



**YEAR END RESULTS 2019**

A transformed outlook

# Forward-looking information

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# Agenda



**Highlights**

**Financial  
review**

**A transformed  
outlook**



A person wearing a green hazmat suit and a black respirator mask with two circular filters. The person is standing outdoors in a field with trees and a cloudy sky in the background. The image is partially obscured by a white circular graphic on the left side.

# Highlights

**Paul McDonald**  
**Chief Executive Officer**

# Strategy delivery has transformed our outlook

- Milestone acquisition of 3M's ballistic protection business expected to close in H1, strengthening our personal protection offering
- First deliveries under the new M69 and M53A1 long-term contracts with the U.S. DOD
- U.K. GSR first order and delivery expected in first half of 2020
- Stabilising dairy market conditions support improved farmer confidence and growth expectations for milkrite | InterPuls
- Strategic decision to focus SCBA product portfolio on core markets of Military and Law Enforcement
- Confident in 2020 expectations and future outlook



# Strong progress against our investor proposition



Organic sales  
growth

**+4.2%**

AT CONSTANT  
CURRENCY



Value enhancing  
acquisitions

**\$91.0m**

ACQUISITION OF  
3M'S BALLISTIC  
PROTECTION  
BUSINESS



Attractive  
EBITDA margins

**22.0%**

+70 BPS  
AT CONSTANT  
CURRENCY



Strong cash  
generation

**63.5%**

£48.3M NET  
CASH



Dividend  
growth

**+30%**

INCREASE OVER  
PRIOR YEAR





# Financial Review

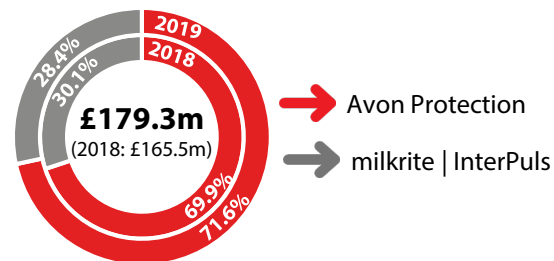
Nick Keveth  
Chief Financial Officer

# Strong financial performance in a transformational year

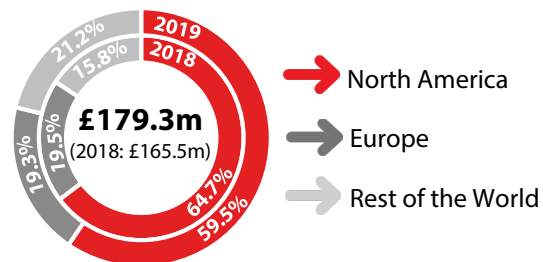
## FINANCIALS

	2019	% Change	% Constant Currency
Orders received	<b>£181.9m</b>	5.0%	1.4%
Closing order book	<b>£40.4m</b>	6.9%	(0.7%)
Revenue	<b>£179.3m</b>	8.3%	4.2%
Adjusted EBITDA	<b>£39.5m</b>	11.9%	7.7%
Adjusted EBITDA margin	<b>22.0%</b>	0.7%	0.7%
Adjusted basic earnings per share	<b>91.7p</b>	18.9%	14.1%
Dividend per share	<b>20.83p</b>	30.0%	30.0%
Cash conversion	<b>63.5%</b>	(44.7%)	
Net cash	<b>£48.3m</b>		Up £1.8m
Return on capital employed	<b>23.9%</b>	0.6%	

