XP Power

Interim Results 2022

1 August 2022

POWERING THE WORLD'S CRITICAL SYSTEMS

XP Power

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Record orders in a challenging first half, long term well placed

- Strong demand for our products continuing, with good growth seen in Industrial Technology and Healthcare – order intake a new record at over £193m
- Revenue constrained by component shortages, extended lead-times and COVID-19 lock-down in China
- Margins negatively impacted by lower production volumes, compounded by inflation, with full price recovery lagging short term, and global logistic challenges
- Net debt/EBITDA at 2.1x due to working capital increase, expected to reduce by year-end
- Comet litigation – judgement yet to be filed
- H1 dividend of 37p, in line year-on-year, reflects Board's confidence in long term prospects
- Enhanced sustainability focus and environmental commitments
- Continuing to invest for significant future growth with acquisition of FuG and Guth, Asia III facility and increased capacity and resilience in existing facilities across the globe

Financial Highlights

Key performance indicators

ORDERS
£193.1 million
+18% CER[1]

REVENUE
£123.6 million
(1)% CER[1]

GROSS MARGIN
40.2%
(640)bps

OPERATING MARGIN[2]
12.1%
(730)bps

OPERATING PROFIT[2]
£15.0 million
(38)% CER[1]

ADJUSTED DILUTED EPS[2]
52.2p
(44)%

OPERATING CASHFLOW CONVERSION[2]
(23)%
H1 2021: 113%

NET DEBT[3]
£102.0 million
Increase of £77.4m

1: Constant Exchange Rate
2: Adjusted profit metrics excluding specific items
3: Comparison period is Dec 2021

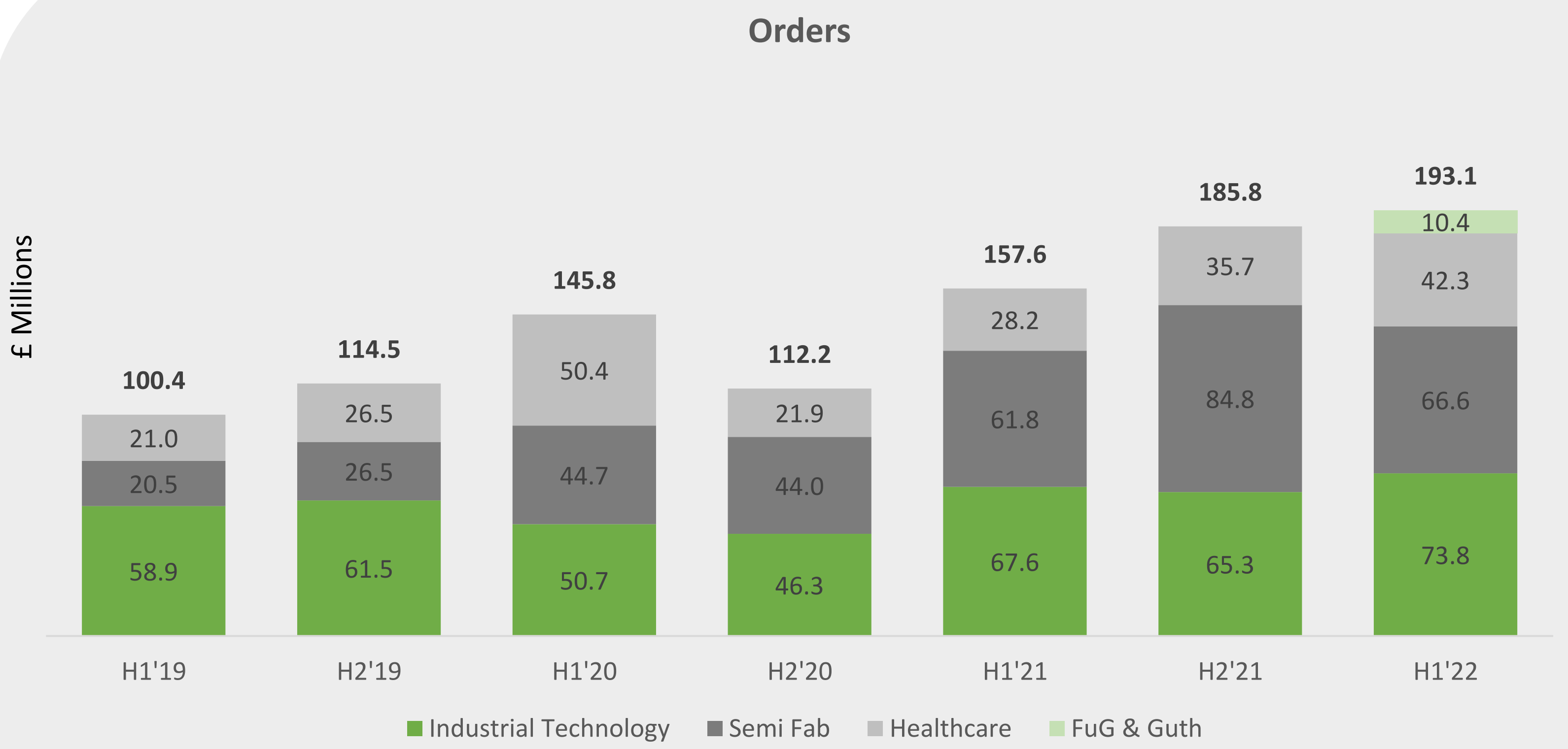
Income Statement

	H1 2022	H1 2021	% Change	% Change @ CER
Revenue	123.6	119.9	3%	(1)%
Gross Margin	49.7	55.9	(11)%	(14)%
Gross Margin %	*40.2%*	*46.6%*	(6)%	
Operating expenses	(34.7)	(32.7)	6%	3%
Adjusted Operating Profit	15.0	23.2	(35)%	(38)%
Operating Margin % (adj)	*12.1%*	*19.4%*	(7)%	
Finance Cost	(1.2)	(0.7)	68%	64%
Adjusted Profit before Tax	13.8	22.5	(39)%	(41)%
Profit before tax % (adj)	*11.1%*	*18.8%*	(8)%	
Specific Items	(61.2)	(6.0)	919%	858%
Profit before tax	(47.4)	16.4	(389)%	(376)%
Profit before tax %	*-38.3%*	*13.7%*	(52)%	
Tax	12.0	(2.8)	(527)%	(528)%
Profit after tax	(35.4)	13.6	(361)%	(347)%

- Revenue down 1% at CER predominantly driven by component shortages and the COVID-19 lock-down in China
- Margins negatively impacted by lower production volumes, compounded by inflation where there is a lag to full recovery in higher customer pricing and ongoing global logistics challenges
- Adjusted profit before tax 41% lower at constant exchange rates
- Increase in Specific items predominantly relating to Comet legal dispute in North America; other items include acquisition costs, amortisation of intangible assets and ERP implementation costs
- Adjusted ETR[1] of 24% driven by regional mix of profits and tax credit due to specific item charge

1: Adjusted ETR is defined as Tax excluding the impact of specific items, as a percentage of Adjusted Profit Before Tax

Order Demand momentum by sector 2019 through 2021



2019: Industrial Tech. & Healthcare sectors recover delivering double digit growth. SemiFab recovery starts

