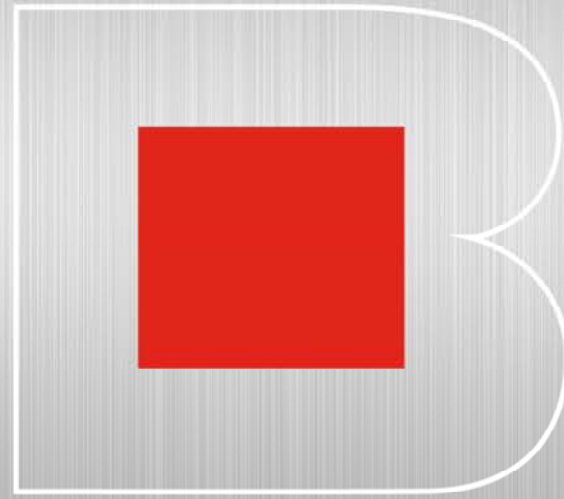


Full Year Results 2020

12 March



Introduction

Stephen Harris
Group Chief Executive



Agenda

- Key messages
- Financial review
- Market sector review
- Restructuring and strategy
- Looking ahead



Committed to sustainability in all we do

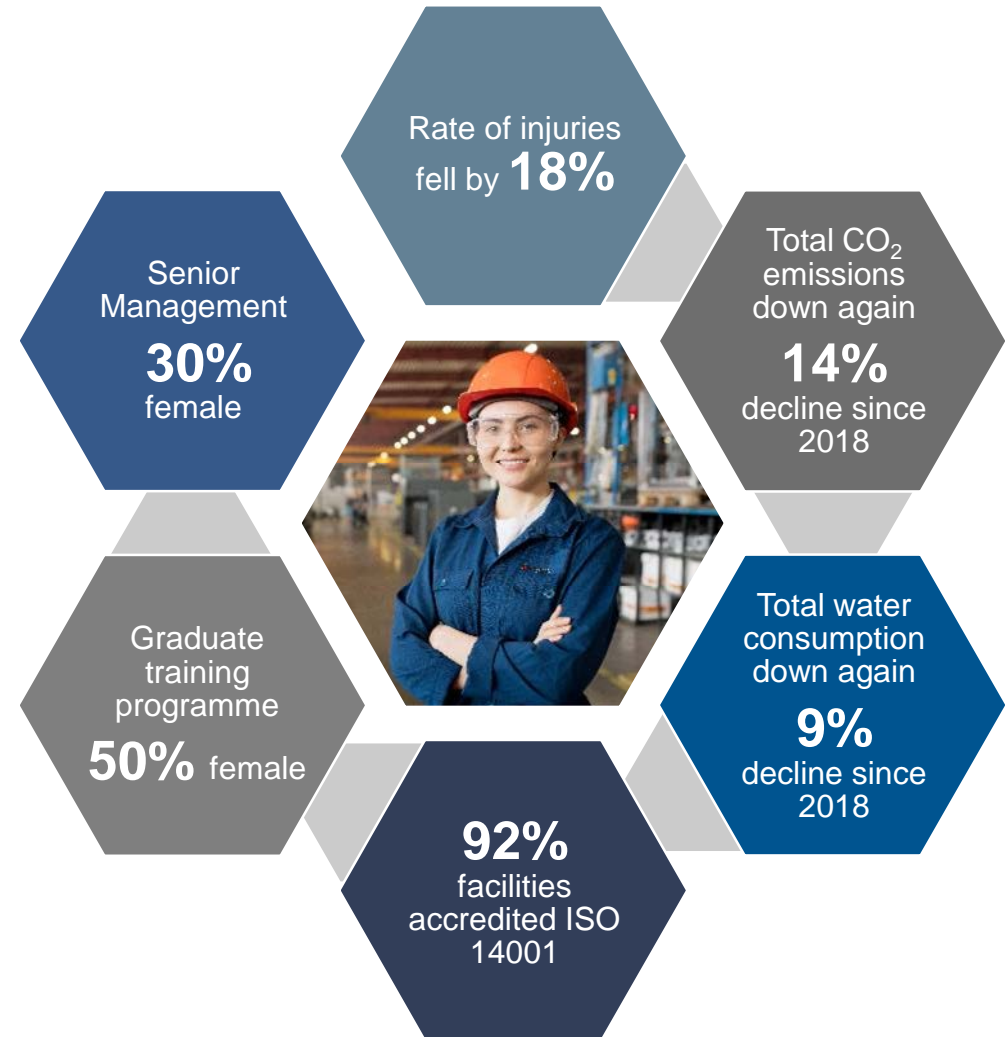
The Bodycote way: prioritising our culture and values

- Employees' safety and wellbeing remains our number one priority
- Living our Core Values and creating value in everything we do
- Success through a talented and diverse workforce

On a path to net-zero carbon

- Supporting global efforts to reduce climate change
- Dedicated to reducing our customers' net scope one plus scope three emissions
- Offering the most energy-efficient processes available on the market

An enabler of manufacturing industry's drive for carbon reduction



Business transformed, resilience proven, structured for growth

Results

- Organic revenues declined 20%
- Resilient headline EBITDA margin at 26.4% (2019: 29.2%)
- Excellent free cash flow conversion of 141% (2019: 91%)
- Closing net debt of £23m after paying £96m of the consideration for Ellison

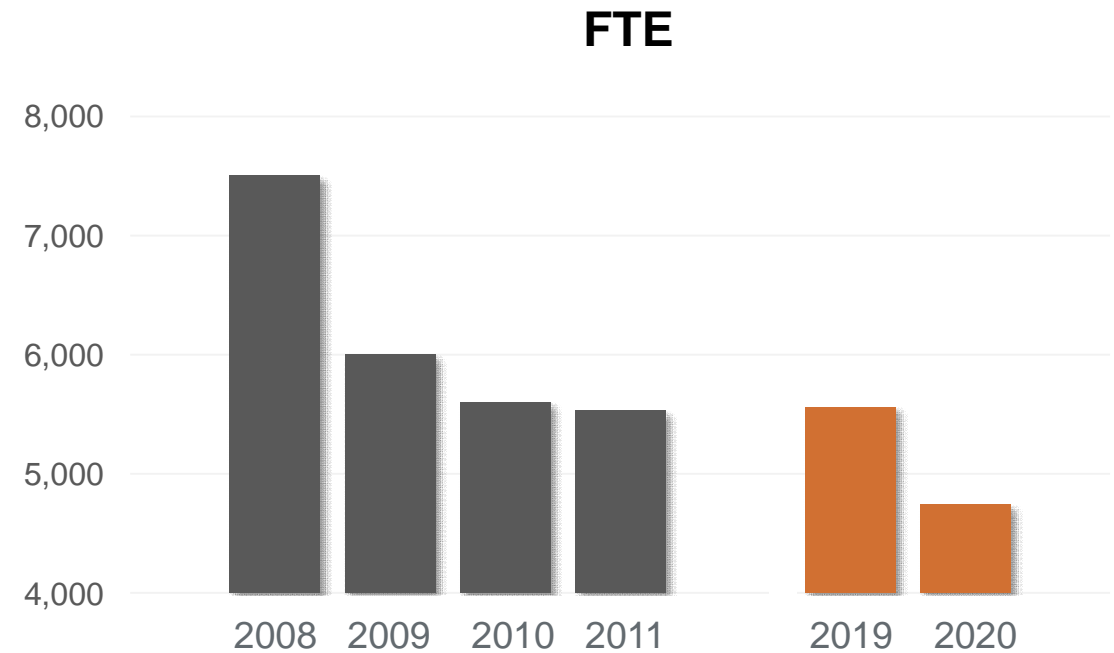
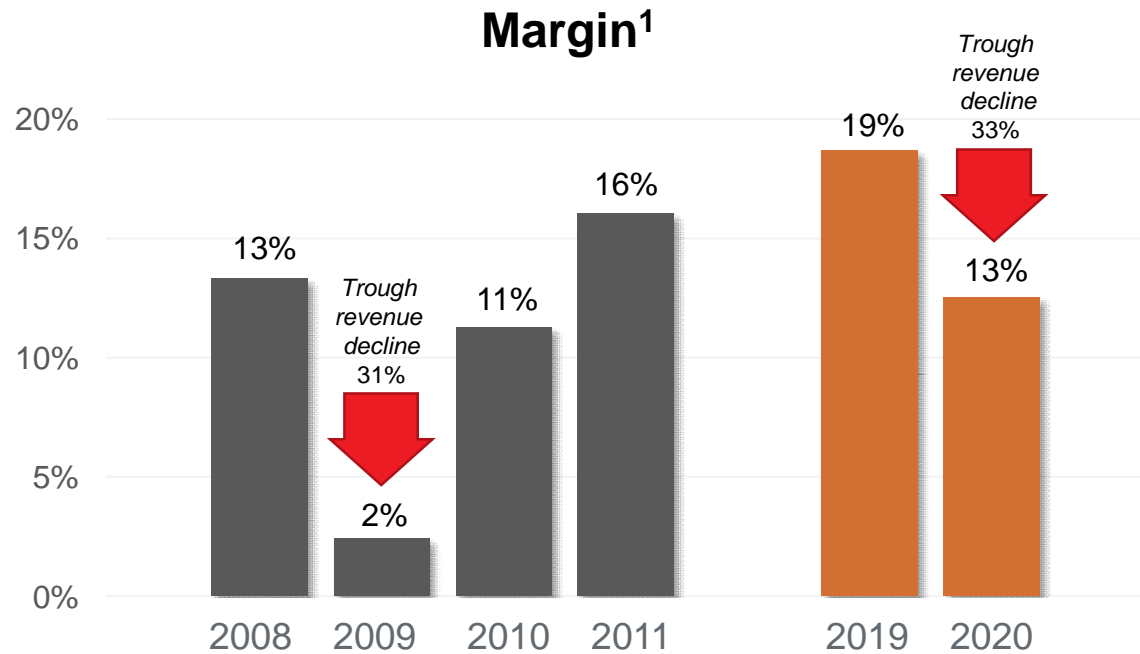
Strategic Progress

