Avingtrans

PINPOINT / INVEST / EXIT

Results for year ended 31 May 2020

Steve McQuillan, CEO
Stephen King, CFO

Financial highlights

Guidance Reinstated

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Group Revenue	Gross Profit Margin	Adjusted EBITDA
£113.9m	**27.8%**	**£11.8m**
+9.5%	2019: 26.6%	+25.7%

Adjusted Diluted EPS	Total Dividend	Net Debt**
16.9p	**0.0p***	**£7.4m**
2019: 14.6p	2019: 3.8p	2019: £2.0m

* Suspended due to Covid-19

** Excluding IFRS16

Our divisions

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Energy: Engineered Pumps and Motors (EPM)	Energy: Process Solutions and Rotating Equipment (PSRE)	Medical and Industrial Imaging (MII)
HT Inc, USA	Metalcraft, UK (Energy)	Metalcraft, UK (Medical)
HT Luton	(HT) Fluid Handling	Metalcraft, China
HT China	Peter Brotherhood	Scientific Magnetics
HT India	Ormandy	Composite Products
Energy Steel, USA	Booth Industries	Tecmag Inc, USA

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)

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

Adapting to covid-19

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We have adapted well to deal with a number of Covid-19 hurdles

- People – flexible working arrangements and shift patterns; targeted restructuring implemented
- Markets
  - Energy
    - Nuclear – resilient throughout CV19, despite some order delays
    - Renewables – increasing prospects in concentrated solar power
    - Hydrocarbons – negatively impacted by oil price - cost base adjusted
  - Defence/national security – resilient throughout CV19, some order delays
  - Medical – focus on new markets and products, esp. MRI, with a “sustain” strategy elsewhere
- Products and operations
  - All factories have adapted to new operating conditions and contained the CV19 disruption
  - Changes to supply chains to regionalise supply: for CV19, Brexit and US/China risks
  - Crown site exit – CV19 made this site unsustainable.

Our strategy in action - Pinpoint

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Strengthening the portfolio

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

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

Booth industries

energy steel

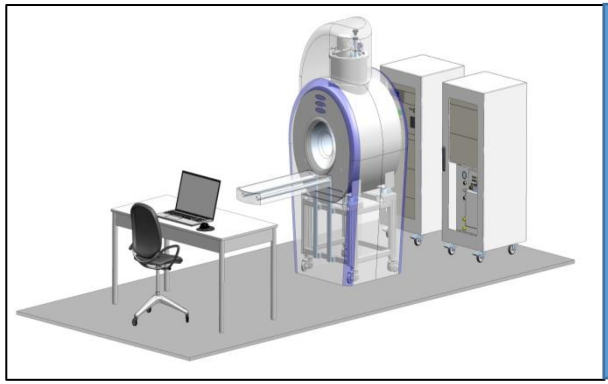
Exclusively Nuclear™

Our strategy in action - **Invest**

Establishing world class capability

Energy

Boothindustries



Medical

SCIENTIFIC MAGNETICS

- Booth site rationalisation close to completion
- Construction of new Bolton site extension underway
- New wing will eliminate surplus leased building
- "Make or Buy" strategy realigned to new footprint

- Work progressing on new MRI and NMR systems and components
- Prototype MRI system now being optimised
- Investment activity underway to commercialise these products under a revised strategic plan

Our strategy in action - Exit

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.

Energy Steel integration well on track

energysteel | Exclusively Nuclear™

- ✓ 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
- ✓ Significant IP acquisition broadens portfolio
- ✓ Small underlying profit in first year, net of costs

