

AVON TECHNOLOGIES PLC

AVON TECHNOLOGIES PLC
("Avon Technologies", "Avon" or the "Group")

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2024

ACCELERATING PERFORMANCE

Period ended:	30 September 2024	30 September 2023	Change	Change (constant currency) ⁴
Continuing operations¹				
Orders received	364.4m	258.7m	40.9%	40.1%
Closing order book	225.2m	135.8m	65.8%	64.3%
Revenue	275.0m	243.8m	12.8%	12.2%
Adjusted ² EBITDA	43.4m	35.7m	21.6%	22.9%
Adjusted ² operating profit	31.6m	21.2m	49.1%	53.4%
Adjusted ² profit before tax	25.3m	14.0m	80.7%	88.8%
Adjusted ² basic earnings per share	69.9c	40.3c	73.4%	80.2%
Total dividend per share	23.3c	29.6c		
Net debt excluding lease liabilities	43.5m	64.5m	(32.6%)	
Statutory results				
Operating profit/(loss) from continuing operations ³	10.7m	(12.6)m		
Profit/(loss) before tax from continuing operations	2.3m	(20.2)m		
Profit/(loss) for the period	3.0m	(14.4)m		
Basic profit/loss per share	10.0c	(48.0c)		
Net debt	65.4m	85.4m		

Strong financial performance

- o Significant growth in revenue, operating margin, ROIC and free cash flow
- o Leverage now below 1x

Continuous Improvement ("CI") delivering

- o All factories now implementing CI programmes
- o Significant operational KPI improvements
 - 21% productivity improvement⁵ vs FY23
 - 54% reduction in scrap⁵ across all factories vs FY23
 - Group inventory turns⁵ increased 7% to 3.1x (FY23: 2.9x)

Transformation getting bolder

- o Consolidation of helmet manufacturing sites on track
- o Additional CI opportunities with strong payback potential identified
- o Transformation operational expenditure expected to be self-funded through CI improvements

Orderbook and pipeline expanding

- o Record order book of 225m gives confidence for FY25 and beyond:
 - Up to £38m UK MOD General Service Respirator and filter contract win
 - New respirator contract win with Australian Defence Force
 - US DOD delivery orders totalling 34m for ACH (Advanced Combat Helmet) GEN II
 - 42m Next Generation Integrated Head Protection System (NG IHPS) delivery orders from US Army
 - New Zealand and German Navy rebreather orders
- o 3 new 'Programs of Record' with US DOD for Hood Mask Interface development programme

Faster progress towards medium-term goals

- o Expect continued growth and consistent returns in FY25 as we implement our footprint and manufacturing optimisation programmes
- o Potential to reach medium-term operating margin and ROIC target ranges in FY26 (previously FY27)
- o Confidence in delivering further sustained growth and improved returns over the long term

Jos Sclater, Chief Executive Officer, commented:

"It is now 18 months since we launched the STAR strategy and we are making good progress. This is demonstrated by our much stronger financial performance, improving operating metrics and a fast-growing order book.

I am however most excited by the ability of the organisation to change and translate strategy into action. We have built a culture where improving processes is becoming the Avon way of life, we have much more capable people and the pace of change is accelerating.

As a result of the progress made during the year, we see the potential to reach our medium-term operating margin and ROIC guidance target ranges a year early, in 2026. We also expect the transformation programme to be largely complete by then, with an accompanying significant decrease in transformation cash costs providing the platform for a broader capital allocation strategy."

For further enquiries, please contact:

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Analyst and investor webcast

Jos Sclater, Chief Executive Officer, and Rich Cashin, Chief Financial Officer, will host a presentation for analysts and investors at 9.00am this morning, at Sodali & Co, 13th Floor, 122 Leadenhall St, City of London, EC3V 4AB. The presentation will also be broadcast live at: https://brmedia.news/AVON_FY_24

To attend in person please contact: avontechnologies@sodali.com avontechnologies@sodali.com

Notes:

- ¹ At 30 September 2023 Armour operations were fully closed. Armour was therefore classified as a discontinued operation in the prior period.
- ² The Directors believe that adjusted measures provide a useful comparison of business trends and performance. Adjusted results exclude exceptional items and discontinued operations. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.
- ³ Reported operating profit includes 6.2m amortisation of acquired intangibles, transformational costs of 13.0m, and 1.7m impairment of non-current assets. See Adjusted Performance Measures section for full breakdown of adjustments and comparatives.
- ⁴ Constant currency measures are provided in the adjusted performance measures section.
- ⁵ Productivity improvement is measured as revenue / direct headcount, scrap is measured as scrap value / revenue and inventory turns is measured as cost of sales / inventory. Full calculations are provided in the Adjusted Performance Measures section.

About Avon Technologies plc:

Avon Technologies plc make products that are trusted to protect the world's militaries and first responders.

Our dedicated teams achieve this by developing mission-critical solutions that enhance our customers' performance, efficiency and capability, whilst providing ever-increasing levels of protection.

With a portfolio that includes respiratory and head protection systems, we are renowned for our innovative thinking and our steadfast approach to manufacturing unrivalled products.

For further information, please visit our website www.avon-technologiesplc.com

Legal Entity Identifier: 213800JM1AN62REBWA71

CEO REVIEW

FINANCIAL SUMMARY

We closed the year with a record 225.2m order book, a 64.3% increase vs last year, reflecting the benefits of our new operating structure, strategy and excellent demand for Avon Protection and Team Wendy's market-leading products. This strong order intake was predominantly driven by growth in Team Wendy's Next Generation Integrated Head Protection System (NG IHPS) and second generation Advanced Combat Helmet (ACH GEN II) orders from the US DOD and accessory sales. We also saw the order book at Avon Protection double this year (up 101.1%) with UK GSR MOD orders, US DOD M50 and accessory orders, FM54 order from Australia and demand from Germany and New Zealand for rebreathers. In addition, we continue to see excellent visibility of orders from our recurring and aftermarket revenue base.

The current geopolitical situation continues to support demand for both masks and helmets. We are seeing evidence of higher numbers of on-the-ground personnel, higher personal equipment specifications and a rise in perceived threat levels including chemical, biological, radiological and nuclear (CBRN) attacks, along with continued equipment modernisation programmes, all driving budget requests within NATO countries. In the US first responder market, the prevalence of both guns and drugs supports demand for ballistic helmets and respiratory protection. We are also seeing West Coast police forces re-capitalising in preparation for the FIFA World Cup and the Olympics.

Group revenue, at constant currency, grew 12.2% to 275.0m (FY23: 243.8m). This was driven by a 48.9% increase in Team Wendy, partially offset by the expected 7.2% decline in Avon Protection due to timing of filter orders from the US DOD.

Adjusted operating profit increased by 53.4% at constant currency, resulting in operating profit margin increasing to 11.5% vs 8.7% last year. Avon Protection experienced a slight decline in operating margin to 18.3% (FY23: 18.7%) with the significant manufacturing efficiency improvements made within the year, positive product sales mix and a more disciplined approach to pricing offset by lower revenue. Team Wendy delivered an increase in operating margin to 3.9%, reflecting improved operating leverage as the division grows, which is pleasing to see ahead of the consolidation of our facilities in the US in 2025.

Adjusted basic EPS increased by 80.2% at constant currency, reflecting the growth in operating profit and a reduction in finance charges due to lower net debt through the period. Adjusted earnings also benefited approximately 4 cents per share from a lower than forecast effective tax rate driven by one-off items which are not expected to recur in 2025.

We delivered a year of very strong cash generation with cash flows from operations of 63.7m (FY23: 3.4m), mainly due to improved receivables and an increase in average working capital turns to 4.52x (FY23: 3.71x). We ended the year with a significant decrease in our bank leverage ratio to 0.91 times net debt leverage (FY23: 1.94 times).

Return on invested capital increased to 13.7% (2023: 8.7%), reflecting higher operating profit and the reduction in working capital.

OPERATIONAL SUMMARY - EXECUTING OUR STAR STRATEGY

Our STAR strategy was launched in 2023 and set out the strategic priorities required to achieve our medium-term goals of at least 5% revenue CAGR, adjusted operating profit margins of 14-16%, ROIC of more than 17% and cash conversion of 80-100%. As a result of progress made during the year, we now see the potential to reach our operating margin and ROIC target ranges a year early, in 2026. We are increasingly confident in the benefits and payback of our transformation and continuous improvement programmes.

As a reminder, our STAR Strategy comprises four focus areas:

1. **STRENGTHEN THROUGH CONTINUOUS IMPROVEMENT** to always deliver quality products on time while using capital efficiently and improving productivity.
2. **TRANSFORM** the cost base to increase margins through a programmatic approach to transformation
3. **ADVANCE** organically by growing the core and scaling up emerging opportunities
4. **REVOLUTIONISE** by developing the next generation of products to drive long-term growth

1. Strengthen through Continuous Improvement

Now we've fixed the foundations of the business, we're evolving our 'Strengthen' pillar to become 'Strengthen through Continuous Improvement', reflecting the value we see in continuous improvement and a desire to see it as a central part of our strategy.

We believe that CI will:

- increase employee happiness and motivation;
- free up cash to invest into the business, funding our transformation programmes and R&D;
- improve productivity, which generates wealth; and
- help grow the business by enabling us to reliably deliver quality products with short lead times.

How are we doing it?

