



Obadah Zaher (Research Team Leader) and Jagoda Cieslik (Year in Industry Student, R&D) reviewing a steam system's health using a SIMS™ software and energy monitoring solution from Spirax Sarco

2018 HALF YEAR RESULTS

Six months ended 30th June 2018

Nicholas Anderson (Chief Executive)

Kevin Boyd (Chief Financial Officer)

Agenda



2018 Half Year Highlights

Nicholas Anderson



2018 Half Year Financial Review

Kevin Boyd



Operations and Outlook

Nicholas Anderson

2018 Half Year highlights

- Revenue growth of 28%, organic sales growth 7%⁺
- Adjusted operating margin of 23.0%*
- Good organic growth in both Steam Specialties and Watson-Marlow
- Gestra and Chromalox performing to plan; adding 24% to sales, 16% to profit
- Net debt of £373.0 million; 1.3x EBITDA
- Interim dividend raised 14%

⁺ Organic measures are at constant currency and exclude incremental contributions from acquisitions.

** See Appendix III for definition of adjusted profit measures.*

Agenda



2018 Half Year Highlights

Nicholas Anderson



2018 Half Year Financial Review

Kevin Boyd



Operations and Outlook

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Financial performance

- Organic sales +7%, growth in all segments of Steam Specialties and Watson-Marlow
- Gestra and Chromalox in line with plan
- 23.0% adjusted operating margin; underlying growth
- Operating profit +15% organically
- Lower tax rate
- EPS +25%; organic growth and acquisition

| | 30 th June 2018 | 30 th June 2017 | Reported | Organic ⁺ |
|--------------------------|-------------------------------|-------------------------------|----------|----------------------|
| Revenue | £547.6m | £428.6m | +28% | +7% |
| Operating profit* | £125.7m | £101.2m | +24% | +15% |
| Operating profit margin* | 23.0% | 23.6% | -60 bps | +170 bps |
| Net finance expense | (£5.1m) | (£2.0m) | | |
| Pre-tax profit* | £120.6m | £99.2m | +22% | |
| Tax rate* | 27.1% | 29.1% | -200 bps | |
| EPS* | 119.2p | 95.5p | +25% | |
| DPS | 29.0p | 25.5p | +14% | |

* Organic measures are at constant currency and exclude incremental contributions from acquisitions.

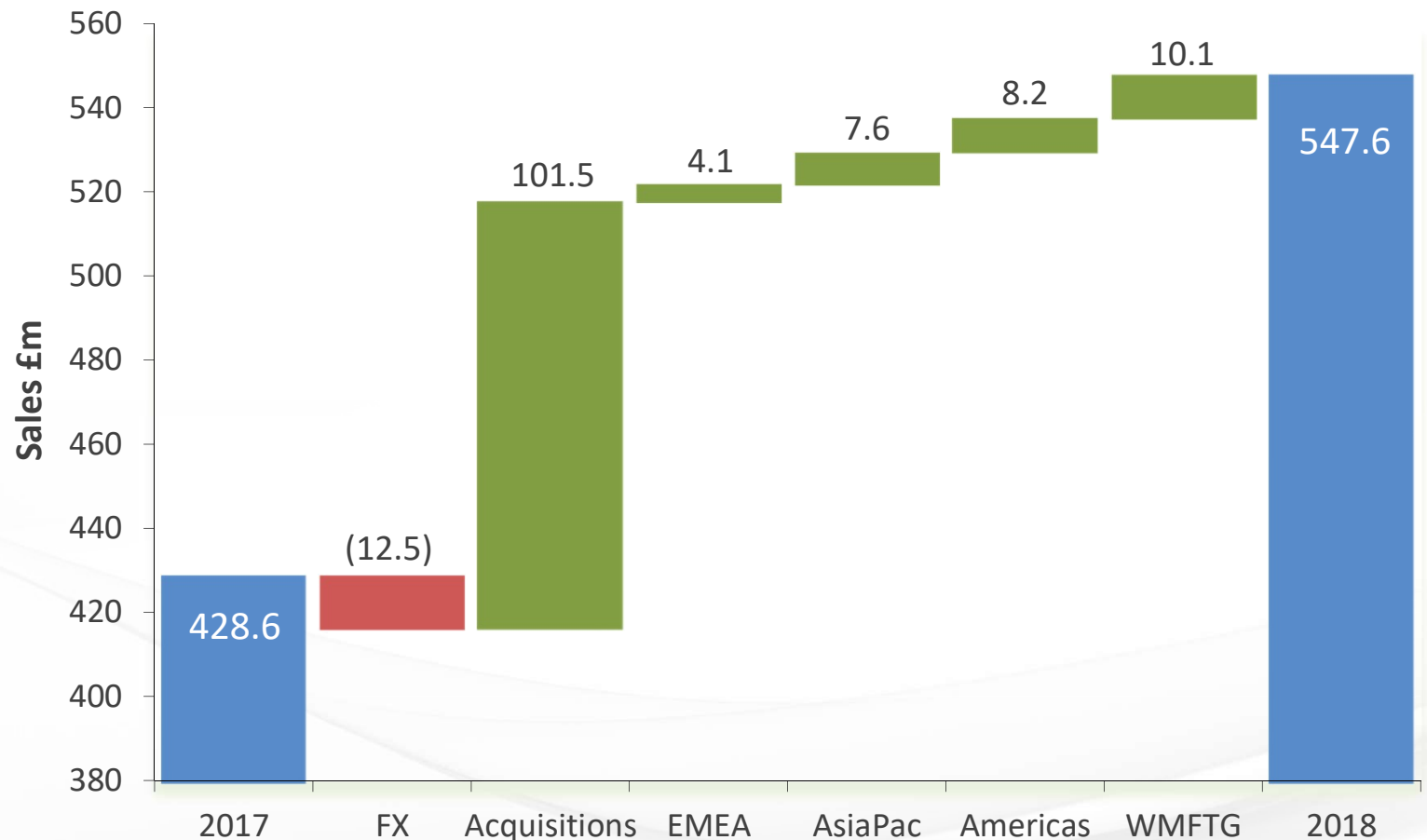
* See Appendix III for definition of adjusted profit measures.

