

# **Results for 6 months ended 30 November 2019**

**Steve McQuillan, CEO**

**Stephen King, CFO**

# Financial highlights – H1 FY2020

Group Revenue

**£54.8m**  
+15.0%

Gross Profit Margin

**25.8%**  
2019 H1: 25.7%

Adjusted EBITDA

**£4.6m**  
+26.0%

Adjusted Diluted EPS

**5.1p**  
2019 H1 4.5p

Interim Dividend

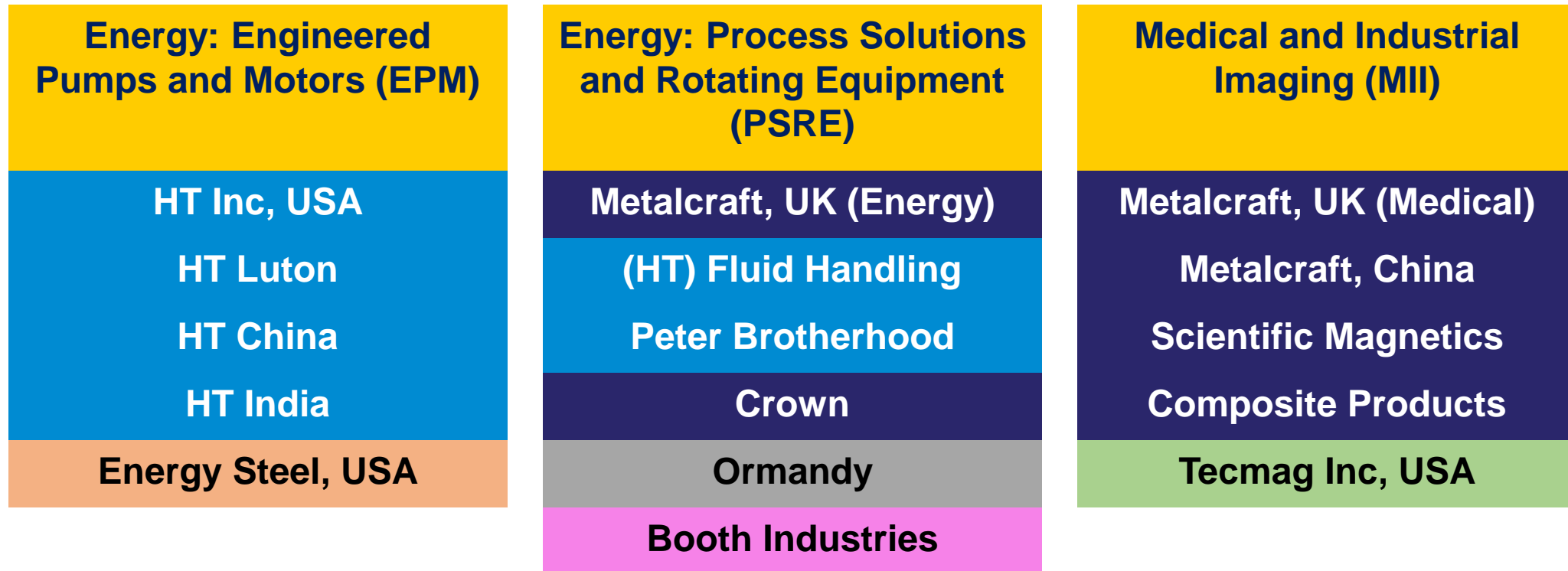
**1.5p**  
2019 H1: 1.4p

Net Debt\*

**£8.3m**  
31 May 2019: £2.0m

Net debt\* - old accounting basis (pre-IFRS 16)

# Our divisions



## Key:

- AVG (post Sigma disposal in 2016)
- HTG (acquired on 1 September 2017)
- Ormandy (acquired 19 February 2018)
- Tecmag (acquired 24 October 2018)
- Booth (acquired 11 June 2019)
- Energy Steel (acquired 24 June 2019)



- ✓ **Compelling Pinpoint-Invest-Exit strategy**
- ✓ **Niche market leadership positions**
- ✓ **Consistent shareholder returns**



## Strengthening the portfolio



Blast doors - Avingtrans successfully acquires Booth assets for £1.8m on 11 June 2019.

**Booth**industries



Nuclear Life Extension - Avingtrans successfully acquires Energy Steel for \$0.6m on 24 June 2019.

