ULTRA

Building momentum

2019 Full Year Results

10 March 2020

2019 – building momentum

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Return to growth:

Robust revenue

Profit, earnings & ROIC progression

Good cash generation

5% dividend increase

Transformation underway:

Vision, mission, values launched

Culture changing

Strategy defined

Good transformation progress

Positive outlook:

Good markets

Healthy order book up 10.7%

Significant opportunity to:
- Enhance growth
- Improve efficiency

…for accelerated change

Ultra - a cohesive solutions provider

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What we do

We are a trusted partner in the key elements of mission critical & intelligent systems:

Design

Detect → Distil → Direct → Deploy

What we specialise in

- Applications engineering
- Signal and data capture/processing
- Signal, data and RF transmission, analytics and interpretation
- Specialist encryption
- Sub-systems integration
- SWaP in harsh and regulated environments
- Signature & power management

Where we operate

- Five eyes defence - maritime, communications and intelligence
- Other defence where we can apply modular solutions
- Other selected, highly regulated and harsh environment detection and control markets

How we will accelerate growth and deliver outstanding value for all our stakeholders

Delivering parenting value:

- Employees – Winning culture
- Customers – Supplier of choice
- Suppliers – Long term partnering approach
- Communities – Clear focus
- Shareholders – Strong plan & disciplined capital allocation

...through a Focus; Fix; Grow transformation

The Focus; Fix; Grow transformation...

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Enhanced growth:

- Technology investment
- Enhanced innovation
- Strategic relationships
- People
- Capital discipline

Improved efficiency:

- Scale benefits
- Efficient processes
- Improved functional operating models
- Better utilisation
- Continuous improvement / best practice sharing

...targeting better value creation

Solid progress on transformation initiatives

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Culture & talent	Operating model	Operational improvement	Infrastructure
Vision, mission & values launched	Objectives, measures, deployment, alignment	Programme / project standardisation	IT backbone progress
Strengthened capability	Organisation redesign, functional and process evolution	Performance management	Intranet
Aligning / standardising people processes		ROIC focus, capital allocation discipline	

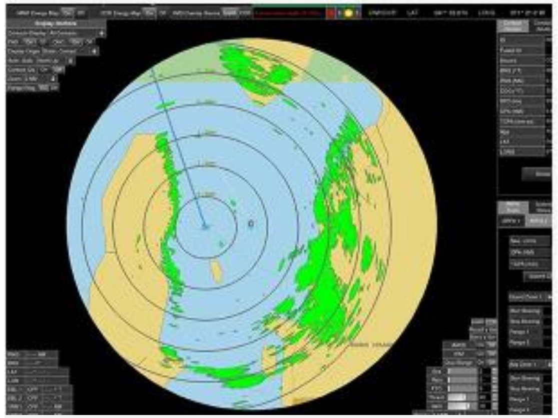
...costs taken above the line, good payback

Areas of increased focus for 2020

Culture & talent	Operating model	Operational improvement	Infrastructure
Cultural transformation	Design implementation	Process improvement	Infrastructure investment
	IR&D innovation/ investment	Risk assessment management/	Common applications
		Benefits of scale	Process and data standardisation (ERP)

…better prioritisation, greater pace

New contracts won in H2



Next Generation Surface Search Radar

$101m IDIQ to support US submarine surface navigation radar

Further ORION orders

Second major order ($30m) IDIQ $500m

MK 54 Lightweight torpedo arrays

$88m cumulative value with 3 option years remaining

Neutron Flux Detectors

Multi-year contract to 2025

...providing good visibility

Solid future pipeline

USV systems

Other naval radar applications

Extended ORION radio applications

Airborne secure comms

...for enhanced growth

Financial Review

Jos Sclater, CFO

Highlights…

£'m	2019	2018*	Organic Growth[3]
Order book	**1,022.9**	924.1	+10.7%
Revenue	**825.4**	772.9	+6.8%
Operating profit[1]	**118.2**	114.9	+2.9%
Operating margin[1]	**14.3%**	14.9%	

	2019	2018	Growth
Profit before tax[2]	**105.3**	101.4	+3.8%
Earnings per share[2]	**119.5p**	109.5p	+9.1%
Total dividend per share	**54.2**	51.6	+5.0%
Cash Conversion	**73%**	79%	
ROIC[4]	**17.8%**	16.2%	

