23 November 2023

Volex plc

Half year results for the 26 weeks ended 1 October 2023

Strong revenue growth and margin expansion underpins confidence in the full year and progress towards five-year plan

Volex plc ("Volex", the "Company", or the "Group"), the global supplier of integrated manufacturing services and power products, today announces its half year results for the 26 weeks ended 1 October 2023 ("H1 FY2024").

Financial Summary	26 weeks to 1 October 2023	26 weeks to 2 October 2022	% Change
Revenue	**\$397.5m**	**\$357.5m**	11.2%
Underlying[1] operating profit	**\$37.4m**	**\$32.1m**	16.5%
Statutory operating profit	**\$25.8m**	**\$24.5m**	5.3%
Underlying[1] profit before tax	**\$33.6m**	**\$29.1m**	15.5%
Statutory profit before tax	**\$22.0m**	**\$21.5m**	2.3%
Underlying[1] basic earnings per share	**14.9c**	**14.4c**	3.5%
Interim dividend per share	**1.4p**	**1.3p**	7.7%
Net debt (before operating lease liabilities)[2]	**\$140.6m**	**\$98.8m**	
Net debt	**\$173.7m**	**\$117.0m**	

[1] Before adjusting items (non-recurring items and amortisation of acquired intangibles) and share-based payment charge

[2] Represents cash and cash equivalents, less bank loans, debt issue costs and finance leases, but excluding operating lease liabilities (see definitions section for more details)

Financial and Operational Highlights

- Revenue growth of 11.2%, with constant currency organic growth of 4.2%
- Underlying operating profit increased by 16.5% to \$37.4 million
- Underlying operating margin strengthened to 9.4% due to careful cost control and an improving sales mix
- Significant improvement in underlying free cash flow, delivering \$11.9 million, with working capital improved compared to the previous period
- Increase in net debt to part fund acquisition of Murat Ticaret Kablo Sanayi A.S. ("Murat Ticaret"), for \$195 million, with period end covenant leverage of 1.3x, comfortably within the Group's target corridor of 1.0x to 2.0x
- Integration of Murat Ticaret is progressing well with positive customer engagement and cross-sales opportunities
- Continued progress towards the five-year plan supported by a targeted investment programme expanding capacity and capabilities
- Interim dividend increased by 7.7% to 1.4 pence per share

Market Highlights

- Electric Vehicles – strong comparative period benefitted from customer inventory build, whereas increased confidence in lead times resulted in some short-term customer destocking during the period
- Consumer Electricals – demand normalised across North American and Asian markets, as anticipated, with new customer projects commencing in the second half of the year
- Medical – strong demand continues with enhanced component availability enabling customers to address order book backlogs
- Complex Industrial Technology – substantial growth, including increased pace in the manufacturing of Data Centre products, with easing of supply chain issues leading to acceleration in customer deliveries
- Off-Highway – acquisition of Murat Ticaret provides significant enhanced scale in a fifth, attractive market, with further cross-selling opportunities

Outlook

- Volex's diverse market exposure ensures operational resilience and creates confidence in the achievement of strategic five-year goals
- The Group benefits from a robust pipeline of customer opportunities, with the strategic acquisition of Murat Ticaret providing access to new customers and markets
- The diversified end-market and customer exposure will continue to mitigate any adverse macro impact and help the Group to deliver sustainable, long-term growth
- Progress will be supported by investment in organic growth projects, with flexibility for future acquisitions given the strength of the balance sheet
- Board remains confident in the ability to achieve long-term objectives and meet full-year market expectations

Nat Rothschild, Volex's Executive Chairman said:

"Our business is in exceptional shape, demonstrating resilience and diversity in its operations. We employ a management model that is working effectively, and enables us to pursue sustainable growth whilst maintaining margins. In parallel, our commitment to supporting customers remains steadfast as we effectively manage supply chains, regardless of fluctuations in demand. I am delighted to confirm that we are well on track to achieve the objectives outlined in our ambitious five-year plan.

"We are three months into our integration programme for Murat Ticaret, having completed the acquisition at the end of August. These activities are already yielding positive results, with an overwhelmingly favourable response from our new colleagues and customers. We are identifying promising cross-selling prospects, securing incremental customer projects and optimising processes to enhance the operations.

"Our commitment to driving strong profitability remains unwavering, and the strategic acquisition of Murat Ticaret will further bolster our financial performance. Our global manufacturing footprint stands as a testament to our competitive advantage, empowering us to support our customers' reshoring aspirations.

"With excellent customer relationships, differentiated infrastructure and a dedicated workforce, complemented by our clear strategic vision, we have every reason to be confident in our ability to not only meet the market expectations for the current year but also to achieve the ambitious targets set out in our five-year plan. Volex is a transformed business and there are real grounds for optimism as we move towards the 2024 calendar year."

Analyst Presentation

A live presentation for analysts will be held via conference call and in person at Vintry & Mercer, 19-20 Garlick Hill, London EC4V 2AU, at 09.00 am GMT today, 23 November 2023. If you are an analyst and would like to join for this briefing, please send an email to Volex@powerscourt-group.com. Log in details for the meeting will be communicated to attendees.

Investor Presentation

A live presentation will be held online at 10.00 am GMT on 27 November 2023 on the Investor Meet Company ("IMC") platform. This online presentation is open to all existing and potential shareholders. Questions can be submitted during the live presentation.

Investors can sign up to IMC and add to meet Volex via:
https://www.investormeetcompany.com/volex-plc/register-investor

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About Volex plc

Volex plc (AIM:VLX) is a driving force in integrated manufacturing for mission-critical applications and a global leader in power and data connectivity solutions. Our diverse operations support international blue-chip customers in five key sectors: Electric Vehicles, Consumer Electricals, Medical, Complex Industrial Technology and Off-Highway. Headquartered in the UK, we orchestrate operations across 27 advanced manufacturing facilities, uniting over 12,000 dynamic individuals from 24 different nations. Our extraordinary products find their way to market through our localised sales teams and authorised distributor partners, supporting Original Equipment Manufacturers and Electronic Manufacturing Services companies across the globe. In a world that grows more digitally complex by the day, customers trust us to deliver power and connectivity that drives everything from household essentials to life-saving medical equipment. Learn more at www.volex.com.

Definitions

The Board of Volex considers that current consensus market expectation for revenue is $860.4 million (with a range of $850 million to $873 million) and for underlying operating profit of $84.1 million (with a range of $83.3 million to $84.5 million).

The Group presents some significant items separately to provide clarity on the underlying performance of the business. This includes significant one-off costs such as acquisition related costs, the non-cash amortisation of intangible assets acquired as part of business combinations, and share-based payments. Further detail on adjusting items is provided in note 3.

Underlying operating profit is operating profit before adjusting items and share-based payment expense.

Underlying free cash flow is net cash flow before financing activities excluding cash flows associated with the acquisitions of businesses and cash utilised in respect of adjusting items.

Net debt (before operating lease liabilities) represents cash and cash equivalents, less bank loans, debt issue costs and finance leases, but excluding operating lease liabilities (defined as lease liabilities excluding pre-IFRS 16 finance leases). The lease liabilities include $33.1 million of operating lease liabilities ($18.2 million at 2 October 2022).

Covenant leverage represents the ratio of net debt, excluding operating lease liabilities, to underlying EBITDA excluding the impact of right of use amortisation arising on operating lease arrangements, adjusted to include the EBITDA from the last twelve months of acquisitions on a proforma basis. This measure is aligned with the covenant calculations used for external debt facilities.

Organic revenue growth is calculated using constant exchange rates ("CER") by taking the total reported revenue (excluding the impact of acquisitions and disposals) divided by the preceding financial year's revenue at the current year's exchange rates.

Return on capital employed is calculated as the last twelve months underlying operating profit as a percentage of average net assets excluding net cash/debt.

Forward looking statements

This announcement contains certain forward-looking statements which have been made by the Directors in good faith using information available up until the date they approved the announcement. Forward-looking statements should be regarded with caution as by their nature such statements involve risk and uncertainties relating to events and circumstances that may occur in the future. Actual results may differ from those expressed in such statements, depending on the outcome of these uncertain future events.

RESULTS FOR THE 26 WEEKS ENDED 1 OCTOBER 2023

Overview

Throughout the first half of the year, Volex has continued to work closely with its global customers to deliver complex and safety-critical solutions to address a wide range of manufacturing requirements. The Group operates effectively across diverse sectors with a broad customer base, delivering organic growth and attractive returns.

During the period, total revenue, including acquisitions, grew by 11.2% compared to the prior year. At constant exchange rates, organic revenue growth was 4.2%. As markets continue to adjust to improving supply chain dynamics, there were some short-term trends in customer behaviour that affected demand, both positively and negatively. Some EV and Consumer Electrical customers who had built up additional buffer stocks to limit exposure to variable lead times are now confident in reducing inventory positions back to normal levels. Other customers in Medical and Complex Industrial Technology are using the improved availability of components to increase production and reduce backlogs. There are signs from some customers that inventories are returning to historical levels and ordering patterns are normalising.

A key strength of Volex is the diverse end-market exposure that has been built in recent years, reducing exposure to any single market sector or customer. This has been enhanced in the period through the acquisition of Murat Ticaret, creating a new, fifth sector for the group in an attractive market that suits the Group’s strategy to deliver high quality, specialist manufacturing solutions.

