

Strategy for Profitable Growth

2021 Full year results



*Value
beyond
measure*

Andrew Heath
Chief Executive

Our Strategy for Profitable Growth is delivering

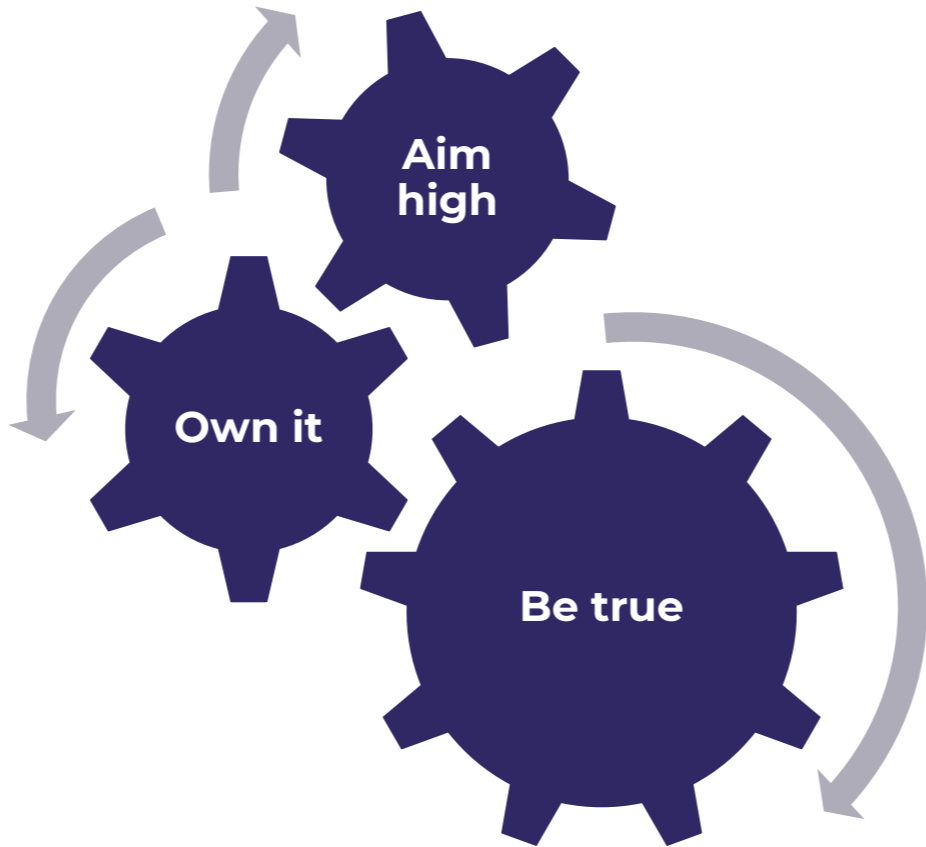
Our Strategy for Profitable Growth is defined by our purpose and built on our values

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



Good results; order book provides momentum into 2022

- Strong demand for our products and services
 - Record order book and strong start to 2022 provides business momentum
- A more focused, higher quality, more profitable business with a strong balance sheet
- Delivered a good financial performance
 - 19% LFL orders growth; 10% LFL sales growth, reflecting market recovery and new product launches
 - Strong operating leverage - adjusted operating profit £209.4 million, up 29% on LFL basis; 16.2% adjusted operating margin
 - Strong adjusted cash flow conversion of 96%; net cash of £167.8 million
 - Dividend per share increase of 5%
 - Supply chain and COVID challenges constrained sales growth in Q4
- Committed to being a leading sustainable business
 - Ambitious Net Zero targets set; Spectris Foundation and STEM strategy established
 - Aligning our strategy to key sustainability themes

2021 scorecard – executing our strategy

Operating leverage	↑	16.2% adjusted operating margin
Portfolio management	✓	Divestment of B&K Vibro, ESG, Millbrook, NDCT
Capital allocation: Business	✓	R&D 6.7% of sales Capex 2.7% of sales
Capital allocation: Dividend	✓	DPS +5%
Capital allocation: M&A	↑	£146 million on acquisitions
Simplify and focus	✓	Simpler, more focused business, well positioned

Operating leverage being delivered

- Improving operating leverage
- Enhancing margin; ahead of 2019

Portfolio management focuses business

- Four divestments completed in 2021
- Attractive valuations achieved

Investing in new products and services

- R&D spend supporting new product development
- Capex on key infrastructure projects

Dividend growth in line with our policy

- Dividend growth of 5%
- 32-year track record of growth

Capital being allocated to M&A

- New software/technology enhances customer offering
- Concurrent-RT strengthens HBK's simulation offering

An even greater focus on our Purpose

- More focused business, aligned to key end markets with attractive growth trajectories and sustainability trends

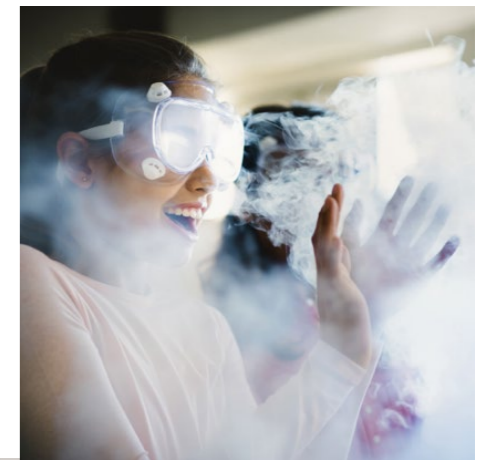
Committed to being a leading sustainable business

- Implementation of our sustainability strategy progressing well
- Addressing the sustainability of our own operations and value chain
- Clear roadmap to achieve ambitious Net Zero targets
 - Net Zero by 2030 across our operations (Scope 1 and 2), by 2040 across our value chain (Scope 3)
 - Ambition validated by SBTi against a 1.5°C warming scenario
- Detailed climate scenarios analysis undertaken in alignment with TCFD
 - Well-placed to harness opportunities arising from transition to a low carbon economy
- Making a difference...addressing the global environmental challenge
 - Accelerating our focus on product efficiency and product circularity
 - Many of our sectors are transforming rapidly
 - Developing products and services that accelerate our customers' journey to Net Zero



Supporting our employees and communities

- Supporting employee health and wellbeing and development
 - 1,282 employees participated in VP Global Challenge, supporting mental & physical health
 - 9 financial wellbeing events held and free 1-to-1 advice provision
 - 18 Group-wide mental health seminars for World Mental Health Day
 - Strengthening our talent development, diversity and inclusion initiatives
- Global STEM strategy launched
 - Young Professionals partnership connecting employees with >4,000 students for STEM careers
 - Building strategic partnerships with key universities (Bristol, Penn State)
 - Developing apprenticeship programme
- Launch of the Spectris Foundation
 - Spectris Foundation established; donation pipeline developed by employee-led focus group
 - First donation made – £100,000 for STEM education project with STEM ENTHUSE Partnership
 - First local employee-nominated donation – Sheffield UTC Academy to build environmentally friendly car



Engineering brighter futures

Derek Harding
Chief Financial Officer

2021 scorecard – strong performance compared to 2020 & 2019

		vs 2020		vs 2019
Sales growth	✓	+10% LFL	✗	(2%) LFL
Operating profit growth	✓	+29% LFL	✗	(1%) LFL
Operating margin expansion	✓	+240bps LFL	✓	+20bps LFL
Working capital management	✓	3.1% improvement to 11.0%	✓	2.7% improvement from 13.7%
Cash flow	✓	96% conversion (45pps)	✓	+5pps
ROGCE	✓	+330bps	✗	(30bps)

Sales growth

- Strong compared to 2020; almost back to 2019 levels

Operating profit growth

- Significant improvement versus 2020; almost back to 2019 levels

Operating margin expansion

- Controlled cost resulting in operating leverage

Average working capital

- Improvement of 3.1% to 11% of sales, within 11-15% guidance

Cash flow

- Cash flow conversion of 96%, against a tough comparator

Return on gross capital employed

- Now on an improving trend, driven by increased profitability on a lower capital base post disposals

