TT Electronics

FULL YEAR RESULTS

2021

STRONG PERFORMANCE & RECORD ORDER BOOK
DRIVING GROWTH

- 2021 was a year of strong performance for the Group
  - Revenue and adjusted margins back to pre-pandemic levels
  - Adjusted operating profit up 31%, reflecting benefits of growth, self-help and action to offset cost & supply chain headwinds
  - Outstanding performance from S&SC and GMS
- Record order book up 56%
  - Good visibility for 2022
  - Investment in inventory to deliver on our growth plans
- Sustainable growth markets focus underpinned by ESG drivers
- Commitment to deliver a 50% reduction in Scope 1&2 emissions by end of 2023
- Tangible progress towards double digit operating margins

EXECUTION & OPERATIONAL EXCELLENCE

- Overall excellent execution
- Managing supply chain and cost headwinds
  - Working in partnership with our customers
  - Innovative software and data analytics to enhance parts sourcing
  - Largely mitigated through price increases
- Delivering self-help programme
  - Benefits ahead of schedule in S&SC business
  - Incremental benefits from Covina move supporting additional R&D

IMPROVING THE QUALITY OF OUR BUSINESS
PARTNERSHIPS & INVESTMENT FOR GROWTH

- Long term partnerships with high-quality, blue-chip customers – top 10 OEM customers 32% of revenue (up from 26% in 2018)
- More than 30 new significant contract wins in 2021, delivering over £100m of multi-year revenues
- Increased cross selling and collaboration across divisions
- Consistent investment in technology and R&D to support future growth (2021: £11.4m)

DELIVERING VALUE THROUGH M&A

Covina and Torotel acquisitions already delivering

- Integrated ahead of plan
- Torotel enhances our US Power electronics capabilities and strengthens our position in the US defence markets
- Leveraging Torotel's blue-chip aerospace and defence customer relationships across TT's businesses
- Covina integration has created additional rationalisation opportunities with Torotel
- Delivered 10% margin and on track to hit ROIC acquisition hurdles

Ferranti Power & Control

- Adds further technology capability, IP and scale to our Power business
- Valuable long-term customer relationships and positioned on programmes with leading global aerospace and defence customers
- Expected to contribute mid-teens operating margins
- Cost synergies of £0.4m expected by year 3

Demonstrates ability to create value through consolidation of fragmented niche markets

