



Tuesday, 19 November 2024

Bodycote plc

Resilient performance in challenging end markets

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 2024 ("the period").

Trading Summary

Revenue for the first ten months of the year was £643.4m, 1.0% higher on an organic¹ basis excluding energy related surcharges, which have fallen by £27m year to date reflecting lower energy input costs.

In the four month period since 1 July, Group revenues grew by 0.2% organically, excluding surcharges. Good growth has been delivered in our Aerospace and Energy focused businesses, while conditions remain soft in Industrial Markets and Automotive. We retain our focus on cost control and expect to make good progress in full year headline operating margins. Operating profit for FY 2024 is expected to be in line with market consensus.²

Organic ¹ revenue growth	July 1 – Oct 31 2024	Year to date 2024
Group (excluding surcharges)	0.2%	1.0%
Group (including surcharges)	-2.8%	-3.1%
By process (excl. surcharges):		
Specialist Technologies	7.1%	7.5%
Classical Heat Treatment	-3.3%	-2.2%
By market sector (excl. surcharges):		
Aerospace & Defence	6.3%	11.4%
Automotive	0.5%	-0.5%
Energy	11.9%	11.0%
Industrial Markets	-6.3%	-7.0%
Consumer, Medical and Other	-11.3%	-9.8%

The following commentary reflects organic growth¹ excluding surcharges.

Growth in the period has been led by Specialist Technologies (+7.1%) with good progress in S³P, Hot Isostatic Pressing and Surface Technology. We continue to focus on driving increased penetration in these differentiated, high margin technologies. Classical Heat Treatment revenues were lower (-3.3%) reflecting the low level of global industrial activity that has continued in the second half.

By end market, Aerospace & Defence revenues rose by 6.3% in the period with some moderation in growth in Civil Aerospace versus the first half, as expected. This reflected the impact of temporary supply chain rebalancing and the Boeing strike. Automotive revenues rose 0.5%, outperforming a weak light vehicle production environment and improving modestly versus the first half. Our Energy revenues continued to grow strongly, up 11.9%. Industrial Markets remained weak across all regions (falling 6.3%), while the temporary softness previously reported in the Medical market has continued in the second half.

As a result, the Group's ADE division delivered growth of +4.2% in the period, ahead of the 3.1% revenue decline in the AGI division.

Share Buyback and Financial Position

The £60m share buyback has continued, and at the end of the period a total of 6.74m shares have been acquired to date on the programme, for a total consideration of £45.8m.

Net debt (excluding lease liabilities) at the end of the period was £65.8m, broadly unchanged when compared to net debt of £68.0m at the half-year. This reflected the Group's underlying cash generation partly offset by a further £20m of capital deployed on the share buyback in the period.

The interim dividend of £12.6m was paid on 7 November.

Summary and outlook

Our end market environment remains mixed, with the challenging conditions in Automotive and Industrial Markets expected to continue into early 2025. Despite this backdrop, the resilience of our Specialist Technologies businesses and our ongoing focus on cost control gives us confidence in delivering good progress in operating margins for the full year (versus 15.9% delivered in FY 2023). Operating profit for FY 2024 is expected to be in line with market consensus².

Capital Markets Event

We will be holding a Capital Markets Event in London on 12 December at 2pm for investors and analysts. The event will include a strategy update from Jim Fairbairn, Chief Executive Officer, and a series of presentations by senior management. Further details can be found on the Investors section of the Bodycote website.

Trading Update Conference Call

Bodycote will be hosting a conference call for analysts and investors at 09:00am UK GMT today (Tuesday, 19 November 2024).

Participants' dial-in number:

UK: 0800 279 7040

North America: (+1) 800 717 1738

International: +44 800 279 7040

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

For further information, please contact:

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¹ *Organic growth is stated at constant currency and excludes the effects of acquisitions and disposals*

² *The latest company compiled consensus is available at: <https://www.bodycote.com/investors/analyst-consensus/>*