filtronic
Innovation in RF technology

Results for Financial Year to 31 May 2024

Nat Edington, CEO
Michael Tyerman, CFO

THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2021

THE KING'S AWARDS FOR ENTERPRISE 2024 INNOVATION



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Agenda

- Company Overview
- Financial Summary
- Focus Markets & Growth Strategy
- Summary






filtronic
Innovation in RF technology
Enabling the future of RF Microwave and mmWave communications
• High bandwidth, high speed, secure and low latency data transmission

Experienced Board



CEO
Nat Edington

Nat Edington was appointed Chief Executive Officer in May 2024. Before joining Filtronic, Nat was previously CEO of Dukosi, a fabless semiconductor technology leader in the battery market. As CEO of Cambridge CMOS Sensors, he also steered the company through significant growth phases and exited the business to AMS. He has held strategic leadership positions at AMS AG and Wolfson Microelectronics and steered them through periods of rapid expansion.



CFO
Michael Tyerman

Michael Tyerman was appointed Chief Financial Officer in April 2016 having joined Filtronic in 2007 as a Financial Controller and subsequently Group Financial Controller. Prior to joining Filtronic, Michael held various positions within Procter and Gamble, Huntsman Polyurethanes and Komatsu which included time in the Benelux and Nordic regions. Michael is a Chartered Management Accountant.



Non-Exec Chairman
Jonathan Neale

Jonathan Neale was appointed Non-Executive Chairman at Filtronic in October 2022. Prior to this Jonathan had been Chief Operating Officer of McLaren Group for the previous five years. Between 2001 and 2016, he held a number of executive positions, including Chief Executive Officer of McLaren Racing F1. Prior to McLaren, Jonathan had been at BAE Systems, UK, as Managing Director – Hawk Military Aircraft.



Non-Exec Director
Pete Magowan

Peter (Pete) Magowan has served as Non-Executive Director and as Chairman of the Filtronic Remuneration Committee since 2018. He also serves as a Non-Executive Director of Solid-State Group plc. After an operational career in the development and marketing of technology Pete was an early employee and main board member of ARM Holdings, an Executive at Fidelity International Ltd and General Partner at Alta Berkeley Venture Partners.



Non-Exec Director
John Behrendt

John Behrendt was appointed as a Non-Executive Director in January 2021. John was Head of Principal Investments with Eight Roads, part of the Fidelity network of companies until January 2020. Prior to this John held several leadership and operational roles, including, CEO of Optegra, CEO/CFO of Frontier Silicon Ltd and CFO for Teraview Ltd. John is a Chartered Management Accountant.

Filtronic

- > 40 years rich history
- New Filtronic is a high growth, communications technology leader in fast growing markets
- World class agile engineering and manufacturing capabilities in the UK and USA
- Technology roadmap that ensures we remain at the very leading edge of RF communications for many years to come
- Innovation at the heart, and innovating at pace
- On a significant growth trajectory, driven across a range of markets including the satellite communications market
- Strong order inflow and good engagement with the technology leaders in our chosen markets



FY2024 Summary

Revenue
£25.4m ▲ (56%)

Adjusted EBITDA*
£4.9m ▲ (285%)

Operating profit
£3.6m ▲ (1,423%)

Cash at bank
£7.2m ▲ (176%)

Net cash (net of all lease obligations except right of use property lease)
£5.2m ▲ (229%)

* Adjusted EBITDA is adjusted earnings before interest, taxation, depreciation, amortisation and share-based payments

Operational Highlights

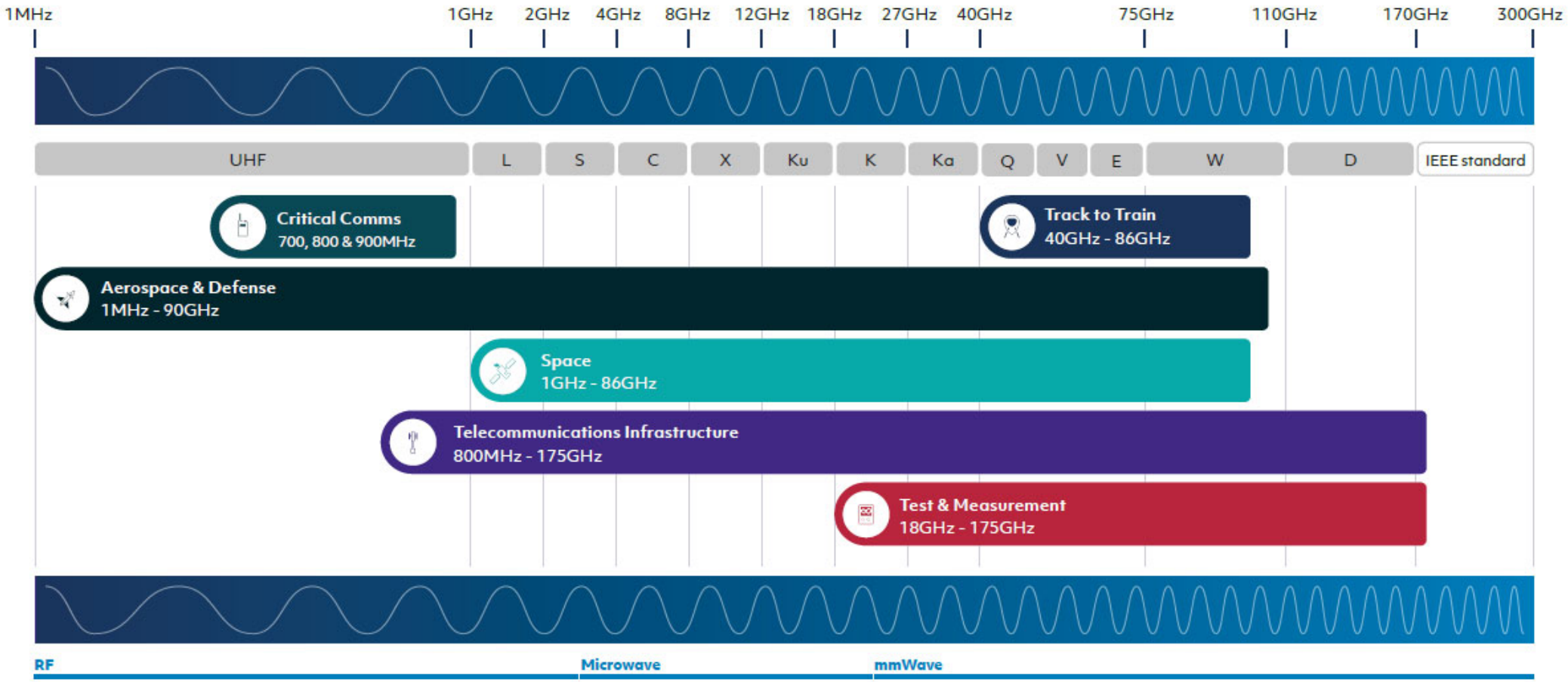
- Signed a 5-year Strategic Partnership with SpaceX, for the supply of Cerus 32 solid state power amplifier ("SSPA") products at multiple frequency bands.
- Contract award of £3.2m from the European Space Agency to develop a series of mmWave products with strategic importance for next generation LEO constellations including payload applications.
- Contract wins from strategic target clients, BAE Maritime Services and QinetiQ, for £4.5m and £2.0m respectively for radar systems.
- Launched and secured production orders for E-band derivative products from telecommunication infrastructure OEMs and several specialist private telecom network providers.
- Secured a fourth programme from DSTL to design and develop a tuneable filter solution for future defence radar applications.
- Won the King's Award for Enterprise in Innovation recognising our outstanding product development.
- Flexed the operation to meet growing market demand for our products demonstrating our ability to respond and scale the business rapidly and efficiently.

