Zeus Conference: Generating Alpha in UK Listed Industrials

12th February 2025

AGENDA

- Business Overview
- Strategy Update
- Our acquisition of Phoenix Optical
- FY2024 Financial Results
- Outlook & Summary

Charlie Peppiatt - CEO

Chris Jewell - CFO

BUSINESS OVERVIEW

2024 Revenue: £136M (2023: £135M)

Life Sciences	Aerospace and Defence	Industrial and Telecom
25%	25%	50%

LIFE SCIENCES	AEROSPACE & DEFENSE	INDUSTRIAL & TELECOM
• Medical imaging • Flow cytometry • Diagnostics • Laser surgery • DNA sequencing • Aesthetic procedures • Microscopy • Drug delivery	• Navigation • Targeting • Range finding • Imaging • Satellite comms • Sights for AFVs • Soldier protection • Laser Weapons	• Laser manufacturing • Photolithography • Microelectronics • Undersea networks • Perimeter sensing • Wind sensing • Laser fusion • Machine vision

Emerging applications increasingly employ photonics as the enabler.

Our customers require specialized, reliable and high-performance solutions.

G&H pushes the boundaries in these key areas and provides differentiating product solutions.

We maintain close and long-lasting relationships with our customers.

BROAD PHOTONICS EXPERTISE WITH GLOBAL REACH

Acquisitive Growth

In 2024 G&H acquired:

Phoenix, St Asaph, UK (Precision Optics)

PHOENIX
OPTICAL TECHNOLOGIES LTD
Est. 1991

G&H employs over 1,000 skilled employees across 10 manufacturing and design facilities.

G&H STRATEGY – SUSTAINABLE GROWTH

Our strategy is focused upon us becoming an 'innovative customer focused technology company' making a 'better world with photonics' and the 'first choice' for all our stakeholders

OFFERING DIFFERENTIATED PERFORMANCE THROUGH 4 KEY STRATEGIC PRIORITIES:

1	2	3	4
Establish dynamic high-performance teams and a purpose-led culture	**Deliver exceptional customer experience and superior operational execution**	**Create enhanced value through technology and platform solutions**	**Focus investment to accelerate accretive growth, both organic and inorganic**
PEOPLE	SELF-HELP	TECHNOLOGY	INVESTMENT

Achieved by following G&H's guiding values to deliver fundamental and sustainable improvement for employees, company profitability and our planet

G&H

STRATEGIC PROGRESS

PEOPLE	FY2022	FY2023	FY2024	RAG
Open Positions	78	52	24	
ISO14001 Accreditions	1	3	5	
HRIS Implementation	-	-	US Sites	
Employee Engagement Survey	-	-	78%	
Scope 1&2 Emissions/Rev tCO2e (£m)	31.6	21.1	18	