*** comparative period presented at constant currency and as if IFRS 16 had applied, and adjusted for disposals to reflect the comparable period of ownership.**

(1) Underlying profit and margin are before amortisation of intangibles arising on acquisition, acquisition and disposal related costs, significant legal charges and expenses and for 2018 the S3 programme and impairments.
(2) Underlying profit before tax and earnings per share are before amortisation of intangibles arising on acquisition, fair value movements on derivatives, acquisition and disposal related costs, gain or loss on disposal, significant legal charges and expenses and for 2018 the S3 programme, impairments, GMP equalisation, defined benefit pension finance charges and the loss on closing out a foreign currency derivative contract.
(3) Organic movements are the change in revenue, operating profit and order book at constant currencies when compared to the prior period results and adjusted for acquisitions or disposals to reflect the comparable period of ownership. Prior period operating profit has been adjusted as if IFRS 16 had applied.
(4) ROIC is calculated as underlying operating profit as a percentage of invested capital (average of opening and closing balance sheets). Invested capital is defined as net assets of the Group, excluding net debt and lease liability, pension obligations, tax and derivatives.

…a year of operational & financial progress

Strong revenue performance

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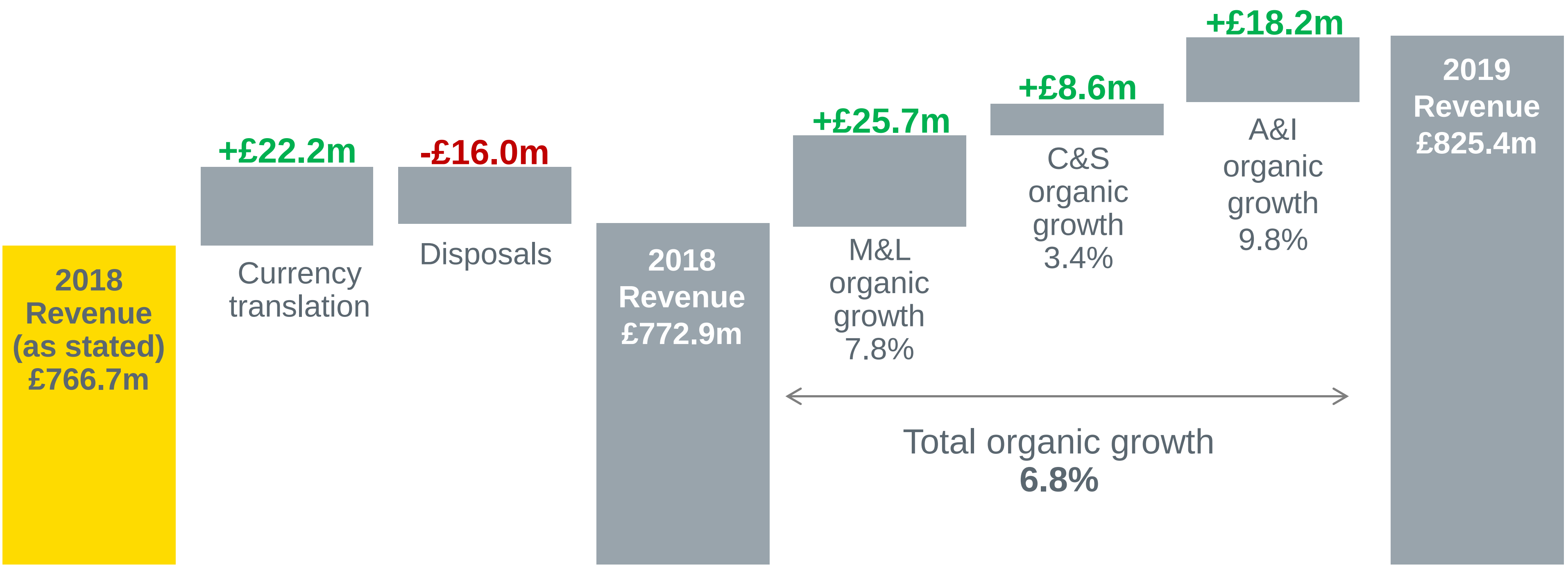
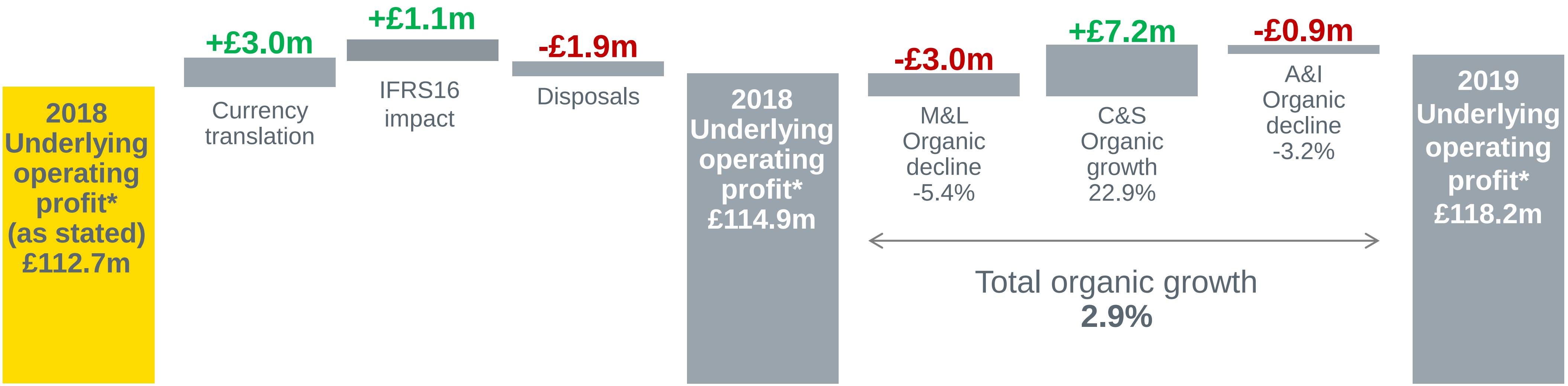


