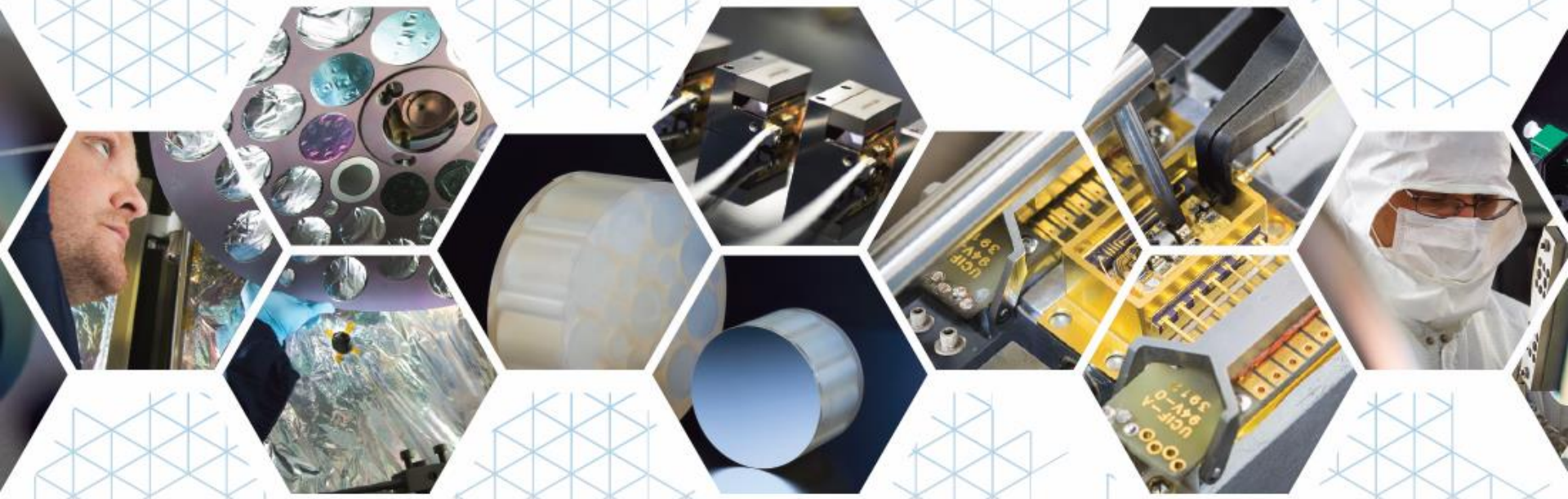

ANNUAL GENERAL MEETING

22 February 2017

Chairman: Gareth Jones / **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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2016 Highlights

- Grew Revenue by 9.3% to record £86.1 million
- Adjusted Profit before Tax up 9.7% to £14.2 million
- Full year results are testament to active policy of diversification and resilience of the business

- Two highly complementary acquisitions in the Aerospace and Defence sector
- Investment in R&D up 15.4 %, 21 new products introduced and 5 new patents granted

- Strong cash performance delivering net cash £11.7 million at year end (2015: £17.3 million) after investing £5.7 million in acquisitions and £9.7 million in property, plant and equipment

