2023 Results Press Release
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Bodycote

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Bodycote plc
Full year results for year ended 31 December 2023

"Another year of strong growth and margin progression"

Financial summary

	2023		2022		Growth Constant Currency	Growth
Revenue	**£802.5**	**m**	£743.6	m	8%	8%
Headline operating profit[1]	**£127.6**	**m**	£112.2	m	17%	14%
Headline operating margin[1]	**15.9**	**%**	15.1	%		+80 bps
Headline operating margin excluding surcharges[1]	**17.3**	**%**	16.1	%		+120bps
Free cash flow[1]	**£122.5**	**m**	£84.0	m		46%
Basic headline earnings per share[1,2]	**48.4**	**p**	42.7	p		13%
Full year ordinary dividend per share	**22.7**	**p**	21.3	p		7%
Return on capital employed[1]	**14.8**	**%**	13.3	**%**		+150 bps

Additional statutory measures

	2023		2022	
Operating profit	**£119.2**	**m**	£102.0	m
Operating margin	**14.9**	**%**	13.7	%
Profit after tax	**£86.8**	**m**	£74.3	m
Net cash from operating activities	**£191.6**	**m**	£142.9	m
Basic earnings per share	**45.1**	**p**	38.6	p

Highlights

Financial Performance

- Revenue up 8% to £802.5m. Growth of 6% excluding energy-related surcharges
- Headline operating profit of £127.6m, 17% higher at constant currency
- Headline operating margin of 15.9%, up 80bps; 17.3% excluding surcharge revenue, up 120bps
- Headline basic EPS[2] growth of 13% to 48.4p
- Return on capital employed[1] up 150bps to 14.8%
- Free cash flow improved by £38.5m to £122.5m[1]
- Full year dividend per share of 22.7p, up 7%; 36-year record of growing or maintaining the dividend

Key Achievements

- Revenue growth led by Specialist Technologies, up 12% excluding surcharges[3]
- Strong performance in aerospace, oil & gas and medical markets
- 4% reduction in absolute energy consumption, notwithstanding 8% revenue growth
- Significant margin improvement; on track to achieve margins in excess of 20% over the medium term
- Returned to historical levels of free cash flow conversion[1] of over 90%
- Disciplined capital allocation resulting in the £52m acquisition of Lake City in January 2024 and a £60m buyback commencing 15 March 2024
- Delivering successfully on all strategic focus areas

Commenting, Stephen Harris, Group Chief Executive said:

"In 2023 we once again delivered strong revenue growth and improved financial performance, as well as making progress against our strategic focus areas.

We delivered significant headline operating profit margin improvement, notably in the ADE business, helping to drive Group margins to 17.3%, excluding surcharge revenue. Headline EPS increased by 13% to 48.4p. Bodycote returned to the strong levels of cash conversion which are more typical for the business, with free cash flow of £123m, up 46%, reflecting improved working capital management.

We will continue to deliver on our strategic focus areas in 2024, including driving growth in Specialist Technologies, capitalising on the growth opportunities from delivering carbon reductions for our customers, and integrating the newly acquired Lake City business.

Despite macroeconomic uncertainty we expect to deliver further progress in 2024. We anticipate a reduction in the level of energy surcharges, reflecting further normalisation of energy prices.

2024 should see us take another step towards our medium term margin target of more than 20%.

The Board remains confident in the Group's prospects for continued profitable growth."

1 The headline performance measures represent the statutory results excluding certain items. These are deemed alternative performance measures (APMs) under the European Securities and Markets Authority guidelines. Please refer to the APMs section of this full-year results release below for a reconciliation to the nearest IFRS equivalent.
2 A detailed earnings per share reconciliation is provided in note 6 to the condensed consolidated financial statements below.
3 At constant currency.

END

Full Year Results Presentation

Bodycote will be presenting our results via webcast at **08.30am UK GMT on 15 March 2024**. Please find the following instructions to connect to the video and audio:

Webcast URL:
https://www.bodycote.com/results2023

For dial-in only:
Participant dial-in numbers are:
United Kingdom: +44 800 358 1035
UK local: +44 20 3936 2999

Participant Access Code: 135721

This presentation will be available at www.bodycote.com

For further information, please contact:

Bodycote plc
Stephen Harris, Group Chief Executive
Ben Fidler, Chief Financial Officer
Peter Lapthorn, Investor Relations
Tel: +44 1625 505 300

FTI Consulting
Richard Mountain
Susanne Yule
Tel: +44 203 727 1340

Full Year Commentary

Overview

Group revenue increased 8% to £802.5m in 2023. Excluding surcharges, which have continued to be applied in order to recover high energy prices, revenue was up 6% at constant currency. This growth reflected significant progress in the Group's strategic focus areas, and was despite a mixed end market picture, particularly in the second half of the year. Bodycote delivered continued outperformance in Specialist Technologies, up 12% at constant currency and excluding surcharges, compared with Classical Heat Treatment which grew by 4%. Good revenue progress was delivered, with strong performance, in particular, in civil aerospace (+12%), medical (+24%) and energy (+27%).

Headline operating profit increased 14% to £127.6m, from £112.2m in 2022 (+17% at constant currency). Headline operating margin improved to 15.9% (2022: 15.1%). Adjusting for the revenue impact of energy surcharges, headline operating margin increased by 120bps to 17.3%. Cost inflation was successfully covered through price increases. Margin improvement was led by the ADE business, where headline operating margins rose by 410bps to 21.0%, driven by strong revenue growth in Aerospace and Defence, in addition to the successful actions to improve pricing and operational performance in Surface Technology.

Statutory operating profit increased from £102.0m to £119.2m.

Basic headline earnings per share increased by 13% to 48.4p (2022: 42.7p). Basic earnings per share rose 17% to 45.1p (2022: 38.6p), reflecting the increase in statutory operating profit.

The Group delivered a significant improvement in free cash flow, which increased £39m to £123m (2022: £84m). This reflected higher operating profit, as well as a significant improvement in working capital control, through better receivables collection. Investment in maintenance capital expenditure increased by £6m reflecting ongoing steps to drive improvements in equipment uptime performance.

As a result of the cash flow performance, the balance sheet further strengthened, with a closing net cash position excluding lease liabilities of £12.6m (2022: £33.4m net debt excluding lease liabilities).

Disciplined and balanced capital allocation to drive shareholder value

The Group's strong financial position provides flexibility for disciplined and balanced capital allocation, with a number of actions taken during 2023 and in early 2024.

In 2023, the Group invested £85.5m (2022: £74.3m) in capital expenditure, including expansionary capital expenditure of £27.8m (2022: £22.1m). Over 80% of the expansionary spend was deployed in our strategic focus areas of Specialist Technologies, Emerging Markets, civil aerospace and electric vehicles.

Full year DPS was increased by 7% to 22.7p, continuing a 36-year track record of growing or maintaining the dividend. The total cash returned to shareholders through dividends in 2023 was £40.6m (2022: £38.5m).

In January 2024, the Group announced completion of the acquisition of Lake City Heat Treating for a total gross consideration of £52m (£46m net of expected tax benefits). Lake City is a leading hot isostatic pressing (HIP) and vacuum heat treatment business in Warsaw Indiana, serving the orthopaedic implant market as well as civil aerospace. It fits well with the strategic focus on growing further the Group's Specialist Technologies revenue in addition to significantly expanding the Group's presence in the structurally attractive medical market.

In addition, a £60m share buyback programme was announced in January, which will commence on 15 March 2024. Further details are provided in a separate announcement.

Business focus

The following commentary reflects constant currency growth rates versus the comparable period last year, unless stated otherwise.

Specialist Technologies

Specialist Technologies are differentiated, early-stage processes with high margins, large market opportunities and good growth prospects, where Bodycote is either the clear leader or one of the top players among few competitors. A key part of the Group's strategy is to grow these businesses and, over time, to increase their relative weight within our portfolio. Over the past 6 years, Specialist Technologies has now outgrown Classical Heat Treatment by on average c.10% per year (at constant currency and excluding surcharges).

In 2023, revenue from Specialist Technologies grew by 12%, supported by existing customer growth and ongoing sales and marketing efforts to drive higher rates of new adoption of these processes. To service this growth there was also investment in additional capacity, with 58% of expansionary capital expenditure in 2023 (£16m) invested in Specialist Technologies. In 2023 this included HIP capacity expansion in the US on the East Coast and in the Midwest, growth in our S^{3}P businesses in Mooresville, North Carolina and in Vellinge, Sweden, as well as additional LPC capacity in Hungary to support electric vehicle production. In 2024 we expect to drive further expansion, including new Corr-I-Dur® capability in China and additional HIP capacity at several sites in the US.

Market sectors

Aerospace & Defence revenue of £214m was 15% higher than the prior year, 11% higher excluding the impact of energy surcharges. Civil aerospace revenue was 12% higher excluding surcharges, as production rates for commercial aircraft and engines continued to recover, and there was a considerable step-up in air traffic and related aftermarket and servicing activity. Further growth in OE production volumes and aftermarket activity is expected in 2024, which the group is well positioned to capture through strong exposure on newer engine programmes like the CFM LEAP engine. Supply chain issues continue to temper growth in civil aerospace, although there was some improvement in the second half of 2023. Outside civil aerospace we also saw good growth in defence (up 10%), notably in France and the US, and in the space sector.

