

# Preliminary Results Presentation

to 31st March 2018

Ian Barkshire  
Chief Executive

Gavin Hill  
Group Finance Director

# Agenda

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01: Highlights

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02: Finance Review

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03: Horizon Update

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04: Operational Review

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05: Summary and Outlook

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# Highlights

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- Good progress with the early implementation of Horizon
- Strong growth in orders and order book
- Transitioned to a more commercially focused, market driven Group
- Strong growth in Materials & Characterisation
- Reported revenue in line with previous year
- Improved profitability in Service & Healthcare
- Increased profitability and operating margin reflecting currency benefits
- H2 improvement in Research & Discovery after weak first half
- Significant reduction in net debt

# Finance Review

Gavin Hill

# Income Statement

<b>£m</b>	<b>2017/18</b>	<b>2016/17</b>	<b>Reported Change</b>	<b>Constant Currency Change</b>
Revenue	296.9	300.2	(1.1%)	(0.1%)
Adjusted operating profit	46.5	38.0	22.4%	(5.5%)
Net finance costs	(4.2)	(6.5)		
Adjusted profit before tax	42.3	31.5	34.3%	+0.6%
Amortisation of acquired intangibles	(10.9)	(12.5)		
Impairment of goodwill and intangibles	-	(36.7)		
Impairment of investment of associate	-	(8.0)		
Business reorganisation items	1.7	(1.7)		
Impairment of investment in associate	(2.0)	-		
Mark-to-market of currency hedges	3.1	1.2		
Profit/(loss) before tax from continuing operations	34.2	(26.2)		
Continuing adjusted basic earnings per share	56.3p	41.5p	35.7%	
Dividends per share	13.3p	13.0p	2.3%	

# Revenue by Sector

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total*
<b>2016/17</b>	<b>105.7</b>	<b>125.3</b>	<b>69.3</b>	<b>300.2</b>
Underlying movement	13.9	(12.1)	(2.0)	(0.2)
FX	(1.5)	(1.1)	(0.5)	(3.1)
<b>2017/18</b>	<b>118.1</b>	<b>112.1</b>	<b>66.8</b>	<b>296.9</b>
<b>Growth</b>				
Reported	+11.7%	(10.5%)	(3.6%)	(1.1%)
Constant currency	+13.2%	(9.7%)	(2.9%)	(0.1%)

\* Excluding inter-segment revenues

# Revenue by Territory: £m

## Group Revenue %



Reported growth	+7.5%	(7.5%)	(1.3%)	+6.3%
Constant currency growth	+4.3%	(5.3%)	+1.2%	+8.3%
Orders <sup>1</sup> : reported growth	+12.2%	+3.5%	+5.4%	+191.3%
Orders <sup>1</sup> : constant currency growth	+8.9%	+5.5%	+7.5%	+191.3%

