Interim Results 2023

Monday, 31st July 2023

Presentation

Andrew Heath

CEO, Spectris

Good morning and welcome to our Interim Results for 2023. Let me start by saying how delighted I am by our very strong first half results. Derek will take you through the details in a moment, but I'd just first like to emphasise that we delivered exceptional organic growth, continuing the momentum from last year. Operating profit is up 41%, and with our strong top line growth and focus on operational excellence, we delivered very strong margin improvement and a record operating profit. We remain a highly cash generative business, further strengthening our already strong balance sheet and providing the group with continued flexibility. Now this performance reflects the conversion of our record order book at the start of the year, but also market share gains and the impact of net pricing. And alongside these results, we've been very busy executing our strategy for sustainable growth, including a number of exciting new product launches, the agreement to acquire Microstrain and strong operation improvements, expanding margins. So a very strong set of results that de-risk the second half and provides yet another step towards meeting our medium term targets, again, demonstrating the improved quality and resilience of the group.

Outlook for full year

So turning to the outlook for the full year, our strong first half performance and the strength of our order book means we are upgrading our guidance for the full year. We now expect organic sales growth to be ahead of our previous guidance of 6-7%. We continue to expect strong margin expansion with full year adjusted operating profit being in the range of 250 to 265 million pounds, delivering double digit profit growth as we continue to execute our strategy as a leading sustainable compound growth business.

Now these results would not have been possible without great people united behind a common purpose and values. So I'd like to thank all of my colleagues right across Spectris for their contribution and the healthy high performance culture that we continue to build together. I've loved visiting a number of our sites in the first half and seeing the wonderful things going on across the business early in the year I was at our site in Suho[?], see firsthand the fabulous progress they've made in deploying our lean operating model over the past three years, the site has been transformed. I also met with a sales team in China who've delivered over 25% sales growth over the past 12 months. And likewise had the pleasure of visiting our recent acquisitions, Dytran and CCR in the US and learning more about how they are solving customers challenges through high performance compute and advanced sensing. And just the other week I was in Servomex, again talking to colleagues. There we are using the SBS toolkit to improve operation performance and also others working on some exciting new product innovations. We have a truly diverse, highly skilled, and customer-centric team who collectively are creating a great and engaging place to work.

I'll now pass you to Derek who will take you through the financials in more detail.

Financials

Derek Harding

CFO, Spectris

Thank you, Andrew, and good morning, everyone. Reported sales increased by 23% to 702.5 million pounds adjusting for the impact of acquisitions, net of disposals, which increased sales by 8.1 million and foreign exchange movements which increased sales by 16.2 million. You see a growth of 19% on a like for like basis. Adjusted operating profit increased by 41% to 102.1 million. And as expected, our operating margins have improved increasing by 180 basis points from 12.7% to 14.5%. Adjusted profit before tax was 103.4 million, up 47%, and our tax rate came in at 22% in line with guidance. Adjusted earnings per share was 77.2 pence, up 55% on the prior year. The interim dividend per share of 25.3 pence represents a 5% increase over the prior year, and we remain committed to paying a progressive dividend. Adjusted cash conversion was 117%, as we begin to see the benefits of a normalising supply chain and subsequent release of working capital. At the end of June, the group had a net cash balance of 214.3 million pounds providing significant flexibility. And finally on this slide, our return on gross capital employed continues to improve and is up 290 basis points at 16.7%.

This slide provides a graphical view of the main P&L movements that I've just discussed and therefore I will not go over them again. However, I would like to highlight two points of note. We experienced a strong improvement in gross profit from the incremental 108 million pounds of like for like sales and the like for like gross margin in the first half, increased by 140 basis points to 57.1%. Due to a more stable input cost environment and pricing from 2022, we anticipate further progress in the second half. Also, it is worth noting that of the 44.4 million of increased overhead shown on the slide, around 10% relates to increased R&D investment, which we continue to prioritise.

Cash

Moving to cash, this slide shows how we generated cash in the period and illustrates what we have then done with that cash. Starting by adding back the 19.6 million of depreciation and amortisation charged to the adjusted operating profit brings you to 121.7 million of EBITDA. over the past couple of years, the group has utilised its strong balance sheet to ensure continued customer deliveries, and this is now starting to normalise and as such, the working capital position is beginning to unwind, releasing 9.7 million of cash in the first half. We spent 11.7 million on CapEx, and this gives us our adjusted cash from operating activities of 119.7 million pounds, which we divide into the adjusted operating profit to get our cash conversion metric of 117%. Transaction-related activities resulted in a 5.4 million cash inflow and we had a net interest inflow of 2.9 million pounds. In the first half, we paid the final dividend of 53.7 million pounds and spent a further 26.7 million on the share buyback. Our cash tax was 30 million. We spent 17.8 million on the design and development of our new SAP 4[?] HANA ERP system, which is due to go live during the course of 2024. And other movements of 13.5 million brings us to a net decrease in cash for H1 of 13.7 million pounds.

This slide is included for completeness, so you can easily see the bridge between our adjusted operating profit and the statutory measures. I'll not go through every line but draw your attention to the following points. There are no asset impairments to report or exceptional restructuring costs in the period. Transaction-related costs were 4 million, and as previously mentioned, we spent 17.8 million on our new ERP system. Amortisation of acquisition related intangibles of 9.8 million brings us down to the statutory operating profit of 70.5 million pounds. We sold the remaining parts of CLS during the first half, which is the majority of the 11 million loss on disposal recognised in the period. And we had a net financial income of 8.2 million bringing you to 68.5 million pounds of statutory profit before tax.

Divisions

Moving on now to our divisions. Spectris Scientific delivered an excellent financial performance in the first half, delivering sales growth of 21% to 334.1 million pounds. Like for like sales growth was 22%. And after taking into account the 6.1 million impact of the CLS disposal and the foreign exchange movements of 4.7 million pounds. Sales growth was strong across all key end markets with the exception of life sciences where sales were only slightly above a tough comparative period and reflecting the fact that this market was the first to see the normalisation in customer order patterns. Adjusted operating profit increased 30% to 58.6 million pounds, reflecting the strong sales growth and good operational performance. Adjusted operating margin improved to 17.5%.

Spectris Dynamics delivered a very good financial performance in the first half with double digit sales and operating profit growth. Sales increased by 23% to 264.5 million pounds. After taking into account 12.8 million sales growth from the acquisition of Dytran and 7.8 million for foreign exchange movements, like for like sales grew by 13%. Sales grew across all key end markets with particularly strong growth in aerospace and defence and academia. An adjusted operating profit of 35.8 million pounds represented an increase of 31%, 20% on a like-for-like basis with adjusted operating margin 80 basis points higher at 13.5% with good gross margin progression reflecting the impact of top line growth and net pricing offset by cost relating to organisational restructuring.