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

Booth integration ahead of expectations

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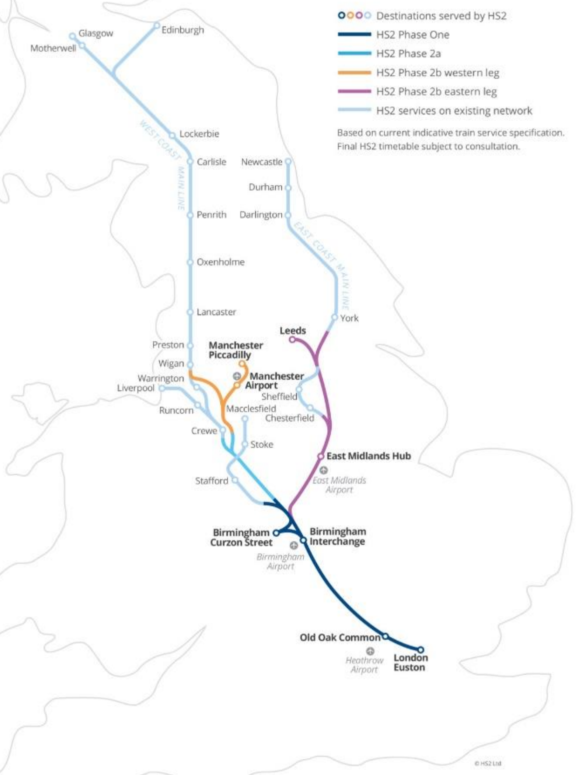
Boothindustries

- ✓ Banking facilities re-established and stable
- ✓ Restructuring exercise completed
  - ✓ New site extension underway
- ✓ Working capital funded – now stable
- ✓ Strategic plan developed
- ✓ Strong order book and prospect pipeline
  - ✓ Key contracts novated / secured
- ✓ Aftermarket opportunity under development
- ✓ Supply chain strengthened and stabilised
  - ✓ Key supplier acquired for a modest sum
- ✓ Achieved a profit in its first year, net of costs

Booth produces doors and walls that are:
- Blast/explosion proof
- Fireproof
- Acoustically shielded
- High security/safety
- Or combinations of the above

Booth wins £36m HS2 safety doors contract

- ✓ The £36m contract will see more than 300 units manufactured
- ✓ High-pressure safety doors linking HS2’s tunnel passages.
- ✓ Safety doors will play a crucial role in the operation of the railway, with trains running at up to 360km/h.
- ✓ The doors must withstand pressure waves caused by trains passing through the tunnel.
- ✓ The contract will create up to 50 new jobs at Booth over the next decade
- ✓ The initial focus will be on developing and testing door and frame designs.
- ✓ The first frames are expected to be delivered before the end of 2021
- ✓ Door installations are expected to commence around 2025.
- ✓ Booth has now reached its highest ever order book value



Divisional priorities - EPM

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Concentrated Solar Power plant

Hayward Tyler and Energy Steel

- **Markets**
  - Nuclear – on-going life extension focus
    - Contract wins in USA and South Korea ($5m + $3m)
    - Next Generation nuclear and renewables
      - ITER and solar power contract wins
  - Hydrocarbons – progress hampered by CV-19
    - OE products now well established in China
    - Focus on aftermarket, with 3rd 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
  - Planning Permission granted for 1000 dwellings at Luton site. New site planning underway
- **Products** – building out product portfolio, including with 3rd parties – eg Shinhoo

