



# Year End Results 2021

Well invested for growth

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# Agenda



**Headlines**



**Armor strategic  
review**



**FY21 results**



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**AVON**  
PROTECTION



## Headlines

Paul McDonald  
Chief Executive Officer

# Headlines

- 2021 has been a challenging year due to COVID, associated supply chain issues and body armor
- Strategic review of armor business concluded that an orderly wind-down is in the best interest of stakeholders as a whole
- Decisive action has been taken to refocus the Group as a global leader in respiratory and head protection
- Despite challenges, further progress has been made against our strategic objectives to deliver sustainable growth
- Significant investment has been made to further enhance the Group's commercial and operational capability
- We remain confident in the medium-term prospects for Avon Protection





## Armor strategic review

Paul McDonald  
Chief Executive Officer

## Armor strategic review

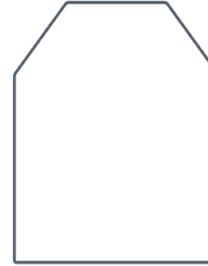
- Our next-generation body armor product, VTP ESAPI, failed first article testing (FAT) in November 2021
- This followed the legacy body armor product, DLA ESAPI, failing FAT in December 2020
  - DLA ESAPI passed ballistic testing in August 2021. However, we have experienced further delays obtaining product approvals
- Subsequently, the Board has conducted an in-depth strategic review of the armor business
- The best interests of all stakeholders are at the core of our decision-making
  - Our strong relationships with customers
  - Our dedicated people
  - Long-term value for shareholders



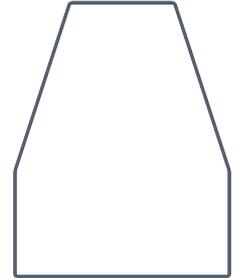
# The challenge - body armor designs

- Ceradyne was a market leader in helmets and armor with a long track-record
  - \$500m+ historic lifetime revenue from DLA ESAPI
  - \$70m of VTP ESAPI LRIP in 2018 and 2019
- U.S. DOD mandated technical change in 2019
  - Prohibited use of aluminium crack arrestors
  - Requiring replacement with alternative materials
- Due diligence robust
  - Technical change known at time of acquisition
  - Not expected to be a problem, but both Avon Protection and the U.S. DOD underestimated the technical challenge
- The customer mandated change is at the heart of the issue followed by our inability to meet the full requirements

**Legacy DLA ESAPI**



**VTP ESAPI**



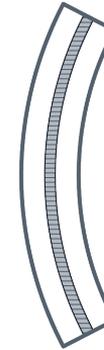
Crack  
arrestor



# 2021 engineering improvements

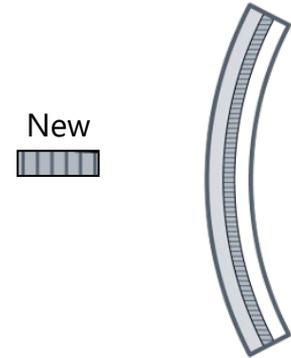
- Following the DLA ESAPI test fail in December 2020 we implemented a number of engineering improvements
  - Engaged outside experts to support engineering team and review technology
  - Strengthened product to add greater contingency
  - Increased product testing pre-FAT, including using U.S. DOD range
  - Used data to prove statistical contingency above specification
- Our VTP ESAPI plates went through extensive pre-testing, which they passed
  - Over 800 plates pre-tested without failure
  - Nevertheless, one failure in official FAT
- Conclusion - unknown variable caused the failure that we cannot explain

## Legacy DLA ESAPI



- Legacy ceramic plate
- New crack arrestor
- VTP backing material

## VTP ESAPI



- New ceramic plate
- New crack arrestor
- VTP backing material

# Strategic Review - 3 options

## Option 1 Re-design and re-FAT VTP

- Repeat same process as 2021 engineering improvements
  - Expected to take c. 12 months
    - Cost c. \$2-3m
  - No guarantee of success
  - Contract ends March 2023

## Option 2 Sell body armor

- Classified contracts will limit buyers
- Requires both regulatory approval and customer consent
- Timeframe of up to 6 months to sell
- Unlikely to be achievable

## Option 3 Managed wind-down

- Managed exit in collaboration with customers
- Fulfil existing DLA ESAPI and flat armor obligations
- Offer final lifetime buys for flat armor
- 2 year wind-down followed by closure
- ~\$15m overhead saving opportunity

## Conclusion - Managed wind-down

- An orderly wind-down offers the best risk / reward for stakeholders
  - Maintains strong relationship with the U.S. DOD
  - Completes customer contracts to avoid past performance issues
  - Provides certainty for employees with an established timeline
- Redevelopment of the VTP plate difficult without understanding the root cause, which creates risk
- Sale has uncertainty of timing, valuation and ability to execute





