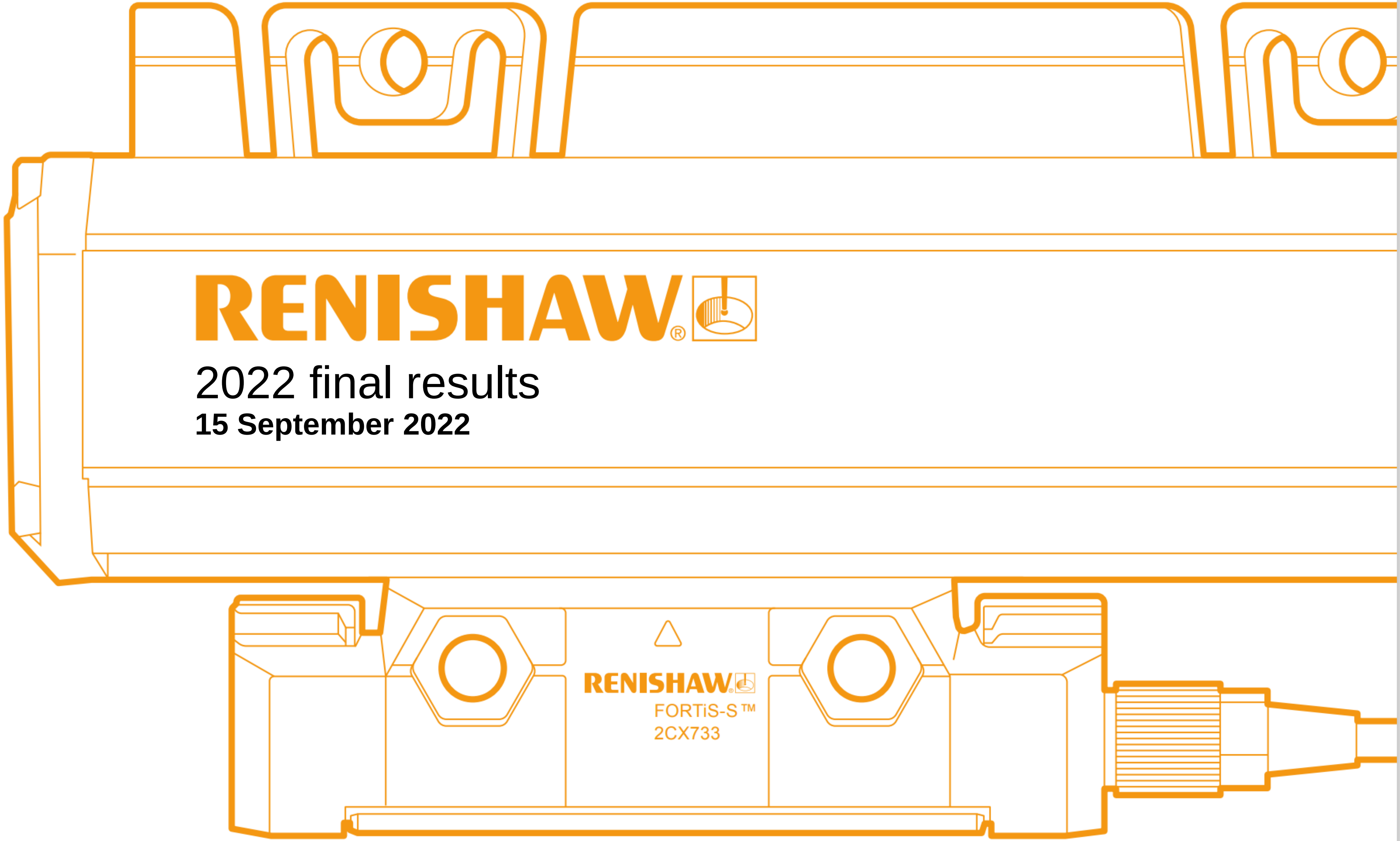
RENISHAW

2022 final results

15 September 2022

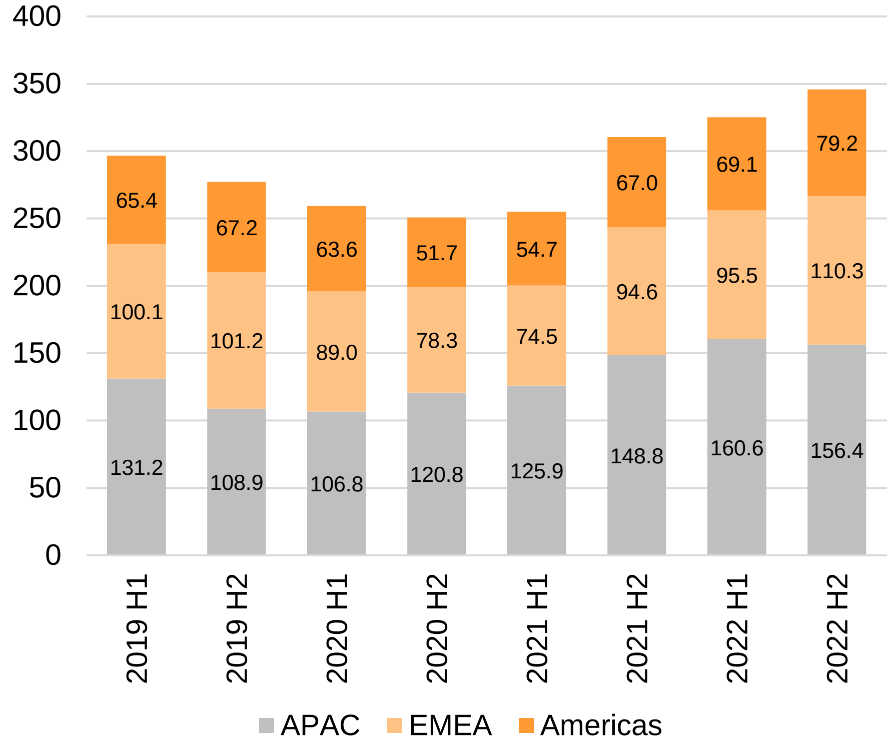


Financial summary

- **Revenue growth of 19% to £671.1m**
- **Adjusted profit before tax increases by 37% to £163.7m**
- **End of period cash and bank deposits rise by 18% to £253.2m**

- **Revenue growth of 19% to £671.1m**
  - Record level of demand as key market sectors grew and semiconductor and electronics remain strong
  - Strong growth in all regions, continuing the trend seen over the last 18 months
  - Maintained delivery to customers despite significant supply chain pressures
    - Shortages of components, especially electronics, has been acute during FY22, but has been improving in recent months
    - Significant product re-design to maintain supply
    - Delivery lead times extended during FY22 but have improved
    - Mitigating by building inventory of key components

Half-year revenue £m



Regional revenue

	2022 £m	2021 £m	Change %
APAC	**317.0**	274.8	15%
EMEA	**205.8**	169.1	22%
Americas	**148.3**	121.7	22%

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Financial summary

- **Adjusted profit before tax increases by 37% to £163.7m**
