Outlook

Edison investment research

22 February 2010

XP Power

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/08	69.3	8.0	34.8	21.0	12.1	5.0
12/09	67.3	8.7	40.8	22.0	10.3	5.2
12/10e	74.2	10.5	45.9	23.0	9.2	5.5
12/11e	81.4	12.2	53.5	24.0	7.9	5.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments and exceptional items.

Investment summary: Earnings power

XP Power reported robust FY09 results, growing earnings 17% y-o-y and beating our forecast by 11%. Strong cash management reduced net debt by 33% and a 12p final dividend was announced (vs our 11p). The ramp of in-house manufacturing continues, and is helping XP win business in the Technology and Healthcare markets. Trading at 9.2x our FY10 EPS forecast, in our view, does not reflect the potential earnings growth and dividend yield offered by this stock.

FY09 beat expectations

In a year where revenues declined 2.9%, XP grew earnings by 17% through a combination of better gross and EBITDA margins, lower interest paid and lower tax. The company reduced working capital, enabling it to cut net debt more than expected, and reducing its overdraft to practically nil.

Growing revenues in key markets

The company grew revenues from Healthcare and Technology customers, we believe because customers are attracted by XP's in-house design and manufacturing. As a proportion of total revenues, products based on XP's IP increased from 78% in FY08 to 83% in FY09.

Forecasts upgraded

We have revised our earnings forecast for FY10 from 40.4p to 45.9p (+12.3% y-o-y) and introduce an FY11 forecast of 53.5p (+16.6% y-o-y). We have nudged up our dividend forecasts based on higher forecast earnings.

Valuation does not reflect earnings potential

At 422.5p, the stock trades on 9.2x FY10 and 7.9x FY11 adjusted EPS. Our DCF calculation values the stock at 500p, equivalent to 10.9x FY10 and 9.3x FY11. In our view, margin expansion will continue to drive earnings growth, and, combined with a >5% dividend yield, makes the stock attractive at current levels.

Price	422p
Market Cap	£81m

Share price graph

Share details

Code	XPP
Listing	FULL/OTC
Sector	Electronic & Electrical Equipment
Shares in issue	19.24m

Price

52 week	High	Low
	455.0p	133.3p

Balance Sheet as at 31 December 2009

Debt/Equity (%)	58
NAV per share (p)	168.9
Net borrowings (£m)	18.7

Business

XP Power is a developer and designer of power control solutions with a production facility in China and design, service and sales teams across Europe, the US and Asia.

Valuation

	2009	2010e	2011e
P/E relative	97%	63%	65%
P/CF	4.8	7.0	6.1
EV/Sales	1.5	1.3	1.2
ROE	24%	24%	24%

Revenues by geography

Europe	US	Asia
47%	46%	7%

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XP Power is a research client of Edison Investment Research Limited

Investment summary: Strategy powers earnings growth

Company description: Power solutions

XP Power designs, manufactures and distributes power converter solutions to the healthcare, technology and industrial markets. Group structure has been built largely through acquisition and reflects the markets the company operates in, ie many customers, competitors and suppliers are based in Asia. Therefore, over the last couple of years the group has moved its headquarters to Singapore, expanded its Asian design and sales capability, and scaled up manufacturing in the region.

Valuation: Earnings growth to drive further upside

XP is currently trading on a P/E of 9.2x FY10 and 7.9x FY11 adjusted EPS, with a yield of 5.4% and 5.7% respectively. Taking into account the combination of earnings growth and dividend yield, and our discounted cashflow valuation of 500p, suggests further upside for this stock.

Sensitivities: End market demand, currency

XP Power has cyclical exposure to global industrial, technology and healthcare markets and is therefore sensitive to end demand and product development expenditure in these markets. Visibility of customer volumes is limited and, as such, individual customer orders can be volatile. With the majority of XP's revenues, manufacturing costs and opex US dollar-denominated, currency will continue to add volatility to XP Power's reported revenues, although will have less impact at the net income level.

