



# Good progress in H1 and a return to growth

## 2021 Interim Results, August 3<sup>rd</sup> 2021

Presented by

Chief Executive – Kevin Hostetler  
Finance Director – Jonathan Davis

**rotork**<sup>®</sup>

Keeping the World Flowing  
for Future Generations



# Keeping the World Flowing for Future Generations

**Stronger Together - Always Innovating - Trusted Partner**



# How we create value for our stakeholders

Innovative solutions to our customers' automation challenges

Committed to enabling a sustainable future

A diverse and inclusive environment for our people

Financial performance and strength

Targeted acquisitions

# Good progress in H1 and a return to growth

## Resumption of sales growth

### KPI

Revenue  
**+5.7%**  
£288m

Adj. EBITA  
**+6.5%**  
£63m

## Strong cash generation and balance sheet

### KPI

Cash conversion  
**94%**  
Of adj. operating profit

Closing net cash  
**£144m**  
(H1 2020: £144m)

## Best-in-class returns

### KPI

Return on sales  
**21.8%**  
(H1 2020: 21.6%)

### KPI

ROCE  
**32.2%**  
(H1 2020: 30.7%)

## Performing for all stakeholders

### KPI

Carbon emissions  
2020: 14.1 TnCO<sub>2</sub>e  
(2019: 15.5)

### Sustainability Report

Commitment to:

- operating responsibly
- a sustainable future
- positive social impact



# Financial Review

Keeping the World Flowing for Future Generations

Presented by  
Jonathan Davis, Finance Director

# Financial highlights

- Revenue +1.8%  
(OCC: +5.7%)
- Adjusted operating margin +20bps to 21.8%
  - ahead of 2019's 21.1%
- Cash conversion 94%
- ROCE 32.2% (+150bps)
  - ahead of 2019's 29.7%
- Interim dividend 2.35p
  - progress on H1 2019's 2.3p

	H1 2020	H1 2021	%	OCC <sup>1%</sup>
Order intake	£301m	£298m	-0.8%	+3.2%
Revenue	£283m	£288m	+1.8%	+5.7%
Adjusted <sup>2</sup> operating profit	£61m	£63m	+2.4%	+6.5%
Adjusted <sup>2</sup> operating margin	21.6%	21.8%	+20bps	+20bps
Adjusted <sup>2</sup> EPS	5.4p	5.5p	+1.9%	+6.4%
Free cash conversion	116%	94%		
Interim dividend	3.9p <sup>3</sup>	2.35p		

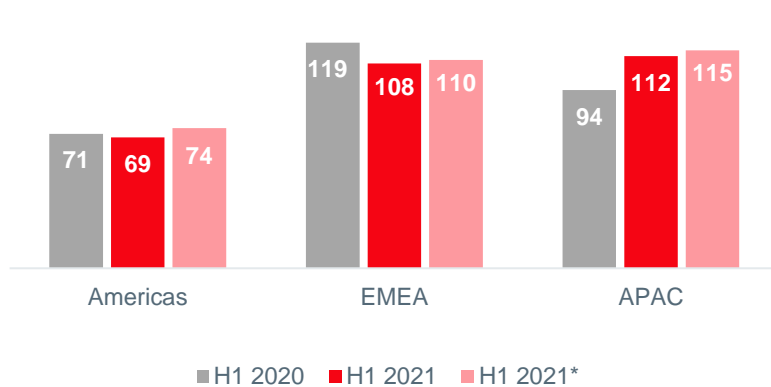
Note: 1) OCC results are restated at 2020 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments  
3) The 2020 interim dividend of 3.9p represented the 2019 declared full year dividend which was subsequently deferred

# Group revenue

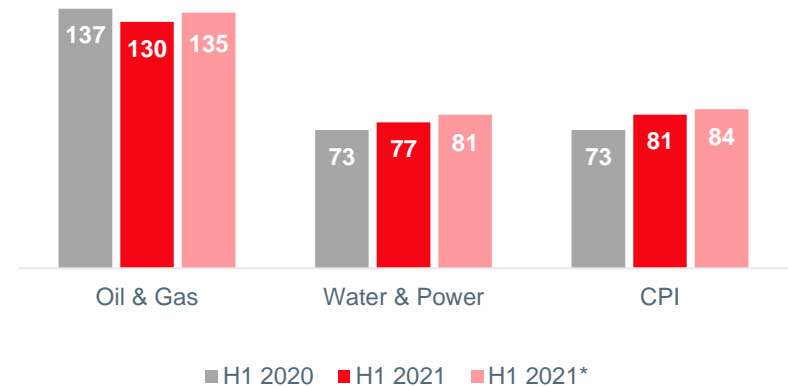
- Group revenue +6% YoY OCC (+2% reported)
- Strong sales growth at CPI and Water & Power was partly offset by decline at Oil & Gas
- APAC grew 22% with all three divisions seeing solid growth
- EMEA decline largely due to Oil & Gas
- Americas sales were ahead of H1 2020 (OCC)

