

rotork®

Keeping the World Flowing
for Future Generations

Strong delivery of Growth+ strategy

2023 Preliminary Results
March 5th 2024

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



Our growth drivers



Enabling a sustainable future

A year of strong progress



Double-digit growth

Orders
+7.8% OCC¹
£724m

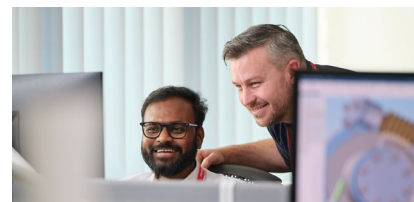
KPI
Revenue growth
+13.6% OCC¹
£719m



Margin and ROCE progress

KPI
Adj.² operating margin
22.9%
(2022: 22.3%)

KPI
ROCE
33.9%
(2022: 31.3%)



Good cash conversion

Closing net cash
£134m
(2022: £106m)

KPI
Cash conversion
120%
of adj² operating profit



Performing for all stakeholders

KPI
LTIR
0.08
(2022: 0.13)

MSCI ESG rating
'AAA'

Note: ¹ OCC results are excluding acquired businesses and 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



- Solid order intake with all divisions ahead
- Strong revenue growth despite significant foreign exchange headwind in H2
- Adjusted operating margins were 60bps higher at 22.9%
- ROCE 33.9% (+260bps)
- Full year dividend 7.2p (2.0x cover)
- £50m share buyback

	2022	2023	%	OCC ^{1%}
Order intake	£682m	£724m	+6.2%	+7.8%
Revenue	£642m	£719m	+12.0%	+13.6%
Adjusted ² operating profit	£143m	£164m	+14.8%	+17.3%
Adjusted ² operating margin	22.3%	22.9%	+60bps	+70bps
Adjusted ² EPS	12.7p	14.6p	+14.8%	+17.0%
Cash conversion	76%	120%	-	-
Full year dividend	6.7p	7.2p	+7.5%	-

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

Group and divisional performance



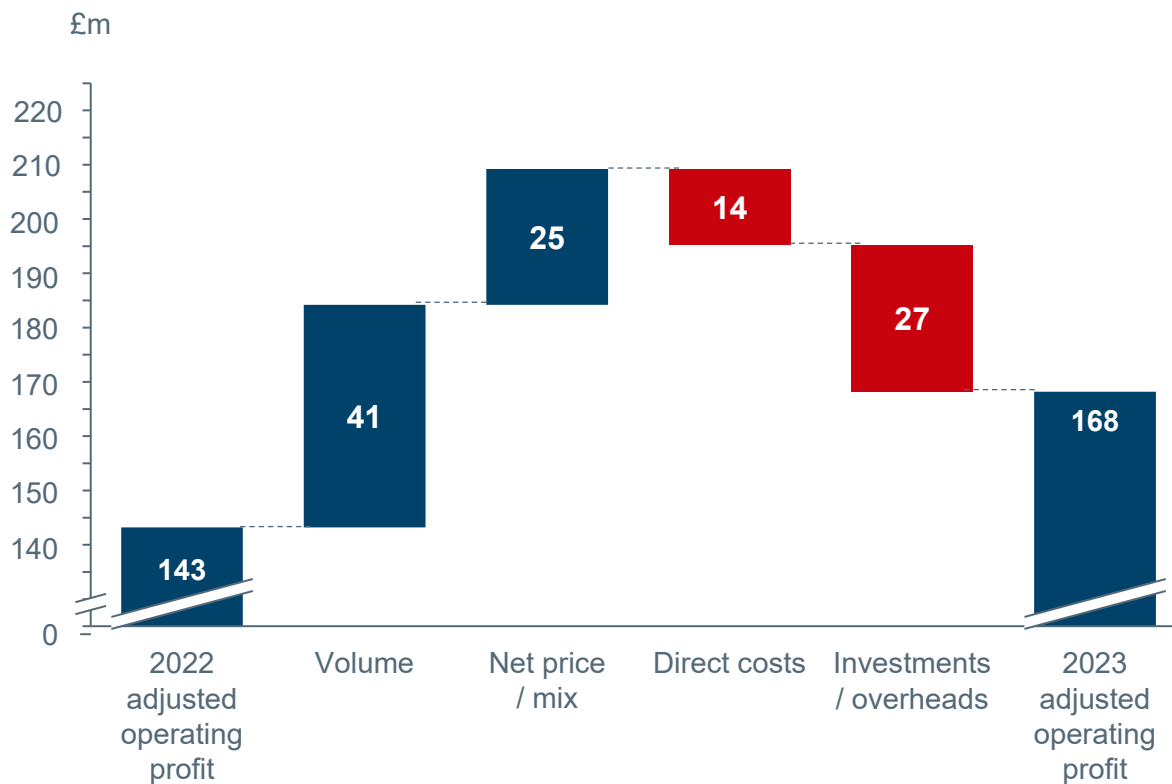
2023	Sales (£m)	YoY growth (OCC ¹)	Adj. EBITA (£m)	YoY growth (OCC ¹)	Adj. EBITA margin
Oil & Gas	328	16.6%	83.6	+32.7%	25.5%
Chemical, Process & Industrial	214	9.7%	51.3	+1.8%	24.0%
Water & Power	177	13.3%	46.4	+19.0%	26.2%
Corporate costs			(16.8)		
Group	719	13.6%	164.5	+17.3%	22.9%

