

Spirax-Sarco Engineering plc



Spirax-Sarco Engineering plc Annual General Meeting

Nick Anderson

11th May 2015

Queen's Award for Enterprise in Innovation

TVA flowmeter



The Spirax Sarco TVA flowmeter is a revolutionary alternative to traditional steam flow measurement.

The device provides:

- reliable, accurate and cost-effective steam metering at low and high flow rates
- quick and easy installation, across a range of industries worldwide

The flowmeter includes:

- novel design features
- a proprietary sensor
- unique mathematical algorithms

Designed, developed and tested in our world-class technology centre and steam lab in Cheltenham.

AGM statement

For the 4 months ending 30th April

Trading conditions

- Global economic conditions remain mixed
- Watson-Marlow performed strongly with sales growth in all regions, steam business organic sales growth more muted
- Overall project work reduced but maintenance and repair business increased

Performance

- Organic sales up 4%
- Currency headwinds largely abated; sales reduced on translation by 1.8%
- Operating profit ahead
- Net cash balance increased from £52 million at 31st December to £82 million at 30th April
- Acquisition of Asepco, USA, for £7 million in April

Outlook

- Global economic conditions to remain mixed, pick-up in industrial activity in second half of 2015
- We remain focused on our strategic priorities to generate our own growth
- The Board has confidence that the Group will make further progress in 2015

Indian joint venture exited

March 2015



- Operating in India for over 55 years
- Joint venture with Forbes Marshall Private Ltd
- Operating as Spirax Marshall Private Ltd

Reasons for exit:

- India under-represented in Group results – sales not consolidated
- Indian contribution had declined to 1% of Group profits
- Indian JV did not represent the full Spirax product line
- Greater representation in India explored over several years
- The Forbes family would not concede any control of the business

Essence of the agreement:

- Our share in the business sold for £6.5 million
- Both parties can trade inside and outside India under their respective names
- We retain exclusive rights to Spirax Sarco's brands and product nomenclature

Spirax Sarco India Private Ltd.



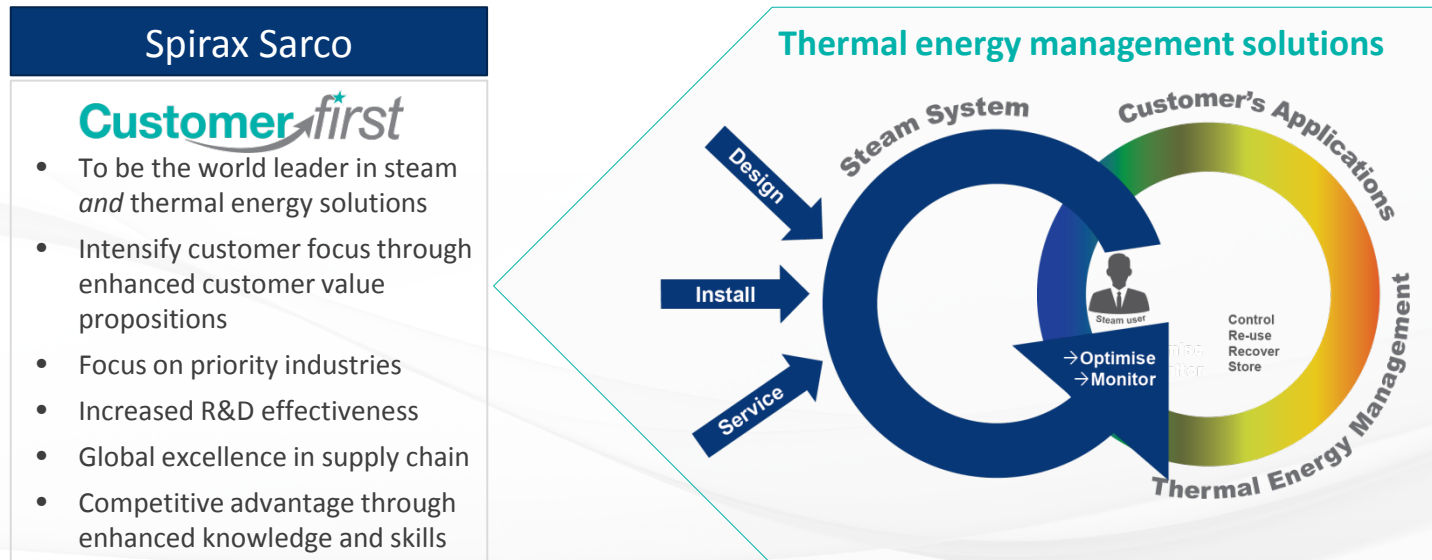
- New wholly-owned company, for direct sales in India
- Located in Chennai
- In excess of £11 million to be invested in India
- Company to commence operations with 54 employees, including 24 sales engineers
- National sales coverage; sales offices in Chennai, Mumbai and Delhi
- Local manufacturing capability in purpose built, state-of-the-art factory
- Trading soon

Our strategy

Objective: self-generated growth that outperforms our markets

Focus: doing better what we already do well

Our six-part Group strategy reflects the key elements of the Spirax Sarco steam business strategy, the Watson-Marlow Fluid Technology Group strategy and the Group acquisitions strategy:



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Spirax Sarco	Watson-Marlow	Acquisitions
<p>Customer<i>first</i></p> <ul style="list-style-type: none"> • To be the world leader in steam and thermal energy solutions • Intensify customer focus through enhanced customer value propositions • Focus on priority industries • Increased R&D effectiveness • Global excellence in supply chain • Competitive advantage through enhanced knowledge and skills 	<ul style="list-style-type: none"> • Enhance market sector sales focus • Achieve rapid geographical expansion • Accelerate development of breakthrough products • Attain excellence in manufacturing • Selective product and market sector diversification 	<ul style="list-style-type: none"> • To create significant shareholder value through supplementing organic growth • Expand the capabilities of our niche businesses through new technologies, skills or geographic coverage • Increase our addressable market into adjacent related sectors

Group strategy

To deliver self-generated growth outperforming our markets



- 1) Increase direct sales effectiveness through sector focus
- 2) Develop the knowledge and skills of our expert sales and service teams
- 3) Broaden our global presence
- 4) Leverage R&D investments
- 5) Optimise supply chain effectiveness
- 6) Operate sustainably and help improve our customers' sustainability

Getting better at what we already do well

Strategy: benefits

Getting better at what we already do well



The Group strategy will:

- increase the effectiveness of our direct sales organisation
- leverage our strengths in key sectors
- capitalise on the most attractive opportunities
- expand our addressable markets
- align and direct resources more effectively
- improve business performance

Accelerating growth and adding value for the long term



Questions?