



# XP Power - Interim Results

Six months ended 30 June 2012

# Introduction to XP Power

- Leading developer and manufacturer of critical power control hardware
- Supply industrial, healthcare and technology sectors (no consumer electronics)
- Blue chip client list – over 70% of S&P 500 equipment manufacturers
- Historic and ongoing investment in R&D has built a market leading product portfolio
- Focus on higher margin own design/own manufacture sales
- Asian low cost manufacturing facilitates further penetration of blue chip customers
- Global support through a network of offices across North America, Europe and Asia

## 2012 Interim Results - Operational Highlights

- Subdued demand for industrial electronics as a result of a challenging macro economic backdrop
- Lower 2H 2011 order intake reduced 1H 2012 revenue as previously forecast
- Gross margins decline due to Vietnam start up costs and factory loading levels
- Vietnam factory now operational and expected to break even by the end of 2012
- Third party manufacturing transferring to in-house
- Continued expansion of own designed products to 61% of revenues (2011: 55%)
- Tight control of operating expenses to align to revenue reduction
- Significant sequential improvement in orders in 1H 2012 (16%) versus 2H 2011

# Strategy

- Target key Blue Chip customer accounts
- Increase penetration of existing key accounts
- Further expansion of high efficiency (“Green”) product offering
- Increase high margin contribution of own designed/manufactured products
- Extend manufacturing capacity outside China
- Lead our industry on environmental issues



# Market Data

## Market size and XP share 2011

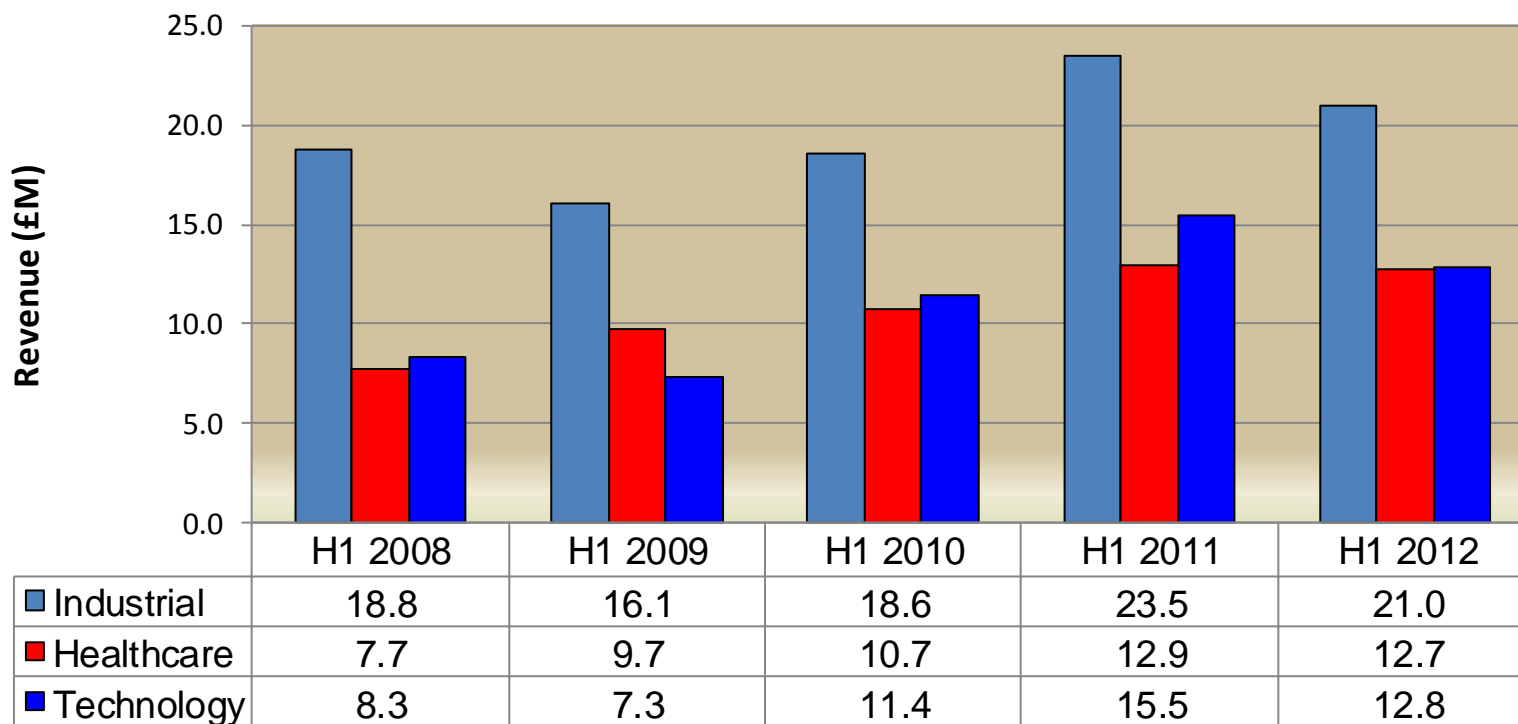
	Size (£ millions)	Share	Rank
Asia	630	2%	-
Europe	375	12%	1 <sup>st</sup> (Equal)
North America	495	10%	1 <sup>st</sup>
<b>Total</b>	<b>1,500</b>	<b>7%</b>	

