

Rotork plc Half Year Results 2012

31 July 2012

rotork



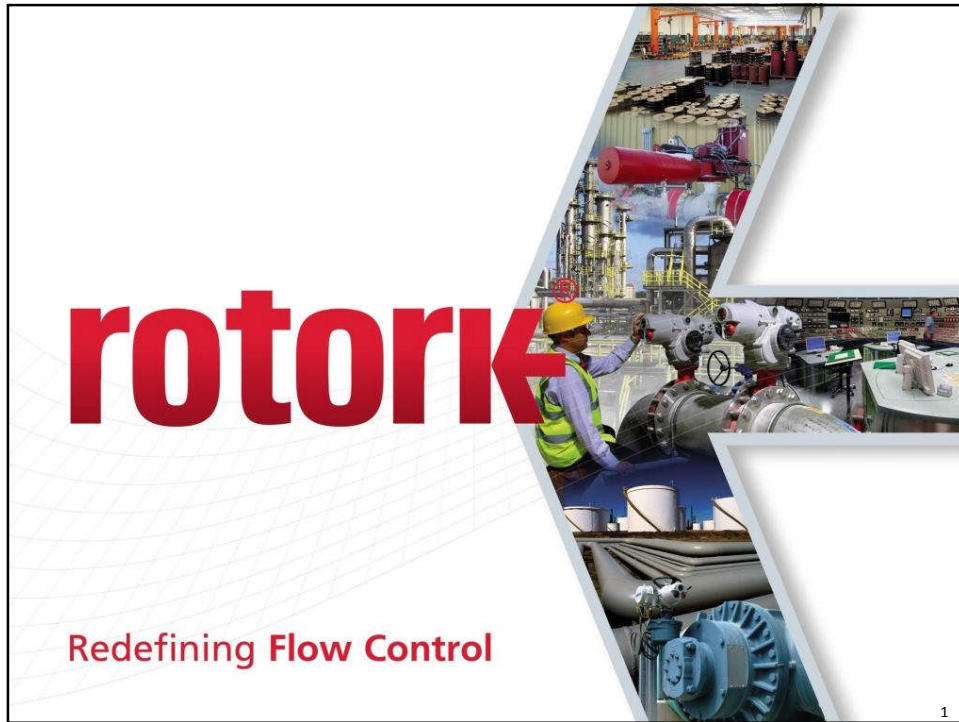
Presented by

Chairman – Roger Lockwood

Chief Executive – Peter France

Finance Director – Jonathan Davis

Redefining Flow Control



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Rotork plc
Half Year Results 2012
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Highlights



- Record first-half revenue and profit
- Order intake up 18.2%
- Order book at record high of £177.7m
- Successful integration of 2011 acquisitions
- New product launches
- Continued investment for growth



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Financial Review

Finance Director – Jonathan Davis



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Financial Highlights rotork[®]

	2012	2011	%	OCC %		
• Record H1 revenue & profit	Order Intake	£269m	£228m	+18.2%	+12.0%	↑
• Adjusted EBIT up 22.8%	Order book	£178m	£170m	+4.4%	+4.6%	↑
• OCC margin same as H1 2011	Revenue	£246m	£199m	+23.3%	+17.1%	↑
	Adjusted EBIT	£62m	£50m	+22.8%	+17.0%	↑
	Adjusted EPS	50.8p	41.7p	+21.8%	+16.5%	↑
	Interim DPS	16.4p	14.5p	+13.1%	-	↑

Note:
 OCC = Organic constant currency figures have all acquisitions removed and are restated at 2011 exchange rates
 Adjusted EBIT & EPS = before the amortisation of acquired intangible assets.

