



# Strategy for Sustainable Growth

2023 Full Year results  
29 February 2024



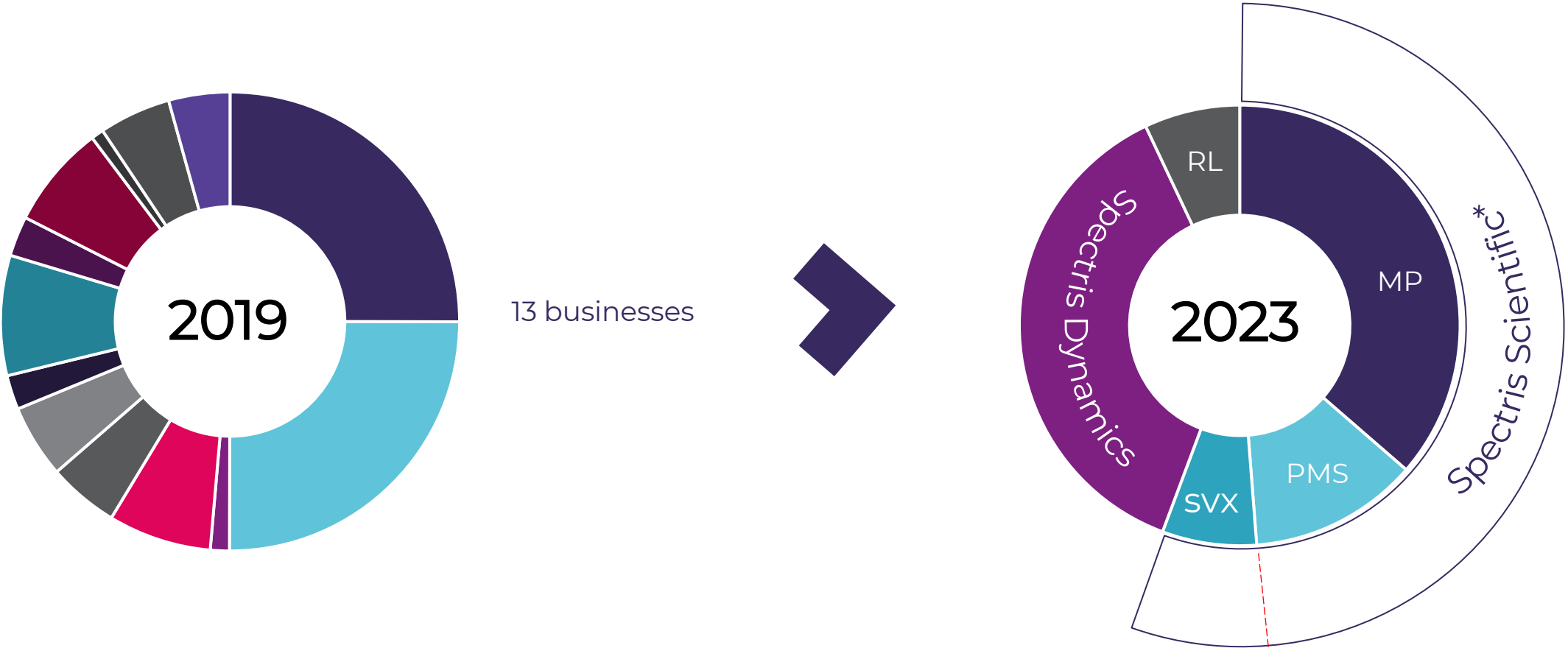


# Introduction

Andrew Heath  
Chief Executive



# A very different business...



- Ingredients to our progress:
- Streamlined and focus the business
  - Transforming product development
  - Balanced and targeted capital allocation
  - Spectris Business System
  - Healthy, high-performance culture

Sales:	£1.63 billion
Adj. op. profit:	£258.1 million
Adj. op. margin:	15.8%
ROGCE:	13.5%
Cash conversion:	91%

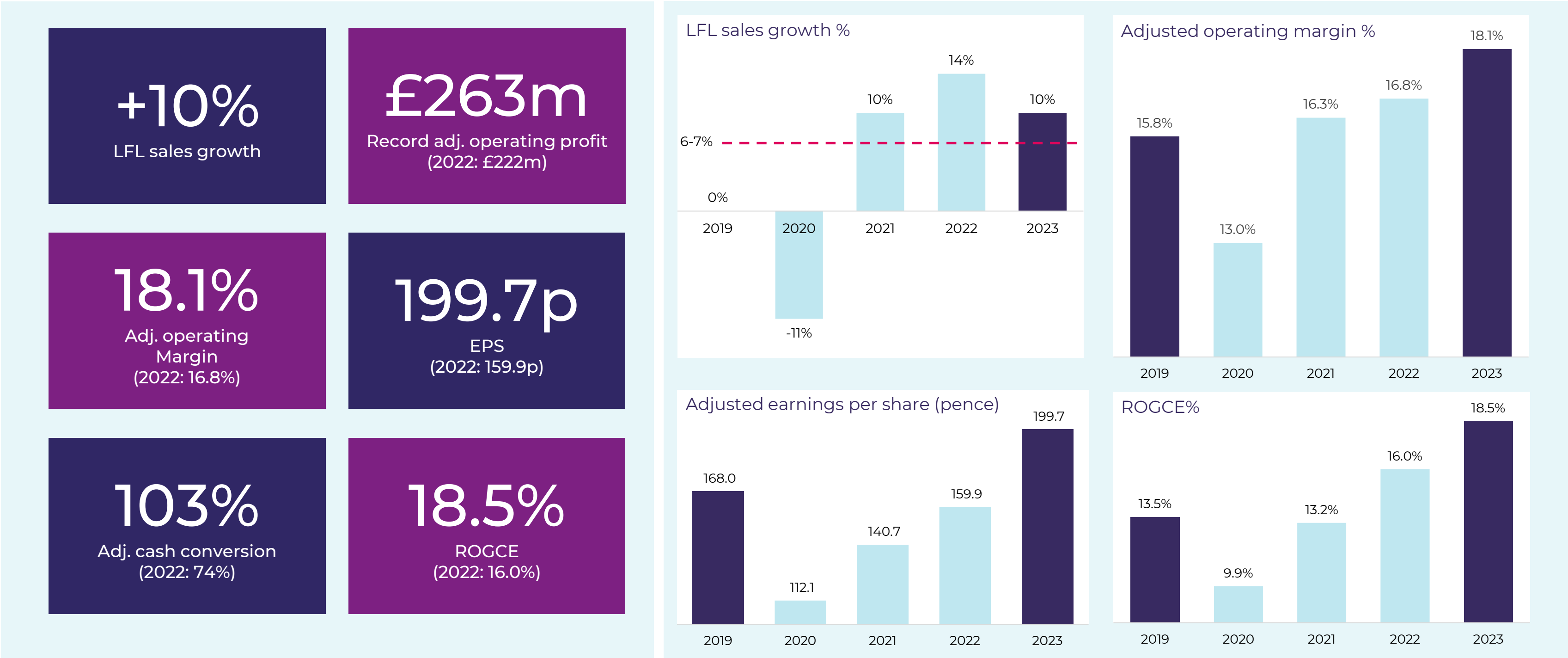
Sales:	£1.45 billion
Adj. op. profit:	£262.5 million
Adj. op. margin:	18.1%
ROGCE:	18.5%
Cash conversion:	103%

More focused, higher quality, sustainable, compound growth













\* Reflects expected profile of the Group following the completion of the Red Lion sale.



