



Thursday 27 May 2021

## Bodycote plc

### Trading Update

Bodycote, the world's leading provider of heat treatment and specialist thermal processing services, issues a trading update covering the four-month period from 1 January to 30 April 2021 ("the period"), ahead of the Company's 68<sup>th</sup> Annual General Meeting, which will be held at 12.00pm today.

#### Trading

Total Group revenue for the period was £208m (down 2% at constant currency and 4% at actual rates). As expected, our two businesses experienced contrasting trading conditions. AGI revenues, at £128m, were 5% up on last year in the period (7% at constant currency), while ADE revenues, at £80m, were 16% lower than last year (12% lower at constant currency, but 22% lower on an organic basis).

The following review of the Group's revenues by end market quotes all movements based on growth against the same period in 2020, at constant currency:

Automotive revenues have recovered strongly across all geographies with growth of 19% in the period. Indeed, we even registered growth in January and February which in the prior year were barely impacted by the pandemic. The shape of the business for the remainder of the year is still emerging and will depend in part on the pace of resolution of the global chip shortage, which is impacting parts of our business.

General industrial revenues were up 1%, with revenue levels continuing to improve quarter by quarter as industrial production recovers.

Aerospace & defence revenues were 19% lower (35% lower on an organic basis) as the civil aerospace business remains subdued. The news flow from the OEMs is moving in a positive direction with production rates improving for narrow-body aircraft as well as some pick up in flying hours for wide-body aircraft. This is leading to some very early signs of pick up in our business, although, with surplus inventory levels persisting in the supply chain for specific platforms, it is too early to tell if this will develop into a sustained improvement in revenue levels.

Energy now only represents 7% of Group revenues and were 21% lower, reflecting a substantial drop-off in both onshore and offshore business in reaction to the significant fall in demand driven by the pandemic. The recovery in oil prices in recent months has yet to materialise in greater demand for our oil and gas businesses.

Given the highly volatile trading patterns through 2020, it is informative to look at constant currency revenue development against the equivalent period in 2019, which provides a more stable comparison.

Against 2019, automotive revenues in the period were down 6%, with general industrial revenues down 8%. Aerospace & defence revenues unsurprisingly fared worse and were down 35% on an organic basis. Overall, total Group revenues were down 13% (19% on an organic basis).

Emerging market revenues (now representing 12% of Group revenues) are up 30% on 2019 levels, driven by strong growth in China, and, while Specialist Technologies' revenue development overall reflects the weighting of this business towards ADE, revenues from our AGI focused Specialist Technologies were 18% higher than 2019 levels, clearly demonstrating the superior growth trajectory of these technologies.

## **Margins**

The Group's restructuring plan is now substantially complete, and we remain on track to deliver £20m of cost savings in 2021, with £10m to be delivered in 2022.

With the savings from the restructuring coming through and continued careful management of costs, margins for the business as a whole are above last year's levels, despite the lower revenues. ADE margins have improved significantly from the second half of last year, while AGI margins are now well above pre-pandemic levels.

## **Financial position and liquidity**

Net debt as at 30 April 2021 was £76m (excluding lease liabilities) after paying £57m in final settlement of the Ellison Surface Technologies acquisition (which we completed last year), as well as £11m for payment of the dividend in February. Free cash flow of £25m during the period reflects continued strong underlying cash flows.

## **Summary and Outlook**

We are seeing improvement in revenue trends across most of our key markets and the Group is benefiting from last year's restructuring. We are, therefore, cautiously optimistic as we look forward to the remainder of this year.

## **Trading Update Conference Call**

The Company will be hosting a conference call for analysts and investors at 08.30am today (Thursday 27 May 2021).

Participants' dial-in number:

United Kingdom Toll-Free: 08003582206

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Participants will be asked for names only; no PIN will be required.

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