

rotork[®]

Keeping the World Flowing



BUILDING A PLATFORM FOR GROWTH

FULL YEAR RESULTS 2018
PRESENTED BY:
CHIEF EXECUTIVE – KEVIN HOSTETLER
FINANCE DIRECTOR – JONATHAN DAVIS

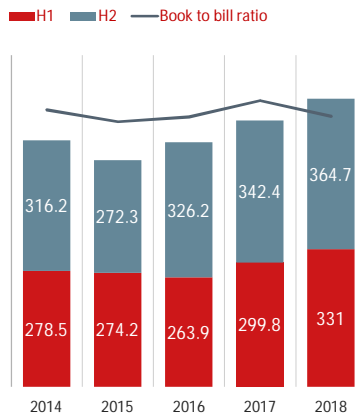


HIGHLIGHTS

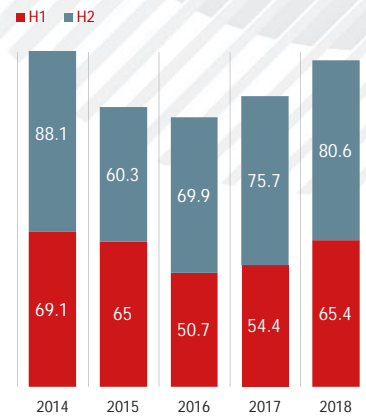
Performance

- Significant progress on all fronts
- Growth Acceleration Programme well underway
- Great hires for global leadership team
- Strong revenue, earnings and returns
 - OCC¹ revenue growth 11%
 - Adjusted profit drop-through 30%
 - Operating margin expansion to 21%
 - ROCE 29%

Revenue £M



Adjusted¹ Operating Profit £M



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

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Keeping the World Flowing

FINANCIAL AND OPERATING REVIEW

PRESENTED BY
JONATHAN DAVIS
FINANCE DIRECTOR

rotork | Full Year Results 2018

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FINANCIAL REVIEW

- Q4 order intake +4% on Q3, -2.5% on Q4 2017
- Currency impact c2% decrease in order intake, revenue and operating profit
- Adjusted operating margin of 21.0%

	2018	2017	%	OCC ¹ %
Order intake	£682m	£667m	+2.3%	+5.4%
Order book	£179m	£193m	-7.0%	-6.8%
Revenue	£696m	£642m	+8.3%	+11.3%
Adjusted ² operating profit	£146m	£130m	+12.2%	+14.8%
Adjusted ² operating margin	21.0%	20.3%	+70bps	+60 bps
Adjusted ² EPS	12.6p	10.6p	+26.0%	+29.0%
Full year dividend	5.9p	5.4p	+9.3%	

Note:

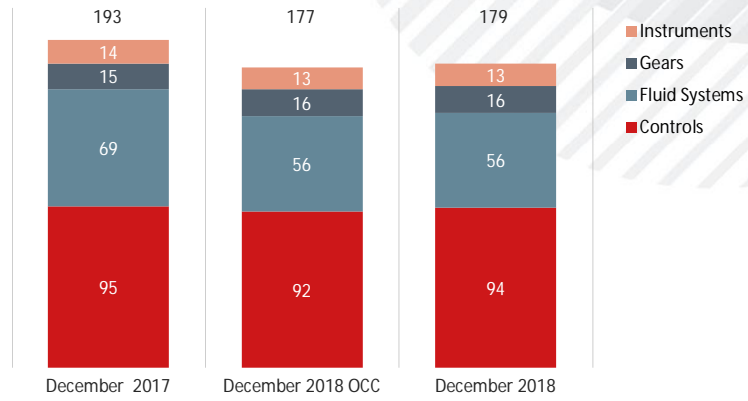
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²Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