- Enhanced and accelerated our restructuring to position Bodycote for the future
- £36m of cash restructuring costs, generating £30m of annual savings by 2022
- Structured to align with secular megatrends in road transport electrification; point-to-point air travel; and the reducing use of fossil fuels
- Continued programme of strategic investment

Dividends

- Final ordinary dividend 13.4p, total year 19.4p (2019: 19.3p)
- Uninterrupted 30+ year track record of growing or maintaining dividend

Resilience proven



Headline operating margin in 2020 comparable to peak margin achieved in the decade prior to 2009

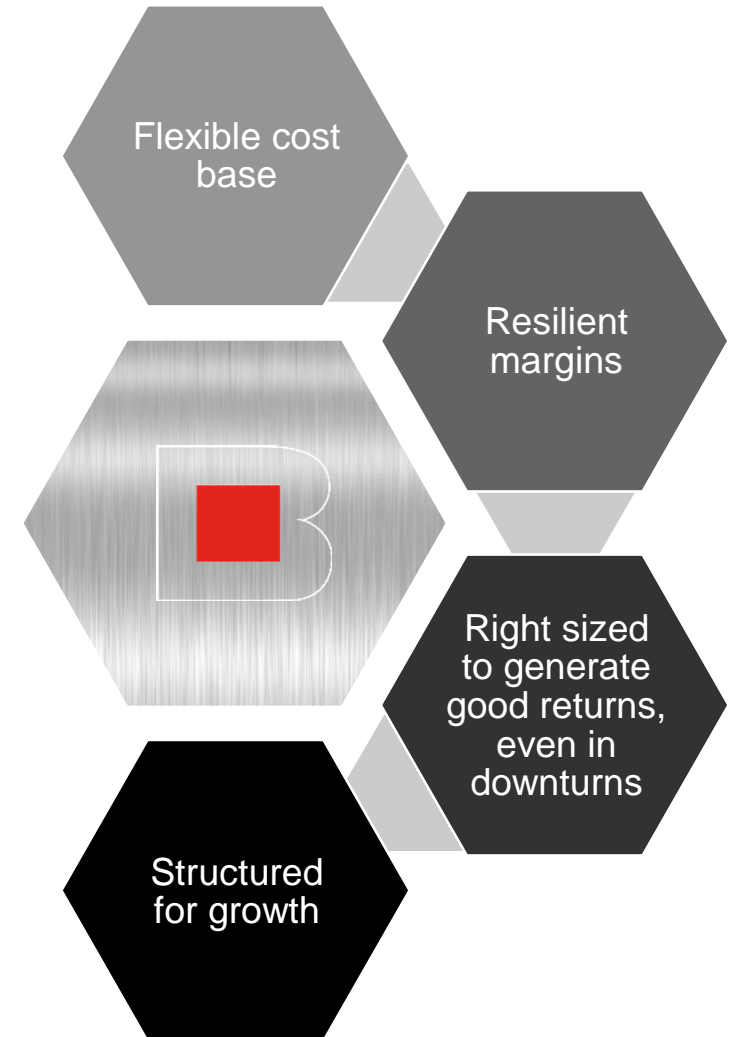
Business transformed, resilience proven, structured for growth

2020 demonstrated the strength of our business model

- Bodycote's business has transformed over the last decade
- 2020 has 'live-tested' the flexibility of our cost base
- All key cost lines (apart from depreciation) flexed in response to the pandemic-related revenue downturn

Going forward

- The business post restructuring is higher quality and facilities are even more flexible
- Temporary labour now being built back up as revenues recover



