

23 February 2009

## XP Power

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/07	66.3	7.7	31.4	20.0	4.3	14.8
12/08	69.3	8.0	34.8	21.0	3.9	15.6
12/09e	69.7	8.3	34.7	21.0	3.9	15.6
12/10e	73.8	9.5	40.0	22.0	3.4	16.3

Note: \*PBT and EPS fully diluted are normalised, excluding goodwill amortisation and exceptional items. Forecasts based upon \$1.65/£.

### Investment summary: Winning share

FY08 results reflected resilient underlying trading and the continued benefit of management's impressive shift in the business model. The group is valued as a low-margin component distributor with a risk of debt default. In reality the debt has been successfully restructured. Around 80% of sales now come from XP's own portfolio of intellectual design property, manufacturing in China is scaling rapidly and the group is winning major designs with large customers. Add in the benefit of weaker sterling, and the earnings prospects for FY09 look reasonably well underpinned. The strategic value of XP is significantly greater than suggested by a P/E of 4x and yield of over 16%.

### Full-year results: Delivery

XP Power met the P&L forecasts we set at the beginning of last year. This reflected the positive impact of product launches and design wins on underlying volumes, as well as a further increase in margins as the business mix continued to shift towards own IP-based products. Net debt was higher than forecast but this was simply the impact of year-end FX translation. The board is paying a full year dividend of 21p.

### Forecasts: A number of factors to watch

The economic backdrop is uncertain and we have taken a more conservative view to our volume assumptions in FY09. However, we expect a further shift in sales mix towards higher margin products. The net effect is that we have reduced our FY09 revenue and profit forecasts to leave them broadly flat on FY08. Our forecasts assume \$1.65/£ and movements in FX this year will have a major impact on the reported P&L and balance sheet.

### Valuation: Market undervaluing management efforts

On under 4x earnings and offering a 16% yield, the shares appear markedly undervalued in our view. Investor risk sentiment may need to change for the shares to achieve a more appropriate rating. However, management has renegotiated the debt and built a resilient business model, and the group is strategically and cyclically well-positioned. In our view, as these factors play out, fairer value is approaching 300p a share.

Price 135p  
Market Cap £26m

#### Share price graph



#### Share details

Code XPP  
Listing FULL/Overseas  
Sector Electronic & Electrical Equipment  
Shares in issue 19m

#### Price

52 week High 282.0p Low 115.8p

#### Balance Sheet as at 31 December 2008

Debt/Equity (%) 96  
NAV per share (p) 153  
Net borrowings (£m) 27.8

#### Business

XP Power is mid-tier manufacturer and distributor of power supplies with a production facility in China and design, service and sales teams across Europe and the US.

#### Valuation

	2008	2009e	2010e
P/E relative	28%	51%	43%
P/CF	2.3	2.4	2.4
EV/Sales	0.8	0.7	0.7
ROE	23%	20%	20%

#### Revenues by geography

	UK	Europe	US	Other
	20%	20%	55%	5%

#### Analyst

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## Investment summary: Winning share

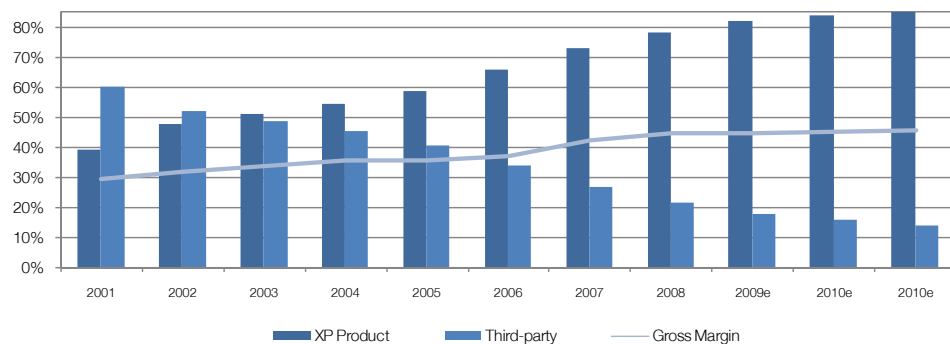
### Company description: Power converter design and manufacturer

XP Power is a designer and manufacturer of power converters with a production facility in China and sales, service and marketing operations across Europe, US and Asia. The company offers a full range of DC-DC converters (products that increase or decrease the voltage of direct current), AC-DC power converters (products that convert alternating current from the mains into direct current for a range of electronic applications), as well a range of power converters configured for customer-specific requirements. Customers include ABB, Beckman Coulter, Siemens and Premier Farnell. The industrial end market accounts for around 50% sales, with the healthcare and technology markets around 20% each. The investment case is based not only on the medium-term underlying growth in the end market, but also the scope for XP to take market share as it expands its own product range and manufacturing capability.