Source: Micro-Tech Consultants

## XP Power's revenue mix – First half 2012

£ Millions	Asia	Europe	North America	Total	%
Healthcare	0.6	4.3	7.8	<b>12.7</b>	27%
Industrial	1.1	10.8	9.1	<b>21.0</b>	45%
Technology	2.6	5.2	5.0	<b>12.8</b>	28%
<b>Total</b>	<b>4.3</b>	<b>20.3</b>	<b>21.9</b>	<b>46.5</b>	<b>100%</b>
	9%	44%	47%	<b>100%</b>	

# Sector Split



## Growth rates

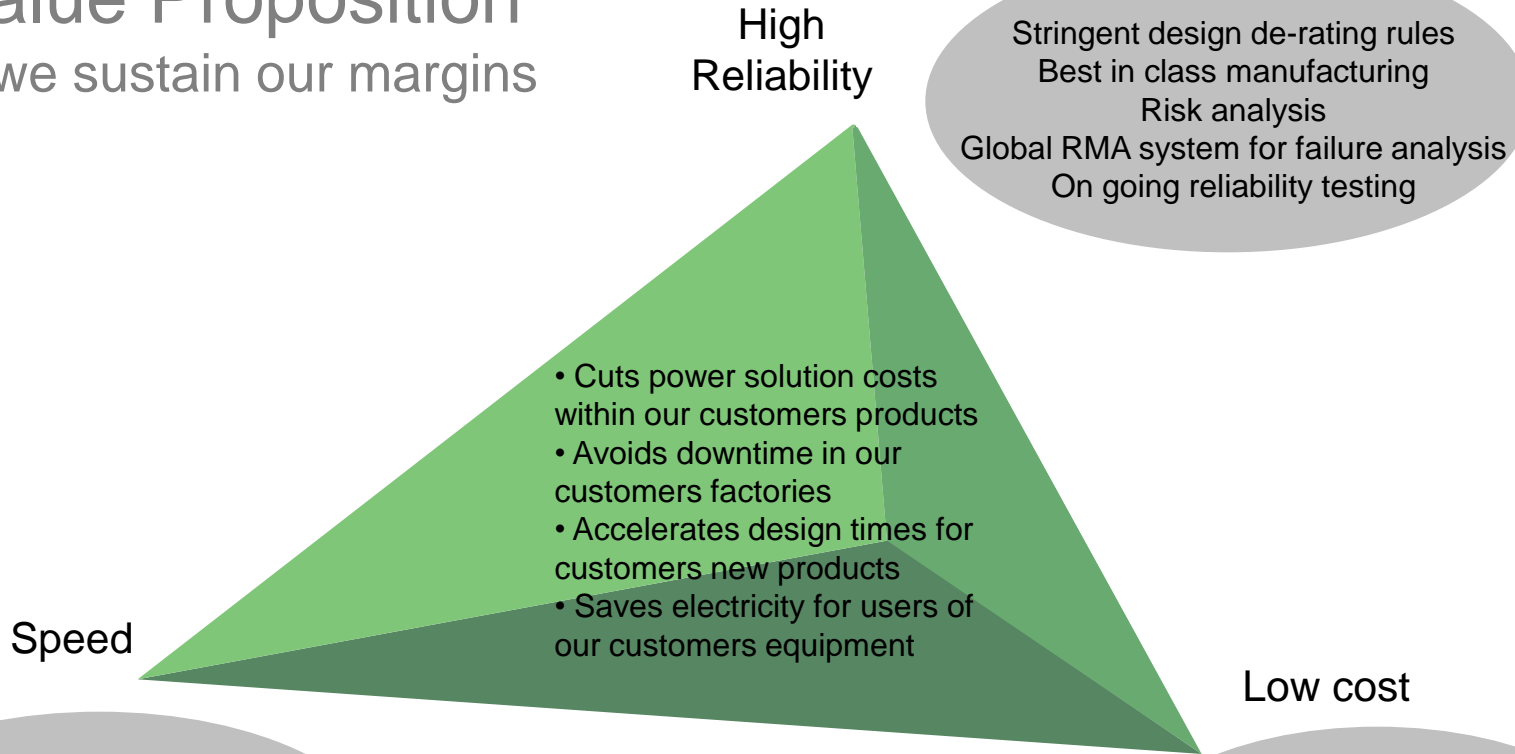
Industrial		-14%	+16%	+26%	-11%
Healthcare		+26%	+10%	+21%	-2%
Technology		-12%	+56%	+36%	-17%

