Interim Results 2023

1 August 2023

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H1 Summary

A significantly improved performance

- Revenue £160m, record performance, up 24% y-o-y at constant FX
- Orders, as expected, slowed at £116m but order book still c.£250m
- Adjusted operating profit £21.8m, 36% increase at constant FX y-o-y, 13.6% margin
- Supply chains have eased but Group still impacted by level of disruption
- Net debt reduced modestly to £148m, net debt/EBITDA to 2.3x (from 2.7x at year-end), expecting further progress in H2. Strong operating cash conversion
- Dividend of 37p for H1, flat y-o-y
- New CFO appointed, Matt Webb, starts September
- Comet legal action, limited progress, but not a distraction for the Group
- Net Zero Transition Plan published
- Full year expectations unchanged, modest second half weighting

We have a clear strategy

- Market leading product portfolio (built organically and through M&A)
- Target & drive penetration in accounts where we can add value
- Continually enhance our global supply chain
- Focus on people and talent development
- Lead our industry on environmental responsibility

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Executing our strategy

PHASE 1: Recovery - Supply Chain/COVID-19

Supply chains issues eased, but some disruption remains
Executing better, Pricing offsetting inflation

PHASE 2: Optimising supply chain and manufacturing footprint

Room for improvement, but progress made in 2022/23
Ongoing transformation of global supply chain

PHASE 3: Investing in capacity to support long term demand

Through cycle growth, will need Malaysia
Resilient global supply chain

Group on track to deliver performance consistent with framework over medium term

Through-cycle performance

c.10%	Organic Sales Growth
c.20%	Adjusted Operating Margins
>90%	Cash Conversion[1]
>20%	ROCE[2]
1-2x	Leverage[3]

1: Adjusted operating cash flow (excluding specific Items) divided by adjusted operating profit
2: Adjusted operating profit divided by capital employed
3: Net debt divided by adjusted EBITDA

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POWERING THE WORLD'S CRITICAL SYSTEMS

Financial Highlights

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Key performance indicators

ORDERS **£115.6 million** (44)% CER[1]	GROSS MARGIN **41.8%** +160bps	ADJUSTED OPERATING PROFIT[2] **£21.8 million** +36% CER[1]	ADJUSTED OPERATING CASHFLOW CONVERSION[2] **139%** 2022: (23)%
REVENUE **£160.2 million** +24% CER[1]	ADJUSTED OPERATING MARGIN[2] **13.6%** +150bps	ADJUSTED DILUTED EPS[2] **59.1p** +13%	NET DEBT[3] **£148.4 million** December 2022: £151.0m

1: Constant Exchange Rate
2: Adjusted profit metrics excluding specific items
3: Comparison period is June 2022 unless otherwise stated

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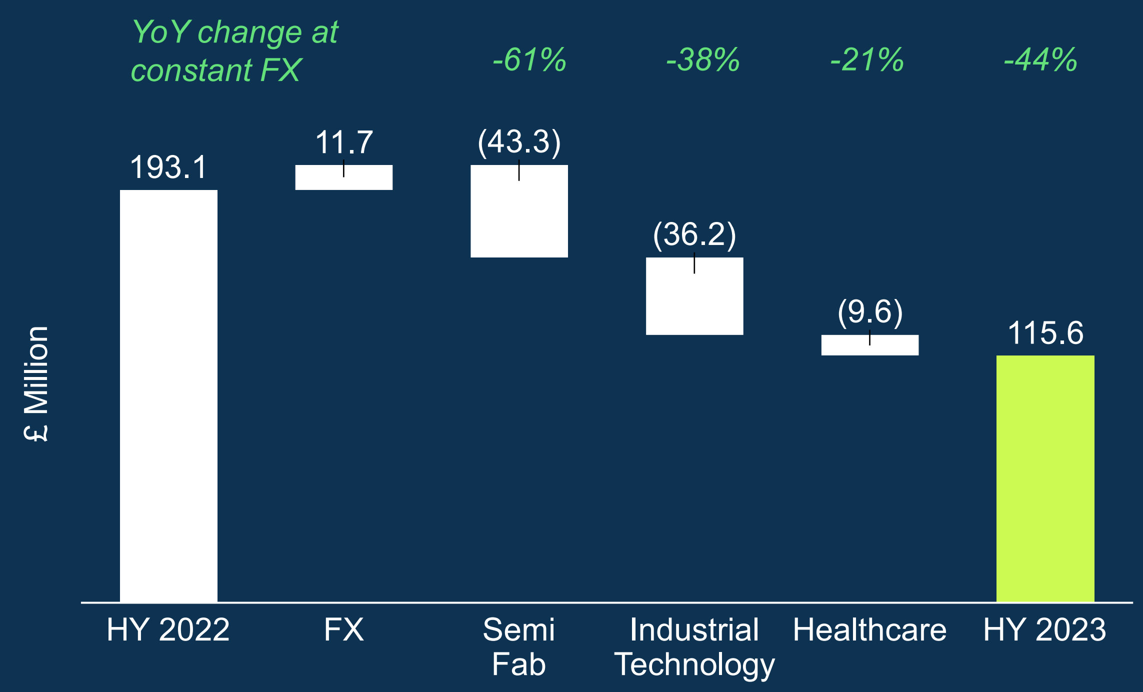
Income statement

