

Renishaw plc – 2020 interim results

30 January 2020

Summary

- First half revenue of £259.4m (2019: £296.7m); a decrease at constant exchange rates of 14%.
- Reductions in all regions, with APAC seeing a 20% decrease at constant exchange rates.
- Metrology revenue decreased by 13% to £241.5m
 - Subdued market demand for Industrial Metrology products.
 - First half of 2019 benefitted from a number of large orders from end-user manufacturers of consumer electronic products in the APAC region which have not been repeated this year.
 - Growth in our optical and laser encoder lines due to a recovery in the semiconductor market.
- Healthcare revenue decreased by 6% to £17.8m
 - Growth in the neurological line due to increased demand for our neurosurgical robot.

Summary (continued)

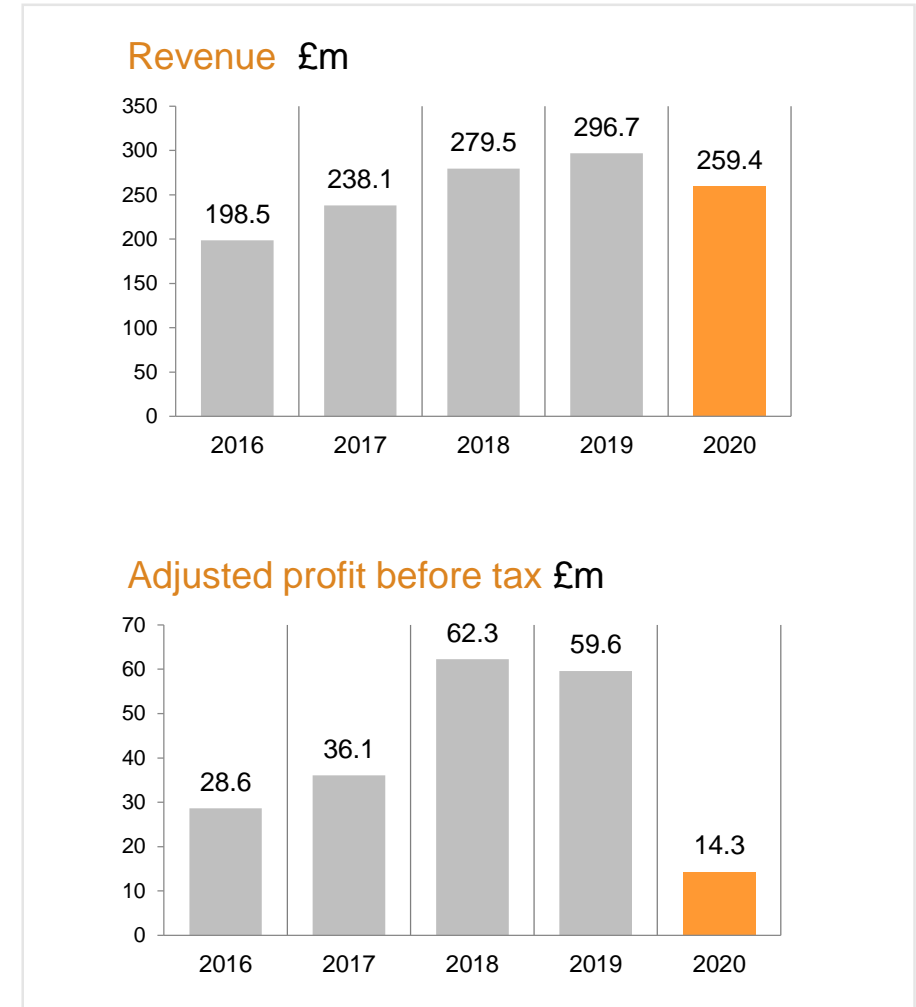
- Adjusted profit before tax of £14.3m (2019: £59.6m), a decrease of 76%
 - Adjusted operating profit for Metrology of £17.4m (2019: £52.2m); adjusted operating loss of £1.5m for Healthcare, compared to break even for the same period last year.
- Statutory profit decreased 84% to £9.9m (2019: £61.6m).
- Taking a range of actions to improve productivity and reduce the Group's cost base, including:
 - Non-replacement of staff who have left the business.
 - Reductions in direct manufacturing staff in the UK, Ireland and India.
 - Planned closure of the Staffordshire site in February 2020.
 - Proposed UK redundancy programme could lead to a headcount reduction of around 200 people.

