

Renishaw plc – 2018 results

26th July 2018

Chairman's statement



- Record revenue of £611.5m, with growth at constant exchange rates of 18%
- Record adjusted profit before tax of £145.1m, an increase of 33%
- Statutory profit rose 33% to £155.2m
- Healthcare business achieves profit for the first time
- Total shareholder return of 48% (18th in FTSE 250)
- Dividend increased by 15% to 60.0p (2017: 52.0p)
- Will Lee took over as Chief Executive on 1st February 2018

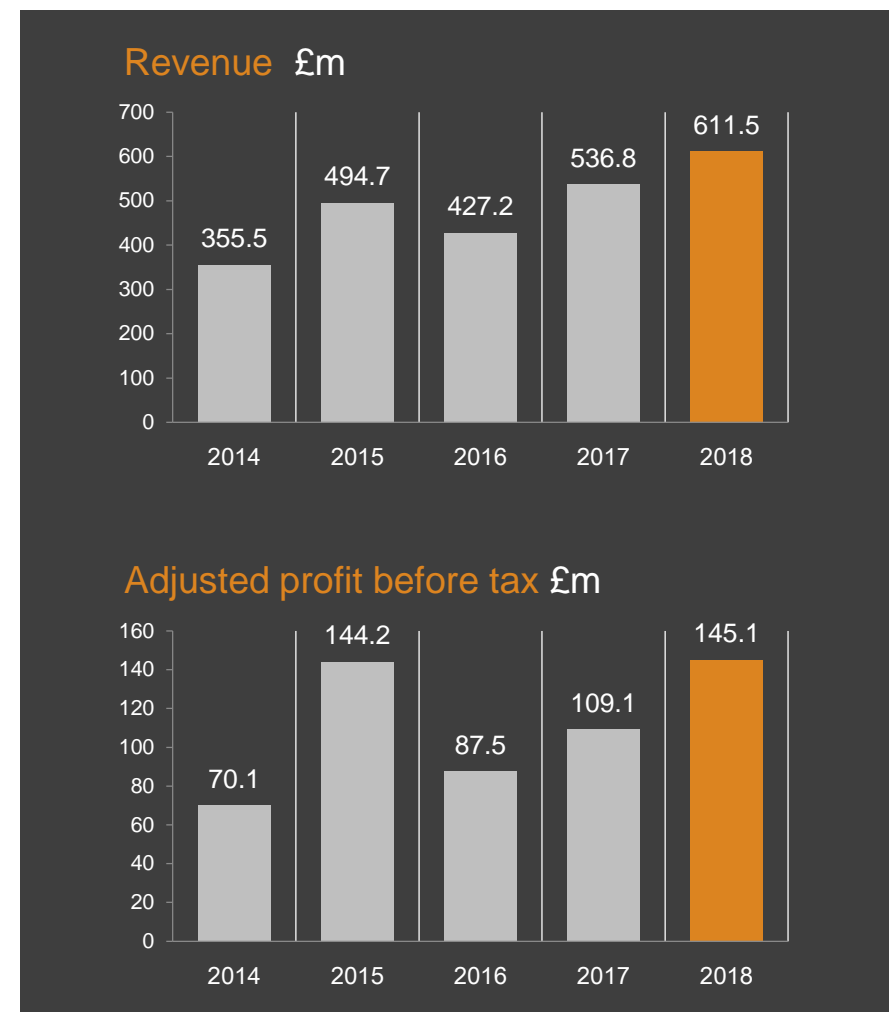
Chief Executive's review



- Growth in all product lines, with strong revenue growth in our measurement and automation, co-ordinate measuring machine, machine tool, additive manufacturing and neurological product lines
- Double-digit growth in all regions
- Strength in many sectors, especially electronics and semiconductor
- Strategy of focusing more on end-user solutions continues to drive investment in new facilities for demonstration, training and service
- People key to delivery of our strategy; headcount increase of 332, including 122 graduates and apprentices
- Capital expenditure of £34.9m, providing for future growth
- Strong balance sheet, with end of year cash of £103.8m, compared with £51.9m last year

Financial highlights (continuing operations)

	2018 £m	2017 £m	Change %
Revenue	611.5	536.8	14%
Adjusted profit before tax	145.1	109.1	33%
Statutory profit before tax	155.2	117.1	33%
Tax	(22.9)	(14.3)	60%
Profit after tax	132.4	102.8	29%
Adjusted earnings per share	170.5p	132.4p	29%
Statutory earnings per share	181.8p	141.3p	29%
Dividend per share	60.0p	52.0p	15%



Group revenue analysis

Changes in geographic area

	Change at actual fx %	Change at constant fx %
Far East	13%	19%
Europe	19%	17%
Americas	11%	19%
UK & Ireland	11%	11%
Total	14%	18%

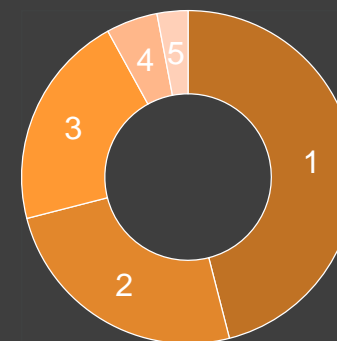
Revenue by major countries

	2018 £m	2017 £m
China	150.2	135.0
USA	108.1	95.9
Germany	64.4	56.4
Japan	60.9	52.2

