



## 2016 H1 Results

**Revolution Group plc**

Half year results to 31 January 2016

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# Introduction

## Agenda

- Highlights
- Financial Review
- Business Update and Outlook
- Q&A

## Presentation



**Strong results in line with our expectations.  
Interim dividend up 14%.**

## **Three Strategic Pillars**

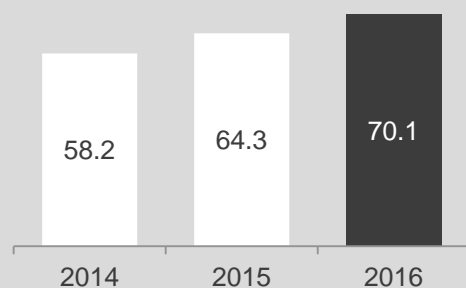
Organic growth in our core markets

Growth through a disciplined and value adding acquisition strategy

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

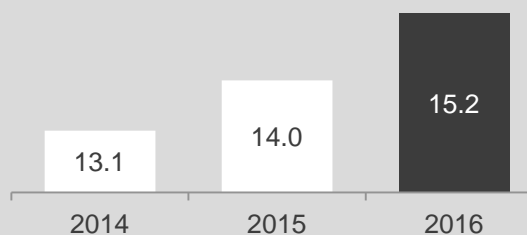
# 2016 Half year highlights

## Revenue **£70.1m**



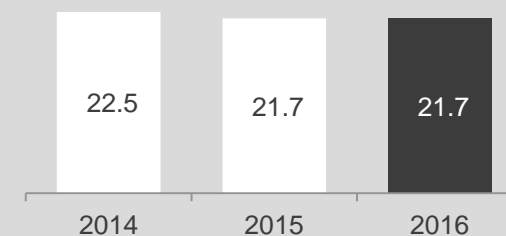
- Strong revenue growth in the period 9.0% (13.0% constant currency).
- Organic growth on a constant currency basis was 2.1%.
- Inorganic growth on a constant currency basis was 10.9%.

## Adj Op Profit **£15.2m**



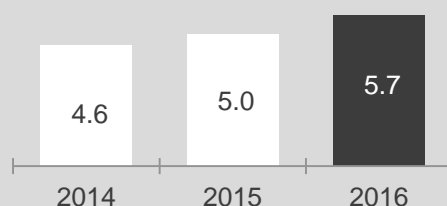
- Adjusted operating profit increased by 8.7%.
- Strong growth in underlying profitability.

## Adj Op Profit Margin **21.7%**



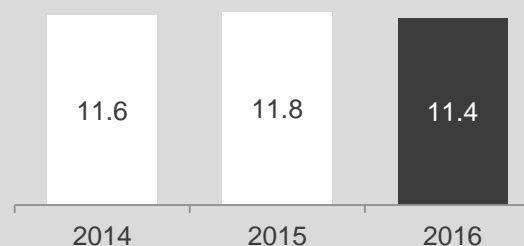
- Margin consistent with 2015 despite initial dilution from acquisitions.
- LFL margin 23.6%

## Adj EPS **5.73p**



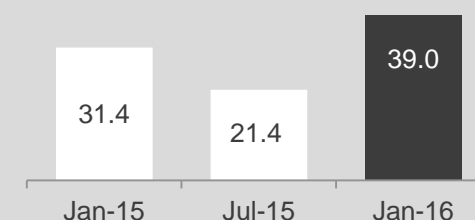
- Improved EPS from increased underlying profitability.
- Growth of 15.1%
- Refinancing of our bank facility in the year has improved profitability.

## Adj Op cash flow **£11.4m**



- Adjusted operating cash flow in 2016 remained strong despite an increase in working capital and adverse effects on working capital from FX.

## Net Debt **£39.0m**



- The net cost of the three acquisitions in the period was £18.5m.
- Strong cash generation continues to finance our acquisition strategy.
- Leverage (expressed as a ratio of net debt to adjusted EBITDA) was 1.2x (2015: 1.0x).



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# Financial Review

## Ian Dew – CFO

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## 2016 H1 Results

**Revolution Group plc**

Half year results to 31 January 2016

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# Financial Highlights

Half year results to 31 January 2016

Sales, earnings, and EPS all improved significantly in the half year to 31 January 2016.

