Volution Group plc
Full year results to 31 July 2017

Excellence in ventilation

Introduction

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

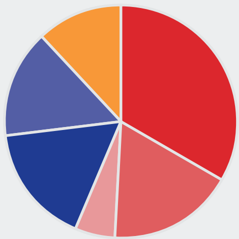
Excelling in both the residential and commercial markets.

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 revenue (by sector)

UK residential	33.4%
UK commercial	17.7%
UK export	5.5%
Nordics	16.7%
Central Europe	14.8%
OEM (Torin-Sifan)	11.9%



Ventilation Group

88.1% of 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 and Welair
- In Central Europe: Ventilair, inVENTer and Brüggemann

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

During the year, we completed the following acquisitions, enhancing and widening the Group's capability:

- Breathing Buildings: a leader in natural and hybrid ventilation for commercial buildings in the UK.
- VoltAir System: a strong player in the residential and commercial new build ventilation markets in Sweden.

OEM (Torin-Sifan)

11.9% of 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.

Our acquisition strategy over the last year has increased the number of our key brands from twelve to fourteen.

Total locations

21

- Locations
- Acquisitions in FY17

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

Seven locations
Four brands

- Fresh
- PAX
- welair
- VoltAir LUFTBEHANDLING

Strong revenue growth of 20% and adjusted EPS up 8%. Recent acquisitions integrating well, supplementing continued organic growth.

Three strategic pillars

Organic growth in our core markets

- 2.1% constant currency (cc).
- Growth in high-end products (up selling).

Growth through a disciplined and value-adding acquisition strategy

- Two acquisitions completed, enhancing our product and geographic reach:
  - Breathing Buildings (UK).
  - VoltAir System (Sweden).

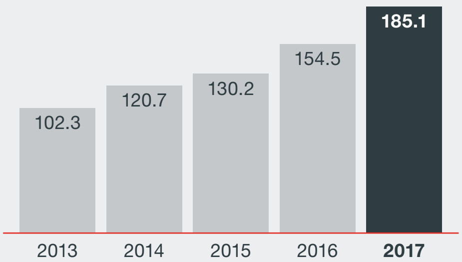
Development of OEM (Torin-Sifan) range and customer base

- 2.8% (cc) organic growth.
- Growth in EC motor sales.

2017 Highlights

Revenue £m

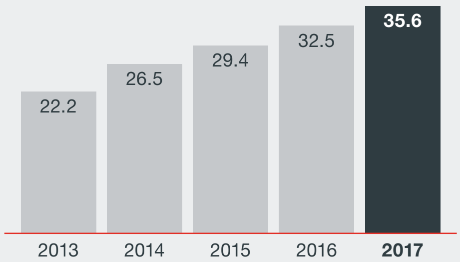
£185.1m



- Strong revenue growth in the year of 19.8% (14.5% at cc).
- Organic growth on a constant currency basis was 2.1%.
- Inorganic growth was 12.5%.

Adjusted operating profit £m

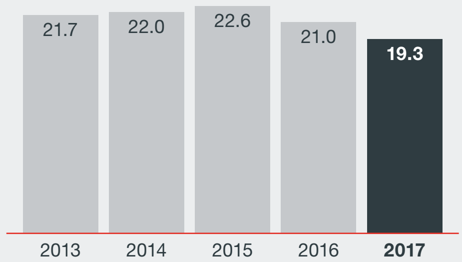
£35.6m



- Adjusted operating profit increased by 9.6% to £35.6 million.
- Strong growth in underlying profitability.

Adjusted operating profit margin %

19.3%

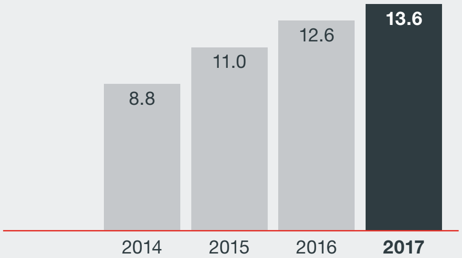


- Margin dilution from:
  - New acquisitions in the year.
  - FX driven input cost inflation.
  - Sales mix.

