Spectris H1 2020 Results

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Introduction and Highlights

Andrew Heath

Chief Executive, Spectris

Welcome

Good morning, everyone. I hope that you are all keeping safe and well at this time, and welcome to those on the call, but also to those of you on the webcast to this Spectris' Half Year Results for 2020. I am Andrew Heath, Chief Executive, and I am joined today by Derek Harding, our CFO.

Agenda

So moving on to the agenda. I will go through the headlines and then pass over to Derek to run through the numbers in more detail. I will then come back to talk to you about our operational performance before closing with outlook and opening the session for Q&A.

COVID-19

Our priority continues to be to protect the health and safety of our employees, and through this period, balance the needs of all stakeholders. Response and commitment of our people has been exceptional, and I would again like to publicly thank and recognise everyone for how they have responded to all that COVID-19 has presented to us. I would also like to thank our shareholders for their understanding and support over the past months. It is greatly appreciated.

H1 2020 headlines

In terms of performance, we had a better Q2 than we expected when we entered the quarter. H1 results decreased by 14% on a like-for-like basis to £599 million. With the commitment of our people, we moved quickly to support our customers at a lower cost. And we rapidly implemented a number of short-term temporary cost measures which, along with the benefits from our profit improvement programme, delivered an 11% reduction in like-for-like overheads in the first half.

As a result, the profit drop-through impact was limited at 32%, resulting in a 41% like-for-like reduction in operating profit to £44.1 million.

Spectris has performed well in the face of what has been an unprecedented time, demonstrating the resilience and quality of our business model and our cash generative nature. Our cash conversion was very good such that we ended the period with an even stronger balance sheet and liquidity position at the end of June. This has enabled us to reinstate payments to stakeholders, paying an additional interim dividend in lieu of the final 2019 dividend, and announcing an interim dividend for the first half of 2020.

We are also restoring salaries and bringing people back to full-time working. However, we must remain vigilant, both in terms of our people's well-being and our forward planning. The outlook does remain uncertain. But what is clear is that we are facing a global recession with an extended recovery period. Therefore, we must now move to implement sustainable actions in the face of this new economic reality. And consequently, we have announced a restructuring programme, which we expect to deliver £20 million of benefits in 2021, which is on top of the £20 million we delivered this year from our profit improvement programme previously announced.

Nevertheless, our strategic direction is unchanged. Whilst the backdrop has fundamentally altered, it provides new opportunities for us to emerge from this crisis even stronger and more resilient. We will continue to focus on what we can control, investing in our business to deliver growth, implementing cost and improvement initiatives to drive operating margin expansion and optimising the portfolio to deliver long-term value to our shareholders.

A balanced approach to managing our business

First half of 2020 has presented many new challenges, but as we have previously said, we have endeavoured to take a balanced, socially responsible approach to managing our business, consistent with our culture and values. While, of course, we are working hard to deliver stronger financial performance as possible, we are also ensuring we address the needs of all our stakeholders, protecting and supporting our people, working more closely and flexibly with our customers and suppliers while finding ways to aid the communities within which we operate.

And to address the crisis, we have managed it in really in three phases: react, respond and reset. At our trading update in May, we described many of the actions we have taken in the first two phases. So I will just provide a brief summary here.

React

The Spectris team reacted superbly in the early days of the pandemic, protecting and supporting our people and working more closely and flexibly with our customers and suppliers. With the health, safety and well-being of our people remaining a key priority, we moved quickly to enable working from home arrangements for all roles where possible and to protect employees still deployed at our sites with heightened safety measures.

We also enhanced our mental health support, provided practical guidance and increased our communication in order that everyone stayed connected. These measures continue today. For our customers, we have innovated how we engage with them as many continue to work remotely. We increased our use of digital engagements, including virtual training, online demonstrations and also accelerated self-installation and remote support tools to keep our customers operational.

We have also been working more closely with our suppliers, maintaining our payment terms and offering to provide early payment to any small business suffering hardship.

Respond

In the respond phase, we took swift action to protect the company while retaining capabilities and protecting jobs for as long as possible. We prioritised short-term costs and savings to support our financial performance and mitigated the impact on jobs through a range of temporary measures, such as reducing discretionary costs, a headcount freeze, and asking our people to take a reduction in pay, or work a shorter week or indeed be furloughed.

With the support of our people, we were able to implement these savings quickly despite the financial burden it placed on them. Their selflessness and commitment is very, very much appreciated.

In conjunction with our profit improvement programme, this resulted in overheads in the first half being 11% lower on a like-for-like basis. And Derek will cover this in more detail shortly. To preserve cash, we also decided to withdraw the special dividend and postpone the final

dividend for 2019. We also limited spend on CapEx to key projects, but maintained our investment in research and development.

As we have already mentioned, our Q2 performance was better than we initially anticipated. However, it has been a challenging period. As we look forward, it is now evident we are facing an extended recovery, and therefore, we must now move to the next stage of our planning, the reset phase.

Reset – prepare for the recovery

We continue to believe in the long-term growth outlook of our target markets. However, it remains unclear exactly how they will perform in the near-term. Having reviewed a number of scenarios, we are planning our business based on a recovery that extends through 2021. As a result, this now necessitates moving from temporary to permanent reductions in our cost base and additional restructuring will take place through the rest of the year and into next.

Our current profit improvement programme remains in place and we fully expect to deliver £20 million of benefit this year for a cost between £20 million to £25 million. Additionally, we are now launching a restructuring programme to resize our cost base, targeting further sustainable benefits of £20 million in 2021. Detailed plans are in the process of being developed and further information on these will be provided in October.

Let me now give you a flavour of where these will come from. The last few months has led to a completely different way of working, which provides a number of opportunities for us to be a lower cost organisation, such as, working remotely is now possible on a much wider scale than previously thought and our people want to be able to work more flexibly. Consequently, a number of physical facilities will be closed or reduced in size.

We will also reduce discretionary costs. We have dramatically increased the use of digitalisation, both in terms of how we engage with customers as well as remote working. As such, we will be able to translate much of the savings achieved over the past months into a permanent reduction in discretionary costs, such as travel and marketing and conference like expenses.

With a prolonged recovery period now expected, it is unfortunate and appropriate that we now need to resize our capacity on a sustainable basis. Given the varying outlook for each of our operating companies, we will be implementing a targeted headcount reduction programme by business. And as ever, we will maintain our focus on asset optimisation and portfolio management, our disposal programme will continue and we will look to cease or sell marginal activities, so that we can focus on those areas, which offer higher growth and profit potential.