Financial review

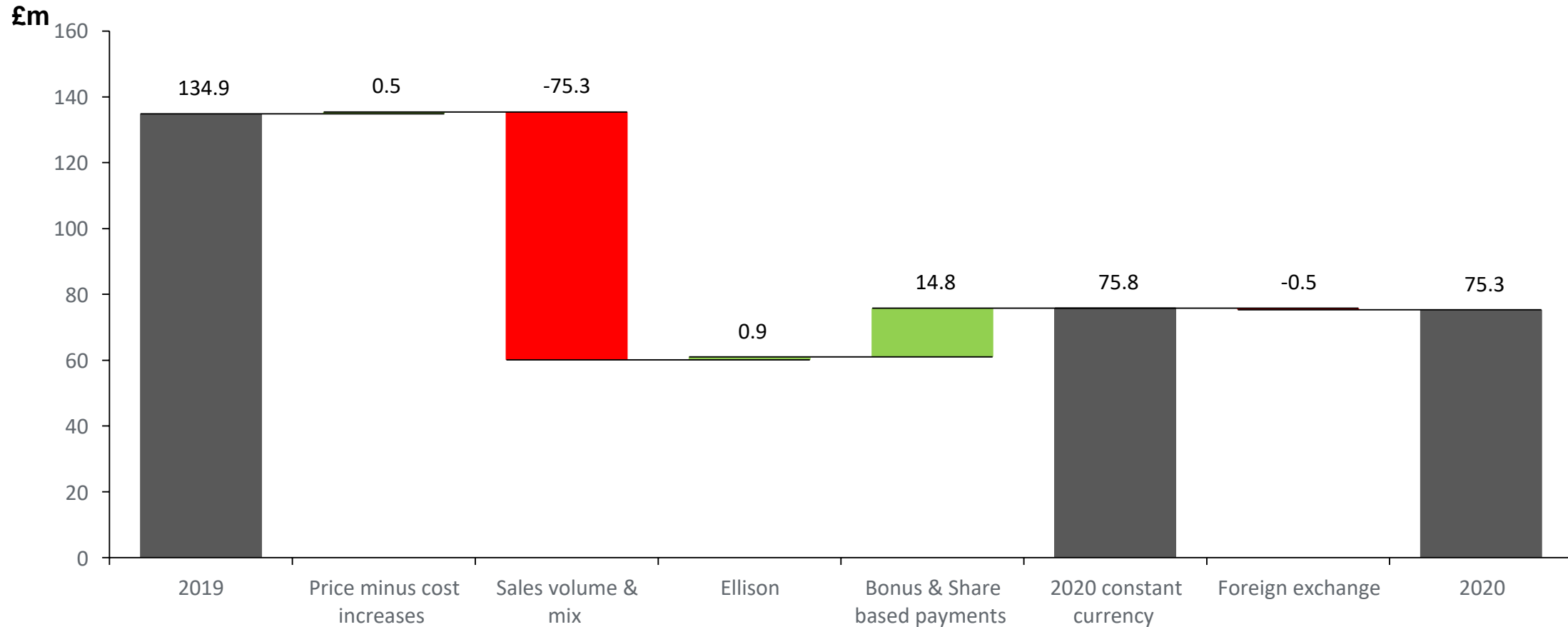
Dominique Yates
Chief Financial Officer



2020 Results summary

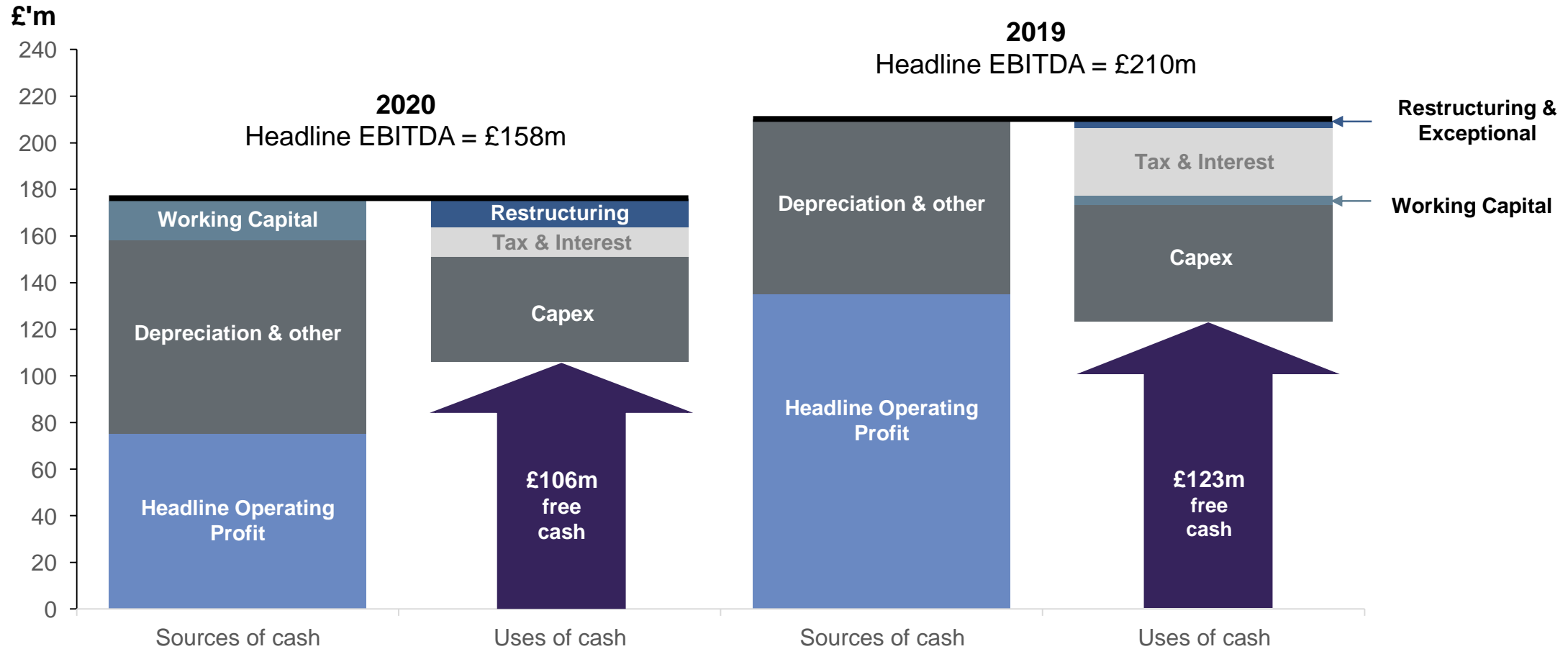
£m	2020	2019	Growth	Growth constant currency
Revenue	598.0	719.7	-16.9%	-16.6%
Headline operating profit	75.3	134.9	-44%	-44%
Headline EBITDA margin	26.4%	29.2%		
Headline operating margin	12.6%	18.7%		
Headline profit before tax	68.8	130.2	-47%	-47%
Headline tax rate	22.5%	23.8%		
Free cash flow	106.1	123.1	-14%	
Headline EPS	27.8p	52.1p	-48%	
Return on capital employed	9.8%	17.7%		
Ordinary dividend	19.4p	19.3p		

Headline operating profit bridge



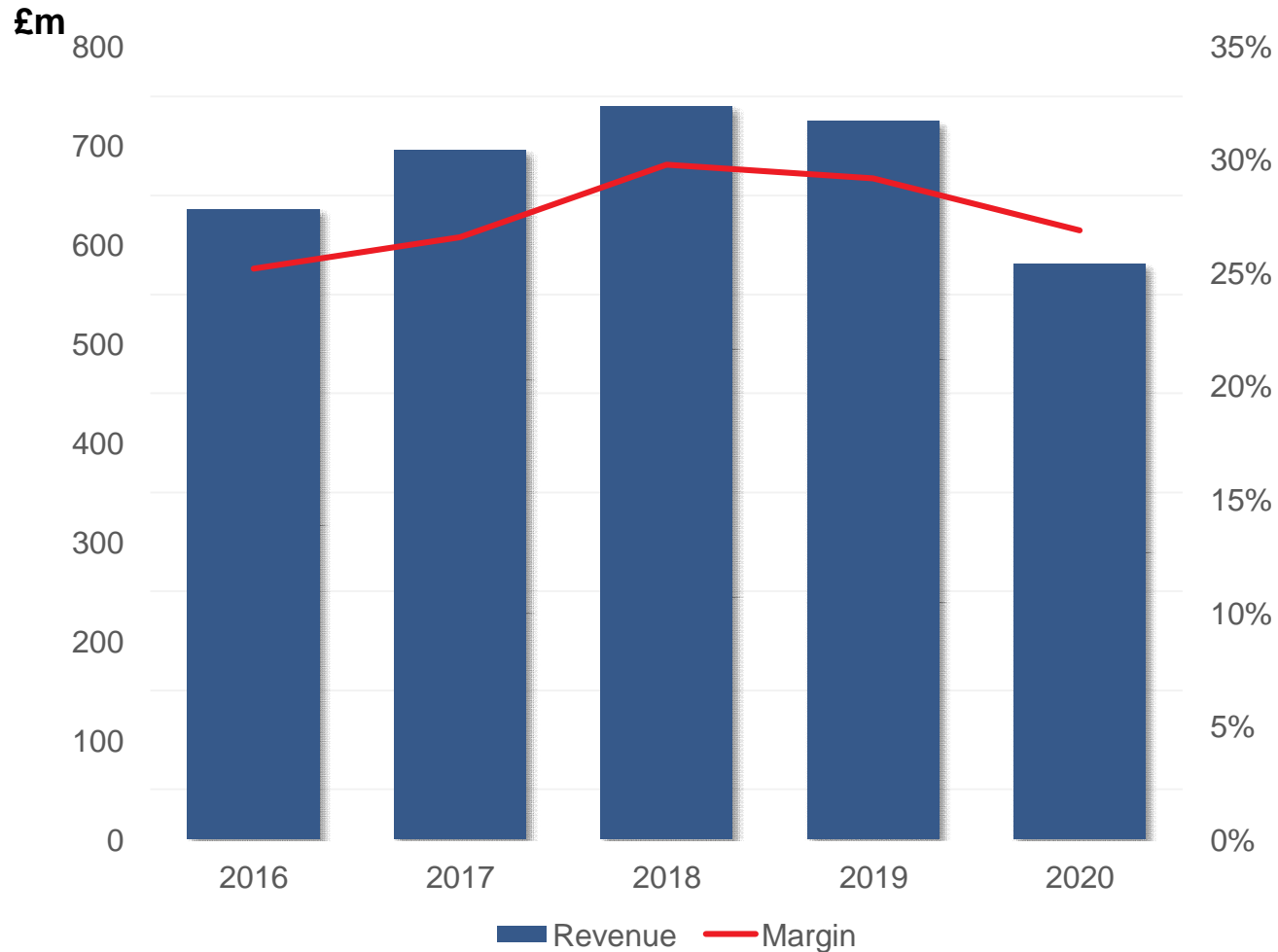
Lower variable pay partially offsets sales volume downturn

Excellent cash flow



- Excellent free cash flow conversion: 141% (91% in 2019)
- Continuing to invest in the business

Resilient EBITDA margin²



- Revenues down 20%¹
- Costs (excluding depreciation) down 17%¹
- EBITDA margin² down **only** 2.3% to 26.8%¹
- EBITDA margin² still above 2016 and 2017 levels

ADE and AGI summary

The ADE Business

£m	2020	2019	Growth	Growth constant currency
Revenue	249.2	301.4	-17.3%	-17.2%
Headline operating profit	36.8	75.8	-51%	-52%
<i>Headline operating margin</i>	14.8%	25.1%		

- The ADE business comprises of more than 60 facilities primarily focused on Aerospace, Defence and Energy customers, but also includes approximately 20% General Industrial business
- Ellison contributed £22.6m to revenues and £0.9m to headline operating profit

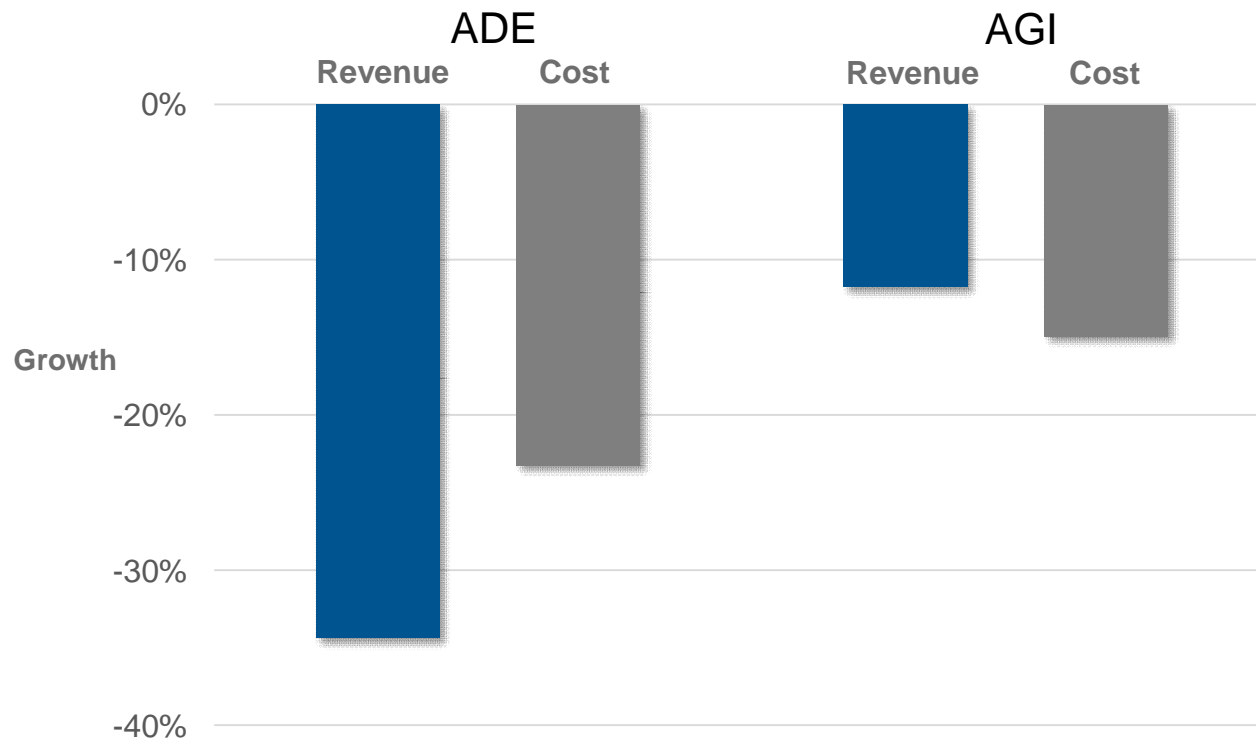
The AGI Business

£m	2020	2019	Growth	Growth constant currency
Revenue	348.8	418.3	-16.6%	-16.1%
Headline operating profit	41.0	65.9	-38%	-37%
<i>Headline operating margin</i>	11.8%	15.8%		

