2024 Interim Results, 8 August 2024

TT Electronics plc

Results for the half-year ended 30 June 2024

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A management presentation for analysts and investors will be held today at 08.00 and can be accessed on https://stream.brrmedia.co.uk/broadcast/66717af2ee30aaf32018cb78

A recording of the presentation and Q&A session will be available on the website later in the day.

A PDF of this half year announcement is available for download from https://www.ttelectronics.com/investors/results-reports-presentations/ .

Interim Results for the half-year ended 30 June 2024

Clear visibility to unchanged 2024 outlook

£ million (unless otherwise stated)	Adjusted Results[1]				Statutory Results	
	H1 2024	H1 2023	Change	Change Constant fx	**H1 2024**	H1 2023
Revenue	**274.4**	309.1	(11)%	(8)%	**274.4**	309.1
Revenue ex divestment	***258.3***	*275.6*	*(6)%*	*(3)%*		
Operating profit	**22.2**	25.6	(13)%	(8)%	**15.1**	20.9
Operating profit ex divestment	***22.4***	*25.0*	*(11)%*	*(5)%*		
Operating profit margin	**8.1%**	8.3%	(20)bps	-	**5.5%**	6.8%
Operating profit margin ex divestment	***8.7%***	*9.1%*	*(40)bps*	*(20)bps*		
Profit before tax	**17.0**	20.7	(18)%	(12)%	**9.9**	16.0
Basic earnings per share	**7.2p**	8.8p	(18)%	(12)%	**3.4p**	6.8p
Return on invested capital (2023[2])	**11.8[3]%**	12.0%	(20)bps			
Cash conversion	**30%**	74%				
Free cash flow[1]					**(7.8)**	6.9
Net debt (2023[2]) [1]					**127.0**	126.2
Leverage (2023[2])[1]					**1.9x**	1.7x
Dividend per share					**2.25p**	2.15p

Financial Highlights

- Resilient performance against a mixed backdrop for H1 with revenue up 1% organically excluding unwind of pass-through revenue
  - Strong European and Asian growth largely offset by weakness in components demand impacting North American region
  - Strong growth in Aerospace & Defence, headwinds in Distribution
- Significant cost action taken to address impact of components demand reduction
  - £9 million headcount savings actioned in H1
- Order intake up 15% organically over H1 2023, H1 book to bill of 110%
- Adjusted operating margin unchanged at constant currency, 8.7% ex Albert divestment, 9.3% excluding severance costs
- Statutory operating profit £15.1 million, statutory basic EPS of 3.4p
- Cash conversion at 30% due to seasonality and mix however, on-track to deliver FY guidance
- Interim dividend increased 5% to 2.25p per share
- Board's expectations for the full year remain unchanged

Project Dynamo

- Improvement in execution through the period and excellent progress on collaboration demonstrating early benefits of move to function-led regional structure
- Material further opportunities identified under Project Dynamo underpinning medium-term financial goals

- £17 million of net cost savings and margin improvement by 2026 identified, up from £5-6 million, of which £4 million has already been actioned
- Eight key workstreams identified to drive productivity and efficiency, including make vs buy and cost of production
- Inventory management project expected to deliver £15 million of cash in H2 2024 and an additional £15 million by 2026

Peter France, Chief Executive Officer, said:

"We have made good progress on the early stages of Project Dynamo to unlock value and drive financial and operational improvements across the Group. We have identified significantly more opportunity increasing the potential annual benefit from £5-6 million to £17 million by 2026, underpinning our medium-term goal of 12 per cent operating margin.

De-stocking in our shorter cycle components business in North America has persisted for longer than anticipated and we have taken £9 million of swift cost action to address this. Our European and Asian businesses have both performed well in the period with strong revenue growth and margin improvement.

The Group's order book and current momentum of order intake in our components business underpin our confidence in the full year outturn. The completion of Project Albert, significant cost action taken and some early benefits from our self-help programme, Project Dynamo, support our 10 per cent operating margin target for the year and for leverage to return to the lower end of our 1-2x target range."

Notes

1. *Throughout this announcement we refer to a number of alternative performance measures which provide additional useful information. The Directors have adopted these measures to provide additional information on the underlying trends, performance and position of the Group with further details set out in note 2c on page 28. The adjusted measures used are set out in the reconciliation of KPIs and non IFRS measures on pages 39 to 47.*
2. *As at December 2023*
3. *Calculated for the 12 months to June 2024*

About TT Electronics

TT Electronics is a global provider of engineered electronics for performance critical applications.

TT engineers and manufactures electronic solutions enabling a safer, healthier and more sustainable world. TT benefits from enduring megatrends in structurally high-growth markets including healthcare, aerospace, defence, automation and electrification. TT invests in R&D to create designed-in products where reliability is mission critical. Products designed and manufactured include sensors, power management and connectivity solutions. TT has design and manufacturing facilities in the UK, North America, and Asia.

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

We have delivered a resilient performance in the first half of the year with an improved performance in Europe and Asia offset by difficult market conditions in our shorter cycle components business, predominantly in North America. On an organic basis revenue was up 1 per cent excluding the unwind of pass-through revenue in the half and the impact of Project Albert, the divestment of our business units in Cardiff and Hartlepool, UK and Dongguan, China which completed at the end of Q1 2024.

Adjusted operating margin of 8.1 per cent was unchanged on a constant currency basis but run-rate margin was 9.3 per cent excluding the Albert divestment and circa £1.7 million of severance costs expensed in H1.

De-stocking, which has continued for longer than expected, had a significant impact on demand for our components products in North America, impacting the performance of three of our sites in particular. We expect de-stocking to persist through the second half. We took cost action, reducing headcount by almost 400 (or 9 per cent of the Group) equating to £9 million of annualised benefit in the first half, to offset the lower demand, the £1.7 million severance costs of which were incurred within adjusted operating profit in the period. The non-recurrence of these costs, together with the benefits of the headcount reductions, will drive a much greater weighting of North American profit to the second half in the current year.

There was strong growth in aerospace and defence, up 40% organically, and automation and electrification also grew, up by 4% organically. Revenues from distribution, which is the main route to market for our components business, reduced by 28% organically. Healthcare revenues decreased by 17% organically, 8% of which related to the reduction in zero margin pass-through revenues.

Book to bill in the half year was positive at 110 per cent and we have seen a quarter-on-quarter improvement in order intake since the low point in Q3 2023. Order intake has been ahead of revenue in the first half in all regions, albeit it on lower revenues in North America, and we have strong order book cover for the second half.

We are unlocking significant value through our self-help programme, Project Dynamo, our improvement plans to drive value through a focus on Efficiency, Growth and Innovation. In the period we identified more opportunities and see potential cost savings and margin improvements of £17 million, net of £4 million of reinvestment in the business, to drive long term growth and underpin our medium-term targets.

There are eight areas of near-term focus under Project Dynamo which can be summarised under the headings:

- SG&A savings
- Logistics & Energy
- Inventory management
- Make vs Buy & Asset optimisation
- Cost of Production
- Commercial – Pricing
- Pipeline expansion & sales growth
- Innovation

The successful divestment of the Hartlepool, Cardiff and Dongguan businesses completed in the half supporting improvement in Group margin, and we have re-organised the business from three divisions to a function-led regional structure which will enable improved business performance towards the delivery of our 12 per cent operating margin target in 2026.

Our focus on building close, long-term relationships further up the value chain and collaborating on design-led solutions often leads to us being designed in for the life of the product. This is evidenced by new business, with 24 significant new wins in the half delivering over £30 million of potential lifetime revenues and further key customer growth from pipeline opportunities. Furthermore, we believe we are well placed, with locations in the United States, Mexico and Malaysia to collaborate with our customers with their re-shoring activities.

Following the success of adding manufacturing services into Malaysia, we have taken the same, low capital intensity model and established these capabilities within our existing facility in Mexicali, Mexico. Here, Surface Mount Technology (SMT) equipment has been installed, teams have been trained and we have run initial product qualification. We are planning to start ramping production in H2.

Results and operations

Group revenue for the period was £274.4 million, down 8 per cent on a constant currency basis. Excluding the impact of the Project Albert divestment and lower pass-through revenue, Group revenue was up 1 per cent. The Group's adjusted operating profit for the period was £22.2 million, 8 per cent lower than the prior period on a constant currency basis. Adjusting for the divestment, operating profit was down 5 per cent.

The adjusted operating margin in the first half was 8.1 per cent (H1 2023: 8.3 per cent), unchanged on a constant currency basis, and we expect to deliver meaningful margin improvement in the second half. Excluding circa £1.7 million of severance costs incurred within adjusted operating profit and excluding the impact of the Project Albert divestment adjusted operating margin was 9.3%. After the impact of adjusting items, including restructuring and acquisition related costs, the Group's half year statutory operating profit was £15.1 million (H1 2023: £20.9 million) and operating margin was 5.5 per cent (H1 2023: 6.8 per cent).

Cash conversion was 30 per cent (H1 2023: 74 per cent) after a working capital outflow of £21.3 million (H1 2023: £6.9 million outflow), reflecting normal H1 seasonality, a mix impact with growth coming from the business with longer customer payment terms and lower trade payables. For the full year the reversal in seasonality and planned inventory reductions are expected to significantly improve the working capital position and reduce leverage towards the bottom end of our 1-2x range. There was a free cash outflow of £7.8 million in the period (H1 2023: £6.9 million inflow) as a result of these factors. Adjusted operating cash inflow post capital expenditure during the period was £6.6 million (H1 2023: £19.0 million inflow). On a statutory basis, cash flow from operating activity was an inflow of £3.4 million (H1 2023: £24.4 million inflow).

Following the buy-in of the UK defined benefit scheme in November 2022, the scheme is de-risked with the scheme liabilities matched by the buy-in insurance policy and no further contributions have made to the scheme. There was a surplus of £24.0 million at 30 June 2024, following the gross refund of £5.0 million to TT in December 2023. The surplus is largely invested in short-term money market funds. We continue the work to move to buy-out of the UK scheme, a process that we expect to conclude by the end of this financial year or early in 2025 following which we can proceed with the wind up of the scheme.

In January 2024 we completed the buy-out of our smaller US defined benefit scheme with a cash contribution of £1.8 million.

At 30 June 2024 net debt was £127.0 million (31 December 2023: £126.2 million), including IFRS 16 lease liabilities of £17.3 million (31 December 2023: £20.8 million), and leverage increased to 1.9x (31 December 2023: 1.7x). We expect leverage to reduce to the lower end of our target range by the end of the year.

Dividend

The Board is declaring an interim dividend of 2.25 pence per share, an increase of 5 per cent. The total cost of this dividend will be approximately £4.0 million. Payment of the dividend will be made on 15 October 2024, to shareholders on the register at 13 September 2024.

