

# Filtronic

## Deepening relationship with SpaceX

Filtronic and SpaceX have expanded their strategic agreement, originally signed in April 2024, to support higher order volumes for E-band solid state power amplifier (SSPA) modules, which are being used in the Starlink constellation. Additional warrants have been issued to SpaceX, taking the potential number of warrants that could vest up to 15% of share capital. The revised deal strengthens visibility for FY25 and FY26 and drives a small revenue upgrade in FY26.

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
5/23	16.3	1.3	0.1	0.06	0.00	N/A	N/A
5/24	25.4	4.9	3.4	1.43	0.00	76.9	N/A
5/25e	50.1	14.1	12.1	4.94	0.00	22.3	N/A
5/26e	45.1	9.9	7.3	2.81	0.00	39.1	N/A

Note: EBITDA, PBT and EPS (diluted) are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Expansion of strategic agreement with SpaceX

Building on the strategic agreement signed with SpaceX in April 2024, the agreement has been expanded to enable an increased allocation of business to Filtronic. Filtronic will increase the supply of E-band SSPA modules that are currently used in ground stations for Starlink's low Earth orbit (LEO) satellite constellation. In return for increased business levels, Filtronic has issued 10,949,079 warrants to SpaceX at an exercise price of 92.8p (worth £10.2m if fully exercised), equivalent to 5% of existing share capital. Warrants will vest on a similar basis to the original contract (see below). In total, Filtronic has issued SpaceX warrants equivalent to 15% of share capital, with 5% already vested.

## Upgrading FY26 revenue, profit unchanged

The company expects this agreement to result in trading in FY26 marginally ahead of consensus. We have increased our revenue forecast by 4.7% but we assume that the company reinvests any incremental gross profit in scaling the business. We note that this expanded agreement relates to the first tranche of the original agreement. The second tranche relates to products designed at other frequencies and provides further revenue potential for Filtronic.

## Valuation: Factoring in long-term growth

Performing a reverse DCF with a WACC of 8.3%, the current share price implies revenue growth of 15.3% per year for FY27–34 with an average EBITDA margin of 25.6% over that period. In our view, the strengthened relationship with SpaceX, the potential to widen the customer base in the space market and growing penetration of the aerospace and defence market all provide avenues for sustainable growth.

## Expanded strategic agreement

### Tech hardware and equipment

20 March 2025

**Price** 110.00p

**Market cap** £241m

Net cash/(debt) at end H125 £5.1m  
(including PPE lease liabilities)

Shares in issue 219.0m

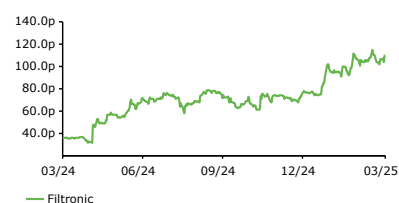
Free float 70.9%

Code FTC

Primary exchange AIM

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 8.9 42.4 205.6

52-week high/low 118.0p 32.5p

### Business description

Filtronic is a designer and manufacturer of advanced radio frequency communications products supplying a number of market sectors including mobile telecommunications infrastructure, space, public safety, aerospace and defence.

### Next events

FY25 trading update June 2025

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## Original SpaceX strategic agreement

SpaceX operates the Starlink network, which is the most advanced LEO satellite network, with more than 6,750 satellites in orbit compared to the next largest network, Eutelsat OneWeb, with 648 satellites. The network is used to provide broadband services in areas that are not well served by terrestrial broadband methods.

We summarise below the original agreement signed in April 2024.

As part of the strategic partnership, Filtronic issued 21,712,109 warrants to SpaceX, across two tranches, which would enable SpaceX to subscribe for up to 10% of the company's existing share capital. The warrants will vest on a variable basis, dependent on the volume and timing of orders placed by SpaceX, and have an exercise price of 33p (closing price on 23 April). The warrants will vest in full once c \$60m/£48m of orders have been placed. The warrants expire five years from the date of signing the strategic partnership contract (ie 24 April 2029). Vested warrants can be exercised in full or in minimum amounts of 500,000 at any time prior to expiry.

