Pace plc

Interim financial results for the period ended 30 June 2014

28 July 2014

Pace interim results (for the period ended 30 June 2014)

- Overview
- Financial results
- Market dynamics, strategic plan and business performance update
- Outlook
- Questions

Overview

Good H1; increased profitability and cash flow generation despite lower revenue

- Group revenue $1,138.9m, 13.6% decrease (H1 2013: $1,318.4m)
- Group adjusted EBITA[1] $106.3m, 9.9% increase (H1 2013: $96.7m)
- Group adjusted operating margin[1] of 9.3% (H1 2013: 7.3%)
- Free cash flow of $108.9m, net debt of $167.6m as at 30 June 2014 (Pro forma net debt of $279.2m immediately following Aurora acquisition).
- Interim dividend 2.25c per share, a 23.0% increase (H1 2013: 1.83c)

Continued progress made against the Strategic Plan laid out in November 2011

Closed highly accretive acquisition of Aurora Networks – strong H1 performance and committed synergies achieved ahead of plan

Momentum building through the course of the year and strong H2 anticipated; full year profits and cash flow guidance increased

- PayTV markets continue to perform well and demand for Pace's products and services is growing
- Pace is well positioned to capitalise on major market dynamics over the next 3 to 5 years

[1] Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangibles.

Financial results summary

Consolidated income statement (H1 2014)

P&L $m	Group H1 2013	**Group H1 2014**	variance
Revenue	1,318.4	**1,138.9**	(13.6)%
Gross margin	233.1	**245.8**	5.4%
Gross margin %	*17.7%*	**21.6%**	3.9ppt
Overheads	136.4	**139.5**	2.3%
Adjusted[1] EBITA	96.7	**106.3**	9.9%
Operating margin[2] %	*7.3%*	**9.3%**	2.0ppt
Exceptional costs	(1.3)	**(3.5)**	169.2%
Amortisation of other intangibles	(22.4)	**(27.7)**	23.7%
Interest	(4.4)	**(3.1)**	(29.5%)
Profit before tax	68.6	**72.0**	5.0%
Tax	(17.9)	**(16.6)**	(7.3)%
Profit after tax	50.7	**55.4**	9.3%
Basic EPS (cents)	16.4c	**17.8c**	8.5%
Adjusted[3] basic EPS (cents)	22.1c	**25.5c**	15.4%
Dividend per share (cents)	1.83c	**2.25c**	23.0%

Revenue
- Expected decrease reflects the run-rate effect of dual sourcing at major North American customers that commenced in H2 13

Gross margin
- Gross margin % increased significantly due to improved supply chain efficiency, mix of revenue and contribution from Aurora

Overheads
- Underlying opex (pre-Aurora and IAS 38 adjustments) reduced by 6.1% ($7.9m)

Adjusted EBITA
- Operating margin up 2.0ppt to 9.3%

Exceptional costs
- Restructuring costs related to the integration of Aurora ($2.8m) and International SBU ($0.7m)

Amortisation of other intangibles
- Increased due to Aurora acquisition

Interest
- Reduced despite higher net debt due to improved financing terms

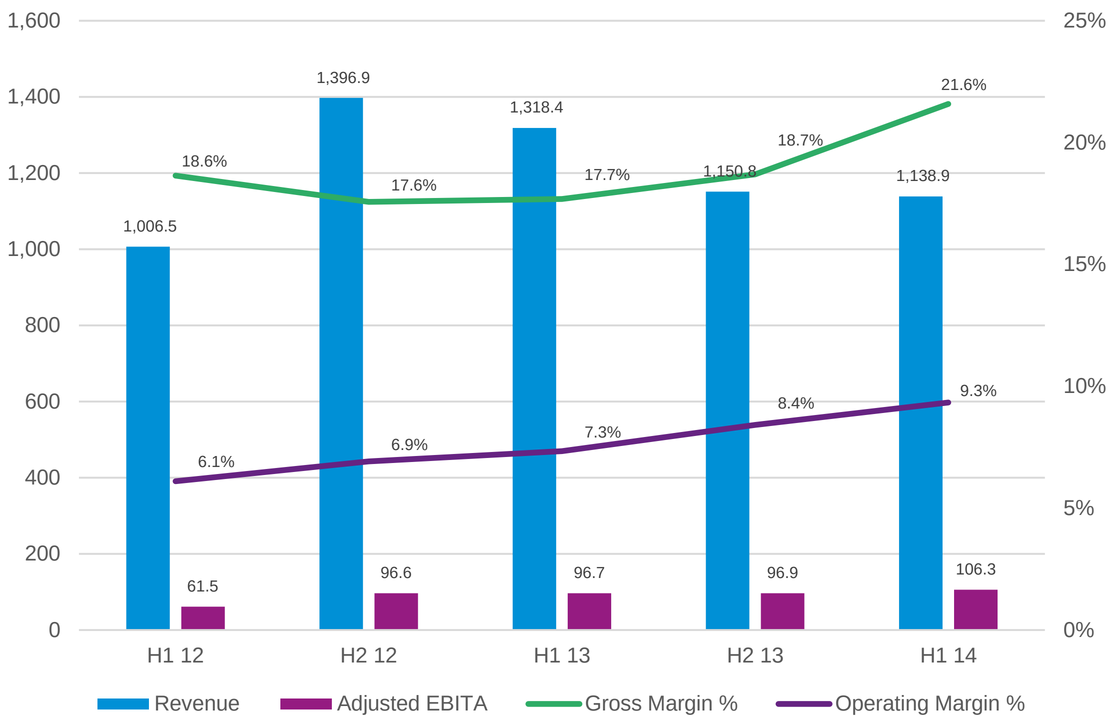
Tax
- Effective tax rate of 23.0% (H1 2013: 26.1%)