H1 '20: Increase in Healthcare due to COVID-19 demand. Industrial orders impacted by uncertainty & lockdowns

H2 '20: COVID-19 Healthcare orders drop off and other subsectors remained subdued

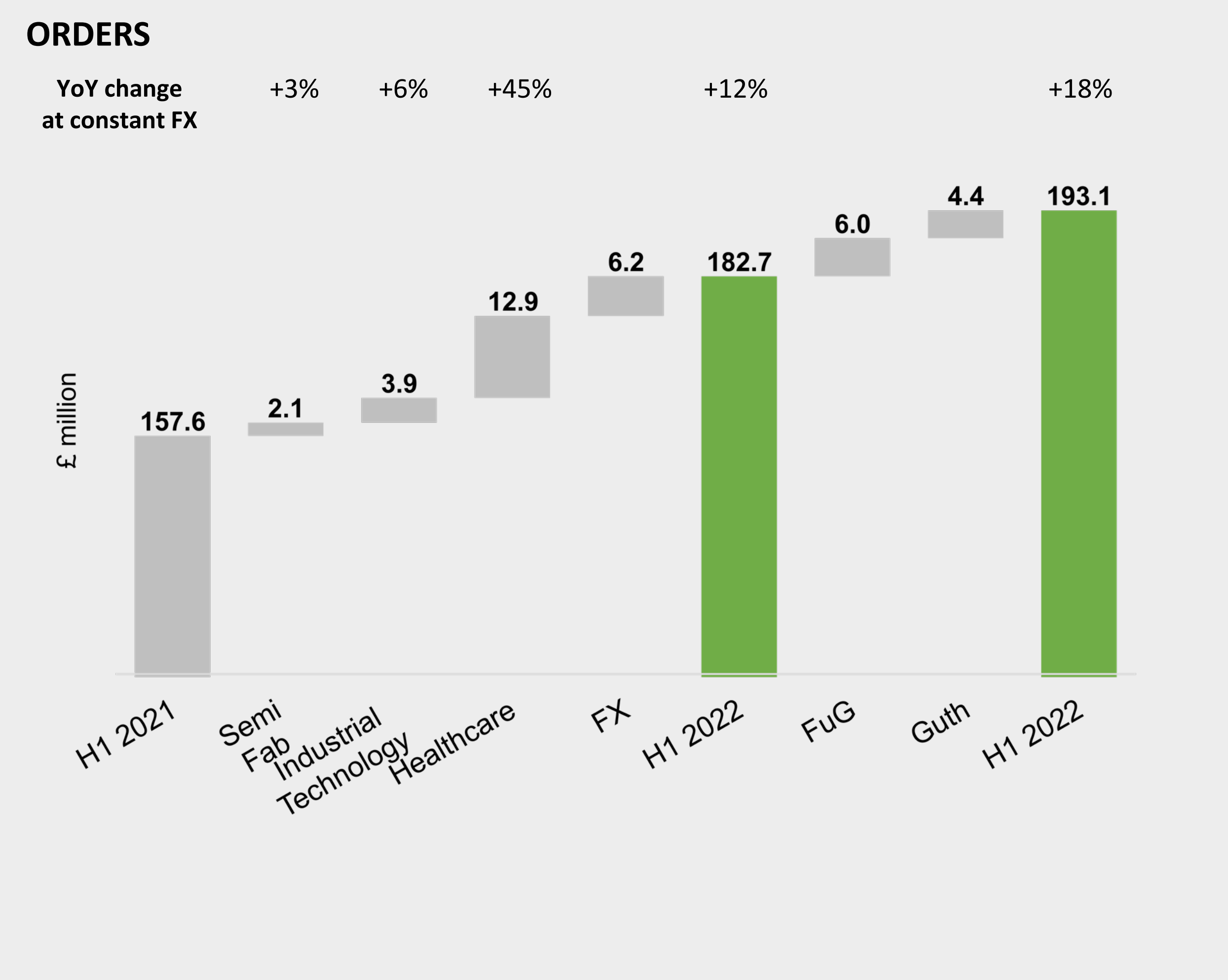
2021: Industrial Tech. & Healthcare sectors recover above 2019 levels

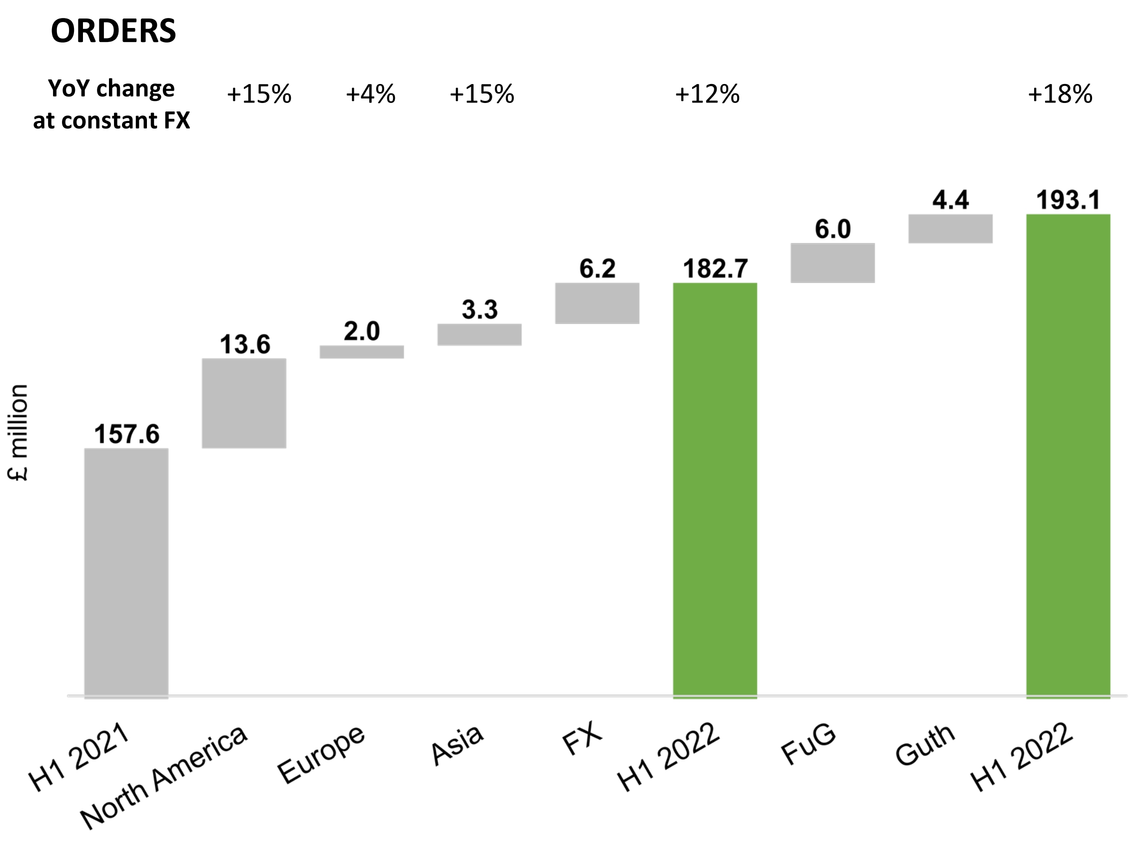
SemiFab momentum continues

H1 '22: Industrial Tech. & Healthcare sectors growth Ongoing strong demand from SemiFab continues

