



TT Electronics plc

2015 Interim Results

August 2015



- 2015 is a year of transition
- Encouraging first half performance in line with expectations
- Strategy implementation well underway
- Cost improvement taking effect and initial benefits realised
- Operational Improvement Plan now progressing well
- Encouraging cash flow performance; strong balance sheet
- Interim dividend maintained

Financial Review

Mark Hoad, Chief Financial Officer

Group Financial Performance



	H1 2015	H1 2014 [†]	Change	Change constant fx
Revenue (£m)	263.6	261.1	1%	1%
Operating profit (£m)*	10.4	13.1	(21)%	(30)%
Profit before tax*	9.1	12.5	(27)%	(37)%
EPS*	4.2p	6.0p	(30)%	(40)%
Exceptionals & one-offs	(2.8)	(12.9)	78%	78%
Dividend	1.7p	1.7p	-	
Cash conversion [‡]	71%	(205)%		
Net debt	(25.4)	(14.3) [^]		
Leverage	0.5x	0.3x [^]		
ROIC	10.8%	12.1% [^]	(130)bps	

- Constant currency revenue growth at 1%
- OP reduced by 30% as expected
- Effective tax rate 26.9%
- Significantly reduced exceptional charge
- Good cash conversion from increased focus
- ROIC meeting pre-tax cost of capital

* Underlying, before exceptional and one-off costs

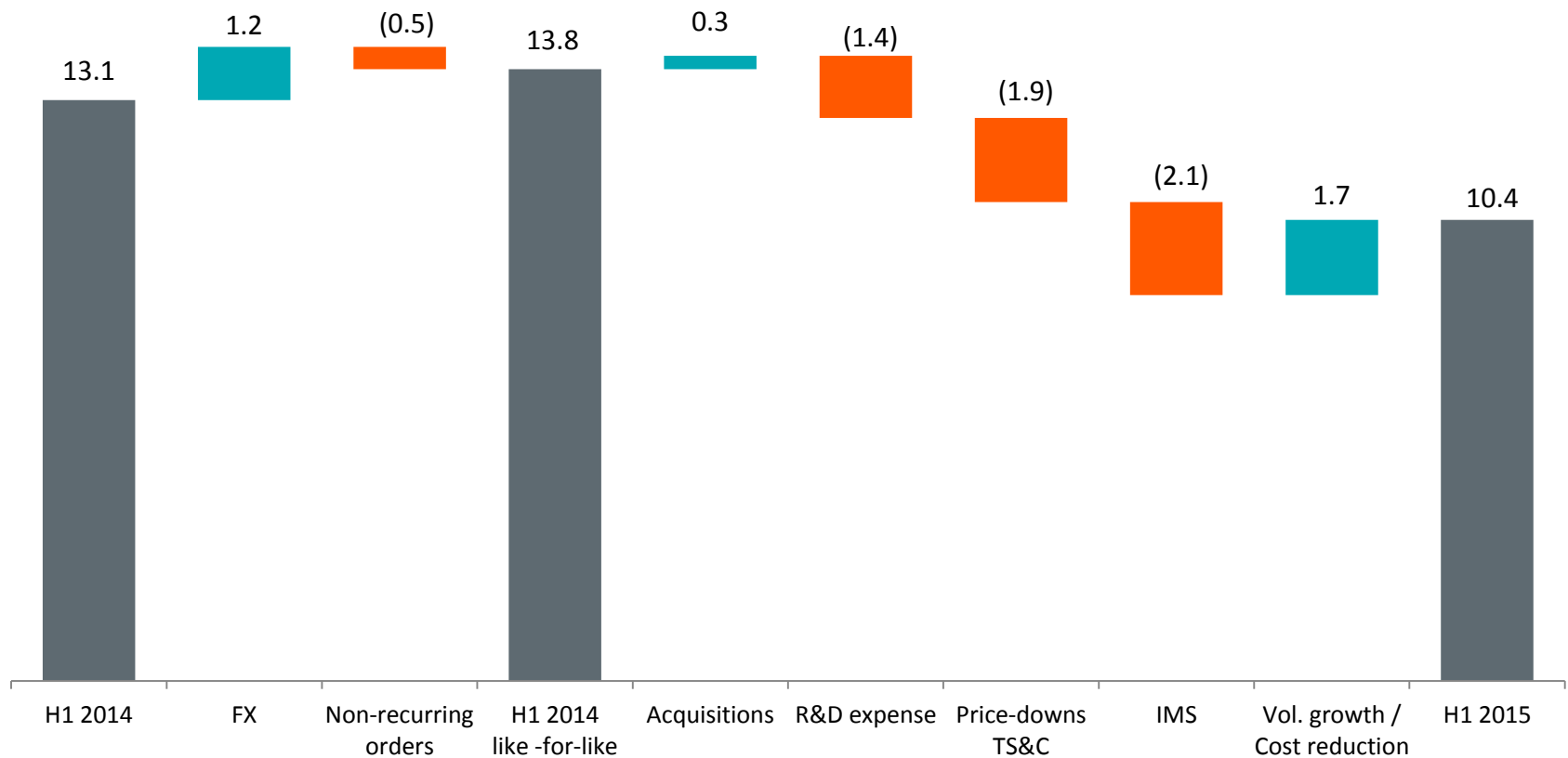
† Re-presented to exclude acquisition costs from underlying operating profit

