



AVON RUBBER PLC PRELIMINARY RESULTS 2015

AVON
Avon Rubber p.l.c.



DAVID EVANS
Chairman



ANDREW LEWIS
Interim Group Chief Executive



SARAH MATTHEWS-DEMERS
Associate Group Finance Director

Our strategy continues to deliver strong organic growth as the long term investments we have made start to deliver. The outlook for the future remains positive



Two acquisitions completed in 2015 (InterPuls and Hudstar) and one completed since year end (Argus)

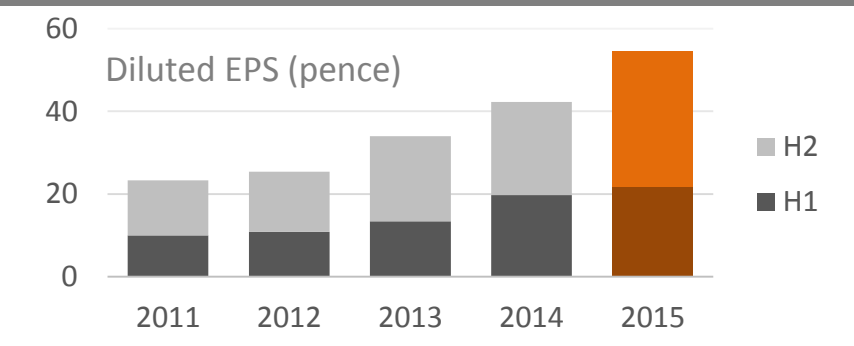
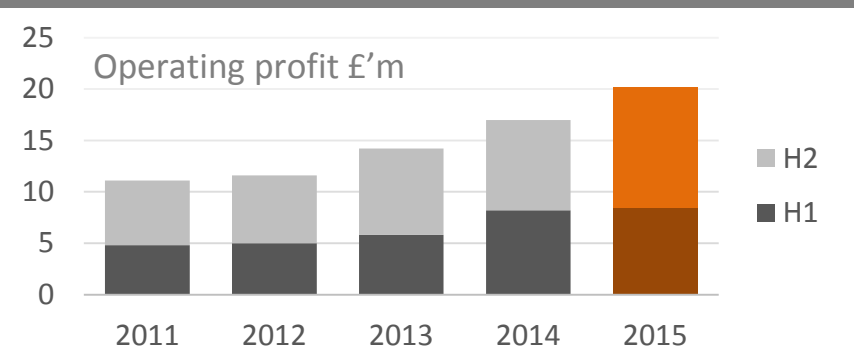
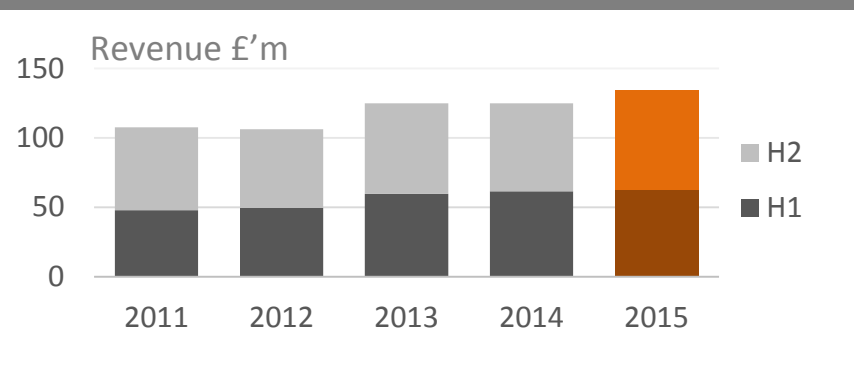


The technology we have already developed together with the acquired capability in electronics and control systems will provide opportunities in high margin niche markets



The people in our organisation have the capability, new skills and confidence to deliver further growth





FINANCIAL HIGHLIGHTS

- Operating profit growth of 19%
- Diluted earnings per share increased 29%
- Revenue up 8%
- Return on sales (EBITDA divided by revenue) improved 1.9% from 18.4% to 20.3%
- 119% conversion of operating profit to operating cash
- Dividend of 7.29p per share up 30%

OPERATIONAL HIGHLIGHTS

- Acquisition of InterPuls and Hudstar
- Strong DOD sales, excellent year at AEF and continued commercial progress
- Market share growth of Impulse Air to 25% in the US and 3.5% in Europe
- Cluster Exchange servicing 430,000 cows on 1,262 farms across US and Europe
- Investment of £7.1m in new products and new markets, 5% of revenue

SARAH MATTHEWS-DEMERS
Associate Group Finance Director

GROUP INCOME STATEMENT

		2015 £'m	2014 £'m
Revenue	↑ 8%	134.3	124.8
EBITDA	↑ 19%	27.3	22.9
Depreciation and amortisation		(7.1)	(5.9)
Operating profit before amortisation of acquired intangibles, exceptional items and defined benefit pension costs	↑ 19%	20.2	17.0
Amortisation of acquired intangibles, exceptional items and defined benefit pension costs		(1.3)	(2.7)
Operating profit		18.9	14.3
Interest expense		(0.2)	(0.3)
Other finance expense		(0.9)	(0.2)
Profit before taxation		17.8	13.8
Taxation		(2.7)	(3.0)
Profit for the year from continuing operations		15.1	10.8
Discontinued operations		(1.5)	-
Profit for the year		13.6	10.8
Adjusted diluted earnings per share	↑ 29%	54.6p	42.3p

