

# Filtronic

H126 results

## Exploiting the growing addressable market

Tech hardware and equipment

Filtronic's H126 results reflected stable revenues and the ongoing investment in manufacturing, engineering and business development. The company has started H226 with a record order book and efforts to diversify the business are paying off. Filtronic is working with five companies in the space market and has a growing pipeline of business in the defence sector. We maintain our revenue and EBITDA forecasts for FY26 and FY27, with a small revenue decline this year reflecting the phasing of the largest customer's orders before a return to growth in FY27 as new customers make more material contributions.

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	N/A	N/A
5/25	56.3	17.0	15.1	6.83	0.00	28.9	N/A
5/26e	54.1	10.1	6.9	2.53	0.00	77.9	N/A
5/27e	59.6	11.8	7.8	2.68	0.00	73.4	N/A

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

12 February 2026

<b>Price</b>	<b>197.00p</b>
<b>Market cap</b>	<b>£435m</b>
Net cash/(debt) at end H126	£8.2m
Shares in issue	219.9m
Free float	70.9%
Code	FTC
Primary exchange	AIM
Secondary exchange	N/A

### Share price performance



## H126 results reflect investment phase

Revenue for H126 was down 1% y-o-y, reflecting the phasing and pricing of SpaceX orders, and headwinds from the stronger dollar. Adjusted EBITDA declined 42% y-o-y, although Filtronic still generated a 20% margin. To exploit the growth opportunity in the space and defence markets, over the last 12 months the company has made significant investments in engineering and business development headcount and constructed a larger facility that combines manufacturing and office space, providing capacity for annual revenues of £200m+. During H126, the new facility was completed and substantially all operations have moved into it.

## Progress with technology and customer expansion

Filtronic is soon to launch new gallium nitride (GaN)-based solid state power amplifiers (SSPAs) for V, E and W-band frequencies. These provide a step-up in performance versus gallium arsenide-based solutions and open up opportunities in the wider satellite market. The company has an expanding roster of customers in the space sector and sees defence revenues doubling this year and next, all of which should reduce customer concentration. With 90% order coverage for FY26 and 60–70% for FY27, management is confident of meeting market revenue and profit expectations for FY26.

## Valuation: Factoring in sustained growth

Performing a reverse discounted cash flow valuation with a WACC of 8.2%, the current share price implies revenue growth of 20% per year for FY28–35e, with an average EBITDA margin of 24.4% over that period. In our view, the SpaceX relationship, the widening customer base and product range in the space market, and the growing penetration of the aerospace and defence market all provide avenues for sustainable growth.

	1m	3m	12m
Abs	14.8	51.7	94.1
52-week high/low	207.0p	76.5p	

### 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

FY26 trading update June

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## Update on five-year growth plan

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Filtronic has previously presented its five-year growth plan. Management provided an update on progress with each of the main elements.

### Technology and product roadmap

#### New facility up and running

The new facility in Sedgefield is complete and substantially all production has moved over to it. The facility covers 44,000 sq ft incorporating both manufacturing and office space. It has six times the clean room space of the previous facility and can offer three levels of clean room (ISO 7, 8 and 9) depending on the product being made/tested. The facility also includes a building within a building providing a secure cell for specialist defence contracts. Management estimates that the facility can support manufacturing for revenues of £200m+. Additional manufacturing lines can be added for c £750k to support revenue generation of £10–15m.

#### R&D supports multiple projects

R&D spend was 16% of H126 revenue and is likely to be at a similar level in H226; this includes some external spend for chip development, which should be largely complete this year. The R&D team had previously been working on five to six projects; this has now grown to c 20. In the longer term the company is targeting spend nearer 13% of revenue.

