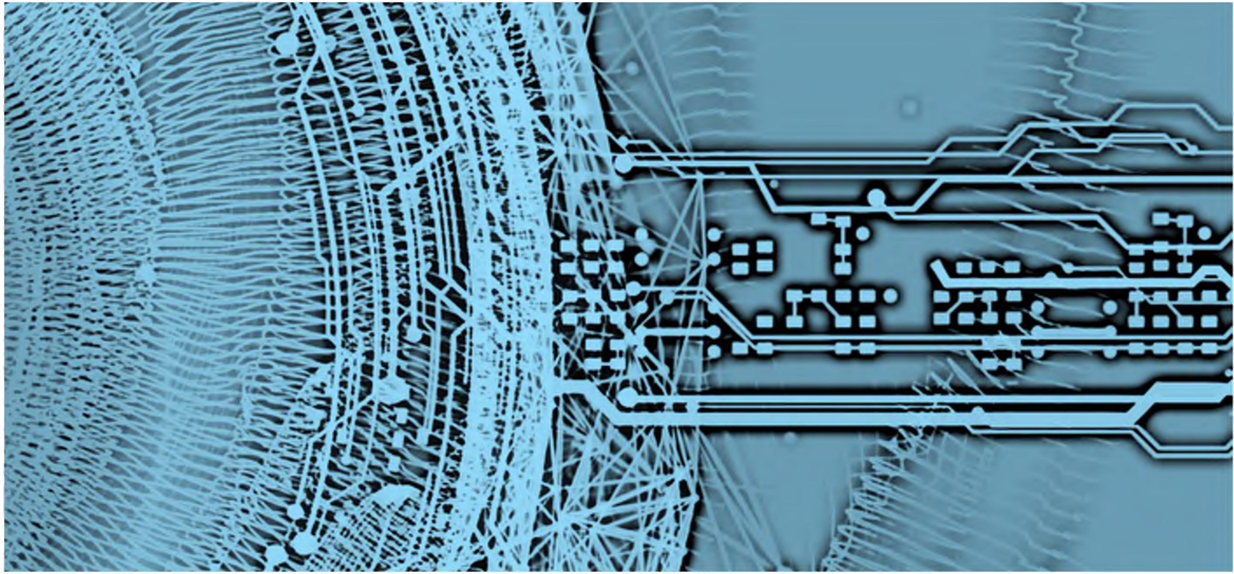
Engineering smarter solutions together

TT Electronics
Full Year 2019 Results

4 March 2020



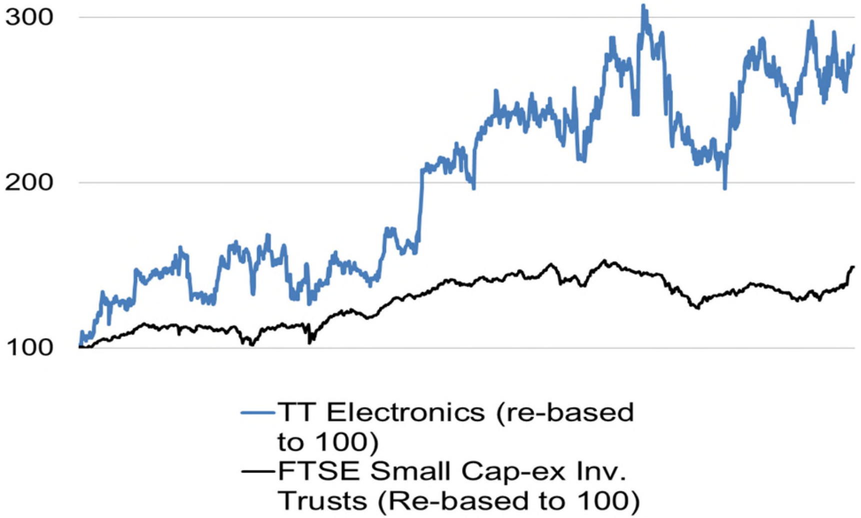
2019 overview

- Strategy continues to promote growth, enhance margin and improve quality of TT business
- Aerospace, defence and medical deliver 22% organic growth
  - New customer wins with multi-year recurring revenues
  - Improved order book visibility for the third year in succession
- Extending capabilities through R&D with acquisitions in core technologies
- Underlying operating margin stepped up again to 8.4%; strong profit growth

