

News Release

Wednesday 17th November 2021

TRADING UPDATE

Continued strong growth, guidance unchanged

Thermal energy management and niche pumping specialist, Spirax-Sarco Engineering plc, issues the following trading update in respect of the four months ended 31st October 2021.

Economic environment

In the third quarter, global Industrial Production (IP) recovered from COVID-19 pandemic impacted levels in 2020, growing 4.9%. However, disruptions in the global supply chain leading to material shortages and rising costs resulted in a slight quarter-on-quarter sequential contraction of global IP. Full-year forecasts for 2021 have been revised down to 7.4%, compared to 8.6% forecasted at the time of our Half Year Results, while full-year 2022 forecasts have also been reduced to 4.3% from 5.0%.

Trading

We continue to experience very strong demand across the Group, with order books in all three businesses expanding in the four months to the end of October above our expectations at the time of the Half Year Results. Growth in orders was highest in Watson-Marlow, driven by continued COVID-19 vaccine related demand from its customers in the Pharmaceutical & Biotechnology sector. In Steam Specialties, demand growth was well ahead of IP growth and orders received year-to-date are above the comparative period in 2019. Demand for Electric Thermal Solutions has grown at an even faster rate than Steam Specialties, after adjusting for the US Navy order secured in 2020, the largest single order in our Group's history.

Although we have a diversified and resilient supply chain, we are not immune to current disruptions being experienced globally and across all sectors. While all three businesses were somewhat impacted by shipment delays, the effects have been greater within Watson-Marlow and Electric Thermal Solutions. Within Electric Thermal Solutions we also experienced delays in the delivery of operational performance improvements resulting in lower sales growth than anticipated. The adverse effect of rising material and freight costs continues to be broadly offset by internal efficiencies and price management practices.

Currency effects had an adverse impact on sales and operating profit, compared to the same period of 2020, as sterling strengthened against our basket of trade currencies. If current exchange rates were to prevail for the remainder of the year, we anticipate close to 4% adverse impact on full year sales and profit, compared with the full year 2020.

Financial position

Our business remains highly cash generative and we maintain a strong balance sheet. Excluding leases, our net borrowings at 31st October 2021 were £131 million, down from £193 million at 30th June 2021. The interim dividend of 38.5p per share was paid on 12th November 2021 with a cash impact of £28 million.

Outlook

We are maintaining our overall guidance despite the supply chain challenges in the second half of the year and expect record levels of revenue, profit and operating margin for the full year 2021.

As anticipated, forecasted global IP growth for 2021 has continued to be revised downward since our Half Year Results, partly reflecting the impact of disruption to the global supply chain, with further risk of a slowing IP growth rate in the fourth quarter and into next year. Despite these challenges, we expect to end the year with a record order book across all three businesses.

For 2022, we expect growth in both sales and profit, underpinned by continuing strong demand and our higher-than-normal order book. The Group operating margin is expected to be lower due to the full year impact of revenue investments in 2021, as well as further investment planned in 2022 to support our future growth and operating margins.

Spirax-Sarco Engineering plc expects to publish its preliminary 2021 results on 10th March 2022.

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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 8,400 people, of whom close to 2,000 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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