



Interim Results 2018

POWERING THE WORLD'S CRITICAL SYSTEMS

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Operational Highlights

- ❖ Record order intake, revenues and earnings achieved in 1H 2018 despite currency headwinds
- ❖ Excellent progress moving up in power and complexity with engineering services
- ❖ Acquisition of Glassman High Voltage expands product portfolio and addressable market
- ❖ All sectors continuing to perform well but semiconductor manufacturers show excellent growth due to market conditions and share gains
- ❖ Order intake shows good performance in medical and industrial



Financial Highlights

- ❖ Reported order intake up 9%, comprising:
 - ❖ Like-for-like ('LFL') order growth of 10%
 - ❖ +7% contribution from acquisitions
 - ❖ -8% headwind from foreign exchange currency movements

- ❖ Reported revenue growth 16%, comprising:
 - ❖ Like-for-like ('LFL') revenue growth of 13%
 - ❖ +11% contribution from acquisitions
 - ❖ -7%% headwind from foreign exchange currency movements

- ❖ Adjusted operating profit growth of 19%
 - ❖ Adjusted operating margin stable at 22.2% reflecting good overhead cost control during a period of good growth & investment

- ❖ Adjusted EPS up 24% to 83.7p

- ❖ Balance sheet remains strong
 - ❖ Further investment in the business
 - ❖ Acquisition of Glassman High Voltage financed by RCF
 - ❖ Net debt : Adjusted EBITDA < 1.0 times on a proforma basis

- ❖ Total dividend for the first half year of 33.0 pence per share (2017: 31.0 pence); up 6%



Group Financial Performance

	2018 H1	2017 H1	Change	Change at CER ⁽²⁾	"Like for Like" Change ⁽³⁾
<i>GBP/USD</i>	1.39	1.26			
Orders (£m)	101.4	93.4	9%	17%	10%
Revenue (£m)	93.2	80.2	16%	25%	13%
Gross margin (%)	46.7%	46.9%	-0.2bp		
Adjusted Operating Profit (£m) ⁽¹⁾	20.7	17.4	19%	28%	16%
Adjusted Profit before tax (£m) ⁽¹⁾	20.3	17.3	17%		
Adjusted ETR (%) ⁽¹⁾	18.7%	18.8%			
ETR (%)	20.5%	22.2%			
Adjusted diluted EPS (pence) ⁽¹⁾	83.7p	67.3p	24%		
DPS (p)	33.0p	31.0p	6%		
Adjusted Operating Cash flow ⁽¹⁾	16.2	22.6			
Net (debt) / cash (£m)	(46.5)	8.0			

Notes

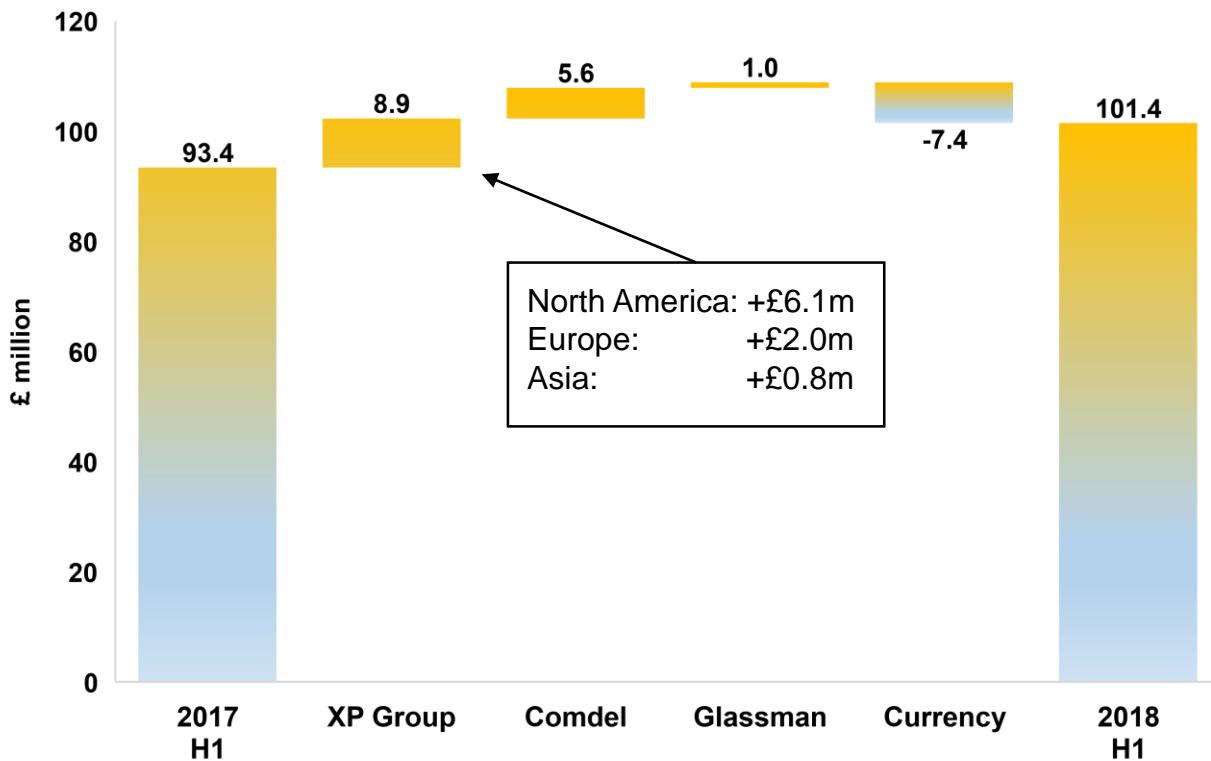
(1) These adjusted performance measures represent the statutory results excluding certain non-operational items.