### Valuation and financials: Resilient earnings undervalued

Clearly investors are concerned about the outlook for companies like XP that are geared into GDP growth. In addition the group has over £20m of net debt. However, in our view, investors are failing to appreciate management's transformation of the group over the last five years towards developing its intellectual property (IP) and building out its own manufacturing in China. This is helping XP to win long-term programmes with major customers and should support a further increase in margins, earnings and dividend. To get beyond the 'distributor valuation' we attempt to breakout these higher margin IP revenue streams, and highlight a valuation approaching 300p.

#### Exhibit 1: Revenue breakdown and gross margin



Source: Edison Investment Research

### Sensitivities: Cyclical economic exposure

The group has cyclical exposure to global end markets. Therefore, any slowdown in end demand or cutbacks in product development expenditure will impact XP's revenues and margins. In addition, the company operates in a largely dollar-based market. The group has an offsetting large proportion of costs in the US, as well as low-cost Asian overheads. However, XP does carry costs in Europe and the UK and reports in sterling. As we highlight, competition ranges from significantly larger players with big balance sheets through to smaller innovative companies.

## Company description: Power converters

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XP Power designs, manufactures and distributes power converter solutions to the electronics, telecommunications and industrial 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 most 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.

### Transformation to higher margin IP and manufacturing

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.

Management took a further step in 2005 when it 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. During the year 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 will quadruple XP Power's manufacturing capacity when it becomes operational in Q209. 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. We estimate that by the middle of this year the group will have a potential manufacturing capacity of well over \$60m.

### Shift in business model supporting higher margins

Although the company remains a mid-sized distributor of third-party power converters, its strategy going forward is to design power converters using one of its design engineering groups around the world and manufacture the power supply in Asia. Therefore, in forecasting and valuing the group we identify five different revenue streams:

- **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.** Customising of XP power supplies for specific customer end-product design requirements, ie designing and engineering additional casings, metalwork, circuitry, connectors, etc.

- **Labeled products.** Customer requirements identified and product design specified by XP, but products sourced from third party manufacturers and labeled under the XP brand.
- **Distribution.** Supply of third party products.

In Exhibit 2 we highlight our estimate of the breakdown of FY08 revenues by each of these routes to market as well as estimated annual growth rates (the low distribution growth rates reflect the strategy of XP to focus on delivering its own IP to customers and only focusing on higher-margin distribution opportunities) and margin structures. Clearly there will be some cyclical pressures on volumes in the short term, but we estimate revenues from higher margin XP product should be over 80% of group sales this year, ie XP intellectual property (which includes own and outsourced manufacture, engineered solutions and labelled products).

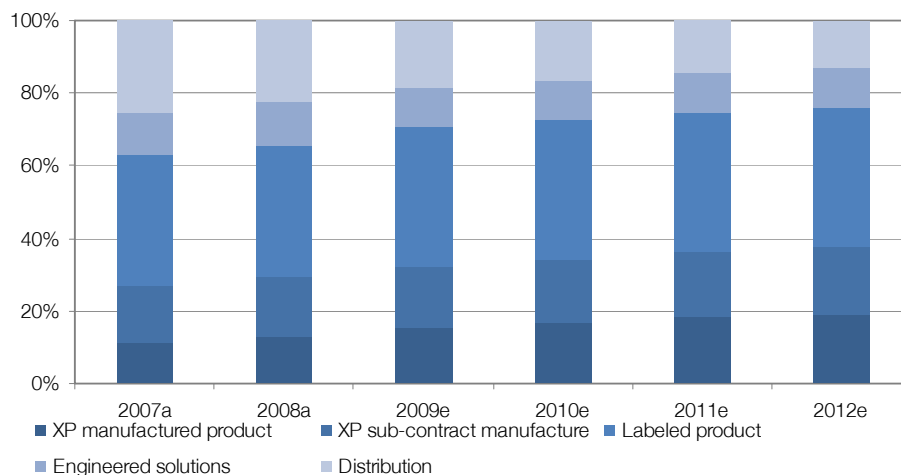
#### Exhibit 2: XP Power revenue model

	Sales % FY08e	Growth rate pa	Gross Margin	Assumed medium-term EBITDA margin
XP manufactured product	13%	10 to 20%	45 to 50%	25%
XP sub-contract manufacture	16%	10 to 20%	40 to 50%	25%
Engineered solutions	12%	4 to 8%	30 to 40%	15%
Labeled product	37%	4 to 8%	30 to 40%	20%
Distribution	22%	0 to -5%	25 to 30%	10%

Source: Edison Investment Research

#### Exhibit 3: Shift in the business model

Note: a = actuals; e = estimates.



