



**Innovative Customer Solutions to Enhance Productivity**

**Spectris plc**

**2017 Half Year Results**

25 July 2017

- H1 2017 Highlights
- Financial Performance
- Strategic Progress and Business Update
- Summary and Outlook

- 5% LFL sales increase in H1; all segments and regions growing
- Delivered good strategic progress:
  - Malvern PANalytical merger starting to deliver benefits
  - Project Uplift proceeding well; shared service centre project moving into next phase
  - Two acquisitions, adding further condition monitoring technology and automotive testing
- Dividend up 6%, underpins Board confidence in company's prospects

# Financial Performance

Clive Watson

Group Finance Director

- Reported sales growth up 22%, comprising:
  - 5% like-for-like sales increase, 5% from acquisitions, 12% currency benefit
- Adjusted operating profit of £75.3 million excl. Project Uplift costs, down 3% LFL
  - Higher LFL sales volumes partly offset by overhead cost increases
  - In-line Instrumentation results impacted by adverse mix and variances, and restructuring
- Project Uplift costs of £8.8 million, on track for expected 2017 benefits and costs
- Adjusted basic EPS decreased by 2%, DPS increased by 6%
- Robust adjusted operating cash conversion of 119%
- Strong balance sheet - net debt of £155.5 million, 0.7x adjusted EBITDA