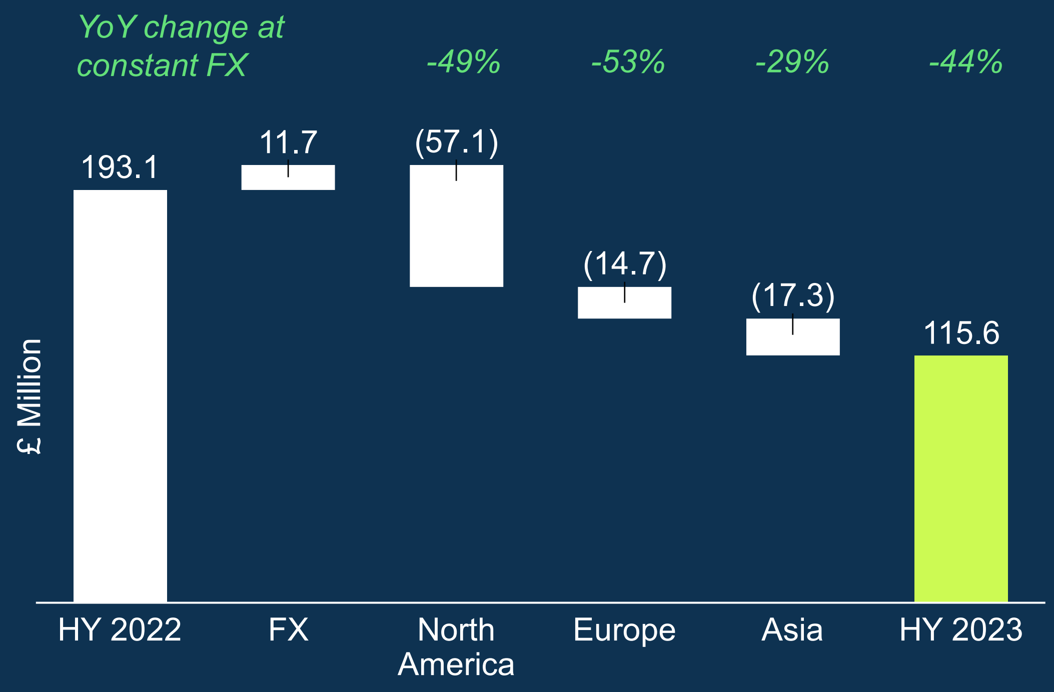
£ Million	HY 2023	HY 2022	% Change Reported	% Change at CER
Revenue	160.2	123.6	30%	24%
Gross margin	67.0	49.7	35%	28%
Gross margin %	*41.8%*	*40.2%*		
Adjusted operating expenses	(45.2)	(34.7)	30%	25%
Adjusted operating profit	**21.8**	**15.0**	**45%**	**36%**
Adjusted operating margin %	*13.6%*	*12.1%*		
Adjusted finance cost	(6.0)	(1.2)		
Adjusted profit before tax	**15.8**	**13.8**		
Adjusted profit before tax %	*9.9%*	*11.1%*		
Specific items	(4.9)	(61.2)		
Profit/(loss) before tax	**10.9**	**(47.4)**		
Profit before tax %	*6.8%*	*(38.3)%*		
Tax	(3.1)	12.0		
Profit/(loss) after tax	7.8	(35.4)		

- Strong revenue performance in all sectors
- Gross margin benefiting from continued stabilisation of supply chain
- Adjusted operating profit of £21.8m, a 36% increase on a constant currency basis reflects significantly improved performance
- Finance cost driven by increased level of debt and interest rates
- Tax charge at H1 compares to a credit in the prior year driven by statutory loss position following Comet damages

Impact of acquisitions in prior year not material for comparison (Revenue £1.3m, Profit £0.2m)

