

2022 Half Year Results

2022 Half Year Results

Six months ended 30th June 2022

Nicholas Anderson
Group Chief Executive

Nimesh Patel
Chief Financial Officer



Agenda



Half Year 2022 Highlights

Nicholas Anderson



Half Year 2022 Financial Review

Nimesh Patel



Operations and Outlook

Nicholas Anderson

HY 2022 performance highlights

- Outstanding efforts by all colleagues to meet exceptional customer demand
- Strong demand growth despite challenging environment and softening IP
- Order books at record levels in all three Businesses
- Active price management offsets inflation and protects margins
- Steam Specialties sales growth well ahead of IP; demand growth well above sales growth
- ETS sales growth ahead of Steam Specialties; demand growth well above sales growth
- Watson-Marlow sales significantly up; BioPharm demand normalising, Process Industries strong
- Record capital expenditure to support growth, especially in Watson-Marlow

HY 2022 operational highlights

- Successfully managed continued supply chain disruptions
- Suspended trading with and within Russia; divested operations to local management
- Continued revenue investments in H1, including accelerating our Digital initiatives
- Expanded manufacturing capacity, especially in Watson-Marlow
- Sustained ESG progress, including net zero and biodiversity
- ETS and Steam Specialties collaboration drives substantial decarbonisation opportunities
- Made good progress to address Soissons financial underperformance
- Signed agreement to acquire Vulcanic for €262 million

Vulcanic acquisition strengthens ETS



About Vulcanic:

- Bespoke industrial electric heating solutions
- Largest supplier in Europe
- Operates direct sales model
- 10 manufacturing facilities worldwide
- Over 700 employees
- c.90% of employees in EMEA

- Strategic fit with ETS expands platform to drive further sales growth and margin improvements
- Strong complementarity with Chromalox
- Strengthens decarbonisation opportunities
- Balances ETS geographic footprint
- Together with actions in Chromalox, establishes a larger profitable footprint in EMEA

Key Financials

Year ending 31st December 2021

Proforma Revenue:

€89.4 million

Proforma Adjusted EBITDA:

€17.6 million

Proforma Adjusted EBIT:

€16.0 million

Our ESG journey in H1 2022

- Ten Inclusion Commitments being embedded globally
 - Joined UN Women's Empowerment Principles; UN LGBTI Standards of Conduct for Business
 - Donated £284,000 to Ukraine Appeal; Group Education Fund made initial awards of £230,000
 - Invested in new global Health and Safety Management System; Behavioural Based Safety (BBS) programmes
 - Secured green contracts for close to 40% of Group electricity supply; Over 50 biodiversity projects launched
 - Achieved significant reduction in absolute scope 1 and 2 market-based emissions against H1 2021
 - Implementing Project Clear Sky to fully decarbonise Steam Specialties' UK manufacturing facility
 - Developed net zero roadmap for all manufacturing sites; embedding in forward plans
-
- **Continuing to support our customers to improve their sustainability performance**
 - **Suite of *TargetZero* solutions facilitates decarbonisation of industrial processes**

Agenda



Half Year 2022 Highlights

Nicholas Anderson



Half Year 2022 Financial Review

Nimesh Patel



Operations and Outlook

Nicholas Anderson

Financial summary

Strong first half performance despite macroeconomic headwinds

- Revenue up 15%, organically
- Operating profit up 9%, organically
- Operating profit margin of 23.8% down 150bps, organically
- Continued revenue investments
- EPS up 11%, broadly in line with increase in operating profit
- Interim dividend up 10% to 42.5p

	30 th June 2022	30 th June 2021	Reported	Organic ⁺
Revenue	£750.1m	£643.7m	+17%	+15%
Operating profit*	£178.8m	£162.9m	+10%	+9%
Operating profit margin*	23.8%	25.3%	-150 bps	- 150 bps
Net finance expense	£(3.6)m	£(3.6)m		
Pre-tax profit*	£175.2m	£159.3m	+10%	
Tax rate*	26.3%	27.0%	-70 bps	
EPS*	175.1p	157.6p	+11%	
DPS	42.5p	38.5p	+10%	
Net debt	£202.7m	£192.8m		

