



Wednesday 31 May 2023

Bodycote plc Trading Update

Bodycote, the world's leading provider of heat treatment and specialist thermal processing services, issues a trading update covering the four-month period from 1 January to 30 April 2023 ("the period"), ahead of the Company's 70th Annual General Meeting, which will be held at 12.00pm today.

Trading Summary

We have had a good start to the year and trading in the first four months has been modestly ahead of our expectations. Guidance for the full year remains unchanged. Group revenue for the period was £281m (up 22.1% at actual rates and 16.6% higher at constant currency). Growth excluding energy surcharges was 9.5% at constant currency. Energy surcharges have steadily declined from their peak in Q4 2022 in line with the global trend in energy costs. Revenue in the period also benefitted from price increases which have enabled us to successfully mitigate the impact of other inflationary effects on our cost base.

Both the AGI and ADE businesses achieved good revenue growth in the period. AGI revenues were up 19.4% to £162m (at constant currency, up 14.4% and up 6.4% excluding surcharges), with ADE revenues 26.0% above last year to £119m (at constant currency, up 19.8% and up 13.8% excluding surcharges).

Specialist Technologies' revenue growth was 18.4% at constant currency, 15.0% excluding surcharges, with growth continuing to outperform our Classic Heat Treatment businesses, where revenues rose 15.9% at constant currency, 7.0% excluding surcharges. Specialist Technologies saw broad based growth across all of its key end markets.

Market Sectors

The following review of the Group's revenues by end market quotes all movements against the same period in 2022, at constant currency:

Aerospace & Defence revenues were 16.0% higher (9.4% excluding surcharges) led by good growth in Civil Aerospace (up 11.0% excluding surcharges) driven by OEM build rate increases and higher aftermarket demand. Aerospace supply chain issues are easing but remain an operational challenge for several of our customers.

Automotive revenues rose by 16.3% (8.8% excluding surcharges) against a relatively weak performance in this market in Q1 2022 when our customers had been impacted by supply chain issues and parts shortages. Growth in this market was led by strong progress in Emerging Markets. The outlook for the Automotive sector for the remainder of this year remains sensitive to the macro environment and consumer spending.

General Industrial (including Energy) revenues were up 17.1% (9.9% excluding surcharges). The slower growth we witnessed in certain General Industrial subsegments in Q4 has

continued, but was more than offset by very strong growth in Oil & Gas during Q1 driven by specific project related activity, combined with good demand from Medical markets.

Emerging Markets revenues grew strongly, up 25.3% (18.9% excluding surcharges), driven by strong growth in Eastern Europe, where we continue to make good progress developing and expanding our market penetration. Revenues in China rose more modestly in the first four months reflecting slow automotive growth in the country in the period.

Financial position

Net debt (excluding lease liabilities) as at 30 April 2023 was £37.7m compared to £33.4m at 31 December 2022. This reflected bonus payments made in March together with our typical cash flow seasonality in the first quarter. Trade receivables rose, driven by the good revenue growth in the period.

Summary and Outlook

We have delivered good progress in the first four months, which underpins our confidence in delivering on the financial guidance for the full year that we provided with our 2022 results. While there are near term macroeconomic uncertainties, we expect underlying volume to continue to grow ahead of the background markets, and margins are expected to expand as surcharges moderate.

Beyond 2023, we expect robust growth, leading to further margin expansion. Civil Aerospace will benefit from higher OEM build rates and increasing airline flying hours, and our investments in Emerging Markets and Specialist Technologies will drive higher growth in these areas. The Board remains confident in the Group's prospects for continued profitable growth.

Trading Update Conference Call

The Company will be hosting a conference call for analysts and investors at 08.30am today (Wednesday 31 May 2023).

Participants' dial-in number:

United Kingdom Toll-Free: 0800 652 2435

United Kingdom Toll: +44 800 652 2435

International: +1 416 764 8652

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

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