#### Exploiting the V-band and Ka-band opportunities

The company sees the development of V-band products as a key growth driver. This will enable Filtronic to target the mid-Earth orbit (MEO) and geostationary Earth orbit (GEO) markets, which require much higher power products to support communications over a much longer distance (low Earth orbit (LEO) altitude 160–2,000km, MEO 2,000–35,786km, GEO 35,786km). This will be the first solid state solution for the V-band market, which currently relies on travelling wave tube amplifiers (TWTAs). TWTA technology offers high power output in a lightweight design, but is complex to manufacture and has a shorter lifespan than an SSPA. SSPAs have previously not been able to match the power output of TWTAs, but this is changing and SSPAs offer better power linearity. Management believes that its experience of high-volume manufacturing of E-band SSPAs positions it well to compete against the incumbent technology. The company estimates that the V-band ground station SSPA market could be worth \$3bn over the next 10 years. While the volume of products required for the GEO market is much smaller, each individual product is worth much more. For example, a V-band TWTA for GEO sells for c \$250–300k.

The company will be launching V-band, E-band and W-band GaN-based products in H1 CY26.

In early H226, Filtronic [won a contract](#) from the UK Space Agency to develop a 550W Ka-band SSPA. As for the V-band products described above, this would also replace TWTA technology and provide access to the wider LEO and MEO markets.

### Key customer and strategic customer relationship development

Filtronic's relationship with SpaceX remains strong, with the company receiving its [largest ever order](#) in August 2025, worth \$62.5m, to develop GaN-based E-band SSPAs for delivery in FY27 and FY28. Just under three-quarters of revenue was generated from SpaceX in H126 and the company is aiming for this to fall below 50% over the next few years through new customer wins and existing customers ramping production.

In the space market, the company is now working with five major players: SpaceX, Airbus/OneWeb, Viasat and two unnamed customers. This includes the [November 2025](#) contract to supply €7m worth of RF assemblies for use in a LEO satellite constellation.

In the defence market, the company received a [£13.4m order](#) to supply high-performance modules to a defence prime. Defence customers typically place orders further in advance to ensure all long-lead time materials are secured for production and Filtronic typically expects customers to fund the inventory build, which explains the £3.9m increase in deferred income compared to end-FY25. The company expects defence shipments to be higher in H226 than in H126, although the bulk of orders received in H126 are expected to ship in FY27 and FY28.

The communications market is now the lowest growth potential market served by Filtronic. In H126, the company benefited from seasonality in the P25 market, which typically sees strong demand in October and November due to customer budget flush, with lower demand expected in H226.

## Must-win projects across sectors

The company has revamped its programme management to ensure successful handling of multiple projects in parallel. In December 2025, it received [authorisation to proceed](#) with a contract to supply high-performance active components for a major European defence prime, and has won or expects to win orders from four other space customers in FY26.

## Moving up the value chain

Towards the end of 2024, Filtronic established a systems team in Cambridge to support the company expanding from pure component supply to full system design. The team now has multiple developments underway, including working on a high-power 400W V-band solution. The company is a member of the Digital Intermediate Frequency Interoperability (DIFI) Consortium and is looking at development to support future ground station architectures. The company believes it could receive European Space Agency funding to support this.

## Review of H126 results

Exhibit 1 below summarises Filtronic's H126 results and Exhibit 2 breaks out the cost base and the adjustments to revenue and EBITDA.

### Exhibit 1: H126 results highlights

£m	H126	H125	y-o-y
Revenue	25.25	25.60	-1%
Adjusted EBITDA	5.06	8.71	-42%
Adjusted EBITDA margin	20.0%	34.0%	-14.0pp
Adjusted operating profit	3.91	7.85	-50%
Adjusted operating margin	15.5%	30.7%	-15.2pp
Operating profit	2.62	6.76	-61%
Operating margin	10.4%	26.4%	-16.1pp
PBT	2.61	6.74	-61%
Net income	2.64	6.73	-61%
Reported basic EPS (p)	1.20	3.08	-61%
Normalised diluted EPS (p)	1.70	3.53	-52%
Net cash*	8.20	2.38	244%

Source: Filtronic, Edison Investment Research. Note: \*Net cash excludes property lease liabilities.