ORDER BOOK

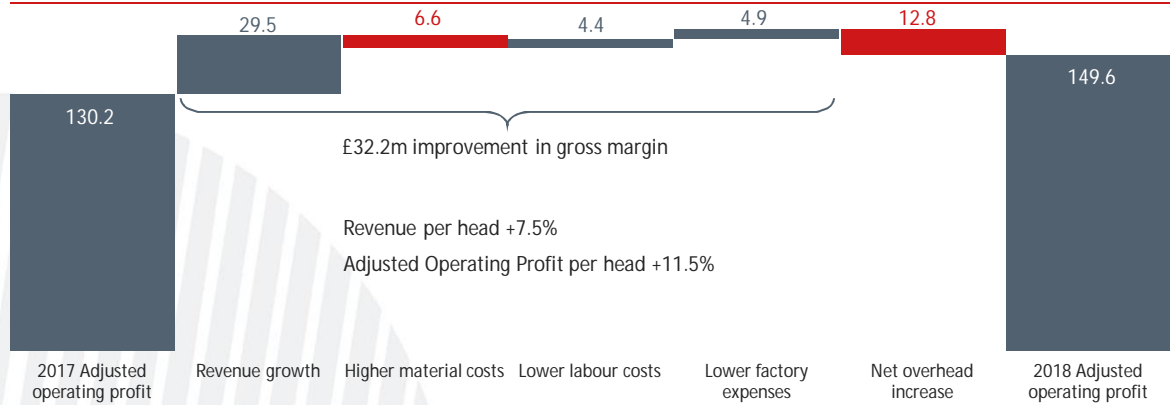
- £16m reduction in OCC order book
- £4m one-off
- Shorter lead-times in Controls

£M



OCC¹ ADJUSTED² OPERATING PROFIT BRIDGE

£M



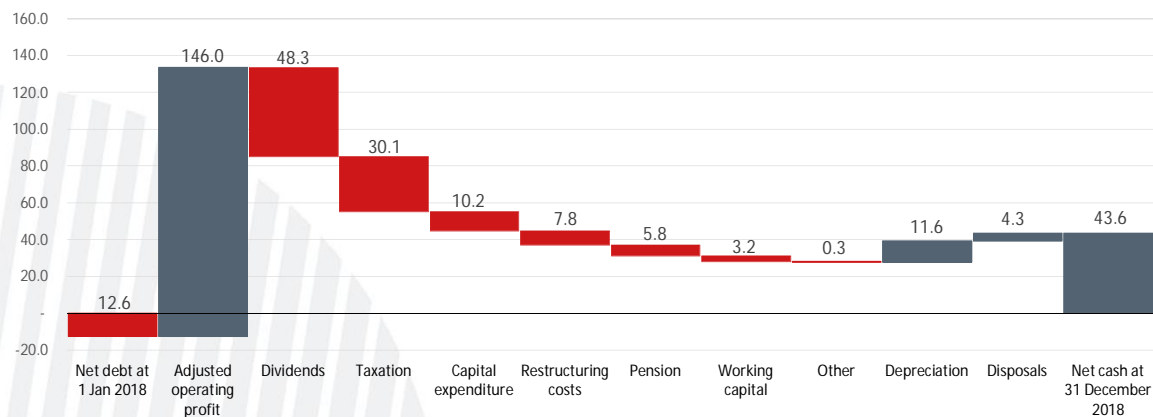
Note:

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CASH FLOWS

£M

Cash conversion 110.7%*



Note:

*calculated as cash flow from operating activities before tax outflows, adjusted items and the pension charge to cash adjustment as a percentage of adjusted operating profit

BALANCE SHEET

- Net working capital as a percentage of sales 27.7% (2017: 29.3%)
- Inventory 13.6% (2017: 14.3%) of sales or increase from 2.7 to 2.8 turns
- Pension schemes 87% funded
- Net cash £43.6m at year end
- ROCE 430bps increase

£M	December 2018	December 2017
Total assets	757.4	738.6
Total liabilities	(243.8)	(281.4)
Equity	513.6	457.2
Net working capital	192.9	188.3
Pension deficit	27.3	48.2
Net cash / (debt)	43.6	(12.6)
ROCE	29%	25%

ADJUSTMENTS TO PROFIT

- No impairment charges in 2018
- Pension curtailment gain from closure of both UK and US defined benefit schemes to future accrual during 2018

£M	2018	2017
Adjustments:		
Goodwill impairment	-	21.6
Release of contingent consideration	-	(10.0)
	-	11.6
Pension adjustments	(7.7)	-
Restructuring costs	10.5	5.4
	2.8	17.0
Amortisation of acquired intangible assets	20.3	27.2
Amortisation of acquired intangible assets and adjustments	23.1	44.2