**energy**steel  
Exclusively Nuclear™

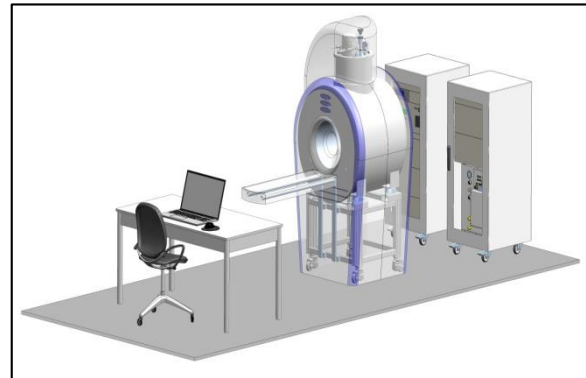
## Establishing world class capability



Energy

Boothindustries

- Booth site rationalisation will complete in 2020
- Construction of new Bolton site extension underway
- New wing will eliminate surplus leased building
- “Make or Buy” strategy realigned to new footprint



Medical

SCIENTIFIC  
MAGNETICS

- Work progressing on new MRI and NMR systems and components
- Prototype MRI system has produced first images
- Investment activity underway to commercialise these products



## Building and returning shareholder value

Avingtrans is engaged with the Invest phase of its two energy divisions and its medical division.

This follows the Exit of Sigma Components, at an enterprise value of £65m back in 2016.



- Avingtrans is committed to profitable growth and to business exits at advantageous valuations.
- Proceeds can either be returned to shareholders, or redeployed for continued growth in shareholder value.
- Energy markets continue to be robust and M&A activity remains strong in this sector.
- We are confident about the current strategic direction and potential future Exit opportunities.



## Boothindustries

- ✓ Banking facilities re-established
- ✓ Restructuring exercise completed
  - ✓ Unneeded leased buildings eliminated
  - ✓ New site extension underway
- ✓ Working capital requirement funded
- ✓ Strategic plan developed
- ✓ Strong order book and prospect pipeline
  - ✓ Key contracts novated / secured
- ✓ Aftermarket opportunity to be developed
- ✓ Supply chain stabilised
- ✓ Expect breakeven FY20



Booth produces doors and walls that are:

- ▶ Blast/explosion proof
- ▶ Fireproof
- ▶ Acoustically shielded
- ▶ High security/safety
- ▶ Or combinations of the above





- ✓ Strategic ES/HT collaborative plan executed
- ✓ Working capital requirement funded
- ✓ Strong order book and prospect pipeline
- ✓ Supply chain synergies defined
- ✓ HT/ES cross-selling and training underway
  - ✓ Aftermarket for HT strengthened by ES
- ✓ HR review complete - harmonised for HT/ES
- ✓ Losses steadily reducing. Expect H2 profit.

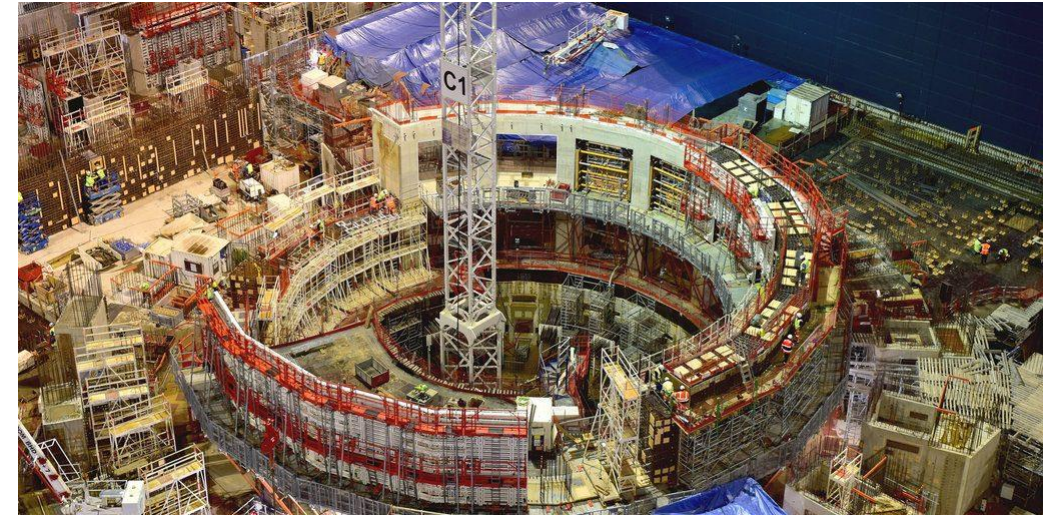


Energy Steel is a custom fabricator exclusively for the nuclear industry, specialising in :

- ▶ OEM parts obsolescence
- ▶ Custom component fabrication
- ▶ Engineering design solutions
- ▶ Product refurbishment
- ▶ On-site technical support

