



# **Spectris Servomex Virtual Teach-in**

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## **Introduction**

Matthew Wootton

*Investor Relations Director, Spectris plc*

### **Introduction**

Hello, everyone, and welcome to today's teaching on Servomex. I am Matt Wootton, Investor Relations Director, and with me today is Andrew Heath, Chief Executive of Spectris, and James Gravestock, President of Servomex.

Before we begin the presentation, a reminder that if you would like to submit a question about Servomex, you can do so by accessing the questions box that sits below the video player.

And with that, I will hand you over to Andrew.

## **Servomex Teach-in**

Andrew Heath

*Chief Executive Officer, Spectris plc*

James Gravestock

President, Servomex

*Spectris Scientific – "making the invisible, visible"*

**Andrew Heath:** Thank you, Matt. Today is all about providing you with a greater insight into Servomex, a great business that has achieved good growth over a prolonged period, with strong opportunities ahead, given the very attractive nature of its end markets and the strength of its technology, brand, and product offering. From the beginning of 2024, Servomex has been part of the Spectris Scientific division.

And in Spectris Scientific, we brought together three highly complementary precision instrument businesses, Malvern Panalytical, Particle Measuring Systems, and Servomex. Each have leading positions at the premium end of common markets, where their deep domain knowledge is essential and drives high levels of customer intimacy, and where their depth of capability and expertise play a vital role in making the invisible visible for our customers. And with the addition of Micromeritics and SciAps into Malvern Panalytical this year, we have added further strongly differentiated capabilities to the division.

On a pro forma basis for the last financial year, including recent acquisitions, Spectris Scientific had sales of over £900 million and attractive margins of over 20%, with Servomex itself representing just over 10% of the division's sales. As one division of scale, this provides real opportunities to collaborate, sharing best practise in areas like operational effectiveness, including common IT systems and the Spectris Business System (SBS), as well as research and development. I have to say I am really excited about the future potential of Spectris Scientific, in addition to the strong contribution it continues to make to the Group.

*Strategy for sustainable growth*

Before James takes you through Servomex in detail, I want to take this opportunity to explain why we took the decision earlier this year to move Servomex into Spectris Scientific, and how it fits in the context of our strategy and business model.

First of all, Servomex is a high-quality business operating at the premium end of its markets, as demonstrated by strong market positions and market-leading technology that has been developed over the course of 70 years. Its track record and significant future potential are derived not only from its exposure to attractive structural growth markets, but also its high levels of customer intimacy that are underpinned by a strong domain expertise, direct selling model and local support presence.

Similar to the rest of the group, Servomex is also investing in growth through high levels of R&D to develop groundbreaking technology to expand market share in both its core and

adjacent markets, and over time also moving into new markets such as carbon capture and hydrogen. Like all of our businesses, we are deploying the Spectris Business System and our new ERP to expand margins through the delivery of our operational excellence programme. And as you will hear, we are also investing in and upgrading Servomex's facilities.

Also, consistent with the Group's approach, Servomex continues to invest in its people with a focus on engagement and leadership through the Spectris Connect and also the Ascend leadership programme, as well as promoting the importance of STEM across the employee life cycle to ensure the organisation attracts and retains the very best talent.

And with that, I will hand you over to James, who will tell you more about the many qualities of this business.

## **Servomex**

*Analysis that empowers*

**James Gravestock:** Thank you, Andrew.

Good day, everyone in whichever time zone you are joining from. I am James Gravestock, President of Servomex. I started as Servomex President in February 2024, so it is 11 months into the role now.

I am delighted to be leading this fantastic business and to see that it is living both the purpose and values that were so clearly articulated by the Spectris team during the recruitment process. It is very important to me that I am involved in making a positive impact on the world and with Servomex that has prevalent in so much of what we do. That coupled with a talent in the business to meet emerging customer needs by delivering new solutions makes this a very exciting place to be.

In terms of my background, prior to joining Servomex, I worked as an Executive Director with James Cropper plc, leading their advanced materials division with a strong focus on the hydrogen and carbon capture markets.

Prior to that, I led another gas sensing business within Halma, following a long tenure in 3M, leading several of their industrial and medical divisions.

It is my pleasure to present to you about this great business, including how we help our customers make the world cleaner, healthier and more productive, and to share how we are investing to deliver sustainable growth in the future.

*Premium, precision gas measurements for critical environments*

To start, I want to take you back to the classroom and your knowledge of chemistry. This may be painful for some of you, so apologies.

As you may know, there are 118 known elements in the periodic table, 11 of which are gases at room temperature, which combine to form many different gas compounds, as you can see from the bottom right.

It is Servomex's technology and applications expertise that allows customers to detect, measure and analyse these gases in a number of critical environments, where precision is absolutely essential, where customers cannot or will not compromise. From ensuring the purity of gases using critical care environments and semiconductor fabs, to helping industries optimise their processes, reduce emissions and operate cleanly, to supporting new and exciting projects in

carbon capture and hydrogen. Servomex has the technology, the track record and capability to help solve some of our customers' most complex challenges.

*Providing solutions to address a number of secular growth thematic*

In common with other businesses across Spectris, Servomex and our customers are faced with a number of secular growth trends which are here to stay and that underpin the sustainable long-term growth of the business.

For the semiconductor market, there are a number of positive drivers that are fuelling demand for greater volumes and more advanced, faster semiconductors. These include the rapid evolution of AI, the increased use of software to make vehicles more autonomous, and the connectivity of everyday appliances to the internet.

