

Q1 trading update

22 April 2021 – Spectris plc (SXS: LSE), the expert in providing insight through precision measurement, provides a trading update for the three-month period to 31 March 2021 ('the period').

Well positioned for a continued market recovery in 2021

Andrew Heath, Chief Executive, said: "We have started the year strongly. At the time of our full-year results, we stated that the order intake in the last quarter of 2020 provided good momentum coming into 2021 and that has been borne out. The order book has been further strengthened through the first quarter.

I am very pleased with the Group's performance, which is ahead of our expectations at the year end. The growth in sales reflects the execution of our strategic growth initiatives and the recovery in many of our end markets. The recovery has been faster than expected, especially in pharmaceutical and semiconductor, supported by our sustained investment in R&D and the programme of recent new product launches across our businesses.

Our order book provides confidence that this positive momentum should continue and with our improved cost base, this creates a strong operating leverage opportunity. We are confident that we are well positioned for the continued market recovery in 2021.

While the first quarter has seen economies recovering, albeit at varying speeds, we are again seeing COVID-19 cases rising and lockdowns still prevalent in a number of the countries in which we operate. We continue to ensure we support both our employees and our customers, whilst progressing our strategic initiatives to take advantage of the recovery."

Update on trading

Group like-for-like¹ ('LFL') sales increased 5% in the period. Disposals reduced sales by 6% which, combined with a 3% negative foreign currency exchange movement, resulted in a 4% decrease in reported sales to £289.4 million. In the period, orders grew 5% on a LFL basis, 10% excluding Brüel & Kjær Vibro and Millbrook.

Sales by geography and business

	Q1		Q1
North America	(2%)	Malvern Panalytical	20%
Europe	(1%)	HBK	(3%)
Asia	24%	Omega	1%
Rest of the World	(15%)	Industrial Solutions	2%
Total	5%	Total	5%

LFL sales increased notably in the period in Asia, driven by a very strong performance in China, albeit against an easier comparator given the early impact of COVID-19 there in 2020. In Europe and North America, LFL sales for the period were 1% and 2% lower, respectively, with energy and utilities and automotive being the weaker markets here.

From an end market perspective, LFL sales in the period were strongest into pharmaceutical and machine manufacturing customers, continuing the positive momentum seen in the latter part of 2020. LFL sales were also higher to the electronics, semiconductors, telecoms and aerospace and defence markets. Although LFL sales in the period were lower to automotive, energy and utilities and to academic research customers, the backdrop has been improving and all these end markets saw growth in Asia.

¹ Like-for like sales are at constant exchange rates and exclude the impact of acquisitions and disposals during the year

Malvern Panalytical continued to see a strong recovery, posting a 20% increase in LFL sales, albeit reflecting an easier comparator given the 21% decline in the first quarter of 2020. They saw strong growth across all regions, particularly in Asia, driven by China. Equally, LFL sales to pharmaceutical customers were notably strong across all regions, with growth ahead of the market and good demand from bio-pharma customers for our new products such as the Zetasizer Advance and Amplify Analytics. Sales to academic research customers have started to recover, although remaining lower on a LFL basis versus 2020.

Reflecting its later cycle exposure and, therefore, a tougher comparator, LFL sales at HBK declined 3%, with growth in Asia offset by lower LFL sales in Europe and North America. Machine manufacturing continued to see strong growth, reflecting good onward demand in weighing technology, with growth also being achieved in aerospace and telecoms. LFL sales into the automotive industry were lower, although we are seeing this rate of decline ease. Despite the lower LFL sales, order momentum improved through the quarter with key wins including VI-grade NVH-simulators, sensor orders to the process and aerospace industries, strong software renewals, as well as our new eDrive and eGrid solutions with major OEMs.

At Omega, LFL sales were 1% higher, broadly flat in its main market, North America, with strong growth in Asia, especially China and South Korea. The strong recovery in Asia and an improving trend in North America has led to a good backlog going into the second quarter. In particular, we have seen a robust growth in demand for our temperature products which should underpin sales growth in the quarter.

Industrial Solutions saw a 2% LFL sales increase, with the divested businesses and the upstream/mining exposed business recording the larger declines. LFL sales were strongest into the semiconductor, electronics and pharmaceutical end markets reflecting the backlog coming into the year, market growth and some market share gains.

Cash, balance sheet and M&A

The Group continues to be highly cash generative. At the end of March, the Group had net cash of £334.8 million (£106.1 million at 31 December 2020), following the receipt of £212.7 million in cash from the divestments of Brüel & Kjær Vibro and Millbrook, and reflecting the ongoing spend on the £200 million share buyback programme. As of 21 April, the Group has bought back 816,014 shares for a total cost of £27.3 million.

Spectris has agreed with SCF Partners, a private equity investor group, for it to acquire ESG Solutions ('ESG'), via an existing company in its portfolio Deep Imaging Technologies, Inc., for a headline value of C\$4 million (£2.3 million). Given its end market exposure and smaller scale, Spectris had made the decision to divest ESG and this transaction is the fourth in the Group's portfolio simplification programme. SCF Partners has extensive background of investing in companies in the energy service sector and, more recently, the mining sector, and plans to build on the portfolio of technologies developed by ESG. The transaction is expected to close in the second quarter of 2021.

As disclosed in its full year results, Spectris acquired a minority holding in a US-listed entity in support of a potential acquisition opportunity. The merger has now completed and in April, we received \$52.65 million (£38.15 million) in cash in exchange for the holding, which originally cost \$19.8 million. Activities to establish the Spectris Foundation using part of this gain are well underway.

In relation to the acquisition of Concurrent Real-Time, the Group remains on track for the transaction to complete in the second quarter.

Conference call

A conference call for analysts and investors will be hosted by Andrew Heath, Chief Executive, and Derek Harding, Chief Financial Officer, at 08.00 today to discuss this statement.

To access the call, please dial +44 (0) 33 300 0804, toll free 0800 358 9473 – Pin code: 41300292#. Or for replay, please dial +44 (0) 333 300 0819, toll free 0800 358 2049 – Pin code: 301338811#.

Spectris will publish its half-year results for the six months ending 30 June 2021 on 29 July 2021.

For and on behalf of Spectris plc

LEI Number: 213800Z4CO2CZO3M3T10

Contacts:

Spectris plc

Siobhán Andrews

Head of Corporate Affairs

+44 1784 485325/+44 7920 230093

FTI Consulting

Richard Mountain/Susanne Yule

+44 203 727 1340

About Spectris

Spectris' global group of businesses are focused on delivering value beyond measure for all our stakeholders. We target global, attractive and sustainable markets, where growth and high returns are supported by long-term drivers. Precision is at the heart of what we do. We provide customers with expert insight through our advanced instruments and test equipment, augmented by the power of our software and services. This equips customers with the ability to reduce time to market, improve processes, quality and yield. In this way, Spectris know-how creates value for our wider society, as our customers design, develop, test and manufacture their products to make the world a cleaner, healthier and more productive place. Headquartered in Egham, Surrey, United Kingdom, the Company employs approximately 7,650 people located in more than 30 countries. For more information, visit www.spectris.com.