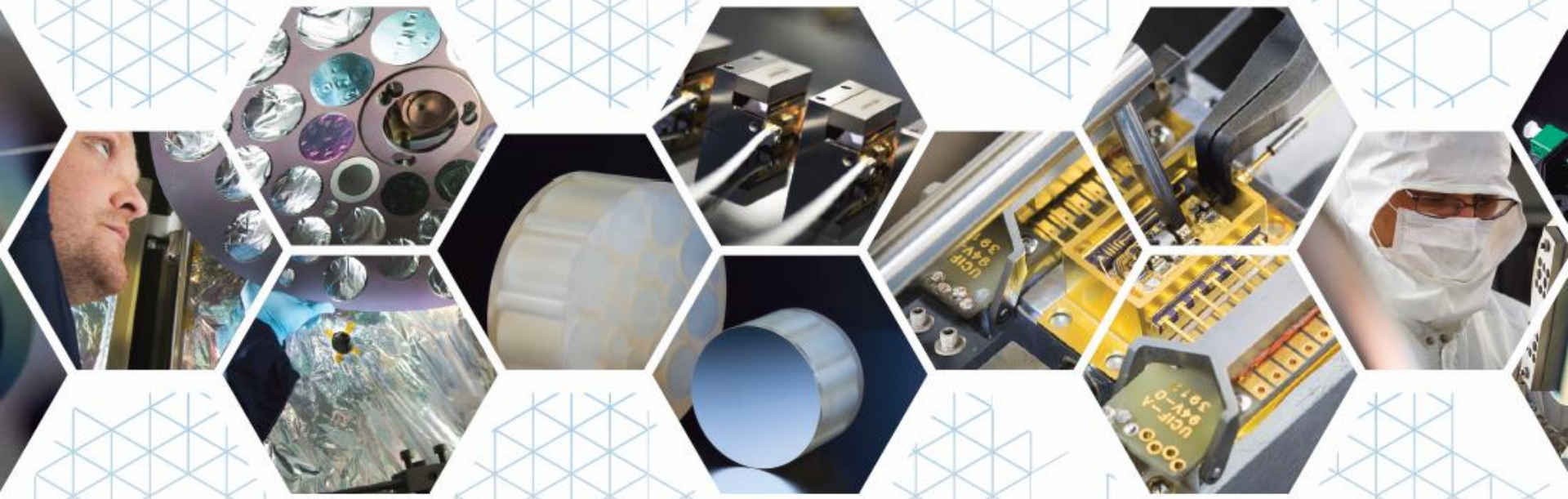

ANNUAL GENERAL MEETING

20 February 2019

Chairman: Gary Bullard

CEO Mark Webster / CFO Andrew Boteler

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Photonics and the future

- Photonics is the study and design of systems that depend on the transmission, modulation or amplification of streams of photons, the basic unit of light.
- Photonics is increasingly providing better solutions than electronics alone
- Photonics is already transforming manufacturing, aerospace, communications and medicine
- Optics and electronics are becoming inextricably linked and we believe the application of photonics will become ubiquitous
- G&H has a world class photonics components and systems capability
- G&H is well placed to take advantage of and enable what will be a transformational shift in technology

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Key highlights – FY 2018, a record year

Operational & Financial

- Strong Group financial performance, in line with our expectations, against a back drop of generally favourable market conditions
- Demand for microelectronics manufacturing was high throughout year. Hi-reliability fibre couplers down overall, but came back strongly in the latter part of the year
- Strategically important investments were made in order to increase capacity in industrial and medical lasers, to exploit high growth R&D opportunities and acquire complementary technologies and customers through two acquisitions
- Adjusted profit before tax up 16.4% on previous year
- Record year-end order book of £96.1 million, up 33% from same time previous year, up 17% excluding foreign exchange, acquisitions/ disposals
- Andy Boteler to step down as CFO, in summer 2019, in managed succession

