2023 Full Year Results

12 months ended 31 December 2023

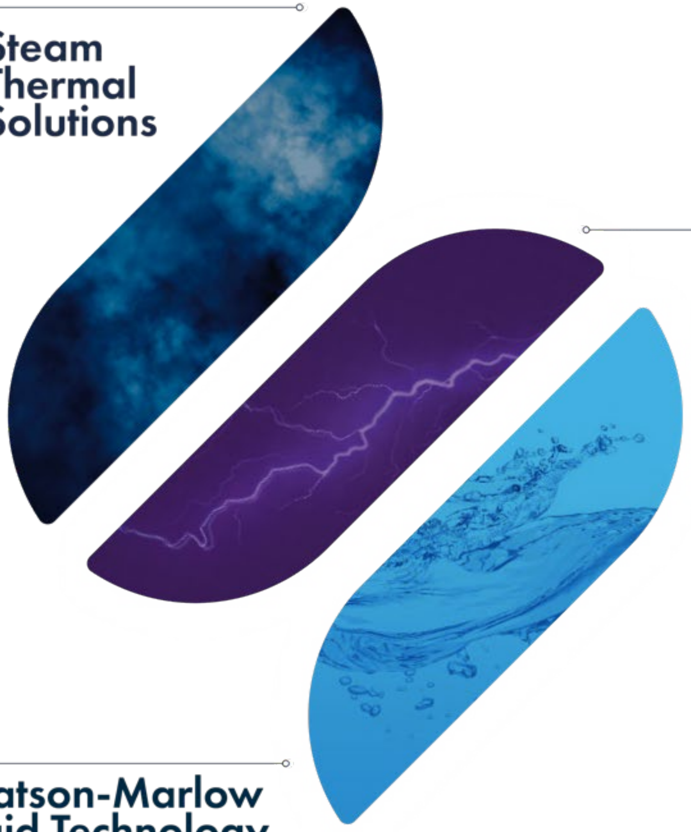
Introduction

Nimesh Patel

Group Chief Executive Officer

Spirax Group

Steam Thermal Solutions



Electric Thermal Solutions

Watson-Marlow Fluid Technology Solutions

Overview

- Challenging macroeconomic backdrop in 2023… **…forecast to improve in 2024**
- Delivered organic growth in IP-linked Businesses… **…outperforming global IP**
- Biopharm destocking continued throughout 2023… **…return to growth in H2 2024**
- Early action taken to preserve margin… **…further improvement in 2024**
- Preserved revenue investment to deliver future growth… **…building strong foundations**
- Fundamentals of our Businesses remain strong… **…supports further growth**

Organic growth (excl. Biopharm)

Margin lower but still above 20%

Cash conversion over 80%

Dividend growth for 56th year

2023 financial review

Phil Scott

Interim Chief Financial Officer

2023 Group Financial performance

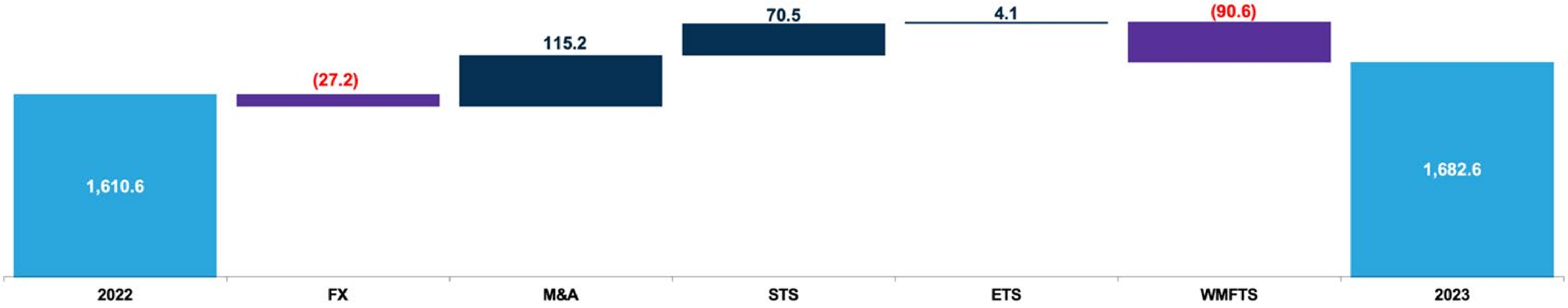
In line with expectations set out in November Trading Update