		6 months to Jan 2016	6 months to Jan 2015	Movement	Movement %	Movement in Constant currency
Revenue (£m)		70.1	64.3	5.8	9.0%	13.0%
Adjusted EBITDA (£m)	1	16.5	15.0	1.5	9.9%	13.4%
Adjusted Operating profit (£m)	1	15.2	14.0	1.2	8.7%	12.2%
Adjusted Profit before Tax (£m)	1	14.6	12.7	1.9	14.9%	18.7%
Reported Profit before Tax (£m)		8.0	7.5	0.5	7.2%	13.7%
Adjusted Basic and diluted EPS (p)	1	5.73p	4.98p	0.75p	15.1%	19.9%
Interim Dividend per share (p)		1.20p	1.05p	0.15p	14.3%	
Adjusted Operating Cash Flow (£m)	1	11.4	11.8	(0.4)	-3.1%	
Net Debt (£m)		(39.0)	(31.4)	(7.6)		
Net Debt to annualised EBITDA		1.2	1.0	(0.2)		

- Sales growth of 13.0% at constant currency (cc).
- Adjusted PBT grew by 14.9% (18.7% cc).
- Reported Profit Before Tax was £8.0m, £0.5m increase.
- Reported ETR 9.6% reduced because of a one off Deferred tax adjustment
- Adjusted EPS of 5.73p, improved 15.1%.
- A interim dividend proposed: 1.20p per share, up 14.3% compared to H1 2015.
- Cash flow remained strong despite FX headwinds on working capital
- Net Debt £39.0m, 1.2x Adjusted EBITDA.
  - Low leverage leaves us well placed for further acquisitions
  - Consideration for acquisitions £18.5m

1. The Board believes that the performance measures Adjusted EBITDA, Adjusted Operating Profit and Adjusted Profit before Tax, stated before deduction of exceptional costs, give a clearer indication of the underlying performance of the business. An explanation and reconciliation to Reported Profit before Tax is shown on page 9.



# Income Statement Summary

Half year results to 31 January 2016

		6 months to Jan 2016 £m	6 months to Jan 2015 £m	Movement £m	Movement %	Constant currency £m	Movement in Constant currency
Revenue		70.1	64.3	5.8	9.0%	72.7	13.0%
Gross Profit		34.6	31.4	3.2	10.4%		
Gross Margin		49.4%	48.7%	0.7pp			
Adjusted EBITDA	1	16.5	15.0	1.5	9.9%		
Adjusted Operating Profit	1	15.2	14.0	1.2	8.7%	15.7	12.2%
Adjusted Operating Profit Margin	1	21.7%	21.7%	0.0pp			
Net Finance Costs	1	(0.6)	(1.3)	(0.7)			
<b>Adjusted Profit before Tax</b>		<b>14.6</b>	<b>12.7</b>	<b>1.9</b>	<b>14.9%</b>		

- Revenue Growth of 9.0% (+£5.8m) (13.0% at cc).
- Revenue growth would have been £2.6m higher at constant currency.
- 1.1% organic decline (growth of 2.1% at cc).
- 10.1% inorganic growth (10.9% at cc). Acquisitions:
  - Ventilair (Belgium and Netherlands): August 2015
  - Welair (Sweden): December 2015
  - ETQ plc, t/a Diffusion (UK): December 2015
- Gross Profit up by £3.2m on higher volumes and improved margins.
- Gross margin of 49.4% up by 0.7pp.
- Adjusted Operating Profit growth of 8.7% (+£1.2m) (12.2% at cc). Would have been £0.5m higher at cc.
- Adjusted Operating Profit margin (21.7%) consistent with PY despite initial dilution from acquisitions.
- Finance costs reduced mainly as a consequence of the February 2015 bank refinancing and lower interest margins.

1. The Board believes that the performance measures Adjusted EBITDA, Adjusted Operating Profit and Adjusted Profit before Tax, stated before deduction of exceptional costs, give a clearer indication of the underlying performance of the business. An explanation and reconciliation to Reported Profit before Tax is shown on page 9.

# Adjusted Profit Before Tax Reconciled to Reported Profit before Tax

Half year results to 31 January 2016

	H1 2016 £m	H1 2015 £m	Movement £m
Adjusted Profit before Tax	14.6	12.7	1.9
Exceptional items	(1.0)	(0.1)	(0.9)
Other non-recurring items not meeting the definition of exceptional	(0.2)	0.0	(0.2)
Net gain on financial instruments at fair value	0.7	0.7	0.0
Amortisation of intangibles (customer base and trademarks)	(6.1)	(5.8)	(0.3)
<b>Reported Profit before tax</b>	<b>8.0</b>	<b>7.5</b>	<b>0.5</b>

## Adjustments for exceptional items:

- Exceptional items:
  - For the period H1 2016 all exceptional items relate to acquisitions.
- Other non-recurring items not meeting the definition of exceptional:
  - Restructuring costs.
- Amortisation of Intangible Assets:
  - Amortisation relating to the fair value of acquired customer base and trademarks (valued at the time of acquisition).