RESTRUCTURING COSTS

- Consultancy costs H2 18 £0.7m
- Other restructuring include R&D and assets write offs
- 2019 FY estimate ~£5m

£M	2018	2017
Consultancy costs	4.0	1.6
Redundancy and executive change costs	2.9	2.0
Loss on disposal / closure of businesses	0.7	-
Other restructuring costs	2.9	1.8
Restructuring costs	10.5	5.4

GROWTH ACCELERATION PROGRAMME FINANCIAL IMPACT

GAP financial impact

- £2.8m P&L benefit in 2018
- Working capital benefit versus 2017 base year
 - Inventory £16m
 - Receivables £5m
 - Payables -£9m
- £20m total cash benefit in 2018

£M	Restructuring cost 2018	P&L benefit 2018	P&L benefit 2019	Cash benefit 2018	Cash benefit 2019
Closure / sale of business	(0.7)	-	-	4.3	-
Site improvements	(0.7)	1.1	tbc	1.1	tbc
Procurement	-	1.7	5.0	1.7	5.0
Working capital improvements	-	-	-	12.9	tbc
GAP financial impact	(1.4)	2.8	tbc	20.0	tbc

2019 GUIDANCE FOR FINANCIAL ITEMS

- Headline effective tax rate (ETR) impact by adjusted profit items
- 2017 included impact of US deferred tax change
- US corporate tax rate changes drive lower 2018 ETR
- 2019 ETR estimated at 23% to 24%

	2019	2018	2017
Headline effective tax rate		24.0%	31.0%
Adjusted effective tax rate	23-24%	23.7%	26.3%

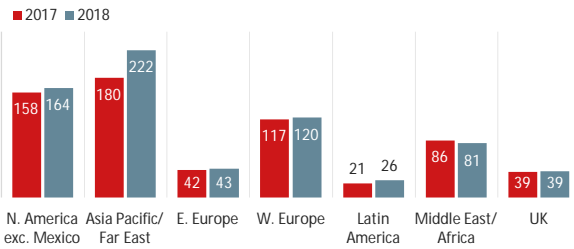
- \$1.33 and €1.17 exchange rates prevailing for the remainder of 2019 would equate to a 1% headwind for the full year
- 1 cent movement – US\$: £600,000, Euro: £400,000 impact on operating profit
- CAPEX for 2019 will be £30-£40m
- IFRS 16 leases will not have a material impact on income statement (£12m addition to net debt)
- Tariffs and Brexit

GROUP REVENUE

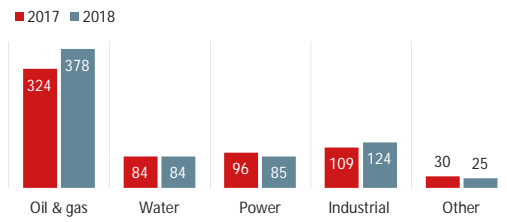
- Revenue increased across all divisions
- All regions up except Middle East / Africa
- Oil and Gas positive
- Strong Downstream growth
- Upstream and Midstream lower growth
- Good growth in Industrial Processes

Oil and gas	2017	2018
Upstream	17%	16%
Midstream	9%	9%
Downstream	24%	29%
Contribution to Revenue	50%	54%

End Destination (€M)



End User Market (€M)

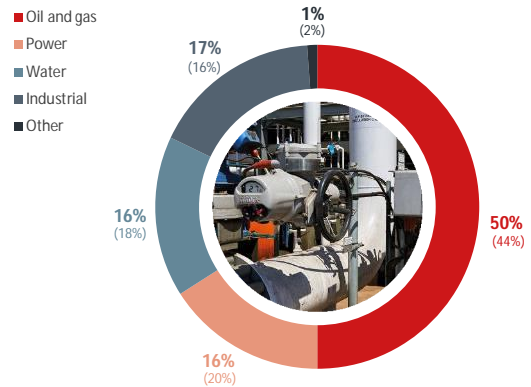


CONTROLS

	2018	2017	Change	OCC ¹ Change
Order intake	£349.2m	£333.0m	+4.9%	+8.0%
Revenue	£351.9m	£325.2m	+8.2%	+11.6%
Gross margin	52.2%	51.9%	+30bps	-20bps
Operating Profit ²	£101.3m	£92.9m	+9.1%	+11.5%
Operating Margin ²	28.8%	28.6%	+20bps	+20bps

