

16 September 2024

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION
FOR IMMEDIATE RELEASE**

TT Electronics plc

Trading Update

TT Electronics plc (“TT”, “the Group”), a global engineer and manufacturer of electronic solutions for critical applications, publishes the following update on current trading and the outlook for 2024.

Summary

- Trading results in August have been weak as a result of operational efficiency issues in two North American sites which are impacting both revenue and profitability
- Furthermore, recent order intake in our North American components business has been for delivery through 2025, not in 2024 as had been expected
- Second half revenue is now expected to be circa £15 million to £20 million lower than previously anticipated
- The drop-through impact of the revenue shortfall and higher production costs are expected to impact the North American operating profit by £13 million to £18 million
- The rest of the Group continues to perform broadly in line with expectations
- Group adjusted operating profit for FY 2024 is now expected to be in the range £37 million to £42 million
- With the lower profitability there will be an impact on free cash flow which will mean leverage is now expected to be around or marginally above the top end of our 1-2x range at December 2024
- Medium-term targets, including a 12% operating margin by 2026, remain unchanged

North America trading and operational performance

We are experiencing operational efficiency issues in two sites which is impacting both revenue and profitability. As a result of these issues, execution of the order book is taking longer than expected and the Group is incurring greater than anticipated costs of production. Clear plans have been put in place to rectify the issues during the remainder of the year and potentially into Q1 2025, including root cause corrective actions, improved factory planning and factory layout, however, these are not expected to sufficiently mitigate the impact in FY24.

Furthermore, over the course of August and so far in September whilst overall order intake has continued to be positive, the order intake for execution in 2024 in our higher margin components business has been materially weaker than anticipated with the orders received in Q3 more weighted for delivery in 2025, and recovery is slow and steady.

Overall, as a result of the above, we now expect North American revenue for 2024 to be around £15 million to £20 million lower in the second half. Given the impact of high drop-through and significant product re-work costs, the regional operating profit is expected to be around £13 million to £18 million lower than previously expected.

Further cost reduction and Dynamo improvement actions are being planned and are expected to take place in the fourth quarter, benefitting the cost base for 2025.

Revised Group Outlook

The rest of the Group continues to perform broadly in line with expectations. However, taking into account the performance impact of our North American business, Group adjusted operating profit for FY 2024 is now expected to be in the range £37 million to £42 million.

With the lower operating profit, there will be a reduction in free cash flow for 2024, resulting in net debt to adjusted EBITDA now expected to be around, or marginally above, the top end of our 1-2x range by December 2024.

The Company will update on the 2025 revenue outlook and rectification of the operating issues in the North American sites, together with further cost efficiencies, in the November trading update.

Project Dynamo

The Operations team had already identified a number of improvements that are required as detailed in Project Dynamo. Based on the current performance, implementation of these improvements will now move at a greater pace to deliver the operational change required.

Considering the various workstreams identified and work underway the Board remains confident in the Group's medium-term targets, which include a 12% operating margin in 2026.

Conference call details

Today, 16 September at 7:30 am BST, TT Chief Executive, Peter France and Chief Financial Officer, Mark Hoad will host a conference call for analysts and investors. A replay will be made available on the Company website.

To join via teleconference please dial +44 (0) 33 0551 0200.

For further information please contact:

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Notes:

1. Latest company compiled view of market expectations shows a consensus adjusted operating profit of £55.4 million within a range of £54.0 million to £56.8 million for the year ended December 2024.
2. TT will announce a further trading update in November.

The person responsible for making this announcement is Mark Hoad, Chief Financial Officer, TT Electronics plc.

About TT Electronics

TT Electronics is a global provider of engineered electronics for performance critical applications.

The company operates in industries where there are structural growth drivers, working with market-leading customers primarily in the industrial, medical, aerospace and defence sectors. Products designed and manufactured include sensors, power management devices and connectivity solutions. TT has design and manufacturing facilities in the UK, North America and Asia.

Cautionary statement

This update 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 update. 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.