  - Return on sales increased to 24% (2021: 21%)
- **Inflationary pressures**
  - Rising manufacturing input costs: energy, metals & electronics
  - Salary costs: rising headcount, FX changes and pay benchmarking
  - Maintaining stable gross margins through productivity improvements
- **Geo-political challenges:**
  - Immediately stopped shipments to Russia after invasion of Ukraine; now closed Moscow and Perm offices and being vigilant about shipments via third countries

Key metrics – 2022 vs 2021

	2022 £m	2021 £m	Change %
Revenue	**671.1**	565.6	19%
Adjusted profit before tax	**163.7**	119.7	37%
Statutory profit before tax	**145.6**	139.4	4%
End of period cash and bank deposits	**253.2**	215.0	18%

Key cost items – H2 vs H1

	2022 H2 £m	%	2022 H1 £m	%	Change
Revenue	**345.9**	**100**	325.2	100	6%
Cost of sales	**119.5**	**35**	115.5	36	4%
Engineering	**40.8**	**12**	37.8	12	8%
Distribution	**66.6**	**19**	55.8	17	19%
Administration	**36.1**	**10**	33.6	10	7%

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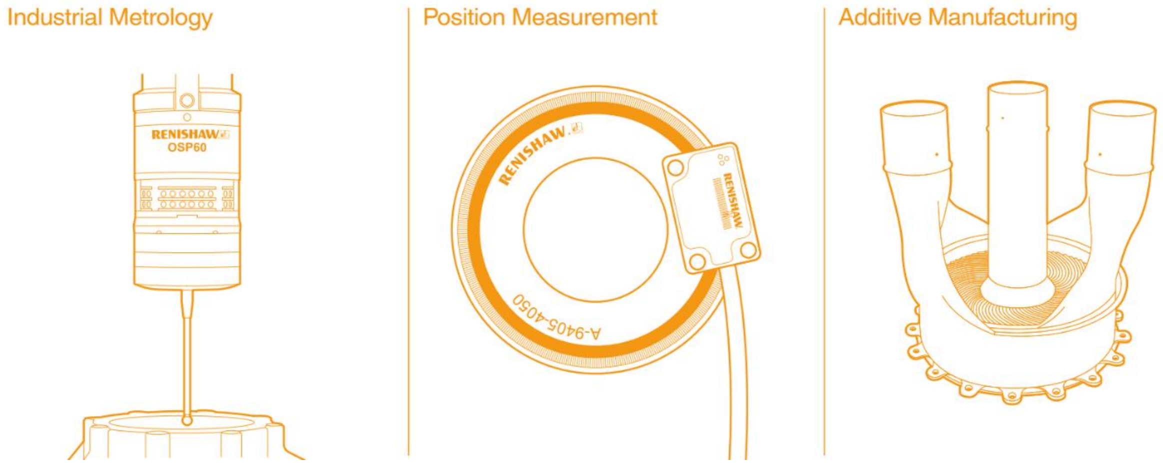
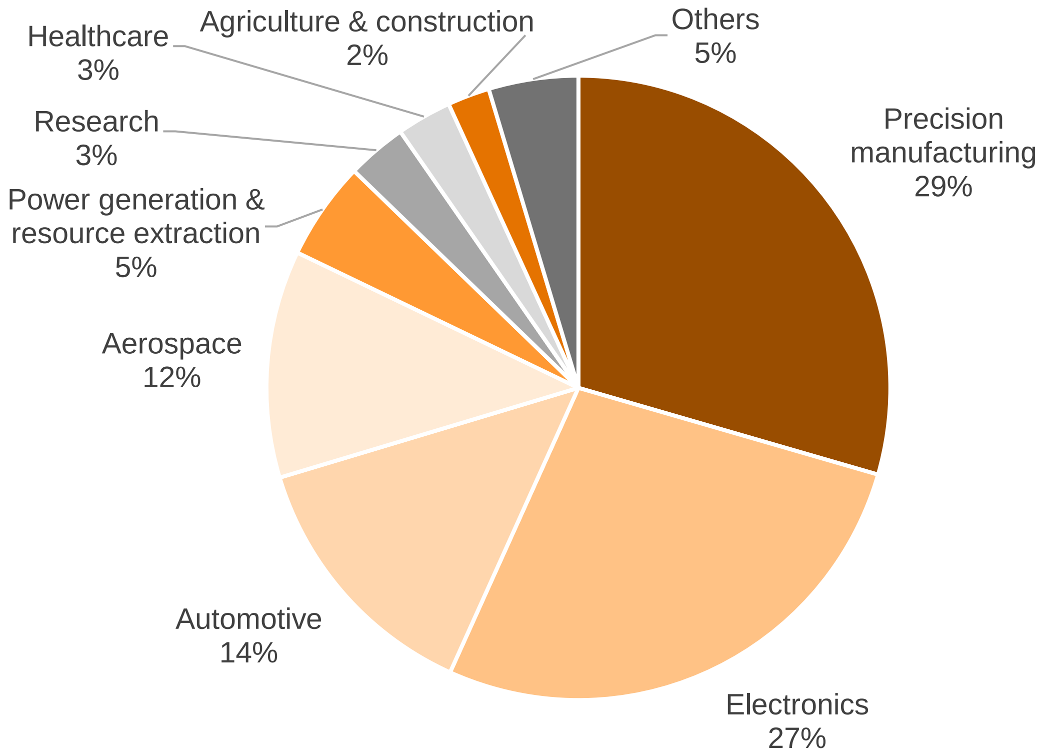
Manufacturing technologies[1]