Financials

XP Power reported better than expected revenues and profitability for FY09. Gross margin expansion continues (up 80bp y-o-y) as the company executes its strategy of developing products and taking manufacturing in-house. Good working capital management reduced net debt significantly, and the company also announced a higher than expected final dividend. We have made upward revisions to our FY10 forecasts and introduced an FY11 forecast. We estimate the company will show earnings growth of 12.5% and 16.6% in FY10 and FY11 respectively.

Exhibit 1: Changes to forecasts

Note: Figures in £m except per share data.

	EPS			PBT			EBITDA		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2009	36.7	40.8	11	7.7	8.7	13	10.4	11.2	8
2010e	40.4	45.9	14	9.6	10.5	9	12.3	12.8	4
2011e	N/A	53.5	N/A	N/A	12.2	N/A	N/A	14.6	N/A

Source: XP Power and Edison Investment Research

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Company description: Power converter specialist

XP Power designs, manufactures and distributes power converter solutions to the industrial, healthcare and technology markets. Power converters take the high voltage alternating current output from the mains supply and convert it into various lower voltages, stable direct current outputs that are required to drive most electronic equipment. Group structure has been built largely through acquisition and reflects the markets the company operates in, ie many competitors, suppliers and an increasing number of customers are based in Asia. Therefore, over the last couple of years the group has moved its headquarters to Singapore, expanded its Asian design and sales capability, and scaled up manufacturing in the region.

Transition to in-house design and manufacturing progressing well

XP Power was formed as a specialist distributor of power converters in 1988 (based in Pangbourne, UK). Subsequently, the business merged with Foresight (California, US) and IPS (New England, US) on flotation in 2000 to form a distributor with over $100m of sales.

In 2002 the board decided to begin to develop its own IP and designs and paid $8m for Switching Systems International (California, US) which designed its own configurable power converters with an outsourced manufacturing model. Since then the group has continued to develop its own products and brand. The company has design centres in the UK, North America and Singapore.

Historically, the company had always outsourced manufacturing but in 2005 decided to start to build some in-house capacity. Management formed a joint venture with Fortron Source to manufacture power converters near Shanghai in China. The joint venture, Fortron XP Power (Hong Kong), started production in May 2006. In 2008, management completed the purchase of the remaining 50% of the joint venture manufacturing facility for $2.5m and built a new factory on the same site adjacent to the existing facility. This quadrupled XP Power's manufacturing capacity when it became operational in Q209. We estimate that the Chinese facilities are operating at c 20% capacity. In 2009, 20% of product sold was manufactured internally and the company estimates this could double in 2010.

The group has also purchased land close to Ho Chi Min City (Saigon) in Vietnam with a view to getting planning consent to build another facility, which would triple the expected output from the new Chinese factory. In the longer term, the company estimates it could manufacture up to 75% of product in-house.

Own-IP products drive margin progression

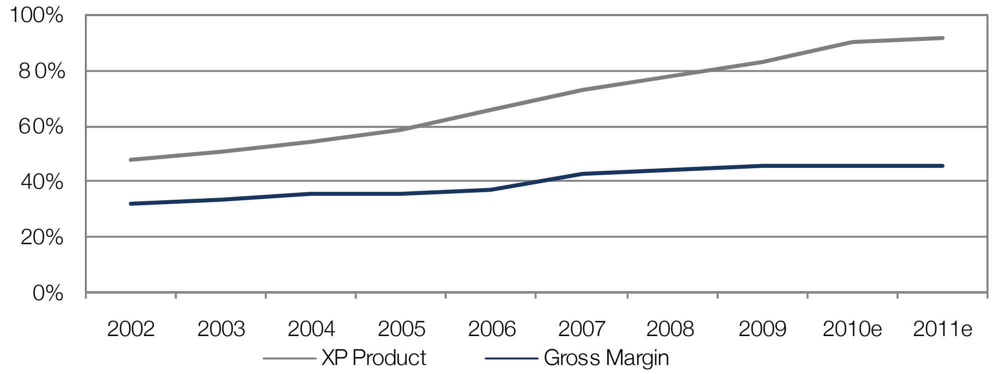
XP Power's business splits along five business lines:

- Own manufactured product. Products designed by XP, ownership of 100% of the IP and manufactured in its Shanghai facility.
- Sub-contract manufacture. Products designed by XP, ownership of 100% of the IP but manufacture is outsourced to other Asian manufacturers.