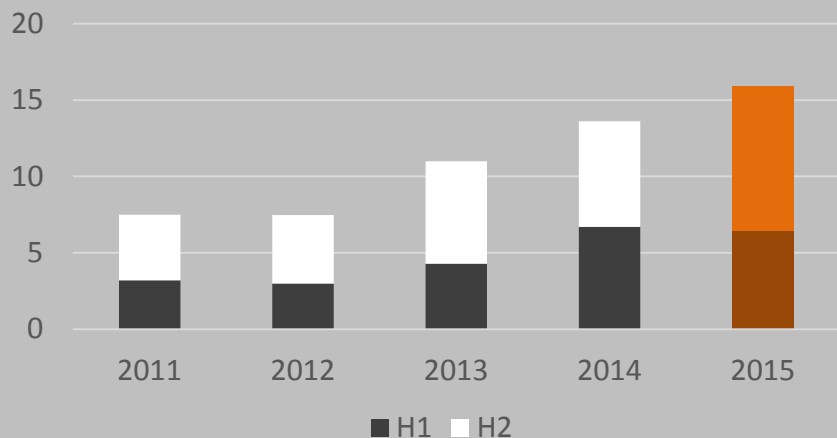
FINANCIALS

		2015 £'m	2014 £'m
Revenue	↑ 7%	98.8	92.8
Adjusted EBITDA	↑ 17%	21.6	18.5
Adjusted operating profit	↑ 17%	15.9	13.6

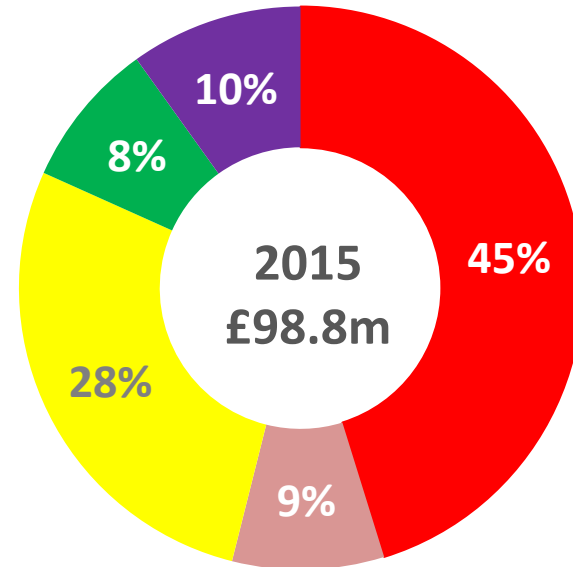
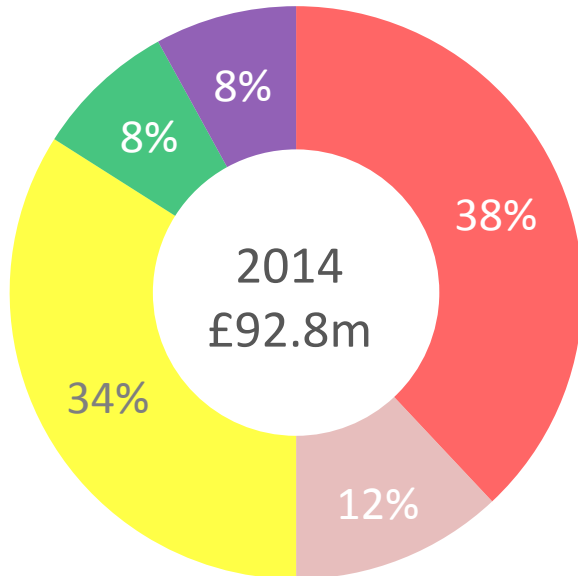
PERFORMANCE DRIVERS

- Growth in DOD sales as bias moved from non-DOD to DOD, in contrast to the prior year
- Good performance at AEF and in the Fire and Industrial markets
- Good performance from the underlying portfolio of law enforcement and non-US military
- Return on sales improved 1.8% from 20.0% to 21.8%

