

# Interim Results 2021

2<sup>nd</sup> August 2021

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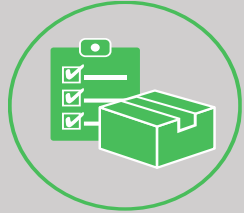
## ○ — **Strong first half performance**

- Robust order performance (+8%) driven by SemiFab and Industrial Technology sectors, offset by expected normalisation in Healthcare
- Strong revenue performance (+14%) predominantly in SemiFab, where the momentum has continued, with early-stage recovery in Industrial Technology and Healthcare growing compared to pre COVID-19 levels
- Encouraging margin and operating profit increases with good cash conversion
- Strategic capital and people investments ongoing
- Enhanced sustainability focus and environmental commitments
- Ongoing monitoring of the supply chain and COVID-19 situation globally

# 2021 H1 Highlights



# Record orders, strong revenue growth, good margins



**ORDERS**  
**£157.6 million**  
 +17% CER<sup>1</sup>



**REVENUE**  
**£119.9 million**  
 +23% CER<sup>1</sup>



**GROSS MARGIN**  
**46.6%**  
 +170bps



**OPERATING MARGIN<sup>2</sup>**  
**19.3%**  
 +220bps



**OPERATING PROFIT<sup>2</sup>**  
**£23.2 million**  
 +29%



**ADJUSTED DILUTED EPS<sup>2</sup>**  
**93.3p**  
 +33%



**OPERATING CASHFLOW  
 CONVERSION<sup>2</sup>**  
**113%**  
 2020: 143%



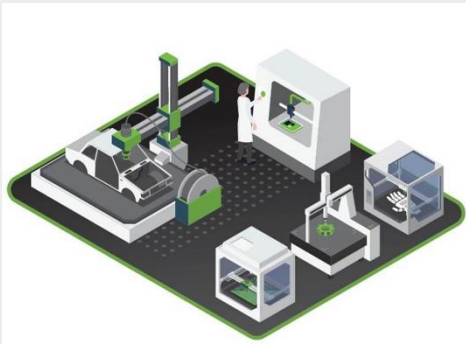
**NET DEBT<sup>3</sup>**  
**£20.3 million**  
 Increased 13%

1: Constant Exchange Rate

2: Adjusted profit metrics excluding specific items

3: Comparison period is Dec 2020, all others compared to H1 2020

## — Current Sector dynamics



### INDUSTRIAL TECHNOLOGY

- **38% of revenue; Grew 5% (CER YoY)** as markets start to recover from COVID-19 related disruption
- Most diverse sector driven by high levels of customer innovation. Attractive niches including 3D printing, Robotics, Analytical instruments, Industrial printing, Industrial LED lighting, Communications, Security
- Distribution channel, 9% of Group revenue, growth through gaining share and adding new partners
- Market recovery post COVID-19 and Industry 4.0 driving growth in manufacturing technologies and smarter electronic equipment



### SEMICONDUCTOR MANUFACTURING EQUIPMENT

- **37% of revenue; Grew 62% (CER YoY)** with continued market growth and share gains
- Applications include: Deposition, Wafer handling, Etch, Ion implantation
- Design win pipeline very strong on next generation tools with RF and high voltage facilitating greater penetration to existing and new customers
- Attractive long-term growth drivers (WFH, Gaming, Big Data, AI, 5G, IoT) driving current demand with reduced geometries in logic devices and increased stacking in 3D NAND on top