- **Engineered solutions.** Customisation of XP power supplies for specific customer end-product design requirements, ie designing and engineering additional casings, metalwork, circuitry, connectors, etc.
- **Labelled products**. Customer requirements identified and product design specified by XP, but products sourced from third-party manufacturers and labelled under the XP brand.
- **Distribution**. Supply of third-party products.

In Exhibit 2, we show how the increase in XP Power-branded products (ie all businesses lines above except for distribution) has driven the increase in gross margin.

Exhibit 2: XP Power gross margin progression vs product mix



Source: XP Power and Edison Investment Research

Mixed customer base provides stability in revenues

XP Power has over 5,000 direct active customers, of which no customer makes up greater than 2.5% of revenues. As an example of the breadth of its customer base, in the US XP supplies 77% of the S&P 500 Industrial Equipment Manufacturers, 94% of the S&P 500 Healthcare Equipment Manufacturers and 70% of the S&P 500 Technology Equipment Manufacturers.

XP Power supplies power converters to three key markets: Industrial, Healthcare and Technology. Within the Industrial segment, Defence & Avionics makes up c 10% of revenues.

Exhibit 3: XP Power revenue by end market, FY09

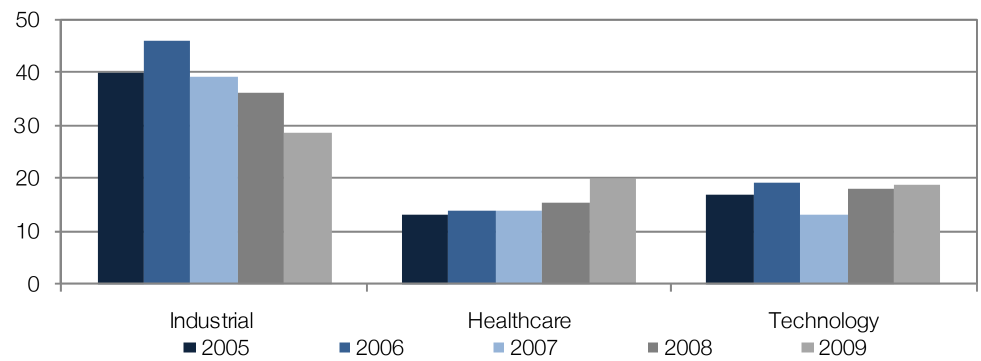
Sector	FY09 revenue split	Types of products
Industrial	43%	Process control, automation, industrial printing, defence, avionics
Healthcare	29%	Medical equipment
Technology	28%	Semiconductor equipment, networking & broadcast applications

Source: XP Power

Blue chips attracted by in-house production

The recent move into in-house manufacturing has resulted in XP signing up new blue-chip companies, particularly in the semiconductor equipment and medical equipment markets. Stable and secure power supply is so crucial to the operation of these customers' products that they demand complete control over their supply chain and product manufacture to ensure quality. With the ramp-up of in-house manufacturing capacity, XP Power has won more Healthcare business. Exhibit 3 shows the development of revenues by end market over the last five years. Despite the recession, XP Power has managed to grow revenues in Healthcare every year of the last five years, and for Technology over the last two years.

Exhibit 4: Revenues by end market, 2005-2009 (£m)



Source: XP Power

Varied product life cycles improve visibility

Products in each end market have very different life cycles. For example, a medical device could have a product life cycle of 10 years or more. Once a power converter is designed into this product, it is likely to remain in it for the full life of the product. Conversely, technology-related products such as routers have much shorter lives, sometimes as short as two years. On average, product life cycle is five to seven years. XP's balanced mix of end customers means that it has a fairly high level of visibility within its order book.

