

For immediate release

1 July 2024

Porvair plc

Interim results for the six months ended 31 May 2024

Porvair plc ("Porvair" or the "Group"), the specialist filtration, laboratory and environmental technology group, announces its interim results for the six months ended 31 May 2024 ("H1 2024" or the "period").

Highlights:

- Revenue up 5% to £94.6 million (2023: £90.6 million), 8% higher on a constant currency basis*
- Adjusted operating profit* 2% higher at £12.5 million (2023: £12.2 million)
- Operating profit 1% lower at £11.6 million (2023: £11.7 million)
- Adjusted profit before tax* 3% lower at £11.5 million (2023: £11.8 million)
- Profit before tax 6% lower at £10.6 million (2023: £11.2 million)
- Adjusted basic earnings per share* 4% lower at 19.5 pence (2023: 20.3 pence)
- Basic earnings per share 6% lower at 18.1 pence (2023: 19.3 pence)
- Net closing cash at £4.1 million (31 May 2023: £19.7 million; 30 November 2023: £14.1 million) after investing £12.7 million (2023: £2.9 million) in capital expenditure and acquisitions
- Interim dividend increased 0.1 pence per share to 2.1 pence (2023: 2.0 pence)

Commenting on the performance and outlook, Ben Stocks, Chief Executive, said:

"2024 is unfolding as expected. Over the first six months, strength in aerospace and petrochemical markets, helped by the benefit of 2024 acquisitions, has offset weakness in industrial and laboratory consumables and foreign exchange headwinds. This has been in line with management expectations. The trading outlook for the second half of the year is positive. Order books across the Group are strengthening with lead times now returned to more traditional levels. The benefits of the 2023 acquisitions continue to come through, and several larger petrochemical orders will start to ship towards the end of the year.

The Group's fundamental demand drivers have not changed. Porvair remains well positioned to take advantage of tightening environmental regulation; the growth of analytical science; the need for clean water; the development of carbon-efficient transportation; the replacement of plastic and steel by aluminium; and the drive for manufacturing process quality and efficiency. It is these trends that have driven the Group's consistent longer-term trading record. The Board expects a healthy second half which will allow the Group to move into 2025 in good shape."

*See notes 1, 2 and 3 for definitions and reconciliations.

For further information please contact:

Porvair plc

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James Mills, Group Finance Director

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An analyst briefing will take place at 9:30 a.m. on Monday 1 July 2024 at Burson Buchanan, please contact Burson Buchanan for details. An audiocast of the meeting and the presentation will subsequently be made available at www.porvair.com.

Operating review

The Group has begun 2024 with 5% revenue growth (8% constant currency). Stripping out the benefit of acquisitions, underlying sales revenue was down 3% at constant currency as industrial and laboratory consumables markets adjusted to lower inventory levels and more normal lead times through 2023 and into 2024. The Board's view is that underlying market growth will be more evident in the second half.

Margins in those operations affected by de-stocking have reduced modestly and foreign exchange rates have had a £0.4 million adverse effect on adjusted profit. Adjusted operating profit was nonetheless 2% ahead of the prior period. Cash generation was as expected, leaving net cash reserves of £4.1 million at 31 May 2024, having completed the acquisition of the European Filter Corporation ("EFC") in the first trading week of the new financial year.

Trading has been mixed across segments. Stronger demand in aerospace and petrochemical markets has continued. Both have reassuring order books into 2025. Laboratory consumables businesses started to see more consistent order patterns in the second quarter. Demand for industrial consumables, notably in the US, remained patchy for most of the period.

Inconsistency in trading patterns across the Group is not unusual. We serve a range of markets in different parts of the world and trading can be affected by both local and global events. Despite this natural variation Porvair benefits from underlying growth trends that have not changed: tightening environmental regulation; the growth of analytical science; the need for clean water; the development of carbon-efficient transportation; the replacement of plastic and steel by aluminium; and the drive for manufacturing process quality and efficiency.

Financial summary

	H1 2024 £m	H1 2023 £m	Growth %
Revenue	94.6	90.6	5
Operating profit	11.6	11.7	(1)
Adjusted operating profit*	12.5	12.2	2
Profit before tax	10.6	11.2	(6)
Adjusted profit before tax*	11.5	11.8	(3)
	Pence	Pence	
Earnings per share	18.1	19.3	(6)
Adjusted earnings per share*	19.5	20.3	(4)
	£m	£m	
Cash generated from operations	7.1	8.2	
Net closing cash (excluding lease liabilities)	4.1	19.7	

*See notes 1, 2 and 3 for definitions and reconciliations.

Strategy and purpose

Porvair's strategy and purpose have remained consistent for over 20 years, a period that encompasses two recessions and a pandemic. The Group's record for growth, cash generation and investment is:

	5 years	10 years	15 years
Revenue CAGR*	5%	6%	8%
Earnings per share CAGR*	7%	9%	18%
Adjusted earnings per share CAGR*	7%	10%	16%

* Compound annual growth rate

	5 years £m	10 years £m	15 years £m
Cash from operations	101.2	168.3	212.7
Investment in acquisitions and capital expenditure	60.0	102.3	118.3

This longer-term growth record gives the Board confidence in the Group's capabilities and is the basis for capital allocation and planning decisions.