Well positioned to make further progress in 2020 and beyond

Track record of value creation

- Significant portfolio reshaping; divestment of Transportation division
- Six acquisitions completed since 2015 for total of £137m; built-up Power and Connectivity division
- Aerospace, defence and medical markets now 47% of Group revenues and driving growth
- Returned Group to organic growth
- Significant margin progression and strong cash generation
- Employee engagement - rated 1 Star Great Place to Work†



2015-2019 Total Shareholder Return = 23% CAGR

Five year CAGR from 1 January 2015 to 31 December 2019

Source: Thomson Reuters Total Return Index

† Benchmarked by Best Companies Ltd

Driving future performance

Organic growth

- Demand for sustainable solutions driving growth
- New, recurring multi-million pound customers
- Growth with existing customers
- Investment in new products

Margin enhancement

- New self-help programme launched
  - £14m cash cost with £5-6m benefits p.a. by 2022
- Efficiency and operational leverage drive margin

Acquisitions

- Complementary technology
- Cross-selling opportunities
- Cost synergies

TT set up to deliver

- Growth ahead of the market
- Double digit margins
- Strong cash conversion
- Improving ROIC

Financial review

Mark Hoad, CFO

2019 financial review

4%

Organic revenue growth

8.4%

Underlying operating margins, up 60 bps

13%

Increase in underlying EPS at constant fx

98%

Cash conversion

11.3%

ROIC*, LFL 10 bps improvement

8%

Increase in the dividend to 7.0p

ROIC includes IFRS 16 impacts; 11.6% before IFRS 16

Group financial performance

Strong performance across all financial metrics

£m (except where stated)	2019	2018	Change	Change constant fx
Revenue	478.2	429.5	11%	9%
Operating profit*	40.0	33.4	20%	17%
Operating profit margin*	8.4%	7.8%	60bps	60bps
Profit before tax*	36.3	31.5	15%	12%
EPS* (pence)	18.7	16.2	15%	13%
Exceptionals & one-offs	(21.2)	(16.9)	(27)%	(25)%
Dividend (pence)	7.0	6.5	8%	
Cash conversion‡ (%)	98%	88%		
Net debt	(69.1)	(41.7)		
Leverage† (times)	0.9	0.9		
ROIC (%)	11.3%	11.5%	(20)bps	
ROIC pre IFRS 16 (%)	11.6%	11.5%	10bps	

- Organic revenue increase - up 4%
- Strong growth in operating profit; increased margin
- Effective tax rate 16.0%
- Exceptional items: charge £21.2m, cash £9.2m
- Net debt at 31 December 2019 includes £17.6m IFRS 16 leases for first time
- ROIC 11.3%, like-for-like up 10bps

* *Underlying, before exceptional and one-off costs*
‡ *See appendix*
† *Net debt/EBITDA leverage calculated as per bank covenant - pre-IFRS 16, proforma for acquisitions*