## REVENUE SPLIT BY BUSINESS

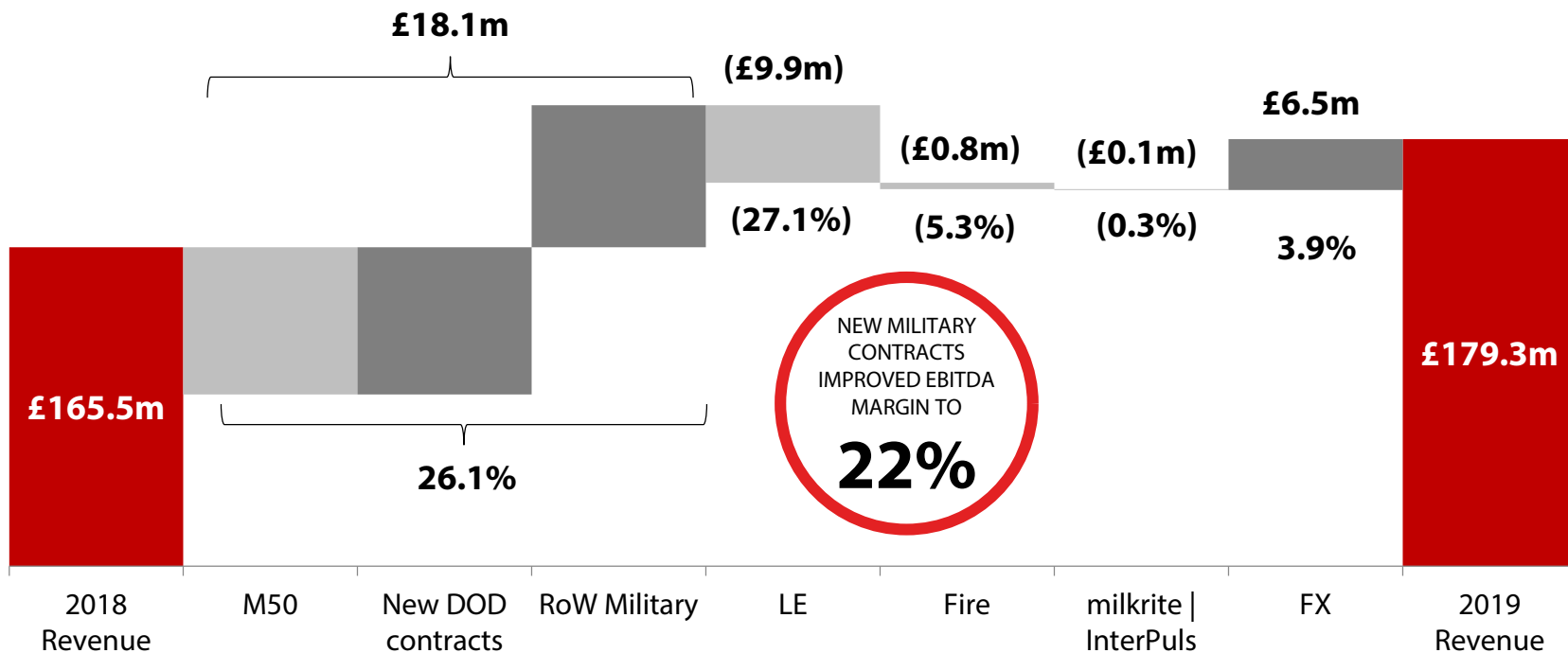


## REVENUE SPLIT BY DESTINATION

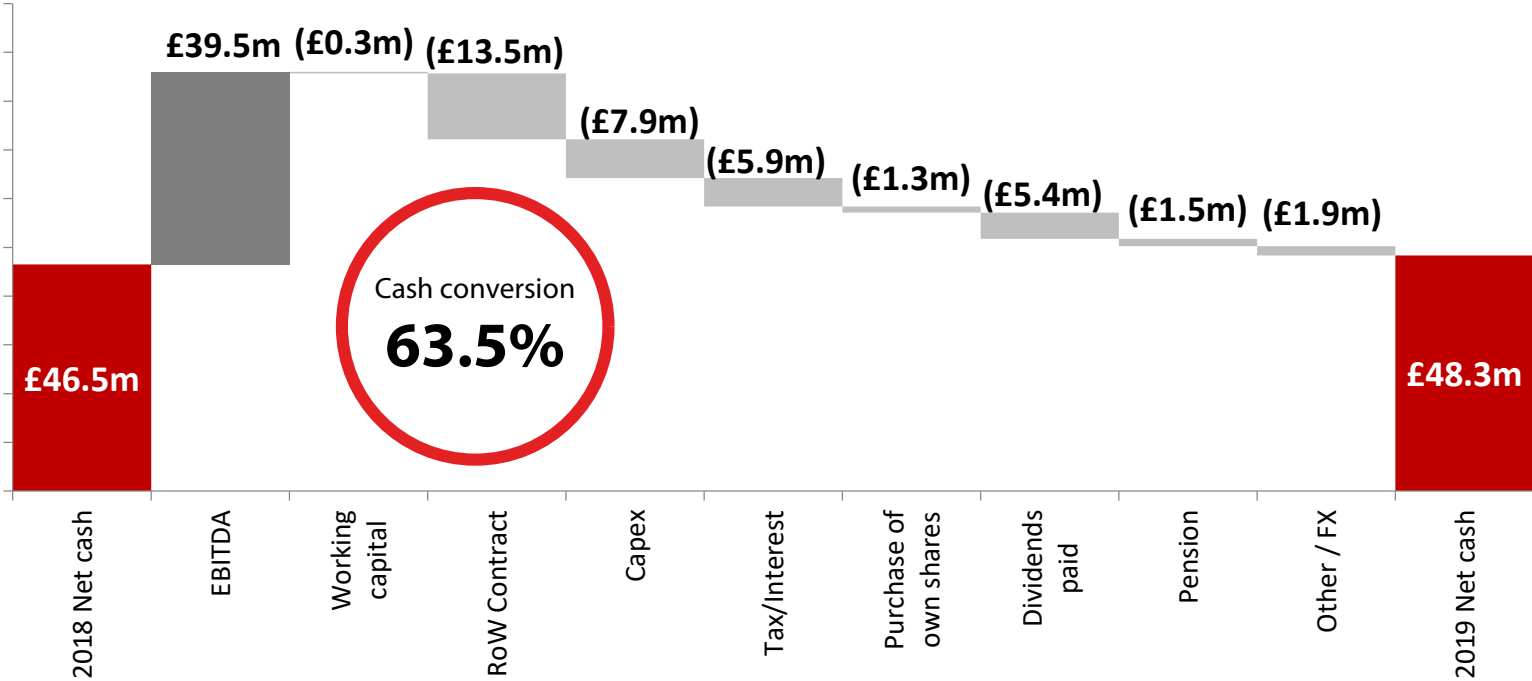




# 4.2% revenue growth at constant currency



# Cash conversion impacted by timing of customer receipt



# Avon Protection

## FINANCIALS

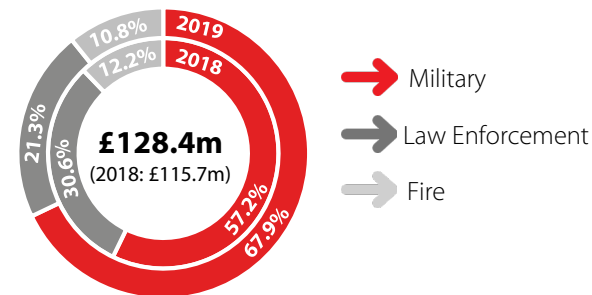
	2019	% Change	% Constant Currency
Orders received	£129.8m	4.2%	0.2%
Closing order book	£36.7m	4.0%	(1.1%)
Revenue	£128.4m	11.0%	5.9%
Adjusted EBITDA	£31.4m	18.0%	13.4%
Adjusted EBITDA margin	24.5%	1.5%	1.6%
Adjusted operating profit	£26.2m	21.9%	17.6%

## ADJUSTED OPERATING PROFIT

H1 H2

2019	£6.5m	£19.7m
2018	£9.2m	£12.3m
2017	£8.3m	£11.8m
2016	£6.5m	£8.2m
2015	£4.4m	£7.4m

## REVENUE SPLIT BY MARKET



## COMMENTS

### 2019

- First orders of M53A1 and M69 received and delivered
- U.S. Government partial shutdown impacted Law Enforcement particularly in H1
- Positive mix benefits of higher value add products
- Exit of Fire SCBA market