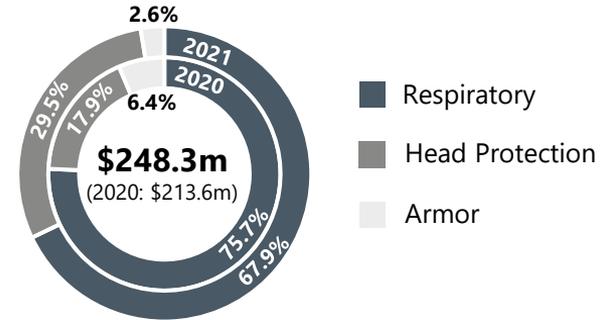
# Armor Strategic Review - Financial Impacts

Nick Keveth  
Chief Financial Officer

# FY21 Armor contribution

	Armor	Respiratory & Head	Total
Orders received	<b>\$1.7m</b>	\$281.0m	\$282.7m
Closing order book	<b>\$26.6m</b>	\$116.5m	\$143.1m
Revenue	<b>\$6.5m</b>	\$241.8m	\$248.3m
Adjusted EBITDA	<b>\$(8.4)m</b>	\$46.0m	\$37.6m
Adjusted EBITDA margin	<b>(129.2)%</b>	19.0%	15.1%
Adjusted operating profit	<b>\$(10.5)m</b>	\$32.5m	\$22.0m

## Revenue split by product



# Armor Expectations

- Forecast FY22 revenues of up to \$25m from DLA ESAPI, plus flat armor
  - Based on FAT approval in Q2
  - Order book at 1 October 2021 for armor of \$26.6m plus additional \$20m DLA ESAPI order expected on FAT completion
  - Similar revenue expected from armor in FY23
- Following closure, the armor infrastructure and remaining assets will be sold and overheads reduced by c. \$15m
  - Between \$3-5m estimated net cash cost of closure and right-sizing retained operations to deliver expected c. \$15m savings
  - Costs weighted towards FY23



# Balance sheet impacts and presentation

- Balance sheet impact
  - Impairments of \$46.8m
  - Partial offset by release of contingent consideration liability of \$15.7m
- Three leases with total annual cost of \$1.7m
  - NPV of \$11.8m of which \$8.6m is Lexington
  - We seek to sub-let properties to mitigate costs
- Presentation and disclosure
  - We will provide visibility of armor financials
  - The body armor business is expected be classified as a continuing operation in FY22
  - We expect it to become a discontinued operation by FY24





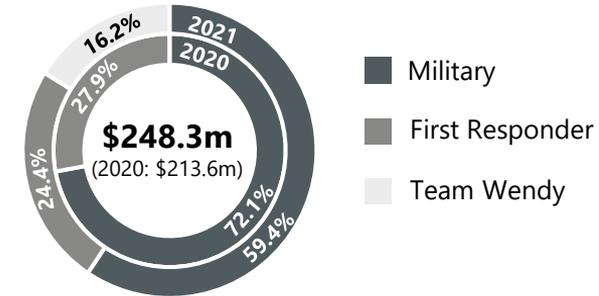
**Financial Review**

Nick Keveth  
Chief Financial Officer

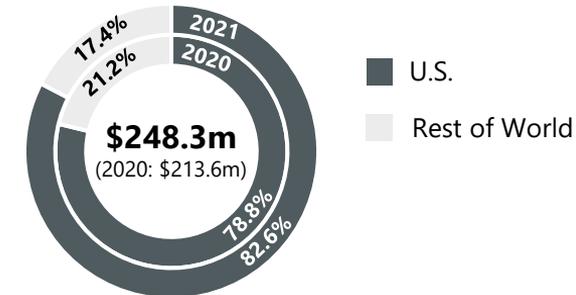
# Financial performance in FY21

	2021	2020	% Change
Orders received	<b>\$282.7m</b>	\$209.6m	34.8%
Closing order book	<b>\$143.1m</b>	\$101.8m	40.6%
Revenue	<b>\$248.3m</b>	\$213.6m	16.2%
Adjusted EBITDA	<b>\$37.6m</b>	\$49.0m	(23.3%)
Adjusted EBITDA margin	<b>15.1%</b>	22.9%	(780 bps)
Adjusted operating profit	<b>\$22.0m</b>	\$38.5m	(42.9%)
Adjusted basic earnings per share	<b>60.6c</b>	98.6c	(38.5%)
Dividend per share	<b>44.9c</b>	34.5c	30.1%
Cash conversion	<b>83.2%</b>	81.6%	+160bps
Net debt/(cash) excluding lease liabilities	<b>\$26.8m</b>	\$(147.7)m	

