RENISHAW

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Interim report 2024

Renishaw plc

6 February 2024

Interim report 2024 - for the six months ended 31 December 2023

Highlights

A solid performance in challenging market conditions with growth opportunities in H2

	6 months to 31 December 2023	6 months to 31 December 2022	Change %
Revenue (£m)	**330.5**	347.7	-5
Adjusted* profit before tax (£m)	**56.5**	73.5	-23
Adjusted* earnings per share (pence)	**62.1**	83.4	-26
Dividend per share (pence)	**16.8**	16.8	-
Statutory profit before tax (£m)	**56.5**	77.8	-27
Statutory earnings per share (pence)	**62.1**	88.1	-26

- Revenue 5% lower at £330.5m:
    - Manufacturing technologies revenue lower by 6%, with solid growth in Industrial Metrology offset by continued weak demand for position encoders for semiconductor manufacturing equipment.
    - Analytical instruments and medical devices revenue up 16%, with strong growth in Spectroscopy products.
    - Group revenue lower by 2% at constant currency; APAC +6%, EMEA -6% and Americas -13%.
    - Q2 similar to Q1 this year and Q2 FY2023; stable order book.

- Adjusted* profit before tax of £56.5m (H1 FY2023 £73.5m):
    - Represents 17% of revenue (21% last year).
    - 3% reduction in gross margin before engineering costs: targeted price rises, offset by adverse currency impact on revenue, employee pay inflation, and lower production overhead absorption due to planned inventory reductions.
    - Cost control in engineering, distribution and administration limiting year-on-year increases to 3%.

- Statutory profit before tax of £56.5m (H1 FY2023: £77.8m).

- Strong balance sheet with cash and cash equivalents and bank deposit balances of £178.3m, compared with £206.4m at 30 June 2023, with the £43.2m final dividend for FY2023 paid in H1.
    - Targeted reductions in inventory contribute to cash flow from operating activities increasing to £55.6m (H1 FY2023: £21.6m).

- Interim dividend of 16.8p per share.

  William Lee, Chief Executive, commented:
  "We have achieved a solid performance in challenging market conditions, with growth from Industrial Metrology products in APAC being offset by continued weak demand from some key sectors, most notably semiconductor equipment. We expect an improvement in our trading performance in the second half of the financial year as market conditions improve, and as we continue to pursue a range of growth opportunities. To support our through-cycle growth strategy, we are continuing to focus on productivity and to make targeted investments in our people, our production facilities, and our new product pipeline."

* Note 12, 'Alternative performance measures', defines how adjusted profit before tax and adjusted earnings per share are calculated.

Overview for the six months ended 31 December 2023

Revenue
Revenue for the six months ended 31 December 2023 was £330.5m, compared with £347.7m for the corresponding period last year. Manufacturing technologies revenue was lower by 6%, with solid growth in Industrial Metrology offset by continued weak demand for position encoders for semiconductor manufacturing equipment. Analytical instruments and medical devices revenue was up 16%, with strong growth in Spectroscopy products. Overall, revenue in Q2 FY2024 was similar to the corresponding period last year and marginally above Q1 FY2024. The order book at 31 December 2023 was similar to that at 30 June 2023.

At constant currency, revenue was lower by 2%. APAC revenue was up 6%, with strong growth in Industrial Metrology offsetting continuing weak demand from semiconductor equipment manufacturers. EMEA revenue was lower by 6%, with strong Spectroscopy sales, but weaker demand for Position Measurement and Additive Manufacturing products. Americas revenue was lower by 13%, with growth in metrology systems offset by weaker sales elsewhere, but an improved order book.

	6 months to 31 December 2023	6 months to 31 December 2022	Change %	Constant fx* change %
Group revenue	£330.5m	£347.7m	-5%	-2%
Comprising:				
APAC	£161.2m	£161.7m	-	6%
Americas	£72.1m	£83.6m	-14%	-13%
EMEA	£97.2m	£102.4m	-5%	-6%

New product introductions and commercialisation
Since June, we have launched new products including the HPMA-X tool setting arm for large CNC lathes and RMP24-micro, the world's smallest wireless machine tool probe. The latter is designed for manufacturers of high-precision miniature components such as those found in the medical, watchmaking and micro-mechanics industries. At the Formnext exhibition in November, we launched two new products for our additive manufacturing (AM) product line. TEMPUS™ technology enables lasers to fire at the same time as a machine's recoater is moving, substantially reducing build times. The new RenAM 500 Ultra system includes this new technology, plus advanced process monitoring software, with the aim to reduce cost per part which is vital to the wider adoption of AM technology.

During the period we have also continued the global roll-out of Renishaw Central, our smart manufacturing data platform that collects, presents, and actions accurate process and metrology data. Our new industrial automation product line, which aims to transform the process of commissioning and servicing of industrial robots, has also achieved some early adopters, including a global aerospace company.

Operating costs
We have continued to take a cautious approach to recruitment during the year, and our total headcount of 5,166 is similar to 30 June 2023 and 31 December 2022. We have continued to invest in our early careers programmes, whilst we have undertaken a targeted mutually agreed severance scheme in the UK to allow employees to voluntarily leave the company. We have made major investment in employee remuneration in recent years to ensure competitiveness and retention of highly skilled and trained employees, resulting in employee turnover being consistently below target. Labour costs (excluding bonuses) have increased by 2.4% to £136.5m for the period, primarily reflecting the January 2023 pay review and nearly £1.9m of payments relating to the mutually agreed severance scheme.

We have controlled engineering, distribution and administration costs, limiting the year-on-year increase to 3%. This includes an increase in third-party support costs in relation to our new global ERP system (Microsoft D365). We successfully completed the first implementation during the period, and the roll-out of this system will continue over the next few years.