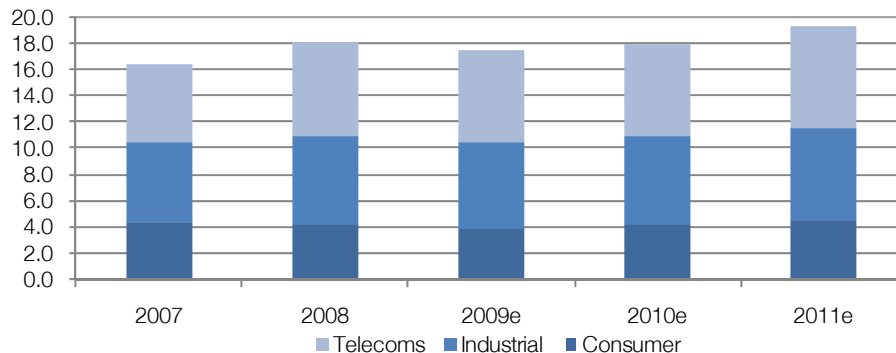
Source: Edison Investment Research

## Power supply market: XP Power taking share

XP Power supplies power control solutions to original equipment manufacturers (OEMs), which, in turn, supply the healthcare, technology and industrial markets with high value products. Forecasts vary significantly but in total the market is probably worth around \$18bn. Around a quarter of this is consumer related (high volume, lower value power supplies for PCs, laptops, games consoles, mobile phones, etc). XP Power's target market is in the higher value merchant industrial and telecoms industries, which in total are estimated to be worth around \$14bn. The market is mature

and broadly stable but we would expect global demand to contract in 2009/10 before returning to stronger cyclical growth in 2011.

#### Exhibit 4: Power supply market size



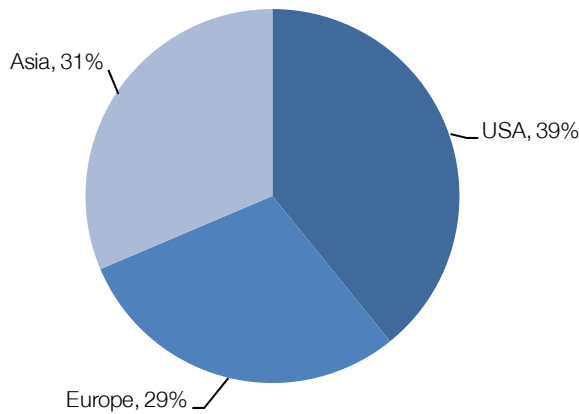
Source: IMS Research/Edison Investment Research

- XP's mid-tier focus.** XP's focus is on mid-tier customers where the value of the power supply is typically fairly high (say \$2-\$200 versus only a few dollars in the PC market) and the volume requirements are large enough to capture economies of volume manufacturing. The company does not typically supply the top or bottom tier (very high volume at low price or very low volume at high price) except through catalogue distribution channels such as Farnell. In total, management estimates that this mid-tier market is worth \$2bn. Importantly, this market is expected to grow by nearly 20% over the next four years (source: Micro-tech Consultants).
- Key market drivers – outsourcing and legislation.** The power converter market is divided into captive (in-house design, manufacture and integration by OEMs of their own power converters) and merchant (outsourcing of the power converter component to a third party manufacturer). As OEMs focus on their own core design and manufacturing IP, the shift from captive to merchant supply has continued to accelerate, underpinning growth faster than underlying end-market product demand. In addition, there is an increasing volume of legislation impacting the industry, driven by eliminating hazardous chemicals from electronic products and most importantly by the need to reduce the amount of energy products consume.
- Target customers.** XP's customers are OEMs, which are often designing niche or high-value products in the medical devices, communications and industrial automation markets. As typically mid-sized suppliers to their markets, these companies generally do not have in-house power conversion expertise and source the component either directly from manufacturers or through distributors. Major customers include OEMs such as ABB, Beckman Coulter, Siemens and Thales, and distributors such as Premier Farnell. In total, the group has c 6,000 active customers (the largest customer accounting for c 3% of sales). The Industrial market accounts for 52% of revenues, Healthcare 22% and Technology 26%.
- Some big players, but highly fragmented competition lacks scale.** There are a number of giant suppliers such as Emerson (US), Tyco (US), Delta Electronics (Taiwan) and TDK (Japan). These companies have been highly acquisitive and dominate the tier one and

