Preliminary Results Presentation

to 31st March 2018

Ian Barkshire
Chief Executive

Gavin Hill
Group Finance Director
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03: Horizon Update
04: Operational Review
05: Summary and Outlook
Highlights

- Good progress with the early implementation of Horizon
- Transitioned to a more commercially focused, market driven Group
- Reported revenue in line with previous year
- Increased profitability and operating margin reflecting currency benefits
- Strong growth in orders and order book
- Strong growth in Materials & Characterisation
- Improved profitability in Service & Healthcare
- H2 improvement in Research & Discovery after weak first half
- Significant reduction in net debt
Finance Review

Gavin Hill
## Income Statement

<table>
<thead>
<tr>
<th>£m</th>
<th>2017/18</th>
<th>2016/17</th>
<th>Reported Change</th>
<th>Constant Currency Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>296.9</td>
<td>300.2</td>
<td>(1.1%)</td>
<td>(0.1%)</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>46.5</td>
<td>38.0</td>
<td>22.4%</td>
<td>(5.5%)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(4.2)</td>
<td>(6.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted profit before tax</td>
<td>42.3</td>
<td>31.5</td>
<td>34.3%</td>
<td>+0.6%</td>
</tr>
<tr>
<td>Amortisation of acquired intangibles</td>
<td>(10.9)</td>
<td>(12.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of goodwill and intangibles</td>
<td>-</td>
<td>(36.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of investment of associate</td>
<td>-</td>
<td>(8.0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business reorganisation items</td>
<td>1.7</td>
<td>(1.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of investment in associate</td>
<td>(2.0)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark-to-market of currency hedges</td>
<td>3.1</td>
<td>1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit/(loss) before tax from continuing operations</td>
<td>34.2</td>
<td>(26.2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing adjusted basic earnings per share</td>
<td>56.3p</td>
<td>41.5p</td>
<td>35.7%</td>
<td></td>
</tr>
<tr>
<td>Dividends per share</td>
<td>13.3p</td>
<td>13.0p</td>
<td>2.3%</td>
<td></td>
</tr>
</tbody>
</table>
## Revenue by Sector

<table>
<thead>
<tr>
<th>£m</th>
<th>Materials &amp; Characterisation</th>
<th>Research &amp; Discovery</th>
<th>Service &amp; Healthcare</th>
<th>Total*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/17</td>
<td>105.7</td>
<td>125.3</td>
<td>69.3</td>
<td>300.2</td>
</tr>
<tr>
<td>Underlying movement</td>
<td>13.9</td>
<td>(12.1)</td>
<td>(2.0)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>FX</td>
<td>(1.5)</td>
<td>(1.1)</td>
<td>(0.5)</td>
<td>(3.1)</td>
</tr>
<tr>
<td>2017/18</td>
<td>118.1</td>
<td>112.1</td>
<td>66.8</td>
<td>296.9</td>
</tr>
</tbody>
</table>

### Growth

- **Reported**
  - +11.7%  
  - (10.5%) 
  - (3.6%)  
- **Constant currency**
  - +13.2%  
  - (9.7%)  
  - (2.9%)  

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

**Group Revenue %**

<table>
<thead>
<tr>
<th>Territory</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>73.8</td>
<td>79.3</td>
</tr>
<tr>
<td>North America</td>
<td>100.4</td>
<td>92.9</td>
</tr>
<tr>
<td>Asia</td>
<td>121.2</td>
<td>119.6</td>
</tr>
<tr>
<td>Row</td>
<td>4.8</td>
<td>5.1</td>
</tr>
</tbody>
</table>

**Reported growth**

- Europe: +7.5%
- North America: (7.5%)
- Asia: (1.3%)
- Row: +6.3%

**Constant currency growth**

- Europe: +4.3%
- North America: (5.3%)
- Asia: +1.2%
- Row: +8.3%

**Orders1: reported growth**

- Europe: +12.2%
- North America: +3.5%
- Asia: +5.4%
- Row: +191.3%

**Orders1: constant currency growth**

- Europe: +8.9%
- North America: +5.5%
- Asia: +7.5%
- Row: +191.3%

1 Excluding US Healthcare
### Order Book: £m

<table>
<thead>
<tr>
<th>Year</th>
<th>Materials &amp; Characterisation</th>
<th>Research &amp; Discovery</th>
<th>Service &amp; Healthcare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>25.0</td>
<td>52.8</td>
<td>49.8</td>
<td>87.6</td>
</tr>
<tr>
<td>2018</td>
<td>34.2</td>
<td>59.0</td>
<td>40.8</td>
<td>134.0</td>
</tr>
</tbody>
</table>

