TT Electronics

HALF YEAR RESULTS

2021

DELIVERING ON OUR STRATEGY
GROWING BUSINESS MOMENTUM

- Significant momentum across the business
- Record order book
  - Expected strong 2021 revenue growth fully covered
  - Good visibility building for 2022
- Significant new customer wins, reflecting focus on sustainable growth markets underpinned by megatrends and ESG drivers
- Self help programme on track for completion in 2021 at reduced net cost
- Clear improvement in quality of Global Manufacturing Solutions business
- Increased visibility in path to deliver double digit margins

A RESPONSIBLE BUSINESS

We help solve electronic challenges by providing solutions that are cleaner, smarter and healthier, which help our customers reduce their environmental impacts. At the same time, we also seek to optimise our own operations to reduce our impact on the environment.

OUR SUSTAINABILITY OBJECTIVES

ZERO HARM

Zero harm with year-on-year reduction in incidents

ENGAGEMENT

Build an inclusive, vibrant and diverse environment for our employees

CARBON NEUTRAL

Deliver step change in carbon emissions and be carbon neutral* by 2035

SINGLE-USE PLASTIC

Deliver a step change reduction in our use of single-use plastics & like-for-like reductions annually

WASTE TO LANDFILL

Deliver a step change reduction in amount of waste sent to landfill & like-for-like reductions annually

ALIGNMENT TO UN SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

ACCREDITATION

BEST COMPANY 2020

MSCI ESG RATINGS AA

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

CDP DISCLOSURE INSIGHT ACTION

** Scope 1 and 2 emissions*

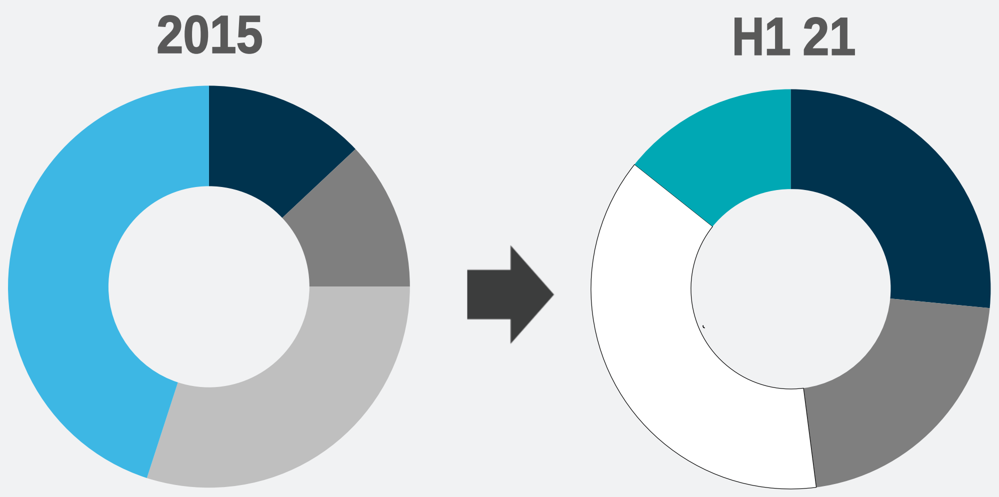
Goals measured against 2019 baseline

MOVING INTO HIGH GROWTH, HIGH MARGIN MARKETS

1. Increased exposure to structural growth markets, providing solutions for a cleaner, smarter and healthier world
2. Customer intimacy and R&D collaboration resulting in designed-in products largely direct to OEMs
3. Improved margin profile through portfolio change, growth and self-help actions
4. Increased capital discipline – focus on cash generation and careful use of balance sheet

SHIFT IN END MARKET EXPOSURES

Transformation into markets with structural growth drivers



2015	H1 21
Medical (13%)	Healthcare (26%)
Aerospace & Defence (12%)	Aerospace & Defence (19%)
Industrial (30%)	Automation & Electrification (38%)
Transportation (45%)	Distribution sales channel (17%)

GOOD EXPOSURE TO STRUCTURAL GROWTH MARKETS

% OF TT REVENUE H1 21	MARKET	MEDIUM TERM GROWTH RATE	SUSTAINABILITY DRIVERS
26%	Healthcare	+5-7%	Demographic and social change
19%	Aerospace & Defence	+3-4%	Climate change and resource scarcity
38%	Automation & Electrification	+4-6%	Technological change; the digital transformation
17%	Distribution Sales Channel	GDP+	Technological change; the digital transformation