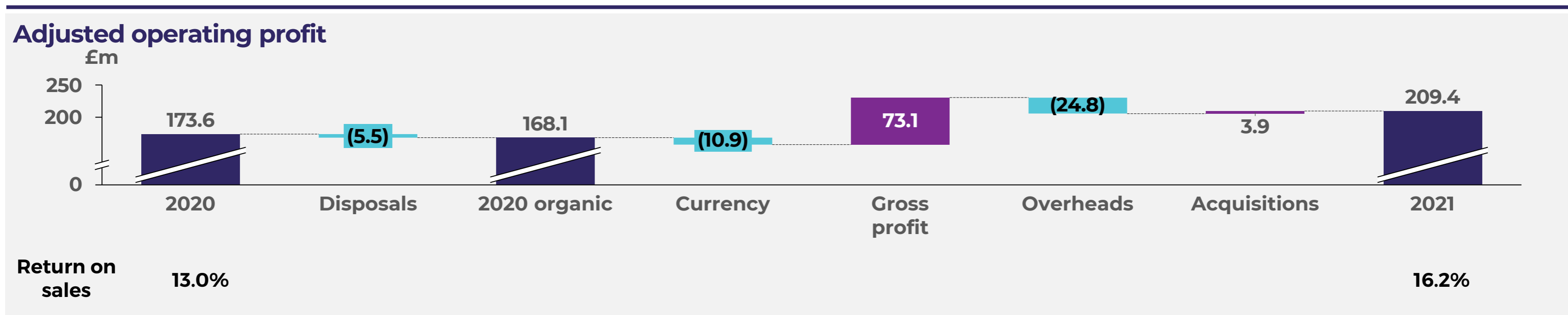
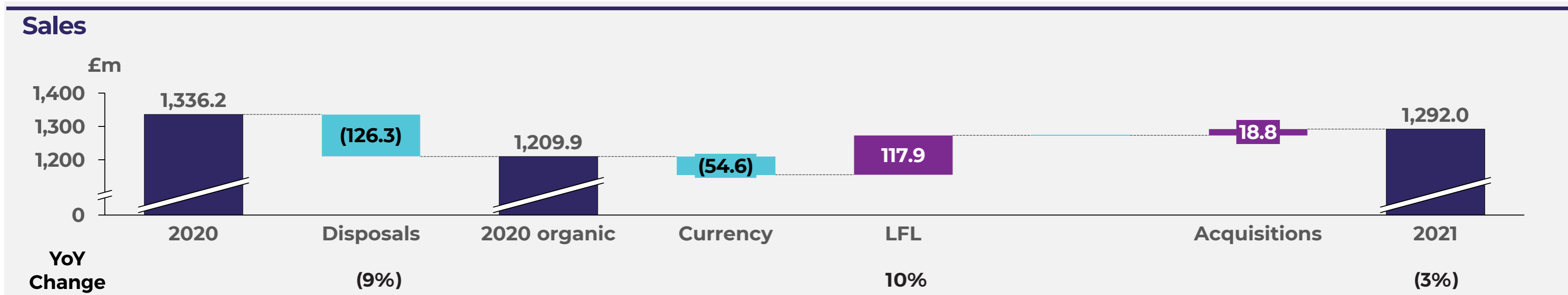
Strong financial performance

	FY 2021	FY2020	Change	Like-for-like change vs 2020²	Like-for-like change vs 2019²
Sales (£m)	1,292.0	1,336.2	(3%)	10%	(2%)
Adjusted operating profit (£m) ¹	209.4	173.6	21%	29%	(1%)
Adjusted operating margin (%) ¹	16.2%	13.0%	320bps	240bps	20bps
Adjusted profit before tax (£m) ¹	204.3	166.4	23%		
Adjusted effective tax rate (%) ¹	22.0%	21.8%	20bps		
Adjusted EPS (pence) ¹	140.7p	112.1p	26%		
DPS (pence)	71.8p	68.4p	5%		
Adjusted cash conversion (%) ¹	96%	141%	(45pp)		
Net cash (£m) ¹	167.8	106.1	58%		
Return on gross capital employed (%) ¹	13.2%	9.9%	330bps		

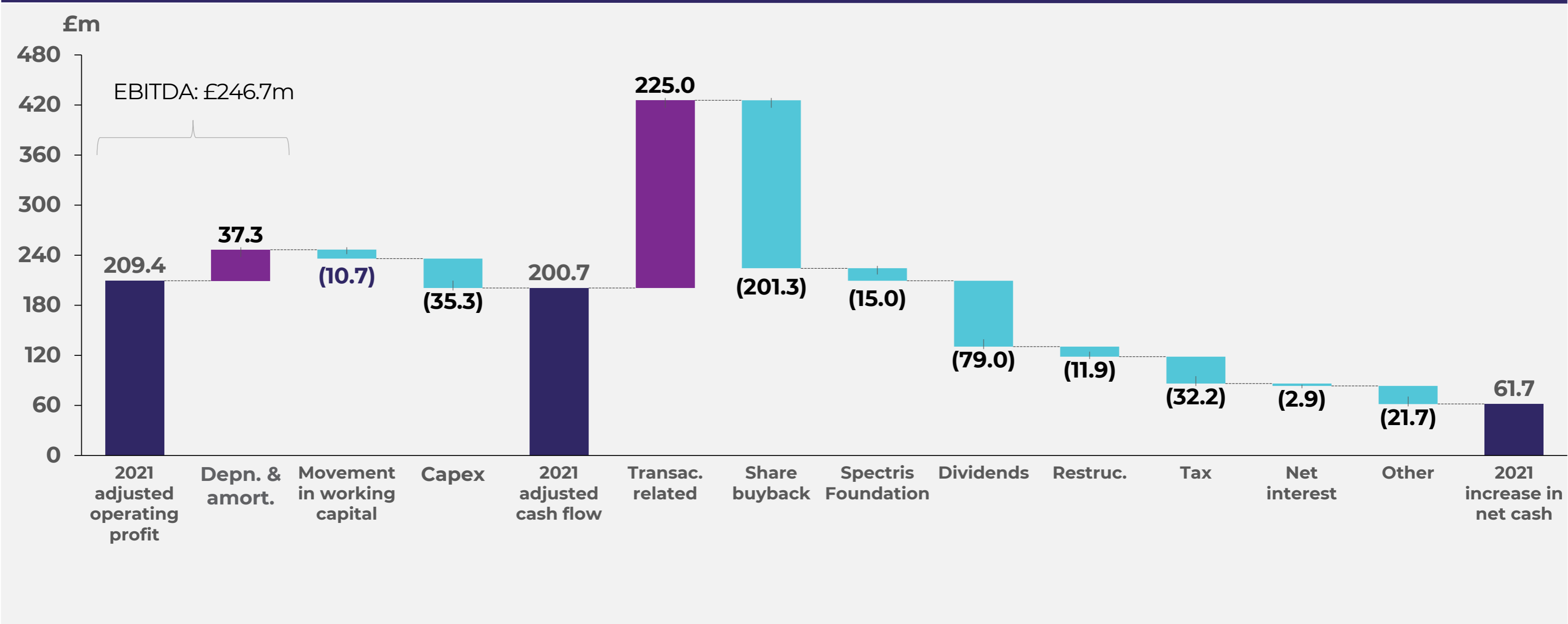
Notes

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').

Strong operating leverage improves operating margin



Continuing strong cash flow generation



Adjusted and statutory operating profit/loss and PBT

£m	FY 2021	FY 2020
Adjusted operating profit¹	209.4	173.6
Restructuring costs	(10.2)	(19.5)
Net transaction-related costs and fair value adjustments	(19.5)	(19.4)
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	(0.2)	(0.7)
Impairment of goodwill	-	(58.4)
Configuration and customisation costs carried out by third parties on material SaaS projects	(5.2)	-
Amortisation and impairment of acquisition-related intangible assets and impairment of other property, plant and equipment	(19.4)	(98.9)
Statutory operating profit/(loss)	154.9	(23.3)
Fair value through profit and loss movements on equity investments	-	23.2
Profit on disposal of businesses	226.5	4.4
Financial income	12.8	1.8
Finance costs	(5.6)	(10.2)
Statutory profit/(loss) before tax	388.6	(4.1)

