2016 Results

Volution Group plc
Full year results to 31 July 2016

Excellence in ventilation

volution group

Introduction

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- > 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
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 OEMs of heating and ventilation products for both residential and commercial construction applications in Europe.

% of Volution Group revenue (by sector)

UK residential	**35.8%**
UK commercial	**14.1%**
UK export	**5.0%**
Nordics	**16.5%**
Central Europe	**15.4%**
OEM (Torin-Sifan)	**13.2%**

Ventilation Group

86.8% of revenue

A leader in:

> UK residential ventilation products market;

> Swedish residential RMI ventilation products market;

> German decentralised residential heat recovery ventilation systems market; and

> Belgian centralised residential heat recovery ventilation market, growing in commercial.

OEM (Torin-Sifan)

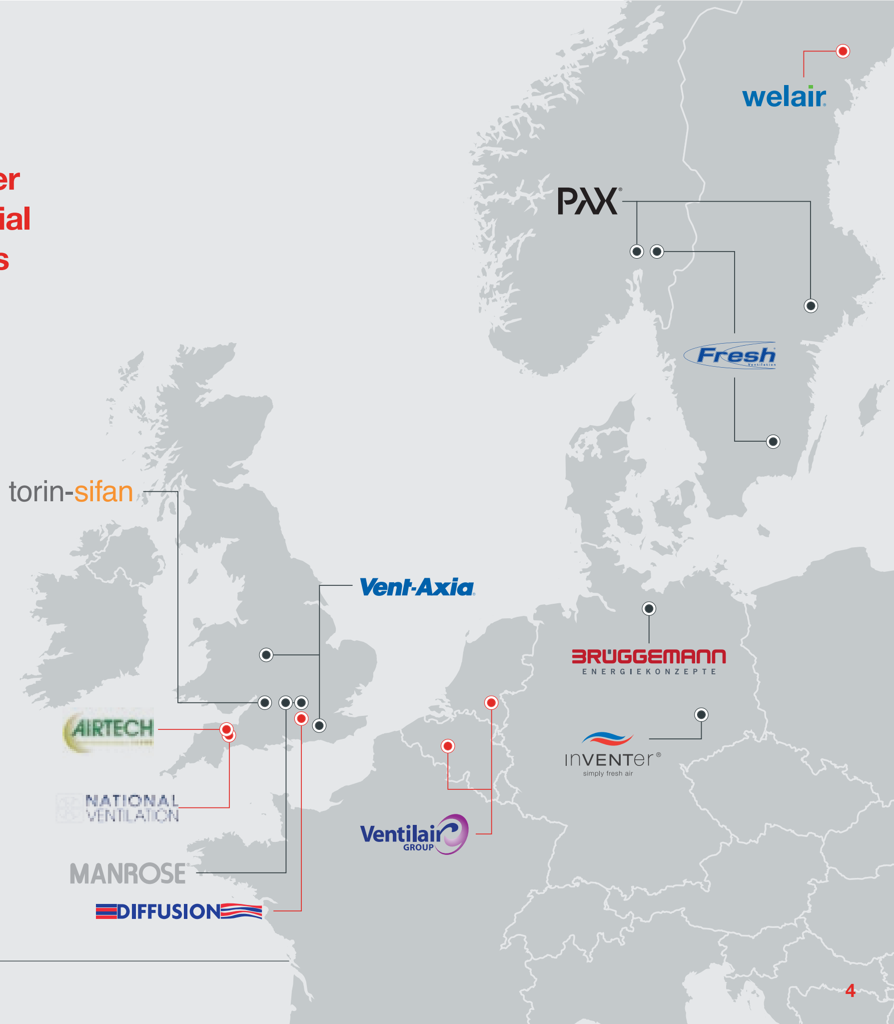
13.2% of revenue

A leading supplier in:

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

Our Locations

Volution 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 FY16

Our Strategy

Strong results with revenue growth of 19% and EPS up 15%.

