



TT Electronics plc 2016 Interim Results

August 2016



- Good first half performance; momentum in strategic progress
- Returned the business to profitable growth
- Transportation Sensing and Control in profit
- Strategic focus enabling robust sales in challenging markets
- Aero Stanrew integration complete and performing well
- OIP completed well ahead of schedule; on-going self-help actions improving operational efficiency

Financial Review

Mark Hoad, Chief Financial Officer

Group Financial Performance



£m (except where stated)	H1 2016	H1 2015	Change	Change constant fx
Revenue	277.0	263.6	5%	2%
Operating profit*	13.7	10.4	32%	24%
Profit before tax*	11.4	9.1	25%	16%
EPS* (pence)	5.1p	4.2p	21%	12%
Exceptionals & one-offs	(4.9)	(2.8)		
Dividend (pence)	1.7p	1.7p		
Cash conversion [‡] (%)	68%	71%		
Net debt	(70.7)	(56.1) [^]		
Leverage (times)	1.5x	1.3x [^]		
ROIC (%)	9.5%	9.0% [^]	50 bps	

* Underlying, before exceptional and one-off costs

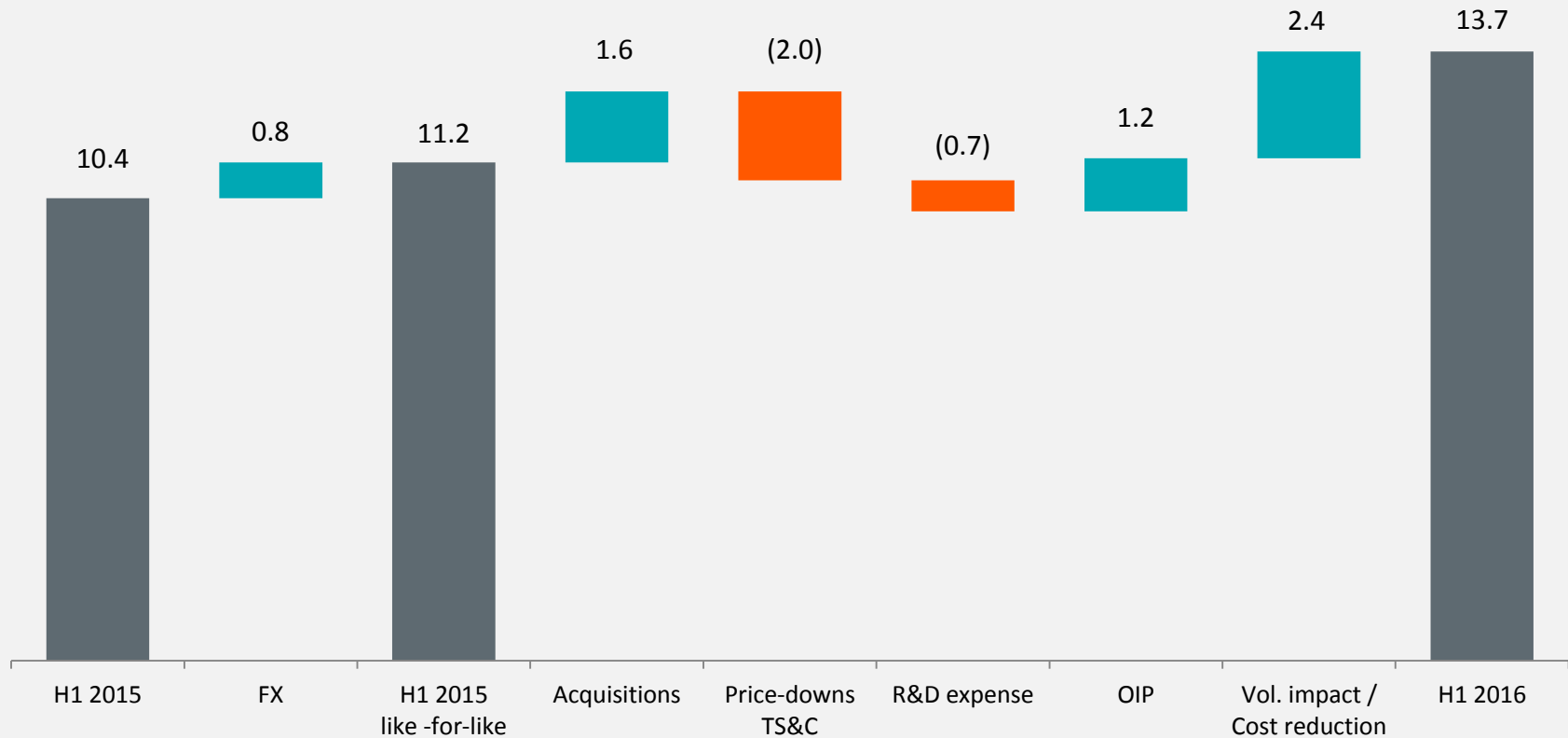
‡ See appendix

[^] Full year 2015

- Revenue up 2%
- Operating profit up 24%
- PBT up 16%, effective tax rate 28.1%
- Exceptional charge - OIP, footprint change, M&A
- Steady cash conversion
- Improvement in ROIC

Group Operating Profit Bridge

Group Operating Profit Bridge (H1 2016 vs H1 2015), £m



Financial Summary

	H1 2016	H1 2015	Change	Change constant fx
Revenue (£m)	117.8	107.5	10%	5%
Op. profit/(loss) (£m)*	1.7	(0.9)	289%	267%
Operating margin*	1.4%	(0.8)%	220bps	210bps

* Underlying, before exceptional and one-off costs



- Division returned to profit as expected
- Good organic revenue growth
 - Circa 2% price-downs
 - Strong market demand in Europe, Chinese market growth and contract wins
- Operating profit improvement due to
 - Delivery of OIP benefits
 - Price-downs offset by volume growth, cost efficiency

Financial Summary

	H1 2016	H1 2015	Change	Change constant fx
Revenue (£m)	30.4	33.8	(10)%	(15)%
Operating profit (£m)*	5.5	6.4	(14)%	(20)%
Operating margin*	18.1%	18.9%	(80)bps	(120)bps