### 2020 outlook

- Strong pipeline including U.S. DOD, U.K. GSR and RoW opportunities
- Excellent opening order book supports visibility into FY20

# milkrite | InterPuls

## FINANCIALS

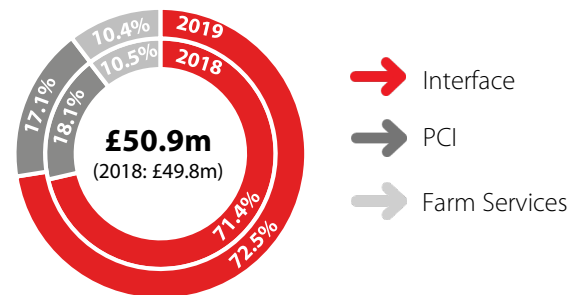
	2019	% Change	% Constant Currency
Orders received	£52.1m	7.0%	4.5%
Closing order book	£3.7m	48.0%	48.1%
Revenue	£50.9m	2.2%	(0.3%)
Adjusted EBITDA	£10.5m	(3.7%)	(6.6%)
Adjusted EBITDA margin	20.6%	(1.3%)	(1.3%)
Adjusted operating profit	£7.5m	(6.3%)	(9.5%)

## ADJUSTED OPERATING PROFIT

H1 H2

2019	£3.3m	£4.2m
2018	£3.6m	£4.4m
2017	£4.0m	£4.0m
2016	£3.4m	£3.8m
2015	£3.3m	£3.1m

## REVENUE SPLIT BY MARKET



## COMMENTS

### 2019

- Stabilising market conditions during the second half delivering stronger order intake reflected in return to growth
- Interrupted growth in Farm Services as dairy farms consolidate

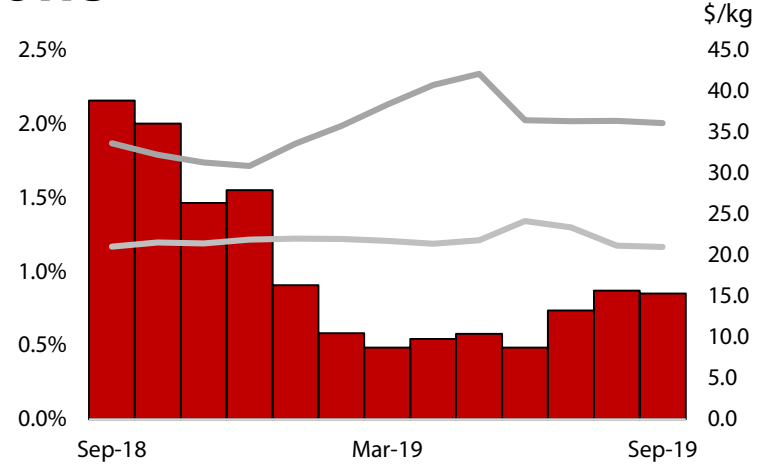
### 2020 outlook

- Excellent opening order book and stabilising dairy market conditions supports greater confidence and growth opportunities for FY20