- The AGI business comprises more than 100 facilities primarily focused on Automotive and General Industrial customers
- Circa 60% of the AGI business is in Western Europe

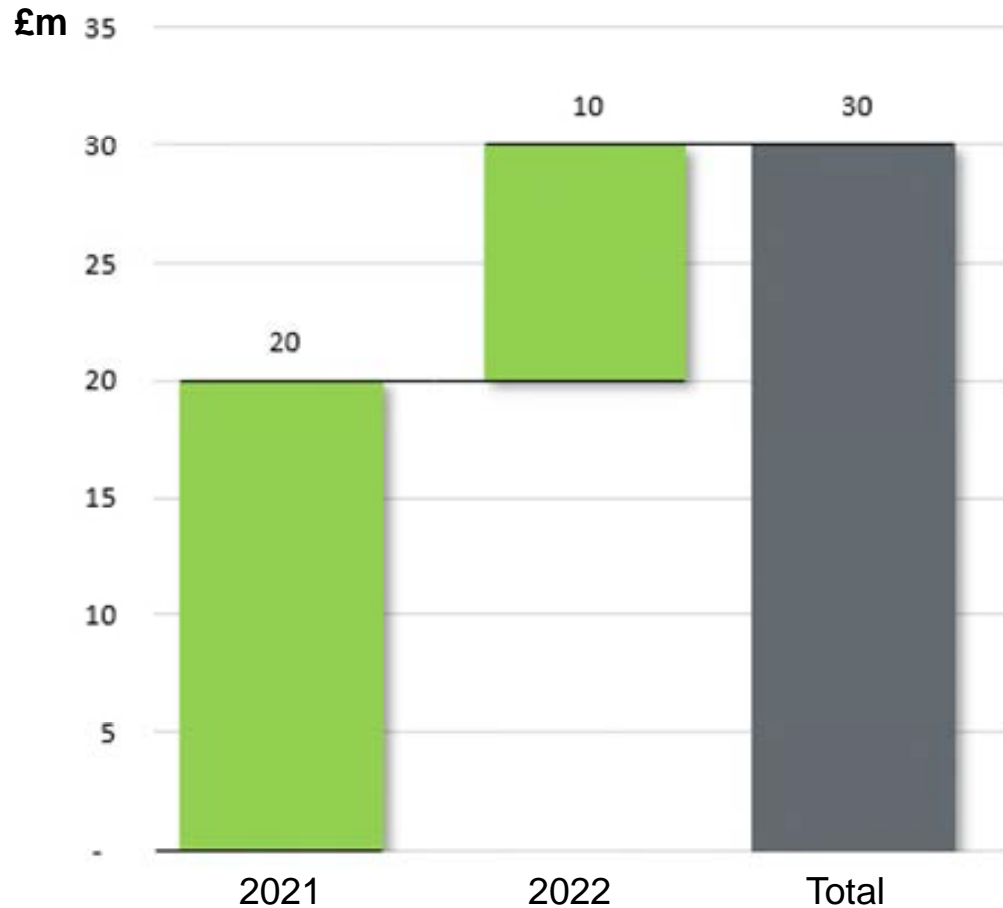
Aligning costs with revenues¹

H2 2020 Revenue and cost²



- Aligning costs with revenues is key to Bodycote's margin resilience
- Cost flexibility and swift management action are key
- ADE has done a good job with cost reduction, but scale of revenue decline too great – more restructuring benefits to come
- As ADE revenues start to recover, margins are expected to move back above 20% by late 2022
- AGI's H2 percentage cost reductions actually ahead of the volume decline

Restructuring savings



- £52m total restructuring charge taken in the year, including £16m of infrastructure impairment
- £36m cash cost; programme largely completed in 2020, with most of the cash outflow due during 2021
- 2020 benefit negligible, as initial restructuring benefits offset by inefficiencies associated with plant closures
- £20m permanent cost saving already reflected in market estimates for 2021
- Additional £10m annual permanent benefit in 2022 focused in ADE

Balance sheet and taxation

Balance sheet

- Net debt (excluding lease liabilities) is £23m (2019: net cash £21m) after paying £96m of the consideration for Ellison
- IFRS16 lease liabilities of £76m
- Facility headroom of £199m at 31 December 2020
- £251m credit facility matures in 2025

Tax

- Headline tax rate of 22.5%, in line with guidance

Currency

- **Translating the 2020 results at latest exchange rates would have reduced headline operating profit by c.£3.0m**

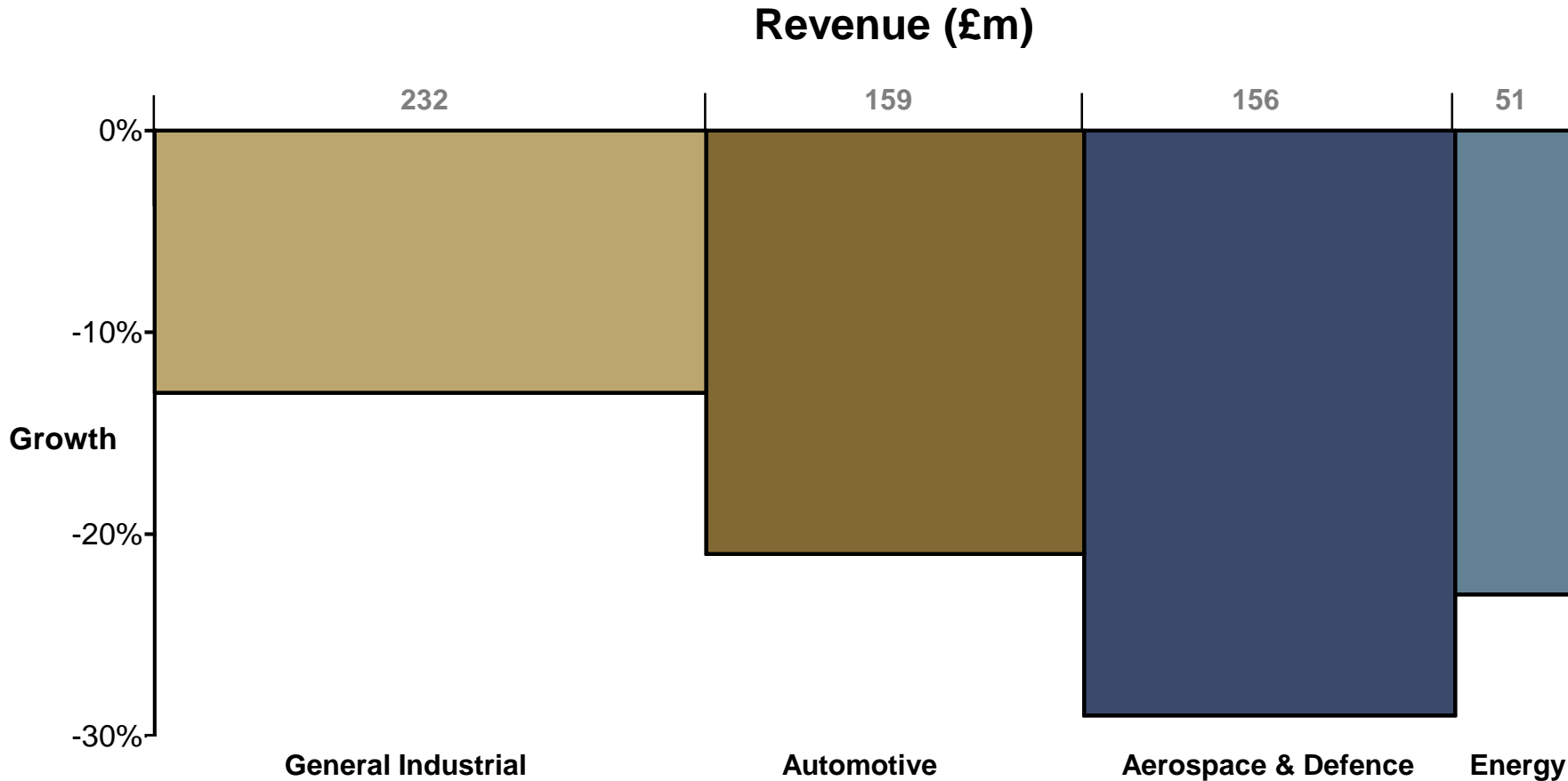
Market Sector Review

Stephen Harris

Group Chief Executive



Market sector revenue and organic growth¹



Largest parts of the business declined the least...