<sup>1</sup> Excluding US Healthcare

# Order Book: £m



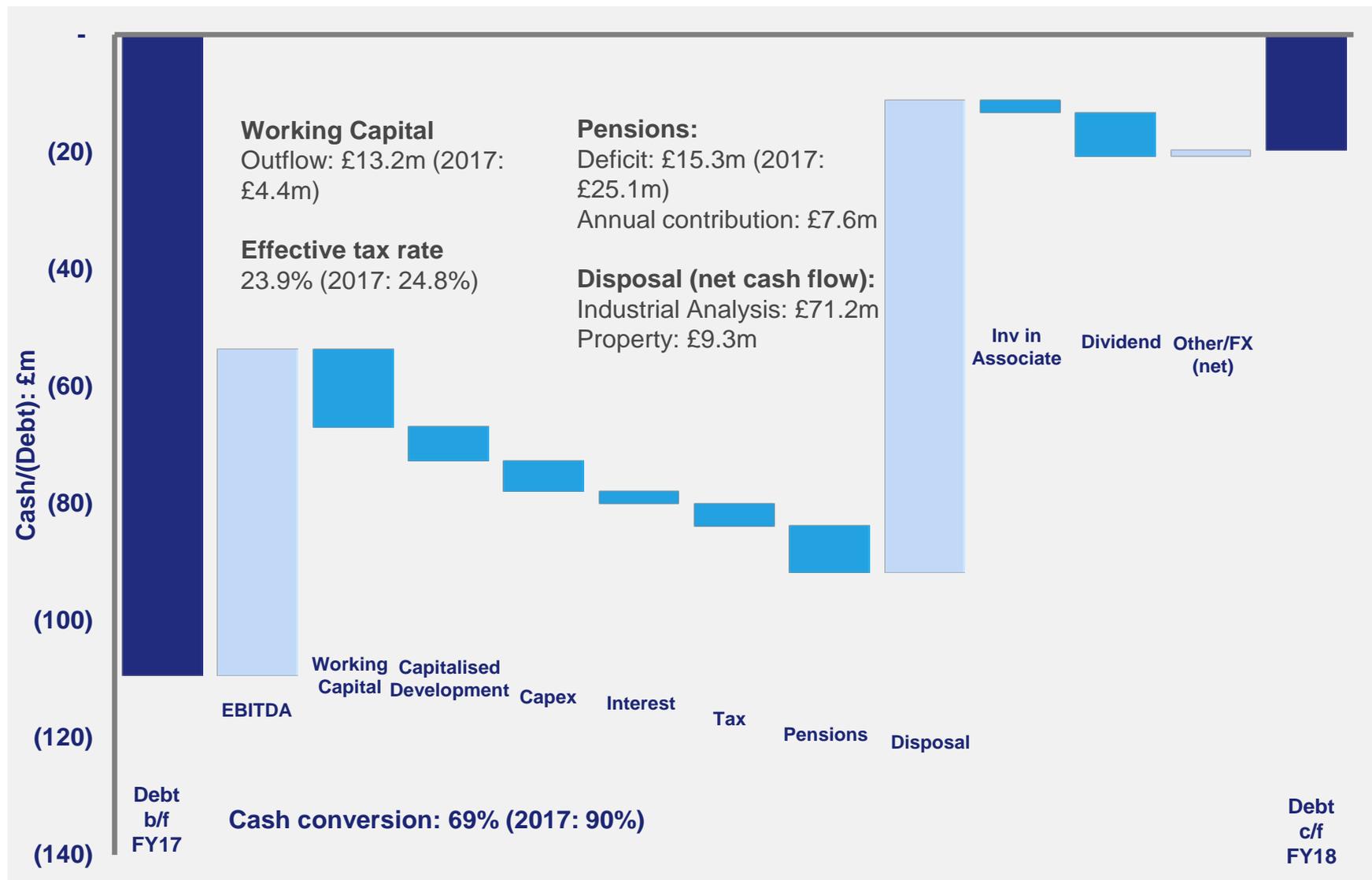
	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
Reported growth	+36.8%	+11.9%	(18.2%)	+5.0%
Constant currency growth	+42.4%	+15.2%	(10.8%)	+10.4%
Reported growth			(7.8%)	+14.0%
Constant currency growth <sup>1</sup>			(2.4%)	+18.4%

