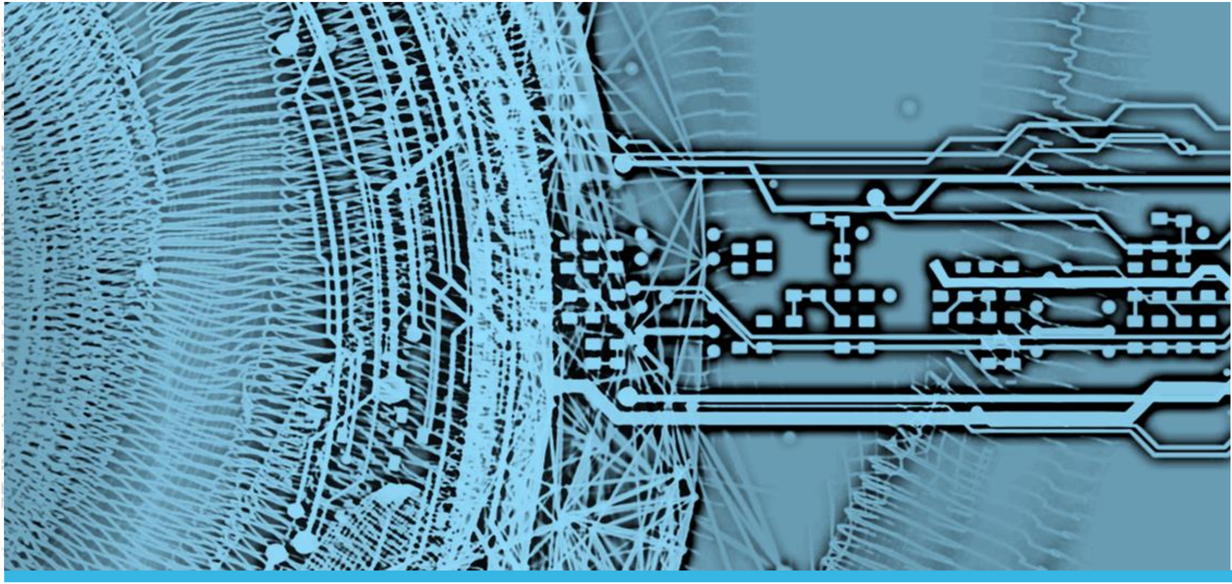
We solve electronic challenges for a sustainable world



TT Electronics
Half Year 2020 Results

6 August 2020

Resilient performance and well positioned

Richard Tyson, CEO

Resilient H1 performance and good medium-term prospects

- Strategic actions resulted in TT entering pandemic well placed
- Market impact and customer requirements becoming clearer
- Revenue improving and order visibility stabilised
- Managing costs and preserving cash
- Progressing with expanded self-help programme
- Opportunities emerging and medium-term trends positive

A decisive response to COVID – protected employees and mitigated business impacts

Employees and communities the priority

- Work-place controls, flexible rotas, WFH
- Shielded employees supported
- Limited use of government subsidies
- Community support projects

Effective operational & customer performance

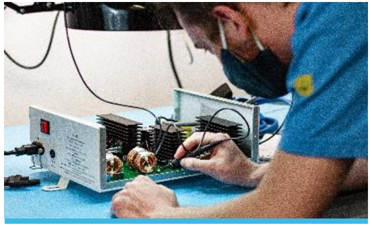
- Early experiences in China – applied lessons worldwide
- Largely an 'essential' business – meeting customer needs through the period
- All sites now open

Business in good shape at half year

- Most employees now back at work
- Enhanced customer engagement and new opportunities
- Significant self-help programme underway
- Continued investment in the business
- Robust balance sheet, enables strategy execution

Business in good shape

- Revenue expected to improve with order visibility stabilised and capacity improving
- Cost reductions and self-help programme - savings start in H2
- GMS in good shape; P&C recovery in defence and medical markets; S&SC to perform in line with economic activity, improvement to come
- Recent acquisitions in medical and defence performing well and bringing new opportunities
- Team focused on the future



Confidence in medium term outlook

Market dynamics in H1 2020

Market	% H1 20 revenue		
Aerospace and defence	22%	• Original Equipment Manufacturers making significant production cuts – H2 the new production floor • Defence budgets and spending protected through crisis with spending in important US market still increasing	
Medical	24%	• Strong demand for products to fight the pandemic • Non-COVID related spend and hospital installations deferred; elective surgeries postponed	
Industrial	44%	• New projects delayed and installation-based activity impacted by global lockdown • Strong demand from Semi customers and for optical sensors	