Divisional priorities - PSRE

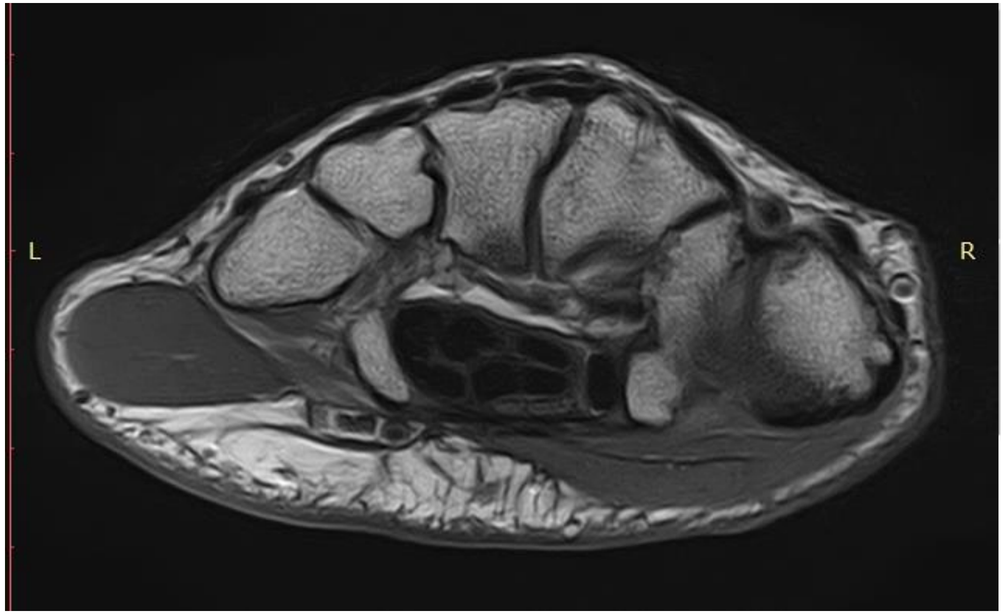
Crossrail doors installation

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

- **Markets**
    - Nuclear decommissioning (Metalcraft, Fluid Handling)
        - Sellafield - 3M3 box production now stable
        - £2.5m Fluid Handling contract win for remote valves
    - Hydrocarbons (PB) – floating platform turbines completed. Focus on aftermarket
    - Defence (PB, Booth) – UK Government contracts won – PB (£2m) and Booth (£7m + £2m)
    - HVAC[1] (Ormandy) – transformation path disrupted by CV-19. Orders now recovering
    - Infrastructure (Booth) – focus on rail and critical national infrastructure – record order book
    - Transport (Crown) – CV-19 impact resulted in Bristol site closure
- **Facilities** – site extension at Booth delayed by CV19; Ormandy site improvements completed
- **Products** – product rationalisation continues – eg at Ormandy, Metalcraft and Booth

1 – HVAC = Heating, Ventilation and Air Conditioning

Divisional priorities - MII



MRI axial wrist scan

Sci Mag, Tecmag,

Metalcraft Medical, Composite Products

- **Markets**
  - MRI – new products under development
    - Notably for the veterinary market
    - Board approved revised strategic plan, to target relevant niches, over next 18-24 months
  - NMR – service business building steadily
  - Imaging – steady progress with Rapiscan
    - For baggage and package scanning
  - Science – developing niche magnet & cryogenic products into selected targets