2017 Highlights continued

Adjusted EPS p

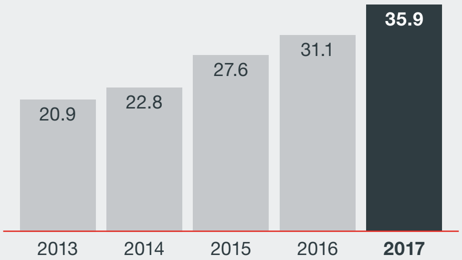
13.6p



- Adjusted EPS growth of 7.9% to 13.6 pence.
- Improved EPS from increased underlying profitability and two new acquisitions.

Adjusted operating cash flow £m

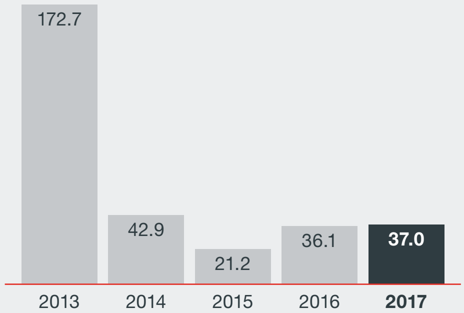
£35.9m



- Adjusted operating cash flow was very strong.
- 99% adjusted operating cash flow conversion (2016: 95%).

Net debt £m

£37.0m



- Net debt increased by £0.9 million after two acquisitions completed in the year.
- FX effect on foreign borrowings and cash increased net debt by £2.4 million.
- Leverage (expressed as a ratio of net debt to adjusted EBITDA) was 0.9x (2016: 1.0x).

Financial Review

Ian Dew – CFO

Financial year ended 31 July 2017

Financial Highlights

Financial year ended 31 July 2017

	2017	2016	Movement	Movement %
Revenue (£m)	**185.1**	154.5	30.6	19.8%
Adjusted profit before tax (£m)[1]	**34.6**	31.3	3.3	10.3%
Reported profit/(loss) before tax (£m)	**17.9**	18.4	(0.5)	(2.5)%
Adjusted basic and diluted EPS (p)[1]	**13.6**	12.6	1.0	7.9%
Proposed dividend per share (p)	**4.15**	3.80	0.35	9.2%
Adjusted operating cash flow (£m)[1]	**35.9**	31.1	4.8	15.5%
Net debt (£m)	**37.0**	36.1	0.9	—
Closing debt leverage, net debt to adjusted EBITDA	**0.9**	1.0	0.1	—

Key highlights

- Strong revenue growth of 19.8% (14.5% at cc).
- Strong growth in adjusted profit before tax of 10.3% (4.7% at cc).
- Reported profit before tax reduced slightly due to temporary fair value adjustments to financial instruments (currency hedges) and increased amortisation of acquired intangible assets.
- Two acquisitions in the year.
- Adjusted operating cash flow of £35.9 million, a cash conversion of 99%.
- Total proposed dividend per share of 4.15 pence, a 9.2% increase.
- Closing net debt leverage of 0.9x adjusted EBITDA.

1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted basic and diluted EPS and adjusted operating cash flow. An explanation and reconciliation to reported profit before tax is shown on page 11.

Income Statement Summary

Financial year ended 31 July 2017

	2017	2016	Movement £m	Movement %
Revenue (£m)	**185.1**	154.5	30.6	19.8%
Revenue (£m) cc	**176.9**	154.5	22.4	14.5%
Gross profit (£m)	**91.0**	75.4	15.6	20.8%
Gross margin %	**49.2%**	48.8%	0.4pp	–
Adjusted EBITDA (£m)[1]	**39.2**	35.4	3.8	10.8%
Adjusted operating profit (£m)[1]	**35.6**	32.5	3.1	9.6%
Adjusted operating profit (£m)[1] cc	**33.9**	32.5	1.4	4.2%
Adjusted operating profit margin[1] %	**19.3%**	21.0%	(1.7pp)	–
Adjusted finance costs (£m)[1]	**(1.1)**	(1.2)	0.1	–
Adjusted profit before tax (£m)[1]	**34.6**	31.3	3.3	10.3%
Adjusted tax charge (£m)[1]	**(7.5)**	(6.2)	(1.3)	20.4%
Adjusted profit after tax (£m)	**27.1**	25.1	2.0	7.8%

cc: constant currency

1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted basic and diluted EPS and adjusted operating cash flow. An explanation and reconciliation to reported profit before tax is shown on page 11.

