Chief Executive Officer's review

Excellent performance with significant progress on strategic priorities

"I am really pleased with the agility and performance of our team across the business as they have responded to change and navigated the current macro environment."

RICHARD TYSON
Chief Executive Officer

I am pleased to report on an excellent full-year performance for Oxford Instruments. The actions we have taken to simplify the Group, improve commercial execution and realign our regional presence have resulted in strong growth in revenue and profit, and increased margins in both divisions. As signalled at half year, our targeted actions underpinned a strong second half performance, a particularly encouraging achievement in the context of a challenging geopolitical and macro environment.

Orders

£463.7m
(2024: £459.1m)

Revenue

£500.6m
(2024: £470.4m)

Adjusted[1] operating profit

£82.2m
(2024: £80.3m)

Adjusted[1] organic constant currency operating margin

17.8%
(2024: 17.1%)

1. Details of adjusting items can be found in note 2 to the financial statements.

Chief Executive Officer's review continued

Demand for our market-leading technology, led by commercial customers, has resulted in strong double-digit revenue growth in both compound and silicon semiconductor markets, and continued growth in materials analysis applications, which together have more than offset ongoing weakness in healthcare and life science.

With good growth in orders and a robust order book, we have good visibility of planned revenues for the coming year, with order book to revenue ratios in line with historical patterns. We have mitigated the direct impacts of tariffs on existing orders through positive engagement with customers. With key semiconductor product lines currently exempt from the 10% US universal tariff, and with further mitigating actions at our disposal, we are confident we can continue to navigate this dynamic situation.

The outcomes we have achieved reinforce our confidence in our ability to achieve the mid-term outcomes outlined in June 2024, which are as follows:

- organic revenue growth of 5–8% CAGR;
- adjusted operating margin improvement to 20%+;
- cash conversion of over 85%;
- continuing to invest in growth, including 8–9% on R&D;
- strong return on capital employed (currently 27%);
- selective acquisitions bringing complementary capabilities.

Positive strategic and operational progress

As we set out in June 2024, our exceptional technology, strong talent base, well-distributed regional infrastructure and exposure to attractive markets give us a strong platform from which to grow, as well as providing valuable resilience to external dynamics.

We highlighted then the significant opportunities ahead – and the fact that to capture them in full and achieve industry-leading margins, we needed to structure Oxford Instruments differently.

A key focus of the year, therefore, was to simplify and streamline the Group, reconfiguring it into two new divisions, each with separate and distinct characteristics and opportunities.

Both divisions have delivered strong progress. Our strategic actions to target enhanced growth and profitability through a customer-first approach have gained real traction, and have started to generate many of the outcomes we set out to achieve.

In **Imaging & Analysis,** which represents 66% of the Group's revenue, and 93% of profit, our actions to integrate multiple business units and drive operational excellence have enabled the division to improve on an already strong position. The resulting synergies, cost reductions and productivity enhancements have supported the delivery of a 60bps improvement in OCC margin to 24.7%, at the upper end of our medium-term guidance of 23–25%. Ongoing demand remains strong, with our semiconductor and materials analysis end markets more than offsetting the continued weakness in healthcare and life science.

Advanced Technologies, representing 34% of revenue and 7% of Group profit, has delivered strong double-digit revenue growth as our compound semiconductor business continued to increase returns from its new state-of-the-art facility, while our quantum business, Oxford Instruments NanoScience, returned to profitability as a result of cost savings and the first installations of an ongoing programme for a key global technology customer.

Together, these actions have resulted in a strong increase in CC margins in the division to 4.5% (2024: 0.9%).

We have this week exchanged contracts to sell NanoScience to Quantum Design, International Inc for a £60m total consideration, including up to £3m of deferred consideration linked to growth in quantum scaling systems. The divestment will enable the Group to focus its capital deployment on business capabilities with higher margin and potential to create shareholder value.

The sale, which is expected to complete in the third quarter of FY2025/26, is also consistent with our focus on our three core markets: materials analysis, semiconductor, and healthcare and life science.

For further details on each division's performance, see the divisional overviews on pages 15 to 18.

