

Filtronic

Record order from SpaceX

Contract win

Hot on the heels of a \$32.5m/£24.0m order in June, SpaceX has just placed a \$62.5m/£47.3m order, the highest yet. This is for E-band solid-state power amplifiers (SSPAs) manufactured using gallium nitride (GaN) for delivery over FY27 and FY28. The strategic agreement has been revised to include GaN-based product in the second warrant tranche and for warrants to vest with product delivery rather than order receipt. We maintain our forecasts, with the order providing significant coverage of our FY27 revenue estimate.

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
5/24	25.4	4.9	3.4	1.43	0.00	100.1	N/A
5/25	56.3	17.0	15.1	6.83	0.00	21.0	N/A
5/26e	54.1	10.1	6.3	2.31	0.00	62.0	N/A
5/27e	59.6	11.8	7.7	2.68	0.00	53.3	N/A

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

SpaceX first in line for GaN product

SpaceX has placed an order worth \$62.5m/£47.3m for Filtronic's next-generation proprietary GaN E-band product. This is the first GaN product from Filtronic's next-generation product line and can deliver double the output power of the existing gallium arsenide (GaAs) product line. Compared to GaAs, GaN supports higher power, improved efficiency and better thermal performance, which makes it ideal for use in Filtronic's target markets (satellite communications, aerospace and defence). The product sets a new benchmark for size, weight, power and cost in this frequency domain.

Revised warrant agreement

Filtronic and SpaceX have revised their strategic partnership agreement to include E-band GaN products in the second warrant tranche (which previously required orders for SSPA products at frequencies other than E-band in return for warrants worth 5% of shares outstanding). The vesting of these warrants will now depend on product delivery rather than order receipt and double the volume is required to fully vest. With targeted delivery starting in FY27, we expect these warrants to vest over the course of FY27 and FY28, at which point we expect SpaceX to have vested warrants equivalent to c 15% of outstanding shares.

Valuation: Factoring in sustained growth

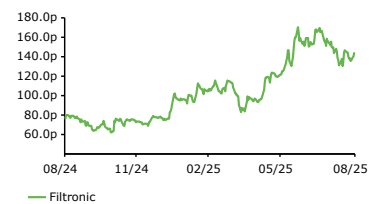
Performing a reverse discounted cash flow valuation with a WACC of 8.3%, the current share price implies revenue growth of 18.8% per year for FY28–35e, with an average EBITDA margin of 23.8% over that period. In our view, the strengthened relationship with SpaceX, the potential to widen the customer base in the space market and the growing penetration of the aerospace and defence market all provide avenues for sustainable growth.

Tech hardware and equipment

28 August 2025

Price	143.00p
Market cap	£313m
Net cash at end FY25 (excludes property leases)	£12.3m
Shares in issue	219.1m
Free float	70.9%
Code	FTC
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(5.6)	17.7	83.3
52-week high/low		173.0p	61.5p

Business description

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

Next events

AGM	October 2025
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Update on SpaceX strategic agreement

In April 2024, Filtronic entered into a strategic agreement with SpaceX. In return for a specified volume and type of orders over a period of five years (maximum \$60m/£48m) across two tranches, Filtronic agreed to issue warrants to SpaceX that would enable SpaceX to subscribe for up to 10% of the company's existing share capital at an exercise price of 33p.

In March 2025, the company extended the agreement to add to the first tranche (described as tranche 3 below).

Below we update the tranches for the amendment to the agreement:

- **Tranche 1:** warrants for up to 10,856,055 shares (up to 5% of the existing share capital). Warrants 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 are placed. 100% vested.
- **Tranche 2:** warrants for up to 10,856,055 shares (up to 5% of existing share capital). Warrants will vest on the delivery of product against a staged vesting profile for SSPA modules at other frequency bands or E-band SSPAs manufactured using GaN. All warrants will vest once \$46m/£34m of product has been delivered (double the previous volume). No warrants have vested yet – we assume they will vest over the course of FY27 and FY28.
- **Tranche 3:** warrants for up to 10,856,055 shares (up to 5% of the existing share capital) at an exercise price of 92.8p. 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. 100% vested.

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.