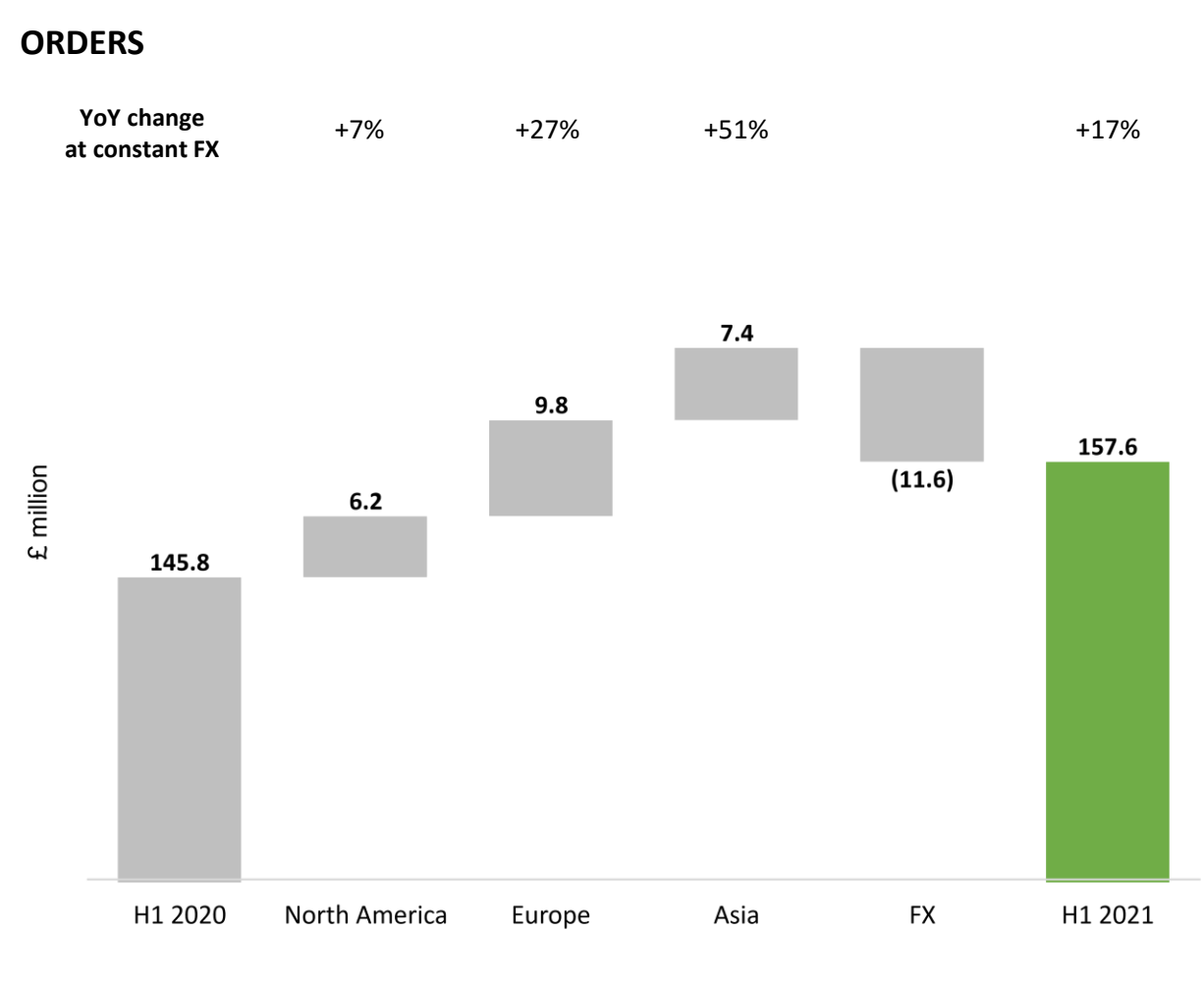
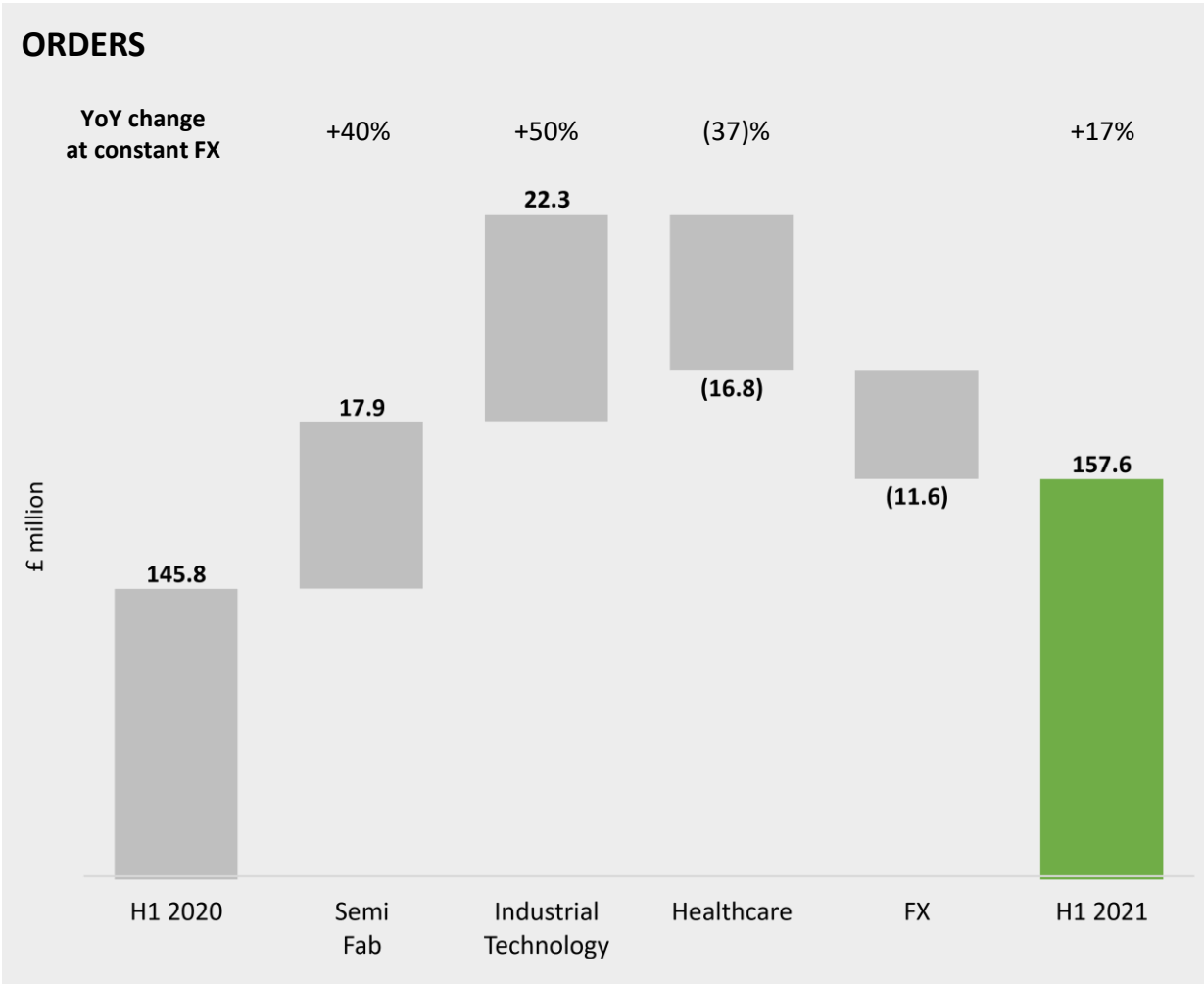