Strategic statement and business model

Porvair's strategic purpose is the development of specialist filtration, laboratory and environmental technology businesses for the benefit of all stakeholders. Principal measures of success include consistent earnings growth and selected ESG measures. The Group publishes a full ESG report at the time of the annual financial results.

The Group is positioned to benefit from global trends as outlined above.

Porvair businesses have certain key characteristics in common:

- specialist design, engineering or commercial skills are required;
- product use and replacement is mandated by regulation, quality accreditation or a maintenance cycle; and
- products are typically designed into a system that will have a long life-cycle and must perform to a given specification.

Orders are won by offering the best technical solutions or commercial service at an acceptable cost. Technical expertise is necessary in all markets served. New products are often adaptations of existing designs with attributes validated in our own test and measurement laboratories. Experience in specific markets and applications is valuable in building customer confidence. Domain knowledge is important, as is deciding where to direct resources.

This leads the Group to:

- focus on markets with long-term growth potential;
- look for applications where product use is mandated and replacement demand is regular;
- make new product development a core business activity;
- establish geographic presence where end-markets require; and
- invest in both organic and acquired growth.

Therefore:

- we focus on three operating segments: Aerospace & Industrial; Laboratory; and Metal Melt Quality. All have clear long-term growth drivers;
- our products typically reduce emissions or protect complex downstream systems and, as a result, are replaced regularly. A high proportion of our annual revenue is from repeat orders;
- through a focus on new product development, we aim to generate growth rates in excess of the underlying market. Where possible, we build intellectual property around our product developments;
- our geographic presence follows the markets we serve. In the last twelve months: 46% of revenue was in the Americas; 17% in Asia; 25% in Continental Europe; 11% in the UK; and 1% in Africa. The Group has plants in the US, UK, Belgium, Germany, Hungary, the Netherlands, India and China. In the last twelve months: 48% of revenue was manufactured in the US; 26% in the UK; 23% in Continental Europe; 3% in Asia; and
- we aim to meet dividend and investment needs from free cash flow and modest borrowing facilities. In recent years we have expanded manufacturing capacity in the UK, Germany, US and China, and made several acquisitions. All investments are subject to a hurdle rate analysis based on strategic and financial priorities.

Environmental, Social and Governance ("ESG")

The Board understands that responsible business development is essential for creating long-term value for stakeholders. Most of the products made by Porvair are used to the benefit of the environment. Our water analysis equipment measures contamination levels in water. Industrial filters are typically needed to reduce emissions or improve efficiency. Aerospace filters improve safety and reliability. Nuclear filters confine fissile materials. Metal Melt Quality filters reduce waste and help improve the strength to weight ratio of metal components.

A full ESG report was published in February 2024 setting out:

- Porvair's ESG management framework and goals;
- how climate change and a net zero carbon future might affect markets served by the Group;
- ESG metrics and results; and
- how the Group acted for the benefits of its stakeholders in 2023.

This ESG report will be updated in February 2025.

Divisional review

Aerospace & Industrial

	H1 2024 £m	H1 2023 £m	Growth %
Revenue	40.4	36.5	11
Operating profit	5.3	5.1	3
Adjusted operating profit*	5.9	5.4	9

*See notes 1 and 2 for definitions and reconciliations.

The Aerospace & Industrial division designs and manufactures a wide range of specialist filtration products, demand for which is driven by customers seeking better engineered, cleaner, safer or more efficient operations. Differentiation is achieved through design engineering; the development of intellectual property; quality accreditations; and customer service.

Revenue in the period increased by 11%. Aerospace revenue was ahead 15%. Petrochemical sales, which can be lumpy, were up 43%. US industrial consumable demand was lower, offset in the period by a strong start by EFC, which was acquired in December. HRW, acquired earlier in 2023, improved margins in the microelectronics segment, wherein demand seems to be improving. The general industrial factories were busier in the second quarter, with work due to ship in the second half.

Laboratory

	H1 2024	H1 2023	Growth
	£m	£m	%
Revenue	32.1	29.1	10
Operating profit	4.2	4.7	(11)
Adjusted operating profit*	4.5	4.9	(8)

*See notes 1 and 2 for definitions and reconciliations.

The Laboratory division has two operating businesses: Porvair Sciences (including Finneran, Kbiosystems and, from July 2023, Ratiolab) and Seal Analytical.

- Porvair Sciences manufactures laboratory filters, small instruments and associated consumables, for which demand is driven by sample preparation in analytical laboratories. Differentiation is achieved through proprietary manufacturing capabilities; control of filtration media; and customer service.
- Seal Analytical supplies instruments and consumables to environmental laboratories, for which demand is driven by water quality regulations. Differentiation is achieved through consistent new product development focused on improving detection limits, and improving laboratory automation.

A return to sales growth in the first half of 2024 was as expected, helped by a maiden contribution from Ratiolab, which was acquired in July 2023. The sales and margin delivered in the first half of 2024 are almost identical to those of the second half of 2023 with margins in both periods around 14%. As integration costs associated with Ratiolab fall away, we expect margins in the division to improve to more normal levels.

