

Strategy for Profitable Growth

Malvern Panalytical teach-in
May 2022



*Value
beyond
measure*

Andrew Heath Chief Executive

Our Strategy for Profitable Growth

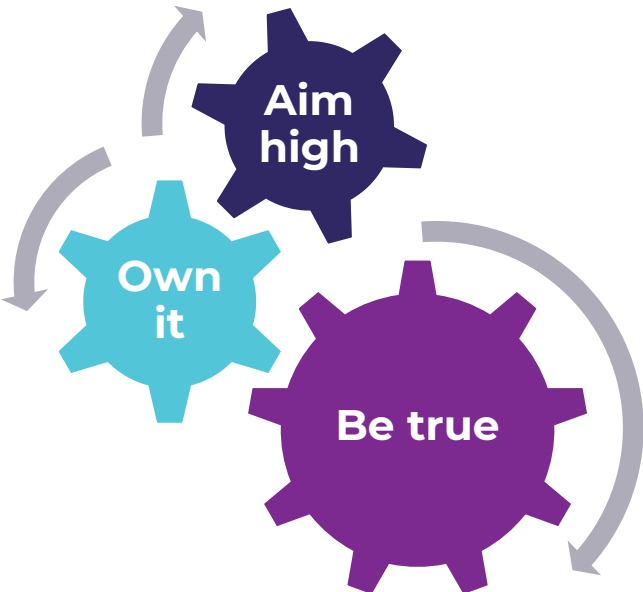
Our Strategy for Profitable Growth is defined by our purpose and built on our values

Purpose

Our purpose is to **deliver value beyond measure**

We harness the power of precision measurement to equip our customers to make the world **cleaner, healthier and more productive**

