

600 Group Plc

Investor day – ElectroX Laser

Letchworth site – 8 April 2014

AIM ticker : SIXH



Agenda

Welcome & introductions

600 Group Plc

- *Business structure*
- *Industry trends*
- *Trading update*

Nigel Rogers – Group CEO

Neil Carrick – Group FD

Electrox Laser

- *Introduction to Electrox Laser*
- *Market dynamics*
- *Opportunities for growth*
- *Site tour & demonstration*

Paul Mincher – MD, Electrox Laser

Machine Tools

- *UK re-shoring initiatives*

Mike Berry – MD, Machine Tools (Europe)

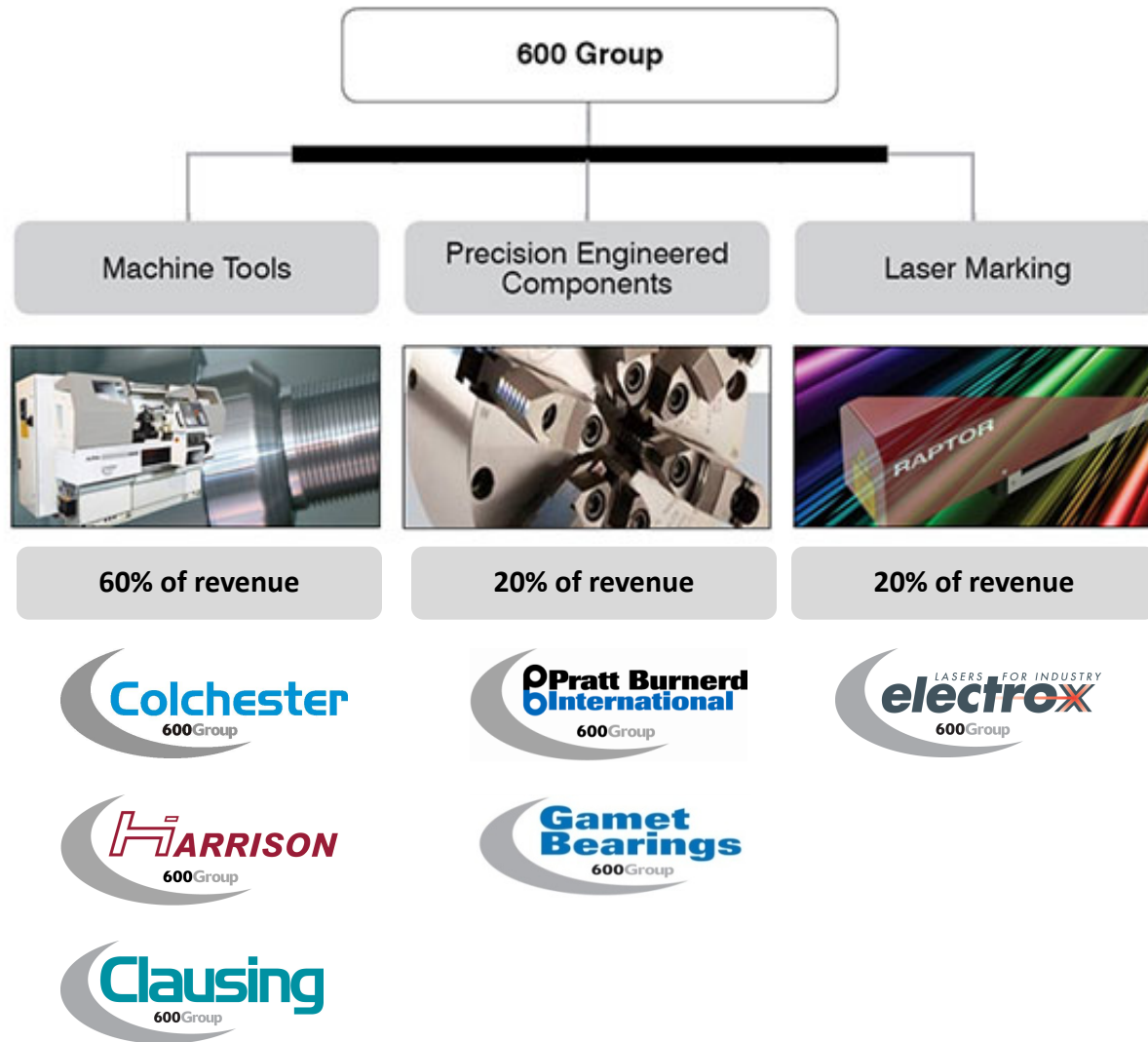
600 Group Plc

- *Group strategy*
- *Acquisition criteria*
- *Financing considerations*

Nigel Rogers – Group CEO

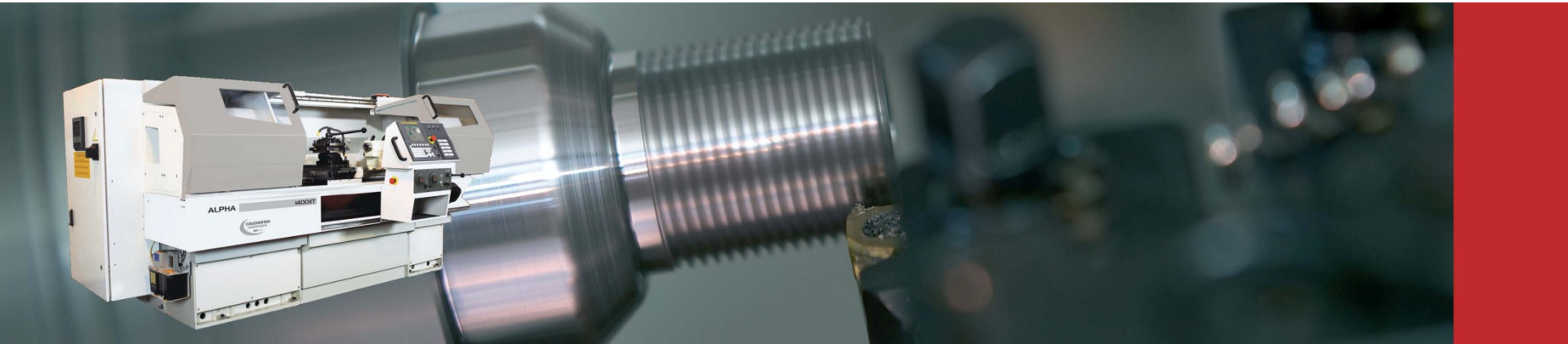
Neil Carrick – Group FD

600 Group Plc – Business structure





Machine tools & precision engineered components



Product ranges – metal turning machines



- | | |
|--|---|
| <ul style="list-style-type: none">• Recognised worldwide brands - over 100 years heritage• >100,000 lathes in operation worldwide - most recognised training and toolroom brands•• Direct sales in North America, Europe and Australia with distribution in >50 countries | <ul style="list-style-type: none">• Over 100 years of trading in North America•• Large machine tool range• >400 distributors throughout North America |
|--|---|



Product ranges – Precision components



- Over 150 years heritage for Manual and Power chucks – set industry standard
-
- Special work-holding solutions expertise
-
- Used by leading OEM's worldwide

- Number one supplier for turning and grinding machine bearings
-
- Over 50 years of bearing manufacture
-
- Used by leading OEM's worldwide