Sales bridge

Increase in sales

- 3% currency (FX) headwind
- Total organic⁺ growth of 7%; Steam Specialties +7%, Watson-Marlow +9%
- Acquisitions add 24%

⁺ Organic measures are at constant currency and exclude incremental contributions from acquisitions.

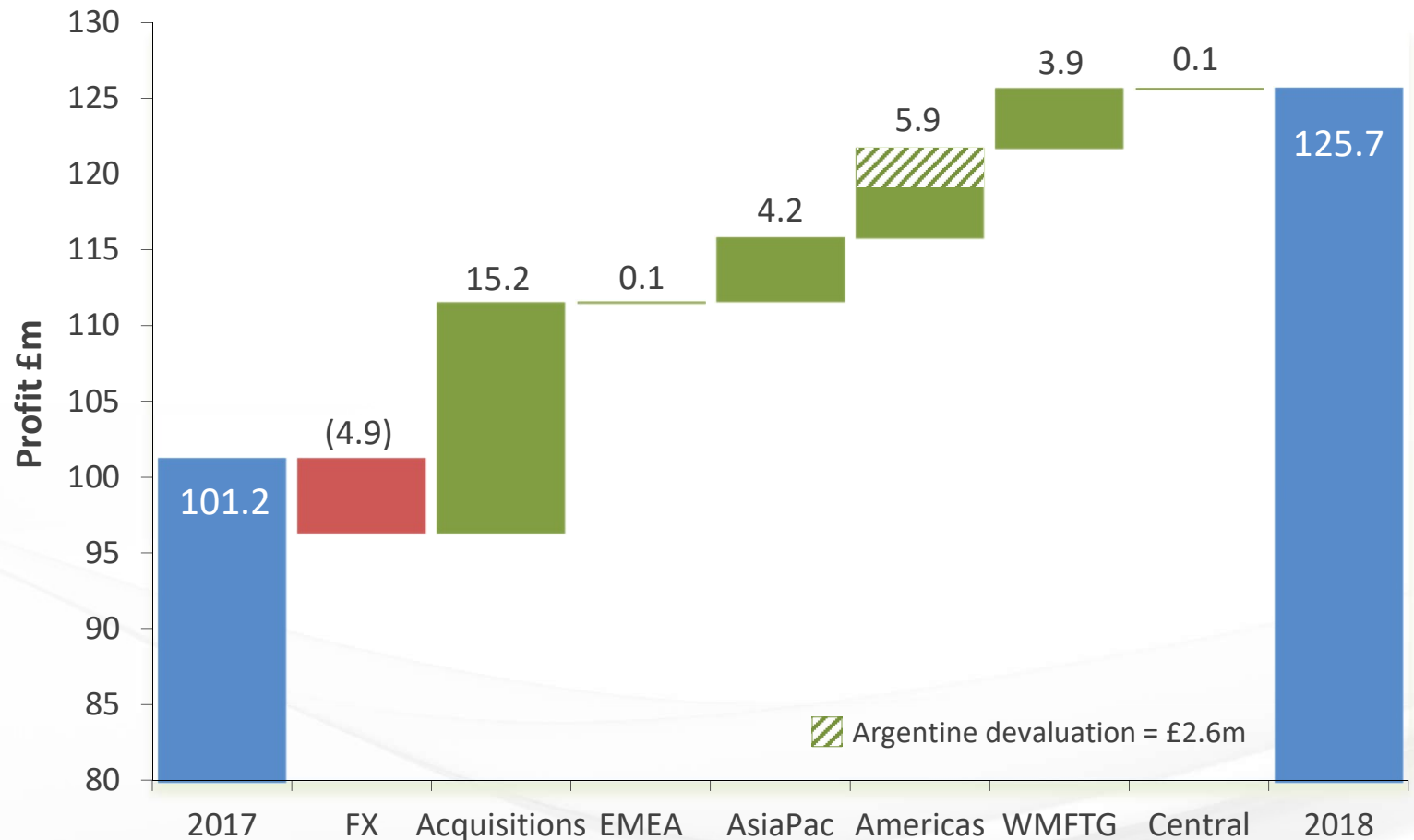


