OPERATIONS REVIEW

A robust performance

The Group performed well in the year, delivering strong revenue growth, and operating profit 3.7% ahead of last year at constant currency. Reported adjusted operating margin of 17.1% (2023: 18.1%) was behind the previous year as a result of trading losses attributable to prior year orders to China removed from the orderbook due to export licence restrictions, where long customer lead times meant that these could not be replaced with short-term revenue. In addition, we have continued to invest in capability and systems across the business. With underlying book-to-bill at 1.03, orderbook levels provide good visibility for the year ahead.

The Operations Review provides performance headlines at Group level, and updates from each of our three current segments: Materials & Characterisation, Research & Discovery, and Services & Healthcare.

As outlined, in the coming months we will move to a new divisional structure – Imaging & Analysis, and Advanced Technologies. Indicative and unaudited pro forma numbers under the proposed structure for the full year are disclosed in the annual results presentation. Interim reporting in November will reflect the new structure and will provide comparators to the current reporting structure.

Group performance

Orders

Orders intake of £459.1m (2023: £511.6m) was 2.5% below a strong comparator on a constant currency basis, and after the removal of £23m cancelled prior year orders to China from our 2024/25 order intake. Underlying book-to-bill remains positive, at 1.03. Our strong pipeline across all regions demonstrates good demand for our products and services.

Revenue

Reported revenue grew by 5.8% to £470.4m (2023: £444.7m), representing growth of 9.8% at constant currency. At constant currency, there was growth of 11.4% in Materials & Characterisation, 5.7% in Research & Discovery, and 12.6% in Service & Healthcare.

Profitability

The strong revenue performance, particularly in the second half of the year, supported full-year adjusted operating profits of £80.3m (2023: £80.5m), representing 3.7% growth on a constant currency basis.

Revenue split by end market

Materials analysis	£201.0m
Semiconductors	£126.9m
Healthcare & life science	£90.6m
Other	£51.9m

End market	% constant currency[1] growth vs full year to 31 March 2023	% of Group revenue full year to 31 March 2024
Materials analysis	14.4%	43%
Semiconductors	6.9%	27%
Healthcare & life science	10.7%	19%
Other	(0.6%)	11%

1. For definition refer to Note on page 2.

Materials & Characterisation

The Materials & Characterisation sector's products comprise:

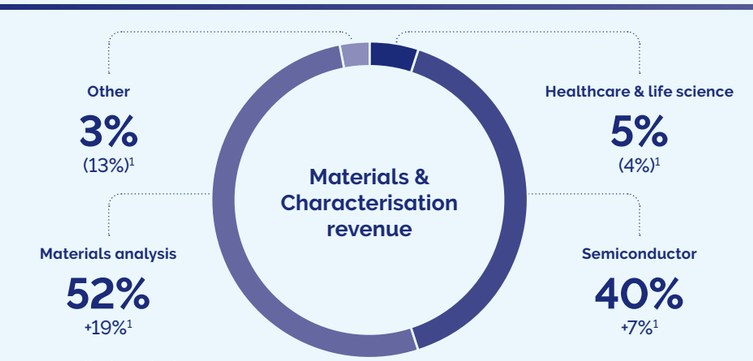
- **a range of microscopy and analysis techniques and software to identify and interpret the properties of materials and samples (Asylum Research, NanoAnalysis, Magnetic Resonance and WITec, collectively known as our Materials Analysis businesses); and**
- **advanced etch and deposition systems for compound semiconductor devices (Plasma Technology).**

With a strong focus on accelerating our customers' applied R&D, our products and services in this sector enable the development of new devices and next generation higher performing materials, as well as enhancing productivity in advanced manufacturing, quality assurance (QA) and quality control (QC).

