

# Strong growth, expecting a year of further progress

**2022 Preliminary Results**  
**February 28<sup>th</sup> 2023**

Presented by  
Chief Executive Officer – Kiet Huynh  
Group Finance Director – Jonathan Davis

**rotork<sup>®</sup>**

Keeping the World Flowing  
for Future Generations





# Reflections after my first year as CEO

First class engineering company with market leading products

Growth+ to build on the foundations created by GAP

Strong financial performance

Playing a key role in the energy transition



# Keeping the World Flowing for Future Generations

Stronger Together - Always Innovating - Trusted Partner

# Strong 2022 results

## Strong growth in orders and sales

Orders  
**+6.8% OCC<sup>1</sup>**  
£682m

### KPI

Revenue growth  
**+8.4% OCC<sup>1</sup>**  
£642m

## Resilient margins

### KPI

Adjusted<sup>2</sup> operating margin  
**22.3%**  
(2021: 22.5%)

### KPI

ROCE  
**31.3%**  
(2021: 30.1%)

## Net cash position

Closing net cash  
**£106m**  
(2021: £114m)

### KPI

Cash conversion  
**76%**  
Of adj<sup>2</sup>. operating profit

## Performing for all stakeholders

### KPI

Carbon emissions  
**-17% YoY**  
2022: 11.3tCO<sub>2</sub>e/£m

S&P Global CSA  
**Top 5%**  
In our global sector

Note: 1) OCC results are restated at 2022 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments



# Financial Review

Presented by  
Jonathan Davis, Group Finance Director



# Financial highlights

- Q4 orders and revenue strong
- Supply chain improved in H2
- Revenue phasing impacts cash conversion
- ROCE 31.3% (+120bps)
- Full year dividend 6.7p (1.9x cover)

	2021	2022	%	OCC <sup>1</sup> %
Order intake	£614m	£682m	+11.0%	+6.8%
Revenue	£569m	£642m	+12.8%	+8.4%
Adjusted <sup>2</sup> operating profit	£128m	£143m	+11.8%	+6.2%
Adjusted <sup>2</sup> operating margin	22.5%	22.3%	-20bps	-40bps
Adjusted <sup>2</sup> EPS	11.3p	12.7p	+13.2%	+7.5%
Cash conversion	108%	76%	-	-
Full year dividend	6.4p	6.7p	+4.7%	-

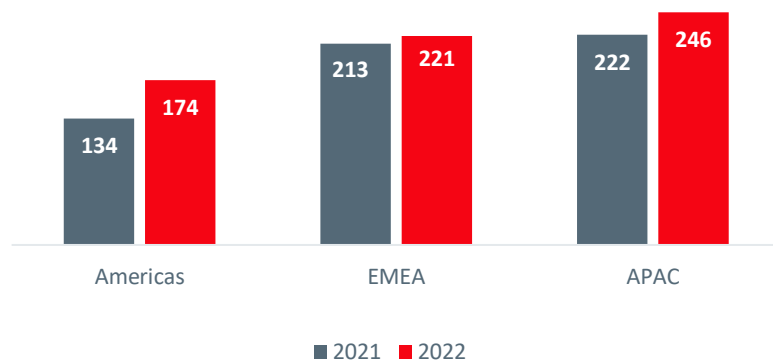
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# Group revenue

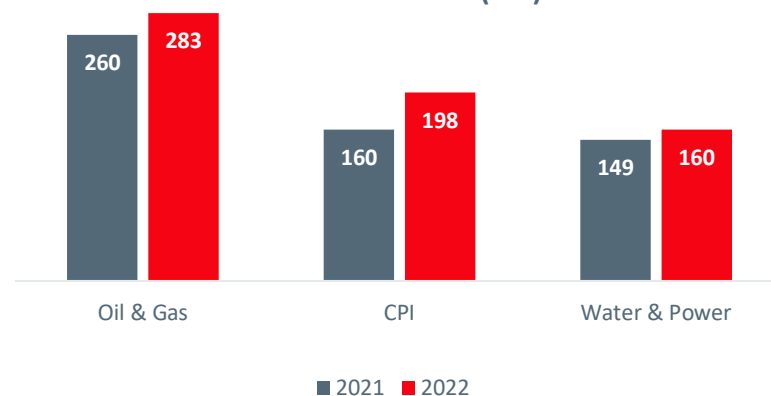
- Revenue +12.8% YoY (+8.4% OCC)
- Americas revenues grew across all divisions
- EMEA growth in CPI and W&P
- APAC growth in CPI but O&G lower
- Rotork Site Services 21% of sales (2021: 21%)