Oil & Gas	H1 2020	H1 2021
Upstream	14%	11%
Midstream	9%	11%
Downstream	26%	23%
Contribution to revenue	48%	45%

End destination (£m)



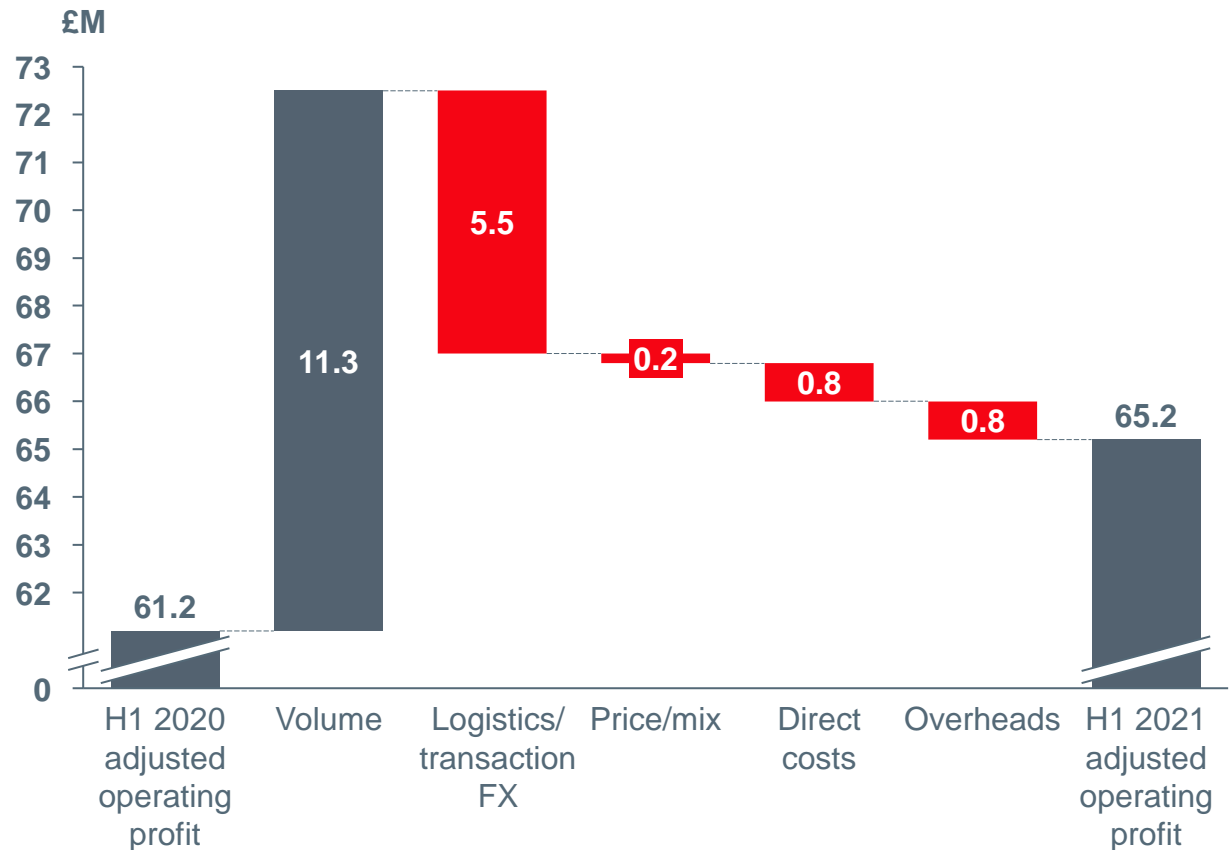
End user market (£m)