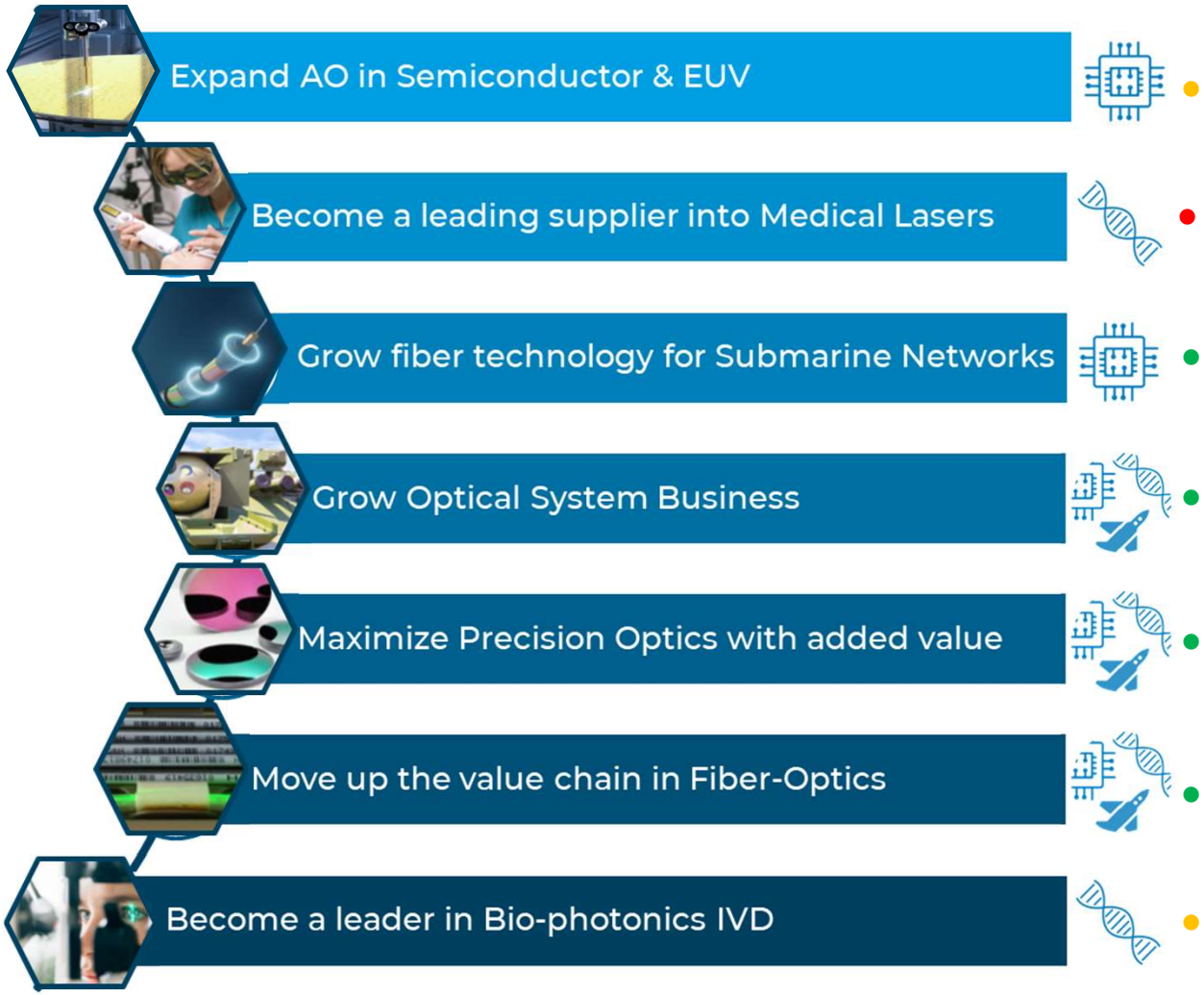
TECHNOLOGY	FY2022	FY2023	FY2024	RAG
R&D Investment (£m) excluding EM4	7.2	7.4	7.8	
R&D Investment (% Sales)	6.2%	5.5%	5.8%	
New Products Revenue (£m)	17.9	23.7	25.3	
New Products (Number)	54	57	48	

PEOPLE | SELF-HELP | TECHNOLOGY | INVESTMENT

SELF-HELP	FY2022	FY2023	FY2024	RAG
Average Leadtime PO (weeks)	42	30	18	
Factory Pastdue Backlog (£m)	11.2	5.5	3.2	
On Time Delivery	67.4%	81.1%	83.9%	
Sites Achieving Efficency Target (%)	33%	45%	56%	
Outsourcing (LCR) Revenue	<5%	7.7%	8.5%	
Customer Survey NPS	10	11	42	

INVESTMENT	FY2022	FY2023	FY2024	RAG
Net Cap Ex (£m)	6.7	5.8	5.2	
Portfolio Adjustments / M&A	0	3	2	
Cash Conversion (Op Cashflow less Capex/EBITA)	-28%	77%	86%	
Debt Leverage (Net Debt / EBITDA)	0.7	1.1	0.9	