Average exchange rates

	2018	2017
GBP : USD	1.35	1.27
GBP : EUR	1.13	1.16
GBP : JPY	149	139

Revenue by region £m



	2018 £m	2018 %	2017 £m
1 Far East	280.8	46	248.9
2 Continental Europe	154.2	25	129.9
3 Americas	126.6	21	113.6
4 UK	30.5	5	27.6
5 Other regions	19.4	3	16.8
Total	611.5	100	536.8

Group revenue analysis

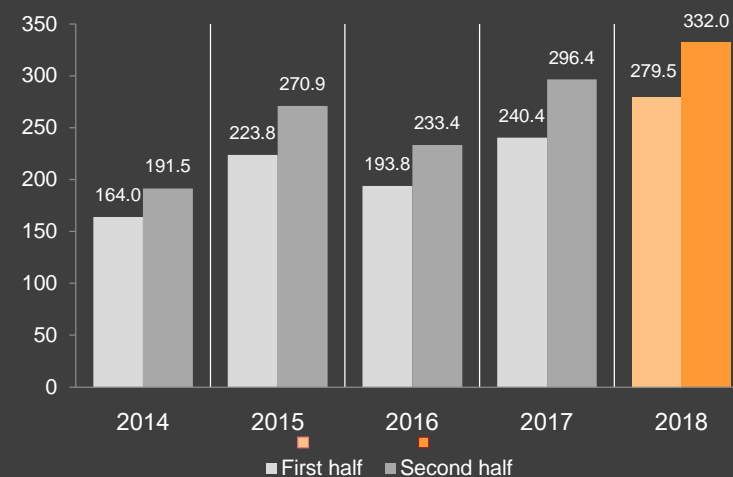
Revenue

	2018 £m	2017 £m	Change %
Metrology	575.8	503.4	14%
Healthcare	35.7	33.4	7%
Total	611.5	536.8	14%

Adjusted operating profit

	2018 £m	2017 £m	Change %
Metrology	142.8	115.9	23
Healthcare	0.3	(7.2)	104
Total	143.1	108.7	32

Revenue – 1st & 2nd half £m

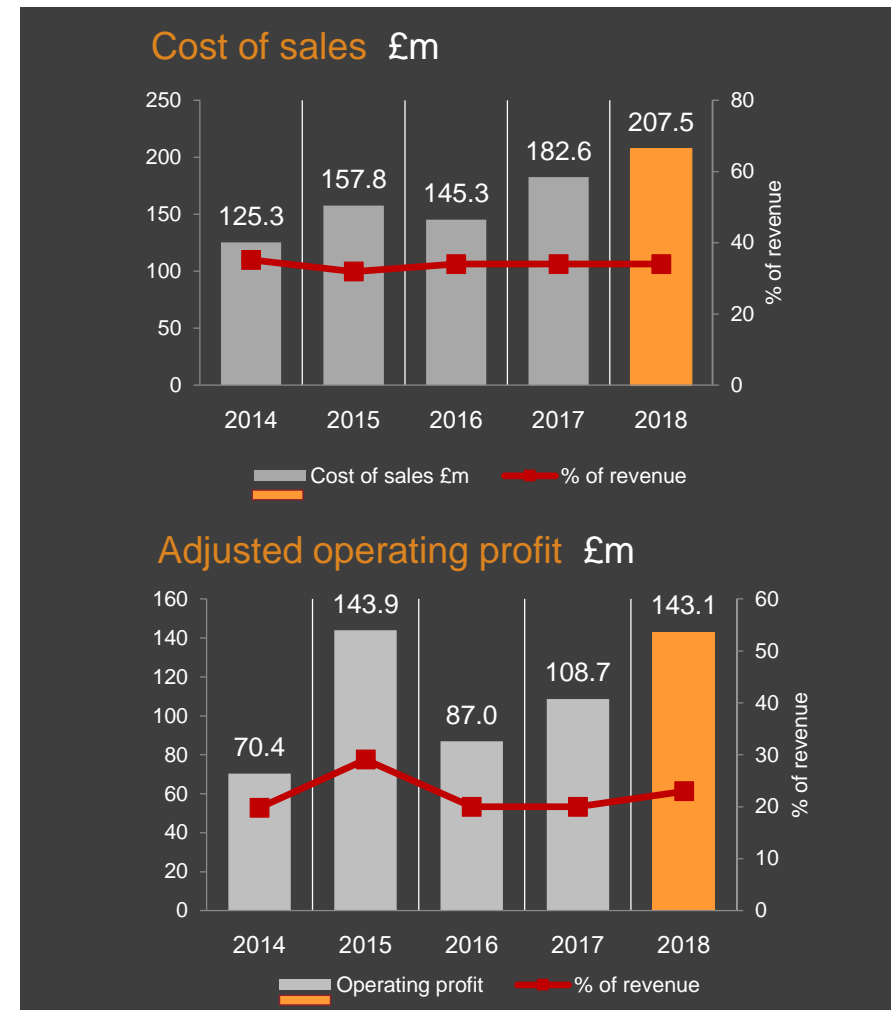


Year-on-year changes:

First half	+36%	-13%	24%	16%
Second half	+41%	-14%	27%	12%

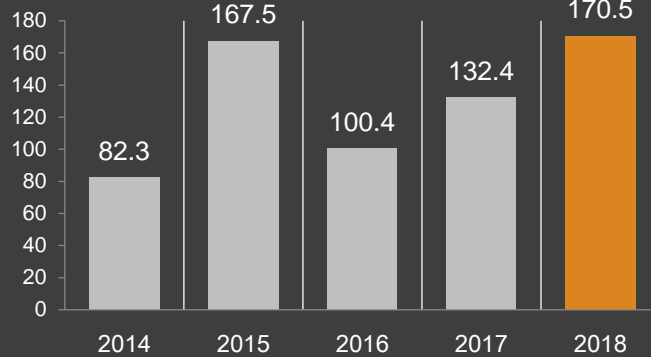
Income statement

	2018 £m	%	2017 £m	%	Change
Revenue	611.5	100	536.8	100	14%
Cost of sales	(207.5)	34	(182.6)	34	14%
Engineering (inc. R&D)	(77.4)	13	(68.8)	13	13%
Gross profit	326.6	53	285.4	53	14%
Distribution costs	(121.4)	20	(112.7)	21	8%
Administrative costs	(56.9)	9	(52.4)	10	9%
Fair value gains/(losses) on financial instruments	4.8	1	(3.6)	1	-233%
Financial expense (net)	(0.9)	-	(1.5)	-	-40%
Share of profits of associates and joint ventures	3.0	1	1.8	-	67%
Statutory profit before tax	155.2	25	117.1	22	33%
FV gains and losses on instruments not eligible for hedge accounting					
-reported in revenue	(5.3)	-1	(11.6)	-2	54%
-reporting in fair value gains/(losses) on financial instruments	(4.8)	-	3.6	-	233%
Adjusted profit before tax	145.1	24	109.1	20	33%

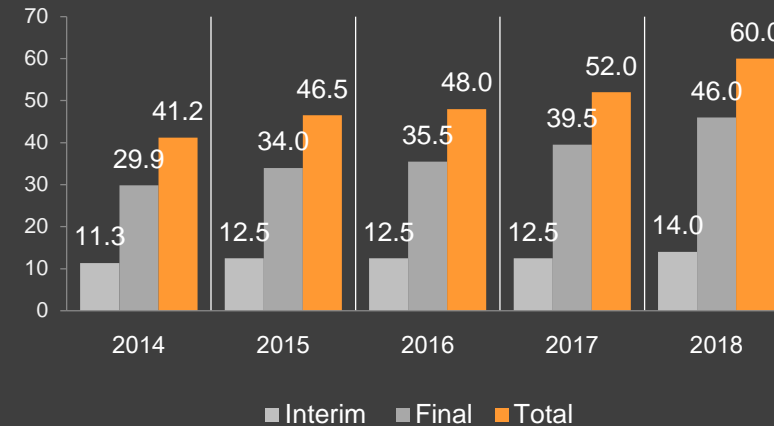


Adjusted earnings per share and Dividend per share

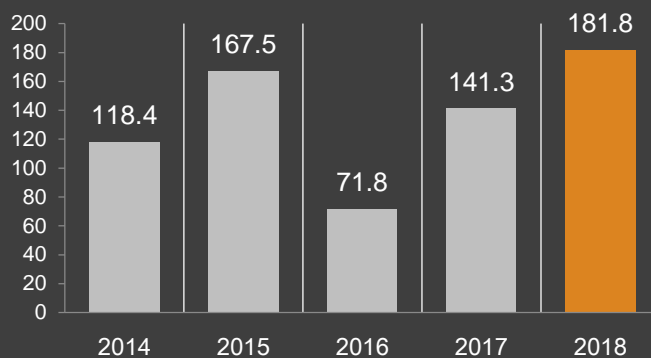
Adjusted earnings per share p



Dividend per share p



Statutory earnings per share p



Full year dividend increase	+3%	+13%	+3%	+8%	+15%
Full year dividend cover	2.0	3.6	2.1	2.5	2.8