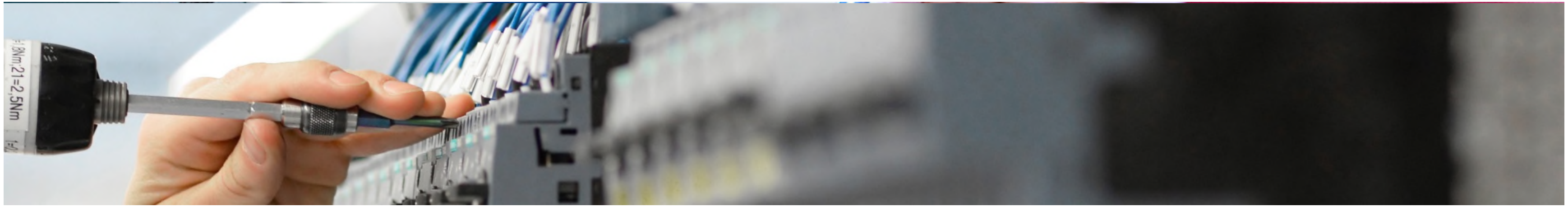
Power and Connectivity

Good growth and significant margin enhancement

	2019	2018	Change	Change constant fx
Revenue (£m)	**138.2**	115.5	20%	18%
Underlying operating profit (£m)	**16.5**	11.2	47%	45%
Underlying operating margin	**11.9%**	9.7%	220bps	210bps

- Revenues up 2% organically
  - 14% growth in aerospace, defence and medical customers, now over 50% of revenue
- Operating profit up 45%
  - Driven by revenue growth and efficiencies, including closure of 3 facilities
- Operating margin up 210bps to 11.9%
- Acquisitions of Power Partners and Covina power solutions business
- Good ROIC delivery at 11.4%– approaching acquisition hurdle rate
- 2 new aerospace & defence customers won; good progress on connectivity offerings

Global Manufacturing Solutions



A year of very strong revenue growth and improved order visibility

	2019	2018	Change	Change constant fx
Revenue (£m)	**213.2**	181.8	17%	16%
Underlying operating profit (£m)	**15.4**	11.3	36%	34%
Underlying operating margin	**7.2%**	6.2%	100bps	90bps

- Revenues up 12% organically
  - Growth from customers in aerospace, defence and medical markets
- Operating profit up 34%
  - Driven by increased revenues and continued UK operational improvement
- Good ROIC of 16.2%
- 2 new aerospace, defence and medical customers won with multi-year multi-million-pound revenue streams
- Cross-selling success with Power Partners

Sensors and Specialist Components

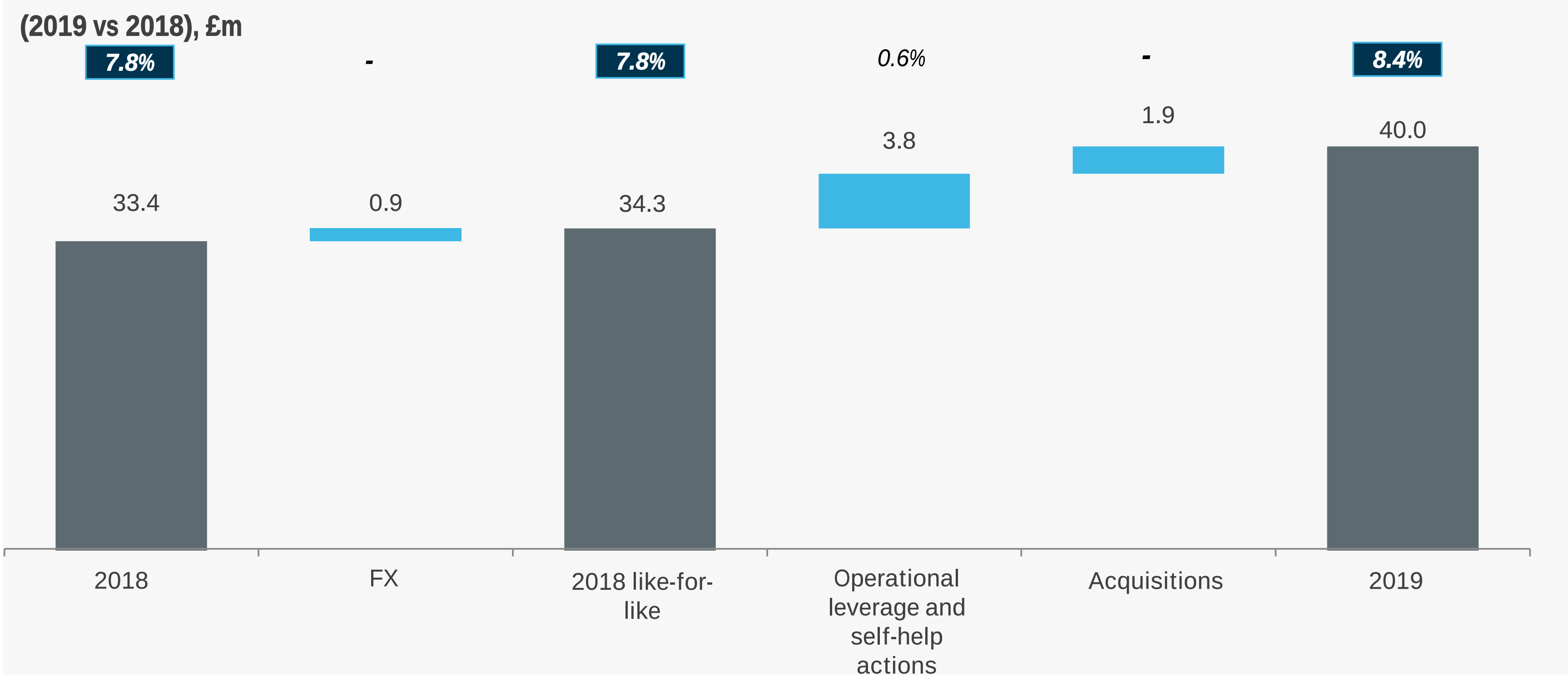
Proactive cost action to address softer market conditions and inventory de-stocking

