

# Oxford Instruments Preliminary Results Presentation To 31<sup>st</sup> March 2017

*Ian Barkshire – Chief Executive*  
*Gavin Hill – Group Finance Director*

- Highlights
- Horizon Strategy
- Financial Review
- Operational Review
- Summary and Outlook

- Horizon strategy launched - a year of structural, operational and strategic transition
- Significant actions to manage portfolio
- Stable performance in line with expectations
- Continued strength and improved profitability across NanoTechnology Tools
- Strong growth in servicing own products offset by weaker performance in OI Healthcare
- Review of balance sheet – non-cash impairments
- Improved net debt supported by focus on cash conversion

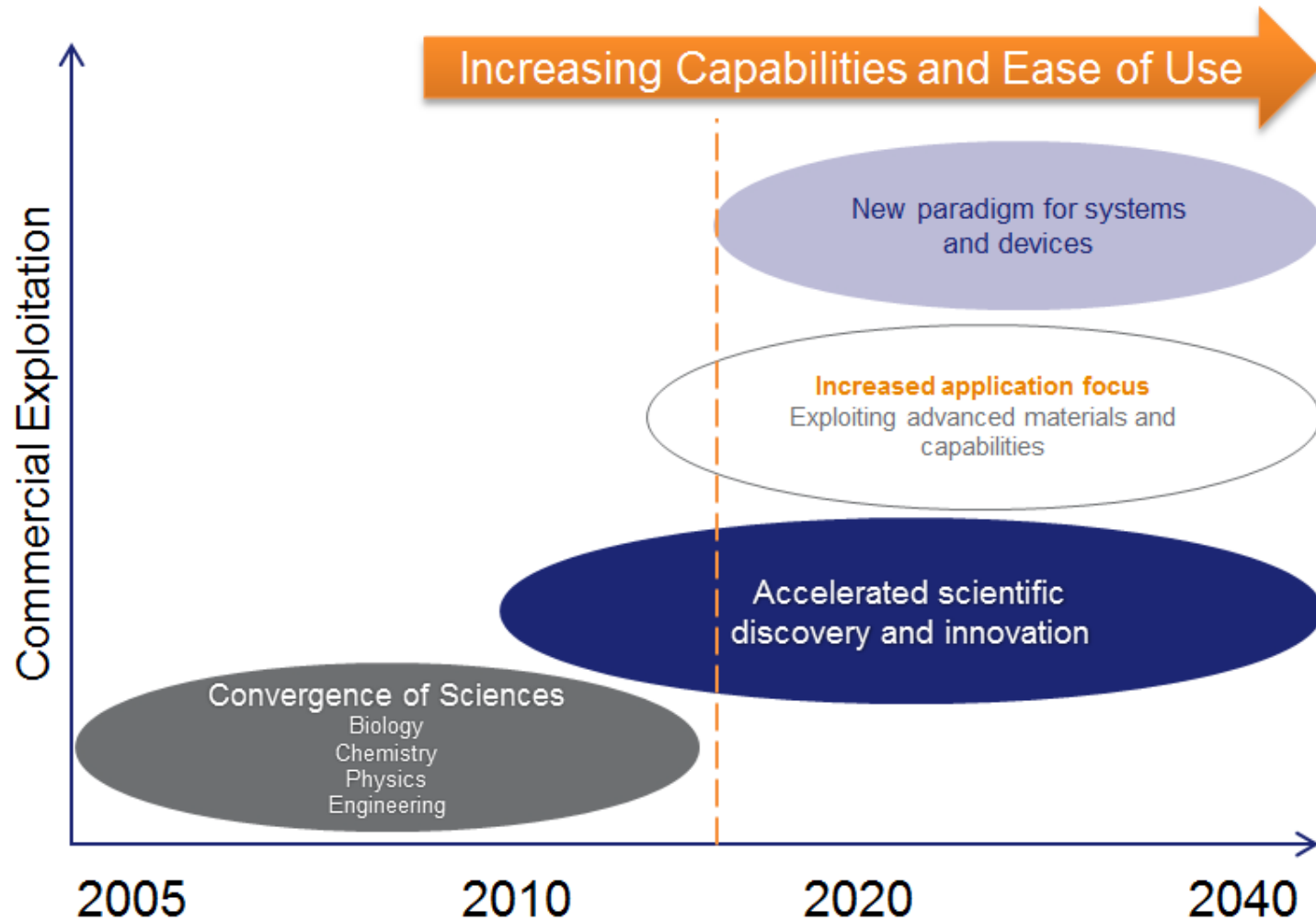
# Horizon Strategy

## A Transformational Programme

Two Key Anchors:      long-term growth  
                                 margin improvement