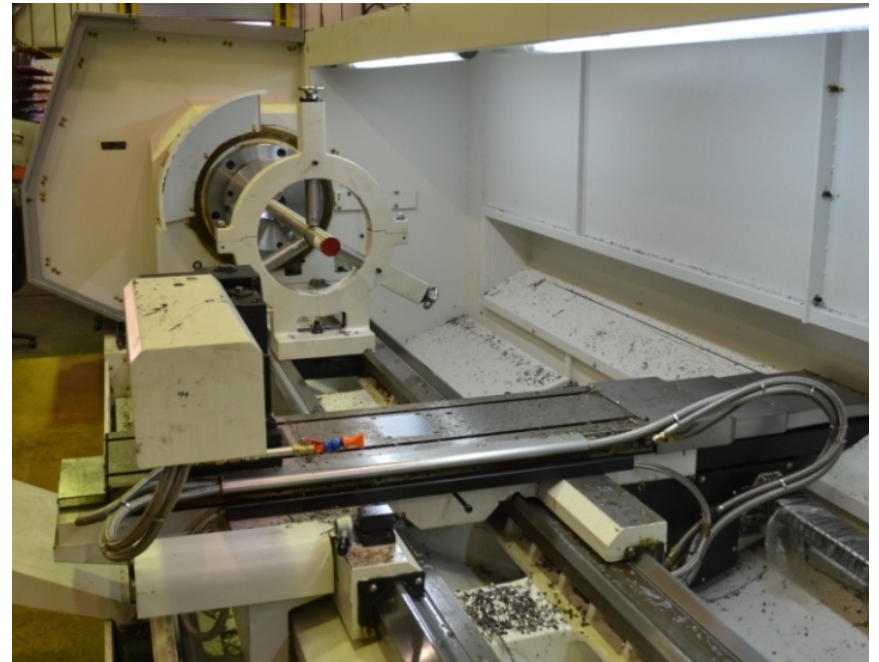


Colchester – manual control lathes for education



NULC Workshop - UK

Harrison Alpha 2800XS – Chemineer Derby



Product ranges – Precision components

Large Power Chucks



Product ranges – Precision components

Super Precision Tapered Roller Bearings

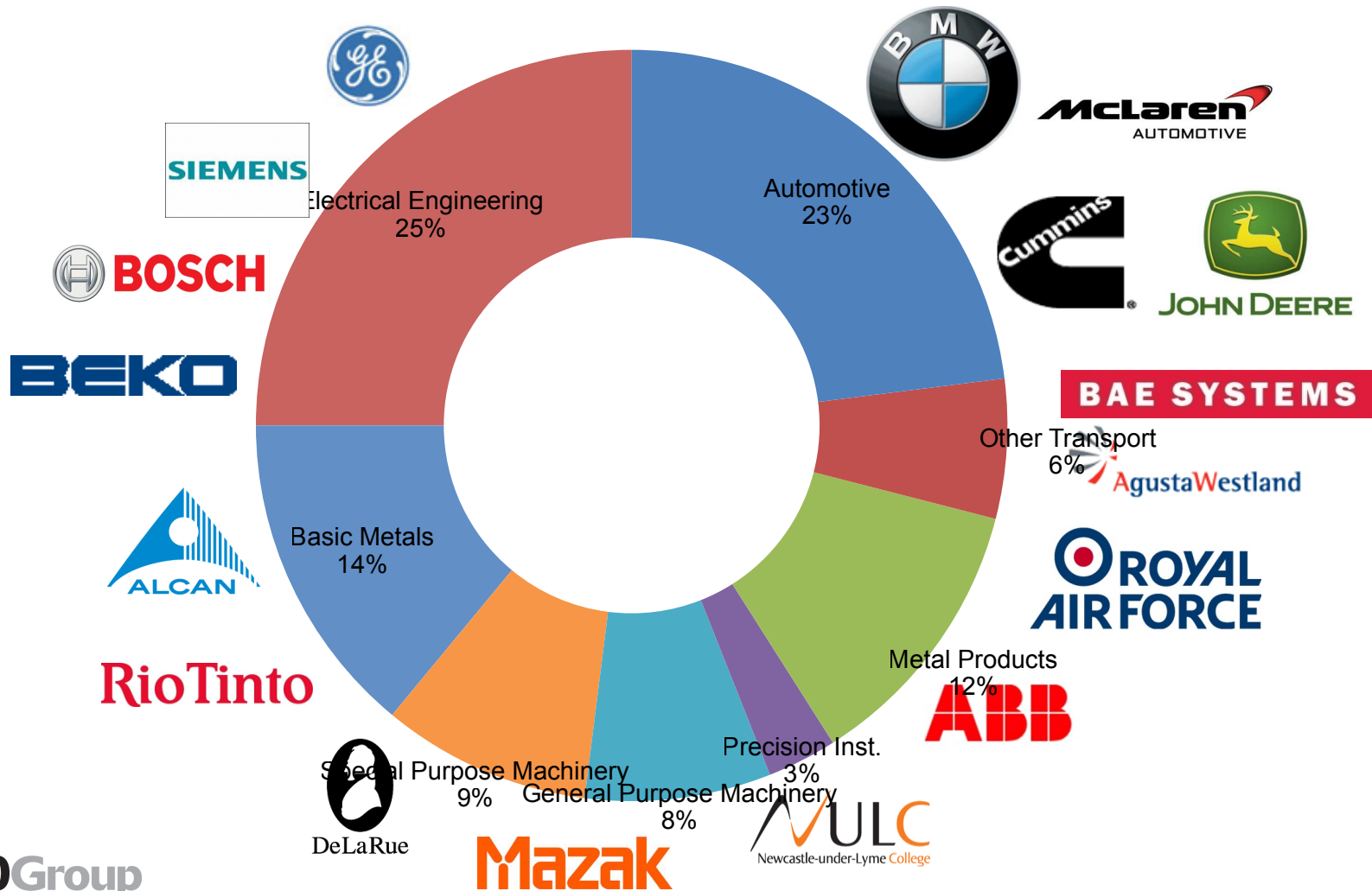


600 Group machine tools - Core brand values

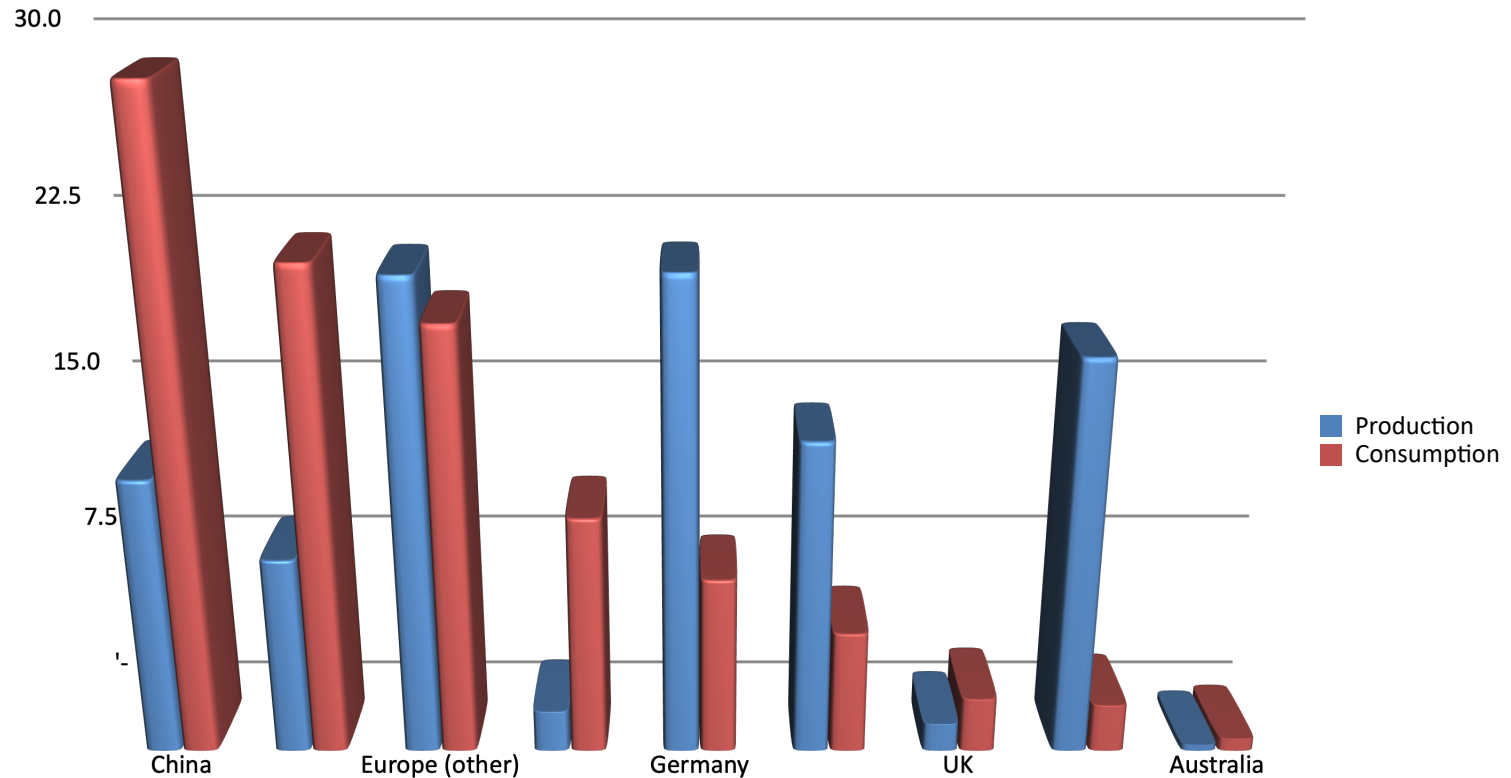


- Unrivalled heritage, pedigree & experience
- World-wide name recognition
- Industry standard conventional platform
- Quality, reliability and performance of equipment
- Strong technical capability & back-up
- Aftermarket support & spares availability

Sector coverage – World class end-users



Machine tool production vs consumption (2013 % of world total)

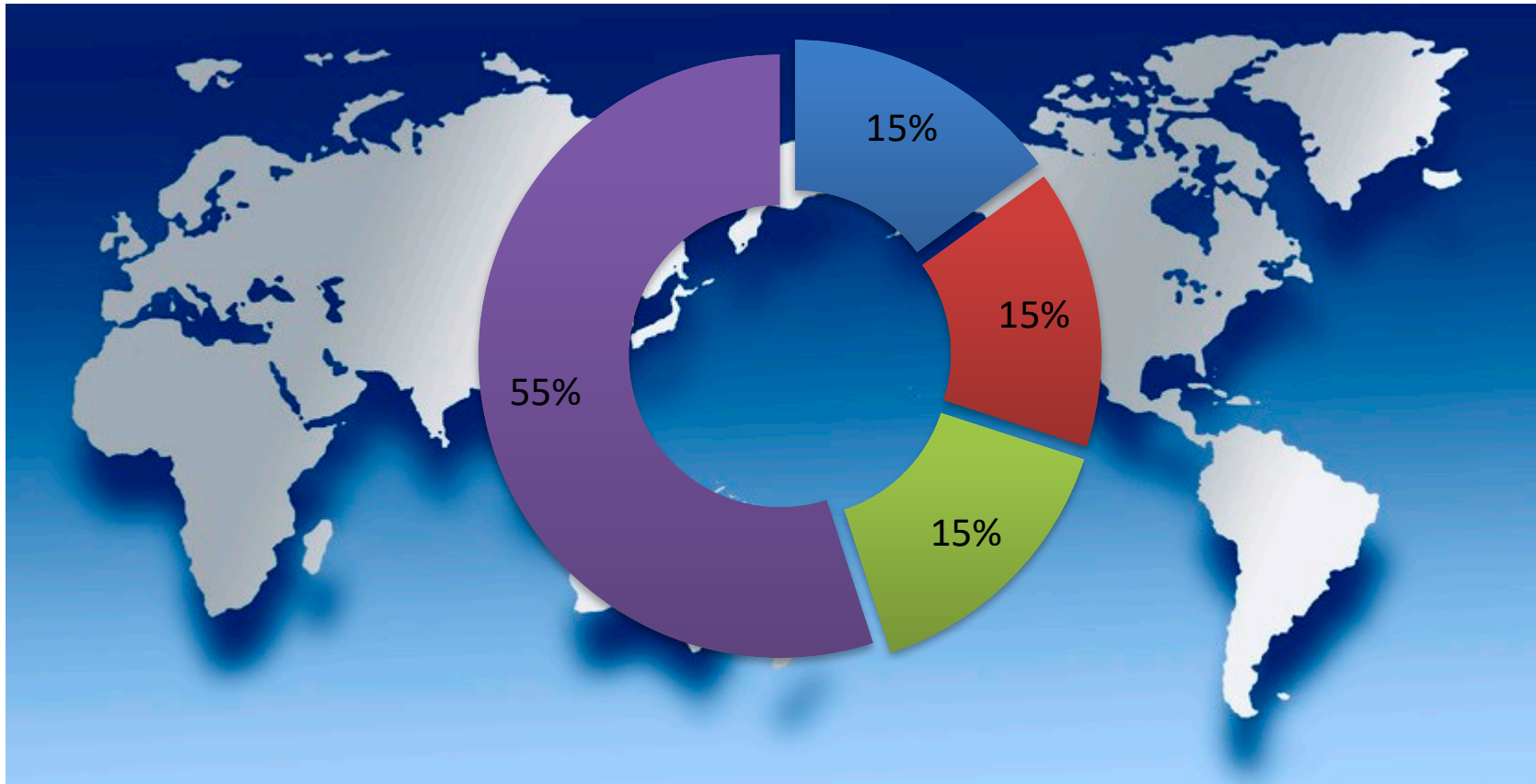


Source – Gardner Research, World machine Tool Output & Consumption Survey 2013

Global reach – Group sales by destination

FY 13 audited, % of total

● UK ● Continental Europe ● RoW ● North America



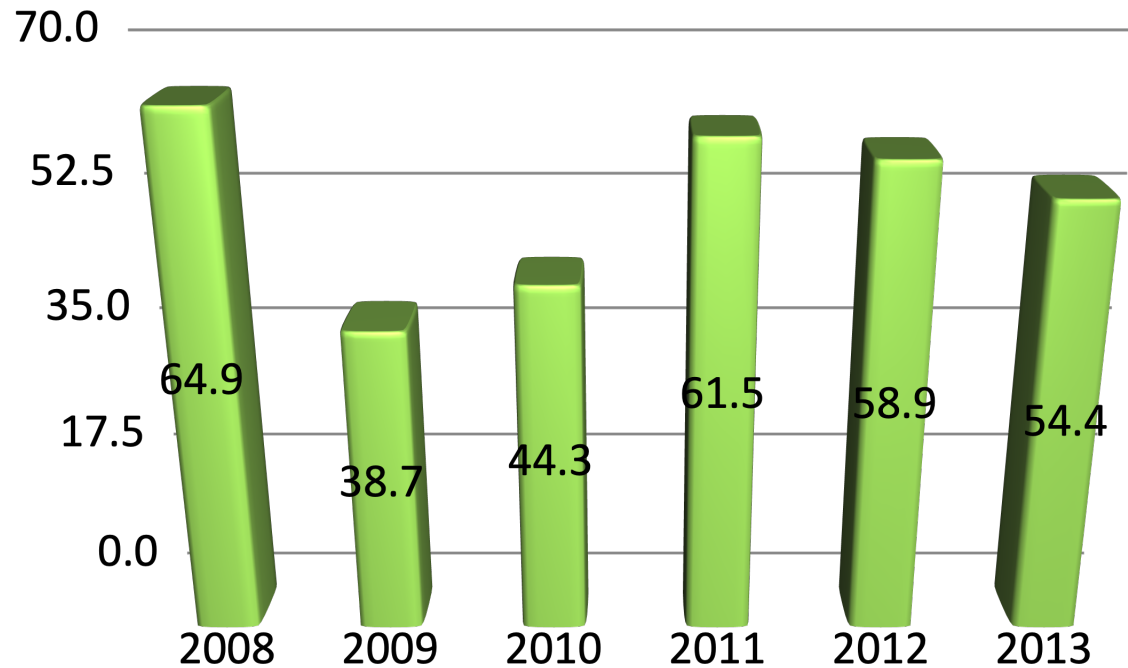
Period end trading update – FY14

- H2 revenues up on H1
- Electrox Laser – new products launched, strong H2 growth
- Gains in market share: 2013 industry output reduced*
- Anticipate results in line with board expectations
- Order book strengthening in Q4
- 2014 industry forecast more favourable*
- Positive outlook for FY15