	2022 £m	2021 £m	Change %
Revenue	**634.6**	530.4	20%
Adjusted operating profit	**158.7**	114.1	39%

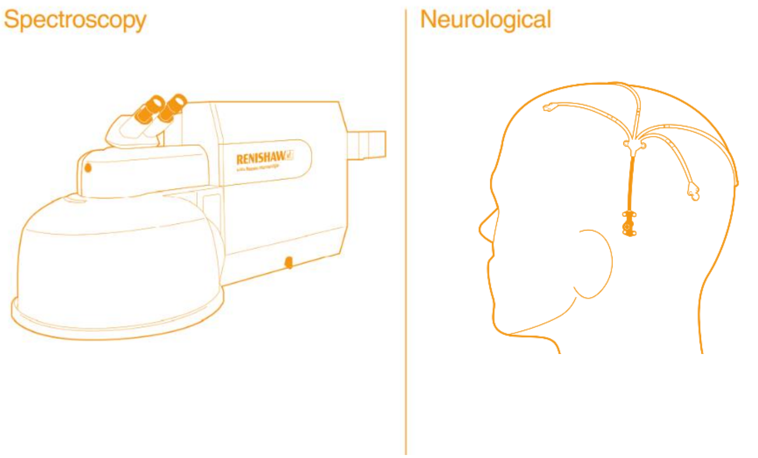
End market overview[2]



- Record demand for encoders, driven by sustained semiconductor and electronics capital investment
- Rising sales of flexible gauging and machine tool products for automated machining
- Repeat purchase of high-value solutions by key customers in additive manufacturing & 5-axis metrology
- Long-term growth drivers from strong positions in high-growth manufacturing technologies: additive manufacturing, robotics, semiconductor manufacturing, 5-axis machining, smart manufacturing analytics

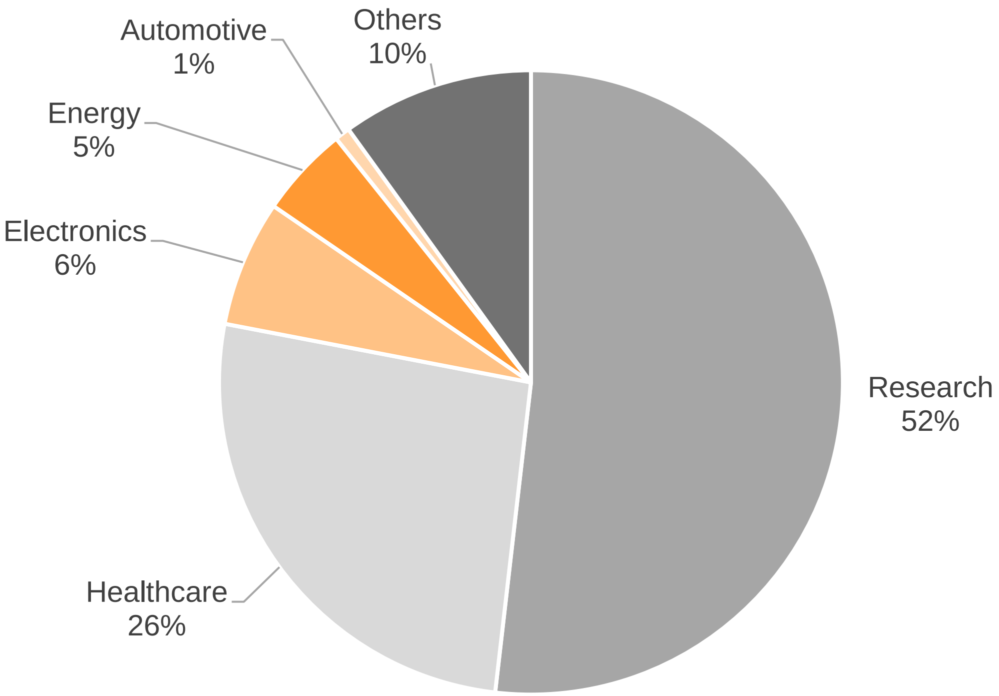
Notes
1. Medical Dental results now integrated into Additive Manufacturing business within Manufacturing technologies segment
2. End market overview is an unaudited management estimate with majority of sales being indirect (through machine builders, distributors etc).

