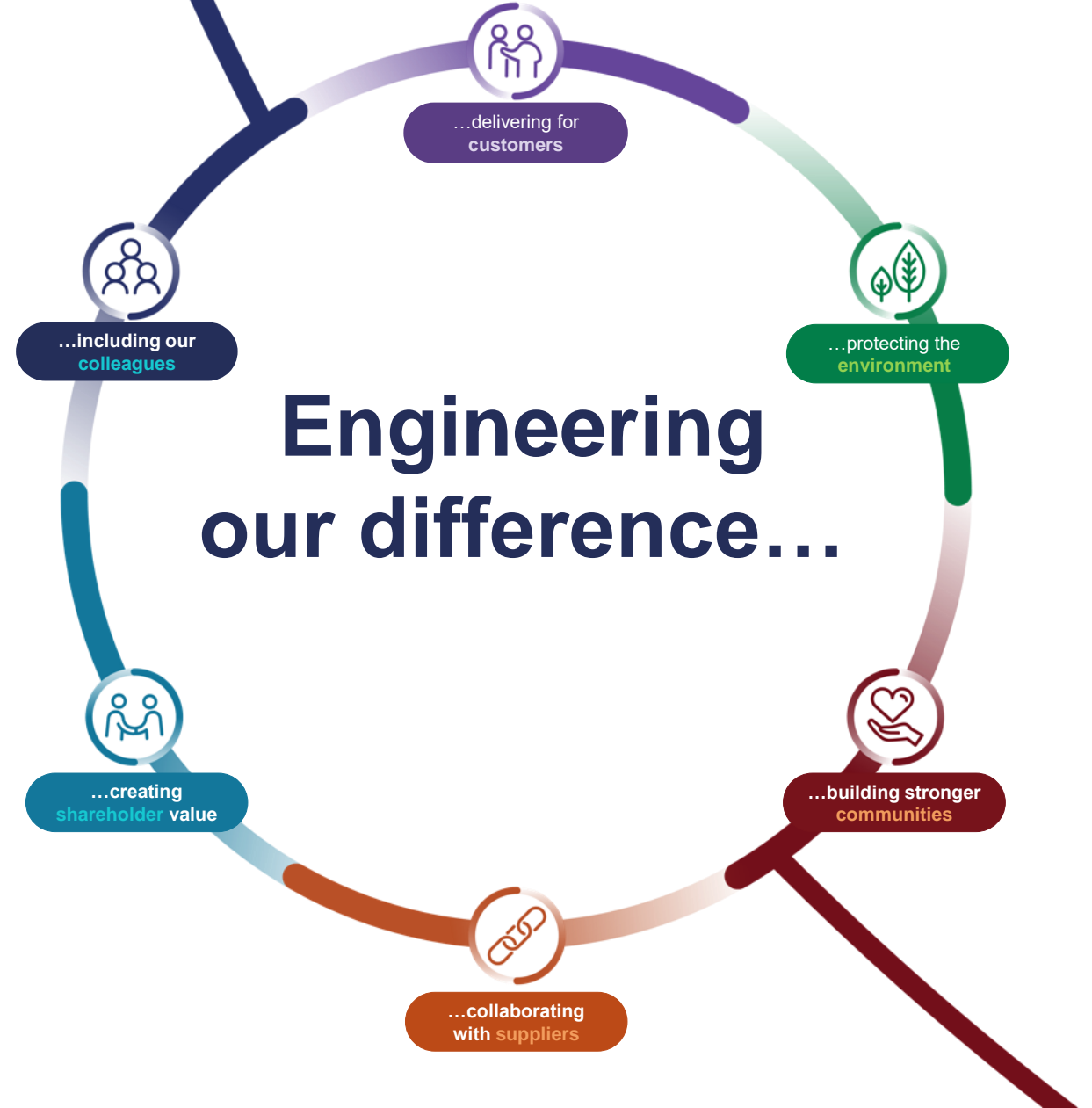


# 2023 Half Year Results

Six months ended  
30<sup>th</sup> June 2023

Nicholas Anderson  
Group Chief Executive

Nimesh Patel  
Chief Financial Officer



# Agenda



## Half Year 2023 Highlights

Nicholas Anderson



## Half Year 2023 Financial Review

Nimesh Patel



## Operations and Outlook

Nicholas Anderson

# Half Year 2023 Highlights

Nicholas Anderson



# HY 2023 performance highlights

- H1 performance broadly in line with expectations
- Revenues grew 13% or 2% organically; excluding Biopharm, 11% organic growth
- Strong growth in Steam Specialties and ETS offset by lower Biopharm sales in Watson-Marlow
- Operating profit margin declined 360 bps due to Business sales mix
- Steam Specialties sales grew 15% organically; operating profit margin grew 190 bps organically
- ETS sales up on pro-forma basis; operating profit down from Semicon WFE weakness, integration costs
- Vulcanic performing well; Durex Industries held back by Semicon WFE weakness
- Watson-Marlow sales declined 21% organically, operating profit lower due to operational gearing
- Underlying Biopharm demand remains strong; Watson-Marlow's strengths, competitiveness unchanged

# HY 2023 operational highlights

- ETS integration of Vulcanic and Durex Industries progressing very well
- Completed Watson-Marlow and Durex Industries right-sizing; full benefits expected in H2
- Initiated US\$58m expansion of Ogden facility; increasing capacity of Chromalox Medium Voltage solutions
- Decarbonisation driving substantial opportunities for ETS and Steam Specialties
- Completed first-to-world ElectroFit installation with Diageo Turkey
- Cotopaxi STRATA platform deployed across Steam Specialties, leveraging Digital capabilities
- Completed investment and partnership agreement with Kyoto Group to support decarbonisation
- Continued progressing our ESG agenda, including on net zero and biodiversity