Post-period Highlights

- Follow-on contract award from SpaceX for E-band SSPAs valued at $9.0m (£7.1m) as part of the Strategic Partnership.

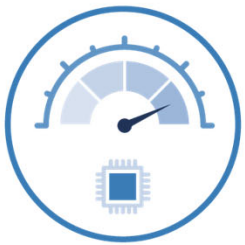
RF solutions across the spectrum

filtronic
Innovation in RF technology



Where we lead

Comprehensive RF design and manufacturing, mastering even the most complex E/W and D-band frequencies.

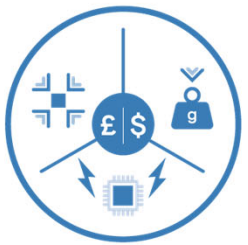

Speed to market


Lower cost of ownership


Customisation


High Performance


Agility

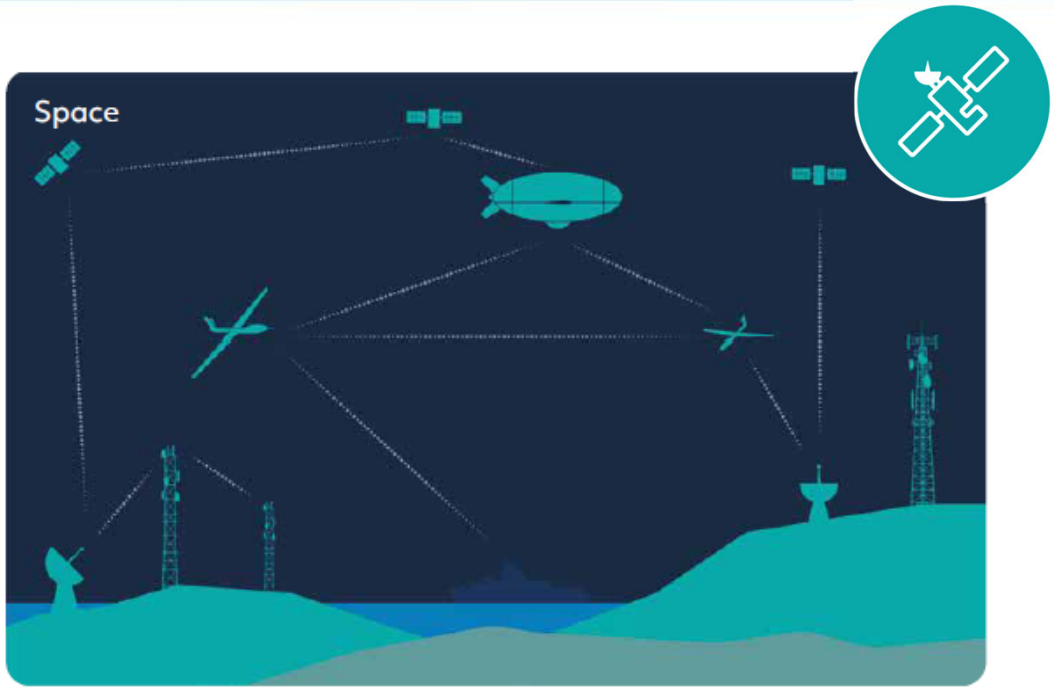

SWaP-C


Engineer to Engineer collaboration

Across these markets

- Space Communications
- Telecommunications Infrastructure
- Aerospace & Defence
- Critical Communications

Growth markets



Connecting a converged network

- Low Earth Orbit (LEO) and High Altitude Pseudo Satellites (HAPS) applications
- Commercial and Military solutions
- Transceivers, Power Amplifiers, Filters



RF, Electronic Warfare & AESA Radar

- Unmanned & counter unmanned systems
- Electronic countermeasures
- Space communications solutions
- Transmit-Receive Modules, Switched filter banks, system builds

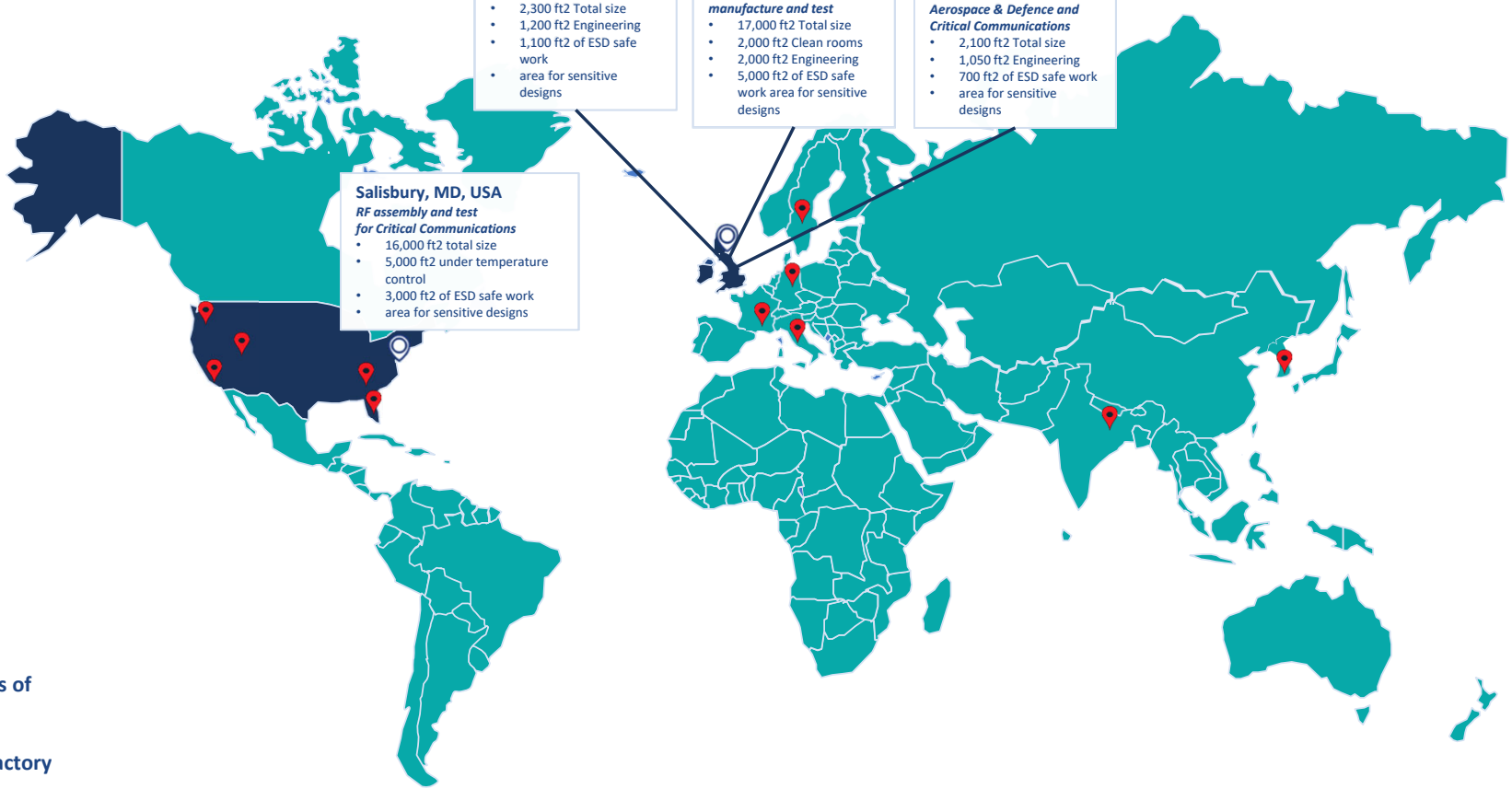
Global presence

Manchester, UK
SatCom design centre
- 2,300 ft2 Total size
- 1,200 ft2 Engineering
- 1,100 ft2 of ESD safe work
- area for sensitive designs