FINANCIAL REVIEW
MARK HOAD, CFO

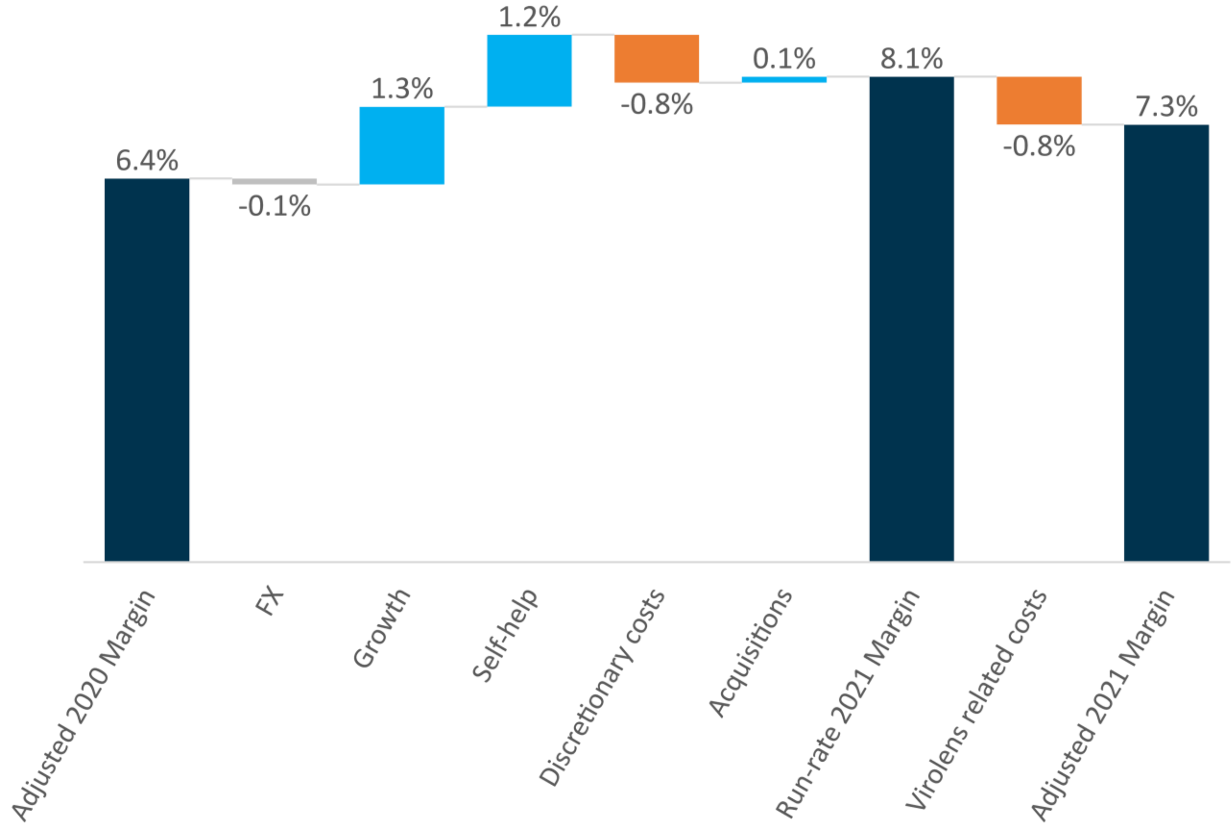
GROUP FINANCIAL PERFORMANCE

£m (except where stated)	2021	2020	Change	Change constant fx
Revenue	476.2	431.8	10%	14%
Operating profit*	34.8	27.5	27%	31%
Operating profit margin*	7.3%	6.4%	90bps	100bps
Profit before tax*	31.5	23.8	32%	36%
EPS* (pence)	14.5p	11.7p	24%	28%
Free cash flow	(1.3)	14.4		
Net debt/EBITDA†,	1.7x	1.6x		
ROIC (%)	9.1%	7.7%	140bps	
Dividend (pence)	5.6p	4.7p	19%	

† *Net debt/adjusted EBITDA calculated as per bank covenant - pre-IFRS 16, proforma for acquisitions*
* *Adjusted, before exceptional items*

- 10% organic revenue increase
- Strong growth drivers in healthcare and automation & electrification
- Operating profit up 31% on constant currency basis
- Adjusted operating margin of 7.3%, (8.1% excluding Virolens)
- Balance sheet strength maintained while investing to support growth and margin improvement
- ROIC recovering quickly with improvement in operating profit
- EPS up 24%
- Dividend up 19% reflecting strong performance and positive outlook