### HEALTHCARE

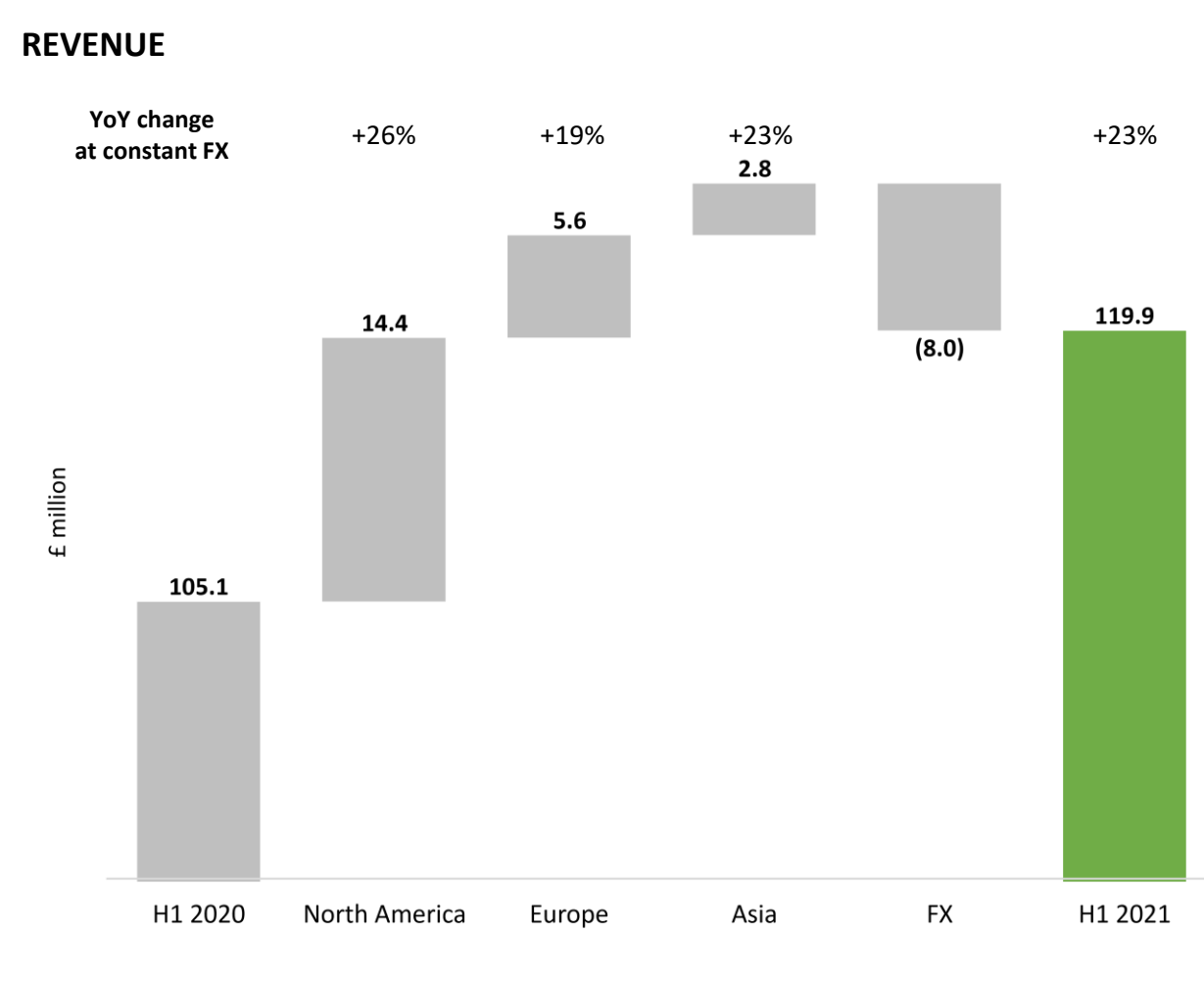
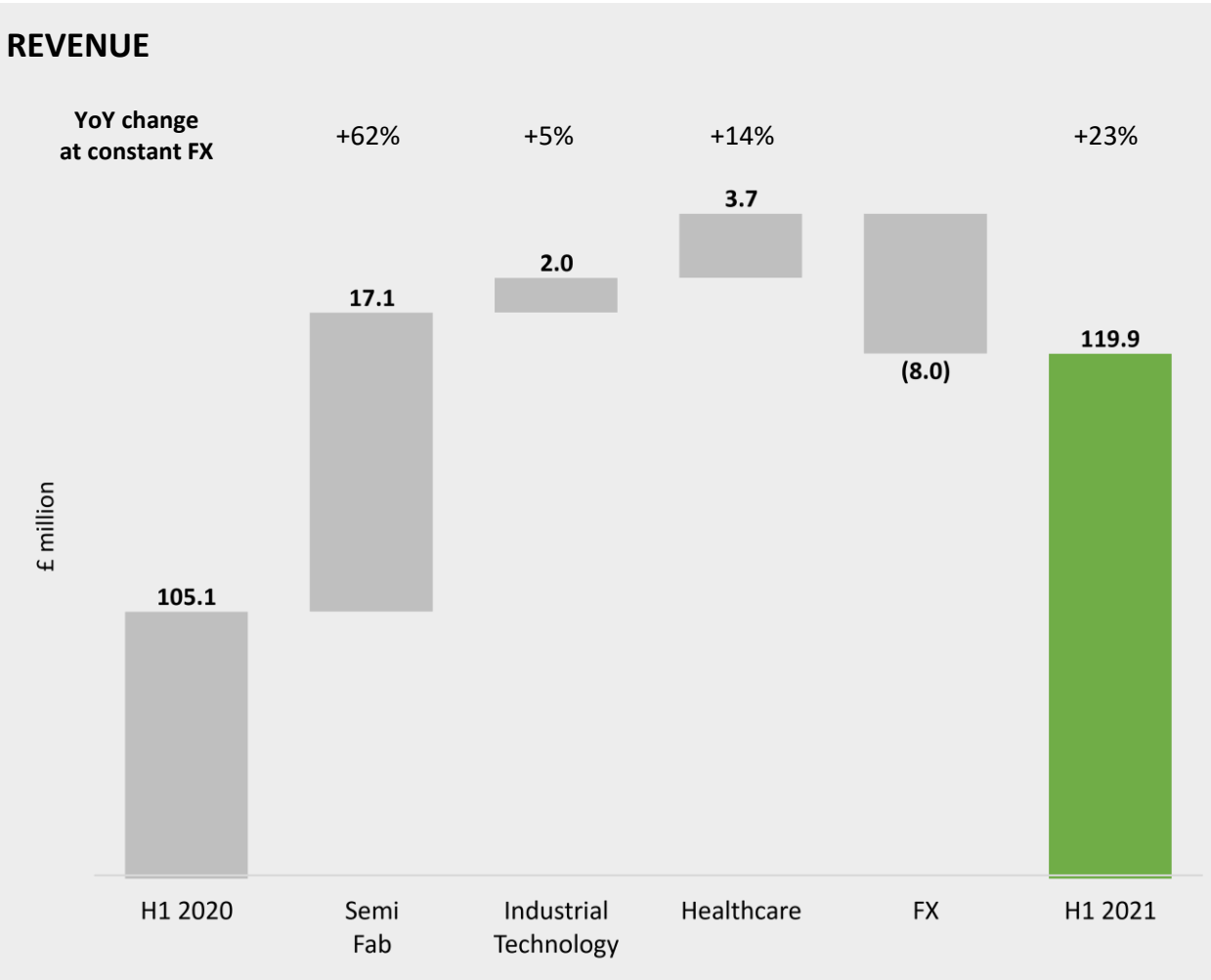
- **25% of revenue; Grew 14% (CER YoY)** driven by recovery in non-COVID 19 related demand
- A leading position, with high efficiency products well positioned due to high reliability and broad product range
- Long term attractive growth market due to demographic changes, more advanced diagnostics, better treatments and increased healthcare access in emerging markets

