Spectris plc – 2023 full year results

29 February 2024 – Spectris plc (SXS: LSE), the expert in providing insight through precision measurement, announces full year results for the year ended 31 December 2023.

Double-digit like-for-like (LFL) sales growth and record profit

Andrew Heath, Chief Executive said:
"We made further, excellent progress in 2023, delivering another year of double-digit sales growth, record profit and an operating margin in excess of 18%. But we are far from done. The combination of the improved quality of the Group, our strong self-help story and the significant opportunities that lie ahead gives me great confidence in our future prospects, with the delivery of further margin expansion in 2024 providing another step towards margins in excess of 20%."

Continuing operations	2023	2022	Change	LFL change[1]
Adjusted[1]				
Sales (£m)	**1,449.2**	1,327.4	9%	10%
Operating profit (£m)	**262.5**	222.4	18%	18%
Operating margin (%)	**18.1%**	16.8%	130bps	130bps
Profit before tax (£m)	**263.6**	219.7	20%	
Earnings per share (pence)	**199.7p**	159.9p	25%	
Adjusted cash conversion (%)	**103%**	74%	29pp	
Return on gross capital employed (%)	**18.5%**	16.0%	250bps	
Statutory				
Sales (£m)	**1,449.2**	1,327.4	9%	
Operating profit (£m)	**188.6**	172.6	9%	
Operating margin (%)	**13.0%**	13.0%	Flat	
Profit before tax (£m)	**185.6**	151.5	23%	
Cash generated from operations	**245.5**	166.8	47%	
Basic earnings per share (pence)	**140.3p**	106.7p	31%	
Dividend per share (pence)	**79.2p**	75.4p	5%	

1. **Alternative performance measures (APMs)** are used consistently throughout this press release and are referred to as 'adjusted' or 'like-for-like' (LFL). These are defined in full and reconciled to the reported statutory measures in the appendix in the Consolidated Financial Statements.

Strong financial performance driven by continued execution of our Strategy

- LFL sales up 10%, a third successive year of double-digit LFL sales growth
- Strong margin progression with adjusted operating margin up 130bps at 18.1% (2022: 16.8%)
- Record adjusted operating profit, up 18% at £262.5 million (2022: £222.4 million)
- Statutory profit before tax up 23% at £185.6 million (2022: £151.5 million)
- Adjusted earnings per share increased by 25% to 199.7p (2022: 159.9p)
- Return on Gross Capital Employed (ROGCE) increased to 18.5% (2022: 16.0%)
- Strong cash performance with adjusted cash conversion of 103% (2022: 74%)

Great businesses delivering strong growth and margin expansion

- Scientific: sales up 7% (LFL: 12%); adjusted operating margin up 70bps at 22.0% (2022: 21.3%)
- Dynamics: sales up 10% (LFL: 6%); adjusted operating margin up 220bps at 17.2% (2022: 15.0%)

Investing for growth and attractive shareholder returns supported by a strong balance sheet

- New product launches in all businesses underpinned by investment in R&D
- Completion of four acquisitions/investments in 2023 (total consideration of £60 million)
- Divestment of Red Lion Controls will complete portfolio rationalisation
- Completion of £300 million share buyback with additional £150 million programme underway
- Dividend per share increase of 5%; 34 years of continuous dividend growth
- Strong balance sheet with net cash of £138.8 million (2022: £228.0 million)

Outlook for 2024
The Group's resilience, leading product portfolio and broad end market exposure, combined with a strong self-help story, provides confidence in the Group's ability to navigate an uncertain macroeconomic environment this year.

We expect to deliver another year of further progress in 2024, including margin expansion, after taking into account the impact of the Red Lion disposal. Progress is expected to be weighted towards the second half reflecting the strong performance of the Group in the first half of 2023 and an improving outlook in a number of key end markets.

Contacts:

Spectris plc
Andrew Heath, Chief Executive Officer
Derek Harding, Chief Financial Officer
Mathew Wootton, Director of Investor Relations

Teneo
Martin Robinson
Giles Kernick
+44 20 7353 4200

Analyst Presentation and webcast

An analyst presentation will be held at 10am GMT today at Bank of America, 2 King Edward Street, London EC1A 1HQ. This will be available as a live webcast via the following link: https://www.investis-live.com/spectris/65aa4d2dbacfa60c00ab5ebf/mnby with a recording made available on the Spectris website following the meeting.

The Q&A conference call can also be accessed with the following dial-in details:
United Kingdom (Local): +44 20 3936 2999
United Kingdom (Toll-Free): +44 800 358 1035
Access Code: 236854

About Spectris

Spectris combines precision with purpose, delivering progress for a more sustainable world. We provide critical insights to our customers through premium precision measurement solutions combined with technical expertise and deep domain knowledge. Precision is at the heart of what we do - our leading, high-tech instruments and software equip our customers to solve some of their greatest challenges to make the world cleaner, healthier and more productive. We are focused on two key Divisions – Spectris Scientific and Spectris Dynamics, which are placed in technology-driven end markets, with strong fundamentals and attractive growth trajectories. We have leading market positions in premium segments and employ 7,300 people located in more than 30 countries, all united behind our Purpose to deliver value beyond measure for all our stakeholders. For more information, visit www.spectris.com.

Chief Executive Review - an excellent 2023, with exciting opportunities ahead

Double-digit LFL sales growth with strong margin expansion and record operating profit

2023 was an excellent year for Spectris, reflecting the strength of the business and the strong execution of our Strategy for Sustainable Growth. Our people have continued to aim high, delivering a third successive year of double-digit sales growth and record profitability. Our strong performance is consistent with the ambitious, medium-term targets we laid out in October 2022 and provides further evidence of how we have improved the quality and resilience of our business.

I would like to thank all my colleagues across Spectris for their commitment to delivering positive outcomes for our customers, working hard for each other and driving great results for the Group. Thank you for living our Values and inspiring a bold, high-performing culture that continually goes beyond and embraces our Purpose to make the world cleaner, healthier and more productive.

Despite the return of more normal customer ordering patterns in 2023, following the easing of global supply chains, our order book remains robust, providing good levels of visibility as we entered 2024. Order cover of between 4 and 5 months is higher than where the Group has been historically pre-pandemic, is in line with our expectations and consistent with where we expect order cover to settle over the medium-term.

We maintained strong sales momentum, with LFL sales growth of 10% which was ahead of our end markets, reflecting the introduction of exciting new products and the excellent conversion of our record order book at the start of the year. LFL sales exceeded the expected medium-term market growth rates in each of our major end markets with the exception of life sciences/pharmaceutical, where sales were 9% lower. This reflects the earlier normalisation of demand in this market after strong growth in 2022 and 2021.

Industry	Sales 2023 (£m)	Sales as % of total Group	LFL sales Growth %	Expected medium-term market growth %
Life sciences / pharmaceutical	267	18%	-9%	5-7%
Technology-led industrials	233	16%	8%	5-7%
Electronics and semiconductor	175	12%	19%	6-8%
Automotive	149	10%	8%	4-6%
Materials	142	10%	16%	5-6%
Academic research	142	10%	29%	5-6%
Other	341	24%	19%	3-5%

We also continue to deliver higher quality, more profitable growth, with Spectris Dynamics producing a particularly impressive performance, delivering on the targets they set at the start of the year and carrying good momentum into 2024. Our focus on operational excellence, positive net pricing and a more benign input cost environment resulted in a 130bps increase in adjusted operating margins. The improved productivity and competitiveness is being driven through the Spectris Business System (SBS), which once again delivered significant, incremental benefits in 2023, materially contributing to the increase in profitability.

The Group delivered a record adjusted operating profit in 2023 – above our previous high in 2019, even after our divestment programme. Our adjusted operating margin of 18.1% fulfils a pledge we made when I joined Spectris in 2018, to restore Spectris to its previous margin highs. It is evidence of the progress made and the strength of our businesses, that we now see this as a stepping stone, on our way to margins in excess of 20%.

We are highly cash generative, with cash conversion over 100% on an adjusted basis, enabling us to maintain very strong balance sheet optionality and flexibility to invest in growth.

During the year we invested £108 million in R&D to ensure the future pipeline remains strong. We continue to have significant success in commercialising our technology with a number of new products launched in the year with additional exciting launches planned for 2024. We made four acquisitions/investments to bolster our capabilities and continued to develop further acquisition opportunities which we will work hard to realise in 2024. And in accordance with our capital allocation priorities, we completed the £300 million share buyback programme announced in April 2022 and commenced the first tranche of the £150 million share buyback programme announced in December 2023.

Towards the end of the year, we announced the sale of Red Lion Controls which, when completed, will mark the conclusion of the portfolio rationalisation envisaged in 2019. This programme has simplified and focused the Group through the divestment of eight businesses, at attractive valuations, generating £1.4 billion in gross proceeds, allowing us to reinvest in our future, as well as underpinning returns to shareholders.

The SBS represents a key building block to meeting our medium-term adjusted operating margin target of 20% plus. I have been impressed with the commitment to the SBS and the tangible progress I have seen across our sites during my visits throughout 2023. During the year, we commenced our ‘Bronze, Silver, Gold’ certification programme to drive lean operations across our core operational metrics, with seven of our sites achieving Bronze certification by the end of the year.

And we have enhanced our credentials as a leading sustainable business making strong progress towards our Net Zero ambition with a 27% reduction in our scope 1 and 2 emissions and achieving an ‘A-’ in our recent CDP rating. I am also very pleased with the progress we are making to ensure Spectris continues to be a great place to work with our engagement scores increasing again in 2023, rising to 3.92 (out of 5.00), up from 3.86 in 2022 and 3.72 in 2021.

Our performance in 2023 provides further evidence of the renewed strength of the business and demonstrates the benefit of the breadth of our portfolio, with exposure to both early-cycle and late-cycle end markets, with broad geographic exposure. Our high-quality, focused business, along with our strong self-help story, provides confidence in our outlook for 2024 and beyond.

Significant opportunities lie ahead for the Group

Spectris today is a very different business than it was five years ago. We have carefully and systematically refocused the Group around premium precision measurement businesses with attractive financial characteristics and long-term sustainable growth prospects, where we are solving some of our customers’ toughest challenges.

We have already seen the impact on our performance, delivering strong levels of organic growth and increased operating margins. We have also significantly strengthened our financial position, while increasing investment in future growth through higher levels of R&D and targeted M&A. And alongside this, we have steadily increased shareholder returns through our progressive dividend and share buyback programmes.

But we are far from done. We are working to truly unlock the Group’s full potential. With great people united behind a clear Strategy and common Purpose, I have never been more excited about the future for Spectris as I am today.

Spectris today is a higher quality business. The progress and investments we have made have created a stronger platform and a business with a clear Purpose. I have often said that we are a business blessed with opportunities, and we now more focused in our pursuit of them than ever before.

In 2024 and beyond, we will build on these strong foundations. We cannot remove the uncertainty from some of our end markets, but there are a number of levers we control to drive further progress in the years ahead. These ‘self-help’ opportunities include the implementation of a programme to transform our business processes, via the rollout of a single, cloud-based ERP solution, in addition to the SBS. The new system will provide a number of benefits, improving the visibility we have across the business, increasing our efficiency and making us more agile. Once complete, the new system will contribute an additional 150bps of margin, an important building block towards our target of at least 20%.

We are focused on creating shareholder value through a balanced approach to capital allocation. Our strong balance sheet provides the flexibility to maintain high levels of investment in R&D. We have a strong pipeline of new products and services that we will bring to market over the coming years, improving the vitality of our portfolio and helping us maintain our competitive advantage.

Compounding growth through targeted acquisitions remains a top priority and we would like to build on the 12 acquisitions and investments we have made since 2019. We have strengthened our teams within the business, generating leads, evaluating opportunities and maintaining a healthy pipeline of potential acquisitions, ranging from small bolt-ons to larger acquisitions.

And, as we have demonstrated, we will return excess cash to shareholders if opportunities to make acquisitions do not crystallise in a reasonable time-period. When completed, our latest £150 million share buyback programme will increase the total amount of cash returned to shareholders through buyback programmes to £650 million since 2019.

We will also continue to build on the great progress we have made by reducing our impact on the planet through our sustainability initiatives, to meet our Net Zero goals by 2030 and 2040. And we are building a lasting legacy for future generations through our work with the Spectris Foundation, with a plan to contribute an additional £6 million between 2023 and 2030 to support access to quality education in Science, Technology, Engineering and Mathematics for people across all backgrounds.

Delivering on these initiatives and opportunities is only made possible by the determination of our people, working for each other, and with our customers, to help solve some of their most critical challenges. I am proud of the work we have done to create a healthy, high-performance culture, a critical ingredient in our recent and future success. We will continue to invest in our people to drive even higher levels of engagement as we execute our Strategy.

Despite the near-term macroeconomic environment, I am more confident than ever in the future for Spectris, as a leading sustainable business, capable of compounding growth through the cycle and continuing to expand margins.