VALUE CREATION FROM TECHNOLOGY FOCUS



- Technology roadmap providing focus on where G&H can differentiate and drive ‘value creation’
- R&D effort and investment prioritised and deployed behind ‘vital few’ areas
- Investment into innovation hubs and R&D organisation to enable strategy
- 6 out of 7 performing well. Medical Lasers under threat from lower cost Asian competition
- >£50m of margin accretive business from new products in these areas over the medium term

ACQUISITION OF PHOENIX OPTICAL

- Phoenix Optical acquired Oct-24 for total consideration up to £6.75m
- Well regarded UK precision optics designer and manufacturer
- Strong team located in St Asaph, a hub for photonics talent
- Well invested facility with impressive diamond turning capabilities
- Long standing relationship with UK and European A&D customers
- Strategic rationale:
  - Revenue synergies through combined commercial pipeline
  - Scalable sovereign capability for A&D partners
  - Cost synergies – procurement, footprint & technology optimisation
  - Capability and know-how enhancement through combination

"Together we will be able to better serve our customers' most complex optical system requirements with industry leading technology and know-how."

FY2024 RESULTS HIGHLIGHT

- Positive progress implementing foundational changes to deliver the Group's strategic plan
- Second half revenue 15% higher than the first half which was impacted by customer destocking
- Revenue from continuing operations up 0.7% to £136.0m (FY2023: £135.0m)
- Adjusted operating profit £10.5m (FY2023: £12.1m)
- Divestment of the EM4 business and the acquisition of Phoenix support the Group's transformation
- Order book closed at £104.5m (FY2023: £115.3m). Strong order pipeline, particularly for our A&D business
- Net debt* reduced to £25.8m (Sept 2023: £31.7m)
- Proposed final dividend of 8.3p per share, giving total of 13.2p per share (FY2023: 13.0p)

"Despite the challenges experienced in the first half of FY2024, G&H delivered a strong performance in the second half underpinned by solid demand for our Life Sciences and A&D products and reflecting the significant operational improvements that have been made across the company."

(Including IFRS 16 debt)*

SUMMARY INCOME STATEMENT

Year Ended 30 September (Continuing Operations)	2024 £m	2023 £m	% Change
Revenue	**136.0**	**135.0**	0.7%
Gross profit	**41.6**	**40.3**	3.4%
Gross margin %	**30.6%**	**29.8%**	80bps
Adjusted operating profit	**10.5**	**12.1**	(13.1)%
Adjusted operating profit margin	**7.7%**	**9.0%**	(130)Bps
Finance charges	**(2.4)**	**(1.8)**	(36.5)%
Adjusted profit before tax	**8.1**	**10.3**	(21.6)%
Adjusted basic earnings per share (p.p.s)	**25.5p**	**33.9p**	(24.8)%
Non-underlying items	**(3.9)**	**(4.3)**	(10.1)%
Reported profit before tax	**4.2**	**6.0**	(29.9)%

- Revenue grew by 0.7%; organic, constant currency down 3.0%
- Growth from our A&D and Life Sciences markets but Industrial revenue down
- Gross margin improved to 30.6%; operational efficiency progress
- Investment in R&D of £7.8m (2023: £7.4m)
- Adjusted operating profit down 13.1%, driven by the reduced volumes from our Industrial market
- Finance charges increased reflecting a full year of additional borrowing costs following the two acquisitions in the summer of FY2023
- Non-underlying items charge of £3.9m, cash of £2.1m
- Reported profit before tax of £4.2m (2023: £6.0m)
- Discontinued operations loss of £9.6m, £9.2m from loss on disposal

"Further progress on delivering the strategy despite challenging market conditions."

