

**Oxford Instruments
Preliminary Results 2024/25**

13th June 2025

Transcript



Disclaimer

This transcript is derived from a recording of the event. Every possible effort has been made to transcribe accurately. However, neither Oxford Instruments nor BRR Media Limited shall be liable for any inaccuracies, errors, or omissions.

Richard Tyson: Good morning everyone and welcome to Oxford Instruments' Full Year Results presentation. Before I get into the presentation, just a quick comment on the unscheduled delay to results. The delay was due to a technical accounting matter, which was raised to us in the very early hours of Tuesday morning. Our auditors have since resolved this internally. There have been no changes in our financial statements or to the disclosures since Monday. So with that, good to see you guys in the room and thanks to those of you joining us online. So I'm joined today for the first time by Paul Fry, who's been with us since January, getting to know Oxford Instruments, our teams, and our new strategy. Paul took up the role as CFO at the start of April, so welcome Paul. It's been great to get started together and I'm really looking forward to working with you to realize the full potential of Oxford Instruments.

It's been a really good year for Oxford Instruments, with strong revenue and profit growth, margin improvement in both parts of the business and a really good progress towards our medium-term targets. And I'm delighted that on Tuesday we were able to announce the sale of our quantum focused NanoScience business for £60 million, having turned around its performance during the year. Greater focus, good for margins and bolstering an already strong balance sheet, leading to the announcement of the share buyback on Tuesday. So this is what I mean by a really good year: 6.5% revenue growth, particularly strong in the second half as we signalled at half year. Double digit profit growth and importantly, a significant uplift in group margin to 17.8%. All at constant currency. Performance in our markets continued the momentum from the first half into H2, strong double digit growth in semiconductors and a good performance in materials analysis, both of which were offset by continued weakness in healthcare and life science. A robust order book gives us visibility to the year ahead, with orders up and with order backlog in line with historical norms in each division, and pleasingly a big improvement in cash conversion.

So since I stood here a year ago, we've simplified our structure, improved our operational performance, rebalanced our regional presence, and we are more focused on three core markets. Oxford Instruments is now operating as a much simpler, sharper, and commercially focused business. We said we needed to address our overly complex structure and we've done exactly that, creating two new divisions, Imaging & Analysis and Advanced Technologies,

which, with the disposal of quantum, means we can focus our investment on areas with better value creation potential. We've navigated big moving parts in market dynamics around the world with actions for change inside the business, ensuring we achieved strong growth, and I'm particularly pleased that Imaging & Analysis, the larger of the two divisions, has improved its already excellent margin by 60 basis points to 24.7%, offsetting the challenges from our imaging business in Belfast and benefiting from the integration of five businesses into one.

We've completed the regional pivot that we set out last year, proactively moving away from more sensitive markets in China and strengthening our teams in the US and the rest of Asia, importantly making them more commercial. Two wins here: strong revenue growth outside China and 8% growth in orders inside China. Moving to new segments and customers. In Advanced Technologies, we delivered strong revenue and profit growth resulting in margin improvement of 360 basis points. There were good results from our new Severn Beach compound semiconductor facility, which in the last few weeks became fully operational, and with a strong contribution from returning our quantum nanoscience business to profitability.

So we announced on Tuesday that we have agreed to sell NanoScience for £60 million to US-based Quantum Design Inc. With the transaction expected to complete by Q3, the sale will have an immediate and positive impact on group margin, which we expect to be around 190 basis points, a big step forward towards our medium-term target of 20% plus and crystallising the future value of that plan right now. It's been made possible by a turnaround in the business both commercially and operationally, and the business delivered a return to profitability with £1.1 million of adjusted operating profit versus a £5 million loss last year. The sale gives us more focus, it delivers a step up in margin, it improves revenue predictability and, most importantly it will mean we can target our capital deployment on areas of the business we believe offer better potential to create value. It gives us a net cash injection of around £55 million to an already strong balance sheet and triggers a £50 million buyback programme returning most of the proceeds directly to shareholders. Some really big strides made as you can see, and now it's over to Paul to give you some early impressions about Oxford Instruments before walking us through the results. Over to you Paul.

Paul Fry:

Thanks Richard, and good morning. So as Richard said, this is my first set of results with Oxford Instruments having joined the company in January and been in the full CFO role since the

beginning of April and I'm genuinely delighted to be here, not only from the perspective of Oxford Instruments being a strong and well-regarded UK company, but for me personally, I'm keen to be part of a business that's technology and innovation driven as well as one that has significant value upside and for me, Oxford Instruments is definitely that kind of business, and my first few months have served, have only served to reinforce that feeling. I'm also delighted to be able to share FY25's results with you today, which represent a very positive step forward on that path to value. So, moving to the numbers now, as I said, this has been a very strong year for Oxford Instruments in the face of a number of headwinds, which I'll touch on as we go through in terms of step forward, organic constant currency revenue and adjusted operating profit have both grown strongly up 6.5% and nearly 11% respectively, with revenue growth in the middle of the target range that Richard set out last year. Our constant currency margin has also improved to nearly 18% and cash conversions rebounded to 89% from a low prior year result as the working capital drags, particularly from last year, significantly reduced in FY25.