Profit bridge

Increase in adjusted operating profit

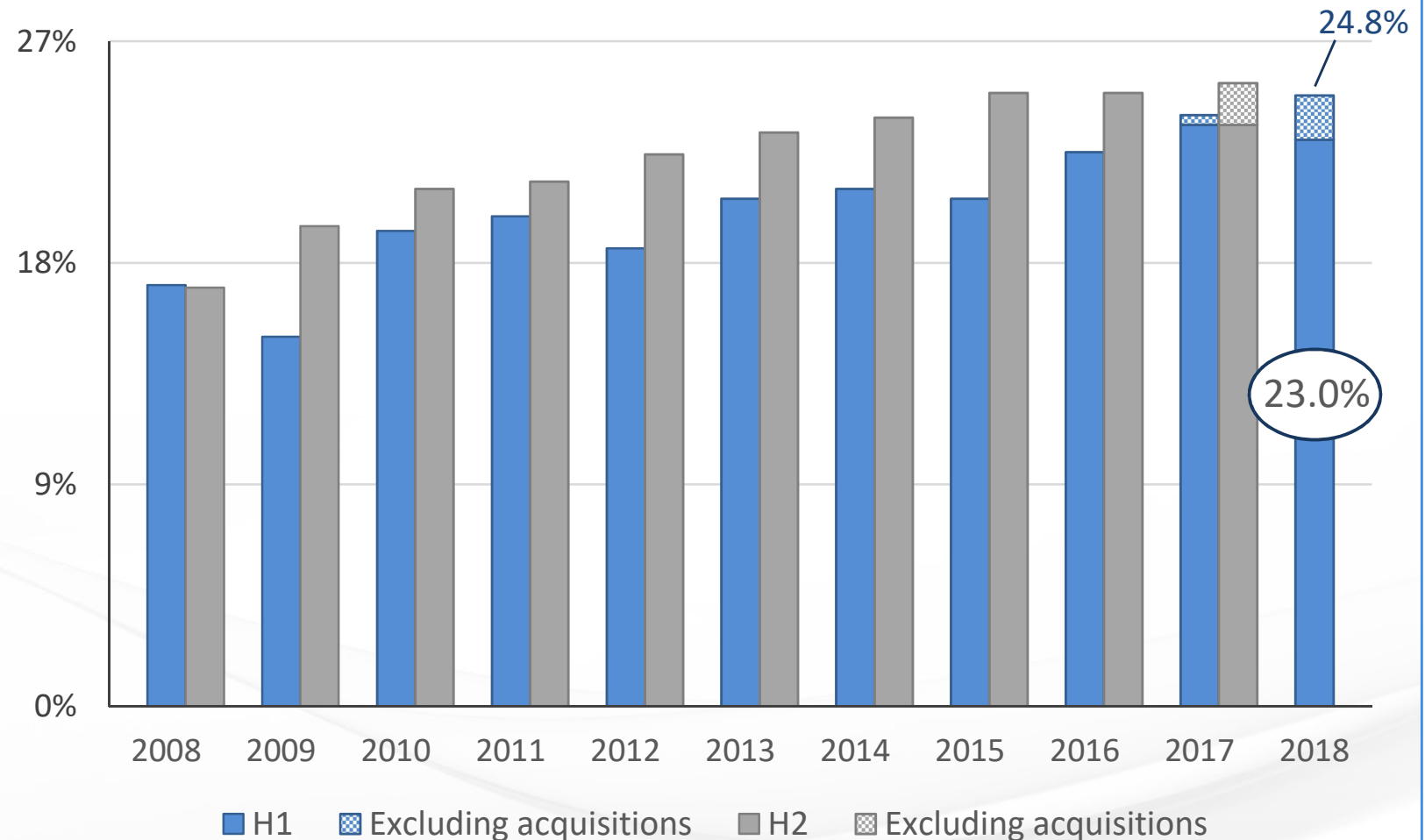
- Adjusted operating profit* +24%
- 5% currency (FX) headwind
- Non-recurring benefit from Argentine peso devaluation
- Acquisitions add 16%
- Organic profit growth +15%

