

Exova Group PLC				Financials					Historical Financials			Base Case Projections		
(£, m) 29/Oct/2015	Current Valuation		Multiples	FYE 31/Dec (£,m)	FY 2011	FY 2012	FY 2013	FY 2014	LTM H1/2015	FY 2015E	FY 2016E	FY 2017E		
Shares Outstanding	250.4m	EV / TTM Sales	1.91	Revenue	241.9	253.6	279	274.9	282.6	288.1	294.7	309.1		
Current Price	155	EV / TTM EBITDA	10.5	% y-o-y growth	6.1%	4.8%	10.0%	(1.5)%	2.7%	4.8%	2.3%	4.9%		
Market Cap	388.1	EV / NTW EBITDA	9.09	Gross Profit	82.6	94.2	103.0	100.9	104.7	106.6	109.0	114.4		
Less Cash (H1 2015)	(30.4)			% margin	34.1%	37.1%	36.9%	36.7%	37.0%	37.0%	37.0%	37.0%		
Plus Debt (H1 2015)	181.7	P / TTM Earnings	22.6	% y-o-y growth	5.1%	14.0%	9.3%	(2.0)%	3.8%	0.4%	2.3%	4.9%		
Total EV (H1 2015)	539.4	P / NTM Earnings	13.7	Adj. EBITDA¹	45.9	52.4	60.3	57.2	57.8	57.6	58.9	61.8		
Share Performance				% margin	19.0%	20.7%	21.6%	20.8%	20.5%	20.0%	20.0%	20.0%		
Avg. Volume	280k	52 wks High	199	% y-o-y growth	5.0%	14.2%	15.1%	(5.1)%	1.0%	0.7%	2.3%	4.9%		
Analyst Consen.	Buy	52 wks Low	138	Adj. EBIT	20.4	31.9	38.4	36.7	36.4	46.1	46.5	48.2		
		Dividend Yield	0.72%	% margin	8.4%	12.6%	13.8%	13.4%	12.9%	16.0%	15.8%	15.6%		
		Diluted EPS TTM	0.07	CAPEX	10.9	16.3	17.2	16.3	16.9	17.9	17.4	18.2		
		Diluted EPS NTM	0.06	% margin	4.5%	6.4%	6.2%	5.9%	6.0%	6.2%	5.9%	5.9%		
		Diluted EPS '16 Est	0.11											

Source: Bloomberg, Financial Times

¹ Profit before listed company costs, restructuring costs, loss on disposal of subsidiary, acquisition and integration costs, impairment of assets, management fee to private equity investor IPO related costs, interest, taxation, depreciation and amortisation of intangibles.

Investment Summary:

The material testing business sector has suffered significantly in the last 12 months due to its relatively significant exposure to the Opex / Capex budget spending in the Oil and Gas industry which has declined following the rapid fall in oil prices. Exova has been affected by the broader decline too, collapsing 37.5% from the highest price of 248 GBx on the 20th Jun, 2014 to 155 GBx on the 29th Oct. Arguably, the market has overreacted to these news and has punished Exova more than it deserves. The stock is trading at a discount to its peers and is offering a bargain opportunity as neither growth nor profitability is as exposed to oil and price issues as the market seems to suggest. Other concerns such as the potentially higher leverage and some softness in trading in other division are also overblown as the company has sufficient liquidity to cover its interest and most of the softness has been reversed with good current trading and positive management projections due to recently won contracts. Also, once the one-off IPO and refinancing costs are stripped out from 2014 results and when one focuses on next year adj. EBITDA margins (c. 20%) the company is in line with its competitors despite trading at a discount and look much better than the current comparative numbers. The company has a resilient business model and is offered at an attractive price versus peers and versus what fundamentals suggest is its intrinsic pricing with potential expected upside of c. 12%. What is more, investors are also benefiting from a further significant potential upside in case of oil price recovery.

Business Description:

Exova Group plc is a United Kingdom-based provider of laboratory-based testing and related advisory services, operating from approximately 143 laboratories in around 32 countries with 4,500 employees (as of September 2015). The Company has three operational segments, which include Europe (54% of revenue), the Americas (34%) and Rest of World (12%). The Company provides services across five business clusters, such as Aerospace (15% of revenue); Oil and Gas (16%) and Industrials (11%); Product (32%); Health Sciences (17%), and Middle East (9%). The Company operates primarily within the Testing segment of the Testing, Inspection and Certification (TIC) sector. Exova provides both destructive and non-destructive testing of materials and parts, as well related certification and inspection services. The strategy of the company is to focus on highly complex testing procedures which lead to higher margins and offer more stable revenue. At the same time, it is leveraging its size to drive efficiencies in acquired smaller rivals as well as investing in constant improvement of its own operations. The company is also continually investing in new testing procedures to ensure it can service the new products its clients are bringing to the market. (Source: Company Web Page)

Exova was listed on the London Stock Exchange by private equity sponsor CDR on the 11th of April 2014 at an initial price of 245p per share. Following the consolidation theme in the fairly fragmented TIC industry as well, the company is investing considerably in bolt-on acquisitions with more than 12 acquisitions completed since 2013 (£50m of revenue acquired for a total consideration of £64m). The typical EBITDA multiple paid for acquisitions is around 5-7x EBITDA (before synergies) which given the current 9-10x EBITDA valuation implies these are value accretive bolt-ons.

The acquisition are helping the company to diversify its revenue base which is showing good mix across geographies and service lines – as explained later this is an important factor in understanding the impact of the Oil and Gas Capex / Opex reduction on the company. In addition to that the company has a highly diversified

customer base with more than 25,000 customers with the largest customer representing 3% of Group revenues (as of Dec 2014) and top 10 customers representing 13% of Group revenues (as of Dec 2014). An additional comfort can be drawn from the fact that 88% of revenue is classified as recurring.