The delivery of our operational transformation programme has also enabled us to identify further growth and margin opportunities, which we are already capturing in FY2025/26, giving scope to build on progress already made.

Across both divisions, we have reduced the cost base, with a 70bps improvement in both gross profit margin and operating profit margin.

Group	2025	2024	Growth	Organic constant currency (OCC) growth[1]
Orders	**£463.7m**	£459.1m	+1.0%	+0.9%
Revenue	**£500.6m**	£470.4m	+6.4%	+6.5%
Adjusted[2] operating profit	**£82.2m**	£80.3m	+2.4%	+10.8%
Adjusted[2] operating margin	**16.4%**	17.1%	(70bps)	
Adjusted[2] OCC operating margin	**17.8%**	17.1%		+70bps
Statutory operating profit	**£39.2m**	£68.3m		
Statutory operating margin	**7.8%**	14.5%		

1. For definition refer to note on page 2.
2. Details of adjusting items can be found in note 2 to the financial statements.

Chief Executive Officer's review continued

Further efficiencies are anticipated across the Group as we continue with our operational programme, and with the ongoing streamlining and simplification of processes. Strong management of inventory has contributed to an improvement in cash conversion in both divisions, with a strong net cash balance of £84.4m after £15.4m acquisition consideration, up from £39.3m at the half year.

The strength of our balance sheet and the returns to come from the sale of NanoScience enable us to return capital to our shareholders via a share buyback, to commence shortly.

Driving a step change in operational performance and productivity

Alongside our actions to streamline and simplify Oxford Instruments, we have continued with our operational transformation programme, beginning at our Imaging & Analysis facility in Belfast and our quantum facility in Oxfordshire. The programme seeks to improve our customers' experience and drive a step change in operational performance and productivity, ultimately putting all the Group's manufacturing sites onto a much stronger operational footing. We have introduced leaner processes, improved quality and lead times, and transformed planning and forecasting. As the programme progresses, an increasing number of colleagues are upskilled, with team members subsequently deployed to further sites to pass on their learning.

- The first wave of the programme, in the Belfast camera lines, has boosted camera output by more than half, from a smaller direct workforce, as well as delivering a significant improvement in first time pass rates through the build and test process. Wave one revealed further scope for quality improvements and efficiencies than had been anticipated, with work continuing as we go through FY2025/26. A facility-wide product review in April 2025, as part of wave two of the programme, focused on systems, and has identified a small number of product lines where high material costs, heavy labour requirements and poor delivery performance has led to low profitability and questions over the competitiveness and potential of these products. Having considered performance improvement actions and potential returns, we will be discontinuing those which are a drag on the business, taking out the related cost, and refocusing our efforts on products with core leading technology with strong market potential and alternative commercial strategies to create value. Together with improvements already made, and with new leadership, we expect to see significant further opportunity for growth and margin enhancement for this facility.
- Wave two of the programme is also under way at our Advanced Technologies quantum facility in Oxfordshire, targeting productivity, quality, lead time and cost engineering improvements on the Proteox suite of cryogenic dilution refrigerators, the facility's leading product range.
- Our Raman facility in Ulm, Germany, will be the subject of wave three, beginning in July, helping the facility to scale to meet growing demand.

The impact of the programme to date is clear, and we will continue to roll it out to further sites.

Execution of our regional pivot

Our actions to rebalance our regional focus, moving the sales force to address less sensitive commercial customers in China, and strengthening our presence elsewhere in Asia, and in North America, have contributed to the Group's strong revenue growth. Growth in Europe, East and Southeast Asia and North America has more than offset the reduction in revenue in China resulting from our pivot away from sensitive quantum and certain semiconductor applications, and the ensuing cancellation of orders.

Our pivot in **China** is now complete, and the local team have delivered 8% year-on-year growth in orders by targeting structurally growing commercial markets. Our recovery in the country has been supported by cross-training sales and service teams on multiple products, in combination with strong representation in key territories.

