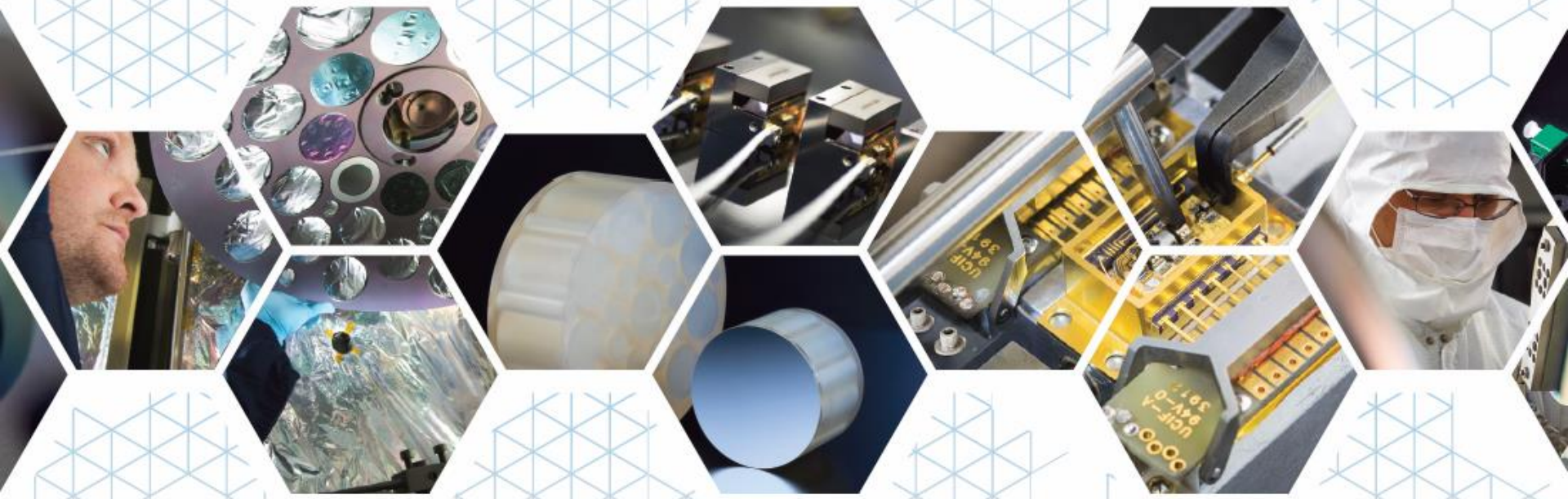

ANNUAL GENERAL MEETING

19 February 2020

CEO Mark Webster

Gooch & Housego
ENABLING PHOTONIC TECHNOLOGIES

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 world class photonics components and systems capabilities
- 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 2019

- **Trading:** as previously disclosed, challenging macro-economic environment in our industrial laser sector, contrasted with record levels of demand for fibre optics, hi-reliability fibre couplers used in undersea cables and life science products
- **Industrial laser products**: we believe that technical innovation in end markets and new manufacturing techniques, combined with our market leading position will ultimately drive improved demand
- **Strategic investment**: we invested to deliver a multi-year growth phase of hi-reliability fibre couplers and new US A&D contracts. Further investment in R&D projects that represent the highest return for our photonics technologies
- **Life Science business**: more than doubled in size compared with last year driven by growth in our existing market areas, strongly supported by the addition of ITL which performed ahead of our expectations since its acquisition in August 2018
- **Strategic goals**: we made considerable progress on further diversification and moving up the value chain, in large part due to the continued growth in our A&D and Life Science businesses

"Despite challenging trading conditions in industrial laser markets we made considerable progress against our strategic goals of diversification and moving up the value chain, due in large part to the performance of A&D and Life Sciences."