consumer markets. In XP’s industrial and telecoms mid-tier markets there are hundreds of competitors. Competition ranges from divisions of the large players (TDK-Lambda, Emerson) to mid-tier manufacturers (Vicor, Cosel, Volgen, Meanwell, Power-One), numerous small custom manufacturers and distributors of Asian manufacturers.

- Major scope for market share gains.** The US market is the largest target market for XP Power but Asia is the fastest growing and in the longer term probably presents the largest opportunity. Currently, XP Power’s global market share is c 6.5%. Across Europe and North America, the company has c 10% market share while across Asia it has c 1%. This highlights the scope for XP to win new designs.

**Exhibit 5: XP’s target market by geography**



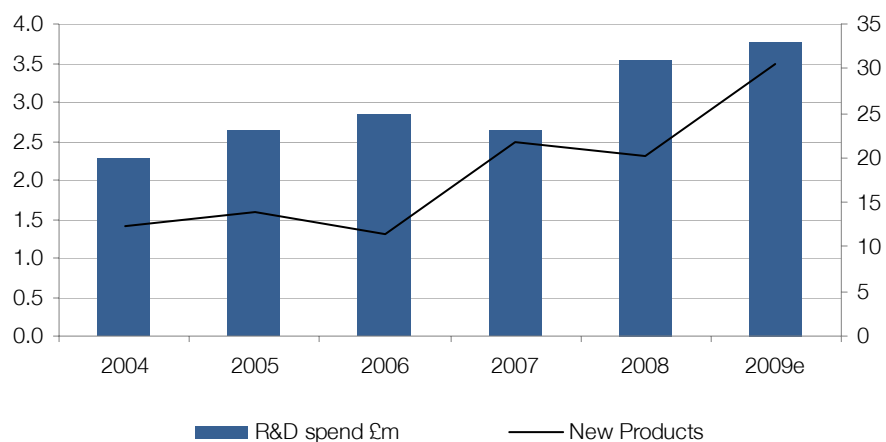
Source: Edison Investment Research, company information

- Competitive advantages.** Over the past few years, XP’s management has established an international network of offices that offer support across technical sales, design engineering, logistics, operational and customer support. This gives the group an increasing competitive advantage over its smaller competitors, which do not have the scale and geographic reach to serve this type of global customer. This has been further accentuated by legislative pressures for energy efficient design, ie the need to invest increasing R&D dollars to meet new design standards and support customers. In addition, the shift in the group’s business model from distribution to manufacturing means XP is designing and manufacturing power supplies to an OEM’s specification. This helps it become a value-added partner in their supply chains and typically opens up discussions about future as well as existing products (key to revenue growth and visibility as a typical power supply in XP’s target market has a lifecycle of upwards of five years). The relocation of XP’s headquarters and manufacturing is also important to the group’s longer-term market position. Of XP Power’s c 700 employees, over half are based in China and Singapore but they account for only around 15% of the total payroll costs.
- Developing the sales channels.** XP Power has a network of 27 sales offices spread over North America (17), Europe (nine) and Asia, with a further 19 distributors. The group has extensive engineering services operations, located in Northern California, UK and

Germany. This positions XP as a value added partner to the OEMs, ie this service saves XP Power’s customers’ cost, time to market and engineering resources. Over the last year management expanded its distribution network in Asia (including India and Korea) and established a local direct sales force in China. This gets XP closer to its major European and North American customers that have set up design centres in China as well as helping them address local manufacturers.

- Product development.** XP Power has invested significantly in research and development of new products. This investment has established a competitive portfolio of existing products and a pipeline of market-leading solutions. The company has a collaborative relationship with many of its customers and in some cases the design process is started directly in response to a future customer requirement. XP Power’s research and development programme is highlighted by the opening of a new design centre in Singapore, to work alongside the design centres in North America and the UK. In 2008, XP Power released 20 new product ranges resulting in a number of new customer approvals and potential significant revenue. The expected increase in the product portfolio this year (reflecting the investment in R&D) and the increasing quality and yields within the manufacturing facilities significantly strengthens the ability of the group to win new designs from major customers, which increases the long-term visibility of revenue growth.