All regions are now focusing their marketing and sales efforts around a targeted, customer segment-based approach, rather than a product-first approach. This is particularly beneficial in the Imaging & Analysis division, where we take an increasingly product-agnostic approach, offering a whole suite of analysis techniques to help customers deliver the outcomes they need for their specific use cases.

"Our actions to rebalance our regional focus, moving the sales force to address less-sensitive market areas in China, and strengthening our presence elsewhere in Asia, and in North America, have contributed to the Group's strong revenue growth."

Bolstering the bench strength of the **Americas** team, and investing in more effective marketing channels, has resulted in strong double-digit revenue growth for the region and a 20% increase in sales per head. With a strong pipeline of qualified opportunities, ongoing activities to optimise revenue and profitability, and supportive engagement with customers on tariffs, the team is agile, close to its customers and well placed to mitigate to the impacts of the new US administration's positioning on tariffs and academic funding.

Strong revenue growth of 25% CC in East and Southeast **Asia** has been supported by the consolidation of separate teams for Japan, East and Southeast Asia, and Australia under one leadership team, with shared processes and increasingly aligned approaches to segmentation as set out above. Revenue growth in the region has stemmed largely from strong semiconductor sales as customers move their operational capability out of China and new investment increases in the region. The growth is broadly split between materials analysis capabilities and compound semiconductor fabrication equipment, and was able to completely offset the £20.2m reported reduction in China resulting from the decision to exit selling of certain sensitive technologies in that territory.

We are continuing to share best practice and streamline processes in our regional sales and marketing structures and anticipate generating further productivity benefits as we do so.

Chief Executive Officer's review continued

Positioned in structurally growing markets

Materials analysis, semiconductors and **healthcare & life science** remain our three primary markets. They all have high structural growth potential. **Quantum technology,** a much smaller contributor to our current revenue, also represents a growth opportunity, primarily within our Advanced Technologies division. This has begun to crystallise this year, although the trajectory of the quantum computing market remains less clear.

The strategic priorities within each division reflect our decision to focus our product development and marketing activities on addressing these structurally growing markets.

We have delivered strong year-on-year revenue growth in **semiconductors,** up 16.4% CC to £144.8m, generated from both divisions, with a roughly 60/40 split between our growing Advanced Technologies compound semiconductor business and our Imaging & Analysis capabilities. As semiconductor design and manufacturing reshoring programmes take place, customers are increasingly using our Imaging & Analysis tools for quality control in final assembly, among other tasks. In Advanced Technologies, our fabrication equipment is used to accelerate the development of next-generation semiconductor capabilities which are fundamental to enable advances in technology, including AI chips, augmented reality, 3D sensing and the hyperscale data centres needed to support growing demand for data. As well as advancing our customers' capabilities, we play a vital role in supporting the delivery of more good quality wafers at a lower cost per wafer.

Materials analysis has continued to grow steadily and remains the largest end market for the Group, with revenue of £203.7m, up 3.4% CC, as customers use our technology to understand, improve and test the properties of materials across a wide range of markets, from development of structural materials and polymers to quality control in automotive and food industries.

Growth in these markets has more than offset continued weakness in **healthcare & life science,** which has seen an 11.6% CC reduction in revenue year on year due to the dual headwind of original equipment manufacturers (OEMs) pausing deliveries to use existing stocks built up during the Covid pandemic, and overall sales of microscopes slowing in response to wider market dynamics. Demand has stabilised, with order demand flat between the second half and the first half of FY25, and book to bill for the year ending at 1.02x.

Revenues from other markets have seen a 44.6% CC increase to £73.8m, largely derived from **quantum** applications. This included the first installations under a key ongoing quantum partnership for Advanced Technologies, which were the key drivers of this significant growth.

Overall demand remained positive throughout the year with 3% growth in orders at constant currency. The order book provides visibility consistent with prior years at Oxford Instruments. Imaging and Analysis has c.5 months of order cover for FY26 and had a underlying book to bill of 1.0x in FY25 excluding China cancellations. Advanced Technologies has c.9 months of order cover for FY26 and a book to bill of 0.9x in FY25 excluding China cancellations, reflecting the normal lumpiness in quantum orders in Advanced Technologies. Our pipeline of new opportunities is strong, whilst acknowledging the increased timing uncertainty given macro conditions.

