



2019 RESULTS

YEAR ENDED 31ST DECEMBER 2019

Nicholas Anderson (Group Chief Executive)

Kevin Boyd (Chief Financial Officer)

Agenda



2019 Highlights

Nicholas Anderson



2019 Financial Review

Kevin Boyd



Operations and Outlook

Nicholas Anderson

2019 Highlights

- Strong organic sales and profit growth, despite weak industrial production
- Organic profit margin expansion, despite continued revenue investments
- Strategy drives Steam Specialties and Watson-Marlow performance
- Chromalox profit margin increased to 15.1% in H2 2019
- Thermocoax acquired in May; Electric Thermal Solutions business formed
- Strong cash generation supports increased capital investment
- Continued progress in H&S; accelerating sustainability programmes
- Further progress on talent management and diversity

Agenda



2019 Highlights

Nicholas Anderson



2019 Financial Review

Kevin Boyd



Operations and Outlook

Nicholas Anderson

Financial performance

Strong organic sales growth despite weak industrial production growth

- Organic sales up 6%; organic growth in all segments of Steam Specialties and Watson-Marlow
- Thermocoax adds £27.9m to sales and £5.4m to profit
- Operating profit up 7% organically
- EPS +6% driven by organic growth
- ROCE: 54.2%
- ROIC: 18.7%

	2019	2018	Reported	Organic ⁺
Revenue	£1,242.4m	£1,153.3m	+8%	+6%
Operating profit*	£282.7m	£264.9m	+7%	+7%
Operating profit margin*	22.8%	23.0%	-20 bps	+10 bps
Net finance expense	(£8.4m)	(£10.3m)		
Pre-tax profit*	£274.5m	£254.6m	+8%	
Tax rate*	28.5%	27.6%	+90 bps	
EPS*	265.7p	250.0p	+6%	
DPS	110.0p	100.0p	+10%	
Net debt	£295.2m	£235.8m		

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

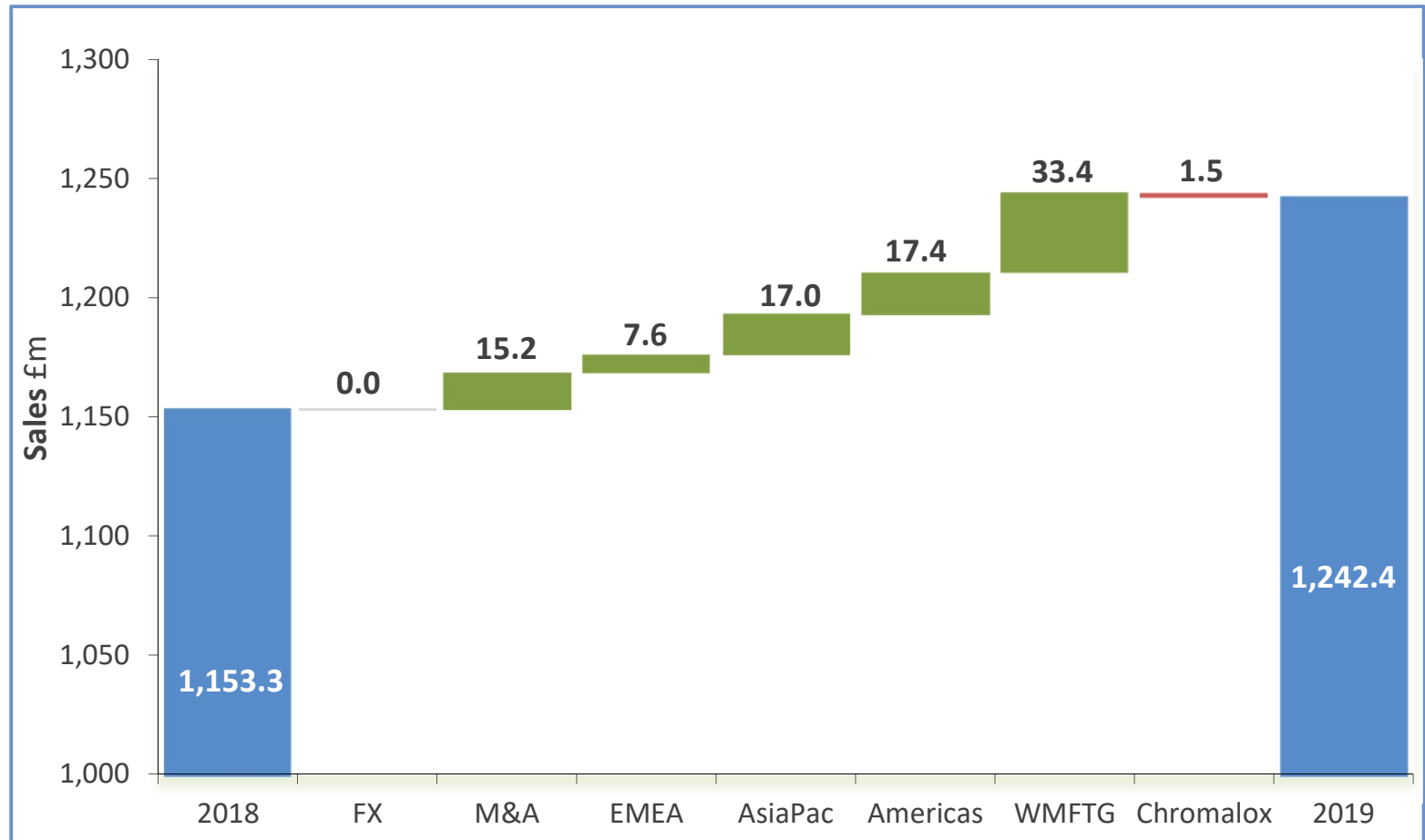
* See Appendix V for definition of adjusted profit measures.

