



# XP Power - Investor Presentation

2011 Annual Results

# Introduction to XP Power

- Leading developer and manufacturer of mission critical power control hardware
- Supplies Industrial, Healthcare and Technology sectors
- Blue chip client list
- 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 network of offices across North America, Europe and Asia

## 2011 Financial Highlights

	<b>2011</b>	<b>2010</b>	<b>Variance</b>
Bookings	£98.3M	£103.4M	-5%
Revenue	£103.6M	£91.8M	+ 13%
Gross margin	49.1%	48.0%	+110 BP
Earnings per share*	106.4 pence	83.7 pence	+27%
Dividend per share	45 pence	33 pence	+36%

\* Diluted and adjusted for amortisation of intangibles of nil (2010: £0.1 million)

# Income and Expenditure Statement

£ Millions	2011	Margin	2010	Margin	Growth
<i>GBP/USD average exchange rate</i>	1.60		1.54		
<b>Revenue</b>	<b>103.6</b>	<b>100.0%</b>	<b>91.8</b>	<b>100.0%</b>	<b>+13%</b>
<b>Gross margin</b>	<b>50.9</b>	<b>49.1%</b>	<b>44.1</b>	<b>48.0%</b>	+15%
Research and development (net)	4.2		3.7		+14%
Other operating expenses	21.4		20.6		+4%
<b>Operating profit</b> <sup>Note 1</sup>	<b>25.3</b>	<b>24.4%</b>	<b>19.8</b>	<b>21.6%</b>	<b>+28%</b>
Net interest expense	1.0		1.1		-9%
<b>Profit before tax</b> <sup>Note 1</sup>	<b>24.3</b>	<b>23.5%</b>	<b>18.7</b>	<b>20.4%</b>	<b>+30%</b>
Taxation and minority interest	3.6		2.6		+38%
Minority interest	0.4		0.2		+50%
<b>Profit after tax</b> <sup>Note 1</sup>	<b>20.3</b>	<b>19.6%</b>	<b>15.9</b>	<b>17.3%</b>	<b>+28%</b>
Adjusted diluted earnings per share	106.4p		83.7p		+27%

Note 1: Adjusted for amortisation associated with acquisitions nil (2010: £0.1 million)

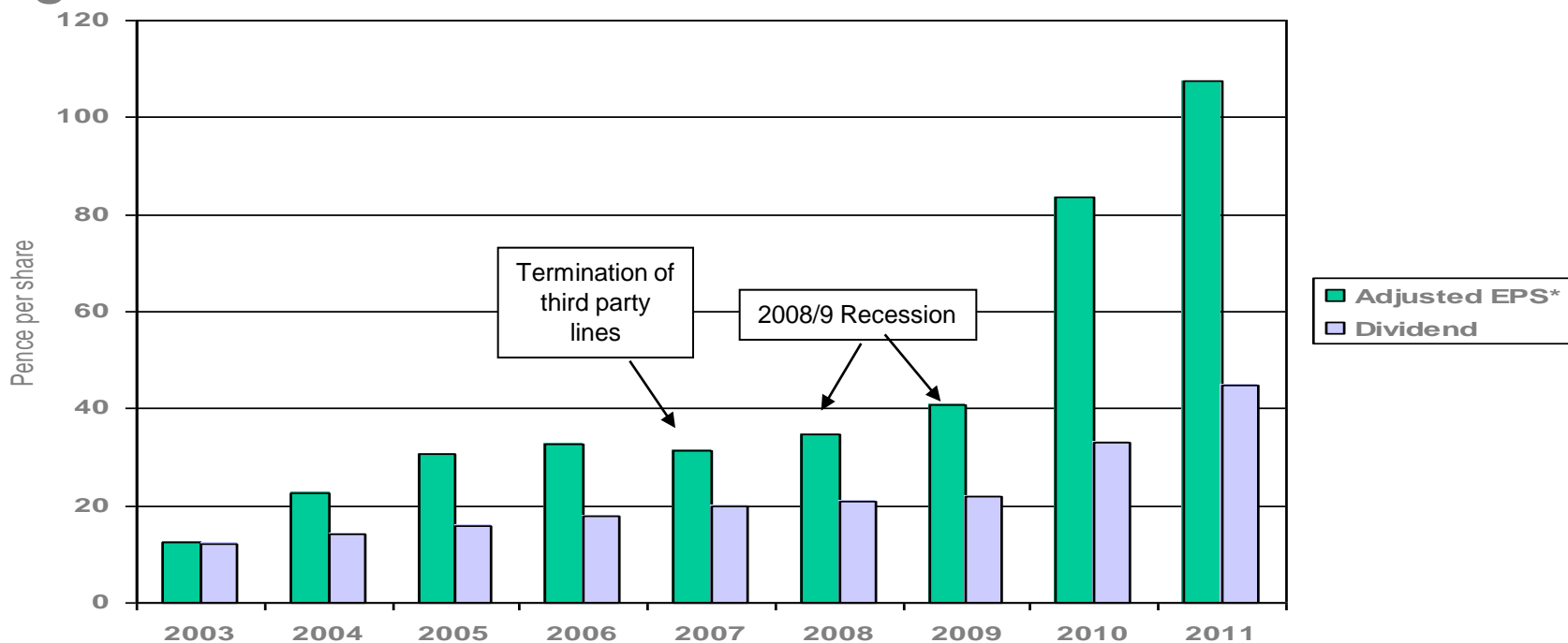
## Summary Balance Sheets

£ Millions	2011	2010
<i>GBP/USD year end exchange rate</i>	1.57	1.54
Cash	6.3	5.0
Trade and other receivables	18.7	17.1
Inventories	22.0	21.0
<b>Total current assets</b>	<b>47.0</b>	<b>43.1</b>
Property, plant and equipment	12.9	8.3
Other non-current assets	39.7	39.4
<b>Total non-current assets</b>	<b>52.6</b>	<b>47.7</b>
Trade and other current payables	14.8	19.3
Short term borrowings	13.4	12.7
<b>Total current liabilities</b>	<b>28.2</b>	<b>32.0</b>
Non-current provisions and liabilities	4.1	5.3
Long term borrowings	11.5	10.7
<b>Net assets</b>	<b>55.8</b>	<b>42.8</b>
<b>Net debt</b>	<b>18.6</b>	<b>18.4</b>

# Cash Flow Statements

£ Millions	2011	2010
<b>Earnings Before Interest and Tax</b>	<b>25.3</b>	<b>19.7</b>
Amortisation associated with acquisitions	-	0.1
Amortisation of development costs	0.9	0.8
Depreciation	1.3	1.0
Change in working capital	(6.5)	(9.3)
Income tax paid	(5.0)	(2.3)
<b>Cash provided by operating activities</b>	<b>16.0</b>	<b>10.3</b>
Capitalised development costs	(2.0)	(1.7)
Interest paid	(0.8)	(0.9)
<b>Free cash flow</b>	<b>13.2</b>	<b>7.7</b>
<b>Opening net debt</b>	<b>(18.4)</b>	<b>(18.7)</b>
Free cash flow	13.2	7.7
Purchase of property and equipment	(5.7)	(2.1)
Acquisition of subsidiary	(0.1)	-
Dividends	(7.8)	(5.1)
Effects of currency translation on cash	0.2	(0.2)
<b>Closing net debt</b>	<b>(18.6)</b>	<b>(18.4)</b>

# Earnings and Dividend Trend



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

# Strategy

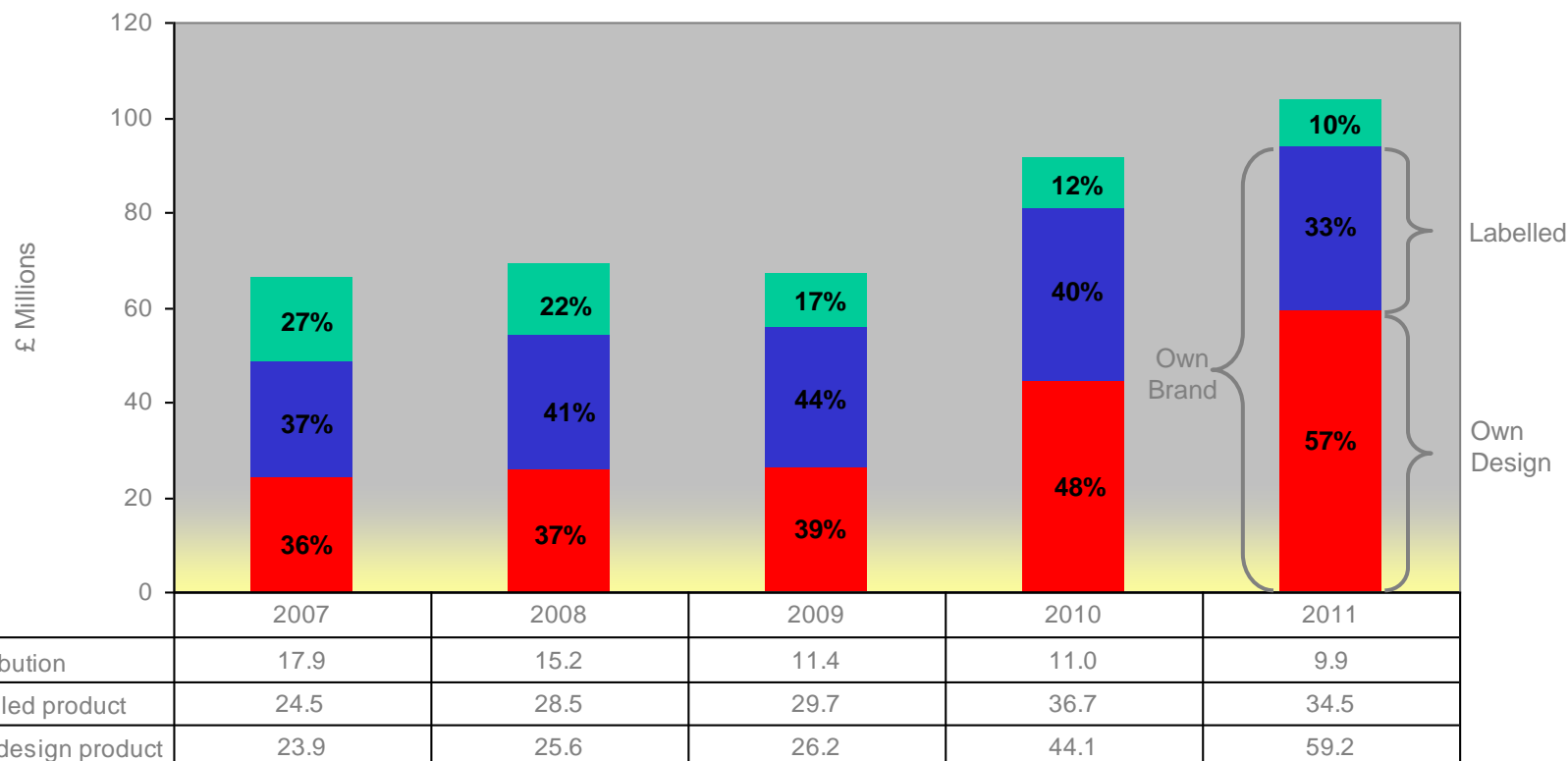
- Target key blue chip accounts
- Increase penetration of existing key accounts
- Further expansion of high efficiency (“Green”) product offering
- Extend manufacturing capacity outside China
- Increase high margin contribution of own designed/manufactured products
- Lead our industry on environmental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

Continue to gain market share





# Own Design Revenue Trend



Average compound annual growth rate of 18% for own brand revenue to 2011 (own design 25%)

## Vertical Integration – Vietnam Magnetics Facility

- New Vietnamese facility completed on schedule in December 2011
- Operations started in Q1 2012 on target
- Primarily a magnetics manufacturing facility
- 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 will also help mitigate high wage inflation in China

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



# Improving Environmental Performance

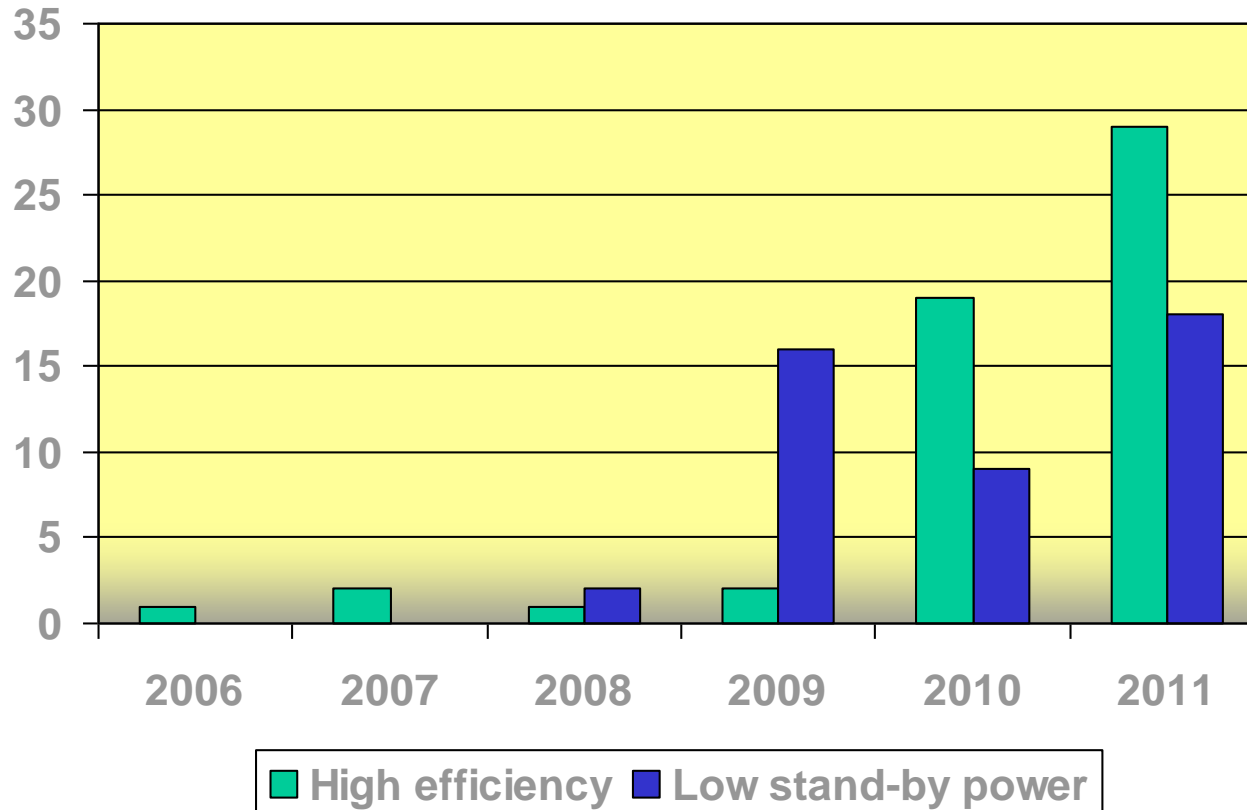
Our goal is to become the leader in our industry on environmental issues

- Board level Environmental Committee focussed on minimising our environmental impact
- Environmental concerns and legislation drive demand for energy efficient products
- Achieved Full Member Status of the Electronic Industry Citizenship Coalition (EICC)
- 92% of revenues now covered by ISO14001
- Performance recognised by admission to the FTSE4Good Index in September 2011
- Responsible corporate behaviour is a major market opportunity



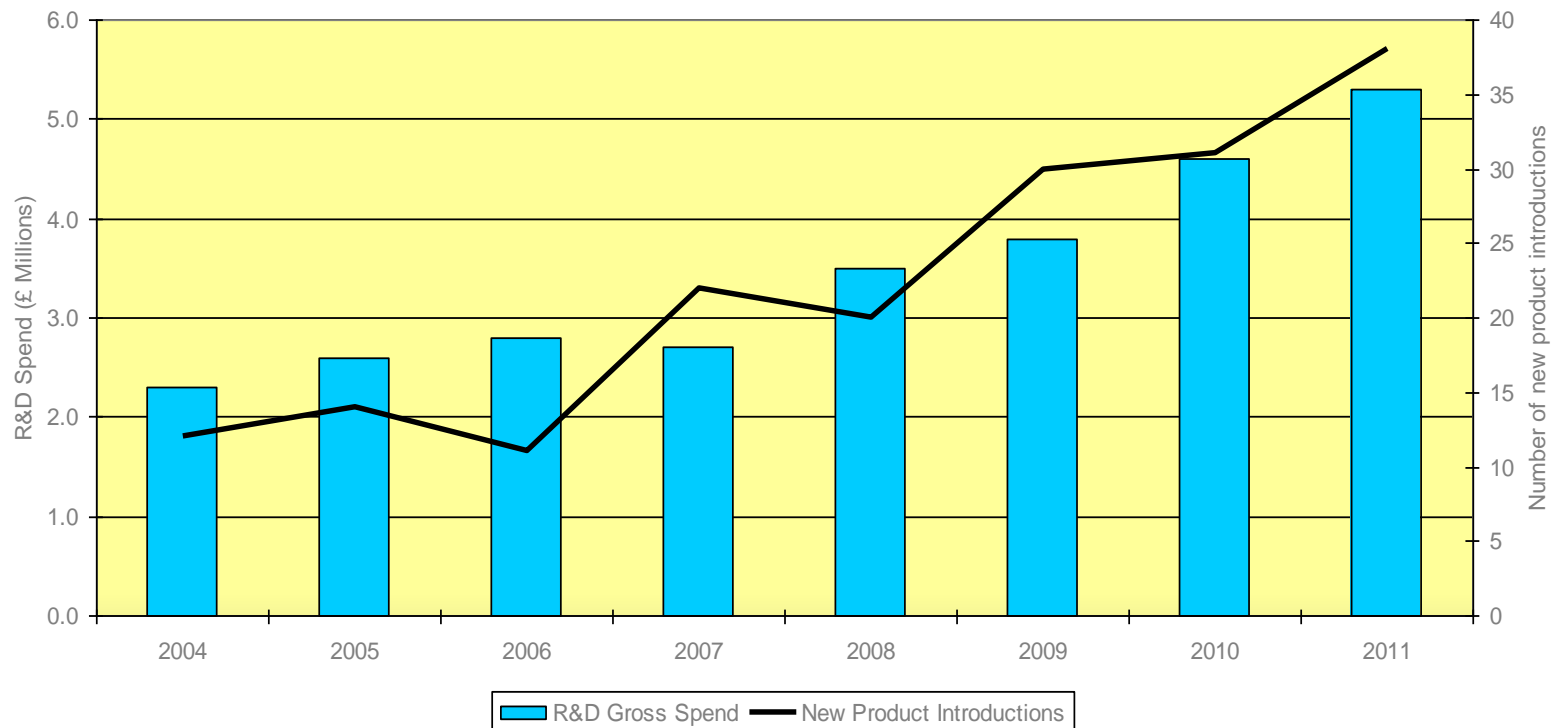
**GREEN•POWER**

## “Green” Product Introductions



Environmental concerns and legislation drive demand for energy efficient products

## Gross R&D Spend and New Product Introductions



- The success of our new products has led directly to significant gains in new program wins
- Greater focus on modified standards following wave of new product launches

## Selected New Product Introductions



**EMH350** – Ultra compact 3 x 5 inch footprint



**ECS65** – New generation ECM40/60



**SHP1000** – 1000W of power for industrial and medical applications

## Selected Design Wins Entering Production in 2011

Application	Product	Comment	Annual value (best year)
Hospital Bed	MHP650 Modified	Unusually Fast Turn	\$2.4M
Robotic Surgical Equipment	Various	Critical application	\$1.0M
Patient Monitor	AHM100 Modified	<b>Japan – New Customer</b>	\$0.2M
3D Printing Systems	flexPower	<b>New customer</b>	\$0.4M
Test and Measurement	flexPower	<b>New customer</b>	\$0.9M
Semifab Plating	HPU1K5	High Power – Value Added	\$2.0M
Video Conferencing	EMH350	New Product	\$0.8M

# Market Data

## Market size and XP share

£ Millions	Size	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>	

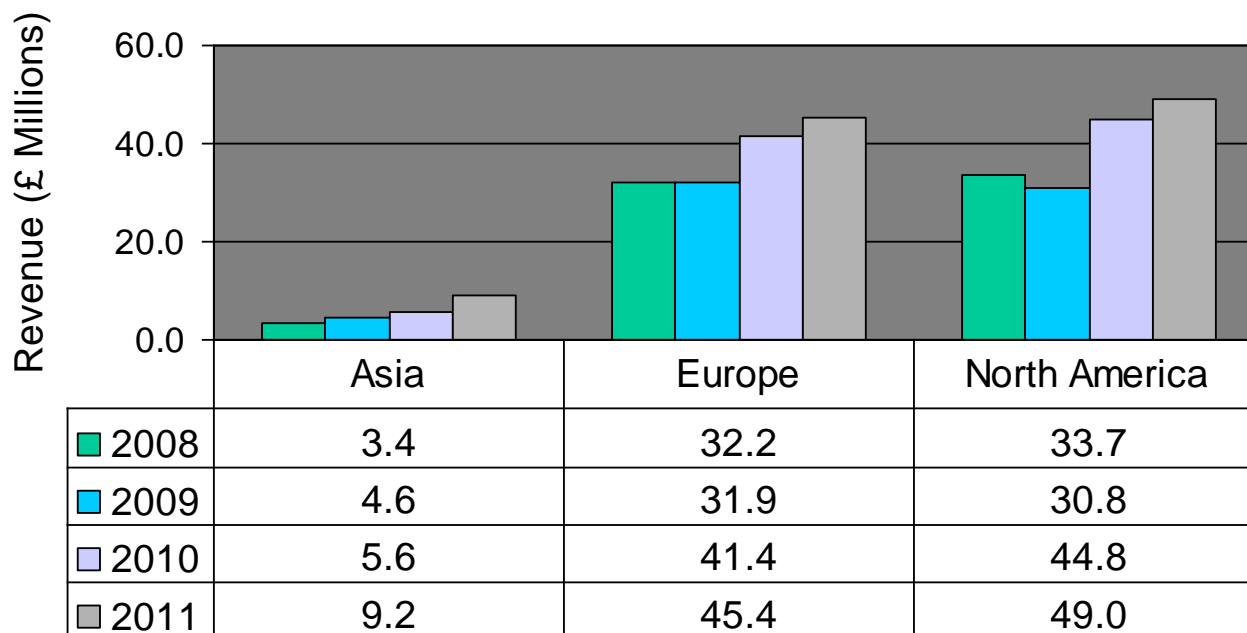
Source: Micro-Tech Consultants (note market numbers for Asia have been revised up significantly since last report)

## XP Power's revenue mix

£ Millions	Asia	Europe	North America	Total	%
Healthcare	1.3	9.5	15.8	<b>26.6</b>	26%
Industrial	1.9	24.3	20.7	<b>46.9</b>	45%
Technology	6.0	11.6	12.5	<b>30.1</b>	29%
<b>Total</b>	<b>9.2</b>	<b>45.4</b>	<b>49.0</b>	<b>103.6</b>	<b>100%</b>
	9%	44%	47%	<b>100%</b>	



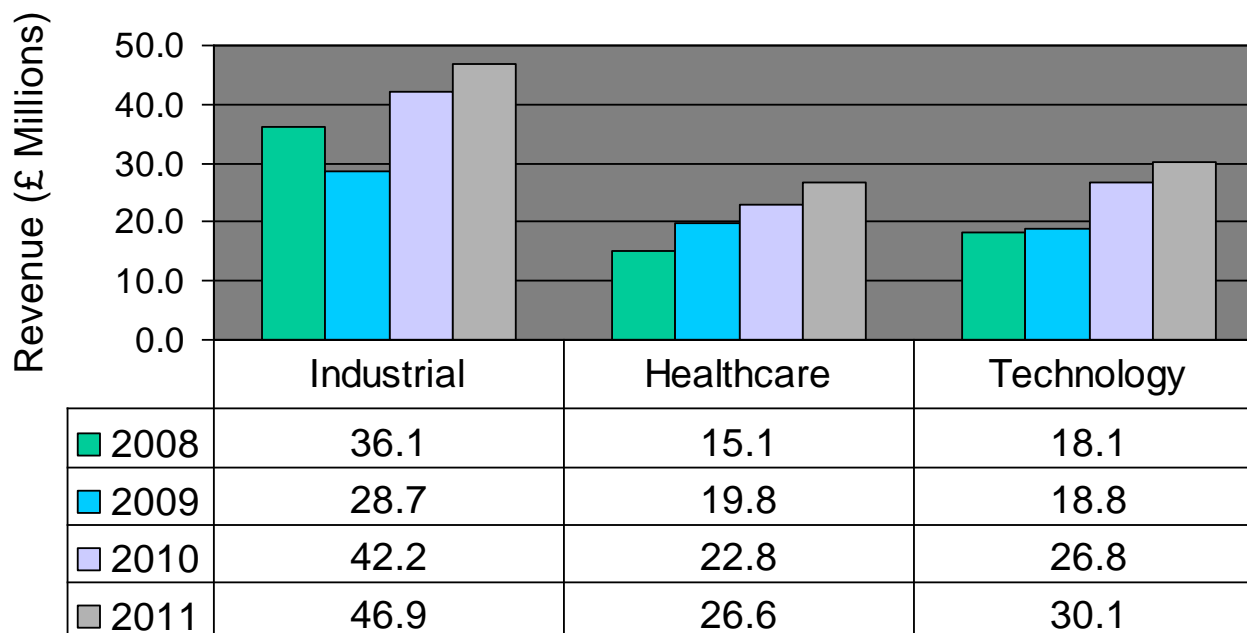
## Geographic Split



### Growth rates

2009	35%	(1%)	(3%)
2010	22%	30%	45%
2011	64%	10%	9%

## Sector Split

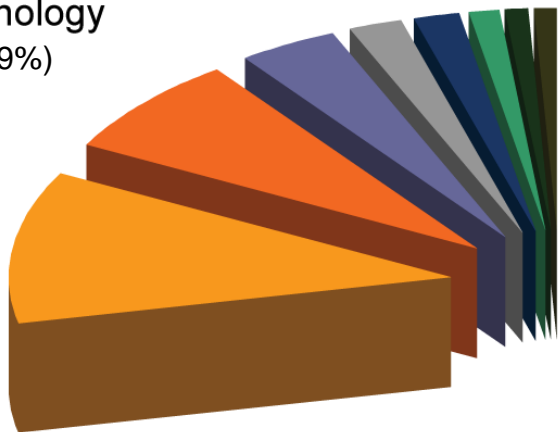


### Growth rates

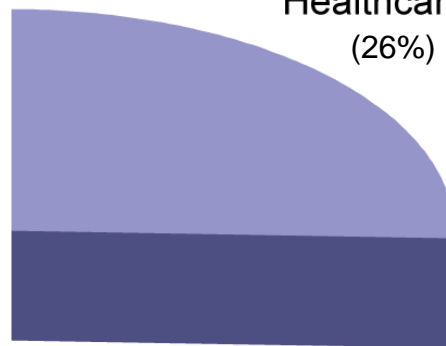
2009	(20%)	31%	4%
2010	47%	15%	43%
2011	11%	17%	12%

# Diverse Customer and Sector Exposure

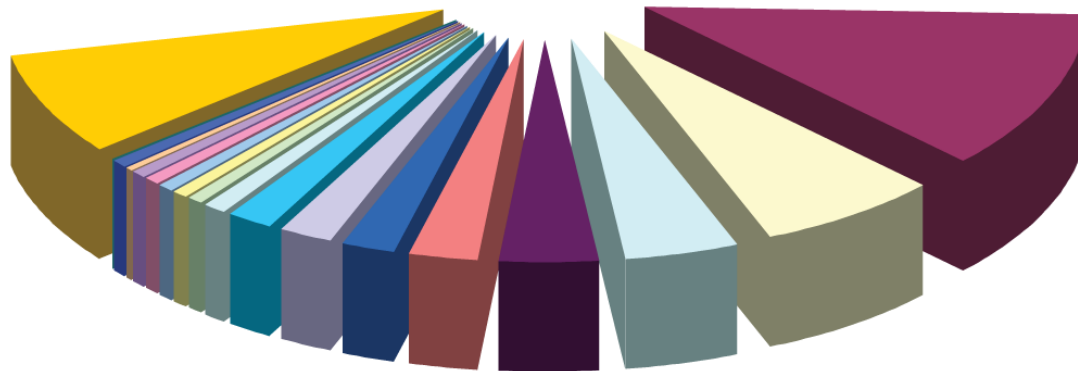
Technology  
(29%)



Healthcare  
(26%)



Industrial (45%)