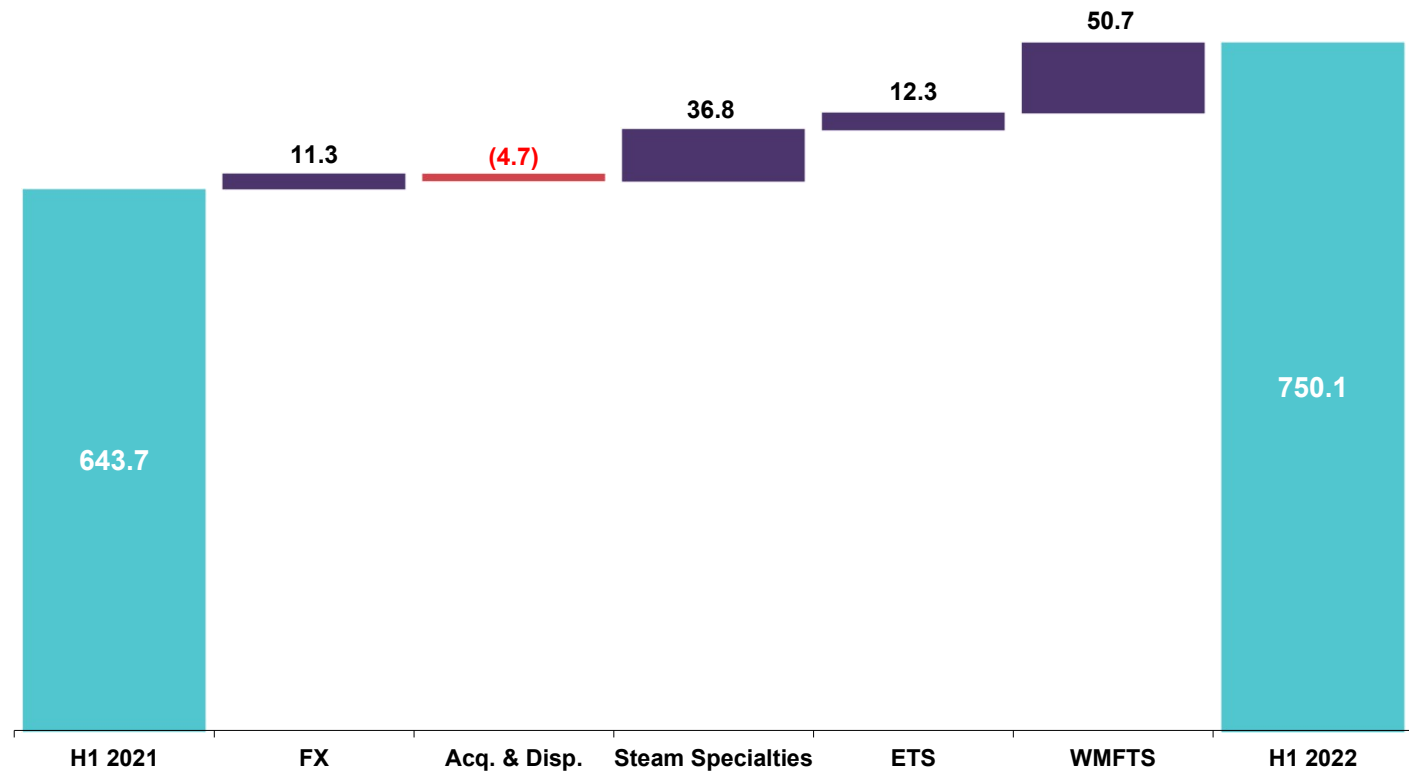
⁺ Organic measures are at constant currency and exclude contributions from acquisitions and disposals.

* See Appendix VI for definition of adjusted profit measures.

Sales bridge

Strong organic growth across all three Businesses driven by higher volumes and price increases