# Delivering the Strategy for Sustainable Growth



# Enhancing our sustainability credentials

 <p>Our people</p>	 	<ul style="list-style-type: none"> <li>Increasing engagement score over last 3 years</li> <li>29% of senior leaders are female, with an ambition set to be at least 40% by 2030</li> </ul>	<p><b>3.92</b></p> <p>Engagement score (2022: 3.86)</p>
 <p>Our planet</p>	 	<ul style="list-style-type: none"> <li>Continued strong progress: <ul style="list-style-type: none"> <li>27% LFL reduction in scope 1 and 2 emissions;</li> <li>9.5% LFL reduction in scope 3</li> </ul> </li> <li>Spectris awarded 'A-' CDP</li> </ul>	<p><b>27%</b></p> <p>Reduction in scope 1 and 2</p>
 <p>Our value chain</p>	 	<ul style="list-style-type: none"> <li>New Spectris Supplier Code</li> <li>Increasing understanding of sustainability focus areas across supply chain</li> </ul>	<p><b>29%</b></p> <p>Proportion of women in senior leadership</p>
 <p>Our society</p>	 	<ul style="list-style-type: none"> <li>Joined 25x25 initiative, working with peers to build a diverse pipeline for future CEOs</li> <li>Additional £6 million contribution to the Spectris Foundation by 2030</li> </ul>	<p><b>£6m</b></p> <p>Contribution to Spectris Foundation</p>



# Great progress delivered by great people – thank you to all our Spectris colleagues



Great people united behind a common purpose and values ➡

A diverse, highly skilled, customer-centric team ➡

Healthy, high performance culture ➡

A great and engaging place to work ➡

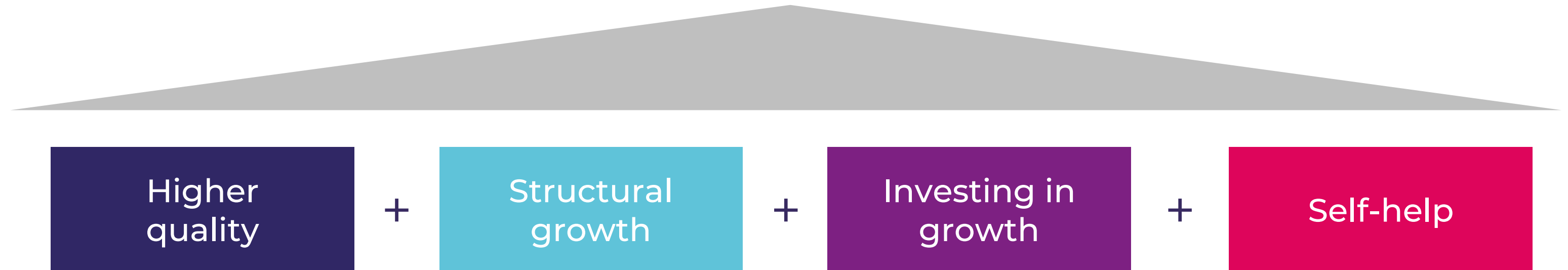


Excellent progress in  
2023....



...significant opportunities lie  
ahead....

- 1 Outperform the market
- 2 Several levers under our control





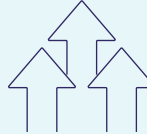









# Financial Review

Derek Harding  
Chief Financial Officer



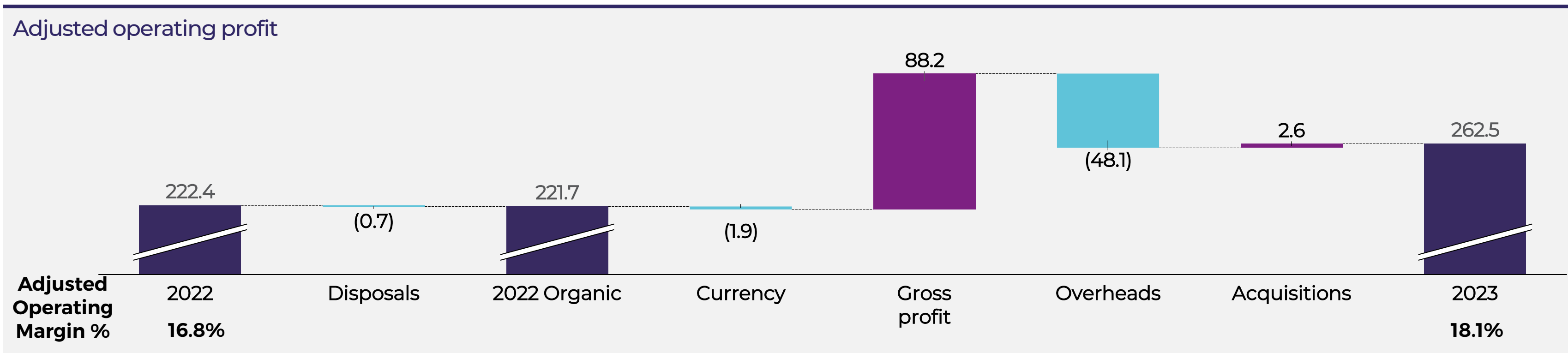
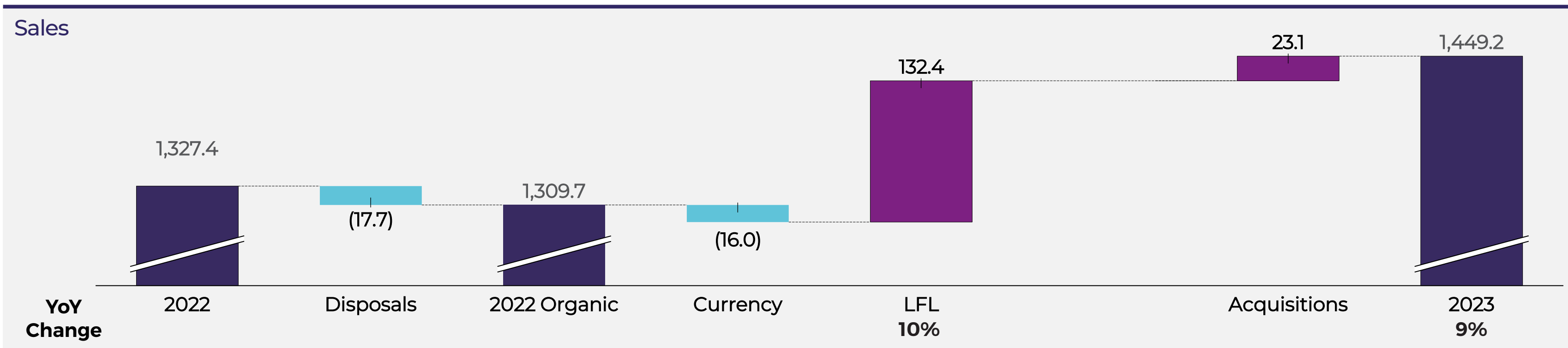


# Double-digit revenue growth and record profit

			FY23	Medium-term
	Strong performance in 2023		Organic sales growth	 10% 6-7% through the cycle
	Great progress on margins and cashflow		Operating margin	 18.1% 20%+
	Strong balance sheet provides flexibility		Cash conversion	 103% 80-90%+
			ROGCE	 18.5% Mid-teens %
	Asset base generating strong returns		ESG	 Scope 1&2 emissions 27% reduction Net Zero, Engagement

Further progress towards our medium-term targets

# Strong financial performance driven by continued execution of our Strategy





# Adjusted and statutory operating profit and profit for the year – continued EPS growth

Income Statement £m	2023	2022
Adjusted operating profit <sup>1</sup>	262.5	222.4
Net transaction-related costs and fair value adjustments	(14.0)	(8.3)
Spectris Foundation contribution	(1.0)	-
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	-	(0.2)
Configuration and customisation costs carried out by third parties on material SaaS projects	(40.0)	(21.7)
Amortisation of acquisition-related intangible assets	(18.9)	(19.6)
<b>Statutory operating profit</b>	<b>188.6</b>	<b>172.6</b>
Fair value through profit and loss movements on debt investments	2.8	(4.1)
Share of post-tax results of associates	(0.1)	-
(Loss)/profit on disposal of businesses	(12.6)	0.3
Financial income	11.0	1.9
Finance costs	(4.1)	(19.2)
<b>Profit before tax</b>	<b>185.6</b>	<b>151.5</b>

	2023	2022
Adj. earnings <sup>1</sup>	206.9	172.0
Adj. EPS <sup>1</sup> (p)	199.7	159.9
Shares (m)	103.6	107.6

