



**Innovative Customer Solutions to Enhance Productivity**

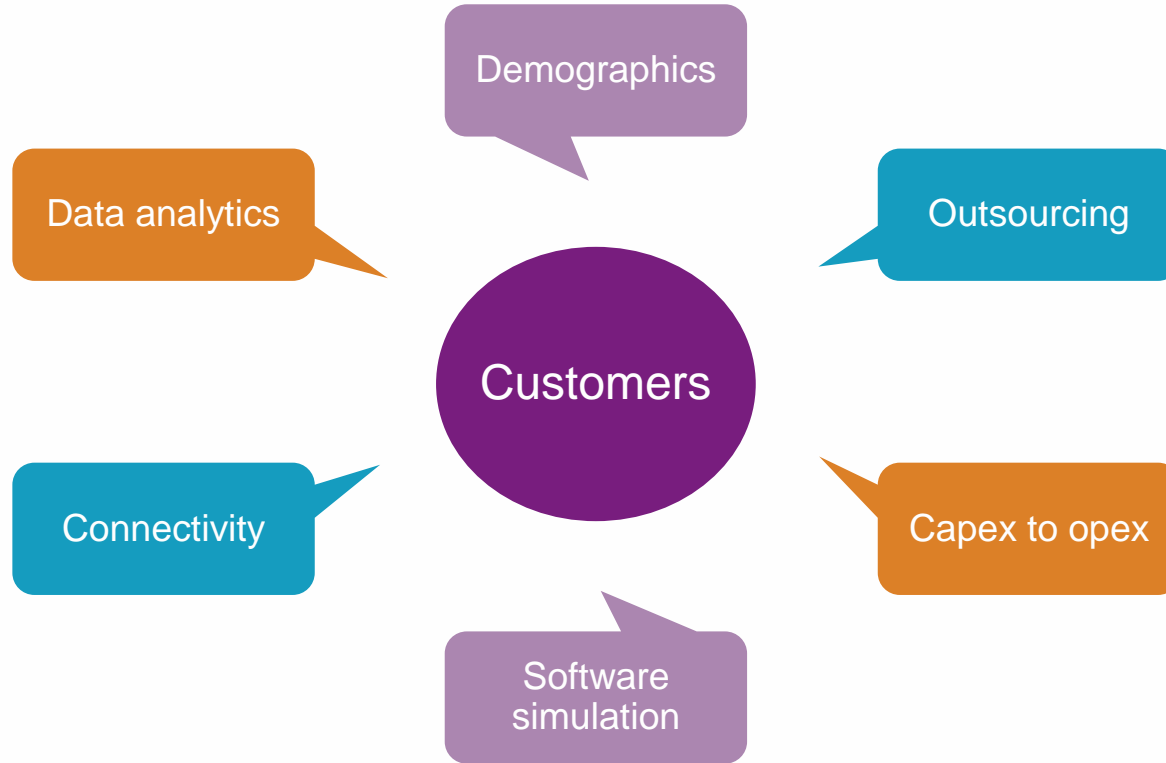
**Spectris plc**

**2016 Full Year Results**

14 February 2017

- 2016 Summary
- Strategic Progress
- Financial Performance
- Summary and Outlook

- Challenging trading conditions, but exited year with better performance
- Good cost control; strong cash conversion; dividend up 5%
- Significant progress in transition to solutions strategy as customer requirements evolve
  - Millbrook brings high-quality test service platform, expanding automotive offering
  - Six acquisitions completed; adding further software, service and testing capability
  - Merger of Malvern and PANalytical broadens customer offering
  - Project Uplift: expect £35 million of recurring savings by end 2019, cost to achieve £45 million



