



# Trading update

22 May 2020 – Spectris plc (SXS: LSE), the expert in providing insight through precision measurement, provides a trading update for the four-month period to 30 April 2020 ('the period') and an update on the actions it is taking in relation to COVID-19.

Andrew Heath, Chief Executive, said:

"I would like to recognise and thank our people for their commitment and selflessness, as we all pull together during this challenging time and embrace the strength of our culture. As well as looking out for each other, finding ways to support our customers and keeping our facilities operational, I am really proud of the whole Spectris team, who have gone above and beyond, making personal sacrifices, as we work to retain capability and protect as many jobs as possible. We are all committed to minimising the impact caused by this global pandemic, to our customers, suppliers, communities, shareholders and one another.

"As expected, the global macro-economic environment has remained challenging, impacting the majority of our customers. While sales in China recovered strongly in April, activity in Europe and North America slowed sharply, resulting in a 12% like-for-like sales decline for the Group in the first four months of the year.

"We entered this crisis with net cash on the balance sheet and good liquidity. Since then, we have continued to generate cash and take further cost actions. We are taking a balanced approach, implementing mitigation actions while acting in accordance with our values, as the way to deliver our long-term financial health and sustainability; thereby ensuring we emerge from this crisis a stronger and even more resilient business."

## Update on trading

Group like-for-like<sup>1</sup> ('LFL') sales declined by 12% in the period. Disposals reduced sales by 9%, partly offset by a 1% favourable foreign currency exchange movement, resulting in a 20% decrease in reported sales. After a 9% decline in the first quarter (preliminarily disclosed as 10%), April's performance has been in line with our revised expectations, with LFL sales down 21%, most notably in North America and in the academic research and automotive end markets.

### Sales by geography and business

	4 months Jan-Apr		4 months Jan-Apr
North America	(6%)	Malvern Panalytical	(23%)
Europe	(13%)	HBK	(5%)
Asia	(20%)	Omega	(10%)
Rest of the World	(3%)	Industrial Solutions	(10%)
<b>Total</b>	<b>(12%)</b>	<b>Total</b>	<b>(12%)</b>

LFL sales decreased notably in the period in Asia, driven by China, although China rebounded strongly in April as pent up demand translated to revenue. In Europe and North America, LFL sales for the four-month period were 13% and 6% lower, respectively, reflecting the later phasing of the start of the lockdowns in those regions.

From an end market perspective, LFL sales in the period were down more sharply in metals, minerals and mining where investments are being put on hold as demand for metals-based products declines, and academic research, as universities and research institutes closed their doors. Machine manufacturing was the only end market to see growth in the period, with good onward demand from process, food and medical markets.

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

Malvern Panalytical posted a 23% decline in LFL sales, against a tough comparator and reflecting its high exposure to Asia. Additionally, many customers have not been able to complete the installation of products impacting the ability to recognise revenue for those goods. There is a further impact related to order delays in certain jurisdictions.

Trading in HBK held up well, posting only a 5% LFL sales decline, supported by strong growth in North America and good growth in machine manufacturing in the period. Given its later cycle exposure and higher presence in Europe and North America, we expect the performance in the remainder of the second quarter to be weaker.

At Omega, LFL sales were 10% lower primarily reflecting a sharp decline in demand in its main market, North America, with a number of customers temporarily closing their operations. Industrial Solutions also posted a 10% LFL sales decline, with those businesses exposed to automotive and upstream oil and gas most affected.

Maintaining a strong balance sheet and conserving cash is a key priority for the Group during this period of uncertainty. The Group continues to be highly cash generative, with a cash conversion of over 150% for the period. At the end of April, we had net cash of £59.9 million (£33.5 million at 31 December 2019), with a cash balance of £244.2 million and gross borrowings of £184.3 million. The Group has £827.5 million of committed banking facilities and has access to a number of uncommitted and bank overdraft facilities.

Due to the market uncertainty, we withdrew our forward financial guidance for 2020 on 6 April. Visibility continues to remain low and we therefore maintain this position. Given the highly cash-generative nature of the Group, we remain in a good position to weather the various market scenarios we have modelled.

## **A balanced approach to managing the business**

With trading impacted, the outlook uncertain and our employees and customers facing a challenging environment, it is more important than ever that we take a balanced, socially responsible approach to managing our business, in line with our culture and values.

Whilst we will continue to ensure we deliver as strong a financial performance as possible in these unprecedented times, we are ensuring we address the primary needs of all of our stakeholders - protecting and supporting our people; working more closely and flexibly with customers and suppliers; whilst also considering how we can support the communities in which we operate, to deliver long-term sustainable value to our shareholders. By taking these steps to build stronger stakeholder relationships, we will be better positioned to respond to the new business environment that emerges post COVID-19 and help further drive the long-term profitable growth of Spectris.

