



17 November 2015

Bodycote plc Trading Update

Bodycote is issuing its trading statement covering the period from July to October 2015 (“the period”). All comparative comments in this statement reflect comparisons with the corresponding period in 2014. Full year results for 2015 will be issued on 25 February 2016.

Current trading

Group revenue was 7.5% lower at constant exchange rates (9.7% lower at actual exchange rates). Group margins have remained similar to the first half.

The Aerospace, Defence and Energy business revenues were lower by 11.9% at constant exchange rates (10.8% lower at actual exchange rates). The Automotive & General Industrial business saw revenues decrease 4.1% at constant exchange rates (8.8% lower at actual exchange rates).

The following review of the Group’s markets quotes all movements at constant exchange rates.

Civil aviation revenues grew by 2.1% year-on-year, with good growth in North America and France offset by continued weakness in the UK. Sales in the Oil & Gas sector were lower by 41%. This reflects some weakening in the run-rate seen in the second quarter.

Car and light truck revenues increased by 3.4%, with flat performance in the USA and solid growth in Europe and the Emerging Markets. Heavy truck revenues were lower by 5.5%. General industrial demand remained subdued, and revenues were 7.9% lower than in the same period last year, being affected notably by weak industrial machinery and agricultural equipment demand.

New investment

The Group is accelerating its greenfield investment programme in line with its strategy to increase capacity and capability in specialist technologies and higher growth territories. Investments include:

- A new classical heat treatment facility in Taicang, China, serving the greater Shanghai region.
- A new facility in Mexico, focused on specialist technology for the automotive industry. The facility will open mid 2016.
- A greenfield site is under construction in South West France, serving the aerospace sector. The facility will open in the second half of 2016.
- A new specialist technology facility in South Eastern USA which will start production towards the end of 2016.
- A new specialist technology facility in Chicago, USA, which is planned to open in Q3 2016.
- A new facility in southern Poland serving the growing presence of aerospace manufacturers in this region. This facility should open in late 2016.

Consequently, we expect that start-up costs will be higher in 2016 by c.£2m when compared to 2015.

Exceptional costs

At the time of the Interim Results, the Group announced a reorganisation programme amounting to £19.9m (cash cost £12.0m). The exit from Brazil was completed in September. Other restructuring actions are proceeding to plan. The programme is on track to deliver c.£6m of savings in 2016 in addition to the £4m achieved in the current year.

Financial position

Net cash as at 31 October 2015 was £1.8m, compared to net debt of £7.0m at 30 June 2015, reflecting the trading performance and normal seasonal cash flows. The interim dividend for 2015 of 4.8p per share was paid on 6 November 2015 at a cost of £9.1m.

Outlook

Notwithstanding the continuing challenging market conditions, the Board's expectation for headline operating profit¹ for the year to 31 December 2015 remains in the range £101m to £106m. While noting the Group's short forward visibility, the Board currently anticipates that there will be no near term improvement in market conditions. However, the quality of our portfolio and strength of our financial position place us well to take advantage of any opportunities that arise.

¹ Headline operating profit is stated before reorganisation costs and amortisation of acquired intangibles.

Investor conference call

Stephen Harris and David Landless will be hosting a conference call for analysts and investors at 0800 hours today (17 November 2015).

Participant's dial in number: +44 (0) 20 3426 2886

No PIN required

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