Summary (continued)

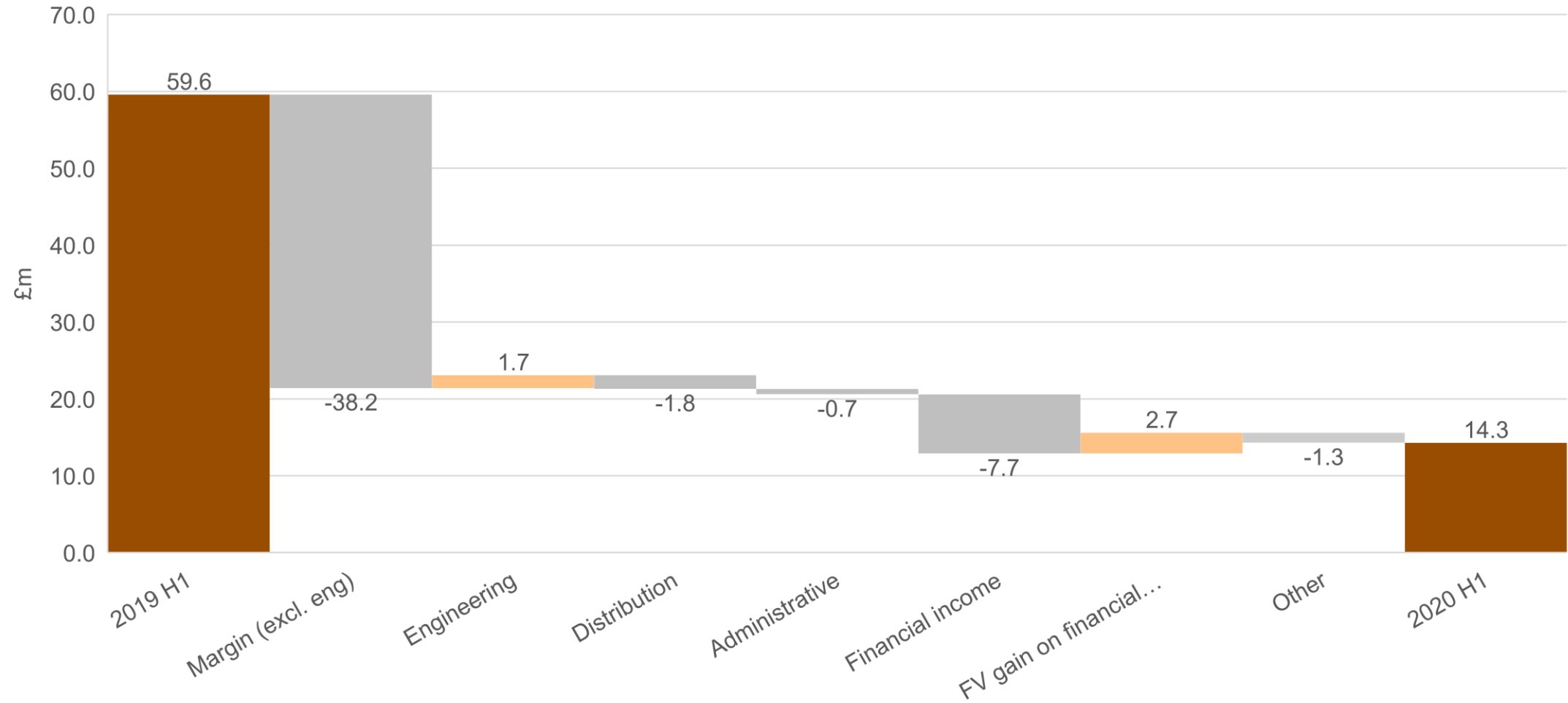
- Capital expenditure of £28.4m, of which property expenditure for future growth totalled £20.8m.
- Strong balance sheet, with end of period cash of £71.3m.
- Interim dividend maintained at 14.0p per share.
- All Board directors have waived their rights to the interim dividend which results in the cost of the dividend being £4.8m compared to £10.2m last year.

Financial summary

	2020 £m	2019 £m	Change %
Revenue	259.4	296.7	-13%
Adjusted profit before tax	14.3	59.6	-76%
Statutory profit before tax	9.9	61.6	-84%
Tax	(2.5)	(9.6)	
Profit after tax	7.4	52.0	-86%
Adjusted earnings per share (p)	15.1	69.3	-78%
Statutory earnings per share (p)	10.2	71.5	-86%
Dividend per share in respect of period (p)	14.0	14.0	
Dividend payable in respect of period after Directors' waiver	4.8	10.2	-53%



