

Bodycote plc
Interim Results for the six months to 30 June 2024
“Good performance in a mixed end market environment”

Financial summary	Half year to 30 June 2024	Half year to 30 June 2023	Organic Growth³	Growth
Revenue	£399.0m	£420.1m	-3.2%	-5.0%
Revenue excluding surcharges ¹	£379.2m	£380.7m	+1.5%	-0.4%
Headline operating profit ¹	£66.8m	£62.8m	+7.0%	+6.4%
Headline operating margin ¹	16.7%	15.0%		+170 bps
Headline operating cash flow ^{1,4}	£49.2m	£48.8m		+0.8%
Free cash flow ^{1,4}	£26.0m	£42.9m		-39.4%
Basic headline earnings per share ^{1,2}	25.0p	23.8p		+5.0%
Interim dividend per share	6.9p	6.7p		+3.0%

Statutory measures	Half year to 30 June 2024	Half year to 30 June 2023
Operating profit	£30.8m	£58.7m
Operating margin	7.7%	14.0%
Profit after tax	£19.7m	£42.9m
Net cash from operating activities	£71.7m	£92.5m
Basic earnings per share	10.2p	22.2p

Highlights

Financial Performance

- Organic revenue growth of 1.5% excluding surcharges
- Revenue down 5.0% to £399.0m, due to lower surcharges as well as foreign exchange headwinds
- Headline operating profit of £66.8m, 7.0% higher organically
- Further good improvement in headline operating margin to 16.7% (+170bps)
- Decision taken to reduce the scope of the ongoing ERP programme, saving future cash costs but resulting in a non-cash exceptional charge of £28.3m
- Statutory operating profit of £30.8m (H1 2023: £58.7m) after ERP impairment charge
- Headline operating cash flow broadly stable at £49.2m; free cash flow reflects higher tax payments

Key Achievements

- Organic growth delivered, excluding surcharges, despite soft Industrial and Automotive conditions
- Specialist Technologies outperforming, with organic revenue growth of 7.7% excluding surcharges
- 14.9% organic growth in Aerospace & Defence, excluding surcharges
- Significant margin improvement, supported by decisive cost actions and pricing improvements
- Lake City business, acquired in January 2024, successfully integrated
- First £30m tranche of £60m buyback completed in July; the next tranche will commence on 30 July

Outlook

- No change to outlook provided at FY 2023 results
- Group well positioned with strong foundations and further opportunities to drive value; work underway to optimise strategy and fine-tune plant footprint

1 Headline performance measures and measures excluding surcharges represent the statutory results excluding certain items and are considered alternative performance measures (APMs). A reconciliation to the nearest IFRS equivalent is provided at the end of this 2024 Interim Results report (hereafter “Report”).

2 An earnings per share reconciliation is provided in note 5 to the condensed consolidated interim financial statements.

3 Organic measures are stated at constant currency and exclude contributions from acquisitions. Further details are provided at the end of this Report.

4 The definition of the cash flow APMs have been modified and prior year figures have been restated. Refer to the Financial Review for more information.

Commenting, Jim Fairbairn, Group Chief Executive, said:

“We delivered good overall performance in the first half despite a mixed end market backdrop, with organic topline growth excluding surcharges and strong margin progression. This was underpinned by continued outperformance in Specialist Technologies, as well as margin improvement in our Aerospace, Defence & Energy (ADE) division. In our Automotive and General Industrial (AGI) division, where market conditions have been challenging, we have taken a number of decisive actions to balance costs and capacity with near-term demand. Supported by these actions, our outlook for the full year remains unchanged; we expect to deliver organic revenue growth excluding surcharges and year-over-year margin progression.

Since joining Bodycote in March and taking over as CEO at the end of May, I have visited a significant number of plants spanning our core geographies, processes and markets. The foundations of the business are strong, with passionate people, a market-leading brand, differentiated services, and a unique carbon proposition for our customers. The business is well placed to build on these foundations, and I am excited by the considerable opportunities I see to unlock further value. These include fine-tuning our plant footprint, driving further improvements in operational excellence, optimising our strategy, and simplifying our reporting structure. I look forward to sharing more detail around these plans in due course.”

END

Interim Results Presentation

Bodycote will host a presentation for investors and analysts at **09.30 am UK BST on 30 July 2024**. The presentation will also be webcast live. Please find connection instructions below:

Webcast: <https://www.bodycote.com/interim2024>

Conference call details:

Participant dial-in numbers are:

United Kingdom local: +44 20 3936 2999

United Kingdom (Toll-free): +44 800 358 1035

International: +44 20 3936 2999

Participant Code: **046203**

The presentation will be a live webcast. The audiocast and presentation will be available at www.bodycote.com in the investor section on 30 July 2024 after the event.

For further information, please contact:

Bodycote plc

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About Bodycote plc

With more than 165 locations in 23 countries, Bodycote is the world's largest provider of heat treatment and specialist thermal processing services. Through Classical Heat Treatment and Specialist Technologies, including thermal spray coatings, Bodycote improves the properties of metals and alloys, extending the life of vital components for a wide range of industries, including Aerospace, Defence, Automotive, Power Generation, Oil & Gas, Construction, Medical and Transportation. Customers have entrusted their products to Bodycote's care for more than 50 years. For more information, visit www.bodycote.com.

Half Year Commentary

Overview

Revenue in H1 was £399.0m, 5.0% lower year-on-year (H1 2023: £420.1m). This reflected a £19.2m reduction in energy surcharges, which were around half the level of H1 2023, as well as a foreign exchange headwind of £12.2m. Excluding surcharges, organic growth was 1.5% (+£5.6m). Our Specialist Technologies continued to outperform their core markets, with organic growth of 7.7% (excluding surcharges) supported by continued customer penetration and market share gains, while revenue from Classical Heat Treatment processes was modestly lower (-1.6%). By end market, there was continued strength in Aerospace & Defence, while conditions were more challenging in Automotive and Industrial Markets. Supported by the more favourable conditions, as well as market share gains, growth was stronger in our ADE division than in AGI. The acquisition of Lake City, which completed in January, added £4.7m of revenue in the period.

Headline operating profit increased by 6.4% year-on-year to £66.8m (H1 2023: £62.8m). The Group delivered a material increase in headline operating margin, up 170bps to 16.7%. The improvement was led by the ADE division, where margin improved by 520bps to 23.0%. This was driven by higher volumes and improved utilisation, structural price increases in Surface Technology, and improved operational execution in our HIP plants. In our AGI division, margins reduced by 220bps to 16.0%, on lower volumes. We have taken a number of decisive actions to respond to the challenging market conditions in AGI, including headcount reductions, short-term working and reduced shift patterns, together with temporary mothballing of underutilised equipment. These collective actions help to balance capacity with near-term demand levels, while retaining flexibility for growth as market conditions recover.

Statutory operating profit reduced from £58.7m to £30.8m. This reflected the increase in headline operating profit, offset by acquisition costs for Lake City and the £28.3m exceptional impairment charge arising from the ERP write-down.

Basic headline earnings per share increased by 5% to 25.0p (H1 2023: 23.8p). Reflecting the reduction in statutory operating profit, basic earnings per share were 10.2p (H1 2023: 22.2p).

Headline operating cash flow was broadly flat at £49.2m (H1 2023: £48.8m), driven by the increase in headline operating profit, partly offset by a higher level of provision outflows. Free cash flow was lower year-on-year at £26.0m (H1 2023: £42.9m), which reflected a higher level of cash tax compared with the unusually low level paid in the prior year due to a refund received in H1 2023.

Excluding lease liabilities, the closing net debt position was £68.0m¹, compared with a net cash position of £12.6m at year end 2023. This reflected the acquisition of Lake City (£54.9m including acquisition costs), the ongoing share buyback programme (H1: £25.8m), and the payment of the 2023 final dividend (£30.1m), partly offset by the cash generation delivered in the period. Leverage remains low with net debt / headline EBITDA of 0.7x.

Revenue by end market and by process

Revenue by end market	Half year to 30 June 2024	Half year to 30 June 2023	Organic growth, ex. surcharges	Growth
Aerospace & Defence	£115.7m	£105.3m	+14.9%	+9.9%
Automotive	£94.4m	£104.7m	-1.1%	-9.8%
General Industrial	£188.9m	£210.1m	-4.1%	-10.1%
<i>Of which: Industrial Markets</i>	<i>£105.8m</i>	<i>£125.5m</i>	<i>-7.3%</i>	<i>-15.7%</i>
<i>Of which: Energy</i>	<i>£42.6m</i>	<i>£40.8m</i>	<i>+10.4%</i>	<i>+4.4%</i>
<i>Of which: Consumer, Medical & Other</i>	<i>£40.5m</i>	<i>£43.8m</i>	<i>-8.9%</i>	<i>-7.5%</i>
Total Group	£399.0m	£420.1m	+1.5%	-5.0%

Revenue by process	Half year to 30 June 2024	Half year to 30 June 2023	Organic growth, ex. surcharges	Growth
Specialist Technologies	£139.1m	£130.4m	+7.7%	+6.7%
Classical Heat Treatment	£259.9m	£289.7m	-1.6%	-10.3%
Total Group	£399.0m	£420.1m	+1.5%	-5.0%

The following commentary reflects organic growth rates excluding surcharges, versus the comparable period last year, unless stated otherwise.

¹ Net debt/cash is considered an alternative performance measures (APM). A reconciliation to the nearest IFRS equivalent is provided at the end of this Report.

