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Volex plc (VLXGF) Q4 2025 Earnings Call Transcript

Jun. 27, 2025 7:08 PM ET | **Volex plc (VLXGF) Stock** | VLXGF

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Volex plc (OTCPK:VLXGF) Q4 2025 Earnings Conference Call June 27, 2025 9:30 AM ET

Company Participants

Jonathan William Boaden - CFO & Executive Director
Nathaniel Philip Victor James Rothschild - Executive Chairman

Operator

Good afternoon, ladies and gentlemen, and welcome to the Volex plc Full Year Results Investor Presentation. [Operator Instructions] The company may not be able to answer every question received during the meeting itself. However, the company can review questions submitted today and we'll publish those responses where it's appropriate to do so. Before we begin, we'd like to submit the following poll, and I'm sure the company would be most grateful for your participation. I'd now like to hand over to the management team from Volex plc, Nat, Jon, good afternoon.

Nathaniel Philip Victor James Rothschild

Hello, ladies and gentlemen, and welcome to the FY '25 Full Year Results Presentation for Volex plc. As you know, I'm Nat Rothschild, Executive Chairman. And as always, joining me today is Jon Boaden, our Chief Financial Officer. So I'm going to begin by taking you through the highlights from the year before passing over to Jon to take you through the financial performance. I will then provide an update on our strategy, concluding the presentation with our outlook statement. There'll be plenty of time for questions at the end. FY '25 was a year of significant progress as we successfully executed key elements of our strategy. This allowed us to deliver over 11% organic growth against a tough market backdrop. We invested in manufacturing centers of excellence, enhancing production efficiency and increasing our capacity in strategically important regions.

Our position as an essential and trusted partner to global technology companies was strengthened through our consistent delivery of critical specialized manufacturing services. We continue to serve high-value markets, including electric vehicles, data centers and off- highway. Each market has unique structural growth drivers, and our deep expertise allows us to capitalize effectively on emerging opportunities. The ongoing integration of Murat Ticaret was a significant highlight, focusing heavily on productivity enhancements and operational optimization. This integration provided substantial scale, strengthened customer relationships and augmented our engineering capabilities, notably in the off-highway segment. These improvements are integral to our broader goal of capturing greater market share while maintaining profitability across our business segments.

Jon will take us through the numbers in more detail later in the presentation, but I do want to highlight that this is the first time we've exceeded $1 billion of revenue and $100 million of underlying operating profit. This is a milestone on our way towards delivering our 5-year plan targets, positioning us favorably for the future. Looking forward, we remain confident in our ability to navigate complex market conditions, adapt to evolving customer needs and leverage our unique competitive advantages to sustain profitable growth. So I'd like to provide an overview on what makes Volex such a compelling investment proposition. We've consistently delivered strong financial performance, including 5 years in a row where our operating margins have been maintained within our target range of between 9% and 10%. And this includes during challenging periods due to COVID, variable supply chains, destocking and inflation.

Alongside this, we have delivered 11% average organic revenue growth over the same period. We are in the right markets with attractive characteristics and structural growth drivers. We focus on niche sectors where our capabilities align closely with customer needs. These are expanding markets with high barriers to entry, giving us natural diversification. Our global footprint and scale give us a real edge. We have well-invested manufacturing and engineering presence across 3 continents that will be difficult for a new entrant to replicate. And this infrastructure gives us flexibility and resilience in our supply chain while allowing us to be close to our customers, many of whom are global businesses themselves. Our engineering-led innovation allows us to add value far beyond simple assembly. We are not just a manufacturer. We design, engineer and optimize solutions for manufacturability and performance. This includes developing a full suite of our own products for EV and data centers. Vertical integration allows us to control quality, manage costs and ensure reliable delivery.

We differentiate through our ability to be agile and responsive. Volex combines the rigor of a public company with the entrepreneurial mindset of a smaller organization. We make decisions quickly. We empower local teams while maintaining clear strategic and financial oversight. And this allows us to respond rapidly to changes in customer demand, emerging opportunities or shifts in market dynamics. Finally, we've been highly disciplined in our approach to acquisitions. Over the past few years, we've made a series of carefully selected acquisitions that have expanded our capabilities, deepened our customer relationships and extended our geographic reach. We will cover our acquisition framework later in the presentation. So the scope and pace of recent changes in global trade policy presents opportunities and challenges. We have a resilient and diverse business well suited to navigating the current tariff landscape with our extensive global footprint.