#### Growth

- **Reported growth**
  - Materials & Characterisation: +36.8%
  - Research & Discovery: +11.9%
  - Service & Healthcare: (18.2%)
  - Total: +5.0%

- **Constant currency growth**
  - Materials & Characterisation: +42.4%
  - Research & Discovery: +15.2%
  - Service & Healthcare: (10.8%)
  - Total: +10.4%

- **Reported growth**, excluding US Healthcare:
  - Materials & Characterisation: +36.8%
  - Research & Discovery: +11.9%
  - Service & Healthcare: (7.8%)
  - Total: +14.0%

- **Constant currency growth**
  - Materials & Characterisation: +42.4%
  - Research & Discovery: +15.2%
  - Service & Healthcare: (2.4%)
  - Total: +18.4%

1 Excluding US Healthcare
### Adjusted Operating Profit by Sector

<table>
<thead>
<tr>
<th>£m</th>
<th>Materials &amp; Characterisation</th>
<th>Research &amp; Discovery</th>
<th>Service &amp; Healthcare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2016/17</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>38.0</strong></td>
</tr>
<tr>
<td>Underlying movement</td>
<td>2.4</td>
<td>(5.0)</td>
<td>0.5</td>
<td>(2.1)</td>
</tr>
<tr>
<td>FX</td>
<td>5.5</td>
<td>5.0</td>
<td>0.1</td>
<td>10.6</td>
</tr>
<tr>
<td><strong>2017/18</strong></td>
<td><strong>20.1</strong></td>
<td><strong>13.8</strong></td>
<td><strong>12.6</strong></td>
<td><strong>46.5</strong></td>
</tr>
</tbody>
</table>

**EBIT Margin**

<table>
<thead>
<tr>
<th></th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2016/17</strong></td>
<td>11.5%</td>
<td>17.0%</td>
</tr>
<tr>
<td><strong>2017/18</strong></td>
<td><strong>11.0%</strong></td>
<td><strong>12.3%</strong></td>
</tr>
<tr>
<td></td>
<td><strong>17.3%</strong></td>
<td><strong>18.9%</strong></td>
</tr>
<tr>
<td></td>
<td>12.7%</td>
<td><strong>15.7%</strong></td>
</tr>
</tbody>
</table>
Cash Flow

- **Working Capital**
  - Outflow: £13.2m (2017: £4.4m)

- **Effective tax rate**
  - 23.9% (2017: 24.8%)

- **Pensions**
  - Deficit: £15.3m (2017: £25.1m)
  - Annual contribution: £7.6m

- **Disposal (net cash flow):**
  - Industrial Analysis: £71.2m
  - Property: £9.3m

**Cash conversion: 69% (2017: 90%)**
## Currency Exposure

<table>
<thead>
<tr>
<th>Currency</th>
<th>Sales (£m)</th>
<th>Adjusted Operating Profit (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>48.6</td>
<td>(48.9)</td>
</tr>
<tr>
<td>US Dollar</td>
<td>154.7</td>
<td>44.0</td>
</tr>
<tr>
<td>Euro</td>
<td>55.8</td>
<td>33.0</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>32.5</td>
<td>18.8</td>
</tr>
<tr>
<td>Other</td>
<td>5.3</td>
<td>(0.4)</td>
</tr>
</tbody>
</table>

Note: The figures are in £m equivalent.
Finance Summary

• Growth in orders and order book at reported and constant currency

• Adjusted operating margin up 300 basis points to 15.7%, reflecting currency benefits

• Continuing adjusted basic earnings per share up 35.7%

• Net debt down to £19.7 million with net debt:EBITDA leverage at 0.3 times

• Significant de-risking of investment strategy for the UK defined benefit pension scheme

• Based on current exchange rates, we expect a currency headwind of approximately £3 million to operating profit in the 2018/19 financial year
Horizon Update & Operations Review

Ian Barkshire
Horizon Progress: Customer Centric Approach

• Good progress in early implementation phase of Horizon
  – Firmly embedded across the Group with positive engagement
  – Starting to see tangible benefits

• Transitioned to a more focused, market driven-Group
  – Broad range of applications and industrial segments

• Key enabling technologies underpinning shift to a greener economy, digital connectivity and advances in materials and life science

• Creating more value for existing customers and expanding our addressable markets through application specific solutions
Solutions and Application Focus
Solutions and Application Focus
Application Solutions