As part of this transition, it is right that we re-establish a sense of normality, implementing sustainable changes that provide incentives for all our stakeholders. For this reason, supported by our strong cash flow generation in the first half, we are restoring salaries and returning as many people as possible to full-time working during August and September.

Executive Director salaries and Board fees will be reinstated in October once this work has been completed for all our employees. And for our shareholders, we will pay an additional interim dividend of 43.2p per share in October, which is equal to the amount that would otherwise have been paid if the 2019 final dividend would have been put to and approved by

shareholders. And in regards to the first half of 2020, an interim dividend of 21.9p has been declared and that will be paid in November.

Reinstate payments to stakeholders

In light of the events of the last few months, we have taken the time to reflect on our strategic direction and have concluded that it is still highly relevant. The core thesis of driving growth and operating leverage, as well as optimising the portfolio and focusing on those businesses, the growth and margin potential, is as critical now as when we first set it. The strategic growth initiatives that we established within our businesses continue to be implemented and we will carry on investing in R&D and CapEx with key projects, ensuring we continue to deliver the leading products and services our customers desire.

For example, during this period, with facility access constrained, the requirement for remote support, data analytics and insights has become more prevalent. We are investing in providing more integrated software and services, including predictive and prognostic analytics, in order that our products evolve to meet this increasing trend.

Malvern Panalytical is working on the increased vision of process automation solutions, for instance. HBK has launched new hardware and software products to provide more complete e-powertrain testing and optimization, including energy distribution systems testing. And Omega has launched the first phase of its layer end product range, which is a smart sensor gateway and cloud services system that streamlines sensing, monitoring and access to data through wireless connectivity.

And we remain intent on improving our operating margin to at least previous highs. The outlook makes this longer dated, so it is even more important we continue to concentrate on self-help initiatives to drive cost efficiency and the application of the Spectris business system will also be key. Our portfolio optimisation programme continues, both in terms of disposals, where the previously identified divestment candidates have not changed, and also on the acquisition side, to increase scale and/or expand our capabilities into adjacent markets.

Our balance sheet strength has put us in a good position to pursue opportunities that may emerge in this new environment.

Delivering value beyond measure

And supporting this strategy is our newly launched values and revised code of business ethics. Our values underpin our behaviours. It represents what we believe and guide our actions, such as our culture of flex that we want to see in Spectris, that is ambition, accountability and integrity. And we phrase that as being true, owning it and aiming high in everything that we do.

And our code of business ethics helps us perform and do business in the right way, ensuring that we maintain strong corporate governance, especially as we shift to greater remote working. I have been delighted to see the strength of our culture come through over these past months. Our people have really stepped up as a team to support our customers, our businesses and each other.

And I would now like to hand over to Derek, who will run through the financials in more detail. Derek, over to you.

Financial Performance

Derek Harding

CFO, Spectris

Challenging market conditions

Thank you, Andrew, and good morning, everyone. Andrew has covered some of the metrics already, but for completeness, my first slide is a summary of the key performance indicators for the period.

Sales decreased by 21.1% to £599 million. 9% of this decline related to disposals, primarily the disposal of BTG, leaving 13.7% decrease on a like-for-like basis. Adjusted operating profit decreased by 47.2% to £44.1 million, 41% down on a like-for-like basis. And these movements clearly impacted the adjusted operating margin, which was down 360 basis points to 7.4%, with like-for-like adjusted operating margins down 340 basis points compared to the first half of 2019.

Clearly, a challenging set of numbers as we faced into COVID for the first half. However, we are pleased to have limited the like-for-like profit decline to only 32% of the sales decline as a result of solid cost actions through the period. Adjusted profit before tax was £40.4 million, down 47.7%.

Our tax rate came in at 22%, which is slightly higher than the guidance given at the start of the year, due to a slight change in our mix of anticipated profit. And adjusted earnings per share decreased by 48.1% to 27.2p, reflecting the decrease in adjusted profit before tax which we note above.

Supported by our strong cash flow in the first half, the Board has reflected on the decisions regarding the final dividend, as Andrew mentioned, and we announced this morning that an additional interim dividend of the same amount will be paid in October. And with regard to the first half of 2020, the interim dividend of 21.9p as proposed needs to be paid in November of this year.

This is the same amount of interim dividend that is paid last year, and you should read nothing specific into the amount chosen. We will determine the final dividend for FY20 February next year as part of our year-end process based upon all the information available to us at that time.

Notwithstanding, there is no change to our progressive dividend policy, which is based on affordability and sustainability. The adjusted cash conversion was 201% compared to 89% last year, and it demonstrates the cash generative nature of the Group. And at 30th June, the Group had a net cash position of £94.3 million.

Finally, on this slide, the return on gross capital employed fell from 13.4% to 11.3%, primarily due to the lower profits in the period discussed above.

LFL sales and profit decline

Our next slide provides a graphical view of the main P&L movements in the first half. Sales are shown across the top with adjusted operating profits at the bottom. First of all, I have

adjusted 2019 to remove the sales and operating profit relating to disposals, primarily BTG, to provide an organic baseline.

Favourable foreign exchange movements contributed £5.1 million of sales and £1 million of operating profit. And like-for-like organic sales decreased by £94.3 million, which dropped through to lower gross profit of £63.2 million. And then finally, overheads were down by £32.8 million with savings generated from the profit improvement programme and temporary measures taken in response to COVID-19, which I will now expand further on my next slide.

Cost reduction measures

I have added a new slide this time to help explain the moving parts within our cost base. On the left, you can see the prior year reported overheads of £335.5 million and I have then removed the overhead associated with disposals of £28 million. Foreign exchange increased our costs by £1.7 million. At the end of last year, we guided that the 2019 profit improvement actions would contribute a further £10 million of cost reduction in 2020 as they annualise. And you can see that £9.2 million of this came through in the first half.

Additional PIP actions underway in 2020 have also contributed £1.8 million of savings in the first half. And if you recall, we anticipated that these actions would contribute £10 million in total during 2020.

You can also see £21.8 million of other cost saves. This includes several temporary savings, such as a £12 million travel saving in the first half, as well as £6.7 million of income from government support schemes outside of the UK. We have chosen not to benefit from any of the COVID-19-related programmes within the UK.

As we look into the second half of 2020, removal of disposed businesses will account for a further £24 million reduction in H2 compared to the prior year. We expect it to deliver on the remaining £9 million from the PIP programme, plus an additional £10 million of temporary savings. So this would give us around £50 million of savings in 2020 compared to 2019 on a like-for-like basis, of which £30 million we consider as temporary in nature.

And as we said earlier, we are launching a restructuring programme to switch £20 million of these temporary savings into sustainable benefits. The detailed plans are being developed and further information will be provided in October.