ADJUSTED OPERATING PROFIT £'m

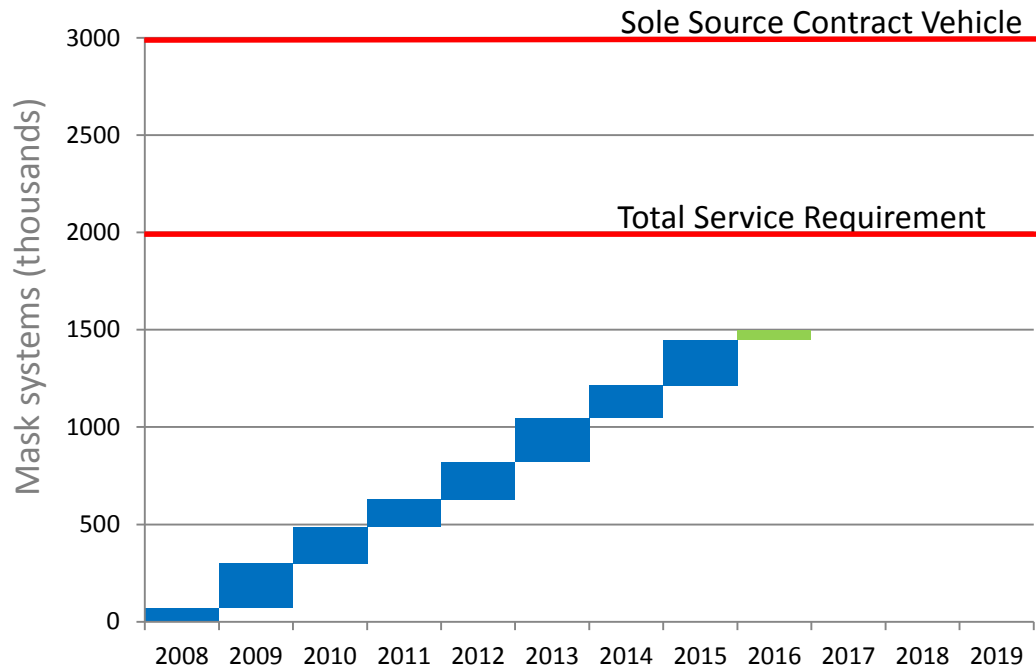


■ DOD masks / filters
 ■ DOD spares
 ■ EMEA / NA LE
 ■ Fire
 ■ AEF



- Mix DOD biased as a result of flexibility in production scheduling
- Good performance from underlying portfolio of law enforcement and non-US military in the absence of 2014's two large deliveries to the Middle East
- Positive market reaction to new fire product, Deltair
- Another positive performance from AEF

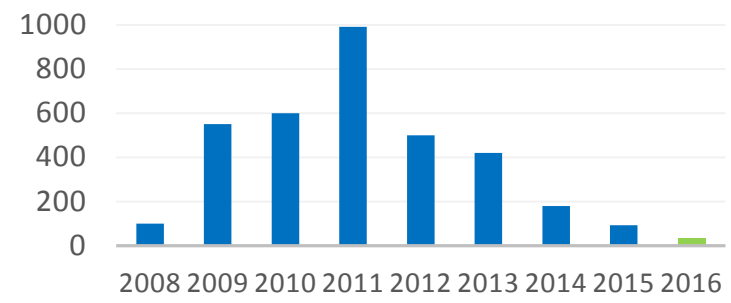
MASK SYSTEMS



Delivered █
Orders █



Filter pairs (thousands)



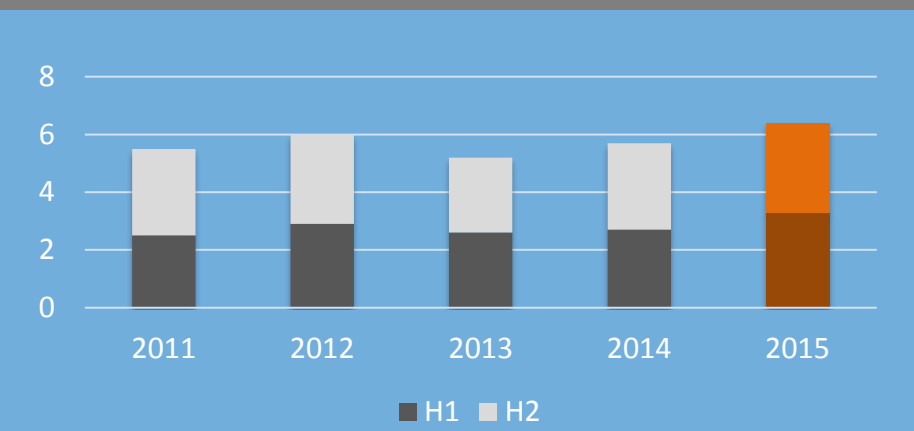
FINANCIALS

		2015 £'m	2014 £'m
Revenue	↑ 11%	35.5	32.0
Adjusted EBITDA	↑ 17%	7.7	6.6
Adjusted operating profit	↑ 12%	6.4	5.7

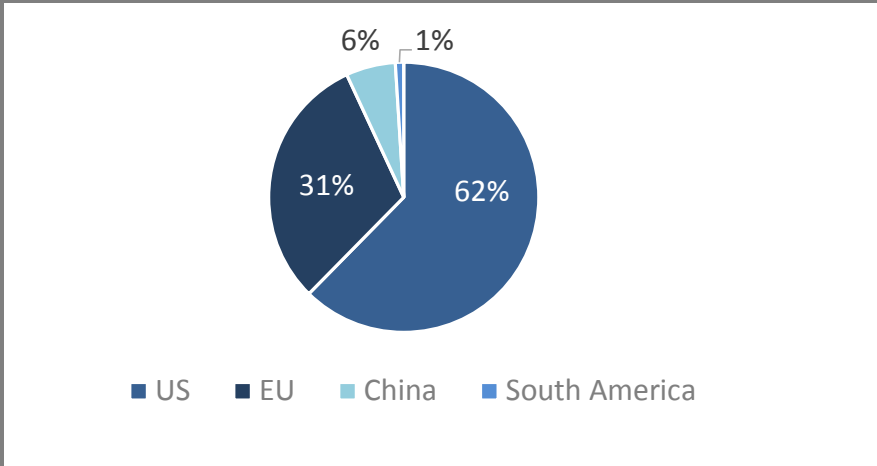
PERFORMANCE DRIVERS

- Excellent organic growth in all markets
- Impulse Air liner reached 25% market share in US and 3.5% in Europe
- Cluster Exchange programme grew strongly in Europe and the US with 1,262 farms now signed up representing 430,000 cows
- Revenue growth in China and sales and distribution centre opened in Brazil
- Return on sales improved 1.1% from 20.6% to 21.7%

