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TT Electronics PLC
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Certain information contained in this announcement constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

TT Electronics plc
('TT Electronics' or 'the Company')

Proposed disposal of the Transportation Sensing and Control division to AVX Corporation for £118.8m in cash

TT Electronics, a global provider of engineered electronics for performance critical applications, announces that it has entered into a conditional agreement for the sale of its Transportation Sensing and Control division (the 'TS&C Division') to AVX Corporation, through its subsidiary AVX Limited, for a cash consideration of £118.8 million on a cash free, debt free basis (the 'Disposal'). As a result of the Disposal, TT Electronics will be in a much stronger position to focus on its strategy of investing in structural growth markets where there is increasing electronic content, with the benefit of significantly enhanced financial capacity.

Highlights:

- Total consideration of £118.8 million, payable in cash on completion
  - an attractive valuation of approximately 11.1x the TS&C Division's FY16 underlying EBIT
- Following the Disposal, TT Electronics will benefit from:
  - improved geographic and market balance;
  - a higher operating margin;
  - enhanced financial capacity; and
  - additional management focus on the remaining business
- Net cash proceeds arising from the Disposal will be used to:
  - pay down the Company's existing net debt, and
  - fund further investment to accelerate growth through capital investments and acquisitions
- Pattern of trade across the remaining business has been good; order book remains strongly ahead
- Progressive dividend policy unchanged
- Completion expected in Q4 2017

The Disposal is conditional, amongst other things, upon anti-trust clearance, approval from TT Electronics shareholders and the amount of the intra-group debt owing from the TS&C Division to the retained TT Electronics group being no greater than €65 million. A circular containing further details of the Disposal and a notice convening a general meeting will be sent to TT Electronics' shareholders in due course.

Richard Tyson, CEO, commented:
"This is an important step for TT. Having returned the TS&C Division to growth and profitability faster than expected, we believe it will be better positioned to achieve its full potential under the ownership of AVX. Now is the right time to realise the value of the TS&C Division for the benefit of TT and our shareholders.

Following the disposal, TT will be a higher margin, higher quality business, with an improved geographic and market balance. We will continue to focus on structural growth markets where there is increasing electronic content. Having improved our financial capacity, we will continue our proven strategy of deploying our resources to enhance TT's potential and drive growth and value for shareholders."

For further information please contact:
TT Electronics plc **Tel: +44 (0)1932 825 300**
Richard Tyson, Chief Executive Officer
Mark Hoad, Chief Financial Officer
Emma Darke, Head of Investor Relations and Communications

MHP **Tel: +44 (0)20 3128 8100**
Tim Rowntree / Katie Hunt / Ivana Petkova / Hannah Winter

A webcast for analysts will be held at 08:15 (BST) this morning. Conference call number: UK: +44 (0)330 336 9413 pin: 9650975 weblink: http://webcasting.brrmedia.co.uk/broadcast/596c7390cb754d51a2c451cf

Note to editors: The TS&C Division's underlying* EBIT for the twelve months to 31 December 2016 was £10.7m before the allocation of central costs of £7.5m and its underlying profit before tax and statutory loss before tax were £0.1 million and £(1.8) million respectively. The value of gross assets was £127.1 million.

* Profit/loss excluding the impacts of significant restructuring programmes, significant one-off asset impairments and business acquisition and divestment related activity

*Gleacher Shacklock LLP (**Gleacher Shacklock**) has acted as financial adviser to TT Electronics on this transaction. Gleacher Shacklock, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for TT Electronics plc and for no one else in connection with the Disposal and will not be responsible to anyone other than TT Electronics plc for providing the protections afforded to its clients or for providing advice in relation to the Disposal, the contents of this announcement or any other matter referred to in this announcement.*

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Introduction

TT Electronics, a global provider of engineered electronics for performance critical applications, announces that it has entered into a conditional agreement for the sale of its Transportation Sensing and Control division to AVX Corporation, through its subsidiary AVX Limited, for a cash consideration of £118.8 million on a cash free, debt free basis.

The Disposal is a Class 1 transaction for TT Electronics under the Listing Rules and is therefore conditional, amongst other things, upon the approval of TT Electronics' shareholders. A circular containing further details of the Disposal and a notice convening a general meeting will be sent to TT Electronics' shareholders in due course.

Background to and reasons for the Disposal

TT Electronics' strategy is to build leading positions in markets with structural growth drivers where there is increasing electronic content. TT Electronics is focused on areas of the market where its industry expertise and focused research and development ('R&D') investment create strong and differentiated capabilities which are valued by TT Electronics' customers to solve their most complex challenges. The directors of the Company (the 'Directors') believe that this, in turn, will create profit growth and will position TT Electronics to create long term value for TT Electronics' shareholders. TT Electronics' business has been repositioned and delivered operational efficiency improvements, driving strong organic profit growth and good cash generation. This performance has been supplemented by the positive contribution from Aero Stanrew, a business that TT Electronics acquired in December 2015 and has since successfully integrated.

