

# **Morgan Advanced Materials**

## **2025 Half Year Results**

Webcast Presentation Transcript

Thursday 7 August 2025

## Slide One



### **Damien Caby, CEO**

Good morning everyone, welcome to our interim results call for the first half of 2025.

I am Damien Caby, the Chief Executive of Morgan Advanced Materials. I was appointed CEO on the first of July, from the position of president of our Thermal Products global business unit, and I am delighted to be presenting to you today.

I am joined by Richard Armitage, our CFO, for this call.

## Slide Two

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## Slide Three


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# Agenda

1. INTRODUCTION & MARKET CONTEXT
2. FINANCIAL PERFORMANCE
3. OPERATIONAL REVIEW & OPPORTUNITIES
4. CONCLUDING REMARKS AND Q&A



Damien Caby, CEO



Richard Armitage, CFO

Interim Results 2025

### Damien Caby, CEO

I will start with a summary of the first half and the overall market environment.

Richard will then take you through the financial position and the segmental drivers.

I will come back to share my initial thoughts and views, and some of the opportunities I can see for Morgan, and I will then cover the outlook for the remainder of 2025.

## Slide Four

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Interim Results 2025

### Revenue in-line with expectations in difficult markets; good progress across operational priorities

- 1 Challenging conditions** as expected; **signs of stabilisation**
- 2 Revenue down 5.8%** (OCC), in-line with continued soft markets
- 3 Adjusted operating profit margin of 11.1%**  
Business simplification and other cost measures partly offset weaker markets, particularly in Semiconductor
- 4 Semiconductor investment substantially complete;** flexibility retained to increase capacity further as market demand recovers
- 5 Simplification programme progressing well**  
Annual run-rate benefits of £24 million during 2025 and £27 million during 2026 as expected

### Damien Caby, CEO

Let me move on now to the key points of the first half. As anticipated, we saw continued challenging conditions across most of the end markets we serve.

Our revenues were down 5.8% year-on-year at constant currency rates, in line with expectations.

Versus H2 of 2024, this is flat. The expected further reduction of semiconductor sales was largely offset by increases in the core markets.

Despite the end market environment, we delivered resilient margins. Group adjusted operating margin was 11.1%, which is down 90 basis points year-on-year, but up 40 basis points versus H2 of 2024 (on a constant currency basis).

This was supported by pricing and continuous improvement, combined with the successful completion of the majority of our current self-help programme.

In reaction to the tough market conditions in silicon carbide semiconductors, we have been proactive in managing our capex expenditure. The programme is now substantially complete, with a total investment of £55m against the previously announced reduction to £60m.

Ramp up of production is expected to start in 2026 and we have the ability to quickly expand capacity further when market conditions improve.

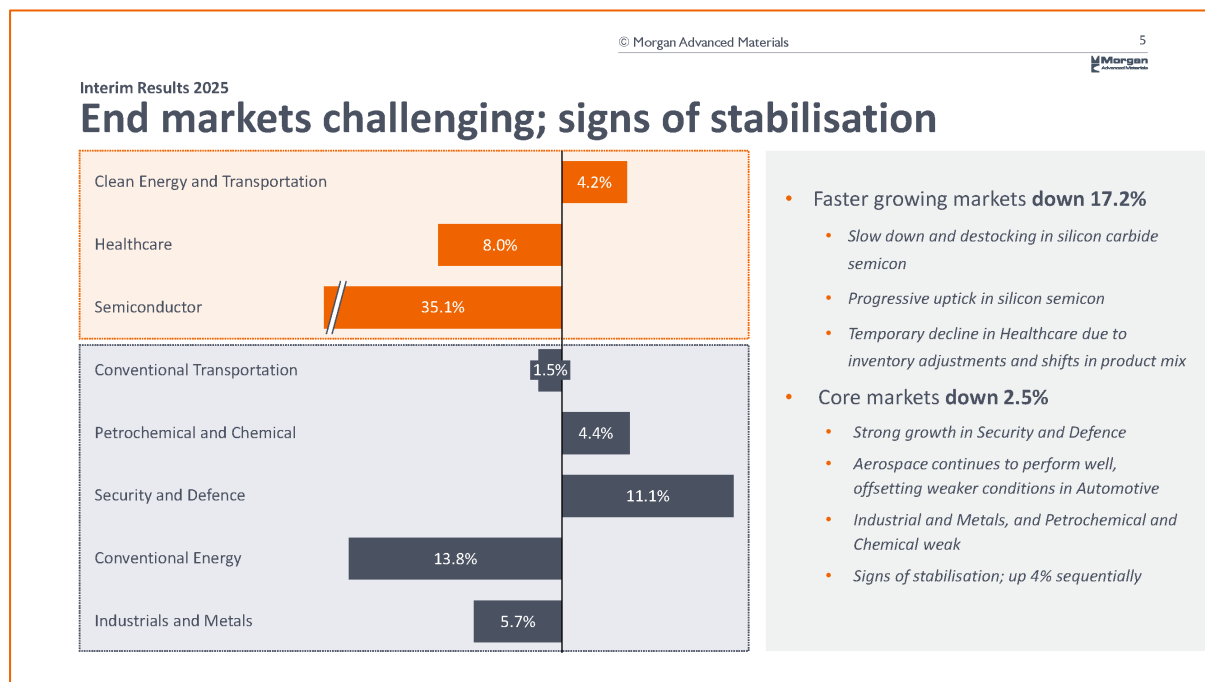
Our results announcement released earlier today provided our views on outlook. I will come back to that topic towards the end of the presentation.