Cross-selling opportunities

In many blue-chip companies, XP needs to seek approval from a central development team before any engineer can use XP product. This means that once approval has been obtained, XP has the potential to sell into all the businesses within that company. In some cases, the distinction is made between approved and preferred suppliers. XP's goal is to get onto the preferred supplier list, and availability of in-house manufacturing capability is helping this process.

Global customer support

The company sells through 27 sales offices (17 in North America, nine in Europe and one in Singapore) and 19 distributors (nine in Europe and seven in Asia).

Market outlook

XP Power has slowly been winning share in a large, fragmented market. We believe that the company will continue to grow share with its combination of in-house design and manufacturing.

Power market

XP Power operates in a market that is worth c £1bn (after a decline of 17% in dollar terms in 2009), and is forecast to grow at a CAGR of 17% over the next four years (source: Micro-tech Consultants). The market is fragmented, with no player having more than a 10% share.

XP Power does not operate in the high volume, low value commodity power converter markets that supply products such as PCs, laptops and cellphone chargers.

Major players in the power converter market are described in Exhibit 5.

Exhibit 5: Major power converter companies

Company	Corporate HQ	Market cap	Comment
Emerson	US	$36bn	Emerson offers a vast array of electronic components including power converters. Network Power division had $5bn revenues in FY09, of which c $1.5bn power converters.
TDK-Lambda	Japan	$7.9bn	Power supply specialist covering multiple end markets. Key competitor to XP in Europe and US.
Delta Electronics	Taiwan	$6.7bn	Diversified supplier of power supplies, components and systems. Revenues of $4.3bn in FY08.
Lineage Power	US	-	Private equity-owned company that bought Tyco Electronics Power Systems and Cherokee in 2008.
Cosel	Japan	$0.5bn	Specialist in compact, low profile power supplies. Revenues of $190m in FY09. Competes with XP in Europe and US.
Power-One	US	$0.4bn	Power management & power conversion for a wide range of applications. Revenues $431m in FY09.
Vicor	US	$0.4bn	Broad range of power components and complete power systems. Revenues of $205m in FY08.
Meanwell	Taiwan	-	Standard off the shelf switching power modules.
Volgen	US	-	Focus on ultra-small power supplies.
SL Industries	US	$0.05bn	Ault and Condor divisions compete with XP in Healthcare market. Revenues of $73m in FY08 in Power Electronics division.

Source: Edison Investment Research

Competitive strength

XP Power's global market share stands at c 6.5%. It has a number two position in North America with c 8% share and a number three position in Europe with c 10% share. XP Power's share in Asia stands at only 1%, although we believe its recent move to Singapore and installation of Chinese manufacturing capacity represents an opportunity for XP to grow this share.

Short-term outlook

Looking at the three markets that XP Power supplies, there are differing rates of recovery.

- Healthcare: Philips Healthcare noted that equipment orders improved for the third quarter in a row, with 7% growth y-o-y in Q409. Siemens' Healthcare business saw order intake up 4% and revenues up 1% y-o-y in Q409. In Q409, GE Healthcare equipment orders grew 13% y-o-y.

- Industrial: This segment is still under pressure from the recession. Siemens' Industrial segment saw (calendar) Q409 orders down 14% and revenues down 11% y-o-y. ABB commented that the year-on-year rate of order decline slowed in the fourth quarter, with large orders (>$15m) up 61% y-o-y and base orders (<$15m) slightly higher than Q309.
- Technology: The sector already started to recover in H209. According to IDC, the IT sector is estimated to grow 3% in 2010, after a 4.5% decline in 2009. More specifically within the communications equipment sector, Forrester forecasts growth of 8.1% after an 8.9% decline in 2009. The semiconductor equipment market has seen drastic declines over the last two years (2008: -31%, 2009: -46%) but is forecast to recover strongly in 2010 and 2011 (+53% and +28% respectively, source: SEMI).