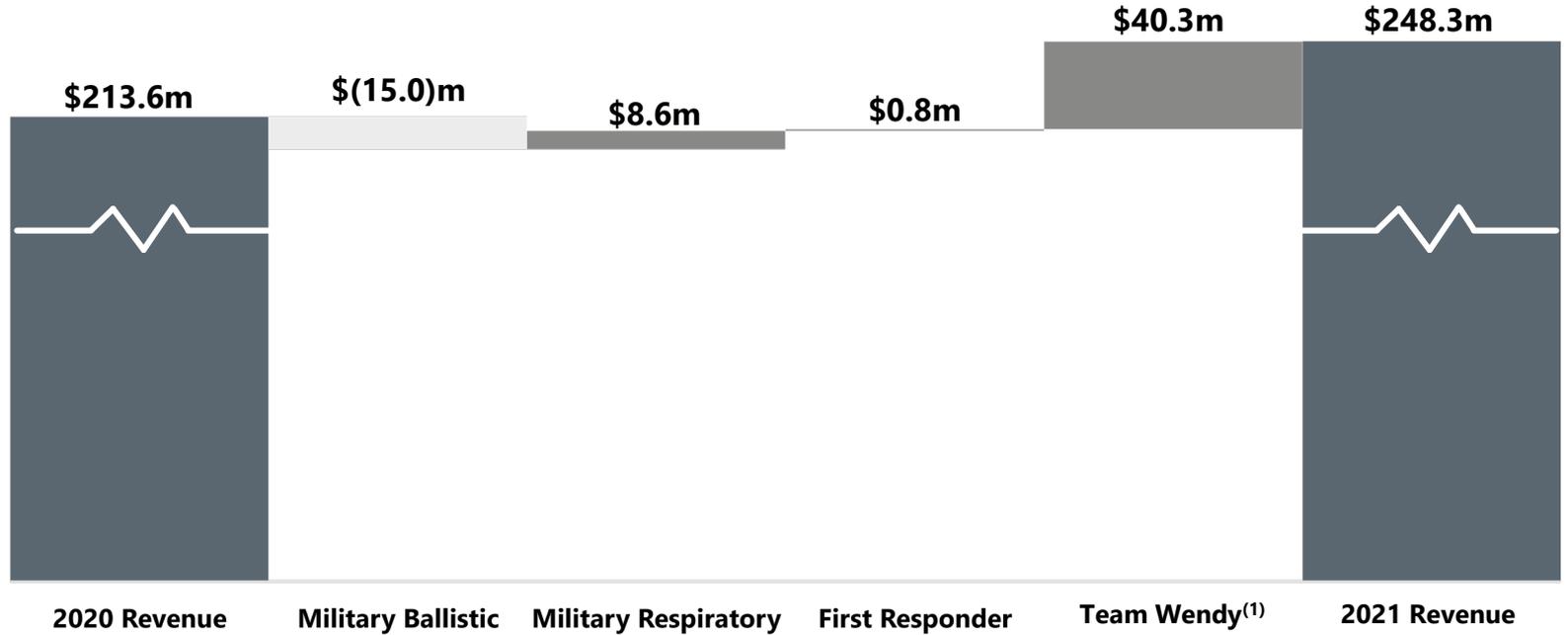
## Revenue split by business



## Revenue split by destination

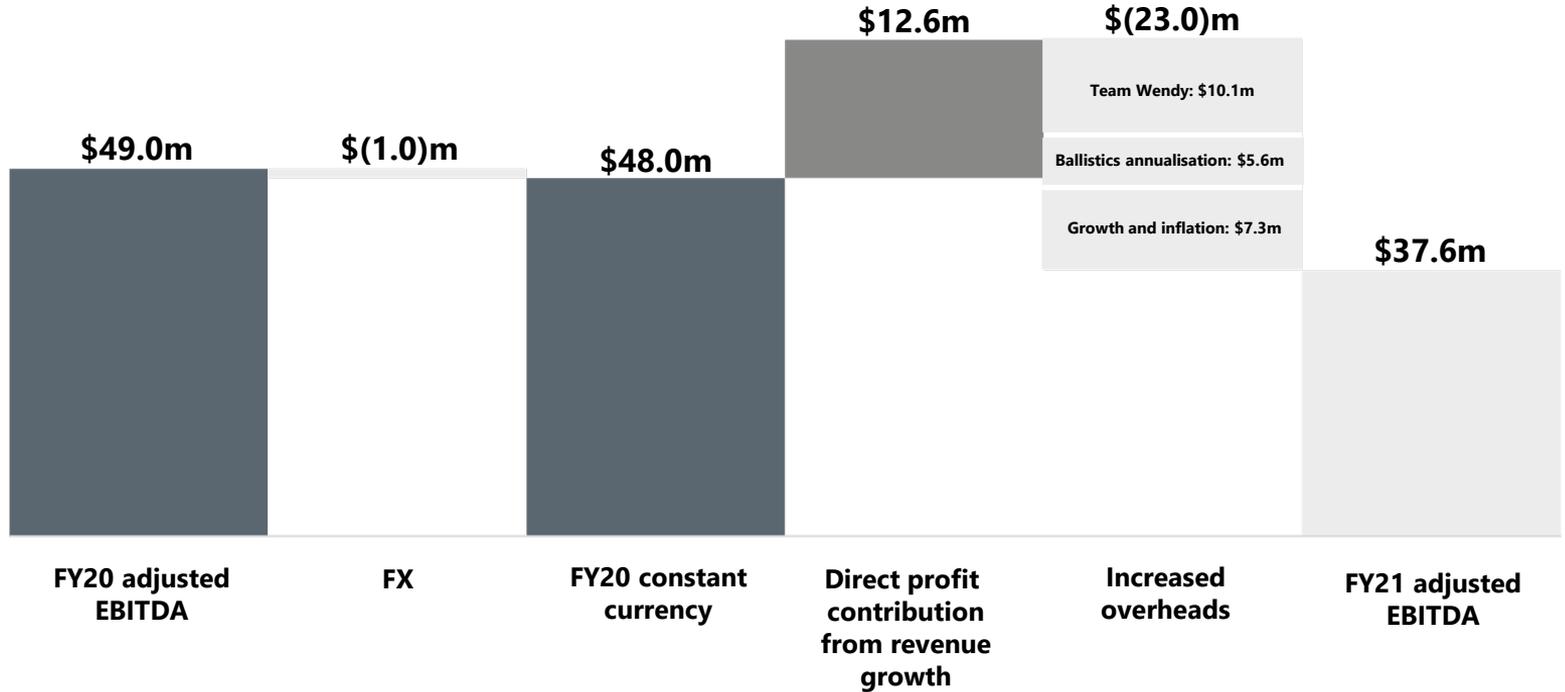