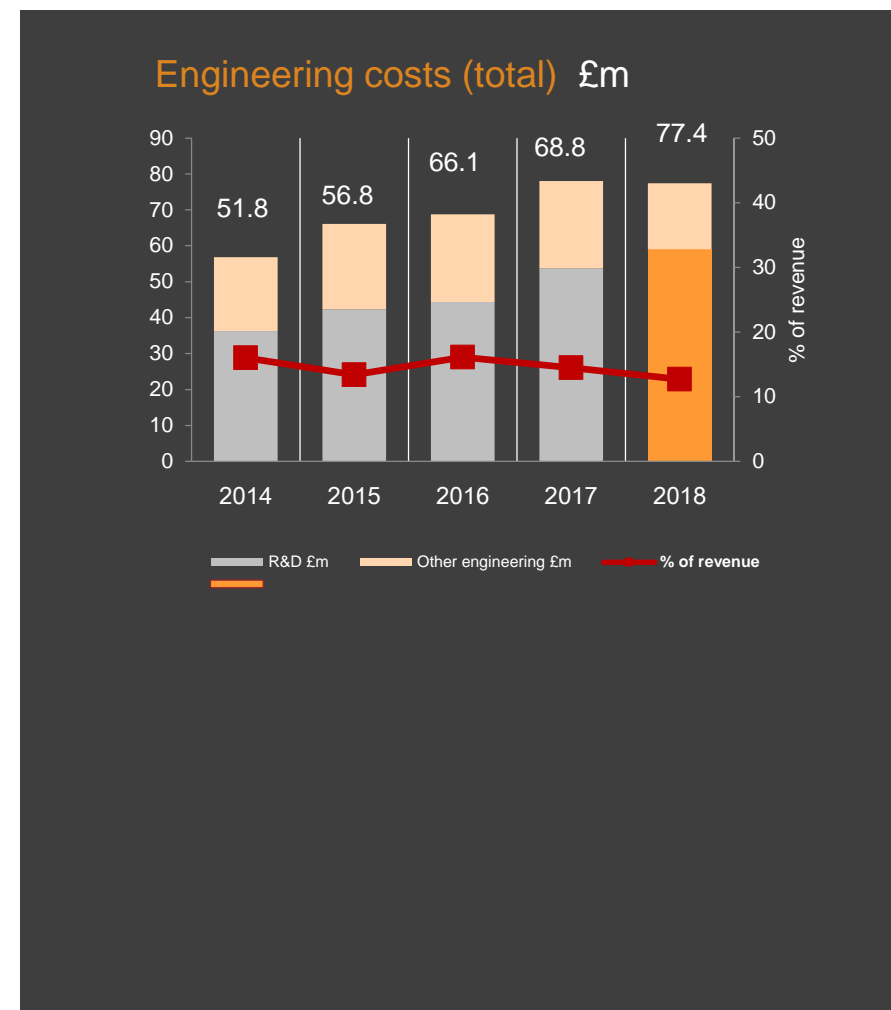
Income statement – Engineering costs

Engineering costs

	2018 £m	2017 £m	Change %
Total spend	83.6	78.2	7%
Less capitalised net	2.1	2.7	-22%
Less R&D tax credit	4.1	6.7	-39%
Net R&D	77.4	68.8	13%

	2018 £m	2017 £m	Change %
Total spend segmental			
Metrology	77.1	68.8	12%
Healthcare	6.5	9.2	-28%

	2018 £m	2017 £m	Change %
New product spend	59.1	53.5	10%



Income statement – Distribution costs

Distribution costs

- Continued expansion of global marketing and distribution infrastructure to support new and existing products.
- Distribution costs 20% of revenue (2017: 21%)
- Up 8% (10% at PY exchange rates) from last year
- Expansion of facilities in Mexico, Germany and Italy.

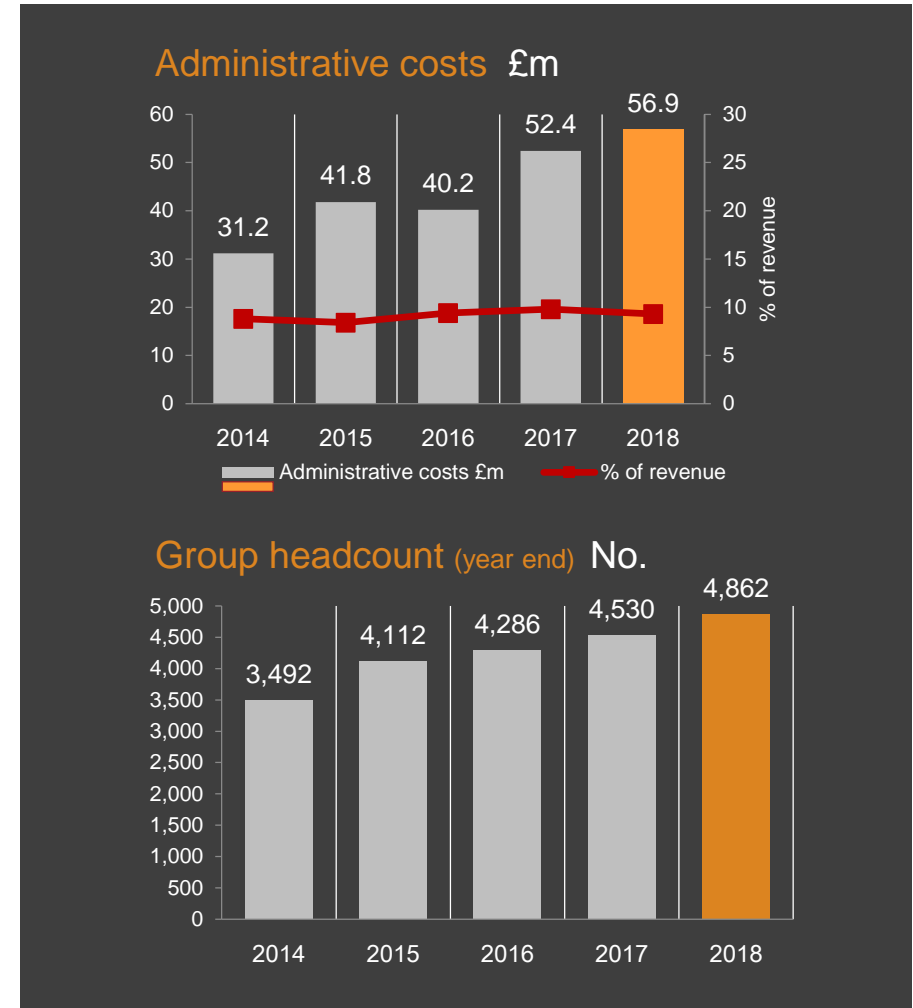


Income statement – Administrative costs and Group employees

Group headcount (at June)