GOOD RECOVERY IN OPERATING MARGIN

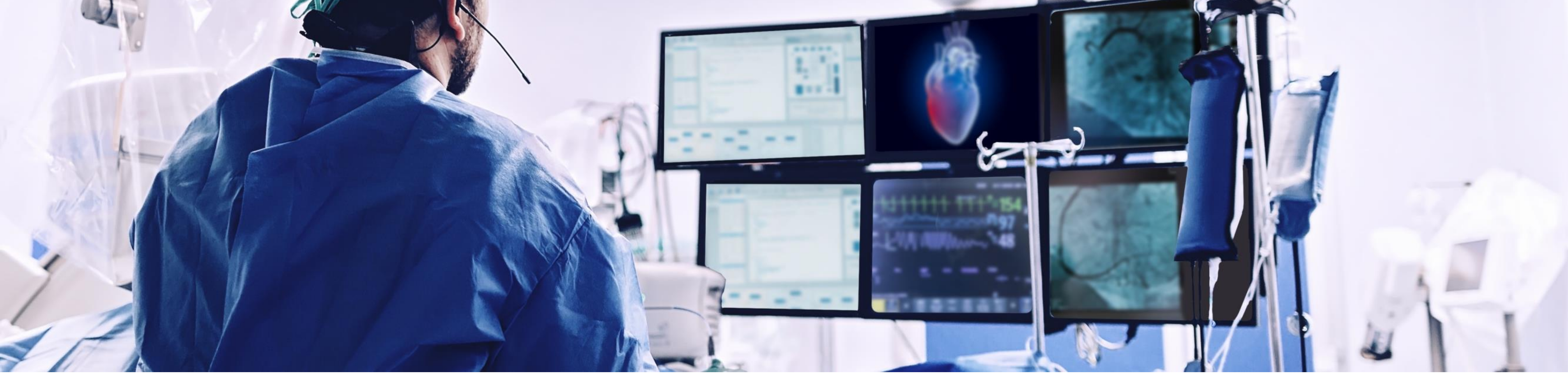


- Good operational leverage on revenue growth
- Realising benefits from self-help programme ahead of plan
- Rebuild of discretionary costs as expected
- Margin accretion from Torotel
- Run-rate margins above pre-pandemic levels
- Adjusted operating margin of 7.3%

POWER & CONNECTIVITY

	2021	2020	Change	Change constant fx
Revenue (£m)	140.2	125.1	12%	15%
Adjusted operating profit (£m)	7.8	10.3	(24)%	(21)%
Adjusted operating margin (%)	5.6	8.2	(260)bps	(250)bps

- 15% revenue growth at constant currency, 3% organic; commercial aerospace recovery yet to come
- Inorganic contribution from Torotel acquisition - £15.2m revenue, £1.5m operating profit
- Adjusted operating profit up 13% excluding £3.8m spend to establish Virolens product line
- Run rate margin of 8.3%



GLOBAL MANUFACTURING SOLUTIONS

	2021	2020	Change	Change constant fx
Revenue (£m)	220.1	197.5	11%	14%
Adjusted operating profit (£m)	18.3	15.0	22%	24%
Adjusted operating margin (%)	8.3	7.6	70bps	60bps

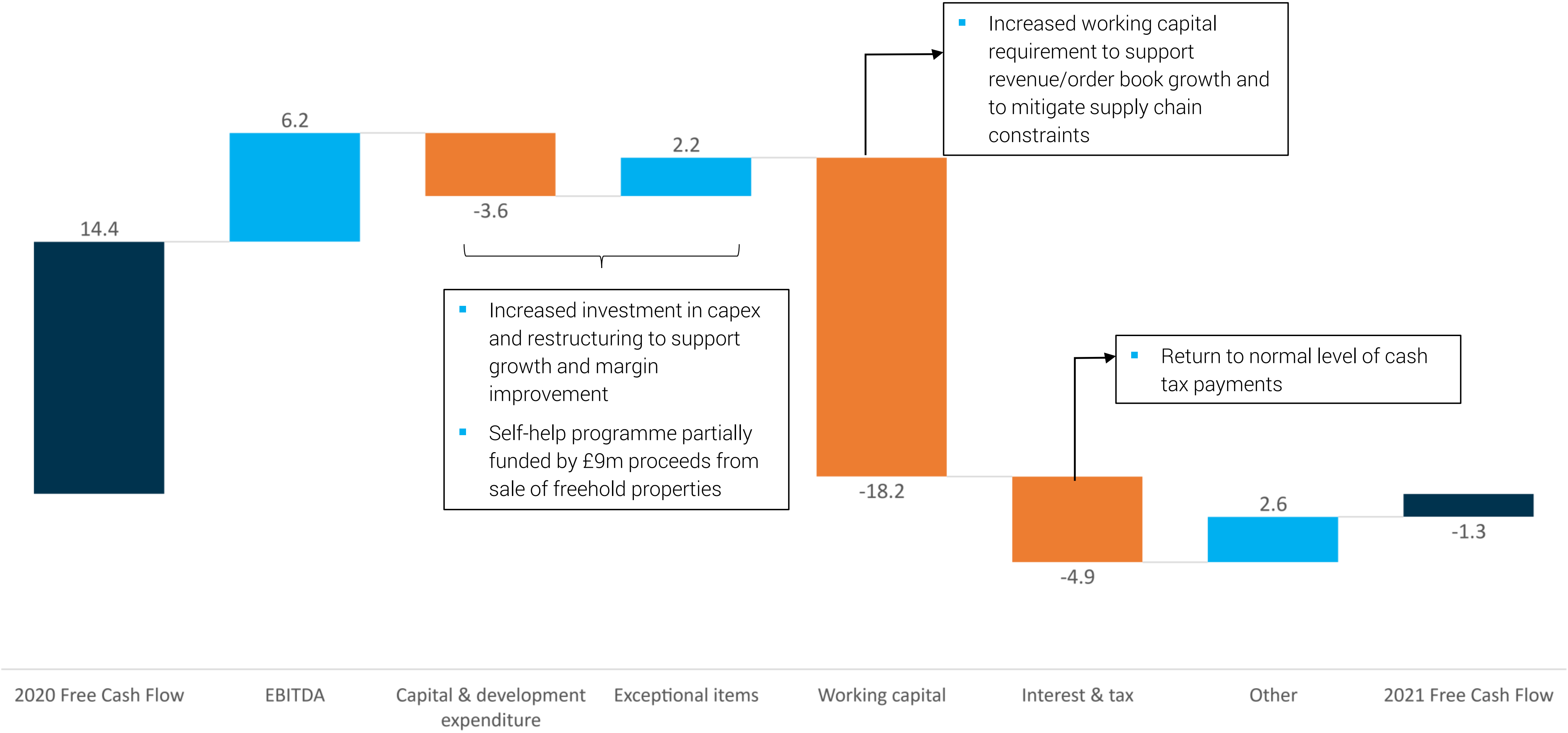
- 14% organic growth in revenue, strong performance in healthcare, automation & electrification
- Order book growth, benefiting from new contract wins – 2022 revenues fully covered
- Growth in operating margins reflecting improved quality of the business
- Significant supply chain challenges being mitigated in partnership with our customers