The evolving situation has created opportunities to deepen customer relationships. We actively support customers as they address all manner of supply chain challenges, taking a proactive approach to ensuring operational continuity. Our ability to relocate complex manufacturing operations seamlessly backed by a global interconnected approach and single points of contact underpins our value proposition. These dynamics -- given these dynamics, we see tariffs as an opportunity and opportunities to cement our position as the manufacturer of choice with our key customers to support new customers in their supply chain transformation activities and to demonstrate the value add that we can provide. Based on the current tariff landscape, only around 12% of group revenue is potentially impacted by increased tariffs, which is very manageable volume given that we're frequently manufacturing mission-critical solutions for our customers.

We're already engaged with key customers in transfer projects, reducing their exposure to specific markets and moving to our center of excellence locations such as Batam, Indonesia. And throughout our discussions with customers, we've been clear that the incremental tariff costs will be passed through in their entirety. This has been accepted given our role as a manufacturing specialist. We're frequently the sole supplier of specialist solutions to our customers with limited alternative sources. Often, this is reinforced by regulatory approval requirements or similar barriers. The fact that we have such a high degree of lock-in with our customers means that they are keen to work with us to mitigate tariff challenges rather than looking to transfer business elsewhere. So I'll now hand over to Jon to talk through our financial performance.

Jonathan William Boaden

Thank you, Nat. And I'd just like to say it's great to be back on the Investor Meet Company platform. It's always one of the highlights for us of the results process because we get such interesting questions. So please be thinking about your questions you'd like to ask at the end. So look, turning to Volex. These are an excellent set of results. In FY '25, we delivered sustained strong financial performance across key metrics. Our revenue grew by 19% year-on-year with organic growth of 11.1%, and that's a tremendous outcome, reflecting a strong performance across the entire organization. I'll step through the performance by end market on the next few slides. Our strategy delivers strong growth with consistently healthy margin profile, and we've achieved this again, the fifth consecutive year within our 9% to 10% margin corridor.

This is a testament to our efficient manufacturing, strong customer relationships and disciplined financial management. Return on capital employed remains robust, demonstrating the effectiveness of our capital allocation strategy. Our net debt leverage ratio was maintained at 1x, reflecting prudent financial management and ensuring substantial flexibility to support future growth initiatives. So if we turn to electric vehicles, we had an extremely strong year in electric vehicles with organic growth of approximately 40%. This marked a significant recovery from the prior year where we'd experienced destocking, and we're firmly back on a growth trajectory. We're achieving this through a combination of expanding the products and services that we offer to existing customers, but also onboarding new OEMs who are keen to purchase our market-leading EV product sets.

Adoption of electric vehicle technology continued to grow in key markets, notably in the European and Chinese markets, where EVs as a proportion of all cars sold are up to 26% and 53%, respectively, demonstrating continued strong consumer adoption of this technology. We continue to roll out successful projects, including to one of our key customers, providing high-voltage connectivity solutions that power all the electrical systems within one of their new vehicles. This demonstrates that our capability has broadened beyond external charging infrastructure to being able to support specialist applications on the vehicles themselves. In Consumer Electricals, we delivered significant growth of 9.6% organically. And again, this contrasts with the prior year where we were experiencing some customer destocking.

This is an important market for us given that it's highly cash generative, and we have, through vertical integration and automation, created an incredibly cost competitive proposition for our global customer base. We've won additional projects in the year with new and existing customers as they develop new technologies to improve the consumer experience. We're continuing to expand the breadth of our offering, particularly around our wire harnesses for domestic appliances, which is a further growth opportunity. Customer trends continue to be positive in the consumer electrical space, underpinning our confidence in this end market for the future. As we anticipated at the beginning of the year, medical was slightly down year-on-year by approximately 5%. This was really driven by the dynamics of the comparative period where we saw a one-off catch-up as our medical customers recovered from challenges around availability of key components.

