

# Full Year Results 2020



POWERING THE WORLD'S CRITICAL SYSTEMS

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## 2020 GROUP HIGHLIGHTS

- Employee health, safety and wellbeing a key priority
- Rapid recovery of the Asia supply chain and continuing operations across our global manufacturing and warehousing facilities demonstrates XP's resilience
- Strong performance driven by the continuing momentum in SemiFab and COVID-19 related Healthcare demand
- Strategic capital and people investments maintained
- Enhanced sustainability focus and environmental commitments

# ○ FINANCIAL HIGHLIGHTS



# GROUP FINANCIAL PERFORMANCE

	2020	2019	Change <sup>(2)</sup>
<i>GBP/USD</i>	1.28	1.28	
Orders (£m)	258.0	214.9	+20%
Revenue (£m)	233.3	199.9	+17%
Gross margin (%)	47.2%	45.1%	+210bps
Adj. Operating Profit (£m) <sup>(1)</sup>	46.0	35.0	+31%
Adj. Profit before tax (£m) <sup>(1)</sup>	44.3	32.3	+37%
Adj. ETR (%) <sup>(1)(3)</sup>	11.5%	13.6%	+210bps
Adj. diluted EPS (p) <sup>(1)</sup>	198.4p	141.4p	+40%
DPS (p)	74.0p	55.0p	+35% <sup>(3)</sup>

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

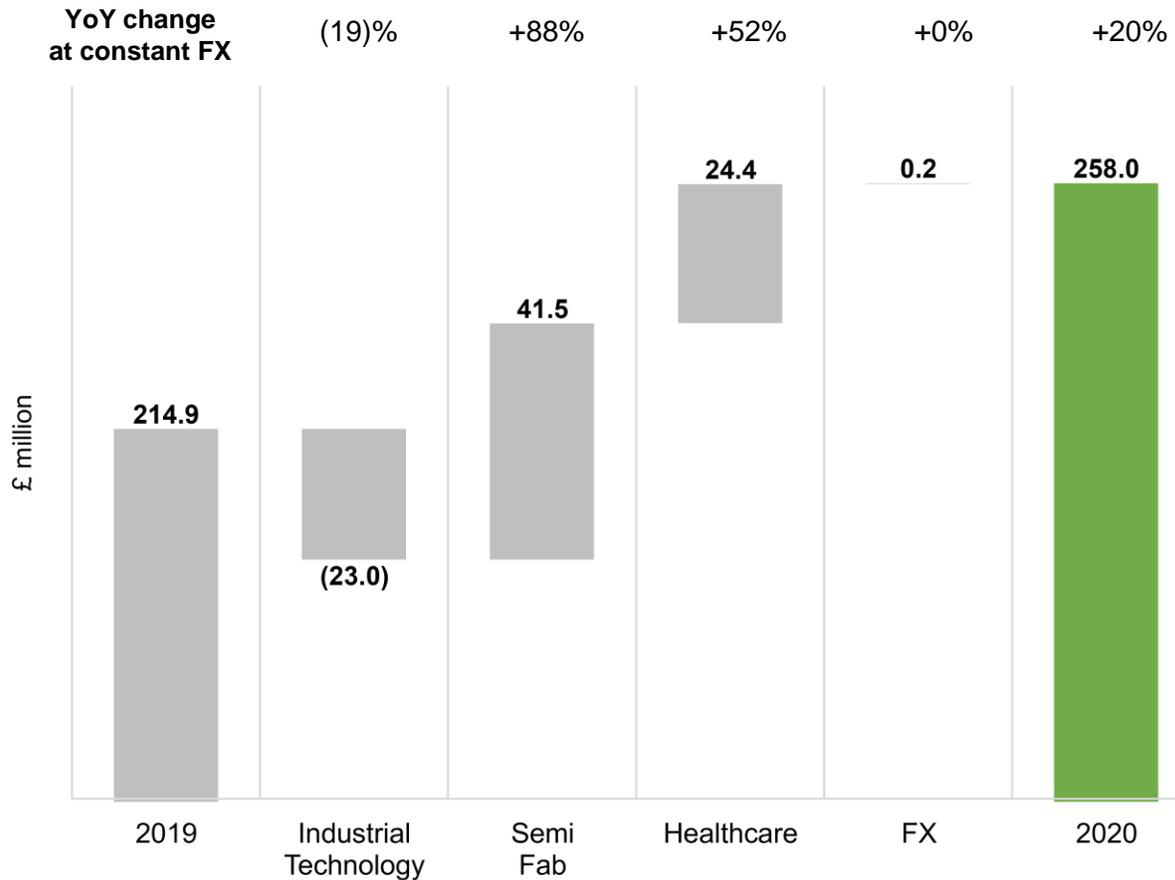
(2) Unless otherwise stated reported changes equal change at constant exchange rates ('CER') using the prior period's exchange rates.

(3) The final dividend in 2019 and the first quarter dividend in 2020 were both cancelled given the COVID-19 uncertainty.