SENSORS AND SPECIALIST COMPONENTS

	2021	2020	Change	Change constant fx
Revenue (£m)	115.9	109.2	6%	11%
Adjusted operating profit (£m)	16.4	9.4	74%	82%
Adjusted operating margin (%)	14.2	8.6	560bps	550bps

- Revenue increased by 11% organically
- Strong demand in automation and electrification
- Customers committing orders further ahead to secure capacity in response to lead time extension
- Input cost inflation being recovered
- Operational leverage and early realisation of self-help benefits driving margin growth

FREE CASH FLOW REFLECTING INVESTMENT FOCUS



GUIDED BY A CLEAR CAPITAL ALLOCATION POLICY

Free cash flow priorities

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

Application

1. £11.4m investment in R&D; £14.9m capex spend; £3.6m on self-help net of property disposals
2. £11.4 paid in year, 19% increase proposed for FY2021 dividend
3. Torotel integrated; Ferranti acquired January 2022; total acquisition spend since 2020 >£55m
4. Leverage of 1.7x net debt to EBITDA

TARGET LEVERAGE WITHIN RANGE OF 1.0-2.0X EBITDA

EXPANDED SELF-HELP PROGRAMME PROGRESSING WELL

Programme scope

- 3 main site closures + 3 smaller sites
- Net headcount reductions c. 500 FTEs
- Relocation/end-of-life lower margin product lines

Progressing to plan

- Barbados, Carrollton, Corpus Christi and smaller Tunisia site closed; Lutterworth and Akron closing Q1 2022
- Manufacturing transferred to new, state of the art, Plano site
- New enlarged cleanroom at Bedlington operational, site re-configuration well progressed
- Sale of Covina property in H1 and Corpus sale completed earlier than plan in H2 2021
- Integration of Covina into Kansas site improving run-rate benefits

£m	2020	2021	2022	Total
Cash cost				
Restructuring	(1.6)	(2.3)	(3.1)	(7.0)
Capex	(2.3)	(7.9)	(1.6)	(11.8)
Total	(3.9)	(10.2)	(4.7)	(18.8)