Over a 5-year period, we've delivered 10% compound annual growth in this market, although we expect demand in FY '26 to be fairly static. In the longer term, there are strong structural growth drivers related to advances in medical technology and demographic considerations that will support the future growth outlook. We have an excellent customer base, and we've onboarded new customers during the period, which will help support growth as we move forward in this market. In Complex Industrial Technology, we had an excellent year, delivering organic growth of 14.5%. We were particularly strong in the data center space with high growth

demonstrated in the second half of the year. Our data center customers are supporting significant increased demand in relation to artificial intelligence and cloud technology, and our high-speed cables are critical to their infrastructure rollouts.

Approximately half the revenue in this end market now comes from data centers. Across the rest of Complex Industrial Technology, we have a diverse book of business, including IT, telecoms, aerospace and defense as well as a variety of other commercial and industrial applications where we provide complex cable assemblies, printed circuit board assemblies and box build services to our customers. Demand across these customers was variable and organic growth on aggregate was 1.5%. This reflects similar dynamics to medical when the prior year benefited from a recovery in component availability. Growth was also lowered by certain customer projects rolling on and off, which reflects the specialized nature of the end-use applications that we support. We see wins in HVAC as a source of growth in FY '26 as production ramps up.

Moving on to Off-Highway. This is the first financial year where we've had a full year of contribution from the off-highway business we purchased in Turkey, Murat Ticaret. We've also delivered 3.6% organic growth despite some softness in some of the end markets that we support, notably agricultural and construction. We've delivered this growth as a result of the diversification that we have in the off-highway space, combined with our relationships with customers and our strong commercial proposition. This has allowed us to offer cost competitive solutions into the marketplace. These are incredibly complex products. And as a result, the customer relationships are very sticky. We've also seen increased revenues coming out of North America, particularly from our facility in Tijuana, where we're supporting a major North American manufacturer on a specialist vehicle program that will last for multiple years.

We see North America as a huge opportunity, building on our incredibly strong position in the European market and replicating this success in the region. As an organization, we put a huge amount of focus on cost control and continuous improvement. These activities had a beneficial impact on margin of 1.5% in the period, offsetting the impact of inflation, which was an adverse headwind of 1.6%. A significant element of the inflationary impact arose in Turkey, where inflation is beginning to trend down following changes in economic policy. Our cost optimization activities allow us to achieve stable operating margins while maintaining competitive pricing, which is a huge achievement in an inflationary environment. The margins were supported by product mix with a greater contribution from higher-margin complex products, including those that we sell into the data center space.

This has allowed us to deliver towards the top end of our guidance even after the incremental growth investments that support the continued development of our business and the successful delivery of our 5-year plan targets. Turning now to cash flow. This year, we delivered almost $135 million of underlying EBITDA, which is an increase of 21% on the previous year. As we explained a year ago, FY '25 was a year of investment in increased capacity. And in total, we invested $45 million in capital expenditure. Much of that was supporting new customer projects and building out centers of excellence in key locations, particularly Mexico in India, Indonesia and Turkey to support our ongoing growth plans. CapEx represented 4.2% of revenue, slightly higher than normal levels of between 3% and 4% of revenue. And in FY '26, investments are expected to revert back to normal levels.

Growth CapEx represents the majority of our spend with less than 1% of revenue required for maintenance. There was an adverse movement in working capital, which included additional inventory to support various customer growth programs. As the business grows, we need to put in additional working capital to support those customer programs. Interest and tax was broadly in line with the prior year, growing with the business. We delivered underlying free cash flow of $42 million for the year due to the excellent returns from our targeted CapEx investments. We ended the year with a covenant net debt ratio of 1x, which is at the lower end of our 1 to 2x guidance. This provides us with significant flexibility on the balance sheet to pursue further growth opportunities. We're incredibly proud of the industry-leading return on capital that we generate of approximately 20%, which has been consistent over the last 3 years.