**Strategically positioning Spectris to align with these needs**

## Automotive test services



A major step in implementing our solutions strategy

## Project Uplift



Strategic enabler, reducing complexity, stimulating growth

## M&A adding capability



Adding further software/service/testing capability

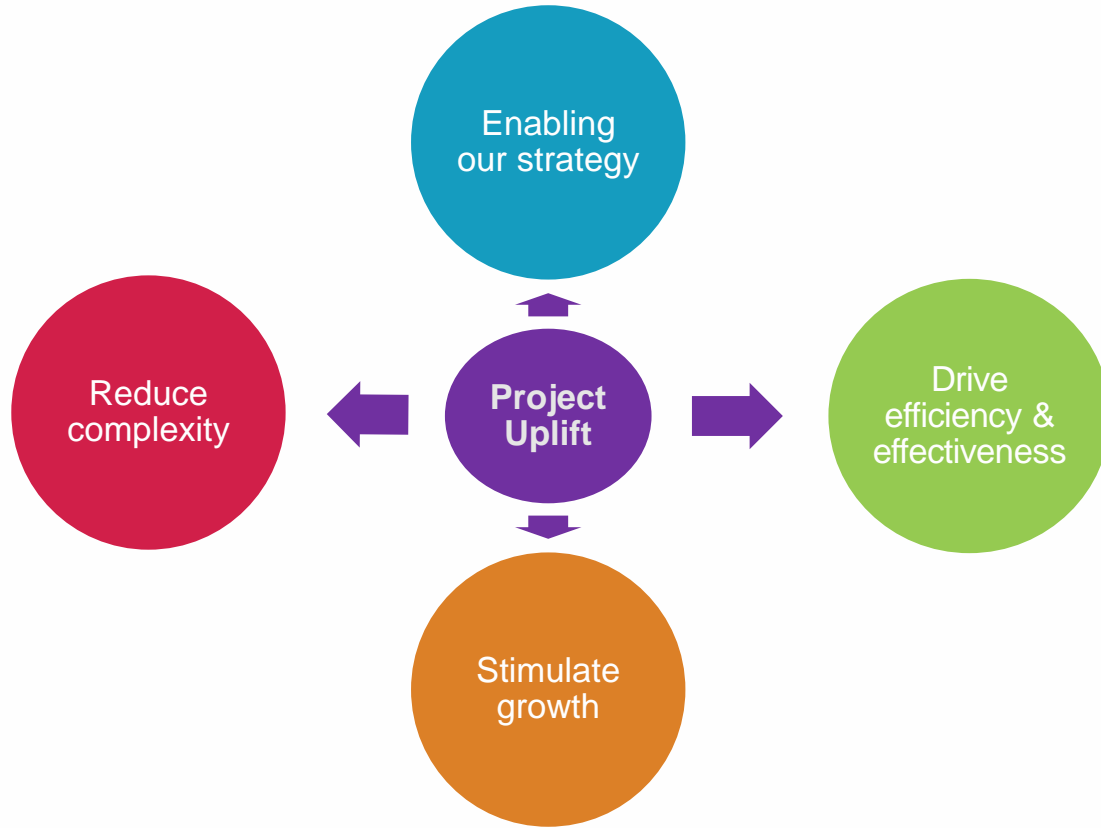
## Merging Malvern/PANalytical



A larger, stronger global player in materials analysis

- Major step in implementing our product/software/solutions strategy
- Adds test services to existing hardware & software offering to automotive market
- Enables sharing of expertise, technology and customers with HBM & BKSV
- Platform for acquisitive growth – extend services offered/expand geographically
- Significant organic expansion opportunities in 2017 and beyond
  - Increasing full vehicle test capacity
  - Additional indoor winter testing facilities at Test World
  - Adding battery testing to support hybrid and electric vehicle development





**Freeing up resources to invest in growth  
Deliver higher returns**

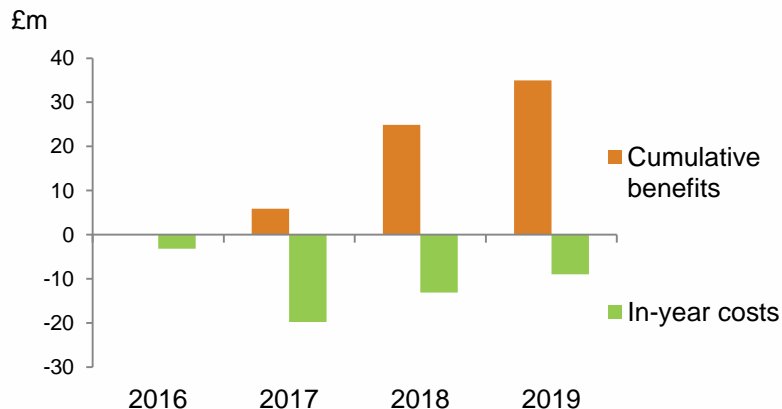
Annualised recurring savings

£35 million

One-off costs to achieve

£45 million

Phasing of programme



P&L impact in 2017

Benefit of £6 million  
Cost of £20 million

Net cost of £14 million



Phase 1

IT

Procurement

Footprint

Phase 2

R&D

Sales and marketing

Shared service centres

Lean/Business process excellence



# Financial Performance

Clive Watson  
Group Finance Director

- Reported sales growth 13%, comprising:
  - 3% contribution from acquisitions
  - 12% benefit from foreign exchange currency movements
  - Like-for-like ('LFL') sales decline of 2%
- Adjusted operating margin broadly stable, reflecting good overhead cost control
- Adjusted EPS +12%, DPS +5%
- Strong cash flow and balance sheet

	FY 2016	FY 2015	Change	Change at CER <sup>(2)</sup>	Like-for-like change <sup>(3)</sup>
Sales (£m)	<b>1,345.8</b>	1,190.0	+13%	+1%	-2%
Adjusted operating profit (£m) <sup>(1)</sup>	<b>200.8</b>	181.1	+11%	-2%	-6%
Adjusted return on sales (%) <sup>(1)</sup>	<b>14.9%</b>	15.2%	-0.3pp		
Adjusted profit before tax (£m) <sup>(1)</sup>	<b>195.8</b>	176.3	+11%		
Adjusted effective tax rate (%) <sup>(1)</sup>	<b>22.4%</b>	22.8%	-0.4pp		
Adjusted basic EPS (pence) <sup>(1)</sup>	<b>127.5p</b>	114.3p	+12%		
DPS (pence)	<b>52.0p</b>	49.5p	+5%		
Adjusted operating cash flow (£m) <sup>(1)</sup>	<b>227.8</b>	165.7	+37%		
Adjusted operating cash conversion (%) <sup>(1)</sup>	<b>113%</b>	91%	+22pp		
Net debt (£m)	<b>150.9</b>	98.6	+53%		