So, focusing on revenue now, here you can see a couple of the headwinds the business faced in FY25. The first is our proactive decision to cancel a substantial part of the China order book in FY24 as the company adapted to changes in the export licensing regime. This pivot meant a lower order book for the business to execute on in FY25, and as a result we saw a nearly £19 million fall in revenues from China in the period. Against that, we saw Imaging & Analysis showing a good underlying growth of 4%, which was a blend of headwinds from a difficult trading period for our life sciences-focused imaging business offset by a very strong performance in the semiconductor sector. Strong semiconductor growth also contributed to a very strong performance in our Advanced Technologies division. Outside of China, our semicon focus plasma business grew nearly 40%. We also saw orders received in FY24 from a large US customer for our quantum computing products convert into revenues in FY25, significantly boosting the revenue performance of the NanoScience business. Overall, organic constant currency revenue was up 6.5% with acquisition growth, largely offsetting significant currency headwinds, which mainly affected US-denominated revenues.

If we now double click for a moment on some of the sources of revenue growth, we can see that outside of China the growth has been pretty broad based. All of our regions are showing good growth with our larger markets such as the US, Japan, Germany, Korea, and Taiwan, all delivering double digit growth. In terms of sectors, we continue to benefit from strong commercial company

R&D investment with revenues up 13% even after adjusting our NanoScience sales. It is also worth making a couple of observations on sales to academia, which represent about 38% of Group revenues. Overall revenues from this sector fell 5% versus last year, but excluding China, again, revenues from academia grew around 4%, and then focusing on US academia for a moment, US universities represent around 12% of Group sales and we saw continued growth here in FY25 at nearly 1%, albeit bifurcated between declines in healthcare and life sciences and growth in other applications. We do see continued uncertainty in this sector as we run up to the new federal budget year in September, but we also have very strong relationships with customers in this sector and are obviously working closely with them to help navigate through this period.

Moving now to operating margin consistent with the margin progression path Richard laid out last year, the business has taken a positive step forward on that journey, with constant currency margin rising to 17.8% or 70 basis points up on last year. Progress was made in both divisions. In Imaging & Analysis, which represents 93% of the group's operating profit, organic constant currency margins move forward around 60 basis points driven by cost and pricing initiatives. We also saw a step change in the margin profile of the Advanced Technologies division, mainly through the operational leverage of higher volumes. As is clear from the chart, FX was a big headwind for the business in FY25. The Group's biggest currency exposure is the US dollar, including revenues from US customers, but also much of Asia, which, combined with an exchange rate swing of over 3%, accounted for much of the 8.5 adverse operating profit impact you see here.

And looking forward we'll likely see a continued FX headwind into FY26 and this is something of course I will be very focused on this year. Turning to divisional performance, starting with Imaging and Analysis, which contributes a large part of the group's revenues and profits, this division continues to operate at a high level. Organic orders grew by 3% revenues outside China but just over 4% and operating profit by nearly 3% and, as I mentioned earlier, this performance has been in the face of both market and operational challenges in the life sciences area and being able to more than offset these challenges is a credit to the strong team and portfolio we have, but also to the fact that the business operates across multiple sectors with a very wide range of use cases for its products.

Moving to Advanced Technologies, this division has had a very strong year, thanks to both strong growth in semicon revenues for

our plasma tools, but also the turnaround and performance in our NanoScience quantum business, which moved from a material loss last year into profit this year. This turnaround is partly due to the pull through of the large quantum computing orders I mentioned earlier, but also a focused effort on cooperation and cost improvements over the course of the year. Before moving to cash. I'll touch briefly here on adjusting items and tax. So, dealing with tax first, our adjusted effective tax rate for FY25 is lower than prior years and this is mainly accounting driven. As a result of changes related to the first tax and some historical accounting related to intercompany distributions, we expect the tax rate to return to around 25.5% in FY26.

With regard to adjusting items, there'd been no changes in the definitions in the period. Non-recurring costs were nearly £6 million higher than last year, due mainly to restructuring of our Belfast Imaging business and cost related to the relocation of the plasma business to Severn Beach. We have taken an impairment charge of around £26 million in the period, which relates to about 25% of the carrying value of our Belfast-based imaging business. This business has had a difficult trading period in FY25, facing a range of challenges including higher exposure to the life sciences market, the order pivot in China and a number of internal operational challenges. However, this is a business we continue to believe in and to see growth in and we've already put in place a number of improvement actions to get the business back on track. Despite that, from an accounting perspective as at 31st March, 2025, these plans were still in early phases and so more weight is given to the recent performance in the base forecasts triggering the impairment you see here, of course a non-cash item.

So, moving to cash note again, the business made a very positive step forward here, generating free cash flows of nearly £32 million versus £13.5 million last year. The main contributors were a significant reduction in CapEx as the Severn Beach investment moved into its latter phases and a reduction in working capital drag versus last year, albeit an increase which again will be an area of focus for me in the coming year. Looking ahead to FY 26, we expect CapEx to be around £10 million to £12 million, a reduction on FY24 once disposal proceeds are excluded and includes the final elements of the Severn Beach investment, we expect CapEx to then fall in FY27 to be more in line with depreciation. Pension contributions are expected to be around £9 million this year, but we expect these to decline significantly in following years. We expect non-recurring costs to be around mid-single digit millions in FY26 as we execute on further restructuring in Belfast and a further £2-3 million from transaction costs arising

from the sale of NanoScience. Both of these buckets of costs should not recur in FY27. So, putting all those elements together, there is a picture here of materially improving cashflow over the medium term.

