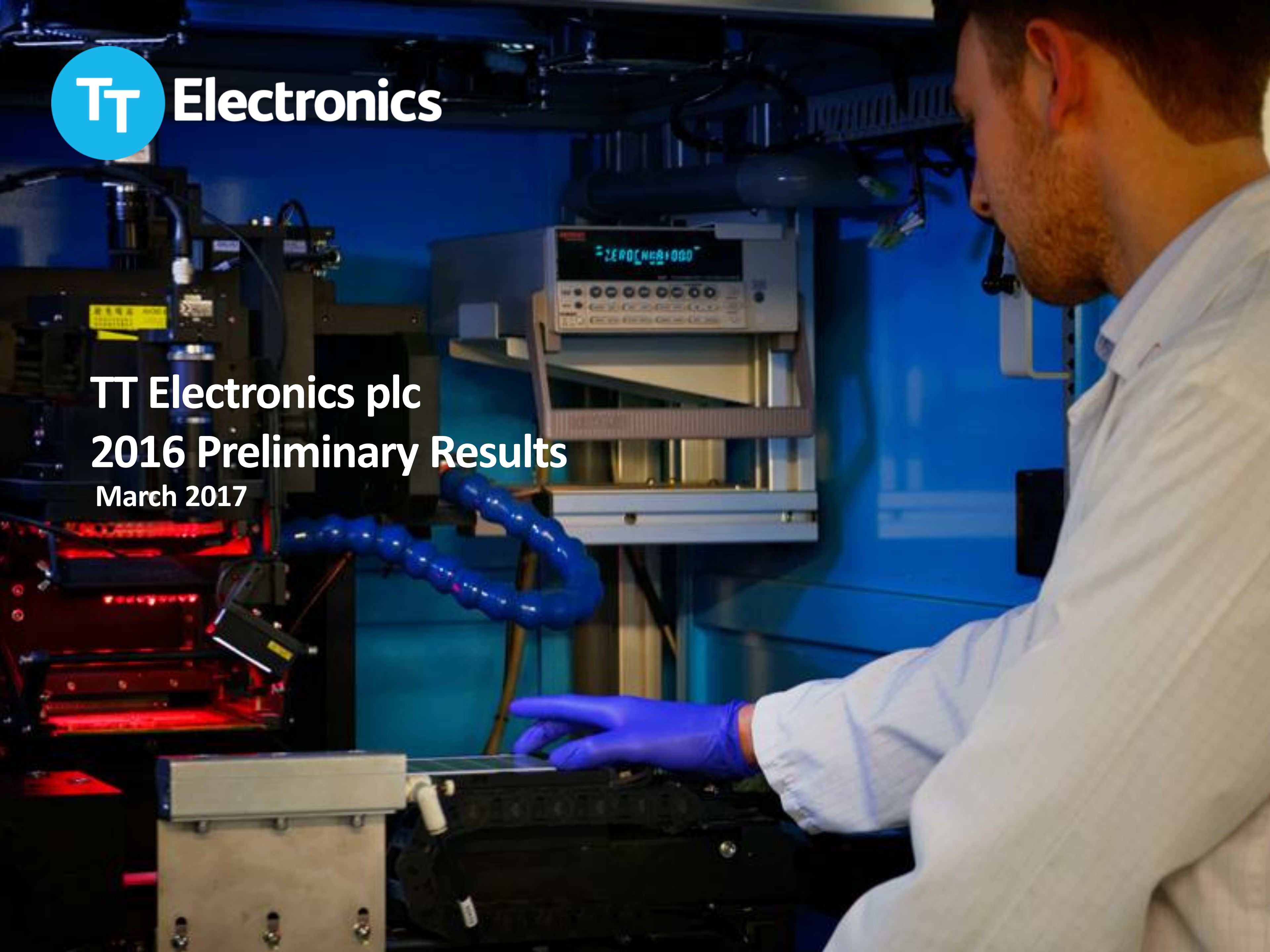
TT Electronics plc

2016 Preliminary Results

March 2017



2016: Performance ahead of expectations

- Good strategic progress and strong financial performance
- Continued customer focus driving new contract wins; strong sales performance in Asia
- Operational efficiency improvements supporting excellent profit growth
- Aero Stanrew continues to perform well and successfully integrated
- Entering 2017 with good momentum and a robust order book

