

AVON RUBBER PLC  
PRELIMINARY RESULTS

2016

DELIVERING AND BUILDING GROWTH

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



ROB RENNIE

Chief Executive Officer

DELIVERING AND BUILDING GROWTH

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## CORPORATE



- We met market expectations in a challenging trading environment
- We have shown the resilience of the organisation to be able to achieve this without P&D impact orders
- We continued to invest in sales/marketing and product development to position ourselves well for 2017

## P&D



- Successful integration of acquired Argus business broadening product range and distribution capability
- Growth in underlying portfolio in Law Enforcement/Foreign Military market
- NH15 CO NIOSH approved and \$9m order in Q4
- Significant foreign military opportunities remain 'live'

## DAIRY



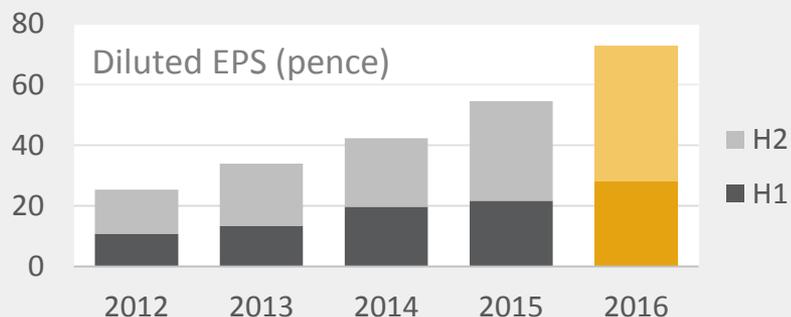
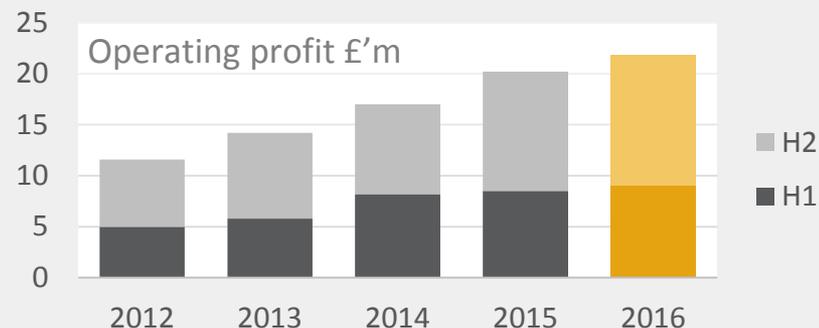
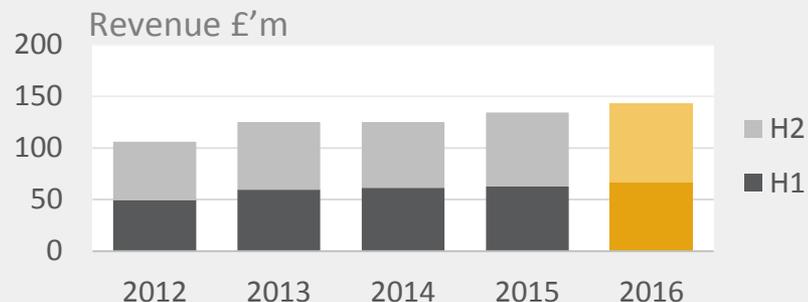
- Difficult market conditions in 2016 due to the low milk price
- Successful integration of acquired InterPuls business, first revenues from US sales synergies delivered in Q4
- Market share gain for own brand Milkrite | InterPuls products
- Milk prices risen in the final quarter of our year and further since year end providing opportunity for 2017



ANDREW LEWIS  
Group Finance Director

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## FINANCIAL HIGHLIGHTS

- Operating profit growth of 8%
- EBITDA growth of 13%
- Tax credit of £0.9m
- Diluted earnings per share increased 33%
- Return on sales (EBITDA divided by revenue) improved 1.3% from 20.3% to 21.6%
- Continuing healthy conversion of operating profit to operating cash at 152%
- Net cash at year end of £2m
- Dividend of 9.48p per share up 30%

## OPERATIONAL HIGHLIGHTS

- Successful integration of the acquisitions of InterPuls, Hudstar and Argus
- \$9m order for recently approved CBRN/CO Escape Hood
- Market share growth of Impulse Air to 29% in the US and 6% in Europe in a soft dairy market
- Cluster Exchange servicing 467,000 cows on 1,530 farms across US and Europe