- Increased dividend by 9.8%

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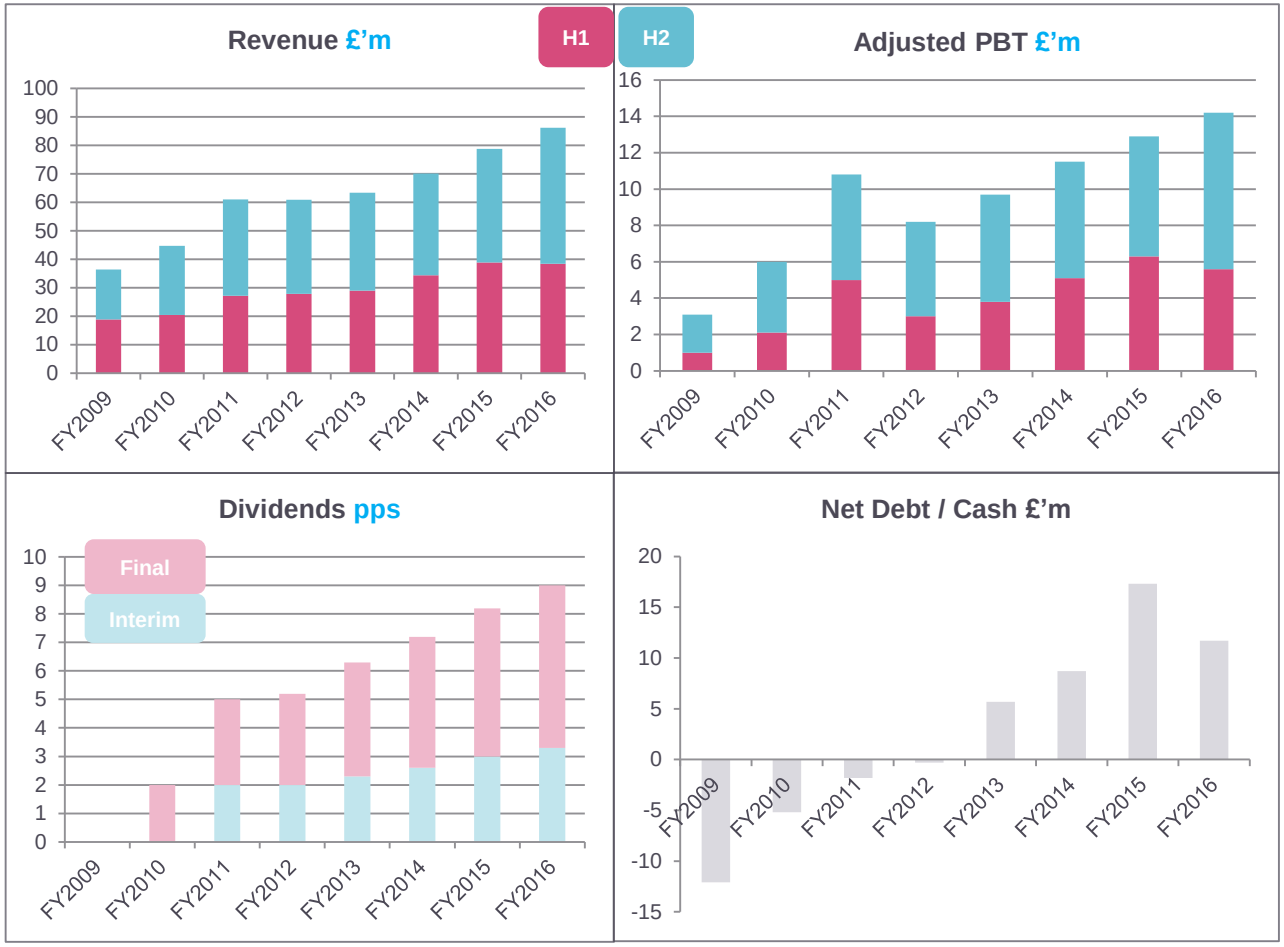
Financial Overview

Financial Track Record



The business has delivered profitable growth over an eight year period.

- **13% CAGR in revenues since FY2009.**
- **24% CAGR in adjusted PBT since FY2009.**
- **29% CAGR in dividends since FY2010.**

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2017

- Market conditions during the first 4 months were good
- Orders are being driven by telecommunications and industrial lasers, in particular high reliability undersea fibre couplers and critical components used microelectronic manufacturing
- Our two 2016 acquisitions Kent Periscopes and Alfalight performed well

- Order book is robust at £60.4 million, 65% higher than previous year, or excluding the impact of acquisitions and foreign exchange, 19% higher
- Full year forecast remains in line with management expectations

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StingRay Optics

- Based in Keene, New Hampshire, USA
- Market leading designer, manufacturer and supplier of world class custom optical assemblies
- Product range covers laboratory, ground based, airborne, unmanned aerial vehicles(UAVs) and space applications

- Meets strategic objectives of moving up the value chain and further diversification into A&D sector
- Leverages G&H's greater global reach and expertise in manufacturing infrared precision optics and specialist coatings

- Historical (2016) revenue of $7.7 million

- Initial consideration is $10 million, 75/ 25, Cash/ G&H shares, with an opportunity to earn a further $10 million over the next 3 years depending on performance