- Focus on segments where nanotechnology drives long term growth
- Transform into a focused, market-driven Group
- Drive delivery of synergies across Group
- Move up the value chain by providing our customers with enhanced **solutions, information** and **support**
- Renowned for unprecedented performance, ease of use and customer support
- Embed a new operating model

# A New Phase for Nanotechnology

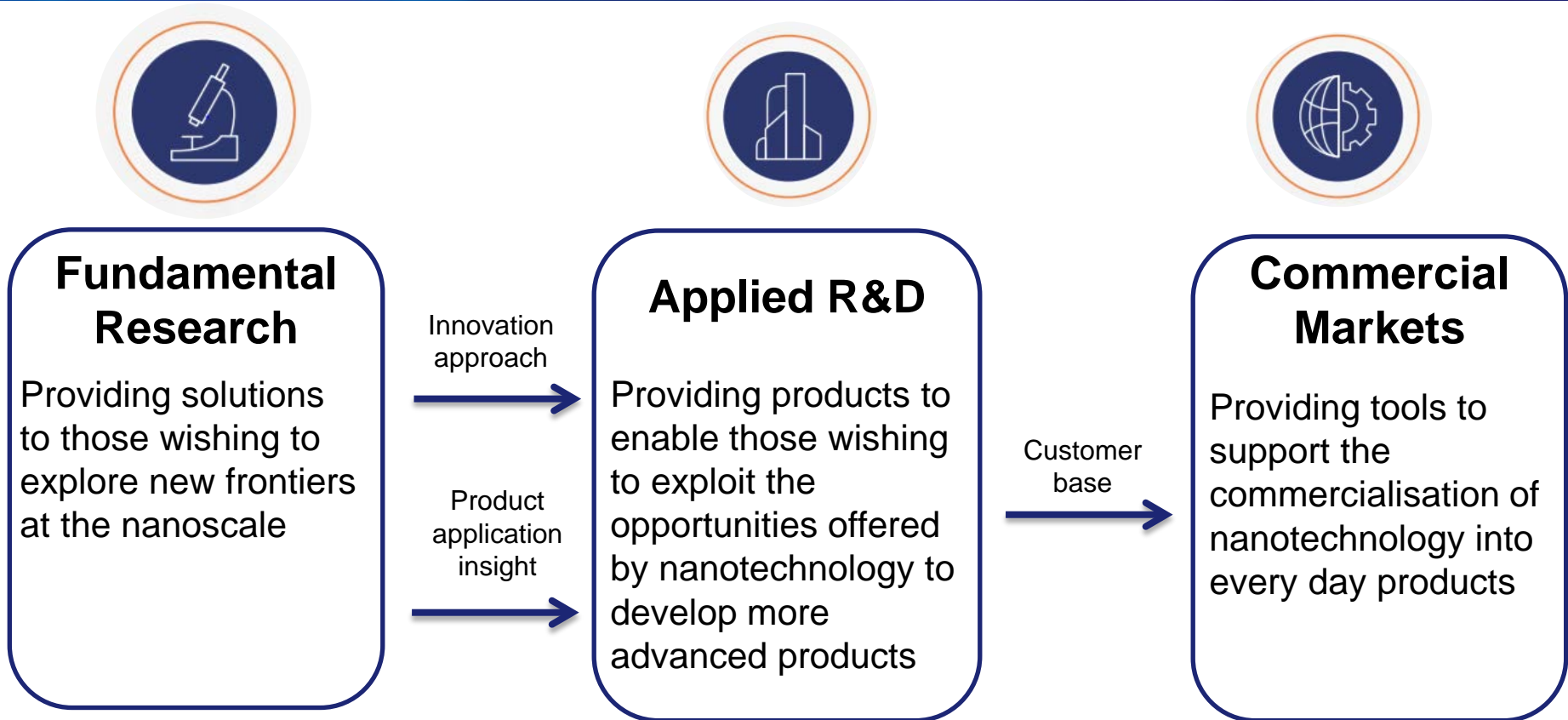


Increased commercial exploitation of Nanotechnology

Key areas identified where nanotechnology will provide sustainable growth potential

End Market	Growth Drivers
Healthcare	Demand for improvements in disease detection and understanding fundamental mechanisms
Energy	Demand for improved efficiencies and sustainability
IT & Communications	Speed, security, capacity
Advanced Materials	Developing lighter, stronger, more versatile and more affordable materials
Quantum Technology	Researching and developing the latest advances in quantum science



