



Rotork Plc

Pre-close update

30 June 2020

Rotork Plc, the global flow control and instrumentation Group, issues the following update prior to entering our interim results close period.

COVID-19 update

Our priority is the health and safety of our colleagues and their families, our customers, suppliers and all other stakeholders. We continue to take decisive actions to manage the COVID-19 situation whilst following the instructions from governments and health authorities.

Kevin Hostetler, Chief Executive said *"I would like to recognise the extraordinary fortitude and determination of all our people in recent months, be they in our factories, in Rotork Site Services, in our offices or currently working from home. Thanks to all their hard work Rotork will emerge stronger than ever. I am also really proud of their efforts supporting our local communities."*

Since our trading update on 31 March the near-term outlook has become a little clearer, but there remains considerable uncertainty, including potential further COVID-19 impacts.

All our production facilities are currently open, albeit in a small number of cases operating at below normal output levels, with reconfigured layouts and processes and equipment to allow safe distancing between our employees. Whilst we are planning to keep our facilities open we will not hesitate to close them again if required or if we believe there is any risk to our colleagues or their families.

Trading update

Despite the unprecedented economic environment trading has held up reasonably well.

Based on trading to mid June 2020 we anticipate that, subject to the timing of receipt of expected orders, Group order intake in the first half will be circa 16-18% lower than the previous year's £362m on an OCC¹ basis, with Asia Pacific orders modestly lower year on year (YoY) and demand in the EMEA region holding up better than that in the Americas.

Oil & Gas orders are expected to be down slightly more than the Group, with the upstream most impacted. Downstream orders are likely to hold up better but still be down YoY.

Water & Power provides essential products and services and we anticipate a resilient performance from the division. Incoming orders are anticipated to be lower YoY reflecting the strong prior year period.

Chemical, Process & Industrial ("CPI") orders are likely to be down YoY, but less than the Group. Process demand is expected to hold up better than other CPI end markets with the HVAC segment particularly busy.

Group revenues are anticipated to have declined in the first half, reflecting COVID-19 related disruption to our factories, supply chains, logistics and to Rotork Site Services. This disruption peaked in April and has reduced steadily since, albeit we are not yet back to normal. In the April –

May period, revenues were down 14% YoY on an OCC basis equalised for working weeks. We anticipate that, subject to no additional COVID-19 related disruption, Group revenues in the first half will be circa 11-13% down YoY, and whilst adjusted Group operating profits will be lower, margins will be relatively resilient.

Update on mitigating actions

We announced on 31 March 2020 the mitigating actions we would be taking to reduce the impact of COVID-19 on our business. These actions included a recruitment freeze, postponing salary increases, restricting discretionary spend, drawing on government wage replacement schemes and flexibility with the workforce. These benefited our performance in April and May.

We are in the process of accelerating some restructuring actions that we had planned for the latter years of the Growth Acceleration Programme. The cost of these restructuring actions is expected to be circa £2m in the first half. We have also deferred the commencement of some parts of our IT upgrade, reducing our planned capital expenditure for this year by a similar amount.

Financial position and bank facility update

Rotork remains highly cash generative and we maintain a strong balance sheet. The Group had £125.6m of net cash as at 31 May 2020. We recently entered into a new committed two-year revolving credit facility with our banks. The facility, which is undrawn, is for £60m.

Outlook

Due to the unprecedented level of uncertainty, on 31 March we withdrew our forward guidance for the current year. Whilst the near-term outlook has become a little clearer, there remains considerable uncertainty, hence we retain this position. We are confident however that we will successfully navigate the current challenges and will be a stronger business going forward. Our confidence comes in no small part from the success to date of our Growth Acceleration Programme initiatives which have already demonstrably increased Rotork's cyclical resilience.

We expect to publish our half-year results on Tuesday 4 August 2020.

A conference call for analysts and investors will be held at 8:00 BST today to discuss this statement.

The dial-in details are as follows:

UK dial-in number: 020 3936 2999

All other locations: +44 20 3936 2999

Access code: 396394

¹OCC is organic constant currency results which exclude discontinued businesses from 2019 results and 2020 results are restated at 2019 exchange rates.

Historical results under our new divisional structure

Following the completion of the implementation of our new market aligned structure, Rotork will now report under three divisions: Oil & Gas, Water & Power, and Chemical, Process & Industrial (“CPI”). This realignment is an important element of our Growth Acceleration Programme and means our client facing teams now sell to specific end markets. The new structure will more closely address customer needs and facilitate closer customer relations through key account management. Further information on our restatement methodology will be provided with our half-year results. The table below shows Rotork’s historical results from 2017 onwards analysed by each new division.

£m	2017	2018	2019	H1 2019
Oil & Gas				
Revenue	306.7	345.7	330.0	158.1
Adjusted operating profit	62.7	75.1	75.5	34.8
Adjusted operating profit margin	20.4%	21.7%	22.9%	22.0%
Water & Power				
Revenue	172.7	159.8	154.9	69.1
Adjusted operating profit	41.6	41.1	45.1	18.0
Adjusted operating profit margin	24.1%	25.7%	29.1%	26.0%
Chemical, Process & Industrial				
Revenue	162.8	190.2	184.4	91.4
Adjusted operating profit	33.8	40.7	42.0	19.8
Adjusted operating profit margin	20.8%	21.4%	22.8%	21.6%
Unallocated costs	-7.9	-10.9	-11.6	-5.4
Group				
Revenue	642.2	695.7	669.3	318.6
Adjusted operating profit	130.2	146.0	151.0	67.2
Adjusted operating profit margin	20.3%	21.0%	22.6%	21.1%