As a reminder on the rationale around our simplification programme - we are rightsizing the Group's manufacturing footprint and capacity, and we are consolidating and optimising our supply chain, and building in more manufacturing flexibility.

The benefits from this programme are materialising as planned - we expect to have reduced the site footprint to 60 by the end of 2025, versus 85 sites in 2016. This will deliver the full expected cost savings of £24m in 2025 and £27m in 2026 and beyond.

We now have a leaner supply chain, we are more agile to provide reliable delivery and quickly respond as markets recover. We will not stop there - we will continue to work on possible further areas of simplification and optimisation, and I look forward to updating you on these in due course.

## Slide Five



## Damien Caby, CEO

Let's now look at our end market performance in more detail. This slide shows the year-on-year organic performance in our major market segments, split between our faster growing segments and our core.

Outside of aerospace, security and defence, the majority of our markets remain challenging, particularly semiconductors. However, we have seen signs of stabilisation in the first half.

Semicon was down 35%, versus the same period last year, a decline that we had expected at full year results. As previously noted, this is mostly driven by over stocking in the silicon carbide supply chain, which has only been partially offset by a progressive uptick in demand for silicon semiconductors.

For context, semicon is a single digit percentage of overall sales for the Group but it has double digit structural growth rates, and it provides higher margin than the average for our portfolio.

Healthcare is affected this year by the uncertainty in imaging and analytical end markets which has been driving inventory adjustments, and by changes in some customers' product mix.

Security and defence has grown strongly at 11%. Aerospace continues to perform well and is offsetting challenging conditions in automotive. Industrial and metals was down by 5.7%, showing continuing market weakness as expected.

Overall, sales in our core market have increased by 4% sequentially, and project activity shows early signs of improvement. Whilst there are no clear trends in any specific markets, we are seeing signs of stabilisation.

I will now hand you over to Richard to take you through the financial results, and I will return to talk about the opportunities we see ahead, the outlook and our key takeaways.

## Slide Six

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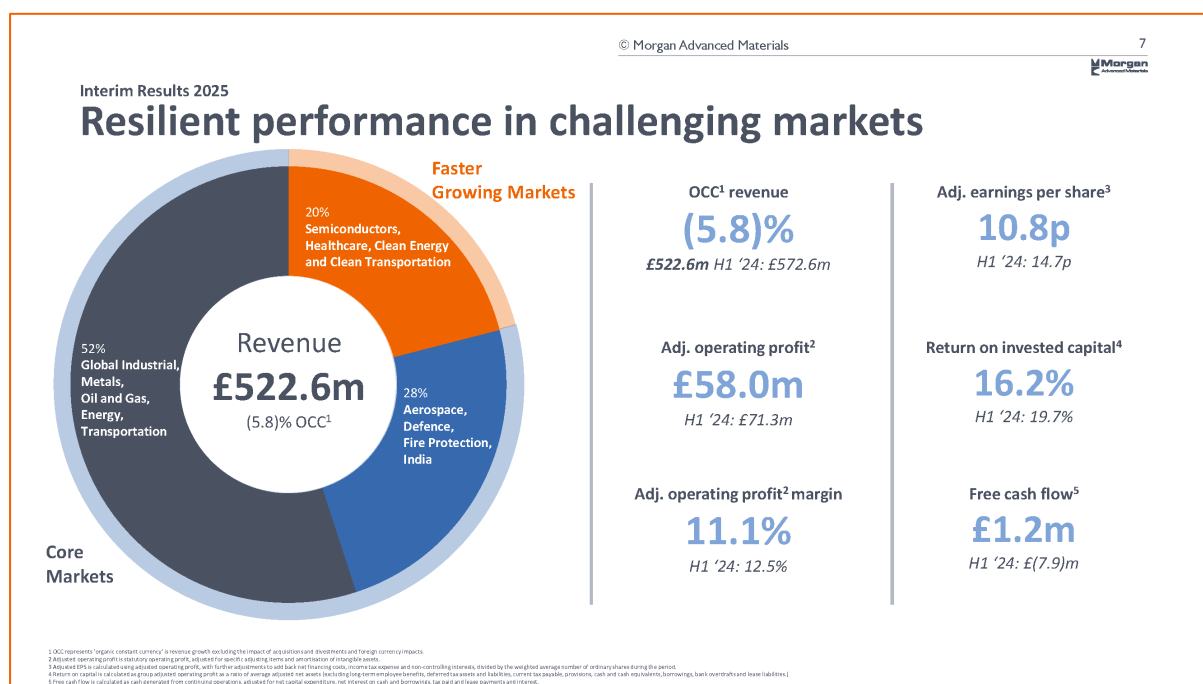


# Financial Performance

Richard Armitage, CFO



## Slide Seven



## Richard Armitage, CFO

Thank you, Damien, and good morning everyone. I would like to start with an overview of the financial results for the half year to the 30 June 2025.