**Source – World Machine-Tool Output & Consumption Survey, Gardner Research, February 2014*

Machine tools – industry dynamics

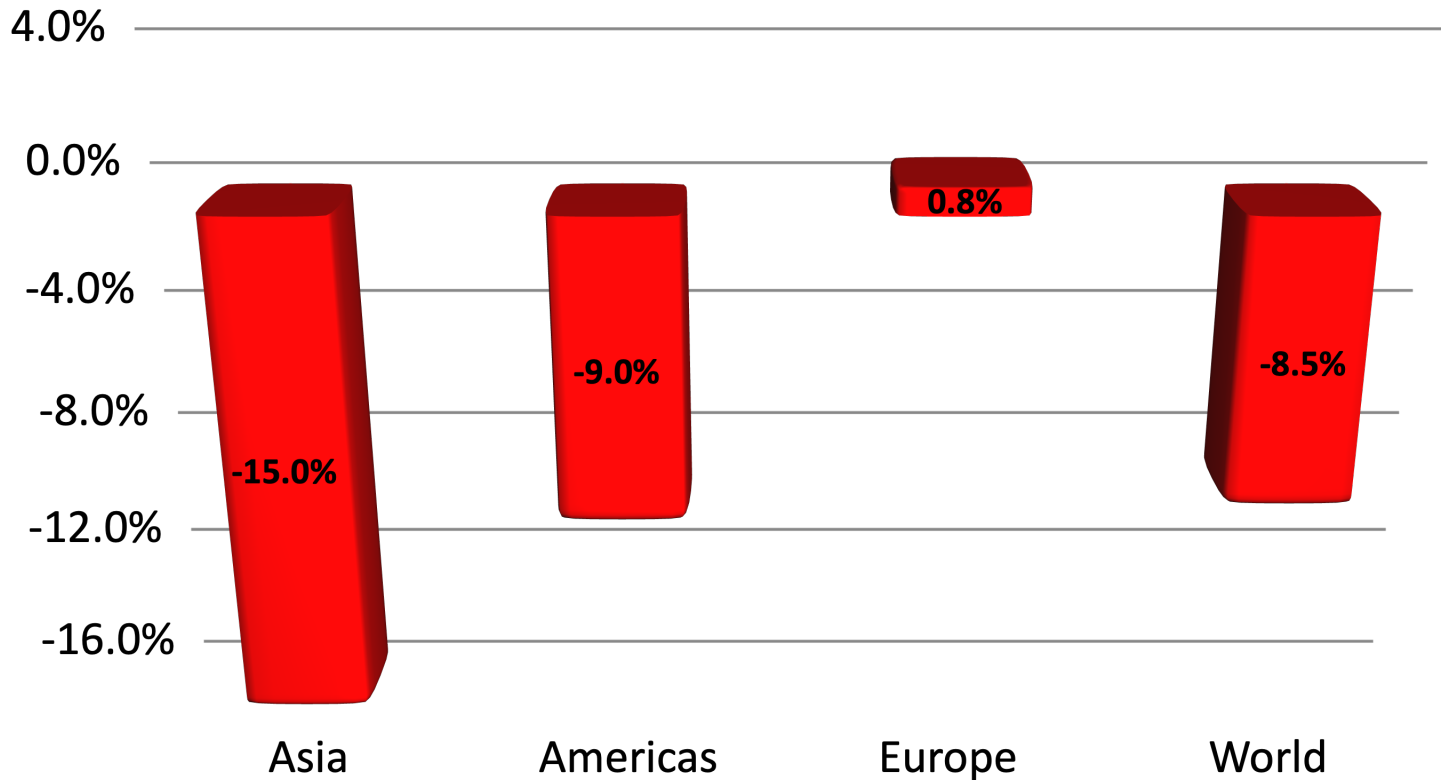
World Machine Tools output (in \$bn)



**Source – World Machine-Tool Output & Consumption Survey, Gardner Research, February 2014*

Machine tools – industry dynamics

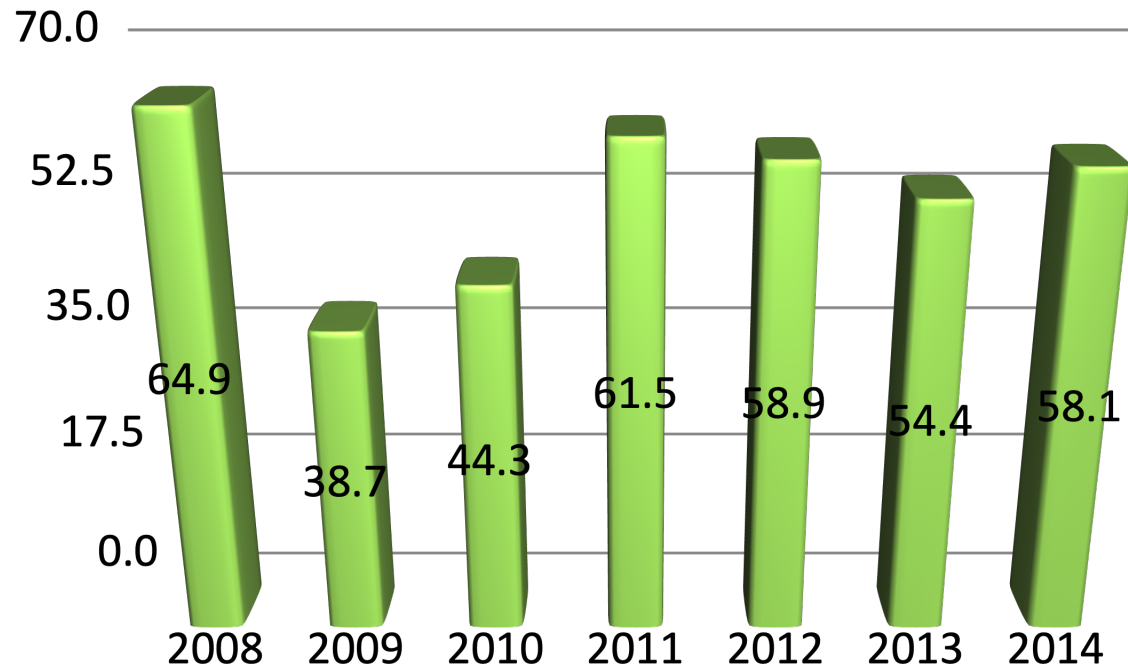
Growth % in consumption - 2013 vs 2012



**Source – World Machine-Tool Output & Consumption Survey, Gardner Research, February 2014*

Machine tools – industry dynamics

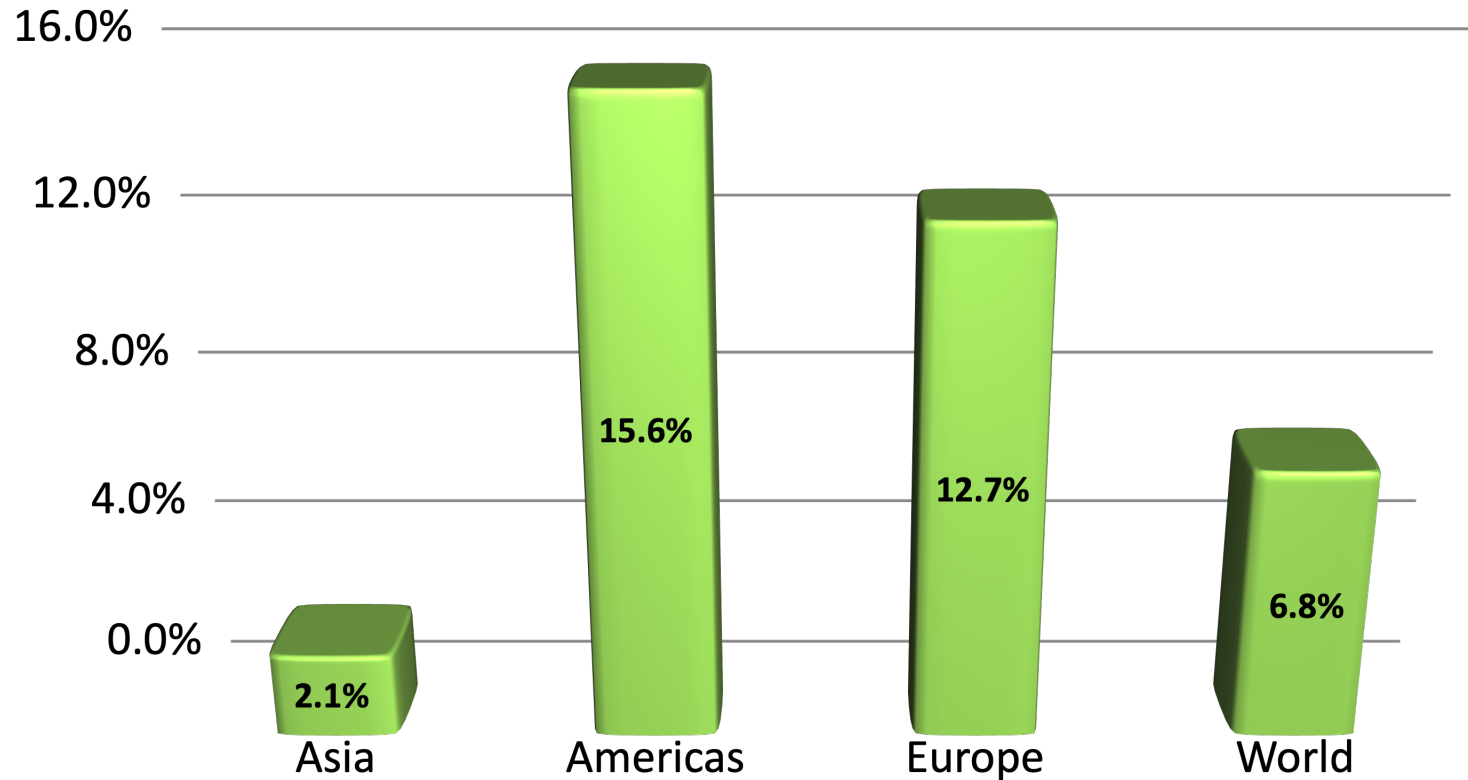
World Machine Tools output (in \$bn)



**Source – World Machine-Tool Output & Consumption Survey, Gardner Research, February 2014*

Machine tools – industry dynamics

Forecast growth % in consumption - 2014 vs 2013



**Source – World Machine-Tool Output & Consumption Survey, Gardner Research, February 2014*

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Welcome To ElectroX



The image shows the exterior of a modern industrial building. The building has a light-colored corrugated metal upper section and a red brick lower section. A large, multi-paned glass window is a prominent feature. The ElectroX logo is mounted on the wall, featuring the word 'electro' in black lowercase letters and 'X' in a stylized black font with a red diagonal slash. There are some bushes and a tree in the foreground.

electroX

Introduction to ElectroX Laser

- Company Overview
- History
- Market Dynamics
- ElectroX Markets
- Product Range
- Routes to Market
- Opportunities for Growth

Company Overview

- Global market leader in Laser marking solutions
- Manufacturing (UK) and applications facilities (UK & US)
- Sales and distribution partners in 22 countries
- Forty five employees
- Head quarters in Letchworth Garden City, UK

History

1986	■ Acquired by 600 Group
1990	■ Acquired the laser marker business of Cincinnati Milacron
1994	■ Development of analogue galvanometer scanning technology
1996	■ Continuing expansion led to a move to the current facility in Letchworth Garden City
1997	■ Awarded the prestigious Queens Award for Export Achievement
2002	■ Development of digital scanning technology which doubled marking speed
2005	■ Divested our high power CO ₂ systems business
2006	■ Developed Raptor EF Technology laser
2007	■ Launch of Razor CO ₂ laser
2009	■ Development of G2 electronics and launch of Scorpion Rapide Fibre laser
2013	■ EMS range of workstations launched
2014	■ Launch of Scriba EVO software and electronics

Market Dynamics

Market Drivers

- Industry regulations for identification and traceability
- Move away from chemical based printing methods
- Growing use of laser for permanence, durability, cosmetics and cost

Market Size and Growth

- Industrial laser revenues were \$2.31Bn in 2012, and over \$2.4Bn in 2013
- Laser marking market grew >7% compound to >\$342m in 2012 – 2013
- Laser micro machining grew >2% compound to >\$576m in 2012 – 2013
- World market fragmented: ElectroX Laser share c. 3% (= top 5)
- No single competitor controls > 5% or has wider distribution

Use of technology

- Fibre technology is dominant in the Marking and Engraving market and continuing to replace solid-state and CO₂ technology
- Used across a broad and growing range of industry sectors

Electrox Markets

Electrox laser marking solutions are used in a diverse range of industries worldwide including:

- Automotive
- Medical
- Computer Peripherals
- Telecommunications
- Cutting Tools
- Agriculture
- Giftware
- Electronics
- Packaging



Electrox Markets

Customers



TIFFANY & CO.



