

Oxford Instruments

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Transcript



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Richard Tyson:

Right then, good morning everyone and welcome to the Oxford Instruments Half Year Results Presentation. Thanks for joining us today. Morning. We provided an initial overview of the shape of the first half of the year in our trading update a few weeks ago. Today I'm going to begin with the key highlights of the period and then I'll hand over to Paul for the financial review before returning to the detail on our strategic progress with some pointers into the second half and beyond. There'll also be an opportunity for questions at the end, both in the room and online.

Since we last met in June, we have made another six months of good progress on our strategy to simplify the group, improve commercial execution and realign our regional presence, laying the foundations for future growth and margin expansion. At the same time, the team have had to contend with more significant disruption than anticipated in the trading environment as a result of the global tariff and trade volatility coupled with the funding challenges in academia. As the results show, the first few months of the year were challenging in our higher margin Imaging & Analysis division while we were working with our customers to align on a new trading landscape. By contrast, in Advanced Technologies, we've made great progress, with 25% order growth coming from our compound semiconductor business, attracting increasing numbers of commercial customers focused on R&D and production. Across the group, our market-leading technology and expertise continues to position us for good growth in structural growth markets. So, despite the disruption in Q1, we ended the half with positive orders and book-to-bill and Q2 order momentum back to that of the prior year. We entered the second half with a full order book to support another year of good growth in Advanced Technologies and with demand improving in Imaging & Analysis, we expect to deliver a strong H2 broadly in line with last year. We're seeing a good return on our investments in technology with a number of new recent product launches and I'll share more about those later.

Cash conversion was moderate in line with prior H1 periods for Oxford and reflects the trading and conditions. We expect it to normalise to our target levels in H2 with strong free cash cashflow ahead. The balance sheet is strong with net cash at £45 million and around £57 million from the sale of NanoScience to come. Our share buyback programme is well advanced with just over £30 million that's been returned to shareholders since June and we'll be extending it by a further £50 million to a total of £100 million. Now I'd just like to zero in on the Q1 - Q2 dynamics - and there were two main factors to keep in your mind. Firstly, tariffs and their impact on trading and secondly, US academic funding. Let me take you through the slide starting on the left-hand side. We had anticipated some softening of demand from the US administration actions, but the impact turned out to be more extreme in Q1. As a major exporter, we've been managing multiple changes in the global tariff landscape since 2 April. Customers have had to re-evaluate their budgets and spending plans while others have had

to request additional funding over and above that allocated to support new purchases.

Initially, we focused on working with customers to reprice the open order book to cover tariff and then moved onto active quotations in the opportunity pipeline. And as we indicated in June, we were able to protect margin and achieve recovery of new tariff costs, meaning our strong contribution margins have been successfully maintained. Q1 also saw significant cuts proposed to academic funding by the White House. Shown here in billions of US dollars, we show this in the chart in the middle, the grey bar, meaning a sizable reduction in funding was being digested by our customers in the US, leading to delays in purchases. As we move into Q2, the chart shows you the evolution of the proposals as they went through Congress. We're seeing a potential normalisation of US funding shown in the orange bar back to prior levels, with the National Institute of Health and the National Science Laboratory, starting to give customers more confidence their future funding will be intact and to start buying again.

Our US team has also been proactive in helping customers seek new funding sources and build up our commercial customer base. Moving back to tariffs, for some product lines, we have also worked quickly to relocate some assembly locations to help our opportunity and mitigate the tariffs. And then with the retaliatory imposition of restrictions on rare earth supply impacting supply chains, our engineers have created new engineering solutions and helped to re-source supply where possible. So, despite many distractions and impacted demand patterns, the whole Oxford team have done an excellent job to overcome the headwinds and deal with the fluctuating demand challenges culminating in the environment stabilising through Q2. So, with that, let me hand over to Paul for a deep dive into the numbers.

Paul Fry:

Thanks Richard, and good morning. So, moving to the first slide, I wanted to first highlight that all the information presented today is for continuing operations and excludes all revenues and expenses directly associated with our NanoScience business, which is now reported under discontinued operations. As Richard has already explained, despite the disruption to order intake in the first quarter, overall orders have grown in the first half on a constant currency basis and flat on a reported basis. However, the profile of order intake over the first quarter has had a significant impact on revenue recognised in the period. Our Imaging & Analysis business runs on relatively short lead times, meaning the gap in orders has directly dropped through to revenue in the period. In our Advanced Technologies division, we've seen very strong order growth throughout the first half with a step change in Q4 of last year. Revenue is yet to pull through as a result of short-term shipment delays and lead times in this division, but we are expecting strong revenue growth in H2. Both gross margin and overheads are in line with the last year and with a relatively fixed cost base in the business, changes in revenue quickly fall through to adjusted

operating profit and AOP margin and we've seen this drop through in H1.

