



23 November 2021

**Bodycote plc
Trading Update**

Bodycote, the world's leading provider of heat treatment and specialist thermal processing services, is issuing the following trading update, covering the four-month period from 1 July to 31 October 2021 ("the period").

Group revenue for the period was £200.1m, 3% higher than last year (8% higher at constant currency). ADE revenues were £81.3m (up 4% at actual rates, up 9% at constant currency); AGI revenues were £118.8m (up 3% at actual rates, 8% at constant currency). Group revenue for the 10 months to 31 October 2021 was £513.0m, 3% up on last year (7% up at constant currency).

All percentage movements in the following review of the Group's markets compare to the same period from 1 July to 31 October 2020, at constant currency, unless otherwise stated.

Automotive revenues declined 6%, with the 10% decline in car and light trucks more than offsetting good growth in heavy truck and bus. This decline is a direct result of supply chain bottlenecks in the automotive industry. Whilst the decline is greater than we had anticipated, it has been concentrated almost entirely in our North American and Mexican businesses, driven by automotive OEM supply chain shortages. Our European car and light truck revenues were flat in the period. As set out at the Half Year results, we expected Q3 revenues in this market sector to decline, but had expected Q4 revenues to rebound, resulting in H2 revenues across the Group for automotive being broadly flat against H1. We no longer believe that our Q4 revenues can offset the Q3 decline. Consequently, we now expect that our full year Group revenue will be up to £10m (1.6%) lower than our previous expectations as a result of lower automotive revenues.

Underlying consumer automotive demand remains strong and therefore we believe that this issue is transitory in nature. As a result, we would expect our revenues to recover and return to the previous growth trajectory in due course.

In contrast, civil aerospace revenues were up 25% on the comparable period. While there is still some inventory in the supply chain, activity is picking up as the OEMs ramp up production and flying hours continue to build. This acceleration is in line with our expectations of good growth in aerospace in 2022 and beyond.

General industrial revenues were 17% higher, with most categories registering good growth. Indeed, general industrial revenues were only 1% lower versus the same period in 2019, representing an excellent recovery. Most general industrial supply chains remain short on inventory.

Emerging Markets achieved revenue growth of only 4%. This underperformance was

driven predominantly by a fall in revenues in Mexico (which largely supplies the automotive market in the US), which were down almost 50% on last year. General industrial revenues in the Emerging markets grew 27%. And overall, despite the current weakness in automotive, Emerging Markets' revenues in the period were 7% up on the comparable period in 2019.

Specialist Technologies' revenues grew 10%, continuing to outperform the background market.

Cash Flow, Margins and Financial position

Underlying cash flows in the period remained strong. Higher energy costs and labour inflation are being passed onto customers and margins remain healthy as we benefit from cost savings associated with the restructuring programme that we initiated in 2020. Net debt (excluding lease liabilities) at 31 October 2021 was £62m.

Outlook

Beyond the short term, the outlook for the business is positive as we anticipate a stronger automotive market in due course, continued good performance in our general industrial business, and accelerating growth in civil aerospace revenues.

Trading Update Conference Call

Stephen Harris and Dominique Yates will be hosting a conference call for analysts and investors at 8.00am today (Tuesday, 23 November 2021).

Participant's dial in number: **+44 (0) 333 300 9266 (Direct)**

Participants will be asked for names only, no PIN required

For further information, please contact:

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