Under strong leadership, the TS&C Division has made significant progress, delivering strong sales growth and positive operating margins in 2016. The TS&C Division has:

- turned-around and returned to profit;
- re-focused R&D efforts on sensing and control for safety, fuel efficiency and emission control;
- achieved sales success in faster growing geographies; and
- broadened its customer base.

The Directors believe that the market offers strong growth potential for the products provided by the TS&C Division and the improved prospects for the TS&C Division should continue in the medium term. Nevertheless, the Directors believe that the TS&C Division would have significantly improved prospects to enhance its potential by working with a partner like AVX Corporation that can expand access in particular to the US and Far East markets.

The Directors further believe that the opportunities for the TS&C Division, its management and employees, will benefit from belonging to a larger participant with significant financial resources.

Prospects of TT Electronics and its subsidiary undertakings following completion of the Disposal (the 'Continuing Group')

The Directors believe that TT Electronics has positioned itself as a global provider of highly engineered electronics focused on areas of the market that have attractive structural growth drivers, as follows:

- **industrial**: electronics future-proofing next generation technology including 'smarter home', 'factory 4.0' and higher specification consumer products;
- **aerospace and defence**: more electrical components and power systems on aircraft, leading to a demand for electrical components with reduced size, weight and power consumption;
- **transportation**: increasing electronic content in the rail, truck and selected areas of the automotive market, as a result of the market trend towards electric and hybrid electric vehicles; and
- **medical**: increased demand for more sophisticated diagnostic, imaging and monitoring equipment, creating a

constant drive towards improved patient safety.

TT Electronics develops differentiated offerings using its engineering expertise and targeted R&D efforts in these higher growth areas of the market. The Directors believe that TT Electronics' strategy will make the Continuing Group increasingly balanced across its end-markets and geographies, with good opportunities for organic product investment and inorganic growth. The strategy is expected to move TT Electronics to be a higher margin, higher quality business in the medium term and drive increasing growth and value for its shareholders.

The Disposal provides TT Electronics with:

- realised value now for the TS&C Division at an attractive price reflecting its quality and prospects;
- significant cash resources for the Continuing Group to promote growth and further value enhancement for shareholders; and
- greater management focus on the Continuing Group and the ability to accelerate its strategy.

Information on the TS&C Division

The TS&C Division develops both sensors and control solutions for automotive original equipment manufacturers and tier one suppliers, including powertrain providers for passenger cars and trucks. The TS&C Division also operates within the two-wheeler market and develops a wide range of products for multiple applications on a vehicle, from power controls, gear position and pedal sensors to fluid and emission sensors, with almost all of them focused on the safety and driver assistance features required by customers.

The TS&C Division operates in nine locations worldwide: Austria, China, Germany, India, Mexico, Romania, South Korea, the UK and the USA, comprising R&D and manufacturing sites and sales offices. For the year ended 31 December 2016, the TS&C Division employed an average of 1,679 people, 180 of whom were in product development, reflecting the division's strong R&D focus.

In the financial year ended 31 December 2016, the TS&C Division generated £237.4 million of revenue compared to £205.9 million for the year ended 31 December 2015, and £3.2 million of underlying operating profit compared to a £1.4 million underlying operating loss for the year ended 31 December 2015. The 2016 operating profit is reported after the allocation of £7.5 million of central costs (2015: £6.7 million). The 2015 and 2016 underlying operating profit numbers do not reflect restructuring or acquisition related costs.

Principal terms and conditions of the Disposal

An agreement between TT Electronics, AVX Limited and AVX Corporation was entered into on 19 July 2017, pursuant to which TT Electronics has agreed to procure that certain subsidiaries within the Continuing Group will sell to AVX Limited the entire issued share capitals of the companies that make up the TS&C Division. In addition, certain shareholder loans owed from the TS&C Division to the Continuing Group will be transferred to AVX Limited.

The consideration for the Disposal is £118.8 million on a cash free, debt free basis and is payable in cash on completion of the Disposal ('Completion').

The Disposal is expected to complete in Q4 2017. Completion is conditional upon, among other things, anti-trust clearances having been obtained (or the Disposal otherwise being deemed cleared) under German, Austrian, Hungarian and Slovakian anti-trust law (to the extent required), the approval of the Company's shareholders at a general meeting of the Company and the amount of the intra-group debt owing from the TS&C Division to the Continuing Group being no greater than €65 million as at completion. The tax costs associated with reducing the intra-group debt to satisfy the above-mentioned condition are expected to be up to €10.9 million and this cost will be borne by TT Electronics.

A termination fee in the amount of approximately £3.0 million will become payable by TT Electronics to AVX Limited if the Disposal is not approved by the Company's shareholders at a general meeting of the Company. In no circumstance shall the termination fee payable by TT Electronics (inclusive of VAT) exceed one per cent. of the market capitalisation of TT Electronics.

Use of proceeds, financial effects of the Disposal and strategy of the Continuing Group

Following Completion, the Continuing Group will use the net proceeds of the Disposal (being £100.7 million after tax costs and fees and expenses) to repay all of the Continuing Group's existing bank debt (net debt being £55.4 million and gross indebtedness being £102.6 million as at 31 December 2016), leaving the Continuing Group in a net cash position with resultant interest savings. Thereafter, the Continuing Group intends to deploy its capital and resources, including the proceeds of the Disposal, in line with the adopted capital allocation framework (described below).