<sup>1</sup> Excluding US Healthcare

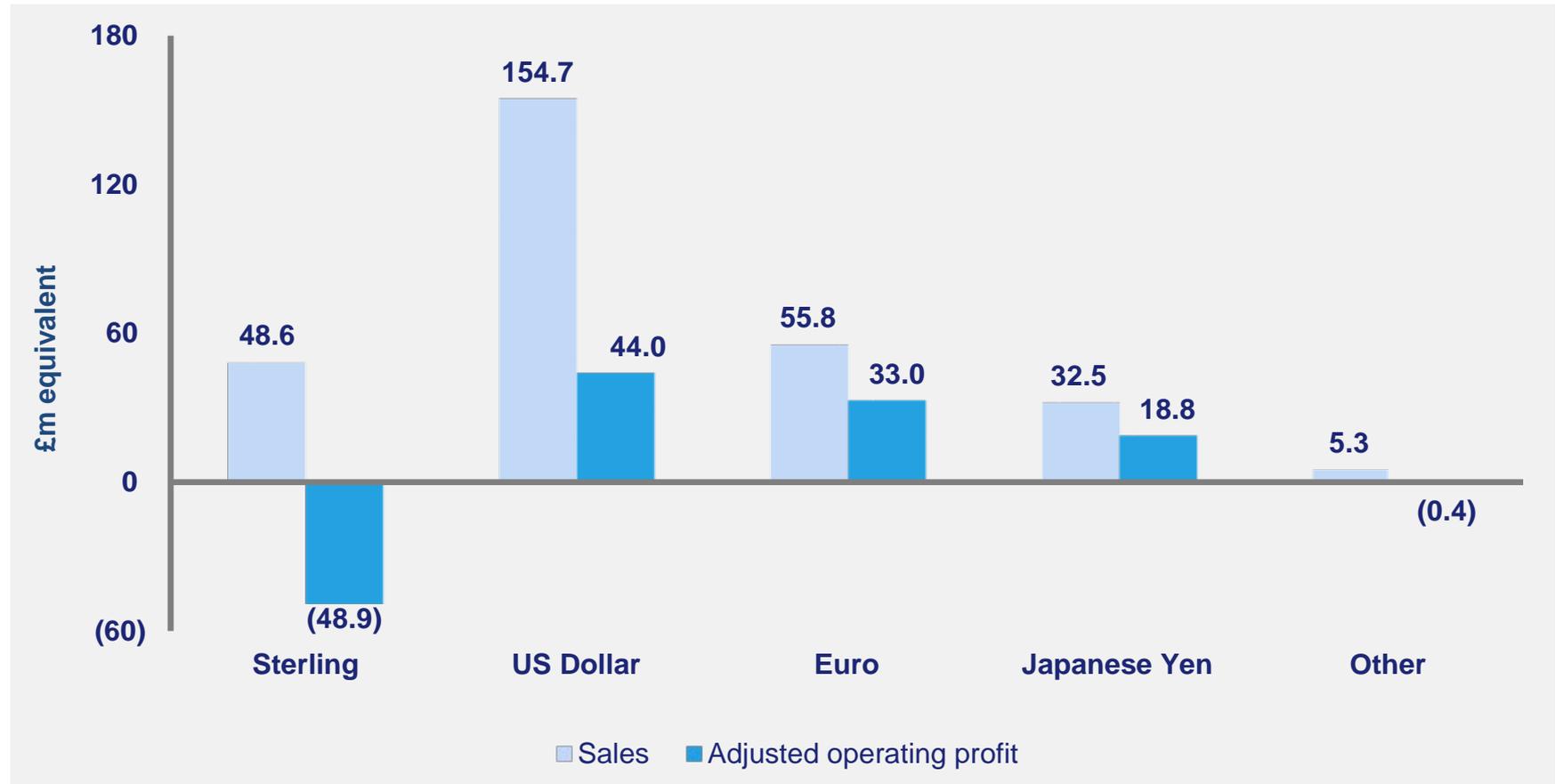
# Adjusted Operating Profit by Sector

£m	Materials & Characterisation	Research & Discovery	Service & Healthcare	Total
<b>2016/17</b>	<b>12.2</b>	<b>13.8</b>	<b>12.0</b>	<b>38.0</b>
Underlying movement	2.4	(5.0)	0.5	(2.1)
FX	5.5	5.0	0.1	10.6
<b>2017/18</b>	<b>20.1</b>	<b>13.8</b>	<b>12.6</b>	<b>46.5</b>
EBIT Margin				
2016/17	11.5%	11.0%	17.3%	12.7%
<b>2017/18</b>	<b>17.0%</b>	<b>12.3%</b>	<b>18.9%</b>	<b>15.7%</b>

# Cash Flow



# Currency Exposure



- Growth in orders and order book at reported and constant currency
- Adjusted operating margin up 300 basis points to 15.7%, reflecting currency benefits
- Continuing adjusted basic earnings per share up 35.7%
- Net debt down to £19.7 million with net debt:EBITDA leverage at 0.3 times
- Significant de-risking of investment strategy for the UK defined benefit pension scheme
- Based on current exchange rates, we expect a currency headwind of approximately £3 million to operating profit in the 2018/19 financial year

# Horizon Update & Operations Review

Ian Barkshire

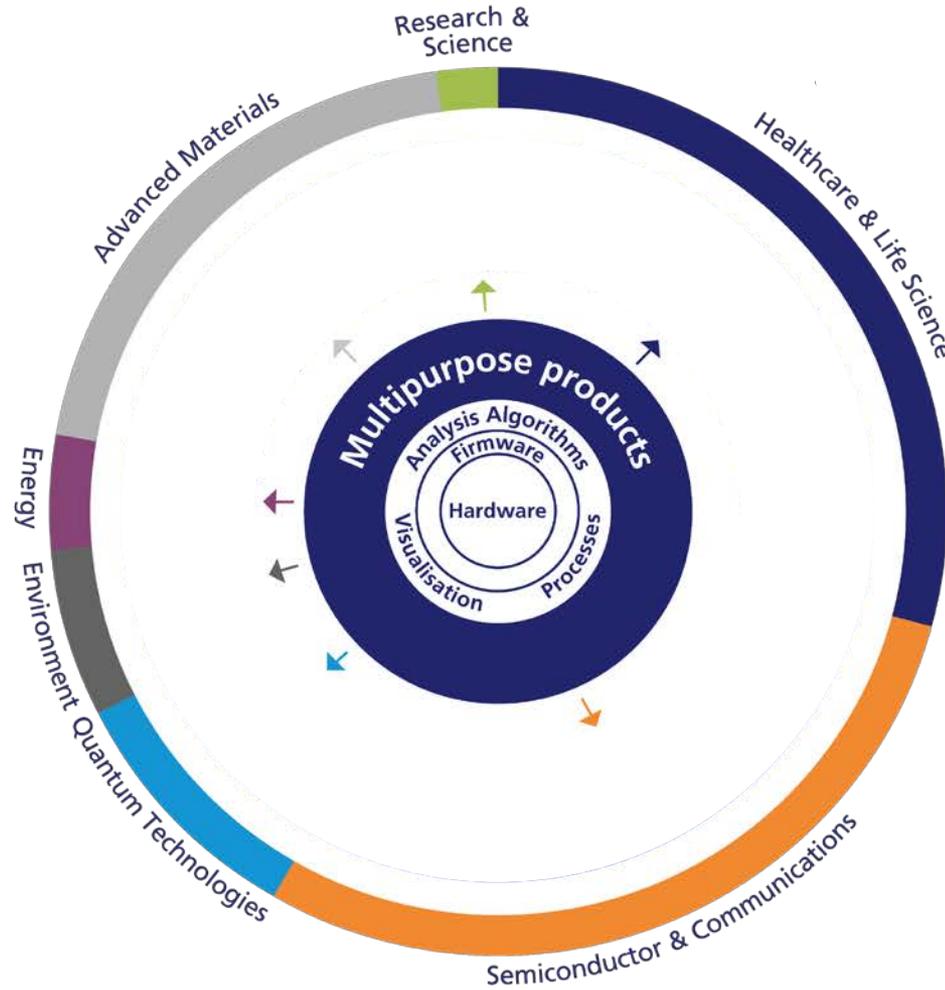
# Horizon Progress: Customer Centric Approach