### Exhibit 2: Cost and revenue reconciliations

£'000	H126	H125	y-o-y
Material costs (A)	11,005	9,738	13%
Employee costs	7,819	6,069	29%
Other expenses	2,906	2,196	32%
Other operating income	(239)	(34)	603%
Costs before D&A (B)	21,491	17,969	20%
Depreciation	807	607	33%
Amortisation	339	258	31%
Total costs	22,637	18,834	20%
Reported operating profit	2,616	6,761	-61%
Overheads (B-A)	10,486	8,231	27%
Reported revenue	25,253	25,595	-1%
Warrants amortisation	889	901	-1%
Underlying revenue	26,142	26,496	-1%
Adjusted EBITDA	5,059	8,712	-42%

Source: Filtronic

Filtronic saw a 1% decline in revenue year-on-year. Management noted that volumes increased year-on-year, but several factors resulted in lower reported revenue: the company has factored in price breaks for its largest customer, the stronger dollar versus sterling reduced revenue by c £1m and warrant amortisation reduced reported revenue by £0.9m. This also explains why material costs increased despite the revenue decline. The company is focused on optimising its cost base to maintain gross margins, and expects the new facility to help with this through a combination of more

streamlined manufacturing and increasing automation of production processes.

Employee costs increased 29% y-o-y reflecting investment in business development and engineering. Other expenses increased 32% y-o-y, reflecting the larger staff base and the move to the new facility. Adjusted EBITDA declined 42% y-o-y (this measure adjusts out the warrant amortisation and adds back share-based payments). Adjusted EBITDA in H125 reflected the step-up in volumes to SpaceX but did not reflect the investment in infrastructure and staff that has since been made to allow the company to scale efficiently. Management noted that it is aiming to expand the EBITDA margin from the current 20% level now that the majority of investment has been made. Net finance cost and tax were immaterial resulting in net income essentially the same as operating profit.

Gross cash declined from £14.5m at the end of FY25 to £10.5m at the end of H126 after a working capital outflow of £1.7m and capex of £7.5m partially offset by adjusted EBITDA of £5.1m. Net cash was £6.8m at the end of H126, and when property leases are excluded, was £8.2m.

## Outlook and changes to forecasts

Management confirmed it is confident in market expectations for FY26 revenue and profitability. The company is in a strong position with a record order book entering H226. It has 90% order coverage for FY26 and 60–70% for FY27, helped by having two-year order coverage from SpaceX.

The company highlighted that its diversification strategy is underway, providing an estimated split of FY26 order intake excluding SpaceX. This shows that a large defence customer is expected to make up around half of the remaining order intake, with four space customers placing initial orders making up about a further third, and the rest from communications customers and a second defence customer.

We maintain our revenue and EBITDA forecasts for FY26 and FY27. We have adjusted our capex assumptions and related depreciation and amortisation forecasts to reflect H126. This results in a small increase in operating profit and EPS in FY26. Our net cash forecast increases at the end of FY26, reflecting the deferred income relating to a defence contract that we expect to unwind by the end of FY27.

### Exhibit 3: Changes to forecasts

£m	FY26e old	FY26e new	Change	y-o-y	FY27e old	FY27e new	Change	y-o-y
Revenues	54.1	54.1	0.0%	-3.9%	59.6	59.6	0.0%	10.0%
Adjusted EBITDA	10.1	10.1	0.1%	-40.7%	11.8	11.8	0.0%	16.9%
Adjusted EBITDA margin	18.6%	18.6%	0.0pp	-11.6pp	19.8%	19.8%	0.0pp	1.2pp
Normalised operating profit	6.5	7.0	7.9%	-53.9%	7.9	7.9	0.1%	13.0%
Normalised operating margin	12.0%	12.9%	0.9pp	-14.0pp	13.2%	13.2%	0.0pp	0.4pp
Reported operating profit	2.7	3.0	11.6%	-77.8%	6.3	6.1	-3.1%	104.4%
Reported operating margin	4.9%	5.5%	0.6pp	-18.4pp	10.5%	10.2%	-0.3pp	4.7pp
Normalised PBT	6.3	6.9	8.7%	-54.6%	7.7	7.8	0.4%	13.0%
Reported PBT	2.5	2.9	13.9%	-78.6%	6.1	6.0	-2.8%	108.3%
Normalised net income	5.6	6.2	9.8%	-61.1%	6.5	6.6	0.4%	6.4%
Reported net income	1.8	2.2	19.3%	-84.6%	4.9	4.8	-3.5%	120.2%
Normalised basic EPS (p)	2.56	2.81	9.5%	-61.2%	2.98	2.98	0.0%	6.1%
Normalised diluted EPS (p)	2.31	2.53	9.6%	-63.0%	2.68	2.68	0.1%	6.2%
Reported basic EPS	0.83	0.98	19.0%	-84.7%	2.25	2.16	-3.9%	119.7%
Net debt/(cash)	(7.5)	(10.5)	40.9%	-14.5%	(11.6)	(11.6)	-0.2%	9.8%