Automotive revenue was £195m, 6% higher in the year, 5% growth excluding the impact of energy surcharges. Growth was led by Emerging Markets, which saw strong performance in Eastern Europe (up 24%), partly offset by weakness in China and Mexico. There was modest growth in Western Europe, where heavy truck and bus sales grew strongly but light vehicle sales were flat. Automotive revenue in North America grew by a low single digit percentage. There was considerable order activity in electric vehicles (EVs) including battery electric vehicles and hybrids. We secured further major new OEM contracts for EV components in Emerging Markets, North America and Europe, which will progressively ramp-up in the coming years.

General Industrial (including energy) revenue increased 6% to £394m, which represented 4% growth excluding surcharges. There was significant variation across end markets, with energy sales increasing 27%, and with continued strong growth delivered in medical, up 24%. There were more challenging conditions in the manufacturing, industrial machinery, tooling, and electronics markets, which saw declines in the second half of the year.

Sustainability

We are proud of the work we do to improve sustainability through our innovative range of metallurgy services across a multitude of markets and applications. Our services deliver a wide range of sustainability benefits to customers: extending the lifespan of components, reducing carbon emissions, supporting the development of low-carbon industries, and enabling lighter and thinner components to be adopted for more sustainable manufacturing. With increasing pressure on companies to decarbonise their activities to meet emissions targets and align with emerging legislation, Bodycote's role in helping customers reduce emissions has never been more important.

As part of our sales and marketing agenda, in 2023 we accelerated our work to develop digital tools that automate the quantification of carbon savings for customers. Emissions are up to 60% lower when parts are processed in our facilities, compared with customers' own in-house processing. Our tools will enable us to demonstrate the positive impact of outsourcing to Bodycote, enabling our customers to reduce their operational emissions, and avoid some emissions entirely.

Our work to transition customers to lower carbon technologies also gained momentum in 2023. Encouraging accelerated conversion to these technologies plays a role in reducing emissions, while driving growth at the same time. We secured several new contracts in the year where avoided carbon emissions (Scope 4) were a critical factor for our customers.

The pace of investment in our own carbon reduction programme continues to accelerate. This also yields a financial payback through lowering the cost of energy, driving higher margins. The Group's energy consumption reduced by 4% in 2023 as a result of our initiatives, notwithstanding the 8% growth in Group revenue. We are well on track to achieve our Science Based Target[1] for emissions reduction, having now reduced them by 24% since 2019.

Summary and outlook

In 2023 we once again delivered strong revenue growth and improved financial performance, as well as making progress against our strategic focus areas.

We delivered significant headline operating profit margin improvement, notably in the ADE business, helping to drive Group margins to 17.3%, excluding surcharge revenue. Headline EPS increased by 13% to 48.4p. Bodycote returned to the strong levels of cash conversion which are more typical for the business, with free cash flow of £123m, up 46%, reflecting improved working capital management.

[1] Bodycote has signed up to emissions reductions in line with the Science Based Targets initiative (SBTi)

We will continue to deliver on our strategic focus areas in 2024, including driving growth in Specialist Technologies, capitalising on the growth opportunities from delivering carbon reductions for our customers, and integrating the newly acquired Lake City business.

Despite macroeconomic uncertainty we expect to deliver further progress in 2024. We anticipate a reduction in the level of energy surcharges, reflecting further normalisation of energy prices.

2024 should see us take another step towards our medium term margin target of more than 20%.

The Board remains confident in the Group's prospects for continued profitable growth.

Business review

Our ADE business focuses on aerospace, defence and energy customers, who typically operate globally. Our AGI business focuses on automotive and general industrial customers. These include many multinational companies that tend to typically operate on a regionally focused basis and numerous medium-sized and smaller businesses, all of which are important to Bodycote. Much of the AGI business is locally oriented.

Strategically we have focused on building customer relationships to enable our participation in long-term programmes. Not only do we have a competitive advantage as a result of our scale and capabilities, but our global reach allows customers to work with us on multiple projects simultaneously, making us a valued business partner.

The following reviews reflect constant currency growth rates unless stated otherwise.

Our ADE business

Bodycote services all of the major manufacturers in the aerospace industry as well as a large portion of their supply chains.

Revenue in 2023 was £355.5m, an increase of 14% (14% at actual exchange rates) with strong growth in civil aerospace, oil & gas and medical revenue.

Headline operating profit increased to £69.5m (2022: £50.8m), and headline operating margin increased to 19.5% (2022: 16.2%) and 21.0% excluding the revenue effect of energy-related surcharges (2022: 16.9%), reflecting higher aerospace volumes as well as improved pricing and operational performance in our Surface Technology business. Statutory operating profit increased to £63.1m (2022: £44.0m).

We spent £13.4m on expansionary capital expenditure, with significant investment in capacity growth for the North American Specialist Technologies business.

Return on capital employed increased to 15.5% (2022: 11.9%) as a result of the improved profitability.

Our AGI business

Bodycote has a long and successful history of servicing its wide-ranging customer base.

Our extensive network of facilities enables the business to offer customers the broadest range of capability and security of supply. Each of our AGI facilities works with customers to respond with the expertise and appropriate service level required, no matter the size of the customer's demand.

Revenue was £447.0m, an increase of 4% on the prior year (4% at actual exchange rates). There was good growth in the first half of the year, led by automotive sales in Eastern Europe, with a softening in the second half due to weaker industrial end markets.

Headline operating profit was £79.3m (2022: £80.8m), and headline operating margin declined slightly to 17.7% (2022: 18.7%) and 19.6% excluding the revenue effect of energy related surcharges (2022; 20.4%), impacted by the low volume levels in the second half of the year. Statutory operating profit declined to £77.6m (2022: £78.2m).

We spent £14.4m on expansionary capital expenditure, with ongoing expansion in Emerging Markets, particularly in Eastern Europe and China.

Return on capital employed was broadly stable at 17.8% (2022: 18.2%).

Financial overview

	2023 £m	2022 £m
Revenue	**802.5**	743.6
Headline operating profit	**127.6**	112.2
Amortisation of acquired intangible assets	**(8.1)**	(9.3)
Acquisition costs	**(0.3)**	(0.9)
Operating profit	**119.2**	102.0
Net finance charge	**(7.5)**	(6.7)
Profit before taxation	**111.7**	95.3
Taxation charge	**(24.9)**	(21.0)
Profit for the year	**86.8**	74.3

Group revenue increased to £802.5m, growth of 7.9% at actual exchange rates and 8.3% at constant currency.

Headline operating profit for the year increased 13.7% to £127.6m (2022: £112.2m), representing growth of 16.7% at constant currency. This saw the Group deliver further improvement in headline operating margin to 15.9% (2022: 15.1%) reflecting the benefit of increased volumes, pricing and improved operational efficiencies. Statutory operating profit increased to £119.2m (2022: £102.0m).

The Group continued to recover cost inflation during the year through a combination of pass through energy surcharges and sustainable price increases. Excluding the revenue impact of energy surcharges, headline operating margins rose by 120 bps to 17.3% (2022: 16.1%).

Net finance charge

The net finance charge increased modestly to £7.5m (2022: £6.7m), analysed in the table below.

	2023 £m	2022 £m
Interest on loans and bank overdrafts	**(2.7)**	(2.3)
Interest on lease and pension liabilities	**(2.7)**	(1.8)
Financing and bank charges	**(2.9)**	(3.0)
Total finance charge	**(8.3)**	(7.1)
Interest received	**0.8**	0.4
Net finance charge	**(7.5)**	(6.7)

The increase in interest charges during the year was driven primarily by higher underlying interest rates on the Revolving Credit Facility drawings and on leases. These were partly offset by an increase in interest received on cash deposits during the year.

Profit before taxation

	2023 £m	2022 £m
Headline profit before taxation	**120.1**	105.5
Amortisation of acquired intangibles	**(8.1)**	(9.3)
Acquisition costs	**(0.3)**	(0.9)
Profit before taxation	**111.7**	95.3

Headline profit before tax increased by 13.8% to £120.1m (2022: £105.5m), growth of 17.2% at constant currency. Statutory profit before taxation increased to £111.7m (2022: £95.3m).

Taxation

The tax charge for the year was £24.9m (2022: £21.0m). The headline tax rate for the Group was 22.5% (2022: 22.3%), before accounting for amortisation of acquired intangibles, acquisition costs and exceptional items. This was in line with our expectations. The Group's overall tax rate reflects the blended average of the tax rates in the jurisdictions around the world in which the Group trades and generates profit. Looking ahead, the headline tax rate is expected to moderately increase over the next few years mainly due to growth in the US business and an increase in the UK corporate tax rate.

The effective statutory tax rate was 22.3% (2022: 22.1%). Provisions of £26.4m (2022: £28.1m) are carried in respect of potential future additional tax assessments related to 'open' historical tax years. Note 4 of the condensed consolidated financial statements below for more information.

The OECD Pillar II proposals for a global minimum tax rate are applicable to the Group from 1 January 2024. The changes are not expected to have a material impact on the Group's tax charge in 2024.

Earnings per share

Basic headline earnings per share rose 13.3% to 48.4p (2022: 42.7p) as a result of the higher headline operating profit. Basic earnings per share for the year increased to 45.1p (2022: 38.6p). Note 6 of the condensed consolidated financial statements below provides further details of the basis of these calculations.

