

26th May 2017

Acquisition of Chromalox for US\$415 million (£319 million)

Spirax-Sarco Engineering plc (Spirax Sarco), which specialises in the control and efficient use of steam, and in peristaltic pumping and associated fluid path technologies, announces that it has signed an agreement to acquire Chromalox, Inc. (Chromalox) from Irving Place Capital for a cash-free, debt-free consideration of US\$415 million (£319 million).

Chromalox is a well-established USA based provider of electrical products, systems and solutions for industrial process heating and temperature management that we have been following since 2008. It serves a broad range of end markets with approximately 70% of sales being addressed via its direct salesforce, with the remainder going through distributors. Around two thirds of its sales are recurring revenue. It has five manufacturing facilities; three in North America, one in France and one in China. Chromalox is led by a strong, long-serving executive team who will remain with the business post acquisition.

Chromalox is closely related to the Spirax Sarco Steam Specialties business in delivering thermal energy management solutions to its customers through a primarily direct sales channel. Chromalox is also highly complementary to the Steam Specialties business, with the decision between using steam or electricity as a heating medium being driven by differing needs of the application or customer circumstances. As a result, Chromalox will expand our total addressable market by £2.1 billion to £7.9 billion. It will form part of the Spirax Sarco business group and be reported as a separate segment within that business.

In the year ended 30th September 2016, Chromalox recorded revenues of US\$201 million (£155 million), EBITDA of US\$43 million (£33 million) and EBIT of US\$37 million (£28 million). In 2016, 78% of the company's revenues were in North America with 11% in Europe and 11% in Asia Pacific. At 30th September 2016, Chromalox's gross assets were US\$185 million (£142 million).

We will invest in Chromalox to strengthen its direct sales channels globally; leverage our worldwide footprint to grow Chromalox's presence outside of its core markets in the USA; and support the company's research and development programme to ensure that it continues to deliver innovative new products to customers.

Chromalox derives c.18% of sales from Oil & Gas end markets and has in recent years experienced headwinds similar to those seen across the industry. Expectations and timing of the anticipated recovery in growth have been analysed and considered carefully; current order intake levels and market activity indicate improving prospects. Our estimate for Chromalox's current year, ending 30th September 2017, is for sales of US\$190 million (£146 million), EBITDA of US\$38 million (£29 million) and EBIT of US\$32 million (£25 million). The acquisition will be accretive to Group earnings in 2017.

The purchase consideration will be financed from new debt facilities supplied by our existing banks. Following completion of the Chromalox acquisition and the recent acquisition of Gestra, Spirax Sarco will maintain a strong balance sheet and we expect the ratio of net debt to EBITDA to be in the region of 1.5 by 31st December 2017, falling to around 1.0 by the end of the following year.

Completion is subject to regulatory approval of the transaction by the merger control authority in the USA. These conditions are expected to be satisfied during the current quarter.

Spirax-Sarco Engineering plc

www.spiraxsarcoengineering.com

Nicholas Anderson, Chief Executive of Spirax-Sarco Engineering plc, said;

"We are delighted to bring Chromalox, its management and employees into the Spirax Sarco family. We have been following Chromalox for a number of years and believe that the acquisition represents an excellent opportunity to expand our addressable markets through the purchase of a clearly related business, which solves customers' specialist heating requirements, and that shares our strong direct sales business model. As we invest in strengthening the company's direct sales and leverage Spirax Sarco's global footprint and expertise, Chromalox will enhance our growth and provide sustainable value creation for customers and shareholders."

There will be a hosted conference call including Q&A, and a listen only audio webcast, for investors and analysts at 9.00am UK time on Friday 26th May. The listen only live audio feed and simultaneous PowerPoint presentation will be accessible from <http://edge.media-server.com/m/p/2rs4mrmo>. To have the facility to ask questions participants will need to dial-in to the conference call on these numbers: UK Toll Free 0808 109 0700 or for Standard International Access +44 (0) 20 3003 2666, using the password 'Spirax-Sarco'. To view both the webcast presentation and have the facility to ask questions, participants will need to both log on to the webcast and dial into the conference call number.

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Cautionary statement

This announcement contains certain forward-looking statements with respect to the performance of Chromalox. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and subject to applicable law or regulation we undertake no obligation to update these forward-looking statements.

About Spirax Sarco

Spirax-Sarco Engineering plc is the world leader in each of its two businesses, Spirax Sarco for steam specialties and Watson-Marlow Fluid Technology Group for niche peristaltic pumps and associated fluid path technologies. The Steam Specialties business provides a broad range of fluid control products, engineered packages, site services and systems expertise for a diverse range of industrial and institutional customers. The Company helps its end users to improve production efficiency, reduce energy costs, water usage and emissions, improve product quality and enhance the safety of their operations. Watson-Marlow Fluid Technology Group offers the ideal solution for a wide variety of demanding fluid path applications with highly accurate, controllable and virtually maintenance free pumps and associated technologies. The Group is headquartered in Cheltenham, England, has strategically located manufacturing plants around the world and employs over 5,900 people, of whom more than 1,400 are direct sales and service engineers. Its shares have been listed on the London Stock Exchange since 1959 (symbol: SPX).

Further information can be found at www.spiraxsarcoengineering.com

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