FULL YEAR RESULTS

Year ended 30 September 2024

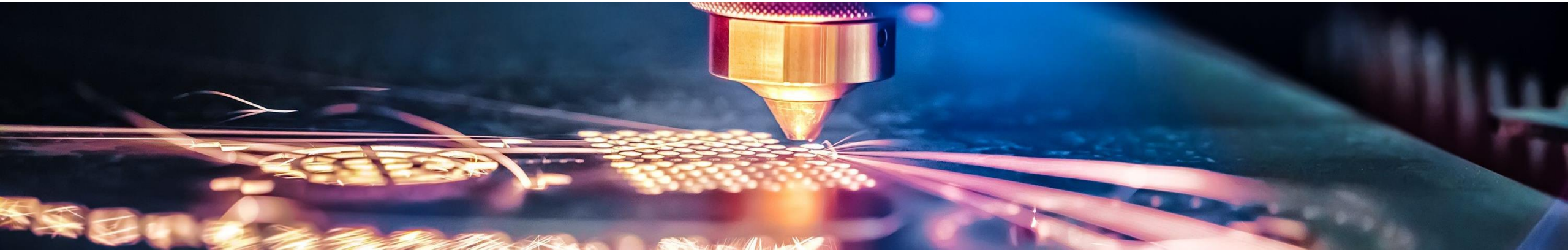
3rd December 2024

AGENDA

- Highlights
- Acquisition of Phoenix Optical
- Financial Results
- Business Update
- Environmental, Social & Governance
- Strategy Update
- Outlook & Summary

Charlie Peppiatt - CEO

Chris Jewell - CFO



HIGHLIGHTS

- Positive progress implementing foundational changes to deliver the Group's strategic plan
- Second half revenue 15% higher than the first half which was impacted by customer destocking
- Revenue from continuing operations up 0.7% to £136.0m (FY2023: £135.0m)
- Adjusted operating profit £10.5m (FY2023: £12.1m)
- Divestment of the EM4 business and the acquisition of Phoenix support the Group's transformation
- Order book closed at £104.5m (FY2023: £115.3m). Strong order pipeline, particularly for our A&D business
- Net debt* reduced to £25.8m (Sept 2023: £31.7m)
- Proposed final dividend of 8.3p per share, giving total of 13.2p per share (FY2023: 13.0p)

"Despite the challenges experienced in the first half of FY2024, G&H delivered a strong performance in the second half underpinned by solid demand for our Life Sciences and A&D products and reflecting the significant operational improvements that have been made across the company."

(Including IFRS 16 debt)*

ACQUISITION OF PHOENIX OPTICAL

- Phoenix Optical acquired Oct-24 for total consideration up to £6.75m
- Well regarded UK precision optics designer and manufacturer
- Strong team located in St Asaph, a hub for photonics talent
- Well invested facility with impressive diamond turning capabilities
- Long standing relationship with UK and European A&D customers
- Strategic rationale:
  - Revenue synergies through combined commercial pipeline
  - Scalable sovereign capability for A&D partners
  - Cost synergies – procurement, footprint & technology optimisation
  - Capability and know-how enhancement through combination

"Together we will be able to better serve our customers' most complex optical system requirements with industry leading technology and know-how."

SUMMARY INCOME STATEMENT

Year Ended 30 September (Continuing Operations)	2024 £m	2023 £m	% Change
Revenue	**136.0**	**135.0**	0.7%
Gross profit	**41.6**	**40.3**	3.4%
Gross margin %	**30.6%**	**29.8%**	80bps
Adjusted operating profit	**10.5**	**12.1**	(13.1)%
Adjusted operating profit margin	**7.7%**	**9.0%**	(130)Bps
Finance charges	**(2.4)**	**(1.8)**	(36.5)%
Adjusted profit before tax	**8.1**	**10.3**	(21.6)%
Adjusted basic earnings per share (p.p.s)	**25.5p**	**33.9p**	(24.8)%
Non-underlying items	**(3.9)**	**(4.3)**	(10.1)%
Reported profit before tax	**4.2**	**6.0**	(29.9)%

- Revenue grew by 0.7%; organic, constant currency down 3.0%
- Growth from our A&D and Life Sciences markets but Industrial revenue down
- Gross margin improved to 30.6%; operational efficiency progress
- Investment in R&D of £7.8m (2023: £7.4m)
- Adjusted operating profit down 13.1%, driven by the reduced volumes from our Industrial market
- Finance charges increased reflecting a full year of additional borrowing costs following the two acquisitions in the summer of FY2023
- Non-underlying items charge of £3.9m, cash of £2.1m
- Reported profit before tax of £4.2m (2023: £6.0m)
- Discontinued operations loss of £9.6m, £9.2m from loss on disposal

"Further progress on delivering the strategy despite challenging market conditions."