	2023 £m	2022 £m
Profit before taxation	**111.7**	95.3
Taxation charge	**(24.9)**	(21.0)
Profit for the year	**86.8**	74.3
Basic headline EPS	**48.4p**	42.7p
Basic EPS	**45.1p**	38.6p

Return on capital employed

Return on capital employed rose by 150 bps in the year to 14.8% from 13.3% in 2022. The increase reflected improvement in headline operating profit together with the Group's ongoing discipline over capital expenditure projects, focused on delivering the Group's strategy and driving attractive returns.

Cash flow

	2023 £m	2022 £m
Headline operating profit	**127.6**	112.2
Depreciation and amortisation	**74.0**	74.9
Other, including impairment and profit on disposal of PPE	**(2.7)**	3.0
Headline EBITDA[1]	**198.9**	190.1
Net maintenance capital expenditure	**(57.7)**	(52.2)
Net working capital movement	**(1.7)**	(25.3)
Headline operating cash flow	**139.5**	112.6
Restructuring	**(1.6)**	(7.4)
Financing costs, net	**(6.4)**	(5.8)
Tax, net	**(9.0)**	(15.4)
Free cash flow	**122.5**	84.0
Expansionary capital expenditure	**(27.8)**	(22.1)
Ordinary dividend	**(40.6)**	(38.5)
Acquisition spend	**(0.1)**	(0.9)
Own shares purchased less SBP and others	**(8.1)**	1.7
Reduction in net debt	**45.9**	24.2
Opening net debt	**(99.4)**	(116.4)
Foreign exchange movements	1.8	(7.2)
Closing net debt	**(51.7)**	(99.4)
Lease liabilities	**64.3**	66.0
Net cash/(debt) excluding lease liabilities	**12.6**	(33.4)

1 Refer to the alternative performance measures section below for a reconciliation of operating profit to Headline EBITDA.

Improving cash flow conversion has been a significant focus during 2023 and reflecting this, cash generation improved materially in the year. Headline operating cash flow rose to £139.5m (2022: £112.6m), as a result of higher headline operating profit and improved working capital control through better receivables collection. Headline operating cash flow conversion improved to 109% (2022: 100%). The statutory measure, net cash from operating activities, rose to £191.6m (2022: £142.9m).

The Group generated a strong increase in free cash flow to £122.5m (2022: £84.0m) for the year with free cash flow conversion of 96% compared to 75% for 2022. Net tax payments in 2023 were £9.0m (2022: £15.4m) with the reduction reflecting receipt of tax refunds relating to prior years.

Closing net debt was £51.7m (2022: £99.4m). Excluding lease liabilities, the Group moved from a net debt position in the prior year of £33.4m to a net cash position of £12.6m, an improvement of £46.0m. This improved balance sheet position was achieved after paying £40.6m of dividends to shareholders and deploying £13.2m for the purchase of 2 million shares for the Employee Benefit Trust to satisfy future share-based payments under the Group's share incentive schemes (at an average price of £6.61).

Going forwards from 2024, the Group will amend its definition for both headline operating cash flow and free cash flow to include expansionary capital expenditure as well as maintenance capital expenditure. This will better align the Group with normal market practice.

Expansionary capital expenditure

The Group invested £27.8m (2022: £22.1m) in expansionary capital projects. Over 80% of the expansionary spend was deployed in our strategic focus areas of Specialist Technologies, Emerging Markets, civil aerospace and electric vehicles.

Total capital expenditure in the year (including both maintenance and expansionary) was £85.5m (2022: £74.3m). The Group remains committed to maintaining its assets to the highest standards of quality and safety.

Dividend and dividend policy

The Group has a long and stable track record of dividend growth and aims to pay ordinary dividends so that dividend cover will be at or above 2.0 times earnings on a 'normalised' multi-year basis.

In line with this policy, the Board has recommended a final dividend of 16.0p (2022: 14.9p), bringing the full year ordinary dividend to 22.7p (2022: 21.3p). The interim dividend of 6.7p, approved by the Board on 27 July 2023, was paid on 10 November 2023 to shareholders on the register at the close of business on 6 October 2023. Subject to shareholder approval at the 2024 AGM, the final dividend will be paid on 6 June 2024 to shareholders on the register at the close of business on 26 April 2024.

Borrowing facilities

The Group is financed by a mix of cash flows from operations, short-term borrowings and leases. The Group's funding policy aims to ensure continuity of financing at a reasonable cost, based on committed and uncommitted facilities and loans to be procured from several sources over a spread of maturities. The Group continues to have access to committed facilities at competitive rates and currently deems this to be the most effective means of long-term funding. At 31 December 2023, the facility was drawn as follows:

Facility	Expiry date	Facility £m	Facility utilisation £m	Facility headroom £m
Revolving Credit Facility	27 May 2027	250.9	32.1	218.8

In addition to the Revolving Credit Facility, the Group also has access to additional committed facilities of £9.7m (£0.2m drawn) bringing total committed facility headroom to £228.3m at 31 December 2023 (2022: £185.8m).

Post balance sheet events – acquisition and share buyback

Bodycote announced completion of the acquisition of Lake City in January 2024 for total gross consideration of £52.2m on a cash and debt free basis which was settled through the Group's existing cash balances and borrowing facilities.

Reflecting the Group's strong financial position and demonstrating a disciplined and balanced approach to capital allocation, Bodycote also announced in January 2024 its intention to launch a share buyback programme of up to £60m. This will commence on 15 March 2024.

Alternative performance measures

Bodycote uses alternative performance measures such as revenue excluding surcharges, organic revenue, headline operating profit, headline operating margin, headline operating margin excluding surcharge revenue, basic headline earnings per share, headline profit before taxation, headline operating cash flow, headline operating cash conversion, free cash flow, free cash flow conversion, net debt and return on capital employed together with current measures restated at constant currency. The Directors believe that these assist users of the financial statements to gain a clearer understanding of the trading performance of the business, allowing the impact of restructuring and reorganisation activities and amortisation of acquired intangible assets to be identified separately. These alternative performance measures can be found in the APMs section below.

Going concern

In determining the basis of preparation for the consolidated financial statements from which the condensed consolidated financial statements included in this press release have been extracted, the Directors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position.

The current and plausible impact of macroeconomic factors, including the war in Ukraine, energy and price inflation, and global supply chain impacts on the Group's activities, performance and revenue, in addition to other factors and risks, have been considered by the Directors in preparing its going concern assessment. The Group has modelled a base case, which reflects the Directors' current expectations of future trading in addition to potential severe but plausible impacts on revenue, profits and cash flows in a downside scenario.

Management's base case scenario is built upon the budgeting and forecasting processes for 2024 and extended up to June 2025. It includes the recent acquisition of Lake City and the £60m share buyback that were announced in January 2024. This model shows an improvement in performance in both revenue and profits compared to 2023. The Group's recent record of cash conversion was used to estimate the cash generation and level of net debt over that period. The severe but plausible downside scenario assumes a significant decline in revenue of around 20% below the base case modelled through to the end of June 2025, giving a 12% year on year decline in 2024. This downside takes account of additional short-term negative shock events which are intentionally more severe than those used in the impairment analysis. In mitigation to this severe sales decline, a 5% decline to maintenance capex and a 50% decline to expansionary capex compared to the base case has been assumed, together with an assumption that there is no growth in dividends from 2023 across this period.

In performing the scenarios, the assessment has considered both liquidity and compliance with the Group's covenants. The key covenants attached to the Group's Revolving Credit Facility relate to financial gearing (net debt to EBITDA) and interest cover, which are measured on a pre-IFRS 16 basis. The maximum financial gearing ratio permitted under the covenants is 3.0x (with a one-time acquisition spike at 3.5x) and the minimum interest cover ratio permitted is 4.0x. In both the base case and the severe but plausible downside scenario modelled, the Group continues to maintain sufficient liquidity and meet its gearing and interest cover covenants under the Revolving Credit Facility with substantial headroom.

Management also performed a reverse stress test. This indicated that 2024 revenue would need to decline by over 35% compared to 2023 levels and with no growth in 2025 before the Group's loan covenants were breached at the June 2025 test date. In this scenario, minimum liquidity was over £47m throughout the entire period. This scenario included the same mitigations as the downside scenario, with the expansionary capex reduction increased to 80% in H1 2025.

The Group meets its working capital requirements through a combination of committed and uncommitted facilities and overdrafts. For the purposes of the going concern assessment, the Directors have only taken into account the capacity under existing committed facilities, being predominantly the Group's Revolving Credit Facility.

The Group has access to a £250.9m Revolving Credit Facility maturing in May 2027. The Group's committed facilities at 31 December 2023 totalled £260.6m while uncommitted facilities totalled £63.5m. At 31 December 2023, the Group's committed facilities had drawings of £32.3m (2022: £69.6m) and the Group's net cash (excluding lease liabilities) was £12.6m (2022: net debt (excluding lease liabilities) of £33.4m). The liquidity headroom was £273.5m at 31 December 2023 (2022: £223.0m), excluding uncommitted facilities.

Following this assessment, the Directors have formed a judgement, at the time of approving the financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that it is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the approval date of the consolidated financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Principal risks and uncertainties

The Board is responsible for the Group's risk management, determining the Group's risk appetite and ensuring that the Group risk process and systems of internal control are robust, continuously monitored and evolve to address changing business conditions and threats. An update is provided to the Executive and Audit Committees on the Group's risk activities at every meeting and a comprehensive review of the Group's business-critical and emerging risks is presented to the Board in June and in December. The Board is satisfied that an ongoing process of identifying, evaluating and managing the Group's significant risks has been in place throughout 2023 and a robust assessment of both the Group's principal and emerging risks has been undertaken.