Strategy for Sustainable Growth

Our Strategy for Sustainable Growth is delivering compound growth and increased profitability, along with strong cash flow and returns on invested capital. This is reflected in our medium-term performance targets for the Group to deliver:

- Organic sales growth of 6-7% through the cycle
- Adjusted operating margin of 20%+
- Cash conversion of 80-90%
- Return on gross capital employed (ROGCE) in the mid-teens %
- Net Zero and increased employee engagement

The achievement of these performance objectives will materially enhance the value of the Group and deliver significant benefits to all of Spectris’ stakeholders.

The Group’s Strategy and business model is aligned to delivering this framework, through six key elements each of which is covered in detail in our Annual Report and the divisional reviews.

1. **Great businesses**
   Asset-light businesses focused on premium, precision measurement solutions and industry-leading domain expertise, aligned with our Purpose.
2. **Structural growth markets**
   Aligned with attractive, sustainable, structural growth markets with high barriers to entry.
3. **Customer centricity**
   Solving our customers' challenges with leading, differentiated solutions, equipping them to make the world cleaner, healthier and more productive.
4. **Investing in growth**
   Disciplined capital allocation for the benefit of all stakeholders – investment in growth through R&D and M&A.
5. **Operational excellence**
   Leveraging the SBS business improvement projects and our high-performance culture.
6. **People and Culture**
   Purpose-led, healthy, high-performance culture with a clear ambition to create a positive and lasting impact on the planet and society.

Summary and outlook

The Group's resilience, leading product portfolio and broad end market exposure, combined with a strong self-help story, gives me confidence in the Group's ability to navigate an uncertain macroeconomic environment this year.

We expect to deliver another year of further progress in 2024, including margin expansion, after taking into account the impact of the Red Lion disposal. Progress is expected to be weighted towards the second half reflecting the strong performance of the Group in the first half of 2023 and an improving outlook in a number of key end markets.

Andrew Heath
Chief Executive

Financial review

Financial performance

Continuing operations	2023 £m	2022 £m
Sales	1,449.2	1,327.4
Cost of sales	(611.1)	(576.6)
Gross profit	838.1	750.8
Indirect production and engineering expenses	(126.9)	(114.1)
Sales and marketing expenses	(249.6)	(233.0)
Administrative expenses	(273.0)	(231.1)
Operating profit	188.6	172.6

Sales increased by 9% or £121.8 million to £1,449.2 million (2022: £1,327.4 million) on a continuing basis. Gross profit increased by £87.3 million driven by a combination of pricing, increased volumes, a more benign input cost environment and cost efficiencies derived from the SBS.

Selling, General & Administration (SG&A) expenses increased by £71.3 million, resulting from higher staff costs including salaries, an increase in travel costs reflecting a return to more normal levels of customer interaction, and foreign exchange impacts from translation and revaluation.

Included within SG&A are configuration and customisation costs carried out by third parties on material software-as-a-Service (SaaS) project costs of £40.0 million (2022: £21.7 million), to support the implementation of a new SAP cloud-based ERP system. This is a significant multi-year programme that will continue in 2024. Investment in R&D increased by £4.3 million to £108.1 million representing 7.5% of sales (2022: £103.8 million or 7.8% of sales).

Headcount increased by 1.4% versus the comparative period, with increases to support growth offset by efficiencies from the SBS and structural changes, mainly within Spectris Dynamics.

Statutory operating profit was £188.6 million, an increase of £16.0 million (2022: £172.6 million). Statutory operating margin of 13.0% was in line with 2022 (13.0%).

Statutory to adjusted operating profit

Continuing operations	2023 £m	2022 £m
Statutory operating profit	188.6	172.6
Net transaction-related costs and fair value adjustments	14.0	8.3
Spectris Foundation Contribution	1.0	-
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	-	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	40.0	21.7
Amortisation of acquisition-related intangible assets	18.9	19.6
Adjusted operating profit	262.5	222.4

Net transaction-related costs and fair value adjustments were £14.0 million (2022: £8.3 million) primarily relating to the acquisitions completed during both the current and prior years.

In 2023, the Group made an additional contribution of £1.0 million to the Spectris Foundation (2022: £nil). Consistent with the prior year, material SaaS project costs of £40.0 million (2022: £21.7 million) are excluded from adjusted operating profit, as are amortisation of acquisition-related intangible assets £18.9 million (2022: £19.6 million).

Our adjusted operating margin of 18.1% was 130bps higher than the comparative period (2022: 16.8%) resulting in a record level of adjusted operating profit of £262.5 million (2022: £222.4 million) an increase of 18% (18% on a LFL basis). As a result of this excellent performance, which is testament to the hard work of our colleagues, we are well on our way to meeting our medium-term target to deliver margins in excess of 20%.

Statutory operating profit to profit before tax

Statutory profit before tax for the period of £185.6 million (2022: £151.5 million) is calculated after net finance income of £6.9 million (2022: £17.3 million cost) and £12.6 million loss on disposal of businesses, predominantly related to the divestment of Concept Life Sciences (CLS) (2022: £0.3 million profit).

Continuing operations	2023 £m	2022 £m
Statutory operating profit	**188.6**	172.6
Fair value through profit and loss movements on debt instruments	**2.8**	(4.1)
Share of post-tax results of associates	**(0.1)**	-
(Loss)/profit on disposal of businesses	**(12.6)**	0.3
Finance income	**11.0**	1.9
Finance costs	**(4.1)**	(19.2)
Statutory profit before tax	**185.6**	151.5

The £24.2 million improvement in net finance income was mainly due to retranslation of short-term intercompany loan balances that moved from a £14.6 million loss in 2022 to a £5.7 million gain in 2023. This reflects the strengthening of Sterling against both the Euro and US Dollar over the last 12 months, compared with 2022 where Sterling weakened markedly against both currencies.

Bank interest receivable was £3.8 million higher, due to a higher average cash balance and the significant increase in Sterling interest rates during the year. There have been no drawings against our loan facilities during the year, with interest payable solely relating to the commitment fee on the Revolving Credit Facility (RCF) and the amortisation of capitalised loan fees relating to this facility.

On 31 March 2023, the Group disposed of the remaining part of CLS, which formed part of the Spectris Scientific Division. The consideration received of £15.5 million was settled in cash, resulting in a loss on disposal of £10.3 million. Further details are provided in note 8. Also included in the £12.6 million loss on disposal of businesses is £2.3 million of transaction costs relating to prior year disposals.

Tax

The effective tax rate on adjusted profit before tax for 2023 was 21.5% (2022: 21.7%). The effective tax rate on statutory profit before tax was 21.7% (2022: 24.2%).

Earnings per share

Adjusted earnings per share grew by 25% to 199.7 pence (2022: 159.9 pence). Statutory earnings per share of 140.3 pence were 31% ahead of the prior year (2022: 106.7 pence).

LFL movements

After very strong order intake growth of 9% on a LFL basis in 2022, the easing of global supply chains has led to the return of more normal customer ordering patterns in 2023 with order intake 5% lower on a LFL basis for the full year. On a LFL basis, orders in North America and Europe were down 0.5%

and 3% respectively, with Asia 10% lower largely driven by China where demand has been slower to recover.

LFL sales increased by £132.4 million (10%), reflecting the excellent conversion of our record order book at the start of the year and the easing of global supply chains. Acquisitions, net of disposals, increased sales by £5.4 million (0%) and foreign exchange movements decreased sales by £16.0 million (1%). The relative contribution of the drivers of sales growth reversed in 2023 as expected, with LFL sales growth of 10% comprising 8% price and 2% volume.

Strong sales growth, alongside positive net pricing and a more benign input cost environment as supply chains improved resulted in a 120bps increase in adjusted gross margins. Within this, Spectris Dynamics delivered a particularly impressive performance, delivering on the target they set at the start of the year. LFL adjusted gross margins increased by 90bps to 57.6%.

Cash flow

Adjusted cash flow from continuing operations increased by £107.3 million to £271.1 million compared to 2022, resulting in an adjusted cash conversion rate from continuing operations of 103% (2022: 74%).

Adjusted cash flow from continuing operations	2023 £m	2022 £m
Adjusted operating profit	**262.5**	222.4
Adjusted depreciation and software amortisation[1]	**38.8**	39.6
Working capital and other non-cash movements	**(5.5)**	(54.1)
Capital expenditure	**(24.7)**	(44.1)
Adjusted cash flow from continuing operations	**271.1**	163.8
Adjusted cash flow conversion from continuing operations	**103%**	74%

1. Adjusted depreciation and software amortisation represent depreciation of property, plant and equipment, software and internal development amortisation, adjusted for depreciation of acquisition-related fair value adjustments to property, plant and equipment.

The Group generated a substantial increase in adjusted cash flow from continuing operations driven by the increase in adjusted operating profit, a significantly lower net outflow in working capital and lower levels of capital expenditure.

Capital expenditure of £24.7 million (2022: £44.1 million) equated to 1.7% of sales, compared to 3.3% in 2022. The lower level of expenditure in 2023 reflects the phasing of spend relating to the new PMS facility in Colorado that is planned to complete in 2024. Capital expenditure was 64% of adjusted depreciation and software amortisation (2022: 111%).

Other cash flows and foreign exchange	2023 £m	2022 £m
Tax paid	(50.3)	(46.8)
Net interest received on cash and borrowings	4.4	0.5
Dividends paid	(79.7)	(78.6)
Share buyback	(114.9)	(191.0)
Acquisition of businesses, net of cash acquired	(49.5)	(114.7)
Acquisition of investment in associates	(7.8)	(2.9)
Transaction-related costs paid	(5.8)	(6.5)
Proceeds from disposal of businesses, net of tax paid of £5.9 million (2022: £27.9 million)	3.3	365.4
SaaS-related cash expenditure	(40.0)	(21.7)
Lease payments and associated interest	(15.6)	(16.4)
Restructuring costs paid	(1.4)	(7.6)
Net proceeds from exercise of share options	0.6	0.2
Total other cash flows	(356.7)	(120.1)
Adjusted cash flow from continuing operations	271.1	163.8
Adjusted cash flow from discontinued operations	-	7.3
Foreign exchange	(3.6)	9.2
(Decrease)/increase in net cash	(89.2)	60.2

During the year ended 31 December 2023, 3,382,896 ordinary shares were repurchased and cancelled by the Group, representing the final tranches of the £300 million share buyback programme announced on 19 April 2022 and part of the first tranche of the £150 million share buyback announced on 11 December 2023. This resulted in a cash outflow of £114.9 million, including transaction fees of £1.2 million.

During the year ended 31 December 2022, 6,439,493 ordinary shares were repurchased and cancelled by the Group as part of the £300 million share buyback programme announced on 19 April 2022, resulting in a cash outflow of £191.0 million, including transaction fees of £1.2 million.

Financing and treasury

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. Total borrowings as at 31 December 2023 were £nil (2022: £0.1 million).

At 31 December 2023, the Group had a cash and cash equivalents balance of £138.8 million of which £0.3 million related to assets held for sale. The Group also had various uncommitted facilities and bank overdraft facilities available but undrawn. Gross debt was £nil, resulting in a net cash position of £138.8 million, compared to a net cash position of £228.0 million at 31 December 2022, representing an £89.2 million year-on-year decrease in net cash.

As at 31 December 2023, the Group had £393.1 million of committed facilities, consisting entirely of a $500 million multi-currency RCF maturing in July 2025. The RCF was undrawn at 31 December 2023 (2022: undrawn).

For the 12 months ended 31 December 2023, there was net finance income for covenant purposes of £3.9 million, resulting in the interest cover ratio being n/a (31 December 2022: n/a). The minimum covenant interest cover requirement is 3.75 times (covenant defined earnings before interest, tax and amortisation divided by net finance charges). Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (31 December 2022: less than zero) due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2028, which reflect forecasted changes in revenue across its business and performed a reverse stress test of the forecasts to determine the extent of downturn which would result in insufficient liquidity or a breach of banking covenants. Revenue would have to reduce by 38% over the period under review for the Group to run out of liquidity headroom. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as cancelling the dividend or reducing capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, it continues to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements.

Currency

The Group has both translational and transactional currency exposures. Translational exposures arise on the consolidation of overseas company results into Sterling. Transactional exposures arise where the currency of sale or purchase invoices differs from the functional currency in which each company prepares its local accounts. The transactional exposures include situations where foreign currency denominated trade receivables, trade payables and cash balances are held.

After matching the currency of revenue with the currency of costs, wherever practical, forward exchange contracts are used to hedge a proportion of the remaining forecast net transaction cash flows where there is reasonable certainty of an exposure. At 31 December 2023, approximately 65% of the estimated transactional exposures of £269.4 million for the next 18 months were hedged using forward exchange contracts, mainly against the Euro, US Dollar, Chinese Yuan Renminbi and Japanese Yen.

