

# OUR BUSINESS MODEL

Our business model has evolved from that of a specialist distributor, to designer, to design manufacturer.

## KEY RESOURCES

## KEY ACTIVITIES



### Strong Relationships

with our suppliers, employees and shareholders.



### Strong Leadership

A strong Executive team with a clear strategic vision.



### People

An experienced and committed workforce.



### Technology

We are investing in our future through our investment in infrastructure and technology.



[READ ABOUT PERFORMANCE ON PAGES 30 AND 40](#)



[READ ABOUT OUR SUSTAINABILITY ON PAGES 48 AND 49](#)

### Design

We have transitioned our business from a specialist distributor, to designer, to design manufacturer. This has enabled us to ascend the value chain to grow our revenues and margins. Through acquisition we have moved further up the power and voltage scale so we can fulfil more of the opportunities presented to us by our target customers. We have design engineering teams on three continents – this allows us to release a high number of innovative new products required by this highly diversified market. These products often have class-leading energy efficiency and small footprints to meet the ever-higher demands of our key customers. Additional engineering service teams in Germany, North America, Singapore and the UK are able to provide value-added services close to our key customers. We are able to provide modified product solutions which allow the customer to more easily integrate the power converter into their equipment, therefore delivering a cost saving.

### Products

We have the broadest, most up-to-date product offering in the industry with over 250 product families in our portfolio. Our products are specific to the requirements of the various industries and applications we target. Our philosophy is to provide highly flexible products that are easy to modify.

This saves our customers the cost, time and risk of pursuing a fully customised solution. Our product portfolio has been enhanced with high voltage modules following the acquisition of EMCO in November 2015, RF power from Comdel in September 2017 and high voltage/high power products from Glassman in May 2018.

### Manufacturing

We manufacture our own products and this provides us with the ability to ensure excellent quality, and an agile supply chain to meet customers' lead time expectations.

### Building And Managing Relationships With Customers

Our customers are at the heart of what we do. Our model is to sell directly to our key customers where we can add genuine value, offering excellent service and support combined with class-leading products.

We have carved out a leading position in our industry. An up-to-date, high efficiency product offering, delivered to our customers by the largest and most technically competent sales engineering team in the industry, backed up by highly skilled power systems engineers, combined with the safety and reliability benefits of world-class manufacturing, provide a compelling value proposition to our customers.

### Supply Chain Management

The management of our supply chain is critical to our success. Quality and reliability are paramount to our customers who often provide critical healthcare or industrial systems. For that reason, we need excellent suppliers with high-quality standards.

We have a rigorous approval process which looks at all aspects of a supplier before we engage with them. This not only includes a prospective suppliers' quality systems and standards, but also their financial viability and, of course, their environmental performance and treatment of their people.

We are a full member of the Responsible Business Alliance (RBA) and have adopted the RBA Code of Conduct throughout our organisation. This not only deals with environmental standards but also treatment of people, health and safety and business ethics.

Our customers demand excellent quality and security of supply and strong corporate social responsibility standards.

### Quality

Our stringent quality standards ensure the ultimate in quality and reliability. This is vital to our customers. This starts from the design phase right through to production and after sales support.

## SALES CYCLE

Our sales process is generally a technical sale, between XP Power sales engineers and customer design engineers. Our customers are typically experts in their field, whether it is robotic surgery, a state of the art semiconductor manufacturing tool or a high-end communications device operating in a harsh environment. They

will approach a company such as ours to recommend and assist them to design a power converter into their end system to allow it to function.

Generally, with larger customers it is not possible to engage on a specific opportunity until we are on an approved or preferred vendor list. This will involve qualification by the customer's technical, quality and purchasing teams and may often involve a physical audit of our quality systems and a factory audit.



REVENUE STREAMS

- We gain substantial revenue annuity over the life cycle of a product. The design in cycle is typically 18 to 24 months.
- Revenue from our own designs were flat compared with 2018. Our own design product created £155.8m of revenue. Labelled product accounted for £39.4m of revenue and third party was £4.7m.

WE ARE PART OF THE RESPONSIBLE BUSINESS ALLIANCE (RBA)

OUR EMPLOYEES CAN TAKE A DAY OF PAID TIME OFF TO SUPPORT LOCAL COMMUNITY ACTIVITIES

**+7%**

DIVIDEND PER SHARE

EMPLOYEE CULTURAL SURVEY SCORE OF

**75.0**

**32**

ADDITIONAL PRODUCT FAMILIES TO OUR PORTFOLIO DURING 2019

LONG-TERM VALUE FOR STAKEHOLDERS



Our people

- A diverse workforce
- A safe and healthy working environment
- Talent management
- Engagement



Our customers

- Quality and value
- Innovation and expansion to further enhance value
- High efficiency product offering
- Excellent service and support



Our suppliers

- Fair negotiation
- Visibility on revenues
- Dealing with a member of the responsible business alliance
- Supply chain ethics and due diligence



Our communities and the environment

- Community initiatives
- Raising money for charities and volunteer work
- A focus on reducing harmful emissions
- Environmentally friendly design concepts moving forward



Our shareholders

- Progressive dividend policy as shown below
- Investing in a growing business with attractive margins and market opportunities

TEN YEAR DIVIDEND HISTORY (PENNY PER SHARE)