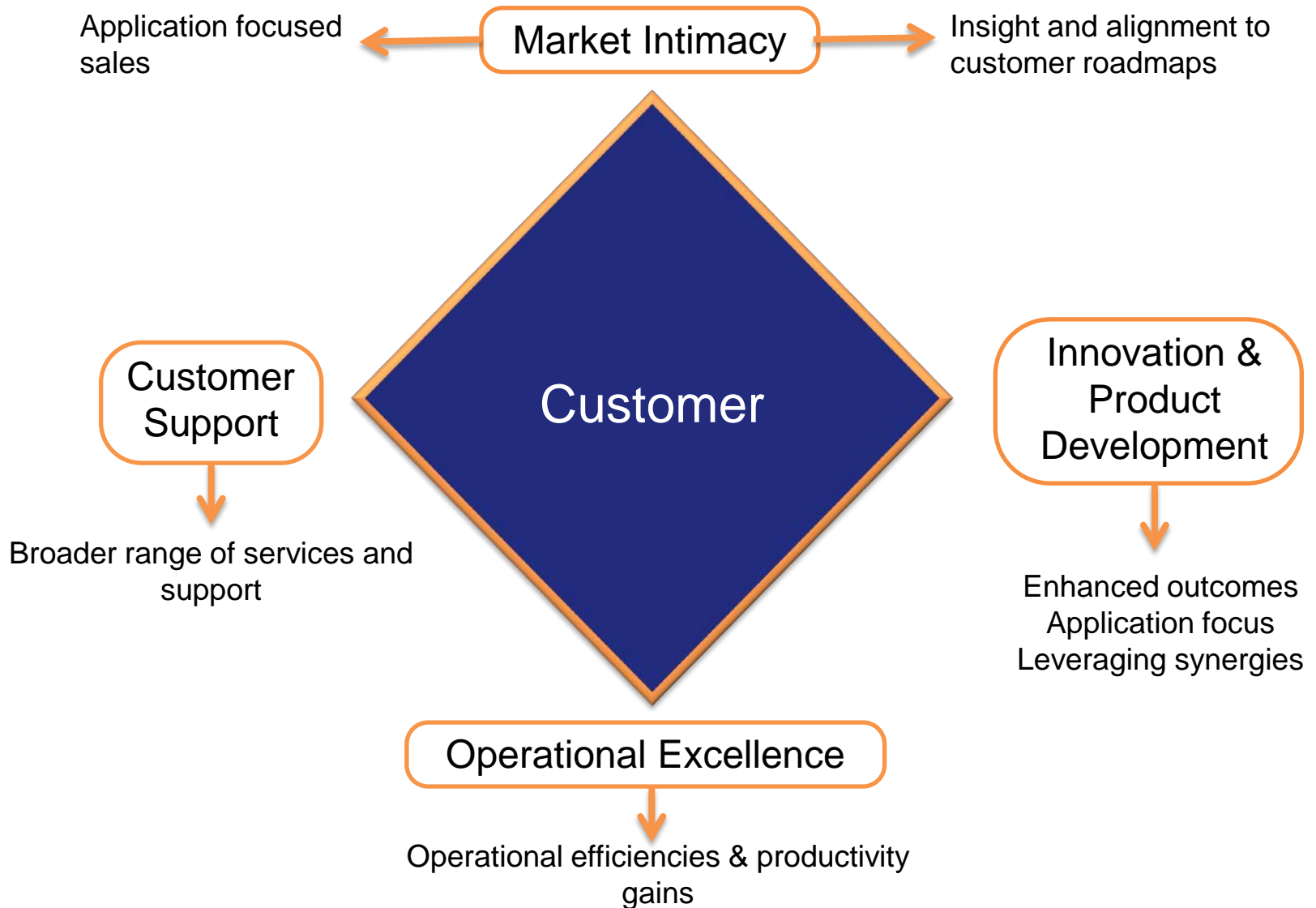


Leading provider of high technology **solutions, information** and **support** to research and commercial markets.

Enabling commercial exploitation and fundamental discovery of nanotechnology.



# New Operating Model



- Next stage in the evolution and commercialisation of Oxford Instruments
- Progress in establishing a more synergistic portfolio
  - Disposal of superconducting wire
  - Exchange of contracts for sale of Industrial Analysis
- Magnetic Resonance and X-ray Technology businesses remain within Group
- Progress in building management and leadership capabilities across Group

# Financial Review

## Gavin Hill

# Income Statement



The Business of Science®

£m	2016/17	2015/16	Reported Change	Constant Currency Change
Revenue	348.5	319.7	+9.0%	(3.7%)
Adjusted operating profit	42.5	41.2	+3.2%	(5.8%)
Net finance costs	(6.5)	(7.6)		
Adjusted profit before tax	36.0	33.6	+7.1%	(3.9%)
Amortisation of acquired intangibles	(13.8)	(16.7)		
Impairment of non-current assets	(45.8)	-		
Non-recurring items and acquisition related costs	(3.1)	(4.5)		
Mark-to-market of currency hedges	1.2	(2.7)		
(Loss)/profit before tax from continuing operations	(25.5)	9.7		
Continuing adjusted basic earnings per share	47.8p	45.3p	+5.5%	
Dividend per share	13.0p	13.0p		