- **Facilities** – plans to share MRI development between Sci Mag, Tecmag and external partners
- **Products** – new MRI products are now the main target for development efforts

Financial Highlights

Divisional results – continuing operations

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	Energy: EPM £'M	Energy: PRSE £'M	Medical £'M	Central £'M	FY20 £'M	Energy: EPM £'M	Energy: PRSE £'M	Medical £'M	Central £'M	FY19 £'M
Revenue:										
OE	12.8	38.3	11.9	-	63.0	13.9	30.0	12.0	-	55.9
AM	36.5	14.4	-	-	50.9	35.1	12.9	0.1	-	48.1
Total Revenue	**49.3**	**52.7**	**11.9**	**-**	**113.9**	**49.0**	**42.9**	**12.1**	**-**	**104.0**
Operating Profit/(loss)	**1.3**	**3.9**	**(0.3)**	**(0.7)**	**4.1**	**2.9**	**1.9**	**(0.2)**	**(1.0)**	**3.6**
Adjustments:										
Acquisition costs/SBP/Other	0.2	0.2	0.0	0.1	0.5	-	-	0.1	0.1	0.2
Restructuring costs	0.1	0.2	0.0	-	0.2	-	0.4	-	-	0.4
Amortisation of acquired intangibles	2.0	0.2	-	-	2.2	1.0	0.6	-	-	1.6
Adjusted EBIT	**3.5**	**4.5**	**(0.3)**	**(0.6)**	**7.1**	**3.9**	**2.9**	**(0.1)**	**(0.9)**	**5.8**
Depreciation and amortisation	2.4	1.6	0.7	-	4.7	2.1	0.9	0.6	-	3.6
Adjusted EBITDA	**5.9**	**6.1**	**0.4**	**(0.6)**	**11.8**	**6.1**	**3.8**	**0.5**	**(0.9)**	**9.4**
Eliminate IFRS 16 impact	(0.4)	(0.8)	(0.2)	-	(1.5)	-	-	-	-	-
Adjusted EBITDA*	**5.5**	**5.3**	**0.2**	**(0.6)**	**10.3**	**6.1**	**3.8**	**0.5**	**(0.9)**	**9.4**
Adjusted EBITDA %*	*11.1%*	*10.0%*	*1.7%*		*9.0%*	*12.3%*	*8.8%*	*4.2%*		*9.0%*