Volex maintains strong, market-leading positions within pivotal markets driven by long-term structural growth factors, notably Electric Vehicles, Medical, and Complex Industrial Technology and most recently, Off-Highway. Our ability to serve a diverse customer base and add substantial value to critical production processes has yielded robust overall growth, even amidst a challenging manufacturing landscape. Despite some short-term changes in demand profile, profitability has been maintained through careful cost control and dynamic resource management. This is supported by strong procurement practices and an active continuous improvement programme across all sites.

The underlying operating margin for the first half of the year was 9.4% which includes one month of contribution from Murat Ticaret. This is the fourth consecutive year in which margins have been maintained within the 9% to 10% target range, demonstrating the consistency and flexibility of the operating model and the ability to manage and pass through inflationary cost challenges in a dynamic market.

Trading performance overview

In mixed market conditions, the half year to 1 October 2023 has seen the Group continue to deliver profitable growth. Supply chains continue to improve, creating opportunities for some customers to accelerate production and address backlogs, and for others to optimise inventory and reduce buffer stock.

$m	**26 weeks ended 1 October 2023 Total**	26 weeks ended 2 October 2022 Total
Revenue	**397.5**	357.5
Cost of Sales	**(306.3)**	(283.9)
Gross profit*	**91.2**	73.6
Gross margin	***22.9%***	*20.6%*
Underlying operating costs*	**(53.8)**	(41.5)
Underlying operating profit*	**37.4**	32.1
Underlying operating margin	***9.4%***	*9.0%*
Underlying EBITDA*	***46.8***	*38.1*

* Before adjusting items and share-based payment charges

Revenue for the first half of the year increased by 11.2% in total, organic growth was 4.2%, against the strong comparative period reported for H1 FY2023. During this period, customer demand varied across our markets, influenced by the easing of supply chain pressures, leading to a reassessment of inventory levels by some customers and the addressing of backlogs by others. Year-on-year gross margins have improved, aided by the impact of acquisitions and cost optimisation activities along with incremental benefits from passing on cost inflation and favourable changes in product mix. Overall Group gross margin is in line with the second half of FY2023.

The underlying operating margin of 9.4% is an improvement against the same period in FY2023 where we reported an underlying operating margin of 9.0%. Underlying profit before tax is $33.6 million, an increase of 15.5% on the previous period. Underlying basic earnings per share of 14.9 cents is 3.5% higher than the comparative period. Statutory profit before tax, which includes the impact of adjusting items and share-based payment expenses, was $22.0 million, an increase of 2.3% on the prior period. The underlying effective tax rate for the period was 22.9% (H1 FY2023: 20.6%), with the increase due to loss recognition in the comparative period, the impact of foreign exchange rate movements and the impact of changes in the UK tax rate.

Underlying free cash flow for the first half of the year was $11.9 million (H1 FY2023: $0.1 million) which includes outflows relating to capital investments to support future growth and interest and tax payments. Net debt excluding operating leases increased by $64.2 million from the year end, predominantly due to the acquisition of Murat Ticaret for cash consideration (net of cash acquired and excluding acquisition costs) of $131.4 million, partially offset by proceeds of $72.3 million from the equity raise in June 2023. Covenant leverage, expressed as the ratio of net debt excluding operating leases to covenant EBITDA, was 1.3x (YE FY2023: 1.0x). This provides headroom for future investment and acquisition.

Acquisition of Murat Ticaret

On 31 August 2023, Volex completed the acquisition of Murat Ticaret, which contributed one month's trading to the H1 FY2024 results. Murat Ticaret is a leading manufacturer of complex wire harnesses for specialist applications, headquartered in Turkey. It has a global presence with eight manufacturing sites across three continents, significantly enhancing the Group's scale.

Murat Ticaret represents the Group's largest acquisition to-date, delivering immediate scale in the Off-Highway sector, a fifth end market, and accelerates a further diversification of the Group. Murat Ticaret brings a diverse customer base of blue-chip global manufacturers, with products complementary to the rest of the Volex Group. This provides the ability to market the full range of Volex production capabilities to the acquired customer base. There is also the opportunity to leverage Volex's existing footprint to expand operations in the fragmented North American Off-Highway market.

Murat Ticaret is a highly profitable business, with an excellent track record of growth, which will structurally improve the underlying operating margin of the Group, principally due to its high degree of vertical integration.

Integration into the Volex Group began immediately upon acquisition and is progressing well, with excellent initial customer engagement. There are exciting cross-selling opportunities, for which a targeted plan is being developed.

Murat Ticaret has been acquired for total consideration of €178 million ($193 million) on a cash and debt-free basis, or 5.3x EV/EBITDA on the assumption that earnout payments are made in full. The consideration includes potential earn-out payments of up to €41.6 million ($45.8 million) over two years, subject to the business achieving certain performance conditions.

Interim dividend

The Board has declared an interim dividend of 1.4 pence, an increase of 7.7% on the previous year. Since the Group recommenced dividend distributions in FY2020, it has progressively increased payments by 40% in that time. The Board is committed to a progressive dividend policy, striking a balance between delivering growth through investment and returning cash to shareholders.

The interim dividend will be paid on 10 January 2024 to those shareholders on the register on 1 December 2023. The ex-dividend date will be 30 November 2023. Shareholders may elect to receive the interim dividend as shares in Volex, in lieu of cash, under the Volex plc Scrip Dividend Scheme. The reference price for the Scrip Dividend will be announced on 7 December 2023. Shareholders who wish to elect to receive the 2023 interim dividend in shares must (i) complete a Scrip Dividend Mandate Form and return it to Link Group, (ii) make a Scrip election online via www.signalshares.com or, (iii) submit a Dividend Election Input Message in CREST, in each case by no later than 5.00 p.m. on 15 December 2023. Those shareholders who have opted in to a permanent scrip election by completing (and not cancelling) a Scrip Dividend Mandate Form either in hard copy or via www.signalshares.com do not need to complete a new mandate form for the interim dividend. However, shareholders holding their shares in CREST need to make an election for each dividend and would need to submit a Dividend Election Input Message in respect of the interim dividend. A copy of the terms and conditions for the Volex plc Scrip Dividend Scheme are available on the Company's website https://www.volex.com/wp-content/uploads/2022/07/Volex-Plc-Scrip-Dividend-Scheme-Terms-Conditions-Final.pdf.

Strategy

The Group has a clear strategy to capitalise on its strong position within specialised manufacturing markets, where Volex's manufacturing footprint and operational excellence is a clear differentiator. This strategic emphasis is one of the reasons for choosing to expand into the Off-Highway sector with the acquisition of Murat Ticaret.

Investment is continuing in key markets where our customers are looking for increased capacity as they evolve their supply chain practices, including the prominent trend of reshoring. We recently completed the relocation of our Poland operations to a newly established facility, doubling our production space. We also have on-going expansion programmes underway in Mexico, Indonesia and India. These are locations that we believe will benefit customers who are looking to diversify and localise their supply chains. In total we are planning on adding 53 thousand square meters to our manufacturing footprint during this year and next year.

The identification of potential acquisition opportunities continues to be an important element of our growth plans. Applying stringent criteria and a structured methodology, we diligently identify enterprises that offer the potential to expand our competencies, deepen customer relationships, and access attractive markets. We remain acutely attuned to the prevailing macroeconomic landscape, particularly when assessing valuations for prospective acquisitions.

Our continued focus on sustainable growth in markets with structural growth drivers gives us confidence that we will be able to deliver on the five-year strategy of securing revenues of $1.2 billion by the end of FY2027, including circa $200 million of revenue generated by acquisitions, at an underlying operating margin of 9-10%.

Revenue by customer sector

Electric Vehicles

Electric Vehicle revenues declined in the first half of the year relative to a particularly strong comparative period in the first half of FY2023. A year ago, customers were increasing buffer stock levels to mitigate the effects of variability in lead times caused by raw material shortages and delays caused by the availability of international shipping capacity. As these challenges have abated in recent months, customers have taken the opportunity to reduce inventory levels which is having an impact on volumes in this sector. Following the post-covid recovery, monthly demand levels are variable, but demand is significantly up over the last few years and will continue to grow as EV penetration increases.

Revenue declined to $57.4 million (H1 FY2023: $69.1 million) which represented an organic decline of 15.8%. This decline needs to be viewed against a period of extremely strong growth and represents an expected degree of normalisation in a relatively new technology. In the past three years, the Group has achieved compound annual growth of 57.8% which is ahead of the long-term growth assumptions used in the current five-year plan, and the pipeline for new business, which includes new programmes that are entering production, looks particularly encouraging.

During the period, Volex announced that it had become a licensed partner of Tesla for the North American Charging Standard ("NACS") EV Charging system, an important point of validation that recognised Volex’s position as a trusted manufacturing partner to the world's leading EV manufacturing companies and suppliers. The Group also announced that it had secured a major new contract with a leading, global North American-based automotive manufacturer with annualised revenues expected to exceed $30 million.

Overall demand for electric vehicles continues to grow, with government subsidies available for consumers in North American and European markets. Legislation restricting the sale of internal combustion engine vehicles in Europe from 2035 is encouraging manufacturers to broaden their range of battery electric vehicles. These factors continue to suggest double digit growth in demand for vehicles themselves over the medium term.