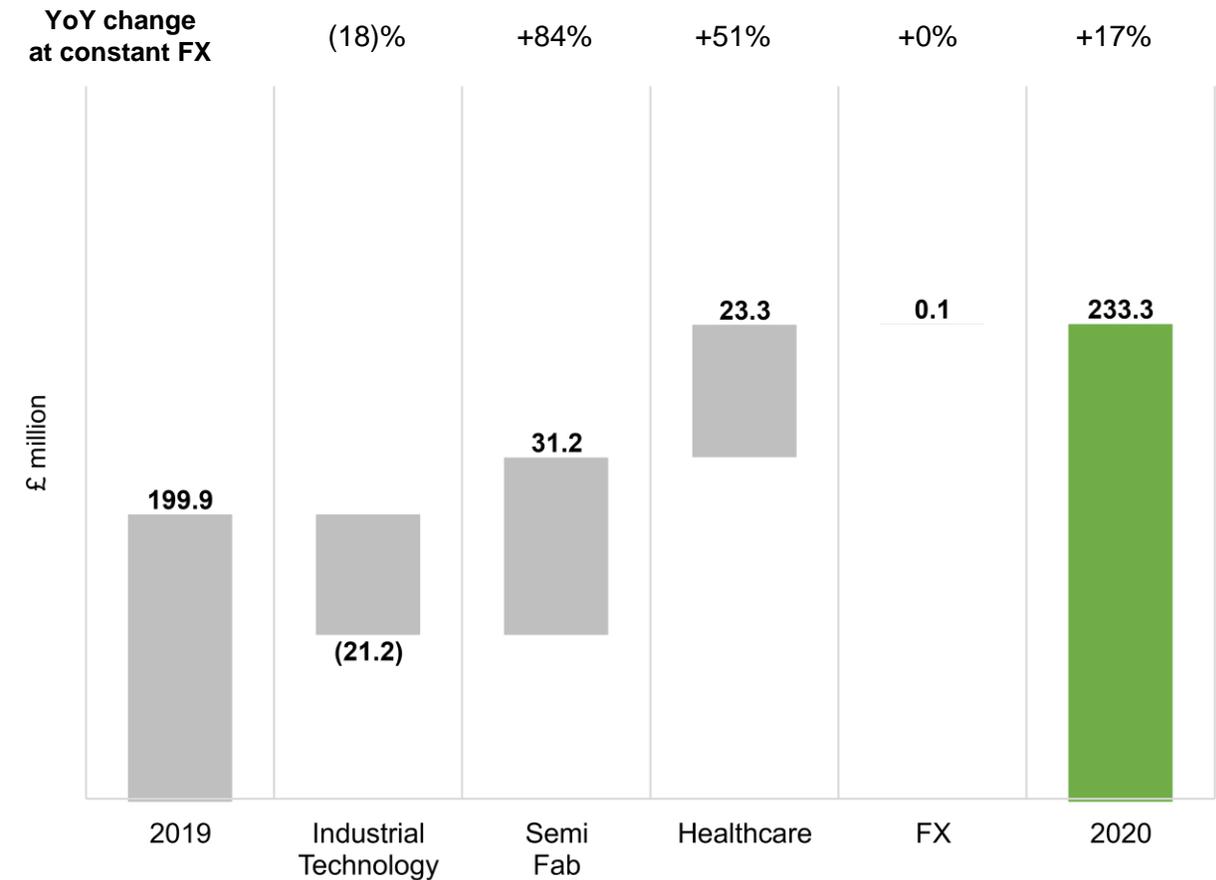
- Order intake up 20% on prior year
  - Semifab strength (+88%)
  - Healthcare demand (+52%) driven by COVID-19
  - Industrial Technology softer (-16%)
- Revenue growth of 17%
  - Semifab (+86%), Healthcare (+51%),
  - Industrial Technology (-19%)
- Gross margin increase due to manufacturing efficiencies from higher production levels
- Adjusted Profit before tax growth of 37% with good operating expense control and lower finance costs
- Adjusted Effective Tax Rate (ETR) benefitting from one-off credits
- Adjusted Earnings per share of 198.4p
- Proposed final dividend of 36.0p