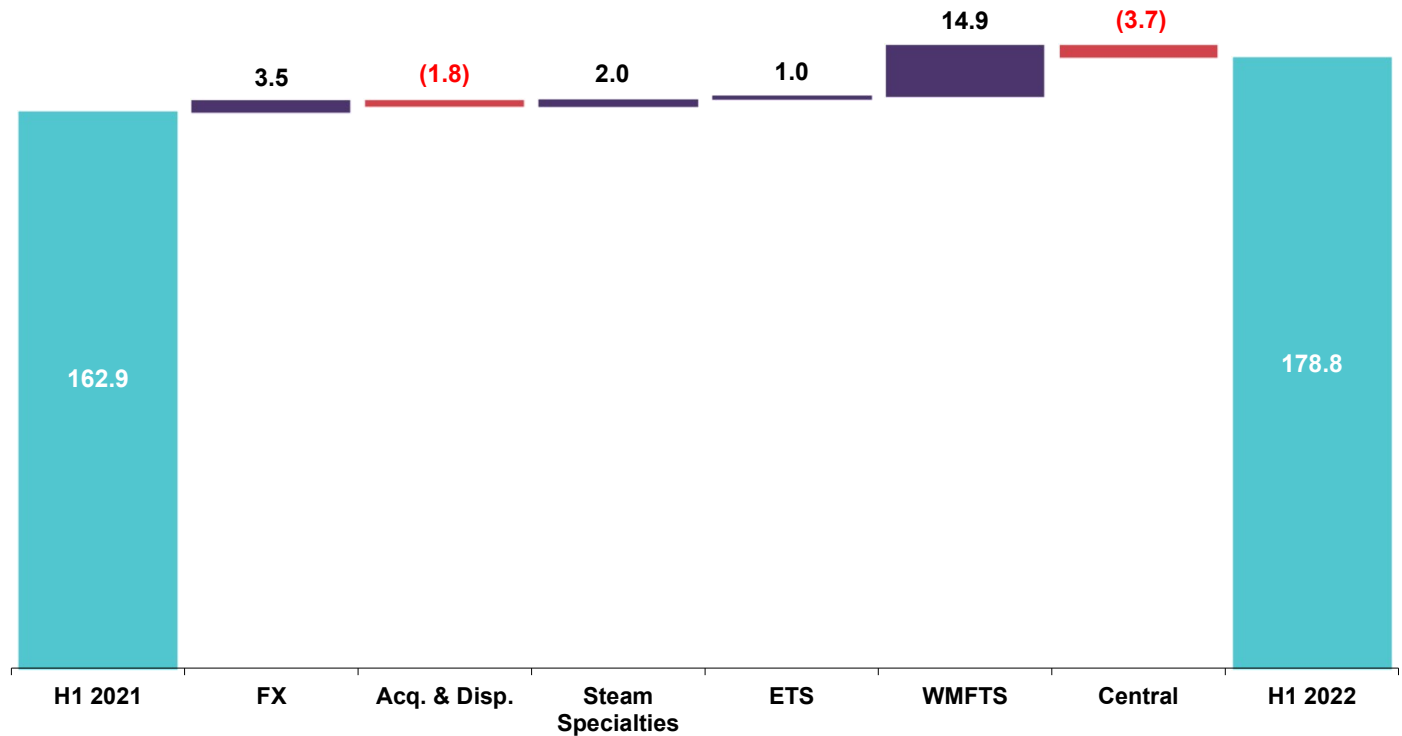
- Currency tailwind of 2%
- Total organic increase of 15%:
 - Steam Specialties +10%
 - ETS +13%
 - Watson-Marlow +26%
- Expect typical split in Group 2022 revenue between H1 / H2, excluding Vulcanic



Profit bridge

Benefits of operational gearing from higher volumes balanced by revenue investments for growth

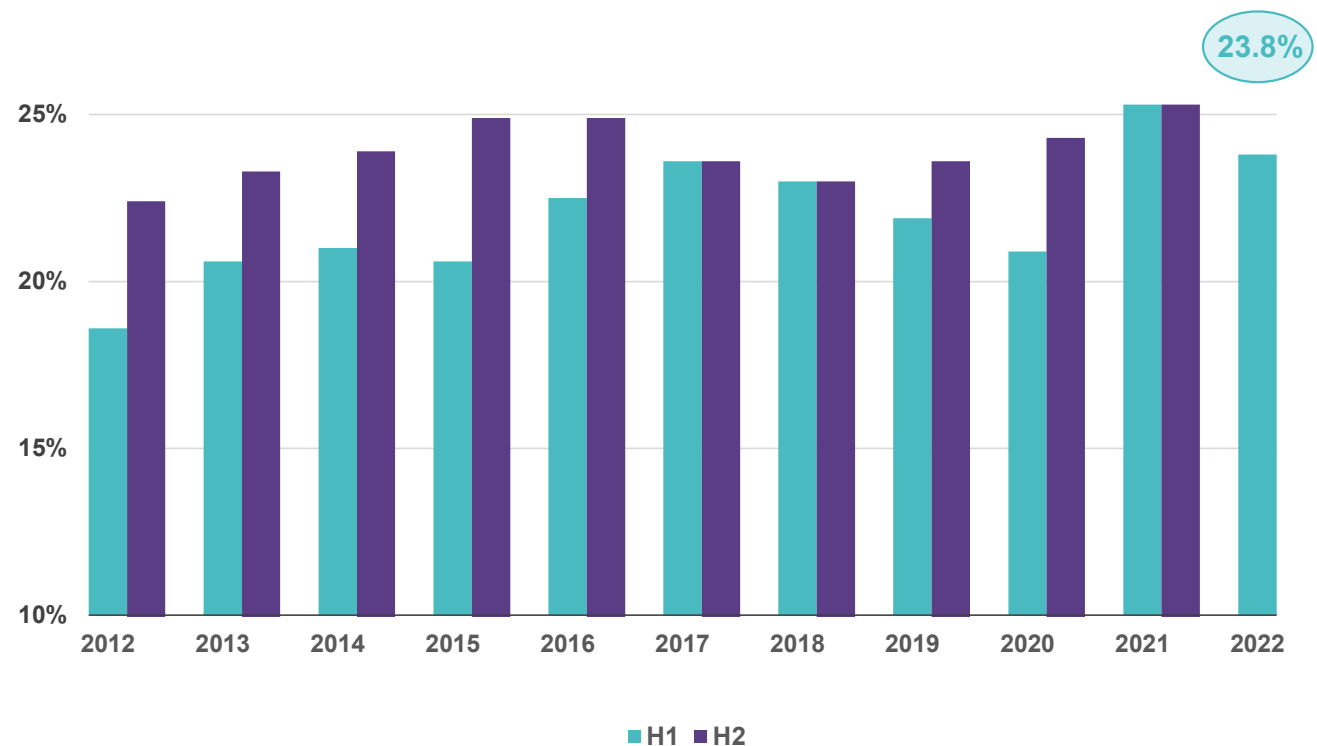
- Currency tailwind of 2%
- Total organic increase of 9%:
 - Steam Specialties +2%
 - ETS +9%
 - Watson-Marlow +21%
- Central expenses reflect investment in strategic initiatives and higher charitable donations