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Constant Currency Analysis rotork[®]

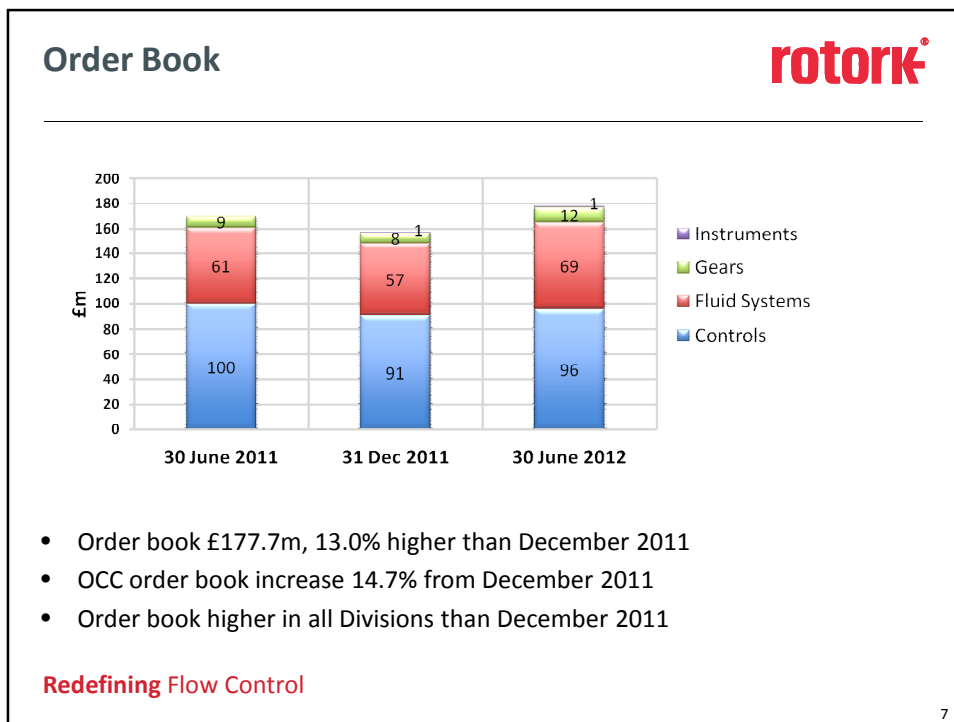
£m	H1 2012 as Reported		Adjust to get CC	H1 2012 at 2011 Rates		Remove Acqn.	H1 2012 at OCC		2011	
Revenue	245.9		4.0	249.9		(16.3)	233.6		199.4	
Cost of Sales	(130.0)		(3.0)	(133.0)		8.9	(124.1)		(104.8)	
Gross Profit	115.9	47.1%	1.0	116.9	46.8%	(7.4)	109.5	46.8%	94.6	47.4%
Overheads	(54.2)	22.0%	(0.5)	(54.7)	21.9%	4.0	(50.7)	21.7%	(44.3)	22.2%
Adjusted operating profit*	61.7	25.1%	0.5	62.2	24.9%	(3.4)	58.8	25.2%	50.3	25.2%

- OCC overheads increased slower than revenue
- OCC net margin same as H1 2011
- Gross margins 30 bps lower

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* Adjusted is before amortisation of acquired intangibles

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Controls Division rotork®

£m	H1 2012	H1 2011	Change	OCC Change	
Revenue	146.2	129.4	+13.0%	+11.4%	↑
Adjusted operating profit*	46.6	42.9	+8.7%	+8.2%	↑
Adjusted operating margin*	31.9%	33.1%	-120bps	-90bps	↓

- Order intake +7.1%, (OCC +5.1%)
- Lower gross margin
- Overheads grown slower than revenue (+11.1%)

Note:
OCC = Organic constant currency figures have all the acquisitions removed and 2012 restated at 2011 rates.
* = adjusted, before the amortisation of acquired intangible assets.

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Fluid Systems Division

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£m	H1 2012	H1 2011	Change	OCC Change	
Revenue	71.4	53.1	+34.6%	+31.3%	↑
Adjusted operating profit*	9.2	4.9	+88.0%	+91.3%	↑
Adjusted operating margin*	12.9%	9.2%	+370bps	+420bps	↑

- Order intake +26.2% (OCC +21.6%)
- Adjusted operating margin recovery
- Continued investment in people, facilities and products

Note:

OCC = Organic constant currency figures have all the acquisitions removed and 2012 restated at 2011 rates.
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Gears Division

