

2017 H1 Results

Volution Group plc

Half year results to 31 January 2017



Excellence in ventilation



Introduction

- > 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

BRUGGEMANN
ENERGIEKONZEPTE

Ventilair
GROUP

welair

DIFFUSION

NATIONAL
VENTILATION

AIRTECH

B Breathing
Buildings

torin-sifan

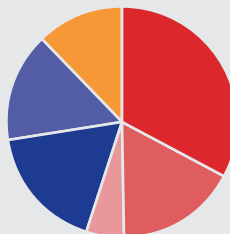
A leading supplier of ventilation products to the residential and commercial construction markets in the UK and northern Europe.

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 original equipment manufacturers (OEMs) of heating and ventilation products for both residential and commercial construction applications in Europe.

% of Volution Group plc revenue (by sector)

■ UK residential	32.9%
■ UK commercial	17.0%
■ UK export	5.3%
■ Nordics	17.5%
■ Central Europe	15.1%
■ OEM (Torin-Sifan)	12.2%



Ventilation Group

87.8% of revenue

A leader in:

- > the UK residential ventilation products market;
- > the Swedish residential repair, maintenance and improvement (RMI) ventilation products market;
- > the German decentralised residential heat recovery ventilation systems market; and
- > the Belgian centralised residential heat recovery ventilation market, growing in commercial.

OEM (Torin-Sifan)

12.2% of revenue

A leading supplier of:

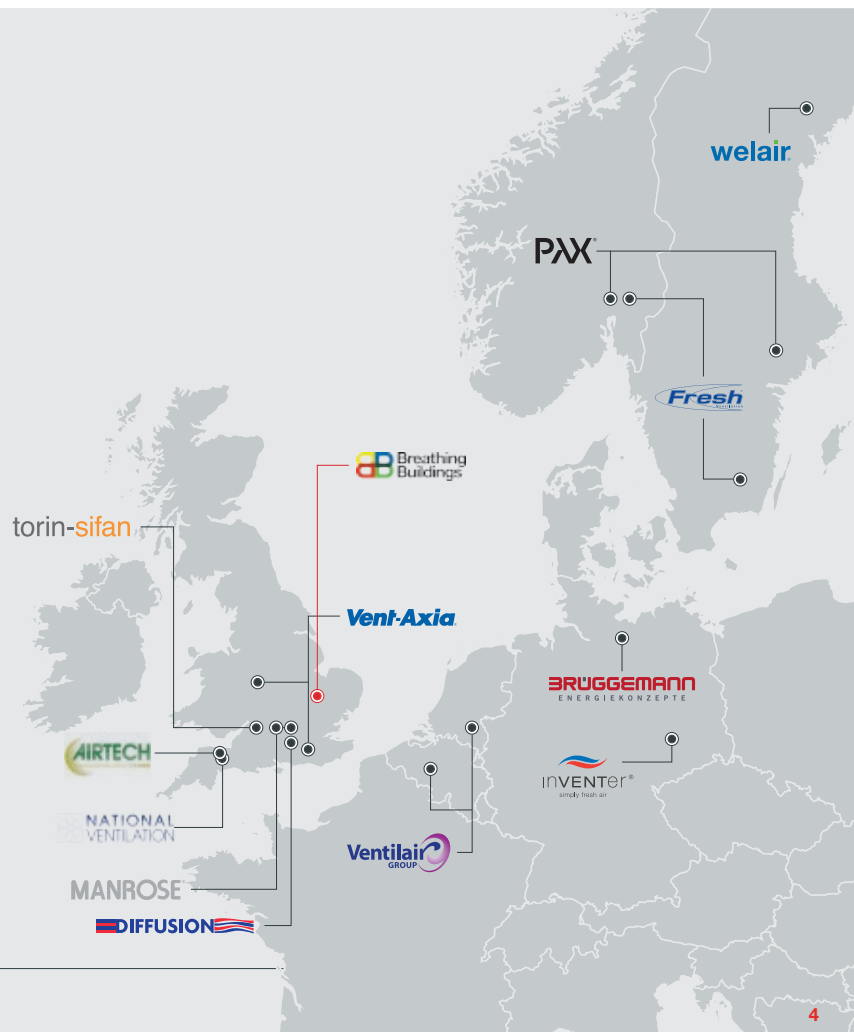
- > motors, motorised impellers, fans and blowers to the European heating, ventilation and air conditioning (HVAC) industry.