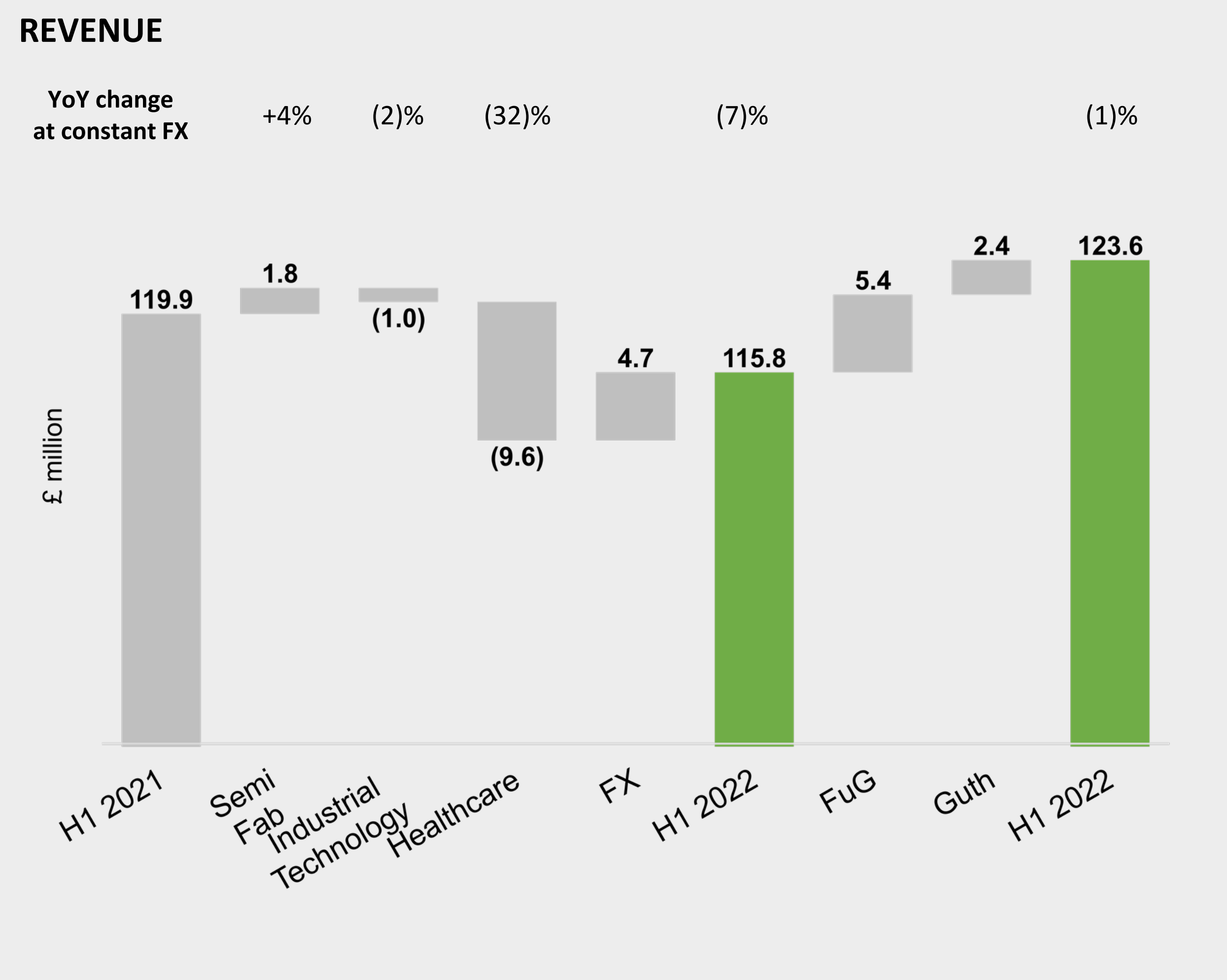
- Started 2022 with £217m of firm orders
- No evidence of "double-stocking" or "over ordering"
- Significant long-term momentum over previous cycles
- Current order book over £285m

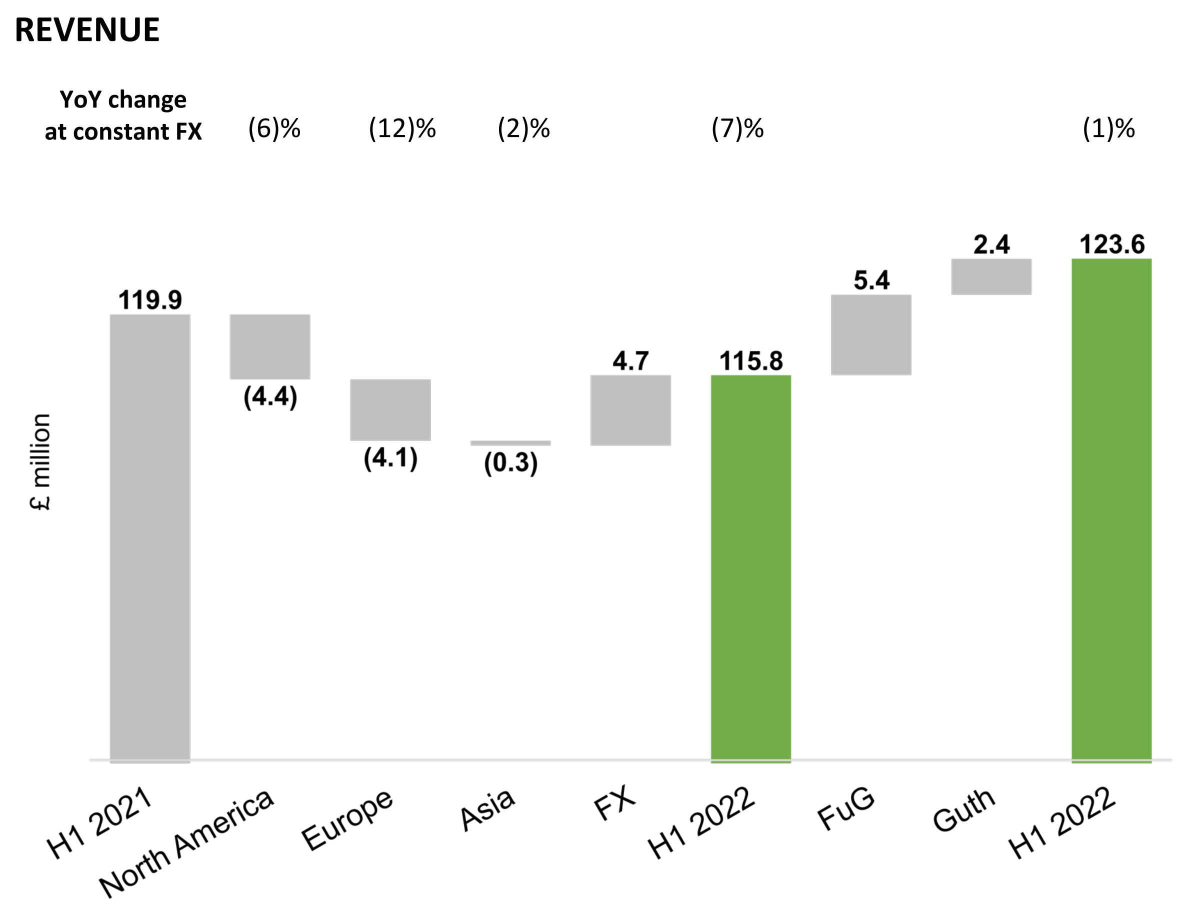
Significant growth in demand especially Industrial Technology and Healthcare