Notes

1. These adjusted performance measures represent the statutory results excluding certain items.

Disposals and acquisition pro-forma

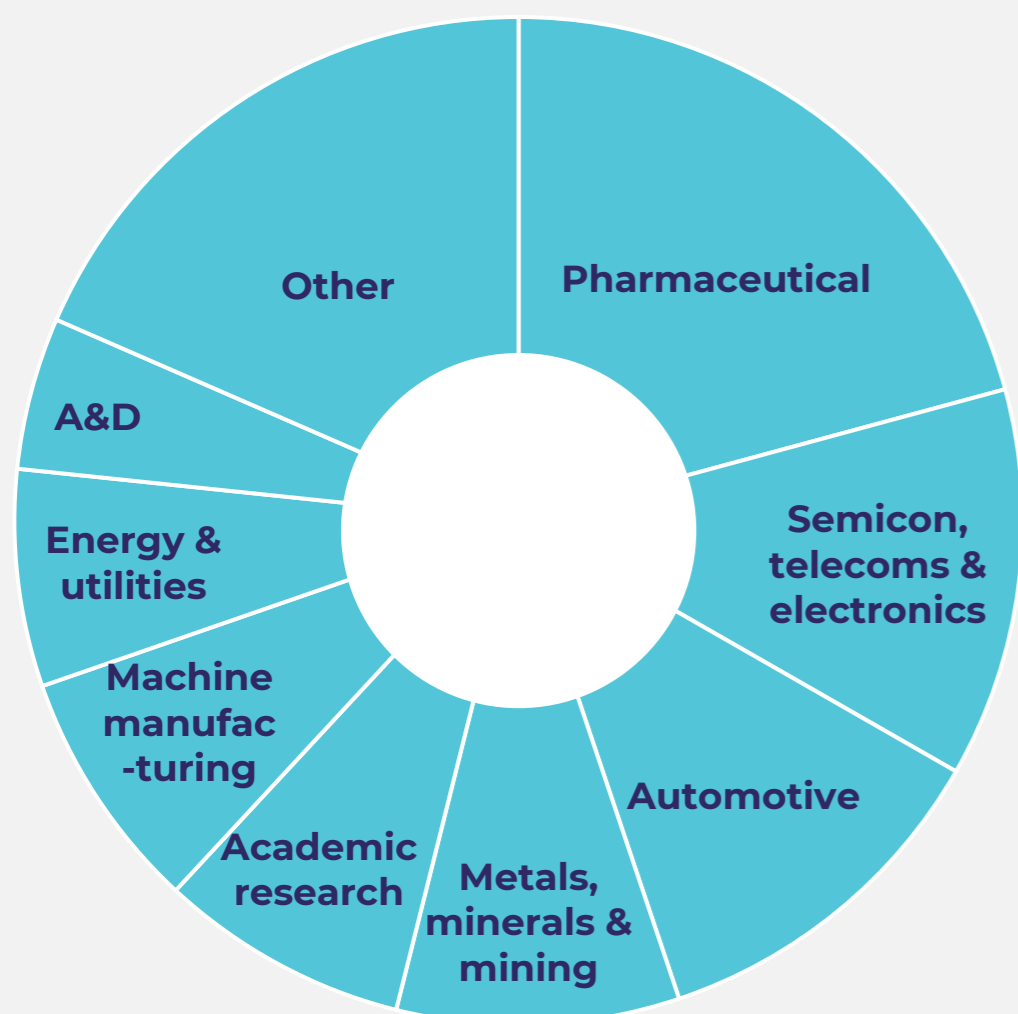
	2021 Reported	Disposals: Millbrook	B&K Vibro	ESG	NDCT	Acquisition: CCRT	2021 Pro-forma
Sales	1,292.0	(5.7)	(5.4)	(2.9)	(51.9)	16.1	1,242.1
Overheads	529.2	(2.2)	(2.8)	(1.6)	(20.7)	6.6	508.6
Adjusted operating profit	209.4	(0.3)	(0.1)	0.4	(5.8)	3.1	206.8
Adjusted operating margin	16.2%	4.5%	1.0%	(13.7%)	11.1%	19.3%	16.6%

Considerations for 2022

Headwinds				Tailwinds
<ul style="list-style-type: none"> Continued COVID-19 interruptions Continued supply chain interruptions Labour cost, materials cost and overhead inflation Geopolitical disruption 				<ul style="list-style-type: none"> Record order book Further product launches Continue cost control using the SBS Full-year contribution of 2021 acquisitions
Impact of 1 cent change versus GBP	2022 sales £m	2022 adj op profit £m	Assumed rate for 2022	Financial guidance
USD	3.1	0.8	1.38	<ul style="list-style-type: none"> Capex anticipated to be c. £50 million Incremental R&D investment £10 million SaaS costs to be c.£20 million (c.£45 million over 3 years) Adjusted tax rate of 22% Working capital 11% ~ 15% of sales
EUR	2.5	0.5	1.16	

Andrew Heath Business update

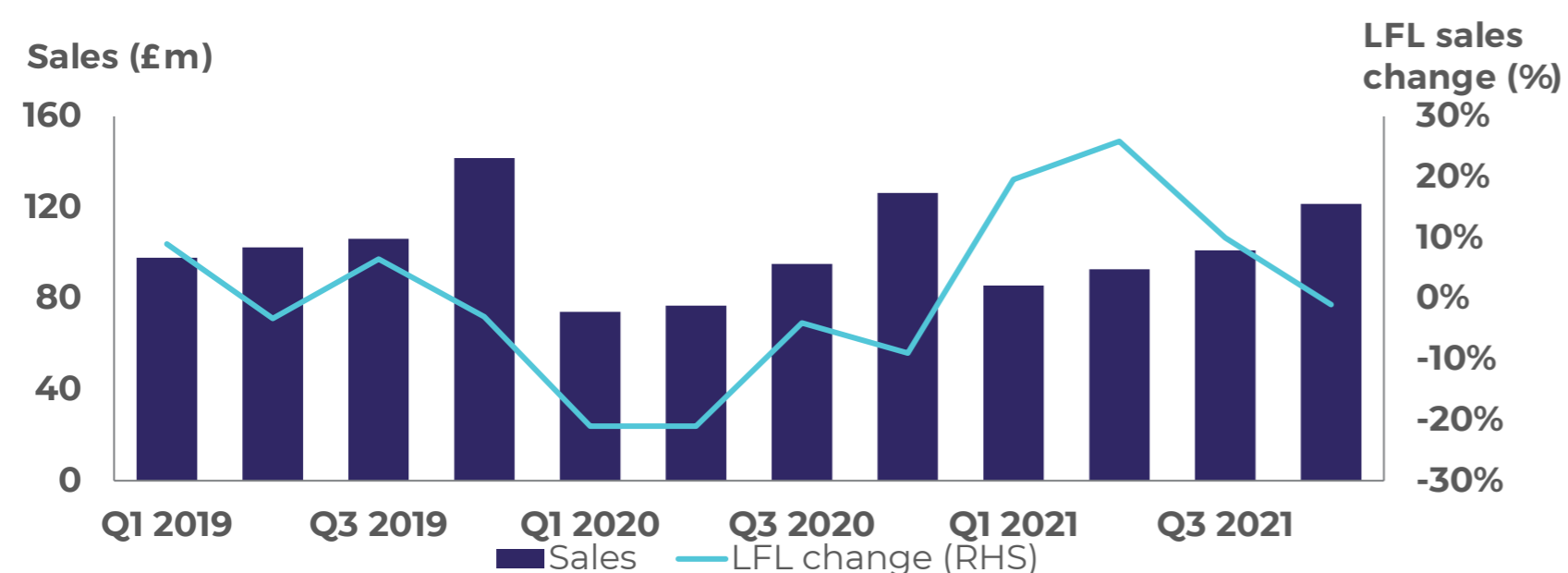
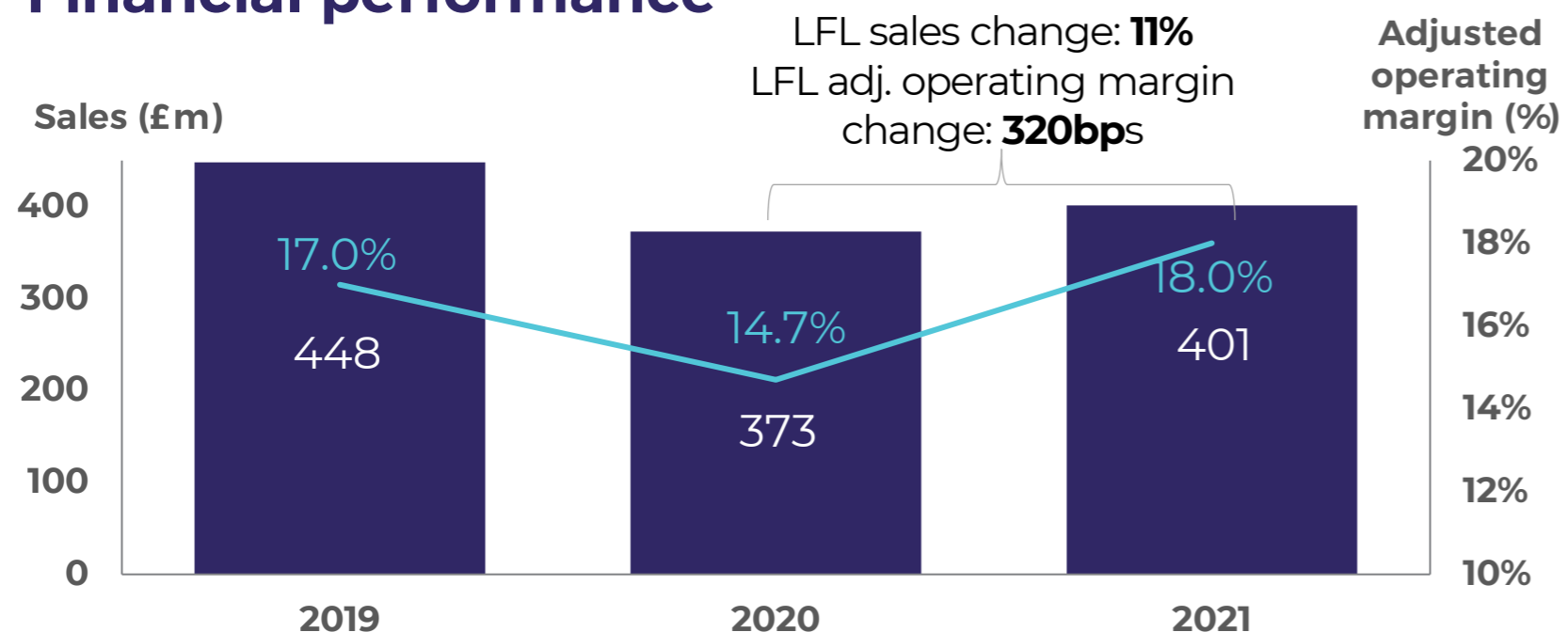
Sales by end market



