

# Annual Results 2019

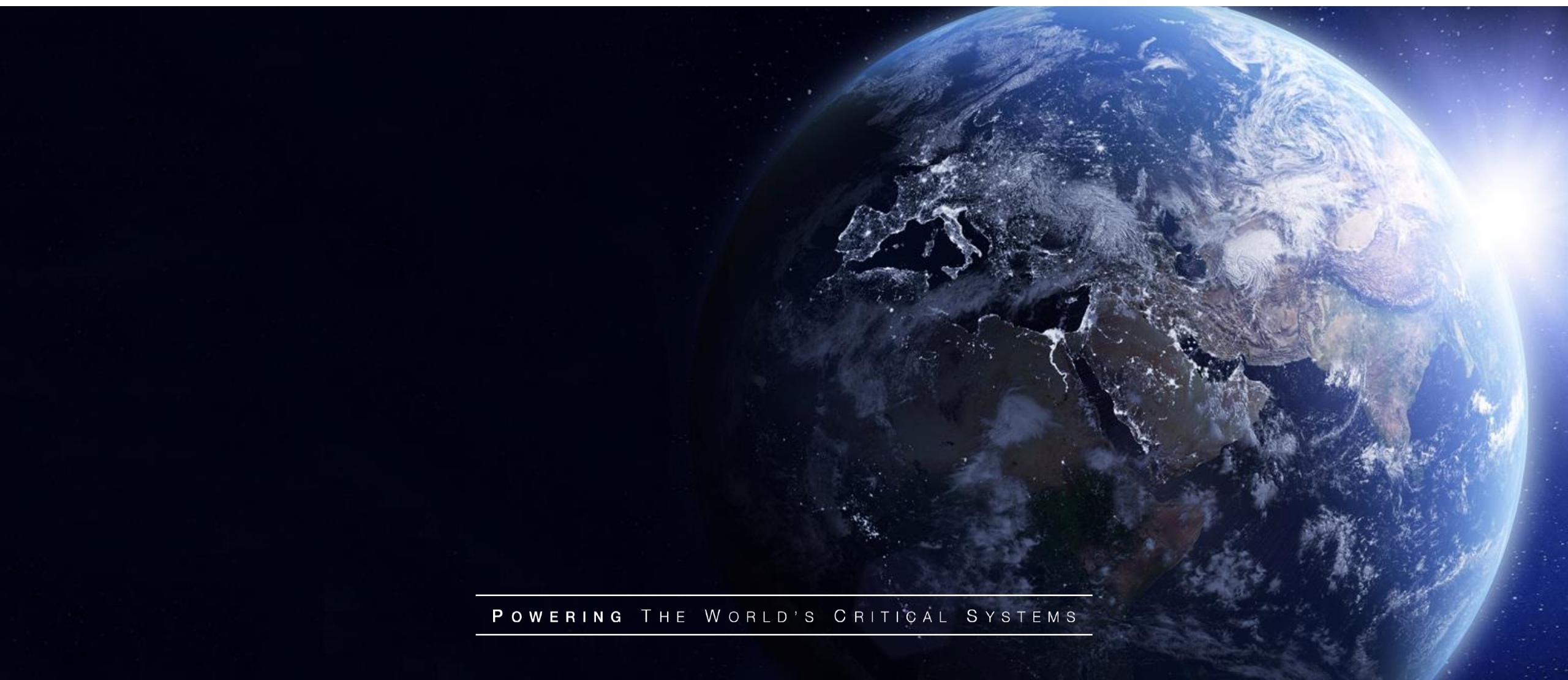
3 March 2020



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POWERING THE WORLD'S CRITICAL SYSTEMS

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## GROUP HIGHLIGHTS

- **Good revenue growth in Industrial Electronics, Healthcare and Technology sectors offset by cyclical downturn in Semi Equipment**
- **Q4 orders strong driven by recovery in Semis. Group well positioned given multi-year design win momentum**
- **Gross margin down due to US trade tariffs and product mix**
- **Expansion of Vietnam manufacturing facility completed in Q1 2019. Facility capable of assembling more than 2,000 products**
- **Transfer of high-voltage modules from Nevada to Vietnam on track, will deliver H2 2020 benefits**
- **Strong free cash flow driven by improved working capital**
- **Board's expectations remain unchanged subject to uncertain future impact of COVID-19**

# —○ FINANCIAL HIGHLIGHTS



# GROUP FINANCIAL PERFORMANCE

£m	2019	2018	Change	Change at CER <sup>(2)</sup>	"Like for Like" Change <sup>(3)</sup>
<i>GBP/USD</i>	1.28	1.34			
Orders (£m)	214.9	198.4	8%	4%	2%
Revenue (£m)	199.9	195.1	2%	(2)%	(4)%
Gross margin (%)	45.1%	47.3%	(220)bps		
Adjusted Operating Profit (£m) <sup>(1)</sup>	35.9	42.9	(16)%	(21)%	(23)%
Adjusted Profit before tax (£m) <sup>(1)</sup>	33.2	41.2	(19)%	(24)%	(26)%
Adjusted ETR (%) <sup>(1)(4)</sup>	9.6%	17.5%			
Adjusted diluted EPS (pence) <sup>(1)</sup>	145.5p	172.8p	(16)%		
DPS (p)	91p	85p	7%		

(1) These adjusted performance measures represent the statutory results excluding specific items.