Notwithstanding the significant reduction in the Continuing Group's aggregate profits as a result of the disposal of the TS&C Division, the Continuing Group's financial capacity will be greatly improved taking into account the removal of the TS&C Division's material working capital requirements and the proceeds from the Disposal with which the Company's existing bank debt will be repaid, resulting in a net cash position. The disposal of the lower margin TS&C Division will also result in the Continuing Group being a higher margin business.

The board of directors of the Company (the 'Board') intends to continue its proven strategy to invest in the business in order to drive growth. It is intended that this investment will include both capital investments within existing operations as well as making acquisitions that fit with the Continuing Group's strategy and meet the Board's financial criteria. The Board is currently examining a number of acquisition opportunities and remains committed to making value creative investments to support the acceleration of the Group's strategy.

The Board's objective is to maximise long term shareholder returns through a disciplined deployment of the TT Electronics Group's capital and resources. To support this, the Board has adopted the following capital allocation framework:

- **Investment for organic growth**: TT Electronics will invest in R&D and capital projects to support TT Electronics' strategy of targeting structural growth markets where there is increasing electronic content and where TT Electronics has a competitive advantage.

- **Regular returns to shareholders**: the Board recognises the importance of the regular semi-annual dividend to TT Electronics' shareholders, having maintained the dividend through 2014 and 2015 and increased the 2016 dividend. It is the Board's current intention, all other things being equal, to at least maintain this level of dividend for the financial year ended 31 December 2017.

- **Acquisitions in line with strategy**: The Board believes that TT Electronics has a well-defined and disciplined approach to acquisitions. The Board continues to explore acquisition opportunities to accelerate growth in attractive markets where the TT Electronics Group can use its expertise to expand its market presence and/or enhance its offerings to customers, as it has with the successful recent acquisition of Aero Stanrew. The Board is rigorous in its approach to acquisition investment appraisal, applying a 12 per cent. pre-tax return on invested capital hurdle rate on all acquisition projects.

- **Leverage and treatment of excess capital**: the Board is committed to maintaining an efficient balance sheet, appropriate to the Continuing Group's medium term investment requirements. Accordingly, the Board has adopted a medium term leverage target of up to 2.0x net debt/EBITDA (excluding pension deficits), although the Board is prepared to move above this range temporarily if circumstances warrant it. The Board will regularly review the Continuing Group's balance sheet and medium term investment opportunities in light of this policy, and return excess capital to shareholders if and when the Board considers it appropriate.

The Board intends to keep the Continuing Group's capital structure under regular review. As stated above, the Board is currently examining a number of organic investment and acquisition opportunities and remains committed to making value creative investments to support the acceleration of the Group's strategy.

In the year ended 31 December 2016, the TT Electronics Group reported revenues of £569.9 million and profit before tax of £23.2 million, and the TS&C Division reported revenues of £237.4 million and underlying operating profit of £3.2 million, after the allocation of £7.5 million of central costs, and this underlying operating profit does not reflect restructuring or acquisition related costs. These £7.5 million of central costs, which relate primarily to management and functional support, will be retained by the Continuing Group. While the Board expects to make £1 million of annualised efficiency savings in the short term, it is intended that the bulk of this skill and capacity will be retained by the Continuing Group to support the future growth and development of the business. Going forward, the Board expects that in the near term the Continuing Group will have an underlying effective tax rate of 20-22 per cent., reflecting the changed geographic spread of the operations and the mix of the business post the Disposal.

The Board maintained the level of the dividend for the financial year ended 31 December 2015 despite falling profitability during 2015. For the financial year ended 31 December 2016 the Board paid a total dividend of 5.6 pence per share. This reflects the strong performance of the Group in 2016. It is the Board's current intention, all other things being equal, to at least maintain this level of dividend for the financial year ended 31 December 2017.

Expected timetable to Completion

A circular containing further details of the Disposal and a notice convening a general meeting will be sent to TT Electronics shareholders in due course. Completion is expected to occur in Q4 2017.

A copy of this announcement will be available on TT Electronics' website at www.ttelectronics.com

The person responsible for arranging release of this announcement on behalf of TT Electronics is Lynton Boardman, Group General Counsel and Company Secretary.

Important notices

This announcement contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "targets", "aims", "projects" or words or terms of similar substance or the negative thereof, are forward-looking statements, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements include statements relating to (a) future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects, (b) business and management strategies and the expansion and growth of TT Electronics' operations, and (c) the effects of global economic conditions on TT Electronics' business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause actual results, performance or achievements of TT Electronics to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of TT Electronics to differ materially from the expectations of TT Electronics, include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors as may be identified in Part 2 (Risk Factors) of the circular to be published in relation to the Disposal. Such forward-looking statements should therefore be construed in light of such factors. Neither TT Electronics nor any of its directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules), TT Electronics is not under any obligation and TT Electronics expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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