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CASH FLOW

Year Ended 30 September	2024 £m	2023 £m
Reported operating profit from continuing ops	**4.2**	**6.0**
Loss from discontinued operations	**(9.9)**	**(1.0)**
Loss on disposal of subsidiary	8.9	-
Depreciation, amortization & impairment	11.6	11.3
Net capital expenditure	(5.2)	(6.8)
Working capital movement	(3.6)	(2.0)
Finance charges and other	3.0	1.9
Operating cash flow after capex	**9.0**	**9.4**
Net interest and tax	(2.5)	(1.8)
Lease liability repayment	(1.7)	(1.6)
Free cash flow	**4.8**	**6.0**
Acquisitions	(0.4)	(11.7)
Net disposal proceeds	1.7	-
Dividend	(3.4)	(3.2)
FX and other non-cash items	2.2	0.8
Reduction/(increase) in bank debt	**4.9**	**(8.1)**
Net Debt (excluding IFRS 16)	**(16.0)**	**(20.9)**
Net Debt - total	**(25.8)**	**(31.7)**

- Total investment in tangible and intangible assets of £5.2m (2023: £6.8m)
- Increase in working capital of £3.6m with a reduction of £0.8m in the second half
- Free cash flow of £4.8m (2023: £6.0m)
- Net proceeds from the sale of EM4 £1.7m. Earn-Out payments on prior year acquisitions of £0.4m
- Net debt (excluding the impact of IFRS 16 – Leases) of £16.0m, down from £20.9m
- Leverage as measured for our bank covenant was 0.9x (2023: 1.1x)
- Available committed and uncommitted bank facilities of $39.6m to support the Group's future growth

"We are focused on the efficient deployment of our capital to support growth."

INDUSTRIAL

Financials (50% of revenue)

	FY24	FY23	Change
Revenue	£67.9m	£74.7m	(9.1)%
Adjusted Operating Profit	£7.8m	£10.6m	(25.9)%
% Margin	11.5%	14.2%	(270)bps
Order Book	£39.0m	£46.5m	(16.1)%

- Customer destocking in H1. Some recovery in second half but full year organic constant currency revenue down 9.7%
- Growth in our subsea network revenue with a strategic new customer win in hi-rel modules
- Additional capacity added at our SE Asian contract manufacturing partner for acousto-optic and fibre optic products
- Market recovery expected in the second half of CY 2025

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

AEROSPACE & DEFENCE

Financials (25% of revenue)

	FY24	FY23	Change
Revenue	£34.5m	£27.3m	26.0%
Adjusted Operating Profit	£(1.2)m	£(1.8)m	35.5%
% Margin	(3.5)%	(6.8)%	330bps
Order Book	£42.8m	£37.9m	12.9%

- Revenue grew by 10.3% on an organic constant currency basis compared with FY2023
- Strong demand for super polished optics used in ring laser gyroscopes and G&H Artemis specialist laser protection filters
- Divestment of EM4 rationalises our A&D portfolio
- Additional volume drove margin progression but production yield improvements behind plan
- Strong demand from A&D market for G&H's complementary capabilities

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

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LIFE SCIENCES

Financials (25% of revenue)

	FY24	FY23	Change
Revenue	£33.6m	£33.0m	1.8%
Adjusted Operating Profit	£4.6m	£4.3m	7.3%
% Margin	13.8%	13.1%	70bps
Order Book	£22.7m	£30.9m	(26.5)%

- Revenues grew by 1.3% on an organic constant currency basis compared with FY2024
- Significant inventory correction by medical laser customers. Slight recovery in H2 but competition increasing
- Medical diagnostic market revenue strong. New programmes achieving regulatory approval into volume production
- First revenue secured from our new NA Life Sciences centre. Good pipeline of new customers for the facility

Optical Coherence Tomography (OCT)	Laser Surgery	Microscopy	Systems

RESPONSIBLE BUSINESS

Environment

- Reduction in our carbon intensity measure by 14.3%
- 81% of the Group's purchased electricity now from non-carbon sources
- On track to achieve target of being net zero scope 1 & 2 by 2035
- Scope 3 assessments to be undertaken in FY2025
- 50% of sites now ISO 14001 accredited – Environmental Management

Social

- New HR Information System launched
- Quarterly Group wide newsletter, "The Pulse" launched