	2019	2018	Change	Change constant fx
Revenue (£m)	**126.8**	132.2	(4)%	(7)%
Underlying operating profit (£m)	**15.3**	18.5	(17)%	(19)%
Underlying operating margin	**12.1%**	14.0%	(190)bps	(180)bps

- Revenues down 7% following very strong performance over last 2 years
- Decisive cost action taken to address the cost base – op. profit margin 12.5% in H2
- ROIC at 13.6%, well above cost of capital
- Cross-selling success with Precision - US defence prime customer
- New contracts with aerospace & defence customers for aircraft avionics and engine controls

Group financial performance

Driving improvement in operating profit



Free cashflow and net funds

£m	2019	2018
EBITDA	58.0	47.0
Net capital expenditure & capitalised development	(18.2)	(18.9)
Working capital	(3.1)	(2.1)
Exceptional items including property disposals	(9.2)	(7.3)
Net interest and tax	(7.7)	(8.4)
Pensions & other	(6.1)	(1.8)
Lease liability repayments	(4.0)	-
Free Cash Flow	**9.7**	**8.5**
Dividends	(10.9)	(9.7)
Acquisitions & disposals	(3.5)	(78.8)
Other	0.3	(8.1)
Net Cash Flow	**(4.4)**	**(88.1)**
Cash Conversion	***98%***	***88%***
Net Funds / (debt)	(69.1)	(41.7)
Net Debt to EBITDA†	0.9x	0.9x

- Capex spend focused on growth areas
- Working capital normalised in H2, as anticipated
- Strong cash conversion of 98%
- Acquisitions primarily Power Partners and Precision earn-out; Covina completed January 2020
- Net debt includes £17.6m relating to leases (IFRS 16)

† *Calculated on frozen adjusted IFRS basis, consistent with the Group's bank covenants. This is before the impact of IFRS 16 and includes acquisitions on a proforma basis*