...second year of organic growth

Return to organic profit growth



- £3.1m increase in internal R&D expenditure compared to 2018 (£2.4m organic)
- Total transformation related costs of £3.0m in 2019
- £8.8m of legacy contract losses

* before amortisation of intangibles arising on acquisition, acquisition and disposal related costs, significant legal charges and expenses, and for 2018 the S3 programme and impairments

...despite losses on legacy contracts

Maritime & Land

(Became Maritime from 1.1.2020)

£'m	2019	2018*	Organic Growth(2)
Order book	**481.5**	411.8	+16.9%
Revenue	**353.0**	327.4	+7.8%
Operating profit(1)	**52.5**	55.5	-5.4%
Operating margin(1)	**14.9%**	17.0%	

- Revenue driven by key contract wins including MK54 Torpedo Nose Arrays & NGSSR
- We have revised our best estimate on the costs to complete certain legacy contracts which resulted in £8.8m of legacy contract losses recognised in the year

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…radar contracts growing pipeline

Communications & Security
(Became Intelligence & Communications from 1.1.2020)

£'m	2019	2018*	Organic Growth(2)
Order book	**238.6**	222.9	+7.0%
Revenue	**267.9**	259.2	+3.4%
Operating profit(1)	**38.6**	31.4	+22.9%
Operating margin(1)	**14.4%**	12.1%	
Operating margin (1) excluding Herley over-run costs	**14.4%**	14.6%	

- Order book & revenue growth driven by strong sales of ADSI, and greater demand for EW products
- Margins were impacted by later than anticipated new orders in CIS, and the timing of the ORION radio order within the year

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...driven by strong electronic warfare sales

Aerospace & Infrastructure

(Became 'other critical detection & control businesses' - PCS, Forensic Technology & Energy from 1.1.2020)

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£'m	2019	2018*	Organic Growth[2]
Order book	**302.8**	289.4	+4.6%
Revenue	**204.5**	186.3	+9.8%
Operating profit[1]	**27.1**	28.0	-3.2%
Operating margin[1]	**13.3%**	15.0%	

- Order book growth from EDF support extension
- Revenue growth driven by increased HiPPAG sales, offsetting reductions in the nuclear market
- Operating profit impacted by restructuring activities and declining nuclear margins

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...F-35 orders driving top line

Adjusting items

£'m	2019	2018
Underlying operating profit[1]	**118.2**	**112.7**
Amortisation of intangibles arising on acquisition	(21.7)	(28.3)
Acquisition and disposal related costs	(0.9)	(2.7)
Legal charges and expenses	(1.4)	(2.3)
S3 programme	-	(6.5)
Impairment charges	-	(7.6)
Statutory operating profit	**94.2**	**65.3**