Adjusted EBITDA* - After removal of the impact of new accounting standards implemented in the year

Income Statement – continuing operations

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	FY20					FY19
	As reported	Energy Steel	Booth	IFRS 16 impact	Group LFL	As reported
	£'m	£'m	£'m	£'m	£'m	£'m
Revenue	**113.9**	**7.9**	**9.6**	**-**	**96.4**	**104.0**
Gross Profit	**31.6**	**2.1**	**3.5**	**-**	**26.1**	**27.7**
Gross Profit %	27.8%	25.9%	36.2%	-	27.1%	26.6%
Adjusted EBITDA	**11.8**	**0.2**	**0.1**	**1.5**	**10.0**	**9.4**
Adjusted EBITDA %	10.3%	2.4%	1.4%	-	10.3%	9.0%
Adjusted Profit before tax	**6.0**	**0.1**	**0.1**	**(0.2)**	**6.0**	**5.3**
Adjusted Profit after tax	5.4	0.1	0.1	(0.2)	5.5	4.7
Adj. Diluted EPS (pence)	**16.9**	**0.2**	**0.2**	**(0.6)**	**17.0**	**14.6**

Balance Sheet

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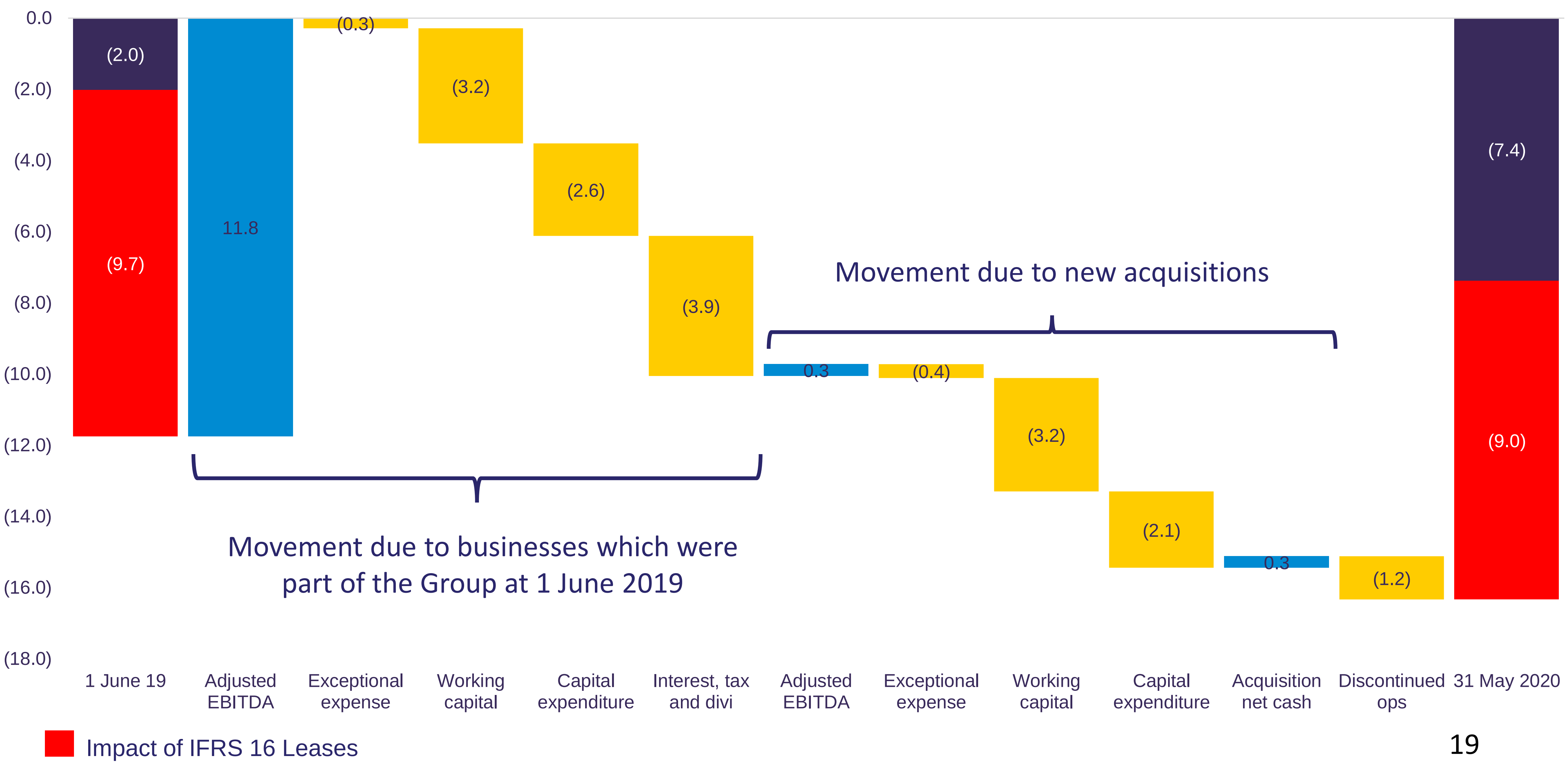
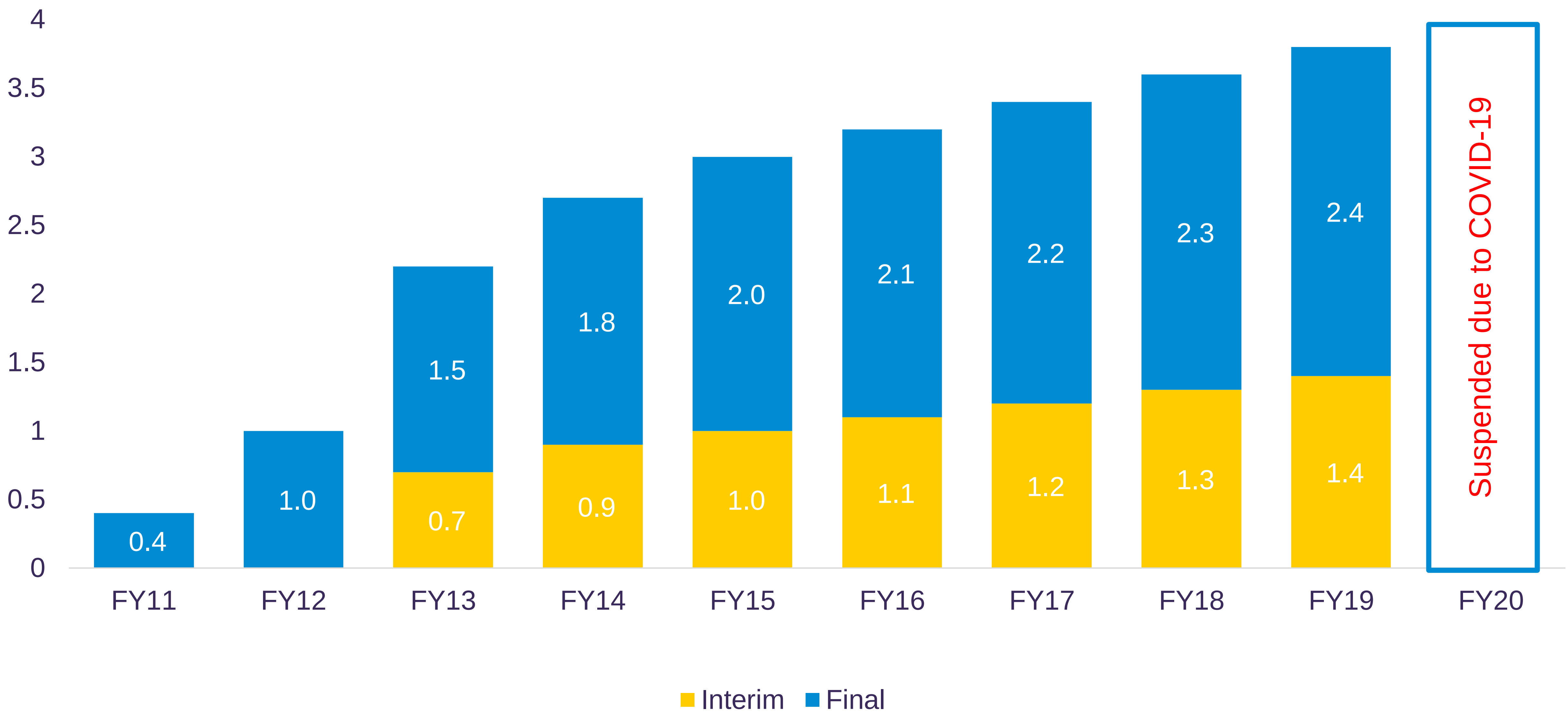
	FY20 £m	FY19 £m
Tangible fixed assets	34.4	26.6
Goodwill	23.5	23.4
Other intangible	13.8	14.5
Deferred Tax Asset/Pension Surplus	2.9	2.7
Working capital	20.0	14.5
Provisions	(5.5)	(5.3)
Tax	1.2	0.1
Net Debt	(16.3)	(2.0)
Creditors > 1 year	(1.5)	(3.1)
Deferred Tax Liability	(2.5)	(2.1)
Net Assets	**69.9**	**69.3**
Net Debt to Equity	*23.4%*	*2.9%*
Net Debt to Equity (excl. IFRS 16 impact)	*10.5%*	*2.9%*

