Volution Group plc
Half year results to 31 January 2018

Excellence in ventilation

Excellence in ventilation

Volution Group plc is a leading supplier of ventilation products to the residential and commercial construction markets in the UK, the Nordics and Central Europe.

- > Introduction to Volution
- > Highlights
- > Financial Review
- > Business update and outlook
- > Q&A

Ronnie George
Chief Executive Officer

Ian Dew
Chief Financial Officer

Volution Group plc Snapshot

Brands

Vent-Axia
MANROSE
Fresh
PAX
inVENTer simply fresh air
BRÜGGEMANN ENERGIEKONZEPTE
Ventilair GROUP
welair
DIFFUSION
NATIONAL VENTILATION
AIRTECH
Breathing Buildings
VoltAir LUFTBEHANDLING
torin-sifan

Excelling in both the residential and commercial markets.

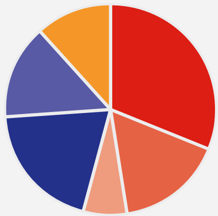
We operate through two segments:

> **Ventilation Group,** which primarily supplies ventilation products for residential and commercial construction applications in the UK, the Nordics and Central Europe.

> **OEM (Torin-Sifan),** which manufactures and supplies motors, motorised impellers, fans and blowers to OEMs of heating, ventilation and air conditioning products.

% of Volution Group plc revenue (by sector)

UK Residential	31.1%
UK Commercial	16.2%
UK Export - other	6.8%
Nordics	19.9%
Central Europe	14.5%
OEM (Torin-Sifan)	11.5%



Ventilation Group

88.5% of Group revenue

The Ventilation Group consists of thirteen key brands:

> In the UK: Vent-Axia, Manrose, Breathing Buildings, Diffusion, National Ventilation and Airtech.

> In the Nordics: Fresh, PAX, VoltAir System and Welair.

> In Central Europe: Ventilair, inVENTer, Brüggemann and Vent-Axia.

The Ventilation Group has sector leading positions in the UK, Sweden, Germany and Belgium.

OEM (Torin-Sifan)

11.5% of Group revenue

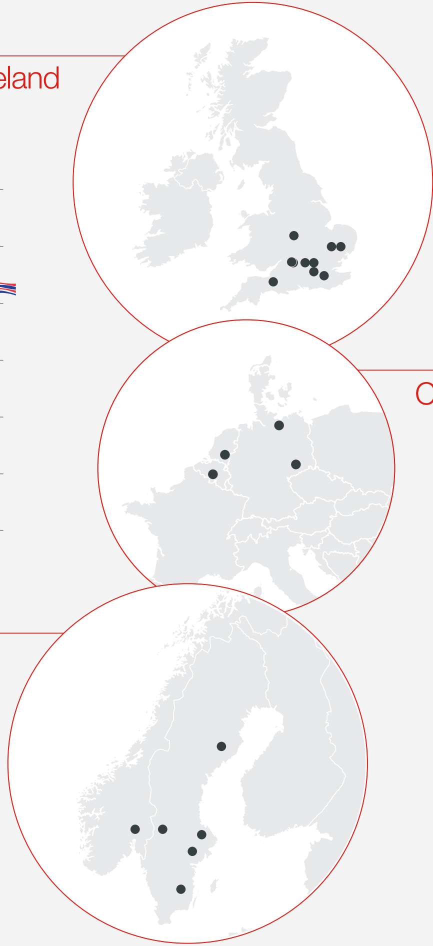
Torin-Sifan is a leading supplier of motors, motorised impellers, fans and blowers for the heating, ventilation and air conditioning industry worldwide.

Our Locations

We aim for our products to enhance our customers' experience of ventilation by reducing energy consumption, improving air quality and design and making them easier to use.

Total locations
20

● Locations



UK and Ireland

Ten locations
Seven brands

- Vent-Axia
- MANROSE
- DIFFUSION
- AIRTECH
- NATIONAL VENTILATION
- Breathing Buildings
- torin-sifan

Central Europe

Four locations
Four brands

- inVENTer simply fresh air
- BRÜGGEMANN ENERGIEKONZEPTE
- Ventilair GROUP
- Vent-Axia

Nordics

Six locations
Four brands

- Fresh
- PAX
- welair
- VoltAir

Further progress with revenue growth of 11.6% and adjusted EPS up 8.3%

Three strategic pillars

Organic growth in our core markets

- 5.1% organic revenue growth at constant currency.
- Growth in high-end products (up selling).