Investments in the new plant in Hungary and new product development in Seal continued unabated and both will start to deliver returns in the balance of the year.

Metal Melt Quality

	H1 2024	H1 2023	Growth
	£m	£m	%
Revenue	22.1	24.9	(11)
Operating profit	3.5	3.7	(4)
Adjusted operating profit*	3.5	3.7	(4)

*See notes 1 and 2 for definitions and reconciliations.

The Metal Melt Quality division manufactures filters for molten aluminium, ductile iron and nickel-cobalt alloys. It has a well-differentiated product range based on patented products and extensive experience in melt quality assessment.

Revenue fell 11% with de-stocking in US markets reducing demand compared with a strong start to the prior year. This was partially offset by robust demand for turbine blade filters and revenue growth at the Chinese plant.

Margin management, operational discipline and a better product mix improved margins, with operating profits 4% lower.

Alternative performance measures - profit

	H1 2024	H1 2023	Growth
	£m	£m	%
Adjusted operating profit	12.5	12.2	2
Adjusted profit before tax	11.5	11.8	(3)
Adjusted profit after tax	8.8	9.2	(4)

The Group presents alternative performance measures to enable a better understanding of its trading performance (see note 1). Adjusted operating profit and adjusted profit before tax exclude items that are considered significant and where treatment as an adjusting item provides a more consistent assessment of the Group's trading performance. Adjusting items comprise £0.9 million (2023: £0.4 million) for the amortisation of acquired intangible assets and £nil (2023: £0.2 million) for other acquisition-related costs (see note 1).

Finance costs

Net finance costs of £1.0 million (2023: £0.4 million) comprise interest on borrowings; lease liabilities; and the Group's retirement benefit obligations; together with the cost of unwinding discounts on provisions and other payables. The Group also incurs undrawn commitment fees on available banking facilities. Net finance costs increased in the period, primarily due to interest on borrowings and the lease liability interest associated with a property lease renewal in the UK and the leased properties acquired within both Ratiolab and EFC.

Tax

The total Group tax charge was £2.3 million (2023: £2.4 million), including the tax effect of the adjusting items set out in note 1. The adjusted tax charge was £2.5 million (2023: £2.4 million), with the effective rate of income tax on adjusted profit before tax at 22% (2023: 21%).

Earnings per share and dividends

The basic earnings per share for the period was 18.1 pence (2023: 19.3 pence). Adjusted earnings per share was 19.5 pence (2023: 20.3 pence).

The Board has declared an interim dividend of 2.1 pence (2023: 2.0 pence) per share.

Investment

In the last five years, £60.0 million has been invested in acquisitions and capital expenditure. During the period, the Group invested £10.2 million (net of cash acquired) on the acquisition of EFC and £2.5 million on capital expenditure (2023: £2.9 million).

Cash flow, cash and net debt

Cash generated from operations in the six months to 31 May 2024 was £7.1 million (2023: £8.2 million). The Group normally sees an outflow of working capital in the first half of the year. Working capital increased by £7.0 million (2023: £5.0 million) in the period.

Net cash (excluding lease liabilities) at 31 May 2024 was £4.1 million (31 May 2023: £19.7 million; 30 November 2023: £14.1 million), comprising cash of £14.2 million; bank overdrafts of £2.3 million and borrowings of £7.8 million. The borrowings were drawn to fund the acquisition of EFC and are expected to be repaid in the second half. Lease liabilities were £18.7 million (31 May 2023: £11.0 million; 30 November 2023: £13.4 million).

Return on capital employed

The Group's return on capital employed was 14% (2023: 16%). Excluding the impact of goodwill and retirement benefit obligations, the return on operating capital employed was 31% (2023: 37%).

CEO succession

As announced on 16 April 2024 Ben Stocks has notified the Board of his decision to retire in early 2025. The search for a successor is progressing well and further updates will be provided as appropriate.

Outlook

2024 is unfolding as expected. Over the first six months, strength in aerospace and petrochemical markets, helped by the benefit of 2024 acquisitions, has offset weakness in industrial and laboratory consumables and foreign exchange headwinds. This has been in line with management expectations. The trading outlook for the second half of the year is positive. Order books across the Group are strengthening with lead times now returned to more traditional levels. The benefits of the 2023 acquisitions continue to come through, and several larger petrochemical orders will start to ship towards the end of the year.

The Group's fundamental demand drivers have not changed. Porvair remains well positioned to take advantage of tightening environmental regulation; the growth of analytical science; the need for clean water; the development of carbon-efficient transportation; the replacement of plastic and steel by aluminium; and the drive for manufacturing process quality and efficiency. It is these trends that have driven the Group's consistent longer-term trading

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Ben Stocks

Group Chief Executive

28 June 2024

Related parties

Other than remuneration of key management personnel, there were no related party transactions in the six months ended 31 May 2024 (2023: none).

Principal risks

Each division considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are reviewed by the Board and updated at least annually. Further details of the Group's risk profile analysis can be found in the Strategic Report section of the Annual Report & Accounts for the year ended 30 November 2023.