Overall the company has managed to deliver 4.2% Revenue CAGR in the 2009-Jun 2015 period through both organic growth (due to overall market growth) and value accretive consolidations. At the same time adj. EBITDA margins have been stable / marginally improving (c. 130 bps margin improvement in the 2010-Jun 2015 period even after accounting for recent pricing pressure felt as a result of Oil and Gas sector headwinds)

Market Description

The overall TIC market as of 2013 was c. £110bn in size with about 48% (or c. £53bn) focused on Testing where Exova is one of the market leading Testing focused companies in a fairly fragmented landscape. The market has been growing c. 5-6% p.a. during the 2010-2013 period and is expected to continue growing in the near future sustained by the following growth drivers: 1) Clients continuing to innovate creating new materials; 2) Increasingly complex regulation and safety standards; 3) Lack of in-house client capability driving outsourcing revenues; 4) The price of testing is relatively low compared with the cost of potential issues

The significant capex requirements and certifications needed to enter the field, the relatively scarce supply of technical talent, the preference of large customers to keep testing suppliers to a small number, and established client relationships have made the market conditions fairly benign for existing players.

Investment Thesis / Potential Catalyst Events:

The company is trading at very low EV/EBITDA and Price / forward Earnings ratios when compared with peers although margins are of comparable quality once the one off IPO and debt refinancing costs are removed from the 2014 results. Reasons given by analysts for the relative discount include somewhat higher leverage, Oil and Gas exposure and some softness in Aerospace revenues. Discussion of why these reasons should not affect the price to this extent are given below.

- **Resilient Balance Sheet and Liquidity:** As of 30TH Jun 2015 the company had a Gross Debt of £182m (primarily a £181.7m Term Loan) and Net Debt of £151.6m which results in approximately 2.45x Adj. EBITDA (as defined in bank covenants). This compares to about 1.5x Net Debt / EBITDA for close competitors Intertek with sufficient free cash coverage to serve interest and has capacity to take more depth if necessary to drive future acquisitions. In addition to that the company has £76m of undrawn RCF that is available in case of additional liquidity needs. Therefore, liquidity / leverage concerns are overblown.
- **Oil and Gas Exposure:** During the 2014 earnings call a lot of the analyst's questions were focused on the expected effect of oil price decrease on the Oil and Gas sector revenues. The company has reported that 16% of its revenues are exposed to the Oil and Gas sector with about 30% Opex / 70% Capex split. Even taking into account a potential -10% to -20% annual decrease in the industry spent over the next two years the diversified revenue mix will allow Exova to continue growing. The potential margin dilution is mitigated by restructuring projects where the company is investing c. £5-6m p.a. in the next 3 years to mitigate, so far successfully, headwinds in the sector. It should be noted that Intertek has circa 22% of its revenue exposed to Oil and Gas (66% Capex and 33% Opex) with further 19% Oil and Gas Cargo exposure. The only other company that has suffered a similar decline in its share price (with a rebound after the initial decline) is Mistras which has fully 52% exposure to the Oil and Gas industry. SGS has c. 20% exposure to Oil, Gas and Chemicals as well.
- **Aerospace Softness and Strong Current Trading:** The company reported some Aerospace trading weakness for 2014 (organic revenue growth was -2.2%). However, by H12015 the revenue growth in the Aerospace industry has rebounded to 4.5% with the company gaining approval for Boeing and Airbus materials testing. The company has also been investing in an advanced aerospace material (CRES steel) testing as well as investing in expanded capabilities to improve its positioning in the sector. Management is projecting that the division is going to have an organic growth of around 4%.

There are a number of potential catalysts which could spark a rally but the basic expectation is that Exova will be able to sustain good trading results despite due to fundamentally strong underlying business model which should cause re-valuation.

- **Sustained Good Trading:** In case the company delivers a sustained / resilient stream of good results over the coming few periods, the value should revert to the intrinsic value of the stock.
- **Oil Price Rebound:** Even though not central to the investment thesis, a potential rally in the price of oil will clearly benefit the overall sector including Exova.
- **Insider Stock Purchases:** It must be noted that recently directors of the company (including the CEO) have purchases a number of shares on the open market which can be interpreted as a positive signal.

Valuation:

There are three methodologies in valuing the business in this report – a DCF with an assumed growth in perpetuity, a DCF with a terminal value based on multiple assumptions and a multiples valuation. On average these methods suggest that there is 12% upside to the valuation of the stock under the assumed Base Case scenario. The assumptions underlying the valuation under the Base Case Scenario are presented below:

Element	Base Case Assumptions
Revenue	<ul style="list-style-type: none"> • Assumed softness of -10% and -20% in the Oil and Gas industry, with recovery thereafter • The rest of the sectors grow at a fading rate slightly below historic average • Inorganic growth assumed at 3%, 2% and 1% in the first 3 years –below mgmt. forecast
EBITDA Margin	<ul style="list-style-type: none"> • Decline in EBITDA margin to 20.0% for FY2015-17 due to oil and gas headwinds • Mitigation from restructuring efforts to prevent further margin deterioration • Recovery to 21.5% in 2019
WACC and Related Components	<ul style="list-style-type: none"> • Cost of equity assumed at 9.9% based on beta / market premium of closest comparables • Cost of debt assumed at 2.44% based on current interest expense (margin ratchet possible if there is any further leverage incurred as a result of acquisitions) • Perpetual growth assumed at 2.25% in line with global GDP growth trends • Exit multiple assumed at 10x Adj. EBITDA in line with bottom valuation of comparables
Cashflows	<ul style="list-style-type: none"> • CAPEX: Kept constant at about 6% of sales as per historical data (incl. growth / maint. Cap.) • Working Capital: Kept at historical growth levels • Acquisitions: c. £40m investment over 3 years to sustain inorganic growth • Restructuring: c. £15m investment over 3 years to sustain margin at current levels

It must be mentioned that Broker Consensus identifies a upside to the value of the stock at c. 20% premium.