Key events in the year

Inflation has remained at a high level leading to further increases in certain of the Group's input costs, which have been successfully recovered through pricing. The Ukraine war continued and geopolitical tensions intensified in the Middle East during the second half of the year. Bodycote has no direct exposure to any of the countries involved and has no facilities, customers, or suppliers in these territories.

There has been a continued increase in interest rates following the aggressive rate rises implemented during 2022 by numerous central banks to curb inflation. In the last quarter of 2023, monetary policy interventions appear to have eased inflation rates with many central banks indicating that further rate hikes may not be required. Bodycote has continued to manage inflationary cost pressures well through annual price increases to recover rising labour and other costs and the energy surcharge programme, implemented in 2022, which has enabled recovery energy cost inflation in the year.

Emerging risks

The Board has highlighted geopolitical risk, specifically, the unpredictable geopolitical landscape and the uncertainty over future global events as an emerging risk. If tensions in the geopolitical landscape result in the implementation of aggressive trade barriers that reduce the movement of goods, this could result in customers shortening their supply chains and moving them closer to their main production locations. The emerging risk is mitigated by the fact that Bodycote has a global network of sites which allow us to service customers from multiple locations, such that the residual risk exposure is not considered significant.

No additional emerging risks were identified in 2023. The risk of global pandemics and their impact on both supply chain issues and operations are no longer considered as either an emerging nor principal risk for the Group. Bodycote demonstrated the ability to respond to and manage its cost base well through the COVID-19 pandemic. Additionally. the following two risks are no longer considered as emerging and are now included in our principal risks:

- the acceleration in the transition to electric vehicles (markets and customers); and
- continued environmental activism and increased focus from both regulators and the investment community around climate change (environment)

Market and customer risks
Bodycote's presence in 22 countries servicing more than 40,000 customers across a wide variety of end-markets acts as a natural hedge to neutralise localised economic volatility and component life cycles.

The principal risks in this area are:

- General macroeconomic trends, the economic environment and the rate of transition from ICE to electric vehicles (which also presents an opportunity for the Group). Bodycote needs to maintain progress in building a strong market position in the electric vehicle supply chain
- Rising inflation if not successfully passed on to customers
- The threat of new and existing competitors into one or more of the Group's Specialist Technologies

Corporate and community risk
Bodycote is committed to providing a safe work environment for its employees and each facility. There are well established Group-wide health and safety policies that are subject to regular review and auditing. There are also programmes in place to focus on the reduction of incidents which could have a high impact. The principal risk in this area is the safety and health of our employees.

Environment
Bodycote recognises the importance of considering climate risks and opportunities in our business decisions. The Group's carbon reduction strategy is of particular importance to stakeholders, both as potential risk and as commercial opportunity. Our climate change risk is managed closely by Group management reporting to the Chief Executive who provides regular reports to the Board. We also acknowledge the role of the Task Force on Climate-related Financial Disclosures (TCFD) in supporting the transition to a low-carbon economy. Our disclosures within the Sustainability report in the 2023 Annual Report demonstrate how we are managing our climate impact and how the Group is evolving in response to the risks and opportunities arising.

Our principal risks in this area are the potential risks from emerging regulation, technology, legal, market, and physical climate risk drivers which could lead to business disruption, health risks, loss of reputation and financial costs.

Operational risks
Bodycote has a global network of more than 165 facilities. Each facility has stringent operational quality systems in place managed by qualified staff. These facilities are however subject to a number of operational risks:

- Deterioration in quality or service levels
- Not treating parts in accordance with the confirmed contract specifications
- The loss of key accreditations such as Nadcap for aerospace and defence work and IATF 6949 for automotive
- Major facility disruption due to man-made or natural hazards
- Machinery downtime
- Information technology and cybersecurity

Regulatory risk
Bodycote has a strong set of core values supported by the Group Code of Conduct, Group policies, alongside training and awareness programmes. The principal risk in this area is the failure to comply with key local and international legislation.

Finance risks
The Group's multinational operations expose it to a variety of financial risks. Financial risk management policies are set by the Board and the Group's financial risk management was reviewed and challenged during the year by the Audit Committee. In the course of its business, the Group is exposed to the following financial risks:

- Liquidity risk
- Credit risk
- Interest rate risk
- Foreign currency risk

The principal risks and uncertainties faced by the Group are set out in detail in the 2023 Annual Report.

Directors' responsibilities statement

This responsibilities statement has been prepared in connection with the Group consolidated financial statements, extracts of which are included within this announcement.

The Directors confirm that to the best of their knowledge:

- The condensed consolidated financial statements included in this document are derived from the audited consolidated financial statements of the Group, prepared in accordance with UK-adopted international accounting standards (they do not contain sufficient information to comply with UK-adopted international accounting standards);
- The Group's consolidated financial statements, prepared in accordance with UK-adopted internal accounting standards, give a true and fair view of the assets, liabilities, financial position, cash flows and profit of the Group;
- There have been no significant individual related party transactions during the year; and
- Other than changes in Directors, there have been no significant changes in the Group's related party relationships from that reported in the half-yearly results for the six months ended 30 June 2023.

The Group's consolidated financial statements, and related notes, including this responsibilities statement, were approved by the Board and authorised for issue on 15 March 2024 and were signed on their behalf by:

By order of the Board,

Director
S.C. Harris

Director
B. Fidler

Audited financial information

The condensed consolidated financial statements and notes 1 to 10 for the year ended 31 December 2023 included below are derived from the Group's consolidated financial statements which have been audited by PricewaterhouseCoopers LLP. The unmodified audit report is available for inspection at the Group's registered office.

Consolidated income statement

For the year ended 31 December

	Note	2023 £m	2022 £m
Revenue	1	**802.5**	743.6
Cost of sales and overheads[1]	2	**(694.4)**	(646.2)
Other operating income[1]	2	**12.6**	9.2
Other operating expenses[1]	2	**(1.3)**	(4.5)
Net impairment losses on financial assets		**(0.2)**	(0.1)
Operating profit prior to exceptional items	1,2	**119.2**	102.0
Exceptional items	3	**-**	-
Operating profit	2	**119.2**	102.0
Finance income		**0.8**	0.4
Finance charge		**(8.3)**	(7.1)
Profit before taxation		**111.7**	95.3
Taxation charge	4	**(24.9)**	(21.0)
Profit for the year		**86.8**	74.3
Attributable to:			
Equity holders of the Parent		**85.6**	73.7
Non-controlling interests		**1.2**	0.6
		86.8	74.3
Earnings per share	6		
		Pence	Pence
Basic		**45.1**	38.6
Diluted		**44.8**	38.5

1 Excludes exceptional items.

All activities have arisen from continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	2023 £m	2022 £m
Profit for the year	**86.8**	74.3
Items that will not be reclassified to profit or loss:		
Actuarial (losses)/gains on defined benefit pension schemes	**(0.1)**	5.8
Tax on retirement benefit obligations that will not be reclassified	**-**	(0.2)
Total items that will not be reclassified to profit or loss	**(0.1)**	5.6
Items that may be reclassified subsequently to profit or loss:		
Exchange (losses)/gains on translation of overseas operations	**(29.7)**	57.2
Movements on hedges of net investments	**1.5**	(3.1)
Movements on cash flow hedges	**0.4**	(0.3)
Total items that may be reclassified subsequently to profit or loss	**(27.8)**	53.8
Other comprehensive (expense)/income for the year	**(27.9)**	59.4
Total comprehensive income for the year	**58.9**	133.7
Attributable to:		
Equity holders of the parent	**58.5**	133.3
Non-controlling interests	**0.4**	0.4
	58.9	133.7

Consolidated balance sheet
At 31 December 2023

	Note	**2023 £m**	2022 £m
Non-current assets			
Goodwill		**221.5**	227.8
Other intangible assets		**111.2**	116.9
Property, plant and equipment		**504.9**	516.3
Right-of-use assets		**58.5**	59.6
Deferred tax assets		**2.6**	1.5
Trade and other receivables		**1.3**	1.5
		900.0	923.6
Current assets			
Inventories		**29.5**	27.8
Current tax assets		**13.1**	24.4
Trade and other receivables		**148.4**	154.4
Cash and bank balances		**45.2**	37.2
Assets held for sale		**0.5**	0.3
		236.7	244.1
Total assets		**1,136.7**	1,167.7
Current liabilities			
Trade and other payables		**122.7**	124.9
Current tax liabilities		**46.0**	42.8
Borrowings		**32.6**	70.6
Lease liabilities		**11.8**	12.3
Derivative financial instruments		**-**	0.3
Provisions	7	**12.0**	10.2
		225.1	261.1
Net current assets/(liabilities)		**11.6**	(17.0)
Non-current liabilities			
Lease liabilities		**52.5**	53.7
Retirement benefit obligations		**11.1**	10.9
Deferred tax liabilities		**51.8**	51.0
Provisions	7	**3.0**	7.9
Other payables		**0.9**	1.1
		119.3	124.6
Total liabilities		**344.4**	385.7
Net assets		**792.3**	782.0
Equity			
Share capital		**33.1**	33.1
Share premium account		**177.1**	177.1
Own shares		**(15.6)**	(5.2)
Other reserves		**139.9**	134.9
Translation reserves		**52.3**	81.2
Retained earnings		**404.0**	359.8
Equity attributable to equity holders of the parent		**790.8**	780.9
Non-controlling interests		**1.5**	1.1
Total equity		**792.3**	782.0