Battery Technology

• CypherES electrochemistry cell
• Instrumentation upgrade, bespoke data analytics
• Enables characterisation in real-time, real-life operating conditions

Automotive Industry

• AZtecClean
• Tailored software upgrade and bespoke data analytics
• Identifies contamination and its source in supply chain
Horizon Progress: Developing & Embedding Capabilities

• Transformed leadership team at operational level
  – 50% of senior managers recruited over the last two years

• Embedding best practice across sales, service and operations to augment excellence in technology
  – Overlay sharp commercial focus
  – Solution sales approach
  – Lean approach to operational excellence

• Exploiting synergies to create value
  – Leverage scale to accelerate growth and improve margins
  – £1.5 million central overhead efficiencies partially offsetting previous contribution from Industrial Analysis
End Market Segments: Revenue

**Group***
- Academic: 55%
- Commercial: 45%

**Materials & Characterisation**
- Academic: 51%
- Commercial: 49%

**Research & Discovery**
- Academic: 73%
- Commercial: 27%

* Includes revenue from Service & Healthcare
Materials & Characterisation

NanoAnalysis; Asylum Research; Plasma Technology

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

(40% of Group revenue; 49% commercial funding)

• Double digit order, revenue and profit growth across the sector

• Strong growth across US, Europe and Asia

• Focus on applied R&D and advanced manufacturing

• New products and solutions driving strong performance

• Broad market and customer base
Materials & Characterisation

NanoAnalysis

• Symmetry driving growth in advanced materials

• Ultim delivering unprecedented performance for semiconductor customers

Asylum Research

• New advanced products including Cypher EC and Cypher VRS

• Repositioned entry level portfolio
Materials & Characterisation

Plasma Technology

• Core expertise in compound semiconductors

• Enabling more compact, higher speed, larger capacity and higher energy efficient devices

• Market drivers include big data, IoT, AI and autonomous vehicles

• Growth in academic and specialist device production markets
Research & Discovery

Andor Technology; X-ray Technology; NanoScience & Magnetic Resonance; ScientaOmicron

- Strong second half more than offset by weaker first half performance
- Orders broadly in line with previous year, increased order book
- Second half improvement in optical microscopy
- NanoScience progressing on improvement plan
- Significant contribution from healthcare and life science; quantum technologies increasing

Advanced solutions that create unique environments and enable measurements down to the molecular and atomic level *(38% of Group revenue; 73% academic funding)*
Research & Discovery

Andor Technology

- Order growth supported by new product launches; revenue impacted by order phasing

- Increased demand for image visualisation and analysis software

- Growth from high performing scientific cameras
  - Astronomy, life science and quantum imaging
  - World’s first super-resolution camera

X-ray Technology

- Weaker overall performance, improvement plan in place

- Growth in healthcare applications offset by decline in industrial segments
Research & Discovery

NanoScience & Magnetic Resonance

• Complexity of order book negatively impacted performance in the year
• Improvement plan under new leadership team
• Growth in customised high magnetic systems and cryogenic platforms
• Growth in benchtop NMR solutions

ScientaOmicron (JV)

• Improved performance, divestment of non-core business
Service & Healthcare

OI Healthcare; OiService

Provides customer service and support for our own products and the service, sale and rental of third party healthcare imaging systems (22% of Group revenue)

- Improved profitability and margin
- Revenue and order growth offset by reduction in OI Healthcare

OI Healthcare

- Strategic progress
- Improved second half performance

OiService

- Increased demand for services relating to own products
- Broader range of products and services and increased after-market revenues
Summary

Good progress with Horizon, transitioning to a more commercially-focused Group

Materials & Characterisation

• Performing strongly in attractive markets

• We continue to invest in new product development to improve and expand our range of products

• Increasing addressable market through solutions

Research & Discovery

• Improved second half performance

• Recovery in optical microscopy systems, with like for like order growth in Andor

• Under performance in NanoScience and X-ray Technology depressed sector results

• Addressing the challenges through structural change and business simplification

• Self-help actions, combined with positive end markets, support improved financial performance

Service & Healthcare

• OiService: focus on increasing after-market revenue by providing a broader range of support services

• OI Healthcare: strategic shift towards higher proportion of service revenue driving greater visibility of revenue and improved returns
Outlook

• Our chosen end markets remain attractive, supported by commercial and government investment

• Our growing order book, customer application focus and drive for operational efficiencies provide confidence for the year ahead

• We expect to see an improvement in performance on a reported basis after allowing for the impact of an anticipated currency headwind, based on current exchange rates
Questions
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