(2) At constant exchange rates ('CER') using the prior period's exchange rates.

(3) At constant exchange rates and excluding acquisitions ('LFL').

Group Orders & Revenue Performance

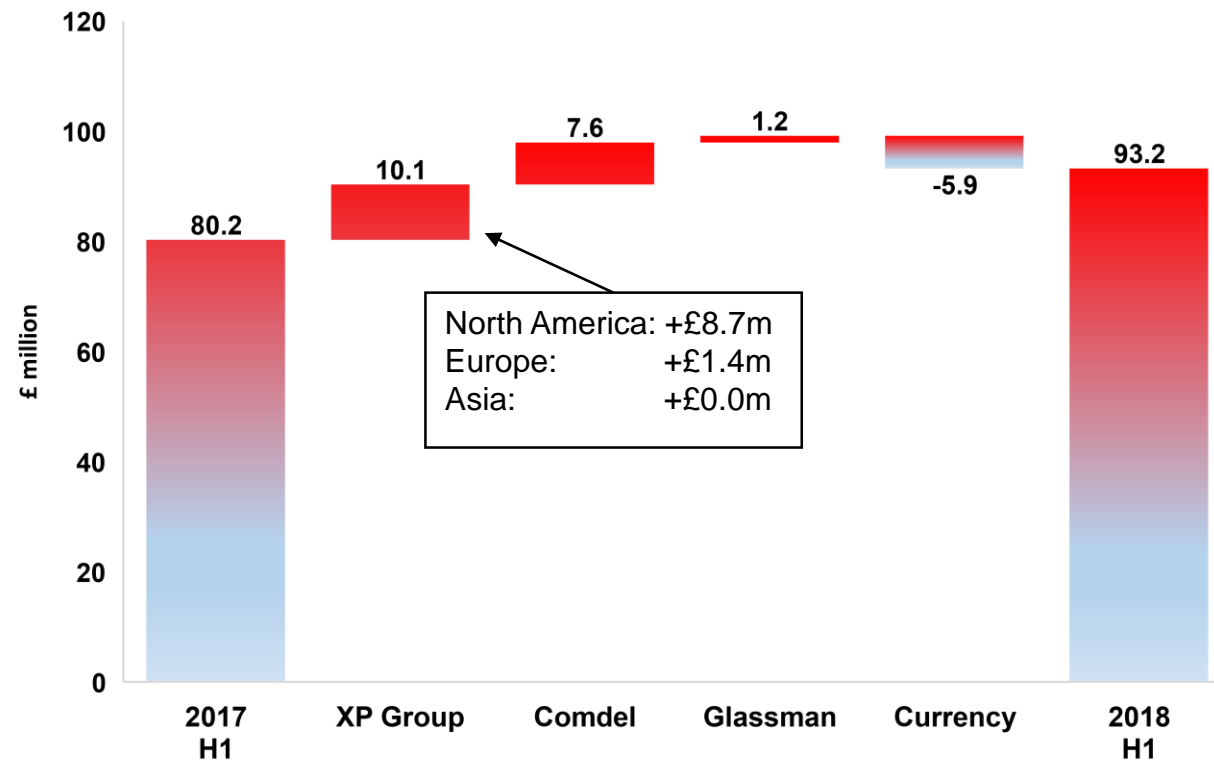
Orders



Contribution to YoY change

+10% +6% +1% (8)% +9%

Revenue

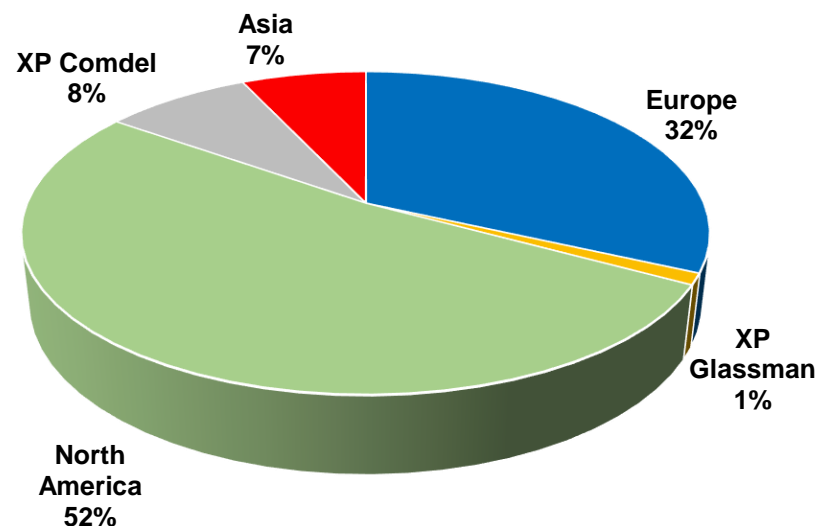


Contribution to YoY change

+13% +10% +1% (7)% +16%

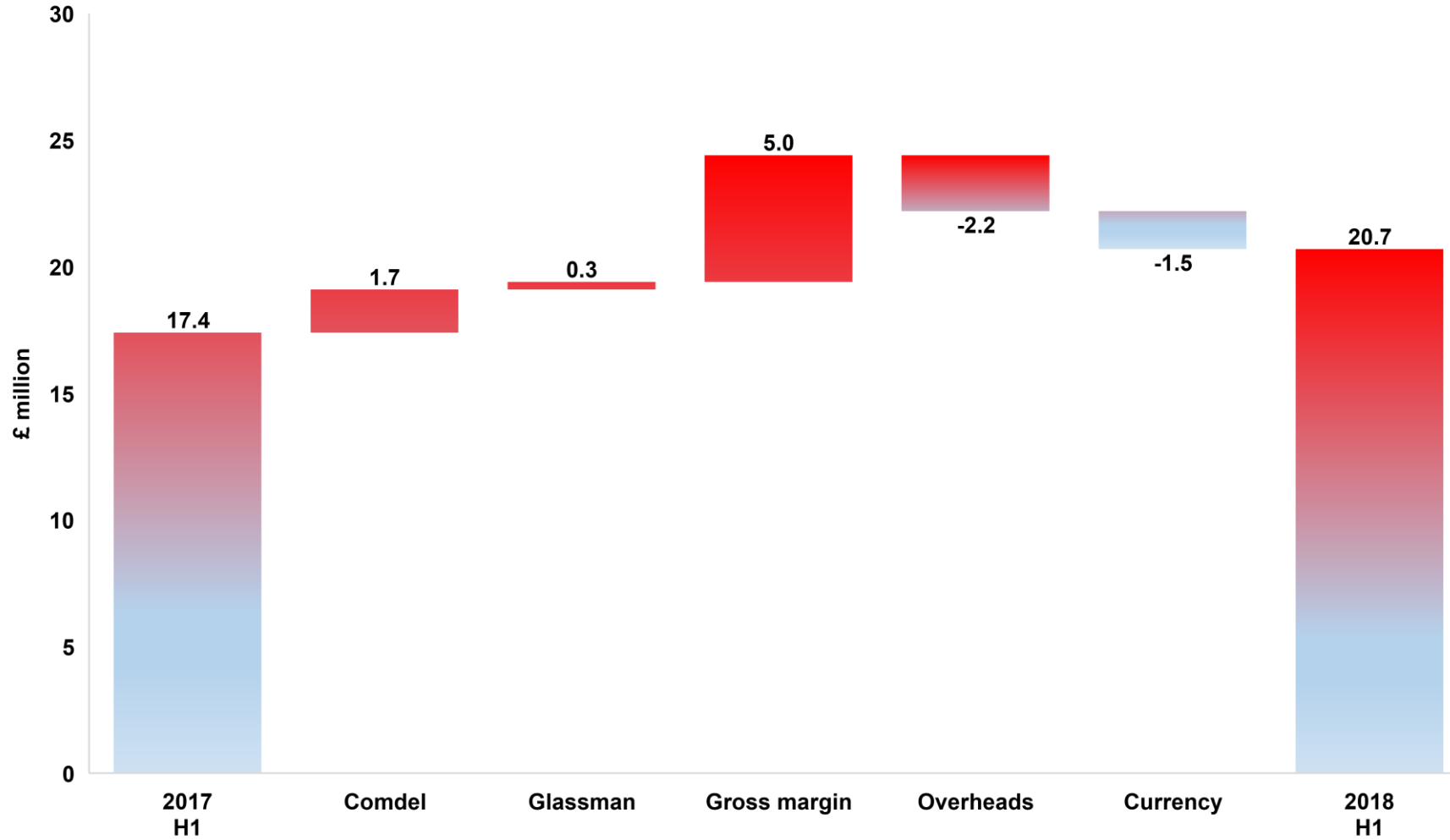
Regional Revenue Performance

2018 H1 Reported Revenue



Region	2018 H1 £m	Change vs. 2017 H1	LFL change 2018 H1 vs 2017 H1	2018 H1 “Book to Bill”
North America	57.0	30%	22%	1.04
-XP Organic	48.4	11%	22%	1.09
-XP Comdel	7.6			0.73
-XP Glassman	1.0			0.92
Europe	29.7	1%	5%	1.12
Asia	6.5	-8%	0%	1.39
Group	93.2	16%	13%	1.09

Adjusted Operating Profit Performance



Cash Flow Statement

£ Millions	H1 2018	H1 2017
Adjusted Operating Profit	20.7	17.4
Changes in accounting policy	(0.4)	-
Amortisation of development costs	1.4	1.2
Depreciation	1.5	1.3
Unrealised currency losses/(gains)/Equity award charges	1.4	(0.9)
Change in working capital	(8.4)	3.6
Cash provided by operating activities	16.2	22.6
Income tax paid	(2.4)	(3.4)
Purchase of property and equipment (net of disposals)	(2.8)	(2.0)
Capitalised development costs	(2.8)	(2.0)
Interest paid	(0.4)	0.0
Free cash flow	7.8	15.2
Opening (net debt)/net cash	(9.0)	3.7
Acquisition (net of cash acquired)	(35.6)	-
Charges associated with Acquisitions	(0.4)	(2.8)
Dividends	(9.2)	(8.2)
Other inc. effects of currency translation on cash / ESOP shares	(0.1)	0.1
Closing (net debt)/net cash	(46.5)	8.0
Adjusted EBITDA	23.6	19.9