£m	2020	2021	2022	Run rate
Benefits	2	8	10	13-14

On track to deliver planned efficiencies, supporting margin progression in 2022 and beyond

RICHARD TYSON, CEO

GOOD EXPOSURE TO STRUCTURAL GROWTH MARKETS

% OF TT REVENUE 2021	MARKET	MEDIUM TERM GROWTH RATE	SUSTAINABILITY DRIVERS
25%	Healthcare	+5-7%	Demographic and social change
18%	Aerospace & Defence	+3-4%	Climate change and protecting populations
39%	Automation & Electrification	+4-6%	Technological change; the digital transformation
18%	Distribution Sales Channel	GDP+	Technological change; the digital transformation

BLENDED MARKET GROWTH RATE 3-5% p.a.

Our focus markets

- Covid impacts expected to underpin healthcare growth
- Western governments indicating increased defence spending
- Commercial aerospace starting to recover
- Pass through of higher costs could inflate revenue by £15-20m in 2022

BUILDING A SUSTAINABLE BUSINESS

MSCI ESG RATINGS AA

CCC | B | BB | BBB | A | AA | AAA

CDP DISCLOSURE INSIGHT ACTION

Environmental

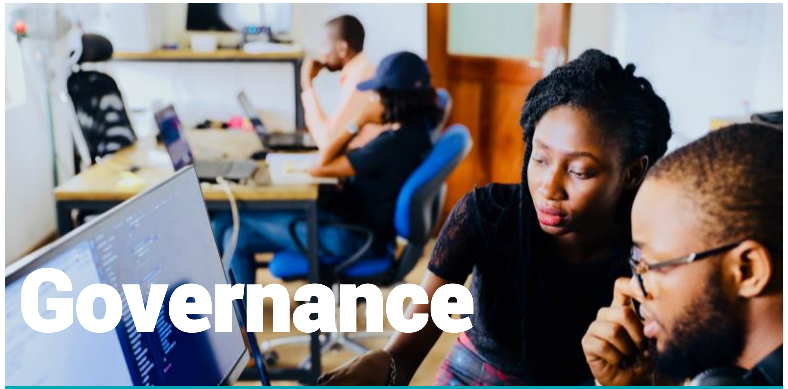
Net Zero target by 2035 for Scope 1&2 emissions

- 25% reduction in emissions delivered in 2021
- Targeting a 50% reduction by the end of 2023
- Using sustainable energy where possible
- Site specific projects to reduce energy consumption

Scope 3 emissions assessment & actions underway

Social

- Employee engagement – 85% participation rate and maintained 2* ranking by Best Companies
- InTTernship, apprentice and graduate schemes
- 23% female representation in management population
- Launch of Leadership programme for women including mentoring & advocacy
- ED&I education programme



Governance

- 33% female representation on the Board
- ED& I Policy
- Compliance with the TCFD requirements

Sustainability drives revenue growth and how we run our business

TRANSFORMING THE BUSINESS

DOUBLE DIGIT MARGINS THROUGH SELF-HELP, GROWTH & PORTFOLIO CHANGE

- Self-help: £13-14m run rate benefit by 2023 from site closures and overhead reduction
- Growth: Operational leverage on market growth of 3–5% p.a.
- Acquisitions of higher margin business such as Torotel and Ferranti with synergy opportunities

GLOBAL MANUFACTURING SOLUTIONS
A HIGHER QUALITY BUSINESS

- Business and margins transformed
- Improved market exposure focus, particularly on healthcare
- Targeted move to customers who value our strategic partnership and are winners in their own growth markets
- Shift from PCBA to High Level Assemblies
- Focus on China for China
- Increasingly cross sells the capabilities of other divisions
- Fully booked for 2022 and now focused on customer delivery and incremental growth for 2023 and beyond
- Margin up from 3.9% in 2015 to 8.3% in 2021

POSITIVE OUTLOOK

- Started 2022 with a record order book
- Levers to navigate ongoing supply chain and cost issues
- Continued growth and margin improvement
- Mindful of geopolitical uncertainty
- Good customer wins and strength in target markets, with commercial aerospace recovery still to come

