EDISON

QuickView

Bodycote

Industrials

30 July 2026

Aerospace momentum and self-help drive margins

Bodycote reconfirmed full-year guidance alongside H126 results that met expectations. Core organic revenue rose 9.6%, led by a 24.6% surge in Aerospace & Defence (A&D), while the Optimise programme and a leaner cost base lifted group adjusted operating margins by 110bp to 16.0%. We believe reported margins understate underlying momentum, held back by transitory cost headwinds detailed below. With A&D visibility extending into 2027 and a potential expansion of the restructuring programme under review, we see a clear path to sustained margin expansion.

Aerospace fuels margin gains

Bodycote's two core divisions illustrate the mix shift: higher-margin Specialist Technologies earns almost as much adjusted operating profit as the larger Precision Heat Treatment (£31.6m vs £37.6m) on half the revenue (£121m vs £251m). A&D, now the group's growth engine, grew 24.6% organically at the core level and 37% within Specialist Technologies, where it accounts for c 50% of divisional revenue. Strong original-equipment and aftermarket demand together with renewed long-term US Tier 1 agreements supported growth. Core organic revenue growth by end market recovered to 9.6% (H225: 3.2%) with industrial gas turbines up 11% (linked to data centres), Medical returning to good growth and healthy semiconductor demand, while Automotive saw a 4% decline. Core adjusted operating margins (+30bp to 16.2%) were held back by c 100bp from variable-pay rebasing and new-site ramp-up costs. We see 2026 as an investment year, with ramp-up costs easing through 2027–28, although the variable-pay reset is permanent.

Self-help and disciplined capital allocation

The Optimise programme (exiting or consolidating weak, low-margin sites) remains on track, with 27 of 31 planned site exits complete and at least £15m run-rate-profit benefit targeted by mid-2027, versus the 2024 baseline. With the Perform initiative (lifting margins at retained sites, targeting ~100bp by 2028) this provides a margin bridge largely within management's control. Net debt excluding lease liabilities of £135.2m supports a 4.3% dividend increase, the £80m buyback and bolt-on M&A.

Valuation and outlook

Bodycote's continued pivot towards higher growth end markets (48% of FY25 sales, 35% of FY23) is expected to drive profits through improved mix plus self-help initiatives. The shares trade on FY26e P/E of 14.1x (below their c 15x historical average) and c 7.0x EV/EBITDA. This is a discount to the peer-group averages of c 16.7x and c 10.4x respectively. Delivery on the H2 margin bridge and clarity on the Optimise expansion are the key near-term catalysts.

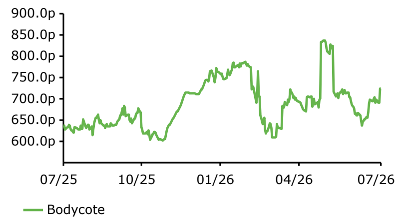
Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (£)	DPS (£)	P/E (x)	Yield (%)	EV/EBITDA (x)
12/25	727.1	184.7	105.2	0.44	0.23	15.5	3.3	7.4
12/26e	716.8	195.7	111.5	0.49	0.24	14.1	3.5	7.0
12/27e	731.8	210.3	123.4	0.55	0.25	12.6	3.6	6.5

Source: LSEG Data & Analytics. Note: EPS is adjusted EPS.

Price	**690.00p**
Market cap	**£1,175m**

Share price performance



Share details

Code	BOY
Listing	LSE
Shares in issue	170.5m
Net cash/(debt) including lease liabilities as at 30 June 2026	£(190.9)m

Business description

Bodycote is a leading provider of heat treatment and specialist thermal processing services, applying advanced metallurgical technologies worldwide to enhance the strength, durability and performance of metal components for end markets ranging from aerospace and defence to medical devices.

Bull points

- Structural A&D demand and renewed US Tier 1 agreements underpin multi-year revenue visibility.
- Optimise (≥£15m profit run-rate by mid-2027) and Perform (~100bp by 2028) offer a margin bridge.
- A strong balance sheet (0.7x leverage) funds the dividend, £80m buyback and bolt-on M&A.

Bear points

- Western European automotive in structural decline, with Optimise expansion scope still undefined.
- A step-up in growth investment weighs on near-term margins, and rebased variable pay adds incremental cost on further outperformance.
- Residual cyclicality in Industrial/Oil & Gas and reliance on the aerospace build-rate ramp add execution risk.

Analysts

Jonathan Day	+44 (0)20 3077 5700
Yana Mihaylova	+44 (0)20 3077 5700

industrials@edisongroup.com

Edison profile page

EDISON QUICKVIEWS ARE NORMALLY ONE-OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

General disclaimer and copyright

Australia

New Zealand

United Kingdom

United States

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom