INTERIM RESULTS

Half year ended 31st March 2024

4th June 2024

AGENDA

- Highlights
- Financial Results
- Segmental Update
- Environmental, Social & Governance
- Strategy Update
- Outlook & Summary

Charlie Peppiatt - CEO

Chris Jewell - CFO

HIGHLIGHTS

- Solid foundations established to support the delivery of the Group's strategic plan
- Revenue from continuing operations declined 1.4% to £63.6m (H1 2023: £64.5m)
- Divestment of EM4 business represents an important milestone in reshaping the Group's portfolio
- Adjusted operating profit from continuing operations of £3.8m (H1 2023: £5.4m)
- Integration of GS Optics and Artemis proceeding to plan. Commercial synergies being realised
- Order book remains strong at £115.8m (Sept 2023: £115.3m)
- Net debt* reduced to £30.4m (Sept 2023: £31.7m)
- Interim dividend of 4.9p per share (H1 2023: 4.8p)
- Full year expectations are unchanged; execution risks to H2 remain but have been reduced
- Outlook for our technologies and capabilities remains strong, supported by delivery of strategy

"Reduced demand has impacted first half trading, but focused progress made in delivering our strategy and positive dynamics in key end markets."

(Including IFRS 16 debt)*

SUMMARY INCOME STATEMENT

HY Ended 31 March Continuing operations	2024 £m	2023 £m
Revenue	**63.6**	64.5
Gross profit	**18.5**	18.4
Adjusted operating profit	**3.8**	5.4
Adjusted operating profit %	**6.0%**	8.4%
Adjusted profit before tax	**2.6**	4.7
Adjusted basic earnings per share (p.p.s)	**8.3p**	15.1p

"Despite lower demand from our customers we have invested to support the delivery of our strategic objectives."

- Industrial and medical laser market impacted by prolonged customer destocking, as previously reported
- EM4 sold – important step in reshaping our A&D business
- Revenue fell 1.4% (5.3% organic, constant currency)
- Input cost inflation passed on in full
- R&D investment: £3.6m (H1 2023: £3.5m)
- Adjusted effective tax rate: 19.3% (H1 2023: 19.5%)
- Non underlying items: £2.3m of which £1.4m was cash
- Loss from discontinued operations £9.3m (H1 2023 £0.2m) – of which loss on disposal £8.9m

CASHFLOW

HY Ended 31 March	2024 £m	2023 £m
Net cash flow from operating activities	**2.5**	**6.0**
Cash flow from investing activities		
Purchase of property, plant and equipment & intangibles	(3.0)	(4.2)
Disposal of subsidiary	2.4	-
Cash flow from financing activities		
Net borrowings	(1.1)	1.3
Interest paid	(1.2)	(0.7)
Dividends paid	(2.1)	(2.0)
Net (decrease)/ increase in cash	**(2.5)**	**0.4**
Exchange losses	-	(0.3)
Cash	**4.8**	**6.1**
Net Debt (excl. IFRS 16)	**22.2**	**12.9**
Net Debt (incl. IFRS 16)	**30.4**	**19.2**

- Working capital increased £4.4m driven by outflows from payables at September 2023
- Inventory levels now trending down
- Capital investment – for new fibre optic programmes and US Life Sciences facility
- Net inflow from the sale of EM4: £2.4m
- Leverage for bank reporting: 1.3 net debt / EBITDA
- Circa $36m available from committed and uncommitted debt facilities to fund future growth

INDUSTRIAL

Financials (50% of Group revenue)

	HY24	HY23	Change
Revenue	£31.7m	£36.4m	(13.1)%
Adjusted Operating Profit	£3.5m	£5.5m	(36.8)%
% Margin	10.9%	15.0%	(410)bps

- Industrial revenue declined by 13.4% on an organic, constant currency basis compared with H1 2023
- Destocking by customers in Industrial laser and semiconductor markets. Some offset from sub-sea data cable market
- Profit margins declined on lower volumes
- Demand remains strong for hi-reliability fibre couplers for undersea cables and fibre optic splitter units for semiconductor
- Additional capacity added at our SE Asian contract manufacturing partner
- Market recovery expected in the first half of FY2025

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

AEROSPACE & DEFENCE

Financials (26% of Group revenue)

	HY24	HY23	Growth
Revenue	£16.6m	£12.2m	35.8%
Adjusted Operating Profit	£(1.6)m	£(1.9)m	n/a
% Margin	(9.4)%	(15.5)%	610bps