THANK YOU

FINANCIAL GUIDANCE FOR 2022

Adjusting items cash spend

- £4m on self-help programme
- £2m on Ferranti integration

Capital and development expenditure

- Capex and devex circa £20m including project spend

Working capital

- Inventory levels likely to remain elevated as supply chain constraints continue
- Full year expect modest working capital outflows in line with revenue growth

Pension

- UK deficit contributions £5.7m, increasing £0.2m p.a.
- UK scheme fully funded on a self-sufficiency basis
- Further liability management projects underway

Tax

- Effective rate for year c.22%
- Cash payments c.60% of adjusted P&L charge

Foreign exchange

- USD 1 cent = c.£200k operating profit impact
- RMB 0.1 = c.£200k operating profit impact

DELIVERING GROWTH AND CREATING VALUE

Megatrends driving revenue growth and demand for products that contribute to a more sustainable world

3-5% revenue CAGR

A high quality, IP rich business, with cleaner, smarter and healthier solutions

10%+ operating margin

Strong cash generation to invest in IP and value-enhancing acquisitions

90%+ cash conversion and strong free cash flow generation

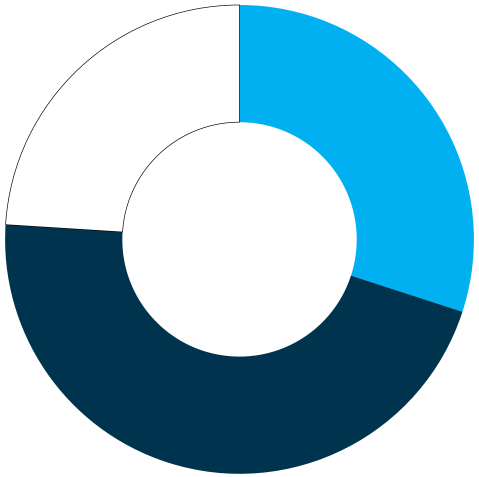
Investment in R&D and M&A improving quality of business and exposure to megatrends

OUR DIVISIONS

		
Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components
Revenue: £140.2m Operating profit: £7.8m Operating profit margin: 5.6%	Revenue: £220.1m Operating profit: £18.3m Operating profit margin: 8.3%	Revenue: £115.9m Operating profit: £16.4m Operating profit margin: 14.2%
Power	**Sensing**	**Connectivity**
Higher value-add product solutions and sub-assemblies	Higher-level complex electronic assemblies	Components and sub-assemblies

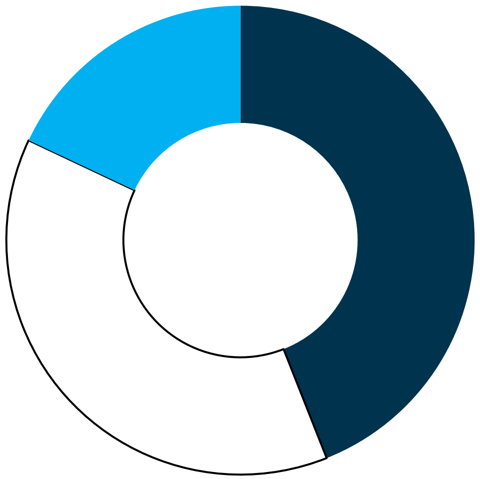
Continued technology investment to develop higher-value product offerings and cross-selling to TT customers across healthcare, aerospace, defence, automation and electrification markets

THE TT ELECTRONICS BUSINESS



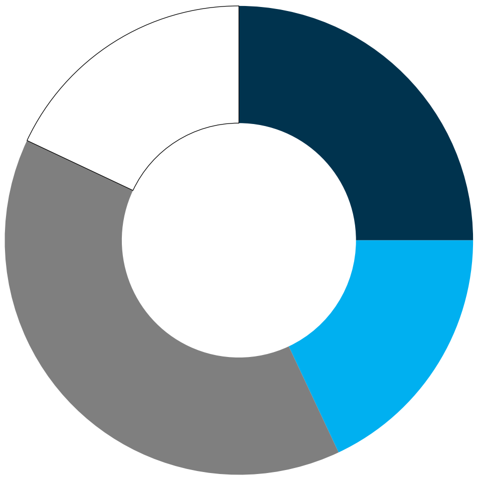
Revenue (2021)