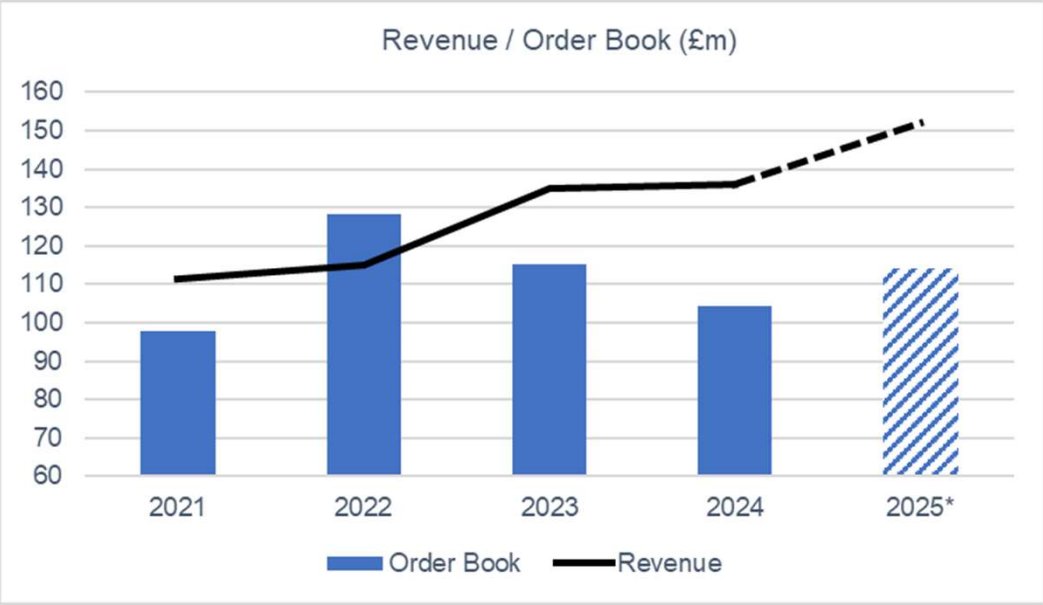
CASHFLOW

Year Ended 30 September	2024 £m	2023 £m
Reported operating profit from continuing ops	**4.2**	**6.0**
Loss from discontinued operations	**(9.9)**	**(1.0)**
Loss on disposal of subsidiary	8.9	-
Depreciation, amortization & impairment	11.6	11.3
Net capital expenditure	(5.2)	(6.8)
Working capital movement	(3.6)	(2.0)
Finance charges and other	3.0	1.9
Operating cash flow after capex	**9.0**	**9.4**
Net interest and tax	(2.5)	(1.8)
Lease liability repayment	(1.7)	(1.6)
Free cash flow	**4.8**	**6.0**
Acquisitions	(0.4)	(11.7)
Net disposal proceeds	1.7	-
Dividend	(3.4)	(3.2)
FX and other non-cash items	2.2	0.8
Reduction/(increase) in bank debt	**4.9**	**(8.1)**
Net Debt (excluding IFRS 16)	**(16.0)**	**(20.9)**
Net Debt - total	**(25.8)**	**(31.7)**

- Total investment in tangible and intangible assets of £5.2m (2023: £6.8m)
- Increase in working capital of £3.6m with a reduction of £0.8m in the second half
- Free cash flow of £4.8m (2023: £6.0m)
- Net proceeds from the sale of EM4 £1.7m. Earn-Out payments on prior year acquisitions of £0.4m
- Net debt (excluding the impact of IFRS 16 – Leases) of £16.0m, down from £20.9m
- Leverage as measured for our bank covenant was 0.9x (2023: 1.1x)
- Available committed and uncommitted bank facilities of $39.6m to support the Group's future growth

"We are focused on the efficient deployment of our capital to support growth."

OUTLOOK



Continuing Operations - adjusted to remove EM4

** Current order book and forecast revenue*

"G&H is now better positioned to benefit from the anticipated sustained recovery from our end markets in FY2025 thanks to the disciplined implementation of our strategy."