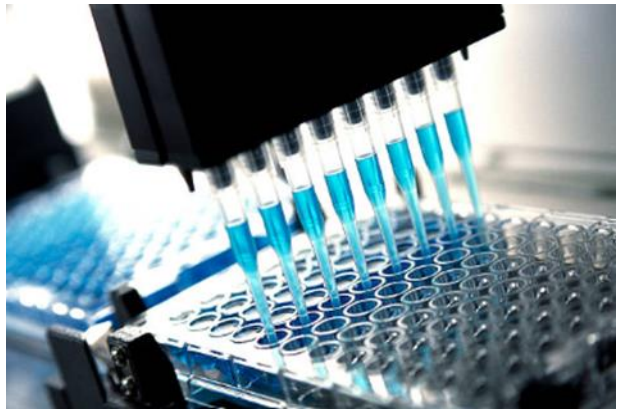
- Revenue grew 19.6% on an organic, constant currency basis
- Growth from super polished optical components used in ring laser gyroscopes and specialist laser protection filters
- A&D portfolio rationalised with the sale of EM4 in Boston
- Margin progression of 610 bps but production yields and productivity still below required levels
- Demand for existing products and new business pipeline positive driven by requirements resulting from Ukraine conflict
- Artemis integrated well into G&H Group. Commercial synergies being exploited from combination with G&H Group

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

LIFE SCIENCES

Financials (24% of Group revenue)

	HY24	HY23	Growth
Revenue	£15.3m	£15.9m	(3.4)%
Adjusted Operating Profit	£2.2m	£2.3m	(2.9)%
% Margin	14.7%	14.6%	10bps



- Revenues declined by 5.9% compared with H1 2023 on an organic, constant currency basis
- Medical laser customers destocking through first half of FY2024, normalisation expected in FY2025
- Positive growth from medical diagnostic customers following regulatory approvals of next generation devices
- North American Life Sciences centre opened with ISO13485 certification secured and first customer programmes secured
- GS Optics integrating into the Group to plan with customer interest for our polymer optic medical consumables offering
- Additional business development and engineering investment made to support the development of Life Sciences funnel

Optical Coherence Tomography (OCT)	Laser Surgery	Microscopy	Systems

A RESPONSIBLE BUSINESS

Environment

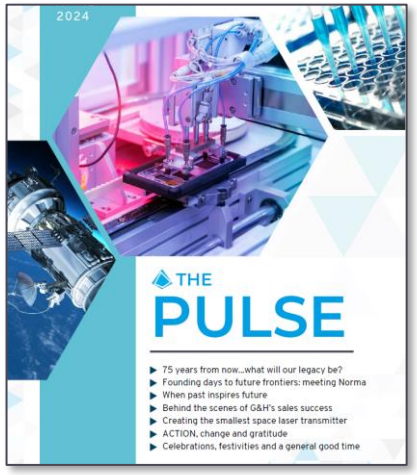
- Migration of more sites to renewable electricity supplies
- Further investment to reduce our environmental impact
- Carbon emissions reduced by 15.0%
- Two more sites recommended for ISO 14001 – Environmental Management – accreditation, in addition to three already accredited, now covers 50% of footprint

Social

- Regular feedback sessions to the Board from site employee representatives
- G&H Giving programme to be launched in FY2024
- Quarterly Group wide newsletter introduced

Governance

- Engagement with external assurance agencies
- Employee training on governance matters



CDP
DISCLOSURE INSIGHT ACTION

"We are focused on creating a long-term sustainable business by maintaining the highest standards of corporate governance to ensure we operate in an ethical and responsible way."

G&H

G&H STRATEGY – SUSTAINABLE GROWTH

New strategy focused on 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
Establish dynamic high-performance teams and a purpose-led culture

PEOPLE

2
Deliver exceptional customer experience and superior operational execution

SELF-HELP

3
Create enhanced value through technology and platform solutions

TECHNOLOGY

4
Focus investment to accelerate accretive growth, both organic and inorganic

INVESTMENT

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

STRATEGY PROGRESS

Path to mid-teens returns (700-800 bps accretion) over the medium term

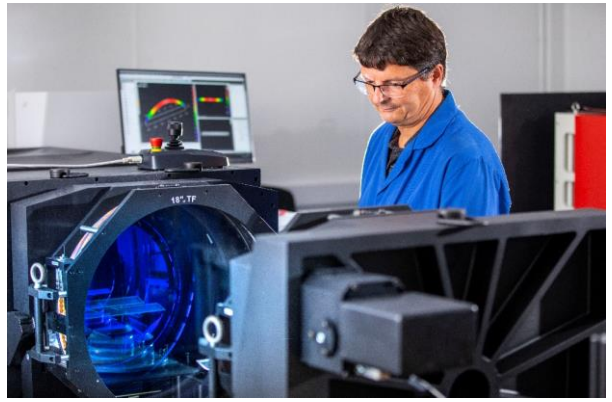
People	Self-Help	Technology	Investment
Sustainability agenda	Operational output	Technology Roadmap	GS Optics
Recruitment recovery	Delivery performance	Vital few ‘Lucky 7’	Artemis Optical
Talent development	Past due backlog	Innovation hubs	Divestment EM4
Staff engagement	Productivity plan	Rochester investment	Streamline footprint
Succession plans	Outsourcing progress	Acousto-optic team	Portfolio review
Organisational alignment	USA ITL expansion	R&D Coating CoE	Accretive M&A