\* H1 2021 revenues re-stated at H1 2020 exchange rates

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

- Higher logistics costs a significant headwind
- Gross margin 46.2% (-70bps)
- Adjusted operating margin +20bps to 21.8%
- Operating profit flow-through 25% (OCC) despite headwinds

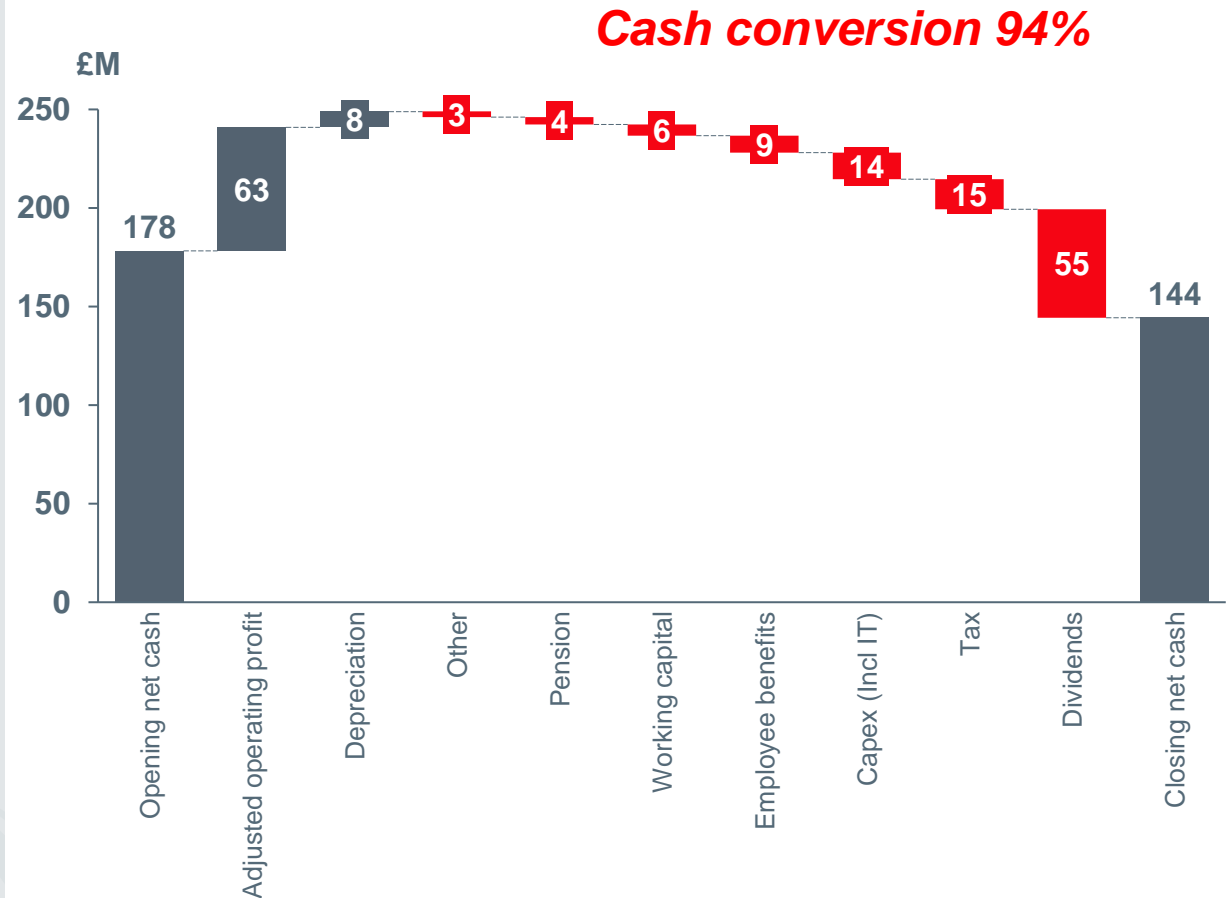


Note: 1) OCC results are restated at 2020 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments



# Cash flow











- Cash conversion 94% (H1 2020: 116%)
- Net working capital/sales 22.9% (H1 2020: 27.5%)
- Inventory 10.9% of sales (H1 2020:14.3%)
- Trade receivables 57 DSO (H1 2020: 56)
- Dividend is full year 2020 payment (6.3p)



Note: 1) OCC results are restated at 2020 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