The details of the two tranches are as follows:

- Tranche 1: warrants for up to 10,856,055 shares (up to 5% of existing share capital). Warrants will vest on the receipt of purchase orders against a staged vesting profile for E-band SSPAs. All warrants will vest once \$37m/£30m of irrevocable purchase orders have been placed. Sufficient orders have been received to trigger vesting of all warrants in this tranche.
- Tranche 2: warrants for up to 10,856,055 shares (up to 5% of existing share capital). Warrants will vest on the receipt of purchase orders against a staged vesting profile for SSPA modules at other frequency bands. All warrants will vest once \$23m/£18m of irrevocable purchase orders have been placed.

A further condition is that SpaceX must place a minimum order value of \$10m in each subsequent 12-month period from the contract date to be delivered within 12 months. The timing between purchase orders must not exceed 12 months. If the order flow is not maintained in accordance with these conditions within the five-year warrant period, the warrants will expire six months from that date.

## Changes to forecasts

**Exhibit 1: Changes to forecasts**

£m	FY25e old	FY25e new	Change	y-o-y	FY26e old	FY26e new	Change	y-o-y
Revenues	50.1	50.1	0.0%	97.0%	43.1	45.1	4.7%	-10.0%
EBITDA	14.1	14.1	0.0%	188.9%	9.9	9.9	0.0%	-30.2%
EBITDA margin	28.2%	28.2%	0.0pp	9.0pp	22.9%	21.9%	-1.0pp	-6.3pp
Normalised operating profit	12.2	12.2	0.0%	232.9%	7.5	7.5	0.0%	-38.4%
Normalised operating margin	24.3%	24.3%	0.0pp	9.9pp	17.4%	16.6%	-0.8pp	-7.7pp
Reported operating profit	10.6	10.6	0.0%	192.9%	5.9	5.9	0.0%	-44.2%
Reported operating margin	21.1%	21.1%	0.0pp	6.9pp	13.7%	13.1%	-0.6pp	-8.0pp
Normalised PBT	12.1	12.1	0.0%	255.6%	7.3	7.3	0.0%	-39.4%
Reported PBT	10.5	10.5	0.0%	213.0%	5.7	5.7	0.0%	-45.4%
Normalised net income	11.6	11.6	0.0%	264.5%	6.6	6.6	0.0%	-42.8%
Reported net income	10.0	10.0	0.0%	219.0%	5.0	5.0	0.0%	-49.7%
Normalised basic EPS (p)	5.33	5.33	0.0%	261.6%	3.03	3.03	0.0%	-43.1%
Normalised diluted EPS (p)	4.94	4.94	0.0%	245.0%	2.81	2.81	0.0%	-43.1%
Reported basic EPS	4.59	4.59	0.0%	216.5%	2.30	2.30	0.0%	-49.9%
Net debt/(cash)	(10.3)	(10.3)	0.0%	98.4%	(14.0)	(14.0)	-0.2%	36.4%