Focusing on our key strengths

We have maintained levels of investment in R&D at 8.2% (2024: 8.3%) and launched new products in every part of our business, recognising that our differentiated technology is a key source of strength. The principles of maintaining and developing new leading-edge capabilities, combined with increasing ease of use, are common to the whole Group's R&D programme. As we develop our combined innovation roadmap for the Imaging & Analysis division, we are applying an increasingly commercial lens to the investments we make, to ensure that new products address a genuine gap in the market, are cost-effective to manufacture and can generate an attractive profit margin. We will also limit the number of custom builds we produce, recognising that modular, repeatable assembly benefits both productivity and profitability.

£203.7m
Materials analysis revenue, +3.4% CC

£144.8m
Semiconductor revenue, +16.4% CC

£78.3m
Healthcare and life science revenue, (11.6%) CC

In Imaging & Analysis, new semiconductor-specific capabilities in Raman and atomic force microscopy have gained significant traction, while our tools for electron backscatter diffraction microscopy have proved popular with industrial customers. A number of OEMs have integrated our products into their own new ranges. In Advanced Technologies, the first installations of our largest modular dilution refrigerator and increasing adoption of our latest atomic layer deposition equipment for compound semiconductors have significantly contributed to growth.

At a Group level, commercial customer revenues have increased as a proportion of total Group revenues, with our focus on growing our presence in this much larger market driving double-digit growth. Revenue from academic customers, who remain the bedrock from which our commercial growth stems, was broadly flat year on year.

Chief Executive Officer's review continued

Imaging & Analysis

The Imaging & Analysis division develops and manufactures microscopes, scientific cameras, analytical instruments and software, with manufacturing bases in the UK (High Wycombe and Belfast), Europe (Aix-en-Provence, Ulm and Zurich) and the USA (Santa Barbara).

Imaging & Analysis market dynamics

Created in 2024, the division maintains strong positions in each of our three core markets: materials analysis, semiconductors and healthcare & life science, due to our differentiated product ranges and ongoing investment in innovation. Notably strong growth in semiconductor and growth in materials analysis more than offset the continued weakness in the healthcare and life science market.

The division supports silicon semiconductor development and production, where the breadth of our capabilities across the life cycle, from supporting early-stage academic research through to quality assurance and failure analysis in production settings, provides resilience to cyclicality in the silicon semiconductor market.

Key highlights

Imaging & Analysis	2025	2024	Growth	OCC growth[1]
Orders	**£318.6m**	£306.6m	+3.9%	+3.0%
Revenue	**£330.5m**	£328.1m	+0.7%	+0.2%
Adjusted[2] operating profit	**£76.2m**	£79.0m	(3.5%)	+2.8%
Adjusted[2] operating margin	**23.1%**	24.1%	(100bps)	
Adjusted constant currency operating margin	**24.7%**	24.1%		+60bps
Statutory operating profit	**£40.8m**	£69.2m		
Statutory operating margin	**12.3%**	21.1%		

1. For definition refer to note on page 2.
2. Details of adjusting items can be found in note 2 to the financial statements.

Chief Executive Officer's review continued

Specific semiconductor editions of our Raman microscope (capable of analysing 300mm wafers) and our atomic force microscope have helped us to increase traction in the commercial sector, with both technologies enabling customers to work on new capabilities and maintain and enhance wafer quality.

Divisional revenue from **semiconductors** was up 35% CC, with orders up by a similar amount at 32% CC. This reflects strong continued demand for our highly differentiated product suite, as new applications are creating growth opportunities for electron microscopy, coupled with companies establishing new product manufacturing lines across Asia, Europe and the USA.

Materials analysis applications also performed well, with orders up 8% CC on the year, with strong growth in structural materials R&D, commercial applications in nuclear and solar energy, and the development of new, advanced materials such as graphene and other 2D materials, where our ability to analyse at the nanoscale is key. We also saw strong growth in sales to service labs for core facilities, centralised shared resources where cutting-edge equipment is made available for scientists to carry out a wide range of analysis. Here, as elsewhere, the ease of use, accuracy and speed of the results generated by our tools are key differentiators.