So, moving now to the divestment of NanoScience, we announced earlier this week, you'll see the key terms are essentially a £60 million acquisition price at which £3 million is contingent. We're expecting the sale to close in Q3 of this financial year. We'll provide more of the proforma financial separately, but I'll focus here on FY25 for a moment just to help illustrate the impact. So, on a proforma basis, our continuing operations excluding NanoScience delivered £81.1 million of adjusted operating profit with an operating margin of 18.3%. This represents a nearly 190 basis point improvement over our pre-transaction FY25 reporting number of 16.4%. In FY26 NanoScience will be reported as a discontinued operation, meaning profits and allocated central costs were reported separately from our continuing business. Assuming a mid-year deal close, we'd expect up to £2 million of central costs to be reported against continuing operations for the remainder of the year.

It may also be helpful to think that if £2 million had been present in our FY25, the comparative margin for our continuing business would've been around 17.8%. We'll begin to tackle these costs immediately after deal close and we're aiming to ensure that no additional impact will be seen in FY27. So on that I'll now move to talk about our medium-term operating margin goals. So my apologies, there are a lot of bars on this page, but we thought it useful just to update the walk Richard presented last year from the FY24 margin to the medium-term goal of 20% plus as we saw on the previous slide, to understand underlying margin progression, we've used an FY25 comparator jumping off point of 17.8. This represents an FX headwind on FY24, followed by margin progress we've made in FY25, and now crystallizing the margin benefit of a turnaround and sale of NanoScience to arrive at FY25 comparative margin.

I've also shown an impact of £2 million of stranded costs, assuming a mid-year close. So going forward from there, we expect to see further significant benefits from the large-scale operational improvement programme we have in place. Continued volume growth would also provide us operational leverage, especially in the PSMA product lines, partially offset by mix effect. And finally, at current FX rates, we do expect a further margin headwind into FY26, but even with that currency headwind and the headwind we

saw in FY25, we continue to see the path through to 20% plus margins, much of which is in our control to deliver.

Moving to my penultimate slide, I wanted to talk for a moment about our capital allocation policy at Oxford Instruments. I've talked about the margin and cash generation profile of the business and of course the transaction proceeds that we announced earlier this week. However, it's important to underline that as a business, our first priority is still to grow and this is where we'll always seek to deploy capital first. This has manifested itself recently as investments in the Severn Beach facility, our commercial front end in the regions, and obviously our R&D investment, which we remain committed to. We're also committed to our dividend programme, and again this year we've grown the dividend in a material and sustainable way beyond these two priorities. We'll look to deploy capital either inorganically where we see a compelling case to drive growth and returns, or to return capital to shareholders via share buybacks, again where there is a compelling case to do so, which makes sense for our individual shareholders. Given our strong balance sheet and cashflow and given the sale proceeds we expect later in the year, we also announced this week our decision to allocate £50 million of capital to a buyback programme beginning shortly. Further details of that will be announced in due course.

So finally, I would like to highlight a few areas of financial guidance for our FY26 for our continuing operations that I've not already touched on. Firstly, looking at revenue, we're expecting a low to mid-single digit growth in FY26. We do expect to continue to grow solidly in our core markets, including improvement in China and our life science-focused imaging business. And to date we've adapted well to the direct effects of the new tariff environment. Alongside that, we are taking account of continuing uncertainty in the academic and life sciences sectors as well as acknowledging the macro uncertainties. We expect to see a 30 to 60 basis point improvement in operating margin from the FY25 comparator I described earlier, and we do expect to see a further currency headwind in FY26, especially in USD earnings for both revenue and operating profit, which given recent currency movements is slightly higher than our guidance at the half year. And again, as I mentioned earlier, we expect our tax rate to normalise back to around 25.5%. So then in closing, I wanted to go back to where I started the presentation, focusing on the reasons for joining Oxford Instruments. It's a high-quality company with market-leading technologies serving structurally growing markets, and many of the levers of value are under our control, and I'm very much looking forward to working with Richard and the team at Oxford

Instruments to deliver on the value goals that we've set out. And with that I'll hand back to Richard.

Richard Tyson:

Great, thanks Paul. So you've heard from Paul what we've achieved this year. I'm now going to cover in a bit more detail the strategic actions that have underpinned the progress. So as a quick reminder of our medium-term financial goals, I'm really pleased with progress accelerating the journey to achieve them. The engagement of the whole OI team around the group with this new approach has been tremendous. And now I would like to walk you through each of the areas of progress in a little bit more detail. So let's start with a look at the dynamics in the markets.

The vast majority of our revenue comes from three core structural growth markets. Here we have deep customer intimacy and our differentiated technology has applications in both academic and commercial settings. With around 80% of our revenues coming from research and development funding in commercial and academic customers focus on these areas is generating strong results. Materials analysis has continued to grow steadily through the year, up 3% with sustainable demand underpinned by the strength of our positioning across both academia and commercial, and with a consistent flow of corporate R&D, meaning we're much more immune from macro dynamics. In semiconductors, we've grown revenue by 16%. We are supporting applications across research and product development as well as volume production. We're seeing strong growth as reshoring programmes take hold and new packaging and assembly lines are set up, and this has been complemented by another year of double digit growth in compound semiconductor equipment too, supporting the development of hyperscale data centres for AI, next generation power electronics and quantum applications. Growth in these segments has more than offset the weakness in healthcare and life science where we saw no recovery in H2 with the current variable dynamics, especially in the US and healthcare and life science. I thought it would be helpful to walk you through some more aspects of the order book and the demand position for Oxford Instruments. So starting with healthcare and life science, we spoke about the weakness here in November and we knew the business had a need to improve as well. Order intake has not yet improved. It has however been stable through H1 and H2 at around £40 million in each half. As a result, although we're not yet seeing any signs of recovery, book to bill has returned to positive territory at 1.02.