Sales bridge

Increase in sales

- Zero currency (FX) impact
- Acquisitions and disposals add a net 1%
- Total organic⁺ growth of 6%; Steam Specialties +6%, Watson-Marlow +12%, Chromalox -1%

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

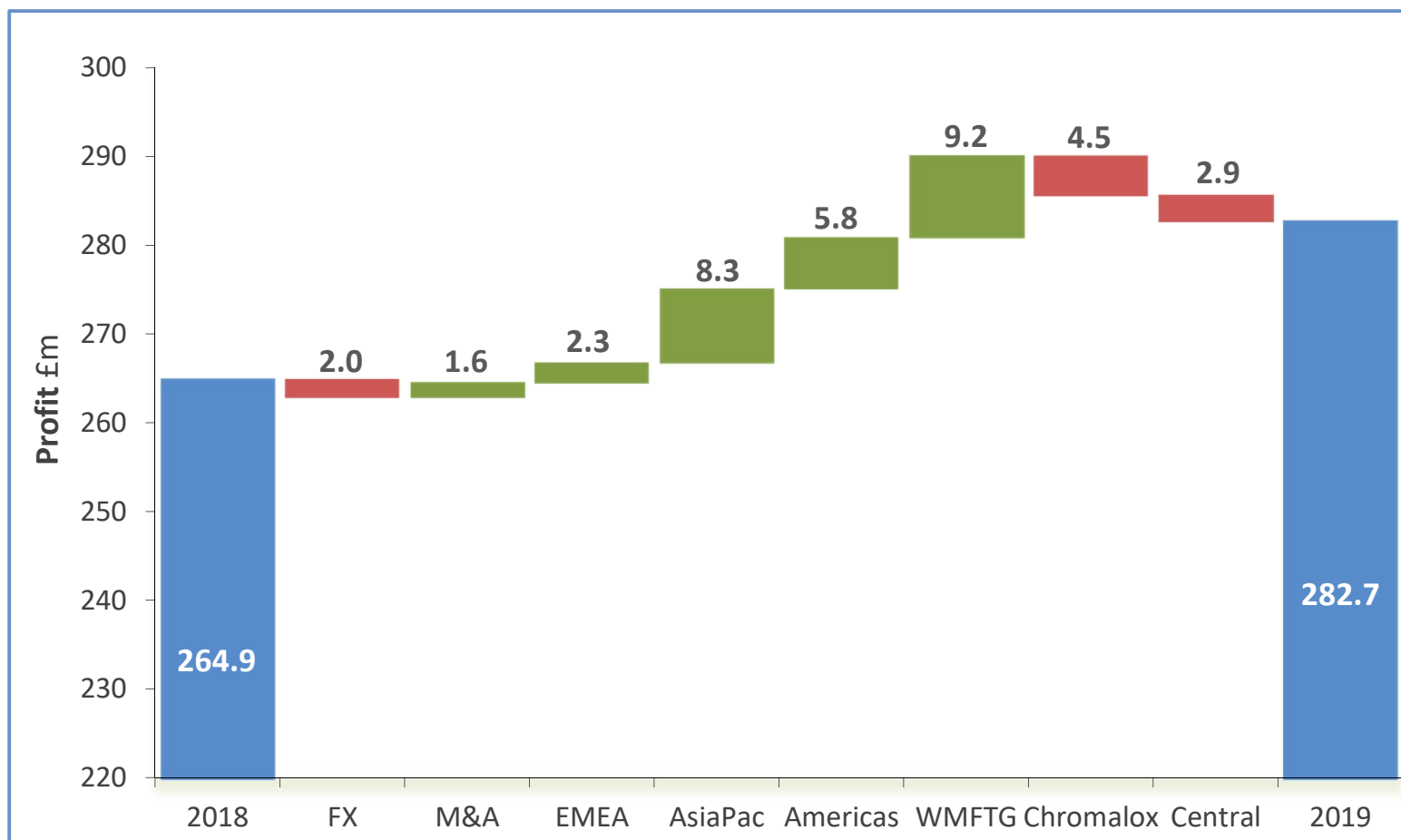


Profit bridge

Increase in adjusted operating profit

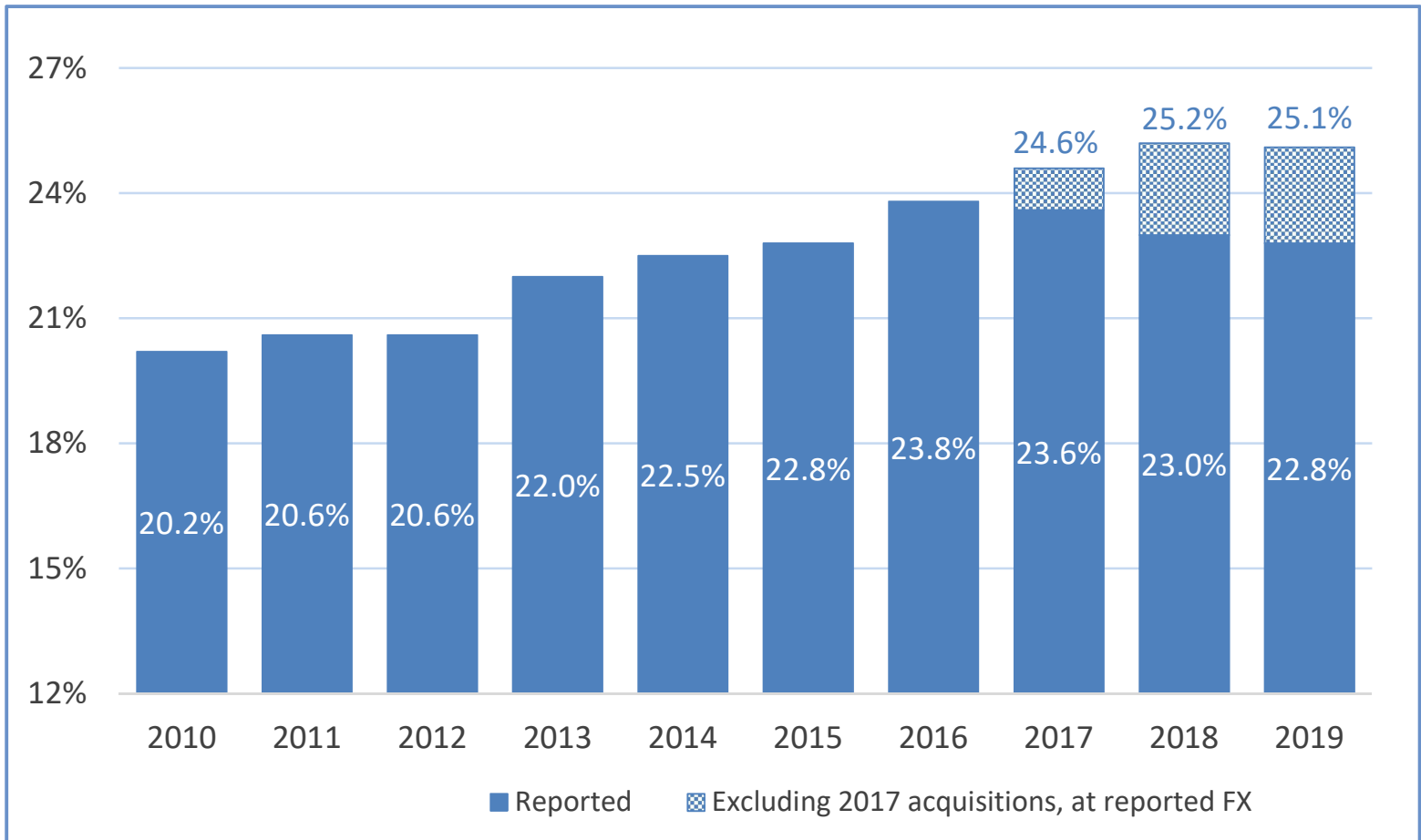
- Adjusted operating profit* +7%
- 1% currency (FX) headwind
- Acquisitions and a disposal add a net 1%
- Organic profit growth of 7%