On the shopfloor we aim to dramatically improve our production processes to:

- achieve one piece flow;
- make product to customer demand ("takt time");
- connect our customers to the shop floor through a pull system; and
- establish standard work to remove waste from the processes and sustain gains.

Off the shopfloor we aim to:

- remove waste in the product development process; and
- identify waste in the office-based processes and remove it through Kaizen.

Progress so far:

All our sites have a long history of batch manufacturing and our previous structure on our manufacturing floors was based around equipment type. We needed to break up these functional silos and move to a structure based around value-adding activities. We have now changed most of our DOD helmet lines, commercial helmet lines and mask manufacturing lines from traditional batch manufacturing to flow, improving inventory turns, quality, lead times and productivity.

We have reorganised every major factory into value streams and every line now has visible metrics showing progress by the hour to reduce inefficiencies, cut down on waste and ensure each step adds value. We now also have digital data on our most important lines showing productivity, scrap and rework real time.

We have recently developed a new process called the "Plant Preparation Process" that we are using to transform three of our facilities. This process creates the plan for the whole plant, which is then implemented through Kaizen. We carried out over 350 Kaizen activities last year. By involving everyone from operators to senior leaders, we're making sure these improvements are sustainable and benefit the entire operation.

Operational KPIs improving:

- **Safety** - Making our workplace a safer place to work, measured as our lost time incident rate
- **Quality** - Reducing scrap and rework and further improving customer confidence
- **Delivery** - Radically reducing lead times and improving on-time delivery
- **Inventory** - Growing while freeing up significant cash from inventory
- **Productivity** - Reducing costs and increasing capacity for further growth by improving efficiency

We set targets of a 25% productivity increase, a 60% scrap reduction and inventory turns of more than 5 in the medium-term. We have made such good progress that we have stretched our productivity and scrap targets from where they were at the Capital Markets Day in February 2024 to a 35% productivity increase and a >60% scrap reduction.

Versus FY23, at a Group level:

- productivity has improved by 21%;
- scrap has reduced by 54%; and
- inventory turns have improved by 7%.

This is pleasing progress but we still have a significant number of improvement projects in the pipeline, including training the new employees hired in Cleveland ahead of full rate production and solving some material-related scrap issues in the first batch of ACH made in Cleveland, which will significantly reduce scrap rates at that facility.

The improvement in inventory turns has freed up 19m of cash since the middle of 2023. We now believe that this inventory release will largely generate enough cash to pay for the transformation project's total operational expenditure.

2. Transform

Our transformation projects remain focused on reducing costs to improve margins and free up resources to invest into

growth. Our existing transformation programmes remain on track with a total investment in FY24 of 13.0m (FY23: 2.9m) and 1.7m of capital expenditure.

Workstream	Goals	Progress in 2024
Footprint optimisation	<p>50% improvement in revenue/sq ft</p> <p>10ppts improvement in Team Wendy gross margin</p>	<p>Our largest transformation project is the consolidation of our helmet manufacturing sites which includes:</p> <ul style="list-style-type: none"> moving IHPS moulding to Salem and IHPS finishing to Cleveland and closing Irvine, while also improving immature processes in parallel; increasing production of ACH from 0 to a run rate of over 60,000 helmets a year; stabilising and shortening lead times on the commercial helmets, particularly EPIC and EXFIL; and moving both Salem and Cleveland from batch to flow and from end of line testing to in line testing, significantly reducing WIP and improving productivity at the same time. <p>This project remains on track and we are making good progress in obtaining approval from the US DOD to finish the IHPS helmet and make the ACH GEN II in Cleveland. We still expect to close the plant by the middle of the 2025 calendar year and we expect to start seeing the financial benefit of this programme in FY26.</p> <p>With a goal to improve productivity and reduce inventory and footprint, our UK site has also started a transformation to move from batch to flow manufacturing which is progressing rapidly. Since the beginning of 2024 we have already reduced our footprint by over 25% through Kaizen activities which have started to flow each production line.</p>
Operational excellence (plant transformations)	<p>35% productivity improvement</p> <p>>60% scrap improvement</p> <p>Inventory turns >5</p>	<p>We are now part way through major plant transformations at three factories: Cleveland, Salem and our UK site.</p> <p>All our manufacturing sites have moved to a value stream model, where Value Stream Managers are responsible for product families and delivering against our operational targets. We have now appointed the Value Stream Managers and are embedding the new structure and culture.</p> <p>We have moved all our DOD helmet lines, commercial helmet lines and mask manufacturing from traditional batch manufacturing to flow, improving inventory turns, quality, lead times and productivity. We have ambitious plans to flow more lines this year, including our rebreather line and the new MITR line.</p> <p>We are also investing in new technology to make manufacturing more efficient and improve quality and reliability in our Cleveland site. This includes better moulding, tooling, kitting and painting equipment. This investment will not only improve consistency but also support our strategic objective to deliver the higher production output needed as we ramp up production in the coming 12 months.</p>
Functional excellence	Roll-out of SBU functions	<p>Finance excellence - The restructure of this function is now complete, generating savings of c. 1m p.a. We are also currently planning the removal of SAP from our Salem plant, which could save over 1m a year.</p> <p>HR excellence - New dedicated HR teams are now in place at SBU level and a Global HR Director has been appointed to lead the restructure of this function, set strategic direction and support our move to a continuous improvement culture.</p> <p>Programme management - Over 100 employees have now been trained on our newly created programme management approach and process. We have appointed programme leaders to drive our US footprint optimisation project, who will also lead other programmes of significance including the new product introduction process as the footprint optimisation project completes in FY26. We have, however, won a lot of DOD Programs of Record and have two new helmets to design and ramp up in Team Wendy, so will need even more to strengthen our programme management capability.</p> <p>Sales excellence - During 2025 we have more to do to strengthen both the processes and organisation of our sales teams, although we have now established an operating model for our North American commercial sales team and international sales team.</p>
Commercial optimisation	Complete screening of product portfolio, identifying potential improvements	<p>We have reviewed the product portfolio and have addressed pricing opportunities where appropriate. Work has begun to improve the pipeline management with our US and International sales teams and understanding of how we can partner with customers to better predict orders and delivery expectations.</p> <p>We have also standardised common bid and programme management processes and rolled-out professional sales and negotiation training in Team Wendy, and are focused on building out our sales team to focus more on delivering international and new market growth in both SBUs.</p> <p>We continue to strengthen our e-commerce platform. We have also taken a more market-based approach to pricing, which contributed to the 370 basis point improvement in gross margin year on year.</p>

We have several additional opportunities currently in the appraisal and planning stages of our transformation funnel and

We have several additional opportunities currently in the approval and planning stages of our transformation plan and anticipate that FY25 transformation spend will be at similar levels to FY24. Transformation costs are still expected to fall sharply in 2026 as the programmes end. The expected payback on our portfolio of projects and progress achieved to date means that we have the potential to realise our medium-term operating margin and ROIC goals a year earlier than originally expected.

3. Advance

Our Advance pillar is about delivering innovative products in the short and medium term, driving increased sales, orders and pipeline.

Avon Protection

We have strong demand for masks from NATO countries and excellent demand for both rebreathers and supplied air products.

During the year we won several strategic contracts within Avon Protection:

- UK MOD - £38m four-year contract for General Service Respirator;
- A seven-year Swedish police C50 contract;
- One-year extension to the M53A1 US DOD contract
- A five-year DRSKO contract for Self-Contained Breathing Apparatus;
- FM54 contract win with Australian Defence Force; and
- Rebreather contracts in Germany and New Zealand.

We saw winning the GSR contract as important to defending our commanding position as the respirator provider of choice across NATO and the Five Eyes, so we were pleased to win this long-term contract with the MOD.

Our position as the market leader in CBRN protection was further strengthened by winning the contract to supply the Australian Defence Force. This is a three-year deployment contract with follow-on replenishment. We now supply the Australian military with both masks and helmets and see this win against a long-established incumbent as cementing our position as the mask supplier of choice to the Five Eyes.

As mentioned at the half-year, demand for masks from the DOD has picked up slightly. We have strengthened our relationship with our DOD programme office during the year and continue to work on improving forecast demand.

Our rebreather continues to be the system of choice across NATO. We have further rebreather opportunities in the pipeline and remain of the view that we have a technological advantage over our competitors which improves diver safety and mission effectiveness. The US Navy cancelled its procurement for rebreathers but we have good current demand and still see considerable opportunity with both US Special Forces and the US Navy. We are working with both and believe we are well positioned for any future prospects.

We are planning to launch the MITR-M1 Half Mask this financial year with a groundbreaking goggle set and adaptable helmet integration clips to be released by the end of 2025. We are also starting to get some traction in chemically resistant suits and earlier this year we introduced the EXOSKIN-S1 suit, offering advanced protection against chemical warfare agents for up to 24 hours. We have made our first sales of EXOSKIN; whilst modest, they demonstrate the customer need for the integrated CBRN protection packages that we can now offer.

Team Wendy

During the year we announced two DOD orders for the ACH GEN II of 19.5m and 14.2m and orders for NG IHPS totalling 42m. We have now successfully delivered seven lots of ACH GEN II to the DOD and continue at run rate on our NG IHPS with no lot failures. Our focus now is on meeting ACH GEN II customer demand for 2025 of over 50,000 helmets per year. We are also making good progress on our discussions with the DOD to extend our NG IHPS programme into sustainment post-2028 and an extension has been indicated for the ACH GEN II helmet programme.