- Material costs 70bps higher due to large projects
- Downstream strong overall up 35%, particularly in Far East and North America
- Upstream and midstream flat overall
- Industrial Processes growth from HVAC and marine

End User Market



(2017 comparative)

Note:
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² Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

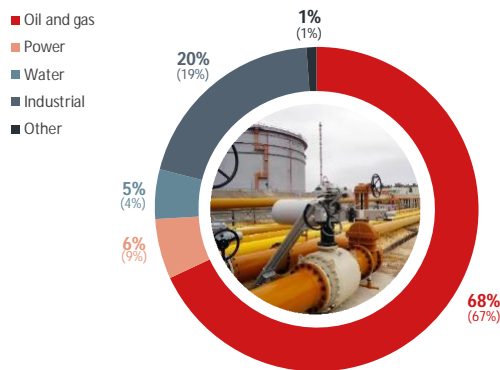
FLUID SYSTEMS

	2018	2017	Change	OCC ¹ Change
Order intake	£154.7m	£160.1m	-3.3%	+0.9%
Revenue	£166.3m	£150.1m	+10.8%	+14.2%
Gross margin	31.7%	28.9%	+280bps	+300bps
Operating Profit ²	£16.1m	£9.0m	+78.9%	+85.6%
Operating Margin ²	9.7%	6.0%	+370bps	+380bps

- Material costs 10bps better, with benefits of operational gearing
- Downstream increased to 26% of revenue (2017:22%)
- Middle East and Far East saw downstream growth
- Power affected by Middle East order in 2017 and sale of Hiller

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End User Market



(2017 comparative)

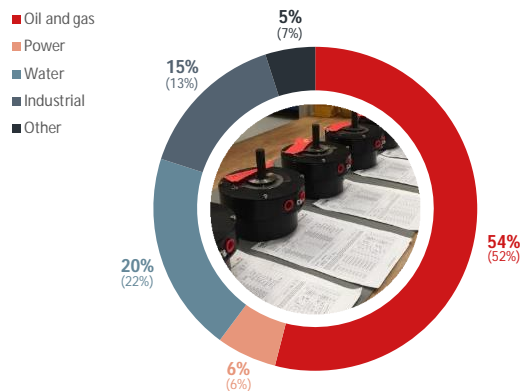
GEARS

	2018	2017	Change	OCC ¹ Change
Order intake	£86.8m	£86.1m	+0.9%	+3.8%
Revenue	£85.6m	£83.9m	+2.0%	+4.7%
Gross margin	32.2%	33.8%	-160bps	-140bps
Operating Profit ²	£15.3m	£15.7m	-2.7%	+1.3%
Operating Margin ²	17.9%	18.7%	-80bps	-70bps

- Material costs 160bps higher, impacted by warranty costs & inventory write off
- Midstream and downstream drive oil and gas growth
- Middle East and Far East strongest growing regions
- Western Europe declined as a result of slower midstream

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End User Market



(2017 comparative)

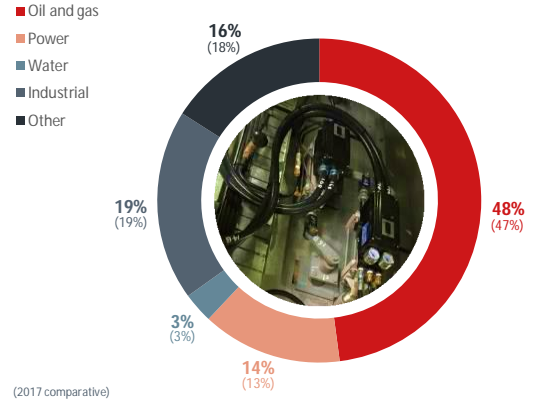
INSTRUMENTS

	2018	2017	Change	OCC ¹ Change
Order intake	£105.5m	£104.5m	+0.9%	+1.9%
Revenue	£107.2m	£100.6m	+6.5%	+7.5%
Gross margin	44.3%	43.2%	+110bps	+130bps
Operating Profit ²	£24.1m	£20.5m	+17.7%	+17.5%
Operating Margin ²	22.5%	20.3%	+220bps	+190bps