# Consolidated Statement of Financial Position, Summary

	31/01/2016 £m	31/07/2015 £m
Property, plant and equipment	18.0	16.0
Intangible assets – goodwill	62.3	51.7
Intangible assets – others	106.8	100.9
Deferred tax assets	0.4	0.4
<b>Non-Current Assets</b>	<b>187.5</b>	<b>169.0</b>
Inventory	18.2	15.0
Trade and Other Receivables	30.4	26.3
Cash	15.9	11.6
<b>Current Assets</b>	<b>64.5</b>	<b>52.9</b>
Payables and Other Liabilities	(32.2)	(27.8)
<b>Current Liabilities</b>	<b>(32.2)</b>	<b>(27.8)</b>
Loans and Borrowings	(54.2)	(31.9)
Other Liabilities	(0.6)	(0.6)
Deferred Tax	(19.7)	(19.2)
<b>Non Current Liabilities</b>	<b>(74.5)</b>	<b>(51.7)</b>
<b>Net Assets</b>	<b>145.3</b>	<b>142.4</b>
Share Capital	2.0	2.0
Share Premium	11.5	11.5
Treasury shares at cost	(1.0)	-
Capital Reserve	92.3	92.3
Share-based payment reserve	0.4	0.2
Translation reserve	0.4	(0.5)
Retained Earnings	39.7	36.9
<b>Total Equity</b>	<b>145.3</b>	<b>142.4</b>

- Non Current Assets increased by £18.5m, mainly as a consequence of acquisitions and FX
- Continuing efficient management of operating working capital:
  - 27.5% of half year revenue (H1 2015: 29.5%).
- Loans and borrowings increased:
  - three acquisitions (£18.5m consideration net of cash acquired)
- Deferred Tax Credit relates primarily to the recognition of Intangible assets – others, at fair value on acquisition (customer base and trademarks).
- Treasury shares:
  - the cost of shares in Volution Group plc purchased and held by the Volution Employee Benefit Trust to satisfy future obligations under the Group's long term incentive plan.
- The Capital reserve of £92.3m arises on consolidation and is non-distributable.

# Cash Flow Summary and Net Debt Bridge

	6 months to Jan 2016 £m	6 months to Jan 2015 £m
Opening Net Debt	(21.2)	(42.9)
Movements from normal business operations		
EBITDA	16.5	15.0
Movement in working capital	(2.5)	(0.6)
Capital Expenditure	(2.6)	(2.6)
Adjusted Operating Cash Flow	11.4	11.8
Interest paid	(0.5)	(1.3)
Income tax paid	(2.1)	(0.4)
Exceptional items & restructuring	(0.3)	(0.1)
Other	0.3	0.1
Foreign exchange	(2.6)	1.4
Movements from Acquisitions		
Acquisition consideration	(18.5)	-
Movements from Financing activities		
Dividends paid	(4.5)	-
Purchase of own shares	(1.0)	-
Closing net debt	(39.0)	(31.4)

- Net Debt increased to £39.0m: three acquisitions in the period.
- Adjusted Operating Cash Flow of £11.4m.
  - Cash conversion of 74.6% (2015: 84.1%) after working capital and capital expenditure.
- Interest paid reduced to £0.5m.
- Income tax payments were reduced in both periods as a result of additional costs arising in FY2014 on our IPO.
- Foreign exchange: The revaluation of foreign currency borrowings has increased our consolidated indebtedness by £2.6m.
- Acquisition consideration net of cash
  - Ventilair £9.7m, Welair £0.6m and Diffusion £8.2m.
- Final Dividend paid December re FY2015: £4.5m.