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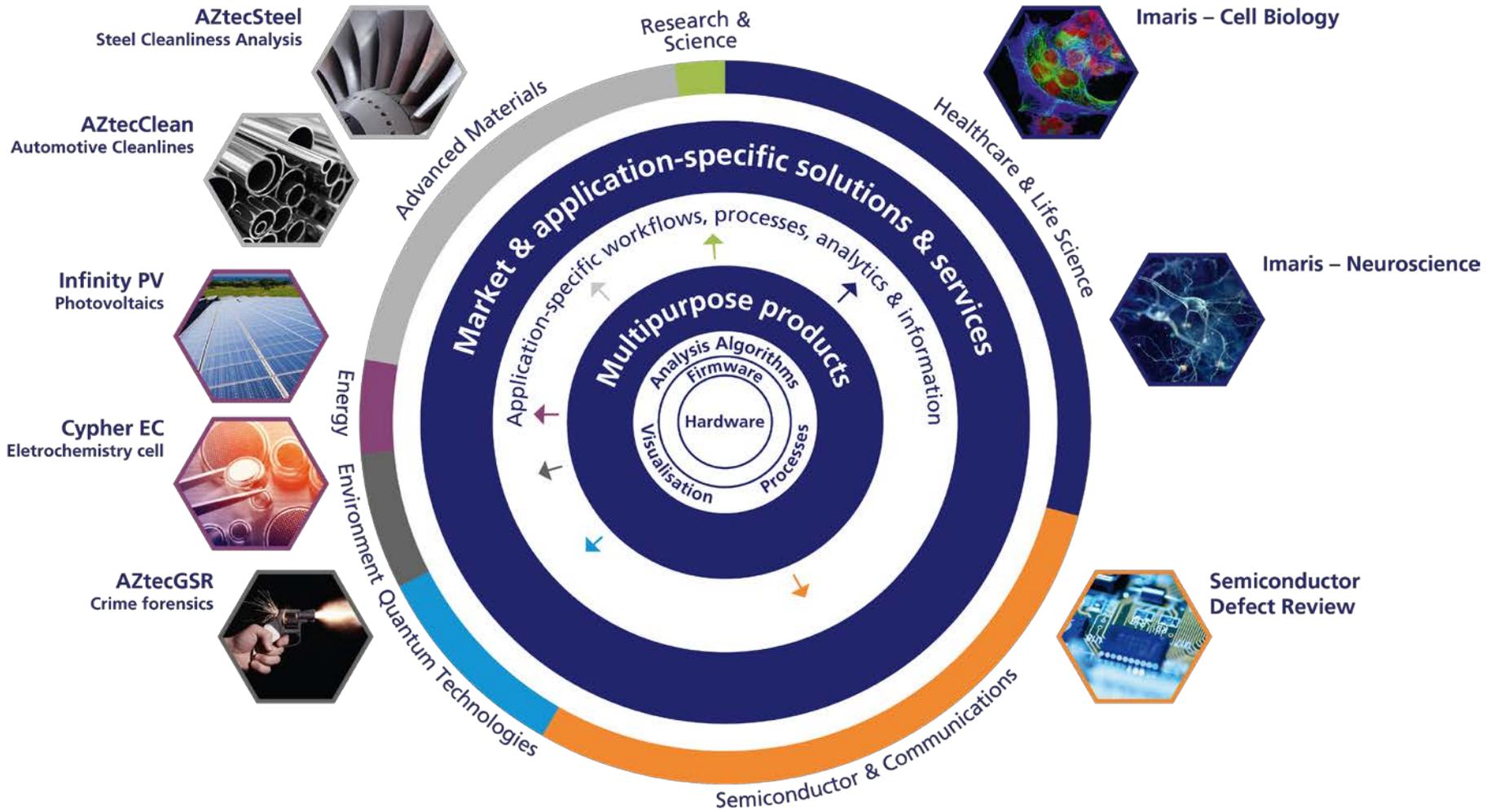


