



*Engineering smarter solutions together*

**TT Electronics plc**  
**2018 Interim Results**

August 2018

## H1 2018 overview

---

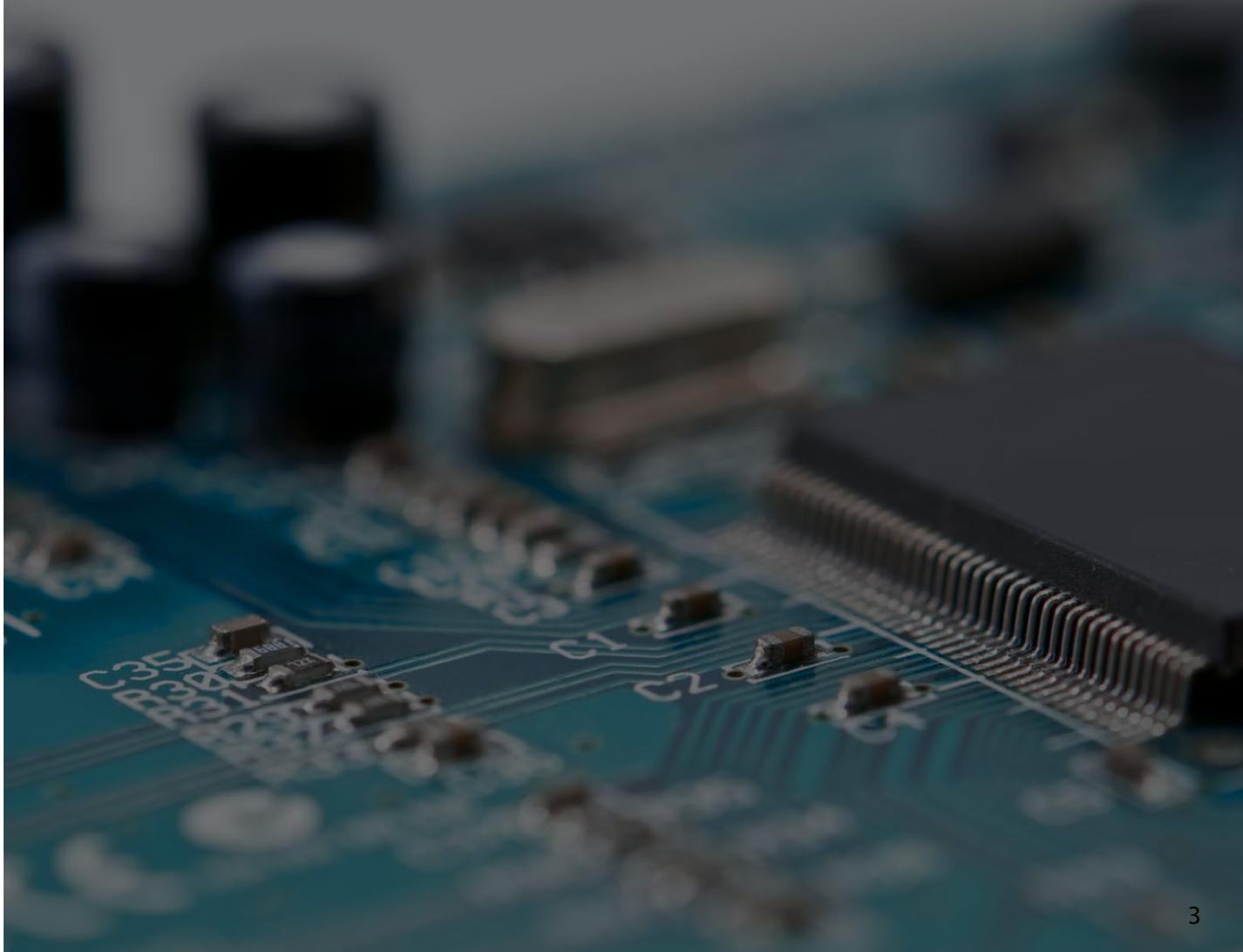
Strong organic performance, enhanced by acquisitions

- Strong financial results, ahead of expectations
  - Continued order book momentum
  - R&D, sales success, operational excellence
  - Margin progression, up 170bps to 7.5%
- Investing more in the business for future growth
- Strong balance sheet gives flexibility
- Acquisitions of Stadium and Precision completed; integration progressing well
- Dividend up 11%, H1 performance and confidence in outlook