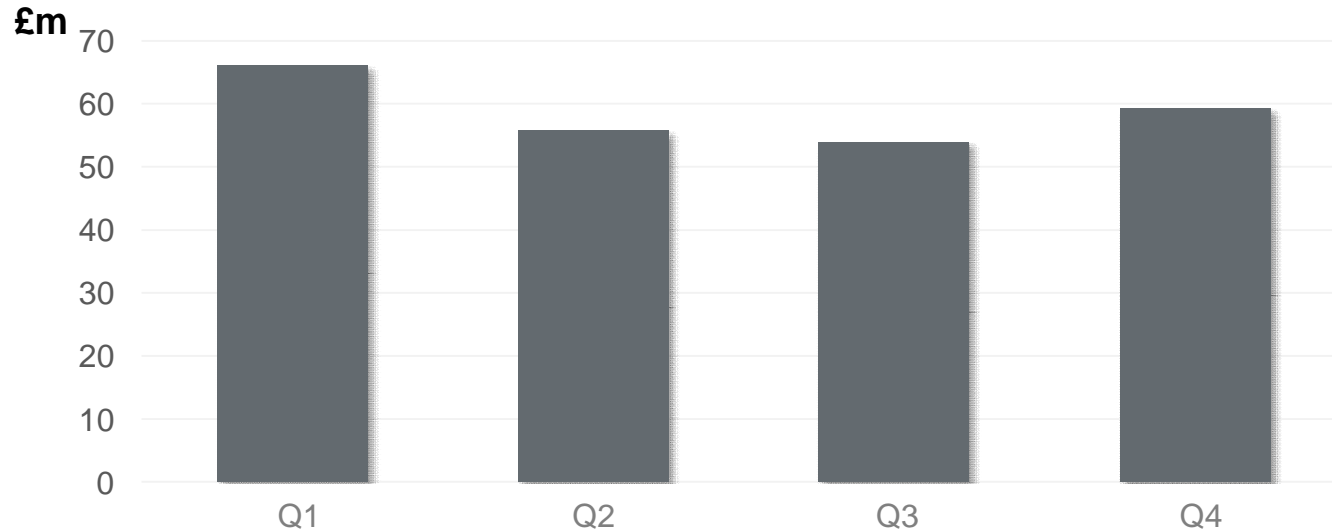
...which are well advanced in recovery

Aerospace & Defence have a more complex path

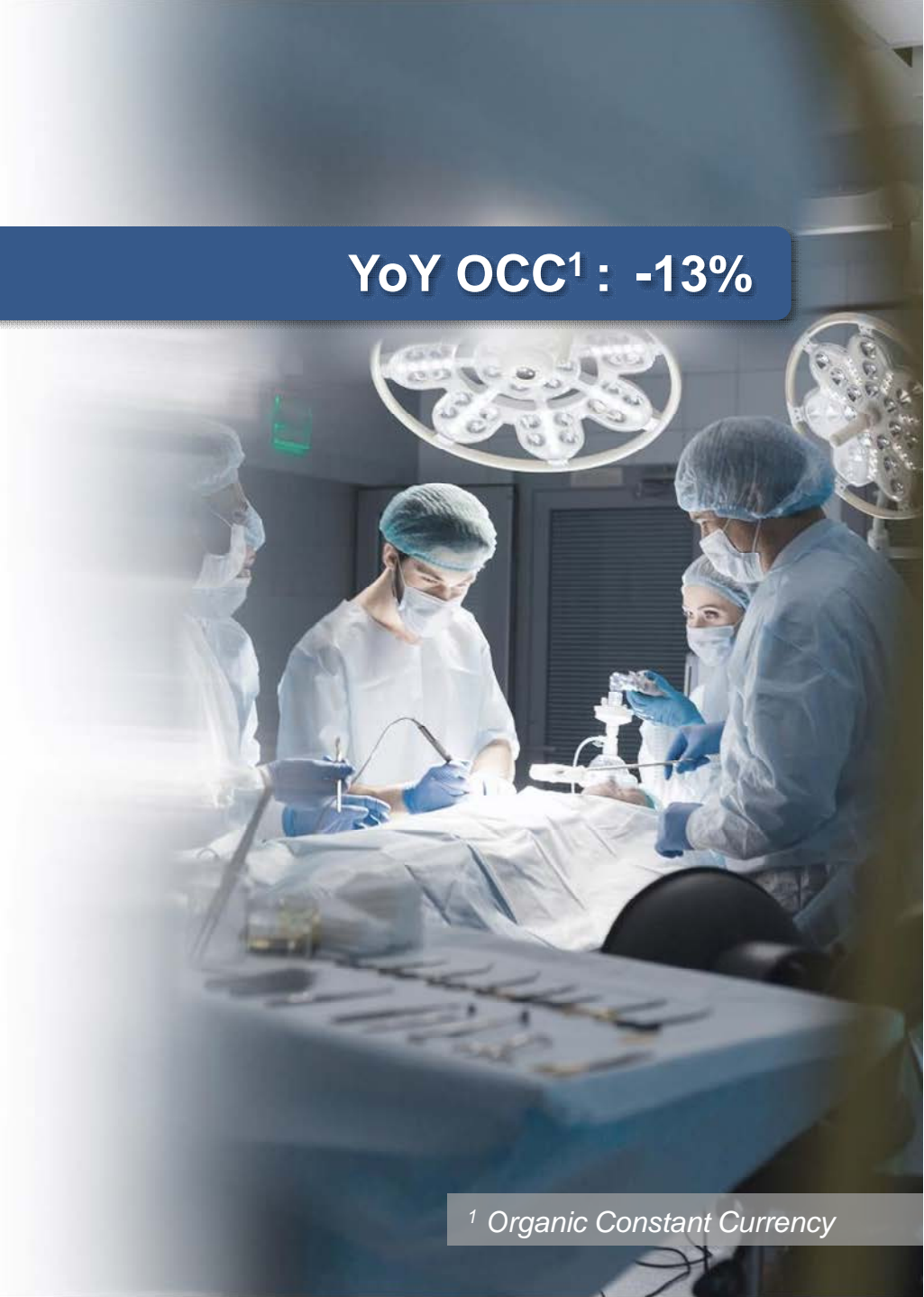
General Industrial

Revenue: £232m (39% of total revenue)

YoY OCC¹: -13%



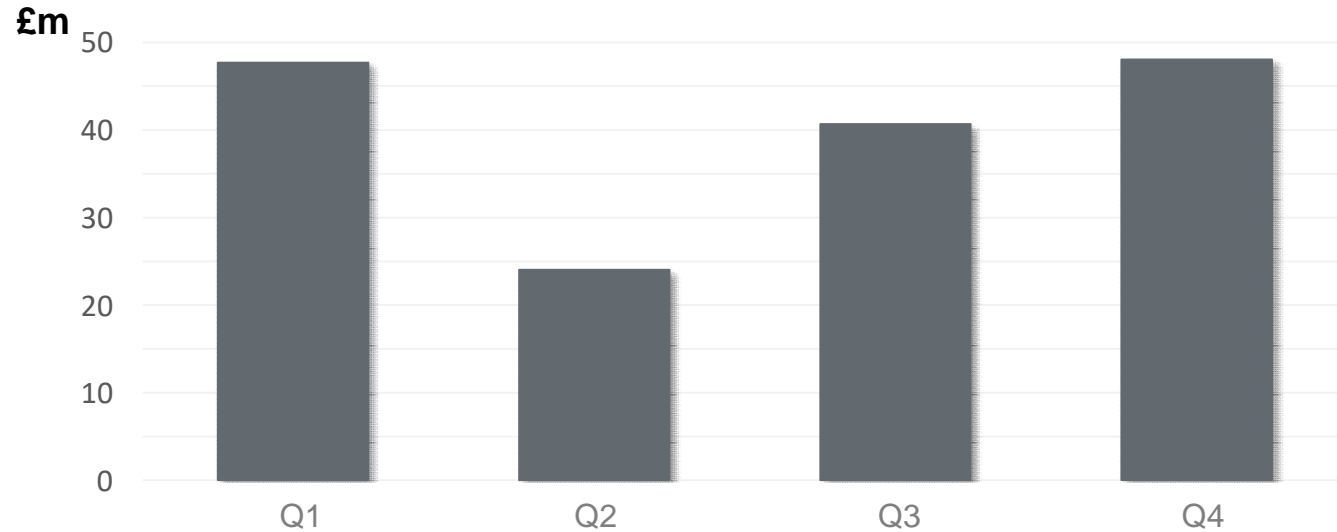
- Revenues gradually recovered through H2
- Market sub-segments highly diversified, growth rates varying from +10% to -30%
- North America stronger than Western Europe
- Emerging Markets' general industrial revenues grew 13%