- Prior years' order book flattered by high past due backlog
- FY2024 order book normalised but remains solid with strong demand for medical diagnostics products in Life Sciences
- Refocused A&D business with positive multi-year demand outlook
- Semi recovery further delayed into H2 CY2025
- Current order book >£110m including Phoenix

SUMMARY

- G&H's refocused technologies and capabilities aligned to mega trends
- Order book healthy despite delayed recovery in semiconductor market
- Well positioned for growth from operational improvements and proactive outsourcing
- 'Value creation' synergies from Artemis and GS Optics acquisitions underway, complemented by Phoenix
- Despite macro challenges, improved financial performance expected in FY2025

"While mindful of the increasingly uncertain macroeconomic and geopolitical landscape, G&H remains well positioned with a robust pipeline across all our end markets and is refocused through a clear strategy to deliver a path to mid teen returns in the medium term"

Appendices

RESPONSIBLE BUSINESS

Environment

- FY24 reduction of 14.3% in carbon intensity measure
- 81% of the Group's purchased electricity now from non-carbon sources
- On track to achieve target of being net zero scope 1 & 2 by 2035
- Scope 3 assessments to be undertaken in FY2025
- 50% of sites now ISO 14001 accredited – Environmental Management

Social

- New HR Information System launched
- Quarterly Group wide newsletter, "The Pulse" launched

Governance

- Engagement with external accreditation agencies

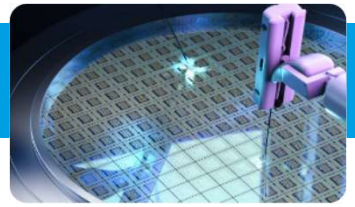
G&H KEY AREAS

Industrial

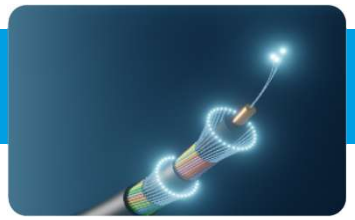
Quantum photonics for Comms & sensing

LiDAR for wind sensing

Lasers for semiconductor & machining



High-capacity telecom fibre networks



Aerospace & Defence

Imaging systems for UAVs, space & turrets

Armoured vehicle imaging systems

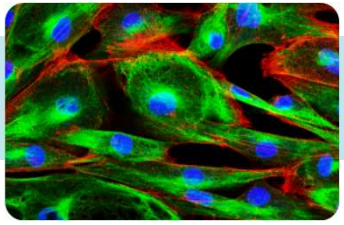
PH: 317-617-5574

Laser comms for UAVs & satellites

Laser Directed Energy Weapons

Life Science

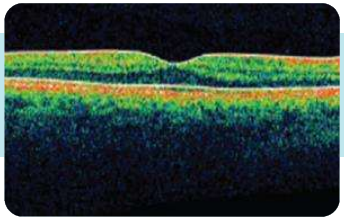
Confocal fluorescence microscopy



Medical lasers in Aesthetics & dentistry

In-Vitro Diagnostics instruments

Ophthalmic & intra-coronary imaging



G&H

INDUSTRIAL

Financials (50% of revenue)

	FY24	FY23	Change
Revenue	£67.9m	£74.7m	(9.1)%
Adjusted Operating Profit	£7.8m	£10.6m	(25.9)%
% Margin	11.5%	14.2%	(270)bps
Order Book	£39.0m	£46.5m	(16.1)%

- Customer destocking in H1. Some recovery in second half but full year organic constant currency revenue down 9.7%
- Growth in our subsea network revenue with a strategic new customer win in hi-rel modules
- Additional capacity added at our SE Asian contract manufacturing partner for acousto-optic and fibre optic products
- Market recovery expected in the second half of CY 2025

Industrial Lasers	Optical Comms	Metrology	Remote Sensing	Semi-conductor	Scientific Research

AEROSPACE & DEFENSE

Financials (25% of revenue)

	FY24	FY23	Change
Revenue	£34.5m	£27.3m	26.0%
Adjusted Operating Profit	£(1.2)m	£(1.8)m	35.5%
% Margin	(3.5)%	(6.8)%	330bps
Order Book	£42.8m	£37.9m	12.9%

- Revenue grew by 10.3% on an organic constant currency basis compared with FY2023
- Strong demand for super polished optics for ring laser gyroscopes and G&H Artemis specialist laser protection filters
- Divestment of EM4 rationalises our A&D portfolio
- Additional volume drove margin progression but production yield improvements behind plan
- Strong demand from A&D market for G&H's complementary capabilities