# Financial review

---

Mark Hoad, CFO



## H1 2018 overview

Strong organic performance, enhanced by acquisitions

5%

Like-for-like revenue growth

45%

Underlying operating profit growth

60%

Increase in EPS

7.5%

Underlying operating margins, up 170 bps

105%

Cash conversion

11%

Increase in the dividend to 1.95p

# Group financial performance

## Continuing operations

£m (except where stated)	HY 2018	HY 2017	Change	Change constant fx
Revenue	194.2	180.5	8%	12%
Operating profit*	14.6	10.9	34%	45%
Operating profit margin*	7.5%	6.0%	150bps	170bps
Profit before tax*	14.0	9.5	47%	61%
EPS* (pence)	6.9p	4.6p	50%	60%
Exceptionals & one-offs	(6.9)	(4.1)	(68)%	(68)%
Dividend (pence)	1.95p	1.75p	11%	
Cash conversion‡ (%)	105%	128%		
Net (debt) /funds	(41.2)	47.0^		
Leverage (times)	1.0	n/a		
ROIC (%)	11.2%	10.6%^	60bps	

- Revenue up 5% on a like-for-like basis
- Operating profit up by 45%; circa two thirds from the base business
- Operating profit margin up strongly to 7.5%
- Exceptionals: restructuring, M&A costs
- Cash conversion 105%
- ROIC up to 11.2%

\* Underlying, before exceptional and one-off costs

‡ See appendix

^ Full year 2017



## Sensors and Specialist Components

*Strong growth and margin improvement*

	H1 2018	H1 2017	Change	Change constant fx
Revenue (£m)	71.3	71.0	0%	7%
Underlying operating profit (£m)	9.9	8.6	15%	24%
Underlying operating margin	13.9%	12.1%	180bps	190bps

- Organic revenue up 7%
  - Demand remaining positive
- Operating profit up 24%
  - Drop through on increased volumes
  - Operational efficiency
- 190bps margin improvement



## Power and Connectivity

*Investing for growth and acquisitions contributing*

	H1 2018	H1 2017	Change	Change constant fx
Revenue (£m)	<b>38.7</b>	33.2	17%	18%
Underlying operating profit (£m)	<b>2.5</b>	3.4	(26)%	(22)%
Underlying operating margin	<b>6.5%</b>	10.2%	(370)bps	(330)bps

- Revenue up 18%, down 12% organically as expected
  - Organic decline largely relates to absence of one-off last time buy activity
  - Acquisitions contributed revenue growth of £9.9m
- Underlying operating profit down 22%
  - Adverse impact from lack of last-time buy; investment to support capacity increases
  - Profit from acquisitions £1.1m
- 330bps margin impact



## Global Manufacturing Solutions

*Growth continues and step-change in margins*

	H1 2018	H1 2017	Change	Change constant fx
Revenue (£m)	<b>84.2</b>	76.3	10%	13%
Underlying operating profit (£m)	<b>5.9</b>	2.5	136%	136%
Underlying operating margin	<b>7.0%</b>	3.3%	370bps	360bps

