



# Interim results presentation

to 30 September 2022

**Ian Barkshire**  
Chief Executive

**Gavin Hill**  
Chief Financial Officer

# Highlights

**Strong financial performance**

**Strategy delivering continued growth momentum**

**Well positioned in attractive markets**

**Proactively managing global headwinds**

**Increased investment to drive future growth**

Structural growth markets driving strong order, revenue and profit growth

Resilience of business model underpinned by depth of market intimacy and relentless product innovation

Major markets and geographies all performing strongly, with growth from both commercial and academic customers

Price rises implemented to protect margin; increased inventory partly mitigating supply chain disruption

Confidence in strategy supports increased investment in R&D, operations and customer service



# Driving sustainable growth and margin expansion

Enabling a greener, healthier, more connected advanced society

## Well positioned in global markets with long-term structural growth drivers

- Scale and differentiation within our markets: Advanced Materials, Semiconductor, Healthcare & Life Science, Energy & Environment and Quantum Technology

## Leading technologies providing significant customer value add

- Global provider of high technology products and services to the world's leading companies and scientific research communities
- Unrivalled products for imaging, analysing and manipulating materials down to the atomic and molecular level

## Enhanced by strategic accelerators

- Transforming our customers' outcomes through our unique combination of market intimacy and relentless innovation
- Making complementary, value-adding acquisitions

# Horizon strategy driving continued progress

<b>Market intimacy</b>	Heightened market intimacy driving strong growth to existing customers and expansion to adjacent markets, particularly in the commercial sector
<b>Innovation and product development</b>	Investment in new products maintaining differentiation and disruptive growth into larger commercial markets
<b>Operational excellence</b>	Operational excellence supporting partial mitigation of supply chain and inflationary cost pressures; investing in increased capacity and automation to support future growth
<b>Customer support</b>	Consolidation of regional service teams and increased range of tailored and digital service products driving growth, productivity and increased profitability
<b>Synergistic acquisitions</b>	Synergistic benefits being derived from WITec acquisition. Strong Group balance sheet and healthy acquisition pipeline

**Considerable opportunities for further gains from ongoing execution**

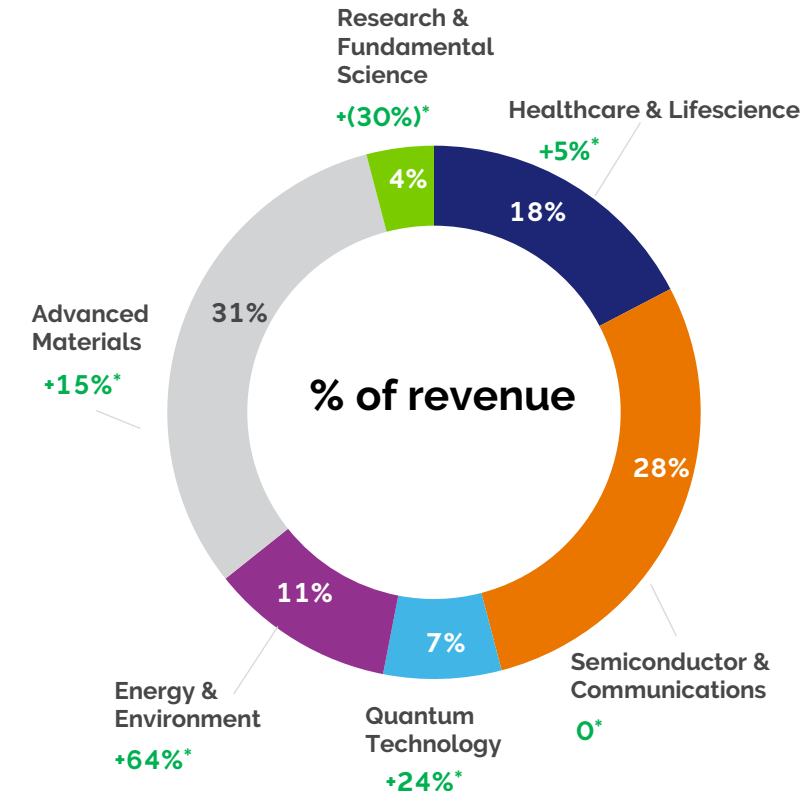
# Group performance – end markets

## Orders

- Structural growth markets driving double digit order growth: Semiconductor & Communications, Advanced Materials, Energy & Environment and Quantum Technologies
- Ongoing successful implementation of price rises to protect margin
- Continued growth from academia; accelerated growth into commercial customers representing 53% of total orders (2019: 45%)

## Revenue

- Supply chain challenges, ongoing Covid-related customer access constraints and delays in processing of export licences impacting revenue
- Strong revenue growth in Advanced Materials, Life Science, Energy & Environment and Quantum Technology
- Revenue held back by supply chain challenges in Semiconductor & Communications, despite double digit order growth



\*Revenue growth over prior year at constant currency

# Shaping a sustainable future

Sustainability is embedded in our business model and throughout our own operations through the delivery of our purpose: to enable a greener, healthier, more connected advanced society

## Executing our sustainability agenda



- On track to accelerate progress to net zero ahead of 2050
- Short, medium and long-term targets to be set at end FY2022/23
- Mapping supply chain emissions and customer use of products

## People at the heart of our strategy



Inclusive



Innovative



Trusted



Purposeful

- Employee engagement groups launched and increased employee communications
- Engagement scores high and rising
- Cost-of-living payment made to employees

# Finance review

Gavin Hill

Chief Financial Officer

# Income statement



£m	2022/23	2021/22	Reported change	Constant currency change
Revenue	200.5	170.1	+17.9%	+10.2%
Adjusted <sup>1</sup> operating profit	36.8	30.6	+20.3%	+4.6%
Amortisation of acquired intangibles	(4.3)	(3.8)		
Non-recurring items	(0.1)	(1.2)		
Mark-to-market of currency hedges	(6.1)	(3.8)		
Statutory operating profit	26.3	21.8	+20.6%	
Net finance costs	0.3	(0.4)		
Adjusted <sup>1</sup> profit before taxation	37.3	30.2	+23.5%	
Statutory profit before taxation	26.6	21.4	+24.3%	
Adjusted <sup>1</sup> effective tax rate	21.4%	21.5%		
Adjusted <sup>1</sup> basic earnings per share	50.8p	41.2p	+23.3%	
Dividend per share (interim)	4.6p	4.4p	+4.5%	