In medical, the landscape is also evolving rapidly. People are living longer, requiring new treatments, particularly for respiratory illnesses. A rise in economic prosperity is increasing accessibility to improved healthcare, and the development and commercialisation of new treatments means the regulatory landscape continues to evolve to ensure they are manufactured safely.

And then more broadly, climate change is driving us to use fossil fuels more responsibly. The move towards meeting net-zero is creating opportunities as part of the energy transition, including the adoption of new fuel sources such as hydrogen. This is clearly great for us as a gas analysis specialist.

And more generally, growth across these end markets is being boosted by onshoring of manufacturing to domestic markets and the associated significant capital investment in new facilities over the next few years.

*Purpose-led – helping customers make the world cleaner, healthier and more productive*

Now, Andrew has already mentioned the importance of purpose and how this underpins what we do every day. As you can see here, Servomex shares this focus by also helping our customers make the world cleaner, healthier and more productive.

Cleaner, by helping customers reduce their emissions, improve combustion efficiency to consume less energy and supporting the production of carbon-free fuels. Healthier, by the provision of sensors for critical care equipment such as ventilators and incubators, and by ensuring safer workplaces. And more productive, where our solutions help customers use resources more efficiently, optimise uptime and improve yields.

I will cover these in more detail in the slides that follow.

*A world leader in premium gas analysis*

So who are Servomex? Headquartered in Crowborough in the UK, the business was established in 1952 and subsequently acquired by Spectris in 1999, and today has over 400 employees in 20 countries.

The company has a rich heritage, developed over 70 years, and in that time became a pioneer in oxygen measurements and has grown to reach its position today as a world leader in premium gas analysis and solutions. The business has a track record of success and innovation, with its technology protected through a combination of US and international patents across 24 patent

families, as well as internal trade secrets. We have a large installed base with approximately 50,000 instruments in the field, providing a strong aftermarket annuity, representing a quarter of our annual sales.

And we have exposure to a number of important end markets. Air separation and semiconductor represents around half of our sales. 40% of sales come from serving the major energy and industrial customers.

And last but not least are our OEM sensors, where we provide our advanced sensors to major OEMs to incorporate into their own products and solutions. And consistent with other businesses in the Group, a key attraction of Servomex for our customers is our high-touch sales approach and our ability to help customers solve their complex problems through our local presence across core markets in Asia, the Americas, and Europe.

*Groundbreaking sensor technology, leading gas analysers and comprehensive systems*

So what do we provide our customers, and where do our sales come from?

Well, we have three core customer offerings. Starting with our proprietary sensor technology, 13 technologies from laser to infrared to plasma. Not only do our sensors power our own gas analysers, but as I have said, we also sell our sensors under the Hummingbird brand to our OEM partners for use in a number of their critical applications.

Having our own sensor technology provides a key competitive advantage for Servomex, as I will come on to describe later.

Our second and largest source of revenue comes from a sale of premium gas analysers, where Servomex's globally recognised and approved on many of our customers' vendor lists. As a trusted supplier, customer relationships tend to be sticky, allowing us to grow with our customers as they grow.

Here we operate in the premium segments of the gas sensing market, and this often means providing a broad range of solutions for hazardous and demanding applications, or where high levels of sensitivity and/or ultra-high purity is required. We also provide a range of portable solutions, providing customers with additional flexibility. And then lastly, around 25% of our sales are recurring and are derived from a sale of spare parts, aftermarket services, and systems.

These sales are underpinned by a global network of engineers in the field, providing rapid support. We also provide custom-built solutions, where we integrate several different gas analysers into one complete system, leveraging the breadth of our product offering and deep applications knowledge.

### **Market Capabilities**

*We operate in a large addressable market with significant opportunities for growth*

So moving on to the market in which we operate, where we estimate the total addressable gas sensing market, or TAM, to be worth over £5 billion.

And as I showed earlier, there are a range of secular growth trends driving our markets, and therefore we expect our addressable market to continue to grow mid-single digits in the coming years.

As already mentioned, we serve the premium part of this large market, which represents around one fifth of the TAM, worth approximately £1.1 billion. And with annual sales of £100 million, our market share is just under 10% of this premium sector.

Now, that market share figure may sound low to you. This is because the premium part of the market is relatively unconsolidated, with a number of discrete technologies matched to specific applications. This emphasises the opportunity we have to penetrate into adjacencies, as well as taking share.

The 10% also reflects our slightly lower market share in hydrocarbon and chemical processing, reflecting the size of the market and number of applications. We concentrate on ten or so core applications that we are very good at, such as ethylene, PTA and process heaters. As you will see later, we have identified a number of exciting opportunities to grow our market share, as well as selectively expanding our serve market through innovation and the development of new technologies and expanding into adjacent markets.

*We serve a number of critical end markets*

So which end markets do we serve, and what are customers looking for? Servomex goes to market through three distinct businesses. Our OEM sensor business sells our technology to our partners in medical industrial markets.

Here, our market-leading sensors are used by OEM partners to make critical medical devices. Our sensors are also used in industrial settings, such as food preservation, industrial processing and general industry. Here, customers are typically focused on how easily our sensors can be integrated into their own products, the total cost of ownership, including ongoing maintenance, and they also need confidence in the ability to meet demand requirements without compromising on quality.

Purity and speciality, as its name suggests, serves markets where the purity of gases is critical. In semiconductor manufacturing, it is all about ultra-high purity gases and accurate trace management down to parts per trillion level to avoid contamination, as even the smallest impurities can cause major defects, reduce yield and result in financial loss. To put that into perspective, parts per trillion is roughly the equivalent of being able to identify one hair on all of the heads of the people in London. Purity assurance is also needed when it comes to medical gases and meeting regulatory requirements.