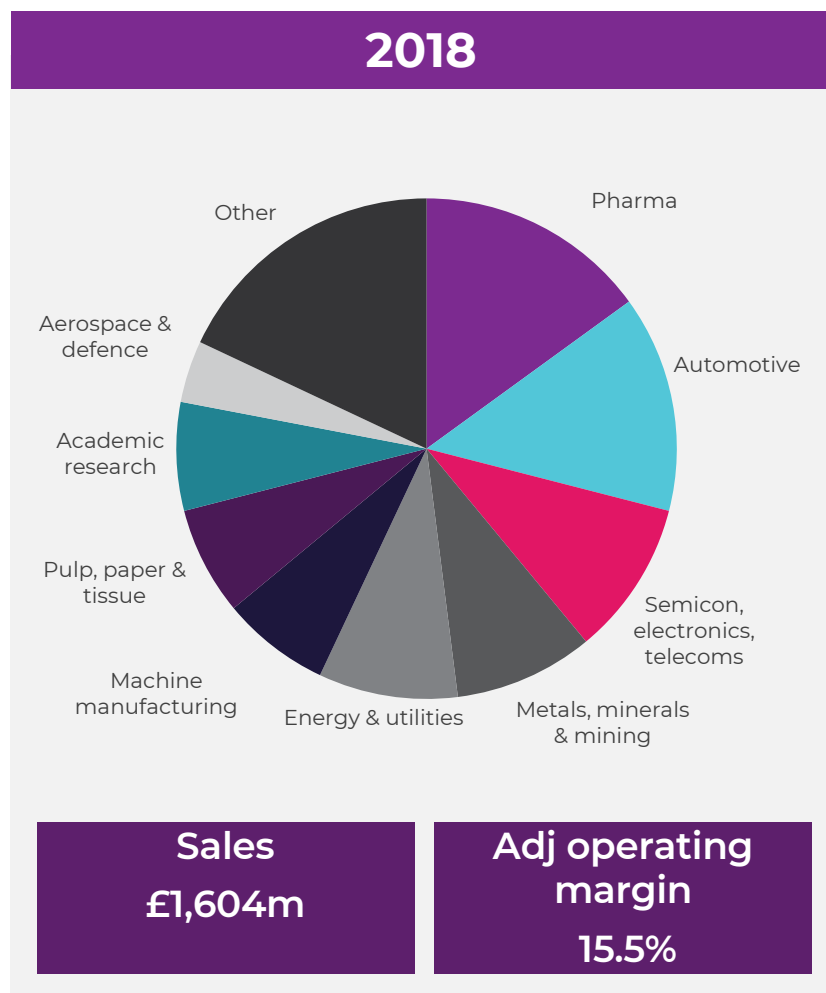
Values



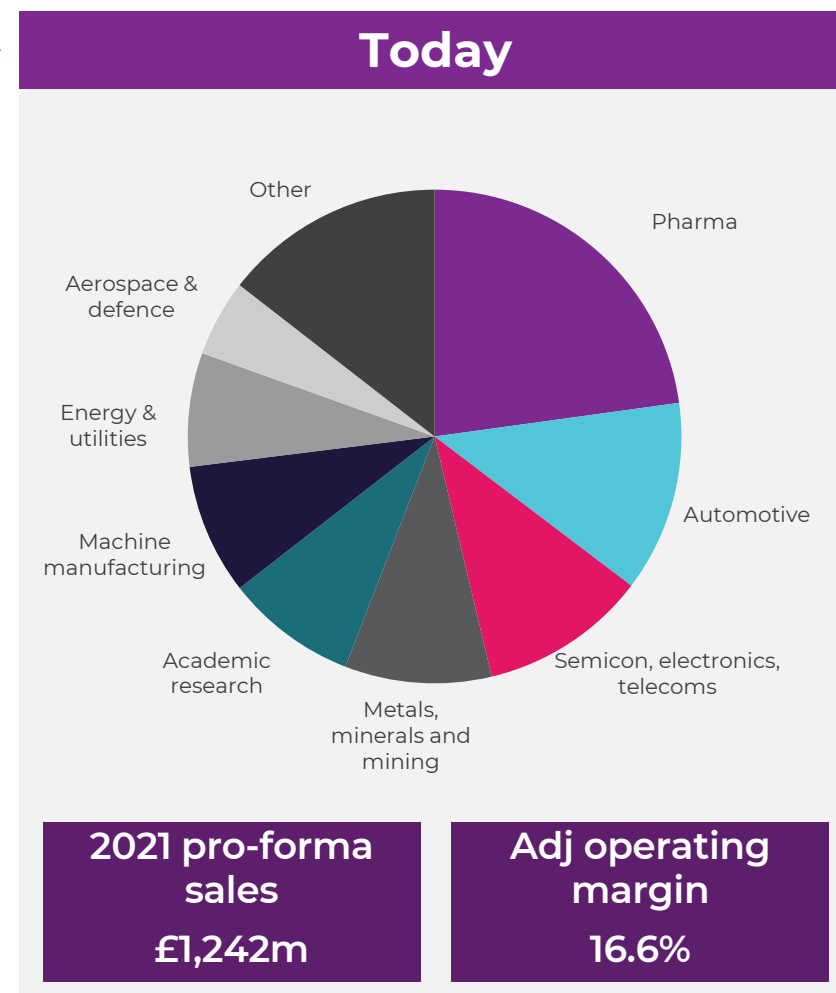
Strategy



Divestment programme well executed, enhancing quality



- 6 divestments
- £570m gross assets divested
- £1,085m gross consideration
- 17.7x average EBITDA multiple
- Greater focus on attractive end markets
- Margin enhancement
- ROGCE on improving trend










Sales by end markets excludes Omega; pro-forma sales and margin include Omega

Clearer and more compelling investment case

- Purpose-led growth business, delivering value beyond measure for all our stakeholders
- Focused on premium, precision measurement businesses with differentiated products, aligned with customer objectives and structural growth trends – cleaner, healthier and more productive
- Global presence across attractive technology driven, diversified and sustainable end markets with strong fundamentals supporting strong organic growth
- Attractive financial profile with asset-light model, strong cash conversion and margin expansion potential
- Opportunity to accelerate growth and returns, through balance sheet strength and a robust capital allocation strategy, through value enhancing M&A

Aligning our strategy with key sustainability themes

Advancements in health	Transformation of mobility	Energy transition	Responsibility in sourcing and production	Transition to circular economy	Environmental protection	Evolution of food and agriculture
						
<ul style="list-style-type: none"> Pharma and biopharma Life sciences 	<ul style="list-style-type: none"> Passenger EV and batteries Autonomous driving and shared mobility services 	<ul style="list-style-type: none"> Clear/alternative power <ul style="list-style-type: none"> Hydrogen Carbon capture <ul style="list-style-type: none"> EV infrastructure 	<ul style="list-style-type: none"> Resource extraction Waste minimisation 	<ul style="list-style-type: none"> Waste management and recycling Product circularity 	<ul style="list-style-type: none"> Emissions monitoring Water treatment 	<ul style="list-style-type: none"> Precision agriculture Alternative foods