Earnings per share
- Strong growth reflecting trading and operational improvement

Dividend
- 23.0% increase reflects confidence in outlook

[1] - Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangibles.
[2] - Operating margin is adjusted EBITA as a percentage of revenue.
[3] - Adjusted basic EPS is based on earnings before the post-tax value of exceptional costs and amortisation of other intangibles.

Income statement evolution over the last five halves



Revenue

- Expected decrease reflects the run-rate effect of dual sourcing at major North American customers that commenced in H2 13

Gross margin

- 21.6% in H1 2014 vs 17.7% in H1 2013 due to improved supply chain efficiency, mix of revenue and contribution from Aurora

Adjusted EBITA

- Improved EBITA in H1 2014 than H1 2013 despite $180m lower revenue

Operating margin

- Continued improvement due to trading mix and increased operational efficiency

[1] - Adjusted EBITA is operating profit before exceptional costs and amortisation of other intangibles.
[2] - Operating margin is adjusted EBITA as a percentage of revenue.

Balance sheet (H1 2014)

Balance sheet $m (Group)	*31 Dec 2013*	*30 Jun 2014*
Property, Plant & Equipment	60.0	65.0
Goodwill	342.6	489.4
Intangibles	123.1	233.4
Development expenditure	64.4	79.3
Inventories	156.8	166.3
Trade and other receivables	468.7	549.4
Trade and other payables	(567.1)	(603.8)
Net working capital	58.4	111.9
Current and deferred tax	(42.3)	(80.2)
Provisions	(92.2)	(117.6)
Net (debt) / cash	33.0	(167.6)
Net assets	547.0	613.6

Property, Plant & Equipment

- Increased due to inclusion of Aurora

Development expenditure

- Intense development activity ahead of product launches at end of H1 2014 and in H2 2014, plus initial capitalisation of Aurora
- 55% increase in product launches planned in H2 14 compared to H1 14

Net Working Capital

- Increased inventory reflects inclusion of Aurora
- Debtor days decreased by 1 day to 59 days due to customer mix
- Increase in payables driven by phasing of activity. Payment terms for key suppliers now aligned; creditor days flat at 90 days