The financial statements of Bodycote plc, registered number 519057, were approved by the Board of Directors and authorised for issue on 15 March 2024. They were signed on its behalf by:

Director
S.C. Harris

Director
B. Fidler

Consolidated cash flow statement

For the year ended 31 December 2023

	Note	**2023** **£m**	2022 £m
Net cash from operating activities	8	**191.6**	142.9
Investing activities			
Purchases of property, plant and equipment		**(74.1)**	(57.2)
Proceeds on disposal of property, plant and equipment, right-of-use and intangible assets		**10.4**	4.7
Purchases of other intangible assets		**(8.3)**	(9.8)
Interest received		**0.8**	0.4
Net cash used in investing activities		**(71.2)**	(61.9)
Financing activities			
Interest paid		**(7.2)**	(6.2)
Dividends paid	5	**(40.6)**	(38.5)
Principal elements of lease payments		**(13.1)**	(13.8)
Drawdown of bank loans		**25.7**	50.7
Repayments of bank loans		**(61.8)**	(75.0)
Own shares purchased		**(13.2)**	-
Net cash used in financing activities		**(110.2)**	(82.8)
Net increase/(decrease) in cash and cash equivalents		**10.2**	(1.8)
Cash and cash equivalents at beginning of year		**36.2**	37.9
Effect of foreign exchange rate changes		**(1.7)**	0.1
Cash and cash equivalents at end of year	8	**44.7**	36.2

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Share capital £m	Share premium account £m	Own shares £m	Other reserves £m	Translation reserves £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
1 January 2022	33.1	177.1	(6.2)	137.5	23.8	319.4	684.7	0.7	685.4
Profit for the year	-	-	-	-	-	73.7	73.7	0.6	74.3
Exchange differences on translation of overseas operations	-	-	-	-	57.4	-	57.4	(0.2)	57.2
Movements on hedges of net investments	-	-	-	(3.1)	-	-	(3.1)	-	(3.1)
Movements on cash flow hedges	-	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Actuarial gains on defined benefit pension schemes net of deferred tax	-	-	-	-	-	5.6	5.6	-	5.6
Total comprehensive income for the year	-	-	-	(3.4)	57.4	79.3	133.3	0.4	133.7
Acquired in the year/settlement of share awards	-	-	1.0	(0.9)	-	(0.1)	-	-	-
Share-based payments	-	-	-	1.7	-	-	1.7	-	1.7
Deferred tax on share-based payment transactions	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Dividends	-	-	-	-	-	(38.5)	(38.5)	-	(38.5)
31 December 2022	**33.1**	**177.1**	**(5.2)**	**134.9**	**81.2**	**359.8**	**780.9**	**1.1**	**782.0**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**85.6**	**85.6**	**1.2**	**86.8**
Exchange differences on translation of overseas operations	**-**	**-**	**-**	**-**	**(28.9)**	**-**	**(28.9)**	**(0.8)**	**(29.7)**
Movements on hedges of net investments	**-**	**-**	**-**	**1.5**	**-**	**-**	**1.5**	**-**	**1.5**
Movements on cash flow hedges	**-**	**-**	**-**	**0.4**	**-**	**-**	**0.4**	**-**	**0.4**
Actuarial losses on defined benefit pension schemes net of deferred tax	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**	**-**	**(0.1)**
Total comprehensive income for the year	**-**	**-**	**-**	**1.9**	**(28.9)**	**85.5**	**58.5**	**0.4**	**58.9**
Shares acquired in the year	**-**	**-**	**(13.2)**	**-**	**-**	**-**	**(13.2)**	**-**	**(13.2)**
Settlement of share awards	**-**	**-**	**2.8**	**(2.0)**	**-**	**(0.8)**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**5.1**	**-**	**-**	**5.1**	**-**	**5.1**
Deferred tax on share-based payment transactions	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**	**-**	**0.1**
Dividends	**-**	**-**	**-**	**-**	**-**	**(40.6)**	**(40.6)**	**-**	**(40.6)**
31 December 2023	**33.1**	**177.1**	**(15.6)**	**139.9**	**52.3**	**404.0**	**790.8**	**1.5**	**792.3**

Included in other reserves is a capital redemption reserve of £129.8m (2022: £129.8m) and a share-based payments reserve of £9.7m (2022: £6.7m). The capital redemption reserve arose from B shares which were converted into deferred shares in 2008 and 2009, and as a result, £129.8m was transferred from retained earnings to a capital redemption reserve.

The own shares reserve represents the cost of shares in Bodycote plc purchased in the market. At 31 December 2023, 2,292,243 (2022: 639,125) ordinary shares of $17^{3}/_{11}$p each were held by the Bodycote International Employee Benefit Trust to satisfy share-based payments under the Group's incentive schemes. In the period ending 31 December 2023, 2,000,000 shares were purchased for the Bodycote International Employee Benefit Trust to satisfy future share-based payments under the Group's share incentive schemes, for an average price of £6.57 (excluding costs) at a cost of £13.1m plus purchase costs of £0.1m.

Notes to the consolidated financial statements
Year ended 31 December 2023

1. Business and geographical segments
The Group has more than 165 facilities across the world serving a range of market sectors with various thermal processing services. The range and type of services offered is common to all market sectors.

In accordance with IFRS 8 Operating Segments, the segmentation of Group activity reflects the way the Group is managed by the chief operating decision maker, being the Group Chief Executive, who regularly reviews the operating performance of six operating segments, split between the Aerospace, Defence & Energy (ADE) and Automotive & General Industrial (AGI) business areas, as follows:

- ADE – Western Europe;
- ADE – North America;
- ADE – Emerging Markets;
- AGI – Western Europe;
- AGI – North America; and
- AGI – Emerging Markets.

The split of operating segments by geography reflects the business reporting structure of the Group.

We have also presented combined results of our two key business areas, ADE and AGI, the split being driven by customer behaviour and requirements, geography and services provided. Customers in the ADE segment tend to operate and purchase more globally and have long supply chains, whilst customers in the AGI segment tend to purchase more locally and have shorter supply chains.

Bodycote plants do not exclusively supply services to customers of a given market sector. Allocations of plants between ADE and AGI are therefore derived by reference to the preponderance of markets served.

Group	ADE 2023 £m	AGI 2023 £m	Central costs and eliminations 2023 £m	Consolidated 2023 £m
Revenue				
Total revenue	355.5	447.0	-	802.5
Result				
Headline operating profit prior to share-based payments and unallocated central costs	71.2	80.8	-	152.0
Share-based payments (including social charges)[1]	(1.7)	(1.5)	(2.7)	(5.9)
Unallocated central costs	-	-	(18.5)	(18.5)
Headline operating profit/(loss)	69.5	79.3	(21.2)	127.6
Amortisation of acquired intangible assets	(6.4)	(1.7)	-	(8.1)
Acquisition costs	-	-	(0.3)	(0.3)
Operating profit/(loss) prior to exceptional items	63.1	77.6	(21.5)	119.2
Exceptional items	-	-	-	-
Segment result	63.1	77.6	(21.5)	119.2
Finance income				0.8
Finance costs				(8.3)
Profit before taxation				111.7
Taxation				(24.9)
Profit for the year				86.8

1 Includes £0.8m social security charges (2022: £0.1m credit).

Inter-segment revenues are not material in either year.

The Group does not have any one customer that contributes more than 10% of revenue.

Aerospace, Defence & Energy	Western Europe 2023 £m	North America 2023 £m	Emerging markets 2023 £m	Total ADE 2023 £m
Revenue				
Total revenue	**162.8**	**185.1**	**7.6**	**355.5**
Result				
Headline operating profit prior to share-based payments	**36.2**	**35.2**	**(0.2)**	**71.2**
Share-based payments (including social charges)	**(0.8)**	**(0.9)**	**-**	**(1.7)**
Headline operating profit/(loss)	**35.4**	**34.3**	**(0.2)**	**69.5**
Amortisation of acquired intangible assets	**(0.4)**	**(6.0)**	**-**	**(6.4)**
Segment result	**35.0**	**28.3**	**(0.2)**	**63.1**

Automotive & General Industrial	Western Europe 2023 £m	North America 2023 £m	Emerging markets 2023 £m	Total AGI 2023 £m
Revenue				
Total revenue	**254.6**	**102.4**	**90.0**	**447.0**
Result				
Headline operating profit prior to share-based payments	**54.7**	**10.1**	**16.0**	**80.8**
Share-based payments (including social charges)	**(1.0)**	**(0.1)**	**(0.4)**	**(1.5)**
Headline operating profit	**53.7**	**10.0**	**15.6**	**79.3**
Amortisation of acquired intangible assets	**(0.4)**	**(0.9)**	**(0.4)**	**(1.7)**
Segment result	**53.3**	**9.1**	**15.2**	**77.6**