# GROUP INCOME STATEMENT

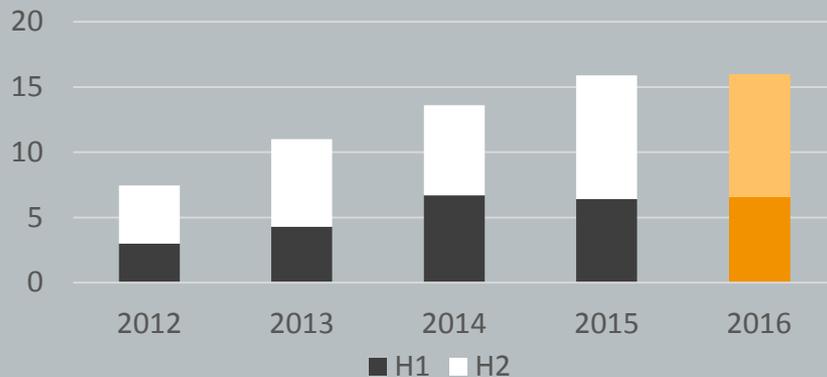
		2016 £'m	2015 £'m
Revenue	↑ 6%	142.9	134.3
EBITDA	↑ 13%	30.8	27.3
Depreciation and amortisation		(9.0)	(7.1)
<b>Operating profit before amortisation of acquired intangibles, exceptional items and defined benefit pension costs</b>	↑ 8%	21.8	20.2
Amortisation of acquired intangibles, exceptional items and defined benefit pension costs		(4.1)	(1.3)
Operating profit		17.7	18.9
Interest expense		(0.2)	(0.2)
Other finance expense		(0.7)	(0.9)
<b>Profit before taxation</b>		16.8	17.8
Tax credit/(charge)		1.8	(2.7)
<b>Profit for the period from continuing operations</b>		18.6	15.1
<b>Adjusted diluted earnings per share</b>	↑ 33%	72.8p	54.6p

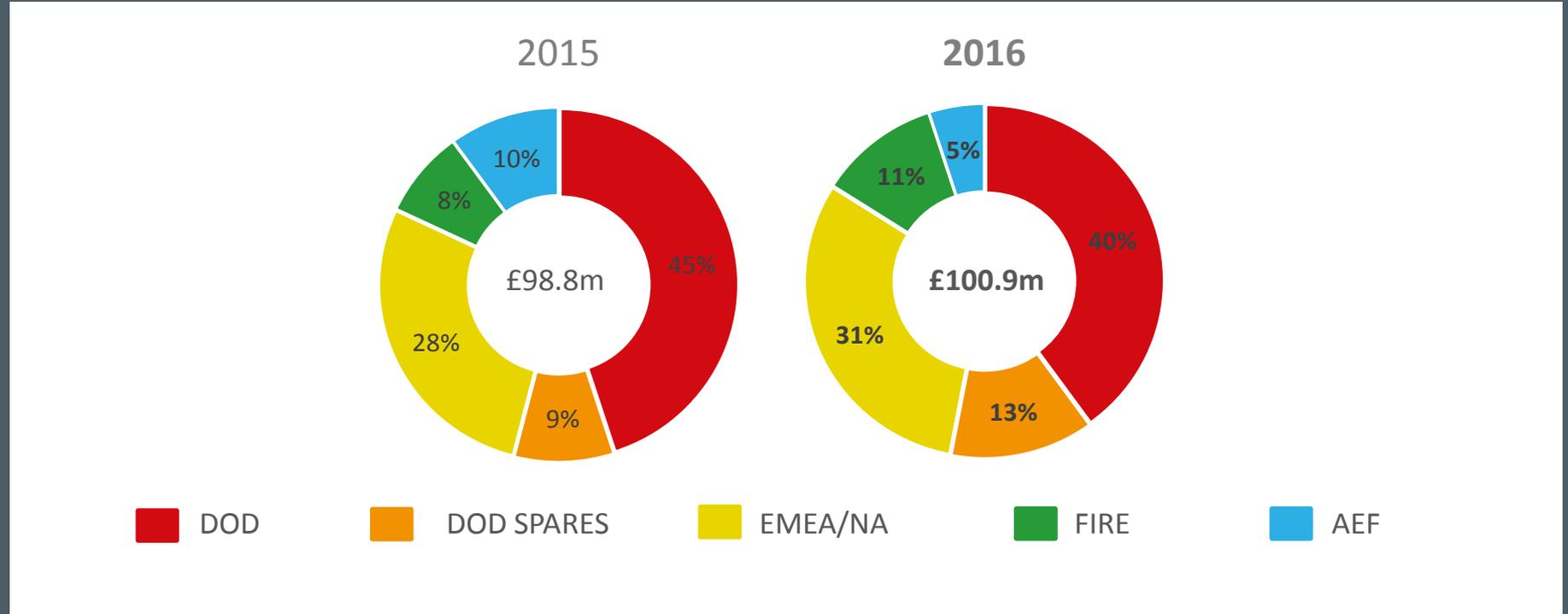
FINANCIALS		2016 £'m	2015 £'m
Revenue	↑ 2%	100.9	98.8
Adjusted EBITDA	↑ 4%	22.4	21.6
Adjusted operating profit	↑ 1%	16.0	15.9

## PERFORMANCE DRIVERS

- Argus acquisition adding to our fire market offering
- Normal level of DOD sales under our long-term sole-source contract at improved pricing
- Growth in underlying portfolio of NA law enforcement
- NH15 CO sale to major US city, with opportunity for further sales in 2017
- Return on sales improved 0.3% from 21.9% to 22.2%
- Closing order book of £20m provides good H1 2017 visibility