And then lastly, industrial process and emissions focusses on chemical and hydrocarbon processing and the power generation markets where we enable safer and cleaner processes, as well as helping our customers meet regulatory compliance. Here, applications tend to be more complex and more demanding in very hazardous environments.

With that comes a greater focus on safety. Customers need to know that any potential safety issues are detected immediately, and any response is quick and effective. I comment to all three of the following important purchasing criteria, the accuracy of the measurement, stability and reliability, our applications knowledge and technical expertise, maximising uptime and strong levels of aftersales service and support.

Now I will delve a little deeper into each of our three business segments in turn, starting with the OEM sensors.

## OEM Sensors

*OEM sensors provide Servomex with a source of competitive advantage*

Here we design and manufacture our own sensor technology for sales to OEM partners in the medical and industrial markets, as well as being the underlying technology used in our own portfolio of gas analysers. Examples of key customers here would be the global manufacturers of critical care ventilators, other gas analyser companies and then specialist companies involved in a variety of industries from deep-sea diving to sports medicine.

While an important revenue generator in its own right, developing our own sensors in-house provides us with many advantages and also provides a significant source of competitive advantage. Firstly, it avoids us having to rely on another provider. Second, as you can see on the right-hand side, the breadth of our technologies means we can tailor the optimal solution for customers' requirements, which can vary hugely from customer to customer.

It also means as the customer's requirements and markets evolve, we are ideally placed to resolve any future customer needs through the creation of new innovative sensors, such as tunable lasers or plasma.

*OEM Sensors: Critical medical and industrial applications*

Staying with OEM sensors, this slide really brings home the breadth and variety and the critical nature of their end uses. I will not go through them all and will cover areas like semiconductor and the industrial gas markets in depth later, but I wanted to highlight a couple of examples to really illustrate the breadth of our applications.

Our sensors were in high demand during the COVID pandemic, as they represent a vital component of oxygen sensing ventilators. The pandemic not only highlighted the critical nature of our technology, but also the agility of Servomex in responding to significant changes in customer demand. With COVID hit, we saw a huge increase in demand for Hummingbird sensors for using critical care respirators, many times our usual capacity.

At that time, we worked in partnership with GE Healthcare to develop a simple sensor that we could build in larger volumes and went from concept to market in just short of 14 weeks, including regulatory certification.

At the other end of the scale, our Hummingbird technology is also used to help commercial divers dive deeper for longer, where we have partnered with Fathom Systems based in Scotland. Fathom are an engineering product specialist and the leader in breathing gas analysis across the dive industry.

Its focus is on oxygen carbon dioxide measurements in helium for saturation diving, a technique that allows divers to reduce the risk of decompression sickness when they work at great depths for an extended period, and also provides analysis for air or nitrox diving.

So, as I am sure you will agree, a couple of examples of truly critical applications where customers rely on the strength of our technology.

## Purity & Specialty

*Purity & Specialty – providing critical analysis and measurements where ultra-high purity is essential*

Now moving on to security and speciality, where on this slide we show the value chain that we work across, with our primary focus in bulk production and post purification and quality control.

Starting on the left-hand side of this slide with the bulk production of industrial gas, where air is separated into its component parts. The focus from customers here is on controlling the process and ensuring the desired quality of the product. These customers are the major gas handling companies I am sure you are all familiar with.

Transport and custody transfer is a smaller part of our business, where we sell portable gas analysers to the same customers. Customers here are focused on safety, on loading and unloading, and the quality of the custody transfer stage.

On the right-hand side, post purification and quality control is largely associated with the semiconductor manufacturing sector, where we offer our Ultra range of gas analysers to the major manufacturers.

Our Ultra gas moisture and oxygen analysers provide our customers with a full suite of solutions that can detect impurities down to the part per trillion level of sensitivity. In combination with our particle measuring systems business, Spectris is the only provider able to supply an entire portfolio of solutions to these customers.

*P&S product offering: Air Separation and Semiconductor Manufacturing*

Staying with P&S, the two key applications are air separation in the industrial gas market and semiconductor.

For both end markets, we ensure the level of gas purity during the process. In air separation, air is cooled and split into its component parts, notably oxygen, nitrogen and helium, plus the noble gases, each of these to be sold commercially. Why does purity matter?

Well, different levels of purity are required depending on the end use or application. For example, oxygen needs to be 99.5% pure to be used in a medical context, would be known as medical grade, whereas for welding, it does not need to be so pure. Our analysers detect and measure the concentration of the gases.

For example, the MultiExact 4100 would measure up to four bulk gases at the same time at a parts per million level. Our analysers allow the customers to know exactly where they are in the process as the gases are separated and purified. The key difference in semiconductor is the need for ultra-high purity gases to be used in the manufacturing process.

As node sizes get smaller, this requires our gas analysers to be able to measure at even higher levels of purity. Ultimately, the level of purity needs to be higher than the specification of the node size to avoid any contamination in the process and yield loss. And here we are talking about measuring at parts per billion or parts per trillion level.

As the industry starts to move to the two nanometre, purity becomes even more important with our ability to innovate and manufacture our own sensors, making us extremely well-placed to profit. Here, we are able to support the industrial gas suppliers and the semicon fabs to ensure purity at all stages of the process. We have listed some of our competitive advantages in the



top right, where as well as being able to take ultra-low level measurements, our solutions provide fast measurements, meaning the customer can react quickly and minimise costly downtime.