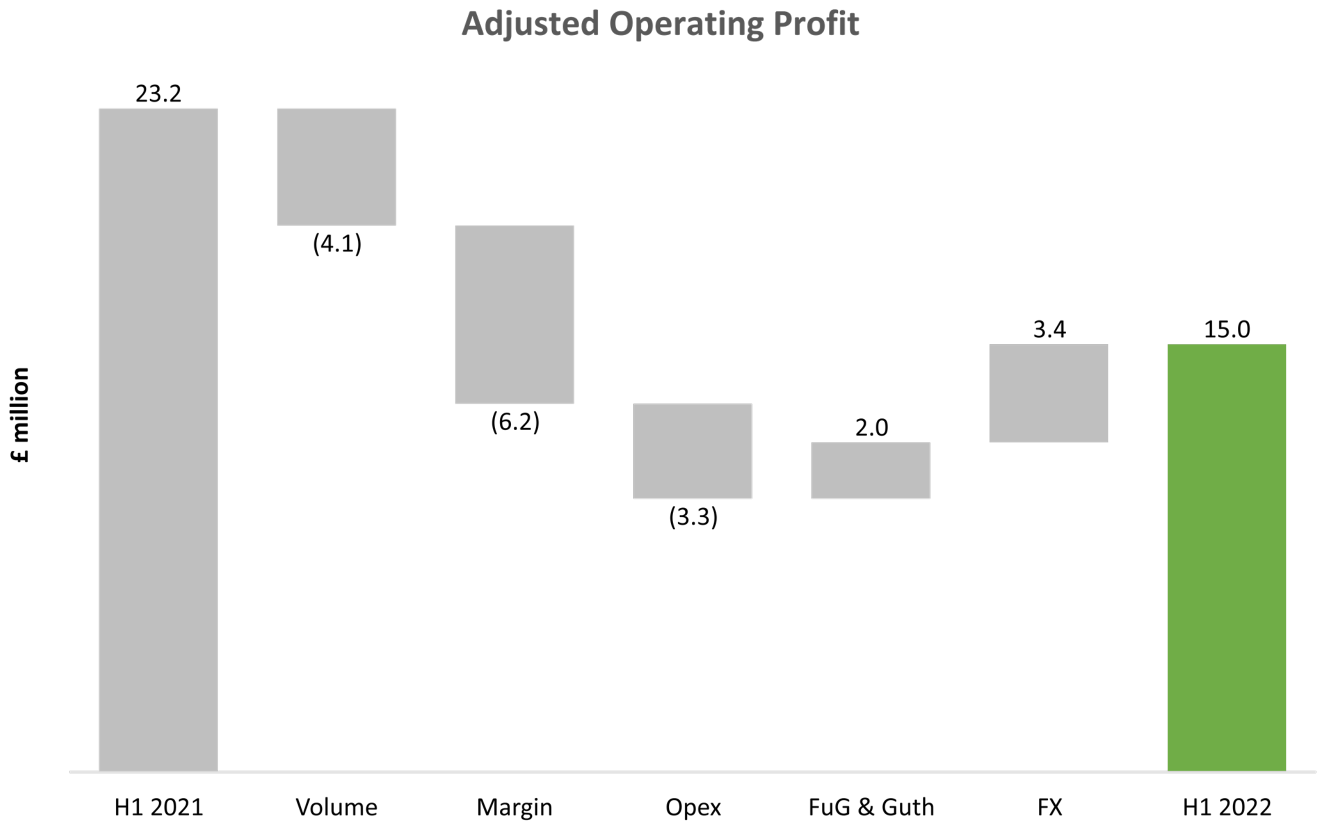


Revenue growth impacted by supply chain challenges, good contribution from acquisitions





Pressures on profits from supply chain challenges



- Volume constrained by component shortages and lead-times, and COVID lock-down in China
- Margin decreased to 40.2% from 46.6%:
  - ✓ Lower volumes impacting manufacturing output and absorption of overheads
  - ✓ Freight costs, both cost and mix of air freight remained at elevated levels to support on-time customer delivery
- Operating expenses up on H1 2021 reflecting investment in people and systems
- Positive contribution from acquisitions
- Weakening GBP rates positively impacting profits

Adjusted Operating Profit of £15.0m, decreased by 44% at organic constant currency

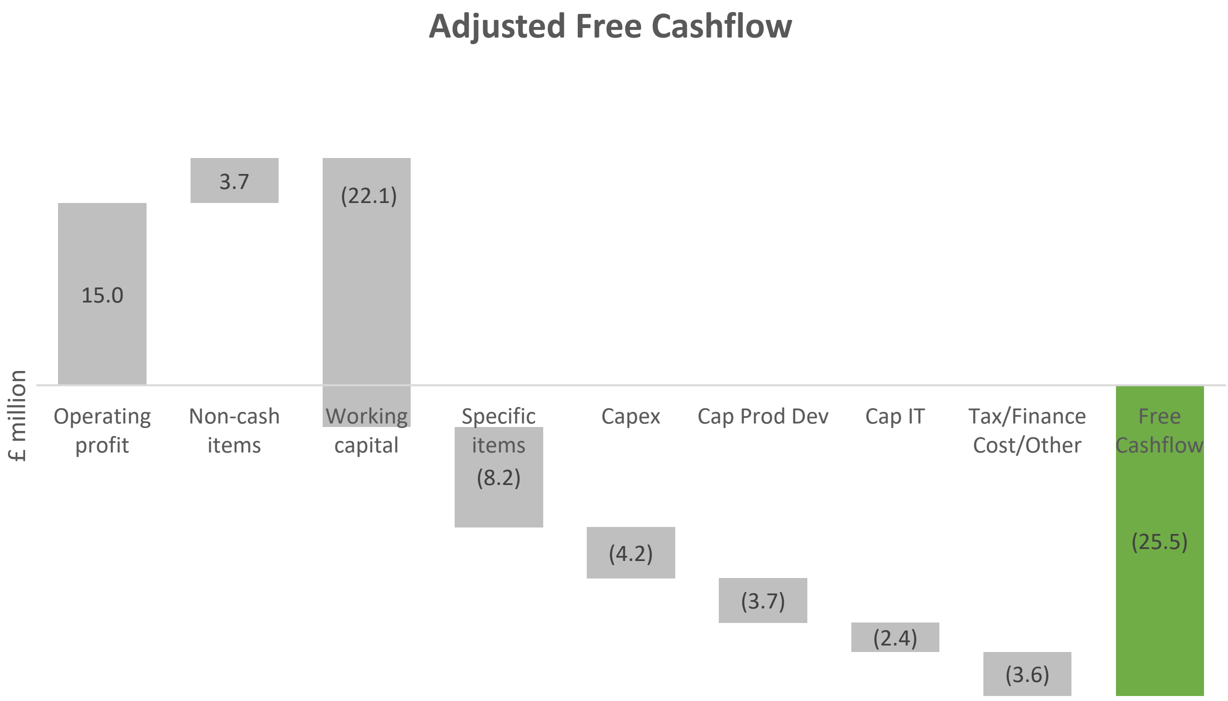
Income statement specific items predominantly related to legal dispute