Target Designation & Range Finding	Guidance & Navigation	Counter-measures	Space Photonics	Periscopes & Sighting Systems	Opto-mechanical Subsystems

LIFE SCIENCES

Financials (25% of revenue)

	FY24	FY23	Change
Revenue	£33.6m	£33.0m	1.8%
Adjusted Operating Profit	£4.6m	£4.3m	7.3%
% Margin	13.8%	13.1%	70bps
Order Book	£22.7m	£30.9m	(26.5)%

- Revenues grew by 1.3% on an organic constant currency basis compared with FY2024
- Significant inventory correction by medical laser customers. Slight recovery in H2 but competition increasing
- Medical diagnostic market revenue strong. New programmes achieved regulatory approval into volume production
- First revenue secured from our new NA Life Sciences centre. Good pipeline of new customers for the facility

Optical Coherence Tomography (OCT)	Laser Surgery	Microscopy	Systems

ACOUSTO OPTICS

- DEFLECTORS
- MODULATORS
- Q-SWITCHES
- TUNEABLE FILTERS
- RF DRIVERS

G&H has been manufacturing world class acousto-optic devices and RF drivers for 40+ years.

Our AO product line is vertically integrated, from crystal growth to device packaging.

We offer both custom OEM designs, optimized for a wide variety of applications, and standard products.

Proprietary software enable optimization of design, performance, and budgetary constraints of our devices.

G&H AO technology is deployed in the world's most advanced semiconductor fabrication equipment, on leading medical imaging platforms and ground-breaking planetary exploration missions.

Our products distinguish themselves with the range of specifications, applications and long product lifetime.

ELECTRO OPTICS

LARGE CRYSTALS

POCKELS CELLS

Q-SWITCHES

WAVEPLATES

HV DRIVERS

Our electro-optic and crystal growth facility was founded in 1973.

All aspects of the design and manufacturing process are proprietary and managed internally.

We offer custom OEM designs optimized for a wide variety of applications as well as standard products.

Utilizing novel crystal growth, fabrication and polishing techniques, we manufacture longitudinal and transverse electrode configuration Pockels cells.

Our Pockels Cells and acousto-optic devices use our own highest quality crystals. We grow KDP, KD*P, BBO, CdS, CdSe and LN

Proprietary antireflection coatings increase lifespan and performance.

Our high voltage drivers can be paired with our Pockels Cells for optimal performance.

FIBER OPTICS

FIBER COUPLERS

FIBER-Q

LASERS

HI REL

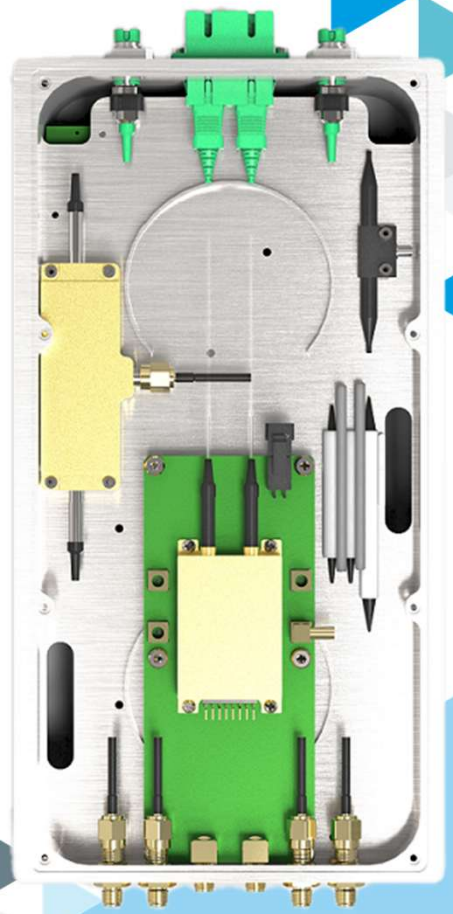
OEM SUB-SYSTEMS

We have a world-class expertise in fiber optics.

