> All three of our Businesses delivered organic sales growth and margins in line with our expectations."

Nimesh Patel
Group Chief Executive Officer

I thank my colleagues for their commitment as we continue to focus on the operational priorities that are within our control and have a meaningful impact on driving growth in a challenging environment.

Summary of 2024 performance

Global industrial production growth (IP) for the full year was 1.7% or 0.8% excluding China and was lower than had been forecast at the beginning of the year. Following weak IP in the first half, the expected second half recovery did not materialise with industrial production falling in key markets such as the USA, Germany, France, Italy and the UK, which together represent approximately 50% of Group sales.

Against this challenging backdrop, we focused on the operational priorities within our control, including driving growth through consultative solution-selling as well as delivering improvements in manufacturing, particularly in ETS, with the benefits supporting our investment in future growth. We also continued to protect our margins through pricing discipline and efficiency savings, such as through procurement.

As a result, Group organic sales growth of 4% was well ahead of IP. Organic growth in adjusted operating profit was 4% and the adjusted operating profit margin of 20.1% was modestly higher organically, despite the partial reversal of prior year temporary cost containment actions and further investment in future growth. All three Businesses delivered organic sales growth during the year with adjusted operating profit margins in line with our expectations. Both sales and adjusted operating profit were adversely impacted by currency movements, with sales 1% lower than 2023 after a 5% exchange rate impact and adjusted operating profit 4% lower after an 8% headwind.

STS organic sales growth was 1% despite weaker than expected IP, with growth higher in the second half of the year. Sales in China (17% of STS in 2023) were 13% lower due to weaker demand for larger, expansion-related projects that accounted for approximately 60% of sales in 2023. Outside China, STS organic sales growth was 4%, driven by a focus on our targeted higher growth sectors and increasing MRO and solution-sales from our large installed base. As expected, STS margin of 23.5% was lower than 2023, impacted by an exchange rate headwind, the partial reversal of cost containment actions and ongoing investment in growth.

ETS organic sales growth of 15% in the second half was higher than in the first half (5%), with continuing strong growth in the Industrial Process Heating Division, delivered through our focus on operational improvements which led to a double-digit increase in Chromalox sales from our carried forward orderbook. In the Industrial Equipment Heating Division, demand from Semicon customers began improving in the fourth quarter, although from a low base. ETS margin of 16.0% was 50bps higher organically than 2023 with strong progress in Industrial Process Heating partially offset by a lower margin in Industrial Equipment Heating.

WMFTS organic sales growth was 3%, supported by strong growth in Process Industries as we continued to target higher growth sectors including Water & Wastewater, Food & Beverage and Mining, increasing our market share. In Biopharm, new order intake began to recover with double-digit growth during 2024, following a decline of over 50% by 2023, from the COVID-related peak in 2021. The recovery was driven by non-OEM end-user customers (approximately 75% of Biopharm sales), with an increase in both orders and sales. Large OEM customer orders also improved from a low base although sales declined. As in previous years, Biopharm sales remained above orders in 2024, supported by the large carried forward orderbook which has now normalised. The breadth and diversification of our Biopharm customer base and the loss of the smoothing effect of the carried forward orderbook on sales, underpin our continued expectation of a gradual recovery. WMFTS margin expanded by 180bps organically as operational gearing from higher sales, supply chain efficiencies and lower variable compensation costs offset a full year of costs relating to our manufacturing facility in Devens, Massachusetts (USA).

Alongside focusing on the execution of our strategy and operational improvements to drive growth across all our Businesses, we also continued to make progress with our Health and Safety priorities and Sustainability Strategy. Our all-workplace incident rate (which includes lost time accidents) reduced from 2.37* in 2023 to 2.31* in 2024, with a significant reduction in Serious Lost Time Accidents, most of which were hand injuries. We also made progress towards meeting our One Planet sustainability targets, including a reduction in our absolute scopes 1 and 2 market-based greenhouse gas emissions of 20% (including acquisitions) compared to 2023 and have exceeded our 2025 reduction target of 50%, compared to the 2019 baseline.

Our 2024 results demonstrate the continuing robustness of our business model in a challenging environment. I am grateful to my colleagues around the world for their focused execution of our strategy and for their commitment to working to deliver for all our stakeholders.

The Board has declared a final dividend of 117.5 pence (2023: 114.0 pence) per ordinary share, bringing the total dividend for the year to 165.0 pence. The total dividend for 2024 represents 3% growth compared to 2023, reflecting our confidence in the Group's business model, strategy and medium-to-long-term prospects.

Strategic update

We have a powerful and resilient business model, defined by: a sector focused global direct sales force of 2,150 engineers with deep process insights, serving customers through close, local relationships; a focus on consultative solution-selling and pricing based on the value delivered for our customers; highly diversified geographic regions and sectors with a high proportion of sales from defensive end-markets and sales that are mostly funded from customers' operational budgets rather than capital expenditure. This business model is common across STS, ETS and WMFTS, our three high quality growth engines.

This business model has enabled us to deliver consistent organic growth ahead of IP and at industry-leading margins, over many years, through multiple economic cycles. Over the medium term, we will sustain this track record of growth ahead of underlying markets, with high-single digit profit growth delivered through mid-single digit organic sales growth and an improving margin reaching between 22% and 23%. Delivery of these targets, together with cash conversion of over 80%, will also drive improving return on capital.