<sup>1</sup> Adjusted items exclude the amortisation of acquired intangible assets, acquisition items, other significant non-recurring items, and the mark-to-market movement of financial derivatives



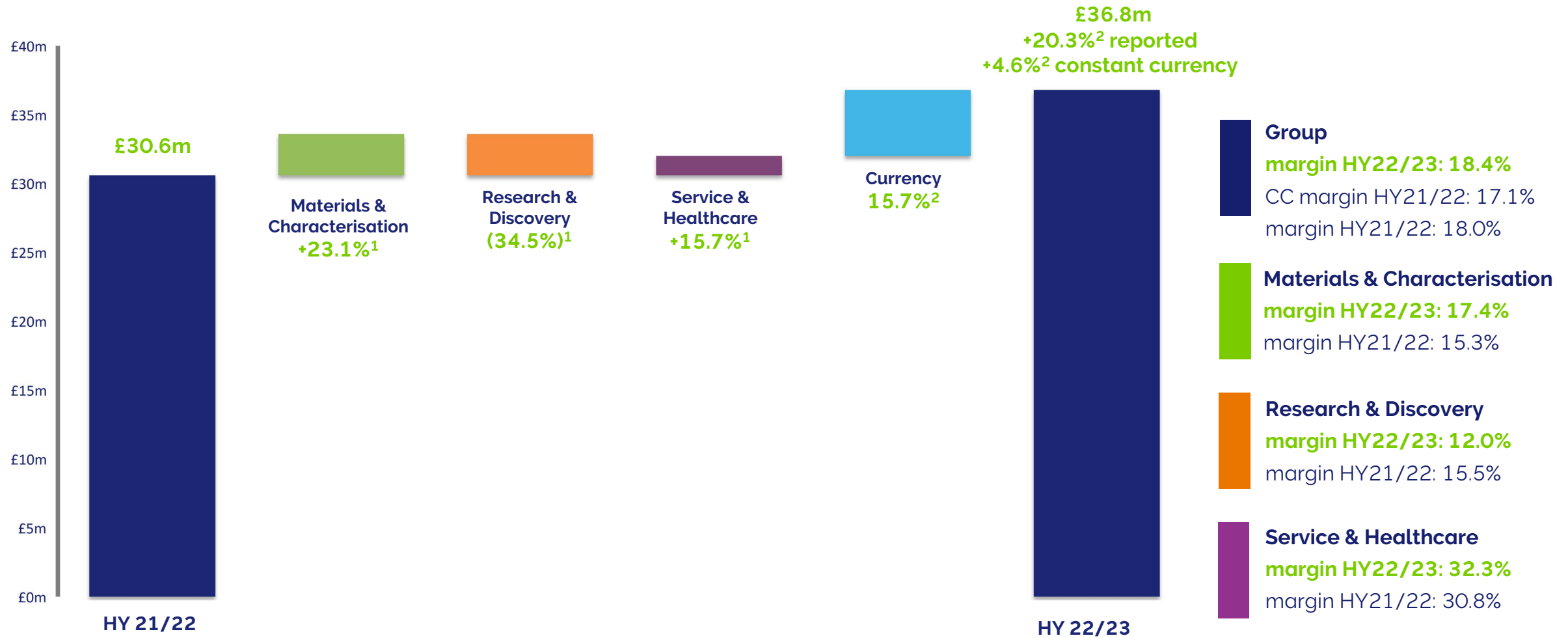
# Revenue by sector



<sup>1</sup> Constant currency growth rate compared to prior year sector revenue

<sup>2</sup> Growth rate compared to prior year Group total revenue

# Adjusted operating profit by sector



<sup>1</sup> Constant currency growth rate compared to prior year sector adjusted operating profit

<sup>2</sup> Growth rate compared to prior year Group total adjusted operating profit

Margin is calculated as adjusted operating profit divided by revenue

Margin at constant currency (CC) is defined as adjusted operating profit at constant currency divided by revenue at constant currency