Moving to revenue in more detail, the Imaging & Analysis division was most impacted by the order profile we saw in the first half. Whilst opportunities in the form of confirmed customer interest continued to rise in the first half, customers have taken longer to convert these to firm orders. In Advanced Technologies, order growth has been consistently strong since Q4 last year, but given some timing delays and lead times in the division, we are yet to see this growth pull through into revenue. However, the order book is full for the year and we expect to see early teen revenue growth in the second half as we execute on this. Currency has continued to be a headwind in H1 versus the prior year with sterling strengthening versus the US dollar, but we've seen that trend reversed recently and I'll touch on the impact of this later.

Imaging & Analysis, so this slide gives you a snapshot of the profile of Imaging & Analysis in the first half. Here you can see the uptick in both orders and revenue in Q2 versus a low Q1, with orders moving back in line with the prior year, but revenue still lagging this recovery. On the right you can see order intake by end customer type, which shows a broad-based impact across both commercial and academic customers. US academia has been quite resilient in terms of order intake, but revenue in the first half was heavily impacted, down nearly 25% on the prior period. The book-to-bill ratio for this division is above one and we expect I&A to trade in line with H2 last year. So far, Q3 is tracking in line with our expectations, but order intake for this quarter will be key and we plan to update the market on progress in mid-January.

On the next slide, you can see the same data cut for Advanced Technologies where you can see the strong and more consistent order growth in both Q1 and Q2, building on a very strong Q4 from the last year. Whilst revenue in Q2 was significantly higher than Q1, we are yet to see this growth pull through into revenue due to the timing delays in lead times I mentioned just now. On the right you can see the significant growth in commercial customer orders, up 34%, and which made up more than half of the order intake in H1. This shift has been accompanied by increasing numbers of orders for larger multi chamber systems, mainly from the US and Europe-based customers. This has contributed to higher average selling prices but also to longer lead times. Academia outside the US has grown strongly in H1, mainly large systems for quantum-related semiconductor applications in Europe. Again, as we execute on a full order book, we expect to see this translate into early teen revenue growth for the division in H2.

So, moving to adjusted operating profits, you can see the drop through to operating profit from the H1 revenue gap. Gross margin was steady at 55% and overheads fell slightly. Given the relatively fixed nature of the cost base, incremental revenue converts to incremental operating profit at a very high margin and we expect

to see this strong operational leverage effect in H2. As I mentioned earlier, currency has continued to be a headwind in H1, impacting overall margin by around 100 basis points. For the full year we're expecting I&A to move back into its target margin range and to see continued margin progression in Advanced Technologies.

On the next slide, you can see the bridge to our statutory results. We've made no changes to the definition of adjusting items and most of the non-recurring or exceptional costs here relate to Belfast restructuring and the move of the semiconductor business to Severn Beach, including the sale of the Yatton site, all of which were ongoing at the beginning of the year. We expect all of these projects to have concluded by the end of this financial year. Discontinued operations is reported here on an after-tax basis and includes all transaction-related costs. Pre-tax discontinued operations made an adjusted loss of £2.2 million in half one.

And then moving to cash flow – clearly the fall in operating profit in the first half has fed through directly into free cashflow generation, albeit an improvement of around £7 million on the prior year. The working capital movement larger reflects the normal shape of H1 and is down on the same time last year.

Inventories are higher than the year-end mainly in preparation to execute on the second half order book. We expect working capital to be less of a drag in H2 and we expect cash conversion to return to over 80% for the year. As I mentioned back in June, I think it's worth under underlying again the positive cash inflection we see coming next year. Capital expenditure this year is benefiting from proceeds from the Yatton site in August with underlying CapEx around £5.5 million in H1, but following completion of Severn Beach, capital expenditure will be lower than recent years and normalising at levels much closer to depreciation. Our structuring programmes will complete this year, meaning exceptional costs are not expected to be material next year, and following engagement with ahead of a policy buy-in, we now expect to make no further payments to the group's defined benefit pension fund in the remainder of this year or beyond. This means a £4 million upside to guidance we gave for FY26 and a further £4 million benefit in both FY27 and FY28, so a £12 million improvement versus our previous expectations for the three years. These, combined with operational cashflow, will have a material effect on free cashflow next year. Our cash balance is strong, ending the half at £45 million after investing £25 million in the share buyback programme and before the receipt of gross proceeds from the NanoScience sale expected to be around £57 million.

