Bodycote plc - Post AGM Trading Update

FY outlook in line with market expectations

Bodycote, the world's leading provider of heat treatment and specialist thermal processing services, issues a trading update covering the four-month period from 1 January to 30 April 2025 ("the period").
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Key points

- Core[1] revenue for the period was down 5% organically year-on-year (Group -6%); sequential run-rate improvement of 4%[2] versus H2 2024
- Supply chains improving in Civil Aerospace; conditions remain weak in Automotive and Industrial markets
- Progressing at pace with strategic Optimise, Perform & Grow initiatives
- Full year outlook in line with current market expectations[3]

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Trading Summary

Group revenue in the first four months was Â£246m, 6% below prior year on an organic basis. Revenue in our Core business was 5% lower organically. This reflects a strong prior year comparator and also includes a headwind of 1% from lower energy surcharges year-on-year.

Sequentially, the monthly revenue run-rate in our Core business increased 4%[2] versus the second half of 2024, with almost all end markets seeing sequential improvement. Supply chain conditions have improved in Civil Aerospace through the first four months, with a notable acceleration in March and April. Defence revenue has also seen continued growth, led by Western Europe. Conditions remain challenging in Automotive and Industrial Markets, though we have seen a sequential improvement in activity levels. As disclosed at our full year 2024 results, Energy revenue has been impacted by the end of oil & gas project work. Â

Specialist Technologies

Revenue was 11% lower year-on-year organically versus a strong comparator in the corresponding period of 2024 (+12%[4]). This reflected two main drivers: first, phasing in our Hot Isostatic Pressing Product Fabrication (HIP PF) business which will be second-half weighted in 2025, underpinned by a large new Defence contract secured in May; second, our Surface Technology business was impacted by the reduction in oil & gas project revenue. We have secured new oil & gas contracts to replace this work, which will ramp up through the second half. Reflecting these wins, alongside continued growth in Aerospace & Defence, we expect to deliver organic revenue growth in Specialist Technologies for the full year.

Precision Heat Treatment

Revenue was 2% lower organically year-on-year, with an improvement in volumes versus the second half of 2024. There was further good growth in Industrial Gas Turbines, supported by market share gains in North America and strong OE and aftermarket demand levels. In Automotive we continued to outperform challenging markets in Europe and North America, led by strong growth in Mexico due to the ramp-up of recent contract wins. Industrial Market activity remains at low levels but has improved sequentially versus H2 2024.

Optimise, Perform & Grow

We are executing at pace on our strategy to create a higher quality and more resilient Group. Progress continues on the Optimise programme, with more than half of the planned site consolidations underway, a number of closures now completed and revenue retention plans on track. Targeted overhead savings are progressing in line with expectations. In 2025 the programme is expected to deliver a Â£4-5m benefit to Core operating profit, with a second-half weighting. We are currently exploring the potential to expand the scope of the plant and overhead reduction programme to deliver incremental benefits beyond the Â£12-14m full run-rate target.

Work is also underway towards full roll-out of the HEAT performance programme, and we are commencing a number of initiatives aligned to our growth framework. This includes early work on a greenfield project for our S^{3}P process in Asia, which will be the first time we have taken any of our Specialist Technology operations into the region. We are also continuing to build our M&A pipeline in line with our growth strategy.

Tariffs

We are closely monitoring the ongoing global trade discussions and tariff announcements. Our diversified, local-for-local plant footprint means that we have no material direct exposure to cross-border tariffs. We are mindful of the broader economic risk created by tariffs, and our focus is on remaining close to our customers and preserving agility in our cost base.

Financial position

Net debt (excluding lease liabilities) was Â£90.2m at 30 April 2025, compared with Â£68.3m at year-end 2024. This reflected the execution of the additional Â£30m buyback which commenced in January, of which Â£19.7m had been deployed by the end of April. There was a modest free cash inflow in the period, which reflects normal cash flow seasonality.

Foreign exchange

Based on the latest FX rates, we expect a full year currency translation headwind of approximately Â£14m for revenue (previously Â£7m) and Â£2.5m for adjusted operating profit (previously Â£1m).

Outlook

Our outlook for the full year is in line with current market expectations.[3] Adjusted operating profit in 2025 is expected to be second-half weighted. This reflects the progressive delivery of Optimise benefits through the year, as well as improved performance in Specialist Technologies supported by new contracts we have won in Defence and Oil & Gas, and further growth in Aerospace & Defence. Reflecting the uncertain macro-economic environment, our focus is on operational delivery and maintaining strict control of our cost base. We are progressing at pace with our Optimise, Perform & Grow initiatives which will enhance the quality of the business and ensure we are well positioned for the future.

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[1] Core excludes sites that are subject to consolidation as part of the Optimise programme

[2] Average monthly revenue year-to-date compared with H2 2024 average monthly revenue

[3] Latest company compiled consensus available on our website. 2025 mean as of 26/05/2025: revenue Â£718m; operating profit: Â£121.5m

[4] On an organic basis, excluding surcharges and based on the new reporting structure

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