

CHAIRMAN'S STATEMENT



JAMES PETERS
Chairman

“We delivered a resilient performance in 2019 despite facing a number of challenges. While growth in our Healthcare, Industrial Electronics and Technology markets remained robust, this was offset by a cyclical slowdown in the Semiconductor Equipment Manufacturing market and pressure on gross margins. Despite these headwinds we grew order intake and revenues over prior years, continued to win new designs and made good strategic progress.”

OUR PROGRESS IN 2019

2019 was a challenging year and, despite growing both order intake and revenues over prior years, adjusted earnings per share declined for the first time since 2012. External factors including a cyclical decline in the Semiconductor Equipment Manufacturing sector and margin pressure, due to component price inflation and currency fluctuations, combined with the revenue impact, in our fourth quarter, of some short-term issues with the implementation of a new ERP system adversely impacted our earnings. Despite these headwinds we continued to win new designs and made good strategic progress.

Our strong cash generation and confidence in the Group's long-term prospects have enabled us to increase dividends consistently since listing in 2000. We are proposing a final dividend of 36p (2018: 33p) which brings the 2019 dividend per share to 91p, a 7% increase over 2018. The compound average growth rate of our dividend has been 8% over the last five years, demonstrating the Board's commitment to its progressive dividend policy.

7%

DPS INCREASE

UP

136%

FREE CASH FLOW

STRATEGY REVIEW

The Group's strategy has remained consistent for a significant period. It is built on the development of a market leading range of competitive products, either organically or by acquisition, to enable further penetration of existing target accounts where we still have relatively low market shares, combined with a drive to move our product portfolio up the power and voltage scale. We are one of a few companies in the world with a product portfolio across the power and voltage spectrum and can use our engineering services skills to combine these capabilities and provide customers with a complete power solution.

During the year the Board completed its annual review of Group strategy. This determined that our strategy continued to work effectively to achieve long-term earnings growth, market share gains in our target sectors and customers, and our brand strength, as demonstrated by the consistent revenue growth generated in all sectors except Semiconductor Equipment Manufacturing, which was impacted in 2019 by cyclical weakness. We are confident we can continue to develop market leading products and encouraged by the potential of our product and sales pipeline to continue to deliver organic growth. Following a refinancing in 2019, we have sufficient committed funds to support targeted acquisitions. We continue to make improvements to our systems and processes, product life cycle management and supply chain to support the sales growth we are generating, as well as bringing new talent into the business to support our growth.

 [READ ABOUT STRATEGY ON PAGES 22 AND 23](#)

OUR BOARD

Pauline Lafferty joined the Board on 3 December 2019 as a Non-Executive Director. Pauline brings a wealth of international business experience to the Group and significant expertise in strategic human resources. She is already making a considerable contribution to the Board.

Mike Laver, Executive Director responsible for Corporate Development, retired from the Board at the Annual General Meeting on 16 April 2019. I would like to thank Mike for his significant contribution to the development of the Group over many years.

OUR PEOPLE AND OUR VALUES

The success of any organisation is dependent on its culture and the people and talent within it. The Board worked closely with the Executive Leadership Team during 2019 to ensure the Group is identifying and developing its key people and bringing new talent and capabilities into the business to ensure that it can continue to grow and take market share. We have expanded our engineering capability significantly in the last two years and are taking steps to bring more talent into our Supply Chain team during 2020.

In addition to our core values of Integrity, Knowledge, Flexibility, Speed and Customer Focus, commitment to Health and Safety remain an essential part of our DNA and underpin the value proposition we offer our customers. We have conducted annual employee engagement surveys since 2015 and I am pleased that we have shown strong scores each time, having taken action to address any issues arising from the results of the prior year. One of the main findings from these employee surveys is that our employees are proud to be part of our Company, highlighting the significant engagement we have between the business and our people. The survey score is one of our non-financial key performance indicators.

 [READ ABOUT CULTURE ON PAGES 72 AND 73](#)

SUSTAINABILITY

We are committed to the long-term sustainable success of XP Power in all its aspects. We have helped lead the industry in developing "green" products which consume less energy while powering the application or in standby mode. These products reduce CO2 emissions year on year and are by far the biggest positive impact we can make on the environment.

Sustainability also resonates with our employees. We have adopted energy and water saving practices throughout the Group and have a network of passionate environmental representatives who promote best practices and raise awareness of sustainability issues across our global workforce.

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

OUTLOOK

We delivered a resilient performance in 2019 despite facing a number of challenges. While growth in our Healthcare, Industrial Electronics and Technology markets remained robust, this was offset by a cyclical slowdown in the Semiconductor Equipment Manufacturing market and pressure on gross margins, resulting from the increase in US trade tariffs on Chinese manufactured goods and changes in product mix. Despite these headwinds we grew order intake and revenues over prior years, continued to win new designs and made good strategic progress.

Trading conditions in the early months of 2020 give grounds for optimism. Signs of a recovery in the Semiconductor Equipment Manufacturing sector are reflected in our strong order intake in the fourth quarter of 2019 and are finding good opportunities for the products brought into the Group portfolio through the acquisitions of Comdel and Glassman. We also expect benefits from the transfer of production from Minden to Vietnam in the second half of 2020. However, we are affected by certain external events, such as the impact the outbreak of the COVID-19 virus had on our supply chain. This introduces some caution into our outlook, but we remain encouraged by our healthy order book.

JAMES PETERS

Chairman