** See Appendix V for definition of adjusted profit measures*



Operating margin of 22.8%

- Operating margin 22.8%, up 10 bps organically
- Reported margin down 20 bps; disposal of HygroMatik & FX
- Excluding 2017 acquisitions, margin 25.1%
- Organically, Steam Specialties margin up 100 bps, Chromalox down 270 bps, Watson-Marlow down 60 bps



Strong cash flow

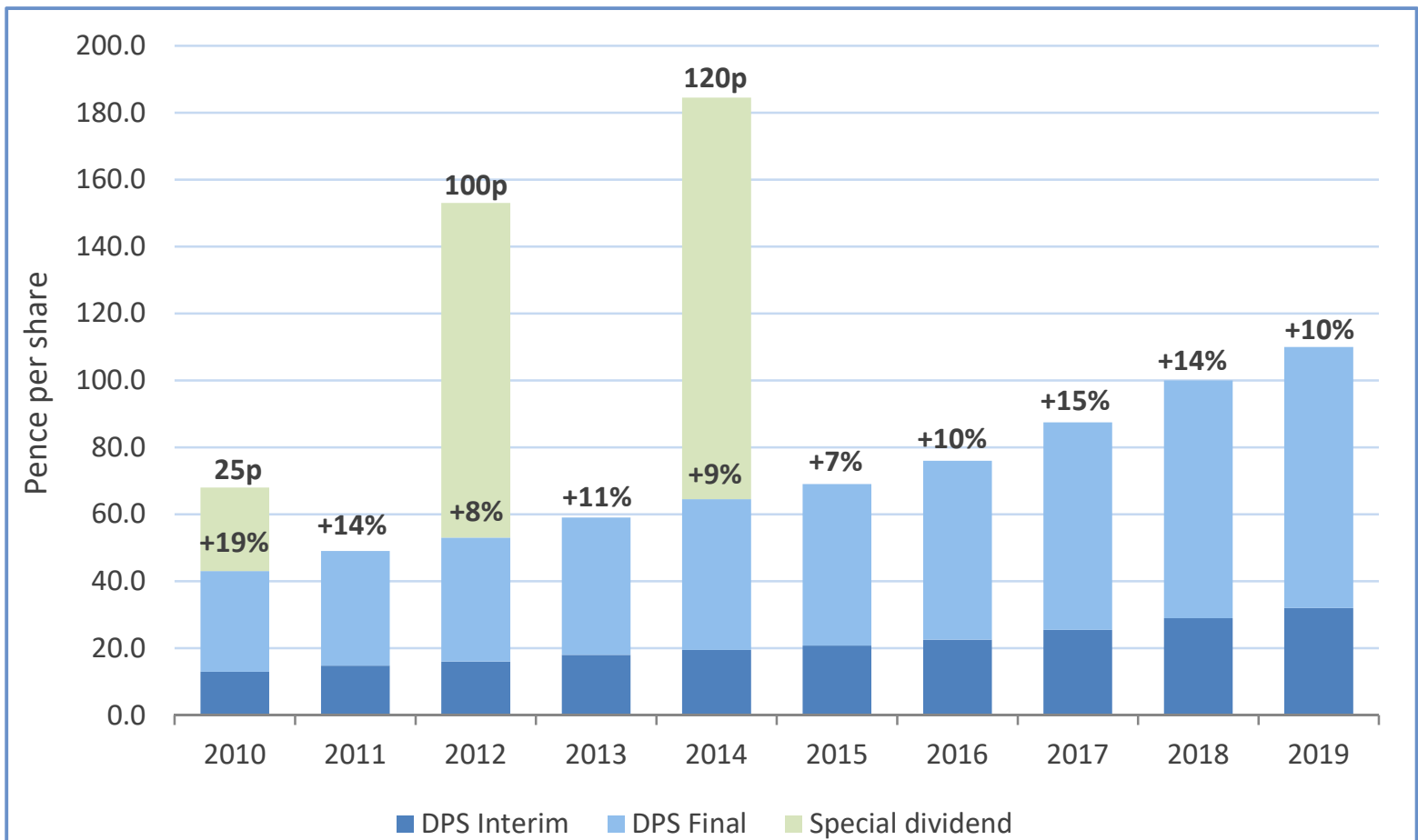
- Good cash generation; 84% cash conversion
- Increased capital investment
- Dividends paid £76.3m
- Acquisition of Thermocoax
- 2019 closing net debt of £295.2m, 0.9x EBITDA

