2020 Interim Results

August 4, 2020

Presented by

Chief Executive – Kevin Hostetler
Finance Director – Jonathan Davis

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for Future Generations

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Our COVID-19 Response

Doing the best for our team, our customers, our communities and our shareholders

- Quickly developed and executed our COVID-19 Response Plan
- Our top priority is, as always, our team's health, safety and welfare
  - Completed comprehensive risk assessments early in the crisis
  - Immediately closed sites when warranted
  - Increased all-staff communications and wellbeing initiatives
  - Created and launched centralized wellbeing intranet site
- Rotork is open for business – with our facilities deemed essential
- Working with and for our communities to provide PPE and food to those that require it
- Launched our 'Rotork Benevolent Support' Charity

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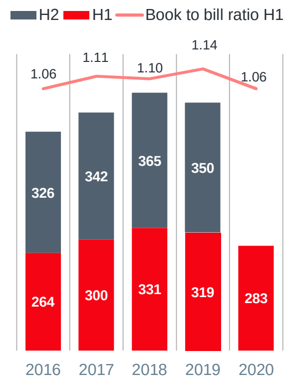
Highlights

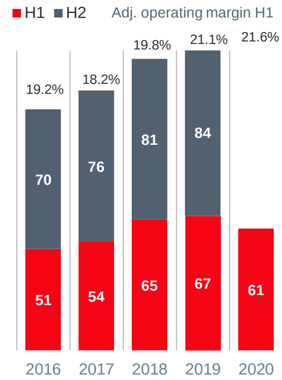
Performance

- Significant progress on our Growth Acceleration Programme
- Strong margins, cash, balance sheet and returns
  - Operating margin expansion of 50bps to 21.6%
  - Flow through of lower revenue to adjusted operating profit from H1/19 was limited to just 17%
  - Cash conversion 116%
  - Strengthened balance sheet with closing net cash £144M
  - ROCE 30.7%, +100bps

Revenue £M



Adjusted[1] operating profit £M



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

Financial Review

Presented by
Jonathan Davis, Finance Director

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Financial Review

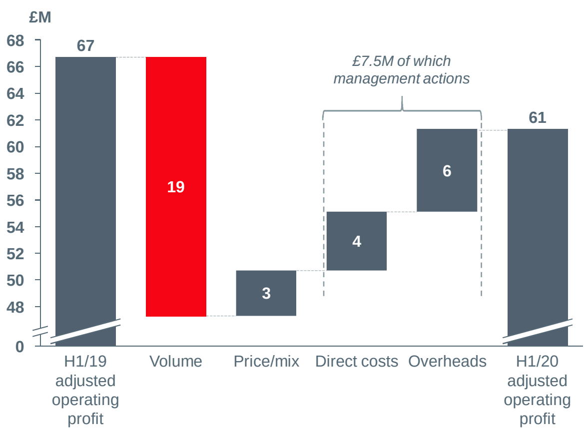
- H1 order intake -17.1% (OCC: -15.6%)
- Adjusted operating margin +50bps to 21.6%
- Disposal contributed £4.5M revenue / £0.6M profit in H1 2019
- Cash conversion 116%
- 3.9p dividend declared (equivalent to deferred 2019 final dividend)
- 2020 full year dividend to be considered at year end

	H1 2019	H1 2020	%	OCC[1]%
Order intake	£363M	£301M	-17.1%	-15.6%
Revenue	£319M	£283M	-11.1%	-9.6%
Adjusted[2] operating profit	£67M	£61M	-8.9%	-8.0%
Adjusted[2] operating margin	21.1%	21.6%	+50bps	+40bps
Adjusted[2] EPS	5.8p	5.4p	-7.3%	-7.1%
Cash conversion	117.4%	116.1%		

Note: 1) OCC results exclude disposals and are restated at 2019 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

Adjusted[2] Operating Profit Bridge (OCC[1])

- Price/mix driven by lower pneumatic/hydraulic actuator sales
- Gross margin +120bps to 46.9% (+80bps OCC)
- Adjusted operating margin +50bps to 21.6% (+40bps OCC)