# Our ESG journey

## Key strategic targets:

- Net zero (scope 1 and 2) GHG emissions by 2030, with an interim target of 50% reduction by 2025 (vs. 2019 baseline)
- 20% reduction\* in Group energy use from plant, equipment and building assets by 2025 (vs. 2019 baseline)

\*Target updated in 2022 based on analysis of available energy reduction opportunities across our Group

## Progress in H1 2023:

Scope 1&2 emissions down 16% on H1 2022 and down 47% on 2019 baseline

Green contracts account for 61% of global energy use vs 57% in Dec 2022

Group energy use down on H1 2022

Group water consumption reduced in relation to H1 2022

- Cotopaxi STRATA platform being deployed across all Group manufacturing facilities
- A further 41 biodiversity projects undertaken in H1 2023 (78 in FY 2022)
- Developing roadmaps for sustainable packaging and elimination of solvent-based paints
- Continue supporting our customers to improve their sustainability performance

# Half Year 2023 Financial Review

Nimesh Patel



# Financial summary

- Revenue up 2% organically and 11% excluding Biopharm
- Operating profit down 13% organically
- Operating profit margin of 20.2% down 370 bps organically
- Interim dividend up 8% to 46.0p

	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022	Reported	Organic <sup>+</sup>
<b>Revenue</b>	£850.8m	£750.1m	13%	2%
<b>Operating profit*</b>	£171.7m	£178.8m	(4)%	(13)%
<b>Operating profit margin</b>	20.2%	23.8%	(360) bps	(370) bps
<b>Net finance expense</b>	£(18.2)m	£(3.6)m		
<b>Pre-tax profit</b>	£153.5m	£175.2m	(12)%	
<b>Tax rate</b>	25.4%	26.3%	(90) bps	
<b>EPS</b>	155.2p	175.1p	(11)%	
<b>DPS</b>	46.0p	42.5p	8%	
<b>Net debt</b>	£748.3m	£202.7m		

<sup>+</sup> Organic measures are at constant currency and exclude contributions from acquisitions and disposals.

<sup>\*</sup> See Appendix III for definition of adjusted profit measures.

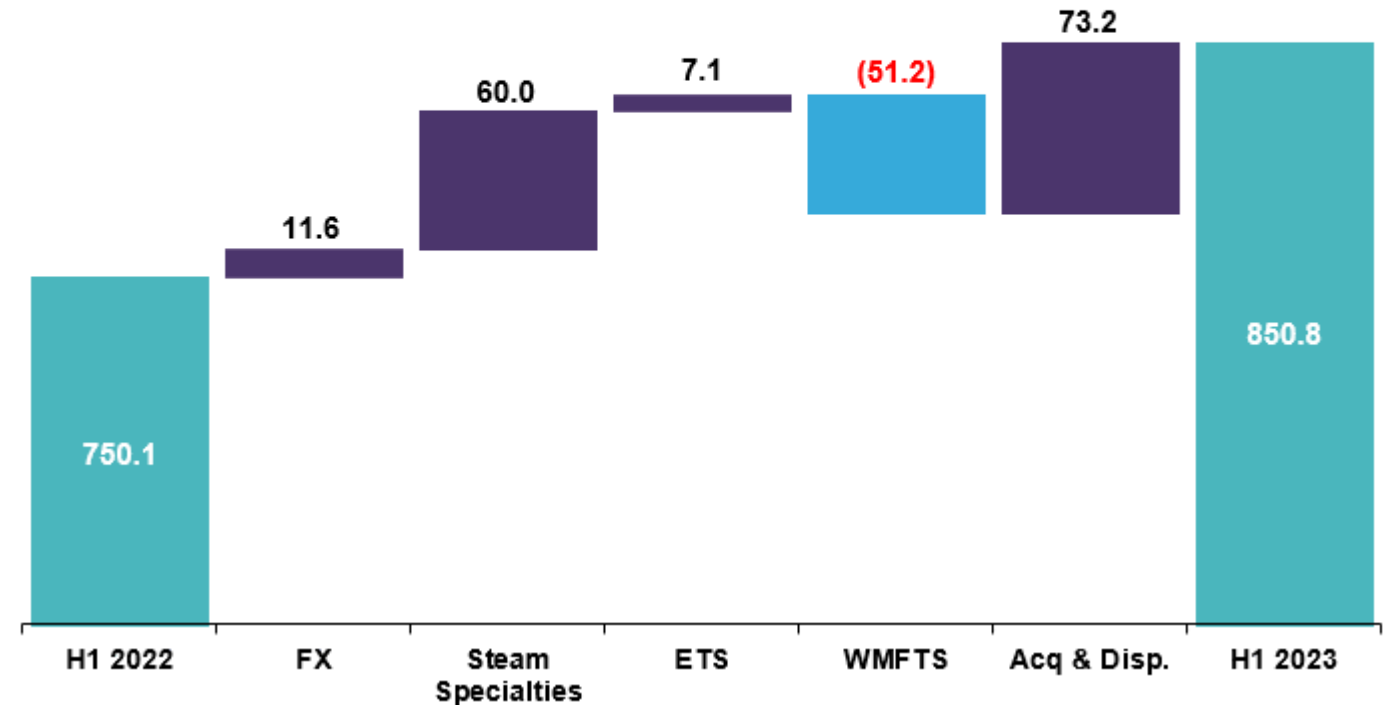


# Sales bridge

- Sales supported by price increases but volumes lower due to normalisation of Biopharm demand in Watson-Marlow – expected to recover in 2024
- Currency tailwind to sales of 1.5%; anticipate headwind for full year of between 2.0% and 2.5%
- Total organic increase of 2%:
 