**Key trends of proliferation of electronic devices, accelerating digital transformation and long-term demand for healthcare equipment will benefit XP Power**

# — SemiFab and Industrial orders growth offset by expected Healthcare, all regions contributing to growth

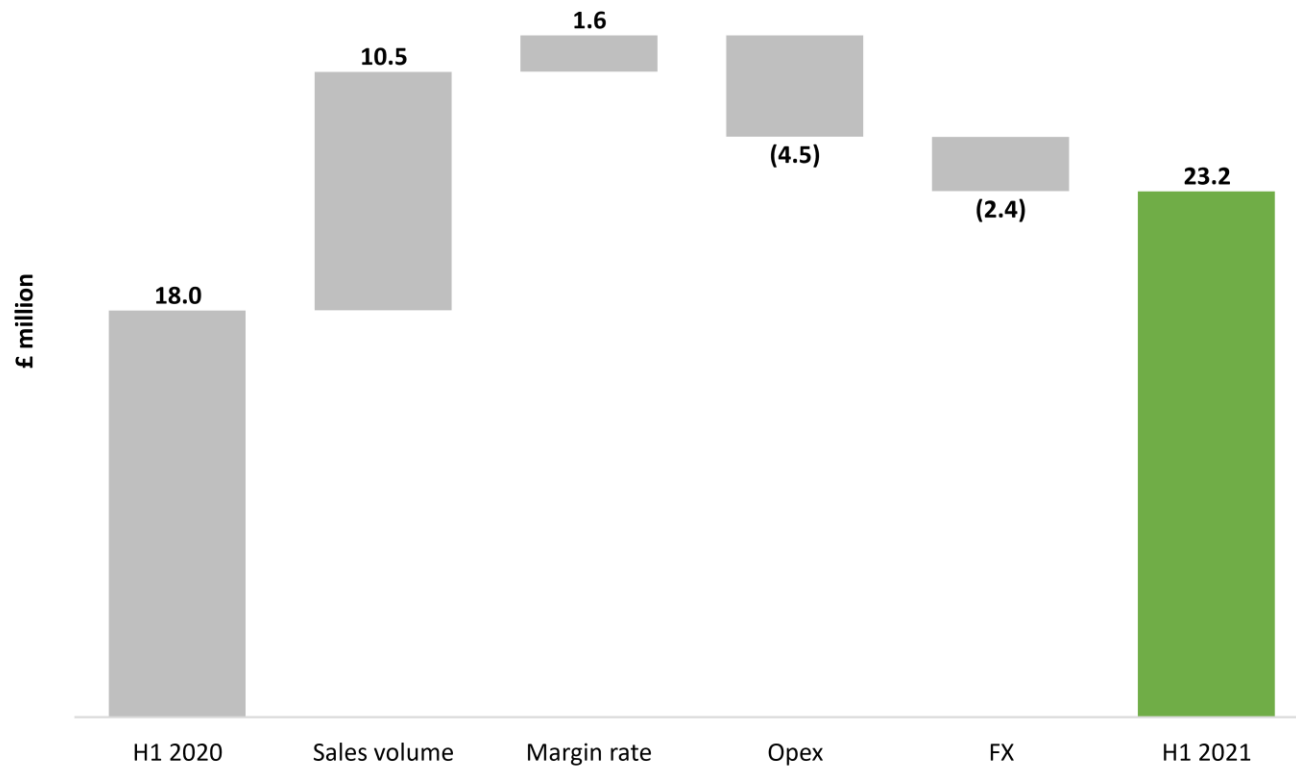


# — SemiFab revenue recording significant growth, all regions showing double digit growth





## ○ — Increase in Adjusted Operating Profit

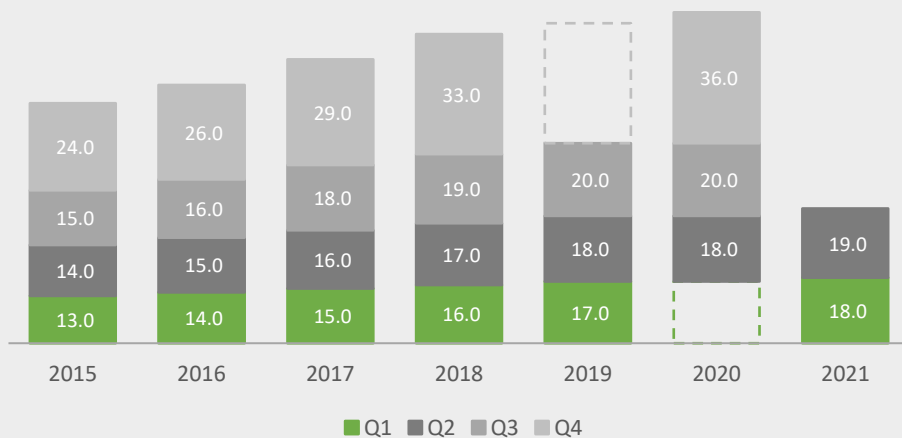


- Gross margin increased to 46.6% from 44.9%, driven by operating leverage on higher volumes and cost savings from transferring manufacturing to Asia from North America
- Raw material and freight costs starting to see increases
- Operating expense increases primarily relates to investment in headcount, particularly engineering, sales and supply chain

