



Spectris plc

2018 Full Year Results

- FY 2018 Highlights
- Financial Performance
- Strategy for Profitable Growth
- Summary

- Sales of £1,604.2 million reflects a 5% LFL sales increase, building on progress in 2017
- Adjusted operating profit of £248.3 million, LFL adjusted operating margin up 0.3pp
- Adjusted earnings per share up 7%, dividend per share increase of 8%
- Strategy for profitable growth:
 - Profit improvement programme to deliver benefits of more than £30 million, with £15-20 million in 2019
 - Strategic review initial conclusions presented:
 - Group would benefit from becoming a more focused and simplified business
 - Assessing which operating companies can drive the greater shareholder value:
 - Scalable, in attractive high growth markets, with strongest capabilities & greatest performance potential
 - Identified three platform businesses so far - Malvern Panalytical, HBK, Omega
 - Greater focus on shareholder value creation - asset optimisation, portfolio management, capital allocation

Financial Performance

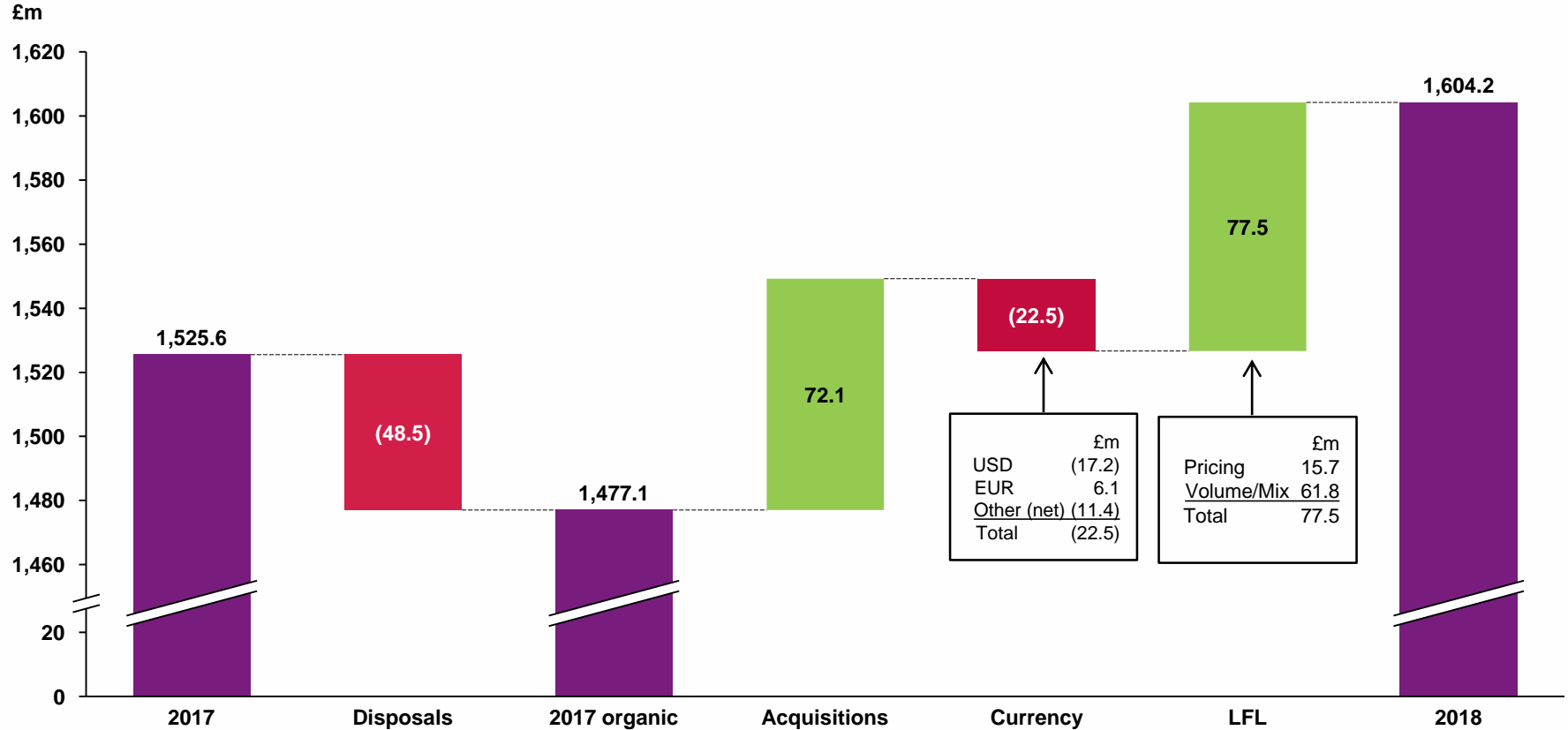
Clive Watson

Group Finance Director

	FY 2018	FY 2017	Change	Like-for-like change ⁽²⁾
Sales (£m)	1,604.2	1,525.6	5%	5%
Adjusted operating profit (£m) ⁽¹⁾	248.3	239.3	4%	7%
Adjusted operating margin (%) ⁽¹⁾	15.5%	15.7%	(0.2pp)	0.3pp
Project Uplift costs (£m)	(10.8)	(15.8)	32%	
Adjusted operating profit after Project Uplift costs (£m) ⁽¹⁾	237.5	223.5	6%	
Adjusted profit before tax (£m) ⁽¹⁾	241.4	234.2	3%	
Adjusted effective tax rate (%) ⁽¹⁾	19.7%	21.3%	(1.6pp)	
Adjusted EPS (pence) ⁽¹⁾	164.9	154.6	7%	
DPS (pence)	61.0	56.5	8%	
Adjusted operating cash conversion (%) ⁽¹⁾	59%	77%	(18pp)	

Notes

- (1) These adjusted performance measures represent the statutory results excluding certain items.
(2) At constant exchange rates and including acquisitions and disposals on a comparable basis ('LFL').