- Oil & Gas sales driven by EMEA strength, including Western Europe and the Middle East
- CPI revenue growth clearly benefited from the target segments strategy
- Water & Power sales improvement driven by both water & wastewater and power segments
- Rotork Site Services represented 21% of Group sales

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

Adjusted² operating profit bridge (OCC¹)

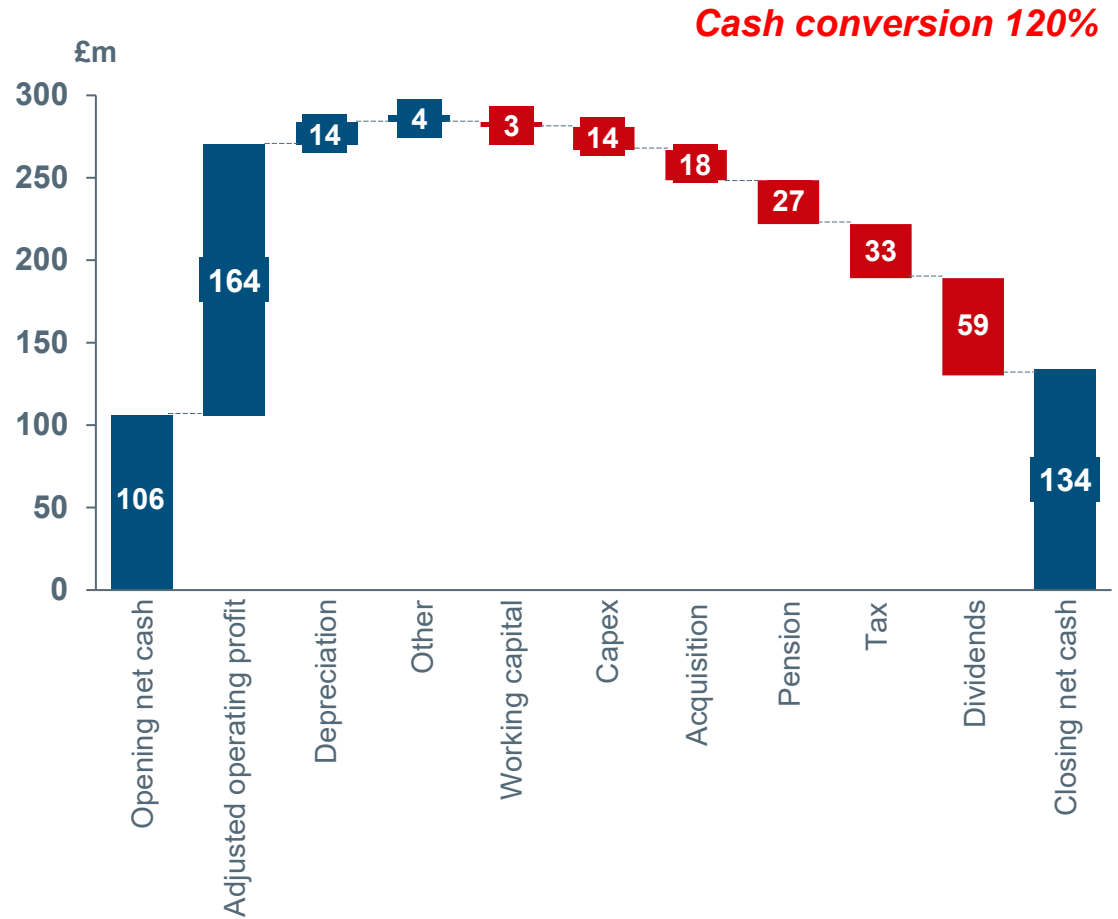
- Revenue growth two-thirds volume, one-third price
- Price increases covered material and wage inflation
- Growth+ investments covered by volume
- Adjusted operating margin +70bps to 23.0% OCC