Which then leads me to reconfirm our capital allocation priorities, which have not changed since I presented them in June. Our first priority remains profitable growth, and this is where we will always seek to deploy capital first. We will continue to invest in opportunities to improve productivity, to drive order growth and to

develop new products. We're also committed to our dividend programme, and given our cash balance, the confidence we have in future cash flows, and our strong dividend cover, we've grown the interim dividend again, up 6%. Beyond these two priorities, we will look to deploy capital either inorganically, where we see a compelling case to drive growth and returns, or return to shareholders via share buybacks, again, where there is a compelling case to do so, which makes sense for our individual shareholders. We are continuing to look actively at inorganic options but with a disciplined approach to ensure any acquisition increases the value of the company. As I outlined on the last slide, we see cashflow generation to markedly improve as we move into FY27 and so, taking into consideration all these factors, we've announced this morning that the current share buyback programme is to be extended by a further £50 million to £100 million and further details of that will be announced in due course.

And then finally I wanted to summarise some guidance for the rest of this financial year. This has not changed since our October trading update on a constant currency basis. We expect our Imaging & Analysis division to trade in line with H2 last year, with margin improving in H2 as a result of approximately £4 million of cost benefit, mainly from our Belfast-based business. And as I mentioned earlier, we expect Advanced Technologies to transition to early teens revenue growth in H2 with a significant drop through benefit to operating profit. These Belfast savings and the operational leverage benefit from a growing semiconductor business give us confidence that we can grow operating profit in the second half on the prior year and finish the year broadly in line with last year, ignoring the impact of currency. Currency is a continued headwind in H2 and in the guidance here we've assumed a US dollar rate of 1.34 for the rest of the year, giving us a headwind for the full year of around £5.5 million. The impact of changes in these rates this year will not be very significant given we are largely hedged for the remainder of the year, but if Sterling continues to weaken to the levels we've seen recently, certainly to 1.30 or below, we would not expect to see further effects of headwind in next year's results. And with that I'll hand back to Richard.

Richard Tyson:

Great, thank you Paul. So now I'm going to walk you through some of our progress that we've made on our key strategic actions. This progress has given us clear line of sight to margin improvement and future revenue growth. I'm going to start with Imaging & Analysis, the larger of our two divisions. The Imaging & Analysis division brings together all of our small-scale imaging, microscopy and camera product lines with similar customer bases and go-to-market strategies. It currently generates around three quarters of the group revenue and the vast majority of the group's profit, given its very good contribution margins with recent full year operating margin operating in the range of 22% to 24%. I've already covered the first half disruptions and our actions in response and we're expecting a much stronger performance in the second half,

supported by the self-help actions on cost and efficiency in Belfast and our usual improved H2 seasonality. So, let's take a closer look at the three main markets in which we operate. In materials analysis, our products are ideal for analysing the widest range of materials across multiple sectors and although we started out in academia, we're attracting more commercial customers as companies seek to test properties of new materials and products and to carry out quality tests and failure analysis on those in production.

With the constant demand for better and more sustainable materials, we anticipate a mid-single digit growth over the medium term. We also support a strong and growing presence in the semiconductor market where demand has been exceptionally strong in recent periods. We operate right across the life cycle supporting customers at every stage from academic research to corporate R&D through to packaging test and failure analysis. Significant long-term investments in security of supply and productivity are driving market opportunity for many years ahead. And our third key market in this division is healthcare and life science. As you know, the global market has been subdued over the last couple of years following COVID, with some customers overstocked. Although demand patterns have remained weak, they have been stable for a few periods now and we're starting to see some early signs of improvement, with book to bill now above 1, order growth in the US and China has returned and we're making positive progress on rebuilding OEM relationships with another key order secured already in H2. As well as being well positioned in our main markets, we're also in a strong position geographically: globally diversified with good opportunity in all regions. In recent years we've shifted the weight of our markets, with the US increasing and China reducing as we follow the best areas of opportunity for the business. At a group level, clearly the short-term demand dynamic has been similar across all markets, but the medium-term opportunities in these three markets are exciting, and with the great products and technology we have in our portfolio, our competitive position combined with our globally diverse business, we feel we're well placed to take advantage of the opportunities in the future.