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£m	H1 2012	H1 2011	Change	OCC Change	
Revenue	25.3	21.5	+18.1%	+17.5%	↑
Adjusted operating profit*	5.6	4.7	+19.7%	+18.6%	↑
Adjusted operating margin*	22.0%	21.7%	+30bps	+20bps	↑

- Order intake +29.7% (OCC +29.8%)
- Adjusted operating margin improvement
- Overheads grew in line with revenue growth

Note:

OCC = Organic constant currency figures have all the acquisitions removed and 2012 restated at 2011 rates.
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Instruments Division

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£m	H1 2012
Revenue	8.3
Adjusted operating profit*	2.7
Adjusted operating margin*	32.6%

- Fairchild acquired November 2011, only a 6 week contribution in 2011
- 2011 adjusted operating margins was 27.4%

Note:
* = adjusted, before the amortisation of acquired intangible assets.

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Income statement

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	H1 2012	H1 2011	Change
Adjusted operating profit	61.7	50.3	+22.8%
Intangible amortisation	(3.6)	(1.1)	
Operating profit	58.1	49.2	+18.1%
Net financial income / expense	0.0	0.4	
Profit before tax	58.1	49.6	+17.2%

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* Adjusted is before amortisation of acquired intangibles

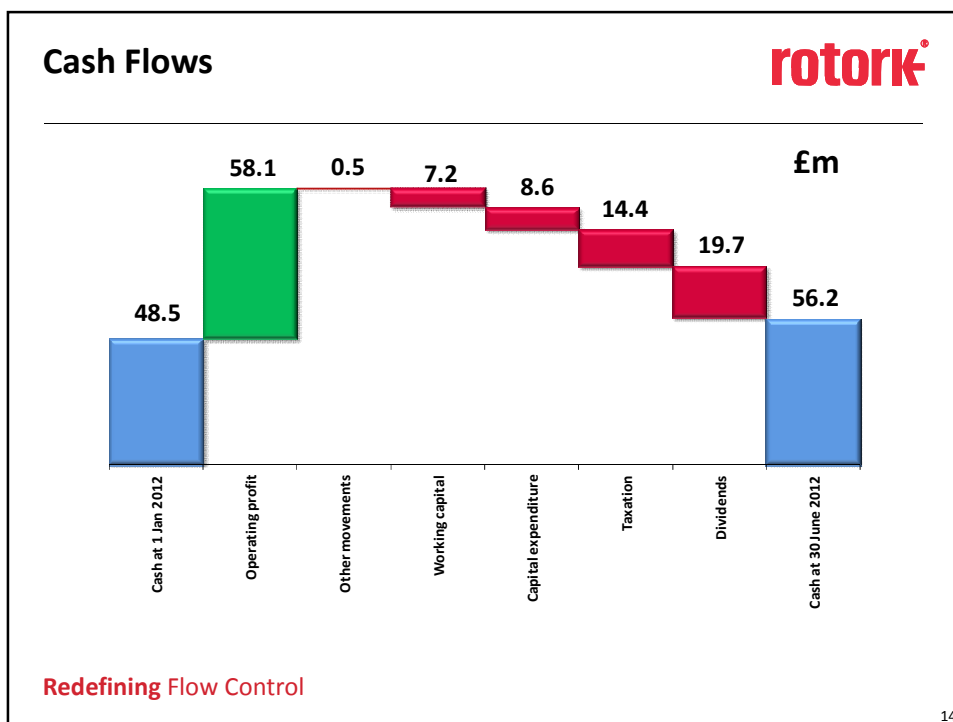
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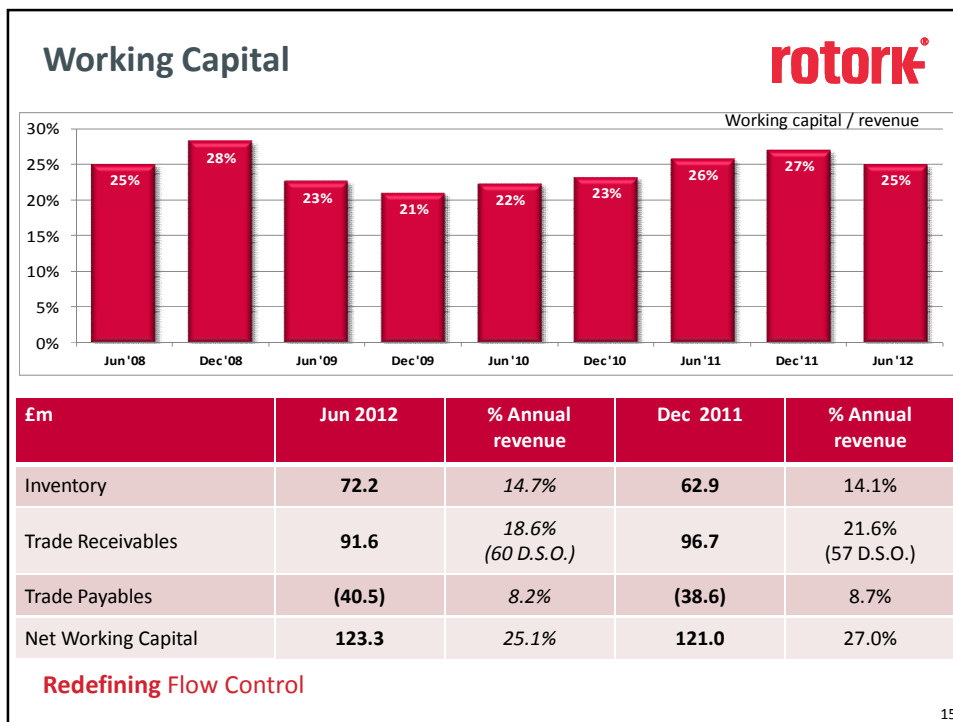
Earnings Per Share **rotork**