31 December (£m)	2023	2022	Reported	Organic+
Revenue	**1,682.6**	1,610.6	+4%	-1%
Operating profit*	**349.1**	380.2	-8%	-12%
Operating profit margin*	**20.7%**	23.6%	-290bps	-270bps
Net finance expense*	**(39.9)**	(9.6)		
Pre-tax profit*	**309.2**	370.6	-17%	
Tax rate*	**25.5%**	25.0%	50bps	
EPS*	**312.4p**	377.2p	-17%	
DPS	**160.0p**	152.0p	+5%	

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

2023 Sales bridge

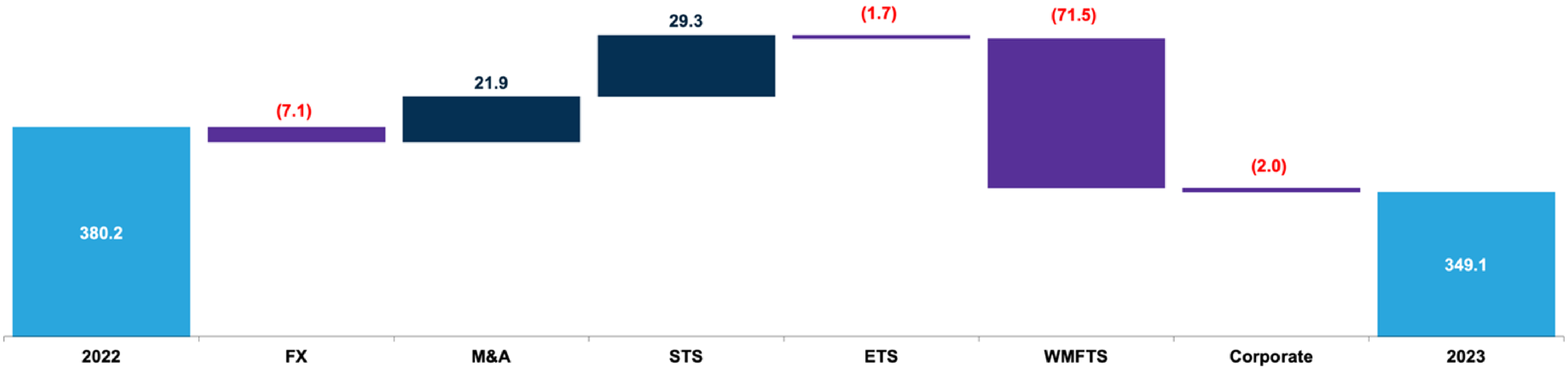
Organic growth in STS and ETS offset by Biopharm decline in WMFTS



2023	Actual (£m)			Organic growth (y-o-y)		
	H1	H2	FY	H1	H2	FY
STS	459.8	450.3	**910.1**	+15.0%	+2.4%	**+8.4%**
ETS	192.5	186.0	**378.5**	+6.5%	-2.0%	**+1.6%**
WMFTS	198.5	195.5	**394.0**	-20.5%	-16.8%	**-18.7%**
Group	850.8	831.8	**1,682.6**	+2.1%	-3.9%	**-1.0%**

2023 Profit bridge

Sequential growth in H2 reflects benefit of H1 restructuring and cost actions



2023	Actual (£m)			Organic growth (y-o-y)		
	H1	H2	FY	H1	H2	FY
STS	112.2	111.8	**224.0**	+24.9%	+6.6%	**+15.0%**
ETS	26.9	32.3	**59.2**	-5.3%	-3.9%	**-4.4%**
WMFTS	48.9	44.8	**93.7**	-46.7%	-39.0%	**-43.3%**
Corporate	(16.3)	(11.5)	**(27.8)**	+24.4%	-9.4%	**+7.8%**
Group	171.7	177.4	**349.1**	-13.4%	-11.2%	**-12.3%**

2023 Operating margin

Margin in H2 higher than H1 despite lower sales

£m	H1	H2	2023	H1	H2	2022
STS	24.4%	24.8%	**24.6%**	23.0%	24.5%	23.8%
ETS	14.0%	17.4%	**15.6%**	12.2%	17.9%	15.6%
WMFTS	24.6%	22.9%	**23.8%**	35.5%	30.0%	32.8%
Group	20.2%	21.3%	**20.7%**	23.8%	23.4%	23.6%

Exchange rates

Material exchange rate headwind in 2024

2023 Cash flow

Strong cash conversion from lower working capital outflow and capex phasing

- Cash conversion of 81%, ahead of guidance
- Lower than planned capital expenditure due to phasing on large capital projects
- Interest expense increased in line with higher full year average net debt
- 2024 cash conversion expected to be 75% with ratio of capital expenditure to sales of 7%
- ROCE 38.1% & ROIC 13.5%