Operating margin

Normalisation of margin in line with previous guidance

- Operating margin 23.8%, down 150bps organically, in line with guidance
- Full year impact of 2021 revenue investments
- Active price management offsetting inflationary pressure
- Anticipate full year adjusted operating profit margin similar to first half



Cash flow

Investing for growth

- Cash conversion[^] of 44%, guidance unchanged for full year
- Working capital reflects higher sales and stock build to mitigate supply chain challenges
- Significant Capex step-up
- Full year cash conversion expected to be higher than in the first half of the year
- Net debt of £202.7m, 0.5x EBITDA

[^] See Appendix IV for definition of cash conversion

* See Appendix VI for definition of adjusted profit measures

Cash flow (£ million)	30 th June 2022	30 th June 2021
Adjusted operating profit*	178.8	162.9
Depreciation and amortisation (excluding IFRS 16)	17.0	17.8
Depreciation of leased assets	6.4	5.7
Pensions/Share plans	1.9	2.4
Working capital changes	(70.8)	(22.6)
Repayments of principal under lease liabilities	(6.2)	(5.7)
Capital expenditure (including software and development)	(49.3)	(22.2)
Capital disposals	0.6	0.8
Adjusted cash from operations	78.4	139.1
Net interest	(3.3)	(2.8)
Income taxes paid	(41.2)	(41.2)
Free cash flow	33.9	95.1
Net dividends paid	(72.2)	(62.6)
Purchase of employee benefit trust shares and issue of share capital	(10.4)	(11.8)
Acquisitions of subsidiaries	(12.7)	-
Cash flow for the year	(61.4)	20.7
Exchange movements	(8.5)	15.3
Net debt at 30th June (excluding IFRS 16)	(202.7)	(192.8)
Net debt to EBITDA	0.5x	0.6x

