

News Release

Wednesday 12th May 2021

AGM TRADING UPDATE

Strong start to the year, improved outlook for 2021

Thermal energy management and niche pumping specialist, Spirax-Sarco Engineering plc, issues the following trading update in respect of the four months ended 30th April 2021.

Economic environment

As anticipated, the global macro-economic environment continued to improve during the first quarter of the year. Compared with the same period of 2020, global Industrial Production (IP)¹ expanded 7.4%, up from 6.1% forecasted at the time of our preliminary results in March.

Trading

Organic sales growth in the four months to the end of April was ahead of global IP. Watson-Marlow continued to experience exceptional COVID-19 vaccine related demand from its customers in the Pharmaceutical & Biotechnology sector. In the first four months of the year, organic growth of Watson-Marlow's sales to the Pharmaceutical & Biotechnology sector outperformed our anticipated growth of 35% for 2021. Across the Group's other revenue streams in Steam Specialties, Electric Thermal Solutions and Watson-Marlow's Process Industries sectors, organic sales growth was ahead of IP over the same period.

COVID-19 continues to disrupt global supply chains, leading to escalation in raw material and freight costs, although both remain within our expectations. During the first four months of the year, we accelerated our revenue investments to support future organic growth and trading margin expansion, although the increase in expenditure lagged sales growth over the period. The Group operating profit margin in the first four months of the year was higher than previously anticipated for the full year 2021, supported by the strong sales growth and higher operational gearing.

Currency effects continued to have an adverse impact on sales and operating profit, compared to the same period of 2020, as sterling strengthened against our basket of trade currencies. We continue to anticipate a headwind effect on full year sales and profit of less than 4% and more than 4%, respectively.

Financial position

Our business remains highly cash generative and we maintain a strong balance sheet. Excluding leases, our net borrowings at 30th April 2021 were £173 million, down from £229 million on 31st December 2020. The final dividend of 84.5p per share will be paid on 21st May² with a cash impact of £62 million.

Outlook

The world is recovering faster than previously anticipated from the adverse economic effects of the COVID-19 pandemic, supported by sizeable fiscal stimulus packages. Macroeconomic forecasts have improved consistently since the beginning of the year, with global IP now forecasted to expand 8.5% in 2021, which compares to a forecast of over 7% growth at the time of our preliminary results in March. However, given

¹ Source for industrial production data: Oxford Economics, 26th April 2021.

² Subject to shareholder approval

the difficulties faced by many emerging economies in implementing their vaccination plans and the continued uncertainty surrounding the ability to resume normal international trading activities, it is plausible that these forecasts could be subject to revisions over the coming months.

We now anticipate Watson-Marlow's organic growth in sales to the Pharmaceutical & Biotechnology sector will be over 55% in 2021 due to continuing strong COVID-19 related demand. This sector accounted for over 55% of Watson-Marlow's sales in 2020. We anticipate the Group's other revenue streams will deliver organic sales growth in 2021 above the increased forecast for global IP growth. Additionally, Electric Thermal Solutions ended 2020 with a higher than-normal order book, which should add at least a further £8 million to sales in the year.

We are accelerating capacity expansion initiatives in Watson-Marlow and we continue to step-up our revenue investments, with these increased expenditures weighted towards the second half of the year. Taken together with higher sales growth and the impact of operational gearing, we anticipate the full year drop-through from the organic increase in sales to operating profit to be close to 35%, which is above our previous guidance.

Spirax-Sarco Engineering plc expects to publish its 2021 half-year results on 11th August 2021.

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Note: Operating profit refers to adjusted operating profit and organic performance measures are expressed at constant currency, excluding contributions from acquisitions and disposals, as explained in Note 2 to the Consolidated Financial Statements for the period ended 31st December 2020.

About Spirax-Sarco Engineering plc

Spirax-Sarco Engineering plc is a thermal energy management and niche pumping specialist. It comprises three world-leading businesses: Steam Specialties, for the control and management of steam; Electric Thermal Solutions, for advanced electrical process heating and temperature management solutions; and Watson-Marlow, for peristaltic pumping and associated fluid path technologies. The Steam Specialties and Electric Thermal Solutions businesses provide a broad range of fluid control and electrical process heating products, engineered packages, site services and systems expertise for a diverse range of industrial and institutional customers. Both businesses help their end users to improve production efficiency, meet their environmental sustainability targets, improve product quality and enhance the safety of their operations. Watson-Marlow Fluid Technology Group provides solutions 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, UK, has strategically located manufacturing plants around the world and employs over 7,900 people, of whom close to 1,900 are direct sales and service engineers. Its shares have been listed on the London Stock Exchange since 1959 (symbol: SPX) and it is a constituent of the FTSE 100 and the FTSE4Good indices.

Further information can be found at www.spiraxsarcoengineering.com

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