Orders slower as market destocking continues





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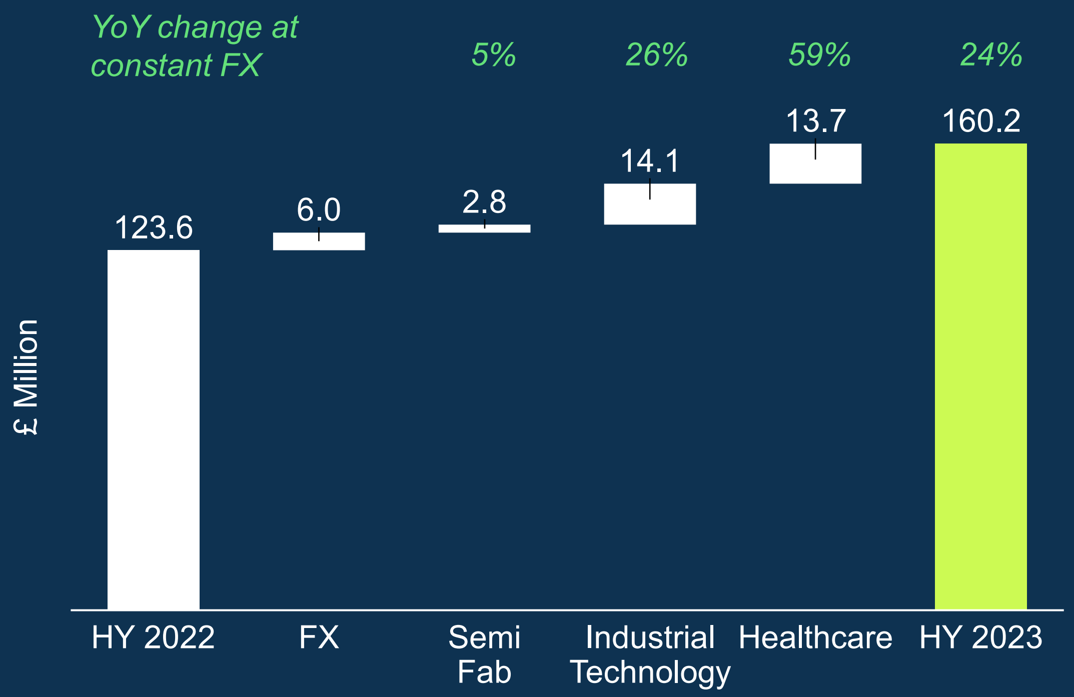
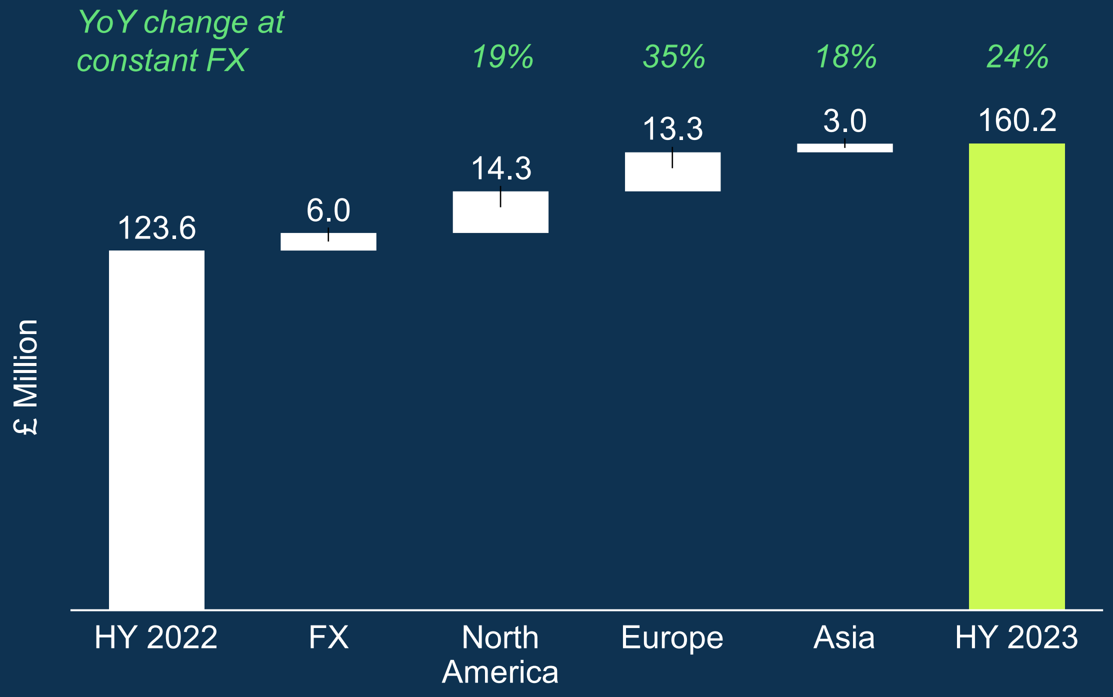
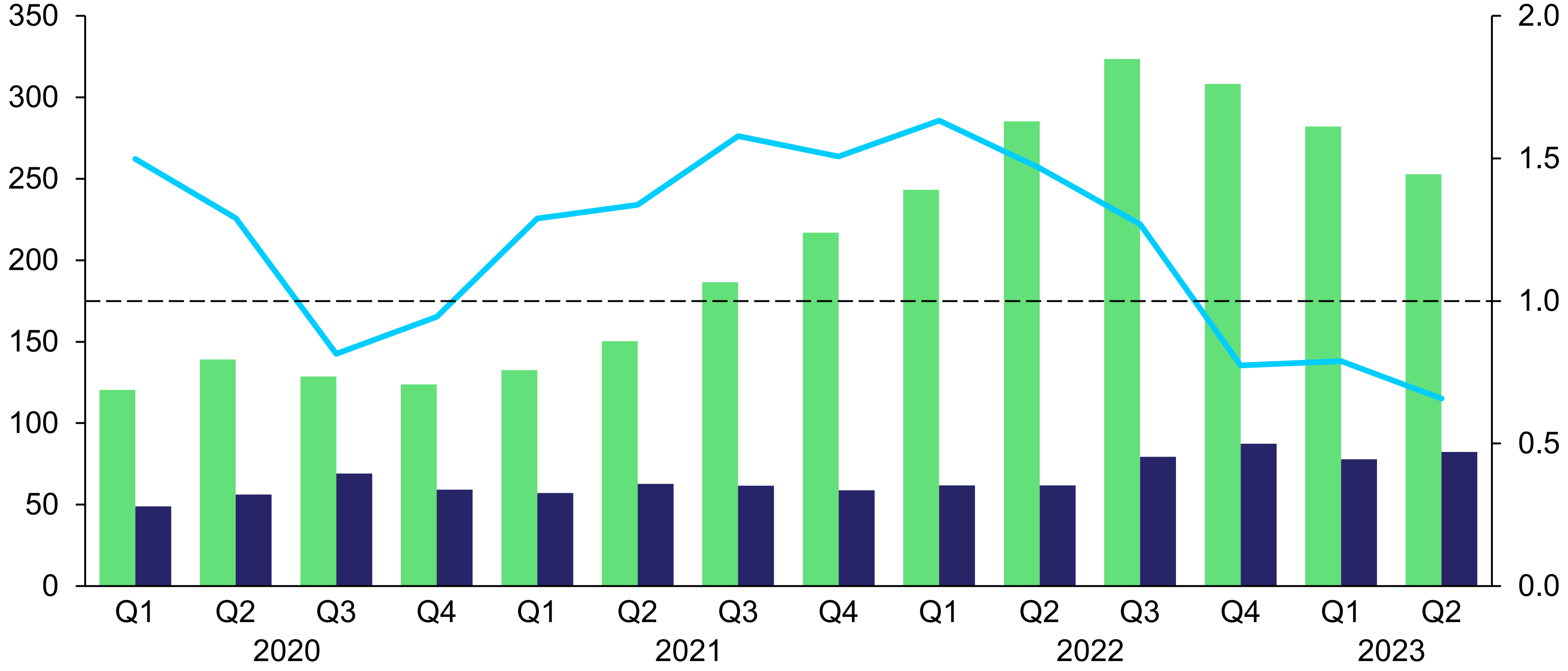
Strong revenue growth as we deliver our order book