In terms of technology adoption, both Raman and electron backscatter diffraction (EBSD) products have achieved strong growth year on year. EBSD has gained particular traction with industrial customers, such as a tier 1 automotive manufacturer in China which is using our product to speed the development of faster charging EV batteries. The addition to our portfolio of nanoindentation, a technique which enables customers to test the hardness of materials, with the acquisition of FemtoTools, has also contributed to revenue growth across both semiconductor and materials analysis.

The weakness in the **healthcare & life science** market continued in the second half of the year, with full-year revenue 12% CC below a strong prior year comparator.

This downturn primarily reflects a reduction in imaging revenue, together with OEM and wider destocking, and is concentrated largely on our Belfast microscopy and scientific cameras facility, where historic operational challenges have been an additional factor in the reduction in revenue.

Healthcare & life science orders reflect similar weakness, ending the year 8% CC down versus the prior year, lower than anticipated at half year, with some customers in the US deferring orders in the final quarter due to the actions of the US administration.

However, demand has stabilised, with orders broadly flat across both halves of the year and book to bill at 1.02. Revenue from our Imaris software remained strong, while Raman microscopy for life science has delivered strong double-digit growth, generating 8% of divisional life science revenue (up from 4% last year).

Overall, the division has made significant progress in growing revenue to industrial customers (up 12% CC year on year), in line with our strategic ambition to extend our reach in the much larger commercial R&D and production sector. Growth to academic customers remains steady at 3%.

Strategic and operational progress

The newly created division brings together a suite of product lines with strong synergies and a track record of success, manufactured from five sites across the UK and Europe which were previously run as separate business units (including FemtoTools, acquired at the start of the year). Focused on small-scale imaging and analysis equipment and software, they share common business models, go to market strategies and margins, and address a similar client base in their three key markets in materials analysis, semiconductors, and healthcare & life science. We therefore saw a clear opportunity to enhance growth and profitability, taking the businesses in the division from good to great, by simplifying our operating model and maximising existing synergies through greater collaboration.

Over the course of the year, we have integrated five materials analysis businesses under one leadership team.

This has facilitated a degree of delayering, resulting in £1.9m of cost efficiencies as well as streamlining processes. We have also developed a shared innovation roadmap for the division, enabling us to target new product development based on the Group's strategic goals rather than at a business unit level.

The realignment and integration programme has enabled us to more effectively realise the potential of our recent acquisitions, most notably the WITec business, acquired in 2021, which specialises in Raman microscopy. Raman product lines have delivered strong double-digit revenue growth year on year, and almost 50% growth in orders, concentrated on semiconductor and life science applications.

Our bolt-on acquisition in June of nanoindentation specialist FemtoTools has brought a new complementary technique to the Group's portfolio and is performing to plan, while First Light Imaging, acquired in the prior financial year, has been integrated with our cameras and microscopy business, extending its capabilities, notably in high speed, low noise and infrared scientific cameras. Both of our most recent acquisitions have now launched their first products under the Oxford Instruments brand.

We see opportunities to achieve even closer integration across the Imaging & Analysis division and are actively pursuing these in FY2025/26. A further key focus for the division has been the two waves of our operational transformation programme focused on cameras and systems in Belfast, details of which are set out on page 13.

Our strategic actions to consolidate and streamline the division's product lines, and to embark on our operational excellence programme, have underpinned a strong divisional performance, with growth in revenue, profit and orders. We were particularly pleased to have extended Imaging & Analysis' excellent operating profit margin by 60 basis points to 24.7% at constant currency, at the upper end of our medium-term target range for the division. We were able to deliver this strong margin growth despite the weakness in the division's life science market, and having identified the limited profitability of a small number of product lines, primarily in Belfast, which is now being addressed.

Chief Executive Officer's review continued

Advanced Technologies

The Advanced Technologies division develops and manufactures compound semiconductor fabrication capital equipment (Severn Beach, UK), cryogenic and superconducting magnet technology (Oxford, UK), and X-ray tubes (Scotts Valley, USA).