	H1 2012	H1 2011	Change
PBT as reported (£m)	58.1	49.6	+17.2%
Adjusted PBT* (£m)	61.7	50.7	+21.9%
Effective tax rate	28.7%	28.8%	
Basic EPS as reported	47.8p	40.9p	+16.9%
Adjusted basic EPS*	50.8p	41.7p	+21.8%

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Core dividends rotork[®]

Core dividend	Month paid / payable	Amount (Pence)	Cost (£m)
2010 Final	May 2011	19.75p	17.1
2011 Interim	September 2011	14.50p	12.5
Paid in 2011		34.25p	29.6
2011 Final	May 2012	22.75p	19.7
2012 Interim	September 2012	16.40p	14.2
Paid in 2012		39.15p	33.9

- 2011 final dividend increased 15.2%
- Interim dividend increased 13.1%
- Core dividend cover 2.4 times (2011 = 2.4 times)

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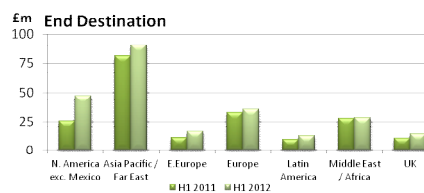
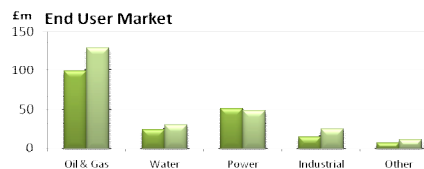
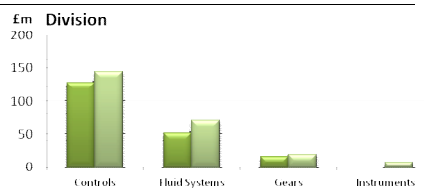
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Group Revenue by:



- Record first half revenue
- Instruments division performing well
- Oil & gas growth strongest
- Power market down
- North America and Eastern Europe the fastest growing regions



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Rotork Controls



Highlights

- IQ3 introduction
- Commenced production from new Indian plant
- Good performances in the Americas, Russia and Australia

Opportunities

- Integration of acquisitions
- Oil & gas infrastructure spend positive
- India and China market potential
- Increased sales in water and industrials
- New product introductions