Contribution to yoy change

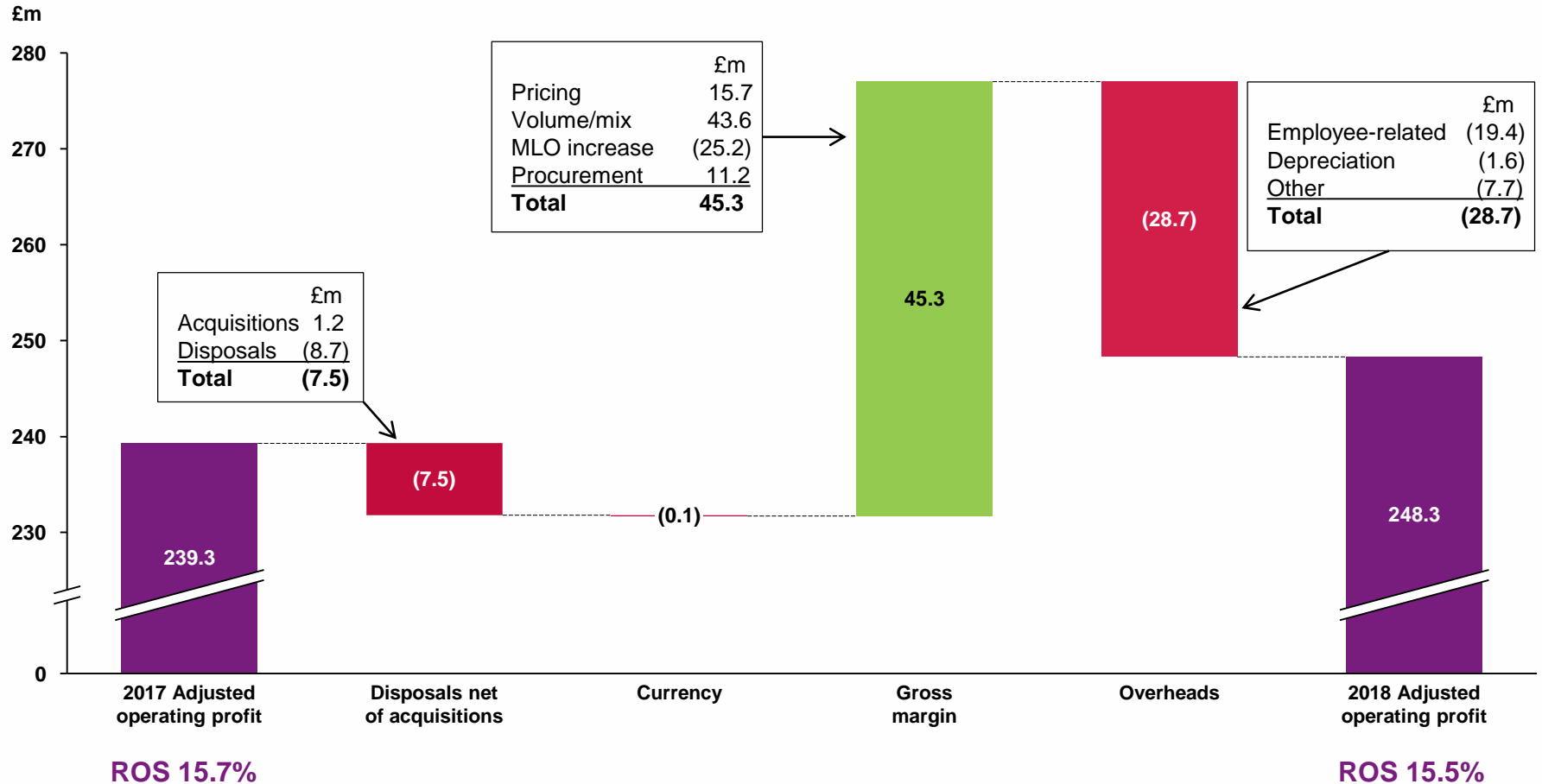
(3.2%)