Aerospace & Defence delivered very strong growth in the first half, up 14.9%. This included good performance in both Commercial Aerospace (+14.0%) and in Defence (+17.6%). In Commercial Aerospace, the medium and longer term demand outlook remains strong, with significant build rate increases planned at both Airbus and Boeing - supported by large order backlogs - as well as continued growth expected in aftermarket activity. Industry supply chain challenges are the key factor determining the pace of near-term growth, with certain aircraft and engine OEMs reducing the delivery growth rates for 2024. We saw little impact from these issues in the first half, but would anticipate some moderation in growth rates during the second half. Defence demand remains high, reflecting global geopolitical tensions, with strong revenue growth achieved in both Europe and the US during the first half.

Automotive revenue declined by 1.1% in the first half. This reflected a strong prior year comparator, as well as the weak global automotive production environment. The market weakness was most notable in Western Europe, our largest market, where light vehicle production declined by 8% (S&P Global Mobility). In North America, alongside a fairly muted production environment, we were impacted by the reduction in certain end-of-life transmission programmes. The performance in Western Europe and North America was offset by growth in Emerging Markets, including China where we have made further progress on increasing our penetration with Chinese OEMs. Uncertainty has increased around the pace of global transition from internal combustion engines (ICE) to electric vehicles (EV), with a reduction in the rate of EV adoption in the near-term. Our automotive business is well positioned to handle this uncertainty, with exposure across hybrid, ICE, and EV vehicle platforms, including a sizable portion of revenues which are powertrain agnostic.

General Industrial revenue was 4.1% lower. This was driven by softness in Industrial Markets, where our revenue was down 7.3%, reflecting the weak level of industrial demand in the first half, particularly in Europe, together with a strong prior year comparator. The weakness in Industrial Markets was partly offset by strong growth in Energy, up 10.4%, supported by the market share gains in our Surface Technology business and a healthy demand backdrop. Consumer, Medical & Other revenue was broadly stable, including the benefit of the Lake City acquisition, and 8.9% lower on an organic basis. This reflected soft demand in Consumer and temporary headwinds in Medical, including de-stocking and equipment downtime at a large customer. The fundamental demand trends in the Medical market remain good.

Specialist Technologies & Classical Heat Treatment

Specialist Technologies continued to outperform in the first half of 2024, with 7.7% growth. All our Specialist Technologies markets 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. The above-market growth in the first half reflected a continued increase in customer penetration, with notable market share gains in Surface Technology in Energy, and strong growth in Aerospace & Defence. The acquisition of the Lake City business, which primarily provides HIP services to the medical orthopaedic market in the US, was completed in January and has been successfully integrated. We continue to invest in Specialist Technologies, including expansion of HIP capacity in multiple US locations, as well as further expansion of our S³P capacity in Europe. Classical Heat Treatment revenue was modestly lower year-on-year (-1.6%), primarily reflecting the challenging conditions in Automotive and Industrial.

Divisional performance

Bodycote operates in more than 165 locations internationally. It has two customer-focused businesses: the ADE division and the AGI division. The ADE division focuses primarily on Aerospace, Defence and Energy customers, who typically operate globally. The AGI division focuses primarily on Automotive and General Industrial customers. These include multinational companies as well as small to medium size businesses who typically operate with a regional focus and local orientation.

Aerospace, Defence & Energy (ADE)	Half year to 30 June 2024	Half year to 30 June 2023	Organic Growth	Growth
Revenue	187.5	180.5	+3.3%	+3.9%
Revenue excluding surcharges	179.6	167.3	+6.6%	+7.4%
Headline operating profit	43.2	32.2	+30.4%	+34.2%
Headline operating margin	23.0%	17.8%		+520bps
Headline operating margin excluding surcharges	24.1%	19.2%		+490bps

Automotive & General Industrial (AGI)	Half year to 30 June 2024	Half year to 30 June 2023	Organic Growth	Growth
Revenue	211.5	239.6	-8.2%	-11.7%
Revenue excluding surcharges	199.6	213.4	-2.6%	-6.5%
Headline operating profit	33.8	43.7	-18.5%	-22.7%
Headline operating margin	16.0%	18.2%		-220bps
Headline operating margin excluding surcharges	16.9%	20.5%		-360bps

During the first half, a number of near-term actions were undertaken to enhance performance.

In our ADE division, revenue excluding surcharges increased organically by 6.6% in the first half. Our focus has been on driving margin improvement and capitalising on the growing demand environment. This includes increasing utilisation and efficiency, improving operational execution in our HIP business, and structural pricing improvements delivered in our North American Surface Technology business. Headcount in ADE at the end of H1 2024 was broadly flat versus prior year, despite the strong organic growth in revenue excluding surcharges. Supported by these actions, headline operating margins improved by 520bps to 23.0%, returning closer to the levels seen prior to COVID-19.

In AGI, market conditions have been challenging in the first half, reflected in the 2.6% organic reduction in revenue excluding surcharges. Decisive actions have been taken to balance short-term capacity with the current level of demand. This includes headcount reductions, with overall headcount 5% lower year-on-year (including a reduction of close to 20% in temporary labour), the use of short-term working and reduced shift patterns, and temporary mothballing of under-utilised equipment. At the same time, we have increased the level of sales resource and put a focused sales strategy in place to drive increased market share.

Sustainability

Our services deliver a wide range of sustainability benefits, including reducing customers' carbon emissions, extending the lifespan of components, supporting the development of low-carbon industries, and enabling lighter and thinner components to be adopted. We continue to place significant focus on driving growth through this unique carbon reduction proposition. In the first half, this included winning a major new multi-year contract with a global tier one automotive supplier to use state-of-the-art low pressure carburising technology (LPC) to treat components for electronic braking systems. LPC technology cuts processing time by around 20% and energy by around 50% compared with traditional atmospheric carburising, as well as delivering a c.99% reduction in process gas usage.

As well as supporting our customers, we continue to focus on reducing our own carbon footprint with a number of actions being taken to improve energy efficiency and reduce emissions. In the first half, we delivered a further reduction in Group Scope 1 and Scope 2 carbon emissions of 7%. As well as lowering emissions, these actions help to reduce our cost base and drive margin improvement.

Update on ERP programme

The Group has been developing a new enterprise-wide ERP solution, based on SAP. Good progress has been made on the implementation and roll-out of SAP for Finance & Procurement, which is expected to complete in early 2026.

For the Operations module, which is a larger element of the ERP programme, after a detailed evaluation the decision has been reached to cease further investment. Evidenced by the progression of the pilot phase of the programme in H1 2024, the Operations module would have added excess complexity and overhead cost, with the risk of operational disruption during the roll-out phase due to the nature of our multi-plant footprint across 165 locations. As a result, we will refocus our efforts on enhancing and extending the life of our existing ERP systems for Operations. This decision will reduce risk and future implementation costs, but has resulted in an impairment charge of £28.3m which has been taken as an exceptional item in the first half results.

Summary and outlook

We delivered good overall performance in the first half despite a mixed end market backdrop, with organic topline growth excluding surcharges and strong margin progression. This was underpinned by continued outperformance in Specialist Technologies, as well as margin improvement in our ADE division. In our AGI division, where market conditions have been challenging, we have taken a number of decisive actions to balance costs and capacity with near-term demand. Supported by these actions, our outlook for the full year remains unchanged; we expect to deliver organic revenue growth excluding surcharges and year-over-year margin progression.

Financial Review

References to organic growth in the following Review reflect growth at constant currency FX rates excluding the impact of acquisitions and disposals. Further detail is provided at the end of this Report.

	Half year to 30 June 2024	Half year to 30 June 2023
	£m	£m
Revenue	399.0	420.1
Headline operating profit	66.8	62.8
Amortisation of acquired intangible assets	(5.3)	(4.1)
Acquisition costs	(2.4)	-
Exceptional items	(28.3)	-
Operating profit	30.8	58.7
Net finance charge	(4.6)	(3.5)
Profit before taxation	26.2	55.2
Taxation charge	(6.5)	(12.3)
Profit for the period	19.7	42.9

Group revenue in the first half of 2024 was £399.0m (H1 2023: £420.1m), a decline of 5.0% at actual exchange rates. Reflecting the reduction in energy input costs, energy surcharges declined materially in the first half to £19.8m (H1 2023: £39.4m). Organic revenue growth, excluding surcharges, was 1.5% in the first half.

Headline operating profit for the six months increased by 6.4% to £66.8m (H1 2023: £62.8m) and was up 7.0% organically. Headline operating margin rose by 170bps to 16.7% (H1 2023: 15.0%) reflecting strong performance in the ADE division, including higher utilisation, improved operational execution in our HIP plants, and pricing improvements in Surface Technology.

Statutory operating profit declined to £30.8m (H1 2023: £58.7m) reflecting the increase in headline operating profit, offset by a higher charge for the amortisation of acquired intangibles, the costs relating to the Lake City acquisition completed in January 2024, and an impairment charge of £28.3m relating to our ERP programme.

Exceptional items

As discussed in more detail above, the Group completed an assessment of the development of its ERP software solution which resulted in the decision to cease development of the operational module. Accordingly, an exceptional impairment charge of £28.3m has been taken in the first half.