Sedgefield, UK
mmWave design, manufacture and test
- 17,000 ft2 Total size
- 2,000 ft2 Clean rooms
- 2,000 ft2 Engineering
- 5,000 ft2 of ESD safe work area for sensitive designs

Leeds, UK
RF design and assembly for Aerospace & Defence and Critical Communications
- 2,100 ft2 Total size
- 1,050 ft2 Engineering
- 700 ft2 of ESD safe work
- area for sensitive designs

Salisbury, MD, USA
RF assembly and test for Critical Communications
- 16,000 ft2 total size
- 5,000 ft2 under temperature control
- 3,000 ft2 of ESD safe work
- area for sensitive designs



Sales network

Filtronic Countries of Operation

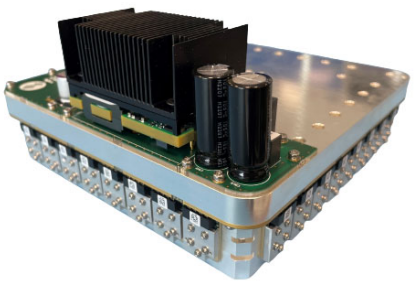
Filtronic Office/Factory Locations

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Strategic Partnership - SpaceX

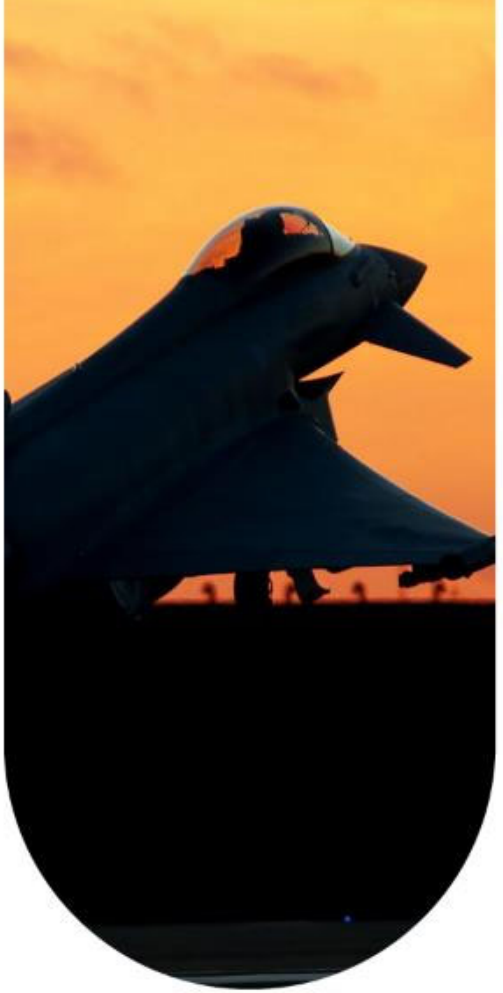
- Strategic Partnership announced 24 April 2024
- Chosen due to world leading performance in mmWave RF solutions
- Initial supply of E-band Solid State Power Amplifiers (SSPA) for ground stations
- Development work started, and in discussions on other bands
- $29M orders received to date
- Includes warrants to SpaceX for up to 10% equity in Filtronic ($60M orders and new product developments)
- Significant credibility in satellite communications market and endorsement of Filtronic technology leadership

SPACEX
Strategic Partnership for STARLINK
filtronic



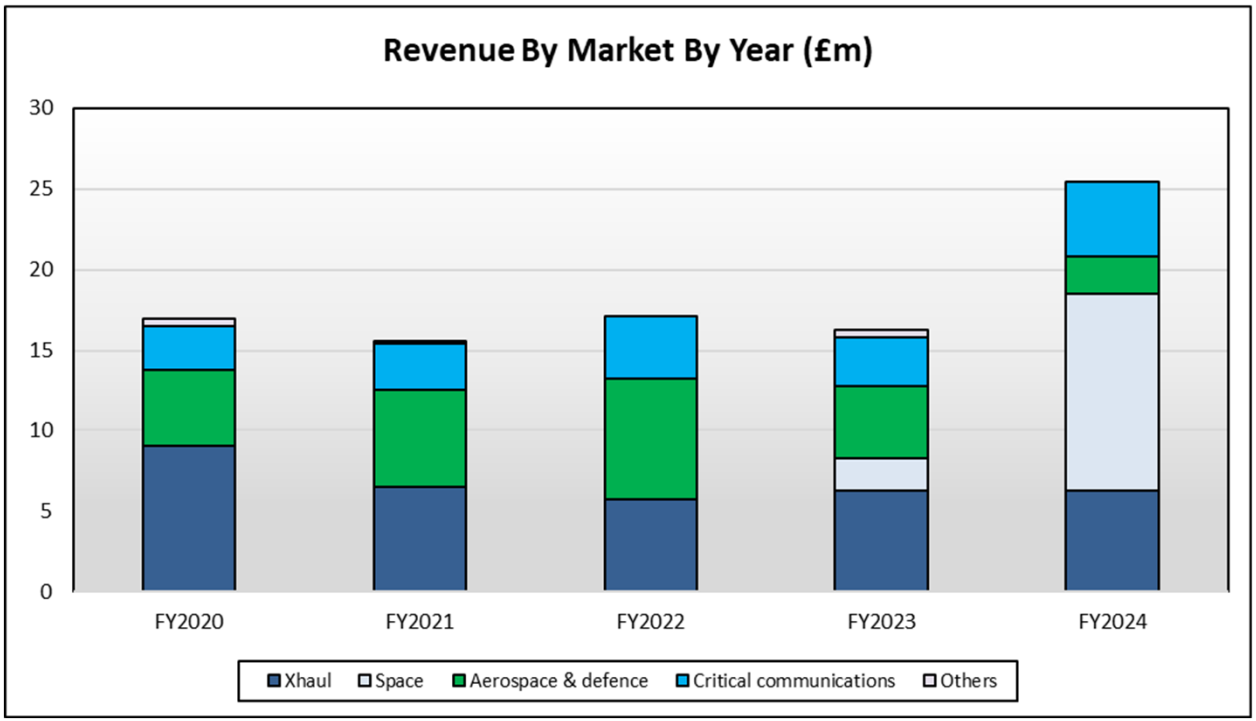
Mike Nicolls, SpaceX's Vice President of Starlink Engineering: "Filtronic has been an outstanding supplier for Starlink … delivering quality parts in E-band which will enable the Starlink network to continue to grow and connect millions of more people around the world with high-speed, low-latency broadband internet."