We have continued our strong partnership with the US Navy supplying our EXFIL LTP bump helmets to US Naval Air Systems Command with a 6.7m order this year. Our EPIC helmet, ideal for first responders, has also been popular with US police forces, but sales in 2024 were hindered by long lead times caused by raw material shortages. We are making progress with our suppliers to solve this issue.

In pads, we had good success with the DOD, which has chosen our Cloudline pad system as an accessory to the NG IHPS helmet.

We plan to increase US commercial sales by offering faster lead times and expanding our growing EPIC customer base, launch a new rifle rated helmet to meet customers' needs in the US commercial and international markets, refresh our EXFIL range and develop a new bump helmet.

4. Revolutionise

Revolutionise is about driving long term growth by using our powerful customer relationships to increase co-funding and develop innovative products for the future. We are continuing to invest in long-term research and development (R&D) with 11.4m invested in R&D (FY2023: 10.2m).

We made further progress on several DOD development programmes and are expanding our portfolio of co-funded new product programmes, these include:

- three new DOD development programmes for a new Hood Mask Interface programme;
- DOD funded programmes to deliver next generation filters that enhance user protection;
- development of a new diving mask with funding from DSTL;
- expansion of helmet performance capabilities and pad systems while minimising weight and maximising protection; and
- integration of head and respiratory protection, which we are currently seeking funding for.

Risks and opportunities

We aim to reduce our risks through excellent programme management and improved people capability but the current main risks, as we see them, are:

1. The ramp-up of the IHPS programme and the ramp-up of ACH and EPIC following the closure of Irvine will be challenging. We will need to work hard to control scrap and rework and to ensure we have the raw materials we need.
2. Recruiting and retaining good operators remains a challenge, though we are making progress here.
3. We do not currently have an order for filters from the DOD. We remain hopeful that this will come, but for now DOD filter demand is very low.
4. We have recently seen increases in US healthcare costs and Employer National Insurance contributions in the UK. These are real costs for us and will impact margins if we cannot offset them through our CI initiatives.

There are, however, several additional opportunities which are not currently factored into our medium-term strategic plan, which include:

Strategic plan, main message:

1. accelerated international growth, particularly in commercial markets;
2. increased DOD demand in both SBUs; and
3. additional unplanned cost reductions and operational efficiencies through continuous improvement.

Summary and outlook

We have made excellent progress creating a high-quality growing business and this year demonstrated:

- We have developed a recipe for success that is driving growth, margin, cash generation and ROIC.
- Our transformation programme remains on schedule, and the progress made to date can already be seen in our strategic and financial KPIs.
- We have a record closing order book which gives us excellent visibility.
- We have a stable recurring revenue base, which will grow further as we deploy rebreathers, masks into Australia and helmets into the US police and SWAT teams.
- Our leading technology and long-term contracts provide us with a strong competitive moat which we continue to believe will support strong margins and returns on capital.

We therefore remain confident that Avon is well positioned to deliver exceptional shareholder value:

- Our focus on CI is already delivering results, with the total cash costs of transformation operational expenditure now expected to be covered through lower working capital.
- Further transformation activities are in the planning and execution stage, driving acceleration of operational and financial returns.

We expect continued growth in FY25, alongside consistent returns as we implement the key actions in footprint and manufacturing optimisation programmes.

These factors give us increased confidence and we now see the potential to reach our medium-term operating profit margin and ROIC targets in 2026, a year earlier than expected. These would be delivered against a backdrop of revenue growth exceeding 5% per annum and continued strong cash generation.

FINANCIAL REVIEW

It has been a strong year for us with order intake up more than 40% compared to 2023, and a record closing order book of 225.2m, an increase of over 64%. Revenue increased by 12.2% on a constant currency basis to 275.0m (2023: 243.8m) with a full-year run-rate of NGIHPS helmets and initial deliveries against the ACH GEN II contract. Adjusted operating profit increased by 53.4% on a constant currency basis to 31.6m (2023: 21.2m), with the operational gearing effects of increased revenue within Team Wendy more than offsetting a small decline in Avon Protection. Adjusted operating profit margin improved to 11.5% (2023: 8.7%).

	30 September 2024	30 September 2023	Change	Change (constant currency) ⁴
Continuing operations¹				
Orders received	364.4m	258.7m	40.9%	40.1%
Closing order book	225.2m	135.8m	65.8%	64.3%
Revenue	275.0m	243.8m	12.8%	12.2%
Adjusted ² operating profit	31.6m	21.2m	49.1%	53.4%
Adjusted ² operating profit margin	11.5%	8.7%	280bps	310bps
Adjusted ² net finance costs	(6.3)m	(7.2)m	(12.5%)	(12.5%)
Adjusted ² profit before tax	25.3m	14.0m	80.7%	88.8%
Adjusted ² taxation	(4.4)m	(1.9)m		
Adjusted ² profit after tax	20.9m	12.1m		
Adjusted ² basic earnings per share	69.9c	40.3c	73.4%	80.2%
Total dividend per share	23.3c	29.6c	21.3%	
Net debt excluding lease liabilities	43.5m	64.5m	(32.6%)	
Cash conversion	157.8%	7.0%		
Return on invested capital ²	13.7%	8.7%		
Statutory results				
Operating profit/(loss) from continuing operations ³	10.7m	(12.6)m		
Net finance costs	(8.4)m	(7.6)m		
Profit/(loss) before tax from continuing operations	2.3m	(20.2)m		
Taxation	0.7m	3.8m		
Profit/(loss) after tax from continuing operations	3.0m	(16.4)m		
Profit from discontinued operations ¹	-	2.0m		
Profit/(loss) for the period	3.0m	(14.4)m		
Basic profit/(loss) per share	10.0c	(48.0c)		
Net debt	65.4m	85.4m		

1 At 30 September 2023 Armour operations were fully closed. Armour was therefore classified as a discontinued operation in the prior period.

2 The Directors believe that adjusted measures provide a useful comparison of business trends and performance. Adjusted results exclude exceptional items and discontinued operations. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by

other companies.

3 Reported operating profit includes 6.2m amortisation of acquired intangibles, transformational costs of 13.0m, and a 1.7m impairment of non-current assets. See the Adjusted Performance Measures section for a full breakdown of adjustments and comparatives.

4 Constant currency measures are provided in the Adjusted Performance Measures section.

Order intake for the Group of 364.4m (2023: 258.7m) was up 40.9% (40.1% constant currency), with strong growth in both businesses. Avon Protection order intake was up 37.3% with strong wins for our underwater rebreather, an increase in international orders, and higher US DOD orders following a weak prior year comparator. Team Wendy order intake was up 44.6%, with continued orders under our two primary US DOD contracts including 42m of NG IHPS orders and 34m against the ACH GEN II contract, combined with strong order intake for the associated pad systems.

The closing order book of 225.2m reflects an increase of 65.8% (64.3% constant currency) over the prior year. Team Wendy closed the year with 153.2m in the order book, an increase of 53.2%, which includes 58m of orders for NG IHPS and 58m for ACH GEN II. The Avon Protection closing order book of 72.0m reflects an increase of 101.1%, including 15m of rebreather orders.

Revenue for the Group totalled 275.0m, an increase of 12.8% (12.2% constant currency) compared to the prior year of 243.8m.

Avon Protection revenue totalled 145.6m, a decline of 7.2% compared to 156.9m in 2023. Sales to the US DOD saw a decline of 41.0%, predominantly driven by two years' worth of M61 filter demand being delivered in 2023. This was paired with a reduction in accessories and powered air revenue, partially offset with an increase in mask sales. Commercial Americas revenue grew by 34.1%, with an increase in mask and supplied air sales, whilst UK & International revenue increased by 9.8%, primarily from growth in sales of our rebreathers and CBRN boots and gloves.

Team Wendy revenue totalled 129.4m, an increase of 48.9% over the prior year of 86.9m. US DOD revenue grew by 95.5%, with a full run-rate of NG IHPS deliveries from the start of the year, and the commencement of deliveries under the ACH GEN II contract. Commercial Americas revenue grew by 11.9% with strong sales of the EPIC helmet range, which was partially offset by a 7.5% decline in UK & International revenue.

Adjusted operating profit was 31.6m (2023: 21.2m). Revenue growth contributed 6.3m additional adjusted operating profit in the year, with a 10.9m improvement in Team Wendy partially offset by a 4.6m reduction in Avon Protection reflecting the 7.2% decline in revenue. Operational gearing within Team Wendy resulted in a further 6.4m improvement, while scrap was 4.1m lower as maturity of Next Generation IHPS production progressed. The right-sizing activities within Avon Protection at the beginning of the year resulted in a further 4.9m improvement. These were then partially offset by increased discretionary compensation payments of 7.0m following achievement of financial and operational targets at a group and SBU level, and lower capitalised R&D represented a further headwind of 3.9m. The overall increase in profitability resulted in an adjusted operating profit margin of 11.5% (2023: 8.7%), up 280bps (310bps constant currency).

Statutory operating profit from continuing operations of 10.7m (2023: loss of 12.6m) reflected exceptional items in the period which are summarised below.

The Adjusted Performance Measures section contains a full breakdown and explanation of adjustments.

