Half Year results presentation

to 30 September 2020

Ian Barkshire
Chief Executive

Gavin Hill
Group Finance Director
Agenda

Highlights

Finance Review

Horizon & Covid Updates

Operational Review

Summary and Outlook
Highlights

• Resilient first half performance
• Continued progress with Horizon strategy
• Strong order and order book growth
• Revenue impacted by covid-related disruption
• Strong margin performance through strategic actions
• Growth in net cash, strong balance sheet
• Reinstatement of interim dividend
Finance Review

Gavin Hill
## Income Statement

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>2020/21</th>
<th>2019/20</th>
<th>Reported Change</th>
<th>Constant Currency Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>140.3</td>
<td>157.6</td>
<td>(11.0%)</td>
<td>(11.0%)</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td></td>
<td>24.3</td>
<td>26.2</td>
<td>(7.3%)</td>
<td>(11.5%)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td></td>
<td>(0.6)</td>
<td>(0.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted profit before tax</td>
<td></td>
<td>23.7</td>
<td>25.8</td>
<td>(8.1%)</td>
<td>(12.4%)</td>
</tr>
<tr>
<td>Amortisation of acquired intangibles</td>
<td>(4.3)</td>
<td>(4.4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-recurring items</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark-to-market of currency hedges</td>
<td></td>
<td>0.8</td>
<td>(2.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax from continuing operations</td>
<td></td>
<td>20.2</td>
<td>18.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing adjusted basic earnings per share</td>
<td></td>
<td>32.8p</td>
<td>36.0p</td>
<td>(8.9%)</td>
<td></td>
</tr>
<tr>
<td>Dividend per share</td>
<td></td>
<td>4.1p</td>
<td>-</td>
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</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><strong>£m</strong> 2019/20</td>
<td>73.2</td>
<td>57.8</td>
<td>26.6</td>
<td>157.6</td>
</tr>
<tr>
<td>Underlying movement</td>
<td>(8.0)</td>
<td>(9.5)</td>
<td>0.2</td>
<td>(17.3)</td>
</tr>
<tr>
<td>FX</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>£m</strong> 2020/21</td>
<td>65.2</td>
<td>48.3</td>
<td>26.8</td>
<td>140.3</td>
</tr>
</tbody>
</table>

### Growth
- **Reported**
  - Materials & Characterisation: (10.9%)
  - Research & Discovery: (16.4%)
  - Service & Healthcare: +1.1%
  - Total: (11.0%)
- **Constant currency**
  - Materials & Characterisation: (10.9%)
  - Research & Discovery: (16.4%)
  - Service & Healthcare: +1.1%
  - Total: (11.0%)
## Revenue by Territory: £m

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>North America</th>
<th>Asia</th>
<th>RoW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Revenue %</td>
<td>29%</td>
<td>24%</td>
<td>46%</td>
<td>1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>45.9</td>
<td>40.5</td>
<td>45.8</td>
<td>33.8</td>
<td>64.3</td>
<td>63.9</td>
<td>1.5</td>
<td>2.1</td>
</tr>
</tbody>
</table>

<p>| | | | | | | | | |</p>
<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported growth</td>
<td>(11.8%)</td>
<td>(26.2%)</td>
<td>(0.6%)</td>
<td>+40.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant currency growth</td>
<td>(12.0%)</td>
<td>(25.8%)</td>
<td>(0.8%)</td>
<td>+40.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orders: reported growth</td>
<td>(2.7%)</td>
<td>+6.6%</td>
<td>+9.1%</td>
<td>+66.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orders: constant currency growth</td>
<td>(2.7%)</td>
<td>+7.1%</td>
<td>+8.8%</td>
<td>+57.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Order Book: £m