Financial Summary





Revenue: Increase of 56% vs FY2024



* Revenue from recent key contract wins not reflected in these results

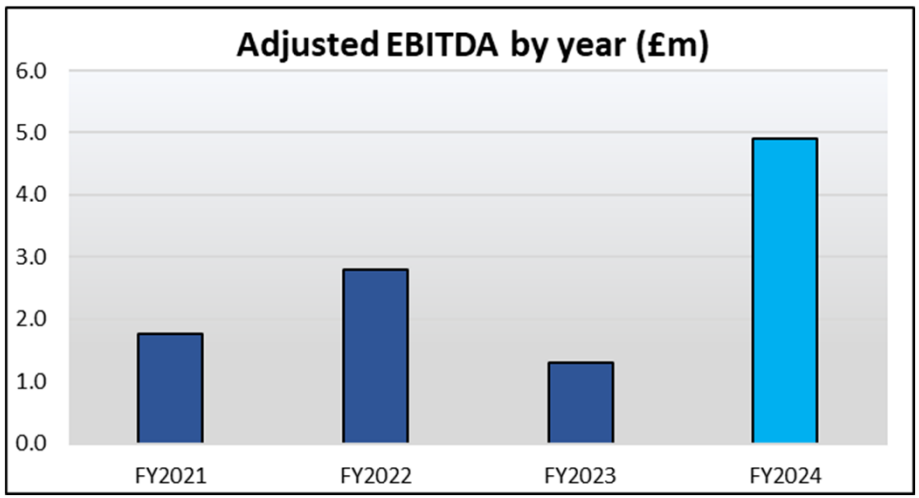
Group revenue £25.4m (2023: £16.3m)

- Space market saw a strong uplift with contract wins from SpaceX supported by Strategic Partnership.
- Aerospace & defence projects impacted by a project hiatus which is a mere timing issue, but new contract wins give high confidence for growth next year.
- 5G rollouts impacted by excess inventory and softness in end market but E-band derivatives sold to new customers in adjacent markets.
- Critical communications results benefitted from the semiconductor supply chain unwind.

56% increase against FY2024

- **Xhaul including Space:** Increased 122% vs FY2024 with LEO space driving the growth.
- **Defence:** Decrease of 49% vs FY2023.
- **Critical comms:** 53% revenue increase vs FY2023.

Investing for Growth



Full year results (£m)			
	FY2024	**FY2023**	**Change**
Revenue	**25.4**	**16.3**	**56%**
COGS	(9.4)	(6.0)	(56%)
Operating costs	(12.5)	(10.0)	(24%)
Operating profit	**3.6**	**0.2**	**1,423%**
EBITDA (Adjusted)	**4.9**	**1.3**	**285%**

Investment in engineering and business development to deliver growth

- **Increased trading** driving profit growth with contribution margin flat year-on-year - COGS 56% higher on revenue increase of 56%.
- Investment in sales channels and engineering continued which increased the overhead cost base by 25% to £12.5m to support top line growth.

- **Adjusted EBITDA** increased by 285% to £3.6m helped by revenue growth and leverage of the operating cost base. This resulted in **EBITDA margin of** 19%.
  - Cost base can support higher levels of turnover as we scale which will improve profitability and EBITDA margin as revenues increase. (Achievable EBITDA margin – 20%-25%)

Balance sheet

	May-24	May-23
	£m	£m
Goodwill and intangible assets	2.3	1.8
Right of use assets	3.7	2.9
Property, plant and equipment	1.2	1.4
Deferred tax	1.0	1.3
Non-current assets	**8.2**	**7.4**
Inventory	3.3	2.8
Trade and other receivables	6.5	5.3
Cash and cash equivalents	7.2	2.6
Current Assets	**17.0**	**10.7**
Trade creditors and other payables	5.4	3.7
Provisions	0.5	0.4
Deferred income	1.5	0.2
Lease liabilities	3.0	2.3
Total liabilities	**10.4**	**6.6**
Net assets	**14.8**	**11.5**
Share capital and reserves	**14.8**	**11.5**

Capitalised development costs

- Execution of the strategic plan and technology roadmap have led to capitalisation of development costs in line with IAS38.
  - W-band chipset development
  - Space market product development

Capital expenditure

- Investment maintained at normalised levels of £1.5m per annum to improve automated test capability at new frequency bands relevant to growth markets.

Debtors and creditors

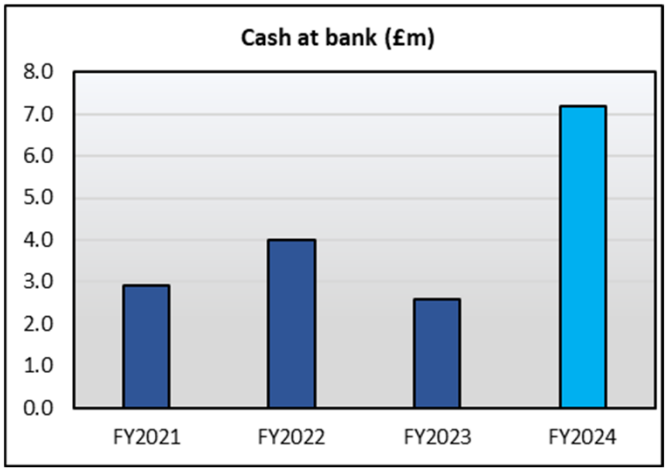
- All within terms and in-line with industry standard.

Deferred income

- Advance payment received on European Space Agency development programme.

Cash

	May-24	May-23
	£m	£m
Net cash generated from operating activities	6.3	1.0
Net cash used in investing activities	(1.5)	(1.5)
Net cash used in financing activities	(0.2)	(0.9)
Movement in cash and cash equivalents	**4.6**	**(1.4)**
Currency exchange movement	0.0	0.0
Opening cash and cash equivalents	2.6	4.0
Closing cash and cash equivalents	**7.2**	**2.6**



Cashflow movement

- Generated £6.3m from operating activities: Strong trading coupled with the advance payment on the ESA programme.
- Investments in product development, capital expenditure, repayment of lease liabilities saw outflow of £1.5m whilst the financing of assets in the period of £0.7m offset the repayment of lease liabilities. Net outflow from financing and investing activities of £1.7m.
- £4.6m total cash inflow in FY2024.

Cash position healthy to maintain investment in growth

- £7.2m cash at bank at 31 May 2024 (2023: £2.6m).
- Healthy cash position to maintain investment in growth.
- Undrawn invoice discounting debt facilities available - £3.0m Barclays.

Key Financial Themes

- Aerospace and defence
- Space
- Critical comms



- Telecoms

Investment	
EBITDA margin	EBITDA margin can be driven to the 20%-25% range in the near-term by continuing to leverage the operating cost base.
Engineering investment – capacity and capability	Target to maintain investment at 13% of revenue. FY2024 dropped to 11% against target due to the rapid revenue growth of 56%. Chip development, broaden product portfolio at other frequencies and support bespoke customer developments
Strengthening of business development	Strengthening of the direct channels to market and building of the indirect, variable cost, channels
Manufacturing capacity and capex requirements	Manufacturing capex investment was limited in FY2024 as capacity was sufficient but additional investment in FY2025 to further scale the business.
Engineering capex requirements	Requirement for additional engineering capability to support new market-driven frequency band needs in LEO space market.

