

FILTRONIC PLC
 (“Filtronic”, the “Company” or the “Group”)

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2022

Filtronic plc (AIM: FTC), the designer and manufacturer of products and sub-systems for the aerospace, defence, telecoms infrastructure, space and critical communications markets, announces its half year results for the six months ended 30 November 2022 (“H1 2023”).

Financial Highlights

	H1 2023	H1 2022
Revenue	£8.4m	£8.0m
Adjusted EBITDA ¹	£1.0m	£1.1m
Adjusted operating profit ²	£0.5m	£0.6m
Operating profit	£0.5m	£0.7m
Profit for the period	£0.5m	£0.7m
Basic profit per share	0.22p	0.32p
Diluted profit per share	0.21p	0.31p
Cash (used in)/generated from operating activities	(£0.2m)	£0.6m
	At 30 Nov	At 31 May
	2022	2022
Net cash when including right of use property leases	£1.0m	£1.1m
Net cash when excluding right of use property leases	£2.4m	£2.2m

¹ Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation and exceptional items.

² Adjusted operating profit is operating profit before exceptional items.

Operational Highlights

- Post-period end, awarded a \$2.8m (£2.3m) contract with a leading global provider of low earth orbit (“LEO”) satellite communications equipment expanding our presence in the new space market.
- Increased the level of engagement with key strategic target customers in the aerospace & defence and space markets in addition to space agencies following recent investment in our direct sales channels and engineering management.
- E-band spectrum India was licenced in H1 in addition to high demand and a robust order book for 5G backhaul products. Whilst global semiconductor shortages may impact short term fulfilment schedules, the customer requirements over the lifetime of the product remains strong.
- Implementation of new engineering and manufacturing capability to provide plastic encapsulation technology; a grant of £150k has been secured towards the capital expenditure. This provides a new process and technology to support UK defence primes as well as multiple other sectors.
- Achieved IASME Cyber Assurance accreditation improving our cyber security credentials. This is a key enabler to satisfy the strategic objective of winning further aerospace & defence work.
- New site officially opened in Manchester which increases engineering capacity with the addition of a highly skilled and experienced team.

Commenting on the outlook, Jonathan Neale, Chairman, said: “Global spending on aerospace & defence, telecommunications infrastructure and low earth orbit (“LEO”) commercial space applications is increasing,

underpinned by exciting technological advancements. We have also seen governments re-evaluate critical infrastructure supply with an emphasis on security and national resilience.

“As a result of our continuing investment, we are seeing greater evidence of awareness and consideration of our products in our key markets from both existing and new customers. Our contract wins and successful project deliveries through 2022 in high technology microwave and millimetre wave sub-systems demonstrate our belief that we have a world class technical capability. Our main objective remains the development of scale and value growth. We are also investing in important capital equipment to support engineering and new production capability for existing and emerging applications in these growth markets.

“Longer term we are confident that the key markets we serve are the right ones and that our value proposition and capability is both relevant and compelling.”

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Notes:

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

Forward-looking statements

Certain statements in this half-yearly financial report are forward-looking. Where the half-yearly financial report includes forward-looking statements, these are made by the directors in good faith based on the information available to them at the time of their approval of this report. Such statements are based on current expectations and are subject to a number of risks and uncertainties, including both economic and business risk factors that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Chairman's Statement

I am pleased to present our half year results for FY2023.

The Group has continued to build momentum in our key strategic markets. In my last statement I signalled that we would invest in the deployment of our strategic plan and technology roadmap. I am pleased with the results to date, with some notable successes, including the delivery of Morpheus X2 and Hades; two new backhaul transceiver products. We also developed the Cerus Solid State Power Amplifier ("SSPA") range which post period end enabled the win of a significant new customer in the low earth orbit ("LEO") space market with an initial order of \$2.8m (£2.3m). We also initiated our next generation E-band and W-band chipset development programme with encouraging results. In parallel we have continued to build our engineering bench strength with the opening of the Manchester engineering design office and new manufacturing capability, as we add plastic encapsulation and wedge bonding to our manufacturing process capability.