Oil & Gas	2021	2022
Upstream	11%	11%
Midstream	11%	11%
Downstream	24%	22%
Contribution to revenue	46%	44%

End destination (£m)

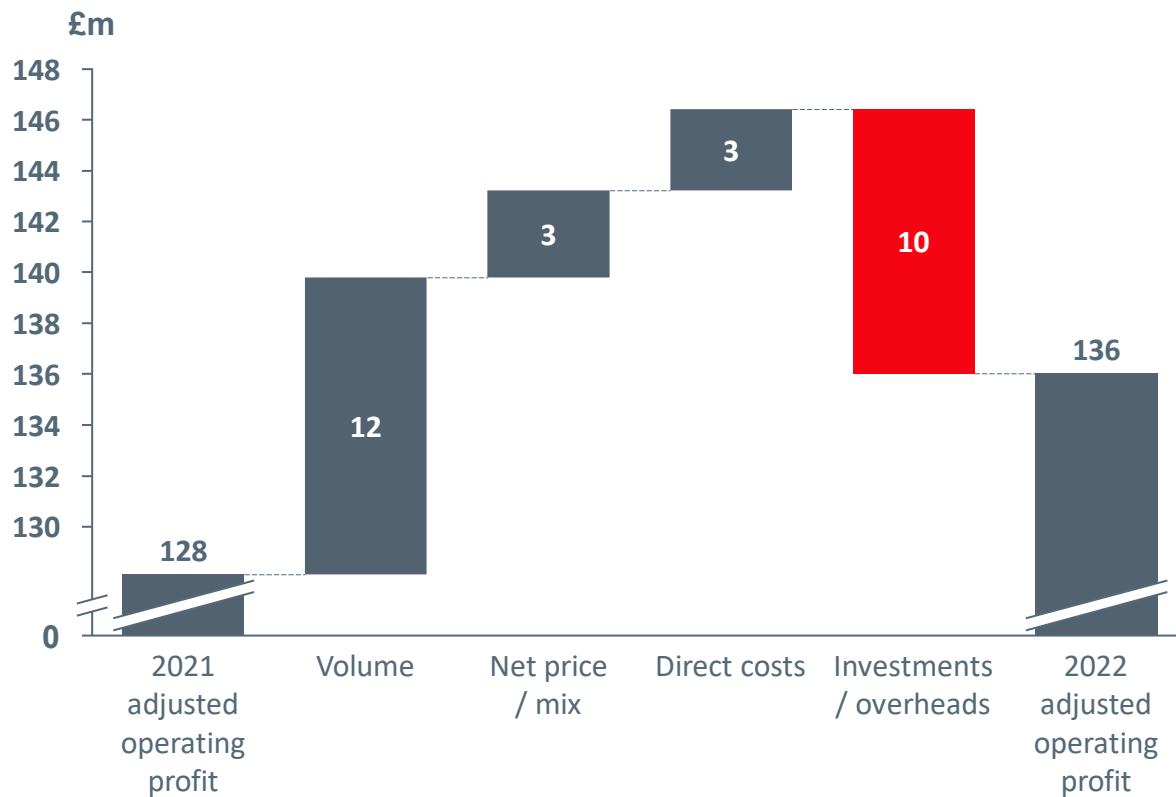


End user market (£m)



# Adjusted<sup>2</sup> operating profit bridge (OCC<sup>1</sup>)

- Volume and price both positive
- Investment in people and other costs covered by volume and price
- Gross margin 45.6% (-60bps)
- Adjusted operating margin -40bps to 22.1% OCC