*P&S customer case study: Semiconductor advanced packaging plant in Singapore*

A great example of how we help customers is shown here, where a major chip manufacturer was building an advanced packaging plant where multiple chips are combined into a single electronics package, improving performance whilst reducing cost and power consumption. The customer needed to ensure ultra-high purity gases are used throughout the manufacturing process to avoid contamination and costly periods of downtime. This is our sweet spot – premium applications where accuracy and reliability are critical.

The customer chose Servomex because of our long track record of providing best in class gas analysis in semiconductors. Our solution not requiring the addition of hydrogen to the sample stream, thereby avoiding the additional safety and technological complexities that this brings. And lastly, our unique position in being able to manufacture all continuous quality control solutions.

This was a significant order for our Ultra range of gas analysers, and we hope to grow our partnership with this customer as they look to build several more similar plants in the future.

### **Industrial Process & Emissions**

*Industrial Process and Emissions (IP&E) – ensuring safety and quality across industrial applications*

Moving on to industrial processes and emissions, where we have a key role to play in ensuring safety, quality and reducing emissions across the value chain. Here our key customers would be the major global oil and chemicals companies and tier-two regional players.

You can see an example of how we support our IP&E customers across the downstream chemicals value chain and examples of the instruments that are used at each stage. We could have equally shown a similar chart for the iron and steel markets, power generation, metals and minerals sector or many other industries. On the left-hand side within pipeline and transport, our analysers are used to ensure safety and quality control when moving feedstocks around and ensuring the transfer of custody during loading and unloading.

However, our primary focus is in the middle. This is where the end product is processed. Our analysers are used to ensure that the process is as safe as it can be, as efficient as it can be, and with a minimal emissions and environmental impact.

They are all linked and through a full range of hazardous area gas analysers we are relied upon to support customers in all of these areas.

And then moving to the right, our analysers are used for safe storage and distribution of the end product.

*IP&E product offering: Chemical and hydrocarbon processing*

On this slide, you can see in more detail the role we play in the central segment of the previous slide, where we manage the various stages of the chemical manufacturing process. This is a good example of how we help our customers make their processes cleaner and safer by helping them to control combustion and other key processes, as well as control emissions, where gas analysis and measurement ultimately helps inform us how to improve both stages.

In the combustion stage, the aim is to ensure safety and also enable the less use of energy by increasing the efficiency of the burn. As chemicals are being manufactured, gas analysis is required to ensure the process is well controlled and safe. Many of these applications are in hazardous environments, and therefore it is essential that gas measurements are accurate and reliable. This will simultaneously minimise risk and massively increase uptime for the customer.

And then by monitoring emissions, the customer can assess how effective and efficient these processes are, whilst also ensuring emissions stay within legislative limits.

Our competitive advantage noted on the top right is derived from the breadth of our technology and robustness of our instruments, which are specially designed for hazardous conditions and/or potentially explosive environments. Our solutions require low or minimal maintenance, giving the non-depleting sensor technologies. Once commissioned by us, their life in the field, can be 10 to 15 years, providing an ongoing source of aftermarket sales.

*IP&E customer case study: Green steel plant in Sweden*

Moving on to an IP&E case study, where we are helping the customer make the world cleaner. Here, the customer, a leader in direct reduction iron technology, was a key supplier to a large green steel plant being built in Sweden that aims to reduce CO<sub>2</sub> emissions by 95% through the use of hydrogen instead of fossil fuels.

Using hydrogen requires gas analysis throughout the plant to control the process and also to monitor the emissions and measure the critical reduction in CO<sub>2</sub>. We originally worked with a customer on a US green steel facility, which led to further orders for green steel plants in North Africa and then onto this one in Sweden.

In all instances, the customer chose Servomex because we have the technology and expertise in direct iron reduction, leveraging our best-in-class analysers alongside extensive knowledge and experience of the application.

This was another significant order that included a full suite of Servomex solutions, including our SpectraExact 2500F, which can analyse flammable sample streams in hazardous areas.

## **Investing in Growth**

*Significant growth opportunities*

Now let us turn to how we are investing in growth.

As I covered earlier, there are literally hundreds of gas compounds, creating a multitude of opportunities to leverage our strong capabilities in a number of profitable niches.

Recognising this, we have bolstered our R&D and technical capability to exploit these opportunities.

Starting with new technologies where we have developed a tunable diode laser, or TDL, a sensor technology that provides substantial benefits. A fit and forget technology, minimising the need for frequent recalibration in tightly controlled, potentially explosive environments, which can take processes offline. This technology will deliver more uptime and a reduced cost of ownership, whilst increasing reliability and provide accurate, instant measurements in mobile applications, something that is not possible with existing non-TDL technologies.

This exciting technology is expected to come to market in 2025, and will open up new applications and expand our served addressable market.

We are also expanding into adjacent markets. We see a great opportunity to grow market share by selling our existing gas analysers into adjacent markets where we are yet to penetrate. These include speciality electronic gases used in the production of LEDs, semiconductors, and PCB assembly. Clean tech, such as waste-to-energy or biomass energy applications, and pharmaceuticals.

And then lastly, we are addressing new markets. We believe we can play a significant role in carbon capture, hydrogen, and the battery electric vehicle market. Each will require extensive gas analysis.

Importantly, Servomex already has strong relationships with the key players, and whilst the pace of development is uncertain at this stage, work is already underway to ensure that we are in a prime position to provide our customers with best-in-class solutions.