- Gross margin benefits from cost control and operational gearing
- Upstream and midstream growth strongest, downstream lower
- Western Europe driving upstream growth
- Middle East showing an overall decline

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End User Market



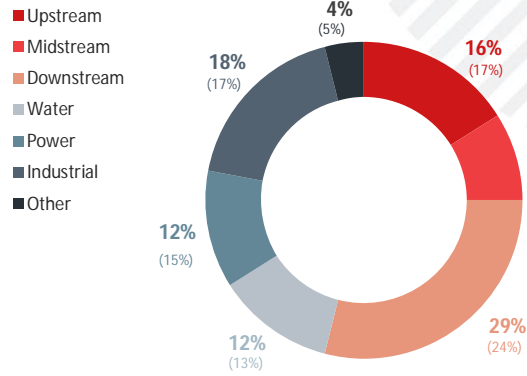
MARKET OUTLOOK & GROWTH ACCELERATION PROGRAMME UPDATE

PRESENTED BY
 KEVIN HOSTETLER
 CHIEF EXECUTIVE

MARKET ENVIRONMENT

- Recent stabilisation of oil prices
- Capex forecasts for Oil & Gas are favourable (mid single digit range)
 - Upstream – return of subsea and Middle East wellhead expansion
 - Midstream – LNG and US shale pipelines
 - Downstream – refinery and petrochemical expansion
- Water – mixed
 - Strong in India, slowing in China, low growth in Europe
- Power – declining
- Global industrial process sector slowing
 - China and US growth moderating

2018 Revenue Split



OUR FOUR PILLAR GROWTH ACCELERATION PROGRAMME



GROWTH ACCELERATION PROGRAMME

1 Commercial Excellence

Route to Market & Service Expansion

- Appointed Group Strategy and M&A Director
- Phased transition from product to market segment orientation initiates with first regions in Q2-2019
- Leveraging our installed base through continued expansion of our service and aftermarket programmes
 - Appointed new Global Director of RSS
 - Added 45 field service technicians in 2018 (14% Increase)
 - 200,000 Actuators on PM Agreements (10% Increase)

2019 Key Actions

- Expand our Key Account Management programme beyond Oil and Gas - to Water, Power and Industrial Processes
- Implement market facing organisation structure in at least 3 sub-regions
- RSS - Continued focus on services growth (North America, Middle East and Asia) and services delivery excellence
- RSS - Enhance Lifetime Management offerings and continue migration from reactive maintenance, to preventative maintenance, to predictive maintenance



GROWTH ACCELERATION PROGRAMME

1 Commercial Excellence

Innovation & New Product Development

- Appointed our Global Group Head of Engineering and Technology
- Implemented revised framework for analysing ongoing and new opportunities
- Launched KPIs to drive performance in our NPD efforts
- Continuing our focus on energy efficiency, reduced emissions, increasing operating efficiencies and advanced and secure communications protocols

2019 Key Actions

- Launch additional NPD programmes (H1-2019)
- Deployment of emerging technologies into existing platforms
- Drive optimization and standardization across platforms in support of supply chain savings
- Completion of automated design tools to drive NPD efficiencies and productization of solutions



CMA4 Control Valve Actuator
High thrust and accuracy designed to meet the increasing demand for electric driven control valves



IQ3 Range Extension
Speed and Torque increase and feature enhancements – quick disconnect



Low Power Pumps
Designed for solar powered chemical dosing applications within the Oil and Gas industry

H2 2018 LAUNCHES



Pakscan™
Rotork Master Station
High speed multi-standard control system for Rotork and 3rd Party products



IQTEPB
Explosion proof battery backed actuator. Patents pending relating to battery management and solar use.