	H1 2022	H1 2021
ERP implementation costs	2.5	0.9
Acquisition costs	0.9	0.0
Amortisation of intangible assets	2.1	1.4
Other	0.4	0.1
Sub-total	5.9	2.4
Comet legal dispute	55.3	3.7
Total Specific Items	61.2	6.1

- Comet legal dispute includes damages of $40m, legal fees incurred and estimated costs to be incurred in FY22, and impairment of previously capitalised product development costs
- ERP implementation costs relate to the SAP roll-out to the Asian manufacturing facilities
- Acquisition costs relate to FuG and Guth, acquired in January 2022

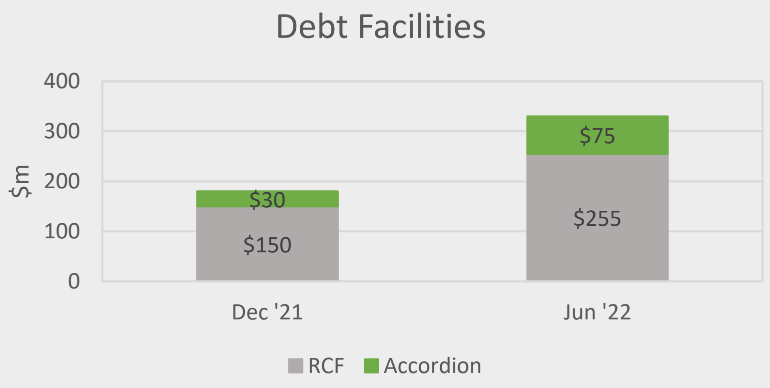
Investment in inventory & factory capacity driving cash flow performance

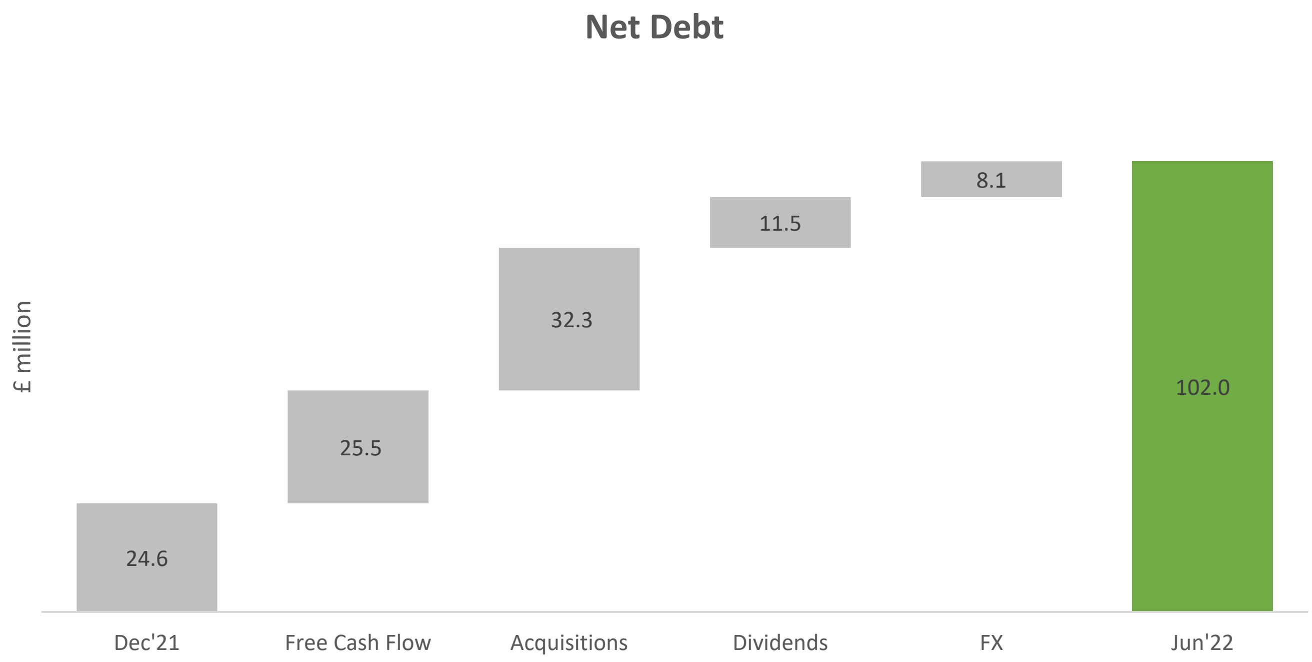
- Underlying cash flow performance impacted by weaker financial performance
- Increase in inventory to meet current and future demand given significant increase in component lead times – expect to reduce levels in H2
- Specific items includes legal and ERP implementation costs – no damages paid yet
- Continued to invest in the Group – capex and product development on track



Net debt & new RCF

- Acquisitions of FuG and Guth
- Investment in inventory to support H2 revenue and delivery of backlog
- Adverse FX movements adding £8.1m to net debt and 0.17x to leverage
- New RCF of $255m plus an accordion option of $75m
  - ✓ Completed June 2022
  - ✓ Period: 4 years with 1 year extension option
  - ✓ Covenants: no change





Leverage
2.11x
Dec 2021: 0.44x

Available liquidity
£107m
Dec 2021: £86m

Full Year 2022 Modelling Guidance

CAPEX/CAP PROD DEV/CAP IT	INTEREST	EFFECTIVE TAX RATE
£18.0m / £10.0m / £6.0m	c. £2.5m	18-21%
CASH SPECIFIC ITEMS	**COST INFLATION**	**PRICING/COST SAVINGS**
c.£56.0-58.0m[1]	c.£12m	c.£8.0m[2]
REVENUE	**OPERATING CASH FLOW**	**NET DEBT / EBITDA**
Significantly H2 weighted	Improved Working Capital	c. 2x by 31 December 2022[1]

External factors impacting H1, substantial improvement expected in H2

1: Includes impact of Comet damages based on current XP assumptions
2: Further benefit to flow in 2023

XP Power

Business Update

Further progress delivering our focused power strategy

- 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

- Continuing to deliver despite market challenges
- Winning long term strategy
- Attractive financial framework

A clear and compelling financial framework

- **c.10%** — Through cycle organic revenue growth ahead of the market
- **c.20%** — Operating margin supported by gross margin >45%
- **> 20%** — Return on Capital Employed
- **> 90%** — Operating cash conversion
  Low capex model
- **1-2x** — Net Debt to EBITDA