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

Cash flow

- Net working capital/sales 27.3% (28.7% at Dec 2022)
- Trade debtors / sales 21.3% (20.9% at Dec 2022)
- Trade receivables days sales outstanding 55 days (58 days Dec 2022)
- Inventory / sales 11.7% (14.5% Dec 2022)
- Pension includes £20m special contribution



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

Items below adjusted operating profit



- Business transformation costs include Bath go-live and preparation for global rollout programme

Adjustments to operating profit (£m)	2022	2023
Amortisation of acquired intangibles	7.1	2.1
Gain on property disposal	(1.2)	(0.7)
Business transformation costs	8.9	13.1
Other costs	1.3	1.2
Russia market exit	3.6	0.0
	19.7	15.7

- Effective tax rates expected to rise by 50-100bps in 2024

	2022	2023
Headline effective tax rate	24.9%	24.7%
Adjusted effective tax rate	23.9%	24.5%

Delivering sustainability



Sustainability progress

- Scope 1 & 2 emissions reduced by 11%
- Sustainable product requirement incorporated into design process
- Enabling the energy transition and climate change adaptation

External recognition

- MSCI ESG 'AAA'
- Sustainalytics 'Industry Top Rated'
- Featured in S&P's 'Sustainability Yearbook 2023'



We installed solar panels at our Gimpo (South Korea) facility in 2023

Delivering returns and sustainability

Guidance and financial summary



Guidance

- Currency impact estimated at ~3% headwind
- Capex spend ~£20m
- Business transformation spend ~£20m

Financial summary

- Early momentum in the year
- Strong opening order book
- Order book normalisation opportunity