‡ See appendix

[^] Full year 2014

Group Operating Profit Bridge

Group Operating Profit Bridge (H1 2015 vs H1 2014)



Financial Summary

	H1 2015	H1 2014 [†]	Change	Change constant fx
Revenue (£m)	107.5	118.9	(10)%	(1)%
Op. (loss)/profit (£m)*	(0.9)	2.3	(139)%	(139)%
Operating margin*	(0.8)%	1.9%	(270)bps	(270)bps

* Underlying, before exceptional and one-off costs

† Re-presented to exclude acquisition costs from underlying operating profit



- Modest organic revenue decline:
 - Circa 2% price-downs, reduced low margin pass-through
 - China strong
- Operating profit decline due to:
 - Price-downs
 - Increased R&D expense
- Operating loss stabilised - in line with H2 2014

Financial Summary

	H1 2015	H1 2014 [†]	Change	Change constant fx
Revenue (£m)	33.8	24.7	37%	26%
Operating profit (£m)*	6.4	4.3	49%	33%
Operating margin*	18.9%	17.4%	150bps	90bps

* Underlying, before exceptional and one-off costs

† Re-presented to exclude acquisition costs from underlying operating profit



- Strong revenue at constant currency:
 - 10% organic growth - aftermarket demand and customer pull-forward from H2
 - £4m contribution from Roxspur acquisition
- Operating profit increase due to:
 - Drop-through from organic growth
 - £0.3m from Roxspur
 - Customer pull-forward - profit weighted to H1

Financial Summary

	H1 2015	H1 2014 [†]	Change	Change constant fx
Revenue (£m)	49.8	48.1	4%	-
Operating profit (£m)*	3.4	3.8	(11)%	(13)%
Operating margin*	6.8%	7.9%	(110)bps	(100)bps

* Underlying, before exceptional and one-off costs

[†] Re-presented to exclude acquisition costs from underlying operating profit



- Revenue unchanged at constant currency:
 - Prior period includes £1m from non-recurring orders on Smithfield closure
- Operating profit reduction due to:
 - Absence of high margin Smithfield product
- 2014 margin improvement maintained excluding Smithfield

Financial Summary

	H1 2015	H1 2014 [†]	Change	Change constant fx
Revenue (£m)	72.5	69.4	4%	(1)%
Operating profit (£m)*	1.5	2.7	(44)%	(59)%
Operating margin*	2.1%	3.9%	(180)bps	(230)bps



* Underlying, before exceptional and one-off costs

† Re-presented to exclude acquisition costs from underlying operating profit

- Revenue reduced by 1% at constant currency:
 - Circa £2m adverse impact of product mix
 - Growth in order book and sales volume
- Operating profit reduction:
 - Impact of product mix
- Mix impact expected to reverse substantially in H2

Free Cash Flow and Net Debt

Free Cash Flow	H1	H1
£m	2015	2014
Underlying EBITDA	20.4	24.0
Net capital expenditure	(8.1)	(15.0)
Capitalised development expenditure	(0.8)	(3.4)
Working capital	(4.5)	(33.5)
Exceptional items	(4.7)	(5.4)
Net interest and tax	(5.7)	(1.7)
Pensions & other	(1.7)	-
Free Cash Flow	(5.1)	(35.0)
Cash Conversion	71%	(205)%
	H1 2015	YE 2014
Net Debt	(25.4)	(14.3)
Net Debt to EBITDA	0.5x	0.3x