- Good progress in early implementation phase of Horizon
  - Firmly embedded across the Group with positive engagement
  - Starting to see tangible benefits
- Transitioned to a more focused, market driven-Group
  - Broad range of applications and industrial segments
- Key enabling technologies underpinning shift to a greener economy, digital connectivity and advances in materials and life science
- Creating more value for existing customers and expanding our addressable markets through application specific solutions

# Solutions and Application Focus



# Solutions and Application Focus



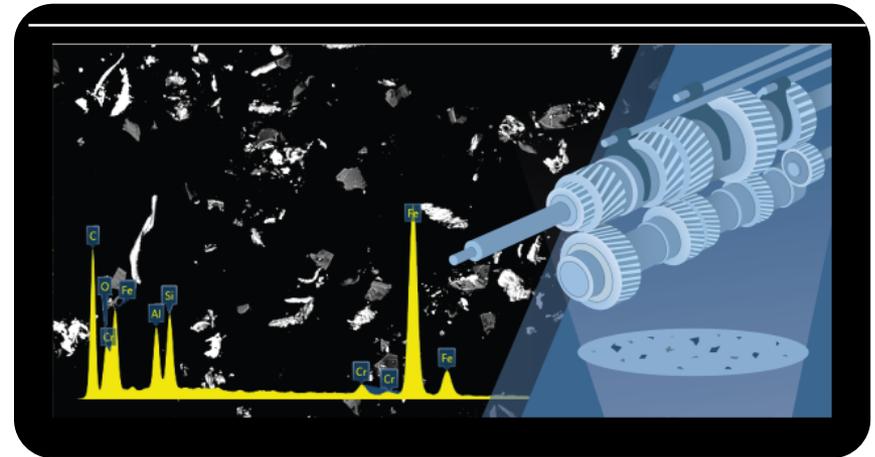
## Battery Technology

- CypherES electrochemistry cell
- Instrumentation upgrade, bespoke data analytics
- Enables characterisation in real-time, real-life operating conditions



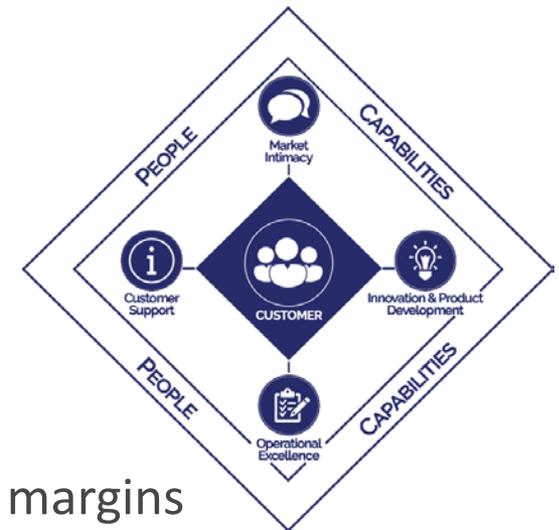
## Automotive Industry

- AZtecClean
- Tailored software upgrade and bespoke data analytics
- Identifies contamination and its source in supply chain