# 2021 Financial & Other Items Update

- Full year currency impact remains ~4% headwind
- Footprint optimisation progressing
- Logistics and commodity headwinds impact net procurement savings
- £4-5M restructuring costs
- Capex ~£25M full year
- New IAS38 interpretation of capitalised IT spend

GAP P&L benefits £M	2020	2021 previous	2021 updated
Organisation change	3.0		
Footprint optimisation	2.3		
Procurement	2.3		
New product development	2.1		
Continuous improvement/lean	1.5		
	11.2		

	2020	2021
Headline effective tax rate	23.5%	24.5%
Adjusted effective tax rate	23.4%	23.9%

# Oil & Gas

	H1 2020	H1 2021	Change	OCC <sup>1</sup> Change
Revenue	£137.2M	£129.6M	-5.6%	-1.9%
Adjusted <sup>2</sup> operating profit	£29.0M	£26.9M	-7.1%	-3.6%
Adjusted <sup>2</sup> operating margin	21.1%	20.8%	-30bps	-30bps

- Revenue lower, with reduced spending by Upstream customers
- Asia Pacific grew, driven by the Downstream segment
- Americas sales were flat, green initiatives picking up in Upstream
- EMEA sales fell despite higher Midstream revenues
- Margins impacted by lower revenue, higher logistics costs



Note: 1) OCC results are restated at 2020 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

# Water & Power

	H1 2020	H1 2021	Change	OCC <sup>1</sup> Change
Revenue	£73.2M	£77.5M	+5.9%	+10.1%
Adjusted <sup>2</sup> operating profit	£20.7M	£21.0M	+1.8%	+5.8%
Adjusted <sup>2</sup> operating margin	28.2%	27.1%	-110bps	-110bps

- All geographic regions saw revenue growth
- EMEA saw strong growth, driven by water
- Asia Pacific saw growth in both power and water
- In the Americas, water sales were higher, whilst power was lower
- Margins saw disproportionate impact from higher logistics costs
- Investment in water infrastructure remains a global priority



Note: 1) OCC results are restated at 2020 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments



# Chemical, Process & Industrial

	H1 2020	H1 2021	Change	OCC <sup>1</sup> Change
Revenue	£72.9M	£81.2M	+11.5%	+15.4%
Adjusted <sup>2</sup> operating profit	£16.8M	£20.6M	+23.0%	+27.8%
Adjusted <sup>2</sup> operating margin	23.0%	25.4%	+240bps	+250bps

- Sales grew in all regions and all parts of CPI
- Asia Pacific saw strong growth, especially sales to the biodegradable materials industry
- Americas' growth strongest in North America and in Process
- EMEA sales growth modest, with COVID-19 impacting customer activity
- Margin benefitted from higher revenue and positive mix



Note: 1) OCC results are restated at 2020 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

# Capital allocation framework

1

## Reinvest for organic growth

- Capital investment
- Innovation & NPD
- Expansion into high growth geographic markets and of RSS
- IT upgrades
- Footprint rationalisation

2

## Progressive dividend policy

- Committed to growing the ordinary dividend

3

## Strategic investments

- Targeted acquisitions in the flow control and instrumentation space that expand our core, develop adjacencies and/or take us into new high growth markets