Growth through a disciplined and value-adding acquisition strategy

- Continuing focus on future acquisitions.

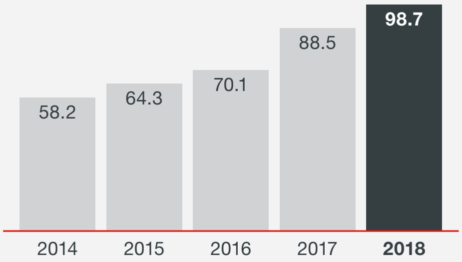
Development of OEM (Torin-Sifan) range and customer base

- 4.2% organic revenue growth at constant currency.
- Growth in EC motor sales.

2018 Half Year Highlights

Revenue £m

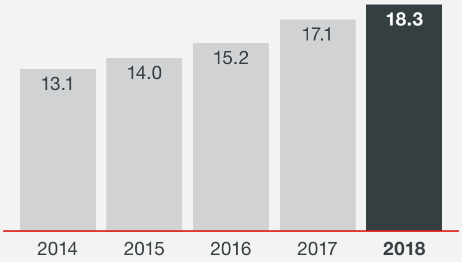
£98.7m



- Revenue growth in the period 11.6% (10.3% cc).
- Organic growth 6.3% (5.1% cc).
- Inorganic growth 5.3%.

Adjusted operating profit £m

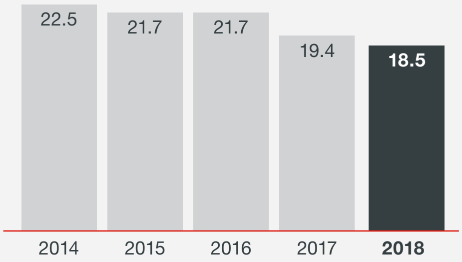
£18.3m



- Adjusted operating profit increased by 6.7% to £18.3 million.
- £1.2 million improvement compared to H1 2017.

Adjusted operating profit margin %

18.5%

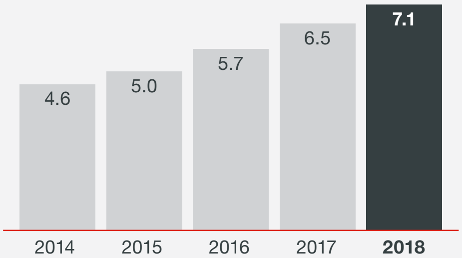


- Margin dilution from:
  - Full year effect of acquisitions.
  - FX driven input cost inflation.
  - Sales mix in the UK Ventilation business.

2018 Half Year Highlights *continued*

Adjusted EPS p

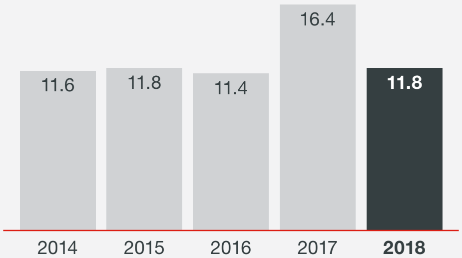
7.1p



- Improved adjusted EPS growth from increased underlying profitability.
- Adjusted EPS growth of 8.3% to 7.1 pence.

Adjusted operating cash flow £m

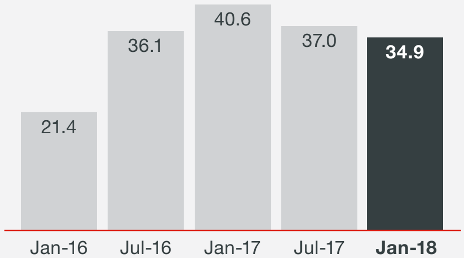
£11.8m



- Cash conversion 63.2% (H1 FY17: 94.0%).
- Capex high in H1 FY18 due to factory relocation.
- Temporary increase in inventory levels in the UK organisation to support customer service.
- We had very low levels of working capital at 31 July 2017.

Net debt £m

£34.9m



- Net debt reduced by £2.1 million in the period.
- FX effect on foreign borrowings and cash reduced net debt by £1.5 million.
- Leverage (expressed as a ratio of net debt to adjusted EBITDA) was 0.9x on a trailing 12 month basis.