Three Strategic Pillars

Organic growth in our core markets

- 3.1% constant currency (cc).
- Growth in high end products (up selling).

Growth through a disciplined and value-adding acquisition strategy

- Four acquisitions completed, enhancing our product and geographic reach:
  - Ventilair (BE + NL);
  - Welair (Sweden);
  - Energy Technique (Diffusion);
  - NVA Services (National Ventilation and Airtech).

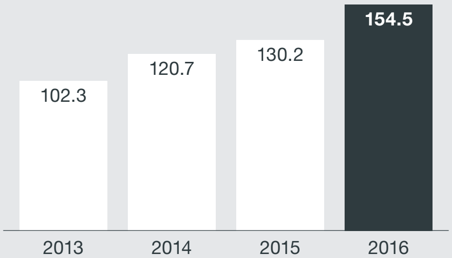
Development of OEM (Torin-Sifan) range and customer base

- 8.8% (cc) organic growth and first full year in the new production facility.
- Growth in EC motor sales.

2016 Highlights

Revenue £m

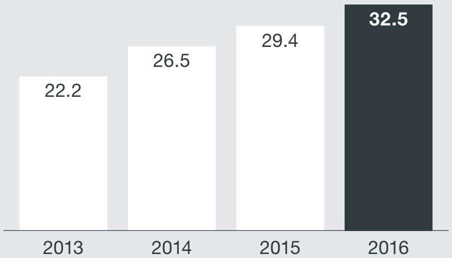
£154.5m



- Strong revenue growth in the year of 18.7% (18.6% on a constant currency basis).
- Organic growth on a constant currency basis was 3.1%.
- Inorganic growth on a constant currency basis was 15.5%.

Adjusted operating profit £m

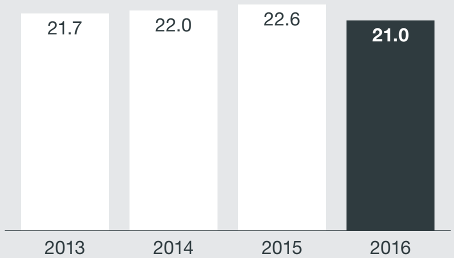
£32.5m



- Adjusted operating profit increased by 10.4%.
- Strong growth in underlying profitability.

Adjusted operating profit margin %

21.0%

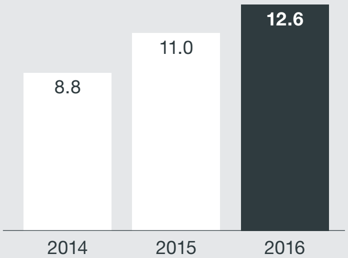


- Margin dilution from the new acquisitions in the year.
- Like-for-like Adjusted operating profit margin was 22.8%.

2016 Highlights continued

Adjusted EPS p

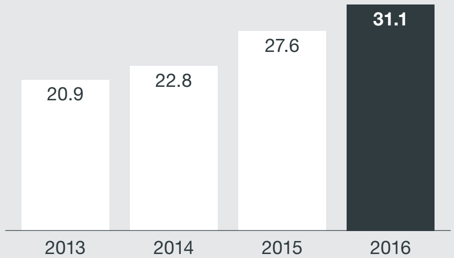
12.6p



> Adjusted EPS growth of 14.5%.
> Improved EPS from increased underlying profitability, four new acquisitions and reduced finance costs.