Our Locations

Volusion Group plc is a leading supplier of ventilation products to the residential and commercial construction markets in the UK and northern Europe.

● Locations

● Acquisition in FY 2017



Our Strategy

Strong results with revenue growth of 26% and adjusted EPS up 14%.

Three strategic pillars



Organic growth in our core markets

- > 2.3% constant currency (cc).
- > Growth in high end products (upselling).



Growth through a disciplined and value-adding acquisition strategy

- > One acquisition completed, enhancing our product reach:
 - > Breathing Buildings.
- > Inorganic growth of 17.2%.



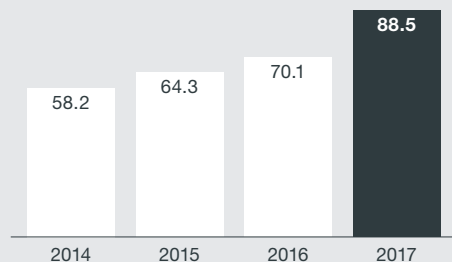
Development of OEM (Torin-Sifan) range and customer base

- > Growth in Electrically Commutated (EC) motor sales.
- > Deliveries of the new EC3 products have started.

2017 Half Year Highlights

Revenue £m

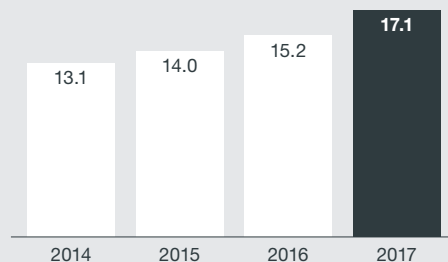
£88.5m



- > Strong revenue growth in the period of 26.1% (19.3% cc).
- > Organic growth on a cc basis was 2.3%.
- > Inorganic growth on a cc basis was 17.0%.

Adjusted operating profit £m

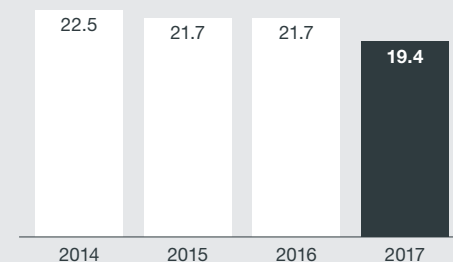
£17.1m



- > Adjusted operating profit increased by 12.7%.
- > Strong growth in underlying profitability.

Adjusted operating profit margin %

19.4%

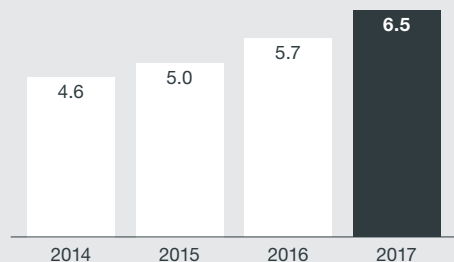


- > Margin declined by 2.3% percentage points, mainly as a consequence of new acquisitions.
- > Like-for-like adjusted operating profit margin was 21.0%.

2017 Half Year Highlights continued

Adjusted EPS p

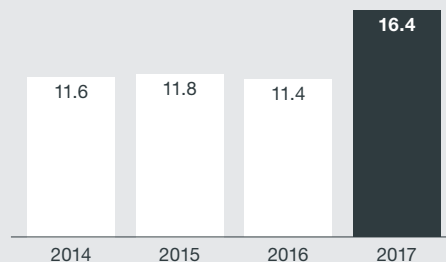
6.54p



- > Improved EPS from increased underlying profitability.
- > Growth of 14.1%.