# Revenue growth driven by Team Wendy and Military Respiratory

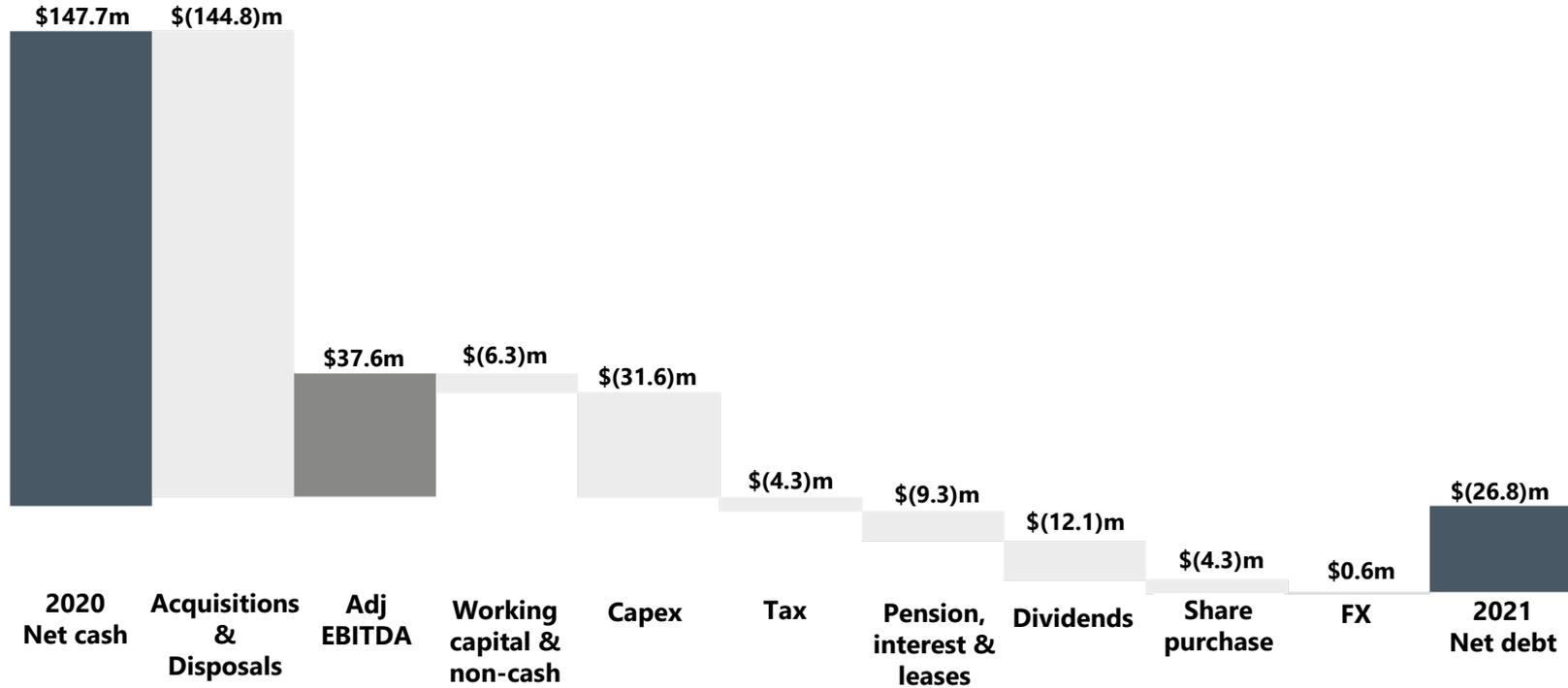


