

OPERATIONS REVIEW continued

Research & Discovery

The Research & Discovery sector's products comprise:

- scientific cameras, microscopy and accompanying software (Andor);
- cryogenic and superconducting magnet technology (NanoScience); and
- X-ray tubes for a wide range of applications (X-Ray Technology).

This product portfolio enables our customers to capture imaging and analytical measurements down to the atomic and molecular level, as well as to create ultra-low temperature and high magnetic field environments. Products from Research & Discovery are used in scientific research, applied R&D, and commercial environments across a wide range of fields, from accelerating developments in healthcare, life science and material science to facilitating the growing commercialisation of quantum technology.

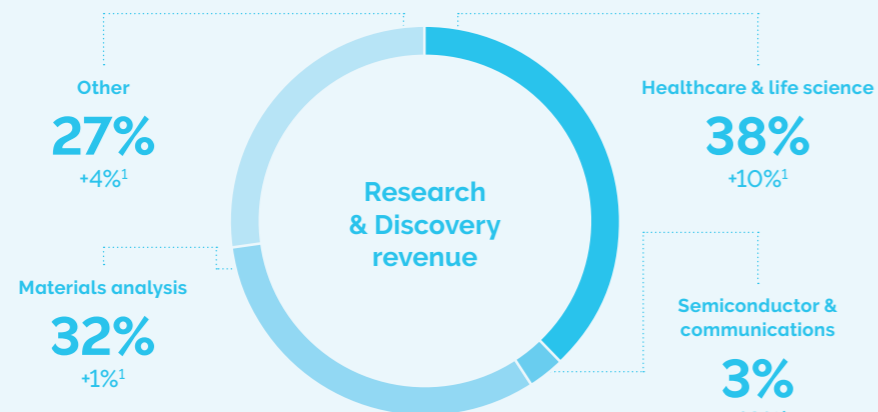
Key highlights

	Full year to 31 March 2024	Full year to 31 March 2023	% reported growth	% constant currency ¹ growth
Orders	£158.4m ²	£160.4m	(1.2%)	(1.9%)
Revenue	£142.1m	£139.4m	+1.9%	+5.7%
Adjusted ³ operating profit	£13.6m	£18.0m	(24.4%)	(26.1%)
Adjusted ³ operating margin	9.6%	12.9%		
Statutory operating profit	£9.4m	£11.3m		
Statutory operating margin	6.6%	8.1%		

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 orderbook 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.

With £142.1m of revenue (2023: £139.4m), Research & Discovery has delivered constant currency growth of 5.7%, primarily driven by academic funding into scientific cameras and microscopy.

The sector's performance has been adversely impacted by the removal of orders to China from the order book as we proactively pivot away from sensitive areas (notably quantum), impacting revenue and resulting in a trading loss for the quantum business. This impact, together with lower OEM life science orders, inflationary material costs and our ongoing investment to support future growth, has resulted in a 24.4% reduction in adjusted operating profit, with margin 330bps behind last year. Orders were down 1.9% at constant currency, excluding the impact of unfulfilled Chinese orders. This reflects a strong underlying demand amidst a period of transition as we rebalance our regional presence, moving away from restricted markets within China and growing our business elsewhere. Constant currency order growth of 21.7% in Europe has partially offset the reduction in China orders, and reflects our increased marketing activity in this region. North America orders were slightly down on the year (-2.4% at constant currency) due to economic uncertainty. 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 key focus within our updated strategy.

Market drivers and performance

The primary markets served by Research & Discovery are healthcare & life science (38% of revenue) and materials analysis (32%). Quantum constituted 18% of revenue in the year.

In **healthcare & life science** revenue grew by 10% at constant currency, with strong sales of our confocal microscope systems and Imaris software. OEM orders and revenue were down year-on-year, reflecting wider destocking dynamics as customers consume inventory built up during supply chain shortages. We anticipate a stronger performance in 24/25 as OEMs restock, and with BC43 beginning to be deployed in OEM assemblies, such as in the cancer diagnostics market.

In this market, our equipment and software have a key role to play in accelerating progress towards a healthier society, as academic researchers, scientists and pharmaceutical companies seek to address the challenges of a growing and ageing population and develop new and increasingly personalised treatments and vaccines. Our advanced imaging systems, including scientific cameras and microscopes, support these developments by helping to reveal sub-cellular detail and observe real-time interactions.

In **materials analysis**, revenue was broadly flat year-on-year; however, orders have grown by 12% at constant currency, reflecting strong and growing demand.

Demand is underpinned by performance and sustainability drivers as customers look to develop stronger, higher performing materials and make better use of the earth's resources. In Research & Discovery, customers primarily use our equipment to support their understanding of the properties of new materials and enhance the capabilities of existing materials.

In **quantum technology**, revenue grew by 5.5% at constant currency. We are well placed to benefit from the growing commercialisation of quantum computing, as it evolves from a pure research discipline into practical applications in chemistry, logistics and finance. The world's largest technology companies all have quantum computing programmes as they explore the potential of this emerging discipline, with a plethora of smaller companies also active in the market.