Our gross margin (excluding engineering costs) for the period was 61% of revenue, compared to 64% over the comparable period in the previous year. This change is partly due to a lower recovery of production overheads this year, as we have targeted inventory reductions, whilst retaining manufacturing resource in expectation of demand increasing in the second half of the financial year. Currency rate changes have also had an adverse impact on the gross margin. The effect of these has been partially offset by further targeted price rises.

We remain committed to our long-term strategy of developing innovative and patented products to create strong market positions. During the first six months of this year, our gross engineering spend, including research and development, increased by 2.4% to £51.5m. Net engineering spend includes a £1.5m year-on-year increase in the R&D tax credit, primarily as a result of the rate applicable to qualifying spend increasing from 13% to 20%.

Profit and tax
Adjusted* profit before tax for the period was £56.5m (17% of revenue) compared with £73.5m (21% of revenue) last year. Statutory profit before tax for the period was £56.5m, compared with £77.8m last year. H1 FY2023 included a £4.4m fair value gain on financial instruments not effective for hedge accounting and not included in adjusted profit before tax. No forward contracts have been designated as ineffective since FY2020.

Financial income for the period was £7.2m compared with £5.0m last year, and includes a £2.2m increase in interest on bank deposits.

The income tax expense in the Consolidated income statement has been estimated at a rate of 20.1% (H1 FY2023: 17.7%) and is based on management's best estimate of the full year effective tax rates by geographical unit applied to half-year profits. This is comparable with the 20.0% achieved in FY2023.

Adjusted earnings per share were 62.1p, compared with 83.4p last year. Statutory earnings per share were 62.1p, compared with 88.1p last year.

Manufacturing technologies
Revenue for this segment, which comprises our Industrial Metrology, Position Measurement and Additive Manufacturing businesses, was £311.1m for the first six months, compared with £330.9m last year. We achieved solid growth in our Industrial Metrology business, with notable growth in demand for our gauging system and machine tool probing product lines, particularly from the consumer electronics sector in APAC. In our Position Measurement business, we have continued to see weak levels of demand for optical encoders from semiconductor manufacturing equipment builders, however, we remain optimistic about the through-cycle growth opportunities in this important sector. In Additive Manufacturing, whilst revenues were below the same period last year, we are seeing repeat demand from a growing number of customers, and we entered the second half with a strong order book. Adjusted operating profit was £46.0m, compared with £66.8m for the comparable period last year.

Analytical instruments and medical devices
Revenue from this segment for the first six months was £19.4m, an increase of 16% compared with £16.8m last year. There was strong growth for our Spectroscopy products, particularly the EMEA region. We continue to see growing demand for the Virsa™ analyser, a portable system that allows sample analysis outside of a laboratory, and the inLux™ SEM Raman interface which allows simultaneous Raman and scanning electron microscope imaging. Our neurological business is continuing to progress opportunities with pharmaceutical companies to use our drug delivery technology for clinical trials. The adjusted operating profit was £1.2m in the first half of this year compared with £0.1m for the comparable period last year.

Balance sheet
Cash and cash equivalents and bank deposit balances at 31 December 2023 were £178.3m, compared with £206.4m at 30 June 2023, primarily reflecting the cash generated from operating profit of £55.6m, less capital expenditure of £40.4m, and the final dividend payment of £43.2m in respect of FY2023. Capital expenditure mostly relates to the expansion of our manufacturing facility in Wales, and we expect capital spend for the full year to be similar to last year.

We have reduced our inventory balances by £11.4m since 30 June 2023, largely reflecting targeted reductions in components and sub-assemblies for our optical encoder products as supply chains have normalised. Trade receivables have decreased by £7.1m in the same period, with receivables days improving by 3 days since 30 June to 61 days, and no significant movement in expected credit losses. The planned reduction in inventory has contributed significantly to an increase in the cash flows from operating activities compared with the corresponding period in the previous year.

During the period, an insurance buy-in of the UK defined benefit pension liabilities was successfully completed. This mitigates the majority of funding risk going forward. See note 11 for further detail.

Dividend
The Board has approved an interim dividend of 16.8 pence net per share (FY2023: 16.8p), which will be paid on 9 April 2024 to shareholders on the register on 8 March 2024.

Principal risks and uncertainties
The Board has considered the risks and uncertainties which could have a material effect on the Group's performance and position. While we continue to monitor developing geopolitical tensions, the overall impact and likelihood of our principal risks is not considered to have changed significantly. This conclusion also reflects the mitigation undertaken by the Group in response to these risks. The principal risks and uncertainties set out on pages 52 to 59 of the 2023 Annual Report therefore remain relevant.

Sustainability
We continue to make strong progress towards our target of Net Zero for Scopes 1 and 2 emissions by 2028. We self-generate 11% of our electricity consumption and by the end of 2024 all the electricity that we purchase globally will meet our sustainability requirements. During the period, we have contracted with a green-energy provider to supply our main UK sites with 100 per cent renewable electricity.

We see significant commercial opportunities arising from the drive to Net Zero. Our customers are setting sustainability targets and the products we supply them help to increase their manufacturing efficiencies by reducing energy consumption and waste, and also improve the performance of the products they supply to their own customers.

The company has formalised the management of sustainability, including climate-related financial disclosures, through a new ESG Steering Committee, chaired by William Lee, with oversight provided by one of our Independent Non-executive Directors. With the support of specialist advisors, the Committee is developing a comprehensive ESG strategy which will be published in this year's Annual Report.

Directors and employees
The Directors would like to thank our employees for continuing to drive us forward towards our vision to innovate and transform the capabilities of our customers.

Outlook
The Board remains confident in our organic growth model, built on solving customer problems with innovative products, global service and world-class in-house manufacturing. Whilst we operate in cyclical markets, we aim for high single digit average organic growth rates through the cycle.