Financial review

Mark Hoad, Chief Financial Officer

Financial headlines

- Robust organic revenue performance, returned to organic revenue growth in H2
- Underlying operating profit up 26%, underlying EPS up by 19% at constant currency
- Good underlying cash conversion at 87%, further enhanced by £12.3 million from sale of properties
- Return on invested capital improving, up 130bps
- Increase in final dividend reflects progress in 2016 and confidence in 2017

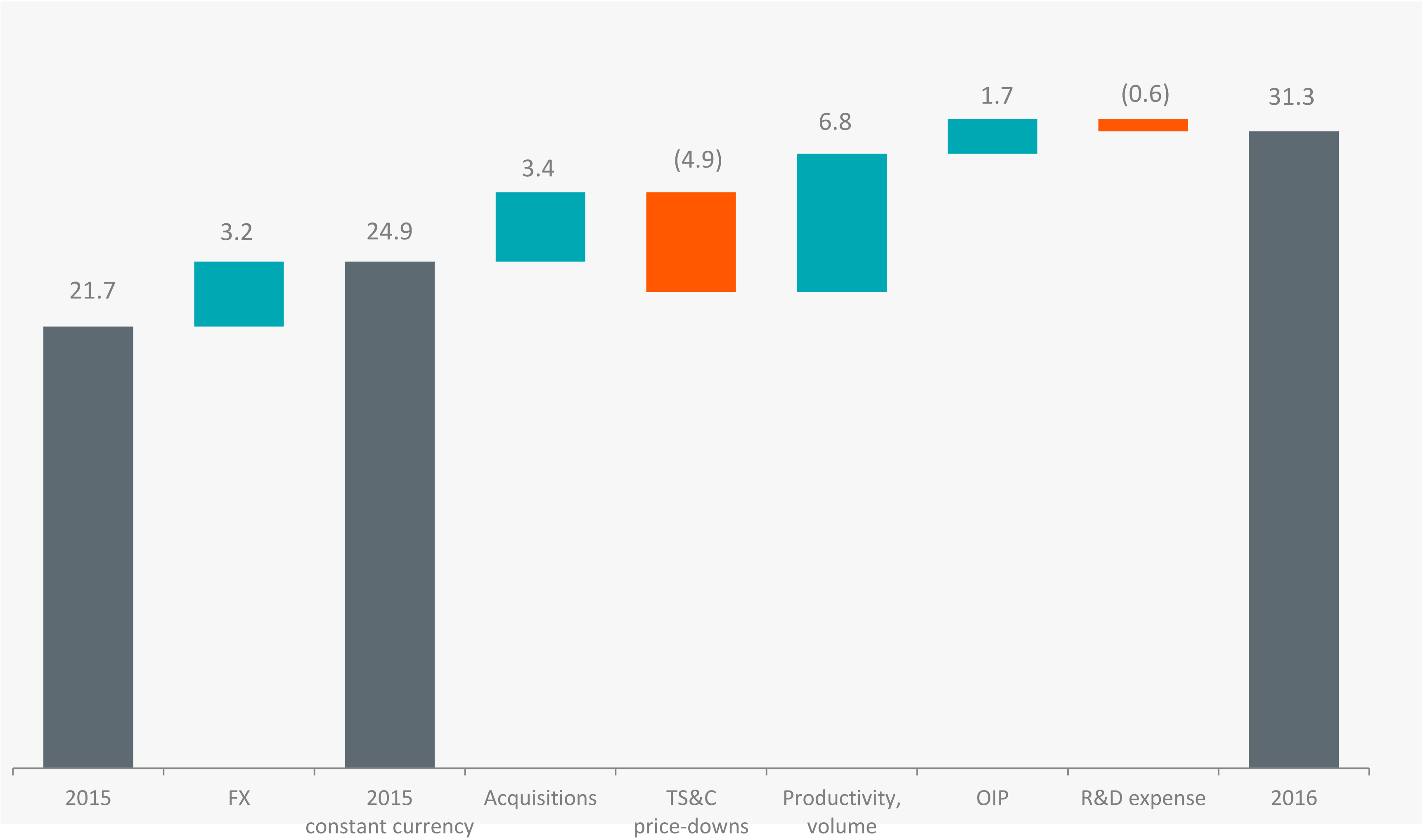
Group financial performance

£m (except where stated)	2016	2015	Change	Change constant fx
Revenue	**569.9**	509.9	12%	3%
Operating profit*	**31.3**	21.7	44%	26%
Profit before tax*	**26.9**	19.2	40%	20%
EPS* (pence)	**12.0p**	8.8p	36%	19%
Exceptionals & one-offs	**(3.7)**	(5.4)	31%	33%
Dividend (pence)	**5.6p**	5.5p	2%	
Cash conversion‡ (%)	**87%**	136%		
Net debt	**(55.4)**	(56.1)		
Leverage (times)	**1.0x**	1.3x		
ROIC (%)	**10.3%**	9.0%	130bps	

* **Underlying, before exceptional and one-off costs**
‡ **See appendix**

- Revenue up 3%
- Operating profit up 26%
- Increased interest expense, EPS up 19%
- Exceptional charge reduced
- Increase in final dividend reflects progress in 2016 and confidence in 2017
- Good cash conversion at 87%, leverage reduced
- ROIC improving

Group operating profit bridge (2016 vs 2015)



Transportation Sensing and Control

Financial Summary

	2016	2015	Change	Change constant fx
Revenue (£m)	**237.2**	205.8	15%	4%
Op. profit/(loss) (£m)*	**3.2**	(1.4)	329%	500%