# Revenue by Sector

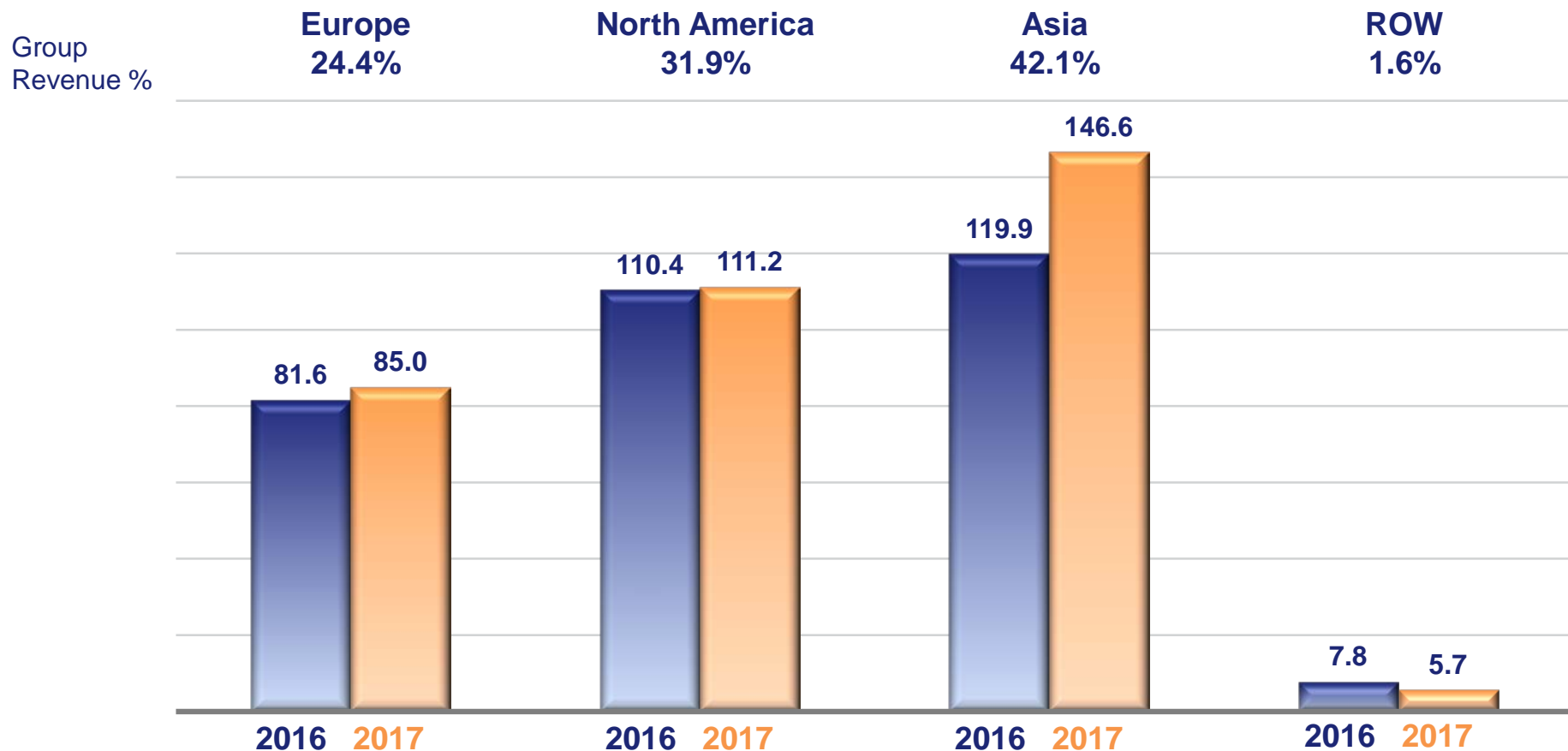
£m	NanoTechnology Tools	Industrial Products	Service	Total*
<b>2015/16</b>	<b>187.4</b>	<b>54.0</b>	<b>78.4</b>	<b>319.7</b>
Underlying	(2.3)	(3.8)	(5.7)	(11.8)
FX	23.6	6.5	10.5	40.6
<b>2016/17</b>	<b>208.7</b>	<b>56.7</b>	<b>83.2</b>	<b>348.5</b>