## Hayward Tyler and Energy Steel

- Markets
  - Nuclear – on-going life extension focus
    - Contract wins in USA and China
    - Next Generation nuclear and renewables
      - ITER and solar power contract wins
  - Hydrocarbons – limited recovery continues
    - First OE products now well established in China
    - Focus on aftermarket, with 3<sup>rd</sup> party products now also targeted
  - Defence – further UK Government contracts won at HT Luton (£1m)
- Facilities - new capex in Vermont and Luton, to improve efficiency and on time deliveries
- Products – building out product portfolio, including with 3<sup>rd</sup> parties – eg Shinhoo MoU



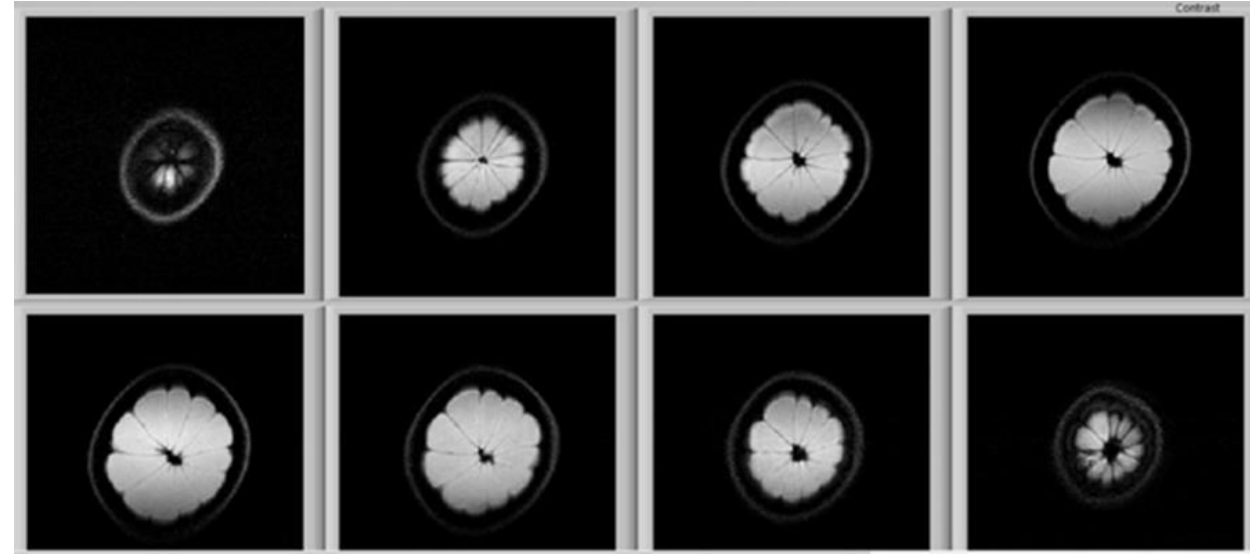
## **PB, Metalcraft, Fluid Handling, Ormandy, Crown, Booth**

- Markets
  - Nuclear decommissioning (Metalcraft, Fluid Handling)
    - Sellafield 3M3 boxes steady progress
    - £1m Fluid Handling contract win for remote valves
  - Hydrocarbons (PB) – on-going signs of recovery. Focus on aftermarket
  - Defence (PB, Booth) – UK Government contracts won – PB (£2m) and Booth (£7m)
  - HVAC<sup>1</sup> (Ormandy) – steady recovery continues from 2018 acquisition
  - Infrastructure (Booth, Crown) – focus on rail and other critical national infrastructure
- Facilities – site extension at Booth underway; Ormandy site improvements completed
  - Jordan Manufacturing assets relocated to Metalcraft
- Products – product rationalisation continues – eg at Ormandy, Metalcraft and Booth



## **Sci Mag, Tecmag, Metalcraft Medical, Composite Products**

- Markets
  - NMR – business case for further investment developed
  - MRI – prototype producing images. Business case for further investment developed
  - Imaging – steady progress with Rapiscan (baggage scanning)
  - Science – developing niche magnet & cryogenic products into selected targets
- Facilities – plans being developed to allow Sci Mag to increase product volumes
- Products – new products being explored in various niche markets
  - New MRI and NMR products are the main targets