Certain elements of the Group's order position can change quickly in the face of changing economic circumstances. The Metal Melt Quality division, Laboratory division and general industrial filtration within the Aerospace & Industrial division all have relatively short lead times and order cycles and, therefore, revenue is subject to fluctuations which could have a material effect on the Group's results for the balance of 2024.

Forward-looking statements

Certain statements in this interim financial information are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Condensed consolidated income statement

For the six months ended 31 May

	Note	Six months ended 31 May	
		2024 Unaudited £'000	2023 Unaudited £'000
Continuing operations			
Revenue	1,2	94,639	90,552
Cost of sales		(61,346)	(59,924)
Gross profit		33,293	30,628
Other operating expenses		(21,708)	(18,975)
Adjusted operating profit	1,2	12,468	12,226
Adjustments:			
Amortisation of acquired intangible assets		(883)	(370)
Other acquisition-related costs		-	(203)
Operating profit	1,2	11,585	11,653
Finance costs		(1,013)	(437)
Profit before tax		10,572	11,216
Adjusted income tax expense		(2,472)	(2,449)
Adjustments:			
Tax effect of adjustments to operating profit	1	209	82
Income tax expense		(2,263)	(2,367)
Profit for the period		8,309	8,849
Earnings per share (basic)	3	18.1p	19.3p
Earnings per share (diluted)	3	18.1p	19.3p
Adjusted earnings per share (basic)	3	19.5p	20.3p
Adjusted earnings per share (diluted)	3	19.5p	20.3p

Condensed consolidated statement of comprehensive income
For the six months ended 31 May

	Six months ended 31 May	
	2024	2023
	Unaudited	Unaudited
	£'000	£'000
Profit for the period	8,309	8,849
Other comprehensive income/(expense)		
Items that will not be reclassified to profit and loss:		
Actuarial gain in defined benefit pension plans net of tax	132	750
Items that may be subsequently reclassified to profit and loss:		
Exchange loss on translation of foreign subsidiaries	(682)	(2,751)
Total other comprehensive expense for the period	(550)	(2,001)
Total comprehensive income for the period	7,759	6,848

The accompanying notes are an integral part of this interim financial information.

Condensed consolidated balance sheet
As at 31 May

	As at 31 May		As at
	2024	2023	30 November
Note	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Non-current assets			
Property, plant and equipment	28,795	24,710	28,329
Right-of-use assets	17,208	9,614	12,136
Goodwill and other intangible assets	91,242	76,470	82,949
Deferred tax asset	163	740	401
	137,408	111,534	123,815
Current assets			
Inventories	32,480	32,803	31,898
Trade and other receivables	32,405	26,278	23,268
Derivative financial instruments	185	335	250
Cash and cash equivalents	8 14,240	19,678	16,839
	79,310	79,094	72,255
Current liabilities			
Trade and other payables	(27,420)	(28,664)	(23,827)
Bank overdrafts	8 (2,266)	-	(2,787)
Borrowings	8 (7,849)	-	-
Current tax liabilities	(1,235)	(572)	(594)
Lease liabilities	(1,763)	(2,046)	(2,057)
Provisions	5 (2,862)	(4,028)	(3,243)
	(43,395)	(35,310)	(32,508)
Net current assets	35,915	43,784	39,747
Non-current liabilities			
Deferred tax liability	(3,903)	(2,698)	(3,583)
Retirement benefit obligations	(5,536)	(6,759)	(7,713)
Other payables	-	-	(123)
Lease liabilities	(16,956)	(8,968)	(11,342)
Provisions	5 (324)	(345)	(363)
	(26,719)	(18,770)	(23,124)
Net assets	146,604	136,548	140,438
Capital and reserves			
Share capital	927	927	927
Share premium account	37,784	37,778	37,778
Cumulative translation reserve	10,143	12,702	10,825
Retained earnings	97,750	85,141	90,908
Equity attributable to owners of the parent	146,604	136,548	140,438

The interim financial information was approved by the Board of Directors on 28 June 2024 and was signed on its behalf by:

Ben Stocks
Group Chief Executive

James Mills
Group Finance Director

The accompanying notes are an integral part of this interim financial information.

Condensed consolidated cash flow statement

For the six months ended 31 May

	Note	Six months ended 31 May	
		2024 Unaudited £'000	2023 Unaudited £'000
Cash flows from operating activities			
Cash generated from operations	7	7,120	8,211
Interest paid		(394)	(154)
Tax paid		(1,783)	(2,057)
Net cash generated from operating activities		4,943	6,000
Cash flows from investing activities			
Interest received		1	39
Acquisition of subsidiaries (net of cash acquired)	9	(10,166)	(678)
Purchase of property, plant and equipment		(2,368)	(2,221)
Purchase of intangible assets		(143)	(30)
Net cash used in investing activities		(12,676)	(2,890)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		6	152
Purchase of Employee Benefit Trust shares		(319)	(372)
Increase in borrowings	8	10,720	-
Decrease in borrowings	8	(2,871)	-
Repayment of lease liabilities		(1,803)	(1,259)
Net cash generated from/(used in) financing activities		5,733	(1,479)
Net (decrease)/increase in cash and cash equivalents	8	(2,000)	1,631
Effects of exchange rate changes		(78)	(250)
		(2,078)	1,381
Cash and cash equivalents at the beginning of the period		14,052	18,297
Cash and cash equivalents at the end of the period	8	11,974	19,678

The accompanying notes are an integral part of this interim financial information.