Adjusted operating cash flow £m

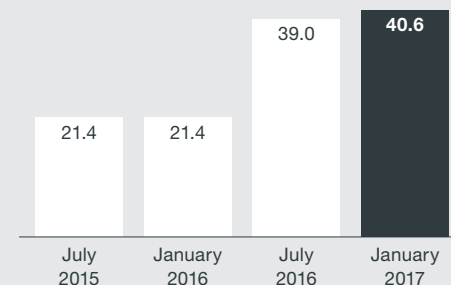
£16.4m



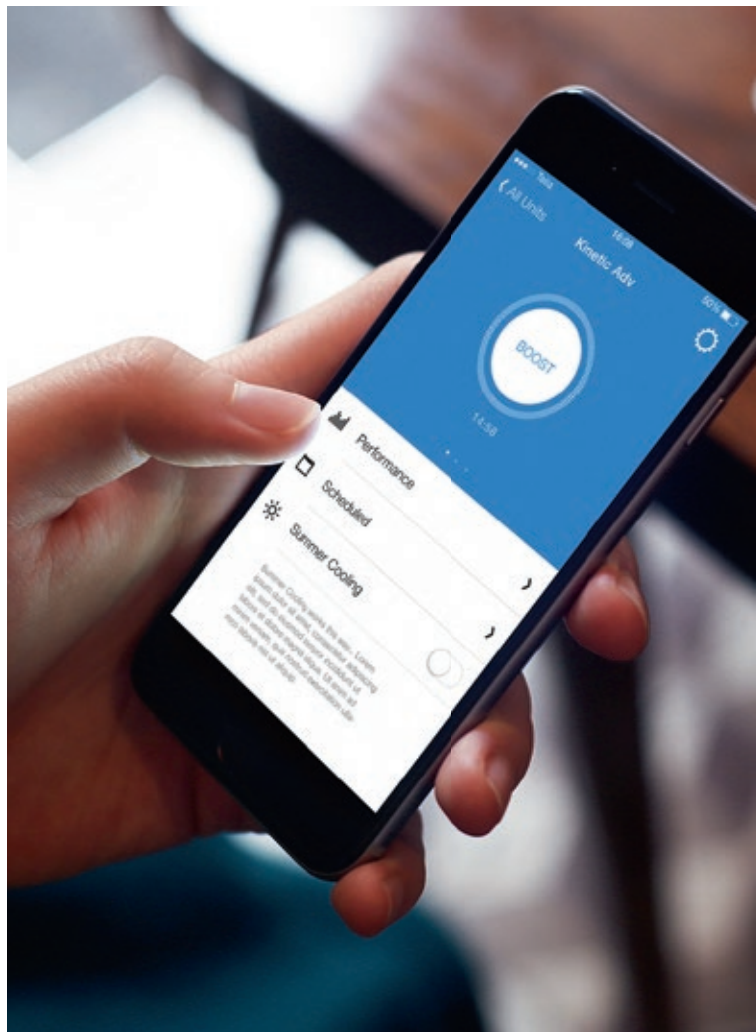
- > Adjusted operating cash flow in H1 2017 remained strong.
- > 94% adjusted operating cash flow conversion.

Net debt £m

£40.6m



- > The net cost of the acquisition in the period was £11.6m.
- > Excellent cash generation continues to finance our acquisition strategy.
- > Leverage (expressed as a ratio of net debt to adjusted EBITDA) was 1.1x on a trailing 12 months basis.



Financial Review

Ian Dew – CFO

Financial Highlights

Half year results to 31 January 2017

Organic growth and an acquisition in the period. Revenue, adjusted earnings and operating cash flow all improved significantly in the half year to 31 January 2017.