# Financial Highlights



- Interim financial statements have been prepared on an IFRS 16 basis using the modified retrospective method:
  - Leases all valued on the date of implementation (1 June 2019)
  - Prior year reporting periods have not been restated in the financial statements
- Significant impact on reporting of our financial statements:
  - Operating leases brought on balance sheet:
    - Right of use asset recognised
    - Lease liability (debt) recognised
  - Shape of income statement changes significantly:
    - Operating profit and EBITDA increase
    - PBT and EPS slight reduction
- Majority of lease debt brought onto the balance sheet as a consequence of IFRS 16 relates to premises leases
- Small value leases ( < £5,000) and short term leases ( < 1 year) continue to be recognised on a straight line basis in the income statement

Performance (£'m)	Old accounting basis	IFRS 16 impact	New accounting basis
Adjusted EBITDA	3.7	0.8	4.6
Adjusted EBIT	2.3	0.1	2.3
Adjusted PBT	1.8	(0.1)	1.7
Net debt (£'m)	30 November 2019	31 May 2019	Movement
Old accounting	(8.3)	(2.0)	(6.3)
IFRS 16 impact	(9.4)	(9.7)	0.3
New accounting	(17.7)	(11.8)	(5.9)

# Income Statement

	H1 FY20					H1 FY19
	As reported	Energy Steel	Booth	IFRS 16 impact	Group LFL	As reported
	£'m	£'m	£'m	£'m	£'m	£'m
<b>Revenue</b>	<b>54.8</b>	<b>2.8</b>	<b>4.2</b>	<b>-</b>	<b>47.8</b>	<b>47.7</b>
Gross Profit	14.1	0.6	1.1	-	12.5	12.3
Gross Profit %	25.8%	20.1%	26.2%	-	26.1%	25.7%
<b>Adjusted EBITDA</b>	<b>4.6</b>	<b>(0.6)</b>	<b>(0.2)</b>	<b>0.8</b>	<b>4.6</b>	<b>3.6</b>
Adjusted EBITDA %	8.3%	(23.1)%	(4.1)%	-	9.6%	7.6%
<b>Adjusted Profit before tax</b>	<b>1.7</b>	<b>(0.7)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>2.7</b>	<b>1.6</b>
Adjusted Profit after tax	1.6	(0.6)	(0.2)	(0.1)	2.6	1.4
<b>Adj. Diluted EPS (pence)</b>	<b>5.1</b>	<b>(1.9)</b>	<b>(0.7)</b>	<b>(0.3)</b>	<b>8.0</b>	<b>4.5</b>

# Summary Divisional Results



	Energy: EPM £'m	Energy: PSRE £'m	Medical £'m	Central £'m	1H FY20 £'m	Energy: EPM £'m	Energy: PSRE £'m	Medical £'m	Central £'m	1H FY19 £'m
<b>Revenue:</b>										
OE	4.6	19.4	5.6	-	29.6	7.6	12.0	6.1	-	25.7
AM	17.7	7.5	-	-	25.2	15.2	6.7	0.1	-	22.0
<b>Total Revenue</b>	<b>22.3</b>	<b>26.9</b>	<b>5.6</b>	<b>-</b>	<b>54.8</b>	<b>22.8</b>	<b>18.7</b>	<b>6.2</b>	<b>-</b>	<b>47.7</b>
<b>Operating profit/(loss)</b>	<b>(0.3)</b>	<b>1.8</b>	<b>-</b>	<b>(0.6)</b>	<b>0.9</b>	<b>1.0</b>	<b>1.1</b>	<b>(0.2)</b>	<b>(0.9)</b>	<b>1.0</b>
Adjustments:										
Acquisition costs/SBP	0.1	0.1	-	0.1	<b>0.3</b>	-	-	0.1	-	<b>0.1</b>
Restructuring costs	0.1	-	-	-	<b>0.1</b>	-	-	-	-	-
Amortisation of acquired intangibles	0.8	0.1	-	-	<b>0.9</b>	0.6	0.2	-	-	<b>0.8</b>
<b>Adjusted EBIT</b>	<b>0.7</b>	<b>2.0</b>	<b>-</b>	<b>(0.5)</b>	<b>2.2</b>	<b>1.6</b>	<b>1.3</b>	<b>(0.1)</b>	<b>(0.9)</b>	<b>1.9</b>
Depreciation and amortisation	1.1	0.8	0.4	-	<b>2.3</b>	1.0	0.5	0.2	-	<b>1.7</b>
<b>Adjusted EBITDA</b>	<b>1.9</b>	<b>2.8</b>	<b>0.4</b>	<b>(0.5)</b>	<b>4.6</b>	<b>2.6</b>	<b>1.8</b>	<b>0.1</b>	<b>(0.9)</b>	<b>3.6</b>
ES/Booth LBITDA	<b>(0.6)</b>	<b>(0.2)</b>	-	-	<b>(0.8)</b>	-	-	-	-	-
<b>Pre-Aqn* Adjusted EBITDA</b>	<b>2.5</b>	<b>3.0</b>	<b>0.4</b>	<b>(0.5)</b>	<b>5.4</b>	<b>2.6</b>	<b>1.8</b>	<b>0.1</b>	<b>(0.9)</b>	<b>3.6</b>

