

XP Power Limited
2024 Interim Results

Robust management action taken to address impact of market slowdown
Full year outlook unchanged and well-positioned for recovery

XP Power Limited ("XP Power" or "the Group"), one of the world's leading developers and manufacturers of critical power control solutions for the Semiconductor Manufacturing Equipment, Healthcare and Industrial Technology sectors, today announces its interim results for the six months ended 30 June 2024 ("H1 2024" or "the period").

Six months ended 30 June (£m unless otherwise stated)	2024	2023	% change	
			At actual exchange rate	In constant currency
Order intake	87.9	115.6	(24)%	(22)%
Revenue	127.1	160.2	(21)%	(18)%
Book-to-bill	0.69x	0.72x	(0.03)x	
Order book	149.5	250.0		
Adjusted results¹:				
Operating profit	13.5	21.8	(38)%	(36)%
Profit before tax	7.6	15.8	(52)%	(50)%
Diluted earnings per share (pence)	24.4p	59.1p	(59)%	
Operating cash flow	34.9	30.0	16%	
Statutory results:				
Gross margin	40.6%	41.8%	(120)bps	(120)bps
Operating profit	9.1	17.3	(47)%	
Profit before tax	3.2	10.9	(71)%	
Diluted earnings per share (pence)	8.8p	38.7p	(77)%	
Net Debt ¹	104.2	148.4	(30)%	
Net Debt : Adjusted LTM EBITDA ¹	2.2x	2.3x		

¹ Details of the adjustments made and reconciliations to the reported results can be found in note 5 to the condensed consolidated financial statements.

Financial Highlights

- Order intake of £87.9m:
 - Semiconductor Manufacturing Equipment orders higher than the market trough in H1 2023, but awaiting a sustained recovery
 - Channel destocking progressing but taking longer than expected, particularly within the Industrial Technology sector
- Revenue of £127.1m:
 - First half revenue in line with the Board's expectations
 - Year-on-year reduction reflects channel destocking and a market-wide downcycle impacting demand for Semiconductor Manufacturing Equipment
 - Monthly revenue steady throughout the period
- Adjusted Operating Profit of £13.5m:
 - Ahead of the Board's expectations set in March due to the proactive actions taken to manage costs
 - Adjusted Operating Expenses 16% lower than the comparative period, with sources of long-term competitive advantage preserved
 - Gross Margin of 40.6% similar to the second half of 2023 (41.2%)
- Adjusted Operating Cash Flow of £34.9m:
 - Actions to improve balance sheet resilience are delivering ahead of expectations
 - Record operating cash conversion of 259% (H1 2023: 138%) from working capital reduction
 - Net Debt reduced by £8.5m in the period to £104.2m, equal to 2.2x Adjusted LTM EBITDA
 - Borrowing facilities proactively extended to December 2026 and covenant headroom prudently increased to maximise balance sheet resilience and accommodate any unexpected market developments

Operational Highlights

- Robust management action taken to address impact of market slowdown:
 - Cost base rapidly right-sized to market conditions - with further action taken in the period, building on initial measures commenced in late 2023
 - Long-term competitiveness maintained
 - Inventory management significantly improved, with inventory reduced by £9.9m in the period
 - Group has remained profitable and highly cash generative in challenging “trough” conditions, highlighting underlying resilience and latent margin potential when volumes recover
 - Provides a solid base for future growth
- Well-positioned for recovery:
 - Confident that end markets will resume trajectory of GDP++ long-term growth
 - Established customer relationships provide clear growth opportunities
 - Healthy pipeline of new business wins and new products
 - Well invested infrastructure with scalable capacity
 - Strong market position with clear differentiators

Outlook

- Confident that our financial performance will improve and reflect underlying operational improvements once channel stock levels reach equilibrium and as demand recovers within the Semiconductor Manufacturing Equipment market
- It remains difficult to be precise about the timing of the recovery with channel destocking now expected to continue until the end of the third quarter, longer than previously expected. The profit impact of this is offset by decisive cost actions already taken
- Adjusted Operating Profit expectations for 2024 are unchanged, more evenly weighted between each half and generally less sensitive to demand conditions in the second half

Gavin Griggs, Chief Executive Officer, commented:

“The proactive actions we have taken to reduce cost and working capital have created a solid platform from which to trade profitably and cash generatively whilst we wait for market conditions to recover. The relative consistency we have seen in trading month-to-month during the first half suggests that market conditions are in the process of stabilising, although it remains difficult to be precise about the timing of the recovery and the duration of channel destocking in particular.

Momentum has continued into the start of the second half of the year and the Board's profit expectations for 2024 remain unchanged. Cost actions have made our profit more evenly weighted between each half and generally less sensitive to second half demand conditions.

Whilst our focus has been on closely managing short-term performance, we have continued to execute our strategy and have used a period of slower activity levels to make sure we have the foundations necessary to maximise our long-term potential. The fundamentals underpinning demand in our sectors remain firmly in place and we are well-positioned to benefit as an independent business as our markets return to structural long-term growth.”

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A meeting for analysts will be held at 10:30am BST today, 6 August 2024 at the offices of Investec, 30 Gresham Street, London EC2V 7QN. To register to attend please email xppower@citigatedewerogerson.com. A live audio stream of the meeting can be accessed via https://brrmedia.news/XPP_HY24.

XP Power designs and manufactures power controllers, the essential hardware component in every piece of electrical equipment that converts power from the electricity grid into the right form for equipment to function. Power controllers are critical for optimal delivery in challenging environments but are a small part of the overall customer product cost.

XP Power typically designs power control solutions into the end products of major blue-chip OEMs, with a focus on Semiconductor Manufacturing Equipment (circa 36% of sales in H1 2024), Healthcare (circa 24% sales in H1 2024) and

Industrial Technology (circa 40% of sales in H1 2024) sectors. Once designed into a programme, XP Power has a revenue annuity over the life cycle of the customer's product which is typically five to seven years depending on the industry sector. XP Power has invested in research and development and its own manufacturing facilities in China, North America, and Vietnam, to develop a range of tailored products based on its own intellectual property that provide its customers with significantly improved functionality and efficiency.

Headquartered in Singapore and listed on the Main Market of the London Stock Exchange since 2000, XP Power is a constituent of the FTSE All Share Index. XP Power serves a global blue-chip customer base from over 30 locations in Europe, North America, and Asia.

For further information, please visit www.xppowerplc.com

Forward-looking statements

This announcement contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this announcement will be realised.

The forward-looking statements reflect the knowledge and information available to management at the date of preparation of this announcement. XP Power and its Directors accept no responsibility to third parties and undertake no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

Chief Executive Officer's Review

H1 Overview

As expected, the Group faced unusually challenging market conditions in the first half of 2024 but responded to them robustly.

One of the Group's main strengths is its attractive positions in three distinct market sectors, namely Semiconductor Manufacturing Equipment, Healthcare and Industrial Technology, which all have clear, distinguishable long-term growth drivers. We have long-standing customer relationships in these sectors and participate in long-term projects with a high proportion of annuity revenue. This makes the simultaneous slowdown in all three sectors in 2024 very unusual. I am proud of the way in which we responded to these developments by diligently executing a plan of action to protect our performance whilst ensuring that we remain well positioned to benefit as our markets return to growth.

Revenue was £127.1m (H1 2023: £160.2m), 20.7% lower than a strong comparative period that benefited from backlog clearance. Revenue declined in all three market sectors. The slowdown within the Semiconductor Manufacturing Equipment sector was due to an industry-wide downcycle. The slowdown in the Healthcare and Industrial Technology sectors was driven by channel destocking, with end market demand remaining more resilient. Monthly revenue was stable throughout the period and in line with our expectations. Recent ordering patterns suggest channel destocking will continue until the end of Q3 2024, slightly longer than we had previously expected.

Gross Margin of 40.6% (H1 2023: 41.8%) was similar to our performance in H2 2023. Lower manufacturing output inevitably brought less efficient utilisation of factory overheads, but this was successfully offset by input cost savings and better manufacturing process efficiency, as we had planned.

In response to the market downturn, the Group implemented a programme of cost reduction measures. Adjusted Operating Expenses were reduced by 16% to £38.1m (H1 2023: £45.2m) through various actions taken in late 2023 and throughout the first half of 2024. Our approach to cost reduction has been broad, disciplined and continuous, whilst preserving key sources of long-term competitive advantage.

Adjusted Operating Profit of £13.5m (H1 2023: £21.8m) was £8.3m lower than a buoyant H1 2023 and benefited significantly from cost reduction initiatives, as a result of which first half profits were slightly ahead of the Board's expectation.

Self-help actions also underpinned continued strong cash generation. We delivered record Adjusted Operating Cash Conversion, primarily through inventory reduction, which lowered our borrowings and improved our balance sheet. Tight control of cost, working capital and operational execution has allowed the business to generate healthy profits and cash during an unprecedented demand trough. We are confident that continued discipline in this area, combined with ongoing balance sheet deleveraging, will ensure that we emerge from this period with renewed resilience.

Revenue by market

Revenue declined by 20.7% to £127.1m (H1 2023: £160.2m), including a constant currency decline of (18.3)% and an adverse currency movement of 2.4%.

The breakdown of the revenue movement by sector was as follows:

	% of Group revenue	Revenue growth / (decline) %
Semiconductor Manufacturing Equipment	36%	(14)%
Industrial Technology	40%	(23)%
Healthcare	24%	(16)%
Total – In constant currency	100%	(18)%
Currency movement		(3)%
Total		(21)%

Semiconductor Manufacturing Equipment

Sales to the Semiconductor Manufacturing Equipment sector reduced by 14% in constant currency, outperforming the wider Group due to strong sales of high voltage, high power ("HVHP") products, which have proved more resilient and are used at key stages in the wafer fabrication process. Investment in people and processes over recent years allowed us to scale up manufacturing output of these products to meet demand, reducing backlog and growing sales by more than 70% year-on-year. We are targeting further growth by adding low-cost HVHP manufacturing capacity to our existing facilities in Asia to complement our existing operations in the USA.

Order intake of £36.1m (H1 2023: £28.1m) was 29% higher than the comparative period and 17% higher sequentially, indicating that the sector is likely past the market trough, albeit this has yet to convert into a sustained recovery. The book-to-bill ratio was 0.79x.

Global sales of semiconductor devices returned to growth in late 2023, with double digit growth expected for 2024 as a whole. Wafer fabrication capacity utilisation rates are increasing and we are confident that this will lead to increased sales of Semiconductor Manufacturing Equipment in due course.

The prospects for this sector are very attractive and we continue to expect long-term market growth averaging 10% per annum, underpinned by the wafer fabrication capacity expansion planned in an increasing number of countries to keep pace with future demand for technologies such as AI, IoT and electrified transportation. Given our customer exposure, we expect to grow ahead of the market.

Industrial Technology

Industrial Technology is a large, diverse and growing market. Our business is largely focused on meeting the power needs of customers in the analytical instrumentation, test & measurement and process control & automation sub-sectors. We also have opportunities to increase our presence in attractive areas requiring high power and/or high voltage solutions, such as mass spectrometry, scanning electron microscopy, CT-based security scanners and renewable electricity applications.

Sales to the Industrial Technology sector declined by 23% in constant currency, as expected, due to a combination of backlog clearance in the comparative period and channel destocking in the current period. With delivery lead times now largely normalised, customers continue to wind down their buffer inventory before placing new orders. This is particularly evident within the High Service Level Distribution ("HSLD") channel, consisting of specialist distributors of electronic components, which account for approximately one quarter of sector revenue. HSLD channel inventory levels have reduced but remain elevated relative to network revenue, meaning we expect destocking to continue until the end of the third quarter.

Order intake totalled £34.7m (H1 2023: £51.2m), representing a book-to-bill ratio of 0.68x.

In 2023, we entered into a sales agreement with a leading, pan-European "design in" distributor to increase our sales reach in the Region. The new sales approach is delivering as planned, with our new distribution partner identifying a significant number of small to medium-sized customer projects in the period, freeing-up our in-house sales team to focus on larger accounts.

Healthcare

Long-term growth in this sector is supported by an ageing population and the incorporation of new technologies into medical devices to improve treatment outcomes, drive efficiency or reduce procedural invasiveness. As an illustration, we recently won a significant new project to provide a power solution for an innovative device that uses high voltage electrical fields to treat cardiac arrhythmia without the need for major surgery.

Sales to the Healthcare sector reduced by 16% in constant currency, as expected. Healthcare was our fastest growing sector in 2023, in part supported by backlog clearance leading to the restocking of the sales channel. Restocking in 2023 has switched to destocking in 2024 as normalised global supply chain conditions post-pandemic have allowed customers to lower their inventory cover. End market demand has remained healthy throughout, with many of our major customers reporting sales growth in 2024.

Order intake was £17.1m and the book-to-bill was 0.56x. Monthly intake was relatively stable throughout the period.

Regional Performance

Sales to North America reduced by 19% in constant currency to £69.7m (H1 2023: £88.8m). Sales to Semiconductor Manufacturing Equipment customers declined by less than the Regional average, aided by capacity expansion within the HVHP category as referenced above. Order intake from these customers improved sequentially and year-on-year. Sales

to customers in the Healthcare and Industrial Technology sectors slowed by more than the Regional average due to destocking.

Sales to Europe totalled £43.3m (H1 2023: £52.2m), down 15% in constant currency. The decline was driven by customer destocking particularly within the HSLD channel which is particularly significant to this Region. Regional performance included further sales growth from FuG, a business acquired by the Group in 2022. As highlighted at the time of acquisition, we are supporting the future progress of this business by using our sales team to increase its global reach.

Sales to Asia totalled £14.1m (H1 2023: £19.2m), down 25% in constant currency. Order intake from customers in China reduced materially as the domestic semiconductor industry adapted to new rules introduced by both the US and Chinese governments controlling the export of wafer fabrication equipment. Whilst most of our products are not directly impacted by the new rules, their introduction is disrupting purchasing patterns across the industry.

Robust management action taken to address impact of market slowdown

At the end of 2023, it became clear that we would need to adapt to slower than expected demand by lowering our costs and maximising our cash generation in a targeted way. Our response since then has been diligent, proportionate and proactive. Throughout the process, we have been careful to strike the right balance between protecting our short-term performance and preserving our long-term potential.

The initial round of cost reduction actions announced in October 2023, from which £8-10m of annualised benefit was expected, have been delivered in full. A second round of headcount reduction actions was taken toward the end of the first quarter, supplemented by natural headcount attrition and continuous, tight control over discretionary expenditure throughout the period. Further details can be found in the Chief Financial Officer's Review.

The cumulative effect was a 16% year-on-year reduction in first half overheads (Adjusted Operating Expenses), which we expect to be repeated for the full year. We believe the current cost base is appropriate for the demand we expect, but we remain vigilant. I would like to thank the entire XP team for their diligence and forbearance during this difficult period, from which I believe we will emerge stronger.

We also made good progress with working capital reduction, particularly inventory, leading to record Adjusted Operating Cash Conversion of 259% (H1 2023: 138%). Capex (excluding product development) was limited to maintenance levels save for residual amounts paid as planned in respect of major projects in 2023.

Through continuous and diligent action, we have supported our profits and balance sheet position through an unprecedented trough in demand, whilst creating a leaner and more efficient business that will deliver an enduring benefit as our markets recover.

Well-positioned for recovery

Whilst managing the market slowdown has been a key priority, we have also used this period of slower trading to ensure we are well positioned as conditions improve. Our vision, culture and strategy are clear and unchanged. We have improved our readiness by accelerating the delivery of our strategy whilst we wait for market conditions to turn.

Our vision is to be the first-choice power solutions provider and deliver the ultimate experience for our customers and our people. It is helpful to put this vision into the context of the Group's recent history.

Our business originated as a distributor of low voltage power supplies. Over time, we developed strategically to become vertically integrated, with in-house design and manufacturing capability. We have invested proactively in the systems and production capabilities necessary to operate a global, flexible, high quality, low-cost supply chain.

Through both organic product development and M&A, we have expanded into more complex categories, adding HVHP and radio frequency ("RF") products to our portfolio. We are now one of only a few providers who can offer a complete spectrum of power and voltage capabilities and package several power converters into an overall solution customised to the customer's specific application. This makes us an attractive partner to our key customers and is a key driver of our market share gains.

Whilst our origins are in powering our customers' products, we are increasingly involved in enabling our customers' power-driven processes. Examples include our high voltage devices that allow semiconductor wafers to be clamped electrostatically during wafer fabrication, or our RF products that precisely energise gas plasmas used to etch chip architectures. Products that support power-driven processes are often essential to the functionality of our customers' own equipment and as such are typically high margin and defensible. Serving this market plays to our strengths of close customer support, world class technical knowledge, rapid product development, high quality standards and a closely integrated supply chain.

Our strategy is as follows:

- Product development: Continually develop our market leading range of competitive products, both organically and through selective acquisition;
- Customer development: Target customer accounts where we can add value and increase our penetration of those target customers;
- Supply chain development: Continually improve our global, end-to-end, supply chain, balancing high efficiency with market leading customer responsiveness; and
- Environmental leadership: Lead our industry on environmental responsibility

We have continued to make progress with our strategic priorities during the period, as summarised below.

Product development

Our product development activities divide into two broad areas:

- Traditional development of base power supplies for general market launch, and
- Development of customised solutions for specific customers that are often derived from the base power supply (which we call Engineering Services).

Our traditional development activities this year are focused on:

- Rapid enhancement of our low voltage range, with support of third-party design and manufacturing partners, to infill gaps in the power spectrum, reduce the product form factor and add connectivity
- Completing the development of a new digitally configurable low voltage, high power product family
- Extending our HVHP range to grow our share of ion implantation, mass spectroscopy and scanning electron microscopy end markets.

Collectively, our pipeline of new product development activities is the strongest it has been for several years.

We continued to launch our pipeline of new Engineering Services products. Our long-term ambitions for this part of our business were underlined by the opening of our new Innovation Centre in San Jose, USA which showcases our product design, test, customisation and fulfilment capabilities in the heart of Silicon Valley.

Customer development

We work with leading OEMs in each of the three market sectors we serve. These relationships are deep and enduring and our customers recognise us for our superior quality, reliability, responsiveness and flexibility.

To illustrate the progress we are making in this area, we grew the value of new projects sampled and new projects won year-on-year despite the slowdown in demand conditions. The size of our sales funnel also grew, indicating that the value of new business won exceeded the value of projects reaching the end of their life cycle.

Both outcomes support the conclusion that our competitive advantages remain strong and we are well positioned to continue to outperform the market long-term.

Supply chain development

Normalised global supply chain conditions have allowed us to continue to improve our service levels. Average delivery lead times reduced and continue to do so. Delivery of backlog allowed the order book to reduce by £42m in the period to £150m.

Manufacturing capacity was flexed appropriately to meet demand. Within HVHP, capacity was added to our facility in the US to meet demand through investment in both people and equipment to improve production efficiency. In other product categories, manufacturing capacity was scaled back proactively and efficiently in response to lower demand. We have ample structural capacity within our existing manufacturing sites in China and Vietnam and have therefore deferred the commencement of construction of our new facility in Malaysia until 2025. We have clear plans in place to rapidly scale up manufacturing output as demand improves.

Slower demand conditions allowed us to take steps to improve the efficiency and resilience of our supply chain arrangements. Input costs are being progressively lowered through the negotiation of better pricing and tighter sourcing

processes. Resilience is being enhanced through the negotiation of flexible purchasing arrangements, the resetting of safety stock levels and via improvements to our production planning systems.

Another key area of focus has been on ensuring we leverage fully the cost and capacity advantages of our Asian supply chain across our product portfolio. These efforts have focused on HVHP and RF products that are largely made in the US today. I am confident that the efforts being put into this area in 2024 will have a material beneficial impact on 2025 and beyond.

Sustainability

The Group is committed to significant reductions in Greenhouse Gas emissions by 2030 via the Science-Based Targets Initiative ("SBTi"). We achieved reductions in Scope 1, 2 and 3 emissions in 2023, greater than the run rate required to achieve our SBTi goals and expect to do so again in 2024.

We already submit the Carbon Disclosure Project's Climate Change questionnaire annually, receiving an upgraded B rating in 2023, and plan to add the Water Security questionnaire for the first time this year.

Outlook

The proactive actions we have taken to reduce cost and working capital have created a solid platform from which to trade profitably and cash generatively whilst we wait for market conditions to recover. The relative consistency we have seen in trading month-to-month during the first half suggests that market conditions are in the process of stabilising, although it remains difficult to be precise about the timing of the recovery and the duration of channel destocking in particular.

Momentum has continued into the start of the second half of the year and the Board's profit expectations for 2024 remain unchanged. Cost actions have made our profit more evenly weighted between each half and generally less sensitive to second half demand conditions.

Whilst our focus has been on closely managing short-term performance, we have continued to execute our strategy and have used a period of slower activity levels to make sure we have the foundations necessary to maximise our long-term potential. The fundamentals underpinning demand in our sectors remain firmly in place and we are well-positioned to benefit as an independent business as our markets return to structural long-term growth.

Gavin Griggs

Chief Executive Officer

Chief Financial Officer's Review

Statutory Results

The statutory operating profit of £9.1m was £8.2m lower than the comparative period due to the impact of lower revenue net of cost reductions.

Net finance expense was £5.9m (H1 2023: £6.4m), resulting in profit before tax of £3.2m (H1 2023: £10.9m). The reduction in net finance costs reflects lower average borrowing levels. The tax charge was £1.0m (H1 2023: £3.1m). The basic earnings per share was 8.9p (H1 2023: 38.9p).

Adjusted Results

As in prior years, Adjusted and other alternative performance measures are used in this announcement to describe the Group's results. These are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP).

Adjustments are items included within our statutory results that are deemed by the Board to be unusual by virtue of their size or incidence. Our Adjusted measures are calculated by removing such Adjustments from our statutory results. The Board believes Adjusted measures help the reader to understand XP Power's underlying results and are used by the Board and management team to interpret Group performance. Note 5 to the condensed consolidated financial statements includes reconciliations of statutory metrics to their Adjusted equivalent and provides a breakdown of the Adjustments made.

Order Intake

In the six months to 30 June 2024, our order intake of £87.9m was 24.0% lower than the same period in the comparative period. The reduction in order intake reflects both a natural slowdown after the particularly strong years of 2021 and 2022 and the current market dynamics. The Semiconductor Manufacturing Equipment sector continues to be impacted by an industry-wide downcycle, although it is performing better than the trough experienced in the comparative period. The Healthcare and Industrial Technology sectors also saw lower order intake, primarily due to ongoing customer destocking. Additionally, shorter delivery lead times have temporarily reduced order intake, as customers have had the flexibility to place orders later than in recent financial years.

Revenue

Revenue for the period of £127.1m remained in line with expectations and was relatively stable from month-to-month. However, revenue for the period was 20.7% lower than the elevated comparative period, which benefited from significant amounts of backlog clearance. At constant currency the decrease was 18%, with a 2.4% impact from currency movements.

The Group's revenue by region and by sector for the first half of 2024 is set out in the table below:

	Six months to 30 June 2024 £m	% change in constant currency
North America		
Semiconductor Manufacturing Equipment	37.4	(11.8%)
Industrial Technology	16.1	(34.0%)
Healthcare	16.2	(16.5%)
Total	69.7	(19.2%)
Europe		
Semiconductor Manufacturing Equipment	1.9	(16.7%)
Industrial Technology	29.6	(14.2%)
Healthcare	11.8	(14.9%)
Total	43.3	(14.5%)
Asia		
Semiconductor Manufacturing Equipment	6.4	(21.8%)
Industrial Technology	5.2	(29.5%)
Healthcare	2.5	(22.5%)
Total	14.1	(25.0%)

Revenue from Semiconductor Manufacturing Equipment declined by 16%, reflecting the ongoing downcycle. However, increased manufacturing output has driven significant market share gain within our HVHP business, resulting in a 71% increase in revenue for this product line, compared to the comparative period. This aligns with our long-term strategy of gaining share in categories that require greater power delivery and technical complexity.

The revenue generated from Industrial Technology experienced a 26% decline, primarily driven by destocking activities, particularly by our Distribution customers who account for a significant proportion of this sector.

In Healthcare, revenue decreased by 18% driven by continued channel destocking. End market demand absent channel stock movements remained stronger, with our major medical customers reporting continued revenue growth. The year-on-year decline in Healthcare and Industrial Technology sectors was generally impacted by customers switching from restocking in the first half of 2023 to destocking in the first half of 2024 as supply chains began to normalise.

Turning to regional revenue performance (in constant currency) North America saw a 19% decline, with the impact of underlying market dynamics somewhat mitigated by strong shipments of HVHP products. This was achieved against the backdrop of a successful transition to our new facility in Silicon Valley. In Europe, revenue declined by 15%, driven by destocking within the Industrial Technology and Healthcare sectors, which represent the majority of our sales in the region. However, we saw healthy growth from the FuG business (HVHP products) acquired in 2022 and feel optimistic about the significant opportunities for further cross-selling of FuG products by our global sales teams. Our recent partnership with a major, pan-European “design in” distributor will also enhance our market reach moving forward. In Asia, revenue decreased by 25%. Demand from Semiconductor Manufacturing Equipment customers in China was disrupted by the global market downcycle and market-wide disruption from recent changes to export controls.

Order Book

Our order book reduced by c. £42m during the period, bringing it to £150m as at 30 June 2024. As expected, the backlog of overdue orders is now largely cleared. We anticipate that delivery lead times will continue to shorten as we continue to improve our fulfilment performance, which is likely to result in a further natural reduction in the order book size in the second half. Consequently, we expect the book-to-bill ratio to remain below 1.0x until delivery lead times have reached optimised levels, which is expected to occur in the second half of 2024.

Our order book suggests revenue in Q3 2024 will be similar to Q2 2024.

Gross Margin

Our gross margin for the period was 40.6%, slightly lower than the comparative period, but similar to that achieved in the second half of 2023 (41.2%). We have seen a positive impact from our cost-saving actions, benefited from input cost reductions and held our selling prices at 2023 levels, all of which helped offset the impact of lower factory utilisation due to the slower demand conditions explained above.

Cost-saving actions include a reduction in logistics costs from reduced use of expensive air freight and contract negotiation. Events in the Red Sea have not had a material impact on either logistics costs or product availability.

Our underlying manufacturing process efficiency also improved, particularly in our two facilities on the US East Coast, which produce HVHP and RF products. We have also rationalised our production overhead across all manufacturing locations, whilst still leaving the business well positioned to scale up as demand recovers.

We expect gross margins to benefit in the future from ongoing efforts to transfer specific product lines from the US to Asia to take advantage of lower costs of production. The transfer will also provide additional manufacturing capacity needed to support future growth as our key sectors recover.

Our production facility in Malaysia remains part of our long-term manufacturing plan, but slower demand conditions have allowed us to defer its completion. We do not expect to recommence construction during 2024.

Operating Expenses

Statutory operating expenses reduced by £7.2m to £42.5m.

Adjusted Operating Expenses in the period are 16% lower than the comparative period. This reduction reflects the impact of cost actions taken in late 2023 and throughout the first half of 2024 in response to the market slowdown preserving our profitability and protecting our balance sheet position. The reduction achieved is net of additional costs from relocating to improved facilities in Silicon Valley.

Our focus on managing costs has been broad, disciplined and continuous, whilst being careful to preserve our sources of competitive advantage. The actions set in the original funding plan disclosed in our annual report for the year ended 31 December 2023 have all been delivered in full. In the first half of 2024 we have removed a further 60 support and

administrative roles from the business, restricted annual salary increases to lower paid workers only and have progressively reset all discretionary spending to appropriate levels.

We believe our cost base is now appropriate for expected activity levels. We will retain the current rigour in cost control and therefore expect to see strong operating leverage from growth as our markets recover. For the full-year 2024 we expect to be able to report a 17% overhead reduction compared to 2023.

Operating Profit

Statutory operating profit of £9.1m was £8.2m lower than the comparative period.

Our Adjusted Operating Profit for the period of £13.5m was £8.3m lower than the comparative period. This performance reflects our extensive efforts to protect profitability through cost reduction in softer demand conditions. Our proactive cost management allowed us to enter the second half with first half profit slightly ahead of the Board's expectations.

Adjusted Net Finance Expense

Adjusted Net Finance Expense of £5.9m reflects a £1.2m increase in IFRS16 lease interest costs from our new Silicon Valley facility, offset by an equivalent reduction in bank interest. The much-reduced average level of borrowings has led to a lower bank interest charge despite an increase in base rates.

Tax and earnings per share

The effective tax rate applicable to Adjusted Profit Before Tax was 22.4%.

Our effective tax rate applicable to Adjusted Profit Before Tax for 2023 was elevated at 36.8% due to difficulties in obtaining full benefit from available tax losses and credits in our US business. These difficulties are gradually being overcome, as the lower tax rate for H1 2024 reflects.

Adjusted Basic and Adjusted Diluted Earnings Per Share decreased by 59% to 24.5 pence and 24.4 pence respectively.

Adjustments

The Group incurred costs of £4.4m (H1 2023: costs of £4.9m) which we consider to be Adjustments (as explained in Note 5 to the condensed consolidated financial statements) and have therefore excluded them when calculating Adjusted Profit Before Tax. These are summarised below:

Income / (cost) impact by Income Statement line Six months ended 30 June £m	2024			2023		
	Operating profit	Net finance expense	Profit before tax	Operating profit	Net finance expense	Profit before tax
Restructuring costs	(1.1)	-	(1.1)	(1.5)	-	(1.5)
Site double running costs	-	-	-	-	(1.0)	(1.0)
Supply chain transformation	(0.9)	-	(0.9)	-	-	-
Comet legal case	(0.6)	-	(0.6)	(1.4)	-	(1.4)
Amortisation of acquired intangibles	(1.6)	-	(1.6)	(1.6)	-	(1.6)
ERP implementation	-	-	-	(0.2)	-	(0.2)
Bid defence costs	(0.2)	-	(0.2)	-	-	-
Other	-	-	-	0.2	0.6	0.8
Total	(4.4)	-	(4.4)	(4.5)	(0.4)	(4.9)

Severance paid in respect of headcount reduction in the period resulted in restructuring costs of £1.1m.

£0.2m was spent on bid defence activities following a recent unsolicited and unsuccessful takeover approach for the Group.

In respect of the Comet legal case, we continue to await the original trial judge's ruling in respect of plaintiff's claim for associated legal fees and interest. Once this ruling is received, our Appeal will be heard against the original damages award. We believe our Appeal is well-founded.

Cash Flow and Financial Position

During the period the Group generated Adjusted Operating Cash Flow of £34.9m, representing a record Adjusted Operating Cash Conversion of 259%.

This was achieved through self-help actions to reduce inventory and tightly control cash collection. We delivered an inventory reduction of £9.9m despite relatively slow demand conditions, through proactive management of forward

purchasing and production output, and the removal of surplus inventory buffer as supply chain conditions normalised. A full review of safety stock was conducted during the period to ensure the business is well positioned to respond as demand improves.

Six months ended 30 June Adjusted £m	2024	2023
Operating profit	13.5	21.8
Depreciation and amortisation	7.8	6.9
EBITDA	21.3	28.7
Change in working capital	14.1	1.1
Other items	(0.5)	0.2
Operating cash flow	34.9	30.0
Net capital expenditure – Product development costs	(5.5)	(4.6)
Net capital expenditure – Other assets	(7.8)	(9.2)
Net interest paid	(6.0)	(6.8)
Tax paid	(3.1)	(1.3)
Other items	(0.7)	(0.3)
Free cash flow	11.8	7.8

Our capital expenditure for the period was £13.3m, including £5.5m invested in product development, £6.0m on major projects and £1.8m on maintaining our existing assets. Major projects comprised the relocation of our facilities on the US West Coast and construction of the Malaysia facility, prior to pausing this project whilst capacity remains ample. The facility moves in the US went smoothly with no disruption, and our new Silicon Valley facility is a world-class full-service site, demonstrating the breadth of our offering in the heart of the US semiconductor industry. The final payment of £3m for the construction of this facility is due early in the second half of 2024.

We successfully reduced our Net Debt by £8.5m to £104.2m, which has resulted in a better-than-expected funding position. At 30 June 2024, leverage stood at 2.2x Adjusted LTM EBITDA compared to a covenant limit of 3.5x and Interest Cover at 4.2x compared to a covenant floor of 3.0x. We expect Interest Cover to reduce modestly in H2 as our finance expense reflects the full annualised cost of IFRS 16 lease interest costs associated with the new Silicon Valley facility. We remain confident in our previous guidance that Net Debt will be at or below 2.5x Adjusted LTM EBITDA by the end of 2024 and that the Group will remain in full compliance with all banking covenants.

Dividends continue to be an important part of the Group's long-term capital allocation strategy, but our focus must remain on debt reduction. No dividends are declared in respect of the period (H1 2023: 18.0p).

Notwithstanding our expectations of continued covenant compliance, the Directors believe it is in the interests of shareholders that all available proactive steps are taken to ensure the Group's balance sheet is fully resilient to all possible future market developments, whether expected or not. In particular, the Directors have sought to ensure the Group can comfortably accommodate an unexpectedly large amount of channel destocking, recognising that customers' stocking decisions are beyond its control and could impact short-term performance. It has therefore implemented the following package of prudent changes to its funding arrangements at relatively modest cost and with the full support of its lenders:

- A temporary reduction in the Interest Cover covenant for quarterly tests until Q1 2026, as set out in note 2 to the Condensed Consolidated Financial Statements. No changes have been made or are deemed necessary to leverage covenant levels.
- An extension of the maturity of its main RCF facility to December 2026

As part of these changes we have reduced the total borrowing facility size from \$255m to \$210m. Had this reduction been made at 30 June 2024, headroom in committed banking facilities would have been \$59m. This level of headroom is sufficient to meet the Group's future borrowing needs, is consistent with our aim of reducing leverage to 0-1x Adjusted LTM EBITDA and allows the Group to reduce the cost of unutilised borrowing capacity.

The Directors are confident that the Group will remain in full compliance with its banking covenants for the foreseeable future, in both its base case and severe but plausible downside case scenarios, as required by mandatory going concern testing, with clear covenant headroom.

Matt Webb
Chief Financial Officer
6 August 2024

XP Power Limited

Condensed Consolidated Income Statement For the six months ended 30 June 2024

£m	Note	Adjusted	Adjustments (see Note 5)	Six months ended 30 June 2024	Adjusted	Adjustments (see Note 5)	Six months ended 30 June 2023
Revenue	4	127.1	-	127.1	160.2	-	160.2
Cost of sales		(75.5)	-	(75.5)	(93.2)	-	(93.2)
Gross profit		51.6	-	51.6	67.0	-	67.0
Operating Expenses							
Distribution and marketing		(26.4)	(2.9)	(29.3)	(31.7)	(1.9)	(33.6)
Administrative		(2.1)	(1.5)	(3.6)	(2.1)	(2.6)	(4.7)
Research and development		(9.6)	-	(9.6)	(11.4)	-	(11.4)
Operating profit		13.5	(4.4)	9.1	21.8	(4.5)	17.3
Net finance expense		(5.9)	-	(5.9)	(6.0)	(0.4)	(6.4)
Profit before tax		7.6	(4.4)	3.2	15.8	(4.9)	10.9
Taxation	6	(1.7)	0.7	(1.0)	(4.0)	0.9	(3.1)
Profit for the period		5.9	(3.7)	2.2	11.8	(4.0)	7.8
Attributable to:							
Equity shareholders				2.1			7.6
Non-controlling interests				0.1			0.2
Profit for the period				2.2			7.8
Earnings per share (pence)							
Basic	8	24.5	(15.6)	8.9	59.3	(20.4)	38.9
Diluted	8	24.4	(15.6)	8.8	59.1	(20.4)	38.7

Condensed Consolidated Statement of Comprehensive Income For the six months ended 30 June 2024

£m	Six months ended 30 June 2024	Six months ended 30 June 2023
Profit for the period	2.2	7.8
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(1.0)	(3.8)
Items that will not be reclassified subsequently to profit or loss:	-	-
Other comprehensive loss, net of tax	(1.0)	(3.8)
Total comprehensive income for the period	1.2	4.0
Attributable to:		
Equity shareholders	1.1	3.9
Non-controlling interests	0.1	0.1
Total comprehensive income for the period	1.2	4.0

The above condensed consolidated income statement and statement of comprehensive income should be read in conjunction with the accompanying notes.

XP Power Limited

Condensed Consolidated Balance Sheet As at 30 June 2024

£m	Note	30 June 2024	31 December 2023
ASSETS			
Current assets			
Cash and bank balances		13.0	12.0
Inventories		81.7	91.6
Trade receivables		34.9	43.1
Bond receivables		37.6	36.7
Other current assets		5.5	8.1
Current income tax receivable		0.6	0.5
Total current assets		173.3	192.0
Non-current assets			
Cash and bank balances		1.4	1.4
Goodwill		75.2	75.6
Intangible assets	9	63.8	63.1
Property, plant and equipment	10	64.3	59.5
Right-of-use assets		53.0	54.0
Deferred income tax assets		1.0	0.7
Total non-current assets		258.7	254.3
Total assets		432.0	446.3
LIABILITIES			
Current liabilities			
Current income tax liabilities		2.9	5.0
Trade and other payables		41.2	48.3
Lease liabilities		1.5	1.4
Provisions		45.0	44.9
Borrowings	11	0.5	0.4
Accrued consideration		1.8	-
Total current liabilities		92.9	100.0
Non-current liabilities			
Accrued consideration		-	1.7
Borrowings	11	118.1	125.7
Deferred income tax liabilities		9.4	9.3
Provisions		1.2	1.0
Lease liabilities		53.2	53.3
Total non-current liabilities		181.9	191.0
Total liabilities		274.8	291.0
NET ASSETS		157.2	155.3
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		71.2	71.2
Share-based payment reserve		2.2	2.1
Merger reserve		0.2	0.2
Translation reserve		(1.9)	(0.9)
Other reserve		8.2	7.6
Retained earnings		76.5	74.4
		156.4	154.6
Non-controlling interests		0.8	0.7
TOTAL EQUITY		157.2	155.3

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2024
£m

	Attributable to equity holders of the Company							Non-controlling interests	Total Equity
	Share capital	Share-based payment reserve	Merger reserve	Translation reserve	Other reserve	Retained earnings	Total		
Balance at 1 January 2023	27.2	2.5	0.2	4.2	6.1	98.4	138.6	0.9	139.5
Exercise of share-based payment awards	-	(1.1)	-	-	1.1	-	-	-	-
Employee share-based payment expenses, net of tax	-	0.1	-	-	-	-	0.1	-	0.1
Dividends paid (note 7)	-	-	-	-	-	(11.2)	(11.2)	(0.1)	(11.3)
Future acquisitions of non-controlling interests	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Exchange difference arising from translation of financial statements of foreign operations	-	(0.1)	-	(3.6)	-	-	(3.7)	(0.1)	(3.8)
Profit for the period	-	-	-	-	-	7.6	7.6	0.2	7.8
Total comprehensive income for the period	-	(0.1)	-	(3.6)	-	7.6	3.9	0.1	4.0
Balance at 30 June 2023	27.2	1.4	0.2	0.6	7.1	94.8	131.3	0.9	132.2
Balance at 1 January 2024	71.2	2.1	0.2	(0.9)	7.6	74.4	154.6	0.7	155.3
Exercise of share-based payment awards	-	(0.7)	-	-	0.7	-	-	-	-
Employee share-based payment expenses, net of tax	-	0.8	-	-	-	-	0.8	-	0.8
Future acquisition of non-controlling interest	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Exchange difference arising from translation of financial statements of foreign operations	-	-	-	(1.0)	-	-	(1.0)	-	(1.0)
Profit for the period	-	-	-	-	-	2.1	2.1	0.1	2.2
Total comprehensive income for the period	-	-	-	(1.0)	-	2.1	1.1	0.1	1.2
Balance at 30 June 2024	71.2	2.2	0.2	(1.9)	8.2	76.5	156.4	0.8	157.2

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2024

£m	Six months ended 30 June 2024	Six months ended 30 June 2023
Cash flows from operating activities		
Profit after income tax	2.2	7.8
Adjustments for:		
- Taxation	1.0	3.1
- Amortisation and depreciation	9.3	9.2
- Net finance expense	5.9	6.4
- Share-based payment expenses	0.6	0.2
- Fair value gain on derivative financial instruments	-	(0.2)
- Impairment loss on intangible assets	-	0.1
- Unrealised currency translation (gain)/loss	(0.4)	1.0
- Provision for doubtful debt	0.1	-
Change in the working capital:		
- Inventories	10.3	2.5
- Trade and other receivables	11.1	(2.9)
- Trade and other payables	(7.1)	1.4
- Provision for liabilities and other charges	(0.2)	0.2
Cash generated from operations	32.8	28.8
Income tax paid, net of refund	(3.1)	(1.3)
Net cash provided by operating activities	29.7	27.5
Cash flows from investing activities		
Purchases and construction of property, plant and equipment	(7.7)	(8.8)
Additions of product development costs	(5.5)	(4.6)
Additions of software and software under development	(0.1)	(0.3)
Proceeds from disposal of property, plant and equipment	0.2	-
Interest received	-	0.8
Net cash used in investing activities	(13.1)	(12.9)
Cash flows from financing activities		
Proceeds from borrowings	-	9.7
Repayment of borrowings	(8.9)	-
Principal payment of lease liabilities	(0.8)	(0.6)
Interest paid	(6.0)	(7.6)
Dividends paid to equity holders of the Company	-	(11.2)
Dividends paid to non-controlling interests	-	(0.1)
Bank deposits pledged	-	(0.4)
Net cash used in financing activities	(15.7)	(10.2)
Net increase in cash and cash equivalents	0.9	4.4
Cash and cash equivalents at beginning of financial period	12.0	22.1
Effects of currency translation on cash and cash equivalents	0.1	(1.0)
Cash and cash equivalents at end of financial period	13.0	25.5

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements

1. Basis of preparation

The condensed consolidated financial statements for the period ended 30 June 2024 have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and with International Accounting Standards ('IAS') 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023 which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board (IFRS as issued by the IASB) and Singapore Financial Reporting Standards (International) (SFRS(I)s').

The condensed consolidated interim financial statements have not been audited.

2. Going concern

The Group has available to it a US \$ denominated Revolving Credit Facility (RCF) of \$210m (£165m). The facility matures in December 2026 and therefore is committed throughout the minimum period for which going concern is assessed, which is 12 months from the date of signing these condensed consolidated financial statements.

At 30 June 2024, the Group had drawn down \$151m (£119m) against this, leaving undrawn facility headroom of more than £50 million.

Given that the Group's borrowings are US \$ denominated, net debt and therefore the leverage ratio can be impacted by future movements in the US \$ exchange rate. In both Cases, the US \$ exchange rate is assumed to \$1.269.

As part of its going concern review, the Group has developed both Base Case and Downside Case financial forecasts, with the latter representing a severe but plausible downside scenario, assessing forecast liquidity and covenant compliance in each case.

Two financial covenants apply to the Group's Revolving Credit Facility:

- Leverage (as defined in Note 5) of not more than 3.5x for each calendar quarter until 31 December 2024 and not more than 3.0x thereafter.
- Interest Cover (as defined in Note 5) as follows, following a recent amendment to specifically accommodate going concern testing requirements:

Interest Cover	Not less than
Q3 2024	3.00
Q4 2024	2.75
Q1 2025	2.75
Q2 2025	2.50
Q3 2025	2.75
Q4 2025	3.25
Q1 2026	3.50
Q2 2026 and onwards	4.00

The Group is currently experiencing an unusual slowdown in demand across all three of its market sectors. Monthly revenue and order intake have been relatively stable during the first half of 2024, suggesting market conditions are in the process of stabilising. The key assumption in any forecast scenario is therefore the monthly revenue level at which market conditions stabilise and for how long these conditions persist before markets recover. Specifically, this requires assumptions to be made regarding the timing and impact of the expected recovery in demand for Semiconductor Manufacturing Equipment, which has been in an industry-wide downcycle since the end of 2022, as well as the extent and duration of channel destocking within the Healthcare and Industrial Technology sectors. We are confident that the Group's revenue will grow long-term due to the nature of the markets we operate in and our attractive positions within them but it is difficult to be precise about the timing of the return to growth. The Base Case and Downside Case make differing assumptions in this regard.

Base Case

The Group's Base Case scenario is that channel destocking within the Healthcare and Industrial Technology sectors, which has reduced Group revenue throughout H1 2024, continues until the end of Q3 2024. This leads to an improvement in quarterly revenue between Q3 and Q4 2024. The Base Case also assumes that demand for Semiconductor Manufacturing Equipment improves from the start of H1 2025 onwards. These assumptions result in a c.4% improvement in revenue from H1 to H2 2024 and 8% improvement from 2024 to 2025.

The Base Case assumes our interest cost in H2 2024 will be slightly higher than H1 2024 due to increased borrowing margin. Total 2024 interest cost is projected to be higher than 2023 as the benefit to interest costs from lower borrowings is offset by an increase in lease interest costs from our new facility in Silicon Valley.

The Base Case assumes that the Secured Overnight Financing Rate ("SOFR") remains at current level for the remainder of 2024 and 2025. The Group has capped the interest rate applicable to the majority of its borrowings at a rate slightly above the current SOFR. In the Base Case, the Group remains in full compliance with its financial covenants and with ample liquidity throughout the going concern assessment period.

The lowest point of headroom in the Leverage Ratio covenant is at 30 September 2024. EBITDA would need to fall c.29% short of expectations in the period 1 October 2023 to 30 September 2024 for a breach to occur.

The lowest point of headroom in the Interest Cover covenant is at 31 December 2024. EBITDA would need to fall c.24% short of expectations in the period 1 January to 31 December 2024 for a breach to occur.

Downside Case

In the Downside Case, channel destocking in the Healthcare and Industrial Technology sectors continues until the end of H1 2025, 9 months longer than the Base Case. It assumes demand from Semiconductor Manufacturing Equipment improves from the start of H2 2025, 6 months longer than the Base Case.

This results in a 5% decline in revenue between H1 and H2 2024 and total 2024 revenue 4% lower than the Base Case. The delay of the recovery until 2025 across all sectors means that the 2025 revenue is also 4% lower than in the Base Case.

The Downside Case assumes interest costs to be similar with the Base Case.

The interest rate assumption is the same as the Base Case.

In the Downside Case, the Group remains in compliance with its financial covenants with ample liquidity throughout the going concern assessment period.

The lowest point of headroom in the Leverage Ratio covenant is at 30 June 2025. EBITDA would need to fall c.10% short of expectations in the period 1 July 2024 to 30 June 2025 for a breach to occur.

The lowest point of headroom in the Interest Cover covenant is at 31 March 2025. EBITDA would need to fall c.6% short of expectations in the period 1 April 2024 to 31 March 2025 for a breach to occur.

The Directors are confident that the Base Case and Downside Case provide an appropriate basis for the going concern assumption to be applied in preparing the financial statements. Therefore, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group, therefore, continues to adopt the going concern basis in preparing its condensed consolidated financial statements.

3. Accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies within the Group financial statements for the year ended 31 December 2023.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the presentation of the Group's financial statements for the year ended 31 December 2023.

A number of new or amended standards became applicable for the current reporting period. The adoption of these new or amended standards did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Notes to the condensed consolidated financial statements

4. Segmented and revenue information

The Board of Directors monitors the business based on the three primary geographical areas: North America, Europe and Asia. All geographic locations market the same classes of products to their respective customer base.

Revenue

The Group derives revenue from the transfer of goods at a point in time in the following major business lines and geographical regions.