	Six months to January 2017	Six months to January 2016	Movement £m	Movement %	Movement in constant currency %
Revenue (£m)	88.5	70.1	18.4	26.1	19.3
Adjusted profit before tax (£m) ¹	16.5	14.6	1.9	13.3	8.0
Reported profit before tax (£m)	8.8	8.0	0.8	9.6	0.2
Adjusted basic and diluted EPS (p) ¹	6.54p	5.73p	0.81p	14.1	7.4
Interim dividend per share (p)	1.35p	1.20p	0.15p	12.5	—
Adjusted operating cash flow (£m) ¹	16.4	11.4	5.0	43.5%	—
Net debt (£m)	(40.6)	(39.0)	(1.6)	—	—
Net debt to adjusted EBITDA (x)	1.1	1.2	0.1	—	—

- > Sales growth of 19.3% at cc.
- > Adjusted PBT grew by 13.3% (8.0% cc).
- > Reported profit before tax was £8.8m, a £0.8m increase (H1 2016: £8.0m).
- > Adjusted EPS of 6.54 pence improved 14.1%.
- > An interim dividend declared: 1.35 pence per share, up 12.5% compared to H1 2016.
- > Cash flow was very strong.
- > Net debt of £40.6m, 1.1x adjusted EBITDA on a trailing 12 months basis:
 - > Low leverage leaves us well placed for further acquisitions.
 - > Consideration for acquisitions of £11.6m in the period.

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

Income Statement Summary

Half year results to 31 January 2017

	Six months to January 2017	Six months to January 2016	Movement £m	Movement %
Revenue (£m)	88.5	70.1	18.4	26.1
Revenue (£m) cc	83.7	70.1	13.6	19.3
Gross profit (£m)	43.6	34.6	9.0	25.9
Gross margin (%)	49.3%	49.4%	(0.1pp)	—
Adjusted EBITDA (£m) ¹	18.9	16.5	2.4	14.6
Adjusted operating profit (£m) ¹	17.1	15.2	1.9	12.7
Adjusted operating profit (£m) ¹ cc	16.4	15.2	1.2	7.7
Adjusted operating profit margin ¹	19.4%	21.7%	(2.3pp)	—
Like-for-like adjusted operating profit margin ¹	21.0%	21.7%	(0.7pp)	—
Adjusted finance costs (£m) ¹	(0.6)	(0.6)	—	(1.9)
Adjusted profit before tax (£m) ¹	16.5	14.6	1.9	13.3
Adjusted tax charge (£m) ¹	(3.5)	(3.1)	(0.4)	12.1
Adjusted profit after tax (£m) ¹	13.0	11.5	1.5	13.8

- > Revenue growth of 26.1% (+£18.4m) (19.3% at cc).
- > Revenue growth would have been £4.8m lower at cc.
- > 8.9% organic growth (growth of 2.3% at cc).
- > 17.2% inorganic growth. The Group benefited from the acquisition of Breathing Buildings (December 2016) as well as the full period effect of the following acquisitions:
 - > Welair (Sweden): December 2015.
 - > ETQ plc, t/a Diffusion (UK): December 2015.
 - > NVA Services (UK): May 2016.
- > Gross profit up by £9.0m on higher volumes.
- > Adjusted operating profit growth of 12.7% (+£1.9m) (7.7% at cc).
- > Adjusted operating profit margin (19.4%). Margin declined by 2.3pp. Life-for-like adjusted operating profit margin was 21.0%.