(1) Team Wendy revenue net of intercompany eliminations

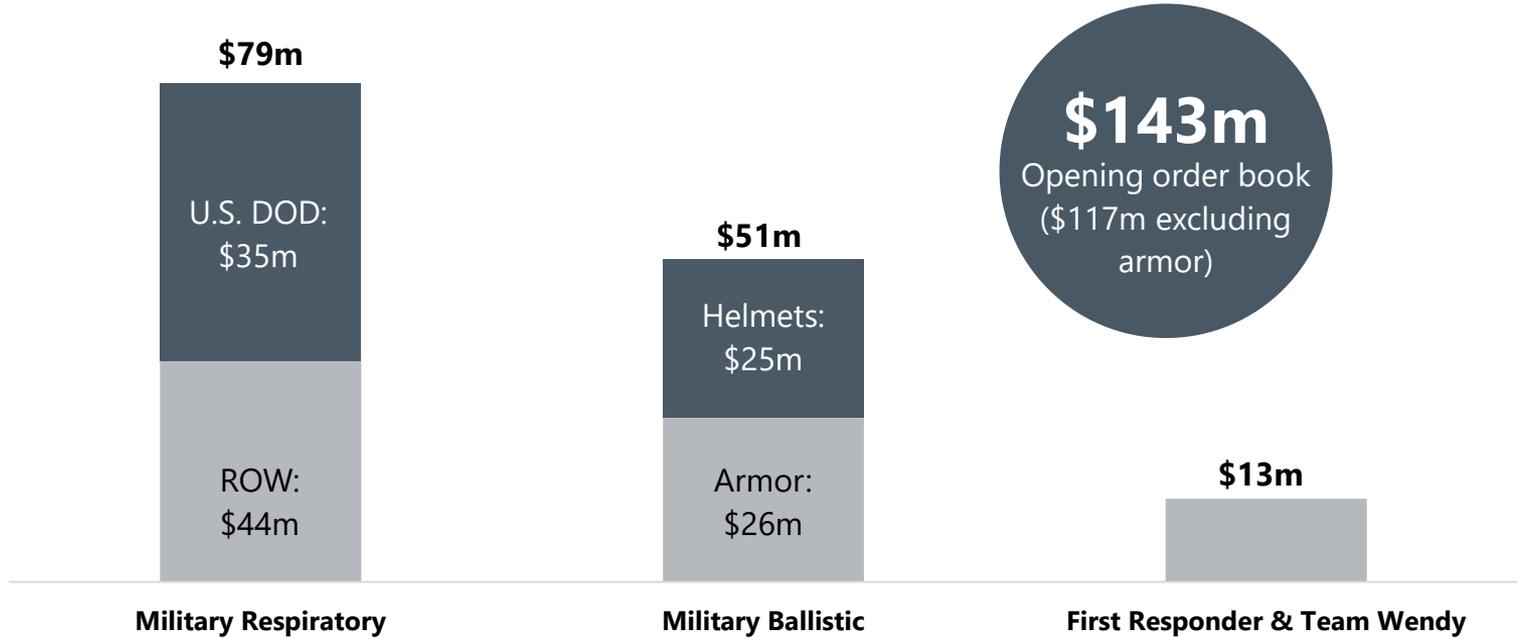
# EBITDA impacted by operational gearing