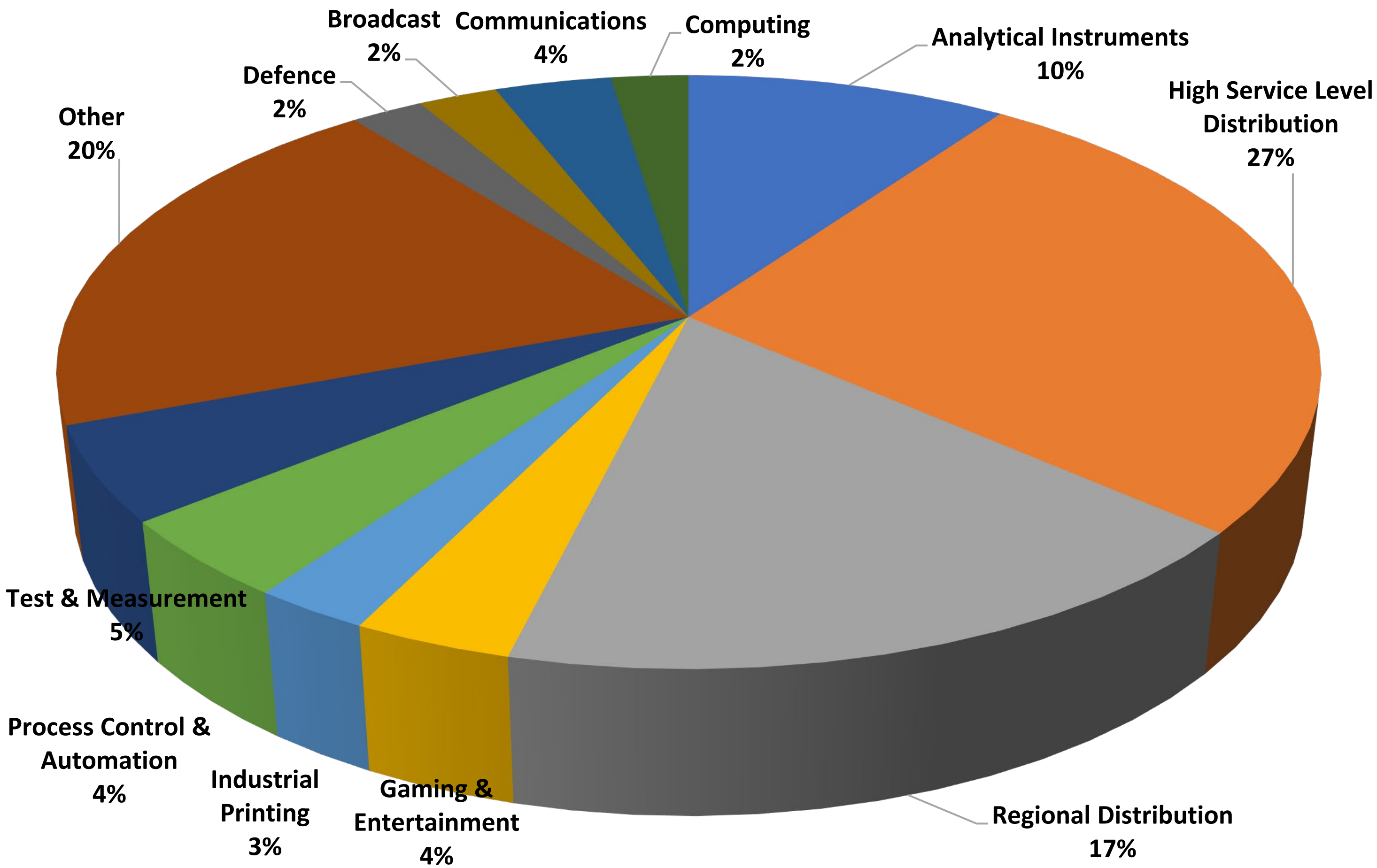
new facility in Malaysia

Market update

- Strong ongoing demand for XP products despite macroeconomic concerns
  - Record order books – intake led by healthcare in H1
  - No evidence of changes in customer behaviour or push outs
- Semiconductor Manufacturing Equipment demand continues to be strong as global semiconductor production capacity expands
  - Despite softening PC/smartphone demand, we continue to see strong demand from our customers
  - The existing global manufacturing capacity remains below current demand levels and medium term predictions
  - Clear line of sight out into 2023
- Healthcare market performance remains encouraging
  - Customers reporting increased order books
  - Operating procedures now normalised to pre-COVID-19 levels and expected to grow
  - A healthy pipeline of innovation, especially in robotics

Industrial Technology – diverse exposure

H1 2022 order intake breakdown



- Diverse end market exposures driven by high levels of customer innovation builds resilience
- Attractive niches including:
  - Robotics
  - Analytical instruments
  - Industrial printing
  - Communications
- Innovation & Industry 4.0 driving growth in manufacturing technologies and smarter electronic equipment
- Expanding high service level distribution channel to grow faster with mid-tier and smaller customers. Growth through share gains with leading partners

Supply chain performance improving but challenging first half

- XP has faced constrained component supply, mirroring wider industry
- Component shortages, particularly from sub-tier suppliers, has extended to standard components such as resistors, multilayer ceramic caps, transistors and diodes
  - Lead times for components have also extended with c.50% of our main categories having lead times above 52 weeks
  - Working with customers to qualify alternate components and redesign to mitigate shortages
  - Underlying price inflation 3-5%. We continue to pay premiums to secure and expedite supply, and pre-buying to build inventories where available – we seek to recover the spot purchase price variance from our customers
- Implemented price increases in September 2021 and April 2022 on new orders to offset inflation, confident of achieving this fully in 2023
- Asian Manufacturing facilities running below capacity
  - China COVID-19 lockdown closed site for 5 weeks
  - Labour inflation offset by efficiency and price increases
  - Maintaining full staff to ensure we can scale rapidly as constraints ease
- Logistics challenges remain although rates have eased in Q2 2022 with reducing consumer demand
  - Sea freight rate reduced by circa 50% since December 2021 but they remain 2-3 times pre-COVID levels. Congestion at Shanghai and ongoing challenges means reliability is c. 35% versus c. 85% pre COVID-19
  - Airfreight remains at 5x sea freight costs
  - Look to recover additional freight wherever possible

Strategy in Action: Investing in global capacity to meet long term requirements

Expanding capacity in all production sites

- In all LV, RF and HV sites
- Added RF manufacturing capability to China
- "Customer value add" in Vietnam

Acquired FuG and Guth 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 Q1 2024

Ongoing investment in all design centres globally

Strategy in Action: High Voltage - $500m+ addressable market

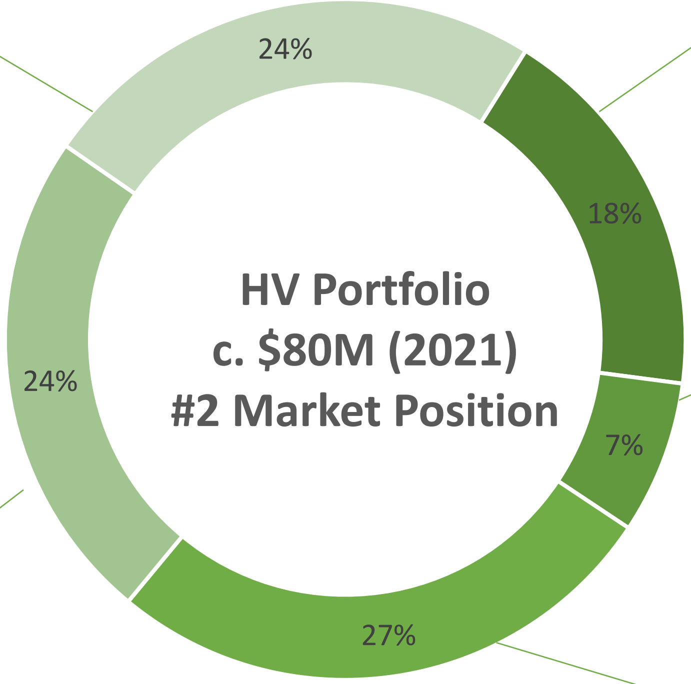
The addition of FuG and Guth enhances our High Voltage portfolio.