1.The Board believes that the performance measures adjusted gives a clearer indication of the underlying performance of the business. An explanation and 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 2017

	H1 2017 £m	H1 2016 £m	Movement £m
Adjusted profit before tax	16.5	14.6	1.9
Adjustments			
Exceptional items	(0.8)	(1.0)	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	(0.2)	0.7	(0.9)
Amortisation of acquired intangibles	(6.7)	(6.1)	(0.6)
Reported profit before tax	8.8	8.0	0.8

	H1 2017 £m	H1 2016 £m	Movement £m
Exceptional items			
Acquisition related costs	0.6	1.0	(0.4)
Factory relocation	0.2	—	0.2
Reported profit before tax	0.8	1.0	(0.2)

Adjustments for exceptional items

- > Exceptional items:
 - > H1 2017 acquisition related costs of £0.6m and factory relocation of £0.2m. For the period H1 2016 all exceptional items relate to acquisitions.
- > Amortisation of acquired intangible assets:
 - > Amortisation relating to the fair value of acquired intangible assets (eg 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.
 - > Expected completion in mid 2018.

Consolidated Statement of Financial Position Summary

Half year results to 31 January 2017

	31 January 2017 £m	31 July 2016 £m
Property, plant and equipment	19.0	19.1
Intangible assets – goodwill	75.2	68.2
Intangible assets – others	104.0	105.4
Deferred tax assets	0.7	0.5
Non-current assets	198.9	193.2
Inventory	21.6	20.1
Trade and other receivables	33.1	33.8
Cash	13.7	15.7
Current assets	68.4	69.6
Payables and other liabilities	(39.1)	(38.8)
Deferred tax	—	(2.4)
Current liabilities	(39.1)	(41.2)
Loans and borrowings	(54.3)	(51.8)
Other liabilities	(0.2)	(0.1)
Deferred tax	(17.7)	(16.2)
Non-current liabilities	(72.2)	(68.1)
Net assets	156.0	153.5
Share capital	2.0	2.0
Share premium	11.5	11.5
Capital reserve	93.8	93.8
Treasury shares at cost	(1.5)	(1.5)
Other reserves	2.6	2.1
Retained earnings	47.6	45.6
Total equity	156.0	153.5

- > Non-current assets increased by £5.7m, mainly as a consequence of acquisitions and currency offset by depreciation and amortisation.
- > Continuing efficient management of operating working capital:
 - > 22.3% of half year revenue (H1 2016: 27.5%).
- > Loans and borrowings increased by £2.5m:
 - > One acquisition (£11.6m consideration net of cash acquired).
- > Deferred tax credit relates primarily to the recognition of “acquired intangible assets – others,” at fair value.
- > The capital reserve of £93.8m arises on consolidation and is non-distributable.
- > Distributable reserves in the parent company are £66.4m.

Cash Flow Summary and Net Debt Bridge

Half year results to 31 January 2017

	Six months to January 2017	Six months to January 2016
Opening net debt	(36.1)	(21.2)
Movements from normal business operations		
Adjusted EBITDA	18.9	16.5
Movement in working capital	(0.6)	(2.5)
Capital expenditure	(1.9)	(2.6)
Adjusted operating cash flow	16.4	11.4
Interest paid	(0.6)	(0.5)
Income tax paid	(2.3)	(2.1)
Exceptional items and restructuring	(0.4)	(0.3)
Dividends paid	(5.2)	(4.5)
Foreign exchange	(0.8)	(2.6)
Purchase of own shares	—	(1.0)
Other	—	0.3
Movements from acquisitions		
Acquisition consideration	(11.6)	(18.5)
Closing net debt	(40.6)	(39.0)

- > Net debt increased to £40.6m: one acquisition in the period.
- > Adjusted operating cash flow of £16.4m (H1 2016: £11.4m):
 - > Cash conversion of 94.0% (H1 2016: 74.6%) after working capital and capital expenditure.
- > Foreign exchange: the revaluation of foreign currency borrowings has increased our consolidated indebtedness by £0.8m (H1 2016: £2.6m).
- > Acquisition consideration net of cash:
 - > Breathing Buildings – £11.6m.
- > Final dividend paid in December 2016 for the year ended 31 July 2016 was £5.2m (H1 2016: £4.5m).