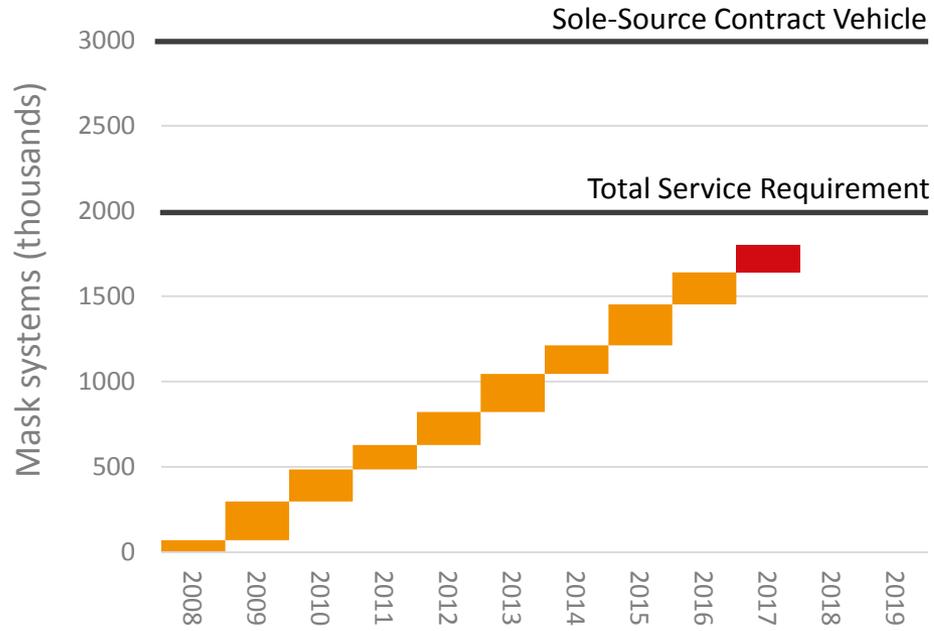
## ADJUSTED OPERATING PROFIT £'m





- DOD masks and filters in line with expectations, spares revenue accelerating as installed base of mask grows
- Underlying non-DOD portfolio growing
- Fire benefiting from the addition of the Argus thermal imaging camera range
- Weaker year at AEF as timing of DOD flexible storage tank procurement didn't fall into this year

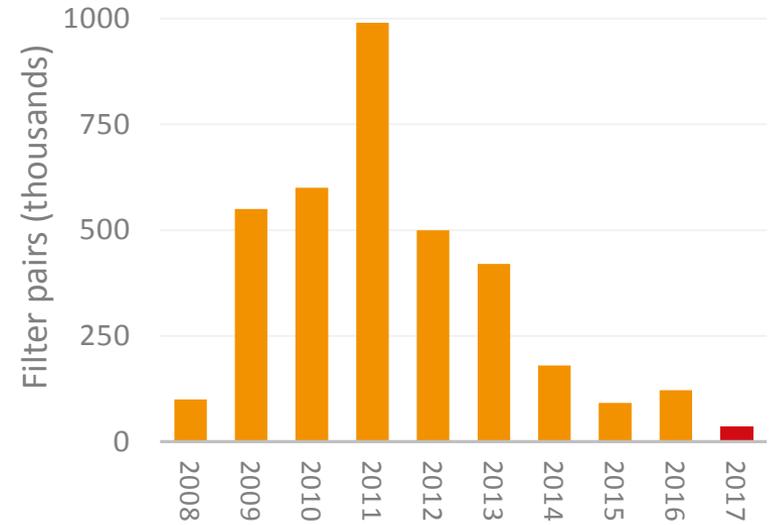
## MASK SYSTEMS



Delivered Orders



## FILTER PAIRS



Delivered Orders

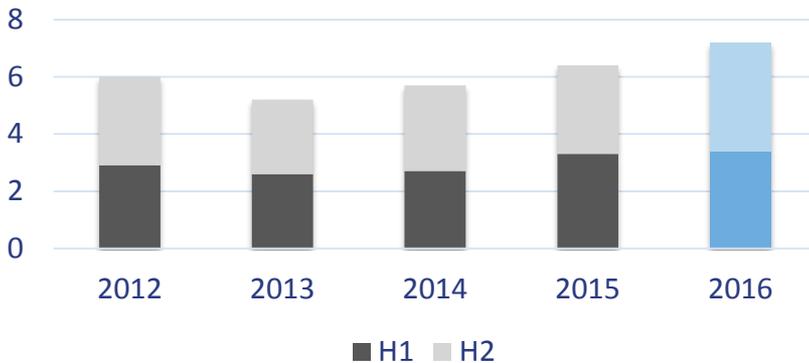


FINANCIALS		2016 £'m	2015 £'m
Revenue	↑ 18%	42.0	35.5
Adjusted EBITDA	↑ 27%	9.8	7.7
Adjusted operating profit	↑ 12%	7.2	6.4