Consumer Electricals

Consumer Electricals revenues were down slightly on the prior period at $122.8 million (H1 FY2023: $138.2 million). This represents an organic reduction in revenue of 9.0%. This includes the impact of lower raw material costs, including copper, which have an impact on revenue as increases and decreases are passed through to the customer.

Underlying demand for Consumer Electricals was buoyed during the covid period as factors such as homeworking and restrictions on leisure activity encouraged higher consumer spending. A normalisation in demand is coinciding with improvements in supply chains which is enabling customers to reduce inventory levels. This process is more progressed in the European domestic appliance market, where demand is now starting to increase following a temporary softening in customer requirements in the previous year. In the North American and Asian Consumer

Electricals markets, demand is still subdued, with an expectation of a moderate recovery in the second half of the year.

Having achieved an incredibly competitive manufacturing base through a combination of geographic footprint, automation, continuous improvement and vertical integration, Volex has a very compelling customer proposition, both in terms of price and the ability to support customers across multiple markets. This is resulting in winning new customer projects and supports opportunities for continued growth when customer inventory levels have normalised.

Medical

Demand in Medical continues to be strong, with customers using improved availability in components as an opportunity to address backlogs that have increased in recent periods. Medical customers were unable to access hospitals during the pandemic and for a period of time afterwards, which caused an increase in their levels of backlog. This was exacerbated by the variable lead times and instances of component shortages experienced over the last eighteen months. Volex has a resilient and reliable supply chain for medical-grade components, allowing a quick response to customer requirements and the scaling up of production to meet increased demand.

Revenue increased to $86.1 million (H1 FY2023: $66.8 million) with organic growth of 17.8%. Longer term, growth levels are expected to moderate once customers have cleared the current elevated backlogs. The ageing global population and the trends towards localisation are likely to be the main drivers of future growth. Volex's global footprint and medical grade manufacturing facilities ensure we are well positioned to support customers.

Complex Industrial Technology

Improved availability of components was also an important factor in the level of growth seen for Complex Industrial Technology customers. Organic revenue grew by 30.1% taking revenues to $100.6 million (H1 FY2023 restated: $74.5 million).

There is a high degree of diversification across this sector both in terms of customer end markets and capabilities. The breadth of solutions available to support customers in key strategic locations is also a major advantage in securing new customer projects and achieving cross-selling opportunities.

A particular highlight during the period has been the acceleration of production for data centre customers. Data centre sales were being constrained because customers were finding it hard to secure other key data centre components to allow them to perform periodic technology refreshes across their estates. This situation has improved, resulting in higher demand for data centre products. In addition, increasing investment in artificial intelligence technology requires intensive data processing, an application that is ideally suited to the cutting-edge products that Volex has developed.

Off-Highway

Following the acquisition of Murat Ticaret, Volex has immediate scale in the Off-Highway market and going forward this will be separately disclosed as a fifth market sector. Off-Highway involves the sale of complex wire harnesses and power connectivity components and connectors to manufacturers supporting specialist vehicle markets. The end markets include agricultural equipment, passenger transportation vehicles such as coaches, construction equipment, material handling equipment such as lift trucks, as well as specialist defence vehicles.

Sales from entities in North America and India to Off-Highway customers that were previously reported within the Complex Industrial Technology have been reclassified. As such, the prior year has been restated to reflect the new market sector. Details of this are provided in note 13.

Total Off-Highway revenue was $30.6 million (H1 FY2023 restated: $8.9 million) with organic growth of 37.6%. The Murat Ticaret acquisition also provides significant cross-selling opportunities, particularly in the large, highly-fragmented North American market.

Revenue by reportable segment

Volex is a global, interconnected, and integrated business. There is an increasing and accelerating requirement from customers to have manufacturing in multiple locations, reducing the risk of supply chain disruption from any single country. Our global footprint with manufacturing capabilities in multiple locations is a significant differentiator in supporting the objectives of our blue-chip customers.

We operate with a regional focus to meet this need and therefore analyse our customer revenue geographically on this basis, dependent upon where the customer relationship is which reflects our customer-centric nature.

North America is our largest customer region at 44.6% of overall revenue (H1 FY2023: 46.9%). Revenue in this market grew by 5.7% in the period to $177.1 million (H1 FY2023: $167.5 million). This includes some of the strong growth that we experienced from Medical and Complex Industrial Technology customers, offset by the impact of de-stocking on the Electric Vehicles revenue.

Asia revenue declined by 8.5% to $84.7 million (H1 FY2023 $92.6 million) and comprises 21.3% of Group revenue (H1 FY2023: 25.9%). With demand levels for Consumer Electricals being adversely impacted by customers reevaluating inventory holdings and most of the revenue in this region coming from that market sector, revenue has decreased year-on-year.

Revenues in Europe grew by 39.3% to $135.7 million (H1 FY2023: $97.4 million) and now make up 34.1% of Group revenue (H1 FY2023: 27.2%). Of this increase, a small amount arises from changes in foreign exchange rates. The Group has seen strong growth across its key customer markets in this region including Medical and Complex Industrial Technology. The acquisitions of RDS and Murat Ticaret both contribute to the growth in this segment.

Gross margin

The gross margin in the first half of the year was 22.9% (H1 FY2023: 20.6%), which was broadly in line with the 22.8% achieved in the second half of FY2023. With incredibly strong customer relationships, we have negotiated and agreed incremental price increases on a fair and transparent basis, maintaining cost competitiveness, while also protecting our margins in this high-inflationary environment. Inflation resulted in positive movement in gross margin of 0.3% year-on-year, which was balanced by inflationary costs within underlying operating expenses.

The post-covid supply chain pressures have continued to ease in the first half of the year, with component availability improving. This has driven demand for our more complex products, whilst for our higher volume products this has caused some end customers to review and reduce inventory levels. The change in product mix arising from these conditions has provided a benefit of 0.3% to our gross margins compared to the prior period.

Cost optimisation, including on freight terms, labour efficiency and vertical integration, had a beneficial impact on gross margins of 0.8%. The acquisition of RDS and Murat Ticaret improved gross margins by 0.8%. There was also a small benefit from foreign exchange due to the strength of the dollar which improved gross margin by 0.1%.

Underlying operating profit

Underlying operating costs increased by $12.3 million to $53.8 million (H1 FY2023: $41.5 million). There was a negative impact of $1.1 million from changes in foreign exchange rates. Inflationary increases in the labour base have also increased the underlying operating costs year-on-year, some of which were passed onto customers, helping the gross margin increase from the prior year. $4.0 million of the increase was attributable to the acquisitions of RDS in the second half of FY2023 and Murat Ticaret at the end of August.

The remaining increase reflects business growth and investment in expanding our capabilities and capacity. Underlying operating costs as a percentage of revenue have increased in the period from 11.6% in H1 FY2023 to 13.5% due to inflationary costs, which are partially offset through price increases, changes in foreign exchange rates and investment to support future growth.

Underlying operating profit increased 16.5% to $37.4 million (H1 FY2023: $32.1 million). This includes the benefit from the organic growth as well as the acquisitions of RDS and Murat Ticaret. The underlying operating margin for the first half of the year was 9.4% which is above the underlying operating margin of 9.0% in H1 FY2023, due to a combination of factors, including the beneficial impact from the Murat Ticaret acquisition.

Adjusting items and share-based payments

The Group presents some significant items separately to provide clarity on the underlying performance of the business. This includes significant one-off costs such as restructuring and acquisition related costs, the non-cash amortisation of intangible assets acquired as part of business combinations, and share-based payments, as well as associated tax.

Adjusting items and share-based payments totalled $11.6 million in the period (H1 FY2023: $7.6 million). These costs are made up of $5.8 million (H1 FY2023: $4.3 million) of amortisation of acquisition-related intangible assets, $3.0 million (H1 FY2023: $2.6 million) of share-based payments expense and $2.8 million (H1 FY2023: $0.7 million) of acquisition related costs.

Net finance costs

Net finance costs increased to $5.4 million (H1 FY2023: $3.7 million), despite average bank debt being lower compared to the prior period, as there has been an increase in interest rates over the past 18 months. The financing element for leases for the period was $1.2 million (H1 FY2023: $0.5 million).

During the prior period, the Group entered into an interest rate swap in respect of $50 million of drawn debt. This fixes the interest on this element of the debt to provide stability should there be variability in interest rates over a four-year period.

Taxation

The underlying tax charge of $7.7 million (H1 FY2023: $6.0 million) represents an underlying effective tax rate (ETR) of 22.9% (H1 FY2023: 20.6%). The underlying tax charge is calculated at an entity level using local statutory tax rates and is affected by the recognition of deferred tax assets, including the recognition of historical tax losses. As tax losses are utilised in FY2024 and future periods, a deferred tax expense arises which will increase the ETR.

The increase in underlying ETR is primarily attributable to the prior period ETR benefits from deferred tax asset recognition and the increase in the UK corporate tax rate from 19% to 25% from 1 April 2023. The ETR was adversely affected by foreign exchange differences between tax and functional currencies, but this has been partially offset by the benefits from tax incentives as a result of the Group's investments in plant and machinery and R&D in certain territories.

