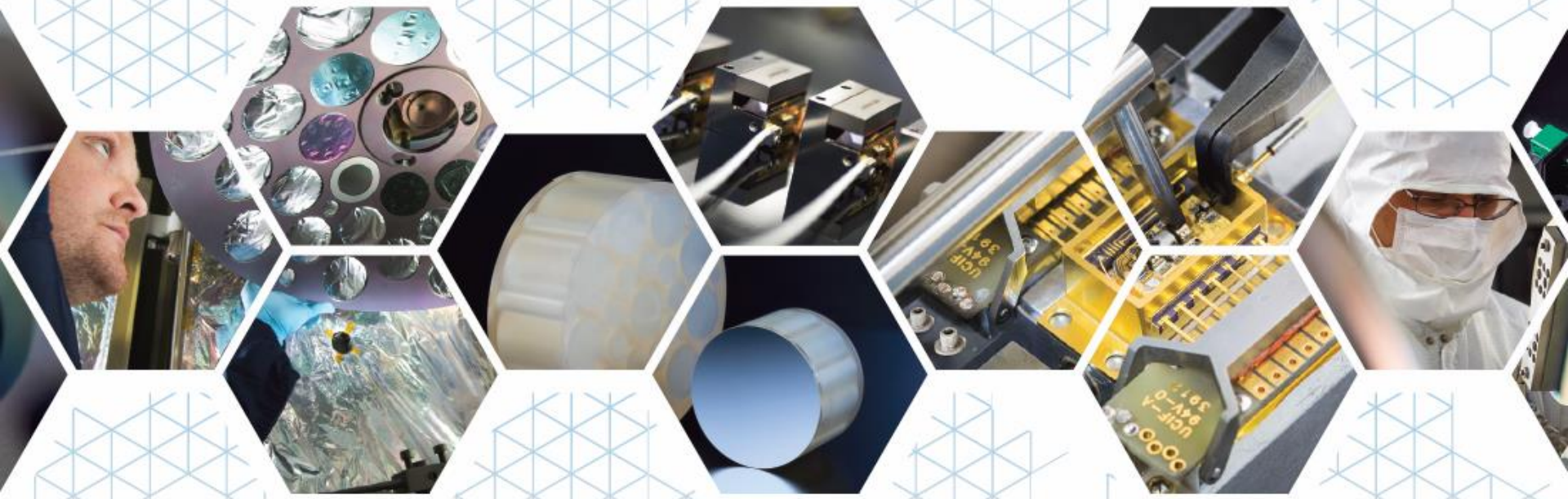

ANNUAL GENERAL MEETING

24 February 2016

Chairman: Gareth Jones / **CEO**: Mark Webster **CFO**: Andrew Boteler / **COO**: Alex Warnock

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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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2015 Highlights

- Grew Revenue by 12% to record £78.7 million
- Adjusted Profit before Tax up 12% to £12.9 million

- Invested in :
  - R+D, up 14% to £6.2 million
  - Torquay site expanded and upgraded
  - Palo Alto facility moved to improved and expanded site in nearby Fremont
  - Cleveland site commenced major upgrade
  - Increased cash to £17.3 million

- Increased dividend by 14%

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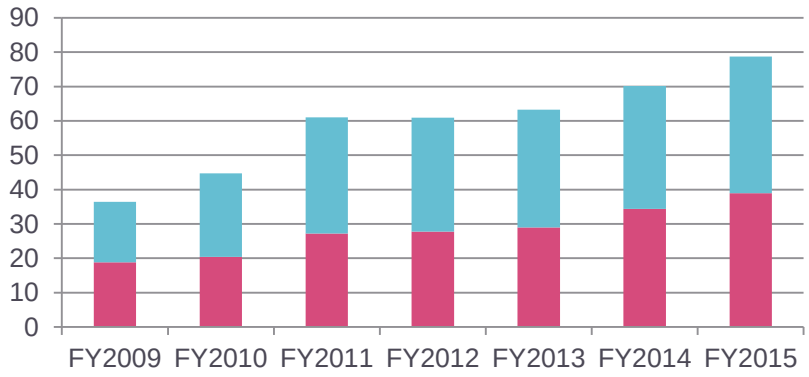
Highlights