Technical guidance

Finally, to help you with your modelling, I have set out on this slide some broad areas for technical guidance. As Andrew has already said, we now expect organic sales growth to be ahead of our previous guidance of 6-7% and remain on track to deliver strong progress on expanding margins. With adjusted operating profit expected to be in the range of 250 to 265 million pounds. Working capital is expected to reduce and should be in the middle of our guided range of 11 to 15% of sales. And CapEx should be in the region of 40 to 50 million pounds. SaaS costs will be around 25 to 30 million pounds, and the effective tax rate is expected to be 22%. The remaining 83 million of the share buyback will be completed by the end of the year.

And with that, I'll hand you back to Andrew.

Presentation

Andrew Heath

CEO, Spectris

Thank you, Derek. As you just heard, our results clearly demonstrate how our business model, our framework to deliver sustainable growth is really working for us. In Spectris Scientific and Dynamics, we are owners of world-class premium precision measurement businesses with leading market positions. We operate in attractive growth markets, underpinned by a number of secular and sustainability trends that are here to stay, and we continue to collaborate closely with our customers solving some of their toughest challenges. We continue to invest for growth both organically through new product development and via M&A. And we're also driving margin improvement through our operation excellence by the deployment of our Spectris business system and business process transformation projects. And that's a really strong self-help story delivering improved productivity. And this is all underpinned by being purpose-led as a leading sustainable business, developing our people, and living our values.

Businesses

So let's now turn to our businesses. As you just heard from Derek Spectris Scientific and Spectris Dynamics delivered exceptional sales growth in the first half with strong margin expansion and excellent improvement in operating profit. And that really recognises the compound growth from M&A as well as the strong organic growth that we achieved. Our scientific order intake was broadly flat with strong demand in material sciences and academia offsetting the normalisation of demand in both life science and semiconductor. Orders were up in North America and Europe with lower semi orders impacting Asia. In Dynamics, orders were only 3% lower against a tough comparative period and we continue to see strong demand in aerospace and defence, but at the same time some softening of order intake in automotive since the beginning of the year, and also normalisation in machine manufacturing continuing. So this resulted in orders being up in North America in the half, but lower in Europe and China due to the auto and machine building exposure, respectively.

So just by way of context, the demand pattern we saw from supply chain disruption and longer lead times that brought forward orders through the second half of 2021 and most of last year has been normalising since Q4 last year. Our supply chains have eased and lead times reduced customer ordering patterns are returning to normal; and this in turn has enabled the conversion of our strong order book into sales and recovery in gross margins. Importantly though, underlying demand remains robust with our book to bill being close to one and our opportunity pipelines remaining really healthy. As such, we continue to benefit from a record order book despite delivering more of the backlog than we'd initially anticipated in the first half. And as we look ahead and assuming no material changes in the external environment, we anticipate the relationship between orders and sales to be backed to a structurally high level in '24 with greater visibility than in the past. So I'm delighted with the performance of both divisions. With our focus on high growth segments where we differentiate through our solutions, I am confident in our ability to continue to outperform our overall end markets.

And as you'll have heard me say many times before, as a result of the work we have done over the last few years, we are now a higher quality and more resilient business. We are aligned with markets with a strong sustainability focus and attractive growth trajectories positioned in technology driven end segments with strong fundamentals. Demand for our products and services is really being amplified by a number of trends, including an ageing population, the transition to cleaner energy and mobility solutions, and with a more connected world demanding ever greater need for advanced computing and data. And these trends are resulting in expected market growth of 5 to 6% with our differentiated positions, providing a strong market share opportunity and supporting our ability to outperform our core markets to deliver through cycle growth of 6 to 7%. I'm delighted that in the first half, like-for-like sales exceeded expected market growth rates in all but one of our major end markets.

Collaborating with customers, helping them solve their most complex challenges is a key part of our growth strategy. Our applications-led high touch approach drives high levels of customer intimacy and our customer-backed innovation has resulted in a number of new projects and customer orders during the period. In Scientific, we are seeing particularly strong growth in metals, minerals, and mining driven by strong sustainability trends, especially in green metals and green mining. We have seen strong demand for our x-ray instruments as customers make their extraction and manufacturing processes greener and more sustainable. The energy mobility transition is also fuelling demand in battery development where our Pas[?] analysers are used to assess the quality and character of the critical input materials. And demand for our instruments in each[?] division continues to increase in biopharma. For example, a medicines research customer working with life science organisations from around the world recently announced the purchase with[?] 3rd Creoptix WAVEdelta system. This provides them with unsurpassed technology for the characterization of molecular interactions, particularly those between potential drug molecules and their target proteins.

We are also seeing strong uptake of our Smart Manager Solution. That's a new platform connecting customers instruments in the field to the cloud, enabling remote monitoring, diagnostic and service. And in Dynamics as we set out recently at our capital market event in Italy, growth is being fuelled by four key trends.

Firstly, the move to virtual test where our driver experience simulators are class leading. Our understanding of entering data is helping to build a software business with more on the way. And we're entering new markets like electrical powertrain testing. And I've also seen how our smart sensors can improve crop yields in farming to patient comfort in hospital beds as customers drive to automate and make their devices smarter. And sales in both divisions is also being supported by academia where demand for our products and services aligns with the same trends across our other end markets, and that supports future growth as new technologies and applications are commercialised.

So these high levels of customer intimacy and understanding really drive our innovation pipeline, informing our research and product development strategy such that we can anticipate our customer's needs for the future.

And I could talk about many of our new products and solutions that we launched in the first half, but here I highlight just two.

In Scientific, we launched the NanoSight Pro to measure the size and concentration of nano materials for rapidly growing biopharm applications used in the development of vaccines, cell and gene therapies and drug delivery systems. The NanoSight Pro generates robust high quality characterisation data up to three times faster than previous versions. And in Dynamics in virtual tests, we broadened our simulator offering with a launch of the compact Full Spectrum Simulator, as we showcased at our recent investor event. The FSS simulates highly accurate motion vibration and sound effects in a small footprint, and that enables human loop[?] testing for automotive customers. The vital connection between objective simulation data and subjective human perception allows for early virtual testing and closely replicates experience of driving a real car before a physical prototype is built.