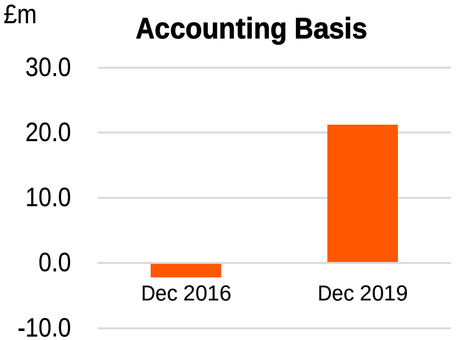
Pensions guidance

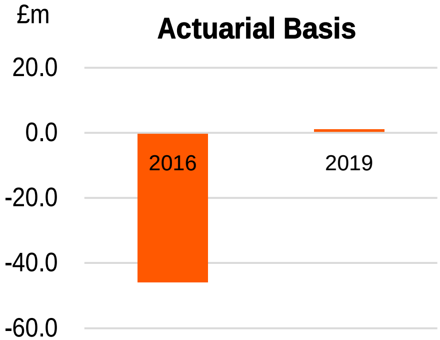
2019 Triennial Valuation

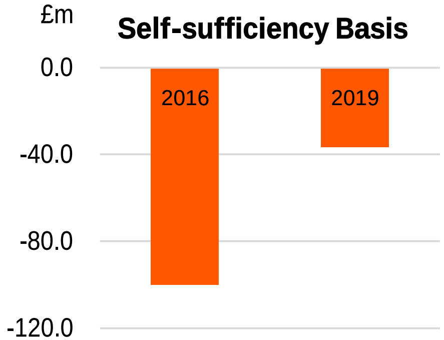
- Triennial valuation as at 5 April 2019 including merged Stadium scheme
- Scheme fully funded on an actuarial basis
- £46m improvement since last valuation driven by:
  - Asset returns
  - Liability management exercises (e.g. Pension Increase Exchange, Flexible Retirement Option)
  - Deficit contributions

Future strategy and contributions

- Continue with existing deficit contribution plan - £5.3m in 2020, increasing by £0.2m per annum
- On-going investment de-risking over next 2-3 years as we move towards self-sufficiency and beyond
- Further liability management exercises
  - Follow-on Pension Increase Exchange
  - Data cleanse







Guidance for 2020

Markets

- Industrial – inventory unwind to continue before market recovers
- Aerospace, defence and medical - continuing growth from structural drivers
- Coronavirus – up to £3m operating profit impact in 2020

Restructuring costs cash spend

- £7m on newly announced efficiency programme
- £6m on integration, pensions and completion of 2019 self-help actions

Capital and development expenditure

- Capex and devex circa £20-23m (1.1x DA)
    - Includes £4-5m relating to efficiency programme

Working capital

- Mid-single digit cash outflow

Pension

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

M&A

- Covina acquisition $17.7m; completed January 2020

Tax

- Effective rate at lower end of 18-21% guidance range
- Cash payments c.80% of P&L charge

Foreign exchange

- USD 1 cent = circa £180k operating profit impact
- RMB 0.1 = circa £150k operating profit impact

Our record - significantly improved trading and balance sheet

	2015	2019	
Organic revenue growth	(3)%	**4%**	• Good growth
Operating profit	£21.7m	**£40.0m**	• Improved profitability
Underlying operating profit margin	4.3%	**8.4%**	• Margin strongly ahead
ROIC	9.0%	**11.6%†**	• Value-creative return on invested capital
Leverage*	1.3x	**0.9x**	• Stronger balance sheet with higher investment capacity

† Before impact of IFRS16
** Consistent with bank covenant calculation*

Strategy and outlook

Richard Tyson, CEO

Driving future performance

Organic growth

Margin enhancement

Acquisitions

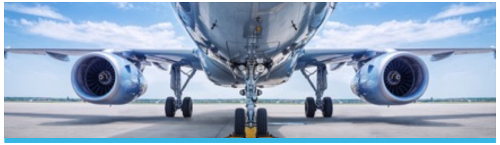
Sustainability driving revenue growth

Our Purpose:

We solve electronics challenges for a sustainable world

Our Sustainability Commitments:

Cleaner



- 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

Underpinned by our approach to business development

Focusing on markets with structural growth drivers

Organic growth

- Transforming TT through business development, targeted R&D and M&A
- Targeting customers and markets with growth potential
  - Seven new customers with potential for recurring multi-million pound revenues
  - Aerospace, defence and medical grew 22% organically; now 47% of revenues
  - Cross-selling success
- Investing in markets with long-term structural growth drivers
- Demand for a more sustainable world driving growth for our power, sensing and connectivity solutions

Good organic revenue prospects in attractive markets

Investing for organic revenue growth – aerospace and defence

Market fundamentals

Growth rate: **c.5%**
Market size: **c.$30bn**
TT market penetration: **<1%**
% of TT revenues: **23%**

Mega trends driving sustainable growth

- Demand for 'greener' aircraft for increased electrification
- Global passenger growth
- Increased defence spending

Exposure to high growth platforms

A350

F-35

A220

A320neo

Why our customers choose us

- Electronics domain expertise across a range of safety critical aircraft systems
- Investment in R&D; products that are smaller, lighter and more power efficient
- Trusted strategic partner with reputation for quality and reliability

Market size in 2017 for Aircraft Electrical Systems Market, MarketsandMarkets 2019, data covers period 2017 to 2025

Investing for organic revenue growth - medical

Organic growth

Market fundamentals

Growth rate: **c.5%**
Market size: **c.$425bn**
TT market penetration: **<1%**
% of TT revenues: **24%**

Mega trends driving sustainable growth

- Population growth and ageing demographics
- Innovation in diagnostics and direct patient care
- Medical device connectivity

Exposure to fast growing specialist market areas

Radiation therapy equipment used for cancer treatment

Laboratory analysis machine used for analysing blood and detecting diseases

Surgical navigation devices used for less invasive 'in-body' procedures

Why our customers choose us

- Industry leading technology for high precision and intricate in-body devices
- Specialist provider of testing solutions and value-engineering for low volume manufacturing
- Reputation for reliability and quality to serve a global regulated market

Market size in 2018 for Medical Devices, Fortune Business Insights Medical Device Markets, 2019, data covers period 2018 to 2025

Investing for organic revenue growth - industrial

Market fundamentals

Growth rate: **c.GDP+**
TT market penetration: **<1%**
% of TT revenues: **42%**

Mega trends driving sustainable growth

- Factory automation, including robotics
- Industrial IoT and artificial intelligence
- Smart city infrastructure

Exposure to market areas underpinned by long-term structural growth

Robotic automation used for improved productivity and labour efficiency in smart factory environments

Smart labelling machine used for increasing productivity for food, retail and manufacturing labelling

Why our customers choose us

- Differentiated sensor technology with high levels of accuracy and customisation to improve customer productivity
- Integrated platform solutions that share data and connect systems, designed to upgrade to 5G
- Investment in R&D; products that are smaller, lighter and more power efficient

M&A – investing in growing markets

Main focus areas for M&A

- Aerospace, defence and medical exposure
- Complementary products and technologies
- Preference for US market exposure
- 11.5% pre-tax hurdle rate in year 3 (inc. IFRS 16)

Covina Power Supply Business

- US designer/manufacturer of aerospace & defence power supplies
- Sole source on attractive defence programmes; defence prime customers
- Acquisition completed in January 2020 for $17.7m consideration
- Being integrated into Power and Connectivity division

A range of product based solutions, including power convertors

Acquisition is value enhancing

- Enhances presence in US aerospace and defence market
- Moves TT further up the value chain into product solutions
- Invest in Covina for growth and engineering capability

Drivers of margin enhancement towards 10%+

Margin enhancement

The track record

2015-2019

2015
4.3%

Growth actions
- Operational leverage
- New products and customisations
- Improved customer mix

