Preliminary results presentation

to 31 March 2020

Ian Barkshire
Chief Executive

Gavin Hill
Group Finance Director
Agenda

Highlights

Horizon Update & Covid-19 Response

Finance Review

Operational Review

Summary and Outlook
Highlights

• Progress with Horizon delivering tangible financial benefits
• Good underlying profit and margin growth
• Full year performance impacted by covid-19 in Q4
• Covid-19 response plan, ensuring business continuity and longevity

• Gains from improved commercial practices & operational excellence programme
• Customer service transformation driving strong growth and improved profitability
• Net cash £67.5m, aided by strong cash collection and proceeds from disposals
Horizon Update

• Positive progress with Horizon strategy driving underlying growth and improved profitability

• Customer centric, market driven approach identifying new markets and optimising value with existing customers

• Higher quality product roadmaps delivered through increased utilisation of cross-business capabilities and collaboration partners

• Margin growth supported by improved commercial practices and gains through operational excellence

• Customer service transformation driving growth and improved profitability

• Divestments increase focus on chosen markets and support margin expansion
Covid-19 Response

• Covid-19 disrupted business throughout Q4, equivalent to approximately two weeks of revenue

• Delays in shipment and installation at customer sites

• Developed and implemented phased approach through covid-19 disruption

• Prioritising health and wellbeing of employees, supporting customers through maintaining business continuity

• Manufacturing sites remained open with safe working practices and reduced occupancy, except short period in two US sites

• Supply chain has remained robust

• Our products and technologies directly contributed to the global fight against coronavirus and supporting essential services
Covid-19 Response

• Implementing phase four – adapted business practices and capabilities to optimise business continuity throughout global recovery

• Protecting the business and job security of our employees through proactive cash management and cost containment measures including:
  – Temporary reduction in executive salary and Board fees
  – Delay of annual pay review and deferral of bonus
  – Suspension of dividend
  – Capex and headcount freeze
  – Utilising appropriate government support schemes

• Our end markets and their growth drivers remain resilient and should not be weakened in the long term by covid-19 headwinds

• Benefits from Horizon strategy and strong balance sheet provide resilience and foundation to successfully navigate covid-19 disruption
Finance Review

Gavin Hill
## Income Statement

<table>
<thead>
<tr>
<th>£m</th>
<th>2019/20</th>
<th>2018/19</th>
<th>Reported Change</th>
<th>Constant Currency Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>317.4</td>
<td>314.0</td>
<td>1.1%</td>
<td>(0.7%)</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>50.5</td>
<td>47.7</td>
<td>5.9%</td>
<td>(1.0%)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(1.0)</td>
<td>(2.2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted profit before tax</td>
<td>49.5</td>
<td>45.5</td>
<td>8.8%</td>
<td>+1.5%</td>
</tr>
<tr>
<td>Amortisation of acquired intangibles</td>
<td>(8.7)</td>
<td>(8.8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-recurring items</td>
<td>(0.6)</td>
<td>(0.9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark-to-market of currency hedges</td>
<td>(1.4)</td>
<td>(1.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax from continuing operations</td>
<td>38.8</td>
<td>34.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing adjusted basic earnings per share</td>
<td>70.2p</td>
<td>62.3p</td>
<td>12.7%</td>
<td></td>
</tr>
<tr>
<td>Dividend per share</td>
<td>-</td>
<td>14.4p</td>
<td></td>
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</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><strong>£m</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018/19</td>
<td>137.9</td>
<td>125.2</td>
<td>50.9</td>
<td>314.0</td>
</tr>
<tr>
<td>Underlying movement</td>
<td>(2.6)</td>
<td>(1.4)</td>
<td>1.9</td>
<td>(2.1)</td>
</tr>
<tr>
<td>FX</td>
<td>2.3</td>
<td>2.2</td>
<td>1.0</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>2019/20</strong></td>
<td>137.6</td>
<td>126.0</td>
<td>53.8</td>
<td>317.4</td>
</tr>
</tbody>
</table>