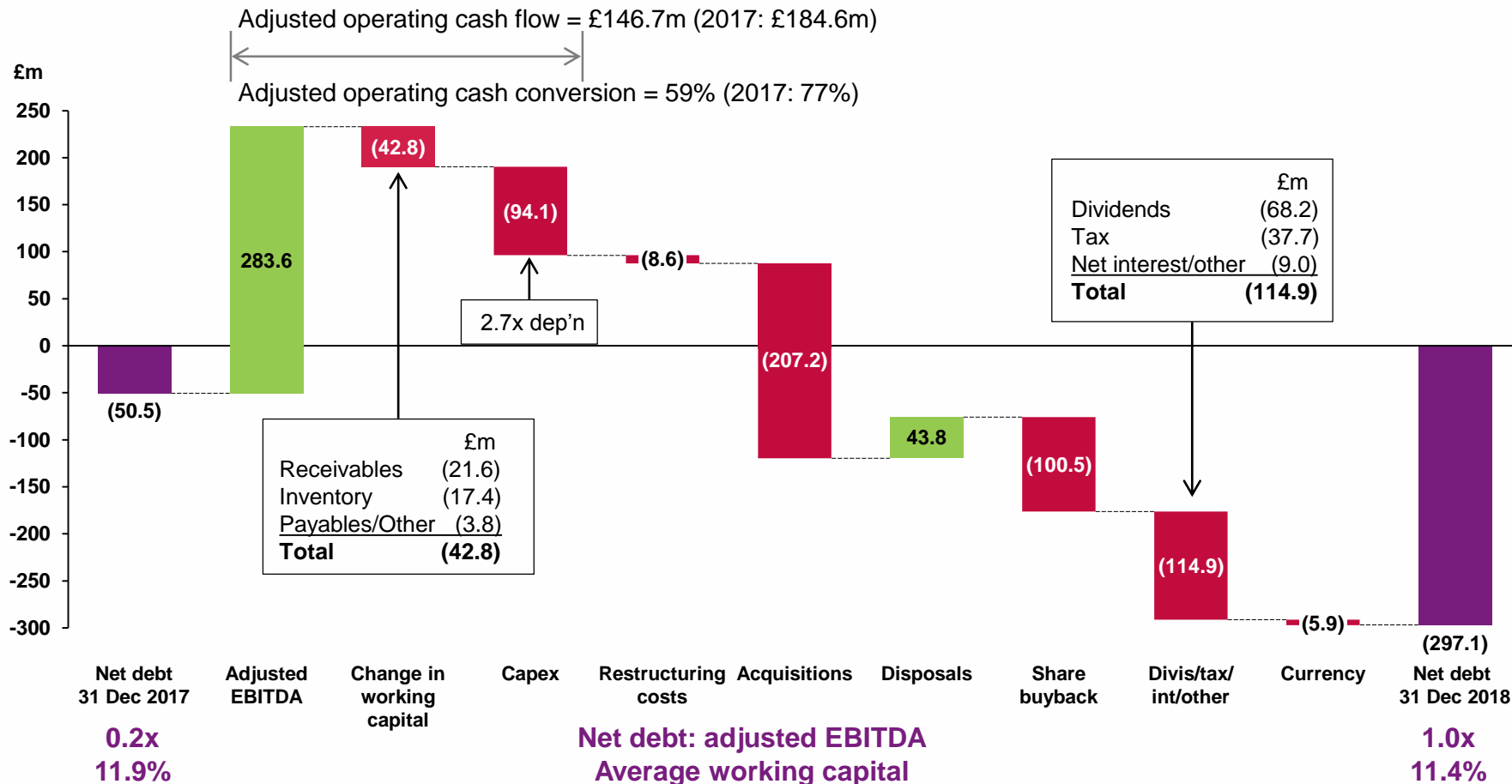
+4.9%

(1.5%)

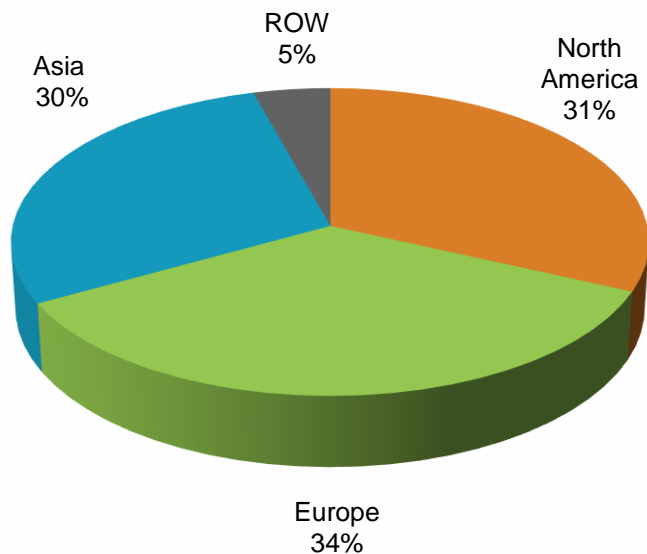
+5.2%

+5.2%





FY 2018 % of Group sales



Region/country	LFL change FY 2018 vs FY 2017	LFL change FY 2017 vs FY 2016
North America	+4%	+4%
Europe	+3%	+6%
Germany	+2%	+5%
UK	+7%	+13%
Asia	+10%	+9%
China	+16%	+11%
Japan	+3%	+9%
Rest of the world	+1%	+1%
Group	+5%	+6%

	Materials Analysis		Test and Measurement		In-line Instrumentation		Industrial Controls		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Sales (£m)	541.1	464.9	522.6	487.3	312.2	310.9	228.3	262.5	1,604.2	1,525.6
LFL sales change	8%		6%		1%		3%		5%	
Adjusted operating profit (£m) ⁽¹⁾	95.4	87.3	67.2	74.2	42.6	36.0	43.1	41.8	248.3	239.3
LFL operating profit change ⁽¹⁾	11%		(9%)		17%		19%		7%	
Adjusted operating margin ⁽¹⁾	17.6%	18.8%	12.9%	15.2%	13.6%	11.6%	18.9%	15.9%	15.5%	15.7%
LFL adjusted operating margin change ⁽¹⁾	0.4pp		(2.0pp)		1.8pp		2.6pp		0.3pp	
Project Uplift cost (£m)	(3.0)	(4.2)	(3.3)	(5.3)	(2.0)	(2.8)	(2.5)	(3.5)	(10.8)	(15.8)
Adjusted operating profit after Project Uplift costs (£m)	92.4	83.1	63.9	68.9	40.6	33.2	40.6	38.3	237.5	223.5

