

16 JULY 2024

SPECTRIS GROUP PLC

ACQUISITION OF MICROMERITICS INSTRUMENT CORPORATION (MICROMERITICS)

Spectris plc (SXS: LSE), the expert in providing insight through precision measurement, today announces that it has agreed to acquire Micromeritics Instrument Corporation (Micromeritics) for an upfront consideration of \$630 million (£485 million) plus a deferred element up to \$53 million (£41 million) based on agreed financial performance metrics in 2024 and 2025. This consideration equates to a multiple of under 14x based on expected 2024 EBITDA of \$35 million (£26.9 million) and run rate cost synergies of \$12 million (£9.2 million).

- Consistent with our Strategy for Sustainable Growth, the combination of Micromeritics and Malvern Panalytical will create a global market leader in particle characterisation for advanced materials analysis with a comprehensive, fully integrated and differentiated offering with strong competitive positioning
- Micromeritics is a proven, high-growth, high-margin business with forecasted mid-teens revenue CAGR over the medium-term and will be immediately accretive to Group growth rates and margins
- Strong value creation opportunity:
 - Highly synergistic with run-rate cost synergies of \$12 million (£9.2 million) with significant revenue synergy upside
 - Accretive to earnings per share in the first year, post completion
 - ROIC is expected to exceed our cost of capital in the third full year post completion, with strong double-digit returns thereafter
- The acquisition is to be funded by a combination of existing cash resources and new external debt, utilising Spectris' strong balance sheet. We would expect leverage for the Spectris Group to be c.1x by the end of 2025 including the completion of the remainder of our £150 million buyback programme and acquisition of SciAps
- The transaction is expected to complete in the third quarter

MICROMERITICS IS A HIGH-QUALITY, HIGH-GROWTH BUSINESS

Headquartered in Norcross, Georgia, with 470 employees, Micromeritics is the world leader in analytical instrumentation for the physical characterisation of particles, powders, and porous materials across research, product development, and quality control. Micromeritics has a strong portfolio of industry-leading, gold-standard technologies, covering a wide range of fundamental particle measurements including: surface area; particle activity; porosity; powder flow; and density. Micromeritics also has a strong track record of innovation and pipeline of new products.

Micromeritics serves a diverse customer base in a range of end markets, with over 80% of sales sold directly to customers, with c.40% of sales in clean-tech which is growing at a rapid pace including batteries, hydrogen/fuel cells, carbon capture/storage; and c.60% of sales in industrial-tech covering the material science of chemicals, pharmaceuticals and semiconductor, plus a diverse set of other high-growth industrial technology end markets.

Micromeritics has a proven track record and is growing rapidly, delivering a sales CAGR of 17% for the period 2021-2024E and is expected to grow double-digit, on a standalone basis over the medium-term. Micromeritics' exposure to structural growth markets of industrial-tech and clean-tech is expected to provide further strong growth opportunities.

Operating at the premium end of its markets, Micromeritics is a high-margin business expecting to generate an EBIT margin of 25% in 2024 which is expected to increase over the medium-term as the company grows. Micromeritics is expected to deliver EBIT of \$33.4 million (£25.7 million) in 2024.

COMPELLING STRATEGIC RATIONALE

This acquisition is strongly aligned with Spectris' Strategy for Sustainable Growth. Together with Malvern Panalytical, the combination will create the leading particle characterisation business for advanced materials analysis, with a highly differentiated and fully integrated offering.

The addition of Micromeritics' technologies alongside Malvern Panalytical's capabilities - encompassing particle distribution, particle count and zeta potential - will enable the comprehensive characterisation of particles by detailing their size, count, surface properties and behaviour, thus supporting the entire customer workflow from R&D to QC/QA applications.

With highly complementary product portfolios, the combination will also strengthen Spectris' offering in the rapidly growing, clean tech markets and will deliver significant synergies.

In addition to the recently announced acquisition of SciAps, the acquisition of Micromeritics further broadens Malvern Panalytical's customer offering and strengthens Spectris Scientific's product portfolio. In the Scientific division, where Malvern Panalytical sits alongside Particle Measuring Systems and Servomex, we are bringing together a number of complementary precision instruments businesses. Each business has leading positions at the premium end of common markets, where their deep domain knowledge and capability along with high levels of customer centricity play a vital role in solving some of our customers' toughest challenges.

Furthermore, as one division, this provides real opportunities to collaborate by sharing best practice in areas like operational effectiveness, including common IT systems and the Spectris Business System as well as Research & Development.

STRONG SYNERGY POTENTIAL

The alignment of the two businesses is expected to drive substantial cost synergies and economies of scale across a number of areas including sourcing, go-to-market, and back-office functions. We estimate the annual uplift in EBITDA associated with the cost synergies on a run rate basis to be in the region of \$12 million (£9.2 million).

We also anticipate the amount of additional EBITDA generated from revenue synergies to be broadly equivalent to that derived from cost synergies.

Malvern Panalytical and Micromeritics are natural partners, frequently referenced together in academic research, and with their instruments sitting side-by-side in the same customer facilities. The combination will provide the broadest particle characterisation offering in the market, with a single suite of integrated instruments, from a single manufacturer, improving workflow efficiency and enabling deeper analytical insights, helping to win totally new customers.

