POWERING THE WORLD'S CRITICAL SYSTEMS

Full Year Results 2023

5 March 2024

Highlights

Gavin Griggs Chief Executive Officer

2023 Highlights

- 2023 was a challenging year for the Group
- Slower order intake as lead times and customer inventory levels normalised
- Revenue of £316m up 9% y-o-y at constant FX. Record level benefiting from shipping backlog
- Adjusted operating profit £38.1m, including higher product development amortisation and impairment charges booked at year-end
- Net debt reduced by 25% to £113m. Net debt/Adjusted EBITDA to 2.0x, following equity placing, strong operating cash conversion and reduced inventory offset by long term investments
- Record customer design wins in the year with strong sampling supporting medium term growth
- 11 new products launched, and strong growth delivered within focus areas such as high voltage/power categories
- FuG, acquired in 2022, is performing well with further growth potential
- Net Zero Transition Plan launched, targets approved by SBTi in February 2024, significant reduction in emissions in 2023

Financial Review

Matt Webb Chief Financial Officer

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Key Performance Indicators 2023

Orders & Revenue	Margin	Profit & Earnings	Cash & Debt
ORDER INTAKE **£208.8 million** Down -43%[1]	GROSS MARGIN **41.5%** No Change	ADJUSTED OPERATING PROFIT[2] **£38.1 million** Down -3%[1]	ADJUSTED OPERATING CASH CONVERSION[2] **173%** Up from 42%
REVENUE **£316.4 million** Up +9%[1]	ADJUSTED OPERATING MARGIN[2] **12.0%** Down -280bps	ADJUSTED DILUTED EPS[2] **81.8p** Down -49%	NET DEBT **£112.7 million** December 2022: £151.0 million

1: In Constant Currency
2: Metrics excluding adjustments

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Income statement

£ million	2023	2022	% change: At actual exchange rates	% change: In constant currency
Revenue	316.4	290.4	9%	9%
Gross margin	131.3	120.6	9%	
Gross margin %	*41.5%*	*41.5%*	-	
Adjusted operating expenses	(93.2)	(77.7)	(20)%	
Adjusted operating profit	**38.1**	**42.9**	**(11)%**	**(3)%**
Adjusted operating margin %	*12.0%*	*14.8%*	(280)bps	
Adjusted net finance expense	(11.5)	(4.9)	(135)%	
Adjusted profit before tax	**26.6**	**38.0**	**(30)%**	
Adjusted tax	(9.8)	(6.1)	(61)%	
Adjusted profit for the year	**16.8**	**31.9**	(47)%	
Adjusted diluted earnings per share	**81.8p**	**160.1p**	(49)%	

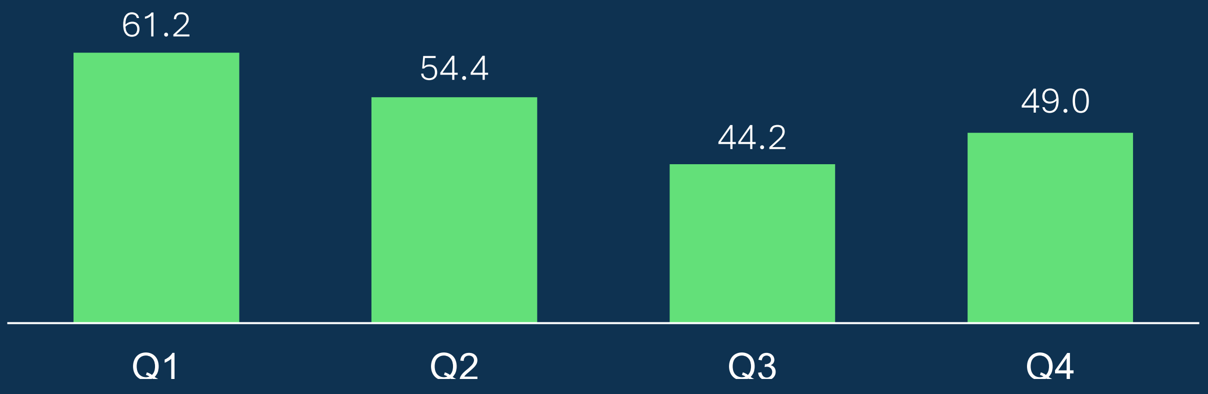
- Healthy revenue growth, with all sectors benefiting from delivery of backlog
- Gross Margin maintained at 41.5%, protected from residual inflationary impacts
- Adjusted operating profit of £38.1m included £4.0m of amortisation and impairment charges booked at year-end. Underlying profit excluding these charges in line with expectations
- Finance cost driven by increased average debt and US interest rates during 2023
- Tax charge higher due to impact from treatment of tax losses in US

Order intake trends

Order intake by year 2018-2023
(£ million in constant currency)

Note: 2018-2022 restated at 2023 average FX rate

Order intake by quarter 2023
(£ million)



- Order intake normalising after unprecedented activity in 2021 and 2022
- Largest reduction in Semiconductor manufacturing, due to industry-wide cyclical slowdown
- Healthcare and Industrial Technology order intake slowed toward end of year:
  - Shorter delivery lead times allowed customers to order later
  - Indications of elevated customer inventory at year end, e.g. Healthcare intake reduced by 29% between Q3 and Q4
  - Customers focused on reducing working capital and buffer stock - expected to be completed in H1 2024