Order book remains well above historical levels



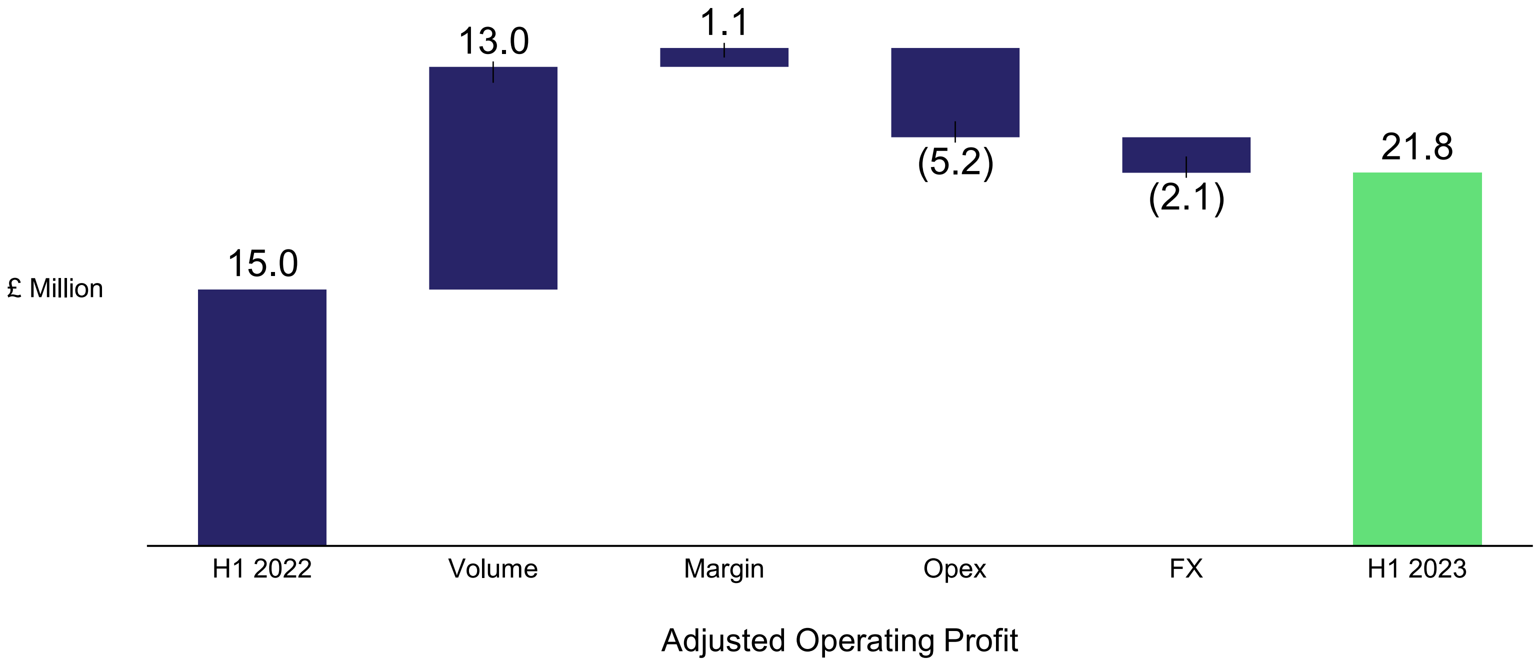
Order Book, Revenue and Book to Bill

- Order book reducing as we work through the backlog
- Moderation of orders reflects normalisation of leadtimes across supply chain, including for XP
- Customer order patterns expected to return to more normal rates in late 2023 and 2024
- Book to bill expected to continue below 1x in H2, but customer project pipeline looks healthy

Key

- Book to Bill
- Order Book
- Revenue

Adjusted operating profit recovery from prior year and momentum into H2



- Operational leverage driving a greatly improved H1 2023
- Gross margin improvement reflects supply chain improvement – well set for further improvement in H2
- Operating expenses includes people cost inflation and investment in key roles along with increase in depreciation and travel

Specific items

- The Group is investing to increase capacity and transform our supply chain with the construction of Malaysia facility. We expect to incur modest one-off costs in 2023 and 2024 to deliver this step-change

Other specific items include:

- Legal costs to support Comet case remediation work following injunction
- Non-cash depreciation and interest cost for double running of San Jose and Irvine sites under IFRS 16

£ Million	HY 2023	HY 2022
Comet case related costs	1.4	55.3
Costs related to ERP implementation	0.2	3.6
Supply chain transformation: Malaysia setup	0.8	0.0
Acquisition costs	0.0	0.9
Amortisation of acquisition related intangible assets	1.6	2.1
Site double running costs (depreciation)	0.7	0.0
Other	(0.2)	(1.7)
Affecting operating profit	**4.5**	**60.2**
(Gain)/loss on modification of RCF borrowings	(0.6)	1.0
Site double running costs (interest)	1.0	-
Affecting finance charges	**0.4**	**1.0**
Total specific items	**4.9**	**61.2**

- (Gain)/loss on modification of RCF is shown in the finance cost line in the income statement
- ‘Other’ includes fair value gain/loss on derivatives and in 2022 RCF fees and FX gain on acquisition loan

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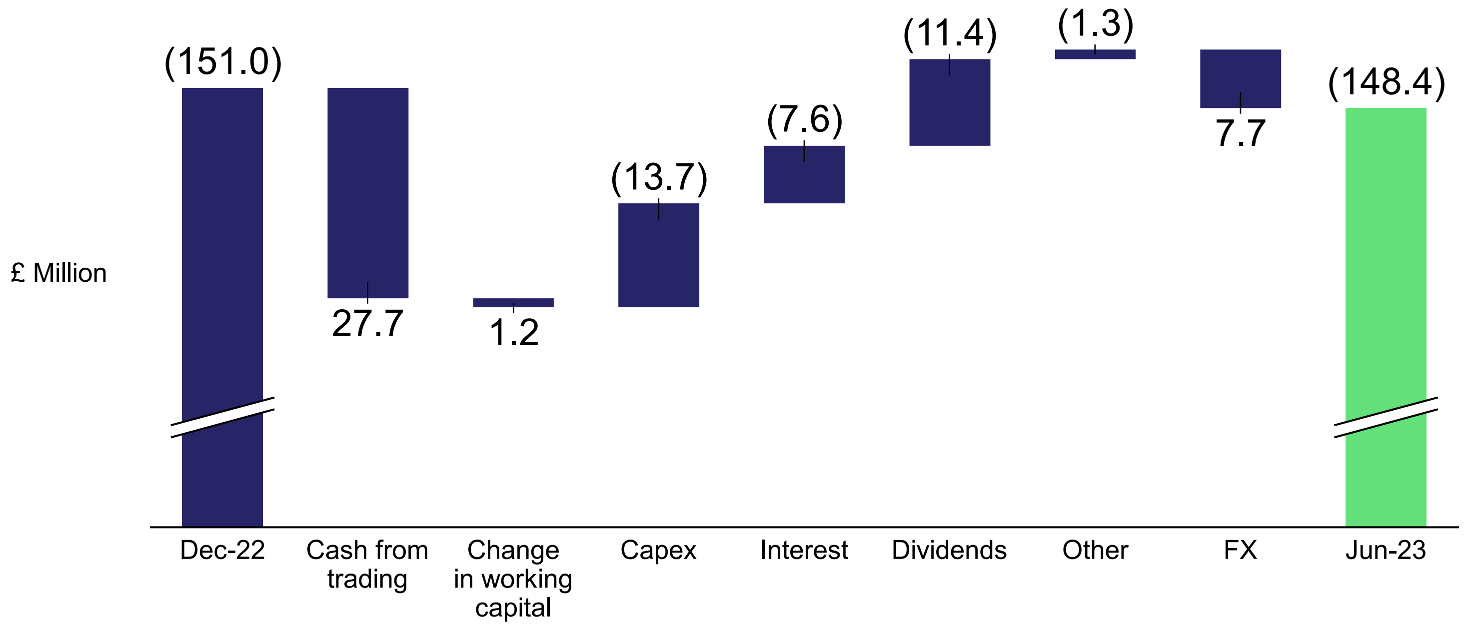
Net debt and leverage improvement in H1



