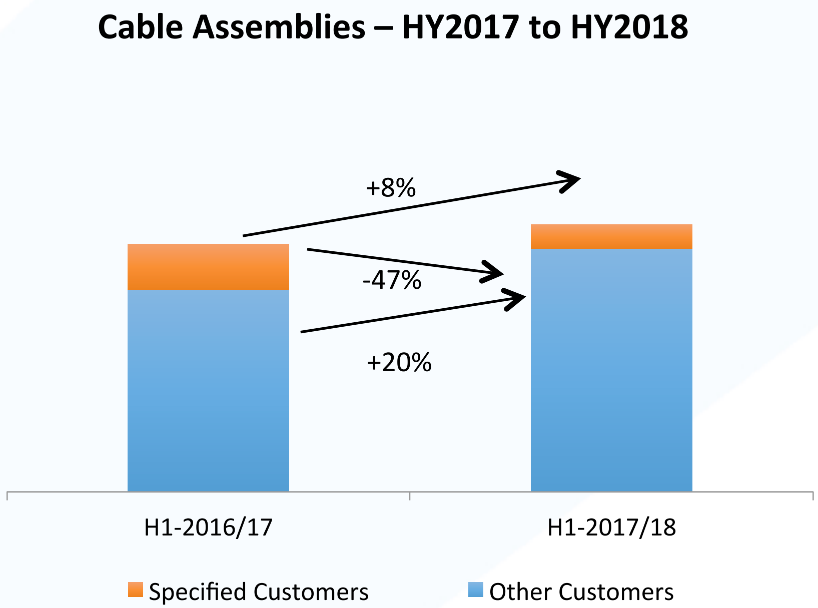
Volex Sales - last 3 years



- The top 3 customers as a proportion of the total sales has reduced: from 47% in FY15 to 38% in H1 FY18
- Excluding sales to our largest customer, revenue increased by 5% in H1 FY18
- This is an acceleration on the 1% growth we reported in H2 FY17
- 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

H1 Revenue Performance





- Sales fell from $100 to $91 million
- Largest customer fall as a result of a move to lower power devices with USBC charger
- Demand levels appear to have stabilised although competition remains fierce

- Sales increased from $66 to $71 million
- Large European telecoms customer continues to decline
- Continued growth in medical customer base
- Expectation of continued growth in H2

Financial Summary

Volex

$m	FY16	FY17	H1-17	H1-18
Revenue	**367.5**	**319.6**	**166.1**	**161.5**
Gross Profit	60.4	55.5	28.0	28.9
- Gross Margin	*16.4%*	*17.4%*	*16.9%*	*17.9%*
Operating Costs	(53.2)	(46.4)	(23.7)	(23.4)
Operating Profit	**7.2**	**9.1**	**4.3**	**5.5**
- Operating Margin	*2.0%*	*2.8%*	*2.6%*	*3.4%*
Exceptional Items / SBP	(3.7)	(15.6)	(8.9)	(0.4)
Finance Costs	(1.9)	(1.9)	(1.0)	(0.9)
Tax	(3.9)	1.5	(1.1)	(0.7)
Profit After Tax	**(2.3)**	**(6.9)**	**(6.7)**	**3.5**
Underlying EPS	1.5	9.5	2.5	3.9
Cash Generated by Operations	12.6	24.9	11.3	(0.4)
Net Cash / (Debt)	**(3.2)**	**11.3**	**5.2**	**5.8**

- Sales diversification and growth strategy starting to show benefits
- Gross margin shows an increase as lean initiatives take effect and we exit lower margin business
- Operating costs tightly controlled
- No exceptional items in H1
- Positive earnings as a result of lower interest and tax costs and an absence of one-off charges

Cable Assemblies

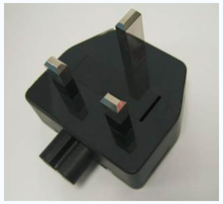
$m	FY16	FY17	H1-17	H1-18	*Change*
Revenue	**137.3**	**131.3**	**65.7**	**70.9**	*7.9%*
Gross Profit*	30.6	27.9	13.8	14.8	*7.2%*
*Gross Margin**	*22.3%*	*21.2%*	*21.0%*	*20.9%*	
Operating Costs	20.8	17.4	9.0	9.6	*6.7%*
Operating Profit*	**9.8**	**10.5**	**4.8**	**5.2**	*8.3%*
*Operating Margin**	*7.2%*	*8.0%*	*7.3%*	*7.4%*	

*Underlying measure before Share Based Payments and Exceptional Items

- Divisional revenues up by 7.9 per cent when compared to last year
- Growth starting to materialise despite continued fall in our large European telecoms customer
- New business brings start-up inefficiencies. Margin pressure will continue until we fully ramp-up business and improve performance in our TJ site