Group	ADE 2022 £m	AGI 2022 £m	Central costs and eliminations 2022 £m	Consolidated 2022 £m
Revenue				
Total revenue	312.7	430.9	-	743.6
Result				
Headline operating profit prior to share-based payments and unallocated central costs	52.1	81.1	-	133.2
Share-based payments (including social charges)	(1.3)	(0.3)	-	(1.6)
Unallocated central costs	-	-	(19.4)	(19.4)
Headline operating profit/(loss)	50.8	80.8	(19.4)	112.2
Amortisation of acquired intangible assets	(6.9)	(2.4)	-	(9.3)
Acquisition costs	-	-	(0.9)	(0.9)
Operating profit/(loss) prior to exceptional items	43.9	78.4	(20.3)	102.0
Exceptional items	0.1	(0.2)	0.1	-
Segment result	44.0	78.2	(20.2)	102.0
Finance income				0.4
Finance costs				(7.1)
Profit before taxation				95.3
Taxation				(21.0)
Profit for the year				74.3

Aerospace, Defence & Energy	Western Europe 2022 £m	North America 2022 £m	Emerging markets 2022 £m	Total ADE 2022 £m
Revenue				
Total revenue	137.1	168.6	7.0	312.7
Result				
Headline operating profit prior to share-based payments	24.5	27.4	0.2	52.1
Share-based payments (including social charges)	(0.4)	(0.9)	-	(1.3)
Headline operating profit	24.1	26.5	0.2	50.8
Amortisation of acquired intangible assets	(0.4)	(6.5)	-	(6.9)
Operating profit prior to exceptional items	23.7	20.0	0.2	43.9
Exceptional items	0.7	(0.6)	-	0.1
Segment result	24.4	19.4	0.2	44.0

Automotive & General Industrial	Western Europe 2022 £m	North America 2022 £m	Emerging markets 2022 £m	Total AGI 2022 £m
Revenue				
Total revenue	241.6	103.0	86.3	430.9
Result				
Headline operating profit prior to share-based payments	51.6	12.1	17.4	81.1
Share-based payments (including social charges)	(0.6)	0.2	0.1	(0.3)
Headline operating profit	51.0	12.3	17.5	80.8
Amortisation of acquired intangible assets	(0.5)	(1.5)	(0.4)	(2.4)
Operating profit prior to exceptional items	50.5	10.8	17.1	78.4
Exceptional items	0.2	(0.3)	(0.1)	(0.2)
Segment result	50.7	10.5	17.0	78.2

Group	**ADE 2023 £m**	**AGI 2023 £m**	**Central costs and eliminations 2023 £m**	**Consolidated 2023 £m**
Gross capital additions	**35.9**	**48.5**	**10.1**	**94.5**
Depreciation and amortisation	**32.4**	**46.6**	**3.1**	**82.1**
Balance sheet				
Segment assets	**530.0**	**551.9**	**54.8**	**1,136.7**
Segment liabilities	**(95.9)**	**(145.7)**	**(102.8)**	**(344.4)**
Segment net assets/(liabilities)	**434.1**	**406.2**	**(48.0)**	**792.3**

Aerospace, Defence & Energy	**Western Europe 2023 £m**	**North America 2023 £m**	**Emerging markets 2023 £m**	**Total ADE 2023 £m**
Gross capital additions	**12.0**	**23.7**	**0.2**	**35.9**
Depreciation and amortisation	**12.7**	**19.1**	**0.6**	**32.4**
Balance sheet				
Segment assets	**178.6**	**346.8**	**4.6**	**530.0**
Segment liabilities	**(39.8)**	**(55.3)**	**(0.8)**	**(95.9)**
Segment net assets	**138.8**	**291.5**	**3.8**	**434.1**

Automotive & General Industrial	Western Europe 2023 £m	North America 2023 £m	Emerging markets 2023 £m	Total AGI 2023 £m
Gross capital additions	**21.0**	**10.2**	**17.3**	**48.5**
Depreciation and amortisation	**22.2**	**12.0**	**12.4**	**46.6**
Balance sheet				
Segment assets	**241.9**	**161.2**	**148.8**	**551.9**
Segment liabilities	**(93.9)**	**(20.6)**	**(31.2)**	**(145.7)**
Segment net assets	**148.0**	**140.6**	**117.6**	**406.2**

Group	ADE 2022 £m	AGI 2022 £m	Central costs and eliminations 2022 £m	Consolidated 2022 £m
Gross capital additions	30.8	38.2	10.6	79.6
Depreciation and amortisation	34.1	47.0	3.2	84.3
Balance sheet				
Segment assets	526.9	569.8	71.0	1,167.7
Segment liabilities	(96.0)	(134.9)	(154.8)	(385.7)
Segment net assets/(liabilities)	430.9	434.9	(83.8)	782.0

Aerospace, Defence & Energy	Western Europe 2022 £m	North America 2022 £m	Emerging markets 2022 £m	Total ADE 2022 £m
Gross capital additions	10.2	20.4	0.2	30.8
Depreciation and amortisation	12.5	20.9	0.7	34.1
Balance sheet				
Segment assets	183.1	337.7	6.1	526.9
Segment liabilities	(51.6)	(43.5)	(0.9)	(96.0)
Segment net assets	131.5	294.2	5.2	430.9

Automotive & General Industrial	Western Europe 2022 £m	North America 2022 £m	Emerging markets 2022 £m	Total AGI 2022 £m
Gross capital additions	20.1	10.0	8.1	38.2
Depreciation and amortisation	22.5	13.2	11.3	47.0
Balance sheet				
Segment assets	248.4	177.4	144.0	569.8
Segment liabilities	(79.4)	(21.2)	(34.3)	(134.9)
Segment net assets	169.0	156.2	109.7	434.9

Geographical information

The Group's revenue from external customers and information about its assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by country are detailed below:

	Revenue from external customers		Non-current assets	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
USA	**271.7**	258.2	**426.1**	450.6
France	**116.9**	90.8	**63.3**	64.4
Germany	**82.3**	79.0	**69.2**	71.3
UK	**66.3**	55.6	**96.7**	88.1
Sweden	**50.9**	48.1	**34.7**	35.2
Netherlands	**34.9**	32.8	**22.7**	23.1
Others	**179.5**	179.1	**183.4**	187.9
	802.5	743.6	**896.1**	920.6

2. Operating profit

	2023	2022
	£m	£m
Revenue	**802.5**	743.6
Cost of sales	**(500.6)**	(473.9)
Gross profit	**301.9**	269.7
Distribution costs	**(21.8)**	(21.1)
Administration expenses	**(172.0)**	(151.2)
Other operating income	**12.6**	9.2
Other operating expenses	**(1.3)**	(4.5)
Net impairment losses on financial assets	**(0.2)**	(0.1)
Operating profit prior to exceptional items	**119.2**	102.0
Exceptional items (see note 3)	**-**	-
Operating profit	**119.2**	102.0

Operating profit for the year has been arrived at after charging/(crediting):

	2023	2022
	£m	£m
Net foreign exchange loss	**0.2**	0.1
Inventory expensed	**76.8**	69.2
Depreciation of property, plant and equipment	**59.4**	60.2
Depreciation of right-of-use assets	**12.9**	13.0
Amortisation of other intangible assets	**9.8**	11.1
Gain on disposal of property, plant and equipment recognised in operating profit	**(3.4)**	(1.7)
Gain on disposal of right-of-use assets	**(0.2)**	(0.1)
Repairs and maintenance	**27.2**	23.5
Employee costs	**307.5**	276.5
Pension scheme administration expenses	**0.5**	0.6
Utility costs	**98.3**	95.6
Government assistance support received[1]	**(6.4)**	(2.6)
Acquisition costs	**0.3**	0.9
Impairment loss on trade receivables	**0.2**	0.1
Impairment of property, plant and equipment and other assets - recognised in operating profit	**0.9**	4.8

1 Government assistance consists of support towards energy costs of £6.1m (2022: £1.7m), R&D support of £0.2m (2022: £0.7m) and £0.1m (2022: £0.2m) in respect of other support programmes.

3. Exceptional items

	2023	2022
	£m	£m
Severance and redundancy provision release	**-**	(0.8)
Net impairment reversal	**-**	(0.1)
Site closure costs	**-**	1.0
Losses on sales of property, plant and equipment recognised in exceptional items	**-**	0.1
Environmental provisions credit	**-**	(0.2)
Total exceptional items[1]	**-**	-

1 Non-exceptional costs relating to severance and redundancy, impairment charges and reversals, site closure costs and environmental provisions are booked to other operating expenses. Gains and losses on sales of property, plant and equipment are booked to other operating income.

In 2020, the Group announced an organisation restructuring initiative which was driven by a combination of both macroeconomic uncertainties and longer-term automobile and aerospace market structural shifts. A number of plants were closed as a result of these restructuring activities. The related costs in the prior year were recorded as exceptional items in line with the Group's accounting policy for exceptional items.

At 31 December 2023 £1.4m (2022: £3.0m) was held as exceptional provisions.

4. Taxation charge

	2023	2022
	£m	£m
Current taxation - charge for the year	**26.0**	21.3
Current taxation - adjustments in respect of previous years	**(2.7)**	(0.6)
Deferred tax	**1.6**	0.3
Total taxation charge	**24.9**	21.0

The Group uses a weighted average country tax rate rather than the UK tax rate for the reconciliation of the charge for the year to the profit before taxation per the consolidated income statement. The Group operates in several jurisdictions, many of which have a tax rate in excess of the UK tax rate. As such, a weighted average country tax rate is believed to provide the most meaningful information to the users of the financial statements.