Revenue and EBITDA – outlook

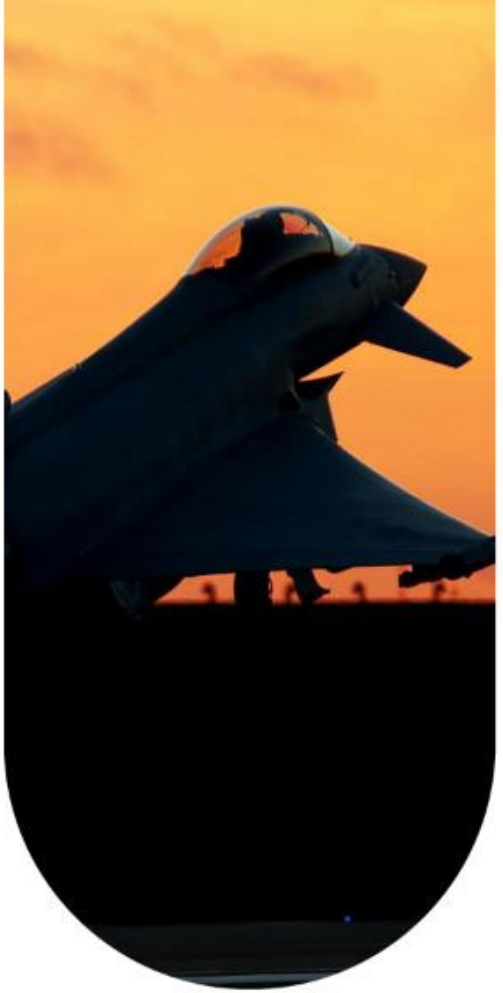
- **LEO space market** momentum building:
  - Contract wins of ~£23m secured with SpaceX since signing our Strategic Partnership.
  - Key players and well-funded disruptors generating a healthy pipeline of opportunity.
  - Recent contract win with the European Space Agency for £3.2m.

- High volume of **aerospace & defence** opportunities at key strategic targets.
  - Large contract wins at BAE and QinetiQ who were key strategic targets
  - Good engagement with further defence primes as the UK government encourages SME involvement.
  - A third contract win with DSTL for £400k.
  - Number of other, smaller, contract wins in the year.

- **Telecommunications infrastructure** softening market but programme rollout continues.
  - Key market to drive the technology roadmap as first adopters of new technology.

- **Critical communications** saw demand recovery in FY2024 following unwind of the global semiconductor shortages as a result of covid.

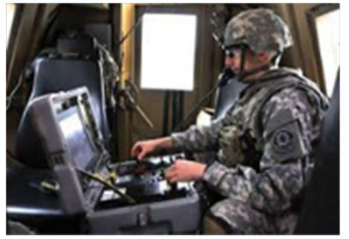
Focus Markets & Growth Strategy





Market Dynamics




	Telecommunications Infrastructure (*X-haul*)	LEO Space (*Gateway / Payload Links*)	Aerospace (*Radar / EW / ECM*)	Defence (*Comms / EW / ECM*)	Critical Communications (*LMR / P25 Networks*)
Primary Applications	• E-band backhaul transceivers for 5G telecoms infrastructure • Private telecom solutions	• LEO Gateway communication links – payload and ground station	• RF / microwave hybrid TRM modules for airborne ASEA radar and EW systems	• Battlefield communications • EW and Cyber applications • Electronic Counter Measures	• Subsystems for LMR secure public safety / first responder communications networks
Market Growth Rate	• **5G V/E-band Backhaul growth: 20% p/a CY2023-28*** • 2024/25 outlook less optimistic due to geopolitical disruption	• **>60,000 LEO satellites launched by 2029*** • OneWeb (EU) + Private Network constellations (US) set the pace	• **£750m p/a EW defence budget*** • **£16.5bn increase in UK Defence Spending CY2020-27***	• **£850m defence Comms budget** • **£6.6b DSTL S&T budget***	• **LMR market growth: 7% p/a CY2022-26***
Market Drivers	• **Global 5G telecoms rollout** • Release of E-band licences • High density urban networks • Low installed fibre in backhaul	• **Ubiquitous broadband access** • Release of Q/V E-band licences • Economic network coverage • Future operating revenues	• **Outsourced RF design capability** • Sovereign OSAT hybrid facility • UK Defence Strategy / Exports	• **Outsourced RF design & build** • Sovereign OSAT hybrid facility • UK Defence Strategy	• **Reliability P25 LMR solutions** • Upgrade + MRO installed base • Introduction of LTE solutions • Integration LTE LMR solutions
Filtronic USP	• **Partnership with market leader** • Quality /reputation / brand • Proven IP / Performance • History of volume delivery	• **Partnership with market leader** • Tx /Rx Power SSPA performance • Telecoms reputation / cost • Volume manufacture + ramp-up	• **Partnership with market leaders** • Accredited UK RF hybrid facility • Strong RF design / DFM support • Manufacturing processes • Cyber security accreditation	• **Partnership with DSTL / DASA** • **Accredited UK hybrid facility** • RF design / DFM support • Manufacturing processes • Cyber security accreditation	• **Partnership with market leader** • Quality /reputation / brand • US manufacturing facility

*Dell'Oro Backhaul 5-Year Forecast (Dec 2023)

* Ref: Research and Markets (Mar 2023)

* Ref: Defence Budge (April 2023)

• Ref: DSTL Spending Review (Nov 2022)

• Ref: Customer forecast (Jan 2023)

Space Market

***TAM**: $3B the RF communications element of 60,000 LEO satellites launched in next 5 years*



- LEO constellations are **converging with 5G** terrestrial telecom networks to provide low latency and global broadband connectivity
- **Core IP Reuse** - the fast-growing LEO market represents a significant opportunity for Filtronic to supply customised products based on core telecoms semiconductor and manufacturing IP
- The **Starlink Network** supported by **SpaceX** is the clear market leader in LEO Space infrastructure. 300 launches, 5,000 LEO satellites deployed (80% of all payload in CY23) and more than 4m subscribers
- **Agile design and development** and the ability to scale quickly into manufacturing are key enablers for success in the aggressive LEO market
- **MEO and GEO applications -** ground station products can be sold into MEO / GEO where ratio of ground stations to satellites is much higher

Primary LEO Space Constellations

Programme	Target Segments	Target Constellation Size	HQ	Launch Partners	Satellite OEM	Bands	Comments
StarLink	Consumer and Enterprise Internet / Government	30,000	Redmond, USA	SpaceX	SpaceX	Ka, E, others	Service live across, US, EU and SE Asia inc Australia and NZ
Amazon Kuiper	Consumer and Enterprise Internet / Government	3,236	Seattle, USA	Arianespace, Blue Origin, United Launch Alliance	Amazon Kuiper	Ka	Trials ongoing but delayed, expecting launch first satellite in 2024, service starts in 2025/6
OneWeb	Consumer and Enterprise Internet / Government	648	London, UK	SpaceX	Airbus / LHM	Ka	Limited service available / OWG2 under review
TeleSat	Enterprise Internet / Government	188	Ottawa, Canada	Arianespace, SpaceX, ILS (Russian)	Boeing, Space Systems Loral, EADS Astrium, BAE,	Ku, Ka	GEO service available, LEO undergoing trials
AST	Direct to Cellular	95	Texas, USA	SpaceX	AST	Ka, V/Q	Trials - some objections to their 700sq ft satellite
Rivada	Enterprise Internet / Government	600	Munich, Germany	TBA RFQ out	TBA - RFQ out	Ka	Trials, Deployment starts 2025, expected service 2028
Lynk	Direct to Mobile Connections	5000	Washington, USA			Ka	Trials
SES O3B	Media and Private Networking	20	Luxemburg	SpaceX		Ka / E	MEO service for media today



