<table>
<thead>
<tr>
<th>Section</th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials &amp; Characterisation</td>
<td>53.4</td>
<td>76.8</td>
</tr>
<tr>
<td>Research &amp; Discovery</td>
<td>96.5</td>
<td>101.7</td>
</tr>
<tr>
<td>Service &amp; Healthcare</td>
<td>25.1</td>
<td>26.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>175.0</td>
<td>134.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Reported growth</th>
<th>Constant currency growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials &amp; Characterisation</td>
<td>+43.8%</td>
<td>+44.9%</td>
</tr>
<tr>
<td>Research &amp; Discovery</td>
<td>+5.3%</td>
<td>+5.5%</td>
</tr>
<tr>
<td>Service &amp; Healthcare</td>
<td>+4.2%</td>
<td>(1.3%)</td>
</tr>
<tr>
<td>Total</td>
<td>+16.9%</td>
<td>+16.6%</td>
</tr>
</tbody>
</table>
## Adjusted Operating Profit 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><strong>2019/20</strong></td>
<td>12.2</td>
<td>6.4</td>
<td>7.6</td>
<td>26.2</td>
</tr>
<tr>
<td>Underlying movement</td>
<td>(3.9)</td>
<td>(0.5)</td>
<td>1.4</td>
<td>(3.0)</td>
</tr>
<tr>
<td>FX</td>
<td>0.6</td>
<td>0.5</td>
<td>-</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>2020/21</strong></td>
<td>8.9</td>
<td>6.4</td>
<td>9.0</td>
<td>24.3</td>
</tr>
</tbody>
</table>

**EBIT Margin**

<table>
<thead>
<tr>
<th></th>
<th>2019/20</th>
<th>2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT Margin</td>
<td>16.7%</td>
<td>13.7%</td>
</tr>
<tr>
<td><strong>2019/20</strong></td>
<td>11.1%</td>
<td>13.3%</td>
</tr>
<tr>
<td><strong>2020/21</strong></td>
<td>28.6%</td>
<td>33.6%</td>
</tr>
<tr>
<td></td>
<td>16.6%</td>
<td>17.3%</td>
</tr>
</tbody>
</table>
### Cash Flow

- **Net cash 31 March 20:** £67.5m
- **EBITDA:** £28.4m

#### Working Capital
- Outflow: £3.0m (2019: outflow of £11.3m)

#### Pensions:
- Accounting asset: £1.1m (31 March 20: £30.7m)

#### Effective tax rate
- 20.7% (2019: 20.2%)

#### Cash conversion:
- 97% (2019: 62%)
Currency Exposure

£m equivalent

Sterling: 26.0 (30.8)
US Dollar: 66.9 28.1
Euro: 30.3 18.4
Japanese Yen: 14.3 8.6
Chinese Renminbi: 2.4 0.6
Other: 0.4 (0.6)

Sales
Adjusted operating profit
FX Sensitivity

• Favourable currency impact in First Half 2020/21: AOP: +£1.1m

• Estimated Second Half 2020/21 currency impact
  – Assuming current hedges and no change from forecast rates, currency sensitivity against FY 2019/20: Revenue: (£1.0m); AOP: +£0.2m

• Estimated Second Half 2020/21 currency sensitivity
  – Assuming current hedges and a 5% strengthening of Sterling against major trading currencies from forecast rates, currency sensitivity against FY 2019/20: Revenue: (£7.9m); AOP: (£1.3m)

• Uncertain volume and timing of shipments and acceptances, currency mix and FX volatility, may significantly affect full year currency impact outcomes

Second half forecast rates – GBP:USD 1.30; GBP:EUR 1.11; GBP:JPY 135
Finance Summary

• Strong growth in orders

• Margin sustained despite fall in revenue

• Good operating cash conversion of 97% with net cash of £81.4m

• Total headroom of approximately £214m, including the undrawn £105m credit facility

• Robust first half trading and a strong order book supports reinstatement of guidance and declaration of an interim dividend
Horizon Update

• Horizon provided solid foundation for growth, delivering tangible financial gains and supporting margin

• Acceleration of market intimacy, further exploiting sales, marketing and service synergies

• Expansion of digital sales and marketing capabilities

• Transformation of service offering

• Continued progress with operational excellence programme

• Maintained progress and investment in product development

• Further enhanced the skills and capabilities across the Group
Covid Update

- Prioritising health and wellbeing of employees and supporting customers
- Trading significantly impacted by covid-related disruption at customer sites and protracted administrative processes
- Hybrid workplace model maintained business continuity
- Implemented new working practices and processes, improving operational output and customer support
- Agility and commitment of our people provide resilience and foundation to navigate covid disruption
Group Performance

- Strong order growth across both commercial and academic customers
- Trading more significantly impacted by covid in Q1, with positive momentum through Q2
- Double digit growth in orderbook
- Margin maintained through benefits from Horizon and cost control
- Breadth of markets and exposure to full technology cycle provide business resilience