- Sales growth +16%: LFL sales +8%, acquisitions +10%, currency (2%)
- Good LFL pharma sales growth; investment in biopharma/generics, increasing regulation
- Good growth in minerals/mining impacted by weaker demand in metals
- Strong growth in academic research, especially N. America/Asia as funding/win-rate improves
- Strong growth in electronics/semiconductor continues for PMS, especially in Asia
- Concept Life Sciences below expectations, but remedial action already impacting

	FY 2017				FY 2018	Change vs. FY 2017	
	Reported	Organic	FX	Acq.	Reported	Reported	LFL
Sales (£m)	464.9	39.3	(7.6)	44.5	541.1	+16%	+8%
Adjusted operating profit (£m)	87.3	9.5	(0.2)	(1.2)	95.4	+9%	+11%
Adjusted operating margin (%)	18.8%				17.6%	(1.2pp)	+0.4pp



- Sales growth +7%: LFL sales +6%, acquisitions (net of disposals) +2%, currency (1%)
- Strong LFL sales growth in automotive, from Millbrook capacity expansion and at BKS V
- Acquired Revolutionary Engineering and VI-grade to expand automotive offering
- Aerospace LFL sales lower year-on-year, but good pipeline of opportunities
- From January 2019, BKS V and HBM merging their activities into new company, HBK

	FY 2017	FY 2017				FY 2018	Change vs. FY 2017	
	Reported	Reported excl. disposal	Organic	FX	Acq.	Reported	Reported	LFL
Sales (£m)	487.3	471.7	28.6	(3.6)	25.9	522.6	+7%	+6%
Adjusted operating profit (£m)	74.2	70.0	(6.2)	0.7	2.7	67.2	(9%)	(9%)
Adjusted operating margin (%)	15.2%	14.8%				12.9%	(2.3pp)	(2.0pp)



- Sales growth 0.4%: LFL sales +1%, acquisitions +1%, currency (1%)
- Sales grew strongly in Asia, especially China, mostly offset by lower sales in EU/N. America
- Modest LFL sales growth in pulp/paper; diversifying towards tissue/pulp/packaging markets
- Growth in energy despite tough year-on-year comparator for wind business
- NDCT sales lower but key development in sensors for lithium-ion battery manufacturing

	FY 2017				FY 2018	Change vs. FY 2017	
	Reported	Organic	FX	Acq.	Reported	Reported	LFL
Sales (£m)	310.9	3.6	(4.0)	1.7	312.2	+0.4%	+1%
Adjusted operating profit (£m)	36.0	6.2	0.7	(0.3)	42.6	+18%	+17%
Adjusted operating margin (%)	11.6%				13.6%	+2.0pp	+1.8pp



- Sales decline (13%): LFL sales +3%, disposal of Microscan (13%), currency (3%)
- Good LFL sales growth in Asia, especially China and Japan
- Operational improvements at Omega deliver higher gross and operating margins
- Omega product refresh & new e-commerce platform/digital marketing to drive sales growth
- Red Lion's focus on key vertical markets drives growth in sales and access to new markets

	FY 2017	FY 2017			FY 2018	Change vs. FY 2017	
	Reported	Reported excl. disposal	Organic	FX	Reported	Reported	LFL
Sales (£m)	262.5	229.6	6.0	(7.3)	228.3	(13%)	+3%
Adjusted operating profit (£m)	41.8	37.3	7.1	(1.3)	43.1	+3%	+19%
Adjusted operating margin (%)	15.9%	16.2%			18.9%	+3.0pp	+2.6pp



- H1:H2 phasing – sales and adjusted operating profit
- Acquisitions and disposals
 - 2018 acquisitions/disposals – sales £10 million, adjusted operating profit £1 million
- Profit improvement programme benefits
- Underlying effective tax rate – up to 22%
- Planned capex of c. £90 million, of which growth capex £45 million, principally Millbrook
- Foreign exchange sensitivities

Impact of 1 cent change versus GBP	2019 FY sales £m	2019 FY adjusted operating profit £m
EUR	4.0	0.6
USD	4.0	0.6