Business Update and Outlook

Ronnie George – CEO

Growth by Market Segment

	H1 2017 £m	H1 2017 £m (cc)	H1 2016 £m	Growth %	Growth % (cc)
Ventilation Group revenue	77.7	73.5	59.7	30.2	23.2
OEM (Torin-Sifan) revenue	10.8	10.2	10.4	3.0	(2.7)
Total Volution Group revenue	88.5	83.7	70.1	26.1	19.3



Revenue growth

The total Group grew by 26.1% (19.3% at cc).

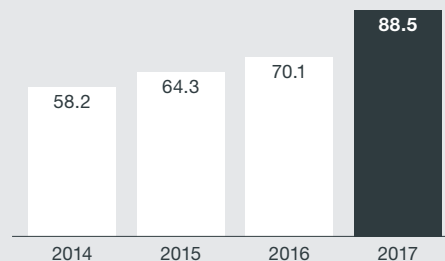
- > Organic growth of 8.9% (2.3% at cc).
- > Inorganic growth of 17.2% (17.0% at cc).

Ventilation Group grew by 30.2% (23.2% cc).

OEM (Torin-Sifan) grew by 3.0% ((2.7)% at cc).

Revenue £m

52% growth in three years.



Market Sector Review

UK Residential RMI

	H1 2017 £m	H1 2016 £m	Like-for-like organic %	Inorganic %	Total %
UK Residential RMI revenue	18.9	17.0	(4.5)	15.8	11.3

Vent-Axia

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VENTILATION**

AIRTECH

UK Residential RMI

Private RMI

- > Organic decline with retail performing better than the trade market.
- > Continuing success in upselling to more silent and high end ranges such as Svara.
- > Margin expansion in National Ventilation as third-party solutions are swapped to Volusion products.

Public RMI

- > Market remains weak and in decline.
- > The new product Revive is starting to win new sales and we continue to target new account gains.
- > Airtech is performing well, the product portfolio is being extended and we are further rolling out the offer geographically.



New Manrose Conceal Fan



New Revive Fan

Market Sector Review

UK Residential New Build

	H1 2017 £m	H1 2016 £m	Like-for-like organic %	Inorganic %	Total %
UK Residential New Build revenue	10.2	8.3	7.7	15.0	22.7

Vent-Axia

MANROSE

**NATIONAL
VENTILATION**

DIFFUSION

UK Residential New Build

- > Organic growth of 7.7%.
- > Kinetic Advance sales and new specifications gaining traction in the market.
- > National Ventilation now selling Volution products instead of previous third-party solutions – enhancing range and margin.
- > Vent-Axia won the prestigious award at the CIBSE Awards for the “Energy Efficient Product of the Year.”



CIBSE Award for the “Energy Efficient Product of the Year”

Market Sector Review

UK Commercial

	H1 2017 £m	H1 2016 £m	Like-for-like organic %	Inorganic %	Total %
UK Commercial revenue	15.0	8.3	(0.1)	82.5	82.4

Vent-Axia

MANROSE

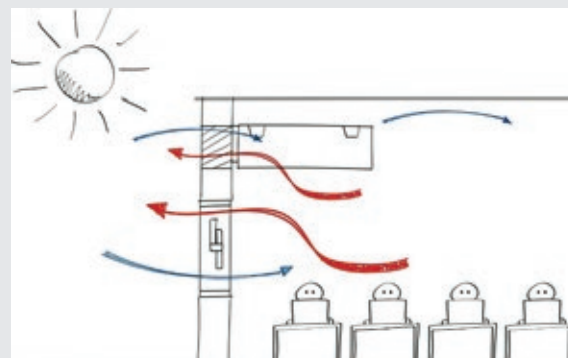
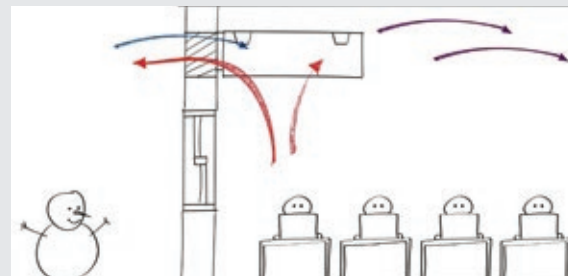
DIFFUSION