* See Appendix III for definition of adjusted profit measures



Operating margin of 23.0%

- Group margin +170 bps organically; +110 bps excluding Argentine effect
- Steam Specialties margin +100 bps organically, excluding Argentine effect
- Watson-Marlow margin -30 bps, exchange headwind; +60 bps organically



Cash flow

- Good cash generation; 75% cash conversion
- Working capital outflow as business grows
- Dividend paid £45.9m
- Net debt £373.0 million, 1.3x EBITDA

Adjusted cash flow

| | Pounds (£) million | 30 th June 2018 | 30 th June 2017 |
|--|--------------------|-------------------------------|-------------------------------|
| Adjusted operating profit* | | 125.7 | 101.2 |
| Depreciation and amortisation | | 15.4 | 14.0 |
| Adjusted earnings before interest, tax, depreciation and amortisation | | 141.1 | 115.2 |
| Pensions/Share plans | | 2.5 | 3.8 |
| Working capital changes | | (34.1) | (19.5) |
| Net capital expenditure (including software and development) | | (15.8) | (14.6) |
| Cash from operations | | 93.7 | 84.9 |
| Net interest | | (4.1) | (0.3) |
| Income taxes paid | | (28.9) | (25.8) |
| Free cash flow | | 60.7 | 58.8 |
| Net dividends paid | | (45.9) | (39.4) |
| Proceeds from issue of shares/purchase of employee benefit trust shares | | (6.6) | 0.6 |
| Acquisitions (including costs) | | (2.9) | (158.0) |
| Cash flow for the period | | 5.3 | (138.0) |
| Exchange movements | | (4.7) | (3.2) |
| Net debt at 30th June | | (373.0) | (113.8) |

* See Appendix III for definition of profit measures.

Underlying margin factors

Effects on underlying margins*



| | H1 2018 | H2 2018 |
|---------------------------------|---------|---------|
| Currency movements | ↓ | ↓ |
| Operating leverage | ↑ | ↑ |
| Sales pricing (vs. inflation) | → | → |
| Manufacturing strategies | ↑ | ↑ |
| Business and product mix | → | → |
| Business development investment | ↓ | ↓ |
| Impact of acquisitions | ↓ | → |

* The arrows as shown are qualitative and indicate direction only.
H1 2018 and H2 2018 arrows are an indication versus H1 and H2 2017 respectively.