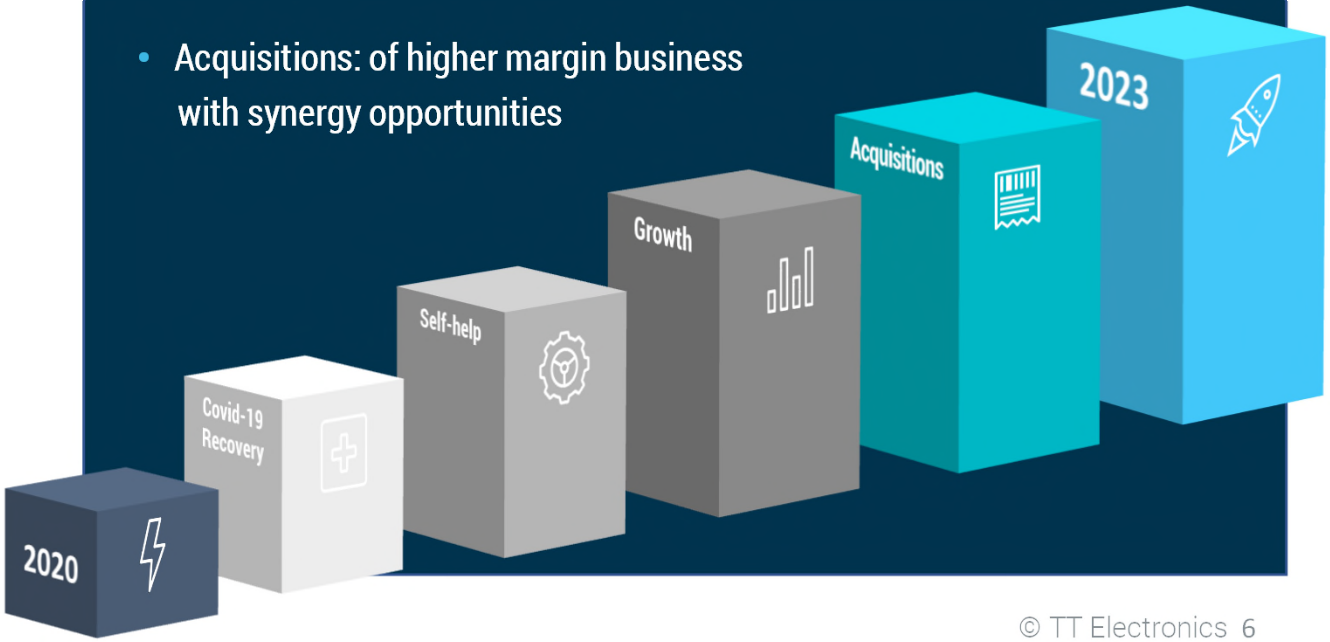
BLENDED MARKET GROWTH RATE 3-5% p.a.

INCREASED VISIBILITY TO DELIVER 10%+ MARGINS

- **Covid recovery**: Bouncing back to towards 2019 revenue and margin levels this year
- **Growth:** Ongoing growth momentum delivering further operational leverage
- **Self help:** On track, total cost reduced, benefits building in 2021, more to come next year
- **Acquisitions**: Torotel delivering growth, higher margins and synergies

CLEAR PATH TO 10%+ MARGINS

- Recovery: from COVID-19 impact
- Self-help: £11-12m run rate benefit by 2023 from site closures and overhead reduction
- Growth: Operational leverage on growth – 3–5% p.a. market growth
- Acquisitions: of higher margin business with synergy opportunities