End market	% of Group sales	LFL change FY2021	LFL change FY2020
Pharmaceutical	21%	14%	4%
Semiconductor, telecoms & electronics	12%	18%	(13%)
Automotive	12%	1%	(21%)
Metals, minerals & mining	9%	9%	(14%)
Academic research	8%	9%	(24%)
Machine manufacturing	8%	24%	12%
Energy & utilities	7%	(1%)	(19%)
Aerospace & defence	5%	1%	(0.5%)

Malvern Panalytical – strong margins, record order book

Financial performance

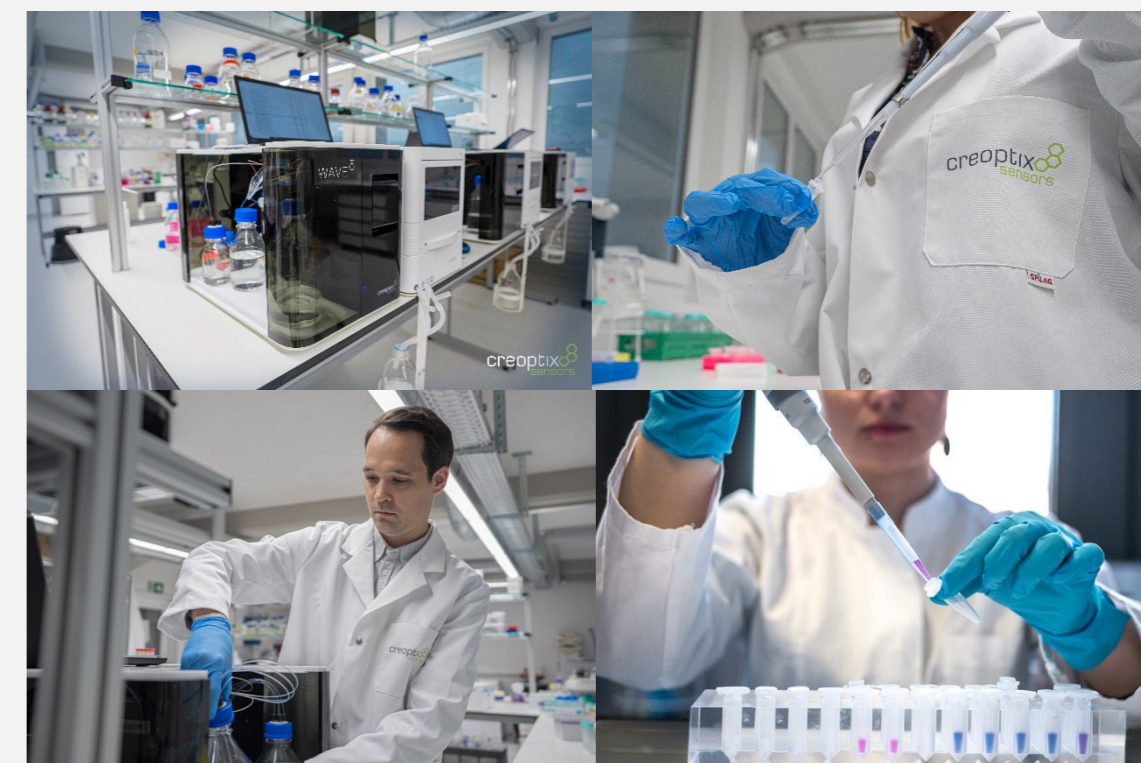


Strategic update

- 25% LFL growth in orders
- Record order book reflecting strong market recovery and new product launches
 - Pharma – uplift in vaccine/viral vector manufacturing; increase in onshoring
 - Primary materials – solid recovery in metals/mining and building materials; good aftersales revenues
 - Advanced materials – technology developments in battery, additive manufacturing and new energy technologies
- Strengthening our position as the differentiated leader in the advanced measurement and characterisation of materials
 - Enhancing performance of its products; developing new solutions
 - Digital solutions a focus area, Smart Manager a key product launch
 - Increased R&D spend and ERP investment
- Strategic focus on pharma – Creoptix acquisition strengthens offering