Materials & Characterisation
Research & Discovery
Service & Healthcare

Academic: 54%
Commercial: 46%

Fundamental Research
Providing solutions to those exploring new frontiers down to the nano & molecular level
Physical & Life Sciences

Innovation approach
Product application insight

Applied R&D
Our key enabling technologies and solutions facilitate the development of more advanced products

High Tech Manufacturing
Providing products to support today’s manufacturing challenges & increase productivity

Market insight
Group Performance – End Markets

- Broad and diverse range of attractive end markets with long term growth drivers
- Growth supported by resilient end market demand in Semiconductor, Quantum Technology and Advanced Materials
- Strong order growth in North America and Asia offset by softness in Europe
- Market intimacy enabling continued expansion into new markets
Materials & Characterisation

Asylum Research; Magnetic Resonance; NanoAnalysis; Plasma Technology

Enabling the fabrication and characterisation of materials and devices down to the atomic scale

- Orders increased 17% with growth from both academic and commercial customers
- Strong order growth in Semiconductors, improved demand within Advanced Materials, Quantum and Lifescience
- Strong order growth in North America and Asia, good growth in Europe
- Revenue and margin impacted by covid-related disruption

![Image of various materials and devices](image)

47% Group revenue
Academic: 48%
Commercial: 52%

Material Structural Analyser
Benchtop NMR
Semiconductor Deposition System
Atomic Force Microscope

![Revenue Breakdown](image)
Materials & Characterisation
Growth Examples

Semiconductor & Communications

• Buoyant compound semiconductor market - strong growth in etch and deposition systems

• Strengthened silicon semiconductor market - new products supporting increased sales of imaging and analysis products

Energy & Environment

• End market softness was partially offset by growth in dedicated battery solutions

• Sustainable long-term growth drivers
Materials & Characterisation

Growth Examples

Advanced Materials

• Continued demand for lighter, stronger, higher performing materials
• Tailored products enabling faster structural material analysis
• Growth in the analysis of advanced polymers

Healthcare & Lifescience

• Tailored solutions for pharma and biomedical industry driving growth
Research & Discovery

Andor Technology; NanoScience; X-Ray Technology

Advanced solutions that create unique environments and enable measurements down to the molecular and atomic level

- Severe customer covid disruption in Europe and North America significantly impacted revenue
- Disproportionate impact of covid on scientific cameras and optical microscopy solutions sales
- Order growth in Quantum and Advanced Materials more than offset by softness from academic Lifescience customers
- Increased profitability reflects realisation of Horizon benefits

34% Group revenue
Academic: 67%
Commercial: 33%

Healthcare & Lifescience: 25%
Semiconductor & Communications: 7%
Quantum Technology: 12%
Energy & Environment: 1%
Advanced Materials: 20%
Research & Fundamental Science: 20%

Dragonfly 200
Triton Cryocooler
Camera
X-ray Tube
Research & Discovery
Growth Examples

Healthcare & Lifescience

• Fundamental market drivers supporting improved health remain robust

• Subdued demand due to customer site closures, positive momentum in Q2

• Increased OEM demand for covid-related diagnostics and research products

• Our key enabling technologies underpin advances in understanding fundamental disease mechanisms and the development of new treatments e.g. DNA editing
Research & Discovery

Growth Examples

Quantum Technology
• Growth in quantum demand supported by governments & commercial customers
• Partner in consortium to build UK’s first commercial quantum computer

Research & Fundamental Sciences
• Continued demand across broad range of research themes
• Scientific camera supported NASA’s water on the moon discovery
• First IoP Beijing installations successfully completed
Service & Healthcare

Provides customer service and support for our own products and the service and support of third party MRI scanners in Japan

- Revenue from Japan MRI operations broadly in line with previous year
- Accelerated the transformation of our customer support offerings – driving improved profitability
- Higher value products, improved capacity and enhanced service delivery
- Proactively supported customers through covid, improving productivity and minimising down time
- Service strategy remains central to ongoing implementation of Horizon
Summary & Outlook

• Strong order growth in H1, revenue impacted by covid-related disruptions

• Margins sustained despite lower revenues

• Robust trading, combined with strong order book, gives us confidence for H2

• “We expect full year performance to be a little behind last year on a constant currency basis, ahead of current analyst forecasts.”

• Transformation of Group through Horizon strategy has provided solid foundation for longer-term growth and margin improvement
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