



**Rotork Plc**

## **Responding to COVID-19**

**31 March 2020**

Rotork Plc (“Rotork”), the global flow control and instrumentation group, today announces the actions it is taking in response to COVID-19. This announcement contains inside information.

### **Responding to COVID-19**

Our priority is the health and safety of our colleagues and their families, our customers, suppliers and all other stakeholders, and we are taking decisive actions to manage the situation whilst following the instructions from governments and health authorities.

Since Rotork reported its Full Year Results on 3 March, the outlook for 2020 has become considerably more uncertain. Governments around the world are taking unprecedented measures to contain the COVID-19 pandemic, including restricting the movement of people, requiring social distancing and in some cases closing places of work.

Our ability to deliver products and services to our customers has remained good considering the demanding environment. However, in the last few weeks we have started to experience increased disruption. This is due to our actions to protect our people (including in our factories, where we have had to change working practices and conditions, and in some cases have had temporary closures), our supply chain (where not all of our alternative suppliers have been able to sufficiently lift production) and logistics (international transportation is taking longer and has become more expensive).

- The initial COVID-19 outbreak in China caused delays in deliveries and an increase in logistics costs. The Rotork teams have worked hard to overcome these issues and the output from our factory in China is now close to back to normal.
- Whilst our teams in India and Malaysia continue to work effectively, our factories in these countries are currently closed, in-line with government instructions.
- The situation in Italy is now impacting the Group. Rotork has three manufacturing sites in Italy, and a significant valve-maker customer base in the country. Our sales people, application engineers and contracts teams are working from home and remain in close contact with their customers and their Rotork colleagues globally. Our factories in Italy are currently all closed, in-line with government guidance.
- Our UK factories are now open having been temporarily closed last week whilst we further strengthened our health and safety procedures including new work patterns.
- Our US factories are complying with local government instructions meaning they are currently open as deemed essential facilities but operating at reduced capacity. There have been some additional delays in deliveries from our US factories due to component shortages resulting from the cancellation of airfreight from Europe.

Whilst we are planning to keep our sites open, we will not hesitate to close them again if required or if we believe there is any risk to our colleagues from them being on site.

### **Market environment**

In light of uncertainty relating to COVID-19, and the near term requirement to conserve cash, customers in several of our end markets have announced high level plans to revisit their capital and operational expenditure commitments. It is too early to fully assess the impact of these. It is also too early to assess the impact of lower hydrocarbon prices on our upstream oil & gas customers. Water & wastewater customers in most regions expect the sector to remain active. In the short term our customers' focus is on fulfilling existing commitments, and we in turn are focused on meeting those needs for both our products and services. Notwithstanding the short term impact, Rotork products and services remain pivotal to the safe and efficient running of critical processes across a wide range of key end markets.

### **Mitigating actions, 2019 final dividend and balance sheet**

Given the high level of uncertainty we currently face due to COVID-19, we are taking steps to reduce the impact on our business. Actions taken across the Group include a recruitment freeze, postponing salary increases including for the Board, restricting discretionary spending and drawing on government wage replacement schemes (where these exist) and flexibility within the workforce.

Our ambitious Growth Acceleration Programme continues to drive cost benefits from procurement, site improvement, continuous improvement/lean and organisation change. We are reviewing whether there are cost benefits we could bring forward or investments we could delay. We made strong progress on cash generation in 2019 and this remains a major focus across the Group.

In order to ensure that Rotork can continue to act from a position of strength, and recognising the exceptional set of circumstances and the mitigating actions the business is taking, the Board believes it is appropriate to withdraw the recommendation to pay the final dividend of 3.9 pence per share, resulting in an anticipated cash saving of £34m, and reassess the position later in the calendar year when the situation is clearer.

This decision reflects the Board's confidence in the long-term outlook for Rotork and its Growth Acceleration Programme.

### **Financial position**

Rotork is a highly cash generative business with a robust balance sheet. The Group had c. £110m of net cash as at 29 March 2020 and a £60m undrawn revolving committed facility which is scheduled to mature on 26 August 2020. We are currently in advanced discussions with the Group's banks to extend this facility and have also applied to the UK Government's CCFF scheme.

### **Current trading and guidance**

Whilst the activity level for the Group in January and February was in-line with our expectations, we began to see an impact on both orders and deliveries in March. Asia Pacific order intake, however, was broadly in-line with expectations despite softness early in the period. Given the unprecedented level of uncertainty, it is not currently possible for the Group to provide guidance for 2020.

**Kevin Hostetler, CEO, commented:**

“Rotork’s products and services are used in critical applications such as energy, water, power and transportation and in line with our corporate purpose we are committed to ‘keeping the world flowing for future generations’. Our first priority however is the health and safety of our colleagues and their families, our customers, our suppliers and all other stakeholders, and I would like to recognise the extraordinary fortitude and determination of all our people at this challenging time.

Whilst there is unprecedented uncertainty on how unfurling events will directly impact our markets and our businesses, we enter this period from a position of strength. Rotork has a great workforce, strong market positions and substantial net cash resources.”

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