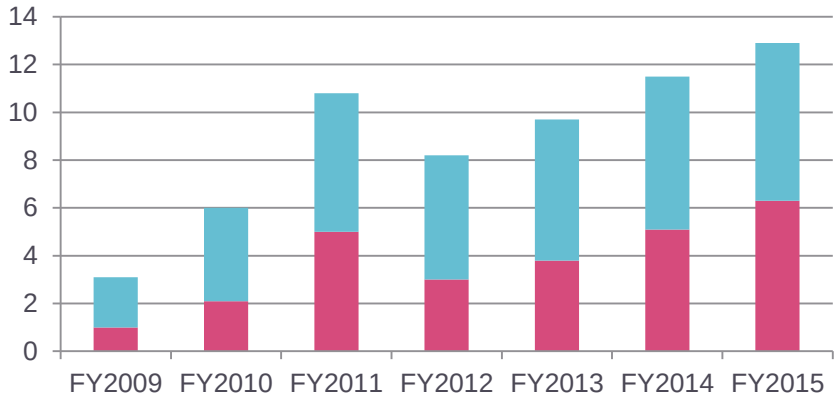
Results at a glance

Year Ended 30 September	FY 2015	FY 2014	Change
Revenue	**£78.7m**	**£70.1m**	12.3%
Adjusted profit before tax	**£12.9m**	**£11.5m**	12.2%
Adjusted basic earnings per share	**39.5p**	**35.6p**	11.0%
Total dividend per share (pence)	**8.2p**	**7.2p**	13.9%
Net cash	**£17.3m**	**£8.7m**	98.9%

Revenue £'m



Adjusted PBT £'m



"The business has delivered revenue & profit growth driven by a strong performance in our Industrial division" Andrew Boteler, CFO

H1 H2

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2016

- Full year forecast remains in line with management expectations
- Market conditions were mixed during the first 4 months.
    - Demand from China continued to be soft, partially offset by increased demand for high reliability fibre components for undersea communications
- Palo Alto move to Fremont delayed by local licence issues
- Order book robust at £36.7 million, 5% higher then previous year, contains:
    - First space communications contract
    - First fibre optic sensing contract
    - Improving China microelectronic orders
- Operational efficiencies due to move to lean manufacturing

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Performance improvement programme

Good progress made against all three areas:

- **High level of operational excellence across all sites, corporate group now set up in areas of supply chain, quality, compliance, process engineering and lean manufacturing**
  - **Delivered operational improvements**

- **Develop deeper ties with customers, 3 A&D business development experts hired, 2016 aim to hire Life Science business development experts**
  - **Delivered new products and new sales**

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Performance improvement programme

- R&D portfolio that prioritises fewer higher return projects, hired programme manager using rigorous analysis

- Strengthened System Technology Group to 24 engineers and scientists
  - Delivered more new products in 2015

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Growth through diversification

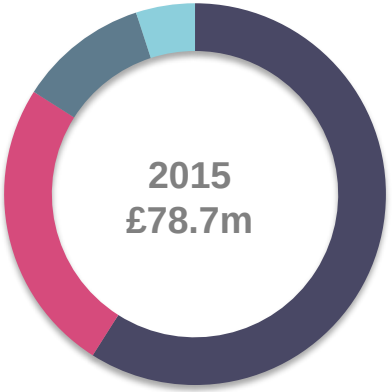
The newer markets of Aerospace & Defence and Life Sciences, together with new application areas within our Industrial market, offer the potential for significant growth through their rapid adoption of photonic technologies

INDUSTRIAL

AEROSPACE & DEFENCE

LIFE SCIENCES

SCIENTIFIC RESEARCH



Seven Year CAGR By Market

9%

39%

32%

(1%)

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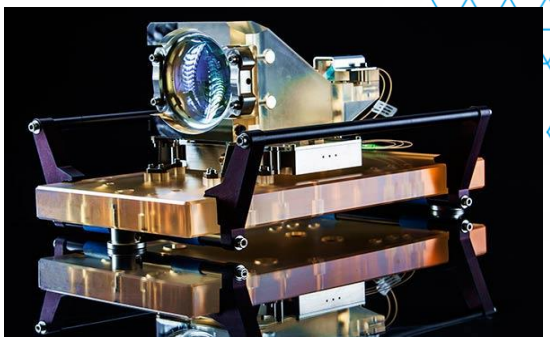
Strategy

Diversify

Exploit high-growth opportunities for photonics technology

- *Fibre Optic lasers*
- *Fibre Optic sensing*
- *Laser surgery*
- *A&D sub- systems and systems*
- *Medical Diagnostics*
- *Space/ Satellite communications*
- Move up the value chain



Leverage excellence in components to become a solutions provider

Optics + electronics + software + mechanics = *added value*

Materials => components => modules => systems

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Summary & Outlook

- *Photonics is transforming manufacturing, aerospace, communications and medicine*
- *G&H has a world class photonics capability and is well placed to take advantage*
- *G&H will aim to continue to deliver superior financial performance and invest in the future of the company*
- *We remain fully committed to the twin pillars of our strategy, namely diversification and moving up the value chain*
- *The business is more diversified, better balanced and well positioned to deliver sustained growth even in more challenging market conditions*
- *The aim of the performance improvement programme is to deliver greater organic growth, but when appropriate we will look to further our strategic goals through M+A*

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