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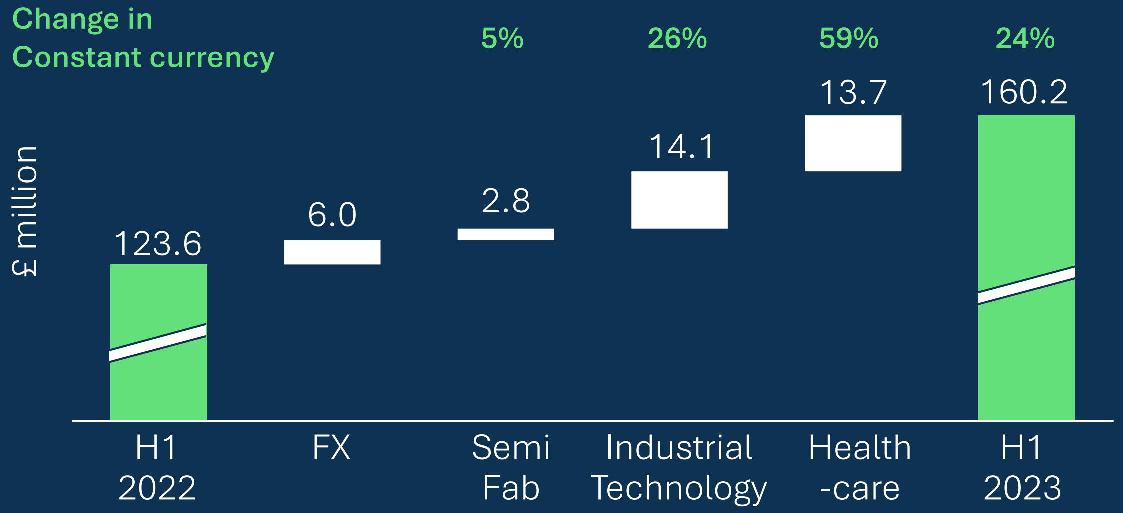
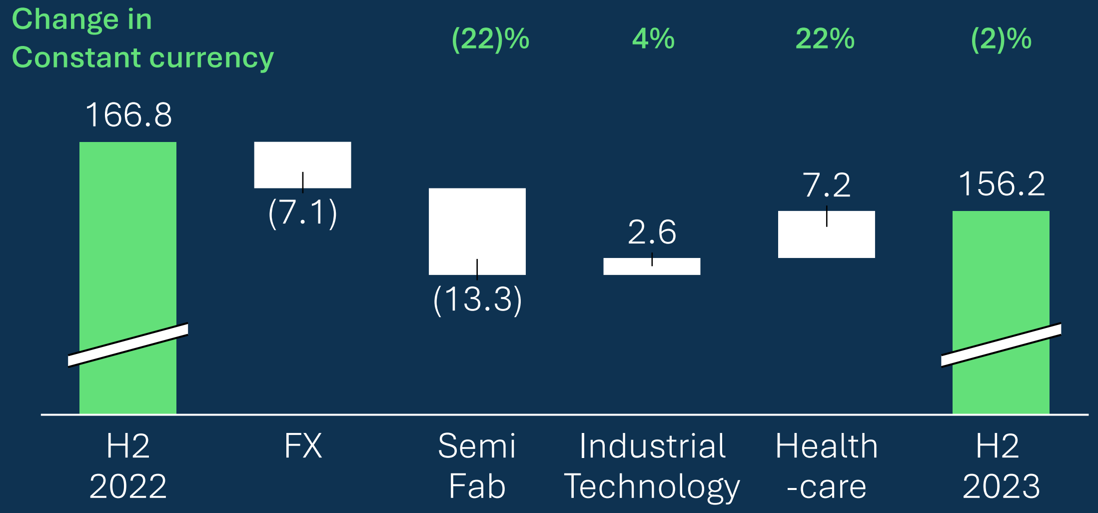
Revenue trends – H1 vs H2

H1 growth bridge by Sector



- Growth of 9% for 2023 in total as stronger supply chain enabled delivery of order book. Growth driven equally from volume and price
- Particularly strong progress in H1:
  - Up 24% with all sectors growing
  - Slowdown in Semi orders not yet materially impacting revenue
  - FX gain due to weak Sterling

H2 growth bridge by Sector



- Pace of progress moderated in H2 as backlog unwound
- Tougher comparatives
- Industrial Technology and Healthcare sales continued to grow, supported by delivery of backlog
- Strong performance in H2 2022 combined with impact of Semi slowdown resulted in reduction