At our Capital Markets event in October 2024, we set out a strategic framework for building on this unique business model across all three of our Businesses; we will increase the pace at which we address operational improvements to fund targeted investments that will enable us to capture the significant compounding organic growth opportunities we see ahead. Our progress in 2024 and priorities for 2025 are set out on the next page (further details are included in the Operating Review on pages 42 to 55).

* per 100,000 work hours

Operational priorities

Commercial Excellence

During 2024, we developed our sales capability, increasing the number of customer-facing sales colleagues, particularly in ETS due to the strong demand for sustainability-focused electrification solutions. In STS, we focused on increasing MRO growth from our large installed base and leveraging regional expertise to grow in the Electric Vehicle Battery and Marine sectors. In WMFTS, we expanded our customer solutions through the launch of WM Architect (Biopharm) and Qdos H-FLO (Process Industries).

During 2025, we will continue to progress with these initiatives with a specific focus on maximising the ability of our direct sales force to continue to deliver growth in a weaker economic environment.

Operational Excellence

Throughout 2024, in ETS we focused on increasing shipments from Chromalox of orders taken in prior years, particularly from the Ogden, Utah (USA) manufacturing facility. The process of improvement included comprehensive changes to the Business leadership and local management team, completing detailed and data driven reviews of existing processes, as well as taking best practice from other manufacturing sites.

During 2024, we began to deliver procurement savings within and across our three Businesses. We also targeted productivity and efficiency improvements to maximise the utilisation of our manufacturing capacity and reduce costs. As a result, we closed a number of smaller manufacturing sites after consolidating our footprint in the USA (Thermocoax's US production, WMFTS' Asepco and Aflex facilities). In STS, we announced the closure of our manufacturing facility in Mexico, with production moving to the USA in 2025 and we have put on hold the previously planned construction of a new Gestra facility in Germany. As we make progress, we will have greater flexibility in how we manage our manufacturing footprint and we will continue to review how best to optimise and extract value from our fixed capital.

During 2025, we expect further improvements in shipments from Chromalox, while completion of our Ogden Medium Voltage facility expansion will also help to reduce lead times. We will continue to deliver procurement savings in all three Businesses, which will partially mitigate the reinstatement of variable compensation.

Organisational Fitness

During 2024, we successfully completed the first new ERP implementation at Thermocoax in France, with minimal disruption. We are bringing across these design principles and learnings to align around a single global common design as we move from three separate Business-led ERP programmes to one. Once this design has been completed, we will sequence implementation in a way that manages the associated annual cost and potential operational risk.

In January 2025, we initiated a series of organisational changes, reducing our management layers and consolidating activity which can be better leveraged across our operating companies, while protecting our differentiated local direct sales presence. Through these changes we are taking early steps to move towards a simpler, more agile and more scalable organisation with improved internal processes and increased customer facing time for our sales colleagues.

In STS, we have consolidated both the management of a number of our operating companies and our technical sales and service engineering resources, to better leverage these across our regions. In ETS, we are driving improved collaboration in developing customer opportunities and new products with the establishment of a new Divisional Sales structure: Industrial Process Heating, Industrial Equipment Heating and Heat Trace. WMTFS is moving from a geographic focus to a sector-based sales model, to strengthen our self-generated solution-sales capability.

During 2025, we will complete our announced restructuring and continue to progress the ERP programme.

2025 restructuring

The consolidation of manufacturing facilities and organisational changes are the first significant restructuring activity that we have undertaken across the Group and will realise savings to fund our investment in future organic growth. These changes are expected to realise annualised savings of approximately £35 million. The cash costs to deliver this programme will be mostly incurred in 2025 and are expected to be approximately £35 million, with an additional non-cash cost of £5 million.

Investing in future growth

Digital and Services

In 2024, we continued to increase the number of digital customer connections to help collect performance data, principally in STS for steam traps and heat exchangers. In WMFTS we have also successfully trialled our machine-learning-enabled Bredel connected-pump on a customer site. Aggregation and analysis of the data we are collecting drives insights that support customers' predictive maintenance and process optimisation, delivered through our sales engineers.

Early in 2024, we developed 'MiM', our proprietary large language model that curates our highly specialised technical, sector and application knowledge. For our sales engineers, MiM accelerates the learning journey of new hires and enables more experienced colleagues to deliver improved solutions to customers, faster. Initially, MiM is focused on the Food & Beverage and Water & Wastewater sectors in STS and WMFTS respectively, with user-acceptance and testing currently underway.

During 2025, we will continue to increase customer connections in STS and drive higher revenues from digital products and services. We will advance our proof-of-concept pilots in WMFTS and extend these to ETS through the retrofit of selected industrial process heaters in our installed base with machine learning capabilities. We will also begin to scale-up the adoption of MiM within our direct sales force.

Decarbonising Thermal Energy

During 2024, we made good progress in developing a combined thermal energy strategy across STS and ETS, including three key elements: developing an operating model to harness both Businesses' understanding of sector-specific customer processes, their steam and electrical technical expertise and direct sales capability; developing new resistive heating products to decarbonise the generation and storage of steam (TargetZero) and electrification of industrial thermal processes beyond steam (PoweringZero); and investing in emerging thermal energy solutions, such as high temperature heat pumps that will form part of an extended suite of options for our steam using customers.

In 2025, we will continue with proof-of-concept pilots for our TargetZero solutions. We will add further pilots for our combined thermal energy solutions, as well as our new resistive heating technology that operates at higher temperatures.

Nimesh Patel
Group Chief Executive Officer
10 March 2025