Adjusted operating cash flow £m

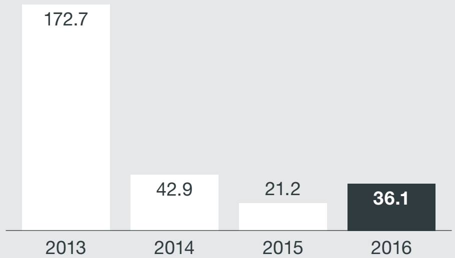
£31.1m



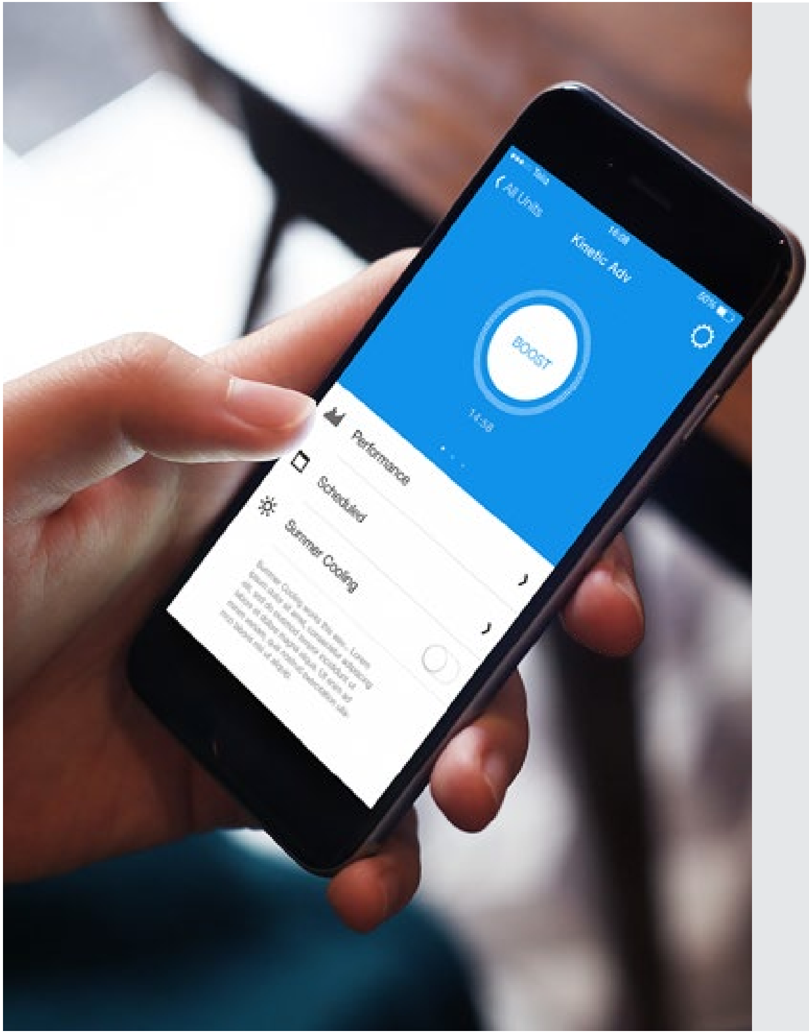
> Adjusted operating cash flow in 2016 remained strong.
> 95% adjusted operating cash flow conversion (2015: 93%).
> Working capital remained under control at 11.7% of revenue (2015: 12.3%).

Net debt £m

£36.1m



> Net debt increased after £25.0m was spent on acquisitions.
> Strong operating cash generation in the year.
> FX effect on foreign borrowings increased net debt by £5.4m.
> Leverage (expressed as a ratio of net debt to adjusted EBITDA) was 1.0x (2015: 0.7x).



Financial Review

Ian Dew – CFO

Financial Highlights

Financial year ended 31 July 2016

Organic growth and four acquisitions in the year. Sales, earnings and operating cash flow all improved significantly.

