2021 Results

Year ended 31st December 2021

Nicholas Anderson
Group Chief Executive

Nimesh Patel
Chief Financial Officer

Spirax-Sarco Engineering plc

Agenda

2021 Highlights
Nicholas Anderson

2021 Financial Review
Nimesh Patel

Operations and Outlook
Nicholas Anderson

2021 operational highlights

- Our colleagues delivered outstanding outcomes for all stakeholders in support of our Purpose
- Continued strengthening Health & Safety culture and performance
- Strong progress implementing our Group Strategy
- Refreshed Sustainability Strategy, launched Inclusion Plan, advanced Digital Strategy
- Successfully managed supply chain constraints and cost inflation
- Accelerated revenue investments to support growth and sustainability; impact mostly in H2
- Record capital investments to increase manufacturing capacity and support future growth

2021 performance highlights

- Record revenues driven by strong strategy execution, IP recovery and BioPharm growth
- Exceptional profit margin, driven by strong sales without impact of full-year revenue investments
- Record order books across all three businesses
- Steam Specialties sales growth ahead of IP; strong demand expands order book
- Electric Thermal Solutions experienced very strong demand growth, above Steam Specialties’
- Watson-Marlow delivered record sales; exceptional demand drives record order book
- Strong cash flow; net debt reduced to 0.35x EBITDA despite record capital investment

2021 ESG highlights

- Sustainability Strategy roadmap sets improvement targets across all stakeholders
- Committed to net zero scope 1 & 2 by 2030; scope 3 by 2050
- Signed up to Race to Zero and Business Ambition 1.5°C
- Partnered with World Land Trust to deliver biodiversity offset of 1x global footprint in 2021
- Advanced gender balance; 33% women in senior leadership roles
- Improved employee engagement scores; 91% response rate in our bi-annual survey
- Launched Inclusion Plan; 10 Inclusion Commitments as global minimum standards

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Financial Performance

Strong growth and record profitability

- Revenue up 17% organically
- Operating profit up 31% organically
- Record operating profit margin of 25.3%, up 280bps organically
- EPS up 32%
- ROCE^ up to 59% (2020: 49%)
- ROIC^ up to 23% (2020: 18%)

	2021	2020	Reported	Organic+
Revenue	£1,344.5m	£1,193.4m	+13%	+17%
Operating profit*	£340.3m	£270.4m	+26%	+31%
Operating profit margin*	25.3%	22.7%	+260 bps	+280 bps
Net finance expense	(£6.4m)	(£8.7m)		
Pre-tax profit*	£333.9m	£261.5m	+28%	
Tax rate*	*25.1%*	*27.5%*	*-240 bps*	
EPS*	338.9p	256.6p	+32%	
DPS	136.0p	118.0p	+15%	
Net debt^	£130.5m	£228.8m		

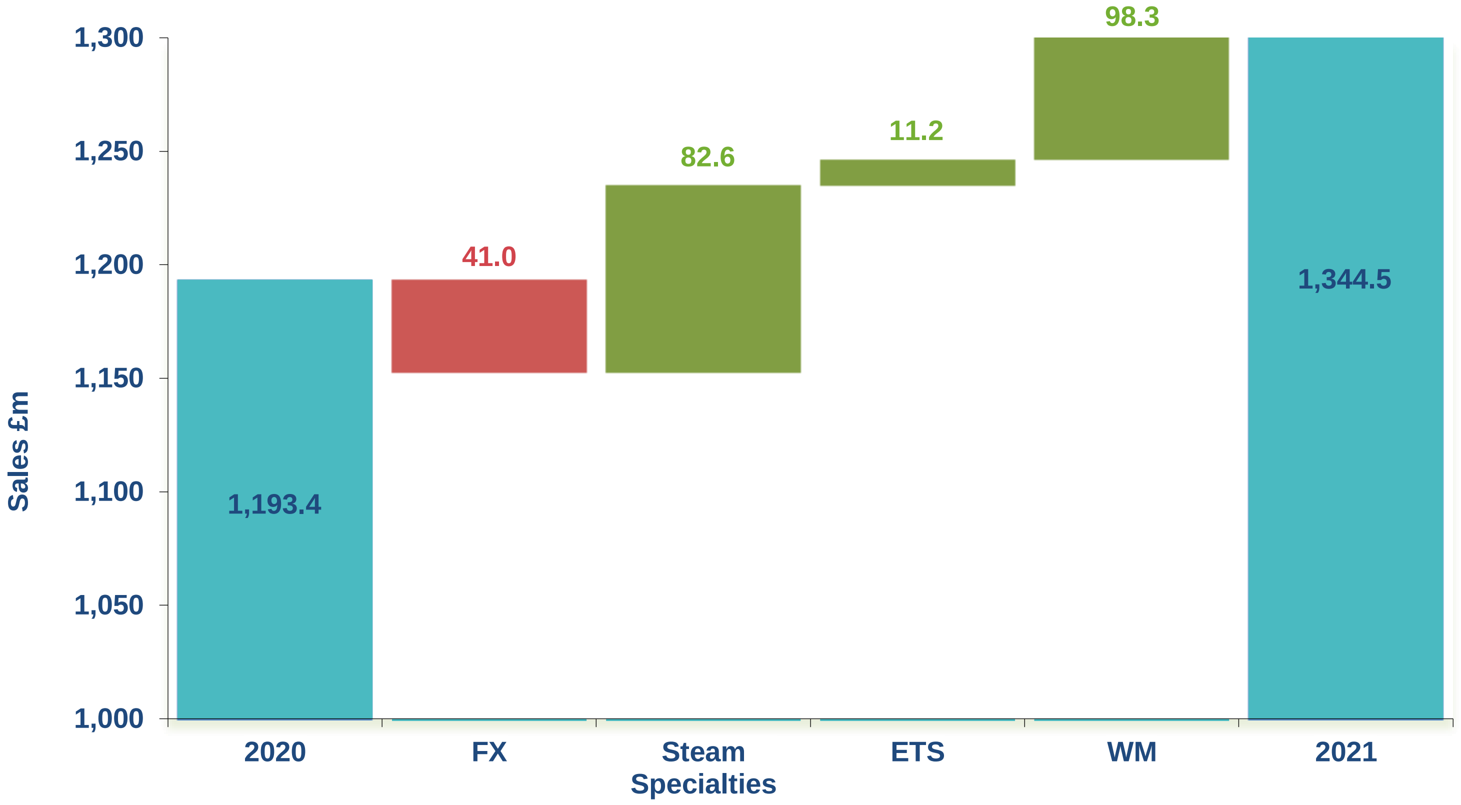
+ Organic measures are at constant currency and exclude contributions from acquisitions and disposals.
**See Appendix V for definition of adjusted profit measures.*
^ Excluding IFRS 16