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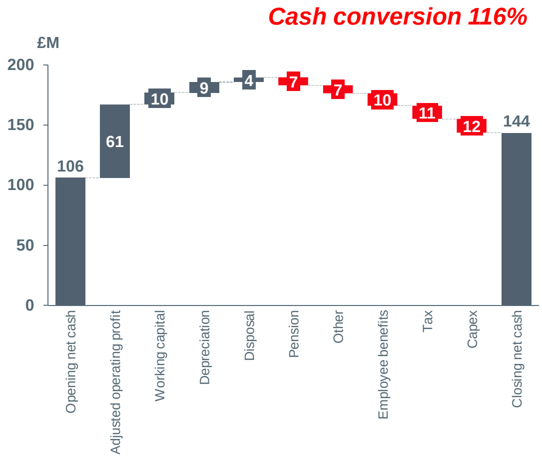
Cash Flow

- Cash conversion 116% (H1 2019: 117%)
- ROCE 30.7% (+100bps)
- Net working capital / sales 27.5% (28.6%)
- Inventory 14.3% of sales (13.8%)
- Trade receivables 56 DSO (65)



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2020 Financial & Others Items Update

- Full year currency impact c2% headwind
- Some GAP benefits impacted by COVID-19
- Other GAP initiatives accelerated
- £4m exceptional costs
- CapEx c£25M full year
- Adjusted effective tax rate not expected to change

	2019	2020 Previous	2020
Site improvements	1.9		
Procurement	5.8		
Continuous improvement / lean	1.5		
Organisation change	1.0		
	10.2		

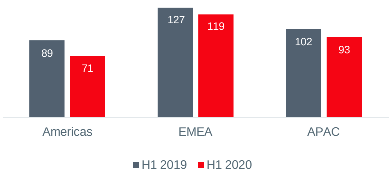
	2019	2020
Headline effective tax rate	23.6%	23.5%
Adjusted effective tax rate	23.5%	23.4%

Group Revenue

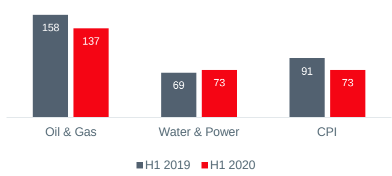
- Group revenue was 11.1% lower (9.6% OCC)
- Sales growth at Water & Power was more than offset by lower Oil & Gas and CPI revenues
- EMEA revenues only modestly lower
- Asia Pacific sales down slightly less than the Group, with growth at Water & Power
- Lower Americas revenues reflect disposal and significantly reduced activity at Oil & Gas

	H1 2019	H1 2020
Upstream	15%	14%
Midstream	10%	9%
Downstream	25%	26%
Contribution to revenue	50%	48%

End destination (£M)



End user market (£M)



Oil & Gas

	H1 2019	H1 2020	Change	OCC[1] Change
Revenue	£158.1M	£137.2M	-13.2%	-12.8%
Adjusted[2] operating profit	£34.8M	£29.0M	-16.8%	-16.6%
Adjusted[2] operating margin	22.0%	21.1%	-90bps	-100bps

- EMEA revenues broadly unchanged with downstream growing
- APAC down close to the divisional average
- Americas activity was already lower pre COVID-19 disruption
- Margins relatively resilient, down only 100bps at 21.1%

Note: 1) OCC results exclude disposals and are restated at 2019 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

Water & Power

	H1 2019	H1 2020	Change	OCC[1] Change
Revenue	£69.1M	£73.2M	+5.9%	+7.0%
Adjusted[2] operating profit	£18.0M	£20.7M	+14.8%	+14.9%
Adjusted[2] operating margin	26.0%	28.2%	+220bps	+190bps

- In APAC, revenue grew in both sectors with China water strong
- Americas higher benefiting from power refurbishment work
- EMEA sales lower in part due to UK regulatory cycle
- Margins up 220bps to 28.2% benefiting from cost control

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Chemical, Process & Industrial

	H1 2019	H1 2020	Change	OCC[1] Change
Revenue	£91.4M	£72.9M	-20.3%	-16.8%
Adjusted[2] operating profit	£19.8M	£16.8M	-15.2%	-12.7%
Adjusted[2] operating margin	21.6%	23.0%	+140bps	+100bps

- EMEA revenues down but less than the division overall
- APAC similarly lower due to COVID-19 logistics challenges
- Americas revenues double-digits down, with a significant proportion reflecting distribution disposal at the end of 2019
- Margins rose 100bps (OCC) despite lower revenues