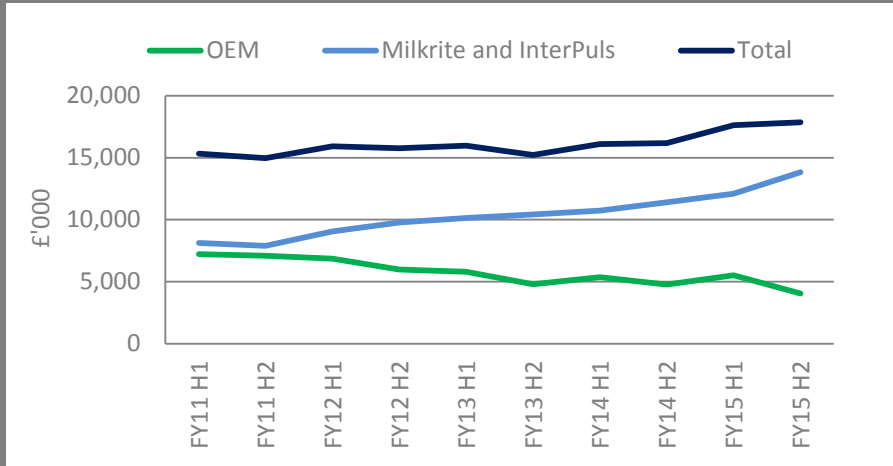
ADJUSTED OPERATING PROFIT £'M



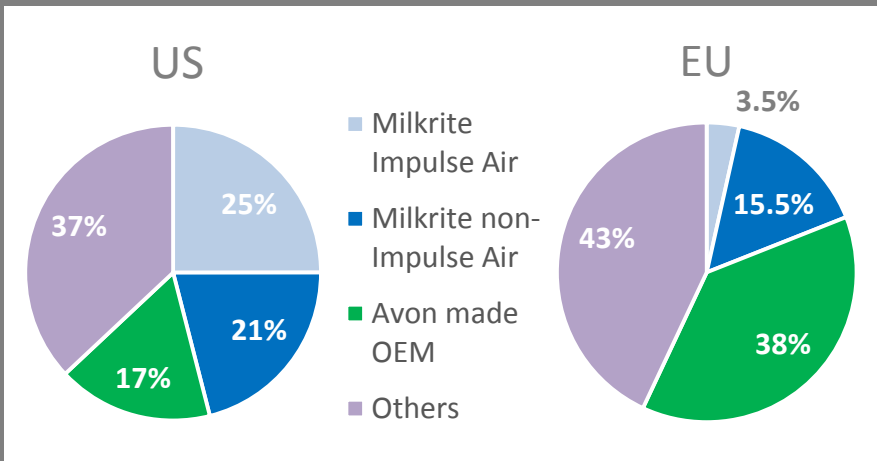
OUR REVENUE SPLIT - GEOGRAPHY



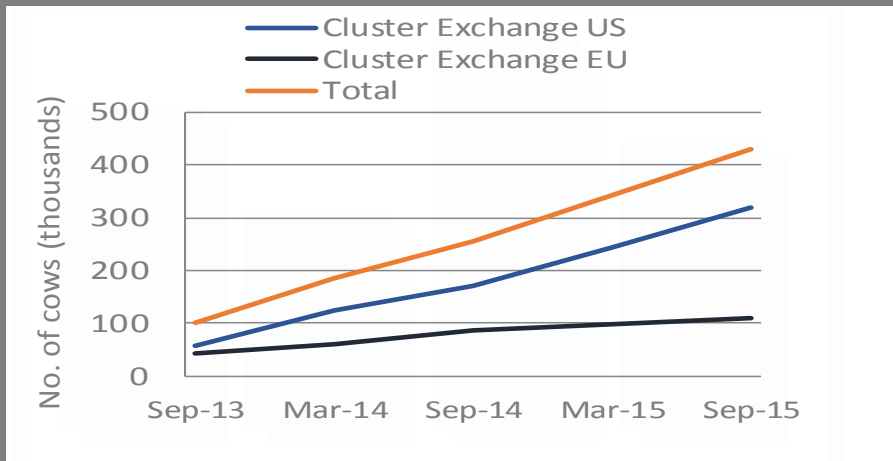
OUR REVENUE SPLIT - BRAND




LINER MARKET SHARE



CLUSTER EXCHANGE GROWTH



GROUP

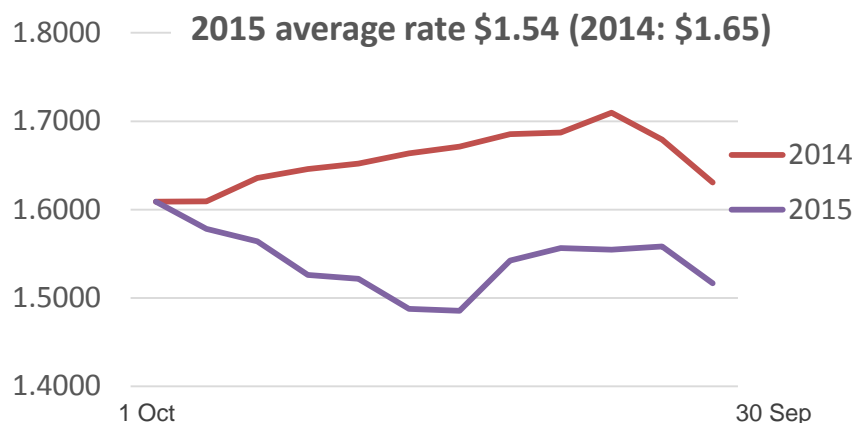


	Constant currency growth	2015 £'m	2014 restated at 2015 rates £'m	2014 £'m
Revenue	↑ 2%	134.3	132.0	124.8
Adjusted EBITDA	↑ 12%	27.3	24.3	22.9
Adjusted operating profit	↑ 12%	20.2	18.1	17.0