We have achieved a solid performance in challenging market conditions, with growth from Industrial Metrology products in APAC being offset by continued weak demand from some key sectors, most notably semiconductor equipment. We expect an improvement in our trading performance in the second half of the financial year as market conditions improve, and as we continue to pursue a range of growth opportunities. To support our through-cycle growth strategy, we are continuing to focus on productivity and to make targeted investments in our people, our production facilities, and our new product pipeline.

At this stage we expect full year revenue to be in the range of £675m to £715m. Adjusted profit before tax is expected to be in the range of £122m to £147m.

Sir David McMurtry	William Lee	Allen Roberts
Executive Chairman	Chief Executive	Group Finance Director

6 February 2024

* Note 12, 'Alternative performance measures', defines how revenue at constant exchange rates, adjusted profit before tax, adjusted operating profit and adjusted earnings per share are calculated.

Consolidated income statement

	Notes	**Unaudited 6 months to 31 December 2023 £'000**	Unaudited 6 months to 31 December 2022 £'000	Audited Year ended 30 June 2023 £'000
Revenue	2	**330,489**	347,679	688,573
Cost of sales	3	**(175,904)**	(172,442)	(337,908)
Gross profit		**154,585**	175,237	350,665
Distribution costs		**(68,871)**	(66,836)	(137,744)
Administrative expenses		**(38,520)**	(35,311)	(74,894)
US defined benefit pension scheme past service cost		**-**	-	(2,139)
Losses from the fair value of financial instruments	10	**-**	(1,792)	(1,399)
Operating profit		**47,194**	71,298	134,489
Financial income	4	**7,168**	5,003	9,669
Financial expenses	4	**(351)**	(290)	(1,861)
Share of profits from joint ventures		**2,530**	1,803	2,768
Profit before tax		**56,541**	77,814	145,065
Income tax expense	5	**(11,364)**	(13,746)	(28,963)
Profit for the period		**45,177**	64,068	116,102
Profit attributable to:				
Equity shareholders of the parent company		**45,177**	64,068	116,102
Non-controlling interest		**-**	-	-
Profit for the period		**45,177**	64,068	116,102
		pence	pence	pence
Dividend per share arising in respect of the period	7	**16.8**	16.8	76.2
Earnings per share (basic and diluted)	6	**62.1**	88.1	159.7

Consolidated statement of comprehensive income and expense

	Unaudited 6 months to 31 December 2023 £'000	Unaudited 6 months to 31 December 2022 £'000	Audited Year ended 30 June 2023 £'000
Profit for the period	**45,177**	64,068	116,102
Other items recognised directly in equity:			
Items that will not be reclassified to the Consolidated income statement:			
Remeasurement of defined benefit pension scheme assets/liabilities	**(49,459)**	16,127	13,612
Deferred tax on remeasurement of defined benefit pension scheme assets/liabilities	**12,349**	(3,739)	(3,071)
Total for items that will not be reclassified	**(37,110)**	12,388	10,541
Items that may be reclassified to the Consolidated income statement:			
Exchange differences in translation of overseas operations	**1,576**	2,960	(8,000)
Exchange differences in translation of overseas joint venture	**159**	456	-
Current tax on translation of net investments in foreign operations	**(297)**	(310)	313
Effective portion of changes in fair value of cash flow hedges, net of recycling	**4,422**	1,870	23,167
Deferred tax on effective portion of changes in fair value of cash flow hedges	**(1,105)**	(318)	(5,692)
Total for items that may be reclassified	**4,755**	4,658	9,788
Total other comprehensive income and expense, net of tax	**(32,355)**	17,046	20,329
Total comprehensive income and expense for the period	**12,822**	81,114	136,431
Attributable to:			
Equity shareholders of the parent company	**12,822**	81,114	136,431
Non-controlling interest	**-**	-	-
Total comprehensive income and expense for the period	**12,822**	81,114	136,431

Consolidated balance sheet

	Notes	**Unaudited At 31 December 2023 £'000**	Unaudited At 31 December 2022 £'000	Audited At 30 June 2023 £'000
Assets				
Property, plant and equipment	8	**318,036**	254,640	286,085
Right-of-use assets		**10,049**	9,321	8,402
Investment properties		**10,181**	10,374	10,323
Intangible assets	9	**48,319**	46,117	46,468
Investments in joint ventures		**24,529**	21,905	22,414
Finance lease receivables		**8,814**	6,223	9,935
Employee benefits		**9,128**	61,788	57,416
Deferred tax assets		**20,006**	22,786	19,944
Derivatives	10	**3,233**	3,542	9,443
Total non-current assets		**452,295**	436,696	470,430
Current assets				
Inventories		**174,383**	179,754	185,757
Trade receivables	10	**116,268**	123,141	123,427
Finance lease receivables		**3,552**	3,125	3,764
Contract assets		**1,775**	1,455	861
Current tax		**13,642**	7,382	19,558
Other receivables		**35,918**	32,084	27,979
Derivatives	10	**11,585**	3,948	5,373
Bank deposits		**119,000**	155,541	125,000
Cash and cash equivalents		**59,258**	55,957	81,388
Total current assets		**535,381**	562,387	573,107
Current liabilities				
Trade payables		**22,011**	21,434	21,551
Contract liabilities		**7,811**	8,298	9,971
Current tax		**1,452**	5,989	7,118
Provisions		**2,722**	3,513	2,758
Derivatives	10	**1,529**	16,149	5,089
Lease liabilities		**3,217**	3,535	3,009
Borrowings		**4,372**	959	4,694
Other payables		**43,654**	41,873	48,130
Total current liabilities		**86,768**	101,750	102,320
Net current assets		**448,613**	460,637	470,787
Non-current liabilities				
Lease liabilities		**7,083**	6,068	5,624
Borrowings		**-**	4,933	-
Employee benefits		**90**	328	45
Deferred tax liabilities		**27,007**	26,952	38,770
Derivatives	10	**-**	5,933	120
Total non-current liabilities		**34,180**	44,214	44,559
Total assets less total liabilities		**866,728**	853,119	896,658
Equity				
Share capital		**14,558**	14,558	14,558
Share premium		**42**	42	42
Own shares held		**(2,963)**	(2,963)	(2,963)
Currency translation reserve		**8,210**	17,565	6,772
Cash flow hedging reserve		**9,869**	(9,371)	6,552
Retained earnings		**836,649**	833,807	871,777
Other reserve		**940**	58	497
Equity attributable to the shareholders of the parent company		**867,305**	853,696	897,235
Non-controlling interest		**(577)**	(577)	(577)
Total equity		**866,728**	853,119	896,658