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3RD Generation IQ Actuator



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Rotork Fluid Systems



Highlights

- Strong performance
- Margin progression
- Successful integration of K-Tork

Opportunities

- Oil & gas investment remains strong
- LNG market active
- New products
- Broader market focus



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Rotork Gears



Highlights

- New accounts
- Subsea market
- Strong results in Italy and China
- Margin progression

Opportunities

- Expanded product portfolio
- Sourcing
- New Leeds factory (2013)



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Rotork Instruments



Highlights

- Integration of Fairchild on track
 - Support for overseas staff
 - Purchasing support
 - Engineering
 - Interco sales growth

Opportunities

- Acquisitions
- Product development
- New markets



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Rotork Site Services



Highlights

- Increase in labour force
- Utilisation remains at high level
- Investment in service centres

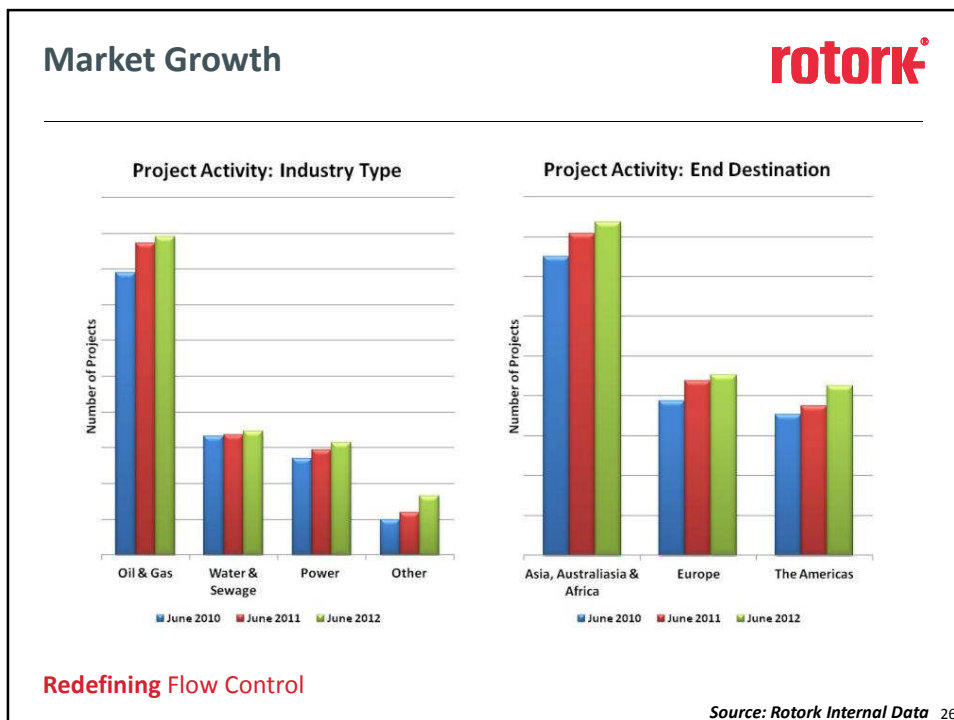
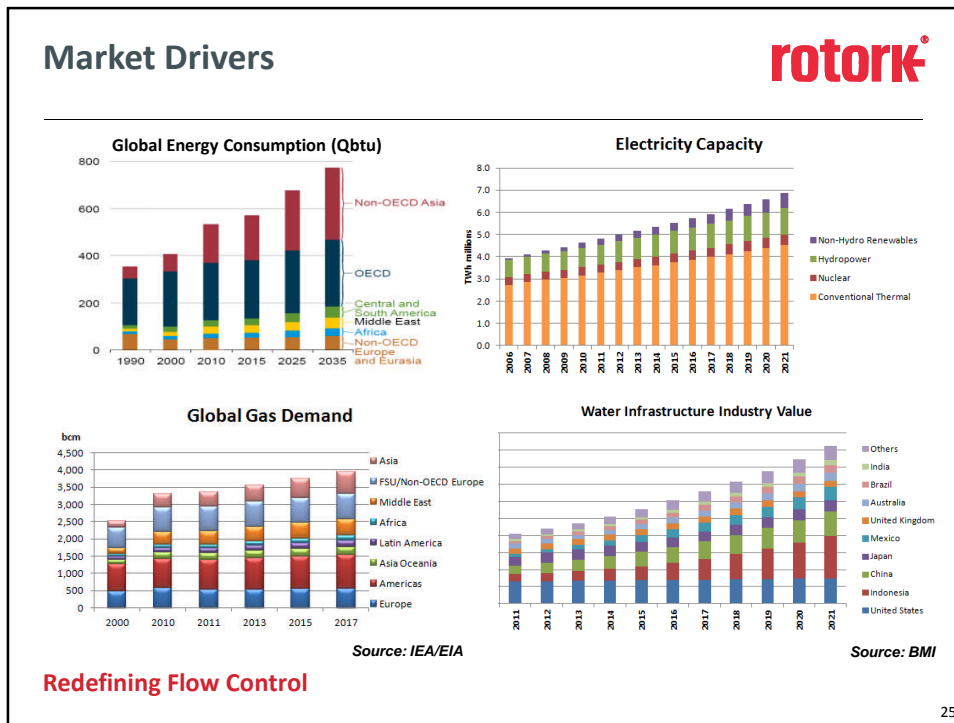
Opportunities