FINANCIAL REVIEW
MARK HOAD, CFO

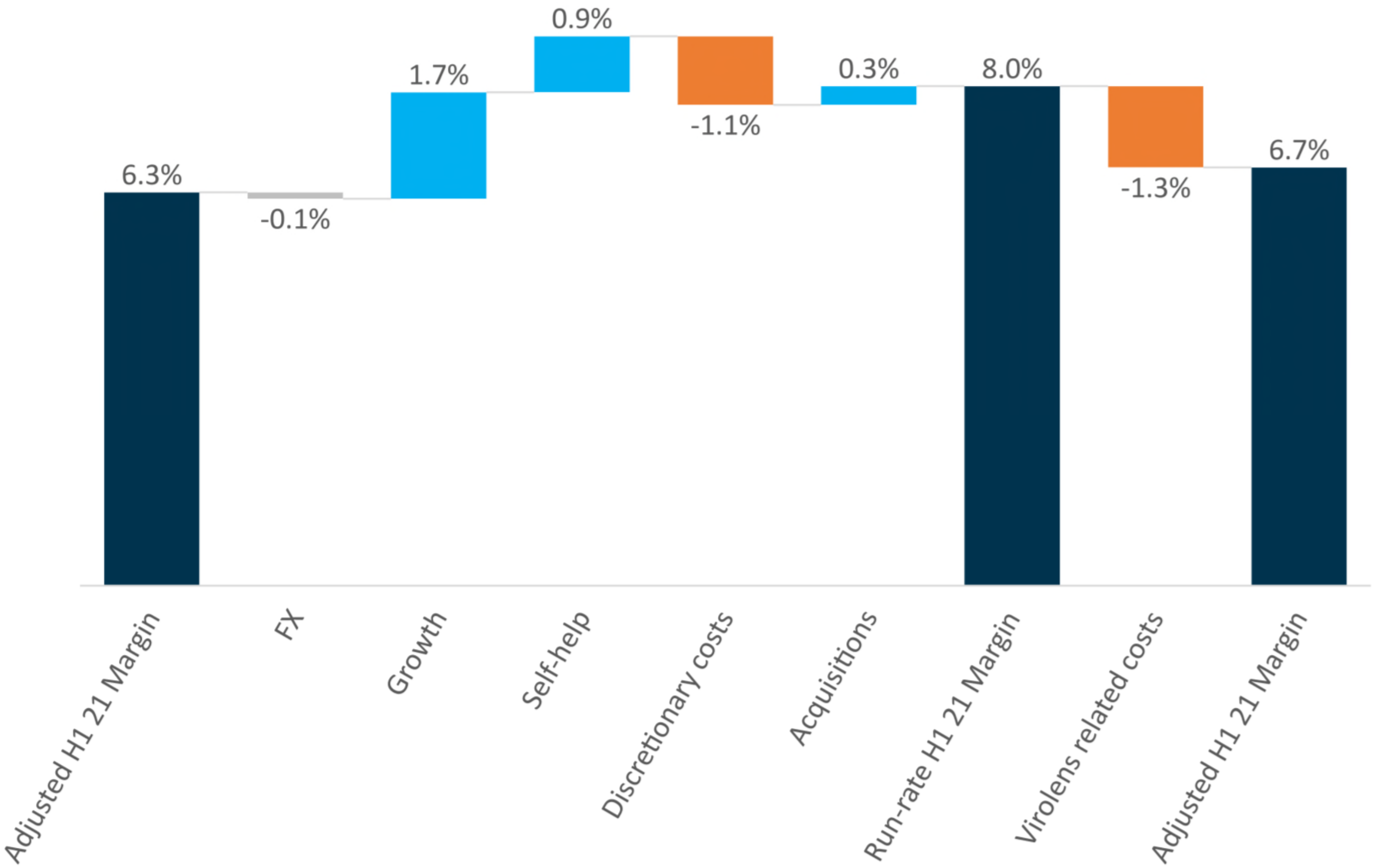
GROUP FINANCIAL PERFORMANCE

£m (except where stated)	HY 21	HY 20[1]	Change constant fx
Revenue	**235.6**	210.0	16 %
Operating profit*	**15.9**	13.2	27%
Operating profit margin*	**6.7%**	6.3%	50bps
Profit before tax*	**14.1**	11.3	33%
EPS* (pence)	**6.5p**	5.6p	23%
Free cash flow	**(10.3)**	(5.2)	
Net debt/EBITDA†,	**2.0x**	1.6x‡	
ROIC (%)	**8.3%**	7.7%‡	60bps
Dividend (pence)	**1.8p**	-	

- Core markets generally returned to growth
- 12% organic revenue growth
- Operating profit up 27% on constant currency basis
- Adjusted operating margin of 6.7% (8.0% excluding Virolens related costs)
- EPS up 23%
- Cash generation impacted by growth and supply chain constraints; expect working capital to improve in H2
- ROIC recovering quickly
- HY dividend 1.8p, reflecting positive outlook

[1] *Restated*
* *Adjusted, before exceptional costs*
† *Net debt/adjusted EBITDA calculated as per bank covenant - pre-IFRS 16, proforma for acquisitions*
‡ *FY 2020*

GOOD RECOVERY IN OPERATING MARGIN



- Good operational leverage on revenue growth
- Realising benefits from self-help programme
- Adding back discretionary costs as planned
- Margin accretion from Torotel
- Run-rate margins at 2019 levels (excluding Virolens related costs)
- Adjusted operating margin of 6.7%

POWER & CONNECTIVITY

	HY 21	HY 20	Change	Change constant fx
Revenue (£m)	68.2	60.0	14%	17%
Adjusted operating profit (£m)	3.6	4.4	(18)%	(16)%
Adjusted operating margin	5.3%	7.3%	(200)bps	(210)bps

- 17% revenue growth at constant currency, 1% organic as commercial aero revenues dropped to run-rate vs tougher Q1 comp; growth in other end markets
- Strong contribution from Torotel acquisition - £9.7m revenue, £1.4m operating profit
- Margin impacted by costs to establish Virolens product line – margins 9.5% excluding this
- Good contribution from efficiencies and self-help benefits

GLOBAL MANUFACTURING SOLUTIONS

	HY 21	HY 20	Change	Change constant fx
Revenue (£m)	109.6	95.5	15%	18%
Adjusted operating profit (£m)	8.5	8.3	2%	9%
Adjusted operating margin	7.8%	8.7%	(90)bps	(60)bps