Key highlights

	Full year to 31 March 2024	Full year to 31 March 2023	% reported growth	% constant currency[1] growth
Orders	**£245.3m[2]**	£272.8m	(10.1%)	(7.0%)
Revenue	**£252.2m**	£234.5m	+7.5%	+11.4%
Adjusted[3] operating profit	**£46.4m**	£40.5m	+14.6%	+20.2%
Adjusted[3] operating margin	**18.4%**	17.3%		
Statutory operating profit	**£41.7m**	£35.7m		
Statutory operating margin	**16.5%**	15.2%		

1. For definition refer to Note on page 2.
2. Underlying order growth is adjusted for the impact of prior year China orders removed from current year order intake due to export licence restrictions.
3. Details of adjusting items can be found in Note 2 to the full-year financial statements, pages 163 to 165.



1. Revenue growth at constant currency.

OPERATIONS REVIEW continued

Materials & Characterisation continued

Materials & Characterisation has performed strongly, with revenue of £252.2m (2023: £234.5m), up 11.4% at constant currency, with a strong second half weighting, as anticipated. Growth was driven by investment from governments and academia (up 29.9% at constant currency), with commercial revenue slightly down year-on-year (-1.7%).

Adjusted operating profit was up 20.2% on the year, at £46.4m (2023: £40.5m), generating a margin of 18.4% (2023: 17.3%).

Adjusted orders were 7.0% behind a strong comparator period at constant currency.

Regionally, our footprint is shifting as we adapt to new geopolitical dynamics, pivoting to non-sensitive areas in China, and removing some orders from the opening order book due to export licence policy. We have focused successfully on growing revenue elsewhere in Asia (most notably in Korea and Taiwan), in Europe and in the UK, and on growing commercial applications such as battery and materials analysis in China, which remains an important market for the businesses in the Materials & Characterisation segment.

Performance in North America was behind last year, primarily due to economic uncertainty and later than anticipated release of CHIPs Act funding. Internally, improvements are required to the organisation capacity and structure to capitalise on this important geographical market. A new leader has been appointed and this region will be a focus area within our updated strategy.

Market drivers and performance

Our key markets in Materials & Characterisation are **materials analysis** (representing 52% of revenue) and **semiconductors** (representing 40% of revenue).

In **materials analysis**, revenue was up 19% at constant currency, reflecting strong demand across a range of applications.

Our products and services address the growing structural demand to understand and improve the properties of materials across a wide range of markets. Sustainability is a key driver of growth, as researchers in both academic and commercial settings seek to make better use of the world's resources while delivering advanced capabilities that accelerate human progress.

Customers are using our equipment to develop greener alternatives, such as lighter, stronger steels, superalloys and low-carbon concrete, and safer, longer lasting batteries with a lower carbon footprint.

Our ability to image and analyse a wide range of materials at the nanoscale (that is, to billionths of a metre) enables academic scientists to drive breakthroughs in understanding. In the commercial world, we support the translation of such academic research into product development and help manufacturers to address quality control in production processes.

A good example of this end-to-end applications journey is our tailored support at every stage of the battery life cycle, from helping academic customers understand how raw materials perform right through the R&D process to quality control and failure analysis. This market continues to grow at pace, particularly in raw materials and geology, as customers invest in critical minerals analysis.

In **semiconductor**, we have delivered a strong performance overall, with constant currency revenue up 7% year on year.

Our activity in this market is split between the production of etch and deposition equipment for the rapidly growing compound semiconductor market (representing c.65% of our exposure) and the provision of imaging and analysis solutions (c.35%), primarily into the well-established silicon semiconductor market.

The drivers for these two distinct markets differ. Compound semiconductors present a particularly exciting market opportunity, with demand growing by more than 10% annually. More complex than silicon semiconductors, they are driving rapid advances in technology, enabling the production of higher performing devices, with lower energy use. Compound semiconductors are at the forefront of developments in assisted and virtual reality, 5G connectivity, power electronics, optoelectronics and hyperscale datacentres.

Our new facility (see below) is focused entirely on harnessing the growing compound semiconductor market, which is not impacted by the cyclicality typically seen in the silicon market. We are playing a key role in all the developments set out above, right across the life cycle from early-stage academic R&D to volume manufacturing, yield and quality control. A particular area of strength, and source of pricing power, is our ability to improve outcomes for the layers within devices which have the biggest impact on performance and yield.