Honeywell



Amsterdam

MOOG



Johnson Matthey

VERTU



3M



BOSCH



PING



BEKO



WATERMAN

PARIS



Product Range

Three different laser technologies addressing the widest range of manufacturing situations

Raptor EF Technology

- Cost-effective solution for high resolution marking on metals, plastics and other materials.

Scorpion Rapide Yb:Fibre

- The high performance marking solution for marking, engraving, etching and pulsed micro-machining.

Razor CO₂

- Low to high volume marking of organic materials.



Product Range

All lasers are designed to be:

- Easy to use
- Easily integrated into production lines
- Extremely low operational cost and virtually maintenance-free
- User-friendly software
- Ideal for system integrators and OEMs

Product Range

Electrox workstations for every eventuality

EMS100

- Cost-effective industrial desktop workstation.
- Ideal for low volume applications or cell manufacturing

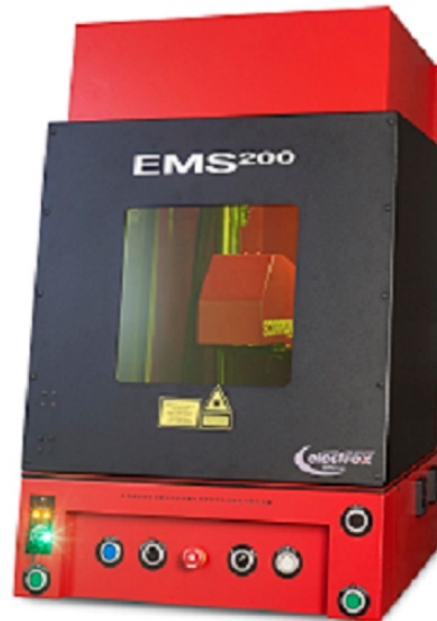


Product Range

Electrox workstations for every eventuality

EMS200

- Ergonomic workstation with integrated laser.
- Ideal for medium volume applications.



Product Range

Electrox workstations for every eventuality

EMS300

- Ideal workstation for medium volume large component marking



Product Range

Electrox workstations for every eventuality

Custom specific workstations

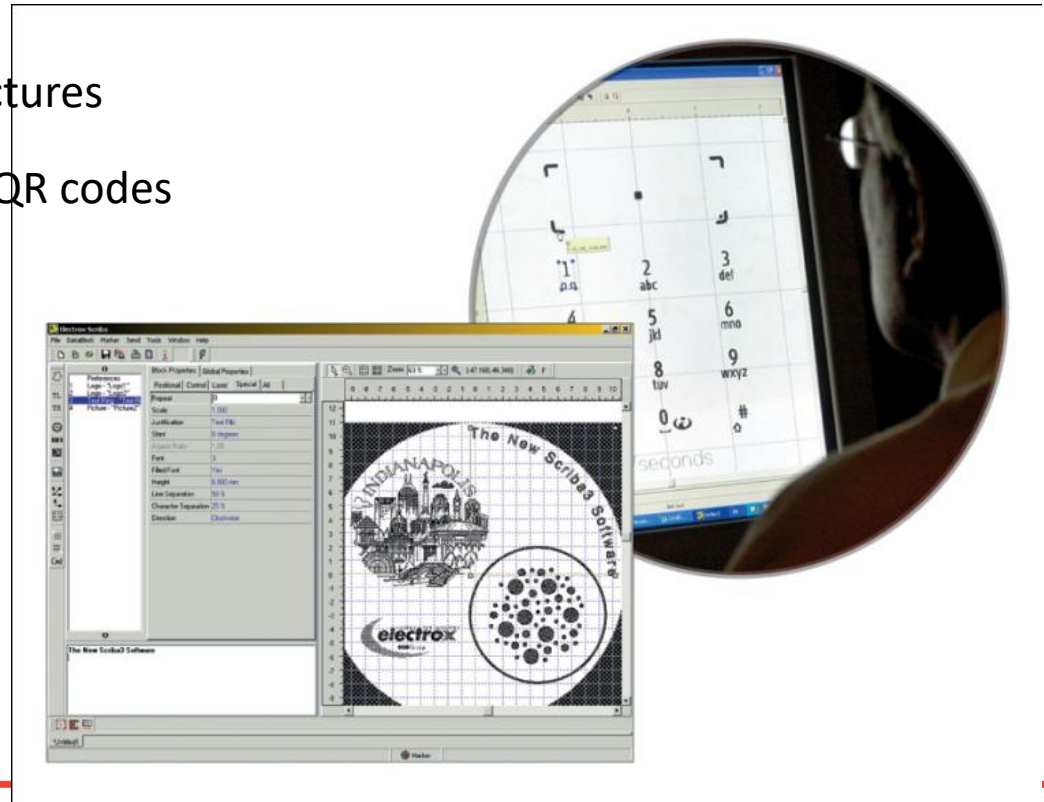
- High volume manufacturing
- Often integrated into existing production lines or manufacturing cells



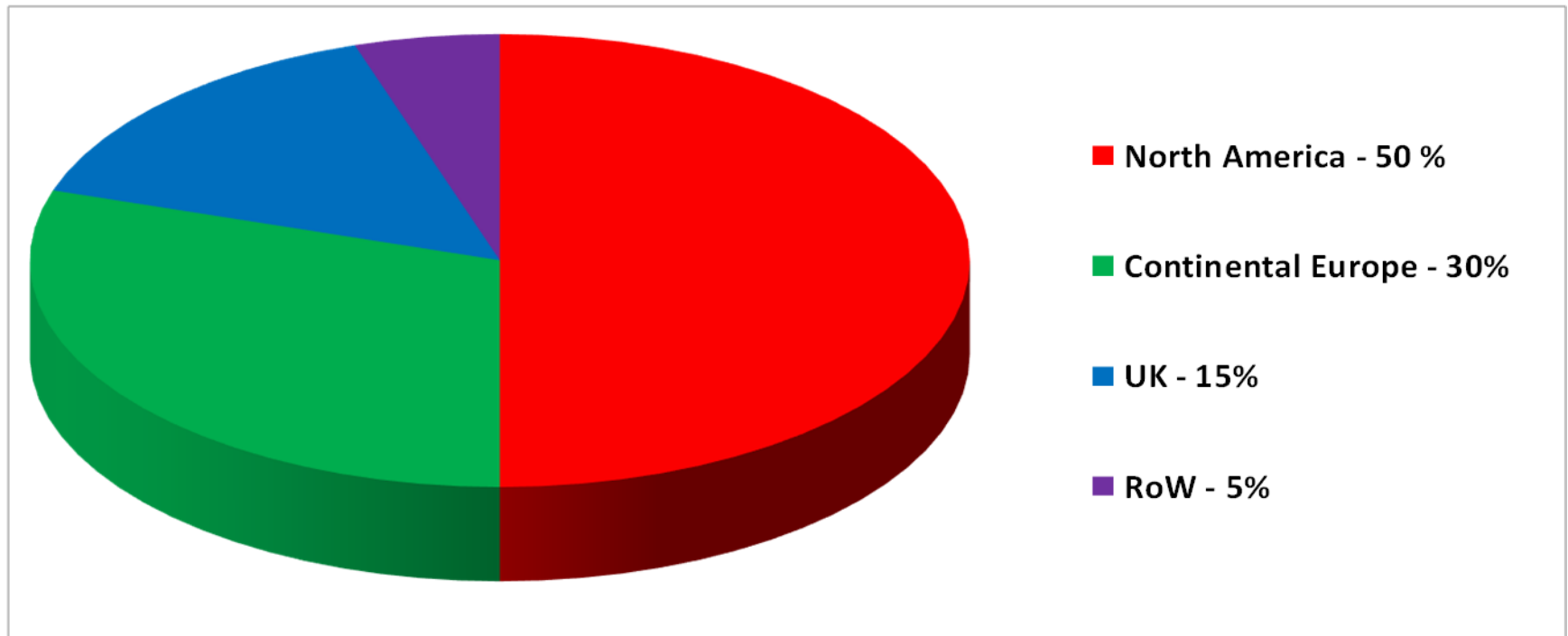
Software

All Electrox laser marking systems share the same software application

- Generates text
- Imports graphics, logos and pictures
- Creates barcodes, 2D codes & QR codes



Routes to market



- UK served by direct sales force
- North America served by direct sales and distributors
- Continental Europe & ROW are served by local distributors

Opportunities for growth

Technical & applications developments

- Development projects have been identified that will let us satisfy a broader variety of applications
- Hired new technical leaders to deliver our vision of a unified product family offering improved performance, functionality and flexibility

Improve competitiveness

- Identified opportunities to simplify and value engineer our range

Opportunities for growth

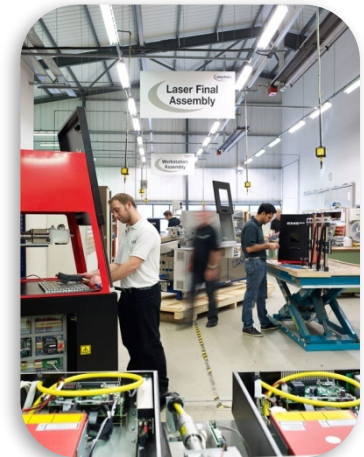
Build on key strategic partnerships

- We have excellent relationships with technology leaders and a wide geographical spread of distribution and end-users