	FY24 m	FY23 m
Statutory operating profit/(loss)	10.7	(12.6)
Amortisation of acquired intangibles	6.2	6.3
Impairment of goodwill and other non-current assets	1.7	24.6
Transformational, restructuring and transition costs	10.8	2.9
Acceleration of depreciation and amortisation - transformational	2.2	-
Adjusted operating profit	31.6	21.2

Adjusted net finance costs decreased to 6.3m (2023: 7.2m) mainly due to lower average net debt through the period.

After an adjusted tax charge of 4.4m (2023: 1.9m), the Group recorded an adjusted profit for the period after tax of 20.9m (2023: 12.1m).

Adjusted basic earnings per share increased to 69.9c (2023: 40.3c), reflecting the growth in operating profit and a reduction in finance charges due to lower net debt through the period. Adjusted earnings also benefited from a lower than forecast effective tax rate driven by one-off items which are not expected to recur in 2025. These one-off tax items increased adjusted basic earnings per share by approximately 4 cents per share.

Return on invested capital increased to 13.7% (2023: 8.7%), reflecting higher adjusted operating profit and lower invested capital.

Statutory net finance costs of 8.4m (2023: 7.6m) include 2.1m (2023: 0.4m) net interest expense on the UK defined benefit pension scheme liability.

Statutory profit before tax from continuing operations was 2.3m (2023: loss of 20.2m) and, after a tax credit of 0.7m (2023: credit of 3.8m), the profit for the period from continuing operations was 3.0m (2023: loss of 16.4m).

Transformation costs

	FY24 m
Footprint optimisation ¹	10.4
Operational excellence	1.3
Commercial optimisation	0.0
Functional excellence	1.0
Programme management excellence	0.3
Total transformation costs	13.0

¹ Including 2.2m for acceleration of depreciation and amortisation charges related to legacy ERP systems and assets held in Irvine, California.

Spend within our transformation initiatives has been ahead of our originally communicated expectations, with an acceleration of investment relating to footprint optimisation following the site consolidation plans announced earlier in the year. Estimates for total investment related to the projects identified last year remain unchanged, and as a result we expect transformation costs in FY25 to be at a similar level to FY24.

Segmental performance

	FY24			FY23		
m	Avon Protection	Team Wendy	Total	Avon Protection	Team Wendy	Total
Orders received	181.8	182.6	364.4	132.4	126.3	258.7
Closing order book	72.0	153.2	225.2	35.8	100.0	135.8
Revenue	145.6	129.4	275.0	156.9	86.9	243.8
Adjusted operating profit	26.6	5.0	31.6	29.3	(8.1)	21.2
Adjusted operating profit margin	18.3%	3.9%	11.5%	18.7%	(9.3%)	8.7%

A 7.2% decline in revenue within the Avon Protection business resulted in a reduction in operating profit to 26.6m (2023: 29.3m), although margin decline was limited to only 40bps to 18.3% (2023: 18.7%) reflecting significant cost reduction activities undertaken at the start of the year.

Team Wendy profitability moved meaningfully forward this year, turning positive for the first time with an operating profit margin of 3.9%, compared to a loss of 9.3% in FY23. This was largely driven by the near 50% increase in revenue, and we are also starting to see the early benefits of our continuous improvement and operational efficiency initiatives. We continue to expect margins in the Team Wendy business to reach the target levels we have set, much of the improvement for which will come from the consolidation of our Irvine, California, facility into our other Team Wendy sites, which was announced earlier in the year.

Research and development expenditure

Total investment in research and development (capitalised and expensed) was 11.4m (2023: 10.2m), in line with the prior period as a percentage of revenue. Excluding amortisation and impairment, we have seen an increase in costs expensed to the P&L and lower levels of capitalisation following completion of NG IHPS and ACH GEN II helmet development.

	FY24 m	FY23 m
Total expenditure	11.4	10.2
Less customer funded	(1.6)	(1.2)
Group expenditure	9.8	9.0
Capitalised	-	(3.1)
Income statement impact	9.8	5.9
Amortisation and impairment of development expenditure	4.3	4.3
Total income statement impact	14.1	10.2
Revenue	275.0	243.8
R&D spend as a % of revenue	4.1%	4.2%

Avon Protection expenditure has primarily focused on completing the development of the Modular Integrated Tactical Respirator (MITR), whilst Team Wendy expenditure has been focused on development of RifleTech, a new ballistic helmet model. Spend on these projects has been expensed following assessment of technical progress and evidence for commercial viability.

Net debt and cash flow

	FY24 m	FY23 m
Adjusted continuing EBITDA	43.4	35.7
Share-based payments and defined benefit pension scheme costs	4.4	1.7
Working capital	20.7	(34.9)
Cash flows from continuing operations before exceptional items	68.5	2.5
Transformational, restructuring and transition costs paid	(9.7)	(2.3)
Cash flows from continuing operations	58.8	0.2
Cash flows from discontinued operations	4.9	3.2
Cash flow from operations	63.7	3.4
Payments to pension plan	(9.1)	-
Net finance costs	(6.7)	(6.6)
Net repayment of leases	(3.3)	(3.0)
Tax (paid)/received	(0.7)	3.7
Capital expenditure	(11.2)	(11.0)

Discontinued operation disposals, investing and financing cash flows	-	6.6
Purchase of own shares - Long Term Incentive Plan	(5.0)	-
Dividends to shareholders	(6.8)	(13.4)
Foreign exchange on cash	0.1	-
Change in net debt	21.0	(20.3)
Opening net debt, excluding lease liabilities	(64.5)	(44.2)
Closing net debt, excluding lease liabilities	(43.5)	(64.5)

Cash flows from continuing operations before exceptional items were 68.5m (2023: 2.5m) with the movement principally due to working capital inflows of 20.7m, compared to outflows of 34.9m in the prior year. Working capital inflows were driven by a 17.2m decrease in receivables due to sales phasing (2023: 26.2m increase in receivables).

Dividends were 6.8m (2023: 13.4m), with the change reflecting the rebased level of distribution under our capital allocation policy. Our first priorities remain organic investment into R&D and transformation followed by a progressive dividend targeting between 2.5x and 3x EPS cover through the cycle. We have amended our policy this year in light of the significant reduction in net debt in FY24, such that excess cash will be deployed in an EPS enhancing way, either through M&A or alternative shareholder returns.

The purchase of own shares to satisfy future exercises of options granted to employees under the Long Term Incentive Plan was 5.0m (2023: nil), hedging potential cash costs.

Net debt was 65.4m (2023: 85.4m), which includes lease liabilities of 21.9m (2023: 20.9m). Excluding lease liabilities, net debt was 43.5m (2023: 64.5m).

Defined benefit pension scheme

The Group operated a contributory defined benefits plan to provide pension and death benefits for the employees of Avon Technologies plc and its Group undertakings in the UK employed prior to 31 January 2003. The plan was closed to future accrual of benefit on 1 October 2009 and has a weighted average maturity of approximately eleven years. The net pension liability for the scheme amounted to 17.2m as at 30 September 2024 (2023: 40.2m). The decrease was mainly due to deficit contributions of 9.1m, and a 13.4m favourable actuarial gain reflecting a change in accounting estimate to the use of detailed member-by-member calculations. The gain is included within 2024 actuarial experience adjustments.

In accordance with the deficit recovery plan agreed following the 31 March 2022 actuarial valuation, the Group will make payments in FY25 of £4.3m, FY26 of £4.7m and FY27 of £5.1m in respect of deficit recovery and scheme expenses.

Foreign exchange risk management

The Group is exposed to translational foreign exchange risk arising when the results of sterling denominated companies are consolidated into the Group's presentational currency, US dollars. The Group's policy is not to hedge translational foreign exchange risk. Due to the translational effect, a 1 cent increase in the value of the US dollar against sterling would have decreased revenue by approximately 0.2m and increased operating profit by approximately 0.2m for FY24.

Financing and interest rate risk management

On 14 May 2024, the Group signed a new 137m RCF, together with a 50m accordion replacing the previous facility. The new RCF was agreed with a syndicate of four lenders and is available until May 2027, with two further one-year extension options taking it out to May 2029.

RCF borrowings are floating rate priced using the US Secured Overnight Financing Rate (SOFR). The Group hedges interest rate exposure using swaps to fix a portion of SOFR floating rate interest. The notional value of active interest rate swaps at 30 September 2024 was 30.0m (2023: 30.0m), expiring on 8 September 2025. The Group also has additional interest rate swaps in place with a notional value of 20.0m starting on 8 September 2025 and expiring on 8 September 2026 (2023: 20.0m). The net financial value of interest rate swaps at 30 September 2024 was nil (FY23: 0.9m).

Dividends

The Board has proposed a final dividend of 16.1 cents per share (2023: 15.3c). The final dividend will be paid in pounds sterling on 7 March 2025 to shareholders on the register at 7 February 2025. The final dividend will be converted into pounds sterling for payment at the prevailing exchange rate which will be announced prior to payment.

2025 Financial Guidance

We expect continued growth in FY25, alongside consistent returns as we implement the key actions in footprint and manufacturing optimisation programmes, albeit with a cost headwind due to increase US healthcare costs and Employers National Insurance contributions in the UK.

As previously communicated, FY25 will be a year of transition, as we complete the execution of the facility moves within Team Wendy, and the manufacturing optimisation programme within Avon Protection. As such, we expect:

- mid-single-digit revenue growth;
 - full-year run rate of ACH driving Team Wendy growth;
 - return to modest growth in Avon Protection;
- operating profit margin broadly flat year-on-year;
- transformation costs in line with FY24 (we continue to expect a sharp drop in FY26 as large programmes are mostly completed in FY25); and
- cash conversion of over 80%, before exceptional cash costs.

Jos Sclater
Chief Executive Officer
19 November 2024

Rich Cashin
Chief Financial Officer
19 November 2024

Forward-looking statements

Certain statements in this report are forward - looking. Although the Group believes that the expectations reflected in these forward - looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward - looking statements.

We undertake no obligation to update any forward - looking statements whether as a result of new information, future events or otherwise.

Company website

The full annual report will be made available on 10 December 2024 on the Company's website <https://www.avon-technologiesplc.com/>. The maintenance and integrity of the website is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Performance measurement

The Directors assess the operating performance of the Group based on both statutory and adjusted measures. Adjusted measures include operating profit, net finance costs, taxation and earnings per share, as well as other measures not defined under IFRS including orders received, closing order book, operating profit margin, return on invested capital, cash conversion, net debt excluding lease liabilities, average working capital turns, scrap levels, inventory turns, productivity and constant currency equivalents for relevant metrics. These measures are collectively described as Adjusted Performance Measures (APMs) in this Annual Report.

The Directors believe that the APMs provide a useful comparison of business trends and performance. The APMs exclude exceptional items considered unrelated to the underlying trading performance of the Group. The term adjusted is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. The Group uses these measures for planning, budgeting and reporting purposes and for its internal assessment of the operational performance.

ADJUSTED PERFORMANCE MEASURES

	Year ended 30 September 2024			52 weeks ended 30 September 2023		
	Adjusted m	Adjustments m	Total m	Adjusted m	Adjustments m	Total m
Continuing operations						
Revenue	275.0	-	275.0	243.8	-	243.8
Cost of sales	(168.2)	(1.0)	(169.2)	(157.9)	-	(157.9)
Gross profit	106.8	(1.0)	105.8	85.9	-	85.9
Sales and marketing expenses	(16.1)	-	(16.1)	(14.9)	-	(14.9)
Research and development costs	(11.5)	(2.6)	(14.1)	(10.0)	(0.2)	(10.2)
General and administrative expenses	(47.6)	(17.3)	(64.9)	(39.8)	(33.6)	(73.4)
Operating profit/(loss)	31.6	(20.9)	10.7	21.2	(33.8)	(12.6)
EBITDA	43.4	(10.8)	32.6	35.7	(2.9)	32.8
Depreciation, amortisation and impairment	(11.8)	(10.1)	(21.9)	(14.5)	(30.9)	(45.4)
Operating profit/(loss) (1)	31.6	(20.9)	10.7	21.2	(33.8)	(12.6)
Net finance costs (2)	(6.3)	(2.1)	(8.4)	(7.2)	(0.4)	(7.6)
Profit/(loss) before taxation	25.3	(23.0)	2.3	14.0	(34.2)	(20.2)
Taxation (3)	(4.4)	5.1	0.7	(1.9)	5.7	3.8
Profit/(loss) for the period from continuing operations	20.9	(17.9)	3.0	12.1	(28.5)	(16.4)
Discontinued operations - profit from discontinued operations (4)	-	-	-	-	2.0	2.0
Profit/(loss) for the period (5)	20.9	(17.9)	3.0	12.1	(26.5)	(14.4)
Basic earnings/(loss) per share	69.9c	(59.9c)	10.0c	40.3c	(88.3)c	(48.0)c
Diluted earnings/(loss) per share	67.6c	(57.9c)	9.7c	40.3c	(88.3)c	(48.0)c

1 Adjustments to operating profit

Adjusted operating profit excludes discontinued operations and exceptional items considered unrelated to the underlying trading performance of the Group. Transactions are classified as exceptional where they relate to an event that falls outside of the underlying trading activities of the business and where individually, or in aggregate, the Directors consider they have a material impact on the financial statements.

	2024 m	2023 m
Operating profit/(loss)	10.7	(12.6)
Amortisation of acquired intangibles	6.2	6.3
Impairment of other non-current assets (excluding restructuring-related impairments)	1.7	0.5
Transformational, restructuring and transition costs	10.8	2.9
Acceleration of software amortisation - transformational	1.6	-

Acceleration of Irvine depreciation and amortisation - transformational	0.6	-
Impairment of goodwill	-	23.4
Restructuring-related impairment of non-current assets	-	0.7
Adjusted operating profit	31.6	21.2
Depreciation	7.4	9.2
Other amortisation charges	4.4	5.3
Adjusted EBITDA	43.4	35.7

Amortisation of acquired intangibles

Amortisation charges for acquired intangible assets of 6.2m (2023: 6.3m) are considered exceptional as they do not change each period based on underlying business trading and performance.

Impairment of other non-current assets

Review of the Group's non-current assets resulted in a 1.7m exceptional impairment loss (2023: 0.5m) as the carrying value of a product group level CGU exceeded its estimated recoverable amount. Further details are provided in note 3.1. The impairment losses are significant items resulting from changes in assumptions for future recoverable amounts. As such they are considered unrelated to trading performance.

Transformational, restructuring and transition costs

Current year transformational costs excluding depreciation and amortisation charges were 10.8m. These include 7.4m related to planned footprint optimisation through closure of the Irvine, California, facility, and 3.4m related to other transformational programmes. Transformational spend relates to costs directly related to transformation initiatives and will be incurred until these programmes are completed. FY25 spend on transformational costs of this nature is expected to be at similar levels to FY24.

Transformational accelerated depreciation and amortisation charges were 2.2m. These include 1.6m related to one of the Group's legacy ERP systems, and 0.6m for assets held in Irvine that are not expected to transfer to Cleveland on closure. This acceleration of charges is considered a change in accounting estimate during the year.

Prior period costs were 2.9m. These include 1.4m restructuring costs related to the right-sizing of operations and 1.5m transition costs related to the transfer of legacy Team Wendy operations onto a Group controlled ERP system.

These costs are considered exceptional as they relate to specific activities which do not form part of the underlying business trading and performance.

Impairment of goodwill

In the prior period, review of the Team Wendy CGU resulted in impairment to goodwill of 23.4m as the carrying value of the CGU exceeded its estimated recoverable amount. The impairment was a significant item based on forecast assumptions for future cash flows. As such it was considered unrelated to trading performance.

Restructuring-related impairment of non-current assets

In the prior period restructuring-related impairment of non-current assets was 0.7m. This related to the closure of one of our US offices, with a 0.5m impairment to right of use assets and 0.2m impairment to plant and machinery. These costs are considered exceptional as they relate to a specific office closure which does not form part of the underlying business trading and performance.

2 Adjustments to net finance costs

Adjusted net finance costs exclude exceptional items considered unrelated to the underlying trading performance of the Group.

	2024 m	2023 m
Net finance costs	8.4	7.6
Defined benefit pension unwind discount	(2.1)	(0.4)
Adjusted net finance costs	6.3	7.2

2.1m (2023: 0.4m) unwind of discounting on the UK defined benefit pension scheme liability is treated as exceptional given the scheme relates to employees employed prior to 31 January 2003 and was closed to future accrual of benefits on 1 October 2009.

3 Adjustments to taxation

Adjustments to taxation represent the tax effects of the adjustments to operating profit and net finance costs. Except for the impairment to goodwill, adjusting items do not have significantly different effective tax rates compared to statutory rates, with an overall effective rate of 22% (2023: 17%).

In the prior period the 23.4m impairment to goodwill resulted in a tax credit of 3.4m (effective tax rate 14.5%), which explains the lower overall rate compared to statutory rates on the total level of adjustments.

4 Profit from discontinued operations

Adjusted profit measures for the prior period exclude the result from discontinued operations relating to the divestment of milkrite | InterPuls and closure of the Armour business. Discontinued operations related to milkrite | InterPuls ended on 30 September 2023. Total profit after tax from discontinued operations was 2.0m in 2023.

5 Adjustments to profit/loss

	2024 m	2023 m
Profit/(loss) for the period	3.0	(14.4)
Amortisation of acquired intangibles	6.2	6.3
Transformational, restructuring and transition costs	10.8	2.9
Restructuring-related impairment of non-current assets	-	0.7

Acceleration of software amortisation - transformational	1.6	-
Acceleration of Irvine depreciation and amortisation - transformational	0.6	-
Impairment of other non-current assets (excluding restructuring-related impairments)	1.7	0.5
Impairment of goodwill	-	23.4
Defined benefit pension unwind discount	2.1	0.4
Tax on exceptional items	(5.1)	(5.7)
Profit from discontinued operations	-	(2.0)
Adjusted profit for the period	20.9	12.1

6 Adjusted earnings per share

Weighted average number of shares	2024	2023
Weighted average number of ordinary shares in issue used in basic calculation (thousands)	29,895	29,996
Potentially dilutive shares (weighted average) (thousands)	1,022	263
Diluted number of ordinary shares (weighted average) (thousands)	30,917	30,259

Adjusted continuing earnings per share	2024 cents	2023 cents
Basic	69.9c	40.3c
Diluted	67.6c	40.3c

7 Net debt

	2024 m	2023 m
Cash and cash equivalents	14.0	13.2
Bank loans	(57.5)	(77.7)
Net debt excluding lease liabilities	(43.5)	(64.5)
Lease liabilities	(21.9)	(20.9)
Net debt including lease liabilities	(65.4)	(85.4)

8 Adjusted dividend cover ratio

	2024 cents	2023 cents
Interim dividend	7.2c	14.3c
Final dividend	16.1c	15.3c
Total dividend	23.3c	29.6c
Adjusted basic earnings per share	69.9c	40.3c
Adjusted dividend cover ratio	3.0 times	1.4 times

9 Return on invested capital

Return on invested capital (ROIC) is calculated as adjusted operating profit over average invested capital relating to continuing operations.