PROTECTION & DEFENCE

	Constant currency growth	2015 £'m	2014 restated at 2015 rates £'m	2014 £'m
Revenue	↑ 0.3%	98.8	98.5	92.8
Adjusted EBITDA	↑ 10%	21.6	19.6	18.5
Adjusted operating profit	↑ 11%	15.9	14.3	13.6

US DOLLAR RATE



DAIRY

	Constant currency growth	2015 £'m	2014 restated at 2015 rates £'m	2014 £'m
Revenue	↑ 6%	35.5	33.5	32.0
Adjusted EBITDA	↑ 10%	7.7	7.0	6.6
Adjusted operating profit	↑ 5%	6.4	6.1	5.7

	2015 £'m	2014 £'m
Cash generated from continuing operations before effect of exceptional items	24.1	26.5
Cash effect of exceptional items/discontinued operations	(2.8)	(1.0)
Cash generated from operations	21.3	25.5
Tax	(3.3)	(2.9)
Interest	(0.1)	(0.3)
Payments to pension scheme	(0.8)	(0.5)
Capital expenditure	(6.2)	(6.8)
Acquisitions	(21.2)	(0.1)
Purchase of own shares	(1.2)	-
Dividends to shareholders	(1.9)	(1.4)
Exchange and other	(0.1)	0.3
Movement in net (debt)/cash	(13.5)	13.8
Opening net cash/(debt)	2.9	(10.9)
Acquired net debt	(2.6)	-
Closing net (debt)/cash	(13.2)	2.9



SUMMARY BALANCE SHEET

	2015 £'m	2014 £'m
Intangible assets	41.3	17.2
Property, plant and equipment	28.2	19.6
Current assets	34.1	32.1
Current liabilities	(24.8)	(26.5)
Non-current liabilities	(6.8)	(4.3)
	72.0	38.1
Net (debt)/cash	(13.2)	2.9
	58.8	41.0
Retirement benefit scheme	(16.6)	(16.0)
Net assets	42.2	25.0



ACTUARIAL
VALUATION

The triennial actuarial valuation at 31 March 2013 showed that the scheme was 98% funded. The next valuation is due at 31 March 2016

ACCOUNTING
VALUATION

Accounting deficit moved from £16.0m at 30 September 2014 to £16.6m at 30 September 2015 as the increase in liabilities resulting from the fall in AA corporate bond rates was mostly offset by strong asset performance from both our LDI and return-seeking assets

ANDREW LEWIS
Interim Group Chief Executive

INTEGRATING OUR PROTECTION & DEFENCE TECHNOLOGY

LAND



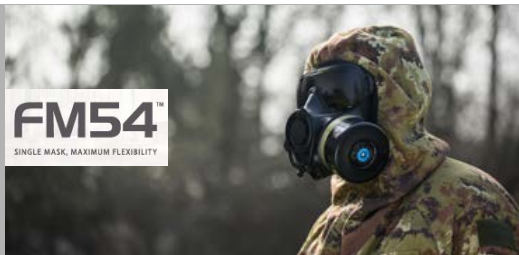
Land – military, law enforcement, fire, industrial

AIR & SEA



Air & Sea – military, commercial shipping

INTEGRATED TECHNOLOGY



Integrated technology – helmets, suits, hydration, communications, thermal imaging, HUDs

ATC



Training & Consultancy and through-life support – military, law enforcement, fire, corporate

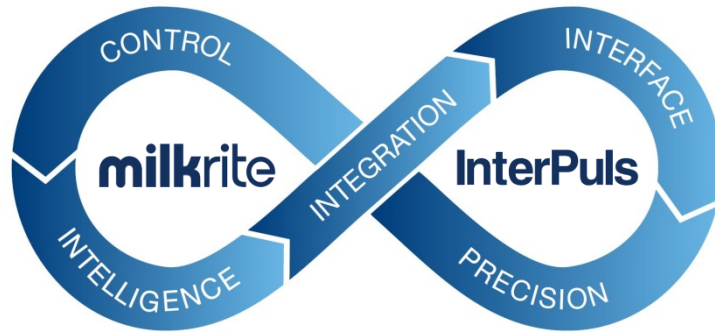


MARKET ENVIRONMENT

GROWTH DRIVERS

DOD	<ul style="list-style-type: none"> - Budgets stabilised 	<ul style="list-style-type: none"> - Funding line for JSGPM project secure - Air crew (JSAM) development programme progressing well
EMEA & NA LE	<ul style="list-style-type: none"> - Budget pressures - Increasing recognition of chemical weapons terrorism threat - Events such as G20, Olympics, World Cup etc. drive demand 	<ul style="list-style-type: none"> - NA market share gain from existing installed user base (>600k masks). Avon share circa 20% - Launch of Fusion product range broadens our product offering - Increase in ME threats leading to significant CBRN spend
FIRE & INDUSTRIAL	<ul style="list-style-type: none"> - Reduced US federal funding - Two main competitors still without an approved product 	<ul style="list-style-type: none"> - Market share growth with new Deltair product - Argus thermal imaging camera adds to our offering - Industrial opportunities in Oil & Gas and Mining for our escape products