This is despite a huge amount of investments in our business. We achieved this because of our strong focus on returns on organic investments where we qualify projects comprehensively. We focus on investment that we know will generate a cash payback within a 2-year period, whether that's through new customer programs or whether it's through cost out, such as the automation and digital transformation projects that we've been deploying across the group. Our basic underlying earnings per share has increased 11% annualized since the launch of the 5-year plan, and we're now at $0.363 per share, reflecting the additional value that we're delivering to shareholders through our strategy. Our capital allocation priorities remain consistent with previous years. Our primary focus is on organic growth, particularly given the strong return on capital that we deliver through organic investments, where we generally achieve a cash payback within a 2-year period.

We continue to originate acquisition opportunities that meet our strict criteria around valuation, bringing financial benefits and fitting our cultural environment. We've increased the dividend again this year with a proposed final dividend of 3p per share. We've consistently increased this every year since reinstatement in FY '20. Finally, in terms of capital allocation, we would consider a share buyback if we're unable to deploy cash through organic investment or acquisition opportunities. We've consistently been buying shares in the market to settle our obligations under management share incentive schemes. And over the last 3 years, we spent a total

of $28 million buying shares in the market, including $11 million this year. This is a decision that we've made to avoid issuing these shares and therefore, limiting the dilution for existing shareholders. I'll now hand over to Nat to take you through an update on our strategy.

Nathaniel Philip Victor James Rothschild

Thank you very much, Jon. The strong results that Jon presented demonstrate our strategy is working. I'd like to talk now through the 5 strategic pillars that underpin our performance. This is how we coordinate activity throughout our organization across 25 countries with 13,000 people and with some of the world's most demanding customers. We operate at the heart of global megatrends, including electrification, data centers and medical technology. We've built strong market positions in our 5 end markets by staying close to our customers, delivering reliably and investing ahead of the curve. By concentrating in specialist areas, we develop deep technical knowledge in each vertical. We invest based on our understanding of customer requirements and our knowledge of our business. We develop our own range of products in the key growth markets of EV and data centers.

Vertical integration allows us to control our own cable manufacturing and automation initiatives support repeatability and speed at scale. We create deep long-term relationships with customers. We work side-by-side with engineers to solve problems early, flexing manufacturing schedules to meet urgent needs and driving continuous improvement at every level. This builds trust and deepens customer relationships. We acquire businesses we understand in sectors we know where we see opportunities to create long-term value. Our most recent acquisition in FY '24 took us into the attractive off-highway space at scale. I will cover our approach in more detail shortly. Our sites are empowered to make decisions, solve problems and lead customer relationships locally.

This is all supported by the standards, tools and oversight of the group. This is what allows us to move quickly to meet customer demand and to respond resiliently to macro challenges. These 5 strategic pillars guide how we invest, how we lead and how we grow. They are why we have more than doubled the business in 5 years, and we are confident in our future. Selecting the right markets is, of course, incredibly important for us. We've identified niche manufacturing areas where we can generate attractive returns and strong customer lock-in due to the complexity of the solutions required. In many cases, there are also stringent regulatory or similar barriers. More and more of our business is becoming highly complex, which supports our move into global and regional centers of excellence where we can offer a range of solutions across multiple end markets. Our ability to share manufacturing skills such as vertical integration or automation techniques across multiple end markets creates efficiencies.

For example, with the deep knowledge of power products gained within the consumer electrical space, we built a significant engineering advantage with electric vehicles. Our complete vertical integration in power cord production enables us to be a low-cost producer and market leader in consumer electricals with low capital investment requirements. This sector is highly cash generative. Across medical, off-highway and complex industrial technology, we make extremely complicated harnesses for our customers. The knowledge that we have both in terms of the sophisticated production and quality assurance processes for these products is shared between our experts, allowing us to be regarded as leaders in our field. Our investment this year increased our production space by 21%, creating a platform for us to deliver our strategic goals. This positions us for the growth we expect to achieve as customers continue to optimize their supply chains.