- Revenue growth of 19.8% (+£30.6 million) (14.5% at cc).
  - Revenue growth would have been £8.2 million lower at cc.
  - 7.3% organic growth (2.1% at cc).
  - 12.5% inorganic growth. Acquisition of Breathing Buildings (UK) in December 2016 and VoltAir System (Sweden) in May 2017 as well as the full year effect of the following acquisitions:
    - Welair (Sweden): December 2015.
    - Energy Technique plc t/a Diffusion (UK): December 2015.
    - NVA Services (UK): May 2016.
- Gross profit up by £15.6 million on higher volumes and improved margins. Gross margin of 49.2% up by 0.4pp.
- Adjusted operating profit growth of 9.6% (+£3.1 million) (4.2% at cc).
- Adjusted operating profit margin at 19.3%. Margin % diluted by:
  - New acquisitions currently at lower than Group average.
  - FX led inflation in the UK.
  - Decline in profitable UK public RMI (sales mix).
- Adjusted PAT of £27.1 million improved by 7.8%.

Adjusted Profit before Tax Reconciled to Reported Profit before Tax

Financial year ended 31 July 2017

	2017 £m	2016 £m	Movement £m
Adjusted profit before tax	**34.6**	31.3	3.3
Items excluded from adjusted measures:			
Exceptional items	**(1.4)**	(1.2)	(0.2)
Other non-recurring items not meeting the definition of exceptional	**–**	(0.2)	0.2
Net (loss)/gain on financial instruments at fair value	**(1.5)**	1.1	(2.6)
Amortisation of acquired intangibles	**(13.8)**	(12.6)	(1.2)
Reported profit/(loss) before tax	**17.9**	18.4	(0.5)

	2017 £m	2016 £m	Movement £m
Exceptional items			
Acquisition related costs	**(0.8)**	(1.2)	0.4
Factory relocation	**(0.6)**	–	(0.6)
Exceptional items	**(1.4)**	(1.2)	(0.2)

Adjustments:

- Exceptional items:
  - Acquisition related costs of £0.8 million and factory relocation of £0.6 million. For the prior year all exceptional items related to acquisitions.
- Net (loss)/gain on financial instruments relates to the temporary revaluation of currency hedges.
- Amortisation of acquired intangible assets:
  - Amortisation relating to the fair value of acquired intangible assets (e.g. customer base and trademarks, valued at the time of acquisition).
- Factory relocation:
  - Project commenced to consolidate some of the UK production at a single new site in Reading, UK.
  - Expected completion in mid 2018.

Consolidated Statement of Financial Position Summary

Financial year ended 31 July 2017

	31/07/2017 £m	31/07/2016 £m
Property, plant and equipment	**19.6**	19.1
Intangible assets – goodwill	**81.6**	68.2
Intangible assets – others	**101.0**	105.4
Deferred tax assets	**0.8**	0.5
Non-current assets	**203.0**	193.2
Inventory	**22.7**	20.2
Trade and other receivables	**37.2**	33.8
Cash	**14.5**	15.7
Current assets	**74.4**	69.7
Payables and other liabilities	**(48.3)**	(38.8)
Deferred tax	**—**	(2.4)
Current liabilities	**(48.3)**	(41.2)
Loans and borrowings	**(51.5)**	(51.8)
Unamortised finance costs	**0.4**	0.6
Other liabilities	**(0.1)**	(0.7)
Deferred tax	**(17.8)**	(16.2)
Non-current liabilities	**(69.0)**	(68.1)
Net assets	**160.1**	153.6
Share capital	**2.0**	2.0
Share premium	**11.5**	11.5
Treasury shares	**(2.0)**	(1.5)
Capital reserve	**93.9**	93.9
Other reserves	**3.1**	2.1
Retained earnings	**51.6**	45.6
Total equity	**160.1**	153.6

- Non current assets increased by £9.8 million, mainly as a consequence of two acquisitions in the year and the translational effect of FX movements offset by depreciation and amortisation.
- Operating working capital improved to 10.5% of revenue (10.8% at cc) (2016: 11.7% of revenue).
- Loans and borrowings decreased in the year by £0.3 million, despite having completed two acquisitions with a net cash outflow of £18.1 million.
- Deferred tax credit relates primarily to the recognition of “acquired intangible assets” at fair value.
- Treasury shares: 1,166,878 Volution Group plc shares owned at a cost of £2.0 million to meet obligations under the Group’s Long Term Incentive Plan (LTIP) (2016: 916,878 shares owned at a cost of £1.5 million).
- The capital reserve of £93.9 million arises on consolidation and is non-distributable.
- Distributable reserves in the parent company are £72.8 million.
- Return on tangible net assets was 91%.