The largest translational exposures during the year were to the US Dollar, Euro and Chinese Yuan Renminbi. Translational exposures are not hedged. The table below shows the average and closing key exchange rates compared to Sterling.

	2023 (average)	2022 (average)	Change	**2023 (closing)**	2022 (closing)	Change
US Dollar (USD)	**1.24**	1.24	0%	**1.27**	1.21	5%
Euro (EUR)	**1.15**	1.17	(2%)	**1.15**	1.13	2%
Chinese Yuan Renminbi (CNY)	**8.81**	8.30	6%	**9.03**	8.31	9%

During the year, currency translation effects resulted in adjusted operating profit being £1.9 million lower (2022: £12.5 million higher) than it would have been if calculated using prior year exchange rates.

Transactional foreign exchange losses of £5.8 million (2022: £nil) were included in administrative expenses, whilst sales include a gain of £4.5 million (2022: £4.3 million loss) arising on forward exchange contracts taken out to hedge transactional exposures in respect of sales.

Other non-reportable operating segment

The financial and operating performance of the Spectris Scientific and Spectris Dynamics reportable segments are provided in accordance with IFRS 8. The Red Lion Controls and Servomex businesses are reported within the Other non-reportable operating segment.

On a statutory basis, sales for the Other non-reportable operating segment of £202.2 million increased by 14% compared to 2022 (2022: £177.4 million) with LFL sales also up 14%. Adjusted operating profit for the segment was £38.4 million (2022: £27.2 million), an increase of 41% (40% LFL), with an adjusted operating margin of 19.0%, an increase of 370bps on 2022 (350bps LFL). Statutory operating profit rose 27% to £33.2 million (2022: £26.2 million), primarily due to improved gross margins from pricing and volume drop through, with the statutory operating margin improving 160bps to 16.4%.

Red Lion Controls had a very strong year, continuing the trends we saw in the first half, with both sales and profitability benefiting from a combination of volume growth and revised pricing. Volume growth was driven by easing supply chains and increased capacity due to operational improvements leveraging the SBS, with the latter also contributing to strong margin improvement.

On 11 December 2023, the Group announced that agreement had been reached for the sale of the Red Lion Controls business. As a result, the Red Lion Controls business has been classified as a disposal group held for sale and presented separately in the Consolidated Statement of Financial Position. The required regulatory approvals were received in January and February 2024 and the completion of the sale is expected to take place during the second quarter of 2024.

In 2023, Red Lion had sales of £101.8 million and adjusted operating profit of £21.9 million.

Servomex also delivered a very good performance with sales growth driven by higher demand and a strong operational performance. Higher contribution margins due to price increases and easing material cost inflation drove a strong increase in profitability.

Financial Summary

	Spectris Scientific		Spectris Dynamics		Other		Group Costs		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Sales (£m)	**704.2**	657.8	**542.8**	492.2	**202.2**	177.4			**1,449.2**	1,327.4
LFL sales growth (%)	**12%**		**6%**		**14%**				**10%**	
Statutory operating profit (£m)	**124.4**	118.3	**56.2**	46.5	**33.2**	26.2	**(25.2)**	(18.4)	**188.6**	172.6
Statutory operating margin (%)	**17.7%**	18.0%	**10.4%**	9.4%	**16.4%**	14.8%			**13.0%**	13.0%
Adjusted operating profit (£m)	**155.2**	140.0	**93.1**	73.6	**38.4**	27.2	**(24.2)**	(18.4)	**262.5**	222.4
LFL adjusted operating profit change (%)	**13%**		**24%**		**40%**				**18%**	
Adjusted operating margin (%)	**22.0%**	21.3%	**17.2%**	15.0%	**19.0%**	15.3%			**18.1%**	16.8%
LFL adjusted operating margin change (bps)	**10bps**		**240bps**		**350bps**				**130bps**	
Sales % of Group sales	**49%**	50%	**37%**	37%	**14%**	13%			**100%**	100%

Spectris Scientific

	2023	2022	Change	LFL change
Statutory sales (£m)	**704.2**	657.8	7%	12%
Adjusted operating profit[1] (£m)	**155.2**	140.0	11%	13%
Adjusted operating margin[1] (%)	**22.0%**	21.3%	70bps	10bps
Statutory operating profit (£m)	**124.4**	118.3	5%	
Statutory operating margin (%)	**17.7%**	18.0%	(30bps)	

1. This is an alternative performance measure (APM). APMs are defined in full and reconciled to the reported statutory measures in the Appendix to the Consolidated Financial Statements.

Continued strong growth and sustainable margin performance

Spectris Scientific delivered a strong financial performance in 2023, with sales growth of 7% to £704.2 million (2022: £657.8 million) and a double-digit increase in adjusted operating profit. LFL sales growth was 12% after taking into account the £17 million (+3%) net impact of acquisitions and disposals (primarily the disposal of the remaining element of CLS) and adverse foreign exchange movements of £13 million (+2%).

We saw strong sales growth across all key end markets, with the exception of life sciences, which was impacted by the earlier normalisation in customer demand after strong growth in prior periods. Sales grew across all regions with growth strongest in Asia, including China.

Orders were 6% lower (3% lower on a LFL basis) than the prior year, with good demand growth in materials and academia, offset by both life sciences and semiconductor. Regionally, order growth in the US and flat demand in Europe was offset by lower orders in Asia.

Adjusted operating profit increased by 11% (13% LFL) to £155.2 million (2022: £140.0 million) reflecting the strong sales growth and good operational performance, with adjusted operating margin improving by 70bps to 22.0% (2022: 21.3%). On a LFL basis, the increase in adjusted operating margin was 10bps, with higher sales volumes largely offset by cost inflation.

Statutory operating profit was 5% higher at £124.4 million (2022: £118.3 million) after including £10.7 million of additional costs related to the investment in our new ERP system, as part of the business transformation project. Statutory operating margin was 17.7% (2022: 18.0%).

Strongly positioned in high-growth end markets supported by sustainability trends

We are well positioned in high-value, critical-to-quality areas where precision measurement, domain expertise and analytics are valued by our customers throughout the workflow. We are market leaders reflecting our broad solution portfolio, strong domain knowledge for material analysis and characterisation, as well as our deep customer relationships. We are a key facilitator of customer innovation, supporting opportunities across the material life cycle from extraction, through functional performance, sustainability, and recycling.

Spectris Scientific is focused on the high-growth end markets of life sciences, material sciences (primary and advanced materials), semiconductors and academia, that are benefiting from a number of structural growth trends:

1. Life sciences – ageing populations, population growth, personalised medicines and reshoring.
2. Primary materials – minerals for the energy transition, lower carbon building materials and increased recycling.
3. Advanced materials – batteries and power electronics for the energy transition, supply chain security and advanced manufacturing technologies.
4. Semiconductors – electrification of mobility, reshoring of manufacturing including US and EU Chips Act, increase use of personal devices.

Life Sciences

LFL sales during the period were somewhat lower than the prior year, reflecting the earlier normalisation of customer ordering patterns through the year after an exceptionally strong performance in 2021 and 2022.

In particle characterisation, we saw good sales growth in laser diffraction driven by small molecule research and development, particularly in the US and India. This was more than offset by lower sales in nanometrics into Biologics, after a very strong performance over the last two years. Sales into aseptic pharmaceutical manufacturing were broadly flat in our PMS business, with strong demand in Europe offset by other regions. We have been encouraged by growth in our advisory services driven by our strong offering and recent changes in the regulatory environment.

After a period of demand normalisation in 2023 where order intake was lower than the prior year, we anticipate demand to remain broadly flat in the first half of 2024, returning to growth in the second half.

The outlook over the medium-term remains positive, with growth in life sciences underpinned by a number of structural trends including ageing and expanding populations, the onshoring of manufacturing and the need to develop new medicines and treatments.

Material Sciences

Primary materials

LFL sales grew across all regions, with particularly strong growth in Asia predominantly driven by mining and minerals. We saw strong sales of our x-ray systems into our petrochemical, polymer and building material customers, driven by their need to become carbon neutral, with our products providing solutions in areas like production efficiency and recycling. Our XRF and XRD systems, including our Zetium, Epsilon, Aeris, and Empyrean product lines are used by customers to analyse materials for elemental properties and structural characteristics.

We saw continued order momentum in 2023, growing the order book to record levels, providing a positive outlook for 2024.

Advanced materials

We delivered very good LFL sales growth in 2023 reflecting our strong order book as we entered the year and robust demand, driven by a number of structural growth trends.

We support our customers to meet their challenges through a range of solutions, including our laser diffraction products for researching and developing the next generation of battery materials as well as quality control, and we have also seen increased interest in our online process solutions, both for batteries and hydrogen fuel cells. Similarly, we saw an increase in our x-ray diffraction sales, especially in China, partly driven by the government investment schemes supporting universities and research laboratories in the first half of 2023.

Looking ahead, the outlook for advanced materials remains positive with continued investment in new energy sources such as hydrogen, the enhanced electrification of mobility, growing applications for power electronics and the onshoring of manufacturing, all of which underpin the development of new technologies and customer R&D.

Semiconductor

Sales into semiconductor and electronics customers grew strongly across all regions, reflecting the strength of our order book at the start of the year and solid underlying demand. Within semiconductor contamination monitoring, we saw strong sales growth in our aerosol, liquid, and gas particle counters to customers in support of the buildout of new semiconductor fabrication plants.

We saw good sales growth in our MRD XL products in the compound semiconductor market, especially power electronics. The acquisition of the XRD product line assets from Freiberg Instruments in the second half of 2023 further enhances our capabilities and solutions in this area.

While order intake was lower in 2023 against a strong comparator as demand normalised, our pipeline remains robust. In 2024, we expect order levels to pick up in the second half as the industry returns to a more normal business cycle.

The multi-year outlook for semiconductor remains positive, driven by fabrication plant expansion and technology advancements driven by a number of sectors such as automotive, artificial intelligence and compound semiconductors. We are also encouraged by positive customer feedback in relation to recent product launches including our NanoAir 10 particle counter for use in ultra-clean environments.

Academia
We are well positioned to take advantage of the academic research that feeds into our end markets, with a strong brand built on high-precision measurement and scientific credibility.

In 2023, we delivered very strong LFL orders and sales growth driven by North America and Asia. We have benefited from strong demand from universities and research organisations for our XRD systems, to support materials research and analysis for batteries, and our MicroCal product range used in a number of applications from research to the discovery and development of small molecule drugs, biotherapeutics and vaccines.

Helping solve customer challenges
Spectris Scientific provides critical insights and domain expertise to help our customers find solutions to their most complex challenges. Our customer value proposition extends far beyond supplying our leading products.

In advanced materials, the increased focus on energy transition and battery development is creating a number of opportunities. With energy systems fuelling every aspect of our modern life, from cell phones to electric cars and even space travel, achieving energy that is clean, renewable and reliable, requires the development of better batteries and fuel cells. A collaboration in the US between the University of Pittsburgh and Spectris is enabling researchers to do just that. Using data and insights drawn from our Empyrean x-ray diffraction technology, the team at Pittsburgh are working towards a series of ambitious goals to improve the power, efficiency and cost-effectiveness of batteries.

In primary materials, we secured a major order from a leading building materials producer in Asia for a measurement and analysis solution based on our leading XRF Zetium and XRD Aeris technology comprising 30 separate systems. This order reflects our proven technology and application expertise demonstrated in previous projects with our systems providing better measurement, speed and greater operational stability as well as a better user experience than the competition.

In pharmaceuticals, we continued to strengthen our partnership with QILU Pharmaceutical, a leading manufacturer of finished formulations and active ingredients in China, with a significant order for our Mastersizer and Zetasizer products across multiple sites. As well as being recognised for our leading particle characterisation technology, this order reflects our strong applications expertise and aftermarket support including superior service support and product training.

Investing for growth: R&D is driving growth and market share gains
To drive growth, we have increased investment in R&D to both enhance the performance of existing products and develop new platforms, along with software, services and analytics being key areas of focus. In 2023, we introduced a number of new products to the market.

The Nanosight Pro provides a best-in-class, simple and rapid solution for nano and biomaterials characterisation for use in life sciences and pharmaceutical development. The combination of advanced engineering and a blend of smart features ensures measurements are efficient, quick and accessible. Powered by machine learning, our Xplorer software enables automated measurements and provides the highest quality size and concentration data while connection to SMART Manager assures robustness and minimises downtime.

Our ParticleSeeker product, a smart aerosol manifold used to monitor air quality in semiconductor manufacturing used in conjunction with the NanoAir10 nanoparticle counter, provides multiple sample locations ideal for applications requiring broad contamination monitoring in the cleanest and most confined spaces in a semiconductor manufacturing facility.