**Exhibit 6: XP Power R&D and new product**



Source: XP Power

## Financials: A number of factors to watch in FY09

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### FY08 results: Met forecasts

Full year financials were broadly in-line with our forecasts set at the start of last year. Total sales increased by 5% to £69.3m (2007 £66.3m). Within that, XP Power's own IP sales increased 11% to £53.9m (£48.4m) – now 78% of total sales (73% in 2007). This improvement in the sales mix helped to drive gross margins to 44.2% (42.3%). Reported operating profit was £9.3m (£9.1m). Diluted normalised earnings per share increased 11% to 34.8 pence (31.4 pence). Operating cash flow (after interest and tax) was up 23% to £8.5m (£6.9m). Net debt at £27.8m was substantially higher than 2007 (£19.4m) and our forecast of £17.8m but this almost entirely reflected the year-end translation of dollar-denominated debt rather than any unexpected cash costs. The full-year dividend, as expected, was increased to 21p (20p).

### Earnings forecasts: Reduced to broadly flat on FY08

In 2009 we expect a number of key features will impact reported earnings:

- 1) Given the economic backdrop, we now assume a far more conservative volumes outlook with a small decline in revenues from XP's IP products and a larger fall in its distribution business.
- 2) Over 80% of the group's revenues are outside of the UK and therefore XP is highly sensitive to fluctuations in exchange rates when reporting in sterling. Our forecasts are based on an average dollar assumption for FY09 of \$1.65/£ versus \$1.85/£ actual in FY08.
- 3) We expect the shift in the business model to continue, with an increased proportion of group revenues to come from higher margin own IP products.

The balance of these factors means that we have reduced our FY09 revenue and EBITDA forecasts. In addition, we now assume higher interest payments (on the new debt facility). Consequently, our FY09 normalised PBT is £8.3m (previously £9.4m). We expect the cash tax charge this year to be significantly lower, driven by the benefit of the move to Singapore and also offsetable tax losses. However, assuming a normalised tax charge our fully diluted EPS remains broadly flat on FY08 at 34.7p (previously 37.0p).

### Cash flow and dividends: Unchanged dividend this year

The increase in net debt reflected the impact of year-end exchange rates rather than any operational issues. Last month XP announced that due to the strengthening of the US dollar it had restructured its banking facilities. The company's senior debt facility of £16m, which was due to expire in September 2011, and its revolving credit facility of £5m, which expires in September 2009, have been replaced by a single-term debt facility of \$36m, which will expire in September 2011. The repayments under this new facility will commence in March 2010 and the new facility is priced at 2.00% above LIBOR (slightly more expensive than the current deal). In FY09 we assume operating cashflow of £10.9m, which translates into a small improvement in the group's net debt position. Clearly reported year end debt would again vary (possibly significantly) if exchange rates continue to be volatile this year. We assume a flat dividend this year of 21p.

## Sensitivities

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

- **Economic sensitivity.** The group has cyclical exposure to global industrial, telecoms and medical markets. Therefore, any slowdown in end demand in these markets or cut backs in product development expenditure will impact XP's revenues.
- **Orderbook visibility.** The group has around three 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 significant proportion of distributor revenues. Therefore visibility of customer volumes is limited and, as such, individual customer orders can be volatile.
- **Dollar revenues.** The company operates in a largely dollar-based market. The group has an offsetting large proportion of costs in the US as well as low-cost Asian overheads. However, it does carry costs in Europe and the UK and of course reports in sterling. In addition, the manufacturing strategy is based upon low cost Chinese input costs.
- **Competition.** As we have highlighted, competition ranges from significantly larger players with big balance sheets through to smaller innovative companies.

## Valuation: Cheap in a consolidating sector

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### Cheap on multiples and valuation support

Shares in XP Power have been driven downward by concerns about the outlook for earnings and the market wide risk premium attached to indebted companies. However, these figures demonstrate the very strong underlying business model of the company and the resilient outlook for earnings. In addition the refinancing of the debt should provide further confidence for investors – in our view the new structure looks very logical. At current levels the shares are trading below book value, on 0.7x EV/sales and only 3.9x forecast earnings. Also given the cover (1.7x earnings and 2.7x operating cash flow) and the shareholding structure we see no reason why the board would maintain the dividend this year (assuming no further significant deterioration in the trading outlook). The shares are currently yielding 16%.