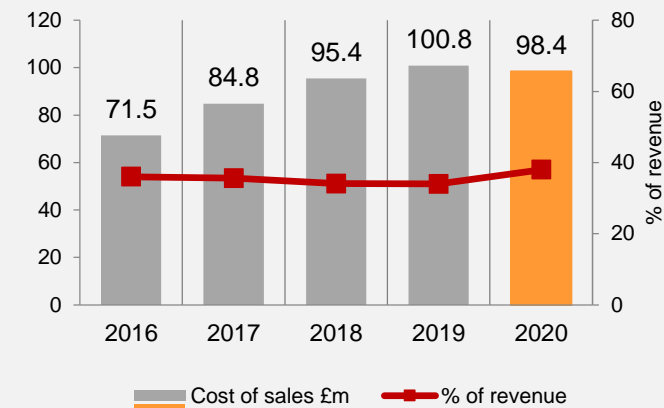
Adjusted profit before tax bridge



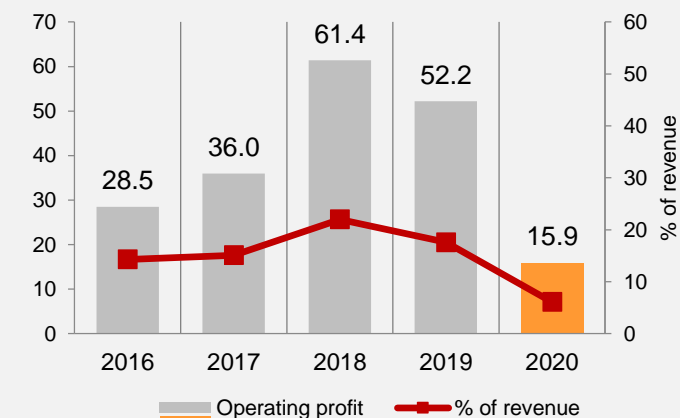
Income statement

	2020 £m	%	2019 £m	%	Change
Revenue	259.4	100	296.7	100	13%
Cost of sales	(98.4)	(38)	(100.8)	(34)	2%
Engineering (inc. R&D)	(46.1)	(18)	(47.8)	(16)	4%
Gross profit	114.9	44	148.1	50	22%
Distribution costs	(65.6)	(25)	(63.8)	(22)	-3%
Administrative costs	(31.9)	(12)	(29.0)	(10)	-10%
Fair value losses on financial instruments - derivatives	(8.6)	(3)	(1.2)	(0)	
Fair value gains on financial assets	2.7	1	-	-	
Financial income/(expense) (net)	(2.5)	(1)	5.3	2	
Share of profits of associates and joint ventures	0.9	0	2.2	1	
Statutory profit before tax	9.9	4	61.6	21	84%
FV gains and losses on instruments not eligible for hedge accounting					
-reported in revenue	(3.1)	(2)	(3.2)	(1)	
-reported in fair value gains/(losses) on financial instruments	5.3	2	1.2	0	
Restructuring costs	2.2	1	-	-	
Adjusted profit before tax	14.3	5	59.6	20	80%

Cost of sales £m

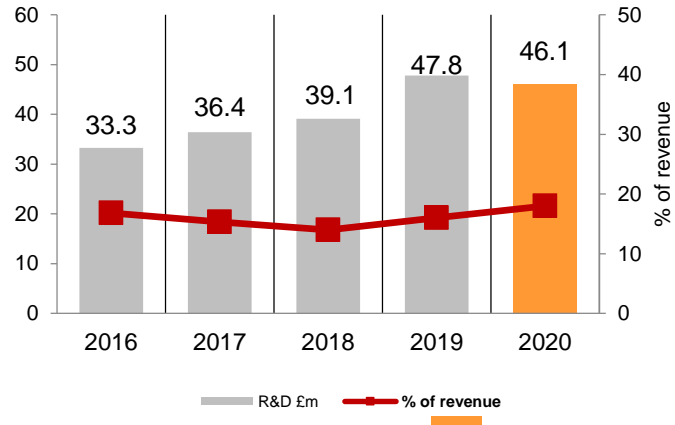


Adjusted operating profit £m

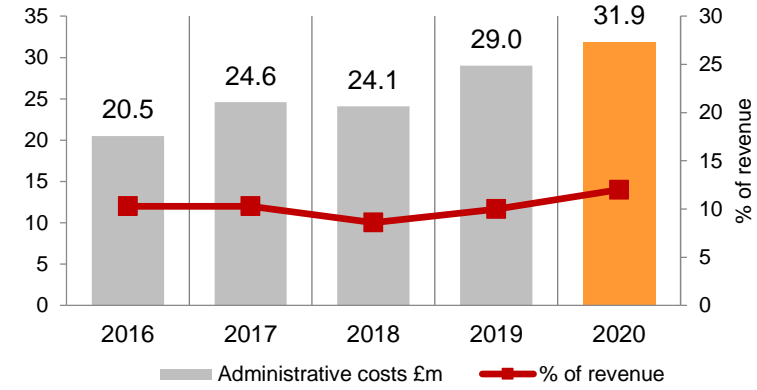


Income statement (continued)