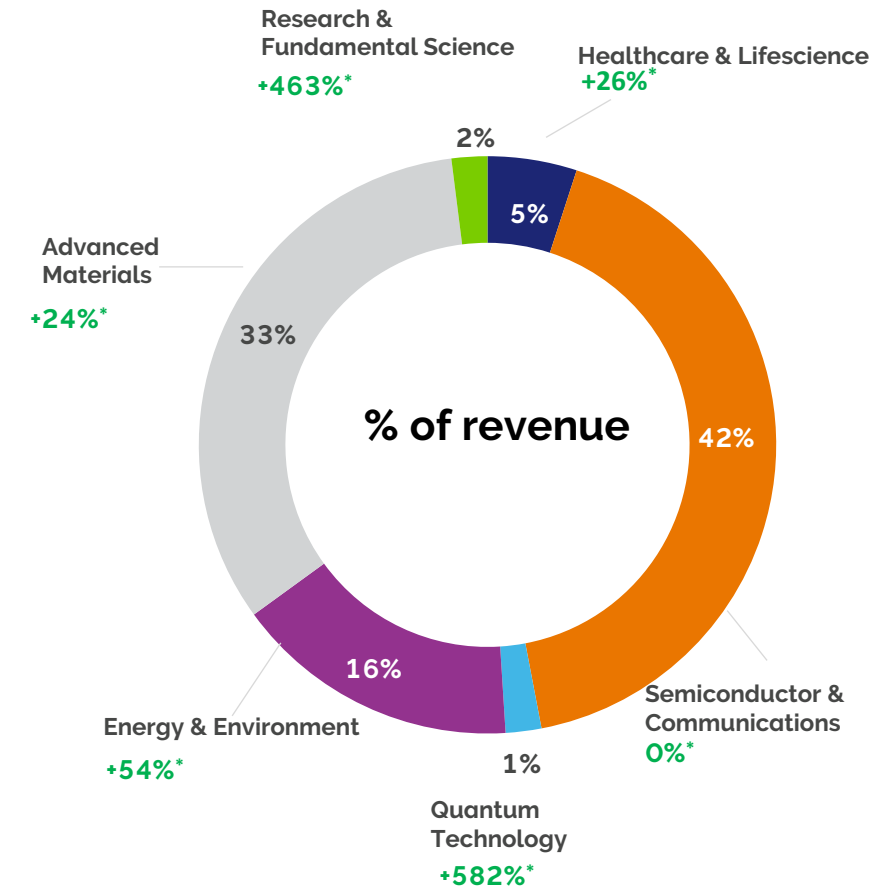
# Materials & Characterisation

54% Group revenue (Academic: 41% Commercial: 59%)

	2022/23 £m	2021/22 £m	Growth	Constant currency growth
Orders	135.4	102.9	+31.6%	+25.9%
Revenue	108.7	84.9	+28.0%	+19.7%
Adjusted <sup>1</sup> operating profit	18.9	13.0	+45.4%	+23.1%
Adjusted <sup>1</sup> operating margin	17.4%	15.3%		
Statutory operating profit	17.2	11.2	+53.6%	

## Key performance highlights

- Good double digit order growth across Semiconductor & Communications driven by investment in silicon semiconductor devices and demand for compound semiconductor processing systems, across production and academia
- Revenue in Semiconductor & Communications held back by supply chain disruption
- Significant investment in materials research and battery technology drove growth across Advanced Materials and Energy & Environment across our range of products
- WITec's technology supporting growth across all markets. Total organic (excl. WITec) constant currency order growth of 19.2% and revenue growth of 10.8%



\* revenue growth over prior year at constant currency

<sup>1</sup> Adjusted items exclude the amortisation and impairment of acquired intangible assets, acquisition items, other significant non-recurring items, and the mark-to-market movement of financial derivatives

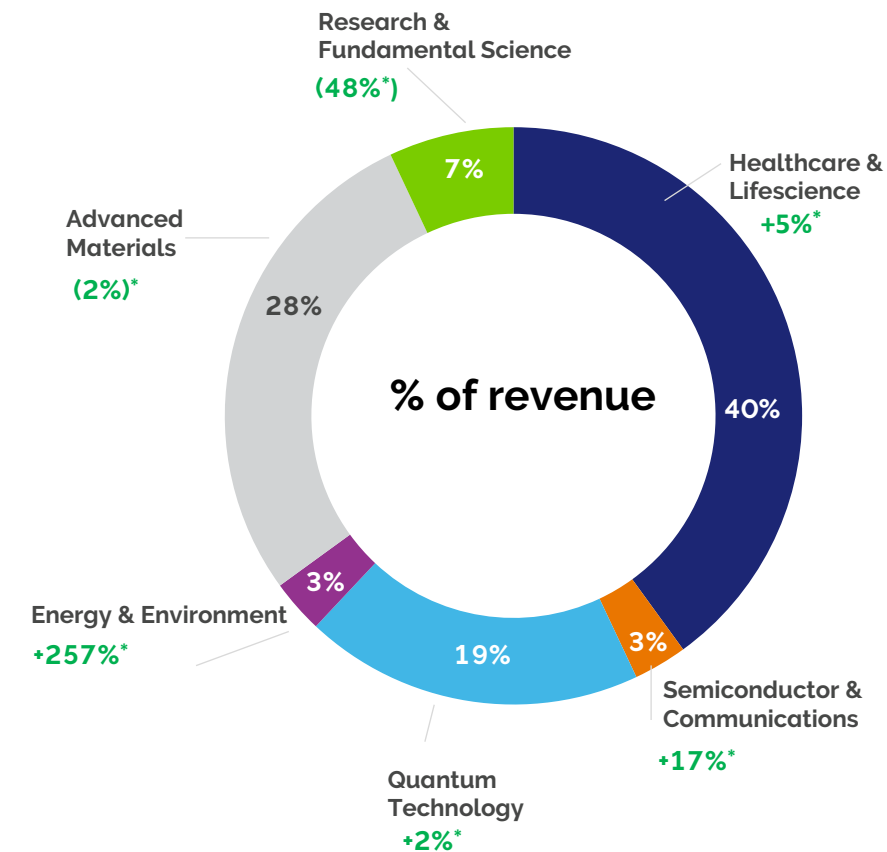
# Research & Discovery

29% Group revenue (67% academic; 33% commercial)

	2022/23 £m	2021/22 £m	Growth	Constant currency growth
Orders	62.8	60.5	+3.8%	(2.1%)
Revenue	58.1	56.3	+3.2%	(4.4%)
Adjusted <sup>1</sup> operating profit	7.0	8.7	(19.5%)	(34.5%)
Adjusted <sup>1</sup> operating margin	12.0%	15.5%		
Statutory operating profit	3.9	5.5	(29.1%)	

## Key performance highlights

- Investment in healthcare research driving demand for our imaging and microscopy products. New benchtop microscopy products support customer research offering advanced intuitive technology that is attractively priced
- Order growth affected by phasing of OEM orders. Operational disruption and export licence delays have tempered revenue growth in Healthcare & Life Science
- Strong order growth in quantum computing research results in demand for cryogenic platforms and imaging tools. Reorientating quantum order focus away from China due to political environment with strong order growth in Europe
- Reduction in profit and margin attributable to price impact lag due to order book phasing and lower shipments than anticipated not supporting recent investment in headcount to drive growth and deliver improvements to operations



\* revenue growth over prior year at constant currency

<sup>1</sup> Adjusted items exclude the amortisation and impairment of acquired intangible assets, acquisition items, other significant non-recurring items, and the mark-to-market movement of financial derivatives