Finance charge

The net finance charge increased modestly to £4.6m (H1 2023: £3.5m). An analysis of the finance charge is set out in the table below:

	Half year to 30 June 2024	Half year to 30 June 2023
	£m	£m
Interest on loans and bank overdrafts	(1.7)	(1.5)
Lease and other interest charges	(2.1)	(1.4)
Finance and bank charges	(1.2)	(1.1)
Total finance charges	(5.0)	(4.0)
Interest received	0.4	0.5
Net finance charge	(4.6)	(3.5)

The increased interest charges during the period were driven by an increase in the charge on lease liabilities and marginally higher interest charges on higher borrowings.

The Group's £250.9m Revolving Credit Facility which expires in May 2027 was drawn by £89.0m as at 30 June 2024 (31 December 2023: £32.1m) leaving facility headroom of £161.9m (31 December 2023: £218.8m). The Group also has access to an additional undrawn committed facility of £9.4m bringing total committed facility headroom to £171.3m at 30 June 2024 (31 December 2023: £228.3m).

Taxation

The headline tax charge was £14.6m (H1 2023: £13.4m). The headline tax rate, being stated before accounting for amortisation of acquired intangibles, acquisition costs and exceptional items, was 23.5% (H1 2023: 22.5%).

Reflecting the lower statutory profit, the statutory tax charge in the first half of 2024 reduced to £6.5m compared with a tax charge of £12.3m for the same period in 2023. The effective statutory tax rate was 24.8% (H1 2023: 22.3%).

Earnings per share

Basic headline earnings per share for the half year of 25.0p (H1 2023: 23.8p) was up 5.0% reflecting the increase in headline operating profit. Basic earnings per share on a statutory basis was 10.2p (H1 2023: 22.2p). Fully diluted earnings were not materially different from basic earnings in either year.

Management cash flow

	Half year to 30 June 2024 £m	Half year to 30 June 2023 ¹ £m	Year ended 31 Dec 2023 ¹ £m
Headline operating profit	66.8	62.8	127.6
Depreciation and amortisation	37.7	37.2	74.0
Other, including impairment and profit on disposal of property, plant and equipment	0.1	(1.0)	(2.7)
Headline EBITDA	104.6	99.0	198.9
Net maintenance capital expenditure	(27.1)	(24.7)	(47.1)
Expansionary capital expenditure	(7.5)	(10.4)	(24.9)
Principal element of lease payments	(6.7)	(6.6)	(13.0)
Provisions movement	(6.4)	0.7	(0.9)
Working capital movement	(7.7)	(9.2)	(0.8)
Headline operating cash flow	49.2	48.8	112.2
Restructuring	(0.4)	(1.0)	(1.6)
Net Finance costs	(3.8)	(3.3)	(6.4)
Net Tax	(19.0)	(1.6)	(9.0)
Free cash flow	26.0	42.9	95.2
Net lease liability additions and disposals	(2.0)	0.9	(0.5)
Ordinary dividend	(30.1)	(28.5)	(40.6)
Acquisition spend	(54.9)	-	(0.1)
Ordinary shares purchased for share buyback programme	(25.8)	-	-
Own shares purchased less share based payments	3.6	(7.9)	(8.1)
(Increase)/decrease in net debt	(83.2)	7.4	45.9
Opening net debt	(51.7)	(99.4)	(99.4)
Foreign exchange movements	1.6	3.2	1.8
Closing net debt	(133.3)	(88.8)	(51.7)
Lease liabilities	65.3	62.2	64.3
Net (debt)/cash excluding lease liabilities	(68.0)	(26.6)	12.6

1 The Group has amended the presentation of its management cash flow and consequently has redefined both headline operating cash flow and free cash flow to:

- Include outflows for expansionary capital expenditure, which were previously reported below free cash flow
- Remove the effect of changes in net debt caused by non-cash lease liability asset additions and disposals; and
- Include the principal cash repayments of lease liabilities.

The Group believes that these changes provide improved clarity over cash flow movements and better align the Group with normal market practice. The comparative figures have been adjusted to reflect these changes. Please refer to the alternative performance measures (APMs) section at the end of this Report for further information.

Headline operating cash flow rose modestly to £49.2m (H1 2023: £48.8m), with increased profit partially offset by higher provision outflows and a slightly lower level of capital expenditure in 2024 reflecting the phasing of spend. The Group continues to focus on working capital control and receivables collection. The statutory measure, net cash from operating activities, was £71.7m (H1 2023: £92.5m).

Free cash flow in the period reduced to £26.0m (H1 2023: £42.9m) mainly as a result of higher net tax payments of £19.0m versus the unusually low level of £1.6m in the first half of 2023, which had benefitted from the receipt of prior year's tax refunds.

Net debt, excluding lease liabilities rose by £80.6m to £68.0m at 30 June 2024 after paying £30.1m of dividends to shareholders, £54.9m spend for the acquisition of Lake City (comprising £52.2m consideration and £2.7m acquisition costs) and £25.8m for the repurchase of 3.7m shares as part of the ongoing share buyback programme announced in January.

Acquisition

Following the completion of the £52.2m acquisition of Lake City in January 2024, the Group has recognised £43.7m of intangible assets comprising acquired intangible assets of £39.8m and £3.9m of residual goodwill. More details are provided in note 7 to the condensed consolidated interim financial statements.

Principal risks and uncertainties

The Group has processes in place to identify, evaluate and mitigate the principal risks that could have an impact on the Group's performance. The Directors have reviewed the principal risks and uncertainties of the Group and consider that the principal risks and uncertainties of the Group published in the Annual Report for the year ended 31 December 2023 remain appropriate. Further details of these principal risks and associated risk management processes, including financial risks, can be found on pages 28-32 and 129-131 of the 2023 Annual Report, which is available at www.bodycote.com.

The principal risks referred to and which could have a material impact on the Group's performance for the remainder of the current financial year relate to:

- Markets;
- Competitor action;
- Safety and health
- Climate change;
- Service quality;
- Contract review;
- Loss of key accreditations;
- Major disruption at a facility;
- Machine downtime;
- Information technology and cybersecurity; and
- Regulatory and legislative compliance.

Going concern

As described in the condensed consolidated interim financial statements, the Directors have formed a judgement, at the time of approving the condensed consolidated interim financial statements, that there are no material uncertainties that cast doubt on the Group's ability to continue as a going concern and that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months. In making this judgement they have considered the impacts of potential severe but plausible consequences arising from the Group's activities.

For this reason, the Directors continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

Responsibility statement

We confirm to the best of our knowledge that:

- (a) the condensed consolidated set of interim financial statements has been prepared in accordance with UK adopted IAS 34 Interim Financial Reporting;
- (b) the 2024 Interim Results includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the 2024 Interim Results include a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

J. Fairbairn

Group Chief Executive
30 July 2024

B. Fidler

Chief Financial Officer
30 July 2024

Cautionary statement

These 2024 Interim Results have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The 2024 Interim Results should not be relied on by any other party or for any other purpose.

These 2024 Interim Results contain certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this Report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Independent review report to Bodycote plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Bodycote plc's condensed consolidated interim financial statements (the "interim financial statements") in the 2024 Interim Results of Bodycote plc for the 6 month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the unaudited condensed consolidated interim balance sheet as at 30 June 2024;
- the unaudited condensed consolidated interim income statement and the unaudited condensed consolidated interim statement of comprehensive income for the period then ended;
- the unaudited condensed consolidated interim cash flow statement for the period then ended;
- the unaudited condensed consolidated interim statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the 2024 Interim Results of Bodycote plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the 2024 Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The 2024 Interim Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the 2024 Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the 2024 Interim Results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the 2024 Interim Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
30 July 2024

Unaudited condensed consolidated interim income statement

Year ended 31 Dec 2023 (audited)		Half year to 30 June 2024	Half year to 30 June 2023
£m	Note	£m	£m
802.5			
Revenue	1	399.0	420.1
(694.4)		(341.4)	(367.5)
Cost of sales and overheads			
12.6		2.1	6.5
Other operating income excluding exceptional items			
(1.3)		(0.5)	(0.2)
Other operating expenses excluding exceptional items			
(0.2)		(0.1)	(0.2)
Net impairment losses on financial assets			
119.2	1	59.1	58.7
Operating profit prior to exceptional items			
-	2	(28.3)	-
Exceptional items			
119.2		30.8	58.7
Operating profit			
0.8		0.4	0.5
Finance income			
(8.3)		(5.0)	(4.0)
Finance charge			
111.7		26.2	55.2
Profit before taxation			
(24.9)	3	(6.5)	(12.3)
Taxation charge			
86.8		19.7	42.9
Profit for the period			
Attributable to:			
85.6		19.3	42.3
Equity holders of the parent			
1.2		0.4	0.6
Non-controlling interests			
86.8		19.7	42.9
Earnings per share	5		
Pence		Pence	Pence
45.1		10.2	22.2
Basic			
44.8		10.2	22.1
Diluted			

Unaudited condensed consolidated interim statement of comprehensive income

Year ended 31 Dec 2023 (audited)		Half year to 30 June 2024	Half year to 30 June 2023
£m		£m	£m
86.8		19.7	42.9
Profit for the period			
Items that will not be reclassified to profit or loss:			
(0.1)		-	0.1
Actuarial (losses)/gains on defined benefit pension schemes			
(0.1)		-	0.1
Total items that will not be reclassified to profit or loss			
Items that may be reclassified subsequently to profit or loss:			
(29.7)		(8.6)	(34.9)
Exchange losses on translation of overseas operations			
1.5		1.6	1.9
Movements on hedges of net investments			
0.4		(0.1)	0.3
Movements on cash flow hedges			
(27.8)		(7.1)	(32.7)
Total items that may be reclassified subsequently to profit or loss			
(27.9)		(7.1)	(32.6)
Other comprehensive expense for the period			
58.9		12.6	10.3
Total comprehensive income for the period			
Attributable to:			
58.5		12.4	10.2
Equity holders of the parent			
0.4		0.2	0.1
Non-controlling interests			
58.9		12.6	10.3

