

Renishaw cuts profit forecast amid Russia pull-out and China lockdowns

Engineering giant Renishaw has cut its annual revenue and profit forecast after pulling its operations in Russia and uncertainty caused by Covid lockdowns in China.

In a third quarter trading update the FTSE 250 firm, based at Wotton-under-Edge in Gloucestershire, reported revenue rose by a fifth as it continued to build on its financial recovery from the pandemic.

The global provider of manufacturing technologies, analytical instruments and medical devices, said group revenue for the nine months to March 31 2022 was £492.4m – an increase of 21% compared to £407.4m for the corresponding period last year.

The company said adjusted profit before tax amounted to £124m compared with £84.4m last year. Statutory profit before tax stood at £120.2m, up from £106.3m in 2021.

The firm said “strong demand” for its encoder product line had been driven by increased investment in industrial automation and the semiconductor markets.

It added that it had been able to mitigate supply chain constraints, particularly a global shortage of electronic components, through its in-house manufacturing operations and “proactive” inventory management.

Despite this Renishaw’s bosses said they were “mindful of global uncertainties” and revised down predictions for the company’s full-year performance. The board said it anticipated revenue of between £655m and £675m – compared to a previously estimated range of £650m to £690m.

Its forecast adjusted profit before tax could now be between £155m and £170m, down from £157m to £181m expected in a [previous update at the start of February](#).

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Renishaw said following Russia's invasion of Ukraine in February it had immediately stopped supplying goods to its Russian division and was now in the process of ceasing trading operations in the country.

The business said it had recorded £2m of impairments for its Russia during Q3, but was anticipating further significant costs or impairments. It added combined sales to Russia and Belarus typically represented around 1% of its total group revenue.

The company said while most of its operations were now running

on a more “normalised basis” after the Covid-19 pandemic, it was closely monitoring the current lockdowns in China. Renishaw said the uncertain position there made trading levels in China in the remainder of this financial year “difficult to predict”.

The group said its operating costs had been impacted by increased utilities bills arising from rising energy prices and £5m of additional labour costs as a result of ongoing staff development and retention programmes.

The firm’s directors said the group balance sheet remained “strong” with cash and bank deposit balances amounting to £241.1m compared to £222m on December 31 2021.

An interim dividend of 16p net per share was paid on April 11, 2022, totalling £11.6m.

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