In the face of changes to global trade patterns, we also closed one of our factories, moving from 3 Chinese factories to 2, reflecting our focus on China as a manufacturing center for local sales opportunities. This all means that we now have 27 manufacturing sites. This includes regional centers of excellence, which are capable of delivering over $150 million of revenue at each. These sites deliver the broadest range of capabilities and achieve strong profitability by sharing overheads across a range of customer activity. These are the locations where we prioritize the rollout of automation and other technology investment. One of the projects I'm particularly proud of in the year is our support of Hypervault. They are a market-leading manufacturer of smart EV charging solutions, cleverly designed to work with dynamic EV tariffs. Hypervault wanted a comprehensive manufacturing solution to support their ambitious global growth plans and allow them to focus on their core competencies around design and product development.

We've harnessed expertise from across the Volex Group to bring together best-in-class manufacturing in a highly competitive package. Key components such as the printed circuit board assembly, specialist EV cables and complex wire harnesses are made at specialist Volex production sites prior to the final integration at one of our leading European facilities. It's the investments we have made in vertical integration and the integration of acquired businesses that enables this seamless delivery to our customer. And across our organization, we're able to support high-growth, high-technology customers with a range of solutions, delivering truly end-to- end value and becoming a trusted manufacturing partner. So acquisitions continue to be an important area for us. And although we didn't complete any acquisitions in FY '25 as our focus was maintaining a disciplined approach to acquisition opportunities and on successfully continuing the integration of Murat Ticaret.

As that integration heads towards conclusion, we continue to identify a pipeline of attractive acquisition opportunities that meet our requirements. We have a very strict criteria that we look for in business to ensure -- to look for in a business to ensure that it aligns with our overall strategy to be manufacturing leaders in niche markets around the world. The financial parameters of any acquisition are incredibly important for us, and we are highly disciplined and deeply focused on value. We buy businesses that we understand and tailor the integration activity for the individual businesses, looking to augment the intrinsic qualities of the businesses that we acquire as well as benefit from the opportunities across our global organization. As we have touched upon earlier, we've continued our focus on the integration of Murat Ticaret this year. Particular prominence has been placed on productivity improvement through process reengineering and embedding a continuous improvement mindset across the organization.

This is critical due to the high labor inflation in Turkey. We've also started the program of site rationalization and optimization, which we've achieved through expanding 2 factories in more cost-competitive locations within Turkey. And this allows us to close some of the sites that we inherited when we acquired the business and therefore, to accelerate productivity enhancements. In North America, we now have a dedicated off-highway sales team. We have built out additional capacity, which is online and available in Tijuana, Mexico, and we have further capacity that will be coming on stream in FY '26, supporting the significant opportunity that we believe there is in the North American off-highway market. So in combination, the investments we've made and the growth we've achieved firmly position us on track to reach our 5-year goal of $1.2 billion in revenue by the end of FY '27. Hitting our FY '25 results represents a significant milestone on this journey.

Since launching the 5-year plan 3 years ago, we've delivered average organic growth of 10% per year. And looking ahead, only a further 5% annual organic growth over the next 2 years is required to meet our target. We've also consistently maintained our margin within the target range. Indeed, over the past 2 years, it's been at the upper end. With the momentum we've built and the opportunities on the horizon, we are highly confident in our ability to achieve this goal. In summary, this is an excellent set of results across our diversified business in a challenging environment with strong organic growth of over 11% and delivering at the top end of our margin range. Our business goes from strength to strength. We have a truly leading position in many of our key markets where we are recognized both for our competitiveness, for the quality that we deliver and for the customer service that we are able to provide. We've expanded our manufacturing footprint during the year, optimizing our locations and taking opportunities to streamline our footprint where sensible to deliver continued improved efficiency across our manufacturing estate. Although tariffs may present some short-term challenges, we see a huge amount of opportunity through the changes that will happen in global supply chains as a result of changes in trade policy. Given our dynamic manufacturing capability and our global footprint, we are well positioned to benefit from those opportunities. We've made a terrific start to FY '26 and with our revenue ahead of our budget in the first 2 months and a healthy pipeline of attractive growth opportunities. These are an excellent set of results, giving us continued strong confidence in our ability to achieve our 5-year plan objectives. And we would now be extremely happy to receive your questions.

Question-and-Answer Session

Operator

That's great. Nat, Jon, thank you very much indeed for updating investors. [Operator Instructions] Why don't Nat and Jon take a couple of moments to review your questions. I'd like to remind you that a recording of this presentation, along with a copy of the slides and the published Q&A will be available via your Investor company dashboard. Nat, Jon, you've received a number of questions from investors today. Thank you ever so much to everybody for your engagement as well as a number ahead of today's event. Due to the significant number of attendees on today's call, it probably won't be possible to go through them all. But perhaps if I may, Jon, hand back to you to take us through the Q&A, and I'll pick up from you at the end.

Jonathan William Boaden

Yes. Brilliant. Thanks, Mark. Look, we've had some great questions. We've had lots of questions. What I'll try and do is sometimes there's questions we can answer quite quickly. So we'll cover those off. Where there's questions where a few people have asked similar questions, so we'll try and group that together into a single question so that we just have the opportunity to go through as much as possible. So the first question is around the U.S. tariffs, and it's really as to whether we've seen any indications of customer order pull forward of customer stockpiling. So I'm happy to take that first one. Look, we've been -- obviously, we've been paying a lot of attention to our business, our customers, our orders with the tariffs that have come into play. And as we explained in the presentation, the impact of the tariffs is manageable.

And in fact, we see tariffs as both a challenge and an opportunity, but we're very much focused on the opportunities from tariffs. In terms of the close of FY '25 and the first 2 months of trading in FY '26, we haven't seen any significant impact to either customers changing their behavior, pulling things forward, moving things around, which I think is a great testament to the fact that we have this very deeply embedded position with our customers with high degree of lock-in, and we're an important manufacturing partner for those customers. There's a question here for you, Nat, which is, if I had the right one. So there's a question here, Nat that you have numerous other business interest. How much time do you allocate to Volex? And what areas of Volex are you particularly focused on?

Nathaniel Philip Victor James Rothschild

Well, I'm thrilled to answer that question. I mean I devote a considerable amount of my time and more and more, it seems to the Volex business as it's grown. It's incredible to think when I got involved in 2015, we were doing about $300 million a year and making no money. And we now do well over $1 billion and making $100 million a year. So the business has got a lot more complex, and that's obviously meant that I'm more engaged than ever. I think that my role is -- I have multiple roles within the business, but I'm very involved in high-level customer engagements. I'm very involved in acquisitions. I'm very involved in strategy. And I tend to deviate to areas of the business that are -- that need the most -- really that need the most work. And so where I spend most of my time at the moment is in the off-highway segment. That's because I know most of the customers. So I'm very involved almost without exception with all of the major customers.

And I'm also something of a Turkey -- a Türkiye expert. So Turkey is something -- is a country that I know well. I obviously brought Sir Peter Westmacott onto the Board to assist us a number of years ago when we bought DE-KA. And those are the sort of the main points. I mean I would add that what really makes us a terrific business is the quality of the team around Jon and I. And I'm regularly sort of pulled over in the street and congratulated for the success of Volex. And I just think that my answer is always the same. It's just the quality of the people that we have brought into this business over the last 10 years. And so I think the biggest role I have of all is leading the team, and that's something I'm incredibly proud of. It's something I enjoy and something that I want to continue doing for as long as possible.

Jonathan William Boaden

Good. Thank you, Nat. There's a few questions here I'll go through quite quickly. There's a question about our long-term financial targets and what metrics that we use to run the business. And as we said in the presentation, our focus is very much on delivering the $1.2 billion of revenue at 9% to 10% operating margins by the end of FY '27. So the delivery of our 5-year plan. And we feel that these results are an important milestone as we're 3/5 of the way through that 5-year plan. And in terms of the metrics that we use, that we have a big focus on profitability, operating profitability, management of working capital. We have a whole suite of operational

metrics that we use that covers everything around quality, on-time delivery, our customer service, Also, we look at things around staff engagement and turnover. So there's a whole suite of things that we're really using to manage the business.