Long-term growth drivers

XP Power should benefit from both market and company-specific factors. Key drivers of market growth include:

- The environment: legislation and consumer pressure are driving equipment manufacturers to reduce the power consumption of their products. Legislation also extends to the efficiency of power converters, driving demand for new products. XP's new products are designed to maximise efficiency – for example, the recently launched CCM250 has an efficiency of 95%.
- Healthcare: as the population ages, while continuing to grow overall, people are living longer with chronic diseases. This is driving overall healthcare spending, but in particular is driving demand for care at home as a cost-effective alternative to in-patient care.
- Emerging technology: alternative technologies are evolving for lighting (eg LEDs) and power generation (eg solar), which all have specific power conversion needs.
- Innovation: customers increasingly need to differentiate their products from the competition. XP's in-house design capabilities enable it to develop products for niche applications.

From a company-specific perspective, we expect the continued ramp of in-house manufacturing capacity to attract more blue-chip customers in the Technology and Healthcare markets. XP's recent investment in in-house design capabilities in Asia positions the company to win business from the Asian design centres of existing European and North American customers, as well as from Asian companies producing for the Asian and export markets. The increase in own-designed and own-manufactured product should continue to drive margin growth.

Sensitivities

XP Power is a global electronics company supplying a broad range of end markets. The company is not immune from economic slowdown, but diversification and the low cost structure affords the company some earnings resilience versus competitors.

Economic sensitivity

The group has cyclical exposure to global industrial, technology and healthcare markets. Therefore, any slowdown in end demand in these markets or cut backs in product development expenditure will impact XP's revenues.

Order book visibility

The group has around five months of order book visibility at any one time. However, it is essentially a tier 2 supplier to the electronics industry and still has a small proportion of distributor revenues. Therefore visibility of customer volumes is limited and, as such, individual customer orders can be volatile.

Currency

Around 70% of XP's revenues, c 90% of cost of sales and c 60% of opex, are US dollar-denominated. XP Power reports in sterling, exposing the company's results to fluctuations in the US$/£ exchange rate. While moves in the exchange rate will have an impact on reported revenues, the overall impact of currency at the net income level is much less pronounced.

Large competitors

Competition ranges from significantly larger players with big balance sheets through to smaller innovative companies. The deeper pockets of large competitors may make it more difficult for XP Power to keep pace with product development.

Valuation

The stock has rebounded strongly from its low of 115.75p in January 2009, as market-based recovery has started to become evident and XP has proven its ability to grow margins and win business through the recession.

XP is currently trading on a P/E of 9.2x FY10 and 7.9x FY11 adjusted EPS, with a yield of 5.4% and 5.7% respectively. Taking into account the combination of earnings growth and dividend yield, and our discounted cashflow valuation of 500p, suggests that there could be further upside for this stock.

Exhibit 6: Valuation

DCF valuation	£m	Per share	Assumptions	
Group NPV	115	597	WACC: 12%	Terminal growth rate: 3%
Less: net debt	(19)	(97)		
Group Equity Value £m	**96**	**500**	**Up/(downside) from current price**	**18%**

Ratio Analysis	2010f	2011f
EV/Sales	1.3	1.2
EV/EBITDA	7.6	6.6
EV/EBIT	8.5	7.3
Price/Book	2.2	1.9
Price/Earnings	9.2	7.9
Price/Op Cash Flow	7.0	6.1
ROE	24%	24%
Gearing	46%	35%
Interest Cover	11.5	14.5

Grp DCF Scenarios		------------------Terminal growth rate------------------	
		3.00%	5.00%
WACC	14.0%	385p	408p
	13.0%	436p	467p
	12.0%	498p	546p
	11.0%	576p	648p
	10.0%	676p	791p
Breakeven WACC		13.2%	

Dividend Yield	FY10e
Dividend	23.0
Dividend Cover	1.5
Yield	5.5%
UK Small Cap Yield	7.0%
Yield Relative	**78%**

Revenue sensitivity				
Multiple	0.5x	1.0x	1.5x	2.0x
Revenue Y2 £m	81	81	81	81
Implied EV £m	41	81	122	163
Net (debt)/cash £m	(19)	(19)	(19)	(19)
Group equity value £m	22	63	103	144
Per share (p)	**114**	**326**	**537**	**749**