Power Cords

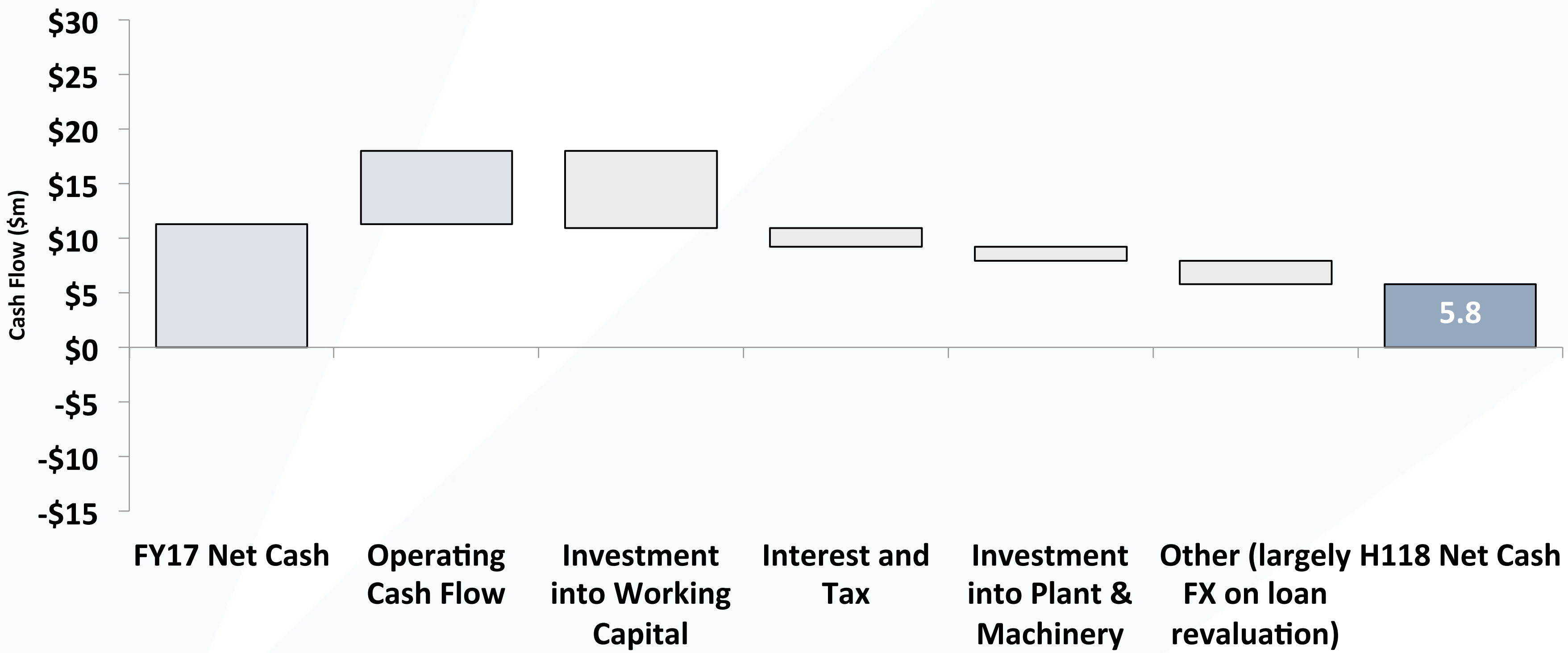
$m	FY16	FY17	H1-17	H1-17	*Change*
Revenue	**230.2**	**188.3**	**100.4**	**90.5**	*-9.9%*
Gross Profit*	29.8	27.5	14.2	14.0	*-1.4%*
*Gross Margin**	*12.9%*	*14.6%*	*14.2%*	*15.5%*	
Operating Costs	27.5	24.3	12.8	11.3	*-11.4%*
Operating Profit*	2.3	3.2	1.5	2.7	*80.0%*
*Operating Margin**	*1.0%*	*1.7%*	*1.5%*	*3.0%*	



*Underlying measure before Share Based Payments and Exceptional Items

- Divisional revenues down 9.9% - attributable to largest customer
- Gross margin increased again as we focus on the higher margin customers
- Significant increase in profitability due to previous restructuring actions
- Copper price up 17% year on year – equates to around $2m, so volumes in commodity PVC business have fallen around 5 per cent

Cash Flow



- A reasonable operating cash performance has been absorbed by investment into working capital on new accounts
- Cash at healthy levels and covenants are all in compliance
- Lloyds and HSBC continue to support the group with a $30m revolving credit facility extended to June 2019

Outlook

- Current expectations are that revenues will show a slight recovery in FY18
  - Power Cord expected to show a decline with improved margin
  - Cable Assemblies pipeline is encouraging and we should see reasonable growth
- Gross margin % to be consolidated at least 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 growth –both organic and through small acquisitions

Additional Information

Our customers

Volex

Consumer

- Mi
- Microsoft
- dyson
- lenovo
- LG
- PHILIPS
- OKI
- Panasonic
- FUJI XEROX
- Electrolux
- SAMSUNG
- brother
- SONY
- hp
- TOSHIBA
- Canon
- W-IK
- 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