Investment Risks / Mitigants:

- **Global Economic Downturn:** Aerospace and Oil & Gas Revenues are exposed to fluctuations in global economic growth. Data for FY2010 and FY 2009 show that Exova quickly rebounded following the 2008 recession with both revenue and EBITDA growing. Similar trend can be observed in the financial performance of the comparable companies. An illustrative severe downside case is modelled in the appendix showing a potential price contraction of 7% vs current levels.
- **Further Capex /Opex Reduction:** Given recent reactions of the market it can be expected that further announcements of Capex / Opex reduction by the oil majors will cause downside pressure on the price of the stock. Again, given diversified revenues and the actions of management (restructurings) to protect margins it our expectations that the company will be able to preserve profitability. If anything such announcements can provide a good opportunity to enter into the stock.
- **Integration Issues:** The inorganic growth of the company (stated at a target of 3% p.a.) can be hurt in case the company encounters issues with integration. However, the company has long experience of successfully acquiring companies (12 in the last 2.5 years) and has established a robust acquisition criteria set through which it is assessing potential acquisition targets.

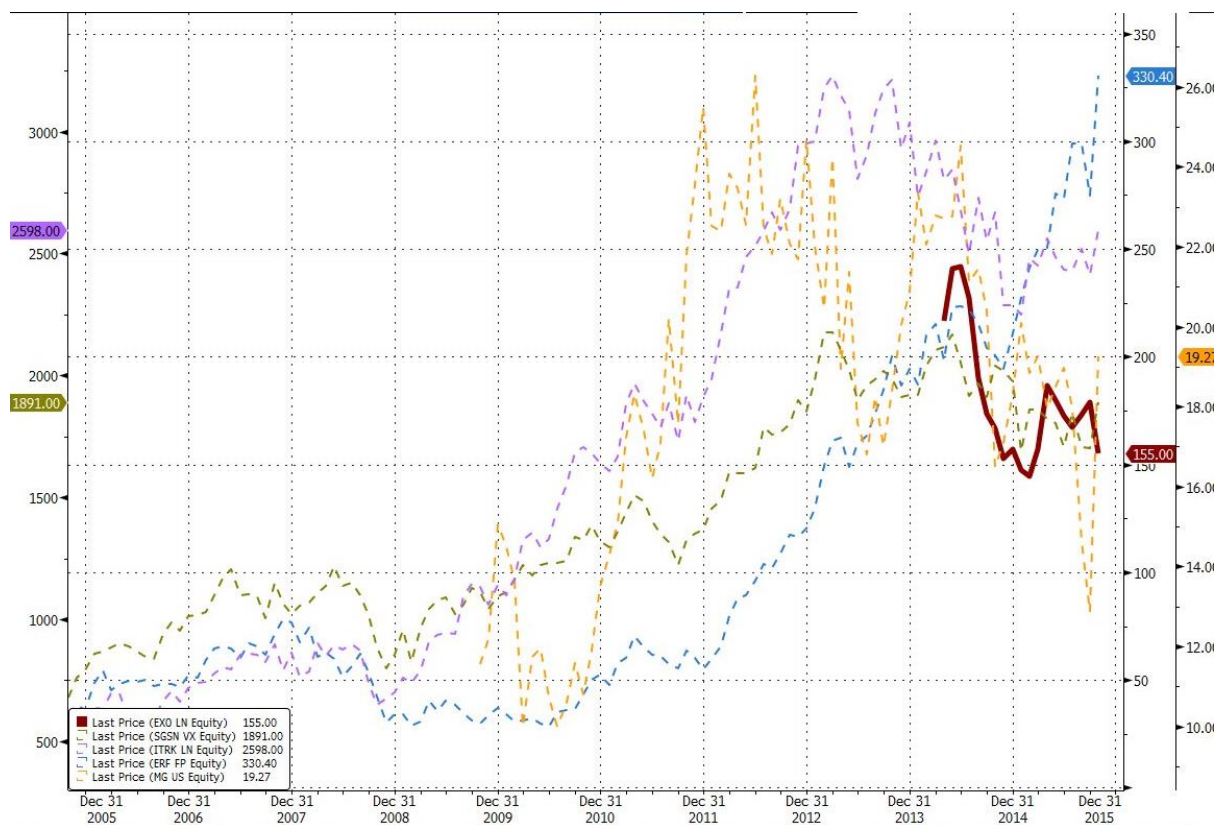
Exhibit 1: Share Price Evolution

Share Price Evolution for Exova Since IPO



Source: Bloomberg

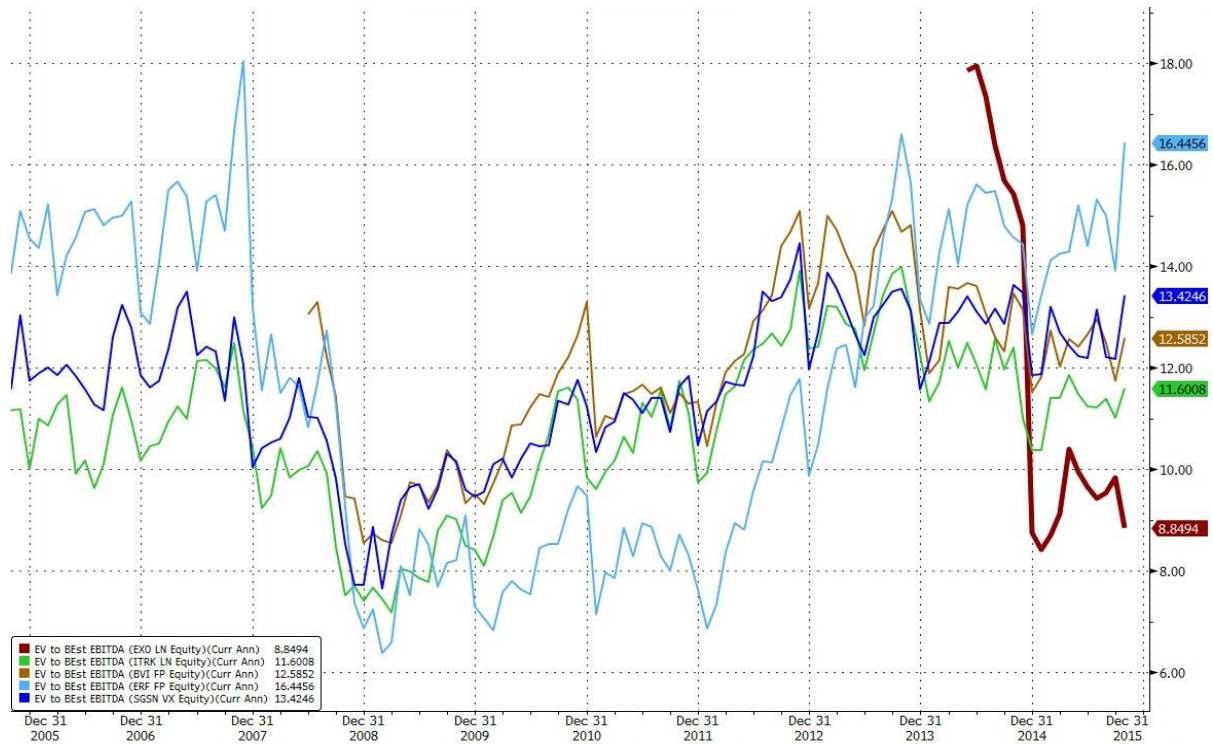
Share Price Evolution for Exova and Comparables



Source: Bloomberg

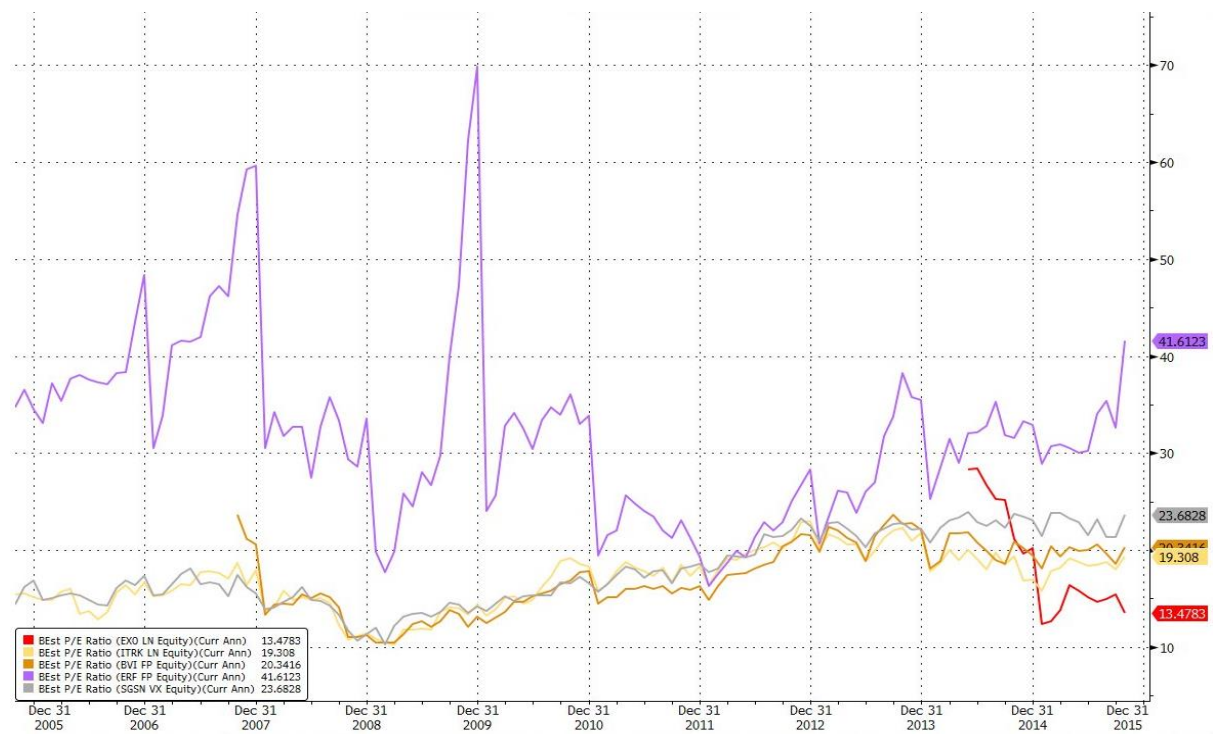
Exhibit 2: Comparables Trading Throughout the Cycle

EV / TTM EBITDA Ratio 2005-2015



Source: Bloomberg

Price / TTM Earnings Ratio 2005-2015



Source: Bloomberg

Exhibit 3: Comparable Companies – Pricing and Operating Metrics

(Note – Exova EBITDA Margins affected by a one-off costs in 2014 and not fully comparable)