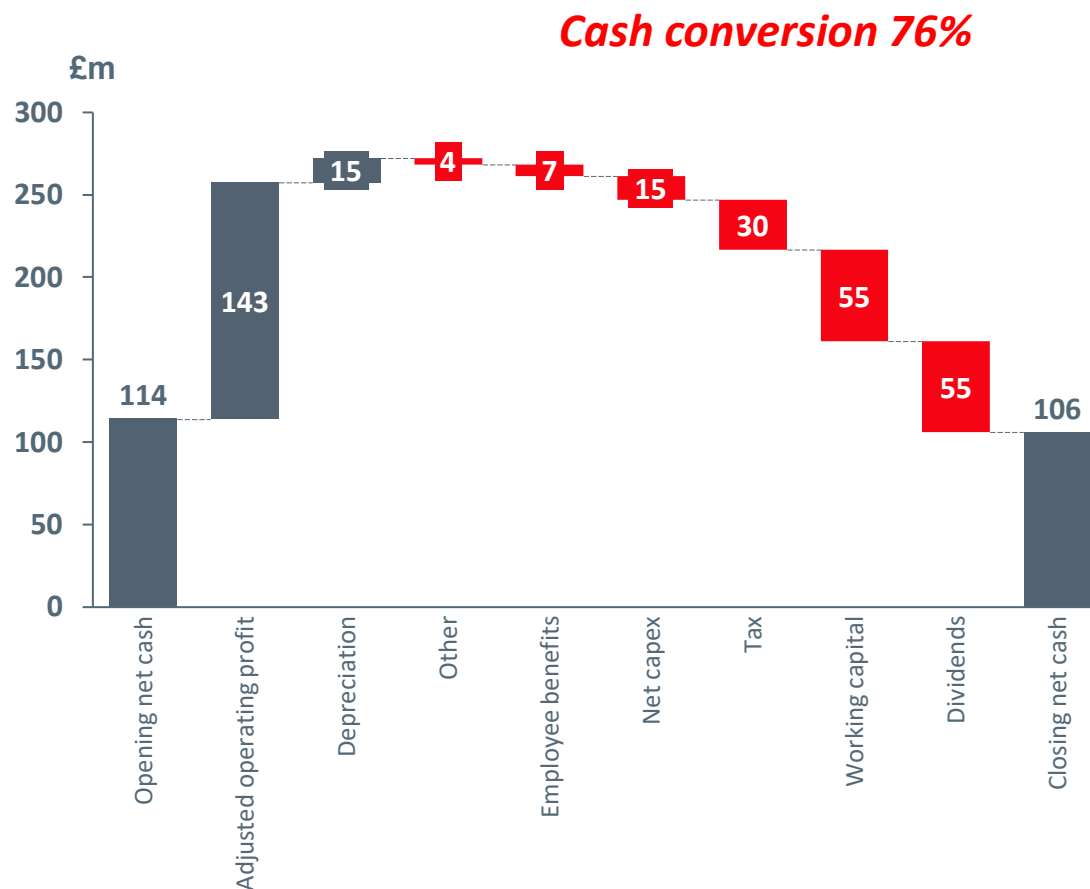


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# Cash flow

- Tactical inventory and higher component costs
  - Inventory 14.4% of sales (2021: 12.0%) +£24m in year
- Q4 revenue vs 2021
  - Trade receivables 58 DSO (2021: 57) +£40m in year
- Net working capital/sales 28.7% (2021: 21.8%)
- Capex includes IT development costs expensed



Note: 1) OCC results are restated at 2021 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

# Growth Acceleration Programme – 5 year review

Courtesy of GAP, Rotork now has a strong platform for growth  
£30m of profit improvement, £33m cash generation  
but working capital benefit reduced to £4m

EBITA margin from <b>20.3%</b> to <b>22.3%</b> 200 bps increase	WC as a % of sales from <b>29.3%</b> to <b>28.7%</b> 60 bps reduction	ROCE from <b>24.9%</b> to <b>31.3%</b> 640 bps improvement
Footprint <b>14 mfg. facilities closed</b> 47% reduction	Sourcing <b>£2.1m</b> net increase	Innovation <b>36 new products launched</b>
Lean & productivity <b>&gt;1,000 lean events</b> <b>£8.6m savings<sup>2</sup></b>	Inventory <b>£92m</b> at start and finish	<b>&gt;45,000 hours</b> of value selling training and development
Productivity <b>30% improvement</b> in EBITA per FTE	Organisation re-alignment <b>£6m savings</b>	Portfolio actions <b>4</b> businesses sold or closed <b>16</b> offices closed or consolidated

<sup>1</sup> Measured from YE 2017 through YE 2022

<sup>2</sup> Inclusive of workforce planning tool utilisation

# Items below adjusted operating profit

- Russian sales and service operations suspended in late February 2022

Adjustments to operating profit (£m)	2021	2022
Amortisation of acquired intangibles	9.0	7.1
Gain on property disposal	(1.6)	(1.2)
IT transformation costs	8.5	8.9
Redundancy / restructuring	6.5	1.3
Russia market exit	-	3.6
	22.4	19.7

	2021	2022
Headline effective tax rate	24.2%	24.9%
Adjusted effective tax rate	23.8%	23.9%

# Oil & Gas

	2021	2022	Change	OCC <sup>1</sup> Change
Revenue	£260.2m	£283.3m	+8.9%	+4.9%
Adjusted <sup>2</sup> operating profit	£56.3m	£64.0m	+13.5%	+8.3%
Adjusted <sup>2</sup> operating margin	21.7%	22.6%	+90bps	+70bps