## Growth

Reported	+11.4%	+5.0%	+6.1%	+9.0%
Constant currency	(1.2%)	(7.0%)	(7.1%)	(3.7%)

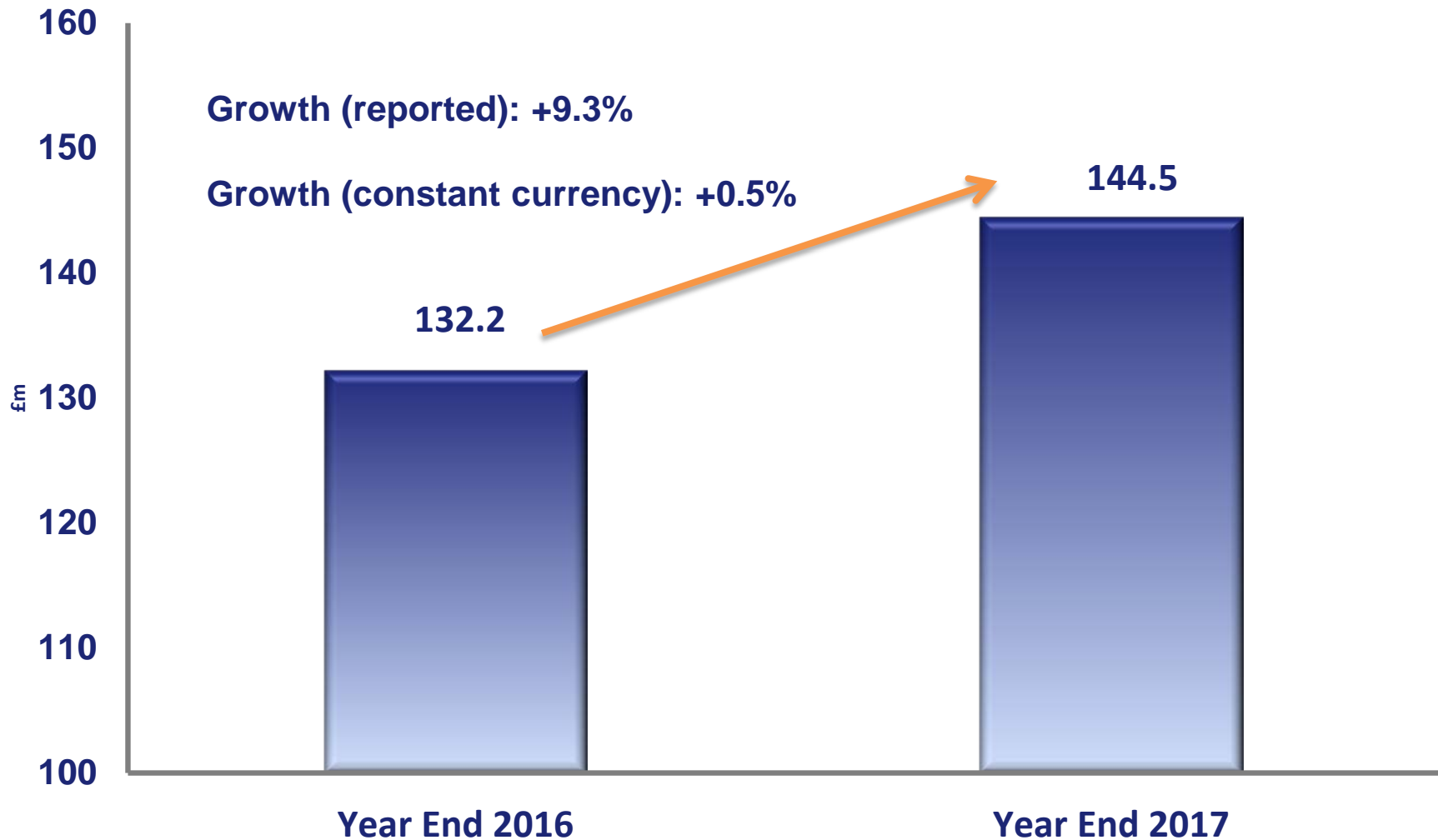
\* Excluding inter-segment revenues

# Revenue by Territory



<b>Reported Growth</b>	+4.2%	+0.7%	+22.3%	(26.9%)
<b>Constant Currency Growth</b>	(5.9%)	(12.0%)	+ 7.2%	(28.2%)