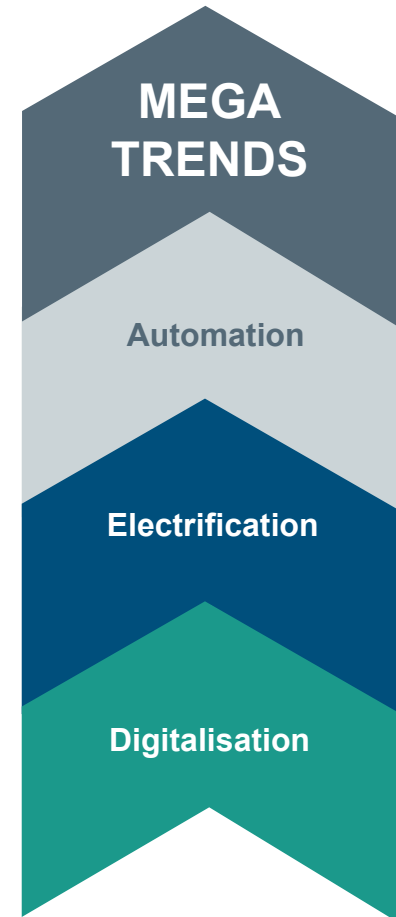
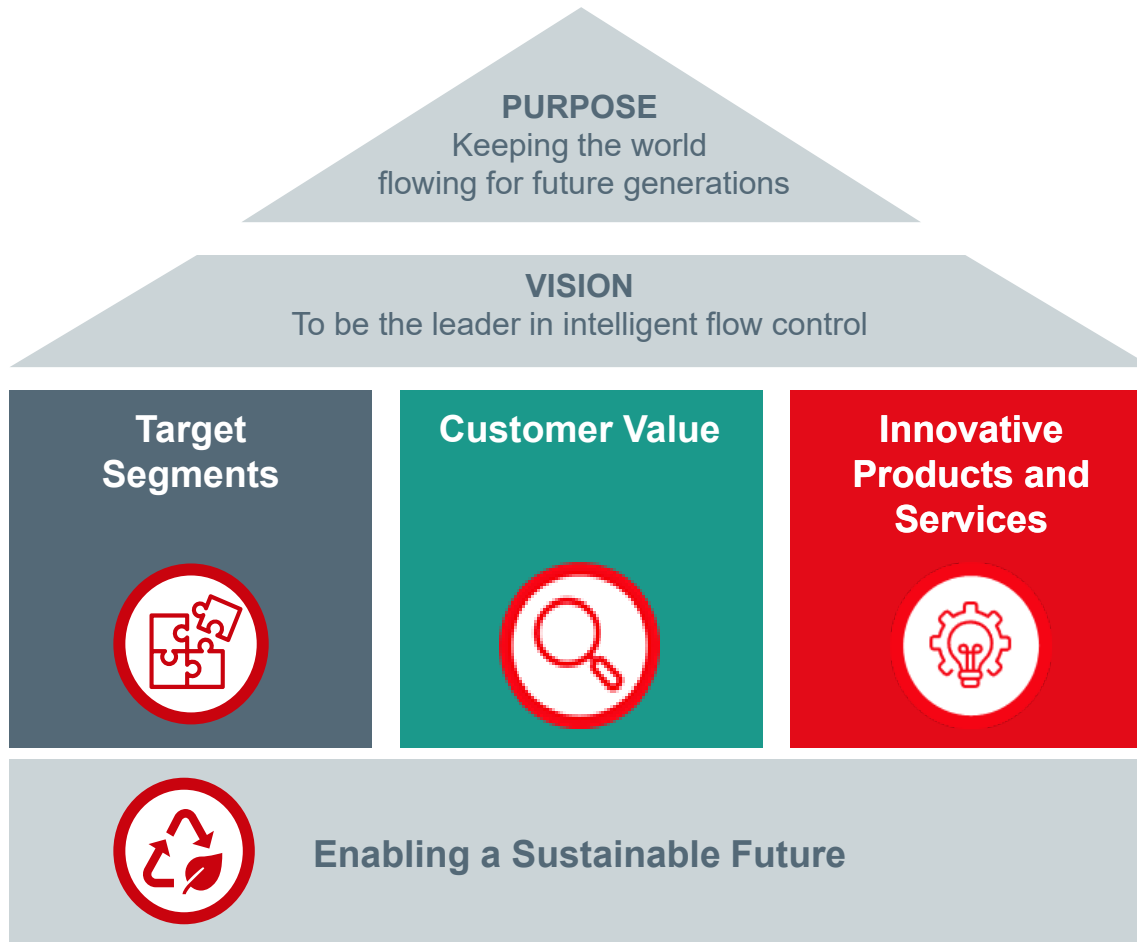
Growth+ update & outlook

Presented by

Kiet Huynh, Chief Executive Officer



Growth+ strategy



Target segments in action



Upstream electrification

Additional opportunities for Rotork actuation solutions



Battery value chain

Success in battery related mining, minerals processing and HVAC in cell / pack production