Demand patterns stabilising but pandemic development remains uncertain

'Other' markets are 10% of revenue and include rail and metro infrastructure, electric, hybrid and other vehicles

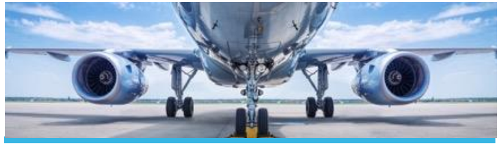
Sustainability continues to be the major long-term driver of market growth ….

Our Purpose:

We solve electronics challenges for a sustainable world

Our sustainability commitments:

Cleaner



Example applications:

- Aircraft electrification
- Metro rail infrastructure
- Electric and hybrid electric vehicles

Smarter

- Factory automation and productivity
- Smart city infrastructure
- Remote patient monitoring

Improved wellbeing

- Laboratory analysis
- Minimally invasive procedures
- Medical diagnostics

Technology led solutions will drive further growth in our markets

… with potential for acceleration of longer-term market trends

Market	% H1 20 revenue		
Aerospace and defence	22%	• Gradual recovery in commercial production over several years • Defence budgets linked to geo-political events; spending expected to remain strong for next few years • Electronics, reduced weight/size/power, all priorities	
Medical	24%	• Ongoing need for more and better medical capabilities • Pent-up demand due to deferrals – expected benefit from 2021+ • Innovative technologies a theme - telemedicine, virtual connectivity, remote patient monitoring	
Industrial	44%	• Automation for real-time remote monitoring and service • Smart networks and infrastructure - productivity • Remote access to assets important: tracking, monitoring, inspection and control	

Well positioned in a post-COVID environment

Other markets are 10% of revenue and include rail and metro infrastructure, electric, hybrid and other vehicles

Improving the quality of TT

Organic revenue drop-through

- Positive long term market drivers intact
- R&D investment: delivers future revenue from new products
- Investment in business development and customer cross-selling

Lower cost base

- Significant 2020 self-help programme
- 2023 £11-12m full run-rate benefits, building from 2020

Higher margin M&A segments & capital discipline

- Successful track record - Power Partners/Covina acquisitions
- Actively monitoring improving pipeline of potential opportunities
- Provides synergy opportunities – revenue and cost

Confidence in double-digit operating margin

Financial review

Mark Hoad, CFO

Group financial performance

£m (except where stated)	HY 2020	HY 2019	Change	Change constant fx
Revenue	210.0	238.2	(12)%	(12) %
Operating profit*	11.4	19.2	(41)%	(41)%
Operating profit margin*	5.4%	8.1%	(270)bps	(270)bps
Profit before tax*	9.5	17.4	(45)%	(46)%
EPS* (pence)	4.8p	8.8p	(45)%	(47)%
Exceptionals & one-offs	(14.3)	(12.3)	(16)%	(13)%
Dividend (pence)	-p	2.1p		
Cash conversion‡ (%)	61%	28%		
Net debt (31 Dec. 2019)	(89.0)	(69.1)		
Net debt/EBITDA†	1.6x	0.9x		
ROIC (%)	9.0%	11.3%ˆ	(230) bps	

- Organic revenue 14% lower – actions to mitigate profit and margin impact
- Operational leverage limited to 26%
- Effective tax rate 17.5%
- Exceptional items: charge £14.3m, cash outflow of £4.7m
- Intention to return to dividend payment at year-end
- Underlying operating cash conversion 61%
- Net debt/EBITDA 1.6x; Board target range of 1-2x
- ROIC impacted by reduction in operating profit

* *Underlying, before exceptional and one-off costs*
‡ *See appendix*
† *Bank covenant - pre-IFRS 16, proforma for acquisitions. Comparative ratio year ended 31 December 2019*
ˆ *FY 2019*

A decisive response to COVID – mitigated profit impact and retained financial flexibility

Implemented significant cost reductions

- Discretionary spend stopped
- Hiring freeze and travel ban
- Annual pay increase for lowest paid only
- Temporary Board pay reduction
- Limited use of government subsidies

Additional strong controls over cash

- Capex limited to essential spend
- Focus on working capital management
- No dividends paid in 2020, resumption in 2021
- Net debt well controlled