Constant currency growth excludes currency effects; £ in millions



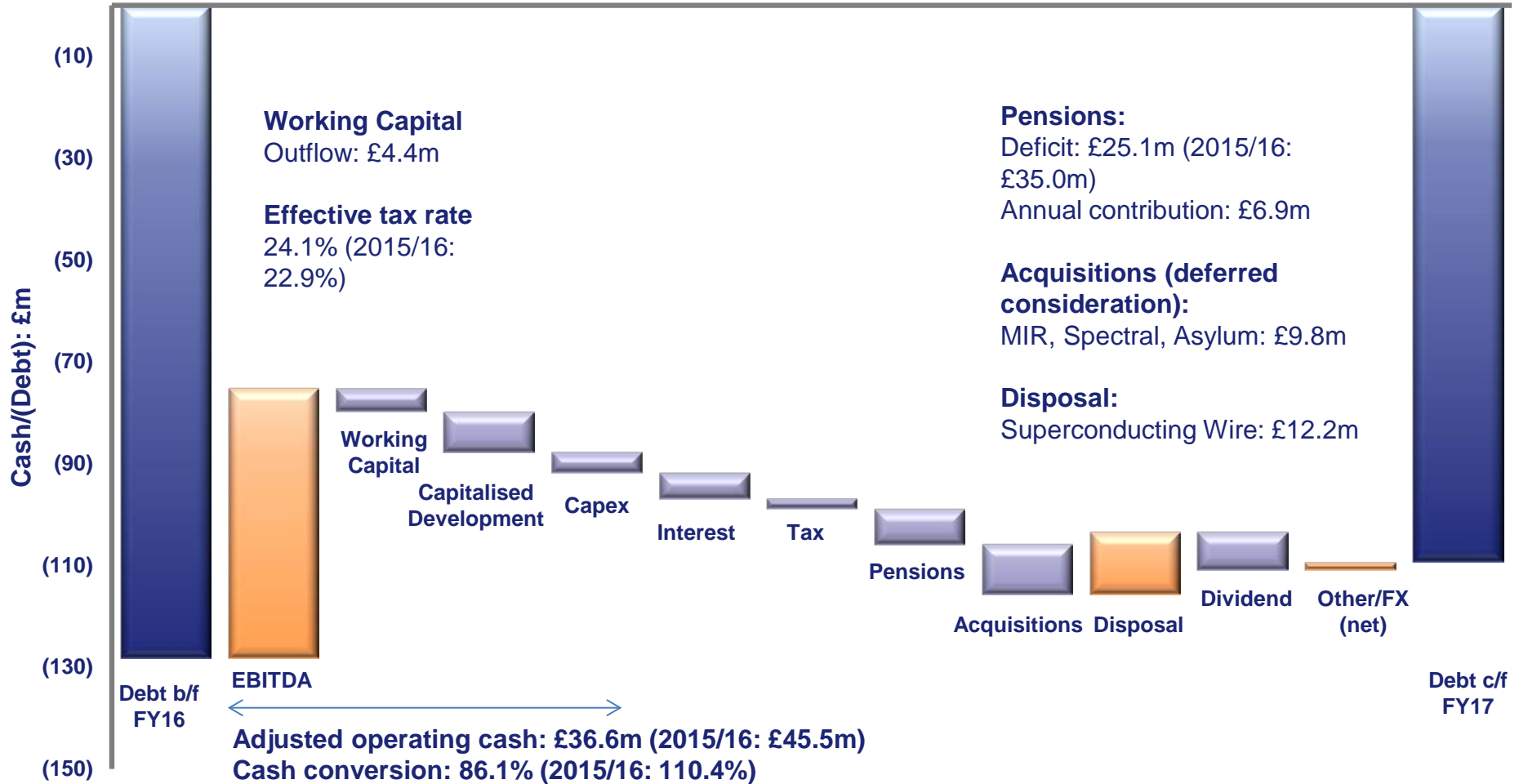


# Adjusted Operating Profit by Sector

£m	NanoTechnology	Industrial	Service	Total
	Tools	Products		
<b>2015/16</b>	<b>21.3</b>	<b>1.1</b>	<b>18.8</b>	<b>41.2</b>
Underlying	4.4	(0.3)	(6.5)	(2.4)
FX	(0.1)	0.9	2.9	3.7
<b>2016/17</b>	<b>25.6</b>	<b>1.7</b>	<b>15.2</b>	<b>42.5</b>