2018 Technical Guidance

- ❖ Level of backlog and H1 book to bill continued momentum in 2018
- ❖ Continued investment in the business to support future growth
 - ❖ Increased overheads to build scalable business
 - ❖ Planned capital expenditure around £8-9 million, principally in Vietnam and on the Supply Chain (SAP - S4 Hana)
- ❖ Component cost inflation and supply pressure will impact gross margin in H2 2018
 - ❖ Safety stocks have limited impact in H1 2018
- ❖ Effective tax rate of around 17-19%
 - ❖ Benefit from the Tax Cuts and Jobs Act in the United States
- ❖ Finance charge at £1-2m
 - ❖ Funding of acquisitions
 - ❖ Working capital requirements
- ❖ Foreign exchange sensitivities

Our Strategy Is Delivering

- ❖ Develop a broad range of competitive products
- ❖ Target accounts where we can add value
- ❖ Drive vertical penetration of these focus accounts
- ❖ Enhance brand awareness through digital marketing and distribution
- ❖ Achieve operational excellence
- ❖ Lead our industry on environmental matters
- ❖ Acquire businesses to expand our product offering & engineering capabilities



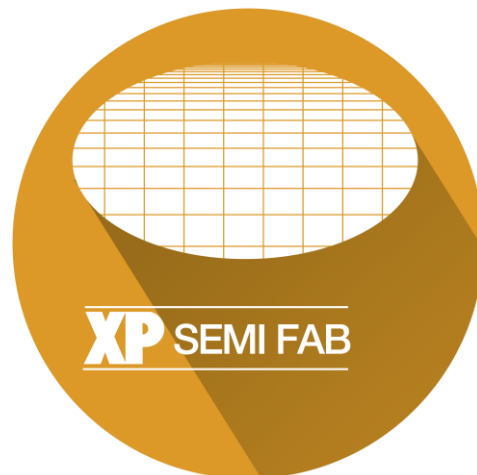
Strategy In Action - Sector Dynamics



- 42% of revenue
- Grew 10% (constant currency year on year)
- **Most fragmented sector**

Interesting sub-sectors:

- 3D printing
- Industrial printing
- Industrial LED lighting
- Smart Grid
- Signage



- 27% of revenue
- Grew 65% organic (constant currency year on year)
- Comdel and Glassman facilitate greater penetration
- Attractive long term growth drivers



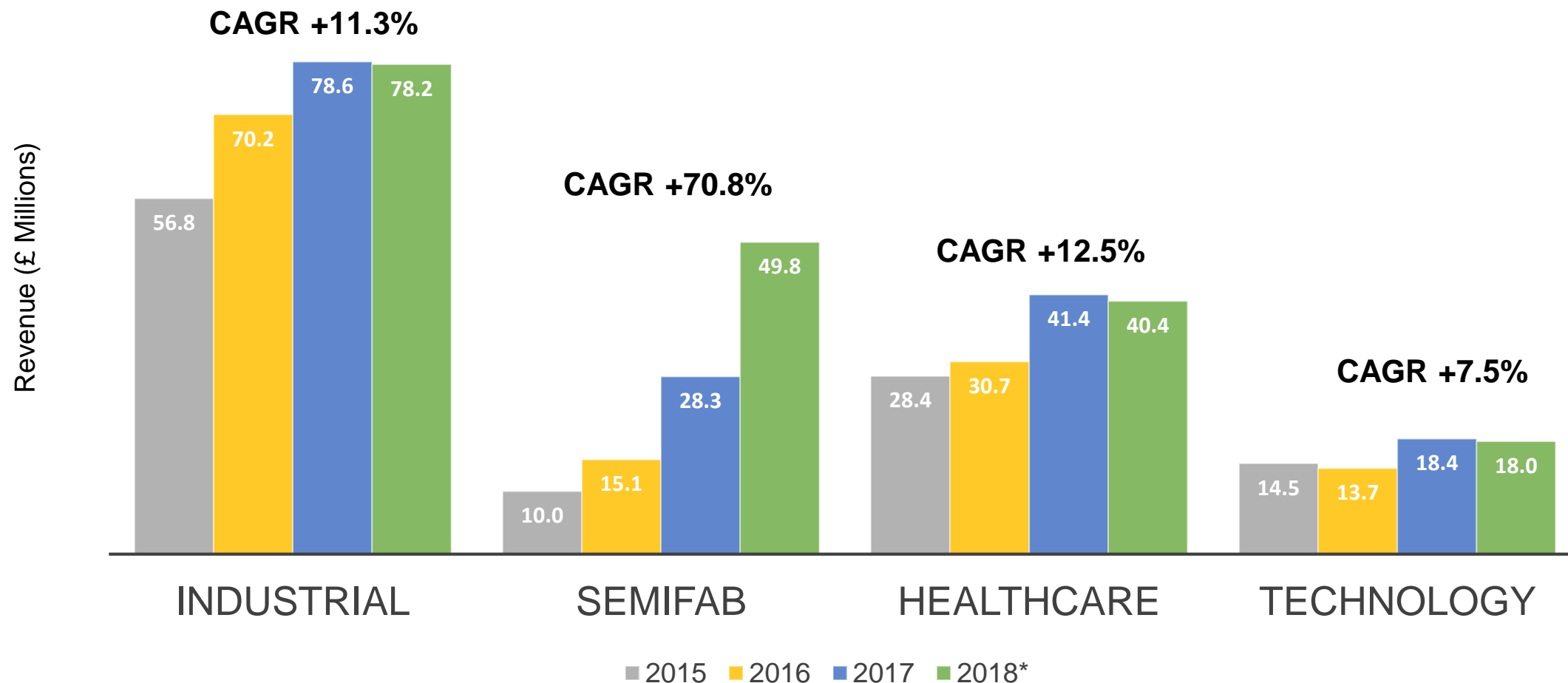
- 22% of revenue
- Grew 14% (constant currency year on year)
- **Building a leading position**
 - High efficiency products well received due to high reliability
 - Corporate approvals with all the major players