Cash flow	Pounds (£) million	31 st December 2019	31 st December 2018
Adjusted operating profit*		282.7	264.9
Depreciation and amortisation (excluding IFRS 16)		34.3	32.9
Depreciation of leased assets		11.3	-
Pensions/Share plans		1.0	1.1
Working capital changes		(21.4)	(22.5)
Repayments of principal under lease liabilities		(11.2)	-
Capital additions (including software and development)		(62.4)	(43.4)
Capital disposals		3.8	9.9
Adjusted cash from operations		238.1	242.9
Net interest		(5.4)	(6.7)
Income taxes paid		(78.4)	(61.6)
Free cash flow		154.3	174.6
Net dividends paid		(76.3)	(67.3)
Proceeds from issue of shares/purchase of employee benefit trust shares		(12.5)	(5.0)
(Acquisitions)/Disposals of subsidiaries (including costs)		(138.5)	48.8
Cash flow for the year		(73.0)	151.1
Exchange movements		13.6	(13.3)
Net debt at 31st December (excluding IFRS 16)		(295.2)	(235.8)
Net debt to EBITDA		0.9x	0.8x

* See Appendix V for definition of adjusted profit measures.

Dividend growth

- Total dividend up 10% to 110.0p
- Final dividend up 10% to 78.0p
- Dividend cover of 2.4 times
- 52 years of dividend progress with a CAGR of 11%