* Underlying, before exceptional and one-off costs



- 15% organic revenue reduction
 - Impact of customer pull forward in prior period
 - North American industrial market weakness
- Operating profit down 20%
 - Expected OIP benefits realised
 - Circa 25% drop-through on revenue decline
- Operating margins remain very attractive

Financial Summary

	H1 2016	H1 2015	Change	Change constant fx
Revenue (£m)	56.5	49.8	13%	11%
Operating profit (£m)*	4.3	3.4	26%	24%
Operating margin*	7.6%	6.8%	80bps	80bps

* Underlying, before exceptional and one-off costs



- Revenue up 11% at constant currency
 - £9.0m contribution from Aero Stanrew
 - 7% organic decline – stabilisation from H2 2015
- Operating profit increased by 24%
 - £1.6m delivered by Aero Stanrew
 - Circa 25% drop-through on revenue decline
- 80 basis point margin improvement

Financial Summary

	H1 2016	H1 2015	Change	Change constant fx
Revenue (£m)	72.3	72.5	(0)%	(2)%
Operating profit (£m)*	2.2	1.5	47%	40%
Operating margin*	3.0%	2.1%	90bps	90bps

* Underlying, before exceptional and one-off costs



- Organic revenue decline 2%
 - Strong domestic demand in China
 - Weakness in North American industrial markets
- Operating profit increased 40% despite revenue weakness
 - Cost control discipline and on-going operational efficiency
- 90 basis point margin improvement

Free Cash Flow and Net Debt

Free Cash Flow	H1	H1
£m	2016	2015
Underlying EBITDA	25.3	20.4
Net capital expenditure	(8.4)	(8.1)
Capitalised development expenditure	(0.5)	(0.8)
Working capital	(8.2)	(4.5)
Exceptional items	(7.8)	(4.7)
Net interest and tax	(4.2)	(5.7)
Pensions & other	(1.1)	(1.7)
Free Cash Flow	(4.9)	(5.1)
Cash Conversion	68%	71%
	H1 2016	YE 2015
Net Debt	(70.7)	(56.1)
Net Debt to EBITDA	1.5x	1.3x

- Ongoing discipline around capital and development expenditure
 - 0.8x DA for H1
- Working capital consumption
 - Largely due to TS&C growth and strong 2015 performance
 - £2m H1 inflow from inventory
- Steady cash conversion
- Balance sheet strength
- £150m refinancing on favourable terms

