

Bodycote plc - November Trading Update

Improved momentum in mixed markets

Bodycote, the world's leading provider of specialist thermal processing services, issues a trading update covering the four-month period from 1 July to 31 October 2025 ("the period").

Key points

- Core¹: organic revenue growth of 2.2% year-on-year in the period, with improved momentum in almost all end markets; year-to-date (YTD) now 1.4% lower than prior year (H1: -3.6%)
- Group: organic revenue growth of 0.3% year-on-year in the period, after headwinds from Non-Core plant closures; YTD organic revenue now 2.7% lower than prior year (H1: -4.6%)
- Further good progress on plant closures and revenue transfers as part of the Optimise programme; sale of 10 French Automotive and Industrial sites on track and nearing completion
- Strong growth in Aerospace & Defence in the period with improving momentum; Automotive and Industrial remained challenging with improved year-on-year trends due to easier comparators
- Continue to expect increased profit in H2 vs H1, driven by improved Specialist Technologies trading and Optimise benefits; H2 operating profit expected to be broadly in line with H2 2024²

Trading Summary

Core revenue was 2.2% higher organically during the four months, resulting in a reduced year-to-date decline of 1.4%. Including the impact of Non-Core plant closures as we continue to progress our Optimise programme, Group organic revenue was broadly stable in the period (+0.3%) and is 2.7% lower year-to-date at £613m.

End markets remain mixed, with strong growth achieved in Aerospace & Defence which accelerated sequentially in the period. In Automotive we delivered low single-digit growth year-on-year in the period, reflecting stronger light vehicle production trends in Q3, although these are expected to soften again in Q4. Industrial Markets remain challenging, particularly in Europe, albeit comparators have become easier resulting in a more modest year-on-year decline in the period compared with H1. In Oil & Gas, low levels of upstream investment and drilling in the Middle East has resulted in customer-driven delays to the ramp-up of some of our recent contract wins.

Specialist Technologies

Momentum improved through the period, with stronger year-on-year growth notably in September and October. Organic revenue in the period was 1.8% below prior year and is now 5.4% lower year-to-date. Growth in Aerospace & Defence accelerated materially, led by a significant ramp-up in LEAP engine related work in Surface Technology. Oil & Gas remained a significant headwind, driven by delays in the ramp-up of some of our recent contract wins in the Middle East. Industrial Markets also remained weak, particularly in Europe. In HIP Product Fabrication (HIP PF), we continue to execute on H1 order wins in Defence, with a higher-than-normal level of deliveries anticipated in Q4. We expect an improvement in growth in Specialist Technologies for the remainder of the year, supported by a further acceleration in Aerospace growth alongside higher deliveries in HIP PF, with a degree of dependence on the timing of these deliveries around year-end.

Precision Heat Treatment

Organic revenue in the period grew 4.1% and is now marginally positive year-to-date at 0.6%. This reflected a slight improvement in sequential performance combined with easing comparators versus a weak prior year period. By end market, year-on-year growth was led by Industrial Gas Turbines and Aerospace & Defence, alongside modest growth in Automotive helped by stronger performance in North America and continued growth in China. For the full year, we expect Aerospace & Defence and Industrial Gas Turbines growth to continue, while Industrial and Automotive markets are likely to remain challenging.

Optimise, Perform & Grow

We continue to make good progress across our Optimise, Perform and Grow initiatives. Activity on the Optimise programme accelerated in the period, including an increased pace of revenue transfer to our Core Precision Heat Treatment sites, benefitting utilisation levels at these plants. The planned disposal of 10 Automotive and Industrial sites in France (announced with our 2025 Half Year Results) is on track and nearing completion. We also expect to have fully exited more than one third of the 20 remaining Non-Core sites by year end. We remain on track to deliver a £4-5m full year Optimise benefit to Core operating profit and are confident of reaching at least £15m run-rate benefits by mid-2027. Non-Core revenue and profit will continue to decline as we execute on further closures.

We are advancing with the deployment of the HEAT framework to improve operational performance. Significant progress has been made on the roll out of important lean productivity tools, with around 90% of Core sites having these in place by year-end. As we move into 2026 and beyond, we expect to see gradually increasing benefits from improved operational execution.

As part of our focus on driving enhanced future growth, we are making a number of organic investments in our target areas. We are progressing with the major upgrade and expansion of two US Precision Heat Treatment sites focused on Aerospace and IGT. In HIP, we are investing in additional capacity in both Europe and North America to support continued growth in Aerospace activity. Initial work is also progressing on the new greenfield site for S³P in Asia, which we announced in our May 2025 trading update. The majority of these initiatives are expected to go live in late 2026 and early 2027. We also continue to build our M&A pipeline and remain confident in the potential to accelerate growth through attractive bolt-on acquisitions.

Outlook

We continue to expect to deliver stronger profit performance in H2 versus H1, driven by further growth in Aerospace & Defence, improved Specialist Technologies trading and increasing benefits from the Optimise programme. As a result, operating profit in H2 is expected to be ahead of H1 and broadly similar to the level seen in H2 2024.² Our focus remains on execution as well as delivering on our Optimise, Perform and Grow initiatives which will create a higher quality, more resilient and faster growing Bodycote.

¹ Core business excludes Non-Core plants to be exited as part of the Optimise programme

² H2 2024 adjusted operating profit: £62.2m

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For further information, please contact:

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Bodycote plc

Jim Fairbairn, Chief Executive Officer
Ben Fidler, Chief Financial Officer
Peter Laphorn, Investor Relations and FP&A
Tel: +44 1625 505 300

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FTI Consulting

Richard Mountain
Susanne Yule
Tel: +44 203 727 1340

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Disclosures:

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