Agenda



2019 Highlights

Nicholas Anderson



2019 Financial Review

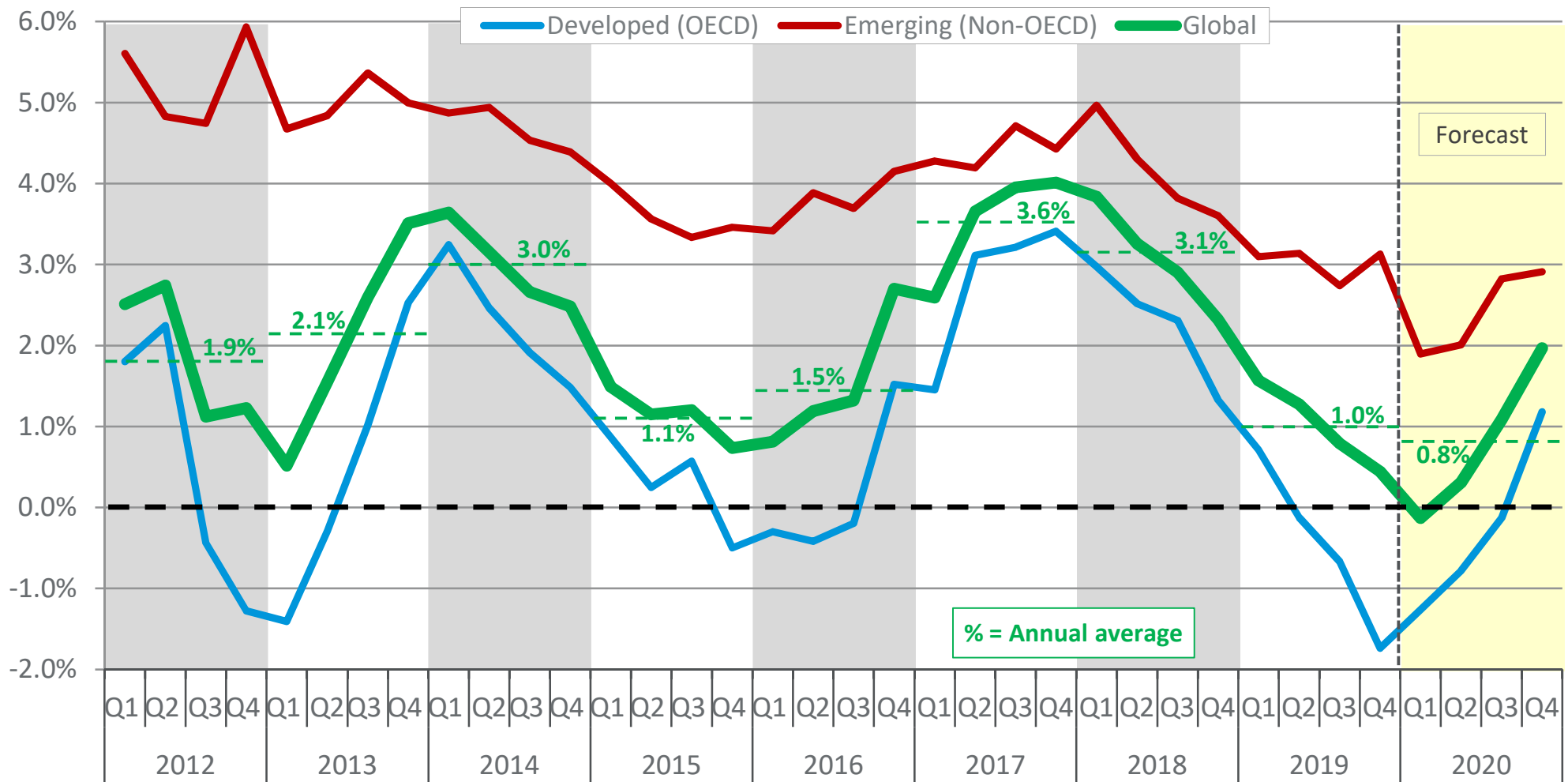
Kevin Boyd



Operations and Outlook

Nicholas Anderson

Annual IP growth rates by quarter 2012-2020



Source: Oxford Economics, February 2020

Steam Specialties

	31 st Dec 2018	Exchange	Organic	Acquisitions and disposals	31 st Dec 2019	Organic ⁺	Reported
Sales	£733.5m	(£7.4m)	£42.0m	(£12.7m)	£755.4m	+6%	+3%
Operating profit*	£170.1m	(£4.8m)	£16.4m	(£3.8m)	£177.9m	+10%	+5%
Margin*	23.2%				23.6%	+100 bps	+40 bps

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

* See Appendix V for definition of adjusted profit measures.

- Organic sales up 6%; organic operating profit up 10%
- All geographic segments achieved organic growth
- Reported results impacted by 2018 HygroMatik divestment
- Operating profit margin 23.6%; up 100 bps organically
- Gestra operating profit margin up 110 bps, despite flat sales
- Strategy implementation delivering improved performance
- Remain confident in outperforming challenging markets



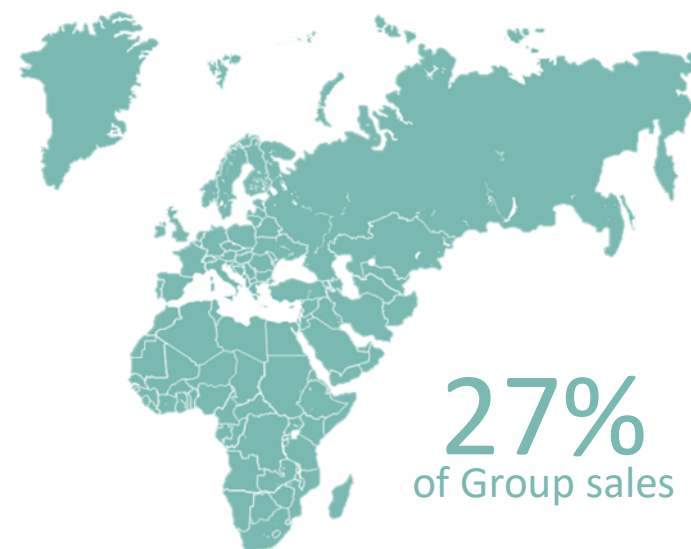
Europe, Middle East and Africa

	31 st Dec 2018	Exchange	Organic	Acquisitions and disposals	31 st Dec 2019	Organic ⁺	Reported
Sales	£344.4m	(£3.6m)	£7.6m	(£12.7m)	£335.7m	+2%	-3%
Operating profit*	£69.3m	(£0.8m)	£2.3m	(£3.8m)	£67.0m	+4%	-3%
Margin*	20.1%				20.0%	+30 bps	-10 bps

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

* See Appendix V for definition of adjusted profit measures.