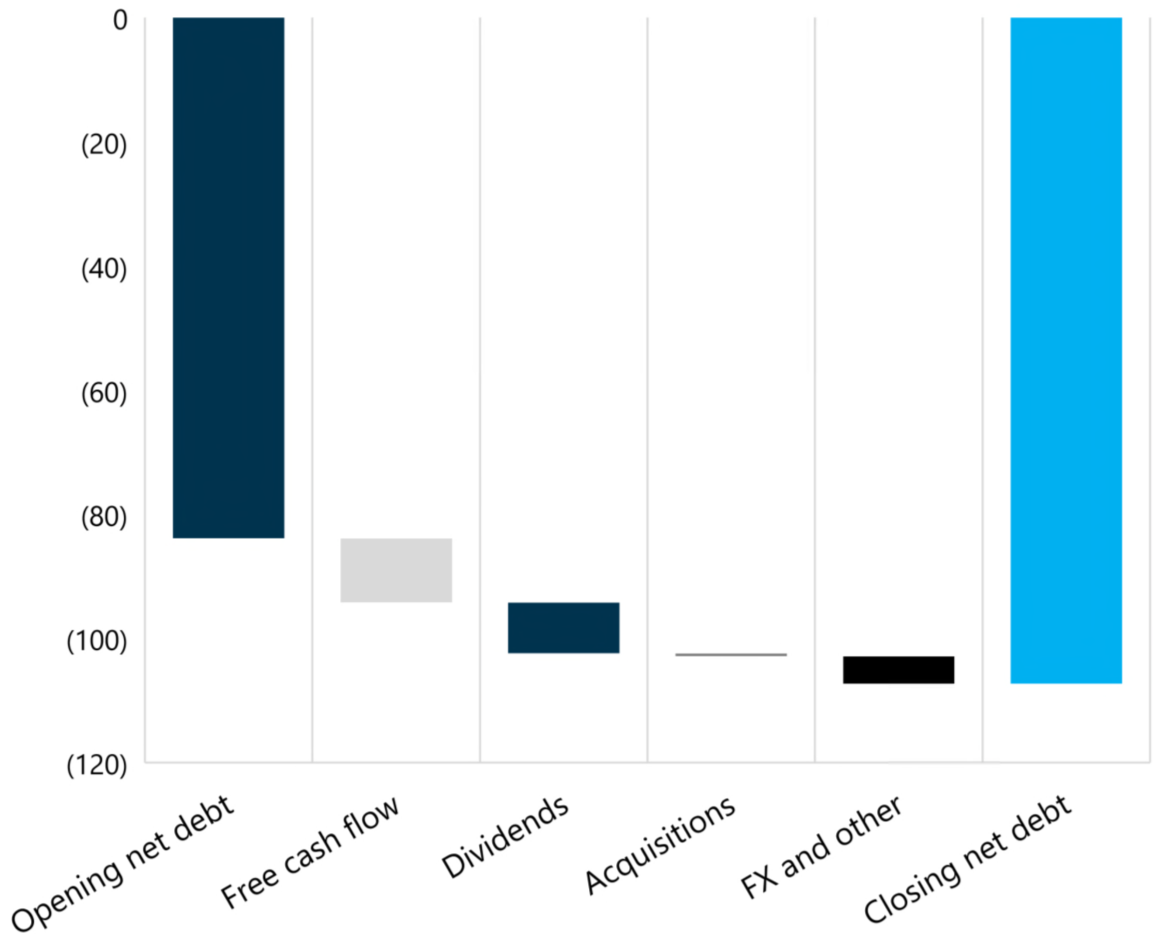
- 18% organic growth in revenue, strong performance in healthcare, automation and electrification
- Order book growth, benefiting from new customer wins
- Operating profit and margins impacted by lower recovered hours in Cleveland - realigned cost base will enhance H2 margin
- Scope to drive operating margin higher

SENSORS AND SPECIALIST COMPONENTS

	HY 21	HY 20	Change	Change constant fx
Revenue (£m)	57.8	54.5	6%	13%
Adjusted operating profit (£m)	7.4	3.8	95%	100%
Adjusted operating margin	12.8%	7.0%	580bps	560bps

- Revenue grew by 13% organically
- Strong demand in automation and electrification
- Customers booking orders to secure capacity; order book for 2022 already building
- Input cost inflation being recovered
- Operational leverage and self-help programme driving margin growth

CONTINUED FOCUS ON CASH AND LEVERAGE



- Cash performance in H1 impacted by £18.9m working capital outflow
  - Increased receivables reflecting high revenue growth
  - Decision to invest in inventory due to supply chain constraints and to protect H2 order book
- Partially mitigated by sale of Covina property freehold
- Investing in capex and self-help programme to support growth and enhancement
- Paid 2020 full year dividend of £8.2m
- New leases increased reported debt by £6.9m, mainly the new Plano site
- Leverage increased to net debt/adjusted EBITDA 2.0x – expect reduction in H2
- Debut Private Placement - £75m with 7 and 10 year maturities; average fixed coupon 2.9%

