Strix
INNOVATIVE TECHNOLOGY

Strix Group Plc

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INVESTOR PRESENTATION
INTERIM RESULTS
PERIOD ENDED 30 JUNE 2019

Operational and Strategic Highlights

Mark Bartlett, CEO

2019 H1 Operational and Strategic Highlights

Kettle Controls

- Market Share
  Market share maintained within all segments despite macro-economic headwinds and ASP held above prior year.
- IP & Safety Actions
  Successfully removed 10 electronic kettles from web pages. Secured £580k incremental sales from actions taken in 2018.
- Electronic Controls
  Next generation of electronic controls launched with specifications and pricing to secure incremental opportunities.
- U9 Series
  Continued to deliver strong growth with > 5 m controls sold.

Appliances

- China Expansion
  Expansion in China with Zwilling Brand launching the patented IFH “true boil” technology.
- Mr Coffee, USA
  Collaboration with Mr Coffee USA launching high quality coffee machine utilising patented “Hot Cup” technology.
- Awards
  Latest generation of TT Perfect Prep “Day & Night” won prestigious Gold Mother & Baby innovation award.

Water Category

- Halosource Acquisition
  Acquisition of specified assets & technologies including “Halopure” & “astrea” products.
- Product Launches
  Category expansion into SDA with the launch of “Lumi”, and launch of Aqua Optima products into China.
- Global Partnership
  Secured global partnership for the astrea product to be distributed Philips branded outside North America.
- Expansion of R&D
  Innovation centre established in USA for water category providing enhanced capability to differentiate portfolio.

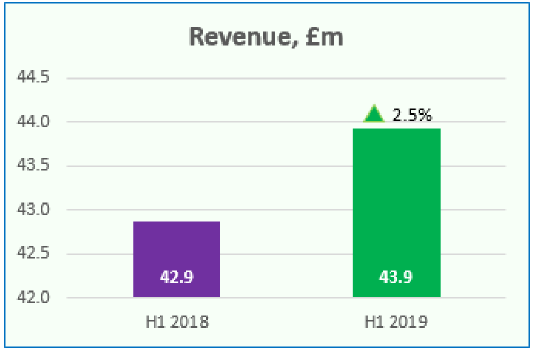
Operations

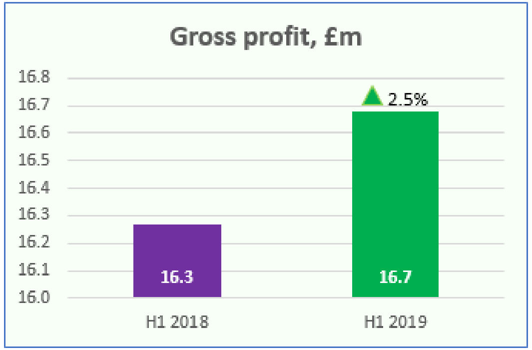
- New Factory
  Investment agreement secured with PRC Government in Q1, 2019. Construction agreement secured within budget and on plan.
- Automation
  Continued rollout of automation across control and filter manufacturing. Achieved 20% improvement on U9 series efficiency.
- Accreditations
  Awarded “Benchmark” status for all categories in Isle of Man operations.

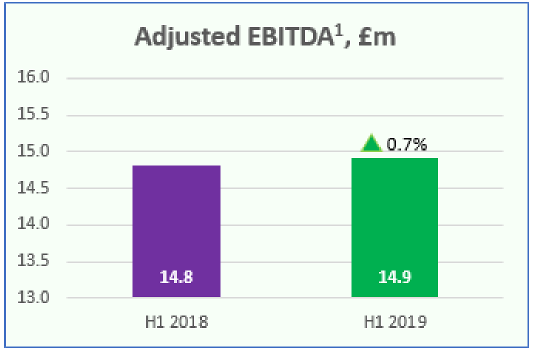
Financial Highlights & New Factory Update