## Customers – Selection of Top 30

- We do business with over 70% of the S&P 500 Equipment Manufacturers
- Top 30 customer account for 39% of revenue, the largest of which represents <5% of revenue

# XP Value Proposition

– How we sustain our margins



Stringent design de-rating rules  
 Best in class manufacturing  
 Risk analysis  
 Global RMA system for failure analysis  
 On going reliability testing

Knowledgeable direct sales team  
 Local value added  
 Direct access to design engineers  
 Modified standards  
 Internal distribution/logistics

Lean manufacturing  
 Asia sourced  
 Vertical integration  
 Green Power



## Case Study

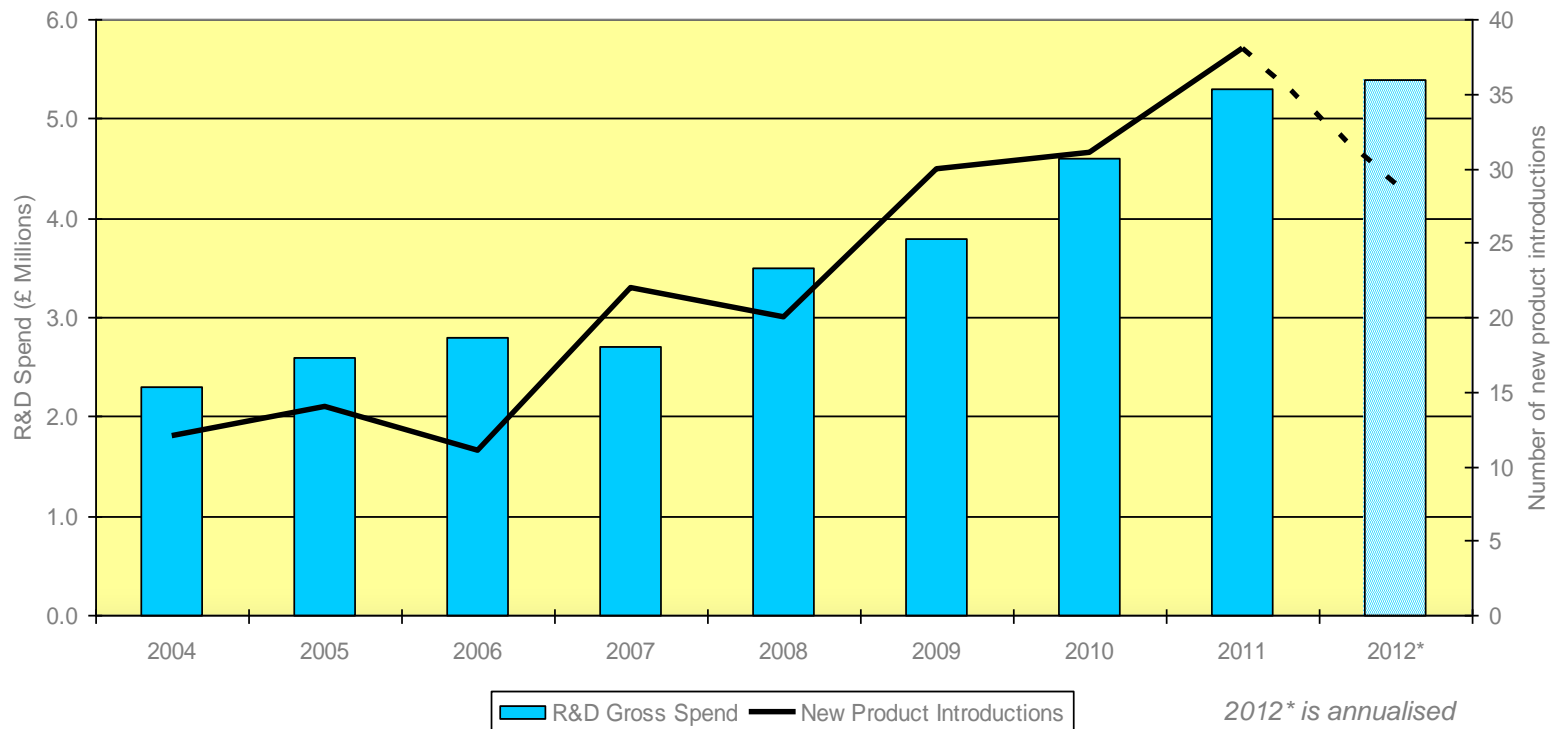
- Outdoor Wi-Fi Access Point
- No air flow
- Critical Time to Market
- Using a Taiwanese product
- Reliability problems related to thermal dissipation and noise
- >US\$1 million program