Steam Specialties	+15%
ETS	+7%
Watson-Marlow	(21)%
- Anticipate sales growth of between 0.0% and 4.0% over 2022 pro-forma sales of £1,734m, excluding the impact of currency movements

## Sales bridge H1 2022 to H1 2023

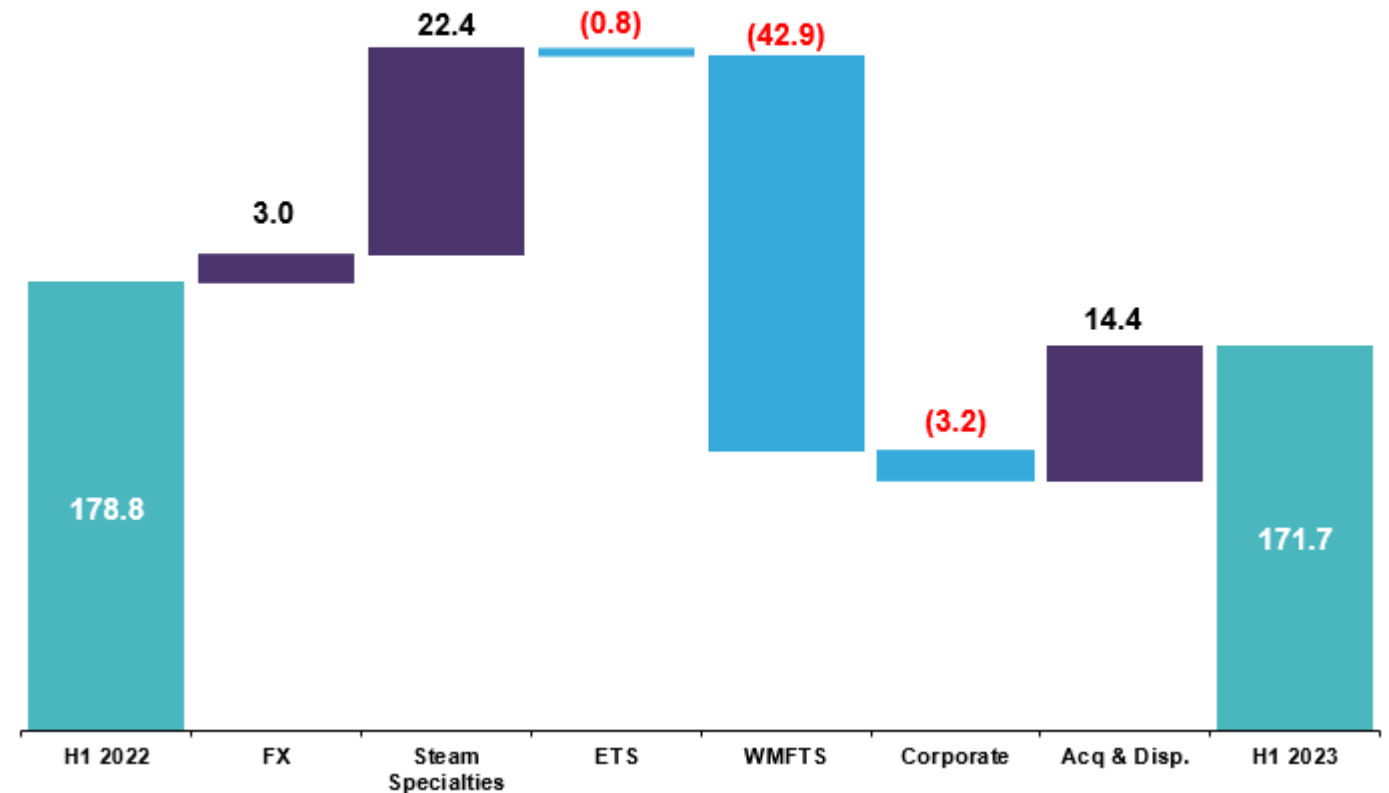


# Profit bridge

- Currency tailwind to profit of 1.7%
- Total organic decrease of 13%:
 