Our business continuity plans have been enacted to protect the core strengths of the business, as well as prepare for the recovery. Additionally, our aim is to retain capabilities and protect jobs as long as possible, prioritising short-term temporary costs savings over structural long-term cost improvement, in support of our financial performance. Compared to the same four-month period last year, our LFL overheads are 9% lower. There is an even greater focus on liquidity and capital management, as well as continuing to deliver good operating cash generation during the year.

## **Safeguarding our people**

Our priority continues to be the health, safety and well-being of our people. As a Group, we worked quickly to enable working from home arrangements for all roles that can do so. To protect those essential employees still deployed at our sites, we have implemented revised working practices and heightened safety standards including social distancing and split shifts within our facilities, PPE provision and enhanced cleaning and disinfection processes. In addition, we have enhanced our mental health support and focused on staying connected with our people who are working away from the offices.

As of today, all our manufacturing sites continue to operate at or near full capacity. Disruption to our business activities and to our supply chains has been limited and manageable to date. Home working has also proved to be effective, with employees successfully supporting our operations and customers remotely.

### **Supporting our customers and suppliers**

We are focused on continuing to support our customers by providing them with the products, services and any assistance they need. Our sales and service employees have been innovative in reaching out to and supporting customers, many of whom are working remotely themselves or have tight restrictions in place on accessing their facilities.

To provide support remotely, as well as enhance our customer interaction, we have increased our use of digital engagement, including virtual training and webinars, online demos and product introductions and expanded online marketing campaigns and programmes. We have also accelerated self-installation and remote support tools to keep our customers operational.

We are also working more closely with our suppliers and have pledged to support any small supplier that is suffering hardship as a result of the impact of COVID-19 who requests early payment terms.

### **Protecting the business and preparing for the recovery**

Given the high level of uncertainty and the low level of visibility regarding trading, we had already taken several actions to mitigate the economic impact on the Group including a headcount freeze; halting inflation-related salary increases; a 25% reduction in Executive salaries and Board fees; and a reduction in discretionary spending and capex.

Since then, to further manage our costs, whilst protecting jobs and mitigating the need for redundancies, we have asked our people to take a temporary reduction in pay, work a shorter week or be furloughed. We have drawn on government wage replacement schemes in certain jurisdictions, where appropriate to do so.

We appreciate that this places a burden on our people and have therefore asked the leadership to shoulder the biggest impact. We very much appreciate the cooperation and support that has been given. We are making every effort to best retain our people's experience and capabilities, to ensure that we emerge in a position of strength from this crisis.

### **Delivering shareholder value**

We believe the best way to drive long-term sustainable value creation for our shareholders is through prioritising our employees, customers, suppliers and communities at this time. Commensurate with this objective, we are taking action to maintain our robust balance sheet and liquidity position, protect R&D and capex investment wherever possible to support long-term growth and committing to the continuous review of our ability to reinstate the dividend as soon as the time is right.

### **Executive Committee changes**

Paolo Carmassi, President of Malvern Panalytical, is leaving the company to take up a new external role. We would like to thank Paolo for his hard work and commitment during the past three and half years, not least in leading the successful integration of the Malvern Instruments and Panalytical businesses.

Mark Fleiner, Business Group Director of the Industrial Solutions Division, has been appointed to succeed Paolo as President of Malvern Panalytical, effective 1 May, while we seek a replacement for his prior role.

Rebecca Dunn has been appointed to the new role of Head of Sustainability (ES&G) reporting directly to Andrew Heath. Rebecca has been Deputy Company Secretary at Spectris for the past three years and prior to that held senior roles at BG Group plc and RSA Insurance. This new appointment underlines our commitment to environmental, social and governance matters, recognising their even heightened importance at the current time.

Judith Wettach will join Spectris in June as Group Head of Corporate Development. She was previously Global Head of M&A and Strategy at Coats Group plc and prior to that, led strategy and business development for Rio Tinto Alcan, having been a strategy consultant at McKinsey. Judith brings extensive experience in M&A, strategy development and execution, change leadership and programme management.

## 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) 333 300 0804, toll free 0800 358 9473 – Pin code: 52335823#. Or for replay, please dial +44 (0) 333 300 0819, toll free 0800 358 2049 – Pin code: 301323329#.

Spectris will publish its half-year results for the six months ending 30 June 2020 on 4 August 2020.

## 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 9,000 people located in more than 30 countries. For more information, visit [www.spectris.com](http://www.spectris.com).