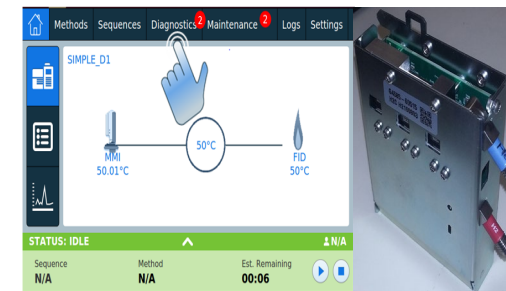
# Service & Healthcare

17% Group revenue

	2022/23 £m	2021/22 £m	Growth	Constant currency growth
Orders	37.1	34.9	+6.3%	+0.9%
Revenue	33.7	28.9	+16.6%	+10.7%
Adjusted <sup>1</sup> operating profit	10.9	8.9	+22.5%	+15.7%
Adjusted <sup>1</sup> operating margin	32.3%	30.8%		
Statutory operating profit	11.3	8.9	+27.0%	

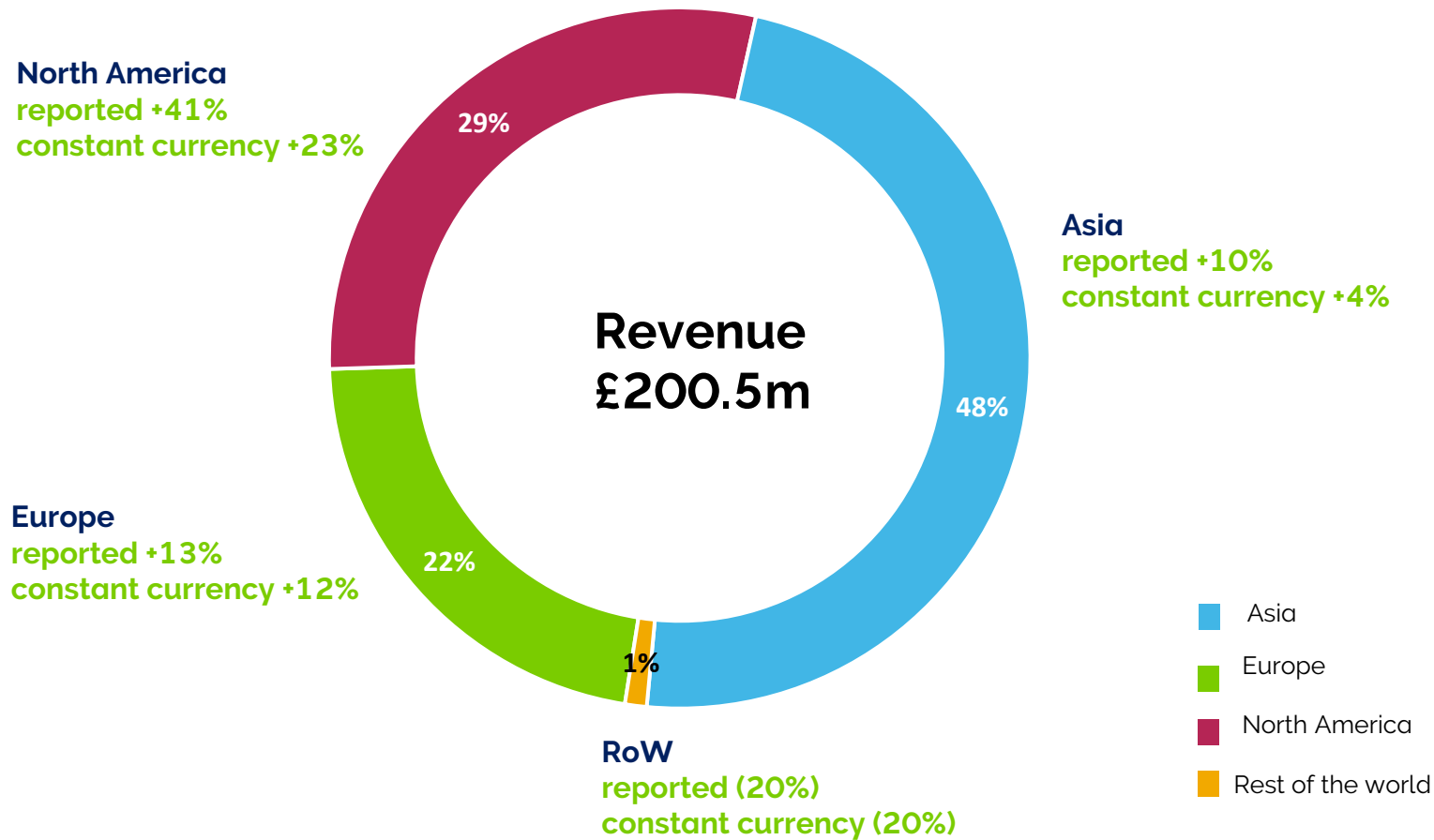
## Key performance highlights

- Strong growth related to our own products, supported by implementation of a regionally led service model
- Good sales of analytical software into life science applications
- Quality service and support provided for our MRI healthcare customers in Japan
- Improvement in margin partly from in-year contract efficiencies in Healthcare & Life Science



<sup>1</sup> Adjusted items exclude the amortisation and impairment of acquired intangible assets, acquisition items, other significant non-recurring items, and the mark-to-market movement of financial derivatives