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# Business update and outlook

## Ronnie George - CEO

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## 2016 H1 Results

Revolution Group plc

Half year results to 31 January 2016

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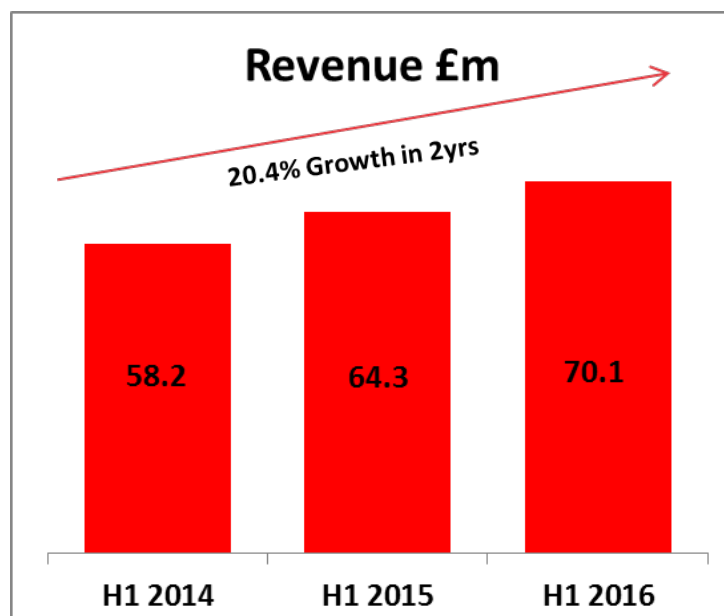
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# Growth by Market Sector

	Revenue			
	H1 2016 £m	H1 2015 £m	Growth %	Growth (cc) <sup>1</sup> %
Ventilation Group	59.7	54.4	9.7%	14.0%
OEM	10.4	9.9	5.2%	8.0%
Total Volution Group	70.1	64.3	9.0%	13.0%



## Revenue Growth:

**The total Group grew by +9.0% (constant currency +13.0%).**

- organic -1.1% (constant currency +2.1%).
- inorganic +10.1% (constant currency +10.9%).

**Ventilation Group grew by +9.7% (constant currency +14.0%).**

- UK Residential RMI declined over H1 2015 by 5.0%.
- UK Residential New Build had good growth over H1 2015 of 7.1% and our order intake grew by more than 10% on prior year.
- UK Commercial had growth over H1 2015 of +3.6%.
- UK Export sales (excluding sales from the UK to Ventilair as it is now part of the Group) were broadly flat with H1 2015 at constant currency.
- Nordics had good growth against H1 2015 of 7.5% (+18.3% CC).
- Central Europe was up on H1 2015 +105.9% (+122.7% CC) due to the acquisition of Ventilair.

**OEM grew by +5.2% (constant currency +8.0%).**

- EC motors are growing and EC3 will be launched in summer 16
- Another mild winter as in the prior year

# Market Sector Review – UK Residential RMI

UK Residential RMI	H1 2016 £m	H1 2015 £m	% change
Revenue	17.0	17.9	(5.0)%

## UK Residential Private RMI -2.4%

- Destocking by two major customers in H1/16
- Upsell initiative of silence continues to gain momentum assisted by high end “app” controlled fan launch in Jan 16.
- Several new products launched under all brands in H1/16.
- Early signs of recovery in UK Private RMI

## UK Residential Public RMI -8.7%

- Austerity measures and rental incomes reducing the size of the total market.
- Several initiatives in sales and a new product launch in May 16 targeting market share gains.
- Medium term drivers in public housing are robust and this remains an exciting market where we will continue to invest



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# Market Sector Review – UK Residential New Build

UK Residential New Build	H1 2016 £m	H1 2015 £m	% change
Revenue	8.3	7.8	7.1%

## UK Residential New Build

- Revenue growth was only 7.1% although order intake growth was >10% over same period prior year.
- Continued investment in product portfolio with the launch of Kinetic Advance as well as further extensions to the range. Aesthetics important as well as product performance. Leading position on “SAP Appendix Q”.
- Heat recovery and central systems continue to increase their penetration of the new build market.



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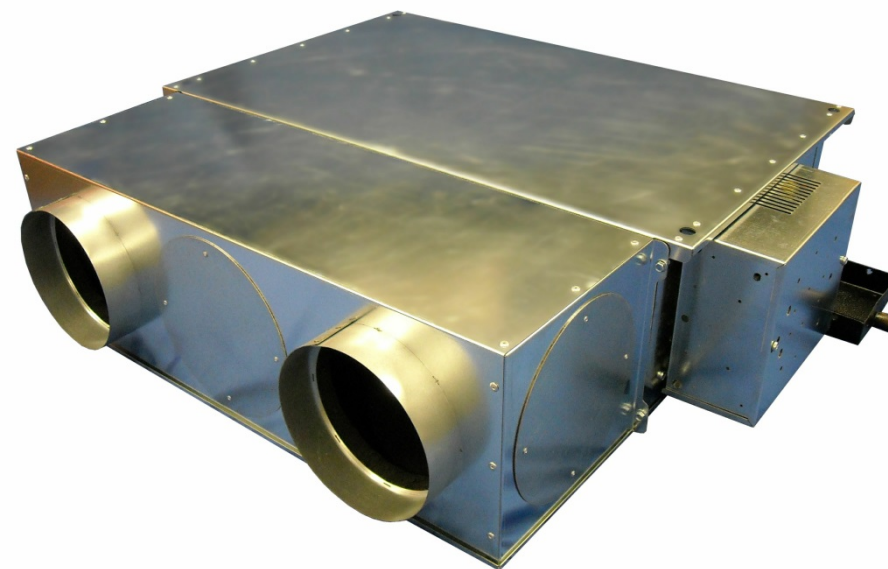