*Operational excellence and the Spectris Business System delivering significant benefits and driving margin*

At Servomex, we have really embraced the Spectris Business System, and see it as a key part of driving higher margins. SBS is making a real difference to the way the business operates, delivering a number of improvements. Adopting lean practises takes time, but I have been really impressed at how it is become embedded into our daily work across our sites.

We have seen tangible benefits in the form of reduced lead times, improved delivery performance, and in the efficiency of our assembly lines. We have also used SBS to make a number of changes to optimise the footprint at our sites, including a substantial increase in shipping capacity at our centre of excellence in Boston, helping us meet the growing demand and provide a faster and more efficient service. We have increased our R&D space by 200%, boosting our innovation capabilities and collaboration opportunities.

And we have also invested in automation through the introduction of nurseries, an example of which is shown in the middle image at the bottom of the slide. Nurseries are a piece of automation equipment we have specifically designed to mass calibrate our sensor technologies, eliminating the need to run each sensor through an individual analyser.

And as part of the Spectris "Go-For-Gold" programme, both centres of excellence in the UK and the US have achieved bronze certification, with Servomex receiving five Spectris SBS awards in the last two years.

SBS has delivered tangible benefits of over £5 million over the same period.

I have been involved in various lean programmes through my career, but the level of employee engagement and healthy internal competition does make SBS stand out from the others.

*A strong focus on sustainability*

Before closing, like SBS, sustainability is very much at the heart of what we do across a number of areas.

For our planet, 100% of the energy used by our core global sites is derived from renewable energy. Less than 2% of our waste in the UK goes to landfill, and we continue to drive towards zero waste to landfill across all of our operations. And we recently installed solar panels on the roof of our Crowborough headquarters, which provides over 15% of our electricity needs, with a solar carport plan for early 2025.

For our supply chain, we have completed full product lifecycle assessments as part of our Scope 3 emission reduction plans, the first business within the Spectris group to do so. I am also very proud that our strong focus on sustainability has been recognised externally, with Servomex awarding a gold sustainability rating by EcoVadis for the last three years in a row. We are also making great progress with our top suppliers to undergo EcoVadis assessments.

And then finally for our society, we are actively involved in STEM group activities to attract future talent, and we are also working closely with local groups to share our sustainability best practises across the community.

I am really proud of the team, the achievements, with plenty more to come.

### *Summary*

So to conclude then, Servomex is a great business.

We are a leading provider of premium precision gas solutions for a number of critical environments. Our technology is market-leading, helping customers solve their most complex problems. We operate in a very large addressable market with significant potential to expand beyond the markets we serve today.

We have a large installed base, providing a valuable source of recurring revenue. And finally, our deep and long-standing relationships across our global customer base provide the ideal platform to grow as we enter new markets and expand our product offering.

Thank you all for listening, and now we are going to move on to questions.

## **Q&A**

**Matthew Wootton:** Thank you for that. So Andrew, maybe just start with a question to you if that is okay. So what was it about Servomex that convinced you to move it to become part of Spectris Scientific?

**Andrew Heath:** Yes, so like PMS, Servomex was always in our intention to become one of our core businesses. So as we finished off the portfolio rationalisation with the sale of Red Lion, we have obviously elected at that point to bring Servomex into Spectris Scientific. And the reason for that is that it is a high-quality business that absolutely fits our business model.

Servomex has very strong IP, a strong brand, strong customer recognition, strong capabilities, very much focused at the premium end of the market, with a high end of scientific instruments to meet its customer needs. And it is facing into structurally attractive growth markets, as James has taken you through in the video just now, where we are solving some of our customers' toughest challenges, everything from really sort of generating the next nodes in semiconductor manufacturing through to a very broad variety of ultra-high purity gases for a variety of industrial applications through to safety and emissions.

And additionally, we have been increasing the level of R&D investment, as James again talked about, and we are developing some very innovative and quite disruptive technology, which, we think, are going to be really influential for the business and the market going forward into the future. Servomex absolutely fits all of our business model criteria. And as James rounded out his presentation in terms of continuous improvement, great progress on SBS, some bronze certifications in the manufacturing sites.

We are also doing some great work in terms of some of the back office functions as well. And the culture at Servomex is very strong and absolutely fits with our values across the whole of Spectris.

**Matthew Wootton:** Thanks, Andrew. And James, we have obviously got quite a few questions to cover today. We get asked a lot about competition and competitive environments, so maybe we will kick off with one on that.

So who does Servomex compete with, and what is the competitive environment like?

**James Gravestock:** Thanks, Matt.

So we are certainly operate in competitive markets, and the level of competitive intensity is still, however, relatively low. And that has very much given the barriers of entry. To some extent, these are more moderate for older, simpler technologies.

However, where we play in that premium to the market, then the premium technology requires significant expertise. I guess if you think about who our main competitors are, so main competitors, ABB, Siemens, Teledyne, the Amatex of this world, and then a number of niche providers of individual technologies. The multinationals tend to be more concentrated in the industrial process and emissions space, where that total addressable market is significantly larger than the P&S semicon market, which is clearly more of a niche market.

I guess, why do we compete, and how do we make sure that we stay at the top of the game there? Well, for many years, we have created a strong track record of continuing to invest in new products, to continuing to invest in R&D. And we know that that drives value and differentiation as we stay ahead of the market and certainly ahead of our competition.

We also have an advantage in predominantly serving our customers directly. When you think about where we are located geographically, we have a sales organisation and a service organisation spanning all of the key continents. We are present in over 20 countries directly.