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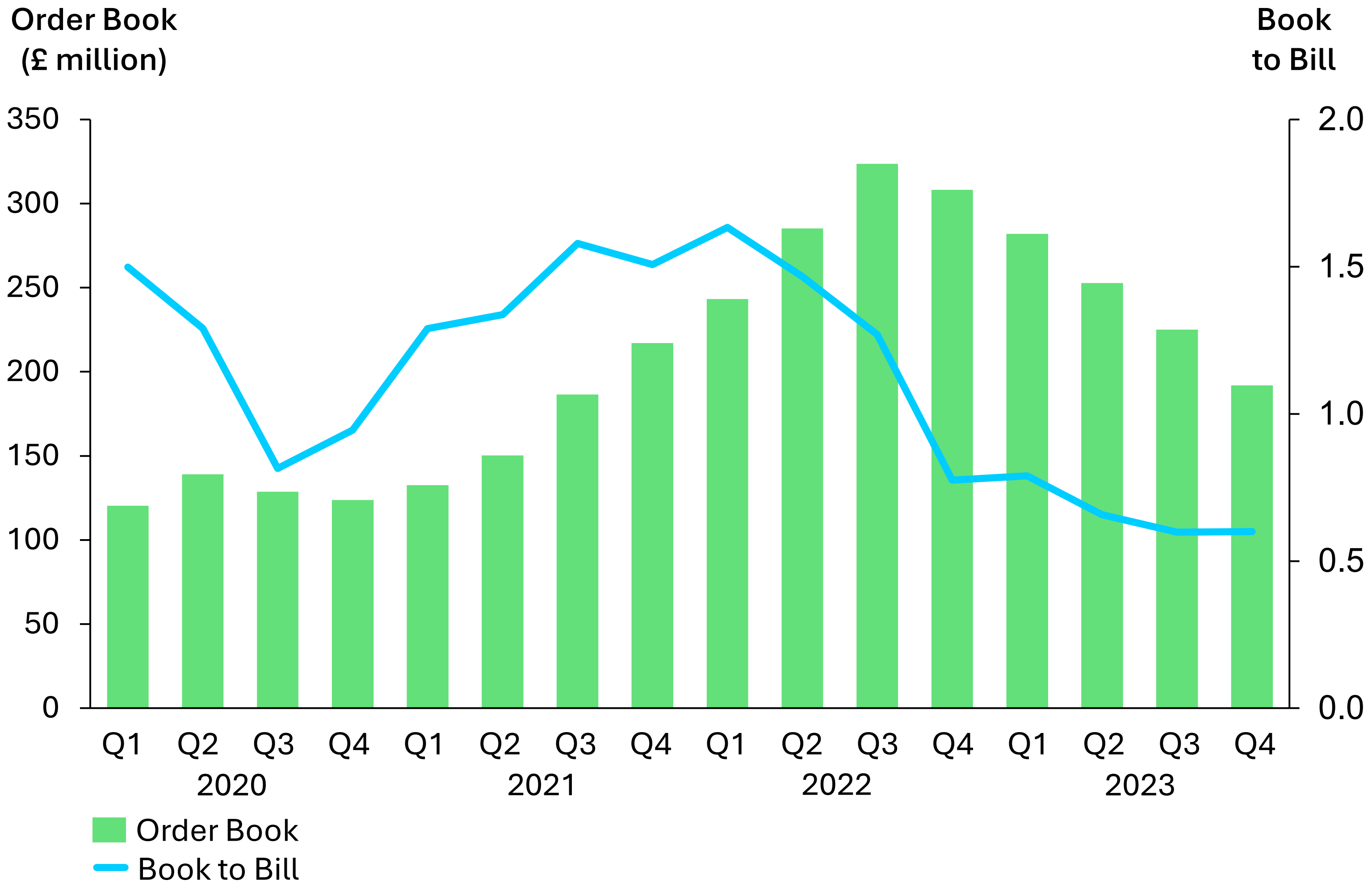
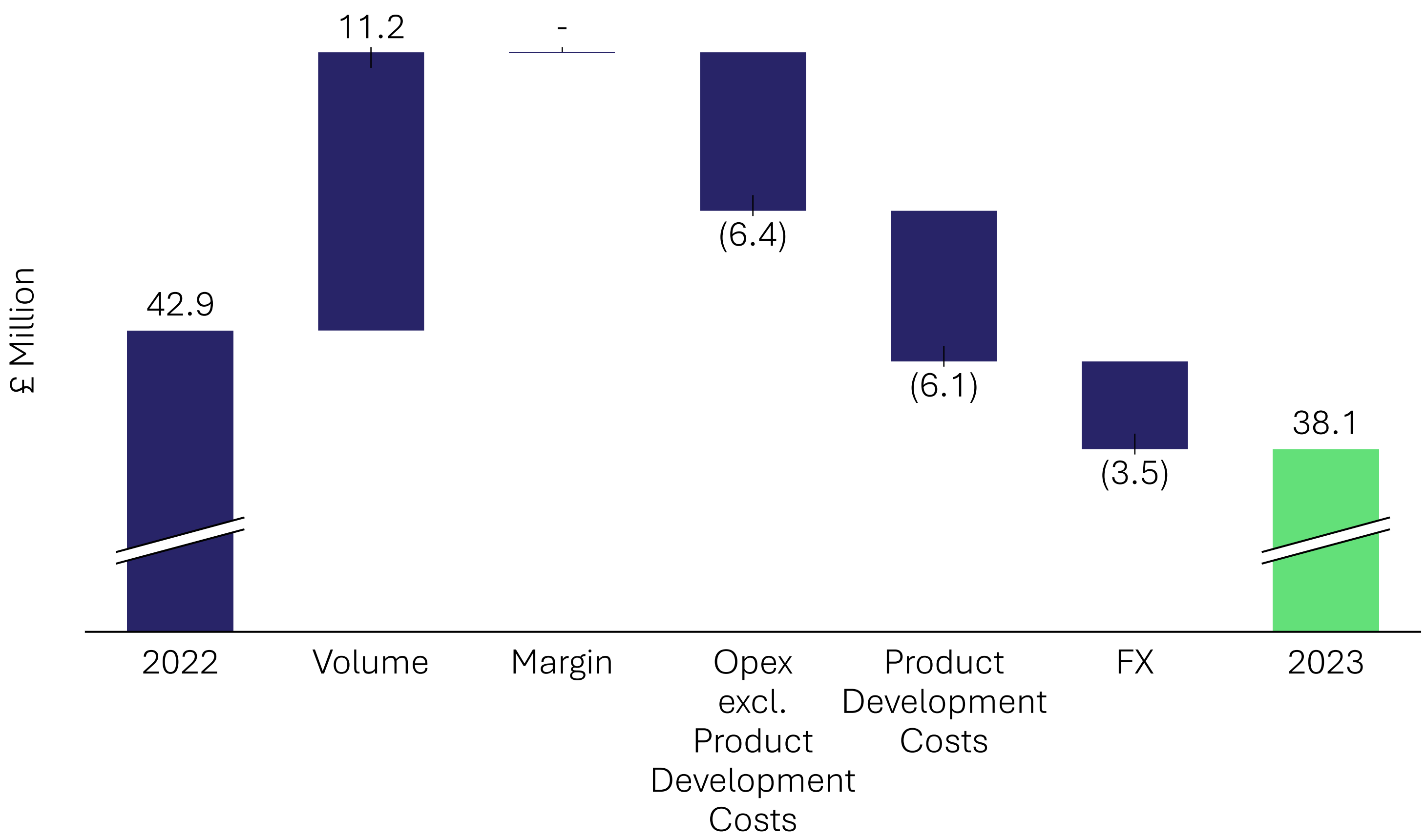
Order book trends



- Order book reduced by £116m to £192m in 2023
- Four main factors:
  - Increased shipments due to clearance of backlog
  - Reduced order intake due to shorter delivery lead times and overstocking
  - Some order cancellations in H1
  - Slowdown in activity levels in Semiconductor Manufacturing Equipment sector
- Order book remains above historic norms, but normalisation expected in H1 2024
- Book to bill at 0.66x

Adjusted Operating Profit bridge

Adjusted Operating Profit bridge



- Strong operating leverage from volume growth
- Residual input cost inflation passed through in pricing, maintaining gross margin at 41.5%
- Operating expenses includes cost inflation and increased variable pay. Overheads reduced in H2 following restructuring, with further actions taken in 2024
- Product development costs increased by £6.1m:
  - £2.5m increase in underlying expenditure for long-term growth
  - £1.9m write-down to capitalised costs – one off
  - £1.7m increase in ongoing amortisation of capitalised costs
- FX movement translational in nature, reflecting volatility in GBP:USD in 2022 and 2023

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Free cash flow

Reported **£ million**	**2023**	**2022**
Adjusted Operating profit	38.1	42.9
Depreciation, amortisation & impairment	17.2	13.4
Adjusted EBITDA	**55.3**	**56.3**
Change in working capital	14.0	(33.5)
Other items	(6.9)	(22.8)
Operating cash flow	**62.4**	**2.1**
Net capex – product development costs	(9.5)	(8.0)
Net capex – other assets	(30.5)	(11.4)
Purchase of bond for Comet legal case	-	(36.9)
Net interest paid	(11.9)	(5.5)
Tax paid	(4.9)	(4.1)
Other items	(2.3)	(5.8)
Free cash flow	**3.3**	**(69.6)**

- Record operating cash flow of £62.4m, weighted toward H2 and driven by working capital reduction
- Working capital reduced by £1m in H1 and £13m in H2, reflecting successful efforts to reduce raw material inventory and work in progress
- Overall inventory reduced by £22.8m in the year to £91.6m with further reduction expected in 2024
- Physical capex of £30.5m included two new leased sites in California and construction of a new factory in Malaysia. Further £11m of residual cash spend on these projects in early 2024
- Malaysia commissioning deferred until end of 2025 in line with demand requirements
- Interest payments reflected level of debt and higher US interest rate in 2023

