

Renishaw plc – 2023 AGM

Pre-submitted shareholder questions

23 November 2023

Below are questions from shareholders submitted in advance of Renishaw plc's 2023 Annual General Meeting, along with the Company's responses.

Capital allocation

Q. Renishaw's net cash position significantly exceeds the operating liquidity needs of the business, even accounting for ongoing and future investment plans. At the same time, business activity seems to be stabilising with areas of recent investment increasingly offsetting weakness in the semi-related activities of the group; this stabilisation is also evidenced by sequentially flattening revenue and profit.

Despite this encouraging backdrop, shares of Renishaw trade at 5 year lows. I would therefore ask the board to elaborate on its position regarding returning capital to shareholders via a share buyback program. This would express management's confidence in the business prospects. It would further re-affirm a prudent capital allocation policy of the board in light of the group's current valuation profile, and the evident lack of other investment alternatives for the excess cash flow the business is generating.

A. Our capital allocation policy, applied consistently for many years, is as follows. Organic growth is our first priority and we're committed to R&D investment for new products, manufacturing processes and global support infrastructure to generate growth in future returns and improve productivity. We may supplement organic growth with acquisitions in current and adjacent market niches that are aligned to our strategy. Actual and forecast returns, along with our strong financial position, support our progressive dividend policy, which aims to increase the dividend per share while maintaining a prudent level of dividend cover.

We have always valued having cash in the bank to protect the core business from downturns, and we monitor our cash against a minimum holding according to forecast overheads and revenue downturn scenarios. This cash also allows us to react swiftly as investment or market capture opportunities arise.

We continue to invest in our manufacturing capacity at our Miskin site in Wales, and to model prudent scenarios for our minimum cash holding policy. Therefore, we do not have any current plans to return cash to shareholders at this time, although this will continue to be monitored by the Board.