OUR STRATEGY

Our strategy is focused on unlocking value for our stakeholders through disciplined execution. We will achieve this through a focus on four key areas:

- Focusing on efficiency to boost productivity and reduce costs
- Enhancing collaboration and commercial focus, facilitated by moving to a function-led regional structure
- Promoting innovation, design, engineering and manufacturing expertise
- Developing our people, products and market positioning to propel sustainable growth

A laser focus on execution, supported by a move from our current divisional structure to a function-led regional structure will leverage our strong engineering and manufacturing capabilities to unlock value and improve returns. This focus will drive enhanced performance and underpins our medium-term financial targets laid out at our recent Capital Markets Event:

- Revenue growth ahead of end market growth of 4-6%
- 12% adjusted operating margin in 2026
- Strong cash conversion of 85%+
- ROIC target of mid to high-teens

PROJECT DYNAMO

There is substantial self-help potential from commercial and operational improvements identified as part of eight current project workstreams. Following further work in the period, we now see an increased opportunity set which will provide the Group with potential structural cost savings and incremental margin of £17 million, net of £4 million of reinvestment in the business, for example in IT resource. Through inventory optimisation we also see £15 million cash benefit in the second half of the current year and expect a further £15 million by 2026.

The eight key project workstreams are:

SG&A savings:

At the recent Capital Markets Event, we shared that we had identified £5-6 million of annual SG&A savings, many of which were already being actioned as part of Project Dynamo. This included travel savings, headcount savings and pension and other discretionary savings. Circa £4 million of these savings have been actioned in the current year, with the full run rate anticipated in 2026.

Logistics & Energy:

We have identified savings in logistics, particularly inbound freight costs, where we have already consolidated/are consolidating down from multiple freight suppliers to a limited number of preferred suppliers. We also see upside, particularly in the UK, through centralised buying of forecasted energy demand to drive additional savings.

Inventory management:

Over the course of the last two to three years inventory levels in the business have increased due to the supply chain issues, growth in the order book, as well as process and master data issues. The move to a function-led regional structure includes the appointment of a Group lead focused on inventory management, incorporating both planning and control. In the period we have completed an inventory process diagnostic and implemented process improvement actions including a review of key parameters such as processing times and safety stock. We have focused on our factory planning capabilities such as setting lead times and modelling capacity and believe there is improvement potential around some of our order management processes.

Short term mitigation actions taken to reduce inventory include:

- Spending caps for seven sites placed in special measures
- Site by site inventory reduction plans
- High frequency reviews to ensure delivery of reduction plans

We are also focused on medium term structural actions which include:

- Setting standard TT ways of working for planning and demand management
- Site by site planning and scheduling capability assessments
- Site by site plans to close gaps

These actions will improve our inventory efficiency over time and drive increased inventory turns. This is expected to reduce inventory by £15 million in the second half, supporting our working capital expectations for the year, and are targeting an additional £15 million benefit by 2026.

Make vs Buy & Asset optimisation:

We have identified more than £30 million of external spend on areas such as machining, calibration testing, connectors and PCBAs which has the potential to be insourced and are now evaluating the potential benefits. We plan to insource around a third of this revenue by 2026 and will provide an update in due course.

Increased collaboration between sites has already resulted in us diverting external spend and we are confident that the establishment of regional centres of excellence will generate savings through both improved efficiency and reduced capital expenditure.

Another significant part of this opportunity from efficiency initiatives will come from consolidating our capabilities and capacity to improve factory productivity. The regional structure is a key enabler of this. We are in the process of reviewing the most cost-effective locations to make certain of our products such as cable and harness assemblies.

Cost of Production:

Of our 18 manufacturing locations, there are four sites where we have identified specific cost of production issues with the opportunity for improvement. A focus on reducing the costs of re-work and improving process yield, among other focus areas will contribute to the cost savings identified.

Commercial – Pricing:

We have identified a number of contracts where the pricing is below our expectation and the new sales organisation, and operations teams are working together to address them.

Pipeline management and sales growth:

We have deployed a global sales and business development structure to enable us to sell all of TT's engineering and manufacturing services to our global customer base. The previous divisional structure was a barrier to us capturing the full benefits of a global approach.

The function led regional structure is already increasing the pipeline with the passing on of opportunities between the regions, now the silos have gone, vertical integration and the ability to cross-sell other products within the TT portfolio.

Innovation:

We prioritise organic investment in the business, investing in R&D and capital equipment to drive differentiation in our offer to customers, resulting in us becoming firmly embedded as valued partners on long term programmes. This expenditure totalled £22.9 million in 2023 and in the first half of 2024 we invested £15.3 million, including £6.3 million (H1 2023: £6.0 million) in R&D spend, representing 4.6 per cent (H1 2023: 3.8 per cent) of the aggregate product revenues. We have a steady pipeline of new products coming to market with over 20 scheduled in the second half of the current year.

While we expect the majority of innovation benefits under Project Dynamo to be realised over the longer term, we have already identified a saving on product development licences where we see duplication due to an inconsistent approach between sites.

A great example of our teams starting to collaborate across regions is our Kansas site in the US and Manchester in the UK working together to respond to a request for a quotation from a market leading Aerospace & Defence player for a power converter system. We are using technology developed in Kansas combined with the second high power stage developed in the UK; this includes a high to low voltage conversion which was developed under the ATI programme AEPEC (Aerospace Electric Propulsion

Equipment) and is being further developed in FABB-HVDC (Future Aircraft Building Blocks for High Voltage DC) this point offering provides the customer with an optimised programme schedule and cost by leveraging the global capability of TT.

DEVELOPING OUR PEOPLE, PRODUCTS AND MARKET POSITIONING FOR SUSTAINABLE GROWTH

Not only do we engineer and manufacture electronic solutions that enable reduced environmental impacts for our customers, but we are also optimising our own operations to reduce our impact on the environment.

In April this year, we brought forward our Net Zero target to 2030, from the original objective of 2035.
In 2023 we delivered a 62 per cent reduction in our Scope 1 & 2 carbon emissions from our baseline set in 2019.

We have solar schemes operational at our sites in Kuantan, Malaysia and Mexicali, Mexico and our most recent scheme in Suzhou, China has just completed commissioning. Further reductions in our carbon emissions will require additional such investment in solar power, acquiring alternative sources of renewable power within deregulated markets and progress in the supply of renewables in regulated Asian markets.

We're delighted to have delivered a 2023 employee engagement score in line with the three star "world class companies to work for" Best Companies Ltd benchmark. The three star rating is the highest level achievable and demonstrates a year-on-year improvement on our two star (outstanding) rating in 2021. A record high of 91% of employees globally completed the survey, up from 86% in both 2021 and 2020.

REGIONAL REVIEW

EUROPE

	H1 2024	H1 2023	Change	Change constant fx[1]
Revenue	£77.1m	£81.5m	(5)%	(5)%
Revenue ex divestment	*£65.3m*	*£56.0m*	*17%*	*17%*
Adjusted operating profit[1]	£7.5m	£4.3m	74%	74%
Adjusted Operating profit ex divestment	*£8.0m*	*£4.6m*	*74%*	*74%*
Adjusted operating margin[1]	9.7%	5.3%	440bps	440bps
Adjusted operating margin ex divestment[1]	*12.3%*	*8.2%*	*410 bps*	*410 bps*

[1] See note 2c on page 28 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 4 on page 32 of this document.

Revenue decreased by £4.4 million to £77.1 million (H1 2023: £81.5 million) with good organic volume and price growth being offset by the £13.7 million reduction from the divestment of the Hartlepool and Cardiff locations, as part of Project Albert. Organic revenue was 17 per cent higher driven mainly by increased demand from the Aerospace and Defence market.

Adjusted operating profit increased by £3.2 million to £7.5 million (H1 2023: £4.3 million) given healthy levels of operational leverage on the organic growth and efficiency improvements. Excluding the impact of Project Albert organic adjusted operating profit increased by 74 per cent. Adjusted operating margin increased to 9.7 per cent (H1 2023: 5.3 per cent).

Overall order intake remains good. As we look into the second half, further growth supported by the order book and additional operational and pricing improvements, along with the removal of the drag from the lower margin Project Albert divestments, support our confidence in a further step-up in margin performance.

Contract awards and growth drivers during the period, giving us confidence as we look forward, include:

- We have been awarded a new contract with long standing customer, Kongsberg Defence and Aerospace for the production of mission-critical cable harness assemblies. We will provide engineering and production for Kongsberg's naval defence technology and believe this latest award demonstrates the customer's confidence in the continued delivery of engineering expertise, complex assemblies for the harshest environments and operational excellence from our Fairford facility.

- Our Abercynon team has successfully added a new defence customer. The contract is for the design and manufacture of cable assemblies and custom connector solutions for the Warrior land military vehicle. The end product supplied to the UK MoD will be a rear safety camera system for the tracked military vehicle. This significant win, was the result of the team's recognised expertise in designing and developing connector solutions, establishing them as a leading supplier to the UK land military vehicle market. The award highlights the capability within TT's interconnect offerings and demonstrates to the industry our ability to translate issues into product and service solutions.

- In Aerospace and Defence, our Barnstaple team has secured a new contract to manufacture power and control cabinets for an important UK maritime defence project. The order is worth £3.7m and the goal is to deliver the first units in Q4 2024. We were chosen based on our manufacturing expertise and a strong relationship between engineering teams, which has been built over years of working together and who recognise our capability for manufacturing power & control cabinets. Given the new structure, this win provides the region with a real opportunity to collaborate across sites, maximise asset utilisation and increase efficiency bringing all TT resources together to deliver for the customer.

NORTH AMERICA

	H1 2024	H1 2023	Change	Change constant fx[1]
Revenue	£95.5m	£115.4m	(17)%	(14)%
Adjusted operating profit[1]	£4.8m	£13.1m	(63)%	(62)%
Adjusted operating margin[1]	5.0%	11.4%	(640)bps	(620)bps

[1] See note 2c on page 28 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 4 on page 32 of this document.
Note: No divestment impact here

Revenue reduced by £19.9 million to £95.5 million (H1 2023: £115.4 million) reflecting significant volume headwinds in components business. Significant cost action has been taken, to mitigate the volume declines experienced, which will contribute to the improvements anticipated in the second half.

Adjusted operating profit decreased by £8.3 million to £4.8 million (H1 2023: £13.1 million) including a £0.6 million foreign exchange headwind. The adjusted operating profit margin was 5.0 per cent (H1 2023: 11.4 per cent) reflecting the impact of volume declines in higher margin component lines. Excluding severance costs, adjusted operating margins were 6.5 per cent. Second half margins are expected to show a significant step-up benefitting from the savings associated with headcount reductions, as well as sequential revenue improvement compared to the first half of 2024.

There was a strong improvement in order intake in the first half of the year, including orders for 2025 and beyond, and book to bill turned positive following the weaker order intake performance in the second half of 2023 in particular. Compared to the first half of 2023, orders are up 21% at constant currency, and we are seeing the early signs of improvements in components demand.

Notable wins and growth drivers in the period include the following:

- We have secured a contract for transformer assemblies for Graco, one of the world's leading suppliers of fluid management products and packages. These orders are associated with momentum business that we have supported Graco with for some time. They are used in industrial equipment that Graco manufactures for use in the home building industry.

- In Healthcare we have had two momentum wins using electromagnetic tracking technology for a global medical device customer developing surgical navigation equipment. Both wins utilise our sensor technology to track the tip of the navigation device during complex surgeries.

- One of our Automation and Electrification customers, BHARAT Heavy Electricals (BHEL), is one of the leading manufacturers of traction equipment for Indian Railways. Our win is to provide a fibre optic transmitter & receiver which is used in the communication system in locomotives. We have regained this customer after persistent follow-up and close interactions with BHEL by supplying the parts ahead of the scheduled lead time enabling the customer to meet peak demand. We are now the sole source for this business.

ASIA

	H1 2024	H1 2023	Change	Change constant fx[1]
Revenue	£101.8m	£112.2m	(9)%	(3)%
Revenue ex divestment	*£97.5m*	*£104.2m*	*(6)%*	*0%*
Adjusted operating profit[1]	£14.0m	£12.1m	16%	26%
Adjusted Operating profit ex divestment	*£13.7m*	*£11.2m*	*22%*	*33%*
Adjusted operating margin[1]	13.8%	10.8%	300bps	330bps
Adjusted operating margin ex divestment	*14.0%*	*10.8%*	*320bps*	*350bps*

[1] See note 2c on page 28 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 4 on page 32 of this document.

Revenue reduced by £10.4 million to £101.8 million (H1 2023: £112.2 million) including a £6.9 million foreign exchange headwind. Organic revenue was flat excluding the impact of the Project Albert divestment, and 10.1 per cent higher excluding the £8.8 million unwind of pass-through revenue.

Adjusted operating profit increased by £1.9 million to £14.0 million (H1 2023: £12.1 million) with the benefit of volume growth in part offset by a £1.0 million foreign exchange headwind and a £0.5 million reduction from the disposal of the Dongguan site, as part of Project Albert. The adjusted operating profit margin increased to 13.8 per cent (H1 2023: 10.8 per cent) due to the reduction in zero margin pass through revenues, and good operational leverage on volume increases. Excluding £2.8 million of pass-through revenues adjusted operating margin was 14.5 per cent (H1 2023: 12.2 per cent).

Order intake in the first half was strong, and revenues for the second half are fully covered by available order book.

There have been a number of key developments during the first half of the year including:

- Our Asia team has secured a new project with a long standing, global leader in analytical instruments and software in the life sciences sector to provide high level assembly solutions including New Product Introduction (NPI), PCB assembly, cable assembly and clean room manufacturing for a high-end mass spectrometer for use in biomedical research.

- TT has received an award to provide a custom potentiometer for an international leader in Aerospace and Defence that goes in the rudder pedal actuator in the world's most common fixed-wing aircraft in military service.

Outlook

The Group's order book and current momentum of order intake in our components business underpin our confidence in the full year outturn. The completion of Project Albert, significant cost action taken and some early benefits from our self-help programme, Project Dynamo, support our 10 per cent operating margin target for the year and for leverage to return to the lower end of our 1-2x target range.

OTHER FINANCIAL INFORMATION

Group revenue of £274.4 million (H1 2023: £309.1 million) was 8 per cent lower than in the same period last year on a constant currency basis.

The Group reported an adjusted operating profit of £22.2 million (H1 2023: £25.6 million). Statutory operating profit for the period was £15.1 million (H1 2023: £20.9 million) after a charge of £7.1 million (H1 2023: £4.7 million) for items excluded from adjusted operating profit including:

- Acquisition and disposal related costs of £6.3 million (H1 2023: £3.5 million), comprising £1.4 million of amortisation of acquired intangible assets and £4.9 million relating to the Project Albert divestment.

- Restructuring and other costs of £0.8 million (H1 2023: £1.2 million), comprising pension project costs of £0.8 million (£0.6 million in respect of the buy-in of the UK pension scheme and a settlement charge of £0.2 million in respect of the partial buy out of the US scheme) and £nil million (H1 2023: £0.3 million) including £0.4 million relating to the closure of production facilities in Hatfield, USA offset by £0.4 million inflow relating to the Barbados closure.

The Group generated an adjusted operating margin of 8.1 per cent (H1 2023: 8.3 per cent) with the decrease as a result of the significant headwinds faced in our North American components business and severance costs incurred in response to this.

The net finance cost increased to £5.2 million (H1 2023: £4.9 million) due to higher interest rates. The Group's overall tax charge was £3.9 million (H1 2023: £4.1 million). The tax charge on adjusted profit before tax was £4.3 million (H1 2023: £5.2 million), resulting in an effective adjusted tax rate of 25.3 per cent (H1 2023: 25.2 per cent).

Basic earnings per share (EPS) decreased to 3.4 pence (H1 2023: 6.8 pence). Adjusted EPS reduced to 7.2 pence (H1 2023: 8.8 pence), reflecting the reduction in adjusted operating profit and higher interest charge.

Adjusted operating cash flow post capital expenditure was £6.6 million inflow (H1 2023: £19.0 million inflow) which was primarily due to lower profits, a £21.3 million working capital outflow (H1 2023: £6.9 million outflow), reflecting normal H1 seasonality and the mix impact of growth coming from the business with longer customer payment terms and lower trade payables partly offset by lower capital expenditure. This resulted in operating cash conversion of 30 per cent (H1 2023: 74 per cent). On a statutory basis, cash flow from operating activity was an inflow of £3.4 million (H1 2023: £24.4 million inflow).

There was a free cash outflow of £7.8 million (H1 2023: £6.9 million inflow) reflecting higher tax and interest payments, the £1.8 million buy-out of the small US pension scheme (H1 2023: £nil million) and includes £0.5 million of restructuring and acquisition related payments (H1 2023: £1.0 million).

The divestment generated a net cash inflow in the period of £14.2 million after costs and adjustments for working capital and debt like items. A further working capital adjustment of £2.0 million will be paid to Cicor in the second half of the year.

As at 30 June 2024 the Group's net debt was £127.0 million (31 December 2023: £126.2 million), including £17.3 million of lease liabilities (31 December 2023: £20.8 million). Leverage, consistent with the bank covenants, was 1.9 times at 30 June 2024 (31 December 2023: 1.7 times).

Following the buy-in of the UK defined benefit scheme in November 2022, the scheme is de-risked and had a surplus of £24.0 million at 30 June 2024. No contributions were made to the scheme in the period and none are expected going forwards. The scheme data is now being adopted by Legal and General and is moving to buy-out by the end of the year or early in 2025.

Summary of Adjusted results

To assist with the understanding of earnings trends, the Group has included within its non-GAAP alternative performance measures including adjusted operating profit and adjusted profit. Further information is contained in the 'Reconciliation of KPIs and non IFRS measures' on pages 39 to 47.

A summary of the Group's adjusted results, and a reconciliation of statutory to adjusted profit numbers are set out below:

£ million	**H1 2024**	**H1 2023**
Revenue	**274.4**	309.1
Adjusted Operating profit	**22.2**	25.6
Adjusted Operating margin	***8.1%***	*8.3%*
Net finance expense	**(5.2)**	(4.9)
Profit before tax	**17.0**	20.7
Tax	**(4.3)**	(5.2)
Tax rate	***25.3%***	*25.2%*
Profit after tax	**12.7**	15.5
Weighted average number of shares	***176.7 million***	*176.0 million*
EPS	**7.2p**	8.8p

Reconciliation of Adjusted results

£ million	Note	H1 2024	H1 2023
Operating profit		**15.1**	20.9
Adjusted to exclude:			
Restructuring and other items			
Pension restructuring costs	**1**	**(0.8)**	(0.9)
Restructuring		**-**	(0.3)
		(0.8)	(1.2)
Acquisition related costs	**2**		
Amortisation of intangible assets arising on business combinations		**(1.4)**	(2.7)
Torotel integration costs		**-**	(0.4)
Ferranti integration costs		**-**	(0.4)
Project Albert costs		**(4.9)**	-
		(6.3)	(3.5)
Total operating reconciling items		**(7.1)**	(4.7)
Adjusted operating profit		**22.2**	25.6
Profit before tax		**9.9**	16.0
Total operating reconciling items (as above)		**7.1**	4.7
Adjusted profit before tax		**17.0**	20.7
Taxation charge on adjusted profit		**(4.3)**	(5.2)
Adjusted profit after taxation		**12.7**	15.5

Note 1: Pension restructuring costs of £0.8 million (2023: £0.9 million) comprise £0.6 million relating to costs associated with liability management exercises and cleansing of scheme data and £0.2 million as a settlement cost upon completion of the buyout of our US pension scheme.

Note 2: Acquisition related costs of £6.3 million (H1 2023: £3.5 million) comprise £1.4 million (H1 2023: £2.7 million) of amortisation of acquisition intangibles, £nil million (H1 2023: £0.4 million integration costs) relating to the acquisition of the Power and Control business of Ferranti Technologies Ltd. based in Oldham and costs of £4.9 million relating to the Project Albert divestment.

Cash flow, net debt and leverage

The table below sets out Group cash flows and net debt movement:

£ million	**H1 2024**	H1 2023
Adjusted operating profit	**22.2**	25.6
Depreciation and amortisation	**7.4**	8.6
Working capital movement	**(21.3)**	(6.9)
Net capital expenditure	**(3.1)**	(9.3)
Capitalised development expenditure	**(0.5)**	(0.9)
Other	**1.9**	1.9
Adjusted Operating Cash Flow post Capex	**6.6**	19.0
Restructuring and acquisition costs	**(0.5)**	(1.0)
Net interest and tax	**(10.1)**	(8.8)
Lease payments	**(2.0)**	(2.3)
US pension scheme buy-out	**(1.8)**	-
Free Cash Flow	**(7.8)**	6.9
Dividends	**(8.2)**	(7.5)
Lease payments	**2.0**	2.3
Equity issued	**0.4**	0.1
Disposals	**19.5**	-
Cash with disposed businesses	**(5.3)**	-
Other	**(2.0)**	-
Net debt impacting cashflow	**(1.4)**	1.8
Opening net debt	**(126.2)**	(138.4)
Leases disposed of as part of Project Albert	**2.6**	-
Other non-cash (new leases and lease reassessments)	**(1.2)**	(0.5)
FX	**(0.8)**	(1.7)
Closing net debt	**(127.0)**	(138.8)

At 30 June 2024 the Group's net debt was £127.0 million (31 December 2023: £126.2 million). Included within net debt was £17.3 million of lease liabilities (31 December 2023: £20.8 million).

Consistent with the Group's borrowing agreements, which exclude the impact of IFRS 16 leases, leverage ratio was 1.9 times at 30 June 2024 (31 December 2023: 1.7 times). Net interest cover was 5.3 times (31 December 2023: 6.1 times). The Group's debt covenants state that the leverage ratio must not exceed 3.0 times and that interest cover must be more than 4.0 times.

DIVISIONAL PERFORMANCE

As part of the Capital Market Event on 9 April we articulated the move to a function-led, regional reporting structure. This move from our previous divisional structure will enable us to better leverage our strong engineering and manufacturing capabilities to improve execution, unlock value and improve returns.

For purposes of transparency, we committed to provide the supplementary disclosure covering the previous divisional segment performance both the interim 2024 results and for the full year 2024 results in early March 2025. There will be no further divisional disclosure beyond this point. The tables below include the contribution from the assets divested as part of Project Albert.

POWER AND CONNECTIVITY

	H1 2024	H1 2023	Change	Change constant fx[1]
Revenue	£83.8m	£79.9m	5%	7%
Adjusted operating profit[1]	£7.2m	£5.9m	22%	26%
Adjusted operating margin[1]	8.6%	7.4%	120bps	130bps

Revenue increased by £3.9 million to £83.8 million (H1 2023: £79.9 million) with healthy volume and pricing growth offset by a £6.0 million impact from the Project Albert divestment. Organic revenue was 16 per cent higher driven mainly by increased demand from the aerospace and defence market.

Adjusted operating profit increased by £1.3 million to £7.2 million (H1 2023: £5.9 million) given healthy levels of operational leverage on the organic growth. Adjusted operating margin increased to 8.6 per cent (H1 2023: 7.4 per cent). There was a £0.2 million foreign exchange headwind.

GLOBAL MANUFACTURING SOLUTIONS

	H1 2024	H1 2023	Change	Change constant fx[1]
Revenue	£138.7m	£153.8m	(10)%	(5)%
Adjusted operating profit[1]	£16.1m	£13.8m	17%	27%
Adjusted operating margin[1]	11.6%	9.0%	260 bps	290 bps

Revenue reduced by £15.1 million to £138.7 million (H1 2023: £153.8 million). We have delivered organic growth excluding unwind of pass-through revenues of 11 per cent, reflecting partnerships with our key long term relationship customers and recent project wins. Pass-through revenue was £8.8 million lower in the first half versus the first half of last year and this creates a technical tailwind to margin progression.

Adjusted operating profit increased by £2.3 million to £16.1 million (H1 2023: £13.8 million) as good operational leverage on volume growth was partly offset by a £1.1 million foreign exchange headwind and a £0.9m impact from the Project Albert disposal. The adjusted operating profit margin was 11.6 per cent (H1 2023: 9.0 per cent) reflecting operational leverage on growth as well as the benefit of pricing actions. Excluding pass-through revenues adjusted operating margin was 11.8 per cent (H1 2023: 9.7 per cent).

SENSORS AND SPECIALIST COMPONENTS

	H1 2024	H1 2023	Change	Change constant fx[1]
Revenue	£51.9m	£75.4m	(31)%	(29)%
Adjusted operating profit[1]	£3.0m	£9.8m	(69)%	(68)%
Adjusted operating margin[1]	5.8%	13.0%	(720) bps	(710) bps

Revenue reduced by £23.5 million to £51.9 million (H1 2023: £75.4 million). Organic revenue was 29 per cent lower.

Adjusted operating profit reduced significantly by £6.8 million to £3.0 million (H1 2023: £9.8 million) due to the impact of volume reductions and the cost of the significant cost action take to mitigate this. There was also a £0.3 million foreign exchange headwind. The adjusted operating profit margin reduced to 5.8 per cent (H1 2023: 13.0 per cent) impacted by the output shift noted above.

Principal risks and uncertainties

The Group has an established, structured approach to identifying and assessing the impact of financial and operational risks on its business, which is reviewed and updated quarterly. The principal risks and uncertainties for the remainder of the financial year are not expected to change materially from those included on pages 62 to 66 of the Annual Report and Accounts 2023. The risks identified relate to the following areas: general revenue reduction due to geopolitical instability or economic downturn; contractual risks; research and development; people and capability; supplier resilience; IT systems and information; M&A and integration; sustainability, climate change and the environment; health and safety and legal and regulatory compliance. Further information in relation to the Group's financial position and going concern is included on page 20.

Cautionary statement

This report contains forward-looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

TT Electronics plc

Results for the half-year ended 30 June 2024

Going Concern

The Group has delivered a robust performance with improvement in our European business and continued strength in Asia, offset by difficult market conditions in our shorter cycle components business, predominantly in North America. Cost action was taken to offset the lower demand which is forecast to drive a greater weighting of profit to the second half of the year.

The Group's financial position remains stable, on 30 June 2024 it had £281.2 million of total borrowing facilities available (comprising committed facilities of £253.1 million, of which £192.0 million is drawn, and uncommitted facilities of £28.1 million representing overdraft lines and an undrawn accordion facility of £17.6 million).

The Group's primary source of finance is the £162.4 million committed revolving credit facility (RCF) which was signed in June 2022 and will mature in June 2027. At 30 June 2024 £101.3 million of this facility had been drawn down. The Group's RCF interest is payable on a floating rate basis above GBP SONIA, USD SOFR or EURIBOR depending on the currency of the loan.

In December 2021, TT issued £75 million of private placement fixed rate loan notes with three institutional investors; the issue is evenly split between 7- and 10- year maturities with an average interest rate of 2.9% and covenants in line with our bank facility.

The Group had a leverage ratio of 1.9 times on 30 June 2024 (31 December 2023: 1.7) compared to an RCF covenant maximum of 3.0 times and interest cover (pre-IFRS 16 and excluding pension interest) of 5.3 times (31 December 2023: 6.1) compared to an RCF covenant minimum of 4.0 times.

The Group has prepared and reviewed cash flow forecasts across the business over the twelve-month period from the date of the approval of these interim results, considering the Group's current financial position and the potential impact of our principal risks on divisional performance.

Under the Group's base case financial projections, the Group retains significant liquidity and covenant headroom, with both metrics improving from the position as at 30 June 2024.

The Group's downside stress test scenario has been sensitised for supply chain challenges, interest rate risks, general economic downturn and people and capability challenges which show a reduction in revenue and operating profit compared to the latest forecast. Despite this further reduction these projections show that the Group should remain well within its facilities headroom and within bank covenants during 2024 and 2025. A 'reverse' stress test was also modelled to understand the conditions which could jeopardise the ability of the Group to continue as a going concern including assessing against covenant testing and facility headroom. The reverse stress test scenario is deemed to have a remote likelihood and helped inform the Directors' assessment that there are no material uncertainties in relation to going concern.

The Group's wide geographical and sector diversification helps minimise the risk of serious business interruption or catastrophic reputational damage. Furthermore, the business model is structured so that the Group is not overly reliant on any single customer, market or geography.

The Directors have assessed the future funding requirements of the Group with due regard to the risks and uncertainties to which the Group is exposed and compared them with the level of available borrowing facilities and are satisfied that the Group has adequate resources for at least twelve months from the date of signing these interim financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Responsibility statement of the Directors

We confirm that to the best of our knowledge:

- The 2024 annual financial statements of TT Electronics plc will be prepared in accordance with United Kingdom adopted International Accounting Standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R:
  - (i) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements; and
  - (ii) a description of the principal risks and uncertainties for the remaining six months of the year.
- the interim management report includes a fair review of the information required by DTR 4.2.8R:
  - (i) related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period; and
  - (ii) any changes in the related parties transactions described in the 2023 Annual Report that could have a material effect on the financial position or performance of the Group in the current period.

By order of the Board

Peter France
Chief Executive Officer
7 August 2024

Mark Hoad
Chief Financial Officer
7 August 2024

Cautionary statement

This report contains forward-looking statements. These have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. The directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Independent review report to TT Electronics plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises of the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 14.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). 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 (UK) 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.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our conclusion relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
7 August 2024

Condensed consolidated income statement (unaudited)

for the six months ended 30 June 2024

£million (unless otherwise stated)	Note	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Revenue	3	274.4	309.1	613.9
Cost of sales		(211.7)	(235.6)	(466.9)
Gross profit		62.7	73.5	147.0
Distribution costs		(11.8)	(14.8)	(26.9)
Administrative expenses		(35.8)	(37.8)	(111.4)
Operating profit		15.1	20.9	8.7
Analysed as:				
Adjusted operating profit	3	22.2	25.6	52.8
Restructuring costs	4	-	(0.3)	(2.0)
Pension restructuring costs	4	(0.8)	(0.9)	(1.9)
Asset impairments and measurement losses	4	-	-	(32.5)
Amortisation of intangible assets arising on business combinations	4	(1.4)	(2.7)	(4.6)
Acquisition and disposal related costs	4	(4.9)	(0.8)	(3.1)
Finance income		0.8	0.8	1.6
Finance costs		(6.0)	(5.7)	(11.4)
Profit before taxation		9.9	16.0	(1.1)
Taxation	6	(3.9)	(4.1)	(5.7)
Profit/(loss) for the period attributable to the owners of the Company		6.0	11.9	(6.8)
EPS attributable to owners of the Company (pence)				
Basic	7	3.4	6.8	(3.9)
Diluted	7	3.3	6.7	(3.9)

Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2024

£million	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
Profit/(loss)Loss for the period	6.0	11.9	(6.8)
Other comprehensive income/(loss) for the period after tax			
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	1.6	(18.1)	(17.3)
Tax on exchange differences	-	-	1.1
Foreign exchange gain on disposals taken to income statement	(0.6)	-	-
(Loss)/gain on hedge of net investment in foreign operations	(0.4)	1.9	1.8
(Loss)/gain on cash flow hedges taken to equity less amounts recycled to the income statement	(5.1)	3.2	3.5
Deferred tax gain/(loss) on movement in cash flow hedges	1.0	(0.5)	(0.7)
Items that will not be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes	(0.9)	(1.4)	0.2
Tax on remeasurement of defined benefit pension schemes	2.7	0.5	(0.1)
Total comprehensive profit/(loss) for the period attributable to the owners of the Company	4.3	(2.5)	(18.3)

Condensed consolidated statement of financial position (unaudited)

£million	Note	30 June 2024	30 June 2023	31 December 2023 (audited)
ASSETS				
Non-current assets				
Right-of-use assets		15.1	17.4	15.8
Property, plant and equipment		59.6	56.5	61.3
Goodwill		141.3	149.7	140.8
Other intangible assets		31.1	49.9	32.7
Deferred tax assets		15.4	12.6	15.4
Derivative financial instruments	9	0.1	2.0	0.8
Pensions	10	24.0	29.2	25.3
Total non-current assets		286.6	317.3	292.1
Current assets				
Inventories		148.4	181.4	143.5
Trade and other receivables		99.0	107.6	90.2
Income taxes receivable		2.0	0.3	2.0
Derivative financial instruments	9	2.3	5.9	5.2
Assets classified as held for sale		-	-	48.0
Cash and cash equivalents	11	65.1	75.4	74.1
Total current assets		316.8	370.6	363.0
Total assets		603.4	687.9	655.1
LIABILITIES				
Current liabilities				
Borrowings	11	0.1	5.6	1.2
Liabilities directly associated with assets classified as held for sale		-	-	28.1
Lease liabilities	11	3.7	4.0	3.8
Derivative financial instruments	9	2.4	3.7	1.5
Trade and other payables		121.1	153.0	127.9
Income taxes payable		9.5	9.0	10.9
Provisions		3.2	3.2	3.1
Total current liabilities		140.0	178.5	176.5
Non-current liabilities				
Borrowings	11	174.7	188.4	181.9
Lease liabilities	11	13.6	16.2	14.4
Derivative financial instruments	9	1.3	1.2	0.6
Deferred tax liability		4.3	12.5	7.0
Pensions	10	1.5	2.9	3.1
Provisions and other non-current liabilities		1.1	1.1	1.1
Total non-current liabilities		196.5	222.3	208.1
Total liabilities		336.5	400.8	384.6
Net assets		266.9	287.1	270.5
EQUITY				
Share capital		44.4	44.1	44.3
Share premium		24.3	23.0	24.0
Translation reserve		41.3	38.9	40.7
Other reserves		7.7	10.0	11.9
Retained earnings		149.2	171.1	149.6
Total equity		266.9	287.1	270.5

Approved by the Board of Directors on 7 August 2024 and signed on their behalf by:

Peter France	Mark Hoad
Director	Director

Condensed consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2024

£million	Share capital	Share premium	Translation Reserve	Other reserves	Retained earnings	Total
At 31 December 2022 (audited)	44.1	22.9	55.1	7.3	167.6	297.0
Profit for the period	-	-	-	-	11.9	11.9
Other comprehensive income						
Exchange differences on translation of foreign operations	-	-	(18.1)	-	-	(18.1)
Profit on hedge of net investment in foreign operations	-	-	1.9	-	-	1.9
Profit on cash flow hedges taken to equity less amounts recycled to the income statement	-	-	-	3.2	-	3.2
Deferred tax on movement in cash flow hedges	-	-	-	(0.5)	-	(0.5)
Remeasurement of defined benefit pension schemes	-	-	-	-	(1.4)	(1.4)
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	0.5	0.5
Total comprehensive (loss)/income	-	-	(16.2)	2.7	11.0	(2.5)
Transactions with owners recorded directly in equity						
Equity dividends paid by the Company	-	-	-	-	(7.5)	(7.5)
Share-based payments	-	-	-	0.2	-	0.2
Deferred tax on share-based payments	-	-	-	(0.2)	-	(0.2)
New shares issued	-	0.1	-	-	-	0.1
At 30 June 2023	44.1	23.0	38.9	10.0	171.1	287.1
At 31 December 2023 (audited)	44.3	24.0	40.7	11.9	149.6	270.5
Profit for the period					6.0	6.0
Other comprehensive income/(expense)						
Exchange differences on translation of foreign operations	-	-	1.6	-	-	1.6
Foreign exchange gain on disposals taken to income statement	-	-	(0.6)	-	-	(0.6)
Loss on hedge of net investment in foreign operations	-	-	(0.4)	-	-	(0.4)
Loss on cash flow hedges taken to equity less amounts recycled to income statement	-	-	-	(5.1)	-	(5.1)
Deferred tax on movement in cash flow hedges	-	-	-	1.0	-	1.0
Remeasurement of defined benefit pension schemes	-	-	-	-	(0.9)	(0.9)
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	2.7	2.7
Total comprehensive income/(loss)	-	-	0.6	(4.1)	7.8	4.3
Transactions with owners recorded directly in equity						
Equity dividends paid by the Company	-	-	-	-	(8.2)	(8.2)
Share-based payments	-	-	-	1.9	-	1.9
New shares issued	0.1	0.3	-	-	-	0.4
Other movements	-	-	-	(2.0)	-	(2.0)
At 30 June 2024	44.4	24.3	41.3	7.7	149.2	266.9

Condensed consolidated cash flow statement (unaudited)

for the six months ended 30 June 2024

£million	Note	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Cash flows from operating activities				
Profit/(loss) for the period		6.0	11.9	(6.8)
Taxation	6	3.9	4.1	5.7
Net finance costs		5.2	4.9	9.8
Restructuring costs and non underlying asset impairments and remeasurements	4	0.8	1.2	36.4
Amortisation, acquisition and disposal related costs	4	6.3	3.5	7.7
Adjusted operating profit		22.2	25.6	52.8
Adjustments for:				
Depreciation		6.7	7.3	14.0
Amortisation of intangible assets		0.7	1.3	2.5
Share based payment expense		1.9	1.5	3.1
Scheme funded pension administration costs		0.7	0.8	1.6
Other items		-	0.4	(0.7)
(Increase)/decrease in inventories		(2.6)	(2.6)	4.5
(Increase)/decrease in receivables		(5.7)	7.3	10.5
Decrease in payables and provisions		(13.7)	(12.4)	(15.5)
Adjusted operating cash flow		10.2	29.2	72.8
(Funding)/reimbursement (of)/from pension schemes		(1.8)	-	3.2
Restructuring and acquisition related costs		(0.5)	(1.0)	(4.0)
Net cash generated from operations		7.9	28.2	72.0
Net income taxes paid		(4.5)	(3.8)	(9.1)
Net cash flow from operating activities		3.4	24.4	62.9
Cash flows from investing activities				
Purchase of property, plant and equipment		(3.3)	(9.0)	(22.3)
Proceeds from sale of property, plant and equipment and government grants received		0.2	0.1	0.5
Capitalised development expenditure		(0.5)	(0.9)	(1.6)
Purchase of other intangibles		-	(0.4)	(0.6)
Disposal of business	5	19.5	-	-
Cash with disposed businesses	5	(5.3)		
Net cash flow used in investing activities		10.6	(10.2)	(24.0)
Cash flows from financing activities				
Issue of share capital	12	0.4	0.1	1.3
Interest paid		(5.6)	(5.0)	(10.6)
Repayment of borrowings		(20.0)	(4.0)	(26.1)
Proceeds from borrowings		12.1	17.5	32.7
Capital payment of lease liabilities		(2.0)	(2.3)	(4.4)
Other items		(2.0)	-	(1.2)
Dividends paid by the Company	8	(8.2)	(7.5)	(11.3)
Net cash flow used in financing activities		(25.3)	(1.2)	(19.6)
Net (decrease)/increase in cash and cash equivalents		(11.3)	13.0	15.7
Cash and cash equivalents at beginning of period including those classified as held for sale	11	76.5	61.3	61.3
Exchange differences	11	(0.2)	(4.5)	(4.1)
Cash and cash equivalents at end of period	11	65.0	69.8	72.9
Cash and cash equivalents comprise:				
Cash at bank and in hand	11	65.1	75.4	74.1
Bank overdrafts	11	(0.1)	(5.6)	(1.2)
Cash and cash equivalents at end of period	11	65.0	69.8	72.9
Cash and cash equivalents included within assets classified as held for sale		-	-	3.6
Cash and cash equivalents at end of period including those classified as held for sale		65.0	69.8	76.5

Notes to the condensed consolidated financial statements (unaudited)

1. General information

The condensed consolidated financial statements for the six months ended 30 June 2024 are unaudited and were authorised for issue in accordance with a resolution of the Board of Directors. The information for the six months ended 30 June 2024 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Comparative information for the year ended 31 December 2023 has been taken from the published statutory accounts, a copy of which has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

a) Condensed consolidated half-year financial statements

The 2024 annual financial statements of TT Electronics plc will be prepared in accordance with United Kingdom adopted International Accounting Standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting'. These condensed consolidated half-year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2023 Annual Report.

b) Basis of accounting

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

c) Alternative performance measures

The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results of the Group.

Adjusted operating profit has been defined as operating profit from continuing operations excluding the impacts of significant restructuring programmes, significant one-off items including property disposals, impairment charges significant in nature and/or value, certain one-off pension costs, business acquisition, integration and divestment related activity and the amortisation of intangible assets recognised on acquisition. Acquisition and disposal related items include the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Restructuring includes significant changes in footprint (including movement of production facilities) and significant costs of management changes.

In addition to the items above, adjusting items impacting profit after tax include:

- The net effect on tax of significant restructuring from strategy changes that are not considered by the Group to be part of the normal operating costs of the business; and
- The tax effects of adjustments to profit before tax.

Costs associated with restructuring, acquisitions and disposals are uncertain with regard to their timing and size and therefore their inclusion within adjusted operating profit could mislead the reader of the accounts.

These interim results include alternative performance measures that are not prepared in accordance with IFRS. These alternative performance measures have been selected by the Directors to assist them in making operating decisions because they represent the underlying operating performance of the Group and facilitate internal comparisons of performance over time.

The Directors consider the adjusted results to be an important measure used to monitor how the businesses are performing as this provides a meaningful reflection of how the businesses are managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods, when all businesses are held for a complete reporting period.

These alternative performance measures exclude certain significant non-recurring, infrequent or non-cash items that the Directors do not believe are indicative of the underlying operating performance of the Group (that are otherwise included when preparing financial measures under IFRS).

Adjusted profit is not a defined term under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparable periods where provided.

The Directors consider there to be four main alternative performance measures: adjusted operating profit, free cash flow, adjusted EPS and adjusted effective tax rate.

All alternative performance measures are presented within the section titled 'Reconciliation of KPIs and non IFRS Measures' and are reconciled to their equivalent statutory measures where this is appropriate.

d) Estimates and judgements

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Significant judgements relate to the determination of items of income and expense excluded from operating profit to arrive at adjusted operating profit. Judgements are required as to whether items are disclosed as adjusting with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items is included in note 1c of the 2023 Annual Report.

Significant estimates relate to uncertain tax provisions. Accruals for tax contingencies require management to make judgements and estimates in relation to tax authority audits and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. These amounts are expected to be utilised or to reverse as tax audits occur or as the statute of limitations is reached in the respective countries concerned. The Group's current tax liability at 30 June 2024 includes tax provisions of £10.7 million (2023: £9.3 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £14.3 million (2023: £12.3 million).

e) Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources and financial headroom to continue in operational existence for at least twelve months from the date of signing these interim results. Therefore, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated half-year financial statements. Page 20 outlines the going concern assessment.

Given the financial resources available, together with long term partnerships with multiple key customers and suppliers across different geographic areas and industries, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group continues to manage foreign currency risk at a transactional level through the use of hedges which are monitored by the Group Treasury Committee.

The Group Treasury Committee regularly reviews counterparty credit risk and ensures cash balances are held with carefully assessed counterparties with strong credit ratings.

Pages 59 to 67 of the 2023 Annual Report provide details of the Group's policy on managing its operational and financial risks.

3. Segmental reporting

In 2023 the Group was organised into three divisions which corresponded to the products and services provided. Following the organisational change put in place from 1 March 2024, which was announced internally in January 2024 and externally at the Capital Markets Event in April 2024, the group has now moved from divisions to a functional matrix structure across three regions.

The Group is organised into three regions, as shown below. Each of these regions represents an operating segment in accordance with IFRS 8 'Operating segments' and there is no aggregation of segments. The chief operating decision maker is the Chief Executive Officer. The operating segments are:

- Europe – the Europe segment encompasses all the Group's European operations comprising the manufacturing sites in Sheffield, Bedlington, Manchester, Barnstaple, Abercynon, Fairford and Eastleigh as well as the European sales offices. The regional segment is supported by a leadership team who have functional responsibilities that span the individual entities within the business;
- North America – the North America segment encompasses all the Group's North American operations comprising Juarez, Mexicali, Dallas, Minneapolis, Kansas, Cleveland and Boston. The regional segment is supported by a leadership team who have functional responsibilities that span the individual entities within the business;
- Asia – the Asia segment encompasses all the Group's Asian operations comprising the manufacturing sites in Suzhou and Kuantan and the Singapore sales office. The regional segment is supported by a leadership team who have functional responsibilities that span the individual entities within the business.

