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 wideranging 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.

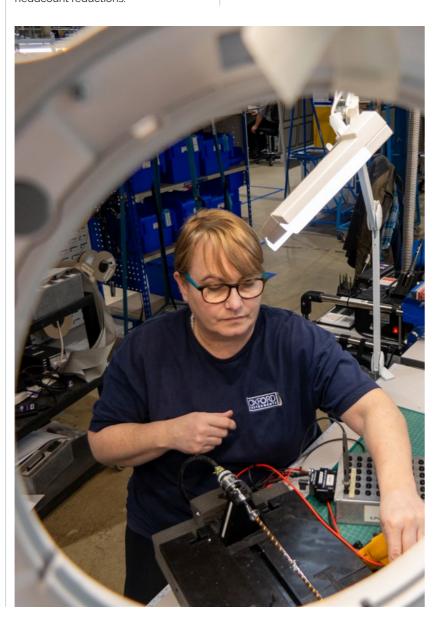
In other developments, a framework order has been received for BC43 into a cancer diagnostics OEM.

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		
Orders	£78.6m	£78.4m		
Revenue	£76.1m	£70.8m		

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%		

 $1. \ \, \text{For definition refer to Note on page 2}.$

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

currency1 growth

 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 realtime 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 'customerfirst' ways of working.