(1) Underlying profit is before amortisation of intangibles arising on acquisition, acquisition and disposal related costs, significant legal charges and expenses, and for 2018 the S3 programme and impairments

...reducing year on year

Operating cash flow

£'m	2019	2018
Underlying operating profit[(1)]	118.2	112.7
Depreciation* and amortisation	26.0	13.3
EBITDA*	**144.2**	**126.0**
Working capital and provisions	(16.7)	(7.9)
Lease payments (IFRS 16)	(7.8)	-
Capital expenditure	(22.8)	(20.0)
Pension contributions	(10.8)	(10.3)
Other flows	0.7	1.5
Underlying operating cash flow[(2)]	**86.8**	**89.3**
Operating cash conversion[(3)]	**73%**	**79%**

(1) before amortisation of intangibles arising on acquisition, acquisition and disposal related costs, significant legal charges and expenses, and for 2018 the S3 programme and impairments

(2) underlying operating cash flow is cash generated by operations and dividends from associates, less net capital expenditure, R&D, and excluding the cash outflows from acquisition and disposal related payments and significant legal charges and expenses and, in 2018, the S3 programme.

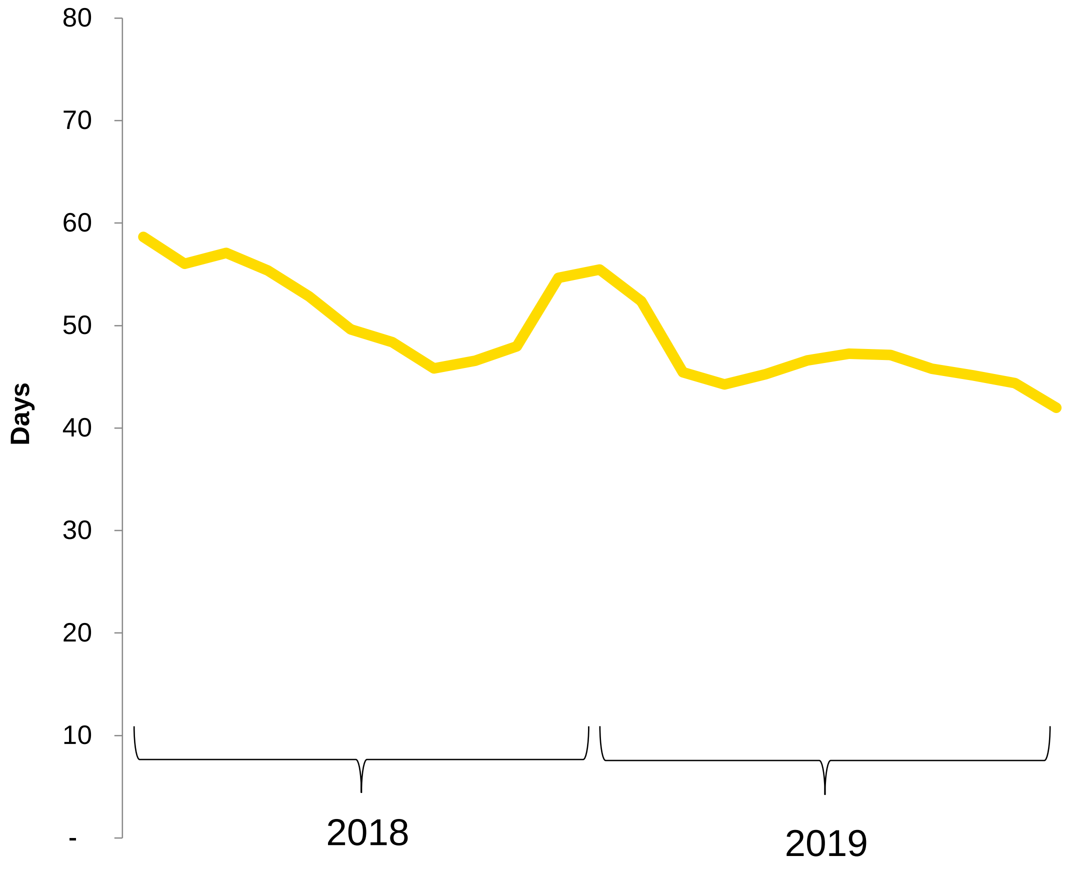
(3) operating cash conversion is underlying operating cash flow as a percentage of underlying operating profit.