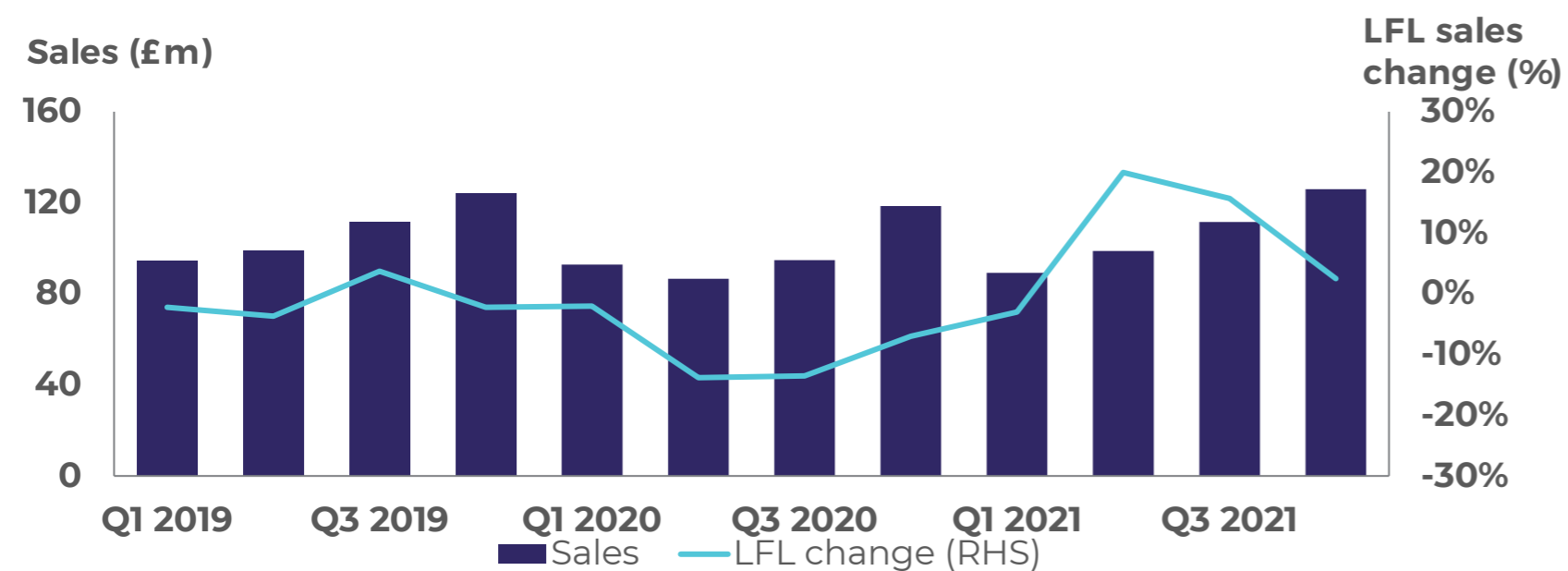
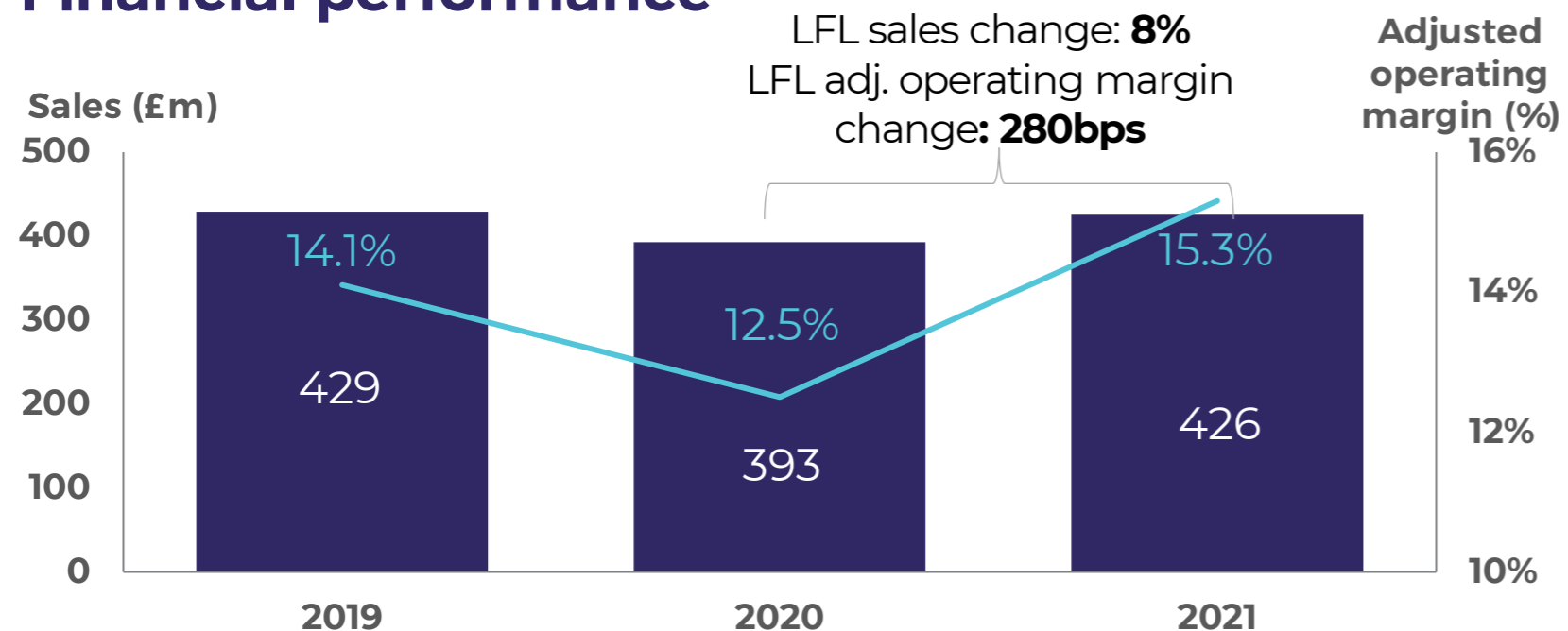
Creoptix acquisition further strengthens pharma offering

- Malvern Panalytical is a leading provider of precision instruments for measuring structure, stability and affinity in drug product formulations
- Creoptix provides industry-leading instruments and software, measuring real-time biological and molecular interactions
- Strengthens and expands Malvern Panalytical's offering in the affinity (drug binding) area
- Opportunity to scale Creoptix's superior technology, in terms of speed and sensitivity, leveraging Malvern Panalytical customer base



HBK – strategic progress and good momentum

Financial performance



Strategic update

- 16% LFL growth in orders
- All markets back to growth; machine manufacturing strongest
 - Machine manufacturing – strong demand for OEM sensor solutions, accelerometers and weighing electronics
 - Automotive – returned to growth, orders steadily increasing; R&D spend more resilient
 - A&D – defence and space/satellite markets more robust, large transducer and data acquisition orders and for shaker systems
- Strategic initiatives are better positioning HBK
 - Strengthening the organisation – new go-to-market model, CRM and ERP being implemented; unified website being launched
 - Investing in R&D aligned to strongest market opportunities - electrification, virtual test and simulation, smart manufacturing and digitisation
 - New product launches aligned to strategic growth drivers in virtual testing and simulation; physical testing and software
- Concurrent Real-Time and VIMANA strengthen offering

Acquisitions enhance HBK customer offering

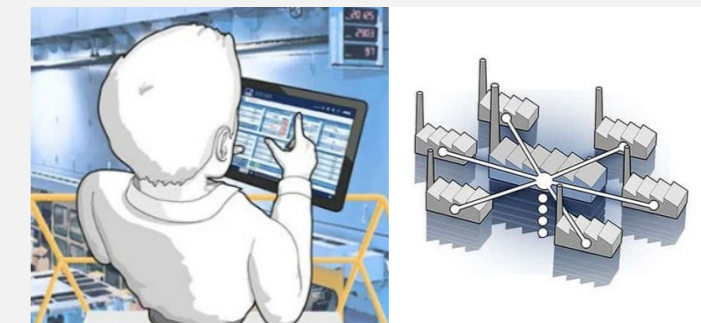
Concurrent Real-Time

- Leading developer/supplier of real-time operating systems, for hardware-in-the-loop ('HiL') simulation
- Significantly strengthens HBK's simulation offerings, alongside VI-grade
 - Adds industry diversification, especially in aerospace/defence
 - Allows greater market expansion into automotive HiL business
 - Combining HiL features with driver-in-the-loop systems – meets a currently unmet customer requirement
- Helps customers achieve faster product innovation, at lower cost and risk to bring products to market more quickly