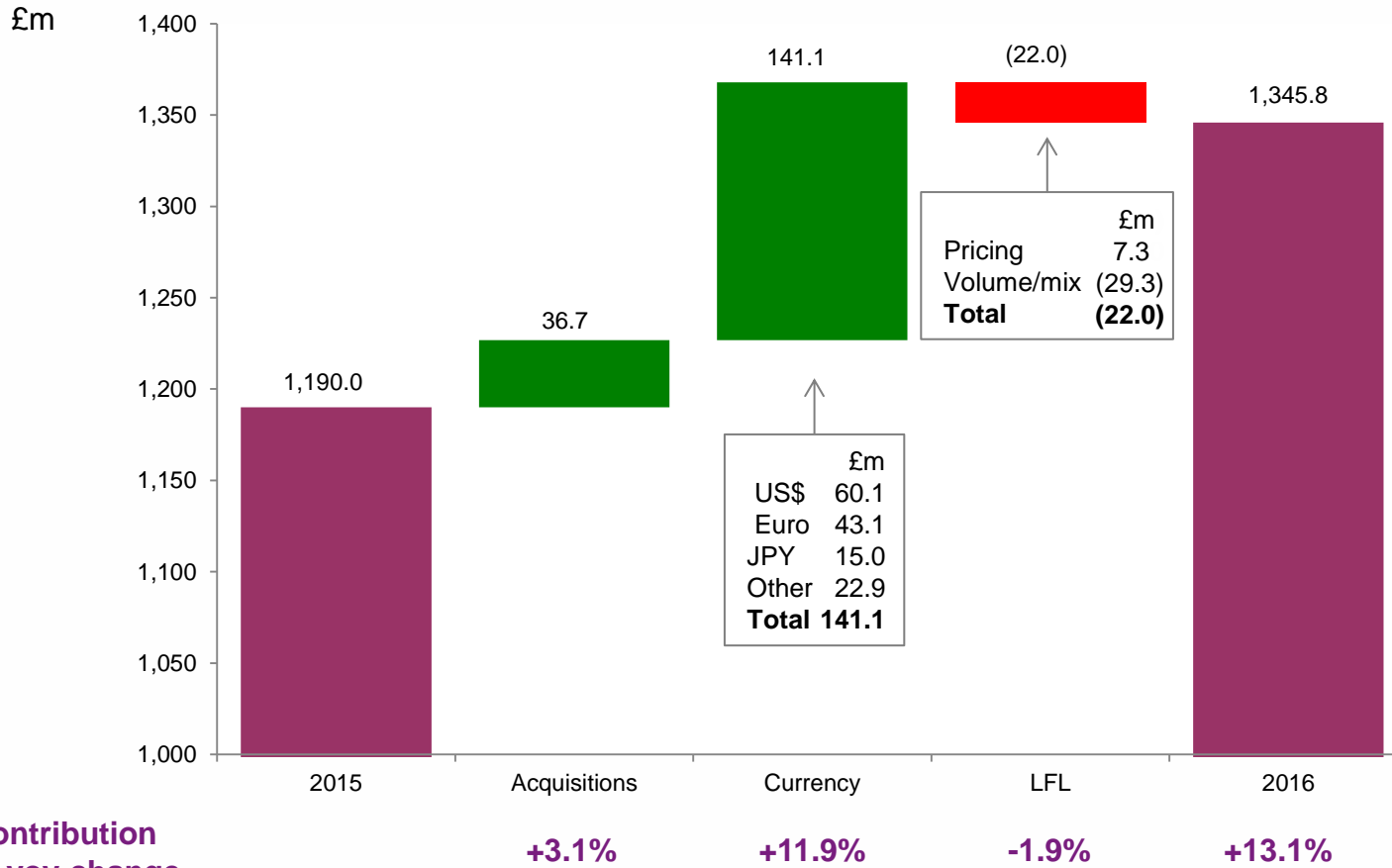
## Notes

(1) These adjusted performance measures represent the statutory results excluding certain non-operational items.