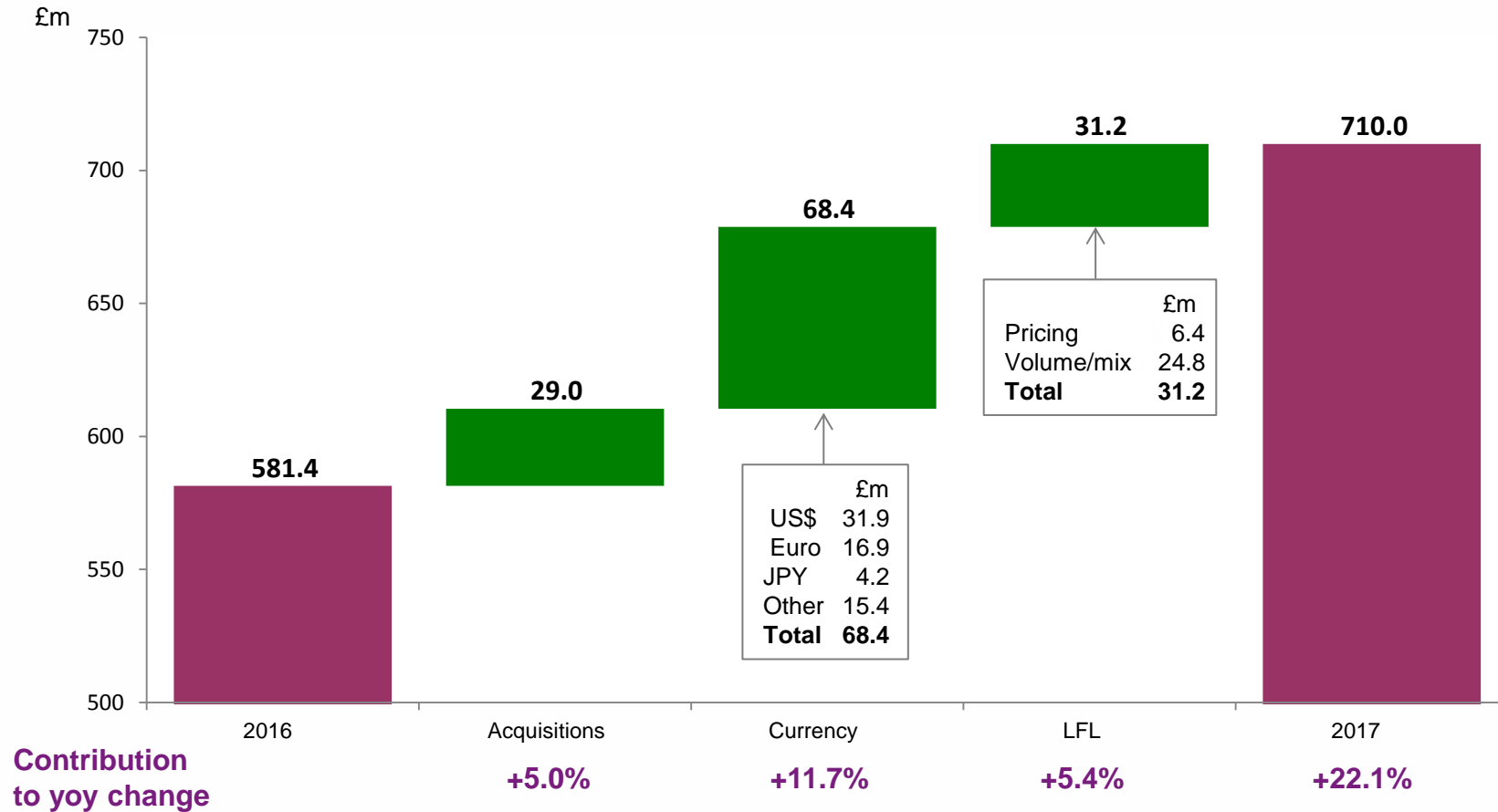
	H1 2017	H1 2016	Change	Change at CER <sup>(2)</sup>	Like-for-like change <sup>(3)</sup>
Reported sales (£m)	<b>710.0</b>	581.4	22%	10%	5%
Adjusted operating profit excluding Project Uplift costs (£m) <sup>(1)</sup>	<b>75.3</b>	69.4	8%	-1%	-3%
Adjusted return on sales excluding Project Uplift costs (%) <sup>(1)</sup>	<b>10.6%</b>	11.9%	-1.3pp		
Project Uplift net cost (£m)	<b>(8.8)</b>	(0.5)			
Adjusted profit before tax (£m) <sup>(1)</sup>	<b>63.8</b>	66.5	-4%		
Adjusted effective tax rate (%) <sup>(1)</sup>	<b>21.0</b>	23.0	-2pp		
Adjusted basic EPS (pence) <sup>(1)</sup>	<b>42.3</b>	43.0	-2%		
DPS (pence)	<b>19.0</b>	18.0	6%		
Adjusted operating cash flow (£m) <sup>(1)</sup>	<b>78.8</b>	92.4			
Adjusted operating cash conversion (%) <sup>(1)</sup>	<b>119%</b>	134%			
Net debt (£m)	<b>155.5</b>	103.5			