Financial Performance Summary

Group revenue for the first half of FY2023 was 5% up on prior year with sales of £8.4m (H1 2022: £8.0m), in line with forecasts. An adverse first half sales mix, offset by brief advantage from strong US dollar sales, and a higher cost base following investment into sales channels and engineering has contributed to a lower operating profit of £0.5m (H1 2022: £0.7m) and an adjusted EBITDA of £1.0m (H1 2022: £1.1m).

At 30 November 2022, the Group recorded cash in the bank of £3.0m (31 May 2022: £4.0m), net cash of £2.4m when excluding the right of use property leases (31 May 2022: £2.2m) and net cash including right of use property leases of £1.0m (31 May 2022: £1.1m).

The Markets

The telecommunications infrastructure market has continued the deployment of 5G backhaul networks with spectrum opening in new geographies, most notably India, who finally approved the release of E-band and V-band licences in August 2022. Four network providers secured operating licenses and initial demand from the Original Equipment Manufacturer ("OEM") has boosted our open orderbook. We anticipate that there will be opportunities to secure further demand as additional supply contracts are negotiated between the OEMs and the local telecoms companies.

The aerospace & defence market, specifically electronic warfare ("EW") and battlefield communications, is an area where Filtronic has added significant value and expertise. We now have a growing opportunity pipeline with numerous defence primes, and several opportunities as a result of a need to offset an acknowledged shortage of in-house Radio Frequency ("RF") design and manufacturing capability. We started the year with a second Defence Science and Technology Laboratory ("DSTL") programme win for a secure field portable RF test platform and have accumulated a consistent flow of switched filterbank design wins. Major strategic design and supply chain decisions are being made regarding the future of EW platforms and Filtronic now features prominently on this roadmap.

The LEO Space market became a target of Filtronic a number of years ago when we engaged with leading west coast US technology companies experimenting with high altitude pseudo-satellites ("HAPS"), proving we could adapt proprietary E-band technology for both payload and ground-based communication. This early work has enabled us to target the fast-growing LEO space market where disruptive players are being sought to redefine the telecommunications landscape. We have been encouraged by the speed at which this commercial new space market has developed and pleased that our offering of innovative design, commercial pricing and rapid scale-up are valued and gives us a competitive advantage.

Outlook:

Notwithstanding a strong orderbook and signs that our target markets remain robust, the outlook for the current financial year continues to be shaped by global supply chain challenges as announced on 31 January 2023. The semiconductor shortages originating during the pandemic are showing signs of recovery but supplies of specific components are still inconsistent and prone to schedule change. The impact of this global issue not only disrupts manufacturing at Filtronic, but it also impacts our customers' ability to complete their own manufacturing cycle. The team at Filtronic are adept at component sourcing and fortunate that we can

rely on our ability to make rapid design changes to accommodate alternative components and use our in-house manufacturing resources to react quickly to changes in material availability.

Whilst we deal with the frustration of the continuing component shortages, we have focused our efforts on driving forward our strategic operational targets, and therefore remain confident in our ability to deliver growth in FY2024 and beyond. Looking further ahead, our strategic markets continue to benefit from strong growth drivers and significant inward investment. The LEO space market is developing faster than originally estimated and we have multiple project opportunities that look promising for E-band technology. The importance of defence spending on EW and battlefield communications is more pronounced than ever, following the events in Ukraine, with governments acknowledging that spending needs to increase to protect its population and the deployment of 5G network infrastructure continues at pace with the insatiable demand for bandwidth driving people toward E-band frequencies.

Jonathan Neale
Chairman, 6 February 2023

Condensed Consolidated Interim Income Statement
For the period ended 30 November 2022

		6 months Ended 30 November 2022 (Unaudited) £000	6 months Ended 30 November 2021 (Unaudited) £000	Year Ended 31 May 2022 (Audited) £000
Continuing operations	Note			
Revenue	5	8,368 =====	8,004 =====	17,052 =====
Adjusted EBITDA¹		952	1,124	2,807
Depreciation		(392)	(364)	(945)
Amortisation		(77)	(152)	(278)
Adjusted operating profit²		483	608	1,584
Exceptional items		-	113	391
Operating profit		483	721	1,975
Finance costs	6	(125)	(104)	(194)
Finance income	7	82	68	111
Profit before taxation		440	685	1,892
Taxation		24	(8)	(424)
Profit for the period		464 =====	677 =====	1,468 =====
Basic and diluted earnings per share (pence)				
Basic earnings per share	8	0.22p	0.32p	0.68p
Diluted earnings per share	8	0.21p =====	0.31p =====	0.68p =====

1 Adjusted EBITDA is defined as profit before interest, taxation, depreciation, amortisation and exceptional items which is a non-GAAP metric used by management and is not an IFRS disclosure.