Notes

1. These adjusted performance measures represent the statutory results excluding certain items.

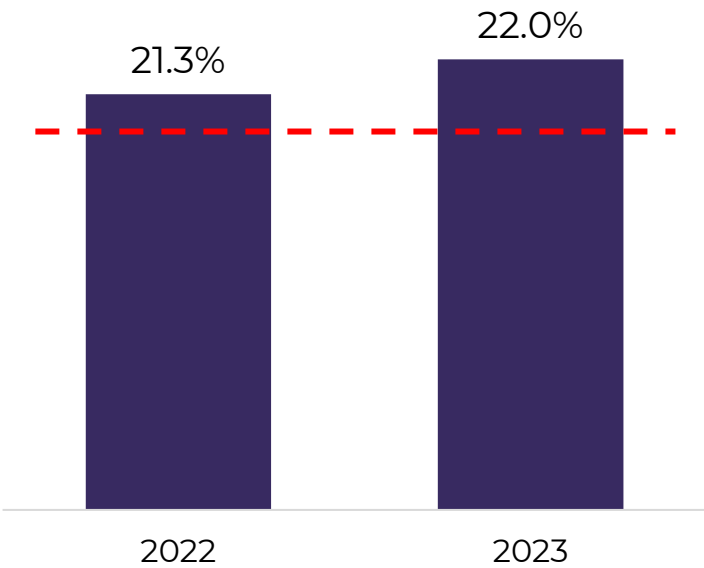
# Spectris Scientific: continued strong growth and sustainable margin



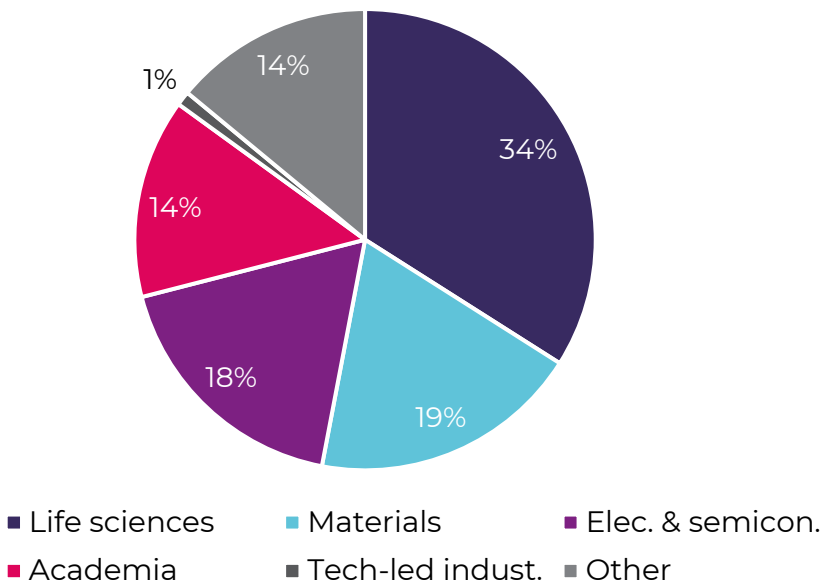
	2023	2022	Change vs 2022	LFL change vs 2022
Reported sales (£m)	704.2	657.8	7%	12%
Adjusted operating profit (£m)	155.2	140.0	11%	13%
Adjusted operating margin (%)	22.0%	21.3%	70bps	10bps
Statutory operating profit (£m)	124.4	118.3	5%	
Statutory operating margin (%)	17.7%	18.0%	(30bps)	

- Strong financial performance with LFL sales growth of 12% with strong growth in all markets except Life Sciences/Pharmaceutical
- Increase in adj. operating margin of 70bps to 22.0% with adj. operating profit up 11%
- Statutory operating profit includes investment in new ERP system

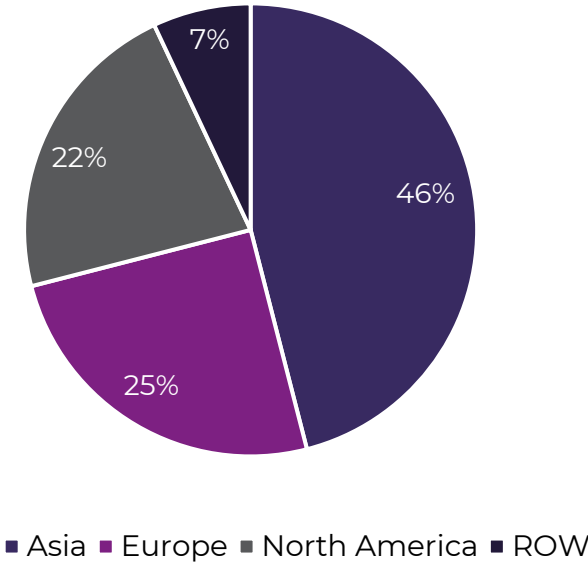
Adj. operating margin



Revenue - end market



Revenue - geography



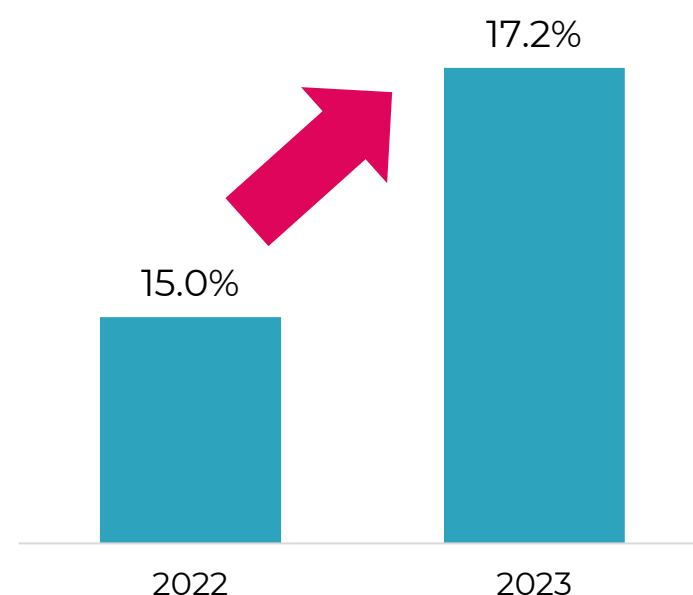


# Spectris Dynamics: strong performance underpinned by significant margin expansion

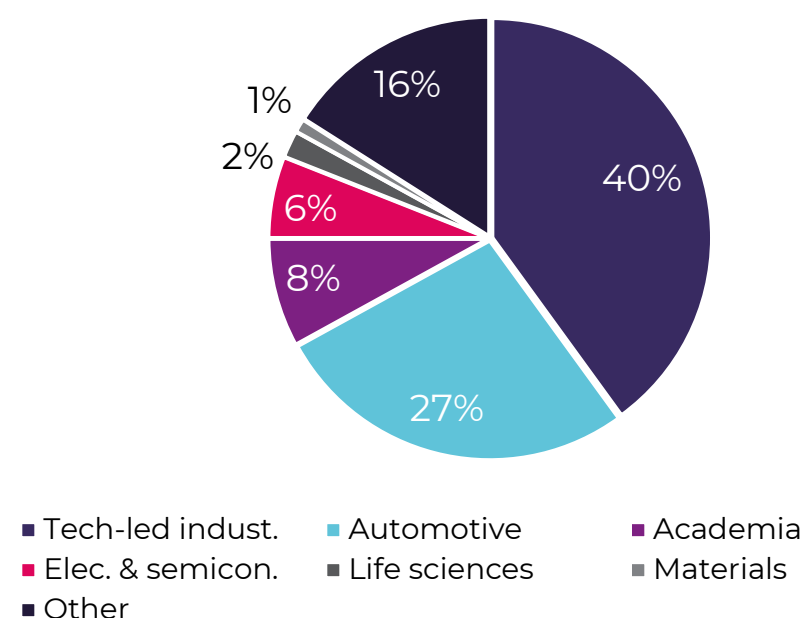
	2023	2022	Change vs 2022	LFL change vs 2022
<b>Reported sales (£m)</b>	542.8	492.2	10%	6%
<b>Adjusted operating profit (£m)</b>	93.1	73.6	26%	24%
<b>Adjusted operating margin (%)</b>	17.2%	15.0%	220bps	240bps
<b>Statutory operating profit (£m)</b>	56.2	46.5	21%	
<b>Statutory operating margin (%)</b>	10.4%	9.4%	100bps	