Financial position remains robust

- Net debt/EBITDA gearing ratio 1.6 times – Board target 1-2 times
- £180m multi-currency credit facility – matures in Nov. 2023; cash and facility headroom £94m
- Pension scheme fully funded on actuarial basis

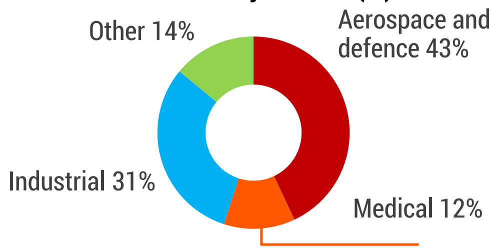
A range of strong cost reduction and cash management actions

Power and Connectivity

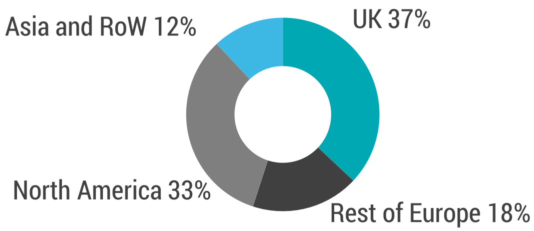
	HY 2020	HY 2019	Change	Change constant fx
Revenue (£m)	60.0	67.6	(11)%	(12)%
Underlying operating profit (£m)	4.4	7.2	(39)%	(40)%
Underlying operating margin	7.3%	10.7%	(340)bps	(340)bps

- Organic revenue
  - Lower commercial aerospace and industrial slow-down
  - Two temporary site closures
  - Defence markets remained strong
- Operating profit
  - Lower sales volumes and COVID-related operating capacity/inefficiencies (including closures, employee absences; partially offset by lean initiatives and reduced discretionary expenditure)
  - Closure of Lutterworth (UK) site, headcount reductions underway
- Number of other customer awards won, particularly defence, including cross-selling
- Covina already won first award under TT ownership

Revenue by market (%)



Revenue by geography (%)

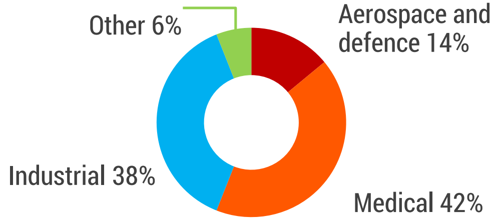


Global Manufacturing Solutions

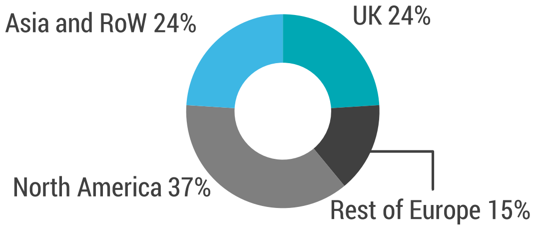
	HY 2020	HY 2019	Change	Change constant fx
Revenue (£m)	95.5	106.5	(10)%	(10)%
Underlying operating profit (£m)	6.5	8.0	(19)%	(18)%
Underlying operating margin	6.8%	7.5%	(70)bps	(60)bps

- Organic revenue
  - Strong demand for COVID-related medical growth; reduced demand for other medical applications
  - Reduced demand in other markets; growth from prior year wins & defence markets
- Operating profit
  - Lower sales volumes and COVID-related operating inefficiencies
  - Partially offset by lean initiatives and cost control
  - Portfolio realignment at Cardiff (UK) site – customer service and profitability
- Box-build capability at existing Kuantan, Malaysia site – operational Q3 2020
- Awards received from international defence customers

Revenue by market (%)



Revenue by geography (%)

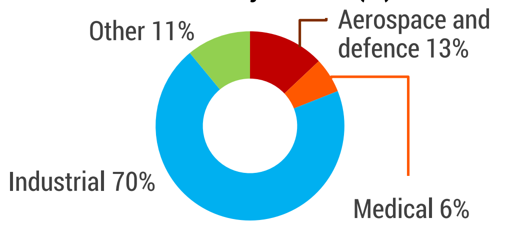


Sensors and Specialist Components

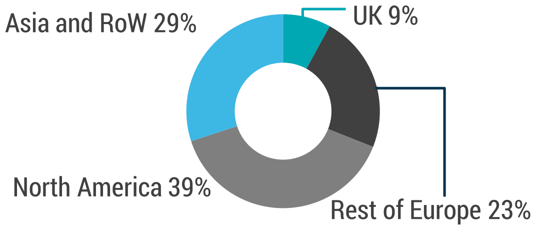
	HY 2020	HY 2019	Change	Change constant fx
Revenue (£m)	54.5	64.1	(15)%	(16)%
Underlying operating profit (£m)	3.8	7.5	(49)%	(51)%
Underlying operating margin	7.0%	11.7%	(470)bps	(480)bps