Malvern Panalytical – building a world-class business

Our vision:

A differentiated leader of high value material analysis solutions in key end-markets

Recognised for its cutting-edge technologies, well-established domain expertise and exceptional data science capabilities

Customers' preferred partner to both innovate and solve materials challenges

Delivering:

Strong organic growth

Margin expansion

Opportunity to compound growth through M&A





**Malvern
Panalytical**
a spectris company

Mark Fleiner

President, Malvern Panalytical



- Joined Spectris in January 2019
- Business Group Director ISD – Spectris
- VP, Global Supply Chain – MacDermid
- CEO – LG Fuel Cell Systems
- CEO / President – RR Fuel Cell Systems
- Early career in GE, Micron, VC Businesses





We are Malvern Panalytical.
We're BIG on small™

Malvern Panalytical | Key messages...



1.

A strong platform with a differentiated customer proposition

- Accelerated realisation of integration benefits over past 2-3 years
- Transition from product and transaction-based culture to smarter holistic focus on solutions delivery across customer workflows

2.

Well positioned to outperform in high-growth end markets

- Strong positions in high-growth market segments
- Quality and breadth of high precision analytical instrument, software and services portfolio
- Significant opportunity to grow services business into large installed base of instruments

3.

Delivering profitable growth at strong and sustainable margins

- Focus on premium sensors/instruments and higher value customer relationships across the material workflows
- Deployment of Spectris Business System (SBS)
- Margin expansion potential >20%