EXPANDED SELF-HELP PROGRAMME PROGRESSING WELL

Programme scope

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

Progressing to plan

- Barbados, Carrollton and smaller Tunisia site closed
- Manufacturing at new, state of the art, Plano site to start Q4 21
- New enlarged cleanroom at Bedlington operational, site re-configuration well progressed
- Transfer of manufacturing from Corpus Christi and Lutterworth on track to complete in H2
- Sale of Covina property lowers cost of self-help programme net of move costs and additional capex
- Project expenditure to be largely completed in 2021

£m	2020	2021	2022	Total
Cash cost				
Restructuring	(2)	(3)	1	(4)
Capex	(2)	(9)	(1)	(12)
Total	(4)	(12)	-	(16)

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

On track to deliver planned efficiencies, supporting margin progression in 2021 and beyond

"With 2021 expected revenues already fully covered by orders, continuing demand momentum and the benefits of our successful self-help programme being realised, we are confident in delivering improved full year 2021 results and have increased visibility over our path to double digit margins."

RICHARD TYSON, CEO

TT ELECTRONICS: CLEANER, SMARTER & HEALTHIER TECHNOLOGY

Torotel (Kansas City) Awarded Contract from Major A&D Prime

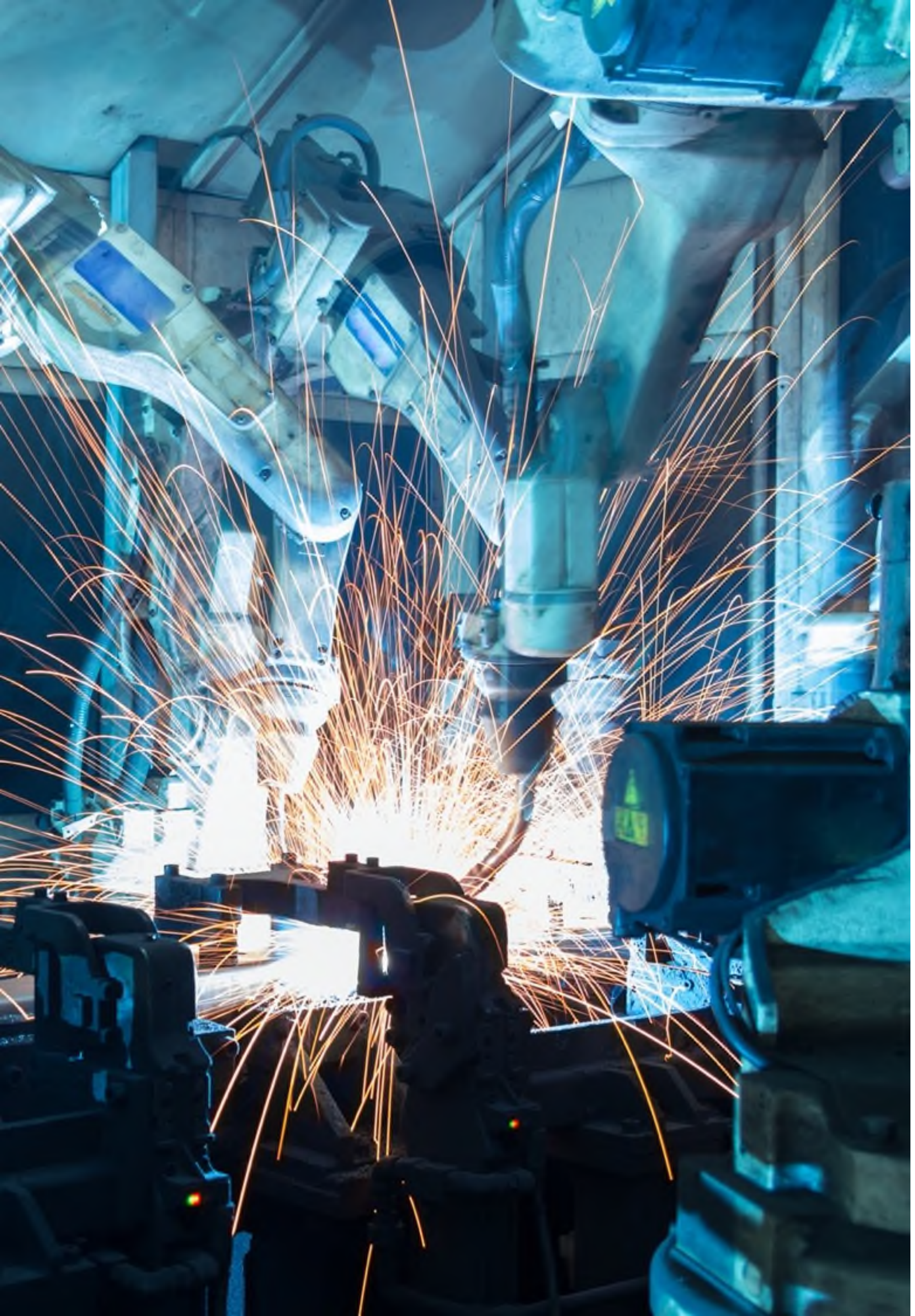
- New win from the Torotel (Kansas City) business
- A major A&D customer needed support manufacturing a variety of ruggedised wire harness assemblies at an accelerated pace for a key, US defence programme with high visibility
- Initial performance led to invitation to become a long-term supplier, and follow on orders
- Worked with the customer to put together an investment plan with delivery in H2 21
- Current order value is c. £1m
- TT now supports this customer from multiple global facilities, with technologies from all 3 divisions