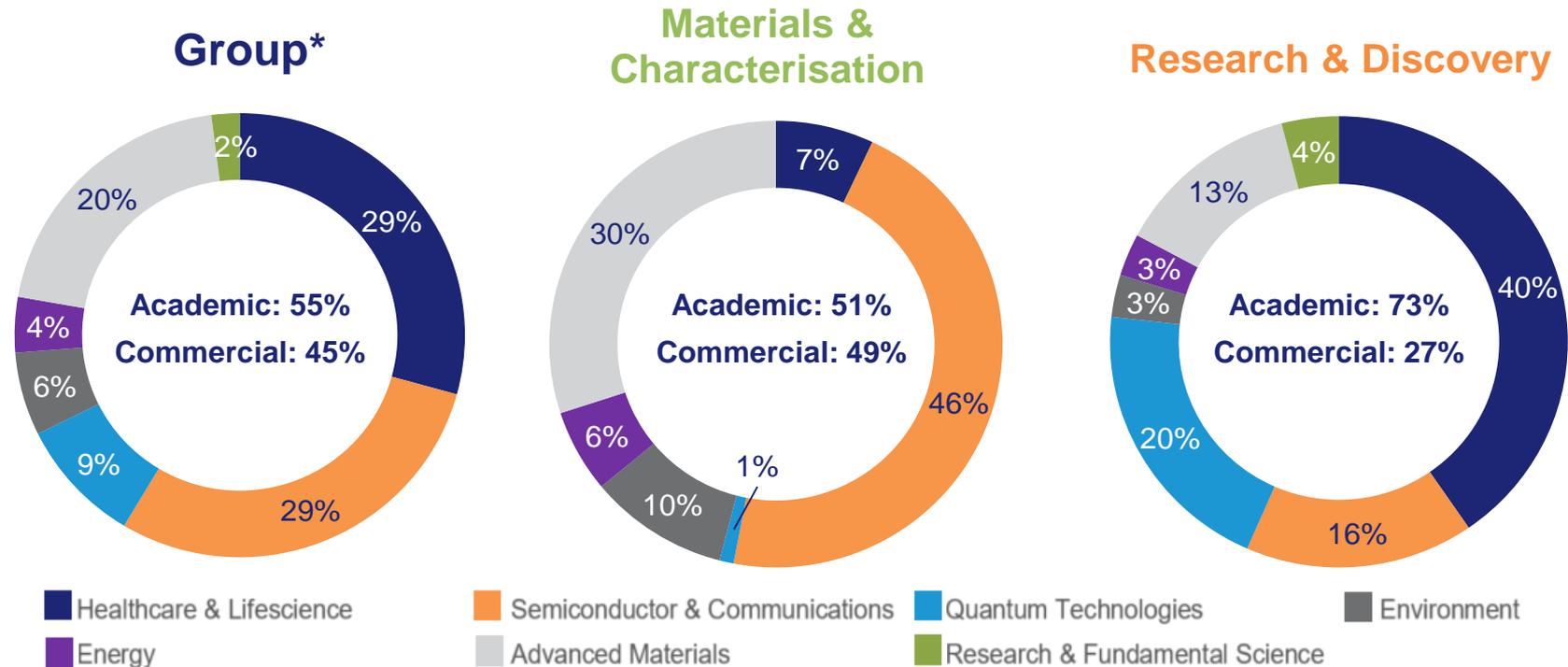


# Horizon Progress: Developing & Embedding Capabilities

- Transformed leadership team at operational level
  - 50% of senior managers recruited over the last two years
- Embedding best practice across sales, service and operations to augment excellence in technology
  - Overlay sharp commercial focus
  - Solution sales approach
  - Lean approach to operational excellence
- Exploiting synergies to create value
  - Leverage scale to accelerate growth and improve margins
  - £1.5 million central overhead efficiencies partially offsetting previous contribution from Industrial Analysis



# End Market Segments: Revenue



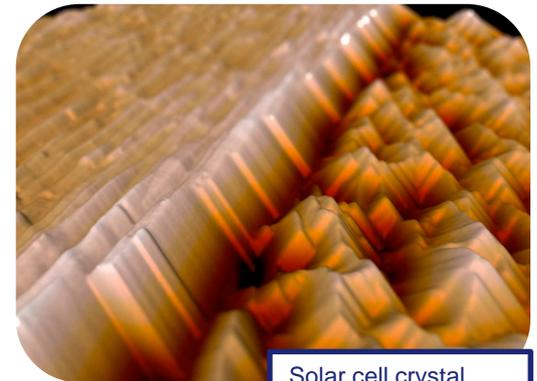
\* Includes revenue from Service & Healthcare

# Materials & Characterisation

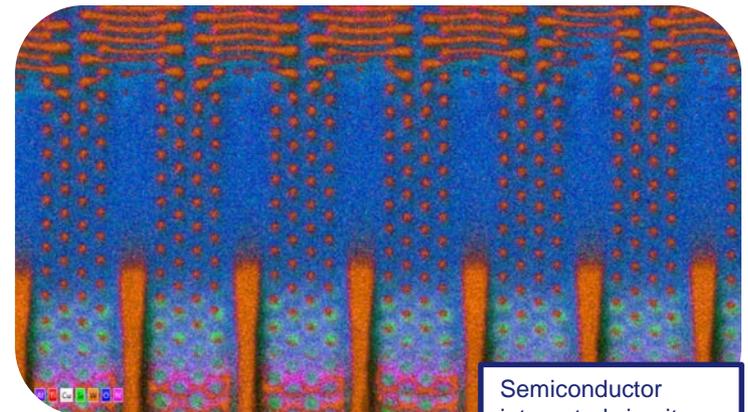
NanoAnalysis; Asylum Research; Plasma Technology

Enabling the fabrication and characterisation of materials and devices down to the atomic scale  
*(40% of Group revenue; 49% commercial funding)*