Source: Edison Investment Research

## Exhibit 2: Financial summary

Year end May	£m	2020	2021	2022	2023	2024	2025e	2026e
<b>INCOME STATEMENT</b>								
Revenue		17.2	15.6	17.1	16.3	25.4	50.1	45.1
EBITDA		1.2	1.8	2.8	1.3	4.9	14.1	9.9
Operating profit (before amort. and excepts.)		0.4	0.6	1.6	0.2	3.7	12.2	7.5
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		(0.6)	0.1	0.4	0.0	0.0	(1.3)	(1.3)
Reported operating profit		(0.2)	0.6	2.0	0.2	3.6	10.6	5.9
Net Interest		(0.2)	(0.4)	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		0.1	0.1	1.5	0.1	3.4	12.1	7.3
Profit Before Tax (reported)		(0.4)	0.2	1.9	0.1	3.4	10.5	5.7
Reported tax		(0.1)	(0.2)	(0.4)	0.4	(0.2)	(0.5)	(0.7)
Profit After Tax (norm)		0.1	0.3	1.2	0.1	3.2	11.6	6.6
Profit After Tax (reported)		(0.5)	0.1	1.5	0.5	3.1	10.0	5.0
Discontinued operations		(1.4)	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		0.1	0.3	1.2	0.1	3.2	11.6	6.6
Net income (reported)		(2.0)	0.1	1.5	0.5	3.1	10.0	5.0
<b>Average Number of Shares Outstanding (m)</b>								
Average Number of Shares Outstanding (m)		211.0	213.4	214.7	215.1	216.3	218.1	219.0
EPS - normalised (p)		0.05	0.14	0.54	0.07	1.47	5.33	3.03
EPS - normalised fully diluted (p)		0.05	0.14	0.53	0.06	1.43	4.94	2.81
EPS - basic reported (p)		(0.25)	0.03	0.68	0.22	1.45	4.59	2.30
Dividend (p)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>BALANCE SHEET</b>								
Fixed Assets		7.5	6.2	5.4	7.4	9.5	14.8	14.7
Intangible Assets		1.8	1.7	1.5	1.8	2.3	2.8	3.5
Tangible Assets		3.8	3.3	3.0	4.3	4.9	10.0	10.2
Investments & other		1.9	1.2	0.9	1.3	2.3	1.9	1.0
Current Assets		9.8	8.4	11.1	10.7	18.3	31.2	34.0
Stocks		2.9	2.2	2.6	2.8	3.3	4.1	4.6
Debtors		4.8	3.3	4.5	5.3	6.6	11.8	11.1
Cash & cash equivalents		2.0	2.9	4.0	2.6	7.2	14.8	18.3
Other		0.0	0.0	0.0	0.0	1.3	0.4	0.0
Current Liabilities		(6.0)	(3.6)	(4.0)	(4.8)	(8.2)	(13.0)	(10.7)
Creditors		(3.5)	(2.4)	(3.0)	(3.7)	(5.4)	(11.2)	(8.9)
Short term borrowings including lease liabilities		(0.7)	(0.6)	(0.5)	(0.6)	(0.9)	(0.9)	(0.9)
Other		(1.8)	(0.6)	(0.5)	(0.5)	(1.9)	(0.9)	(0.9)
Long-Term Liabilities		(2.0)	(1.7)	(1.4)	(1.7)	(2.3)	(4.7)	(4.4)
Long-term borrowings		(2.0)	(1.6)	(1.3)	(1.7)	(2.1)	(4.5)	(4.3)
Other long-term liabilities		0.0	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)
Net Assets		9.4	9.4	11.0	11.5	17.4	28.3	33.6
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		9.4	9.4	11.0	11.5	17.4	28.3	33.6
<b>CASH FLOW</b>								
Op Cash Flow before WC and tax		1.2	1.8	2.8	1.3	4.9	14.1	9.9
Working capital		(1.7)	1.1	(0.8)	(0.4)	1.5	(1.3)	(2.1)
Exceptional & other		(3.3)	(1.0)	0.3	0.0	0.0	0.0	0.0
Tax		1.2	0.5	0.0	0.0	(0.0)	(0.5)	(0.7)
Operating Cash Flow		(2.6)	2.5	2.3	0.9	6.3	12.3	7.1
Capex (including capitalised R&D)		(1.2)	(0.4)	(0.3)	(1.5)	(1.6)	(4.3)	(2.4)
Acquisitions/disposals		3.7	0.0	0.0	0.0	0.0	0.0	0.0
Net interest		(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)
Equity financing		0.3	0.0	0.0	0.0	0.1	0.1	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow		(0.2)	1.9	1.9	(0.8)	4.6	8.1	4.5
Opening net debt/(cash)		(2.0)	0.7	(0.8)	(2.2)	(0.3)	(4.2)	(9.4)
FX		0.0	0.0	0.0	0.0	0.0	0.4	0.0
Other non-cash movements		(3.0)	(0.4)	(0.5)	(1.1)	(0.8)	(3.3)	(0.8)
Closing net debt/(cash) including lease liabilities		0.7	(0.8)	(2.2)	(0.3)	(4.2)	(9.4)	(13.1)
Property lease liabilities		1.1	1.2	1.0	1.3	1.0	0.9	0.9
Closing net debt/(cash)		(0.4)	(2.0)	(3.1)	(1.6)	(5.2)	(10.3)	(14.0)

Source: Filtronic, Edison Investment Research

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