And going forward, we'll maintain R&D investment around 8% of revenue. We continue to invest in M&A as an important element of our strategy to compound growth, enabling us to further enhance our advantage positions, strengthening and expanding our portfolio to add further value for our customers. In the first half, M&A contributed two and a half percent to our top line growth. We have an active pipeline of potential acquisitions ranging from early-stage technologies to bolt-on acquisitions of varying sizes right through to larger scale opportunities. And with financing costs having recently increased for many market participants and with our strong balance sheet, we are well placed to take advantage of these opportunities. In June, we announced agreement to acquire Microstrain sensing systems into Dynamics, which has a long-established position in precision sensing. And when the deal completes, which we expect to do in the third quarter, the acquisition will strengthen our overall sensing offering, helping to further penetrate the rapidly growing automation and smart manufacturing markets while increasing our North American presence. And it'll also enable Microstrain to benefit from leveraging Dynamics, global sales, and service network.

A key part of our strategy and our journey delivering 20% plus operating margins is our strong self-help story, both around our focus on our lean mindset and business transformation projects. We have made really good progress with the restructuring of Spectris Dynamics in the first half into three customer aligned units – virtual test, physical test, and in process measurement, absorbing the associated costs during the half. We continue to drive operational excellence to improve productivity and strengthen our competitiveness through the Spectris Business System. And following the supply chain challenges experienced last year and also the significant growth in customer demand, our primary focus during the first half has been to continue to improve capacity utilisation and improve flow to convert our strong order book into sales, whilst also reducing costs and lead times. And I'm really delighted with our progress and the continuous improvement being delivered through SBS. We delivered a reduction in overheads of 30 basis points during the first half, which not only supports delivery of continued strong margin expansion for the remainder of this year, but also for our future medium term operating margin targets. We're also making good progress with the implementation of our new ERP installation, which is on track to go live across 2024.

As you know, sustainability remains at the heart of our purpose to deliver valuable measure for all our stakeholders with progress in the first half summarised on this slide. We are building a distinct healthy, high-performance culture that is underpinning our results and I'm really delighted that we continue to see increased levels of engagement right across the group, with our recent annual Gallup survey showing positive results in all areas and continuing the upward three-year trend. We're also making really strong progress towards meeting our net zero targets with continued investment in renewable energy sources, more efficient lighting, and insulation, and we're also accelerating the use of EcoVadis across the group to increase the sustainability focus of our supply chain. Looking at our impact on society in April, we worked with young professionals to deliver our second STEM work experience event attended by over 700 school students from a range of backgrounds.

And we remain a proud sponsor of International Women in Engineering Day, which took place in June. And this year, the day was celebrated with the Spectris Foundation, young professionals and tech girls involving over 275 young women from across the UK and the US exploring different career paths in technology and engineering. And in support of our colleagues who have family and friends in Turkey and Syria, following the devastating earthquake in February, we made it a donation of a hundred thousand pounds to Care International as part of the disaster's emergency committee appeal.

Summary

So in summary, we've had an excellent first half, which is testament to the brilliant work of my colleagues, our business model, and our culture. The strong financial performance and further progress on strategic execution represents yet another step on our journey towards delivering our medium-term targets. And as well as a compelling compound growth story, we have a number of initiatives to further strengthen and enhance the business. We are a more resilient, higher quality business today. And while we remain very alive to changes in the macroeconomic environment, our successful strategy and strong balance sheet provides us with a really good platform for sustainable growth. I'm confident in the combination of our strong market positions and the long-term growth drivers enabling us to outperform our end markets.

Thank you for listening today and now Derek and I will be very happy to take your questions. Thank you.

Q&A

Operator: If you'd like to ask a question, please press star followed by one on your telephone keypad. Our first question comes from Rory Smith from UBS. Rory, your line is now open. Please go ahead.

Rory (UBS): Thank you. Good morning. Thanks for taking my questions. It's Rory from UBS I've got three. First of all, you've described life sciences as being the first end market to see normalisation in ordering patterns and that you're starting to see that normalisation in other end markets as well. I was wondering if you could put some numbers to that in terms of book to bill by end market segment, please.

Speaker: So I assume [inaudible] take questions one at time. Let, let me just start by addressing sort of your normalisation in life sciences. I mean, this pattern started really back over 12 months ago, you know, we, you know, we like lots of other companies facing off the life science and farmers saw a big demand not only just through Covid, but that sort of immediate post Covid bounce. That's a really ended about 18 months ago in life sciences. And the markets were really normalised over the subsequent 12 months and sort of pretty much then flattened since then. And what we haven't seen that some of our peers did do is that, you know, was the fact that, you know, they're seeing quite a bit of destocking. And as we've repeatedly said, we do not sort of provide sort of stock into the system into the distribution channels. We are typically selling direct to customers for discrete projects. So we neither saw the sort of big upswing in sort of consumables and stocking that happened sort of during Covid immediately afterwards, but, you know, rather you we've, we, we've seen a much more sort of, you know, just a usual demand pattern from a, a direct ordering that's then normalised.

If you look at the other markets I think, you know, machine building machine manufacturing was the next market for us to sort of normalise, which sort of started about 12 months ago. There you have to sort of look at sort of the market order growth we saw in Dynamics through the first half of last year where we saw about 30% order growth in Dynamics overall. All that was in machine, you know, machine manufacturing and all of that was really within China. Now I think some of that was in fairness driven by the fact that we were putting up at the time and therefore there was a bit of maybe sort of earlier ordering as a consequence of customers trying to avoid some of the price increases that we're going through. But I think that sort of market subsequently normalised.

The flip side of that is that we've seen very strong resurgence in primary materials over the last nine months and also in aerospace and defence and academia as we talked about. And so, there's a, you know, it's a consequence of those markets coming up pretty much that's allowed us to sustain a very strong order intake given the tough comps a[?] book to build a ramp about[?] one. And as I said just on the presentation earlier, I think the other thing to look at is the fact that we look at our sort of what we call our sort of major qualified marketing leads plus our sort of AB opportunities that we see in terms of the sales pipeline. Those trends remain very healthy. The number of opportunities is, remains very strong. The one thing we are just seeing I would say is that we, you know, it's taking a little bit longer in some of the markets for customers to actually convert their interest into actual orders; but overall, you know, we're very pleased that the underlying demand is very robust and the [inaudible] remaining about one.

Rory: That's very clear. Thank you. And my second question, and I – I'll limit myself just to two. given Red Lion and Servomex made as much profit as Dynamics in the first half, can you just give some more colour on what drove margins there and whether you see those as sustainable? Thanks.