Condensed consolidated statement of changes in equity

For the six months ended 31 May (unaudited)

	Share capital £'000	Share premium account £'000	Cumulative translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 December 2022	927	37,626	15,453	77,062	131,068
Profit for the period	-	-	-	8,849	8,849
Other comprehensive (expense)/income	-	-	(2,751)	750	(2,001)
Total comprehensive (expense)/income for the period	-	-	(2,751)	9,599	6,848
Purchase of own shares (held in trust)	-	-	-	(372)	(372)
Issue of ordinary share capital	-	152	-	-	152
Share-based payments (net of tax)	-	-	-	597	597
Dividends	-	-	-	(1,745)	(1,745)
At 31 May 2023	927	37,778	12,702	85,141	136,548
At 1 December 2023	927	37,778	10,825	90,908	140,438
Profit for the period	-	-	-	8,309	8,309
Other comprehensive (expense)/income	-	-	(682)	132	(550)
Total comprehensive (expense)/income for the period	-	-	(682)	8,441	7,759
Purchase of own shares (held in trust)	-	-	-	(319)	(319)
Issue of ordinary share capital	-	6	-	-	6
Share-based payments (net of tax)	-	-	-	562	562
Dividends	-	-	-	(1,842)	(1,842)
At 31 May 2024	927	37,784	10,143	97,750	146,604

The accompanying notes are an integral part of this interim financial information.

Notes

1. Alternative performance measures

Alternative performance measures are used by the Directors and management to monitor business performance internally and exclude certain cash and non-cash items which they believe are not reflective of the normal course of business of the Group. The Directors believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for a fuller understanding of performance from year to year. Alternative performance measures may not be directly comparable with other similarly titled measures used by other companies.

Alternative revenue measures (unaudited)

	Six months ended 31 May		Growth %
	2024 £'000	2023 £'000	
Aerospace & Industrial			
Underlying revenue	34,297	34,503	(1)
Acquisition	4,916	-	
Revenue at constant currency	39,213	34,503	14
Exchange	1,221	2,037	
Revenue as reported	40,434	36,540	11
Laboratory			
Underlying revenue	26,090	26,964	(3)
Acquisition	4,247	-	
Revenue at constant currency	30,337	26,964	13
Exchange	1,732	2,163	
Revenue as reported	32,069	29,127	10
Metal Melt Quality			
Revenue at constant currency	20,028	21,655	(8)
Exchange	2,108	3,230	
Revenue as reported	22,136	24,885	(11)
Group			
Underlying revenue	80,415	83,122	(3)
Acquisitions	9,163	-	
Revenue at constant currency	89,578	83,122	8
Exchange	5,061	7,430	
Revenue as reported	94,639	90,552	5

Revenue at constant currency is derived from translating overseas subsidiaries results at budgeted fixed exchange rates. In 2024 and 2023, the rates used were US\$1.40:£1 and €1.20:£1, compared with actual rates of US\$1.27:£1 (2023: US\$1.22:£1) and €1.17:£1 (2023: €1.14:£1).

Underlying revenue is revenue at constant currency adjusted for the impact of acquisitions made in the current period and prior year.

The acquisition lines relate to the revenue from Ratiolab and EFC, acquired in July 2023 and December 2023 respectively.

Alternative profit measures (unaudited)

A reconciliation of the Group's adjusted performance measures to the reported IFRS measures is presented below:

	H1 2024			H1 2023		
	Adjusted £'000	Adjustments £'000	Reported £'000	Adjusted £'000	Adjustments £'000	Reported £'000
Operating profit	12,468	(883)	11,585	12,226	(573)	11,653
Finance costs	(1,013)	-	(1,013)	(437)	-	(437)
Profit before tax	11,455	(883)	10,572	11,789	(573)	11,216
Income tax expense	(2,472)	209	(2,263)	(2,449)	82	(2,367)
Profit for the period	8,983	(674)	8,309	9,340	(491)	8,849

An analysis of adjusting items is given below:

	2024 £'000	2023 £'000
Affecting operating profit:		
Amortisation of acquired intangible assets	(883)	(370)
Other acquisition-related costs	-	(203)
	(883)	(573)
Affecting tax:		
Tax effect of adjustments to operating profit	209	82
Total adjusting items	(674)	(491)

Adjusted operating profit excludes:

- the amortisation of intangible assets arising on acquisition of businesses of £0.9 million (2023: £0.4 million); and
- other acquisition-related costs of £nil (2023: £0.2 million) incurred in relation to the acquisition of certain business and assets from HRW acquired in March 2023; the 100% share capital of Ratiolab acquired in July 2023; and the 100% share capital of EFC acquired in December 2023 (note 9).

