



THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

17 September 2020

TT Electronics plc

Acquisition of Torotel, Inc (“Torotel”)

TT Electronics plc (“TT” or “the Company”), a global provider of engineered electronics for performance critical applications, today announces that it has agreed to acquire Torotel (the “Acquisition”).

Highlights of the Acquisition

- Torotel is a US-based designer and manufacturer of high-reliability power and electro-magnetic assemblies and components designed for harsh environments, primarily for defence markets, with a blue-chip US customer base
- Torotel reported net sales of \$26.1 million for its year ended 30 April 2020, generating adjusted¹ EBITDA of \$3.0 million and reported profit before tax of \$0.8 million. It reported gross assets of \$13.4 million as at 30 April 2020
- The enterprise value of the Acquisition is \$43.4 million (£33.9² million), representing 10.9x adjusted 2021 EBITDA³, and is expected to be part-funded by a separately announced equity placing, with the balance of the consideration being funded by existing debt facilities
- The Acquisition is expected to generate attractive financial returns, with pre-tax ROIC expected to exceed TT’s 11.5 per cent hurdle rate in the third full financial year of ownership. Taking account of the equity placing, the Acquisition is expected to be modestly accretive to underlying earnings per share from TT’s first full financial year of ownership
- TT’s leverage is expected to increase modestly to approximately 1.8x EBITDA on a pro-forma basis, taking account of the equity placing, preserving TT’s robust balance sheet position
- The Acquisition is a strong strategic fit for TT as it:
 - Increases TT’s scale in the very large and attractive US defence market
 - Represents an exciting opportunity to enhance TT’s US presence in power electronics
 - Broadens TT’s power electronics capabilities in the US, and further increases scale following the recently acquired Covina business which has integrated well and already won new business
 - Extends TT’s list of blue-chip US customers with cross-selling opportunities
 - Adds recurring revenue streams from largely sole-source positions on multi-year growth programmes

¹ Adjusted to exclude one-off M&A costs and listed company costs

² Exchange rate of \$1.2789:£1 as at 11 September 2020

³ Calculation using Torotel’s forecast EBITDA for the financial year ending 30 Apr 2021

- Brings complementary products and capabilities, in particular to TT's Power and Connectivity division
- Provides future upside potential from commercial aerospace, energy, space and rail

The Acquisition is subject to customary closing conditions including regulatory conditions and approval by Torotel's shareholders. Torotel shareholders representing approximately 62% of its common stock have signed agreements to vote in favour of the Acquisition and the Torotel stockholder vote (which requires a 66.67% majority) is expected to take place in November 2020. Completion is expected in Q4 2020.

Current trading

- TT confirms that the market trends it is seeing remain broadly as described in its Interim Results announcement which was released on 6 August 2020
- There are still a number of possible outcomes for the rest of the year, but we continue to believe that we will see improvement in the second half
- As such, our outlook remains unchanged from our statement on 6 August 2020
- As announced on 9 September 2020, TT has been appointed as manufacturing partner to iAbra's Virolens® device. Whilst there is a lot of commercial interest in Virolens®, as we also stated last week, there are a wide range of potential outcomes and achieving revenue is subject to regulatory approvals and customers converting expressions of interest into firm orders

Commenting on the Acquisition, Richard Tyson, Chief Executive Officer said:

"We are really excited about the acquisition of Torotel, a business we have been tracking for some time. It is an excellent fit and complementary to TT's existing US power electronics business, strengthening our position in critical defence applications. We look forward to welcoming the Torotel team into the TT group.

The acquisition accelerates our strategy of focusing on attractive growth markets and increasing TT's margins. We are confident that Torotel will create value for our shareholders."

For further information please contact:

TT Electronics plc

Richard Tyson, Chief Executive Officer

Mark Hoad, Chief Financial Officer

Julian Wais, Head of Investor Relations and Communications

Tel: +44 (0)1932 827 779

Numis (Broker)

Luke Bordewich

Oliver Steele

Tel: +44 (0)20 7260 1000

MHP Communications

Tim Rowntree / Rachel Mann

Tel: +44 (0)20 3128 8100

About TT Electronics

TT Electronics is a global provider of engineered electronics for performance-critical applications.

The Company operates in industries where there are structural growth drivers, working with market-leading customers primarily in aerospace and defence, medical and industrial sectors. Products designed and manufactured include sensors, power management devices and connectivity solutions. TT has design and manufacturing facilities including in the UK, US, Mexico, Sweden and Asia.

The Company has three divisions. The Power and Connectivity division designs and manufactures power application products and connectivity devices which enable the capture and wireless transfer of data. We collaborate with our customers to develop innovative solutions to optimise their electronic systems. The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of products. We manufacture complex integrated product assemblies for our customers and provide engineering services including designing testing solutions and value-engineering. The Sensors and Specialist Components division works with customers to develop standard and customised solutions including sensors and power management devices. Our solutions improve the precision, speed and reliability of critical aspects of our customers' applications.