There are two primary headwinds that we're working with. Firstly, the wider market is significantly weaker than in FY22 and FY23,

coupled with OEM destocking, which we do believe is largely complete. The second issue is Oxford's historical operational performance delivering mixed quality and after sales service to customers, coupled with shipment delays. This is now being fixed through our operational transformation programme. Actions are already taking effect and giving confidence that this will turn around.

Looking at the wider order book, it remains robust, with good visibility to the year ahead. Cover is broadly in line with Oxford's historical levels, especially given lead time improvements. Imaging & Analysis has around five months of order cover going into the year and achieved a book and bill of 1. Intake in materials analysis was up 13% and an excellent 32% in semiconductors. In Advanced Technologies cover sits in the historical range of eight to nine months when you exclude the NanoScience business. And as you know, orders can be a bit lumpy in this division.

Strong growth in our compound semiconductor business... order cover returned to the historical range in period one with a receipt of a \$6 million multi-year framework order for our X-Ray Technology business. Finally, regarding tariffs, we believe we're well placed to navigate the situation, although clearly it's having an impact at the macro level on global demand, around 85% of our current revenue comes from products manufactured in the UK and we've engaged positively with customers on open orders and have fully mitigated the direct impacts of tariffs so far. So, all in all with our technology differentiation, we're confident of our ability to mitigate the direct impact.

I'm really proud of the way the teams have navigated the global demand dynamics and other moving parts. This year I'm pleased to report the actions we took to exit some geopolitically sensitive areas in China are now largely complete and that the growth achieved in Southeast Asia has more than offset the impact. Our strengthened team in the US have improved sales per head by an average of more than 20% this year. This resulted in 30% revenue growth. A proportion of this is due to the first of revenue from the large quantum scaling programme, but underlying growth excluding this was also good.

Unsurprisingly, given the recent new US administration's approach to research funding, we saw some softening of order demand from US academia at the end of Q4, which has continued through the first periods of this year. Customers are dealing with the uncertainty in federal funding and the changing tariff environment. The latter, as I mentioned, we're navigating successfully. Our focus on Asia

has driven a 25% revenue growth in the region, largely from sales in equipment and services for both compound and silicon semiconductors. This is an outcome of establishing an integrated regional team across Japan and Southeast Asia, utilising the scale of resources and a more targeted sales approach by segment rather than by product.

The signs in China are also encouraging, with the teams focused on new commercial opportunities, achieving 8% growth in orders and across all regions. We've increased cross-training and improved collaboration between business units and divisions so that our customers can really understand the breadth of our offering. Viewing the Group through a fresh lens and simplifying our structure has also had a positive impact on results. Now we are targeting much more precisely what each division needs. Imaging and Analysis up 3% in revenue and margins improving by further 60 basis points to the upper end of our target range. And in Advanced Technologies, we achieved strong revenue growth and a turnaround in financial performance in the quantum NanoScience business leading to the 360 basis points, improvement in margin, very much on track to our target range, which remains our near term goal for the division in Imaging & Analysis. By layering the teams and creating an integrated leadership team, we've now got everyone moving in the same direction, fully focused on where the division needs to grow rather than on their own product line silos.

This means we're leveraging key relationships with OEMs more effectively across multiple product lines and geographies. It has also facilitated £2 million pounds of cost savings already, with more to come in the current financial year as we integrate further. And in Advanced Technologies, we've taken a bespoke approach to each of the two large businesses according to their needs. But for now, let's get into more detail of Imaging & Analysis. First I'd like to highlight the benefits of our greater integration and the positive impact it's had on WITec, our Raman microscopy business acquired in 2021. Here revenue was up 18% and orders were up 47%. So let me explain why it's made a difference. Since the acquisition, the business has continued running largely independently, but this year we have integrated WITec fully with our other Imaging & Analysis product lines with much more extensive collaboration and improved training for our regional sales and service teams. That's also enabled us to leverage WITec's position in the Oxford portfolio much more effectively. An example being new OEM partnerships for our RISE product, which combines Raman with electron microscopy and has benefited from proximity to our detector capability.

Now let's take a deeper look at how innovation is also supporting growth. We've continued to make R&D a key priority, investing £41 million in FY25, 8.2% of revenue. Where we really excel on our new product development is by making cutting edge technology easily accessible to a wide customer base, providing quick and accurate imaging results that anyone can acquire and interpret with minimal training, thereby expanding our market opportunity. Our Symmetry detector for electron microscopy is a dozen times faster than its predecessor and second to none in its outputs. We highlighted last year that this has moved from an academic technique into the commercial domain. That growth has continued, up almost 40% this year.

Our systems are also sold to laboratories across the world, often through longstanding strategic partnerships with OEMs like Zeiss. We've just launched a new collaboration with Zeiss on their ZEN core software, which brings integrated workflows using Oxford instruments, detectors and algorithms to all their electron microscopes. Demonstrating that our differentiated technology is integral to the success of our OEM partners, and our own proprietary software is also key in adding value to customers, drives loyalty, enabling them to represent and interpret data with unparalleled clarity and speed. An example is our life science software Imaris, and that's delivered good revenue growth year on year despite the wider weakness in the market.