- Power & Connectivity 30%
- Global Manufacturing Solutions 46%
- Sensors & Specialist Components 24%



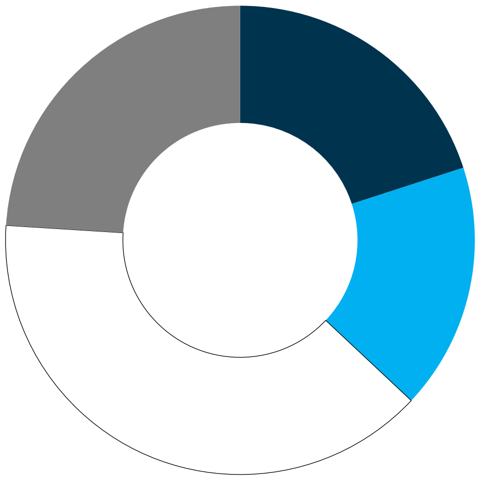
Underlying operating profit (2021)

- Power & Connectivity 22%
- Global Manufacturing Solutions 53%
- Sensors & Specialist Components 47%
- Central costs (22)%



Revenue by market (2021)

- Healthcare 25%
- Aerospace & Defence 18%
- Automation & Electrification 39%
- Distribution sales channel 18%



Revenue by geography (2021)

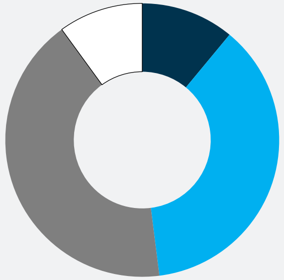
- UK 21%
- Rest of Europe 17%
- North America 38%
- Asia and RoW 24%

REVENUE BY MARKET AND GEOGRAPHY BY DIVISION

Power and Connectivity

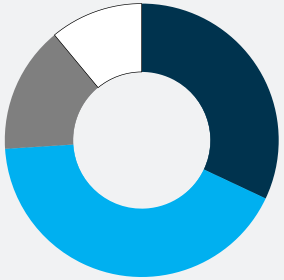
Revenue by market (%)

- Healthcare 11%
- Automation and electrification 37%
- Aerospace and defence 42%
- Distribution sales channel 10%



Revenue by geography (%)

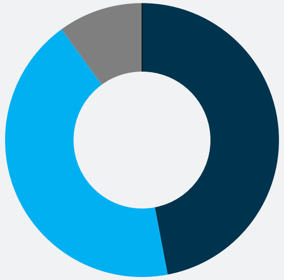
- UK 32%
- North America 42%
- Rest of Europe 15%
- Asia and RoW 11%



Global Manufacturing Solutions

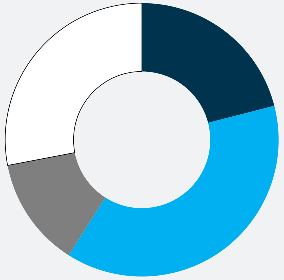
Revenue by market (%)

- Healthcare 47%
- Automation & electrification 43%
- Aerospace & defence 10%
- Distribution sales channel 0%



Revenue by geography (%)

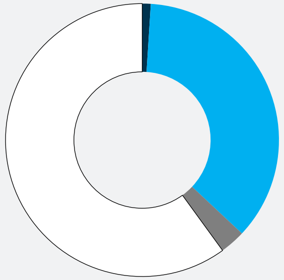
- UK 21%
- North America 38%
- Rest of Europe 13%
- Asia and RoW 28%



Sensors and Specialist Components

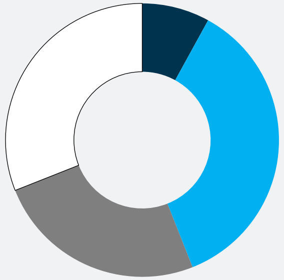
Revenue by market (%)