The appropriate tax rate for this comparison in 2023 is 25.4% (2022: 24.8%). The UK tax rate was increased from 19.0% to 25.0% from 1 April 2023 as per the Finance Act 2021 and consequently, the deferred tax balances on the consolidated balance sheet relating to the UK have been measured using these revised rates.

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15%, the Pillar II GloBE Rules, applicable to large multinational Groups. On 20 June 2023, the United Kingdom substantially enacted the Pillar II GloBE rules. The Group has performed an overall assessment of the impact and determined that the adoption of the Pillar II GloBE Rules by jurisdictions where Bodycote operates is not expected to have a material impact on the Group's future tax charge. The Group has applied the exception provided for by the Pillar II GloBE Rules (Amendments to IAS 12) and has not recognised, or therefore disclosed, information about deferred tax assets and liabilities related to these Pillar II GloBE rules.

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2023	2022
	£m	£m
Profit before taxation	**111.7**	95.3
Tax at the weighted average country tax rate of 25.4 % (2022: 24.8%)	**28.4**	23.6
Tax effect of expenses not deductible in determining taxable profit[1]	**1.1**	1.7
Impact of recognition or derecognition of deferred tax balances	**0.5**	(2.0)
Tax effect of other adjustments in respect of previous years:		
Current tax[2]	**(2.7)**	(0.6)
Deferred tax[2]	**0.1**	(3.4)
Effect of financing activities between jurisdictions[3]	**0.3**	(0.6)
Impact of trade and minimum corporate taxes	**0.3**	0.5
Effect of changes in statutory tax rates on deferred tax assets and liabilities	**0.3**	0.9
Other tax risk provision movements[4]	**(3.4)**	0.9
Tax expense for the year	**24.9**	21.0

Tax on retirement benefit obligations taken directly to equity was a credit of £0.1m (2022: charge of £0.5m).

1 Those costs in various jurisdictions that are not deductible in calculating taxable profits.
2 2023 and 2022 adjustments in current and deferred tax in respect of previous years relate mainly to changes in assumptions and outcomes in UK and overseas tax positions.
3 The Group is externally financed by a mix of cash flows from operations and short-term borrowings. Internally, operating subsidiaries are predominantly financed via intercompany loans. The effect is net of provisions based on management's estimation of tax risk relating to the potential disallowance of interest.
4. Includes provisions for local tax risks and cross-border transactions. 2023 includes a credit of £4.3m (2022: £nil) for the release of a provision for a tax risk which is no longer within an audit period.

As part of the calculation of the tax charge, the Group recognises a number of tax risk provisions in respect of ongoing tax enquiries and in recognition of the multinational tax environment that Bodycote operates in where the nature of the tax positions that are taken is often complex and subject to change. Included within current tax liabilities on the consolidated balance sheet as at 31 December 2023 of £46.0m (2022: £42.8m) are tax provisions totalling £26.4m (2022: £28.1m), of which £4.2m (2022: £5.3m) are expected to crystallise within 12 months, although if facts and circumstances change this amount could materially differ. The provisions are based on an assessment of a range of possible outcomes to determine reasonable estimates of the consequences of tax authority audits in the various tax jurisdictions in which the Group operates. The material provisions relate to the financing of the Group's operations where management's judgement is exercised to determine the quantum of the tax risk provisions based on an understanding of the appropriate local tax legislation, taking into consideration the differences of interpretation that can arise on a wide variety of issues including the nature of ongoing tax audits and the experience from earlier enquiries, and determining whether any possible liability is probable. The Group's individual tax provisions vary in quantum from £3.4m to £8.8m.

5. Dividends

	2023	2022
	£m	£m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2021 of 13.8p per share	**-**	26.3
Interim dividend for the year ended 31 December 2022 of 6.4p per share	**-**	12.2
Final dividend for the year ended 31 December 2022 of 14.9p per share	**28.5**	-
Interim dividend for the year ended 31 December 2023 of 6.7p per share	**12.7**	-
	41.2	38.5
Proposed final dividend for the year ended 31 December 2023 of 16.0p per share	**30.3**	-

A final dividend for 2022 of 14.9p was approved at the Annual General Meeting (AGM) on 25 May 2023 to shareholders on the register of Bodycote plc on 21 April 2023 and was paid on 2 June 2023.

The Board approved the payment of an interim dividend for 2023 of 6.7p on 29 July 2023 to those shareholders on the register of Bodycote plc on 6 October 2023 and has proposed a final dividend of 16.0p per share to be paid on 6 June 2024 to shareholders on the register at close of business at 26 April 2024 subject to approval by shareholders at the AGM. The 2023 interim dividend was paid on 10 November 2023.

As the proposed final dividend is subject to shareholder approval in 2024, it is not included as a liability in these financial statements. The dividends are waived on shares held by the Bodycote International Employee Benefit Trust.

Any dividend unclaimed after a period of 6 years from the date for payment of such dividend is forfeited and reverted back to the Group. In the year 2023 £0.6m (2022: £nil) was received from dividends forfeited.

6. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2023	2022
	£m	£m
Earnings		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	**85.6**	73.7

	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**189,877,099**	190,779,615
Effect of dilutive potential ordinary shares:		
Shares subject to performance conditions[1]	**661,721**	384,848
Shares subject to vesting conditions	**344,050**	191,502
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**190,882,870**	191,355,965

	Pence	Pence
Earnings per share:		
Basic	**45.1**	38.6
Diluted[1]	**44.8**	38.5

	2023	2022
	£m	£m
Headline earnings		
Net profit attributable to equity holders of the parent	**85.6**	73.7
Add back:		
Amortisation of acquired intangible assets (net of tax)	**6.1**	7.0
Acquisition costs (net of tax)	**0.2**	0.7
Headline earnings	**91.9**	81.4

	Pence	Pence
Headline earnings per share:		
Basic	**48.4**	42.7
Diluted[1]	**48.1**	42.5

1 As at 31 December 2023, in accordance with IAS 33, the related performance conditions for open plans have been met resulting in 0.3p dilution of earnings per share (2022: 0.1p dilution) and 0.3p dilution of headline earnings per share (2022: 0.2p).

7. Provisions

	Restructuring	**Restructuring environmental**	**Environmental**	**Legal**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 1 January 2023	**1.6**	**2.4**	**8.9**	**5.2**	**18.1**
Increase in provision	**0.8**	**0.2**	**1.1**	**3.4**	**5.5**
Release of provision	**(0.4)**	**(0.1)**	**-**	**(0.5)**	**(1.0)**
Utilisation of provision	**(1.5)**	**(0.1)**	**(2.5)**	**(2.8)**	**(6.9)**
Exchange difference	**-**	**(0.2)**	**(0.5)**	**-**	**(0.7)**
At 31 December 2023	**0.5**	**2.2**	**7.0**	**5.3**	**15.0**
Included in current liabilities					**12.0**
Included in non-current liabilities					**3.0**
					15.0

As at 31 December 2023 the Group held £1.4m (2022: £3.0m) of exceptional restructuring provisions relating to the 2020 exceptional restructuring programme. Refer to the 2020 Annual report for more information.

The Group provides for the costs of environmental remediation if there is a probable outflow of economic resources that has been identified at the time of plant closure, as part of acquisition due diligence or in other circumstances where remediation by the Group is required. This provision is reviewed annually to determine the best estimate of expenditure required to settle the identified obligations and where applicable external confirmations are obtained to determine the best estimate of future liabilities. Environmental provisions are separated into restructuring environmental and environmental provisions to identify separately those provisions relating to restructuring from those arising in the ordinary course of business. The majority of cash outflows in respect of these liabilities are expected to occur within five years.

Legal provisions include, but are not limited to, alleged breach of contract and alleged breach of environmental legislation. While the Group cannot predict the outcome of individual legal actions, where the exposure can be reliably measured and an outflow of economic benefits is considered probable, provisions are recognised following legal advice.

There were no individually material provisions as at 31 December 2023.

The Group remains exposed to contingent liabilities in respect of environmental remediation liabilities. In particular, the Group could be subjected to regulatory or legislative requirements to remediate sites in the future. However, it is not possible at this time to determine whether and to what extent any liabilities exist, other than for those recognised above. Therefore no provision is recognised in relation to these items.

8. Notes to the cash flow statement

	2023	2022
	£m	£m
Profit for the year	**86.8**	74.3
Adjustments for:		
Finance income	**(0.8)**	(0.4)
Finance costs	**8.3**	7.1
Taxation charge	**24.9**	21.0
Operating profit	**119.2**	102.0
Adjustments for:		
Depreciation of property, plant and equipment	**59.4**	60.2
Depreciation of right-of-use assets	**12.9**	13.0
Amortisation of other intangible assets	**9.8**	11.1
Profit on disposal of property, plant and equipment recognised in operating profit	**(3.4)**	(1.7)
Loss on disposal of property, plant and equipment recognised in exceptional items	**-**	0.1
Profit on disposal of right-of-use assets	**(0.2)**	(0.1)
Share-based payments	**5.1**	1.7
Impairment reversal of property, plant and equipment and other assets recognised in exceptional items	**-**	(0.1)
Impairment of property, plant and equipment and other assets recognised in operating profit	**0.9**	4.8
EBITDA (See APM definition)	**203.7**	191.0
Increase in inventories	**(1.7)**	(8.5)
Decrease/(increase) in receivables	**6.2**	(37.4)
(Decrease)/increase in payables	**(1.0)**	12.6
Decrease in provisions	**(3.1)**	(3.7)
Cash generated by operations	**204.1**	154.0
Net income taxes paid	**(9.0)**	(15.4)
Settlement of derivatives	**(0.3)**	0.8
Refund of post settlement pension surplus	**-**	1.8
Net exchange differences	**(3.2)**	1.7
Net cash from operating activities	**191.6**	142.9

	2023	2022
	£m	£m
Cash and cash equivalents comprise:		
Cash and bank balances	**45.2**	37.2
Bank overdrafts (included in borrowings)	**(0.5)**	(1.0)
	44.7	36.2

The cash and cash equivalents disclosed above in the statement of cash flows includes £0.8m (2022: £0.8m) held in escrow relating to environmental provisions in the USA and £1.3m (2022: £1.8m) held in the USA related to the refund of a pension surplus. The Group intends to use this refund of pension surplus cash to fund future pension contributions for its USA employees, otherwise the full amount will become subject to regulatory restrictions in the USA.