- Tighter control over capital and development expenditure
 - 0.9x DA for H1
 - Still expect 1.3x for FY
- Much improved working capital performance
 - £3m H1 inflow from inventory
 - FY working capital outflow similar to H1
- Increased interest due to higher debt, £1.5m tax catch-up from 2014
- Pension deficit contributions £2.1m
- Good cash conversion ratio
- Leverage and interest cover metrics confirm balance sheet strength

Exceptional Items

Exceptional Items (P&L) £m	H1 2015	H1 2014
Restructuring costs	2.2	12.7
Acquisition related costs	0.6	0.2
Total Exceptional Items	2.8	12.9

Exceptional Items (Cash) £m	H1 2015	H1 2014
Total Cash	4.7	5.4

- **Restructuring costs:** Mainly OIP related, continue to anticipate £10m for full year
- **Acquisition costs:** Largely intangible amortisation
- **Cash exceptionals:** OIP, management re-organisation

Operations and Strategy Update

Richard Tyson, Chief Executive Officer

Our plan to return to sustainable growth

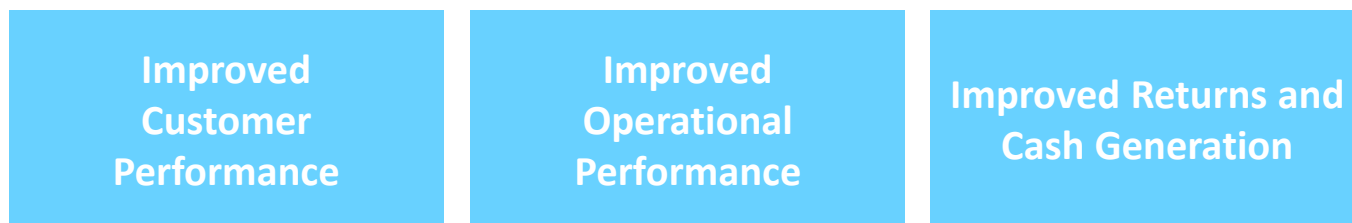
Three Phases



Six Strategic Priorities



Three Outcomes



Market Leading Position

- Innovation Award VARENA – small high density power controller
- IMS contract win in US for single-box solution for Next Gen flight information
- Roxspur new long term service contract - Tata

Enhanced Customer Focus

- Transportation – Secured a series of key new platform positions in target growth regions of China & India
- 50W water pump controller selected by Hyundai. First major Korean position
- Industrial – secured position as approved vendor and strategic development partner

Targeted & Efficient R&D spend

- Advanced Components - launched 11 new products developments including position in two Aerospace R&D collaboration programmes
- Industrial - Completion of design programme for latest optical phase diode array
- Transportation - AdBlue® optical fluid sensor; 50W Waterpump

Operational Efficiency

- Group Operations Council and Procurement Council established
- Common metrics introduced
- Launched “BE LEAN” – 16 lean master practitioners in place, pilot scheduled Q4
- Strengthened global HS&E leadership focus on zero-harm environment

Lean, Agile and Learning Organisation

- Completed organisational restructuring; new management team performing well
- Good start to group wide strategic engagement programme – activities at global and local levels; balanced focus on both delivering the growth plans and cultural change

Financial Discipline and Performance Management

- Improved cash generation through increased focus on working capital management and capital expenditure
 - Improvement in inventory turns generating £3m inflow
 - Cash conversion of 71%

Operational Improvement Plan: Progress

OIP £m	To 2014	2015	2016	2017	Total / Run Rate
P&L charge	(18.1)	(8.6)	(3.3)	-	(30.0)
Cash cost	(7.2)	(17.1)	(5.7)	-	(30.0)
Run-rate benefit	1.3	1.3	2.8	3.8	5.5



Photo: Timisoara site



- Large, complex project progressing well
- Nine lines transferred with eight now qualified
- One further complex line transfer planned for H2 2015
- Detailed plans for each remaining move in place and being reviewed prior to launch