Strategy



InterPuls acquisition rationale

- Complementary market leading technology
- Opportunity to sell Milkrite products through InterPuls distribution network
- Opportunity to sell InterPuls products through Milkrite distribution network
- Strong product development pipeline including herd management technology solutions

Strategy

- Complete milking point solution provider
- Market leading brand
- Enhancing technology in established markets
- Growth opportunities in emerging markets

InterPuls – Albinea, Italy



milkrite

InterPuls



Organic
Product
Development

Acquisition



MARKET ENVIRONMENT

GROWTH DRIVERS

US	<ul style="list-style-type: none"> - Farm profitability at acceptable levels - Farm consolidations (mega farms) 	<ul style="list-style-type: none"> - Cluster Exchange - Impulse Air - Full cluster offering - InterPuls product range
EUROPE	<ul style="list-style-type: none"> - Farm consolidations - Quota/subsidy reductions - Russian sanctions - Milk price falling in H2 2015 	<ul style="list-style-type: none"> - Milkrite market share - Impulse Air - Cluster Exchange - InterPuls product range - Improved distribution and more feet on the ground following the integration of the InterPuls sales team
EMERGING MARKETS	<ul style="list-style-type: none"> - Population growth - Increasing demand for dairy products - Government supported investment in infrastructure - Increased industrialisation of milking process 	<ul style="list-style-type: none"> - BRIC markets - In-country distribution - China well established - Brazil opened in H1 2015 - InterPuls distribution network will accelerate opportunities in these regions

OUTLOOK STATEMENT

Strategy

Our strategy of integrating new technologies from product development and acquisitions has provided strong results in 2015 and increased our future opportunities

Protection & Defence

In our global Protection & Defence business we have good visibility of DOD revenues for 2016 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 and supplemented by impact orders, although the timing of these remains difficult to predict

Dairy

While the year end softness in milk prices has continued, the acquisition of InterPuls provides the Dairy business with both new products and access to new markets through the integration of the sales and distribution channels of the two businesses

Looking forward

We remain confident in our strong and proven management team's ability to maintain the momentum of growth in our business

OUR 2016 FOCUS



- Growth of non DOD business in foreign military, homeland security and industrial markets
- Successful launch of our expanded product range – powered air/filters/combination systems
- Improve our fire market share in NA through success with Deltair
- Integration of Hudstar and Argus businesses



- Cluster Exchange growth in US & EU
- Develop sales synergies through the crossover of Milkrite and InterPuls dealer/distribution network
- Impulse Air growth in US & EU, Milkrite growth in EU
- Integration of InterPuls products into our portfolio

DAVID EVANS
Chairman



- Rob joins Avon from the global engineering company Invensys p.l.c.
- As President, Equipment Business, and member of the Global Executive Team, Rob was responsible for the company's Measurement & Instrumentation business
- Rob is experienced in dealing with the UK MOD, has worked with Governments in relation to nuclear industries, and has extensive understanding of highly regulated industries
- Rob has a strong commercial focus, drive and leadership qualities, and joins us with a solid record of results
- Rob's personal style will fit well with the current successful senior management team at Avon



AVON

Avon Rubber p.l.c.