2 Adjusted operating profit is defined as operating profit before exceptional items which is a non-GAAP metric used by management and is not an IFRS disclosure.

Condensed Consolidated Interim Statement of Comprehensive Income
For the period ended 30 November 2022

	6 months Ended 30 November 2022 (Unaudited) £000	6 months Ended 30 November 2021 (Unaudited) £000	Year Ended 31 May 2022 (Audited) £000
Profit for the period	464	677	1,468
	-----	-----	-----
<i>Items that are or may be subsequently reclassified to profit and loss:</i>			
Currency translation arising on consolidation	62	101	179
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Total comprehensive income for the period	526	778	1,647
	=====	=====	=====

The total comprehensive income for the period is attributable to the equity shareholders of the parent company Filtronic plc.

Condensed Consolidated Interim Balance Sheet
At 30 November 2022

	Note	30 November 2022 (Unaudited) £000	30 November 2021 (Unaudited) £000	31 May 2022 (Audited) £000
Non-current assets				
Goodwill and other intangible assets		1,595	1,597	1,495
Right of use assets		2,606	2,057	2,293
Property, plant and equipment		795	978	701
Deferred tax		875	1,272	868
		-----	-----	-----
		5,871	5,904	5,357
		-----	-----	-----
Current assets				
Inventories		2,685	2,371	2,598
Trade and other receivables		4,809	4,118	4,479
Cash and cash equivalents		3,062	3,044	4,006
		-----	-----	-----
		10,556	9,533	11,083
		-----	-----	-----
Total assets		16,427	15,437	16,440
		-----	-----	-----
Current liabilities				
Trade and other payables		2,190	2,790	2,993
Provisions		314	275	282
Deferred Income		198	265	172
Financial liabilities		-	71	-
Lease liabilities		616	538	540
		-----	-----	-----
		3,318	3,939	3,987
		-----	-----	-----
Long term liabilities				
Deferred income		31	44	130
Financial liabilities		-	71	-
Lease liabilities		1,484	1,229	1,280
		-----	-----	-----
		1,515	1,344	1,410
		-----	-----	-----
Total liabilities		4,833	5,283	5,397
		-----	-----	-----
Net assets		11,594	10,154	11,043
		=====	=====	=====
Equity				
Share capital	9	10,796	10,795	10,796
Share premium	10	11,077	11,050	11,060
Translation reserve		(409)	(549)	(471)
Retained earnings		(9,870)	(11,142)	(10,342)
		-----	-----	-----
Total equity		11,594	10,154	11,043
		=====	=====	=====

The total equity is attributable to the equity shareholders of the parent company Filtronic plc.
Company number 2891064

Condensed Consolidated Interim Statement of Changes in Equity
For the period ended 30 November 2022

	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 30 November 2021	10,795	11,050	(549)	(11,142)	10,154
Profit for the period	-	-	-	791	791
New shares issued (net of issue costs)	1	10	-	-	11
Currency translation movement arising on consolidation	-	-	78	-	78
Share-based payments	-	-	-	9	9
	-----	-----	-----	-----	-----
Balance at 31 May 2022	10,796	11,060	(471)	(10,342)	11,043
Profit for the period	-	-	-	464	464
New shares issued (net of issue costs)	-	17	-	-	17
Currency translation movement arising on consolidation	-	-	62	-	62
Share-based payments	-	-	-	8	8
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Balance at 30 November 2022	10,796	11,077	(409)	(9,870)	11,594
	=====	=====	=====	=====	=====

Condensed Consolidated Interim Cash Flow Statement
For the period ended 30 November 2022