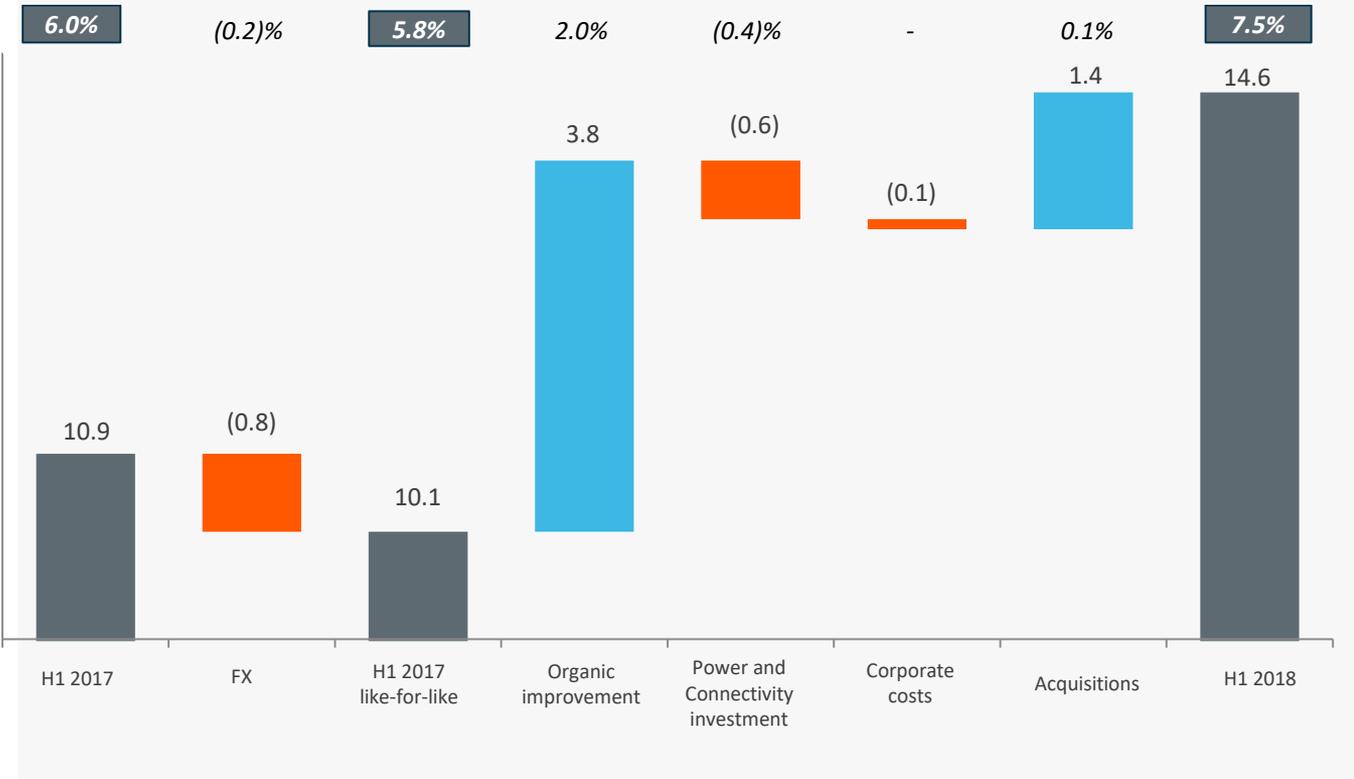
- Revenue up 13%, of which organic 6%
  - Growth in Asia and North America led by medical customers
  - Revenues from acquisitions £4.9m
- Operating profit more than doubled
  - Continued progress in China, improvement in US, Europe returning to health
  - £0.5m FX benefit not expected to recur
  - Profit from acquisitions £0.3m
- Operating margins up 360 bps – top-end of benchmark range

# Group operating profit bridge

Continuing operations

Profit and margin improvement from volume growth and operational efficiency

(H1 2018 vs H1 2017), £m  
Operating margin, %



# Free cash flow and net funds

Profit growth underpinned by strong cash conversion

£m	H1 2018	H1 2017
Underlying EBITDA	21.0	17.5
Net capital expenditure & capitalised development	(6.7)	(6.9)
Working capital	(0.5)	2.0
Cash flow from discontinued operations	-	3.7
Exceptional items including property disposals	(4.7)	(4.1)
Net interest and tax	(4.0)	(4.4)
Pensions & other	(1.0)	(1.0)
<b>Free Cash Flow</b>	<b>4.1</b>	<b>6.8</b>
Dividends	(6.6)	(6.3)
Acquisitions & disposals	(78.0)	(1.2)
Other	(7.7)	0.2
<b>Net Cash Flow</b>	<b>(88.0)</b>	<b>(0.5)</b>
<b>Cash Conversion</b>	<b>105%</b>	<b>128%</b>
	<b>H1 2018</b>	<b>YE 2017</b>
<b>Net (Debt)/Funds</b>	<b>(41.2)</b>	47.0
<b>Net Debt to EBITDA - reported</b>	<b>1.0x</b>	n/a
<b>Net Debt to EBITDA – pro-forma</b>	<b>0.8x</b>	n/a

- Capital and development expenditure at 1.0x DA
- Sustained working capital management in growth environment; receipt from AVX
- Excellent cash conversion of 105%
- Acquisition of Stadium (£59.7m), Precision (£17.2m), outflow re TS&C disposal (£1.1m)
- Other includes £6.9m of cash settlement and tax on LTIP vests
- M&A capacity remains strong