With our range of products for quantum extending from compact refrigerators to large systems for commercial customers, we are supporting customers across the spectrum from pure academic research to early stage start-ups and a large technology company.



OPERATIONS REVIEW continued

Research & Discovery continued

Operational developments

Commitment to delivering a step change in operational performance is a key pillar of our strategy, as set out in the Chief Executive Officer's Review on pages 10 to 15. In line with this, a wide-ranging operational programme has recently begun in Belfast, which will be the pilot site, with learnings to be rolled out to other manufacturing businesses in priority order.

In Belfast, we are also investing £15m in the purchase and fit out of an additional building, adjacent to our current site, to increase capacity to support demand growth. Plans are taking shape and the facility is expected to be operational in autumn 2025.

The acquisition of First Light Imaging in January 2024 for a consideration of €15.7m (with a further earn out of up to €3m if specific performance conditions are met) will further support our imaging capabilities. First Light specialises in high-speed, low-noise scientific cameras for infrared and visible imaging, with applications in astronomy and life sciences, and its acquisition will enable us to extend our product line to existing and new customers, accelerate our R&D product roadmap and expand into adjacent markets.

In other developments, a framework order has been received for BC43 into a cancer diagnostics OEM. Separately, two new models of the BC43 have been launched, to make fluorescence, confocal and super resolution microscopy accessible to a much wider user base across different research areas and experience levels.

Significant action is required to restore profitability at our cryogenics and magnet business based in Oxford, following our exit from China for quantum products, and in order to address operational challenges. This year we have focused on restructuring our cost base, including targeted headcount reductions.

Further key developments in this business include the launch of a new, smaller cryogenic dilution refrigerator, Proteox S, ideally suited to small research laboratories. Alongside quantum applications, materials measurement is a core focus area. We are working in partnership with Lake Shore Cryotronics to create an integrated cryomagnetic measurement system with a broad range of applications in materials science.

Our X-ray tube business, based in the US, has delivered double-digit revenue growth and strong double-digit order growth.



Service & Healthcare

The Service & Healthcare sector comprises the Group's service and support related to Oxford Instruments' own products, and the support and service of third-party MRI scanners in Japan. We offer tailored support packages for all our products, delivered by a global network of product experts, application experts and service engineers, both in person and via digital channels, including online training, webinars and remote service support.

Key highlights

	Full year to 31 March 2024	Full year to 31 March 2023	% reported growth	% constant currency ¹ growth
Orders	£78.6m	£78.4m	+0.3%	+4.3%
Revenue	£76.1m	£70.8m	+7.5%	+12.6%
Adjusted ² operating profit	£20.3m	£22.0m	(7.7%)	(2.3%)
Adjusted ² operating margin	26.7%	31.1%		
Statutory operating profit	£20.3m	£22.4m		
Statutory operating margin	26.7%	31.6%		

1. For definition refer to Note on page 2.

2. Details of adjusting items can be found in Note 2 to the full-year financial statements, on pages 163 to 165.

The sector has delivered double-digit constant currency revenue growth; however, order growth was slower than the prior year. Latent demand addressed by the investments made in recent years has now largely been fulfilled, and a period of consolidation and regrouping is under way as we set ourselves up to deliver an improved operational performance from which we can maximise value potential from service. Operating profit and margin were down as a result of the investment we are making in capabilities and infrastructure in pursuit of this goal, and the continued elevated costs for liquid helium required to support MRI customers in Japan, as signalled at half year.

Revenue growth to academic customers has continued in the second half, as we grow point-of-sales service contracts for our benchtop systems and tailored life science packages for our Imaris imaging software.

Sales to academic customers account for 53% of revenue in the year (2023: 48%).

Our medium-term goal is to generate a greater proportion of Oxford Instruments' revenue from service and deliver market-leading service performance. As set out in our strategy, we see good opportunity to enhance whole-life service offerings and subsequent revenue once we strengthen our regional infrastructure, deliver cross training and share best practice.

The programmes already under way provide a good platform from which to accelerate our growth. These include:

- the implementation of fully integrated service management systems, which are nearing completion, combined with knowledge management to ensure that service colleagues have ready access to the technical information needed to support customers;

- combining our services workforce in the regions and cross training them to make the most of their skills and talent, and investing in headcount to ensure maximum customer coverage; and
- continued growth in remote connectivity for diagnostics and problem resolution, and the provision of integrated connectivity in our customer solutions and products: the launch of OI View, a digital platform which delivers real-time insights on Oxford Instruments systems' health and utilisation to a customer's phone, tablet, or PC, was a notable highlight.

Moving forward, service revenue will be reported within Imaging & Analysis and Advanced Technologies, supporting a fully integrated approach as the whole organisation aligns around 'customer-first' ways of working.