The two larger businesses in Advanced Technologies each benefit from a dedicated, focused approach to reflect their specialist markets (compound semiconductor and quantum), unique growth drivers and principally separate customer bases. The division has a different profile from Imaging & Analysis, selling much lower product volumes of larger-scale complex systems.

Our strategic priorities for Advanced Technologies are to 'fix, improve and grow', leveraging the well-invested base in both key businesses, delivering improved margins and growing our commercial customer revenues. Both businesses have made good progress following our targeted actions, resulting in strong growth in both halves of the year. Revenue was up 21.3% CC year on year, and, as predicted, the division delivered a profitable full-year performance.

Our compound semiconductor business continues to scale as it reaps the benefits of its new, state-of-the-art facility, which has tripled capacity to address structural growth in datacomms (including AI datacentre scaling), power electronics, and augmented reality.

Strong double-digit growth in both revenue and orders reflects the business's increasing foothold in carefully diversified and profitable niches within the burgeoning compound semiconductor sector. Greater focus on fewer product lines has supported improved productivity.

Our quantum-focused facility has delivered a good year of recovery, returning to profitability as it leveraged a reduced cost base and installed the first orders for a key global technology customer as part of a major technology demonstration programme. We have crystallised the performance improvement through the sale of the business, due to complete in the third quarter of FY2025/26.

The division's strong growth is particularly notable in the context of our regional pivot, which saw us end new quantum sales to China and target alternative customers and applications in compound semiconductor in the country. At a divisional level, we have delivered strong growth in revenue as we gained traction in North America and East and Southeast Asia, and rebuilt our position in China, with more than 50% CC order growth year on year.

Orders overall were slightly behind last year, reflecting the lumpy order profile of the large capital equipment typically sold in the division, and a large biannual framework order that our X-Ray Technology business received a few days into the new financial year.

Key highlights

Advanced Technologies	2025	2024	Growth	OCC growth[1]
Orders	**£145.1m**	£152.5m	(4.9%)	(3.3%)
Revenue	**£170.1m**	£142.3m	+19.5%	+21.3%
Adjusted[2] operating profit	**£6.0m**	£1.3m	+351.1%	+486.5%
Adjusted[2] operating margin	**3.5%**	0.9%	+260bps	
CC operating margin	**4.5%**	0.9%		+360bps
Statutory operating profit/(loss)	**(£0.7m)**	£2.2m		
Statutory operating margin	**(0.4%)**	1.5%		

1. For definition refer to note on page 2.
2. Details of adjusting items can be found in note 2 to the financial statements.

Chief Executive Officer's review continued

Compound semiconductor operational developments and market dynamics

Our compound semiconductor business has completed a successful first full year at its new facility at Severn Beach, near Bristol, UK. Growth plans are firmly on track, with 13% CC growth in both revenue and orders, as the business takes advantage of the improved layout and process flow of the new site, and simplified production. A key development in the year has been the completion of the site's cleanroom, which is one of the most advanced in the world for compound semiconductor process development, and is now fully signed off and operating to ISO5 specifications. Final systems, including showcasing our Imaging & Analysis metrology capabilities, are being installed and tested. The sale of our legacy site is expected to complete in H1 of FY2025/26.

Our exceptional high-tech facilities have increased our ability to partner with leading blue-chip manufacturers. Customer demonstrations are up 30% year on year, and our qualified pipeline of opportunities has grown by 7% year on year, with improved conversion rates.

The business has grown revenue by successfully focusing on carefully chosen subsets within the growing compound semiconductor market where we have leading-edge capabilities, and where we are able to deploy pricing power to command a higher margin than in more standardised processes. We enable next generation device architectures for better performance, helping our industrial customers to accelerate their own growth by improving wafer performance, yield and therefore cost per wafer. Our market applications range from datacomms to augmented reality, next-generation power electronics and quantum, the blend of which provides valuable resilience to fluctuations in any single area.

This year has seen strong growth in applications for datacentres, including a significant and ongoing partnership with global manufacturer of advanced chips Coherent Corp. to support Coherent's 6" InP fab ramp in Europe and the US for AI datacentres.