4

## Return of excess cash

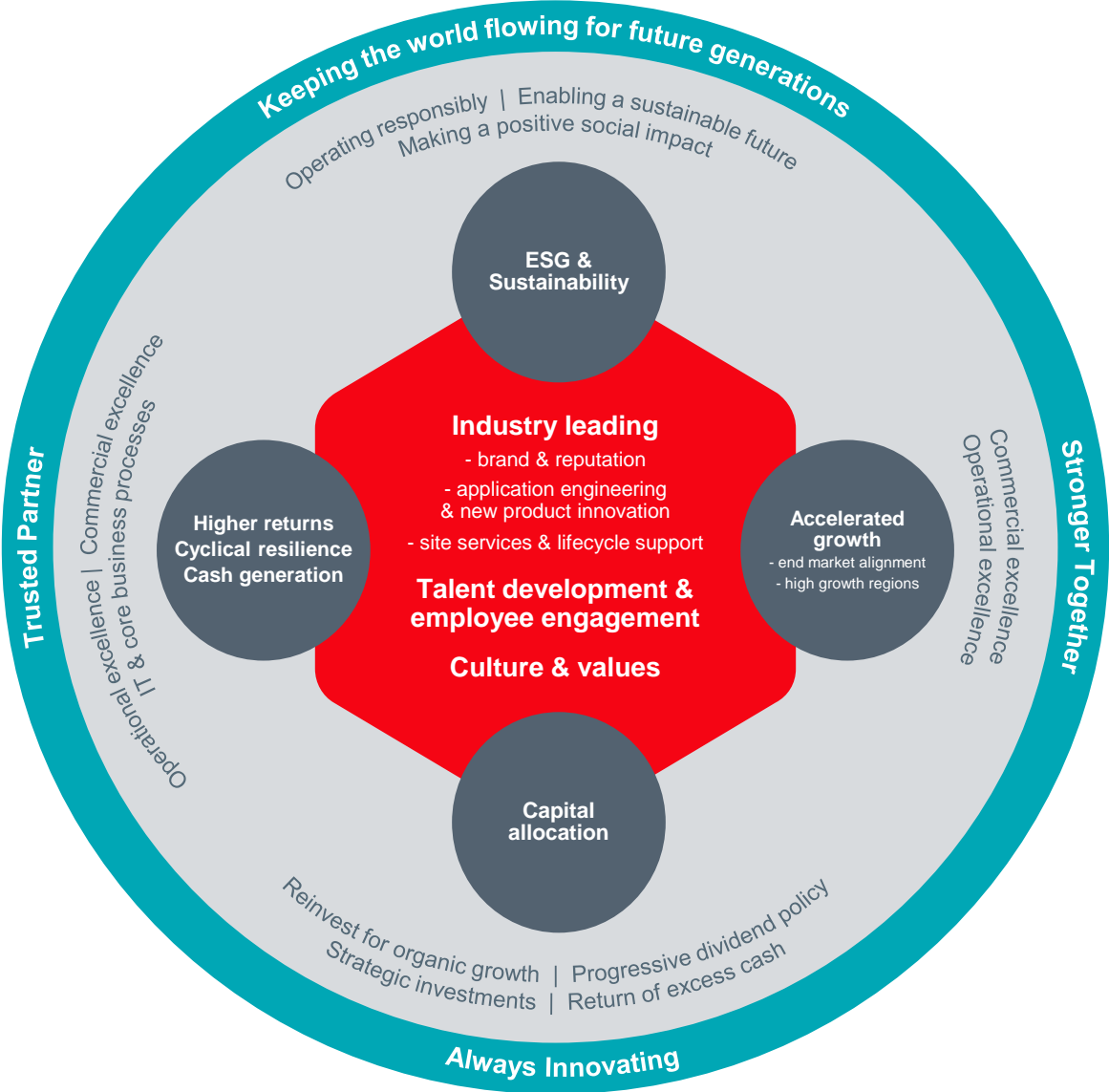
- Review future cash generation to reflect Rotork's growth, profitability and investment plans, while taking into consideration the external environment
- Any cash return would currently be executed through share buyback



# Strategy Update & Outlook

Presented by  
Kevin Hostetler, Chief Executive

# Our purpose and strategy





# How we can enable a sustainable future

## Emissions reduction

- Methane causes 86x more global warming than CO<sub>2</sub>
- The majority of emissions could be avoided at no cost
- Causes include leaks from and venting of pneumatic devices which can be substituted with electric actuators



## Electrification

- The O&G sector generates ~10% of GHG emissions
- Electric powered facilities have considerably lower emissions and make greater use of electric actuators
- Rotork is the world leader in electric actuation



## Hydrogen

- Hydrogen has significant potential to enable the transition to a clean, low-carbon energy system
- Production, storage and utilisation processes require flow control equipment such as valves and actuators
- Rotork has supplied equipment for use in hydrogen applications for many years



## Water management

- Almost 25% of the world's population face water crises
- Water efficient processes are the key to narrowing the gap between supply of and demand for fresh water
- Rotork technology assists in the provision of a safe and efficient water supply, as well as leak reduction, water treatment, recycling and desalination



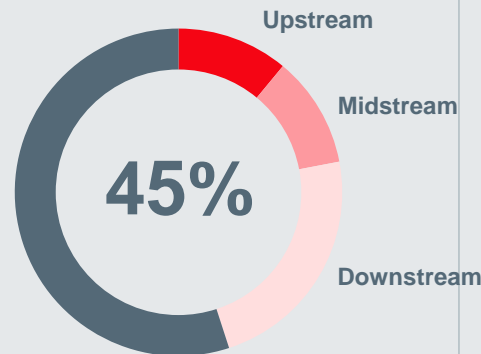
For more examples, please see our 2020 Sustainability Report