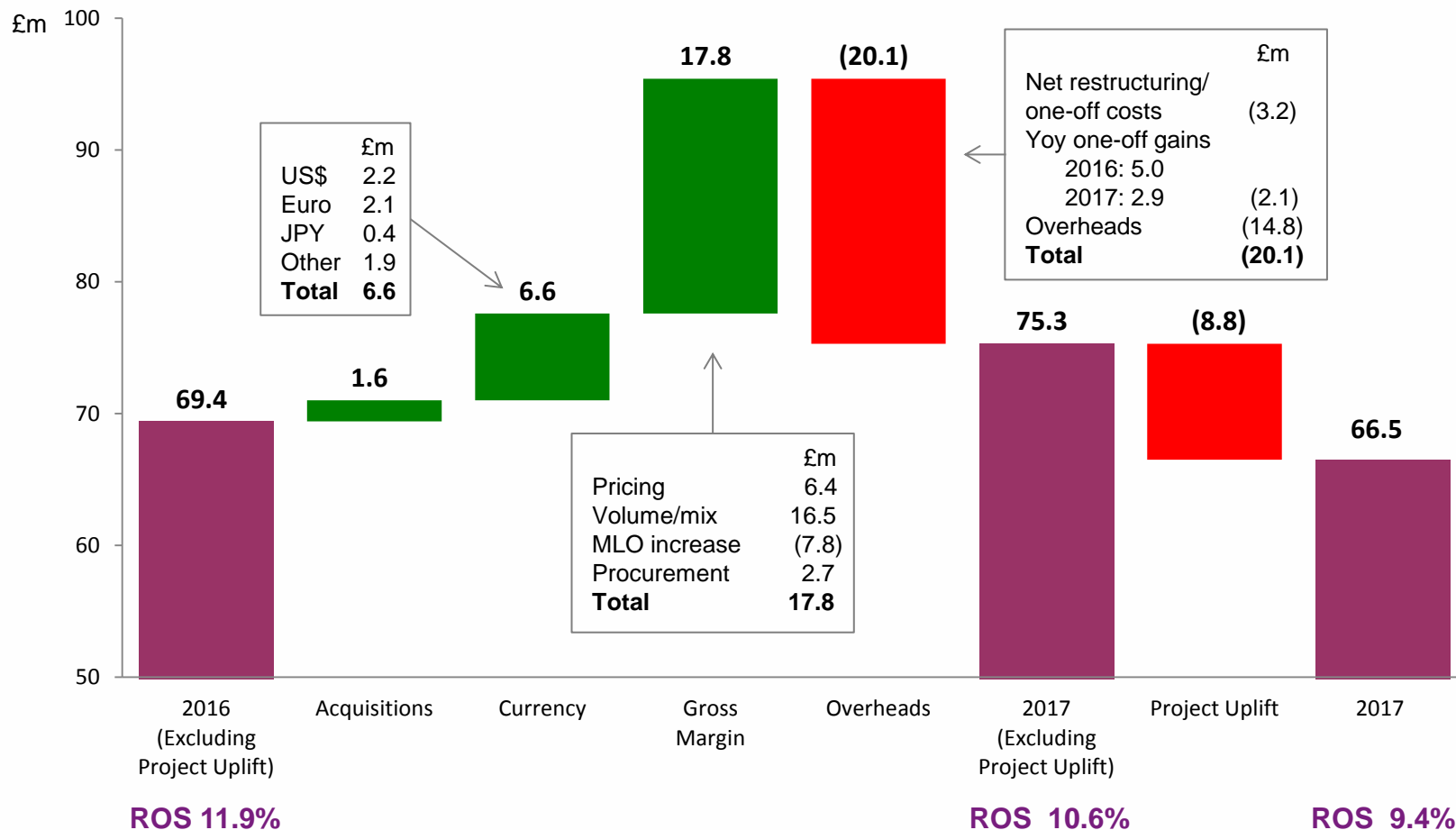
## Notes

(1) These adjusted performance measures represent the statutory results excluding certain non-operational items.