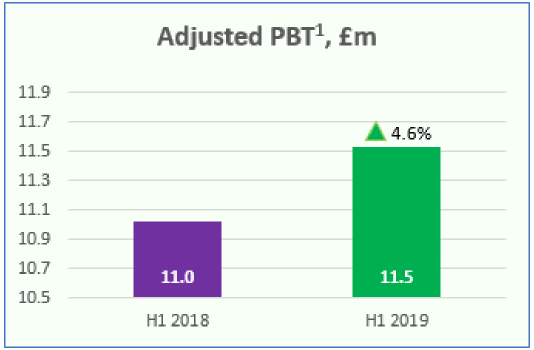
Raudres Wong, CFO

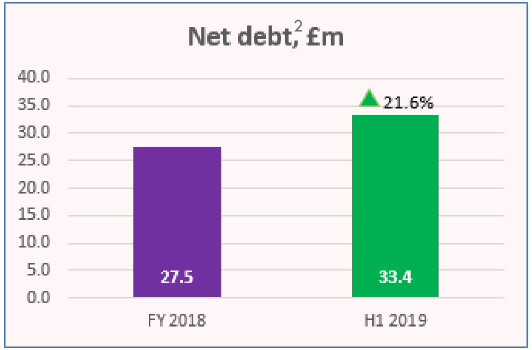
Financial Highlights

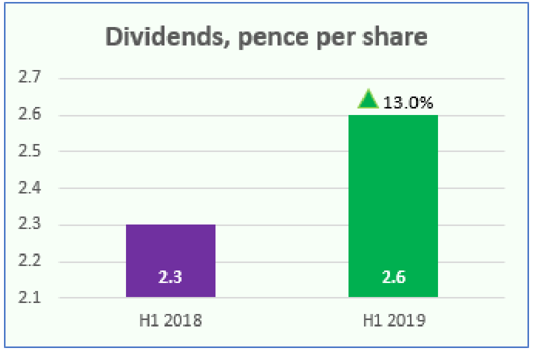












Note:

[1] Adjusted results exclude exceptional items which includes share based payment costs, is a non-GAAP metric used by management and is not an IFRS disclosure.

[2] Net debt H1 2019 excludes IFRS16 related lease creditors (£4.4m).

Profit and Loss Summary

£m	H1 2019	H1 2018	% Change[2]
Revenue	43.9	42.9	+2.5%
Gross profit	16.7	16.3	+2.5%
Other operating costs - before exceptional	(4.8)	(4.5)	+7.1%
Other operating costs - after exceptional	(8.8)[4]	(6.9)	+27.8%
Adjusted EBITDA[1]	14.9	14.8	+0.7%
Adjusted PBT[1]	11.5	11.0	+4.6%
Adjusted PAT[1]	10.9	10.6	+2.6%
Gross profit margin	38.0%	37.9%	0.0pts
Adjusted diluted EPS[1]	5.4p[3]	5.3p	+1.8%

[1] Adjusted results exclude exceptional items, which include share based payment transactions. Adjusted results are non-GAAP metrics used by management and are not an IFRS disclosure

[2] Figures are calculated from the full numbers as presented in the condensed consolidated interim financial statements.

[3] Adjusted diluted EPS is 7.2% higher than H1, 2018 at 5.7p after taking off Halosource impacts

[4] Exceptionals consisted of £3.1m of SPB costs and £0.9m of strategic project cost (Halosource)

Cash Flow

£m	H1 2019	H1 2018
Adjusted EBITDA[1]	14.9	14.8
Inventories	*(0.3)*	*(1.0)*
Trade and other receivables	*(4.1)*	*(0.8)*
Trade and other payables	*1.7*	*2.3*
Net changes in working capital	(2.7)	0.5
Exceptional and other	(1.0)	0.2
Capex (tangible)	(4.6)	(2.6)
Capex (Halosource / intangible)	(1.2)	-
Capitalised development costs	(0.9)	(0.9)
Operating cash flow (OCF)[2]	**4.5**	**12.0**
OCF / EBITDA %	41.8%	97.0%
Free cash flow (FCF)[3]	**3.6**	**11.5**

Notes:
[1] Before exceptional costs
[2] OCF is defined as: 'Cash generated from operating activities' less 'Net cash used in investing activities'
[3] FCF is calculated as: OCF less 'Net interest' and 'Tax paid'

Commentary:

- **Receivables:** £4.1m outflow (H1 2018: £0.8m outflow) due to increase in trade debtors £3.8m due to high June sales and increase in prepayments to suppliers to secure material prices.
- **Exceptional and other:** £1.0m of costs incurred primarily in relation to the acquisition of Halosource in H1 2019.
- **Capital expenditure:** £4.6m (H1 2018: £2.6m) increased due to £1.7m land purchase and increased Capex on further automation. Capex includes £1.0m for the acquisition of Halosource.
- **OCF:** Reduction due primarily to the adverse receivables working capital movement explained above.
- **OCF to EBITDA ratio:** conversion was 41.8% (H1 2018: 97.0%) due to the significantly lower OCF.
- **FCF:** decreased to £3.6m (H1 2018: £11.5m) due to lower OCF and timing of the first RCF interest payments in 2018 being in H2 2018 (interest P&L costs were lower in H1 2019).

Net Debt

Net debt at 30 June 2019[1]

£33.4m

£27.5m at 31 December 2018

RCF balance at 30 June 2019

£42.0m

£41.0m at 31 December 2018

Revolving credit facility

£51.0m

with facility termination date of July 2022

Facility headroom at 30 June 2019

£9.0m

available to draw down if required

ND/EBITDA ratio at 30 June 2019

0.9x

0.8x at 31 December 2018

Bank covenant requirement – ND/EBITDA ratio

<2.5x

for period ending 30 June 2019

[1] Net debt H1 2019 excludes IFRS16 related lease creditors (£4.4m).

New Factory

Investment Agreement signed between Strix & PRC Government in Q1 2019 for a factory more than 2 times the size of our current premises, with 50 years right-of-use granted for the land.

Will provide efficiency improvements, additional automation capability and an opportunity to in-source filtration products and processes.

May '19
Land purchase complete.

June '19
Design finalised.

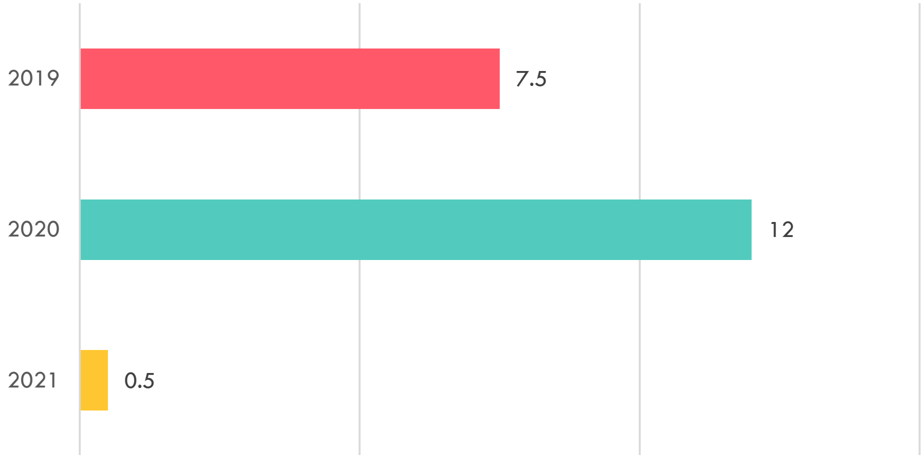
Sept '19
Construction permit application complete.

Jan '21
Construction complete.

March - July '21
Inventory build & movement.

August '21
Project completion.

New Factory: Capex by Year (£m)