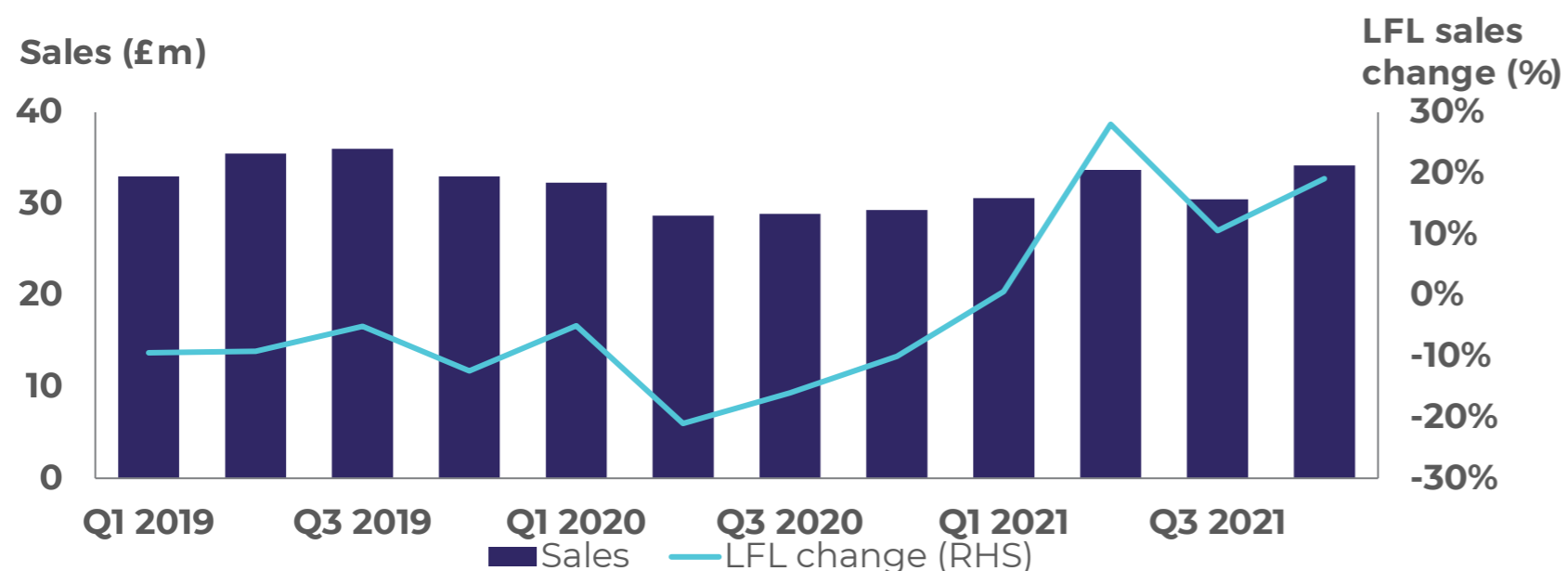
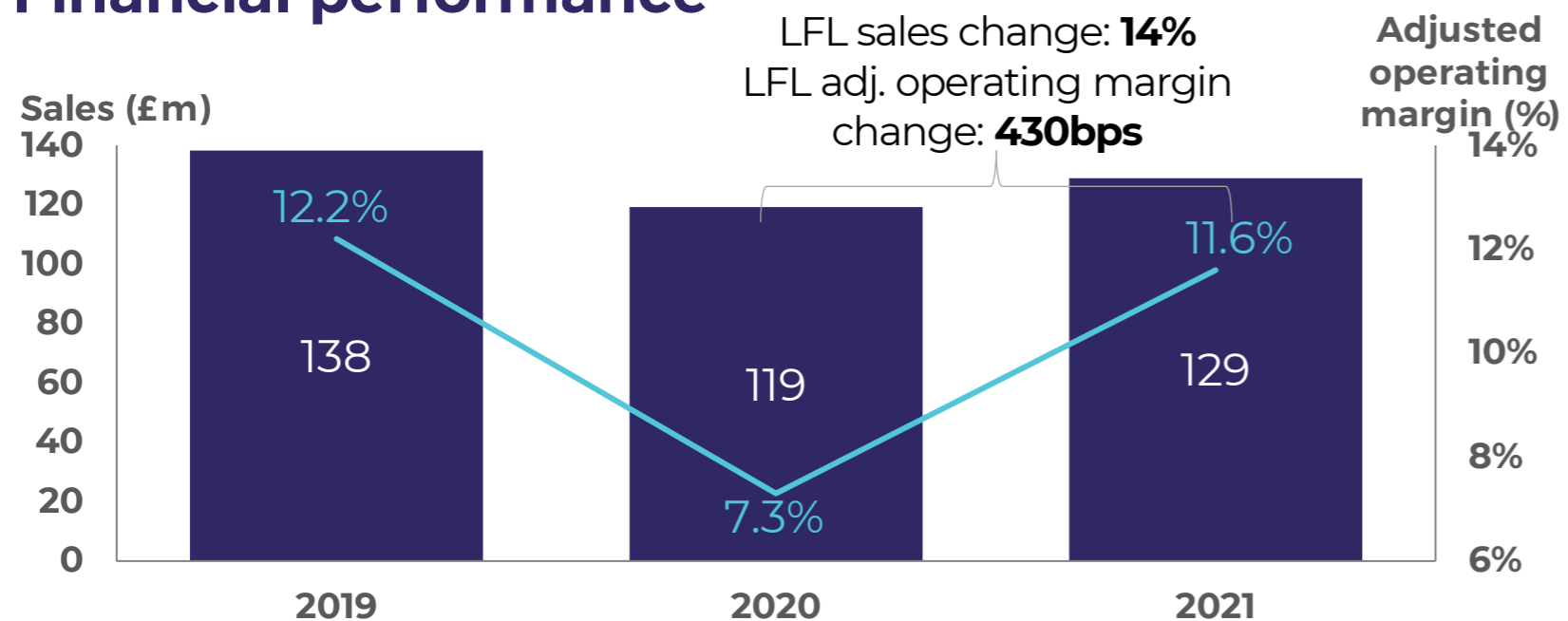
VIMANA

- Software and service provider for smart manufacturing
- Forms the basis for a new engineering centre of excellence, focused on data management and connectivity
- Provides an open architecture approach, simplifying test data integration for customers
- First product to be launched in 2022



Omega – much improved performance, strong market recovery

Financial performance

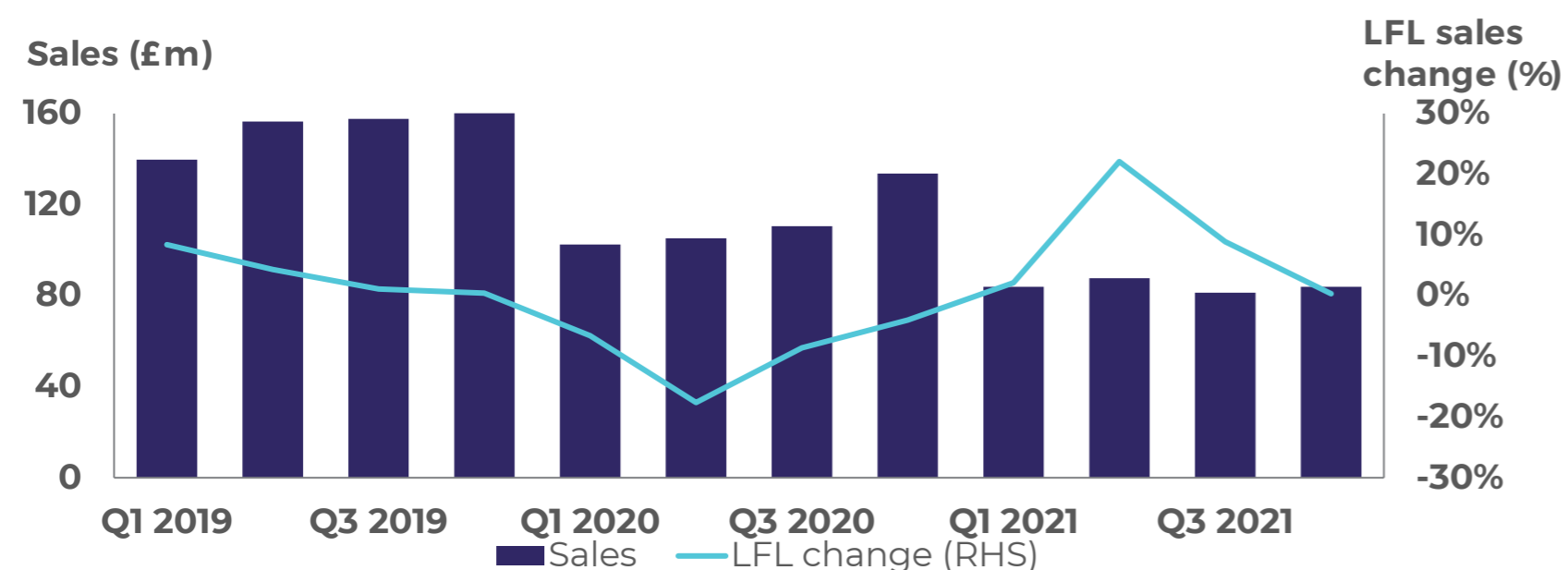
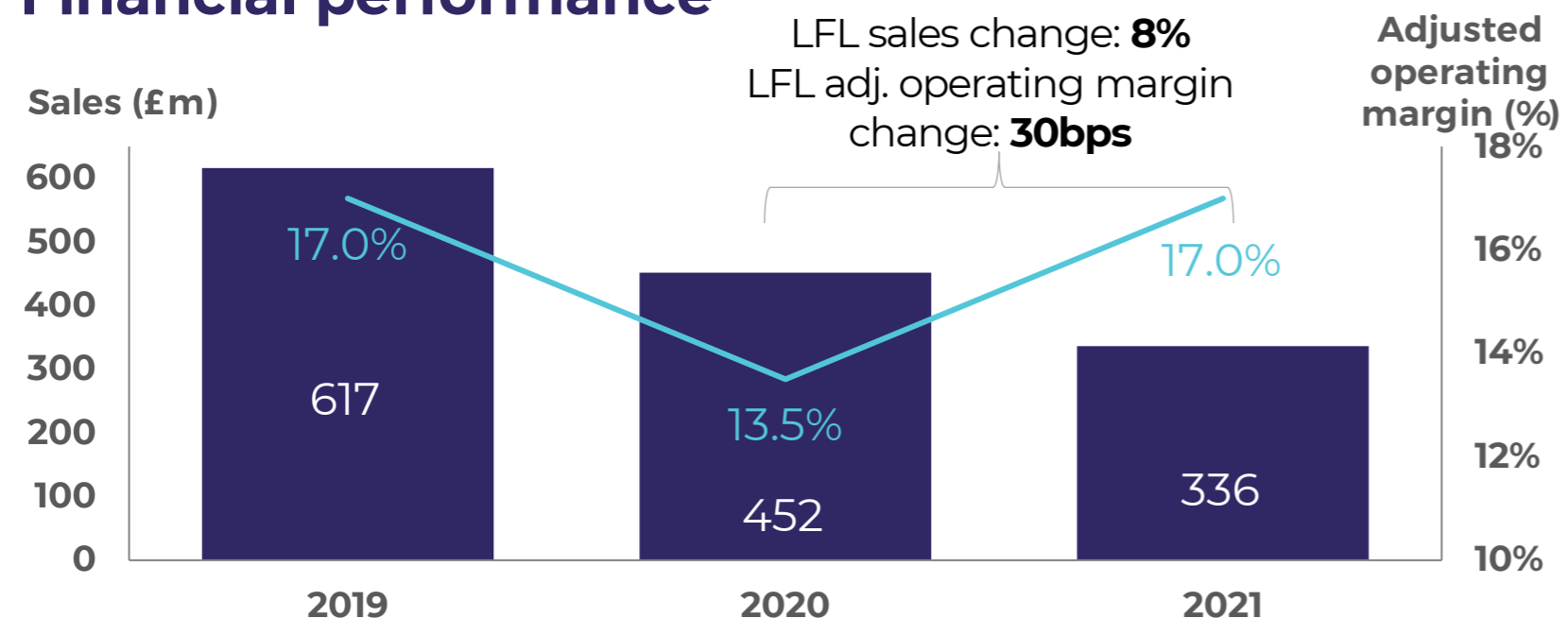