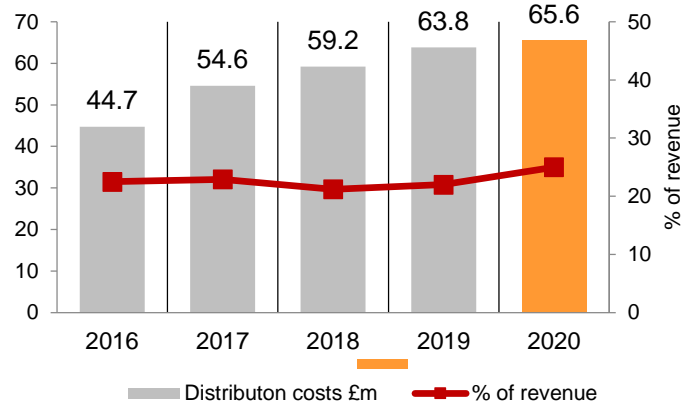
Engineering costs £m



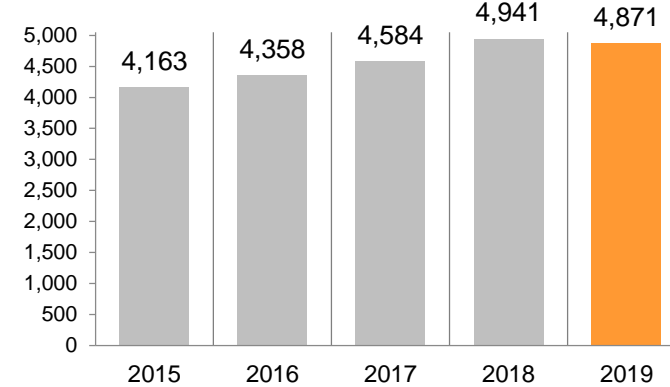
Administrative costs £m



Distribution costs £m



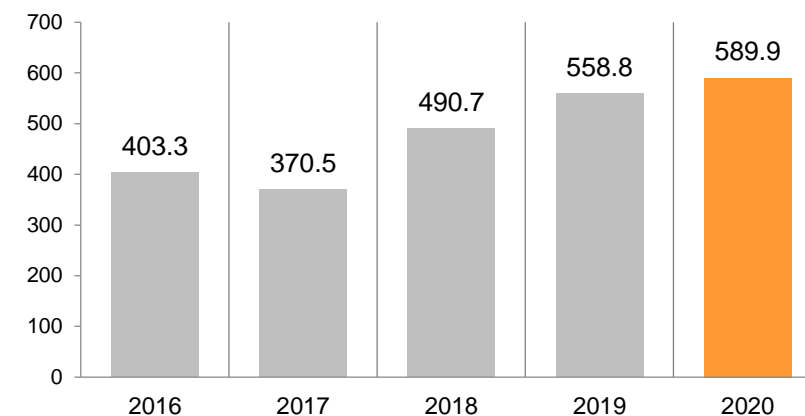
Group headcount Dec No.



