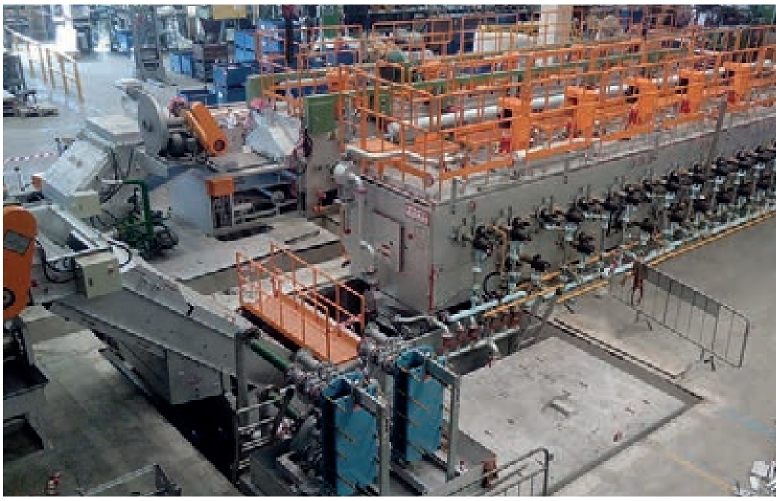
INVESTMENT DRIVEN GROWTH



Description

At *TR* we are in a sustained period of growth with FY2017 representing our seventh consecutive year of growth.

Growth needs investment, not just in terms of our people, but also via capital expenditure in our warehousing, manufacturing capacity and our digital capabilities. By expanding our manufacturing capabilities and capacities around the world, we will not only reduce our reliance on purely distribution revenues, but we will also be able to improve our profit margins as revenues increase faster than the underlying semi-fixed cost bases we have in our manufacturing sites.

Performance so far

Over the last year we have invested around the world in our manufacturing. In our Italian site we have spent over £1m on a state-of-the-art heat treatment plant. This will allow us to bring significantly more of our heat treatment in-house, solving a manufacturing bottle-neck and also providing us with better quality assurance to support our growing on-site automotive production, having achieved TS16949 quality certification locally during the year.

In PSEP Malaysia, we have made additional investments in our sorting and quality machinery in the year. This has allowed us to better access the automotive export market, particularly in Japan, where we have won a new contract with one of our key automotive multinational OEMs to supply into what is a new geographical market for us.

Plans for the future

Looking ahead, we continue to see capital investment as a core part of our ongoing strategy for growth.

Specific plans have already been approved for an exciting new mezzanine extension within our well established and very profitable Singapore site. An initial investment of c.£1m will increase our local capacity by one third, allowing us to bring more manufacturing in-house for margin retention and quality assurance as well as to better cover fixed costs across the board as manufacturing levels increase.

Outside of our manufacturing sites, we are also looking at investing in our distribution and warehousing facilities in both Belfast and Houston to support the growing revenues we are seeing in these regions. We anticipate both of these sites will move to bigger premises over the course of FY2018 to better support that ongoing growth.

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Read about **Operational efficiencies** on page 27

Read about **Cyber security** on pages 48 and 49