And that has really important for our customers. Our customers are looking for close and strong relationships. They need to know that they can talk directly to the manufacturer, to the OEMs. And many, particularly the niche companies, do not have that capability. So we extend our capability not just through the performance of the product, but also very much through the technical expertise and particular after-sales capability. So it is really, really important that we continue to serve the customer after we have made the sale. And just examples of that, so recently, we have put a new service centre into Korea and a full facility into Shanghai.

**Matthew Wootton:** Thanks, James. And just staying with this theme in terms of competitive edge, what is that? Expand a little bit on the competitive edge that Servomex has.

**James Gravestock:** Yes. I mean, part of the competitive edge, clearly we have talked about being performance, but it is more than performance. So one of the key differentiators for us is actually to be part of our customers' approved vendor lists.

So these AVLs, as we talk about, are critical for customers. So if you are not on the AVL, ultimately, you cannot sell regardless of whether your performance is there. And when we think about other areas that really differentiate, actually a number of our customers are extremely resistant to change.

There is a high risk to them if something goes wrong. So actually, past performance becomes incredibly important for them as they make future purchasing decisions. And then, clearly, as we think about for each of our customers, we have a number of high-performance technologies sitting in their field, in their assets, and that has not easy.

So if we are not managing it, then they are potentially managing themselves. And the idea of then creating a second or third, potentially, supplier into that creates undue and unnecessary complexity, ultimately, for them to be able to manage. So other things that certainly differentiate us from the competition, we have been doing this a long time.

So actually, when you think about, we are actually probably more expert than our customers in many cases because we see so many of these similar applications or the themes that come through. So knowledge and expertise and being able to actually teach our customers, this is the path forward, this is the solution that will get you to the ultimate performance you require is really, really critical for us.

And then, of course, as we have talked about earlier in the presentation, we are able to offer a suite of products. And that has really important. We do not push a customer down one particular route. So we have a number of different areas in which we can solve their problems. And depending on their requirements, depending on their cost profile, then we can give them different solutions.

As I said earlier, that global infrastructure to ensure that we have got either our own direct service organisation or potentially highly trained channel partners supporting the products becomes really, really important.

And then clearly, as I said, we are in 20 countries around the world. So now we will actually be active in far more of those countries. We will visit the customers, we will work directly with their specification teams, their engineering teams, their procurement teams to ensure that we provide the absolute right solution for those customers.

And then, clearly, as we talked about again earlier in the presentation, we are not just an analyser manufacturer. We also supply and design the transducers and the sensors. And that has really the heart of the instrument. So to be able to ensure that we can keep cutting-edge in terms of investing as we have been doing with the laser technologies means that we have proprietary sensors that really tackle a broad range of measurements.

And when we think about the challenges, ultimately for those people who may want to come into the market, the percentage measurements are easy. Once we get to PPM, PPB, or parts per trillion, so that parts per million, parts per billion, or parts per trillion, that has really hard. And that has what we do well.

**Matthew Wootton:** Thanks a lot, James. And that covers quite a lot of the questions we have had on barriers to entry as well. So if I move on to market share, do you want to just talk a little bit about that and how that may vary between the different markets?

Because I think overall market share, I think you said, was just around 10%. However, I think it indexes higher in some and lower in others.

**James Gravestock:** Yes, absolutely. So let us take the P&S market, the industrial gas and semiconductor market. We are significantly stronger there. It is a more consolidated market, more niche applications sitting in there.

However, there we have a market share of around about 20% in both the semiconductor CQC applications and also then very much in that industrial gas air quality and air purity space. And really in that industrial gas, our strength is underpinned by the core technologies. So we have a strong product range and a long-term relationship with many of the tier-one companies, so the Air Liquids, the Linde's, the Air Products of this world. So will have been long-term customers of ours, and we supplied them many, many sites across the world over the last 15, 20 years.

And then in semiconductor, that strength is really driven by both. There is an absolute relationship between us, the air handling companies who are typically providing the gas to the semiconductors. So we would work closely with both the air handling company, but also directly with the fab as well.

And they are really ensuring that we understand and work with different shifting processes as they build different fabs out. There are very different models in which they build. So we flex our business model to manage that, keeping close, again, to both potentially the EPCs who are building in that space, clearly the air handling companies, and also interfacing very closely with the fab manufacturers themselves. All about that performance and sensitivity and getting down to that PPB and PPT level that they require.

I think if you then think about the chemical market and the hydrocarbon markets, then we certainly have a lower market share in that. However, that has very much a reflection of the size of the market and the number of applications. In reality here, we are a niche provider of high-value applications, but certainly not covering the entire market yet. So we concentrate on ten or so core applications around ethylene, process heating, cracking, etc.

And then, obviously, from our perspective, the absolutely important for us is to continue to invest in R&D. You know, the element for us is about if we keep doing that, then we keep maintaining a lead against our competition in those key end markets.

And then whilst we have a relatively high share in known markets, I guess the really key element for me and the exciting part about the Servomex is we are still only 2% of the addressable market. So our customers, and the main customers that we are working with, whether they be the major chemical manufacturers, the refinery companies, whether it be the semiconductor companies, etc., they are all pushing the envelope, and they are all looking at areas where gas is important to them and gas measurement is critical to them.

So if I think about the future for Servomex, then actually if we consider there is 98% of the market that we are not touching currently, clearly we are not going to go after all that, but there will absolutely be profitable niches sitting in there that we can extend our market and getting into close adjacencies.

**Matthew Wootton:** Fantastic, thanks James. So growth and margins, we move on to that subject next and two parts here. How does the historic growth rate of Servomex compare to the Spectris cycle target of 6-7%, and then linked to that, are you spending more on R&D at the moment than you did a few years ago and maybe a bit of an indication on vitality index perhaps?