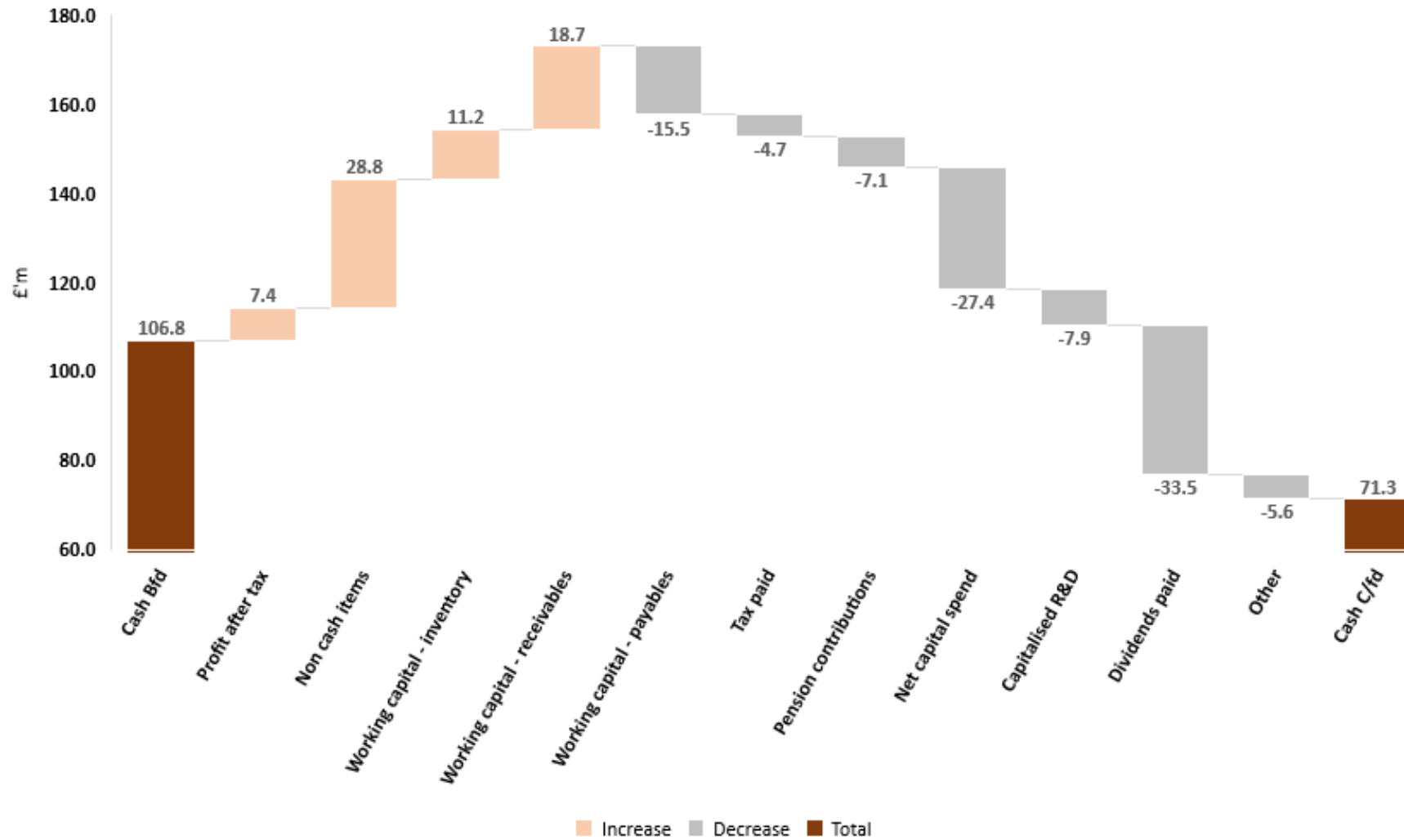
Balance sheet

£m	Dec 2019	Dec 2018	June 2019
Property, plant & equipment	272.2	240.0	263.4
Intangible assets & investments	72.1	71.3	73.0
Right of use assets	13.0	-	-
Deferred tax assets	21.2	29.0	29.8
Derivatives	13.2	2.0	1.3
Total non-current assets	391.7	342.3	367.5
Inventory	117.8	122.5	129.0
Debtors	139.7	155.8	159.2
Pension fund cash escrow	10.5	10.4	10.5
Cash	71.3	100.5	106.8
Derivatives	(1.0)	(27.1)	(16.1)
Current borrowings	(1.0)	-	(1.0)
Current lease liabilities	(4.5)	-	-
Creditors (current)	(56.7)	(68.0)	(75.7)
Net current assets	276.1	294.1	312.7
Non-current borrowings	(9.6)	0	(9.4)
Non-current lease liabilities	(8.5)	-	-
Pension scheme deficit	(42.8)	(52.7)	(51.9)
Deferred tax liabilities	(0.5)	(0.2)	(0.5)
Derivatives	(16.5)	(24.7)	(35.1)
Net assets, equal to Total equity	589.9	558.8	583.3

Total equity Dec, £m



Cash flow



Capital expenditure

	2020 £m	2019 £m
Capital expenditure	28.4	19.6

Property

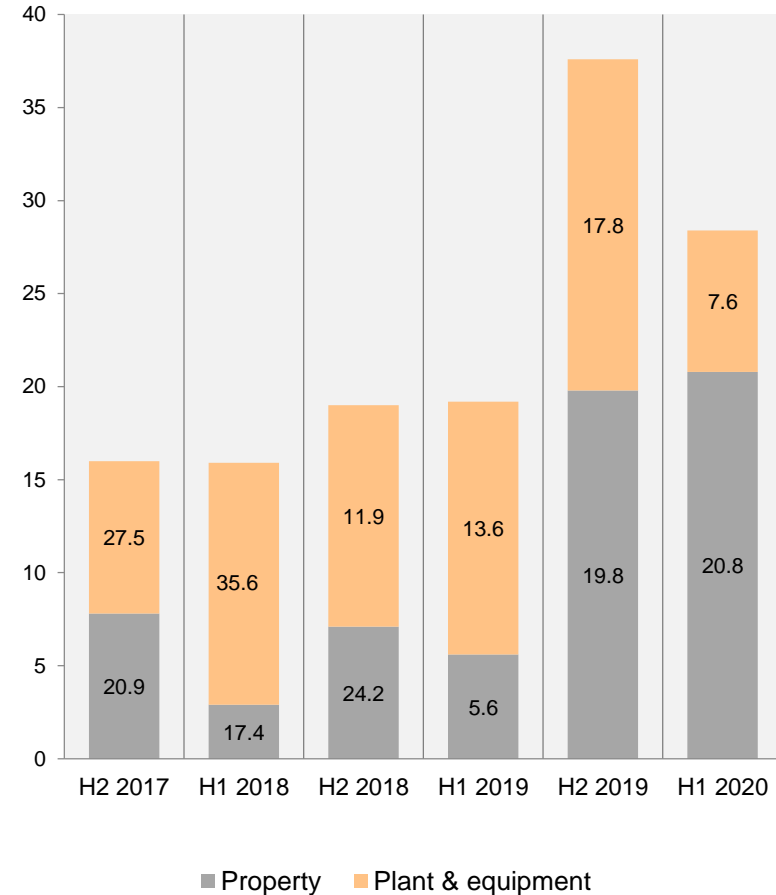
- in the UK, ongoing construction of a 94,000 sq ft extension to our Renishaw Innovation Centre which is nearing completion
- in India, acquisition of a property in Pune to provide capacity for future growth
- in the USA, construction of a new facility in Michigan for use by Renishaw Fixturing Solutions, having outgrown the current leased facility