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

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

(4) ETR = Effective tax rate

## Reported revenue growth of 2%

- Industrial Electronics: +7%
- SemiFab: -21%
- Healthcare: +6%
- Technology: +32%

## Gross margin performance impacted by tariffs and mix

Tariffs impact 60 bps

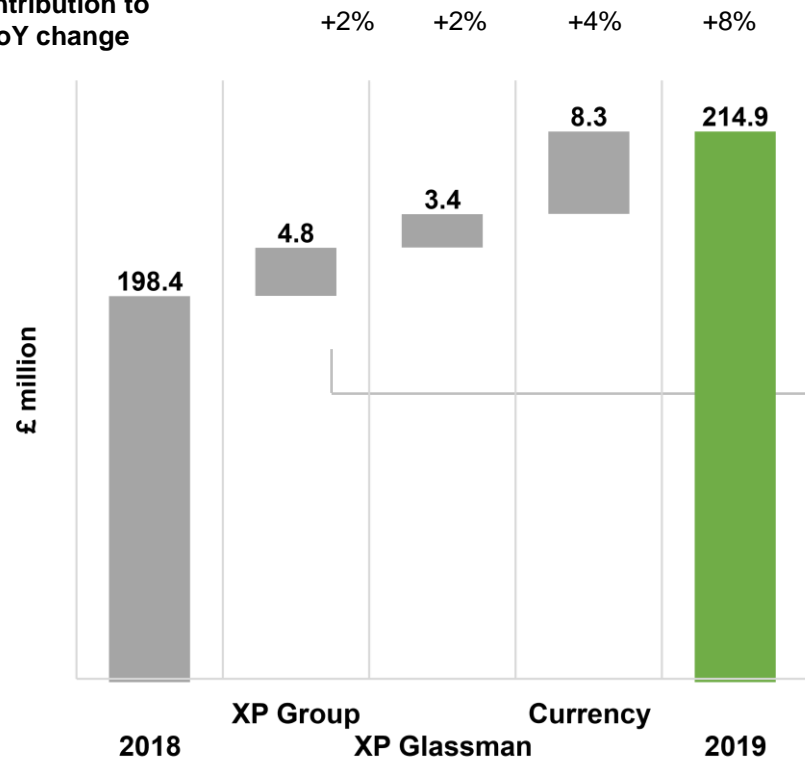
## Total dividend of 91 pence per share up 7%