Financial Review

Ian Dew – CFO

Half year results to 31 January 2018

Financial Highlights

Half year results to 31 January 2018

	Six months to 31 January 2018	Six months to 31 January 2017	Movement	Movement %
Revenue (£m)	**98.7**	88.5	10.2	11.6%
Adjusted profit before tax (£m)[1]	**17.8**	16.5	1.3	7.8%
Reported profit before tax (£m)	**10.1**	8.8	1.3	14.5%
Adjusted basic and diluted EPS (p)[1]	**7.08**	6.54	0.54	8.3%
Interim dividend per share (p)	**1.46**	1.35	0.11	8.1%
Adjusted operating cash flow (£m)[1]	**11.8**	16.4	(4.6)	(27.9)%
Net debt (£m)	**34.9**	40.6	(5.7)	
Closing debt leverage, net debt to adjusted EBITDA	**0.9**	1.1	(0.2)	

Key highlights

> Revenue growth of 11.6% (10.3% at constant currency). Organic growth of 6.3% (5.1% cc).

> Growth in adjusted profit before tax of 7.8%.

> Reported profit before tax increased by 14.5%.

> Adjusted operating cash inflow of £11.8 million, a cash conversion of 63.2%.

> An interim dividend declared of 1.46 pence per share, up 8.1% compared to H1 2017.

> Net debt of £34.9 million, 0.9x adjusted EBITDA on a trailing 12 month basis.

1. The Board believes that the adjusted performance measures give a clearer indication of the underlying performance of the business. A reconciliation to reported profit before tax is shown on page 11.

Income Statement Summary

Half year results to 31 January 2018

	Six months to 31 January 2018	Six months to 31 January 2017	Movement £m	Movement %
Revenue (£m)	**98.7**	88.5	10.2	11.6%
Revenue (£m) cc	**97.6**	88.5	9.1	10.3%
Gross profit (£m)	**47.4**	43.6	3.8	8.7%
Gross margin	**48.0%**	49.3%	(1.3pp)	
Adjusted EBITDA (£m)[1]	**20.2**	18.9	1.3	6.9%
Adjusted operating profit (£m)[1]	**18.3**	17.1	1.2	6.7%
Adjusted operating profit (£m)[1] cc	**18.2**	17.1	1.1	6.4%
Adjusted operating profit margin[1]	**18.5%**	19.4%	(0.9pp)	
Adjusted finance costs (£m)[1]	**(0.5)**	(0.6)	0.1	(23.3)%
Adjusted profit before tax (£m)[1]	**17.8**	16.5	1.3	7.8%
Adjusted tax charge (£m)[1]	**(3.7)**	(3.5)	(0.2)	6.2%
Adjusted profit after tax (£m)[1]	**14.1**	13.0	1.1	8.2%

- Revenue growth of 11.6% (+£10.2 million) (10.3% at cc).
  - Revenue growth would have been £1.1 million lower at cc.
  - 6.3% organic growth (5.1% at cc).
  - 5.3% inorganic growth from the full period effect of the following acquisitions:
    - Breathing Buildings (UK) in December 2016.
    - VoltAir System (Sweden) in May 2017.
- Gross profit up by £3.8 million on higher volumes.
- Adjusted operating profit growth of 6.7% (+£1.2 million).
- Adjusted operating profit margin at 18.5%, margin diluted by:
  - Full year effect of acquisitions.
  - FX led inflation in the UK.
  - Adverse sales mix in the UK.
- Adjusted profit after tax of £14.1 million improved by 8.2%.

1. The Board believes that the adjusted performance measures give a clearer indication of the underlying performance of the business. A reconciliation to reported profit before tax is shown on page 11.

Adjusted Profit Before Tax Reconciled to Reported Profit Before Tax

Half year results to 31 January 2018

	Six months to 31 January 2018 £m	Six months to 31 January 2017 £m	Movement £m
Adjusted profit before tax	**17.8**	16.5	1.3
Items excluded from adjusted measures:			
Exceptional items	**(1.1)**	(0.8)	(0.3)
Release of contingent consideration	**1.5**	—	1.5
Net loss on financial instruments at fair value	**(0.6)**	(0.2)	(0.4)
Unamortised loan issue costs written off	**(0.3)**	—	(0.3)
Amortisation of acquired intangibles	**(7.2)**	(6.7)	(0.5)
Reported profit before tax	**10.1**	8.8	1.3