Malvern Panalytical at a glance



2021 SALES
£401 million

2021 ADJ. OP
£72 million

EMPLOYEES
~2,300

Founded in
1961/1971,
acquired by
Spectris in
1997/2002

>50,000
installations
globally

Global
presence
30+ sales and
support
locations

Field service
excellence
~550 certified
engineers

Global reach
8 R&D and
manufacturing
sites

Applications
expertise
~135 scientists



Building a world-class business

2019 Investor Day - A scalable model with high growth potential

GDP+ underlying growth rates

Opportunity for share gain and organic growth

Strong financial performance with further potential

Differentiated offering

Attractive M&A to accelerate strategic growth initiatives

2022 Update – Differentiated customer proposition delivering high growth and margin potential

Well positioned in high growth end markets

2017 merger of Panalytical and Malvern Instruments is delivering benefits

Sector operating model focuses on where to play, leveraging domain expertise

28 new solutions in software, services and analytics

Strong recovery post pandemic

Portfolio rationalised through divestments: rheology, non-core services

Spectris Business Systems delivering continuous margin improvement

Portfolio of sensor technologies applied across the materials workflow

Application scientist **domain expertise**

Strengthened global commercial and service presence

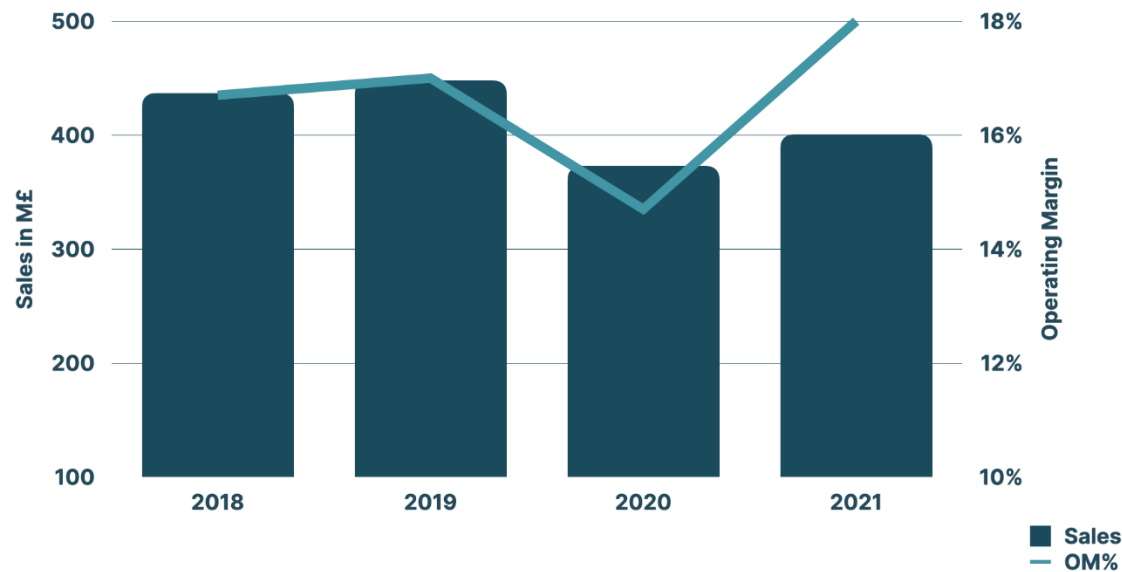
Strengthening pharma with services

Creoptix acquired in 2022 – strengthening drug affinity offering

M&A pipeline aligned with end markets, customers, and applications

Strong financial performance

Sales and adjusted operating margin

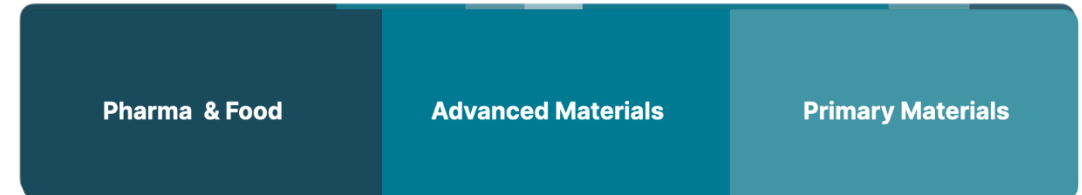


Sales

By Region



By Industry



By Sales Type



Sectorized structure | focusing our market approach



Advanced Materials

Energy
Electronics
Advanced Manufacturing
Functional Materials &
Sustainability

Pharma & Food




Small Molecule
Biologics
Cell & Gene Therapy
Drug Discovery Services
Food R&D

Primary Materials

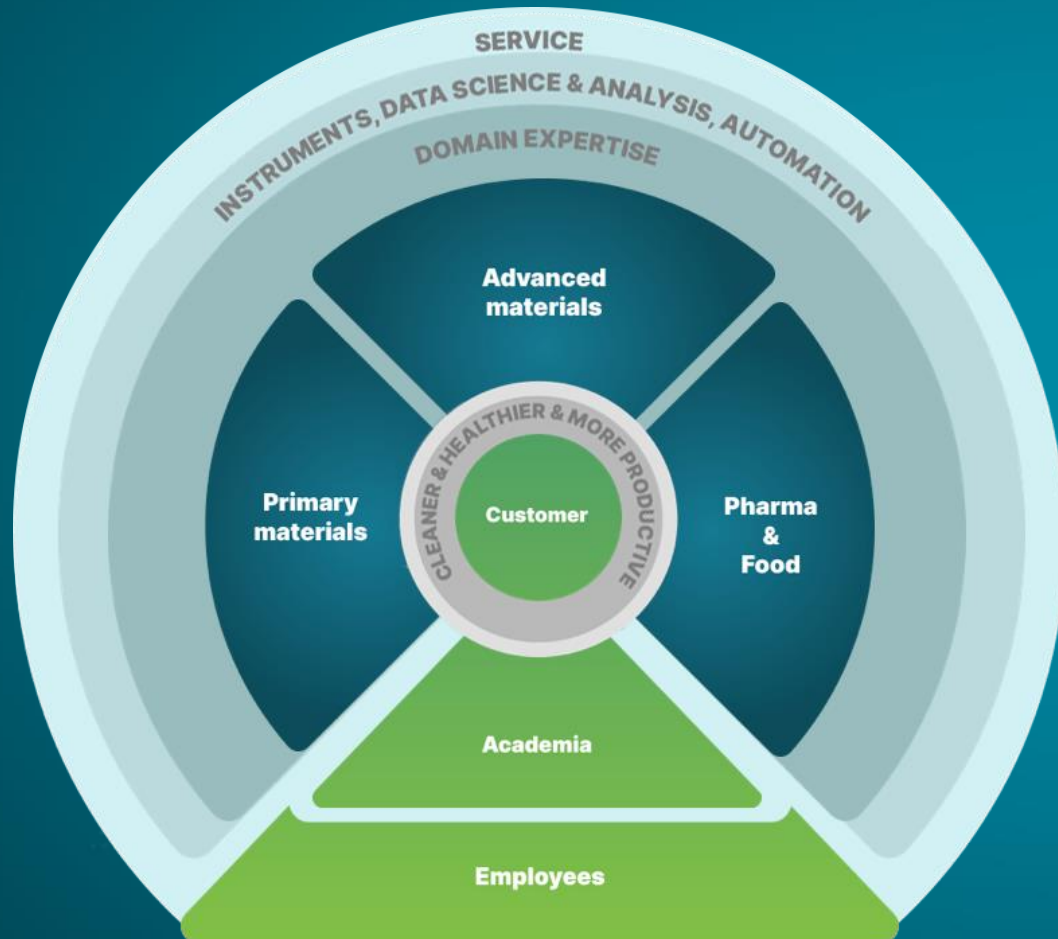
Oil & Petrochemicals
Building Materials
Mining & Minerals
Metal Analysis