# GROUP SEGMENTAL PERFORMANCE

## ORDERS



## REVENUE

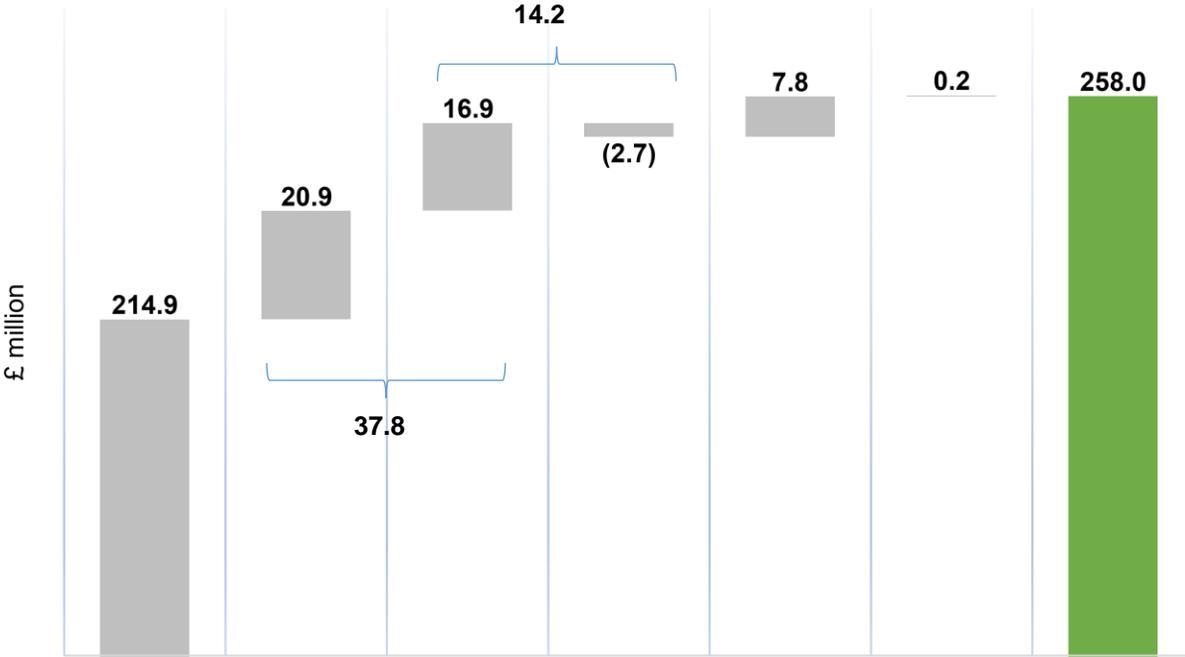


# GROUP REGIONAL PERFORMANCE

## ORDERS

YoY change at constant FX

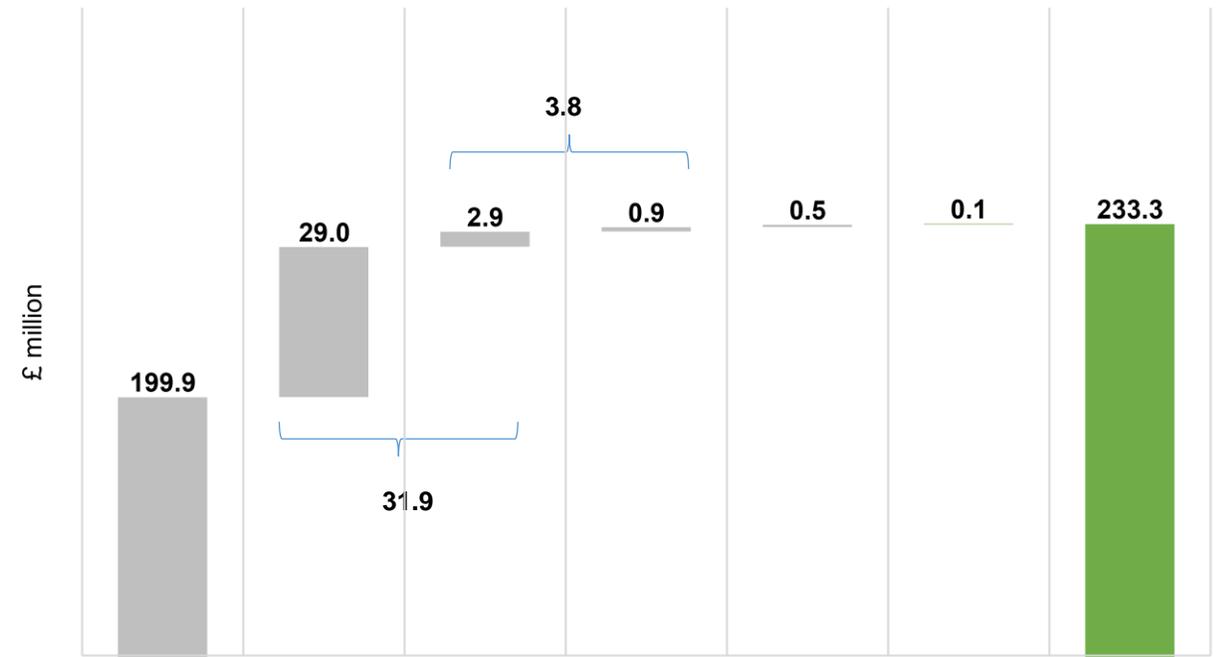
+17%   +296%   (12)%   +12%   +0%   +20%



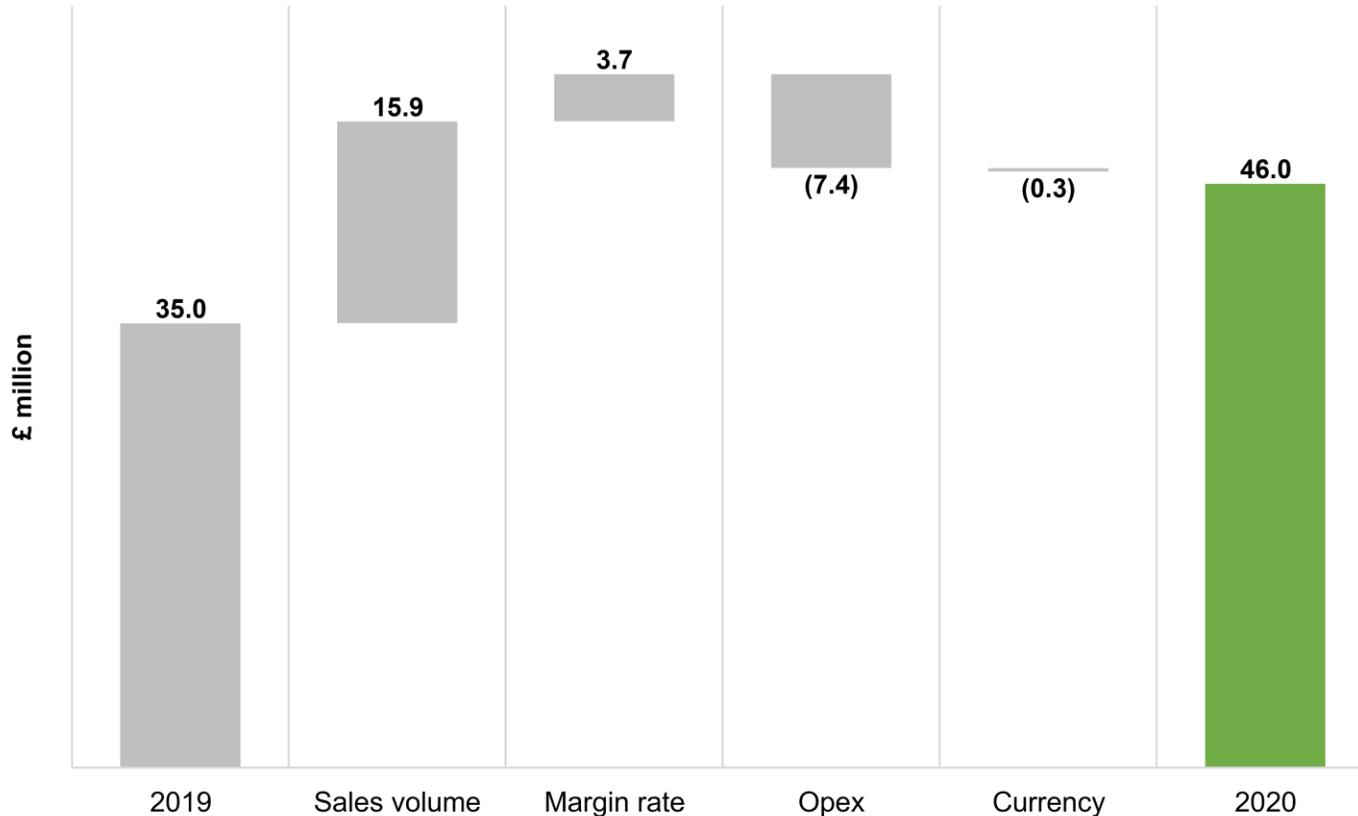
## REVENUE

YoY change at constant FX

+26%   +80%   +5%   +1%   +0%   +17%



# ADJUSTED OPERATING PROFIT PERFORMANCE



Gross margin increase due to manufacturing efficiencies

- Gross margin at 47.2%, up 210bps
- FY20 margin benefitting from strong H2 as COVID-19 shipments helped drive manufacturing efficiencies