Agenda



Half Year 2022 Highlights

Nicholas Anderson



Half Year 2022 Financial Review

Nimesh Patel

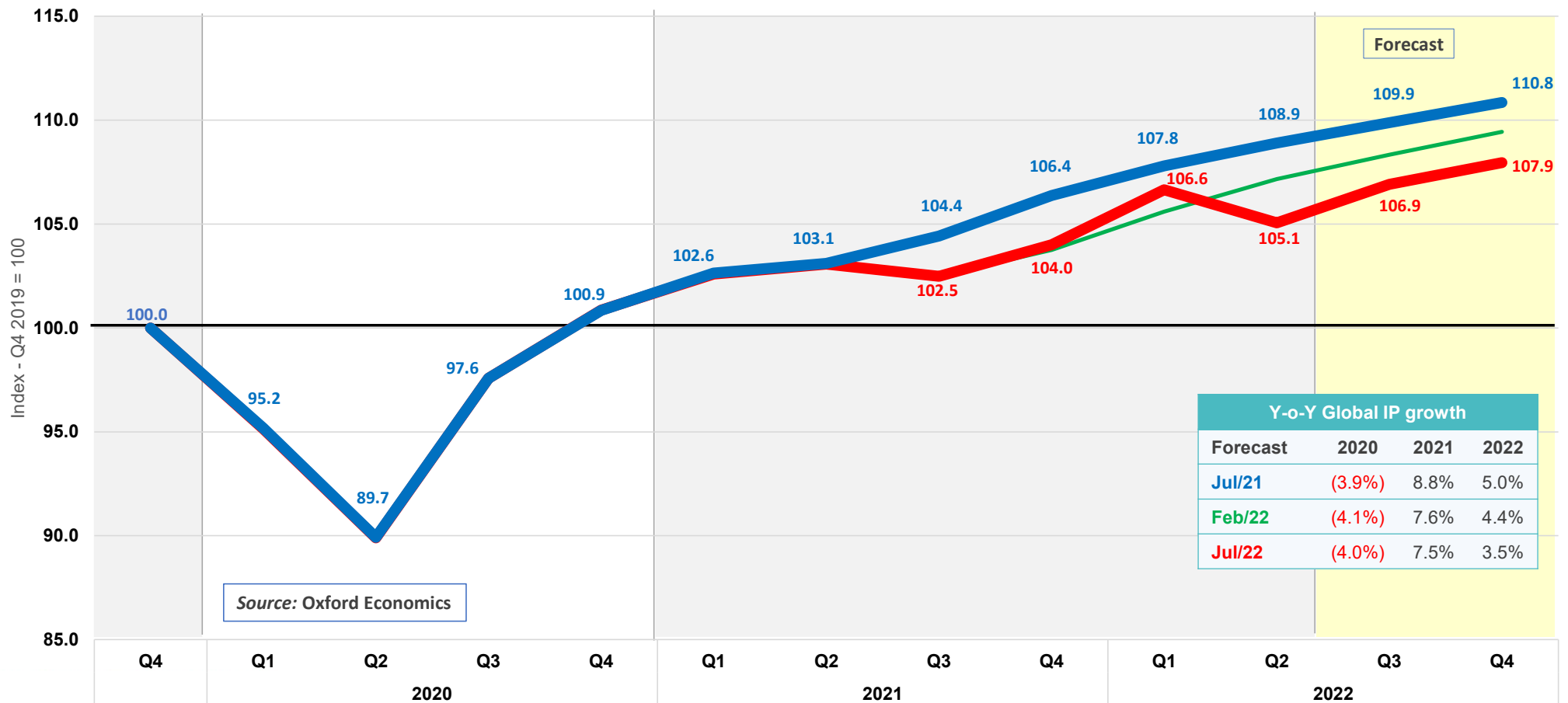


Operations and Outlook

Nicholas Anderson

Global Industrial Production output by quarter

IP Index Q4 2019 = 100



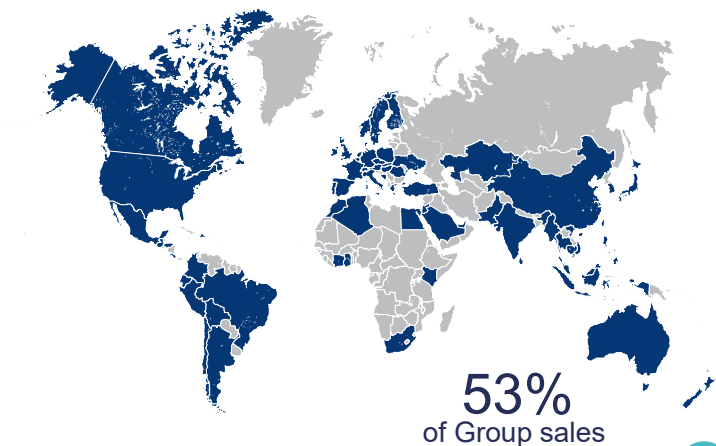
Steam Specialties

	30 th June 2021	Exchange	Organic	Acquisitions & disposals	30 th June 2022	Organic ⁺	Reported
Sales	£361.9m	£3.3m	£36.8m	£(1.4)m	£400.6m	+10%	+11%
Operating profit*	£89.8m	£0.9m	£2.0m	£(0.6)m	£92.1m	+2%	+3%
Margin*	24.8%				23.0%	-180bps	-180bps

* Organic measures are at constant currency and exclude contributions from acquisitions and disposals with Russia treated as a disposal from the date at which the Group suspended all trading with and within Russia.