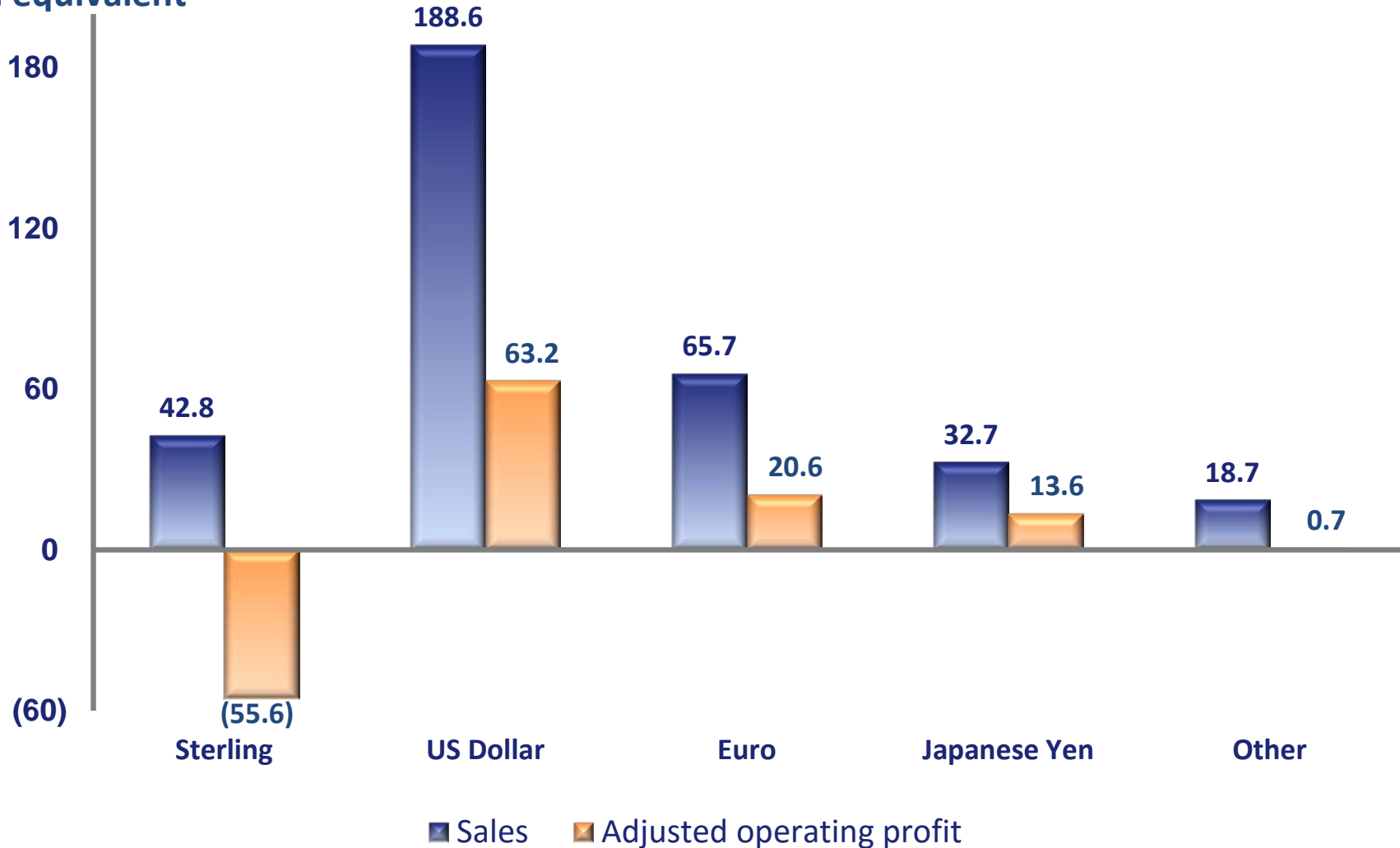
## EBIT Margin

2015/16	11.4%	2.0%	24.0%	12.9%
<b>2016/17</b>	<b>12.3%</b>	<b>3.0%</b>	<b>18.3%</b>	<b>12.2%</b>



# Currency Exposure

£m equivalent



- Total non-cash impairment of non-current assets of £45.8 million
- OI Healthcare - £11.2 million
  - Lower level of sales of refurbished systems, high level of activity in comparative period, change in licensing policy
  - New strategy to focus on improving sustainable profitability and operational efficiency. New organisational structure and key hires
- Asylum Research - £23.3 million
  - Slowdown in academic funding resulting, delays in new product launches
  - Actions include prioritising key new products, driving operational efficiencies and improving regional sales capabilities
- ScientaOmicron - £8.0 million
  - Financial performance behind investment case
  - Complete restructuring plans and factory consolidation
  - Actions include key new product launches and regional organisation changes
- Other - £3.3 million