Source: Edison Investment Research. Note: Net cash excludes property lease liabilities.

**Exhibit 4: Financial summary**

Year end May	£m	2020	2021	2022	2023	2024	2025	2026e	2027e
<b>INCOME STATEMENT</b>									
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	7.0	7.9	
Amortisation of acquired intangibles	0.0	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	3.0	6.1	
Net Interest	(0.2)	(0.4)	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	
Exceptionals	0.0	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	6.9	7.8	
Profit Before Tax (reported)	(0.4)	0.2	1.9	0.1	3.4	13.4	2.9	6.0	
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	6.2	6.6	
Profit After Tax (reported)	(0.5)	0.1	1.5	0.5	3.1	14.0	2.2	4.8	
Discontinued operations	(1.4)	0.0	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	6.2	6.6	
Net income (reported)	(2.0)	0.1	1.5	0.5	3.1	14.0	2.2	4.8	
Average Number of Shares Outstanding (m)	211.0	213.4	214.7	215.1	216.3	218.9	219.5	219.9	
EPS - normalised (p)	0.05	0.14	0.54	0.07	1.47	7.24	2.81	2.98	
EPS - normalised fully diluted (p)	0.05	0.14	0.53	0.06	1.43	6.83	2.53	2.68	
EPS - basic reported (p)	(0.25)	0.03	0.68	0.22	1.45	6.42	0.98	2.16	
Dividend (p)	0.00	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	15.6	22.7	25.8	
Intangible Assets	1.8	1.7	1.5	1.8	2.3	3.5	5.6	7.9	
Tangible Assets	3.8	3.3	3.0	4.3	4.9	9.1	15.4	16.2	
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	31.8	32.6	
Stocks	2.9	2.2	2.6	2.8	3.3	4.0	4.5	4.9	
Debtors	4.8	3.3	4.5	5.3	6.6	12.2	13.4	14.0	
Cash & cash equivalents	2.0	2.9	4.0	2.6	7.2	14.5	12.7	13.7	
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)	(13.6)	(12.2)	
Creditors	(3.5)	(2.4)	(3.0)	(3.7)	(5.4)	(9.1)	(8.2)	(9.8)	
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)	(4.4)	(1.4)	
Long-Term Liabilities	(2.0)	(1.7)	(1.4)	(1.7)	(2.3)	(2.8)	(2.8)	(2.8)	
Long-term borrowings including lease liabilities	(2.0)	(1.6)	(1.3)	(1.7)	(2.1)	(2.6)	(2.6)	(2.6)	
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	38.0	43.3	
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	38.0	43.3	
<b>CASH FLOW</b>									
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)	0.4	(2.4)	
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	9.8	8.1	
Capex (including capitalised R&D)	(1.2)	(0.4)	(0.3)	(1.5)	(1.6)	(5.8)	(10.3)	(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)	(0.1)	(0.1)	
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	(0.6)	2.2	
Opening net debt/(cash)	(2.0)	0.7	(0.8)	(2.2)	(0.3)	(4.2)	(10.8)	(9.0)	
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)	(1.2)	(1.2)	
Closing net debt/(cash) including lease liabilities	0.7	(0.8)	(2.2)	(0.3)	(4.2)	(10.8)	(9.0)	(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)	(10.5)	(11.6)	

Source: Filtronic, Edison Investment Research

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