The key performance measure of the operating segments is adjusted operating profit. Refer to the section titled 'Reconciliation of KPIs and non IFRS Measures' for a definition of adjusted operating profit.

Corporate costs - Resources and costs of the head office managed centrally but deployed in support of the operating units are allocated to segments based on a combination of revenue and adjusted operating profit.

Resources and costs of the head office which are not related to the operating activities of the trading units are not allocated to regions and are separately disclosed, equivalent to the segment disclosure information, so that reporting is consistent with the format that is used for review by the chief operating decision maker. This gives greater transparency of the adjusted operating profits for each segment. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items see note 4.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Goodwill is allocated to the segments which comprise groups of cash generating units.

£million	Europe	North America	Asia	Total Operating Segments	Central	Total
						Six months ended 30 June 2024
Sales to external customers	77.1	95.5	101.8	274.4	-	274.4
Adjusted operating profit	7.5	4.8	14.0	26.3	(4.1)	22.2
Add back: adjustments made to operating profit (note 4)						(7.1)
Operating profit						15.1
Net finance costs						(5.2)
Profit before taxation						9.9

The prior period and year results below have been restated for the change in segments.

£million	Europe	North America	Asia	Total Operating Segments	Central	Total
						Six months ended 30 June 2023 (restated)
Sales to external customers	81.5	115.4	112.2	309.1	-	309.1
Adjusted operating profit	4.3	13.1	12.1	29.5	(3.9)	25.6
Add back: adjustments made to operating profit (note 4)						(4.7)
Operating profit						20.9
Net finance costs						(4.9)
Profit before taxation						16.0

£million	Europe	North America	Asia	Total Operating Segments	Central	Total
						Year ended 31 December 2023 (restated)
Sales to external customers	169.6	229.5	214.8	613.9	-	613.9
Adjusted operating profit	11.9	25.1	23.9	60.9	(8.1)	52.8
Add back: adjustments made to operating profit (note 4)						(44.1)
Operating profit						8.7
Net finance costs						(9.8)
Loss before taxation						(1.1)

There is no significant intergroup trading between segments.

The table below shows revenue generated by market. Revenue has been disclosed in this manner as it is one of the ways in which the chief operating decision maker reviews the Group's performance.

£million	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
Healthcare	61.9	79.1	146.3
Aerospace and defence	70.5	51.2	123.5
Automation and electrification	97.5	112.9	221.4
Distribution	44.5	65.9	122.7
	274.4	309.1	613.9

4. Adjusting items

Restructuring costs were net £nil, comprising a credit of £0.4 million in respect of the closure of our Barbados facility in 2021 offset by costs of £0.4 million in respect of the closure of the Hatfield, USA facility. In the prior period restructuring costs of £0.3 million comprised £0.2 million relating to the relocation of production facilities from Covina, USA to Kansas and £0.1 million in relation to land remediation work in Boone, US.

Pension restructuring costs of £0.8 million (H1 2023: £0.9 million) comprised £0.6 million (H1 2023: £0.7 million) associated with the buy out of the UK scheme and a settlement cost of £0.2 million (H1 2023: £0.2 million non settlement costs) in respect of the buy-out of one of the US schemes that completed in January 2024.

Acquisition and disposal related costs of £4.9 million (H1 2023: £0.8 million) comprise £4.9 million (H1 2023: £nil) in relation to the sale of three business units to the Cicor Group ('Project Albert', see note 5). The prior period included £0.4 million relating to the acquisition of the Power and Control business of Ferranti Technologies Ltd. based in Manchester, UK and £0.4 million of integration costs relating to the acquisition of Torotel, Inc based in Kansas, US.

	Six months ended June 2024		Six months ended June 2023		Year ended December 2023	
£million	Operating profit	Tax	Operating profit	Tax	Operating profit	Tax
As reported	15.1	(3.9)	20.9	(4.1)	8.7	(5.7)
Restructuring costs						
Restructuring costs	-	-	(0.3)	0.1	(2.0)	0.7
	-	-	(0.3)	0.1	(2.0)	0.7
Pension restructuring costs						
Pension restructuring costs	(0.8)	0.2	(0.9)	0.2	(1.9)	0.7
	(0.8)	0.2	(0.9)	0.2	(1.9)	0.7
Asset impairments and measurement losses						
Measurement loss on assets classified as held for sale	-	-	-	-	(32.5)	-
	-	-	-	-	(32.5)	-
Amortisation of intangible assets arising on business combinations						
Amortisation of intangible assets arising on business combinations	(1.4)	0.4	(2.7)	0.6	(4.6)	1.6
	(1.4)	0.4	(2.7)	0.6	(4.6)	1.6
Acquisition and disposal related costs						
Torotel integration costs	-	-	(0.4)	0.1	(0.4)	0.1
Ferranti Power and Control acquisition and integration costs	-	-	(0.4)	0.1	(1.3)	0.2
Sale of three business units to the Cicor Group	(4.9)	(0.2)	-	-	(1.2)	0.2
Other		-	-	-	(0.2)	-
	(4.9)	(0.2)	(0.8)	0.2	(3.1)	0.5
Total items excluded from adjusted measure	(7.1)	0.4	(4.7)	1.1	(44.1)	3.5
Adjusted measure	22.2	(4.3)	25.6	(5.2)	52.8	(9.2)

5. Disposals

On 31 March 2024 the Group sold three business units within the Europe and Asia segments to the Cicor Group for a cash consideration of £20.2 million comprising £22.2 million received in March 2024 less a consideration adjustment of £2.0 million payable in July 2024. The divestment relates to business units in Hartlepool and Cardiff, UK and Dongguan, China which provide electronics manufacturing services and certain connectivity products, principally to industrial clients. The disposed business units contributed £16.1 million of revenue and £0.2 million of operating loss during 2024.

The assets and liabilities disposed are presented below.

£million	
Property, plant and equipment	0.3
Other intangible assets	0.2
Inventories	28.0
Cash and cash equivalents	5.3
Trade and other receivables	11.4
Assets within disposal group	45.2
LIABILITIES	
Lease liabilities	2.6
Derivative financial instruments	0.4
Trade and other payables	18.2
Provisions	0.4
Deferred tax liability	1.0
Liabilities within disposal group	22.6
Net assets disposed	22.6

A reconciliation of net proceeds (presented as disposal of business in the statement of cashflows) and the loss on disposal is shown below.

£million	
Cash consideration received	22.2
Disposal costs paid	(2.7)
Net proceeds per the statement of cashflows	19.5
Consideration adjustment payable	(2.0)
Net assets disposed	(22.6)
Disposal costs accrual	(0.4)
Cumulative translation difference recycled on disposal	0.6
Loss on disposal	(4.9)

6. Taxation

The half-year tax charge of £3.9 million (2023: £4.1 million) is based on a forecast effective tax rate of 25.3 per cent (2023: 25.2 per cent) on adjusted profit and a £0.4 million (2023: £1.1 million) credit on restructuring, asset impairments and acquisition related costs.

The enacted UK tax rate applicable since 1 April 2023 is 25 per cent.

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares in issue during the period.

Pence	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Earnings (millions)			
Profit for the period attributable to owners of the Company	6.0	11.9	(6.8)
Earnings/(loss) per share (pence)			
Basic	3.4	6.8	(3.9)
Diluted	3.3	6.7	(3.9)

The numbers used in calculating statutory and adjusted earnings per share are shown below:

£million (unless otherwise stated)	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Profit for the period attributable to owners of the Company	6.0	11.9	(6.8)
Restructuring costs	-	0.3	2.0
Pension restructuring costs	0.8	0.9	1.9
Asset impairments and measurement losses	-	-	32.5
Amortisation of intangible assets arising on business combinations	1.4	2.7	4.6
Acquisition and disposal related costs	4.9	0.8	3.1
Tax effect of above items (see note 4)	(0.4)	(1.1)	(3.5)
Adjusted earnings	12.7	15.5	33.8
Adjusted earnings per share (pence)	7.2	8.8	19.2
Adjusted diluted earnings per share (pence)	7.1	8.7	19.0

The weighted average number of shares used to calculate statutory and adjusted earnings per share are disclosed below:

million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Basic	176.7	176.0	175.6
Adjustment for share awards	3.0	2.2	2.6
Diluted	179.7	178.2	178.2

The calculation of the diluted earnings per share excludes 1,178,315 (30 June 2023: 3,666,008) share options whose effect would have been anti-dilutive. Adjusted earnings per share is based on the adjusted profit after interest and tax.

8. Dividends

	2024 pence per share	2024 £million	2023 pence per share	2023 £million
Final dividend paid for prior year	4.65	8.2	4.30	7.5
Interim dividend declared for current year	2.25	4.0	2.15	3.8

The Directors have declared an interim dividend of 2.25 pence per share which will be paid on 15 October 2024 to shareholders on the register on 13 September 2024. Shares will become ex-dividend on 12 September 2024.

9. Fair value of financial instruments

IFRS 13 "Fair Value Measurement" requires an analysis of those financial instruments that are measured at fair value at the end of the period in a fair value hierarchy. In addition, IFRS 13 requires financial instruments not measured at fair value but for which fair value is disclosed to be analysed in the same fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

  Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

			At 30 June 2024		At 30 June 2023		At 31 December 2023
£million	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Held at amortised cost							
Cash and cash equivalents	n/a	65.1	65.1	75.4	75.4	74.1	74.1
Trade and other receivables	n/a	86.1	86.1	84.0	84.0	72.3	72.3
Trade and other payables	n/a	(97.3)	(97.3)	(118.2)	(118.2)	(102.3)	(102.3)
Borrowings (excluding unsecured loan notes)	2	(99.8)	(99.8)	(119.0)	(119.0)	(108.1)	(108.1)
Unsecured loan notes	3	(75.0)	(61.3)	(75.0)	(54.1)	(75.0)	(61.2)
Held at fair value							
Derivative financial instruments (assets)	2	2.4	2.4	7.9	7.9	6.0	6.0
Derivative financial instruments (liabilities)	2	(3.7)	(3.7)	(4.9)	(4.9)	(2.1)	(2.1)
Assets classified as held for sale and associated liabilities	3	-	-	-	-	19.9	19.9
Held at depreciated cost							
Investment properties	3	-	0.7	-	0.7	-	0.7

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments;
- the fair value of borrowings is estimated by discounting future cash flows using rates currently available for debt and remaining maturities (level 2);
- the fair value of unsecured loan notes has been derived from available market data for borrowings of similar terms and maturity period (level 3);
- the fair value of derivative financial instrument assets (£2.4 million) and liabilities (£3.7 million) are estimated by discounting expected future cash flows using current market indices such as yield curves and forward exchange rates over the remaining term of the instrument (level 2);
- the fair value of investment properties are based on market valuations obtained through third party valuations (level 3).