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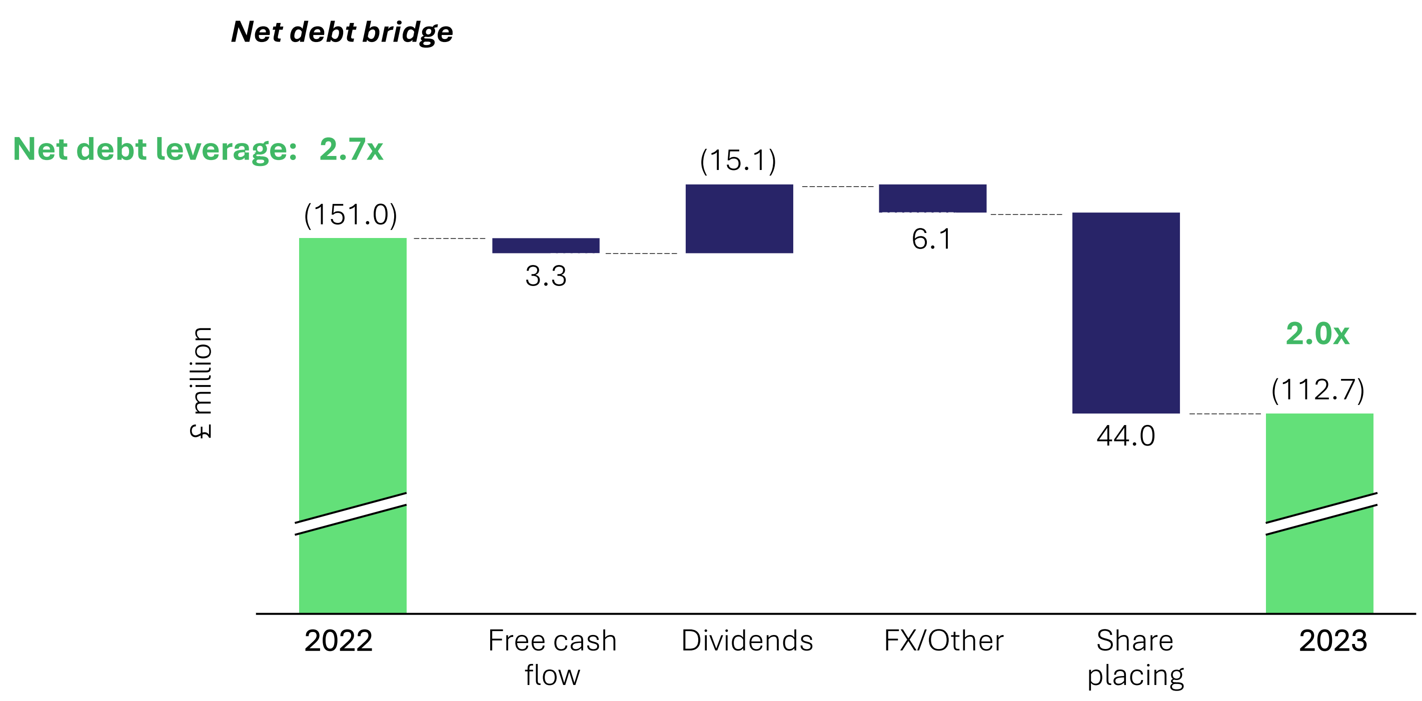
Net debt and leverage



Net debt/ Adjusted EBITDA	Available liquidity	Adjusted operating cashflow conversion
2.0x	**£73m**	**173%**
Dec 2022: 2.7x	Dec 2022: £37m	2022: 42%

- Group started 2023 with elevated leverage due to various one-off factors
- Market slowdown and extra spend on major capex projects in H2 limited scope for leverage reduction
- Funding Plan launched in Q4 2023:
  - Ongoing cash focus benefitted H2
  - Cost reduction actions
  - Covenant amendments
  - Share placing
- Reduced leverage to 2.0x by year-end
- Ample liquidity in the business
- Leverage management remains our priority in 2024
- Pace of de-leveraging should increase from 2025 onwards

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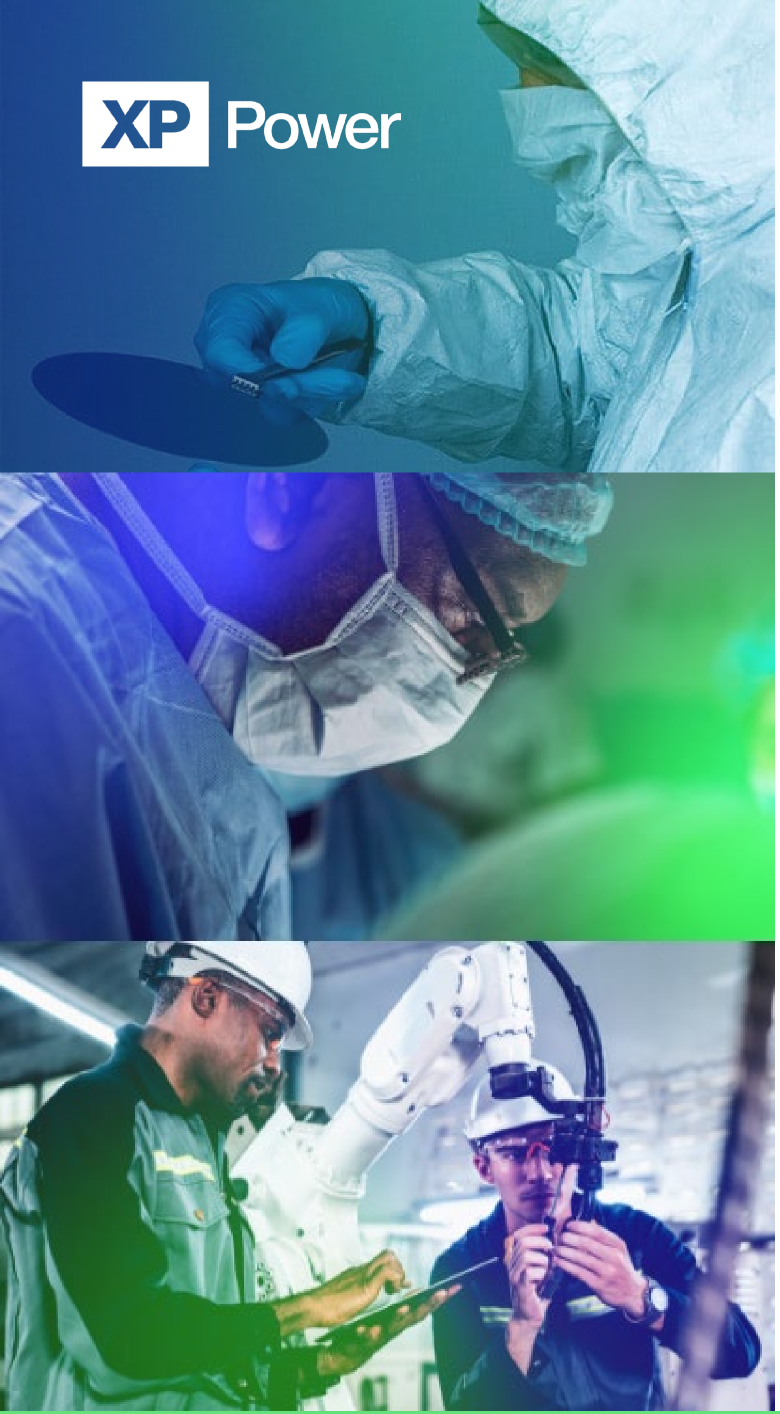
Funding Plan – update on actions