telenor

- Selected as hardware partner to Telenor, a leading communications and IoT provider ranked among the top 10 IoT operators globally and the top three in Europe
- Near-term opportunities provided by the sunsetting of 2G and 3G cellular technology requiring devices to be upgraded or replaced
- Initial work in the Nordic region with the potential to expand the scope into the wider European, Southern Asian and North American markets
- Partnership demonstrates market confidence in TT's connectivity product solutions/technologies

TT Secures Contract with New Healthcare Customer for In-Vitro Diagnostics Product

- New win from the Global Manufacturing Solutions division
- A global leader in specialist diagnostics was introduced to TT through an existing customer.
- TT is manufacturing complex electronics assembly supporting the company's hemostasis line
- The initial 2 year contract involves our Cleveland and Suzhou sites and is worth c. £1m
- TT was chosen for our reputation as a best-in-class global manufacturing partner with excellent customer service



RECORD ORDER BOOK VISIBILITY
FURTHER MARGIN GROWTH

- Record order book and continued strong order intake with good visibility building for 2022
- Improving quality of the business and margins
  - Self-help programme on-track; £5m incremental benefits in 2021; reduced net cost by £2m following sale of Covina site
  - GMS division has secured 3 new customers (1 Healthcare, 2 A&D) in H1; in addition to 10 new multi-year contracts won from existing key accounts worth approx. £65m
  - Power and Connectivity secured a number of multi-year contracts worth approx. £30m, including 6 new customers
  - Torotel exceeding expectations, executing on cross selling opportunities

DELIVERING VALUE THROUGH M&A: TOROTEL

Benefits

- Additional Tier 1 OEM relationships
- Growing number of cross selling opportunities
- Collaboration on how different sites can work with strategic customers
- Working across sites on supply chain, engineering and operations
- TT providing additional investment to Torotel, expanding product offering and leading to new opportunities previously not accessible

New client wins

- Over £11m of new orders in H1
- Significant contract wins secured on existing and new programs
- Won a £1m contract with major defence supplier to provide complex cable assemblies
- Won a new contract for delivery in 2022, utilising our experience in radar electronics, worth c. £1.5m
- Increased pipeline of opportunities – improved visibility to higher organic growth

Metrics

- On track to deliver planned cost synergies
- On track to hit ROIC target with scope to enhance further

Demonstrates ability to create value through consolidation of fragmented niche markets

OUTLOOK

- Order and sales momentum continue; 2021 expected revenues fully covered
- Further increase in full year profit expectations
- Anticipate strong improvement in adjusted operating margins and cash conversion in H2
- Increased visibility in path to double digit margins

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

THANK YOU

OUR DIVISIONS



Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components
Revenue: £68.2m Operating profit: £3.6m Operating profit margin: 5.3%	Revenue: £109.6m Operating profit: £8.5m Operating profit margin: 7.8%	Revenue: £57.8m Operating profit: £7.4m Operating profit margin: 12.8%
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

CAPITAL ALLOCATION PRIORITIES

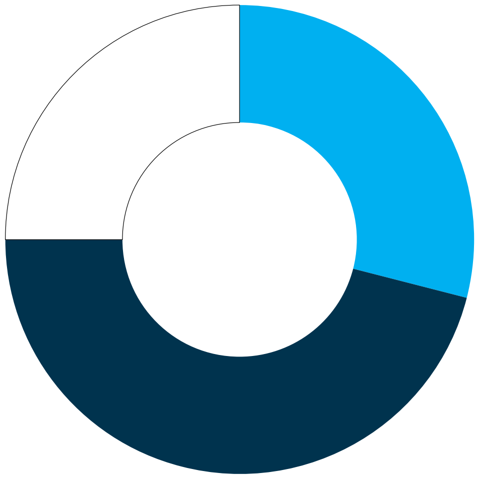
Our objective is to maintain a strong financial position and provide flexibility for growth

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 - disciplined hurdle rates
4. Return excess capital to shareholders