SI4SR
Intelligent electro-hydraulic fail safe actuator for safety critical shut down systems

H1 2019 LAUNCHES

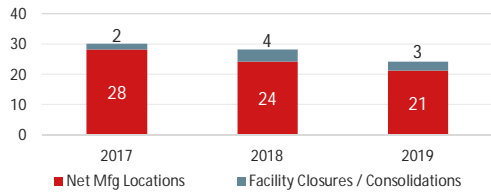
GROWTH ACCELERATION PROGRAMME

2 Operational Excellence

Operational Improvements & Footprint Rationalization

- Appointed Group Operations Director and formed global OP-EX leadership team
- Developed Rotork's mixed-model lean programme and began implementing a phased approach throughout Rotork
- Standardized operational KPIs launched company-wide
- Inventory optimization programme launched company-wide
- Delivering results and driving a new culture of Continuous Improvement

Footprint Rationalization



Supply Chain

- Investment in centralised procurement team continues
- Wave 1 (Test) categories completed - included travel, insurance, supply of certain electronic components
- Wave 2 categories initiated
- £1.7M savings achieved in 2018 / £5M targeted savings for 2019

2019 Key Actions

- Site improvement programmes launched for Korea, Leeds and India
- Roll-out of Rotork's Lean/CI methodology to our 9 biggest factories and to 10 subsidiary offices
- Continuation of facility consolidation programme
- Full deployment of centralized procurement team and "Wave 2" and "Wave 3" savings
- Formation of a focused global logistics team

GROWTH ACCELERATION PROGRAMME

3 Talent Acquisition & Development

Global Talent Development

- Leaders hired for Group General Counsel, Procurement, Communications, Talent, Strategy and M&A and Site Service functions
- Talent Review and Succession Planning processes now internalised
- Global training audit completed which advised key areas for centrally focused global capability builds
- Launched a Performance Management and Objectives programme driving a stronger linkage between strategy, behaviours, and our rewards system
- Introduced our OneRotork set of values building on our strengths and focusing on how we work together and act globally to drive our vision

2019 Key Actions

- Rhythm of talent reviews, succession plans and development across our senior and middle management population
- Progress against our diversity targets



GROWTH ACCELERATION PROGRAMME

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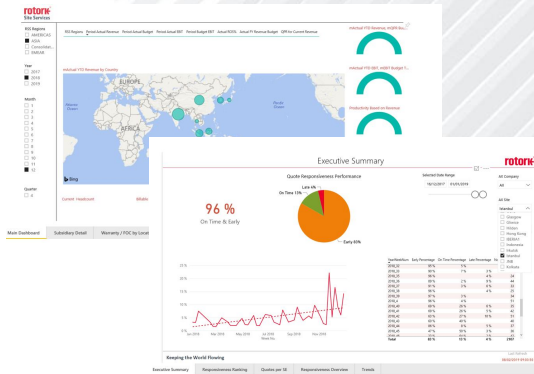
IT & Core Business Processes

IT / Systems

- Developed a Strategic Data Platform (SDP) to deliver business KPIs and advanced analytics across all current and future enterprise applications
- Delivered Business Intelligence (BI) dashboards for Sales, Operations and Field Services
- Selected Microsoft Dynamics 365 as our enterprise technology platform and Hitachi Solutions as our Systems Integrator

2019 Key Actions

- Completion of the design of our enterprise architecture using the D365 platform and deploy first iterations of our CRM, project tracking and global HR systems
- Continue our investment in enabling technologies, including enhanced data analytics and strengthened cybersecurity measures

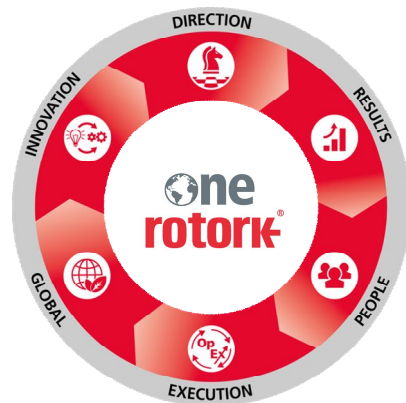


GROWTH ACCELERATION PROGRAMME

Strategy, Portfolio, and Product Line Assessment
Simplifying our core business and preparing for acceleration

Portfolio and Product Line Rationalization

- Exited/discontinued three businesses within the portfolio
 - Nuclear island actuators, US and UK Valvekits & Regional engineering centre
- Announced the discontinuance of almost 50 product lines
 - largely superseded by newer generation products