Strategy for Profitable Growth

Andrew Heath
Chief Executive

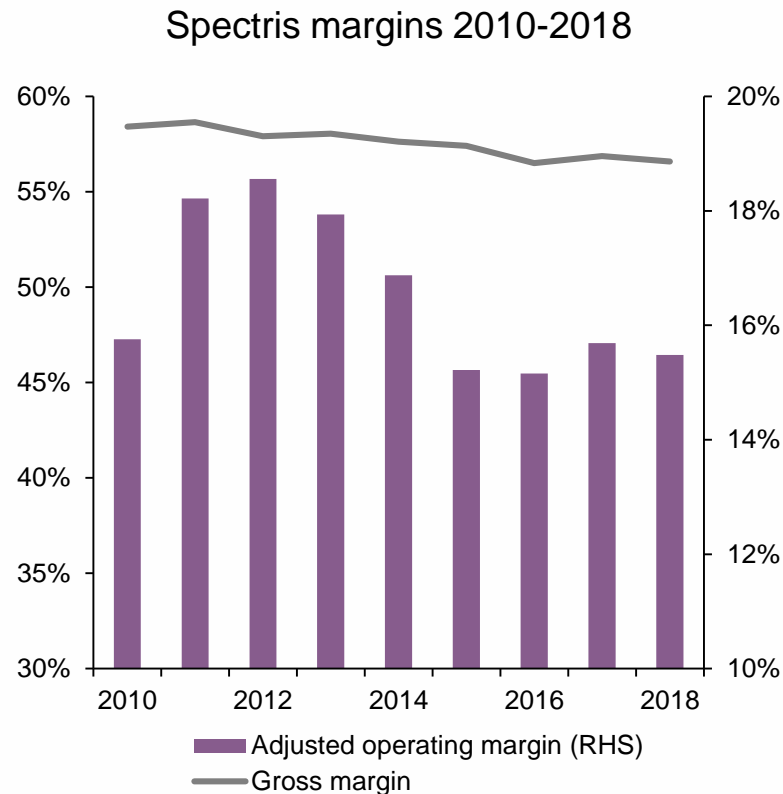
Strong fundamentals

- High-quality businesses and products
- Strongly-recognised brands & leading technologies
- Domain knowledge and application expertise
- Strong market positions
- Exposure to growing end markets
- Good customer relationships
- Talented people
- High gross margins
- Good cashflow generation
- Strong balance sheet

Areas for improvement

- Enhance operational efficiency to drive margin expansion
- Strengthen Lean deployment
- Reduce complexity
- Focus on attractive end markets where best placed to drive growth and profitability
- Asset optimisation supported by active portfolio management and synergistic acquisitions
- More rigorous capital allocation

- Spectris has strong gross margin businesses...
- ...but operating margin performance remains below both historic highs and our peers
- Undertaking self-help measures to drive margin expansion:
 - Numerous initiatives identified
 - Programme now being implemented
- Driving greater operational gearing in 2019...
 - ...and beyond – continuous improvement culture being strengthened
- Aim to return our operating margin to at least our previous highs