Increase market awareness

- New marketing, web and trade show activities to enhance our companies profile

Site tour & demonstration



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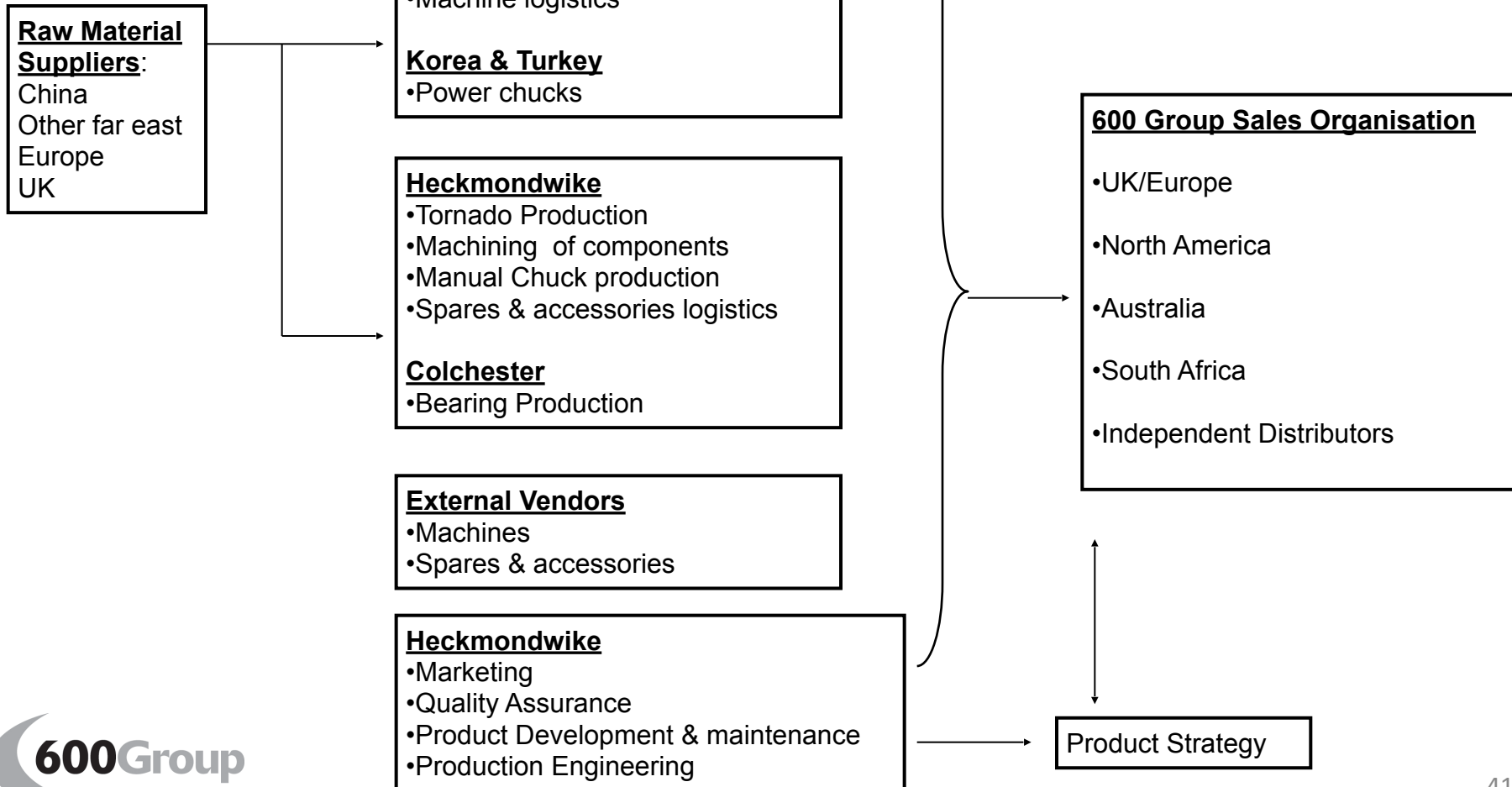
Neil Carrick – Group FD

600 UK – Off shore / Re-shore Overview

1980's	<ul style="list-style-type: none">• Commenced sourcing in India, Russia and Eastern Europe
1996	<ul style="list-style-type: none">• First conventional machines built in Taiwan
1999	<ul style="list-style-type: none">• First power chucks sourced offshore (Korea & Turkey)
2002-4	<ul style="list-style-type: none">• All conventional lathe production moved to China
2004-8	<ul style="list-style-type: none">• Conventional & some Alpha lathe production in China
2008	<ul style="list-style-type: none">• Chinese lathe production halted – some production returned to Taiwan
2009-10	<ul style="list-style-type: none">• All power chuck production returned to Heckmondwike
2010	<ul style="list-style-type: none">• Production commenced in 600 Group owned facility in Tarnow, Poland (conventional & then Alpha lathes)
2012	<ul style="list-style-type: none">• Polish production ceased and production located in Taiwan & UK for conventional & Alpha lathe machines

