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Strategic Review

15 June 2005



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History of the group

- **Many different companies put together by acquisition**
- **Companies were not always integrated sufficiently**
- **Some restructuring in last 4 years but no holistic, strategic review of the business was undertaken**
- **Insufficient focus on people development and empowerment**
- **Performance has been erratic**



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How do we fix it?

- **Take a long term view**
 - Not a quick fix
 - Same as we did in PPC in 1999
- **Conduct a full strategic analysis of each part of the business**
 - Products and their life cycles
 - Market segmentation
 - Competitors
 - Porters forces
 - CFROI for each part of the business
 - Decide if we want to keep, grow or exit



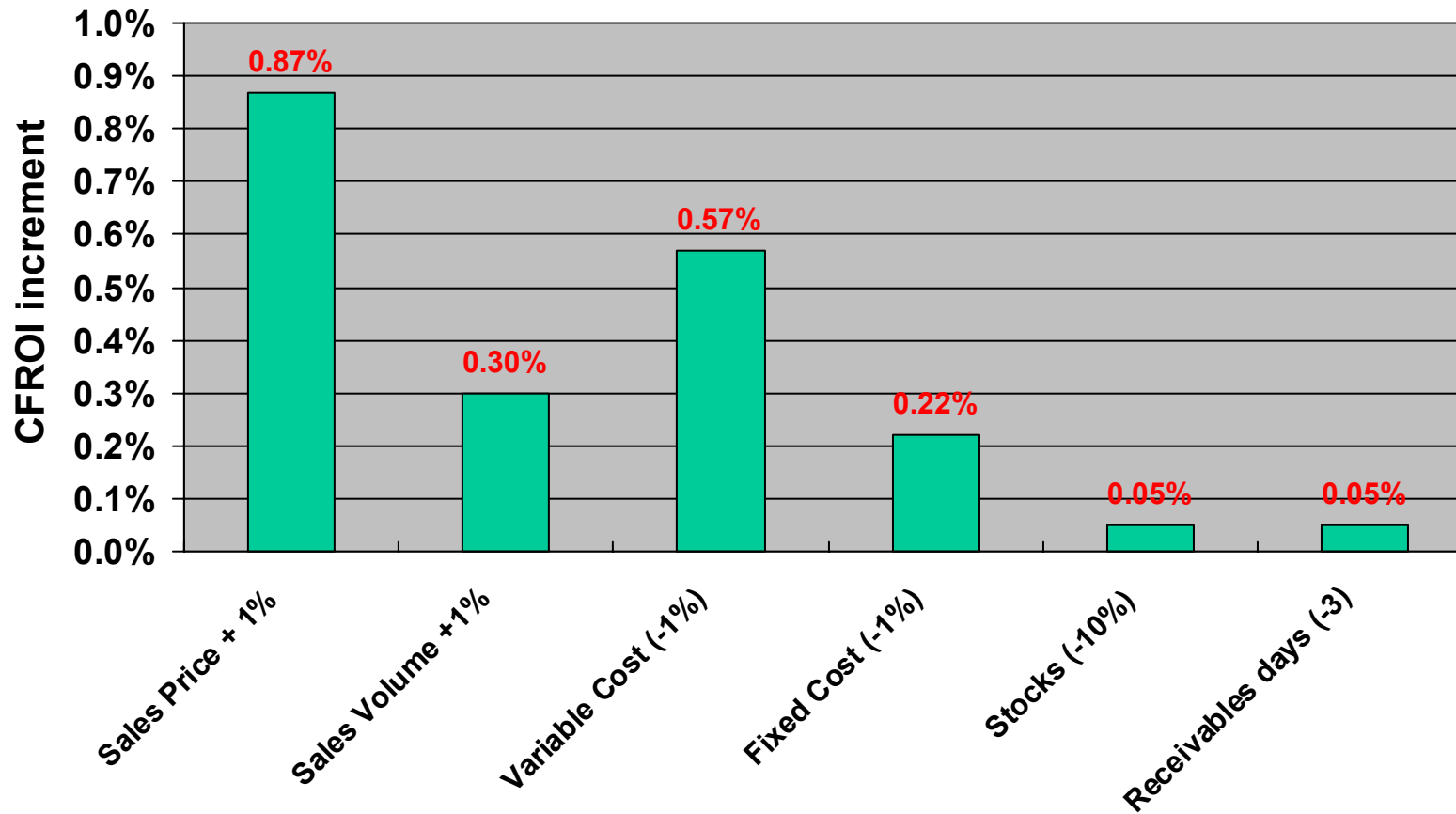
How do we fix it?