Unaudited condensed consolidated interim balance sheet

As at 31 Dec 2023 (audited) £m	Note	As at 30 June 2024 £m	As at 30 June 2023 £m
Non-current assets			
221.5	6	225.1	220.9
111.2		120.1	111.5
504.9		503.0	495.0
58.5		59.3	56.6
2.6		7.1	2.0
1.3		1.6	1.2
900.0		916.2	887.2
Current assets			
29.5		29.7	28.4
13.1		6.5	16.2
148.4		163.0	163.5
45.2		21.7	25.9
0.5		0.5	-
236.7		221.4	234.0
1,136.7		1,137.6	1,121.2
Current liabilities			
122.7		131.4	127.2
46.0		33.1	46.0
32.6		90.3	52.5
11.8		12.0	11.7
12.0		5.4	9.6
225.1		272.2	247.0
11.6		(50.8)	(13.0)
Non-current liabilities			
52.5		53.3	50.5
11.1		10.9	10.6
51.8		49.3	48.7
3.0		2.8	7.4
0.9		0.9	1.0
119.3		117.2	118.2
344.4		389.4	365.2
792.3		748.2	756.0
Equity			
33.1		32.5	33.1
177.1		177.1	177.1
(15.6)		(12.4)	(14.7)
129.8		130.4	129.8
10.1		11.7	9.5
52.3		43.9	46.8
404.0		363.4	373.2
790.8		746.6	754.8
1.5		1.6	1.2
792.3		748.2	756.0

1 The sub-total for total liabilities as at 30 June 2023 has been restated from £375.8m, as previously presented, to £365.2m to correct an isolated casting error. This restatement has no effect on any other amounts as disclosed in the condensed consolidated interim balance sheet or financial statements.

Unaudited condensed consolidated interim cash flow statement

Year ended		Half year to	Half year to
31 Dec 2023		30 June 2024	30 June 2023
(audited)			
£m	Note	£m	£m
191.6	10	71.7	92.5
Net cash from operating activities			
Investing activities			
(74.1)		(31.8)	(34.9)
Purchases of property, plant and equipment			
10.4		0.4	3.9
Proceeds on disposal of property, plant and equipment, right-of-use and intangible assets			
(8.3)		(3.3)	(4.2)
Purchases of other intangibles assets			
-		(52.2)	-
Acquisition of businesses net of cash acquired			
-		(0.6)	-
Loans receivable			
0.8		0.4	0.5
Interest received			
(71.2)		(87.1)	(34.7)
Net cash used in investing activities			
Financing activities			
(7.2)		(4.2)	(3.7)
Interest paid			
(40.6)	4	(30.2)	(28.5)
Dividends paid			
(13.1)		(6.7)	(6.7)
Principal element of lease payments			
25.7		59.1	5.2
Drawdown of bank loans			
(61.8)		(0.6)	(20.6)
Repayments of bank loans			
-		(25.8)	-
Ordinary shares purchased for share buyback			
(13.2)		-	(12.2)
Own shares purchased to be held as treasury shares			
(110.2)		(8.4)	(66.5)
Net cash used in financing activities			
10.2		(23.8)	(8.7)
Net (decrease)/increase in cash and cash equivalents			
36.2		44.7	36.2
Cash and cash equivalents at beginning of year			
(1.7)		(0.5)	(1.7)
Effect of foreign exchange rate changes			
44.7	10	20.4	25.8
Cash and cash equivalents at end of the period			

Unaudited condensed consolidated interim statement of changes in equity

	Share capital	Share premium account	Own shares reserve	Capital redemption reserve	Other reserves	Translation reserves	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 January 2024	33.1	177.1	(15.6)	129.8	10.1	52.3	404.0	790.8	1.5	792.3
Profit for the period	-	-	-	-	-	-	19.3	19.3	0.4	19.7
Exchange differences on translation of overseas operations	-	-	-	-	-	(8.4)	-	(8.4)	(0.2)	(8.6)
Movements on hedges of net investments	-	-	-	-	1.6	-	-	1.6	-	1.6
Movements on cash flow hedges	-	-	-	-	(0.1)	-	-	(0.1)	-	(0.1)
Total comprehensive income for the period	-	-	-	-	1.5	(8.4)	19.3	12.4	0.2	12.6
Ordinary shares acquired	(0.6)	-	-	0.6	-	-	(30.2)	(30.2)	-	(30.2)
Settlement of share awards	-	-	3.2	-	(3.5)	-	0.3	-	-	-
Share-based payments	-	-	-	-	3.6	-	-	3.6	-	3.6
Deferred tax on share-based payment transactions	-	-	-	-	-	-	0.1	0.1	-	0.1
Dividends	-	-	-	-	-	-	(30.1)	(30.1)	(0.1)	(30.2)
30 June 2024	32.5	177.1	(12.4)	130.4	11.7	43.9	363.4	746.6	1.6	748.2
1 January 2023	33.1	177.1	(5.2)	129.8	5.1	81.2	359.8	780.9	1.1	782.0
Profit for the period	-	-	-	-	-	-	42.3	42.3	0.6	42.9
Exchange differences on translation of overseas operations	-	-	-	-	-	(34.4)	-	(34.4)	(0.5)	(34.9)
Movements on hedges of net investments	-	-	-	-	1.9	-	-	1.9	-	1.9
Movements on cash flow hedges	-	-	-	-	0.3	-	-	0.3	-	0.3
Actuarial gains on defined benefit pension schemes net of deferred tax	-	-	-	-	-	-	0.1	0.1	-	0.1
Total comprehensive income for the period	-	-	-	-	2.2	(34.4)	42.4	10.2	0.1	10.3
Share acquired in the year/settlement of share options	-	-	(9.5)	-	(2.1)	-	(0.6)	(12.2)	-	(12.2)
Share-based payments	-	-	-	-	4.3	-	-	4.3	-	4.3
Deferred tax on share-based payment transactions	-	-	-	-	-	-	0.1	0.1	-	0.1
Dividends	-	-	-	-	-	-	(28.5)	(28.5)	-	(28.5)
30 June 2023	33.1	177.1	(14.7)	129.8	9.5	46.8	373.2	754.8	1.2	756.0

	Share capital	Share premium account	Own shares reserve	Capital redemption reserve	Other reserves	Translation reserves	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 January 2023	33.1	177.1	(5.2)	129.8	5.1	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)	129.8	10.1	52.3	404.0	790.8	1.5	792.3

Included in other reserves is a share-based payments reserve of £9.8m (31 December 2023: £9.7m; 30 June 2023 £8.9m).

The capital redemption reserve of £130.4m consists of £129.8m transferred from retained earnings to a capital redemption reserve relating to the conversion of B shares into deferred shares in 2008 and 2009 and £0.6m resulting from the repurchase of 3,748,973 shares at a nominal value of 17 ³/₁₁p for a total cost of £27.0m. Refer to note 9 for more information.

The own shares reserve represents the cost of shares in Bodycote plc purchased in the market and held by the Bodycote International Employee Benefit Trust to satisfy share-based payments under the Group's incentive schemes. At 30 June 2024, 1,829,680 (31 December 2023: 2,292,243; 30 June 2023 2,148,679) ordinary shares of 17 ³/₁₁p each were held by the Bodycote International Employee Benefit Trust.

Notes to the condensed consolidated interim financial statements

Accounting policies

Basis of preparation

These unaudited condensed consolidated interim financial statements for the half year ended 30 June 2024 have been prepared in accordance with the UK adopted International Accounting Standards 34, 'Interim financial reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority (FCA).

The Group has applied the Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the international Financial Reporting Interpretations Committee of the IASB (IFRS IC) as adopted by the UK Endorsement Board (UKEB). International Accounting Standards as adopted by the UKEB (UK IFRS) are subject to ongoing amendment by the IASB and subsequent endorsement by the UKEB before they become UK-adopted International Accounting Standards and are therefore subject to change.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2023, which were prepared in accordance with UK IFRS and with the requirements of the Companies Act 2006 as applicable to companies reporting under these standards.

The financial information does not constitute statutory accounts as defined by section 434 of the UK Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2023 has been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were (i) unqualified and (ii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006. These condensed consolidated interim financial statements have not been audited.

The Group's operations are not significantly affected by seasonality.

Going concern

In adopting the going concern basis for preparing the condensed consolidated interim financial statements, the Directors have considered the Group's business activities together with the factors likely to affect its future development, performance and position. In addition, the Directors considered its principal risks and uncertainties.

The Financial Review included in this Report includes a summary of the Group's financial position, cash flows, liquidity position and borrowings. The principal risks and uncertainties are set out on pages 28-32 of the Group's Annual Report for the year ended 31 December 2023 and remain unchanged.

The Group has modelled a base case which reflects the Directors' current expectations of future trading over a 17 month period ended 31 December 2025. In addition, a downside scenario has been modelled to include potential severe but plausible negative impacts on revenues, profits and cash flows.