Sales bridge

Growth across all three Businesses

- Currency headwind of 3%
- Total organic increase of 17%:

Steam Specialties	+12%
ETS	+7%
Watson-Marlow	+32%



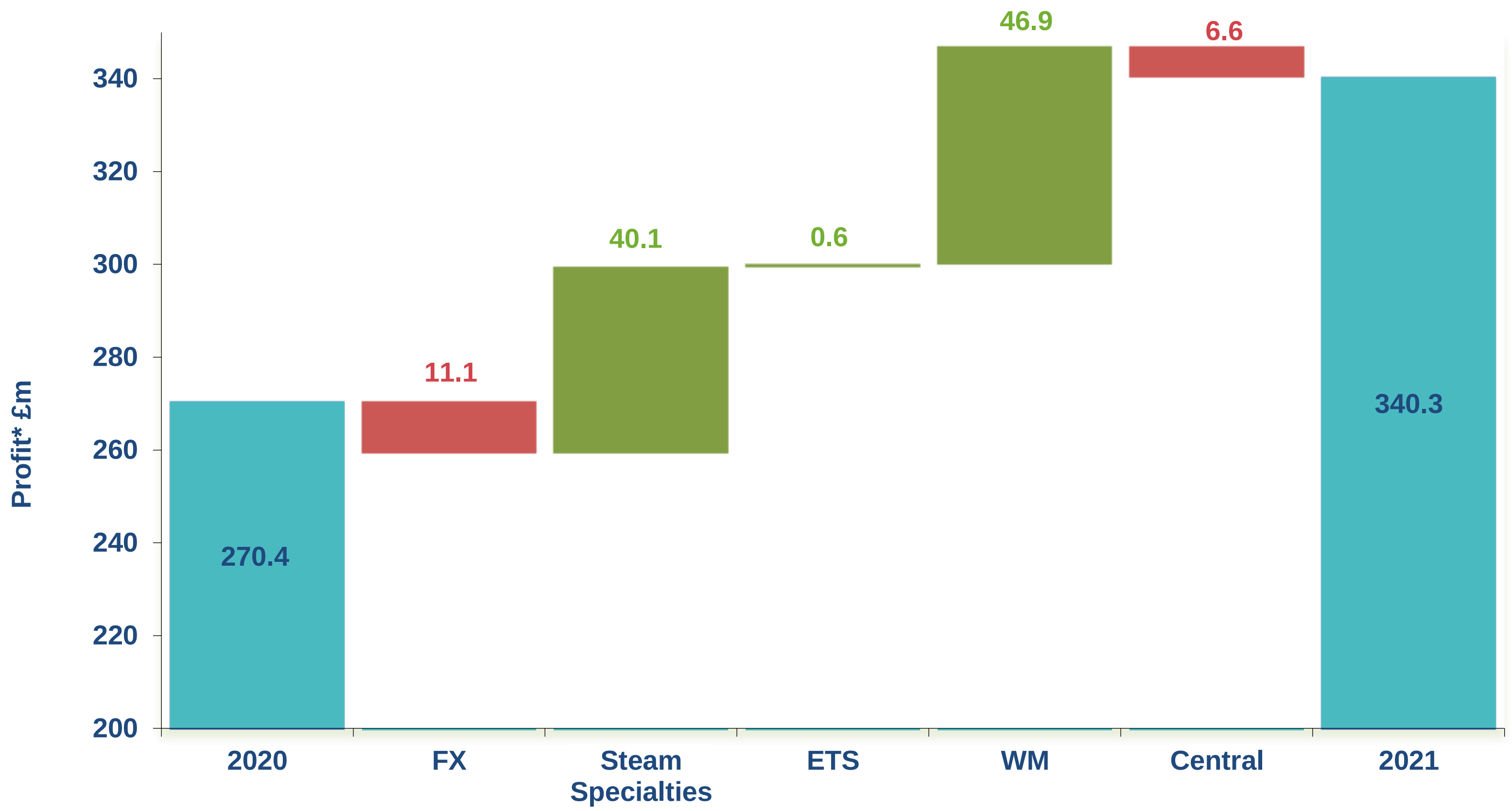
Profit bridge

Increased sales and operational gearing supporting profit growth

- Currency headwind of 4%
- Total organic increase of 31%:

Steam Specialties	+27%
ETS	+3%