Continued operational progress in Romania

- Now employs 350+ people
- Stock turns up by 40% since Oct 2014
- On-time delivery improving to benchmark levels
- Productivity trending favourably

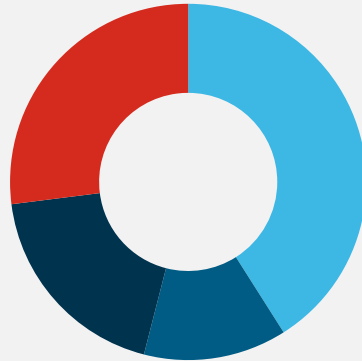
- H1 in line with expectations and good progress on cash
- Market remains challenging especially Europe
- Order book solid and outlook unchanged
- Near-term focus on
 - Improving returns of Transportation Sensing and Control
 - Building the order book and opportunity pipeline for 2016 and beyond
 - Continuing the momentum of Operational Improvement Plan
 - Localising the strategy to sustain engagement and momentum
 - Implementation of the new processes of R&D, lean and procurement
- Made a confident start to return the business to sustainable, profitable growth

Q&As

Appendix

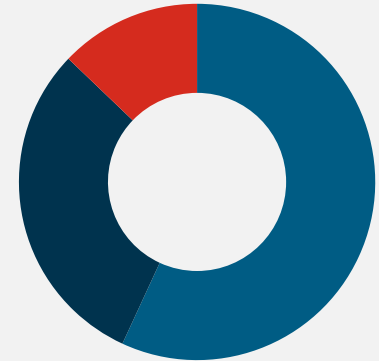
Revenue (H1 2015)

- Transportation Sensing & Control 41%
- Industrial Sensing & Control 13%
- Advanced Components 19%
- IMS 27%



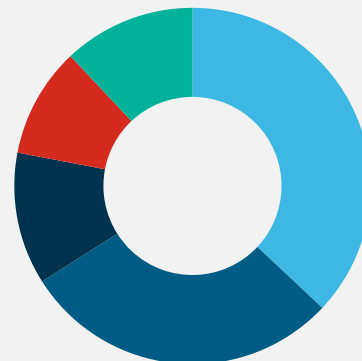
Operating Profit (H1 2015)

- Transportation Sensing & Control -9%
- Industrial Sensing & Control 62%
- Advanced Components 33%
- IMS 14%



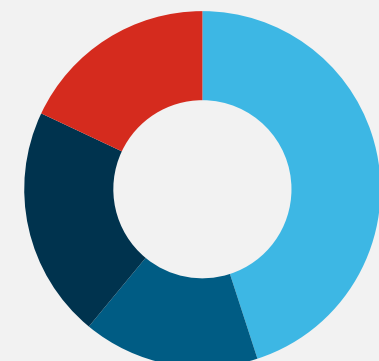
Revenue by market (H1 2015)

- Passenger Car 37%
- Industrial 29%
- Aerospace & Defence 12%
- Other transp. 10%
- Medical 12%



Revenue by region (H1 2015)

- Rest of Europe 45%
- UK 16%
- North America 21%
- Asia 18%



Appendix: Impact of FX

Sales £m	Transportation Sensing and Control	Industrial Sensing and Control	Advanced Components	IMS	Group
At H1 2014 rates	117.2	31.2	47.9	68.7	265.0
FX impact (adverse) / favourable	(9.7)	2.6	1.9	3.8	(1.4)
As published	107.5	33.8	49.8	72.5	263.6
Operating Profit					
£m					
At H1 2014 rates	(0.9)	5.7	3.3	1.1	9.2
FX impact (adverse) / favourable	-	0.7	0.1	0.4	1.2
As published	(0.9)	6.4	3.4	1.5	10.4

Appendix: Cash Conversion



Cash Conversion	H1 2015	H1 2014
£m		
Underlying EBITDA	20.4	24.0
Net capital expenditure	(8.1)	(15.0)
Capitalised development expenditure	(0.8)	(3.4)
Working capital	(4.5)	(33.5)
Other	0.4	1.0
Underlying Operating Cash Flow	7.4	(26.9)
Underlying Operating Profit	10.4	13.1
Cash Conversion	71%	(205)%

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