# Stabilising dairy market conditions

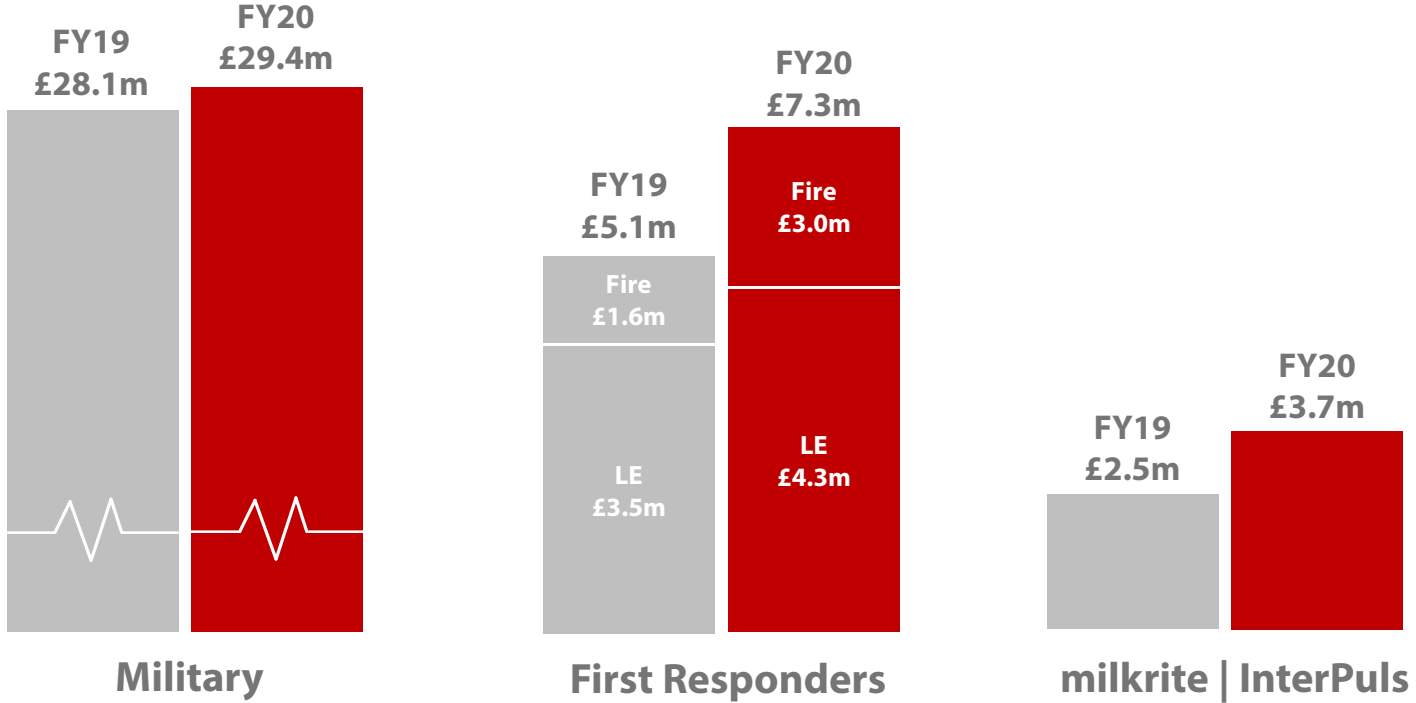
- Dairy markets stabilising - underpinning confidence in a return to growth in FY20
- Milk price improvement due to demand outstripping supply
- Modest milk production growth
- Broadly stable feed prices
- Order intake growth reflects returning investment



IFCN Combined World Milk Price Indicator  
 IFCN World Feed Price Indicator  
 Monthly milk production % growth

Source: International Farm Comparison Network (IFCN) September 2019

# Excellent order book visibility for 2020



Growth percentages are calculated on a constant currency basis

# IFRS 16 Leases

## HIGHLIGHTS

- Effective from 1 October 2019
- Increases Adjusted EBITDA but no impact on Adjusted EPS
- No overall change to cashflows, cash conversion metric impacted by both changing EBITDA and operating cash

## IMPACT ON FY19 RESULTS

	Adjusted EBITDA	Adjusted EBITDA %	Adjusted EPS	Cash conversion
As reported FY19	<b>£39.5m</b>	22.0%	91.7p	63.5%
Estimated impact IFRS 16	<b>£2.0m</b>	1.0%	-	1.8%
Revised FY19	<b>£41.5m</b>	23.0%	91.7p	65.3%

LEASE ASSET

↑ **£6.5m**

NET CASH

↓ **£10.2m**

ADJUSTED EBITDA

↑ **£2.0m**

ADJUSTED EBITDA %

↑ **1.0%**

# Confident in FY20 expectations

- Excellent opening order provides strong visibility going into FY20
- Full year of delivery against new M69 aircrew mask and M53A1 mask and powered air system contracts
- M50 sustainment contract expected in 2020 with improved commercial pricing
- RoW Military supported by first deliveries of U.K. GSR
- Strong Law Enforcement momentum entering 2020 supports a return to growth
- Stabilising dairy market conditions and growing farmer confidence supports stronger milkrite | InterPuls performance
- Acquisition of 3M's ballistic protection business expected to complete in H1 2020