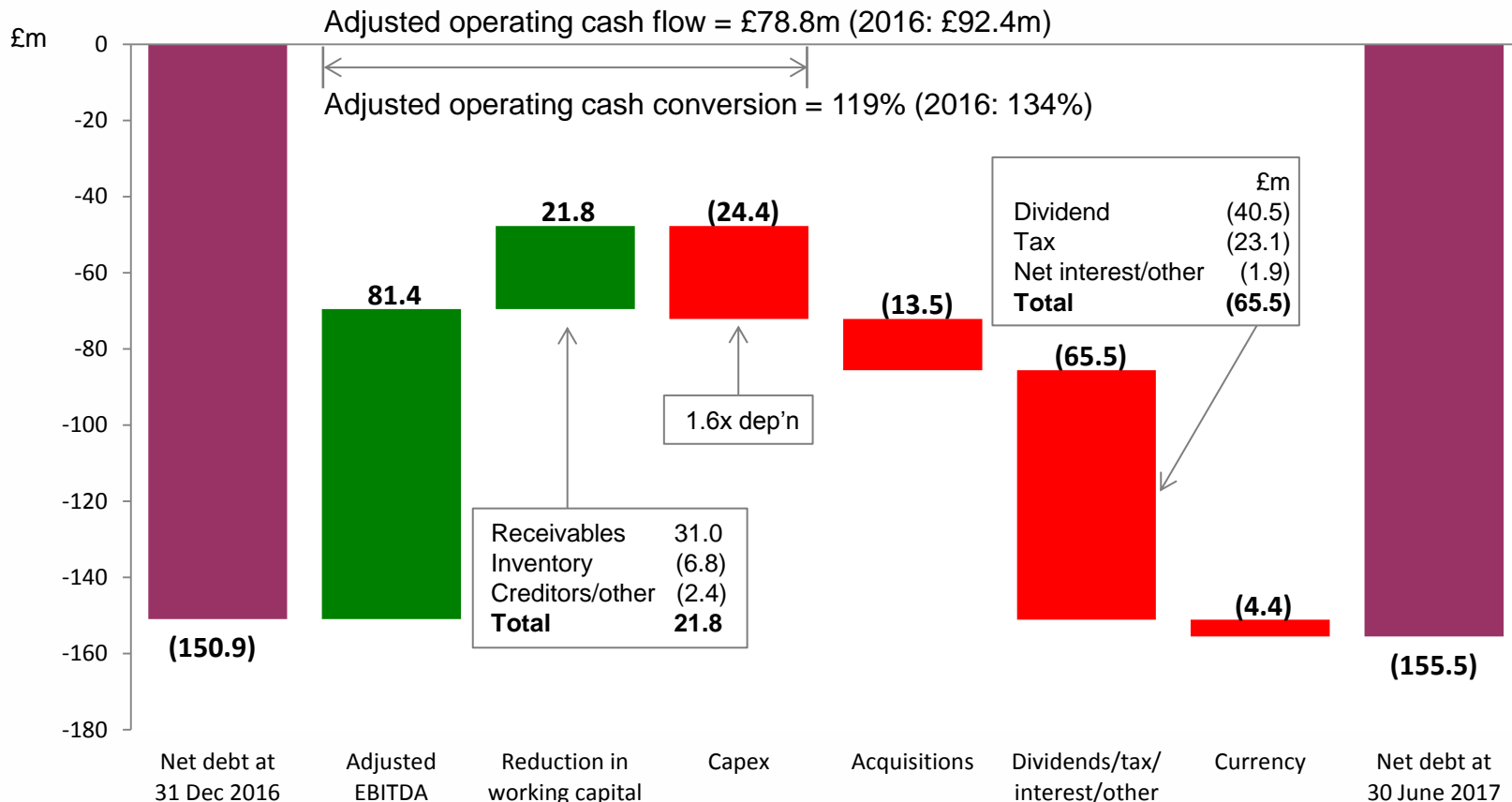
(2) At constant exchange rates ('CER') using the prior period's exchange rates.

(3) At constant exchange rates and excluding acquisitions ('LFL').









