Half Year Results Presentation
to 30th September 2018

Ian Barkshire
Chief Executive

Gavin Hill
Group Finance Director
Agenda

01: Highlights
02: Finance Review
03: Horizon Update
04: Operational Review
05: Summary and Outlook
Highlights

• Horizon well embedded across the Group

• Focused investment in sales, service and operations

• End markets remain positive and robust

• Positive results from increased focus on end market applications

• Strong underlying revenue and profit growth in line with management expectations

• Strong growth in orders and order book

• Strong growth in Materials & Characterisation

• Improved financial performance in Research & Discovery

• Order and order book growth in Service & Healthcare

• Good cash collection
Finance Review

Gavin Hill
### Income Statement

<table>
<thead>
<tr>
<th>£m</th>
<th>2018/19</th>
<th>2017/18</th>
<th>Reported Change</th>
<th>Constant Currency Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>147.0</td>
<td>132.1</td>
<td>+11.3%</td>
<td>+12.6%</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>21.0</td>
<td>18.8</td>
<td>+11.7%</td>
<td>+16.0%</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(1.2)</td>
<td>(2.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted profit before tax</td>
<td>19.8</td>
<td>16.3</td>
<td>+21.5%</td>
<td>+26.4%</td>
</tr>
<tr>
<td>Amortisation of acquired intangibles</td>
<td>(4.7)</td>
<td>(5.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-recurring items</td>
<td>(0.6)</td>
<td>(0.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark-to-market of currency hedges</td>
<td>(2.9)</td>
<td>2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax from continuing operations</td>
<td>11.6</td>
<td>12.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing adjusted basic earnings per share</td>
<td>27.3p</td>
<td>22.3p</td>
<td>+22.4%</td>
<td></td>
</tr>
<tr>
<td>Dividends per share</td>
<td>3.8p</td>
<td>3.7p</td>
<td>+2.7%</td>
<td></td>
</tr>
</tbody>
</table>
# Revenue by Sector

<table>
<thead>
<tr>
<th>£m</th>
<th>Materials &amp; Characterisation</th>
<th>Research &amp; Discovery</th>
<th>Service &amp; Healthcare</th>
<th>Total*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>50.1</td>
<td>47.9</td>
<td>34.1</td>
<td>132.1</td>
</tr>
<tr>
<td>Underlying movement</td>
<td>10.6</td>
<td>7.0</td>
<td>(1.0)</td>
<td>16.6</td>
</tr>
<tr>
<td>FX</td>
<td>(0.6)</td>
<td>(0.6)</td>
<td>(0.5)</td>
<td>(1.7)</td>
</tr>
<tr>
<td>2018/19</td>
<td>60.1</td>
<td>54.3</td>
<td>32.6</td>
<td>147.0</td>
</tr>
</tbody>
</table>

**Growth**

- **Reported**
  - +20.0%
  - +13.4%
  - (4.4%)
  - +11.3%

- **Constant currency**
  - +21.2%
  - +14.6%
  - (2.9%)
  - +12.6%

* Excluding inter-segment revenues
Revenue by Territory: £m

<table>
<thead>
<tr>
<th>Group Revenue %</th>
<th>Europe 25%</th>
<th>North America 32%</th>
<th>Asia 41%</th>
<th>RoW 2%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>33.4</td>
<td>45.7</td>
<td>51.8</td>
<td>1.2</td>
</tr>
<tr>
<td>2018/19</td>
<td>37.0</td>
<td>47.2</td>
<td>60.8</td>
<td>2.0</td>
</tr>
</tbody>
</table>

**Reported growth**

- Europe: +10.8%
- North America: +3.3%
- Asia: +17.4%
- RoW: +66.7%

**Constant currency growth**

- Europe: +10.8%
- North America: +5.3%
- Asia: +18.9%
- RoW: +66.7%

**Orders: reported growth**

- Europe: +1.4%
- North America: +26.6%
- RoW: (16.2%)

**Orders: constant currency growth**

- Europe: +3.7%
- North America: +28.8%
- RoW: (13.5%)
## Order Book: £m

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Materials &amp; Characterisation</strong></td>
<td>34.2</td>
<td>47.5</td>
</tr>
<tr>
<td><strong>Research &amp; Discovery</strong></td>
<td>78.0</td>
<td>83.5</td>
</tr>
<tr>
<td><strong>Service &amp; Healthcare</strong></td>
<td>40.8</td>
<td>46.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>153.0</td>
<td>217.9</td>
</tr>
</tbody>
</table>