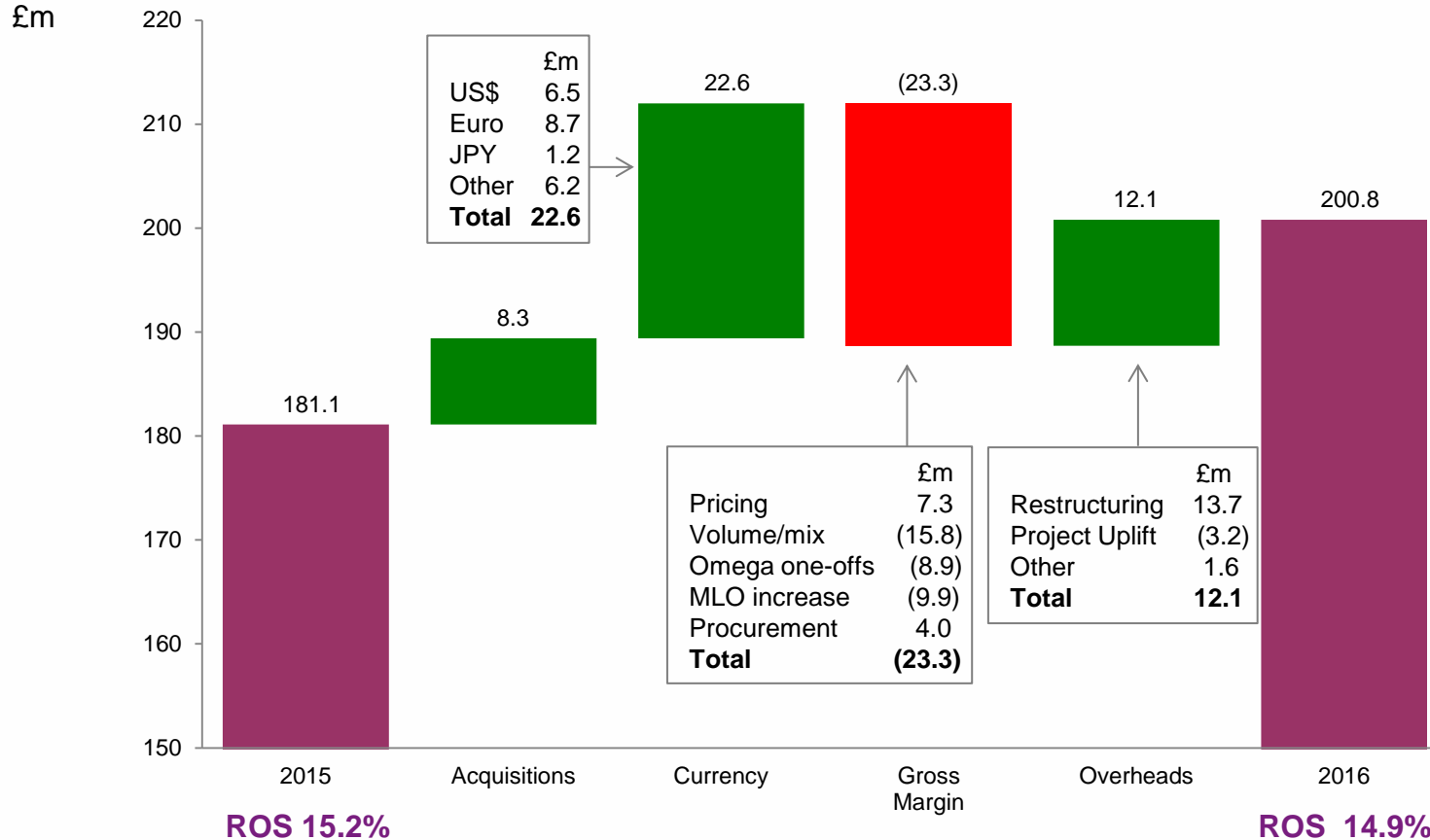
(2) At constant exchange rates ('CER') using the prior period's exchange rates.

(3) At constant exchange rates and excluding acquisitions ('LFL').