Governance

- Engagement with external accreditation agencies

STRATEGY UPDATE

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

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STRATEGIC PROGRESS

PEOPLE	FY2022	FY2023	FY2024	RAG
Open Positions	78	52	24	
ISO14001 Accreditions	1	3	5	
HRIS Implementation	-	-	US Sites	
Employee Engagement Survey	-	-	78%	
Scope 1&2 Emissions/Rev tCO2e (£m)	31.6	21.1	18	

TECHNOLOGY	FY2022	FY2023	FY2024	RAG
R&D Investment (£m) excluding EM4	7.2	7.4	7.8	
R&D Investment (% Sales)	6.2%	5.5%	5.8%	
New Products Revenue (£m)	17.9	23.7	25.3	
New Products (Number)	54	57	48	

PEOPLE | **SELF-HELP** | **TECHNOLOGY** | **INVESTMENT**

SELF-HELP	FY2022	FY2023	FY2024	RAG
Average Leadtime PO (weeks)	42	30	18	
Factory Pastdue Backlog (£m)	11.2	5.5	3.2	
On Time Delivery	67.4%	81.1%	83.9%	
Sites Achieving Efficency Target (%)	33%	45%	56%	
Outsourcing (LCR) Revenue	<5%	7.7%	8.5%	
Customer Survey NPS	10	11	42	

INVESTMENT	FY2022	FY2023	FY2024	RAG
Net Cap Ex (£m)	6.7	5.8	5.2	
Portfolio Adjustments / M&A	0	3	2	
Cash Conversion (Op Cashflow less Capex/EBITA)	-28%	77%	86%	
Debt Leverage (Net Debt / EBITDA)	0.7	1.1	0.9	

VALUE CREATION FROM TECHNOLOGY FOCUS

- Technology roadmap providing focus on where G&H can differentiate and drive ‘value creation’
- R&D effort and investment prioritised and deployed behind ‘vital few’ areas
- Investment into innovation hubs and R&D organisation to enable strategy
- 6 out of 7 performing well. Medical Lasers under threat from lower cost Asian competition
- >£50m of margin accretive business from new products in these areas over the medium term

EXAMPLE 1 – UNDERSEA FIBRE-OPTICS

Significant multi-year design wins for hi-reliability couplers and amplifier modules to enable next generation of higher capacity submarine links

- Design and qualification of couplers for new compact undersea repeater systems in final phase
- Mass production ramp-up of fibre optic amplifier sub-assemblies for undersea networks underway
- Qualification of new more energy-efficient Fiber-Q for undersea cable sensing proceeding to plan