- As planned, significant increase in capital investment includes Malaysia site construction and relocation of customer design centre in North America
- Modest working capital unwind through inventory reduction
- FX benefit on USD held gross debt

Net debt/adjusted EBITDA leverage	Available liquidity	Adjusted operating cashflow conversion
2.30x	**£50m**	**139%**
Dec 2022: 2.68x	Dec 2022: £59m	2022: (23)%

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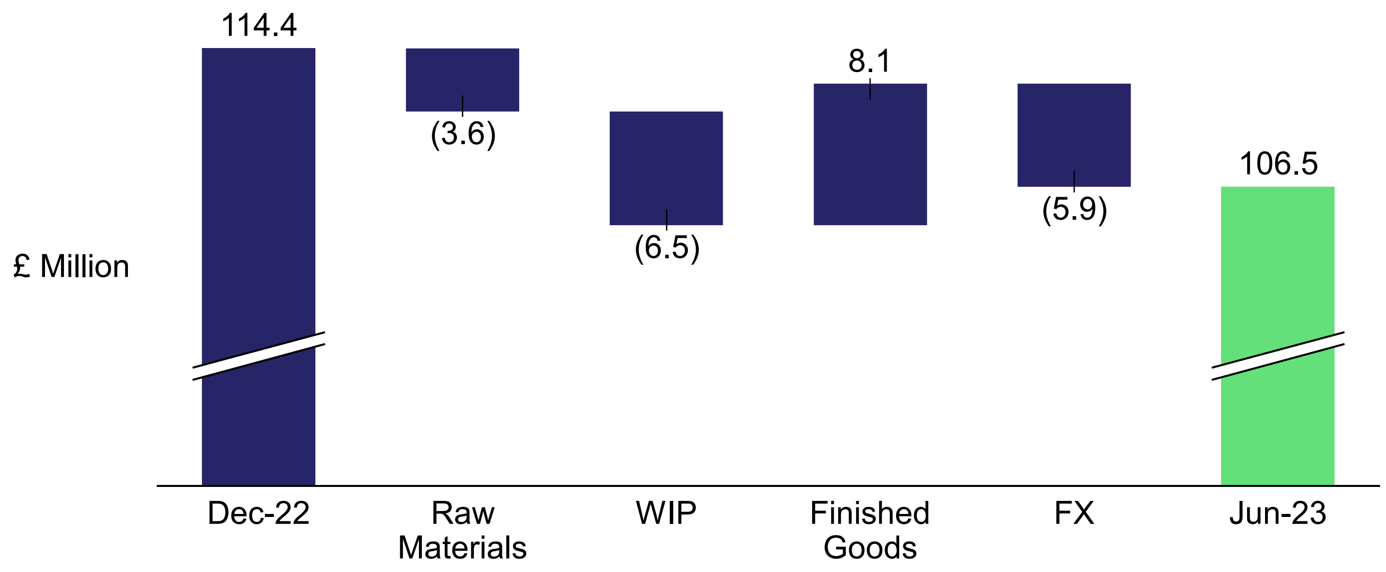
Inventory beginning to reduce, further benefit expected in H2



- December 2022 was a result of significant increase in prior year from key component lead times and purchases for exceptional order levels
- Raw material reduction in progress as supply chain continues to improve
- Timing of increased finished goods should benefit H2, and in part reflects mix improvement from air to sea

2023 Modelling Guidance

- Modest H2 weighting
- Gross margins expected to continue progress, but not to return to historic levels in 2023
- Continued working capital unwind
- Capex expectations unchanged
- Specific items cash c.£5m
- Interest cost now c.7% on gross debt
- Income statement tax rate – c.18%-20% for the full year
- Net debt/adjusted EBITDA progress towards 2x

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Business Update

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XP Power long term growth drivers

Rapid increase of electronic devices

- More products need power converters
- Pace of innovation
- Global shortage of semiconductors driving investments in capacity

Digital transformation

- Increase in smart technology
- More sophisticated customer products
- Demand for higher power capability
- AI, IOT, EVs, Data and Machine Learning

Structural growth in Healthcare

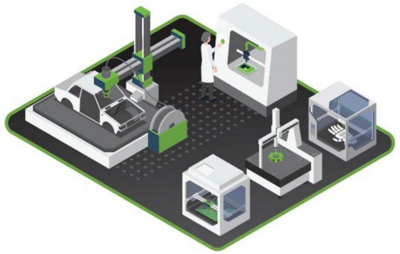
- Growing and aging global population
- Healthcare infrastructure investments
- Advances in medical technology
- Critical products need reliable power solutions