As expected, revenue at £522.6 million was 5.8% lower than prior year on an organic, constant currency basis. This was caused by the decline in a number of our end markets that we saw during the second half of 2024, albeit that semiconductor is more challenged than expected, whilst clean energy & transportation, aerospace, petrochemical and defence have all held up well. Pricing was around 3%, reflecting a calmer inflationary environment, giving a volume decline of around 9%.

Revenue in our faster growing markets declined by 17.2% overall, with the main driver being semiconductor, which declined by 35%.

Group adjusted operating profit was £58m, a reduction of £13.3m, giving an adjusted operating margin of 11.1%.

Return on invested capital was 16.2%, slightly below our through-cycle range, but still delivering an attractive return.

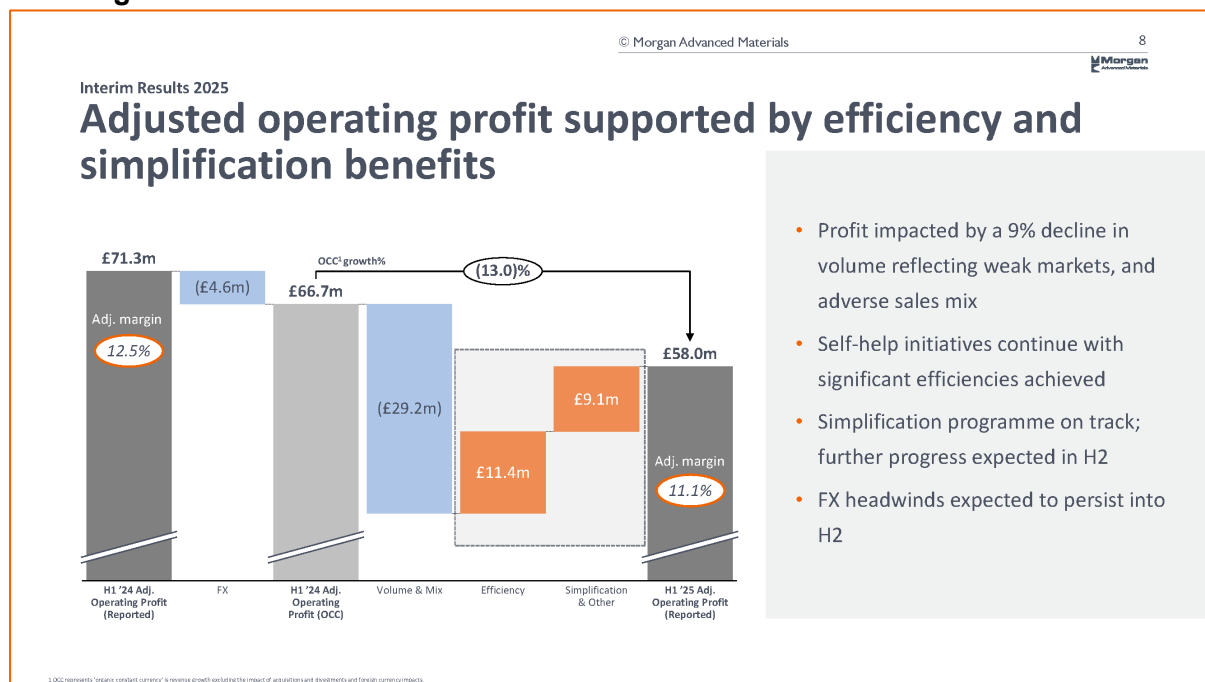
Free cash flow was an inflow of £1.2m, which shows an improvement over last year as we worked to improve our working capital.

Adjusted earnings per share was 10.8 pence per share, and we have held the interim dividend flat at 5.4p.

Specific adjusting items amounted to £16.3m for the half year.

In the light of continued uncertainty in some of our end markets, we are not assuming any overall improvement in our revenue or profit performance in our second half compared with the first.

## Slide Eight



## Richard Armitage, CFO

Turning now to the profit bridge, we can firstly see a negative FX impact of £4.6m in the first half, which is now likely to be £8.4m for the full year. This reflects in particular the progressive weakening of the US Dollar versus Sterling, with an average rate of \$1.27 in the first half of last year compared to \$1.30 this year.

As you would expect, a 9% volume decline and associated overhead under-recovery, combined with the mixed effect of semiconductor sales being weaker than expected, has had a significant impact on our profitability. The combined effect of lower volume and weaker mix is therefore £29m, with approximately 50% due to each.

Pricing of around 3% has served to offset inflation of around 4% of cost of goods sold.

We have continued our strong focus on self-help with efficiency savings amounting to £11.4m, and savings from our simplification programme amounting to £7.6m as expected, both helping to mitigate the impact of the volume decline.

At constant currency, the overall profit decline was limited to £8.7m.