Speaker: Yes. Well, I mean, as we said, all you know on along, I mean, Red Lion and Servomex are both quality businesses. You know, the question there has always been around, you know, their scale. But what we've been able to achieve really in, in both businesses over the last sort of 18 months is a strong improvement in their operation performance. We changed management out beginning of last year in both businesses. I've been very pleased with just how, you know, the operation improvements have been implemented are now coming through in the results. So that's certainly helping to underpin the performance in, in both Red Lion and Servomex. I think the other factor that's really driving was an exceptional performance for the other division in the first half was Red Lion's ability to convert its order book coming into the new year with electronics and particularly semiconductor supply chains easing quite quickly. Red Lion were able to deliver quite a bit of their order backlog so much faster than we anticipated. And of course, that's then, you know, they've done a great job in terms of executing that all the way through the business. As you'd expect, you know, that's delivered a very strong drop through for the operating leverage, executing that backlog. So then there's a sort of a slight exceptional there in the first half of Red Lion.

Rory: That's very clear. Thank you. Thanks for taking my questions.

Speaker: No, pleasure. Thank you Rory.

Operator: Thank you. Our next question comes from Jonathan Han[?] from Barclays. Jonathan, your line is now open. Please go ahead.

Jonathan (Barclays): Hey guys, good morning. Just a few questions for me. Can I just again, come back to, to life sciences? So maybe if you could just talk about the order intake there, Q2 versus Q1. I'm just trying to sort of gauge where we are sequentially and just the feel of sort of, are we still seeing quite a big step down or do you feel that sort of life science orders are, are pretty much at the trough? That was the first one.

Speaker 5: So morning John. Thanks for your question. So, and life science is pretty much Q2 over Q1 is pretty flat. So you know, we, as I said, we really saw that normalisation happens, you know, starting to happen about 18 months ago. It was the first market to normalise and there's then some stabilised really over the last six to nine months.

Jonathan: Okay, great, thank you. The second one was, was just on pricing. Did you see any price rises or push through any price rises in, in the first half? And just linked to that, can you just tell us about, or talk about the sort of pricing in the order, but what kind of growth are we seeing there? Is it kind of round about mid-single digits or, or similar levels, please?

Speaker 5: Yeah, so on pricing, just to sort of take your first part of your question. I mean, we clear we, we haven't implemented any new pricing in the first half of this year. Our last pricing round was done in the start of Q4 last year. So as we said back at the full year and our Q2 trading update, you know, we were expecting that pricing to start to come through in the first half, which it clearly has done. So the Q1 trading update, we talked about expecting to see sort of price over volume, you know, that ratio invert from last year. I mean, we achieved 60% volume, 40% pricing last year. We actually achieved the same ratio in the first half. We previously thought and guided that we, you know, that would invert over the last six months, it hasn't done. Now that's mainly the consequence of us delivering really, you know, strongly in the first half being able to execute more of the backlog of supply chains eased and therefore, you know, that's supported a, a higher level of volume throughput in the first half. But as we go into the second half then, you know, we certainly would expect that ratio to invert over the next six months.

Jonathan: Okay. And the pricing in the order book roughly? Any thoughts?

Speaker 5: So well, I mean we've, you know, we've got – I say the pricing round that we implemented at the beginning of October last year, so that will come through more fully in the second half than in the first half where we'd only really expect to get sort of about a quarter's worth of that pricing benefit happening, you know, in the first half because we, we came into the, into the year with about six months order backlog.

Jonathan: Very clear. And then maybe just one last one for, for Derek. Just in terms of that guidance range, obviously 250 to 265 million EBITDA, could you just us or talk us through how we get, or you could get to that sort of 265 million, just the assumptions that that kind of underpin that upper level of the range please?

Derek: Good morning, Jonathan. I mean, I think to an extent if we, if we look at where some of the analyst assumptions are at the moment, they're, they're very wide. So we came into this morning, I think some analysts at 224, some analysts at 274. So we were trying to kind of be helpful. And there's a – there's a range of options between some more bullish views on sales growth and more bullish views on the sort of cost control versus the more negative views. So, I mean, mathematically clearly if you're nearer the top end on the sales growth and you see all the margin drop through, you get to 265. And if you are somebody who's taking a slightly more negative view, perhaps of the final part of the year, you get, you get to 250. You know, it, it's, it's a range for, for a reason. It's only the end of July. You know, clearly we're, we we're very confident with our range and as always hope to do well, but we thought it was helpful to give a slightly tighter range of, of 250 to 265 than, than some of the some of the analyst ranges that are out there.

Jonathan: Okay. Very clear. Thank you very much guys.

Operator: Thank you. Our next question comes from George Featherstone[?] from Bank of America. George, your line is now open. Please go ahead.

George (Bank of America): Hey, morning everyone there. Thanks for taking the questions. First one, just be a follow up on that, that last one there, Derek; low end of the operating profit guidance implies slightly less profit to be delivered in H2 than you did last year. So given you've got improved pricing versus cost, improved gross margins and improvements in the broad cost base, that number seems quite conservative. So I just wanted to know how we should think about that. Is there any particular headwinds that we need to take into account for the second half of the year?

Speaker 5: Yeah, I mean, I think George, once you get into ones and twos of millions for a full year number, it's quite, it's quite difficult to kind of land exactly and sort of see specific numbers. I think the way I – the way I would look at it is we; we expect the market to look at our range and probably land somewhere in the middle of it, which is an upgrade to expectations. When you take into account that there was 5 million pounds of restructuring in the first half, that's actually a bigger upgrade than the screen might suggest. So I think, you know, where we land clearly we are still very confident of seeing our full year growth being ahead of our previous guidance. We're very confident of our margin expansion. And you are right that if all of those come through, we end up near the middle or higher end of the range. At the same time, we're also well-aware of a world that has FX uncertainty and other macro uncertainties that could give us challenges in that sense. So I think, you know, it doesn't change any of our view as to where we've got to, but we're just trying to be helpful giving – given that range, and dare I say it, just make sure that people kind of keep grounded in reality as they look at the incredibly strong first half and just think about where we're going to come out in second half.

George: Okay. Very clear. Understood. And then just a quick one on the order book and obviously talk about it still in a sort very high level. In terms of the cover, I take it that's now normalised a bit. I mean, I think you're talking six months at the start of the year, maybe four to five months now in, in line with the kind of medium-term expectation. So is the implicit outlook then that book to bill stays kind of one times from here or do you expect it to drop further in the second half?

Speaker 5: So George, I mean in terms of the order book visibility, I mean we were at Q1 trading update. I mean we went from – we came into the year with six months visibility, the end of Q1 about five. Clearly we've got, you know, we are, look, as we look forward we're delivering more and more sales. So there's, you know, inevitably, you know, that weighs [inaudible] it's slightly, but you know, as we stand at the half here, then we're just a shade under five. So pretty much sharp visibility, has remained flat at the end, you know, Q2 over Q1, which is very good. We talked about you know, previously that we'd expect visibility to normalise to a range between four and five. So we're still the upper end of that range, which is positive.