# Market outlook

## Oil & Gas

- Global oil demand recovering
- Customer site access steadily improving
- Energy transition and emissions reduction opportunities

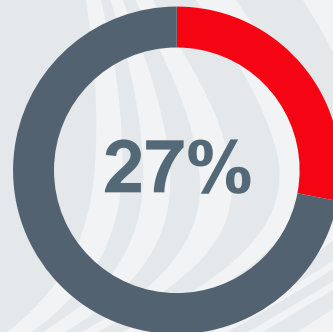
### % of revenue



## Water & Power

- Water infrastructure investment a global priority post COVID-19
- Power sector refurbishment activity continues
- Growth in waste to energy

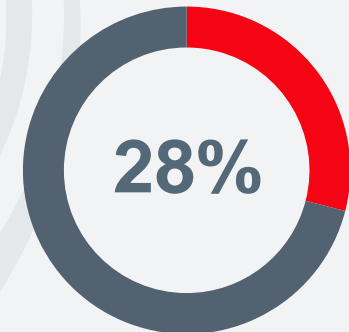
### % of revenue



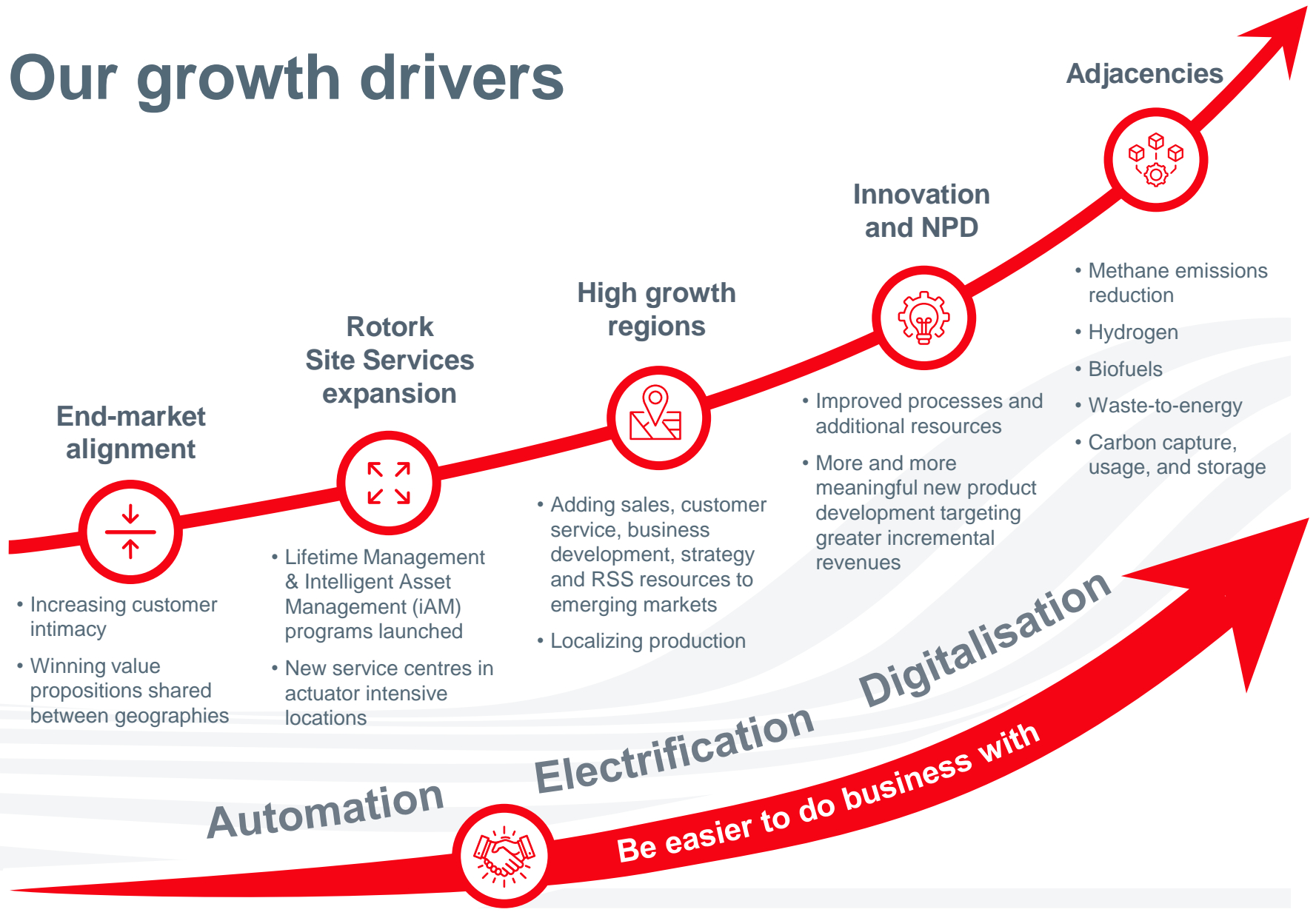
## Chemical, Process & Industrial

- Drive to lower industry's CO2 emissions gaining momentum
- Targeting opportunities in hydrogen, carbon capture, plastic recycling

### % of revenue



# Our growth drivers



# Summary and guidance

## Anticipate 2021 to be a year of progress

Keeping the World Flowing  
for Future Generations

Creating value for all stakeholders


Enabling a sustainable future

Exciting growth drivers

- **H1 demonstrates good momentum**
  - Return to growth and a 5<sup>th</sup> consecutive half-year of margin improvement year-on-year
- **Full year guidance resumed**
  - We anticipate 2021 to be a year of progress on a constant currency basis, whilst mindful of the risks of additional Covid-19 disruption and of continuing component shortages

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





# Appendices

# Growth Acceleration Programme (July 2021 Update)



**Margin Enhancement**

**Growth**

**Key Enabler**

# Analysis of movements

£M	2021 as Reported	Adjust to CC	2021 at OCC <sup>1</sup>	2020 as Reported
Order intake	298.2	11.9	310.1	300.5
	-0.8%		+3.2%	
Revenue	288.3	11.0	299.3	283.2
	+1.8%		+5.7%	
