

Thursday, 30 May 2024

Bodycote plc

Good start to the year; full year outlook maintained

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 January to 30 April 2024 ("the period"), ahead of the Company's Annual General Meeting, which will be held at 10.30am today.

Trading Summary

We have enjoyed a good start to the year with constant currency revenue growth of 3.9% excluding surcharges (2.7% excluding Lake City acquired in January 2024). This demonstrates the strength of our Specialist Technologies businesses and the resilience provided by our diverse customer base, against a mixed market backdrop and some challenging prior-year comparators. Our expectations for the full year remain unchanged.

Constant currency organic revenue growth	Jan 1 - Apr 30 2024
Group (excluding surcharges)	2.7%
Group (including surcharges)	-2.2%
By process (excl. surcharges):	
Specialist Technologies	10.5%
Classical Heat Treatment	-1.0%
By market sector (excl. surcharges):	
Aerospace & Defence	16.2%
Automotive	-1.8%
General Industrial (incl. Energy)	-1.8%

Group revenue was £268m in the period (2023: £281m), with underlying growth offset by surcharges which halved to around £14m as energy prices fell, and a foreign exchange headwind of £10m year-on-year. Organic constant currency growth of 2.7% (excluding surcharges) was driven by Specialist Technologies (+10.5%), while Classical Heat Treatment revenue was marginally lower (-1.0%). Within Specialist Technologies there was notable strength in Surface Technology and Hot Isostatic Pressing (HIP), which captured growth opportunities while delivering strong operational performance.

By end market, on an organic constant currency basis, strength in Aerospace & Defence continued (revenue +16.2% excluding surcharges), with both commercial aerospace and defence sectors growing well. Automotive revenue was slightly lower (-1.8%) reflecting a subdued market environment and the high growth in the corresponding prior year period. General Industrial revenue was also slightly lower (-1.8%), with a varied picture across sub-sectors including continuing good

Thursday, 30 May 2024

growth in energy (+14.0%) offset by weakness in industrial machinery and related markets. While these industrial-focused markets declined year-on-year, revenue has improved sequentially versus the levels seen at the end of 2023. Medical-related business benefited from the Lake City acquisition which has been successfully integrated and is performing well, generating £3m revenue since its acquisition in late January 2024. As a result of the strong performance in aerospace, growth was considerably higher in our ADE division than in the AGI division.

Share buyback programme

A £60m share buyback programme was announced in January, with the first £30m tranche commencing on 15 March 2024. In the period to 30 April 2024, 1.56m shares in total have been acquired for a total consideration of £10.8m.

Financial position

Net debt (excluding lease liabilities) was £45.3m at 30 April 2024, compared with a net cash position of £12.6m at year-end 2023. This reflected the acquisition of Lake City for a total gross consideration of £52.2m, the capital deployed on the share buyback programme to date, and the Group's typical cash flow seasonality, including bonuses paid in March 2024.

Summary and outlook

Trading year-to-date reflects the strength of Specialist Technologies and the benefits of our diversified end-markets. The performance supports our expectation of further progress in 2024, including another step towards our medium-term operating margin target of more than 20%.

Update from Jim Fairbairn, who will assume the position of Group CEO following the AGM:

"Bodycote continues to demonstrate good growth against a mixed picture of end market dynamics and the Group is well positioned for the remainder of 2024.

During my induction since joining the business in March I have travelled extensively with members of our leadership team to get to know our operations, engage with employees, and understand the full range of processes we offer. I am struck by the energy and passion our teams have for our wide range of capabilities in metallurgy and by the focus and sense of responsibility we have for our customers.

Over the coming weeks I will progress the review of our strategic and operational priorities, and look forward to sharing my early observations about the Company at our interim results presentation on July 30th."



Thursday, 30 May 2024

Trading Update Conference Call

The Company will be hosting a conference call for analysts and investors at 08.30am today (Thursday 30 May 2024).

Participants' dial-in number:

United Kingdom: 0800 279 7040

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

For further information, please contact:

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