Source: Edison Investment Research

Financials

Review of FY09 results

XP reported stronger than anticipated revenues (£67.3m versus our £66.5m) with an in-line gross margin of 45%. This equates to a year-on-year decline in revenues of 2.9%, although measured in US dollars, revenues fell 16%. EBITDA margin of 16.6% was stronger than our 15.6% forecast, due to a combination of higher revenues and lower than forecast opex. Interest expense was lower than forecast due to better than expected working capital management. Adjusted EPS of 40.8p exceeded our forecast by 11% and was 17% higher than FY08.

Exhibit 7: Summary of FY09 results

£m	FY08A	FY09E	FY09A
Revenues	69.3	66.5	67.3
Gross profit	30.6	29.9	30.3
Gross margin	44.2%	45.0%	45.0%
EBITDA	10.9	10.4	11.2
EBITDA margin	15.7%	15.6%	16.6%
Adj. Operating profit	9.5	9.1	9.9
adj. Operating Profit margin	13.7%	13.7%	14.7%
Adj. PBT	8.0	7.7	8.7
Adj. Net income	6.6	7.0	7.7
Adj. EPS (p)	34.8	36.7	40.8
Reported EPS (p)	46.4	36.0	39.3
Net debt	27.8	22.7	18.7

Source: XP Power and Edison Investment Research

Cashflow and dividends

XP reduced inventories and accounts receivable in the year. Debtor days reduced from 64 in 2008 to 60 in 2009 and we would expect the company to maintain this level going forward. Inventories peaked at the end of 2008 as demand dropped off, but as demand started to recover in 2009, the company worked down inventories. We estimate that they are now at a sustainable level.

As a result of better than expected profitability and working capital management, net debt fell from £27.8m at the end of 2008 to £18.7m at the end of 2009. The overdraft fell from £7.3m at the end of 2008 to only £0.1m at the end of 2009.

In 2009, XP renegotiated its debt and consolidated it into one US$36m loan at LIBOR + 2%. The company has a swap in place covering US$30m of the debt to fix the interest rate at 3.99%. XP is due to repay US$6m in 2010 and the remaining US$30m in 2011. Based on our cashflow forecast, we estimate that XP will pay down the US$6m in 2010 and will have sufficient free cashflow to pay down a small proportion of the US$30m due. We would expect the company to refinance the remainder.

XP announced a final dividend of 12p, resulting in a full year dividend of 22p (54% payout ratio), versus 21p in FY08 (60% payout ratio).

Changes to forecasts

- We have increased our revenue forecast for FY10 from £74.0m to £74.2m, equating to 10% y-o-y growth. We believe that the recovery in the Healthcare and Technology markets will be the key driver of growth, with the Industrial market remaining lacklustre this year. We forecast growth of 10% in FY11, when we expect the Industrial market to contribute to growth.
- We have increased our EBITDA forecast for FY10 from £12.3m to £12.8m (17.3% margin) based on lower opex. For FY11, we forecast EBITDA of £14.6m (17.9% margin).
- We have reduced our tax rate assumption for FY10 from 19.6% to 15.0% and use the same rate in FY11, as more profits are expected to come from lower tax regions.
- Our adjusted EPS forecasts show 12.5% y-o-y growth in FY10 and 16.6% in FY11.
- We factor in higher capex in FY11 assuming that the company starts to build out the Vietnamese facility.

Exhibit 8: Changes to forecasts

Note: Figures in £m except per share data.