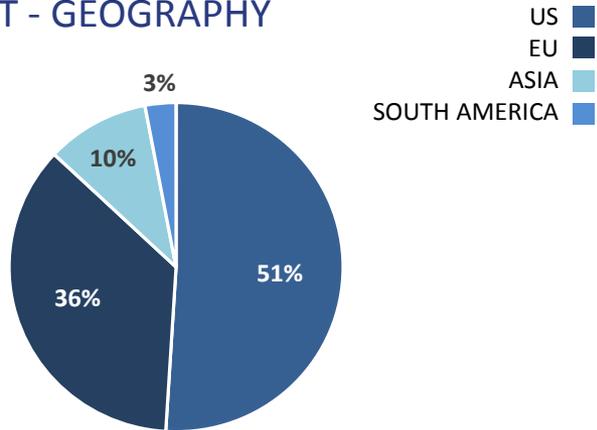
PERFORMANCE DRIVERS

- Proportion of own brand business growing in soft overall dairy market caused by low milk prices
- InterPuls integration progressed well and delivered first sales synergies in Q4
- Impulse Air market share growth in US and EU
- Cluster Exchange revenues continue to grow, now servicing 467,000 cows on 1,530 farms
- Milk price improved in Q4 and this trend has continued since year end

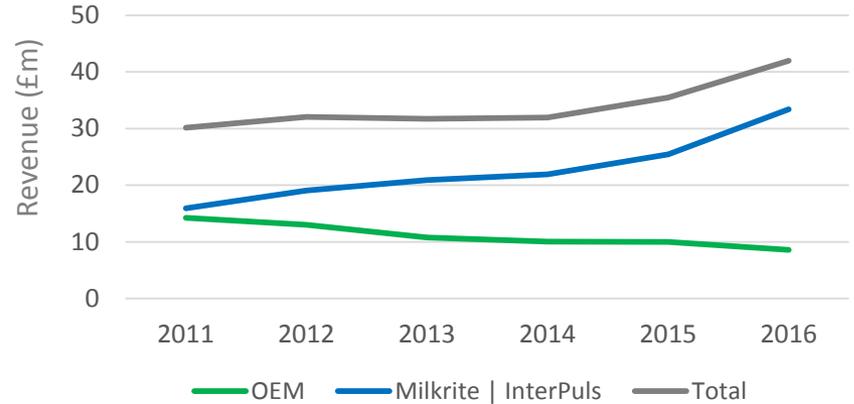
ADJUSTED OPERATING PROFIT £'M



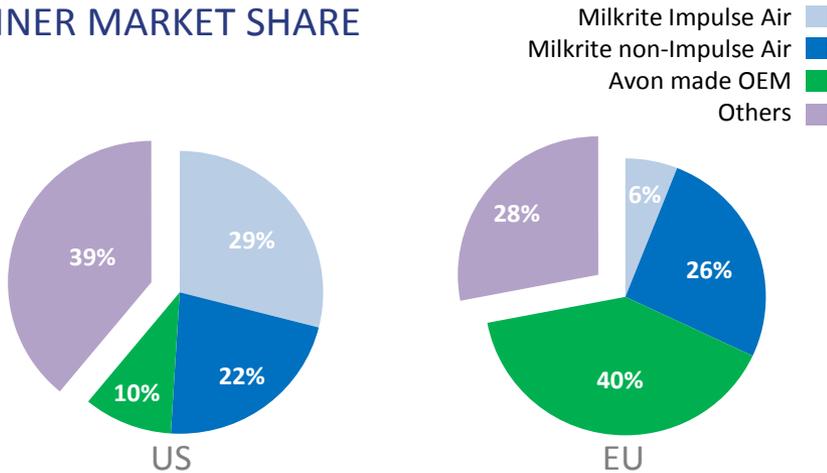
REVENUE SPLIT - GEOGRAPHY



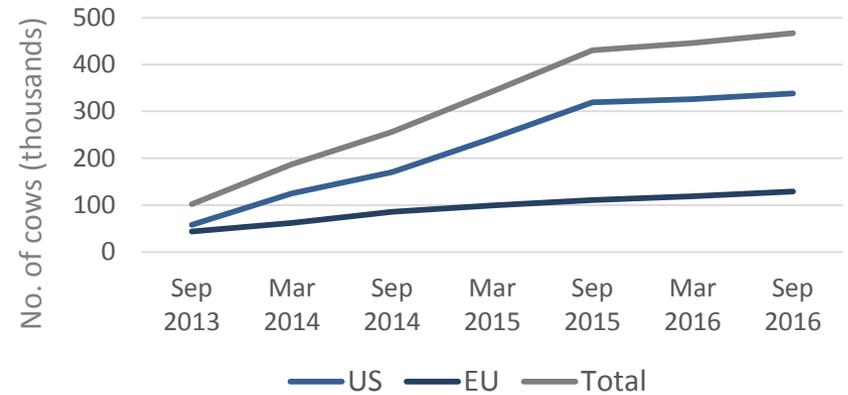
REVENUE SPLIT - BRAND



LINER MARKET SHARE



CLUSTER EXCHANGE SERVICE GROWTH



GROUP					PROTECTION & DEFENCE									
	Constant currency growth	2016 £'m	2015 restated at 2016 rates		Constant currency growth	2016 £'m	2015 restated at 2016 rates							
			£'m	£'m			£'m	£'m						
Revenue	↓ 1%	142.9	143.7	134.3	Revenue	↓ 5%	100.9	105.9	98.8					
Adjusted EBITDA	↑ 6%	30.8	29.2	27.3	Adjusted EBITDA	↓ 3%	22.4	23.2	21.6					
Adjusted operating profit	↑ 1%	21.8	21.6	20.2	Adjusted operating profit	↓ 6%	16.0	17.0	15.9					
GROUP SUMMARY					DAIRY									
<ul style="list-style-type: none"> <li>2016 average rate \$1.42 (2015: \$1.54)</li> <li>Figures relate only to translation effect, transactional effect is immaterial.</li> <li>Sensitivity analysis shows 2016 results would move £0.6m at a PBIT level for each 5¢ move in £/\$</li> <li>Current \$ rate of c\$1.25 would provide a 2017 tailwind if maintained throughout the year</li> </ul>					Constant currency growth		2016 £'m	2015 restated at 2016 rates						
					£'m			£'m	£'m					
					Revenue	↑ 11%	42.0	37.8	35.5	Revenue	↑ 11%	42.0	37.8	35.5
					Adjusted EBITDA	↑ 22%	9.8	8.1	7.7	Adjusted EBITDA	↑ 22%	9.8	8.1	7.7
Adjusted operating profit	↑ 7%	7.2	6.7	6.4	Adjusted operating profit	↑ 7%	7.2	6.7	6.4					

	2016 £'m	2015 £'m
Cash generated from continuing operations before effect of exceptional items	33.1	24.1
Cash effect of exceptional items/discontinued operations	(0.7)	(2.8)
Cash generated from operations	32.4	21.3
Tax	(1.0)	(3.3)
Interest	(0.3)	(0.1)
Payments to pension scheme	(0.7)	(0.8)
Capital expenditure	(6.8)	(6.2)
Acquisitions	(3.3)	(21.2)
Purchase of own shares	(1.8)	(1.2)
Dividend to shareholders	(2.4)	(1.9)
Exchange and other	(0.9)	(0.1)