Strategic update

- 23% LFL growth in orders
- Strong recovery, especially semiconductor and with key channel partners
 - Above market growth in North America - strong demand from distribution and strategic accounts, new business wins & market share gains
 - Above market growth in Asia, supported by semicon demand
- Strategic initiatives underway to drive organic growth
 - Optimising the digital customer experience – web orders and conversion rate back to 2018 levels, record average order values sustained
 - Expanding sales distribution channels and developing new partnerships – sales through Newark partnership +50%; expanding it to Europe/Asia
 - More pro-active sales and marketing approach - sales to strategic key accounts increasing
 - Investing in product development - fewer, more impactful launches – high-accuracy non-invasive temperature sensor ('HANI™') and Layer N IIoT products were key launches
 - Continuing to simplify the business and improve operational performance

Industrial Solutions – simplified and refocused for growth

Financial performance



Strategic update

- 15% LFL growth in orders
- Robust growth, especially semiconductor and pharma
 - Semicon/electronics - rising chip demand supporting investment and onshoring of production
 - Pharma - increase in onshoring; uplift in vaccine & viral vector manufacturing, PMS' OEM-focused strategy also driving growth
 - Energy - slower than expected recovery, though on an upward trend; emissions control and increasing focus on environmental issues supportive
 - Expansion in digital, automation solutions and connectivity
- Four divestments completed, simplifying and focusing ISD
- Strategic direction centred around being a leading provider of high precision, in-line sensing and monitoring solutions
 - Invest organically - each business continues its customer-oriented strategic initiatives and product development strategies to drive growth
 - Pursue M&A to compound growth and build scale
 - ISD to be run as a more integrated division, leveraging the existing infrastructure to drive efficiencies

Cleaner

Delivering high performance measurement systems on a world-first energy project

ITER is one of the world's most ambitious energy projects. 35 nations are collaborating to prove the feasibility of fusion as a large-scale, sustainable and carbon-free source of energy.

This engineering challenge involves extreme environments with large instrumentation necessities. Being experimental, everything is first of a kind and requires highly specialised materials and processes, as well as precise measurement instrumentation.

HBK has a long collaboration history with the project and was selected because of its unique capability and expertise in delivering high performance measurement systems, based on both optical and electrical technologies. ITER's specific requirements often reach physical limits and HBK is able to build the customised solutions it needs.

Healthier

Improving stability, supply and storage of vaccines

Malvern Panalytical and Leukocare have been collaborating to help improve the availability of COVID-19 vaccines using Malvern Panalytical's Differential Scanning Calorimetry technology, a gold standard technique for assessing thermal stability.

Malvern Panalytical and Leukocare, who specialise in biopharma formulation development, are using this technology to understand how the stability, and the subsequent supply and storage of the vaccine, can be improved.

Combining Leukocare's pioneering expertise with Malvern Panalytical's extensive analytical know how is helping increase the production and simplify the distribution, of COVID vaccines. This technique can be further used to achieve stability improvements for a wide range of vaccines.

More productive

Enabling high accuracy data collection within seconds for the food industry

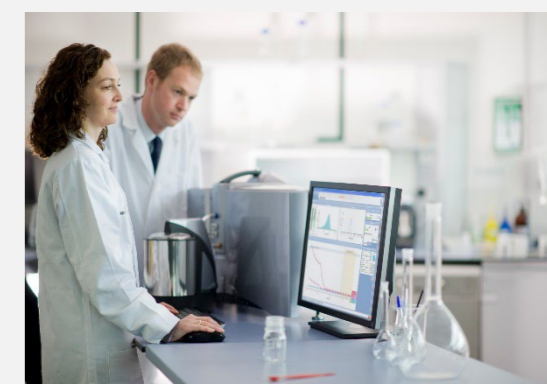
Temperature control is a critical process in the food and beverage industry to ensure product integrity and quality, eg measuring the temperature of a fluid moving through a pipe during manufacturing

Omega's high-accuracy non-invasive clamp temperature sensor or 'HANI™' is easily installed by clamping externally to a pipe and delivers immediate high-accuracy temperature readings without any costly installation and downtime. Being non-invasive and non-contact, it also avoids contamination risk which can affect product integrity. It allows for easy connectivity and data collection, and the flexibility to easily change the temperature monitoring system.



































Using HANI, the Food Innovation Center at Rutgers University achieved their required temperature measurement outcome in seconds, rather than the days it would have historically taken, saving time and cost, all while ensuring product integrity.

Entering the next phase of our development

- Significant progress with Strategy for Profitable Growth
 - Three scale platform businesses and a focused Industrial Solutions Division
 - More focused, more resilient business
 - More profitable, with a strong balance sheet
 - A clear purpose, with sustainability at the heart
 - Strong position to accelerate our ambitions
- Entering the next phase of our development
 - Aligned to key sustainability themes
 - Strong positions in high growth, high margin end markets



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 • 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
 	  	   	    	    	    	  

Looking forward with confidence, opportunity and momentum

- Delivered a good financial performance in 2021
- Strong demand, entering 2022 with a record order book and strong start to the year
- Significant progress, executing our Strategy for Profitable Growth
 - More focused, higher quality, more profitable, more resilient, strong balance sheet
- Entering the next phase of our development
 - Balance sheet strength supports investment and disciplined M&A
 - Set to take advantage of new growth opportunities aligned to our Purpose and sustainability

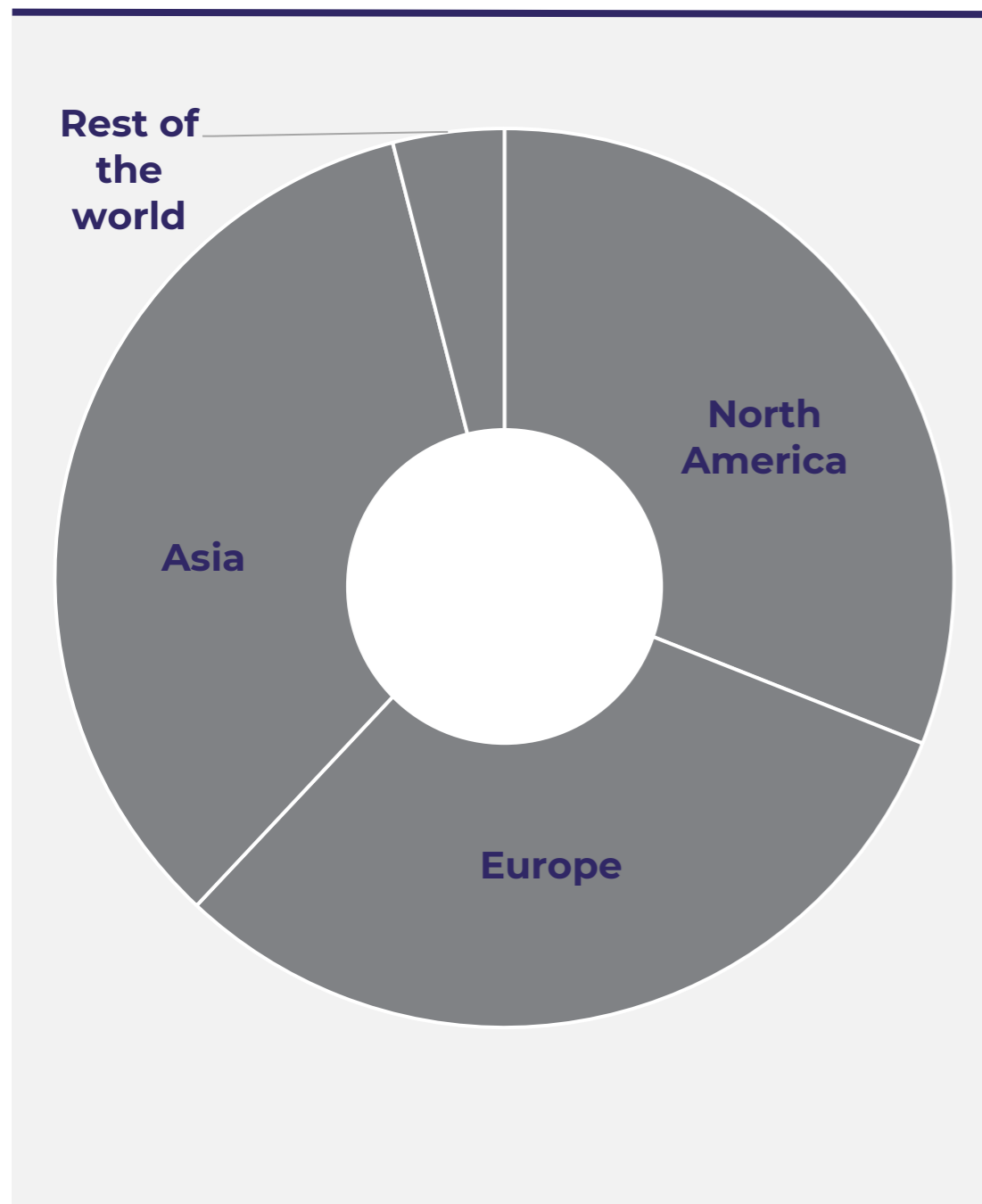
Confident in ability to deliver good organic growth and margin expansion