- Healthcare 1%
- Automation & Electrification 36%
- Aerospace and defence 3%
- Distribution sales channel 60%



Revenue by geography (%)

- UK 8%
- North America 36%
- Rest of Europe 25%
- Asia and RoW 31%



SUMMARY INCOME STATEMENT

£m	2021	2020
Revenue	476.2	431.8
Adjusted operating profit	34.8	27.5
Net finance cost	(3.3)	(3.7)
Adjusted profit before taxation	31.5	23.8
Adjusting items	(15.5)	(20.9)
Profit before taxation	16.0	2.9
Taxation	(3.2)	(1.6)
Profit after taxation	12.8	1.3

SUMMARY OF REVENUE AND OPERATING PROFIT BY DIVISION
IMPACT OF FX

	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Corporate	Group
Revenue (£m)					
2021	140.2	220.1	115.9	-	476.2
2020 at 2021 rates	121.7	193.4	104.0	-	419.1
FX impact	(3.4)	(4.1)	(5.2)	-	(12.7)
2020 as published	125.1	197.5	109.2	-	431.8
Operating Profit (£m)					
2021	7.8	18.3	16.4	(7.7)	34.8
2020 at 2021 rates	9.9	14.8	9.0	(7.2)	26.5
FX impact	(0.4)	(0.2)	(0.4)	-	(1.0)
2020 as published	10.3	15.0	9.4	(7.2)	27.5

INCOME STATEMENT – ADJUSTING ITEMS

£m	2021	2020[1]
Operating profit	19.3	6.6
Adjusted to exclude:		
Restructuring and other items		
Restructuring	9.8	14.8
Property disposals	(1.7)	(1.2)
Pension and past service charge/(credit)	(0.3)	0.9
	7.8	14.5
Acquisition related costs		
Amortisation of intangible assets arising on business combinations	5.1	4.2
Release of warranty and claims provision relating to Transportation business divestment	-	(1.0)
Ferranti acquisition costs	0.5	-
Torotel acquisition and integration costs	1.5	1.3
Other acquisition costs	0.2	1.3
Aborted acquisition and disposal costs	0.4	0.6
	7.7	6.4
Total operating reconciling items	15.5	20.9
Adjusted operating profit	34.8	27.5

CASH CONVERSION

£m	2021	2020
Adjusted operating profit	34.8	27.5
Depreciation and amortisation	16.1	17.0
Net capital expenditure	(14.9)	(9.9)
Capitalised development expenditure	(1.9)	(3.3)
Working capital	(14.7)	3.6
Other	3.3	0.9
Operating cash flow after capex[1]	22.7	35.8
Operating profit	34.8	27.5
Cash conversion	*65%*	*130%*

[1] *Excludes the net proceeds of the Covina property sale (£5.8 million).*

MOVEMENT IN NET DEBT

£m	2021	2020
Operating cash flow after capex[1]	22.7	35.8
Net interest and tax	(8.7)	(3.8)
Lease liability repayments	(3.9)	(4.1)
Restructuring and acquisition related costs[1,2]	(5.9)	(8.1)
Pensions	(5.5)	(5.4)
Free cash flow	(1.3)	14.4
Dividends	(11.4)	-
Acquisitions and disposals[2]	(0.5)	(45.7)
Equity issued	1.4	20.2
Other	(3.4)	2.3
Increase in net debt	(8.4)	(8.8)
Opening net debt	(83.9)	(69.1)
Borrowings acquired	-	(3.0)
New leases	(10.8)	(2.6)
FX and other non cash items	0.6	(0.4)
Closing net debt	(102.5)	(83.9)

1. *Restructuring, acquisition and disposal related costs' comprises proceeds on surplus property disposals of £9.1m.*
2. *2 In 2020 'Restructuring, acquisition and disposal related costs' exclude a £3.8 million payment for a debt-like item which crystallised upon acquisition of Torotel and which has been presented within 'acquisitions and disposals.' This £3.8 million is an acquisition related cost.*

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.

The Directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.