Well positioned in attractive markets

**Est. long-term
market growth
2021-2027**

	Sector	Sales (%)	Long-term market growth drivers	
	Pharmaceuticals & Food	36%	<ul style="list-style-type: none"> • Increased investment in medicine: gene therapy; vaccine platforms; aging populations treatments • On-shoring of manufacturing; R&D spend on predictive analytics; standardization on manufacturing approaches • High value crops moving extensive manual work towards automated measurements techniques for insight in nutrients and plant diseases • Emerging markets in food formulation with new sustainable foods such as meat and dairy replacements 	6-8%
	Advanced Materials	32%	<ul style="list-style-type: none"> • Investment in renewable energies and related production & infrastructure, such as green hydrogen • Adoption of electric mobility drives strong growth for batteries industry from early research to recycling • General adoption of more electronics everywhere (IoT, 5G) • Increased adoption of advanced manufacturing techniques 	7-9%
	Primary Materials	32%	<ul style="list-style-type: none"> • Strong focus towards safety, health and sustainability • CO2 free mining, metal and building materials production (COP26) • Industry needs to change technologies/raw materials • Decreasing ore grades require more frequent and accurate monitoring to stay efficient, profitable and competitive • Mining operations move towards remote areas requiring further automation and digitalization 	3-4%

Operating model focused on the customer



Everything is driven from the customer... *where the customer is today and will be in the future*

End markets grouped together with similar applications to *leverage domain expertise*

Academia is key to positioning products with faculty / students supporting fundamental research

Portfolio of instruments, software, and analytics available throughout the customer's workflow

Highly trained and certified *service engineers supporting our customers*

Our diverse global talent delivers customer value beyond measure

Key purchasing criteria

Key purchase criteria	Sector importance		
	Pharmaceutical & Food	Advanced Materials	Primary Materials
Accuracy of the measurement	High	High	High
Maximise yield and instrument uptime	High	High	High
Growing skill gap: easy to use/install	High	High	High
Sustainability – environmental impact	Low	Medium	High
Shorten development cycles	High	Medium	Medium
Regulatory requirements (21CFR and other)	High	Medium	Low
Price	Low	Low	High

Importance Low Medium High

Importance Key Purchase Criteria

High ↑

↓ Low

High precision and accuracy of the measurement is critical

Instrument reliability / uptime is covered by design considerations and highly trained and certified field engineers

Application scientist team help our customers innovate and solve problems

Price is a consideration, value selling (Strategic & Large Accounts) delivers further pricing power

Battery materials

Delivering value through the workflow



Battery Materials ... Research and Manufacturing Workflow

Cathode / anode materials manufacturing

Cell manufacturing

Module/pack

Recycling

Precursor materials

Electrode materials

Electrode coating

Cell manufacturing

Battery modules and packs manufacturing

Battery recycling



Measurements:

Particle Size
Morphology
Elemental Composition
Atomic Structure
Electrical Stability
Chemistry

Our portfolio of instruments is used throughout the materials development workflow. We are developing ... or looking to acquire ... additional capability enhancing delivered value to the customer.

Delivered Value:

Safety / Reliability
Energy Density
Lifespan
Manufacturability
Recyclability
Material Waste

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Product

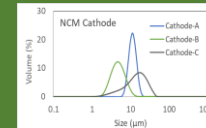
Parameters analysed

Customer delivered value



Mastersizer3000 Insitec (Online)
(Laser Diffraction)

- Particle size distribution



- Large particles: high energy density
- Small particles: high power density



Morphology 4 ID
(Optical Imaging + Raman)

- Particle shape analysis
- and identification

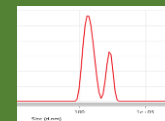


- Elongated particles: low packing density

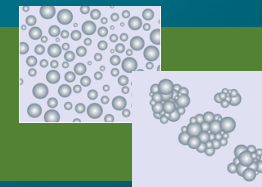


Zetasizer
(Dynamic light scattering and zeta potential)

