

**Client** Advanced Power Components  
**Source** Aimzine  
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## Advanced Power Components

### *Final results review*

### *Q & A with Chief Executive, Mark Robinson*

Following the issue of encouraging final results at the end of November, AimZine caught up with APC's Chief Executive, Mark Robinson.

**Firstly I must congratulate you on improved results from APC this year. I note that sales have increased this year by approximately £1 million to £14.42 million and that profits have gone up from £247,000 in 2010 to £402,000. Will David in his Chairman's statement explain that some of the improvement is due to APC "winning design slots for products that you distribute exclusively". Can you explain this point further?**

APC's distribution strategy is focussed on promoting specialist electronic components under exclusive distribution agreements with the component manufacturers. This enables us to invest in a technically skilled sales team who work with our customers' design engineering teams to secure the design-in of our components. As we have exclusive agreements with the component manufacturers we then get to supply those components over the lifetime of the product which, in the case of defence and aerospace applications, is often many years.

**The order book has also improved this year, from £3.77 million to £4.33 million, and there is a comment in the results to say that this level has been maintained since the year ended on 31 August 2011. However, the Chairman then warns on the economy by saying: "However, the deteriorating economic conditions clearly present a challenging backdrop to the Group's activities and despite entering the year with a very healthy order backlog, the longer the current uncertainty in the market continues, the greater will be the effect on short term**

**revenues and profitability.” Does this mean that you are already seeing some weakening in orders? And if so, which businesses are being affected?**

It is true to say that there has been a slight reduction in order intake in the first three months of our current financial year but that in itself is not a major concern as the intake will always vary month to month and quarter to quarter. What is perhaps more of a concern is that the wider electronics industry has shown more significant signs of decline over the last few months and this, coupled with the general economic commentary in the media obviously makes us somewhat concerned about what's in store for the next few months even considering our backlog remains high relative to last year. As always, the most susceptible parts of our business are those more aligned with commercial / industrial markets so Hero, Displays+ and Contech.

**You report that net debt has been reduced in the financial year from £1.7 million to £1.2 million. This latter figure is £200,000 less than that given in your September trading update. Can you explain the seemingly improved debt figure?**

The Net Debt figure we gave with the trading update was an approximate figure based on management accounts, whereas the number in the full report and accounts is the final audited number. We typically err on the cautious side on trading updates and in this case, we rounded down our estimate; when we completed our consolidated accounts the net debt position was £1,243,000 which rounded to £1.2 million. The key point is that we are focused on managing debt at a level that the business can afford. This has resulted in reduced financing costs in the year which has saved us £50,000 compared to FY2010 and means we have more headroom in our borrowing facilities going into the new financial year.

**Investors will be very keen to hear news of your power saving product, IMOP. Can you provide any further information about the IMOP trials referred to in the results and how you see developments with IMOP going forward? Are you hopeful that this business will be profitable in the near future?**

Having gained significant insight into the market for cleantech products over the last couple of years we understand that a number of factors need to combine to make any new energy-related technology successful in the market place. The most significant factors include the escalating price of electricity and punitive government legislation, both of which are outside of our control but are now creating a more compelling case for the imop. What we have been able to do while waiting for external factors to move in our favour is undertake some excellent work with the University of Greenwich and with some large, well known clients to prove the performance. On the back of the external factors we expect these validations to increase sales in 2012.

**Turning to your newly acquired (and rebranded) subsidiary, QV Controls. In the September Trading Statement there was mention of a soon to be released case study. Has this now been released and how are you planning to develop sales for QV over the coming year? Can you also explain how this differs from other lighting products?**

The QV website is now live ([www.qvcontrols.com](http://www.qvcontrols.com)) and this particular case study, along with a number of others, will be added to it during December. The market for lighting control systems is expected to grow very significantly over the next 5 years and we are already involved with a number of exciting projects with both new and existing customers. The same external factors need to be in place for this growth to occur but QV has a well proven product and it's really just a case of generating increased awareness. The products offered by QV Controls differ from others in the market as they are fully compliant to DALI standards which mean that each individual light fitting in an installation is controlled. This can result in significant savings in the electricity bill associated with lighting as well as create better lit work environments.

**Are the IMOP and QV operations being integrated or will they remain as two separate units.**

QV is a separate company and will remain that way for the foreseeable future.

**It is good to see that you mention the importance of employing graduates. Can you say more about your experience with using graduates and how they have helped the business?**

Considering the state of the job market for young people we consider it almost an obligation to provide opportunity to graduates and school leavers who display the right attitude and willingness to learn. Our experience is limited but the four individuals we have brought into the Company have added new enthusiasm and drive over the last six to nine months and I have no doubt that in time they will repay the faith we have put in them.

**The latest forecasts I have are for profits to rise a further £200,000 to £650,000 in 2012. Is there an updated analyst note to follow the results?**

An updated broker note has been issued by Northland Capital Partners and has been added to our website at <http://www.apc-plc.com/apc-corporate-information.asp?id=217> (In their forecasts Northland have left their 2012 forecasts unchanged following the results – Ed).

**Can you say something about the breakdown of the business areas during 2011? Which of these areas are the most important to the Group and did any of them perform particularly well or badly this year?**

We do not give segmental information for each business because we manage them on a unified basis. As we stated in our trading update, Hero and Displays+ performed particularly well beating their targets comfortably, Hi-Rel and Novacom were solid and on target. Contech was

the only one of the core businesses that fell short; this was mainly due to its focus on NHS contracts and late product introductions from suppliers.

**Do you know why the share price shot from 9p to 15p in the first few days of November?**

The recent rise in the share price was something of a surprise but was, I feel, justified as we remain openly very ambitious and expect our diversification into the cleantech sector to yield positive results in the not too distant future. I think it is also fair to observe that our shares were “over sold” during the summer period and that some of the recent increase in value is a correction.

**Mark, thank you for answering my questions.**



**Mark Robinson**



**imop**