31 December (£m)	2023	2022
Adjusted operating profit	**349.1**	**380.2**
Capital expenditure (net)	(102.8)	(113.5)
Working capital changes	(9.3)	(91.9)
Depreciation, amortisation, repayment of lease liabilities, other	44.7	40.1
Adjusted cash from operations	**281.7**	**214.9**
Cash conversion	***81%***	***57%***
Net interest	(37.7)	(8.8)
Income taxes paid	(90.7)	(90.0)
Free cash flow	**153.3**	**116.1**
Net dividends paid	(114.9)	(103.6)
Purchase of EBT shares and issue of share capital	(10.8)	(19.0)
Restructuring costs	(8.1)	(3.2)
Acquisitions of subsidiaries	(7.7)	(538.3)
Cash flow for the year	**11.8**	**(548.0)**
Exchange movements	**11.9**	**(11.9)**
Net debt at 31 December (excluding lease liabilities)	**(666.7)**	**(690.4)**
Net debt to EBITDA	**1.7x**	**1.7x**

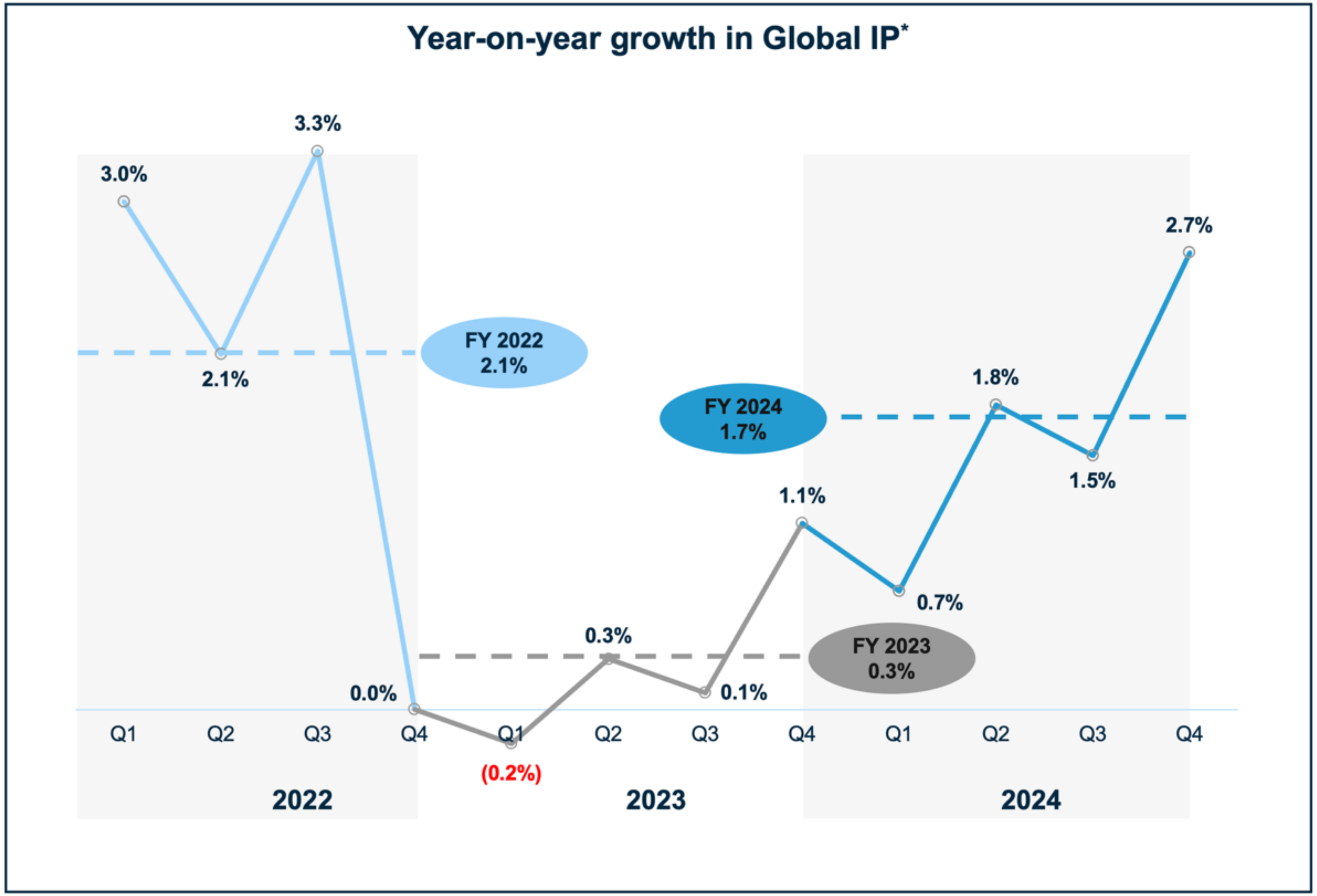
Spirax Group

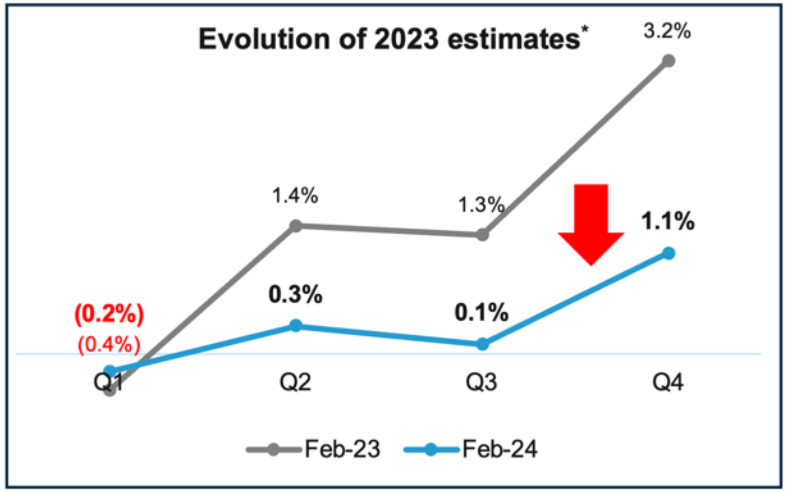
Operations and outlook

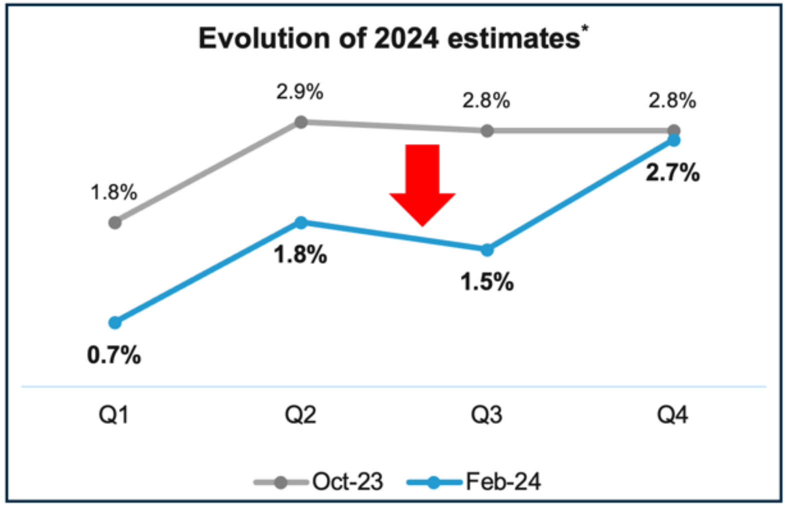
Nimesh Patel

Global Industrial Production growth (IP)

Estimates have continued to be revised downwards







* Source: CHR Economics

Steam Thermal Solutions

Operational progress in 2023

- Revenue growth significantly ahead of IP
- Record margin
- China outlook weakening
- Phasing of large project orders
- Increased digital connections
- Proving TargetZero

2024 priorities and guidance

- Continuing investment in growth
- Growing addressable market
- Mid-single-digit organic sales growth
- FX and cost containment reversal impacting margin

Strong medium-term fundamentals

- Proven capability to outperform IP through self-generated sales
- Resilience from defensive sector exposure and high proportion of demand from MRO
- Solution selling and value-based pricing drives attractive margins

Electric Thermal Solutions

Operational progress in 2023

- Strong demand growth in industrial process heating solutions
- Semicon demand weak impacting industrial equipment heating solutions
- Ogden expansion underway
- Investment in Kyoto
- Integration of recent acquisitions on track

2024 priorities and guidance

- Ongoing onboarding
- Chromalox operational improvements
- High-single-digit organic sales growth
- Margin progress partially offset by onboarding costs and pre-production costs of Ogden

Strong medium-term fundamentals

- Recovery in high margin Semicon demand
- Growing demand for decarbonisation solutions
- Increased production capacity
- Deployment of Spirax Group business model in acquisitions
- On track to deliver margin improvement to >20% in medium term

