



Wednesday 25 May 2022

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 2022 ("the period"), ahead of the Company's 69th Annual General Meeting, which will be held at 12.00pm today.

Trading

Group revenue for the period was £230m (up 12% at constant currency and 11% at actual rates). Revenue benefited from price increases and energy surcharges as we have been able to successfully mitigate the impact of inflation around the world. As expected, our two businesses experienced contrasting trading conditions. AGI revenues, at £136m, were 5% up on last year in the period (8% at constant currency), while ADE revenues, at £94m, were 20% higher than last year (18% higher at constant currency).

Trading in the first three months of the year has been in line with expectations. However, April saw material shortages at customers driven by supply difficulties out of China. While we have no direct exposure to Russia or Ukraine, the war in Ukraine has also begun to impact our customers, exacerbating the volatility in demand for our services.

The following review of the Group's revenues by end market quotes all movements against the same period in 2021, at constant currency:

Automotive revenues were down 7% against the relatively strong performance of automotive markets in the early part of 2021. The operating environment for automotive producers continues to be challenging, as OEMs strive to increase production but are held back by raw material and maintenance part shortages, which in turn lead to volume declines.

General industrial revenues (including energy) were up 21%. The sector benefited from continued capital investment in a number of markets that make up this sector.

Aerospace & defence revenues were 18% higher as the civil aerospace business continued to grow strongly, but revenues remained 25% below 2019's levels, despite the price increases and energy surcharges.

Emerging market revenues were up 18%, driven by strong growth in Eastern Europe, although China revenues declined in April as a result of Covid-related plant shutdowns of our

facilities. These are also impacting the business in May. Mexico, which largely supplies into customers serving the US automotive market, registered a low single-digit revenue increase. Specialist Technologies' revenues grew 12% against a very strong period last year. It is worth noting that since our Specialist Technologies are less energy intensive processes, the contribution to revenues from energy surcharges was lower.

Cost and price progression

Price increases and energy surcharges implemented to date are covering current cost inflation. As previously reported, there has been a short-term hit to profitability as the price increases have lagged the impact of cost inflation. In addition, high short-term volatility has eroded operational efficiency at our facilities. This, together with volatility in demand driven by material shortages at customers, and the temporary shuttering of our plants in China, has more than offset the positive impact of the incremental restructuring benefits delivered.

Financial position and liquidity

Net debt as at 30 April 2022 was £56m, reflecting strong underlying cash flows, partially offset by a working capital outflow from bonus payments accrued in 2021, as well as a higher level of trade receivables from the higher revenues.

Summary and Outlook

While our performance in the first three months of the year has been in line with expectations, over recent weeks we have seen unprecedented volatility emerging in our workflows driven by material shortages at customers. This has resulted in a widening of the range of possible outcomes for this year.

Beyond the short term, the outlook for the business remains positive as we anticipate a stronger automotive market in due course, continued good performance in our general industrial business, and further growth in civil aerospace revenues.

Company compiled range of analyst forecasts updated since FY21 Results: FY22 operating profit of £103.8m - £117.0m

Trading Update Conference Call

The Company will be hosting a conference call for analysts and investors at 08.00am today (Wednesday, 25 May 2022).

Participants' dial-in number:
United Kingdom Toll: +443333009270

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

For further information, please contact:

Bodycote plc

Stephen Harris, Group Chief Executive
Dominique Yates, Chief Financial Officer
Tel No +44(0) 1625 505300

FTI Consulting

Richard Mountain
Susanne Yule
Tel No +44 (0) 2037271340