## Slide Nine

Interim Results 2025

### Segmental performance

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	Revenue £m		OCC <sup>1</sup> growth %	Adjusted operating profit <sup>2</sup> £m		Margin %	
	H1 '25	H1 '24		H1 '25	H1 '24	H1 '25	H1 '24
Thermal Products	195.5	221.5	(8.0)%	15.7	24.2	8.0%	10.9%
Performance Carbon	154.1	178.9	(11.2)%	25.1	31.3	16.3%	17.5%
Technical Ceramics	173.0	172.2	2.6%	20.2	18.8	11.7%	10.9%
Corporate costs	-	-		(3.0)	(3.0)	-	-
<b>Group</b>	<b>522.6</b>	<b>572.6</b>	<b>(5.8)%</b>	<b>58.0</b>	<b>71.3</b>	<b>11.1%</b>	<b>12.5%</b>

- Thermal Products impacted by weak industrial and metals markets
- Performance Carbon decline driven by Semiconductor, slight offset from Petrochemical & Chemical and Security & Defence
- Technical Ceramics growth supported by demand in Aerospace and Security and Defence

<sup>1</sup> OCC represents 'organic, constant currency' revenue growth excluding the impact of acquisitions and divestments and foreign currency impacts.

<sup>2</sup> Adjusted operating profit is statutory operating profit, adjusted for specific adjusting items and amortisation of intangible assets.


## Richard Armitage, CFO

Looking at the segments in more detail, we can see the impact of weaker industrial markets on Thermal Products. This global business unit has a relatively inflexible fixed cost base, so the impact of lower volumes dropped straight through to adjusted operating profit and margin, albeit partly mitigated by simplification savings of around £2m.

Performance Carbon was impacted by lower volumes and a weaker mix, being the global business unit most affected by the weakness in semiconductor demand. However, part of this was mitigated through simplification savings of around £4m.

Technical Ceramics demonstrated the benefit of its differentiated product portfolio with weaknesses in semiconductor and healthcare offset by growth in aerospace, security and defence, and clean energy. Around £1m of simplification savings contributed, allowing the global business unit to achieve a small expansion in margin.

## Slide Ten

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Interim Results 2025			
<b>Free cash flow to improve in H2 as Semicon investment completes</b>			
	H1 '25	H1 '24	
EBITDA	78.9	92.6	
Change in working capital	(4.7)	(22.0)	
Net capital expenditure	(40.5)	(44.6)	
Net interest	(9.0)	(7.3)	
Tax paid	(12.5)	(16.0)	
Lease payments & other items	(5.1)	(7.0)	
Exceptional costs	(15.3)	(3.6)	
<b>Free cash flow</b>	<b>1.2</b>	<b>(7.9)</b>	
Acquisitions	-	(4.9)	
Dividends paid	(19.1)	(19.1)	
Dividends paid – non controlling interests	(1.5)	(2.3)	
Share buyback	(8.8)	-	
Foreign exchange	6.9	(1.4)	
Other items	(1.6)	(1.5)	
<b>Net cash flow</b>	<b>(22.9)</b>	<b>(37.1)</b>	
Closing net debt excl. lease liabilities	(249.1)	(222.3)	
<b>Net debt (excl. lease liabilities)/EBITDA</b>	<b>1.7x</b>	<b>1.3x</b>	

<b>Working capital outflow</b>
<b>£(4.7)m</b>
H1 '24: £(22.0)m

<b>Capital investment</b>
<b>£40.5m</b>
H1 '24: £44.6m

<b>Free cashflow</b>
<b>£1.2m</b>
H1 '24: £(7.9)m

<b>Net debt/EBITDA</b>
<b>1.7x</b>
H1 '24: 1.3x

## Richard Armitage, CFO

Moving on to cash flow, I would firstly note working capital. This was an outflow of £4.7m, but was much lower than the outflow seen in previous years due to actions taken to support working capital.

Net Capital expenditure amounted to £40.5m, driven by investment in semiconductor capacity. This phase of investment is nearly complete, and expenditure is expected to tail-off sharply in the second half.

Cash flows relating to exceptional items totalled £15.3m, reflecting our ongoing simplification programme and investment in our ERP roll-out. For the full year these are expected to be around £30m.

Free cash flow before dividends was therefore an inflow of £1.2m.

Net debt finished the half at £249.2m excluding lease liabilities, in line with our expectations but representing 1.7x EBITDA, given the lower EBITDA. We expect to return this to within our framework range by the end of the year.

## Slide Eleven

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Interim Results 2025		
<b>Specific adjusting items</b>		
	<b>H1 '25</b>	<b>H1 '24</b>
Costs associated with the cyber security incident	-	£1.1m
Business simplification programmes	£10.7m	£2.3m
Global ERP; design, configuration, customisation and implementation	£5.6m	-
<b>Total charged to specific adjusting items</b>	<b>£16.3m</b>	<b>£3.4m</b>