Operating margin*	**1.3%**	(0.7)%	200bps	170bps

* Underlying, before exceptional and one-off costs

- Division returned to profitable growth
- Good organic revenue growth of 4%
  - Strong market demand in Europe and China
  - New contract wins in China for domestic market
- Operating profit increased by £4.6 million
  - Delivery of OIP benefits
  - Price-downs more than offset by volume growth and productivity

Industrial Sensing and Control

Financial Summary

	2016	2015	Change	Change constant fx
Revenue (£m)	**64.4**	61.0	6%	(4)%
Operating profit (£m)*	**11.9**	11.4	4%	(8)%
Operating margin*	**18.5%**	18.7%	(20)bps	(60)Bps

* Underlying, before exceptional and one-off costs

- Organic revenues down by 4%
  - Challenging North American industrial markets
  - Division returned to modest growth in H2
- Operating profit down by 8% at constant currency
  - Increase in R&D expense to support future growth
  - Good mitigation of revenue decline

Advanced Components

Financial Summary

	2016	2015	Change	Change constant fx
Revenue (£m)	**121.3**	95.3	27%	21%
Operating profit (£m)*	**10.3**	6.0	72%	66%
Operating margin*	**8.5%**	6.3%	220bps	230bps

* Underlying, before exceptional and one-off costs

- 230 basis point margin improvement
- Revenue up 21% at constant currency
  - Aero Stanrew contributed £18.3 million
  - 3% organic growth driven by H2 improvement
- Improvement in underlying operating profit, up 66%
  - Good drop-through and efficiency improvements; R&D investment
  - £3.4 million from higher margin Aero Stanrew

