

12 January 2023

XP Power Limited

(“XP Power” the “Group” or the “Company”)

Q4 and Full Year Trading Update

XP Power, one of the world's leading developers and manufacturers of critical power control components to the electronics industry, is today issuing a trading update for the fourth quarter and full year ended 31 December 2022.

Trading

The Group's trading performance improved significantly in the second half of 2022, both sequentially and year-on year, as supply chain conditions improved. Revenue in Q4 increased to £87.6 million, a record, up 30% year-on-year at constant currency and 49% as reported. Consequently, full year revenue increased to £290.6m, up 21% year-on-year on a reported basis and up 5% on an organic constant currency basis¹. As a result, and subject to normal audit adjustments, 2022 adjusted operating profit is expected to be approximately in the middle of the range of current market expectations². We are pleased with our second half trading performance, which better reflects the Group's capability.

As expected, and as previously guided, the strong order intake momentum seen through Q3 2022 moderated somewhat in Q4 but remained above historic levels. Q4 orders were down 31% at constant currency and 23% as reported to £68.5 million against a very strong comparator in the prior year. The book to bill ratio for Q4 was 0.78, reflecting a strong performance in shipments during in the period.

On a full year basis, orders of £362.7m were up 6% as reported, down 7% on an organic constant currency basis, and resulted in a positive book to bill of 1.25 for the year as a whole.

Each business segment has good order book visibility, with Healthcare order intake the strongest in Q4, and the Group enters 2023 with a greater visibility than normal with an order book of c. £300 million. We would expect order book visibility to return to more normal levels during 2023.

£ Millions	Q4 2022	Q4 2021	Change	Change in constant currency	Like-for-like in constant currency ¹
Orders	68.5	88.6	-23%	-31%	-34%
Year to date	362.7	343.4	+6%	-3%	-7%
Revenue	87.6	58.9	+49%	+30%	+24%
Year to date	290.6	240.3	+21%	+11%	+5%
Book to Bill					
Fourth quarter	0.78	1.51	-0.73		
Year to date	1.25	1.43	-0.18		

¹ Change in constant currency and adjusting for the acquisitions of FuG Elektronik GmbH and Guth High Voltage GmbH on 31 January 2022

² The current range of analyst expectations for adjusted operating profit for the year ended 31 December 2022 is £41 million to £46 million.

Financial Position and dividend

Net debt at 31 December 2022 was £152.0 million, compared with £118.7 million at 30 September 2022, reflecting a \$44 million collateral payment for a bond held against the damages awarded against the Group in the Comet Legal Action in the US, which remains ongoing. Working capital benefited from inventory beginning to unwind in Q4 and although the pace of that unwind was slower than expected, it is expected to accelerate in H1 2023 as supply chain conditions continue to normalise. The Group expects financial leverage to reduce significantly during 2023.

In addition, XP has recently secured greater banking covenant flexibility from its lenders with the net debt to EBITDA covenant now required to be less than 3.5x at December 2022, 3.25x in June 2023 and 3.0x in December 2023. The Group was comfortably within these covenant levels at the 2022 year end and expects to remain well inside them during 2023 and beyond. The greater flexibility also highlights the ongoing support from our lending banks.

The proposed dividend for the fourth quarter of 2022 will be announced with the 2022 Final Results on 28 February 2023 but is expected to be not less than 36 pence per share, representing a minimum total dividend of 94 pence per share for the year as a whole.

Outlook

The Group starts the new financial year with a significant order book, which provides good visibility for 2023, particularly the first half. We remain mindful of the ongoing uncertainties relating to component supply, China, inflation and

recessionary concerns and are continuing to monitor the situation closely. That said, we are generally optimistic on the Group's prospects for the current year based on our strong H2 2022 trading momentum and the benefits of price increases coming through our order book to a greater extent during 2023.

Longer term, the Board believes XP Power to be very well positioned to grow ahead of its end markets, supported by its improving cash generation and a reduced level of debt.

The Group will announce its results for the 12 months to 31 December 2022 results on 28 February 2023.

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