Plant & equipment

- £7.6m expenditure on plant and equipment in 2020 (2019: £13.6m)

Capital expenditure in second half expected to reduce significantly

Capital expenditure £m



Industrial metrology - market drivers

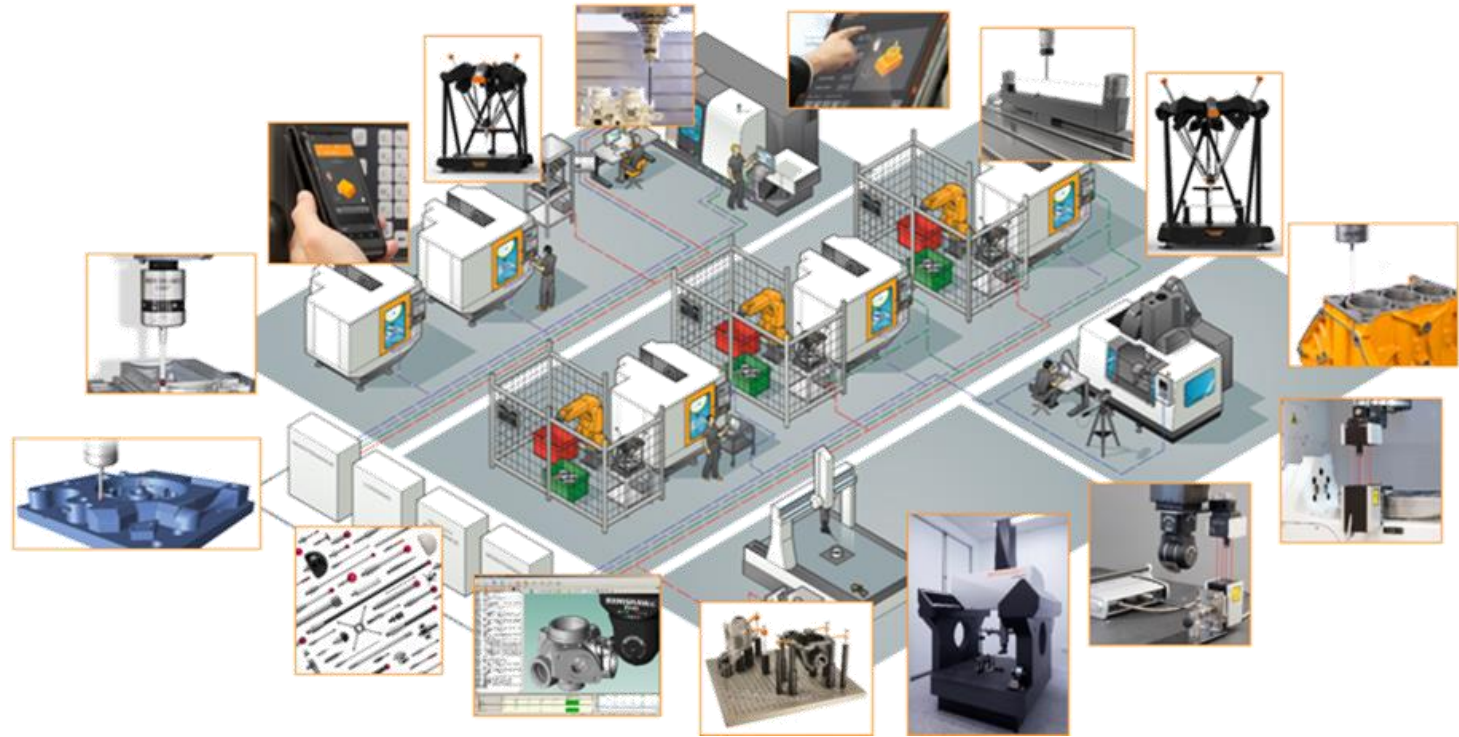
**Weaker current investment levels,
including machine tool sector**