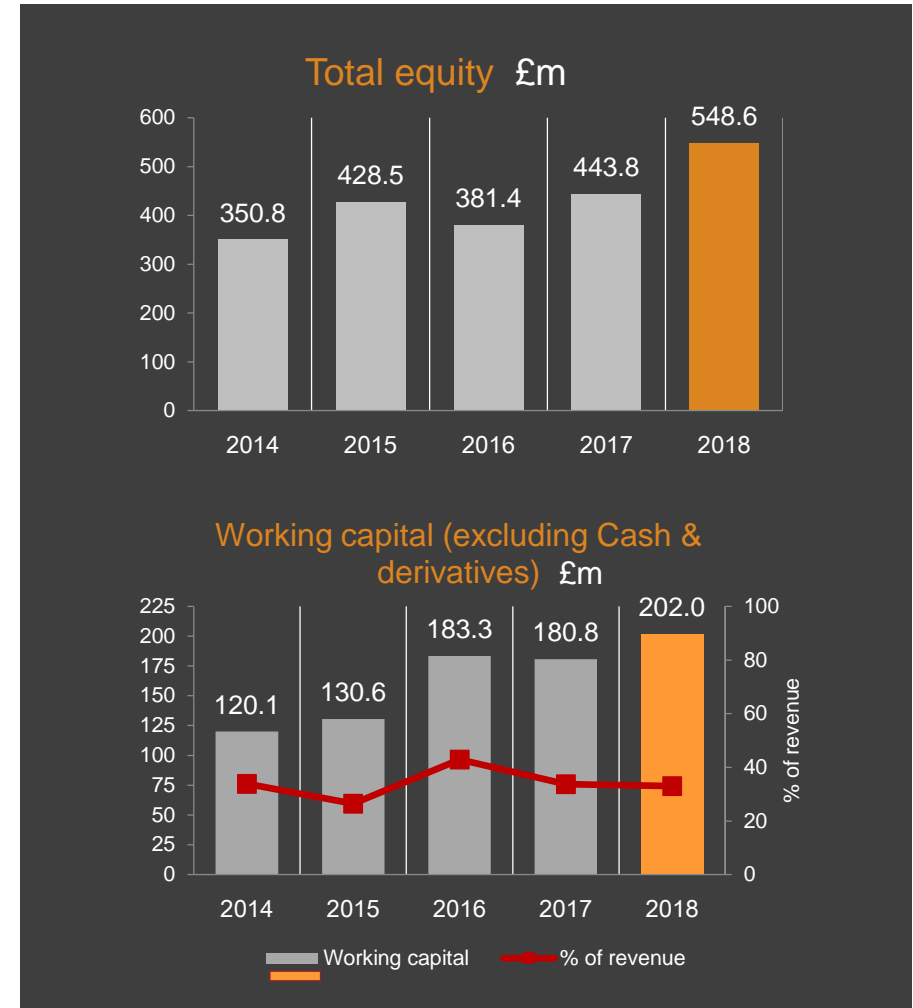
	2018 No.	2017 No.	Change No.
UK	3,045	2,880	165
Overseas	1,817	1,650	167
Total	4,862	4,530	332

- Continued growth in employees to support investment in new product development and expansion of marketing and support facilities.
- Total headcount up 332 from June 2017.
- Increase in employees includes 122 apprentices and graduates.
- Additionally we took on 105 paid industrial and summer placements and are sponsoring 186 employees at UK universities mostly on engineering, science and software courses.