Watson-Marlow	+46%

- Central expenses reflect increased revenue investments



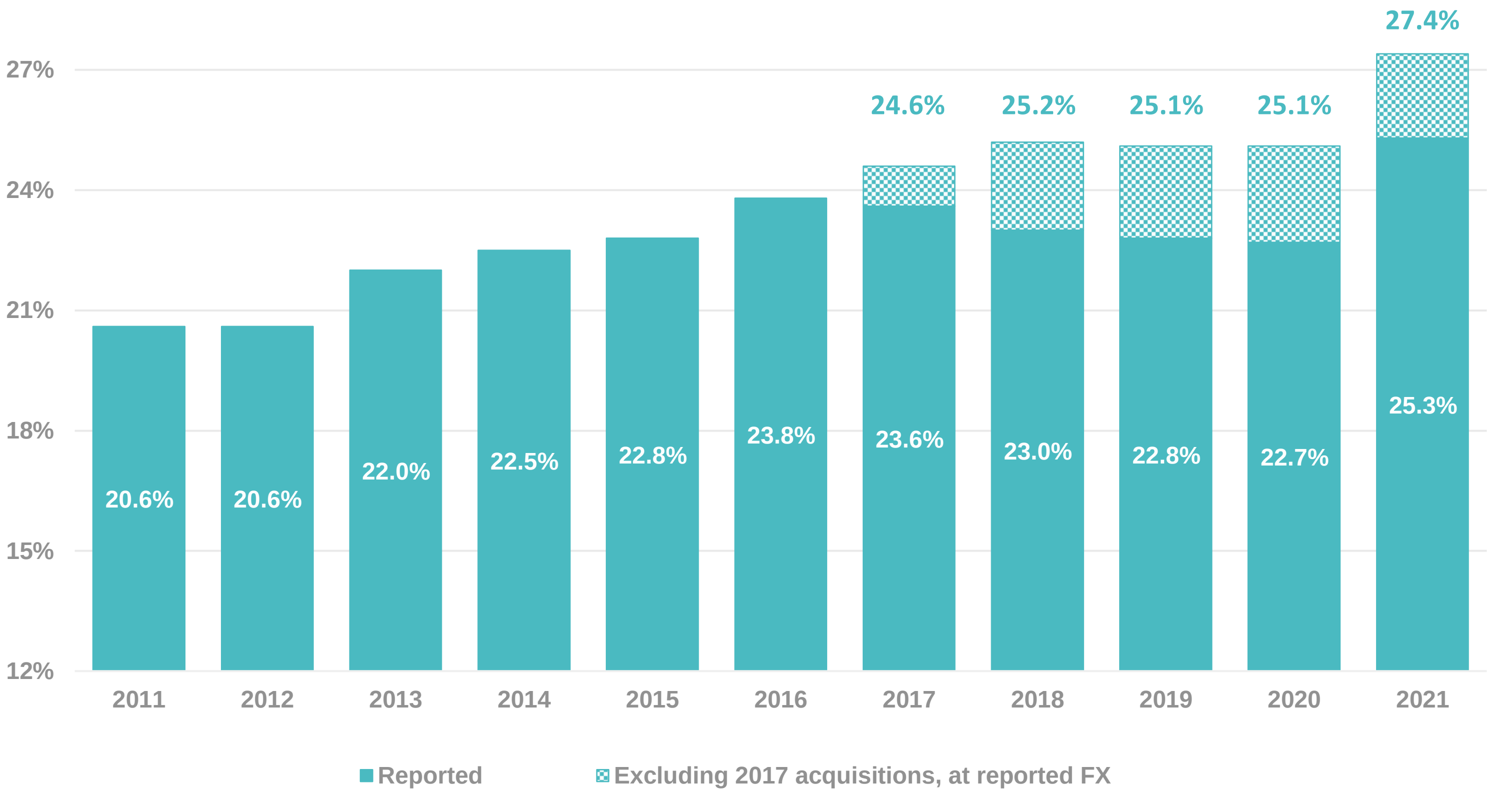
* See Appendix V for definition of adjusted profit measures

Operating margin

Record operating margin of 25.3%

- Excluding 2017 acquisitions, margin increased to above 27%
- Operating margin 25.3%, up 280 bps organically
- Organic margin movement:

Steam Specialties	+290 bps
ETS	(60) bps
Watson-Marlow	+340 bps



Cash flow

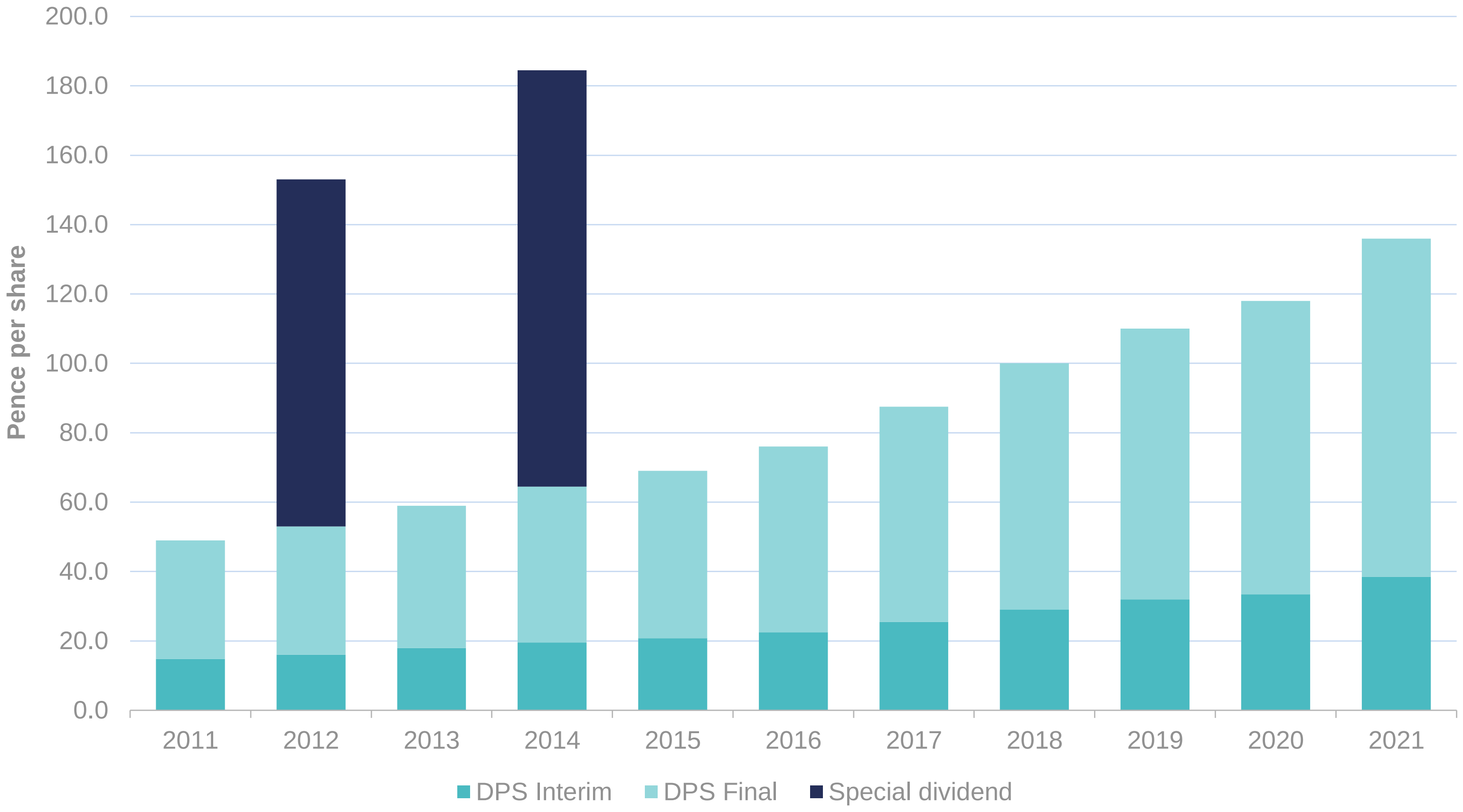
- Continued strong cash generation^ with cash conversion of 82%
- 2021 closing net debt of £131m, 0.35x EBITDA
- Working capital investment in line with sales growth
- Record capital expenditure in 2021; continues in 2022

Cash flow (£ million)	31st December 2021	31st December 2020
Adjusted operating profit*	**340.3**	**270.4**
Depreciation and amortisation (excluding IFRS 16)	35.7	36.7
Depreciation of leased assets	11.4	12.1
Pensions/Share plans	3.6	3.1
Working capital changes	(39.5)	13.4
Repayments of principal under lease liabilities	(11.7)	(12.2)
Capital expenditure (including software and development)	(64.1)	(49.6)
Capital disposals	2.0	1.9
Adjusted cash from operations	**277.7**	**275.8**
Net interest	(5.1)	(7.2)
Income taxes paid	(78.1)	(71.9)
Free cash flow	**194.5**	**196.7**
Net dividends paid	(91.0)	(82.5)
Proceeds from issue of shares/purchase of employee benefit trust shares	(24.6)	(12.5)
Acquisitions of subsidiaries & restructuring costs	-	(9.4)
Cash flow for the year	**78.9**	**92.3**
Exchange movements	19.4	(25.9)
Net debt at 31st December (excluding IFRS 16)	**(130.5)**	**(228.8)**
Net debt to EBITDA	***0.35x***	***0.7x***

