



14 November 2024

TT Electronics plc

Trading Update

TT Electronics plc ("TT", "the Group"), a global engineer and manufacturer of electronic solutions for critical applications, publishes the following trading update on the Group's performance for the four-month period ended 26 October 2024 (the "period").

Group revenue in the period was 1 per cent lower than the previous year on an organic constant currency basis excluding the unwind of pass-through revenue, with a 10 per cent increase in Europe and an 11 per cent increase in Asia more than offset by a 16 per cent reduction in North America, which as previously disclosed has been impacted by operational challenges and the subdued components market.

There remains a significant management focus on the operational challenges identified in the trading update on 16 September 2024 in two North American sites. The underlying operational efficiency issues relate to an evolution of product mix over the last couple of years in both locations, and we are now dealing with specific productivity issues exacerbated by increased volumes and product complexity. The action plan to bolster the management team and significantly improve operating practices, inventory and planning management and reduce scrap and rework is in place. This plan includes a range of measures to support the two sites including adding specialist resource, making site layout improvements and strengthening inventory and planning management. This will result in increased productivity and streamlined processes and provide an improved performance in 2025.

As a result of continued subdued demand in the North American components market and the operational improvement plans only benefiting financial results from 2025, the Board expects FY24 adjusted operating profit to be at the lower end of our previously stated range of £37m-42m. FY24 leverage guidance is unchanged and is expected to be around or marginally above the top end of our stated target range of 1-2x.

Order intake in the period was 2 per cent higher than the previous year on an organic constant currency basis. For the 10 months to the end of October order intake is 10 per cent higher than in the prior year, with all regions higher despite the continued weakness in component orders from the distribution channels. The end of the destocking cycle and the timing of the recovery in components remains difficult to predict, as a result, we continue to assume a slow recovery through 2025.

We continue to take appropriate action, including further headcount reduction, to mitigate the effects of the substantial market challenges impacting the components business whilst supporting the growth in other areas of the business. Project Dynamo, our self-help programme, is delivering significant cost savings. The actions that we have taken over the last few months position the company well to benefit from any volume improvement through better operational gearing.

The Board continues to have confidence, assuming a reasonable recovery in the components market, in the medium-term financial framework, including a 12% operating margin by 2026, which is underpinned by the good momentum in our European and Asian businesses, alongside the impact of Project Dynamo.

Conference call details

TT Electronics plc will host a conference call on 14 November 2024 at 10.00am (UK time) to discuss the trading update. The call will be available on the company website at <https://www.tt-electronics.com>.

Peter France, TT Chief Executive Officer and Mark Hoad, Chief Financial Officer will host a conference call today at 7:30am for analysts and investors. A replay will be made available on the Company website.

To join the call please dial +44 (0) 33 0551 0200.

For further information please contact:

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Notes:

1. Organic growth is calculated by excluding the impact of exchange rates, acquisitions and disposals.
2. TT will announce its full year results on 4 March 2025.
3. Latest company compiled view of market expectations shows a consensus adjusted operating profit of £38.2 million within a range of £36.9 million to £40.0 million for the year ended December 2024.

About TT Electronics

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

TT solves technology challenges for a sustainable world. TT benefits from enduring megatrends in structurally high-growth markets including healthcare, aerospace, defence, electrification and automation. 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.

Cautionary statement

This update 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 update. 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.

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