- Excellent financial performance with adj. operating profit growth of 26%
- Sales growth of 6% on LFL basis with impact from acquisitions driving sales growth to 10%
- Adjusted operating margin up 220bps to 17.2%
- Statutory operating profit includes investment in new ERP

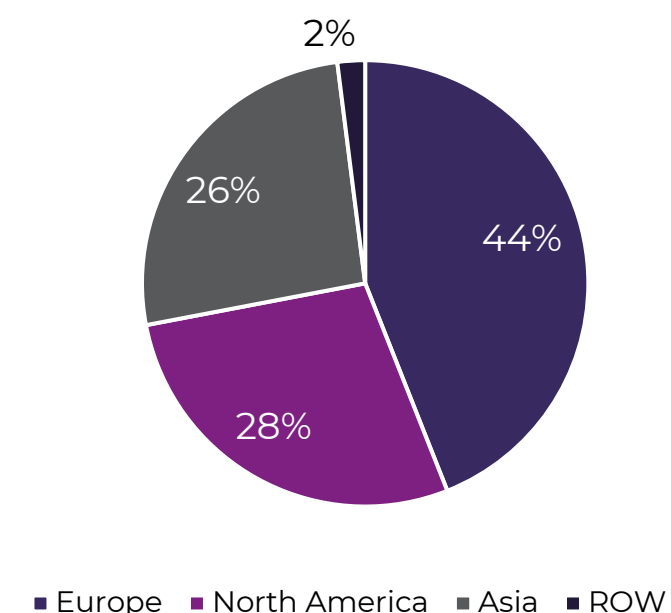
Adj. operating margin



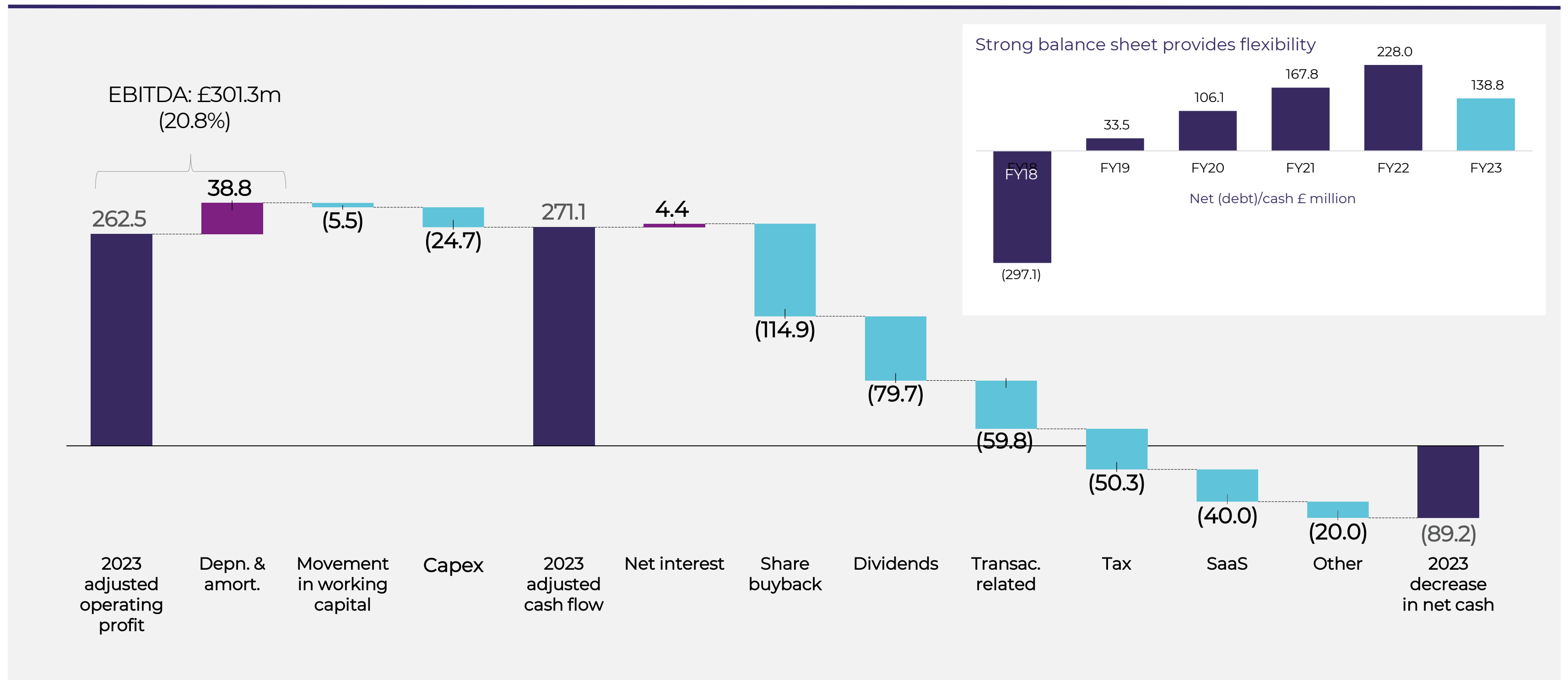
Revenue - end market



Revenue - geography



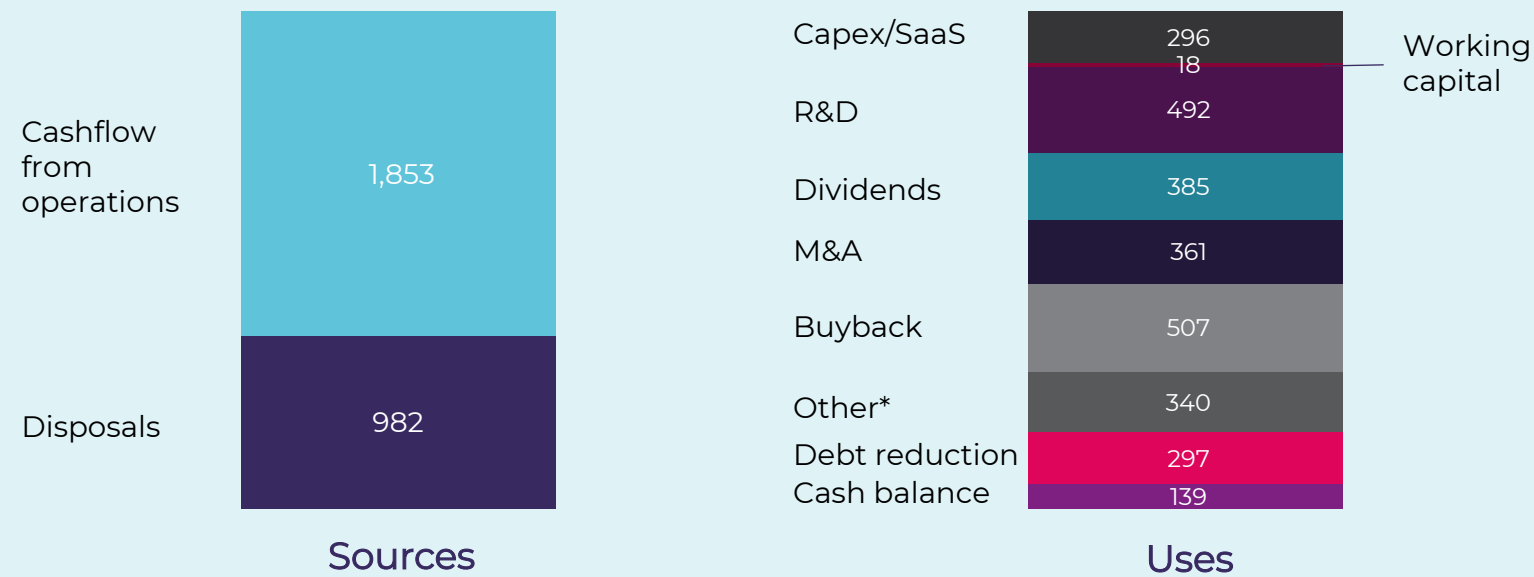
# Strong cash conversion and use of funds in line with capital allocation policy