Automotive

Revenue: £159m (27% of total revenue)

YoY OCC¹: -21%

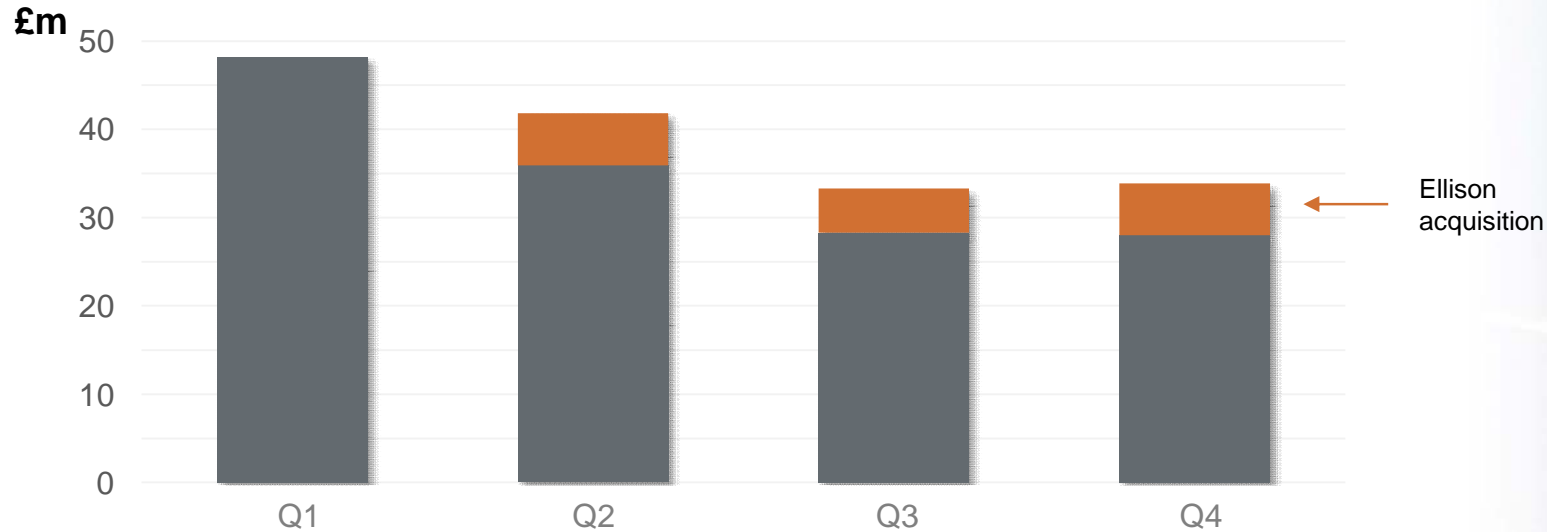


- Automotive recovered strongly in H2
- Q4 automotive revenues the same as Q4 2019
- Build up of capacity to serve electric vehicle production in Eastern Europe continues

Aerospace & Defence

Revenue: £156m (26% of total revenue)

YoY OCC¹: -29%



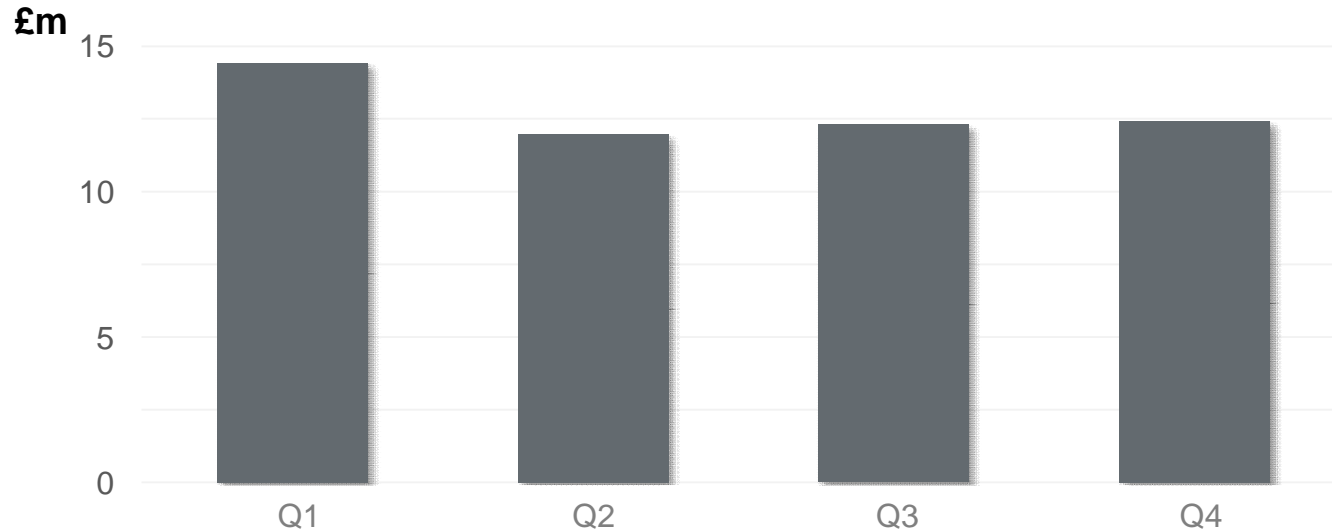
- Civil aerospace revenues now stabilised at an exit revenue rate 43% down on Q4 2019
- Earlier recovery expected for narrow bodies (value add per engine now largely independent of engine size)
- No material civil aerospace recovery anticipated in 2021, with revenues expected to exceed 2019 levels by 2023/24



Energy

Revenue: £51m (8% of total revenue)

YoY OCC¹ : -23%



- Remains a small part of overall business (8%)
- Offshore – robust, but watching carefully
- Onshore oil & gas extraction – no further investment anticipated

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- Looking ahead

Restructuring strategy

Restructuring initiated in 2019:

- Restructuring was more than a reaction to the immediate situation
- Focused on reducing exposure to automotive ICE in Western Europe and increasing EV exposure in Eastern Europe
 - *15 closures, 3 new facilities in Eastern Europe*
 - *Redundant capacity in Western Europe transferred to Eastern Europe or repurposed for General Industrial business*

Expanded in 2020 to include:

- Aerospace realigned and more efficient
 - *1 plant closed in North America, 1 in Belgium and 2 in UK*
 - *Footprint rebalanced away from wide body to narrow body exposure*
 - *Current underutilised capacity targeted at Medical and other GI markets*
- Onshore Oil & Gas consolidated and North American legacy plants in AGI closed
 - *7 closures and 2 new facilities*

Total of 26 plants closed or in process of closing and 5 new facilities



Cost reductions & restructuring

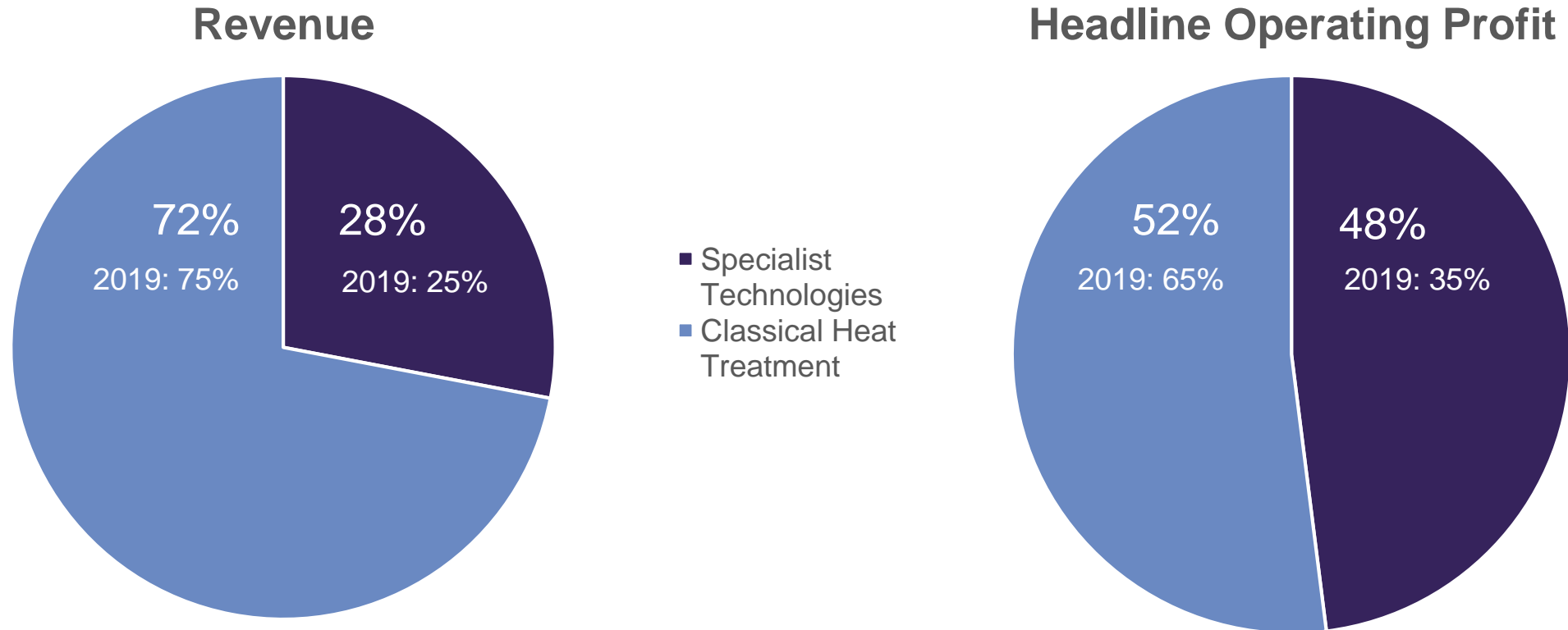
- As revenues strengthen, we will refill our temporary labour pool back to the ideal target of 15% of the workforce
- The restructuring programme is more than a reaction to the immediate situation