- Revenue higher despite withdrawal from Russia
- Volume up low single digit
- EMEA sales broadly flat, pipeline electrification positive
- APAC revenues lower despite the upstream growing
- Americas sales grew strongest, including methane emission reduction
- Margins benefitted from higher volume, lower exposure to electronics and lower other costs

Note: 1) OCC results are restated at 2021 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments



# Chemical, Process & Industrial

	2021	2022	Change	OCC <sup>1</sup> Change
Revenue	£160.5m	£198.4m	+23.6%	+19.6%
Adjusted <sup>2</sup> operating profit	£42.8m	£51.2m	+19.7%	+15.2%
Adjusted <sup>2</sup> operating margin	26.7%	25.8%	-90bps	-100bps

- Sales grew in all segments and all regions
- Estimated pricing benefit high single-digit
- APAC revenues grew strongest, led by China
- EMEA sales increase led by process sector
- Americas revenues increase with good performance in mining
- Margin benefited from higher revenue offset by higher share of overheads

Note: 1) OCC results are restated at 2021 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments



# Water & Power

	2021	2022	Change	OCC <sup>1</sup> Change
Revenue	£148.6m	£160.2m	+7.8%	+2.4%
Adjusted <sup>2</sup> operating profit	£40.4m	£40.3m	-0.3%	-6.2%
Adjusted <sup>2</sup> operating margin	27.2%	25.2%	-200bps	-220bps

- W&P saw most significant supply chain disruption in H1
- Revenue 40% increase in H2 over H1
- Volume flat
- APAC lower in total as a result of power decline
- Americas grew, led by rebound in water
- EMEA strongest growth, both segments positive
- Margins saw disproportionate impact of higher exposure to electronics components and more modest growth

Note: 1) OCC results are restated at 2021 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments





# Financial summary

- Pricing to offset inflation in overheads and energy
- Investment in Growth+
- Current year currency impact estimated at ~1.5% tailwind
- Capex spend ~£18m including IT development costs