	6 months Ended 30 November 2022 (Unaudited) £000	6 months Ended 30 November 2021 (Unaudited) £000	Year Ended 31 May 2022 (Audited) £000
Cash flows from operating activities			
Profit for the period	464	677	1,468
Taxation	(24)	8	424
Finance income	(82)	(68)	(111)
Finance costs	125	104	194
	-----	-----	-----
Operating profit	483	721	1,975
Tax received/(paid)	24	(8)	19
Share-based payments	8	7	16
Depreciation	392	364	945
Amortisation of intangible assets	77	152	278
Movement in inventories	(11)	(118)	(273)
Movement in trade and other receivables	(282)	(755)	(1,100)
Movement in trade and other payables	(838)	368	550
Movement in provisions	33	(122)	(115)
Change in deferred income	(72)	(5)	(10)
	-----	-----	-----
Net cash (used in)/generated from operating activities	(186)	604	2,285
	-----	-----	-----
Cash flows from investing activities			
Acquisition of plant and equipment	(193)	(80)	(61)
Acquisition of intangible assets	(16)	(33)	(57)
Acquisition of right of use assets	-	(18)	(132)
Capitalisation of development costs	(160)	-	-
	-----	-----	-----
Net cash used in investing activities	(369)	(131)	(250)
	-----	-----	-----
Cash flows from financing activities			
Interest paid	(125)	(105)	(194)
Repayment of bank loans	-	(8)	(131)
Repayment of lease liabilities	(323)	(259)	(653)
Repayment of interest-bearing borrowings	-	-	(8)
Proceeds from new shares (net of issue costs)	17	11	22
	-----	-----	-----
Net cash used in financing activities	(431)	(361)	(964)
	-----	-----	-----
Movement in cash and cash equivalents	(986)	112	1,071
Currency exchange movements	42	26	29
Opening cash and cash equivalents	4,006	2,906	2,906
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Closing cash and cash equivalents	3,062	3,044	4,006
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Notes to the Condensed Financial Statements

1 Company information

Filtronic plc is a company registered and domiciled in the United Kingdom and is listed on the AIM market of the London Stock Exchange. The Company's registered number is 2891064. The address of the Company's registered office is Filtronic plc, Filtronic House, Unit 3, Airport West, Lancaster Way, Yeadon, West Yorkshire, LS19 7ZA.

Copies of the Company's Annual Report and interim financial report are available from the Company's registered office or the Company's website at www.filtronic.com.

2 Basis of preparation

Whilst the financial information included in this preliminary statement has been prepared on the basis of the requirements of IFRSs in issue, this statement does not itself contain sufficient information to comply with IFRS.

These financial results for the six months ended 30 November 2022 do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim report should be read in conjunction with the Annual Report 2022, which includes annual financial statements for the year ended 31 May 2022. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements for the six months ended 30 November 2022 consolidate the financial statements of the Company and all of its subsidiaries (together referred to as the "Group"). Transactions between Group companies, which are related parties, have been eliminated upon consolidation and therefore do not require disclosure.

The condensed consolidated financial statements for the six months ended 30 November 2022 and comparative period have not been audited. The interim financial report for the six months ended 30 November 2022 was approved by the Board on 6 February 2023.

3 Going Concern

In accordance with corporate governance requirements the directors have undertaken a review of forecasts and the Group's cash requirements to consider whether it is appropriate that the Group continues to adopt the going concern assumption.

The directors have reviewed the projected cash flow and other relevant information, including a 'severe but plausible' scenario and have a reasonable expectation that the Group has adequate resources to continue in operational existence and therefore it remains appropriate to adopt the going concern basis in preparing the interim financial report for the six months ended 30 November 2022.

4 Accounting estimates and judgements

The preparation of the financial statements requires the use of accounting estimates and judgements that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of the future that are believed to be reasonable under the circumstances. Actual results may differ from the expected results. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The accounting estimates and judgements that have a significant effect on the financial statements are considered in the Filtronic plc Annual Report for the year ended 31 May 2022 which can be found on the Filtronic website. Unless stated below there is no material change to those judgements from the Annual Report in the basis of calculation.

5 Segmental Analysis

Operating Segments

IFRS 8 requires consideration of the identity of the Chief Operating Decision Maker ('CODM') within the Group. In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Chief Executive Officer, who reviews internal monthly management reports, budget and forecast information as part of this. Accordingly, the Chief Executive Officer is deemed to be the CODM.

The CODM has identified one operating segment within the Group as defined under IFRS 8. In turn, this is the only reportable segment of the Group as the entities in the Group have similar products and services, production processes and economic characteristics. Therefore, there is no allocation of operating expenses, profit measures or assets and liabilities to specific commercial markets.