And in the FORJ™ fusion instrument, we have developed the world's fastest, safest and most accurate fusion instrument for sample preparation for x-ray fluorescence supporting elemental analysis. Based on our expertise in x-ray fluorescence, inductively coupled plasma analysis, sample preparation, and the entire analytical chain, FORJ is designed to meet the highest material quality standards for elemental analysis.

M&A

During the year, we completed three acquisitions/investments to augment our capabilities and compound growth in the future.

We acquired the x-ray diffraction product line from Freiberg Instruments for a total consideration of up to £13.0 million. The acquisition of crystal orientation metrology tools provides complementary solutions to our existing semiconductor portfolio allowing us to further respond to the industry requirement to improve yields and performance.

We took a minority investment of £7.8 million in LumaCyte Incorporated, a bioanalytic instrumentation company, providing further exposure and deeper insights into the high-growth cell & gene therapy and vaccine markets.

The acquisition of Particle Measuring Technique Ireland Limited (EMS), a long-established partner and exclusive distributor in the UK and Ireland of Particle Measuring System's micro-contamination products for £6.4 million, further strengthens our regional services and aftermarket offering.

Operational excellence

We continue to leverage the SBS to improve productivity and drive operational excellence across the Division. During the year we completed a number of projects delivering tangible financial benefits as well as promoting increased engagement across our sites.

In Malvern Panalytical, our 'Land and Expand' upselling programme drove additional sales of £4 million to existing customers. A project to extend the life of a key component in our x-ray diffraction instruments delivered £0.3 million of benefits in the year and improved cleanroom capacity and layout at our Almelo site in the Netherlands, delivered a 20% increase in output and £0.5 million of benefits.

During the year we adopted the 'Bronze, Silver, Gold' certification programme to drive lean operations as measured by a number of core metrics, with two of our sites, Zhuhai, China and Malvern, UK achieving Bronze certification in 2023.

We have made good progress in our business process transformation programme. In 2024 we will implement a series of more simple, common and scalable global processes supported by the introduction of a new ERP solution. The new solution will provide improved visibility and deliver a number of significant benefits to be realised from 2025 onwards.

Summary

Spectris Scientific is an excellent business. We provide critical materials insights through our instruments, data science and technical expertise. We are well positioned to outperform in high-growth end markets, aligned to clear sustainability trends. In 2024, we will continue to work closely with customers to innovate and solve their challenges.

Spectris Dynamics

	2023	2022	Change	LFL change
Statutory sales (£m)	**542.8**	492.2	10%	6%
Adjusted operating profit[1] (£m)	**93.1**	73.6	26%	24%
Adjusted operating margin[1] (%)	**17.2%**	15.0%	220bps	240bps
Statutory operating profit (£m)	**56.2**	46.5	21%	
Statutory operating margin (%)	**10.4%**	9.4%	100bps	

1. This is an alternative performance measure (APM). APMs are defined in full and reconciled to the reported statutory measures in the Appendix to the Consolidated Financial Statements.

A very strong financial performance underpinned by significant margin expansion

Spectris Dynamics delivered a very strong financial performance in 2023, delivering double-digit growth in sales and operating profit, underpinned by particularly strong margin expansion. These results reflect the successful reorganisation of the Division at the start of the year into three customer-aligned sectors of virtual test, physical test and in-process, alongside a number of specific actions to improve gross margins and overheads.

Sales increased by 10% to £542.8 million (2022: £492.2 million). After taking into account £21 million (4%) sales growth from the acquisition of Dytran and MicroStrain and £1.9 million (0%) for foreign exchange movements, LFL sales grew by 6%. Sales grew across all key end markets, with particularly strong growth in Aerospace & Defence and Academia and on a regional basis, our largest market, Europe.

Orders were 3% lower (6% lower on LFL basis) than the comparative period with strong double-digit order growth in aerospace & defence and academia more than offset by the expected softening in order intake across machine manufacturing and automotive. On a regional basis, good levels of order growth in the US were more than offset by Europe and Asia with these two regions having the largest exposure to softer end markets.

Adjusted operating profit of £93.1 million was significantly ahead of the comparative period, up 26%, (24% on a LFL basis), with a significant increase in adjusted operating margin which ended the year 220bps higher (240bps higher on a LFL basis) at 17.2% (2022: 15.0%). This increase reflects the anticipated strong increase in gross margins resulting from our focus on operational excellence alongside the successful execution of a margin expansion plan comprising pricing, re-organisation, product design cost outs, supply chain optimisation and rationalisation of our product portfolio.

Statutory operating profit increased by 21% to £56.2 million (2022: £46.5 million) reflecting growth in the underlying business, which was partially offset by £7.6 million of additional costs related to the investment in our new ERP system, as part of the business transformation project. As a result, statutory operating margin increased 100bps to 10.4% (2022: 9.4%).

Well positioned in attractive markets

We are a world leader in the provision of advanced integrated physical and virtual testing and measurement. The Division is focused on four premium product lines: virtual test; software; data acquisition; and high-precision sensors with high growth prospects, where we have leading market positions. These products are complementary for customers and combine to offer the broadest test and measurement solutions in the market. We are well positioned in attractive growth markets that are benefiting from a number of structural growth trends:

- increased adoption of Virtual Test particularly in automotive and defence to accelerate the innovation cycle;
- digitisation and the increased use of digital tools to design and test, lowering the cost of new innovations, and to process large amounts of more complex data;
- electrification and the transformation of mobility and energy; and
- automation to enhance productivity in a more connected world.

These four key growth trends are aligned with our Purpose to empower the innovators for a cleaner, healthier and more productive world and are supporting higher levels of growth within our market segments.

Automotive

LFL sales were ahead of a tough comparator, with a strong performance in Europe partially offset by North America and Asia.

We saw very good sales growth for our electric powertrain testing solutions in Physical Test leveraging our high-speed data acquisition systems, sensors and software. And in In-process, demand for our end-of-line testing solution for electric drive systems continued on a positive trend during the year. In Virtual Test, while sales were lower compared with 2022, we made good progress selling our hardware-in-the-loop solutions and secured a number of new orders for our multi-attribute simulators including our COMPACT Full Spectrum Simulator (COMPACT FSS) which was launched during the year. Our virtual test offering also gained recognition through a Supplier of the Year award from Pirelli and an innovation award for our DiM 300 simulator as the 2023 Development Tool of the Year by Vehicle Dynamics International.

As reported at the half year, we have seen a softening in demand with LFL orders lower than the prior year, as customers adjusted their order patterns, reflecting a combination of easing supply chains as lead times have shortened and a reduction in the speed of rollout of new EV programmes among leading automotive manufacturers.

Over the medium-term, we continue to expect growing demand for automotive R&D, driven by the development and adoption of electric and software-defined vehicles and the need to reduce development time. With our broad product offering across Virtual Test, Physical Test and In-Process we are extremely well placed to benefit from this growth.

Machine manufacturing

Sales to customers wanting to monitor their production processes and deployed assets were slightly ahead of 2022 on a LFL basis, with growth in North America and Europe largely offset by Asia.

In our OEM sensor business, where customers incorporate our custom sensor solutions into their end products, we delivered 55 customer prototypes, setting a new record in the process. These projects which provide strong foundations for future sales growth were broad-based covering a range of sensing capabilities and end uses including: force sensors for batteries and brakes applications; strain sensors for fuel cells and electric vehicles; torque sensors for robotics; and mechatronics.

We were also successful selling our high-precision accelerometers into the semiconductor industry to control machine vibration. During the year, we strengthened our In-process offering combining structural health monitoring, optical sensing and software to create a turnkey solution for customers.

Against a strong comparator, order intake in machine manufacturing for the full year was lower on a LFL basis, particularly in Asia, which more than offset demand growth in North America.

We believe that over the medium to longer term, the move towards greater levels of automation driven by the scarcity of labour and the need for greater efficiency, will continue to drive demand from machine manufacturing customers and in turn, our smart and OEM sensor offering. Sales to this sector continue to be helped by our focus on selected high-value end markets, where customers are focused on improving the productivity of high-value assets. This has driven demand for our weighing technologies, including for smart OEM-type solutions in medical and healthcare applications, where accurate and reliable sensors are critical.

Aerospace and defence

We saw strong LFL orders and sales growth in 2023 in Europe and North America underpinned by the continued investment in new and existing propulsion technologies, as well as increased spending in commercial space and defence.

In civil aerospace, we are seeing strong demand for our expertise to support the development of alternative propulsion technologies including electrification and hydrogen-based solutions. We secured a large order from a major engine manufacturer for our latest Fusion DAQ product and sound & vibration software to support the development of its next-generation gas turbine.

We saw strong growth in our leading real-time computation software that provides critical simulations in defence applications enabling pinpoint accuracy and used in systems such as threat detection. Also, during the year we secured a major order from BAE systems to supply hull vibration monitoring equipment for the UK Royal Navy's shipbuilding programme. Our solution includes transducers, data acquisition, and vibration measurement and analysis software.

And in civil space, a market which is growing quickly, with significant future potential, we are seeing continued growth in demand for our piezo-electric vibration sensing systems, which have been used in a number of customer applications.

We were proud to provide Dynetics with a solution to evaluate the capabilities of its United Launch Alliance Vulcan Centaur booster to ensure it can cope with extreme forces during space flight. Our solution, based on proven and precise structural testing tools, comprised a data acquisition system to acquire data from more than 3,000 strain gauges and over 300 full-bridge pressure transducers, along with additional sensors. As a result of deploying the solution, Dynetics improved the efficiency and accuracy of testing enabling it to provide better services to its customers and commercial space projects.

We remain well placed to support long-term innovation projects. OEMs continue to invest in sustainable fuels, efficiency gaining technologies, especially weight saving and power improvements. We also see demand increasing for energy transition related projects, including electric aircraft and those running on alternative lower-carbon fuels. Our sound and vibration and EPT solutions are well placed to capture this.

Academia
LFL sales into universities and research institutes grew strongly, with orders also up on the prior year, underpinned by the same core trends that underpin the Division, notably growth in virtual testing, digitalisation and electrification, with initiatives to reduce carbon emissions and deliver Net Zero ambitions.

Consumer electronics and telecoms
LFL sales and demand in consumer electronics and telecoms, which represented 6% of Dynamics sales were lower than the comparative period, reflecting reduced levels of customer investment in end-of-line-testing.

Investing for growth: R&D is driving growth and market share gains
The organisation of the Division around Virtual Test, Physical Test and In-Process allows us to leverage growth and customer intimacy from our domain expertise. These three sectors align with our customers' test and measurement requirements, as their products are conceived, developed, then manufactured and maintained.

By focusing on our customers' needs, through their product lifecycle, we are able to accelerate innovation, save costs and reduce time to market for their products, with key R&D focus areas including: enhanced virtual test solutions; simulation and analytic software; electric power testing; data acquisition ecosystem; and smart and OEM sensors.

During 2023, we launched a number of new products. In Virtual Test, the launch of our COMPACT FSS broadened and strengthened our simulator portfolio. Powered by a VI-grade AutoHawk real-time computer, the FSS provides highly accurate and immersive motion, vibration, and sound simulation in a small footprint. It also enables human-in-the-loop simulation, which is the vital connection between objective physical characteristics with subjective human perception.

As well as delivering 55 OEM customer prototypes, we introduced newly developed smart force sensors that link to a standard industrial interface enabling simplified machine design and point of measure decision-making, ensuring improved efficiency and simplified machine operation.

We continue to develop our new Fusion and Advantage data acquisition offering with additional products expected to be launched in 2024. And in our software business, which represents around 15% of Spectris Dynamics sales, we released a number of major updates to our market-leading nCode durability and Reliasoft reliability products and updated our perception software for EPT.

Investing for growth: compounding growth through M&A

The acquisition of MicroStrain for £29.1 million, which completed in September, represents an excellent addition to Spectris Dynamics, bringing complementary technology and strengthening our sensor offering, particularly in the fast-growing autonomous mobility, industrial and robotics markets. It also enables further penetration into the rapidly growing automation and smart manufacturing markets, while increasing our presence in North America.

September 2023 marked the first anniversary of the acquisition of Dytran, a leading designer and manufacturer of piezo-electric and MEMS-based accelerometers and sensors for measuring dynamic force, pressure, and vibration. Integration has gone extremely well, including a significant increase in productivity under our ownership. The business has also made a meaningful and positive contribution to the Division including securing a number of customer orders in commercial space.

Operational excellence to drive margin expansion

We are driving operational excellence to improve productivity and increase operating margin towards the Group target level. The ongoing rollout of the SBS alongside our actions on pricing, product redesign to lower cost solutions and portfolio rationalisation have all made a contribution to the substantial 220bps improvement in adjusted operating margin in the year.

In 2023, we embedded our 'Bronze, Silver, Gold' certification programme to drive lean operations across our core operations with three of our sites, Porto, Suzhou and Marlborough, achieving Bronze certification by the end of the year.