		Impact by 31 Dec 2024 (£m)			
Action	Type	Net Debt	Annual EBITDA	Latest Status	Latest update
Operating cost reduction	EBITDA improvement / Cash preservation	£8-10 million	£8-10 million	Done	• All actions taken • Run-rate reduction achieved is in the middle of range • Further actions being taken in Q1 2024 • Expect to achieve significant overhead reduction in 2024 net of inflationary increases
Suspend dividend	Cash Preservation	£21.5 million	-	Done	
Inventory reduction	Debt Reduction	c.£10 million	-	Ahead of plan	• Inventory at time of Plan was £107 million • Inventory at 31 December £92 million driven predominantly by actions in H1 • Further optimisation expected in 2024
Capex minimisation	Cash Preservation	£10-15 million	-	Done	
Supplier payment term standardisation	Debt Reduction	£3.5 million	-	Underway	• c.50 suppliers identified with annual spend of c.$30m • 15% complete by end of 2023 • Expect progress to accelerate in H1 2024 • Taking longer, but potential upside greater
Total		£53-60 million	£8-10 million		

AS PRESENTED AT LAUNCH



2024 Modelling Guidance

Profit:

- c.35:65 split of Adjusted operating profit between H1 and H2
- High single digit reduction in overheads
- c.25-30% effective tax rate (remaining elevated in 2024 whilst US tax structure is optimised)

Cash:

- Adjusted operating cash conversion > 100%
- Total capital spend including capitalised product development of c.£25m:
  - Including residual spend of £11m on 2023's major projects
- Assuming no currency impacts, debt to peak around mid-year
- Trading in line with expectations would leave net debt/ EBITDA at or below 2.5x at year end

Business Review

Gavin Griggs Chief Executive Officer

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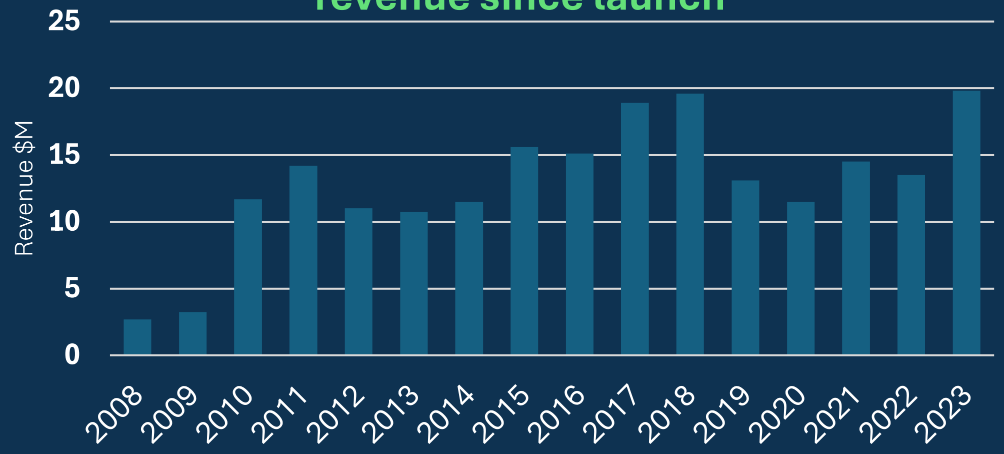
We have a clear strategy

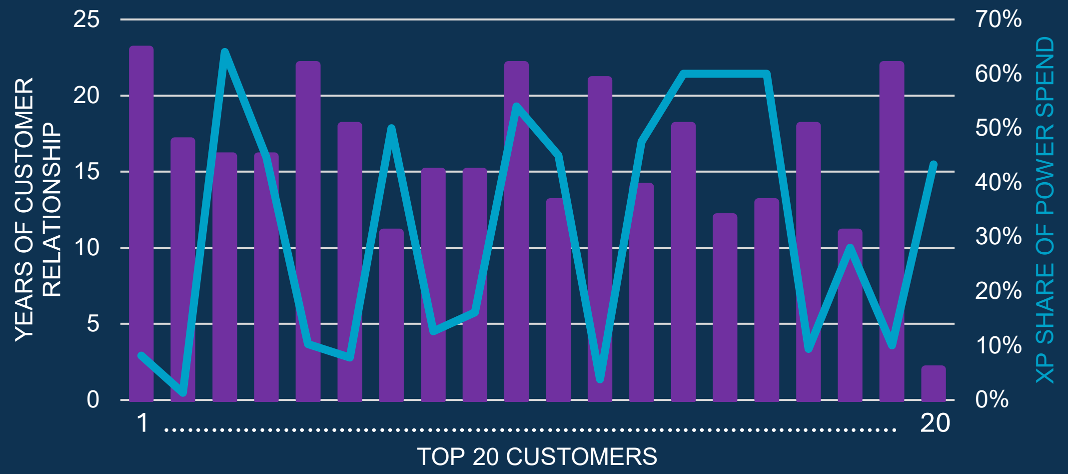
- Market leading product portfolio
- Target & drive penetration in accounts where we can add value
- Continually enhance our global supply chain
- Focus on people and talent development
- Lead our industry on environmental responsibility