Net debt:  
adjusted EBITDA **0.7x**

**0.7x**

	Materials Analysis		Test and Measurement		In-line Instrumentation		Industrial Controls		Total	
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
Reported sales (£m)	<b>199.5</b>	175.6	<b>223.2</b>	170.1	<b>148.4</b>	118.7	<b>138.9</b>	117.0	<b>710.0</b>	581.4
LFL sales change	<b>3%</b>	-	<b>5%</b>	-4%	<b>11%</b>	-6%	<b>5%</b>	-5%	<b>5%</b>	-3%
Adjusted operating profit (£m) <sup>(1)</sup>	<b>22.9</b>	21.2	<b>23.4</b>	18.6	<b>8.9</b>	11.0	<b>20.1</b>	18.6	<b>75.3</b>	69.4
LFL operating profit change <sup>(1)</sup>	<b>2%</b>	37%	<b>3%</b>	-8%	<b>-21%</b>	-26%	<b>-5%</b>	-22%	<b>-3%</b>	-6%
Adjusted return on sales <sup>(1)</sup>	<b>11.5%</b>	12.0%	<b>10.5%</b>	11.0%	<b>6.0%</b>	9.3%	<b>14.5%</b>	15.9%	<b>10.6%</b>	11.9%
LFL return on sales change <sup>(1)</sup>	<b>-0.1pp</b>	3.3pp	<b>-0.2pp</b>	-0.6pp	<b>-2.7pp</b>	-2.3pp	<b>-1.4pp</b>	-3.2pp	<b>-0.9pp</b>	-0.4pp
Project Uplift net cost (£m)	<b>-2.4</b>	-0.2	<b>-3.0</b>	-0.1	<b>-1.5</b>	-0.1	<b>-1.9</b>	-0.1	<b>-8.8</b>	-0.5
Aftermarket sales %	<b>38%</b>	34%	<b>27%</b>	21%	<b>44%</b>	46%	<b>1%</b>	1%	<b>29%</b>	26%

(1) These adjusted performance measures represent the statutory results excluding certain non-operational items. They also exclude costs relating to Project Uplift.

- Planned capital expenditure around £70 million
  - Maintenance capex of £40 million, including various infrastructure projects
  - Growth capex of £30 million, principally at Millbrook
- Effective tax rate of around 22%
- Project Uplift P&L net cost of £14 million for original programme
- Further targeted strategic investments in H2; FY outlook unchanged
- Foreign exchange sensitivities

# Strategic Progress and Business Update

John O'Higgins  
Chief Executive



Malvern PANalytical



Initial cross-selling opportunities being realised

Strategic markets



Automotive

IIoT

M&A adding capability

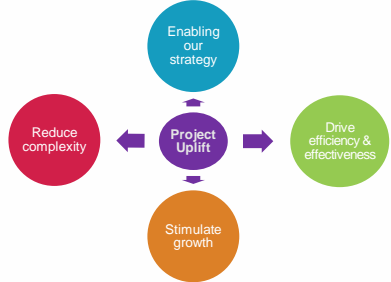


Adding further condition monitoring solutions



Expanding automotive testing capacity and capabilities

Project Uplift



Activities proceeding well, moving into next phase on shared services

## Phase 1

IT

Procurement

Footprint

## Key activities in H1

- Improved contract terms negotiated with certain IT vendors
  - IT Shared Service Organisation created
- Improved contract terms negotiated with certain vendors
  - Strategic category project teams in place
- Good progress in implementation of specific projects
  - Global footprint database development

## Phase 2

Sales and marketing

R&amp;D

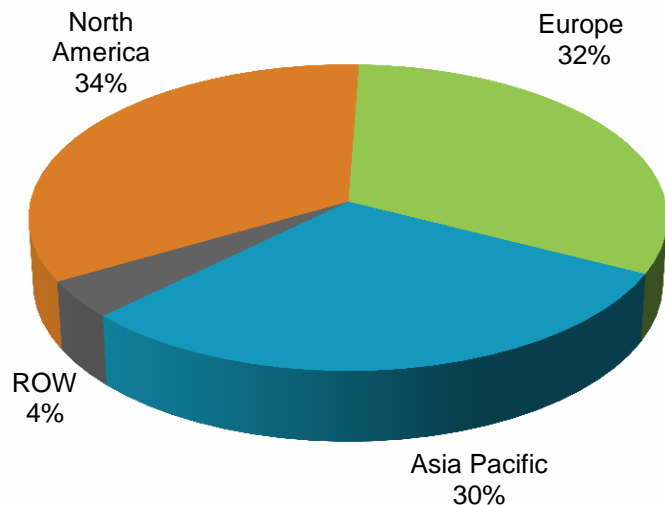
Shared service centres

## Key activities in H1

- Sales productivity assessments
- Cross-OpCo forums established to develop business process excellence, share best practice
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- Feasibility study completed
- Advancing to next stage to affirm benefits/costs