At our Suzhou facility, through numerous kaizen events and increased automation, we delivered 30% reduction in lead time as well as labour and inventory cost savings of over 40% for a key product family with a total cost reduction from improvement projects of £0.8 million. Through optimisation of sea /air and courier strategies we also delivered a significant reduction in freight costs in excess of £2.1 million and our Net Zero improvement projects across our facilities, resulted in £0.3 million in energy savings.

Alongside this we have made good progress preparing for the further operational transformation through a new CRM and ERP solution which is being introduced in 2024 across the whole Division, creating a simpler, common and more scalable set of processes. Benefits from the new solution will start to be realised from 2025 and it also represents a key building block in driving further margin expansion in the Division.

Summary

Spectris Dynamics is an established leader in high-performance virtual and physical test, design software, data acquisition and sensing. We are well positioned in strong end markets supported by sustainable trends for a digitising and de-carbonising world. We are executing and expanding on strong fundamentals – integrated virtual and physical test solutions, more software-oriented R&D, operational excellence, and strategic value creating M&A. Having delivered a strong performance in 2023, we remain focused on margin expansion through strategic growth initiatives, business process improvement and benefiting from our lean culture.

Derek Harding
Chief Financial Officer

Consolidated Income Statement
For the year ended 31 December 2023

Continuing operations	Note	2023 £m	2022 £m
Revenue	2	**1,449.2**	1,327.4
Cost of sales		**(611.1)**	(576.6)
Gross profit		**838.1**	750.8
Indirect production and engineering expenses		**(126.9)**	(114.1)
Sales and marketing expenses		**(249.6)**	(233.0)
Administrative expenses		**(273.0)**	(231.1)
Operating profit	2	**188.6**	172.6
Fair value through profit and loss movements on debt investments		**2.8**	(4.1)
Share of post-tax results of associates		**(0.1)**	-
(Loss)/profit on disposal of businesses		**(12.6)**	0.3
Financial income	3	**11.0**	1.9
Finance costs	3	**(4.1)**	(19.2)
Profit before tax		**185.6**	151.5
Taxation charge	4	**(40.2)**	(36.7)
Profit for the year from continuing operations		**145.4**	114.8
Profit for the year from discontinued operations		**-**	286.7
Profit for the year from continuing and discontinued operations attributable to owners of the Company		**145.4**	401.5
Earnings per share			
From continuing operations			
Basic	6	**140.3p**	106.7p
Diluted	6	**139.4p**	106.0p
From continuing and discontinued operations			
Basic	6	**140.3p**	373.1p
Diluted	6	**139.4p**	370.7p
Dividends – amounts arising in respect of the year			
Interim dividend paid and final dividend proposed/paid for the year (per share)	5	**79.2p**	75.4p
Dividends paid during the year (per share)	5	**76.6p**	72.9p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023 £m	2022 £m
Profit for the year attributable to owners of the Company	**145.4**	401.5
Other comprehensive (loss)/income:		
Items that will not be reclassified to the Consolidated Income Statement:		
Re-measurement of net defined benefit obligation	**(0.6)**	13.1
Fair value (loss)/gain and foreign exchange movements translation on investment in equity instruments designated as at fair value through other comprehensive income	**(5.0)**	5.0
Tax credit/(charge) on items above	**0.2**	(4.0)
	(5.4)	14.1
Items that are or may be reclassified subsequently to the Consolidated Income Statement:		
Net gain on effective portion of changes in fair value of forward exchange contracts on cash flow hedges	**6.1**	0.4
Foreign exchange movements on translation of overseas operations	**(42.5)**	105.1
Currency translation differences transferred to profit on disposal of businesses	**-**	(86.7)
Tax charge on items above	**(1.1)**	-
	(37.5)	18.8
Total other comprehensive (loss)/income	**(42.9)**	32.9
Total comprehensive income for the year attributable to owners of the Company	**102.5**	434.4

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2023	**5.5**	**231.4**	**1,113.0**	**86.0**	**(3.1)**	**3.1**	**1.0**	**1,436.9**
Profit for the year	-	-	145.4	-	-	-	-	145.4
Other comprehensive (loss)/income	-	-	(4.9)	(43.0)	5.0	-	-	(42.9)
Total comprehensive income/(loss) for the year	-	-	140.5	(43.0)	5.0	-	-	102.5
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company (note 5)	-	-	(79.7)	-	-	-	-	(79.7)
Own shares acquired for share buyback programme (note 10)	(0.2)	-	(160.8)	-	-	-	0.2	(160.8)
Share-based payments, net of tax	-	-	16.4	-	-	-	-	16.4
Proceeds from exercise of equity-settled share options	-	-	0.6	-	-	-	-	0.6
At 31 December 2023	**5.3**	**231.4**	**1,030.0**	**43.0**	**1.9**	**3.1**	**1.2**	**1,315.9**

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2022

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Capital redemption reserve £m	Total equity £m
At 1 January 2022	5.8	231.4	957.6	66.2	(3.5)	3.1	0.7	1,261.3
Profit for the year	-	-	401.5	-	-	-	-	401.5
Other comprehensive income	-	-	12.7	19.8	0.4	-	-	32.9
Total comprehensive income for the year	-	-	414.2	19.8	0.4	-	-	434.4
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company (note 5)	-	-	(78.6)	-	-	-	-	(78.6)
Own shares acquired for share buyback programme (note 10)	(0.3)	-	(191.0)	-	-	-	0.3	(191.0)
Share-based payments, net of tax	-	-	10.6	-	-	-	-	10.6
Proceeds from exercise of equity-settled share options	-	-	0.2	-	-	-	-	0.2
At 31 December 2022	5.5	231.4	1,113.0	86.0	(3.1)	3.1	1.0	1,436.9

Consolidated Statement of Financial Position
As at 31 December 2023

	2023 £m	2022 £m
ASSETS		
Non-current assets		
Goodwill	**565.5**	606.1
Other intangible assets	**167.1**	184.1
Property, plant and equipment	**136.2**	160.7
Right-of-use assets	**58.1**	59.7
Investment in equity instruments	**24.3**	29.3
Investment in debt instruments	**21.7**	18.9
Investment in associates	**10.8**	2.9
Derivative financial instruments	**0.4**	0.4
Other receivables	**5.9**	4.2
Deferred tax assets	**26.6**	16.2
Retirement benefit assets	**2.4**	-
	1,019.0	1,082.5
Current assets		
Inventories	**231.8**	263.3
Current tax assets	**7.2**	8.6
Trade and other receivables	**317.9**	362.5
Derivative financial instruments	**5.8**	1.3
Cash and cash equivalents	**138.5**	228.1
Assets held for sale	**97.5**	1.7
	798.7	865.5
Total assets	**1,817.7**	1,948.0
LIABILITIES		
Current liabilities		
Borrowings	**-**	(0.1)
Derivative financial instruments	**(0.1)**	(2.3)
Trade and other payables	**(369.4)**	(373.7)
Lease liabilities	**(14.4)**	(14.9)
Current tax liabilities	**(12.6)**	(14.2)
Provisions	**(8.5)**	(12.8)
Liabilities held for sale	**(17.8)**	-
	(422.8)	(418.0)
Net current assets	**375.9**	447.5

Consolidated Statement of Financial Position (continued)

As at 31 December 2023

	2023 £m	2022 £m
Non-current liabilities		
Other payables	**(15.1)**	(13.8)
Derivative financial instruments	**(0.1)**	(0.2)
Lease liabilities	**(48.3)**	(50.2)
Provisions	**(2.6)**	(4.4)
Retirement benefit obligations	**(11.6)**	(8.9)
Deferred tax liabilities	**(1.3)**	(15.6)
	(79.0)	(93.1)
Total liabilities	**(501.8)**	(511.1)
Net assets	**1,315.9**	1,436.9
EQUITY		
Share capital	**5.3**	5.5
Share premium	**231.4**	231.4
Retained earnings	**1,030.0**	1,113.0
Translation reserve	**43.0**	86.0
Hedging reserve	**1.9**	(3.1)
Merger reserve	**3.1**	3.1
Capital redemption reserve	**1.2**	1.0
Total equity attributable to owners of the Company	**1,315.9**	1,436.9

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Cash generated from operations	9	**245.5**	166.8
Net income taxes paid		**(50.3)**	(46.8)
Net cash inflow from operating activities		**195.2**	120.0
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(24.7)**	(44.9)
Proceeds from disposal of property, plant and equipment and software		**3.1**	13.4
Acquisition of businesses, net of cash acquired		**(49.5)**	(114.7)
Acquisition of investment in an associates		**(7.8)**	(2.9)
Inflow from disposal of businesses, net of tax paid of £5.9m (2022: £27.9m)		**3.3**	365.4
Interest received		**5.4**	1.9
Net cash flows (used in)/from investing activities		**(70.2)**	218.2
Cash flows used in financing activities			
Interest paid on borrowings		**(1.0)**	(1.4)
Interest paid on lease liabilities		**(0.2)**	(2.5)
Dividends paid	5	**(79.7)**	(78.6)
Share buyback purchase of shares	10	**(114.9)**	(191.0)
Net proceeds from exercise of share options		**0.6**	0.2
Payments on principal portion of lease liabilities		**(15.4)**	(13.9)
Proceeds from borrowings		**-**	326.2
Repayment of borrowings		**(0.1)**	(326.8)
Net cash flows used in financing activities		**(210.7)**	(287.8)
Net (decrease)/increase in cash and cash equivalents		**(85.7)**	50.4
Cash and cash equivalents at beginning of year		**228.1**	167.8
Effect of foreign exchange rate changes		**(3.6)**	9.9
Cash and cash equivalents at end of year		**138.8**	228.1

Notes to the accounts

1. Basis of preparation and accounting policies

a) Basis of accounting
The Consolidated Financial Statements of the Company for the 12 months ended 31 December 2023 comprise the Company and its subsidiaries, together referred to as the 'Group'. These Consolidated Financial Statements are presented in millions of Sterling rounded to the nearest one decimal place, which is the Group's presentational currency. The Consolidated Financial Statements of the Group for the year ended 31 December 2023 are available upon request from the Company's registered office at Melbourne House, 44-46 Aldwych, London, WC2B 4LL, and on the Company's website at www.spectris.com.

The Consolidated Financial Statements have been prepared using consistent accounting policies with those of the previous financial year except for the adoption of new accounting standards and interpretations noted below.

The financial information included in the full year results announcement does not constitute statutory accounts of the Company for the years ended 31 December 2023 and 2022. Statutory accounts for the year ended 31 December 2022 have been reported on by the Company's auditor and delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2023 have been audited and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The report of the auditors for both years was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The Consolidated Financial Statements have been prepared on a historical cost basis except for items that are required by IFRS to be measured at fair value, principally certain financial instruments. The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted IFRS. The Consolidated Financial Statements have been prepared on a going concern basis. The full year results announcement is presented in millions of pounds Sterling rounded to the nearest one decimal place, which is the Group's presentational currency.

These results were approved by the Board of Directors on 28 February 2024.

New standards and interpretations applied for the first time
In the current year there are no new standards and interpretations that have had a material impact on the Group's Statement of Financial Position. The accounting policies set out in the 2023 Annual Report and Accounts have been applied consistently to both periods presented in these Consolidated Financial Statements.

New standards and interpretations not yet applied
There were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially material for the Group and which have not yet been applied.

1. Basis of preparation and accounting policies (continued)

b) Going concern

In determining the basis of preparation for the Consolidated Financial Statements, the Directors have considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, including the impact of current macroeconomic factors and Climate Change on the Group, which are described in the Chief Executive's Review and Financial Review.

The Group finances its operations from retained earnings and, where appropriate, from third-party borrowings. Total borrowings as at 31 December 2023 were £nil (2022: £0.1 million).

As at 31 December 2023, the Group had £393.1 million of committed facilities, consisting entirely of a $500 million multi-currency revolving credit facility (RCF) maturing in July 2025. The RCF was undrawn at 31 December 2023 (2022: undrawn).

The RCF has a leverage (covenant defined net debt/EBITDA) covenant of up to 3.5 times. The Group regularly monitors its financial position to ensure that it remains within the terms of its banking covenants. At 31 December 2023, there was net finance income for covenant purposes of £3.9 million, resulting in the interest cover ratio being n/a (31 December 2022: n/a). The minimum covenant interest cover requirement is 3.75 times (covenant defined earnings before interest, tax and amortisation divided by net finance charges). Leverage (covenant defined earnings before interest, tax, depreciation, and amortisation divided by net cash) was less than zero (31 December 2022: less than zero), due to the Group's net cash position, against a maximum permitted leverage of 3.5 times.

In addition to the above, after adjusting for £0.3 million of cash and cash equivalents included in the 'assets held for sale' line of the Consolidated Statement of Financial Position, at 31 December 2023, the Group had a cash and cash equivalents balance of £138.5 million. The Group also had various uncommitted facilities and bank overdraft facilities available which were all undrawn, resulting in a net cash position of £138.8 million, including cash in 'assets held for sale', a decrease of £89.2 million from £228.0 million at 31 December 2022.