	Six months to 31 January 2018 £m	Six months to 31 January 2017 £m	Movement £m
Exceptional items:			
Acquisition related costs	**0.3**	0.6	(0.3)
Factory relocation	**0.8**	0.2	0.6
Exceptional items	**1.1**	0.8	0.3

Adjustments:

- Exceptional items:
  - Acquisition related costs of £0.3 million (H1 2017: £0.6 million) and factory relocation of £0.8 million (H1 2017: £0.2 million).
  - Factory relocation, project commenced to consolidate some of the UK production at a single new site in Reading. Expected completion in mid 2018.
- Release of contingent consideration not payable (VoltAir System).
- Net loss on financial instruments relates to the unrealised revaluation of currency hedges.
- Write-off of unamortisated loan issue costs, on refinancing our bank facility.
- Amortisation of acquired intangible assets:
  - Amortisation of the fair value of acquired intangible assets (e.g. customer base and trademarks, valued at the time of acquisition).

Consolidated Statement of Financial Position Summary

Half year results to 31 January 2018

	31 January 2018 £m	31 July 2017 £m
Property, plant and equipment	**20.2**	19.6
Intangible assets – goodwill	**80.9**	81.6
Intangible assets – other	**93.2**	101.0
Deferred tax assets	**0.8**	0.8
Non-current assets	**195.1**	203.0
Inventory	**27.4**	22.7
Trade and other receivables	**33.9**	37.2
Cash	**11.0**	14.5
Current assets	**72.3**	74.4
Payables and other liabilities	**(43.4)**	(48.3)
Current liabilities	**(43.4)**	(48.3)
Loans and borrowings	**(45.9)**	(51.5)
Unamortised finance costs	**0.9**	0.4
Other liabilities	**(0.1)**	(0.1)
Deferred tax liabilities	**(16.1)**	(17.8)
Non-current liabilities	**(61.2)**	(69.0)
Net assets	**162.8**	160.1
Share capital	**2.0**	2.0
Share premium	**11.5**	11.5
Treasury shares	**(2.0)**	(2.0)
Capital reserve	**93.9**	93.9
Other reserves	**3.1**	3.1
Retained earnings	**54.3**	51.6
Total equity	**162.8**	160.1

> Non-current assets decreased by £7.9 million in the period mainly as a consequence of depreciation and amortisation.

> Working capital increased temporarily, from very low levels at 31 July 2017, to support customer service in the UK. 24.8% of half year revenue (H1 2017: 21.8%).

> Loans and borrowings decreased in the period by £5.6 million.

> Deferred tax liabilities primarily relate to the recognition of “acquired intangible assets”, at fair value.

> Treasury shares at 31 January 2018 1,154,102 Volution Group plc shares held at a cost of £2.0 million to meet obligations under the Group’s Long Term Incentive Plan (LTIP).

> The capital reserve of £93.9 million arises on consolidation and is non-distributable.

> Distributable reserves in the parent company are £75.5 million.

Cash Flow Summary and Net Debt Bridge

Half year results to 31 January 2018

	Six months to 31 January 2018 £m	Six months to 31 January 2017 £m
Opening net debt 1 August	**(37.0)**	(36.1)
Movements from normal business operations		
Adjusted EBITDA	**20.2**	18.9
Movement in working capital	**(5.5)**	(0.6)
Capital expenditure	**(2.9)**	(1.9)
Adjusted operating cash flow	**11.8**	16.4
Interest paid/accrued	**(0.3)**	(0.6)
Income tax paid	**(3.7)**	(2.3)
Exceptional items	**(0.7)**	(0.4)
Dividend	**(5.6)**	(5.2)
FX on foreign currency loans/cash	**1.5**	(0.8)
Issue costs of new borrowings	**(0.9)**	—
Movements from acquisitions		
Acquisition consideration, net of cash acquired	**—**	(11.6)
Closing net debt 31 January	**(34.9)**	(40.6)

- Net debt decreased by £5.7 million from £40.6 million since 31 January 2017.
- On 15 December 2017, the Group refinanced its bank debt to provide more capacity for acquisitions.
- The Group now has in place a £120 million multicurrency revolving credit facility, on slightly improved terms, together with an accordion of up to £30 million.
- Working capital increased temporarily, from the very low levels at 31 July 2017, to support customer service in the UK.
- Adjusted operating cash flow of £11.8 million (2017: £16.4 million):
  - Cash conversion of 63.2% (2017: 94.0%) after working capital movements and capital expenditure.
- Final dividend paid in December 2017 for the year ended 31 July 2017 was £5.6 million (December 2016: £5.2 million).
- Foreign exchange: the revaluation of foreign currency borrowings and cash has reduced our consolidated indebtedness in the period by £1.5 million (H1 2017: increased by £0.8 million).