Watson-Marlow Fluid Technology Solutions

Operational progress in 2023

- Challenging backdrop for Biopharm
- Process Industries impacted by IP
- Right-sizing and cost control benefits in H2
- Progressing digital innovation

2024 priorities and guidance

- Cost base and capacity well positioned
- Anticipate growth in Biopharm demand
- High-single digit organic sales growth
- Strong margin improvement after absorbing reversal of 2023 cost containment and variable compensation

Strong medium-term fundamentals

- Ongoing recovery in Biopharm demand post-destocking
- Underlying Biopharm market growing at over 10%
- Process Industries offers opportunity to drive secular growth above IP
- Remains a high margin Business

Environmental and social progress

Key strategic targets:

- Net zero (scope 1 and 2) GHG emissions by 2030, with an interim target of 50% reduction by 2025 (vs. 2019 baseline)
- 20% reduction in Group energy use from plant, equipment and building assets by 2025 (vs. 2019 baseline)

Progress in 2023*

Scope 1&2 emissions 6% lower

(45% lower than 2019 baseline)

Energy use 8% lower

(14% lower than 2019 baseline)

Water consumption 20% lower

(12% lower than 2019 baseline)

135 Biodiversity projects completed

(2022: 78)

Gender balanced Executive team

(44% female in 2024)

** Excluding acquisitions*

Spirax Group

Summary and Outlook

2023 Summary

- Organic revenue growth* in STS and ETS
- Early cost actions mitigated margin impact
- Continued investment in business model
- Well placed to return to growth in 2024
- Dividend maintains 56-year record

2024 Group guidance

- Mid to high-single-digit organic sales growth
- Low-double-digit organic growth in adjusted operated profit
- Modest margin expansion
- Cash conversion ~75%

** At constant currency*

Strategic priorities – initial thoughts

Enhance

- Well positioned for strong organic growth
- Built on strong fundamentals
- Supported by strong execution
- Sustaining attractive margins

Build

Long-term growth in all three Businesses:

- Decarbonisation and sustainability
- Digitally enhancing our customer proposition
- Addressable market expansion through innovation
- Platforms: systems and processes

A differentiated investment case

Critical products supporting customers' critical processes

- Leading player in fragmented niche markets
- Unique direct sales model and strong customer insight
- Self-generated growth with pricing based on customer economics
- Sales funded from Opex budgets with low average invoice size
- Resilience driven by geographic, sector and customer diversity
- Growing addressable market

Strong Financial Track Record

- Organic growth > 2x IP
- Attractive, stable margins
- Strong cash generation
- Earnings and dividend growth

Delivering long-term compounding growth with attractive margins

Appendix

Additional financial information

Appendix I
Exchange rates

Average exchange rates	Average Full year 2023	Average Full year 2022	Change
US dollar	1.24	1.24	(0.2)%
Euro	1.15	1.17	2.0%
Renminbi	8.80	8.32	(5.8)%
Won	1,626	1,587	(2.4)%
Brazilian real	6.22	6.41	3.2%
Argentine peso	383	162	(136.0)%

Appendix II

Reconciliation of Operating profit to Adjusted operating profit

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.

(£ million)	2023	2022
Operating profit as reported under IFRS	**284.4**	**318.8**
Amortisation of acquisition-related intangible assets	37.2	23.7
Reversal of acquisition-related fair value adjustments to inventory	1.3	1.8
Restructuring costs	5.2	15.5
Acquisition-related items	5.7	9.1
Software related impairment	13.9	-
Fixed asset related impairment	1.8	-
Accelerated depreciation and other related costs on one-off property redevelopments	-	4.2
Disposal of Businesses	(0.4)	7.1
Total adjustment to operating profit	**64.7**	**61.4**
Adjusted operating profit	**349.1**	**380.2**

Appendix III

Additional guidance (for modelling purposes)

	2023 Actual	2024 Guidance
Group Revenue	£1,683m	Mid to high-single-digit organic growth
Exchange rate impact	Revenue: 2% adverse Adjusted Operating Profit: 2% adverse	Revenue: 3% adverse Adjusted Operating Profit: 5% adverse
Corporate costs	£28m	£30m - £35m
Group Adjusted operating profit	£349m	Low double-digit organic growth
Capex (as a percentage of sales)	6%	c. 7%
Effective Tax Rate	25.5%	26.5%
Net Finance Cost	£39.9m	c. £45m
Number of shares in issue (million)	73.6	73.7