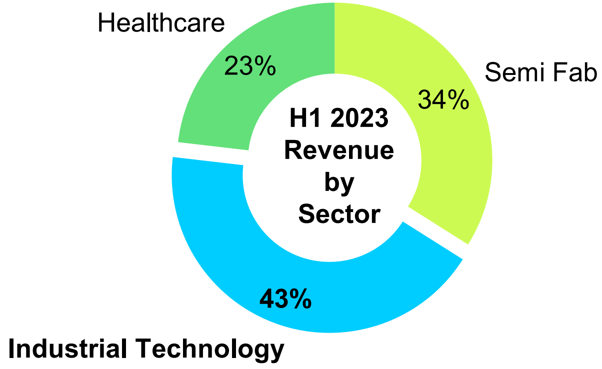
Growth drivers play to XP Power's competitive strengths

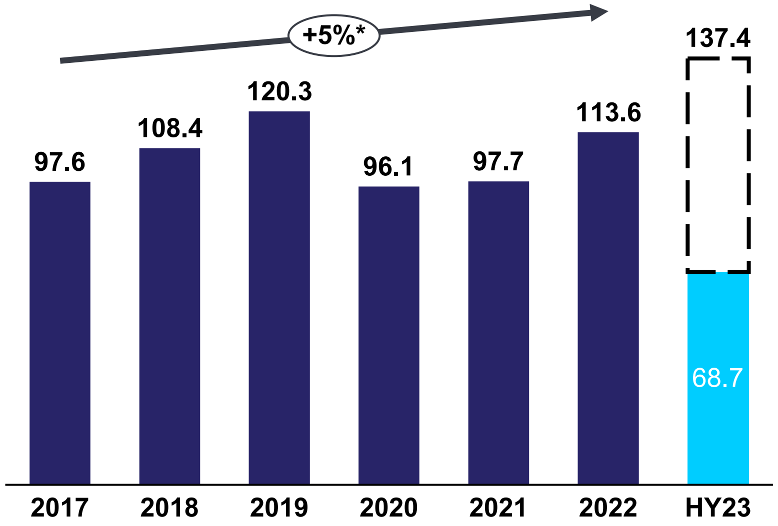
- Power supply part of the customer ecosystem with increased connectivity of the power converter to the customer's equipment
- Higher power and higher levels of customization and complexity driving higher engineering services content is changing the customer dialogue
- Long term relationships with key customers – top 30 customer now represent 57% of the business
- Increasing environmental demands driving higher efficiency

Industrial Technology

- Orders of £51.2 million, 38% below the prior year, an exceptional period when supply chain issues temporarily drove orders to unparalleled levels
- Revenue was £68.7 million, up 30% on the equivalent prior year period, as we made excellent progress with the delivery of our backlog
- The sector benefited from improved availability of components in the supply chain, leading to a normalisation of orders
- Growth in the use of electronics requiring a power converter is only accelerating
- New design-in distributor in European market bringing increased on the ground presence







Industrial Technology Revenue (@ CER[1] £m)

[1]2017-2022 restated at 2023 average FX rate
*CAGR based on annualised H1 23

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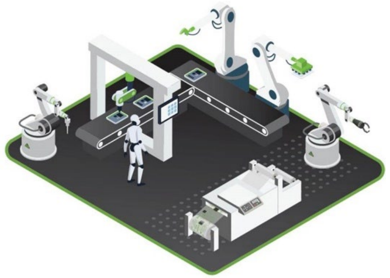
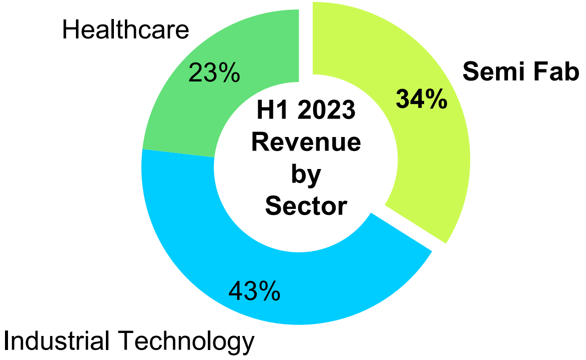
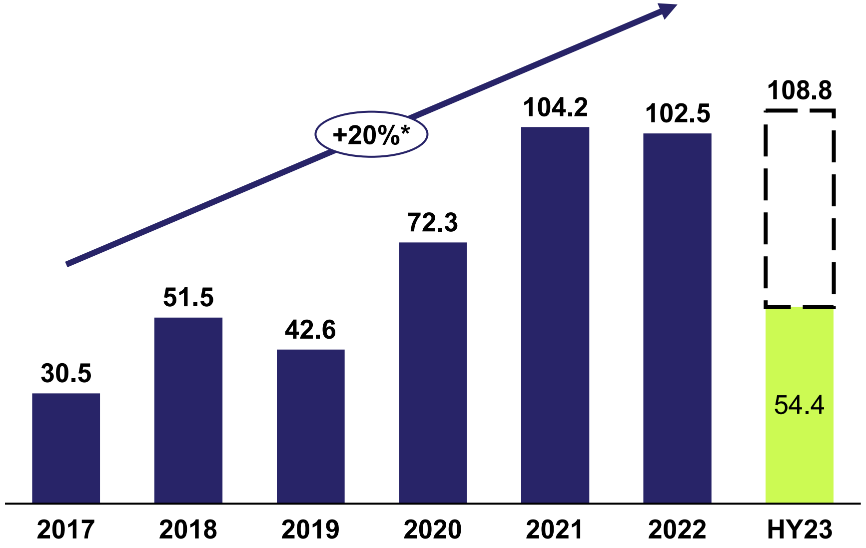
Semiconductor Manufacturing Equipment

- Orders in Semiconductor Manufacturing Equipment were weaker as a result of the global semiconductor market slowdown. Through the trough in Q2 and expect orders to improve
- Revenue was £54.4 million, 13% ahead of the prior year despite the semiconductor market slowdown
- Order intake was £28.1 million, giving a book to bill of 0.5x
- Demand has held up in certain areas - trailing edge products and Ion implant with our US based customers but has been weaker with some of our Asian customers
- Ongoing design-in work continues ahead of the next market ramp
- Medium term market growth driven by structural drivers including AI, IoT, EVs, ADAS, renewable energy







Semi Fab Revenue (@ CER[1] £m)