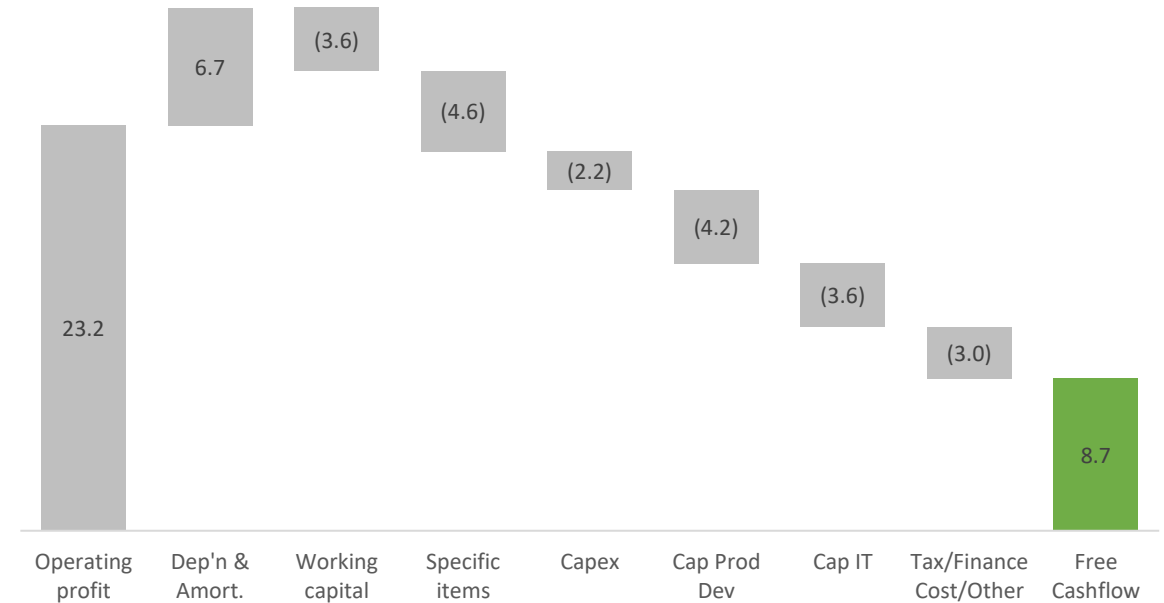
# Excellent cash generation, significant available liquidity

- High cash conversion despite investing in working capital to meet customer demand and secure critical components
- Specific items includes legal costs and ERP implementation costs
- Further investments include replacement capex, as well as capitalised R&D and software
- H1 dividend of 37p reflects Board’s confidence in long term prospects

Dividend per Share



Dotted boxes represent dividends withdrawn as part of cash protection mechanisms relating to Covid-19



**Cashflow conversion**  
**113%**  
 H1 2020: 143%

**Leverage**  
**0.33**  
 Dec 2020: 0.32

**Available liquidity**  
**£87m**  
 Dec 2020: £91m

## — 2021 Modelling Guidance

**CAPEX/CAP PROD DEV/CAP IT**  
£6.0m / £9.0m / £6.0m

**INTEREST**  
c. £1.5m

**EFFECTIVE TAX RATE**  
16-18%

**CASH SPECIFIC ITEMS**  
c. £5.0-6.0m

**COST INFLATION**  
c. £2.0-3.0m

**COST SAVINGS**  
c. £1.5-2.0m

**REVENUE**  
Modestly H2 weighted

**OPERATING CASH FLOW**  
Improved Working Capital

**NET DEBT / EBITDA**  
c. 0.3x by 31 December 2021

**Trading modestly ahead of expectations**

# Business Update



## — Our Growth focused strategy is delivering

	Develop a market leading range of competitive products
	Target accounts where we can add value
	Further enhance our global supply chain through investment in capacity, systems and capability
	Focus on people and talent development
	Lead our industry in environmental matters
	Make selective acquisitions in identified strategic markets to expand our product offering and addressable market



We have performed well in a period of continued macroeconomic uncertainty, underlining our resilience and the structural growth end markets we address

# — A leading Power Business exposed to attractive long term growth markets



## XP Power Growth Drivers

### Proliferation of electronic devices

- More and more products require power conversion units
- Pace of innovation a key driver
  - Automation of traditionally labour-intensive industries e.g., agriculture and warehousing/logistics
  - Rapid growth in demand for products that communicate between customers' applications and power converter
  - Energy efficiency increasingly critical
- Combination of factors driving demand for power and semiconductors across multiple sectors