And as I said earlier, you know, we fully expect based on the fact we now face off to you know, a more concentrated set of markets with strong fundamentals as a consequence of those sort of reshaping we've done as a business over the past few years that we'll end up in a sort of structurally higher level with greater visibility. So, you know, that four to five ranges higher than Spectris has been historically – you're looking, if you want to go back sort of 4, 5, 6 years where it's more like three to four months of visibility. So as I say, you know, our guidance range, we, we anticipate sort of falling somewhere between four to five months and currently we're sitting on the top end of that.

George: Okay. So there, there's no reason to think then that, that your book to bill sort of materially deteriorates from there then if, if you're going from just under five months to four to five months?

Speaker 5: Yeah, we, we, we expect it to normalise somewhere in that four to five month range. It clearly depends on, you know, what's the order intake going to be over the next six months will determine where that's, you know, as you know, [inaudible] exit Q3 and ultimately at the end of the year. As I said earlier, in terms of sort of our opportunity pipeline, it remains very robust and very healthy. You know, the number of sort of strong A opportunities we call them, you know, is as is as good as it's been over the last sort of 12, 24 months. It's just taking a bit longer for customers to convert their interest into absolute orders. You know, we are working hard with our sales team to, to convert them, but it's clearly a trend that we've seen over the last six months. It's just a little bit more nervousness out there. So it really just depends, you know, exactly just how customers view the year, their outlook, and their propensity to, you know, spend money.

George: Understood. Right. Thank you very much.

Speaker 5**:** No pleasure. Thank you.

Operator: Thank you. Our next question comes from Mark Davies Jones[?] from Stifel. Mark, your line is now open. Please go ahead with your question.

Mark (Stifel): Thank you. Morning Andrew. Morning Derek. Could I ask about China please? I saw the Asian orders were down more than other regions. I'm assuming that's just because of the end markets that you are more heavily weighted in there. But is there anything going on in terms of export controls or issues of that nature, which is weighing on the China trend?

Speaker 5: Morning Mark. So, so China, I mean, still remains a very strong market for us. I think, you know, we were 17% of our sales in the first half, were 18% for the full year last year. So it's broadly the same. We certainly saw as China reopened or lifted all its sort of Covid restrictions post Chinese New Year, we saw a bit of a bounce certainly in the Scientific division around orders come through. But then that sort of quickly sort of softened again. Dynamics has seen sort of a more softer position in China over the last six months. Mainly the consequence of its exposure sort of machine building, which I talked about against a very tough comp from the previous periods last year. But then also automotive in China wasn't as strong. So you know, so China, I think, you know, we are a bit disappointed I think from where we thought it might be post reopening, but I think, you know, we alongside lots of other people, so I don't think there's anything unusual in terms of what we've seen there.

And then in terms of sort of export controls yes, it is a tougher environment in the sort of semiconductor space. It's really only impacting it in that space. It's a little bit in Dynamics around some of the tester measurement where we have some sort of dual use technologies. But, you know, I would sort of cap it in the sort of 10 to 20 million sort of – revenue range is sort of our sort of potential exposure there. So relatively small in the scheme of things. And as we've sort of shown it or seen and demonstrated in China in the past, you know, where we've, where we've had restrictions come in, we saw it with the tariffs sort of three, four years ago where, you know, with tariffs going up, it's, you know, some parts of the market meant that we was becoming, you know, we were uncompetitive in that space. We were able to pivot our sales force to go and look at other opportunities in China. I think we should, we all need to recognise that China's a very big market. There's lots of opportunities and we sort of continue to maintain a, a focus on driving growth and expanding in China. It's certainly not decoupling from China for us. It's very much just sort of managing the growth and de-risking that growth and looking for other opportunities where we can achieve, you know, achieve orders and sales.

Mark: Okay, great. And just very quickly, well, I got you. The academia piece of your end market seems to be strong. Is that just sort of late cycle flow through from the other end markets or is there something more specific driving there?

Speaker 5: I think there's two things. It's, it's one, it's sort of, it is that sort of late cycle growth, you know, coming off the back of the other markets. But you know what, you know, the areas that we are focused in, so, you know, a lot of the cleaner health, the more productive areas that we are focused on, the market's focused are on around energy transition, around electrification, factory technologies, drug development, certainly sort of large molecules, gene therapies and you, the new mRNA drugs that sort of coming out of the back of the pandemic, you know, all of those trends that we are seeing driving growth from our sort of OEM customers is also fuelling demand for research, which we sort of get a natural sort of compounding effect, which also is a good sort of forward indicator for future demand as well. In fact that you, a lot of this research ultimately then flows into the commercial world where, you know, where we've sold instruments, test measurement equipment, that space, ultimately then goes on as the commercialisation phase. So it's, you know, it's an early marketing tool and a, you know, a guide to sort of, you know, further growth for us. So, you know, it's good to see the sort of academia R&D[?] space, you know, recovering so strongly.

Mark: Excellent. Thank you very much.

Speaker 5**:** Yeah, thank you. Good question.

Operator: Thank you. Our next question comes from Lakshuman[?] [Inaudible] from JP Morgan. Lakshuman, your line is now open. Please go ahead.

Lakshuman (JP Morgan): Oh, thank you. Thank you both and thanks for taking my, my questions. The first just on sort of the auto sector and sort of the orders there and, and sort of the softening. I mean, could you give us a bit more colour on, on where you're seeing that softening? Is it across the board? Is it sort of simulation? Is it the EV side? Or, or just, just to get help to get a breakdown of the areas that you're seeing at softening,

Speaker 5: Morning Laksh. So, I think, I mean it's, I would say sort of the softening we've seen is, is, is, is, is general really, and it's nothing sort of specific around electrification or virtual tests. I think it's, you know, the demand is there from an underlying perspective, the number of opportunities that we, we are working on with our customers remains very strong. I think of all areas, this is just one where customer[?] it is taking longer to convert because customers are just being a bit more cautious given their view of the macro. I think you have to recognise within auto that, I mean they, you know, the supply chain shortage, they were able to price for that. And were able to get good margin to do cash generation, but they are all spending a lot of money on the whole transition to electric vehicles and autonomous technologies. That is soaking up quite a lot of CapEx which is good for us, but it does mean if as they're sort of looking into a sort of softer macro environment with supply chains recovering, you know, are they going to get the demand for the same demand vehicles that they were originally anticipated coming into the year. So we're just seeing, you know, I think a bit more of a conservative position, whether, you know, that will resolve itself through the second half or not. We will see you know, as, as our auto OEM customers and the supply chain takes a view on, you know, how 2024 will turn out.