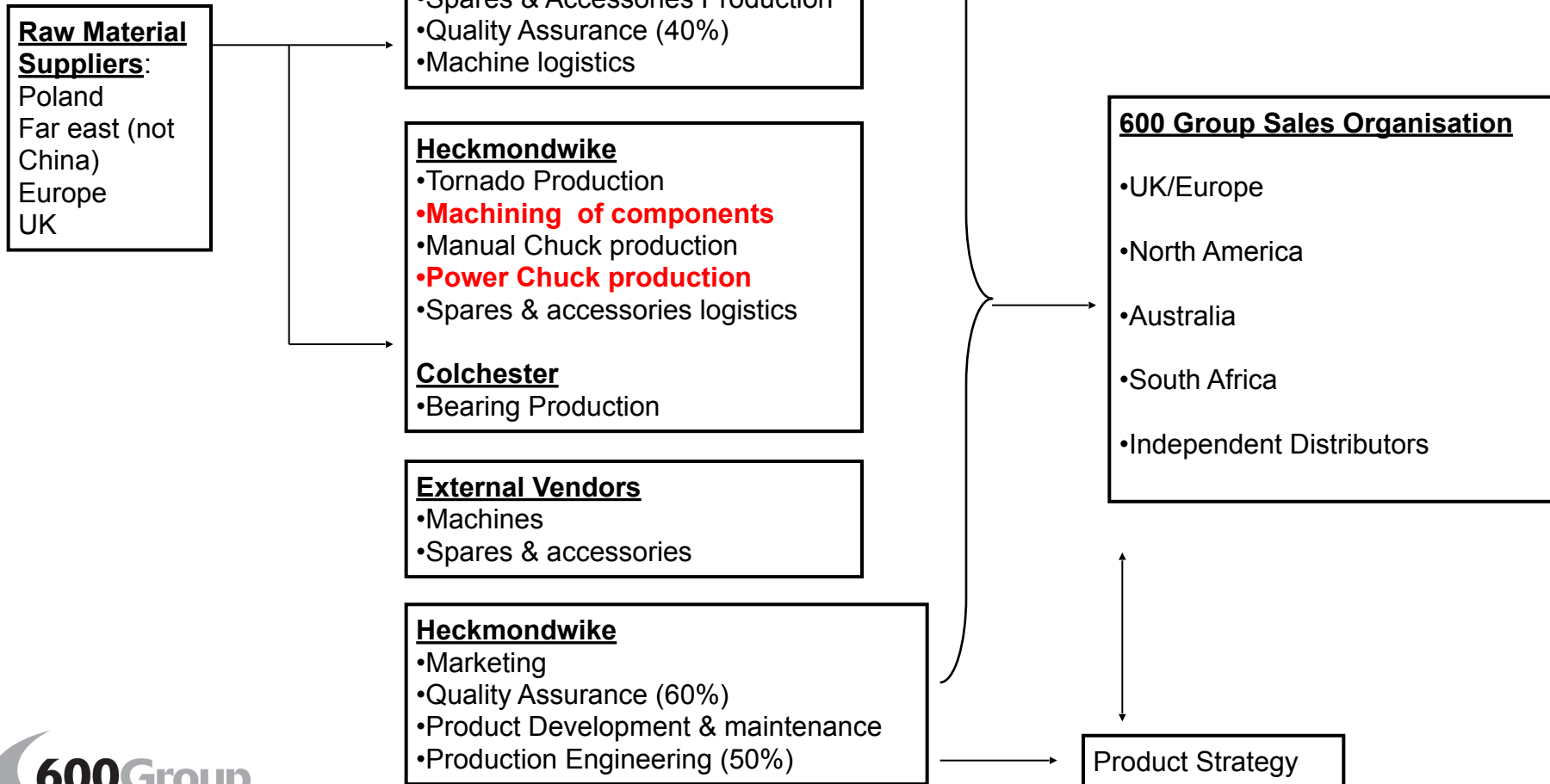
Machine Tools Business Model - 2005

MANUFACTURING FOOTPRINT SUPPLY CHAIN

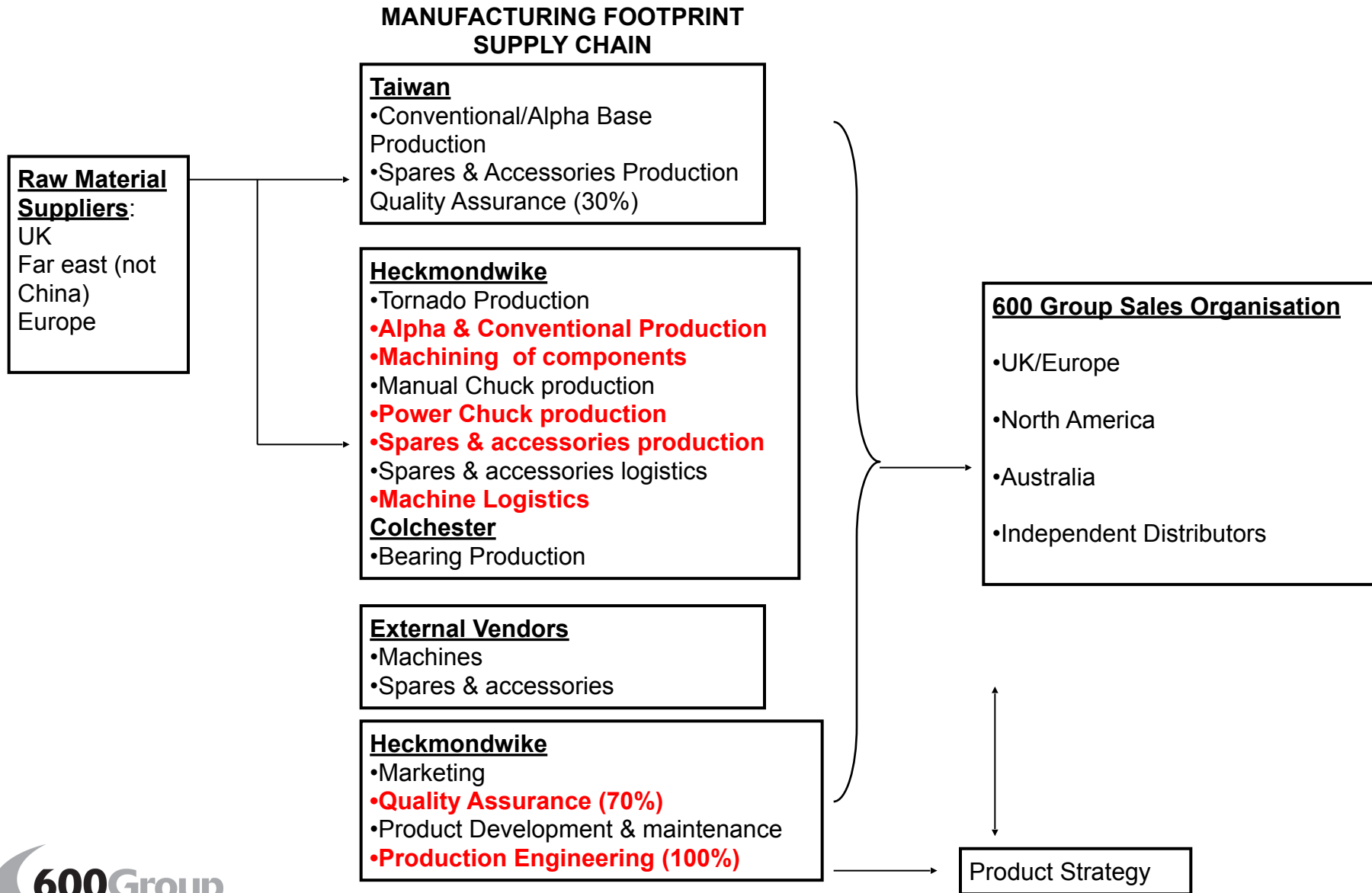


Machine Tools Business Model - 2011

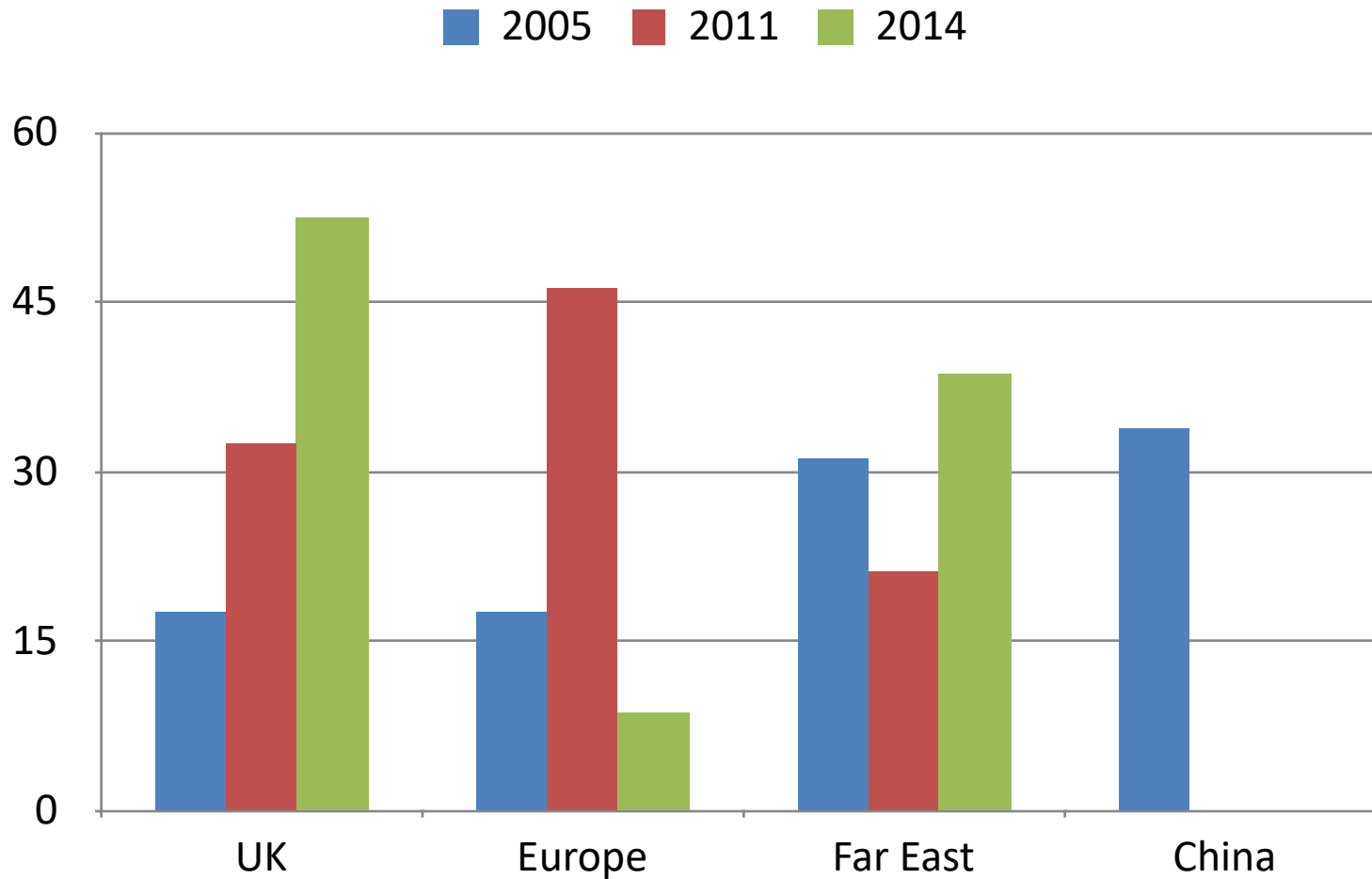
MANUFACTURING FOOTPRINT SUPPLY CHAIN



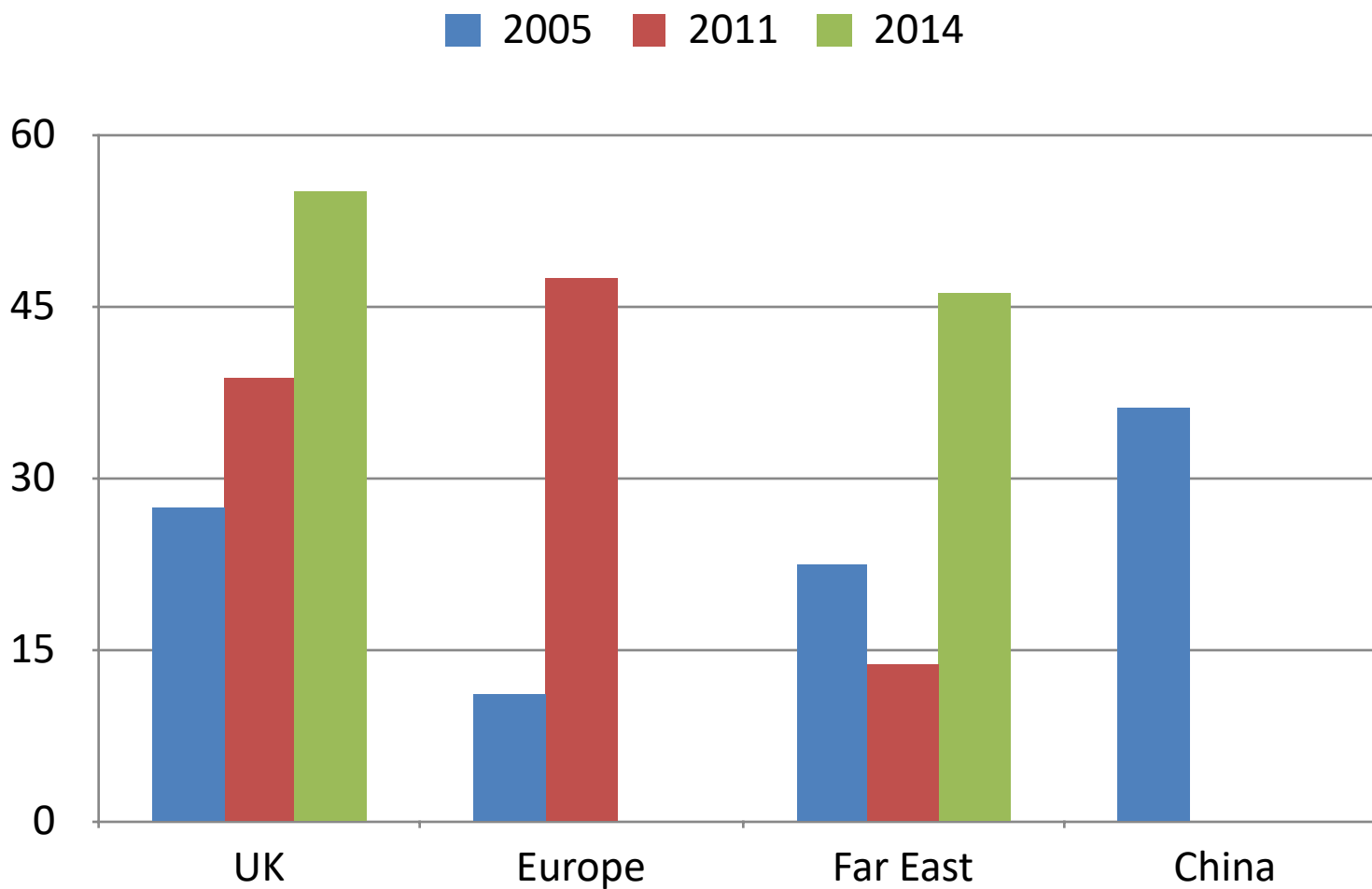
Machine Tools Business Model - 2014



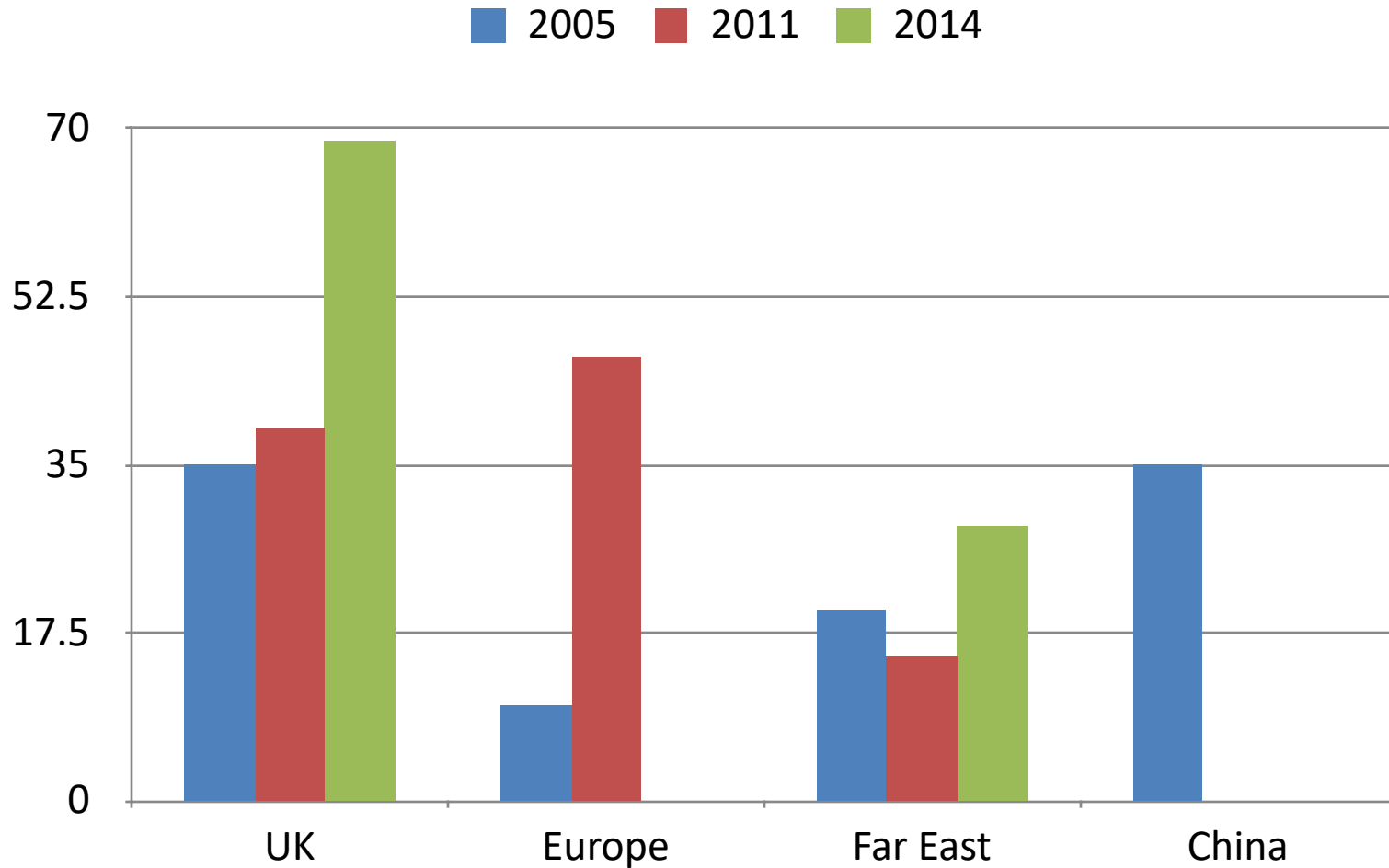
Material Sourcing 2005 – Present Day



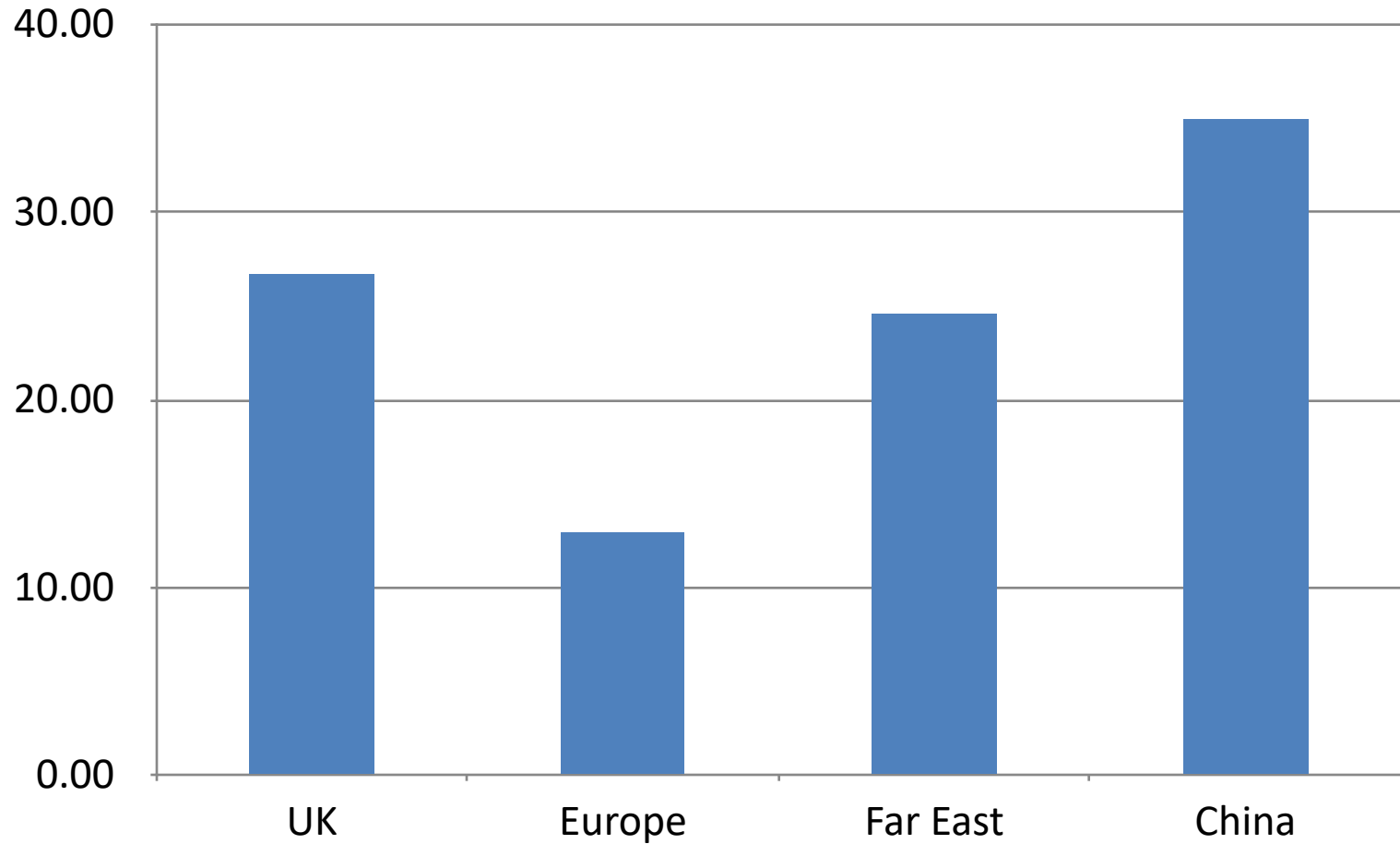
Machining Location 2005 – Present Day



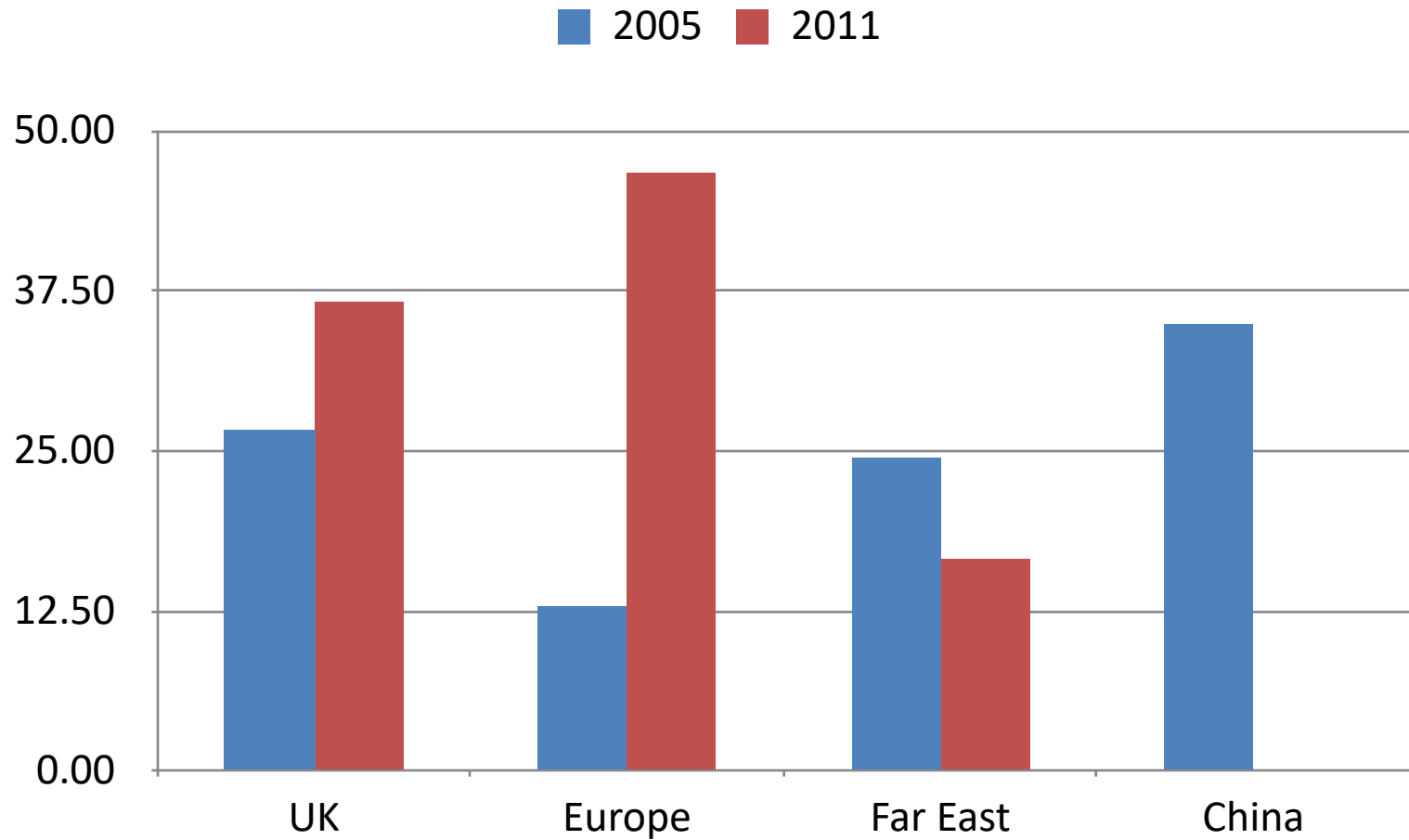
Assembly Location 2005 – Present Day