Ticker	Name	Mkt Cap (GBP)	EV	EV/TTM EBITDA	EV/EBITDA FY1	EV/EBITDA FY2	P/E	P/E FY1
ERF FP Equity	EUROFINS SCIENTIFIC	3632	3919	20.9	16.4	13.0	57.8	41.5
(Life Sciences) Average	Average	3632	3919	20.9	16.4	13.0	57.8	41.5
EXO LN Equity	EXOVA GROUP PLC	394	548	10.5	9.1	8.9	-	13.7
ITRK LN Equity	INTERTEK GROUP PLC	4189	4839	12.1	11.6	10.8	21.9	19.3
SGSN VX Equity	SGS SA-REG	9748	10591	13.4	13.4	12.6	24.6	23.6
BVI FP Equity	BUREAU VERITAS SA	6511	8143	13.4	12.6	12.0	28.5	20.3
MG US Equity	MISTRAS GROUP INC	365	438	7.1	8.6	8.2	27.3	26.8
Professional Services Average	Average	4242	4912	11.3	11.1	10.5	25.6	20.8

Ticker	Name	Sales Growth	EBITDA Growth	EBITDA Margin	Net Profit Margin	Capex / Sales	Net Debt / EBITDA	Dividend Yield
ERF FP Equity	EUROFINS SCIENTIFIC	23.58%	39.69%	16.29%	5.40%	7.48%	2.3x	0.4
(Life Sciences) Average	Average	23.58%	39.69%	16.29%	5.40%	7.48%	2.3x	0.4
EXO LN Equity	EXOVA GROUP PLC	-1.47%	-19.15%	14.59%	-10.88%	5.93%	3.53x	1.9
ITRK LN Equity	INTERTEK GROUP PLC	0.24%	1.83%	18.82%	8.94%	5.23%	1.70x	1.9
SGSN VX Equity	SGS SA-REG	0.90%	0.59%	20.51%	10.09%	5.18%	0.27x	3.6
BVI FP Equity	BUREAU VERITAS SA	14.70%	13.39%	18.72%	6.98%	3.54%	2.53x	2.3
MG US Equity	MISTRAS GROUP INC	10.75%	51.24%	13.01%	2.94%	2.12%	1.92x	-
Professional Services Average	Average	5.03%	9.58%	17.13%	3.61%	4.40%	1.99x	2.4

Source: Bloomberg

Exhibit 4: Historical Financials- Income statement

Financials	Historical Financials						CAGR 2010-14
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	LTM H1/2015	
FYE 31/Dec (£, m)							
Aerospace	-	-	-	-	44.0	-	
Organic Growth %	-	-	-	-	-2.2%	-	
Oil and Gas	-	-	-	-	49.5	-	
Organic Growth %	-	-	-	-	6.0%	-	
Industrials	-	-	-	-	33.0	-	
Organic Growth %	-	-	-	-	6.0%	-	
Product	-	-	-	-	74.2	-	
Organic Growth %	-	-	-	-	2.8%	-	
Health Sciences	-	-	-	-	52.2	-	
Organic Growth %	-	-	-	-	7.5%	-	
Middle East	-	-	-	-	22.0	-	
Organic Growth %	-	-	-	-	6.3%	-	
Inorganic Growth %	-	-	-	-	4.1%	-	
FX Effects	-	-	-	-	-6.0%	-	
Underlying Adjustments	-	-	-	-	-3.6%	-	
Revenue	227.9	241.9	253.6	279.0	274.9	282.6	4.8%
% y-o-y growth	-	6.1%	4.8%	10.0%	-1.5%	2.7%	
Cost of Goods Sold	149.3	159.3	159.4	176.0	174.0	177.9	
% margin	65.5%	65.9%	62.9%	63.1%	63.3%	63.0%	
% y-o-y growth	-	6.7%	0.1%	10.4%	-1.1%	2.2%	
Gross Profit	78.6	82.6	94.2	103.0	100.9	104.7	6.4%
% margin	34.5%	34.1%	37.1%	36.9%	36.7%	37.0%	
% y-o-y growth	-	5.1%	14.0%	9.3%	-2.0%	3.8%	
Net Opr. Expense	58.7	62.2	62.3	64.6	64.2	68.3	
% margin	25.8%	25.7%	24.6%	23.2%	23.4%	24.2%	
% y-o-y growth	-	6.0%	0.2%	3.7%	-0.6%	n.a.	
Adj. Opr. Income	19.9	20.4	31.9	38.4	36.7	36.4	
Net. Int. Exp	59.4	54.0	28.3	46.9	33.4	5.9	
Other Non-Op Loss	23.4	4.4	21.9	6.4	9.9	0.3	
Pre-Tax Income (bf. Losses)	-62.9	-38.0	-18.3	-14.9	-6.6	30.2	
Abnormal Losses	3.0	8.3	5.9	10.7	17.1	5.8	
Pre-Tax Income	-65.9	-46.3	-24.2	-25.6	-23.7	24.4	
Tax	5.5	1.2	0.4	6.5	5.0	5.4	
Minority Interest	0.1	0.7	0.5	-0.5	1.2	1.4	
Net Income	-71.5	-48.2	-25.1	-31.6	-29.9	17.6	