Agenda



2018 Half Year Highlights

Nicholas Anderson



2018 Half Year Financial Review

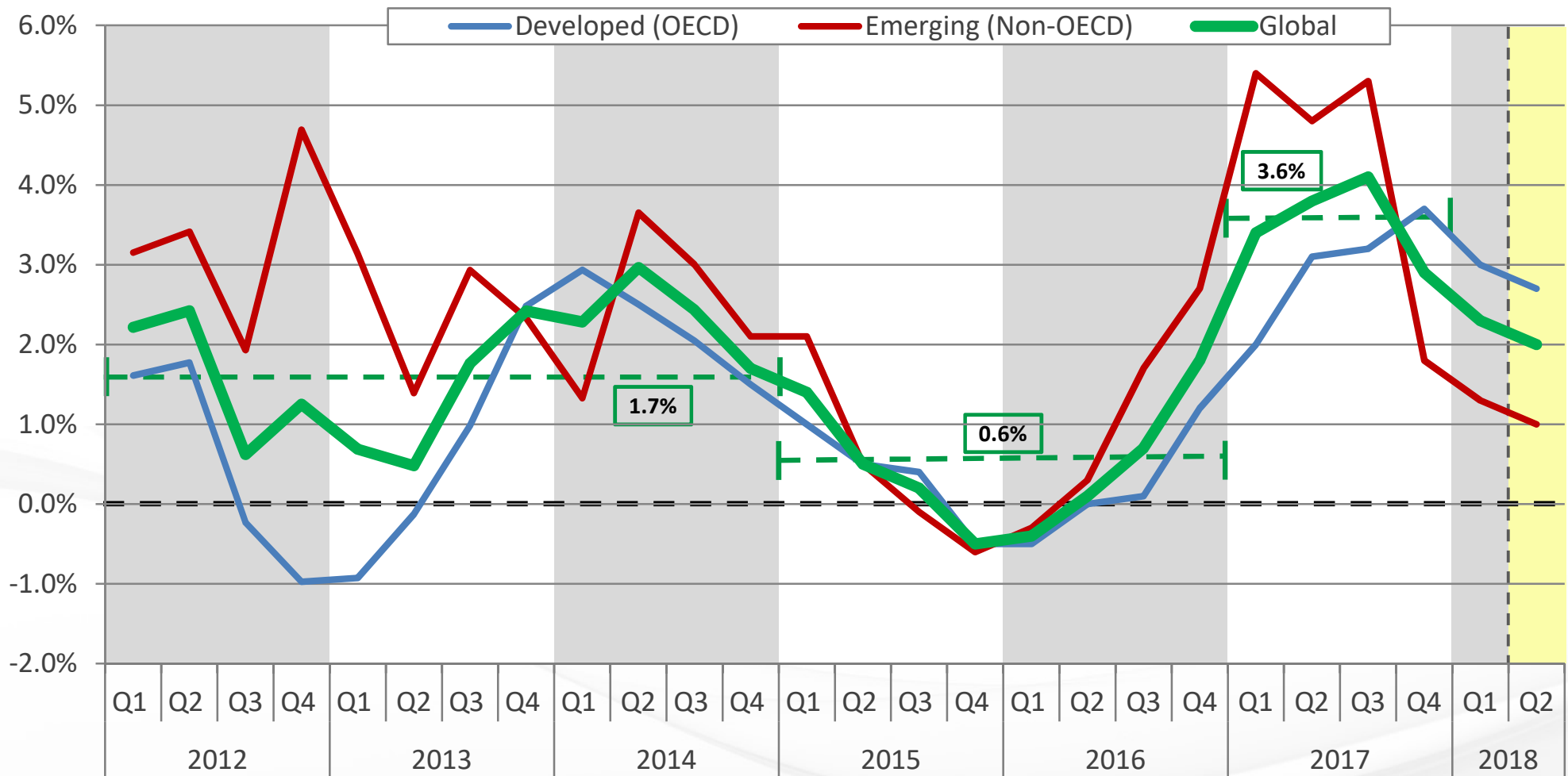
Kevin Boyd



Operations and Outlook

Nicholas Anderson

Annual IP growth rates by quarter 2012-2018



Source: CHR Economics – June 2018

Preliminary data

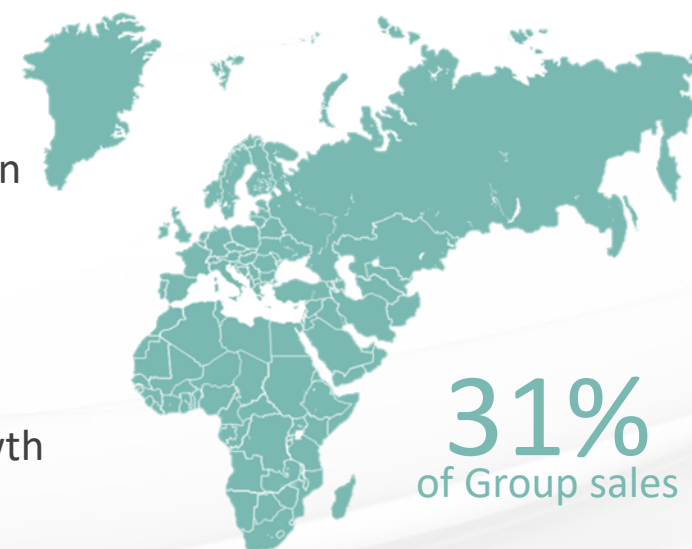
Europe, Middle East and Africa

| | 30 th June 2017 | Exchange | Organic | Acquisitions | 30 th June 2018 | Organic ⁺ | Reported |
|------------|-------------------------------|----------|---------|--------------|-------------------------------|----------------------|----------|
| Sales | £137.9m | £1.0m | £4.1m | £26.1m | £169.1m | +3% | +23% |
| Op profit* | £30.4m | £1.0m | £0.1m | £4.3m | £35.8m | +0% | +18% |
| Margin* | 22.0% | | | | 21.2% | -60 bps | -80 bps |

* Organic measures are at constant currency and exclude incremental contributions from acquisitions.

* See Appendix III for definition of adjusted profit measures.

- Organic sales up 3%, organic operating profit flat
- Strong sales growth in Germany, Italy, Iberia; France and UK down
- Good underlying demand; uncertainties delay large projects
- Gestra adds £26.1m sales; raises EMEA profit 14%
- Three new companies: Maghreb, Hungary and Romania
- Margin down 80 bps; diluted by Gestra and investments for growth
- Despite market uncertainty; expect further progress in 2018



Steam Specialties Asia Pacific

Spirax-Sarco Engineering plc

www.spiraxsarcoengineering.com

| | 30 th June 2017 | Exchange | Organic | Acquisitions | 30 th June 2018 | Organic ⁺ | Reported |
|------------|-------------------------------|----------|---------|--------------|-------------------------------|----------------------|----------|
| Sales | £97.9m | (£2.0m) | £7.6m | £1.2m | £104.7m | +8% | +7% |
| Op profit* | £25.0m | (£0.7m) | £4.2m | £0.0m | £28.5m | +17% | +14% |
| Margin* | 25.5% | | | | 27.2% | +220 bps | +170 bps |

* Organic measures are at constant currency and exclude incremental contributions from acquisitions.