^ See Appendix III for definition of cash generation
** See Appendix V for definition of adjusted profit measures*

Dividend growth

- 54 years of dividend progress with a CAGR of 11%
- Final dividend up 15% to 97.5p
- Total dividend up 15% to 136.0p
- Dividend cover of 2.5 times



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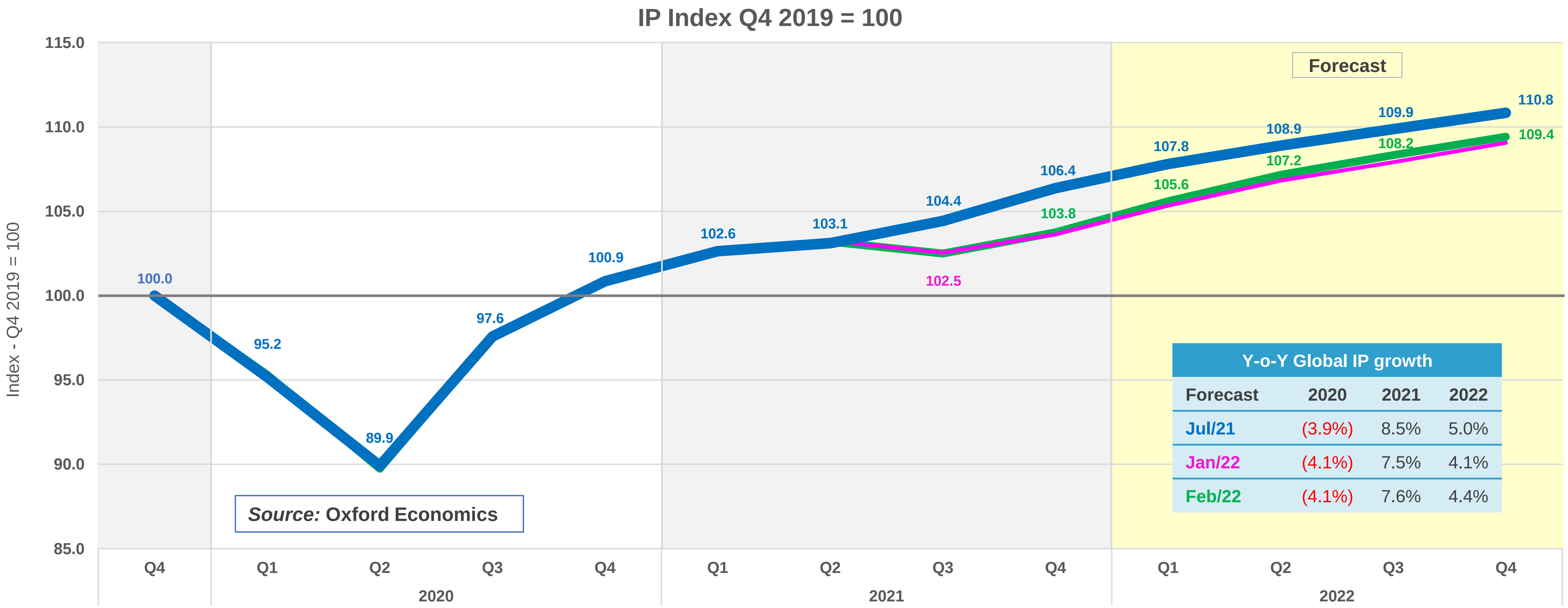
Industrial production growth rates

An important driver of growth



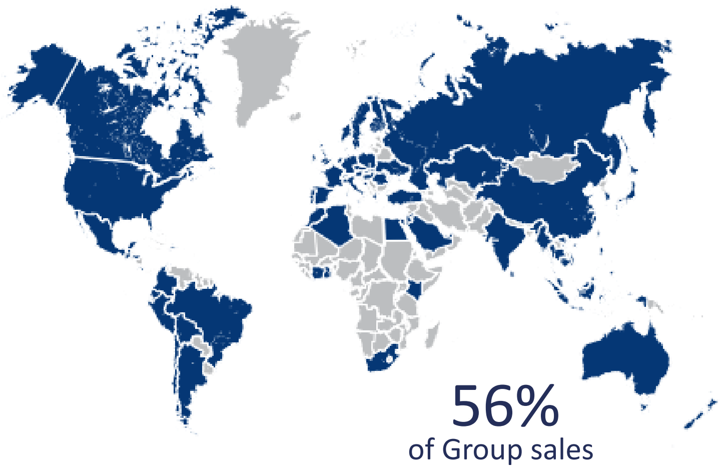
Y-o-Y Global IP growth			
Forecast	2020	2021	2022
Jul/21	(3.9%)	8.5%	5.0%
Jan/22	(4.1%)	7.5%	4.1%
Feb/22	(4.1%)	7.6%	4.4%