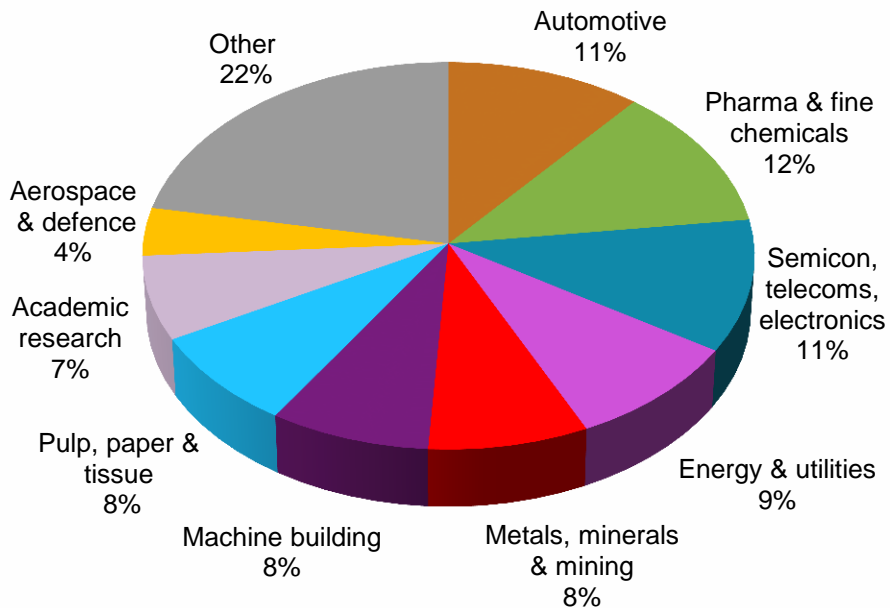


H1 2017 % of reported Group sales



Region/country	H1 2017 £m	Change vs H1 2016	LFL change H1 2017	LFL change H1 2016
North America	<b>241.4</b>	17%	1%	-4%
Europe	<b>225.9</b>	30%	6%	-6%
Germany	<b>67.7</b>	31%	11%	-4%
Asia	<b>210.5</b>	22%	10%	3%
China	<b>88.6</b>	15%	6%	5%
Japan	<b>39.6</b>	26%	11%	8%
Rest of the World	<b>32.2</b>	13%	0%	-15%
<b>Group</b>	<b>710.0</b>	<b>22%</b>	<b>5%</b>	<b>-3%</b>

H1 2017 % of reported Group sales



End-user market	LFL change H1 2017	LFL change H1 2016
Automotive	+18%	-2%
Pharma & fine chemicals	+6%	+5%
Semicon, telecoms, electronics	+12%	+11%
Energy & utilities	+10%	-17%
Metals, minerals & mining	+8%	-14%
Machine building	+6%	+6%
Pulp, paper & tissue	+3%	+1%
Academic research	-14%	+4%
Aerospace & defence	+4%	-14%

- Malvern PANalytical merger already showing results
- Strong sales growth to pharmaceutical sector driven by generics
- Sales growth returns in the metals, minerals and mining sectors following decline in 2016
- Strong demand in semiconductors, predominantly in Asia
- Sales to academic research institutes weaker due to budget pressures

	H1 2016	H1 2016*					H1 2017*	Change vs. H1 2016			
	Excl. Uplift		Organic	FX	Acq.	Uplift		Reported	CER	LFL	LFL excl. Uplift
<b>Sales (£m)</b>	175.6	175.6	4.4	18.6	0.9	-	<b>199.5</b>	14%	3%	3%	
<b>Adjusted op profit* (£m)</b>	21.2	21.0	0.3	1.4	0.1	(2.3)	<b>20.5</b>	-2%	-9%	-9%	2%
<b>Adjusted return on sales</b>	12.0%	11.9%					<b>10.3%</b>	-1.6pp		-1.3pp	-0.1pp



\* Including Project Uplift

- Millbrook adding further capacity and capability:
  - New large climatic chamber opened for environmental testing; Test World expansion started
  - Acquisition of CSA Leyland Technical Centre test service facility in July
- Strong growth to automotive customers in all key regions
- Sales to machine manufacturers up, with strong growth in China and Germany
- Sales to electronic customers up in Europe and Asia
- Stable commodity prices benefit ESG Solutions

	H1 2016	H1 2016*					H1 2017*	Change vs. H1 2016			
	Excl. Uplift		Organic	FX	Acq.	Uplift		Reported	CER	LFL	LFL excl. Uplift
<b>Sales (£m)</b>	170.1	170.1	8.0	20.5	24.6		<b>223.2</b>	31%	19%	5%	
<b>Adjusted op profit* (£m)</b>	18.6	18.5	0.6	2.0	2.2	(2.9)	<b>20.4</b>	10%	-	-12%	3%
<b>Adjusted return on sales</b>	11.0%	10.9%					<b>9.1%</b>	-1.8pp		-1.8pp	-0.2pp



\* Including Project Uplift

- All main end markets return to growth in key process industries
- Strong growth in tissue; first digital solution for tissue production management delivered
- LFL sales growth in energy and utilities, particularly in wind power
- Acquired Setpoint, a leading provider of vibration and condition monitoring solutions
- Restructuring activities at NDC Technologies to simplify business processes
- Strong LFL sales growth offset by adverse mix, restructuring and site closure costs
- Based on orders & non-recurrence of H1 adverse costs, expect strong margin recovery in H2

	H1 2016	H1 2016*					H1 2017*	Change vs. H1 2016			
	Excl. Uplift		Organic	FX	Acq.	Uplift		Reported	CER	LFL	LFL excl. Uplift
<b>Sales (£m)</b>	118.7	118.7	12.8	13.4	3.5		<b>148.4</b>	25%	14%	11%	
<b>Adjusted op profit* (£m)</b>	11.0	10.9	(2.3)	0.9	(0.7)	(1.4)	<b>7.4</b>	-33%	-41%	-34%	-21%
<b>Adjusted return on sales</b>	9.3%	9.2%					<b>4.9%</b>	-4.3pp		-3.7pp	-2.7pp



\* Including Project Uplift

- Sales growth returns in North America, a key region for this segment
- Transformation continues at Omega; good LFL sales growth in North America
- Capturing IIoT opportunities with wireless monitoring, automation, industrial networking solutions
- Sales of our industrial imaging devices continue to grow rapidly

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	Excl. Uplift		Organic	FX	Acq.	Uplift		Reported	CER	LFL	LFL excl. Uplift
<b>Sales (£m)</b>	117.0	117.0	6.0	15.9	-		<b>138.9</b>	19%	5%	5%	
<b>Adjusted op profit* (£m)</b>	18.6	18.5	(0.8)	2.3	-	(1.8)	<b>18.2</b>	-2%	-14%	-14%	-5%
<b>Adjusted return on sales</b>	15.9%	15.8%					<b>13.1%</b>	-2.7pp		-2.9pp	-1.4pp



\* Including Project Uplift

- 5% LFL sales increase in H1; all segments and regions growing
- Delivered good strategic progress:
  - Malvern PANalytical merger starting to deliver benefits
  - Project Uplift proceeding well; shared service centre project moving into next phase
  - Two acquisitions, adding further condition monitoring technology and automotive testing
- Continue to make further targeted strategic investments in H2
- Our expectations for the full year remain unchanged



**Innovative Customer Solutions to Enhance Productivity**

**Spectris plc**



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