



Keeping the World Flowing
for Future Generations



2021 Annual General Meeting

Rotork Plc

Speech by Kevin Hostetler, Chief Executive

30th April 2021

Kevin Hostetler

Good day everyone.

My name is Kevin Hostetler and I am Rotork's Group Chief Executive.

Once again, thank you for being a shareholder in Rotork.

I am very disappointed that, yet again, it's not possible to present to you live at our annual general meeting.

Throughout the pandemic we have taken decisive actions to manage the situation whilst following instructions from governments and health authorities.

Unfortunately, in the interests of colleagues and shareholders alike, this included the decision not to hold the AGM in person.

We have taken tough decisions such as this one as part of our absolute commitment to our purpose of 'keeping the world flowing for future generations' by providing our essential products and services.

I would like to recognise the extraordinary fortitude and determination of all our people in recent months, be they in our factories, in site services, in our offices or currently working from home.

Please be assured that our priority is and always will be the health and safety of our colleagues and their families and friends and all other stakeholders.



Let me begin with highlights from 2020, then I'll briefly discuss the progress we are making on our Growth Acceleration Programme and I'll conclude with the few words I can regarding our outlook for 2021.



My third year at Rotork has been one of significant progress – despite 2020 being simply unlike any other period I – or my team – have ever experienced.

Order intake decreased by 12.4% year-on-year on a like-for-like basis. The decline largely reflected delays in the first half of the year, with second half orders down 8.9% year-on-year.

Our sales were 7.4% lower year-on-year on a like-for-like basis. The reduction reflected subdued large project activity, customer site access issues and disruption to production and logistics.

The Water & Power division reported a sales increase, driven by water sector infrastructure investment as well as power sector refurbishment activity. Rotork Site Services' sales fell more than group, reflecting difficulties accessing customer sites during the pandemic.

Despite the group revenue decline, we continued to execute on those items within our control as evidenced by a 100 basis point improvement in operating margins (now up to 23.6%), an increase in Return on Capital Employed (to almost 32%), cash conversion of 130%, and a strong balance sheet at year end including net cash of £178m.

We are fully committed to improving our Environmental, Social & Governance (or “ESG”) performance in all areas and we are pleased with our early progress. We are playing our part to drive progress against the UN’ Sustainable Development Goals. We have recently launched a new sustainability framework aligned to the goals Rotork is best placed to support. The framework will help guide our future activity and communication on our progress to shareholders.

We understand the importance of our dividend to shareholders. Last year’s decision therefore, to defer the 2019 final dividend of 3.9p, was not taken lightly. Subsequently, as the resilience of the business became more apparent, we were pleased to repay the small amounts we claimed under government wage replacement schemes and pay the deferred dividend as an interim in September.

The proposed increase in the final dividend marks the 20th year of annual dividend increases.



Moving on to our Growth Acceleration Programme. I'm pleased to report that despite the challenging environment in which we found ourselves in 2020, progress was once again encouraging.

One of the most significant GAP initiatives is market re-alignment, focusing our sales teams more closely on end market segments. We completed this transition early in the year, on time and to budget. The new structure clearly addresses customer needs and facilitates closer customer relations and we are already seeing benefits.

We continue to invest in Rotork Site Services. RSS is a key differentiator in our industry and whilst sales declined in 2020, we made good progress. Our Lifetime Management and Reliability Services programmes have been well received and the number of actuators under annual maintenance agreements increased by more than they have for a number of years.

Another important initiative is the reinvigoration – and re-focus – of our new product development pipeline. The benefits of improvements in this area do not come overnight, but we are now seeing the launch of a greater number of more meaningful products, and there will be more this year and next.

These are just three, of many, initiatives. We have now passed the Growth Acceleration Programme's half-way point. Whilst there is further hard work ahead, we are very much on track and believe that not only have we improved our cyclical resilience, we have also positioned ourselves extremely well for the recovery.



Moving to the outlook. Given the continued level of uncertainty, it is not currently possible for the Group to provide guidance for 2021.

Whilst the outlook for our end markets is improving, COVID-19 related uncertainty remains. Our production facilities are currently operating largely as normal, we have a solid order book and the considerable flexibility provided by our strong balance sheet.

Our investments in IT systems, targeted geographies, innovation and new product development, and aftermarket activities are progressing well and yielding benefits.

We continue to strengthen our business and are well placed to benefit from recovering demand. We remain committed to delivering sustainable mid to high single digit revenue growth and mid 20s adjusted operating margins over time

I thank you again for being a shareholder in Rotork. I very much hope you and your family and friends stay well and I sincerely hope we can meet in person next year.

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A full listing of our worldwide sales and
service network is available on our website.

Rotork plc

Brassmill Lane, Bath, UK

tel +44 (0)1225 733200

email mail@rotork.com