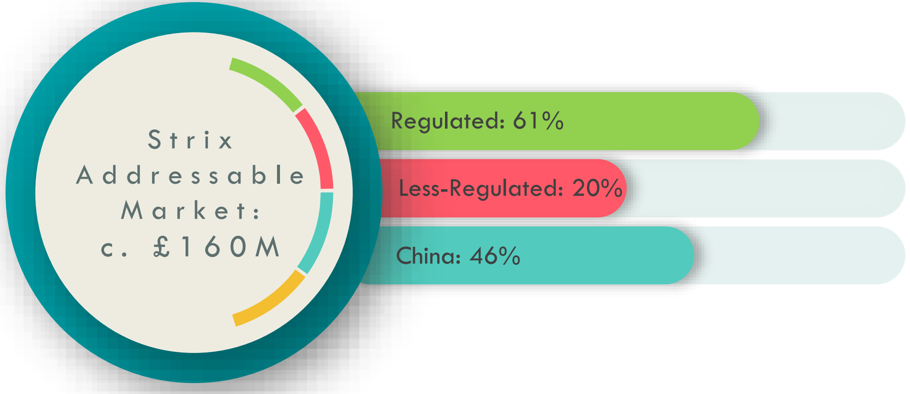

Strix
思瑞克斯（中国）电器有限公司

Operational and Strategic Update

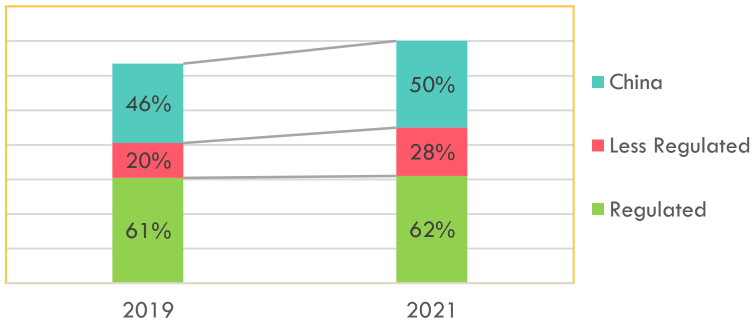
Mark Bartlett, CEO

Kettle Control Business

Enhancing our kettle control offering remains a key focus for Strix with the global kettle market currently valued at retail at c. £3 B, and projected to expand by c. 15% over the next three years.



Strix Control Share Targets by Market



2019 Highlights

- Patented 6A, 9A & 13A U68; Next Gen electronic control for all markets.
- StrixVQ fast-tracked (high volume); tailored control brand targeting Copyists in China & Less Regulated Markets.
- Mini U9 (small footprint element) & patented U7 control to expand addressable market.

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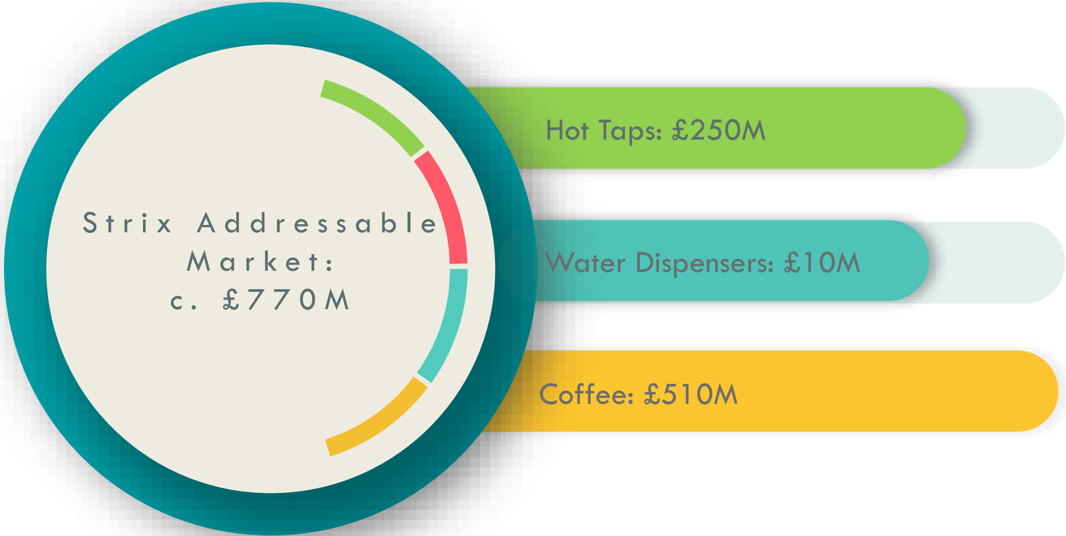
* Strix market data sourced from various third parties.

Hot Water on Demand (HWoD)

The HWoD category is a natural extension to the Strix core business offering, and is valued at retail at over £2.4 B globally. The market is growing out of consumers' increasing need for convenience, speed, and energy efficiency.



