



12 December 2024

## Bodycote plc

### Capital Markets Event

#### Optimise, Perform, Grow

Bodycote, the world's leading provider of precision heat treatment and specialist thermal processing services, will today host a Capital Markets Event for analysts and institutional investors in London.

Jim Fairbairn, Chief Executive Officer and Ben Fidler, Chief Financial Officer will host the event, with additional presentations from Bodycote's leadership team. They will set out plans and actions to deliver sustainable improvements in the quality, performance and growth outlook for the business, as well as setting new financial targets.

- New divisional reporting established around two high quality platforms
  - Specialist Technologies and Precision Heat Treatment
- Three levers of strategic execution:
  - Optimise: create an efficient footprint and operating model
  - Perform: improve operational performance, service quality and profitability
  - Grow: deliver accelerated, profitable growth
- Compelling financial targets announced, underpinned by our strategic actions
  - mid-single digit % total revenue growth p.a. through the cycle
  - Specialist Technologies to increase to 35-40% of revenue by 2028
  - operating margins >20% by 2028
  - through-cycle operating cash conversion of 80-90%
  - through-cycle ROCE of 15-20%
- Rigorous and balanced approach to capital allocation
  - Announcing today our intention to extend the Group's current £60m share buyback programme by a further £30m

#### **Chief Executive Officer, Jim Fairbairn said:**

*"Today we are presenting a clear vision to create an optimised, efficient and high-performance Bodycote, which will deliver sustainably stronger growth with improved profitability and resilience through the cycle."*

*"We are establishing a set of compelling and achievable financial targets. We are confident in our ability to achieve these ambitions and have a clear plan to deliver on our targets. This will benefit not just our shareholders but our people, customers and partners. We are building a company that can fully realise its potential, and ensure that Bodycote's excellence endures long into the future."*

#### **Two high quality platforms – Specialist Technologies and Precision Heat Treatment**

We will drive improved growth and performance from two new, redefined global divisions:

- **Specialist Technologies** will include our Hot Isostatic Pressing (HIP), Specialty Stainless Steel processes (S<sup>3</sup>P) and Surface Technologies activities. We have leadership positions in each of these differentiated technologies and our focus is on expanding our addressable markets to achieve consistent above-market rates of growth, with strong margins.

- **Precision Heat Treatment** includes our operations that provide a range of leading heat treatment services globally. We will focus on optimising our plant footprint and driving higher quality, lower carbon, and higher value-add processes. We see significant potential for sustainably improved margin performance and further topline growth from this platform.

We will begin reporting on this new basis at our full year 2024 results in March 2025.

### **Three levers to drive strategic execution**

Our plan to deliver Bodycote's full potential from these two leading divisions will be executed through three principal strategic levers:

- **Optimise:** refining our current network of plants to improve performance, elevate the quality of the portfolio, as well as creating an efficient operating structure to improve the Group's growth and margin potential.
- **Perform:** implementing a focused Group-wide operational improvement programme to drive performance. The programme, named HEAT, aims to enable a high performance culture, enhance our service quality, maintain an agile cost base, and help us transition to a sustainable future.
- **Grow:** capitalising on the growth potential inherent in the Group by focusing on three areas: structural growth markets, Specialist Technologies and faster growing geographies. Growth will be augmented by delivering on the opportunity from our customers' requirements to reduce their carbon emissions, and from inorganic expansion through disciplined capital allocation.

### **Accelerating via sustainability**

Our capabilities enable us to play a meaningful role in the transition to a low carbon future, which will act as a key accelerator to our strategy. We have already made significant progress in this area and today are announcing three new sustainability targets:

- By 2030, to reduce absolute scope 1 and scope 2 greenhouse gas emissions by 46% versus 2019 levels. This is an increase from our existing SBTi approved target which we are on track to achieve six years early.
- Enabling our customers of atmospheric processing to avoid 125,000 tonnes of CO<sub>2</sub>e by 2030. This has been externally validated and is aligned with best practice guidance for avoided emissions accounting.
- An increase in the proportion of our revenue which supports sustainable end-use markets and applications to 20% by 2035 (from 7% in 2023).

### **Ambitious financial targets announced, underpinned by our strategy**

Driven by our strategic actions, we are setting out new financial targets for the Group:

- Deliver total revenue growth of mid-single digit % p.a. through the cycle, the majority of which will be delivered through organic growth
- Specialist Technologies to increase to 35-40% of revenue by 2028 (FY 2023: 28%<sup>1</sup>)
- Achieve headline operating margins of >20% by 2028 (FY 2023: 15.9%)
- Deliver operating cash conversion of 80-90% through the cycle
- Sustain a through-cycle Return on Capital Employed (ROCE) of 15-20%

<sup>1</sup> Specialist Technologies re-defined to exclude Low Pressure Carburising (LPC) and Corr-I-Dur®, now reported within Precision Heat Treatment

## **Capital Allocation and £30m extension of our current share buyback programme**

A disciplined approach to capital allocation remains a central element of our strategy, encompassing organic growth, dividends, acquisitions and additional shareholder returns when appropriate. Progress has been made year to date on the £60m share buyback programme. Since the buyback commenced in March 2024, a cumulative 8.1m shares have been repurchased under the programme for a total spend to date of £54.4m.

The Group's balance sheet is strong. As disclosed in our 19 November 2024 trading update, net debt (excluding IFRS16 lease liabilities) was £70m at 31 October 2024, equating to leverage of approximately 0.45x net debt/EBITDA.

We see a range of appealing organic investment opportunities to grow the business in line with our strategy and continue to evaluate acquisition opportunities as they become available. Our primary focus in the near term is on the execution and delivery of our plan. Reflecting this focus and the strength of our balance sheet, we are announcing today our intention to extend our existing £60m share buyback programme by a further £30m. This will be executed during 2025.

## **Financial impact of optimisation actions**

We will be undertaking a number of optimisation actions to drive step changes and improvements across the business. We expect these to deliver an ongoing annual operating profit benefit of £12-14m, once the programme is complete by the end of 2026.

The optimisation of our plant footprint and associated plant closures, together with overhead cost reduction actions, will lead to an exceptional net cash cost of c. £25-30m. We expect an exceptional P&L charge of c.£60m, with an additional c.£12-15m goodwill write-down related to our North America Automotive and Industrial focused operations. The majority of the exceptional P&L charge and cash costs will be incurred across 2024 and 2025. For a temporary period we will also be reporting a small non-core division as we progress with the optimisation programme.

## **Current trading**

Current trading remains in line with that disclosed in our 19 November 2024 trading update, and our full year expectations remain unchanged. The Group will not be providing any new information on current trading at today's event.

## **For further information, please contact:**

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## **Post-event recording and presentation**

For those unable to attend the in-person event, there will be a post-event recording available which can be accessed from 17 December using the following webcast link: <https://www.bodycote.com/investors/capital-markets-event-2024/>

A copy of all the presentation materials will be made available on the Group's investor relations website from 14.00 on 12 December 2024.

**Disclosures:**

This announcement contains inside information for the purposes of Article 7 of Regulation 2014/596/EU which is part of UK domestic law pursuant to the Market Abuse (Amendment) (EU Exit) Regulations (SI 2019/310) ("UK MAR"). Upon the publication of this announcement, this inside information (as defined in UK MAR) is now considered to be in the public domain.

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