Source: Bloomberg

Exhibit 5: Historical Financials- Balance Sheet

In Millions of GBP except Per Share FYE 31/Dec (£,m)	FY 2009 12/31/2009	FY 2010 12/31/2010	FY 2011 12/31/2011	FY 2012 12/31/2012	FY 2013 12/31/2013	FY 2014 12/31/2014
Total Assets						
+ Cash, Cash Equivalents & STI	24.9	21.8	26.4	30.5	32.0	29.9
+ Accounts & Notes Receiv	38.6	47.9	46.6	46.9	45.5	52.3
+ Inventories	1.3	0.0	0.0	0.0	0.0	0.0
+ Other ST Assets	8.6	8.6	7.6	9.5	16.5	14.0
Total Current Assets	73.4	78.3	80.6	86.9	94.0	96.2
+ Property, Plant & Equip, Net	60.2	56.8	51.3	54.0	60.5	64.7
+ Property, Plant & Equip	76.4	86.7	95.6	108.8	127.2	136.3
- Accumulated Depreciation	16.2	29.9	44.3	54.8	66.7	71.6
+ Other LT Assets	382.3	390.3	375.7	361.6	357.3	365.8
+ Total Intangible Assets	371.5	377.1	360.9	345.7	342.4	350.1
+ Goodwill	320.7	333.3	327.2	320.9	323.6	334.8
+ Other Intangible Assets	50.8	43.8	33.7	24.8	18.8	15.3
+ Deferred Tax Assets	1.4	3.1	4.2	6.2	7.0	6.9
+ Misc LT Assets	9.4	10.1	10.6	9.7	7.9	8.8
Total Noncurrent Assets	442.5	447.1	427.0	415.6	417.8	430.5
Total Assets	515.9	525.4	507.6	502.5	511.8	526.7
Liabilities & Shareholders' Equity						
+ Payables & Accruals	11.1	38.4	36.8	39.3	43.4	44.5
+ ST Debt	2.1	0.0	0.0	0.1	0.8	0.2
+ Other ST Liabilities	28.5	2.5	2.9	4.1	4.7	3.3
Total Current Liabilities	41.7	40.9	39.7	43.5	48.9	48.0
+ LT Debt	459.8	518.3	450.0	469.4	513.7	171.1
+ Other LT Liabilities	67.1	70.1	59.8	62.7	68.2	26.0
+ Accrued Liabilities	--	0.0	0.0	0.0	0.0	0.0
+ Pension Liabilities	--	--	--	--	1.9	3.1
+ Deferred Revenue	--	0.0	0.0	0.0	0.0	0.0
+ Deferred Tax Liabilities	8.3	13.5	12.4	10.9	11.0	10.7
+ Derivatives & Hedging	--	0.0	0.0	0.0	0.0	0.0
+ Misc LT Liabilities	58.8	56.6	47.4	51.8	55.3	12.2
Total Noncurrent Liabilities	518.6	588.4	509.8	532.1	581.9	197.1
Total Liabilities	560.3	629.3	549.5	575.6	630.8	245.1
+ Preferred Equity	0.0	0.0	0.5	0.5	0.5	0.0
+ Share Capital & APIC	3.9	3.9	3.9	3.9	3.9	112.0
+ Common Stock	--	3.9	3.9	3.9	3.9	2.5
+ Additional Paid in Capital	--	--	--	--	0.0	109.5
- Treasury Stock	0.0	0.0	0.0	0.0	0.0	0.0
+ Retained Earnings	-67.2	-138.7	-186.9	-212.0	-244.1	-273.4
+ Other Equity	13.5	26.8	136.4	130.9	117.8	439.3
Equity Before Minority Interest	-49.8	-108.0	-46.1	-76.7	-121.9	277.9
+ Minority Interest	5.4	4.1	4.2	3.6	2.9	3.7
Total Equity	-44.4	-103.9	-41.9	-73.1	-119.0	281.6
Total Liabilities & Equity	515.9	525.4	507.6	502.5	511.8	526.7
Reference Items						
Shares Outstanding	3.9	3.9	3.9	3.9	3.9	250.4
Pension Obligations	0.0	0.0	0.0	0.0	1.9	3.1
Operating Leases	43.0	40.7	36.2	35.6	34.3	38.1
Capital Leases - Total	0.0	0.0	0.0	0.0	0.6	0.5
Net Debt	437.0	496.5	423.6	439.0	482.5	141.4
Net Debt to Equity	--	--	--	--	--	50.21
Tangible Common Equity Ratio	-291.76	-327.11	-277.78	-269.71	-274.38	-40.88
Current Ratio	1.76	1.91	2.03	2.00	1.92	2.00

Source: Bloomberg

Exhibit 6: Broker Forecasts

£, m	FY 2015			FY 2016		
	Revenue	Adjusted EBITA ¹	Adjusted EPS ²	Revenue	Adjusted EBITA ¹	Adjusted EPS ²
Mean	290.2	46.4	11.5	297	47.3	11.6
High	294.2	46.9	11.7	302.9	48.7	12.0
Low	282.3	45.3	11.1	285.4	45.3	11.0
No of Analysts	4	4	4	4	4	4

Source: Company Web Page (<http://www.exova.com/investors/analyst-consensus/>)

