

# News Release

Wednesday 11<sup>th</sup> May 2022

## AGM TRADING UPDATE

### **Strong start to the year despite headwinds; full year guidance maintained**

Thermal energy and niche pumping specialist, Spirax-Sarco Engineering plc, issues the following trading update in respect of the four months ended 30<sup>th</sup> April 2022.

#### **Economic Environment**

Following strong global Industrial Production growth<sup>1</sup> (IP) in 2021, supported by ongoing recovery from the COVID-19 pandemic, IP for the first quarter of 2022 is forecasted to be 3.2% compared with the same period of 2021, while the full year IP forecast was lowered to 3.9%. The conflict in Ukraine, as well as the COVID-19 related shutdowns in China, had a limited effect on IP in Q1 2022 with the impact likely to be more evident through the rest of the year.

#### **Trading**

Organic sales growth in the four months to the end of April was in line with our expectations, supported by all three Businesses expanding manufacturing capacity and mitigating supply chain constraints. Order books in all three Businesses remain at all-time highs as demand continued to exceed sales.

In line with our expectations, Watson-Marlow's sales to the Pharmaceutical & Biotechnology sector grew over 20%, with the remaining Group organic revenue streams growing significantly above IP.

The first four months of the year were characterised by a challenging and uncertain external operating environment. Global supply chain disruptions continue regarding both the availability and cost of raw materials and components. We remain focused on maintaining supply whilst successfully addressing inflationary pressures through active price management.

Our Steam Specialties manufacturing facility in Shanghai has been subject to local lockdown restrictions since 28<sup>th</sup> March and is currently running at reduced capacity, impacting our sales within China, but with limited impact beyond China. If the current lockdown eases in the near-term and absent further lockdowns, we expect sales in China to recover through the balance of the year.

On 31<sup>st</sup> January, we completed the acquisition of Cotopaxi to accelerate delivery of our Digital Strategy. We expect Cotopaxi to deliver sales in 2022 close to the pre-pandemic level of £5 million, with no material operating profit contribution as our increased revenue investments in digital capabilities will more than offset Cotopaxi's operating profit.

Consistent with the strong sales performance, we continued accelerating revenue investments in support of future organic growth. As anticipated, the effect of the new revenue investments combined with the full year impact of the 2021 revenue investments, resulted in a lower Group operating profit margin in the first four months of the year than for the full year 2021.

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<sup>1</sup> Source for Industrial Production data: Oxford Economics, 27<sup>th</sup> April 2022

Currency did not have a meaningful impact on sales and operating profit, compared to the same period of 2021. We now anticipate a small tailwind effect for the full year of over 2% on both sales and profit.

### **Financial Position**

Our balance sheet remains strong as a result of our continued strong financial performance and cash generation. Excluding leases, our net borrowings on 30<sup>th</sup> April 2022 were £141 million, up from £131 million on 31<sup>st</sup> December 2021. The final dividend of 97.5 pence per share, a 15% increase over prior year, will be paid on 20<sup>th</sup> May subject to shareholder approval, with a cash impact of £72 million.

### **Outlook**

Since the announcement of our full year results, the global macro-economic outlook has weakened reflecting the combined impacts of ongoing global supply chain constraints, geo-political uncertainty, COVID-19 related restrictions in Asia, rising inflation and increasing interest rates. As anticipated, the latest global IP growth forecast was lowered to 3.9% from 4.2% at the time of our full year results in March.

Based on our current expectations of trading conditions in the balance of the year, our very strong order books and the resilience of our performance through economic cycles, we are maintaining our full year guidance for the Group. We continue to anticipate around 20% growth for Watson-Marlow's sales to the Pharmaceutical & Biotechnology sector, as well as organic sales growth well above IP for the remainder of the Group's organic revenues.

Spirax-Sarco Engineering plc expects to publish its 2022 half year results on 11<sup>th</sup> August 2022.

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### **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 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 more than 8,700 people, including almost 2,000 direct sales and service engineers. The Company's 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](http://www.spiraxsarcoengineering.com)

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