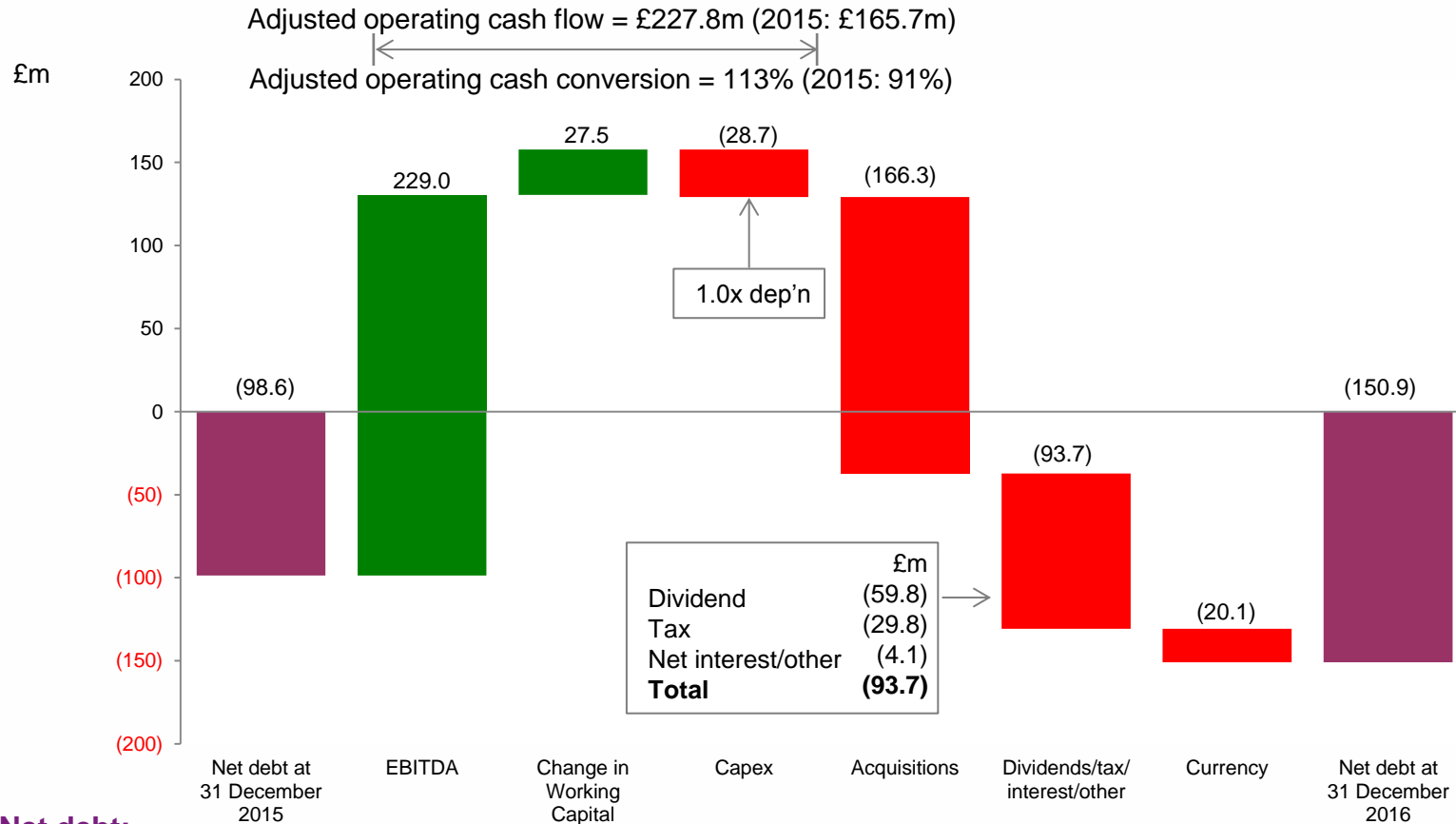
- £115.3 million impairment of goodwill/acquisition-related intangibles
- Omega Engineering - £94.4 million
  - External factors: weak North American demand (72% of sales), negative operating leverage
  - Internal factors: poor ERP implementation, lack of adequate processes
  - New management team and organisational structure in place
  - Actions underway to improve profitability and operational efficiency
- ESG Solutions - £20.9 million
  - Reflects lower customer demand caused by weaker oil and gas markets/prices



Contribution to yoy change



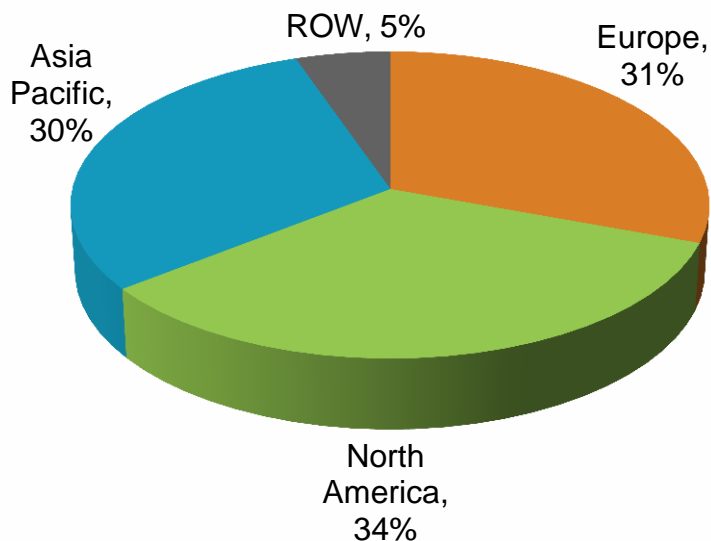




**Net debt:**  
**Adjusted EBITDA 0.5x**

**0.7x**

2016 Reported Sales



Region/country	2016 £m	Change vs. 2015	LFL change 2016 vs 2015	LFL change 2015 vs 2014
North America	<b>455.9</b>	10%	-6%	-2%
Europe	<b>411.4</b>	14%	-3%	3%
Germany	<b>125.8</b>	19%	2%	-1%
Asia	<b>407.0</b>	17%	4%	0%
China	<b>176.3</b>	15%	5%	-1%
Japan	<b>73.7</b>	26%	1%	1%
Rest of the world	<b>71.5</b>	9%	-2%	-9%
<b>Group</b>	<b>1,345.8</b>	<b>13%</b>	<b>-2%</b>	<b>0%</b>