Same market drivers exist

**Increasing component complexity and
closer tolerances – new performance
monitoring equipment**

**Measurement at point of manufacture –
shop floor measurement**

Increased need for automation



Renishaw's strength is breadth of products and applications knowledge

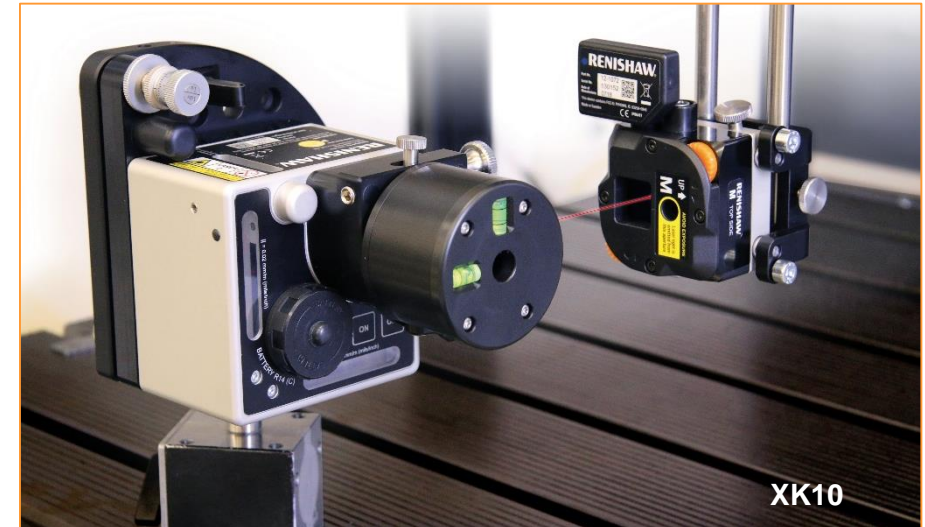
Industrial metrology

Performance monitoring

To produce complex parts with tight tolerances requires consistently capable machines.

The new **XK10 alignment laser system** is used during the build and alignment of machine tools, replacing the need for expensive artefacts. It can also be used to diagnose the source of errors following a collision or as part of regular maintenance.

Machine tools have positioning errors in multiple degrees of freedom that vary throughout the working volume which will also change over time. Using the **XM-60 multi-axis** calibrator and new **Compensate software**, volumetric compensation can be applied so that the machine tool controller automatically applies a correction to reduce these errors.



Industrial metrology

Shopfloor measurement

Cutting tools and components remain in situ on the machine tool and automatically checked using an inspection probe (e.g. **RMP400**) or contact/laser-based tool setting probe (e.g. new **APCS-45** or new **NC4+ Blue**).

Featuring industry-first, blue laser technology, NC4+ Blue systems deliver significant improvements in tool measurement accuracy. Blue laser technology enables the measurement of very small tools, whilst minimising tool-to-tool measurement errors.

Measurement data used to automatically update the manufacturing process and for trend reporting, using tools such as the new enhanced **Reporter** real-time process monitoring app.



Industrial metrology

Automation

There is increasing use of automated changing between different sensor types for the REVO® measuring head for coordinate measuring machines (contact, optical, surface finish and new **RFP1 fringe probe**).

The new probe is suited to the measurement of freeform surfaces and complex geometry, such as additively manufactured parts, aerospace blades and blisks, automotive cylinder head combustion chambers, and delicate surfaces not suited to tactile measurement.



RFP1 fringe probe

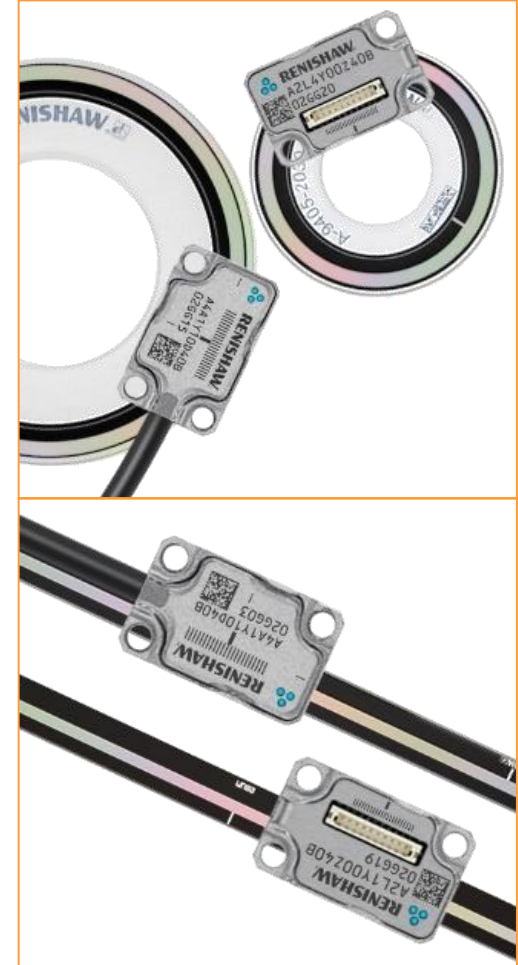


RFP1 measuring an aerospace blade

Position measurement

ATOM DX™ encoder series

- Our smallest incremental encoder, with digital output direct from the readhead, eliminating the need for bulky interfaces.
- A high-performance encoder that features resolutions down to 2.5 nm, low Sub-Divisional Error (SDE) and low jitter.
- Can be used with a wide range of linear and rotary scales to meet most application requirements.
- Launched in July 2019.