We've also been agile in responding to the immediate challenges, given the changing trade and tariff circumstances. In Q1, we took a number of specific actions to support customers and improve the resilience of the business. These included making adjustments to a few assembly lines. We accelerated a China for China project that was already underway to meet growing demand for locally produced products. Here the plan was to produce Oxford Instruments detectors in China aligned with a number of our electron microscope partners who do the same. Our local team and supply partners successfully shipped our first products made in China for Chinese customers in the summer.

Given the uncertain trading relationship between the US and China and the proposed tariff levels, there was a risk to demand on our atomic force microscopes which are made in California. This was likely to have a sizable impact on this product line, so we swiftly established assembly of AFM products at our WITec facility in Germany for European and Asian customers. A real achievement, because we only started in April and the first products were shipped from Germany last week.

Both of these initiatives should add to our competitive advantage as well as protecting and increasing market share. We're also now working on further project to relocate some of our nanoindentation production from Zurich to High Wycombe during H2 to capitalise on our capabilities in this excellent facility. And as I touched on earlier, I'm also really proud of the US team's response in such a volatile environment. Bouncing back from the disruption in Q1, 11% order growth at the half year, that growth has been underpinned by commercial customers, notably in semiconductor, which we'll talk more about shortly, and they've also delivered 9% growth in service revenue as we increase our focus on contract sales and improve utilisation of our field service engineers. Given the historical performance of Andor in Belfast and the demand environment in life sciences. We spoke about in June, the need to turn around the business performance. Over the summer, we took the unwelcome but necessary decision to reduce the size of the workforce by 20% and we will see the financial benefit of that flow into H2. In combination with other cost reductions, we expect to see around £4 million worth of benefit in the second half.

We've also continued with our operational programme, which is delivering a 60% productivity uplift on our camera's work stream, reducing lead times and achieving a £4 million reduction in inventory, surpassing our £2.5 million target. We've also reduced the backlog of customer repairs by 30% since January. All of that is helping us to rebuild of partnerships with OEMs. I'm pleased to say we've secured two new OEM positions and won back a third since the start of the year by working closely to really understand the needs and deliver the product development that fits their requirement. Initial but important steps forward, and we're working hard to reinforce the benefits of our leading technology with customers, outlining the much stronger operational foundations we now have in place.

And finally, the product line restructure we announced in June is complete, enabling us to focus on regaining market share and improving our margins. That is being helped by the launch of a new range of cameras developed by the team in First Light Imaging that we acquired in 2024. This is just one of the important developments in the Imaging & Analysis new product lineup. Let's take a closer look at the examples of outputs of our technology investment, which is a key component of our organic growth strategy. New launches so far this year, including an extension to our atomic force microscope range, which is entering a new

market segment, delivering our typical excellent standard of imaging at a more attractive price point for customers as well as being much simpler for the non-expert users to operate. We delivered this project in record time for OI, nine months from start to finish. The second one on the chart is a significantly updated benchtop nuclear magnetic resonance instrument, which has enabled us to regain technology leadership in this space. This new model had an early success and was snapped up by GSK for one of its pharma production sites in the US. The third is that suite of new scientific cameras I just mentioned, and finally a refresh of our Raman microscope line paired with a groundbreaking new spectrometer, recognising that our market leading technology is and always will be key to our ongoing success. We are committed to a continued investment at our target level of 8% to 9% of revenue.

Let's now turn to our Advanced Technologies division where we've seen such strong order growth this year following the divestment of our NanoScience business, which in accounting terms and the results is held for sale. This division now mainly comprises our compound semiconductor business in Severn Beach here in the UK making large capital equipment for semiconductor development and fabrication. Though it does also include our much smaller components business X-Ray Technology in California. In this division, we are focused on building the scale of Severn Beach as we move from supporting academia to commercial customers as they develop new chips and establish volume production activity. There is a big opportunity to improve margin as we improve efficiency and grow revenue to more than twice its current scale in the current facility. There is a second half weighting to revenue fully covered by a strong order book which will deliver improved margins. As you've already heard, Severn Beach has delivered excellent growth in orders over the half year, trading with strong momentum.