# A transformed outlook

Paul McDonald  
Chief Executive Officer

# We are consistently delivering against our strategy



## A transformed outlook: New contracts underpin mid-term outlook

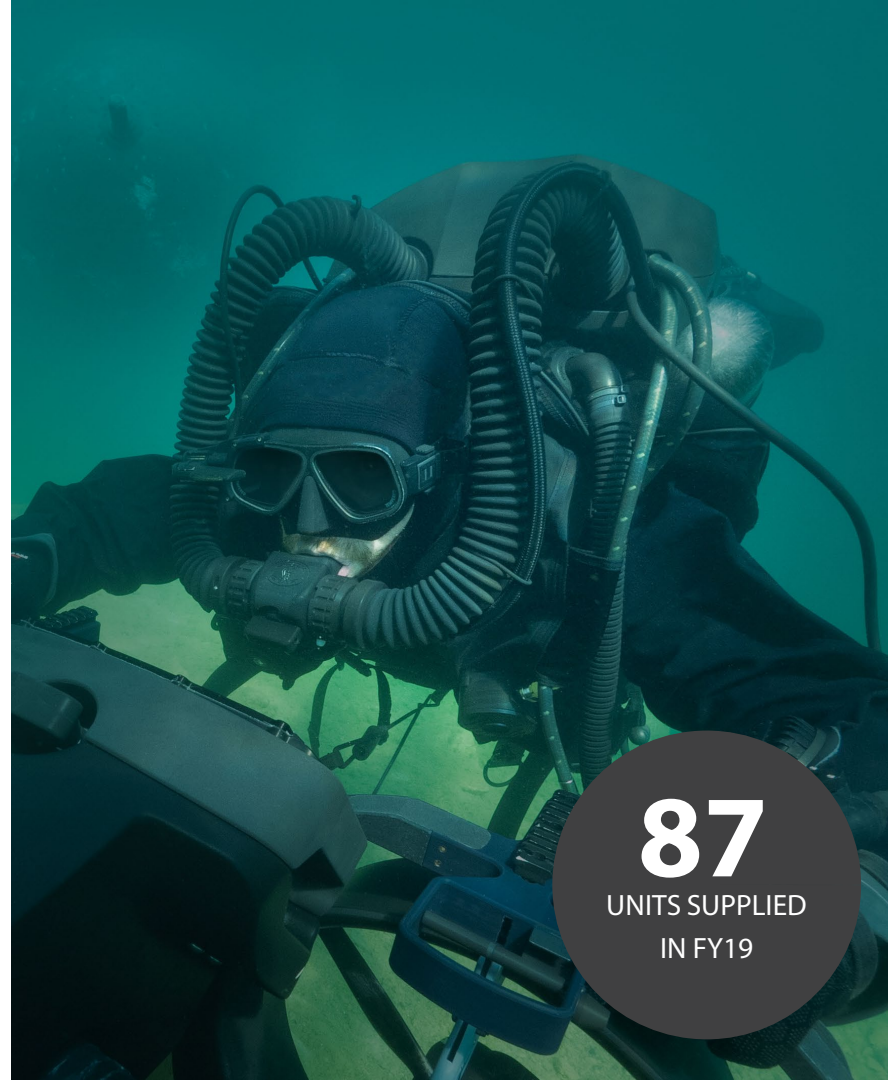
- The award of the M69 and the M53A1 contracts confirm Avon Protection as the sole source provider for all Respirators, PAPRs and tactical SCBA across the U.S. DOD.
- The M53A1 mask and powered air system is a framework contract that covers additional Avon Protection products, including the ST54 SCBA, and has a maximum value of \$246m over a minimum of 5 years.
- The \$93m 5-year contract for the M69 aircrew mask extends Avon Protection's portfolio reach into the aviation sector for the first time.
- We received the first orders under these contracts earlier in the year and we partially completed the first deliveries in the fourth quarter.



**\$340m**  
NEW CONTRACTS

## A transformed outlook: Active trials with MCM100

- The MCM100 deep-water rebreather was launched in 2018 and was designed in partnership with specialist military dive teams to meet bespoke technical requirements.
- During the year we completed the first large order for the Norwegian Military who are a strong reference customer.
- The product has opened a number of significant opportunities with the U.S. Navy, European and other RoW Militaries.
- Multiple active dive trials are currently taking place which has enabled us to demonstrate our leading product capability to this demanding user group.



**87**

UNITS SUPPLIED  
IN FY19





## A transformed outlook: Exiting the Fire SCBA Market

- We have taken the decision to move away from the Fire SCBA market to focus Avon Protection on our core growth opportunities within our Military and Law Enforcement customers.
- Our small position in the fire market, competing against much larger players, delivers margins and returns significantly below our strategic targets.
- The knowledge gained during participation in the Fire market supported the development of the ST53 and ST54 SCBA, a central product attached to the M53A1 framework contract.
- We remain committed to the argus thermal imaging camera technology which continues to make a contribution to our revenues and profit.



# Military outlook underpinned

 Current contract period  
 In Service

Potential  
medium-term  
order intake per  
annum  
**£25-35m**



**M50 Mask System\***  
Sole-source / Own IP /  
Commercial pricing



**M53A1 Mask and Powered Air System**  
Sole-source / Own IP /  
Commercial pricing



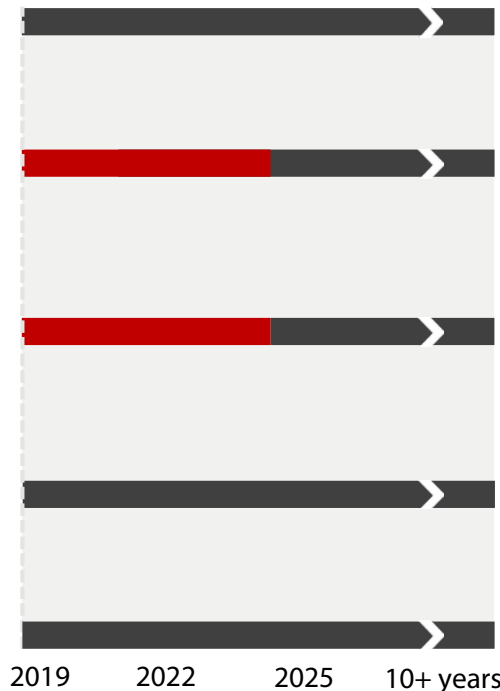
**M69 Aircrew Mask**  
Sole-source / Own IP