### Identifying the value in high-margin manufacturing

We believe that a major part of the apparent valuation anomaly is still the perception of the company as a pure distributor of electronic components. As we have highlighted in this report, this was certainly the original conception of the group, but the transformation towards a business model with IP and manufacturing capability is happening rapidly – and will become increasingly clearer over the next 24 months as the Asian facilities ramp up. In Exhibit 7, we show a sum-of-the-parts DCF where we have valued our forecast cash flows (EBITDA less working capital, capital expenditure and tax) for each of the channels to market and then adjusted for central costs (assumed to be c £2m in FY08) and our forecast net debt. This approach highlights an enterprise value for the manufacturing, outsourced and engineered solutions channels to market of £55m (this backs out at around 9x our FY09 'divisional' EBITDA) and £48m for the labelled business (ie total

valuation of over £100m for XP's 'own brand' revenues). Attaching a very conservative value to the distribution business of only £4m would imply a group market value of £54m (or 282p a share).

### Sector: We expect M&A to pick-up as financing returns

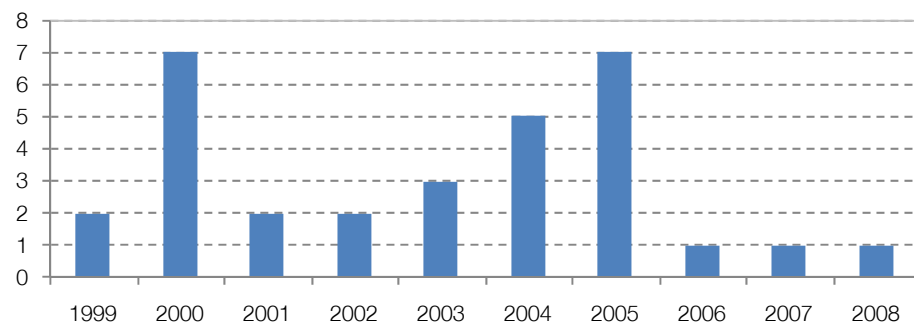
Clearly the valuation approach above looks a little theoretical at this point in the cycle. Nevertheless there has been a long history of consolidation in the power supply industry. Financing will need to return, but in the medium term we expect M&A to continue as scale, time to market, shorter product life cycles and increasing design costs make it harder for the small custom manufacturers to compete. This may provide further acquisition opportunities for XP or at current valuations the group could be attractive to one of the larger players looking to supplement growth.

#### Exhibit 7: XP Power valuation

SOTP DCF valuation	% owned	£m	Per share	FY08 EV/EBITDA	Assumptions		
Manufacture/Outsource/Engineered	100.0%	55	289	8.9x	WACC: 12%	No of shares	19.0m
XP Power Labelled	100.0%	48	251	9.7x	WACC: 12%	Shr price	135.00p
Distribution	100.0%	4	19	2.9x	WACC: 12%	Mkt cap	£25.7m
Less: taxed central costs NPV		(25)	(131)		WACC: 12%	Exch rate (US\$/£):	1.65
Group Enterprise Value		81	428				
Less: Adjusted net debt		(28)	(146)				
<b>Group Equity Value £m</b>		<b>54</b>	<b>282</b>			<b>Up/(down)side from current price</b>	<b>109%</b>
Ratio Analysis	2009f	2010f	Grp DCF Scenario's		Terminal growth rate:-----		
					3.00%	5.00%	
EV/Sales	0.7	0.6					
EV/EBITDA	4.4	3.9		14.00%	206p	218p	
EV/EBIT	5.0	4.3		13.00%	240p	258p	
Price/Book	0.8	0.7		12.00%	282p	308p	
Price/Earnings	3.9	3.3		11.00%	334p	372p	
Price/Op Cash Flow	2.3	2.3		10.00%	399p	461p	
ROE	20%	22%					
Gearing	69%	63%					
Interest Cover	6.9	7.8					
				<b>Breakeven WACC</b>		<b>16.8%</b>	
Dividend Yield	FY09e		Revenue sensitivity				
			Multiple	0.5x	1.0x	1.5x	2.0x
Dividend	21.0		Revenue Y2 £m	74	74	74	74
Dividend Cover	1.7		Implied EV £m	37	74	111	148
Yield	15.6%		Net (debt)/cash £m	(28)	(28)	(28)	(28)
UK Small Cap Yield	7.0%		Group equity value £m	9	46	83	120
<b>Yield Relative</b>	<b>222%</b>		<b>Per share (p)</b>	<b>48</b>	<b>242</b>	<b>437</b>	<b>631</b>