2. Segmental information

The chief operating decision maker has been identified as the Board of Directors. The Board of Directors has instructed the Group's internal reporting to be based around differences in products and services, in order to assess performance and allocate resources. The key profit measure used to assess the performance of each reportable segment is adjusted operating profit/(loss). Management has determined the operating segments based on this reporting.

As at 31 May 2024, the Group is organised on a worldwide basis into three operating segments:

- 1) Aerospace & Industrial - principally serving the aviation, and energy and industrial markets;
- 2) Laboratory - principally serving the bioscience and environmental laboratory instrument and consumables market; and
- 3) Metal Melt Quality - principally serving the global aluminium, North American Free Trade Agreement ("NAFTA") iron foundry and superalloys markets.

Other Group operations' costs, assets and liabilities are included in the "Central" division. Central costs mainly comprise Group corporate costs, including new business development costs, some research and development costs and general financial costs. Central assets and liabilities mainly comprise Group retirement benefit obligations, tax assets and liabilities, cash and borrowings.

The segment results for the period ended 31 May 2024 are as follows:

2024 - Unaudited	Aerospace & Industrial £'000	Laboratory £'000	Metal Melt Quality £'000	Central £'000	Group £'000
Total segment revenue	40,434	32,689	22,136	-	95,259
Inter-segment revenue	-	(620)	-	-	(620)
Revenue	40,434	32,069	22,136	-	94,639
Adjusted operating profit/(loss)	5,846	4,521	3,565	(1,464)	12,468
Amortisation of acquired intangible assets	(573)	(310)	-	-	(883)
Operating profit/(loss)	5,273	4,211	3,565	(1,464)	11,585
Finance costs	-	-	-	(1,013)	(1,013)
Profit/(loss) before tax	5,273	4,211	3,565	(2,477)	10,572

The segment results for the period ended 31 May 2023 are as follows:

2023 - Unaudited	Aerospace & Industrial £'000	Laboratory £'000	Metal Melt Quality £'000	Central £'000	Group £'000
Total segment revenue	36,553	30,076	24,885	-	91,514
Inter-segment revenue	(13)	(949)	-	-	(962)
Revenue	36,540	29,127	24,885	-	90,552

Adjusted operating profit/(loss)	5,359	4,898	3,715	(1,746)	12,226
Amortisation of acquired intangible assets	(217)	(153)	-	-	(370)
Other acquisition-related costs	-	-	-	(203)	(203)
Operating profit/(loss)	5,142	4,745	3,715	(1,949)	11,653
Finance costs	-	-	-	(437)	(437)
Profit/(loss) before tax	<u>5,142</u>	<u>4,745</u>	<u>3,715</u>	<u>(2,386)</u>	<u>11,216</u>

The segment assets and liabilities at 31 May 2024 are as follows:

At 31 May 2024 - Unaudited

	Aerospace & Industrial	Laboratory	Metal Melt Quality	Central	Group
	£'000	£'000	£'000	£'000	£'000
Segmental assets	87,009	77,913	34,930	2,626	202,478
Cash and cash equivalents	-	-	-	14,240	14,240
Total assets	87,009	77,913	34,930	16,866	216,718
Segmental liabilities	(27,607)	(13,602)	(4,862)	(8,392)	(54,463)
Retirement benefit obligations	-	-	-	(5,536)	(5,536)
Bank overdrafts	-	-	-	(2,266)	(2,266)
Borrowings	-	-	-	(7,849)	(7,849)
Total liabilities	(27,607)	(13,602)	(4,862)	(24,043)	(70,114)

The segment assets and liabilities at 31 May 2023 are as follows:

At 31 May 2023 - Unaudited

	Aerospace & Industrial	Laboratory	Metal Melt Quality	Central	Group
	£'000	£'000	£'000	£'000	£'000
Segmental assets	70,099	64,762	34,099	1,990	170,950
Cash and cash equivalents	-	-	-	19,678	19,678
Total assets	70,099	64,762	34,099	21,668	190,628
Segmental liabilities	(20,488)	(13,498)	(6,587)	(6,748)	(47,321)
Retirement benefit obligations	-	-	-	(6,759)	(6,759)
Total liabilities	(20,488)	(13,498)	(6,587)	(13,507)	(54,080)

The segment assets and liabilities at 30 November 2023 are as follows:

At 30 November 2023 - Audited

	Aerospace & Industrial	Laboratory	Metal Melt Quality	Central	Group
	£'000	£'000	£'000	£'000	£'000
Segmental assets	67,456	74,835	34,470	2,470	179,231
Cash and cash equivalents	-	-	-	16,839	16,839
Total assets	67,456	74,835	34,470	19,309	196,070
Segmental liabilities	(18,709)	(13,533)	(6,301)	(6,589)	(45,132)
Retirement benefit obligations	-	-	-	(7,713)	(7,713)
Bank overdrafts	-	-	-	(2,787)	(2,787)
Total liabilities	(18,709)	(13,533)	(6,301)	(17,089)	(55,632)