OUTLOOK

- End markets remain stable notwithstanding heightened macroeconomic uncertainty
- Growth Acceleration Programme continues on track with strong execution to date
- Modest sales growth on an OCC basis in 2019
- Lower sales year on year in H1 reflecting the strong comparator period
- Full year margins to show progress on 2018



APPENDICES

ANALYSIS OF MOVEMENTS

£M	2018 as Reported	Adjust to CC	Remove Disposals	2018 at OCC ¹	2017 ²	2017 as Reported
Order intake	681.7	16.1	(2.0)	695.8	659.9	666.5
	2.3%			+5.4%		
Revenue	695.7	16.4	(3.1)	709.0	636.9	642.2
	8.3%			+11.3%		
Adjusted ³ operating profit	146.0	3.7	(0.1)	149.6	130.3	130.2
	12.2%			+14.8%		
Adjusted ³ operating margin	21.0%			21.1%	20.5%	20.3%
	70bps			60bps		

- Revenue split 40% US\$, 31% Euro, 11% GBP and 19% other currencies
- Adjustments relate to intangible amortisation of £20.3m (2017: £27.2m), pension related credits £7.7m (2017: nil) and restructuring costs £10.5m (2017: £5.4m).

Note:

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² 2017 reported figures excluding disposals.

³ Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments.

CONSTANT CURRENCY ANALYSIS

£M	2018 as Reported		Adjust to CC	2018 at 2017 rates		Remove Disposals	2018 at OCC ¹		2017 ²	
Revenue	695.7		16.4	712.1		(3.1)	709.0		636.9	
Cost of Sales	(384.2)		(10.3)	(394.5)		(1.9)	(392.6)		(354.8)	
Gross Profit	311.5	44.8%	6.1	317.6	44.6%	(1.2)	316.4	44.6%	282.1	44.3%
Overheads	(165.5)	23.8%	(2.4)	(167.9)	23.6%	1.1	(166.8)	23.5%	(151.8)	23.8%
Adjusted³ operating profit	146.0	21.0%	3.7	149.7	21.0%	(0.1)	149.6	21.1%	130.3	20.5%

- OCC¹ gross margins increased 30bps
- OCC¹ overheads decreased 30bps
- OCC¹ net margin 60 bps higher

Note:

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ADJUSTED OPERATING MARGINS³

£M	H1 2018	H2 2018	FY 2018	FY 2018 OCC ¹	FY 2017 ²
Controls	27.6%	29.8%	28.8%	28.6%	28.6%
Fluid Systems	7.4%	11.8%	9.7%	9.8%	6.0%
Gears	18.9%	16.9%	17.9%	18.2%	18.9%
Instruments	21.4%	23.6%	22.5%	22.9%	21.0%
Group	19.8%	22.1%	21.0%	21.1%	20.5%

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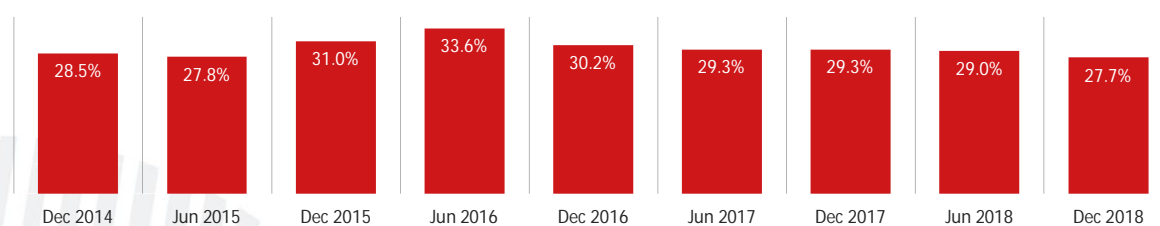
EARNINGS PER SHARE

£M	2018	2017	Change
PBT as reported	120.7	80.6	+49.8%
Adjusted ¹ PBT	143.8	124.8	+15.3%
Effective tax rate	24.0%	31.0%	
Adjusted ¹ effective tax rate	23.7%	26.3%	
Basic EPS as reported	10.5p	6.4p	+64.1%
Adjusted ¹ basic EPS	12.6p	10.6p	+18.9%