Background to and reasons for the Acquisition

TT has a successful track record of creating value through M&A, investing in attractive, growing and higher margin segments that the Group knows well and where there is a competitive advantage. The TT Board believes that the acquisition of Torotel is a strong fit with the Group's strategy. The acquisition increases TT's scale in the very large and attractive US defence market and represents an exciting opportunity to enhance TT's US presence in power electronics. Torotel has a track-record of strong revenue growth and there are clear opportunities for TT to apply its proven operational improvement and integration capabilities to the business. TT's track record of value-enhancing M&A is demonstrated by recent bolt-on acquisitions, consistent with its strategy, including:

- Covina, the US-based aerospace and defence power supply business of Excelitas Technologies Corp., which completed in January 2020
- Power Partners, a US-based provider of medical and industrial specialist power products, which completed in March 2019
- Precision Inc., a US-based leading designer and manufacturer of precision electromagnetic product solutions for critical applications, which completed in June 2018
- Stadium Group plc, a UK-based supplier of design-led technologies with product capabilities, which completed in April 2018
- Aero Stanrew Group Ltd, a UK-based designer and manufacturer of electromagnetic components and electronic systems for harsh environments and safety critical applications, which completed in December 2015

Information on Torotel

Torotel was founded in 1956 and has been led since 1995 by Chairman and CEO Herb Sizemore. Headquartered in Olathe, Kansas, with facilities in Kansas and Pennsylvania, the business employs approximately 170 people and specialises in the design and manufacture of high-reliability power and electro-magnetic assemblies and components designed for harsh environments, primarily for defence markets. Torotel has a blue-chip customer base including a number of US defence prime contractors and commercial aerospace OEMs. It will operate as part of TT's Power and Connectivity division. Torotel reported net sales of \$26.1m for its year ended 30 April 2020, generating adjusted¹ EBITDA of \$3.0 million and reported profit before tax of \$0.8 million. Torotel had gross assets of \$13.4 million as at 30 April 2020.

Torotel's markets

Torotel's primary exposure is to the attractive US defence market. Torotel is embedded on several long-term defence programmes, as a key supplier to the US Department of Defense's largest contractors. The US defence market has been largely unaffected by the COVID-19 pandemic, with increasing US Department of Defense investment outlays. The outlook for defence over the next few years remains positive, with budgets and spending largely driven by geo-political and security considerations. In addition, the US Department of Defense has stated that electronics, including for surveillance, radar, sonar, electronic warfare, missiles and other applications, are priorities for spending and these are areas in which Torotel specialises.

Torotel also has a lesser exposure to the commercial aerospace market, as a key supplier of magnetics and power assemblies to major commercial aircraft manufacturers, as well as for commercial cargo, regional and business jet applications.

Important notices

This announcement ("Announcement") contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014. The person responsible for arranging the release of this announcement on behalf of the Company is Lynton Boardman.

This Announcement is for information purposes only and shall not constitute an offer to sell or issue or the solicitation of an offer to buy, subscribe for or otherwise acquire securities in any jurisdiction. Persons needing advice should consult an independent financial adviser.

The Company's shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and will not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

Certain statements contained in this Announcement may constitute "forward-looking statements" with respect to the financial condition, performance, strategic initiatives, objectives, results of operations and business of the Company and/or Torotel. All statements other than statements of historical facts included in this Announcement are, or may be deemed to be, forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "anticipates", "estimates", "projects", "will", "may", "would", "could" or "should", or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include statements relating to the following: (i) any statements regarding the expected timing of the completion of the transaction; the ability of the Company and Torotel to complete the proposed transaction considering the various conditions to the transaction, some of which are outside the parties' control, including those conditions related to regulatory approvals; the expected benefits and costs of the proposed transaction; (ii) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; and (iii) business and management strategies and the expansion and growth of the Company's and/or Torotel's operations. Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results, performance or achievements to differ materially from those projected or implied in any forward-looking statements. The important factors that could cause the Company's and/or Torotel's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the macroeconomic and other impacts of the Covid-19 pandemic, economic and business cycles, the terms and conditions of the Company's and/or Torotel's financing arrangements, foreign currency rate fluctuations, competition in the Company's and/or Torotel's principal markets, acquisitions or disposals of businesses or assets and trends in the Company's and/or Torotel's principal industries. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Announcement may not occur.

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Securities and Exchange Commission filings

In connection with the proposed acquisition, Torotel will file relevant materials with the Securities and Exchange Commission (the "SEC"), including a preliminary and definitive proxy statement. TOROTEL'S STOCKHOLDERS ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) CAREFULLY WHEN IT BECOMES AVAILABLE BEFORE MAKING ANY VOTING OR INVESTMENT DECISION WITH RESPECT TO THE PROPOSED TRANSACTION BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION AND THE PARTIES TO THE PROPOSED TRANSACTION. Stockholders of Torotel will be able to obtain a free copy of these documents, when they become available, at the website maintained by the SEC at www.sec.gov or free of charge at www.torotelinc.com.

Torotel and its directors, executive officers and other members of its management and employees, under SEC rules, may be deemed to be participants in the solicitation of proxies of Torotel stockholders in connection with the proposed acquisition. Stockholders of Torotel may obtain more detailed information regarding the names, affiliations and interests of certain of Torotel's executive officers and directors in the solicitation by reading Torotel's most recent Annual Report on Form 10-K, which was filed with the SEC on 28 July 2020 and the proxy statement for Torotel's 2020 annual meeting of stockholders, which was filed with the SEC on 27 August 2020. These documents are available free of charge at the SEC's website at www.sec.gov or by going to Torotel's Investor Relations website at www.torotelinc.com. Information concerning the interests of Torotel's participants in the solicitation, which may, in some cases, be different than those of Torotel's stockholders generally, will be set forth in the definitive proxy statement relating to the proposed transaction when it becomes available.

Neither the Company, nor Numis nor any of their respective directors, officers, employees, agents, affiliates or advisers shall constitute participants in the solicitation and do not take any responsibility for the contents of Torotel's preliminary or definitive proxy statements (including any amendments or supplements thereto), the contents of Torotel's SEC filings or Torotel's website. Neither the content of Torotel's website nor any website accessible by hyperlinks on Torotel's website is incorporated in, or forms part of, this Announcement.