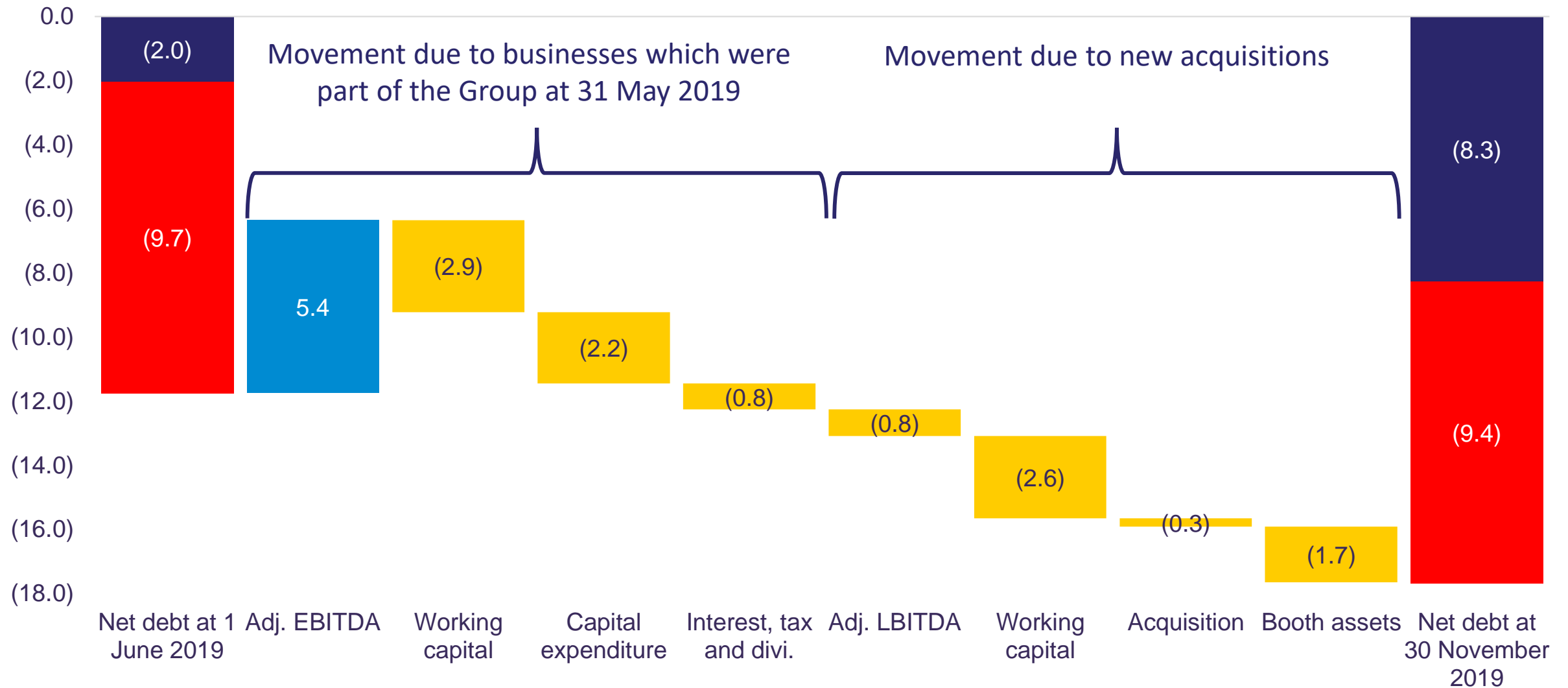
Pre-Aqn\* - Excludes the results from businesses acquired during FY20.

# Balance Sheet

	H1 FY20	FY19	H1 FY19
	£'m	£'m	£'m
Tangible fixed assets*	35.6	26.6	27.0
Goodwill	23.6	23.4	23.4
Other intangible	15.5	14.5	15.1
Deferred tax asset & pension surplus	2.5	2.7	3.0
Working capital	18.8	14.5	17.5
Provisions	(6.0)	(5.3)	(5.9)
Tax asset	0.2	0.1	0.3
Net debt*	(17.7)	(2.0)	(7.1)
Creditors > 1 year	(1.5)	(3.1)	(3.4)
Deferred tax liability	(1.7)	(2.1)	(2.2)
<b>Net assets</b>	<b>69.2</b>	<b>69.3</b>	<b>67.6</b>
<i>Net debt to equity</i>	<b>25.5%</b>	<b>2.9%</b>	<b>10.5%</b>

\* Increase in tangible fixed assets and net debt is largely driven by the impact arising from the adoption of IFRS 16 on 1 June 2019. See slide 14 for further detail.

