

## News Release

10<sup>th</sup> May 2023

### AGM trading update

#### Trading in line with expectations; full year guidance maintained

##### Economic environment

Following global Industrial Production growth<sup>1</sup> (IP) of 2.8% in 2022, IP was 0.6% in the first quarter of 2023 against a backdrop of continuing uncertainty over the global macroeconomic outlook. IP is expected to strengthen modestly by the end of the year, with full year 2023 IP now forecasted to be 1.3%.

##### Trading

Organic sales growth in the four months to the end of April was in line with our expectations, driven by growth significantly above IP in Steam Specialties and Electric Thermal Solutions (ETS). Watson-Marlow sales were lower compared to the same period of 2022, as anticipated, reflecting the ongoing normalisation of COVID-19 related demand from Biotechnology & Pharmaceutical customers.

Order books in Steam Specialties and ETS remain at historically high levels driven by strong demand. Watson-Marlow's monthly order intake has remained at a level similar to the fourth quarter of 2022. As the underlying demand for cell and gene therapy medications remains strong, we continue to anticipate an increase in order intake in the second half of the year once Biotechnology & Pharmaceutical customers have worked through their excess stocks. However, defining the precise timing and initial pace of this return to growth remains difficult.

Integration of the acquisitions of Vulcanic and Durex Industries is progressing well, supported by revenue investments to raise the operations to our standards and deliver future growth.

As expected, the Group adjusted operating profit margin in the first four months of the year was lower than the same period in 2022. Consistent with the strong sales performance in Steam Specialties and ETS, both Businesses delivered increased margins, while Watson-Marlow's margin was lower due to the operational gearing effect of reduced sales.

We still anticipate Watson-Marlow's adjusted operating profit margin and therefore the Group's margin, will recover in the second half of the year, driven by expected higher demand and the full benefit from actions taken in the first quarter to right-size Watson-Marlow capacity and overhead support costs.

Currency movements had a small positive effect on sales and operating profit, compared to the same period of 2022. If current exchange rates were to prevail for the remainder of the year, we anticipate a modest adverse effect on full year sales and profit, compared with the full year 2022.

##### Financial Position

Excluding leases, net debt at 30th April 2023 was £710 million, up from £690 million at 31st December 2022. The final dividend of 109.5 pence per share, a 12% increase over prior year, will be paid on 19th May 2023, subject to shareholder approval, with a cash impact of £81 million.

We anticipate cash conversion will improve in 2023 to above 70%, including capital expenditure at approximately 7% of sales.

## Outlook

Although the global macroeconomic outlook remains uncertain, forecast IP for 2023 of 1.3% remains within the range of our planning assumptions. As our trading in the first four months of the year is also in line with our expectations, we are maintaining our full year guidance for the Group.

We continue to anticipate double-digit sales growth for the Group in 2023, representing mid-single-digit sales growth over 2022 pro-forma sales<sup>2</sup>. We also continue to anticipate both sales and adjusted operating profit to be more weighted to the second half of the year than in previous years, with a small progression in the Group's full year adjusted operating profit margin.

<sup>1</sup> Source for Industrial Production data: Oxford Economics, 25th April 2023

<sup>2</sup> Group Sales in 2022 pro-forma for the twelve-month contribution from the acquisitions of Vulcanic and Durex Industries

Spirax-Sarco Engineering plc expects to publish its 2023 Half Year results on 10th August 2023.

Enquiries:

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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 process heating products, engineered packages, site services and systems expertise for a diverse range of industrial and institutional customers. Both businesses help their customers improve process efficiencies, meet 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 40 strategically located manufacturing plants around the world and employs more than 10,400 people, including more than 2,100 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 Indexes.

Further information can be found at [www.spiraxsarcoengineering.com](http://www.spiraxsarcoengineering.com)

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