* including depreciation of IFRS 16 leased assets

...increased capital expenditure

Working capital normalisation

Trade creditor days (quarterly rolling average)



- Payments to creditors no longer being held back

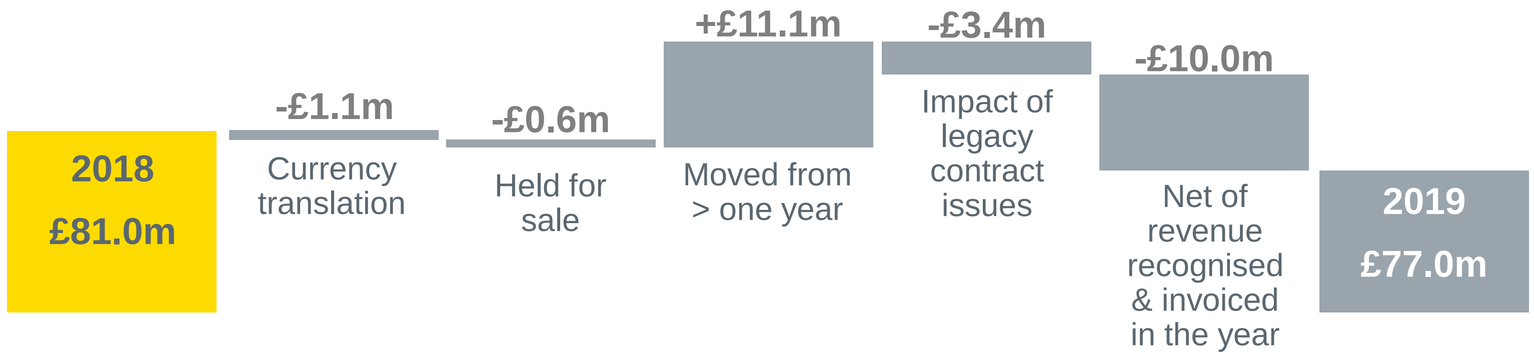
	2019	2018
Average 12m working capital turn	7.30x	6.52x
Cash conversion	73%	79%
Net debt to EBITDA*	1.58x	2.00x

...trade creditors showing improvement

* net debt including IFRS 16 lease liabilities and pension liabilities.

Update on long term receivables

Receivables under one year



Receivables over one year

Mainly relates to A400M (£7.4m)

...an outcome of long term contract accounting

Free cash flow and net debt

	2019	2018
Underlying operating cash flow	**86.8**	**89.3**
Interest and tax	(19.6)	(15.0)
Acquisition and disposal costs & other	(2.5)	(6.7)
Lease payments (IFRS 16)	7.8	-
Free cash flow	**72.5**	**67.6**
Dividends	(36.7)	(36.9)
Proceeds on disposal	22.4	0.2
Share buyback & issued	(5.3)	(91.8)
Lease liability recognition (IFRS 16)	(49.0)	-
Other	(1.2)	(22.1)
Movement in net debt	**2.7**	**(83.0)**
Closing net debt	**(154.8)**	**(157.5)**

Headroom
£214m (committed facilities)

Net debt excluding IFRS 16 impact is £113.6m (2018: £157.5m) (Ultra's covenants exclude IFRS 16)

Net debt to EBITDA (excluding IFRS 16 and pensions): 0.86x (2018: 1.25x)

Free cash flow
2019 FCF on a non IFRS 16 basis was £64.7m

Pension tri-annual valuation
April 2019 funding deficit reduced to £77.2m (April 2016 £114.4m)

Deficit reduction payment held at £11m pa (to March 2025)

IAS 19 pension liability at 31 December 2019 £73.3m (2018: £73.0m)

...net debt reducing

2020 financial guidance

	2019	2020
Growth & Margins	Return to organic growth: Revenue +6.8%,Operating profit +2.9%. 14.3% Margin	Robust underlying market, converting strong order book Broadly stable margins
Fix and IT investments	Lower than anticipated at £3m	Transformation related investments accelerating, plus investments deferred from 2019 to total £8-12m
Internal R&D	3.8% of revenue	Increase to around 4 - 4.5% of revenue
Returns	ROIC(1) 17.8%	> 18% ROIC(1)
Cash flow and Capital Expenditure	Strong cash conversion of 73% Capital Expenditure of £21.8m	Operating cash conversion 60-75% Capital Expenditure in the range of £25m - £30m

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...transformation momentum increasing

Summary

Simon Pryce

Making good progress

Strong team

Growing business, good momentum

Multi-year transformation programme commenced

Focused on accelerating growth / improving efficiency

...increasing confidence, exciting potential

Questions?