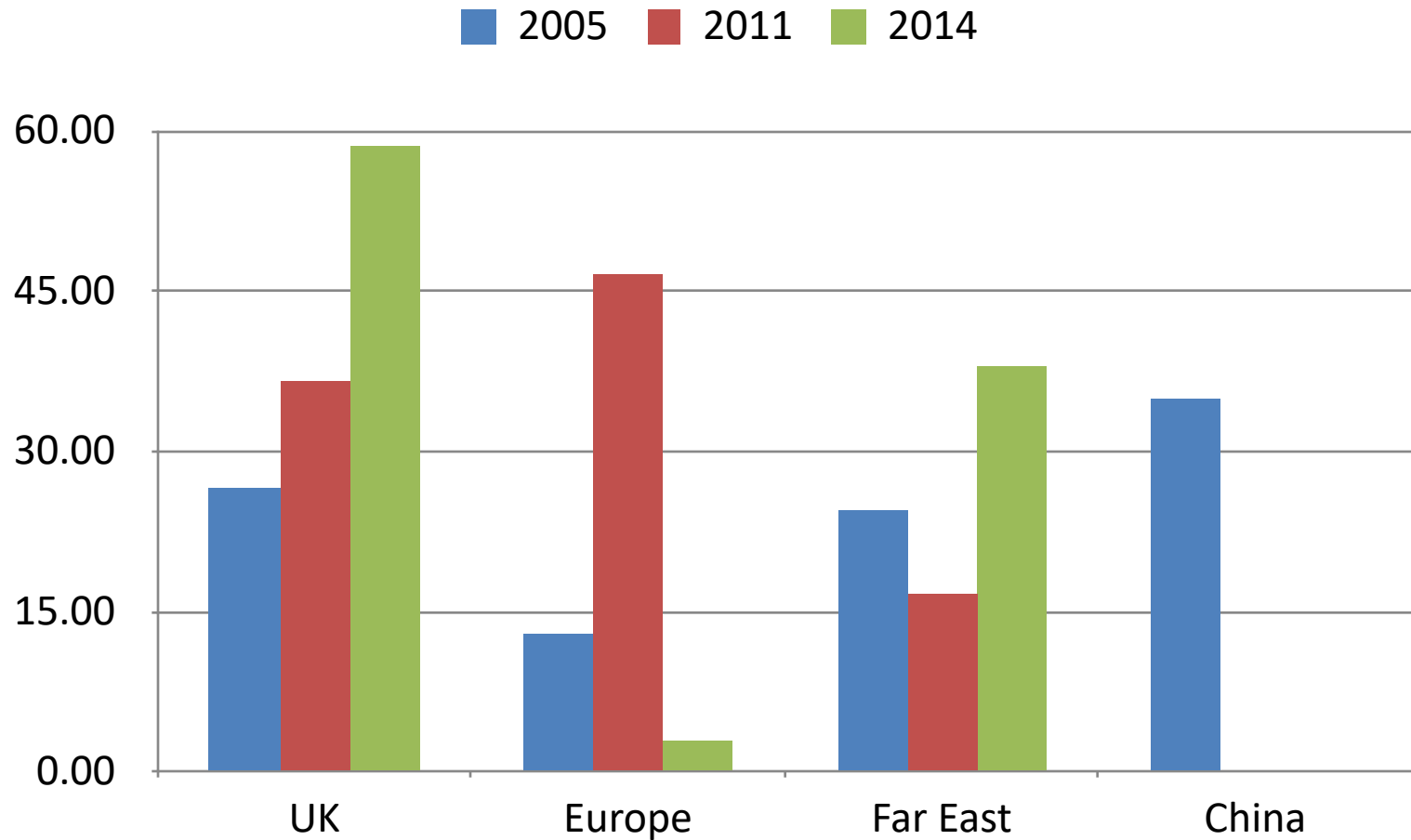
Combined - 2005



Combined 2005 – 2011



Combined 2005 – 2011 - Present Day



600 UK Key functions & changes from 2005

- **Design & Production Engineering** – always 100% UK based
- **Material Supply** - UK sourcing increased from 18% - 52%
- **Machining** – UK (mainly in house) increase from 27% - 55%
- **Assembly** – UK increase from 35% - 69%
- **Quality Assurance** – UK controlled team deployed as locations determined - currently 30% Far East; 70% UK
- **Marketing, Sales, Customer Support** - always 100% UK based
- **Administration** - always 100% UK based