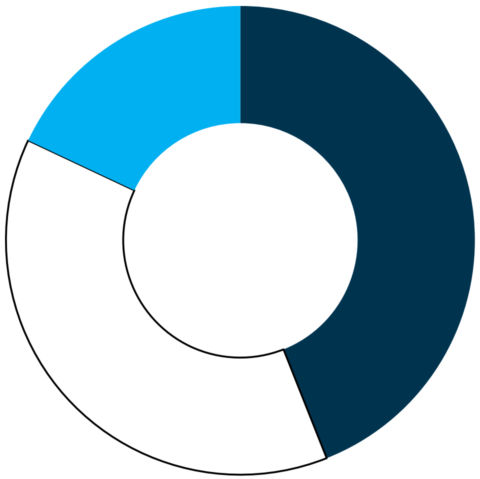
TARGET LEVERAGE WITHIN RANGE OF 1.0-2.0X EBITDA

THE TT ELECTRONICS BUSINESS



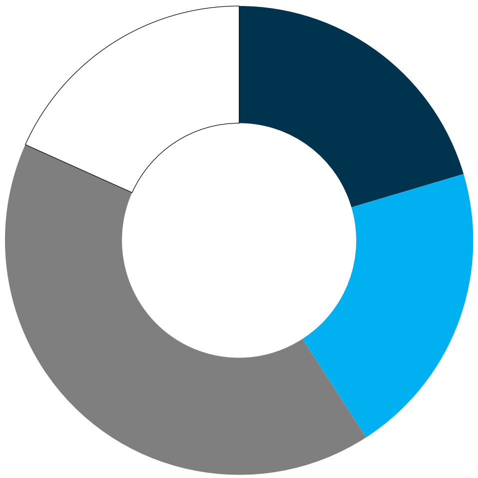
Revenue (H1 2021)

- Power & Connectivity 29%
- Global Manufacturing Solutions 46%
- Sensors & Specialist Components 25%



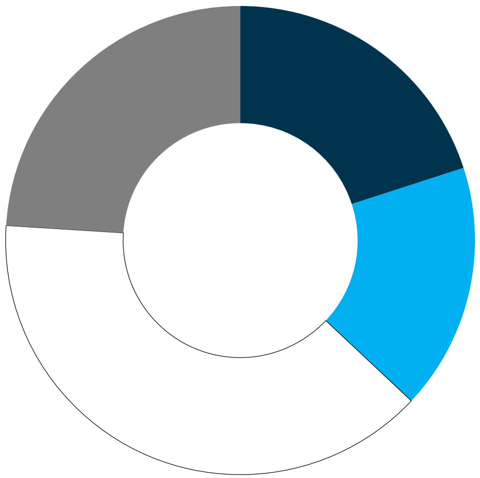
Underlying operating profit (H1 2021)

- Power & Connectivity 23%
- Global Manufacturing Solutions 53%
- Sensors & Specialist Components 47%
- Central costs (23)%



Revenue by market (H1 2021)

- Healthcare 26%
- Aerospace & Defence 19%
- Automation & Electrification 38%
- Distribution sales channel 17%



Revenue by geography (H1 2021)

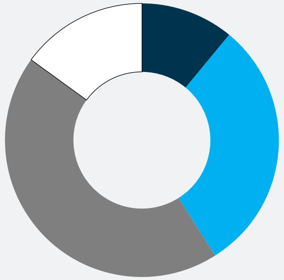
- UK 20%
- Rest of Europe 17%
- North America 39%
- Asia and RoW 24%

REVENUE BY MARKET AND GEOGRAPHY BY DIVISION

Power and Connectivity

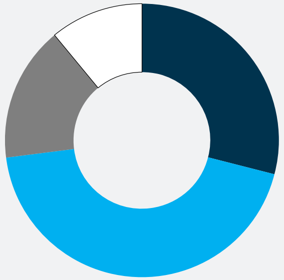
Revenue by market (%)

- Healthcare 11%
- Automation and electrificaiton 30%
- Aerospace and defence 44%
- Distribution sales channel 15%



Revenue by geography (%)

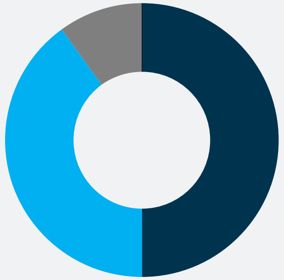
- UK 29%
- North America 44%
- Rest of Europe 16%
- Asia and RoW 11%



Global Manufacturing Solutions

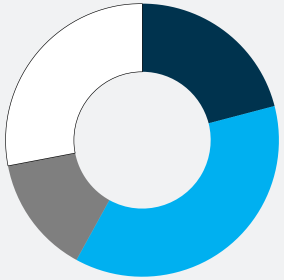
Revenue by market (%)

- Healthcare 50%
- Automation and electrificaiton 40%
- Aerospace and defence 10%
- Distribution sales channel 0%



Revenue by geography (%)

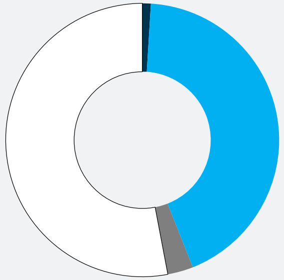
- UK 21%
- North America 37%
- Rest of Europe 14%
- Asia and RoW 28%