Geographical analysis

Revenue	Six months ended 31 May			
	2024		2023	
	Unaudited		Unaudited	
	By destination	By origin	By destination	By origin
	£'000	£'000	£'000	£'000
United Kingdom	9,308	23,363	8,975	24,018
Continental Europe	26,824	25,682	18,475	14,054
United States of America	39,665	43,074	43,250	49,701
Other NAFTA	2,212	-	2,204	-
South America	792	-	1,448	-
Asia	14,402	2,520	15,205	2,770

Asia	14,430	2,320	13,330	2,113
Africa	1,340	-	805	-
	94,639	94,639	90,552	90,552

3. Earnings per share (EPS)

As reported	Six months ended 31 May					
	2024			2023		
	Earnings	Unaudited Weighted average number of shares	Per share	Earnings	Unaudited Weighted average number of shares	Per share
	£'000		Pence	£'000		Pence
Profit for the period - attributable to owners of the parent	8,309			8,849		
Shares in issue		46,355,562			46,343,604	
Shares owned by the Employee Benefit Trust		(367,852)			(410,009)	
Basic EPS	8,309	45,987,710	18.1	8,849	45,933,595	19.3
Dilutive share options outstanding	-	42,588	-	-	18,087	-
Diluted EPS	8,309	46,030,298	18.1	8,849	45,951,682	19.3

In addition to the above, the Group also calculates an EPS based on adjusted profit as the Board believes this to be a better measure to judge the progress of the Group, as discussed in note 1.

Adjusted	Six months ended 31 May					
	2024			2023		
	Earnings	Unaudited Weighted average number of shares	Per share	Earnings	Unaudited Weighted average number of shares	Per share
	£'000		Pence	£'000		Pence
Profit for the period - attributable to owners of the parent	8,309			8,849		
Adjusting items (note 1)	674			491		
Adjusted profit -attributable to owners of the parent	8,983			9,340		
Adjusted Basic EPS	8,983	45,987,710	19.5	9,340	45,933,595	20.3
Adjusted Diluted EPS		46,030,298	19.5		45,951,682	20.3

4. Dividends per share

	Six months ended 31 May			
	2024		2023	
	Unaudited		Unaudited	
	Per share Pence	£'000	Per share Pence	£'000
Final dividend approved	4.0	1,842	3.8	1,745

The final dividend approved for the year ended 30 November 2023 was paid to shareholders on 5 June 2024.

The Directors have declared an interim dividend of 2.1 pence (2023: 2.0 pence) per share to be paid on 21 August 2024 to shareholders on the register at the close of business on 19 July 2024; the ex-dividend date is 18 July 2024.

5. Provisions

	Dilapidations £'000	Warranty £'000	Total £'000
At 1 December 2023	363	3,243	3,606
Additional charge in the period	-	185	185
Utilisation of provision	-	(212)	(212)
Release of provision	(62)	(347)	(409)
Unwinding of discount	23	-	23
Exchange	-	(7)	(7)

Provisions arise from potential claims on major contracts, sale warranties, and discounted dilapidations for leased property. Matters that could affect the timing, quantum and extent to which provisions are utilised or released include the impact of any remedial work, claims against outstanding performance bonds, and the demonstrated life of the filtration equipment installed.

6. Contingent liabilities

The Group has €2.8 million (31 May 2023: €0.8 million; 30 November 2023: €3.0 million) of unexpired advanced payment and performance bonds issued in the ordinary course of business. The advanced payment bonds are expected to expire no later than July 2026 and the performance bonds no later than October 2027.

7. Cash generated from operations

	Six months ended 31 May	
	2024	2023
	Unaudited	Unaudited
	£'000	£'000
Operating profit	11,585	11,653
Adjustments for:		
Fair value movement of derivatives through profit and loss	65	(100)
Share-based payments	532	552
Depreciation of property, plant and equipment and amortisation of intangibles	2,904	2,127
Depreciation of right-of-use assets	1,323	1,124
Operating cash flows before movement in working capital	16,409	15,356
Decrease/(increase) in inventories	192	(2,301)
Increase in trade and other receivables	(7,718)	(2,313)
Increase/(decrease) in trade and other payables	840	(734)
(Decrease)/increase in provisions	(437)	351
Increase in working capital	(7,123)	(4,997)
Post employment benefits (net cash movement)	(2,166)	(2,148)
Cash generated from operations	7,120	8,211

8. Reconciliation of net cash flow to movement in net cash/(debt)

	Six months ended 31 May	
	2024	2023
	Unaudited	Unaudited
	£'000	£'000
Net cash at the beginning of the period	653	6,825
(Decrease)/increase in cash and cash equivalents	(2,000)	1,631
Net movement in borrowings	(7,849)	-
(Increase)/decrease in lease liabilities	(5,426)	348
Effects of exchange rate changes	28	(140)
Net (debt)/cash at the end of the period	(14,594)	8,664
Cash and cash equivalents	14,240	19,678
Bank overdraft	(2,266)	-
Borrowings	(7,849)	-
	4,125	19,678
Lease liabilities	(18,719)	(11,014)
Net (debt)/cash at the end of the period	(14,594)	8,664

9. Acquisition

On 4 December 2023, the Group acquired 100% of the share capital of European Filter Corporation NV ("EFC"), a filtration business based in Lummen, Belgium. EFC has expertise in the manufacture of mist elimination filters used in the production of industrial feedstocks and well-established industrial filtration sales channels in north east Europe. EFC joins the Group's Aerospace & Industrial division, bringing complementary products and engineering as well as strengthening European routes to market.