IMS

Financial Summary

	2016	2015	Change	Change constant fx
Revenue (£m)	**147.0**	147.8	(1)%	(6)%
Operating profit (£m)*	**5.9**	5.7	4%	(11)%
Operating margin*	**4.0%**	3.9%	10bps	(20)bps

* Underlying, before exceptional and one-off costs

- Revenues down 6% on organic basis
  - Growth in Asia remained strong; continued weakness in North American industrial markets
  - Margin maintained
- Operating profit down 11%
  - Efficiency benefits supporting delivery in China
  - Good cost control in US including 22% headcount reduction
  - Margins remain at benchmark levels

Free cash flow and net debt

Free Cash Flow £m	**2016**	**2015**
Underlying EBITDA	**54.9**	42.0
Net capital expenditure	**(20.8)**	(16.8)
Capitalised development expenditure	**(1.5)**	(1.3)
Working capital	**(7.1)**	4.6
Exceptional items	**1.5**	(10.1)
Net interest and tax	**(10.5)**	(10.0)
Pensions & other	**(2.7)**	(3.3)
Free Cash Flow	**13.8**	**5.1**
Cash Conversion	***87%***	***136%***

	2016	**2015**
Net Debt	**(55.4)**	(56.1)
Net Debt to EBITDA	**1.0x**	1.3x

- Good cash conversion with improvement in H2 as planned
- Net capital expenditure and capitalised development at 0.9x DA
- Working capital consumption due to H2 growth
  - Inventory turns and debtor days improving
- Underlying performance further enhanced by £12.3m of property disposals
- Leverage reduced, increasing capacity

Other financial matters / guidance for 2017

- Restructuring costs
  - 2017 cash cost circa £4m; P&L charge circa £3m
- Capital and development expenditure
  - Capex and devex circa 1.0 – 1.1x DA
- Working capital
  - Broadly neutral
- Interest charge
  - Lower fee amortisation, lower pension interest
- Tax
  - Effective rate remains in 27-29% range
  - Cash payments circa 80-90% of P&L charge
- Pensions
  - Triennial valuation completed - £46m funding deficit; improved since valuation date
  - Previously agreed schedule of contributions to continue - £4.7m in 2017, increasing £0.2m p.a.
- Foreign exchange
  - USD 1 cent = circa £125k operating profit impact
  - EUR 1 cent = circa £70k operating profit impact

Strategy review and outlook

Richard Tyson, Chief Executive Officer

Building momentum

TT Electronics

Position ourselves in structural growth markets where there is increasing electronic content…

where we have a competitive advantage or where we can differentiate ourselves using our industry expertise and focused R&D…

to ensure our business is sustainable in the long term…

and deliver growth and value for our shareholders.

Transportation | Industrial | Aerospace and Defence | Medical

Transportation

48% Group revenue by market

Market growth from increasing electronic content in rail, truck and automotive; market trend towards electric, hybrid electric and autonomous vehicles

Focus includes:	Emission and fuel efficiency	Power electronics	Safety

Industrial

27% Group revenue by market

Market growth from electronics future proofing next generation technology including ‘smarter home’, ‘factory 4.0’ and higher specification consumer products

Focus includes:	Automation	Smart energy meters	Instrumentation

Aerospace and defence

13% Group revenue by market

Market growth from the more electric aircraft; demand for electrical components with reduced size, weight and power consumption

Focus includes:	Fuel systems	Engine controls	Cockpit avionics

Medical

12% Group revenue by market

Market growth from increased demand for more sophisticated diagnostic, imaging and monitoring equipment; constant drive towards improved patient safety