Adjusted <sup>2</sup> operating profit	62.7	2.5	65.2	61.2
	+2.4%		+6.5%	
Adjusted <sup>2</sup> operating margin	21.8%		21.8%	21.6%
	+20bps		+20bps	

- Revenue split 36% US\$, 33% Euro, 15% GBP and 16% other currencies
- Adjustments relate to intangible amortisation of £4.7M (2019: £7.1M) and restructuring costs £4.1M (2019: £4.0M)

Note:

<sup>1</sup> OCC results exclude acquisitions / disposals and are restated at 2020 exchange rates.

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

# Constant currency analysis

£M	2021 as Reported		Adjust to CC	2021 at OCC <sup>1</sup>		2020 as Reported	
Revenue	288.3		11.0	299.3		283.2	
Cost of sales	(155.1)		(6.7)	(161.8)		(150.5)	
Gross profit	133.2	46.2%	4.3	137.5	46.0%	132.7	46.9%
Overheads	(70.4)	24.4%	(1.9)	(72.3)	24.2%	(71.4)	25.2%
Adjusted <sup>2</sup> operating profit	62.7	21.8%	2.5	65.2	21.8%	61.2	21.6%

- OCC<sup>1</sup> gross margins decreased 90bps
- OCC<sup>1</sup> net margin 20bps higher

Note:

<sup>1</sup> OCC results exclude acquisitions / disposals and are restated at 2020 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 2021	H1 2021 OCC <sup>1</sup>	H1 2020	FY 2020
Oil and Gas	129.6	134.6	137.2	292.2
Water & Power	77.5	80.6	73.2	157.8
Chemical, Process & Industrial	81.2	84.1	72.9	154.6
Group	288.3	299.3	283.2	604.5

Adjusted operating profit %	H1 2021	H1 2021 OCC <sup>1</sup>	H1 2020	FY 2020
Oil and Gas	20.8%	20.8%	21.1%	23.3%
Water & Power	27.1%	27.1%	28.2%	29.8%
Chemical, Process & Industrial	25.4%	25.5%	23.0%	24.9%
Group	21.8%	21.8%	21.6%	23.6%

Note:

<sup>1</sup> OCC results exclude acquisitions / disposals and are restated at 2020 exchange rates.