We have also successfully grown revenue from quantum applications, as customers (ranging from blue chip global technology companies to leading universities and start ups) use our equipment to make qubits, and develop their capabilities in quantum sensing and quantum communications.

Gallium nitride (GaN) applications which enable customers to increase power and drive efficiency, have delivered significant revenue growth over the year, with Tier 1 blue chips in Japan deploying our technology into 5G and 6G, and other customers using GaN to enable more efficient power in energy hungry data centres. We continue to target growth in GaN power applications for the year to come.

In silicon carbide, where we have strong capabilities but limited exposure (representing 2% of FY2024/25 orders for this facility), we have delivered modest revenue growth despite the downturn in the electric vehicle market, as customers invest in R&D for next-generation silicon carbide performance.

In tandem with the move to the new site, and the strategic decision to focus in on the technologies where we have a significant competitive edge, we have also generated efficiencies by streamlining the product portfolio of this business. More than 80% of orders in the year came from sales of three core platforms – Plasma Pro, IonBeam and ALD (atomic layer deposition) – with modular assembly carried out in dedicated bays, and fewer complex and resource-hungry one-off products.

A strengthened focus on service has also contributed to the business's growth, with service revenue up 18% CC year on year.

Quantum operational developments and market dynamics

We are pleased with the progress made at our quantum-focused facility Oxford Instruments NanoScience, based just outside Oxford, with the business having achieved a return to profitability, delivering the first systems of a key commercial partnership with a globally significant technology player and benefiting from reductions in its cost base made in the first half.

The key partnership is founded on the strength of our modular Proteox proposition, which delivers vital cooling capabilities to support the scaling of this customer's quantum computing programme. The customer has received the first of our largest Proteox QX systems to be installed anywhere in the world.

Our products, including ongoing deliveries of our smaller Proteox MX, are key to enabling our customer to scale significantly past current cryogenic refrigeration limitations to deliver its quantum roadmap.

A further contributor to the business's recovery in 2024/25 was our action to address the operational challenges which have hampered growth in recent years. We made progress with productivity initiatives, and addressed supply chain management and inventory challenges which became apparent following the introduction of a new ERP system. This allowed us to strengthen output through the first half and deliver a record closing month, with more systems shipped than in any previous period.

As set out on pages 4 and 12, we have now agreed the sale of Oxford Instruments NanoScience to Quantum Design. The divestment will enable the Group to focus its capital deployment on business capabilities with higher margin and potential for shareholder returns, and is consistent with our focus on our three core markets: materials analysis, semiconductor, and healthcare and life science.

Chief Executive Officer's review continued

Capital allocation priorities

We have a strong balance sheet which provides good optionality for the business to support our growth aspirations. Our net cash position improved in the second half of the year, with net cash increasing to £84.4m from £39.3m at the half year. We are committed to continuing to invest 8–9% revenue in R&D and to making targeted operational investments to support our growth, whilst also being mindful of shareholder returns, taking account of underlying earnings, dividend cover, currency movements and demands on our cash.

Our acquisition pipeline remains healthy, and is focused on adding capabilities in Imaging & Analysis.

Our recent acquisitions, most notably WITec and FemtoTools, have benefited from the integration of business units under Imaging & Analysis, with WITec's performance notably accelerating during the year.

We will continually assess the appropriateness of additional returns to shareholders in the form of dividends and/or buyback of the company's shares, such as the programme announced this week.

Positive impact and progress to net zero

The markets we serve are carefully chosen to support the development of a more sustainable planet. Our products support a range of positive outcomes, from enabling the development of personalised treatments for cancer to facilitating the path to decarbonisation through our extensive role in the battery ecosystem. We are equally committed to running our own operations sustainably.

We took an important step forward this year, securing validation and approval from the Science Based Targets initiative (SBTi) of our science-based near and long-term targets, through which we have committed to reach net zero across our whole value chain by 2045, and to tackle our Scope 1 and 2 emissions even earlier, by 2030.