2019 Highlights

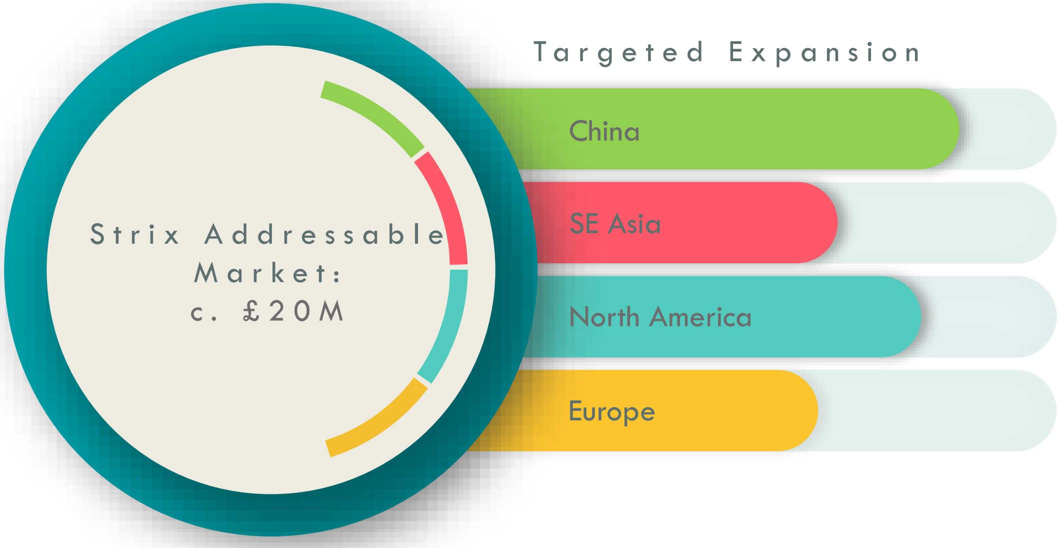
- Successful IFH "true boil" appliance launch in China with Zwilling.
- Collaboration with Mr. Coffee: High quality coffee machine launch in USA.
- Further IFH expansion in China.

Our aim is to be the number one partner for brands seeking innovative solutions within the category.

* Market data sourced from various online third parties.

Baby Care

The Global Baby Care Category is valued at retail at over **£150** Billion. Strix plans to expand from a UK to a Global footprint in this resilient category, focusing on solutions which offer enhanced convenience and safety.



2019 Highlights

- TT Perfect Prep "Day & Night" wins Gold Mother & Baby Innovation Award.
- Agreement reached with leading Asian Baby care brand to launch a range of products in 2020.

The China market is a key focus; growing at rates of > 16% pa since 2016. Consumption of "Baby Care" products in China is mainly driven by those born after 1985 who are demanding higher quality products; this presents a significant opportunity for international companies who are often perceived to be of a higher quality, safer and more reliable than their Chinese competitors.

[China Britain Business Council Report, 2019]

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* Market data sourced from Euromonitor and Strix analysis of various online sources.

Strix TECHNOLOGY

Water Category: Acquisition Update

Aqua Optima, astrea (new), and Halopure (new) businesses and technologies have now been successfully integrated into a consolidated water category. The new US operation is fast becoming a Launchpad for an expanded branded product portfolio into global markets.