9. Basis of preparation

The financial statements of the Group, from which these condensed consolidated financial statements are derived, have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under these standards.

In preparing the condensed consolidated financial statements, the Directors have considered the impact of climate change particularly in the context of the disclosures included in the Sustainability section of our Annual Report. These considerations did not have a material impact on the financial reporting judgements and estimates, consistent with the conclusion that climate change is not expected to have a significant impact on the Group's cashflows, including those considered in the going concern and viability assessments.

10. Non-statutory financial statements

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2023 or 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s.498 (2) or (3) of the Companies Act 2006.

Alternative performance measures (APMs) – unaudited

Bodycote uses various APMs, in addition to those reported under International Financial Reporting Standards (IFRS), as management consider these measures enable users of the financial statements to assess the headline trading performance of the business. These APMs of financial performance, position or cash flows are not defined or specified according to IFRS and are defined below and, where relevant, are reconciled to IFRS measures. APMs are prepared on a consistent basis for all periods presented in this report.

The APMs used include organic revenue, revenue excluding surcharges, headline operating profit, headline operating margin, revenue and headline operating profit at constant exchange rates, headline operating margin excluding surcharge revenue, headline profit before taxation, EBITDA, headline EBITDA, headline operating cash flow, free cash flow, headline operating cash conversion, free cash flow conversion, headline tax charge, headline tax rate, headline earnings per share (EPS), net (debt)/cash, net (debt)/cash plus lease liabilities and return on capital employed (ROCE). These measures reflect the headline trading performance of the business as they exclude certain non-operational items, exceptional items, acquisition costs and the amortisation of acquired intangible assets. The Group also uses revenue growth percentages adjusted for the impact of foreign exchange movements, where appropriate, to better represent the trading performance of the Group. The measures described above are also used in the targeting process for executive and management annual bonuses (headline operating profit and headline operating cash flow) with headline EPS and ROCE also used in executive share schemes.

The constant exchange rate comparison uses the current year reported segmental information, stated in the relevant functional currency, and translates the results into its presentational currency using the prior year's monthly exchange rates. Expansionary capital expenditure is defined as capital expenditure invested to grow the Group's business.

Organic revenue

Excludes revenue from acquisitions in the current and comparative period to provide a like-for-like comparison, reconciled in the table below:

	2023 £m	2022 £m
Total revenue	**802.5**	743.6
Less adjustments for revenue from acquisitions completed in the current or prior year	**-**	(8.6)
Total organic revenue	**802.5**	735.0

Revenue excluding surcharges

	2023 £m	2022 £m
Total revenue	**802.5**	743.6
Less energy surcharges	**(66.8)**	(46.6)
Total revenue excluding surcharges	**735.7**	697.0

Headline operating profit

	2023 £m	2022 £m
Operating profit	**119.2**	102.0
Add back:		
Amortisation of acquired intangibles	**8.1**	9.3
Acquisition costs	**0.3**	0.9
Exceptional items	**-**	-
Headline operating profit	**127.6**	112.2

Revenue and headline operating profit at constant exchange rates

Reconciled to revenue and headline operating profit in the table below:

	Year to 31 December 2023			
	ADE £m	AGI £m	Central cost and eliminations £m	Consolidated £m
Revenue	**355.5**	**447.0**	**-**	**802.5**
Constant exchange rates adjustment	**1.7**	**1.3**	**-**	**3.0**
Revenue at constant currency	**357.2**	**448.3**	**-**	**805.5**
Headline operating profit	**69.5**	**79.3**	**(21.2)**	**127.6**
Constant exchange rates adjustment	**0.8**	**2.0**	**0.5**	**3.3**
Headline operating profit at constant currency	**70.3**	**81.3**	**(20.7)**	**130.9**

Headline operating margin

	2023 £m	2022 £m
Headline operating profit	**127.6**	112.2
Revenue	**802.5**	743.6
Headline operating margin	**15.9%**	15.1%

Headline operating margin excluding surcharge revenue

	2023 £m	2022 £m
Headline operating profit	**127.6**	112.2
Revenue excluding surcharges	**735.7**	697.0
Headline operating margin excluding surcharge revenue	**17.3%**	16.1%

Headline profit before taxation

	2023 £m	2022 £m
Profit before taxation	**111.7**	95.3
Add back:		
Amortisation of acquired intangibles	**8.1**	9.3
Acquisition costs	**0.3**	0.9
Exceptional items	**-**	-
Headline profit before taxation	**120.1**	105.5

EBITDA and headline EBITDA (earnings before interest, taxation, depreciation and amortisation)

	2023 £m	2022 £m
Operating profit	**119.2**	102.0
Depreciation and amortisation	**82.1**	84.3
Impairment reversal of property, plant and equipment and other assets – recognised in exceptional items	**-**	(0.1)
Impairment of property, plant and equipment and other assets – recognised in operating profit	**0.9**	4.8
Profit on disposal of property, plant and equipment – recognised in operating profit	**(3.4)**	(1.7)
Profit on disposal of right-of-use assets – recognised in operating profit	**(0.2)**	(0.1)
Loss on disposal of property, plant and equipment – recognised in exceptional items	**-**	0.1
Share-based payments	**5.1**	1.7
EBITDA	**203.7**	191.0
Acquisition costs	**0.3**	0.9
Exceptional items, excluding impairments	**-**	(0.1)
Share-based payments	**(5.1)**	(1.7)
Headline EBITDA	**198.9**	190.1
Headline EBITDA Margin	**24.8%**	25.6%

Headline operating cash flow

	2023 £m	2022 £m
Headline EBITDA	**198.9**	190.1
Less:		
Net maintenance capital expenditure	**(57.7)**	(52.2)
Net working capital movement	**(1.7)**	(25.3)
Headline operating cash flow	**139.5**	112.6

Free cash flow

	2023 £m	2022 £m
Headline operating cash flow	**139.5**	112.6
Less:		
Restructuring cash flows	**(1.6)**	(7.4)
Net income taxes paid	**(9.0)**	(15.4)
Net Interest paid	**(6.4)**	(5.8)
Free cash flow	**122.5**	84.0

Headline operating cash conversion

	2023 £m	2022 £m
Headline operating cash flow	**139.5**	112.6
Headline operating profit	**127.6**	112.2
Headline operating cash conversion	**109.3%**	100.4%

Free cash flow conversion

	2023 £m	2022 £m
Free cash flow	**122.5**	84.0
Headline operating profit	**127.6**	112.2
Free cash flow conversion	**96.0%**	74.9%

Headline tax charge

	2023 £m	2022 £m
Tax charge	**24.9**	21.0
Tax on amortisation of acquired intangibles	**2.0**	2.3
Tax charge on exceptional items and acquisition costs	**0.1**	0.2
Headline tax charge	**27.0**	23.5

Headline tax rate

	2023 £m	2022 £m
Headline tax charge	**27.0**	23.5
Headline profit before taxation	**120.1**	105.5
Headline tax rate	**22.5%**	22.3%

Headline earnings per share

A detailed reconciliation is provided in note 6 of these condensed consolidated financial statements.

Net debt and net cash/(debt) plus lease liabilities

	2023 £m	2022 £m
Cash and bank balances	**45.2**	37.2
Bank overdrafts (included in borrowings)	**(0.5)**	(1.0)
Bank loans (included in borrowings)	**(32.1)**	(69.6)
Net cash/(debt) excluding lease liabilities	**12.6**	(33.4)
Lease liabilities	**(64.3)**	(66.0)
Net debt	**(51.7)**	(99.4)

Return on capital employed (%)

	Year to 31 December 2023			
	ADE £m	**AGI £m**	**Central cost and eliminations £m**	**Consolidated £m**
Headline operating profit	**69.5**	**79.3**	**(21.2)**	**127.6**
Average capital employed[1]	**448.1**	**446.3**	**(31.6)**	**862.8**
Return on capital employed (%)	**15.5%**	**17.8%**	**n/a**	**14.8%**

	Year to 31 December 2022			
	ADE	AGI	Central cost and eliminations	Consolidated
	£m	£m	£m	£m
Headline operating profit	50.8	80.8	(19.4)	112.2
Average capital employed[1]	426.4	442.8	(27.6)	841.6
Return on capital employed (%)	11.9%	18.2%	n/a	13.3%

1 Average capital employed is defined as the average opening and closing net assets adjusted for net (debt)/cash plus lease liabilities.