Cash tax paid during the period was $6.6m (H1 FY2023: $3.6m), representing an underlying cash ETR of 19.6% (H1 FY2023: 12.4%). The increase is due to the exhaustion of tax losses in an overseas jurisdiction, the receipt of several tax refunds relating to previous periods during H1 FY2023, and the timing of payments in certain territories.

Net debt and cash flows

Underlying EBITDA increased by 22.8% to $46.8 million (H1 FY2023: $38.1 million). The Group generated underlying free cash flow of $11.9 million (H1 FY2023: $0.1 million). This included a working capital outflow of $7.9 million, as well as net capital expenditure of $16.0 million and tax and net interest paid of $10.3 million.

The working capital outflow represents the increase in working capital required to support the growth in the business less the benefit from improvements in the supply chain. The extended lead times and instances of reduced component availability that we were experiencing a year ago, began to ease in the second half of last year. These supply chain pressures have continued to improve in the first half of the year, allowing us to reduce inventory levels comparatively to revenue.

Working capital is kept under close review at both a factory and regional level and multiple projects are well underway to optimise working capital balances. Interest payments have increased significantly compared to H1 FY2023 due to interest rates being higher through the period. There has also been an increase in cash tax partly as a result of the timing of payments and the requirement to start paying tax in an overseas jurisdiction after fully utilising brought forward tax losses.

Net debt (before operating lease liabilities) increased from the year end to $140.6 million ($76.4 million at 2 April 2023) principally driven by the cost of acquiring Murat Ticaret less cash raised through issuing new shares. The Group also had operating lease liabilities of $33.1 million ($27.3 million at 2 April 2023). This produces a statutory net debt position of $173.7 million (FY2023: $103.7 million).

Acquisition strategy

Acquiring high quality businesses for attractive valuations remains a fundamental component of our strategy. Our methodology involves the identification of high-performing enterprises within sectors where our organisation possesses a deep understanding and significant experience. We are particularly drawn to businesses with strong and long-lasting customer relationships and established competencies. Our acquisition pipeline is carefully managed to prioritise opportunities that augment our Group’s value proposition and expand our reach into existing or adjacent markets. In light of the evolving global supply chain landscape, we also consider the strategic geographic location of potential targets. We only entertain targets demanding substantial integration or restructuring when we are comfortable that we have sufficient availability of requisite managerial resources to oversee these projects.

In general, our acquisitions should enhance the Group’s margin profile. The process of identifying prospective acquisitions includes businesses not currently on the market and those already engaged in an active sales process. Each of these prospects undergoes thorough qualification and subsequent approval by our investment committee before progressing to the negotiation phase. Due diligence is initiated only when alignment on the commercial terms is assured.

With a history of successfully completing twelve acquisitions in the past four years, totalling an aggregate investment of approximately $400 million, the Group has developed and refined a well-structured approach and built a substantial track record of execution.

Integration activities for our latest, and largest acquisition to date, Murat Ticaret, are progressing well. The acquired business has a strong and robust operating culture that is focused on delivering high quality production on a timely basis to a broad range of customers with complex requirements. A number of improvement areas have been identified in respect of the back-office operations of the business. With targeted investment in key areas, this should allow the business to readily adopt the best-in-class manufacturing and reporting processes deployed across the other operations within the Group.

Investing in our business

With a significant focus on organic growth in the five-year plan, we continue to make strategic investments in the business. Our investment decisions are carefully considered, with customer demand and project payback central to the approval process. As we continue to experience rapid growth and win new customer projects, we are expanding our production capacity in important locations. The expansion of our facility in Poland completed in the period, whilst projects continue in our facilities in India, Mexico and Indonesia.

Our innovative research and development team allows us to deliver exciting new products and win incremental customer projects, contributing to our revenue growth. By concentrating on future developments in our high-growth markets and focusing on activities that add the most value we can successfully partner with our customers.

Total capital expenditure for the first half of the year was $16.0 million, slightly higher than the $15.7 million spend in H1 FY2023. More than 90% of capital expenditure approved in the first half of the year related to projects that will drive business growth. Our capital investments typically have a high-level of return, with an average cash payback period for these projects of 17 months.

Cyber security incident

On 9 October 2023, Volex announced that it had been the subject of a cyber incident which resulted in unauthorised access to certain IT systems and data, at some of the Group's international sites. The incident has been well managed with minimal disruption to operations with all manufacturing sites fully operational shortly afterwards.

The effective deployment of the Group's established business continuity strategy minimised customer disruption and there is not expected to be any material adverse impact to revenue or underlying operating profit because of the incident. Costs for the recovery and remediation of systems are anticipated to be approximately $2 million, which will be reported as an adjusting item in the second half of the year.

Risks and uncertainties

Risks to Volex are anticipated and regularly assessed and internal controls are enhanced where necessary to ensure that such risks are appropriately mitigated. There are several potential risks that could have a material impact on the Group’s financial performance. The principal risks and uncertainties include competitive threats, legal and regulatory issues, dependency on key suppliers or customers, movements in commodity prices or exchange rates, and quality issues. These risks and the relevant risk-mitigation activities are set out in the FY2023 Annual Report and Accounts on pages 44 to 49, a copy of which is available on the website at www.volex.com.

Outlook

Volex has an increasingly diverse end-market exposure providing the Group with a high degree of resilience throughout our operations. With deep customer relationships in our chosen markets, which are all supported by robust structural growth drivers, we are fully confident in delivering our strategic objectives and ambitious five-year plan.

The recently completed acquisition of Murat Ticaret brings increased diversification and access to additional customers and markets. Furthermore, our investments in organic growth initiatives, coupled with the flexibility to pursue future acquisitions supported by our strong balance sheet, will drive long-term value creation.

Whilst the Group is cognisant of short-term macroeconomic conditions the Board remains convinced that our diversified end-market and customer exposure will continue to mitigate any adverse macro impact and help the Group to deliver sustainable, long-term growth.

As a result, the Board remains confident in our ability to achieve long-term objectives and meet full-year market expectations.

Nat Rothschild
Group Executive Chairman
23 November 2023

Jon Boaden
Group Chief Financial Officer
23 November 2023

Unaudited Consolidated Income Statement
For the 26 weeks ended 1 October 2023 (26 weeks ended 2 October 2022)

		26 weeks ended 1 October 2023			26 weeks ended 2 October 2022		
	Notes	**Before Adjusting items and share based payments $'m**	**Adjusting items and share-based payments (note 3) $'m**	**Total $'m**	Before Adjusting items and share based payments $'m	Adjusting items and share-based payments (note 3) $'m	Total $'m
Revenue	2	**397.5**	**-**	**397.5**	357.5	-	357.5
Cost of sales		**(306.3)**	**-**	**(306.3)**	(283.9)	-	(283.9)
Gross profit		**91.2**	**-**	**91.2**	73.6	-	73.6
Operating expenses		**(53.8)**	**(11.6)**	**(65.4)**	(41.5)	(7.6)	(49.1)
Operating profit	2	**37.4**	**(11.6)**	**25.8**	32.1	(7.6)	24.5
Share of net profit from associates		**1.6**	**-**	**1.6**	0.7	-	0.7
Finance income		**0.3**	**-**	**0.3**	0.1	-	0.1
Finance costs		**(5.7)**	**-**	**(5.7)**	(3.8)	-	(3.8)
Profit on ordinary activities before taxation		**33.6**	**(11.6)**	**22.0**	29.1	(7.6)	21.5
Taxation	4	**(7.7)**	**1.2**	**(6.5)**	(6.0)	1.1	(4.9)
Profit for the period		**25.9**	**(10.4)**	**15.5**	23.1	(6.5)	16.6
Profit is attributable to:							
Owners of the parent		**25.4**	**(10.3)**	**15.1**	22.8	(6.5)	16.3
Non-controlling interests		**0.5**	**(0.1)**	**0.4**	0.3	-	0.3
		25.9	**(10.4)**	**15.5**	23.1	(6.5)	16.6
Earnings per share (cents)							
Basic	5	**14.9**		**8.8**	14.4		10.3
Diluted	5	**14.2**		**8.4**	13.7		9.8

Audited Consolidated Income Statement
For the 52 weeks ended 2 April 2023

	Notes	52 weeks ended 2 April 2023 Before Adjusting items and share based payments $'m	Adjusting items and share-based payments (note 3) $'m	Total $'m
Revenue	2	722.8	-	722.8
Cost of sales		(565.8)	-	(565.8)
Gross profit		157.0	-	157.0
Operating expenses		(89.7)	(13.5)	(103.2)
Operating profit	2	67.3	(13.5)	53.8
Share of net profit from associates		1.1	-	1.1
Finance income		0.4	-	0.4
Finance costs		(9.5)	-	(9.5)
Profit on ordinary activities before taxation		59.3	(13.5)	45.8
Taxation		(10.7)	2.3	(8.4)
Profit is attributable to:				
Owners of the parent		48.0	(11.2)	36.8
Non-controlling interests		0.6	-	0.6
		48.6	(11.2)	37.4
Earnings per share (cents)				
Basic	5	30.2		23.2
Diluted	5	28.8		22.1

Unaudited Consolidated Statement of Comprehensive Income
For the 26 weeks ended 1 October 2023 (26 weeks ended 2 October 2022)