Strong cash flow conversion

Our next slide looks at how we have generated cash in the year and it illustrates what we have then done with that cash. Starting by adding back the £31 million of depreciation and amortisation charged to the adjusted operating profit, brings you to the £75.1 million of EBITDA generated in the period.

As our activity and revenues declined during the first half, the Group released £36.9 million of cash from working capital. This was broadly generated from the collection of accounts receivable from the higher sales in Q4 of last year. We continue to focus on improving our average working capital as a percentage of sales, but with the sales decline that we have experienced during the first half, our average working capital increased to 14.7%, the top end of our desired range of 11% to 15%.

CapEx of £23.2 million was £16 million lower than the prior year and includes investments at Millbrook of £5.1 million. This is lower than our original guidance as we have delayed certain

investments in response to the current environment. And this then gives us our adjusted cash from operating activities for £88.8 million, which we divide into the adjusted operating profit to get our cash conversion metric of 201%.

Interest and tax had a combined cash effect of £13.3 million, and as we announced in April, there was no dividend payment in the first half. They will now be paid in October and November as discussed earlier. And we spent £8.2 million of cash in restructuring activities associated with the PIP programme. The £13.4 million of transaction-related cash income is the net of £24.4 million of cash received from business disposals, £7.1 million paid in respect to prior year acquisitions and £3.9 million transaction-related costs.

IFRS lease payments were £9.8 million and an FX loss of £10 million gets you back to the balance sheet, net cash income of £60.8 million for the period.

Adjusted and statutory operating profit/(loss)

The next slide is included to help you understand the moving parts between our adjusted operating profit measures and our statutory profit measures. I am not going to go through each one, because I think they are fairly self-explanatory. The big movement in H1 relates to the impairment at Millbrook.

During the first half of 2020, Millbrook's business has been impacted by a number of factors. There has been reduced demand from automotive customers who have delayed development projects and, therefore, testing in response to the impact of the COVID-19 situation on their businesses. In March, a large customer decided to in-house all outsourced engine testing services from the period from April 2020 to April 2021. And Millbrook's Events business has been largely shut down as a result of the COVID-19 restrictions.

As a result of these factors, we have recognized an impairment of the whole of Millbrook's goodwill balance of £58.4 million that you can see on the bottom of this slide. And in addition, included in the £36.5 million of amortisation of acquisition-related assets is a further £17.4 million charge relating to Millbrook.

These adjustments take us down to the statutory operating profit. And there are then some further adjustments which need to be considered to get to the profit before tax, which I will now cover on the next slide.

Statutory loss before tax

You can see on this slide that we have removed the loss associated with our share of the EMS joint venture as this was sold during the period. This sale generated a loss on disposal of £0.9 million, which is offset by a profit of £6 million relating to the sale of our interest in the Rheology product range out of Malvern Panalytical, and this gives us the net £5.1 million of profit on disposal that you can see here. Deduction of finance costs then results in a statutory loss before tax of £65.5 million.

Return on gross capital employed

The next slide sets out the primary movements in our return on gross capital employed. This is a rolling 12-month measure and is therefore the slide looks at H2 2019 and H1 2020 combined. Return on gross capital employed for the 12 months ended 30th of June was 11.3% compared to 13.4% in the prior year. The reduction in adjusted operating profit has already been covered.

And gross capital employed increased by £48 million, primarily due to a provision for the share buyback, which is in place in H1 '18 and is thus included in the opening capital employed, but not the closing capital employed.

H2 2020 considerations

Before I hand back to Andrew, I thought it would be helpful to share some thoughts on how we are seeing the remainder of 2020. As a reminder, due to market uncertainty, we withdrew our forward financial guidance for 2020 on 6th April. Visibility continues to remain low, and we therefore maintain this position.

Headwinds

Nevertheless, there are some headwinds and tailwinds that are worth discussing, starting with the headwind. Back in February, I had coronavirus question-mark on this slide as a headwind, as then it was unclear what impact COVID-19 would have. In reality, it is still unclear and we are cautious around the impact of potential further lockdowns in all of our markets.

We remain cautious of the impact of the current political and economic environment in which we operate. This includes the continuing US-China trade challenges, Brexit, and of course, the outcome of the US Presidential Election.

With respect to our cost base in H1, we benefited from around £20 million of temporary cost measures, and we anticipate that some of these will unwind in the second half. And as a result, we are expecting £10 million of temporary cost saves in the second half of 2020 compared to the second half of 2019.

Tailwinds

Looking now at the tailwinds. We anticipate a further £9 million benefit from the actions taken this year, and we continue to launch new products, which will support revenue growth over time. We continue to anticipate benefits from the deployment of the Spectris business system to help reduce waste and further build on our self-help activities.

And as I stated earlier in the presentation, overall we are targeting around £50 million of cost save in 2020 compared to 2019 on a like-for-like basis.

In the appendix of the slides, I have also included a slide which shows our sensitivities to FX and confirms our guidance on tax and CapEx, which is around 22% of tax and planned CapEx of £55 million for the year, so another £30 million in the second half, including £15 million relating to Millbrook.

And with that, I will hand back to Andrew.

Operational Performance

Andrew Heath

Chief Executive, Spectris

Sales by destination

Thank you, Derek. We will now turn to our operational performance. Let us first look at sales by destination. And here, we saw that all regions had lower like-for-like sales in the first half.

In North America, sales were flat in the first three months, then moved notably lower in the second quarter as lockdowns were imposed. And while the rates of decline have eased in June.

In Europe, sales started the year lower and then with lockdowns imposed in March again saw greater declines, but again the rate of decline have eased in June. In Asia, China had a weak Q1 before moving into positive territory in April and May, although June saw sales lower once again. Other countries such as Korea and India have improved in the latter part of Q2, but were still notably lower versus last year.

Sales by end market

Turning now to our end markets. Similarly, these were all lower with pharma and machine building faring better and metals, minerals and mining, seeing the greatest decline. I will talk to these in more detail as we discuss each of our businesses, firstly, looking at each of the platforms, followed by the Industrial Solutions division.

Malvern Panalytical – financial and end market performance

Starting with Malvern Panalytical, sales declined 21% on a like-for-like basis, with all regions down, albeit, North America less than Europe and Asia. On a like-for-like basis, adjusted operating profit ended 55% lower with the margin down 420 basis points. Despite the favourable mix and lower overheads, these were not sufficient to offset the adverse volume impact.