Strategic restructuring programme positions Bodycote for growth

- Capacity concentrated where demand will be greatest and with larger more flexible facilities
- Virtually no reduction in overall physical production capacity
- Significant structural savings achieved
- Business aligned to serve long term megatrends in road transportation, air travel logistics, and phasing out of fossil fuels

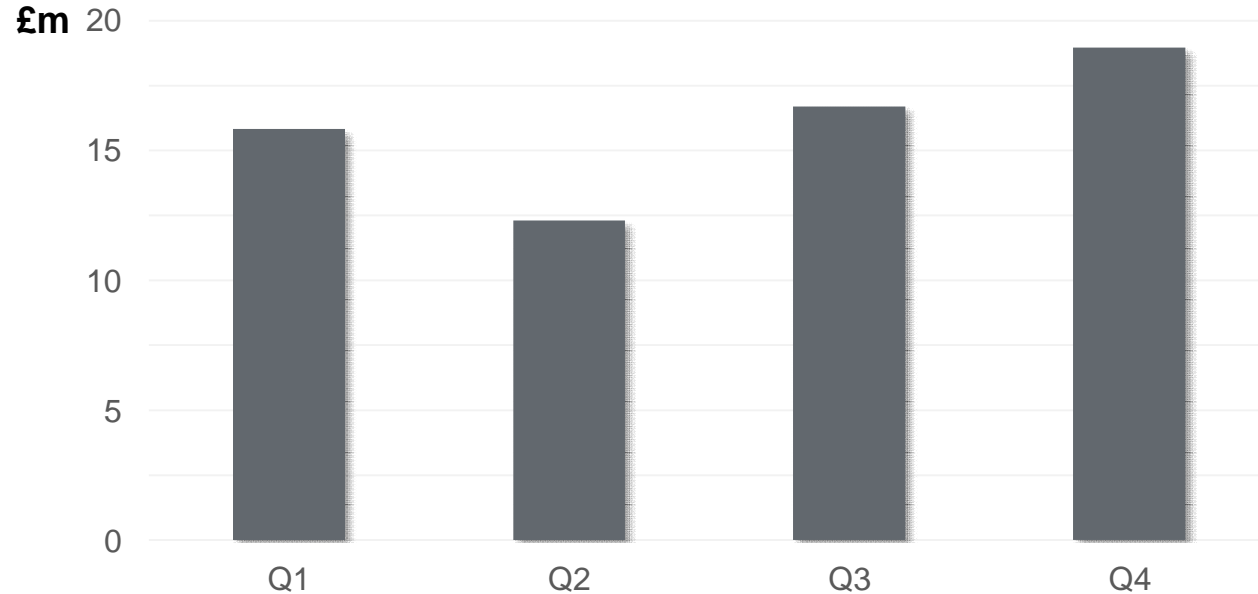


Investing for growth - Specialist Technologies



- Specialist Technologies represented 48% of Group headline operating profit
- Specialist Technologies' margins proportionally less impacted by revenue downturn

Investing for growth - Emerging Markets²



- Strong recovery in the second half (revenues¹ up 8%), driven by recovery in automotive markets
- China revenues¹ up 16% in H2
- Emerging Markets' revenues grew to 12% of total Group revenues in H2
- Investment in capacity expansion continues

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A vision of tomorrow

Accelerating growth

- Using our network to capitalise on growth opportunities across geographies and market sectors
- Growth in Specialist Technologies
- Continued growth in Emerging Markets
- Aligned with secular megatrends
- Reaping the benefits from restructuring; both in permanent cost savings, and increased efficiency and flexibility

All of these result in a higher quality business with exciting long term growth prospects at attractive margins and returns



Outlook

Looking ahead, markets are recovering, though the uncertain timeline for recovery in the civil aerospace market clouds the short-term outlook for this part of the business. Nonetheless, our restructuring programme is now largely complete, resulting in a higher quality business aligned to the growth opportunities we are seeing. The Board is confident that Bodycote is well placed to drive growth and take advantage of the upturn in activity across all of its markets as they strengthen.

Business transformed, resilience proven, structured for growth

www.bodycote.com

Bodycote

Specialist Technologies

A selection of highly differentiated, early-stage processes with high margins, significant market opportunities, and good growth prospects. Bodycote is either the clear market leader or one of the top players among a small number of competitors.

Hot Isostatic Pressing

(HIP) Services

Improves component integrity and strength by application of extreme pressure and heat

HIP PF inc. Powdermet®

Additive manufacturing of often complex components in conjunction with HIP

Specialty Stainless Steel Processes (S³P)

Improves the strength, hardness and wear resistance of stainless steels

Surface Technology

Enhances component life using ceramic and metal coatings

Low Pressure Carburising (LPC)

Provides a hardened surface and tough core in a “clean” process under vacuum

Corr-I-Dur® (CiD)

Improves corrosion resistance and wear properties, and is primarily used as an environmentally friendly substitute for hard chrome

Classical Heat Treatment

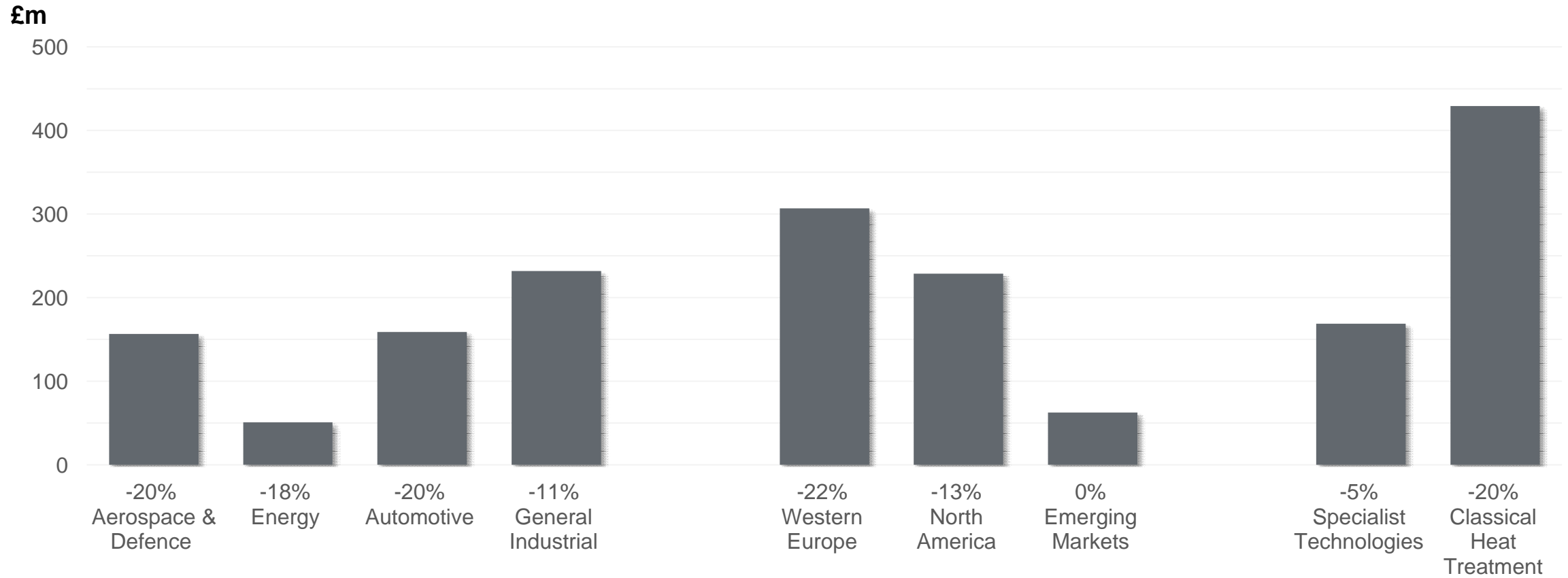
Classical Heat Treatment is the process of controlled heating and cooling of metals in order to obtain the desired mechanical, chemical, and metallurgical properties during the manufacturing of a product.

It provides wear resistance, strength or toughness depending on the application. Surface hardness can be controlled by diffusing elements such as carbon and nitrogen into the metal during the heating stages of the process. Classical Heat Treatment is an indispensable set of processes within the manufacturing chain of most of the products used in life. A seat belt buckle for example, hardens after heat treatment so that it keeps the passenger safe during an accident. A screwdriver lasts longer without wear or a screw fastens components together without fail only after heat treatment.