### Digital transformation

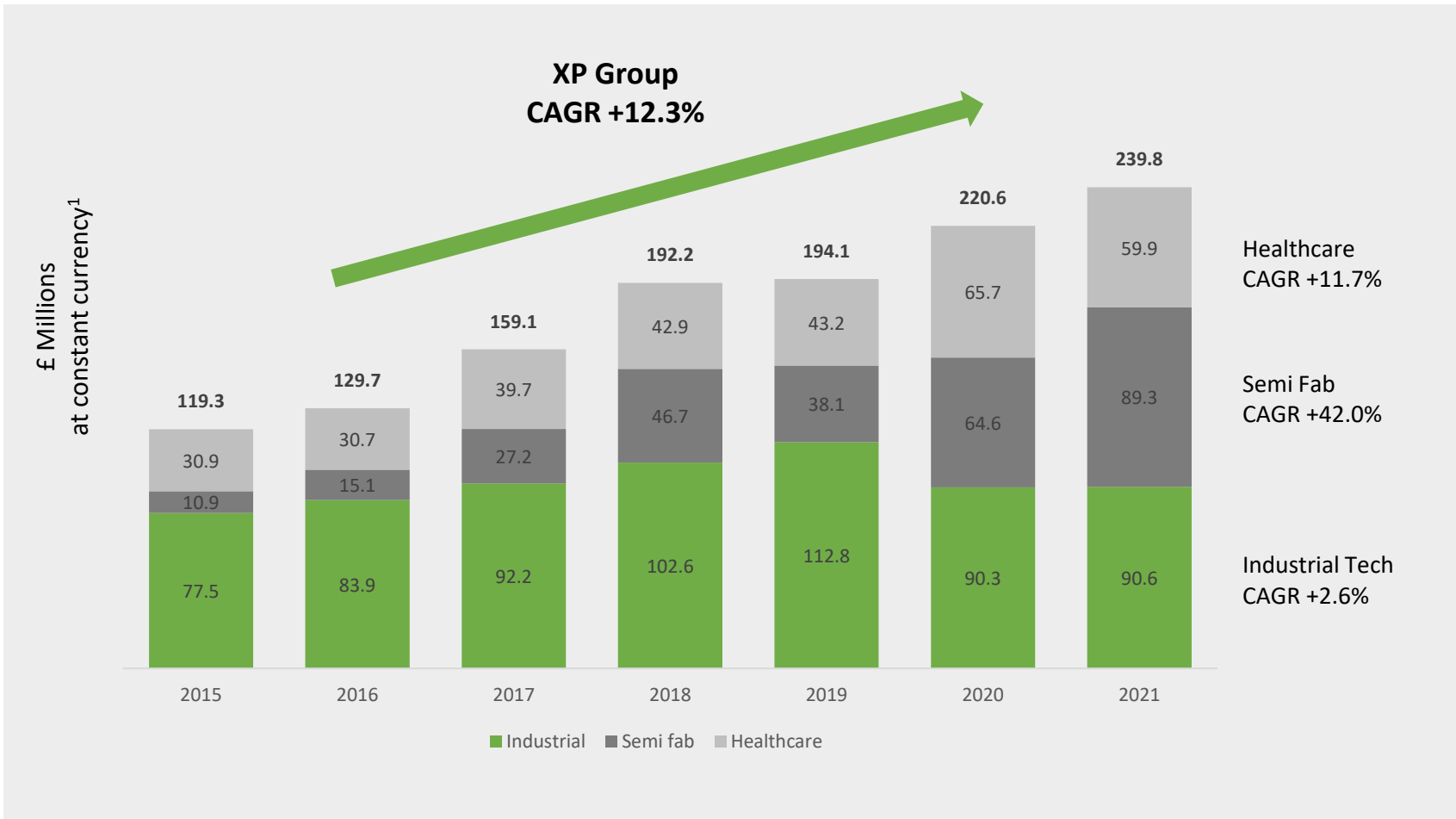
- Silicon content growing rapidly as smart technology increasingly embedded:
  - Digital transformation accelerated by events of 2020 – “10 years progress in 3 months”
  - Adoption driven by digital mega trends including IoT, AI, Big Data and 5G roll out
  - Industrial Revolution 4.0
- Customers' applications becoming ever more sophisticated
- Increasing electronic content and connectivity requires higher power capability

### Long term demand for Healthcare

- Global population growing and ageing
- Power conversion demand being driven by:
  - Investment in healthcare infrastructure
  - Advances and innovation in medical and diagnostic technology
  - Surgical robotics
  - Remote diagnostics
  - Treatment of chronic diseases
  - Precision healthcare
- Critical applications require reliable power solutions to ensure 24/7 function and connectivity

**Fast changing market demands play to XP Power's competitive strengths**

# Longer term Revenue performance



## High level Trends

- Increased connectivity of the power converter to the customer's equipment
- Higher power
- Higher engineering services content (customisation)
- Industrial revolution 4.0
- Increased legislation

1. 2015-2020 restated at 2021 FX rates  
 2. 2021 Revenue is annualisation of H1 2021 results



## Capital Allocation

Maintain a strong financial position and provide flexibility for growth



**Underpinned by strong cash conversion**

## — ESG Strategy

### Our Sustainability strategy

- Produce quality products that are safe, more efficient, and solve our customers' power problems;
- Minimise the impact the Group and its products have on the environment;
- Adopt responsible sourcing practices considering social and environmental impacts;
- Make XP Power a workplace where our people can be at their best ensuring an environment that is safe, diverse, inclusive and which attracts and retains the best talent; and
- Uphold the highest standard of business ethics and integrity.

### Aligned to UN SDGs



Priorities for 2021 from our materiality assessment include Product responsibility, Health & Safety, Responsible supply chain, Talent management, Employee welfare and Diversity & inclusion

**2021 sustainability roadmap: proactive investments to reduce our energy consumption; prioritising the safety and wellbeing of our people; developing plans from the results of our employee engagement surveys; developing the plans to achieve carbon neutrality by 2040 and continuing to enhance our product design processes.**

## ○ — **Group Outlook 2021**

- Enter second half with record order book driven by:
  - Strong momentum in Semiconductor Manufacturing Equipment segment
  - Continued recovery in Industrial Technology
  - Healthcare growing ahead of pre COVID-19 levels
- Continued pressure on supply chain with increased raw material prices and lead times
- COVID-19 pandemic has accelerated the digisation of the global economy giving optimism to deliver sustainable growth in long term
- A responsible, values-driven business aligns naturally with ESG principles

**Full year trading is expected to be modestly ahead of expectations**

# Questions and Answers



# Appendices



## ○ Detailed P&L and Balance Sheet

	H1 2021	H1 2020
Revenue	119.9	105.1
Gross Margin	55.9	47.2
<i>Gross Margin %</i>	46.6%	44.9%
Operating expenses	(32.7)	(29.2)
Operating Profit (adjusted)	23.2	18.0
<i>Operating Margin % (adj)</i>	19.3%	17.1%
Finance Cost	(0.7)	(1.0)
Profit before tax (adjusted)	22.5	17.0
<i>Profit before tax % (adj)</i>	18.8%	16.1%
Specific Items	(6.1)	(6.7)
Profit before tax	16.4	10.3
<i>Profit before tax %</i>	13.7%	9.8%
Tax	(2.8)	(2.1)
Profit after tax	13.6	8.2

	Jun-21	Dec-20
Total Non-Current Assets	138.3	135.2
Cash	8.5	13.9
Inventory	58.3	54.2
Trade receivables	34.1	30.2
Other	7.4	8.7
Total Current Assets	108.3	107.0
Total Assets	246.6	242.2
Trade & Other Payables	34.5	28.2
Tax & other current liabilities	4.3	6.5
Total Current Liabilities	38.8	34.7
Borrowings	28.8	31.8
Deferred tax liabilities	7.0	6.7
Other non-current liabilities	4.0	4.5
Total Non-Current Liabilities	39.8	43.0
Total Liabilities	78.6	77.7
NET ASSETS	168.0	164.5