Encouraging order growth & record order book

Supply chain challenges remain but stabilised

Price to offset inflationary pressures

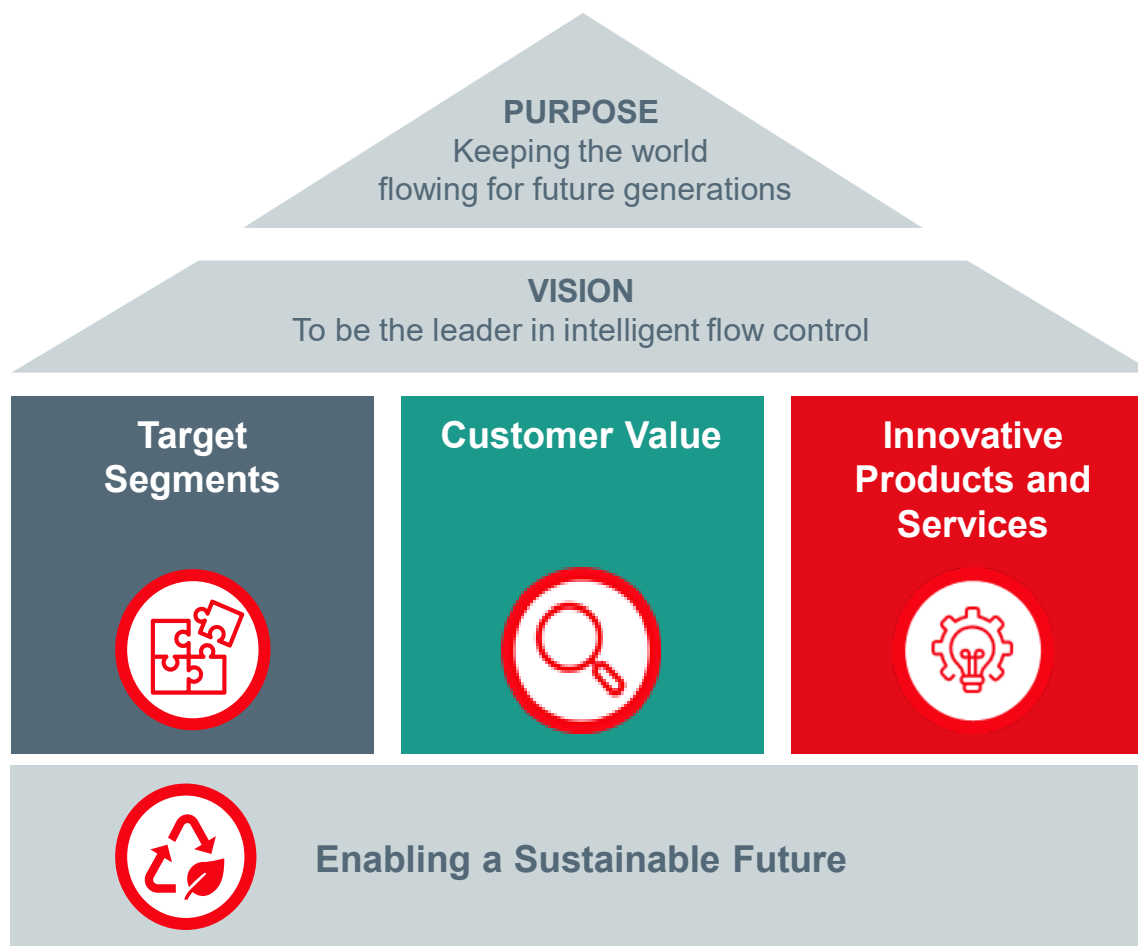
Growth+ investments

# Growth+ update & outlook

Presented by  
Kiet Huynh, Chief Executive Officer



# Growth+ strategy





## Target segments in action

	Oil & Gas	CPI	Water & Power
Total market size (£m)	1,500	800	1,400
Total market growth rate (CAGR)	High single-digit*	Low double-digit	Mid to high single-digit

*\* Includes the benefit of conversion from pneumatic to electric actuation*

**Target segment sales in 2022 represented around 50% of Group revenue**



# Target segments in action

## Methane emissions reduction

Increasing demand for Rotork solutions



## Carbon Capture Usage & Storage

Rotork electric solutions selected for Northern Lights onshore CO<sub>2</sub> storage facility



## Wastewater treatment

Success in modernisation & improvement projects



### ENABLERS



Digitalisation



Efficiency



Electrification



# Customer value in action

## Achieving Customer Excellence

- ACE - Transforming lead times to deliver customer value
- Pilot programme reduced lead times from 16 to 2 weeks at two European plants



## Customer experience

- Optimisation of business processes
- Delivering an end-to-end quote-to-cash improvement
- ERP a key enabler







# Innovation in action

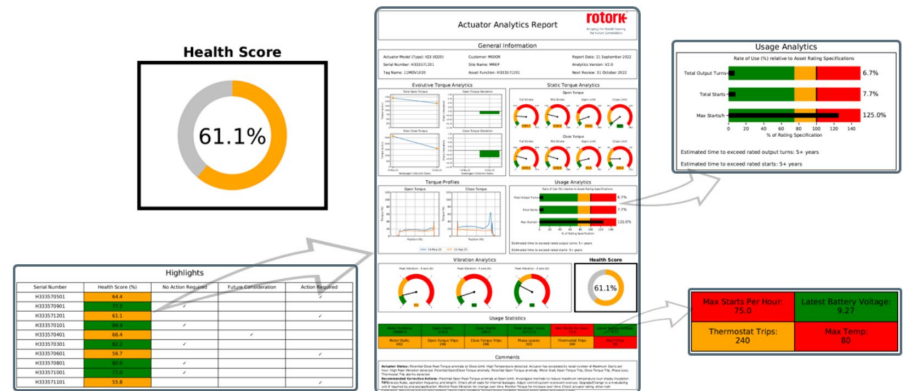
## Innovation & New Product Development

### Key criteria

- Aligned with target segments
- Electrification
- Connected and digital
- Make vs buy / M&A
- Leverage Rotork Site Services

5 new products in 2022

Enhanced Intelligent Asset Management (iAM)





# Eco-transition update

## Water & waste water portfolio

- Potable water treatment
- Potable water distribution
- Sewage treatment
- Irrigation

## Methane emissions reduction portfolio

- Electric actuators used in:
- Oil & gas upstream (incl. onshore and offshore)
  - Oil & gas pipelines (incl. terminals, compressor stations)

## New energies & technology portfolio

- Carbon capture
- LNG
- Biofuels
- Hydrogen
- Nuclear
- Renewable energy

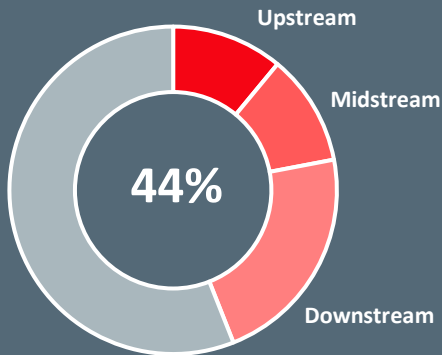
**Eco-transition sales in 2022 represented around 30% of Group revenue**