- Double digit order, revenue and profit growth across the sector
- Strong growth across US, Europe and Asia
- Focus on applied R&D and advanced manufacturing
- New products and solutions driving strong performance
- Broad market and customer base



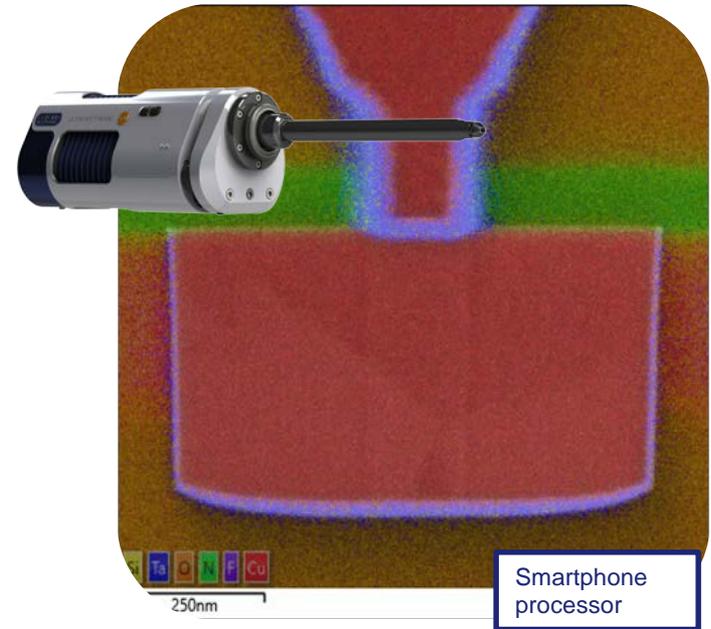
Solar cell crystal grain structure



Semiconductor integrated circuit

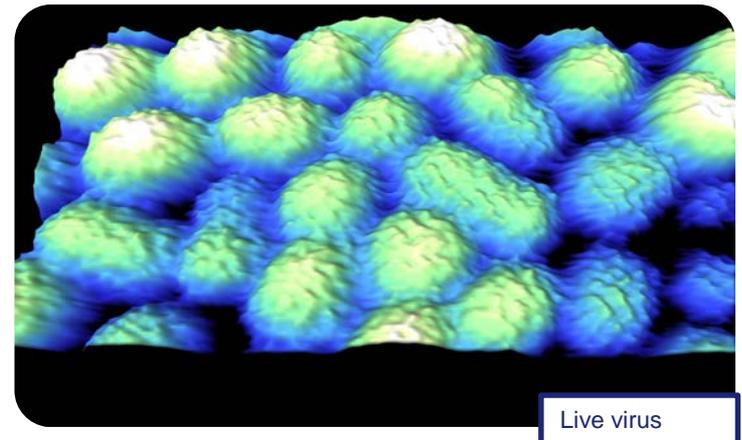
## NanoAnalysis

- Symmetry driving growth in advanced materials
- Ultim delivering unprecedented performance for semiconductor customers



## Asylum Research

- New advanced products including Cypher EC and Cypher VRS
- Repositioned entry level portfolio



## Plasma Technology

- Core expertise in compound semiconductors
- Enabling more compact, higher speed, larger capacity and higher energy efficient devices
- Market drivers include big data, IoT, AI and autonomous vehicles
- Growth in academic and specialist device production markets

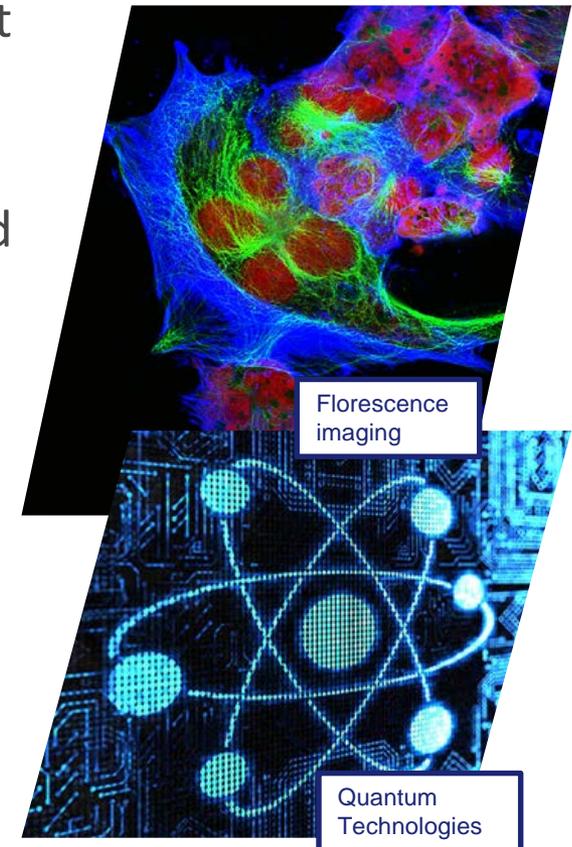


# Research & Discovery

Andor Technology; X-ray Technology; NanoScience & Magnetic Resonance; ScientaOmicron