	Materials Analysis		Test and Measurement		In-line Instrumentation		Industrial Controls		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Sales (£m)	<b>418.9</b>	364.4	<b>404.5</b>	351.3	<b>275.6</b>	255.0	<b>246.8</b>	219.3	<b>1,345.8</b>	1,190.0
LFL sales change	<b>2%</b>	3%	<b>-4%</b>	1%	<b>-4%</b>	-1%	<b>-2%</b>	-7%	<b>-2%</b>	0%
Adjusted operating profit (£m) <sup>(1)</sup>	<b>76.2</b>	53.7	<b>61.8</b>	55.3	<b>41.2</b>	36.8	<b>21.6</b>	35.3	<b>200.8</b>	181.1
LFL operating profit change	<b>27%</b>	-2%	<b>-12%</b>	9%	<b>-4%</b>	-19%	<b>-50%</b>	-27%	<b>-6%</b>	-9%
Adjusted return on sales <sup>(1)</sup>	<b>18.2%</b>	14.7%	<b>15.3%</b>	15.8%	<b>15.0%</b>	14.4%	<b>8.7%</b>	16.1%	<b>14.9%</b>	15.2%
LFL return on sales change	<b>3.7pp</b>	-0.8pp	<b>-1.3pp</b>	1.2pp	<b>0pp</b>	-3.3pp	<b>-7.9pp</b>	-4.3pp	<b>-0.7pp</b>	-1.5pp
Aftermarket sales %	<b>32%</b>	32%	<b>23%</b>	20%	<b>44%</b>	41%	<b>1%</b>	1%	<b>26%</b>	25%

(1) These adjusted performance measures represent the statutory results excluding certain non-operational items.

- Planned capital expenditure around £70 million
  - Maintenance capex of £40 million, including various infrastructure projects
  - Growth capex of £30 million, principally at Millbrook
- Effective tax rate of around 22%
- Project Uplift P&L net cost of £14 million
- Foreign exchange sensitivities

**Manage costs to better align cost growth with sales growth**

# Summary and Outlook

John O'Higgins  
Chief Executive

- Challenging trading conditions, but exited year with better performance
- Group results impacted by Omega; operational turnaround on track
- Good cost control; strong cash conversion; dividend up 5%
- Growth in our end markets expected to remain modest in the near term
  - Positive outlook for pharma and automotive end markets
  - Muted trading conditions still expected in energy and mining end markets
- Strategic initiatives underway are transforming Spectris
  - Project Uplift a key enabler of the solutions strategy, 2017 P&L impact of £14 million
  - M&A adding further software/service/test capability
  - OpCo collaboration to enhance our customer offering



Innovative Customer Solutions to Enhance Productivity

**Spectris plc**

**Appendix**

Laboratory/off-line businesses

Materials Analysis

Metals/minerals/mining  
Pharma/fine chemicals  
Academic research  
Semiconductors

Test and Measurement

Automotive  
Aerospace  
Electronics  
Energy  
Academic research



Process/manufacturing businesses

In-line Instrumentation

Process industries  
Pulp, paper & tissue  
Energy & utilities  
Web/converting

Industrial Controls

Manufacturing  
Process industries  
Energy  
Electronics  
Healthcare



% Group Sales 2016:

31%

30%

21%

18%



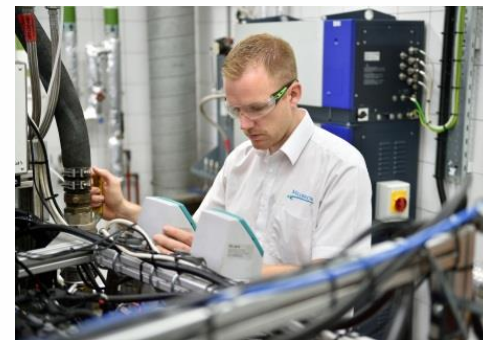
- Sales growth in pharmaceuticals, academic research, electronics, semicon & telecoms
- Sales declines in metals, minerals and mining industries
- Good sales growth in Asia, particularly in China; declines in all other regions
- Adjusted operating margin reflects positive mix effects and restructuring benefits
- Merger of Malvern Instruments and PANalytical broadens customer offering

	2015				2016	Change vs. 2015		
		Organic	FX	Acq.		Reported	CER	LFL
<b>Sales (£m)</b>	364.4	7.2	41.9	5.4	<b>418.9</b>	15%	3%	2%
<b>Adjusted Op Profit (£m)</b>	53.7	14.5	7.7	0.3	<b>76.2</b>	42%	28%	27%
<b>Adjusted return on sales</b>	14.7%				<b>18.2%</b>	3.5pp		3.7pp