# Market outlook

## Oil & Gas

- China reopening positive for global oil & gas demand
- Investment required for energy security and 'catch-up'
- Energy transition and emissions reduction opportunities

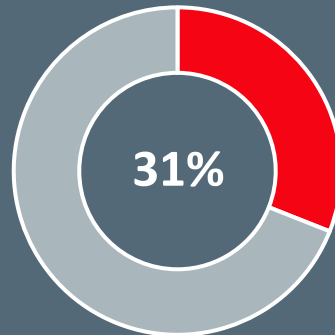
### % of revenue



## Chemical, Process & Industrial

- Increased activity in decarbonisation
- HVAC and mining active
- Drive to lower industry's CO<sub>2</sub> emissions gaining momentum

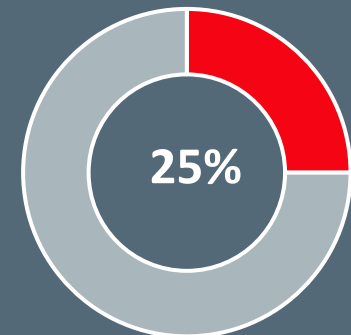
### % of revenue



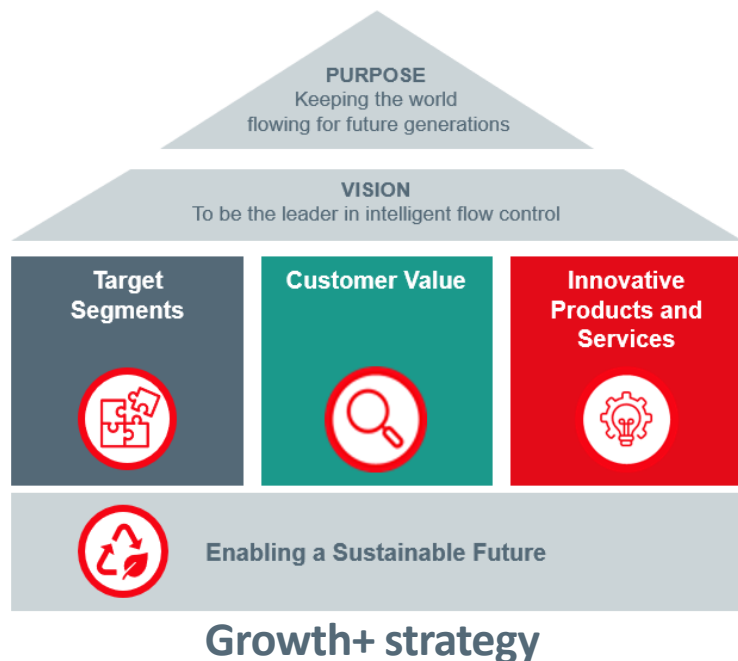
## Water & Power

- Water infrastructure investment a global priority
- Lifting of COVID-19 restrictions in China
- Renovation opportunities in the power sector

### % of revenue



# Summary



## Strong 2022 results

- Strong growth in orders and sales reflecting higher prices and increased volumes
- Supply chain disruption reduced through 2022

## Positive outlook

- Good Q4 order intake, record opening backlog
- Seeing early benefits of Growth+
- Whilst mindful of the uncertain economic outlook, we expect a year of further progress

**We are committed to delivering mid to high single digit revenue growth and mid 20s adjusted operating margins over time**

# Appendices



# Analysis of movements

£m	2022 as Reported	Adjust to CC	2022 at OCC <sup>1</sup>	2021 as Reported
Order intake	681.6	(25.8)	655.8	614.1
	+11.0%		+6.8%	
Revenue	641.8	(25.0)	616.8	569.2
	12.8%		8.4%	
Adjusted <sup>2</sup> operating profit	143.2	(7.2)	136.0	128.1
	11.8%		6.2%	
Adjusted <sup>2</sup> operating margin	22.3%		22.1%	22.5%
	-20bps		-40bps	

- Revenue split 47% US\$, 25% Euro, 12% GBP and 16% other currencies
- Adjustments relate to intangible amortisation of £7.1m (2021: £9.0m) and other adjustments £12.6m (2021: £13.4m)

Note:

<sup>1</sup> OCC results exclude acquisitions / disposals and are restated at 2021 exchange rates.

<sup>2</sup> Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments.