Cash Flow Summary and Net Debt Bridge

Financial year ended 31 July 2017

	2017 £m	2016 £m
Opening net debt	**(36.1)**	(21.2)
Movements from normal business operations		
Adjusted EBITDA	**39.2**	35.4
Movement in working capital	**0.6**	—
Capital expenditure	**(3.9)**	(4.3)
Adjusted operating cash flow	**35.9**	31.1
Interest paid/accrued	**(0.8)**	(1.0)
Income tax paid	**(5.6)**	(5.2)
Exceptional items	**(1.3)**	(1.0)
Dividend	**(7.9)**	(6.9)
FX on foreign currency loans/cash	**(2.4)**	(5.4)
Purchase of own shares	**(0.5)**	(1.5)
Other	**(0.2)**	—
Movements from acquisitions		
Acquisition consideration, net of cash acquired	**(18.1)**	(25.0)
Closing net debt	**(37.0)**	(36.1)

- Net debt increased to £37.0 million: two acquisitions in the year.
- Adjusted operating cash flow of £35.9 million (2016: £31.1 million):
  - Cash conversion of 99% (2016: 95%) after working capital and capital expenditure.
- Dividend: £7.9 million paid in the year (2016: £6.9 million).
- Foreign exchange: the revaluation of foreign currency borrowings and cash has increased our consolidated indebtedness in the year by £2.4 million (2016: £5.4 million).
- Purchase of own shares: 250,000 Volution Group plc shares acquired at a cost of £0.5 million to partly meet the Group's obligations under its LTIP (2016: 916,878 shares acquired at a cost of £1.5 million).
- Two acquisitions with a net cash outflow:
  - Breathing Buildings: £11.6 million.
  - VoltAir System: £6.5 million.

Business update and outlook

Ronnie George – CEO

Growth by Market Segment

	2017 £m	2017 £m (cc)	2016 £m	Growth %	Growth % (cc)
Ventilation Group revenue	**163.1**	155.9	134.1	21.6%	16.3%
OEM (Torin-Sifan) revenue	**22.0**	21.0	20.4	7.7%	2.8%
Total Volution Group revenue	**185.1**	176.9	154.5	19.8%	14.5%

volution group

Revenue growth

The total Group revenue grew by 19.8% (14.5% at cc).

- Organic revenue grew by 7.3% (2.1% at cc).
- Inorganic revenue growth of 12.5%.

Ventilation Group revenue grew by 21.6% (16.3% at cc).

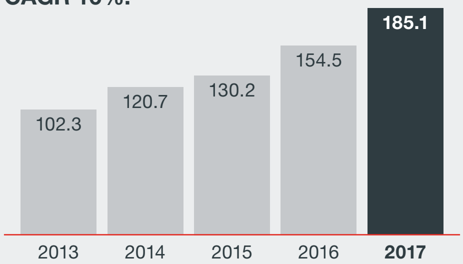
- Organic revenue grew by 7.3% (2.0% at cc).
- Inorganic revenue growth of 14.3%.

OEM (Torin-Sifan) revenue grew by 7.7% (2.8% at cc).

Revenue £m

81% growth in four years.

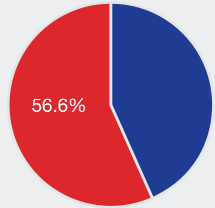
CAGR 16%.