Lakshuman: Okay. So thanks. Super helpful. And sort of a similar question, is this just on Dynamics and I guess the sort of drop off in Q2 relative to Scientific, which, which held up a lot better. Is anything to think about within that in terms of supply- you know, bigger pull forward in Q1 between two divisions or, or is that just sort of some of these markets being a bit softer in Dynamics than Scientific?

Speaker 5: I think, I think for Dynamics, I mean, I think the key thing to recognise that our order intake in Q1 and Q2 last year in Dynamics was incredibly strong. I mean, orders were up 30% as I said in Dynamics Q1, they were up 20% in Scientific for the same period last year in the first half. So we did see a, you know, a big surge in demand through the first half of last year. I say some of that was just the fact that Dynamics markets were a bit later cycle than Scientific. But also the fact that, you know, we did put prices up in Q – the end of Q1 and Dynamics last year, which drove quite a lot of sort of earlier placing of orders potentially during Q1 in the first half and otherwise would've been, you know, expected. So I think, you know, overall you know, order intake and Scientific, it was up 1% on reported basis, was only down 2% in Dynamics by – sorry, about 5% in Dynamics. So you know, to me there's nothing to worry about there. I think it's just the fact that, you know, we, we, we we're up against a much tougher comp in Dynamics and, you know, some of the end markets are just, you know, slightly, you know, in a different phase than we're seeing in Scientific.

Lakshuman: Okay. Very helpful. Thank you.

Operator: Thank you. Our next question comes from Callen[?] [Inaudible] from Berenberg. Callum, your line is now open. Please go ahead.

Callen (Berenberg): Great morning guys. Thank you for taking my questions. So I think three from me please, but that kind of in overlapping areas. So firstly, can we talk a bit about the overhead and headcount in the first half? The last couple halves, obviously seen a slight disconnect between the level of revenue growth and the headcount in the business. Are you able to say if this reflects a reluctance to hire into an uncertain macro or the benefits of the Spectris Business System or something else? And then related, is the expectation for H2 the headcount grows from, from here, or do you expect it stays broadly where it is? Thanks.

Andrew Heath: Morning, Callen. I'll [inaudible] your question. So I think the answer's very simple, really. I mean, we are very disciplined around our cost control. You know, we are keeping a very strong eye on where we're seeing volume growth versus price and long term growth, and where we therefore need to sort of, you know, invest, and recruit you know, sales, marketing effort to sort of, you know, expand the growth versus actually we just, you know, we're getting the benefit from price. In the first half, I mean, very pleased, I said in the presentation, with our progress on SBS. That is maturing really well within the business. It's becoming part of our DNA and how we go about you know, running our business both in terms of just our sort of lean operating model and then driving you know, Kaizens continuous improvements event, take out waste, improve flow, reduce working capital, improve quality in customer satisfaction.

So in the first half, you know, overhead's down 30 basis points. So, you know, really pleased with the progress. And in the second half, I mean, you know, we are again, you know, same message really, you know, disciplined on cost control. You know, we recruit where we need to recruit, but generally speaking, you know, we are not on a major recruitment drive. You know, we've, we've expanded headcount where we need to over the last 12, 18, 24 months to meet the growth. But we've done, you know, we've done that in a very considered manner. And at the same time, you know, we are also making some restructuring moves where again, it makes sense. So in dynamics, we had 5 million euros of restructuring in the first half, really off the back of the organisational announcement we talked about in Italy at the capital markets day, and also simplifying some of the sales of sort of regional sales offices and looking at sort of Salesforce efficiency across the Dynamics organisation. So that's helping to drive productivity. You know, won't see that come through – really, you know, what hasn't come through in the first half, we're taking the charge. You'll start to see some of it in the back end of this, this second half, but we'll come through sort of fully next year.

So, you know, we're, we're, you know, we're focused on, you know, continuing to drive productivity and efficiency and using the SBS toolkit to help us achieve that.

Callen: That's really clear. Thanks, Andrew. I suppose then, related, could you please update us on progress around the implementation of the new ERP system? Are you yet able to say when we'll see the various stages of completion on this and then when we might start seeing the phasing of the guided margin benefits coming through?

Speaker 5: Yeah, so we're making great progress kind of on the, on the system where we'll be on the SIT test, I don't want to get too tactical here, but the system is up and working and, and it's operating. And we're now entering the detailed user acceptance testing phase where we basically load up all of our data into the system and, you know, let the real people who are going to have to live and use it start operating it and go through their testing phases, which will be for the remainder of this year.

I think the main rollout will be during the course of next year and we'll start to start to see the benefits coming through in '25. So that's, that's the broad, the broad plan, and it kind of drops in different phases in different parts of the group over the next kind of 18 months.

Callen: Very helpful, thank you.

Operator: Thank you. Our next question comes from Andrew Douglas from Jefferies. Andrew, your line is now open. Please proceed to your question.

Andrew Douglas (Jefferies): Good morning, gents. Three quick questions from me, please. Just going back to automotive in China, please, can you give us a rough breakdown of your customer concentration? Are you Tesla, are you domestic China, or are you kind of Western Europe OEMs who operate in China? I'm just trying to figure out where your exposure is. Actually, it's quite an interesting moving, you know, dynamic there from a, from an OEM perspective. The second one is – well, I want to do it one by one or then you have can write 'em down or down.

Speaker 5: Yeah. Morning Andy. Thanks your question. So in terms of auto, generally, this is not, this is a general comment as well, but it also describes China as well. I mean we; we serve the whole market. We don't, you know, we're not concentrated around any particular large customers. We serve, you know, all the traditional OEMs, you know, the Western OEMs, but we also serve, you know, the new entrants, the early startups across China, but also across, you know, Europe and into North America as well. And I think you have to just remember, you know, it's 80% of our sales into automotive is into the research and development. So it's very much new platform driven in terms of demand. And we continue to see, you know, a very large number of new platforms being developed. You know, mostly[?] the largest it's been for decades. So, you know, that's overall is helping to, you know, keep the demand up.

And the fact that we are as you, as you're well aware, you know, looking at, you know, not just sort of some of the traditional tests, measurement activities, but particularly around electrification, around virtual tests, around simulation, but the progressively as we get into sort of hardware in the loop and some, the software applications around that as well as vehicles become more software defined, you know, that is providing us with more and more opportunities. So for us it's, you know, overall, the opportunity set there remains very strong. It just comes down to say, you know, a bit of customer cautiousness at the moment around just, you know – you know, they've got the demand, they've got the interest, it's just placing the orders. It's, it's just taking a bit longer.