Volume	Productivity	Outsourcing	New Products	Portfolio
c.100 bps	c.200 bps	c.150 bps	c.150 bps	c.200 bps

OUTSOURCING

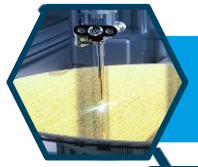
Proactive outsourcing of products earlier in their life cycle where technological sovereignty is not a differentiator

- Dedicated leadership and resources in place
- Supply of acousto-optic products expanding
- Hi-Rel couplers qualified, now in production
- Additional six product lines transferred to Thailand
- Qualification of further products underway
- Growth plans to >25% of Group revenue



People	Self-Help	Technology	Investment

VALUE CREATION FROM TECHNOLOGY FOCUS


Expand AO in Semiconductor & EUV

Become a leading supplier into Medical Lasers

Grow fiber technology for Submarine Networks

Grow Optical System Business

Maximize Precision Optics with added value

Move up the value chain in Fiber-Optics

Become a leader in Bio-photonics IVD

- R&D spend £3.6m (H1 FY2023: £3.5m)
- Technology roadmaps refocused on seven ‘vital few’ to drive ‘value creation’
- Investment to strengthen acoustic-optic engineering and product line team
- Fibre optics progress with next generation systems for semi fab, submarine network and medical diagnostics
- Precision optic systems technology offering accelerated by advanced coatings (esp. A&D)
- Successful launch of US CoE in Rochester
- >£50m of margin accretive business from new products over the medium term

ACQUISITIONS / PORTFOLIO

GS Optics (Acquired June 2023)

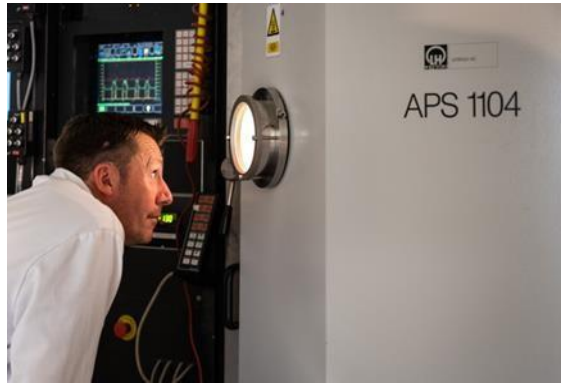
- Polymer precision optics design, manufacture and coating
- Rochester NY is a hub for photonics talent
- US Life Sciences ‘centre of excellence’ now open

Artemis Optical (Acquired July 2023)

- Customised system enabling optical filters and mirrors
- As part of G&H provides technology enabling systems
- Armoured vehicle optical systems NBO pipeline

EM4 (Divested March 2024)