## A balanced approach to capital allocation

Sources and uses of cash 2019 to 2023 (£ million)



Dividend per share (pence)



## Capital allocation priorities for sustainable growth

### Organic growth (£806m)

- Maintenance capex
- in line with depreciation
- R&D > 8% of sales improving vitality
- Growth capex projects

### Progressive dividend (£385m)

- Sustainable progressive dividend policy
- Strong track record of dividend growth

### M&A growth (£361m)

- Deployment of capital to drive growth
- Technology
- End markets
- Customers

### Additional shareholder returns (£507m)

- Return excess capital, not used for profitable growth, via appropriate mechanisms

# Disposal programme complete

- Disposal of Red Lion completes portfolio rationalisation after record performance in 2023
- Refocusing of portfolio and investment has created:
  - Spectris Scientific - high-quality, scale business with 21% plus operating margins
  - Spectris Dynamics - high-quality business delivering significant margin expansion

	Spectris Scientific (including Servomex)		Spectris Dynamics		Group costs		Spectris Group (excluding Red Lion)		Red Lion		Spectris Group Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Sales	804.6	744.0	542.8	492.2			1,347.4	1,236.2	101.8	91.2	1,449.2	1,327.4
Adjusted Operating Profit	171.9	151.4	92.9	73.4	(24.2)	(18.4)	240.6	206.4	21.9	16.0	262.5	222.4
Adjusted Operating Margin	21.4%	20.3%	17.1%	14.9%			17.9%	16.7%	21.5%	17.5%	18.1%	16.8%

# Guidance for 2024 and modelling considerations

## P&L

- Excluding Red Lion, we expect to make progress in 2024 including operating margin expansion
- Progress second half-weighted
- Improvement in a number of end markets expected in H2
- Effective tax rate is expected to be 23%

## Cash flow

- Working capital 11-15% of sales
- Capex should be in the region of £40 million
- SaaS costs will be around £20 million
- £150 million buyback expected to be completed in 2024

## FX sensitivity

Impact of 1 cent change versus GBP	2023 sales £m	2023 adjusted operating profit £m	Assumed rate for 2024	2023 average rate	2023 closing rate
USD	3.6	0.7	1.24	1.24	1.27
EUR	3.3	0.7	1.15	1.15	1.15



# Strategy for Sustainable Growth

Andrew Heath  
Chief Executive





# Significant opportunities lie ahead for the Group

## 2019 - 2023

- ✓ Strategy for Profitable Growth delivered
- ✓ Portfolio rationalised - higher quality business
- ✓ Delivered margin expansion to 18.1%
- ✓ Stepped up R&D investment to improve vitality
- ✓ Acquired 10 businesses to compound growth
- ✓ Established strong sustainability credentials
- ✓ Great progress on operational excellence









## 2024 and beyond

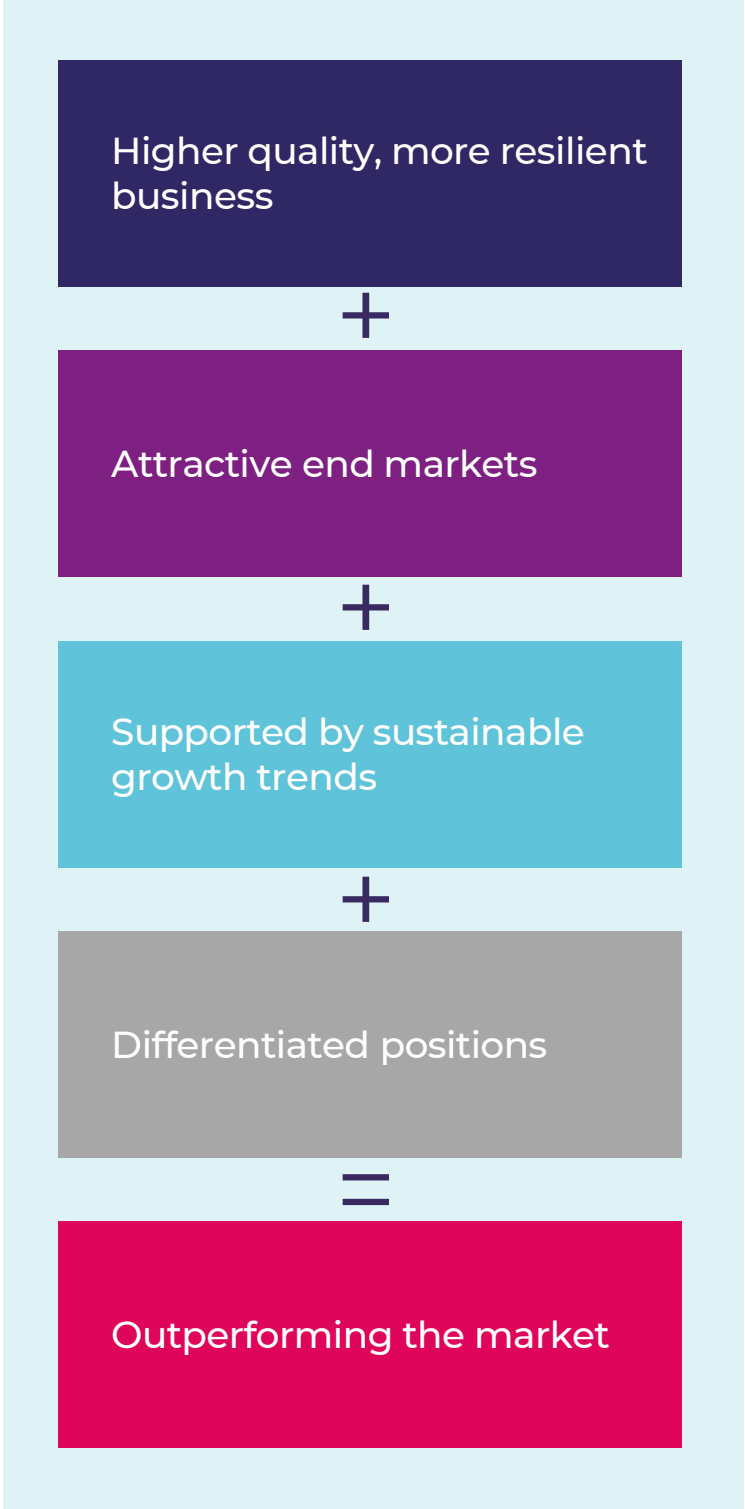
Continue strategy for Sustainable Growth:

- Through-cycle organic growth of 6-7% underpinned by new products development
- Deliver 20%+ margin target
- Investing in R&D and compounding growth through acquisitions
- Net Zero, engagement, community
- Strong self-help story: transform business processes and continued benefits from SBS

**Built a high-quality business with significant future potential**

# Portfolio aligned to structural growth markets

Industry	% of Group sales 2023	LFL growth 2023	2024 demand outlook	Medium-term growth drivers	Expected medium-term growth
 Life Sciences/ Pharmaceutical	18%	-9%	<ul style="list-style-type: none"> <li>Regaining traction moving into solid growth in H2</li> </ul>	<ul style="list-style-type: none"> <li>Personalised medicines</li> <li>Investment in new manufacturing facilities &amp; reshoring</li> <li>Biologics growth</li> </ul>	5-7%
 Tech-led industrials	16%	8%	<ul style="list-style-type: none"> <li>A&amp;D growth expected to continue</li> <li>Machine manufacturing flat</li> </ul>	<ul style="list-style-type: none"> <li>Automation and cost reduction/improved efficiency</li> <li>Global defence spending</li> <li>Growth in commercial space</li> </ul>	5-7%
 Electronics & Semicon.	12%	19%	<ul style="list-style-type: none"> <li>Regaining traction moving into solid growth in H2</li> </ul>	<ul style="list-style-type: none"> <li>Reshoring of manufacturing and new fabrication plants</li> <li>AI, 5G, data centres, cloud services, automation</li> <li>Improved yield and higher performance chips</li> </ul>	6-8%
 Automotive	10%	8%	<ul style="list-style-type: none"> <li>Modest growth</li> </ul>	<ul style="list-style-type: none"> <li>Electrification of mobility</li> <li>Software-defined vehicles</li> <li>Increase adoption of simulation and virtual test</li> </ul>	4-6%
 Materials	10%	16%	<ul style="list-style-type: none"> <li>Metals and mining resilient</li> <li>Continued strong growth in clean energy technologies</li> </ul>	<ul style="list-style-type: none"> <li>Green metals and mining critical minerals for energy transition - batteries &amp; power electronics</li> <li>Demand for advanced manufacturing infrastructure</li> </ul>	5-6%
 Academia	10%	29%	<ul style="list-style-type: none"> <li>Flat after a strong 2023</li> </ul>	<ul style="list-style-type: none"> <li>Demand for advanced analytical and test systems</li> <li>Development of next gen advanced materials and technologies for a Cleaner, Healthier and More Productive world</li> </ul>	5-6%