	2024 m	2023 m
Net assets	166.5	159.4
Net assets associated with discontinued operations	-	(5.6)
Net assets associated with continuing operations	166.5	153.8
Net debt excluding lease liabilities	43.5	64.5
Lease liabilities	21.9	20.9
Pension	17.2	40.2
Derivatives	-	(0.9)
Net tax	(31.4)	(33.2)
Total invested capital	217.7	245.3
Average invested capital	231.5	243.4
Adjusted operating profit	31.6	21.2

Adjusted operating profit	2024	2023
ROIC	13.7%	8.7%

Average invested capital	2024 m	2023 m
Current period invested capital	217.7	245.3
Prior period invested capital	245.3	241.5
Average invested capital	231.5	243.4

10 Average working capital turns (AWCT)

AWCT is the ratio of the 12-month average month end working capital (defined as the total of inventory, receivables and payables excluding lease liabilities) to revenue, based on continuing operations.

Continuing operations	2024 m	2023 m
12-month average month end working capital	60.8	65.7
Revenue	275.0	243.8
AWCT	4.52	3.71

11 Cash conversion

Cash conversion excludes the impact of exceptional items from operating cash flows and EBITDA.

	2024 m	2023 m
Cash flows from continuing operations	58.8	0.2
Restructuring and transition costs paid	9.7	2.3
Cash flows from continuing operations before exceptional items	68.5	2.5

	2024 m	2023 m
Cash flows from continuing operations before exceptional items	68.5	2.5
Adjusted EBITDA	43.4	35.7
Cash conversion	157.8%	7.0%

12 Constant currency reporting

Constant currency measures are calculated by translating the prior period at current period exchange rates.

	2023 Constant Currency m	2023 Reported m
Orders received	260.1	258.7
Closing order book	137.1	135.8
Revenue	245.1	243.8
Adjusted operating profit	20.6	21.2
Adjusted profit before tax	13.4	14.0
Adjusted basic earnings per share	38.8c	40.3c

13 Scrap (% of revenue)

Scrap (% of revenue) is calculated by dividing the total value of scrap produced in the period by the revenue generated for the last 6 months.

Our mid-term targets are calculated by dividing the total value of scrap produced in the year by the revenue generated for the 12 month period.

	2024 H2 m	2024 H1 m	2023 H2 m	2023 H1 m
Last 6 months of scrap	2.4	2.1	5.5	3.1
Last 6 months of revenue	147.9	127.1	142.2	101.6
Group scrap (% of revenue)	1.6%	1.7%	3.9%	3.1%

14 Inventory turns

Inventory turns measure how many times the inventory was turned over in the period by dividing adjusted cost of sales over the last 12 months by the inventory value.

	2024 m	2023 m
Inventory	54.9	54.4
Last 12 months adjusted cost of sales	168.2	157.9
Group inventory turns	3.1	2.9

15 Productivity

Productivity measures how much revenue was generated per direct employee by dividing the revenue over the last 12 months by the total number of direct heads. Direct heads are employees completing manufacturing activities.

	2024	2023
Direct headcount	539	580
Last 12 months of revenue	275.0m	243.8m
Group productivity	510k	420k

	2024	2023
Direct headcount	342	346
Last 12 months of revenue	129.4m	86.9m
Team Wendy productivity	378k	251k

	2024	2023
Direct headcount	197	234
Last 12 months of revenue	145.6m	156.9m
Avon Protection productivity	739k	671k

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2024

	Note	Year ended 30 September 2024 m	52 weeks ended 30 September 2023 m
Continuing operations			
Revenue	2	275.0	243.8
Cost of sales		(169.2)	(157.9)
Gross profit		105.8	85.9
Sales and marketing expenses		(16.1)	(14.9)
Research and development costs		(14.1)	(10.2)
General and administrative expenses		(64.9)	(73.4)
Operating profit/(loss)	2	10.7	(12.6)
Net finance costs	4.3	(8.4)	(7.6)
Profit/(loss) before taxation		2.3	(20.2)
Taxation		0.7	3.8
Profit/(loss) for the period from continuing operations		3.0	(16.4)
Discontinued operations			
Profit from discontinued operations		-	2.0
Profit/(loss) for the period		3.0	(14.4)
Other comprehensive income/(expense)			
<i>Items that are not subsequently reclassified to the income statement</i>			
Remeasurement gain/(loss) recognised on retirement benefit scheme		19.6	(31.8)
Deferred tax relating to retirement benefit scheme		(5.0)	6.9
Deferred tax relating to change in tax rates		-	1.1
Deferred tax relating to other temporary differences		0.1	(0.2)
<i>Items that may be subsequently reclassified to the income statement</i>			
Deferred tax exchange differences offset in reserves		1.1	0.8

Other exchange differences offset in reserves		(2.9)	(0.5)
Cash flow hedges		(0.8)	0.4
Deferred tax relating to cash flow hedges		0.2	-
Other comprehensive income/(expense) for the period		12.3	(23.3)
Total comprehensive income/(expense) for the period		15.3	(37.7)
Earnings per share			
Basic		10.0c	(48.0c)
Diluted		9.7c	(48.0c)
Earnings per share from continuing operations			
Basic		10.0c	(54.7c)
Diluted		9.7c	(54.7c)

Consolidated Balance Sheet
At 30 September 2024

	Note	At 30 September 2024 m	At 30 September 2023 m
Non-current assets			
Intangible assets	3.1	126.4	139.2
Property, plant and equipment	3.2	43.7	35.8
Finance leases		5.4	6.2
Deferred tax assets		31.1	40.1
Derivative financial instruments		-	0.6
		206.6	221.9
Current assets			
Inventories		54.9	54.4
Trade and other receivables		36.9	58.3
Derivative financial instruments		0.2	0.3
Current tax receivables		0.3	-
Cash and cash equivalents		14.0	13.2
		106.3	126.2
Current liabilities			
Borrowings	4.2	3.9	4.3
Current tax payables		-	0.7
Trade and other payables		36.4	34.6
Provisions for liabilities and charges		6.6	0.4
		46.9	40.0
Net current assets		59.4	86.2
Non-current liabilities			
Borrowings	4.2	75.5	94.3
Derivative financial instruments		0.2	-
Deferred tax liabilities		-	6.2
Retirement benefit obligations		17.2	40.2
Provisions for liabilities and charges		6.6	8.0
		99.5	148.7
Net assets		166.5	159.4
Shareholders' equity			
Ordinary shares		50.3	50.3
Share premium account		54.3	54.3

Other reserves		(15.7)	(13.9)
Cash flow hedging reserve		-	0.8
Retained earnings		77.6	67.9
Total equity		166.5	159.4

Consolidated Cash Flow Statement

For the year ended 30 September 2024

	Note	Year ended 30 September 2024 m	52 weeks ended 30 September 2023 m
Cash flows from operating activities			
Cash flows from continuing operations	4.1	58.8	0.2
Cash flows from discontinued operations	4.1	4.9	3.2
Cash flows from operations	4.1	63.7	3.4
Retirement benefit deficit recovery contributions		(9.1)	-
Tax (paid)/received		(0.7)	3.7
Net cash flows from operating activities		53.9	7.1
Cash flows used in investing activities			
Proceeds from disposal of discontinued operations		-	7.9
Costs of disposal		-	(0.4)
Purchase of property, plant and equipment	3.2	(10.6)	(7.4)
Capitalised development costs and purchased software	3.1	(0.6)	(3.6)
Other finance income	4.3	0.7	0.4
Finance lease capital receipts		1.0	0.5
Net cash flows used in investing activities		(9.5)	(2.6)
Cash flows used in financing activities			
Proceeds from loan drawdowns		100.5	48.0
Loan repayments		(120.7)	(24.0)
Finance costs paid in respect of bank loans and overdrafts		(6.5)	(6.3)
Finance costs paid in respect of leases		(0.9)	(0.7)
Repayment of lease liability		(4.3)	(3.5)
Dividends paid to shareholders	4.6	(6.8)	(13.4)
Purchase of own shares - Long-Term Incentive Plan	4.5	(5.0)	-
Financing cash flows used in discontinued operations		-	(0.9)
Net cash flows used in financing activities		(43.7)	(0.8)
Net increase in cash and cash equivalents		0.7	3.7
Cash and cash equivalents at the beginning of the period		13.2	9.5
Effects of exchange rate changes		0.1	-
Cash and cash equivalents at the end of the period		14.0	13.2