There's a question here. How would you define Volex's edge compared to its other competitors? I think very much as we try and say in the presentation, that our focus is around being engaged with customers at an engineering level, being cost competitive, having extremely good quality and having excellent customer service. And when those things come together that we end up with these deep customer relationships, which are obviously very, very important within our market. There's a question here for you, Nat, about what other larger companies do you admire and believe that Volex can follow a similar trajectory. And I'd sort of link that in with another question. There's a couple of questions about what do you think Volex can achieve over the longer term. And I know sometimes we talk about if you sort of wind back other companies 10, 20 years and look at where they were.

Nathaniel Philip Victor James Rothschild

Yes. Well, look, I think I see ourselves as a compounder in our space. And I would encourage people to look at companies like Jabil and Flextronics in the contract manufacturing space. But I would also look at companies like discoverIE or discoverIE, similar business that started out really as a cash shell 15 years ago. And I think Nick Jefferies has done an absolutely extraordinary, extraordinary job building that business organically and inorganically. And I think the greatest example of companies in our direct space is Amphenol, where I think now Amphenol has a $75 billion market cap.

It's run by a guy who's the same age as me who was actually a lawyer at Gibson, Dunn & Crutcher in 1996 and has learned the business and has taken it from a company roughly the same size of Volex and grown it over the last 25 years. And I think that Volex is now an extremely, extremely -- not only an extremely valuable business, but at a very, very good example of a company that has grown not just organically, it's growing inorganically as well. We've made 12 acquisitions. And we're trying to be like those larger businesses. And when I got involved, certainly in early 2016, the market cap was $30 million. And now at one point anyway on a sort of intraday basis. And today, we're up at almost GBP 700 million. And we should be proud of that, and we should be able to sort of take our place next to some of the companies that I've mentioned.

Jonathan William Boaden

Excellent. Thank you, Nat. There's a question here about cash conversion and why the cash conversion is lower than the previous year. And really, that's all to do with working capital. So if you wind back to FY '24, like many other companies faced with the supply chain crisis, we were building up buffer stock, and we had additional stock on hand to cover some of the disruptions that we were facing in supply chain. And during FY '24, as supply chains improved, we were able to reduce that buffer stock. So that gave us a favorable working capital unwind, the working capital inflow on the realization of that inventory. We went back to just a more normal year in FY '25, where as the business grows, we need to put in additional working capital, particularly inventory to support customer growth. So that explains the cash piece. So a question about EV growth and did this include adding new customers during the year. Well, we're very pleased with the EV growth that we've delivered. It's around 40% organic growth.

Now of that, our largest customer represented 35% of that growth. The growth from other customers was around 70%. So you can see that we're growing very strongly with other customers as well. And then there's a question on how is Murat Ticaret affected by the economic turbulence in Turkey. We've certainly found that the measures that the government are taking in Turkey to reduce inflation having a short-term adverse effect on labor costs. And we're addressing that through delivering an efficiency program that's seen us reduce headcount in the Murat Ticaret organization by 500 people already as part of our integration program. And we're not stopped there. There's further activities that we're doing to look at how we can run that business in the most efficient way, and that will help us manage the inflationary impact of higher labor costs in Turkey. There's a few questions on acquisitions, Nat, and particularly sort of our reflections on the acquisition approach that we made in relation to TT Electronics, but I think also just more broadly and how we're feeling in general about acquisitions.

Nathaniel Philip Victor James Rothschild

Great. Look, I'm not going to talk about TT. That's for another day. But I think generally, what we're seeing is we're seeing very high valuations in businesses that are, quite frankly, inferior to ours. So we're very, very valuation conscious when we look at deals. And also, we like to try and buy businesses with high customer concentration because actually that reduces the -- that tends to reduce the acquisition multiples. And then when they're absorbed into our company on a look-through basis, the customer concentration goes away. I think that's an effective formula. Right now, we have a couple of interesting deals at the very early stages in the pipeline. We've also been very unsuccessful because we're simply not prepared to pay the prices that people are demanding of their businesses.

Jonathan William Boaden

Good. Thank you. There's a question here that says, historically, customers like Apple bullied Volex over price. Are you now able to tell them the price? Do you think that the [indiscernible].