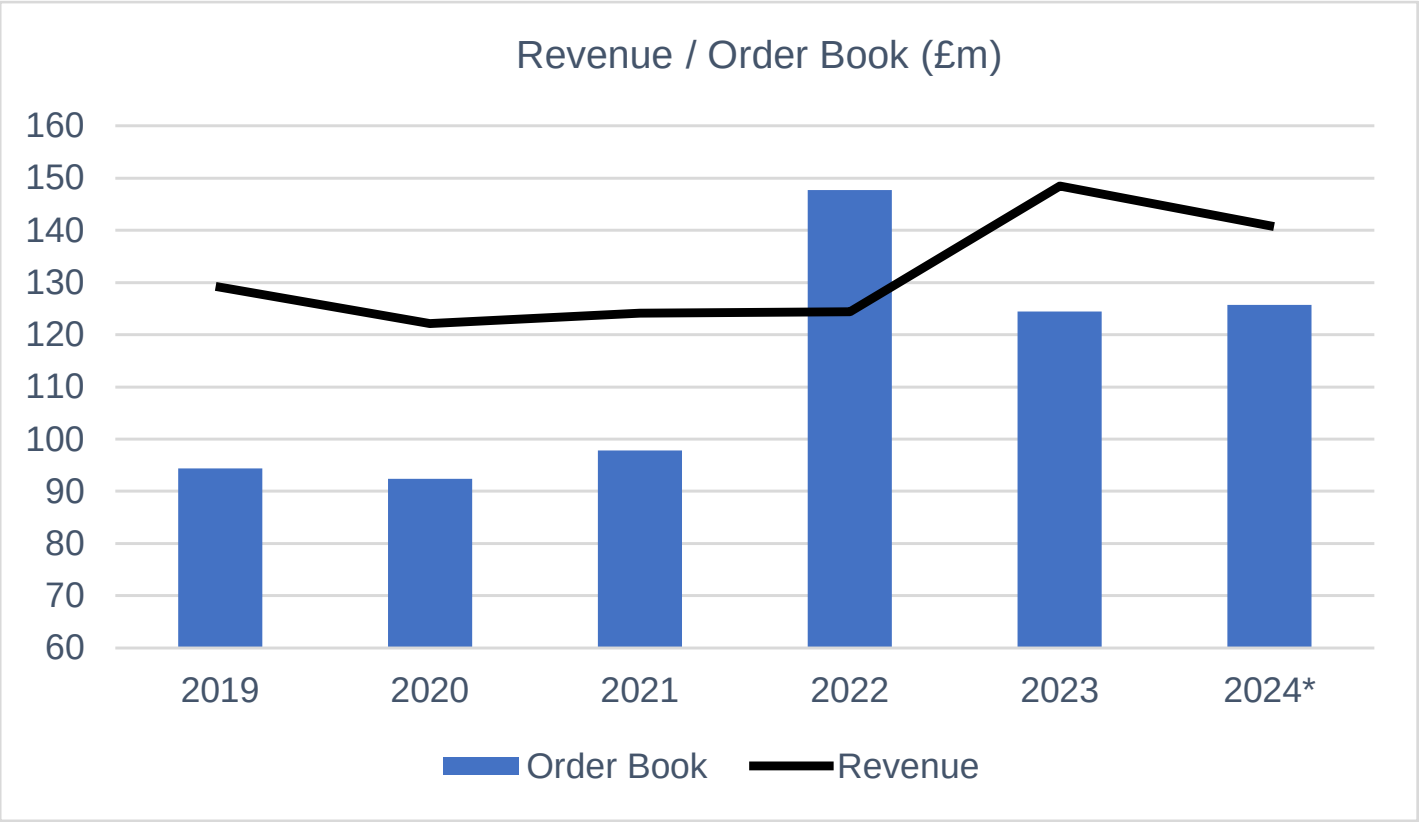
- A&D optoelectronic components and laser modules
- Retained fused fibre couplers, transfer to Torquay



People	Self-Help	Technology	Investment

G&H

FY2024 OUTLOOK



- Outlook for the full year unchanged
- FY2024 order book remains strong despite divestment of EM4
- 70% reduction in past due backlog over the last 18 months
- Positive book to bill ratio continues and current order book up to >£125m with >95% coverage for FY2024

"Our order book substantially derisks H2 and along with strong pipeline gives us good visibility for FY2025. We are confident we will deliver further profitable growth."