The Group has prepared and reviewed cash flow forecasts for the period to 31 December 2028, which reflect forecasted changes in revenue across its business and performed a reverse stress test of the forecasts to determine the extent of downturn which would result in insufficient liquidity or a breach of banking covenants. Revenue would have to reduce by 38% over the period under review for the Group to breach covenants on its debt facility. The reverse stress test does not take into account further mitigating actions which the Group would implement in the event of a severe and extended revenue decline, such as cancelling the dividend or reducing capital expenditure. This assessment indicates that the Group can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements. There are no key sensitivities identified in relation to this conclusion.

2. Operating segments

The Group's reportable segments are described below. The segmental divisional structure reflects the current internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. The segment results include an allocation of head office expenses, where the costs are attributable to a segment. Costs of running the PLC are reported separately as Group costs.

The following summarises the operations in each of the Group's reportable segments:

- Spectris Scientific provides advanced measurement and materials characterisation, accelerating innovation and efficiency in R&D and manufacturing. The operating companies in this segment are Malvern Panalytical and Particle Measuring Systems;
- Spectris Dynamics provides differentiated sensing, data acquisition, analysis modelling and simulation solutions to help customers accelerate product development and enhance product performance;
- The Other non-reportable segments are a portfolio of high value precision in-line sensing and monitoring businesses. The operating companies in this segment are Red Lion Controls and Servomex; and
- Group costs consist of the cost of running the PLC.

Information about reportable segments

For the year ended 31 December 2023	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	Total £m
Segment revenues	704.4	542.8	202.2	-	1,449.4
Inter-segment revenue	(0.2)	-	-	-	(0.2)
External revenue	704.2	542.8	202.2	-	1,449.2
Operating profit	124.4	56.2	33.2	(25.2)	188.6
Share of post-tax results of associates	(0.4)	0.3	-	-	(0.1)
Fair value through profit and loss movements on debt investments[1]					2.8
Loss on disposal of businesses[1]					(12.6)
Financial income[1]					11.0
Finance costs[1]					(4.1)
Profit before tax[1]					185.6
Taxation charge[1]					(40.2)
Profit after tax from continuing operations[1]					145.4

1. Not allocated to reportable segments

2. Operating segments (continued)

Year ended 31 December 2022	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	Total £m
Segment revenues	658.0	492.4	177.4	-	1,327.8
Inter-segment revenue	(0.2)	(0.2)	-	-	(0.4)
External revenue	657.8	492.2	177.4	-	1,327.4
Operating profit	118.3	46.5	26.2	(18.4)	172.6
Fair value through profit and loss movements on debt investments[1]					(4.1)
Profit on disposal of businesses[1]					0.3
Financial income[1]					1.9
Finance costs[1]					(19.2)
Profit before tax[1]					151.5
Taxation charge[1]					(36.7)
Profit after tax from continuing operations[1]					114.8

1. Not allocated to reportable segments

Geographical segments

The Group's operating segments are each located in several geographical locations and sell to external customers in all parts of the world. No individual country amounts to more than 3% of revenue by location of customer, other than those noted below. The following is an analysis of revenue from continuing operations by geographical destination.

	2023 £m	2022 £m
UK	**56.1**	51.2
Germany	**141.6**	123.4
France	**51.1**	44.8
Rest of Europe	**197.3**	172.4
USA	**377.5**	359.9
Rest of North America	**37.1**	30.0
Japan	**78.3**	69.5
China	**249.8**	233.6
South Korea	**52.5**	58.4
Rest of Asia	**142.7**	125.5
Rest of the world	**65.2**	58.7
	1,449.2	1,327.4

3. Financial income and finance costs

Financial income from continuing operations	2023 £m	2022 £m
Interest receivable	**(5.3)**	(1.9)
Net gain on retranslation of short-term inter-company loan balances	**(5.7)**	-
	(11.0)	(1.9)

Finance costs from continuing operations	2023 £m	2022 £m
Interest payable on loans and overdrafts	**1.4**	1.8
Net loss on retranslation of short-term inter-company loan balances	**-**	14.6
Unwinding of discount factor on lease liabilities	**2.4**	2.5
Net interest cost on pension plan obligations	**0.3**	0.3
	4.1	19.2

Net finance (credit)/costs from continuing operations	**(6.9)**	17.3

4. Taxation

	2023			2022		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Current tax charge	**5.3**	**54.3**	**59.6**	4.8	41.2	46.0
Adjustments in respect of current tax of prior years	**(0.5)**	**(0.3)**	**(0.8)**	(1.4)	(1.4)	(2.8)
Deferred tax – origination and reversal of temporary differences	**(1.9)**	**(16.7)**	**(18.6)**	(1.3)	(5.2)	(6.5)
Taxation charge from continuing operations	**2.9**	**37.3**	**40.2**	2.1	34.6	36.7

The standard rate of corporation tax for the year, based on the weighted average of tax rates applied to the Group's profits, is 24.2% (2022: 23.8%). The tax charge for the year is lower (2022: higher) than the tax charge using the standard rate of corporation tax for the reasons set out in the following reconciliation:

	2023 £m	2022 £m
Profit before taxation from continuing operations	**185.6**	151.5
Corporation tax charge at standard rate of 24.2% (2022: 23.8%)	**44.9**	36.1
Permanent tax differences on loss/(profit) on disposal of businesses	**2.8**	(0.1)
Other non-deductible expenditure	**4.5**	9.1
Tax credits and incentives	**(9.9)**	(7.6)
Adjustments to prior year current and deferred tax charges	**(2.1)**	(0.8)
Taxation charge	**40.2**	36.7

The Group's standard rate of corporation tax of 24.2% is marginally higher than the prior year rate (23.8%), principally due to profits being made in countries with higher statutory tax rates.

'Permanent tax differences on loss/profit on disposal of businesses' in the current year relates to the restriction of tax deductions for losses on the sale of shares in certain countries.

'Other non-deductible expenditure' in the prior year includes the £3.4 million impact of non-deductible foreign exchange losses.

4. Taxation (continued)

'Tax credits and incentives' above, refers principally to research and development tax credits and other reliefs for innovation, such as the UK Patent Box regime and Dutch Innovation Box regime, as well as tax reliefs available for Foreign Derived Intangible Income in the US.

The following tax (credits)/charges relate to items of income and expense that are excluded from the Group's adjusted performance measures:

	2023 £m	2022 £m
Tax credit on amortisation of acquisition-related intangible assets	**(4.7)**	(4.6)
Tax credit on net transaction-related costs and fair value adjustments	**(1.7)**	(0.5)
Tax charge on retranslation of short-term inter-company loan balances	**0.3**	0.6
Tax credit on loss on disposal of businesses	**(0.2)**	-
Tax credit on configuration and customisation costs carried out by third parties on material SaaS projects	**(10.8)**	(5.1)
Tax charge/(credit) on fair value through profit and loss movements on debt and equity investments	**0.6**	(1.4)
Total tax credit	**(16.5)**	(11.0)

The effective adjusted tax rate for the year was 21.5% (2022: 21.7%) as set out in the reconciliation below:

Reconciliation of the statutory taxation charge to the adjusted taxation charge	2023 £m	2022 £m
Statutory taxation charge	**40.2**	36.7
Tax credit on items of income and expense that are excluded from the Group's adjusted profit before tax	**16.5**	11.0
Adjusted taxation charge	**56.7**	47.7

The Group has applied the temporary exception included in IAS 12 'Income Taxes' from recognising or disclosing information about deferred tax related to 'Pillar Two' income taxes. This mandatory temporary exception was included in the narrow scope amendments to IAS 12 published by the International Accounting Standards Board in May 2023.

The UK legislation to implement the OECD BEPS 'Pillar Two' or 'GloBE' minimum tax rules was substantively enacted in June 2023. The rules will apply to Spectris from 1 January 2024. We anticipate that these legislative changes could give rise to limited upward pressure on the Group's adjusted effective tax rate from 2024. We currently estimate that the GloBE rules could increase the Group's adjusted effective tax rate by in the region of 1 percentage point. for 2024. The impact is expected to arise due to the Group receiving tax incentives for innovation under local laws in certain countries which, in limited circumstances, can reduce effective tax rates below 15%. The Group is continuing to assess the impact of Pillar Two income tax legislation.

5. Dividends

Amounts recognised and paid as distributions to owners of the Company in the year	2023 £m	2022 £m
Interim dividend for the year ended 31 December 2023 of 25.3p (2022: 24.1p) per share	**26.0**	25.3
Final dividend for the year ended 31 December 2022 of 51.3p (2022: 48.8p) per share	**53.7**	53.3
	79.7	78.6

Amounts arising in respect of the year	2023 £m	2022 £m
Interim dividend for the year ended 31 December 2023 of 25.3p (2022: 24.1p) per share	**26.0**	25.3
Proposed final dividend for the year ended 31 December 2023 of 53.9p (2022: 51.3p) per share	**54.8**	53.6
	80.8	78.9

The proposed final 2023 dividend is subject to approval by shareholders at the AGM on 23 May 2024 and have not been included as a liability in these Consolidated Financial Statements.

6. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares).

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year but adjusted for the effects of dilutive options.

Basic earnings per share from continuing operations	2023	2022
Profit after tax from continuing operations (£m)	**145.4**	114.8
Weighted average number of shares outstanding (millions)	**103.6**	107.6
Basic earnings per share from continuing operations (pence)	**140.3**	106.7

Diluted earnings per share from continuing operations	2023	2022
Profit after tax from continuing operations (£m)	**145.4**	114.8
Basic weighted average number of shares outstanding (millions)	**103.6**	107.6
Weighted average number of dilutive 5p ordinary shares under option (millions)	**0.9**	0.9
Weighted average number of 5p ordinary shares that would have been issued at average market value from proceeds of dilutive share options (millions)	**(0.2)**	(0.2)
Diluted weighted average number of shares outstanding (millions)	**104.3**	108.3
Diluted earnings per share from continuing operations (pence)	**139.4**	106.0

Basic earnings per share from discontinued operations	2023	2022
Profit after tax from discontinued operations (£m)	**-**	286.7
Weighted average number of shares outstanding (millions)	**103.6**	107.6
Basic earnings per share from discontinued operations (pence)	**-**	266.4

6. Earnings per share (continued)

Diluted earnings per share from discontinued operations	2023	2022
Profit after tax from discontinued operations (£m)	-	286.7
Diluted weighted average number of shares outstanding (millions)	104.3	108.3
Diluted earnings per share from discontinued operations (pence)	-	264.7

The denominators used for diluted earnings per share from discontinued operations are the same as those used for diluted earnings per share from continuing operations.

7. Acquisitions

MicroStrain

On 19 September 2023, the Group acquired the MicroStrain Sensing Systems business (MicroStrain) for a gross consideration of £29.1 million (consisting of £29.6 million of cash paid and £0.5 million estimated completion true-up receivable included in deferred consideration). MicroStrain is an OEM and retailer of inertial and wireless sensor systems serving industrial and tactical applications across different industries. The transaction is in line with Spectris' Strategy to make synergistic acquisitions to enhance and grow its businesses. MicroStrain will be integrated into the Spectris Dynamics reportable segment and cash generating unit.

The fair value of the assets and liabilities acquired have been provisionally determined based on the information available at the time. The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by the following intangible assets: customer-related relationships, order book and goodwill. Goodwill arising is attributable to the assembled workforce, synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2023, sales of £3.9 million and statutory operating loss of £0.8 million have been included for the acquisition of MicroStrain. Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2023 would have been £1,461.0 million and £189.9 million, respectively, had this acquisition taken place on the first day of the financial year.

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed, supported by the use of third-party experts. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, expected inflation and attrition rates, discount rates used and useful economic lives. Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Acquisition-related costs (included in administrative expenses) amount to £1.5 million.

7. Acquisitions (continued)

EMS

On 2 October 2023, the Group acquired 100% of the share capital of Particle Measuring Technique Ireland Limited (EMS) and its subsidiaries for net consideration of £6.4 million, made up of £9.0 million gross consideration in cash less £2.6 million net cash acquired. There was £0.4 million deferred consideration recognised on this acquisition, which is payable at a future date subject to no unexpected disputes relating to the acquisition arising. EMS is a long-established partner and exclusive distributor of Spectris Scientific's PMS products in the UK and Ireland. The transaction is in line with Spectris' Strategy to make synergistic acquisitions to enhance and grow its businesses. EMS will be integrated into the Spectris Scientific reportable segment and the PMS cash generating unit.

The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by the following intangible assets: customer-related relationships, order book and goodwill. Goodwill arising is attributable to the assembled workforce, synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2023, sales of £0.4 million and statutory operating loss of £0.2 million have been included for the acquisition of EMS. Group revenue and statutory operating profit from continuing operations for the year ended 31 December 2023 would have been £1,453.9 million and £189.6 million, respectively, had this acquisition taken place on the first day of the financial year.