Looking at the end markets, pharmaceutical was lower, with only China and the UK were the key countries seeing growth. Decline reflected a shift in focused production from R&D and laboratories, academic research institutes being closed due to COVID-19. Sales into manufacturing and also quality control within pharma were down to a lesser degree. Equally, sales to the food sector were also more resilient within this area.

Sales to primary materials customers were notably lower year-on-year, particularly in Asia, with lower oil prices impacting CapEx resulting from petrochem customers having declining revenues as expected, and that is expected to carry on and to be slow over the coming months. Within mining, some mines have been closed or placed on restricted operations to meet social distancing requirements. With many metal suppliers dependent on customers significantly impacted by COVID-19, such as auto and aerospace, demand was also lower. Sales to building materials customers were down to a lesser degree.

Sales of the advanced materials industries were also impacted by research institutes being closed, although we expect the weakness in demand here to be more temporary, really sort of driven by battery technology supported by research and development and also semiconductors driven by 5G and the internet-of-things.

HBK – financial and end market performance

Moving on to HBK. Here, we saw HBK performing strongly in the first half with like-for-like sales down 8%, achieving flat sales in North America, while Europe and Asia were both down. As a consequence of lower overheads from the profit improvement programme and the temporary cost measures, adjusted operating profit was only 2% down on a like-for-like basis with adjusted operating margin increasing 60 basis points.

In our end markets, there was a continued slowdown in the overall automotive sector. And here, our like-for-like sales declined in both Europe and Asia but rose in North America. Electric vehicle market remains a bright spot in this sector with manufacturers competing to release newer electric models to capture market share. Equally, government support is expected to stimulate growth in electric vehicles and we are seeing increasing demand to test not only electric drives, factories and power management, but also noise and vibration compliance.

Like-for-like sales to machine manufacturing followed a similar profile, lower in both Europe and Asia, but grew strongly in North America, again reflecting the exposure to the automotive supply chain, which has held up better. The growth also reflected good onward demand for our weighing technologies from the process and medical markets.

In aerospace and defence, like-for-like sales declined across all regions, although more modestly in Europe than in North America and Asia. HBK's exposure to commercial aviation is limited. And to-date, our aerospace and defence customers kept large investment programmes running. In the defence and satellite markets, we expect spending to be impacted to a lesser degree.

In consumer electronics and telecoms like-for-like sales were lower, with underlying demand impacted by the weaker macroeconomic conditions and the resulting lower levels of customer spending. At Omega, like-for-like sales decreased 13%, mainly caused by business disruption from COVID in North America. Similarly, sales were lower in Europe. Asia did see growth driven by strong performances in South Korea and Japan due to the high electronics and semiconductor demand there, as well as market share gains.

The resumption of growth in North America is not expected until 2021. However, in Asia, the outlook for semiconductor demand looks more positive, so we expect growth to recover here quicker. As a result of the lower sales, a relatively fixed cost base and higher IT cost and amortisation related to the new e-commerce platform, like-for-like adjusted operating profit declined 71%, and like-for-like operating margins fell 950 basis points.

Following the launch of the new digital platform last year, the focus for 2020 has been to drive volumes through the website to deliver sales growth. We have seen online sales being more resilient over the past period, and further developments continue to be delivered to enhance the customer experience.

Omega – financial and end market performance

At Omega, LFL sales decreased 13%, mainly caused by business disruption from COVID-19 in North America. Similarly, LFL sales were lower in Europe. Asia saw growth, driven by strong performances in South Korea and Japan, due to high electronics and semiconductor demand, as well as market share gains.

The resumption of growth in North America is not expected until 2021. However, in Asia, the outlook for semiconductor demand looks more positive than other end markets.

As a result of the lower sales, a relatively fixed cost base and higher IT costs and amortisation related to the new e-commerce platform, LFL adjusted operating profit declined 71% and LFL operating margins fell 950bps.

Following the launch of the new digital platform last year, the focus for 2020 has been to drive volume though the website to deliver sales growth. We have seen on-line sales being more resilient over the past period and further enhancements continue to be delivered to enhance the customer experience.

Omega has also been concentrating on strengthening its existing product portfolio, launching a series of new products for the highest growth markets. It has launched 65 new product lines this year and a further 133 are planned for the remainder of 2020.

Industrial Solutions – financial and end market performance

Lastly, within Industrial Solutions, sales here declined 30% primarily reflecting a like-for-like sales decrease of 13% and a 21% impact from the disposal of BTG. Like-for-like sales were down most markedly in Asia despite growth in China. Like-for-like sales in Europe and North America were down by a similar amount. However, we see increased sales in pharmaceutical and within food and beverage.

On a like-for-like basis, adjusted operating profit declined 44% and the margin contracted 440 basis points, reflecting the volume decline, as well as an adverse mix effect, which was partly offset by lower overheads.

Turning to the end markets. In energy and utilities, the collapse in the oil price impacted sales of ESG and also demand for Servomex gas analysers for the likes of industrial and hydrocarbon processing and petrochem sectors. At BK Vibro, sales to wind customers were strong, with good demand from major turbine OEMs.

Pharmaceutical and life sciences industry saw good like-for-like sales growth, particularly in North America and in China, although sales declined in Europe. At PMS, there was strong demand in North America and also at Servomex, and we have seen significant increase in orders for the Servomex Paracube oxygen sensor as manufacturers have been ramping up the production of ventilators for the treatment of COVID-19.

Like-for-like sales in the semiconductor and electronics industries did decline with China and North America, again, posted growth in electronics sales. As you are well aware, the automotive industry has suffered a significantly negative impact from COVID-19 with the widespread closure of manufacturing plants, a collapse in new car sales and also delays to new development projects and, therefore, testing. However, like-for-like sales into automotive decreased only slightly in our Industrial Solutions division, reflecting expansion in testing capacity and capability at Millbrook as in both Europe and the USA.

In our other end markets, primarily served by NDCT, converting and film extrusion industries saw sales decrease, although plastics and packaging continue to hold up. Like-for-like sales for food, drink and tobacco sector remained robust with strong growth in Europe and Asia. Though demand for restaurants and fast food-related products have been impacted by COVID-related closures, there has been good demand from producers of snacks and frozen food products.

Summary and outlook

So in summary, I am pleased with how we have reacted and responded to the challenges presented. We have taken a balanced approach to managing our business and have seen strong support from our people, our customers, our suppliers and our shareholders. Though

the first half was challenging, we saw a better than expected performance in the second quarter than we originally anticipated.

We rapidly implemented a number of short-term, temporary cost reductions, which along with the benefits from our profit improvement programme, delivered an 11% reduction in the like-for-like overheads in the first half. As a result, our profit drop-through impact was limited and cash conversion was strong, further strengthening our balance sheet and liquidity position.