# Other financial matters / guidance for FY 2018

## Exceptional items

- Restructuring costs offset by property disposal
- Circa £7m of M&A related cash costs

## Capital and development expenditure

- Capex and devex circa £18m (1.2x DA)
- Includes spend on Bedlington upgrade

## Working capital

- Neutral to small outflow

## Tax

- Effective rate remains at lower end of 20-22% guidance
- Cash payments circa 90% of P&L charge

## Pensions

- TT scheme deficit contributions £4.9m in 2018, increasing £0.2m p.a.
- Stadium scheme deficit contributions £0.6m p.a.

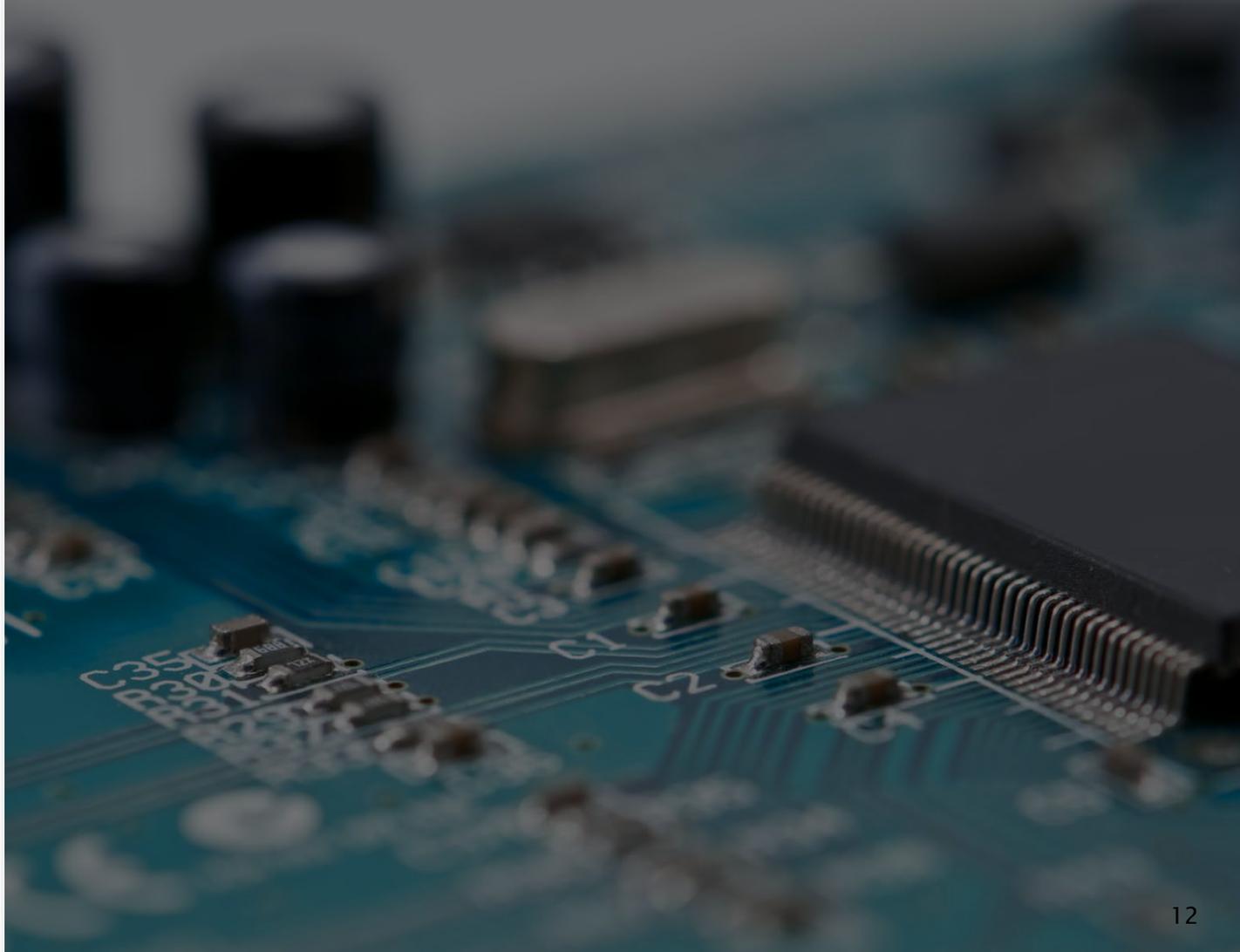
## Foreign exchange

- USD 1 cent = circa £160k operating profit impact
- RMB 0.1 = circa £100k operating profit impact
- At current spot rates, FX impact in H2 is modest