XP Power long term fundamentals remain intact

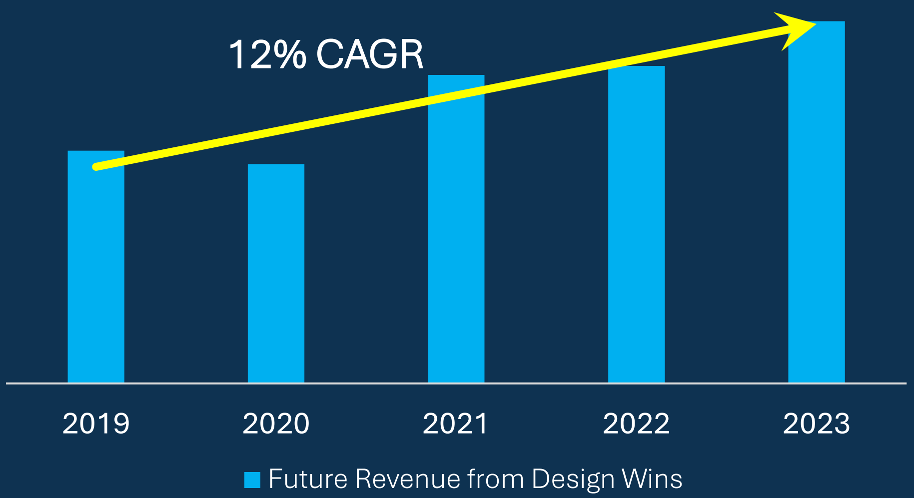
High levels of "recurring" revenue due to designed in nature - Flexpower Configurable revenue since launch



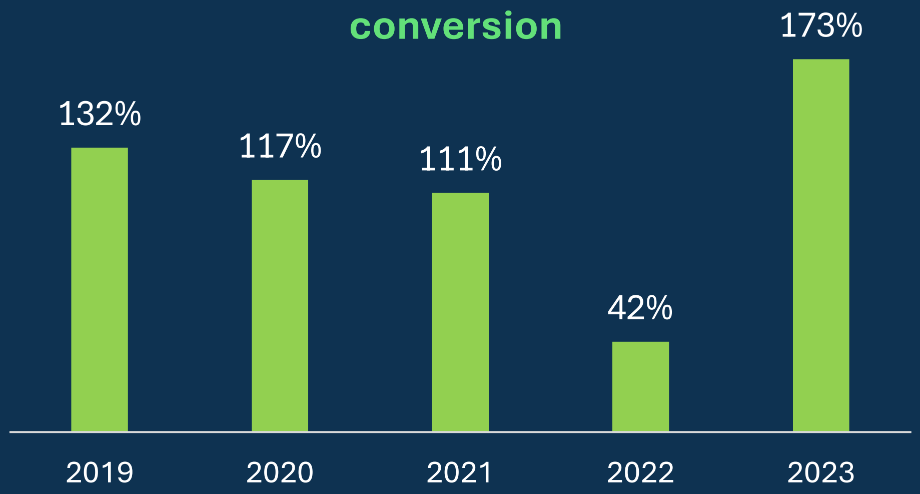
Long term relationships with key customers....with upside potential from driving wallet share



Continued success with Customers



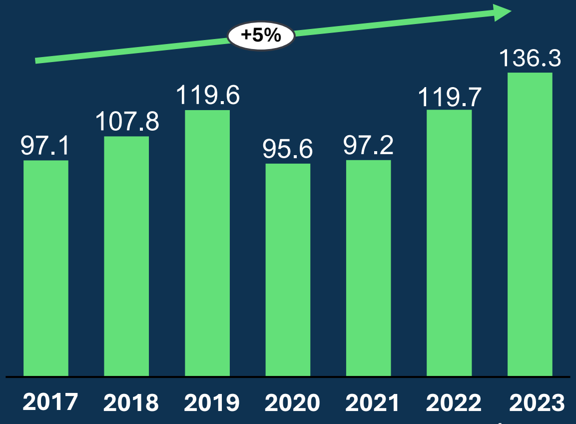
With ongoing strong operating cash conversion



Overview: Industrial Technology

Overview

- XP focuses on subsectors within Industrial Technology with good, long term growth potential and attractive niches
- A broad sector with no notable customer concentration
- Includes distributors
- Resilient, long term, growth sector

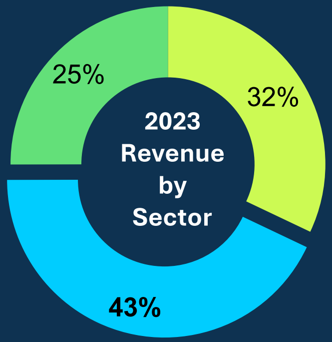


Industrial Technology Revenue (@ CER[1] £m)

Long term outlook

- Diverse sector with attractive overall growth outlook at 5.8%* per annum over the medium term
- Key trends driving demand include:
    - More products requiring connectivity and intelligence
    - Significant demand for technologies that enable electrification
    - AI era - Smart mobility and manufacturing with Gen. AI leading the way
    - Demand for higher power capability
    - Smart manufacturing and warehousing
    - Analytical instrumentation - growing interest in precision medicine & drug discovery

Revenue Split & Products



Industrial Technology

Subsectors:

- Analytical instrumentation
- Test and measurement
- Industrial printing
- Additive manufacturing
- Process control and automation
- Robotics

Note: 2017-2022 restated at 2023 average FX rate

**:Woodstone: Global Industrial Power Supply Market Outlook Report*

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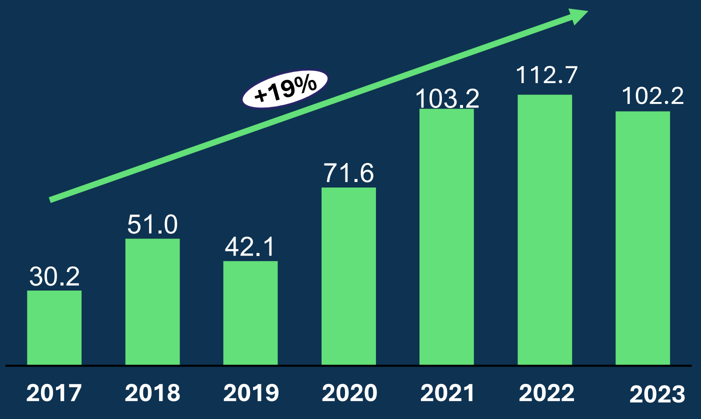
Overview: Semiconductor Manufacturing Equipment