Steam Specialties

	31st Dec 2020	Exchange	Organic	Acquisitions and disposals	31st Dec 2021	Organic+	Reported
Sales	**£694.1m**	(£21.8m)	£82.6m	-	**£754.9m**	+12%	+9%
Operating profit*	**£154.3m**	(£5.7m)	£40.1m	-	**£188.7m**	+27%	+22%
Margin*	**22.2%**				**25.0%**	+290 bps	+280 bps

+ Organic measures are at constant currency and exclude contributions from acquisitions and disposals.
** See Appendix V for definition of adjusted profit measures.*

- Sales up 12.3%, operating profit up 27% on organic basis; demand growth higher than sales
- Growth ahead of IP in all three regions; driven by MRO recovery and small projects
- Outstanding growth in China, Latin America; Strong growth in North America, EMEA
- Gestra fully integrated; sales growth in line with Spirax Sarco brand; margin reaching 20%
- Strategy refresh accelerates sustainability, inclusion, digital; acquired Cotopaxi
- Margin up 290 bps to 25.0%; benefited from lower revenue investments in H1
- Currently anticipate 2022 sales growth ahead of IP; margin slightly above pre-pandemic levels

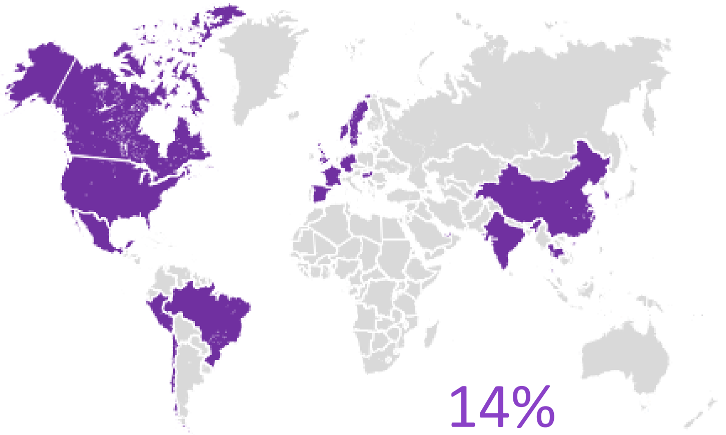


Electric Thermal Solutions

	31st Dec 2020	Exchange	Organic	Acquisitions and disposals	31st Dec 2021	Organic+	Reported
Sales	**£178.0m**	(£7.9m)	£11.2m	-	**£181.3m**	+7%	+2%
Operating profit*	**£24.6m**	(£1.2m)	£0.6m	-	**£24.0m**	+3%	-2%
Margin*	**13.8%**				**13.2%**	-60 bps	-60 bps

+ Organic measures are at constant currency and exclude contributions from acquisitions and disposals.
** See Appendix V for definition of adjusted profit measures.*

- Sales up 7%, operating profit up 3% on organic basis; very strong demand growth
- Accelerated synergies with Steam Specialties; growing demand for decarbonisation solutions
- Chromalox Americas achieved strong demand and sales growth; margin reached 20%
- Thermocoax delivered strong revenue growth and margin performance
- Increased investments in sustainability, new product development, capacity expansion
- Margin down 60 bps to 13.2%; delayed operational improvements at Ogden and Soissons sites
- Record order book to drive strong 2022 sales growth, increased operating profit margin