Analytical instruments and medical devices[1]



	2022 £m	2021 £m	Change %
Revenue	**36.5**	35.1	4%
Adjusted operating profit	**2.7**	4.5	-40%

End market overview[2]



- Strong growth in spectroscopy revenues in H2 as backlog of duty-exemption certificates in China eased
- Reduced neurological business during 2022; engaging with multiple large-pharmaceutical companies to plan clinical trials using our unique drug delivery technology

Notes
1. Medical Dental results now integrated into Additive Manufacturing business within Manufacturing technologies segment
2. End market overview is an unaudited management estimate.

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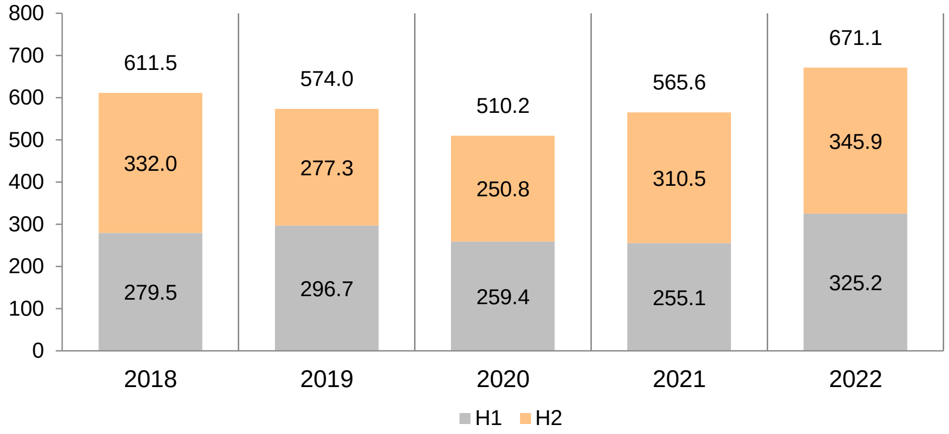
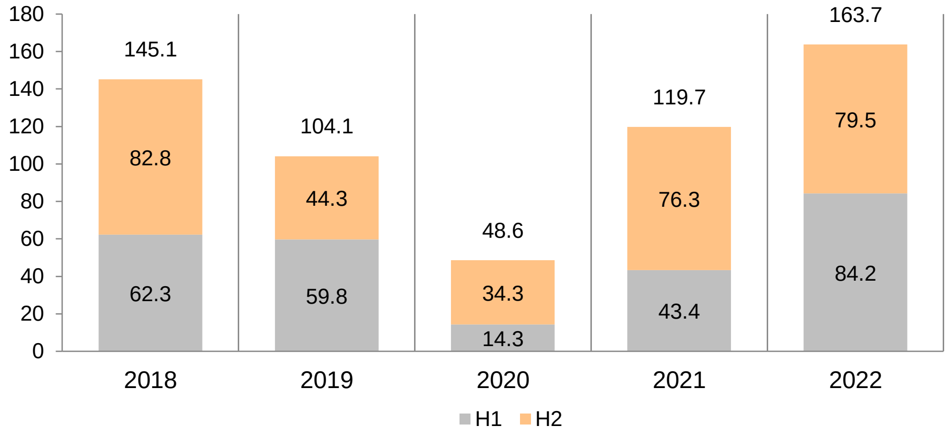
Financial highlights

	2022 £m	2021 £m	Change %
Revenue	**671.1**	565.6	19%
Adjusted profit before tax	**163.7**	119.7	37%
FV gains / (losses) on ineffective FX cash flow hedging contracts	**(8.3)**	22.9	
Third-party FSP & restructuring costs	**1.9**	(3.2)	
UK DB pension scheme past service cost	**(11.7)**	-	
Statutory profit before tax	**145.6**	139.4	4%
Tax	**(25.2)**	(27.9)	
ETR %	**17.3%**	20.1%	
Profit after tax	**120.4**	111.5	8%
Adjusted earnings per share	**185.5**	132.0	41%
Statutory earnings per share	**165.4**	153.2	8%
Interim dividend per share paid	**16.0p**	14.0p	
Final dividend per share proposed	**56.6p**	52.0p	