**James Gravestock:** Yes, absolutely. So historic growth rate, we have broadly tracked with the market, so we have tracked mid-single-digit growth and I think that has been very much a

function of the strategy that Servomex has taken, which has been very much about concentrating on a small number of applications. So that has given us our ability to entrench ourselves, to be very, very closely linked with the key players to get onto those approved vendor lists, those AVLs that are so important as a ticket to play. I guess the challenge now is how do we start to extend that?

As I talked about earlier in the presentation and just now, there are many, many other profitable niches in the market that give us an opportunity to grow far faster to that 7% and get through to the Spectris growth rate that we require. How do we do that? Well, absolutely, there is an element around sales and marketing excellence, but it cannot just be that, it is also about a continued investment in R&D. So technology, performance, there are new applications coming into the market all the time that give us opportunities, but we will have to develop new products and solutions to get after that.

**Matthew Wootton:** Fantastic. And then just about following on from that historical level of profitability at Servomex and what you think the opportunities are to drive that profitability for the next few years. And then after that, we will probably come on to talk a little bit more about your medium-term targets, your areas of focus.

**James Gravestock:** Yes, absolutely. So the historic margin for Servomex has been mid-teens, clearly an opportunity for us to improve. And I think I look at this in two or three different ways. So there is an element for us in terms of being able to drive more profitability simply by creating sales and marketing excellence in the business.

However, then particularly as we start to think about our MVI, and our MVI running at 21% last year, we want to push that up to 30% by 2027. Clearly, as we bring in new products, they should be accretive. If we think about the mix profile that we want to take, then ultimately that opportunity for us to bring higher-value products to the market and ultimately extract more value from those will allow us to push our contribution gross margin up further.

And then on the flip side, working and continuing to focus on SBS, continue to bring lean principles into the business. As we start to look into the future and bring in the new ERP system in, all of these give us opportunities to essentially take cost out of the back of the organisation, put it into front of the organisation, not all of it, and then drive us to that 20-plus percent goal.

**Matthew Wootton:** Fantastic. And then medium-term targets around innovation, maybe customer experience, OPEX, development of the team?

**James Gravestock:** Yes. So those are ultimately our four key things. So what are the main targets for us? So absolutely drive innovation.

That is going to be the heart of and has been the heart of Servomex and I think with an improved sales and marketing organisation also feeding into that ideation stage, we already have the ticket to play. We already are interfacing with the largest customers in the world in this space. What we now need to do is essentially push our organisation to ensure that they understand, okay, where are those unmet needs? Where are those opportunities? Where are those emerging opportunities that are still nascent, that there are no incumbents in that we can take share from? So innovation clearly being really important for us.

And I guess to bolster that, we have also announced two new roles. So we have a new marketing director and a new technical director coming into the organisation. And ultimately,



the drive there is to ensure that we understand where those profitable niches are, stretch that service addressable market.

And this is kind of not unknown to me. So obviously, I think in the bio, it talks about I used to work for Halma. And certainly, one of the drivers in that business was to drive the top-line through innovation.

I was very fortunate with the gas company that I ran there to win innovation company of the year. I do not know if it was, let us say, fortunate, but we did a lot of work on it. However, ultimately, if I step back into Servomex, there are great skills in the business. And I am absolutely certain that those two new additions will galvanise those teams to be able to drive innovation forward.

Flip side, though, absolutely. If we think about SBS, that we are super focused on reducing our cost to serve. We can grow the top line, for sure. And we can improve that high gross margin. However, the reality is we also have to double down on our OPEX. And there are numerous opportunities, even in 2025, that we are pushing really hard to make those pay directly into the P&L.

And then clearly, if we think about having products, it is great. And having great products for our customers to buy is great. However, we are recognising that it is not all about performance. So buying decisions from our customers are also very much being driven by customer centricity from the supply base.

So as we start to think about how do we differentiate, how do we grow our share, then we can do a great job on the technology? We can do a great job on OPEX. However, there is a whole other element of our focus, which is very much about aligning our business models. How do we beat the competition in terms of being faster to market? How do we understand? How do we serve the customer better that allows them to place the order with us than somebody else? So our strategy ultimately is to be best in class in that customer experience piece.

And then, clearly, nothing happens without the team. So one of the things that we are working very closely with, and I have been very fortunate to come into an organisation, as with the other Spectris Op-Cos, it has had great strides in improving employee engagement. We have a highly engaged organisation, and we will continue to do that.

However, we are really now looking also about have we got the most effective organisation? So ensuring that as we think about the future, have we got the right size, we have the right structure of the business, then clearly attracting, retaining, and building a talent pool.

**Matthew Wootton:** Fantastic. And then we just want to switch it to customers, markets, and products, James. So slightly moving subject area.

You sell to large customers in oil and gas, gas handling, and semiconductor markets. I just want to know, is that the case across the whole business, and how concentrated your customer base is?

**James Gravestock:** Yes, it is fairly concentrated. So, top 100 customers make up about 80% of our sales. And clearly, we have a very strong key account approach to working with those customers, really directly involved with those on a global basis and a local basis. So working within regions, within territories, and particularly as they shift their own operating models, then we adapt our process to follow those.

And then the remaining 20% of the business comes from a long tail. So around about 10,000 customers who can buy anything from two or three analysers a year to maybe one analyser every 10 years.

If we think about semi, the major semiconductor customers and the main suppliers are our largest customers. It is become more consolidated with the big foreign air handling companies, certainly as they have extended their reach with M&A. And then similar story in a small number of actors in the semicon market. Albeit, certainly as I have no doubt that the audience will be familiar with, it is becoming more complex.