Analysis by class of customer

The revenue by class of customer is as follows:

Six months ended 30 June 2024

£m

	Europe	North America	Asia	Total
Primary geographical markets				
Semiconductor Manufacturing Equipment	1.9	37.4	6.4	45.7
Industrial Technology	29.6	16.1	5.2	50.9
Healthcare	11.8	16.2	2.5	30.5
	<u>43.3</u>	<u>69.7</u>	<u>14.1</u>	<u>127.1</u>

Six months ended 30 June 2023

£m

	Europe	North America	Asia	Total
Primary geographical markets				
Semiconductor Manufacturing Equipment	2.5	43.7	8.2	54.4
Industrial Technology	35.4	25.5	7.8	68.7
Healthcare	14.3	19.6	3.2	37.1
	<u>52.2</u>	<u>88.8</u>	<u>19.2</u>	<u>160.2</u>

Notes to the condensed consolidated financial statements

4. Segmented and revenue information (continued)

Reconciliation of segment results to profit for the period:

£m	Six months ended 30 June 2024	Six months ended 30 June 2023
Europe	11.6	12.3
North America	19.1	28.4
Asia	5.5	6.8
Segment results	36.2	47.5
Research and development	(7.9)	(11.0)
Manufacturing	(5.1)	(5.3)
Corporate costs	(9.7)	(9.4)
Adjusted operating profit	13.5	21.8
Net finance expenses	(5.9)	(6.4)
Adjustments	(4.4)	(4.5)
Profit before tax	3.2	10.9
Taxation	(1.0)	(3.1)
Profit for the period	2.2	7.8

£m	At 30 June 2024	At 31 December 2023
Total assets		
Europe	77.6	79.2
North America	233.8	245.9
Asia	119.0	120.0
Segment assets	430.4	445.1
Unallocated deferred and current income tax	1.6	1.2
Total assets	432.0	446.3

5. Reconciliation of non-statutory measures

The Group presents Adjusted Operating Profit and Adjusted Profit Before Tax by adjusting for costs and profits which management believes to be significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings (Adjustments). Such items may include, but are not limited to, costs associated with business combinations, amortisation of intangible assets arising from business combinations and restructuring costs.

In addition, the Group presents an Adjusted Profit For The Period measure by adjusting for certain tax charges and credits which management believe to be significant by virtue of their size, nature, or incidence or which have a distortive effect.

The Group uses these and other adjusted measures to evaluate performance and as a method to provide shareholders with clear and consistent reporting.

Notes to the condensed consolidated financial statements

5. Reconciliation of non-statutory measures (continued)

(i) Adjusted Operating Profit, Net Finance Expense, Profit Before Tax, Tax and Profit For The Period

Six months ended 30 June 2024					
£m	Operating profit	Net finance expense	Profit before tax	Taxation	Profit for the period
Statutory result	9.1	(5.9)	3.2	(1.0)	2.2
Adjusted for:					
Restructuring costs	1.1	-	1.1	-	1.1
Costs relating to legal dispute	0.6	-	0.6	-	0.6
Amortisation of intangible assets acquired from business combinations	1.6	-	1.6	-	1.6
Global supply chain transformation	0.9	-	0.9	-	0.9
Bid defence costs	0.2	-	0.2	-	0.2
Non-recurring tax benefits	-	-	-	(0.7)	(0.7)
Adjusted result	13.5	(5.9)	7.6	(1.7)	5.9

Six months ended 30 June 2023					
£m	Operating profit	Net finance expense	Profit before tax	Taxation	Profit for the period
Statutory result	17.3	(6.4)	10.9	(3.1)	7.8
Adjusted for:					
Restructuring costs	1.5	1.0	2.5	-	2.5
Costs relating to legal dispute	1.4	-	1.4	-	1.4
Amortisation of intangible assets acquired from business combinations	1.6	-	1.6	-	1.6
Costs related to Enterprise Resource Planning system implementation	0.2	-	0.2	-	0.2
Fair value gain on derivative financial instruments	(0.2)	-	(0.2)	-	(0.2)
Gain on modifications of revolving credit facility	-	(0.6)	(0.6)	-	(0.6)
Non-recurring tax benefits	-	-	-	(0.9)	(0.9)
Adjusted result	21.8	(6.0)	15.8	(4.0)	11.8

(ii) Adjusted Operating Cash Flow and Conversion %

£m	Six months ended 30 June 2024	Six months ended 30 June 2023
Cash generated from operations	32.8	28.8
Adjusted for cash flows in respect of:		
Costs relating to legal dispute	1.0	1.2
Restructuring costs	0.7	-
Global supply chain transformation	0.4	-
Adjusted Operating Cash Flow	34.9	30.0
Adjusted Operating Profit	13.5	21.8
Adjusted Operating Cash Conversion	259%	138%

Notes to the condensed consolidated financial statements

5. Reconciliation of non-statutory measures (continued)

(iii) Adjusted LTM EBITDA

£m	Twelve months ended 30 June 2024	Twelve months ended 30 June 2023
Profit before tax	3.5	28.1
Adjusted for:		
Net finance expense	12.8	10.3
Depreciation	9.0	10.0
Amortisation	11.2	9.1
LTM EBITDA	36.5	57.5
Adjusted for:		
Restructuring costs	4.0	0.8
Costs relating to legal dispute	1.3	5.8
Global supply chain transformation	3.6	-
Impairment loss on intangible assets	2.0	0.3
Costs related to Enterprise Resource Planning system implementation	0.1	0.4
Acquisition costs	0.1	1.5
Foreign exchange gain on Euro-denominated loan drawn down to finance acquisition	-	(0.8)
Revolving credit facility fees	-	(0.2)
Fair value loss/(gain) on derivative financial instrument	0.1	(0.6)
Bid defence costs	0.2	-
Adjusted LTM EBITDA	47.9	64.7

Notes to the condensed consolidated financial statements

5. Reconciliation of non-statutory measures (continued)

(iv) Net Debt

£m	At 30 June 2024	At 30 June 2023
Borrowings		
Current	0.5	0.7
Non-current	118.1	174.6
Total borrowings	118.6	175.3
Cash and bank balances		
Cash at bank and on hand	14.3	26.8
Short-term bank deposits	0.1	0.1
Total cash and bank balances	14.4	26.9
Net Debt	104.2	148.4

(v) Leverage (Net Debt: Adjusted LTM EBITDA)

£m	At 30 June 2024	At 30 June 2023
Net Debt (Note 5(iv))	104.2	148.4
Adjusted LTM EBITDA (Note 5(iii))	47.9	64.7
Leverage (Net Debt: Adjusted LTM EBITDA)	2.2x	2.3x

(vi) Interest Cover (Adjusted LTM EBITDA : Adjusted LTM Net Finance Expense)

£m	Twelve months ended 30 June 2024	Twelve months ended 30 June 2023
Adjusted LTM EBITDA (Note 5(iii))	47.9	64.7
Net finance expense	12.8	10.3
Adjusted for:		
Restructuring costs ¹	(1.4)	(1.1)
Gain on modification of revolving credit facility	-	0.6
Adjusted LTM Net Finance Expense	11.4	9.8
Interest Cover (Adjusted LTM EBITDA : Adjusted LTM Net Finance Expense)	4.2x	6.6x

¹ Restructuring cost consist only of interest on lease liabilities related to lease for office spaces in the United States of America.

Notes to the condensed consolidated financial statements

6. Taxation

The average effective tax rate applied to Adjusted Profit Before Tax for the period is 22% (2023: 25%). This is based on an estimate of the full year effective tax rate by jurisdiction.