This does put us in a position where we can now reinstate our dividend, restore salaries and bring as many people back to full-time work as possible. However, it is now evident that we are facing an extended recovery period, and therefore we must now move to implement sustainable cost actions. We have therefore announced a restructuring programme, full details of which we are developing, but we expect to deliver £20 million in benefits in 2021.

And whilst the lack of visibility means the near-term is uncertain, our long-term end markets are still attractive, and our strategic direction remains unchanged. We will continue to focus on what we can control, investing in our business to deliver growth, implementing cost initiatives to drive operating margin expansion and optimising the portfolio to deliver long-term value to our shareholders.

And with that, I will happily open to questions.

Q&A

George Featherstone (Bank of America Merrill Lynch): Looking at the drop-through rate, H1 versus the guidance you have given for 2020, it suggests that there is a reasonable cost increase in H2. Is that solely explained by the change in the temporary savings that you have identified, or is there something else? Can you help us understand that, please?

Andrew Heath: Yeah. Great. Good to talk to you this morning. I mean, I will let Derek go through the details. But I think in many ways, you need to look at our second half as a transitionary period. As our approach to the COVID back in sort of March-April timeframe was very much to sort of maintain our capability, protect as many jobs as possible in the face of what was really a very uncertain time. We did not know exactly how things would unfold. There was talk at the time of a V-shaped recovery.

I mean, that is sort of clearly gone now. So we really want to sort of maintain our capability, protect jobs, keep people in place on the basis that things might come back more quickly, but equally, on the other hand, to make sure we protect the company in terms of taking cost out. And you can see here on the benefits that we have achieved on that in the first half, both in terms of the profit drop-through impact, also our cash generation.

But as we go into the second half, I do not feel it is neither right nor sustainable or appropriate that we now, as it is evident that we are facing an extended recovery period, that we keep our people under an extended period where they are having to make personal sacrifices and have a financial burden. So it is unfortunately regrettable that we need to sort of now shift from temporary to permanent measures.

But I think I will let Derek, again, to sort of reiterate of how we see those moving parts in the second half.

Derek Harding: Yeah, sure. Look, I think it is one of these classics where there are a number of moving parts. If you take H1 of 2020 and look into H2 of 2020, then we do have lower savings for the reasons Andrew has just described.

And the biggest driver actually of the lower saving is that we are not anticipating having any government income or any support in the second half, whereas we have £6.7 million in the first half. So there is roughly a £10 million increase in cost, if you like, if you take H1 into H2.

If you then look at it from the other way, though, but look at H2 last year to H2 this year, on a like-for-like basis, once you have taken out the £24 million relating to disposals, then there is a significant cost reduction as we achieve the remaining £9 million of PIP and achieved £10 million of savings when you look H2 on H2. So depending which way you want to look at it, sequentially in the year, it goes up a little bit, year-on-year, it is still down.

And remember, as well, we do have costing increase typically in second half relating to the level of activity that we have in the second half, which is obviously a bigger half for us year-on-year. So hopefully, that makes sense.

George Featherstone: Maybe a second question then on the trading activity you have seen so far in July. Would it be possible for you to share with us the like-for-like growth that you have seen in July?

Andrew Heath: George, I think in terms of July, I mean, clearly we are literally going through the flash numbers as we speak. But I think July is broadly in line with June is what we have seen over the past sort of four, five weeks. So we saw sales come off 21% in April, 20% in May, but then only 12% off in June. So we saw things starting to recover in June and July as sort of broadly in line with how we saw June come back. And whether that is the start of a trend, we will clearly have to wait and see.

Mark Davies Jones (Stifel): A couple of things, if I may. China, I was interested when you talked about weakening against June, I think, you mentioning something about bounce back, but you were not sure how much of that was restocking. Can you talk about what was in [inaudible] very strong China trend. [Inaudible]. Can we start with that?

Andrew Heath: Yes. Of course, Mark. Nice to talk to you. So yeah. So China, when we last spoke on this call, we have seen quite a strong demand in China in April, and was also up in May year-over-year. So I think when we were talking back in May, on the April results in China, I think, I said that we thought that might well be sort of due to sort of pent-up demand. I think that clearly was the case in April and May, and things have stabilised a bit again in June.

I mean June was down year-over-year, but it was single-digits down. So I do not know how much of this now is sort of we are going to will see sort of a month-to-month, the numbers bouncing around a bit. But at least we have seen China, saw the rebound in April and May. Yes, it dropped back a bit in June, but it was not anything like what we saw in the sort of February-March timeframe.

Mark Davies Jones: Okay. Great. And then a slightly long-term one. Obviously, you are looking at what changed in the longer-term people business and what your requirements are

in terms of buildings, etc. Is there anything in your customer industries where you think there are going to be adverse tax from customers who would be thinking their business models going more virtual, other products that have been substitution in software solutions. Is that a threat to Spectris in some of these segments?

Andrew Heath: Great question, Mark. I mean, there is nothing that is, I think, has emerged that is certainly been sort of flagged or highlighted that would be a cause for concern. I mean, I think the flip side though is absolutely the case. As I said, we are seeing customers now being far more open to sharing data. We have, for instance, in the Malvern Panalytical, we have been deploying remote monitoring capability for a number of pieces of our equipment, and the adoption rate on that has increased dramatically over the last few months.

We have clearly had to shift to sort of digital solutions in terms of actually helping customers install some of our equipment across a number of our businesses. Typically, we have sent a service engineer to go and do the final installation and commissioning for a number of the instruments and test equipment we provide. That is just not physically been possible, and customers have either not wanted us on site or there has been constraints about getting on site.

And we have seen a real heightened adoption of now of our sort of remote installation capability, and we have innovated hard over the past months to be able to do that on remotely and provide that support online. And I think in terms of our software sales, then our software sales generally held up, although it is not a particularly large part of the Group, sales overall, sort of around about 10% within HBK sales, for instance. So I think net-net, we see that the trends are moving in a positive direction for us rather than against us.

Mark Davies Jones: Okay. And can I just push a little harder on the cost question? Derek, as you said, there are some moving parts. So I can ask a very simple one, which is the 32% drop-through in the first half, it would have been possible to seem that that ticks up a little bit through the second half [inaudible]?

Derek Harding: Yeah. The guidance that we gave earlier in the year of £40 million to £50 million depending on what your sales reduction assumptions are, remain. So that drop-through does pick up in the second half in order to net out to the range that we talked about.

Andrew Heath: Got you. So yeah, I am just clarifying, Mark. The real big driver of that is the income, the lack of income in the second half compared to the first.