### XP Solution

- On site engineering support
- ECC100 base plate cooled product
- Modified for to allow 40-90VAC input and fit their form factor
- Got them units quickly for deployment at the Olympics!

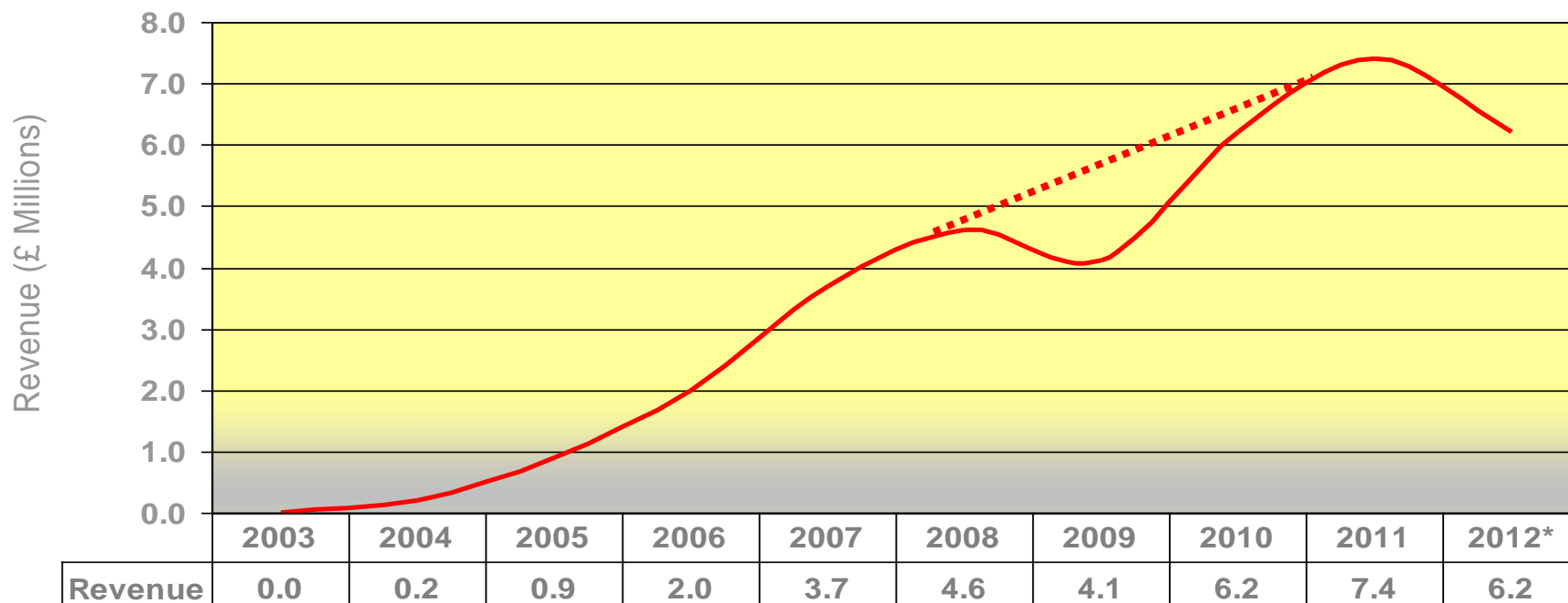


## Gross R&D Spend and New Product Introductions



- The success of our new products has led directly to significant gains in new programs
- Greater focus on modified standards in recent years following a wave of new product family launches
- 29 new product introductions planned for 2012