5 Year CAGR ~ 8%

# GROUP ORDERS & REVENUE PERFORMANCE

## ORDERS

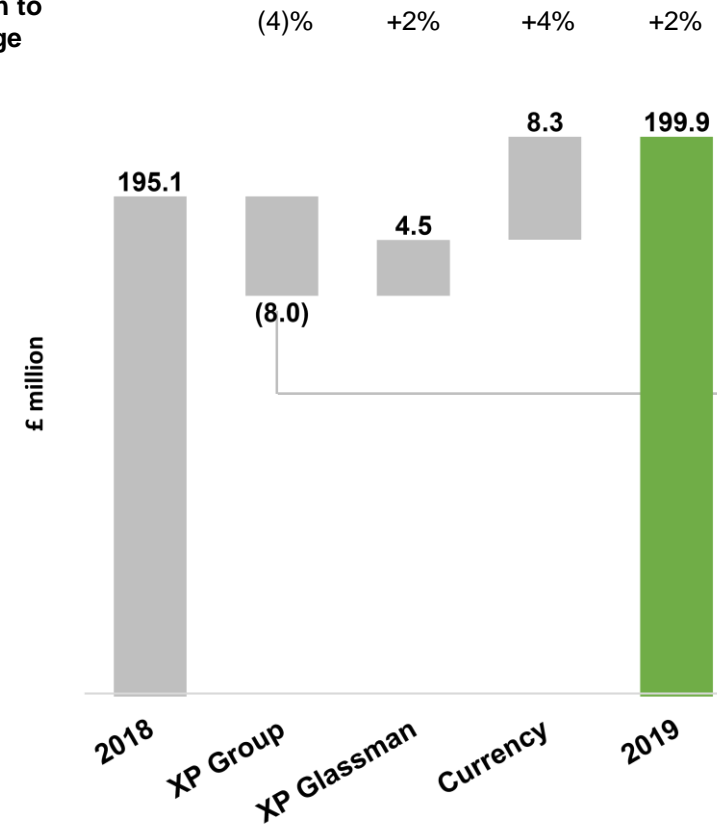
Contribution to YoY change



N. America: In line  
Europe: £(0.7)m  
Asia: +£5.5m

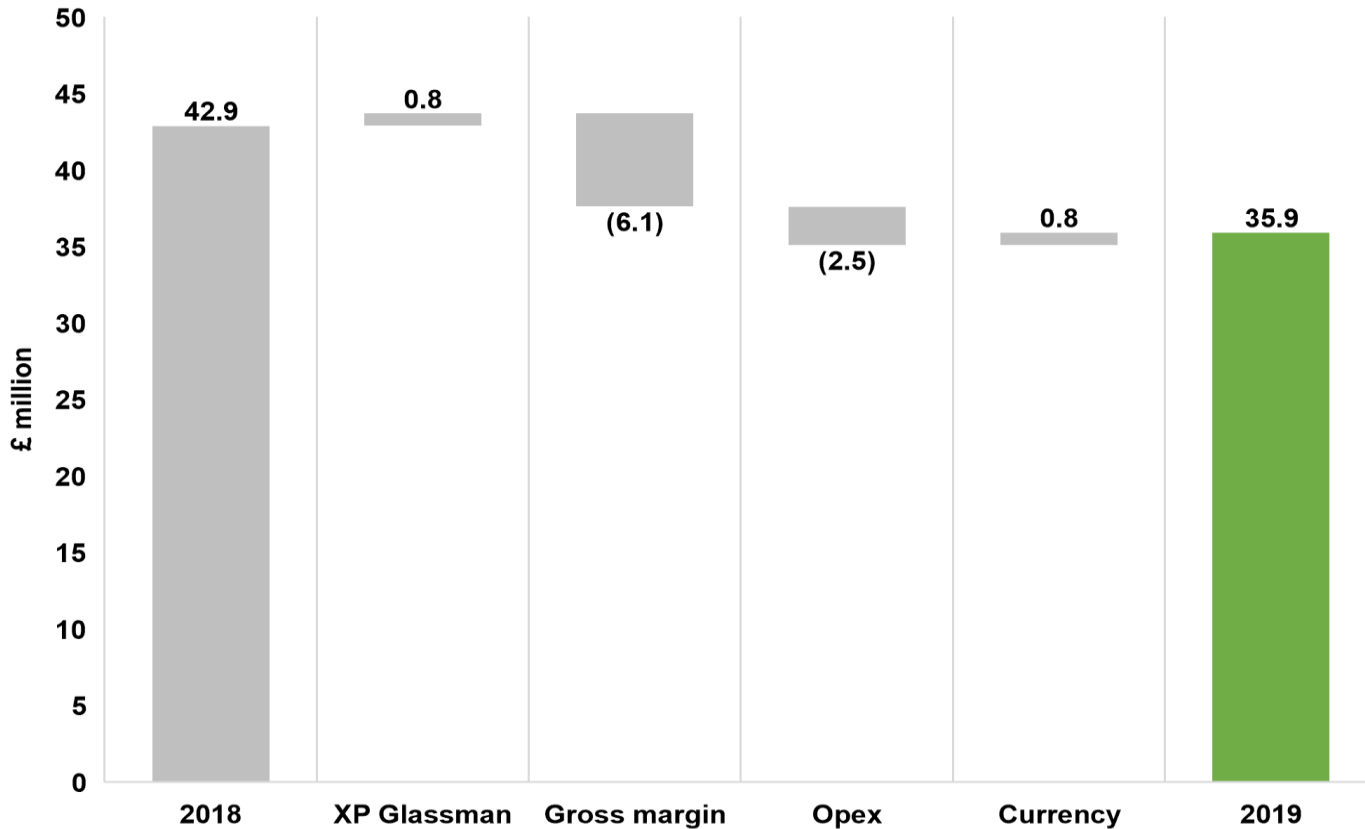
## REVENUE

Contribution to YoY change



N. America: £(14.2)m  
Europe: +£1.8m  
Asia: +£4.4m

# ADJUSTED OPERATING PROFIT PERFORMANCE



**Gross margin performance impacted by tariffs and mix**

Gross margin at 45.1%, down 220 bps

**Annualisation of 2018 investments**

2019 adjusted operating margin 18.0%

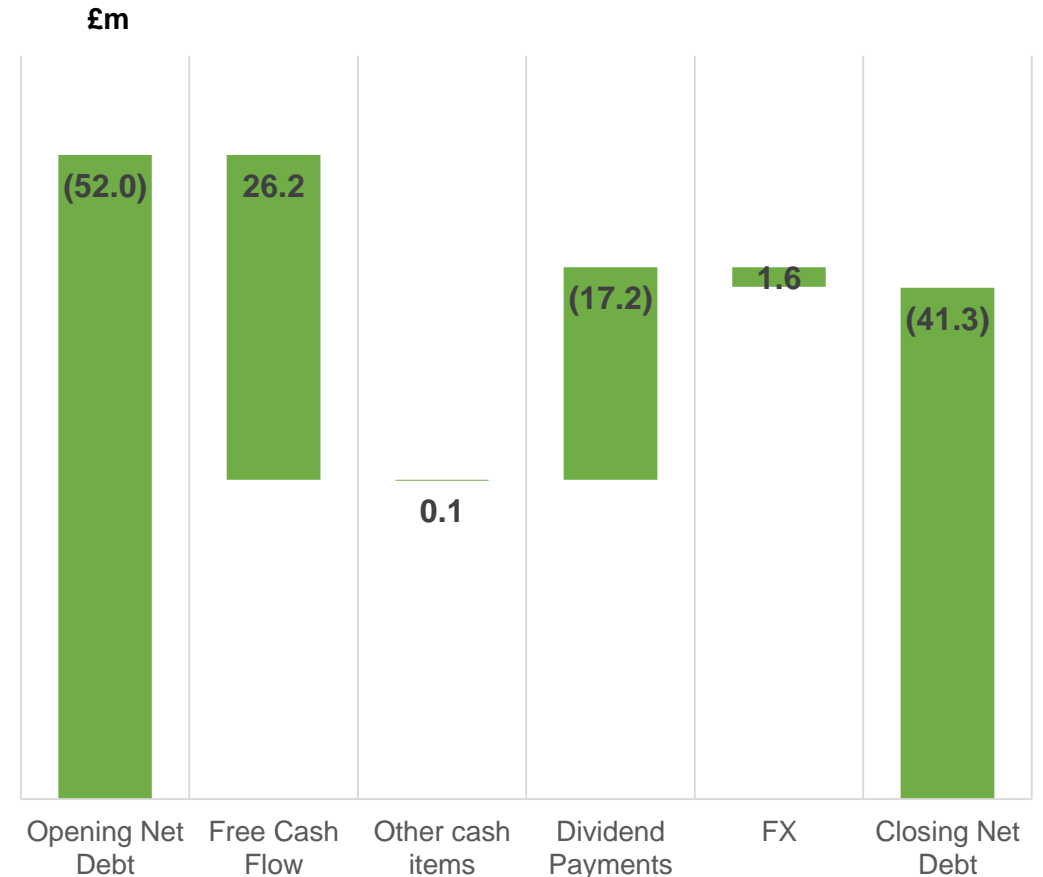
**Creditable Glassman performance given market conditions**

# CASH FLOW STATEMENT AND NET DEBT

£m	2019	2018	Variance
<b>Adjusted Operating Profit</b>	<b>36.1</b>	<b>42.9</b>	<b>-16%</b>
Amortisation of product development costs	3.9	2.9	
Depreciation	5.3	3.4	
Change in working capital	8.5	(21.3)	
Other	1.8	4.0	
<b>Cash generated from Operations</b>	<b>55.6</b>	<b>31.9</b>	<b>74%</b>
Specific items	(5.1)	(0.8)	
<b>Adjusted Operating Cash Flow</b>	<b>50.5</b>	<b>31.1</b>	<b>62%</b>
Income tax	(4.4)	(4.1)	
Payment of Lease Liabilities	(1.5)	-	
Purchase of property and equipment	(4.7)	(7.8)	
Capitalised product development costs	(8.0)	(6.2)	
Capitalised software development costs	(3.5)	(0.9)	
Interest paid	(2.7)	(1.5)	
Other	0.5	0.5	
<b>Free cash flow</b>	<b>26.2</b>	<b>11.1</b>	<b>136%</b>

New RCF: \$120 million + \$60m accordion  
 Across 3 Regional banks  
 2019 Leverage at 0.92 x Covenant: < 3.0x  
 2019 Interest Cover: 17 x Covenant: > 4.0x