* See Appendix VI for definition of adjusted profit measures.

- Organic sales up 10%; Organic operating profit up 2%
- Operating profit margin 23.0%; down 180bps due to revenue investments
- Demand significantly above IP; record high order book
- Strong demand across all regions and most market sectors
- Contribution from Cotopaxi acquisition more than offset by disposal of Russia operation
- Anticipate 2022 sales growth significantly above IP
- FY operating margin decline similar to H1 due to revenue investments



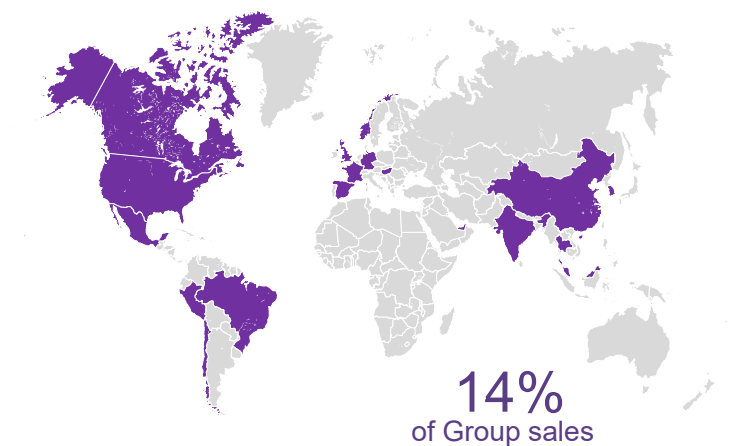
Electric Thermal Solutions

	30 th June 2021	Exchange	Organic	Acquisitions & disposals	30 th June 2022	Organic ⁺	Reported
Sales	£88.9m	£3.5m	£12.3m	-	£104.7m	+13%	+18%
Operating profit*	£11.2m	£0.6m	£1.0m	-	£12.8m	+9%	+14%
Margin*	12.6%				12.2%	-60bps	-40bps

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

* See Appendix VI for definition of adjusted profit measures.

- Organic sales up 13%; organic operating profit up 9%
- Operating profit margin 12.2%; down 60bps mostly due to revenue investments
- Demand significantly above IP; record order book continues to expand
- Chromalox Americas continues to perform strongly; EMEA profitability being addressed
- Exciting growth opportunities from decarbonisation, cross-selling with Steam Specialties
- Anticipate 2022 sales growth above Steam Specialties; operating margin ahead of 2021
- Acquisition of Vulcanic to contribute in Q4 2022



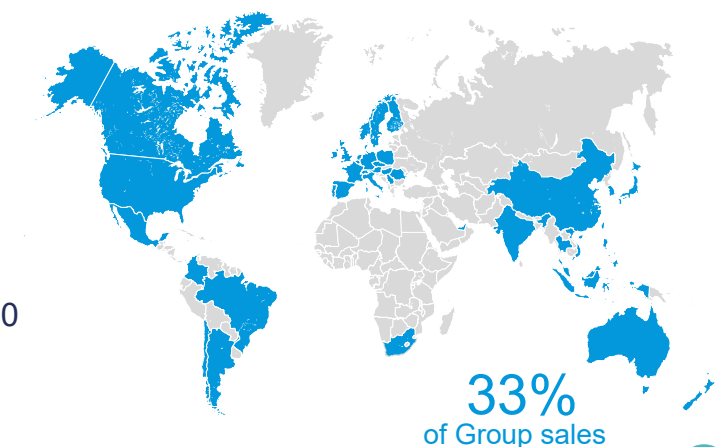
Watson-Marlow

	30 th June 2021	Exchange	Organic	Acquisitions & disposals	30th June 2022	Organic ⁺	Reported
Sales	£192.9m	£4.5m	£50.7m	£(3.3)m	£244.8m	+26%	+27%
Operating profit*	£71.3m	£2.0m	£14.9m	£(1.2)m	£87.0m	+21%	+22%
Margin*	37.0%				35.5%	-170bps	-150bps

⁺ Organic measures are at constant currency and exclude contributions from acquisitions and disposals with Russia treated as a disposal from the date at which the Group suspended all trading with and within Russia.

^{*} See Appendix VI for definition of adjusted profit measures.