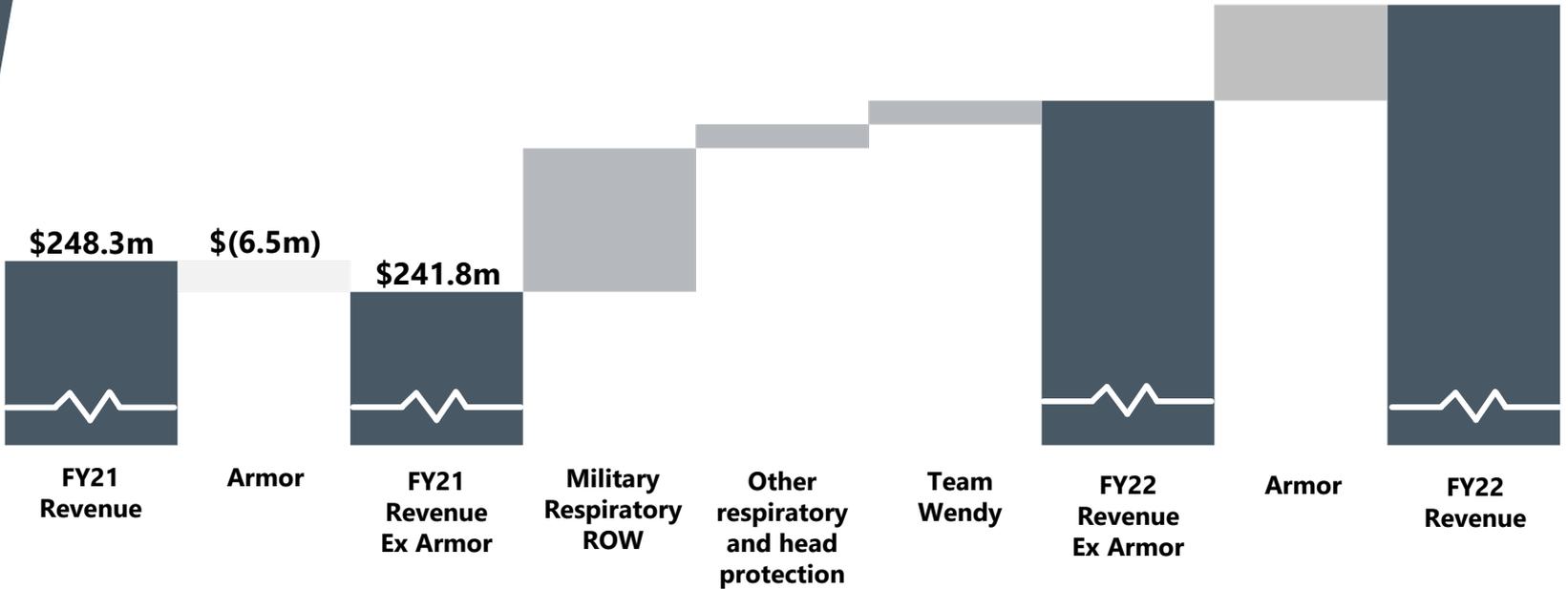
# 83.2% cash conversion



# Strong order book provides visibility for FY22



# FY22 building blocks



## Expectations for FY22

- Solid start to trading in the first two months, with revenues ahead of last year on an organic basis
- Growth expectations underpinned by our long-term contracts and strong opening order book (\$117m excluding armor)
- Continuing to experience disruption in global supply chains and customer order pattern volatility, which we continue to actively mitigate
- Given the ongoing challenges, we are taking a cautious view on the anticipated rate of growth for FY22 at this stage in the year
  - FY22 revenue range excluding armor of \$260 - 290m expected
  - Up to \$25m of armor revenue depending on timing of DLA ESAPI products approvals
- Expect our adjusted EBITDA margin to recover materially





**Well invested for growth**

Paul McDonald  
Chief Executive Officer

# Avon Protection for the future

- Global market leader in respiratory and head protection
- Deeply embedded customer relationships
- Structurally growing defence and first responder end markets
- Consistent and high margin returns
- Consistent investment in product development
- Growth opportunities through geographic expansion and broadening the product range



# Strength of the respiratory business

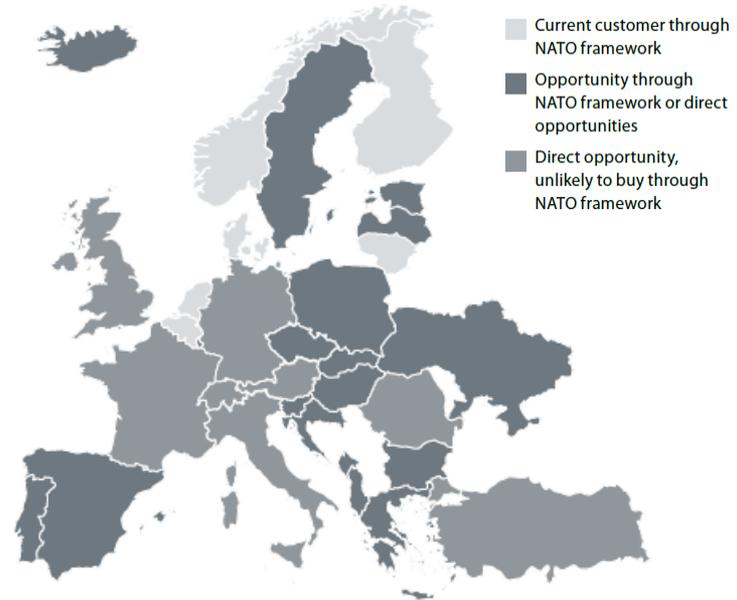
- At the heart of Avon Protection for over a decade
- Global standard-setter and market leader in military and first responder respiratory protection
- Long-standing partnership with the U.S. DOD – our flagship customer
- Growth opportunities in ROW include the NATO contract
- Stable recurring revenue base from embedded product range
- Range of new products under development



