

# Q1 2024 trading update

2 May 2024 – Spectris plc (SXS: LSE), the expert in providing insight through precision measurement, provides a trading update for the three-month period to 31 March 2024 ('the period').

## A solid start to 2024

- While the first quarter was slightly softer than anticipated, our expectation for the full year remains unchanged
- Sales in the first quarter were lower than the very strong comparative period<sup>1</sup>:
  - Sales 8% lower on a like-for-like (LFL) basis
  - Order book<sup>2</sup> at the end of the quarter at £534.2 million was 3% higher than year-end (31 December 2023: £517.6 million)
  - Book to bill of 1.07x providing good levels of cover within our expected range of 4-5 months
- Successful rollout of our new ERP system across Malvern Panalytical globally in April
- Strong balance sheet continues to provide capital allocation optionality:
  - Net cash of £109 million at period end with completion of Red Lion sale on 1 April generating net proceeds of £228 million
  - Investing for growth through:
    - increased R&D, with a number of new products launched
    - encouraging M&A pipeline to compound growth
  - Completion of first £50 million tranche of £150 million share buyback programme shortly after period end
- We expect to deliver another year of progress in 2024, including margin expansion, after taking into account the impact of the Red Lion disposal. Progress is expected to be weighted towards the second half reflecting the strong performance of the Group in the first half of 2023 and an improving outlook in a number of key end markets.

## Andrew Heath, Chief Executive, said:

*"The first quarter of 2024 has been another productive period for the Group. We've successfully implemented the initial rollout of our new ERP system, launched a number of new, market-leading products and completed the sale of Red Lion, which represents the end of our portfolio rationalisation programme.*

*Our strong balance sheet provides significant flexibility for continued investment in growth including an encouraging M&A pipeline. And our increased investment in R&D is driving an accelerated cadence of new product launches which we expect to continue throughout 2024.*

*While conditions in some of our end markets were softer than expected in the first quarter, notably China, we continue to expect to deliver progress this year as markets improve, with progress weighted towards the second half. As a higher quality, more resilient business, facing off to attractive markets, we are well placed to deliver continued organic growth, expand operating margins towards our target of 20%+ and compound growth through M&A."*

## Quarterly Group sales

	2022				2023				2024
£ million	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	264.9	305.3	332.6	424.6	354.3	348.2	349.1	397.6	309.4
LFL growth	12%	9%	10%	21%	24%	15%	11%	-3%	-8%

## Sales by geography and division – LFL growth vs Q1 2023

	Q1	Q1	
Spectris Scientific	-6%	North America	-7%
Spectris Dynamics	-10%	Europe	-7%
Other	-13%	Asia	-11%
		Rest of the World	-6%
Total sales	-8%		-8%

<sup>1</sup> Q1 LFL sales growth of 24% in 2023

<sup>2</sup> Order book excluding Red Lion

Group LFL sales were 8% lower on a LFL basis compared with a very strong comparative period in 2023. Adverse currency exchange impact reduced sales by 4%, which together with the net negative impact of 1% from disposals, net of acquisitions, resulted in sales being 13% lower on a reported basis at £309.4 million (Q1 2023: £354.3 million).

- In Spectris Scientific, sales were 6% lower on a LFL basis driven by pharma/life sciences and academia, against a strong first quarter last year where sales were up 26%. Regionally, sales growth in North America and the Rest of the World were more than offset by lower sales in Asia, notably China. In both primary and advanced materials, the demand pipeline remains positive with softer conditions in batteries being offset by chemicals and coatings. Pharma/life sciences remains broadly flat, with lower demand being seen in academia, although the recent release of government stimulus in China should see this progressively recover through the year. We continue to expect demand to return to solid growth in semiconductor in the second half.
- In Spectris Dynamics, LFL sales were 10% lower against a strong first quarter in 2023, where sales were up 21%, driven by machine manufacturing and automotive end markets and on a regional basis, China. We continue to see strong demand in A&D and good growth in automotive offset by continued weakness in machine manufacturing.

### Strong balance sheet continues to provide opportunities to invest for growth

- At the end of March, the Group had net cash of £109.0 million (£138.8 million at 31 December 2023), with the completion of the sale of Red Lion on 1 April generating net proceeds of £228 million, leaving the Group well positioned to continue to invest in growth including significant capacity for M&A aligned to the Group's strategy
- Significant new products launched in the period included:
  - the Mastersizer 3000+, a revolutionary step in particle sizing with artificial intelligence-driven solutions for data evaluation providing robust and confident results in what is our best-selling, market leading, laser diffraction instrument; and
  - the Revontium X-ray fluorescence analyser representing a huge step in elemental analysis providing the same data quality as floor-standing instruments at a fraction of the operating cost in certain applications
- On 25 April, we completed a minority investment in Dimer Instruments to support the development of protein screening technology to assist in drug discovery
- We have completed the first £50 million tranche of our £150 million share buyback programme with the remainder expected to be completed by the end of the year

### Outlook for 2024

- The Group's resilience, leading product portfolio and broad end market exposure, combined with a strong self-help story, provides confidence in the Group's ability to navigate an uncertain macroeconomic environment this year
- We expect to deliver another year of progress in 2024, including margin expansion, after taking into account the impact of the Red Lion disposal. Progress is expected to be weighted towards the second half reflecting the strong performance of the Group in the first half of 2023 and an improving outlook in a number of key end markets

END

### Conference call

A conference call for analysts and investors will be hosted by Andrew Heath, Chief Executive, and Derek Harding, Chief Financial Officer, at 08.30 BST today to discuss this statement.

To access the call, please dial +44 (0) 20 3936 2999, toll free 0800 358 1035 – Participant code: 203235. Or for replay, please dial +44 (0) 20 3936 3001 – Participant code: 769070.

Spectris will publish its half-year results for 2024 on Tuesday 30 July.

For and on behalf of Spectris plc

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## About Spectris

Spectris combines precision with purpose, delivering progress for a more sustainable world. We provide critical insights to our customers through premium precision measurement solutions combined with technical expertise and deep domain knowledge. Precision is at the heart of what we do - our leading, high-tech instruments and software equip our customers to solve some of their greatest challenges to make the world cleaner, healthier and more productive. We are focused on two key divisions – Spectris Scientific and Spectris Dynamics, which are placed in technology-driven end markets, with strong fundamentals and attractive growth trajectories. We have leading market positions in premium segments and employ 7,600 people located in more than 30 countries, all united behind our purpose to deliver value beyond measure for all our stakeholders. For more information, visit [www.spectris.com](http://www.spectris.com).

## Red Lion quarterly contribution

£ million	Q1 2024
Sales	20.3
Adjusted operating profit	3.7