People

- Simplify organisational structures
- Greater organisational effectiveness



Product

- Rationalise product portfolio
- Exit lower margin products

Annualised benefits of more than £30 million,
of which £15-20 million in 2019

Costs to achieve of £35 million



Property






- Site consolidation
- Shared resources
- Relocation to lower cost sites

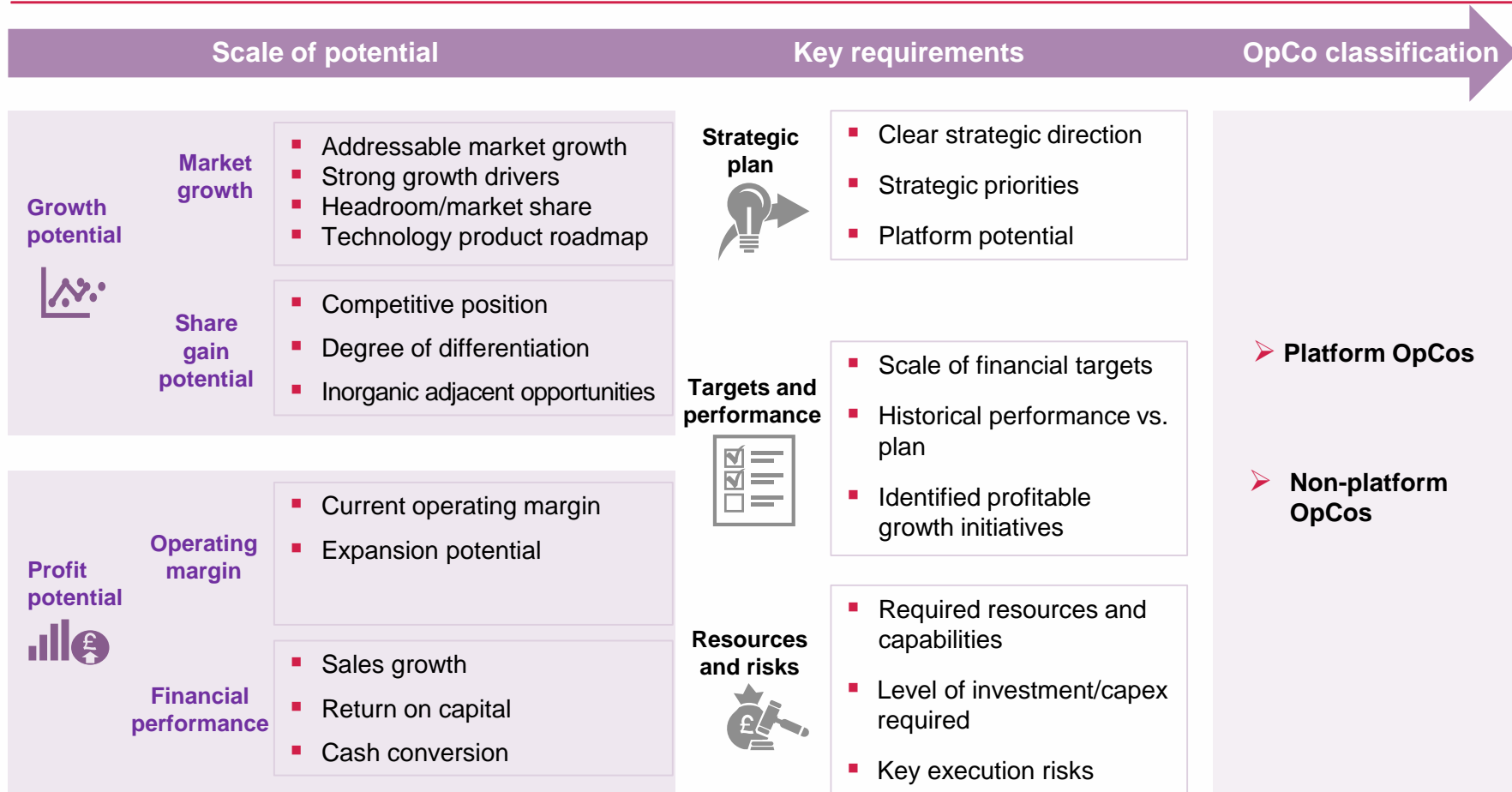


Process

- Simplify processes
- Lean initiatives
- Value analysis/value engineering

- Spectris has a diverse portfolio of high-quality businesses
- ...but will benefit from becoming a more focused and simplified business
- Ongoing strategic assessment of every OpCo to consider its value creation potential
- Identify platform businesses which are:
 - Scalable and strongly aligned to attractive markets with GDP+ growth characteristics
 - High gross margins and asset light
 - Have the strongest capabilities and greatest value creation potential
- Will continue to extend our instrumentation businesses into associated services & software
- Greater focus on performance management and capital allocation to deliver:
 - Sales growth and margin expansion
 - Operating cash conversion and FCF growth
 - Shareholder value creation

	Market trend	Opportunities for Spectris
 <div data-bbox="266 170 537 336">Pharma</div>	<ul style="list-style-type: none"> ▪ Drug complexity ▪ Reducing development time and cost ▪ More stringent trials ▪ Advanced data analytics 	<ul style="list-style-type: none"> ▪ Increasing spend on R&D
 <div data-bbox="266 349 537 515">Automotive</div>	<ul style="list-style-type: none"> ▪ Rate of new product launches ▪ Vehicle electrification - hybrid/EVs ▪ Connected & autonomous vehicles ▪ Rising use of simulation/software 	<ul style="list-style-type: none"> ▪ Increasing requirements for instruments & test equipment
 <div data-bbox="266 528 537 694">Electronics and semi-conductors</div>	<ul style="list-style-type: none"> ▪ Processing power and speed ▪ Miniaturisation ▪ 5G 	<ul style="list-style-type: none"> ▪ Increasing sophistication of instruments & test equipment ▪ Increasing use of software
 <div data-bbox="266 707 537 873">Metals, minerals, mining</div>	<ul style="list-style-type: none"> ▪ Energy efficiency ▪ Autonomous operations ▪ Predictive analytics 	<ul style="list-style-type: none"> ▪ Customers seeking greater insights through software and advanced analytics
 <div data-bbox="266 882 537 1048">Technology-led industrials</div>	<ul style="list-style-type: none"> ▪ IIoT ▪ Process automation ▪ Additive manufacturing 	



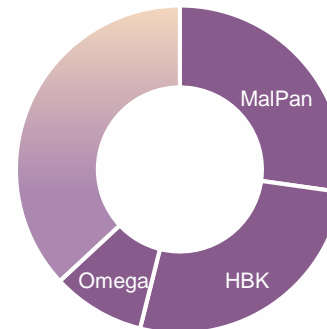
Platform OpCos

- 3 platform businesses identified to date:
 - Malvern Panalytical
 - HBK
 - Omega
- Scalable characteristics
- Positioned in attractive end markets
- High margin and asset light
- Attractive growth and profit potential
- Top priority for investment



% of 2018 sales

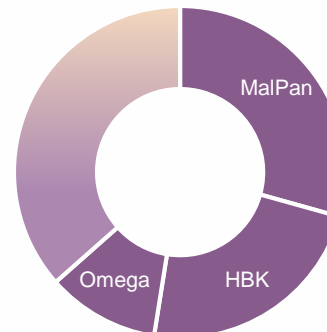
Run for value
Platform potential



Platform OpCos

% of 2018 adjusted operating profit

Run for value
Platform potential



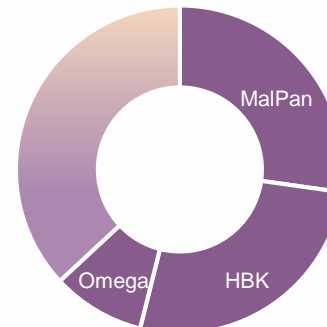
Platform OpCos

Non-platform OpCos

- Portfolio still being fully evaluated
- Platform potential:
 - Attractive growth and profit potential
 - Targeted investments
 - Manage for full potential
 - Possible future platforms
- Run for value:
 - Focus on performance enhancement
 - Manage for value
 - Potential divestment candidates