Andrew Wilson (JP Morgan): I just have a couple of questions, I guess, on the portfolio. I guess, Andrew, just as we have kind of gone through this last probably six months or so, I just wanted to get a sense of kind of how, if at all, you are thinking around the portfolio and your plans for the portfolio has changed, or perhaps it is kind of cemented some of, I guess, the ideas that you had or the plans that you had. And then I think, secondly, you sort of touched a little bit in your comments that there is interest, so sort of dive into it a bit more. This sort of ability to be able to continue to move forward with that portfolio reshaping, even in the current environment. Just interested to get a sense of if that was in terms of that. Is that right? And just kind of what you are seeing in terms of whether it be interest in your assets or a bit more proactively looking at some of the opportunities that might come along

as a result of COVID? It is quite a broad question, but just interested in terms of how you think about the portfolio now versus maybe six months ago?

Andrew Heath: Yeah, of course. So I mean, clearly, the pandemic spread really sort of the M&A activity on both the buy and sell side, slowed right up to stop pretty much. And I think we, in line with lots of other people, put our focus internally to protect take our people, pledge our operations, support our customers, that was our primary focus. So activities absolutely sort of slowed right down.

But we have looked again at sort of our assumptions and our planning scenarios around both the disposals and potential buy side. And on your question on disposals, we, as I said earlier, we are confirming that the candidates that we have identified previously remain the same candidates. And then in terms of your question regarding timeframe, we are going to start moving again in terms of the disposal programme. Clearly, valuations have moved.

But it is not just on the sell side. It is also favourable on the buy side. And we have aspirations, as we have said all along, to look at accretive M&A from an acquisitions perspective. And in this environment, the M&A landscape has shifted a bit, both in terms of valuations, but also potentially in terms of some targets.

So we are actively continually screening that landscape and looking for a suitable target that we believe will be a great fit to scale up our platform businesses or potential platform businesses. We are looking for businesses that either fit directly on top of that or immediately adjacent where we can get either strong cost synergies, but also strong revenue synergies and expand our offerings to customers.

So we remain active. Disposal programme will continue. I think your final part of your question was just on, I think you were implying, would we carry on with disposals if values were lower. Then the simple answer to that is yes. It is about asset optimisation. And whilst I say valuations may be down on the sell side, they are also down on the buy side, and that allows us to translate those assets still efficiently to deliver greater shareholder value, we believe.

Andrew Douglas (Jefferies): Just following up a little bit from Andrew's question on M&A. Has the way that the world has now evolved, your thoughts really on what M&A is kind of needed, if you excuse the word, either in terms of product, end market, division, I guess, what the businesses may need in terms of M&A going forward? And then three short questions. Can you just remind us of the current carrying value from Millbrook on the balance sheet? The £20 million of additional cost savings, I appreciate we will get some detail later in the year. But can you just give us an idea of how you kind of got to that number? Is that a bottom-up, top-down view of how the world is going to evolve over the next couple of years or is a bit more behind it? And Derek, can you just give us, please, a like-for-like drop-through in 2021? Appreciate we have got kind of cost savings coming in and temporary cost saves going out. But if you can just think about the organic growth and how that should be dropping through into next year, that would be really helpful.

Andrew Heath: So I think four questions there. Let me take one on M&A, and then I will pass on to Derek and hopefully he can remember the remaining three. So I think in terms of M&A and in relation to the sort of core characteristics of activities, businesses that we would be interested in. Our thesis, I think, really remains the same.

So we are looking for M&A on the buy side, where as I said, we can scale up our platform businesses or potential platform businesses, both in terms of their product and service offerings. But clearly, we have a digital agenda as well that we are pursuing, both in terms of developing greater software solutions, wrapped around our hardware product, data analytics, prognostics, predictive analytics, use of artificial intelligence.

But it is very much sort of built and based around our sort of core hardware product offerings that allows us to expand our solution offerings to our customers. So yes, we want to continue to expand software and service activity as part of that M&A agenda. But to be clear, it is going to be very much linked to our platform businesses and to their core offerings, not to get us into new software or service lines that are not immediately adjacent to what we are doing today.

Derek Harding: And Andy, on all of your other questions. So Milbrook carrying value following the impairment is £157.6 million, as at 30th June. On the cost saves, the £20 million, it is a combination of some specific areas that we all collectively feel we can get and some tasks and some challenges that I think we can get, plus some offerings from the platform.

So it is kind of a combination of top-down, bottom-up. The reality is that this is an agile moving situation. So as we have come through the first half and particularly the second quarter, we really have, as you can see in the numbers, taken some swift strong temporary action. And as we now sort of go through that pivot and say, okay, as we unwind these, say, for example, bring people back off furlough or increased hours, then you are looking at headcount, then you are looking at the footprint, then you are looking at travel and those types of things.

So it is a little bit of a blended mix at the moment, and we are just trying to work it through. But there are targets set by platform that have an element of stretch plus, an element of reality in them. And we will, as I say, we will come back in October with clarity specifically when and how each of those are going to be hit and a little bit more colour in terms of the cost of achieving that as well.

Some of the cost saves are cheaper to obtain than others depending on, say, for example, exiting a facility versus removing a conference or travel. So we will have a bit more detail as we come through the third quarter ready to come out in October. And then drop-through for next year is tricky. I mean, as I said, we are not giving guidance for 2020.

But almost certainly do not want to be giving guidance for 2021 on that basis, because it is difficult to see. And again, it kind of depends on what your view is on the top line into 2021. As a planning assumption, 40% is probably a good number, as good as any as a planning assumption. But I would not necessarily be held to that when we get into 2021 because it really does depend on the shape and the speed of any kind of recovery out of 2020 as we go through the year.

Jonathan Hurn (Barclays): Just a couple of questions for me, please. Just firstly just on Omega. Obviously, there is a cost in terms of the new platform in the first half. Is there a subsequent cost coming through here for the new platform in the second half for Omega? That was the first question. And the second one was just coming back to sort of, I suppose, guidance to a degree, just looking at the seasonality of Spectris. Obviously, there is a big H2

skew historically. How do we kind of think of that in terms of 2020 sort of H1-H2, both in terms of sort of revenue and in terms of profit, please?

Andrew Heath: Okay. Just on Omega, the simple answer is the sort of second half/first half has unwound itself now. We implemented the new e-commerce platform in North America in April of last year. So the sort of depreciation costs and some of the increased IT license costs associated with that investment really only started kicking in towards the second half of the first half of 2019. So we have seen that the like-for-like impact has impacted the first half of 2020, but would not repeat in the second half. So hopefully, that is clear.

