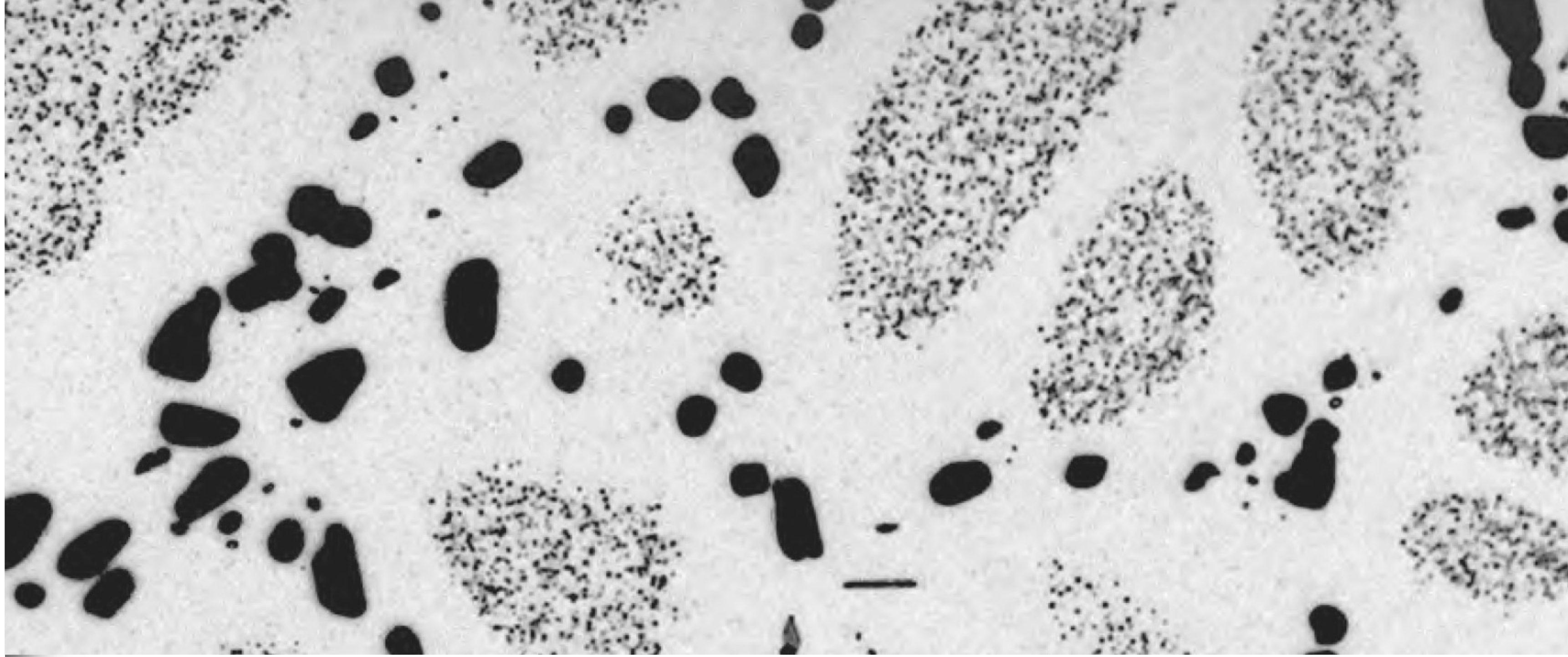

Bodycote

Bodycote:
Growth and resilience

Dominique Yates

Agenda

Bodycote

- Bodycote – a decade of transformation
- The changing shape of Bodycote
- New and closed facilities – revenue bridge
- AGI Classical Heat Treatment – potential margin progression
- Summary

Bodycote – a decade of transformation

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Then - 2009

- No strategically targeted approach to the market
  - Continuous processes
  - Overflow work
- No structured relationship with major Aero and Auto OEMs
- Multi-process facilities competing with each other
- No differentiation of service approach for different customers and markets

Now - 2019

- Clear Bodycote target market
  - High value-added work
  - Batch processes
  - Ideally, exclusivity or guaranteed share
- Relationships with OEMs and key Tier suppliers
- More specialised facilities using logistics routes
- Customer facing structure with differentiated approach to markets