Please use the microphone for the webcast

Appendices

Creating value for all stakeholders…

Employees	Customers	Suppliers	Communities	Shareholders
Winning culture	Supplier of choice	Long-term partnering approach	Clear ESG strategy	Clear strategy
Investing in people	Delivering on commitments	Focus on total cost of supply	Managed environmental impact	Parenting advantage
Strengthened capability	Agile, flexible & responsive		Ethical, safe, sustainable behaviour	Managed risk taking
Diversity & inclusion	Investment & innovation		Community contribution	Disciplined resource allocation

...with clear measures defining success

What you should expect from ONE Ultra...

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	2020	Medium term	Longer term
Growth	Robust underlying market, converting strong order book	Good visibility for continued growth, out-perform underlying core markets	Threat environment likely to outweigh affordability concerns Out-perform underlying core markets
Resilience	Strong visibility	Share gain potential, breadth of prime and programme exposure	Defence cycle exposed, but longevity of contracts, no prime or programme dependency, share gain potential.
Self-help and delivery	Increased R&D, continued process and infrastructure investment and strategy/ organisation implementation costs, broadly stable margins	Parenting advantages contributing, continuing process, infrastructure and improvement investments, broadly stable margins	Potential for margin improvements
Returns	> 18% ROIC(1)	>18% ROIC(1)	>20% ROIC(1)
Cash flow and capital allocation	Some fix and growth investment, operating cash conversion 60-75%	Further fix and growth investment, operating cash conversion 80-90%	Through cycle operating cash conversion 90-100%

(1) ROIC is calculated as underlying operating profit as a percentage of invested capital (average of opening and closing balance sheets). Invested capital is defined as net assets of the Group, excluding net debt and lease liability, pension obligations, tax and derivatives.

Restated results under 2020 divisional structure

Maritime	
£'m	**2019**
Revenue	353.0
Operating profit[1]	52.5
Operating margin[1]	14.9%

Intelligence & communications	
£'m	**2019**
Revenue	224.8
Operating profit[1]	30.2
Operating margin[1]	13.4%

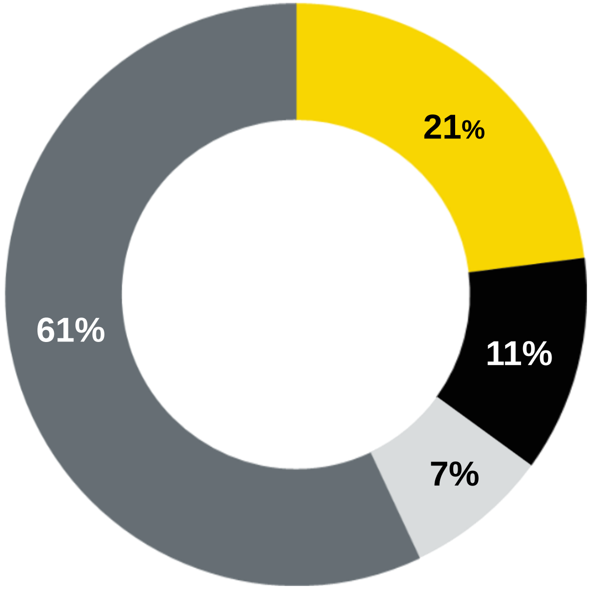
Other critical detection & control businesses	
£'m	**2019**
Revenue	247.6
Operating profit[1]	35.5
Operating margin[1]	14.3%

[1] Underlying profit and margin are before amortisation of intangibles arising on acquisition, acquisition and disposal related costs and significant legal charges and expenses.