Accordingly, the CODM assesses the performance of the operating segment on financial information which is measured and presented in a manner consistent with those in the financial statements by reference to Group results against budget.

The Group profit measures are adjusted operating profit and adjusted EBITDA, both disclosed on the face of the consolidated income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial statements.

The Group has three customers representing individually over 10% of revenue each and in aggregate 82% of revenue. This is split as follows:

- Customer A – **41%** (2022: 21%)
- Customer B – **24%** (2022: 38%)
- Customer C – **17%** (2022: 29%)

5 Segmental Analysis (continued)

Revenue by Destination

The revenue presented is based on the geographic location of customers receiving the product/service from the continuing operations.

	6 months Ended 30 November 2022 £000	6 months Ended 30 November 2021 £000	Year Ended 31 May 2022 £000
Revenue			
United Kingdom	2,647	3,662	7,489
Europe	1,258	1,294	3,421
Americas	2,323	2,573	5,313
Rest of the world	2,140	475	829
	-----	-----	-----
	8,368	8,004	17,052
	=====	=====	=====

Revenue from sales

The revenue presented is based on the Group deriving revenue from product sales and those received from Non-Recurring Engineering (“NRE”) at a point in time when the performance obligation is satisfied.

	6 months Ended 30 November 2022 £000	6 months Ended 30 November 2021 £000	Year Ended 31 May 2022 £000
Revenue			
Sales of product	7,927	7,428	16,580
NRE - point in time	441	576	472
	-----	-----	-----
	8,368	8,004	17,052
	=====	=====	=====

6 Finance costs

	6 months Ended 30 November 2022 £000	6 months Ended 30 November 2021 £000	Year Ended 31 May 2022 £000
Interest expense for lease arrangements	70	65	127
Minimum service costs and interest charges on invoice discounting facilities	55	39	67
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	125	104	194
	=====	=====	=====

7 Finance income

	6 months Ended 30 November 2022 £000	6 months Ended 30 November 2021 £000	Year Ended 31 May 2022 £000
Revaluation of foreign currency denominated intercompany balance	82	68	111
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	82	68	111
	=====	=====	=====

8 Basic and diluted earnings per share

	6 months Ended 30 November 2022 £000	6 months Ended 30 November 2021 £000	Year Ended 31 May 2022 £000
Profit for the period	464	677	1,468
	=====	=====	=====
	'000	'000	'000
Basic weighted average number of shares	215,119	214,493	214,726
Dilution effect of share options	1,189	812	868
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Diluted weighted average number of shares	216,308	215,305	215,594
	=====	=====	=====
Basic earnings per share (pence)	0.22p	0.32p	0.68p
Diluted earnings per share (pence)	0.21p	0.31p	0.68p
	=====	=====	=====

9 Share Capital

	Ordinary shares of 0.1p each issued and fully paid	
	Number '000	£000
At 30 November 2021	214,615	10,795
Exercise of employee share options	183	1
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At 31 May 2022	214,798	10,796
Exercise of employee share options	323	-
	-----	-----
At 30 November 2022	215,121	10,796
	=====	=====

Holders of the ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at meetings of the Company.

10 Share Premium

	£000
At 30 November 2021	11,050
Exercise of employee share options	10

At 31 May 2022	11,060
Exercise of employee share options	17

At 30 November 2022	11,077
	=====

11 Analysis of net cash/(debt)

	1 June 2022 £000	Cash Flow £000	Other movements £000	30 Nov 2022 £000
Cash and cash equivalents	4,006	(986)	42	3,062
Lease liability – plant and equipment	(863)	183	2	(678)
	-----	-----	-----	-----
Net cash when including all debt except property leases	3,143	(803)	44	2,384
Lease liability – property lease	(957)	140	(605)	(1,422)
	-----	-----	-----	-----
Net cash	2,186	(663)	(561)	962
	=====	=====	=====	=====

Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 30 November 2022, the Company had a £3.0m invoice discounting facility in place with Barclays Bank plc against the UK debtor book and a \$4.0m factoring facility with Wells Fargo against the US debtor book. There were no drawings on either of the facilities at 30 November 2022 (31 May 2022: undrawn).