Position measurement

Functional safety

Certain machinery safety functions that ensure that operators are protected in the event of hardware failure or human error, require the encoder feedback to be functionally safe (FS).

For safety critical applications, including medical robots and collaborative robots (Cobots), Renishaw offers a range of functionally safe position encoder solutions certified to international safety standards, including new **RESOLUTE™ FS with BiSS® Safety** absolute open optical encoder system, and **TONiC™ FS** incremental open optical encoder system.



Additive manufacturing – market drivers

Our systems are based on laser powder bed fusion technology for high-value metal part production.

Market drivers include machine productivity, lower cost-per-part, process stability and part quality.

Opportunities in multiple markets, with greater maturity in aerospace, healthcare and tooling.



The new **RenAM 500E** is designed to offer value to new users, who want to develop their AM skills and understanding.

Designed to offer users the ability to change between different materials for the purposes of experimentation and process flexibility.

Additive manufacturing

Recent collaboration

- In December we signed a Memorandum of Understanding with **BAE Systems** (UK) to work together on the development of additive manufacturing capability for the aerospace and defence sector, designed to help improve performance, reduce costs and speed up manufacturing processes on combat aircraft of the future.
- BAE Systems is currently using AM technology to make production standard components for the Typhoon fighter aircraft. It is also applied in the rapid prototyping of new technology concepts as part of a drive to deliver Tempest - a capable, affordable and exportable next generation future combat air system.



BAE Systems use Renishaw AM systems



Senior directors from Renishaw and BAE Systems

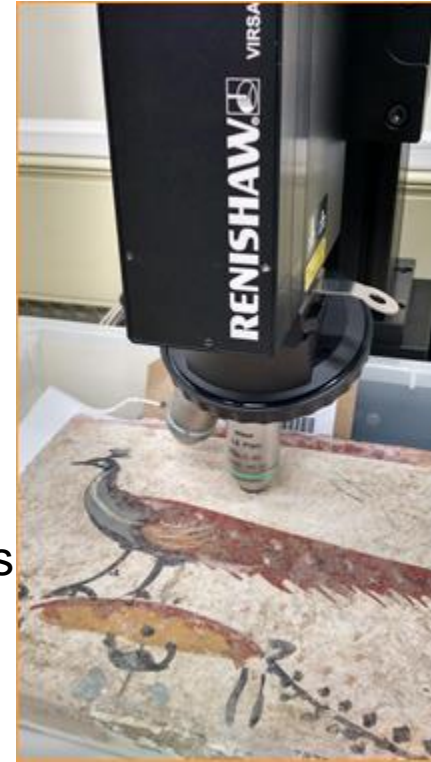
Healthcare - Raman spectroscopy

Market applications

We are focussing on new application areas to address existing and new markets for our Raman systems. Our current areas of interest include healthcare (cancer and infectious disease diagnosis) and environmental (microplastics and green energy).

The new **Virsa™ Raman Analyser** is a versatile, fibre-optic-coupled Raman spectroscopy system designed for reliable, detailed remote analysis. It enables the expansion into new markets and environments beyond the confines of a laboratory. Applications range from art and heritage, manufacturing, forensics, pharmaceutical and medical.

Virsa can be integrated with third-party systems, enabling users to analyse samples using two or more techniques. We are in the process of setting up OEM agreements with instrument vendors in a variety of fields.



Raman measurements of a fresco from Pompeii. Sample provided by V&A Museum, London



Virsa attached to a QFI semiconductor thermography system

Brexit

- The Board continues to oversee the work of the Brexit steering group in identifying the key risks arising from a no-deal Brexit and implementing mitigation plans.



Mitigation plan

- New warehouse established in Ireland to direct ship to 3rd parties within the EU.
- General increase in inventory adding an additional 4 weeks in both finished goods and components in our UK and Ireland manufacturing sites, as well as within Renishaw GmbH.
- Ongoing assessment of other risks and possible negative impacts.

Outlook - summary

- Trading conditions expected to remain challenging through the remainder of this financial year.
- We remain confident in the long-term prospects for the Group due to the high quality of our people, our innovative product pipeline, extensive global sales and marketing presence and relevance to high-value manufacturing.
- Expect full-year revenue to be in the range of £530m to £560m and adjusted profit before tax to be in the range of £50m to £70m.
- Profits in the second half of the year expected to benefit from an increase in revenue, reduced operating costs and a favourable currency impact from forward contracts compared to the first half year.

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