Investment in IT and people (inc. bonuses)

- Adjusted operating margin of 19.7%, up 220bps
- Margin benefits from higher gross margin, combined with lower travel spend and tight expense management offset by continued investment in IT and recognising our people's contribution

# CASH FLOW AND NET DEBT

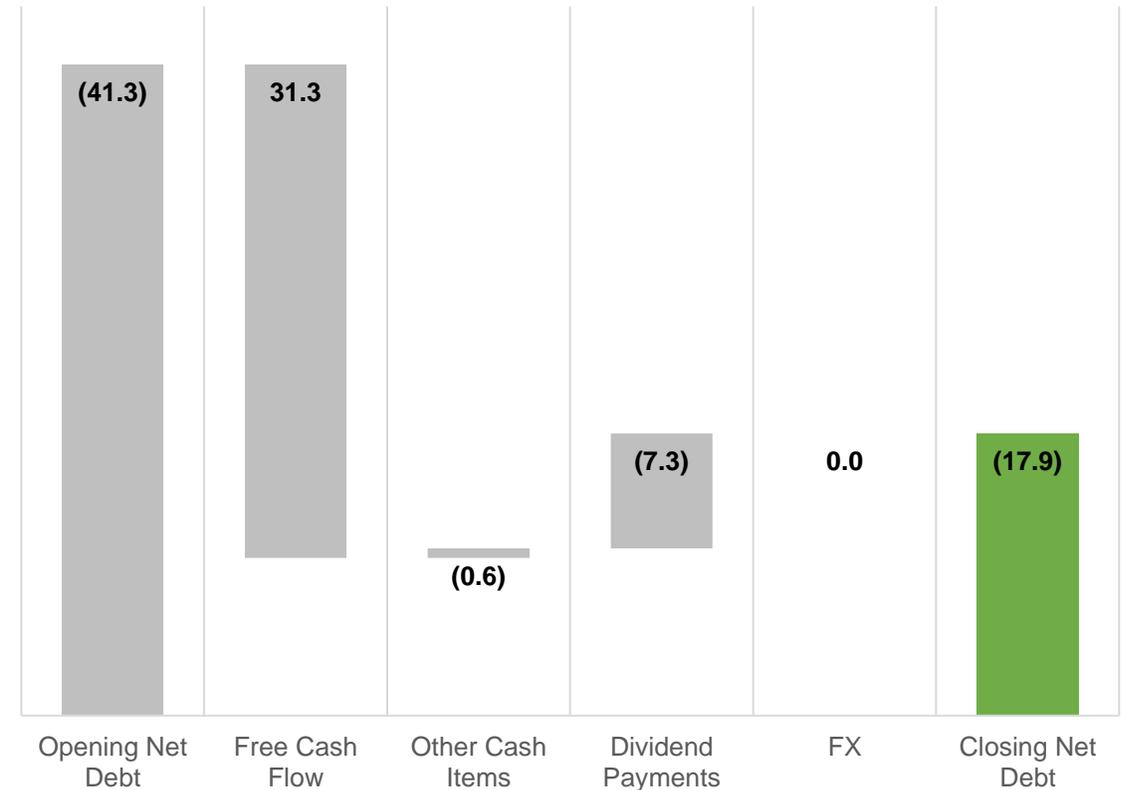
£m	2020	2019	Change
<b>Adjusted Operating Profit</b>	<b>46.0</b>	<b>35.0</b>	<b>30%</b>
Non-cash items	12.6	11.9	
Change in working capital	(4.6)	8.9	
<b>Adjusted Operating Cash Flow</b>	<b>54.0</b>	<b>55.8</b>	<b>-3%</b>
Specific items	(5.1)	(5.1)	
<b>Cash generated from Operations</b>	<b>48.9</b>	<b>50.7</b>	<b>-4%</b>
Income tax paid, net of refund	(3.3)	(4.5)	
Payment of lease liabilities	(1.7)	(1.5)	
Purchase of property and equipment	(3.9)	(4.7)	
Capitalised product development costs	(7.7)	(8.0)	
Capitalised software development costs	(3.2)	(3.6)	
Interest paid	(1.3)	(2.7)	
Proceeds from exercise of share options	3.5	0.5	
<b>Free Cash Flow</b>	<b>31.3</b>	<b>26.2</b>	<b>20%</b>

**Cashflow conversion**  
**117%**  
2019: 159%

**Leverage**  
**0.32**  
2019: 0.91

**Available liquidity**  
**£91m**  
2019: £48m

**Net Debt bridge**  
£m



# 2021 MODELLING GUIDANCE APPROXIMATIONS

## CAPEX/CAP PROD DEV/CAP IT

£6.0m / £10.0m / £5.0m

## INTEREST

c. £1.5m

## EFFECTIVE TAX RATE

16-18%

## CASH SPECIFIC ITEMS

£1.0 – 2.0m

## COST INFLATION

c. £2-3m

## COST SAVINGS

c. £1-2m

## REVENUE

H2 weighted

## OPERATING CASH FLOW

Improved Working Capital

## NET DEBT / EBITDA

c. 0.2x by 31 December 2021

Trading in the early months of 2021 in line with expectations

# ○ BUSINESS UPDATE



## XP POWER CONTINUED EVOLUTION

- Robust business and financial position
- Resilient and agile supply chain and organisation
- Exposed to long term growth drivers
- Focused and sustainable growth strategy
- Sustainable future – commitment to ESG principles throughout the business