Cost actions
- Self-help operational excellence
- Site actions

Disposal
- Disposal of Transportation division

Acquisitions
- Aero Stanrew, Cletronics, Stadium, Precision and Power Partners

2019
8.4%

The opportunity

2020-2022+

2019
8.4%

Growth actions
- Operational leverage
- New products and customisations
- Improved customer mix

Cost actions
- Self-help operational excellence
- Run-rate benefits from 2019 cost actions
- New efficiency programme (£5-6m run-rate benefit)

Acquisitions
- Covina power solutions business
- Revenue and cost synergies from existing acquisitions
- Further M&A opportunity

10%+

Strong performance on all key metrics

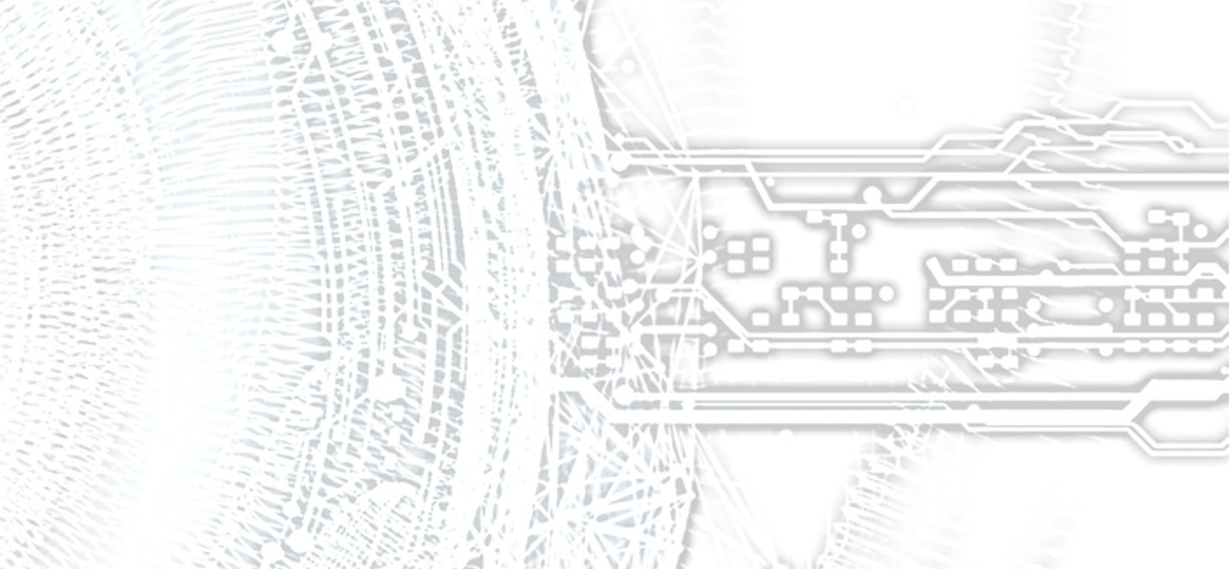
Organic growth ahead of the market	+4% organic revenue ✓
R&D investment to support growth	+6% to £13.5m* ✓
Operating margin progression	Up 60 bps to 8.4% ✓
Cash conversion of 80%+	98% ✓
Improving ROIC	Up 10bps to 11.6%** ✓
Targeted, complementary acquisitions	2 acquisitions announced ✓
Progressive dividend policy	+8% to 7.0p ✓

- New self-help programme underpins journey to double-digit margins
- Well placed to make progress