# Constant currency analysis

	2022 as Reported		Adjust to CC	2022 at OCC <sup>1</sup>		2021 as Reported	
Revenue	641.8		(25.0)	616.8		569.2	
Cost of sales	(350.1)		14.4	(335.7)		(306.4)	
Gross profit	291.7	45.5%	(10.6)	281.1	45.6%	262.8	46.2%
Overheads	(148.5)	23.1%	3.4	(145.1)	23.5%	(134.7)	23.7%
Adjusted <sup>2</sup> operating profit	143.2	22.3%	(7.2)	136.0	22.1%	128.1	22.5%

- OCC<sup>1</sup> gross margin decreased 60bps
- OCC<sup>1</sup> adjusted<sup>2</sup> operating profit margin decreased 40bps

Note:

<sup>1</sup> OCC results exclude acquisitions / disposals and are restated at 2021 exchange rates.

<sup>2</sup> Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments.

# Revenue and adjusted operating margins<sup>2</sup>

Revenue £m	H1 2022	H2 2022	FY 2022	FY 2022 OCC <sup>1</sup>	FY 2021
Oil and Gas	122.3	161.0	283.3	272.9	260.2
Chemical, Process & Industrial	92.8	105.5	198.4	191.8	160.5
Water & Power	64.9	95.3	160.2	152.0	148.5
Group	280.0	361.8	641.8	616.8	569.2

Adjusted operating profit %	H1 2022	H2 2022	FY 2022	FY 2022 OCC <sup>1</sup>	FY 2021
Oil and Gas	19.3%	25.1%	22.6%	22.4%	21.7%
Chemical, Process & Industrial	24.5%	27.0%	25.8%	25.7%	26.7%
Water & Power	20.7%	28.2%	25.2%	25.0%	27.2%
Group	19.0%	24.9%	22.3%	22.1%	22.5%

Note:

<sup>1</sup> OCC results exclude acquisitions / disposals and are restated at 2021 exchange rates.

<sup>2</sup> Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

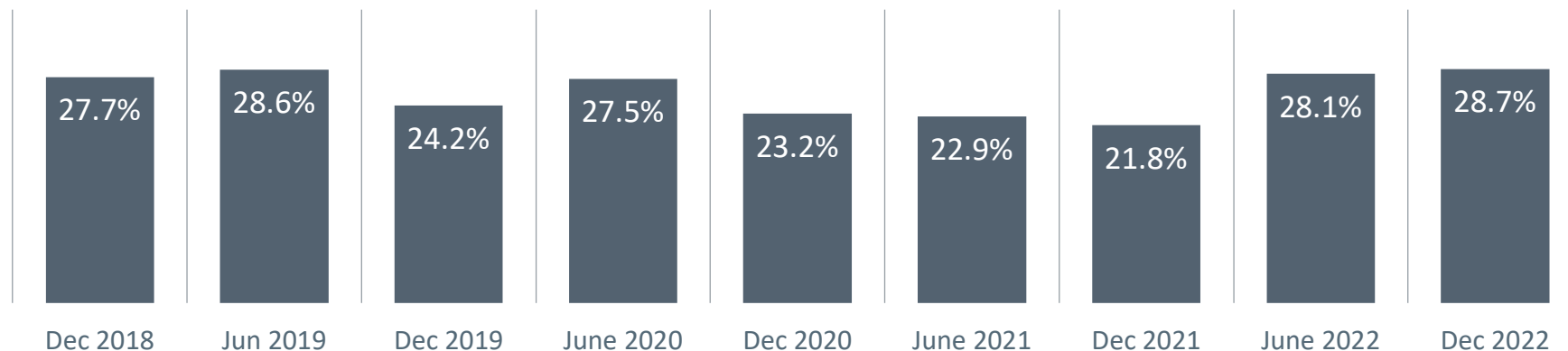
# Earnings per share

£m	2022	2021	Change
PBT as reported	124.1	105.9	17.2%
Adjusted <sup>1</sup> PBT	143.7	128.3	12.0%
Effective tax rate	24.9%	24.2%	
Adjusted <sup>1</sup> effective tax rate	23.9%	23.8%	
Basic EPS as reported	10.9p	9.2p	17.6%
Adjusted <sup>1</sup> basic EPS	12.7p	11.3p	13.2%

Note:

<sup>1</sup> Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments.