Revenue £m



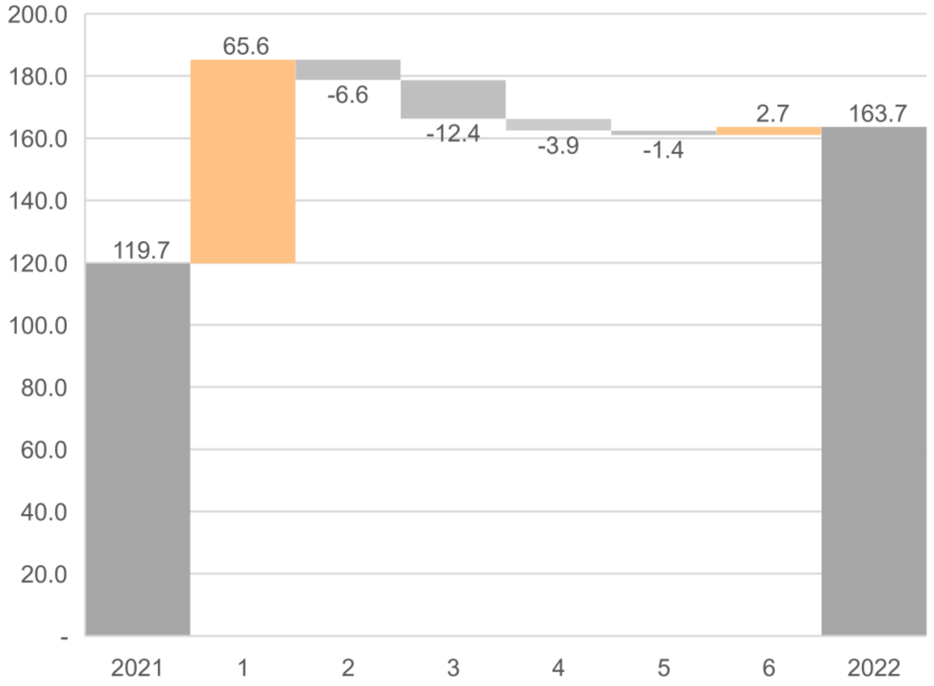
Adjusted profit before tax £m



Income statement

	2022 £m	%	2021 £m	%	Change
Revenue	**671.1**	**100**	565.6	100	19%
Cost of sales	**(235.0)**	**(35)**	(197.8)	(35)	19%
Engineering (inc. R&D)	**(78.6)**	**(12)**	(72.1)	(13)	9%
Gross profit	**357.5**	**53**	295.7	52	21%
Distribution costs	**(122.4)**	**(18)**	(110.1)	(19)	11%
Administrative costs	**(69.7)**	**(10)**	(69.3)	(12)	1%
UK DB pension scheme past service cost	**(11.7)**		-		
Fair value gains/(losses) on financial instruments	**(10.4)**		22.0		
Financial expense (net)	**(2.0)**		(0.6)		
Share of profits of associates and joint ventures	**4.3**		1.7		
Statutory profit before tax	**145.6**	**22**	139.4	25	4%

Adjusted profit before tax bridge £m



1 Margin (excl. engineering)
2 Engineering costs
3 Distribution costs
4 Administrative costs
5 Financial income & expense
6 Associates & JV

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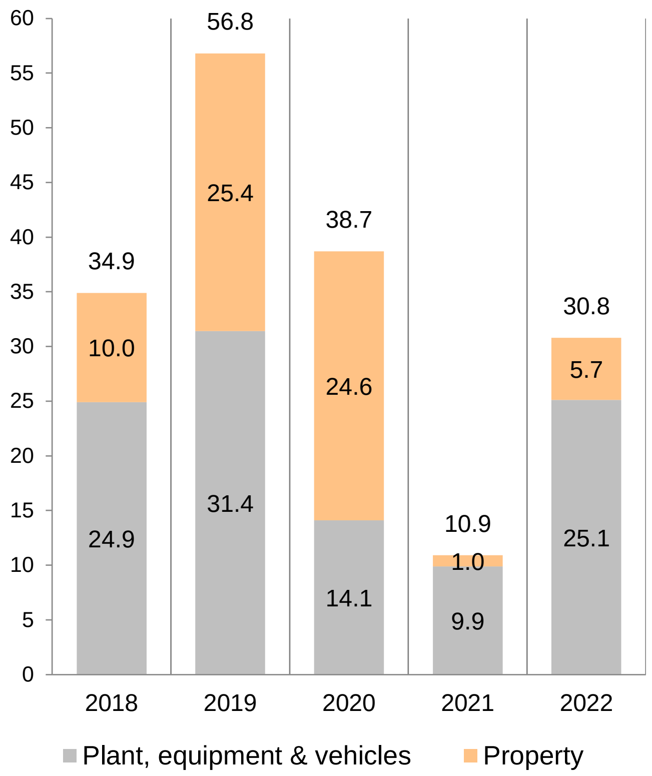
Capital expenditure

- Main investments were to increase manufacturing capacity and process improvement
- New distribution facility in South Korea to provide demonstration capability for our capital goods lines cost £3.7m
- Planning to increase expenditure in FY23, including new production equipment and property build (underway) at our Miskin site in South Wales. Over £60m committed to Miskin development costs to support future growth and meet our Net Zero targets, of which around £30m will be in FY2023.