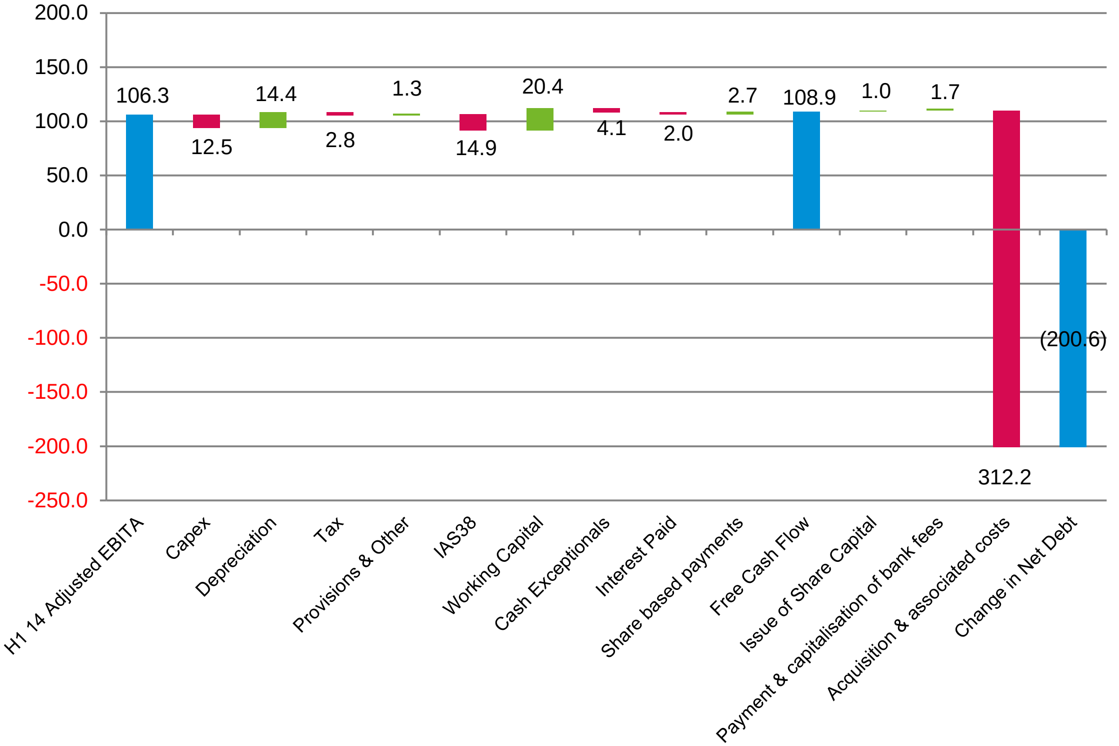
Provisions

- Increase due to Aurora acquisition related provisions and for royalties, future warranty claims and exceptional costs

Net debt

- $279.2m pro forma net debt following acquisition of Aurora, $111.6m (40%) reduction in period

Cash flow (H1 2014)



Cash flow

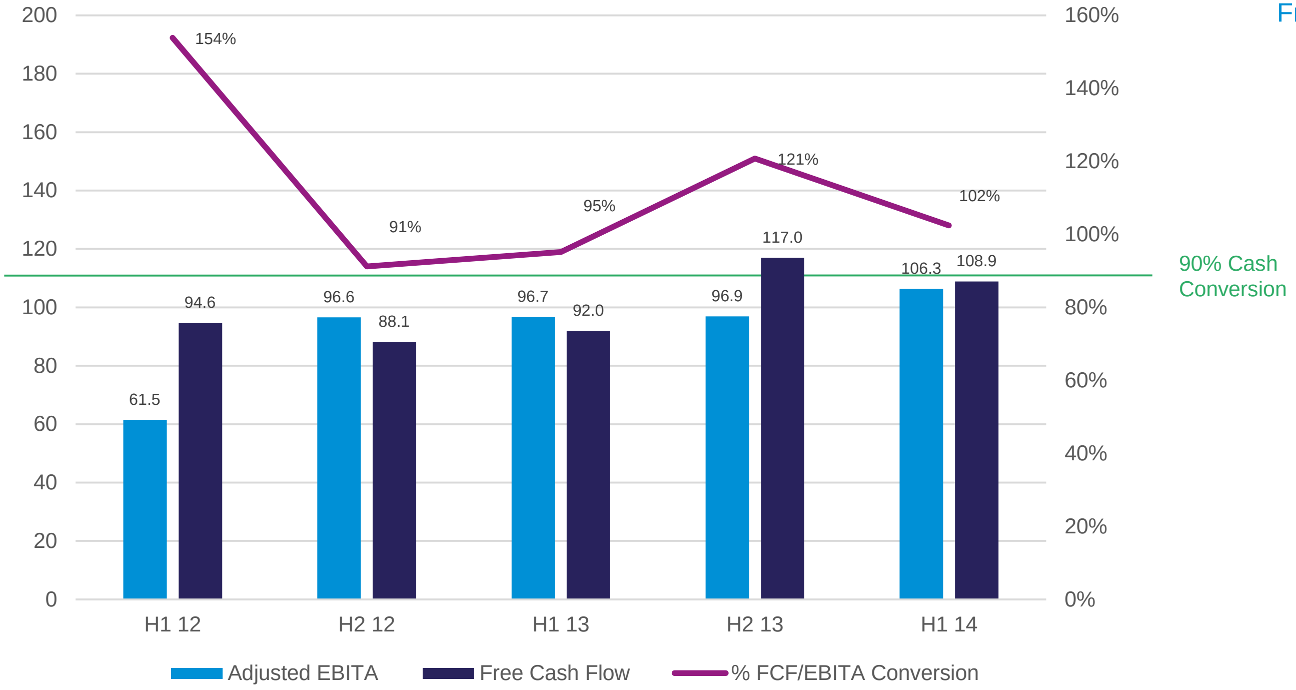
- 102.4% free cash flow to EBITA generation
- Cash inflow from working capital realignment from Aurora post acquisition