Andrew Douglas: Yeah, understood. And if, and if you look at the - the margin profile of the group, if we assume that central costs stay where they are, if you were to, to get rid of the two other businesses it looks like of your 180 basis points improvement in margin, it's about 65-ish, maybe 70 from Scientific and Dynamics, which given the fact you've got Spectris Business System and you've got pricing maybe looks a little bit on the measurable[?] side, you know, a lot if – the other margins gone from what, 11 to 20. Where do you guys need to work harder over the next 12 months or 24 months or even longer on the margin side to kind of get where you need to get to for that 20%? Feels like Dynamics has got a bit of catch up and Scientific's got to do as well. Is that fair?

Speaker 5: Yeah. Hi Andy. I mean, I love the way you phrased your question. I think a couple of things to remember. If you look at the gross margin that Dynamics experienced in the second half of last year, that was where a lot of the challenge in margin happened last year. So when we think about the dynamics margin progression that we anticipated this year, a lot of that is second half loaded as the gross margin recovers and our cost control continues to kick in. And I think some people have probably got that slightly out maybe of, have averaged it in their numbers. So when you look at the Dynamics margin, it's actually done what we anticipated it to do in the first half. It's then mastered a little bit of the first half by restructuring costs that we're now taking above the line. So, a charge that's gone through Dynamics. As Andrew said, it's, it's 5 million – the numbers are slightly confusing. It's 5 million euros, 4 million pounds, and at the group level there's also a million pounds at the central cost as well. So we have this five number twice. So in the first half there's 5 million pounds of restructuring costs. Four in Dynamics, one of the group, in pound terms, 5 million euros in Dynamics alone.

So I think there's an element of timing. So the second half gross margin coming through, second half benefiting from that restructuring coming through, those would all, those would all benefit.

And then I think the other thing that we need to be really focused and are is making sure that our exit run rate of cost going into 24 is, is positioned correctly, which it will be. And, you know, we'll continue to see the benefits from SBS. And then the other big kicker on the, on the margin improvement is the ERP which as I said, starts to go live in the next, over the course of the next 18 months and will help us in in 2025. So I don't think there's anything in these, in this set of numbers that knocks us off course from the 20% guidance that we gave at the capital markets day. In fact, it's in our mind, it's a proof point that it's, it's all coming through.

Andrew Douglas: Yep. Cool. Okay. And then just with regards to M&A, clearly tonnes of cash and maybe some more coming in, if you were to get rid of other. But you've got the pipeline, how's the pipeline looking? Is it getting better in terms of quality and, and number? Are you guys having to think maybe slightly differently given, given, you know, you've got a lot of cash and you need to kind of spend it? Or is it just kind of steady as she goes and if things happen, things happen?

Speaker 5: Andy, so yeah, we've got, we've, again, as we said earlier, we've got an active and healthy pipeline on M&A. I think it's fair to say that you know, a number of the assets that are under sort of PE ownership, you know, the financial sponsors, you know, that side of the market has been much slower over the last 12 months as a consequence of the cost of capital going up significantly. So a number of processes that they were looking to run have either been sort of delayed or stopped for the time being. So that sort of, you know, we, we, we continue to track assets, but the opportunity to potentially participate has reduced. However, you know, we have put a lot of focus on continuing to nurture and cultivate other potential targets. You know, and we are talking to trade buyers as you saw with the likes of Parker and micro strain, but also privately, you know, held assets as well where we continue to sort of work on building a relationship and cultivating opposition. So, so we, you know, we have an active and, and, and healthy pipeline of opportunities. You know, the question is, as always, it's just that, you know, it's not always in our ability to actually transact, but you know, we are certainly very you know, we're participating strongly.

Andrew Douglas: Lovely. Thank you.

Speaker 5**:** Pleasure.

Operator: Thank you. Our next question comes from Harry Phillips from Peel Hunt. Harry, your line is now open. Please go ahead.

Harry (Peel Hunt): Good morning, everyone. Again, sorry, a couple of questions for myself. Really just carrying on that M&A theme from Andy, and this is likely to be the fifth year of net cash, and no one is obviously going to berate you for that. But – and I sort of, I think I know the answer to the question in a way, but just how much sort of pressure ranks time at board is taken up with that sort of balance between sort of prudence and sort of efficiency around the balance sheet?

And then just changing tack totally in, in terms of the R&D sort of gets up to 8% and, and in conjunction with the customer focus and, and as, as a theme, which is clearly being very successful, just how, how much of that R&D I'm not suggesting it's customer sort of funded, but how much of that growth in R&D is sort of customer aligned and therefore the sort of risk profile on it may be more reduced than pure R&D might be?

Derek Harding: Yeah, Harry, hey, it's Derek. Let me take, let me take the first one. I mean, in terms of time at the board, we spend a huge amount of time considering capital allocation and doing what's in the best interest for, for our shareholders, as you might expect. So we, we have a very clear capital allocation policy where we are generating cash through selling businesses where we don't think we're the right owner. We'll, we'll, we'll do that. And, and I think we've shown that a good track record in doing that over the last couple of years. That's one side of the equation.

The other side of the equation then sources and uses of that capital. And I think, you know, we are looking at M&A opportunities whilst at the same time maintaining our discipline whilst at the same time continuing to, you know, complete the share buyback. And I think you kind of look at all of those things in the round. Sometimes it's timing, you know, opportunities present themselves. Sometimes it's a question of holding the nerve and being patient. So we will continue to follow the capital allocation policy. We will continue to pay a progressive dividends. And we'll continue to keep you updated as and when.

Harry: That's very kind. Thank you.

Andrew Heath: I'll take your second question, Harry. So in, in terms of your customer focus point or be more around the alignment of R&D, I'll answer the second part of your question first, which is, I mean, we, we typically spend around about 10% of our, our, of our R&D budget on sort of, I would say, pure, pure sort of advanced technology development or advanced research. So, you know, clearly we are always looking at, you know, how we develop our IOP[?], where do we see potential sort of you know, breakthrough technologies where we can push the technology, you know, what are the other, you know, the next set of opportunities in sort of premium precision measurement that maybe, you know, our customers, you know, are either asking for or, you know, we can anticipate, you know, through our own scientists and engineers.

And then, you know, 60% plus is of what we spend is then really on sort of new product development, new service development. And that's all very much aligned around the themes that we can talk around cleaner, healthier, more productive. So whether that's in sort of pharma life sciences, but also it's semiconductors where, you know, we continue to see developments in, in, in drug development discovery plus, you know, the next generation, those semi, and – you know, how we then developing our product tool, you know, products, our instruments are measuring equipment to meet those future needs. And you know, because we have a direct sales model and we're talking to our customers regularly, we're collaborating on current projects, you know, that allows us to anticipate their future needs and then, and, you know, and intercept those into the future. But you, it's certainly sort of pharma life sciences, you know, the whole reshoring is also our [inaudible]

So you know, I, you know, I think we, you know, we do have a high touch model, which allows us to get that level of customer focus, that centricity, that intimacy with our customers, so we can really anticipate it. And I say we spend over 60% of our R&D budget overall on sort of, I would say, applied specific product development and service development to meet, you know, known customer requirements. So, you know, it's, it's relatively low risk in, in, you know, from a R&D perspective.