Business update and outlook

Ronnie George – CEO

Growth by Market Sector

	H1 2018 £m	H1 2018 £m (cc)	H1 2017 £m	Growth %	Growth (cc) %
Ventilation Group revenue	**87.4**	86.4	77.7	12.4%	11.2%
OEM (Torin-Sifan) revenue	**11.3**	11.2	10.8	5.5%	4.2%
Volution Group revenue	**98.7**	97.6	88.5	11.6%	10.3%

Revenue growth

Volution Group revenue grew by 11.6% (10.3% at cc).

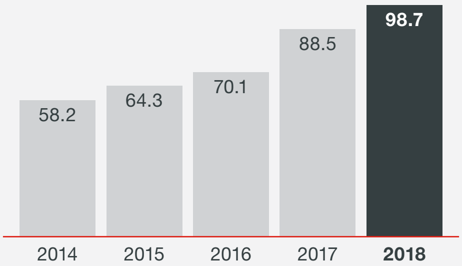
- Organic revenue grew by 6.3% (5.1% at cc).
- Inorganic revenue grew by 5.3% (5.2% at cc).

Ventilation Group revenue grew by 12.4% (11.2% at cc).

- Organic revenue grew by 6.4% (5.2% at cc).
- Inorganic revenue grew by 6.0% (6.0% at cc).

OEM (Torin-Sifan) revenue grew by 5.5% (4.2% at cc).

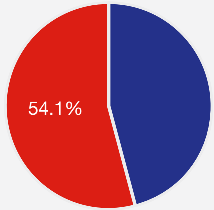
Revenue £m



Market Sector Review: UK

	H1 2018 £m	H1 2018 £m (cc)	H1 2017 £m	Total growth %	Organic growth (cc) %	Inorganic growth (cc) %	Total growth (cc) %
UK Ventilation Group revenue	**53.5**	53.4	48.9	9.3%	5.3%	3.8%	9.1%
UK Residential New Build revenue	**11.0**	11.0	10.2	7.6%	7.6%	0.0%	7.6%
UK Commercial revenue	**16.0**	16.0	15.0	6.2%	(6.1)%	12.3%	6.2%
UK Residential RMI revenue	**19.8**	19.8	18.9	4.4%	4.4%	0.0%	4.4%
UK Export revenue	**6.7**	6.6	4.7	42.0%	40.1%	0.0%	40.1%

% of Volution Group revenue



UK Ventilation Group

UK Residential New Build revenue

- Share gains with an existing account to become the sole supplier in H1 2018 and order intake higher than sales.

UK Commercial revenue

- Benefitted from inorganic growth from Breathing Buildings.
- Growth in commercial new build with declining RMI revenues.

UK Residential RMI revenue

- Public sector market is still weak; however new products are gaining momentum.
- New retail account gains in H1 2018 and up-selling initiatives performed very well.

UK Export revenue

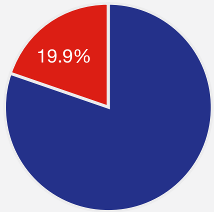
- Strong sales for one-off spares order in Japan, strong system ventilation growth in Eire and other overseas account gains.

Positive Input Ventilation (PIV) unit

Market Sector Review: Nordics

	H1 2018 £m	H1 2018 £m (cc)	H1 2017 £m	Total growth %	Organic growth (cc) %	Inorganic growth (cc) %	Total growth (cc) %
Nordics revenue	**19.6**	19.2	15.5	27.0%	6.4%	17.9%	24.3%

% of Volution Group revenue



Nordics

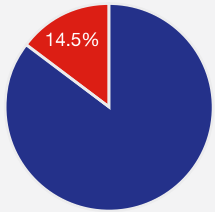
- Sales in the Nordics sector increased by £4.1 million to £19.6 million (H1 2017: £15.5 million), an increase of 27.0% benefiting from the acquisition of VoltAir System in May 2017.
- Good organic growth of 6.4% (cc), consistent year-on-year organic growth since first acquisition in October 2012.
- Good growth in new "app-controlled" fan and new range of wall inlet grilles.
- Upgraded ERP system with all Nordic entities now operating on same platform.