Let's take a look at what's driving that. The business is founded on 40 years + of expertise in fabrication on compound semiconductor process development, positioning us really well to access the exciting growth potential in the compound semi market of between 10% to 20%. With the combination of our deep expertise and the significant investment we have made in our new facility at Severn Beach, we've positioned ourselves to target commercial customers developing next generation technologies including hyperscale data centres for AI and augmented reality devices. We're gaining traction delivering 25% order growth in H1 and with a sixfold increase in orders from commercial production customers versus the first half of last year.

That's supported by our world-class clean room, which is now fully operational, supporting growing number of customer samples and demonstrations. And this sampling forms an increasingly important part of the sales process, enabling us to work in partnership with commercial customers to develop and refine processes in our new

clean room. We're also starting to see repeat orders from some of these larger customers, including Coherent, as they expand their data centre presence in Europe and the US. As we grow our reach into commercial customers, we're also seeing more large systems and average order sizes increasing as well, as Paul mentioned, and as we grow the business, we're focused on doing so efficiently. The new facility is a great help with that and we've seen a 12% uplift in labour efficiency so far this year. Our operational excellence programme, which began in Belfast, is also now working at the facility to drive this forward further, and as I've already touched on, our growth is coming from key developments in technology, including AI and related developments in data centre, power efficiency, quantum and augmented reality. We have focused our R&D investments in these areas of compound semiconductor technology as we expect them to offer the strongest growth potential.

Semiconductors are made up of many layers of materials. Our plasma equipment is used to etch, that is to remove, and deposit, (to add) nanoscale layers of material to give the semiconductors their specific properties, such as greater power efficiency or better optical electronic properties. These so-called critical layer applications are where we have the most specialised technology and we can therefore win orders from our target customers and command an improved value. The rapid progress in the AI ecosystem provides us with an exciting opportunity, given our expertise in so many areas that are vital to its success. If I take you from left to right, we all know how important data centres are. Our equipment is used to fabricate the material required for latest generation of optical laser transceivers and also gallium nitride devices, key to energy efficiency.

Then there's also quantum technology development too. Here we're supporting a range of customers from leading academic institutions to startups, and also some of the world's largest technology companies as they take this technology from concept to reality. Finally, augmented reality is a further part of the future pathway for the AI ecosystem and in a particularly nice example of our role, the team are playing in development of the technologies for tomorrow. In the diagram, you can see numerous different processes. We are supporting the development of augmented reality glasses, which we have seen widely reported increase in investment in recent years, notably from the big US technology players. We're excited about the potential for these areas and expect continued growth as these rapidly advancing areas of technology continue.

So, despite the short-term disruption in H1, we have made good progress both across both divisions, all meaning we remain confident. We are on track to our medium-term targets set out last year, which you can see on the right. Through swift and decisive action, we've protected our margin structure. As growth returns, we are well positioned for another step towards to our 20% plus

goal. In Imaging & Analysis, self-help costs and efficiency will support improvement in H2 and next year, and in Advanced Technologies, the success of the strategy is evidenced by more commercial customers and a strong order book and opportunity pipeline supporting continued growth in revenue and margins.

We're also continuing to invest significantly at the top end of our target range to maintain our technology leadership, with new product launches directly from our R&D investment. Cash conversion is expected to return to target levels by the end of the year, and with the net proceeds of the sale from NanoScience, we'll boost progress to our return on capital targets and our balance sheet is strong. The capital allocation priorities mean we have already returned more than £30 million to shareholders with our forecasts for strong future free cashflow. We have announced today a further £50 million of share buybacks when the concurrent programme completes, taking the total programme to £100 million.

So, putting the short-term disruption earlier in this year behind us, I'm really pleased with the response from the team and actions on the building blocks to continue progress towards our targets.

So, to conclude, we go into the second half of the year with an improved position and good execution on strategic actions. I'm really proud of the way the teams have stepped up and found positive resolutions to unforeseen external headwinds while we continue to make progress on our priorities. It is a challenging macro environment, but we've been navigating it with agility. That performance and the foundations we're building reinforce our confidence in the ability to deliver an improved performance in the second half. With great people and fantastic technology, this is a good business, and it's improving well as we put ourselves in the best position possible to deliver growth and the benefits of margin and improved value for our shareholders. Thanks very much for your attention. We'll now hand over to the room for Q&A and also online. If you're online, do post your question, then we can moderate that after we've dealt with the ones in the room. Thank you.