Capital expenditure £m



Work on Miskin manufacturing expansion is underway

Artist's impression of new manufacturing halls at Miskin site

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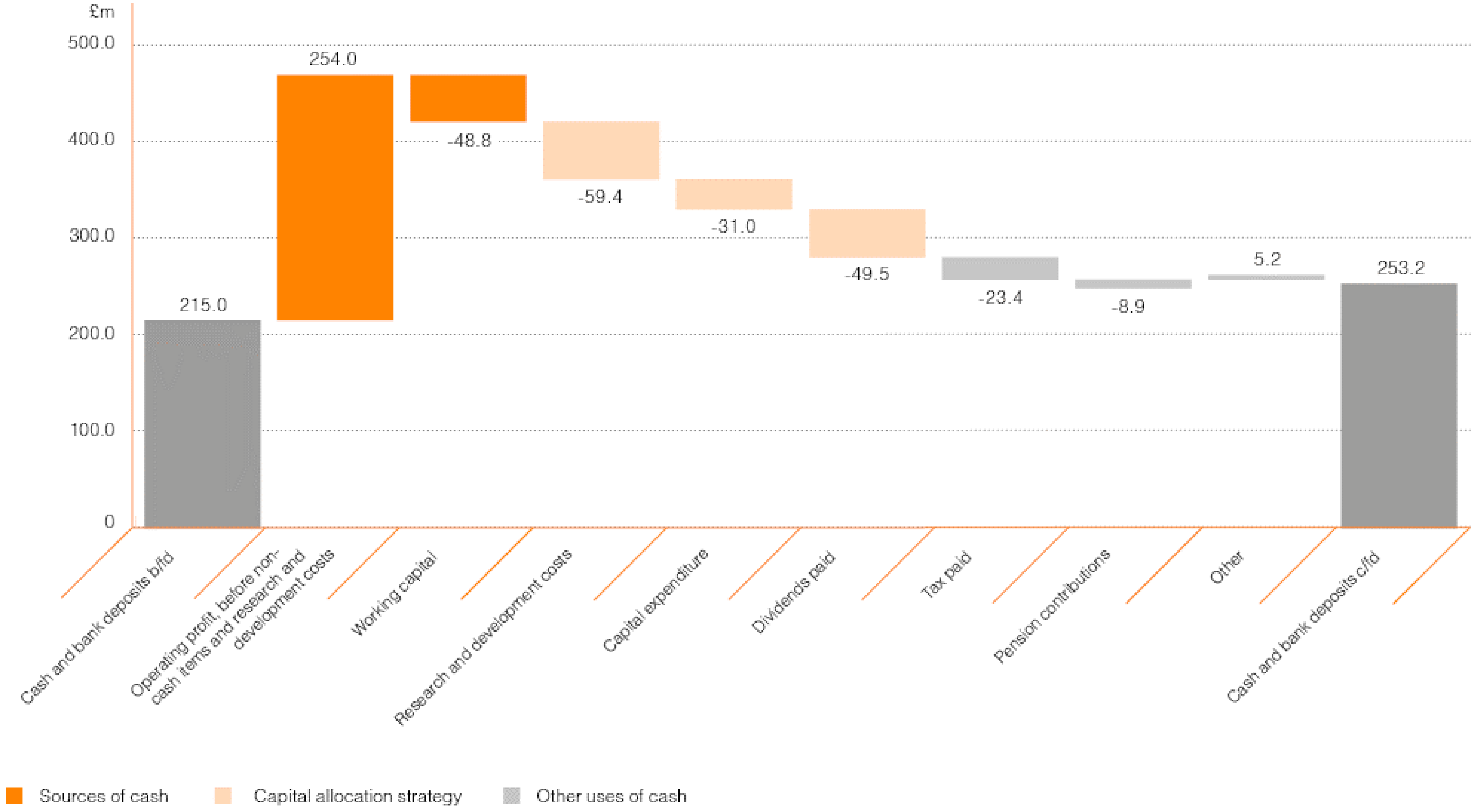
Sources and uses of cash & deposits



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Our strategy in action: routes to success

Global customer support includes all routes to market

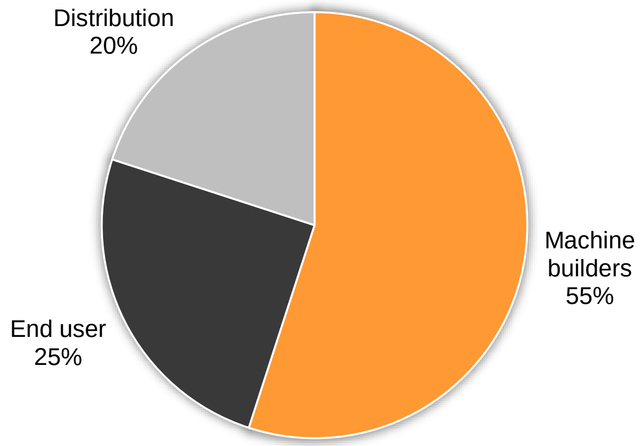
Manufacturing technologies:

- **Machine builder focus** – innovative products to gain market share
- **Diversification** into close-adjacent markets
- **End user focus** – grow revenue with key accounts with high-value solutions

Analytical instruments & medical devices:

- Expand into **new applications** based on our proven technologies

Sales by channel (FY22)



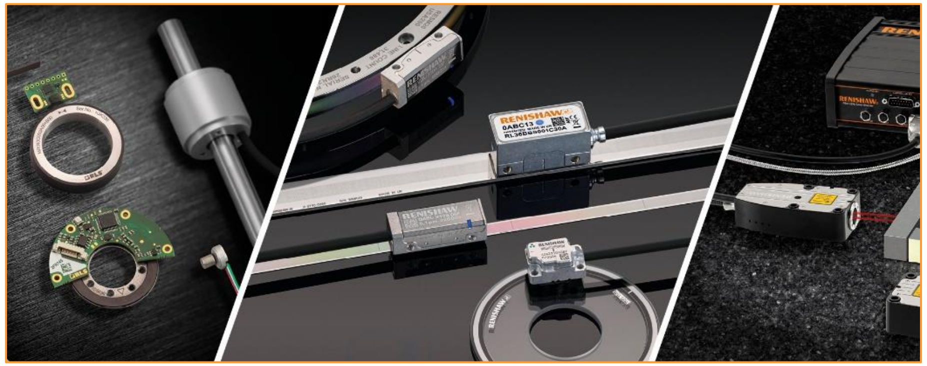
Routes to market

Our strategy in action: machine builder focus

Focused on **gaining market share:**

- We are focused on what additional benefits we can bring to our machine builder customers and their end-users
- Our strong long-term relationships and trust gives us an opportunity to introduce new products where our competitors may have traditionally been strong
- Our new products for machine tools, such as the **RMI-QE radio transmission** system and **NC4+ Blue laser tool setter**, give a step change in performance to our machine builder customers and their end-users
- Our extensive range of **absolute and incremental encoders** for machinery manufacturers, plus strong technical support and ability to supply is helping us to win new accounts and grow existing accounts
- Our R&D programmes are targeted at areas in or close to existing Manufacturing technology markets where we can bring innovation

NC4+ Blue laser tool setting system



We have a strong portfolio of magnetic, optical and laser encoders

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Our strategy in action: diversification

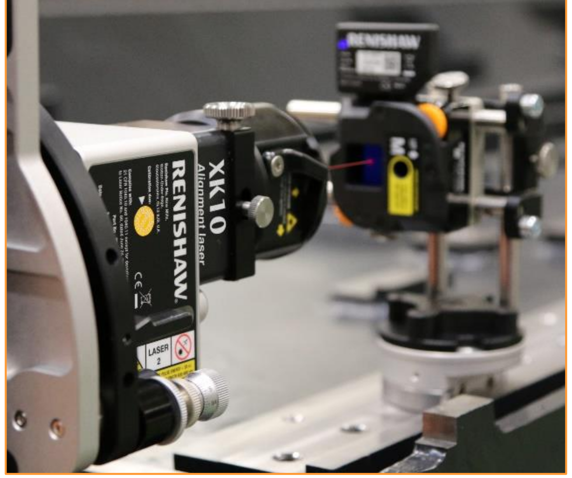
Focused on **close adjacent market segments**:

- **FORTiS™** range of enclosed encoders very positively received by longstanding machine tool builder customers; market demand stronger than expected
  - product innovation allowing easier installation proving very popular with customers
- **SpinCo™** magnetic rotary encoder system, from our associate RLS, is complementary to FORTiS and used to read primary position and speed of machine tool spindles
- The **XK10** alignment laser system is used to measure geometric and rotational errors during machine build, maintenance and service, replacing the need for artefacts

FORTiS enclosed encoders

Biglia
Gleason
HAAS.
HEMBRUG DANOBAT
KITAMURA

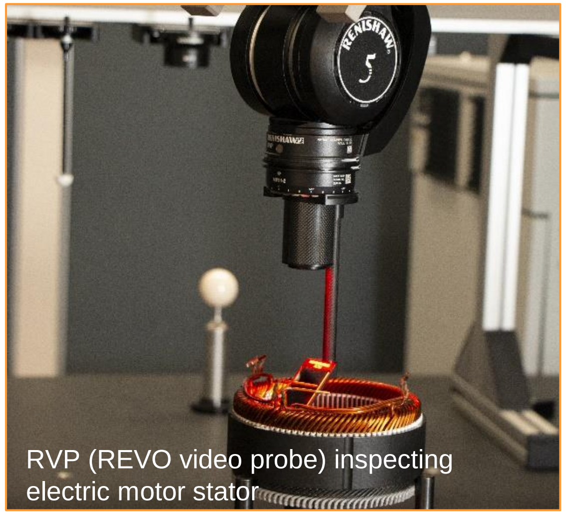
SpinCo™ magnetic rotary encoder

XK10 alignment laser system


Our strategy in action: end user focus

Focused on **high value solutions** and **repeat business:**

- Through product differentiation aiming to sell more high-value products to end-user accounts
- Success with the **REVO® 5-axis system** which allows our customers to carry out more inspection operations on a CMM, removing the need for dedicated systems - contact, surface finish, optical and ultrasonic measurement (latter with the new RUP system)
- Success with our **additive manufacturing** strategy where our RenAM 500Q multi-laser systems give our customers productivity and part quality for the volume manufacture of precision components
- Seeing repeat business from large users of additive manufacturing in areas as diverse as healthcare (orthopaedics and dentistry), aerospace and plastic injection tooling.