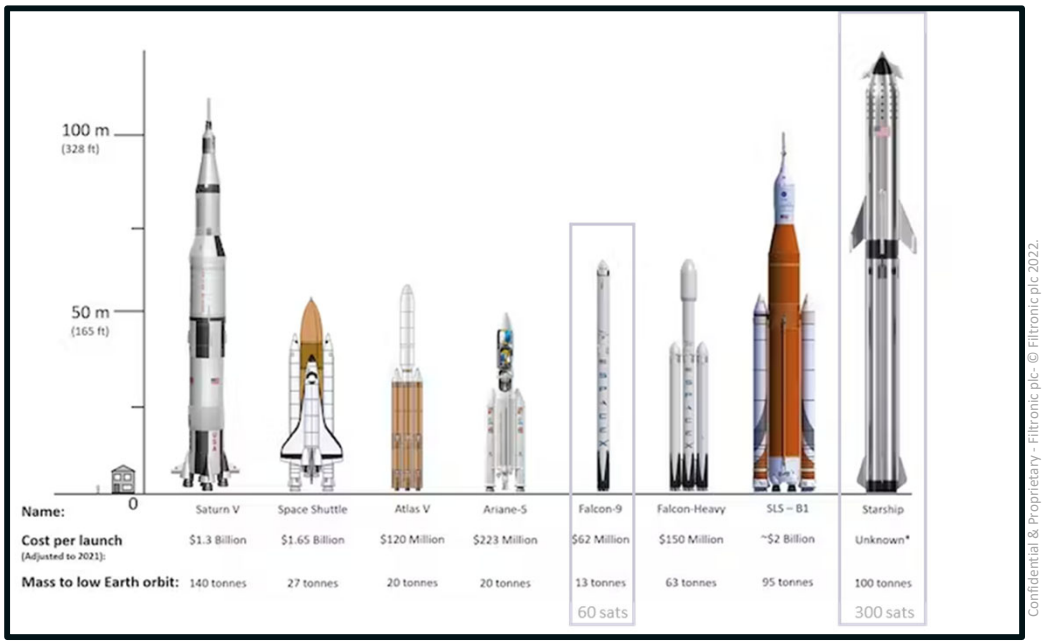


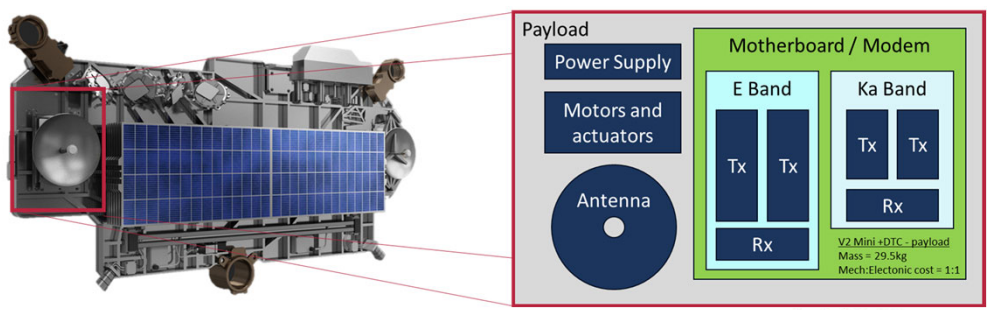
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LEO Space - Satellite Payload Opportunity

- Solving the **cost of launch and deployment** has been the key to unlocking the economic potential of LEO satellite constellations
- The speed of network deployment depends on launch capacity and the size and weight of satellite payload – **SpaceX Starship is planning for up to 600 Starlink v2mini satellites per launch**
- User links operate at low frequency Ka-bands. 1st generation ground station links also use Ka-band - but this now limits network capacity and latency
- Future LEO deployment will have multifrequency connectivity **Ka to Q/V, E-band and D-band** to maximise capacity and optimise latency
- Payload solutions must consider **size, weight, power and cost** and be designed to survive in a radiation environment – this requires significant qualification effort – ref: ESA contract award
- Current market assumption is **60,000 LEO constellation satellites in service by 2029** – between 1 and 5 payload links per satellite





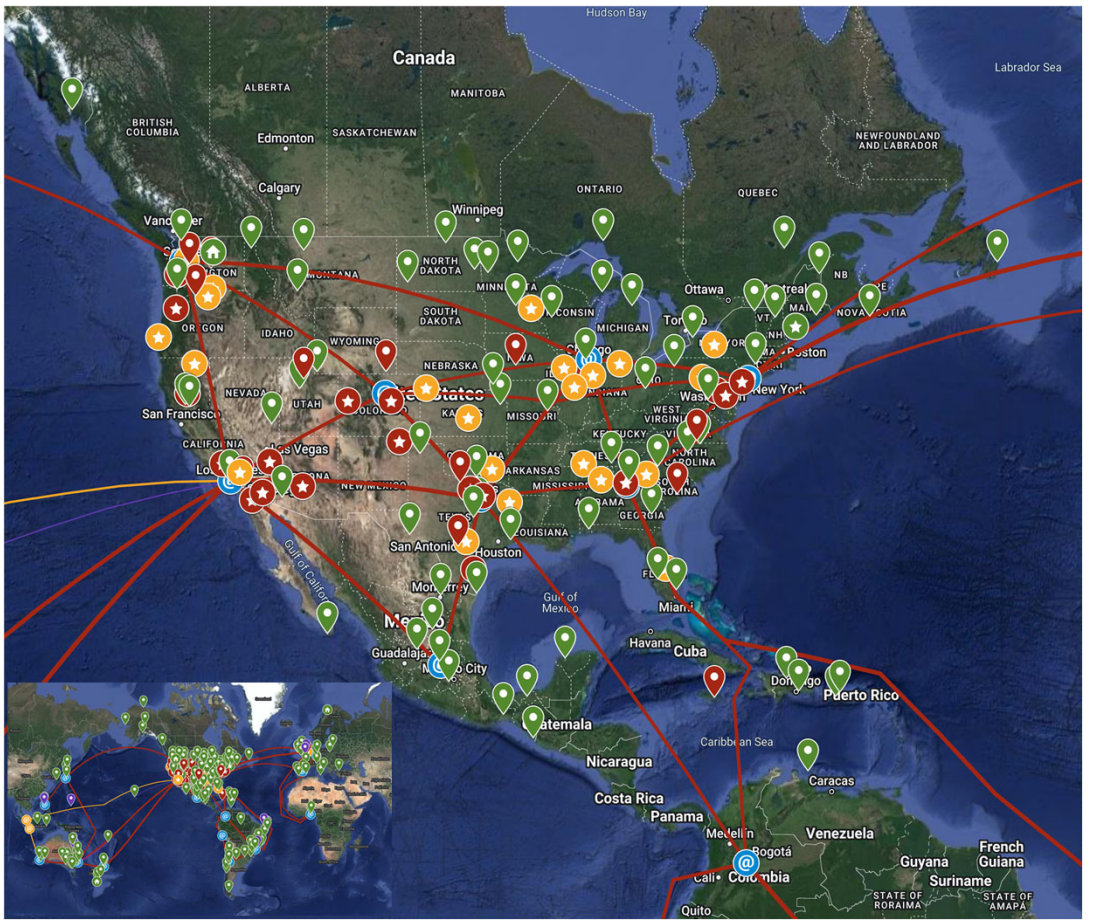
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LEO Space - Ground Station Opportunity