The base case scenario is built on the Group's latest forecasts for 2024 extended to December 2025 which show an improvement 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 revenues across all of the Group's revenue lines and is intended to reflect the potential effect of a sudden and severe economic downturn. The downside scenario includes revenue of around 26% below the base case over the 18 months to 31 December 2025 which represents a 7% year on year revenue decline in 2024 compared to 2023. Revenues for the full year 2025 in the downside scenario are a further 10% lower than the 2024 downside scenario. In mitigation to this severe sales decline, a 5% reduction in maintenance capex and a 50% reduction in expansionary capex compared to the base case has been assumed, together with the assumption that there is no growth in dividends from 2023. The downside case assumes that the share buyback, which is expected to result in a cash outflow of circa £30m between July and December 2024, continues in full.

In performing the assessment, management 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, the Group continues to maintain sufficient

liquidity and meets its gearing and interest cover covenants under the Revolving Credit Facility with substantial headroom.

Management also performed a reverse stress test. This indicated that revenue in the second half of 2024 would need to decline by over 24% compared to 2023 levels, with a further 27% decline in the full year 2025 revenue compared to 2024 to breach the Group's loan covenants at 31 December 2025. In this scenario, which contained the same mitigations as the downside scenario, minimum liquidity was over £100m throughout the entire period.

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 taken into account the capacity under existing committed facilities only, 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 30 June 2024 totalled £260.3m while uncommitted facilities totalled £62.8m. The Group's Revolving Credit Facility had drawings of £89.0m (31 December 2023: £32.1m; 30 June 2023: £52.4m) and the Group had net debt excluding lease liabilities of £68.0m (31 December 2023: net cash of £12.6m; 30 June 2023: £26.6m). The liquidity headroom was £193.0m as at 30 June 2024 (31 December 2023: £273.5m; 30 June 2023: £228.8m), excluding uncommitted facilities.

In performing the assessment, the current and plausible impact of macro-economic factors, including ongoing international conflicts, climate change, political instability in certain markets and inflation, were considered.

After reviewing the current liquidity position, committed funding facilities, the base case and severe but plausible downside financial forecasts incorporating the uncertainties described above, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the foreseeable future. For these reasons the Directors continue to adopt the going concern basis of accounting in preparing the Group's condensed consolidated interim financial statements.

Changes in accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed consolidated interim financial statements as were applied in the Group's latest annual audited financial statements, except determining the tax charge for the interim period under IAS 34, where the Group has applied the forecast annual effective corporate income tax rate to the pre-tax income for the six month period.

Areas of judgement and accounting estimates

The Group's latest annual audited financial statements set out the key sources of estimation uncertainty and the critical judgements that were made in preparing those financial statements. These related to the assumptions used to account for retirement benefit schemes under IAS 19 (revised), the decision to not recognise an asset in relation to the surplus on the UK defined benefit pension scheme and the recognition of tax provisions. There have been no changes to these key sources of estimation uncertainty or these critical judgements since year end.

The valuation of intangible assets arising on the acquisition of Lake City Heat Treating requires an assessment of the fair value of those assets. Refer to note 7. That assessment requires the business to determine the future benefits that a market participant would expect to obtain from those assets as well as a discount rate and so is subject to significant estimation. If different estimates were used, the valuation of goodwill and intangible assets arising on the acquisition would change with no effect on profit.

The economy in Turkey is classified as a hyperinflationary economy under UK IFRS and remains subject to high inflation. The Group has concluded that applying IAS 29 (Financial Reporting in Hyperinflationary Economies) is not required as the impact of adopting this standard is not material. The Group will continue to assess the position going forward.

The Group recognises climate change as a principal risk which is reported within other areas of judgement and accounting estimates in the consolidated financial statements within the Annual Report for the year ended 31 December 2023. Growing awareness of climate change and customer sustainability targets will provide opportunities

for growth as we provide services and solutions that increase efficiency and reduce energy use. The Group's view is that climate change does not create any further material estimation uncertainty at this time.

New standards and interpretations not yet applied

At the date of authorisation of these condensed consolidated interim financial statements, the Group has not applied the following new IFRS Standards that have been issued but are not yet effective. They are not expected to have a material impact on the Group.

- The International Sustainability Standards Board (ISSB) has issued amendments to the Sustainability Accounting Standards Board (SASB) standards effective for annual reporting periods beginning on or after 1 January 2025.
- A new IFRS standard, IFRS 18, has been issued by the IASB, applicable for annual reporting periods beginning on or after January 2027. It sets out the requirements for the presentation and disclosure of information in general purpose financial statements to ensure they provide relevant information that represents an entity's assets, liabilities, equity, income and expenses. The impacts of this standard on the disclosure and presentation is under review.

At the date of the approval of these condensed consolidated interim financial statements, there were no other new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially material to the Group and which have not yet been applied.

Revised standards applied in the current year

A number of amended standards became applicable during the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards and they did not have a material impact. The amendments were:

- Amendment to IFRS 16 lease liability on sale and leaseback, effective from 1 January 2024.
- Amendments to IAS 1 classification of liabilities as current or non-current, effective 1 January 2024.
- Amendments to IAS 1 non-current liabilities with covenants, effective from 1 January 2024.
- Amendments to IAS 7 and IFRS 7 relating to supplier finance arrangements effective 1 January 2024.

1. Business and geographical segments

The Group has more than 165 locations 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 is therefore derived by reference to the preponderance of markets served.

Half year to 30 June 2024

Group	Half year to 30 June 2024			Consolidated £m
	ADE £m	AGI £m	Central costs and eliminations £m	
Revenue				
Total revenue	187.5	211.5	-	399.0
Result				
Headline operating profit ¹ prior to share-based payments and unallocated central costs	44.6	34.9	-	79.5
Share-based payments (including social charges) ²	(1.4)	(1.1)	(1.8)	(4.3)
Unallocated central costs	-	-	(8.4)	(8.4)
Headline operating profit/(loss)	43.2	33.8	(10.2)	66.8
Amortisation of acquired intangible assets	(4.5)	(0.8)	-	(5.3)
Acquisition costs	(2.4)	-	-	(2.4)
Operating profit/(loss) prior to exceptional items	36.3	33.0	(10.2)	59.1
Exceptional items	-	-	(28.3)	(28.3)
Segment result	36.3	33.0	(38.5)	30.8
Finance income				0.4
Finance charge				(5.0)
Profit before taxation				26.2
Taxation				(6.5)
Profit for the period				19.7

1 Headline operating profit is an alternative performance measure and is defined in the APM section.

2 Includes £0.6m social security charges (31 December 2023: £0.8m; 30 June 2024: £0.9m).

Inter-segment revenues are not material in either year.

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

Half year to 30 June 2024

Aerospace, Defence & Energy	Half year to 30 June 2024			Total ADE £m
	Western Europe £m	North America £m	Emerging markets £m	
Revenue				
Total revenue	81.8	101.7	4.0	187.5
Result				
Headline operating profit prior to share-based payments	21.4	22.8	0.4	44.6
Share-based payments (including social charges)	(0.5)	(0.9)	-	(1.4)
Headline operating profit	20.9	21.9	0.4	43.2
Amortisation of acquired intangible assets	(0.2)	(4.3)	-	(4.5)
Acquisition costs	-	(2.4)	-	(2.4)
Segment result	20.7	15.2	0.4	36.3

Half year to 30 June 2024

Automotive & General Industrial	Half year to 30 June 2024			Total AGI £m
	Western Europe £m	North America £m	Emerging markets £m	
Revenue				
Total revenue	119.2	49.4	42.9	211.5
Result				
Headline operating profit prior to share-based payments	22.1	4.9	7.9	34.9
Share-based payments (including social charges)	(0.5)	(0.4)	(0.2)	(1.1)
Headline operating profit	21.6	4.5	7.7	33.8
Amortisation of acquired intangible assets	(0.2)	(0.4)	(0.2)	(0.8)
Segment result	21.4	4.1	7.5	33.0

Half year to 30 June 2023

Group	Half year to 30 June 2023			Consolidated £m
	ADE £m	AGI £m	Central costs and eliminations £m	
Revenue				
Total revenue	180.5	239.6	-	420.1
Result				
Headline operating profit prior to share-based payments and unallocated central costs	33.1	45.6	-	78.7
Share-based payments (including social charges)	(0.9)	(1.9)	(2.4)	(5.2)
Unallocated central costs	-	-	(10.7)	(10.7)
Headline operating profit/(loss)	32.2	43.7	(13.1)	62.8
Amortisation of acquired intangible assets	(3.3)	(0.8)	-	(4.1)
Segment result	28.9	42.9	(13.1)	58.7
Finance income				0.5
Finance costs				(4.0)
Profit before taxation				55.2
Taxation				(12.3)
Profit for the period				42.9

Half year to 30 June 2023

Aerospace, Defence & Energy	Half year to 30 June 2023			Total ADE £m
	Western Europe £m	North America £m	Emerging markets £m	
Revenue				
Total revenue	84.6	92.3	3.6	180.5
Result				
Headline operating profit prior to share-based payments	18.4	14.8	(0.1)	33.1
Share-based payments (including social charges)	(0.3)	(0.6)	-	(0.9)
Headline operating profit/(loss)	18.1	14.2	(0.1)	32.2
Amortisation of acquired intangible assets	(0.2)	(3.1)	-	(3.3)
Segment result	17.9	11.1	(0.1)	28.9