Movement in net cash/(debt)	15.2	(13.5)
Opening net (debt)/cash	(13.2)	2.9
Acquired net debt	-	(2.6)
<b>Closing net cash/(debt)</b>	<b>2.0</b>	<b>(13.2)</b>



152%  
OPERATING  
CASH  
CONVERSION

# SUMMARY BALANCE SHEET

	2016 £'m	2015 £'m
Intangible assets	47.4	41.3
Property, plant and equipment	30.1	28.2
Current assets	40.6	34.1
Current liabilities	(34.1)	(24.8)
Non-current liabilities	(4.0)	(6.8)
	80.0	72.0
Net cash/(debt)	2.0	(13.2)
	82.0	58.8
Retirement benefit scheme	(40.0)	(16.6)
Net assets	42.0	42.2



## ACTUARIAL VALUATION

The triennial actuarial valuation at 31 March 2013 showed that the scheme was 98% funded. The results of the 31 March 2016 valuation are due on 30 June 2017.

## ACCOUNTING VALUATION

Accounting deficit moved from £16.6m at 30 September 2015 to £40.0m at 30 September 2016. The increase in liabilities resulted from the sharp fall in AA corporate bond rates in the final quarter of the year. This does not affect our ability to pay dividends.



PAUL MCDONALD  
Managing Director - Dairy

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# **milkrite** | **InterPuls**

*Improving every farm we touch*

- Products to Interface with the animal
- Improving animal health & farm efficiency

INTERFACE

**milkrite**<sup>®</sup>

- Products around Vacuum, Milking & Herd Management
- Increase farm efficiency and profitability

PRECISION, CONTROL & INTELLIGENCE

**InterPuls**<sup>®</sup>

- Monthly rental business model with warranty & service included
- Locks in customers with our Exchange programme

FARM SERVICES

 **cluster**  
exchange service

# milkrite | InterPuls

OUR 2017

DELIVERING AND BUILDING GROWTH

Improving milk price & farm profitability

Return to traditional buying behaviour

OUR 2016

Challenging market due to low milk price



Structured to deliver future growth



MARKET CONDITIONS

Milk/feed ratio macro economics



Farm scale increasing changing buying behaviour



Positive outlook due to growing population



MARKETS



Global technology brand



Mixture of consumable & capital equipment



Improving every farm we touch

PRODUCTS



INTERFACE

PRECISION, CONTROL & INTELLIGENCE

FARM SERVICES



Maximise the benefit of the milk price recovery



Upgrade customers to Cluster Exchange in US & EU



Deliver sales synergies through the conversion of Milkrite and InterPuls dealer/distribution networks