# Typical Product Life Cycle



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



ECM40/60

## Vertical Integration – Vietnam Magnetics Facility

- Operations started in Q1 2012 on target
- Primarily a magnetics manufacturing facility – a critical component
- Further vertical integration offers an additional value proposition to customers - control of manufacturing, flexibility and lead times
- Magnetics are labour intensive so the move to Vietnam also helps mitigate high wage inflation in China
- Sufficient area to add an additional factory when demand dictates
- Break even as exit 2012

Mitigates continued rises in China costs from salary inflation and currency appreciation and spreads geopolitical risk



## Pioneering Environmental Factory Standards

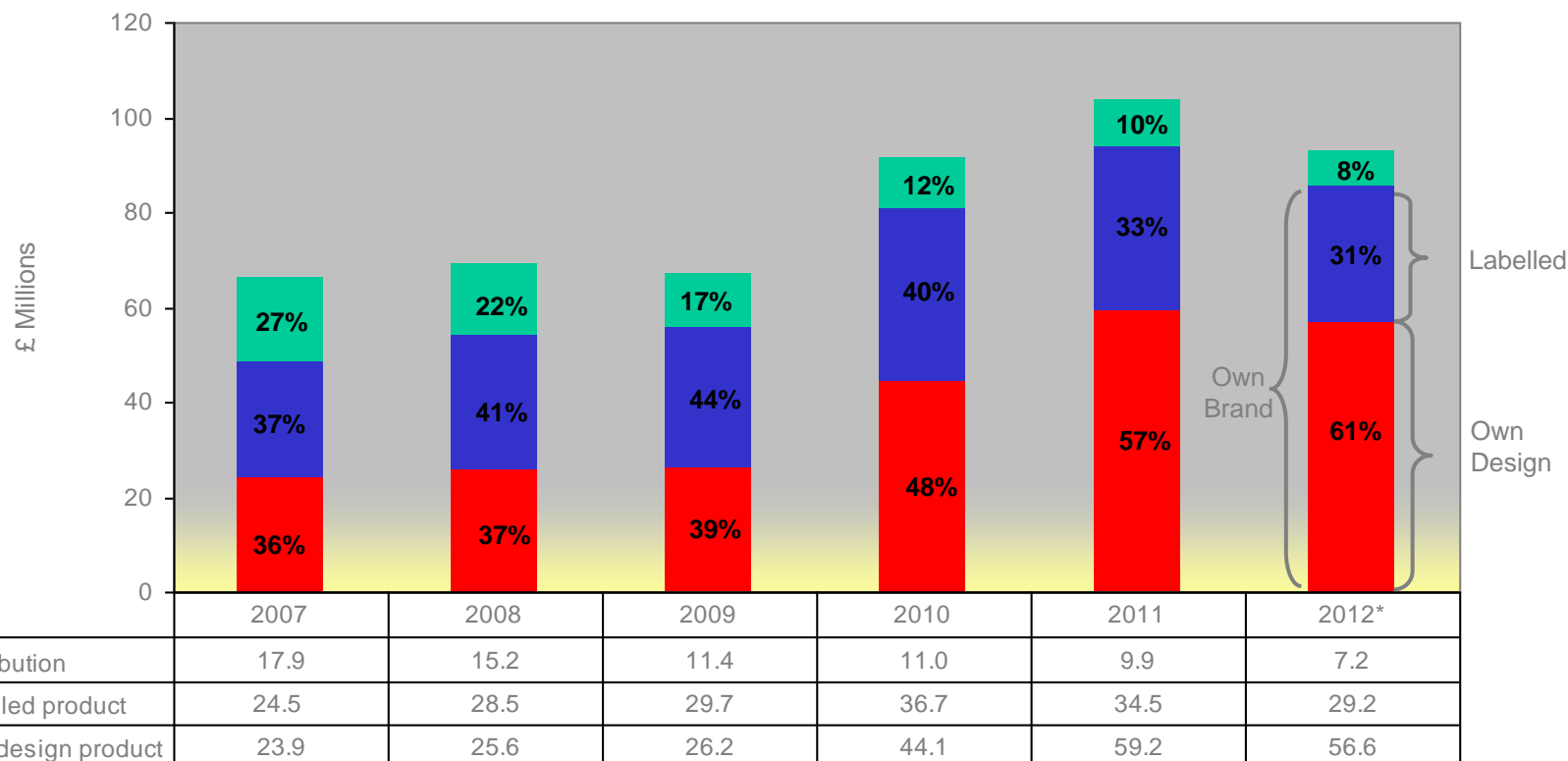
- Water capture and recycling
- Efficient building envelop (insulation)
- Ultra efficient air conditioning system
- PV Solar array
- High efficiency lighting
- Building management system
- First industrial building in Vietnam to be certified to BCA Green Mark Gold Plus Standard



