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Volution Group plc

Pre-close trading update for year end 31st July 2020

GROUP WELL POSITIONED FOR SUSTAINABLE LONG TERM GROWTH AS INTERNATIONAL FOOTPRINT AND RESILIENT BUSINESS MODEL MITIGATES IMPACT OF PANDEMIC

Volution Group plc ("Volution" or "the Group" or "the Company", LSE: FAN), a leading international designer and manufacturer of energy efficient indoor air quality solutions, is pleased to provide the following update.

Our number one priority remains the safety and well-being of our employees, suppliers and customers whilst maintaining the supply of our essential products and solutions, which we have continued to do on an uninterrupted basis throughout the pandemic.

Highlights

- Resilient performance underpinned by geographic diversity
- Continued strong cash generation
- Streamlining of the U.K. business
- Positive outlook for growth supported by increasingly beneficial regulatory backdrop

Trading update

Group revenues for the full year are expected to be circa £217 million, a decline of approximately 7% on a constant currency (cc) basis compared to the prior year, with organic revenue down 11% cc compared to the prior year. Group revenues in the second half will be in the region of £98 million, an organic decline of 19% cc versus the second half 2019. Activity has steadily recovered in each month since the impact of COVID-19 was first seen in our results in April and we currently expect the month of July to finish around 9% below July 2019, with some sectors of the Group returning to organic revenue growth.

Our revenue streams in Continental Europe and Australasia have held up strongly throughout the COVID-19 crisis and have underpinned the Group's resilient performance in the second half of the year. Continental Europe revenue declined by 4% cc in the second half. Our Australasia business is expected to deliver organic revenue growth of circa 1% cc over the same period, supported by the recently implemented healthy homes regulations in New Zealand and the introduction of new products which helped us to gain market share in Australia. Our Australasian activities are performing very well and delivered organic growth in the fourth quarter of 2020 of approximately 16% cc compared to the fourth quarter of 2019.

Our U.K. revenue, which suffered a substantially more pronounced impact than elsewhere in the Group, continues to recover. Activity levels, which in April were 70% behind the prior year, have improved substantially and exit the year at approximately 19% behind the prior year. Revenues in the RMI category have recovered particularly well with activity in July approximately 9% down on the prior year.

U.K. business streamlining

Prior to COVID-19 we had commenced work on a number of streamlining reorganisations across the U.K. business, which are all now underway. Our new flagship injection moulding, ducting extrusion and fan assembly facility in Reading has continued to make strong progress over the last year with efficiencies, output levels and installed capacity. As a result of our ongoing focus on operational excellence, the streamlining measures across the U.K. business and an aligning to the current and anticipated levels of demand, there has been a regrettable reduction in the U.K. workforce from 1,070 full time employees in April to an expected circa 950 employees in the first quarter of FY21.

It has been a challenging but considered consultation with employees, where we are attempting to mitigate the hardship of this redundancy programme by being supportive of individual circumstances rather than purely a last in, first out basis. We are confident that no further reorganisation will be necessary in the foreseeable future as we anticipate a steady recovery of activity. The cost of the restructuring in FY20 is expected to be approximately £1.5 million.

Government support including CJRS

We have been utilising the U.K. Government's Coronavirus Job Retention Scheme (CJRS) for the period from April to July 2020, though at a reduced level each month as activity and employees have returned. Whilst we do still envisage activity to be below normal for the first half of our financial year ending July 2021, and as such will continue to have some employees on furlough from August through to October 2020, we will no longer be making any CJRS claims for these employees in our new financial year, nor will we be claiming under the January 2021 Job Retention Bonus Scheme.

Robust financial position

Our flexible, asset-light assembly and low fixed cost model, supported by strong cost and working capital disciplines across the Group, has ensured that we have continued to generate very strong operating cashflow throughout the second half of the year. Our net debt, which reduced by £14 million in the first half, has continued to reduce during the second half and we anticipate year end leverage to be lower than FY19.

The interim dividend for FY20, which we announced on 24th March had been suspended, will now be cancelled and the Group does not intend to pay a final dividend for the financial year 2020. We do however anticipate a return to a dividend pay-out in the new financial year.

Outlook for growth strategy remains positive

Improving indoor air quality, increasing air infiltration rates and removing moist, stale and potentially virus laden air from inside buildings has been an integral part of governments' and businesses' strategies for safe re-opening and operation across a range of sectors. Our products and solutions improve air quality inside buildings. We believe that regulations regarding energy efficiency, reduction in carbon emissions and improving air quality will continue to provide a supportive underpinning for the Group's future growth.

Whilst the reduced activity level has impacted our margins in the second half, we have continued to make good progress with the initiatives that will deliver medium term margin expansion, including plastics and electronics procurement, value engineering to reduce product costs and factory efficiencies in Reading and Swindon. We will provide more details over the coming months of plans to make use of greater quantities of recycled plastics and substantially reduce the packaging our products are supplied in. By driving these important projects we not only lessen our impact on the environment but also reduce costs as we eliminate waste. With the additional impacts of our streamlining work in the U.K. and supported by continued activity pick up we anticipate delivering good margin recovery in our new financial year.

Our cash generation has remained very strong throughout the period, and we go into FY21 well positioned to invest both in R&D projects which will deliver exciting and innovative new product ranges, and in good quality M&A to further leverage the growth opportunities in our markets.

The Board continues to refrain from giving forward guidance, but believes that Volution's focus on providing air quality solutions positions the business well for sustainable long term growth.

Ronnie George, Chief Executive of Volution Group, commented:

"I continue to be impressed with how we have responded to the COVID-19 crisis. From the outset, we have created a safe environment for our employees, maintained supply of our essential products and services and been decisive in tightly managing our cash and expenses whilst continuing to invest in forward looking new product development.

As we come to the end of our financial year 2020 there is no doubt it has been our most challenging since listing the company in 2014. We have however benefitted from the substantial international diversity and breadth of our revenue streams, with many of our markets outside of the UK now finishing the year with trading at or close to normal levels. With an ever increasing awareness of air quality issues and the critical role ventilation solutions play, coupled with our considerable self-help operational excellence initiatives in focus, we are confident of making good progress with the strategy as we go in to 2021."

-Ends-

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Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

Note to Editors:

Volution Group plc (LSE: FAN) is a leading international designer and manufacturer of energy efficient indoor air quality solutions.

Volution Group comprises 16 key brands across the three regions:

UK: Vent-Axia, Manrose, Diffusion, National Ventilation, Airtech, Breathing Buildings, Torin-Sifan.
Continental Europe: Fresh, PAX, VoltAir, Kair, Air Connection, inVENTer, Ventilair.
Australasia: Simx, Ventair.

For more information, please go to: www.volutiongroupplc.com