# Revenue and order growth by region



## Order growth

**Europe**  
 reported +12%  
 constant currency +12%

**North America**  
 reported +26%  
 constant currency +11%

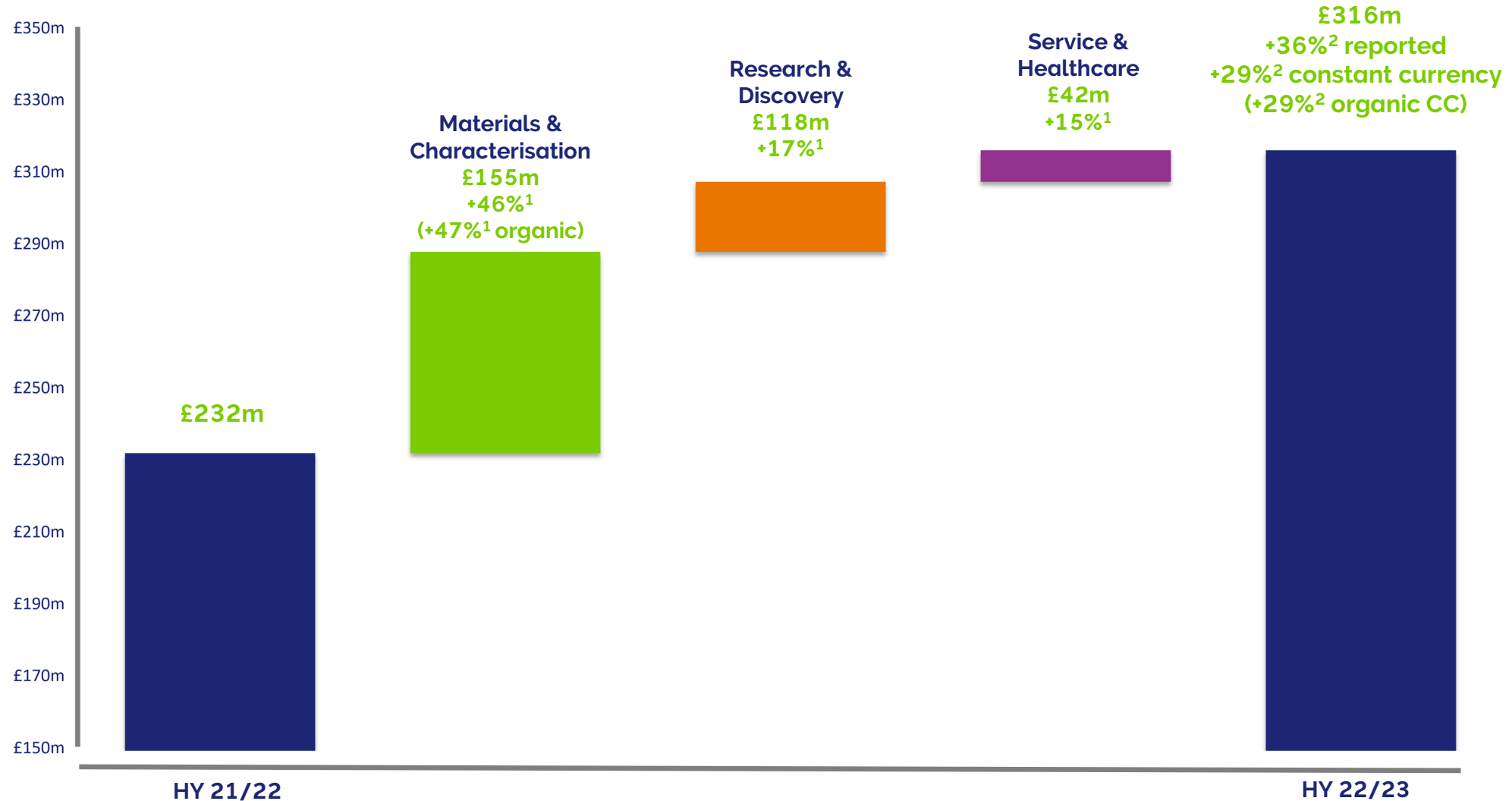
**Asia**  
 reported +17%  
 constant currency +13%

**Rest of the world**  
 reported +61%  
 constant currency +61%

## Book-to-bill ratio

**HY 22/23: 117%**  
**HY 21/22: 117%**

# Order book by sector



<sup>1</sup> Constant currency growth rate compared to prior year sector order book

<sup>2</sup> Growth rate compared to prior year Group total order book

# Cash flow

**Cash conversion**  
**47% (65%<sup>1</sup>)**  
 HY21: 50% (53%<sup>1</sup>)

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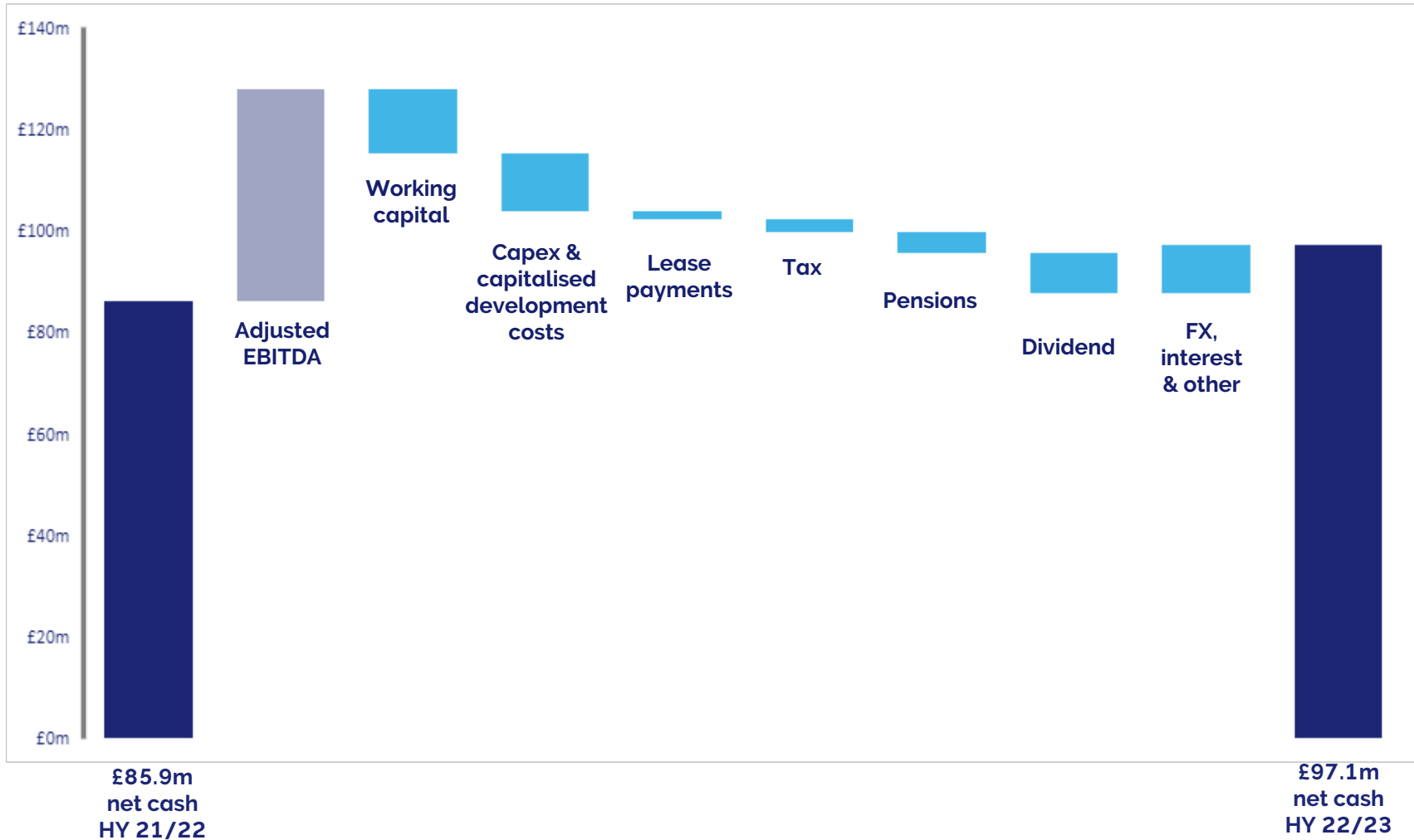
**Working capital outflow**  
**£12.6m**  
 HY21: £13.6m outflow