	2016	2015	Movement £m	Movement %	Constant currency movement %
Revenue (£m)	**154.5**	130.2	24.3	18.7	18.6
Adjusted profit before tax (£m)[1]	**31.3**	27.5	3.8	13.9	13.8
Reported profit before tax (£m)	**18.4**	15.5	2.9	18.3	18.0
Adjusted basic and diluted EPS (p)[1]	**12.6**	11.0	1.6	14.5	14.0
Dividend per share (p)	**3.80**	3.30	0.50	15.2	—
Adjusted operating cash flow (£m)[1]	**31.1**	27.6	3.5	12.6	—
Net debt (£m)	**(36.1)**	(21.2)	(14.9)	—	—
Net debt to annualised EBITDA (x)	**1.0**	0.7	(0.3)	—	—

- Revenue growth of 18.6% at constant currency (cc):
  - 3.0% organic growth (3.1% at cc); and
  - 15.7% inorganic growth (15.5% at cc).
- Adjusted PBT grew by 13.9% (13.8% at cc).
- Reported profit before tax was £18.4m, improved £2.9m.
- Adjusted EPS of 12.6p, improved 14.5%.
- A final proposed dividend of 2.60p per share. Total for the year: 3.80p per share.
- Very strong adjusted operating cash flow: £31.1m.
- Net debt at 31 July 16 was £36.1m, 1.0x adjusted EBITDA.

1.The Board believes that the performance measures, 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 11.

Income Statement Summary

Financial year ended 31 July 2016

	2016	2015	Movement £m	Movement %
Revenue (£m)	**154.5**	130.2	24.3	18.7
Revenue (£m) cc	**154.4**	130.2	24.2	18.6
Gross profit (£m)	**75.4**	63.2	12.2	19.3
Gross margin (%)	**48.8%**	48.5%	0.3pp	—
Adjusted EBITDA (£m)[1]	**35.4**	32.1	3.3	10.3
Adjusted operating profit (£m)[1]	**32.5**	29.4	3.1	10.4
Adjusted operating profit (£m) cc	**32.4**	29.4	3.0	10.3
Adjusted operating profit margin[1]	**21.0%**	22.6%	(1.6pp)	—
Like-for-like adjusted operating profit margin	**22.8%**	22.6%	0.2pp	—
Adjusted finance costs (£m)[1]	**(1.2)**	(1.9)	0.7	45.6
Adjusted profit before tax (£m)	**31.3**	27.5	3.8	13.8
Adjusted tax charge (£m)	**(6.2)**	(5.5)	(0.7)	13.1
Adjusted profit after tax (£m)	**25.1**	22.0	3.1	14.1

- Gross profit up by £12.2m on higher volumes and improved margins.
  - Gross margin of 48.8% up by 0.3pp.
- Adjusted operating profit growth of 10.4% (+£3.1m) (10.3% at cc).
  - Adjusted operating profit margin at 21.0%.
  - Margin percentage currently diluted by new acquisitions, however, like-for-like Margin percentage improved to 22.8%.
- Finance costs reduced; full year effect of the bank facility introduced in February 2015.
- Adjusted PBT of £31.3m improved by 13.8%.
- Adjusted effective tax rate 20.0%.

1.The Board believes that the performance measures, 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 11.

Adjusted Profit before Tax Reconciled to Reported Profit before Tax

Financial year ended 31 July 2016

	2016 £m	2015 £m	Movement £m
Adjusted profit before tax	**31.3**	27.5	3.8
Adjustments for exceptional items:			
Exceptional items	**(1.2)**	(0.7)	(0.5)
Other non-recurring items not meeting the definition of exceptional	**(0.2)**	—	(0.2)
Net gain on financial instruments at fair value	**1.1**	0.2	0.9
Amortisation of intangibles (customer base and trademarks)	**(12.6)**	(11.5)	(1.1)
Reported profit before tax	**18.4**	15.5	2.9

	2016 £m	2015 £m	Movement £m
Exceptional items			
Inventory fair value adjustment arising on business combinations	**0.3**	—	0.3
Acquisition costs	**0.9**	0.9	—
Restructuring and acquisition integration	**—**	0.1	(0.1)
Other	**—**	(0.3)	0.3
Exceptional items	**1.2**	0.7	0.5

Adjustments:

- Exceptional items relate to acquisitions in the year.
- Net gain on financial instruments relate to the revaluation of currency hedges.
- Amortisation of intangible assets relates to the fair value of acquired customer base and trademarks (valued on acquisition).