Note: 1) OCC results exclude disposals and are restated at 2019 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

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Market Environment & Growth Acceleration Programme Update

Presented by
Kevin Hostetler, Chief Executive

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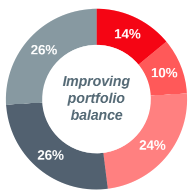
Market Environment

- Upstream most impacted by CapEx reductions. Stabilisation of oil prices above incentive levels required
- In midstream, infrastructure spend continues. Major players are retaining their longer term spending plans
- Downstream remains comparatively resilient with signs that some Asia Pacific projects may be accelerated
- The water sector remains active driven by infrastructure build in Asia Pacific and modernisation elsewhere. Power refurbishment activity ongoing
- CPI markets choppy with some encouraging signs in Asia Pacific (process industry expansion) whilst Americas outlook is uncertain

H1 2020 revenue split

- Upstream
- Midstream
- Downstream
- Water & Power
- CPI



Typical order size

- Small orders <£10K
- Small to mid-sized orders £10K<X<£100K
- Mid to large-sized orders £100K<X<£1M
- Large orders >£1M

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Strategic Opportunities

	Oil & Gas	Water & Power	CPI
Target areas	*High growth regions, optimised channel coverage, electrification of actuation*		
	Pipelines, terminals, tank farms, automation, emissions	Desalination, leakage, waste-to-energy	Process automation, HVAC, chemical
NPD & innovation	Innovate to differentiate, pursue high value niches, defend the core, apply value engineering. Key product launches include battery backup, connected products, ethernet		
Service & aftermarket	Investment in Rotork Site Services, rollout of Lifetime Management programmes		
	Harvest installed base	Traditional power generation refurbishment opportunities	Developing space
Digital	Increased onboard sensing and computational capabilities	Network management	Digitalisation trend accelerating
ESG	New emissions regulations, drive to lower energy consumption	Ever higher potable and discharge standards	Recycling, carbon capture, hydrogen economy

Four Pillar Growth Acceleration Programme

1 COMMERCIAL EXCELLENCE
- Channel optimisation – shifting to end-market orientation
- Key account and end-user focus
- Innovation & NPD
- Services expansion

2 OPERATIONAL EXCELLENCE
- Targeted manufacturing improvements
- Supply chain globalisation
- Footprint optimisation

3 TALENT & CULTURE
- Internalising talent review process
- Aligning strategy, behaviours, and rewards systems
- Re-defining our Rotork culture

4 IT & CORE BUSINESS PROCESSES
- Improving and standardising core business processes enabling back office leverage
- IT/Systems enhancements

Strategy, portfolio, and product line assessment
Simplifying our core business and preparing for acceleration

GROWTH | MARGIN ENHANCEMENT | KEY ENABLERS

Since its 2018 inception, our Growth Acceleration Programme has delivered £17M of annualized P&L benefit and £27M of working capital improvements

Growth Acceleration Programme

1 Commercial Excellence

Market realignment

- Transition to end market orientation complete
- Early benefits already apparent in APAC and EMEA

Value selling

- Now embedded in the team's regular training

Route to market

- Review of channel partners completed and new re-seller appointments and onboarding underway

Innovation and New Product Development

- Clearly seeing benefits of previous process changes
- Targeting 15 new product launches in 2020

Rotork Site Services

- New Lifetime Management and Reliability Services programmes launched
- Lockdown period enabled an acceleration of the team's training and development plans

Key H2 actions:

- Increased alignment of sales support functions
- Initiate Voice of Customer and Ideation training

End-market Alignment – Early Benefits

	Oil & Gas	Water & Power	CPI
Customer	**Northern European gas distribution network**	**Major Australian water utility**	**Leading EMEA severe service valve maker**
Programme	Marine stabilisation / LNG offloading	Actuator supply & comprehensive service tender	Strategic account management identified opportunity for greater wallet share
History	Supply limited to traditional Rotork heavy-duty actuation products	Rotork a second supplier (representing less than 30% of the utility's installed base)	Existing partnership framework (predominantly covering actuators and gearboxes)
Actions	Teams pitched entire Rotork portfolio of products and services emphasising initiatives underway making us easy to do business with		
Results	**Incremental £100K sales of products from the Rotork portfolio**	**Awarded principal supplier status for 5 year contract**	**Our positioner offering now under final review, potential revenue opportunity > £1.5M pa**