### Growth

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>Constant currency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported</td>
<td>(0.2%)</td>
<td>(1.9%)</td>
</tr>
<tr>
<td>Constant currency</td>
<td>+0.6%</td>
<td>(1.1%)</td>
</tr>
<tr>
<td></td>
<td>+5.7%</td>
<td>+3.7%</td>
</tr>
<tr>
<td></td>
<td>+1.1%</td>
<td>(0.7%)</td>
</tr>
</tbody>
</table>
## 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>27%</td>
<td>28%</td>
<td>43%</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported growth</td>
<td>+4.2%</td>
<td>+5.8%</td>
<td>(4.1%)</td>
<td>+18.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant currency growth</td>
<td>+4.7%</td>
<td>+3.0%</td>
<td>(6.5%)</td>
<td>+17.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orders: reported growth</td>
<td>+0.9%</td>
<td>+1.4%</td>
<td>(0.1%)</td>
<td>(14.3%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orders: constant currency growth</td>
<td>+1.8%</td>
<td>(1.3%)</td>
<td>(2.3%)</td>
<td>(22.2%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Order Book: £m

<table>
<thead>
<tr>
<th></th>
<th>2018/19</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials &amp; Characterisation</td>
<td>41.2</td>
<td>50.9</td>
</tr>
<tr>
<td>Research &amp; Discovery</td>
<td>91.2</td>
<td>99.0</td>
</tr>
<tr>
<td>Service &amp; Healthcare</td>
<td>20.8</td>
<td>25.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018/19</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>112.1</td>
<td>116.0</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported growth</td>
<td>+23.5%</td>
<td>+8.6%</td>
</tr>
<tr>
<td>Constant currency growth</td>
<td>+20.1%</td>
<td>+7.2%</td>
</tr>
<tr>
<td>2018/19</td>
<td>20.7%</td>
<td>+14.2%</td>
</tr>
<tr>
<td>Total</td>
<td>17.3%</td>
<td>+12.1%</td>
</tr>
</tbody>
</table>
### Adjusted Operating Profit 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><strong>2018/19</strong></td>
<td>21.2</td>
<td>12.9</td>
<td>13.6</td>
<td>47.7</td>
</tr>
<tr>
<td>Underlying movement</td>
<td>(1.6)</td>
<td>0.3</td>
<td>0.8</td>
<td>(0.5)</td>
</tr>
<tr>
<td>FX</td>
<td>1.4</td>
<td>1.3</td>
<td>0.6</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>2019/20</strong></td>
<td>21.0</td>
<td>14.5</td>
<td>15.0</td>
<td>50.5</td>
</tr>
</tbody>
</table>

**EBIT Margin**

<table>
<thead>
<tr>
<th></th>
<th>2018/19</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials &amp; Characterisation</td>
<td>15.4%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Research &amp; Discovery</td>
<td>10.3%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Service &amp; Healthcare</td>
<td>26.7%</td>
<td>27.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15.2%</td>
<td>15.9%</td>
</tr>
</tbody>
</table>
Cash Flow

Working Capital
Inflow: £10.1m (2019: inflow of £2.8m)

Effective tax rate
18.8% (2019: 21.8%)

Pensions:
Accounting asset: £30.7m (31 March 19: £2.6m) Cash cost of $3.4m to terminate US defined benefit scheme

Cash conversion: 124% (2019: 100%)

[Diagram with detailed cash flow components and values]
Currency Exposure

<table>
<thead>
<tr>
<th>Currency</th>
<th>Sales (£m)</th>
<th>Adjusted Operating Profit (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>(77.5)</td>
<td></td>
</tr>
<tr>
<td>US Dollar</td>
<td>163.1</td>
<td>70.2</td>
</tr>
<tr>
<td>Euro</td>
<td>63.3</td>
<td>39.7</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>36.3</td>
<td>21.0</td>
</tr>
<tr>
<td>Chinese Renminbi</td>
<td>3.7</td>
<td>(5.6)</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

£m equivalent
FX Sensitivity

• Favourable currency impact in FY 2019/20: AOP: +£3.3m

• Estimated FY 2020/21 currency impact
  – Assuming current hedges as at 31/03/20 and no change from 31/03/20 spot rates, currency sensitivity against FY 2019/20: Revenue: +£6.0m; AOP: +£2.0m

• Transactional & Translational FX sensitivity: FY 2020/21
  – Assuming current hedges as at 31/03/20 and a 5% strengthening of Sterling against major trading currencies from 31/03/20 spot rates, currency sensitivity against FY 2019/20: Revenue: (£9.0m); AOP: (£1.5m)

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

Rates assumed 31/03/20 – GBP:USD 1.24; GBP:EUR 1.13; GBP:JPY 134
Finance Summary

- Reported revenue and AOP ahead of last year and broadly in line at constant currency, despite the effect of covid-19 on Q4 trading

- Good operating cash conversion of 124% and proceeds from disposals push net cash up to £67.5m (£70m at the end of May 2020)