## Net debt bridge





# 2020 MODELLING GUIDANCE APPROXIMATIONS

## CAPEX/CAP PROD DEV/CAP IT

£6.0m / £9.0m / £3.5m

## INTEREST

c. £2.0-2.5m

## EFFECTIVE TAX RATE

17-19%

## CASH SPECIFIC ITEMS

£3.0 – 4.0m

## INFLATION

c. £2-3m

## COST SAVINGS

c. £2-3m

## REVENUE

Growth H2 weighted – COVID-19

## CASH FLOW

Improved EBITDA &  
Working Capital

## NET DEBT / EBITDA

c. 0.75 by 31 December 2020

# —○ BUSINESS UPDATE



# OUR STRATEGY

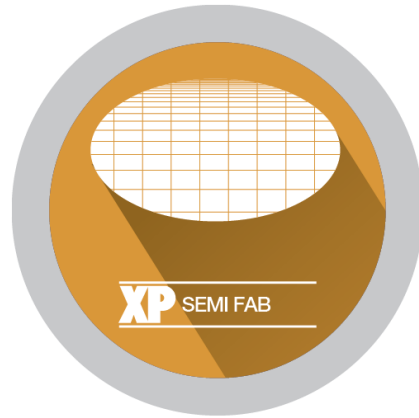
## GOOD PROGRESS IN 2019

<p>Develop a market leading range of competitive products, organically and through selective acquisitions</p>	<ul style="list-style-type: none"> <li>➤ Launched range of 5kW low voltage products</li> <li>➤ Strong pipeline of new products</li> <li>➤ Next generation RF products under development</li> <li>➤ Acquisitions lower priority but continue to consider strategic targets</li> </ul>
<p>Target accounts where we can add value</p>	<ul style="list-style-type: none"> <li>➤ Growth in Industrial Electronics, Healthcare &amp; Technology accounts and continuing design win momentum</li> <li>➤ Ongoing Semi fab design wins despite cyclical decline</li> </ul>
<p>Increase vertical penetration of target accounts</p>	<ul style="list-style-type: none"> <li>➤ Selling new and acquired (HV and RF) products into account base</li> </ul>
<p>Build a global end to end Supply Chain that balances high efficiency with market leading customer responsiveness</p>	<ul style="list-style-type: none"> <li>➤ Phase 1: Global ERP</li> <li>➤ Supply Chain Re-engineering – Vietnam</li> <li>➤ Inventory management</li> </ul>
<p>Lead our industry on environmental matters</p>	<ul style="list-style-type: none"> <li>➤ Key to everything we do</li> <li>➤ 25 out of 32 XP Power products released were “Green”</li> <li>➤ Environmental – Water &amp; CO<sub>2</sub> reduction targets in place</li> </ul>

# SECTOR DYNAMICS



- **45% of revenue**
- **Grew 3%** (constant currency YoY)
- Most diverse sector with high level of innovation
- **Growth drivers:** Niche electronic applications rather than traditional industrial equipment such as:
  - Industrial and 3D printing
  - Smart Grid
  - Analytical instruments
  - Robotics



- **19% of revenue**
- **Contracted 25%** (constant currency YoY)
- RF and high voltage facilitate greater penetration
- Design win pipeline very strong
- **Growth drivers:** highly attractive long term drivers of growth
  - Artificial intelligence
  - Big Data
  - Internet of things (IoT)
  - 5G
  - Autonomous vehicles