- Restructuring costs
 - Remaining OIP P&L charge £4m; cash costs £7m in 2016, £1m in 2017-2020
 - Further footprint change circa £5m; cash cost £2m in 2016
- Capital and development expenditure
 - Capex and devex circa 1.0x DA
 - Depreciation and amortisation circa £23-24m
- Working capital
 - Modest working capital outflow
- Tax
 - Effective rate 27-29%
 - Cash payments 80-90% of P&L charge
- Pensions
 - UK deficit contributions £4.5m
 - Next triennial valuation underway
- Foreign exchange
 - USD 1 cent = circa £100k operating profit effect
 - EUR 1 cent = circa £60k operating profit effect

Strategy and Operations Update

Richard Tyson, Chief Executive Officer

Our strategy is to position ourselves in structural growth markets to ensure business sustainability and drive growth and value for shareholders

Engineered-electronics for performance critical applications

- Continued focused R&D investment c.£22m annual spend

Positioning in automotive markets with rapidly increasing electronic content per vehicle

- R&D and sales led product focus: safety, emissions and power electronics
- Targeted markets: China and North America; diversified customer base

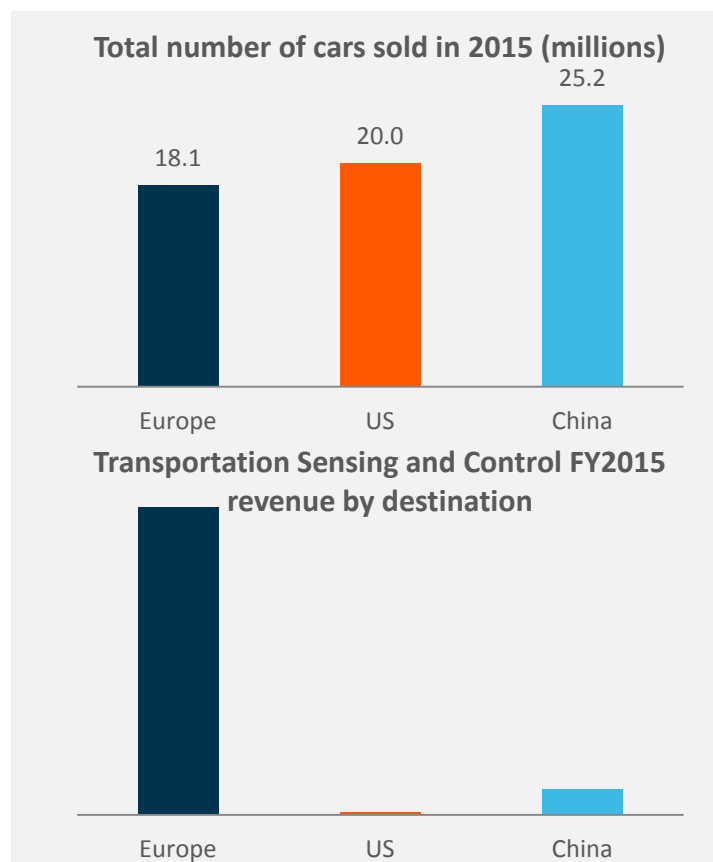
Increasing electronic parts in consumer electrical equipment and industrial markets

- Agility to respond to changing customer and market dynamics
- Trend for factory automation including robotics



Aerospace and defence capability in electromagnetics and power electronic components and assemblies

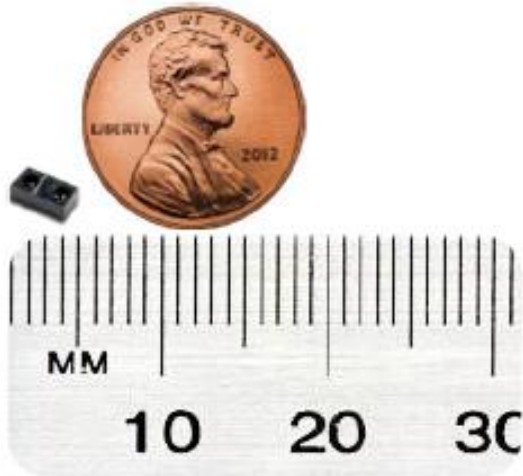
- Positive customer feedback



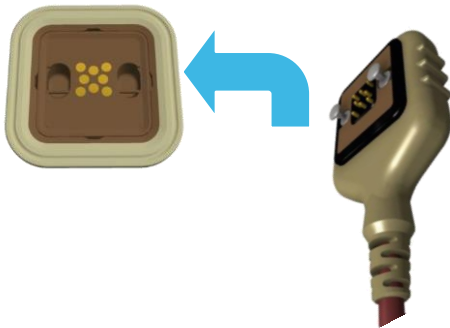
- Targeting growth markets: **China**
- China is the **largest automotive market globally**
 - Strong organic and new contract growth
 - Two new contract wins for truck pedals in the domestic market
 - Two new speed sensor wins using product technology transferred from Europe
 - Diversifying the customer base
- Opportunity to continue to grow market share