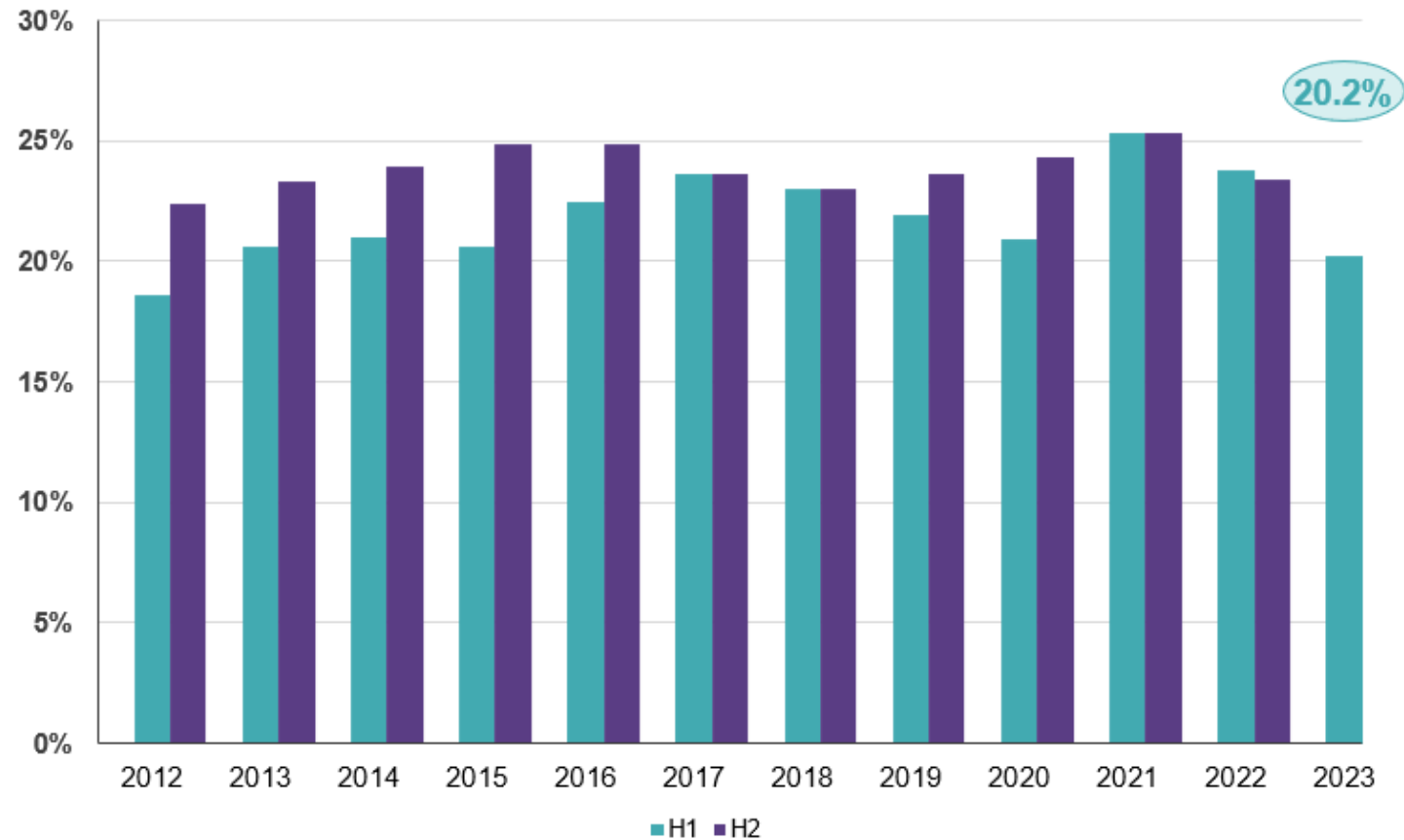
Steam Specialties	+25%
ETS	(6)%
Watson-Marlow	(47)%
- Right-sizing actions completed in Watson-Marlow and Durex Industries with full effect realised in H2
- Central expenses expected to be c. £30m for the full year
- Adjusting items (included in statutory numbers) reflect restructuring costs and software related non-cash impairment charge

## Profit bridge H1 2022 to H1 2023



# Operating margin

- Operating margin 20.2%, down 370 bps organically
- Margin adversely impacted by operational gearing and lower sales in highest margin Businesses
- Active price management continues to offset inflationary pressure
- Anticipate full year operating margin decline of between 100 bps and 200 bps, compared to 2022 (23.6%)



# Cash flow

- Cash conversion<sup>^</sup> of 48%, slightly above H1 2022 - full year cash conversion expected to be above 70%
- Working capital reflects higher inventory due to usual seasonality and reduction in payables due to completion of large capex projects
- Increased net interest reflects financing of Vulcanic and Durex Industries acquisitions
- Net debt of £748m, 1.8x EBITDA

Cash flow (£ million)	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
<b>Adjusted operating profit*</b>	<b>171.7</b>	<b>178.8</b>
Depreciation and amortisation (excluding IFRS 16)	21.7	17.0
Depreciation of leased assets	7.5	6.4
Pensions/Share plans	2.1	1.9
Working capital changes	(62.7)	(70.8)
Repayments of principal under lease liabilities	(7.7)	(6.2)
Capital expenditure (including software and development)	(50.6)	(49.3)
Capital disposals	0.8	0.6
<b>Adjusted cash from operations</b>	<b>82.8</b>	<b>78.4</b>
Net interest	(17.4)	(3.3)
Income taxes paid	(46.1)	(41.2)
<b>Free cash flow</b>	<b>19.3</b>	<b>33.9</b>
Net dividends paid	(81.0)	(72.2)
Purchase of employee benefit trust shares and issue of share capital	(8.8)	(10.4)
Restructuring costs	(6.1)	-
Acquisitions of subsidiaries	(2.3)	(12.7)
<b>Cash flow for the year</b>	<b>(78.9)</b>	<b>(61.4)</b>
Exchange movements	21.0	(8.5)
<b>Net debt at 30<sup>th</sup> June (excluding IFRS 16)</b>	<b>(748.3)</b>	<b>(202.7)</b>
<b>Net debt to LTM EBITDA</b>	<b>1.8x</b>	<b>0.5x</b>

<sup>^</sup> See Appendix IV for calculation of cash conversion

\* See Appendix III for definition of adjusted profit measures

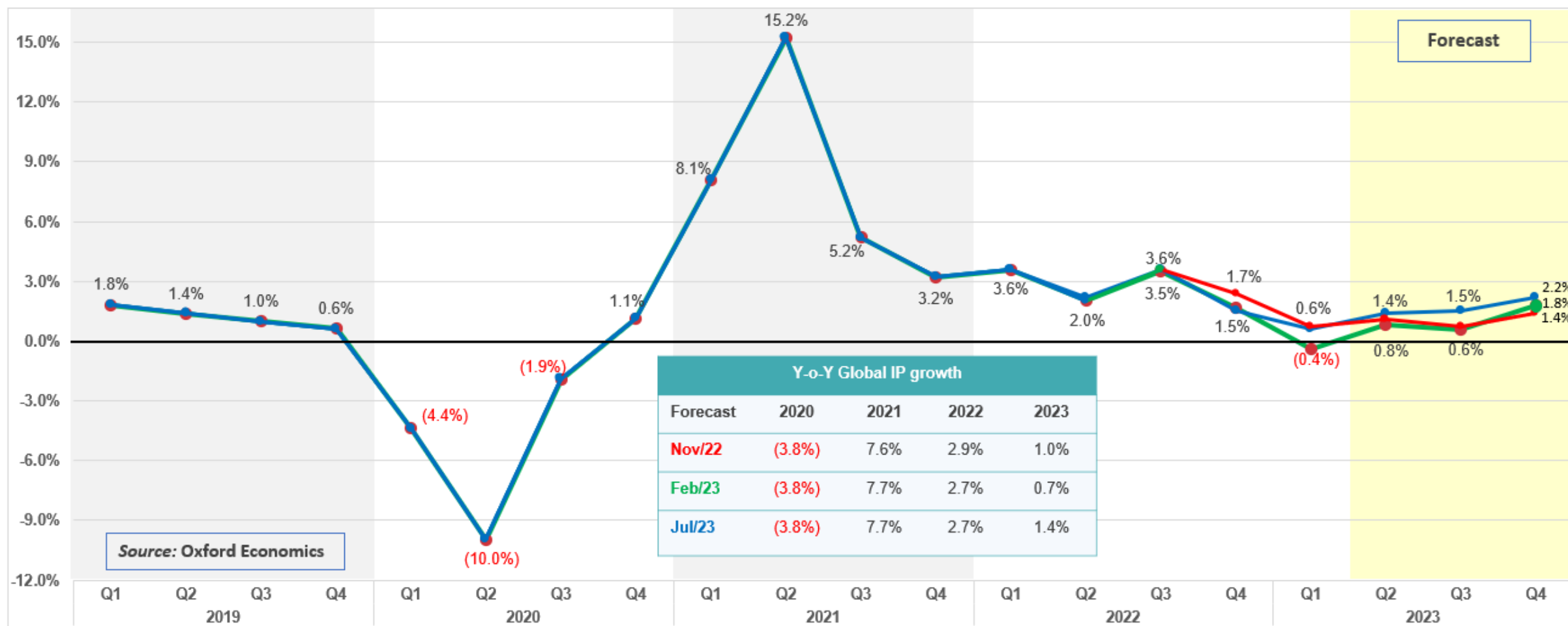
# Operations and Outlook

Nicholas Anderson



# Global Industrial Production

## Annual growth rates by quarter



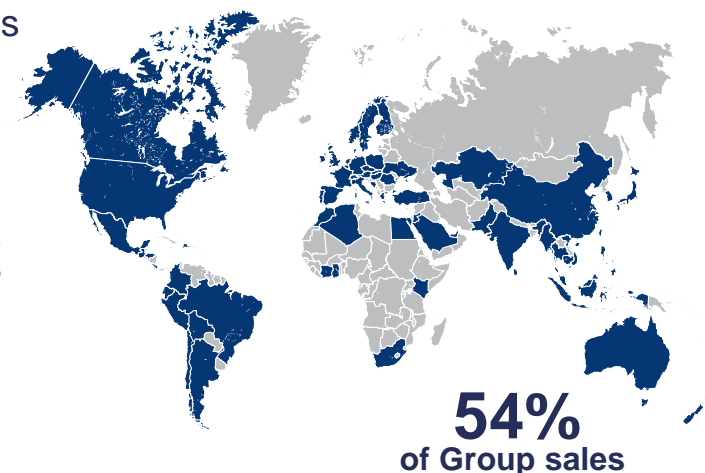
# Steam Specialties

	30 <sup>th</sup> June 2022	Exchange	Organic	Acquisitions & disposals	30 <sup>th</sup> June 2023	Organic <sup>+</sup>	Reported
<b>Sales</b>	£400.6m	£0.6m	£60.0m	£(1.4)m	£459.8m	15%	15%
<b>Operating profit*</b>	£92.1m	£(2.2)m	£22.4m	£(0.1)m	£112.2m	25%	22%
<b>Margin*</b>	23.0%				24.4%	190 bps	140 bps

\* Organic measures are at constant currency and exclude contributions from acquisitions and disposals with Russia treated as a disposal from the date at which the Group suspended all trading with and within Russia.

\* See Appendix III for definition of adjusted profit measures.

- Strong demand significantly above IP, ahead of expectations
- Sales grew 15% organically; operating profit up 25% organically - strong growth across all regions
- Good growth in large orders, albeit with some pull forward of projects from H2
- Operating profit margin 24.4%; up 190 bps reflecting volume growth, pricing, cost containment
- First-to-world ElectroFit installed in H1 2023; building pipeline of long-term opportunities
- Cotopaxi accelerating Digital strategy; STRATA platform deployed across all manufacturing sites
- Anticipate FY sales growth significantly above IP with HY sales split closer to typical 48% : 52%; H1 operating profit margin sustained



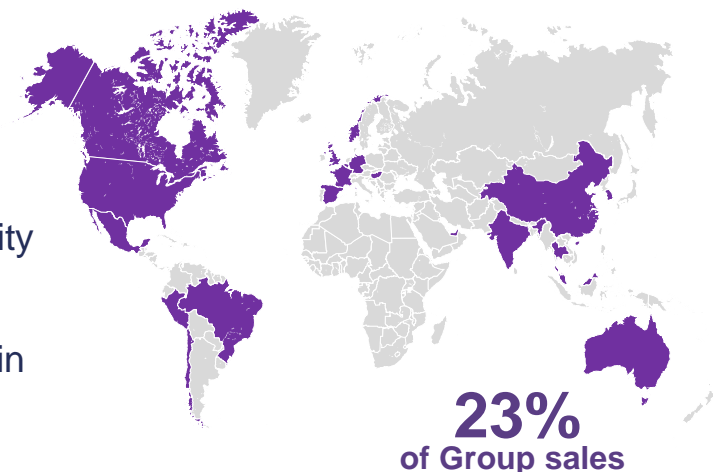
# Electric Thermal Solutions

	30 <sup>th</sup> June 2022	Exchange	Organic	Acquisitions & disposals	30 <sup>th</sup> June 2023	Organic <sup>+</sup>	Reported
<b>Sales</b>	£104.7m	£4.4m	£7.1m	£76.3m	£192.5m	7%	84%
<b>Operating profit*</b>	£12.8m	£0.4m	£(0.8)m	£14.5m	£26.9m	(6)%	110%
<b>Margin*</b>	12.2%				14.0%	(140) bps	180 bps

\* Organic measures are at constant currency and exclude contributions from acquisitions and disposals with Russia treated as a disposal from the date at which the Group suspended all trading with and within Russia.

\* See Appendix III for definition of adjusted profit measures.

- Demand significantly above IP; record order book continues to expand
- Strong demand growth in Chromalox and Vulcanic, supported by decarbonisation solutions
- Semicon WFE weakness impacted demand in Durex Industries and Thermocoax
- Sales grew 84% or 7% organically; operating profit grew 110%, mostly due to acquisitions
- Operating profit margin 14.0%; up 180 bps from H1 2022
- Initiated US\$58m investment to expand Ogden facility in USA; increasing Medium Voltage capacity
- Onboarding of Vulcanic and Durex Industries progressing very well
- Compared to FY 2022 pro-forma: anticipate sales growth well above IP and operating profit margin decline larger than previously guided; HY sales split closer to typical 48% : 52%





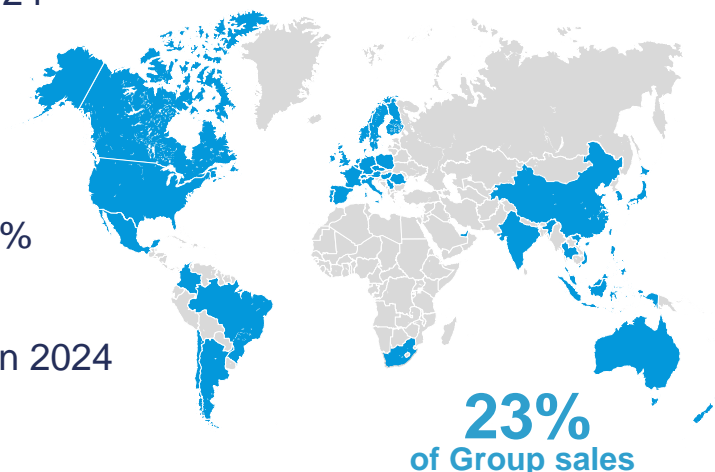
# Watson-Marlow

	30 <sup>th</sup> June 2022	Exchange	Organic	Acquisitions & disposals	30th June 2023	Organic <sup>+</sup>	Reported
<b>Sales</b>	£244.8m	£6.6m	£(51.2)m	£(1.7)m	£198.5m	(21)%	(19)%
<b>Operating profit*</b>	£87.0m	£4.8m	£(42.9)m		£48.9m	(47)%	(44)%
<b>Margin*</b>	35.5%				24.6%	(1,220) bps	(1,090) bps

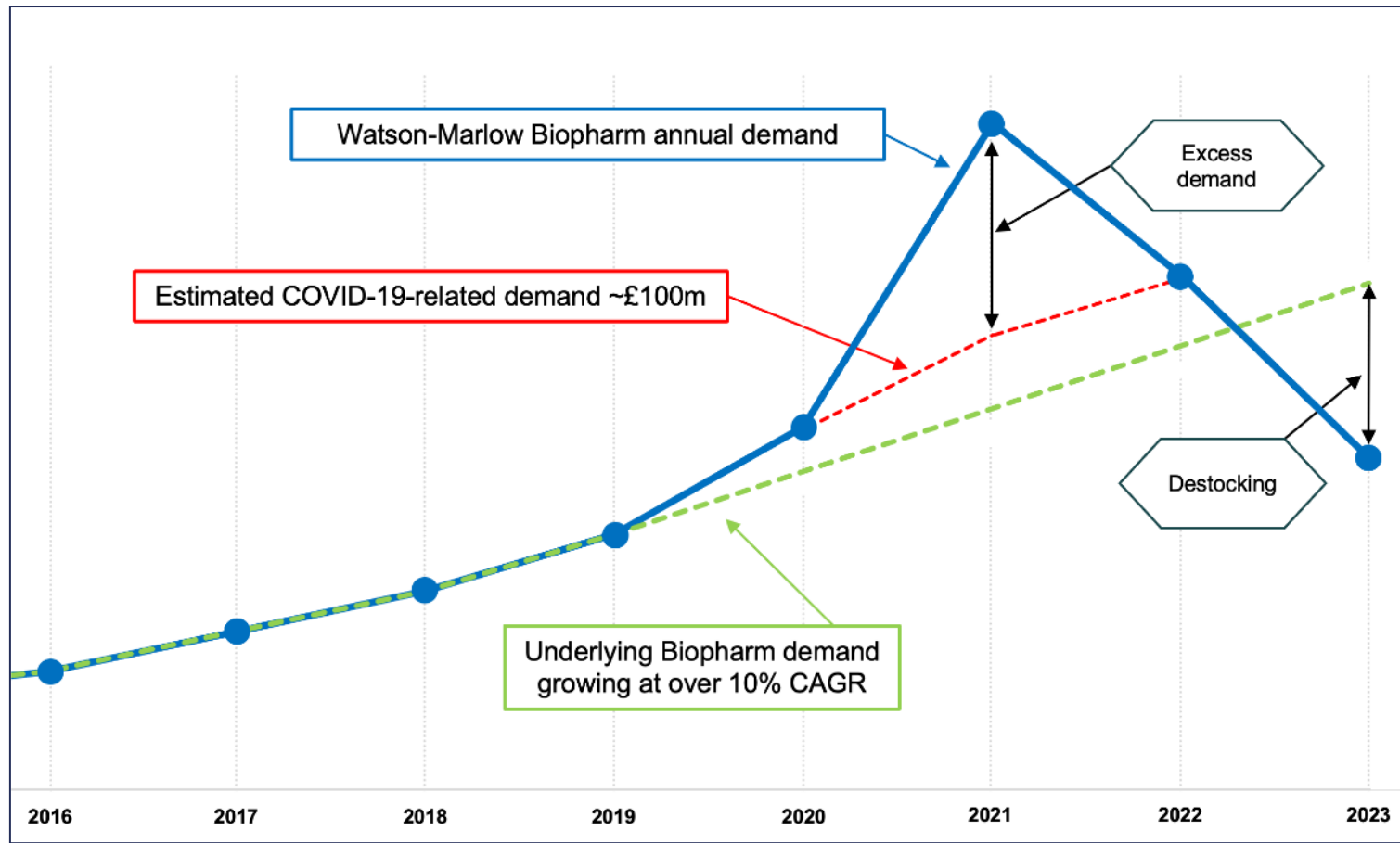
\* Organic measures are at constant currency and exclude contributions from acquisitions and disposals with Russia treated as a disposal from the date at which the Group suspended all trading with and within Russia.