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Performance improvement programme

Good progress made against all three areas:

- **Aim to have a 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**
- **£ 3million government funded SIG programme underway in 3 UK sites**

– **Develop deeper ties with customers, 3 A&D business development experts hired, 2016 hired Life Science business development expert**

- **R&D portfolio prioritises fewer high return products**
- **System Technology Group (STG) now over 30 scientists and engineers dedicated to helping us move up the value chain**

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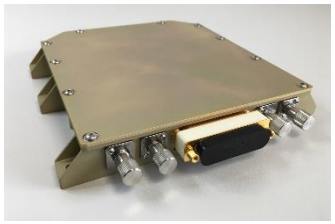
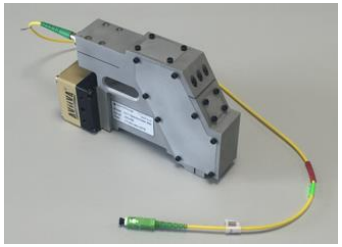
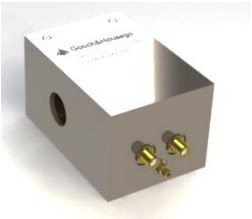
G&H's 6 Major R&D Programs

Major R&D Program	Sites	New Products H1 FY'17
Space Comms	Torquay Boston	Optical Amplifier Laser Transmitter
OCT	Torquay Boston	Compact Delay Line Compact Optical Spectrometer
AO Devices & Drivers	Ilminster Torquay Fremont	Smart Dual 15W AO Driver 5.5µm Ge AO Modulator/Driver AO Tunable Filter
BBO EOMs & Drivers	Cleveland Fremont Torquay	QDP Pockels Cell Driver
A&D Optics	St Asaph Ilminster Glenrothes	Night Vision Goggles 12.5mm SWIR Lens Project XP
Quantum Technology	Torquay	Narrow bandwidth laser source for cooling atoms







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Our Strategy

Remains “Diversify” & “Move up the Value Chain”

Diversify

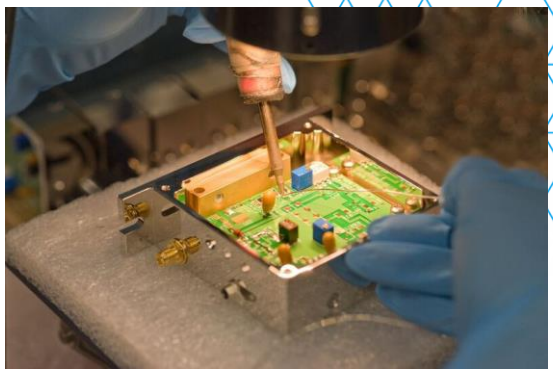
Establish critical mass in the A&D and Life Sciences sectors through a combination of investment in R&D and further acquisitions.

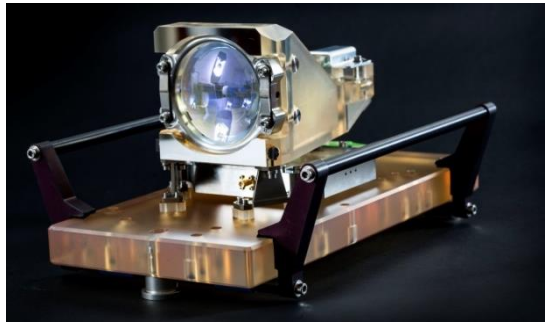
Targeted High Growth areas include:

- Fibre optic lasers
- Fibre optic sensing
- Precision inspection equipment for microelectronic manufacturing
- Laser surgery
- A&D sub-systems
- OCT medical diagnostics
- Space satellite communications

Move up the value chain

- Over 30 engineers and scientists in the Systems Technology Group, providing electronic, software and mechanical engineering expertise required for systems development.
- Most notable success in space satellite communications.





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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*
- *We remain fully committed to the twin pillars of our strategy, namely diversification and moving up the value chain*
- *Our recent acquisitions, investment in infrastructure and targeted R&D programmes have made G&H more diversified, better balanced and well positioned to deliver sustained growth even in more challenging market conditions*
- *Our aim is to continue to deliver superior financial performance and continue to invest in the future of the company*

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