Consolidated Statement of Changes in Equity

For the year ended 30 September 2024

	Note	Share capital m	Share premium m	Hedging reserve m	Other reserves m	Retained earnings m	Total equity m
At 1 October 2022		50.3	54.3	0.4	(14.2)	119.7	210.5
Loss for the period		-	-	-	-	(14.4)	(14.4)
Net exchange differences offset in reserves		-	-	-	0.3	-	0.3
Deferred tax relating to other temporary differences		-	-	-	-	(0.2)	(0.2)
Remeasurement loss recognised on retirement benefit scheme		-	-	-	-	(31.8)	(31.8)

Deferred tax relating to retirement benefit scheme		-	-	-	-	6.9	6.9
Deferred tax relating to change in tax rates		-	-	-	-	1.1	1.1
Interest rate swaps - cash flow hedge		-	-	0.4	-	-	0.4
Total comprehensive income for the period		-	-	0.4	0.3	(38.4)	(37.7)
Dividends paid	4.6	-	-	-	-	(13.4)	(13.4)
Fair value of share-based payments		-	-	-	-	0.7	0.7
Deferred tax relating to employee share schemes charged directly to equity		-	-	-	-	(0.7)	(0.7)
At 30 September 2023		50.3	54.3	0.8	(13.9)	67.9	159.4
Profit for the year		-	-	-	-	3.0	3.0
Net exchange differences offset in reserves		-	-	-	(1.8)	-	(1.8)
Deferred tax relating to other temporary differences		-	-	-	-	0.3	0.3
Remeasurement loss recognised on retirement benefit scheme		-	-	-	-	19.6	19.6
Deferred tax relating to retirement benefit scheme		-	-	-	-	(5.0)	(5.0)
Interest rate swaps - cash flow hedge		-	-	(0.8)	-	-	(0.8)
Total comprehensive income for the period		-	-	(0.8)	(1.8)	17.9	15.3
Dividends paid	4.6	-	-	-	-	(6.8)	(6.8)
Own shares acquired	4.5	-	-	-	-	(5.0)	(5.0)
Fair value of share-based payments		-	-	-	-	3.3	3.3
Deferred tax relating to employee share schemes charged directly to equity		-	-	-	-	0.3	0.3
At 30 September 2024		50.3	54.3	-	(15.7)	77.6	166.5

Other reserves consist of the capital redemption reserve of 0.6m (2023: 0.6m) and the translation reserve of (16.3)m (2023: (14.5)m). All movements in other reserves relate to the translation reserve.

Notes to the accounts

1 Basis of preparation

Avon Technologies plc is a public limited company incorporated and domiciled in England and Wales and its ordinary shares are traded on the London Stock Exchange.

The financial period presents the year ended 30 September 2024 (prior financial period 52 weeks ended 30 September 2023). The Company has adopted a calendar year-end to align with the majority of listed peers, and certain subsidiary companies.

The financial statements have been prepared on a going concern basis and in accordance with UK adopted International Accounting Standards. The financial statements have been prepared under the historical cost convention except for derivative instruments which are held at fair value.

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 September 2024 or 2023. The financial information for 2023 is derived from the statutory accounts for 2023 which have been delivered to the registrar of companies. The auditor has reported on the 2023 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2024 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

2 Operating segments

The Group Executive team is responsible for allocating resources and assessing performance of the operating segments. Operating segments are therefore reported in a manner consistent with the internal reporting provided to the Group Executive team. The Group has two different continuing operating and reportable segments: Avon Protection and Team Wendy.

	Year ended 30 September 2024				
	Avon Protection	Team Wendy	Total	Adjustments and discontinued	Total
	m	m	m	m	m
Revenue	145.6	129.4	275.0	-	275.0
Operating profit/(loss)	26.6	5.0	31.6	(20.9)	10.7
Finance costs			(6.3)	(2.1)	(8.4)
Profit/(loss) before taxation			25.3	(23.0)	2.3
Taxation			(4.4)	5.1	0.7
Profit/(loss) for the period from continuing operations			20.9	(17.9)	3.0

Discontinued operations - result for the year			-	-	-
Profit/(loss) for the year			20.9	(17.9)	3.0
Basic earnings per share (cents)			69.9c	(59.9c)	10.0c
Diluted earnings per share (cents)			67.6c	(57.9c)	9.7c

	52 weeks ended 30 September 2023				
	Avon Protection	Team Wendy	Total	Adjustments and discontinued	Total
	m	m	m	m	m
Revenue	156.9	86.9	243.8	-	243.8
Operating profit/(loss)	29.3	(8.1)	21.2	(33.8)	(12.6)
Finance costs			(7.2)	(0.4)	(7.6)
Profit/(loss) before taxation			14.0	(34.2)	(20.2)
Taxation			(1.9)	5.7	3.8
Profit/(loss) for the period from continuing operations			12.1	(28.5)	(16.4)
Discontinued operations - profit for the year			-	2.0	2.0
Profit/(loss) for the year			12.1	(26.5)	(14.4)
Basic earnings per share (cents)			40.3c	(88.3c)	(48.0c)
Diluted earnings per share (cents)			40.3c	(88.3c)	(48.0c)

Revenue by line of business

	Year ended 30 September 2024			52 weeks ended 30 September 2023		
	Avon Protection m	Team Wendy m	Total m	Avon Protection m	Team Wendy m	Total m
US DOD	39.6	83.1	122.7	67.1	42.5	109.6
Commercial Americas	40.9	30.2	71.1	30.5	27.0	57.5
UK and International	65.1	16.1	81.2	59.3	17.4	76.7
	145.6	129.4	275.0	156.9	86.9	243.8

3.1 Intangible assets

	Goodwill m	Acquired intangibles m	Development expenditure m	Computer software m	Total m
At 1 October 2022					
Cost	88.7	98.2	69.2	15.3	271.4
Accumulated amortisation and impairment	-	(46.1)	(48.1)	(6.2)	(100.4)
Net book amount	88.7	52.1	21.1	9.1	171.0
52 weeks ended 30 September 2023					
Opening net book amount	88.7	52.1	21.1	9.1	171.0
Exchange differences	0.1	-	0.3	-	0.4
Additions	-	-	3.1	0.5	3.6
Impairments	(23.4)	-	(0.2)	(0.6)	(24.2)
Amortisation	-	(6.3)	(4.1)	(1.2)	(11.6)
Closing net book amount	65.4	45.8	20.2	7.8	139.2
At 30 September 2023					
Cost	88.8	98.2	69.5	15.0	271.5
Accumulated amortisation and impairment	(23.4)	(52.4)	(49.3)	(7.3)	(132.4)

Accumulated amortisation and impairment	(23.4)	(22.4)	(49.3)	(7.2)	(122.3)
Net book amount	65.4	45.8	20.2	7.8	139.2
Year ended 30 September 2024					
Opening net book amount	65.4	45.8	20.2	7.8	139.2
Exchange differences	-	-	0.1	-	0.1
Additions	-	-	-	0.6	0.6
Impairments	-	-	(1.2)	-	(1.2)
Reclassification	-	-	(0.3)	0.3	-
Amortisation	-	(6.2)	(3.1)	(3.0)	(12.3)
Closing net book amount	65.4	39.6	15.7	5.7	126.4
At 30 September 2024					
Cost	88.8	98.2	69.6	15.6	272.2
Accumulated amortisation and impairment	(23.4)	(58.6)	(53.9)	(9.9)	(145.8)
Net book amount	65.4	39.6	15.7	5.7	126.4

Impairment review of goodwill

Goodwill is tested for impairment annually and whenever there is an indication of impairment at the level of the cash-generating unit (CGU) to which it is allocated.

Goodwill has been allocated to Team Wendy and Avon Protection CGUs. Team Wendy includes goodwill from the Ceradyne and Team Wendy acquisitions, which are part of the fully integrated business segment. Avon Protection goodwill is related to three legacy acquisitions that completed in 2016 and earlier financial periods.

Goodwill has been allocated to CGUs on the basis of historical acquisitions, which provides a more accurate basis than allocating by relative value given each of the acquisitions related fully to Avon Protection or Team Wendy products individually.

Allocation of goodwill by CGU	Cost m	Impairment m	Net book amount m
Avon Protection	2.5	-	2.5
Team Wendy	86.3	(23.4)	62.9
Total goodwill	88.8	(23.4)	65.4

The total carrying value of each CGU is tested for impairment against corresponding recoverable amounts. CGU carrying values include associated goodwill, other intangible assets, property, plant and equipment, and attributable working capital.

The recoverable amount of the CGUs has been determined based on value in use calculations, using discounted cash flow projections for a five-year period plus a terminal value based upon a long-term perpetuity growth rate.

Value in use calculations are based on the Group's Board approved risk-adjusted five-year plan which has been amended to exclude the impact of capital expenditure considered expansionary and certain linked earnings and cash flows. Excluded expansionary items relate to new helmet programmes which, although specifically identified and planned, have yet to incur significant capital expenditure.

Team Wendy CGU

In the prior period the recoverable amount of the Team Wendy CGU of 182.1m, determined based on value in use calculations, was less than the carrying amount of the associated CGU net assets and therefore resulted in an impairment to goodwill of 23.4m.

In the current period the recoverable amount of the Team Wendy CGU of 202.5m was 29.8m higher than the carrying amount of the associated CGU net assets. Sensitivity analysis and additional information for the Team Wendy CGU impairment review will be provided in the Annual Report and Accounts.

Avon Protection CGU

Value in use for the Avon Protection CGU was substantially greater than its carrying amount in the current and prior periods.