Consolidated Statement of Financial Position Summary

Financial Year ended 31 July 2016

	31/07/2016 £m	31/07/2015 £m
Property, plant and equipment	**19.1**	16.1
Intangible assets – goodwill	**68.2**	51.7
Intangible assets – others	**105.4**	100.9
Deferred tax assets	**0.5**	0.4
Non-current assets	**193.2**	169.1
Inventory	**20.2**	15.0
Trade and other receivables	**33.8**	26.3
Cash	**15.7**	11.6
Current assets	**69.7**	52.9
Payables and other liabilities	**(38.8)**	(27.8)
Deferred tax	**(2.4)**	—
Current liabilities	**(41.2)**	(27.8)
Loans and borrowings	**(51.8)**	(32.8)
Other liabilities	**(0.1)**	0.3
Deferred tax	**(16.2)**	(19.3)
Non-current liabilities	**(68.1)**	(51.8)
Net assets	**153.6**	142.4
Share capital	**2.0**	2.0
Share premium	**11.5**	11.5
Treasury shares	**(1.5)**	—
Capital reserve	**93.7**	92.3
Other reserves	**2.1**	(0.3)
Retained earnings	**45.8**	36.9
Total equity	**153.6**	142.4

- Non-current assets increased by £24.1 million mainly as a consequence of four acquisitions in the year and the translational effect of FX movements.
- Operating working capital improved to 11.7% of revenue (11.1% at constant currency) (2015: 12.3% of revenue).
- Loans and borrowings increased after £25.0m was spent on acquisitions, offset partly by the strong cash generation from operations.
- The deferred tax credit relates primarily to the fair value of our customer base and trademarks recognised on acquisition.
- Treasury shares: 916,878 Volution Group plc shares acquired at a cost of £1.5m to meet obligations under the Group's Long Term Incentive Plan (LTIP).
- The capital reserve of £93.7m is non-distributable.
- Distributable reverses in the parent company are £64.4m.

Cash Flow Summary and Net Debt Bridge

Financial Year ended 31 July 2016

	2016 £m	2015 £m
Opening net debt	**(21.2)**	(42.9)
Movements from normal business operations		
Adjusted EBITDA	**35.4**	32.1
Movement in working capital	**—**	0.1
Capital expenditure	**(4.3)**	(4.6)
Adjusted operating cash flow	**31.1**	27.6
Interest paid/accrued	**(1.0)**	(1.9)
Income tax paid	**(5.2)**	(3.0)
Exceptional items	**(1.0)**	(0.1)
Dividend	**(6.9)**	(2.1)
FX on foreign currency loans/cash	**(5.4)**	3.7
Cost of refinancing	**—**	(1.0)
Purchase of own shares	**(1.5)**	—
Movements from acquisitions		
Acquisition consideration, net of cash acquired	**(25.0)**	(1.5)
Closing net debt	**(36.1)**	(21.2)

- Net debt increased from £21.2m to £36.1m largely because of the £25.0m spent on acquisitions in the year.
- Adjusted operating cash flow of £31.1m represented a cash conversion of 95% (2015: 93%).
- Interest paid in the year reduced to £1.0m (2015: £1.9m) due to the full year effect of the February 2015 refinancing of our bank facility.
- FX on foreign currency loans: revaluation of foreign currency denominated debt increased our consolidated indebtedness in the year by £5.4m.
- Purchase of own shares: £1.5m to partly meet the Group's obligations under its LTIP.
- £25.0m consideration paid relating to the acquisitions of:
  - Ventilair
  - Welair
  - Energy Technique (trading as Diffusion)
  - NVA Services (trading as National Ventilation and Airtech)

Business update and outlook

Ronnie George – CEO

Growth by Market Segment

	2016 £m	2016 £m (cc)	2015 £m	Growth %	Growth % (cc)
Ventilation Group revenue	**134.1**	134.0	111.5	20.3	20.3
OEM (Torin-Sifan) revenue	**20.4**	20.4	18.7	9.0	8.8
Total Volution Group revenue	**154.5**	154.4	130.2	18.7	18.6

Revenue growth

The total Group grew by 18.7% (18.6% at cc).