Mark Webster, CEO 3 December 2019

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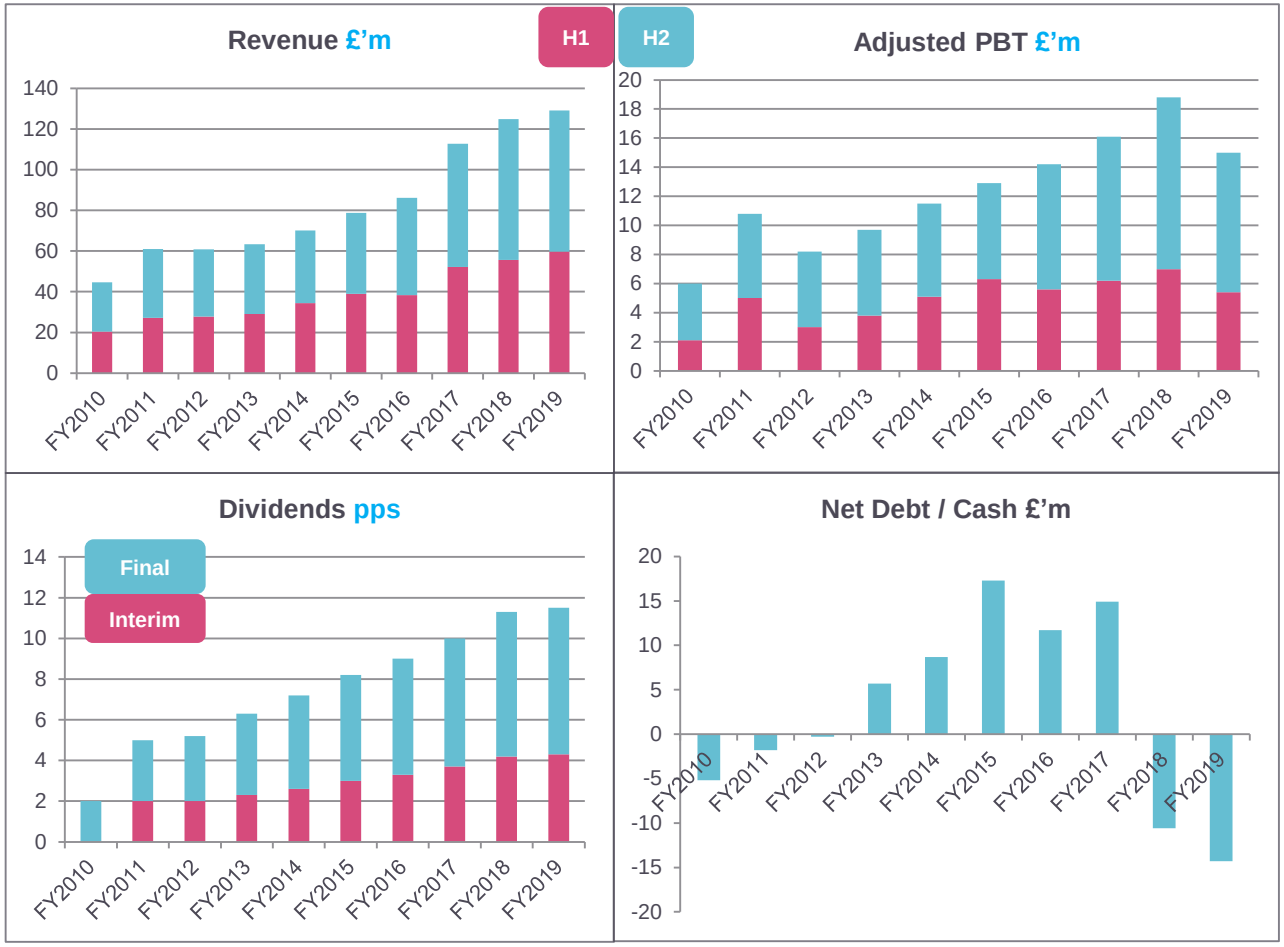
Financial Overview

Financial Track Record



Key points:

- 13% CAGR in revenues since FY2010
- 11% CAGR in adjusted PBT since FY2010
- 21% CAGR in dividends since FY2010

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First four months FY2020

- First four months reflect previously reported trends. Challenging macro-economic environment for industrial laser sector, contrasts with high levels of demand for fibre optics, hi-reliability fibre couplers used in undersea cables and our A&D and life science capabilities.
- The impact of the coronavirus is difficult to quantify at this stage, factories in China just coming back after an extended New Year holiday. Maybe a ‘drag’ factor on the industrial laser’s short term performance.
- Hi-reliability fibre coupler business has a full order book for current financial and looking at increasing capacity in FY 2021.
- US A&D business benefiting from last year’s investment. Life sciences continues to perform strongly, in particular ITL, acquired in August 2018
- Overall we expect to show progress on last year’s results and will continue to monitor the impact of coronavirus on our industrial laser products. We will provide further updates throughout the year.
- As at 31 January our order book was £94.1 million (31 January 2019: £91.4 million) an increase of 3.0%
- We continue to make considerable progress against our long term aims of further diversification and moving up the value chain