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**Capex**  
**£11.5m**  
 HY21: £5.5m

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**Capitalised development costs**  
**£0.1m**  
 HY21: £0.2m



**Adj effective tax rate**  
**21.4%**  
 HY21: 21.5%

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**Pension asset**  
**£24.5m**  
 FY22: £51.7m

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**Dividend**  
**£7.9m**  
 HY21: £2.4m

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**Net cash including lease liabilities**  
**£65.7m**  
 HY21: £57.2m

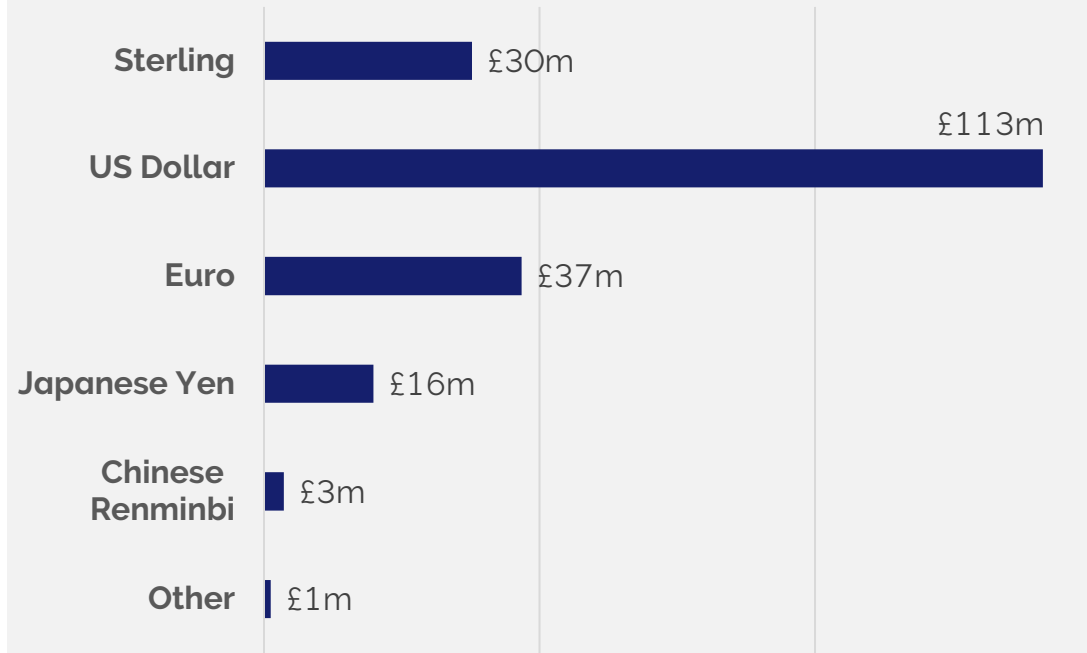
<sup>1</sup> Cash conversion (normalised) excludes expenditure on our new semiconductor facility