	26 weeks to 1 October 2023 $'m	26 weeks to 2 October 2022 $'m	(Audited) 52 weeks to 2 April 2023 $'m
Profit for the period	**15.5**	16.6	37.4
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	**(0.2)**	0.5	(0.5)
Tax relating to items that will not be reclassified	**-**	(0.1)	0.1
	(0.2)	0.4	(0.4)
Items that may be reclassified subsequently to profit or loss:			
(Loss)/gain arising on cash flow hedges during the period	**(1.7)**	(1.3)	1.4
Exchange loss on translation of foreign operations	**(5.4)**	(19.4)	(7.0)
Tax relating to items that may be reclassified	**1.0**	1.8	0.2
	(6.1)	(18.9)	(5.4)
Other comprehensive expense for the period	**(6.3)**	(18.5)	(5.8)
Total comprehensive income/(expense) for the period is attributable to:			
Owners of the parent	**8.9**	(1.7)	31.6
Non-controlling interests	**0.3**	(0.2)	-
	9.2	(1.9)	31.6

Unaudited Consolidated Statement of Financial Position

As at 1 October 2023 (2 October 2022)

	Note	**1 October 2023 $'m**	2 October 2022 $'m	(Audited) 2 April 2023 $'m
Non-current assets				
Goodwill		**153.7**	75.3	82.3
Other intangible assets		**100.2**	41.2	41.8
Property, plant and equipment		**82.5**	45.6	50.1
Right of use assets		**39.4**	23.0	34.5
Interests in associates		**6.5**	2.2	2.6
Other receivables		**1.4**	1.2	1.8
Derivative financial instruments		**2.1**	1.3	0.9
Deferred tax assets		**25.5**	20.3	24.6
		411.3	210.1	238.6
Current assets				
Inventories		**180.4**	127.0	120.5
Trade receivables		**183.5**	142.2	136.2
Other receivables		**16.0**	13.5	15.7
Current tax assets		**0.5**	1.1	0.8
Derivative financial instruments		**0.3**	0.2	0.9
Cash and bank balances	8	**47.2**	23.0	22.5
		427.9	307.0	296.6
Total assets		**839.2**	517.1	535.2
Current liabilities				
Borrowings	8	**0.5**	-	1.8
Lease liabilities		**17.5**	5.0	15.6
Trade payables		**118.6**	93.8	84.4
Other payables		**134.4**	58.5	65.2
Current tax liabilities		**17.3**	10.6	14.5
Retirement benefit obligation		**0.4**	0.3	0.3
Provisions		**3.2**	1.7	0.9
Derivative financial instruments		**2.2**	2.5	-
		294.1	172.4	182.7
Net current assets		**133.8**	134.6	113.9
Non-current liabilities				
Borrowings	8	**181.4**	115.9	89.6
Non-current lease liabilities		**21.5**	19.1	19.2
Other payables		**1.5**	0.9	1.4
Deferred tax liabilities		**23.3**	6.1	6.9
Retirement benefit obligation		**5.1**	1.7	2.3
Provisions		**0.4**	0.1	0.4
		233.2	143.8	119.8
Total liabilities		**527.3**	316.2	302.5
Net assets		**311.9**	200.9	232.7
Equity attributable to owners of the parent				
Share capital	6	**69.5**	62.7	62.7
Share premium account		**62.1**	60.7	60.7
Non-distributable reserve		**2.5**	2.5	2.5
Hedging and translation reserve		**(20.6)**	(28.2)	(14.6)
Own shares	7	**(1.0)**	(2.2)	(1.0)
Retained earnings		**191.5**	98.2	115.0
Total attributable to owners of the parent		**304.0**	193.7	225.3
Non-controlling interests		**7.9**	7.2	7.4
Total equity		**311.9**	200.9	232.7

Unaudited Consolidated Statement of Changes in Equity
For the 26 weeks ended 1 October 2023 (26 weeks ended 2 October 2022)

	Share capital $'m	Share premium account $'m	Non-distributable reserves $'m	Hedging and translation reserve $'m	Own shares $'m	Retained earnings $'m	Equity attributable to owners $'m	Non-controlling interests $'m	Total equity $'m
Balance 2 April 2023	**62.7**	**60.7**	**2.5**	**(14.6)**	**(1.0)**	**115.0**	**225.3**	**7.4**	**232.7**
Profit for the period	-	-	-	-	-	15.1	**15.1**	0.4	**15.5**
Other comprehensive (expense)/income for the period	**-**	**-**	**-**	(6.0)	-	(0.2)	**(6.2)**	(0.1)	**(6.3)**
Total comprehensive (expense)/income for the period	-	-	-	(6.0)	-	14.9	**8.9**	0.3	**9.2**
Business combination	-	-	-	-	-	-	-	0.2	**0.2**
Own shares sold/(utilised) in the period	-	-	-	-	1.2	(1.2)	**-**	-	-
Own shares purchased in the period	-	-	-	-	(1.2)	-	**(1.2)**	-	**(1.2)**
Dividend	-	-	-	-	-	(6.1)	**(6.1)**	-	**(6.1)**
Scrip dividend related share issue	0.1	(0.1)	-	-	-	1.8	**1.8**	-	**1.8**
Shares issued	6.7	1.5	-	-	-	64.1	**72.3**	-	**72.3**
Reserve entry for share option charges	-	-	-	-	-	2.5	**2.5**	-	**2.5**
Tax effect of share options	-	-	-	-	-	0.5	**0.5**	-	**0.5**
Balance at 1 October 2023	**69.5**	**62.1**	**2.5**	**(20.6)**	**(1.0)**	**191.5**	**304.0**	**7.9**	**311.9**

Unaudited Consolidated Statement of Changes in Equity (continued)
For the 26 weeks ended 1 October 2023 (26 weeks ended 2 October 2022)

	Share capital $'m	Share premium account $'m	Non-distributable reserves $'m	Hedging and translation reserve $'m	Own shares $'m	Retained earnings $'m	**Equity attributable to owners $'m**	Non-controlling interests $'m	**Total equity $'m**
Balance 3 April 2022	**62.5**	**60.9**	**2.5**	**(9.8)**	**(0.2)**	**85.2**	**201.1**	**7.4**	**208.5**
Profit for the period	-	-	-	-	-	16.3	**16.3**	0.3	**16.6**
Other comprehensive (expense)/income for the period	**-**	**-**	**-**	(18.4)	-	0.4	**(18.0)**	(0.5)	**(18.5)**
Total comprehensive income for the period	-	-	-	(18.4)	-	16.7	**(1.7)**	(0.2)	**(1.9)**
Own shares sold/(utilised) in the period	-	-	-	-	1.7	(1.7)	**-**	-	-
Own shares purchased in the period	-	-	-	-	(3.7)	-	**(3.7)**	-	**(3.7)**
Dividend	-	-	-	-	-	(4.6)	**(4.6)**	-	**(4.6)**
Shares issued	0.2	(0.2)	-	-	-	1.3	**1.3**	-	**1.3**
Reserve entry for share option charges	-	-	-	-	-	1.2	**1.2**	-	**1.2**
Tax effect of share options	-	-	-	-	-	0.1	**0.1**	-	**0.1**
Balance at 2 October 2022	**62.7**	**60.7**	**2.5**	**(28.2)**	**(2.2)**	**98.2**	**193.7**	**7.2**	**200.9**

Unaudited Consolidated Statement of Cash Flows
For the 26 weeks ended 1 October 2023 (26 weeks ended 2 October 2022)

	Notes	**26 weeks to 1 October 2023 $'m**	26 weeks to 2 October 2022 $'m	(Audited) 52 weeks to 2 April 2023 $'m
Profit for the period		**15.5**	16.6	37.4
Adjustments for:				
Finance income		**(0.3)**	(0.1)	(0.4)
Finance costs		**5.7**	3.8	9.5
Income tax expense		**6.5**	4.9	8.4
Share of net profit from associates		**(1.6)**	(0.7)	(1.1)
Depreciation of property, plant and equipment		**5.0**	3.8	8.2
Depreciation of right-of-use asset		**3.4**	1.8	4.8
Amortisation of intangible assets		**6.8**	4.7	10.2
Loss on disposal of property, plant and equipment		**-**	-	0.1
Share option charge		**3.0**	2.6	3.7
Contingent consideration adjustment		**(1.3)**	-	(1.3)
Decrease in provisions		**(0.9)**	(1.0)	(1.1)
Operating cash flow before movements in working capital		**41.8**	36.4	78.4
Increase in inventories		**(16.3)**	(12.5)	(0.2)
Increase in receivables		**(5.4)**	(27.4)	(15.4)
Increase in payables		**16.1**	17.7	7.0
Movement in working capital		**(5.6)**	(22.2)	(8.6)
Cash generated by operations		**36.2**	14.2	69.8
Cash generated by operations before adjusting items		**38.0**	15.8	72.0
Cash utilised by adjusting items		**(1.8)**	(1.6)	(2.2)
Taxation paid		**(6.6)**	(3.6)	(7.9)
Interest paid		**(4.0)**	(2.4)	(6.2)
Net cash generated from operating activities		**25.6**	8.2	55.7
Cash flow from investing activities				
Interest received		**0.3**	0.1	0.3
Acquisition of businesses, net of cash acquired		**(131.4)**	-	(5.1)
Contingent consideration for businesses acquired		**(2.2)**	(7.5)	(7.1)
Proceeds on disposal of property, plant and equipment		**0.3**	0.1	0.1
Purchases of property, plant and equipment		**(14.3)**	(8.1)	(14.4)
Purchases of intangible assets		**(2.0)**	(2.0)	(3.9)
Purchase of shares in associate		**(2.3)**	-	-
Proceeds from the repayment of preference shares		**0.2**	0.2	0.3
Net cash used in investing activities		**(151.4)**	(17.2)	(29.8)
Cash flow before financing activities		**(125.8)**	(9.0)	25.9
Cash generated/(used) before adjusting items		**(124.0)**	(7.4)	28.1
Cash utilised in respect of adjusting items		**(1.8)**	(1.6)	(2.2)

