Bodycote

Friday 18 November 2022

Bodycote plc

Strong revenue growth in Q3; on track to meet full year expectations

Bodycote, the world's leading provider of heat treatment and specialist thermal processing services, issues a trading update covering the four month period from 1 July to 31 October 2022 ("the period").

Trading

Total Group revenue for the period grew by 29% on last year to £258m (up 22% at constant currency). AGI revenues, at £148m, were 24% higher than last year (up 21% at constant currency), while ADE revenues, at £110m, were 35% higher than last year (up 24% at constant currency). Volume contributed 7% to revenue growth with foreign exchange translation contributing 7%.

The revenue figure benefits from price increases and energy surcharges of approximately 15% in total. We introduced energy surcharges at the end of last year with the intention of covering the highly volatile costs of electricity and gas we have been experiencing. While there was initially a lag when these were first introduced, our price increases and surcharges have successfully covered all of our cost inflation in the period.

As gas and electricity price increases have varied significantly between countries, the impact of surcharges on our revenues has differed in the same way. The AGI businesses are weighted more towards Western and Eastern Europe, where the highest increases in gas and electricity prices have been experienced. ADE businesses are weighted towards North America and our relatively lower energy-consuming Specialist Technologies. As a result, the impact on revenues during the period for the AGI businesses was 19%, whereas the impact for the ADE businesses was 10%. Underlying volumes in AGI grew 2% while volumes in ADE grew 14%.

The following review of the Group's revenues by end market quotes all movements based on growth in the period against the same period in 2021, at constant currency:

Automotive revenues were up 18%. This increase was entirely due to the impact of price increases and energy surcharges. Volumes were flat versus last year, as well as versus the first half of this year, despite supply chain issues easing in a number of areas.

General Industrial revenues grew 25%, with volumes continuing to hold up well, supported by stronger performance in market sectors where a higher proportion of the work is for capital investment. The energy end market now comprises 17% of General Industrial and grew 30%.

Aerospace & Defence revenues grew 19%. Civil air travel continues to strengthen and OEM production is ramping up; defence volumes were flat.

Emerging market revenues were up 47%, reflecting the highest level of energy surcharges in the Group, as well as double digit volume recovery in China and Mexico. Slovakia and Turkey volumes continued to grow at double digits.

Specialist Technologies' revenues grew 22% (18% on an organic basis), with solid volume growth, particularly in the ADE focused Specialist Technologies.

Financial position and liquidity

Net debt as at 31 October 2022 was £59m, reflecting good underlying cash flows, partially offset by higher working capital, directly related to the higher level of trade receivables from surcharge-fuelled higher revenues.

Summary and Outlook

Civil aerospace volumes continue to grow strongly, with General Industrial volumes growing more modestly and automotive volumes flat. Our approach to using surcharges to cover the highly volatile gas and electricity prices has proven to be successful.

The Board expects the Group to deliver a full year result for 2022 in-line with market expectations.

Trading Update Conference Call

The Company will be hosting a conference call for analysts and investors at 08.30am today (Friday 18 November 2022).

Participants' dial-in number:
United Kingdom Toll: +44 33 3300 9273

Participants will be asked for names only; no PIN will be required

For further information, please contact:

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