# Market Sector Review – UK Commercial

UK Commercial	H1 2016 £m	H1 2015 £m	% change
Revenue	8.3	8.0	3.6%

## UK Commercial

- Benefited from the acquisition of Diffusion on 21 Dec 2015 increasing exposure to attractive new build market.
- Integration is progressing in line with our expectations.
- Synergies include project lead sharing and a combined heat recovery ventilation and fan coil solution for projects
- Remain underweight in commercial heat recovery



Diffusion Fan Coil unit

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# Market Sector Review – UK Export

UK Export	H1 2016 £m (CC)	H1 2015 £m	% change
Revenue	3.0	3.9	(23.7)%

## UK Export

- Key markets
  - Eire
  - New Zealand
  - Rest of Europe
- Sales decline of 2.0% at cc (excluding Ventilair sales – now consolidated)
- Significant increase in sales of heat recovery in Eire coupled with strong project order intake in H1/16.
- Recovering in NZ where Manrose is the leading residential ventilation brand.

The screenshot shows the Simx website interface. At the top, there's a navigation bar with links for New Products, Resources, Simx Press, Fan Selector, and Where to buy. Below this is a main banner for 'Extraction In-Line Fan Kits'. A sidebar on the left lists 'PRODUCT CATEGORIES' including EXTRACTION, LIGHTING, STANDALONE SENSORS, HOME VENTILATION, and COMMERCIAL VENTILATION. The main content area features three product listings: MANROSE® Pro Series Shower Fan Low Profile Kits, MANROSE® Classic Shower Fan Kits, and Pro Series MIXFLO™ Shower Kits. Each listing includes a description and a 'MORE INFO' button. The bottom of the page shows the MANROSE logo.

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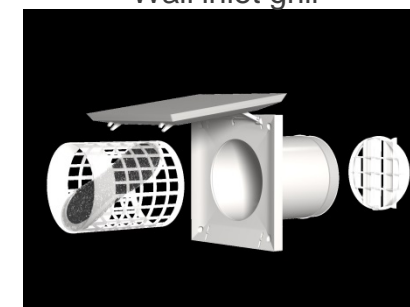
# Market Sector Review – International

Nordics	H1 2016 £m (CC)	H1 2015 £m	% change
Revenue	13.7	11.6	18.3%

- Strong growth particularly in Sweden due to the government stimulus for RMI ending Dec 15 (includes some OEM business which will not repeat).
- Growth in both the high end fan category as well as towel warmers for retail customers.
- New wall inlet grill and filter range launched in H1/16.
- App controlled fan successfully launched in Sweden with roll out continuing across Nordic market.
- The small acquisition of Welair on 1 Dec 2015 provides an additional competence in heat recovery systems for providing greater access to the new build market.