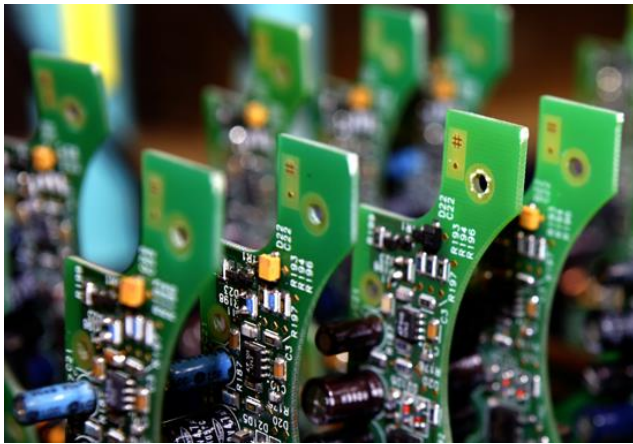
- Product areas fuelling growth: **safety, emissions and power electronics** alongside **increased electrification** of the vehicle and engine
 - SIMPSpad suspension technology development order for a 'big three' OEM in North America
 - Fewer parts
 - Improved accuracy
 - Lower weight
 - LED lighting success



- Increasing **electronic and associated sensor content** in industrial markets
- Focused **R&D** in industry segments with **increased demand for sensors**
 - High value placed on **reliability** and **accuracy**
 - Photologic® V optical and position sensor developed
 - Used in factory automation, medical equipment, and industrial printing and paper handling to detect fine differences in colour
 - 80% reduction in circuit complexity
 - Ambient light immunity differentiator



- Continue to grow a **market leading position** in **electromagnetics** and **power electronic components** and assemblies
- Designed a new connector: Mag-Net
 - Forms part of a soldier system for the digital battlefield enabling communication to the connected soldier
 - Lean start-up techniques for rapid prototyping
 - Allows direct, flush connection of equipment with no cables
 - Simple self-mate connection for ease of use
 - Eliminates snag hazards
 - Reduces weight carried by soldiers; ‘fight light’



- **Collaboration** with other divisions
 - Opportunities to collaborate with Transportation for new business opportunities
 - IMS in Romania now produces TT's European printed circuit board ('PCB') requirements
 - Test equipment collaboration with Aero Stanrew
 - Applicable skills for industrial markets adapted to meet more rigorous testing requirements of our aerospace customers

Continuing to see benefits from self-help actions

Procurement

- Sensible actions
- Freight savings; suppliers reducing from 54 to 7



Footprint

- Fullerton → Bedlington; ahead of schedule
- Corpus Christi → Mexicali; moving last of North American thick film production
- Basingstoke → Sheffield and Cambridge; site closure; integration of operations to Sheffield and engineering to Cambridge

R&D

- Focused approach to R&D leading to collaboration
- Second R&D conference in September 2016

Lean

- Three site pilots now underway; Mexicali, Bedlington and Suzhou
- 30 Master Lean Practitioners now trained
- Successes highlight potential from continued implementation of lean techniques

Continuing to see benefits from self-help actions



Improved efficiencies leading to reduced cost

- Efficiencies in China result in revenue growth whilst significantly reducing headcount
- Lean pilot demonstrating operational improvements; halved the lead time for printed circuit board assembly ('PCBA')
- Collaboration; multi-divisional site is cost effective

Greater than **15%** profit per employee improvement y-o-y

We are doing what we said we would do



We set out a clear, realistic and straight forward plan in 2015

- Turnaround Transportation Sensing and Control
- Reposition and invest in Industrial Sensing and Control, and Advanced Components
- Increase the level of penetration within our key customers and opening up new channels of business
- Deliver Operational Improvement Plan