- Organic revenue
  - Industrial markets primary driver of reduced demand
  - Three temporary site closures; inefficiencies and capacity constraints from employee absences
- Operating profit
  - Driven by lower revenue, COVID-related site closures and inefficiencies
  - Partial offset from cost reductions and late 2019 headcount reduction
  - Barbados and Corpus Christi (Texas) site closures; further, targeted headcount reduction
- Defence award on fifth generation fighter; preferred supplier status from a technology and innovation customer

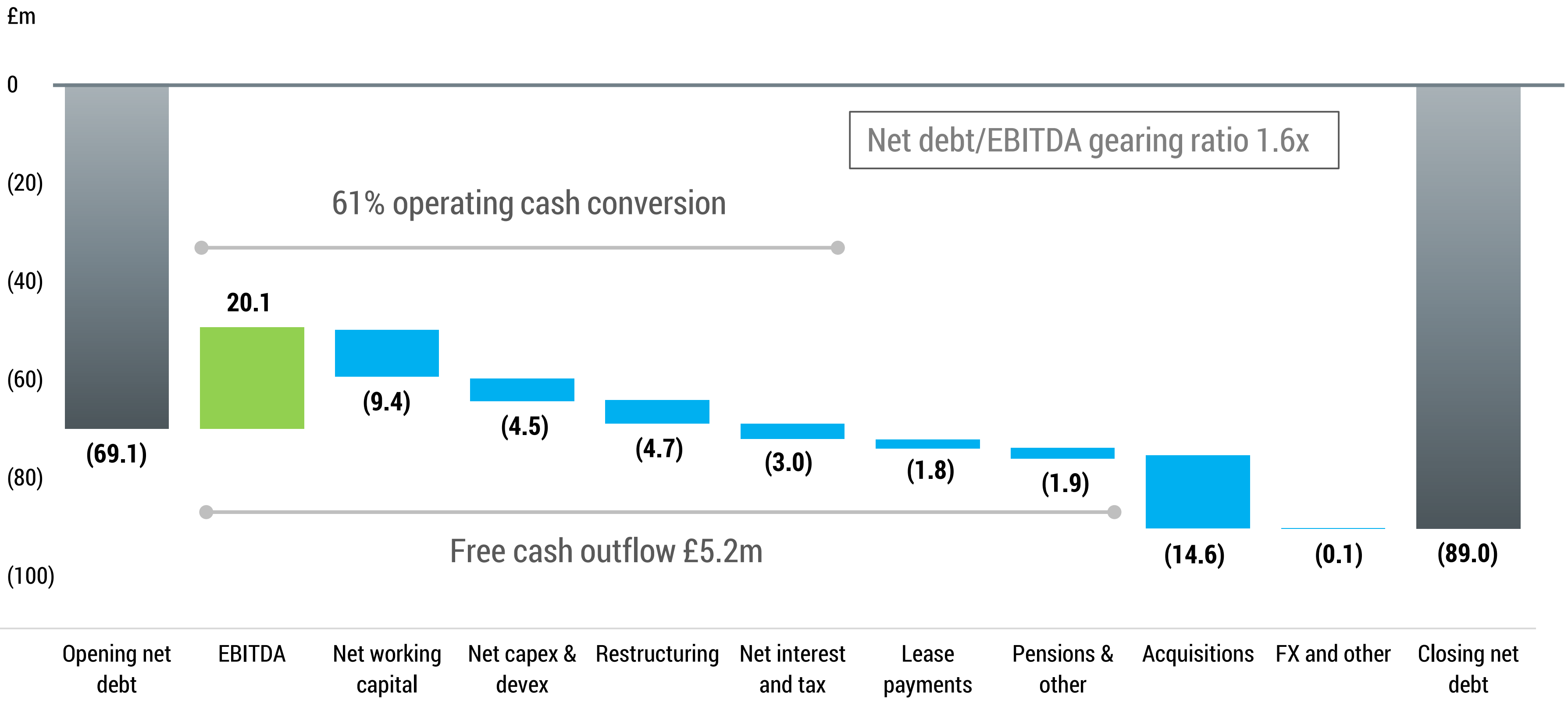
Revenue by market (%)