Net debt

- $279.2m pro forma net debt following acquisition of Aurora, $111.6m reduction in period

Notes: Cash movement in working capital and provisions excludes re-translation of items denominated in foreign currencies.
Free cash flow is calculated as cash flow before proceeds from issue of shares, dividends, acquisition cash flows and debt repayment / draw down.

Cash flow evolution over the last five halves



Free cash flow*

- Strong cash flow model in place – 5 consecutive halves of over 90% EBITA free cash flow generation
- Supported by Aurora working capital contribution
- $500.6m aggregate free cash flow over last 5 halves

* Free cash flow is calculated as cash flow before proceeds from issue of shares, dividends, acquisition cash flows and debt repayment / draw down.

Market dynamics, strategic plan and business performance update

PayTV market dynamics

Operator dynamics		Consumer dynamics			
Operator consolidation	Subscriber growth beyond mature markets	Whole home and Media Servers becoming the norm	Rapidly evolving advanced user experiences	Bandwidth, bandwidth and more bandwidth	Supporting the increasingly complex connected home

These dynamics are driving increased investment by operators to deliver the best networks, the best user experiences and the best service experience to their customers

Pace

Pace is strongly positioned to capitalise on these major industry dynamics over the next 3-5 years

Strategic plan update

1 Continue to transform core economics

- Programmes underway to drive further efficiency into the Pace supply chain to reduce both TTM and cost
- Underlying opex[1] reduced by $7.9m (6.1%) whilst continuing to invest growth opportunities
- 102.4% adjusted EBITA to FCF conversion; strong cash conversion from net income and working capital benefits at Aurora
- Net debt reduction of $111.6m (40.0%) of pro forma net debt of $279.2m at point of acquisition

2 Maintain PayTV hardware leadership

Set-top boxes

#1 in 2013 for set-top boxes[1]

Media servers

#1 in 2013 for media servers[2]

Gateways

#1 in 2013 for VDSL GWs[3]

3 Widening out

Elements Software

Deployed to over 6.3m devices

ECO Service Mgmt & Care

Over 34m devices managed and 6m calls handled p.a.

Aurora Networks

Over 250k optical nodes deployed, more than 100m homes passed

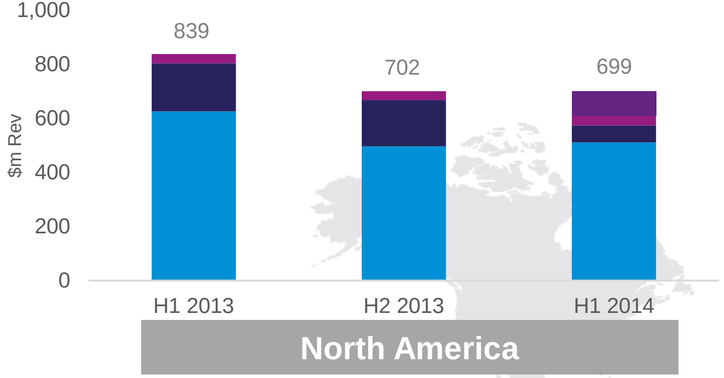
1. Operating expenses excluding Aurora costs, IAS 38 accounting and bonus accruals.
2. By volume (2013): IHS Set-Top Box Market Monitor Q1/Q2 2014.
3. By volume (2013): IHS Set-Top Box Market Monitor Q1/Q2 2014.
4. By value (2013): Infonetics Broadband CPE and Subscribers Report 4Q 2013.