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

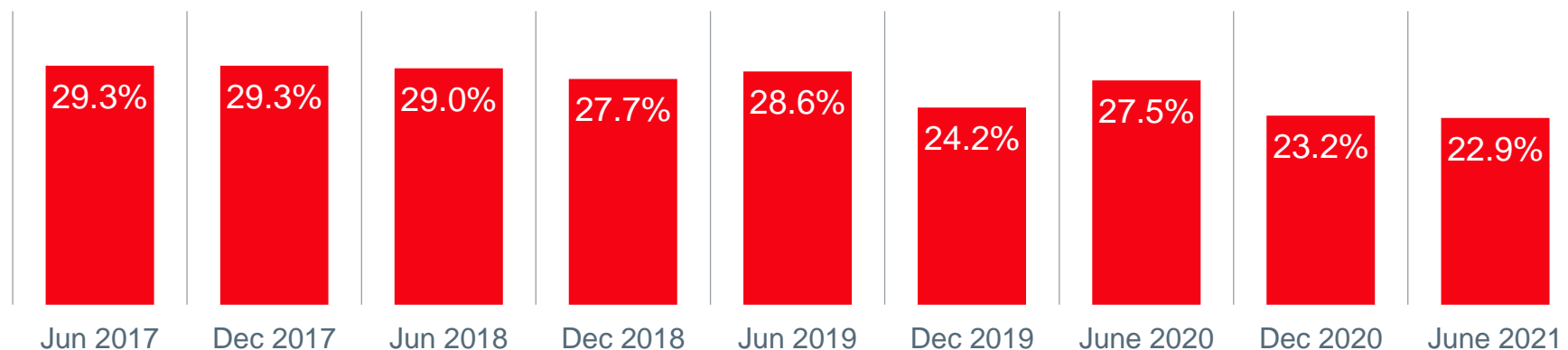
# Earnings per share

£M	H1 2021	H1 2020	Change
PBT as reported	54.1	50.0	+8.4%
Adjusted <sup>1</sup> PBT	62.9	61.0	+3.1%
Effective tax rate	24.5%	23.5%	
Adjusted <sup>1</sup> effective tax rate	23.9%	23.4%	
Basic EPS as reported	4.7p	4.4p	+6.8%
Adjusted <sup>1</sup> basic EPS	5.5p	5.4p	+1.9%

Note:

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

# Working capital



£M	June 2020	% Revenue	Dec 2020	% Revenue	June 2021	% Revenue
Inventory	81.1	14.3%	61.5	10.2%	63.1	10.9%
Trade Receivables	112.3	19.8% (56 D.S.O.)	112.6	18.6% (56 D.S.O.)	104.1	18.1% (57 D.S.O.)
Trade Payables	(37.5)	6.6%	(33.6)	5.6%	(35.4)	6.1%
Net Working Capital	155.9	27.5%	140.5	23.2%	131.8	22.9%

# Exchange rates

	US \$	Euro €
Average rates		
H1 2020	1.26	1.14
H2 2020	1.32	1.11
Full year 2020	1.28	1.12
<b>H1 2021</b>	<b>1.39</b>	<b>1.15</b>
+ = GBP STRENGTHENING / - = GBP WEAKENING		
H1 2021 v H1 2020	+10.3%	+0.9%
HY 2021 v FY 2020	+8.6%	+2.7%
Period end rates		
June 2020	1.24	1.10
December 2020	1.37	1.12
<b>June 2021</b>	<b>1.38</b>	<b>1.17</b>
+ = GBP STRENGTHENING / - = GBP WEAKENING		
June 2021 v December 2020	+0.7%	+4.5%

# 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 March 2021 a dividend, reflecting the combined interim and final dividends, was proposed in respect of the year to 31 December 2020
- Dividend cover 2.0 times (adjusted cover 2.3 times) using H1/21 EPS and interim dividend

<b>Core Dividend</b>	<b>Month Paid / Payable</b>	<b>Amount (pence)</b>	<b>Cost (£M)</b>
2019 Final	September 2020	3.90p	33.9
<b>Paid in 2020</b>		<b>3.9p</b>	<b>33.9</b>
2020 Interim and Final	May 2021	6.3p	55.0
2021 Interim	September 2021	2.35p	20.5
<b>Payable in 2021</b>		<b>8.65p</b>	<b>75.5</b>