Revenue by geography (%)



Free cash flow and net debt



Expanded self-help programme now underway for further efficiency improvements

- Three primary facility closures – Lutterworth, Barbados, Corpus Christi
- Additional headcount reductions - Barnstaple, Cardiff, Hartlepool, Kuantan
- Net headcount reductions c.500 FTEs
- Relocation/end-of-life lower margin product lines

£m	2020	2021	2022	Total
Cash cost				
Restructuring	5	5	1	11
Capex	3	4	-	7
Total	8	9	1	18

£m	2020	2021	2022	Run rate
Benefits	2	7	10	11-12

Reduce fixed cost base and increase efficiency

Summary

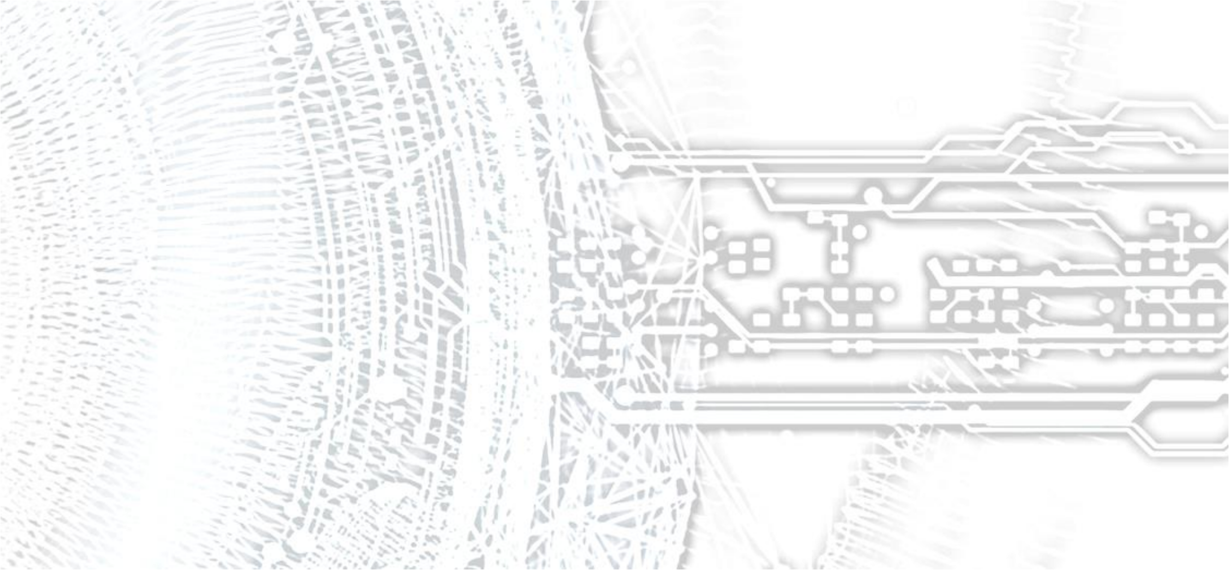
Richard Tyson, CEO

Summary

- Good H1 execution and resilient performance
- Expanded self-help programme underway
- Recent acquisitions performing well and improving pipeline of opportunities
- Robust balance sheet
- Trading stabilised and H2 improvement expected but pandemic evolution uncertain, leading to range of full year outcomes
- Once pandemic impacts clear, well positioned for growth

In good shape and on the front foot

Appendix



Appendix: Accounting estimates for FY 2020

Restructuring and acquisition costs cash spend

- £5m on newly announced efficiency programme
- £2m on pensions and completion of 2019 self-help actions
- £3m on acquisition integration etc

Capital and development expenditure

- Capex and devex circa £13-14m
    - Includes £3m relating to self-help programme

Working capital

- Improvement in H2

Pension

- UK deficit contributions £5.3m, increasing £0.2m p.a.