Investment is certainly changing, and we are seeing reshoring activities in North America, Europe, and Japan. And as that starts to change, that investment cycle, we are seeing new alliances. We are seeing JVs. And again, the closeness to the market that we have with our strong account management means that we follow this very, very closely.

Slightly different story in the industrial process emission space. There are clearly big players here. From the chemical and energy majors, you think about the INEOSes, the Saudi Aramcos, the Shells, etc. However, it is also a much more fragmented market. And we have a much broader industrial sector with completely different applications in there.

And here, when we think about how do we sell to these companies, then often with the larger companies, we will still go with a direct model, but we also have a very strong partner model, which allows us to enhance our reach.

**Matthew Wootton:** That is great. Thanks, James. And then pricing power. Price is important, but that has not the most important factor in terms of the customer decision, then?

**James Gravestock:** No. Certainly, price is an important factor. However, ultimately, it comes down to the sensitivity of the products, the reliability, and as I have talked about earlier, very much local and global domain expertise. This is all about ongoing service support.

So if we think about the cost of downtime for poor process control or safety, it is enormous in the markets we serve. So customers absolutely understand that they are paying for premium products, but that minimises their risk. Continually assessing pricing is something that we do on a regular basis, understanding the applications, understanding the competition and the cost drivers.

However, ultimately, when we think about our premium solutions, we work very closely with our major customers and actually have, in many cases, global framework agreements that are written in stone for us. So it makes a negotiation, almost takes that off the table, and then we can concentrate on making sure that we give the products and the solutions that are exactly meeting the customer's requirements. So price is important. It is not the most critical aspect.

**Matthew Wootton:** And geographical mix, half of your sales are in Asia. I am just wondering how much of that is China, and how do you see the geographical mix of sales moving over time?

**James Gravestock:** So roughly 50% of our Asia sales sit in China. Currently, China is going to remain a major market for us. However, I think, as I mentioned earlier, if we think about some of the macroeconomic changes and geopolitical changes taking place, such as the CHIPS Act, the reality is we are likely to see, certainly in the semiconductor market, a greater proportion of sales coming out of China and being put into, whether it be Japan, but also seeing very much investment sitting in Europe and North America, where historically that has not been

the case. I am certainly very pleased to say that we won our first major contract with one of the European fab manufacturers this year. So we are seeing that very much coming to life right now.

**Matthew Wootton:** That is great. And then just on operations, operational excellence, to talk a little bit about capital intensity perhaps, and also if you think SBS is a ten-year journey, where are you on that ten-year journey?

**James Gravestock:** I mean, we are a designer, a manufacturer of electronic equipment. So the reality is we are relatively light CAPEX from a CAPEX perspective. If we are utilising CAPEX, it is very much around automation of the processes in the assembly.

And ultimately, that has all about driving up our gross margin up and improving that return on sales. So we do invest in CAPEX, but it is certainly not heavy industry in that respect.

**Matthew Wootton:** And SBS, whereon that ten-year journey, do you think?

**James Gravestock:** So it is well embedded. We understand it really well now. So I think the teams have gone on a journey over the last two or three years, particularly in terms of honing their skills, honing their understanding.

I think we are now at the point where we are going to start to really deploy that and see benefits from it. So it is going to be critical for us. There are plenty of opportunities that we see across the board, both from an operations perspective, from a manufacturing perspective in North America and also in the UK, but also applying that more generally and more broadly in terms of the back office processes we have.

So we understand it well. As I said, I have been in a number of organisations that have committed to lean principles. I think this is the most committed company I have seen to doing it.

Now it is about making it happen.

**Matthew Wootton:** Excellent. I am conscious of time. I think we have got time for one last question, James.

In terms of the overlap between Servomex, Malvern Panalytical and PMS, what do you see as the obvious synergy opportunities between those all fantastic businesses underneath that division?

**James Gravestock:** Yes. So the very obvious one is with our sister company, PMS. We both serve the semiconductor market and their particle measurement solution is a key part of the CQC solution that we take. So we typically take five or six different sensing technologies to those customers.

So we work incredibly closely with PMS already. And in many cases, we will front up and actually sell the PMS solution for them. They probably will not thank me for saying that. So it sells itself, I will say. Though, more generally, I think there are fantastic opportunities where we can share knowledge across the semiconductor market. It is becoming more complex with the partnership.

So I think opportunities for us to continue to share, I guess, sales and marketing information. However, then I think more generally, good practise. I think there are pockets of absolute best practise in each of the three scientific businesses.

And as much as we have worked closely together in the past, I think the formation of Scientific just means that it will happen, I think, more naturally. And certainly, under Derek's leadership, Terry, Andy and I, the three presidents, we are already working really closely. And then maybe more specifically, and I guess why I am excited about the M&As and even if I am not necessarily directly benefiting from them, they are bringing new technologies to us.

So we are already working very closely with SciAps. They have got a really interesting technology that we think we will be able to potentially adapt to a gas-sensing technology. So there are plenty of opportunities, I think, for co-collaboration across innovation, which is going to be the heart of all three of the businesses in Scientific.

**Matthew Wootton:** Fantastic. Thanks very much, James. That brings us to the end of the Q&A.

Thanks very much to James and to Andrew for hosting today. There will be a number of questions that we may not have got to on the written questions you were able to submit. So we will get round to those.

Brian and I will reach out and make sure we answer those the best we can. Thanks again for listening and have a great week.

[END OF TRANSCRIPT]