% of 2018 sales

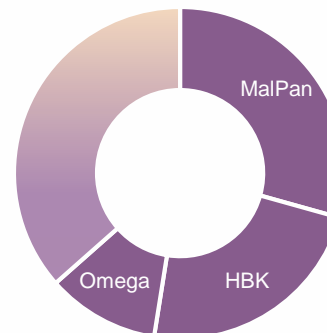
Run for value
Platform potential



Platform OpCos

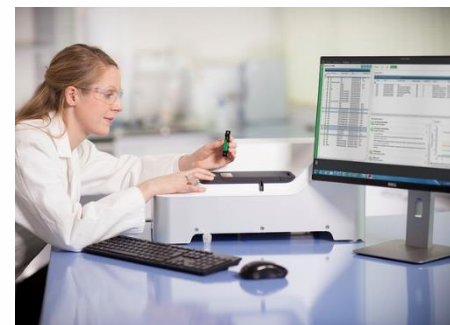
% of 2018 adjusted operating profit

Run for value
Platform potential



Platform OpCos

- Highly complementary portfolio of instruments for materials analysis
- Serving a broad range of industries: pharma/advanced materials/minerals & mining
- Strong reputation for quality of instruments and customer support
- Served addressable market of c.£3bn, growing at 4-5% pa
- Concept Life Sciences to become part of the Malvern Panalytical platform
- Growth potential:
 - Existing markets through additional products and instruments
 - Extension into insight-creating software and solutions
 - Adjacent markets, leveraging and replicating its domain expertise
- Scalable go-to-market approach:
 - Significant market headroom and increased value-based selling
 - Opportunities for bolt-on M&A



- Highly complementary portfolio of testing and measurement products
- Leading player in technically advanced segments of mechanical & noise, vibration, harshness testing
- Diversified end-market presence: automotive, aerospace, telecoms, industrials
- Recognised by customers for leading technology & application expertise
- Large addressable market worth £3bn+ globally, growing at 4-6% pa
- VI-grade to become part of the HBK platform
- Broad range of growth opportunities:
 - Increasing share in core markets
 - Technology adjacencies plus new and emerging applications
 - Expanding offering in application analytics
- Merger presents additional value-enhancing opportunities:
 - Greater customer intimacy and joint product/solutions design
 - Broader 'product physics' offer
 - Common data handling capabilities



- Specialist distributor of temperature, pressure, flow sensors & instrumentation
- Differentiated business model, a leader in North America & overseas presence
- Provides domain and application expertise via technical product support
- Highly diversified customer base of engineers across numerous end markets
- c.£2bn addressable market, growing at 4-5% pa
- Financially efficient and highly scalable business model
- Benefits from long-term purchasing trend towards remote & online ordering
- Significant value-creation opportunities:
 - Further expansion through product extension and enhanced online platform
 - Targeted international expansion
 - Evaluating curated market-place for third-party products



- Focusing on high-end instrumentation plus associated software and services
- Improving productivity and operational efficiency
- Simplifying the portfolio with fewer platform businesses and a focused end-market strategy
- Actively managing the portfolio to prioritise and optimise
- More disciplined and targeted capital allocation
- Improving financial performance:
 - Sustainable organic revenue growth and enhanced margins
 - Stronger free cashflow generation
 - Higher returns on capital employed

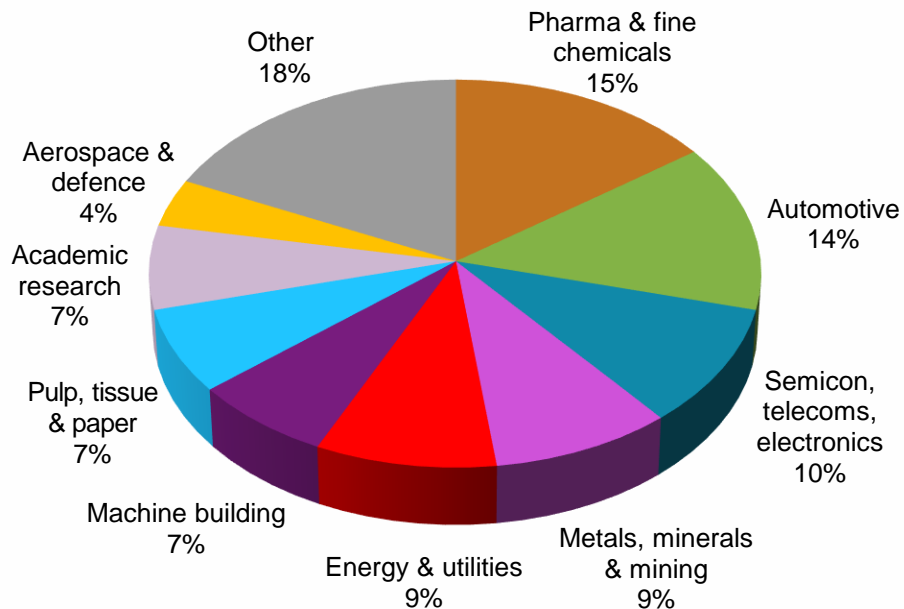
Enhancing shareholder value



Spectris plc

Appendix

FY 2018 % of Group sales



End-user market	LFL change FY 2018	LFL change FY 2017
Pharma & fine chemicals	+7%	+7%
Automotive	+11%	+15%
Semicon, telecoms & electronics	+7%	+14%
Metals, minerals & mining	+2%	+15%
Energy & utilities	+6%	+8%
Machine building	+5%	(3%)
Pulp, tissue & paper	+3%	+2%
Academic research	+13%	(8%)
Aerospace & defence	(5%)	+9%