**NATIONAL
VENTILATION**

**B Breathing
Buildings**

UK Commercial

- > 82.4% growth mainly due to the acquisition of Diffusion with organic revenues now broadly flat, versus a decline in FY 2016.
- > Breathing Buildings acquired in December 2016 and integration progressing in line with our expectations.
- > We now have a wider offering to the commercial ventilation market.



Breathing Buildings Natural Ventilation with Heat Recycling (NVHR)

Market Sector Review

UK Export

	H1 2017 £m (cc)	H1 2016 £m	Like-for-like organic %	Inorganic %	Total %
UK Export revenue	4.3	2.8	22.5	29.6	52.1

Vent-Axia

MANROSE

DIFFUSION

UK Export

- > Very strong growth in Eire for sales of heat recovery systems with several project orders secured.
- > Margins expanding as a result of the ongoing weakness of Sterling.



Honey Pack Dublin - heat recovery project

Market Sector Review

International: Nordics

	H1 2017 £m (cc)	H1 2016 £m	Like-for-like organic %	Inorganic %	Total %
Nordics revenue	13.5	12.4	3.8	4.5	8.3



PAX

welair

Nordics

- > Organic growth of 3.8% (cc).
- > Substantial increase in operating margin, continuing the trend from 2016.
- > Introduction of new products, an upgraded wall inlet grille and the applications controlled fan, have underpinned the organic growth.



Major retail account ventilation offering in Gothenburg

Market Sector Review

International: Central Europe

	H1 2017 £m (cc)	H1 2016 £m	Like-for-like organic %	Inorganic %	Total %
Central Europe revenue	11.6	10.9	6.7	—	6.7

BRÜGGEMANN
ENERGIEKONZEPTE

inVENTer®
simply fresh air

Ventilair
GROUP

Vent-Axia

Central Europe

- > Strong organic growth of 6.7% (cc).
- > New product introductions in Germany including the “sMove” wall mounted controller launched in October 2016.
- > Expansion plan for InVENTer’s sales agent completed.
- > Roll out of the Vent-Axia brand in the Netherlands and Germany.



“sMove” wall mounted Controller

Market Sector Review

OEM (Torin-Sifan)

	H1 2017 £m (cc)	H1 2016 £m	Like-for-like organic %	Inorganic %	Total %
OEM (Torin-Sifan) revenue	10.2	10.4	(2.7)	–	(2.7)

torin-sifan

OEM (Torin-Sifan)

- > Organic decline of 2.7% (cc) mainly due to weaker sales of boiler spares and alternating current (AC) technology products.
- > Sales of 3 phase Electronically Commutated (EC3) motorised impellers has now commenced.
- > Small increase in intercompany sales with further growth expected to follow.



EC3 range of motorised impellers

Summary and Outlook

- > Inorganic growth of 17.0% (cc) as a result of the acquisitions of Diffusion, NVA Services and Breathing Buildings with margin expansion in each of the acquired businesses.
- > On track to deliver the expected synergies from the NVA services acquisition during FY 2017/2018.
- > Ongoing investment in new product development with several new initiatives underway for new products to be launched in 2018.
- > Factory rationalisation and capacity expansion project underway, to consolidate some of the UK production at a single site in Reading, expected completion in mid 2018.
- > Continuing focus on new acquisitions, underpinned by our excellent operating cash generation and strong working capital performance in the first half of FY 2017.
- > The second half of 2017 has started in line with our expectations and despite the uncertainty in the UK following the decision to leave the European Union and the continuing weakness in UK Public Residential RMI, we remain confident in delivering further good growth in 2017 in line with our strategy.



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.