The acquisition completed on a cash free, debt free basis and subject to an agreed level of working capital. Total cash consideration of £10.3 million was paid in the period. In the period since acquisition, EFC has contributed £4.9 million of revenue at constant currency and £1.0 million of adjusted operating profit to the Group results.

The following table sets out the consideration paid, together with the provisional fair value of assets acquired and liabilities assumed:

	Total £'000
Cash consideration	10,294
Provisional fair value of net assets acquired (below)	(4,745)
Goodwill	5,549

	Fair value £'000
Property, plant and equipment (including right-of-use assets)	2,344
Trademark, customer order book and relationships (included within intangible assets)	4,092
Inventories	944
Trade and other receivables	1,592
Cash and cash equivalents	128
Trade and other payables (including lease liabilities)	(3,554)
Deferred tax liability	(801)
Provisional fair value of net assets acquired	4,745

An independent valuation of the identifiable intangible assets has been carried out in the period. The provisional value of acquired intangible assets comprise trademarks of £0.6 million, a customer order book of £0.2 million and customer relationships of £3.3 million.

The goodwill is attributable to non-contractual relationships, the synergies between the business acquired and the operations of the Group, and the potential to develop the technologies acquired. None of these meet the criteria for recognition of intangible assets separable from goodwill. The goodwill recognised is attributable to the Aerospace & Industrial division and is not expected to be deductible for income tax purposes.

These provisional fair values may be adjusted in future in accordance with IFRS 3 *Business Combinations*.

10. Exchange rates

Exchange rates for the US dollar and Euro during the period were:

	Average rate to 31 May 24 Unaudited	Average rate to 31 May 23 Unaudited	Closing rate at 31 May 24 Unaudited	Closing rate at 30 Nov 23 Unaudited
US dollar	1.27	1.22	1.27	1.27
Euro	1.17	1.14	1.17	1.16

11. Basis of preparation

Povair plc is a public limited company registered in the UK and listed on the London Stock Exchange.

This unaudited condensed interim consolidated financial information for the six months ended 31 May 2024 has been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority and with IAS 34 *Interim Financial Reporting* as contained in UK-adopted International Accounting Standards. The condensed interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 November 2023, which were prepared in accordance with applicable law and UK-adopted International Accounting Standards.

The accounting policies applied in these interim financial statements are consistent with those applied in the Group's consolidated financial statements for the year ended 30 November 2023. A number of new amendments are effective from 1 December 2023 but they do not have a material effect on the Group's financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

This condensed interim consolidated financial information has been prepared on a going concern basis under the historical cost convention, as modified by the recognition of certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of condensed interim consolidated financial information, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amounts of assets

and liabilities at the date of the condensed interim consolidated financial information, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. In preparing the condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 November 2023.

After having made appropriate enquiries, including a review of progress against the Group's budget for 2024, its current trading and medium-term plans; taking into account the banking facilities available until May 2025, together with the positive progress being made to renew the four year secured revolving credit facility, with an option to extend by one year, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the condensed interim consolidated financial information. Accordingly, they continue to adopt the going concern basis in preparing this condensed interim consolidated financial information.

This condensed interim consolidated financial information and the comparative figures do not constitute full accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 November 2023, which were approved by the Board of Directors on 2 February 2024, and which include an unqualified audit report, no emphasis of matter paragraph and no statements under sections 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies. This condensed interim consolidated financial information has been reviewed, not audited.

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements; it should be read in conjunction with the Group's annual financial statements for the year ended 30 November 2023. There have been no changes in any risk management policies since the year end.

This report will be available at Porvair plc's registered office at 7 Regis Place, Bergen Way, King's Lynn, PE30 2JN and on the Company's website, www.porvair.com.

Statement of directors' responsibilities

The Directors confirm that this condensed interim consolidated financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting* as contained in UK-adopted International Accounting Standards, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the year, their impact on the condensed interim consolidated financial information and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the year and any material changes in the related party transactions described in the last annual report.

The Directors of Porvair plc are listed in the Porvair plc Annual Report for the year ended 30 November 2023.

Since the publication of the Annual Report for the year ended 30 November 2023, Sarah Vawda resigned from the Board. A list of current Directors is maintained on the Porvair plc website, www.porvair.com.

By order of the board

Ben Stocks
Group Chief Executive
28 June 2024

James Mills
Group Finance Director

INDEPENDENT REVIEW REPORT TO PORVAIR PLC

Conclusion

We have been engaged by Porvair plc ('the Company') to review the condensed set of financial statements of the Company and its subsidiaries (the 'Group') in the interim financial report for the six months ended 31 May 2024

which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 11. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements of fact or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 31 May 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE (UK) 2410) issued for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 11, the annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group and the Company to cease to continue as a going concern.

Responsibilities of Directors

The interim financial report, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the interim financial report, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Review of the Financial Information

In reviewing the interim financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the interim financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

28 June 2024

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