Integrated Team

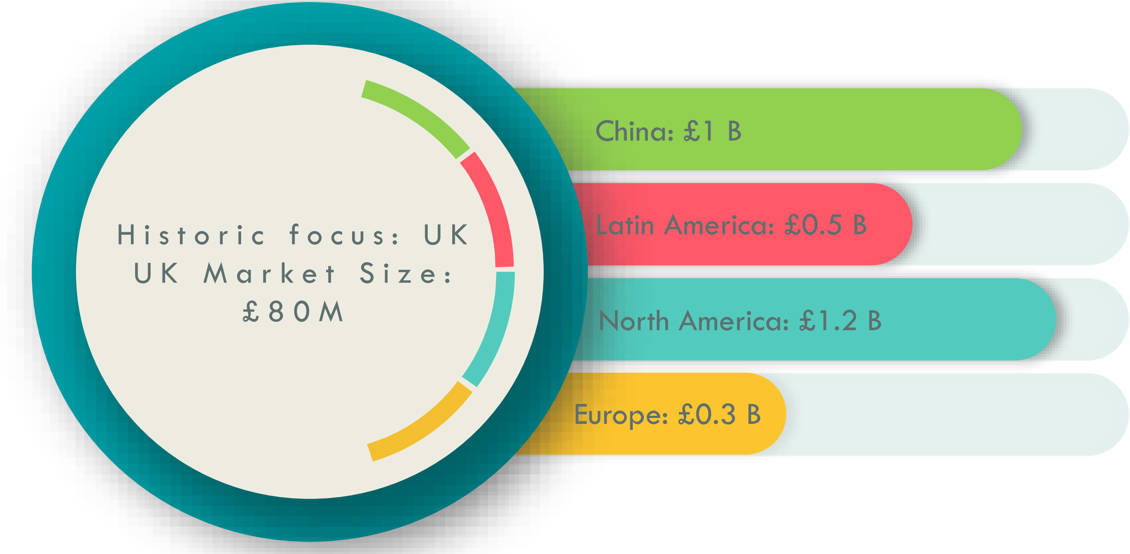
&

Global Markets

- **Innovation facility (Halosource) providing expanded R&D and testing in filtration.**
- **Divisional product development & strategic category marketing established in US office.**
- **astrea & Halopure technologies allowing new consumer claims & category access across the business.**
- **astrea ONE filter water bottle as flagship product demonstrating category leading performance in filtration.**

Water Category

The Global Water Filtration Category is valued at retail at over £8 Billion. With historic focus limited to the UK market, Strix plans to leverage existing technologies and new acquisitions to drive aggressive growth in focus geographies. By the end of 2021 our aim is to launch 16 new products including filters, jugs, bottles and appliances.



> £3 billion opportunity in key target markets.

2019 Highlights

- Acquisition of Halosource (astrea & Halopure brands).
- Launched water chiller appliance (LUMI).
- Secured global co-brand partnership with signature brand (Philips).
- Development of Next Gen Halopure Technology.

* Market data sourced from Baytel Report (2015), Mintel Report (2018), GFK Data & Strix analysis.

Significant NPD launches

Strong, patented core and disruptive technologies that can be leveraged through the extensive relationships with both Brands and OEM's focused on delivering consumer & environmental benefits

- Mr. Coffee Machine

Mr. Coffee EST. 1970

Launched Sept 2019

- IFH China:

- Global branded Water Bottle Partnership

PHILIPS

Launched Sept 2019

- LUMI Launch

Outlook 2019

We remain committed to increase the full year dividend by 10% to 7.7p per share and remain confident of achieving the Group's business objectives for the full year.

Kettle Controls

- **Market Share**
  Maintain share within regulated market segment at c.61% and grow share in China and Less regulated markets to c. 48% and c.22% respectively.
- **ASP**
  Secure ASP of c.-2% (0% excl. China healthy eating kettles, milk frother, cezves, etc.) with increased mix of products to China and Less regulated territories.
- **Disruptive Technologies**
  Further development of disruptive technologies for launch in 2020.

Appliances

- **Strategic Partnerships**
  Continue to leverage on relationships with Brands and OEM's to secure long-term agreements on new technologies.
- **Category Management**
  Implement Category Management within the NPD function to expedite commercialisation of new products.

Water Category

- **Halopure**
  Finalise and execute strategy for Halopure technology on sterilisation applications.
- **Differentiate**
  Differentiate existing products within portfolio through innovation team to drive value and consumer benefit.
- **Strategic Partnerships**
  Continue to leverage relationships with brands to secure long-term global agreements.

Operations

- **New Factory**
  Begin construction of the new factory in line with schedule to complete by January 2021.
- **Automation**
  Continue successful roll-out of automation across control and filter manufacturing.
- **Acquisitions**
  Seek niche acquisitions within SDA and filtration segment funded through free cash flow and the existing facility.