[1]2017-2022 restated at 2023 average FX rate
*CAGR based on annualised H1 23

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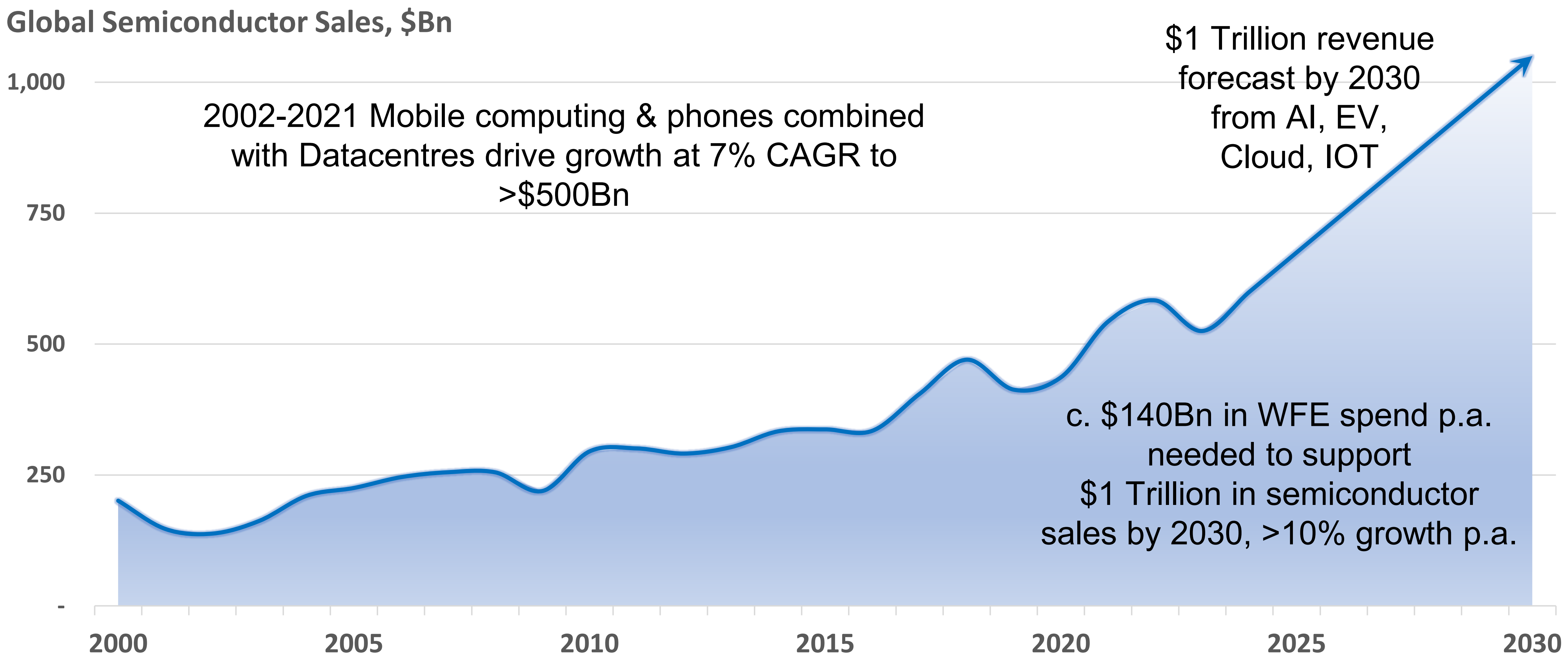
The next semiconductor upcycle...market to double to $1trillion by 2030



 Source: McKinsey

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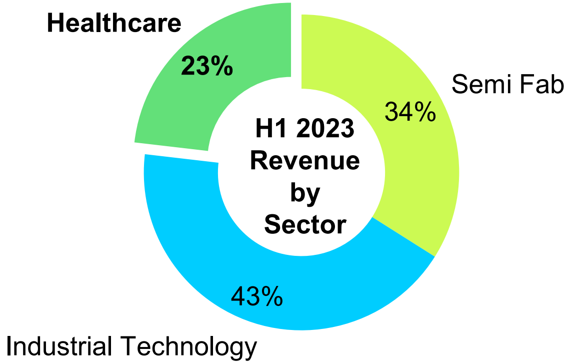
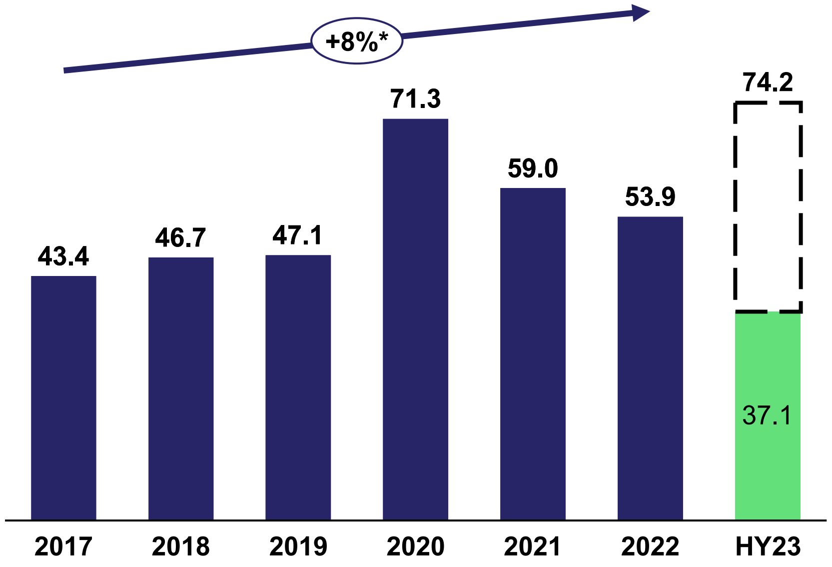
Healthcare

- The Healthcare market continues to be an attractive sector for the Group driven by the growing global demand for healthcare infrastructure and the pace of innovation
- Order momentum was sustained in the period and we saw a continued recovery in revenue as component availability improved
- Order intake was £36.3 million and revenue was £37.1 million, up 65% on the prior year
- Attractive opportunities across the market including fast growing robotics, operating theatre equipment and innovation





Healthcare Revenue (@CER[1] £m)