# Strategy and outlook

---

Richard Tyson, CEO



## Our strategy

The right strategy to deliver growth and value for our shareholders

### Clear market focus

- We are focused on building leading positions in areas of the market where there are structural growth drivers, and the proliferation of electronics is driving demand for our solutions

### Creating differentiated capabilities

- We concentrate our time and resources on market areas where our industry expertise and R&D investment creates strong and differentiated capabilities valued by our customers

### Engineering smarter solutions with our customers

- We are committed to solving our customers' toughest electronics challenges by engineering smarter solutions together



Industrial



Medical



Aerospace  
and Defence



Transportation

# Market growth driving demand for our solutions

Structural growth drivers leading to increasing sales for sensing and power management products

Markets



Macro trends

- ‘Connected everything’**
- Robotic automation
  - ‘smarter home’
  - Industrial IoT

- Increasing remote care**
- Increased investment in patient monitoring and care

TT customer applications



TT’s product capabilities

- Circuit protection devices on smart meters**
- Protects circuit from surges including lightning strikes
  - Precision voltage monitoring to ensure accurate billing



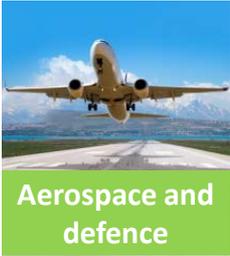
Circuit protection components used in industrial and medical applications

- Circuit protection devices on portable defibrillators**
- Works with associated components to accurately set the charge voltage

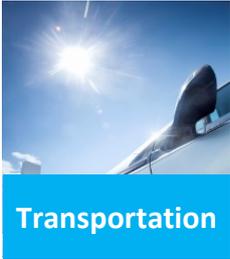
# Market growth driving demand for our solutions

Structural growth drivers leading to increasing sales for sensing and power management products