Classical Heat Treatment is carried out in precisely controlled industrial furnaces which can heat up to temperatures above 1000°C and use quenchants like oil, water or Nitrogen gas to cool the heated material. During the process the microstructure of the metal transforms into a different structure which results in hardening or softening of the material depending on the process. Engineers can design thinner, lighter but stronger components with the help of Classical Heat Treatment.



2020 Revenue and growth analysis¹



2020 Statutory income statement

£m	2020	2019
Revenue	598.0	719.7
Headline operating profit	75.3	134.9
Amortisation of acquired intangible assets	(9.8)	(4.6)
Acquisition costs	(2.1)	(1.7)
Exceptional items	(58.4)	-
Operating profit	5.0	128.6
Net finance costs	(6.5)	(4.7)
(Loss)/profit before tax	(1.5)	123.9
Headline earnings per share (pence)	27.8p	52.1p

2020 Cash flow¹

£m	2020		2019	
	Post IFRS 16	Pre IFRS 16	Post IFRS 16	Pre IFRS 16
Headline operating profit	75.3	72.5	134.9	132.6
Add back: Depreciation and amortisation	82.0	67.2	79.6	65.1
Impairment of fixed assets	0.4	0.4	-	-
Income from associates	(0.2)	(0.2)	(0.2)	(0.2)
Profit on disposal of fixed assets	0.6	0.7	(4.4)	(4.4)
Headline EBITDA	158.1	140.6	209.9	193.1
Net maintenance capital expenditure	(45.1)	(38.7)	(50.2)	(39.1)
Net working capital movement	17.2	17.2	(4.2)	(4.2)
Headline operating cash flow	130.2	119.1	155.5	149.8
Restructuring	(11.6)	(11.6)	(3.2)	(3.2)
Financing costs	(4.7)	(2.5)	(4.5)	(2.1)
Tax	(7.8)	(7.8)	(24.7)	(24.7)
Free cash flow	106.1	97.2	123.1	119.8
Acquisition spend	(99.3)	(96.0)	(29.0)	(22.9)
Expansionary capital expenditure	(20.0)	(19.5)	(32.2)	(32.2)
Ordinary dividend	(25.1)	(25.1)	(36.8)	(36.8)
Special dividend	-	-	(38.1)	(38.1)
Own shares purchased less SBP	(0.1)	(0.1)	(4.9)	(4.9)
Increase in net debt	(38.4)	(43.5)	(17.9)	(15.1)
Net Debt	(98.1)	(22.5)	(58.5)	20.9

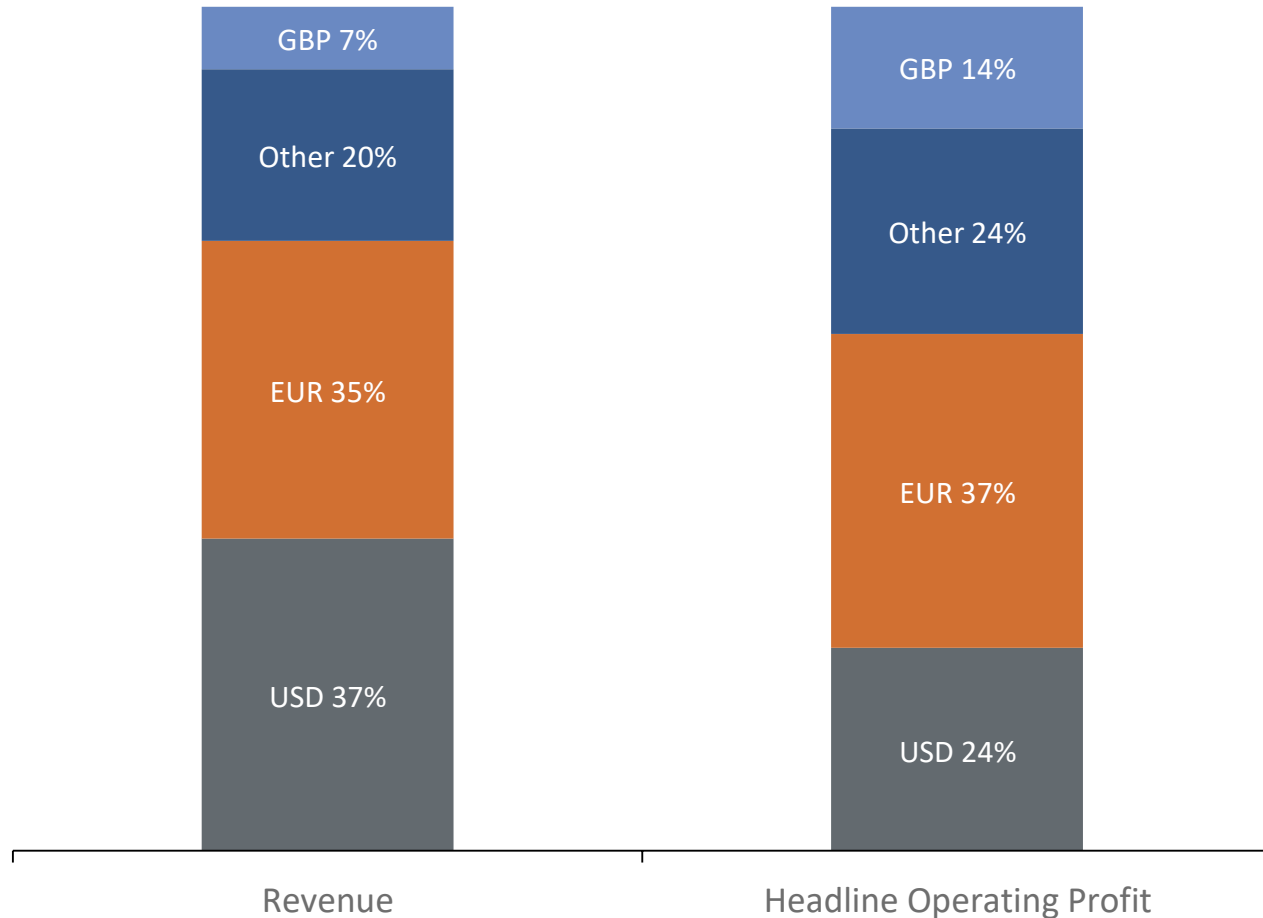
- Strong Free Cash Flow despite restructuring related outflows
- Bodycote has £75.6m of outstanding lease obligations at 31 December 2020

Net finance charge/facilities

£m	2020	2019
Interest received on bank overdrafts and loans	0.2	0.2
Net interest expense	(3.7)	(2.7)
Financing and bank charges	(2.9)	(1.9)
Pension finance charge	(0.1)	(0.3)
Total finance charge	(6.7)	(4.9)
Net finance charge	(6.5)	(4.7)

- Committed facility headroom of £199.2m at 31 December 2020, £51.7m drawn
- The remaining life of the facility is 4.4 years
- Closing net debt of £22.5m

2020 Sales and operating profit by currency



- Operating profit translation decrease of £0.5m
- Average full year exchange rates: £1: €1.13 and £1: \$1.29
- Every cent change in the Euro is worth c.£0.4m of annual operating profit
- Every cent change in the US dollar is worth c.£0.1m of annual operating profit

Financial information

Shares in issue		2020	2019
Weighted average		190.4m	189.9m

Exchange rates		2020	2019
EUR	Average (P&L)	1.13	1.14
	Closing (B/S)	1.12	1.18
USD	Average (P&L)	1.29	1.28
	Closing (B/S)	1.37	1.32
SEK	Average (P&L)	11.85	12.1
	Closing (B/S)	11.22	12.39

ADE and AGI summary – 2020 H1 v H2

The ADE Business	H1	H2	Total ADE
Revenue	135.8	113.4	249.2
Headline operating profit	27.1	9.7	36.8
Margin	20.0%	8.6%	14.8%

The AGI Business	H1	H2	Total AGI
Revenue	170.9	177.9	348.8
Headline operating profit	14.4	26.6	41.0
Margin	8.4%	15.0%	11.8%

Definitions

Term	Definition
Headline Operating Profit	Operating profit before acquisition costs, exceptional items and amortisation of acquired intangibles
Headline Profit Before Tax	Profit before tax, acquisition costs, exceptional items and amortisation of acquired intangibles
Headline EBITDA	Earnings before interest, tax, depreciation, amortisation, impairment of fixed assets, profit or loss on disposal of property, plant and equipment, income from associate, exceptional items and acquisition costs
Headline Operating Cash Flow	Headline EBITDA adjusted for net working capital movements and net maintenance capital expenditure
Free Cash Flow	Headline operating cash flow less restructuring cash flows, interest and taxes paid
Headline EPS	Earnings per share excluding acquisition costs, exceptional items and amortisation of acquired intangible assets
Organic result	Excludes corporate acquisition and disposal activities from the current and comparative period
Exceptional items	Significant (by virtue of size or incidence) events or transactions including, but not limited to, impairment charges, costs associated with significant restructuring and reorganisation costs and other one-off items.
FTE(s)	Full time equivalents