And then on the seasonality point, again, I will let Derek add a little bit of colour here. I mean I think, as I said right on the outset, I think the first question from George, I mean, the second half of this year is going to be a transition period as we shift from temporary to permanent measures. So some cost comes back in as we take costs out.

Equally, and as Derek has said, some of the government-related income that we did have in the first half would not repeat either. And clearly, the shape of our year is typically weighted towards the second half. We would expect to see that. Q4 is always an important quarter for us. And that is also the quarter where the winter starts to kick in, and there are various scenarios or concerns around then what might be the lockdown scenario, second wave spikes, whatever, epidemiologists, that we might then see come the start of the onset of winter.

So clearly, that is really why we have not reinstated any guidance. There is some clear dependency on that fourth quarter for our full year results, but we would certainly expect to see some uptick now and that we would see Q2 really as being the dip in the cycle. But Derek, do you want to just add a little bit more colour?

Derek Harding: Yeah. I mean, as Jonathan has said, it is a great way to ask for guidance that we were withdrawing guidance in some ways. I mean, it is difficult to just give a number in reality. I mean, if you look historically, last year, sales in the first half were about 46%, I think, is the full year number, and the profit was about 30% of the full year number.

So that was the shape in 2019. Is that the right shape for 2020, for all the reasons Andrew's just described, it is hard to tell. We are anticipating Q3 to be sequentially better than Q2. And Q4 will be sequentially better than Q3. So that kind of underlying shape of our business. We do not anticipate being different, but the quantum of those moves.

But for all the reasons that we have identified for so many moving parts around us, it would be unfair, frankly, for me to give you guidance at this point because it would imply, I know what is going to happen four, five months from now. And the reality is, in this current macro environment, none of us know.

Michael Tyndall (HSBC): A couple from me. And then, I guess, slight twists on what you have already spoken about. If we just think about Industrial Solutions, given your view of the world now and the fact that we are talking about a slow recovery and potentially second wave, is there a better potential now with industrial solutions to maybe have some bolt-on acquisitions and find a fourth platform? Not naming names, but I mean Servomex has obviously had a pretty good first half. Does a changed view of the world potentially create more opportunities within Industrial Solutions? And then the second one. I am just trying to get my head around the second half operating leverage, because presumably your costs are

biased to the second half as well as your revenues. Is the obstacle, in terms of the speed at which you can take costs out, a function of consultation periods or is it identification? I am just trying to understand. I get the whole temporary to permanent measures. But I am just wondering what the restriction is in terms of the speed of how quickly you can take those costs out.

Andrew Heath: Okay. I will talk about Industrial Solutions, and let Derek again come back and talk about the second quarter. But I think we have been at pains all along to sort of make it clear that Industrial Solutions is an important division to the Group. It is still one-third of our revenues and slightly more in terms of profit, made up of some high quality niche businesses. There is some, clearly, some candidates in there for disposal, and we have been clear on that.

Equally, we have been clear that there are some candidates, some of those operating companies that we absolutely would very much like to grow into the platforms in the future and certainly have potential through bolt-on acquisitions, as you said. And I think what we have seen over the past months for a number of those businesses is the quality of them has shown through in terms of their products and the markets they serve, particularly I think in terms of the sensor side of the business.

The demand there has held up because fundamentally we are providing very high-accuracy, highly differentiated, important equipment to key customers who fundamentally rely on those sensors to be able to deliver the quality, the yield and manage the demands of their processes.

So to your point, has it sort of underlined how we see those businesses and the value of them? Yes. Would we still like to find bolt-on acquisitions to scale them up? Absolutely, we would. And as ever, it is finding the right ones at the right price at the right time. So that remains absolutely part of the strategy. And then Derek, I will pass over to you for the second part of the question.

Derek Harding: Yeah, sure. So I mean, I think when you think about cost saves, the nature of the cost saves in the first half. And then going into the second half seems to be causing some sort of challenge, I guess. So let us just think about it if we step back. The guidance we gave for the full year remains, which is that flow through between 40% to 50%, dependent on the revenue assumption you have.

And when you look, therefore at the first half of 32%, I can see you are all kind of scratching their heads a little bit and saying, well, how does that guidance still work? So you have got to look absolutely the nature of that first half saving to a point. So as I said, the £6.7 million in there of income that we have got from various furlough schemes and government schemes outside of the UK, which we would not get in the second half.

And in Q2, there was almost a stopping of all forms of travel around the world, significant savings there and a range of temporary measures on our working hours. So a part of the outperformance, if you like, in the first half does not imply an underperformance in the second half. It is just a series of one-off actions, a one-off cost saves in the second quarter that would not repeat in the second half, so that overall guidance remains.

If you then look at the fundamentals of how do you take cost out of our business, we took £25 million out last year from PIP. We have got another £20 million this year coming out from PIP. So you get to sort of a £45 million there over that two-year period. And now we are going again with another £20 million. And some of the easier things you might have seen from cost saves, therefore, were captured.

And the things that we now need to do is, for example, looking at our footprint, if you decide that you want to close the facility or an office building or whatever, you cannot do that necessarily overnight. You have to think about how you are going to move the people or how you are going to set up or do the transition. So that is something that takes a little bit of time.

If you are doing anything that involves people, you need to talk to them, you need to consult, you need to work through different options. So those are some of the factors that means that it takes a little longer than simply making a decision and taking the cost out on the ground.

Nevertheless, as I said before, when you look at our second half cost in 2020 compared to the second half cost in 2019, there is still a material reduction that we are anticipating this year versus last. And then you end up with that broad range of flow-through that we talked about earlier in the year.

Robert John Davies (Morgan Stanley): Just a couple. One was just around some of the exit rates. I mean, you provided some colour on how the growth progressed through the back half of the quarter. But I guess, just kind of coming into the most recent print, what are the end markets that are showing sort of most strength or most weakness relative to where we were a couple of months ago? I mean, just interested if you just had any more colour around some of the end market trends? And then just on some of the sort of back-office and payroll costs. Just wondered how you were sort of thinking about that in terms of your Industrial Solutions business and the potential disposals. Does this, I guess, push out or delay on potentially selling some of those assets, change some of your aspirations around cost takeout around some of those things? I would just be kind of interested to see how you kind of think about that sort of cost reduction trend.

Andrew Heath: So I think I will take your first question first in terms of end markets and exit rates coming out of the first half. I mean, certainly, the strongest markets have been pharma. And over the past few months, we saw a dip in the early stages of the pandemic, but that has come back reasonably strongly and is only marginally off at the end of the first half.