Consolidated statement of changes in equity

Unaudited	Share capital £'000	Share premium £'000	Own shares held £'000	Currency translation reserve £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Other reserve £'000	Non-controlling interest £'000	Total £'000
Balance at 30 June 2022	**14,558**	**42**	**(750)**	**14,459**	**(10,923)**	**798,541**	**(180)**	**(577)**	**815,170**
Profit for the period	-	-	-	-	-	64,068	-	-	64,068
Other comprehensive income and expense (net of tax)									
Remeasurement of defined benefit pension liabilities	-	-	-	-	-	12,388	-	-	12,388
Foreign exchange translation differences	-	-	-	2,650	-	-	-	-	2,650
Relating to joint ventures	-	-	-	456	-	-	-	-	456
Changes in fair value of cash flow hedges	-	-	-	-	1,552	-	-	-	1,552
Total other comprehensive income and expense	-	-	-	3,106	1,552	12,388	-	-	17,046
Total comprehensive income and expense	-	-	-	3,106	1,552	76,456	-	-	81,114
Transactions with owners recorded in equity									
Share-based payments charge	-	-	-	-	-	-	238	-	238
Own shares purchased	-	-	(2,213)	-	-	-	-	-	(2,213)
Dividends paid	-	-	-	-	-	(41,190)	-	-	(41,190)
Balance at 31 December 2022	**14,558**	**42**	**(2,963)**	**17,565**	**(9,371)**	**833,807**	**58**	**(577)**	**853,119**
Profit for the period	-	-	-	-	-	52,034	-	-	52,034
Other comprehensive income and expense (net of tax)									
Remeasurement of defined benefit pension liabilities	-	-	-	-	-	(1,847)	-	-	(1,847)
Foreign exchange translation differences	-	-	-	(10,337)	-	-	-	-	(10,337)
Relating to joint ventures	-	-	-	(456)	-	-	-	-	(456)
Changes in fair value of cash flow hedges	-	-	-	-	15,923	-	-	-	15,923
Total other comprehensive income and expense	-	-	-	(10,793)	15,923	(1,847)	-	-	3,283
Total comprehensive income and expense	-	-	-	(10,793)	15,923	50,187	-	-	55,317
Transactions with owners recorded in equity									
Share-based payments charge	-	-	-	-	-	-	439	-	439
Dividends paid	-	-	-	-	-	(12,217)	-	-	(12,217)
Balance at 30 June 2023	**14,558**	**42**	**(2,963)**	**6,772**	**6,552**	**871,777**	**497**	**(577)**	**896,658**
Profit for the period	-	-	-	-	-	45,177	-	-	45,177
Other comprehensive income and expense (net of tax)									
Remeasurement of defined benefit pension liabilities	-	-	-	-	-	(37,110)	-	-	(37,110)
Foreign exchange translation differences	-	-	-	1,279	-	-	-	-	1,279
Relating to joint ventures	-	-	-	159	-	-	-	-	159
Changes in fair value of cash flow hedges	-	-	-	-	3,317	-	-	-	3,317
Total other comprehensive income and expense	-	-	-	1,438	3,317	(37,110)	-	-	(32,355)
Total comprehensive income and expense	-	-	-	1,438	3,317	8,067	-	-	12,822
Transactions with owners recorded in equity									
Share-based payments charge	-	-	-	-	-	-	443	-	443
Dividends paid	-	-	-	-	-	(43,195)	-	-	(43,195)
Balance at 31 December 2023	**14,558**	**42**	**(2,963)**	**8,210**	**9,869**	**836,649**	**940**	**(577)**	**866,728**

Consolidated statement of cash flow

	Unaudited 6 months to 31 December 2023 £'000	Unaudited 6 months to 31 December 2022 £'000	Audited Year ended 30 June 2023 £'000
Cash flows from operating activities			
Profit for the period	**45,177**	64,068	116,102
Adjustments for:			
Depreciation of property, plant and equipment, and investment properties	**9,319**	8,741	19,882
(Profit)/loss on sale of property, plant and equipment	**(29)**	302	155
Depreciation of right-of-use assets	**2,187**	1,974	4,223
Amortisation of development costs	**2,477**	2,527	5,150
Impairment of development costs	**-**	-	1,611
Amortisation of other intangibles	**411**	581	1,012
Loss on disposal of intangible assets	**-**	-	550
Share of profits from joint ventures	**(2,530)**	(1,803)	(2,768)
Defined benefit pension schemes past service cost	**397**	-	2,437
Financial income	**(7,168)**	(5,003)	(9,669)
Financial expenses	**351**	290	1,861
Gains from the fair value of financial instruments	**-**	(4,350)	(5,504)
Share-based payment expense	**445**	239	677
Tax expense	**11,364**	13,746	28,963
	17,224	17,244	48,580
Decrease/(increase) in inventories	**11,374**	(17,272)	(23,275)
Decrease/(increase) in trade and other receivables	**486**	1,777	(12,379)
Decrease in trade and other payables	**(6,381)**	(24,411)	(15,013)
Decrease in provisions	**(36)**	(732)	(1,486)
	5,443	(40,638)	(52,153)
Defined benefit pension scheme contributions	**(83)**	(2,260)	(2,341)
Income taxes paid	**(12,191)**	(16,858)	(25,891)
Cash flows from operating activities	**55,570**	21,556	84,297
Investing activities			
Purchase of property, plant and equipment, and investment properties	**(40,443)**	(20,229)	(74,024)
Sale of property, plant and equipment	**200**	2,636	7,948
Development costs capitalised	**(4,542)**	(4,201)	(10,448)
Purchase of other intangibles	**(30)**	(609)	(379)
Decrease/(increase) in bank deposits	**6,000**	(55,541)	(25,000)
Interest received	**4,745**	2,575	6,302
Dividend received from joint ventures	**573**	924	924
Cash flows from investing activities	**(33,497)**	(74,445)	(94,677)
Financing activities			
Repayment of borrowings	**(393)**	(494)	(914)
Interest paid	**(351)**	(274)	(656)
Repayment of principal of lease liabilities	**(2,607)**	(2,100)	(4,206)
Own shares purchased	**-**	(2,212)	(2,213)
Dividends paid	**(43,195)**	(41,190)	(53,407)
Cash flows from financing activities	**(46,546)**	(46,270)	(61,396)
Net decrease in cash and cash equivalents	**(24,473)**	(99,159)	(71,776)
Cash and cash equivalents at the beginning of the period	**81,388**	153,162	153,162
Effect of exchange rate fluctuations on cash held	**2,343**	1,954	2
Cash and cash equivalents at the end of the period	**59,258**	55,957	81,388