Half year to 30 June 2023

Automotive & General Industrial	Half year to 30 June 2023			Total AGI £m
	Western Europe £m	North America £m	Emerging markets £m	
Revenue				
Total revenue	136.5	54.2	48.9	239.6
Result				
Headline operating profit prior to share-based payments	29.7	5.5	10.4	45.6
Share-based payments (including social charges)	(1.4)	(0.4)	(0.1)	(1.9)
Headline operating profit	28.3	5.1	10.3	43.7
Amortisation of acquired intangible assets	(0.2)	(0.4)	(0.2)	(0.8)
Segment result	28.1	4.7	10.1	42.9

Year ended 31 December 2023 (audited)				
Group	ADE £m	AGI £m	Central costs and eliminations £m	Consolidated £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)	(1.7)	(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)
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

Year ended 31 December 2023 (audited)				
Aerospace, Defence & Energy	Western Europe £m	North America £m	Emerging markets £m	Total ADE £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

Year ended 31 December 2023 (audited)				
Automotive & General Industrial	Western Europe £m	North America £m	Emerging markets £m	Total AGI £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

2. Exceptional Items

Year ended 31 Dec 2023 (audited) £m	Half year to 30 June 2024 £m	Half year to 30 June 2023 £m
- Impairment of intangible assets	28.3	-
- Total exceptional items	28.3	-

Since 2020, the Group has been developing an ERP software solution. Included within intangible assets at 31 December 2023 were £32.2m of internally developed software costs relating to the development of this ERP system that was not available for use. Development of this ERP solution progressed through H1 2024 with a further £3.1m capitalised in the

six months ended 30 June 2024. During that period, a pilot programme continued at a small number of sites across the Group.

The solution includes two components: an Operations module and a Finance and Procurement module.

During the first half of 2024, the Directors were regularly updated on the programme, including the initial results of the pilot programme. Consideration was given to various “way-forward” options for the ERP system, ultimately concluding that the future benefits of the Operations module of the system did not outweigh the likely future costs. Consideration was also given to the business interruption challenges of rolling out the Operations module across the Group’s multiple sites. As a result, the decision was reached to cease further development and roll-out of the Operations module, resulting in an exceptional impairment of £28.3m in the six months ended 30 June 2024.

Full roll-out of the Finance and Procurement module across the Group continues and is expected to complete in the first half of 2026. The remaining intangible asset of £7.0m will be amortised over its useful life of 15 years beginning 1 July 2024.

3. Taxation charge

Year ended 31 Dec 2023 (audited) £m		Half year to 30 June 2024 £m	Half year to 30 June 2023 £m
26.0	Current taxation - charge for the period	13.1	12.8
(2.7)	Current taxation - adjustments in respect of previous years	(0.1)	-
1.6	Deferred tax	(6.5)	(0.5)
24.9	Total taxation charge	6.5	12.3

The headline rate of tax for the six months ended 30 June 2024 was 23.5% (31 December 2023: 22.5%; 30 June 2023: 22.5%) on the headline operating profit before tax. The statutory effective tax rate was 24.8% (31 December 2023: 22.3%; 30 June 2023: 22.3%).

4. Dividends

Year ended 31 Dec 2023 (audited) £m		Half year to 30 June 2024 £m	Half year to 30 June 2023 £m
	Amounts recognised as distributions to equity holders in the period:		
28.5	Final dividend for the year ended 31 December 2022 of 14.9p per share	-	28.5
12.7	Interim dividend for the year ended 31 December 2023 of 6.7p per share	-	-
-	Final dividend for the year ended 31 December 2023 of 16.0p per share	30.1	-
41.2		30.1	28.5
	Interim dividend for the year ending 31 December 2024 of 6.9p per share	12.8	

The Board approved the payment of an interim dividend for 2024 of 6.9p to those shareholders on the register of Bodycote plc on 4 October 2024 to be paid on 7 November 2024. The dividend has not been included as a liability in these condensed consolidated interim financial statements.

The dividends are waived on shares held by the Bodycote International Employee Benefit Trust.

Dividends payable to minority interest shareholders were £0.1m (31 December 2023 £nil ; 30 June 2023: £nil).

5. Earnings per share

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

Year ended 31 Dec 2023 (audited) £m		Half year to 30 June 2024 £m	Half year to 30 June 2023 £m
	Earnings		
85.6	Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	19.3	42.3

Number		Number	Number
	Number of shares		
189,877,099	Weighted average number of ordinary shares for the purpose of basic earnings per share	188,358,702	190,603,804
	Effect of dilutive potential ordinary shares:		
661,721	Shares subject to performance conditions	79,045	278,130
344,050	Shares subject to vesting conditions	474,116	217,088
190,882,870	Weighted average number of ordinary shares for the purpose of diluted earnings per share	188,911,863	191,099,022

Pence		Pence	Pence
	Earnings per share:		
45.1	Basic	10.2	22.2
44.8	Diluted	10.2	22.1

Year ended 31 Dec 23 (audited) £m		Half year to 30 June 24 £m	Half year to 30 June 23 £m
	Headline earnings		
85.6	Net profit attributable to equity holders of the parent	19.3	42.3
	Add back:		
6.1	Amortisation of acquired intangible assets (net of tax)	4.0	3.1
0.2	Acquisition costs (net of tax)	1.8	-
-	Exceptional items (net of tax)	22.1	-
91.9	Headline earnings	47.2	45.4

Pence		Pence	Pence
	Headline earnings per share:		
48.4	Basic	25.0	23.8
48.1	Diluted	25.0	23.7

As at 30 June 2024 the performance conditions for most open share-based payment plans have not been met resulting in a nil dilution of earnings per share, in accordance with IAS 33 (31 December 2023: 0.3p; 30 June 2023: 0.1p) and nil dilution of headline earnings per share (31 December 2023: 0.3p; 30 June 2023: 0.1p).

6. Goodwill

As at 31 Dec 2023 (audited) £m		As at 30 June 2024 £m	As at 30 June 2023 £m
Cost			
288.9	At 1 January	282.3	288.9
(6.6)	Exchange differences	(0.3)	(7.3)
-	Recognised on acquisition of businesses	3.9	-
282.3	Total cost	285.9	281.6
Accumulated impairment			
61.1	At 1 January	60.8	61.1
(0.3)	Exchange differences	-	(0.4)
60.8	Total accumulated impairment	60.8	60.7
221.5	Carrying amount	225.1	220.9

Goodwill acquired through business combinations is allocated to the cash generating units (CGUs) that are expected to benefit from the synergies of the combination. The recoverable amounts of these CGUs are the higher of fair value less costs to dispose and value-in-use. Goodwill is allocated across the Group's segments as follows:

As at 31 Dec 2023 (audited) £m		As at 30 June 2024 £m	As at 30 June 2023 £m
ADE:			
27.2	Western Europe	27.1	27.1
97.2	North America	101.5	97.3
AGI:			
27.8	Western Europe	27.3	27.4
57.1	North America	57.2	57.1
12.2	Emerging markets	12.0	12.0
221.5		225.1	220.9

In accordance with IAS 36, the Group tests goodwill at least annually for impairment and performs a trigger assessment at the end of each reporting period to determine if there is any indication of impairment, or more frequently if there are indicators that goodwill might be impaired. The most recent impairment test was performed as at 31 December 2023 and no impairment was identified. The Group performed a trigger assessment to determine whether impairment testing was required on any of its CGUs as at 30 June 2024. This assessment focused on a review of the year to date performance of each CGU versus the budget and the headroom as at 31 December 2023, to determine whether it was reasonably possible that the performance of any CGU in the six months ended 30 June 2024 could result in an impairment if a full test was performed.

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by several factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of operational costs and future maintenance capital expenditure. As part of the impairment test performed as at 31 December 2023 the Group conducted sensitivity analysis on the key assumptions applied to the value-in-use calculations for each and with the exception of the NA AGI CGU, no reasonably possible downside reductions to any of these assumptions resulted in an impairment.

For the NA AGI CGU, the 2023 Annual Report disclosed that a downside scenario which reflected no volume growth over the next five years, followed by an assumed 25% reduction in the medium and long-term growth rate versus the base case could result in an immaterial impairment of goodwill. The downside scenario disclosed assumed headline operating margins that were well below the base case, being restricted to 11.5%. Refer to note 9 of the 2023 Annual Report for more information on the 2023 impairment exercise. Whilst performance of the NA AGI CGU has been subdued in H1 2024, no further indicators of a change in long term trends and no impairment indicators have been identified with respect to this CGU, however, management will continue to monitor the sensitivity of this CGU to a plausible downside scenario.

Following the review of the trigger assessment the Directors do not consider there to be an indicator of impairment as at 30 June 2024. Accordingly, no further impairment test has been carried out at that date.

7. Acquisition of business

On 19 January 2024 the Group acquired 100% of the ordinary share capital of Lake City Heat Treating ('Lake City') in North America for consideration of £52.2m (\$66.5m). Lake City is a leading hot isostatic pressing (HIP) and vacuum heat treatment business primarily supplying the orthopaedic implant market as well as civil aerospace. This acquisition was made to strengthen the Group's network and service offering in the medical market complementing the Group's Specialist Technologies strategy in North America.

The accounting is provisional as the Group has twelve months to finalise the valuation of the acquired assets and liabilities and the resultant goodwill under IFRS 3.

The transaction has been accounted for as a business combinations under IFRS 3. The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	As at 30 June 2024 £m
Fair value of net assets acquired:	
Goodwill	3.9
Other intangible assets	39.8
Property, plant and equipment	7.7
Trade and other receivables	1.2
Trade and other payables	(0.4)
Fair value of net assets acquired	52.2
Total consideration transferred	52.2
Net cash outflow arising on acquisition:	
Cash consideration	52.2

The goodwill arising on the acquisition is expected to be deductible for tax purposes and is attributable to the assembled workforce and anticipated synergies that can be achieved in the business.