- Ground stations or Gateway Links provide high speed, low latency links to and from the LEO satellite as it passes overhead
- Uplinks require high performance amplification at mmWave frequencies – currently ~400 (5%) antenna are E-band enabled
- The current Starlink network has over 200 ground station locations in the USA with 8 to 40 antenna per site
- The Starlink network will have another 200+ sites worldwide in locations where they are licenced to operate their services
- Current market assumption is that LEO networks have a ratio of 2:1 satellites to antennas but this will be highly dependent on user demand, service standards and network configuration







8 /32 /40 antenna per site …400 US sites … Green = Live / Yellow = Construction / Red = Licensed

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Aerospace & Defence Market

TAM: £3.2b UK Defence Budget / approx. 2.3% GDP

- **£750m Electronic Warfare (EW)** annual spend - growing to **£1.0b by 2027**
- **£2.4b funding to upgrade** current UK Typhoon fleet radar system
- **£10b committed** to **Tempest** a next generation fast jet platform
- **SkyNet 5/6 investment –** secure MoD GEO Space communications

DSTL - 5-year budget for Science & Technology £6.6b

- entry level funding for technology and product developments that form part of future defence spending requirements

Sovereign capability - Filtronic secure UK facilities with full defence accreditation provides a unique combination of RF filter design, mmIC design, RF sub-system design and RF hybrid assembly & test

Current conflicts highlight the importance of Electronic Warfare (EW) and Electronic Counter Measures (ECM) into an integrated Battlefield Communications solutions – including terrestrial and space applications

RF Technology requirements for defence provide long-term revenues with good payback on IP investment





Re-energised Growth Strategy

- **Growth Markets focus** – Space and Aerospace & Defence, while continuing to support other markets
- **Moving up the value chain** – expanding core technology into the digital RF domain, and subsystems offering
- **Enhancing our UK manufacturing capabilities**, advanced packaging and processes
- **Aggressive technology development** in MMICs and modules in new frequency bands (W/V/D) and wafer processes (GaN) to ensure we remain at the leading edge
- **Expand manufacturing capacity** to support growth, and move to a new state-of-the-art facility
- **Enhance senior leadership and business development teams** to support business scaling to the next level
- **Expand partnership program** with academia and industry partners to accelerate technology developments and product offerings
- **Accelerate engineering recruitment** to service growing opportunities and accelerate product developments



Summary





Investment Proposition

- On a significant growth trajectory
- Focused strategy designed for major revenue growth and shareholder value
- Significant and growing orderbook and opportunity pipeline for FY2025 and beyond
- Controlled investment in leadership, business development, engineering
- Global technology leaders in high growth markets, innovating at pace
- Aligned with UK Government investment priorities – UK defence - sovereign supply chains - space



Appendices

A track record of innovation

1970

1977
Company founded by Professor David Rhodes at Leeds University.

1979
First employees recruited.

1980

1989
Filtronic components receive a Queens award for technology. Wireless infrastructure business established.

1990

1992
Filtronic Comtek established to focus on 2G – global systems for (GSM).

1994
Filtronic Comtek plc listed on the UK stock exchange.

1999
Acquisition of Fujitsu Silicon plant in Newton Aycliffe to produce GaAs (Gallium arsenide) wafers.

2000

2002
Triton chipset, transmit and receive multi-function MMICs developed for mobile backhaul.

2003
Company reorganises into three divisions: Wireless Infrastructure, Handset Products and Integrated Products.

2010

2011
Development of mmWave capabilities, including Theseus, Orpheus and Morpheus II.

2013
Relocate to NETPark in Sedgefield, County Durham

2015
Company listing moves to the AIM stock market.

2017
Launch of contract manufacturing services, principally for defence and aerospace.

2020

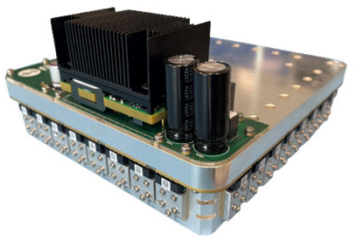
2020
Launched Morpheus II, market leading transceiver product and Tower Top Amplifier range.