Impairment review of development costs

Development assets are grouped into the smallest identifiable group of assets generating future cash flows largely independent from other assets (CGUs). Included in CGUs are development expenditures, tangible assets and inventory related to the product group. CGUs are tested for impairment annually and whenever there is an indication of impairment.

As a result of the current year review the 4.1m carrying amount of the boots and gloves product range CGU was exceptionally impaired by 1.7m (1.2m fully impairing associated development expenditure, 0.5m plant and machinery). The impairment was a result of changes in forecast cash flows based on latest costing and revenue assumptions.

In the prior period assets relating to one of the products in the Group's escape hood range was fully exceptionally impaired by 0.5m due to its discontinuation (0.2m development expenditure, 0.3m plant and machinery).

3.2 Property, plant and equipment

	Freeholds m	Right of use lease assets m	Plant and machinery m	Leasehold improvements m	Total m
At 1 October 2022					
Cost	3.0	43.2	96.8	3.9	146.9
Accumulated depreciation and impairment	(1.3)	(30.6)	(74.2)	(0.9)	(107.0)
Net book amount	1.7	12.6	22.6	3.0	39.9
At 30 September 2023					

52 weeks ended 30 September 2023					
Opening net book amount	1.7	12.6	22.6	3.0	39.9
Exchange differences	-	0.5	0.5	-	1.0
Additions	-	1.1	7.4	-	8.5
Disposals	-	-	(0.8)	-	(0.8)
Impairments	-	(0.5)	(0.5)	-	(1.0)
Transfer of finance leases	-	(2.6)	-	-	(2.6)
Depreciation charge	(0.2)	(2.6)	(5.7)	(0.7)	(9.2)
Closing net book amount	1.5	8.5	23.5	2.3	35.8
At 30 September 2023					
Cost	3.0	41.7	86.0	3.7	134.4
Accumulated depreciation and impairment	(1.5)	(33.2)	(62.5)	(1.4)	(98.6)
Net book amount	1.5	8.5	23.5	2.3	35.8
Year ended 30 September 2024					
Opening net book amount	1.5	8.5	23.5	2.3	35.8
Exchange differences	-	0.3	0.6	-	0.9
Additions	-	4.8	8.0	2.6	15.4
Impairment	-	-	(0.5)	-	(0.5)
Depreciation charge	(0.1)	(2.7)	(4.5)	(0.6)	(7.9)
Closing net book amount	1.4	10.9	27.1	4.3	43.7
At 30 September 2024					
Cost	3.0	46.8	94.6	6.3	150.7
Accumulated depreciation and impairment	(1.6)	(35.9)	(67.5)	(2.0)	(107.0)
Net book amount	1.4	10.9	27.1	4.3	43.7

During the period right of use lease assets were increased by 4.8m to recognise extension options considered reasonably certain, offsetting a corresponding increase in lease liabilities (note 4.4).

4.1 Cash flows from operations

	2024 m	2023 m
Continuing operations		
Profit/(loss) for the period	3.0	(16.4)
Taxation	(0.7)	(3.8)
Depreciation	7.9	9.2
Amortisation of intangible assets	12.3	11.6
Loss on disposal (excluding Armour sale transaction)	-	0.3
Restructuring-related impairment of non-current assets	-	0.7
Impairment of other non-current assets (excluding restructuring-related impairments)	1.7	0.5
Impairment of goodwill	-	23.4
Defined benefit pension scheme cost	1.1	1.0
Net finance costs	8.4	7.6
Fair value of share-based payments	3.3	0.7
Transformational, restructuring and transition costs expensed	10.8	2.9
Decrease/(increase) in inventories	0.3	(6.8)
Decrease/(increase) in receivables	17.2	(26.2)
Increase/(decrease) in payables and provisions	3.2	(2.2)
Cash flows from continuing operations before exceptional items	68.5	2.5
Transformational, restructuring and transition costs paid	(9.7)	(2.3)
Cash flows from continuing operations	58.8	0.2
Discontinued operations		
Profit for the period	-	2.0
Taxation	-	0.3
Impairments	-	0.6
Net finance costs	-	0.2
Gain on disposal before tax	-	(9.1)
Cash flows from discontinued operations	-	(6.0)

Decrease in inventories	-	16.7
Decrease/(increase) in receivables	5.1	(1.3)
Decrease in payables and provisions	(0.2)	(6.2)
Cash flows from discontinued operations	4.9	3.2
Cash flows from operations	63.7	3.4

Cash flows from discontinued operations relate to final working capital receipts and payments for the Armour business which closed in FY23.

4.2 Borrowings

	2024 m	2023 m
Current		
Lease liabilities	3.9	4.3
Non-current		
Bank loans	57.5	77.7
Lease liabilities	18.0	16.6
	75.5	94.3
Total Group borrowings	79.4	98.6

Bank loans comprise drawings under the revolving credit facility (RCF). The Group had the following committed facilities at the balance sheet date:

	2024 m	2023 m
Total undrawn committed borrowing facilities	82.5	127.3
Bank loans utilised	57.5	77.7
Total Group facilities	140.0	205.0

At 30 September 2023, the Group had an RCF with a total commitment of 200m. On 14 May 2024 the Group signed a new 137m RCF, together with a 50m accordion replacing the previous facility. The new RCF was agreed with a syndicate of four lenders and is available until May 2027, with two further one-year extension options.

The previous and new RCF are subject to financial covenants measured on a bi-annual basis. These include a limit of 3.0 times for the ratio of net debt, excluding lease liabilities, to bank-defined adjusted EBITDA (leverage). The Group was in compliance with all financial covenants during the current and prior period. The RCF is floating rate priced on the Secured Overnight Financing Rate (SOFR) plus a margin depending on leverage.

In addition to the RCF the Group's US operations have access to a 3.0m overdraft facility that is renewed annually and used to manage short-term liquidity requirements.

4.3 Net finance costs

	2024 m	2023 m
Interest payable on bank loans and overdrafts	(5.4)	(6.3)
Interest payable in respect of leases	(0.9)	(0.7)
Amortisation of finance fees	(0.7)	(0.6)
Net interest cost: UK defined benefit pension scheme	(2.1)	(0.4)
Other finance income	0.7	0.4
Net finance costs	(8.4)	(7.6)

Other finance income comprises 0.4m finance lease interest (2023: 0.1m) and 0.3m bank interest on cash balances (2023: 0.3m).

4.4 Analysis of net cash/(debt)

	At 30 September 2023 m	Cash flow m	Non-cash movements m	Exchange movements m	At 30 September 2024 m
Cash and cash equivalents	13.2	0.7	-	0.1	14.0
Bank loans	(77.7)	20.2	-	-	(57.5)
Net debt excluding lease liabilities	(64.5)	20.9	-	0.1	(43.5)
Lease liabilities	(20.9)	5.2	(5.7)	(0.5)	(21.9)
Net debt	(85.4)	26.1	(5.7)	(0.4)	(65.4)

During the period lease liabilities were increased by 4.8m to recognise extension options considered reasonably certain (2023:

no change in liabilities).

	At 1 October 2022 m	Cash flow m	Non-cash movements m	Exchange movements m	At 30 September 2023 m
Cash and cash equivalents	9.5	3.7	-	-	13.2
Bank loans	(53.7)	(24.0)	-	-	(77.7)
Net debt excluding lease liabilities	(44.2)	(20.3)	-	-	(64.5)
Lease liabilities	(23.8)	5.1	(1.5)	(0.7)	(20.9)
Net debt	(68.0)	(15.2)	(1.5)	(0.7)	(85.4)

4.5 Own shares held

Own shares held - Long-Term Incentive Plan

	2024 Number of shares	2023 Number of shares
Opening balance	261,714	261,714
Acquired in the period	301,947	-
Disposed of on exercise of options	(8,456)	-
Closing balance	555,205	261,714

These shares are held in trust in respect of awards made under the Group's Long-Term Incentive Plan. Dividends on the shares have been waived. The market value of shares held in trust at 30 September 2024 was 9.1m (30 September 2023: 2.0m). The shares are held at cost as treasury shares and deducted from shareholders' equity.

Own shares held - Share Buyback Programme

	2024 Number of shares	2023 Number of shares
Opening balance	765,098	765,098
Acquired in the period	-	-
Closing balance	765,098	765,098

In 2022 the Group completed a £9.25m (12.4m) Share Buyback Programme, purchasing 765,098 ordinary shares. Dividends on these shares have been waived. Purchased shares under the programme are held at cost as treasury shares and deducted from shareholders' equity.

4.6 Dividends

On 26 January 2024, the shareholders approved a final dividend of 15.3c per qualifying ordinary share in respect of the 52 weeks ended 30 September 2023. This was paid on 8 March 2024 utilising 4.6m of shareholders' funds.

The Board of Directors declared an interim dividend of 7.2c (2023: 14.3c) per qualifying ordinary share in respect of the year ended 30 September 2024. This was paid on 6 September 2024 utilising 2.2m (2023: 4.3m) of shareholders' funds.

The Board is recommending a final dividend of 16.1c per share (2023: 15.3c) which together with the 7.2c interim dividend gives a total dividend of 23.3c (2023: 29.6c). The final dividend will be paid on 7 March 2025 to shareholders on the register at 7 February 2025 with an ex-dividend date of 6 February 2025.

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