Market Sector Review: UK Ventilation Group

	2017 £m	2017 (cc) £m	2016 £m	Total growth %	Organic growth (cc) %	Inorganic growth (cc) %	Total growth (cc) %
UK Ventilation Group revenue	**104.8**	104.0	84.7	23.7%	1.3%	21.5%	22.8%
UK Residential New Build revenue	**23.4**	23.4	19.8	18.2%	8.3%	9.9%	18.2%
UK Commercial revenue	**32.7**	32.7	21.7	51.0%	(0.3)%	51.3%	51.0%
UK Residential RMI revenue	**38.5**	38.5	35.4	8.5%	(3.8)%	12.3%	8.5%
UK Export revenue	**10.2**	9.4	7.8	30.8%	10.8%	9.9%	20.7%

% of Volution Group revenue



UK Ventilation Group

Residential New Build

- Continuing strong organic growth and order intake. Supported by new award winning heat recovery system products.

Commercial

- Flat organic performance. Good demand for new build applications with RMI performing less well. Inorganic growth from Breathing Buildings and Diffusion.

Residential RMI

- Increased market share from the acquisition of National Ventilation and Airtech brands.
- Public market weakness continued. Our initiatives are taking hold and new product introductions both in FY17 and to follow in FY18 should assist future share gains.
- Upselling of silent and more high end ranges are gaining further momentum in private RMI.

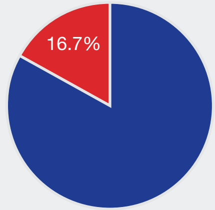
Export

- Strong growth in sales of residential heat recovery systems with Ireland performing particularly well.
- Significant heat recovery product and spares order received from Japan which will ship in H1/FY18.

Market Sector Review: Nordics

	2017 £m	2017 (cc) £m	2016 £m	Total growth %	Organic growth (cc) %	Inorganic growth (cc) %	Total growth (cc) %
Nordics revenue	**30.8**	27.8	25.5	20.8%	5.1%	3.7%	8.8%

% of Volution Group revenue



Nordics

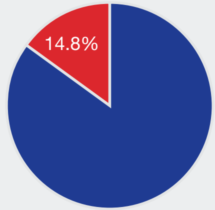
- Strong organic growth of 8.8% (cc); consistent year-on-year organic growth since being acquired in 2013.
- Substantial increase in operating margin, continuing the trend since acquisition.
- The new premium Calima fan delivered significant growth in the year as well as the new range of quieter wall inlet grilles.
- Development of the new Intellivent Sky fan is underway, to be launched in FY18.
- Following the success of combining our various brands under one Swedish DIY sales team we have now also combined the "trade sales" teams into one.
- Acquisition of VoltAir System in May 2017 gives us greater exposure to the new build market in Sweden to complement our market leading position in RMI.
- VoltAir System order intake since acquisition has performed very well.

Intellivent Sky new premium fan

Market Sector Review: Central Europe

	2017 £m	2017 (cc) £m	2016 £m	Total growth %	Organic growth (cc) %	Inorganic growth (cc) %	Total growth (cc) %
Central Europe revenue	**27.5**	24.1	23.8	15.3%	1.3%	0.0%	1.3%

% of Volution Group revenue



Central Europe

- Organic growth of 1.3%.

Belgium

- Our strategy to introduce more Group products to the wholesaler channel progressed very well in the year, deliberately reducing our exposure to installers.

Germany

- Good growth in the domestic market with exports from Central Europe declining. Overall a significant improvement in the sales mix.
- Progress with new product launches include the sMove controller to underpin future organic growth.

The Netherlands

- Rolled out the Vent-Axia domestic fan product range to electrical wholesalers with further progress expected in FY18.
- Excellent progress with inter-company sales of Uniflex Plus ducting range for new build project applications.

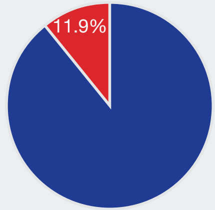
sMove wall mounted controller

Uniflex Plus distribution box

Market Sector Review: OEM (Torin-Sifan)

	2017 £m	2017 (cc) £m	2016 £m	Total growth %	Organic growth (cc) %	Inorganic growth (cc) %	Total growth (cc) %
OEM (Torin-Sifan) revenue	**22.0**	21.0	20.4	7.7%	2.8%	0.0%	2.8%

% of Volution Group revenue



torin-sifan

OEM (Torin-Sifan)

- Organic growth of 2.8% demonstrates a strong second half performance, following a first half organic decline of 2.7%.
- Sales of the new EC3 products, a quieter, more energy efficient motorised impeller, have commenced well with further account gains expected in FY18.
- Sales of older technology boiler fans continue to decline. We are implementing price rises as the product becomes relatively more niche.