Notes

1. Basis of preparation

The Interim report, which includes the condensed consolidated financial statements for the six months ended 31 December 2023, was approved by the Directors on 6 February 2024.

The condensed consolidated financial statements for the six months ended 31 December 2023 were prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as issued by the International Accounting Standards Board and as adopted by the UK. These apply the same accounting policies, presentation and methods of calculation as were applied in the preparation of the Group's consolidated financial statements for the year ended 30 June 2023, except for income taxes which are accrued using the forecast tax rate for the financial year, and except for the adoption of new accounting standards.

The condensed consolidated financial statements included in this Report have not been audited and do not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006. The information relating to the year ended 30 June 2023 is an extract from the Group's published Annual Report for that year, which has been delivered to the Registrar of Companies, and on which the auditor's report was unqualified and did not contain any emphasis of matter or statements under section 498(2) or 498(3) of the Companies Act 2006.

Going concern

The Directors have prepared the unaudited interim financial information on a going concern basis. In considering the going concern basis, the Directors have considered the previously mentioned principal risks and uncertainties, as well as the Group's current trading performance and updated cashflow forecasts. The Directors have also considered the financial resources available to the Group, with net current assets of £448.6m at 31 December 2023 (compared to £470.8m at 30 June 2023), including £178.3m cash and bank deposits at 31 December 2023.

We have updated our reverse stress testing to identify what would need to happen in the period to 28 February 2025 for the Group to deplete its cash and cash equivalents and bank deposit balances. This identified a trading level so low (significantly below FY2023 revenue) that the Directors feel that the events that could trigger this would be remote. The Directors also concluded that a one-off cash outflow that would exhaust the Group's cash and cash equivalents and bank deposit balances in the assessment period was also remote.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue operation and meet its liabilities as they fall due over the period to 28 February 2025.

2. Segmental information

The Group manages its business in two segments, being Manufacturing technologies and Analytical instruments and medical devices. Within each operating segment, there are multiple product offerings with similar economic characteristics, similar production processes and similar customer bases. The results of these segments are regularly reviewed by the Board to allocate resources and to assess their performance. More details of the Group's products and services are given in the Strategic Report of the 2023 Annual Report.

In normal trading conditions, although future revenue is difficult to predict given that the Group's outstanding order book is typically less than three months' worth of revenue value, larger consumer electronics orders in the APAC region within the manufacturing technologies segment typically fall in the first or last quarter of the financial year. In addition, the Group typically experiences lower demand in August and December, and so revenue and operating profits are typically lower in the first half of the year. This information is provided to allow for a better understanding of the results, and management does not believe that the business is 'highly seasonal' in accordance with IAS 34.

6 months to 31 December 2023	**Manufacturing technologies**	**Analytical instruments and medical devices**	**Total**
	£'000	**£'000**	**£'000**
Revenue	**311,069**	**19,420**	**330,489**
Depreciation, amortisation and impairment	**13,391**	**783**	**14,174**
Operating profit	**45,953**	**1,241**	**47,194**
Share of profits from joint ventures	**2,530**	**-**	**2,530**
Net financial income	**-**	**-**	**6,817**
Profit before tax	**-**	**-**	**56,541**
6 months to 31 December 2022			
Revenue	330,916	16,763	347,679
Depreciation, amortisation and impairment	12,841	982	13,823
Operating profit before losses from fair value of financial instruments	72,957	133	73,090
Share of profits from joint ventures	1,803	-	1,803
Net financial income	-	-	4,713
Losses from the fair value of financial instruments	-	-	(1,792)
Profit before tax	-	-	77,814

Year ended 30 June 2023			
Revenue	648,240	40,333	688,573
Depreciation, amortisation and impairment	28,431	3,447	31,788
Operating profit before losses from fair value of financial instruments	132,843	5,184	138,027
Share of profits from joint ventures	2,768	-	2,768
Net financial income	-	-	7,808
US defined benefit pension scheme past service cost	-	-	(2,139)
Losses from the fair value of financial instruments	-	-	(1,399)
Profit before tax	-	-	145,065

There is no allocation of assets and liabilities to operating segments. Depreciation is included within certain other overhead expenditure which is allocated to segments on the basis of the level of activity.