- Nano-particle size and
- Zeta potential



- Slurry stability



OMNISEC
(GPC/SEC)

- Polymer analysis: molecular size, weight and branching

- Polymer stability

Battery materials

Delivering value through the workflow



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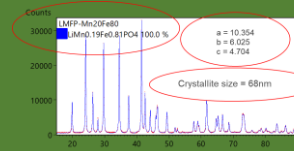
Parameters analysed

Customer delivered value



Aeris
(XRD)

- Crystal defects
- and phase analysis



- Crystal defects degrade battery performance
- Some crystal phases are more stable



Zetium (WDXRF)
Epsilon 4 (EDXRF)
Xflow (online, liquids)

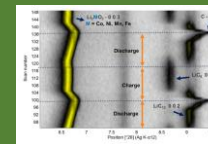
- Elemental composition analysis

- Elemental analysis of precursor and raw materials



Empyrean
(XRD)

- Crystal phases and defects during
- in-operando cycling



- Cell stability and degradation mechanism

Pharmaceuticals

Delivering value through the workflow



From Molecule to Medicine ...



Measurements:

- Structure
- Stability
- Affinity / Binding
- Particle Size / Shape
- Stoichiometry
- Molecular Weight / Aggregation

Our portfolio of instruments is used throughout the materials development workflow. We are developing ... or looking to acquire ... additional capability enhancing delivered value to the customer.

Delivered Value:

- Safety / Efficacy
- Therapeutic Function
- Quality
- Manufacturability
- Recyclability
- Material Waste






Pharmaceuticals

Delivering value through the workflow

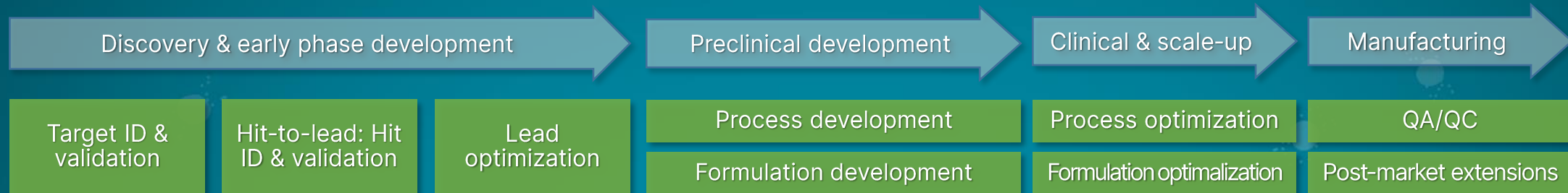






From Molecule to Medicine ...



<u>Product</u>	<u>Parameters analysed</u>	<u>Customer delivered value</u>
 Nanosight NS300 (Nanoparticle Tracking Analysis, NTA)	<ul style="list-style-type: none"> Particle size and concentration on particle-by-particle basis 	<ul style="list-style-type: none"> Characterization and progression of candidates with desirable size and stability profile to ensure therapeutic function and safety
 Empyrean, Aeris (XRD)	<ul style="list-style-type: none"> Solid form characterization and phase analysis 	<ul style="list-style-type: none"> Ensure stability from stage of production of Active Pharmaceutical Ingredient up to the final formulation and support patentability
 Morphology 4 ID (Optical Imaging + Raman)	<ul style="list-style-type: none"> Particle shape analysis and identification 	<ul style="list-style-type: none"> Inform on manufacturability potential and help to resolve process issues to reduce hold time
 Zetium (WDXRF) Epsilon 4 (EDXRF) Xflow (online, liquids)	<ul style="list-style-type: none"> Elemental composition analysis 	<ul style="list-style-type: none"> Ensure safety of drug product by controlling elemental impurities
 Mastersizer3000 Insitec (Online) (Laser Diffraction)	<ul style="list-style-type: none"> Particle size distribution 	<ul style="list-style-type: none"> Inform on manufacturability potential and confirm the product meets quality specifications