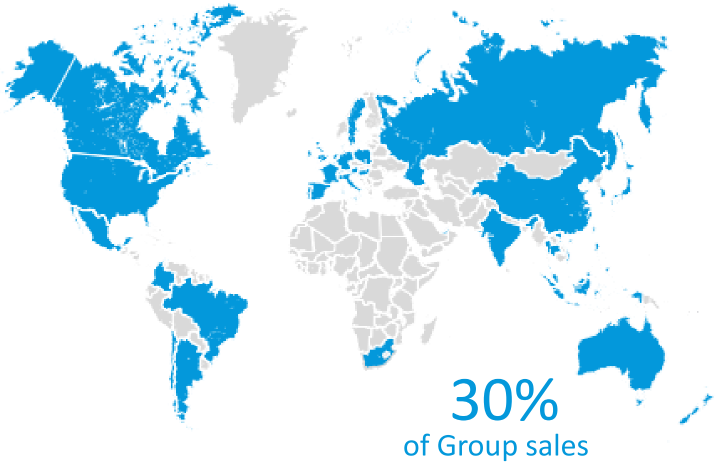
14%
of Group sales

Watson-Marlow

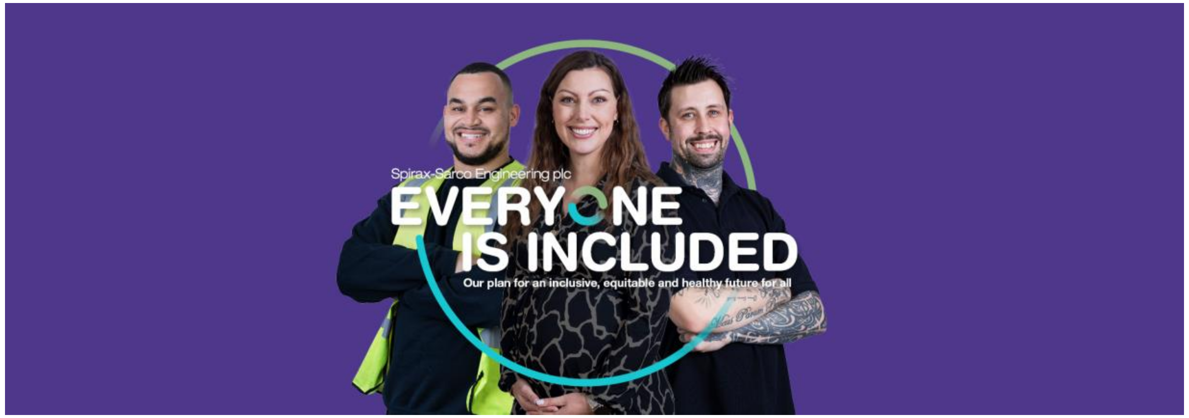
	31st Dec 2020	Exchange	Organic	Acquisitions and disposals	31st Dec 2021	Organic+	Reported
Sales	£321.3m	(£11.3m)	£98.3m	-	£408.3m	+32%	+27%
Operating profit*	£107.3m	(£4.2m)	£46.9m	-	£150.0m	+46%	+40%
Margin*	33.4%				36.7%	+340 bps	+330 bps

+ Organic measures are at constant currency and exclude contributions from acquisitions and disposals.
** See Appendix V for definition of adjusted profit measures.*

- Sales up 32%, operating profit up 46% on organic basis; exceptional demand and order book
- Exceptional Biopharm sales growth; Process Industries growth strongly above IP
- Ramped up activities to meet record demand; BioPure shipments up 50%, Falmouth up 35%
- Accelerated capital investments to expand manufacturing capacity globally
- Significant revenue investments to support growth, sustainability, digital, product development
- Record 36.7% margin; enhanced by part-year impact of revenue investments
- Currently anticipate strong sales growth in 2022; operating margin to remain above 2020 levels



Our commitment to Sustainability and Inclusion



Launched: June 2021

- Six key initiatives including net zero and biodiversity
- Significant progress in 2021:
  - Approved decarbonisation of largest Steam Specialties facility
  - 30% of energy sourced from green contracts
  - 16% reduction in GHG emissions compared to 2019 baseline
  - Partnered with World Land Trust for 1x biodiversity offset
  - CDP climate change disclosure score improved to A^{-}

Launched: November 2021

- Announced ten Inclusion Commitments including support for new parents and caregivers, pregnancy loss, domestic abuse, LGBTQ+ inclusion, menopause and more
- Progress achieved in 2021:
  - Joined the Business Disability Forum and Stonewall's Global Diversity Champions programme
  - Signatory for Change the Race Ratio
  - Established an Education Fund with initial investment of £1m

Engineering with Purpose

2021 customer case studies

Summary and outlook

- Revenue up 13%, Operating profit up 26%; organically up 17% and 31%
- Operating margin 25.3%; driven by strong sales without impact of full-year revenue investments
- Record revenue and capital investments to support organic growth, sustainability, capacity expansion
- Continued strategy implementation underpins growth and higher resilience through cycles

- Currently anticipate 2022 sales growth well above IP, underpinned by record order books
- Currently anticipate 2022 operating profit margin comfortably ahead of pre-pandemic levels

Full Year Results

For the year ended 31st December 2021

Appendices

Appendix I - Case study: Spirax Sarco Europe

Zero downtime for steam trap maintenance at diversified manufacturer

Our strategic account management team at Steam Specialties gathers important insights into the impact of global mega trends, such as sustainability and digital, through regular dialogue and engagement with blue-chip, multi-national industrial customers operating within our prioritised sectors.

These customers look to us, as the experts in thermal energy management, to help them identify ways to solve their efficiency, safety and sustainability challenges across multiple manufacturing sites. As part of its sustainability commitment, this leading global pet care manufacturer required an engineering design solution to eliminate steam losses while maintaining plant uptime.

By conducting an audit of the steam systems our team was able to propose and engineer a ‘double block and bleed’ configuration for the mains drainage steam traps, enabling safe isolation for replacement without the need for plant shutdown. This solution reduces steam losses to an acceptable level, with improved worker safety and optimum plant efficiency. It is now being replicated across our customer’s 12 European sites.

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Shutdowns needed to maintain and replace steam traps

Appendix II - Case study: Chromalox USA

Supporting McGill University to reduce its energy footprint

Decarbonising industrial processes is key to a more sustainable future. Through technical innovation, we are playing our part.

Achieving carbon neutrality on a campus the size of a small town is no easy task. McGill's Climate and Sustainability Strategy sets out the roadmap the University has adopted to achieve its objectives. In order to decarbonise a significant proportion of the University's existing energy consumption, equivalent to the energy needs of 13,000 homes, McGill set out its technological requirements resulting in the creation of a flagship decarbonisation project with Chromalox.

One of McGill's natural gas-fired boilers will be replaced by two of Chromalox's DirectConnect™ medium voltage electric steam generators as part of its customised solution. These high-capacity steam generators are uniquely designed for larger industrial applications and were selected for ease of operation and maintenance. The medium voltage electricity is a highly efficient and sustainable solution to generate the high volumes of steam required to power the significant requirements of McGill's heating distribution network.