Laboratory/off-line businesses

Materials Analysis

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

Test and Measurement

Automotive
Aerospace
Electronics
Energy
Academic research

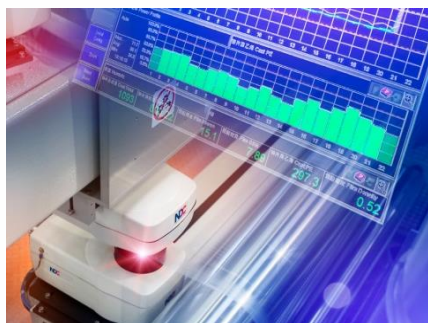
Process/manufacturing businesses

In-line Instrumentation

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

Industrial Controls

Manufacturing
Process industries
Energy
Electronics
Healthcare



% Group Sales FY 2018:

34%

33%

19%

14%

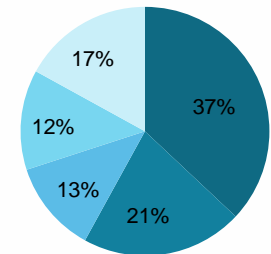
Materials Analysis

Test and Measurement

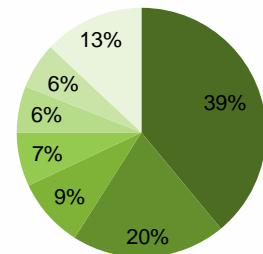
In-line Instrumentation

Industrial Controls

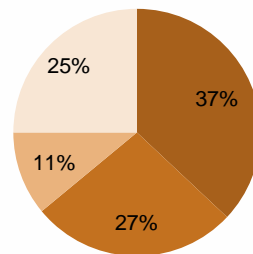
2018 sales by end-user market



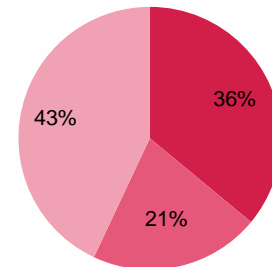
- Pharma & fine chemicals
- Metals, minerals & mining
- Semicon, telecoms & electronics
- Academic research
- Other



- Automotive
- Machine building
- Aerospace & defence
- Semicon, telecoms & electronics
- Academic research
- Energy & utilities
- Other

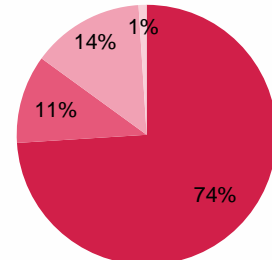
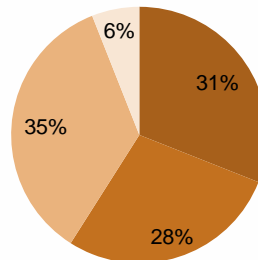
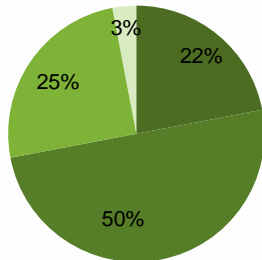
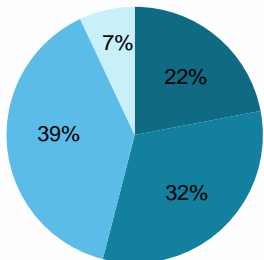


- Pulp, paper & tissue
- Energy & utilities
- Converting, extrusion & packaging
- Other



- Distribution
- Semicon, telecoms & electronics
- Other

2018 sales by destination



- North America
- Europe
- Asia
- ROW

- North America
- Europe
- Asia
- ROW

- North America
- Europe
- Asia
- ROW

- North America
- Europe
- Asia
- ROW

This presentation is for distribution only to authorised persons within the meaning of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) and any relevant statutory instrument thereunder or to whom it would otherwise be lawful to distribute it. The information contained herein is not for publication, distribution or reproduction, in whole or in part, to persons in any jurisdiction in which such publication or distribution is unlawful.

The information contained in this presentation is provided purely for information purposes regarding Spectris plc. Any reliance upon the information presented is at your own risk. This announcement includes “forward-looking statements”. All statements other than statements of historical fact included in this announcement, including, without limitation, those regarding the Company’s financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company’s products), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of this announcement. The Company assumes no responsibility to update any of the forward-looking statements contained herein.

Neither Spectris, its directors, employees, agents, nor its affiliated companies, makes any warranty nor assumes legal responsibility for the reliability, accuracy or completeness, or fitness for purpose of any of the information.

The information shall not constitute or be deemed to constitute any offer or invitation to invest or otherwise deal in shares or other securities of Spectris plc. Recipients of this presentation are not to construe its contents, or any prior or subsequent information as investment, legal or tax advice. All information in the presentation is the property of Spectris plc.

Spectris makes no representations and disclaims all warranties (whether express or implied) and shall not be liable for any direct, indirect, special, punitive or consequential damages or loss (including but not limited to lost profits or revenues) whether arising in statute, contract, tort, equity or otherwise to the fullest extent permitted by law.

These terms and conditions shall be governed by and construed in accordance with English Law and the exclusive jurisdiction of the English courts.