	EPS			PBT			EBITDA		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2010e	40.4	45.9	14	9.6	10.5	9	12.3	12.8	4
2011e	N/A	53.5	N/A	N/A	12.2	N/A	N/A	14.6	N/A

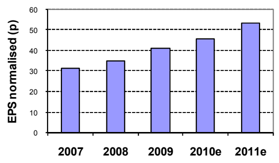
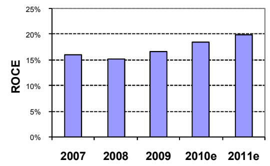
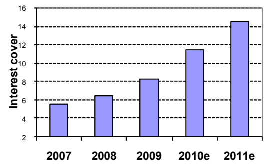
Source: XP Power and Edison Investment Research

Exhibit 9: Financials

Note: Normalised EPS excludes exceptional, amortisation of acquired intangibles and share-based payments.

£m	2005	2006	2007	2008	2009	2010e	2011e
Year end 31 December	UK GAAP	UK GAAP	UK GAAP	IAS	IAS	IAS	IAS
PROFIT & LOSS							
Revenue	69.5	78.7	66.3	69.3	67.3	74.2	81.4
Cost of Sales	(44.7)	(49.5)	(38.3)	(38.7)	(37.0)	(40.6)	(44.5)
Gross Profit	24.8	29.2	28.0	30.6	30.3	33.6	36.9
EBITDA	9.0	11.0	10.2	10.9	11.2	12.8	14.6
Operating Profit (before GW and except.)	8.4	10.3	9.4	9.5	9.9	11.5	13.1
Amortisation of acquired intangibles	0.0	0.0	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)
Exceptionals	0.0	(1.0)	(2.4)	0.0	0.0	0.0	0.0
Other	0.3	0.1	0.1	2.4	0.0	0.0	0.0
Operating Profit	8.7	9.4	6.7	11.7	9.6	11.2	12.8
Net Interest	(0.8)	(1.3)	(1.7)	(1.5)	(1.2)	(1.0)	(.9)
Profit Before Tax (norm)	7.9	9.1	7.7	8.0	8.7	10.5	12.2
Profit Before Tax (FRS 3)	7.9	8.1	5.0	10.2	8.4	10.2	11.9
Tax	(1.7)	(2.0)	(1.4)	(1.2)	(0.8)	(1.6)	(1.8)
Profit After Tax (norm)	5.9	7.0	6.3	6.8	7.9	8.9	10.4
Profit After Tax (FRS 3)	6.2	6.1	3.6	9.0	7.6	8.6	10.1
Average Number of Shares Outstanding (m)	19.6	18.9	17.8	18.9	18.8	18.8	18.8
EPS - normalised (p)	30.1	37.0	31.6	35.0	41.0	46.3	54.0
EPS - normalised fully diluted (p)	30.1	37.0	31.4	34.8	40.8	45.9	53.5
EPS - FRS 3 (p)	31.6	32.3	19.1	46.6	39.4	44.7	52.4
Dividend per share (p)	16.0	18.0	20.0	21.0	22.0	23.0	24.0
Gross Margin (%)	35.7	37.1	42.3	44.2	45.0	45.3	45.4
EBITDA Margin (%)	12.9	14.0	15.4	15.7	16.6	17.3	17.9
Operating Margin (before GW and except.) (%)	12.1	13.1	14.2	13.7	14.7	15.5	16.1
BALANCE SHEET							
Fixed Assets	33.6	36.6	36.7	43.1	45.6	47.0	49.2
Intangible Assets	30.2	32.7	32.8	33.5	35.5	36.7	37.9
Tangible Assets	3.0	3.2	3.4	6.7	7.1	7.3	8.3
Investment in associates	0.4	0.7	0.5	2.9	3.0	3.0	3.0
Current Assets	30.1	32.6	30.3	35.8	26.9	29.0	32.5
Stocks	8.1	11.1	10.5	17.5	10.7	11.8	12.9
Debtors	17.2	17.2	16.2	12.1	11.0	12.1	13.3
Cash	4.8	4.2	3.6	3.4	4.0	3.9	5.0
Current Liabilities	(32.0)	(21.5)	(13.2)	(22.7)	(15.8)	(14.9)	(14.9)
Creditors	(12.1)	(13.9)	(10.5)	(15.4)	(11.9)	(12.9)	(13.9)
Short term borrowings	(19.9)	(7.6)	(2.7)	(7.3)	(3.9)	(2.0)	(1.0)
Long Term Liabilities	(4.5)	(18.3)	(24.0)	(27.2)	(24.2)	(24.2)	(24.2)
Long term borrowings	0.0	(14.4)	(20.3)	(23.9)	(18.8)	(18.8)	(18.8)
Other long term liabilities	(4.5)	(3.9)	(3.7)	(3.3)	(5.4)	(5.4)	(5.4)
Net Assets	27.2	29.4	29.8	29.0	32.5	36.9	42.5
CASH FLOW							
Operating Cash Flow	8.0	7.8	8.3	9.5	16.8	11.6	13.3
Net Interest	(0.8)	(1.3)	(1.7)	(1.5)	(1.1)	(1.0)	(0.9)
Tax	(0.7)	(2.5)	(1.4)	(1.0)	(.5)	(1.6)	(1.8)
Capex	(0.8)	(1.2)	(1.9)	(4.5)	(3.2)	(3.0)	(4.0)
Acquisitions/disposals	(4.2)	(1.8)	(1.4)	(1.0)	0.0	0.0	0.0
Financing	(3.7)	(.5)	0.4	(4.8)	1.0	0.0	0.0
Dividends	(2.8)	(3.2)	(3.8)	(4.2)	(4.1)	(4.2)	(4.4)
Net Cash Flow	(5.0)	(2.7)	(1.5)	(7.5)	8.9	1.8	2.1
Opening net debt/(cash)	10.1	15.1	17.8	19.4	27.8	18.7	16.9
HP finance leases initiated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	(0.0)	(0.1)	(.9)	0.2	0.0	0.0
Closing net debt/(cash)	15.1	17.8	19.4	27.8	18.7	16.9	14.8