Focus includes:	In-home care	Diagnostic equipment	Life critical devices

Momentum in our strategy

Customer focus

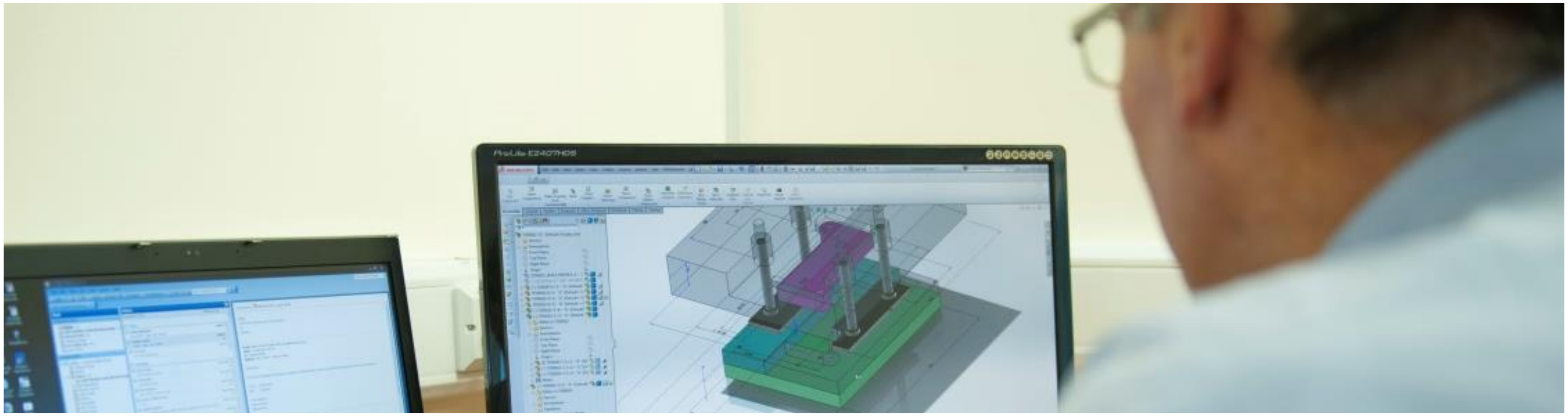
Targeted R&D

Continuous operational improvement

Fuelling long term growth: customer focus

- Collaboration increases revenue opportunities as 'One TT'
  - Increased sales to a consumer electrical equipment supplier by over 50% in two years
- Increased sales in Asia by 12% at constant currency
  - Growth from metro rail and medical customers
- Strong customer relationships facilitating growth
  - New contract won with global engine manufacturer; moving their components production to Bedlington to leverage our enhanced scale and capabilities

Fuelling long term growth: targeted R&D



- £22.6 million spent on R&D
  - Shift from fixing legacy issues to more new product development
- Clear prioritisation for efficient R&D spend
- 29 new products launched
  - Team in Carrollton launched first major platform product launch in seven years
  - Launched an automotive inductor for use in electric and hybrid electric vehicles

Fuelling long term growth: continuous operational improvement

- Remaining focused on operational efficiency improvements; £6.8m in productivity and volume
- Lean programmes driving stock turns and lead time improvements
- Continued sensible steps to improve our procurement; savings over 40% identified for air and sea freight
- Cultural improvements including on safety; 55% accident reduction

Summary and outlook

- Good strategic progress and strong financial performance
- Continued customer focus driving new contract wins; strong sales performance in Asia
- Operational efficiency improvements supporting excellent profit growth
- Aero Stanrew continues to perform well and successfully integrated
- Despite uncertain end-markets, we enter the year with good momentum in operational efficiency improvement and a robust order book, giving us confidence of making further progress in 2017

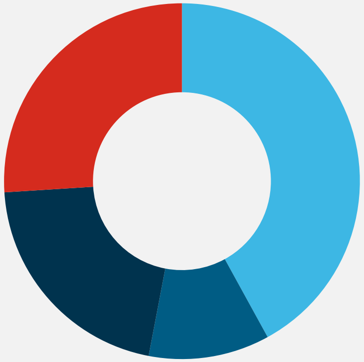
Q&As

Appendices

Appendix: TT Electronics business

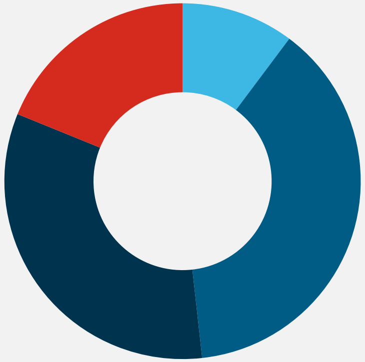
Revenue (FY 2016)