Continue sales expansion into emerging markets such as China and South America



Continued growth of Impulse/ Impulse Air in US & EU



Expanded Farm Services offering to include Pulsator and Tag Exchange – Pilot schemes in 2017



ROB RENNIE

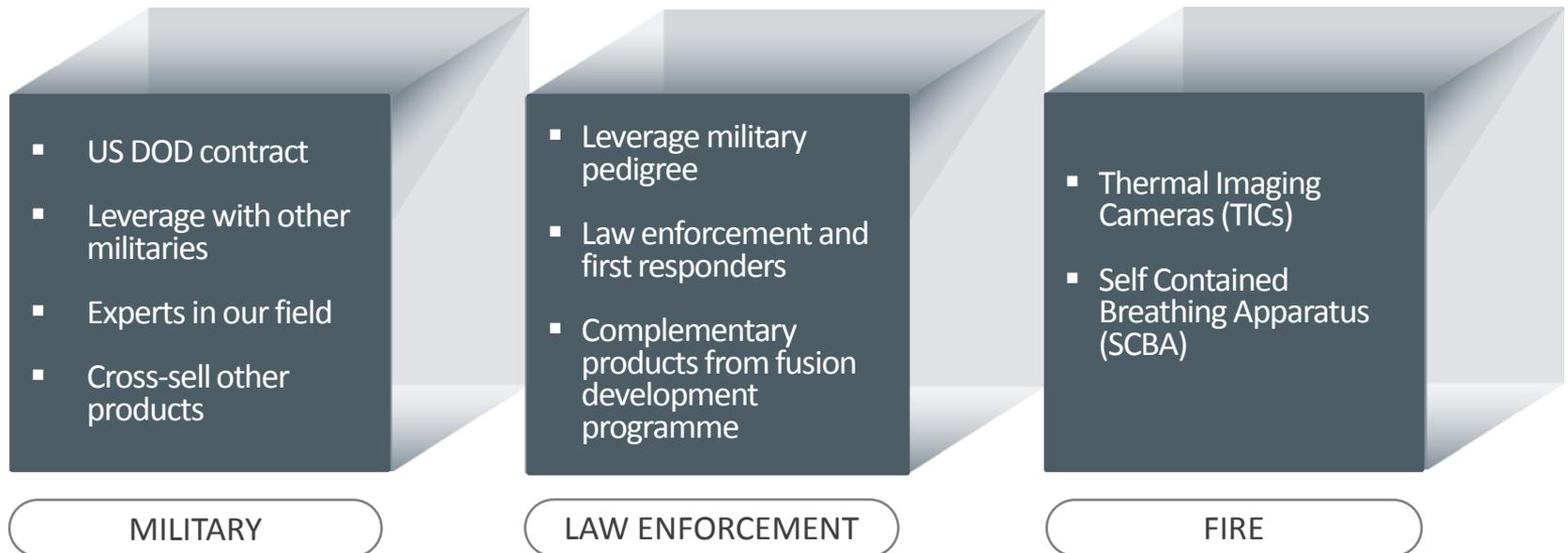
Chief Executive Officer

DELIVERING AND BUILDING GROWTH

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## ADVANCE WITH CONFIDENCE





# DELIVERING AND BUILDING GROWTH

OUR 2017

- JSAM mask
- CBRN/CO hood
- Argus TIC
- Non-DOD military contracts



OUR 2016

DOD on schedule

JSAM & diving rebreather NPD



2016 highlights:

- Argus TIC
- CBRN/CO hood



MARKET CONDITIONS

DOD reference customer

Market demand for expanded product range



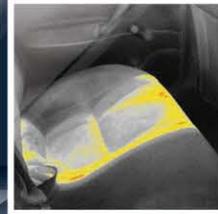
Growing threat levels

Expanded range of solutions



Market-leading TIC

SCBA – small but growing market share



MARKETS



DOD sole-source – 2m masks

Non-DOD military market – 2m masks



Reputation as mask of choice

US LE market – 600k masks



Advanced TIC - global

Award winning SCBA – US market

PRODUCTS



MILITARY

LAW ENFORCEMENT

FIRE



## Military – DOD

- JSGPM contract and post-contract sustainment
- JSAM (XM69)
- Soldier of the future



## Military – Rest of World

- Deeper relationships with more countries
- Impact orders
- Funded development



## Law Enforcement

- NH15 CO Escape Hood
- New Fusion products
- Niche markets



## Fire

- Success with Argus
- Continue long-term investment
- Fire fighter of the future



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## LOOKING FORWARD

Our strategy of integrating new technologies from product development and acquisitions with our existing strong brands and routes to market has created a business that is resilient to adverse market conditions with strong foundations for growth in both divisions.

## DAIRY

In Dairy, after the weak market conditions in 2016, the acquisition of InterPuls and the encouraging gains in Milkrite | InterPuls market share provide us with significant opportunity as the milk prices improve in 2017. This, together with the sales and distribution platforms we have established in China and Brazil to service these rapidly growing emerging markets, means we have a Dairy business with excellent short and longer term growth prospects.