Source: XP Power and Edison Investment Research

Growth	Profitability	Balance sheet strength
		

Sensitivities evaluation	
Litigation/regulatory	○
Pensions	○
Currency	◖
Stock overhang	○
Interest rates	◖
Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	
EPS CAGR 07-11e	14.2	ROCE 10e	18.6	Gearing 10e	45.9
EPS CAGR 09-11e	14.4	Avg ROCE 07-11e	17.3	Interest cover 10e	11.5
EBITDA CAGR 07-11e	9.4	ROE 10e	23.6	CA/CL 10e	2.0
EBITDA CAGR 09-11e	14.1	Gross margin 10e	45.3	Stock turn 10e	58.0
Sales CAGR 07-11e	5.2	Operating margin 10e	15.5	Debtor days 10e	59.7
Sales CAGR 09-11e	10.0	Gr mgn / Op mgn 10e	2.9	Creditor days 10e	51.0

Company details	
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Principal shareholders	%
James Peters	15.1
Larry Tracey	14.0
Aberdeen Asset Managers Ltd	9.3
Gartmore Investment Management Limited	5.4
Brewin Dolphin	4.4
Fidelity Investment Management	4.3
Cazenove Fund Management	3.2
Cavendish Asset Management	3.2

Forthcoming announcements/catalysts	Date *
AGM	March 2010
Interim results	August 2010
*Note: * = estimated*	

Management team

CEO: Duncan Penny

Duncan qualified as an accountant with Coopers & Lybrand, and between 1980 and 1990 held a senior financial management position with LSI Logic and Dell Computer Corp. He joined XP in 2000 as group FD. In February 2003, he was appointed as chief executive.

Deputy Chairman: James Peters

James has over 25 years' experience in the industry with Marconi and Coutant Lambda, before joining Powerline in 1980. In November 1988, he founded XP Power. In 2000, he was appointed as European MD. In February 2003, he was appointed as deputy chairman.

Chairman: Larry Tracey

Larry co-founded Powerline plc in 1979, floated it in 1984 on the USM exchange of the LSE and sold it to Chloride plc in 1987. In 1990, Larry joined the board of XP Power, in April 2000 he was appointed as CEO and in 2002 he was appointed as executive chairman. In February 2003 he stepped down from the role of CEO.