[1]2017-2022 restated at 2023 average FX rate
*CAGR based on annualised H1 23

We are investing in our supply chain for the long term

- Construction of new manufacturing facility in north-west Malaysia remains on track to commission in H2 2024
- Part of a global supply chain transformation to scale operations and establish a more resilient, efficient and high quality network supply chain
- Strategic capability having production facilities in Vietnam, China and Malaysia will enable us to win more design mandates from key customers
- Investing in a design and customer innovation facility in Silicon Valley and new R&D facility in Southern California
- Expect these investments to have strong returns by supporting future growth and improved margins

Construction progress at our site in Malaysia (July 2023)

New Design facility in San Jose, California (July 2023)

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Strategy in action: R&D

- Focus on anticipating future demand and working with customers to solve power issues
- Our differentiators include variation in terms of density, interconnectivity and application specific know how that ultimately creates the customer value
- Customers know our technical capabilities, speed to meet requirements also a key differentiator
- Migrating up the power complexity curve particularly to process power within the semiconductor market relies on a tailored platform approach
- Portfolio across a wide range of platforms (LV, RF and HV) with new platforms and enhancements to existing ones with our world leading design groups
- Key themes:
    - Digitisation
    - Increase in power
    - Power delivery control and repeatability
    - Power density
    - Ultra low noise

Leading the industry on sustainability

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

THE NET ZERO STANDARD
APPROVED NET-ZERO TARGETS

- Net Zero Transition Plan published in August 2023
- Set targets in line with Science Based Targets initiative (SBTi [1])
  - Commitment submitted to SBTi in July 2022
  - Submitted our targets for confirmation in July 2023

- We continue to support our employees
  - Training and development
  - Promoting a fair working environment with equal opportunities
  - Mental health is a priority
- Through workforce engagement, views of our people are heard at board level
- Leading our industry in ESG will bring significant benefits to XP Power

- We have calculated XP Power's full carbon footprint including scope 3
  - Initial findings show majority of emissions are outside of our operations – mostly from components we purchase and our products in use
  - Future product design and efficiency as well as supplier engagement key in driving down emissions
  - Also critical that governments continue to rapidly decarbonise their electricity grids

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2023 and long-term outlook

- Order book provides significant visibility
- Passed the Semiconductor market trough in Q2 2023
- Mindful of ongoing uncertainties but full year expectations unchanged
- Working capital improvements expected as inventory unwinds
- Higher capital expenditure in H2 2023 including Malaysia and US design centres as we transform our supply chain and manufacturing footprint
- Expect net debt to reduce, leverage towards 2x at year-end
- Longer term excited about growth opportunities



Q&A

Appendices

Market data – a growing addressable market

Market ($ Million)	Size	Share[1]
Asia	1,517	1.8%
Europe	802	10.7%
North America	1,241	13.5%
Total	**3,560**	**7.8%**
RF Power	2,042	1.8%
High power/high voltage	700	6.2%
Grand total	**6,302**	**5.7%**

XP 2023 Revenue (£ Million)	Asia	Europe	North America	Total	*Share of XP (%)*
Healthcare	3.2	14.3	19.6	**37.1**	*23%*
Industrial Technology	7.8	35.4	25.5	**68.7**	*43%*
Semi Fab	8.2	2.5	43.7	**54.4**	*34%*
Total	**19.2**	**52.2**	**88.8**	**160.2**	*100%*
Share of XP (%)	*12%*	*33%*	*55%*	*100%*	

Source: Micro-Tech Consultants (September 2022), VLSI Research (May 2022) and XP Power Management
1. Based on FY 2022 revenues

Well invested global manufacturing footprint

Adding Capacity in all production sites

- In all LV, RF and HV sites
- Added RF manufacturing capability to China, diversifying from US
- 'Customer value add' in Vietnam

FuG and Guth acquisitions in Germany to complement HV portfolio

Adding further manufacturing facility in Perak, Malaysia

- Final capacity potential - $300-400m over long term
- To complement Vietnam and China
- Well connected, skilled labour, cost competitive
- Go-live H2 2024, progress on track

Ongoing investment in all design centres globally. 2023 North and South California

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Balance sheet and cash flow

Balance sheet £ Million	HY 2023	FY 2022
Cash	25.5	22.3
Inventory	106.5	114.4
Trade receivables	44.8	42.4
Other current assets	43.6	47.5
Total current assets	**220.4**	**226.6**
Goodwill	75.5	77.5
Other intangibles	67.3	69.9
PP&E	40.5	36.6
Other non-current assets	72.2	71.1
Total non-current assets	**255.5**	**255.1**
Total assets	**475.9**	**481.7**
Trade & other payables	94.8	98.7
Tax & other current liabilities	8.5	7.5
Total current liabilities	**103.3**	**106.2**
Borrowings	174.6	174.2
Deferred tax liabilities	10.0	10.5
Other non-current liabilities	55.8	51.3
Total non-current liabilities	**240.4**	**236.0**
Total liabilities	**343.7**	**342.2**
Net assets	**132.2**	**139.5**

Cash flow £ Million	HY 2023	HY 2022
Profit after tax	7.8	(35.4)
Non-cash items	19.8	2.0
Change in working capital	1.2	21.7
Provisions	-	-
Cash generated from operations	**28.8**	**(11.7)**
Income tax paid, net of refund	(1.3)	(1.4)
Payment of lease liabilities	0.1	(1.2)
Purchase of property and equipment	(8.8)	(4.1)
Capitalised product development costs	(4.6)	(3.7)
Capitalised software development costs	(0.3)	(2.4)
Purchase of bond receivable		
Interest paid	(7.6)	(1.0)
Proceeds from exercise of share options	-	-
Free cash flow	**6.3**	**(25.5)**

Cash generated from operations	**28.8**	**(11.7)**
Specific items	1.6	8.2
Adjusted operating cashflow	**30.4**	**(3.4)**
Adjusted operating cash conversion *	139%	-23%

Net debt calculated as:
Cash and deposits (within other current assets), less borrowings and accrued interest (within T&OP)

* Adjusted operating cash conversion = adjusted operating cashflow / adjusted operating profit

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