## PROTECTION & DEFENCE

In our global Protection & Defence business we continue to see a number of higher margin export opportunities, have good visibility of DOD revenues for 2017 and a strong underlying portfolio of non-DOD business which we expect to be enhanced by the increasing impact of the recently launched new products.

## CORPORATE

The majority of the Group's earnings are US dollar denominated and hence the continued strengthening of the US dollar against Sterling provides a potentially significant foreign exchange translation tailwind in 2017 should it be maintained throughout the year.



**AVON**

*Avon Rubber p.l.c.*



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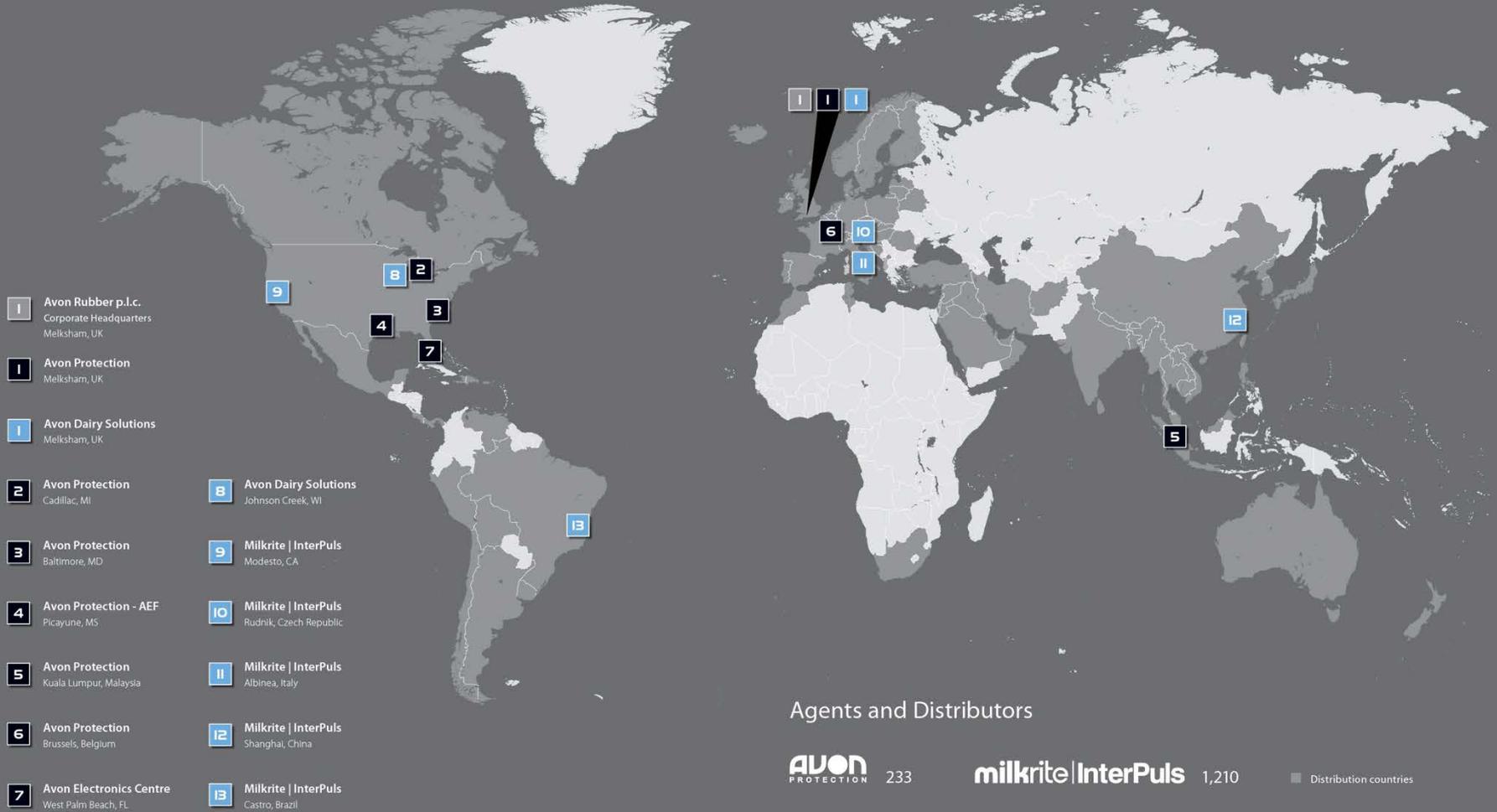