Wall inlet grill

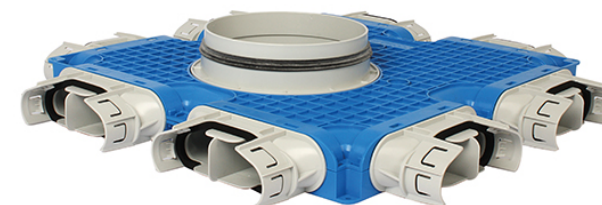


Welair HR Unit

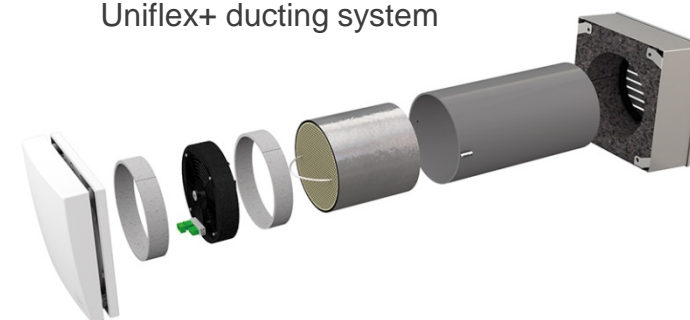
# Market Sector Review – International

Central Europe	H1 2016 £m (CC)	H1 2015 £m	% change
Revenue	11.7	5.3	122.7%

- This sector benefited from the acquisition of Bruggemann in April 15 and Ventilair on 5 August 2015. (Consists of sales from BE, NL and DE)
- Ventilair successfully integrated and marketing plans developed to launch new products from the group in BE/NL in H2/16 using the Vent-Axia brand.
- Now targeting the wholesaler market in Germany as well as current sales through agents for InVENTer brand.
- Continuing to innovate decentralised heat recovery primarily for the German market



Uniflex+ ducting system



Decentralised HR



# Market Sector Revenue – OEM (Torin-Sifan)

OEM (Torin-Sifan)	H1 2016 £m (CC)	H1 2015 £m	% change
Revenue	10.7	9.9	8.0%

- Internal promotion of new MD improving the commercial focus of the business.
- Significant service and financial benefits from the factory opened in 2014.
- EC/DC revenue continues to grow.
- EC3 motorised impellor is developed with launch summer 2016.



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# M&A Activity and Update

- Three acquisitions completed in the 6 month period (Ventilair Group, Welair and Diffusion).
- M&A focus will continue to be residential and commercial ventilation in Europe.
- Our continued strong cash generation will support these activities.
- Following seven acquisitions in the last 3.5 years we have developed a competence and process for streamlining integration.
- Continuing good progress with margin expansion in existing and acquired businesses.





# Summary and Outlook

- Confident of delivering against our full year expectations.
- Broadening base of activities.
- Acquisitions continue to add to our growth.
- Public RMI remains weak but there are early signs of improvement in Private RMI in the UK.

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The logo for Vent-Axia, featuring the brand name in a blue, sans-serif font.The logo for Revolution Group, featuring a red asterisk-like icon followed by the word "revolution" in red and "group" in black below it.

**Thank you Q&A**







# Appendix



## 2016 H1 Results

**Revolution Group plc**  
Half year results to 31 January 2016

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# Volution Group plc snapshot

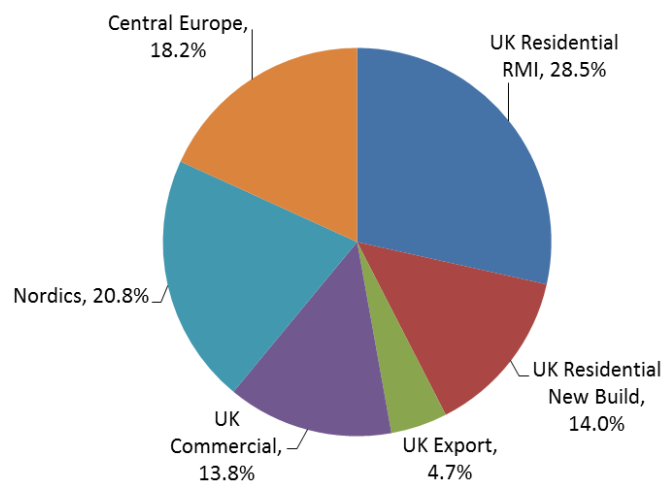


**A leading supplier of ventilation products to the residential and commercial construction market in the UK, Nordics and Central Europe.**

Operating through two segments:

- Ventilation Group, which primarily supplies ventilation products for residential and commercial construction applications in the UK, the Nordics, the Benelux countries and Germany;
- OEM (Torin-Sifan), which supplies motors, fans and blowers to OEMs of heating and ventilation products for both residential and commercial construction applications in Europe.

**Ventilation Revenue by Market Sector**



## VENTILATION GROUP

85% of Revenue

A leader in:

- > UK residential ventilation products market
- > Swedish residential refurbishment ventilation products market
- > German decentralised heat recovery residential ventilation systems market
- > Belgian residential centralised heat recovery market with a growing position in ventilation solutions for the commercial market

UK



Nordics



Central Europe



## OEM (TORIN-SIFAN)

15% of Revenue

A leading supplier in:

- > Motors, motorised impellers, fans and blowers to the European heating, ventilation and air conditioning (HVAC) industry

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Nb: Revenue figures based on H1 2016 reported numbers

**Volution Group plc**

Half year results to 31 January 2016

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