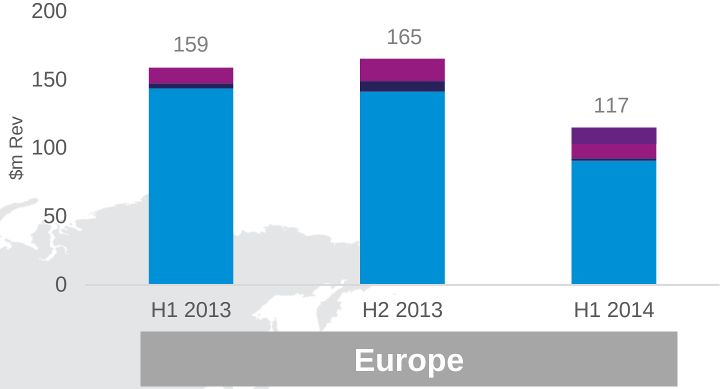
Aurora – 6 months in

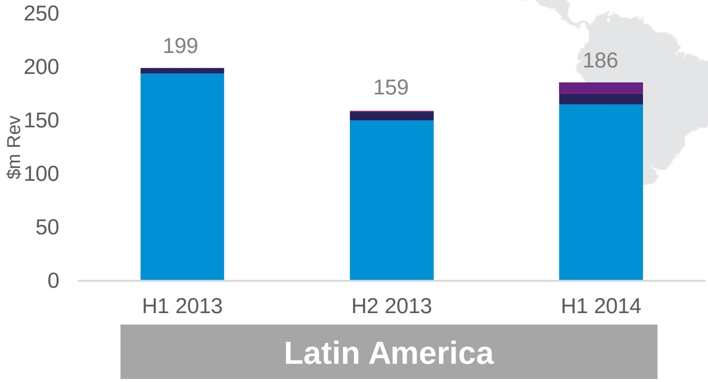
- Trading going well
  - $115.0m revenue, $16.2m Adjusted EBITA, 14.1% Operating Margin
  - Demand for network products stronger than anticipated
  - Record levels of orders and expect revenue and profit growth in H2 2014
- Integration completed ahead of plan
  - Committed synergies, both cost and working capital, have been achieved
  - Integrated Aurora into Pace supply chain and started to leverage benefits from scale and expertise
  - Further synergy opportunities have been identified
- Leveraging strengths of combined entity
  - Cross-selling opportunities generated and well progressed
  - End-to-end solutions in development and demonstrated to customers

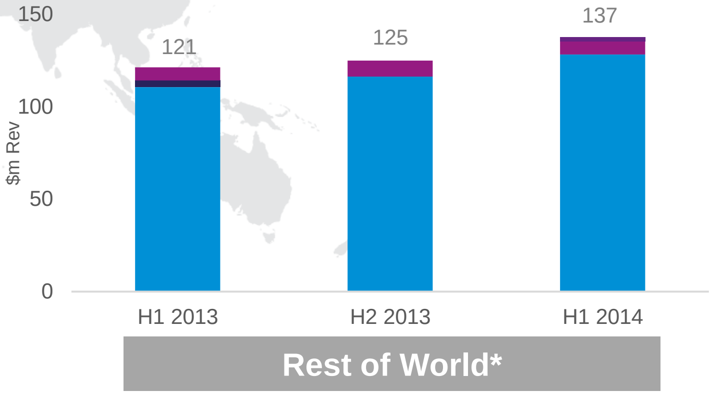
- Great people, great products and great customer relationships – we are excited about the opportunities that the acquisition of Aurora has brought to Pace

Regional performance









STB & Media Server | Gateways | Software & Services | Networks

* Rest of the World is Asia Pacific , Middle East & Africa

Outlook

Outlook for 2014

- Momentum has increased as the year has progressed.
- Anticipate strong revenue growth in H2 14 driven by new product launches across a number of markets, regaining leadership with several key customers plus increased demand for network products.

- Outlook for the remainder of the year has improved and as a result we anticipate that full year profits and cash flow for the Group will be higher than previous guidance:
    - Revenues for 2014 expected to be c. $2.7bn (2013: $2.47bn)
    - Operating margin for 2014 is expected to be no less than 8.5% (2013: 7.8%).
    - Strong cash flow will continue, and Pace expects to generate in excess of $200m of free cash flow (2013: $209m).

- Pace is well positioned to capitalise on major market trends over the next 3 to 5 years.

