Oxford Instruments
Preliminary Results Presentation
To 31st March 2017

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

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

• 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
Key Elements of Horizon

- 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

<table>
<thead>
<tr>
<th>End Market</th>
<th>Growth Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>Demand for improvements in disease detection and understanding fundamental mechanisms</td>
</tr>
<tr>
<td>Energy</td>
<td>Demand for improved efficiencies and sustainability</td>
</tr>
<tr>
<td>IT &amp; Communications</td>
<td>Speed, security, capacity</td>
</tr>
<tr>
<td>Advanced Materials</td>
<td>Developing lighter, stronger, more versatile and more affordable materials</td>
</tr>
<tr>
<td>Quantum Technology</td>
<td>Researching and developing the latest advances in quantum science</td>
</tr>
</tbody>
</table>
Evolved Business Model

**Fundamental Research**
Providing solutions to those wishing to explore new frontiers at the nanoscale

**Applied R&D**
Providing products to enable those wishing to exploit the opportunities offered by nanotechnology to develop more advanced products

**Commercial Markets**
Providing tools to support the commercialisation of nanotechnology into every day products

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

- **Market Intimacy**
  - Application focused sales
  - Insight and alignment to customer roadmaps

- **Customer Support**
  - Broader range of services and support

- **Operational Excellence**
  - Operational efficiencies & productivity gains

- **Innovation & Product Development**
  - Enhanced outcomes
  - Application focus
  - Leveraging synergies
Horizon Progress to Date

• 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

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

<table>
<thead>
<tr>
<th></th>
<th>NanoTechnology</th>
<th>Industrial Products</th>
<th>Service</th>
<th>Total*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td><strong>2015/16</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underlying</td>
<td>(2.3)</td>
<td>(3.8)</td>
<td>(5.7)</td>
<td>(11.8)</td>
</tr>
<tr>
<td>FX</td>
<td>23.6</td>
<td>6.5</td>
<td>10.5</td>
<td>40.6</td>
</tr>
<tr>
<td><strong>2016/17</strong></td>
<td>208.7</td>
<td>56.7</td>
<td>83.2</td>
<td>348.5</td>
</tr>
</tbody>
</table>

**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

<table>
<thead>
<tr>
<th>Group Revenue %</th>
<th>Europe</th>
<th>North America</th>
<th>Asia</th>
<th>ROW</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.4%</td>
<td>81.6</td>
<td>110.4</td>
<td>119.9</td>
<td>7.8</td>
</tr>
<tr>
<td>31.9%</td>
<td>85.0</td>
<td>111.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>42.1%</td>
<td></td>
<td>146.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.6%</td>
<td></td>
<td></td>
<td></td>
<td>5.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>+4.2%</td>
<td>+0.7%</td>
<td>+22.3%</td>
<td></td>
<td>+7.2%</td>
<td></td>
<td>(26.9%)</td>
<td>(28.2%)</td>
</tr>
<tr>
<td>(5.9%)</td>
<td>(12.0%)</td>
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<td></td>
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</tr>
</tbody>
</table>

**Reported Growth**

**Constant Currency Growth**

*Constant currency growth excludes currency effects; £ in millions*
Order Book

Growth (reported): +9.3%

Growth (constant currency): +0.5%
## Adjusted Operating Profit by Sector

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

## EBIT Margin

<table>
<thead>
<tr>
<th></th>
<th>2015/16</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11.4%</td>
<td>12.3%</td>
</tr>
<tr>
<td></td>
<td>2.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td></td>
<td>24.0%</td>
<td>18.3%</td>
</tr>
<tr>
<td></td>
<td>12.9%</td>
<td>12.2%</td>
</tr>
</tbody>
</table>
Cash Flow

- **Working Capital Outflow**: £4.4m
- **Effective tax rate**: 24.1% (2015/16: 22.9%)
- **Pensions**:
  - Deficit: £25.1m (2015/16: £35.0m)
  - Annual contribution: £6.9m
- **Acquisitions (deferred consideration)**:
  - MIR, Spectral, Asylum: £9.8m
- **Disposal**:
  - Superconducting Wire: £12.2m

Adjusted operating cash: £36.6m (2015/16: £45.5m)
Cash conversion: 86.1% (2015/16: 110.4%)
Currency Exposure

£m equivalent

- Sterling: Sales 42.8, Adjusted operating profit 55.6
- US Dollar: Sales 188.6
- Euro: Sales 63.2, Adjusted operating profit 20.6
- Japanese Yen: Sales 65.7, Adjusted operating profit 32.7
- Other: Sales 18.7, Adjusted operating profit 0.7

Legend: Sales, Adjusted operating profit
Impairments

- 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 and Sale of Industrial Analysis

- **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
Industrial Products

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?