The following table shows the disaggregation of Group revenue by category:

	6 months to 31 December 2023 £'000	6 months to 31 December 2022 £'000	Year ended 30 June 2023 £'000
Goods, capital equipment and installation	**300,745**	318,959	624,992
Aftermarket services	**29,744**	28,720	63,581
Total Group revenue	**330,489**	347,679	688,573

Aftermarket services include repairs, maintenance and servicing, programming, training, extended warranties, and software licences and maintenance. There is no significant difference between our two operating segments as to their split of revenue by type.

The following table shows the analysis of revenue by geographical market:

	6 months to 31 December 2023 £'000	6 months to 31 December 2022 £'000	Year ended 30 June 2023 £'000
APAC	**161,199**	161,726	310,637
UK (country of domicile)	**17,173**	18,942	38,899
EMEA, excluding UK	**80,035**	83,497	177,582
EMEA	**97,208**	102,439	216,481
Americas	**72,082**	83,514	161,455
Total Group revenue	**330,489**	347,679	688,573

Revenue in the above table has been allocated to regions based on the location of the customer. Countries with individually significant revenue figures in the context of the Group were:

	6 months to 31 December 2023 £'000	6 months to 31 December 2022 £'000	Year ended 30 June 2023 £'000
China	**90,369**	81,112	155,360
USA	**60,707**	73,157	138,721
Japan	**26,366**	34,678	67,915
Germany	**25,646**	30,089	61,565

There was no revenue from transactions with a single external customer amounting to 10% or more of the Group's total revenue.

3. Cost of sales

	6 months to 31 December 2023 £'000	6 months to 31 December 2022 £'000	Year ended 30 June 2023 £'000
Production costs	**130,473**	126,333	247,665
Research and development expenditure	**32,156**	36,202	72,500
Other engineering expenditure	**19,390**	14,114	28,063
Gross engineering expenditure	**51,546**	50,316	100,563
Development expenditure capitalised (net of amortisation)	**(2,065)**	(1,674)	(5,298)
Development expenditure impaired	**-**	-	1,611
Research and development tax credit	**(4,050)**	(2,533)	(6,633)
Total engineering costs	**45,431**	46,109	90,243
Total cost of sales	**175,904**	172,442	337,908

4. Financial income and expenses

	6 months to 31 December 2023 £'000	6 months to 31 December 2022 £'000	Year ended 30 June 2023 £'000
Financial income			
Bank interest receivable	4,745	2,575	6,302
Interest on pension schemes' assets	1,439	844	1,639
Fair value gains from one-month forward currency contracts	380	59	1,728
Currency gains	604	1,525	-
Total financial income	7,168	5,003	9,669
Financial expenses			
Interest on pension schemes' liabilities	-	16	29
Currency losses	-	-	1,130
Lease interest	214	171	348
Interest payable on borrowings	24	52	46
Other interest payable	113	51	308
Total financial expenses	351	290	1,861

Currency gains and losses relate to revaluations of foreign currency-denominated balances using latest reporting currency exchange rates. Certain intragroup balances are classified as 'net investments in foreign operations', such that revaluations from currency movements on designated balances accumulate in the Currency translation reserve in Equity. Rolling one-month forward currency contracts are used to offset currency movements on remaining intragroup balances, with fair value gains and losses being recognised in financial income or expenses.

5. Taxation

The income tax expense in the Consolidated income statement has been estimated at a rate of 20.1% (H1 FY2023: 17.7%), based on management's best estimate of the full-year effective tax rates by geographical unit applied to half-year profits. This is comparable with the 20.0% reported in FY2023.

6. Earnings per share

The earnings per share for the six months ended 31 December 2023 is calculated on earnings of £45,177,000 (December 2022: £64,068,000) and on 72,719,565 shares (December 2022: 72,719,565 shares), being the number of shares in issue during the period. This excludes 68,978 shares (December 2022: 68,978 shares) held by the Renishaw Employee Benefit Trust.

7. Dividends

Dividends paid during the period were:	6 months to 31 December 2023 £'000	6 months to 31 December 2022 £'000	Year ended 30 June 2023 £'000
FY2023 final dividend paid of 59.4p per share (FY2022: 56.6p)	43,195	41,190	41,190
Interim dividend paid of 16.8p per share (FY2022: 16.0p)	-	-	12,217
Total dividends paid during the period	43,195	41,190	53,407

All shareholders on the register on 8 March 2024 will be paid an interim dividend of 16.8p net per share on 9 April 2024, resulting in a dividend payable of £12,228,475.

8. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 July 2023	213,385	273,156	7,112	53,469	547,122
Additions	491	3,841	171	35,939	40,442
Transfers	3,591	2,264	-	(5,855)	-
Disposals	-	(548)	(562)	-	(1,110)
Currency adjustment	1,098	317	36	-	1,451
At 31 December 2023	**218,565**	**279,030**	**6,757**	**83,553**	**587,905**
Depreciation					
At 1 July 2023	45,647	209,546	5,844	-	261,037
Charge for the period	2,022	6,929	285	-	9,236
Released on disposals	-	(390)	(549)	-	(939)
Currency adjustment	274	236	25	-	535
At 31 December 2023	**47,943**	**216,321**	**5,605**	**-**	**269,869**
Net book value					
At 31 December 2023	**170,622**	**62,709**	**1,152**	**83,553**	**318,036**
At 30 June 2023	167,738	63,610	1,268	53,469	286,085

Additions to assets in the course of construction of £35,939,000 (December 2022: £17,363,000) comprise £25,685,000 (December 2022: £8,474,000) for freehold land and buildings and £10,254,000 (December 2022: £8,889,000) for plant and equipment. At the end of the period, assets in the course of construction, not yet transferred, of £83,553,000 (December 2022: £23,914,000) comprise £62,777,000 (December 2022: £9,707,000) for freehold land and buildings and £20,776,000 (December 2022: £14,207,000) for plant and equipment. This mostly relates to the expansion of our manufacturing facility in Miskin, Wales.