* See Appendix III for definition of adjusted profit measures.

- Organic sales up 8%, organic operating profit up 17%
- Currency headwind: reduces sales 2% and profit 3%
- China, Korea, Australasia and Japan ahead; large project sales strong
- India making progress; performing in line with expectations
- New Singapore distribution centre improving customer service
- Margin up 170 bps to 27.2%; organic increase 220 bps
- Despite uncertainties; well positioned for further progress



Steam Specialties Americas

Spirax-Sarco Engineering plc

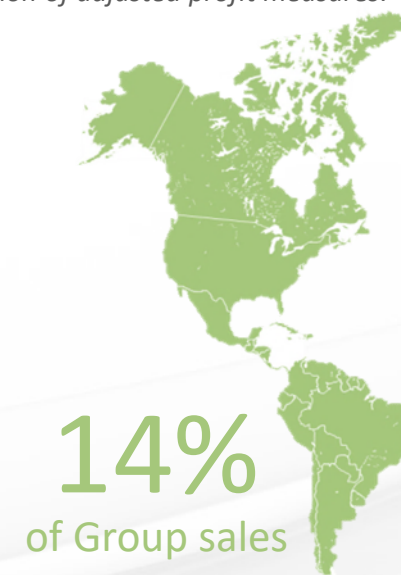
www.spiraxsarcoengineering.com

| | 30 th June 2017 | Exchange | Organic | Acquisitions | 30 th June 2018 | Organic ⁺ | Reported |
|------------|-------------------------------|----------|---------|--------------|-------------------------------|----------------------|----------|
| Sales | £72.3m | (£7.5m) | £8.2m | £2.1m | £75.1m | +13% | +4% |
| Op profit* | £13.8m | (£2.8m) | £5.9m | £0.3m | £17.2m | +54% | +25% |
| Margin* | 19.1% | | | | 22.9% | +620 bps | +380 bps |

* Organic measures are at constant currency and exclude incremental contributions from acquisitions.

* See Appendix III for definition of adjusted profit measures.

- Organic sales up 13%; up 10% excluding Argentine effect
- Organic operating profit up 54%; up 30% excluding Argentine benefit
- North America – organic sales up 8%, good growth in USA
- Latin America – organic sales up 20% despite difficult markets
- Strong growth by Gestra USA, adds 3% to sales; strong H1 for Hiter
- Organic margin up 620 bps; excluding Argentine benefit up 260 bps
- Overall, remain positive; expect further progress in 2018

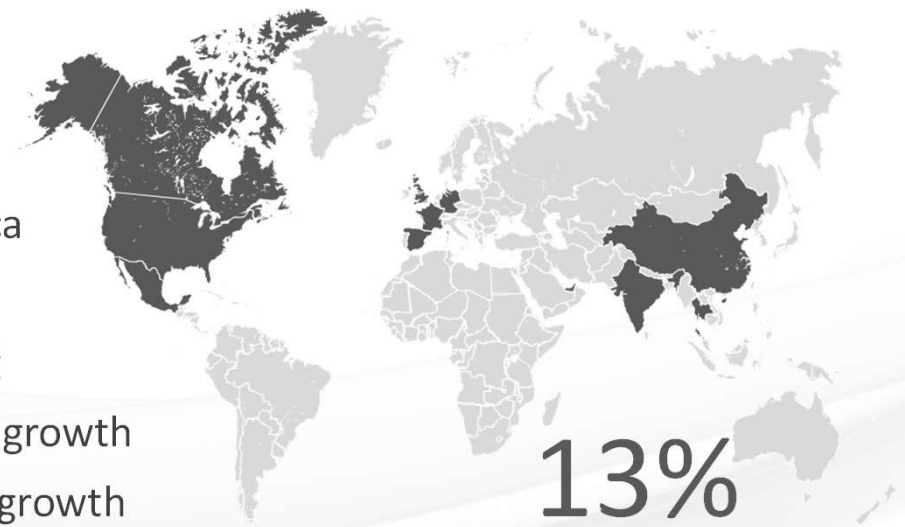


Chromalox

| | 30 th June 2017 | Exchange | Organic | Acquisitions | 30 th June 2018 | (For reference only) Half Year 2017 @HY 2018 FX | |
|------------|-------------------------------|----------|---------|--------------|-------------------------------|--|----------|
| Sales | £0.0m | - | - | £72.1m | £72.1m | £67.3m | +7% |
| Op profit* | £0.0m | - | - | £10.6m | £10.6m | £11.7m | -9% |
| Margin* | | | | | 14.7% | 17.4% | -270 bps |

* See Appendix III for definition of adjusted profit measures.