7. Dividends

Amounts recognised as distributions to equity holders of the Company in the period:

	Six months ended 30 June 2024		Six months ended 30 June 2023	
	Pence per share	£ Millions	Pence per share	£ Millions
Prior year third quarter dividend paid	-	-	21.0	4.1
Prior year final dividend paid	-	-	36.0	7.1
Total	-	-	57.0	11.2

8. Earnings per share

Earnings per share attributable to equity holders of the company arise from continuing operations as follows:

£m	Six months ended 30 June 2024	Six months ended 30 June 2023
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the company)	2.1	7.6
Restructuring costs	1.1	2.5
Costs relating to legal dispute	0.6	1.4
Amortisation of intangibles acquired from business combinations	1.6	1.6
Global supply chain transformation	0.9	-
Costs related to Enterprise Resource Planning system implementation	-	0.2
Fair value gain on derivative financial instruments	-	(0.2)
Gain on modifications of revolving credit facility	-	(0.6)
Bid defence costs	0.2	-
Non-recurring tax benefits	(0.7)	(0.9)
Earnings for Adjusted Earnings Per Share	5.8	11.6
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share (thousands)	23,700	19,555
Effect of potentially dilutive share options (thousands)	39	58
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	23,739	19,613
Earnings per share from operations:		
Basic	8.9p	38.9p
Adjusted Basic	24.5p	59.3p
Diluted	8.8p	38.7p
Adjusted Diluted	24.4p	59.1p

Notes to the condensed consolidated financial statements

9. Intangible assets

£ Millions	Product Development costs	Brand	Trademarks	Technology	Customer relationships	Customer contracts	Software	Assets under development	Total
Cost									
At 31 December 2023	51.0	1.8	1.1	7.9	24.8	2.6	24.2	25.6	139.0
Additions	-	-	-	-	-	-	0.1	5.5	5.6
Disposal	-	-	-	-	-	-	(0.1)	-	(0.1)
Transfer	0.2	-	-	-	-	-	-	(0.2)	-
Reclassification	-	-	-	-	-	-	-	(0.9)	(0.9)
Foreign currency translation	0.2	(0.1)	-	-	(0.1)	-	0.2	0.2	0.4
At 30 June 2024	51.4	1.7	1.1	7.9	24.7	2.6	24.4	30.2	144.0
Accumulated amortisation and impairment losses									
At 31 December 2023	35.9	0.8	1.0	4.4	13.6	1.9	8.3	10.0	75.9
Amortisation charge for the year	2.1	0.1	-	0.4	0.8	0.3	1.1	-	4.8
Disposal	-	-	-	-	-	-	(0.1)	-	(0.1)
Reclassification	(0.9)	-	-	-	-	-	-	-	(0.9)
Foreign currency translation	0.2	-	-	-	0.1	-	0.1	0.1	0.5
At 30 June 2024	37.3	0.9	1.0	4.8	14.5	2.2	9.4	10.1	80.2
Carrying amount									
At 30 June 2024	14.1	0.8	0.1	3.1	10.2	0.4	15.0	20.1	63.8
At 31 December 2023	15.1	1.0	0.1	3.5	11.2	0.7	15.9	15.6	63.1

The amortisation period for development costs incurred on the Group's products varies between five and seven years according to the expected useful life of the products being developed.

Amortisation commences when the product is ready and available for use.

The remaining amortisation period for customer relationships ranges from four to nine years.

10. Property, plant and equipment

£ Millions	Freehold land	Buildings	Plant and equipment	Motor vehicles	Building improvements	Assets under construction	Total
Cost							
At 31 December 2023	1.5	18.2	38.1	0.2	26.9	7.6	92.5
Additions	-	0.3	1.0	-	-	6.4	7.7
Disposals	-	-	(0.5)	(0.1)	(1.8)	-	(2.4)
Transfers	-	-	1.7	-	0.9	(2.6)	-
Foreign currency translation	-	0.1	-	-	0.2	(0.2)	0.1
At 30 June 2024	1.5	18.6	40.3	0.1	26.2	11.2	97.9
Accumulated depreciation							
At 31 December 2023	-	5.3	22.9	0.2	4.6	-	33.0
Depreciation charge	-	0.3	2.0	-	0.5	-	2.8
Disposals	-	-	(0.3)	(0.1)	(1.8)	-	(2.2)
At 30 June 2024	-	5.6	24.6	0.1	3.3	-	33.6
Carrying amount							
At 30 June 2024	1.5	13.0	15.7	-	22.9	11.2	64.3
At 31 December 2023	1.5	12.9	15.2	-	22.3	7.6	59.5

Assets under construction pertains to cost incurred for the building of Malaysia factory of £7.6 million and renovation of the office space in North America which is due for completion in 2024 of £3.6 million.

Notes to the condensed consolidated financial statements

11. Borrowings

As at 30 June 2024 the Group's borrowings had been drawn down from a US\$255m Revolving Credit Facility ("RCF") (subsequently reduced to \$210m concurrent with the renegotiation of covenants referred to below). The RCF was committed until June 2026 and had no fixed repayment terms until maturity. The finance costs on the RCF are priced based on the Secured Overnight Financing Rate (SOFR) administered by the Federal Reserve Bank of New York plus a margin. The margin applicable to drawn amounts range from 1.5-3.25%, depending on the Net Debt : Adjusted LTM EBITDA ratio for the previous quarter. The non-utilisation fee payable for the undrawn element of the facility is priced at 40% of the margin applicable to drawn amounts.

The covenants attaching to the RCF were renegotiated in July 2024. The interest cover (Adjusted LTM EBITDA: Adjusted LTM Net Finance Expense) covenant has been reduced to a range between 2.50x to 3.50x until maturity of the facility. Subsequent to the balance sheet date, the maturity date of the RCF has also been extended to December 2026 and therefore repayment will be due in the third year after the date of these accounts.

As at 30 June 2024, the borrowings were repayable as follows:

£m	At 30 June 2024	At 31 December 2023
On demand or within one year	0.5	0.4
In the second year	118.1	-
In the third year	-	125.7
Total	118.6	126.1

The timing of repayment is subject to the compliance of loan covenants and any non-compliance can result in earlier repayment. All loan covenants have been complied with as at 30 June 2024 (refer to Note 2 Going Concern for further information).

12. Foreign exchange rates

Exchange rates applied in these condensed consolidated financial statements are the average for the six month period for Income Statement items (including £1/USD1.2636, £1/€1.1679, £1/SGD1.7007) and are the closing rate for Balance Sheet items (including £1/USD1.2640, £1/€1.1802, £1/SGD1.7135 at 30 June 2024).

13. Principal risks

The Group has well-established risk management processes to identify and assess risks. The Group's principal risks are regularly reviewed by the Board and mapped onto a risk universe, where risk mitigation or reduction can be tracked and managed. This facilitates further discussion regarding risk appetite and identifies the risks that require greater attention. Details of our risk management framework are set out in the Group's Annual Report & Accounts for the year ended 31 December 2023 on pages 52 to 59.

The Board has reviewed the principal risks as of 30 June 2024 against the context of the environment in which the Group operates and the operational developments during the first six months of the financial year and the outlook for the remainder of the financial year. There is no change in principal risks as disclosed in the Group's Annual Report & Accounts:

1. Disruption to manufacturing
2. Supply chain risks
3. Market/customer related risks
4. Product-related risks
5. IT/data
6. Funding/treasury
7. Legal & regulatory
8. M&A
9. People-related
10. Climate-related

XP Power Limited

Directors' responsibility statement

The Directors confirm to the best of their knowledge that:

- the unaudited interim results have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board; and
- the interim results include a fair view of the information required by DTR 4.2.7 (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and DTR 4.2.8 (disclosure of related party transactions and changes therein).

The Directors of XP Power Limited are as follows:

Jamie Pike	Non-Executive Chair
Gavin Griggs	Chief Executive Officer
Matt Webb	Chief Financial Officer
Andy Sng	Executive Vice President, Asia
Polly Williams	Senior Independent Director
Pauline Lafferty	Non-Executive Director
Sandra Breene	Non-Executive Director
Amina Hamidi	Non-Executive Director

By order of the Board:

Gavin Griggs

Chief Executive Officer

Matt Webb

Chief Financial Officer

6 August 2024

Independent review report to XP Power Limited

Report on review of interim financial information

We have reviewed the accompanying condensed consolidated financial information of XP Power Limited (“the Company”) and its subsidiaries (“the Group”) set out on pages 13 to 26, which comprise the condensed consolidated balance sheet of the Group as at 30 June 2024, the condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the 6-month period then ended and the other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Standards Board. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report for the 6-month period ended 30 June 2024, which comprise the “Interim Results” set out on pages 1 to 3, “Chief Executive Officer’s Review” set out on pages 4 to 8 and “Chief Financial Officer’s Review” set out on pages 9 to 12 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board.

Restriction on Distribution and Use

This report has been prepared solely for the Company in accordance with the letter of engagement between us and the Company. We do not accept or assume liability or responsibility to anyone other than the Company for our work or this report.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore,
6 August 2024