- RCF undrawn leaving c.£110m of facilities and headroom of c.£205m

- Actions to protect cash include PLC Board salary reduction, internal cost containment measures, suspension of dividend. Dividend will remain under review as we progress through the year
Operations Review

Ian Barkshire
Group Performance

- Strong underlying revenue, operating profit and margin growth impacted by covid-19 disruption
- Customer-centric approach supported growth from both commercial and academic customers
- Good underlying order growth across each sector, with strong growth in order book
- Engagement through technology cycle reduces exposure to market-specific disruption

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

Innovation approach

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

Market insight

High Tech Manufacturing
Providing products to support today’s manufacturing challenges & increase productivity
Group Performance – End Markets

- Broad and diverse range of attractive end markets – long term growth drivers
- Underlying revenue growth across each of our chosen customer segments
- Strong growth in Europe and North America, covid-19 disruption offset growth in Asia
- Market intimacy enabling expansion into new markets
- Provides foundation for navigating post-covid-19 disruption - find additional positive markets
Materials & Characterisation

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

- Strong underlying revenue and profit growth offset by covid-19
- Order growth supported by positive academic funding
- Increased demand across Semiconductor, Advanced Materials and Energy & Environment
- Expansion into new applications offset continued weakness in silicon semiconductor, electronics and automotive

Asylum Research; NanoAnalysis; Plasma Technology

43% Group revenue
Academic: 45%
Commercial: 55%
Semiconductor & Communications

• Continued weakness in silicon semiconductor market leading to reduced sales of imaging and analysis products

• Strong growth in compound semiconductors of our etch and deposition systems

• Growth driven by increased demand for improved connectivity, increased communications and a greener economy

• Products enabled by our technology include advanced optical devices, charging solutions for electric vehicles, power conversion in consumer electronics
Materials & Characterisation

Growth Examples

Advanced Materials

• Increasing demand for lighter, stronger, higher functioning materials

• Market drivers include safer vehicles, increased energy efficiency & reduced materials consumption

Energy & Environment

• Growth across energy generation, storage and battery applications

• Industry accreditation drove growth in forensics market

Healthcare & Lifescience

• Tailoring our existing imaging and analysis capabilities to address bioimaging applications

• Represents opportunity for future growth
Research & Discovery

Andor Technology; NanoScience & Magnetic Resonance; X-Ray Technology

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

- Good underlying revenue growth offset by covid-19 related shipment & installation delays
- Profit growth and margin improvement through operational gains and commercial practices
- Strong growth across Quantum Technology and Research & Fundamental Science
- Healthcare & Lifescience growth offset by decline in sales of optical microscopy systems
Research & Discovery
Growth Examples

Healthcare & Lifescience
• Growth drivers include disease detection, new therapies and improved understanding of disease mechanisms

• Strong growth with OEM customers across gene sequencing, drug discovery and diagnostic testing

• Products critical in global response to covid-19

• Advanced microscopy solutions remain fundamental in supporting breakthroughs in healthcare
Research & Discovery

Growth Examples

Quantum Technology
- Increased global investment
- Growth in cryogenic and material analysis platforms & scientific cameras
- New cryogenic platform enabling increased productivity & scale up

Research & Fundamental Sciences
- Increased international funding supported growth across cryogenics, magnets and scientific cameras

Energy & Environment
- Growth into food manufacturing offset weakness within oil exploration
Service & Healthcare

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

- Transforming our customer service approach - product offerings, capabilities and delivery
- Improves customer capability and productivity
- Strong revenue growth with improved profitability
- Service of third party MRI scanners in Japan in line with previous year
- New practices proved invaluable, supporting our customers through covid-19 disruption

Repair, Maintenance & Consumables
Remote Diagnostics & Support
Yield Management & Application Software
Training & Consultancy
Summary & Outlook

- Good progress with Horizon strategy, foundation for long term sustainable growth and margin improvement

- Living our purpose of facilitating a greener economy, increased connectivity, improved health and leaps in scientific understanding

- Ongoing disruption due to coronavirus with cumulative orders for the first two months of the year 3% below a weak comparator period with revenue up 3%
  - Orders in Asia up 19% offsetting reduction of 23% in Europe & 7% in North America
  - Growth in compound semiconductor solutions offsetting reduction in higher margin scientific cameras & optical microscopy products
  - Active pipeline but continued disruption across academic institutions

- Guidance deferred until later in the year when we anticipate having greater visibility of forecast trading

- Confident that our end markets are resilient and should not be weakened in the long-term by covid-19 headwinds
Thank you
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