Intangible assets recognised on acquisition relate to customer relationships, non-compete agreements and trade names and will be amortised in line with the Group accounting policies. For information on Group accounting policies for intangible assets refer to pages 106-107 of the 2023 Annual Report.

Acquisition related costs included in the condensed consolidated interim cash flow statement amounted to £2.7m, of which £2.4m has been included in the condensed consolidated interim income statement to 30 June 2024 and £0.3m in the consolidated income statement for the year ended 31 December 2023.

The gross contractual value of the trade and other receivables was £1.2m and the best estimate at the acquisition date of the contractual cash flows not expected to be collected was £nil.

Net deferred tax recognised on the acquisition is £nil.

The business has contributed £4.7m revenue, £2.0m headline operating profit and £0.7m operating profit for the period between the date of acquisition and 30 June 2024. There would be no significant difference if the acquisition had been completed on the first day of the financial year due to the proximity of the acquisition date to the start of the year.

8. Financial instruments

In accordance with IFRS 9, the Group categorises its financial instruments into those measured at 'amortised cost', 'fair value through profit or loss' and 'fair value through other comprehensive income'.

The Group's interest rate risk is primarily in relation to its floating rate borrowings (cash flow risk). From time to time the Group will use interest rate derivative contracts to manage its exposure to interest rate movements within Group policy. At 30 June 2024, the Group has no outstanding interest rate derivatives.

In accordance with IFRS 7 Financial Instruments Disclosures, the Group's derivative financial instruments are considered to be classified as level 2 instruments. Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

There have been no transfers of assets or liabilities between levels of the fair value hierarchy in the period ended 30 June 2024 and the carrying values of financial instruments at amortised cost as presented in the condensed consolidated interim financial statements approximate their fair values.

The Group has access to a Revolving Credit Facility of £250.9m which is denominated in EUR and certain EUR amounts are designated as net investment hedges to the Group's subsidiaries with a matching functional currency on a 1:1 ratio.

As at 31 June 2024, the Group had £161.9m (31 December 2023: £218.8m; 30 June 2023: £198.5m) available on the committed Revolving Credit Facility which together with cash and cash equivalents of £21.7m (31 December 2023: £45.2m; 30 June 2023: £25.8m) and available committed overdraft facilities of £9.4m (31 December 2023: £9.5m; 30 June 2023: £4.5m), resulted in available liquidity headroom of £193.0m (31 December 2023: £273.5m; 30 June 2023: £228.8m).

The increased interest charges during the period were driven primarily by lease liabilities and higher underlying drawings on the Revolving Credit Facility drawings.

9. Share capital and reserves

	Ordinary Shares			Share Capital		
	As at 30 June 2024	As at 30 June 2023	As at 31 Dec 2023 (audited)	As at 30 June 2024	As at 30 June 2023	As at 31 Dec 2023 (audited)
				£m	£m	£m
At 1 January	191,456,172	191,456,172	191,456,172	33.1	33.1	33.1
Share buyback programme	(3,748,973)	-	-	(0.6)	-	-
Total	187,707,199	191,456,172	191,456,172	32.5	33.1	33.1

In January 2024 the Company announced a £60m share buyback programme which commenced on 15 March 2024. As at 30 June 2024 3,748,973 shares have been repurchased for a total price, including transactional costs of £27.0m, of which £25.8m was paid in cash during the period.

The nominal value of the shares of £0.6m, was transferred to the capital redemption reserve and the remainder of the purchase price recorded within retained earnings. As at 30 June 2024, a liability of £4.2m plus £0.2m transactional costs remained for shares contracted to be repurchased but for which the repurchases were still outstanding and the associated costs.

10. Notes to the condensed consolidated interim cash flow statement

Year ended 31 Dec 2023 (audited)		Half year to 30 June 2024	Half year to 30 June 2023
£m		£m	£m
86.8	Profit for the period	19.7	42.9
	Adjustments for:		
(0.8)	Finance income	(0.4)	(0.5)
8.3	Finance charge	5.0	4.0
24.9	Taxation charge	6.5	12.3
119.2	Operating profit	30.8	58.7
	Adjustments for:		
59.4	Depreciation of property, plant and equipment	30.1	29.9
12.9	Depreciation of right-of-use assets	6.7	6.4
9.8	Amortisation of other intangible assets	6.2	5.0
(3.4)	Profit on disposal of property, plant and equipment	-	(1.1)
(0.2)	Profit on disposal of right-of-use assets	-	-
5.1	Share-based payments	3.6	4.3
-	Impairment of intangible assets - recognised in exceptional items	28.3	-
0.9	Impairment of property, plant and equipment and other assets - recognised in operating profit	0.1	0.1
203.7	EBITDA (See definition in APM section)	105.8	103.3
(1.7)	Increase in inventories	(0.2)	(0.6)
6.2	(Increase)/decrease in receivables	(13.1)	(8.8)
(1.0)	Increase/(decrease) in payables	6.6	5.1
(3.1)	Decrease in provisions	(6.8)	(1.1)
204.1	Cash generated by operations	92.3	97.9
(9.0)	Net income taxes paid	(19.0)	(1.6)
(0.3)	Settlement of derivatives	-	(0.3)
(3.2)	Net exchange differences	(1.6)	(3.5)
191.6	Net cash from operating activities	71.7	92.5
As at 31 Dec 2023 (audited)		As at 30 June 2024	As at 30 June 2023
£m		£m	£m
	Cash and cash equivalents comprise:		
45.2	Cash and bank balances	21.7	25.9
(0.5)	Bank overdrafts (included in borrowings)	(1.3)	(0.1)
44.7		20.4	25.8

Cash and cash equivalents includes £0.1m held in escrow related to environmental provisions in the USA (31 December 2023: £0.8m; 30 June 2023 £0.8m) and £1.3m related to the refund of a pension surplus (31 December 2023: £1.3m; 30 June 2023 £1.6m) in the USA. 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.

11. Related party transactions

Transactions between subsidiaries of the Group have been eliminated on consolidation and are not disclosed in this note. The notes to the consolidated financial statements in the 2023 Annual Report disclose information on the remuneration of the Board of Directors (note 25), who are considered key management personnel of the Group and information on defined benefit retirement pension schemes that the Group operates (note 26).

12. Contingent liabilities

The Group is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. Legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and health and safety laws. The Group may not be insured fully, or at all, in respect of such risks. The Group cannot predict the outcome of individual legal actions or claims or complaints or investigations. The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. The Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to the claim. The Group considers that no material loss is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against the Group.

Alternative performance measures (APMs) – unaudited

Bodycote uses various APMs, in addition to the results under IFRS, as management consider these measures enable users of the financial statements to further 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 but 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 are shown below and 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 and where stated revenue generated from energy surcharges introduced as a result of increased energy costs. Organic revenue, organic revenue excluding surcharges and organic headline operating profit exclude revenues from acquisitions in the current period at constant currencies to provide a like-for-like comparison. Constant currency measures use the current year reported information translated into the Group's presentational currency using the prior year's monthly exchange rates.

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) and executive share schemes (headline EPS).

Expansionary capital expenditure is defined as capital expenditure invested to grow the Group's business.

Headline operating profit

Year ended 31 Dec 2023		Half year to 30 June 2024	Half year to 30 June 2023
£m		£m	£m
119.2	Operating profit	30.8	58.7
	Add back:		
8.1	Amortisation of acquired intangibles	5.3	4.1
0.3	Acquisition costs	2.4	-
-	Exceptional items	28.3	-
127.6	Headline operating profit	66.8	62.8

Headline operating profit of acquisition

Year ended 31 Dec 2023		Half year to 30 June 2024	Half year to 30 June 2023
£m		£m	£m
-	Operating profit of acquisition	0.7	-
	Add back:		
-	Amortisation of acquired intangibles	1.3	-
-	Headline operating profit of acquisition	2.0	-

Headline profit before taxation

Year ended 31 Dec 2023		Half year to 30 June 2024	Half year to 30 June 2023
£m		£m	£m
111.7	Profit before taxation	26.2	55.2
	Add back:		
8.1	Amortisation of acquired intangibles	5.3	4.1
0.3	Acquisition costs	2.4	-
-	Exceptional items	28.3	-
120.1	Headline profit before taxation	62.2	59.3

Revenue, revenue excluding surcharges, revenue at constant currency, organic revenue and organic revenue excluding surcharges, by segment

	Half year to 30 June 2024			
	ADE £m	AGI £m	Central cost and eliminations £m	Consolidated £m
Revenue	187.5	211.5	-	399.0
Less energy surcharges	(7.9)	(11.9)	-	(19.8)
Revenue excluding surcharges	179.6	199.6	-	379.2
Constant currency adjustment	3.5	8.3	-	11.8
Revenue excluding surcharges at constant currency	183.1	207.9	-	391.0
Revenue	187.5	211.5	-	399.0
Constant currency adjustment	3.7	8.5	-	12.2
Revenue at constant currency	191.2	220.0	-	411.2
Less adjustments for revenue from acquisitions in current year	(4.7)	-	-	(4.7)
Organic revenue	186.5	220.0	-	406.5
Less energy surcharges at constant exchange rates	(8.1)	(12.1)	-	(20.2)
Organic revenue excluding surcharges	178.4	207.9	-	386.3
	Half year to 30 June 2023			
	ADE £m	AGI £m	Central cost and eliminations £m	Consolidated £m
Revenue	180.5	239.6	-	420.1
Less energy surcharges	(13.2)	(26.2)	-	(39.4)
Revenue and organic revenue, excluding surcharges	167.3	213.4	-	380.7

