

Embargoed to 07:00
Friday 5 June 2020

Volution Group plc

Trading Update

Overview

Further to the announcements of 25th March and 2nd April, Volution Group plc ("Volution" or "the Group" or "the Company", LSE: FAN), a leading supplier of ventilation products to the residential and commercial construction markets in the UK, Continental Europe and Australasia, today provides an update on trading and progress with respect to managing the impact on the business of COVID-19.

Since the announcement of 2nd April:

- Trading outside of the U.K. (52% of FY19 Group revenues) has been robust, with May at around 91% of prior year levels;
- All of our facilities including those in the U.K. are operational; U.K. activity levels remain subdued but have picked up from 30% of prior year levels in April to 42% in May, with a further step up so far in June;
- We have seen continued, good cash generation, with cash in bank and on deposit increasing from £41 million as at 31st March to £49 million as at 31st May. Our undrawn facilities under the Group's £120 million Revolving Credit Facility remain unchanged;
- Discretionary cost and capital expenditure continues to be tightly managed, with ongoing investment focused on key new product developments;
- The Board, including the Executive Directors, will extend the period of their 20% salary reduction until the end of the financial year on the 31st July; and
- As at 1st June, 46% of our U.K. workforce was on furlough, compared to 65% at its peak, and we will continue to bring staff back as demand returns.

Looking after our people

The safety and wellbeing of our employees is of paramount importance. We have worked carefully across all of our facilities, drawing on the expertise of both our operational leaders and external occupational health specialists, to ensure that we adhere to all workplace regulations announced by the Governments of the countries we operate in. We have implemented additional measures to assist employees navigate this challenging period, including the provision of wellbeing advice and guidance, support via an Employee Assistance Programme, and use of posters, videos and a "first-day induction" to help people safely return to our sites where appropriate.

Trading

Our non-UK revenues have been resilient across all of our markets. Our Nordics and German businesses have continued to operate at good revenue levels. With additional pick-up in activity in Belgium, and the resumption of operations in New Zealand enabled by the relaxation of restrictions since late April, May revenues in both our Continental Europe and Australasian segments are running at between 90-95% of prior year levels.

In the U.K. our activity has improved from approximately 30% of prior year levels in April, to 42% in May and already are at approximately 65% in early June trading. Return to construction sites by house-builders and the re-starting of commercial projects has enabled our new build residential and commercial sectors to start recovering but at a slow pace, whilst in the RMI category we are seeing public housing most impacted due to restrictions and inability of contractors to access customer properties.

Our “capex and overhead light” operating model and strong working capital disciplines has ensured that the Group has continued to generate positive operating cash flows since the start of the pandemic. Whilst the crisis has reduced revenues through April and May, our asset light model gives us considerable flexibility and resilience to withstand the current downturn in activity.

Operational excellence

During the period, we have continued with our ongoing operational improvement programme. The Company has made a number of ERP platform investments in recent years to facilitate consistency and efficiency across our businesses. The most recent stage of this programme has focussed on streamlining process across certain parts of the Group which regrettably will result in a small number of job losses, predominantly in the U.K. Going forward, we will use this period of lower activity to drive forward our initiatives regarding the cross-selling of our different products.

Ronnie George, Volution Chief Executive, commented:

“As with many businesses, COVID-19 has had an adverse impact across our Group with the U.K. most notably affected. However, we have benefitted from our geographic diversity which has helped partially insulate the overall Group as other countries remained more active and are emerging from lock down more quickly.

Since the latter stages of March, when the various country lock downs started to have an impact, I have been truly impressed with the speed and agility with which our local teams moved the organisational support to remote working and our production and warehouse facilities to be COVID-19 safe. Our committed employees, led by the local management teams have done an amazing job to keep our facilities safe, secure and productive and continued to supply essential ventilation equipment to our customers. I am particularly proud of the support we provided in supplying ventilation equipment to a number of quickly erected “Nightingale Hospitals” in the U.K., notably the substantial effort at the Excel centre in London.

There is an increasing awareness, and body of research, demonstrating that efficient and well ventilated buildings are essential for health and wellbeing and have a key role to play in governmental strategies to reduce the future risks from COVID-19 and other viruses. As such, we remain certain that increased awareness of the link between air quality and health, coupled with long term regulatory and consumer trends that underpin our markets will continue to increase the demand for our solutions.”

Outlook

The unprecedented uncertainty around the impact of COVID-19, means it continues to be difficult to assess with certainty our near-term financial performance, particularly in the U.K., although we do remain encouraged by the robustness of activity levels in our Continental European and Australasian markets.

A further update will be provided in late July in a pre-close trading statement.

-Ends-

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Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

Note to Editors:

Volution Group plc (LSE: FAN) is a leading supplier of ventilation systems and products to both the residential and commercial construction markets in the UK, Continental Europe and Australasia.

Volution Group comprises 16 key brands across the three regions:

UK: Vent-Axia, Manrose, Diffusion, National Ventilation, Airtech, Breathing Buildings, Torin-Sifan.
Continental Europe: Fresh, PAX, VoltAir, Kair, Air Connection, inVENTer, Ventilair.
Australasia: Simx, Ventair.

For more information, please go to: www.volutiongroupplc.com