Original XP

Electro Static Chuck
High Power
High Voltage

FuG

Precision
AC-DC
High Voltage



Guth

AC-DC
High Voltage
High Power

EMCO

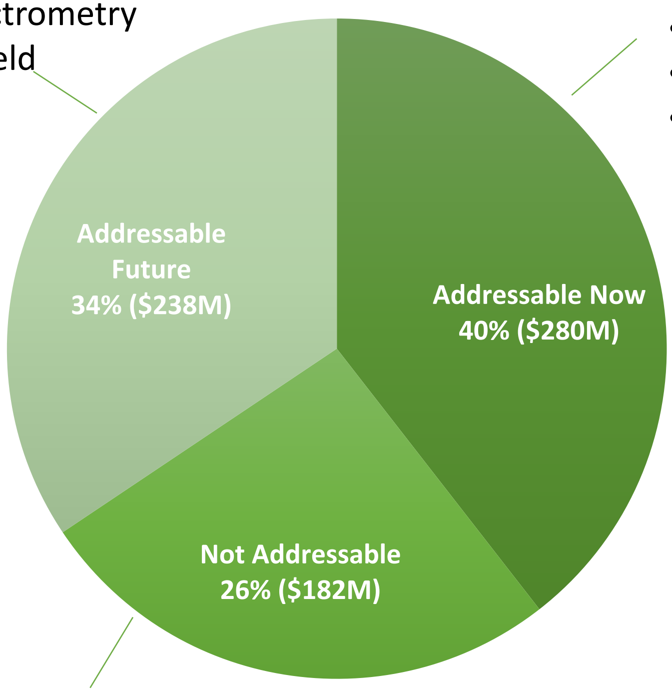
Miniature On-Board HV Modules

Glassman

AC-DC
High Voltage

Strategy in Action: How we will grow in High Voltage?

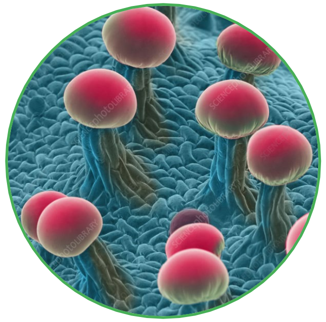
Product Development
- SEM
- Mass Spectrometry
- Print & Weld
- E-Chuck

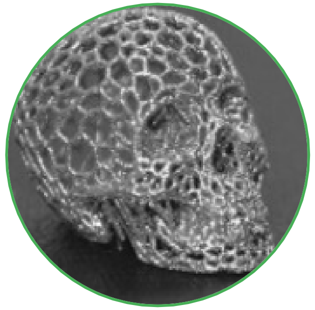


Non Priority
- X-Ray
- Sterilisation

Market Penetration
- Ion Implant,
- Ebeam Lithography,
- R &D and
- Cap Chargers

Growth Strategy
- Utilise current technology, products and sales channel to drive market share
- Leverage strong market position in Lithography and Ion Implant to develop international markets
- Cross sell High Voltage products into existing Industrial and Healthcare customers
- Broaden product portfolio through product development to expand addressable market





ESG – carbon reductions prioritised

- We have committed to being Net Zero by 2040
- We have calculated XP Power's full carbon footprint including scope 3 in H1
  - ✓ 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
- XP Power will be setting targets in line with Science Based Targets initiative (SBTi [1])
  - ✓ Commitment submitted to SBTi in July 2022
  - ✓ Our commitments will be recognized on sciencebasedtargets.org as well as on We Mean Business and UN Global Compact
- 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

Aligned to the United Nations' Sustainable Development Goals

Priorities for 2022 and beyond from our materiality assessment include: product responsibility; health & safety; responsible supply chain; talent management; employee welfare; and diversity & inclusion.
Plan for Net Zero by 2040

[1]The SBTi is a partnership between the CDP and United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) with the objective of driving ambitious climate actions in the private sector by enabling companies to set science-based emissions reduction targets

Group Outlook

- Record order book with good growth from Industrial Technology and Healthcare
- Exposed to sectors benefitting from the long-term global mega trends
- Committed to investment for our future ~ Asia III, new capacity, new design facilities
- Continuing pressure on supply chain and inflationary pressures but easing in H2
- Trading performance improved in Q2 and has continued to in July
- Expecting better performance in the remainder of 2022 supported by the inventory on hand and a record committed order book
- There remains a wider range of full year outcomes than in prior years

Long term prospects remain strong

Appendices

Comet litigation update

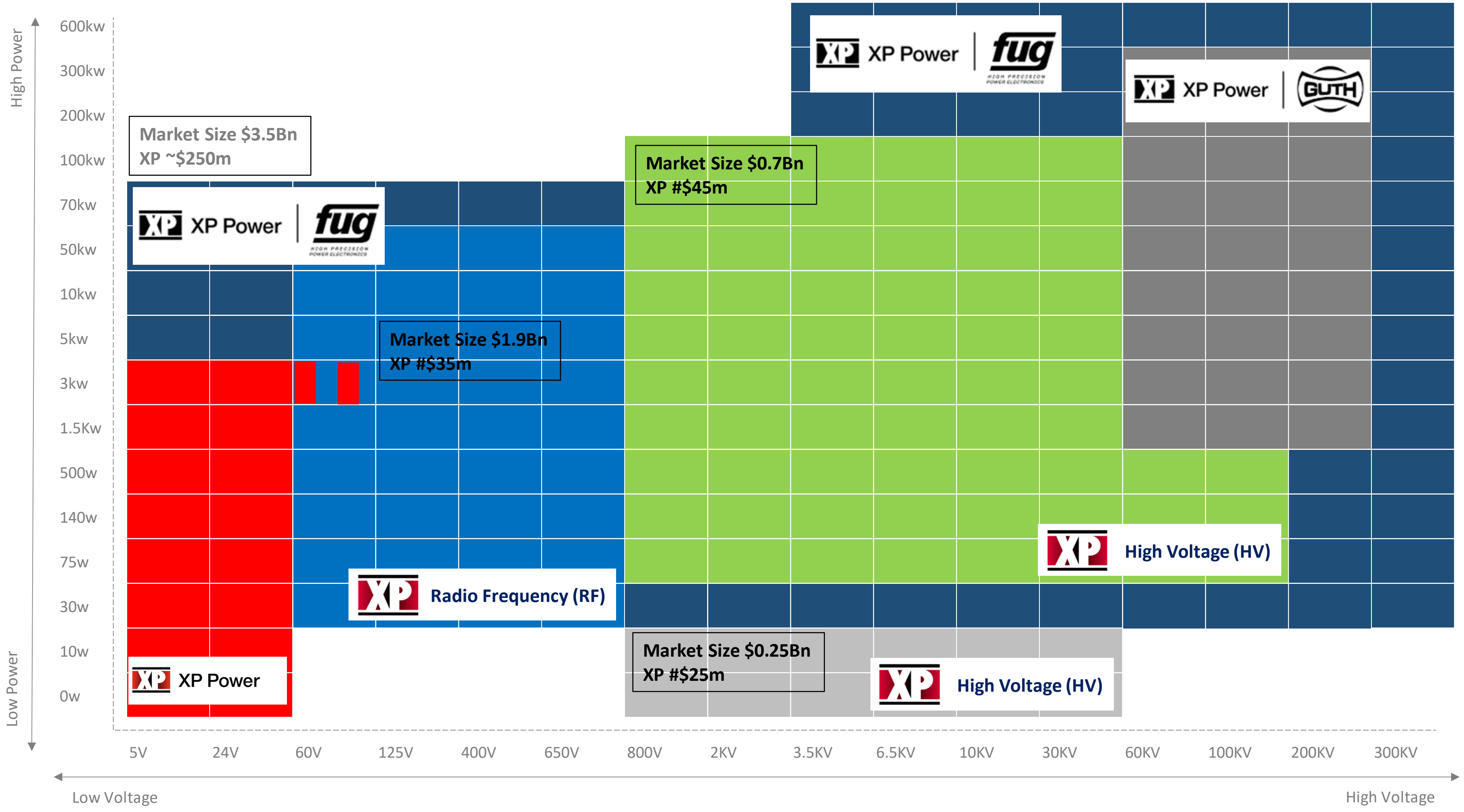
- Following the decision, a further injunction was filed and responded to. As of 1 August 2022, the judge has not filed any ruling on the jury's decision – there is no confirmed timing on when this will happen