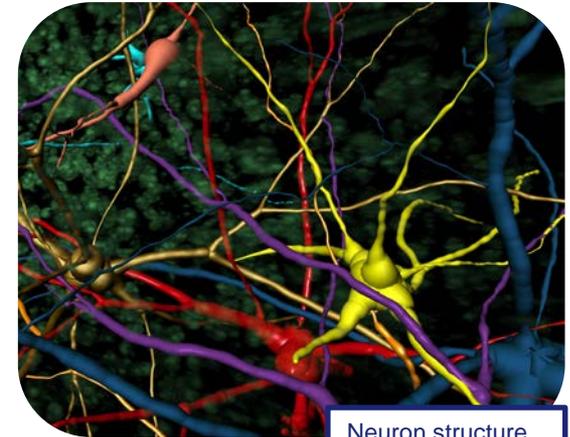
Advanced solutions that create unique environments and enable measurements down to the molecular and atomic level *(38% of Group revenue; 73% academic funding)*

- Strong second half more than offset by weaker first half performance
- Orders broadly in line with previous year, increased order book
- Second half improvement in optical microscopy
- NanoScience progressing on improvement plan
- Significant contribution from healthcare and life science; quantum technologies increasing



## Andor Technology

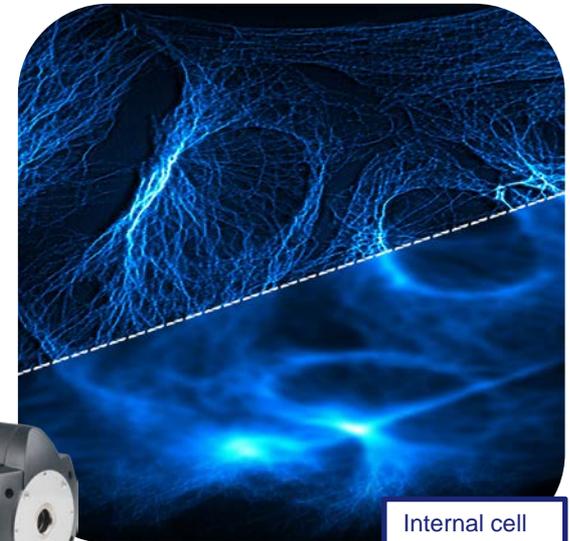
- Order growth supported by new product launches; revenue impacted by order phasing
- Increased demand for image visualisation and analysis software
- Growth from high performing scientific cameras
  - Astronomy, life science and quantum imaging
  - World's first super-resolution camera



Neuron structure,  
brain sample

## X-ray Technology

- Weaker overall performance, improvement plan in place
- Growth in healthcare applications offset by decline in industrial segments



Internal cell  
structure



## NanoScience & Magnetic Resonance

- Complexity of order book negatively impacted performance in the year
- Improvement plan under new leadership team
- Growth in customised high magnetic systems and cryogenic platforms
- Growth in benchtop NMR solutions



## ScientaOmicron (JV)

- Improved performance, divestment of non-core business

# Service & Healthcare

## OI Healthcare; OiService

Provides customer service and support for our own products and the service, sale and rental of third party healthcare imaging systems *(22% of Group revenue)*

- Improved profitability and margin
- Revenue and order growth offset by reduction in OI Healthcare

### OI Healthcare

- Strategic progress
- Improved second half performance

### OiService

- Increased demand for services relating to own products
- Broader range of products and services and increased after-market revenues



Good progress with Horizon, transitioning to a more commercially-focused Group

## Materials & Characterisation

- Performing strongly in attractive markets
- We continue to invest in new product development to improve and expand our range of products
- Increasing addressable market through solutions

## Research & Discovery

- Improved second half performance
- Recovery in optical microscopy systems, with like for like order growth in Andor
- Under performance in NanoScience and X-ray Technology depressed sector results
- Addressing the challenges through structural change and business simplification
- Self-help actions, combined with positive end markets, support improved financial performance

## Service & Healthcare

- OiService: focus on increasing after-market revenue by providing a broader range of support services
- OI Healthcare: strategic shift towards higher proportion of service revenue driving greater visibility of revenue and improved returns

- Our chosen end markets remain attractive, supported by commercial and government investment
- Our growing order book, customer application focus and drive for operational efficiencies provide confidence for the year ahead
- We expect to see an improvement in performance on a reported basis after allowing for the impact of an anticipated currency headwind, based on current exchange rates

# Questions

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