2021
Awarded Queens Award for Enterprise: International Trade.

2022
Launched Hades E-band Active Diplexer and extended range of Cerus high-power amplifiers.

2023
Launched Taurus, Hades X2 and Morpheus X2



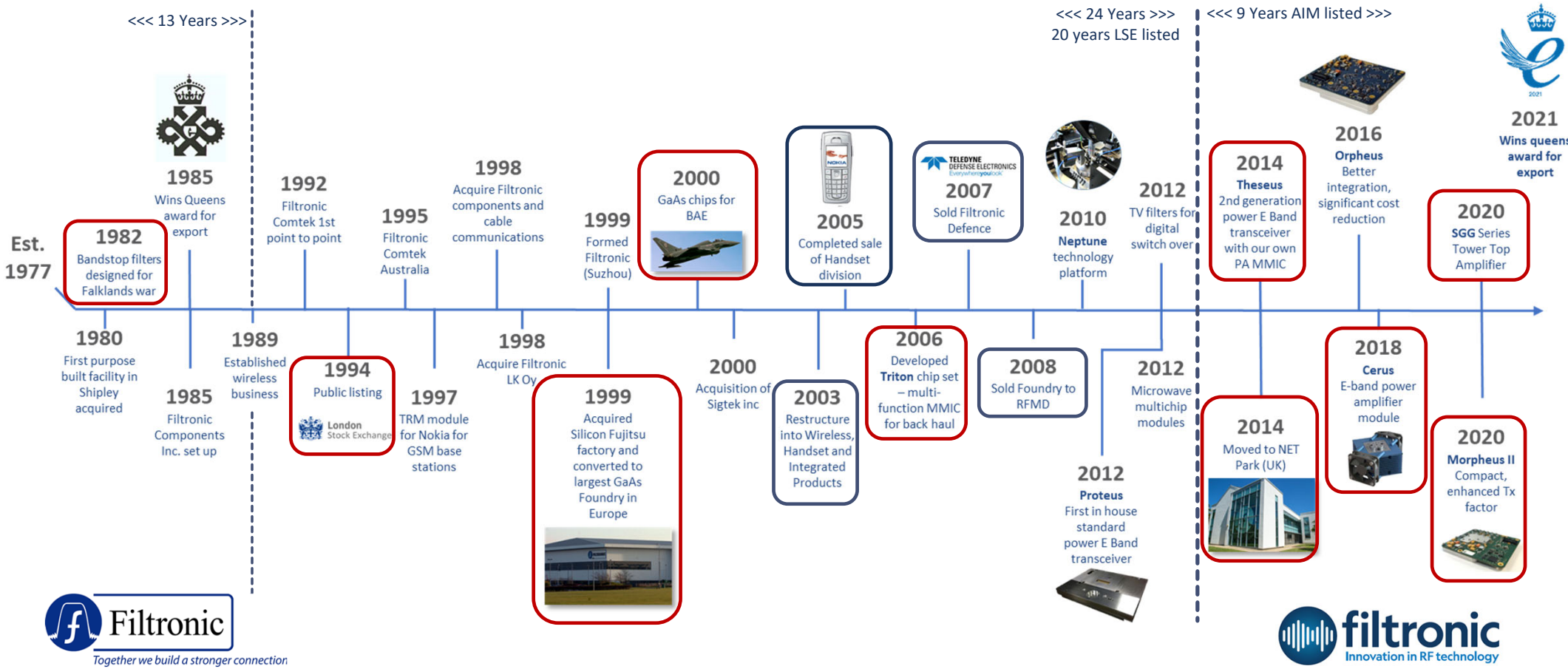




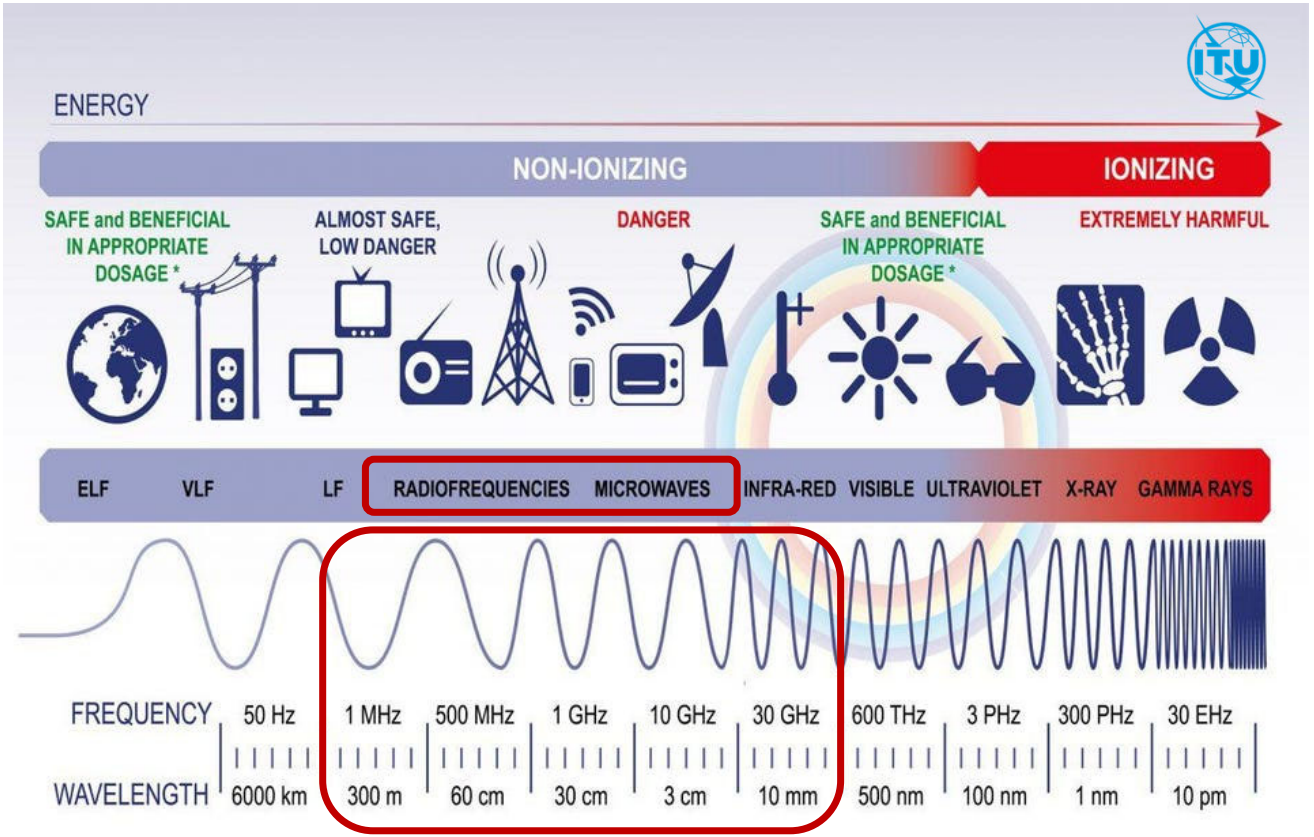
THE KING'S AWARDS FOR ENTERPRISE 2024 INNOVATION

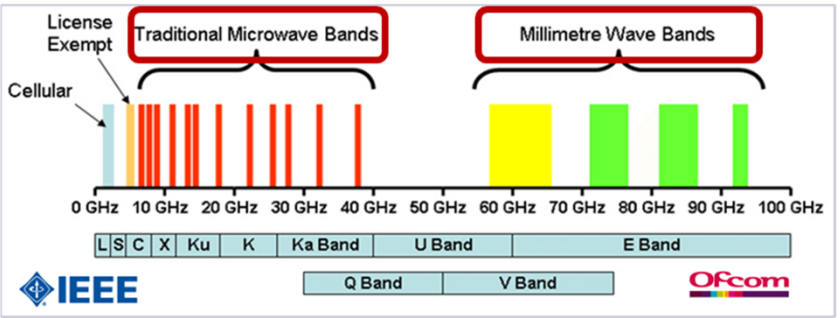
THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2021

Filtronic Timeline



The EM Spectrum – RF Frequencies





- Frequency / spectrum allocation is coordinated by a United Nations body the International Telecommunication Union (ITU) and local regulating agencies (ie: FCC and OFCOM)
- Terrestrial telecommunications take advantage of well-defined frequencies where atmospheric absorption is lower
- Stratospheric and Space communications are not as constrained by atmospheric absorption
- The ability to commercialise mmWave frequency bands is limited by advances in compound semiconductor technology

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Progress on Investment Initiatives

Business Activity	Investments and Progress Against Objectives
Sales and marketing	• Additional **BD hires** planned in FY2024 targeting aerospace & defence and space market opportunities • Expanding the **trade exhibition coverage** ☑ • Further investment in the **CRM** tool. ☑ • **New reps** planned in Europe and the rest of the world expanding our indirect channels. ☑ • Continue to raise **brand awareness across multiple media formats** ☑
Engineering (R&D)	• Plans to **recruit additional engineers** across multiple disciplines**.** ☑ • Augment the team with more **graduates** and commence an **apprenticeship** programme. ☑ • Continue development of **W-band MMIC chipsets** and space products for ground & payload applications. ☑ • Manufacturing process for **plastic encapsulation** developed. ☑ • Number of **grant funding** channels identified to support technology roadmap - several already secured. ☑ • Capex for test capability to further support **Ka, Q and V-band** engineering developments. ☑
Operations and business processes	• Gap analysis of **ISO27001** as we look to further augment our cyber credentials. ☑ • **AS9100** standard under review. • **Penetration testing** demonstrated we have a robust system but will increase the cadence. ☑ • **MRP system** due for implementation in FY2024. ☑