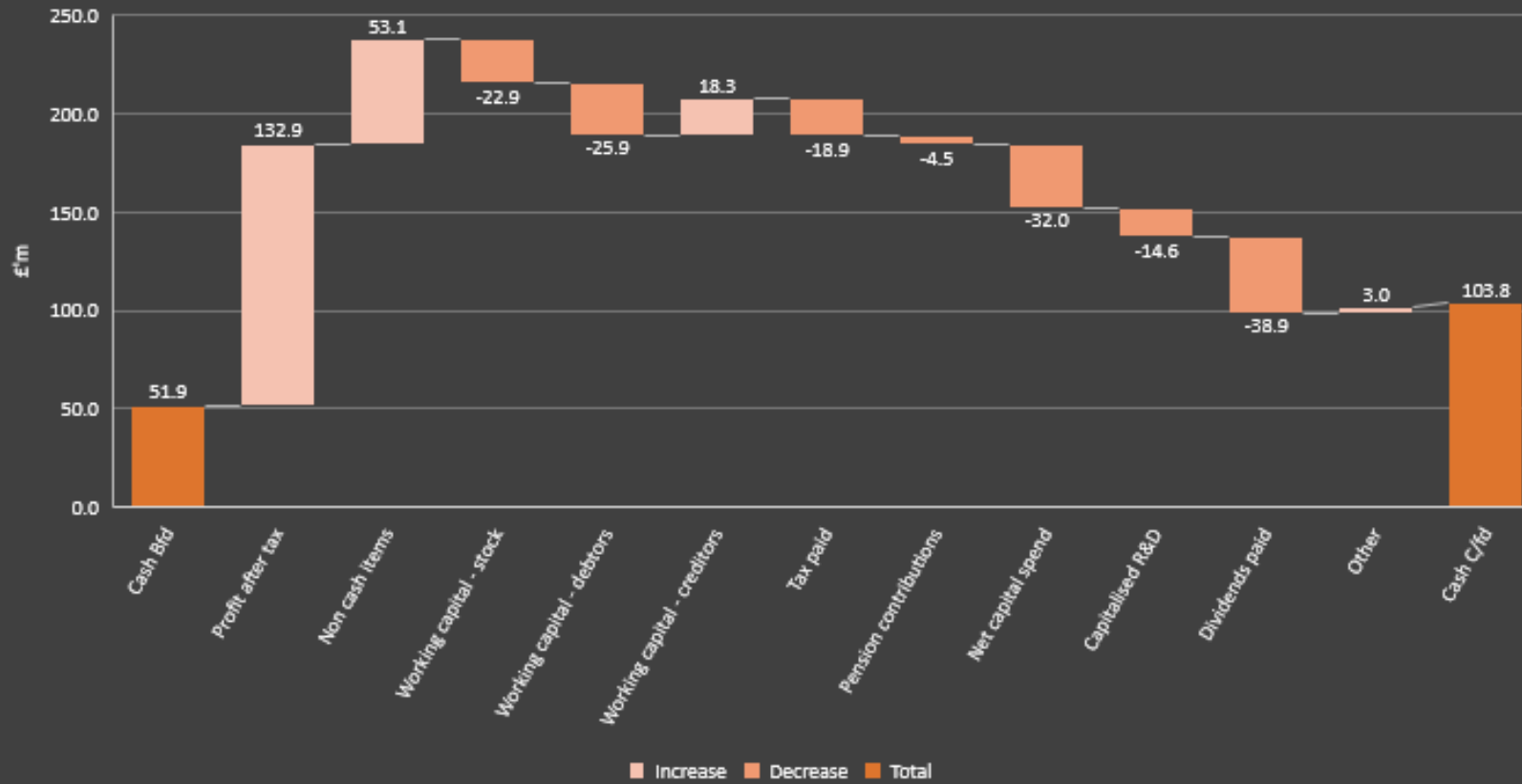


Balance sheet

£m	June 2018	June 2017	Change %
Property, plant & equipment	232.6	228.1	2%
Intangible assets & investments	64.3	61.8	4%
Deferred tax assets	27.3	25.3	8%
Long-term loans to ass. & joint vent.	4.2	3.1	35%
Derivatives	9.6	3.5	174%
Total non-current assets	338.0	321.8	5%
Inventory	110.6	87.7	26%
Debtors	177.3	155.7	14%
Pension fund cash escrow	10.4	12.9	-19%
Cash	103.8	51.9	100%
Derivatives	(21.1)	(25.3)	-17%
Creditors (current)	(86.0)	(62.6)	37%
Net current assets	295.1	220.3	34%
Pension scheme deficit	(67.4)	(66.8)	1%
Derivatives	(17.0)	(31.5)	-46%
Net assets, equal to Total equity	548.6	443.8	24%



