Oxford Instruments
Half Year Results Presentation
To 30th September 2017

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

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

- Good progress in the early implementation of Horizon
- New market focused sector structure aligning with our customers’ applications
- Reported revenue in line with previous year
- Increased profitability and operating margin reflecting currency benefits
- Growth in orders and increased order book
- Significant reduction in net debt
Horizon Strategy

- Sustainable revenue growth and margin improvement
- Focus on segments where nanotechnology drives long term growth
- Creating value for customers through solutions
Horizon Progress

• Significant management of portfolio
  • Industrial Analysis sale completed in July 2017
  • Sale of Superconducting Wire completed in Nov 2016

• Building management, leadership and core capabilities to deliver Horizon

• Transition from product-technique focus to customer application and market focus

• New sector structure
## Horizon Progress – New Sector Structure

- Aligning businesses around customer applications and end-markets
- Greater insights into products, markets and growth drivers
- Building and exploiting synergies across businesses

### Materials & Characterisation
- Asylum Research
- NanoAnalysis
- Plasma Technology

### Research & Discovery
- Andor Technology
- NanoScience (including Magnetic Resonance)
- Scienta Omicron
- X-ray Technology

### Service & Healthcare
- OiService
  - Support services for Oxford Instruments' equipment
- OI Healthcare
  - Servicing sale and rental of third party imaging equipment in USA & Japan
End Market Segments Revenue

**Group**

- Healthcare & Lifescience: 31%
- Semiconductor & Communications: 30%
- Quantum Technology: 20%
- Environment: 7%
- Energy: 6%

**Funding:**
- Academic: 55%
- Commercial: 45%

**Materials & Characterisation**

- Healthcare & Lifescience: 6%
- Semiconductor & Communications: 46%
- Quantum Technology: 11%
- Environment: 1%
- Energy: 8%
- Advanced Materials: 28%

**Research & Discovery**

- Healthcare & Lifescience: 4%
- Semiconductor & Communications: 15%
- Quantum Technology: 30%
- Environment: 2%
- Energy: 28%
- Advanced Materials: 2%

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1 includes Service & Healthcare
Financial Review
Gavin Hill
## Income Statement

<table>
<thead>
<tr>
<th>£m</th>
<th>2017/18</th>
<th>2016/17</th>
<th>Change</th>
<th>Constant Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>132.1</td>
<td>132.4</td>
<td>(0.2%)</td>
<td>(4.5%)</td>
</tr>
<tr>
<td><strong>Adjusted operating profit</strong></td>
<td>18.8</td>
<td>16.4</td>
<td>14.6%</td>
<td>(12.2%)</td>
</tr>
<tr>
<td><strong>Net finance costs</strong></td>
<td>(2.5)</td>
<td>(3.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted profit before tax</strong></td>
<td>16.3</td>
<td>13.1</td>
<td>24.4%</td>
<td>(9.2%)</td>
</tr>
<tr>
<td><strong>Amortisation of acquired intangibles</strong></td>
<td>(5.6)</td>
<td>(6.0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Impairment of capitalised development costs</strong></td>
<td>-</td>
<td>(0.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-recurring items and acquisition related costs</strong></td>
<td>(0.6)</td>
<td>(0.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mark-to-market of currency hedges</strong></td>
<td>2.6</td>
<td>(6.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit/(loss) before tax from continuing operations</strong></td>
<td>12.7</td>
<td>(0.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Continuing adjusted basic earnings per share</strong></td>
<td>22.3p</td>
<td>18.0p</td>
<td>23.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Dividends per share</strong></td>
<td>3.7p</td>
<td>3.7p</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
## New Sectors

<table>
<thead>
<tr>
<th></th>
<th>Half Year to 30 September</th>
<th>Half Year to 30 September</th>
<th>Year to 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue: £m</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials &amp; Characterisation</td>
<td>50.1</td>
<td>45.3</td>
<td>104.1</td>
</tr>
<tr>
<td>Research &amp; Discovery</td>
<td>47.9</td>
<td>55.4</td>
<td>125.2</td>
</tr>
<tr>
<td>Service &amp; Healthcare</td>
<td>34.1</td>
<td>31.7</td>
<td>70.9</td>
</tr>
<tr>
<td>Total</td>
<td>132.1</td>
<td>132.4</td>
<td>300.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<tr>
<td><strong>Adjusted operating profit: £m</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials &amp; Characterisation</td>
<td>7.2</td>
<td>4.2</td>
<td>10.9</td>
</tr>
<tr>
<td>Research &amp; Discovery</td>
<td>4.2</td>
<td>7.0</td>
<td>13.8</td>
</tr>
<tr>
<td>Service &amp; Healthcare</td>
<td>7.4</td>
<td>5.2</td>
<td>13.3</td>
</tr>
<tr>
<td>Total</td>
<td>18.8</td>
<td>16.4</td>
<td>38.0</td>
</tr>
</tbody>
</table>
## Revenue by Sector

<table>
<thead>
<tr>
<th></th>
<th>Materials &amp; Characterisation</th>
<th>Research &amp; Discovery</th>
<th>Service &amp; Healthcare</th>
<th>Total*</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>2016/17</td>
<td>45.3</td>
<td>55.4</td>
<td>31.7</td>
<td>132.4</td>
</tr>
<tr>
<td>Underlying</td>
<td>3.0</td>
<td>(9.7)</td>
<td>0.8</td>
<td>(6.0)</td>
</tr>
<tr>
<td>FX</td>
<td>1.8</td>
<td>2.3</td>
<td>1.6</td>
<td>5.7</td>
</tr>
<tr>
<td>2017/18</td>
<td>50.1</td>
<td>48.0</td>
<td>34.1</td>
<td>132.1</td>
</tr>
</tbody>
</table>