RVP (REVO video probe) inspecting electric motor stator

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Our strategy in action: Analytical instruments & medical devices

Spectroscopy

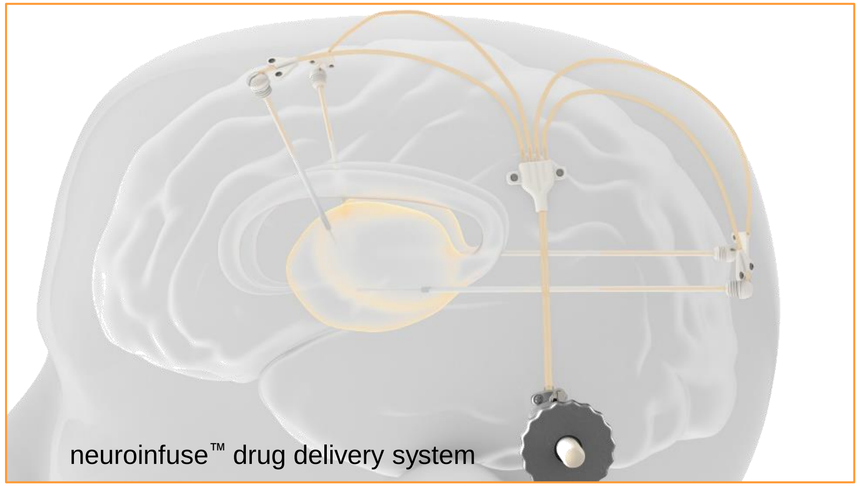
- Expanding into new markets beyond the laboratory with portable products for remote sample analysis, including production environments for process monitoring (e.g. Virsa™ fibre-fed spectrometer)
- Launched the inLux™ SEM (scanning electron microscope) Raman interface which is compatible with all major SEM manufacturers and enables users to simultaneously carry out Raman and SEM analysis

Neurological

- Focused on strategic growth opportunities supporting pharma companies with trials for their candidate drugs, using our drug delivery system

Both businesses operate as independent units reflecting the technology and market differences compared to our Manufacturing technologies business

inLux SEM Raman interface



neuroinfuse™ drug delivery system

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A sustainable future

- Committed to independently verified science-based Net Zero emissions targets and reporting against relevant UN Sustainable Development Goals (SDGs)
  - Net Zero for Scopes 1 & 2 by 2028 and all scopes by 2050 at the latest
- GHG emissions: from FY2018 to FY2022 we reduced scopes 1 & 2 by 19% and measured scope 3 by 13%
- 83.5% of our global electricity use is from renewable sources, of which 10.5% is self-generated
  - Investing heavily in renewable energy at sites globally to reduce emissions and give greater energy security
- Our products help our customers with their own Net Zero ambitions by reducing energy consumption, minimising waste and enabling the manufacture of more energy efficient products
  - Through our environmental commitments, we will also help our customers to reduce their emissions

Solar panels mounted at the Renishaw Ireland site in Dublin

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People

We are investing to attract, develop and retain the skilled employees that we need to pursue the attractive opportunities that we face

- Implementing changes to our reward, career progression and performance review processes
- We are committed to offering competitive pay and benefits and undertook extensive benchmarking during the year
- Targeted recruitment of key skills to support our growth
- Graduate & apprentice intake

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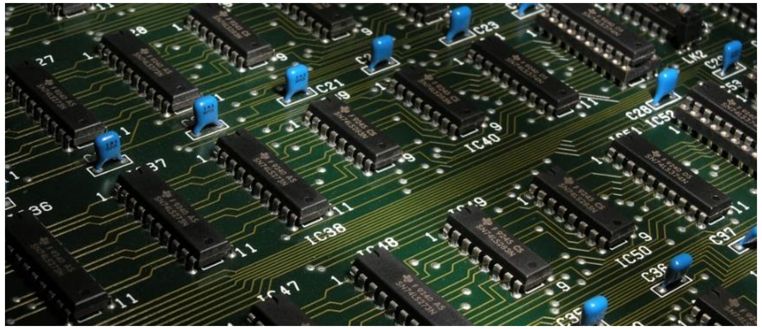
Business environment and Outlook

Market demand:

- Positive start to FY2023 and our order book remains strong
- Uncertain capex demand growth from semicon & electronics
- Continued investment in ULEV transport, defence, additive, robotics



Supply chain pressures easing:

- Shortages of electronics components are reducing but remain a challenge
- We are in a strong position to react to demand to maximise market share
- We are managing costs carefully and focusing on productivity

Sustained inflationary pressures:

- Global inflation forecasts are rising and it is likely that we will continue to face higher costs in terms of employee pay, material purchases and expenses
- Implemented price rises that will generate additional 2% revenue run rate by end FY23, reviewing pricing throughout the year

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