Bodycote – a decade of transformation

Bodycote

Then - 2009

- **207** facilities
- Developed markets focus
- No capex control (2008 capex spend : **£79.5m**)
- ‘Wait and see’ approach to volume fluctuations
- Pre-GFC 2008 margin – **12.9%***
- Pre-GFC 2008 ROCE – single digit

Now - 2019

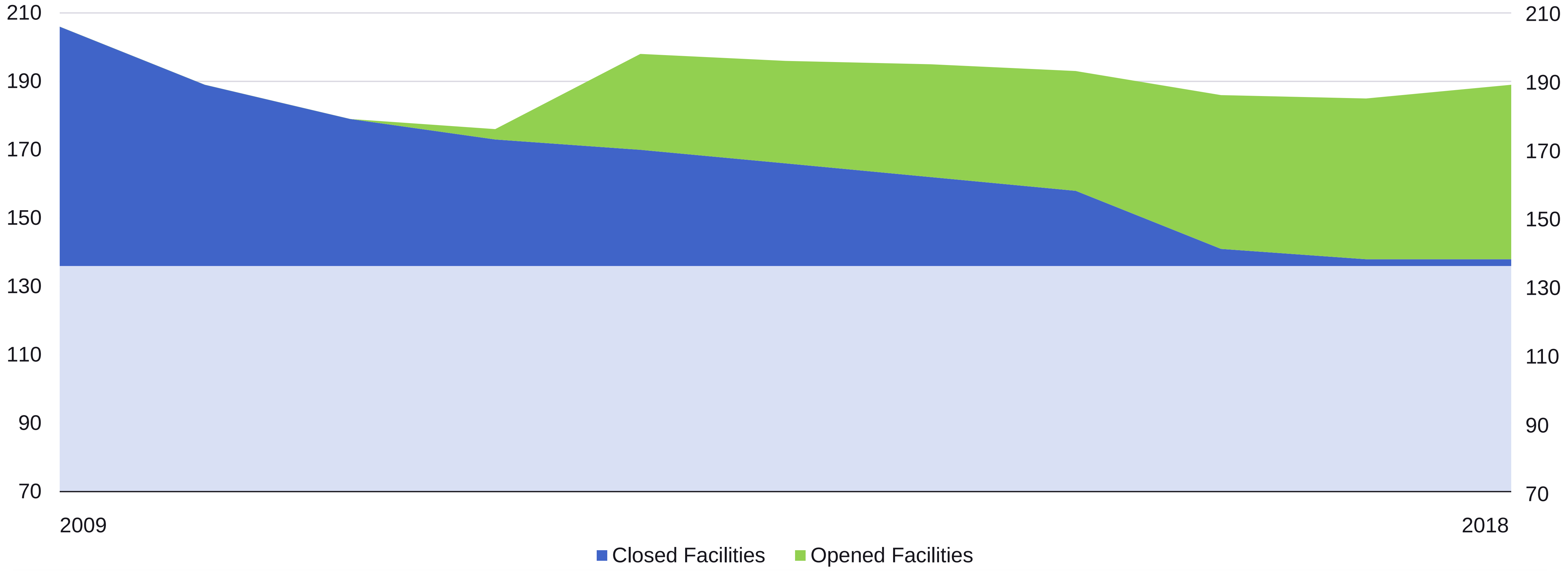
- **162** classical heat treatment facilities, plus
  25 dedicated Specialist Technologies’ sites
- Emerging markets strategy
- Rigorous control over capex spend
- **15%** of total FTEs are temporary labour, which is flexed from day to day in response to shifts in demand
- 2018 Group margin – **19.0%**
- 2018 Group ROCE – **20.5%**

* Continued operations

Number of facilities from 2009 to 2018

70 facilities closed or sold since 2009 – more than a third of the original total