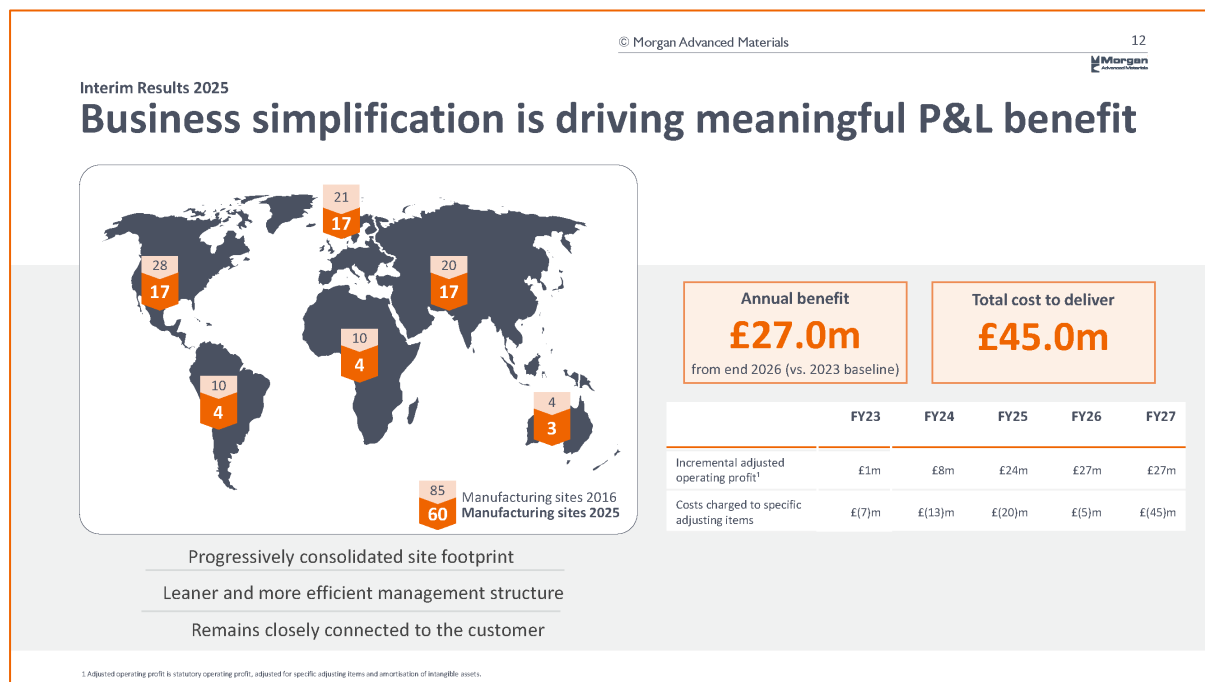
### Richard Armitage, CFO

Specific adjusting items comprised two elements.

Expenditure associated with our business simplification programme was £10.7m in the first half and is expected to be around £9.0m in the second. I will provide a progress update on the next chart.

Our ERP programme has progressed to plan with implementation at a pilot site in Italy now substantially completed. Work is progressing to accelerate the roll-out during 2026.

## Slide Twelve



## Richard Armitage, CFO

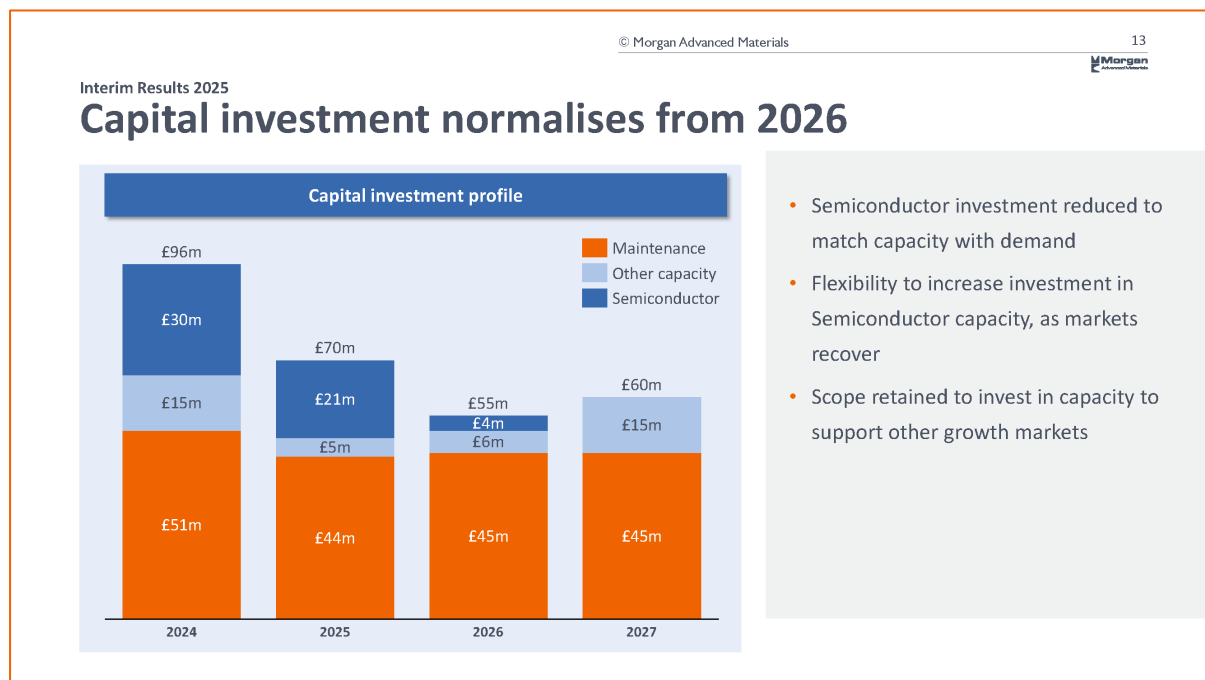
Moving on to the simplification programme in more detail, a reminder that the weak market conditions experienced later in 2024 had led us to expand the programme such that we expect to deliver £27m of savings by 2026.