Headline operating profit and organic headline operating profit by segment

	Half year to 30 June 2024			
	ADE £m	AGI £m	Central cost and eliminations £m	Consolidated £m
Operating profit	36.3	33.0	(38.5)	30.8
Add back:				
Amortisation of acquired intangibles	4.5	0.8	-	5.3
Acquisition costs	2.4	-	-	2.4
Exceptional items	-	-	28.3	28.3
Headline operating profit	43.2	33.8	(10.2)	66.8
Less headline operating profit of acquisition	(2.0)	-	-	(2.0)
Constant currency adjustment	0.8	1.8	(0.2)	2.4
Organic headline operating profit	42.0	35.6	(10.4)	67.2
	Half year to 30 June 2023			
	ADE £m	AGI £m	Central cost and eliminations £m	Consolidated £m
Operating profit	28.9	42.9	(13.1)	58.7
Add back amortisation of acquired intangibles	3.3	0.8	-	4.1
Headline operating profit	32.2	43.7	(13.1)	62.8

Headline operating margin and headline operating margin excluding surcharges by segment

	Half year to 30 June 2024			
	ADE	AGI	Central cost and eliminations	Consolidated
	£m	£m	£m	£m
Headline operating profit	43.2	33.8	(10.2)	66.8
Revenue	187.5	211.5	-	399.0
Headline operating margin	23.0%	16.0%	n/a	16.7%
Revenue excluding surcharges	179.6	199.6	-	379.2
Headline operating margin excluding surcharges	24.1%	16.9%	n/a	17.6%

	Half year to 30 June 2023			
	ADE	AGI	Central cost and eliminations	Consolidated
	£m	£m	£m	£m
Headline operating profit	32.2	43.7	(13.1)	62.8
Revenue	180.5	239.6	-	420.1
Headline operating margin	17.8%	18.2%	n/a	15.0%
Revenue excluding surcharges	167.3	213.4	-	380.7
Headline operating margin excluding surcharges	19.2%	20.5%	n/a	16.5%

EBITDA and headline EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation)

Year ended		Half year to	Half year to
31 Dec 2023		30 June 2024	30 June 2023
£m		£m	£m
119.2	Operating profit	30.8	58.7
82.1	Depreciation and amortisation	43.0	41.3
-	Impairment of intangible assets - recognised in exceptional items	28.3	-
0.9	Impairment of property, plant and equipment and other assets - recognised in operating profit	0.1	0.1
(3.4)	Profit on disposal of property, plant and equipment	-	(1.1)
(0.2)	Profit on disposal of right-of-use assets	-	-
5.1	Share-based payments	3.6	4.3
203.7	EBITDA	105.8	103.3
0.3	Acquisition costs	2.4	-
(5.1)	Share-based payments	(3.6)	(4.3)
198.9	Headline EBITDA	104.6	99.0
24.8%	Headline EBITDA margin	26.2%	23.6%

Headline operating cash flow (new and previous definition)

Year ended 31 Dec 2023 ¹ £m		Half year to 30 June 2024 £m	Half year to 30 June 2023 ¹ £m
198.9	Headline EBITDA	104.6	99.0
	Less:		
(47.1)	Net maintenance capital expenditure	(27.1)	(24.7)
(24.9)	Expansionary capital expenditure	(7.5)	(10.4)
(13.0)	Principal element of lease payments	(6.7)	(6.6)
(0.9)	Provisions movement	(6.4)	0.7
(0.8)	Working capital movement	(7.7)	(9.2)
112.2	Headline operating cash flow	49.2	48.8
	Add back:		
10.1	Maintenance principal element of lease payments	5.9	4.6
27.8	Expansionary capital expenditure including ROU additions/disposals	8.3	12.4
(10.6)	Lease additions and disposals relating to maintenance capital expenditure	(7.7)	(3.7)
139.5	Headline operating cash flow as previously stated	55.7	62.1

Free cash flow (new and previous definition)

Year ended 31 Dec 2023 ¹ £m		Half year to 30 June 2024 £m	Half year to 30 June 2023 ¹ £m
112.2	Headline operating cash flow	49.2	48.8
	Less:		
(1.6)	Restructuring cash flows	(0.4)	(1.0)
(9.0)	Net income taxes paid	(19.0)	(1.6)
(6.4)	Net interest paid	(3.8)	(3.3)
95.2	Free cash flow	26.0	42.9
	Add back:		
10.1	Maintenance principal element of lease payments	5.9	4.6
27.8	Expansionary capital expenditure including ROU additions/disposals	8.3	12.4
(10.6)	Lease additions and disposals relating to maintenance capital expenditure	(7.7)	(3.7)
122.5	Free cash flow as previously stated	32.5	56.2

Headline operating cash conversion

Year ended 31 Dec 2023 ¹ £m		Half year to 30 June 2024 £m	Half year to 30 June 2023 ¹ £m
112.2	Headline operating cash flow	49.2	48.8
127.6	Headline operating profit	66.8	62.8
87.9%	Headline operating cash conversion	73.7%	77.7%

Free cash flow conversion

Year ended 31 Dec 2023 ¹ £m		Half year to 30 June 2024 £m	Half year to 30 June 2023 ¹ £m
95.2	Free cash flow	26.0	42.9
127.6	Headline operating profit	66.8	62.8
74.6%	Free cash flow conversion	38.9%	68.3%

Headline tax charge

Year ended 31 Dec 2023		Half year to 30 June 2024	Half year to 30 June 2023
£m		£m	£m
24.9	Tax charge	6.5	12.3
2.0	Tax on amortisation of acquired intangibles	1.3	1.1
0.1	Tax on acquisition costs	0.6	-
-	Tax on exceptional items	6.2	-
27.0	Headline tax charge	14.6	13.4

Headline tax rate

Year ended 31 Dec 2023		Half year to 30 June 2024	Half year to 30 June 2023
£m		£m	£m
27.0	Headline tax charge	14.6	13.4
120.1	Headline profit before taxation	62.2	59.3
22.5%	Headline tax rate	23.5%	22.5%

Headline earnings per share

A detailed reconciliation is provided in note 5.

Net debt and net debt excluding lease liabilities

Year ended 31 Dec 2023		Half year to 30 June 2024	Half year to 30 June 2023
£m		£m	£m
45.2	Cash and bank balances	21.7	25.9
-	Loan receivable	0.6	-
(0.5)	Bank overdrafts (included in borrowings)	(1.3)	(0.1)
(32.1)	Bank loans (included in borrowings)	(89.0)	(52.4)
12.6	Net (debt)/cash excluding lease liabilities	(68.0)	(26.6)
(64.3)	Lease liabilities	(65.3)	(62.2)
(51.7)	Net debt	(133.3)	(88.8)

1 In 2024 the definition of headline operating cash flow has been updated to include expansionary capital expenditure, which was previously reflected outside free cash flow. In addition, headline operating cash flow has been restated to include principal element of lease payments and exclude non-cash movements in net debt arising from lease liability asset additions and disposals. The restatement results in a net reduction of £6.5m (31 December 2023: £27.3m; 30 June 2023: £13.3m) to headline operating cashflow and free cash flow and the prior period comparatives have been changed to reflect this. The Group considers that the revised definition more appropriately reflects the cash flows of the business.

Company information

Financial calendar

2024 interim dividend - record date	4 October 2024
DRIP application deadline	5pm on 18 October 2024
2024 interim dividend - payment date	7 November 2024
Results for 2024	14 March 2025
Annual General Meeting	21 May 2025
Final dividend for 2024	June 2025
Interim results for 2025	July 2025
Interim dividend for 2025	November 2025

Shareholder enquiries

Enquiries on the following administrative matters can be addressed to the Company's registrars at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Telephone +44 (0)333 207 5951. Lines are open 8:30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales); or log on to help.shareview.co.uk to submit your query securely.

- Change of address
- Stock ^{transfer} form including guidance notes
- Dividend mandates
- ShareGift donation coupon

Forms for these matters can be downloaded from the registrars' website at: www.shareview.co.uk. Shareholders can also access and maintain their shareholding online by registering at www.shareview.co.uk. To register, shareholders will require their shareholder reference number.

Shareholder dealing service

For information on the share dealing service offered by Equiniti Limited, telephone 0345 603 7037 (+44 121 415 7560 if calling from outside the UK). Lines are open 8.00am to 4.30pm (UK time), Monday to Friday excluding public holidays in England and Wales. Please telephone Equiniti or check online at www.shareview.co.uk for up-to-date commission rates.

Dividend Reinvestment Plan

A Dividend Reinvestment Plan ("DRIP") is provided by Equiniti Financial Services Limited. The DRIP enables the Company's shareholders to elect to have their cash dividend payments used to purchase the Company's shares. More information can be found at www.shareview.co.uk/info/drip.

General information

Copies of this Report and the last 2023 Annual Report are available from the Group Company Secretary, Bodycote plc, Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire SK10 2XF, and can each be downloaded or viewed via the Group's website at www.bodycote.com. Copies of this Report have also been submitted to the FCA Electronic Submission System which is situated at: <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

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