- Organic sales up 26%; organic operating profit up 21%
- Operating profit margin 35.5%; down 170bps organically due to revenue investments
- Underlying demand remained strong, BioPharm normalised; order book increased
- BioPharm sales grew by close to 30%; Process Industries growth significantly above IP
- Significant investment to expand manufacturing capacity; up 40% across key plants
- Anticipate H2 sales growth lower than H1 due to strong H2 2021
- Full year operating margin below 2021, due to continued investments; comfortably above 2020



Engineering with Purpose

Customer case studies

2022 Half Year Results

Appendix I - Case study: Spirax Sarco Argentina – Distillery

Increasing production output without a major factory expansion

When production output reaches capacity and major factory expansion is not an option finding a way to shorten production times in order to increase output is crucial.

Yet producing a popular local beverage for an expanding customer base can be challenging. Maintaining the consistency in taste, tint and texture of the final product is critical.

The answer is key automation on the heating and cooling system. By improving the efficiency and speed of both of the heating and cooling processes, the customer is able to increase their production output without the heavy investment of a major factory expansion project.

Through a successful proof of concept phase, the customer was able to trial the proposed solution whilst testing the quality of the liquor it produced was maintained. The full solution included EasHeat packaged heat exchangers to provide instant hot water, a range of valves, controllers and peripheral items to automate the process and pipework insulation to minimise heat losses.

20-25%

Estimated increase in process productivity



2022 Half Year Results

Appendix II - Case study: Chromalox USA

Reliable temperature management of space launch system

Ensuring the reliability of a space launch system is critical for guaranteeing the safety of an aircraft's astronauts. Any risks of explosions need to be eliminated prior to ignition for launch.

Chromalox has experience of providing proven solutions that contribute to the reliability of a space launch system dating back over 50 years. These solutions provide critical de-icing and defrosting heating systems for the launchpad, launch system instrumentation and processes and even on the vehicle itself for a successful launch and consistent performance while in space.

Prior to ignition for launch, stored liquid nitrogen is converted to gas and then floods the launch area to ensure any hazards resulting from the ignition are eliminated. Chromalox's nitrogen purge systems are trusted to perform the mission-critical safety function of evacuating explosive gases from the pad at the moment of ignition, essentially enabling a 'go for launch'.

40+ years

of operation without failure



2022 Half Year Results

Appendix III - Case study: Watson-Marlow China

Optimum fluid-handling performance for lithium-ion battery materials

With many developed countries encouraging their populations to switch to electric vehicles, global battery demand is rising rapidly, with some projections predicting that lithium-ion energy storage requirements will increase fivefold by 2030*. Much of this extra demand will be placed on China, where some estimates suggest up to 79% of global lithium-ion battery production is already located.

Our customer in China, one of the largest specialists in battery materials manufacturing, runs its processes for 24 hours a day for 7-10 day periods. A demanding batch production schedule like this requires optimum process performance. With a requirement to accurately transfer various abrasive chemical slurries from raw material tanks to reaction tanks, Watson-Marlow specified a range of different sized Bredel APEX hose pumps.

Our APEX pumps are used to accurately dose, meter and transfer each of the chemicals required to create the liquids mix required for battery production. The seal-less, valve-less design of the APEX pumps offer unmatched flow stability from 2.8-6,200 litres per hour. The corresponding precision-machined hose elements are critical for ensuring pump performance, durability and efficiency.

2.8-6,200 litres per hour

Unmatched flow stability

* Source: Wood Mackenzie, March 2022
† Source: Statista.com, March 2022



Summary and outlook

- Revenue up 17% to £750m; organic sales up 15%
 - Operating profit up 10% to £179m; up 9% organically
 - Operating margin 23.8%; down 150bps due to revenue investments
 - Vulcanic acquisition strengthens ETS and decarbonisation platform
-
- Strong business performance with record order books; underpins improved 2022 outlook
 - FX tailwinds of 3.0% on sales and close to 3.5% on profit
 - Anticipate 2022 sales growth significantly above IP with typical H1/H2 split, excluding Vulcanic
 - Continued investments in H2; anticipate 2022 operating margin similar to H1

2022 Half Year Results

2022 Half Year Results

For the six months ended 30th June 2022



Spirax-Sarco Engineering plc

2022 Half Year Results

Appendices

Spirax-Sarco Engineering plc



Appendix I - Case study: Spirax Sarco Argentina – Distillery

Increasing production output without a major factory expansion

When production output reaches capacity and major factory expansion is not an option finding a way to shorten production times in order to increase output is crucial.

Yet producing a popular local beverage for an expanding customer base can be challenging. Maintaining the consistency in taste, taint and texture of the final product is critical.

The answer is key automation on the heating and cooling system. By improving the efficiency and speed of both of the heating and cooling processes, the customer is able to increase their production output without the heavy investment of a major factory expansion project.