Source: Edison Investment Research

#### Exhibit 8: Power supply industry M&A history – number of large- and mid-tier deals

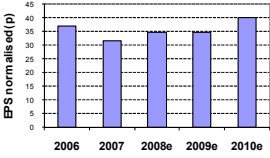
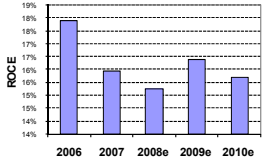
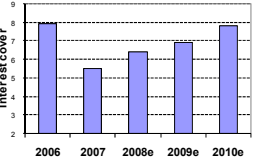


Source: Efore, Edison Investment Research

## Exhibit 9: Financials

Year end 31 December	£m	2005 UK GAAP	2006 UK GAAP	2007 UK GAAP	2008 UK GAAP	2009e UK GAAP	2010e UK GAAP
<b>PROFIT &amp; LOSS</b>							
<b>Revenue</b>		<b>69.5</b>	<b>78.7</b>	<b>66.3</b>	<b>69.3</b>	<b>69.7</b>	<b>73.8</b>
Cost of Sales		(44.7)	(49.5)	(38.3)	(38.7)	(38.4)	(40.4)
Gross Profit		24.8	29.2	28.0	30.6	31.3	33.4
<b>EBITDA</b>		<b>9.0</b>	<b>11.0</b>	<b>10.2</b>	<b>10.9</b>	<b>11.0</b>	<b>12.2</b>
<b>Operating Profit (before GW and except.)</b>		<b>8.4</b>	<b>10.3</b>	<b>9.4</b>	<b>9.5</b>	<b>9.7</b>	<b>10.9</b>
Goodwill Amortisation		0.0	0.0	(0.3)	(0.2)	(0.2)	(0.2)
Exceptionals		0.0	(1.0)	(2.4)	0.0	0.0	0.0
Other		0.3	0.1	0.1	2.4	0.0	0.0
<b>Operating Profit</b>		<b>8.7</b>	<b>9.4</b>	<b>6.7</b>	<b>11.7</b>	<b>9.5</b>	<b>10.7</b>
Net Interest		(0.8)	(1.3)	(1.7)	(1.5)	(1.4)	(1.4)
<b>Profit Before Tax (norm)</b>		<b>7.9</b>	<b>9.1</b>	<b>7.7</b>	<b>8.0</b>	<b>8.3</b>	<b>9.5</b>
<b>Profit Before Tax (FRS 3)</b>		<b>7.9</b>	<b>8.1</b>	<b>5.0</b>	<b>10.2</b>	<b>8.1</b>	<b>9.3</b>
Tax		(1.7)	(2.0)	(1.4)	(1.2)	(.4)	(1.9)
<b>Profit After Tax (norm)</b>		<b>5.9</b>	<b>7.0</b>	<b>6.3</b>	<b>6.8</b>	<b>7.9</b>	<b>7.7</b>
<b>Profit After Tax (FRS 3)</b>		<b>6.2</b>	<b>6.1</b>	<b>3.6</b>	<b>9.0</b>	<b>7.7</b>	<b>7.5</b>
Average Number of Shares Outstanding (m)		19.6	18.9	17.8	19.0	19.0	19.0
EPS - normalised (p)		30.1	37.0	31.6	34.9	35.1	40.4
EPS - normalised fully diluted (p)		30.1	37.0	31.4	34.8	34.7	40.0
EPS - FRS 3 (p)		31.6	32.3	19.1	46.5	40.4	39.3
Dividend per share (p)		16.0	18.0	20.0	21.0	21.0	22.0
Gross Margin (%)		35.7	37.1	42.3	44.2	44.9	45.3
EBITDA Margin (%)		12.9	14.0	15.4	15.7	15.7	16.6
Operating Margin (before GW and except.) (%)		12.1	13.1	14.2	13.7	13.9	14.8
<b>BALANCE SHEET</b>							
<b>Fixed Assets</b>		<b>33.6</b>	<b>36.6</b>	<b>36.7</b>	<b>43.1</b>	<b>40.4</b>	<b>40.6</b>
Intangible Assets		30.2	32.7	32.8	33.5	33.0	32.5
Tangible Assets		3.0	3.2	3.4	6.7	7.4	8.1
Investment in associates		0.4	0.7	0.5	2.9	0.0	0.0
<b>Current Assets</b>		<b>30.1</b>	<b>32.6</b>	<b>30.3</b>	<b>35.9</b>	<b>36.3</b>	<b>36.9</b>
Stocks		8.1	11.1	10.5	17.5	17.6	18.6
Debtors		17.2	17.2	16.2	12.1	12.2	12.9
Cash		4.8	4.2	3.6	3.4	6.5	5.4
<b>Current Liabilities</b>		<b>(32.0)</b>	<b>(21.5)</b>	<b>(13.2)</b>	<b>(22.7)</b>	<b>(21.1)</b>	<b>(20.8)</b>
Creditors		(12.1)	(13.9)	(10.5)	(15.4)	(14.8)	(15.5)
Short term borrowings		(19.9)	(7.6)	(2.7)	(7.3)	(6.3)	(5.3)
<b>Long Term Liabilities</b>		<b>(4.5)</b>	<b>(18.3)</b>	<b>(24.0)</b>	<b>(27.2)</b>	<b>(22.9)</b>	<b>(21.9)</b>
Long term borrowings		0.0	(14.4)	(20.3)	(23.9)	(22.9)	(21.9)
Other long term liabilities		(4.5)	(3.9)	(3.7)	(3.3)	0.0	0.0
<b>Net Assets</b>		<b>27.2</b>	<b>29.4</b>	<b>29.8</b>	<b>29.1</b>	<b>32.7</b>	<b>34.8</b>
<b>CASH FLOW</b>							
<b>Operating Cash Flow</b>		<b>8.0</b>	<b>7.8</b>	<b>8.3</b>	<b>11.2</b>	<b>10.9</b>	<b>11.2</b>
Net Interest		(0.8)	(1.3)	(1.7)	(1.5)	(1.4)	(1.4)
Tax		(0.7)	(2.5)	(1.4)	(1.2)	(.4)	(1.9)
Capex		(0.8)	(1.2)	(1.9)	(3.5)	(2.0)	(2.0)
Acquisitions/disposals		(4.2)	(1.8)	(1.4)	(1.0)	0.0	0.0
Financing		(3.7)	(.5)	0.4	(1.2)	(1.0)	(1.0)
Dividends		(2.8)	(3.2)	(3.8)	(4.0)	(4.0)	(4.1)
Net Cash Flow		(5.0)	(2.7)	(1.5)	(1.2)	2.1	0.9
<b>Opening net debt/(cash)</b>		<b>10.1</b>	<b>15.1</b>	<b>17.8</b>	<b>19.4</b>	<b>27.8</b>	<b>22.7</b>
HP finance leases initiated		0.0	0.0	0.0	0.0	0.0	0.0
Other		0.0	(0.0)	(0.1)	(7.2)	3.0	0.0
<b>Closing net debt/(cash)</b>		<b>15.1</b>	<b>17.8</b>	<b>19.4</b>	<b>27.8</b>	<b>22.7</b>	<b>21.8</b>