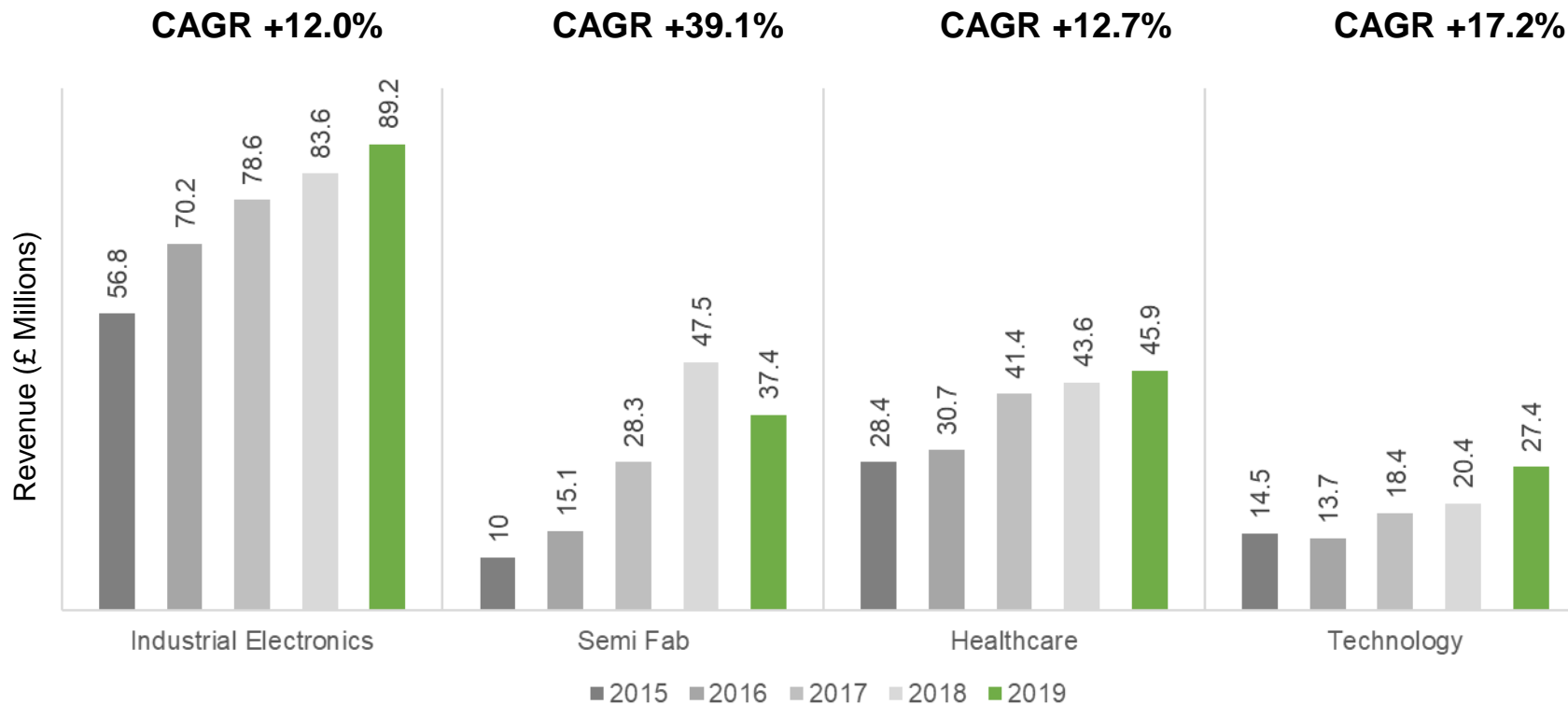


- **23% of revenue**
- **Grew 1%** (constant currency YoY)
- Building a leading position, strong order performance. Corporate approvals with all the major players
- High efficiency products well received due to high reliability
- **Growth drivers:**
  - Aging population
  - Medical treatment and diagnostic advances



- **13% of revenue**
- **Grew 29%** (constant currency YoY)
- Generally larger programmes with short lifecycles so revenues fluctuate more than the other sectors
- **Growth drivers:**
  - Communications infrastructure (5G)
  - Security
  - Digital broadcast

# REVENUE BY SECTOR



## High level Trends

- Increased connectivity of the power converter to the customer's equipment
- Higher power
- Higher engineering services content (customisation)
- Industrial revolution 4.0
- Increased legislation

Circa 4% positive impact in 2019 relating to the translation effect of the strengthening of Sterling

## BUILDING OUR SUPPLY CHAIN FLEXIBILITY

- Goal is an agile end to end supply chain with high level of customer responsiveness whilst optimising inventory
- End to End ERP SAP platform – Phase 1 implemented in 2019
- Supply chain developing in Vietnam to reduce freight and reliance on Chinese suppliers of fabricated parts
- Vendor Managed Inventory increasing to better manage demand spikes and inventory
- Same equipment set in China and Vietnam allows business continuity planning



# VIETNAM A COMPETITIVE ADVANTAGE

- Phase II completed in Q1 2019 - significant capacity increase (>75%)
- Cost competitiveness advantage over China
- Over 2,000 different products now approved for production in Vietnam
- Helps mitigate Section 301 Tariffs and provides a competitive advantage over competitors with Chinese based manufacturing
- COVID-19 is resulting in expedited transfers from China to Vietnam

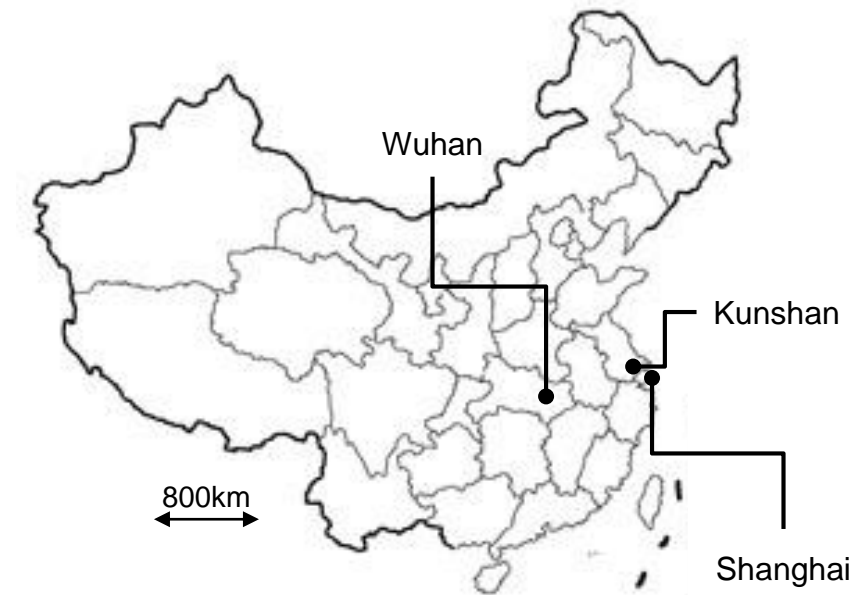
	Revenue Capacity (\$m)	2019 Utilisation
China	100	50%
Vietnam I	70	70%
Vietnam II	130	-



- Will have capability to produce broad product range delivering flexibility and savings
  - LVLP
  - HVLP
  - RF
  - Engineering Services (ES)
- 2020 – Complete Minden transfer & start ES & RF

# COVID-19 UPDATE AS AT 3 MARCH 2020

- Main priority is the health and safety of our colleagues and we are taking all possible actions to support them
- Closely monitoring the current and potential effects of the outbreak. The effect on supply chains continues to evolve
- Kunshan restarted on 17/2/2020 after extended shutdown but at reduced capacity due to labour constraints.
- XP's supply chain recovering and current constraint is labour not materials
- Vietnam restarted as planned on 1/2/2020 and is operating normally. Currently expediting transfers from China to Vietnam to support customer demand
- Full impact uncertain but revenue likely to be more H2 weighted





# LEADING ON ENVIRONMENTAL MATTERS

## BUILDING OUR ESG CREDENTIALS

Area	What we have done
Our Environment	<ul style="list-style-type: none"> <li>• “Green” XP Power products sold in 2019 will produce lifetime CO<sub>2</sub> savings of 236 tonnes</li> <li>• Targeting 5% reduction per annum, 43 tonnes of CO<sub>2</sub> emissions savings from solar PV in Vietnam</li> <li>• Vietnam rainfall water recycled</li> <li>• Third party verification of environmental metrics</li> </ul>
Our People’s Health and Safety	<ul style="list-style-type: none"> <li>• 1.2 incidents per 100 people; 0.4 of which involved work absences (Benchmark 1.4 incidents per 100 people; 0.9 of which involved work absences)</li> </ul>
Our Communities	<ul style="list-style-type: none"> <li>• 8 XP Power events benefitting the local communities in which we work</li> </ul>
Our Standards	<ul style="list-style-type: none"> <li>• Member of the Responsible Business Alliance</li> <li>• Aligned with 8 of 17 of the UN Sustainable Development Goals (SDG’s)</li> <li>• Diversity &amp; Inclusion – Employee Survey rating</li> </ul>