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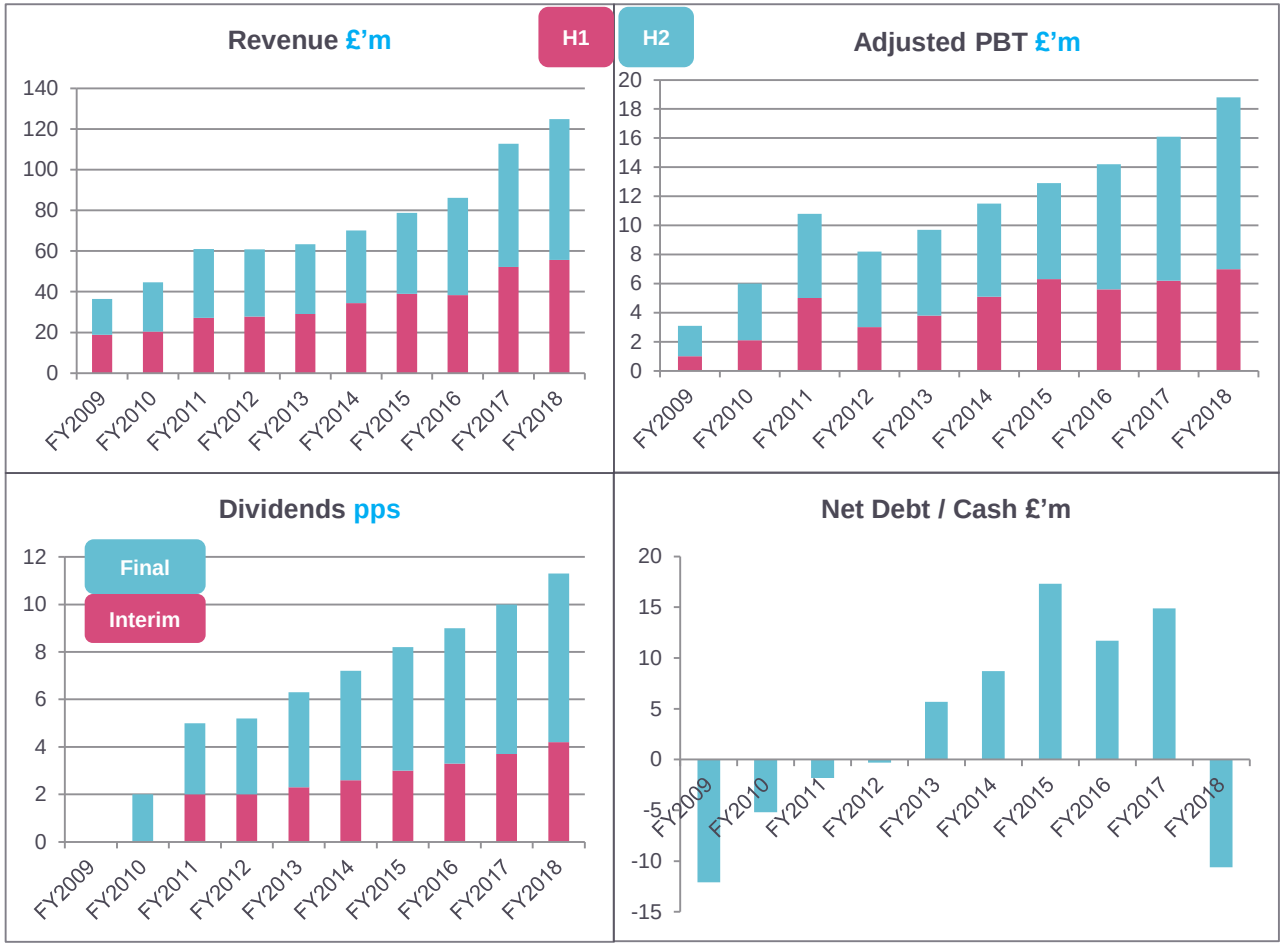
Financial Overview

Financial Track Record



Key points:

- The business has delivered profitable growth over an nine year period.
- 15% CAGR in revenues since FY2009.
- 22% CAGR in adjusted PBT since FY2009.
- 24% CAGR in dividends since FY2010.

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2019

- During the first four months a downturn in demand for critical components used in industrial lasers for microelectronic manufacturing. Further strengthening of demand for fibre optics and hi- reliability fibre couplers for undersea cables in particular

- G&H has long been aware of the risks associated with the cyclical nature of the microelectronics sector and more recently the impact of US/ China tariffs. We expect industrial laser market to pick up in the second half of our financial year

- We believe hi reliability fibre couplers on a multi year growth phase and we are investing in further capacity to take advantage of our market leading position

- ITL and GFO were acquired in the last two months of FY 2018 and both are performing well, with ITL trading ahead of expectations

- As at 31 January our order book was strong at £91.4 million(31 January 2018 £89.7 million)

- Looking forward we believe timing and mix will result in a FY 2019 group trading performance showing low single digit growth compared to last year

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Our Strategy

Remains the twin pillars of diversification & moving up the value chain

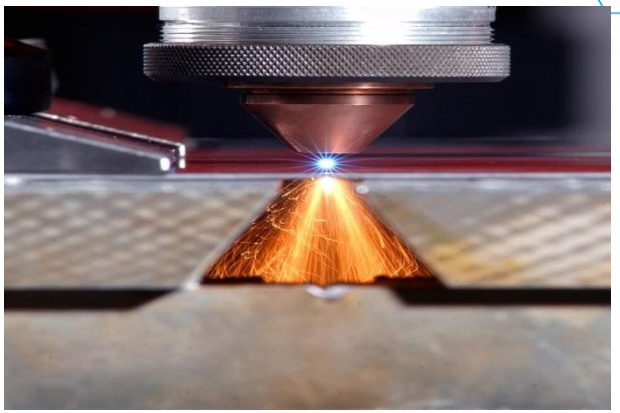
Diversify

Exploit high-growth opportunities for our photonics technologies across our three key market sectors to provide balance and reduce exposure to cyclicality