- 10% of revenue
- Grew 13% (constant currency year on year)
 - Broadcast
 - Communications – Satellite, secure, harsh environments
 - High end computing

Semiconductor manufacturing equipment now broken out given the significance of this sector and attractive growth drivers (Big Data, AI, IoT)

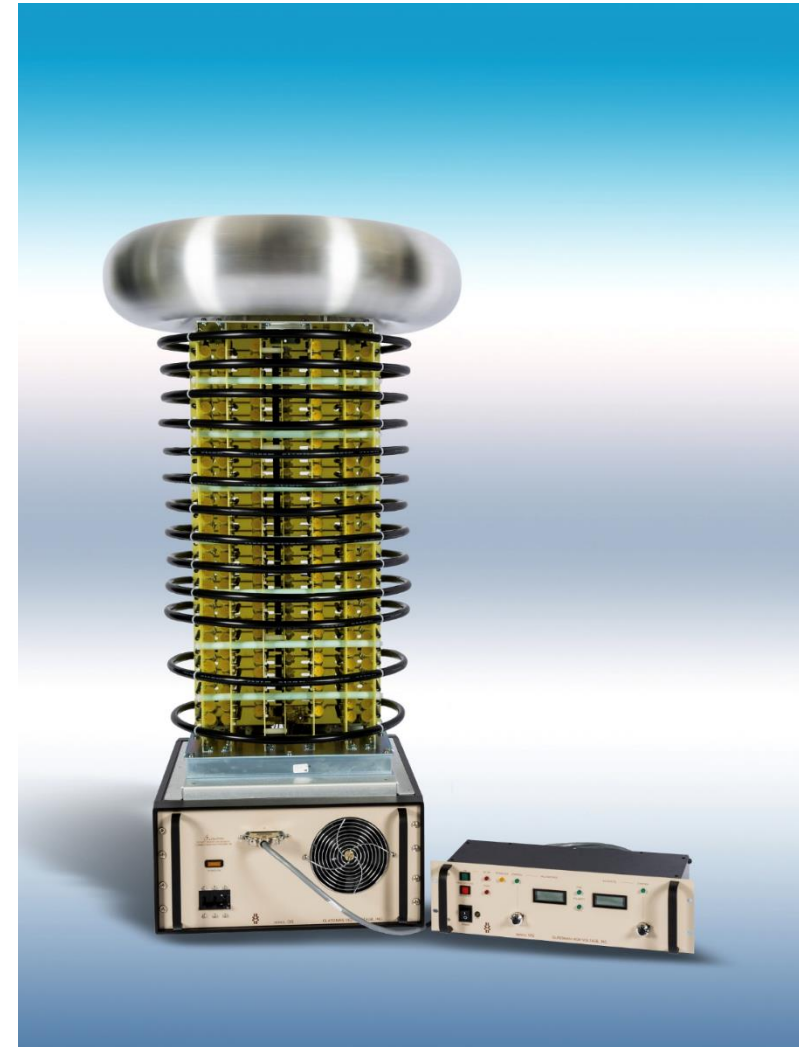
Strategy In Action - Revenue by Sector



Approximately 7% decline in 2018 due to translation effect of the strengthening of Sterling

Strategy In Action - Acquisition of Glassman HV

- ❖ Acquired on 25 May 2018, positive impact to date
- ❖ Specialises in high power (up to 200kW)/high voltage (up to 500kV)
- ❖ High power/high voltage market conservatively estimated at \$500 million
- ❖ Based in Highbridge, New Jersey, USA
- ❖ Cash consideration US\$44.5 million
- ❖ 70% of revenue generated from the semiconductor manufacturing equipment makers
- ❖ Allows for further vertical penetration of our existing customer base



