



Wednesday, 22 November 2023

Bodycote plc

On track to meet full year expectations

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 July to 31 October 2023 ("the period").

Trading

Bodycote delivered year-to-date revenue of £677m, representing growth of 10% versus the prior year, which is up 6% excluding energy related surcharges and at constant currency. Operating margins have increased in line with our expectations.

In the four month period, the Group delivered revenue of £257m, up 4% year-on-year at constant currency on both a pre and post surcharge basis.

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

ADE revenues were £116m, up 10% (8% excluding surcharges). AGI revenues of £140m were down 1% year-on-year but up 1% when the effect of declining surcharges are excluded.

The Specialist Technologies portion of the divisions achieved revenue growth of 8% both before and after the impact of surcharges. Growth continued to outperform Classical Heat Treatment, where revenues rose by 2% pre and post surcharges.

Divisional revenues in Emerging Markets declined by 7% (down 6% excluding surcharges), with lower activity in China and Eastern Europe.

Market Sectors

Aerospace & Defence revenues increased by 13% (10% excluding surcharges), in line with the rate of growth delivered in H1 and led by ongoing growth in Civil Aerospace (up 11% excluding surcharges). This reflected market share gains in Classical Heat Treatment in North America, together with OEM build rate increases and higher aftermarket demand. Defence growth was 6%, excluding surcharges. Industry-wide Aerospace supply chain issues remain, but are progressively improving.

Automotive revenues were down 2%, driven by reduced surcharges. Underlying growth was 1% excluding the impact of surcharges. The reduction in growth versus the first half of the year reflected the more modest increases in car and light truck production rates and the UAW strike. Bodycote's penetration of the Electric Vehicle market continues to improve.

General Industrial (including Energy) revenues were up 2% (3% excluding the impact of falling surcharges). Bodycote achieved strong growth in both Oil & Gas and Medical subsectors, which constitute 18% of General Industrial revenues. Within the Oil & Gas subsector, the Group's share of the Surface Technology markets in EMEA grew significantly. There were revenue declines in a number of subsectors, including Tooling, Industrial Machinery and Electronics. Geographically, Western European growth was ahead of that in North America.

Financial position and liquidity

Net debt, excluding lease liabilities at 31 October was £6.7m, an improvement of £19.9m from 30 June, reflecting good cash flow conversion in the period.

The interim dividend of £12.6m was paid on 10 November 2023.

The acquisitions of Stack Metallurgical Group and Lake City Heat Treating have not yet completed and are progressing through regulatory clearance processes.

Outlook

Reflecting the good progress achieved year-to-date, the Board's expectations for full year 2023 remain unchanged. Looking beyond this year, the Board remains confident in the Group's prospects for continued profitable growth.

Trading Update Conference Call

Bodycote will be hosting a conference call for analysts and investors at 8.30am UK GMT today (Wednesday, 22 November 2023).

Participants' dial-in number:

UK & Europe: +44 208 609 4318

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

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