## GROUP OUTLOOK

### EXPECT TO MAKE PROGRESS IN 2020

- **Strong order intake in Q4 2019 across the Group. Order book encouraging**
- **COVID-19 virus creating a level of uncertainty, monitoring the supply chain closely**
- **Vietnam performing well, China capacity recovering**
- **Nevada closure and product transfer to Vietnam on track. H2 2020 benefits**
- **Expecting another year of strong cash flow generation**
- **Multi-year design win momentum provides platform for long term growth**
- **Board's expectations remain unchanged subject to uncertain future impact of COVID-19**

# Annual Results 2019 - Appendices

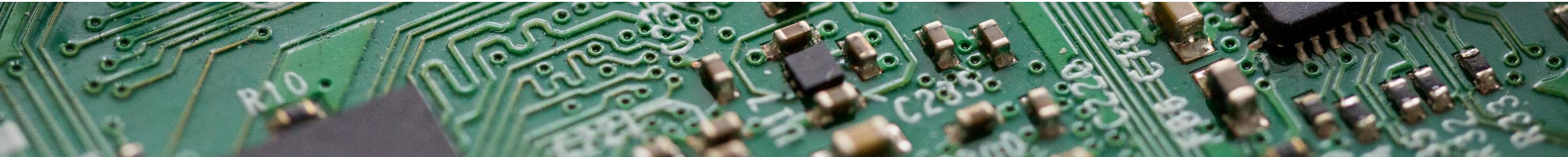


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# CUSTOMERS TOP 20

Top 30 customers account for 49% (2018: 52%) of revenue (largest customer ~10%)

# MARKET DATA



Market 2018 (\$ Millions)	Size	Share
Asia	1,400	1.4%
Europe	750	8.6%
North America	1,100	8.3%
<b>Total</b>	<b>3,250</b>	<b>5.4%</b>
RF Power	1,200	1.0%
High power/high voltage	500	2.3%
<b>Grand total</b>	<b>4,950</b>	<b>4.0%</b>

XP Revenue (£ Millions)	Asia	Europe	North America	Total	Share of XP (%)
Healthcare	2.7	12.0	31.2	<b>45.9</b>	23%
Industrial Electronics	10.1	45.8	33.3	<b>89.2</b>	45%
Semifab	0.4	0.4	36.6	<b>37.4</b>	19%
Technology	6.8	6.2	14.4	<b>27.4</b>	13%
<b>Total</b>	<b>20.0</b>	<b>64.4</b>	<b>115.5</b>	<b>199.9</b>	<b>100%</b>
<i>Share of XP (%)</i>	10%	32%	58%	100%	

Source: Micro-Tech Consultants and XP Power Management

# XP POWER CONVERTERS EVERYWHERE

## Technology

- High end computing
- Broadcast
- Displays
- Communications
- Security

## Semifab

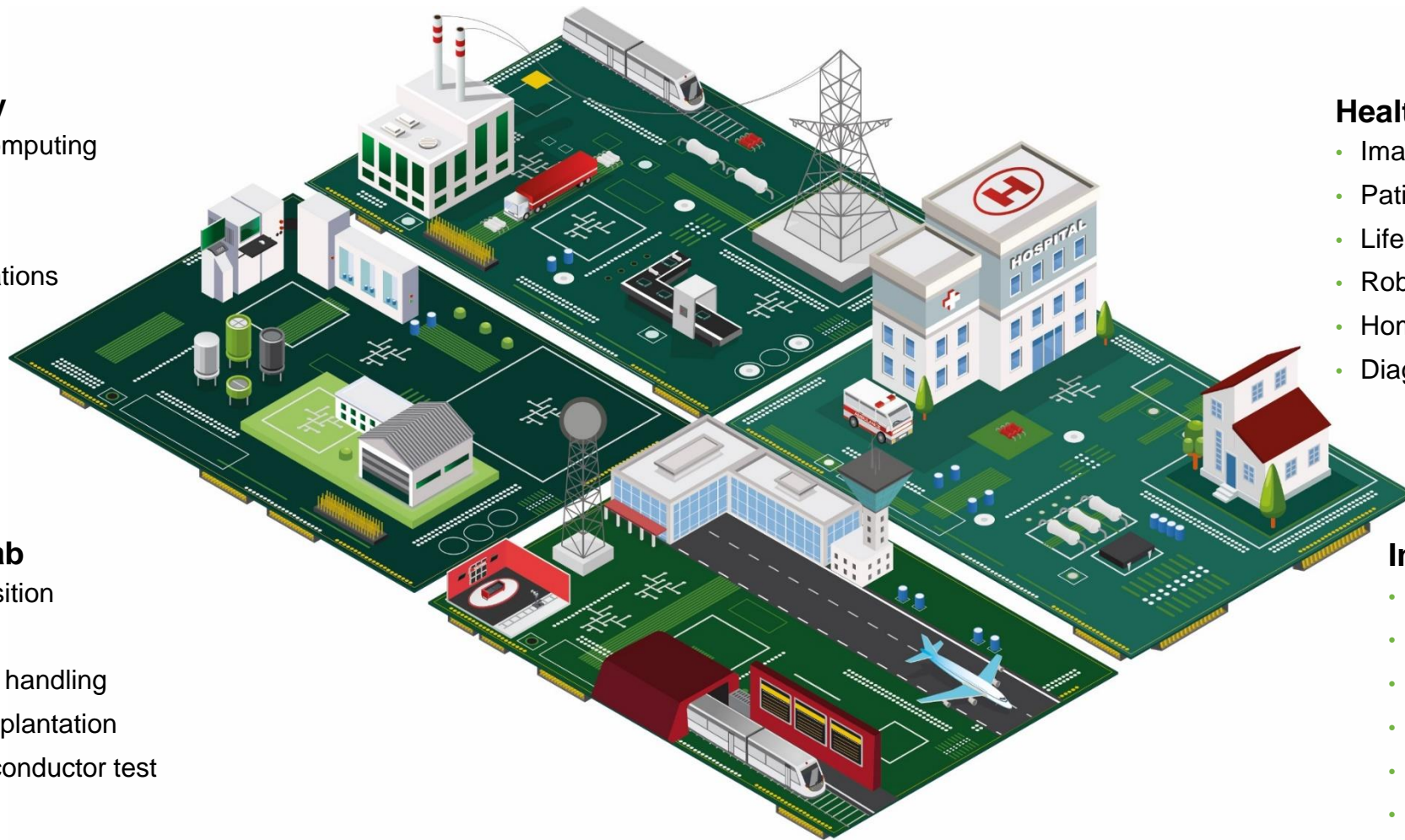
- Deposition
- Etch
- Wafer handling
- Ion implantation
- Semiconductor test