Unaudited Consolidated Statement of Cash Flows (continued)
For the 26 weeks ended 1 October 2023 (26 weeks ended 2 October 2022)

	Notes	**26 weeks to 1 October 2023 $'m**	26 weeks to 2 October 2022 $'m	(Audited) 52 weeks to 2 April 2023 $'m
Cash flow before financing activities		**(125.8)**	(9.0)	25.9
Cash flow from financing activities				
Dividend paid		**(4.3)**	(3.3)	(5.7)
Net purchase of shares for share schemes		**(1.2)**	(3.5)	(7.2)
Refinancing costs paid		**(0.3)**	-	(0.5)
New bank loan raised		**105.6**	19.0	25.0
Repayment of borrowings		**(15.2)**	(2.3)	(35.3)
Proceeds on issue of shares		**72.3**	-	-
Outflow from factoring		-	(0.7)	(0.7)
Interest element of lease payments		**(1.2)**	(0.5)	(1.7)
Receipt from lease debtor		**0.1**	0.2	0.5
Capital element of lease payments		**(4.1)**	(2.1)	(5.8)
Net cash generated from/(used in) financing activities		**151.7**	6.8	(31.4)
Net increase/(decrease) in cash and cash equivalents	8	**25.9**	(2.2)	(5.5)
Cash and cash equivalents at beginning of period	8	**20.7**	25.9	25.9
Effect of foreign exchange rate changes	8	**0.6**	(0.7)	0.3
Cash and cash equivalents at end of period	8	**47.2**	23.0	20.7

Notes to the Interim Statements

1. Basis of preparation

These interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the AIM Rules for Companies. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the 52 weeks ended 2 April 2023, which were prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information presented for the 26 weeks ended 1 October 2023 (‘H1 FY2024’) and the 26 weeks ended 2 October 2022 (‘H1 FY2023’) has not been reviewed by the auditors. The financial information for the 52 weeks ended 2 April 2023 (‘FY2023’) is extracted and abridged from the Group’s full accounts for that year. The statutory accounts for FY2023 have been filed with the Registrar of Companies for England and Wales and have been reported on by the Group’s auditors. The report of the auditors was not qualified and did not contain a statement under section 498 of the Companies Act 2006.

The Directors confirm that, to the best of their knowledge, the interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34 ‘Interim Financial Reporting’ and the AIM Rules for Companies, and that the interim report includes a fair review of the information required. The interim report was approved by the Board of Directors on 23 November 2023.

This interim report can be downloaded or viewed via the Group’s website at www.volex.com. Copies of the annual report for the 52 weeks ended 2 April 2023 are available at the Company’s registered office at Unit C1 Antura, Bond Close, Basingstoke, Hampshire, England, RG24 8PZ, and can also be downloaded or viewed via the Group’s website.

These condensed financial statements have also been prepared using accounting policies consistent with those disclosed in the annual report and accounts for the year ended 2 April 2023, which were prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006.

Going Concern
As at 1 October 2023 the Group had net debt of $173.7m with undrawn committed borrowing available under its revolving credit facility of $59.3m (FY2023: $107.8m).

The Group’s forecast and projections, taking reasonable account of possible changes in trading performance, show that the Group should continue to operate with sufficient headroom under the revolving credit facility for the foreseeable future. The Directors believe that the Group is well placed to manage its business within the available facilities. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

Impact of standards issued but not yet applied by the Group
The following standards, with an effective date of 1 January 2023, have been adopted without any significant impact on the amounts reported in these financial statements:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Amendments to IAS 12 International Tax Reform Pillar Two Model Rule

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective. The Group is assessing any potential implication, but currently do not expect a material impact on the Group.

2. Business and geographical segments

Business segments

The internal reporting provided to the Executive members of the Group's Board and the Chief Operating Officer for the purpose of resource allocation and assessment of Group performance is based upon the regional performance of where the customer is based and to where products are delivered. In addition to the operating divisions, a Central division exists to capture all the corporate costs incurred in supporting the operations.

Unallocated central costs represent corporate costs that are not directly attributable to the manufacture and sale of the Group's products but which support the Group in its operations. Included within this division are the costs incurred by the executive management team and the corporate head office.

The following is an analysis of the Group's revenues and results by reportable segment.

	26 weeks to 1 October 2023		26 weeks to 2 October 2022	
	Revenue $'m	**Profit/(loss) $'m**	Revenue $'m	Profit/(loss) $'m
North America	**177.1**	**17.0**	167.5	16.1
Asia	**84.7**	**4.7**	92.6	5.1
Europe	**135.7**	**19.5**	97.4	14.2
Unallocated central costs (excluding share-based payments)		**(3.8)**		(3.3)
Divisional results before share-based payments and adjusting items	**397.5**	**37.4**	357.5	32.1
Adjusting items		**(8.6)**		(5.0)
Share-based payments		**(3.0)**		(2.6)
Operating profit		**25.8**		24.5
Share of net profit from associates		**1.6**		0.7
Finance income		**0.3**		0.1
Finance costs		**(5.7)**		(3.8)
Profit before tax		**22.0**		21.5
Tax		**(6.5)**		(4.9)
Profit after tax		**15.5**		16.6

2. Business and geographical segments (continued)

	52 weeks to 2 April 2023	
	Revenue $'m	Profit/(loss) $'m
North America	339.8	30.9
Asia	171.4	12.5
Europe	211.6	31.5
Unallocated central costs (excluding share-based payments)		(7.6)
Divisional results before share-based payments and Adjusting items	722.8	67.3
Adjusting items		(9.8)
Share-based payments		(3.7)
Operating profit		53.8
Share of net profit from associates		1.1
Finance income		0.4
Finance costs		(9.5)
Profit before tax		45.8
Tax		(8.4)
Profit after tax		37.4

The accounting policies of the reportable segments are in accordance with the Group's accounting policies.

The adjusting items charge within operating profit for the period of $8.6m (H1 FY2023: $5.0m, FY2023: $9.8m) was split $1.9m (H1 FY2023: $2.4m, FY2023: $4.8m) to North America, $6.5m (H1 FY2023: $2.2m, FY2023: $3.7m) to Europe, $0.2m (H1 FY2023: $0.4m, FY2023: $0.3m) to Asia and $nil to central (H1 FY2023: $nil, FY2023: $1.0m).

Other segmental information

The Group's revenue from external customers and information about its non-current assets (excluding deferred tax assets) by geographical location are provided below:

	External revenue			**Non-current assets** (excluding deferred tax assets)		
	26 weeks to 1 October 2023 $'m	26 weeks to 2 October 2022 $'m	(Audited) 52 weeks to 2 April 2023 $'m	**26 weeks to 1 October 2023 $'m**	26 weeks to 2 October 2022 $'m	(Audited) 52 weeks to 2 April 2023 $'m
Geographical segments						
North America	**177.1**	167.5	339.8	**53.2**	52.2	51.4
Asia	**84.7**	92.6	171.4	**64.8**	49.7	59.0
Europe	**135.7**	97.4	211.6	**267.8**	87.9	103.6
	397.5	357.5	722.8	**385.8**	189.8	214.0

Revenue is attributed to countries on the basis of the geographical location of the customer and delivery of the product.

3. Adjusting items and share-based payments

	26 weeks to 1 October 2023 $'m	26 weeks to 2 October 2022 $'m	(Audited) 52 weeks to 2 April 2023 $'m
Amortisation of acquired intangibles	**5.8**	4.3	8.9
Acquisition-related costs	**3.2**	0.7	1.3
Acquisition-related remuneration	**0.9**	-	0.9
Adjustments to fair value of contingent consideration	**(1.3)**	-	(1.3)
Total adjusting items	**8.6**	5.0	9.8
Share-based payments charge	**3.0**	2.6	3.7
Total adjusting items and share-based payments before tax	**11.6**	7.6	13.5
Adjusting items tax credit	**(1.2)**	(1.1)	(2.3)
Adjusting items and share-based payments after tax	**10.4**	6.5	11.2

Adjusting items include costs and income that are one-off in nature and significant (such as significant restructuring costs, impairment charges or acquisition-related costs) and the non-cash amortisation of intangible assets recognised on acquisition.

The adjusting items and share-based payments are included under the statutory classification appropriate to their nature but are separately disclosed on the face of the income statement to assist in understanding the underlying financial performance of the Group.

Associated with the acquisitions, the Group has recognised certain intangible assets related to customer relationships and order backlogs. During H1 FY2024, the amortisation charge on these intangible assets totalled $5.8m (H1 FY2023: $4.3m, FY2023: $8.9m).