Sensors and Specialist Components

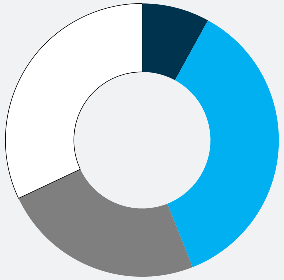
Revenue by market (%)

- Healthcare 1%
- Automation and electrificaiton 43%
- Aerospace and defence 3%
- Distribution sales channel 53%



Revenue by geography (%)

- UK 8%
- North America 36%
- Rest of Europe 24%
- Asia and RoW 32%



SUMMARY INCOME STATEMENT

(£m)	H1 2021	H1 2020[1]
Revenue	**235.6**	210.0
Adjusted operating profit	**15.9**	13.2
Net finance cost	**(1.8)**	(1.9)
Adjusted profit before taxation	**14.1**	11.3
Adjusting items	**(6.6)**	(14.3)
Profit / (loss) before taxation	**7.5**	(3.0)
Taxation	**(1.7)**	-
Profit / (loss) after taxation	**5.8**	(3.0)

[1] *The results for the period ended 30 June 2020 have been restated to reflect prior year adjustments. Further details are set out in TT Electronics plc Results for the half-year ended 30 June 2021.*

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)					
HY 2021	68.2	109.6	57.8	-	**235.6**
HY 2020 at 2021 rates	58.1	93.1	51.3	-	**202.5**
FX impact	(1.9)	(2.4)	(3.2)	-	**(7.5)**
HY 2020 as published	60.0	95.5	54.5	-	**210.0**
Operating Profit (£m)					
HY 2021	3.6	8.5	7.4	(3.6)	**15.9**
HY 2020 at HY 2021 rates	4.3	7.8	3.7	(3.3)	**12.5**
FX impact	(0.1)	(0.5)	(0.1)	-	**(0.7)**
HY 2020 as published	4.4	8.3	38	(3.3)	**13.2**

[1]*The results for the period ended 30 June 2020 have been restated to reflect prior year adjustments. Further details are set out in TT Electronics plc Results for the half-year ended 30 June 2021.*

INCOME STATEMENT – ADJUSTING ITEMS

£m	H1 2021	H1 2020[1]
Operating profit	9.3	(1.1)
Adjusted to exclude:		
Restructuring and other items		
Restructuring	(3.3)	(11.4)
Property disposals	1.3	-
Pension and past service charge	0.6	-
	(2.6)	(11.4)
Acquisition related costs		
Amortisation of intangible assets arising on business combinations	(2.5)	(2.0)
Release of warranty and claims provision relating to Transportation business divestment	-	1.0
Torotel acquisition and integration costs	(0.9)	(0.4)
Covina acquisition and integration costs	(0.2)	(1.1)
Other acquisition related costs	(0.4)	(0.4)
	(4.0)	(2.9)
Total operating reconciling items	(6.6)	(14.3)
Adjusted operating profit	15.9	13.2

[1] *The results for the period ended 30 June 2020 have been restated to reflect prior year adjustments. Further details are set out in TT Electronics plc Results for the half-year ended 30 June 2021.*

CASH CONVERSION

£m	H1 2021	H1 2020[1]
Adjusted operating profit	15.9	13.2
Depreciation and amortisation	8.0	8.7
Net capital expenditure	(6.2)	(3.0)
Capitalised development expenditure	(1.0)	(1.5)
Working capital	(18.9)	(11.2)
Other	1.1	0.8
Operating cash flow after capex[2]	(1.1)	7.0
Operating profit	15.9	13.2
Cash conversion	*(7%)*	*53%*

[1] *The results for the period ended 30 June 2020 have been restated to reflect prior year adjustments. Further details are set out in TT Electronics plc Results for the half-year ended 30 June 2021.*

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

MOVEMENT IN NET DEBT

£m	H1 2021	H1 2020[1]
Operating cash flow after capex[2]	(1.1)	7.0
Net interest and tax	(4.0)	(3.0)
Lease liability repayments	(1.9)	(1.8)
Restructuring and acquisition related costs[2]	(0.6)	(4.7)
Pensions	(2.7)	(2.7)
Free cash flow	(10.3)	(5.2)
Dividends	(8.2)	-
Acquisitions and disposals	(0.5)	(14.6)
Equity issued	0.3	0.1
Other	(0.1)	(1.8)
Increase in net debt	(16.9)	(19.7)
Opening net debt	(83.9)	(69.1)
FX and other non cash items	(6.5)	(0.2)
Closing net debt	(107.3)	(89.0)

[1] *The results for the period ended 30 June 2020 have been restated to reflect prior year adjustments. Further details are set out in TT Electronics plc Results for the half-year ended 30 June 2021.*
[2] *Restructuring and acquisition related costs includes the net proceeds of the Covina property sale (£5.8 million).*

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.