There are also significant opportunities to sell new instruments to existing customers that only buy from Micromeritics or Malvern Panalytical today and from a geographic and go-to-market standpoint. We expect to realise synergies by leveraging the respective strengths of both companies in key territories; Europe and Asia (where both have a strong presence), Japan (which has a strong Malvern Panalytical presence) and North America (where Micromeritics has a strong presence). Additionally, we see an opportunity for Micromeritics to benefit from Malvern Panalytical's position in research and academia.

In terms of services and aftermarket revenue, we anticipate increasing the level of coverage for Micromeritics towards that of Malvern Panalytical (~30%), whose complementary products have comparable levels of complexity.

VALUE ENHANCING FINANCIAL PROFILE

The transaction is expected to deliver strong financial returns:

- Micromeritics revenue CAGR over the medium-term of mid-teens is well ahead of our medium-term financial framework with margins expected to be in excess of Spectris' medium-term target of at least 20%
- Accretive to earnings per share in the first year, post completion
- ROIC is expected to exceed our cost of capital in the third full year post completion, with strong double-digit returns thereafter
- Transaction multiple of under 14x 2024E EBITDA including run-rate cost synergies of \$12 million (£9.2 million)

The acquisition will be funded by a combination of new external debt and existing cash resources, utilising Spectris' strong balance sheet. We would expect leverage for the Spectris Group to be c.1x by the end of 2025 including the completion of the remainder of our £150 million buyback programme and acquisition of SciAps.

PRESIDENT MALVERN PANALYTICAL

Upon completion of the transaction, Terry Kelly, CEO and President of Micromeritics, will be appointed President of Malvern Panalytical. In his role, Terry will lead Malvern Panalytical and oversee the integration of both Micromeritics and SciAps. He will be a member of the Spectris Scientific leadership team, reporting to Derek Harding.

TIMETABLE AND REGULATORY

Completion is subject to customary regulatory approvals and conditions with a targeted completion date in the third quarter.

Commenting on today's announcement, Andrew Heath, CEO of Spectris said:

"The acquisition of Micromeritics fits perfectly with our strategy to build world-class businesses compounding growth and generating strong value creation for our customers and shareholders. Micromeritics is a high-quality business with a strong track record of growth and innovation with excellent growth prospects.

The combination of Micromeritics with Malvern Panalytical is highly synergistic. It will create the global market leader in particle characterisation for advanced materials analysis with a differentiated offering and strong competitive positioning in end markets benefiting from long-term, secular and sustainability growth trends. Together with SciAps, this adds to our confidence in being able to deliver against our medium-term financial objectives of 6-7% growth and margins in excess of 20%."

Commenting on today's announcement, Terry Kelly, President and CEO of Micromeritics, said:

"Our market-leading technologies are used daily in the labs of the world's most innovative companies and institutions. Our end markets are strong and growing, and we have a robust new product pipeline.

The combination with Malvern Panalytical is very powerful. I am really looking forward to working together to unlock more answers for customers and provide expert applications and technical support that cannot be matched by any other company or combination of companies. Becoming part of the Spectris Group is a perfect fit for our technologies, our customers, and most importantly our people."

LISTING RULES DISCLOSURES

The proposed acquisition constitutes a Class 2 transaction for the purposes of the UK Financial Conduct Authority's Listing Rules

During the full year ended 31 December 2023, Micromeritics generated sales of \$117 million (£90 million) and EBIT of \$30.5 million (£23.5 million), and the business had gross assets of \$173 million (£133 million).

Analyst presentation

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

To view the webcast please use the following link:

<https://www.investis-live.com/spectris/668fea313b800c54001c644e/gaeet>

To participate in the Q&A, please dial +44 20 3936 2999 – Participant code: 342740.

For and on behalf of Spectris plc.

LEI number: 213800Z4CO2CZO3M3T10

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

This Announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 which is part of UK law by virtue of the European Union (withdrawal) Act 2018. The person responsible for arranging for the release of this Announcement on behalf of the Company is Rebecca Dunn, Company Secretary.

About Spectris

Spectris combines precision with purpose, delivering progress for a more sustainable world. We provide critical insights to our customers through premium precision measurement solutions combined with technical expertise and deep domain knowledge. Precision is at the heart of what we do - our leading, high-tech instruments and software equip our customers to solve some of their greatest challenges to make the world cleaner, healthier and more productive.

We are focused on two key divisions – Spectris Scientific and Spectris Dynamics, which are placed in technology-driven end markets, with strong fundamentals and attractive growth trajectories. We have leading market positions in premium segments and employ 7,000 people located in more than 30 countries, all united behind our purpose to deliver value beyond measure for all our stakeholders. For more information, visit www.spectris.com.

About Micromeritics

Micromeritics Instrument Corporation is the world's leading manufacturer of high-performance systems to measure density, surface area and porosity, powder rheology and catalyst activity. The company is headquartered in Norcross, Georgia, USA with manufacturing sites in the U.S. and Europe, and direct sales operations throughout North America, Europe, and Asia.