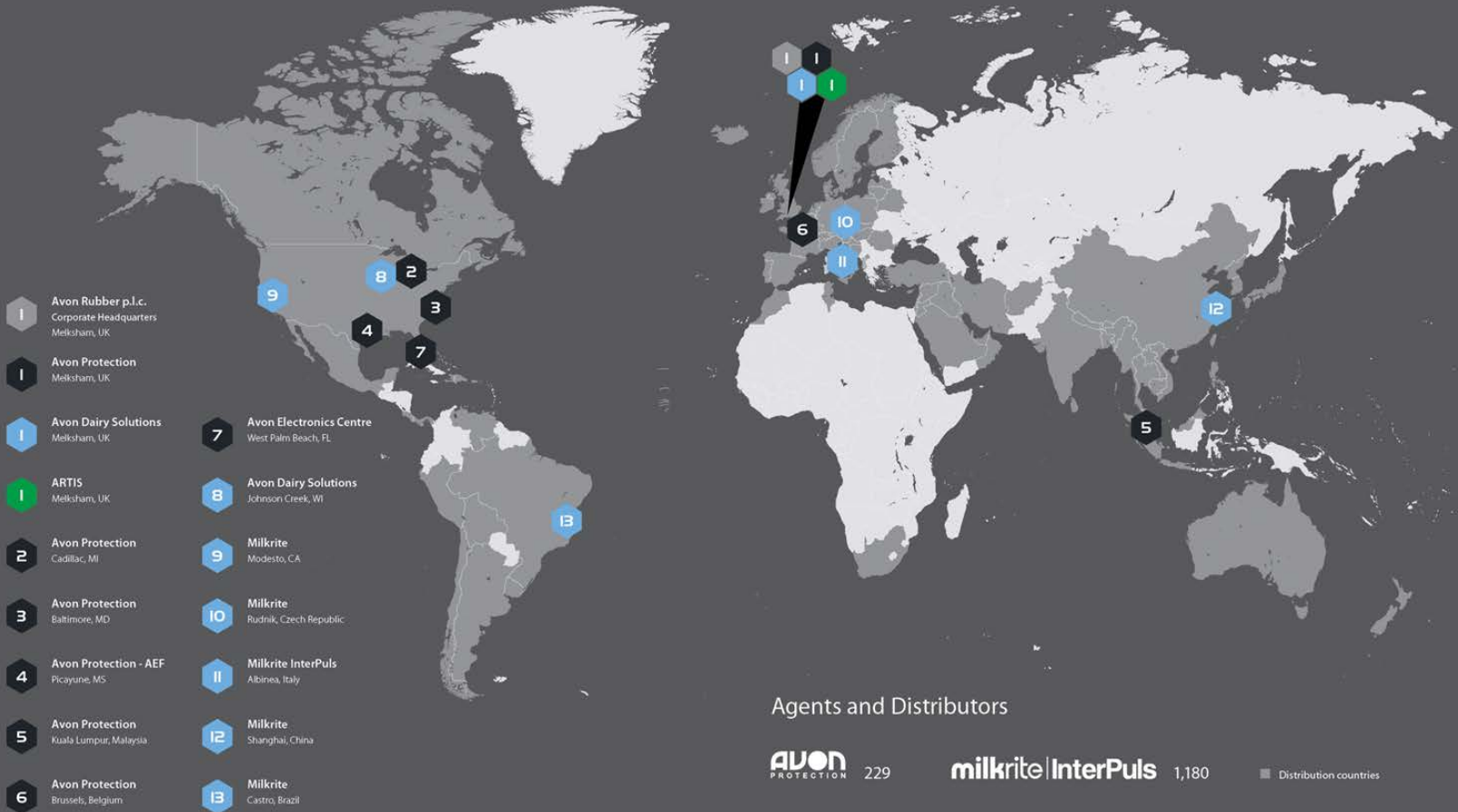


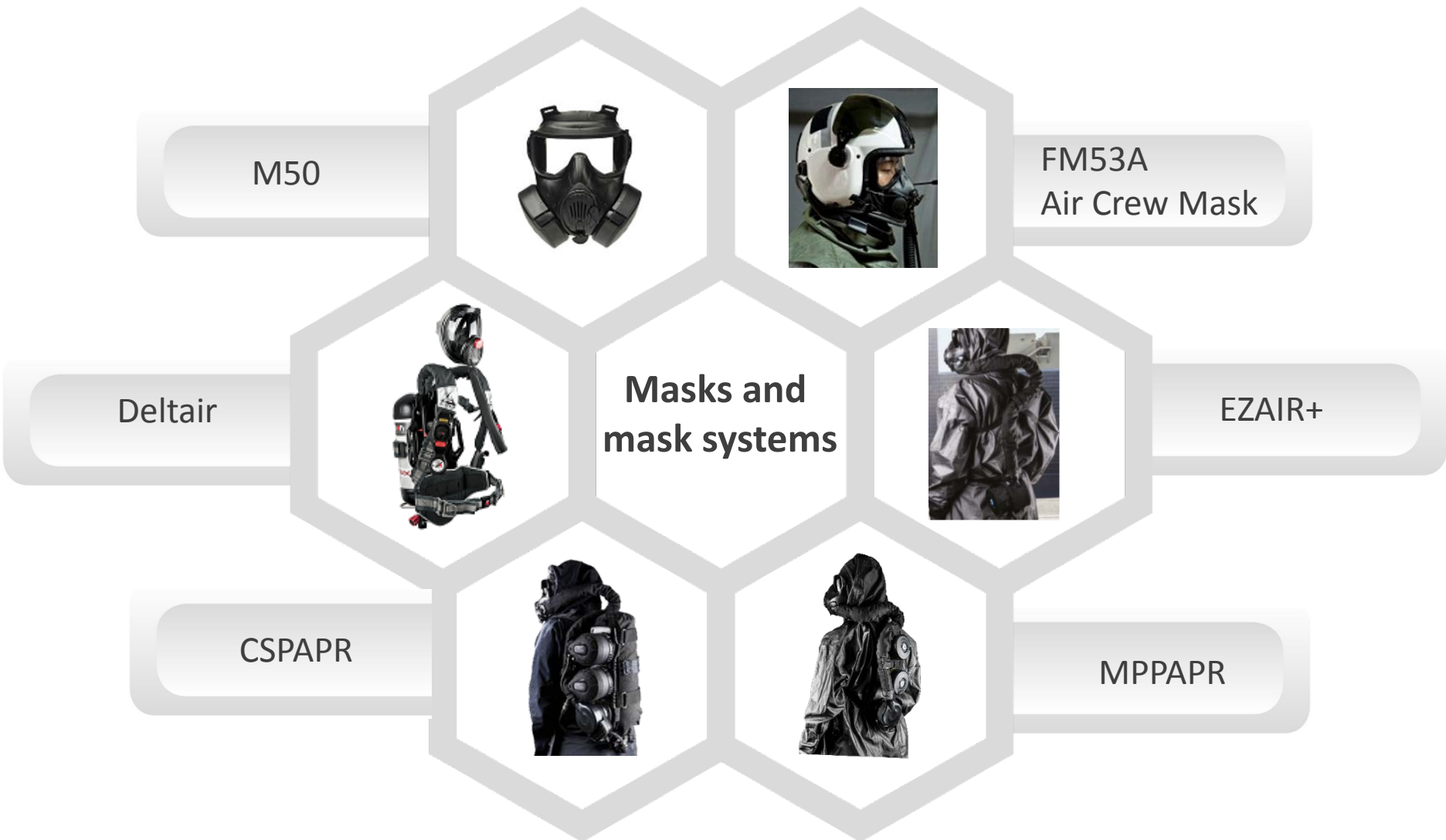


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APPENDICES

GROUP WORLDWIDE LOCATIONS



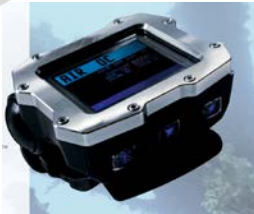


NH15 hood



AEF skirt

MDC150 dive computer



Other products



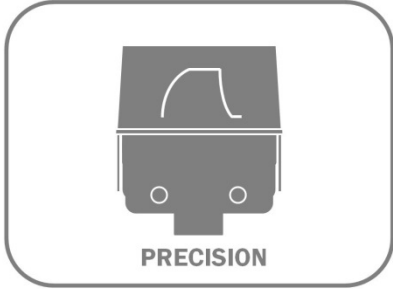
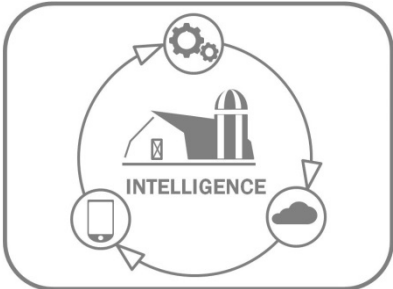
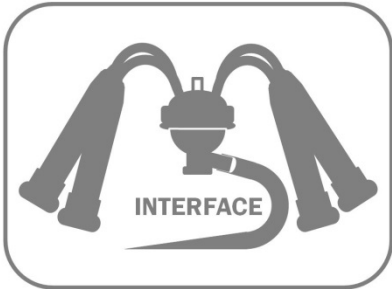
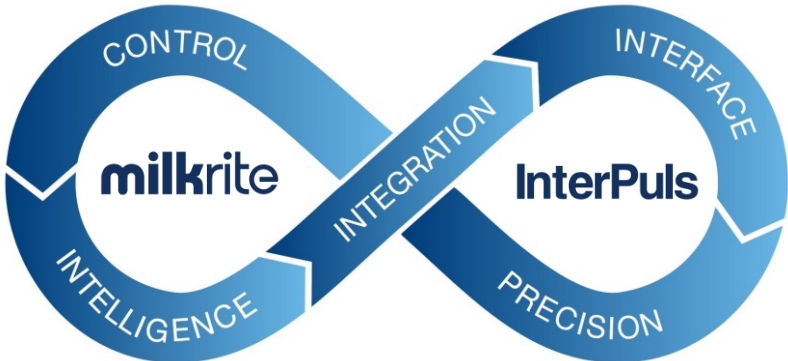