- Transportation Sensing & Control 42%
- Industrial Sensing & Control 11%
- Advanced Components 21%
- IMS 26%



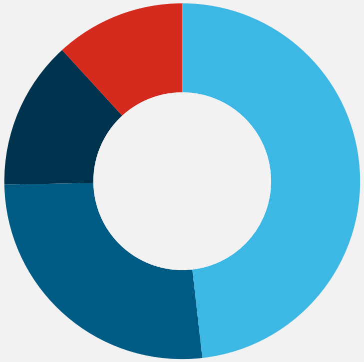
Operating Profit (FY 2016)

- Transportation Sensing & Control 10%
- Industrial Sensing & Control 38%
- Advanced Components 33%
- IMS 19%



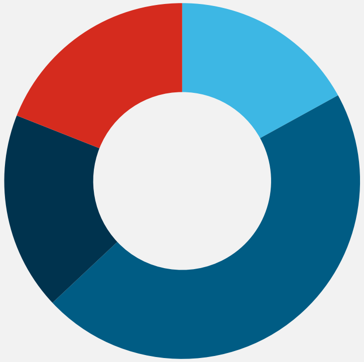
Revenue by market (FY 2016)

- Transportation 48%
- Industrial 27%
- Aerospace & Defence 13%
- Medical 12%



Revenue by region (FY 2016)

- UK 17%
- Rest of Europe 46%
- North America 18%
- Asia and Rest of World 19%



Appendix: Impact of FX

Sales (£m)	Transportation Sensing and Control	Industrial Sensing and Control	Advanced Components	IMS	Group
2016	237.2	64.4	121.3	147.0	**569.9**
2015 at 2016 rates	228.4	67.4	100.3	156.8	**552.9**
FX impact	22.6	6.4	5.0	9.0	**43.0**
2015 as published	205.8	61.0	95.3	147.8	**509.9**

Operating Profit (£m)					
2016	3.2	11.9	10.3	5.9	**31.3**
2015 at 2016 rates	(0.8)	12.9	6.2	6.6	**24.9**
FX impact	0.6	1.5	0.2	0.9	**3.2**
2015 as published	(1.4)	11.4	6.0	5.7	**21.7**

Appendix: Cash conversion

Cash Conversion (£m)	2016	2015
Underlying EBITDA	**54.9**	42.0
Net capital expenditure	**(20.7)**	(16.8)
Capitalised development expenditure	**(1.5)**	(1.3)
Working capital	**(7.1)**	4.6
Other	**1.7**	1.0
Underlying Operating Cash Flow	**27.3**	**29.5**
Underlying operating profit (£m)	**31.3**	21.7
Cash Conversion	***87%***	**136%**

Exceptional items

Exceptional Items (P&L) £m	2016	2015
Restructuring costs	0.1	(2.9)
Acquisition related costs	(3.8)	(0.8)
Asset impairments	-	(1.7)
Total Exceptional Items	**(3.7)**	**(5.4)**

Exceptional Items (Cash) £m	2016	2015
Restructuring costs	(9.2)	(9.9)
Acquisition related costs	(1.6)	(0.2)
Property disposals	12.3	-
Total Cash	**1.5**	**(10.1)**

- **Restructuring costs:** £4.2m of planned restructuring costs offset by largely linked property gains
- **Acquisition costs:** Amortisation of acquisition intangibles, Aero Stanrew integration costs and release of historic disposal provision
- **Cash exceptionals:** £9.2m of OIP and other footprint projects, £1.6m of M&A costs offset by £12.3m of property disposals

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