# Working capital



£m	Dec 2022	% Revenue	Dec 2021	% Revenue
Inventory	92.3	14.4%	68.4	12.0%
Trade Receivables	134.3	20.9% (58 D.S.O.)	94.2	16.5% (57 D.S.O.)
Trade Payables	(42.3)	6.6%	(38.8)	6.8%
Net Working Capital	184.3	28.7%	123.8	21.8%

# Exchange rates

	US \$	Euro €
<b>Average rates</b>		
H1 2021	1.39	1.15
Full year 2021	1.38	1.16
H1 2022	1.30	1.19
<b>Full year 2022</b>	<b>1.24</b>	<b>1.17</b>
+ = GBP STRENGTHENING / - = GBP WEAKENING		
H1 2022 v H1 2021	-6.5%	3.5%
FY 2022 v FY 2021	-10.1%	0.9%
<b>Period end rates</b>		
December 2021	1.35	1.19
June 2022	1.22	1.16
<b>December 2022</b>	<b>1.21</b>	<b>1.13</b>
+ = GBP STRENGTHENING / - = GBP WEAKENING		
December 2022 v December 2021	-10.4%	-5.0%

# Dividends

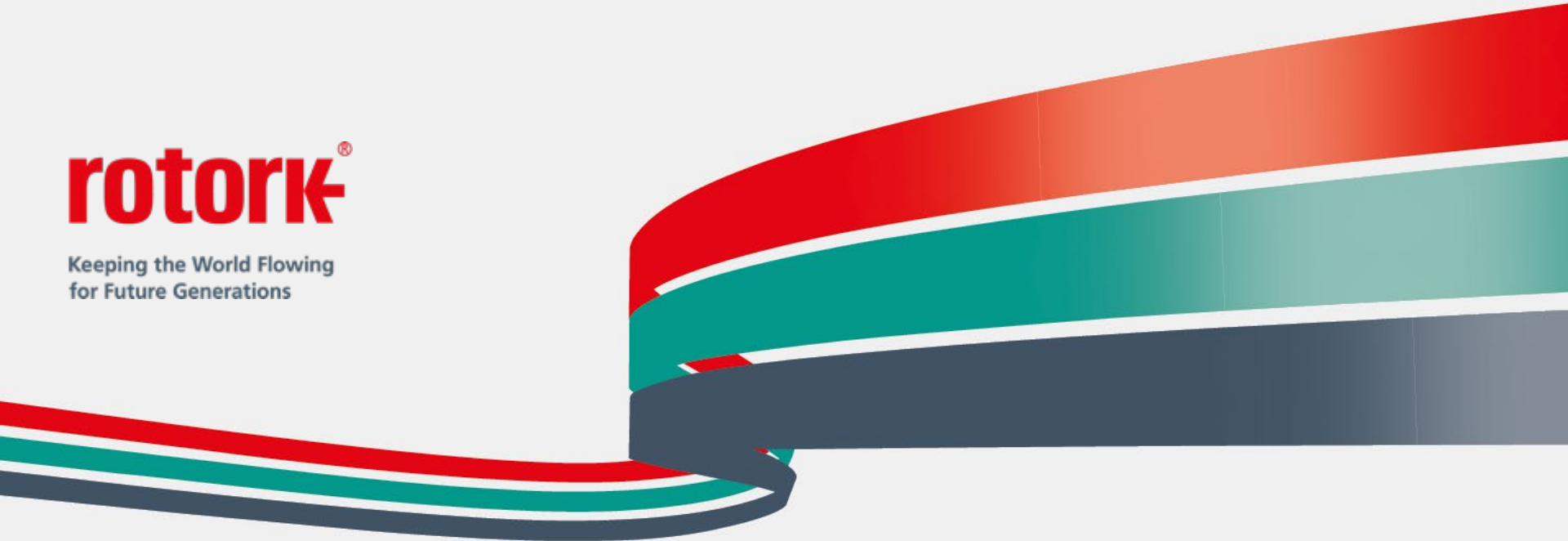
- 2019 final dividend was withdrawn as a result of the COVID-19 pandemic and an interim dividend of an equivalent amount was paid in the second half of 2020
- In May 2021 a dividend, reflecting the combined interim and final dividends, was paid in respect of the year to 31 December 2020
- 2022 full year dividend increased 4.7% to 6.70p
- Dividend cover 1.6 times (adjusted cover 1.9 times)

Core Dividend	Month Paid / Payable	Amount (pence)	Cost (£m)
2020 interim and final	May 2021	6.30p	55.0
2021 interim	September 2021	2.35p	20.5
Paid in 2021		8.65p	75.5
2021 Final	May 2022	4.05p	34.8
2022 interim	September 2022	2.40p	20.6
Paid in 2022		6.45p	55.4
2022 proposed final	May 2023	4.30p	37.0



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