**Escape Hoods**  
Sole-source / Commercial pricing



**RoW Military**  
Sole-source / Commercial pricing



**£20-25m**

**£10-15m**

**£5-10m**

**£25-35m**

FY19 military  
revenue:  
**£87.2m**  
DOD: £54.8m  
RoW: £32.4m

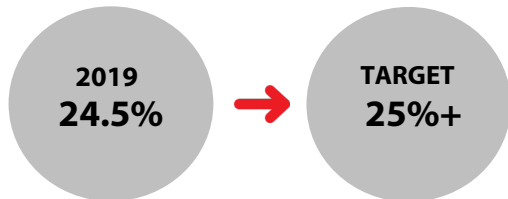
\*Includes filters, spares and accessories of £10-15m per annum

**Total:**  
**£85-120m**

**AVON**  
Avon Rubber p.l.c.

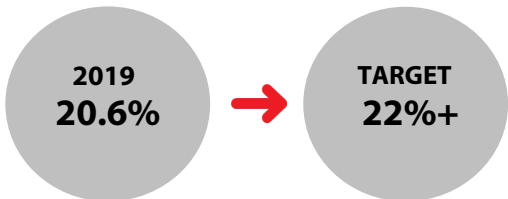
# A transformed outlook: Margin upside across the business

## Avon Protection



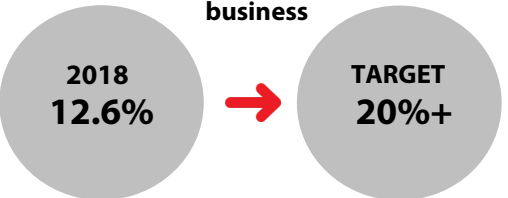
- Improved margins through M53A1 mix
- Improved margins from M50 pricing
- Higher margin Law Enforcement and RoW Military growth
- Margin benefit from exiting Fire SCBA product line

## milkrite | InterPuls



- milkrite | InterPuls will benefit from reduced overheads and mid term operational gearing

## 3M's ballistic protection business



- \$5m cost synergies will deliver margins of 18.5% by 2021
- Operational leverage from FY21 onwards as the full rate production comes onstream

Note: Analysis excludes EBITDA benefit from adopting IFRS16 Leases outlined on slide 15

**YEAR END RESULTS 2019**

A transformed outlook





## A transformed outlook: Continued investment in product development

- We have continued our investment in enhancing the technical capability of our existing portfolio and developing new products that will deliver future growth for the business.
- Avon Protection significantly invested in the U.K. GSR, MCM100 and next generation hood programmes.
- milkrite | InterPuls expenditure included the compact milk meter to address the market for smaller milk producing animals.
- We expect to maintain investment at around 5% of revenue for product development reflecting our confidence in meeting the future technical needs of our customers.



**5.5%**  
AVERAGE R&D%  
OF REVENUE OVER  
LAST 10 YEARS

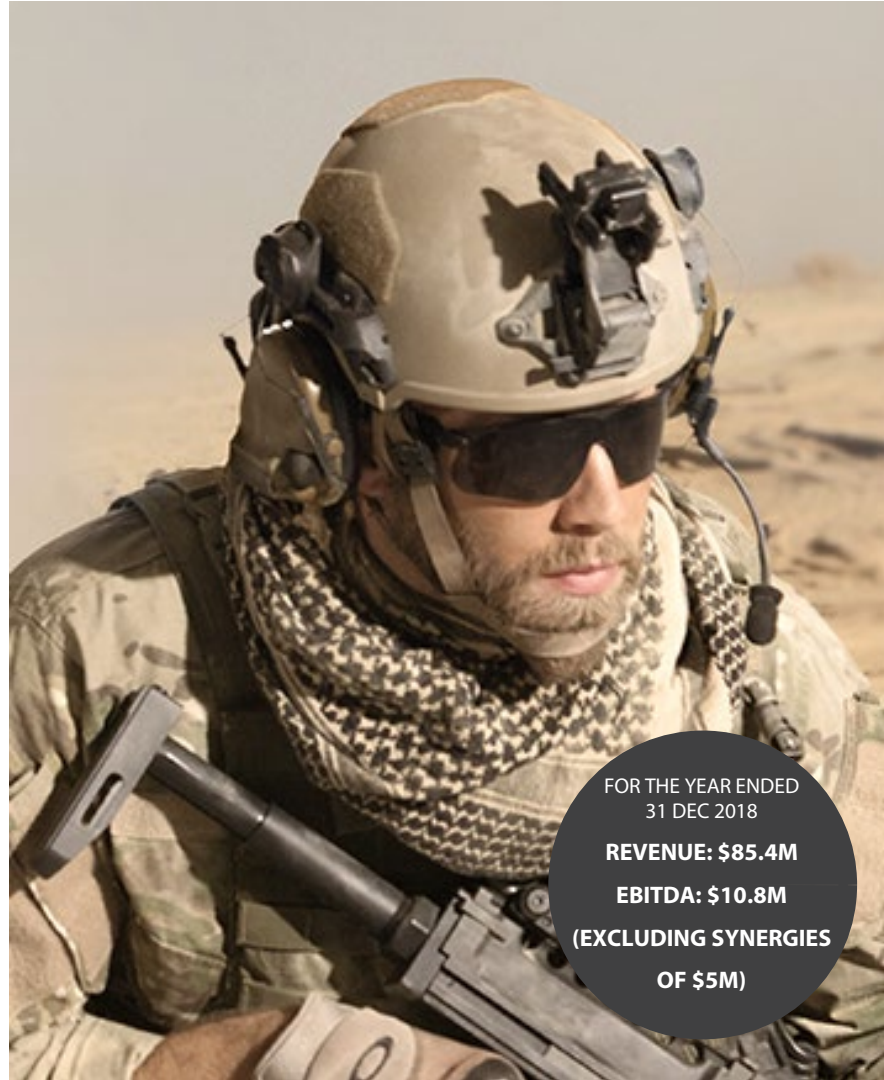
**£75m+**  
INVESTMENT IN  
TECHNOLOGY  
OVER LAST 10  
YEARS