\* See Appendix III for definition of adjusted profit measures.

- Sales declined 21% (H1 2022 up 26%) due to Biopharm destocking; anticipate continuing into 2024
- H1 2023 sales up 9% per annum since H1 2019; growth consistent with pre-pandemic rates
- Completed right-sizing of manufacturing and overhead costs; full benefits in H2 2023
- Operating profit declined 47% organically due to operational gearing
- Anticipate sequential sales and profit growth in H2 2023; HY sales split closer to typical 48% : 52%
- Underlying Biopharm end-market demand remains strong; growth to return in 2024
- Business strengths and market competitiveness unchanged; well positioned for return to growth in 2024



# Biopharm demand – illustrative dynamics



- Underlying Biopharm end-market demand remains strong; anticipate continuing to grow at over 10% CAGR through COVID-19 cycle and beyond
- Assuming actual COVID-19-related demand of around £100m, most customer destocking should occur in 2023
- Anticipate Watson-Marlow Biopharm demand will return to growth in 2024

# Engineering our difference

## 2023 customer case studies

Engineering our difference

### Steam Specialties



Zero carbon emissions

### Decarbonisation

Spirax Sarco, together with Chromalox, helped Diageo, a multi-national drinks company, decarbonise its production facilities (scopes 1 and 2) across its direction of business by 2030.

One of Diageo's subsidiaries, a manufacturer of spirits, was looking to replace its existing steam system with a new system, with the aim of removing scope 1 emissions. There also needed to be a new installation had to be kept to the same footprint.

The team focused on converting the existing steam system to a new system, utilising an existing asset to immediately remove scope 1 emissions. Scope 2 emissions were also addressed by switching to renewable energy sources.

Engineering our difference

### Electric Thermal Solutions



#### Zero emission energy sources for the future

#### Mission-critical manufacturing

Fusion is the energy that powers our sustainable, non-carbon emitting energy source.

ITER, the largest global project to produce fusion energy, is currently under construction. It will use specialist insulated cables from Thermocoax to connect its Tokamak reactor.

Without reliable transmission of signals, the reactor cannot launch. The Mineral Insulated Cables (MICs) developed by Thermocoax can perform in vacuum, high temperatures, as well as high radiation levels.

As the most powerful fusion device in the world, ITER is an experimental step to advance the development of fusion energy.

Engineering our difference

### Watson-Marlow



#### Reduced Water use and food waste

#### Integral pumping for sustainable potato peeling

Bredel hose pumps, part of Watson-Marlow, are contributing to a sustainable solution for steam potato peeling provided by TOMRA Food which reduces water usage, water treatment and food waste.

The TOMRA Dry Peel Separator (DPS) uses Bredel as a dry-waste pump which enables food processors to reduce water usage and recover the potato skin and starch for use in animal feed or anaerobic digestion (biogas). The steam peeled skin is separated using centrifugal force inside the TOMRA DPS and avoids the need for brush separators and water. From a drum that rotates at high speed, the peel waste flows to the Bredel hose pump, which transfers the material to the food processor's storage location.

Pumping potato peels is a real heavy-duty application because of the high pressures, up to 24/7 operation, long discharge lines, high dry solid content and changing high viscosities. This produces some high mechanical forces which are being handled with ease by Bredel hose pumps. The risk of blockages and the high costs of unexpected breakdowns is avoided due to the solid handling capability of Bredel hose pumps.

Spirax-Sarco Engineering plc

# Summary and Outlook

## H1 2023 summary

- First half performance broadly in line with expectations: stronger Steam Specialties sales offset by weaker Watson-Marlow and Durex Industries sales; 11% organic sales growth, excluding Biopharm
- Operating profit and margin impacted by lower sales of higher margin Businesses

## FY 2023 outlook

- Biopharm destocking now expected to continue into 2024; Biopharm and Semicon WFE sectors expected to recover in 2024
- Full year FX headwinds between 2.0% and 2.5% on sales and operating profit (vs. FY 2022)
- Anticipate HY sales split closer to typical 48% : 52%; operational gearing and H1 right-sizing actions benefit H2 operating profit
- Anticipate 2023 sales growth of between 0% and 4%\*
- Anticipate operating margin decline of between 100 bps and 200 bps\*
- Underlying Biopharm demand remains as strong as pre-pandemic periods; demand softness temporary rather than structural
- Group well positioned for stronger growth in 2024

*\* Based on 2022 pro-forma sales of £1,734m and operating profit margin of 23.6%*



# 2023 Half Year Results

For the six months ended 30<sup>th</sup> June 2023



# Appendices

## Engineering our difference





# Appendix I: Case studies



# Steam Specialties

**Zero**  
carbon  
emissions

24



## Decarbonisation solutions in action

Spirax Sarco, together with Chromalox, has deployed its revolutionary TargetZero technology to help Diageo, a multi national drinks company, towards its ambition to achieve net zero emissions (scopes 1 and 2) across its direction operations and only use renewable sources of energy by 2030.