The £7.6m delivered in the first half provided a material mitigation to the weak market conditions. Activity centred on the closure of a site in US, as well as back-office restructuring and manufacturing headcount reduction across the Group.

The current rate of expenditure will continue in 2025, with around £9m expected in the second half, followed by a further £5m in 2026 as we conclude the programme.

As previously noted, our manufacturing sites have reduced from 85 to 60 over the last ten years, a reduction of 29%.

## Slide Thirteen



### Richard Armitage, CFO

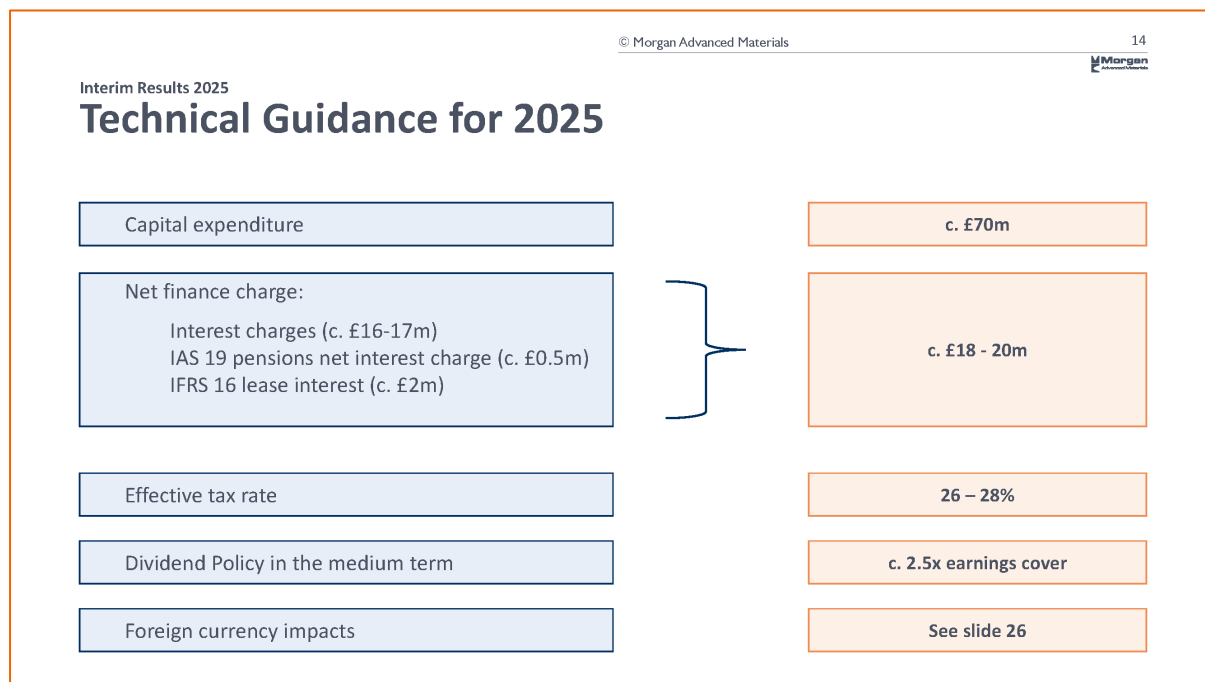
As previously announced, we have scaled back our investment in semiconductor capacity in response to the slower than expected growth in battery electric vehicles. Our latest estimate is that this will amount to £56m over the three years to 2026, with most of that having already been incurred.

This level of investment provides us with the essential services and equipment needed for likely demand requirements in 2026 and 2027, as demand returns. We will then be able to match incremental capacity additions as the pace of recovery becomes clearer.

We therefore expect capital expenditure to amount to around £70m this year, with £40m having been incurred in the first half, then to be in the range £50 - £60m for the next two years. This allows for investment in capacity for growth in other markets where we are seeing strong demand.

We would also note likely start-up costs of the order of £7m that will be incurred in 2026 as the semiconductor investments are commissioned.

## Slide Fourteen



### Richard Armitage, CFO

Finally, on technical guidance.

We would expect net debt to remain within our guidance range of £230m to £250 and year-end leverage to be around 1.5x.

Our net finance charge will remain in the £18 - £20 million range, and our effective tax rate in the 26% to 28% range.

Our dividend for 2025 will remain in line with that for 2024, and we would intend to return cover to around 2.5x as markets recover.

I would also note that so far, the direct impact of tariffs has been immaterial. We continue to note the potential for indirect impact on end-market demand.

Thank you, and I would now like to hand back to Damien.



## Slide Fifteen

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# Operational review and opportunities

Damien Caby, CEO

## Slide Sixteen



### Damien Caby, CEO

Thank you, Richard.

I am delighted to take the lead at Morgan, a global leader in advanced materials. As I mentioned earlier, my time at the Group within Thermal Products has allowed me to understand and experience our operating model and our empowering, candid and growth minded culture.

Whilst we continue to have difficult market conditions to navigate, Morgan is a high quality business, well positioned in attractive markets, and I see significant opportunity ahead.

There is a common thread emerging from my experience with Thermal Products and my recent exposure to the rest of the Group. As the global leader in advanced ceramics and carbon, we are uniquely positioned to design and supply the higher performance, better designed, more integrated materials and components which industry needs to respond to several globally significant megatrends.