- **Learn from other Barloworld divisions**
- **Tap into resources from the centre**
 - EVC, Holt, Risk, Legal, etc
- **Define a clear strategy**
- **Change organisation structures where necessary**
- **Ensure that we have the right people in the right jobs**
- **Communicate it to everybody**
- **Set stretching targets and entrench in scorecards**
- **Align and motivate employees**



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Laboratory Group





Business		Strategy
Science Equipment	Carbolite	Liberate Capacity, New product development (NPD), Grow
	Jenway	Cost reduction, Global sourcing , NPD, Grow,
	Stuart	Cost reduction, Global Sourcing, NPD, Grow,
	Techne	Relocate to Stone (cost reduction), NPD
Glass		Mature business, Cost reduction, Lean, Outsource, Rationalise range
Reusable Plastics		Lab side in reasonable shape. Reposition Industrial business, Rationalise range, Cost reduce manufacturing and sourcing, Limited NPD
Disposable Plastics		Cost reduction Maximise pricing on premium products. Exit from marginal product ranges. Focus on improving sourcing of bought in ranges
Other businesses		ESCO/OEM medical devices - grow sales Fabrication – improve margins



Product split

- **Science Equipment** 38%
- **Disposable Plastics** 21%
- **Glass** 18%
- **Re usable Plastics** 13%
- **Other** 10%



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Primary markets served

- **Industry** **40%**
- **Government / education** **35%**
- **Healthcare** **25%**



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Carbolite

- **Furnaces and ovens**
- **Good returns**
- **More orders than we can handle**
- **Need to liberate capacity**
- **Develop new products**
- **Improve costing system**
- **In time, grow by acquisition**



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Jenway

- **Spectrophotometers, electrochemistry, etc**
- **Reasonable returns**
- **Develop new products**
- **Reduce cost of production**
- **Global sourcing of components**
- **Grow the business**



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Stuart

- **Equipment that “shakes, rattles and rolls”**
- **Reasonable returns**
- **Develop new products**
- **Reduce cost of production**
- **Global sourcing of components**
- **Grow the business**



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Techne

- **Life sciences equipment**
- **Poor returns**
- **All effort was focussed on Quantica – real time PCR**
- **Develop new products**
- **Relocating to Stone – large cost savings**
- **Global sourcing of components**
- **Grow the business**



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Glass

- **Full range of glass products**
- **A mature business in slow decline**
- **Reduce cost of production**
 - **Continue with Lean manufacturing**
- **Reduce range of products**
- **Outsource some products to China**
- **Cash cow strategy**



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Reusable Plastics

- **Laboratory products**
 - Reasonable returns
 - Reduce cost of production
- **Industrial products**
 - Poor returns
 - Reduce range of products
 - Reduce cost of production
 - Reduce cost of bought in products
 - Exit from low margin business when contracts expire

- **Containers, Pipettes and Petri dishes etc etc**
- **Containers**
 - Returns good
 - Maximise price on premium products
- **Pipettes**
 - Returns can be reasonable
 - Reduce cost of production
- **Petri dishes**
 - Returns poor
 - Exit marginal product ranges
 - Reduce cost of production



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Focus points

- **Improve costing systems**
- **Focus on procurement**
 - **Global sourcing of components**
- **Invest more in New Product Development (NPD)**
- **Reduce the range of products**
- **Reduce raw material costs**
- **Revamp packaging**
- **Rebalance distribution channels**
 - **Porter's five forces**
 - **Private label**
- **Focus more on emerging markets**



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Focus points

- **Employee Value Creation**
 - **New GM of Human Resources**
 - **Strong team of line managers driving the change**
 - **Roadshow taken to all sites to explain the strategy**
 - **Scorecards and clear targets for all**
 - **Empower and encourage people**
 - **Liberating energy and previously hidden talent**
 - **Continuous improvement – many good suggestions**
 - **Change the culture**

- **Changed the name from Bibby Sterilin to Barloworld Scientific**
- **New distribution centre commissioned at Stone**
 - 3 old warehouses closed
 - Good cost reduction
- **Over £1,5m of restructuring costs taken in first half**
- **Positive outlook for Laboratory Group**



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Melles Griot

- **Some restructuring in last 4 years but no holistic, strategic review of the business was undertaken**
- **Performance has been erratic**
- **Strategic analysis nearing completion**
 - **Similar process to that in the Laboratory Group**
- **Restructuring to be finalised in next few months**
- **Estimate of restructuring costs in H2 is £1m**



- **Lasers performing well**
 - Diode pumped solid state lasers (DPSS) launched last year
 - DPSS products growing at $> 30\%$ pa
 - New 488nm laser launched yesterday at Laser Munich
 - Gas laser industry in decline but generating good margins
 - New GM heading the business



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Overview

- **Optics**
 - Premium Quality products
 - Usually generates good returns
 - Affected by slow down in semi-conductor industry
 - Looking to diversify to reduce dependence on semi –conductor industry
 - New GM heading the business



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Overview

- **Distribution**
 - Distributes our products and some third party products
 - Returns poor
 - Reduce cost of sales
 - Grow sales
 - Improve web sales capability
 - New GM heading business



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Product split

- **Lasers** **40%**
- **Optics** **40%**
- **Distribution** **20%**



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Primary markets served

- **Semi-conductor / Microelectronics** 24%
 - **Photonics** 23%
 - **Metrology** 22%
 - **Biotechnology** 17%
 - **Other** 14%
- (materials processing, repro etc)

- **Employee Value Creation**
 - Progressing well
 - As in Laboratory Group
- **Fixed costs reduced**
- **Global sourcing of components to reduce costs**
- **New catalogue launched**
- **Outlook generally positive (dependent on semi-conductor industry)**



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Overall Scientific Group

- **Performance in 2004/5 has been disappointing**
 - **Restructuring costs**
 - **Downturn in semi-conductor industry**
 - **Polystyrene price increased by over 60%**
 - **Weak dollar helping our competitors**
- **2004/5 is being used to lay a solid foundation for the future and most of the restructuring will be completed this year**
- **The next years should see an improving profit trend**