** At constant currency*

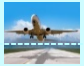
*** Before IFRS 16*

Appendix



Appendix: What we do by division

Good potential across all divisions

	 **Power and Connectivity**	 **Global Manufacturing Solutions**	 **Sensors & Specialist Components**
Capability	 Power  Connectivity	 Manufacturing & engineering	 Sensing  Power
Offering	Components, higher level assemblies and products	Engineering services and manufacturing solutions for products	Components and higher level assemblies
Nature of sell	Engineering solution sell; some power products through distribution	Strategic manufacturing partnership	Direct through OEM and through broadline and specialist distributors
Market focus	  53% aerospace, defence and medical	  58% aerospace, defence and medical	 65% industrial
Financials (FY 2019)	Revenue: £138.2m , up 18% OP: £16.5m, up 45% Margin: 11.9%	Revenue: £213.2m, up 16% OP: £15.4m, up 34% Margin: 7.2%	Revenue: £126.8m, down 7% OP: £15.3m, down 19% Margin: 12.1%
Margin potential	Margin enhancement through moving up the value chain; operational excellence	Margin enhancement by increasing percentage of value-added engineering services; operational excellence	Margin enhancement through operational excellence; improved gross margin on new products launched

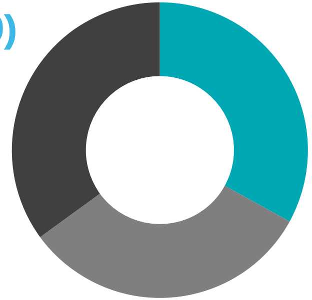
Appendix: The TT Electronics business

Revenue (FY19)

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

Underlying operating profit (FY19)

- **Power and Connectivity** 41%
- **Global Manufacturing Solutions** 39%
- **Sensors and Specialist Components** 38%
- **Central costs** (18)%



Revenue by market (FY19)

- **Industrial** 42%
- **Medical** 24%
- **Aerospace and defence** 23%
- **Transportation** 11%

Revenue by geography (FY19)

- **UK** 29%
- **North America** 30%
- **Asia and Rest of World** 22%
- **Rest of Europe** 19%

Appendix: Impact of FX translation

Sales (£m)	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Corporate	Group
2019	138.2	213.2	126.8	-	**478.2**
2018 at 2019 rates	116.7	184.0	136.4	-	**437.1**
FX impact	1.2	2.2	4.2	-	**7.6**
2018 as published*	115.5	181.8	132.2	-	**429.5**

Operating Profit (£m)					
2019	16.5	15.4	15.3	(7.2)	**40.0**
2018 at 2019 rates	11.4	11.5	19.0	(7.6)	**34.3**
FX impact	0.2	0.2	0.5	-	**0.9**
2018 as published*	11.2	11.3	18.5	(7.6)	**33.4**

Appendix: IFRS 16, Leases

- New accounting standard for leases effective 1 January 2019
- Operating leases are now largely recognised on the balance sheet
- No restatement of comparatives
- No net cash flow or bank covenant impact – bank covenants continue to be calculated according to the prior standard
- No change to Free Cash Flow
- Summary accounting impacts (FY19 impact):
  - £12.8 million increase to reported assets and £17.6 million increase to net debt
  - £4.3 million operating lease expense replaced with £3.5 million depreciation charge
  - £0.8 million increase to operating profit and £0.2m reduction in PBT
  - £2.7m (non-underlying) impairment of right-of-use assets
  - 30 basis point reduction in return on invested capital

Appendix: Cash conversion

Cash Conversion (£m)	**FY2019**	FY2018
EBITDA (continuing operations)	**58.0**	47.0
Net capital expenditure	**(14.3)**	(15.2)
Capitalised development expenditure	**(3.9)**	(3.7)
Working capital	**(3.1)**	(2.1)
Other	**2.5**	3.5
Underlying Operating Cash Flow	**39.2**	29.5
Underlying operating profit - continuing operations	**40.0**	33.4
Cash conversion – continuing operations	***98%***	*88%*

Appendix: Capital allocation priorities

- *Maintain a strong financial position and provide flexibility of funding 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. **Target leverage range 1.0-2.0x EBITDA. Return excess capital** to shareholders

Underpinned by improving return on capital and strong cash conversion

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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