More to do, but TT is in a better place

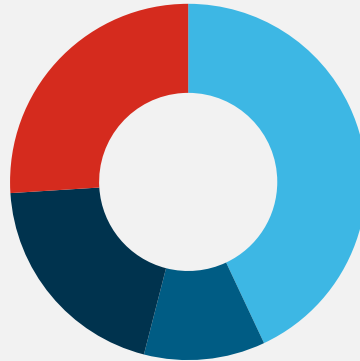
- Good first half performance
- Strategy gaining traction; well positioned in structural growth markets
- Uncertain macro-economic environment impacting some market segments
- Underlying business performance and the contribution from Aero Stanrew mean we are confident of continued progress in 2016

Q&As

Appendix

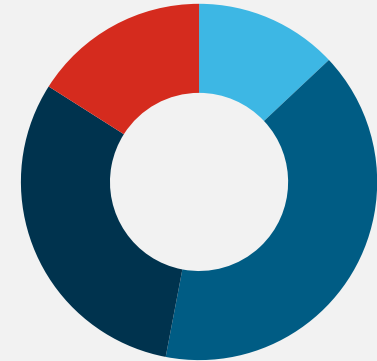
Revenue (H1 2016)

- Transportation Sensing & Control 43%
- Industrial Sensing & Control 11%
- Advanced Components 20%
- IMS 26%



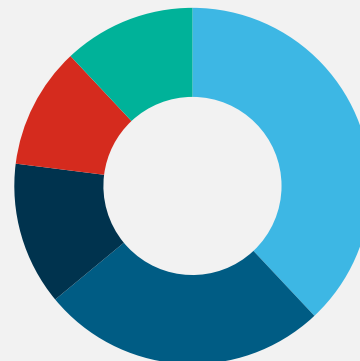
Operating Profit (H1 2016)

- Transportation Sensing & Control 13%
- Industrial Sensing & Control 40%
- Advanced Components 31%
- IMS 16%



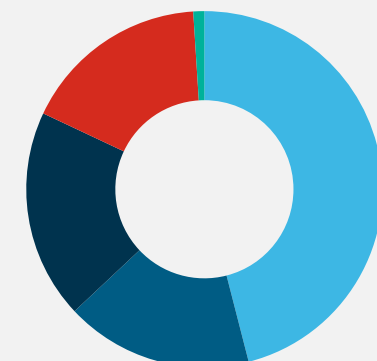
Revenue by market (H1 2016)

- Passenger Car 38%
- Industrial 26%
- Aerospace & Defence 13%
- Other transp. 11%
- Medical 12%



Revenue by region (H1 2016)

- Rest of Europe 46%
- UK 17%
- North America 19%
- Asia 17%
- Rest of World 1%



Appendix: Impact of FX

Sales £m	Transportation Sensing and Control	Industrial Sensing and Control	Advanced Components	IMS	Group
At H1 2015 rates	113.4	28.8	55.4	70.9	268.5
FX impact	4.4	1.6	1.1	1.4	8.5
As published	117.8	30.4	56.5	72.3	277.0
Operating Profit					
£m					
At H1 2015 rates	1.5	5.1	4.2	2.1	12.9
FX impact	0.2	0.4	0.1	0.1	0.8
As published	1.7	5.5	4.3	2.2	13.7

Appendix: Exceptional and one-off Items

Exceptional Items (P&L) £m	H1 2016	H1 2015
Restructuring costs	3.3	2.2
Acquisition related costs	1.6	0.6
Total Exceptional Items	4.9	2.8

Exceptional Items (Cash) £m	H1 2016	H1 2015
Total Cash	7.8	4.7

- **Restructuring costs:** Principally OIP, some costs of further footprint change
- **Acquisition costs:** Amortisation of acquisition intangibles, Aero Stanrew integration costs and release of historic disposal provision
- **Cash exceptionals:** Mainly OIP redundancy costs, some Aero Stanrew integration costs

Cash Conversion		
£m	H1 2016	H1 2015
Underlying EBITDA	25.3	20.4
Net capital expenditure	(8.4)	(8.1)
Capitalised development expenditure	(0.5)	(0.8)
Working capital	(8.2)	(4.5)
Other	1.1	0.4
Underlying Operating Cash Flow	9.3	7.4
Underlying Operating Profit	13.7	10.4
Cash Conversion	68%	71%

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