\*Other end market represented 24% of sales in 2023 and includes other technology driven markets such as Energy & Utilities and general Industrial Automation/ Industry 4.0 with a medium-term growth rate of 3-5%



# Investing in Growth – Research & Development

R&D investment £108.1 million (7.5% of sales) and vitality index 22%

## 2023 product launches



*Nanosight Pro – Nanoparticle Tracking Analysis instrument*



*NanoAir™10 Particle Counter and Particle Seeker*



*FORJ™ Fusion instrument for sample preparation*

## 2024 product launches

Technology infusion and product advancements:

- Laser diffraction, dynamic light scattering and x-ray fluorescence
- Incorporating artificial intelligence
- Automation and connectivity to SmartManager™ for remote diagnostics and health monitoring

## 2023 product launches



*Compact Full Spectrum Simulator (FSS)*



*Smart force sensors to simplify machine design and improve efficiency*



*New software releases – now 15% of Dynamics revenue*

## 2024 product launches

- Next gen simulators
- Expand hardware-in-the-loop
- Broaden DAQ offering - electric power testing and S&V
- Next gen torque sensor and extend smart sensors
- Expand digital products leveraging AI and web-based tools



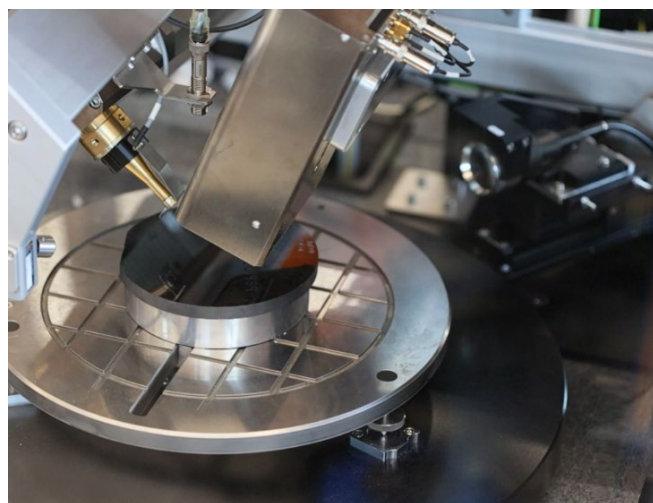
# Investing in Growth – M&A

## Investing in acquisitions to compound growth



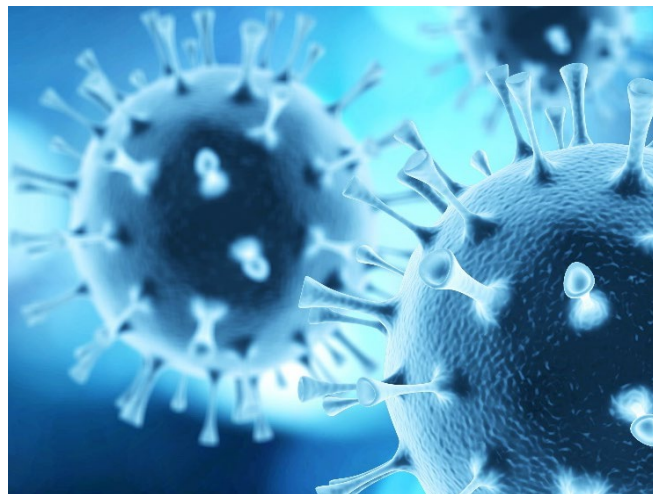
### MicroStrain Sensing Systems Business

- Leading developer of inertial and wireless sensing systems
- Strengthens sensor offering and North American presence
- Automation & Smart manufacturing markets
- Industrial automation, new robotics, logistics, unmanned vehicles and mobility applications



### Product line acquisition - Freiberg Instruments

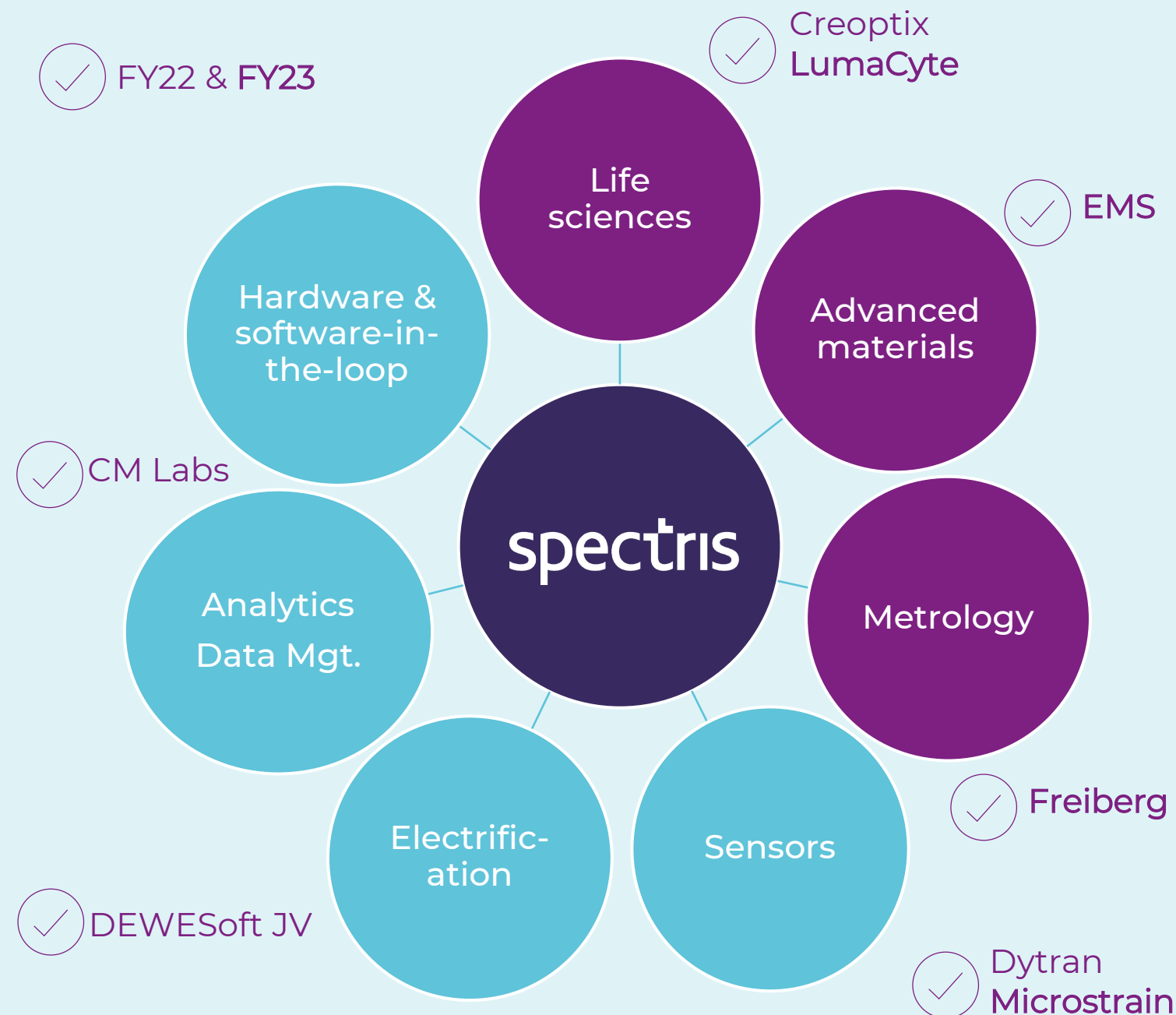
- Acquisition of x-ray diffraction product line and crystal metrology tools
- Complements existing XRD and XRF products
- Improve yield and performance particularly in automotive
- Semiconductors, wafer metrology, crystal orientation