# OUR GROWTH FOCUSED STRATEGY IS DELIVERING

- Develop a market leading range of competitive products
- Target accounts where we can add value
- Further enhance our agile global supply chain through investment in capacity, systems and capability
- Focus on people and talent development
- Lead our industry on environmental matters
- Make selective acquisitions in identified strategic markets to expand our product offering and addressable market



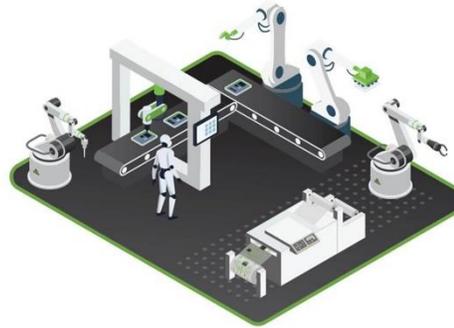
Consistent application of a winning strategy has meant that XP has been able to continue to invest in product development, hiring talent and expanding manufacturing capacity during the COVID-19 pandemic

# SECTOR DYNAMICS



## INDUSTRIAL TECHNOLOGY

- **40% of revenue; Declined 18%** (constant currency YoY) reflecting customer weakness
- Most diverse sector driven by high levels of customer innovation. Attractive niches including 3D printing, Robotics, Analytical instruments, Industrial printing, Industrial LED lighting, Communications, Security
- Distribution channel, 10% of revenue, growth through gaining share and adding new partners
- Market recovery post COVID-19 and Industry 4.0 driving growth in manufacturing technologies and smarter electronic equipment



## SEMICONDUCTOR MANUFACTURING EQUIPMENT

- **30% of revenue; Grew 84%** (constant currency YoY) with market recovery and share gains
- Applications include: Deposition, Wafer handling, Etch, Ion implantation
- Design win pipeline very strong on next generation tools with RF and high voltage facilitating greater penetration to existing and new customers
- Attractive long-term growth drivers (WFH, LFH, Gaming, Big Data, AI, 5G, IoT) and reduced geometries in logic devices and increased stacking in 3D NAND

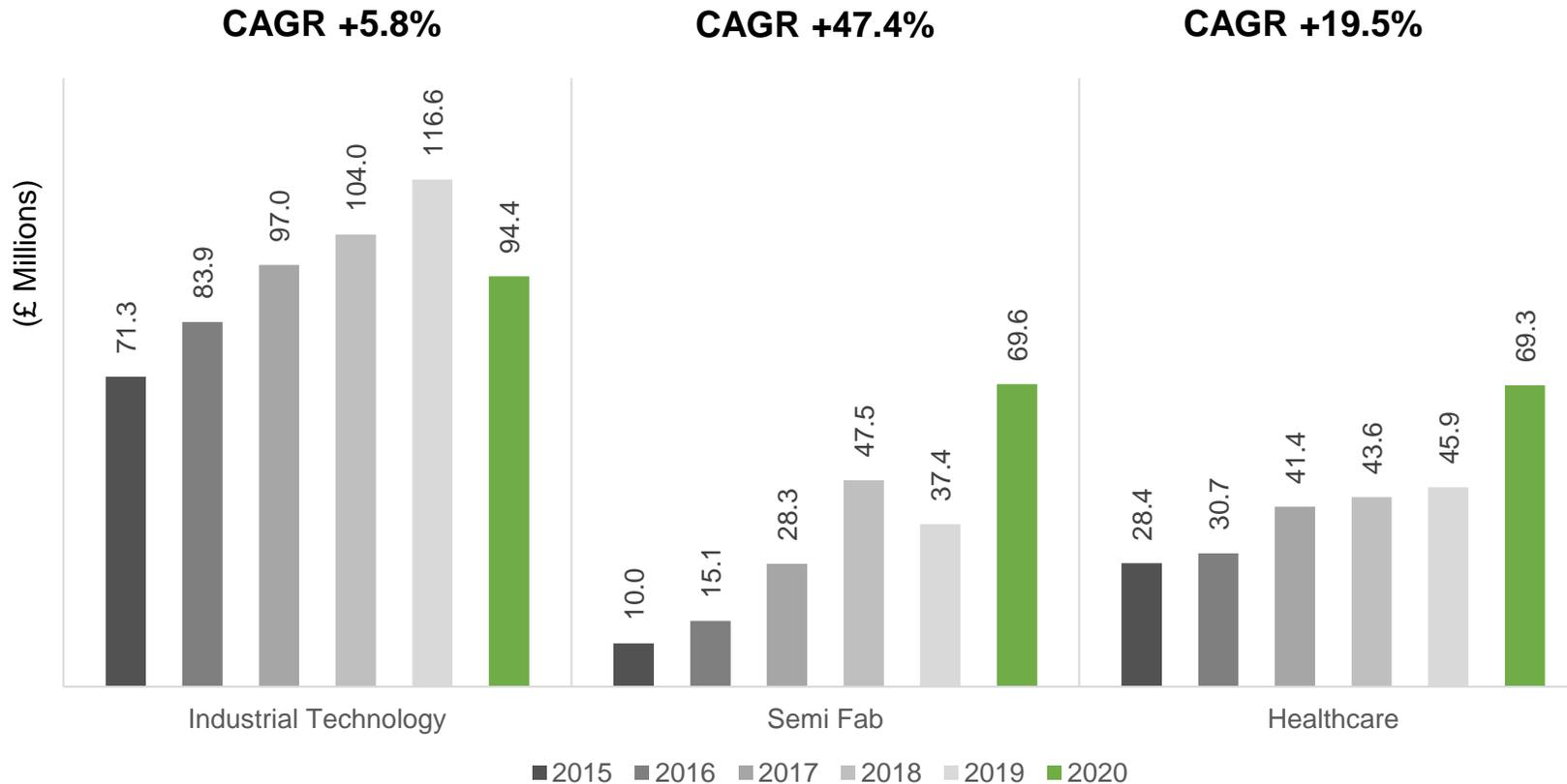


## HEALTHCARE

- **30% of revenue; Grew 51%** (constant currency YoY) driven by exceptional COVID-19 demand
- A leading position, with high efficiency products well received due to high reliability
- Strong order performance in 2020 driven by product focused on providing critical care in the treatment of COVID-19 patients
- COVID-19 impact in 2020, expect recovery in non-COVID demand in 2021 and ongoing structural growth trends