Markets



Aerospace and defence



Transportation

Macro trends

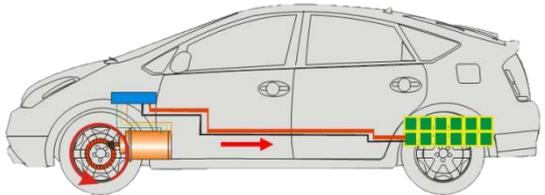
**'The more electric aircraft'**

- 'Cleaner skies'
- Reduced size, weight and power consumption

**Hybrid and electric vehicles**

- Increase power density
- Improved battery capability and life

TT customer applications



TT's product capabilities

**Power management solutions in flap actuator control on aircraft**

- Supports dissipation of excess electrical energy and heat



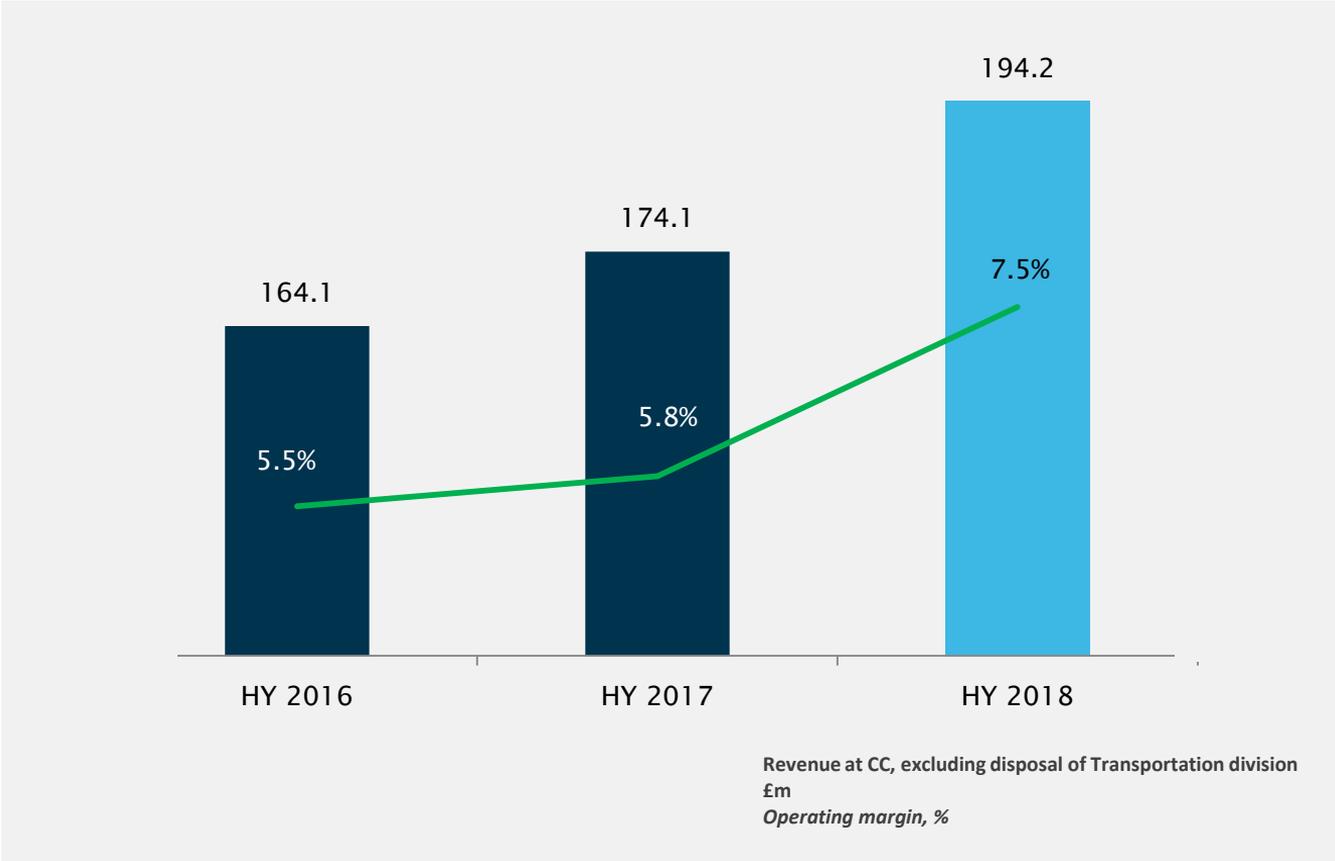
**Power management**  
Power load dump for lightweight braking of aircraft flight surface control

**Power management solutions in battery management systems**

- Supports dissipation of excess electrical energy and heat
- Helps protect battery during dynamic or regenerative braking

# Successful execution of strategy

3 year record of revenue growth and margin progression



# Strategic priorities

Delivering future growth and margin progression

## Strategic business development



## R&D and value-added product solutions



## Operational excellence



## Value-enhancing acquisitions



# Strategic business development

- Increasingly design-led focus of the business
- Changing approach to business development
- Up-skilling and training of our sales force
- More strategic relationships with our customers



## Growth with key accounts

- Distributor accounts up 22%

## Cross selling sales win

- Extended TT relationship with an aerospace and defence customer

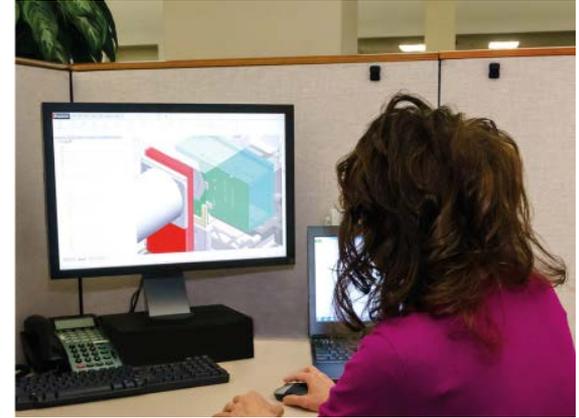
## New customer wins

- 6 new customers in Global Manufacturing Solutions

## R&D and value-added product solutions

---

- R&D cash spend up 23%, £5.7 million
- Continued momentum in new product launches – 3 times 2015 run rate
- Focus on value-added product solutions as our portfolio becomes increasingly designed and collaborative