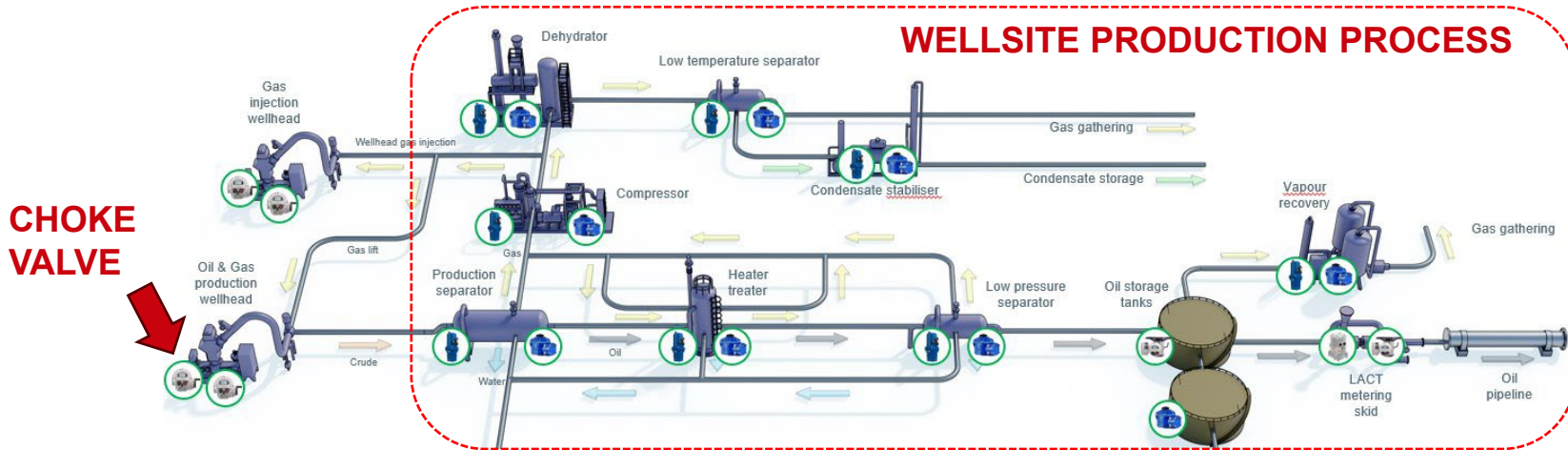
Water infrastructure

Enabling the transportation and distribution of potable water to a new town in the Middle East



Target segments sales represented around 50% and grew 15% YoY OCC

Upstream electrification



- 2022: CMD demonstrated the electrification opportunity in methane emissions reduction
- 2023: IQTF established as the leading electric actuator on new wellhead choke valves
- Wellsite production process electrification has been steadier with pneumatic actuators still common
- Rules and commitments made at COP28 to accelerate:
 - electrification of wellsite production process
 - electrification of completion and flowback stages

New rules have the potential to accelerate and increase the upstream electrification market size in the medium term