I have spent my entire career in specialty additives, processing aids, and materials, and I have rarely seen such a quality business, well positioned in attractive markets with significant opportunity ahead.

I would like to touch on some of my observations on the strengths of the Group.

Our products and solutions portfolio is very well placed for growth and value, driven by three megatrends.

The first one is carbon reduction. There is a structural shift across multiple industries to higher efficiency equipment, lower carbon processes and electrification. These trends raise considerable material challenges for our customers; our advanced ceramics and carbon are in many cases well placed to solve these challenges.

For example, we are uniquely capable to manufacture thin and complex shaped casting cores for the manufacture of jet engine blades, allowing them to operate more efficiently at temperatures above their melting point. And we are gaining market share after being selected for new jet engines, precisely because of these capabilities.

The second is advances in healthcare also bring material challenges in medical devices and implants, diagnostics equipment, and in drug delivery. Our technical ceramics are a material of choice notably due to their biocompatibility, non-toxicity, their durability, their resistance and their customisability. And we are addressing complex requirements such as the miniaturisation of implantable devices.

And the third is the ascent of power electronics, enabling advances in electric vehicles, AI, power storage. The wider adoption of this technology depends on the reduction of its cost, which raises opportunities for our advanced materials. Our advanced graphite systems provide significant efficiency gains in the manufacturing of silicon carbide semiconductors.

To address these material challenges, our technology leadership is a key differentiator. It consists of three things:

We co-develop with the customer commercially viable, manufacturable solutions for their needs. The level of prowess in design and production engineering I have seen our teams deploy in complex cases is truly impressive. Their passion, their creativity, their expertise and collaborative approach create customer loyalty to Morgan.

Second, we apply materials science to develop differentiated solutions. Ceramics, carbon and graphite are very versatile materials. Our scientists adjust their physical characteristics within a wide range through formulation and processing parameter changes.

Three months ago, we launched a new carbon brush for wind turbines, where we have configured our materials surface to enhance performance and use significantly less silver than our competitors.

And the third is that across the Group, technology development is managed in close commercial alignment with our customers, and it is focused on the strategically selected roadmaps which are set by each of our businesses.

This leads me to another key strength; which is our decentralised model. At Morgan, the business decision maker is closely connected to the customer, and they ensure that we are in step with their needs. Financial accountability is decentralised as well, and our business leaders have an owner's mindset. They act and react with agility to achieve their financial goals.

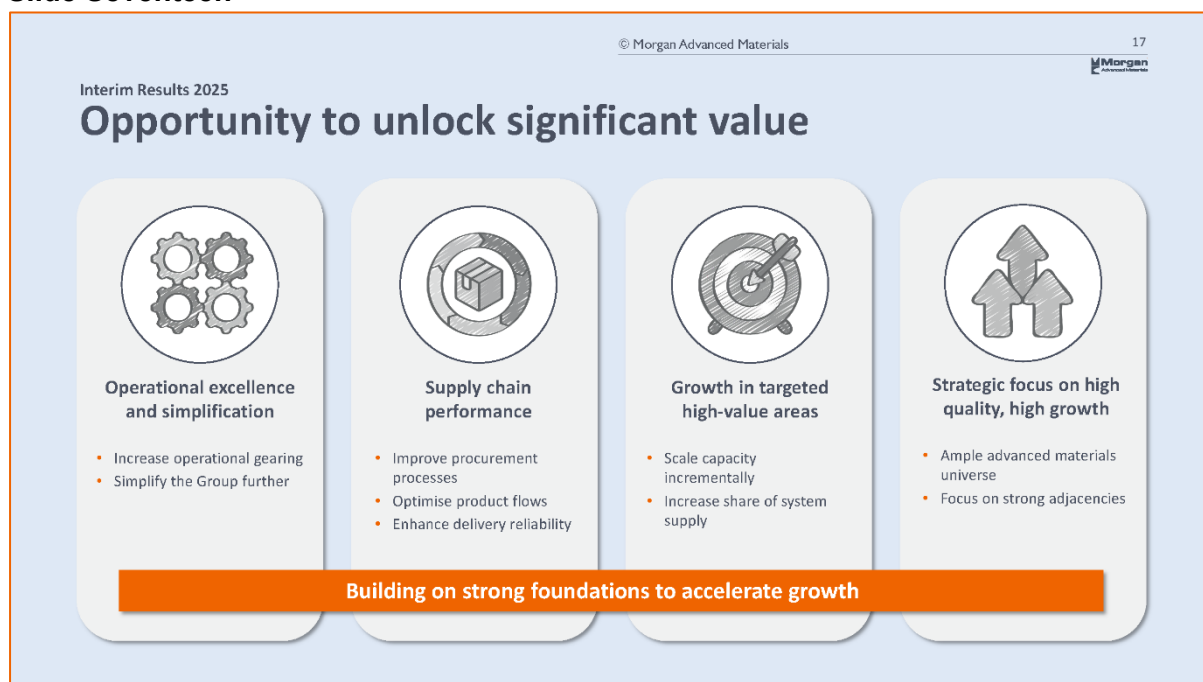
Our customers come to us because of their experience of our product quality and collaboration in design. In customer surveys, this is where we score the highest. Together with a thorough and complex qualification or certification process, this creates a loyal and sticky customer base.