People	Self-Help	Technology	Investment

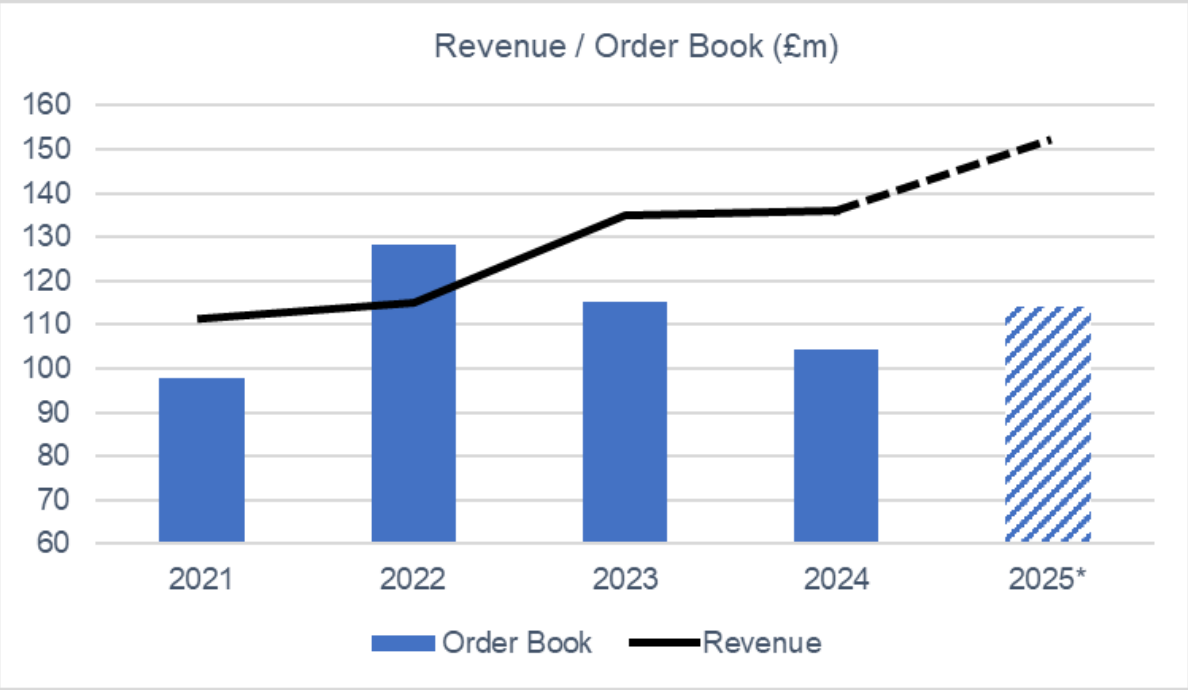
EXAMPLE 2 – PRECISION OPTICS VALUE-ADD

G&H Artemis has now been successfully integrated into the Optical Systems business unit providing best in class laser protection, especially for A&D applications

- Lasers are in widespread use on the battlefield, with applications including target designation and illumination, range finding, ordnance guidance and counter measures
- ‘Optical signature’ management – A recent paradigm shift has expanded the use of laser devices in war zones to include retro-reflection detection
- G&H has developed unique optical filters that address and protect against these laser threats

People	Self-Help	Technology	Investment

OUTLOOK



Continuing Operations - adjusted to remove EM4

** Current order book and forecast revenue*

- Prior years' order books flattered by high past due backlog
- FY2024 order book normalised but remains solid with strong demand for medical diagnostics products in Life Sciences
- Refocused A&D business with positive multi-year demand outlook
- Semiconductor recovery delayed into H2 CY2025
- Current order book >£110m including Phoenix

"G&H is now better positioned to benefit from the anticipated sustained recovery from our end markets in FY2025 thanks to the disciplined implementation of our strategy."

SUMMARY

- G&H's refocused technologies and capabilities aligned to mega trends
- Order book healthy despite delayed recovery in semiconductor market
- Well positioned for growth from operational improvements and proactive outsourcing
- 'Value creation' synergies from Artemis and GS Optics acquisitions underway, complemented by Phoenix
- Despite macro challenges, improved financial performance expected in FY2025

"While mindful of the increasingly uncertain macroeconomic and geopolitical landscape, G&H remains well positioned with a robust pipeline across all our end markets and is refocused through a clear strategy to deliver a path to mid teen returns in the medium term."

Appendices

2025 EXPECTED FINANCIAL CALENDAR

- 24th February 2025 – AGM Trading Update
- 8th April 2025 – Half Year Trading Update
- 3rd June 2025 – Interim Announcement
- October 2025 – Full Year Trading Update
- December 2025 – Full Year Results Announcement

NON-UNDERLYING ITEMS

Total non-underlying charge of £3.9m (of which cash £2.1m)

- Amortisation of acquired intangibles: £2.0m (of which cash £nil)
- Acquisitions (including interest of deferred consideration): £0.4m (of which cash £0.2m)
- Site closures: £0.6m - closure of our Shanghai facility and transfer of ITL US to our Rochester, NY site (of which cash £1.0m)
- Restructuring: £0.9m – restructuring of our operations (of which cash £0.9m)

OTHER FINANCIAL ITEMS

R&D Spend

- The Group's R&D investment in the year totalled £7.8m (FY2023: £7.4m). This represented 5.7% of revenue (FY2023: 5.5%)
- The Group capitalises a portion of its R&D spend in accordance with IFRS. The amount held on the balance sheet is £2.4m (FY2023: £2.3m)

Tax

- The tax charge for the year totalled £0.9m (FY2023: £1.1m)
- This comprised an underlying tax charge of £1.5m (FY2023: £1.8m) and a credit on non-underlying items of £0.6m (FY2023: £0.7m). The effective underlying tax rate was 19.0% (FY2023: 17.9%)
- The Group has accumulated tax losses of £21.5m (FY2022: £15.8m) available for offset against future profits of the Group

Interest cost

- The Group's underlying interest charge comprised £1.9m (FY2023: £1.5m) in respect of bank interest and £0.5m (FY2023: £0.3m) in respect of lease interest
- Drawings on the Group's borrowing facilities attract an interest rate of between 1.6% and 2.1% above US$ Secured Overnight Financing Rate dependent upon the Group's leverage ratio.

TARGETED R&D

New products launched in the year	Precision Optics & Systems	Acousto/ Electro-Optics	Fibre Optics
Aerospace & Defence	19	-	-
Industrial	11	6	6
Life Sciences	6	-	-

- New products generated £25.3m of revenue in FY2024 (FY2023: £23.7m)

"Our more focused technology development programmes are supporting the Group's journey to mid-teen returns."

CAUTIONARY STATEMENT

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

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