- Organic sales up 2%; organic operating profit up 4%
- Spirax sales up in UK, Germany, Italy, France, Middle East & Africa
- Gestra sales down 2%; challenging markets in Germany, Europe
- HygroMatik divestment reduced sales by £12.7m; profit by £3.8m
- Margin up 30 bps organically; off-set by HygroMatik divestment



Steam Specialties Asia Pacific

Spirax-Sarco Engineering plc

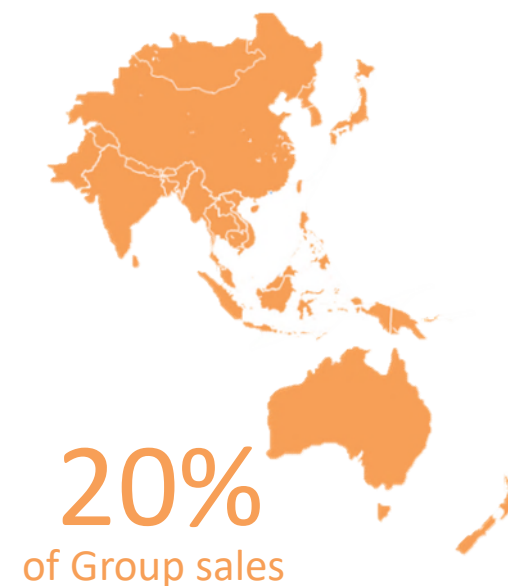
www.spiraxsarcoengineering.com

	31 st Dec 2018	Exchange	Organic	Acquisitions and disposals	31 st Dec 2019	Organic ⁺	Reported
Sales	£232.7m	£0.1m	£17.0m	-	£249.8m	+7%	+7%
Operating profit*	£63.9m	£0.3m	£8.3m	-	£72.5m	+13%	+14%
Margin*	27.5%				29.0%	+140 bps	+150 bps

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

* See Appendix V for definition of adjusted profit measures.

- Organic sales up 7%; organic operating profit up 13%
- Strong sales growth in China and Korea; other markets mixed
- India: continued sales growth, achieved “break even” in 2019
- Gestra: double-digit sales growth, established direct sales in China
- Margin up 150 bps to 29.0%; organic increase +140 bps



Steam Specialties Americas

Spirax-Sarco Engineering plc

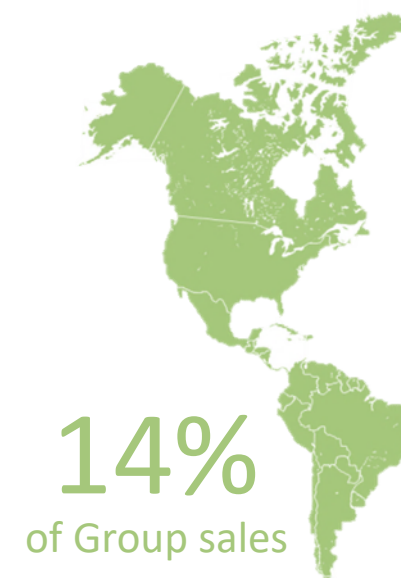
www.spiraxsarcoengineering.com

	31 st Dec 2018	Exchange	Organic	Acquisitions and disposals	31 st Dec 2019	Organic ⁺	Reported
Sales	£156.4m	(£3.9m)	£17.4m	-	£169.9m	+11%	+9%
Operating profit*	£36.9m	(£4.3m)	£5.8m	-	£38.4m	+18%	+4%
Margin*	23.6%				22.6%	+120 bps	-100 bps

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

* See Appendix V for definition of adjusted profit measures.

- Organic sales up 11%; organic operating profit up 18%
- North America – organic sales up 6%; strong sales growth in USA
- Latin America – organic sales up 20%; up 8% excluding Argentina
- Gestra performing strongly; double-digit sales growth
- Margin up 120 bps organically; 220 bps exchange headwind



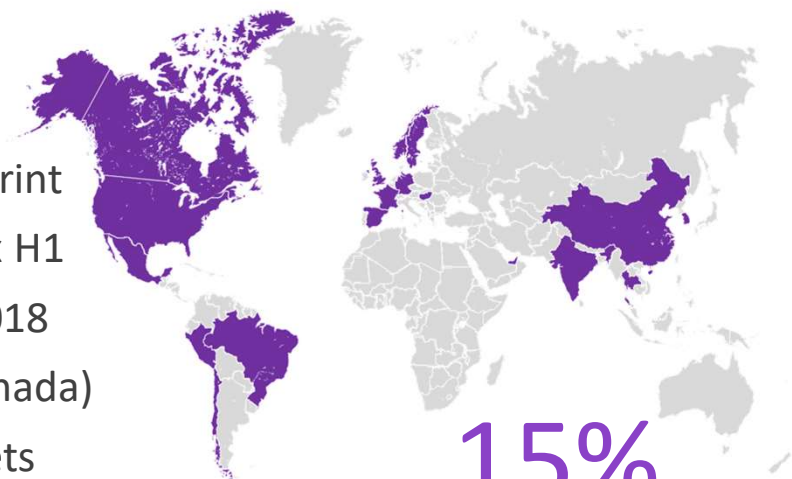
Electric Thermal Solutions

	31 st Dec 2018	Exchange	Organic	Acquisitions and disposals	31 st Dec 2019	Organic ⁺	Reported
Sales	£154.6m	£5.1m	(£1.5m)	£27.9m	£186.1m	-1%	+20%
Operating profit*	£22.8m	£1.0m	(£4.5m)	£5.4m	£24.7m	-19%	+8%
Margin*	14.7%				13.3%	-270 bps	-140 bps

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

* See Appendix V for definition of adjusted profit measures.