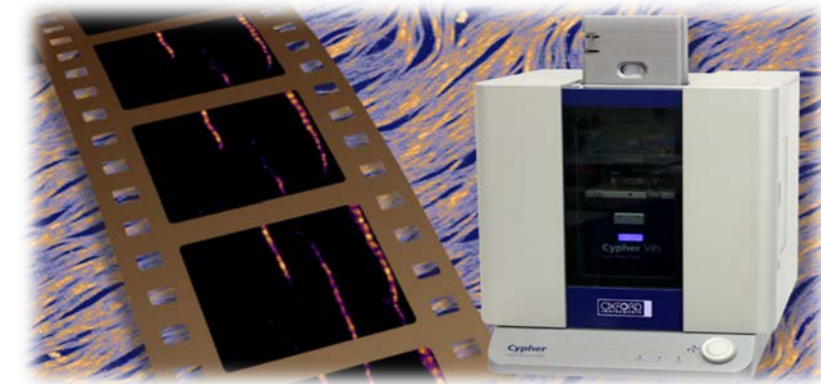
- **Summary**
  - Stable year with strong profit growth in NanoTechnology Tools and currency effects offsetting OI Healthcare decline
  - Good cash flow conversion and reduction in net debt
- **Sale of Industrial Analysis**
  - Sale of Industrial Analysis Business announced on 26 April 2017 for £80 million
  - Expect completion in the second quarter of the financial year
  - Annualised reduction in operating profit of £4.2 million (across Industrial Products and Service) and profit before tax of £2.7 million
  - Net debt to EBITDA leverage after completion expected to fall to below 1 times on a pro-forma basis

# Operational Review

## Ian Barkshire

## Continued strength and improved profitability

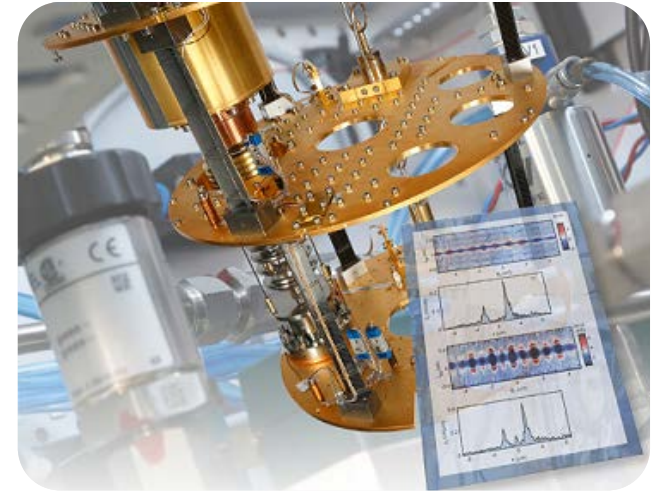
- Strong technical and financial performance from NanoAnalysis
- Andor continue to perform well supported by new product launches
- Difficult year at Asylum leading to goodwill impairment. Good opportunities for future growth





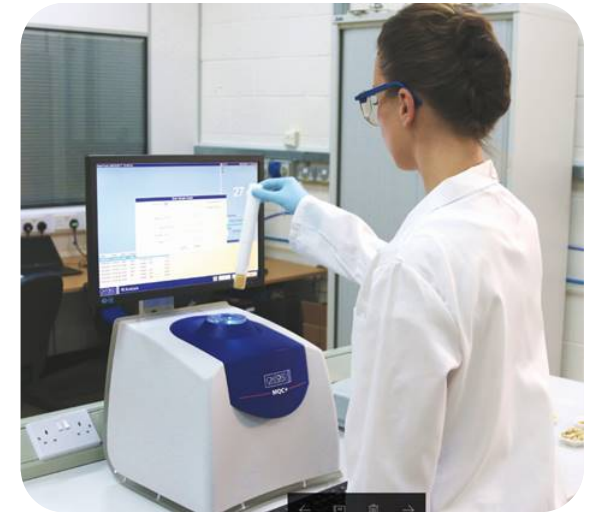
Continued strength and improved profitability

- Significant improvement at Plasma Technology
- NanoScience performance driven by increased funding into quantum related technologies
- Slow progress at ScientaOmicron



Stable performance despite challenging end markets

- Progress at X-ray Technology through diversification and increased demand in e.g. medical imaging applications
- Magnetic Resonance: strong interest in Pulsar from across broad range of applications
- Industrial Analysis reinforced its market positions through key product launches



- Strong revenues and profit growth from our own products within OiService
- Overall performance impacted by market changes within US OI Healthcare
- Necessary steps in train to improve sustainable profitability



- In a year of transition, the Group delivered a stable performance, supported by currency tailwinds.
- Whilst academic and R&D funding levels remain uncertain, we believe that progress with our strategic initiatives and favourable currency effects will deliver an outcome for the year in line with expectations.
- Fundamental improvements to our structure, operations and strategy are underway and give us a solid platform to return to sustainable growth, at improved margins, over the medium term.



# Questions?