Exhibit 7: Valuation – Base Case

	Base Case Projections					CAGR 2015E-19E
	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	
Aerospace	47.1	49.9	52.4	54.5	56.7	
Organic Growth %	4.0%	4.0%	4.0%	4.0%	4.0%	
Oil and Gas	46.0	37.7	38.9	40.4	42.1	
Organic Growth %	-10.0%	-20.0%	2.0%	4.0%	4.0%	
Industrials	35.6	38.1	40.4	42.0	43.3	
Organic Growth %	5.0%	5.0%	5.0%	4.0%	3.0%	
Product	78.7	82.6	85.9	88.5	91.1	
Organic Growth %	3.0%	3.0%	3.0%	3.0%	3.0%	
Health Sciences	56.9	60.9	64.5	67.1	68.5	
Organic Growth %	6.0%	5.0%	5.0%	4.0%	2.0%	
Middle East	23.8	25.4	26.9	28.0	28.9	
Organic Growth %	5.0%	5.0%	5.0%	4.0%	3.0%	
Inorganic Growth %	3.0%	2.0%	1.0%	0.0%	0.0%	
FX Effects	0.0%	0.0%	0.0%	0.0%	0.0%	
Underlying Adjustments	0.0%	0.0%	0.0%	0.0%	0.0%	
Revenue	288.1	294.7	309.1	320.6	330.5	3.5%
% y-o-y growth	4.8%	2.3%	4.9%	3.7%	3.1%	
Cost of Goods Sold	181.5	185.6	194.7	202.0	208.2	
% margin	63.0%	63.0%	63.0%	63.0%	63.0%	
% y-o-y growth	4.3%	2.3%	4.9%	3.7%	3.1%	
Gross Profit	106.6	109.0	114.4	118.6	122.3	3.5%
% margin	37.0%	37.0%	37.0%	37.0%	37.0%	
% y-o-y growth	5.6%	2.3%	4.9%	3.7%	3.1%	
Adj. EBITDA	57.6	58.9	61.8	65.7	71.1	5.4%
% margin	20.0%	20.0%	20.0%	20.5%	21.5%	
% y-o-y growth	0.7%	2.3%	4.9%	6.3%	8.1%	
CAPEX	17.9	17.4	18.2	18.9	19.5	2.2%
% margin	6.2%	5.9%	5.9%	5.9%	5.9%	
Acquisitions	20.0	15.0	5.0	0.0	0.0	
Restructuring Cost	6.0	5.0	4.0	0.0	0.0	
Change in WC	-2.0	-1.0	-1.0	-3.0	-3.0	
Tax	7.3	7.5	8.0	9.4	9.7	
Free Cash Flow	4.5	13.0	25.6	34.4	38.8	71.8%
% Cashflow Conversion	8%	22%	41%	52%	55%	
Discount Factor	1.08	1.16	1.25	1.34	1.44	
Discounted Cashflow	4.14	11.25	20.51	25.64	26.88	
NPV Cashflow	88.43					
	DCF	DCF + Multiple	Multiple			
Terminal Value	511.24	492.02				
TOTAL EV	599.66	580.45	576.13			
Total Net Debt	151.30	151.30	151.30			
Markte Cap	448.36	429.15	424.83			
N# Shares	250.4m	250.4m	250.4m			
Price Per Share	1.79	1.71	1.70	1.73		
	Premium (Against price GBX 155)					
Premium to Current Price	16%	11%	11%	12%		

Exhibit 8: Valuation – Downside Case

	Downside Case					CAGR 2015E-19E
	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	
Aerospace	45.8	47.1	48.5	49.5	50.5	
Organic Growth %	2.0%	2.0%	3.0%	2.0%	2.0%	
Oil and Gas	45.5	36.9	35.0	34.3	34.3	
Organic Growth %	-10.0%	-20.0%	-5.0%	-2.0%	0.0%	
Industrials	34.3	35.3	36.4	37.1	37.9	
Organic Growth %	2.0%	2.0%	3.0%	2.0%	2.0%	
Product	77.2	79.5	81.9	83.5	86.0	
Organic Growth %	2.0%	2.0%	3.0%	2.0%	3.0%	
Health Sciences	54.3	56.5	58.7	60.5	62.3	
Organic Growth %	2.0%	3.0%	4.0%	3.0%	3.0%	
Middle East	23.5	25.0	26.2	27.2	28.1	
Organic Growth %	5.0%	5.0%	5.0%	4.0%	3.0%	
Inorganic Growth %	2.0%	1.0%	0.0%	0.0%	0.0%	
FX Effects	0.0%	0.0%	0.0%	0.0%	0.0%	
Underlying Adjustments	0.0%	0.0%	0.0%	0.0%	0.0%	
Revenue	280.6	280.3	286.8	292.2	299.1	1.6%
% y-o-y growth	2.1%	-0.1%	2.3%	1.9%	2.4%	
Cost of Goods Sold	176.8	176.6	180.7	184.1	188.4	
% margin	63.0%	63.0%	63.0%	63.0%	63.0%	
% y-o-y growth	1.6%	-0.1%	2.3%	1.9%	2.4%	
Gross Profit	103.8	103.7	106.1	108.1	110.7	
% margin	37.0%	37.0%	37.0%	37.0%	37.0%	
% y-o-y growth	2.9%	-0.1%	2.3%	1.9%	2.4%	
Adj. EBITDA	57.5	54.7	55.9	58.4	59.8	1.0%
% margin	20.5%	19.5%	19.5%	20.0%	20.0%	
% y-o-y growth	0.6%	(5.0)%	2.3%	4.5%	2.4%	
CAPEX	17.4	16.5	16.9	17.2	17.6	0.4%
% margin	6.2%	5.9%	5.9%	5.9%	5.9%	
Acquisitions	20.0	15.0	5.0	0.0	0.0	
Restructuring Cost	4.0	4.0	4.0	0.0	0.0	
Change in WC	-3.0	-3.0	-3.0	-3.0	-3.0	
Tax	7.0	7.0	7.3	8.4	8.7	
Free Cash Flow	6.1	9.1	19.8	29.8	30.5	49.6%
% Cashflow Conversion	11%	17%	35%	51%	51%	
Discount Factor	1.08	1.16	1.25	1.34	1.44	
Discounted Cashflow	5.66	7.84	15.84	22.19	21.12	
NPV Cashflow	72.65					
	DCF	DCF + Multiple	Multiple			
Terminal Value	401.74	414.24				
TOTAL EV	474.40	486.90	576.13			
Total Net Debt	151.30	151.30	151.30			
Markte Cap	323.10	335.60	424.83			
N# Shares	250.4m	250.4m	250.4m			
Price Per Share	1.29	1.34	1.70	1.44		
	Premium (Against price GBX 155)					
Premium to Current Price	-17%	-14%	-14%	-7%		