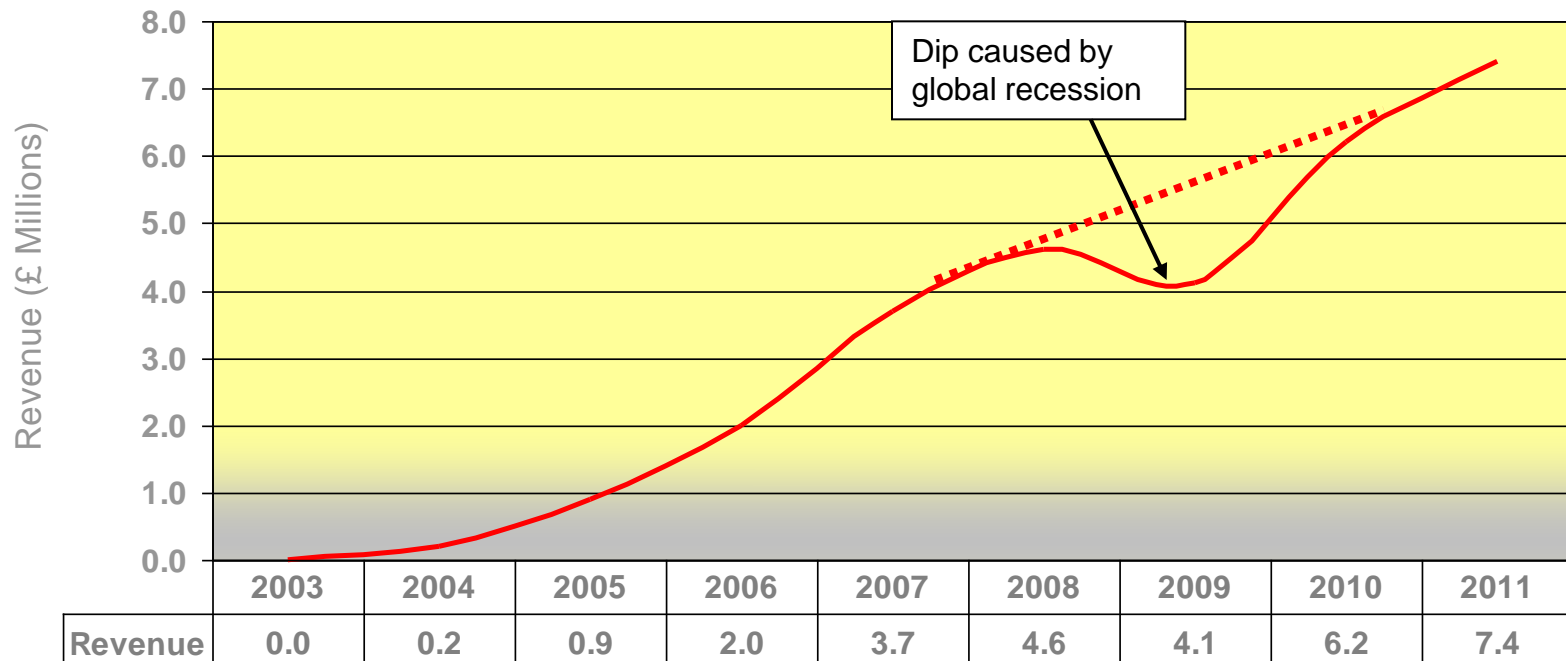


- Healthcare
- Healthcare
- Industrial
- Automation and Process Control
- Distribution
- Defence and avionics
- Test and Measurement
- Automated test
- Security
- Printing
- Money counting
- Displays
- Food
- Power Generation
- Air traffic control systems
- Enclosures
- Transportation
- Gaming
- Lighting
- Oil and Gas
- Utilities
- Others/Specialised Products
- Technology
- Semifab
- Broadcast
- Mobile Comms
- Central Office
- POS systems
- Enterprise
- Networking
- Computing

# Customers

- We do business with the following proportions of the S&P 500 Equipment Manufacturers:
  - Industrial 73%
  - Healthcare 94%
  - Technology 69%
- Over 5,000 active customers the largest of which is <5% of revenue

# Typical Product Life Cycle



- Substantial revenue annuity
- Design in cycle typically 18 months
- 2009 dip was due to market down turn and not typical
- Bodes well for future revenue growth



ECM40/60

# Own Design Product Pipeline

£ Millions	2008 Sales	2009 Sales	2010 Sales	2011 Sales
2004 releases	4.6	4.1	6.2	7.4
2005 releases	1.5	1.8	3.3	4.1
2006 releases	1.8	2.2	7.6	9.4
2007 releases	1.2	1.4	1.9	2.2
2008 releases	0.2	0.6	1.1	2.1
2009 releases	-	0.1	1.7	2.7
2010 releases	-	-	0.3	1.5
2011 releases	-	-	-	0.1
<b>Total</b>	<b>£9.3</b>	<b>£10.2</b>	<b>£22.1</b>	<b>£29.5</b>
<i>Growth rate</i>		10%	117%	33%
Pre 2004 releases			10.1	18.6
Value added			11.9	11.1
<b>Total own design</b>	<b>£25.6</b>	<b>£26.2</b>	<b>£44.1</b>	<b>£59.2</b>
<i>Growth rate</i>		2%	68%	34%

Design Wins (Best year) at Dec 2011	Design Wins (Best year) at June 2011
12.2	14.0
7.3	7.1
25.0	22.0
6.5	7.8
8.0	9.3
14.3	13.7
7.4	4.3
1.8	0.2
<b>£82.5</b>	<b>£78.4</b>
36.9	
25.6	
<b>£145.0</b>	

Strong pipe of new products and design wins

## Outlook

- Soft bookings in Q4 2011 mean revenue in Q1 2012 will be light
- Strong design wins in 2011 and new customer approvals should result in good growth once market recovers
- Focus on taking market share
- Good platform for further revenue and earnings growth



# XP Power



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