- We have developed our capabilities in fused fiber coupler manufacturing over the last 40 years
- We are vertically integrated and offer fiber optic assemblies, and custom sub-systems containing optoelectronics, driver circuitry and firmware for biomedical imaging, fiber sensing and A&D.
- We offer OEM hermetically sealed and epoxy-free optoelectronic components including high reliability laser engines.

We understand the importance of meeting customers needs for low SWAP (size, weight and power) and reliability.

G&H fibre optic engineered solutions are deployed in some of the harshest environments and for the most challenging applications under the sea and in space.



OPTICS FABRICATION & COATING

G&H has been a pioneer in precision optical component manufacturing for over 75 years.

FLATS

Full capability to process a diverse range of glass types and crystals and suitable for DUV to NIR applications (including SWIR).

ASPHERES

World leading expertise in polymer optics fabrication through 14 injection molding machines with 30 to 200 tons capacity and complex aspheric or free-form surfaces as well as mounting features

SUPER POLISHED FLATS

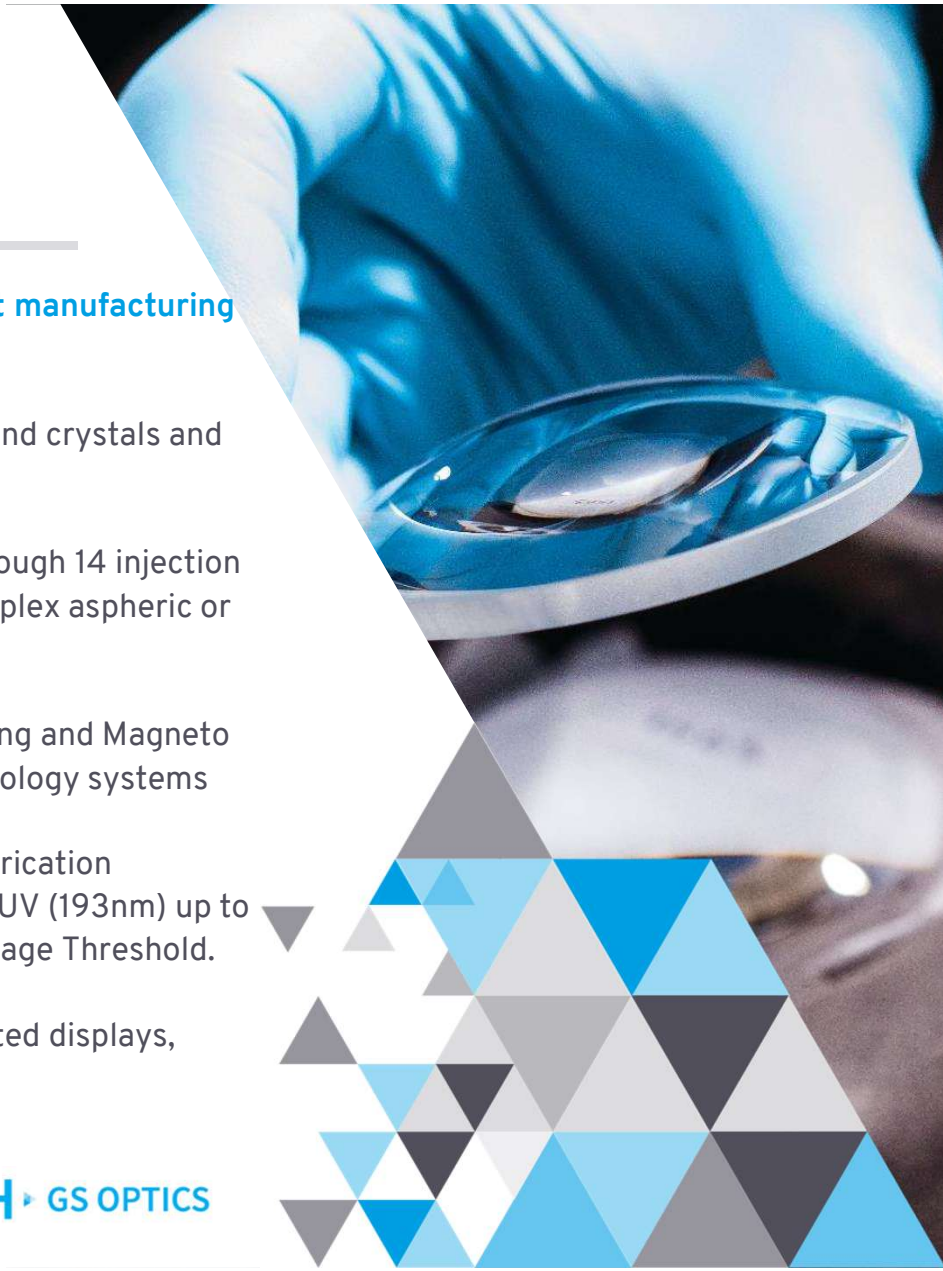
Advanced polishing/lapping, Single Point Diamond Turning and Magneto Rheological Finishing, supported by a diverse set of metrology systems

LASER FILTERS

Our 33 coating chambers (e-beam, IBS) underpin our fabrication capabilities. We have capability to coat optics from the DUV (193nm) up to the far IR with world leading expertise in High Laser Damage Threshold.

COMPONENTS

Our laser protection filters are deployed in helmet mounted displays, HUDs, sighting systems on tanks and riflescopes.



G&H ARTEMIS G&H GS OPTICS

OPTICAL SYSTEMS

LENS ASSEMBLIES

ZOOM LENS SYSTEMS

SIGHTING SYSTEMS

PERISCOPES

OEM OPTO-MECHANICS

Our systems have been providing the edge in defense applications

- Our periscope and sighting systems are of highest quality with proven reliability and our advanced electro-optic imaging systems enable superior situational awareness in the battlefield.
- Our imaging systems have been deployed on advanced Unmanned Aerial Systems enabling high resolution and extended range Intelligence, Surveillance and Reconnaissance

Our vertically integrated offering blends optical system design, advanced coating capabilities and fabrication of precision optical components, thus creating unique performance differentiators to our customers on the system level.

G&H STINGRAY G&H KENT

MEDICAL DIAGNOSTIC EQUIPMENT
DESIGN, QARA & MANUFACTURE

CONTRACT R&D

CONTRACT MANUFACTURING

MEDICAL DEVICES & IVD

BIOPHOTONICS

MICROFLUIDICS

For 40+ years, we have been delivering end-to-end design, development, and manufacturing of life-saving medical technology.

We utilize our in-house tools, expertise, and state-of-the-art technology to streamline the process and speed up regulatory approvals.

Our core capabilities include:

- Concept development
- Medical device design
- Medical device manufacturing
- Regulatory consulting

G&H ITL G&H VITL

VERTICAL INTEGRATION

SYSTEMS & SERVICES

- System manufacturing
- Design engineering

SUB-SYSTEMS

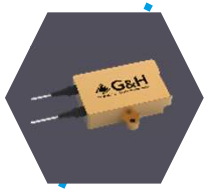
- Spectroscopic instrumentation
- Photonic subsystems

COMPONENTS AND MATERIALS PROCESSING

- Fiber optics
- Electro-optics
- Acousto-optics
- Crystal optics
- Optics

MATERIALS

- Crystals



OUR COMMITMENT TO ESG

ENVIRONMENTAL

It is clear sustained action is required to address climate change and manufacturing businesses have a responsibility to mitigate their environmental impact.

SOCIAL

Our people are critical to ensuring the long-term sustainability of our business and to achieving the Group's strategic objectives.

GOVERNANCE

G&H is committed to maintaining the highest standards of Corporate Governance and upholding (and improving) the human rights of each of our employees.

CAUTIONARY STATEMENT

- For the purposes of the following disclaimers, references to this ‘document’ shall be deemed to include references to the presenters’ speeches, the question and answer session and any other related verbal or written communications.
- This document 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 document. 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.

G&H