Next Steps

- Once the judge files his judgement, XP Power will consider the ruling and decide its response. **IF** XP Power decides to appeal the ruling the expected process is as follows:
- XP Power will have 30 days to file a notice of appeal (which is non-substantive and fairly straight forward as there is no jury involved)
- Approximately 1 month thereafter, the Ninth Circuit will set a briefing schedule which is expected to be:
    - XP Opening Brief 40 days
    - Comet Response Brief 30 days
    - XP Reply Brief 30 days
    - All of the above have potential 30 day extensions.
- Oral arguments are typically scheduled 3-6 months after completion of the briefing process
- The Court generally issue a decision between 3-12 months following oral arguments. Our advisors estimate the cost of an appeal to be in the range of $0.5m - $1.0m

- The length of this process from completion of post-trial briefing to an issued decision will take a year at minimum, and could potentially take 2 years

XP Power portfolio and addressable market



- Total addressable market – circa $6bn with XP Power only focused on attractive sectors
- Long term market growth of circa 6%
- Acquisition of FuG and Guth increases High Voltage addressable market to circa $700m post acquisitions. XP focused on circa $500m of this market with balance low priority
- Actively looking to gain market share in all areas

XP Power growth drivers

Rapid increase of electronic devices

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

Digital transformation

- Increase in smart technology
- More sophisticated customer products
- Demand for higher power capability

Long-term 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 customisation driving higher engineering services content with Industry 4.0 accelerating these trends
- Increased legislation and safety regulations
- Increasing environmental demands driving higher efficiency

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

- 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 competition
- Vietnam expansion timely given Section 301 tariffs in the USA

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

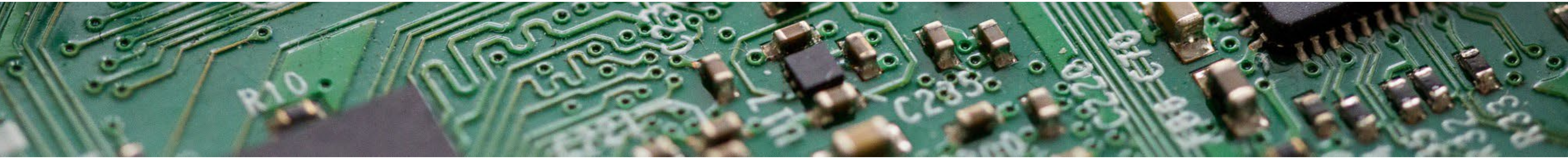
Leadership and People
- Entrepreneurial culture
- Employee Engagement
- Able to attract and retain the best talent

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

Market Data



Market ($ Millions)	Size	Share[1]
Asia	1,513	1.7%
Europe	775	10.3%
North America	1,187	13.4%
Total	**3,475**	**7.6%**
RF Power	1,870	1.8%
High power/high voltage	700	3.1%
Grand total	**6,045**	**5.3%**

XP 2022 Revenue (£ Millions)	Asia	Europe	North America	FuG & Guth	Total	*Share of XP (%)*
Healthcare	2.6	8.4	10.5	0.8	**22.4**	*18%*
Industrial Technology	5.7	21.3	19.0	7.0	**52.9**	*43%*
Semifab	6.9	1.4	40.0	0.0	**48.3**	*39%*
Total	**15.2**	**31.1**	**69.5**	**7.8**	**123.6**	*100%*
Share of XP (%)	*12%*	*25%*	*57%*	*6%*	*100%*	

Source: Micro-Tech Consultants (September 2021), VLSI Research (May 2021) and XP Power Management
1. Based on FY 2021 revenues

Balance Sheet and Cash Flow

	Jun-22	Dec-21
Goodwill	77.0	52.5
Other Intangibles	69.1	56.3
PP&E	36.0	30.2
Other non-current assets	20.8	11.0
Total Non-Current Assets	202.9	150.5
Cash	22.7	9.0
Inventory	108.4	74.0
Trade receivables	35.5	30.8
Other	22.6	7.9
Total Current Assets	189.2	121.7
Total Assets	392.1	272.2
Trade & Other Payables	100.5	44.7
Tax & other current liabilities	5.3	4.3
Total Current Liabilities	105.8	49.0
Borrowings	124.5	33.4
Deferred tax liabilities	12.1	9.4
Other non-current liabilities	19.5	8.0
Total Non-Current Liabilities	156.1	50.8
Total Liabilities	261.9	99.8
NET ASSETS	130.2	172.4

	H1 2022	H1 2021	*Change*
Adjusted Operating Profit	15.0	23.2	*-36%*
Non-cash items	3.7	6.4	
Change in working capital	(22.1)	(3.5)	
Adjusted Operating Cash Flow	(3.4)	26.3	*-113%*
Specific items	(8.2)	(4.6)	
Cash generated from Operations	(11.6)	21.7	*-154%*
Income tax paid, net of refund	(1.4)	(2.1)	
Payment of Lease Liabilities	(1.2)	(0.8)	
Purchase of property and equipment	(4.2)	(2.2)	
Capitalised product development costs	(3.7)	(4.2)	
Capitalised software development costs	(2.4)	(3.6)	
Interest paid	(1.0)	(0.5)	
Proceeds from exercise of share options	0.0	0.4	
Free cash flow	(25.5)	8.7	*-393%*