## A transformed outlook: Milestone acquisition of 3M's ballistic protection business

- Systems provider at forefront of technology innovation
- Broader technology and product portfolio
- Further deepens our relationship with the U.S. DOD
- Expands long term contract portfolio
- Enhances R&D capability
- Enhanced margins with \$5m cost synergies
- Well invested manufacturing facilities
- Up to \$25m contingent consideration to pay depending on outcome of pending tender

### YEAR END RESULTS 2019

A transformed outlook



FOR THE YEAR ENDED  
31 DEC 2018  
**REVENUE: \$85.4M**  
**EBITDA: \$10.8M**  
**(EXCLUDING SYNERGIES  
OF \$5M)**



# System supplier for life critical protection portfolio



**Respirators**



**Powered  
Air**



**Supplied  
Air**



**Helmets**



**Body  
Armour**

**Broad portfolio to  
meet the needs of  
our growing  
Military and First  
Responder  
customer base**

## **A transformed outlook: Actively exploring acquisition opportunities to further accelerate growth**

- We continue to evaluate further opportunities but will only proceed where we believe they meet our strict criteria.
- Clearly specified commercial and financial criteria remains valid.
- Targeting acquisitions with technologies which are complementary and broaden our existing portfolio.



# Transformed outlook provides greater certainty and opportunity

- New contracts underpin mid term outlook for Military with wider RoW opportunities driving longer term growth
- Law Enforcement & milkrte | InterPuls will add continued growth over mid term
- 3M ballistic protection closing expected in the first half of FY20 with full year benefit in FY21 and growth thereafter
- Full R&D pipeline of products in partnership with customers to develop next generation of products
- Balance sheet strength supports significant further acquisition opportunities over the mid-term
- Board remains confident in FY20 and the medium term outlook for the Group
- Greater long term opportunities and a wider opportunity for wider M&A to further accelerate growth



# Questions & Answers





# Appendices



# Group income statement

	2019 £m	2018 £m
Revenue	179.3	165.5
Adjusted EBITDA	39.5	35.3
Depreciation and amortisation	(8.2)	(8.0)
<b>Operating profit before amortisation of acquired intangibles, exceptional items and defined benefit pension costs</b>	<b>31.3</b>	27.3
Amortisation of acquired intangibles, exceptional items and defined benefit pension costs	(16.9)	(4.5)
Operating profit	14.4	22.8
Interest income	0.4	0.2
Interest expense	(0.2)	(0.2)
Other finance expense	(0.9)	(1.2)
<b>Profit before taxation</b>	<b>13.7</b>	21.6
Taxation	0.6	(1.8)
<b>Profit for the year from continuing operations</b>	<b>14.3</b>	19.8
<b>Profit from discontinued operations</b>	<b>-</b>	1.6
<b>Profit for the year</b>	<b>14.3</b>	21.4
<b>Adjusted basic earnings per share from continuing operations</b>	<b>91.7p</b>	77.1p

# Reported to adjusted reconciliation

	2019 £m	2018 £m
<b>Operating profit</b>	<b>14.4</b>	22.8
Amortisation of acquired intangibles	<b>3.5</b>	3.1
Defined benefit pension administration costs	<b>0.5</b>	0.5
<i>Exceptional items:</i>		
Restructuring costs	-	0.9
Defined benefit scheme past service costs	<b>3.5</b>	-
Acquisition costs	<b>2.9</b>	-
Exit costs re: Fire SCBA market	<b>5.4</b>	-
Property impairment	<b>1.1</b>	-
<b>Adjusted operating profit</b>	<b>31.3</b>	27.3