Source: Company accounts/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	Company details	
EPS CAGR 06-10e	1.9	ROCE 09e	16.4	Gearing 09e	69.4	Address:
EPS CAGR 08-10e	7.2	Avg ROCE 05-09e	16.2	Interest cover 09e	6.9	401 Commonwealth Drive, Haw Par Technocentre, Lobby B, 02-02, Singapore 149598
EBITDA CAGR 06-10e	2.7	ROE 09e	20.3	CA/CL 09e	1.7	Tel +65 6411 6900
EBITDA CAGR 08-10e	5.9	Gross margin 09e	44.9	Stock turn 09e	92.2	Fax +65 6479 6305
Sales CAGR 06-10e	N/A	Operating margin 09e	13.9	Debtor days 09e	63.7	www.xppower.com
Sales CAGR 08-10e	3.2	Gr mgn / Op mgn	3.2	Creditor days 09e	64.8	

Principal shareholders	%	Management team
James Peters	15	<b>CEO: Duncan Penny</b>
Larry Tracey	14	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.
Aberdeen Asset Managers	11	
Lion Trust Asset Management	8	
Gartmore	5	
Credit Suisse Asset Management	4	
		<b>Deputy Chairman: James Peters</b>
		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.
<b>Forthcoming announcements/catalysts</b>	<b>Date</b>	<b>Chairman: Larry Tracey</b>
AGM	March	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.
Trading update	May	
Interim results	August	

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