- Sales slightly ahead of expectations; up 7% on prior year
- Strong growth from MRO, small improvement projects
- Added direct sales resources in USA, EMEA, Latin America
- Three new sales offices; eight new products launched
- Stepped up investments: Health & Safety, manufacturing
- Profit down 9% on H1 2017; stepped up investments for growth
- Anticipate margin decline in full year 2018; investing for growth



13%
of Group sales

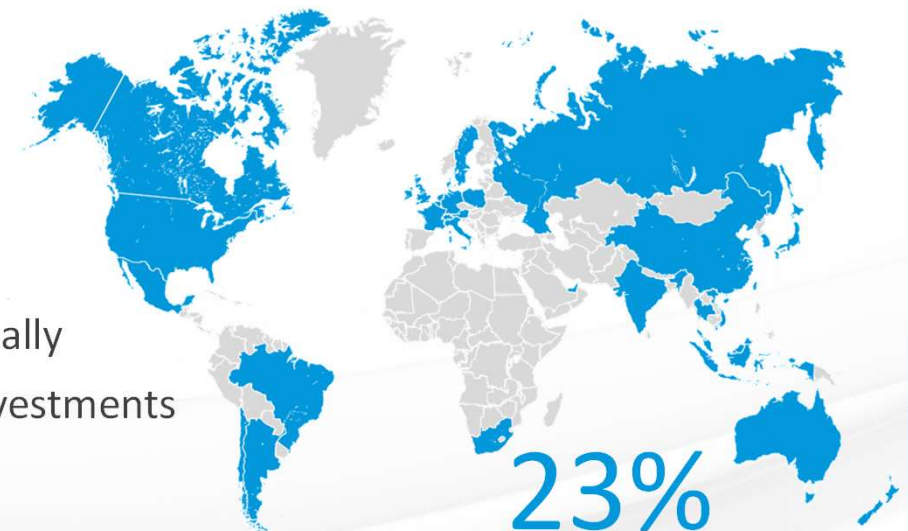
Watson-Marlow

| | 30 th June 2017 | Exchange | Organic | Acquisitions | 30 th June 2018 | Organic ⁺ | Reported |
|------------|-------------------------------|----------|---------|--------------|-------------------------------|----------------------|----------|
| Sales | £120.5m | (£4.0m) | £10.1m | £0.0m | £126.6m | +9% | +5% |
| Op profit* | £37.9m | (£2.4m) | £3.9m | £0.0m | £39.4m | +11% | +4% |
| Margin* | 31.4% | | | | 31.1% | +60 bps | -30 bps |

* Organic measures are at constant currency and exclude incremental contributions from acquisitions.

* See Appendix III for definition of adjusted profit measures.

- Organic sales up 9%; strong growth in all regions
- Biopharm & Biotech markets very strong
- Aflex sales and profit ahead of plan
- Profit up 11% organically, despite increased investment
- Margin down 30 bps due to exchange; up 60 bps organically
- Acquired small pre-revenue company; increased R&D investments
- Anticipate margin decline in 2018; investing for growth



Implementing our strategy for organic growth

Notable progress in H1 2018



- Five new operating companies:
 - Spirax Sarco in the Maghreb, Hungary, Romania
 - Watson-Marlow in Malaysia, UAE
- Chromalox: sales offices in Spain, UAE, USA west coast
- Gestra: - direct sales presence in Korea, Indonesia;
- added direct sales resources in USA, Europe
- Spirax Sarco Academy: over 1,200 users globally; content rollout continues in 16 languages; adding programmes for technical support staff
- Innovative products launched; leveraging R&D investments
- Sustainability programme rolled out across Gestra and Chromalox

Case study: Spirax Sarco South Africa

Langeberg & Ashton Foods saves energy in fruit peeling application



- **Problem:** inconsistent water temperature from shell & tube heat exchangers
- **Requirement:** reliable hot water generation and energy savings
- **Solution:** five Turflow heat exchangers and automatic pumping trap packages from Spirax Sarco
- **Result:** consistent process temperature (80-85° C); significant reduction in start-up time (55 to 12 mins), no pre-heating required; over £35,000 p.a. energy saving; reduced labour costs; payback <6 months