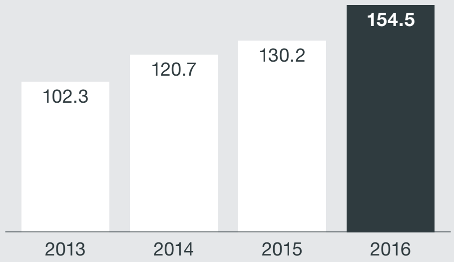
- organic grew by 3.0% (3.1% at cc).
- inorganic grew by 15.7% (15.5% at cc).

Ventilation Group grew by 20.3% (20.3% cc).

OEM (Torin-Sifan) grew by 9.0% (8.8% at cc).

Revenue £m

51% growth in three years



Market Sector Review
UK Residential RMI

	2016 £m	2015 £m	Like-for-like organic %	Inorganic %	Total %
UK Residential RMI revenue	**35.4**	36.6	(4.5)	1.4	(3.1)

Vent-Axia

MANROSE

NATIONAL VENTILATION

AIRTECH

UK Residential RMI

Private RMI (1.6%)

- Poor start to FY16 with Q1 particularly disappointing.
- Growth in our silent and "high end" refurbishment range including the new Svara, the first app-controlled fan in the UK.
- Acquired National Ventilation which is increasing our presence in over the counter sales and a good fit with our existing brands.

Public RMI (5.3%)

- Decline slowed in H2 2016.
- New product Revive recently launched and targeting gains in market share over the coming year.
- Airtech acquisition widens our public housing reach and capabilities.
- Significant strengthening of the sales team in FY16 will underpin our future growth.

Svara app-controlled fan

New "Revive"

Market Sector Review
UK Residential New Build

	2016 £m	2015 £m	Like-for-like organic %	Inorganic %	Total %
UK Residential New Build revenue	**19.8**	17.2	7.2	8.2	15.4

UK Residential New Build

- Organic growth of 7.2% with the order book growing faster than sales.
- The planned switch away from installation largely completed, underpinning increased margin.
- The penetration of heat recovery continues and revenues from servicing will commence in FY17.
- Kinetic Advance, the most aesthetic and quietest product on the market commenced sales in the year.
- Further enhancements to the Kinetic family, including “high flow” units for “supersize” family dwellings.
- Acquisitions of National Ventilation and Diffusion widens our offering.

Kinetic Advance installed in a utility room

Market Sector Review
UK Commercial

	2016 £m	2015 £m	Like-for-like organic %	Inorganic %	Total %
UK Commercial revenue	**21.7**	16.2	(7.0)	40.9	33.9

UK Commercial

- Disappointing performance for RMI; however, acquiring Diffusion provides wider access to new applications which performed very well in the year.
- Diffusion acquisition integration executed in line with expectations and margins have already been expanded.
- We remain underweight in UK commercial ventilation.

New Sentinel Q Fan

Market Sector Review
UK Export

	2016 £m (cc)	2015 £m	Like-for-like organic %	Inorganic %	Total %
UK Export revenue*	**7.8**	6.7	3.5	13.5	17.0

* Excludes sales to Ventilair in the prior year of £1.7m to get a like-for-like organic comparison to 2016 as the sales to Ventilair are now eliminated as intercompany sales. Including the effect of sales to Ventilair becoming inter company in FY16 there was a 7.2% decline.