Thomas Rands: Good morning. First Thomas Rands from Berenberg. Three questions if I may please. First one is around Advanced Technologies and that very strong order momentum during Q1 and Q2 and you mentioned momentum in Q3. Any kind of extra colour you can give on, should we expect a similar sort of level of growth in Q3 or is that maybe too much? And linked to that, you mentioned shipment delays. Can you just give us a bit more reasoning for what was it, internal or external causes of that please?

Richard Tyson: Sure, yeah, no problem. So, I mean obviously we're delighted with the order momentum in the first half. It's broad based. There's no one specific thing or customer or something like that that's driven

it. It's across a range of customers, and it's been great. As I said, the pipeline continues to look really good and it's building, so we're feeling good about the next couple of years ahead as well for continued momentum in the business. And yeah, there's reason to believe that Q3 could continue or certainly Q3/H2 could continue at least double-digit momentum. Paul, do you want to pick up on the delays?

Paul Fry: Mainly customer readiness. There was one which was just a logistical issue on our side, which is resolved, but it's mainly customer readiness just to receive the equipment and install it and so forth. So those were getting resolved during this half quarter.

Thomas Rands: OK, small internal but mainly external one delay. Thank you. The second one was just around capital allocation and I guess the increased share buyback. What is the M&A pipeline looking like and can you just remind us of which key areas you're hoping to find acquisitions and then linked to that with the increase in the share buyback, which is doubling - a great kind of number. Was there any discussion at the Board to have an even bigger [number] than £50 million or is that in time to come to that kind of balance between keeping your powder dry? Thank you.

Richard Tyson: Okay, sure. So, from the M&A perspective, the pipeline we're looking at remains interesting. The areas we've been focused on is really for I&A generally, and expanding either their reach principally into the US and Europe and extending the product and technology range we're able to offer to the similar customers. In terms of the pipeline, part of the capital allocation discussion is we've kicked it pretty hard in the last few months and we don't see any of the key targets coming into ability to transact in the near term basically, Tom. So that plays into, it's not a change in our view on M&A as a strategy and wanting to use it to support the Group's development going forward. But in the near term, you look at the strong free cashflow, the strength of the balance sheet, the Board's conclusion on that was that it made sense to extend the program by the £50 million. That broadly puts us, if you think 12 to 18 months out, it's putting us back in a similar position in terms of M&A potential. So, it's sort of keeping optionality I guess over that timeframe, for the strategy.

Thomas Rands: Great. Very clear.

Richard Tyson: I think the other point is it's an active continual conversation effectively about the capital allocation balance.

Thomas Rands: Good, thank you. And then there's the third one, interesting to see where the R&D and innovation's going on slide 19 - it's difficult for us as analysts to engage with which one's exciting. Which of those four key products do you think has got the most potential from a revenue and profitability point of view?

Richard Tyson: Actually, I think that the four that we put up there happen to be the ones that have come to market in the first half. They're all important moves in those product lines. I guess I wouldn't put any one of those as sort of head and shoulders above the rest. I think we've got some others coming in H2 that I think we're hoping might be sort of more comprehensive or significant. The imaging camera stuff is good. The First Light technology was a proper extension to our opportunity in camera imaging and potentially, as we said on the chart, takes us into some newer spaces and that did offer us the opportunity to secure a position with a new OEM. So that's in a development programme, so we'll have to see how that moves forward. But that was certainly good.

Thomas Rands: Great, thank you.

Richard Tyson: Okay.

David Farrell: Thanks. David Farrell from Jefferies. Two questions from me. Firstly, if we think about Advanced Technologies, you referenced potentially doubling revenue with the existing facility you have, I think you've also talked about better pricing in the order book. You just talk about what needs to happen to get to the 10% to 12% operating margin target. Is that purely operational leverage or is there an assumption that the pricing is part of that progress?

Richard Tyson: Sure, so there's a basic assumption that the mix sort of improves a bit over time, but nothing that's a sort of major step up. So, it's a continuation of what we've been achieving over the last few periods. And then it's really all about ensuring we get the revenue growth and continuing the top line, which as we've shown is in really good shape. That will be another year of double-digit growth on top of the last three. So, I think the strategy has positioned us with a balance of opportunity across the different compounds that if one's down, others are still offering some great potential for us. So yeah, I think it's really all – mostly – about the revenue growth and the leverage that comes from that.