### Reported growth

- **Materials & Characterisation**: +38.9%
- **Research & Discovery**: +7.1%
- **Service & Healthcare**: +15.0%
- **Total**: +16.3%

### Constant currency growth

- **Materials & Characterisation**: +33.3%
- **Research & Discovery**: +5.0%
- **Service & Healthcare**: +9.3%
- **Total**: +12.5%

*2017/18 adjusted for IFRS 15*
## 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>2017/18</strong></td>
<td>7.2</td>
<td>4.2</td>
<td>7.4</td>
<td>18.8</td>
</tr>
<tr>
<td>Underlying movement</td>
<td>2.8</td>
<td>1.0</td>
<td>(0.8)</td>
<td>3.0</td>
</tr>
<tr>
<td>FX</td>
<td>(0.3)</td>
<td>(0.4)</td>
<td>(0.1)</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>2018/19</strong></td>
<td>9.7</td>
<td>4.8</td>
<td>6.5</td>
<td>21.0</td>
</tr>
</tbody>
</table>

### EBIT Margin

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>14.4%</td>
<td>16.1%</td>
</tr>
<tr>
<td>2018/19</td>
<td>8.8%</td>
<td>8.8%</td>
</tr>
<tr>
<td></td>
<td>21.7%</td>
<td>19.9%</td>
</tr>
<tr>
<td></td>
<td>14.2%</td>
<td>14.3%</td>
</tr>
</tbody>
</table>
Cash Flow

Working Capital
Outflow: £1.2m (2017/18: £15.0m)

Effective tax rate
21.2% (2017/18: 22.1%)

Pensions:
Deficit: £9.9m (31 March 18: £15.3m)

Net Debt
31 March 18
Net debt 30 Sept 18

Cash conversion: 91% (2017/18: 13%)
Cash conversion is defined as cash generated from operations for non-recurring items and pension scheme payments, less capitalised development expenditure, capital expenditure and payments made in respect of leases, divided by adjusted operating profit.
Currency Exposure

<table>
<thead>
<tr>
<th>Currency</th>
<th>Sales (£m equivalent)</th>
<th>Adjusted operating profit (£m equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>23.2</td>
<td>(28.6)</td>
</tr>
<tr>
<td>US Dollar</td>
<td>79.0</td>
<td>26.4</td>
</tr>
<tr>
<td>Euro</td>
<td>28.2</td>
<td>15.6</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>14.3</td>
<td>7.9</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>2.4 (0.3)</td>
</tr>
</tbody>
</table>
Finance Summary

• Good growth in orders and order book at reported and constant currency

• Adjusted operating margin up 10 basis points to 14.3%

• Continuing adjusted basic earnings per share up 22.4%

• Strong cash conversion of 91% and net debt down to £12.5m

• Refinancing completed in July 2018 with new multi-currency facilities of €50m and $80m
Horizon Update & Operations Review

Ian Barkshire
Horizon Progress

• Good progress with the implementation of Horizon
  – Translating into positive results

• Continue to embed sharper commercial focus and increased capabilities across sales, marketing and operations

• Increased market and customer application focus
  – Chosen markets remain positive & robust

• Increased investment and focus on Operational Excellence:
  – Strategic procurement
  – Operational efficiencies
  – Logistics
Group Performance

- Good growth in underlying orders, revenue and operating profit
- Revenue growth from commercial & industrial customers to 53% (2017: 45%)
- Order book growth for all reporting sectors
- Modest H1 impact from increased challenges in international trading environment
Group Performance – End Markets

• Broad customer base across a wide range of applications and end markets

• Strong revenue growth in Advanced Materials, Healthcare & Life Science and Quantum Technologies

• Semiconductor & Communications revenue broadly in line with previous year, good order growth and pipeline
Materials & Characterisation