Where appropriate, a detailed exercise has been undertaken to assess the fair value of assets acquired and liabilities assumed. The valuation of the above intangible and tangible assets requires the use of assumptions and estimates. Intangible asset assumptions consist of future growth rates, attrition rates, discount rates used and useful economic lives. Due to their contractual due dates, the fair value of receivables approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised).

Acquisition-related costs (included in administrative expenses) amount to £0.3 million.

XRD product line

On 27 October 2023, the Group completed a technology and asset purchase agreement with Freiberg Instruments to acquire the technology of the product line for six x-ray diffraction (XRD) products for gross consideration of £13.0 million. There was £2.6 million deferred consideration recognised on this acquisition. The transaction strengthens Spectris Scientific portfolio in the semiconductor market. There are no material contingent liabilities recognised in accordance with IFRS 3 (Revised). The fair value of the net assets is final. The acquisition is included in the Spectris Scientific reportable segment and the Malvern Panalytical cash generating unit.

The excess of the fair value of consideration paid over the fair value of the net tangible assets acquired is represented by a technology intangible asset and goodwill. Goodwill arising is attributable to the synergies from cross-selling goods and services and cost synergies.

In the Consolidated Income Statement for the year ended 31 December 2023, statutory operating profit included £0.1 million of costs relating to the XRD product line. Group revenue and statutory operating profit for the year ended 31 December 2023 would have been £1,452.0 million and £188.9 million, respectively, had this acquisition taken place on the first day of the financial year.

Acquisition-related costs (included in administrative expenses) amounted to £0.8 million in 2023.

7. Acquisitions (continued)

The fair values included in the table below relate to the acquisition of MicroStrain, EMS and XRD product line during the year:

	MicroStrain	EMS	XRD product line	Total fair value
	£m	£m	£m	£m
Intangible assets	11.2	4.5	6.0	21.7
Property, plant and equipment	0.7	-	-	0.7
Right-of-use assets	1.0	0.1	-	1.1
Inventories	2.8	0.2	-	3.0
Trade and other receivables	0.2	1.4	-	1.6
Cash and cash equivalents	-	2.6	-	2.6
Trade and other payables	(1.0)	(1.5)	-	(2.5)
Lease liabilities	(1.0)	-	-	(1.0)
Current tax liabilities	-	(0.1)	-	(0.1)
Deferred tax liabilities	-	(0.6)	-	(0.6)
Net assets acquired	13.9	6.6	6.0	26.5
Goodwill	15.2	2.4	7.0	24.6
Gross consideration	29.1	9.0	13.0	51.1
Adjustment for cash acquired	-	(2.6)	-	(2.6)
Net consideration	29.1	6.4	13.0	48.5

Analysis of cash outflow in Consolidated Statement of Cash Flows	2023 £m	2022 £m
Gross consideration in respect of acquisitions during the year	51.1	116.8
Adjustment for net cash acquired	(2.6)	(1.5)
Net consideration in respect of acquisitions during the year	48.5	115.3
Deferred and contingent consideration on acquisitions included in net consideration during the year to be paid in future years	(2.5)	(2.2)
Cash paid during the year in respect of acquisitions during the year	46.0	113.1
Cash paid in respect of prior years' acquisitions	3.5	1.6
Net cash outflow relating to acquisitions	49.5	114.7

8. Business disposals and disposal groups held for sale

Business disposals

On 31 March 2023, the Group disposed of 100% of the remaining part of its Concept Life Sciences business, which formed part of the Spectris Scientific Division. The consideration received was £15.5 million, settled in cash received. The divestment was effected to offer a better opportunity to generate returns for shareholders and further enhance Group margins.

The loss on disposal of the Concept Life Sciences business was calculated as follows:

	2023 £m
Goodwill	3.5
Other intangible assets	4.1
Property, plant and equipment – owned and right of use assets	14.6
Inventories	0.6
Trade and other receivables	6.1
Cash and cash equivalents	1.9
Trade and other payables	(3.0)
Lease liabilities	(3.6)
Current and deferred tax liabilities	(0.6)
Net assets of disposed businesses	**23.6**

Consideration received	
Settled in cash	15.5
Total consideration received	**15.5**
Transaction expenses booked to profit on disposal of business	(2.2)
Net consideration from disposal of business	**13.3**
Net assets disposed of (including cash and cash equivalents held by disposal group)	(23.6)
Loss on disposal of business	**(10.3)**

Net proceeds recognised in the Consolidated Statement of Cash Flows	
Consideration received settled in cash	15.5
Cash and cash equivalents held by disposed business	(1.9)
Transaction fees paid	(2.2)
Net proceeds recognised in the Consolidated Statement of Cash Flows in respect of current year disposals	**11.4**
Payments made in respect of prior years' disposals of businesses	(2.2)
Tax paid on prior year disposal of businesses	(5.9)
Net proceeds recognised in the Consolidated Statement of Cash Flows	**3.3**

Also included in loss on disposal of business in the Consolidated Income Statement is £2.3 million of transaction costs relating to prior year disposals.

8. Business disposals and disposal groups held for sale (continued)

Disposal groups held for sale
On 11 December 2023, the Group announced that agreement had been reached for the sale of the Group's Red Lion Controls business, which forms part of the Other operating segment. The required regulatory approvals were received in January and February 2024 and the completion of the sale is expected to take place during the second quarter of 2024.

The above operation, which is expected to be sold within 12 months, has been classified as a disposal group held for sale and presented separately in the Consolidated Statement of Financial Position.

The proceeds from the disposal of the Red Lion Controls business are expected to exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale at 31 December 2023 are as follows:

	2023 £m
Goodwill	46.0
Other intangible assets	8.9
Property, plant and equipment	8.3
Right-of-use assets	0.8
Inventories	22.9
Trade and other receivables	10.3
Cash and cash equivalents	0.3
Total assets classified as held for sale	**97.5**
Derivative financial instruments	(0.1)
Trade and other payables	(9.4)
Provisions	(0.9)
Lease liabilities	(0.8)
Current tax liabilities	(0.6)
Deferred tax liabilities	(6.0)
Total liabilities classified as held for sale	**(17.8)**
Net assets of disposal group	**79.7**

The net assets held for sale in the year did not meet the definition of discontinued operations given in IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations' and, therefore, no disclosures in relation to discontinued operations were made.

9. Cash generated from operations

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Profit after tax		**145.4**	401.5
Adjustments for:			
Taxation charge		**40.2**	56.8
Loss/(profit) on disposal of businesses		**12.6**	(294.2)
Share of post-tax results of associates		**0.1**	-
Finance costs	3	**4.1**	19.2
Financial income	3	**(11.0)**	(1.9)
Depreciation and impairment of property, plant and equipment		**32.8**	34.8
Amortisation, impairment and other non-cash adjustments made of intangible assets		**24.9**	26.3
Transaction-related fair value adjustments		**7.5**	1.0
Fair value through profit and loss movements on debt investments		**(2.8)**	4.1
Profit on disposal and re-measurement of property, plant and equipment and associated lease liabilities		**(0.5)**	(1.5)
Equity-settled share-based payment expense		**13.1**	10.4
Operating cash flow before changes in working capital and provisions		**266.4**	256.5
Decrease/(increase) in trade and other receivables		**16.0**	(47.9)
Decrease/(increase) in inventories		**1.5**	(75.6)
(Decrease)/increase in trade and other payables		**(33.0)**	40.9
Decrease in provisions and retirement benefits		**(5.4)**	(7.1)
Cash generated from operations		**245.5**	166.8

10. Share buyback, treasury shares and employee benefit trust shares

During the year ended 31 December 2023, 3,382,896 ordinary shares were repurchased and cancelled by the Group, in the final tranches of the £300 million share buyback programme announced on 19 April 2022 and part of the first tranche of the £150 million share buyback announced on 11 December 2023. This resulted in a cash outflow of £114.9 million, including transaction fees of £1.2 million. The Consolidated Statement of Financial Position also includes an accrual of £45.9 million for share buyback liability as at 31 December 2023.

During the year ended 31 December 2022, 6,439,493 ordinary shares were repurchased and cancelled by the Group as part of the £300 million share buyback programme announced on 19 April 2022, resulting in a cash outflow of £191.0 million, including transaction fees of £1.2 million.

No ordinary shares were issued upon exercise under share option schemes during the year (2022: nil).

At 31 December 2023, the Group held 4,128,036 treasury shares (2022: 4,596,698). During the year, 468,662 of these shares were issued to satisfy options exercised by, and SIP Matching shares awarded to, employees which were granted under the Group's share schemes (2022: 170,408).

Appendix - Alternative performance measures

Policy

Spectris uses adjusted and underlying figures as key performance measures in addition to those reported under IFRS, as management believe these measures enable management and stakeholders to assess the underlying performance of the businesses as they exclude certain items that are considered to be significant in nature or quantum, foreign exchange movements and the impact of acquisitions and disposals.

The alternative performance measures (APMs) are consistent with how the businesses' performance is planned and reported within the internal management reporting to the Board and Operating Committees. Some of these measures are used for the purpose of setting remuneration targets. The key APMs that the Group uses include like-for-like (LFL) organic performance measures and adjusted measures for the income statement together with adjusted financial position and cash flow measures. Explanations of how they are calculated and how they are reconciled to an IFRS statutory measure are set out below.

Adjusted measures

The Group's policy is to exclude items that are considered to be significant in nature or quantum and where treatment as an adjusted item provides stakeholders with additional useful information to better assess the period-on-period trading performance of the Group.

Some of these items are material in nature and the costs are expected to be incurred over more than one reporting period.

The Group excludes such items which management have defined for 2023 and 2022 as:

Items excluded	Significant in nature/quantum
Amortisation of acquisition-related intangible assets	Nature
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	Nature
Transaction-related costs, deferred and contingent consideration fair value adjustments	Nature
Spectris Foundation contribution[1]	Nature
Configuration and customisation costs carried out by third parties on material SaaS projects[1]	Quantum
Profits or losses on termination or disposal of businesses	Nature
Unrealised changes in the fair value of financial instruments	Nature
Fair value through profit and loss movements on debt investments	Nature
Gains or losses on retranslation of short-term inter-company loan balances	Nature
Related tax effects on the above and other tax items which do not form part of the underlying tax rate (see note 4)	Dependent on above classification

[1] Multi-year project, where the cost is expected to continue beyond the current reporting period

LFL measures

Reference is made to LFL and organic measures throughout this document. LFL and organic have the same definition, as set out below.

The Board reviews and compares current and prior year segmental sales and adjusted operating profit at constant exchange rates and excludes the impact of acquisitions and disposals during the year.

Appendix - Alternative performance measures (continued)

LFL measures (continued)

The constant exchange rate comparison uses the current year segmental information, stated in each entity's functional currency, and translates the results into its presentation currency using the prior year's monthly exchange rates, irrespective of the underlying transactional currency.

The incremental impact of business acquisitions is excluded for the first 12 months of ownership from the month of purchase. For business disposals, comparative figures for segmental sales and adjusted operating profit are adjusted to reflect the comparable periods of ownership.

On 31 March 2023, the Concept Life Sciences business was disposed of and, as a result, the segmental LFL adjusted sales and adjusted operating profit for the Spectris Scientific segment for 2022 exclude the trading results of the Concept Life Sciences business for the period from April 2022 to December 2022.

The Omega business has been classified as a discontinued operation under IFRS 5, following the completion of its disposal on 1 July 2022. As a result, the financial data for 2022 excludes the trading results of the Omega business.

The LFL measure is presented as a means of eliminating the effects of exchange rate fluctuations on the period-on-period statutory results as well as allowing the Board to assess the underlying trading performance of the businesses on a LFL basis for both sales and operating profit.