CPI: target segments update

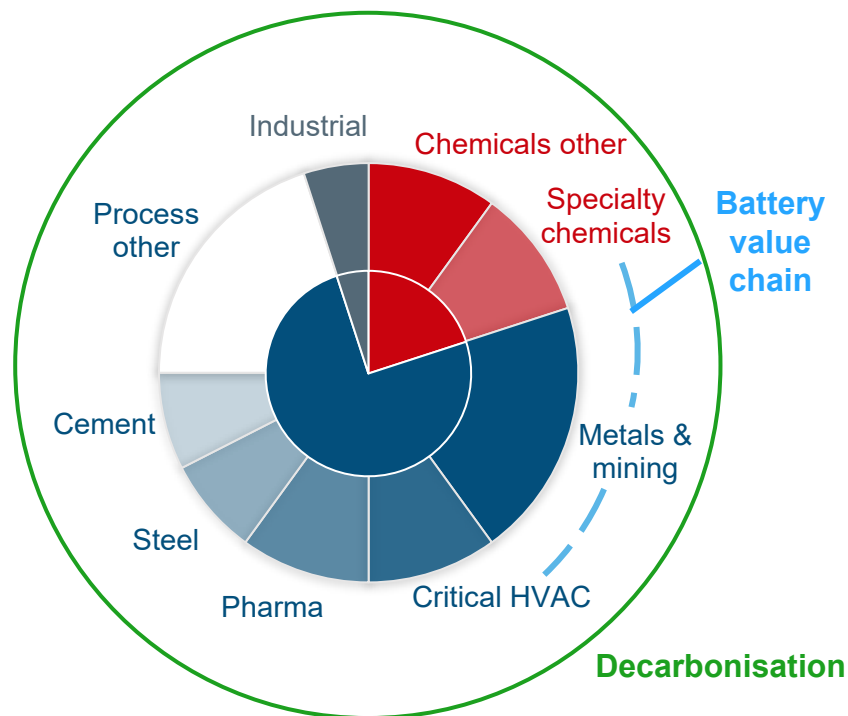


Specialised actuators and instruments for niche critical process automation

Growth drivers

- Structurally growing markets
- Share gain opportunities

Sales CAGR (2020-23): 11.4%



'Growth drivers' represent approximately 75% of CPI sales

Notes: Split of sales within CPI segments are management estimates. Decarbonisation sales were allocated to all Rotork divisions starting 2023

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Customer value in action



People

Process

Systems

Seamless customer experience

Best-in-class lead times

End-to-end efficiency

Capital allocation priorities



- Organic investment
- Progressive dividend
- Strategic investments
- Return of cash

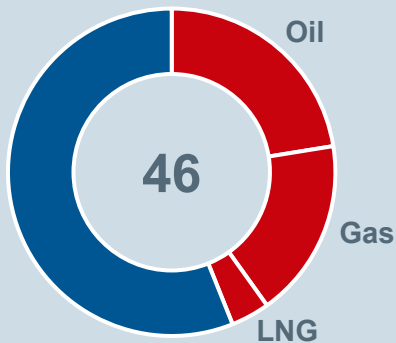
Market outlook



Oil & Gas

- Customer spend focused on energy security, energy transition, emissions reduction and 'investment catch-up'
- Gas and LNG represent close to half of Oil & Gas divisional sales

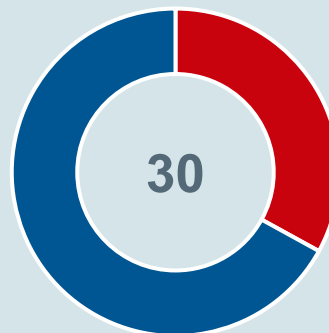
% of revenue



CPI

- Focus on fast growing end markets and ones where Rotork has been under-represented historically and can win share

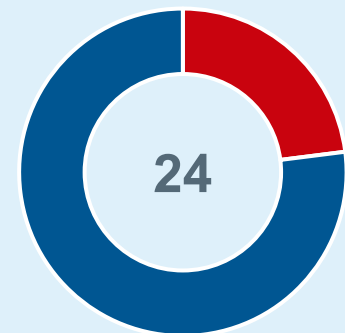
% of revenue



Water & Power

- Ageing water infrastructure and climate challenges necessitating increased multi-year investment
- Positive outlook for power sector emissions related spend. Traditional markets stable

% of revenue



Summary & outlook



Strong 2023 results

Positive outlook

- Healthy opening order book
- Growth+ benefits
- Expecting a year of progress on an OCC basis

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

Appendices



Oil & Gas



- Revenue higher driven by spend on increasing output, improving productivity and reducing emissions
- EMEA was the fastest growing region
- APAC revenues were modestly ahead
- Americas sales were ahead mid-teens
- Margins rose 290bps to 25.5% on higher volumes and positive pricing

	2022	2023	Change	OCC ¹ Change
Revenue	£283.3m	£328.4m	+15.9%	+16.6%
Adjusted ² operating profit	£64.0m	£83.6m	+30.7%	+32.7%
Adjusted ² operating margin	22.6%	25.5%	+290bps	+310bps
Segment sales contribution				
Downstream	50%	49%	-	-
Upstream	25%	27%	-	-
Midstream	25%	24%	-	-