**New product  
introduction  
cell in  
Barnstaple**

**Advanced  
Technology  
Centre for  
power  
electronics**

**Increasing  
investment in  
connectivity**

# Operational excellence

---

- Continued application of lean techniques enhancing performance for customers and driving margin improvement
- More BE Lean practitioners trained and deployed
- Enhancing supply chain capability and commodity projects



**Site  
improvements  
yielding  
margin  
progression**

**BE Lean  
culture**

**Supply chain  
savings**

# Value-enhancing acquisitions

Acquisition of Stadium and Precision following disposal of Transportation division in October 2017



## Acquisition of Stadium

- Stadium acquired in April 2018 for £59.7m
- Leading provider of design-led solutions across our four markets
- Integration has shown new opportunities emerging from extended capabilities
- Additional investment in engineering for connected devices and IoT

## Acquisition of Precision

- Precision acquired in June 2018 for \$23.5m
- Designer and manufacturer of precision electromagnetic product solutions for critical applications
- Extends our capabilities and medical market exposure
- Integrated into Power and Connectivity



## Stadium integration highlighting new opportunities for growth

- Integration progressing well
- On track to deliver cost synergies
- Brings new offering for connected devices linked to the Internet of Things
- Stadium product capabilities combined with our market presence and scale points to future potential revenue upside



**Integration  
running to  
plan**

**Cost synergies  
on track**

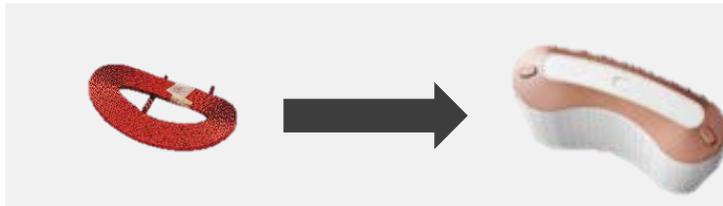
**New  
opportunities  
emerging**

## Precision integration highlighting product solution opportunities

- Precision electromagnetic product solutions for critical applications
- FY17 revenues \$21m
- Enhanced presence in the US; proximity to hub of medical customers in Minneapolis
- Extends capabilities; adds new design, simulation and manufacturing capabilities including ultra-fine wire winding



Precision magnetics for surgical navigation alongside internal diagnostic position coils for medical applications



Curved coil assembly product sub-assembly solution for medical applications

## Consistent delivery against all metrics

Organic growth ahead of the market

Revenue up 5% on a like-for-like basis

Cash conversion of 80%+

Three years of excellent cash conversion, average above 100%

R&D investment to support growth

R&D cash spend up 23% y-o-y, £5.7m

Operating margin progression

Operating margins up to 7.5% from 4.2% in 2015

Improving ROIC

ROIC up to 11.2% from 10.0% in H1 2017

Targeted, complementary acquisitions

Acquisition of Stadium and Precision completed; providing extended capabilities

Progressive dividend policy

Dividend up 11%

## Summary and outlook

---

First half performance and order momentum give us confidence of progress for the full year ahead of our prior expectations

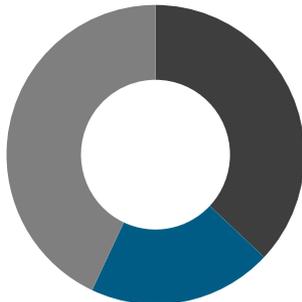
- Strong financial results, ahead of expectations
  - Continued order book momentum
  - R&D, sales success, operational excellence
- Investing more in the business for future growth
- Strong balance sheet gives flexibility
- Acquisitions of Stadium and Precision completed; integration progressing well
- First half performance and order momentum give us confidence of progress for the full year ahead of our prior expectations

# Appendix

# Appendix: The TT Electronics business

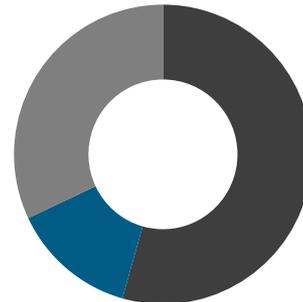
## Revenue (HY18)

- Sensors and Specialist Components 37%
- Power and Connectivity 20%
- Global Manufacturing Solutions 43%



## Underlying operating profit (HY18)

- Sensors and Specialist Components 68%
- Power and Connectivity 17%
- Global Manufacturing Solutions 40%
- Central costs (25)%