Key trends of proliferation of electronic devices, accelerating digitalisation and long-term demand for healthcare equipment will benefit XP Power

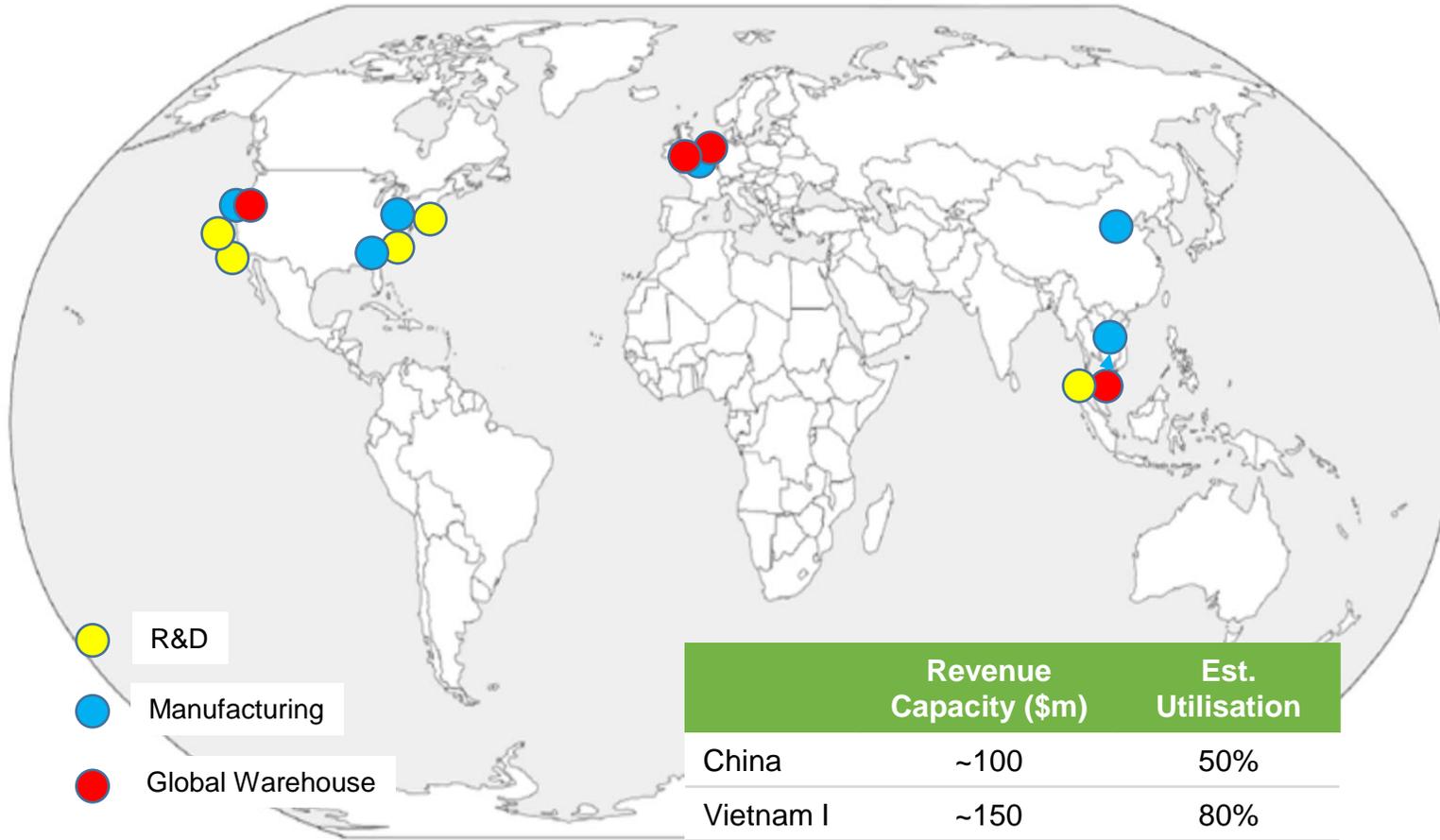
# REVENUE BY SECTOR



### High level Trends

- Increased connectivity of the power converter to the customer's equipment
- Higher power
- Higher engineering services content (customisation)
- Industrial revolution 3.0 and 4.0
- Increased legislation

# INCREASING SUPPLY CHAIN AGILITY KEY TO OUR STRATEGY



- R&D
- Manufacturing
- Global Warehouse

	Revenue Capacity (\$m)	Est. Utilisation
China	~100	50%
Vietnam I	~150	80%
Vietnam II	~150	20%

- Supply chain resilience highly valued by customers. XP focused on increasing capacity, lean initiatives, capex and headcount
- China focused on high complexity products and for European and Asian customers
- Vietnam: 2,616 different low voltage and 476 high voltage products now approved for production. Vietnam has cost competitiveness advantage over China
- Building capability to increase Asian manufacturing (RF, Engineering Services)
- Seeing some tightness in the supply of some components (MOSFETS, MLCC, IC's, Chip Resistors, Al Caps). Increased safety stock levels to compensate.