Intellivent Sky new premium fan to be launched autumn 2018

Market Sector Review: Central Europe

	H1 2018 £m	H1 2018 £m (cc)	H1 2017 £m	Total growth %	Organic growth (cc) %	Inorganic growth (cc) %	Total growth (cc) %
Central Europe revenue	**14.3**	13.8	13.3	7.1%	3.6%	0.0%	3.6%

% of Volution Group revenue



Central Europe

- Organic growth of 3.6% (cc).

Belgium

- Our strategy to switch sales towards electrical wholesalers is going well with further share gains anticipated.

Germany

- The introduction of new products into the German market is supporting the organic growth with a further product enhancement expected in H2 2018.

Netherlands

- Our strategy on growing the wholesaler business is underway, we have achieved good growth with our proprietary ducting system for new build applications.

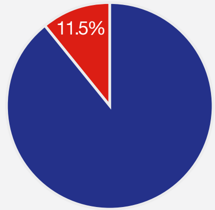
iV–Smart

Xenion fan

Market Sector Review: OEM (Torin-Sifan)

	H1 2018 £m	H1 2018 £m (cc)	H1 2017 £m	Total growth %	Organic growth (cc) %	Inorganic growth (cc) %	Total growth (cc) %
OEM (Torin-Sifan) revenue	**11.3**	11.2	10.8	5.5%	4.2%	0.0%	4.2%

% of Volution Group revenue



torin-sifan

OEM (Torin-Sifan)

- Revenue was £11.3 million, an increase of £0.5 million on H1 2017. Organic growth of 5.5% (4.2% cc).
- Sales of the highly efficient electrically commutated (EC) Revolution 360 technology products have been gaining momentum with further capacity upgrades planned for H2 2018.
- In line with our expectations, sales of older technology boiler fans continue to decline, partially offset through price increases.

New high-efficiency Revolution 360 range of EC fans

Volution Group plc – Operations update

- Factory rationalisation:
  - Whilst the overall project will complete on time by the end of July 2018, there have been some commissioning issues resulting in temporary delays in product supply to the market.
  - Inventory investment in H1 2018 to support the project will be largely un-wound in H2 2018.
- Investment in both the central procurement and innovation teams aimed at accelerating new product development and value engineering initiatives.
- Major ERP project to complete in H2 2018 with the go live in Torin-Sifan.

New Reading factory

Summary and Outlook

- Revenue growth of 11.6% (10.3% cc).
- Good organic growth of 5.1% cc.
- Ongoing investment in new product development and cost down initiatives are going well with a number of new projects having been added recently.
- Factory rationalisation and capacity expansion project is progressing.
- Continuing focus on future acquisitions.
- Volution has delivered another set of good results in the first half of this financial year. We expect to make further progress with our strategy in the full year, notwithstanding the caution in some of our market sectors. We are a well diversified business across product and geography and this will help underpin further growth.

UK and Ireland

Vent-Axia | Manrose | Diffusion | Airtech | National Ventilation | Breathing Buildings

Central Europe

Inventer | Brüggemann | Ventilair Group | Vent-Axia

Nordics

Fresh | PAX | welair | VoltAir

OEM (Torin-Sifan)

torin-sifan

Thank you

Q&A

Disclaimer

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as “will”, “anticipate”, “estimate”, “expect”, “project”, “intend”, “plan”, “should”, “may”, “assume” and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.

Post Period Event – Acquisition of Simx

- On 19 March 2018 Volution Group plc purchased Simx Limited in New Zealand.
- Simx is the market leading residential ventilation products supplier in New Zealand with channel access enabling us to place other Group products in this market.
- The consideration for the acquisition was NZ$72.0 million (approximately £37.8 million), on a debt-free, cash-free basis, funded from the Group's existing cash and banking facilities.
- In the year ended June 2017 Simx reported an EBIT of NZ$6.1 million (approx. £3.2 million).
- Simx has a number of proprietary brands and a significant part of its revenue is third-party sourced fans sold under the Group's Manrose brand, a relationship going back over 20 years.
- Lee Nurse, who has been with Volution for 9 years and is currently the Group Product & Marketing Director, will assist with the integration of Simx.
- As part of the transaction, Ian Borley, who has been General Manager at Simx since 2009, has been appointed Managing Director.