New EC3 motorised impellers

Volution Group plc: Operations Update

- Mike Gansser-Potts joined us in May 2017 as Managing Director of the UK Ventilation Group with further people investment in the UK team now underway.
- New Reading factory handover in November 2017, with the project to move existing Reading and Slough factories to complete by April 2018.
- Production logistics benefits and significant capacity headroom to future-proof our growth.
- ERP system upgrade implemented across the Nordic business (not VoltAir System acquired in May 2017) and in a significant part of the UK Ventilation business.
- Continuing investment in both UK and Nordic injection moulding facilities to increase capacity and capability, further internalising outsourced supply.
- The Volution Group local sourcing team in China has been operating for approximately 18 months with further resources to be added in FY18, supporting ongoing cost reduction and new product development initiatives.

Artist's impression of the new Reading factory

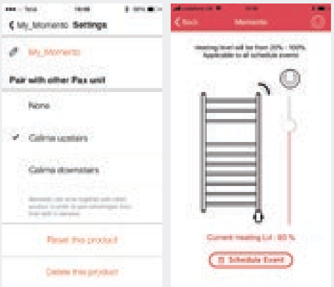
New Reading factory

Volution Group plc: Operations Update

- Continued investment in new product development initiatives underpinning our future growth.
  - Positive Input Ventilation.
  - Premium domestic fan range.
  - Extended range of application (app) software controls.
  - New sMove controller for de-centralised heat recovery.
  - EC box fan range.

Positive Input Ventilation (PIV) unit

Intellivent Sky new premium fan



Momentum App screen shots

sMove wall mounted controller

EC box fan range

Volution Group plc: Acquisitions

NVA Services (Airtech and National Ventilation brands)

- Integrated in FY17.
- Significant swap away from factored to in-house products increasing gross margins.
- Excellent sales development (organic growth since May 2016).
- Closure of Lasham site (UK) in June 2016.

Breathing Buildings

- Increased product offering to include Group products.
- Delays in new BB101 since the UK election and Grenfell Tower fire.
- Revenue softer in Q4/17; future new build programme for schools is attractive.

VoltAir System

- Acquired May 2017.
- Initial order intake is very encouraging.
- Integration with the Nordic area underway and progressing in line with expectations.

M&A future focus

- Residential and commercial ventilation markets primarily but not exclusively in Europe.
- Significant market positions for products such as residential fans and residential heat recovery.
- Significantly more balance sheet headroom/capacity today than when listed in June 2014.

Return on investments

Acquired businesses	FY17 return on invested capital FY17	FY17 return on tangible net assets FY17	Implied FY17 EBITDA multiple FY17
Nordics*			
Fresh, PAX, Welair	45%	185%	2.1
Central Europe*			
InVENTer, Ventilair	14%	69%	6.5
UK			
Energy Technique, NVA Services	22%	108%	4.2
Weighted Average of the above*	**24%**	**114%**	**3.8**

* At constant currency (FY17 average rate)

The above table shows weighted average returns based on adjusted EBIT for recent acquisitions, which contributed a full year of earnings in FY17, expressed as:

- A return on consideration paid to reflect the success of the investment.
- A return on tangible net assets to reflect the asset light nature of our businesses and therefore demonstrate the strong cash generation.
- An implied multiple of current adjusted EBITDA to consideration paid, indicating post-acquisition economic benefits that the Group can bring to a new business.

Summary and Outlook

- Revenue Growth of 20%.
- Two acquisitions completed in the year, both integrating well.
- Strong growth in underlying profitability and strong cash generation.
- Continuing focus on future acquisitions underpinned by our excellent operating cash generation and ongoing working capital and operating cash controls.
- Weighted average return on invested capital of 24%.
- Factory rationalisation and capacity expansion project progressing well, on schedule to complete by April 2018.
- The new financial year has started well with organic growth ahead of that achieved in the same period in the prior year. Our significant investment in new product development as well as specific initiatives in both public and private RMI are translating into benefits as anticipated. As a result, the Board is confident of delivering good progress in this financial year.

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.