One area when I arrived at Oxford Instruments that I saw some real opportunity was in our operational performance. We've made it a key strategic priority as I explained this time last year. and a year ago, we embarked on a major operational transformation programme. Phase one started with the cameras product line in Belfast. We've seen some really tangible progress already, including 60% productivity gain on camera production doubling output with fewer resources and an improvement in our first pass yield through the clean room to above 90% versus around 30% this time last year. This has also enabled a £3 million inventory reduction.

There's further potential for efficiency here too, as we pilot test stations that will enable us to quadruple test capacity from the same footprint, making additional floor space available for future growth. Phase two focused on the microscopy systems in Belfast and we began that in November. Here we've undertaken a whole scale product line review as a result of the initial findings. This has highlighted a small number of product lines that are not contributing enough to profitability and we've taken action as a result.

Dragonfly systems have been sold with margin-eroding discounts and many are built as complex one-offs which further dilute profitability. As a result, we've decided to discontinue these and focus on building on key OEM partnerships for our core technology instead and on our benchtop microscope BC43, we've had to dedicate engineering resource to tackle legacy reliability and production issues once and for all. This programme, together with the right sizing of the facility to address the reduction in market demand, and the recent introduction of new leadership, completes a comprehensive action plan to put the facility back on a plan to growth and improve margin.

Now, many of you will be very familiar with our brand new compound semiconductor facility outside Bristol. Having joined us down there last July, and maybe this year in January, as you'll have seen, we have a really exciting opportunity here to address the strong structural growth in the compound semiconductor market. Getting the business fully operational from its new site and driving growth and improved profitability has been a key focus for this year and I'm pleased to say we are building great momentum. Our world-class clean room is now commissioned and operational with first customer samples in progress and we generated 13% growth in revenue, profit and orders. That growth is balanced across the US, Europe and China.

One key example of this is the work with the global chip maker Coherent. We are providing equipment to support their fab ramp to six inch indium phosphide wafers in both the US and in Europe, and that's fundamental to their ability to help meet the growth in chips for AI. With the creation of hyperscale data centres, thanks to the flexibility the new facility offered, the OI team were able to deliver new capability at very short lead time to support Coherent's need to significantly increase production in short order data. Comms has been a big growth area for us this year along with power electronics and quantum applications. We're seeing growth from academic startups and some of the world's largest tech companies. And as a result, our new demonstration pipeline is up 50% year on year. Plenty to be pleased about, but lots more potential to come.

So all of this progress puts us firmly on track towards our medium term targets, revenue growth in our target range, navigating significant external dynamics, 70 basis points of underlying margin progress and a further material step up in margin to come following the sale of NanoScience

Strong return on capital employed, expected to rise to our target as margin improves and cash performance was much stronger in H2 thanks to improved focus on working capital, meaning cash conversion returned to our target range. And of course we've continued to prioritize investment in R & D and new products, recognizing that this is the engine that drives long-term sustainable growth with spend at 8.2% of revenue.

And from an M&A perspective, we're seeing the early benefits of integration of FemtoTools into our portfolio. And as I set out just now, the success of WITec this year is a demonstration of how well-chosen acquisitions boost our growth. This week's announcement of the sale of NanoScience also demonstrates a rigorous approach to value creation and active management of the portfolio, flowing through to the £50 million share buyback. To summarise, the Group's had a very good year: strong revenue and profit growth, good underlying margin progression with line of sight to further improvement following the sale of NanoScience and the opportunity to improve costs. Progress with our strategic initiatives is improving our operational and commercial outcomes. I want to thank our teams around the world for the agility that they've shown and the brilliant performance they've delivered as they embrace the changes.

Looking ahead, it's clearly right to acknowledge the level of macro uncertainty, but in Oxford instruments we have a strong business, there's a lot that we can control and we're very well placed to mitigate the direct impact of tariffs. Our actions to transform performance combined with good order cover mean we're confident that our differentiated business with higher margins will continue to deliver profitable growth. Thank you. That concludes the presentation. So with that Paul, and I'll be happy to take your questions. So I think we've got some mics in the room and I think there's an ability for anybody online to do the same. So maybe you could just state your name and complete and then we'll get that roll. Yeah, Andrew,

Andrew Humphrey: Thank you. It's Andrew Humphrey at Peel Hunt. I've got a couple and I'll wheel them out one at a time if that's all right.

Richard Tyson: Sure.

Andrew Humphrey: The first one was on healthcare and life science. Clearly that's been an improving trajectory through the year, ending the year with book to bill slightly above one seems like a kind of a development consistent with the rest of the market. I wanted to

kind of go a layer further down than that. Clearly there's a headwind on academia that suggests to me a picture with commercial customers that is maybe better than others are seeing in the market or with kind of better prospects for the year ahead than we're factoring in at the moment. Is that fair? I mean, can you talk in a bit more detail about the momentum with commercial customers in that part of the business?

Richard Tyson: So there are quite a number of moving parts in healthcare and life science as I pointed to. I think we are thinking about it in the two main buckets. One the market, and one our own control of our own performance. Clearly China, the pivot from China was a bit of the market dynamic for us. So that goes away, I guess we're not kind of calling an uptick yet, but it is pleasing that it's stabilised and returned to a positive book and bill. In the way that we thought about the year ahead in terms of revenue guidance and growth, we've factored in the thinking that as you say, the sort of commercial customers look like, that might start to improve a bit. But there's this headwind from US academia, which is very uncertain at the moment. So the two move in balance, there's possibly some tailwind, but there's clearly some macro risk there that we're offset. So we are not particularly assuming a big improvement in healthcare and life science for the year ahead at all. In fact, not much at all, but we are assuming that we will improve profitability based on the actions taken in the business in Belfast.