# OUR SUSTAINABILITY STRATEGY

## 2020 A YEAR OF FURTHER PROGRESS

### Key highlights

- Undertook a sustainability materiality impact assessment with key stakeholders to formulate an enhanced sustainability strategy. Upgraded UN SDG mapping with targets and progress tracked
- Maintained the safety and wellbeing of our people during the COVID-19 pandemic – regular internal communication & assistance programme
- Reviewed and enhanced corporate framework for health and safety management to apply same minimum standards in all locations
- Health and safety incident rate per 1,000 employees reduced 8% to 10.4 – below industry benchmark
- Trained all employees on our Code of Conduct and no reported breaches of the Code during 2020
- “XP Green Power” products shipped in 2020 resulted in estimated lifetime CO<sub>2</sub> emission savings of over 117,000 tonnes
- Reduced our CO<sub>2</sub> emissions intensity by 7% to 27.9 tonnes of CO<sub>2</sub> per million GBP of revenue
- Company car scheme in the UK now only allows electric vehicles

Demonstrable progress on multiple fronts underpinned by strong governance

# OUR SUSTAINABILITY FRAMEWORK

## BUILDING ON OUR LONG TERM ESG TRACK RECORD

### Our 2021 priorities

- Continue to enhance design processes including product reliability, efficiency and safety, all of which will have a material impact on our customers
- Ship “XP Green Power” products resulting in minimum lifetime CO<sub>2</sub> emission savings of 120,000 tonnes
- Reduce CO<sub>2</sub> emissions intensity by a minimum of 3% per annum over the short, medium & long term and achieve carbon neutrality by 2040 ~ targeting to bring this forward
- Continue to enhance health and safety processes across the Group – further reduce incident rate
- Develop action plans from the 2020 results of the Gallup survey to further enhance employee engagement
- Conduct annual refresher training on our Code of Conduct

Our chosen priorities from our materiality assessment include Product responsibility, Health & Safety, Responsible supply chain, Talent management, Employee welfare and Diversity & inclusion

## GROUP OUTLOOK

- 2020 demonstrated resilience and agility of XP Power allowing us to exceed expectations
- Exposed to sectors that will benefit from the long-term global trends
- A responsible, values-driven business aligns naturally with ESG principles
- Focused on driving underlying growth in an uncertain landscape; currency a 2021 headwind
- Longer term optimism to deliver sustainable growth

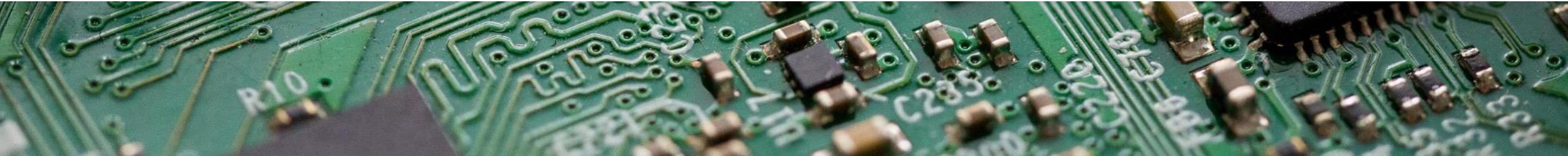
# —○ QUESTIONS AND ANSWERS

# Full Year Results 2020 - Appendices



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# MARKET DATA



Market (\$ Millions)	Size	Share
Asia	1,400	1.4%
Europe	772	8.5%
North America	1,129	10.6%
<b>Total</b>	<b>3,080</b>	<b>6.3%</b>
RF Power	1,200	1.3%
High power/high voltage	500	2.7%
<b>Grand total</b>	<b>4,780</b>	<b>4.7%</b>

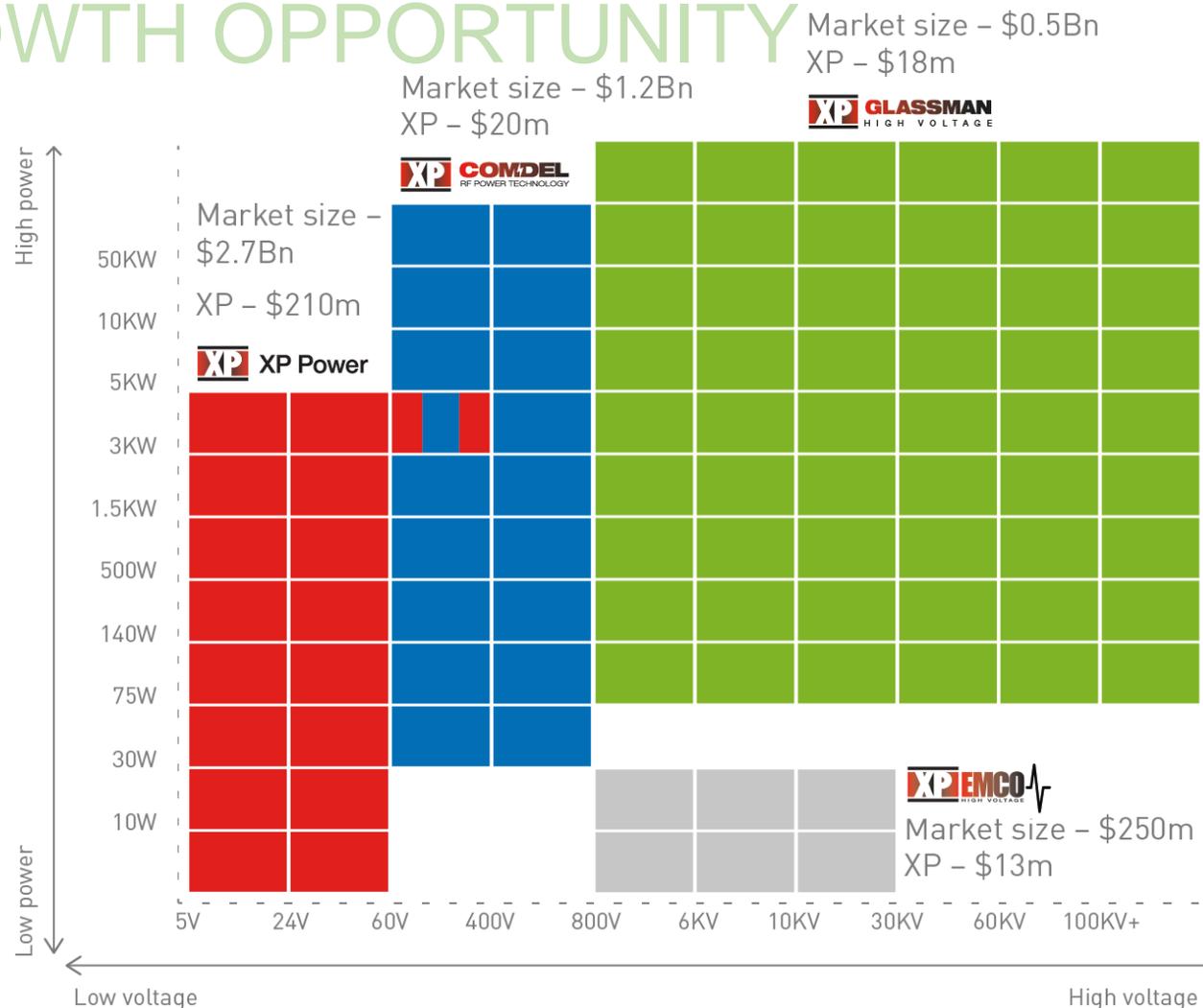
XP 2020 Revenue (£ Millions)	Asia	Europe	North America	Total	Share of XP (%)
Healthcare	5.1	21.0	43.2	<b>69.3</b>	30%
Industrial Electronics	14.2	42.8	37.4	<b>94.4</b>	40%
Semifab	1.8	1.2	66.6	<b>69.6</b>	30%
<b>Total</b>	<b>21.1</b>	<b>65.0</b>	<b>147.2</b>	<b>233.3</b>	<b>100%</b>
<i>Share of XP (%)</i>	9%	28%	63%	100%	