Q&A



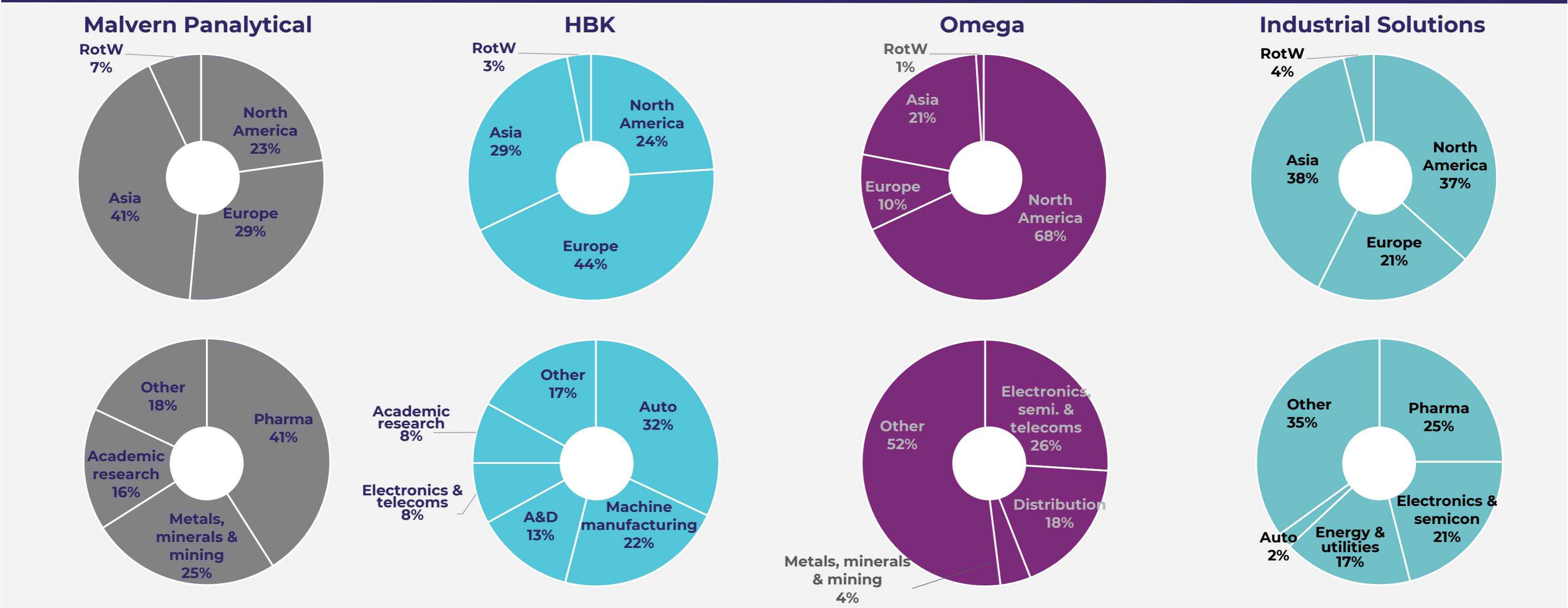
Appendix

Sales by destination



Destination	% of Group sales	LFL change FY 2021	LFL change FY 2020
North America	31%	8%	(8%)
Europe	30%	5%	(13%)
Germany	9%	7%	(14%)
UK	4%	(1%)	(13%)
Asia	35%	16%	(11%)
China	16%	19%	(5%)
Japan	5%	(2%)	(10%)
Rest of the world	4%	5%	(15%)

Sales by destination and end market



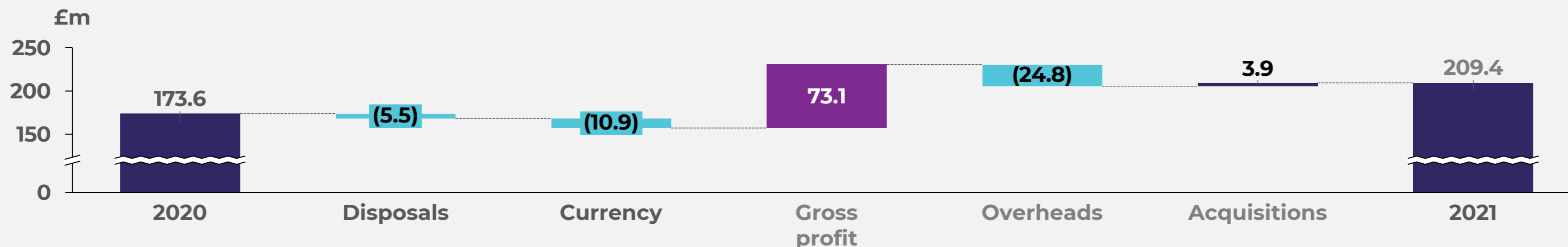
Balance sheet

Summary (£m)	FY 2021	FY 2020*
Goodwill and intangible assets	800.6	684.8
Property, plant and equipment	211.0	187.1
Investment in equity & debt instruments	47.3	39.4
Assets held for sale (net)	10.4	141.4
Working capital:		
- Inventories	187.9	168.5
- Receivables	315.9	293.3
- Payables	(344.0)	(313.0)
- Provisions	(22.3)	(28.5)
Derivatives & taxation (net)	(25.1)	1.4
Lease liabilities	(65.9)	(38.9)
Retirement benefits (net)	(22.3)	(20.4)
Net capital employed	1,093.5	1,115.1
Net cash	167.8	104.6
Net assets	1,261.3	1,219.7

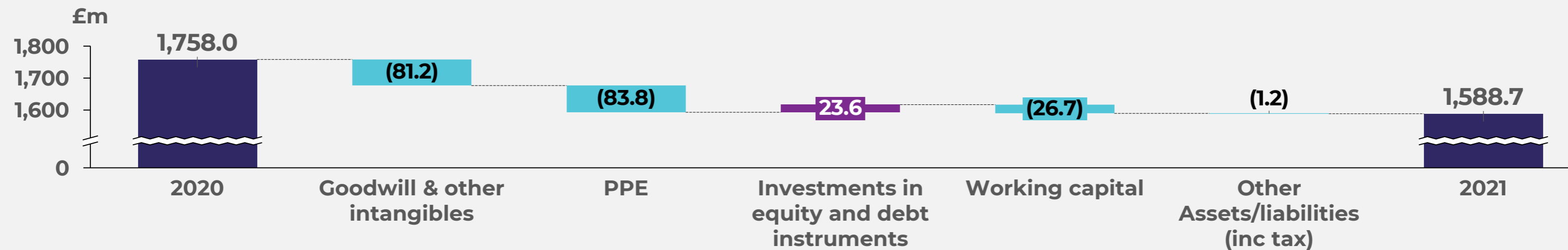
*Note: 2020 is restated for SaaS

Return on gross capital employed

Adjusted operating profit



Average gross capital employed



ROGCE 9.9%

13.2%

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