## ○ — Cash flow

	H1 2021	H1 2020	Change
Adjusted Operating Profit	23.2	18.0	29%
Non-cash items	6.7	5.5	
Change in working capital	(3.6)	2.2	
Adjusted Operating Cash Flow	26.3	25.7	2%
Specific items	(4.6)	(4.2)	
Cash generated from Operations	21.7	21.5	1%
Income tax paid, net of refund	(2.1)	(0.6)	
Payment of Lease Liabilities	(0.8)	(0.8)	
Purchase of property and equipment	(2.2)	(1.8)	
Capitalised product development costs	(4.2)	(4.0)	
Capitalised software development costs	(3.6)	(0.8)	
Interest paid	(0.5)	(0.8)	
Proceeds from exercise of share options	0.4	1.8	
Free cash flow	8.7	14.5	-40%

## XP Power Investment Case



### Investing in Growing Markets

- Exposed to high growth markets
- Strong Customer relationships
- Balanced product portfolio
- Revenue annuity



### Attractive Margins

- Seek to achieve gross margins in high 40's
- Aiming to deliver consistent >20% operating margins



### Strong Cash flows

- High operating cash conversion
- Low capital intensity
- Good working capital control
- Clear dividend policy



### Leadership and People

- Entrepreneurial culture
- Employee Engagement
- Able to attract and retain the best talent



### Strong Supply Chain

- Global footprint
- Multi-site low-cost manufacturing
- Engineering close to customer
- Focused on increasing capacity



### Focus on ESG

- Aim to lead industry on sustainability
- Aspiration to be carbon neutral by 2040
- "XP Green Power" products
- Clear ESG framework

**Driving sustainable growth to create long-term value for all stakeholders**



# — What makes XP Power successful?



## **Service and Support - Key Differentiators:**

- Large technical sales team
- Significant support at the design-in stage allowing customer faster time to market
- Flexibility in terms of product modifications and logistics
- Speed and agility

## **Quality**

- Quality is a given and paramount for mission critical solutions

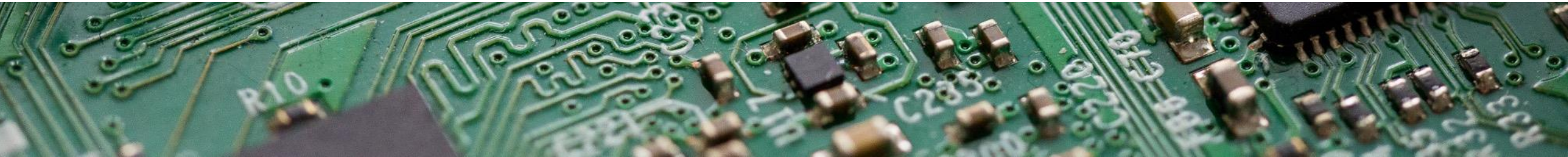
## **Product Offering**

- Product has to solve the customer's power problem and work in their application
- XP Power breadth of product is a competitive advantage
- Customers prefer standard/modified standards over custom solutions

## **Cost**

- Not the customers' top priority but product needs to be cost competitive
- Low-cost Asian manufacturing an advantage against local/smaller in competition
- Vietnam expansion timely given Section 301 tariffs in the USA

# Market Data



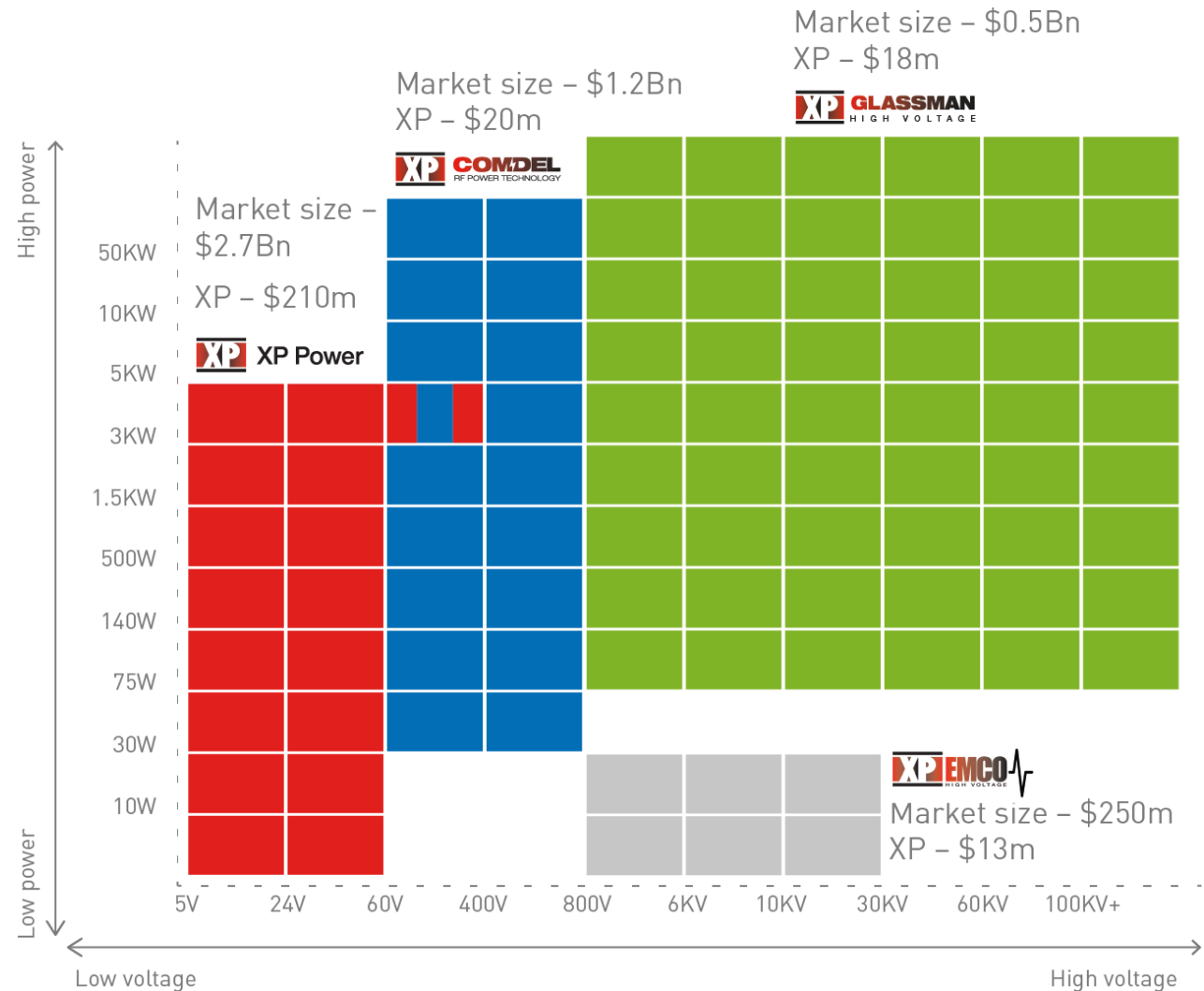
Market (\$ Millions)	Size	Share
Asia	1,400	1.4%
Europe	772	8.5%
North America	1,129	10.6%
<b>Total</b>	<b>3,301</b>	<b>6.3%</b>
RF Power	1,200	1.3%
High power/high voltage	500	2.7%
<b>Grand total</b>	<b>5,001</b>	<b>4.7%</b>