# Revenue by line of business

	2019 £m	2018 £m
Military	87.2	66.1
Law Enforcement & Civil	27.3	35.4
Fire	13.9	14.2
<b>Avon Protection</b>	<b>128.4</b>	<b>115.7</b>
Interface	36.9	35.6
Precision, Control & Intelligence	8.7	9.0
Farm Services	5.3	5.2
<b>milkrite   InterPuls</b>	<b>50.9</b>	<b>49.8</b>
<b>Group total</b>	<b>179.3</b>	<b>165.5</b>

# Balance sheet

	2019 £m	2018 £m
Intangible assets	35.3	41.5
Property, plant and equipment	21.4	22.6
Current assets	56.1	47.2
Current liabilities	(36.5)	(41.4)
Non-current assets/liabilities	4.8	(1.1)
	<b>87.1</b>	68.8
Net cash	48.3	46.5
	<b>129.4</b>	115.3
Retirement benefit scheme	(43.0)	(30.5)
Net assets	<b>86.4</b>	84.8

# Cash flow

	2019 £m	2018 £m
Cash flows from continuing operations	25.1	38.2
Cash impact of exceptionals	(1.9)	(0.1)
Cash flows from discontinued operations	-	(0.2)
Cash flows from operations	23.2	37.9
Net interest paid	0.2	-
Payments to pension scheme	(1.5)	(1.5)
Tax paid	(6.1)	(5.0)
Disposal of business	-	6.5
Purchase of property, plant and equipment	(3.9)	(3.3)
Capitalised development costs and purchased software	(4.0)	(5.6)
Acquisitions	-	(1.4)
Dividends paid to shareholders	(5.4)	(4.1)
Purchase of own shares	(1.3)	(1.1)
Exchange and other	0.6	(0.6)
Movement in net cash	1.8	21.8
Opening net cash	46.5	24.7
<b>Closing net cash</b>	<b>48.3</b>	<b>46.5</b>
% Cash conversion from EBITDA	63.5%	108.2%



# Foreign exchange and sensitivities

	Average rate 2019	Closing rate 2019	Average rate 2018	Closing rate 2018
US Dollar	1.276	1.232	1.346	1.305
Euro	1.131	1.126	1.132	1.127

	1\$ cent movement £m	1€ cent movement £m
Revenue	1.1	0.2
Operating profit	0.2	-
Net assets	0.3	0.2

# Glossary of financial terms

<b>Term</b>	<b>Explanation</b>
Adjusted basic earnings per share	Adjusted profit for the period divided by the weighted average number of shares in issue
Adjusted EBITDA	Adjusted EBITDA is defined as operating profit before depreciation, amortisation, exceptional items and defined benefit pension scheme costs. It excludes any effect of discontinued operations.
Adjusted EBITDA margin	The ratio of Adjusted EBITDA to revenue
Adjusted operating profit	Operating profit adjusted to exclude amortisation of acquired intangibles, pension administration costs and any exceptional items
Cash conversion	The ratio of cash generated from operations before the effect of exceptional items, as a percentage of adjusted EBITDA.
Closing order book	Orders held by the Group at the end of the period which are not yet fulfilled.
Constant currency	Comparative performance measures are retranslated at current year exchange rates to present a comparison unaffected by currency movements
Continuing operations	The segments of the Group that are expected to still be operating in the future
Discontinued operations	The segments of the Group that no longer function within the core business and which are separately disclosed within the Income Statement

# Glossary of financial terms (continued)

<b>Term</b>	<b>Explanation</b>
Dividend per share	Dividends paid / proposed, divided by the weighted average number of shares in issue
EBITDA	The Group's earnings before charging interest, tax, depreciation and amortisation
Intellectual Property	Intangible property created by the Group through research and development, that is protected through patents, copyrights or trademarks
Net cash/debt	Net cash is the Group's cash net of any drawn debt or overdraft. Net debt is the Group's drawn debt and overdrafts net of any cash balance.
Orders received	The orders received throughout the period and recognised as revenue together with orders in the closing order book.
Return on capital employed	Adjusted operating profit as a percentage of average capital employed. Capital employed is the sum of shareholders' funds adjusted for non-current liabilities and current borrowings.

# Abbreviations

<b>Term</b>	<b>Explanation</b>
50 Series	A range of masks based on the proven technology of the M50 mask system
BPS	Basis points
CBRN	Chemical, Biological, Radiological, Nuclear
CE	CE markings indicate conformity to health and safety standards sold within the European Economic area
CES	Cluster Exchange Service
DOD	Department of Defense
FX	Foreign exchange
FY	Financial year
GSR	General Service Respirator
H1/H2	First half of the financial year (October – March) / Second half of financial year (April – September)
MOD	Ministry of Defence

# Abbreviations (continued)

<b>Term</b>	<b>Explanation</b>
NFPA	National Fire Protection Association, a North American trade association that maintains usage standards for the Fire service
NIOSH	National Institute of Occupational Safety and Health. NIOSH approval indicates conformity to health and safety standards of products sold within North America
OEM	Original equipment manufacturer
PAPR	Powered air breathing apparatus
PCI	Precision, Control and Intelligence
PES	Pulsator Exchange Service
RoW	Rest of world
SCBA	Self-contained breathing apparatus
TES	Tag Exchange Service