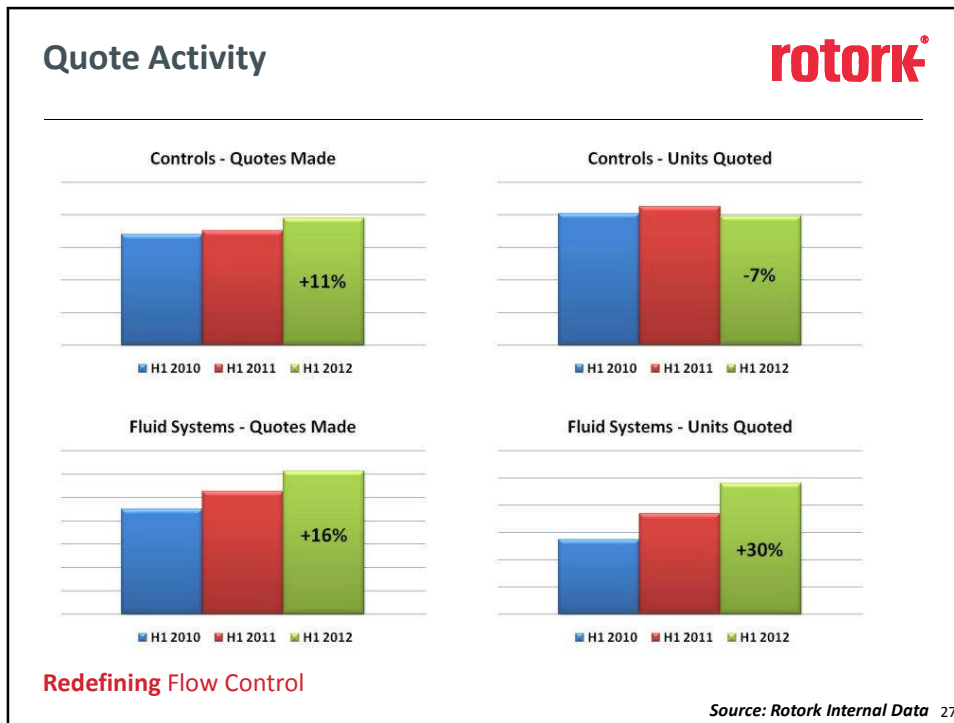
- More preventative maintenance opportunities
- Fluid Systems
- Geographic coverage



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Outlook – Positive rotork[®]

- Expanded product offering
- Fully integrated acquisitions
- Development of Instruments
- Strong market activity especially in oil & gas
- Increased sales channels

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Outlook Statement



- Record order book
- Market growth
- Diverse end market exposure
- Second half weighted revenue
- Margins similar to 2011



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Questions



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Summary divisional performance