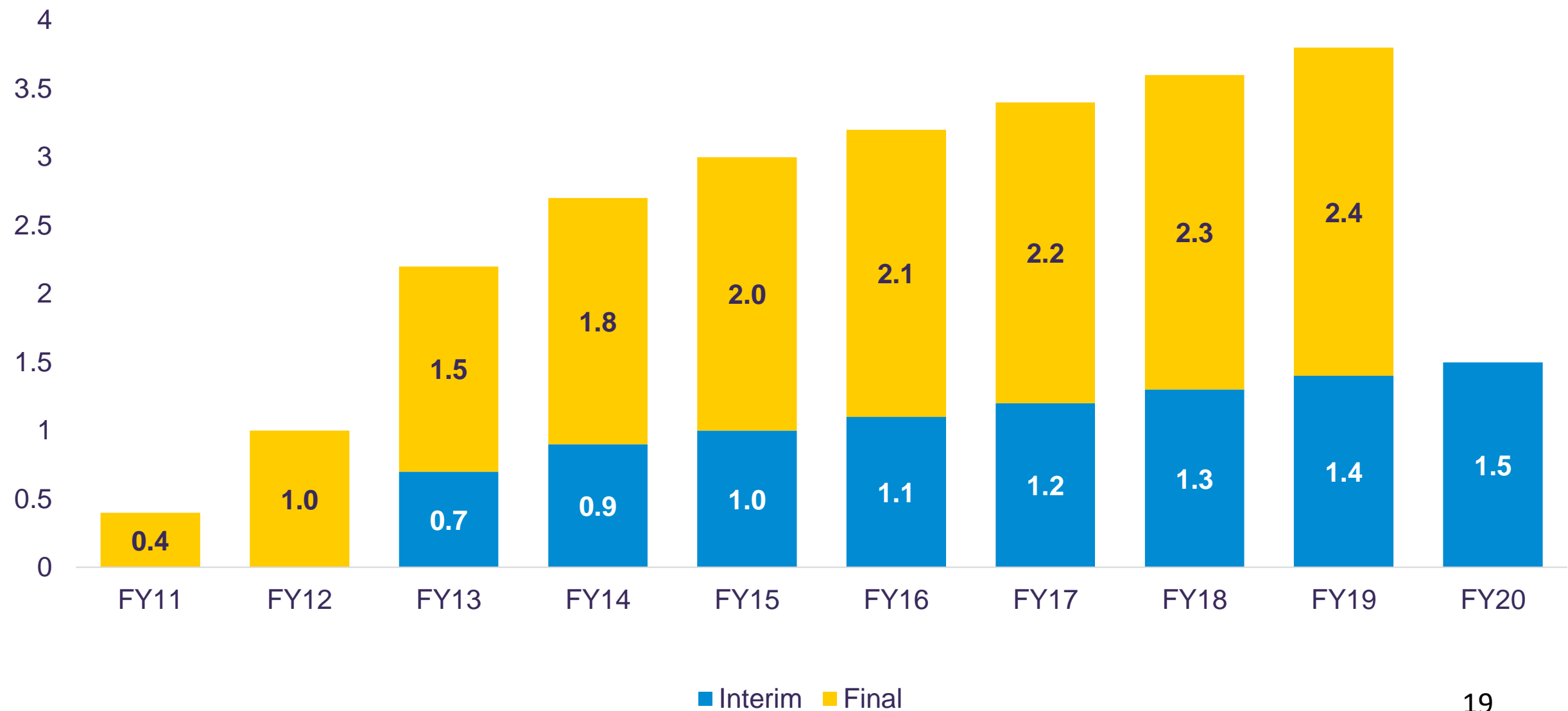
# Movement in Net Debt (£'m)