# NATO contract will drive growth in respiratory

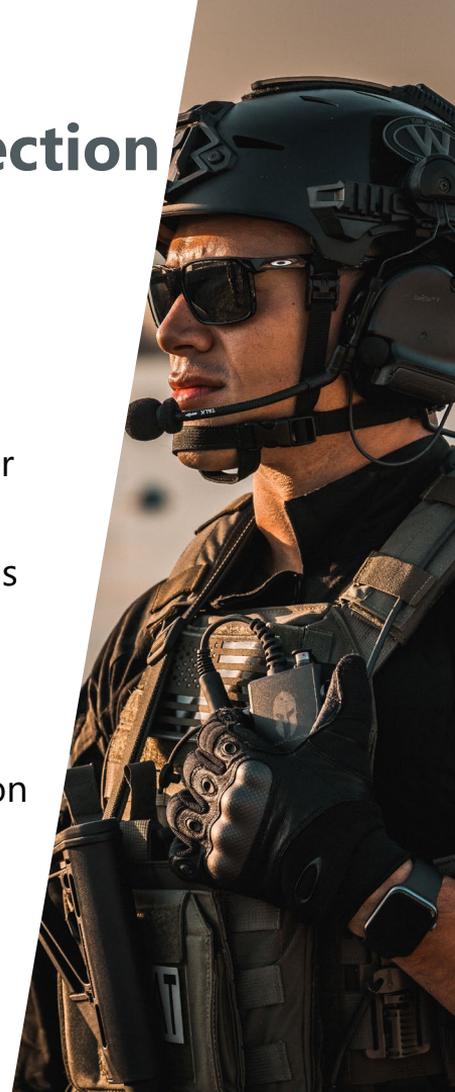
- U.S. DOD is our key customer
- Leverage our technology into the 10-year NATO contract - provides access to our respiratory portfolio
- During FY21 we received orders of \$48m from 6 countries under this contract
  - Opening order book \$32m
  - Active dialogue with further 3 countries

## European NATO framework contract opportunities



# Creating a global leader in head protection

- Current sole source IHPS supplier with secure contract for next generation helmet
- Leading position in helmet supply within the U.S. DOD creates commercial product variants
- Combination of Team Wendy and Ceradyne creates a global leader in military grade helmets
- Team Wendy has performed well, in line with expectations, and has delivered a strong start under Avon Protection ownership
- Team Wendy integration
  - Working with Ceradyne on major tenders
  - Collaboration on the liner pad system for the next-generation IHPS and the F90
  - Procurement and in-house production benefits delivered
- Combined head protection portfolio has a growing pipeline of opportunities with U.S. DOD, ROW Militaries and First Responders



# First Responder well positioned for further growth

- Consistent history of growth with high margins
- Broader range of respiratory and head protection products to our existing global First Responder customers
- Launched the F90, a competitively priced, high-quality mid performance ballistic helmet, in Q4 2021
- Structural growth market and pipeline of opportunities



# Investing for growth

- Exciting portfolio of high margin technologies



Enhancing the  
ST54 tactical SCBA



FM61 filter  
development for  
the NATO contract



Developing a  
range of CBRN  
boots and gloves



Enhancements to the  
MCM100 underwater  
rebreather

- Consistent track record of investment to broaden product range, enhance technology and increase margins over time
- Strengthened our team with appointment of COO to oversee day-to-day operations, as well as enhanced finance and HR structures



# Sustainability

- We recognise our responsibility to deliver measurable improvements in our sustainability
- We have made some notable progress
  - Environmental - improved energy efficiency and recycling,
  - Social - launch of female mentoring programme
  - Governance – enhanced risk management processes
- Over the next 12 months we will be putting in place a clear strategy and framework for delivery our ESG agenda
- Vision – net carbon neutral by 2045, with clearly defined action plans to meet this goal



## Confident in the medium-term outlook

- Multi-year military contracts across the product portfolio gives confidence in the medium-term
- Growth in Rest of World revenues and from Military Respiratory, Team Wendy and First Responder – significant pipeline for the future
- Continued investment in product development
- The Board remains confident in the medium-term prospects for Avon Protection





Questions



## FY22 technical guidance

\$ million	Group
Adjusted depreciation and amortisation	\$19m
Amortisation of acquired intangibles	\$7m
Capex	~\$25m
Adjusted interest	\$3m
Cash pension contribution	\$5m
Adjusted tax rate	21%
Cash conversion	90%+
1 cent increase/decrease in £:\$ FX rate increases/decreases revenue by	~\$0.2m
1 cent increase/decrease in £:\$ FX rate decreases/increases operating profit by	~\$0.2m

# Income statement

	<b>FY21</b> <b>\$m</b>	FY20 \$m (Restated)
Revenue	248.3	213.6
Adjusted EBITDA	37.6	49.0
Adjusted depreciation and amortisation	(15.6)	(10.5)
Adjusted operating profit	22.0	38.5
Adjusted net finance costs	(3.1)	(2.4)
<b>Adjusted profit before taxation</b>	<b>18.9</b>	<b>36.1</b>
Adjusted taxation	(0.3)	(5.9)
<b>Adjusted profit for the period</b>	<b>18.6</b>	<b>30.2</b>
<b>Adjusted basic earnings per share</b>	<b>60.6</b>	<b>98.6</b>
<b>Dividend per share</b>	<b>44.9</b>	<b>34.5</b>

## Reported to adjusted reconciliation

	FY21 \$m	FY20 \$m (Restated)
<b>Operating (loss)/profit</b>	<b>(29.0)</b>	<b>8.9</b>
Amortisation of acquired intangible assets	14.2	8.3
Armor asset impairments	46.8	-
Release of armor contingent consideration	(15.7)	-
Acquisition and integration costs	2.6	13.6
Inventory acquisition accounting adjustments	2.4	7.7
Write down of cloud computing costs	0.7	-
<b>Adjusted operating profit</b>	<b>22.0</b>	<b>38.5</b>