Source: Micro-Tech Consultants (October 2020) and XP Power Management

# PRODUCT PORTFOLIO

## SIGNIFICANT GROWTH OPPORTUNITY

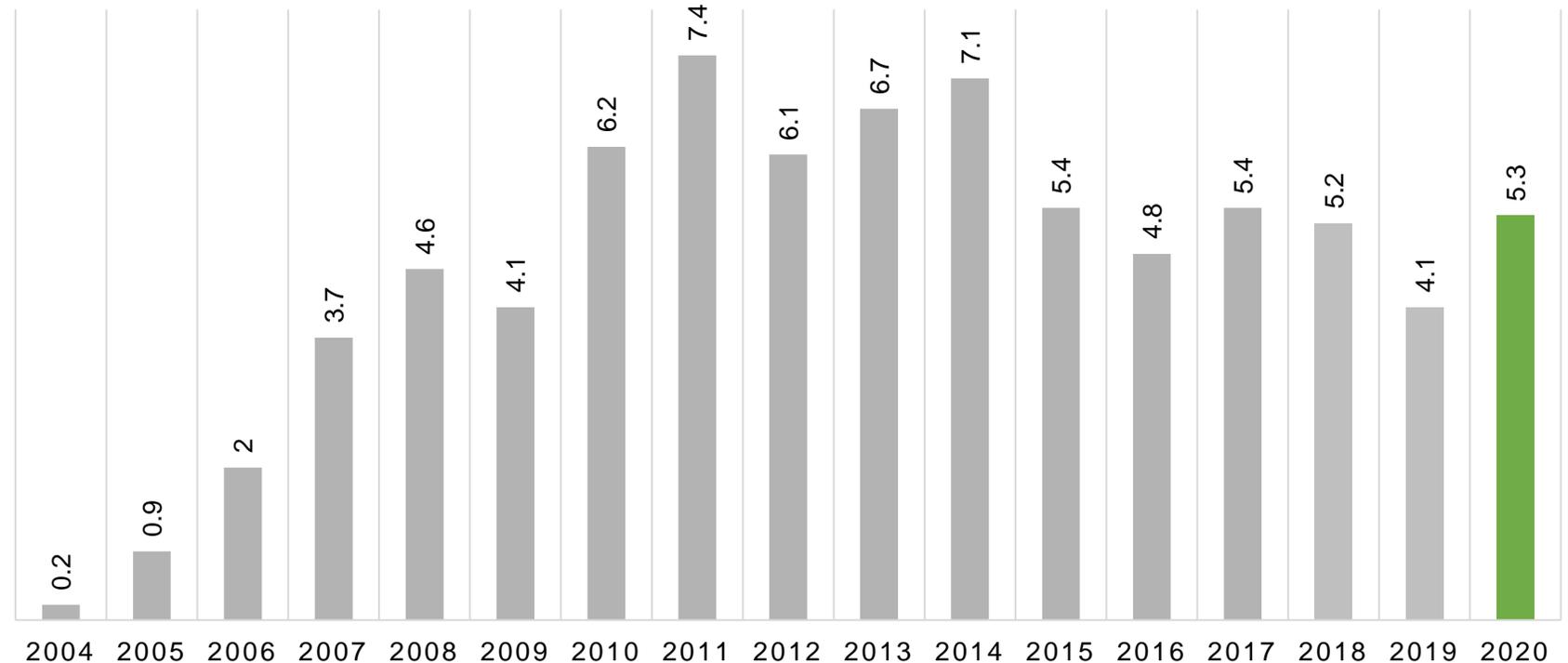
- Acquisitions in high voltage (EMCO and Glassman) and Radio Frequency (RF) power expand our addressable market from \$2.7Bn to \$4.7Bn
- One of few companies in the world who can provide solutions right across the power and voltage spectrum
- Can use our engineering services capabilities to combine 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 (longer in healthcare)
- 2009 and 2012 dips due to market downturn and not typical

REVENUE HISTORY ECM40/60 SERIES (£ MILLIONS)



# WHAT MAKES XP POWER SUCCESSFUL?

## Service and Support

- Large technical, direct sales team
- Significant support at the design-in stage allowing customer faster time to market
- Flexibility in terms of product modifications and logistics
- Speed and agility

## Quality

- Quality is a given and paramount for mission critical solutions

## People & Culture

- Dynamic, agile & committed team

## Product Offering

- Product has to solve the customer's power problem and work in their application
- XP Power breadth of product is a competitive advantage
- Customers prefer standard/modified standards over custom solutions

## Cost

- Not the customers' top priority but product needs to be cost competitive
- Low-cost Asian manufacturing an advantage against local/smaller in competition
- Vietnam expansion provides flexibility to supply USA



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