9. Intangible assets

	Goodwill £'000	Other intangible assets £'000	Internally generated development costs £'000	Software licences and intellectual property £'000	Total £'000
Cost					
At 1 July 2023	20,261	4,875	178,660	11,978	215,774
Additions	-	-	4,542	30	4,572
Currency adjustment	156	6	-	13	175
At 31 December 2023	**20,417**	**4,881**	**183,202**	**12,021**	**220,521**
Amortisation					
At 1 July 2023	9,028	2,452	146,221	11,605	169,306
Charge for the period	-	107	2,477	304	2,888
Currency adjustment	-	(1)	-	9	8
At 31 December 2023	**9,028**	**2,558**	**148,698**	**11,918**	**172,202**
Net book value					
At 31 December 2023	**11,389**	**2,323**	**34,504**	**103**	**48,319**
At 30 June 2023	11,233	2,423	32,439	373	46,468

As detailed in the 2023 Annual Report, the key assumption in determining the value-in-use of intangible assets are sales forecasts. Latest sales forecasts, and other factors which may impact the business plans, for relevant cash generating units have been reviewed for indicators of impairment at 31 December 2023. This includes an assessment of our discount rate based on prevailing market assumptions at 31 December 2023, which has remained at 10.7%. As a result, no impairments have been recognised in the six months to 31 December 2023 (December 2022: nil).

10. Financial instruments

There is no significant difference between the fair value of financial assets and financial liabilities and their book value in the Consolidated balance sheet. All financial assets and liabilities are held at amortised cost, apart from the forward exchange contracts which are held at fair value, with changes going through the Consolidated income statement unless subject to hedge accounting. The fair values of the forward exchange contracts have been calculated by a third-party expert, discounting estimated future cash flows on the basis of market expectations of future exchange rates, representing level 2 in the IFRS 13 fair value hierarchy. There were no transfers between levels during any period disclosed.

Credit risk

The Group carries a credit risk relating to non-payment of trade receivables by its customers and establishes an allowance for impairment in respect of trade receivables where recoverability is considered doubtful. In the six months to 31 December 2023, the Group has generally not experienced a deterioration in debtor repayments nor in the assumptions used in calculating allowances for expected credit losses. At 31 December 2023, total expected credit losses amounted to £4,170,000, (3.5% of gross trade receivables), compared with £3,348,000 at 30 June 2023 (2.7% of gross trade receivables).

Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, and the Group continues to use monthly cash flow forecasts on a rolling 12-month basis to monitor cash requirements. Cash and cash equivalents and bank deposits at 31 December 2023 totalled £178,258,000, compared with £206,388,000 at 30 June 2023. This reduction included a dividend payment of £43,195,000 and cash generation from operating activities of £55,570,000 during the period. In consideration of this, the Group remains in a strong liquidity position.

Market risk

The Group continues to mitigate market risk on cash flows using USD, EUR and JPY forward currency contracts. At 31 December 2023 the total nominal value of USD, EUR and JPY forward contracts held for cash flow hedging purposes was £414,873,000 (December 2022: £525,603,000). At 31 December 2023, there were no remaining forward contracts ineffective for cash flow hedging and yet to mature (December 2022: £21,950,000), with no additional forward contracts becoming ineffective for hedge accounting purposes in the six months to 31 December 2023. A decrease of 10% in the highly probable revenue forecasts of Renishaw plc and Renishaw UK Sales Limited, being the hedged item, would result in no forward contracts becoming ineffective at 31 December 2023.

11. Employee benefits

The net surplus of the Group's defined benefit pension schemes, on an IAS 19 basis, has reduced from a £57,371,000 asset at 30 June 2023 to a £9,038,000 asset at 31 December 2023. The difference largely relates to the insurance buy-in of the UK scheme, described below. The US scheme has now been fully terminated, and the Ireland scheme is in a deficit position of £90,000. The approach and methodologies used to calculate liabilities at 31 December 2023 are consistent with 30 June 2023.

During the 6 months to 31 December 2023, the Trustee of the UK defined benefit pension scheme undertook a buy-in and insured around 99% of the Scheme's liabilities by purchasing an insurance policy. This contract is effective from 19 October 2023 and is held in the name of the Trustee. The value of the contract is recognised as a Fund asset for the purposes of IAS19. In line with IAS19.115, for a buy-in insurance contract such as this, where the income received from the policy matches exactly the benefit payments due to the members it is covering, the value attributable to the contract to be recognised as an asset is the equivalent IAS19 value of the corresponding liabilities.

The value of the corresponding IAS19 liabilities for the members covered by the buy-in contract was calculated based on individual member data as at 27 January 2023, allowing for known deaths and transfer-outs between 27 January 2023 and 19 October 2023. The IAS19 liabilities in respect of the buy-in policy were lower than the transaction price of the insurance contract. Consequently, the value attributable to the insurance contract has reduced from the actual price paid, and the resulting remeasurement loss (or 'strain') is recognised in the 'Return on plan assets' item in the Consolidated Statement of Comprehensive Income and Expense. The IAS19 liabilities as at 19 October 2023 were £118,500,000. The final premium paid for the buy-in was £150,400,000, and therefore a loss of £31,900,000 has been reflected in the OCI.

Benefits in the UK Fund are subject to a DC underpin at the point of retirement or transfer out. Historically, this has been allowed for in the accounts in a consistent manner to current administrative practice and the triennial funding valuations. During the buy-in process, it was identified that the drafting of the DC underpin in the UK Fund Rules may require that the DC underpin is applied in a manner which is different to the administrative practice which has been applied. The Trustee and Company are currently seeking legal clarification and advice on this issue. No allowance for this matter has been made in the 31 December 2023 position, due to the uncertainty of legal treatment and therefore any potential impact on liabilities. This position will be reviewed at year-end. There is also uncertainly around the process required to resolve these potential issues, therefore a provision for legal fees relating to this have not yet been recognised.