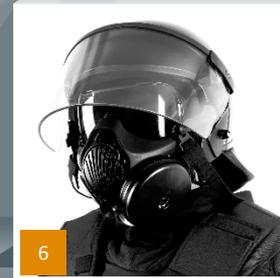
APPENDICES

DELIVERING AND BUILDING GROWTH

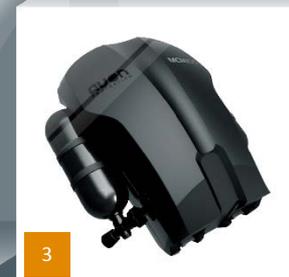
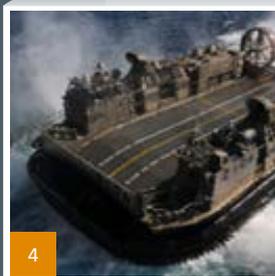
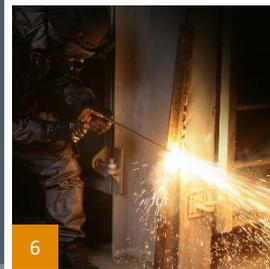
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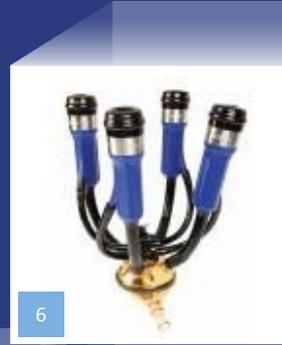
- 1. MP-PAPR
- 2. FM53A Air Crew Mask
- 3. FM50
- 4. EZAir
- 5. CS-PAPR
- 6. HMK150
- 7. NH15
- 8. Deltair



1. Thermal Imaging Camera
2. AEF Tank
3. MCM100 Re-breather
4. AEF Skirt
5. MDC150 Dive Computer
6. AvonAir Shield2



1. CombiFast Milking System
2. Italia Bucket Milker
3. Impulse Air Liner
4. Impulse Claw 300
5. Round Liner
6. Cluster



1. iMilkNET
2. Farm Controller
3. Pulsator
4. Vacuum Stability
5. Vacuum Pump
6. Milk Meter
7. Automatic Cluster Remover
8. Dealer Support
9. Wash Controller
10. Software



1



2



3



4



5



9



10



6



7

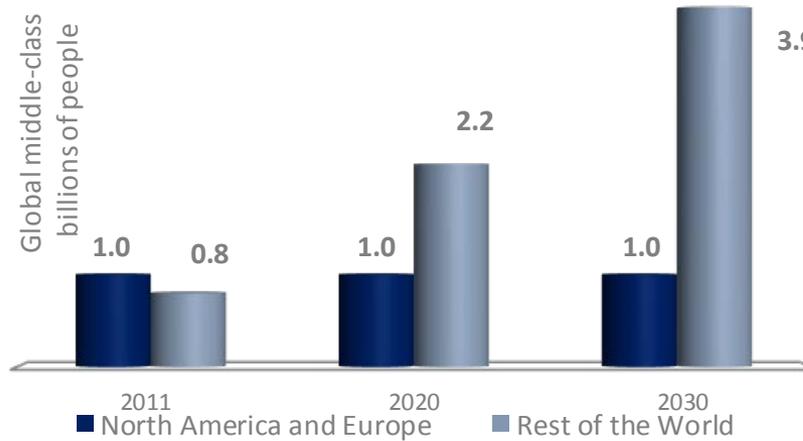


8

1. Herd Management Pedometer
2. Herd Management Necktag
3. Cluster Exchange Service

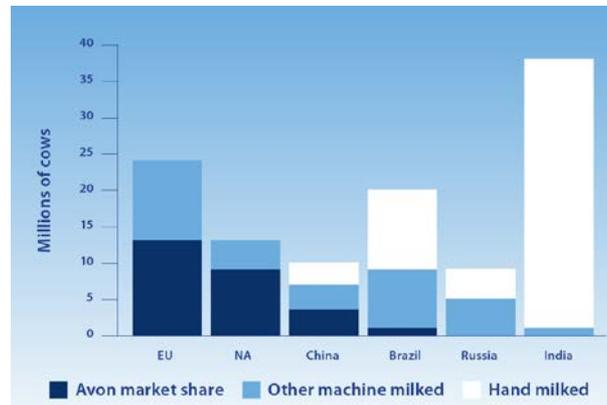


THE EMERGENCE OF 3 BILLION MIDDLE-CLASS CONSUMERS



Source: OECD / McKinsey.  
2011 data point based on UN statistics

MARKET OPPORTUNITIES



Term	Explanation
<b>AEF</b>	Avon Engineered Fabrications
<b>AUS</b>	Avon Underwater Systems
<b>BRIC</b>	Brazil, Russia, India, China
<b>CBRN</b>	Chemical, Biological, Radiological, Nuclear
<b>CE</b>	Conformité Européene
<b>CO</b>	Carbon Monoxide
<b>EEBD</b>	Emergency Escape Rebreather Device
<b>HUD</b>	Heads-up display
<b>JSAM</b>	Joint Service Aircrew Mask
<b>JSGPM</b>	Joint Service General Purpose Mask
<b>LDI</b>	Liability Driven Investment
<b>LE</b>	Law enforcement
<b>NFPA</b>	National Fire Protection Association
<b>PAPR</b>	Powered Air-Purifying Respirator
<b>SCBA</b>	Self-Contained Breathing Apparatus
<b>US DOD</b>	US Department of Defense