Exhibit 1: Financial summary

Year end May	£m	2020	2021	2022	2023	2024	2025	2026e	2027e
INCOME STATEMENT									
Revenue		17.2	15.6	17.1	16.3	25.4	56.3	54.1	59.6
EBITDA		1.2	1.8	2.8	1.3	4.9	17.0	10.1	11.8
Operating profit (before amort. and excepts.)		0.4	0.6	1.6	0.2	3.7	15.2	6.5	7.9
Amortisation of acquired intangibles		0.0	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)	(3.5)	(1.3)
Reported operating profit		(0.2)	0.6	2.0	0.2	3.6	13.4	2.7	6.3
Net Interest		(0.2)	(0.4)	(0.1)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)
Exceptionals		0.0	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	15.1	6.3	7.7
Profit Before Tax (reported)		(0.4)	0.2	1.9	0.1	3.4	13.4	2.5	6.1
Reported tax		(0.1)	(0.2)	(0.4)	0.4	(0.2)	0.7	(0.7)	(1.2)
Profit After Tax (norm)		0.1	0.3	1.2	0.1	3.2	15.9	5.6	6.5
Profit After Tax (reported)		(0.5)	0.1	1.5	0.5	3.1	14.0	1.8	4.9
Discontinued operations		(1.4)	0.0	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	15.9	5.6	6.5
Net income (reported)		(2.0)	0.1	1.5	0.5	3.1	14.0	1.8	4.9
Average Number of Shares Outstanding (m)									
Average Number of Shares Outstanding (m)		211.0	213.4	214.7	215.1	216.3	218.9	219.0	219.0
EPS - normalised (p)		0.05	0.14	0.54	0.07	1.47	7.24	2.56	2.98
EPS - normalised fully diluted (p)		0.05	0.14	0.53	0.06	1.43	6.83	2.31	2.68
EPS - basic reported (p)		(0.25)	0.03	0.68	0.22	1.45	6.42	0.83	2.25
Dividend (p)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BALANCE SHEET									
Fixed Assets		7.5	6.2	5.4	7.4	9.5	15.6	25.5	27.4
Intangible Assets		1.8	1.7	1.5	1.8	2.3	3.5	5.7	8.3
Tangible Assets		3.8	3.3	3.0	4.3	4.9	9.1	18.1	17.4
Investments & other		1.9	1.2	0.9	1.3	2.3	3.1	1.8	1.8
Current Assets		9.8	8.4	11.1	10.7	18.3	34.2	30.7	33.1
Stocks		2.9	2.2	2.6	2.8	3.3	4.0	3.9	4.2
Debtors		4.8	3.3	4.5	5.3	6.6	12.2	11.9	13.1
Cash & cash equivalents		2.0	2.9	4.0	2.6	7.2	14.5	13.6	15.8
Other		0.0	0.0	0.0	0.0	1.3	3.5	1.3	0.0
Current Liabilities		(6.0)	(3.6)	(4.0)	(4.8)	(8.2)	(11.6)	(11.9)	(12.9)
Creditors		(3.5)	(2.4)	(3.0)	(3.7)	(5.4)	(9.1)	(9.4)	(10.4)
Short term borrowings including lease liabilities		(0.7)	(0.6)	(0.5)	(0.6)	(0.9)	(1.1)	(1.1)	(1.1)
Other		(1.8)	(0.6)	(0.5)	(0.5)	(1.9)	(1.4)	(1.4)	(1.4)
Long-Term Liabilities		(2.0)	(1.7)	(1.4)	(1.7)	(2.3)	(2.8)	(6.8)	(4.8)
Long-term borrowings		(2.0)	(1.6)	(1.3)	(1.7)	(2.1)	(2.6)	(6.6)	(4.6)
Other long-term liabilities		0.0	(0.1)	(0.1)	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)
Net Assets		9.4	9.4	11.0	11.5	17.4	35.4	37.5	42.7
Minority interests		0.0	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	35.4	37.5	42.7
CASH FLOW									
Op Cash Flow before WC and tax		1.2	1.8	2.8	1.3	4.9	17.0	10.1	11.8
Working capital		(1.7)	1.1	(0.8)	(0.4)	1.5	(3.1)	0.7	(0.5)
Exceptional & other		(3.3)	(1.0)	0.3	0.0	0.0	0.0	0.0	0.0
Tax		1.2	0.5	0.0	0.0	(0.0)	(0.0)	(0.7)	(1.2)
Operating Cash Flow		(2.6)	2.5	2.3	0.9	6.3	13.8	10.1	10.1
Capex (including capitalised R&D)		(1.2)	(0.4)	(0.3)	(1.5)	(1.6)	(5.8)	(8.8)	(5.8)
Acquisitions/disposals		3.7	0.0	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)	(0.2)
Equity financing		0.3	0.0	0.0	0.0	0.1	0.1	0.0	0.0
Dividends		0.0	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	0.0
Net Cash Flow		(0.2)	1.9	1.9	(0.8)	4.6	8.1	1.2	4.1
Opening net debt/(cash)		(2.0)	0.7	(0.8)	(2.2)	(0.3)	(4.2)	(10.8)	(6.0)
FX		0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0
Other non-cash movements		(3.0)	(0.4)	(0.5)	(1.1)	(0.7)	(1.4)	(6.0)	0.0
Closing net debt/(cash) including lease liabilities		0.7	(0.8)	(2.2)	(0.3)	(4.2)	(10.8)	(6.0)	(10.1)
Property lease liabilities		1.1	1.2	1.0	1.3	1.0	1.5	1.5	1.5
Closing net debt/(cash)		(0.4)	(2.0)	(3.1)	(1.6)	(5.2)	(12.3)	(7.5)	(11.6)

Source: Filtronic, Edison Investment Research

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