10. Retirement benefit schemes

At 30 June 2024 the Group operated one defined benefit scheme in the UK (the TT Group (1993) scheme) and one overseas defined benefit scheme in the USA. These schemes are closed to new members and the UK scheme is closed to future accrual. Given the nature of the Company's control of the plan under the Scheme's rules, a pension surplus has been recognised under IFRIC 14.

The liabilities of the TT Group Scheme have been fully insured under a bulk insurance contract since 2022 and there is no requirement for any further contributions to be paid to the Scheme.

In the prior period ended 30 June 2023 the Trustees of the BI Technologies Corporation Retirement Plan, one of the defined benefit schemes in the USA, completed a partial buy-out, extinguishing gross liabilities of £3.9 million. In January 2024, the buy-out was completed, extinguishing the remaining gross liabilities of £2.9 million. A settlement cost of £0.2 million was recognised within items excluded from adjusted operating profit as a result of this exercise.

The amounts recognised in the condensed consolidated statement of financial position are:

£million	**30 June 2024**	30 June 2023	31 December 2023
TT Group (1993)	**24.0**	29.2	25.3
USA schemes	**(1.5)**	(2.9)	(3.1)
Net surplus	**22.5**	26.3	22.2

£million	**30 June 2024**	30 June 2023	31 December 2023
Fair value of assets	**350.8**	349.9	363.5
Defined benefit obligation	**(328.3)**	(323.6)	(341.3)
Net surplus recognised in the statement of financial position	**22.5**	26.3	22.2
Represented by			
Schemes in net surplus	**24.0**	29.2	25.3
Schemes in net deficit	**(1.5)**	(2.9)	(3.1)
	22.5	26.3	22.2

The costs recognised in the condensed consolidated income statement are:

£million	**Six months ended 30 June 2024**	Six months ended 30 June 2023	Year ended 31 December 2023
Scheme administration costs	0.6	0.5	1.9
Past service cost, settlements and other restructuring (excluded from adjusted operating profit)	0.8	0.9	1.3
Net interest credit	(0.6)	(0.7)	(1.4)

Amounts recognised in the consolidated statement of comprehensive income are a loss of £0.9 million (H1 2023: loss of £1.4 million) which comprises a £10.0 million loss on schemes' assets of £350.8 million (H1 2023: loss of £40.4 million) and a £9.1 million gain on the remeasurement of the schemes' obligations of £328.3 million (H1 2023: gain of £39.0 million). Following the buy-in of the UK pension scheme in 2022, all actuarial remeasurements on the UK scheme liabilities are fully offset by movements in the value of the buy-in contract.

The decrease in the scheme obligation is due to increases in yields on corporate bonds and experience losses in the half year along with the impact of benefit payments from scheme assets. The triennial valuation of the TT Group scheme as at April 2022 showed a net surplus of £45.4 million against the Trustee's funding objective.

The Group is aware that the Court of Appeal has upheld the High Court's ruling in Virgin Media Ltd vs NTL Pension Trustees II. The ruling has the potential to impact benefits under defined benefit pension schemes accrued between 1997 and 2016. Since the ruling is very recent, the potential impact on the Group, if any, has not yet been confirmed and the Group will continue to assess this in the remainder of the year.

11. Reconciliation of net cash flow to movement in net debt

£million	Net cash	Lease liabilities	Borrowings	Net debt
At 1 January 2023	61.3	(23.1)	(176.6)	(138.4)
Cash flow	13.0	-	-	13.0
Repayment of borrowings	-	-	4.0	4.0
Proceeds from borrowings	-	-	(17.9)	(17.9)
Net movement in loan arrangement fees	-	-	0.2	0.2
Payment of lease liabilities	-	2.3	-	2.3
New leases	-	(0.5)	-	(0.5)
Exchange differences	(4.5)	1.1	1.9	(1.5)
At 30 June 2023	69.8	(20.2)	(188.4)	(138.8)
Cash flow	6.3	-	-	6.3
Transferred to held for sale	(3.6)	2.6	-	(1.0)
Repayment of borrowings	-	-	22.1	22.1
Proceeds from borrowings	-	-	(14.8)	(14.8)
Net movement in loan arrangement fees	-	-	(0.3)	(0.3)
Payment of lease liabilities	-	2.1	-	2.1
New leases	-	(2.9)	-	(2.9)
Exchange differences	0.4	0.2	(0.5)	0.1
At 31 December 2023	72.9	(18.2)	(181.9)	(127.2)
Included within assets classified as held for sale and associated liabilities	3.6	(2.6)	-	1.0
At 31 December 2023	76.5	(20.8)	(181.9)	(126.2)
Cash flow	(7.7)	-	-	(7.7)
Assets classified as held for sale and associated liabilities with disposed businesses	(3.6)	2.6	-	(1.0)
Repayment of borrowings	-	-	20.0	20.0
Proceeds from borrowings	-	-	(12.1)	(12.1)
Net movement in loan arrangement fees	-	-	(0.3)	(0.3)
Payment of lease liabilities	-	2.0	-	2.0
New leases	-	(0.9)	-	(0.9)
Exchange differences	(0.2)	(0.2)	(0.4)	(0.8)
At 30 June 2024	65.0	(17.3)	(174.7)	(127.0)

Net cash comprises:	30 June 2024	30 June 2023	31 December 2023
Cash at bank and in hand	65.1	75.4	74.1
Bank overdrafts	(0.1)	(5.6)	(1.2)
Cash included within assets classified as held for sale	-	-	3.6
Net cash at end of period	65.0	69.8	76.5

The Group's primary source of finance is the £162.4 million committed revolving credit facility (RCF) which was signed in June 2022 and will mature in June 2027. At 30 June 2024 £101.3 million of this facility had been drawn down. The Group's RCF is payable on a floating rate basis above GBP SONIA, USD SOFR or EURIBOR depending on the currency of the loan.

In December 2021, TT issued £75 million of private placement fixed rate loan notes with three institutional investors; the issue is evenly split between 7 and 10 year maturities with an average interest rate of 2.9% and covenants in line with our bank facility.

12. Share capital

During the period the Company issued 309,366 ordinary shares (2023: 92,555) as a result of share options being exercised under the Sharesave scheme and Share Purchase plans. The aggregate consideration received in respect of all new issues of shares was £0.4 million (2023: £0.1 million), which was represented by a £0.1 million (2023: £nil) increase in share capital and a £0.3 million (2023: £0.1 million) increase in share premium.

During the period grants of awards were made under the LTIP for the issue of shares in 2027. An award is a contingent right to receive shares in the future, subject to continued employment and the achievement of predetermined performance criteria. During the period grants of awards were made under the 2024 LTIP scheme for the issue of up to 2,018,542 shares in 2027.

13. Related party transactions

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. No related party transactions have taken place during the six months ended 30 June 2024 that have materially affected the financial position or performance of the Group.

14. Subsequent events

There were no subsequent events to report between the balance sheet date of 30 June 2024 and the date of issue of these financial statements.

Reconciliation of KPIs and non IFRS Measures

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), additional information is provided on the APMs used by the Group below.

To assist with the understanding of earnings trends, the Group has included, within its financial statements, APMs, adjusted operating profit and other adjusted profit measures. The APMs used are not defined terms under IFRS and therefore may not be comparable to similar measures used by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Management uses adjusted measures to assess the operating performance of the Group, having adjusted for specific items as detailed in note 4. They form the basis of internal management accounts and are used for decision making, including capital allocation, with a subset also forming the basis of internal incentive arrangements. By using adjusted measures in segmental reporting, this enables readers of the financial statements to recognise how incentive performance is targeted. Adjusted measures are also presented in this announcement because the Directors believe they provide additional useful information to shareholders on comparable trends over time. Finally, this presentation allows for separate disclosure and specific narrative to be included concerning the adjusting items; this helps to ensure performance in any one year can be more clearly understood by the user of the financial statements.

Income statement measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted operating profit	Operating profit	Adjusting items as disclosed in note 4	Adjusted operating profit has been defined as operating profit from continuing operations excluding the impacts of significant restructuring programmes, significant one-off items including property disposals, impairment charges significant in nature and/or value, business acquisition, integration, and divestment related activity; and the amortisation of intangible assets recognised on acquisition. Acquisition and disposal related items include the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Restructuring includes significant changes in footprint (including movement of production facilities) and significant costs of management changes. To provide a measure of the operating profits excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Adjusted operating margin	Operating profit margin	Adjusting items as disclosed in note 4	Adjusted operating profit as a percentage of revenue. To provide a measure of the operating profits excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Adjusted earnings per share	Earnings per share	See note 7 for the reconciliation and calculation of adjusted earnings per share	The profit for the year attributable to the owners of the Group adjusted to exclude the items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year. To provide a measure of earnings per share excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.

Income statement measures continued:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted diluted earnings per share	Diluted earnings per share	See note 7 for the reconciliation and calculation of adjusted diluted earnings per share	The profit for the year attributable to the owners of the Group adjusted to exclude the items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year, adjusted for the effects of any potentially dilutive options. To provide a measure of earnings per share excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Prior period revenue and adjusted operating profit at constant currency	Revenue and operating profit	See note APM 1	Revenue and adjusted operating profit for the prior year retranslated at the current year's foreign exchange rates.
Organic revenue and adjusted operating profit	Revenue	See note APM 2	This is the percentage change in revenue from continuing operations in the current year compared to the prior year, excluding the effects of currency movements, acquisitions and disposals. This measures the underlying growth or decline of the business. To provide a comparable view of the revenue growth of the business from period to period excluding acquisition and disposal impacts.
Adjusted effective tax charge	Effective tax charge	See note APM 3	The effective tax charge on the company's adjusted profit, which gives a clearer view of the ongoing tax rate by excluding the effects of unusual or non-recurring items.

Income statement measures continued:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Return on invested capital	None	See note APM 4	Adjusted operating profit for the year divided by average invested capital for the year. Average invested capital excludes pensions, provisions, tax balances, derivative financial assets and liabilities, cash and borrowings and is calculated at average rates taking twelve monthly balances. This measures how efficiently assets are utilised to generate returns with the target of exceeding the cost to hold the assets.
Revenue and adjusted operating profit excluding passthrough revenue:	Revenue, operating profit and operating margin	See note APM 13	Revenue and operating margin excluding the impact of nil margin sales to customers to secure their supply chain.
Organic revenue and adjusted operating profit excluding pass through revenues	Revenue, operating profit and operating margin	See note APM 14	This is organic revenue and adjusted operating profit (see APM 2) with pass through revenues (see APM 13) removed. To provide a comparable view of growth for the business from period to period excluding acquisition and disposal impacts and one-off nil margin sales.

Statement of financial position measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Net debt	Cash and cash equivalents less borrowings and lease liabilities	Reconciliation of net cash flow to movement in net (debt)/ funds (note 11)	Net debt comprises cash and cash equivalents and borrowings including lease liabilities. This is additional information provided which may be helpful to the user in understanding the liquidity and financial structure of the business.
Leverage (bank covenant)	Cash and cash equivalents less borrowings	See note APM 12	Leverage is the net debt defined as per the banking covenants (net debt (excluding lease liabilities) adjusted for certain terms as per the bank covenants) divided by EBITDA excluding items removed from adjusted profit and further adjusted for certain terms as per the bank covenants. Provides additional information over the Group's financial covenants to assist with assessing solvency and liquidity.
Net capital and development expenditure (net capex)	None	See note APM 5	Purchase of property, plant and equipment net of government grants (excluding property disposals), purchase of intangibles (excluding acquisition intangibles) and capitalised development. A measure of the Group's investments in capex and development to support longer term growth.
Dividend per share	Dividend per share	Not applicable	Amounts payable by dividend in terms of pence per share. Provides the dividend return per share to shareholders.

Statement of cash flows measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted operating cash flow	Operating cash flow	See note APM 6	Adjusted operating profit, excluding depreciation of property, plant and equipment and amortisation of intangible assets less working capital and other non-cash movements. An additional measure to help understand the Group's operating cash generation.
Adjusted operating cash flow post capex	Operating cash flow	See note APM 7	Adjusted operating cash flow less net capital and development expenditure. An additional measure to help understand the Group's operating cash generation after the deduction of capex.
Working capital cashflow	Cashflow - inventories payables, provisions and receivables	See note APM 8	Working capital comprises three statutory cashflow figures: (increase)/decrease in inventories, increase/(decrease) in payables and provisions, and (increase)/decrease in receivables. This definition includes the movement of any provisions over trade receivables. To provide users a measure of how effectively the group is managing its working capital and the resultant impact on liquidity.
Free cash flow	Net increase/ decrease in cash and cash equivalents	See note APM 9	Free cash flow represents cash generated from trading after all costs including restructuring, pension contributions, tax and interest payments. Cashflows to settle LTIP schemes are excluded. Free cash flow provides a measure of how successful the company is in creating cash during the period which is then able to be used by the Group at its discretion.
Cash conversion	None	See note APM 10	Adjusted operating cash flow post capex (less any property disposals which were part of restructuring programmes) divided by adjusted operating profit. Cash conversion measures how effectively we convert profit into cash and tracks the management of our working capital and capital expenditure.
R&D cash spend as a percentage of revenue	None	See note APM 11	R&D cash spend and R&D investment as a percentage of revenue excludes revenue from contract manufacturing services as these activities do not give rise to intellectual property. To provide a measure of the company's expenditure on R&D relative to its overall size which may be helpful in considering the Group's longer-term investment in future product pipeline.

APM 1 – Prior period revenue and adjusted operating profit at constant currency:

£million	Six months ended 30 June 2023 Europe	North America	Asia	Total
2023 revenue	81.5	115.4	112.2	**309.1**
Foreign exchange impact	-	(3.8)	(6.9)	**(10.7)**
2023 revenue at 2024 exchange rates	81.5	111.6	105.3	**298.4**

£million	Europe	North America	Asia	Six months ended 30 June 2023 Total Operating Segments	Central	Total
2023 adjusted operating profit	4.3	13.1	12.1	29.5	(3.9)	**25.6**
Foreign exchange impact	-	(0.6)	(1.0)	(1.6)	0.1	**(1.5)**
2023 adjusted operating profit at 2024 exchange rates	4.3	12.5	11.1	27.9	(3.8)	**24.1**

APM 2 - Organic revenue and operating profit:

£million	Six months ended 30 June Europe	North America	Asia	Total
2024 revenue	77.1	95.5	101.8	274.4
Removal of businesses disposed	(11.8)	-	(4.3)	(16.1)
2024 revenue on an organic basis	65.3	95.5	97.5	258.3
2023 revenue	81.5	115.4	112.2	309.1
Removal of businesses disposed	(25.5)		(8.0)	(33.5)
Foreign exchange impact	-	(3.8)	(6.7)	(10.5)
2023 revenue on an organic basis	56.0	111.6	97.5	265.1
Organic revenue increase (%)	17%	(14%)	-	(3%)

£million	Europe	North America	Asia	Six months ended 30 June Total Operating Segments	Central	Total
2024 operating profit	7.5	4.8	14.0	26.3	(4.1)	22.2
Removal of businesses disposed	0.5		(0.3)	0.2	-	0.2
2024 operating profit on an organic basis	8.0	4.8	13.7	26.5	(4.1)	22.4
2023 operating profit	4.3	13.1	12.1	29.5	(3.9)	25.6
Removal of businesses disposed	0.3	-	(0.9)	(0.6)	-	(0.6)
Foreign exchange impact	-	(0.6)	(0.9)	(1.5)	0.1	(1.4)
2023 operating profit on an organic basis	4.6	12.5	10.3	27.4	(3.8)	23.6
Organic operating profit increase (%)	74%	(62%)	33%	(3%)	8%	(5%)

APM 3 – Effective tax charge:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Adjusted operating profit	22.2	25.6	52.8
Net interest	(5.2)	(4.9)	(9.8)
Adjusted profit before tax	17.0	20.7	43.0
Adjusted tax	(4.3)	(5.2)	(9.2)
Adjusted effective tax rate	25.3%	25.2%	21.4%

APM 4 – Return on invested capital:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Adjusted operating profit	22.2	25.6	52.8
Adjusted operating profit H2 prior year (adjustment required for half year only)	27.2	28.8	-
Average invested capital	419.0	452.0	440.0
Return on invested capital	11.8%	12.0%	12.0%

APM 5 - Net capital and development expenditure (net capex):

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Purchase of property, plant and equipment	(3.3)	(9.0)	(22.3)
Proceeds from sale of investment property, plant and equipment and capital grants received	0.2	0.1	0.5
Capitalised development expenditure	(0.5)	(0.9)	(1.6)
Purchase of other intangibles	-	(0.4)	(0.6)
Net capital and development expenditure	(3.6)	(10.2)	(24.0)

APM 6 - Adjusted operating cash flow:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Adjusted operating profit	22.2	25.6	52.8
Adjustments for:			
Depreciation	6.7	7.3	14.0
Amortisation of intangible assets	0.7	1.3	2.5
Share based payment expense	1.9	1.5	3.1
Scheme funded pension administration costs	0.7	0.8	1.6
Other items	-	0.4	(0.7)
(Increase)/decrease in inventories	(2.6)	(2.6)	4.5
(Increase)/decrease in receivables	(5.7)	7.3	10.5
Decrease in payables and provisions	(13.7)	(12.4)	(15.5)
Adjusted operating cash flow	10.2	29.2	72.8
(Funding)/reimbursement (of)/from pension schemes	(1.8)	-	3.2
Restructuring and acquisition related costs	(0.5)	(1.0)	(4.0)
Net cash generated from operations	7.9	28.2	72.0
Net income taxes paid	(4.5)	(3.8)	(9.1)
Net cash flow from operating activities	3.4	24.4	62.9

APM 7 - Adjusted operating cash flow post capex:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Adjusted operating cash flow	10.2	29.2	72.8
Purchase of property, plant and equipment	(3.3)	(9.0)	(22.3)
Proceeds from sale of property, plant and equipment and government grants received	0.2	0.1	0.5
Capitalised development expenditure	(0.5)	(0.9)	(1.6)
Purchase of other intangibles	-	(0.4)	(0.6)
Adjusted operating cash flow post capex	6.6	19.0	48.8

APM 8 – Working capital cashflow:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
(Increase)/decrease in inventories	(2.6)	(2.6)	4.5
(Increase)/decrease in receivables	(5.7)	7.3	10.5
Decrease in payables and provisions	(13.7)	(12.4)	(15.5)
Scheme funded pension administration costs	0.7	0.8	1.6
Working capital cashflow	(21.3)	(6.9)	1.1

APM 9 – Free cash flow:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Net cash flow from operating activities	3.4	24.4	62.9
Net cash flow from investing activities	10.6	(10.2)	(24.0)
Add back: Disposal of business	(19.5)	-	-
Add back: Cash with disposed businesses	5.3	-	-
Payment of lease liabilities	(2.0)	(2.3)	(4.4)
Interest paid	(5.6)	(5.0)	(10.6)
Free cash flow	(7.8)	6.9	23.9

APM 10 – Cash conversion:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Adjusted operating profit	22.2	25.6	52.8
Adjusted operating cash flow post capex	6.6	19.0	48.8
Cash conversion	30%	74%	92%

APM 11 - R&D cash spend as a percentage of revenue:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Revenue (excluding contract manufacturing)	135.6	155.3	314.7
R&D cash spend	6.3	6.0	10.8
R&D cash spend as a percentage of revenue	4.6%	3.9%	3.4%

APM 12 - Leverage:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Adjusted operating profit	22.2	25.6	52.8
Depreciation	6.7	7.3	14.0
Amortisation	0.7	1.3	2.5
EBITDA	29.6	34.2	69.3
Preceding six months' EBITDA (half year only)	35.1	37.0	-
Adjustment to align with covenants	(7.5)	(5.3)	(5.3)
EBITDA (covenants)	57.2	65.9	64.0
Net debt as per note 11	127.0	138.8	126.2
Less: leases	17.3	20.2	20.8
Net debt excluding leases	109.7	118.6	105.4
Adjustment to align with covenants	1.4	(1.2)	1.2
Net debt (covenants)	111.1	117.4	106.0
Leverage	(1.9)	(1.8)	(1.7)

APM 13 – Revenue and adjusted operating profit excluding passthrough revenue:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Revenue	274.4	309.1	613.9
Removal of passthrough revenue	(2.8)	(12.6)	(19.9)
Revenue excluding passthrough revenue	271.6	296.5	594.0
Adjusted operating profit	22.2	25.6	52.8
Removal of operating profit attributable to passthrough revenue	-	-	-
Adjusted operating profit excluding passthrough revenue	22.2	25.6	52.8
Adjusted operating margin excluding passthrough revenue	8.2%	8.6%	8.9%

APM 14 – Organic revenue and adjusted operating margin excluding pass through revenues:

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Revenue	274.4	309.1	613.9
Removal of businesses disposed	(16.1)	(33.5)	(68.6)
Removal of passthrough revenue	(2.8)	(12.6)	(19.9)
FX adjustment to bring in line with 2024 fx rates	-	(9.5)	(16.0)
Organic revenue excluding passthrough	255.5	253.5	509.5
Organic revenue growth excluding passthrough	1%		

£million	Six months ended June 2024	Six months ended June 2023	Year ended December 2023
Adjusted operating profit	22.2	25.6	52.8
Removal of businesses disposed	0.2	(0.6)	(1.9)
Removal of adjusted operating profit attributable to passthrough revenue	-	-	-
FX adjustment to bring in line with 2024 fx rates	-	(1.4)	(2.2)
Organic adjusted operating profit excluding passthrough	22.4	23.6	48.7
Organic adjusted operating margin excluding disposed businesses	8.8%	9.3%	9.6%
Organic adjusted operating profit growth excluding passthrough	(5%)		