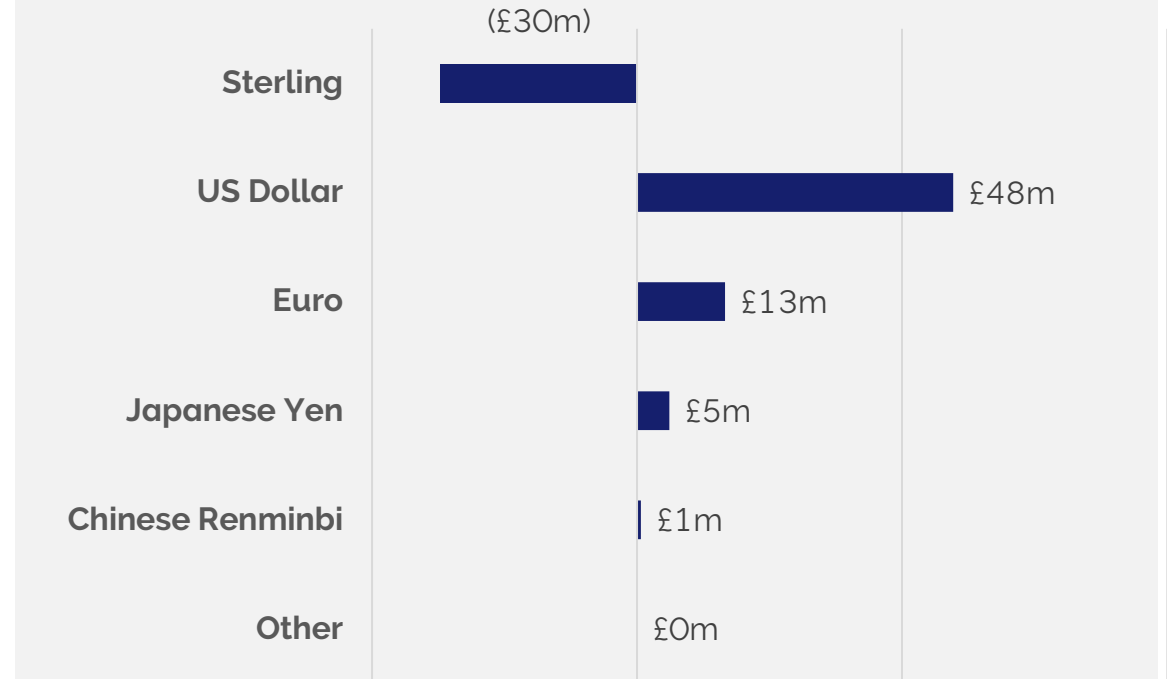
# Currency exposure



### Revenue (£m equivalent)



### Adjusted operating profit (£m equivalent)



# FX sensitivity

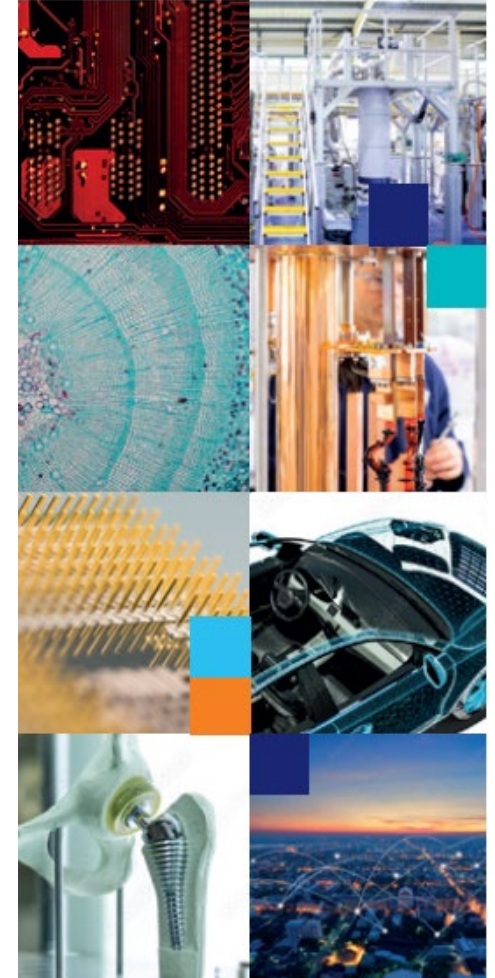


- Favourable currency impact in the half year: revenue: +£13.1m ; adjusted operating profit: +£4.8m
- Estimated full year 2022/23 currency impact
  - Assuming current hedges as at 31/03/22 and no change from current forecast rates, approximate currency sensitivity against 2021/22: Revenue: +£28m ; AOP: +£3.5m
- Estimated full year 2023/24 currency impact
  - Assuming no change from current rates, currency sensitivity against 2022/23: Revenue: neutral; AOP: +£1.8m
- Uncertain volume and timing of shipments and acceptances, currency mix and FX volatility, may significantly affect full year currency impact outcomes

*Note: Forecast currency rates: GBP: USD - 1.17; GBP: EUR - 1.16; GBP: JPY - 170*

# Finance summary

- Strong growth in orders and order book with a book-to-bill of 117%
- Adjusted operating margin dilution at constant currency impacted by order book phasing and shipment delays. Expect some alleviation in the second half with higher output and price rises feeding into revenue
- Geopolitical environment resulting in an increase in UK export licence delays and rejections to China
- Large currency tailwind supported good reported growth and margin improvement with good growth in adjusted EPS
- Strong growth in order book and robust pipeline
- Net cash of £97.1m provides strong balance sheet to support future growth through organic investment and acquisition opportunities



# End market overview

Ian Barkshire  
Chief Executive

# Markets: long-term structural growth drivers

## Healthcare & Life Science

(18% of revenue)

- Improved treatments & vaccines
- Personalised medicine & therapies
- Reduced development timelines & costs
- Ageing population

## Semiconductor & Communications

(28% of revenue)

- Increased chip demand
- Growing demand for bandwidth
- Faster computers & devices
- Surging data growth
- Universal connectivity
- Green economy

## Advanced Materials

(31% of revenue)

- Building blocks of advanced society
- Improved performance enables megatrends
- Sustainable manufacturing
- Finite resources

## Energy & Environment

(11% of revenue)

- Addressing climate change
- Increasing energy demands
- Transition from fossil fuels
- Food & water safety
- Preventing pollution

## Quantum Technology

(7% of revenue)

- Disruptive technology
- Government & data security
- Evolving commercial market
- Range of sectors - pharma, logistics, finance