Acquisition-related costs of $3.2m (H1 FY2023: $0.7m, FY2023: $1.3m) are mainly related to the acquisition of Murat Ticaret. These costs represented legal and professional fees associated with the transaction. In the prior year, the Group's acquisition-related costs of $1.3m consists of legal and professional fees related to potential and completed acquisitions.

There was a $1.3m remeasurement of contingent consideration during the period (H1 FY2023: $nil, FY2023: $1.3m).

4. Tax charge

The Group's income tax expense for the period was $6.5 million (H1 FY2023: $4.9 million), representing an effective tax rate ("ETR") of 29.5% (H1 FY2023: 22.8%). The increase in statutory ETR was mainly caused by adjusting items, including non-deductible acquisition-related expenses, and the increase in the Turkish headline corporate tax rate from 20% to 25% which increased the deferred tax liability in respect of intangible assets acquired in previous years.

The underlying tax charge of $7.7 million (H1 FY2023: $6.0 million) represents an underlying ETR of 22.9% (H1 FY2023: 20.6%). The underlying tax charge is calculated by reference to the taxable profits in each individual entity and the local statutory tax rates and is affected by the recognition of deferred tax assets as required by IFRS primarily in respect of unused tax losses. In FY2023, deferred tax assets were fully recognised in a key jurisdiction which reduced the FY2023 ETR. As the recognised tax losses are utilised in FY2024 and future periods, a deferred tax expense arises in respect of the profits which have been offset by the tax losses, thereby normalising the ETR.

The increase in underlying ETR is primarily attributable to the prior period ETR benefits from deferred tax asset recognition and the increase in the UK corporate tax rate from 19% to 25% from 1 April 2023. The ETR was again adversely affected by foreign exchange differences between tax and functional currencies, but this has been partially offset by the benefits from tax incentives as a result of the Group's investments in plant and machinery and R&D in certain territories.

Cash tax paid during the period was $6.6m (H1 FY2023: $3.6m), representing an underlying cash ETR of 19.6% (H1 FY2023: 12.4%). The increase is due to the Group's historical tax losses being fully utilised in a major jurisdiction, the receipt of several tax refunds relating to previous periods during H1 FY2023, and the timing of payments in certain territories.

The Group operates in a number of different tax jurisdictions and is subject to periodic tax audits by local authorities in the normal course of business on a range of tax matters in relation to corporate tax and transfer pricing. As at 1 October 2023, the Group has net current tax liabilities of $16.8 million (FY2023: $13.7 million) which include $10.7 million (FY2023: $10.4 million) of provisions for tax uncertainties.

The carrying amount of deferred tax assets is reviewed at each reporting date and recognised to the extent that it is probable that there are sufficient taxable profits to allow all or part to be recovered. Deferred tax assets have been recognised based on future forecast taxable profits. As at the reporting date the Group has recognised deferred tax assets of $25.5 million (FY2023: $24.6 million) and deferred tax liabilities of $23.3 million (FY2023: $6.9 million). The increase in deferred tax liabilities is driven by the acquisition of Murat Ticaret, primarily arising from the acquired identifiable intangible assets.

On 11 July 2023 Finance (No. 2) Act 2023 was enacted in the UK, which contains the UK's legislation in relation to a new tax framework which is part of the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) initiative. This introduces a global minimum effective tax rate of 15% for large multinational groups, effective for accounting periods beginning on or after 31 December 2023. On 27 September 2023, the UK Government published additional updated draft legislation, for technical consultation, relating to these rules. The Group monitors income tax developments in the territories in which it operates, as well as the applicable accounting standards, to understand their potential future impacts. The Group has applied the exemption under the IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

5. Earnings per ordinary share

The calculations of the earnings per share are based on the following data:

Earnings	**26 weeks to 1 October 2023 $'m**	26 weeks to 2 October 2022 $'m	(Audited) 52 weeks to 2 April 2023 $'m
Earnings attributable to the ordinary equity holders of the company for the purpose of basic earnings per share	**15.1**	16.3	36.8
Adjustments for:			
Adjusting items	**8.5**	5.0	9.8
Share-based payments charge	**3.0**	2.6	3.7
Tax effect of above adjustments and other adjusting item tax movements	**(1.2)**	(1.1)	(2.3)
Underlying earnings	**25.4**	22.8	48.0

Weighted average number of ordinary shares	**No. shares**	No. shares	No. shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**170,546,699**	158,522,434	158,681,078
Effect of dilutive potential ordinary shares – share options	**8,024,110**	8,243,213	7,896,423
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**178,570,809**	166,765,647	166,577,501

Basic earnings per share	**Cents**	Cents	Cents
Basic earnings per share from continuing operations	**8.8**	10.3	23.2
Adjustments for:			
Adjusting items	**5.0**	3.2	6.1
Share-based payments charge	**1.8**	1.6	2.3
Tax effect of above adjustments and other adjusting items tax movements	**(0.7)**	(0.7)	(1.4)
Underlying basic earnings per share	**14.9**	14.4	30.2

Diluted earnings per share	**Cents**	Cents	Cents
Diluted earnings per share	**8.4**	9.8	22.1
Adjustments for:			
Adjusting items	**4.8**	3.0	5.9
Share-based payments charge	**1.7**	1.6	2.2
Tax effect of above adjustments and other adjusting items tax movements	**(0.6)**	(0.7)	(1.4)
Underlying diluted earnings per share	**14.2**	13.7	28.8

The underlying earnings per share has been calculated on the basis of continuing activities before adjusting items and the share-based payments charge, net of tax. The Directors consider that this earnings per share calculation gives a better understanding of the Group's earnings per share in the current and prior period.

6. Share capital

	26 weeks to 1 October 2023 $'m	26 weeks to 2 October 2022 $'m	(Audited) 52 weeks to 2 April 2023 $'m
Issued and fully paid: 181,403,737 (FY2023: 159,107,085) Ordinary shares of 25p each	**69.5**	62.7	62.7

Shareholders were able to elect to receive ordinary shares in place of the final dividend for the 52 weeks to 2 April 2023. This resulted in the issue of 478,471 (H1 FY2023: 377,615, FY2023: 388,376) new fully paid ordinary shares.

On 22 June 2023, the Group completed an equity raise to raise finances for the completion of the acquisition of Murat Ticaret. The Group issued 21,818,181 new ordinary shares of 25 pence each, comprising the 'Placing Shares' and the 'Retail Offer Shares' (together, the 'equity raise'). The shares were issued at a price of 275 pence per share, representing a discount of 3.8% to the closing share price of 286 pence per share on 21 June 2023. In aggregate, the equity raise represented gross proceeds of £60.0m ($74.0m) and net proceeds of £58.6m ($72.3m).

The 21,304,186 Placing Shares were issued for non-cash consideration by way of a 'cash box' structure. This involved a newly incorporated subsidiary of the company ('Cash Box'). This structure involved the issue of ordinary and preference shares by Cash Box to one of the brokers advising the company in respect of the equity raise. These preference and ordinary shares were subsequently acquired by the company and the preference shares were redeemed by Cash Box. The acquisition by the company of the ordinary shares in Cash Box held by the broker resulted in the company securing over 90% of the equity share capital of Cash Box. The company was therefore able to rely on Section 612 of the Companies Act 2006, which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. Therefore, no share premium was recorded in relation to the Placing Shares.

The premium over the nominal value of the Placing Shares was credited to a merger reserve and subsequently recognised in retained earnings. The merger reserve created was determined to be distributable for the purposes of the Companies Act 2006. Certain Directors of the company participated in the equity raise via the Placing Shares, subscribing for (in aggregate) 5,461,088 Placing Shares.

Retail investors were able to participate in the equity raise on the same terms as institutional investors via the retail offer, which was available through a number of intermediaries. A total of 513,995 Retail Offer Shares were issued and Share Premium of $1.5m was recognised.

7. Own shares

	26 weeks to 1 October 2023 $'m	26 weeks to 2 October 2022 $'m	(Audited) 52 weeks to 2 April 2023 $'m
At the beginning of the period	**1.0**	0.2	0.2
Disposed of in the period on exercise of options	**(1.2)**	(1.7)	(4.2)
Purchase of shares	**1.2**	3.7	5.0
At end of the period	**1.0**	2.2	1.0

The own shares reserve represents the cost of shares in the Company held by the Volex Group PLC Employees' Share Trust ('EBT') to satisfy future share option exercises under the Group's share option schemes.

During H1 FY2024 the EBT purchased 350,000 shares at a cost of $1.2m. During the period 336,747 shares were utilised on the exercise of share awards. The number of ordinary shares held by the EBT at 1 October 2023 was 247,231 (H1 FY2023: 577,360, FY2023: 233,978).