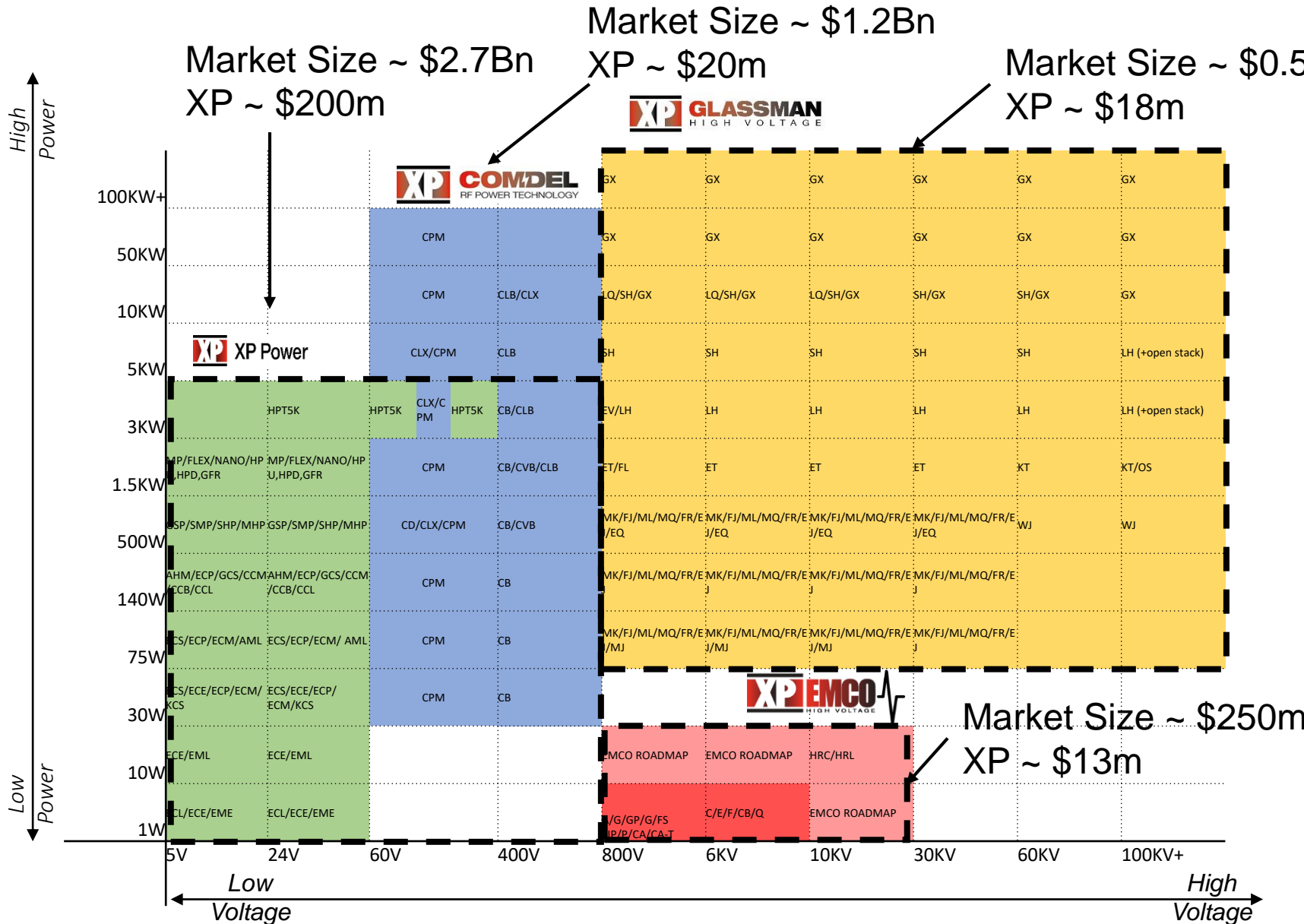
Strategy In Action – High power/high voltage applications

- ❖ Semiconductor manufacturing equipment
- ❖ Vacuum/plasma processing
- ❖ Analytical instrumentation
- ❖ Medical diagnostic and therapeutic systems
- ❖ Test equipment
- ❖ Research/academic



Strategy in Action – Product portfolio

The addition of Emco, Comdel and Glassman increases XP's product portfolio significantly



- XP organic product development focused on “fill in products” within the core portfolio
- Started by building presence in Higher Power/High Voltage through XP HV (Up to 30w)
- The acquisition of Comdel allowed access to high power RF
- High Power/High Voltage was white space with no organic route to servicing this part of the market
- Glassman HV fills this gap

Vietnam – Phase II

- Significant capacity increase and cost competitiveness advantage over China
- Construction of Vietnam II began October 2017
- Expect building completion in Q4 2018 and production start in Q2 2019
- Total cost approximately \$6.5M



	Revenue Capacity (\$M)*	Current Utilisation
China	100	100%
Vietnam I	70	60%
Vietnam II	130	-

2018 Outlook

- ❖ Strong start to 2018
- ❖ Order intake, growing backlog and new programs entering production phase underpins confidence
- ❖ High power/high voltage and RF Power increasing addressable market and our value proposition to healthcare and semi fab sector
- ❖ Supply chain exhibiting lead time extension and cost inflation generating margin pressure
- ❖ While not immune to potential macro-economic and political impacts we are encouraged regarding our prospects for 2018