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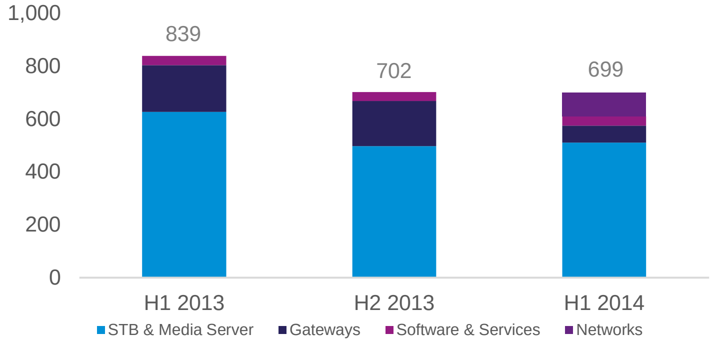
Appendix

Regional performance – North America and Latin America

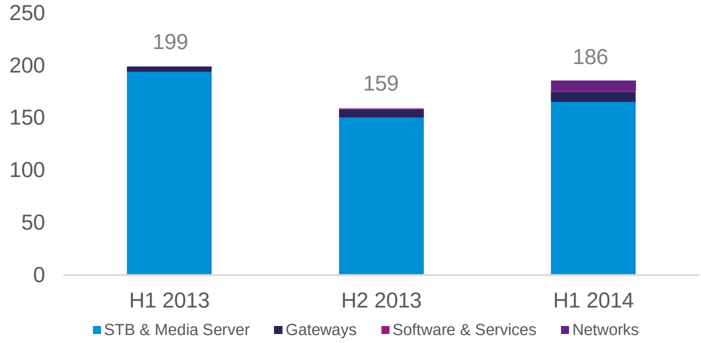
North America



STB & Media Server mix (by volume)	H1 2013	H1 2014
Media Server	27%	20%
Client	45%	10%
HDPVR	0%	13%
HD	23%	46%
DTA	5%	11%

- Reduction in revenue due to dual-sourcing at major customers Media Servers, Clients and Gateways
- Strong revenue growth expected in H2 14

Latin America

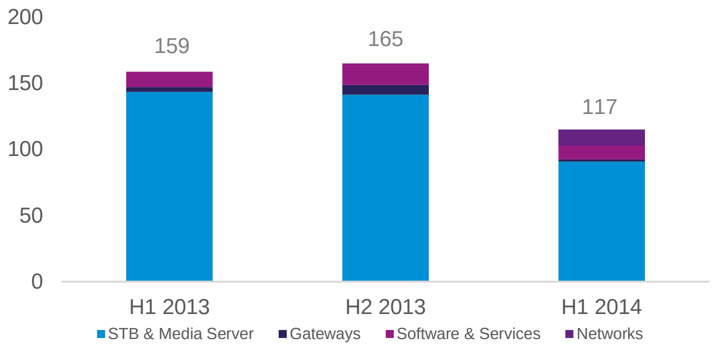


STB & Media Server mix (by volume)	H1 2013	H1 2014
Media Server	0%	1%
HDPVR	11%	10%
HD	48%	45%
SD	41%	44%

- Increased profitability despite reduced revenue due to lower demand from major customer
- Serving 8 of the top 10 operators in the region
- First shipments of Media Servers in the region

Regional performance – Europe and RoW

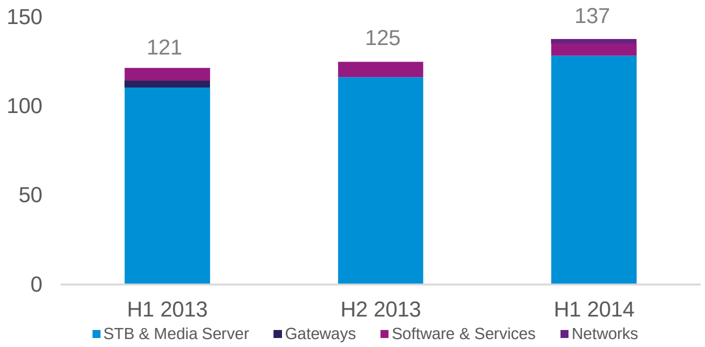
Europe



STB & Media Server mix (by volume)	H1 2013	H1 2014
Media Server	1%	5%
HDPVR	32%	12%
HD	66%	83%
SD including SDPVR	1%	0%

- Expect that H1 14 is last period of revenue decline due to low win rate of new products in 2011
- Anticipated growth in H2 14 and beyond due to key wins in the period at new and existing customers

RoW



STB & Media Server mix (by volume)	H1 2013	H1 2014
Media Server	0%	10%
HDPVR	48%	48%
HD	24%	22%
SD including SDPVR	28%	20%

- Revenue growth due to product launches in H2 13 and H1 14
- First shipments of Media Servers in the region
- Further revenue growth expected in H2 2014 and beyond