An increasingly important  
qualifier for our key customers



# Own Design Revenue Trend



Average compound annual growth rate of 12% for own brand revenue to 2012 (own design 19%)

# Income and Expenditure Statement

£ Millions	2012 First Half		2011 First Half		Change
GBP/USD exchange rate	1.57		1.60		
<b>Revenue</b>	<b>46.5</b>	<b>100.0%</b>	<b>51.9</b>	<b>100.0%</b>	<b>-10%</b>
<b>Gross margin</b>	<b>21.8</b>	<b>46.9%</b>	<b>25.7</b>	<b>49.5%</b>	<b>-15%</b>
Research and development (net)	2.0	4.3%	1.9	3.7%	+5%
Other operating expenses	9.9	21.3%	11.4	21.9%	-13%
<b>Operating profit</b>	<b>9.9</b>	<b>21.3%</b>	<b>12.4</b>	<b>23.9%</b>	<b>-20%</b>
Net interest expense	0.3	0.7%	0.5	1.0%	-40%
<b>Profit before tax</b>	<b>9.6</b>	<b>20.6%</b>	<b>11.9</b>	<b>22.9%</b>	<b>-19%</b>
Taxation and minority interest	1.9	4.1%	1.8	3.5%	+6%
<b>Profit after tax</b>	<b>7.7</b>	<b>16.6%</b>	<b>10.1</b>	<b>19.4%</b>	<b>-24%</b>
Diluted earnings per share	40.4p		52.9p		-24%
Dividend	21.0p		19.0p		+11%