- Organic sales down 1%; up 20% on a reported basis
- Small project & MRO sales up; off-sets lower capital projects
- Acquired Thermocoax; expands technology, geographic footprint
- Operating profit up 8%; Thermocoax and FX offset Chromalox H1
- Chromalox H2 margin increased to 15.1%; up 40 bps on FY 2018
- 2020: restructuring Chromalox France; divested ProTrace (Canada)
- Confident that improvement actions offset challenging markets



15%
of Group sales

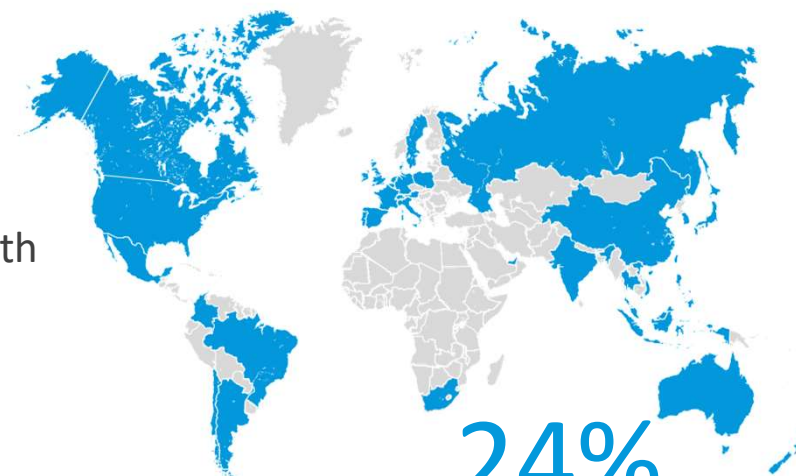
Watson-Marlow

	31 st Dec 2018	Exchange	Organic	Acquisitions and disposals	31 st Dec 2019	Organic ⁺	Reported
Sales	£265.2m	£2.3m	£33.4m	-	£300.9m	+12%	+13%
Operating profit*	£84.8m	£1.8m	£9.2m	-	£95.8m	+11%	+13%
Margin*	32.0%				31.8%	-60 bps	-20 bps

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

* See Appendix V for definition of adjusted profit measures.

- Organic sales up 12%; strong growth in all regions
- Biopharm sector drives stronger sales growth
- Operating profit up 13%; organic profit up 11%
- Organic margin down 60 bps; increased investments for growth
- New sales companies in Spain, Colombia, Philippines
- Well positioned to deliver above-market organic sales growth



24%
of Group sales

COVID-19: current assessment

- China represents 11% of Group sales; 8% of employees
- China manufactures c.75% of domestic sales; low global sourcing from China
- February sales in China significantly below original expectations
- China manufacturing close to normal levels by end February; suppliers lagging
- Provided no resurgence, assume normal business activity in China by end Q2
- Outbreaks beyond China evolving rapidly; difficult to assess global impact
- Assume global impact on IP less intense than in China
- Assume global impact contained in H1; IP initiates recovery in H2
- Current assumption: global headwind of 2% on sales, 4% on profit
- Initiated global cost containment actions to mitigate adverse impact

Customer case studies

Spirax-Sarco Engineering plc
www.spiraxsarcoengineering.com

Appendix I - Case study: Spirax Sarco UK

Improved energy efficiency during egg production



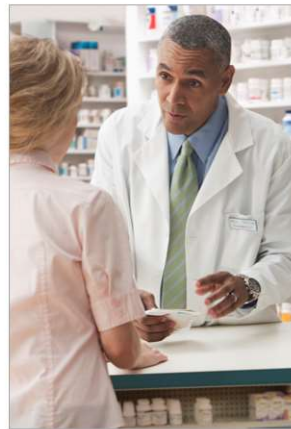
23 2019 Results Year ended 31st December 2019

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Appendix I - Case study: Chromalox, Ireland

Precise temperature control for biopharmaceutical production



24 2019 Results Year ended 31st December 2019

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Appendix I - Case study: Watson-Marlow Brazil

Increased process efficiency during confectionery manufacture



25 2019 Results Year ended 31st December 2019

Application: transfer of liquid sugar and other viscous fluids during confectionery production

Requirement: pumps able to transfer hot sugar without sticking and requiring frequent maintenance

Solution: four MasoSine pumps from Watson-Marlow with a triple-lip seal system, unaffected by viscous fluids

Result: downtime significantly reduced, lower maintenance costs and increased process efficiency

Engineering every day

Engineering every day



Read more: customer case studies can be found in Appendix I

Summary and Outlook

- Reported revenue up 8%; organic revenue up 6%
- Operating profit up 7% on reported and organic basis
- Operating margin 22.8%; excluding 2017 acquisitions margin 25.1%
- Chromalox H2 margin increased to 15.1%; up 40 bps on FY 2018
- Acquired Thermocoax; expands technology, geographic footprint
- Lower global IP growth assumed in 2020; COVID-19 headwind mostly in H1
- COVID-19 and FX headwinds estimated to offset underlying organic growth
- Strive to maintain 2020 operating margin similar to 2019