Harry: Brilliant. Thanks very much indeed.

Speaker: Hello. Thank you.

Operator: Thank you. Our next question comes from Bruno Janie[?] from BNP Paribas Exane. Bruno, your line is now open. Please go ahead.

Bruno (BNP Paribas Exane): Thank you for taking the question. I just wanted to come back on, on audit trends and I was just wondering, I want to gather your thoughts around how much of the orders slow down do you think can be attributed to just supply chain effects and how much is demand that is under underlying demand coming down? To my mind, if lead times come down, it's not surprising that orders come down in lock steps. Of course, the difference is that this time these orders turn over at a flicker rate. And so actually the impact to the P&L maybe more limited than we see. Could you perhaps provide some colour or share just what your gut feel is in regards to the drivers of this order normalisation? Is this mostly a supply chain dynamics or is this actually more even a damage between underlying demand coming down as supply chains use?

Speaker 5: Yeah, so I think, I think I get your question. I mean we fundamentally, it's a, it's, it's really the supply chain dynamics that are, you know, I think driven the order shape. And if you look at, you go back and look at 2021 in the first half of last year, I mean, we were seeing, you know, phenomenal order growth, you know, 20, 30% plus growth in orders, you know, quarter on quarter to compare to the prior period. And you know, that was as a consequence of, you know, some sort of post pandemic bounce, still go back to '21, but then obviously supply chains got tighter and then the invasion Ukraine uncertainty. So you know, customers were, you know, wanting to make sure that they were getting their orders in early at the same time that, you know, lead times were going out and supply chain was constrained. So we got, you know, quite a, you know, quite a build between, you know, our book to bill grew as, you know, quite strongly during that period.

Now as, as the really from I'd say Q4 last year, we sort of started to see it, you know, as the supply chains ease, some of that, the concerns have come up, maybe a bit of the, sort of the macro you know, we've absolutely seen lead times coming down and therefore if customers don't need to place their orders as early as they were, you know, they're waiting. And so that has just sort of brought the book to bill back to a more natural level. And you have to remember, we, we, we've had a positive book to bill for almost 36 months right at the end of this reporting period. So at some point that was going to normalise which, which has happened. So, so for me it's, it's much more around sort just normalisation of that order profiles and consequence of supply chain. As I said, you know, our sort of marketing leads are A opportunities, B opportunities the numbers sort of chasing remains very healthy and very strong. And you know, you know, to me, all points really for that sort of normalisation of just the supply chain ordering patterns.

Bruno: Got it. and just around H2, over H1 as it relates to sales, I guess given the position of the backlog today, order trends, how should we think about that H2, H1 split sales? Conscious, historically it's usually been 44, 56; in terms of the split, I think on consensus numbers, H2 accounts will be 1% of sales. Of course there's an FX headwind sequentially, I guess if we adjust for FX to around 53%. But just keen to get your thoughts around how we should think about H2 as it relates to its share of sales for the full year.

Speaker 5: Yeah, I mean Bruno, it, it will be more balanced than we've normally seen. We're not going to give out a specific percentage because it's obviously then be able to gross it up and get a sales number as you know, we're guiding clearly on the operating profit. And we'll have to let people decide kind of what their view is in terms of where the sales profit and the corresponding margin will be. But absolutely, you know, we have de-risked this year by seeing extra performance in the first half than normal. So you shouldn't expect the sales fit to be quite certain – second half weight as we would normally see.

Bruno: Got it. but equally, I guess on consensus numbers, the step up sequentially, high single digit, which would be a very sort of H2 over H1 growth rate which will be very low if we compare it to historical norms or averages. So I guess that that point that, that speaks to point line, so I'll leave it there.

But just on the on profitability, just so I understand it correctly, the restructuring costs taken in H1, should we expect no further restructuring costs in H2? And just going back to the scientific margin in H1, I guess the operating leverage looks a little bit lighter than say Dynamics or once we account for the restructuring costs taken and, and also the other division, is there anything that perhaps weighed down on, on the marginal or the drop through in each one that we should be aware of?

Speaker 5: Yeah, so there, there may be, there may be bits and pieces that restructuring in the second half, Bruno, but nothing, nothing material. And again if we do have anything, we'll take it, we'll take it above line. I mean in terms of the drop, Bruno, we continue to invest in our underlying R&D. We, we invest in our people and we're sort of set up to, to, to, to grow. And obviously we've seen significant growth come through in the first half. We will maintain a very sharp eye on that in the second half as a proportion we'll see a little bit more drop. If you just look at the maps of where the revenue expectation may be and the profit expectation, you can see that there's an improvement in the, in the drop through of the second half compared to the first half. And I would draw everyone's attention to our range at 250 to 265 as a range for a reason. And as I said earlier, we are very confident that we will deliver on the margin expansion, deliver on sales growth. If you put that through, then you end up near the top of the range. But there's also, as I said earlier, we are only in July and therefore there's still a fair way to go. We'll give you a number update on say [inaudible].

Bruno: Got it. Thank you for the colour. Much appreciated.

Operator: Thank you. There are no further questions on the line. So I'll now hand back to Andrew for any closing comments.

Andrew Heath: Alright, well thank you very much. Clearly a lot of the questions today have been around sort of normalisation of the market and just sort of our views on market outlook. Hopefully, we've been clear as to, you know, what's driving all of that. But so, you know, by way of ending what I've just like to say, you know, we, we have got good momentum in the business and I'm absolutely delighted to see the progress that we're making on executing our strategy for sustainable growth. Without a shadow of a doubt, the strong financial performance in the first half does really reflect continued very strong execution of our strategy and also the brilliant contribution of my colleagues across the group. And I think I also, I'd like to say I, you know, our first half results are testament that in Spectris Dynamics and Spectris Scientific we have two great premium precision measurement businesses. They're on both on attractive growth trajectories and they're more aligned than ever to markets with a strong secular trends and sustainability focus. As we talked about, our demand for our solutions is being amplified by new products, but also services as we address these trends. And having repositioned Spectris over the past three years, we are now a higher quality, more customer focus and resilient business. And looking forward, we are confident in our ability to outperform our target end markets as a consequence. As we do so, we are also continue to drive operational excellence to reduce emissions, improve productivity and efficiency, all in line with our ambition to be a leading sustainable compound growth business. So thanks very much for listening and look forward to catching up with you again soon. Thank you very much.

[END OF TRANSCRIPT]