### Investment in LumaCyte

- Bioanalytic instrumentation company
- Further exposure to high growth Cell & Gene Therapy and vaccine markets
- Builds sales and applications teams & enhances manufacturing capabilities
- Life sciences and pharmaceutical; cell and gene therapy

### Priority areas for M&A





# Operational Excellence

## Underpinned by the SBS and business process transformation

### The SBS

- Strong progress in 2023 – delivering over £10 million in benefits
- Benefits derived from gross profit improvement and overhead reduction
- Embedded ‘Bronze, Silver, Gold’ programme to drive lean operations across operational metrics
- Seven sites at Bronze level at the end of 2023
- Broadening SBS to encompass innovation, IT, Finance, HR and Legal

### Business process transformation

- Good progress on implementation of our business transformation program enabled by SAP S/4HANA
- Simpler working practises and a more globally connected and scalable business
- Implementation across 2024 through a phased rollout, with benefits to be realised from 2025

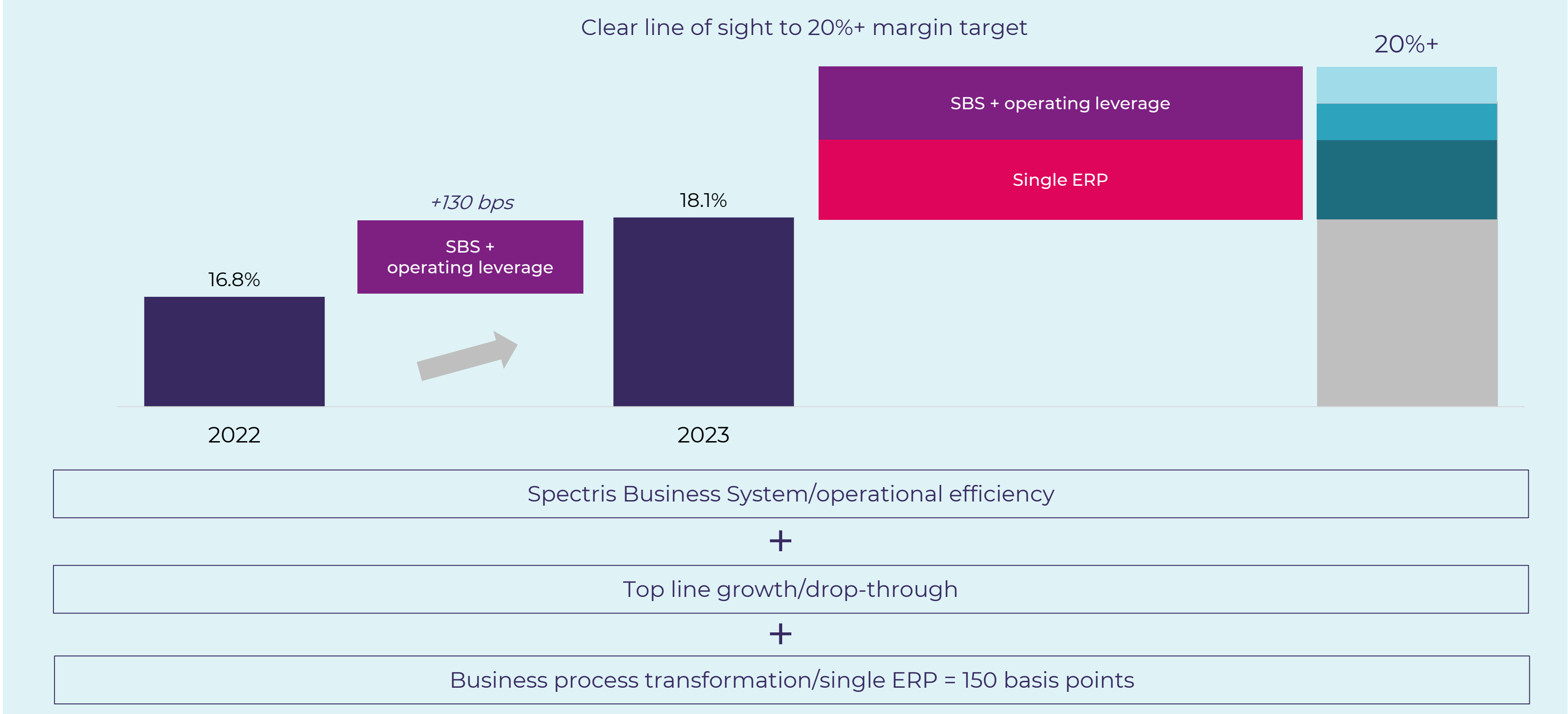


The SBS delivers tangible and sustainable value and is embedded in our DNA so that continuous improvement is owned by everyone



# Operational Excellence

Key building blocks delivering Group operating margin target



## Strong results for 2023

LFL sales growth +10%  
Margin up 130 bps to 18.1%

Record operating profit  
for the Group

Strong cash conversion  
and balance sheet

New products, four acquisitions  
and operational improvement



## Priorities for 2024

Outperform the market

Drive operational excellence and  
margin expansion

Implement business process  
transformation/single ERP

Investing in growth –  
new product launches and targeted M&A

Deliver further  
Sustainability improvements

**Expect to deliver further progress in 2024 including margin expansion**



# Appendix





Continuing operations	2023	2022	Change	Like-for-like change <sup>2</sup>
Sales (£m)	<b>1,449.2</b>	1,327.4	9%	10%
Adjusted operating profit (£m) <sup>1</sup>	<b>262.5</b>	222.4	18%	18%
Adjusted operating margin (%) <sup>1</sup>	<b>18.1%</b>	16.8%	130bps	130bps
Adjusted profit before tax (£m) <sup>1</sup>	<b>263.6</b>	219.7	20%	
Adjusted effective tax rate (%) <sup>1</sup>	<b>21.5%</b>	21.7%		
Adjusted EPS (pence) <sup>1</sup>	<b>199.7</b>	159.9	25%	
DPS (pence)	<b>79.2</b>	75.4	5%	
Adjusted cash flow conversion (%) <sup>1</sup>	<b>103%</b>	74%	29pp	
Net cash (£m) <sup>1</sup>	<b>138.8</b>	228.0		
Return on gross capital employed (%) <sup>1</sup>	<b>18.5%</b>	16.0%	250bps	

Notes

1. These adjusted performance measures represent the statutory results excluding certain items.
2. At constant exchange rates and including acquisitions and disposals on a comparable basis (LFL).