- Sales growth in machine manufacturers and automotive
- Reduced sales to aerospace, environmental noise monitoring, unconventional oil & gas and consumer electronics/telecoms markets
- Sales growth in Asia, driven by China; sales declines elsewhere, particularly North America
- Millbrook a high quality test service platform, initial performance very good, growth potential
- Acquisitions of Discom GmbH and SVT also enhance our automotive offering

	2015				2016	Change vs. 2015		
		Organic	FX	Acq.		Reported	CER	LFL
<b>Sales (£m)</b>	351.3	(13.5)	44.9	21.8	<b>404.5</b>	15%	2%	-4%
<b>Adjusted Op Profit (£m)</b>	55.3	(6.4)	7.8	5.1	<b>61.8</b>	12%	-2%	-12%
<b>Adjusted return on sales</b>	15.8%				<b>15.3%</b>	-0.5pp		-1.3pp



- Sales growth in tissue, electronics, telecoms, web and converting
- Sales declined in pulp & paper, hydrocarbon processing, energy & utilities
- Sales growth in North America and RoW, with sales declines in Europe and Asia
- Extensive pipeline of joint Capstone/BTG opportunities to offer combination of market-leading instruments and software to process industries

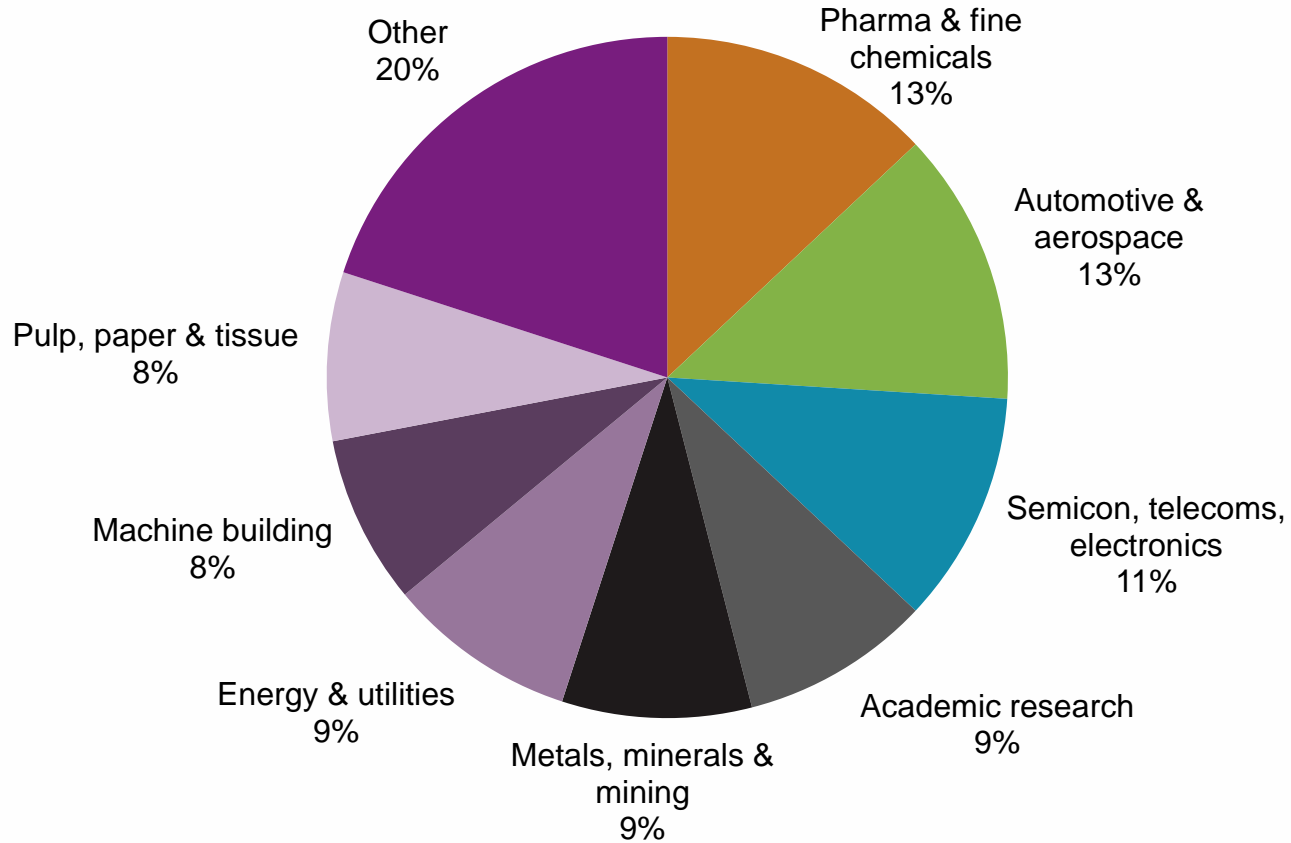
	2015				2016	Change vs. 2015		
		Organic	FX	Acq.		Reported	CER	LFL
<b>Sales (£m)</b>	255.0	(10.9)	27.4	4.1	<b>275.6</b>	8%	-3%	-4%
<b>Adjusted Op Profit (£m)</b>	36.8	(1.6)	5.4	0.6	<b>41.2</b>	12%	-3%	-4%
<b>Adjusted return on sales</b>	14.4%				<b>15.0%</b>	+0.6pp		0pp