One of Diageo's subsidiaries, a manufacturer of gin, worked with Spirax Sarco to decarbonise its steam system. The challenge was to eliminate scope 1 emissions from its gas-fired boiler system, with the aim of removing scope 2 emissions from its operations when renewable energy sources came on stream. There also needed to be no operational downtime so disruption from the new installation had to be kept to a minimum.

The team focused on converting the existing gas-fired system to take advantage of the geography's expanding renewable electricity generation and suggested ElectroFit as the ideal solution. As the existing boiler infrastructure could be retained, downtime was minimised by utilising an existing asset to immediately replace the carbon-heavy gas-fired burners and remove scope 1 emissions. Scope 2 emissions have since been removed following the switch to renewable energy sources.

Spirax-Sarco Engineering plc



# Electric Thermal Solutions

**Zero**

emission energy  
sources for the  
future



## Mission-critical monitoring for Fusion Energy

Fusion is the energy that powers our Sun and a promising long-term option to generate sustainable, non-carbon emitting energy in the future.

ITER, the largest global project to prove the visibility of fusion as an energy source, uses specialist insulated cables from Thermocoax to enable the monitoring of critical sensors inside its Tokamak reactor.

Without reliable transmission of signals from the vacuum vessel located inside the Tokamak, the reactor cannot launch. The Mineral Insulated Cabling with Ultra High Vacuum terminations developed by Thermocoax can perform in these very harsh conditions including ultra-high vacuum, high temperatures, as well as neutron and gamma irradiation.

As the most powerful fusion device in the world, the ITER reactor is designed to be a key experimental step to advance the development of future fusion power plants.



# Watson-Marlow

**Reduced**  
Water use and  
food waste



## Integral pumping for sustainable potato peeling

Bredel hose pumps, part of Watson-Marlow, are contributing to a sustainable solution for steam potato peeling provided by TOMRA Food which reduces water usage, water treatment and food waste.

The TOMRA Dry Peel Separator (DPS) uses Bredel as a dry-waste pump which enables food processors to reduce water usage and recover the potato skin and starch for use in animal feed or anaerobic digestion (biogas). The steam peeled skin is separated using centrifugal force inside the TOMRA DPS and avoids the need for brush separators and water. From a drum that rotates at high speed, the peel waste flows to the Bredel hose pump, which transfers the material to the food processor's storage location.

Pumping potato peels is a real heavy-duty application because of the high pressures, up to 24/7 operation, long discharge lines, high dry solid content and changing high viscosities. This produces some high mechanical forces which are being handled with ease by Bredel hose pumps. The risk of blockages and the high costs of unexpected breakdowns is avoided due to the solid handling capability of Bredel hose pumps.

# Appendix II

## Currencies

Average exchange rates	Average half year 2023	Average half year 2022	Change
US dollar	1.24	1.30	5%
Euro	1.14	1.19	4%
Renminbi	8.60	8.40	(2)%
Won	1,606	1,593	(1)%
Brazilian real	6.26	6.63	6%
Argentine peso	263.21	145.55	(81)%

# Appendix III

## Reconciliation of Operating profit to Adjusted operating profit

The Group uses adjusted figures as key performance measures in addition to those reported under IFRS. The Group's management believes these measures provide valuable additional information for users of the financial statements in understanding the Group's performance. Adjusted operating profit and pre-tax profit excludes certain items, which are analysed below.

(£ million)	Six months to 30 <sup>th</sup> June 2023	Six months to 30 <sup>th</sup> June 2022
<b>Operating profit as reported under IFRS</b>	<b>132.2</b>	<b>142.1</b>
Amortisation of acquisition-related intangible assets	18.5	10.5
Reversal of acquisition-related fair value adjustments to inventory	1.3	-
Restructuring costs	5.2	15.4
Acquisition-related items	0.6	3.2
Software related impairment	13.9	-
Accelerated depreciation and other related costs on one-off property redevelopments	-	4.0
Disposal of subsidiaries in Russia	-	3.6
<b>Total adjustment to operating profit</b>	<b>39.5</b>	<b>36.7</b>
<b>Adjusted operating profit</b>	<b>171.7</b>	<b>178.8</b>

# Appendix IV

## Cash conversion

(£ million)

	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
Adjusted cash generated from operations	82.8	78.4
Adjusted operating profit*	171.7	178.8
<b>Cash conversion</b>	<b>48%</b>	<b>44%</b>

*\* See Appendix III for definition of adjusted profit measures*

# Appendix V

## Additional guidance (for modelling purposes)

	2022 Actual	2022 Pro-forma	2023 Guidance
Group Revenue	£1,611m	£1,734m	
Foreign exchange impact on revenue and profit	favourable 4%	n/a	Adverse 2.0% - 2.5%
Sales growth vs 2022 pro-forma	14%	n/a	0.0% - 4.0%
Corporate costs	£26m	n/a	c. £30m
Group Adjusted operating profit margin	23.6%	23.6%	(100) bps to (200) bps
Capex (as a percentage of sales)	7%		c. 7%
Effective Tax Rate	25.0%		> 25%
Net Finance Cost	£9.6m		c. £35m
Number of shares in issue (million)	73.7		73.7