### Growth

- **Reported**
  - Materials & Characterisation: +10.6%
  - Research & Discovery: (13.4%)
  - Service & Healthcare: +7.6%
  - Total: (0.2%)

- **Constant currency**
  - Materials & Characterisation: +6.6%
  - Research & Discovery: (17.5%)
  - Service & Healthcare: +2.5%
  - Total: (4.5%)

* Excluding inter-segment revenues
Revenue by Territory

<table>
<thead>
<tr>
<th>Group Revenue %</th>
<th>Europe 25.3%</th>
<th>North America 34.6%</th>
<th>Asia 39.2%</th>
<th>ROW 0.9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>30.4</td>
<td>47.9</td>
<td>51.3</td>
<td>2.8</td>
</tr>
<tr>
<td>2018</td>
<td>33.4</td>
<td>45.7</td>
<td>51.8</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Reported growth
- Europe: +9.9%
- North America: (4.6%)
- Asia: +1.0%
- ROW: (57.1%)

Constant currency growth
- Europe: +4.6%
- North America: (10.0%)
- Asia: (1.6%)
- ROW: (64.3%)

Orders¹: reported growth
- Europe: +11.6%
- North America: +11.4%
- Asia: +12.1%
- ROW: +311.1%

Orders¹: constant currency growth
- Europe: +5.5%
- North America: +5.7%
- Asia: +9.0%
- ROW: +333.3%

¹Excluding US Healthcare

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

Growth (reported): +1.3%
Growth (constant currency): +3.3%

£m

30 September 2016: 140.0
30 September 2017: 141.8
## Adjusted Operating Profit by Sector

<table>
<thead>
<tr>
<th></th>
<th>Materials &amp; Characterisation</th>
<th>Research &amp; Discovery</th>
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<tr>
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</tr>
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<td>2016/17</td>
<td>4.2</td>
<td>7.0</td>
<td>5.2</td>
<td>16.4</td>
</tr>
<tr>
<td>Underlying</td>
<td>0.9</td>
<td>(4.7)</td>
<td>1.8</td>
<td>(2.0)</td>
</tr>
<tr>
<td>FX</td>
<td>2.1</td>
<td>1.9</td>
<td>0.4</td>
<td>4.4</td>
</tr>
<tr>
<td>2017/18</td>
<td>7.2</td>
<td>4.2</td>
<td>7.4</td>
<td>18.8</td>
</tr>
</tbody>
</table>

### EBIT Margin

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<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
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<tbody>
<tr>
<td></td>
<td>MB (%)</td>
<td>MB (%)</td>
</tr>
<tr>
<td>2016/17</td>
<td>9.3%</td>
<td>14.4%</td>
</tr>
<tr>
<td>2017/18</td>
<td>12.6%</td>
<td>8.8%</td>
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Cash Flow

Working Capital
Outflow: £15.0m (2016: £14.9m)

Effective tax rate
22.1% (2016: 21.4%)

Pensions:
Deficit: £22.5m (2016: £25.1m)
Annual contribution: £7.1m

Disposal (net cash flow):
Industrial Analysis: £73.0m
Currency Exposure

£m equivalent

Sterling: 20.9 (18.8)
US Dollar: 73.6
Euro: 22.5 14.9
Japanese Yen: 13.2 7.2
Other: 1.9 (3.5)

Sales
Adjusted operating profit
Summary

- Growth in orders and order book at reported and constant currency
- Adjusted operating margin up 180 basis points to 14.2%, primarily through expected currency benefits
- Continuing adjusted basic earnings per share up 23.9%
- Strong balance sheet following receipt of sale proceeds from Industrial Analysis
- Net debt down to £45.5 million with net debt:EBITDA leverage at 0.9 times
Operational Review
Ian Barkshire
Focuses on applied R&D and commercial customers, enabling the fabrication and characterisation of materials and devices down to the atomic scale (38% of Group revenue)

Strong growth and improved profitability

Plasma Technology –

• Strong, improved performance
• Growth in academic research and specialised production
• Increasing demand in optoelectronics and photonic applications e.g. 5G networks
Asylum Research –

• Strong order growth driven by high demand for new products
• Cypher VRS providing new insights in disease mechanisms and drug discovery

NanoAnalysis –

• Strong performance driven by new products
• Driving capabilities and productivity in semiconductor and advanced material characterisation
Advanced solutions that create unique environments and enable measurements down to the molecular and atomic level, used in fundamental and applied research (36% of Group Revenue)

Revenue and profitability down in the period; growth in orders and order book

Andor Technology –

- Soft financial performance due to optical microscopy systems
- Growth from image analysis software in cell biology and neuroscience applications
- Improved performance from scientific cameras used in astronomy

Credit: University of Warwick/Mark Garlick
NanoScience & Magnetic Resonance –
• Cryogenic and magnetic environments critical for exploitation of quantum technology
• Performance depressed by high proportion of customised systems
• Strong growth for benchtop magnetic resonance systems in food and chemical analysis

X-ray Technology –
• Growth in healthcare applications offset by decline from industrial segments

ScientaOmicron –
• Improvement in performance
Service & Healthcare

OiService

- Strong demand for services relating to own products
- Enhanced customer support services

Oi Healthcare

- Business transition towards recurring revenue relative to refurbished systems

Provides customer service and support for our own products and the service, sale and rental of third party healthcare imaging systems (26% of Group revenue)
Summary and Outlook

• Good progress from Horizon implementation

• Reporting structure enhances our focus on market growth drivers and evolving demands of our customers

• Full year expectations remain unchanged

• Confidence in long term growth prospects
Questions?