Movement in Net Debt (£m)



Dividend growth



Tax highlights

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- Effective tax rate 20.9%
- Tax refund due in the US kept the charge lower than expected.
- Charge arising from the reversal in the recognised rate on UK deferred tax from 17 to 19% increased the effective tax rate by 2.2%.
- Tax losses of £32.6m available for future use with £6.5m of these recognised as a deferred tax asset – Future upside

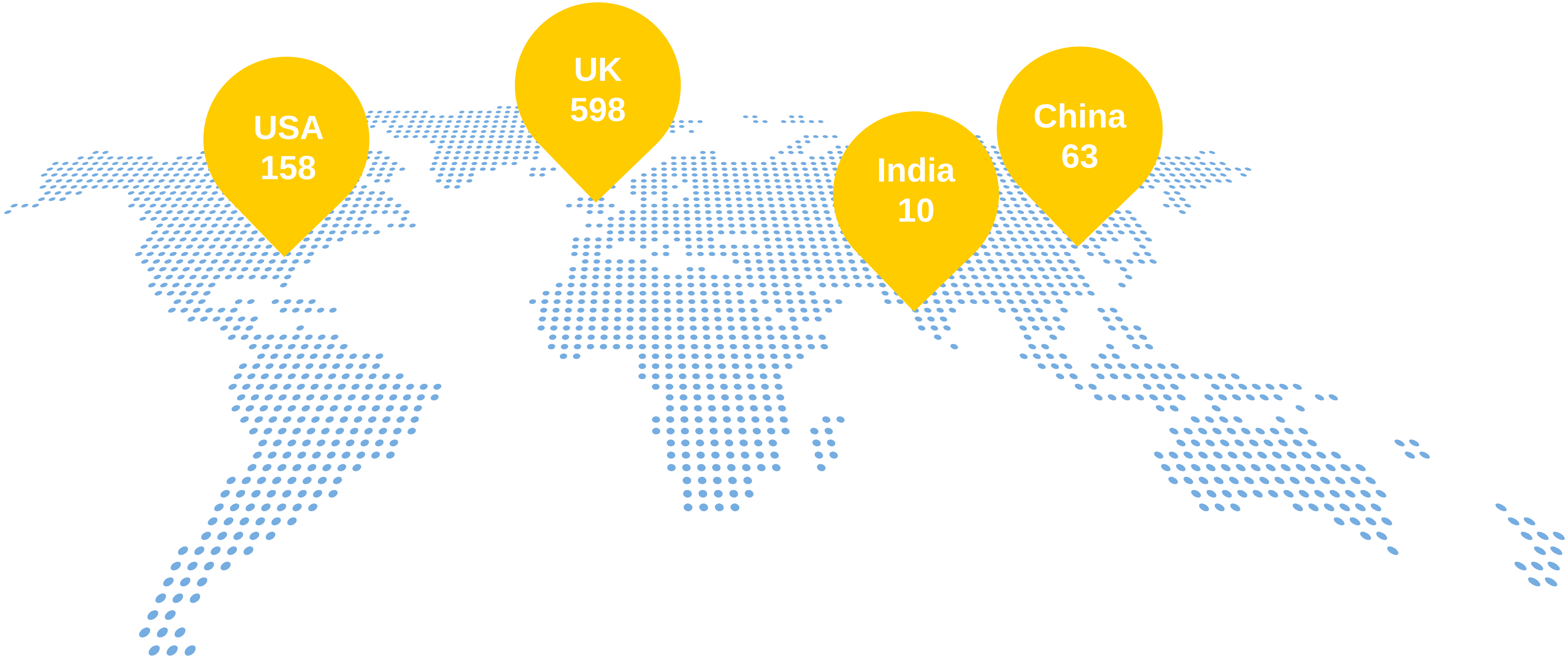
Summary

Summary

- ✓ **Record year for revenue and profits**
- ✓ **Revitalisation of Hayward Tyler businesses remains on plan**
- ✓ **Order book: some delays and disruption due to Covid-19, but still robust**
  - ✓ Significant Nuclear sector contract wins in the UK, USA, and South Korea
  - ✓ Sellafield 3M3 box project output now steady, although next tender is delayed
  - ✓ Good potential for Medical in MRI, NMR and industrial applications
- ✓ **Strong balance sheet – net debt of £7.4m at period end – on target**
- ✓ **PIE strategy (Pinpoint-Invest-Exit) for organic growth and added value through M&A**
  - ✓ Booth and Energy Steel **Pinpointed** and integrated as planned. **Investment** is underway
  - ✓ Now planning **Exit** of HT Luton site, following award of outline planning permission
- ✓ **Dividend suspended due to CV19. Intend to reinstate in current year (FY21)**
- ✓ **Outlook: confident about PIE strategy and prospects. Guidance reinstated.**

Appendix

Our locations and employees (at 31 Aug 2020)