M&A

- Covina acquisition $18.7m (£14.2m) - completed January 2020

Tax

- Effective rate for year 17.5%
- Cash payments c.50% of underlying P&L charge

Foreign exchange

- USD 1 cent = circa £90k operating profit impact
- RMB 0.1 = circa £150k operating profit impact

Appendix: Summary income statement

Continuing operations (£m)	HY 2020	HY 2019
Revenue	210.0	238.2
Underlying operating profit	11.4	19.2
Underlying net finance cost`	(1.9)	(1.8)
Underlying profit before taxation	9.5	17.4
Adjusting items	(14.3)	(12.3)
(Loss)/Profit before taxation	(4.8)	5.1
Taxation	0.4	0.2
(Loss)/Profit after taxation	(4.4)	5.3

Appendix: Summary of revenue and operating profit by Division - impact of FX

Revenue (£m)	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Corporate	Group
HY 2020	60.0	95.5	54.5	-	210.0
HY 2019 at 2020 rates	68.0	106.1	65.1	-	239.2
FX impact	0.4	(0.4)	1.0	-	1.0
HY 2019 as published	67.6	106.5	64.1	-	238.2

Operating Profit (£m)					
HY 2020	4.4	6.5	3.8	(3.3)	11.4
HY 2019 at 2020 rates	7.3	7.9	7.7	(3.5)	19.4
FX impact	0.1	(0.1)	0.2	-	0.2
HY 2019 as published	7.2	8.0	7.5	(3.5)	19.2

Appendix: Income statement – adjusting items

£m	HY 2020	HY 2019
Restructuring and other items		
Restructuring	(11.4)	(7.8)
Pension and past service charge	-	(0.4)
	(11.4)	(8.2)
Acquisition related costs		
Release of warranty and claims provision relating to Transportation business divestment	1.0	-
Amortisation of intangible assets arising on business combinations	(2.0)	(2.6)
Other acquisition related costs	(1.9)	(1.5)
	(2.9)	(4.1)
Total adjusting items	(14.3)	**(12.3)**

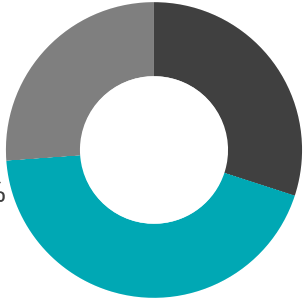
Appendix: The TT Electronics business

Revenue (HY 20)

- Power and Connectivity 29%
- Global Manufacturing Solutions 45%
- Sensors and Specialist Components 26%

Underlying operating profit (HY 20)

- Power and Connectivity 39%
- Global Manufacturing Solutions 57%
- Sensors and Specialist Components 33%
- Central costs (29)%



Revenue by market (HY 20)

- Aerospace and defence 22%
- Medical 24%
- Industrial 44%
- Other 10%

Revenue by geography (HY 20)

- UK 24%
- Rest of Europe 18%
- North America 36%
- Asia and RoW 22%

Appendix: Cash conversion

Cash conversion (£m)	**HY 2020**	**HY 2019**
Underlying operating profit	**11.4**	19.2
Depreciation and amortisation	**8.7**	9.0
Net capital expenditure	**(3.0)**	(7.4)
Capitalised development expenditure	**(1.5)**	(1.9)
Working capital	**(9.4)**	(15.1)
Other	**0.8**	1.6
Operating cash flow after capex.	**7.0**	5.4
Operating profit	**11.4**	19.2
Cash conversion	***61%***	*28%*

Appendix: Movement in net debt

£m	HY 2020	HY 2019
Operating cash flow after capex.	7.0	5.4
Net interest and tax	(3.0)	(3.4)
Lease liability repayments	(1.8)	(2.0)
Exceptional items	(4.7)	(3.2)
Pensions	(2.7)	(6.0)
Free cash flow	(5.2)	(9.2)
Dividends	-	(7.4)
Acquisitions and disposals	(14.6)	(2.3)
Other	0.1	0.1
Increase in net debt	(19.7)	(18.8)
Opening net debt (prior year end)	(69.1)	(63.0)
FX and other	(0.2)	(0.6)
Closing net debt	(89.0)	(82.4)

Appendix: Capital allocation priorities

- *Our objective is to maintain a strong financial position and provide flexibility for growth*

Free cash flow priorities

1. **Maximise organic investment** including R&D to support growth
2. Maintain our **progressive dividend policy**
3. Continue to support our strategy with **targeted, complementary M&A**
4. **Return excess capital** to shareholders

Target leverage within range of 1.0-2.0x EBITDA

Cautionary statement

For the purposes of the following disclaimers, references to this ‘document’ shall be deemed to include references to the presenters speeches, the question and answer session and any other related verbal or written communications.

This document contains forward-looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements.

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