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

Chemical, Process & Industrial



- Sales clearly benefited from the pursuit of chosen Growth+ Target Segments
- APAC was the fastest growing region
- EMEA sales grew high-single digits OCC driven by the Middle East / Africa regions
- Americas sales grew
- Adjusted operating margins fell on negative product mix

	2022	2023	Change	OCC ¹ Change
Revenue	£198.4m	£213.7m	+7.7%	+9.7%
Adjusted ² operating profit	£51.2m	£51.3m	+0.1%	+1.8%
Adjusted ² operating margin	25.8%	24.0%	-180bps	-180bps

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

Water & Power



- Sales grew double-digits with water & wastewater and power sector sales growing at similar rates
- APAC sales grew high-single digits OCC with very strong growth in India
- Americas sales grew strongly driven by water & wastewater
- EMEA was the fastest growing region
- Adjusted operating margins benefited improved chipset costs and productivity

	2022	2023	Change	OCC ¹ Change
Revenue	£160.2m	£177.0m	+10.5%	+13.3%
Adjusted ² operating profit	£40.3m	£46.4m	+15.3%	+19.0%
Adjusted ² operating margin	25.2%	26.2%	+100bps	+120bps

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

Geographic revenues



- EMEA sales growth was driven by Oil & Gas and Water & Power
- APAC revenue increase was similar at each division
- Americas sales driven by Oil & Gas

2023	Sales by geographic destination	YoY growth
EMEA	£261m	+17.8%
APAC	£257m	+4.7%
Americas	£201m	+15.1%
Group	£719m	12.0%

Eco-transition update



Water & wastewater portfolio

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

Oil & gas electrification portfolio

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

New energies & technologies portfolio

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

The eco-transition portfolio contributed 30% of Group sales in 2023

Analysis of movements



£m	2023 as Reported	Adjust to OCC ¹	2023 at OCC ¹	2022 as Reported
Order intake	723.7	11.2	734.9	681.6
	+6.2%		+7.8%	
Revenue	719.1	10.3	729.4	641.8
	+12.0%		+13.6%	
Adjusted ² operating profit	164.5	3.6	168.1	143.2
	+14.8%		+17.3%	
Adjusted ² operating margin	22.9%		23.0%	22.3%
	+60bps		+70bps	

- Revenue split 43% US\$, 26% Euro, 14% GBP and 16% other currencies
- Adjustments relate to intangible amortisation of £2.1m (2022: £7.1m) and other adjustments £13.6m (2022: £12.6m)

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

Constant currency analysis



£m	2023 as Reported		Adjust to OCC ¹		2023 at OCC ¹		2022 as Reported	
Revenue	719.1		10.3		729.4		641.8	
Cost of sales	(380.1)		(5.5)		(385.6)		(350.1)	
Gross profit	339.0	47.2%	4.8		343.8	47.1%	291.7	45.5%
Overheads	(174.5)	24.3%	(1.2)		(175.7)	24.1%	(148.5)	23.1%
Adjusted ² operating profit	164.5	22.9%	3.6		168.1	23.0%	143.2	22.3%

- OCC¹ gross margin increased 160bps
- OCC¹ adjusted² operating profit margin increased 70bps

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

Revenue and adjusted operating margins²

Revenue £m	H1 2023	H2 2023	FY 2023	FY 2023 OCC ¹	FY 2022
Oil and Gas	146.1	182.3	328.4	330.2	283.3
Chemical, Process & Industrial	110.4	103.3	213.7	217.6	198.4
Water & Power	78.2	98.8	177.0	181.6	160.2
Group	334.7	384.4	719.1	729.4	641.8

Adjusted operating profit %	H1 2023	H2 2023	FY 2023	FY 2023 OCC ¹	FY 2022
Oil and Gas	21.4%	28.7%	25.5%	25.7%	22.6%
Chemical, Process & Industrial	22.7%	25.4%	24.0%	24.0%	25.8%
Water & Power	21.8%	29.7%	26.2%	26.4%	25.2%
Group	19.5%	25.8%	22.9%	23.0%	22.3%