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Our values

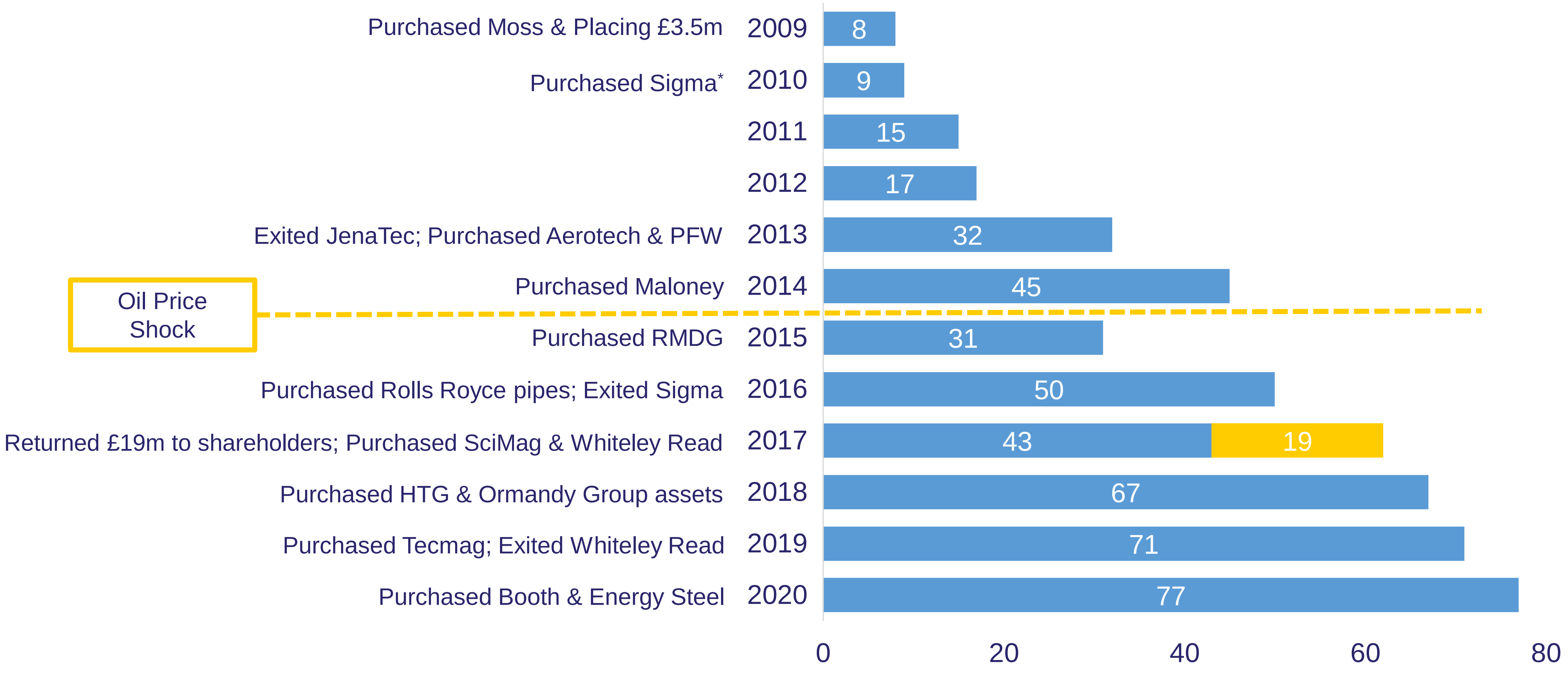
A High Performance Business

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

Blue chip partnerships

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Sellafield Ltd
VATTENFALL
SIEMENS
EDF ENERGY
Keppel
EASTMAN
EUREKA
alltech Medical Systems
STP Nuclear Operating Company
Shinhoo PUMPS & MOTOR
ROLLS ROYCE
KOREA HYDRO & NUCLEAR POWER CO., LTD. KHNP 한국수력원자력(주)
LAING O'ROURKE
Dominion Energy
Q.One
Rapiscan systems An OSI Systems Company

M&A – successful exits

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Brand	Acquisitions	Bought for £m[1]	Sold for £m[1]
JENA TEC	JRT Ltd JenaTec Inc JGWT GMBH Boneham & Turner Moss Group	4.0 (FY02 - FY09)	14.5 (FY13)
Sigma ...a local source... ...to a global capability...	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)

[1] – *Enterprise Value*

Largest investors

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	Number of shares (000s)	% of total shares
Nigel Wray	3,273	10.3%
Funds managed by BlackRock	2,825	8.9%
Funds managed by RBC Trustees Limited	2,208	7.0%
Funds managed by Unicorn Asset Management Limited	1,946	6.1%
Harwood Capital	1,759	5.5%
R S McDowell’s Pension Fund	1,406	4.4%
P McDowell’s Pension Fund	1,213	3.8%
Funds managed by Threadneedle Investments	1,054	3.3%
Funds managed by LGT Bank	973	3.1%

Figures presented show the position at 31 May 2020

IFRS 16 Leases

- FY21 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	10.3	1.5	11.8
Adjusted EBIT	7.1	0.2	7.3
Adjusted PBT	4.6	(0.2)	4.4

Net debt (£'m)	**31 May 2020**	**1 June 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)