Appendix



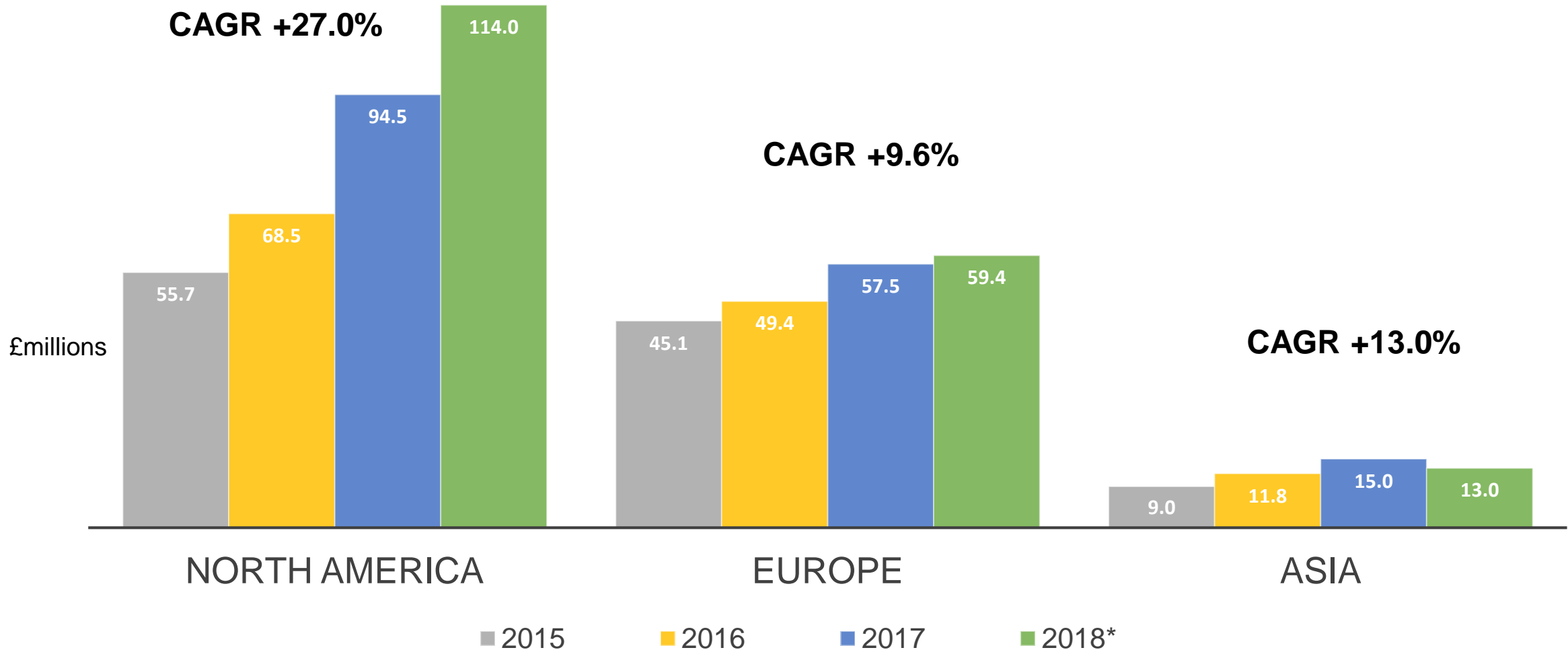
Market Data

Market 2017 (\$ Millions)	Size	Share
Asia	1,220	1.5%
Europe	647	12.7%
North America	1,047	12.8%
Total	2,914	8.1%
RF Power	1,200	1.8%
High power/high voltage	500	3.6%
Grand total	4,614	5.9%

Source: Micro-Tech Consultants and XP Power Management

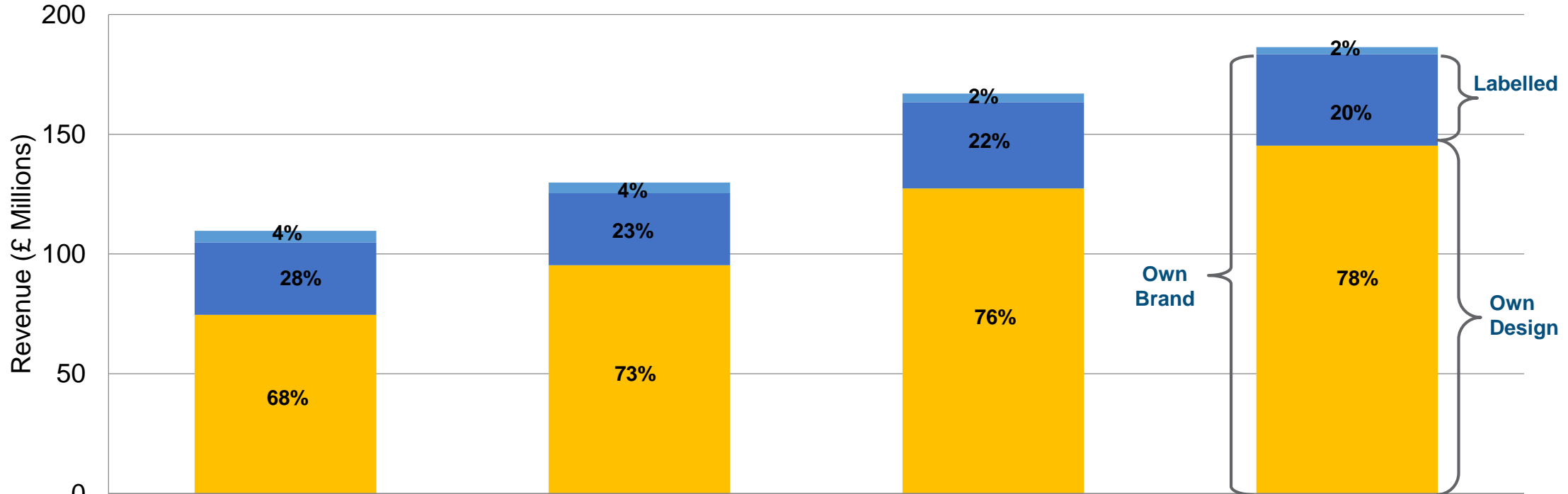
XP Revenue (£ Millions)	Asia	Europe	North America	Total	Share of XP (%)
Healthcare	1.5	5.6	13.1	20.2	22%
Industrial	4.1	21.0	14.0	39.1	42%
Semifab	0.5	0.2	24.3	25.0	27%
Technology	0.5	2.7	5.7	8.9	9%
Total	6.6	29.5	57.1	93.2	100.0%
<i>Share of XP (%)</i>	7.1%	31.7%	61.2%	100.0%	

Strategy In Action - Revenue by Geography



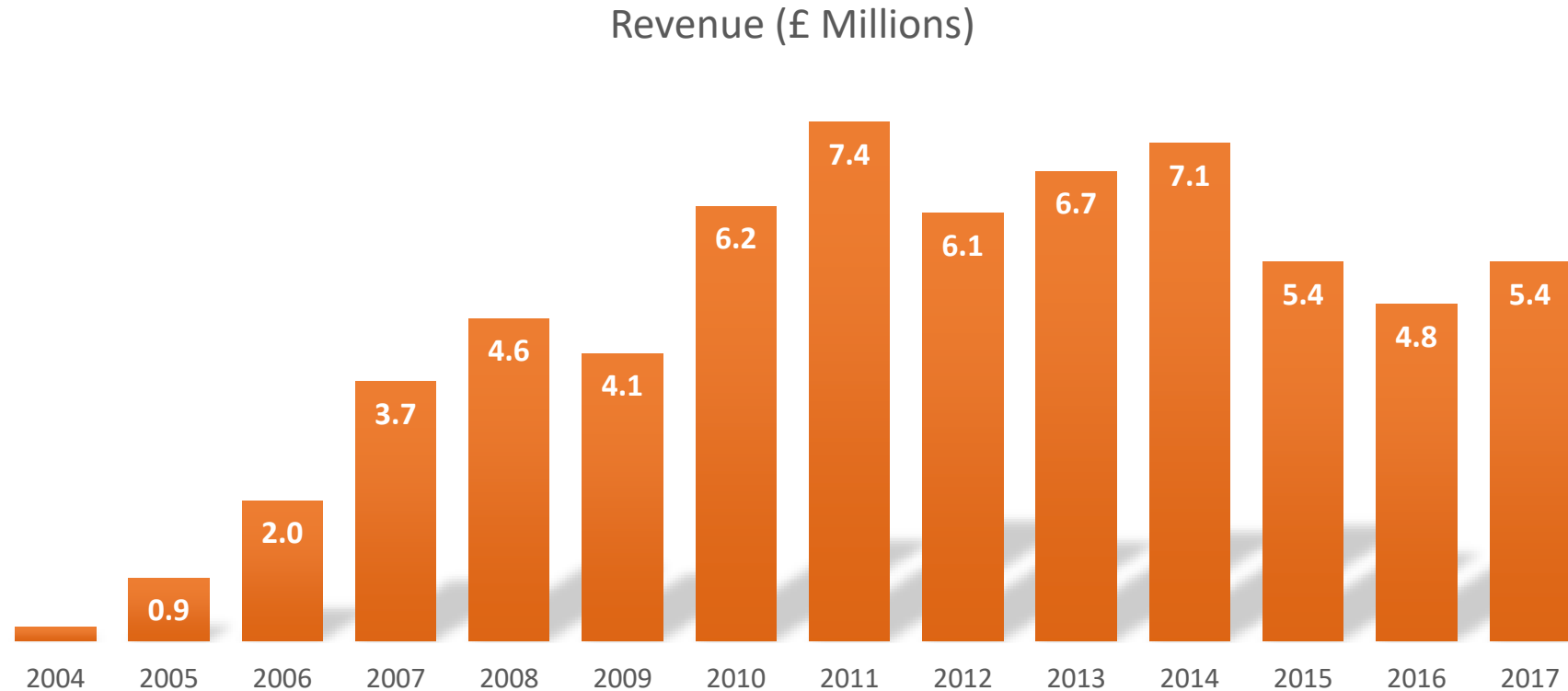
Strategy In Action - Own Design Revenue Trend

Own design revenue
CAGR +25%

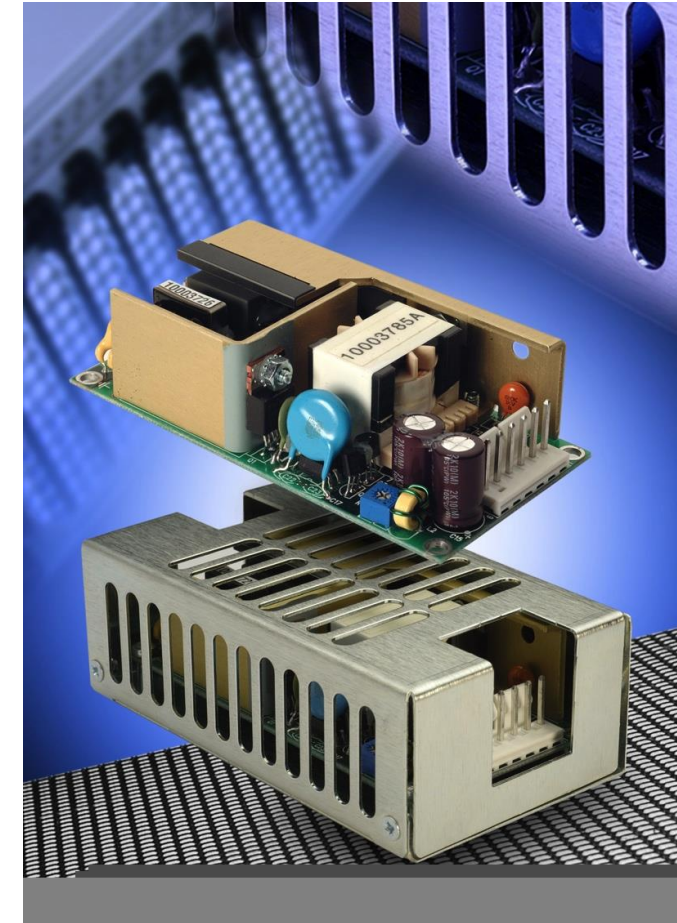


	2015	2016	2017	2018*
Third party	4.8	4.4	3.6	3.0
Labelled product	30.3	30.1	36.0	38.2
Own design product	74.6	95.3	127.4	145.2

Typical Product Life Cycle



- ❖ Substantial revenue annuity
- ❖ Design in cycle typically 18 months
- ❖ 2009 and 2012 dips due to market downturn and not typical



ECM40/60 Series



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