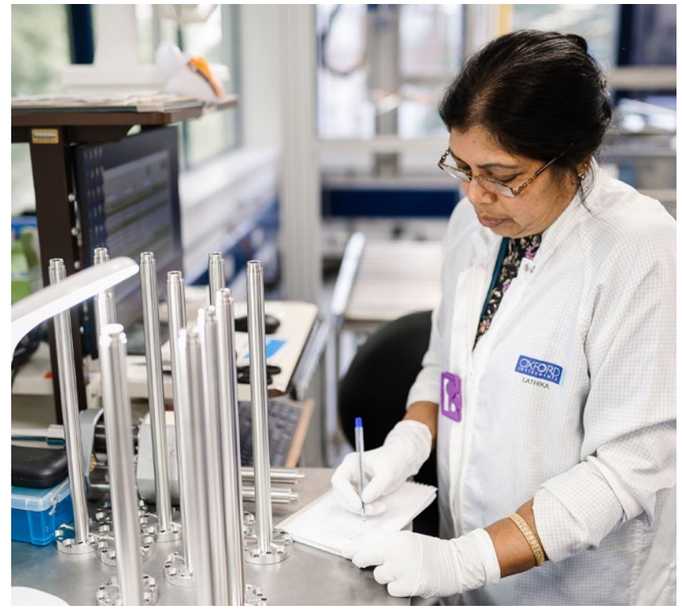
The silicon semiconductor market is extremely well established, with silicon devices present in every aspect of consumer electronics. Here, our materials analysis business' imaging and analysis tools are used to assess the properties and performance of devices at the nanoscale, supporting R&D, quality control and defect analysis as customers seek to make ever smaller devices and improve yield. This drives the remaining 35% of our semiconductor revenue.

The breadth of our offering, which supports customers at every stage of the life cycle, offers some buffer to the cyclical nature of the silicon market. There has been robust demand for our imaging and analysis suite of products in the year, despite a downturn in the wider silicon market. As we head into 2024/25, demand indicators across all applications are improving. Several Tier 1 customers have ordered systems, and the pipeline is strong across all stages of the life cycle.

Operational developments

This has been a strong year for Materials & Characterisation.

Our **compound semiconductor business** has successfully transitioned production to a new facility at Severn Beach, near Bristol. The new site triples production capacity and will more than double clean room laboratory space, taking us to world-class levels of compound semiconductor processing ability. The benefits of operating from the new facility, with its much-improved layout and process flow versus the legacy site, contributed to a strong second half performance and double-digit revenue growth for the year.



In parallel with the site move, the business has focused on streamlining both product ranges and target markets to support efficiency and future growth. A notable success in the year has been the launch of a new, faster atomic layer deposition system.

A further operational development has been on repositioning our regional focus as we pivot to less sensitive applications within China and grow our business elsewhere. We have delivered strong double-digit order growth in Europe, Asia Pacific and Japan, while China remains an important market with a healthy pipeline.

Our **materials analysis businesses** have generated double-digit revenue growth as they continue to maximise synergies and cross-selling opportunities in areas such as battery research and semiconductor applications. Two new materials analysis innovation centres were launched in High Wycombe, in the UK, and Tokyo, joining existing centres in China, the US, France and Germany, and strengthening our ability to demonstrate the breadth of our product ranges to customers.

Alongside maximising synergies between businesses, we have also focused on extending sales from academic into commercial customers. A notable example is in electron backscatter diffraction microscopy (EBSD), which we are successfully transitioning from a purely academic technique to one used by major Tier 1 commercial semiconductor customers.

Key developments in R&D include the launch of:

- Unity, a new detector for scanning electron microscopes (SEM) which combines backscattered electron and X-ray signals for the first time to deliver high resolution colour images at 'live' speed;
- Vero, a new atomic force microscope which enables more accurate and repeatable results; and
- a bespoke Raman microscope to target the semiconductor market.

We were delighted that our track record for innovation was recognised with the King's Award for Enterprise: Innovation for our Symmetry detector, which enables material properties to be studied at the nanoscale.