AEF tank

MCM100 rebreather



Thermal imaging camera







Pulsator



Milk meter



Vacuum stability



Precision & Control

Automatic cluster remover



Vacuum pump

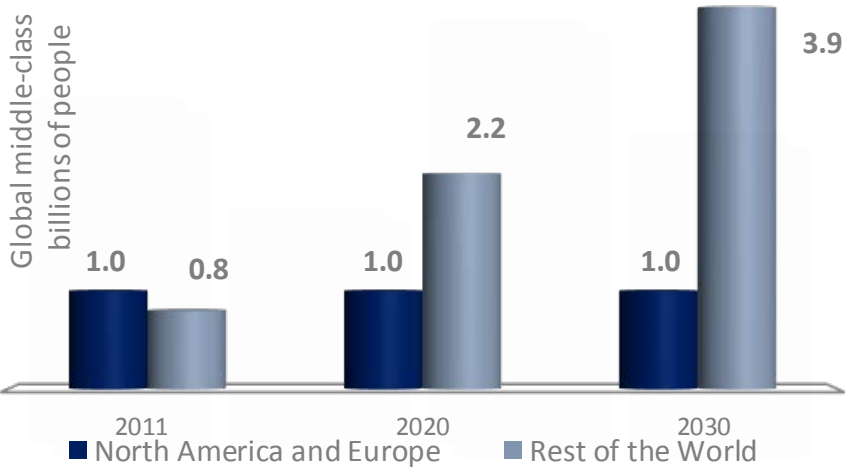


Wash controller



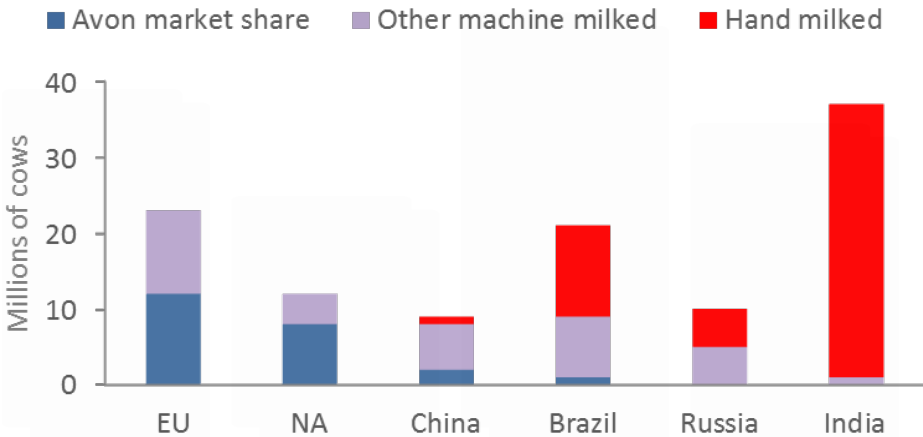


THE EMERGENCE OF 3 BILLION MIDDLE-CLASS CONSUMERS



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

MARKET OPPORTUNITIES



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