## Research & Fundamental Science

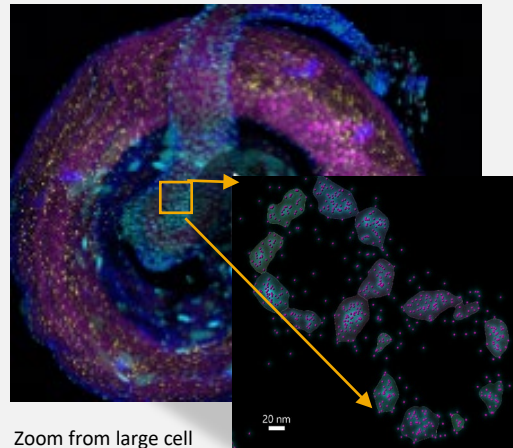
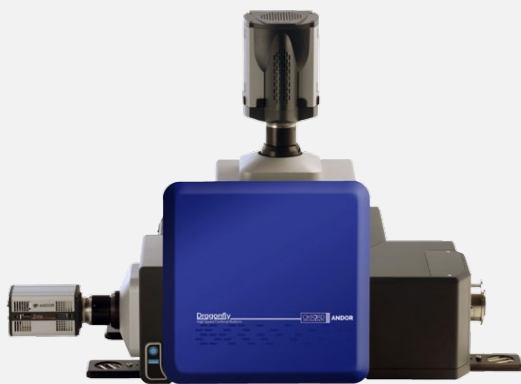
(4% of revenue)

- Advancing society
- Tomorrow's innovation
- Economic leadership
- Astronomy & space

# Supporting fundamental understanding of disease mechanisms to accelerate drug delivery

Our optical microscopy portfolio supports the full spectrum from high-end advanced super resolution research systems to easy-to-use accessible solutions and world-class data analysis

## Ultimate performance achievable for fundamental research



Zoom from large cell system to nuclear pore

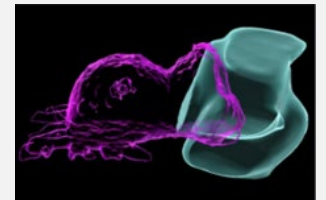
Flagship Dragonfly system: Google Earth-style capability enables users to assess large samples and zoom in to 15 nanometre resolution

## Research performance with unprecedented ease of use



BC43: making fast, high-resolution microscopy accessible to every life scientist

## Dedicated cancer, cell and neuroscience solutions



Cancer and T-cell interaction

Proprietary Imaris software subscriptions with tailored product packs enable crucial interpretation of rich data

# Driving green transition in the battery market

With batteries playing a critical part in the green transition in everything from cars to phones and electronic devices, our products and solutions are supporting customers at every stage of the battery life cycle

## Our suite of techniques



Atomic force microscopy



Nuclear magnetic resonance



Energy dispersive X-ray



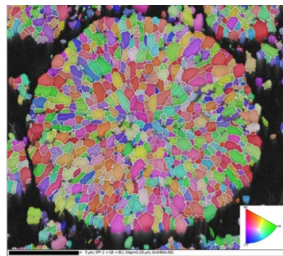
Electron backscatter diffraction



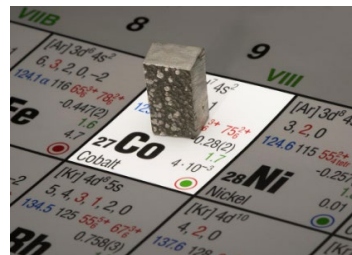
Raman microscopy



Wavelength dispersive spectroscopy



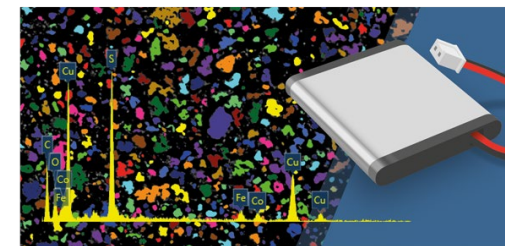
Optimising anode/cathode efficiency



Qualifying raw materials



Analysing analyte: active liquid within batteries



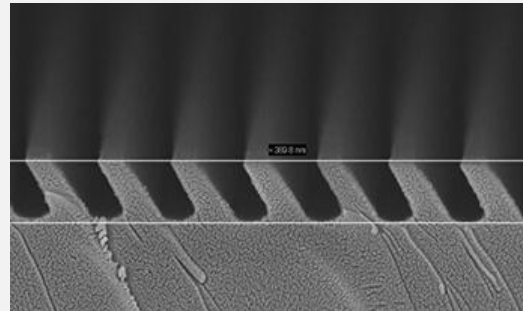
AZtec battery quality analysis and control for production

Tailored products supporting full life cycle

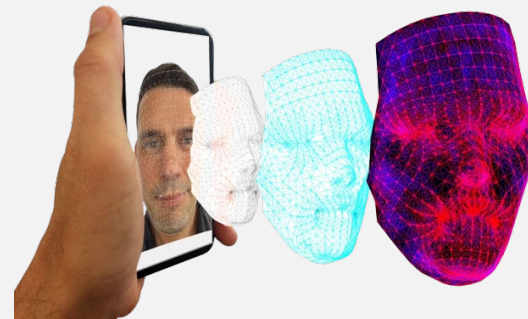
# Enabling research, development and delivery of next generation data communications

Our compound semiconductor technologies and solutions are supporting increased bandwidth, faster communications and the evolution of the human/machine interface

## Proprietary etching and deposition solutions enabling assisted reality technologies and advanced applications



Etching systems used to manufacture slanted gratings for augmented reality displays (right and below)



Critical processing steps for the manufacture of 3D and proximity sensors used in mobile phones, cars and cameras

## Transforming communications through increased bandwidth, capacity and speed



Critical processing steps for the manufacture of lasers and optical sensors used in communication networks and hyperscale data centres





# Summary and outlook

- Continued strong growth momentum, with increasing demand from structural growth markets and robust pipelines across all end markets
- Higher production and positive impact of recent price rises anticipated in second half as record order book is converted
- Good visibility for full-year trading at constant currency remaining in line with expectations

## Outlook

- While mindful of increasingly uncertain macroeconomic and geopolitical landscape, record order book demonstrates positive trajectory and underpins confidence in future growth potential
- Strong balance sheet, well positioned to invest in business and consider further acquisitions





Thank you

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# Appendix

# The Oxford Instruments business model



**Our core purpose is to enable a greener, healthier, more connected advanced society**

Our Horizon strategy defines the way we operate, embedding clearly defined core capabilities, processes and procedures across our businesses.