Andrew Humphrey: Okay, thank you. Second one is around some of the restructuring and process improvements and clearly Belfast being part of that as well. It's sort of a broad question. Clearly Oxford Instruments is a business that relies on a lot of high level research. You've highlighted in the release we're pruning the portfolio in some instances. There are some products that you've been developing and delivering that are very research intensive, very resource intensive, very low margin as a result. Clearly that kind of improves the margin mix in the near term. What measures are you introducing to ensure that that doesn't kind of staunch the sort of trickle down of high level research and just some of the more, not necessarily high volume, but some of the more profitable products, maybe less exquisite systems?

Richard Tyson: So I think I've sort of touched on it in the presentation, but we've, in terms of the product lines where we've sort of had a look at that and gone, they're a bit too, it's a more detailed example of where things are a bit too bespoke still and haven't got enough volume to go with them. But also that we've attempted as a company to take our technology, expand the system capability around it and move

into an arena where we're kind of competing with large customers for core technology. In a way we're sort of moving ourselves into a different market space. So we've gone there in the past with an ambition that's been difficult to follow through on and needed to expand our capability in our own an internal capability to do that successfully. So I think the way to think about it is we're retrenching a little bit there and we're moving that more into a partnership because the fundamental thing is the core technology the customers love, so they love us for it, they love us, they love the products we're getting out there and some of the sort of subsystem technologies there the OEMs want to partner with us on.

So rather than us stepping into there ourselves, we're kind of going, we're just sort of pivoting that strategy to get the growth that way and reduce the sort of drag on the engineering resource that we can put it on other products that have more volume potential. Does that make sense?

Andrew Humphrey: Yeah, yeah, makes sense. Thank you. The last one that I have for now is on the margin bridge and in the medium term and the specific components of that, I want to get you to talk a bit about how the picture now compares to when you first came out with that. The two things that struck me from that bridge were firstly the dilution from mix and I guess initially want to sense check: is that in part a function of Advanced Technologies growing more quickly and clearly at the moment lower margin, and therefore as you get the operating leverage through that business implicitly could that compound over time? And the second part of that is FX, clearly more of an FX headwind at the moment than you would've been expecting when you presented that bridge suggest there might be a reasonable amount of contingency in that 20% number should effects go back the other way.

Richard Tyson: Got it. Right. Let's start with the first one. The mix point is spot on. It's really Advanced. Originally we had a bigger mix of Advanced Technologies growth flowing through into the margin. Effectively what we've done is crystallized the benefit of the NanoScience sale now. So you've sort of taken away a headwind to mix and you've got the benefit now of what you would've achieved in the future, if that's a reasonable way to think about it. But the mix is still there because that's a lower margin business at this stage. We've always said 10% to 12% is the first milestone for that. And compound semiconductors has got a much better chance of moving beyond that range than the NanoScience business ever had, to be clear. So we thought that was a sort of ceiling for them. So then in terms of FX, yeah, I mean look, you're right, there's an awful lot more FX on that bridge that we have been offsetting in

year and are doing next year as well. So if it moves the other way, yes, that would be nice. But the point of the bridge is we've got it in our control to get there and as we said, the actual results at 16.4% for this year, the removal of NanoScience, the underlying improvement in the business, we're going to get to around 18% in the year ahead in that kind of area. So in one year we've gone 200 basis points up the bridge with 200 to go.

Andrew Humphrey: Great, thank you

Richard Tyson: Thank you.

David Farrell: Thanks. Morning, David Farrell from Jeffries. A couple of questions from me just in terms of the timing of the sale of NanoScience. Clearly you turned around from a £5 million loss to £1 million operating profit. Look at NVIDIA's CEO earlier this week saying that quantum computers were at an inflection point. Why sell it now rather than run it for a couple more years and deliver some top line growth and realise even more value?

Richard Tyson: I guess that's always a judgment, isn't it, David? In terms of the progress you make versus the future potential that we saw in the business in terms of where we thought margins could go to what we saw in growth over the next five years or so, and also taking a hard look at the return on capital employed that we get from the business and it's delivered in history. So its historical performance has been a challenge for Oxford. Maybe not a visible one, but it has been. And we were really pleased that the return, what we managed to do in the return to profitability but didn't see huge steps from there, it would take a while to keep moving up with the revenue potential. So the judgment based on the inbound interest, we checked the market out and I think we got full value for it and we're happy.

David Farrell: Okay. Second question around semiconductors, both traditional and compound, the market commentary is pretty poor, your numbers are good, your order intake's good, your outlook seems pretty upbeat as well. Can you just maybe explain to us particularly why Oxford Instruments seems to be outperforming the market here?

Richard Tyson: So the first part of the answer to that question on semiconductors is the compound semi business, as I say we've shown you all of the detail of where that's coming from. So the hyperscale data centres, quantum activity, next gen power power chips. So that's been driving, I think I commented in the speech, that's 13% compound growth that's going on there. On the silicon side, particularly the

detector business, electron microscopy is getting bought as supply chains relocate around the world. I think it's a good demonstration that we provide great technology that's wanted for the development of new product as well as sense checking existing product when you put new capability in. And from our perspective, we've launched a few new products that I touched on in the present. So Rise is the WITec, Raman electro microscopy specifically focused on semiconductors and some of the recent detector launches have got traction going out into the market. So it's Oxford Instruments activity and action that's driving our growth in that market, probably coupled with a bit of that sales effort in the regions, which is obviously part of the activity.