So pharma, life sciences, generally is underpinned by good fundamental growth drivers anyway. So that has been good. I mean, machine manufacturing has held up initially quite well and that the half year was only sort of marginally down, albeit, some of that is later cycle. It is part of the HBK business. So it is harder to determine exactly where that might be going. I mean, auto, again was dropped quite quickly, but has started to come back, and particularly, North America has proved better than sort of Europe and Asia.

In terms of sort of the markets that are sort of, I think, were sort of more concerned about would be certainly academia, which is sort of 7%, 8% of our sort of Group turnover. You have still lot of research institutes, universities are closed. Certainly, a number of our sort of

OEM customers, their research labs as well are still operating on reduced capacity or they redirected activity in other areas.

But we still believe that fundamentally that will come back. It would just be a bit later to come back. And then I think the other are I would point to is sort of metals, minerals, mining and oil and gas, energy-related activity. I mean, clearly, those end markets have quickly suffered and remain working at a slower pace.

Siobhán Andrews: So we have got some questions on the webcast. You mentioned about academic research institutions being closed and sort of lower capacity. Have you got any signs of those reopening anytime in the near future?

Andrew Heath: Okay. So yes, apologies. We do not know what happened there, but for some reason, the call dropped. But so just in terms of academic research, I was discussing that. So we certainly saw a large number of research institutes, universities, labs close in the initial phases of COVID, mainly because of the consequences of social distancing requirements being implemented. We are seeing those progressively coming back as the world unlocks, albeit, a number of universities certainly remain closed, but sort of typically the OEM facilities and the research institutes are progressively coming back, and we are seeing that sort of month-over-month with more getting back up towards full capacity, albeit, in certain areas, some customers have redirected activities certainly in sort of pharma away from sort of traditional drug development onto vaccine development, and it just depends on which part of that market we play in. So progressively, we are seeing it unlocking.

Siobhán Andrews: And then this one is for Derek. You sort of note bad debt provisions have increased and to how much, and is that concentrated in a particular market or an operating company?

Derek Harding: So they have gone up by just a couple of million in the first half. And no, there is nothing specific. I mean, it is obviously an area of focus as we look into any issues with potential customers or some concern. So we are seeing little bits of signs of strain, but nothing material at the moment as we look into the second half.

Siobhán Andrews: And then one more. You have talked to in the statement about returning employee salaries. Can you just sort of go through the timing on that? And then can you go through the thought process behind that and the reinstatement of the dividend to shareholders as well, please?

Andrew Heath: Yes, of course. So look, all the way through this, we are absolutely trying to take a balanced approach to all our stakeholders. And in particularly, prioritising the welfare of our employees and trying to minimise the impact of this whole COVID pandemic on them.

Now as I said on the call, I do not feel it is either right or appropriate that we ask our employees to carry on taking that financial burden. Not only have a number of our employees taken a pay cuts or on short-time working or furlough, their take-home pay has gone down, equally, spouses, partners, people they are living with have been in similar situations or worse.

And as we have evaluated at the half year, our performance and also the outlook, then we think it is appropriate now to shift from the temporary measures to permanent, which to some extent is regrettable that we have got to go to permanent reductions, which means a

resizing. But it is equally appropriate that we put our people back to full-time pay and full-time working as soon as possible.

For many of our people, we will be looking to reinstate those salaries as of August and get people back as of August, depending on where some of our people are and which business they are and what we have agreed with certain of the representative bodies, etc, that will take us through into September in some of the businesses.

But wherever we can, we are going to try and get people back to full salary and full-time working over the coming days and weeks in August. And that is sort of very much our priority. And then clearly, we have been clear with our shareholders, but also our employees around decisions we took on dividends early in the year, which was very much in the face of a big unknown.

We wanted to make sure we protected the company and therefore, it is appropriate to cancel the special dividend, to postpone the final dividend from last year. But given our first half performance, it proves that we have been resilient, shows the strength of our business model and allows us to put our people back to full-time salaries and full-time working, but also puts us in a position, where we can pay dividends or reinstate dividends to our shareholders as well, given that we have commitments to them and they are equally an important stakeholder, we felt that the time is now right to do that.

And it also, I think, is a sign to all our stakeholders, our shareholders, our employees, our customer suppliers that we think we have weathered what hopefully is the worst that COVID has thrown at us during the second quarter, and we weathered the situation well and come out of the position in a stronger from a balance sheet perspective, with good cash generation, and that gives us the confidence to reinstate the dividend.

So in doing so, I think that is just us reiterating to the markets our ongoing confidence in the strength of our business model and the strength of our businesses.

Siobhán Andrews: To other questions from webcast. What would you highlight in terms of progress on ESG issues this year, please?

Andrew Heath: All right. Yeah. Great. So I think inevitably as we have gone into this whole situation of the past month, it has really heightened our thinking around the environment, governance, but in particularly, social responsibility. And that has been uppermost in our thinking as we have gone through the past weeks and months and the actions that we have taken, the strategy that we have been developing to cope and manage the situation as we went through our sort of react, respond and reset thinking very much sort of falling back and relying on the core values and culture of the Spectris people and business model.

And hopefully, from what we have said and how we have acted, you can see that we have endeavoured to be true to our values and our culture, and also make sure that we have acted in a socially responsible way as we possibly can. Equally, as we are going through this year, we are sort of, I think, let us say, redoubling our efforts around the whole ESG agenda.

Clearly, it is not just COVID, but with things like Black Lives Matter. It is made us stop and think on a number of fronts as to what is the right thing to do for a number of our people within the Group as well and how we should run Spectris going forward. And as part of that

overall focus on ESG, I have also brought Rebecca Dunn on to the Executive Committee to champion that agenda on behalf of the executive, to really make sure we are putting an even stronger focus on it going forward.

Siobhán Andrews: Okay. Would you like to close the call now then, Andrew? I will hand over to you.

Andrew Heath: Yes, of course. So again, apologies that we had a bad interruption. I am not sure exactly what happened, but apologies all the same.

But thank you for joining us today. As I said, I am pleased with how we have responded in the first half of the year. The response from the Spectris team has truly been exceptional. But with the outlook that we are facing, it does not mean that we now need to move to reset the business in the face of the new economic reality that we have spoken about this morning.

And in the near-term, we will be developing the detailed plans around our restructuring programme and of course, focusing on executing our strategy. We look forward to sharing more details with you in October. We are changing our reporting periods, as you know, and we will now move to quarterly reporting. So we will be publishing a trading update in October on the three-month period, July to September.

With that, I would just like to say thank you again for joining, and I wish you all the very best. Take care and stay safe. Thank you.

[END OF TRANSCRIPT]