Benefits of integration

Our Raman business, acquired as WITec in 2021 has been a key contributor to the Group's growth in 2024/25. Sales of our Raman lines have been boosted by greater integration as part of Imaging & Analysis.

Chief Executive Officer's review continued

Our targets are stretching, putting our goal five years ahead of the UK Government's own commitment. Given our purpose, to accelerate the breakthroughs that create a brighter future for our world, and the contribution our technology makes to developing sustainable solutions to global challenges, I have every confidence in the commitment and talent of the Oxford Instruments team to deliver them.

Our commitment to operating sustainably also encompasses the social impact we have on our employees and our communities, and our ethical approach to doing business. We reconfirmed our approach to each of these areas through the launch of a new Code of Conduct in November 2024, and via a new rolling programme of enhanced and extended compliance training.

Talented global workforce addressing strategy

The strong progress we have made this year has been driven by the energy and expertise of our highly engaged global team, who have embraced our new strategic priorities and addressed them at pace. I would like to extend my sincere thanks to all my colleagues for their commitment and agility, as we streamline and simplify Oxford Instruments and transform our operational capabilities to meet our full potential. Amid the additional context of a challenging external landscape, they have maintained strong focus and demonstrated their ability to adapt and thrive in new circumstances.

Our first externally benchmarked global employee survey saw Oxford Instruments rated by Best Companies as 'One to Watch', recognising that this is a good place to work. While we are pleased with this outcome, especially in a year of transition, we will use it as a spur to enhance our progress in future years.

A new chapter for NanoScience

I would also like to take this opportunity to thank our departing colleagues in NanoScience for the contribution they have made to Oxford Instruments and the global scientific community with their advances in cryogenics and advanced magnet technology over many years. Their talent and innovative spirit are remarkable, and the Board and I wish them every success as they begin a new chapter with Quantum Design.

Leadership changes

I am delighted to welcome Paul Fry, who joined Oxford Instruments in January 2025, and took up the role of Chief Financial Officer on 1 April 2025, joining the Board as an Executive Director on the same date. I have greatly enjoyed working and travelling with Paul over recent months, visiting several of our international sites together as we develop our plans to unlock the full potential of Oxford Instruments. I look forward to building a strong and close partnership with him in the months and years to come.

Gavin Hill stepped down as Chief Financial Officer and Executive Director at the end of the financial year (31 March 2025), and leaves Oxford Instruments this month. Gavin was an excellent steward of the company's finances and is enormously well respected and liked by both colleagues and stakeholders. On a personal note, I am very grateful to Gavin for his support for me when I joined the company, and wish him the very best for the future.

Through the year we have further strengthened our capabilities through recruitment and internal promotions, including the permanent retention of our Chief Transformation Officer as Chief Operating Officer for the Group and the appointment of an internal candidate to the role of Managing Director for the Imaging & Analysis division.

Summary and outlook

The Group has had a good year, reporting strong revenue, profit growth, and constant currency margin progression. It was also a year of significant progress with our strategic initiatives to improve our operational and commercial outcomes. We have turned around the profitability of our NanoScience business, and subsequently crystallised an attractive value through the sale of the business for £60m, announced this week. The sale is in line with our strategy to focus and invest in the best areas of opportunity to grow the Group and create value for shareholders, and accelerates our progress to our medium-term margin targets. I am really pleased with the agility and performance of the whole Oxford Instruments team as they have responded to the strategic changes and navigated the current environment.

This year's results demonstrate the benefits of the long-term drivers of our business model, founded on the growth dynamics in the markets where we operate, and the demand for our market-leading products and solutions. Looking ahead, whilst acknowledging the level of macro uncertainty, we have a strong and more focused business; there is a lot we can control, and we are well placed to mitigate any direct impact from tariffs. There are further benefits to be realised from our strategic initiatives to transform the business, and our revenue visibility is healthy. Our strong balance sheet and the proceeds to come from the sale of our quantum business allow us to return capital to shareholders via a share buyback that we have also announced this week. We are confident that our differentiated higher margin business will continue to deliver attractive profitable growth.

RICHARD TYSON
Chief Executive Officer
12 June 2025