Exhibit 9: Valuation - Broker Consensus Case

	Broker Consensus					CAGR 2015E-19E
	FY 2015E	FY 2016E	FY 2017E	FY 2018E	FY 2019E	
Aerospace	0.0	0.0	0.0	0.0	0.0	
Organic Growth %	0.0%	0.0%	0.0%	0.0%	0.0%	
Oil and Gas	0.0	0.0	0.0	0.0	0.0	
Organic Growth %	0.0%	0.0%	0.0%	0.0%	0.0%	
Industrials	0.0	0.0	0.0	0.0	0.0	
Organic Growth %	0.0%	0.0%	0.0%	0.0%	0.0%	
Product	0.0	0.0	0.0	0.0	0.0	
Organic Growth %	0.0%	0.0%	0.0%	0.0%	0.0%	
Health Sciences	0.0	0.0	0.0	0.0	0.0	
Organic Growth %	0.0%	0.0%	0.0%	0.0%	0.0%	
Middle East	0.0	0.0	0.0	0.0	0.0	
Organic Growth %	0.0%	0.0%	0.0%	0.0%	0.0%	
Inorganic Growth %	0.0%	0.0%	0.0%	0.0%	0.0%	
FX Effects	0.0%	0.0%	0.0%	0.0%	0.0%	
Underlying Adjustments	0.0%	0.0%	0.0%	0.0%	0.0%	
Revenue	291.5	298.3	309.3	320.7	332.5	3.3%
% y-o-y growth	6.0%	2.3%	3.7%	3.7%	3.7%	
Cost of Goods Sold	0.0	0.0	0.0	0.0	0.0	
% margin	0.0%	0.0%	0.0%	0.0%	0.0%	
% y-o-y growth	0.0%	0.0%	0.0%	0.0%	0.0%	
Gross Profit	0.0	0.0	0.0	0.0	0.0	
% margin	0.0%	0.0%	0.0%	0.0%	0.0%	
% y-o-y growth	0.0%	0.0%	0.0%	0.0%	0.0%	
Adj. EBITDA	60.3	61.4	64.8	67.2	69.7	3.7%
% margin	20.7%	20.6%	21.0%	21.0%	21.0%	
% y-o-y growth	5.4%	1.8%	5.5%	3.7%	3.7%	
CAPEX	18.1	17.6	18.2	18.9	19.6	2.1%
% margin	6.2%	5.9%	5.9%	5.9%	5.9%	
Acquisitions	20.0	15.0	5.0	5.0	5.0	
Restructuring Cost	6.0	5.0	4.0	0.0	0.0	
Change in WC	-4.0	-4.0	-4.0	-4.0	-4.0	
Tax	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow	12.2	19.8	33.6	39.3	41.0	35.4%
% Cashflow Conversion	20%	32%	52%	58%	59%	
Discount Factor	1.08	1.16	1.25	1.34	1.44	
Discounted Cashflow	11.36	17.09	26.91	29.27	28.42	
NPV Cashflow	113.05					
	DCF	DCF + Multiple	Multiple			
Terminal Value	540.55	482.39				
TOTAL EV	653.60	595.44	576.13			
Total Net Debt	151.30	151.30	151.30			
Markte Cap	502.30	444.14	424.83			
N# Shares	250.4m	250.4m	250.4m			
Price Per Share	2.01	1.77	1.70	1.83		
Premium (Against price GBX 155)						
Premium to Current Price	29%	14%	14%	18%		

Exhibit 10: Core Management Team

Ian El-Mokadem

Chief Executive Officer



c. 4.5 years with Exova

Prior experience

- Compass Group plc – Group Managing Director UK and Ireland, Member of Group's Executive Committee
- Centrica – Managing Director, Onetel (2000-2005); Director of Marketing and Strategy, British Gas (1999-2000); Head of Market Operations, British Gas (1997-1999)
- Accenture – Management Consultant
- Education
 - INSEAD - MBA
 - University College London – BSc in Economics and Statistics

Phil Marshall

Chief Financial Officer (from 30 November 2015).



Prior experience

- Wood Mackenzie – Chief Financial Officer
- General Electric – President & Chief Executive Officer, EMEA Consumer & Industrial Solutions (2009-2013); Chief Financial Officer, EMEA Consumer & Industrial Solutions (2005-2008); Chief Financial Officer, Ultrasound & Clinical Systems (2002-2005); Various Finance roles (1996-2002)
- Education
 - Chartered Accountant
 - University of West London – BA Accounting

Anne Thorburn

Chief Financial Officer (Retiring)



6 years with Exova

Prior experience

- British Polythene Industries PLC – Group Finance Director
- Clyde Blowers PLC – Group Finance Director
- KPMG – Senior Manager in Corporate Finance
- Education
 - Chartered Accountant
 - Strathclyde Business School – Post-Graduate Diploma in Business & Finance
 - University of Glasgow – BSc (Hons) Zoology

Ian Power

Corporate Finance Director



6 years with Exova

Prior experience

- Brakes Group – Corporate Finance Director
- P&O Group and P&O European Ferries – Group Accountant / Financial Accountant
- Ernst & Young – Chartered Accountant (Audit)
- Education
 - University of Reading – BA (Hons) in Economics and Accounting

Source: Company Information