 Impact of IFRS 16 Leases



# Ninth year of dividend growth



# Summary

- ✓ **H1 FY20 - on target to deliver full year expectations**
- ✓ **Revitalisation of Hayward Tyler and Peter Brotherhood remains on plan**
- ✓ **Order book: strong pipeline in Energy; Medical working on new products in MRI/NMR**
  - ✓ Significant contract wins in the UK, USA and China
  - ✓ Good potential for Medical in NMR, MRI and industrial applications
- ✓ **Strong balance sheet – net debt of £8.3m in H1 – better than expectations**
- ✓ **PIE strategy (Pinpoint-Invest-Exit) for organic growth and added value through M&A**
  - ✓ Booth and Energy Steel acquisitions are integrating as planned - **Investment** is underway
- ✓ **Dividend policy reaffirmed for ninth successive year – 7.1% increase for H1 FY20**
- ✓ **Outlook: we remain confident about strategy and prospects**

# Appendix

## Pinpoint-Invest-Exit (PIE)

- Strong balance sheet
- Seasoned board and management
- Creating significant shareholder value

### Energy Divisions

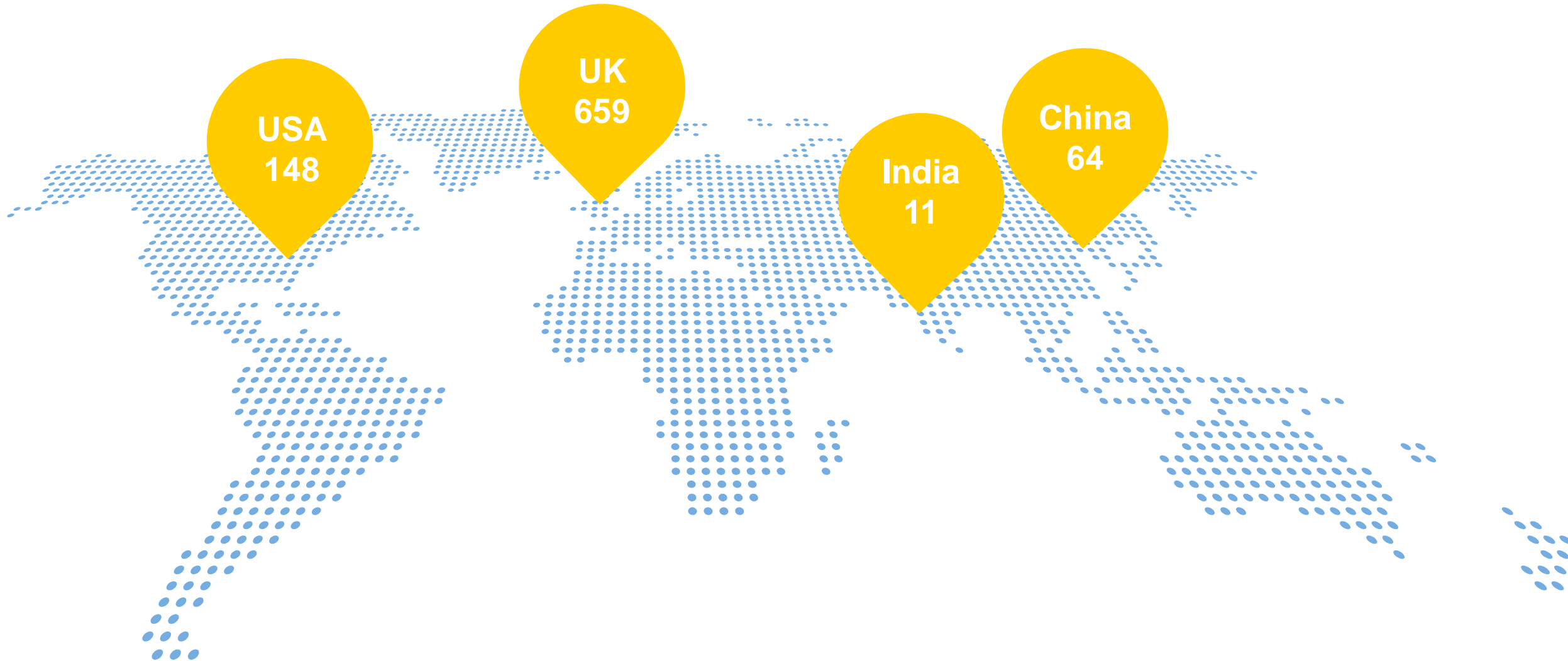


### Medical Division





# Our locations and employees



# Blue chip partnerships



## Our values

### A High Performance Business



#### **Integrity**

We mean what we say and do what we say we will do, with respect for all concerned