And last but not least, our financials are robust. We have double digit margins, we have a strong ROIC which is evident throughout the cycle. I am confident that both will expand quickly when markets return to growth.

Our financial performance is underpinned by simplification, agile cost management, and our embedded practices of continual improvement.

We maintain a robust and prudent approach to capital allocation, helping to deliver strong returns to our shareholders.

## Slide Seventeen



### Damien Caby, CEO

Let me now turn to my initial thoughts around where I see opportunities to unlock significant value.

We have a well-established and successful practice of simplification. As mentioned before, our current programme is progressing to plan and will complete as expected during 2025. I can see the potential for further opportunities to optimise our footprint and our administrative processes.

We have also made investments in data management in the past two years which provide more visibility on product flows. With our smaller number, but more agile set of sites, we can further improve operational gearing as we move forward.

We are not yet making the most of the scale of the Group in supply chain management.

In procurement, our indirect spend of more than £150m is managed at site level. The opportunity to consolidate the spend and proactively manage the key categories provides scope for material savings.

Another opportunity in supply chain lies in enhancing revenue by improving delivery performance. In my outreach and travels to our sites, I was struck by the correlation between profit margins and growth rates on the one hand, and lead times and delivery reliability on the other hand.

There are also high quality growth opportunities within our current field of expertise. And given the simplified manufacturing footprint, we are able to respond to opportunities and bring in new capacity in a modular and disciplined way.

Across the portfolio there are also opportunities to expand from component supply to system supply over time. We do this for example in fire protection or in implantable devices. Our margins are higher, we are a party or the owner of the certifications and qualifications and the switching barriers are higher.

And finally, the advanced materials universe in which we operate is ample. There is opportunity to leverage our expertise, our channels to market and our strong customer relationships to move into other high quality, high growth adjacencies; organically and inorganically. And conversely, we shall strive that each part of our business portfolio contributes to the progressive improvement of the quality of our business.

I will provide further comments on this at a separate event in December.


## Slide Eighteen

Interim Results 2025

# Financial framework

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Delivering enhanced EPS growth	Clear through cycle financial framework
Organic revenue growth	4-7% organic revenue growth
+	
Continuing profit growth	12.5% to 15% adjusted operating profit margin
+	
Accretive M&A	ROIC 17-20%
+	
Additional shareholder returns	Leverage of 1.0x to 2.0x
=	
Enhanced EPS growth	Enhanced EPS growth

### Damien Caby, CEO


You will be familiar with this slide. I am confident that we are well positioned to deliver on the objectives laid out in the financial framework, as our markets recover.

## Slide Nineteen

Interim Results 2025  
**Outlook**

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- We are cautious about demand in a number of our end-markets as the geopolitical and economic environment remains uncertain
- Revenue guidance for the full year remains unchanged, with organic constant currency revenue expected to decline by a mid single-digit percentage level. This assumes that the market stabilisation seen in the first half of this year continues, but with no expectation of recovery in the second half
- We expect profitability to be around the bottom end of the consensus range, impacted by weak market conditions, mix effects and foreign exchange headwinds
- Our expectation is for free cash flow to normalise during the second half of the year as investment in semiconductor capacity and our simplification programme are now both nearing completion. This will assist in a return to leverage (net debt\*/EBITDA excl. lease liabilities\*) of 1.5 times by the end of the year
- As we look towards 2026, although we note early signs of stabilisation we remain cautious about end-market demand given the ongoing external uncertainty. We expect to commission the new semiconductor capacity during 2026 and will incur one-off startup costs of approximately £7 million as a result

### Damien Caby, CEO

Moving on now to the outlook.

We are cautious about demand in a number of our end-markets as the geopolitical and economic environment remains uncertain.

Therefore, revenue guidance for the full year remains unchanged, with organic constant currency revenue expected to decline by a mid-single-digit percentage level. This assumes that the market stabilisation in the first half continues, but with no expectation of recovery in the second half.

We expect profitability to be around the bottom end of the consensus range, impacted by weak market conditions, by the mix effects previously mentioned, and foreign exchange headwinds.

We expect free cash flow to normalise during the second half of the year, as investment in semiconductor capacity and our simplification programme are now both nearing completion. This will assist in a return to leverage of 1.5 times by the end of the year.


Looking towards 2026, we note early signs of stabilisation, but we remain cautious about end-market demand given the ongoing external uncertainty. We expect to commission our new semiconductor capacity during 2026 and this will incur a one-off startup cost of approximately £7 million as a result.

## Slide Twenty

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### Key takeaways

Revenue in-line despite challenging market backdrop	Leaner and more efficient business
Strong foundations and significant further opportunities	Well positioned to grow and expand margins as markets recover

### Damien Caby, CEO

A few concluding remarks now, before we open up to any Q&A you may have.

As we have highlighted and as expected, market conditions continue to be challenging.

As a team, we continue to actively control what is within our grasp. And we have delivered a leaner and more efficient business.

As I highlighted, we have some fantastic strengths and capabilities as a Group. These are strong foundations, and we have significant opportunities for further enhancements. I believe that we are well positioned to rapidly grow profit when markets come back.

And finally, I would like to thank all the Group's employees for their dedication and commitment to our success.

Thank you.



## Slide Twenty One