World leader and expert in specialist premium gas and moisture analysis

Customer needs

- **Cleaner:** Minimise impact on the Environment
- **Healthier:** Compliance and safer processes
- **More productive:** Process efficiency



Competitive strengths

- Technical specification & capability
- Applications expertise
- Wide range of measurement technologies
- Accuracy and stability / reliable uptime
- Ease of maintenance, field serviceable, simple calibration



Products and applications



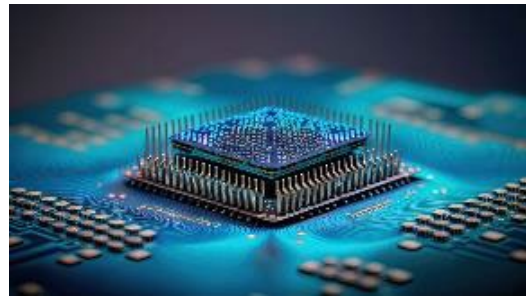
Medical



Industrial



Industrial Gas



Semiconductor



Hydrocarbon Processing



General Industry

Application

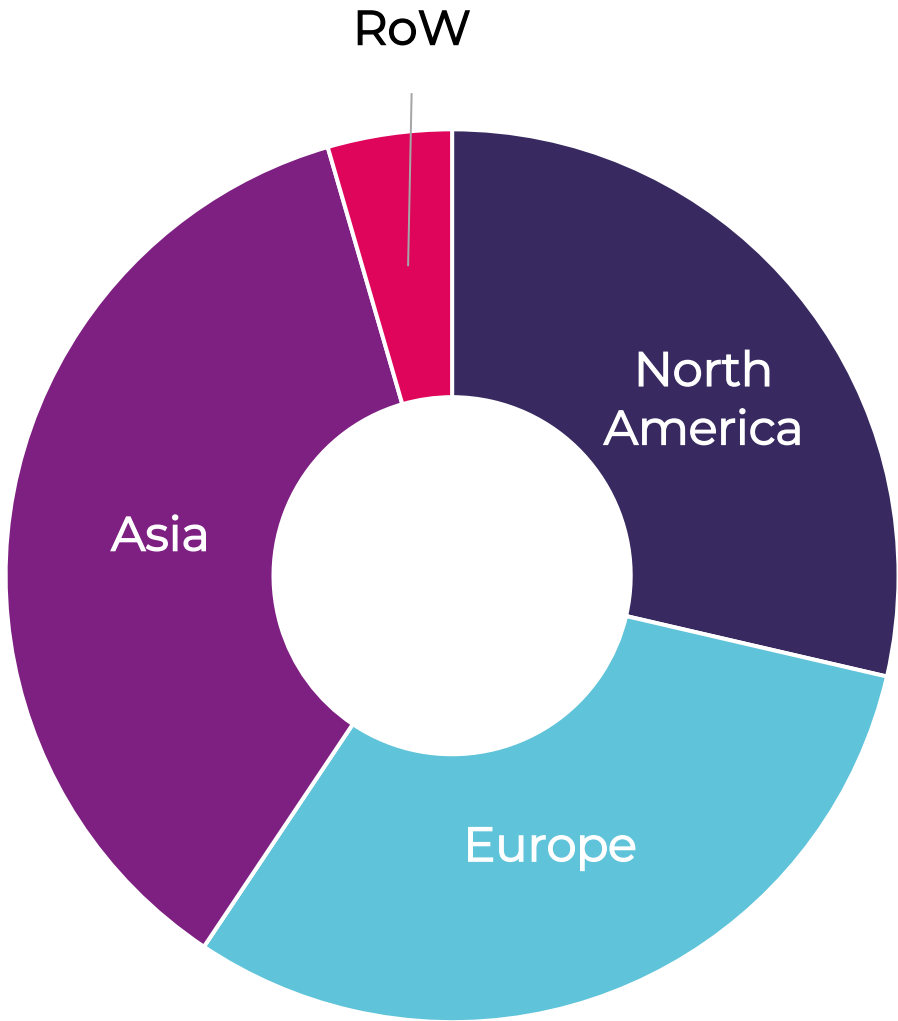
Critical gas measurements for anaesthesia, ventilation, incubation and respiratory monitoring

Gas sensing technologies for OEM applications

Accurate gas analysis to ensure purity across the air separation process

Ensuring ultra-high purity gases for semiconductor manufacturing

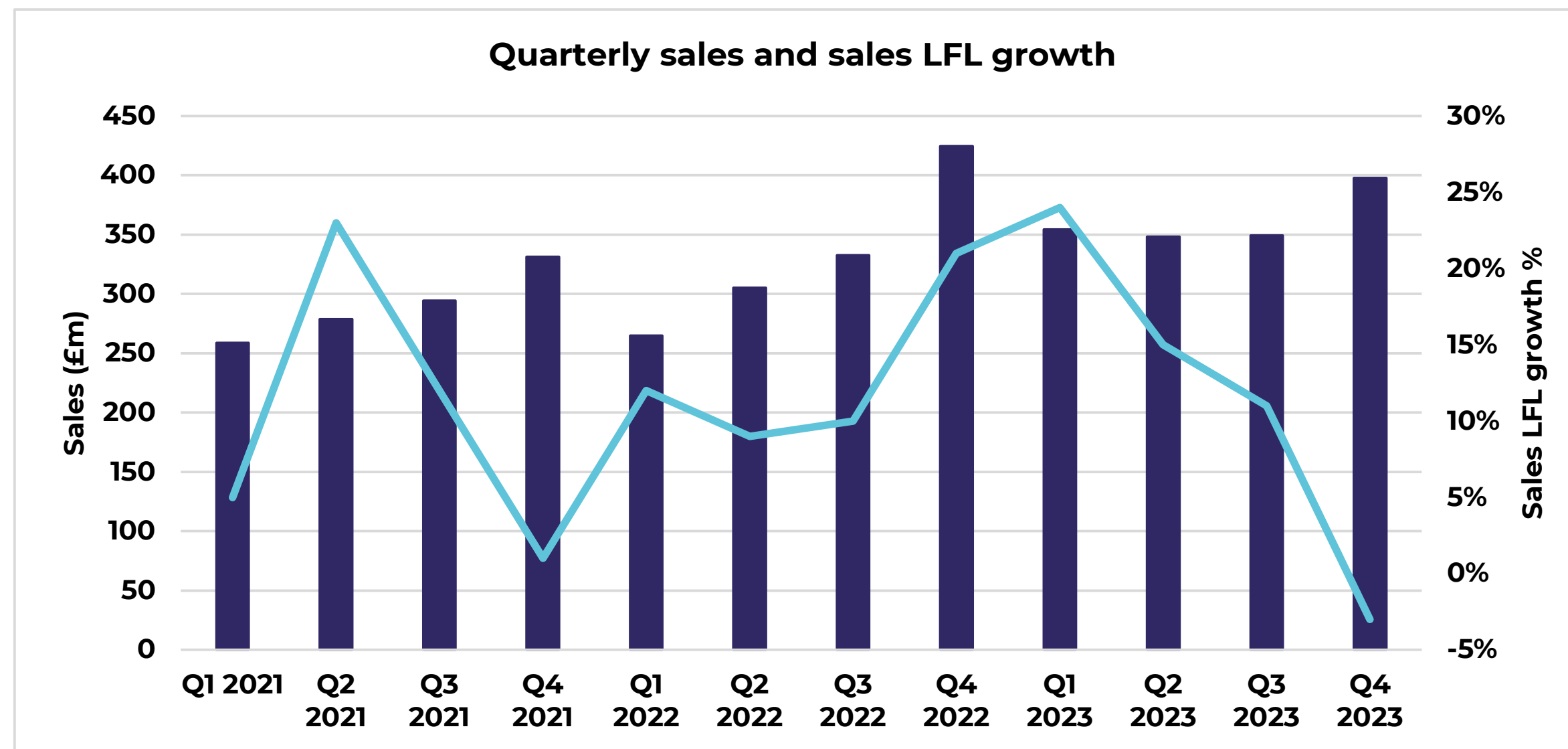
Robust analysis to optimise process efficiency, combustion control, minimise fuel costs and reduce emissions



Destination	% of Group sales	LFL change 2023	LFL change 2022
North America	29%	5%	14%
Europe	31%	14%	9%
Germany	10%	12%	12%
UK	4%	25%	10%
Asia	36%	11%	18%
China	17%	10%	17%
Japan	5%	21%	11%
Rest of the world	4%	11%	8%

# Quarterly sales and LFL growth

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Sales (£m)	258.8	278.7	294.2	331.3	264.9	305.3	332.6	424.6	354.3	348.2	349.1	397.6
Sales LFL growth (%)	5%	23%	12%	1%	12%	9%	10%	21%	24%	15%	11%	-3%





# Reportable segments summary

	Spectris Scientific		Spectris Dynamics		Others		Group costs		Spectris plc	
£million	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Sales	704.2	657.2	542.8	492.2	202.2	177.4			1,449.2	1,327.4
Adjusted Operating Profit	155.2	140.0	93.1	73.6	38.4	27.2	(24.2)	(18.4)	262.5	222.4
Adjusted Operating Margin	22.0%	21.3%	17.2%	15.0%	19.0%	15.3%			18.1%	16.8%