600 UK – UK supply initiatives

MATERIAL / SUPPLY	PREVIOUS SUPPLY	CURRENT SUPPLY
Castings	CEE, Far East, Germany	West Yorkshire
Steel Billets & Forgings	Far East & CEE	S. Yorks & Midlands
Fabrications	CEE	W. Yorkshire & Midlands
Bar Feeders	Essex & Italy	South Yorkshire
Hydraulic Units	Germany	South Yorkshire
Hydraulic Cylinders	Germany	West Yorkshire
Electrical Components	CEE	West & South Yorkshire
Swarf Conveyors	West Yorkshire	West & South Yorkshire
Parts Conveyors	N/A	Hampshire
Bearings, belts, pulleys etc	CEE	West Yorkshire
Fasteners	CEE	West Yorkshire
Heat treatment	N/A	South Yorkshire
Machine Transport	CEE	West Yorkshire

600 UK – Re-shoring advantages

- **Flexibility of production**
 - Ability to respond to and meet customers exact needs
 - Changes in demand can be more easily addressed
 - Product changes can easily be accommodated
 - Close control of all aspects of production
- **Delivery time reduction**
 - Lead times reduced to days/ weeks from months
 - Logistics to main UK, EU & US markets improved
 - Customer support response improved dramatically
- **Quality control and consistency**
 - Can be directly monitored and managed
 - Issues get immediate action - no delay or stock problems
 - Customer involvement possible

600 UK – Re-shoring advantages

- **Design flexibility**
 - Ability to meet customer specific requirements
 - Product improvements can be rapidly introduced
 - Greater range of standard products possible (same raw material)
- **Working capital reduction**
 - Significant reduction in stock levels required of finished product
 - Logistics/transport cost reduced
 - Warehouse space reduced
- **Customer confidence in UK manufacturing**
 - UK manufacture still strong USP
 - Gives customers confidence and peace of mind

600 UK re-shoring – associated activities

- **Training** – increase in product specific training
- **Apprentices** – doubled apprentice numbers
- **Regional Growth Funding** – UK based manufacture has allowed RGF funding to be tapped into
- **Social responsibilities** – all have responsibilities both locally and nationally
- **Environment** – significant reduction in our carbon footprint for re-shored products in conjunction with major investment in plant utilities including lighting and heating

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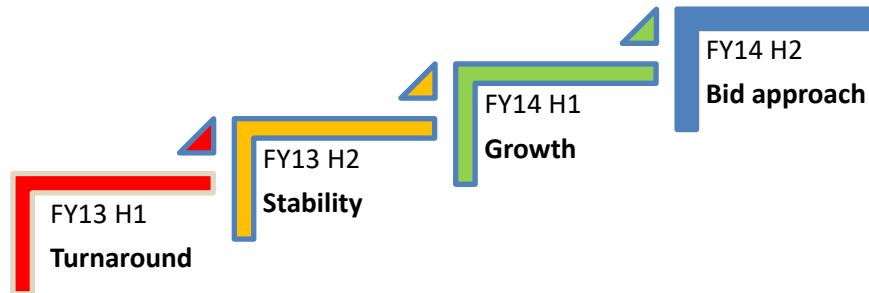
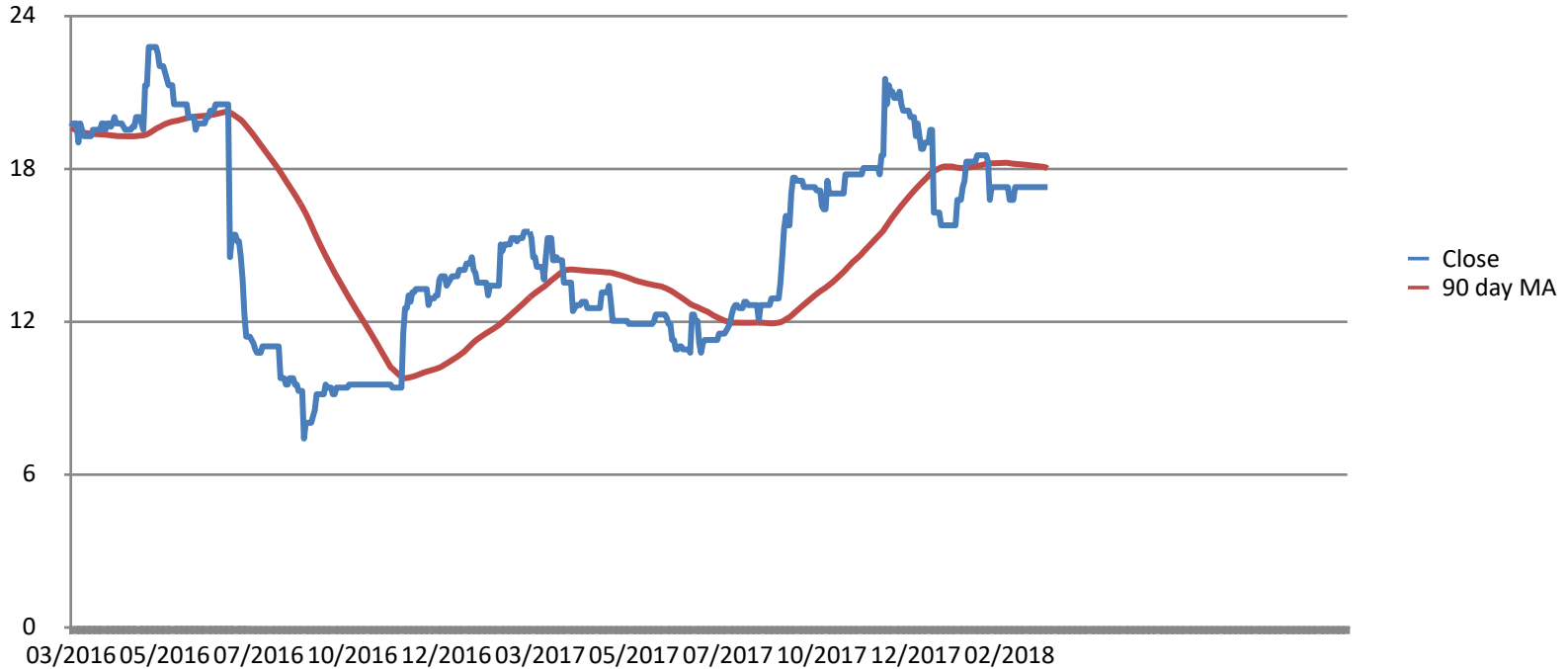
600 Group Plc – strategic plan

Four steps to success defined by new management in April 2012

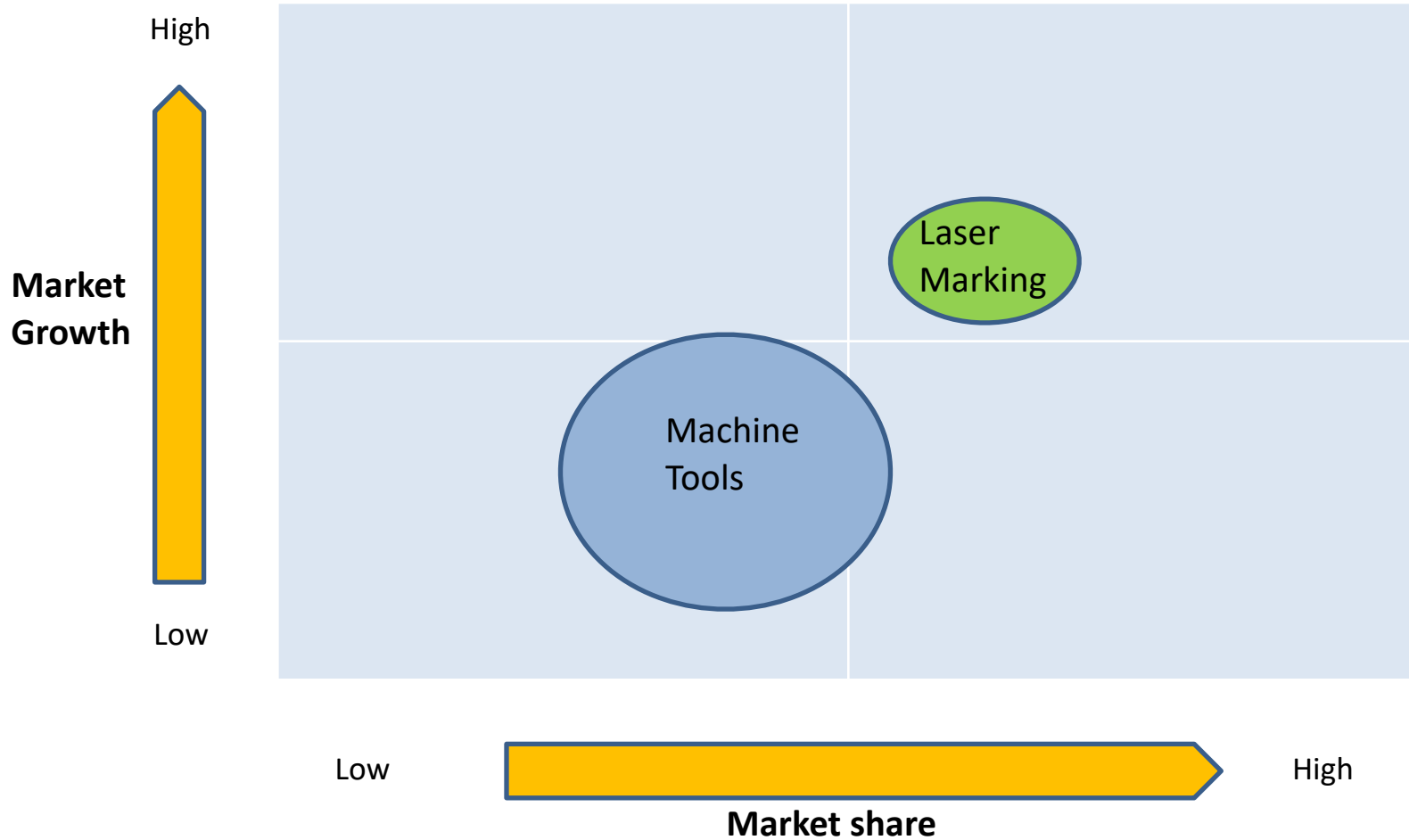


Strategy - implementation

600 Group Plc - share price – March 2012 - date



600 Group Plc – development of strategic plan



Acquisition criteria

- Optimistic view towards manufacturing in developed markets
- Increased focus on engineering & “re-shoring” in UK & US
- Consolidation of fragmented laser marking space
- Niche opportunities in other technologies
- Added value features – e.g. design, IP, MRO revenues
- Not ruling out consolidation in AIM/quoted sector if suitable opportunities arise

Financing considerations

STATEMENT OF FINANCIAL POSITION

£m	Sept 13
FIXED ASSETS	5.83
NET PENSION SURPLUS Net of deferred taxation	12.09
WORKING CAPITAL	
Inventory	9.19
Receivables	5.79
Payables	<u>(6.14)</u>
	<u>8.84</u>
NET DEBT	
Cash & cash equivalents	1.25
Bank and financial leases	(4.63)
Shareholder loans	<u>(2.22)</u>
	<u>(5.60)</u>
OTHER ASSETS/(LIABILITIES) (NET)	<u>0.69</u>
NET ASSETS	<u>21.85</u>
NAV per share	<u>25.9p</u>
NAV per share (excl. pensions)	<u>11.6p</u>

Net debt = 2x FY14 EBITDA*

EV at 17.25p = 7.2x FY14 EBITDA*

PER at 17.25p = 9.6x FY14 EPS*

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