Full Year Results

For the year ended 31st December 2019



Engineering opportunities for growth; creating shareholder value



Appendices

Appendix I - Case study: Spirax Sarco UK

Improved energy efficiency during egg production



Application: heating of poultry sheds

Requirement: biomass heating system fuelled by waste litter, bedding and feed

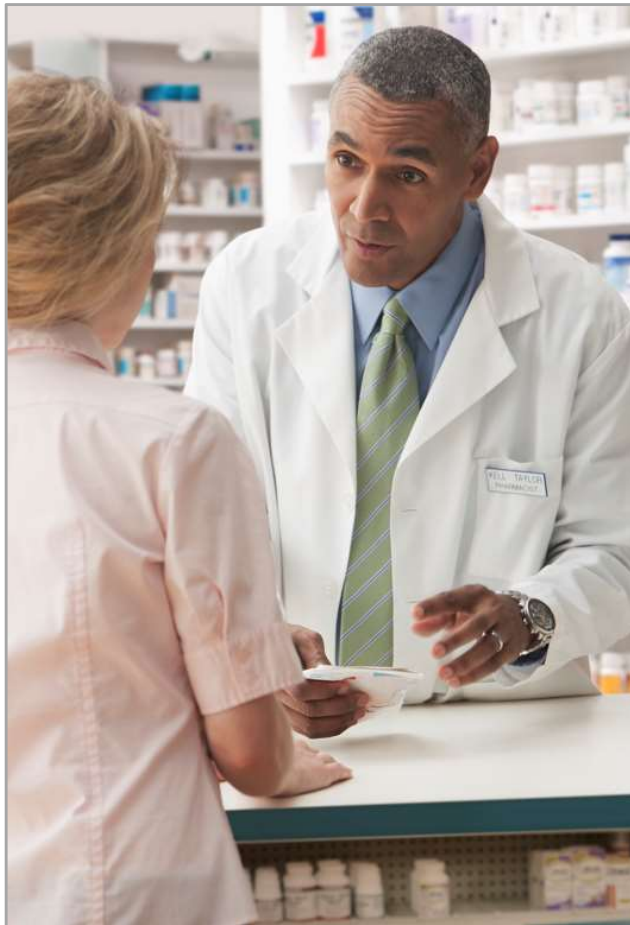
Solution: Spirax Sarco and a biomass boiler specialist developed a heating system with integrated steam technology that maximises energy efficiency

Result: improved environmental sustainability from renewable fuel use, lower energy bills and reduced waste removal

Engineering every day

Appendix I - Case study: Chromalox, Ireland

Precise temperature control for biopharmaceutical production



Application: warming of water-jacketed vessels during biopharmaceutical production

Requirement: accurate, clean & safe heating solution

Solution: Chromalox worked with a specialist OEM to determine precise temperature load and provided heating and temperature management products such as stainless steel circulation heaters and control panels

Result: compact, efficient heating system delivering precise temperature control and product quality

Engineering every day

Appendix I - Case study: Watson-Marlow Brazil

Increased process efficiency during confectionery manufacture



Application: transfer of liquid sugar and other viscous fluids during confectionery production

Requirement: pumps able to transfer hot sugar without sticking and requiring frequent maintenance

Solution: four MasoSine pumps from Watson-Marlow with a triple-lip seal system, unaffected by viscous fluids

Result: downtime significantly reduced, lower maintenance costs and increased process efficiency

Engineering every day

Appendix II – Underlying margin drivers

Effects on margin; arrows are qualitative and indicate direction only

	2019	2020
Currency movements	↓	↓
Operating leverage	↑	↓
Sales pricing (vs. inflation)	→	→
Manufacturing strategies	→	↑
Business and product mix	→	→
Business development investment	→	→
Impact of acquisitions and disposals	↓	→

Appendix III -

Cash conversion

	Pounds (£) million	2019	2018
Adjusted cash generated from operations		238.1	242.9
Adjusted Operating Profit*		282.7	264.9
Cash conversion		84%	91%

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

Appendix IV - Currencies

Average exchange rates

	2018	2019	Change
Bank of England index	78.3	78.1	0%
US\$	1.33	1.28	+4%
Euro	1.13	1.14	-1%
RMB	8.82	8.83	0%
Won	1,461	1,486	-2%
Brazilian Real	4.85	5.04	-4%
Argentine Peso	37.44	61.83	-65%

Appendix V - 2019 note on 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	2019	2018
Amortisation of acquisition-related intangible assets		(26.8)	(25.2)
Impairment of goodwill		(4.2)	-
Acquisition-related items		(2.6)	0.2
Reversal of acquisition related fair value adjustments to inventory		(4.1)	-
Profit on disposal of business		-	47.4
Profit on disposal of property		-	6.5
Post-retirement benefit plan in the USA being frozen to future accrual		-	6.0
Equalising guaranteed minimum pensions for the UK post-retirement benefit plans		-	(0.7)
Total adjustment to operating profit		(37.7)	34.2
Total adjustment to pre-tax profit		(37.7)	34.2

Appendix VI -

Current guidance

	2019 Actual	2020 Estimate
Capex	£62.4m	£65.0m
Effective Tax Rate	28.5%	29.0%
Net Finance Cost	£8.4m	£8.5m
Net impact of acquisitions and disposals on revenue	+1%	+1%
Net impact of acquisitions and disposals on adjusted operating profit	+1%	+1%
Foreign exchange impact on revenue	0%	-2%
Foreign exchange impact on adjusted operating profit	-1%	-3%
COVID-19 impact on revenue	-	-2%
COVID-19 impact on adjusted operating profit	-	-4%
Number of shares in issue (million)	73.7	73.7

Appendix VII - IFRS 16 – the impact of implementation

Assets: On transition to IFRS 16, net assets reduced by £2.4m comprising:

- An increase in right-of-use assets of £36.1m;
- An increase in lease liability of £39.0m; and
- Recognition of deferred tax asset of £0.5m.

Operating Profit: An increase of £1.3m during 2019, as a result of £12.6m operating lease costs being replaced by £11.3m of depreciation.

Profit before tax: No impact on profit before tax, as a result of the operating profit increase of £1.3m being offset by £1.3m of lease liability interest.

Cash: There is no net effect on cash flow.