## Healthcare

- Imaging
- Patient monitoring
- Life science
- Robotic surgical tools
- Home healthcare
- Diagnostic equipment

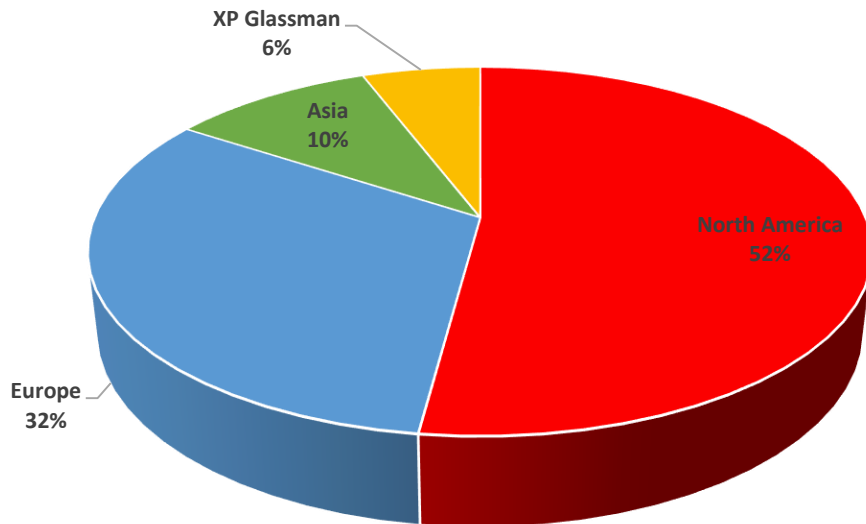
## Industrial Electronics

- 3D printing
- Process control
- Analytical instruments
- Smart grid
- Transport
- Renewal energy