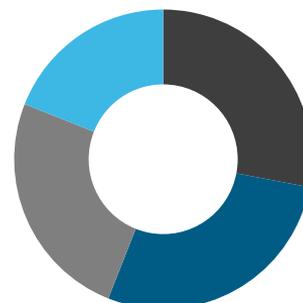
## Revenue by market (HY18)

- Industrial 46%
- Medical 22%
- Aerospace and defence 18%
- Transportation 14%



## Revenue by geography (HY18)

- North America 28%
- UK 28%
- Asia and Rest of World 25%
- Rest of Europe 19%



## Appendix: Impact of FX

	Sensors and Specialist Components	Power and Connectivity	Global Manufacturing Solutions	Corporate	Continuing Operations
<b>Sales (£m)</b>					
2018	71.3	38.7	84.2	-	<b>194.2</b>
2017 at 2018 rates	66.7	32.8	74.6	-	<b>174.1</b>
FX impact	4.3	0.4	1.7	-	<b>6.4</b>
2017 as published	71.0	33.2	76.3	-	<b>180.5</b>
<b>Operating Profit (£m)</b>					
2018	9.9	2.5	5.9	(3.7)	<b>14.6</b>
2017 at 2018 rates	8.0	3.2	2.5	(3.6)	<b>10.1</b>
FX impact	0.6	0.2	-	-	<b>0.8</b>
2017 as published	8.6	3.4	2.5	(3.6)	<b>10.9</b>

## Appendix: Cash Conversion

<b>Cash Conversion (£m)</b>	<b>HY2018</b>	<b>HY2017</b>
Underlying EBITDA (continuing operations)	<b>21.0</b>	17.5
Net capital expenditure	<b>(5.1)</b>	(6.1)
Capitalised development expenditure	<b>(1.6)</b>	(0.8)
Working capital	<b>(0.5)</b>	2.0
Other	<b>1.5</b>	1.3
<b>Underlying Operating Cash Flow</b>	<b>15.3</b>	<b>13.9</b>
Underlying operating profit - continuing operations	<b>14.6</b>	10.9
<b><i>Cash conversion – continuing operations</i></b>	<b>105%</b>	<b>128%</b>

# Exceptional Items

## Continuing operations

<b>Exceptional Items (P&amp;L)</b> £m	<b>HY 2018</b>	<b>HY 2017</b>
Restructuring costs	1.8	(0.1)
Acquisition related costs	(8.7)	(4.0)
Asset impairments	-	-
<b>Total Exceptional Items</b>	<b>(6.9)</b>	<b>(4.1)</b>

<b>Exceptional Items (Cash)</b> £m	<b>HY 2018</b>	<b>HY 2017</b>
Restructuring costs	(3.1)	(2.3)
Acquisition related costs	(5.6)	(1.6)
Property disposals	4.0	(0.2)
<b>Total Cash</b>	<b>(4.7)</b>	<b>(4.1)</b>

- Restructuring costs: restructuring £1.8m offset by property disposal gains £3.6m
- Acquisition costs: Amortisation of acquisition intangibles and fair value items £4.0m and M&A costs £4.7m
- Cash exceptionals: £3.1m of footprint projects, £5.6m acquisition related costs offset by £4.0m property disposals

# Disclaimer

## IMPORTANT INFORMATION

- 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 certain “forward-looking statements” with respect to the financial condition, results of operations and businesses of TT Electronics plc and certain of the plans and objectives of TT Electronics plc with respect to these items. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “anticipates”, “aims”, “due”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans”, “targets”, “goal” or “estimates”. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in the economies and markets in which the TT Electronics group operates; changes in the regulatory and competition frameworks in which the TT Electronics group operates; changes in the markets from which the TT Electronics group raises finance; the impact of legal or other proceedings against or which affect the TT Electronics group; technological developments; and changes in interest and exchange rates. All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to TT Electronics plc or any member of its group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. TT Electronics plc does not intend to update these forward-looking statements.
- This document is not an offer to sell, exchange or transfer any securities of TT Electronics plc and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction.
- Neither TT Electronics plc nor any member of its group or persons acting on their behalf shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from use of the information contained within this document and neither TT Electronics plc nor any member of its group or persons acting on their behalf makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained within this document.
- Past performance of securities of TT Electronics plc cannot be relied upon as a guide to the future performance of securities of TT Electronics plc.