	Controls		Fluid Systems		Gears		Instruments		Group	
	H1 '12	H1 '11	H1 '12	H1 '11	H1 '12	H1 '11	H1 '12	H1 '11	H1 '12	H1 '11
Revenue (£M)	146.2	129.4	71.4	53.1	25.3	21.5	8.3	0.0	245.9	199.4
Growth	13.0%		34.6%		18.1%				23.3%	
OCC Growth	11.4%		31.3%		17.5%				17.1%	
Adjusted operating profit* (£M)	46.6	42.9	9.2	4.9	5.6	4.7	2.7	0.0	61.7	50.3
Growth	8.7%		88.0%		19.7%				22.8%	
OCC Growth	8.2%		91.3%		18.6%				17.0%	
Adjusted operating margin*	31.9%	33.1%	12.9%	9.2%	22.0%	21.7%	32.6%		25.1%	25.2%
Growth	-120 bps		+370 bps		+30 bps				-10 bps	
OCC Growth	-90 bps		+420bps		+20 bps				the same	

Note:
 OCC = Organic constant currency figures have all the acquisitions removed and 2012 restated at 2011 rates.
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Appendix – Adjusted Operating Profit by Segment



£m	H1 2012 Reported	H1 2012 Adjustment	H1 2012 Adjusted	H1 2011 Reported	H1 2011 Adjustment	H1 2011 Adjusted	Increase
Controls	46.2	0.4	46.6	42.8	0.1	42.9	+8.7%
Fluid Systems	8.0	1.2	9.2	3.9	1.0	4.9	+88.0%
Gears	5.5	0.1	5.6	4.7	0.0	4.7	+19.7%
Instruments	0.7	2.0	2.7	-	-	-	-
Unallocated	(2.3)	0.0	(2.3)	(2.1)	-	(2.1)	-
Total	58.1	3.6	61.7	49.2	1.1	50.3	+22.8%

Notes:

- Adjustments relate to amortisation of acquired intangible assets.
- Adjustments to profit before tax are the same as those to operating profit.

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Appendix – Average exchange rates



Average rates trading:	US\$	Euro
H1 2011	1.62	1.13
H2 2011	1.56	1.16
Full Year 2011	1.59	1.15
H1 2012	1.58	1.22
+ = GBP strengthening / - = GBP weakening	-2.4%	+7.9%

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Appendix – Period end exchange rates



Period end rates:	US\$	Euro
June 2011	1.61	1.11
December 2011	1.55	1.20
June 2012	1.57	1.24
+ = GBP strengthening / - = GBP weakening	-2.4%	+11.6%

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Appendix – Cash Flow Statement



	2012 £000	2012 £000	2011 £000	2011 £000
Operating profit		58,117		49,218
Interest received	403		338	
Sale of tangible fixed assets	74		169	
Issue of ordinary share capital	70		42	
Other cash inflows	547		549	
Amortisation of intangibles	3,628		1,055	
Amortisation of development costs	464		366	
Depreciation	2,567		2,139	
Equity settled share base payment expense	877		609	
Profit on the sale of fixed assets	(38)		(26)	
Provisions	494		(614)	
Effect of exchange rate fluctuations	(579)		1,708	
Other non-cash items	7,413		5,237	
Interest paid	(20)		(20)	
Difference between pension charge and cash	(3,242)		(2,490)	
Repayment of finance leases	(25)		(35)	
Repayment of amounts borrowed	(49)		-	
Purchase of own share capital	(2,050)		(2,184)	
Employee benefits	(3,224)		(4,365)	
Other cash outflows	(8,610)		(9,094)	
Other net movements		(650)		(3,308)
Inventories	(10,456)		(8,625)	
Trade and other receivables	2,075		(5,538)	
Trade and other payables	1,183		2,812	
Working capital movements		(7,198)		(11,351)
Taxation		(14,442)		(9,307)
Capital expenditure (inc R&D)		(8,573)		(3,811)
Acquisitions		130		(2,070)
Dividends		(19,718)		(27,050)
Net increase / (decrease) in cash and cash equivalents		7,666		(7,679)
Opening cash balance		48,519		97,881
Closing cash balance		56,185		90,202

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