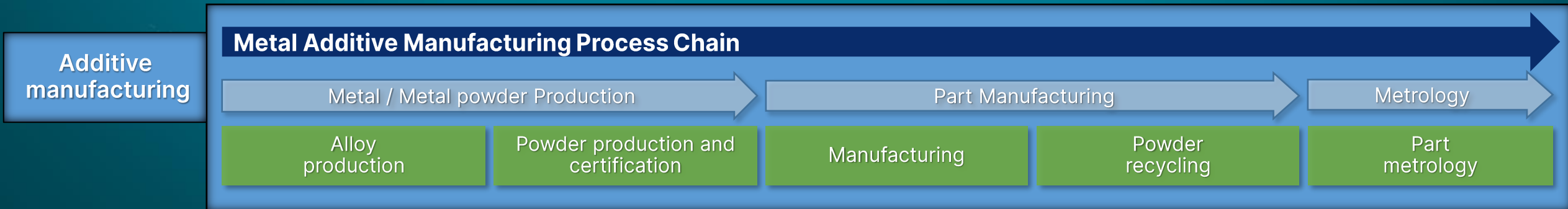
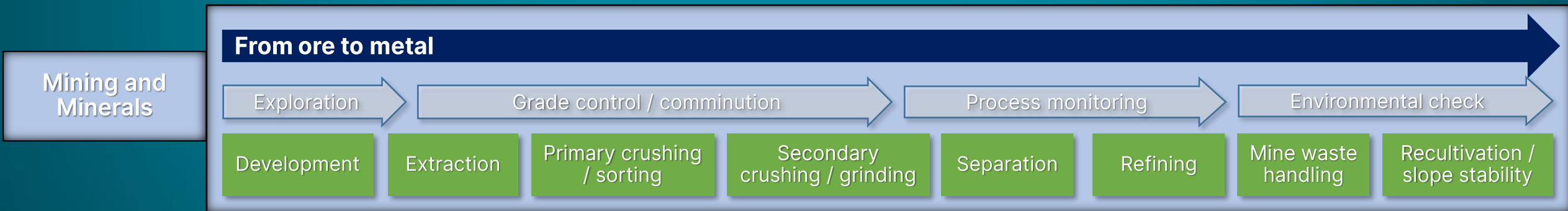
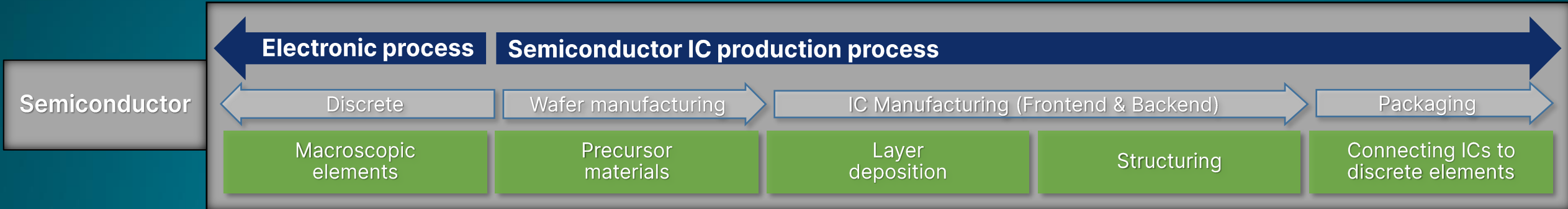
From Molecule to Medicine ...



<u>Product</u>	<u>Parameters analysed</u>	<u>Customer delivered value</u>
 <p>Wave Delta, Wave Delta Rapid (Biosensor - Grating Coupled Interferometry)</p>	<ul style="list-style-type: none"> • Binding affinity, binding kinetics, quantification 	<ul style="list-style-type: none"> • Generates lead candidates by rapid selection of molecules specifically engaging with challenging therapeutic targets and their progression to first-in-class safe and effective drug products
 <p>PEAQ-ITC (Isothermal Titration Calorimeter)</p>	<ul style="list-style-type: none"> • Binding affinity, stoichiometry and energetics of binding 	<ul style="list-style-type: none"> • Gold standard confirmation of target-specific binding to de-risk and accelerate development of effective and safe drugs
 <p>Zetasizer (Dynamic light scattering and zeta potential)</p>	<ul style="list-style-type: none"> • Nano-particle size, size distribution, particle concentration and zeta potential 	<ul style="list-style-type: none"> • Inform on developability potential of a molecule to drive selection process and to ensure stability and therapeutic function of a final product
 <p>OMNISEC, OMNISEC Ultra (advanced detection GPC/SEC)</p>	<ul style="list-style-type: none"> • Molecular weight, concentration, composition, aggregation and fragmentation 	<ul style="list-style-type: none"> • Enable selection of molecules with superior stability characteristics and confirm product quality is as designed