XP 2020 Revenue (£ Millions)	Asia	Europe	North America	Total	Share of XP (%)
Healthcare	5.1	21.0	43.2	<b>69.3</b>	30%
Industrial Technology	14.2	42.8	37.4	<b>94.4</b>	40%
Semifab	1.8	1.2	66.6	<b>69.6</b>	30%
<b>Total</b>	<b>21.1</b>	<b>65.0</b>	<b>147.2</b>	<b>233.3</b>	<b>100%</b>
<i>Share of XP (%)</i>	9%	28%	63%	100%	

Source: Micro-Tech Consultants (October 2020) and XP Power Management

# Product Portfolio – Significant growth opportunity

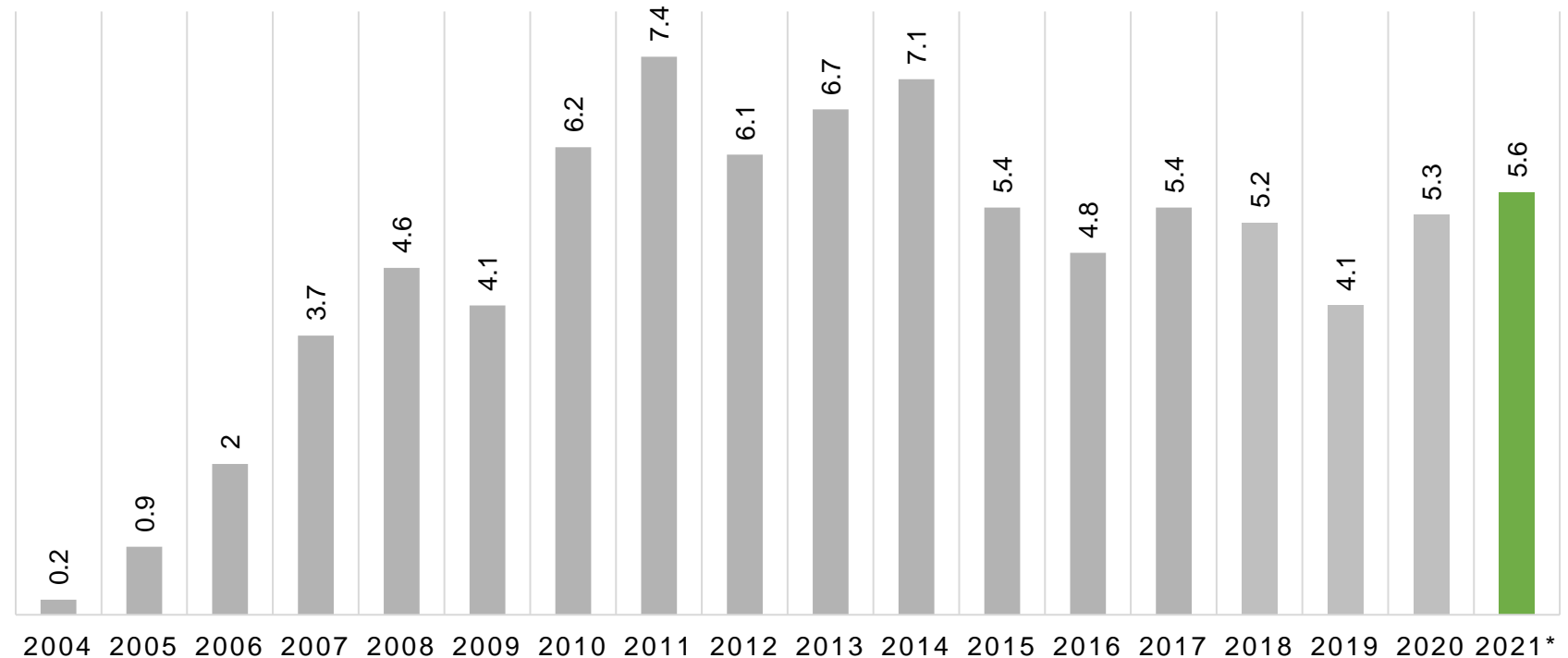
- Acquisitions in high voltage (EMCO and Glassman) and Radio Frequency (RF - Comdel) power expand our addressable market from \$2.7Bn to \$5.0Bn
- One of few companies in the world who can provide solutions right across the power and voltage spectrum
- Can use our engineering services capabilities to combine different products to give the customer a complete solution
- Presents significant long-term growth opportunity



# ○ — Typical Product Lifecycle

- Substantial revenue annuity
- Design in cycle typically 18 months (longer in healthcare)
- 2009 and 2012 dips due to market downturn and not typical

**REVENUE HISTORY ECM40/60 SERIES (£ MILLIONS)**



\*2021 represents H1 2021 annualised



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POWERING THE WORLD'S CRITICAL SYSTEMS