David Farrell: And I think I'm right in saying Bruker had talked about signs of life in China last week. [Could I] maybe just get your views on what you are seeing in that market?

Richard Tyson: So, I'll probably talk I&A for China, I think we mentioned, I think in the release this morning, in general, a good data point was in the life science Andor arena that we're seeing the cameras return to some growth. So that was good in China. Overall, I think we need to do continue with certain actions like the product line that I mentioned, the entry level detector. 'China for China' is key to match it with our electron microscope partners and that definitely gets the team excited out there and there's opportunity for selling that. So, I think I'd point to a few of those things. And the overall dynamic for China is, as we said, we obviously made that deliberate reduction but then it's sort of stabilising at the level that we've seen and we're hoping for growth from there with I&A

David Farrell: Great, thanks.

Richard Paige: Morning, it's Richard Paige from Deutsche Numis, three from me please. Aligned to the former two questions on the AT business, the 25% order growth in the first half. Can you give us just a bit of flavour, because you've spoken about larger systems, of price versus volume within that and then on the pro forma numbers, you've given obviously a couple of changes since October, I understand, on stranded costs, but can you just align us as to where we are and whether there's any opportunity post the NanoScience disposal of any more stranded costs?

And then obviously it's only a month on since your trading update in October, but the second half bridge is all important, could you just talk about visibility in the order book and timing of that, particularly given obviously the last month and a bit we've been in a US shutdown.

Richard Tyson: Sure. Paul, how do you fancy doing the first two and I'll come back on the trade demand. I mean you talked a bit about the price volume increase in...

Paul Fry: Yeah, I mean certainly order growth has been very strong and as I said, it has been, it's been both academia in Europe in particular as well as commercial systems. Both of those have been around larger systems, more complex multi chamber, which has given us a higher ASP, but it does mean some longer lead times. But we don't think that's going to handicap us in terms of delivering a double-digit growth still in the second half in terms of revenue.

On the proforma, yes, we've been stabilising just in terms of what costs sit within the discontinued line versus sit within continuing operations. And so, you probably saw some slight tweaks versus what we set out in October. Hopefully that will not move again. Now obviously we've got the audit to go through, but our auditors have had a look at those numbers so far. Stranded costs are where we expect them to be in terms of quantum as we set out, in fact, slightly less actually than we set out in June. So probably around £3.5m for the year, and as we set out in June, we've got a line of sight on how to reduce those by at least half.

Richard Tyson: So, I jump in on trading Rich. Yeah, so I mean basically obviously I&A is the key one where we said we need a Q3 order intake in line with Q2 momentum. So essentially Q3 is running to expectations at the moment. So, outlook forecasts are in line. P7 kind of moves as we'd anticipated going through the quarter. So yeah, there's not a lot, there's still another two sizable months to do: P8 and P9 are sizable months like they were in Q2. But the outlook's in line with that. So hence we're sort of moving along the way we need to, I guess so far. The shutdown clearly has not been super helpful, as you can imagine in the US in period 7. So, there are a few specific orders which we were expecting to land and they've moved alongside, not having somebody to place it basically, but I think

we're expect that's obviously looking like it's normalising. We were expecting those in Q3. So, we think that risk's obviously going away. Alright?

Richard Page: Thank you.

Richard Tyson: Any more in the room? No, no more in the room. Any more online?

Operator: Yeah, we've got one question from Daniel Thornton from Shore Capital. Can you talk about the new product launches in I&A and whether these are going into industrial commercial labs as opposed to academia?

Richard Tyson: Okay. Right. So, well, the four that we talked about, what would we say about those? I guess so yeah, it's a mix. Actually, there is a few specific, so Raman tends to be specifically academia, but not exclusively, but the majority of it. But actually, the other areas are targeted at more commercial customers in general that we mentioned this morning. The higher end cameras are pretty high end and quite individual projects, but they're moving towards the commercial arena.

Operator: Thank you. No further questions from the webcast. So, I'll just hand back to you, Richard, for closing remarks.

Richard Tyson: Great, well thanks for coming along this morning. I appreciate the attention and hopefully we've managed to convey that we've been navigating a disrupted Q1 and a better Q2, so a difficult H1, but well positioned for a much-improved H2 as well as making great progress on the strategic actions, which underpin our confidence in the medium-term target. So, thanks for listening this morning. Okay.