8. Analysis of net debt

	2 April 2023 $'m	Business comb-inations $'m	New leases $'m	Cash flow $'m	Exchange movement $'m	Other non-cash changes $'m	**1 October 2023 $'m**
Cash & cash equivalents	20.7	16.1	-	9.8	0.6	-	**47.2**
Bank loans	(91.5)	(4.0)	-	(90.4)	2.2	-	**(183.7)**
Debt issue costs	1.9	-	-	0.3	-	(0.4)	**1.8**
Lease liability	(34.8)	(6.5)	(2.3)	5.3	0.5	(1.2)	**(39.0)**
Net debt	(103.7)	5.6	(2.3)	(75.0)	3.3	(1.6)	**(173.7)**

	1 October 2023 $'m	2 October 2022 $'m	2 April 2023 $'m
Cash and bank balances	**47.2**	23.0	22.5
Overdrafts	**-**	-	(1.8)
Cash and cash equivalents	**47.2**	23.0	20.7

The carrying amount of the Group's financial assets and liabilities is considered to be equivalent to their fair value.

9. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

On 3 April 2023 the Group acquired an additional 8.3% in Kepler SignalTek Limited for $2.3m, increasing its shareholding to 35.7%. The entity continues to be accounted for as an associate. During the period the Group accrued financial income of $nil on the preference shares (H1 FY2023: $0.1m, FY2023: $0.2m). The balance due from the associate as at the period end date was $1.5m (H1 FY2023: $1.8m, FY2023: $1.7m).

The Group also has a 43% interest in Volex-Jem Co. Ltd. During the current and prior period, no transactions have occurred between the Group and Volex-Jem Co. Ltd or Volex – Jem Cable Precision (Dongguan) Co. Limited, an entity controlled by Volex-Jem Co. Ltd. The balance due to the associates as at the period end was $0.1m (H1 FY2023: $0.1m, FY2023: $0.1m).

A number of share transactions with Directors have occurred during the period in line with share awards outstanding at the prior year end and as disclosed in the annual accounts for FY2023 and in line with the Director shareholding notices disclosed on the Volex website (www.volex.com).

10. Business Combination

On 31 August 2023 the Group completed the acquisition of 100% of the share capital of Murat Ticaret Kablo A.Ş. ('Murat') a leading manufacturer of complex wire harnesses, headquartered in Turkey. The acquisition expands the Group presence in the off-highway sector with operations on three continents and eight manufacturing sites.

The purchase has been accounted for as a business combination. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Provisional Fair value of consideration transferred	**$'m**
Initial cash	159.6
Deferred consideration	6.0
Contingent consideration	39.8
Total purchase consideration	**205.4**

Initial cash includes the initial consideration and the estimated working capital adjustment payable. Deferred consideration is the fair value of future committed payments.

The contingent consideration is dependent upon certain EBITDA targets being met post-acquisition over two one-year measurement periods. The fair value above has been based on the probable outcome of each based upon the information available at 1 October 2023.

An exercise has been conducted to assess the provisional fair values of assets acquired and liabilities assumed. This exercise identified customer relationships and order backlog intangible assets. Property, plant and equipment are currently undergoing external valuation.

The provisional fair value amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Provisional Fair Value $'m
Identifiable intangible assets	65.1
Property, plant and equipment	23.6
Right-of-use asset	6.5
Inventories	45.3
Trade receivables	40.5
Trade payables	(27.3)
Other debtors and creditors	(8.5)
Loans	(4.0)
Provisions	(2.3)
Cash	16.1
Deferred taxes	(17.4)
Lease liabilities	(6.5)
Total identifiable assets	**131.1**
Less non-controlling interest	(0.2)
Goodwill	74.5
Consideration	**205.4**

The fair value adjustments are provisional and will be finalised within 12 months of the acquisition date. Any resulting changes in the fair values will have an impact on the acquisition accounting and will result in a reallocation between assets and goodwill and a possible adjustment to the amortisation charge shown in the income statement. The non-controlling interest has been initially measured at fair value.

The provisional goodwill balance recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce and the anticipated synergies arising on integration. None of the goodwill recognised is expected to be deductible for income tax purposes.

In H1 FY2024, Murat contributed $18.9m to Group revenue, $3.3m to adjusted operating profit and $1.4m to statutory operating profit. Associated acquisition costs of $3.2m and intangible asset amortisation of $2.1m have both been expensed as adjusting items in the period.

11. Contingent Liabilities

As a global Group, subsidiary companies, in the normal course of business, engage in significant levels of cross-border trading. The customs, duties and sales tax regulations associated with these transactions are complex and often subject to interpretation. While the Group places considerable emphasis on compliance with such regulations, including appropriate use of external legal advisers, full compliance with all customs, duty and sales tax regulations cannot be guaranteed.

Through the normal course of business, the Group provides manufacturing warranties to its customers and assurances that its products meet the required safety and testing standards. When the Group is notified that there is a fault with one of its products, the Group will provide a rigorous review of the defective product and its associated manufacturing process and, if found at fault and contractually liable, will provide for costs associated with recall and repair as well as rectify the manufacturing process or seek recompense from its supplier. The Group holds a provision to cover potential costs of recall or warranty claims for products which are in the field but where a specific issue has not been reported.

12. Events after the balance sheet date

There are no disclosable events after the balance sheet date.

13. Alternative performance measures

The Group makes use of underlying and other alternative performance measures in addition to the measures set out in International Financial Reporting Standards.

Underlying operating profit and Underlying EBITDA

Underlying operating profit is defined as operating profit excluding adjusting items and share-based payments. Underlying EBITDA is defined as underlying operating profit adjusted for depreciation and amortisation. The Group uses Underlying operating profit and Underlying EBITDA to present meaningful year-on-year comparisons. The reconciliation between Operating profit and Underlying operating profit and Underlying EBITDA is presented below.

	1 October 2023 $’m	**2 October 2022 $’m**	**2 April 2023 $’m**
Operating profit	25.8	24.5	53.8
Add back:			
Adjusting operating items	8.6	5.0	9.8
Share-based payments charge	3.0	2.6	3.7
Underlying operating profit	**37.4**	**32.1**	**67.3**
Depreciation of property, plant and equipment	5.0	3.8	8.2
Depreciation of right-of-use assets	3.4	1.8	4.8
Amortisation of intangible assets not acquired in business combination	1.0	0.4	1.3
Underlying EBITDA	**46.8**	**38.1**	**81.6**

Underlying basic earnings per share and underlying diluted earnings per share

Underlying basic earnings per share is defined by the profit attributable to the owners of the parent company excluding adjusting items divided by the weighted average number of share in issue during the year. Underlying diluted earnings per share is adjusts the basic earnings per share by the effect of dilutive potential share options as at the period end date. Both metrics are reconciled to statutory measures in note 5.

Organic growth

The Group has undertaken twelve acquisitions in the past six years and management use organic revenue growth so that meaningful year-on-year comparisons can be made.

Organic revenue growth is calculated using constant exchange rates by taking the total reported revenue (excluding the impact of acquisitions and disposals) divided by the preceding financial year's revenue at the current year's exchange rates.

Revenue	**Electric Vehicles $'m**	**Consumer Electricals $'m**	**Medical $'m**	**Complex Industrial Technology $'m**	**Off-Highway $'m**	**Total $'m**
26 weeks to 2 October 2022 reported	**69.1**	**138.2**	**66.8**	**83.4**	**-**	**357.5**
Restatement *	-	-	-	**(8.9)**	**8.9**	-
26 weeks to 2 October 2022 restated	**69.1**	**138.2**	**66.8**	**74.5**	**8.9**	**357.5**
FX impact	(0.9)	(3.3)	1.7	-	(0.4)	(2.9)
	68.2	134.9	68.5	74.5	8.5	354.6
Organic growth	(10.8)	(12.1)	12.2	22.4	3.2	14.9
Organic growth %	*(15.8%)*	*(9.0%)*	*17.8%*	*30.1%*	*37.6%*	*4.2%*
Acquisitions	-	-	5.4	3.7	18.9	28.0
26 weeks to 1 October 2023	**57.4**	**122.8**	**86.1**	**100.6**	**30.6**	**397.5**

* Upon acquisition of Murat Ticaret we gained scale in the Off-Highway market, allowing us to launch a new fifth market sector. Previously we reported sales to Off-Highway customers from our sites in North America and India within Complex Industrial Technology, this has been restated to ensure comparability going forwards.

Covenant leverage

The Group has a $240 million committed facility together with an additional $60 million uncommitted accordion.

The terms of the RCF require the Group to perform quarterly financial covenant calculations with respect to leverage (net debt (before operating lease liabilities) to covenant EBITDA) and interest cover (covenant EBITDA to covenant interest). Breach of these covenants could result in cancellation of the facility. Net debt (before operating lease liabilitites) in the financial statements is defined as net debt excluding lease liabilities but including pre-IFRS 16 finance leases. Covenant EBITDA is defined as underlying EBITDA adjusted for depreciation of right-of-use assets and the last twelve months prorated EBITDA from acquisitions.

	Note	**1 October 2023 $'m**	**2 October 2022 $'m**	**2 April 2023 $'m**
Net debt	8	(173.7)	(117.0)	(103.7)
Lease liabilities	8	39.0	24.1	34.8
Finance leases		(5.9)	(5.9)	(7.5)
Net debt (before operating lease liabilities)		**(140.6)**	**(98.8)**	**(76.4)**
Underlying EBITDA		90.4	72.4	81.6
Depreciation of right-of-use assets		(6.4)	(3.7)	(4.8)
Prorated acquired EBITDA		27.6	1.1	1.6
Covenant EBITDA		**111.6**	**69.8**	**78.4**
Covenant leverage		1.3x	1.4x	1.0x