Number of facilities from 2009 to 2018



50 facilities opened or acquired over the same time frame

2008 to 2018 facilities revenue bridge

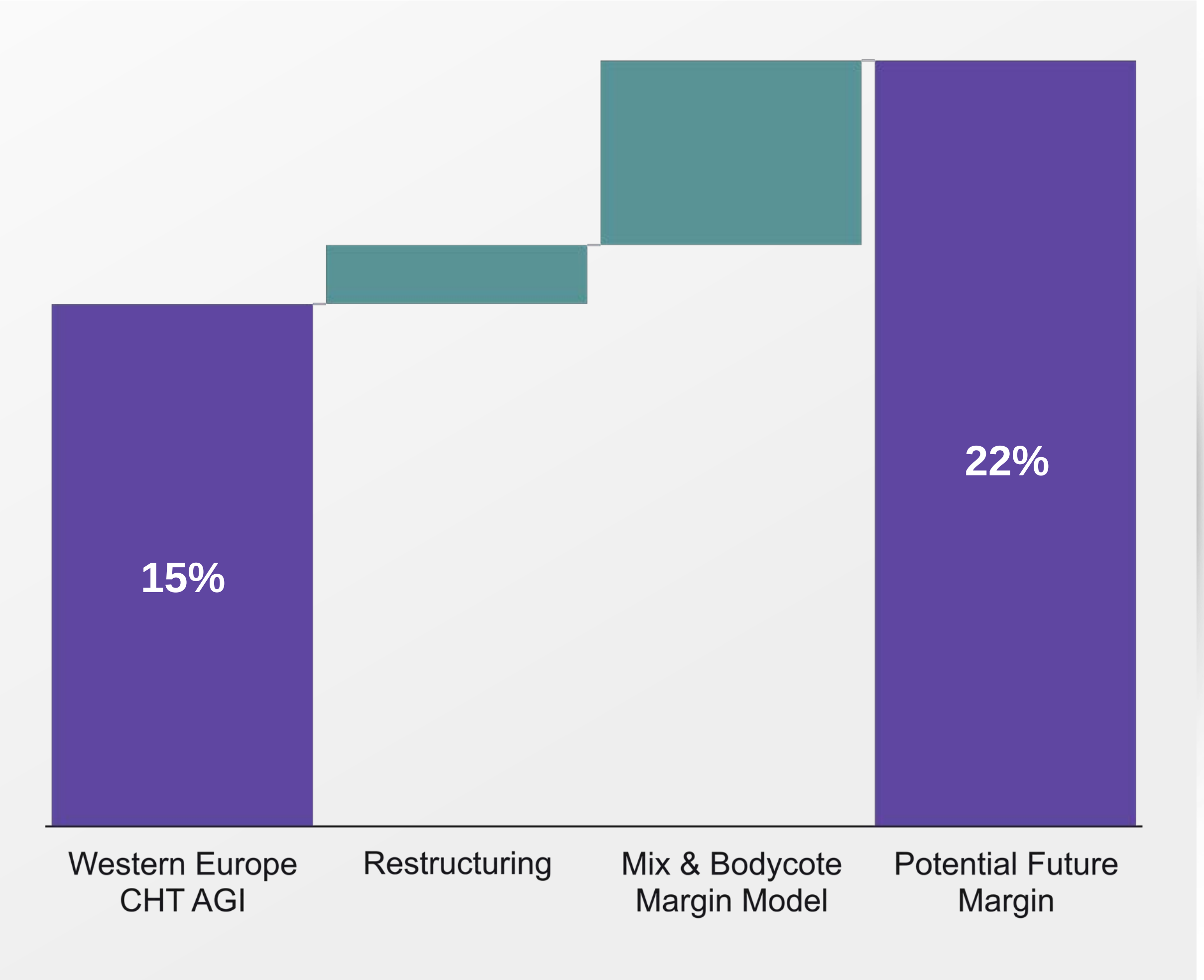
£m

Compound annual revenue growth c4%

Automotive & General Industrial (AGI) Classical Heat Treatment potential margin progression

Bodycote

- 2018 Aerospace CHT margin was 22%
- No inherent structural reason why AGI CHT margins shouldn't reach the same level
- There is some required restructuring under way (costs are being absorbed in the P&L)
- The remaining 'gap' will be closed by improvements in business mix and the continued application of the Bodycote Margin Model
- Timeframe is in years – and margin expansion unlikely to be linear



Summary

Bodycote

Bodycote has come a long way in the last decade, with a **very clear strategy and a radically transformed business**

Further benefits are still to be realised from the Group business model and investments already made

In other words… **more to come**

CAPITAL MARKETS DAY

2019