Cash flow



*Including continuing and discontinued operations

Capital expenditure

	2018 £m	2017 £m
Capital expenditure	34.9	42.6

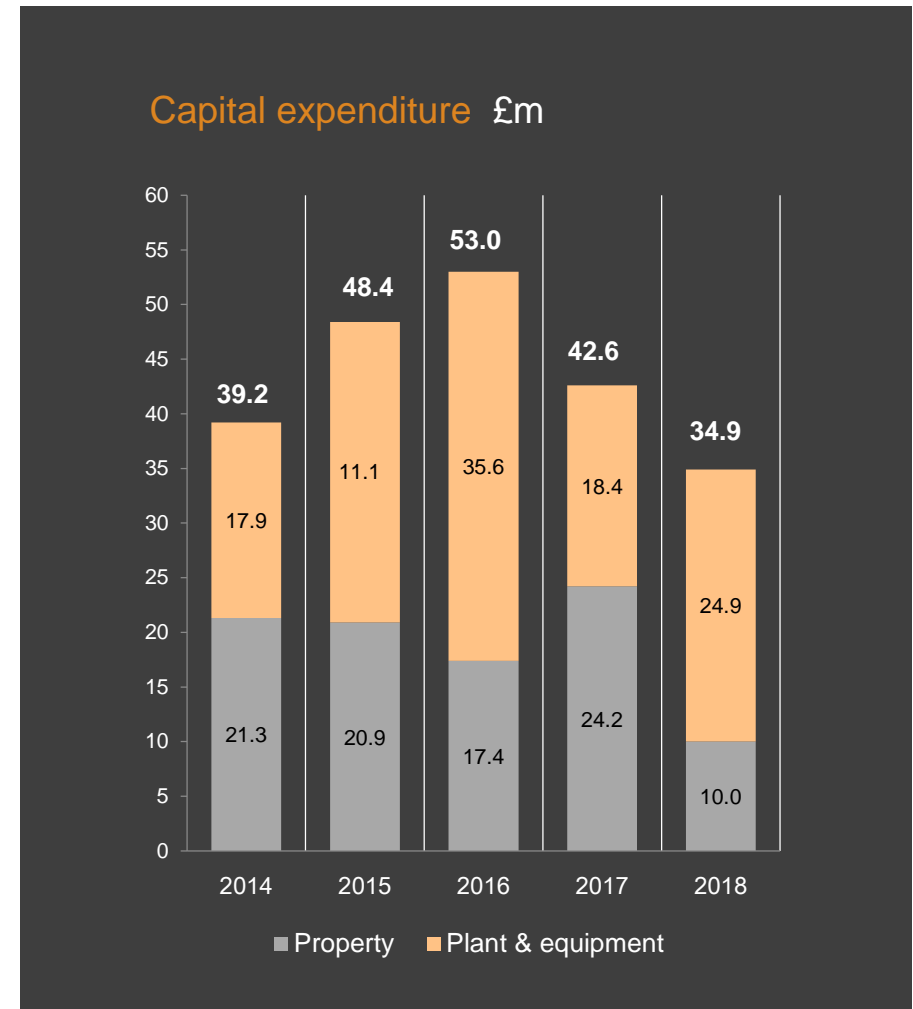
•Property

The main property additions were:

- in the UK, acquisition of additional premises in Edinburgh and Exeter;
- in Mexico, completion of our new premises in Apodaca;
- in Germany, completion of our bespoke Solutions Centre;
- in Italy, refurbishment of our existing premises.

•Plant & equipment

- £24.9m expenditure on plant and equipment in 2018 (2017: £18.4m).



Property

Below: new Solutions Centre in Germany.



Above: new premises constructed in Apodaca, Mexico.

Market drivers and new product releases

- **Increasing component complexity and closer tolerances require:**
 - Increased capability
 - Improved measurement performance
- **Cost down pressures requires increased speed of operation and lower scrap/rework**
- **Global skills shortages require:**
 - Easier to use solutions
 - More automation and robotics



New product releases - metrology

Equator™ 500 gauging system

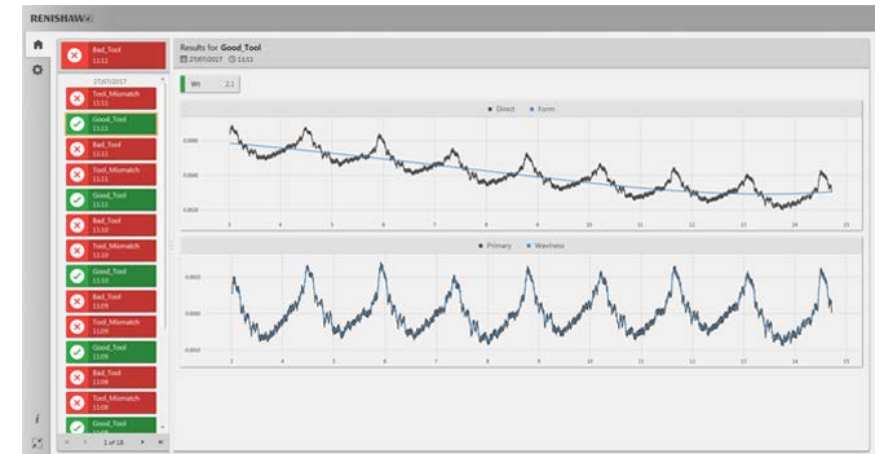
- The new larger Equator 500 system, has all the benefits of the proven Equator 300 system, but enables the gauging of larger parts, with a working volume of 500 mm in diameter and up to 400 mm in height.
- The base supports workpiece and fixturing with a total weight limit of 100 kg.
- Typical applications include the manufacture of car and truck transmission and engine casings, drive-train parts like conrods and differential housings, suspension castings, pressed parts, valves and pumps.



New product releases - metrology

SupaScan v3 with surface condition monitoring

- Combines with SPRINT technology to offer surface condition monitoring to rapidly detect surface defects such as those caused by worn and blunt tooling, mismatches between cutters, and step-over errors.
- Automating these measurements on the machine tool allows a significant improvement in measurement reproducibility and provides an opportunity to correct a fault whilst the component is still in the fixture, helping to reduce scrap and maximise profit.
- These results can be visualised using a new 'surface condition' app which is designed to be installed on the CNC machine tool control or a connected Microsoft® Windows® PC and allows the review of measurement data across a workpiece surface.



New product releases - metrology

Enhanced MP250 high-accuracy probe for grinding machines

- The world's first strain gauge based inspection probe for grinding machines has been enhanced with improved configurability options.
- New HIS-C interface allows dynamic switching between three modes of operation: a highly vibration-resistant configuration; a low-latency configuration – should a fast probe response be required; the default configuration – for general use.



RMP400 ultra-compact probe for machine tools

- Designed for small 5-axis machine tools, this ultra-compact strain gauge probe provides a reliable and precise touch-trigger solution for part setting, feature measurement and machine performance checking.
- Uses radio signal transmission with frequency hopping spread spectrum technology (FHSS)