David Farrell: And then final quick question just on M&A pipeline, quite a lot of flux in the market I imagine, is that hindering your ability to do deals? And just kind of as a follow on question there, what you are looking to buy, would they typically be above that 20% operating margin, or would you buy businesses where actually you think you can deliver value through boosting margins?

Richard Tyson: So I think in terms of the focus on the M&A now, we've clearly had quite a lot going on in terms of the organic driving the business plus the project for NanoScience. But we've in the last few months really had a good look at refreshing the pipeline. There's a range of targets there that we're looking at and interested in, and a range of sizes, although we probably would steer away from the really small stuff unless it was super compelling now - it just makes things a bit too complex for the effort. But in terms of obviously the balance sheet provides good flexibility and in terms of the type of business and margin profile, I don't think we're looking to turn things around. So we're looking for quality businesses that we can bring into this Oxford Instruments business model and get value from. WITec, that sort of business is a good example of what we'd like.

David Farrell: Okay,

Richard Tyson: Thanks.

Richard Paige: Hi, Richard Paige from Deutsche Numis. Hi. Keep to the tradition of three as well please. You mention in your piece on the NanoScience sale, one of the advantages, obviously revenue predictability across the business and obviously that's been a challenge for Oxford historically. Is there much more you feel you can do on that front or how has that shaped changing within the business for you? Is there anything more you can push on internally?

Richard Tyson: Post-sale, you mean?

Richard Paige: Yeah,

Richard Tyson: Yeah. So I think in general we're working on that with the team around the business to get it's, I guess it's you think of it's part of standard operational drum beat type processes. Severn Beach gives us that opportunity in compound semi that made a step forward this year. There's probably more that we, well we've certainly got our sight on more of that looking forward, but the same's true in each of the business locations and the programme in Belfast will deliver, definitely deliver that for the future. So yeah, there's opportunities to do that and make it, I think as we do that we'll make the business more efficient as well.

Richard Paige: Excellent, thank you. And then obviously one of your key tenets when you came in was to look at, and it's been a chagrin of previous management, trying to boost the service element of sales here. Obviously you've seen the split out, you've done quite a lot of work in the US. Where are we with own service capability?

Richard Tyson: Yeah, good question. I haven't really talked as much about that in the presentation. It's really because we're, I think the early phases of trying to make the differences out there. There's pockets we've gone after where we really needed to sort ourselves out, put it that way. But I think the broader, more comprehensive drive for growth in services is in the foothills. It's absolutely part of the plan going forward and we could pull some of that out on the bridge ultimately assuming we're successful because it ought to deliver higher margins as well.

Richard Paige: Okay, thank you. And then a nice boring one for Paul to set in H1/H2 weighting. In terms of this year, the year ahead, what's the thinking?

Paul Fry: Well, we certainly want to flatten it a little versus last year and I think NanoScience divestment will help with that as well. They certainly had a very, very strong half to, and I think just generally speaking, the way we're managing the business and holding people to Cannes is to get a more balanced delivery across the year. So I would hope and expect to see it more balanced than it has been in the previous year.

Richard Tyson: Okay, thank you. Thanks Rich. You want to go Tom?

Thomas Rands: Thank you. Good morning, Thomas Rands, Berenberg. Just two questions rather than the usual three, first one just on Andor you

mentioned that you've found further kind of efficiency improvement areas as you've got deeper into that business. I was wondering if you can give any more colour or light on what you've found and the timescale. So fixing those new areas of potential improvement.

Richard Tyson: So there were some things that were relatively obvious at the start, which is why we went straight to the volume area which in Andor always was in Belfast, the cameras. But as we sort of got into the systems, as I sort of said before, it was clear that we were expanding our reach into parts of the market where we'd had some initial success, but that hadn't followed through. And when you looked at voice of customer from that, it wasn't that great in terms of delivered quality and service, but they loved the technology. So we've basically, as we've got it, that wasn't really obvious at the first assessment of the sort of business activity and product. So it took the team getting deep into it to figure that out. So what that's meant is we've basically looked at restructuring the way that we're thinking about the product strategy there, which should mean a reduction in some of the less profitable product lines, thereby helping margin, but also more focus on areas where we can get growth from it. Looking at those partnerships that I talked about before. So helping to return growth, definitely reducing the drag on margin and getting that back to where they were more in line with the kind of division average.

Thomas Rands: Thank you for clarifying. Second one was just as the business evolves and you've talked about focusing more on commercial customers and moving away from the, well, not moving away, but enhancing the tradition of the academic R&D lab focus, what sort of initiatives are you working on that you can talk about that will help us understand how you're going to market to get a greater share of that commercial customer base?

Richard Tyson: I think I'd point to, so firstly really important thing, we love our academic space. It is what gives us long-term technology visibility that helps us bring it back into the business for the voice of that side of the customer and the market. So we can build that into our product development thinking to make sure that we're capitalizing as best we can with the commercial space. Just to be really clear about that, I think it's important to remind everybody that that is part of the DNA of the Group and it's part of the differentiation of the Group I think in terms of the reach that we get from it. So if we then come into the commercial area, I think I'll just to simplify it, put it two ways, Tom. It's kind of like getting consistency in the way that we're going to market in each of the regions with the sales teams, the reach, the training, the understanding.