Note:

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

WORKING CAPITAL



£M	Dec 2017	% Revenue	Dec 2018	% Revenue
Inventory	91.9	14.3%	94.7	13.6%
Trade Receivables	145.5	22.7% (63 D.S.O.)	145.5	20.9% (62 D.S.O.)
Trade Payables	(49.2)	7.7%	(47.3)	6.8%
Net Working Capital	188.2	29.3%	192.9	27.7%

EXCHANGE RATES

	US \$	Euro €
Average rates		
H1 2017	1.26	1.16
Full Year 2017	1.29	1.14
H1 2018	1.38	1.14
Full Year 2018	1.34	1.13
+ = GBP STRENGTHENING / - = GBP WEAKENING		
H1 2018 v H1 2017	+10%	-2%
FY 2018 v FY 2017	+4%	-1%
Period end rates		
December 2017	1.35	1.13
June 2018	1.32	1.13
December 2018	1.28	1.11
+ = GBP STRENGTHENING / - = GBP WEAKENING		
December 2018 v December 2017	-5%	-2%

DIVIDENDS

- 2018 final dividend increased by 10.4% to 3.70 pence
- Dividend cover 1.8 times (adjusted cover 2.1 times)

Core Dividend	Month Paid / Payable	Amount (pence)	Cost (£m)
2016 Final	May 2017	3.15p	27.4
2017 Interim	September 2017	2.05p	17.8
Paid in 2017		5.20p	45.2
2017 Final	May 2018	3.35p	29.2
2018 Interim	September 2018	2.20p	19.1
Paid in 2018		5.55p	48.3
2018 Final		3.70p	32.3

REVENUE ANALYSIS

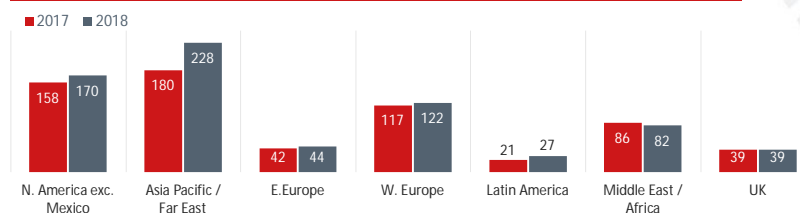
By division (%)	Controls	Fluid Systems	Gears	Instruments	Total
2018	50.6	23.9	10.5	15.0	100.0
2017	50.6	23.4	11.3	14.7	100.0

By end user market (%)	Oil & Gas	Power	Water	Industrial	Other	Total
2018	54.4	12.2	12.1	17.8	3.5	100.0
2017	50.5	14.9	13.1	17.0	4.5	100.0

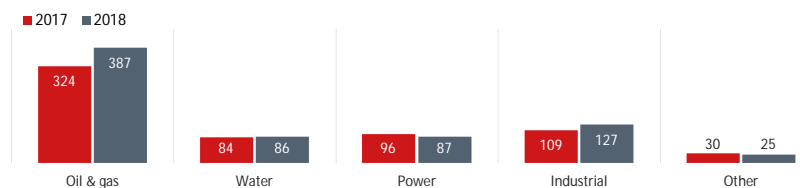
By end destination (%)	Asia Pac / Far East	Europe	Middle East / Africa	N. America exc. Mexico	UK	Eastern Europe	Latin America
2018	31.9	17.2	11.7	23.6	5.6	6.2	3.8
2017	28.0	18.3	13.4	24.6	6.0	6.5	3.2

GROUP REVENUE¹

End Destination (£m)



End User Market (£m)



¹2018 revenue is stated on a constant currency basis with the 2018 figures restated at 2017 exchange rates

DISCLAIMER

This information includes 'forward-looking statements'. All statements other than statements of historical fact included in this presentation, including, without limitation, those regarding Rotork's ("the Company") financial position, business strategy, plans (including development plans and objectives relating to the Company's products and services) and objectives of management for future operations, are forward-looking statements. These statements contain the words "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Past business and financial performance cannot be relied on as an indication of future performance.

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