NanoAnalysis; Asylum Research; Plasma Technology

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

- Double digit growth in orders, revenue and profitability
- Growth and increased margin supported by customer focused solutions and recently launched products
- Revenue growth in US, Europe and Asia
- Increased sales into Advanced Materials segment
- Continued demand from customers across silicon and compound semiconductor end markets
Materials & Characterisation – Growth Examples

Advanced Materials

• Continued success from Symmetry™, Ultim™ and AFM platforms
• Delivering increased capability and productivity for customers in automotive, aerospace, metals, ceramics, composites and polymers
• New solutions addressing additive manufacturing

Energy Generation, Storage and Batteries

• Strong growth from measurement solutions supporting development of next generation power devices

*Sample courtesy of UES, Inc.
Semiconductors & Communications

- Core capabilities and strong growth within compound semiconductor applications as we enter “the decade of materials”
- Enabling more compact, higher speed, larger capacity and higher energy efficient devices
- Successful tailoring of our market leading research and applied R&D products for commercial production customers
- Developed leading capabilities in key process steps for the manufacture of discrete and optoelectronic devices

Global Market Drivers

- Applied R&D
  - Academic research
  - Industry research
  - MEMS

- NANO
  - Graphene
  - 2D materials
  - Lithium Ion Batteries

- Discrete
  - Wireless Charging
  - RF /5G
  - Power electronics

- Optoelectronic
  - 3D sensors
  - Lidar
  - Facial recognition
  - Data communication

Materials & Characterisation – Growth Examples

41% Group revenue
Academic: 42%; Commercial: 58%
Research & Discovery

Andor Technology; NanoScience & Magnetic Resonance; X-ray Technology; Scienta Omicron

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

- Improved orders, revenue and profitability
- Strong performance from optical microscopy systems, scientific cameras, cryogenic systems and research magnets
- Growth in Healthcare & Lifescience and Quantum Technologies segments
- Research & Fundamental Science segment remains attractive and significant
Research & Discovery

• Improved performance from Andor Technology

• NanoScience transition progressing well

• Markets for benchtop NMR analysers remains positive

• Increased orders for scientific X-ray tubes, delayed shipments impacted revenue and profit

• Order phasing impacted performance from Scienta Omicron joint venture
Research & Discovery – Growth Examples

Scientific Cameras

- Built on market and technical leadership in scientific cameras
- New application specific cameras with optimised performance
  - Sona™ for life science, including cell biology and personalised medicine
  - Marana™ for physical science and astronomy

Global Market Drivers

Cell Biology
- Cancer research
- Live cell imaging
- Disease mechanisms
- Cell-to-cell communications

Personalised Medicine
- Gene editing
- Personalised organ growth
- Personalised therapies

Astronomy
- Near-Earth Objects
- Solar Astronomy
- Adaptive Optics

Physical Science & Quantum
- Quantum optics
- Quantum computing
- Quantum cryptography

Intestinal organoid
Elephant Trunk Nebula
Research & Discovery – Growth Examples

Quantum Technologies

• Continued investment by large corporates, increased academic funding from EU, US and China governments

• Quantum making rapid progress from fundamental to applied research – targeting commercial applications

• Cryogenics, magnets and scientific cameras drive fundamental research through to commercial exploitation

• Revenue opportunities remain irregular in value and frequency
Research & Discovery – Growth Examples

Research & Fundamental Sciences

• Remains attractive growth segment

• Customers exploring new frontiers predominantly for physical sciences

• A broad range of standard as well as bespoke platforms, solutions and services

• BepiColumbo mission to Mercury has our X-ray detectors
Service & Healthcare

OiService; OI Healthcare

Provides customer service and support for our own products and the service, sale and rental of third party healthcare imaging systems

- Revenue decline but double digit order and order book growth

OiService

- Increased demand for services relating to own products
- Broader range of products, training and services

OI Healthcare

- Strategic progress with growth of service contracts and improved utilisation of our leasing fleet
- Soft market for refurbished imaging equipment impacted revenue
- New service agreement in Japan with Hitachi Healthcare

22% Group revenue
Summary & Outlook

• Continued progress with the implementation of our Horizon strategy
• End markets and underlying drivers remain positive, with strong growth from commercial and industrial customers
• Good financial performance in the first half

• Expectations for the current financial year remain unchanged, supported by growth in constant currency orders and order book, along with our anticipated second half seasonal bias
Questions
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