Based on the above policy, the adjusted performance measures are derived from the statutory figures as follows:

Income statement measures

a) LFL adjusted sales by segment
2023 LFL adjusted sales versus 2022 LFL adjusted sales

2023 sales by segment	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2023 Total £m
Sales	**704.2**	**542.8**	**202.2**	**1,449.2**
Constant exchange rate adjustment to 2022 exchange rates	**13.2**	**1.9**	**0.9**	**16.0**
Acquisitions	**(0.4)**	**(21.3)**	**(1.4)**	**(23.1)**
LFL adjusted sales	**717.0**	**523.4**	**201.7**	**1,442.1**

2022 sales by segment	Spectris Scientific £m	Spectris Dynamics £m	Other £m	2022 Total £m
Sales	657.8	492.2	177.4	1,327.4
Disposal of businesses	(17.7)	-	-	(17.7)
LFL adjusted sales	640.1	492.2	177.4	1,309.7

Appendix - Alternative performance measures (continued)

Income statement measures (continued)

b) Adjusted operating profit and adjusted operating margin

2023 LFL adjusted operating profit versus 2022 LFL adjusted operating profit

2023 adjusted operating profit	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	2023 Total £m
Statutory operating profit	124.4	56.2	33.2	(25.2)	188.6
Net transaction-related costs and fair value adjustments	6.4	3.1	4.5	-	14.0
Spectris Foundation Contribution	-	-	-	1.0	1.0
Configuration and customisation costs carried out by third parties on material SaaS projects	19.4	20.6	-	-	40.0
Amortisation of acquisition-related intangible assets	5.0	13.2	0.7	-	18.9
Adjusted operating profit	155.2	93.1	38.4	(24.2)	262.5
Constant exchange rate adjustment to 2022 exchange rates	1.5	0.5	(0.1)	-	1.9
Acquisitions	0.2	(2.5)	(0.3)	-	(2.6)
LFL adjusted operating profit	156.9	91.1	38.0	(24.2)	261.8

2022 adjusted operating profit	Spectris Scientific £m	Spectris Dynamics £m	Other £m	Group costs £m	2022 Total £m
Statutory operating profit	118.3	46.5	26.2	(18.4)	172.6
Net transaction-related costs and fair value adjustments	5.1	2.8	0.4	-	8.3
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2	-	-	-	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	8.7	13.0	-	-	21.7
Amortisation of acquisition-related intangible assets	7.7	11.3	0.6	-	19.6
Adjusted operating profit	140.0	73.6	27.2	(18.4)	222.4
Disposal of businesses	(0.7)	-	-	-	(0.7)
LFL adjusted operating profit	139.3	73.6	27.2	(18.4)	221.7

2023 operating margin	Spectris Scientific %	Spectris Dynamics %	Others %	2023 Total %
Statutory operating margin[1]	17.7	10.4	16.4	13.0
Adjusted operating margin[2]	22.0	17.2	19.0	18.1
LFL adjusted operating margin[3]	21.9	17.4	18.8	18.2

2022 operating margin	Spectris Scientific %	Spectris Dynamics %	Others %	2022 Total %
Statutory operating margin[1]	18.0	9.4	14.8	13.0
Adjusted operating margin[2]	21.3	15.0	15.3	16.8
LFL adjusted operating margin[3]	21.8	15.0	15.3	16.9

1. Statutory operating margin is calculated as statutory operating profit divided by sales
2. Adjusted operating margin is calculated as adjusted operating profit divided by sales
3. LFL adjusted operating margin is calculated as LFL adjusted operating profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/operating profit respectively) to LFL adjusted sales/LFL adjusted operating profit.

Appendix - Alternative performance measures (continued)

Income statement measures (continued)

c) Adjusted gross profit and adjusted gross margin
2023 LFL adjusted gross profit versus 2022 LFL adjusted gross profit

2023 adjusted gross profit	2023 Total £m
Statutory gross profit	**838.1**
Constant exchange rate adjustment to 2022 exchange rates	**2.7**
Acquisitions	**(9.8)**
LFL adjusted gross profit	**831.0**

2022 adjusted gross profit	**2022 Total** £m
Statutory gross profit	750.8
Disposal of businesses	(8.0)
LFL adjusted gross profit	742.8

2023 gross margin	2023 Total %
Statutory gross margin[1]	**57.8**
LFL adjusted gross margin[2]	**57.6**

2022 gross margin	**2022 Total %**
Statutory gross margin[1]	56.6
LFL adjusted gross margin[2]	56.7

1. Statutory gross margin is calculated as statutory gross profit divided by sales
2. LFL adjusted gross margin is calculated as LFL adjusted gross profit divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/gross profit respectively) to LFL adjusted sales/LFL adjusted gross profit.

Appendix - Alternative performance measures (continued)

Income statement measures (continued)

d) LFL Adjusted overheads

2023 LFL adjusted overheads	2023 Total £m
Statutory indirect production and engineering expenses	(126.9)
Statutory sales and marketing expenses	(249.6)
Statutory administrative expenses	(273.0)
Total overheads	(649.5)
Net transaction-related costs and fair value adjustments	14.0
Spectris Foundation Contribution	1.0
Configuration and customisation costs carried out by third parties on material SaaS projects	40.0
Amortisation of acquisition-related intangible assets	18.9
Constant exchange rate adjustment to 2022 exchange rates	(0.8)
Acquisitions	7.2
LFL adjusted overheads	(569.2)

2022 LFL adjusted overheads	2022 Total £m
Statutory indirect production and engineering expenses	(114.1)
Statutory sales and marketing expenses	(233.0)
Statutory administrative expenses	(231.1)
Total overheads	(578.2)
Net transaction-related costs and fair value adjustments	8.3
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	21.7
Amortisation of acquisition-related intangible assets	19.6
Disposal of businesses	7.3
LFL adjusted overheads	(521.1)

2023 LFL adjusted overheads as a percentage of sales	2023 Total %
LFL adjusted overheads as a percentage of sales[1]	39.5

2022 LFL adjusted overheads as a percentage of sales	2022 Total %
LFL adjusted overheads as a percentage of sales[1]	39.8

1. LFL overheads as a percentage of sales is calculated as LFL adjusted overheads divided by LFL adjusted sales. Refer to the tables above for a reconciliation of the nearest GAAP measure (sales/total overheads respectively) to LFL adjusted sales/LFL adjusted overheads.

e) Adjusted net finance costs

	Note	2023 £m	2022 £m
Statutory net finance credit/(costs)	3	6.9	(17.3)
Net (gain)/loss on retranslation of short-term inter-company loan balances		(5.7)	14.6
Adjusted net finance credit/(costs)		1.2	(2.7)

Appendix - Alternative performance measures (continued)

Income statement measures (continued)

f) Adjusted profit before taxation

	2023 £m	2022 £m
Adjusted operating profit	**262.5**	222.4
Share of post-tax results of associates	**(0.1)**	-
Adjusted net finance credit/(costs)	**1.2**	(2.7)
Adjusted profit before taxation	**263.6**	219.7

g) Adjusted earnings per share from continuing operations

Adjusted earnings	2023 £m	2022 £m
Statutory profit after tax from continuing operations	**145.4**	114.8
Adjusted for:		
Net transaction-related costs and fair value adjustments	**14.0**	8.3
Spectris Foundation Contribution	**1.0**	-
Depreciation of acquisition-related fair value adjustments to property, plant and equipment	**-**	0.2
Configuration and customisation costs carried out by third parties on material SaaS projects	**40.0**	21.7
Amortisation of acquisition-related intangible assets	**18.9**	19.6
Fair value through profit and loss movements on debt investments	**(2.8)**	4.1
Loss/(profit) on disposal of businesses	**12.6**	(0.3)
Net (gain)/loss on retranslation of short-term inter-company loan balances	**(5.7)**	14.6
Tax effect of the above and other non-recurring items	**(16.5)**	(11.0)
Adjusted earnings from continuing operations	**206.9**	172.0

Adjusted earnings per share from continuing operations	2023 £m	2022 £m
Weighted average number of shares outstanding (millions)	**103.6**	107.6
Adjusted earnings per share from continuing operations (pence)	**199.7**	159.9

Basic earnings per share in accordance with IAS 33 'Earnings Per Share' are disclosed in note 6.

Financial position measures

h) Net cash

	2023 £m	2022 £m
Bank overdrafts	**-**	(0.1)
Bank loans unsecured	**-**	-
Total borrowings	**-**	(0.1)
Cash and cash equivalents included in assets held for sale	**0.3**	-
Cash and cash equivalents included in current assets	**138.5**	228.1
Net cash	**138.8**	228.0

Appendix - Alternative performance measures (continued)

Financial position measures (continued)

h) Net cash (continued)

Net cash excludes lease liabilities arising under IFRS 16 as this aligns with the definition of net cash under the Group's bank covenants.

Reconciliation of changes in cash and cash equivalents to movements in net cash	2023 £m	2022 £m
Net (decrease)/increase in cash and cash equivalents	(85.7)	50.4
Proceeds from borrowings	-	(326.2)
Repayment of borrowings	0.1	326.8
Effect of foreign exchange rate changes	(3.6)	9.2
Movement in net cash	(89.2)	60.2
Net cash at beginning of year	228.0	167.8
Net cash at end of year	**138.8**	**228.0**

Cash flow measures

i) Adjusted cash flow

	2023 £m	2022 £m
Cash generated from operations (from continuing and discontinued operations)	245.5	166.8
Net income taxes paid	(50.3)	(46.8)
Net cash inflow from operating activities	195.2	120.0
Transaction-related costs paid	5.8	6.5
Restructuring cash outflow	1.4	7.6
Net income taxes paid	50.3	46.8
Purchase of property, plant and equipment and intangible assets (from continuing and discontinued operations)	(24.7)	(44.9)
SaaS-related cash expenditure	40.0	21.7
Proceeds from disposal of property, plant and equipment and software	3.1	13.4
Adjusted cash flow from discontinued operations	-	(7.3)
Adjusted cash flow from continuing operations	271.1	163.8
Adjusted cash flow conversion from continuing operations[1]	103%	74%

1. Adjusted cash flow conversion is calculated as adjusted cash flow as a proportion of adjusted operating profit.

Appendix - Alternative performance measures (continued)

Other measures

j) Return on gross capital employed (ROGCE)

The ROGCE is calculated as adjusted operating profit from continuing and discontinued operations for the last 12 months divided by the average of opening and closing gross capital employed. Gross capital employed is calculated as net assets excluding net cash and excluding accumulated amortisation and impairment of acquisition-related intangible assets including goodwill.

	2023 £m	2022 £m
Net cash (see APM h)	**(138.8)**	(228.0)
Accumulated impairment losses on goodwill including items transferred to assets held for sale	**40.6**	76.2
Accumulated amortisation and impairment of acquisition-related intangible assets including items transferred to assets held for sale	**149.9**	185.7
Shareholders equity	**1,315.9**	1,436.9
Gross capital employed	**1,367.6**	1,470.8
Average gross capital employed (current and prior year)[1]	**1,419.2**	1,473.4
Adjusted operating profit from continuing operations (see APM b)	**262.5**	222.4
Adjusted operating profit from discontinued operations	**-**	14.0
Total adjusted operating profit for last 12 months	**262.5**	236.4
ROGCE	**18.5%**	16.0%

1. Average gross capital employed is calculated as current year gross capital employed divided by comparative year gross capital employed.

k) Net transaction-related costs and fair value adjustments

Net transaction-related costs and fair value adjustments comprise transaction costs of £6.5 million (2022: £7.3 million) that have been recognised in the continuing Consolidated Income Statement under IFRS 3 (Revised) 'Business Combinations' and other fair value adjustments relating to deferred and contingent consideration comprising a charge of £7.5 million (2022: charge of £1.0 million).

Net transaction-related costs and fair value adjustments are included within administrative expenses. Transaction-related costs have been excluded from the adjusted operating profit and transaction costs paid of £5.8 million (2022: £6.5 million) have been excluded from the adjusted cash flow.

Appendix - Alternative performance measures (continued)

Other measures (continued)

l) Order intake, order book and book-to-bill

Order intake is defined as the monetary value of contractual commitments towards future product fulfilment recorded within the financial period. The order book is defined as the volume of outstanding contractual commitments for future product fulfilment measured at period end. Book-to-bill is defined as the ratio of order intake to sales within the financial period. These measures cannot be reconciled because they do not derive from the Consolidated Financial Statements, and are presented because they are indicative of potential future revenues.

m) Vitality index

Vitality index measures revenue recognised in the current year from products released over the previous five years as a percentage of total revenue in the current year, as shown in the Consolidated Income Statement.

	2023 £m	2022 £m
Sales (see APM a)	**1,449.2**	1,327.4
Sales recognised in the current year from products released over the previous five years	**315.9**	337.2
Vitality index	**22%**	25%

Dividend timetable – 2023 final dividend

Event	**Date – 2024**
Ex-dividend date	16 May 2024
Record date	17 May 2024
Record date for participation in the Dividend Reinvestment Plan for the 2023 final dividend	7 June 2024
Payment date	28 June 2024

Cautionary statement

This press release may contain forward-looking statements. These statements can be identified by the fact that they do not relate only to historical or current facts. Without limitation, forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. These statements may (without limitation) relate to the Company's financial position, business strategy, plans for future operations or market trends. No assurance can be given that any particular expectation will be met or proved accurate and shareholders are cautioned not to place undue reliance on such statements because, by their very nature, they may be affected by a number of known and unknown risks, uncertainties and other important factors which could cause actual results to differ materially from those currently anticipated. Any forward-looking statement is made on the basis of information available to Spectris plc as of the date of the preparation of this press release. All forward-looking statements contained in this press release are qualified by the cautionary statements contained in this section. Other than in accordance with its legal and regulatory obligations, Spectris plc disclaims any obligation to update or revise any forward-looking statement contained in this press release to reflect any change in circumstances or its expectations.