- LFL sales decline reflects broad-based weakness in US industrial production
- Good LFL sales growth in Asia, flat LFL sales in Europe
- Label Vision Systems performing very well; evolving IIoT market benefiting our businesses
- Significant underperformance at Omega
  - Weak demand in the US domestic market
  - Lack of process and poor ERP implementation resulted in inventory adjustments/additional cost
  - New organisational structure and management team in place to improve operational processes

	2015				2016	Change vs. 2015		
		Organic	FX	Acq.		Reported	CER	LFL
Sales (£m)	219.3	(4.8)	26.9	5.4	<b>246.8</b>	12%	0%	-2%
Adjusted Op Profit (£m)	35.3	(17.7)	1.7	2.3	<b>21.6</b>	-39%	-44%	-50%
Adjusted return on sales	16.1%				<b>8.7%</b>	-7.4pp		-7.9pp





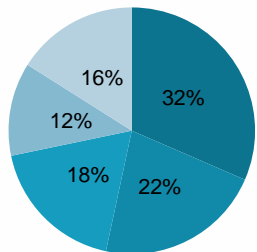
## Materials Analysis

## Test and Measurement

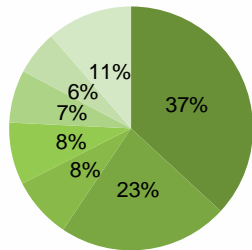
## In-line Instrumentation

## Industrial Controls

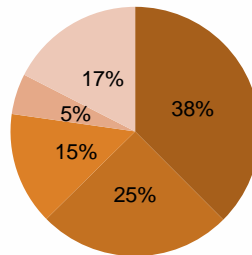
2016 reported sales by end-user market



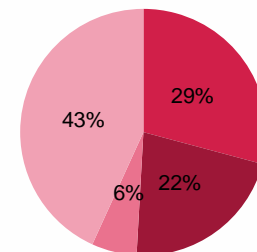
- Pharma & fine chemicals
- Metals, minerals & mining
- Academic research
- Electronic, semiconductor, telecoms
- Other



- Automotive & aerospace
- Machine manufacturing
- Environmental noise monitoring
- Academic research
- Semicon, telecom, electronics
- Energy & utilities
- Other

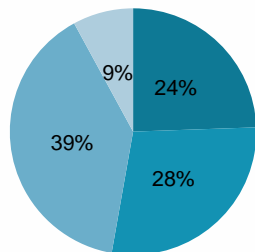


- Pulp & paper
- Energy & utilities
- Web/converting
- Pharma & fine chemicals
- Other

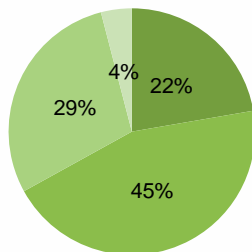


- Distributors
- Semicon, telecom, electronics
- Pharma & fine chemicals
- Other

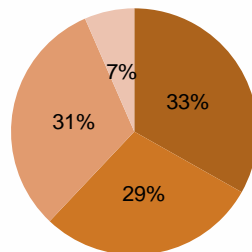
2016 reported sales by geography



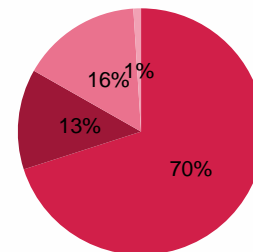
- North America
- Europe
- Asia
- ROW



- North America
- Europe
- Asia
- ROW



- North America
- Europe
- Asia
- ROW



- North America
- Europe
- Asia
- ROW

## 2016

Average exchange rates	FY 2015	FY 2016
GBP: Euro	1.38	<b>1.22</b>
GBP: US Dollar	1.53	<b>1.35</b>

- *Translational* fx gain on adjusted operating profit of £22.6 million was partly offset by a *transactional* fx loss of £7.8 million

## 2017

Estimated impact of 1 cent change versus GBP (translational impact only)	FY reported sales £m	FY adj. operating profit £m
Euro	3.0	0.5
US Dollar	4.0	0.5

**Transactional impact will partly offset translational effects**

Cost reduction measures	Impact in 2016 from 2015 programme £m	Additional 2016 initiatives £m	2016 impact £m	Impact in 2017 of new 2016 initiatives
<b>Net (cost)/benefit</b>	<b>11.7</b>	<b>(1.1)</b>	<b>10.6</b>	<b>3.0</b>

- Delivered annualised benefits of £11.7 million, ahead of expectations of £10 million
- Additional 2016 initiatives undertaken will deliver £3 million of benefits in 2017

**Manage costs to better align cost growth with sales growth**