New product releases - metrology

RenAM 500Q additive manufacturing (AM) system

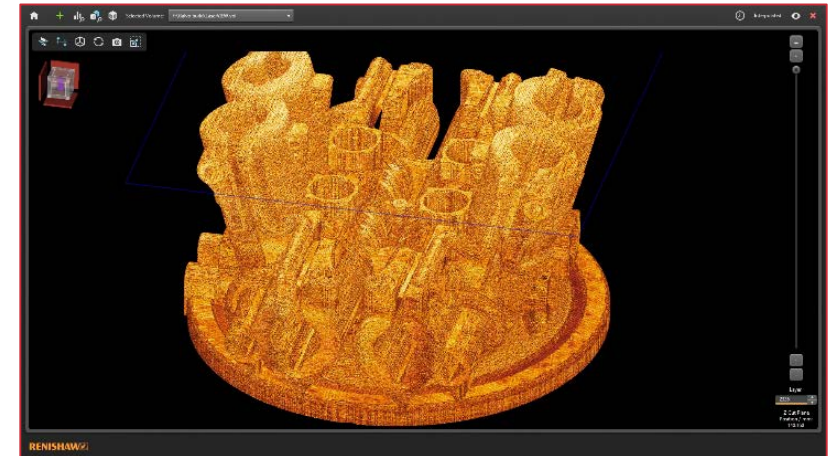
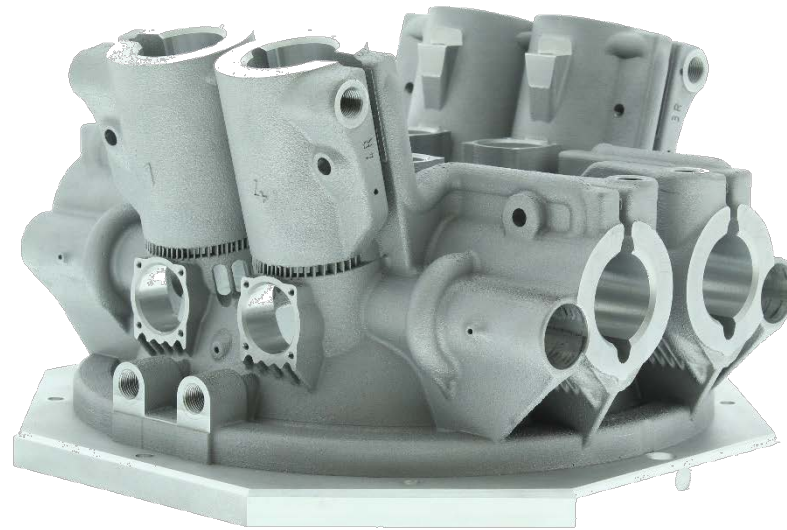
- Four high-power 500 W lasers, with each able to access the whole powder bed surface simultaneously.
- Significantly improves productivity in the most commonly used machine platform size.
- Offers a substantial reduction in cost per part whilst maintaining the quality and precision offered by standard single laser systems.
- Opens up opportunities for AM in applications that are presently uneconomic and potentially into new industries that have yet to embrace AM in production applications.



New product releases - metrology

InfiniAM Spectral

- Works with Renishaw's LaserVIEW and MeltVIEW hardware, to provide feedback on energy input and emissions from the AM build process.
- Process feedback is essential in understanding component quality throughout the build process, monitoring laser and melt-pool characteristics in high-temporal resolution to provide a 2D and 3D view of the build.



New product releases - metrology

InfiniAM Central

- Enables near real-time insight into live AM builds and access to analyse historic builds.
- System sensor and build information is displayed in graphic form to enable intuitive in-depth analysis.
- Also available as an app for smartphones.



New product releases - metrology

QUANTiC encoder series

- New encoder family for linear axes which offers exceptionally wide installation tolerances and axis speeds of up to 24 m/s
- Integrates Renishaw's filtering optics design and interpolation technology to create a high performance, super-compact, digital all-in-one incremental open optical encoder
- Designed to minimise OEM machine build time with Renishaw's widest ever setup tolerances, exceptional dirt immunity and an optional Advanced Diagnostic Tool (ADT) for remote calibration and in-depth diagnostics.



Healthcare highlights

FDA clearance

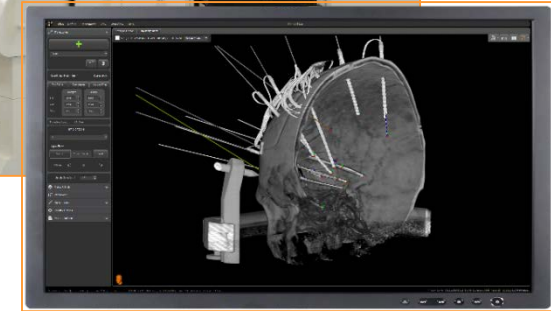
- The USA's Food and Drug Administration (FDA) has cleared the combined use of the neuromate stereotactic robot with neuroinspire™ planning software, having earlier in the year approved neuroinspire as standalone software.

Clinical study underway

- In Sweden and Finland, the first patients in a new clinical study have been implanted with a novel drug delivery system, developed by Renishaw. This is a joint study with Herantis Pharma to investigate the treatment of Parkinson's disease using Cerebral Dopamine Neurotrophic Factor (CDNF).

Pharma interest in Raman systems

- Strong interest from pharmaceutical industry for new RA802 Pharmaceutical Analyser and inVia™ Qontor® Raman microscope.



Outlook

The Group is in a strong financial position and continues to invest in the development of new products and applications, along with targeted investment in production, and sales and marketing facilities around the world. We have experienced strong growth in 2018 and, whilst noting ongoing uncertainty surrounding Brexit and currency exchange rate volatility, your directors remain confident in the long-term prospects for the Group due to our innovative product base, extensive global sales and marketing presence and relevance to high-value manufacturing. At this early stage in the year, we anticipate growth in both revenue and profits in the current financial year.

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