We're doing cross training, we've got backup experts going in there and that's the model we're using in each of the regions. That was not consistent, that is now happening around the world. We've done the US, we've done Southeast Asia, we've got China, Europe's only just starting, just hired a new leader in Europe, we're setting up Europe. So Europe for this year ahead. I'm optimistic that we can make a bit of a difference there. And then the other part of it is to really think through strategic partners. So thinking about the OEM-type dynamic where we can partner with somebody who are interested in our core technology and use their channels once they've developed a product together with us, or a solution with us, or looking at areas where we can mine deeper, bigger commercial customers that might have multiple capability. I mean, one where I was recently was a very large automotive battery manufacturer in China who have 20 divisions. We're selling into one of them principally, but it's a fully vertically integrated kind of model at the moment almost to be self-sufficient. And that's one of the examples of where it's not a technically sensitive area in China that we've got commercial opportunity.

Thomas Rands: Okay, great. Thank you.

Richard Tyson: Thanks. Do we have any online? Yes, we do.

Moderator: Yes, we have some questions on the webcast before I begin. Just a warning, there will be a fire alarm test at 11:00 AM so please remain in your seats. So our first question comes from Lush Mahendrarajah at JP Morgan who asks, can you talk about how trading has been in the US in the first couple of months of the year? Have you seen any big differences in April and May given Liberation Day?

Richard Tyson: Thanks Lush. Yeah, good question. So I did talk in the presentation about some of the US academia. We saw a bit of drift linked mostly to the NIH funding in Q4, which was a sort of drift in order intake that was sort of £5-7 million or so in Q4. So that obviously impacted stuff that might have made the order intake look a little better if that hadn't happened moving into period one and two, quite honestly, it's quite hard to pick trends in period one and two, the tariff impact, it meant a blend of things, volatility and anything to do with US customers. We probably took first two to three weeks to figure out and not shipping very much, figuring out order backlog. I think I talked in the presentation that we've literally gone through systematically about \$100m worth of order backlog to sort that out with customers, which has all been now sorted, as I said. So demand dynamics a bit up and down really in period one and two and hard to take much from at this stage, just as

customers work out where they're at. And obviously we have to agree the tariff impact at the same time.

Moderator: Thank you. The next question from Lush is with quantum now not in the advanced tech business, how should we think about the midterm margin ambitions of this division? Can it be higher than the 10% to 12% target?

Richard Tyson: Yeah, so I mean initially it's still got a bit of a ways to get up to that target, so I wouldn't change that target right now, but I think anybody that's asked me, I've been pretty consistent with this business and I think we talked about it in the capital markets day down at Severn Beach that we really do see this business medium term moving into the teens margins. So I guess the answer put simply would be yes, but not immediately.

Moderator: The next question from Lush is can you talk about capital allocation and how you think about leverage? Will you go into a net debt position and if so, what leverage are you comfortable at?

Paul Fry: I mean, to answer that question, first point is I talked about free cashflow, we made a big step up in FY25 and I think you can see a path through for next year where it would step up substantially on where we delivered at the end of FY25. So I think in terms of the business's ability to support debt, it certainly has the free cash flow to do that. I think for the right opportunities, we've talked about our capital allocation approach and if we were to allocate some capital to inorganic opportunities, for the right opportunities, I don't think there's any aversion to taking on a modest level of debt. I think one times would be sort of quite acceptable for us and perfectly able to support.

Moderator: The last question from Lush in that context, how does the M&A pipeline look and can you give us some more colour on how you think about buybacks and when you would do them if M&A was quieter?

Richard Tyson: Okay, so I mean I think I sort of answered a bit of the M&A pipeline with, I think David asked me that, didn't you, David? So I don't know whether this is additional to that Lush, but let's start with it's gone up the priority of things that we're trying to progress now, given that we've been quite focused internal and the NanoScience project, and I've forgotten the second bit of the question.

Moderator: Thank you.

Richard Tyson: Oh, buyback, sorry. I mean I think hopefully we've conveyed, particularly in the presentation, that we're looking at that in a very balanced way. So if M&A isn't moving forward, we continually consider it. I think initially we've got the £50 million pounds starting pretty well as soon as we can, basically.

Moderator: Thank you. Our next question comes from David Kneale at Coloma Wealth who asks, has everything related to quantum technologies been disposed of

Richard Tyson: Simply put, no. The NanoScience businesses is a quantum focused business, but we've got quantum activity going on in the semiconductor business in Severn Beach and we support quantum activity in other parts of the business generally. So, no, not at all.

Moderator: Thank you. And the next question from David is, please could you provide a bit more insight into the nature of your customers and their current outlook and the drivers of any potential recovery of their buying decisions?

Richard Tyson: Is that life sciences? I don't know whether that question came before the one from the floor, but I think I've answered it, I think. But David, do ping us if you feel you haven't got that directly.

Moderator: Thank you. That concludes questions from the webcast. I'll now hand back to the management team for any closing remarks.

Richard Tyson: Very good. Well look, appreciate the flexibility this week. Good to see you here this morning, and thanks for joining us online and we'll look forward to seeing people on the way round afterwards. Any further questions do let us know, but thanks a lot. Cheers.