Growth Acceleration Programme

2 Operational Excellence

Global sourcing

- Earlier supply chain resilience work paying off
- Initiatives this year to benefit 2021 and beyond

Inventory management

- Reduction programme continues - £6.6M down from H1 2019 despite tactical stock increase in some areas

Continuous improvement

- 124 Rapid Improvement Events (RIEs) in H1 2020

Factory optimisation

- One assembly facility closed
- Now at 21 manufacturing locations (Q4 2017: 30)

Key H2 actions:

- Complete Rochester site expansion
- Progressing footprint optimisation
- Deliver c.120 RIEs in H2
- Continue deployment of Rotork Inventory Optimiser and Rotork Mixed-Model Lean programmes

Growth Acceleration Programme

3 Talent & Culture

Global developments

- Extraordinary team strength during COVID-19
- Extremely pleased with Rotork's response
- Our people are truly living our purpose
- Communication and wellbeing initiatives stepped up and very well received
- Rotork Benevolent Support charity launched
- Board-level ESG committee formed

Key H2 actions:

- 'Return to office' strategies
- Launch Rotork Management Development Programme

Growth Acceleration Programme

4 IT & Core Business Processes

IT / Systems

- Development of new enterprise technology platform, Microsoft Dynamics 365 (D365), continues
- Rolled-out enhancements to our global HR platform and implemented our CRM platform across all sites
- Recognising the practical difficulties presented by COVID-19 we deferred ERP factory roll-out to later in 2021
- Microsoft Teams deployment significantly helped with communication and remote working

Key H2 actions:

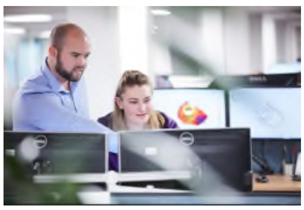
- Deliver Customer Experience and HR release 2
- Complete design and build of product lifecycle management suite
- Continue to progress ERP core build iterations

Microsoft Dynamics® 365

Summary

Growth Acceleration Programme driving cyclical resilience

- COVID-19 has demonstrated the strength of Rotork and all of its people
- Margins higher year-on-year despite revenue decline
- Flow through of lower revenue to adjusted operating profit from H1 2019 was limited to just 17%, and from H2 2019 was 33%
- End market re-orientation complete, early benefits apparent
- Several GAP projects accelerated – removing complexity, and further optimizing the global factory footprint
- Strong balance sheet provides flexibility in uncertain times
- Previously deferred 2019 final dividend to be paid in September, 2020 dividend to be considered at year end



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Focused execution once again delivered margin progress

Outlook

Whilst the outlook for our end markets remains uncertain, we entered the second half with our production facilities operating at close to normal output levels, a solid order book and the considerable flexibility provided by our strong balance sheet

We are confident that we will successfully navigate the current challenges and will be a stronger business going forward

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Appendices

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Analysis of Movements

£M	2020 as Reported	Adjust to CC	Remove Disposals	2020 at OCC[1]	2019[2]	2019 as Reported
Order intake	300.5	1.7	-	302.2	358.1	362.5
	-17.1%			-15.6%		
Revenue	283.2	0.7	-	283.9	314.1	318.6
	-11.1%			-9.6%		
Adjusted[3] operating profit	61.2	0.1	-	61.3	66.6	67.2
	-8.9%			-8.0%		
Adjusted[3] operating margin	21.6%			21.6%	21.2%	21.1%
	+50bps			+50 bps		

- Adjustments relate to intangible amortisation of £7.1M (2019: £9.0M), pension related credits nil (2019: nil) and restructuring costs £4.0M (2019: £4.6M)

Note:
[1] OCC results exclude acquisitions / disposals and are restated at 2019 exchange rates.
[2] 2019 reported figures excluding disposals.
[3] Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments.