#### **Quality**

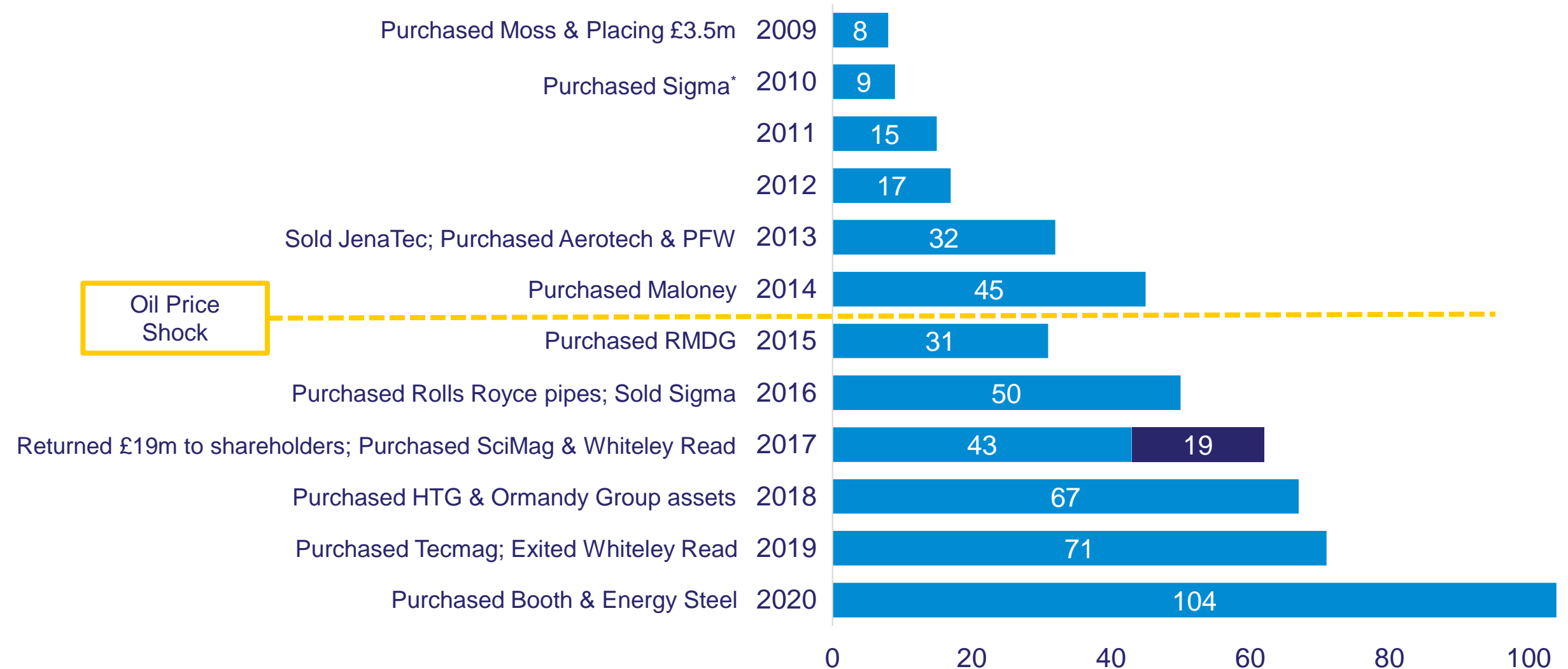
Right first time, on time. Our products and services have enduring value to our customers



#### **Agility**

We adapt rapidly and cost effectively – in response to changes in the environment

# Market capitalisation progression



Sigma\* - Remaining 25% of Sigma

# M&A – successful exits

Brand	Acquisitions	Bought for £m <sup>1</sup>	Sold for £m <sup>1</sup>
	JRT Ltd JenaTec Inc JGWT GMBH Boneham & Turner Moss Group	4.0 (FY02 - FY09)	14.5 (FY13)
	Sigma Components B&D Patterns C&H Composites Eng Group Aerotech Tubes PFW Farnborough RMDG Rolls Royce Nuneaton Rolls Royce Xi'an	22.0 (FY07 - FY16)	65.0 (FY16)

<sup>1</sup> – Enterprise Value



# Largest investors

	<b>Number of shares (000s)</b>	<b>% of total shares</b>
Nigel Wray	3,239	10.2%
Funds managed by RBC Trustees Limited	2,208	7.0%
Funds managed by BlackRock	2,124	6.7%
Funds managed by Unicorn Asset Management Limited	1,946	6.1%
Harwood Capital	1,550	4.9%
R S McDowell's Pension Fund	1,406	4.4%
P McDowell's Pension Fund	1,213	3.8%
Funds managed by Threadneedle Investments	1,000	3.1%
Funds managed by LGT Bank	993	3.1%

Figures presented show the position at 31 January 2020