Through a successful proof of concept phase, the customer was able to trial the proposed solution whilst testing the quality of the liquor it produced was maintained. The full solution included EasiHeat packaged heat exchangers to provide instant hot water, a range of valves, controllers and peripheral items to automate the process and pipework insulation to minimise heat losses.

20-25%

Estimated increase in process
productivity



Appendix II - Case study: Chromalox USA

Reliable temperature management of space launch system

Ensuring the reliability of a space launch system is critical for guaranteeing the safety of an aircraft's astronauts. Any risks of explosions need to be eliminated prior to ignition for launch.

Chromalox has experience of providing proven solutions that contribute to the reliability of a space launch system dating back over 50 years. These solutions provide critical de-icing and defrosting heating systems for the launchpad, launch system instrumentation and processes and even on the vehicle itself for a successful launch and consistent performance while in space.

Prior to ignition for launch, stored liquid nitrogen is converted to gas and then floods the launch area to ensure any hazards resulting from the ignition are eliminated. Chromalox's nitrogen purge systems are trusted to perform the mission-critical safety function of evacuating explosive gases from the pad at the moment of ignition, essentially enabling a 'go for launch'.

40+ years

of operation without failure



Appendix III - Case study: Watson-Marlow China

Optimum fluid-handling performance for lithium-ion battery materials

With many developed countries encouraging their populations to switch to electric vehicles, global battery demand is rising rapidly, with some projections predicting that lithium-ion energy storage requirements will increase fivefold by 2030*. Much of this extra demand will be placed on China, where some estimates suggest up to 79%~ of global lithium-ion battery production is already located.

Our customer in China, one of the largest specialists in battery materials manufacturing, runs its processes for 24 hours a day for 7-10 day periods. A demanding batch production schedule like this requires optimum process performance. With a requirement to accurately transfer various abrasive chemical slurries from raw material tanks to reaction tanks, Watson-Marlow specified a range of different sized Bredel APEX hose pumps.

Our APEX pumps are used to accurately dose, meter and transfer each of the chemicals required to create the liquids mix required for battery production. The seal-less, valve-less design of the APEX pumps offer unmatched flow stability from 2.8-6,200 litres per hour. The corresponding precision-machined hose elements are critical for ensuring pump performance, durability and efficiency.

2.8-6,200 litres per hour

Unmatched flow stability

* Source: Wood Mackenzie, March 2022

~ Source: Statista.com, March 2022



Appendix IV

Cash conversion

	30 th June 2022 (£m)	30 th June 2021 (£m)
Adjusted cash generated from operations	78.4	139.1
Adjusted Operating Profit*	178.8	162.9
Cash conversion	44%	85%

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

Appendix V

Currencies

Average exchange rates	30 th June 2022	30 th June 2021	%	2021	%
US dollar	1.30	1.38	+6%	1.37	+5%
Euro	1.19	1.15	-3%	1.16	-3%
RMB	8.40	8.96	+6%	8.85	+5%
Won	1,593	1,546	-3%	1,569	-2%
Brazilian real	6.63	7.42	+11%	7.41	+11%
Argentine peso	145.55	125.98	-16%	130.24	-12%

Appendix VI

2022 note on first half 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, which are analysed below.

	30 th June 2022 (£m)	30 th June 2021 (£m)
Operating profit as reported under IFRS	142.1	153.6
Amortisation of acquisition-related intangible assets	10.5	11.3
Restructuring costs	15.4	-
Impairment of Russia disposal groups	3.6	-
Acquisition-related items	3.2	-
Property related accelerated depreciation	4.0	-
Post-retirement benefit plans in Germany being closed to future accrual	-	(2.0)
Total adjustment to operating profit and pre-tax profit	36.7	9.3
Adjusted operating profit	178.8	162.9

Appendix VII

Current full year guidance

	2021 Actual	2022 Estimate
Capex (as a percentage of sales)	5%	c. 7%
Effective Tax Rate	25.1%	c. 26%
Net Finance Cost*	£6.4m	c. £7.0m
Net impact of acquisitions and disposals on revenue*	-	adverse < 1%
Net impact of acquisitions and disposals on adjusted operating profit*	-	adverse c. 1%
Foreign exchange impact on revenue	adverse 3%	favourable c. 3%
Foreign exchange impact on adjusted operating profit	adverse 4%	favourable c. 3.5%
Number of shares in issue (million)	73.7	73.7

* Guidance excludes the impact of the Vulcanic acquisition.