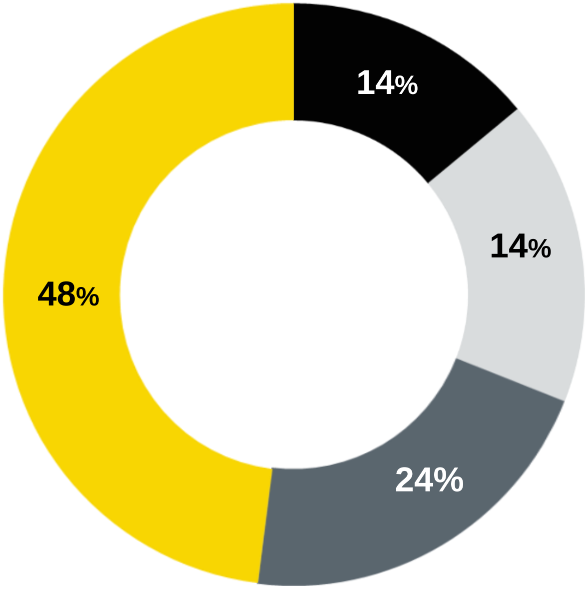
2019 revenue breakdown

By destination

- **North America** **£502.5m** (2018: £439.3m; 57%)
- **UK** **£171.1m** (2018: £171.5m; 23%)
- **Rest of the World** **£95.9m** (2018: £93.0m; 12%)
- **Mainland Europe** **£55.9m** (2018: £62.9m; 8%)



By market



- **Defence (Air)** **£196.5m** (2018: £159.0m; 21%)
- **Defence (Naval & Army)** **£395.7m** (2018: £368.1m; 48%)
- **Security & Cyber** **£113.6m** (2018: £110.3m; 14%)
- **Transport & Energy** **£119.6m** (2018: £129.3m; 17%)

A more disciplined approach to capital allocation …

Asset light, high capital return model driving strong free cash flow

Value disciplined portfolio management

Organic investment	→	Fix & Operational improvement, deliver growth
Inorganic M&A investment	→	To accelerate strategy delivery only if generates additional value
Sustainable through cycle dividend	→	c.2x through cycle cash/earnings cover
Excess through-cycle capital return	→	Only if can't be deployed in a value creative way

1.5x to 2.5x net debt (incl. pension & IFRS16) to EBITDA ratio

...supporting strategic delivery

Balance sheet

£’m	31 Dec 19	31 Dec 18
Intangible assets Property, plant and equipment Leased assets Other non-current assets	458.6 64.2 36.1 25.4	491.7 62.6 - 41.4
Non-current assets	**584.3**	**595.7**
Inventories Trade and other receivables < 1 year Trade and other payables < 1 year	90.7 205.4 (192.3)	88.6 205.2 (212.2)
Current working capital	**103.8**	**81.6**
Net current tax assets Net debt Provisions Retirement benefit obligations Other assets/liabilities	14.8 (154.8) (24.8) (73.3) (19.4)	3.1 (157.5) (19.5) (73.0) (9.6)
Net assets	**430.6**	**420.8**

Shares in Issue	Dec 2019	Dec 2018
Closing number of shares	71.0m	71.5m
Weighted average number of shares	70.9m	74.4m

Foreign exchange

- A 1 cent movement in the USD exchange rate is a £4.2m impact on revenue and £0.6m impact on profit.
- c. 52% (2018: 50%) of Group revenue is in US$ businesses.
- c. 13% (2018: 15%) of Group revenue is US$ revenue from UK businesses.

Future hedge rates

	US$:£	% covered
2020	1.29	100%
2021	1.30	78%
2022	1.33	27%

Safe harbour statement

Ultra Electronics Holdings plc (the ‘Group’) is providing the following cautionary statement. This document contains certain statements that are or may be forward-looking with respect to the financial condition, results or operations and business of the Group. These statements are sometimes, but not always, identified by the words ‘may’, ‘anticipates’, ‘believes’, ‘expects’ or ‘estimates’. By their nature forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. A number of factors exist that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to: (i) changes to the current outlook for the world market for defence, security, transport and energy systems; (ii) changes in tax laws and regulations; (iii) the risks associated with the introduction of new products and services; (iv) significant global disturbances such as terrorism or prolonged healthcare concerns; (v) the termination or delay of key contracts; (vi) long-term fluctuations in exchange rates; (vii) regulatory and shareholder approvals; (viii) unanticipated liabilities; and (ix) actions of competitors. Subject to the Listing Rules of the UK Listing Authority, Ultra Electronics Holdings plc assumes no responsibility to update any of the forward-looking statements herein.