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Constant Currency Analysis

£M	2020 as Reported		Adjust to CC	2020 at 2019 rates		Remove Disposals	2020 at OCC[1]		2019[2]	
Revenue	283.2		0.7	283.9		-	283.9		314.1	
Cost of sales	(150.5)		(0.5)	(151.0)		-	(151.0)		(169.7)	
Gross profit	132.7	46.9%	0.2	132.9	46.8%	-	132.9	46.8%	144.4	46.0%
Overheads	(71.4)	25.2%	(0.2)	(71.6)	25.2%	-	(71.6)	25.2%	(77.8)	24.8%
Adjusted[3] operating profit	61.2	21.6%	0.1	61.3	21.6%	-	61.3	21.6%	66.6	21.2%

- OCC[1] gross margins increased 80bps
- OCC[1] net margin 40bps higher

Note:
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Adjusted Operating Margins[3]

£M	H1 2020	H1 2020 OCC[1]	H1 2019[2]	FY 2019[2]
Oil & Gas	21.1%	21.1%	22.1%	22.9%
Water & Power	28.2%	28.1%	26.2%	29.1%
Chemical, Process & Industrial	23.0%	23.0%	22.0%	22.8%
Group	21.6%	21.6%	21.2%	22.6%

Note:
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Earnings Per Share

£M	H1 2020	H1 2019	Change
PBT as reported	50.0	52.2	+2.7%
Adjusted[1] PBT	46.7	65.8	+2.9%
Effective tax rate	23.5%	23.6%	
Adjusted[1] effective tax rate	23.4%	23.5%	
Basic EPS as reported	4.4p	4.6p	2.9%
Adjusted[1] basic EPS	5.4p	5.8p	3.2%

Note:
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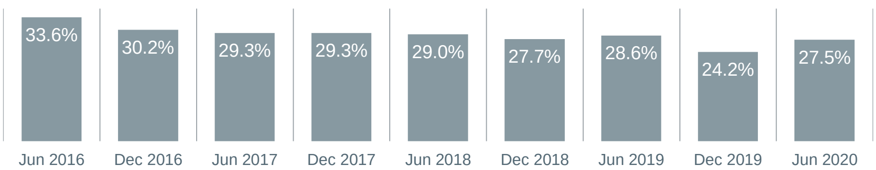
Working Capital



£M	June 2019	% Revenue	Dec 2019	% Revenue	June 2020	% Revenue
Inventory	87.7	13.8%	73.9	11.0%	81.1	14.3%
Trade Receivables	137.0	21.5% (65 D.S.O.)	129.4	19.3% (57 D.S.O.)	112.3	19.8% (56 D.S.O.)
Trade Payables	(42.2)	6.6%	(41.4)	6.2%	(37.5)	27.5%
Net Working Capital	182.5	28.6%	161.9	24.2%	155.9	27.7%

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Exchange Rates

	US $	Euro €
Average rates		
H1 2019	1.29	1.15
H2 2019	1.27	1.14
Full year 2019	1.28	1.14
H1 2020	1.26	1.14
+ = GBP STRENGTHENING / - = GBP WEAKENING		
H1 2020 v H1 2019	-6.5%	+0.9%
FY 2020 v FY 2019	-4.5%	+9%
Period end rates		
June 2019	1.27	1.12
December 2019	1.31	1.17
June 2020	1.24	1.10
+ = GBP STRENGTHENING / - = GBP WEAKENING		
June 2020 v December 2019	-5.3%	-6.0%

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Dividends

- The 2019 final dividend was deferred on 31 March 2020 in response to the COVID-19 uncertainty
- The Board has now decided to pay this 3.9p dividend as an interim in September 2020
- We will consider the dividend payable in respect of the whole of 2020 at the end of the year, and pay this in May 2021

Core Dividend	Month Paid / Payable	Amount (pence)	Cost (£M)
2018 Final	May 2019	3.70p	32.2
2019 Interim	September 2019	2.30p	20.1
Paid in 2019		6.00p	52.3
2019 Final (deferred)	September 2020	3.90p	34.0
Payable in 2020		3.90p	34.0

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Revenue Analysis

By end user market (%)	Oil & Gas	Water & Power	Chemical, Process & Industrial	Total
2020	48.4	25.8	25.8	100.0
2019	49.6	21.7	28.7	100.0

By end destination (%)	Americas	EMEA	APAC	Total
2020	24.9	42.0	33.1	100.0
2019	27.9	40.0	32.1	100.0

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