Vent-Axia

MANROSE

DIFFUSION

UK Export

> Very strong H2 2016 organic like-for-like growth of 14.9%.

> Heat recovery sales growth in Eire was very strong.

> Strong sales in New Zealand where our partner Simx opened their new distribution facility earlier this year.

> Margins expanding as a result of weaker Sterling.

Simx (New Zealand) new facility opened in 2016

Market Sector Review
International: Nordics

	2016 £m (cc)	2015 £m	Like-for-like organic %	Inorganic %	Total %
Nordics revenue	**25.7**	22.2	11.3	4.2	15.5

Nordics

- Another year of strong revenue growth (12.5% in FY15).
- Substantial increase in operating margin – integration now fully executed.
- Acquisition of Welair extended our range of heat recovery ventilation.
- Calima – the world's first app-controlled fan – gaining sales traction.

New Fresh heat recovery units

Market Sector Review
International: Central Europe

	2016 £m (cc)	2015 £m	Like-for-like organic %	Inorganic %	Total %
Central Europe revenue	**23.7**	10.9	(2.3)	118.5	116.9

BRÜGGEMANN ENERGIEKONZEPTE

inVENTer® simply fresh air

Ventilair GROUP

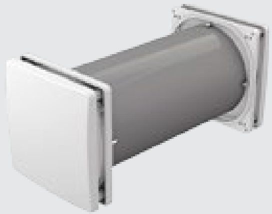
Vent-Axia

Central Europe

- Ventilair acquired and integration execution delivered in line with plan.
- Vent-Axia brand launched to distributors in the Netherlands with sales growth expected in FY17.
- Product range extension in both the Netherlands and Belgium.
- Significant new product investment in Germany with good growth in sales of new products.
- Brüggemann now only sells Volution products, underpinning a substantial increase in gross margins.

Ventilair launch campaign for Kinetic Advance


New InVENTer controller


InVENTer IV12 Smart

Market Sector Review
OEM (Torin-Sifan)

	2016 £m (cc)	2015 £m	Like-for-like organic %	Inorganic %	Total %
OEM (Torin-Sifan) revenue*	**20.4**	18.6	9.5	–	9.5

* Excludes sales to Diffusion in the prior year of £0.1m to get a like-for-like organic comparison to 2016 as the sales to Diffusion are now eliminated as intercompany sales. Including the effect of sales to Diffusion becoming intercompany in FY16, there was 8.8% growth.

torin-sifan

OEM (Torin-Sifan)

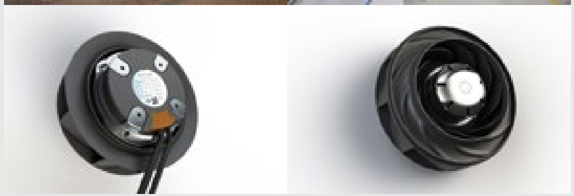
> Strong growth despite another mild winter.

> Good growth in sales of energy efficient electronically commutated motors.

> First full year of new Westmead Swindon factory operation with significant improvements in service and reliability.

> Margins benefiting from the weaker Sterling as significant volume of sales are exported.

New facility



New EC3 motorised impeller

Summary and Outlook

- Good organic growth of 3.1% cc accelerating in H2 2016 and organic margin expansion in the year.
- Four acquisitions completed in the year with three already fully integrated, the fourth progressing well.
- Significant synergies expected from the most recent acquisition, NVA Services, during FY17/18.
- Several new products launched in the year underpinning future revenue growth.
- Continuing focus on future acquisition(s), underpinned by our excellent operating cash generation in FY16 and ongoing working capital and operating cash controls.
- The new financial year has started well and notwithstanding the ongoing uncertainty in the UK post the EU Referendum, our acquisitions completed in the 2016 financial year, as well as new product launches and the various sales initiatives across the Group, give us confidence in delivering further growth in 2017.

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Thank you
Q&A

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