Aim to establish ‘critical mass’ in life sciences and further strengthen our position in A&D, through investment in R&D and further strategic acquisitions

Exploit near/ medium term opportunities in:

- Precision lasers and laser systems
- Optical sensing in harsh environments
- Space satellite communications
- Opto-mechanical systems for UAVs
- Optical systems for armoured vehicles
- Laser surgery
- OCT medical diagnostics



Move up the value chain

- Generate growth by adding value for our customers through enhanced design, engineering, systems and service capability
- Leverage excellence in components to become a systems or solutions provider
- Transition from component supplier to critical partner

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FY 2018 acquisitions

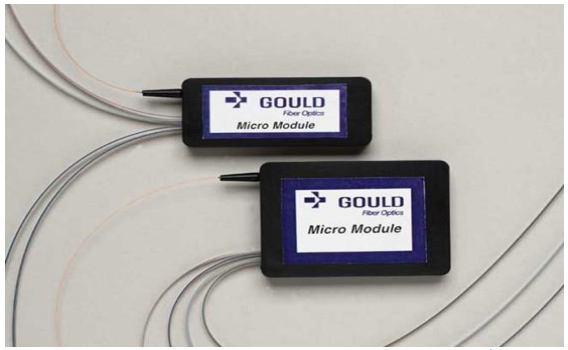
Broadening our offering

ITL

- Acquired on 8th August 2018
- Purchased for £14.0 million upfront plus earnout of up to £8.0 million
- Founded in 1977, HQ in Ashford, Kent
- Designs, develops, manufactures and services high quality medical diagnostic devices
- Effectively doubles our Life Science revenue, with 100% system based products
- ITL's core group of engineers provide a substantive platform for 'wrapping up' our photonic technologies in a systems package

Gould Fiber Optics (GFO)

- Acquired on 6th September 2018
- Purchased for $13.0 million upfront plus earnout of up to $3.4 million
- Founded in 1978, based in Baltimore, MA, USA
- High margin business with good growth prospects
- Combination with G&H creates an unrivalled global leader in fused fibre optics
- Provides enhanced access to tier one US Aerospace & Defence customers



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R&D – ENABLING NEW APPLICATIONS

Space

- High-speed constellations
- Networked UAV swarms
- Spectrometers for gas detection

Defence

- Laser Directed Energy Weapons
- Supporting missile defence programmes
- UAV & armoured vehicle imaging systems

Sensing

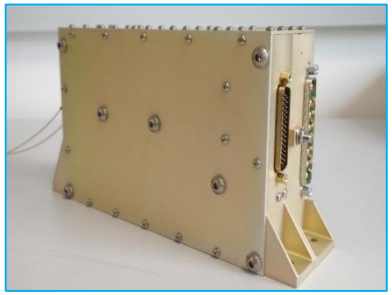
- LIDAR for wind sensing
- Fiber sensors on-board aircrafts
- Atomic clocks & gravimeters

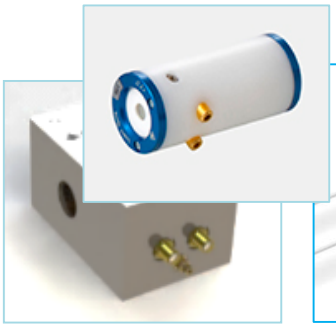
Micro-electronics

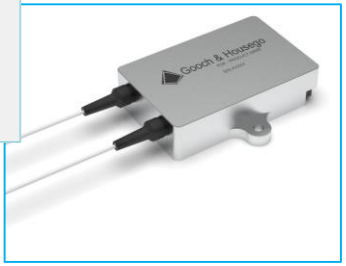
- Faster lasers for higher throughput
- Higher power Ultra-short Pulsed lasers

Bio-photonics

- OCT for ophthalmic & intra-coronary imaging
- Diagnostics







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Summary and Outlook

- G&H has a world class photonics capability and is well placed to take advantage of our selected opportunities
- FY 2018 was another strong year financial year, trading in line with expectations
- During FY 2018 continued to make substantial investments in capacity, high return R&D projects, which delivered a record 29 new products and revenue of £12 million(FY 2017: £11 million) and have brought on board complementary technologies through acquisitions
- Made significant progress towards our strategic goals of diversification and moving up the value chain. A&D is now 33% of revenue and life sciences will double revenue in FY 2019 due to the acquisition of ITL. Sub systems and systems now represent 26%, compared to 22% in FY 2017
- G&H long been aware of the cyclical nature of the microelectronics and more recently the impact of US/ China tariffs. Currently experiencing a cyclical downturn in demand for industrial lasers used in microelectronic manufacturing, which we expect to pick up in second half. Elsewhere progress has been good and our fibre optic business is performing particularly strongly.
- We remain confident in the ability of the industrial laser sector and our other markets to provide attractive long term growth.

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