30%

Expected reduction in emissions from the University's downtown powerhouse

Appendix III - Case study: Watson-Marlow France

A more efficient, safer and sustainable water purification plant

Developed through voice of customer activity, the new Watson-Marlow Qdos CWT chemical metering pump combines the consumable life of the diaphragm pump with the accuracy, safety and benefits of the Qdos peristaltic pump. Now available to the wider market, the Qdos CWT is realising benefits for customers and delivering a return on our R&D investment.

A French water purification plant is just one customer who has overcome a structural pumping problem, which was previously causing short pumphead life, by adopting this new technology from Watson-Marlow.

Installed in January 2021, the Qdos CWT pump runs at an average of 2 litres per hour and easily withstanding the overpressure in the plant’s long pipe run, as well as the aggressive nature of chlorine. The plant’s first pumphead change was in July 2021 after seven months of operation, representing a 250% improvement.

250%

Improvement in pumphead life

Appendix IV

Our ESG journey in 2021

Environment | Social | Governance

Jan
- One of first 100 signatories to Change the Race Ratio
- Joined Business Disability Forum
- Launched Working Families Forum

Feb

Mar
- First anniversary of Women's Network
- Global Wellbeing Toolkit
- Signed BITC Race at Work Charter
- Initiated Board Effectiveness Review

Apr

May
- Joined Stonewall's Global Diversity Champions programme
- One Planet Sustainability Strategy refresh
- 2030 net zero target and roadmap (for Scope 1 and 2)
- International Women in Engineering Day Campaign

Jun

Jul
- 91% participation in global colleague survey
- Planted 7,990 trees on behalf of colleagues
- Board diversity: 40% female and 30% ethnically diverse

Aug

Sep
- Announced net zero 2050 scope 3 target
- Signed up to Race to Zero and Business Ambition 1.5

Oct

Nov
- First Group Leadership Conference
- Group Inclusion Plan launch to leadership community with ten commitments
- Established Group Education Fund with an initial £1 million donation
- Biodiversity offset partnership established with World Land Trust (delivered 1x operational footprint biodiversity offset)

Dec
- 30% of Group's electricity sourced from green energy contracts
- Achieved 16% reduction in Group's market-based GHG emissions (compared to 2019)
- >11,000 colleague volunteering hours
- Wellbeing day announced for all colleagues in 2022
- Achieved 33% female representation in senior leadership roles and > 50% in Global Graduate Programme
- Close to £1 million donated to global good causes either in cash, in-kind and colleague time
- Saved our customers an estimated 18.2 million tonnes of CO_2 annually from 12 product ranges

Focus for 2022

- Sign up to UN Women's Empowerment Principles (January)
- Sign UN LGBTI Standards of Conduct for Business (January)
- Refresh gender and set ethnicity goals for leadership, commercial and graduate roles
- Advancement of Group Education Fund to accept applications
- Embed Group Inclusion Commitments
- Start Ethnicity Pay Gap reporting in UK
- Deploy water and waste action plan globally
- 1x operational footprint biodiversity offset with WLT
- Progress plans to decarbonise UK manufacturing facility
- Roll out supplier monitoring platform
- Expand product life cycle analysis

Appendix V
Cash conversion

Pounds (£) million	2021	2020
Adjusted cash generated from operations	277.7	275.8
Adjusted Operating Profit*	340.3	270.4
Cash conversion	82%	102%

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

Appendix VI
Currencies

Average exchange rates	2021	2020	Change
Bank of England index	81.4	78.3	-4%
US$	1.37	1.29	-6%
Euro	1.16	1.13	-3%
RMB	8.85	8.93	+1%
Won	1,569	1,524	-3%
Brazilian Real	7.41	6.67	-11%
Argentine Peso	130.24	91.65	-42%

Appendix VII
2021 note on profit measures

The Group uses adjusted figures as key performance measures in addition to those reported under 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, as set-out in the table.

Pounds (£) million	2021	2020
Amortisation of acquisition-related intangible assets	(21.4)	(26.6)
Reversal of acquisition related fair value adjustments to inventory	-	(1.0)
Restructuring Costs	-	(4.3)
Post-retirement benefit plan in the UK & Canada being closed to future accrual	-	10.5
Post-retirement benefit plan in Germany being closed to future accrual	2.0	-
Total adjustment to operating profit	**(19.4)**	**(21.4)**
Total adjustment to pre-tax profit	**(19.4)**	**(21.4)**

Appendix VIII
Current guidance

	2021 Actual	2022 Estimate
Capex (as a percentage of sales)	5%	6% to 7%
Effective Tax Rate	25.1%	c. 26%
Net Finance Cost	£6.4m	c.£7.0m
Net impact of acquisitions and disposals on revenue	-	-
Net impact of acquisitions and disposals on adjusted operating profit	-	-
Foreign exchange impact on revenue	adverse 3%	adverse <1%
Foreign exchange impact on adjusted operating profit	adverse 4%	adverse <1%
Number of shares in issue (million)	73.7	73.7