## Summary Balance Sheets

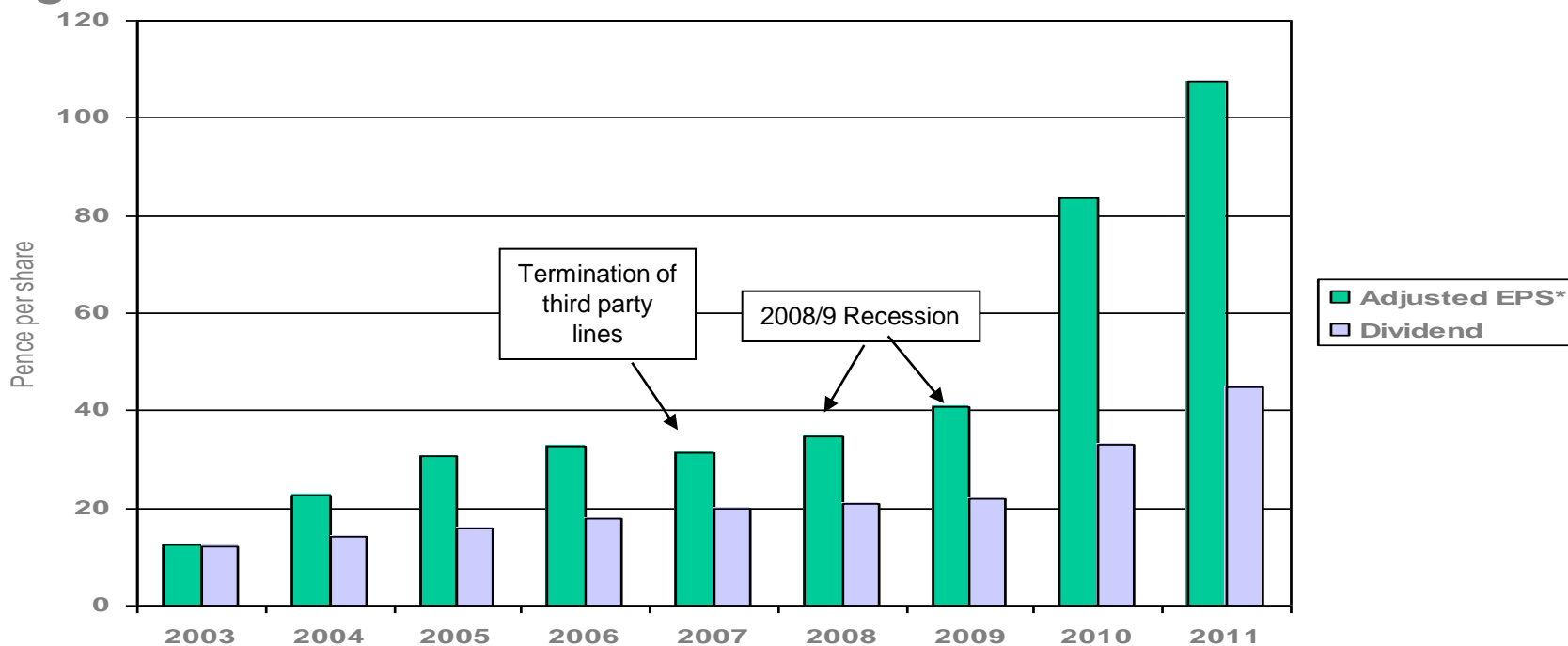
£ Millions	2012 June	2011 December	2011 June
GBP/USD exchange rate	1.57	1.57	1.61
Cash	4.5	6.3	4.7
Trade and other receivables	16.1	18.7	18.5
Inventories	22.0	22.0	23.3
<b>Total current assets</b>	<b>42.6</b>	<b>47.0</b>	<b>46.5</b>
Property, plant and equipment	14.0	12.9	9.6
Other non-current assets	40.1	39.7	39.0
<b>Total non-current assets</b>	<b>54.1</b>	<b>52.6</b>	<b>48.6</b>
Trade and other current payables	14.2	14.8	20.6
Short term borrowings	10.0	13.4	15.9
<b>Total current liabilities</b>	<b>24.2</b>	<b>28.2</b>	<b>36.5</b>
Non-current provisions and liabilities	4.3	4.1	1.7
Long term borrowings	9.5	11.5	8.4
<b>Net assets</b>	<b>58.7</b>	<b>55.8</b>	<b>48.5</b>
<b>Net debt</b>	<b>15.0</b>	<b>18.6</b>	<b>19.6</b>



# Cash Flow Statement

£ Millions	2012 First Half	2011 First Half
<b>Operating profit</b>	<b>9.9</b>	<b>12.4</b>
Depreciation and amortisation	1.2	1.0
Working capital movements	3.4	(4.7)
Taxation	(2.0)	(2.9)
<b>Net cash flow from operating activities</b>	<b>12.5</b>	<b>5.8</b>
Capitalised expenditure on product development	(1.2)	(0.6)
Interest	(0.3)	(0.4)
<b>Free cash flow</b>	<b>11.0</b>	<b>4.8</b>
Purchases of property, plant and equipment	(1.8)	(2.1)
Acquisitions / ESOP loan repayments	(0.5)	-
Dividends	(5.1)	(4.0)
<b>Net cash flow</b>	<b>3.6</b>	<b>(1.3)</b>

# Earnings and Dividend Trend



	2003	2004	2005	2006	2007	2008	2009	2010	2011
Earnings growth	88%	20%	7%	(4%)	11%	17%	17%	105%	28%
Dividend growth	17%	14%	12%	11%	5%	5%	5%	50%	36%

- Cash generative business model allows consistent dividend growth
- Dividend CAGR 20% over last 5 years and 14% over the last 10 years
- Quarterly dividend payment cycles
- Earnings CAGR 27% over last 5 years and 18% over the last 10 years

\*Diluted and adjusted for amortisation of intangibles, non-cash foreign exchange gain, and reorganisation costs

# Outlook

- Global trading environment for industrial electronics is challenging
- Order intake for first half of 2012 16% above that achieved in the second half of 2011
- Factory loading expected to improve in the second half of 2012
- Transitional manufacturing activities from Vietnam start up and transfer of third party manufacturing expected to be complete by year end
- Second half revenues and earnings expected to be higher than those achieved in the first half

# XP Power



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