Case study: Watson-Marlow UK

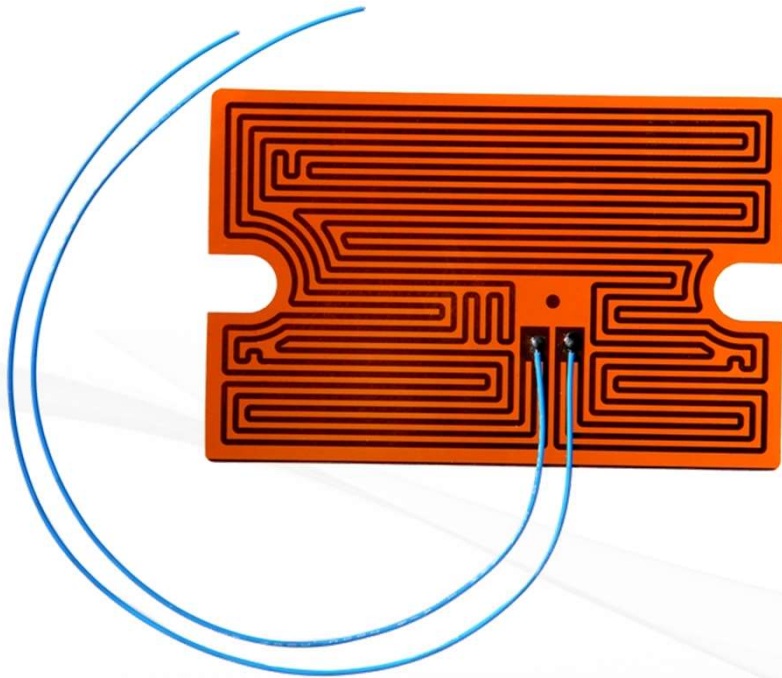
Automatic vial filling and screw capping machine increases process efficiency at pharmaceutical company Allergy Therapeutics



- **Requirement:** automatic filling and capping machine with faster throughput capacity
- **Solution:** Flexicon FMB210L fully-automatic vial filling and screw capping machine with integrated Laminar Airflow System to maintain a near particle-free environment
- **Result:** output increased by 300% at rates of 2,400 vials an hour; no costly overfilling; easy process validation

Case study: Chromalox USA

Kapton® heater delivers temperature control for DNA amplification



- **Problem:** replicating DNA requires three temperature changes, in repeated cycles; poor temperature control damages DNA, affecting yield and purity
- **Requirement:** heating element for precise control during thermal heating cycles
- **Solution:** Kapton® heater specifically designed to manage each temperature change, with thermal sensors, microprocessors and software interface to equipment
- **Result:** thermal deviations eliminated; enhanced purity and yield of end product

Summary and outlook



- Reported revenue up 28%, organic revenue up 7%
- Operating profit up 24%, organic increase up 15%
- Currency headwind: 3% on sales, 5% on profit
- Acquisitions add 24% to sales, 16% to profit
- Operating margin 23.0%; underlying margin 24.8%
- Interim dividend raised 14%
- Net debt £373.0 million; 1.3x EBITDA
- Prioritising investments for growth over further margin expansion
- Expect further progress in 2018

Spirax-Sarco Engineering plc

Half year results for six months ended 30th June 2018

Engineering opportunities for growth; creating shareholder value





APPENDICIES

Appendix I

Cash conversion

| | Pounds (£) million | 30 th June 2018 | 30 th June 2017 |
|---|--------------------|-------------------------------|-------------------------------|
| Adjusted cash generated from operations | | 93.7 | 84.9 |
| Adjusted operating profit* | | 125.7 | 101.2 |
| Cash conversion | | 75% | 84% |

** See Appendix III for definition of profit measures.*

Appendix II

Currencies

| Average exchange rates | 30 th June 2017 | 30 th June 2018 | % | 2018* | % |
|------------------------|-------------------------------|-------------------------------|------|-------|------|
| US dollar | 1.27 | 1.37 | -8% | 1.35 | -4% |
| Euro | 1.16 | 1.14 | +2% | 1.13 | +1% |
| RMB | 8.71 | 8.76 | -1% | 8.75 | 0% |
| Won | 1,452 | 1,476 | -2% | 1,473 | -1% |
| Brazilian real | 4.06 | 4.71 | -16% | 4.88 | -15% |
| Argentine peso | 20.06 | 29.84 | -49% | 33.65 | -36% |

* 2018 rates assume that June rates prevail until the end of 2018 and compare with 2017 full year average exchange rates.

Appendix III

2018 note on first half profit measures

The Group uses adjusted figures as key performance measures in addition to those reported under adopted IFRS. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. Adjusted operating profit and pre-tax profit excludes certain items which are analysed below.

| Pounds (£) million | 30 th June 2018 | 30 th June 2017 |
|---|-------------------------------|-------------------------------|
| Amortisation of acquisition-related intangible assets | 13.5 | 5.2 |
| Acquisition costs | 0.3 | 4.2 |
| Reversal of acquisition related fair value adjustments to inventory | - | 1.3 |
| Total adjustment to operating profit | 13.8 | 10.7 |
| Total adjustment to pre-tax profit | 13.8 | 10.7 |