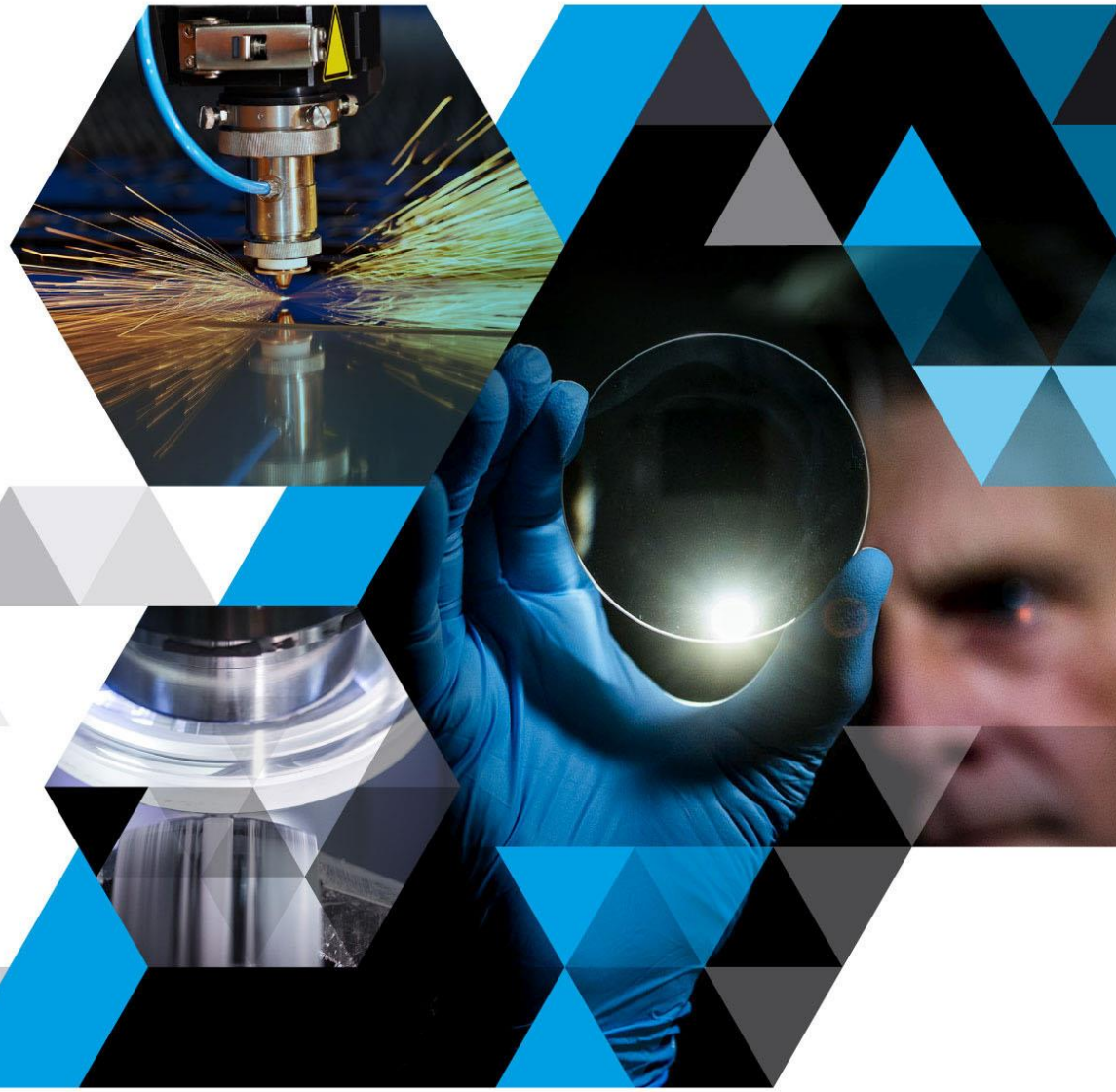
(Adjusted for continuing operations)*

SUMMARY

- Order book remains strong across all three end markets
- Operational improvements positions G&H well to benefit from upturn in semiconductor and other markets
- Further progress with outsourcing strategy with the qualification of additional product lines underway
- Engineering resources focused on customer-led next generation accretive development projects
- ‘Value creation’ commercial and technology synergies from acquisitions being realised

“Market dynamics for our technologies and capabilities remains strong in all our target sectors supported by the focused progress the Group has made to establish the foundations to accelerate the delivery of our strategy.”

APPENDICES



FINANCIAL GUIDANCE – YEAR ENDING SEPT 2024

- Capital expenditure
  - Circa £7m-8m
- Research & Development
  - Circa £7m (5-6% of revenue)
- Working capital
  - Some further reduction in inventory in the second half
- Tax
  - Adjusted effective tax rate of 19-20%
- Foreign exchange
  - USD 1 cent = £0.7m revenue and £0.04m operating profit impact

Discontinued operations

	31 March 2024 £000	31 March 2023 £000	30 September 2023 £'000
Revenue	**4,343**	6,752	13,435
Cost of revenue	**(3,644)**	(4,556)	(9,708)
Gross profit	**699**	2,196	3,727
Operating expenses	**(1,287)**	(2,517)	(4,691)
Operating profit	**(588)**	(321)	(964)
Interest payable	**-**	(7)	(18)
Profit before tax	**(588)**	(328)	(982)
Taxation	**202**	137	173
Profit after tax	**(386)**	(191)	(809)

	31 March 2024 £000	31 March 2023 £000	30 September 2023 £'000
Net cash generated from operating activities	**50**	918	1,444
Cash used in investing activities	**(194)**	(325)	(467)
Cash used in financing activities	**(198)**	(242)	(463)
(Decrease) / increase in cash	**(342)**	351	514

INVESTOR TIMETABLE

- 26 July 2024 – Interim Dividend Payment Date
- 8 October 2024 – Full Year Trading Update
- 3 December 2024 – Preliminary Announcement

CAUTIONARY STATEMENT

- For the purposes of the following disclaimers, references to this ‘document’ shall be deemed to include references to the presenters’ speeches, the questions and answers 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