Overview

- An attractive growth opportunity for full portfolio of power products
- As post-pandemic demand for PCs, smartphones, and consumer electronics eased, Wafer Fabrication Equipment (WFE) spend slowed in 2023. Going forward expected to recover strongly to support end market demand
- Geopolitical factors & demand driving investments in semiconductor capacity
- XP has broad exposure across the processes and both leading and lagging edge technology



Semiconductor Revenue (@ CER[1] £m)

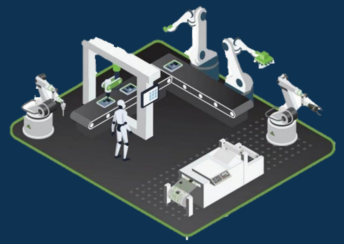
Note: 2017-2022 restated at 2023 average FX rate

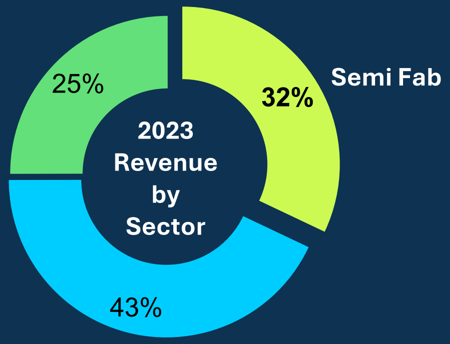
Long term outlook

- Attractive long term growth outlook as semiconductors are the foundation of digitization and all technology advances
- End market expectations are for a 9% CAGR to 2030 taking the market to $1 trillion per annum. WFE spend grows as fast or faster than semiconductors
- There are more than 100 Fabs* globally that are starting construction between 2022 and 2026 timeframe. 89 of these fabs have already either begun operation, equipping or construction. These will drive the major share for equipment spending by 2026
- XP well placed with the market leaders to grow ahead of the sector. Positioned for profitable growth as the market expands

**:SEMI.org World Fab Forecast report.*

Revenue Split & Products





Applications:

- Etch
- Deposition
- Lithography
- Ion implantation
- Test and inspection
- Wafer cleaning

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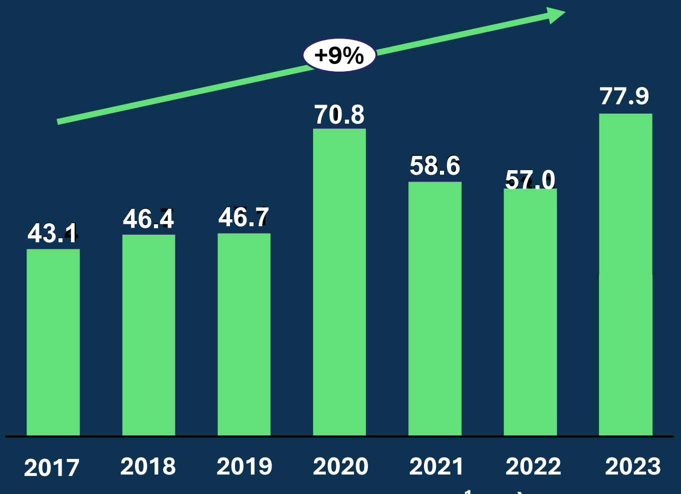
Overview: Healthcare

Overview

- Regulatory and safety critical nature of the Healthcare sector means power is critical
- Advances in medical technology means supporting innovation
- Healthcare market need reliable power solutions

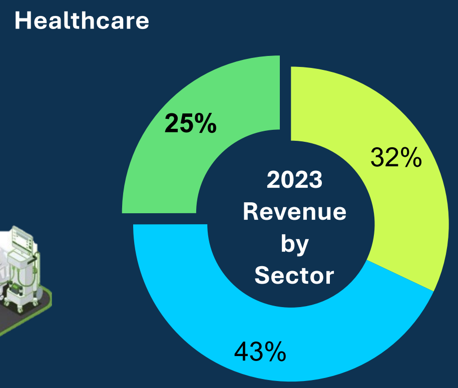


Healthcare Revenue (@CER[1] £m)

Long term outlook

- Medical device market forecast to grow at 7%* CAGR to $800 bn by 2030 accelerating from 5% over last decade
- Growth driven by megatrends of ageing global population and innovation in medical technology
- Growth from robotic surgery and embedded devices, with more from incorporation of AI, medical imaging, minimally invasive procedures and patient treatment devices
- All require complex, reliable power solutions that meet strict regulatory requirements

Revenue Split & Products



Applications:

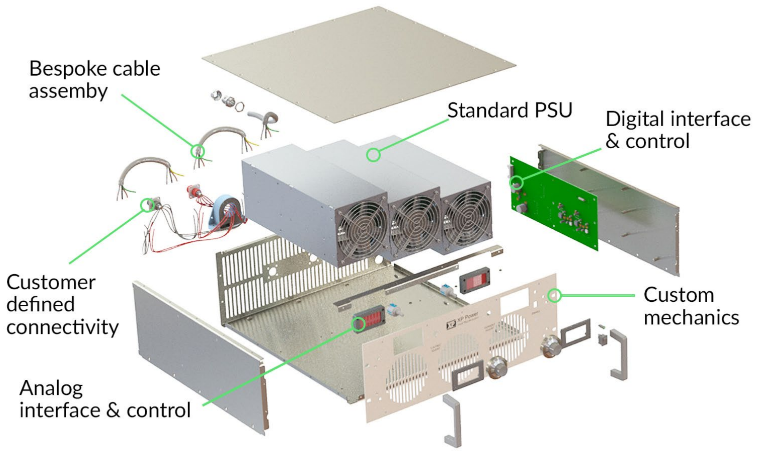
- Patient monitoring
- Surgical robotics
- Imaging and diagnostics
- Clinical lab instruments
- Home healthcare
- Patient treatment

Note: 2017-2022 restated at 2023 average FX rate

**:Woodstone: WAWT 2023 report, Statista Worldwide medical technology growth per year*

Strategy in action: Product design and innovation

- Focus on anticipating future product trends/needs through close contact with our customers. We aim to create standard platform products that can be easily customized to solve specific customer power problems
- Our products add value to our customers through class leading power density, interconnectivity, efficiency and intelligence
- Customer value is created through application specific know how, working with them to solve power problems using technical capability and speed including rapid prototyping
- 8 Global R&D centres located close to customers and operations for closer collaboration (US, UK, Germany, Philippines & Singapore)
- >160 multi-disciplined team working in R&D and product design
  ~ 9% of revenue invested in R&D in 2023
- LV innovations focused on digital control / power, intelligence and efficiency. HV & RF focused on digital control, low noise, stability, repeatability and efficiency
- 11 new products launched in 2023 with full pipeline of products for 2024/5
  - Record new business wins up 7% YoY
  - Customer live project funnel, growing double double-digit