Nathaniel Philip Victor James Rothschild

So I don't think it's like -- I think it's different. I think the difference is that Volex was a business that was losing customers because it was not cost competitive. So it was a high-cost producer. And so it was incredibly exposed to Apple. When I got involved in the business very briefly, Apple was $130 million out of $300 million of revenue, and we made no money. We lost money with Apple. So that is why we were -- it's not a question of being bullied. It was just a question that we were uncompetitive. And now we are hypercompetitive. And we get -- we have -- to a far higher degree, we're able to pick and choose our customers. There's lots of customers out there, and we are able to try to sort of be more selective with who we work with.

Jonathan William Boaden

Good. Thank you. There's some questions about our forecasts. And I suppose partly numbers in the market, the sell side and the deliverability of the 5-year plan. And the tone of the questions is that it looks fairly straightforward for us to be able to deliver that 5- year plan. And I certainly feel that this is a great step on the road to that 5-year plan and that we're being sensible and cautious as we go into the FY '26 financial year. It's a difficult economic environment. Lots of things are changing or have changed. And as a result of that, we've positioned our external guidance in a sensible way so that we sort of balance deliverability but ensure that we have stretching internal targets as well. There's a question, Nat, about, there's a recent announcement about our manufacturing partnership with AFC. Do you want to talk about how we can support that business?

Nathaniel Philip Victor James Rothschild

Yes. Yes, so look, one way to win a big piece of business is to be supportive of customers that are small at the beginning and can grow into much, much bigger accounts later on. And one example of that is Hypervault, where Hypervault is a start-up. It's an offshoot of Octopus Energy. And the business has some quite extraordinary growth characteristics. We're already doing over $10 million a year of business with them. And I took the same view with AFC. AFC is a company with great potential and the ability to manufacture portable hydrogen generators is exactly the type of thing that we are able to do. And that's why we've offered our support to AFC in the way that we have.

Jonathan William Boaden

Excellent. We'll take one final question, which is a bit of a combination of things that a few people have asked, but it's really around in terms of one of the questions, do you see other sectors for Volex to move into? There's a question about whether we see the defense market as attractive? And the final piece on focus is around do we see the Indian market as a major growth driver for the future?

Nathaniel Philip Victor James Rothschild

Okay. Well, look, I mean, I think that defense is very interesting. And we are already in the defense industry. We make complicated printed circuit board assemblies in Irvine, California for mission-critical applications. We work with some of the most well-known defense companies. And we also have a small -- it's now a joint venture in Canada, making military wire harnesses that go into armored vehicles, tanks, et cetera, gum turrets. And that business is -- obviously has a high degree of applicability in Europe. And there's a number of huge defense companies in Europe who we're starting to engage with. And we also do the same thing actually in Türkiye with the largest domestic manufacturer of military vehicles. So we're already in the defense business, and we see that as an opportunity. And we're starting, as I say, to kind of engage very seriously with some of the massive European defense players. Fine enough, defense in India is an equally big opportunity, and it's another area where we're starting to look.

The Indian market is slightly lower margin than what we would like, but it is one of the fastest-growing sectors. We have a good management team there and a very, very well-managed and hypercompetitive PCB and box build business in India that we acquired a couple of years ago at a very attractive valuation. And we also, with it, acquired 13 acres of land that we're in the process of building out with factory space. So look, I think that's a good time to stop. This is obviously a happy day for all of the people who have

invested in Volex. We've seen a tremendous re-rating of the share price along with many -- of many other AIM companies. And I'm pleased that we've made some of you some money. And for those of you we haven't made any money, we hope you'd invest with us. And we're grateful for everyone's support. And this is a committed management team. We've got huge insider ownership in the business, not just me, but everyone else. And we want to continue to grow, and we appreciate your support. And just a quick shout out to the excellent Investor Meet Platform as well.

Operator

That's great. Nat, Jon, thank you very much indeed for updating investors. If I could please ask investors not to close this session as when they automatically redirect you for the opportunity to provide your feedback. Thank you very much for your time today.

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