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Our Strategy

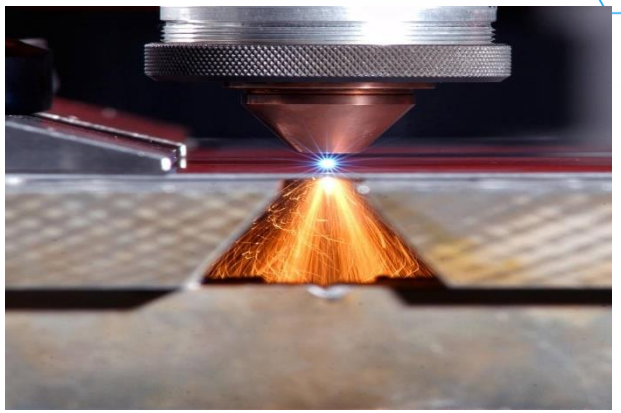
Remains diversification & moving up the value chain

Diversify

Aim to establish ‘critical mass’ in both the A&D and Life Science sectors and in an ‘ideal world’ there would be an equal split between the three market sectors across G&H. A&D represents 34% of FY 2019 revenue, Life Sciences more than doubled in size during FY 2019 and now represents 19% of revenue.

Exploit near/ medium term opportunities in:

- Precision and ultrafast 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
- Laser Microscopy
- Medical diagnostic systems



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
- Acquisition of ITL has significantly enhanced our systems capability
- In FY 2019 35.7% of revenue in systems and subsystems compared with 25.6% in previous year

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R&D – ENABLING NEW APPLICATIONS

Space

- Laser-comm sub-systems for cubesat platforms
- Laser transmitters for UAV swarms
- Acousto-optic devices for space rovers

Defence

- Optics & fibre-optics for Laser Directed Energy Weapons
- Eye-safe ground & airborne Laser Range Finders
- Ultra HD Longwave IR optics for security

Sensing

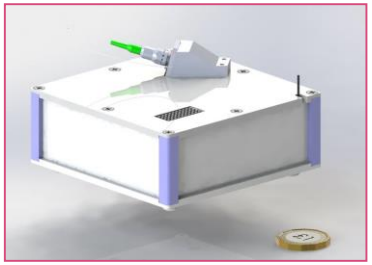
- Laser transmitters for wind sensing
- In-fibre sensing systems for Oil & Gas and Security

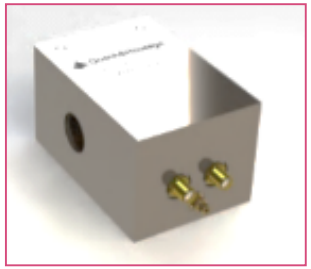
Industrial lasers

- Faster & shorter wavelength deflectors for high throughput laser manufacturing
- Acousto-optic modulators for micro-machining

Bio-photonics

- Fibre-optic components for early diagnosis of glaucoma
- Acousto-optic devices for microscopy
- Normothermic machine perfusion for organ preservation





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Summary and Outlook

- G&H has a world class photonics capability and is well placed to take advantage of the opportunities in our target sectors
- FY 2019 was a challenging year given the cyclical downturn in the industrial laser market and the impact of the US/China trade dispute
- During FY 2019 we continued to make investments high return R&D projects, which delivered a record 48 new products and revenue of £13.5 million (FY 2018: £12 million)
- Made significant progress towards our strategic goals of diversification and moving up the value chain. A&D is now 34% of revenue and life sciences 19% of revenue. Sub systems and systems now represent 36%, compared with 26% in FY 2018
- In first four months of FY 2020 challenging macro- economic environment, contrasts with high levels of demand for fibre optics, hi- reliability fibre couplers and our A&D and life science capabilities
- G&H is in a strong financial position and remains committed to making further organic and acquisitive investment in line with our long standing strategic objectives. Initiatives will include manufacturing cost reduction programmes, increasing hi-reliability fibre coupler capacity, A&D and systems capability and high return R&D projects

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