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

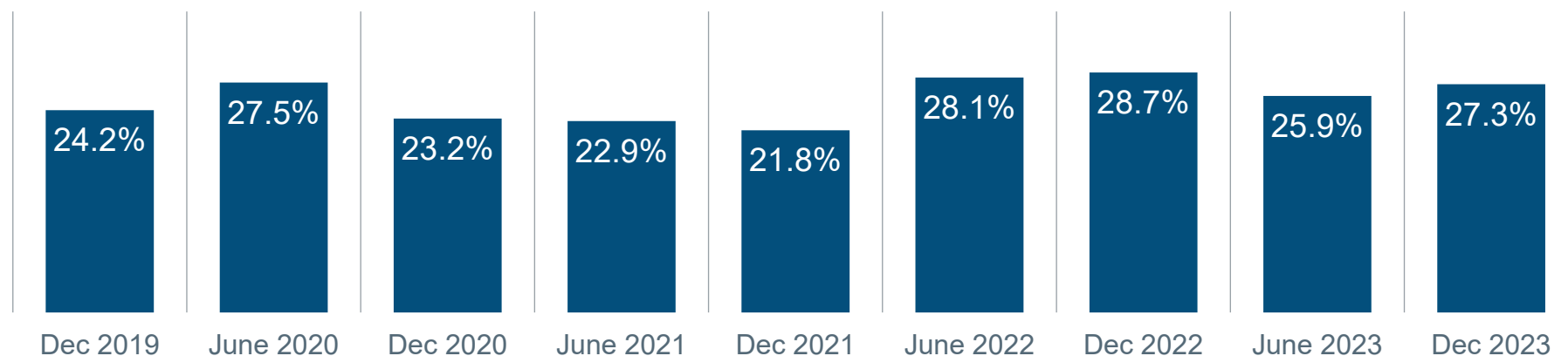
Earnings per share



£m	2023	2022	Change
PBT as reported	150.6	124.1	21.4%
Adjusted ¹ PBT	166.3	143.7	15.7%
Effective tax rate	24.7%	24.9%	
Adjusted ¹ effective tax rate	24.5%	23.9%	
Basic EPS as reported	13.2p	10.9p	21.7%
Adjusted ¹ basic EPS	14.6p	12.7p	14.8%

Note: ¹ Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments.

Working capital



£m	Dec 2022	% Revenue	Dec 2023	% Revenue
Inventory	92.3	14.4%	84.0	11.7%
Trade Receivables	134.3	20.9% (58 D.S.O.)	152.8	21.3% (55 D.S.O.)
Trade Payables	(42.3)	6.6%	(40.6)	5.6%
Net Working Capital	184.3	28.7%	196.2	27.3%

Exchange rates



	US \$	Euro €	
Average rates	H1 2022	1.30	1.19
	Full year 2022	1.24	1.17
	H1 2023	1.23	1.14
	Full year 2023	1.24	1.15
	+ = GBP STRENGTHENING / - = GBP WEAKENING		
	H1 2023 v H1 2022	-5.4%	-4.2%
	FY 2023 v FY 2022	0.6%	-2.0%
Period end rates	December 2022	1.21	1.13
	June 2023	1.27	1.16
	December 2023	1.27	1.15
	+ = GBP STRENGTHENING / - = GBP WEAKENING		
	December 2023 v December 2022	5.4%	2.1%

Dividends



- 2023 full year dividend increased 7.5% to 7.20p
- Dividend cover 1.8 times (adjusted cover 2.0 times)
- Over 20 years of annual dividend growth

Core Dividend	Month Paid / Payable	Amount (pence)	Cost (£m)
2021 Final	May 2022	4.05p	34.8
2022 interim	September 2022	2.40p	20.6
Paid in 2022		6.45p	55.4
2022 Final	May 2023	4.30p	36.9
2023 interim	September 2023	2.55p	21.9
Paid in 2023		6.85p	58.8
2023 proposed final	May 2024	4.65p	40.0