Strix Investment Proposition

Key Attributes	Applicable to Strix?	Evidence
1 High proportion of recurring revenue	Yes	Kettles replaced on average every 3.5 years securing c. 90% revenue annually.
2 Industry leading share and margin	Yes	Global market leader with >60% of regulated and c. 46% of China Domestic Market. Growth opportunity within less regulated where share is c. 20%.
3 Highly cash generative	Yes	Cash to EBITDA ratio historically of c. 80% - 90% with more than 60% of sales cash in advance.
4 Low leverage and high ROCE	Yes	Net Debt 0.9* EBITDA and ROCE measured at 138%.
5 Attractive dividend policy and profile	Yes	Full year dividend increased by 10% to 7.7p with future progressive dividend aligned to underlying earnings.
6 Scope for further organic expansion	Yes	Strong, patented core and disruptive technology that can be leveraged through the extensive relationships with both Brands and OEM's globally.
7 Strong Environmental focus	Yes	NPD focused on reducing energy consumption, recycling of materials and reduction of waste helping consumers have a positive impact on the environment.
8 Highly efficient Tax model	Yes	Based and established on the Isle of Man with effective tax rate of c. 5%.
9 Scope for further inorganic expansion	Yes	Clear acquisition strategy focused on niche companies / technologies within the SDA and filtration segments, funded from existing facility and free cash.
10 Strong management track record	Yes	Established management team with an average tenure > 10 years. Recent addition of CCO provides increased focus on commercialisation of NPD.

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APPENDIX

The Journey of Strix

Balance Sheet

	Reported H1 2019 £m	Reported 2018 £m
Property, plant and equipment - net	**18.3**	11.1
Intangible assets - net	**6.0**	4.8
<u>Working capital:</u>		
Inventory – net	**11.0**	10.5
Trade and other receivables	**11.6**	7.3
Trade and other payables	**(18.9)**	(16.8)
Income taxes payable	**(1.8)**	(1.6)
Current lease liabilities (<12m)	**(1.3)**	-
Cash and cash equivalents	**8.6**	13.5
Long term liabilities (borrowings, pension and >12m leases)	**(45.2)**	(41.2)
Net (liabilities)/assets	**(11.7)**	**(12.4)**
Total equity	**(11.7)**	**(12.4)**
Net Debt	**(33.4)**	(27.5)
Net Debt/Adjusted EBITDA ratio	**0.9x**	0.8x

- **Property, plant and equipment** has increased by £7.2m. £4.2m relates to ROU assets (leases), £1.7m relates to the land use right, and the remaining £1.3m relates primarily to CEUC to support continued investment and automation.
- **Intangible assets** have increased by £1.2m. £0.7m relates to acquired intangibles and goodwill from the Halosource acquisition, with the remaining £0.5m further investments in software and capitalised development costs.
- **Inventory** is £0.5m higher due to increased buffer stock to mitigate any Brexit disruption.
- **Receivables** are higher due mainly to a £1.0m increase in prepayments to suppliers to secure price sensitive materials and £3.8m increase in trade debtors due to higher June sales to customers on 30 day credit terms.
- **Long term liabilities** have increased £4.0m due to £1.0m increase in the borrowing facility, and £3.1m increase for IFRS 16 long term leases.
- **Cash and cash equivalents** have decreased due to the payment of FY18's final dividend, land purchase, acquisition of Halosource and Capex.

IFRS 16 Analysis

	Reported IFRS 16	Pre IFRS 16		Movement (pre IFRS 16)	Movement (pre vs post IFRS 16)
	H1 2019 £k	H1 2019 £k	H1 2018 £k	%	£k
Revenue	43,930	43,930	42,868		-
Cost of sales	(27,253)	(27,265)	(26,600)		12
Gross Profit	**16,677**	**16,665**	**16,268**	**2.4%**	**12**
Distribution costs	(2,565)	(2,568)	(2,775)		3
Administrative expenses	(6,240)	(6,249)	(4,114)		9
Other operating income	266	266	175		-
Operating Profit	**8,138**	**8,114**	**9,554**	**-15.1%**	**24**
Finance costs	(677)	(633)	(930)		(44)
Finance income	11	11	7		-
Profit before tax	**7,472**	**7,492**	**8,631**	**-13.2%**	**(20)**
Adjusted EBITDA	**14,909**	**14,257**	**14,802**	**-3.7%**	**652**
Amortisation	(688)	(688)	(1,220)		-
Depreciation	(1,401)	(1,401)	(1,635)		-
Right-of-use asset depreciation	(628)	-	-		(628)
Exceptional items	(4,054)	(4,054)	(2,393)		-
Operating profit	**8,138**	**8,114**	**9,554**	**-15.1%**	**24**
Property, plant and equipment	18,344	14,176	9,925	42.8%	4,168
Future lease liabilities	(4,420)	-	-		(4,420)

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