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Strategy in action: Enabling growth & pace of innovation globally

- Keys to Success : Agility & Innovation - Class leading local and Asian high volume manufacturing from prototype to full solution
  - Fast to Solve – Have the right people and tools to solve challenges
  - Fast to Prototype – Have the right infrastructure and customer engagement
  - Fast to HVM – Seamless transition from prototype to production
- Continue to Invest and Innovate
  - XP global manufacturing sites (Business continuity and capacity focus)








	High Volume Mfg (HVM)			Small >> Medium Volume Mfg & NPD				
XP Mfg Site	XP China (Kunshan)	XP Vietnam (Binh Duong)	XP Malaysia (Seri Iskandar Perak)	XP RF (Gloucester MA)	XP HVHP (High Bridge NJ)	XP Guth (Salach DE)	XP FuG (Schechen DE)	XP San Jose (CA)
Product Capability Today/Future	LV, HVHP, RF	LV, HV, RF Customer Specific	LV, HV, RF Customer Specific	RF	HVHP	HVHP	HVHP	LV, HV, RF Customer Specific Including Prototypes

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Strategy in action:
Leading the industry on sustainability

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

THE NET ZERO STANDARD
APPROVED NET-ZERO TARGETS

- Targets set in line with Science Based Targets initiative (SBTi)
  - Approved by SBTi in February 2024
- Net Zero Transition Plan published in August 2023
- CDP climate change score improved to "B"

- 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 sustainability will bring significant benefits to XP Power

- We have updated XP Power's full carbon footprint including scope 3
  - Majority of emissions are outside of our operations – mostly from components we purchase and our products in use
  - Significant decrease v 2022 mainly from changes in product mix and reduced inventory
  - Purchased Renewable Energy Certificates (RECs) across global operations to reduce our scope 2 market-based emissions to zero
  - Future product design and efficiency as well as supplier engagement key in driving down emissions
  - Critical that governments continue to rapidly de-carbonise their electricity grids

XP Power Impact of Strategy Execution: Financial Framework

Through-cycle performance

- **c.10%** Organic Sales Growth
- **c.20%** Adjusted Operating Margin
- **~100%** Cash Conversion[1]
- **>20%** ROCE[2]
- **0-1x** Long term Leverage
  Short term remains 1-2x[3]

- Drivers of sales growth:
  - GDP & market growth
  - Record new business wins in 2022 and 2023
  - Strong sampling performance post COVID-19
  - Market leading NPD
- Drivers of Margin expansion:
  - Recovery and operational leverage with high drop through combined with moderating overhead investment
  - Cost and productivity focus
  - Production transfer "East"
- Cash Conversion:
  - Target 100% cash conversion
- ROCE:
  - Low capex model
  - Expansion capex directly linked to revenue growth
- Leverage:
  - Focus on reduction in short and medium term
  - Long term target reduced to 0-1x

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

2024 and medium-term outlook

- Expect recovery in second half order intake with momentum into 2025
- Focusing on the controllables:
  - Execution of our strategic priorities
  - Preparing for customer “ramp”, as little preparation time expected
  - Working capital improvement as inventory unwinds
- Expect net debt to increase at first half, before leverage reducing to at or below 2.5x at year-end
- 2024 will be heavily second half weighted
- Excited about longer term growth opportunities supported by XP fundamentals, new design wins and new product pipeline

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Q&A

Appendices

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Market data a growing addressable market

Market ($ Million)	Size	Share[1]
Asia	1,610	1.8%
Europe	813	14.6%
North America	1,258	14.1%
Total	**3,681**	**8.8%**
RF Power	2,102	1.7%
High power/high voltage	710	4.6%
Grand total	**6,493**	**6.1%**

XP 2023 Revenue (£ Million)	Asia	Europe	North America	Total	*Share of XP (%)*
Healthcare	6.6	26.8	44.5	**77.9**	*25%*
Industrial Technology	14.7	67.6	54.0	**136.3**	*43%*
Semi Fab	12.8	3.4	86.0	**102.2**	*32%*
Total	**34.1**	**97.8**	**184.5**	**316.4**	*100%*
Share of XP (%)	*11%*	*31%*	*58%*	*100%*	

Source: Micro-Tech Consultants (September 2023), VLSI Research (May 2023) and XP Power Management
1. Based on FY 2023 revenues

Competitive global manufacturing footprint

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

FuG and Guth in Germany expand existing HV portfolio

Manufacturing facility in Perak, Malaysia
- Slowed down spend given current conditions
- Final capacity potential - $300-400m over long term
- To complement Vietnam and China
- Well connected, skilled labour, cost competitive

Investment in design centres globally - 2023 North and South California

Strategy in action NPD: HP Series & HPF3K0 Launch

Customer Problem

- Customer requires dynamic control of the key elements of their application
- Meeting higher efficiency and reliability requirement to achieve sustainability and net-zero goals with relevant industry approvals

Market Demand: An attractive market subsegment

- >1500w power class growing 2x wider market, driven by higher power requirements in all segments

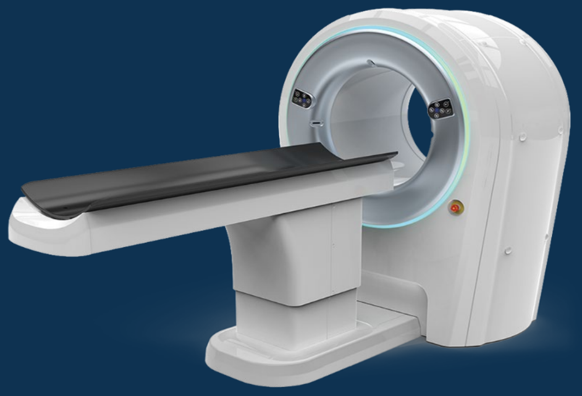
XP Solution

- HP Series launched in 2019, further expanded in 2023 with HPF3K0 launch
- 3kW AC-DC, scalable, digital, configurable platform
- Digital monitoring and control of the process and equipment, scalability and configurability with Semiconductor compliance, Healthcare and Industrial safety approvals
- >$20m incremental revenue by 2023 and still in early stages of long-term growth

- Strong product pipeline across LV, HV & RF with new platform products expected to be launched in 2024

*WAWT 2022 Power supply market report

HPF3K0 Series



CT-Scanner is one of the products in medical imaging that has higher power AC-DC requirements for multiple applications.

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