# 2019 REGIONAL REVENUE PERFORMANCE

## Reported Revenue

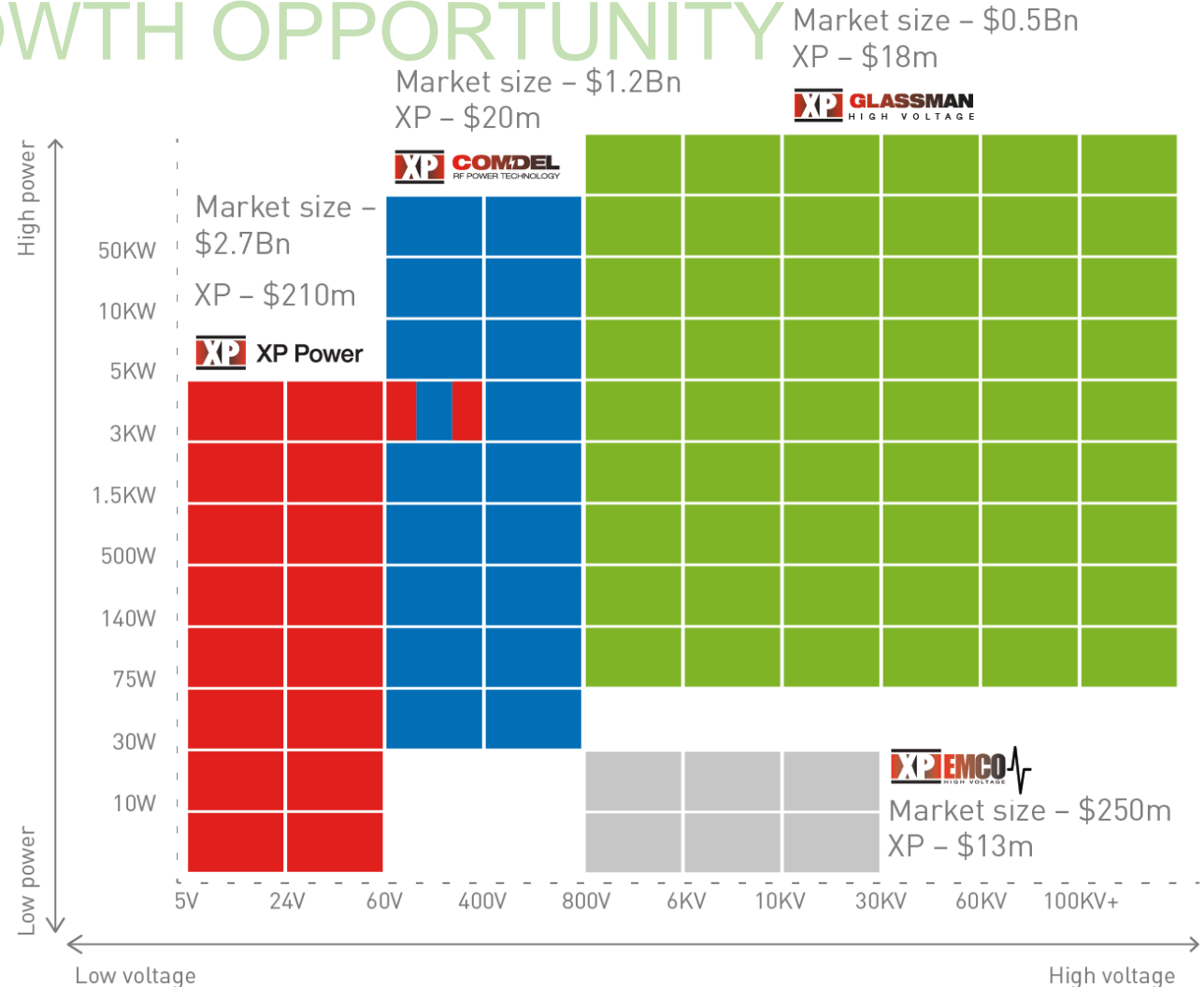


Region	£m	Change vs. 2018	LFL change	“Book to Bill”
North America	103.9	(7)%	(12)%	1.12
Europe	64.4	5%	3%	1.01
Asia	20.0	34%	28%	1.11
XP Glassman	11.6	73%		0.94
<b>Group</b>	<b>199.9</b>	<b>2%</b>	<b>(4)%</b>	<b>1.07</b>

# PRODUCT PORTFOLIO

## SIGNIFICANT GROWTH OPPORTUNITY

- Acquisitions in high voltage (EMCO and Glassman) and Radio Frequency (RF - Comdel) power expand our addressable market from \$2.7Bn to \$4.7Bn
- One of few companies in the world who can provide solutions right across the power and voltage spectrum
- Can use our engineering services capabilities to combine different products to give the customer a complete solution
- Presents significant long-term growth opportunity

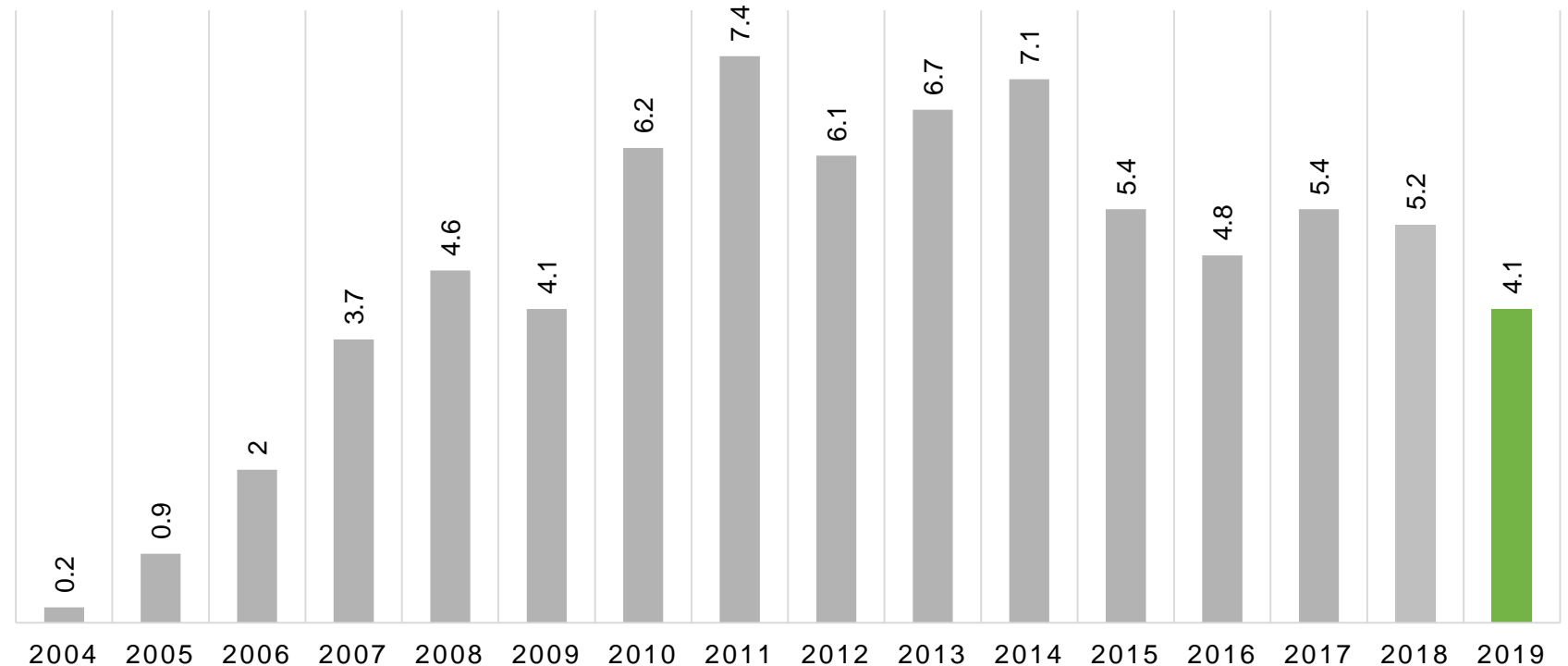




# TYPICAL PRODUCT LIFE CYCLE

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

REVENUE (£ MILLIONS)



# KEY DIFFERENTIATORS

## WHAT MAKES XP POWER SUCCESSFUL?



Service and Support	Quality	Product Offering	Cost
<ul style="list-style-type: none"> <li>• Large technical sales team</li> <li>• Significant support at the design-in stage allowing customer faster time to market</li> <li>• Flexibility in terms of product modifications and logistics</li> <li>• Engineering services can provide a complete power solution including connectivity</li> <li>• Speed and agility</li> </ul>	<ul style="list-style-type: none"> <li>• Quality is a given and paramount for mission critical solutions</li> <li>• Traceability of components and finished products</li> </ul>	<ul style="list-style-type: none"> <li>• Product has to solve the customer's power problem and work in their application</li> <li>• Green product offering</li> <li>• XP Power breadth of product is a competitive advantage</li> <li>• Customers prefer standard/modified standards over custom solutions</li> <li>• One of few companies that have a complete offering from low to high power and low to high voltage and combine products to give one complete power solution</li> </ul>	<ul style="list-style-type: none"> <li>• Not the customers' top priority but product needs to be cost competitive</li> <li>• Low cost Asian manufacturing an advantage against local/smaller in competition</li> <li>• Vietnam expansion timely given Section 301 tariffs in the USA</li> </ul>



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