Separately, in June 2023, the High Court ruled that certain historic amendments made to the rules of the Virgin Media pension scheme were invalid without the scheme's actuary having provided the associated S37 certificates necessary. This judgment has been appealed to the Court of Appeal, particularly the extent to which invalidity of past changes to the Virgin Media pension scheme's rules could affect associated benefit entitlements of members of that pension scheme. If upheld, the High Court's decision could have wider ranging implications, affecting other schemes that were contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016. The UK Fund was contracted out until 5 April 2007 and amendments were made during the relevant period and as such the ruling could have implications for the UK Fund. However, as we are still awaiting a final outcome to the Virgin Media case, the possible implications for the Fund have not been investigated in detail at this stage. The Court of Appeal hearing for the Virgin Media case has been set for 25 June 2024. The Trustee and Company will continue to seek legal advice on the matter and act accordingly.

12. Alternative performance measures

In accordance with Renishaw's Alternative Performance Measures (APMs) policy and ESMA Guidelines on Alternative Performance Measures (2015), APMs are defined as: Revenue at constant exchange rates; Adjusted profit before tax; Adjusted earnings per share; and Adjusted operating profit.

Revenue at constant exchange rates is defined as revenue recalculated using the same rates as were applicable to the previous year and excluding forward contract gains and losses.

Revenue at constant exchange rates	**6 months to 31 December 2023 £'000**	6 months to 31 December 2022 £'000
Statutory revenue as reported	**330,489**	347,679
Adjustment for forward contract losses	**1,853**	7,045
Adjustment to restate at previous year exchange rates	**14,610**	-
Revenue at constant exchange rates	**346,952**	354,724
Year-on-year revenue growth at constant exchange rates	**-2%**	-

Adjusted profit before tax, Adjusted earnings per share and Adjusted operating profit are defined as the profit before tax, earnings per share and operating profit after excluding costs relating to business restructuring, and gains and losses in fair value from forward currency contracts which did not qualify for hedge accounting and which have yet to mature.

The Board considers these alternative performance measures to be more relevant and reliable in evaluating the Group's performance.

Adjusted profit before tax	**6 months to 31 December 2023 £'000**	6 months to 31 December 2022 £'000	Year ended 30 June 2023 £'000
Statutory profit before tax	**56,541**	77,814	145,065
Revised estimate of FY2020 restructuring provisions	**-**	-	(717)
US defined benefit pension scheme past service cost	**-**	-	2,139
Fair value (gains)/losses on financial instruments not eligible for hedge accounting			
- reported in revenue	**-**	(6,142)	(6,903)
- reported in (gains)/losses from the fair value of financial instruments	**-**	1,792	1,399
Adjusted profit before tax	**56,541**	73,464	140,983

Adjusted earnings per share	**6 months to 31 December 2023 pence**	6 months to 31 December 2022 pence	Year ended 30 June 2023 pence
Statutory earnings per share	**62.1**	88.1	159.7
Revised estimate of FY2020 restructuring provisions	**-**	-	(0.8)
US defined benefit pension scheme past service cost	**-**	-	2.2
Fair value (gains)/losses on financial instruments not eligible for hedge accounting			
- reported in revenue	**-**	(6.7)	(7.5)
- reported in (gains)/losses from the fair value of financial instruments	**-**	2.0	1.5
Adjusted earnings per share	**62.1**	83.4	155.1

Adjusted operating profit	**6 months to 31 December 2023 £'000**	6 months to 31 December 2022 £'000	Year ended 30 June 2023 £'000
Statutory operating profit	**47,194**	71,298	134,489
Revised estimate of FY2020 restructuring provisions	**-**	-	(717)
US defined benefit pension scheme past service cost	**-**	-	2,139
Fair value (gains)/losses on financial instruments not eligible for hedge accounting			
- reported in revenue	**-**	(6,142)	(6,903)
- reported in (gains)/losses from the fair value of financial instruments	**-**	1,792	1,399
Adjusted operating profit	**47,194**	66,948	130,407

Adjustments to segmental operating profit:

Manufacturing technologies	**6 months to 31 December 2023 £'000**	6 months to 31 December 2022 £'000	Year ended 30 June 2023 £'000
Operating profit before gains from fair value of financial instruments	**45,953**	72,957	132,843
Revised estimate of FY2020 restructuring provisions	**-**	-	(717)
Fair value gains on financial instruments not eligible for hedge accounting - reported in revenue	**-**	(6,131)	(6,644)
Adjusted manufacturing technologies operating profit	**45,953**	66,826	125,482

Analytical instruments and medical devices	**6 months to 31 December 2023 £'000**	6 months to 31 December 2022 £'000	Year ended 30 June 2023 £'000
Operating profit before gains from fair value of financial instruments	1,241	133	5,184
Fair value gains on financial instruments not eligible for hedge accounting – reported in revenue	-	(11)	(259)
Adjusted analytical instruments and medical devices operating profit	1,241	122	4,925

13. Related party transactions and events subsequent to the end of the reporting period

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Full details of the Group's other related party relationships, transactions and balances are given in the Group's Annual Report for the year ended 30 June 2023.

No related party transactions have taken place in the first six months of the financial year, nor events subsequent to the end of the reporting period, that have materially affected the financial position or the performance of the Group during that period.

14. Responsibility statement

The condensed set of financial statements is the responsibility of, and has been approved by, the Directors. We confirm that to the best of our knowledge:

- As required by DTR 4.2 of the Disclosure Rules and Transparency Rules, the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole. The Interim report has been prepared in accordance with IAS 34, 'Interim Financial Reporting', as issued by the International Accounting Standards Board and as adopted by the UK.
- The Interim report includes a fair review of the information required by:

(a) DTR 4.2.7 of the Disclosure Rules and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
(b) DTR 4.2.8 of the Disclosure Rules and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Allen Roberts FCA
Group Finance Director
6 February 2024

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