# Revenue by line of business

Revenue	2021			2020		
	Respiratory	Ballistic <sup>1</sup>	\$m Total	Respiratory	Ballistic <sup>1</sup>	Restated \$m Total
Military	113.5	34.0	147.5	104.9	49.0	153.9
First Responder	55.1	5.4	60.5	56.7	3.0	59.7
Avon Protection	168.6	39.4	208.0	161.6	52.0	213.6
Team Wendy	-	41.0	41.0	-	-	-
Eliminations	-	(0.7)	(0.7)	-	-	-
<b>Total</b>	<b>168.6</b>	<b>79.7</b>	<b>248.3</b>	161.6	52.0	213.6

<sup>1</sup> Military Ballistic revenue includes armor revenues of \$6.5 million (2020: \$13.7 million)

# Armor order book and adjusted P&L

<b>Armor</b>	<b>30 Sept 2021</b>	30 Sept 2020
Orders received	<b>\$1.7m</b>	\$33.6m
Closing order book	<b>\$26.6m</b>	\$31.4m
Revenue	<b>\$6.5m</b>	\$13.7m

<b>2021 Adjusted</b>	<b>Armor \$m</b>	<b>Respiratory &amp; Head \$m</b>	<b>Total \$m</b>
Orders received	1.7	281.0	282.7
Closing order book	26.6	116.5	143.1
Revenue	6.5	241.8	248.3
Adjusted EBITDA	(8.4)	46.0	37.6
Adjusted EBITDA margin	(129.2)%	19.0%	15.1%
Adjusted operating profit/(loss)	(10.5)	32.5	22.0

# Armor impairment

	Carrying value	Impairment	Recoverable amounts
	\$m	\$m	\$m
Acquired intangibles	11.3	(11.3)	-
Development expenditure	8.1	(8.1)	-
Right of use assets	11.7	(11.7)	-
Plant and machinery	14.4	(13.9)	0.5
Leasehold improvements	0.1	(0.1)	-
Inventory	13.3	(1.7)	11.6
<b>Total assets/(impairment)</b>	<b>58.9</b>	<b>(46.8)</b>	<b>12.1</b>
Contingent consideration provision	(21.7)	15.7	(6.0)
<b>Total net impact</b>	<b>37.2</b>	<b>(31.1)</b>	<b>6.1</b>

# Balance sheet

	<b>FY21</b> <b>\$m</b>	FY20 \$m (Restated)
Intangible assets	181.0	89.4
Property, plant and equipment	48.6	65.9
Current assets	114.8	82.3
Current liabilities	(43.5)	(58.7)
Net other non-current assets	28.7	11.5
Net (debt)/cash (including lease liabilities)	(55.9)	118.7
Retirement benefit scheme	(68.3)	(79.6)
Net assets	205.4	229.5

## Cash flow

	<b>FY21</b> <b>\$m</b>	FY20 \$m (Restated)
Cash flows from continuing operations before exceptional items	31.3	40.0
Cash impact of discontinued operations and exceptional items	(7.7)	(1.9)
Cash flows from operations	23.6	38.1
Net interest	(2.7)	(3.5)
Repayment of lease liability	(3.7)	(2.0)
Payments to pension plan	(2.9)	(27.8)
Tax	(4.3)	(3.5)
Purchase of property, plant and equipment	(11.7)	(7.8)
Capitalised development costs and purchased software	(19.9)	(12.1)
Acquisitions, net of acquired cash of \$1.1million (2020: nil)	(130.9)	(91.2)
Divestments, net of \$9.0m capital gains tax paid (2020: nil)	(6.2)	207.2
Investing and financing activities used in divestments	-	(2.6)
Purchase of own shares	(4.3)	-
Dividends to shareholders	(12.1)	(8.9)
Foreign exchange	0.6	2.3
Change in net debt, excluding lease liabilities	(174.5)	88.2
% Cash conversion from adjusted EBITDA	83.2%	81.6%

## Foreign exchange and sensitivities

	<b>Average rate</b>	<b>Closing rate</b>	Average rate	Closing rate
	<b>FY21</b>	<b>FY21</b>	FY20	FY20
Sterling - £1 = \$	0.7311	0.7384	0.7842	0.7851
				<b>1 cent increase</b>
				<b>\$m</b>
Revenue				0.2
Operating profit				(0.2)
Net assets				(0.6)

# 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
DLA	Defense Logistics Agency
DOD	Department of Defense
ESAPI	Enhanced small arms protective inserts
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)
IHPS	Integrated Head Protection System

# Abbreviations

<b>Term</b>	<b>Explanation</b>
MOD	Ministry of Defence
NATO	North Atlantic Treaty Organization
NSPA	NATO Support and Procurement Agency
PAPR	Powered Air Purifying Respirator
ROW	Rest of World
SCBA	Self-contained breathing apparatus
VTP	Vital Torso Protection
XSAPI	X-Small Arms Protective Insert
XSBI	X-Side Ballistic Insert