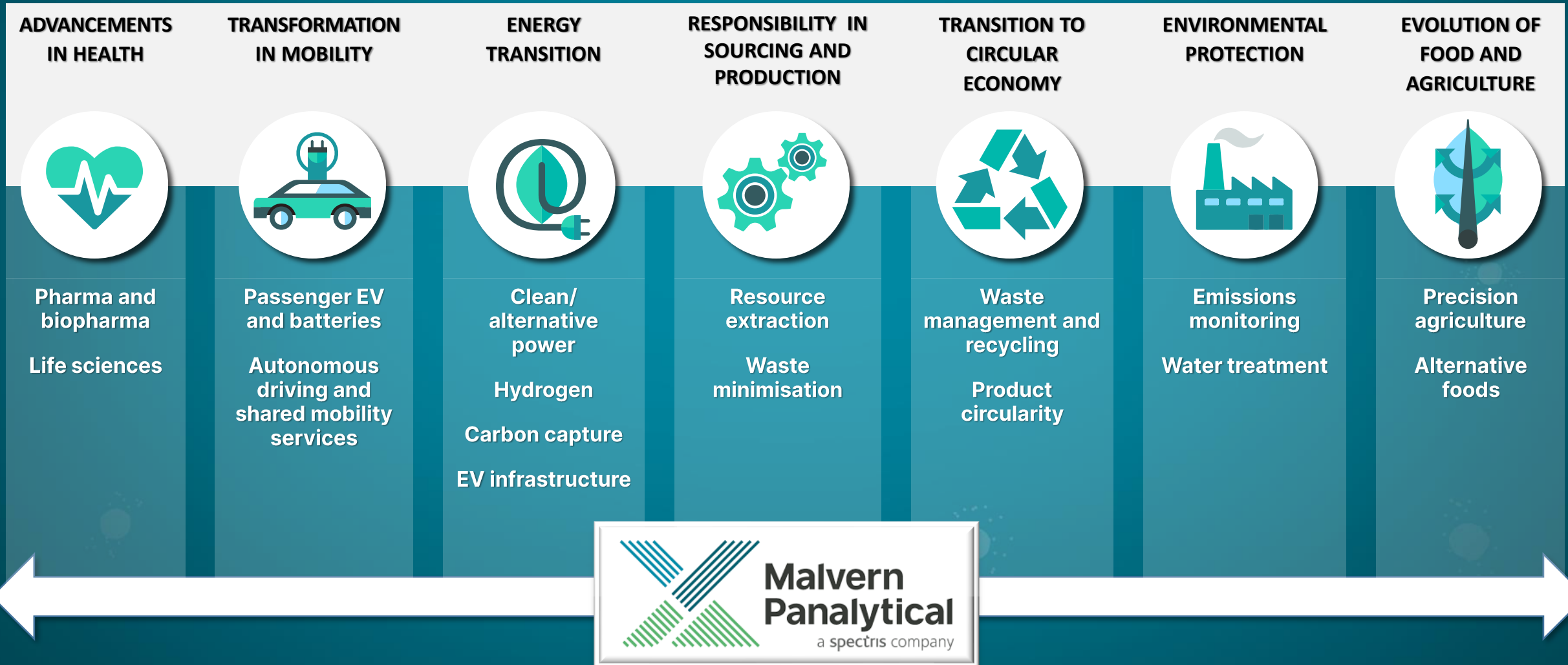
Other end market workflows

Delivering value through the workflow



We're committed to Net Zero

Aligning our strategy with key sustainability themes



We're committed to Net Zero

A sustainable world for future generations

Our Operations (Scopes 1 & 2) will be Net Zero by 2030

Our Value Chain (Scope 3) is to be Net Zero by 2040

Ambitions aligned with Science Based Targets initiative

We are committed to using 100% renewable electricity by 2030 (RE100)

Committed to a fully electric fleet by 2030 (EV100)

Renewable energy procurement



Electric vehicles



Energy efficiency/employee engagement



Supply chain engagement/product circularity



Product efficiency



Sustainable markets strategy



Summary | Key messages...

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A strong platform with a differentiated customer proposition

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- Margin expansion potential >20%



**We are Malvern Panalytical.
We're BIG on small™**

We are here to unleash the power of very small things, to make big things happen.

Our technologies enable our customers to create a better world

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