

Strong growth, expecting a year of further progress

2022 Preliminary Results
February 28th 2023

Presented by
Chief Executive Officer – Kiet Huynh
Group Finance Director – Jonathan Davis

rotork[®]

Keeping the World Flowing
for Future Generations



Reflections after my first year as CEO

First class engineering company with market leading products

Growth+ to build on the foundations created by GAP

Strong financial performance

Playing a key role in the energy transition



Keeping the World Flowing for Future Generations

Stronger Together - Always Innovating - Trusted Partner

Strong 2022 results

Strong growth in orders and sales

Orders
+6.8% OCC¹
£682m

KPI

Revenue growth
+8.4% OCC¹
£642m

Resilient margins

KPI

Adjusted² operating margin
22.3%
(2021: 22.5%)

KPI

ROCE
31.3%
(2021: 30.1%)

Net cash position

Closing net cash
£106m
(2021: £114m)

KPI

Cash conversion
76%
Of adj². operating profit

Performing for all stakeholders

KPI

Carbon emissions
-17% YoY
2022: 11.3tCO₂e/£m

S&P Global CSA
Top 5%
In our global sector

Note: 1) OCC results are restated at 2022 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

Financial Review

Presented by
Jonathan Davis, Group Finance Director



Financial highlights

- Q4 orders and revenue strong
- Supply chain improved in H2
- Revenue phasing impacts cash conversion
- ROCE 31.3% (+120bps)
- Full year dividend 6.7p (1.9x cover)

	2021	2022	%	OCC ^{1%}
Order intake	£614m	£682m	+11.0%	+6.8%
Revenue	£569m	£642m	+12.8%	+8.4%
Adjusted ² operating profit	£128m	£143m	+11.8%	+6.2%
Adjusted ² operating margin	22.5%	22.3%	-20bps	-40bps
Adjusted ² EPS	11.3p	12.7p	+13.2%	+7.5%
Cash conversion	108%	76%	-	-
Full year dividend	6.4p	6.7p	+4.7%	-

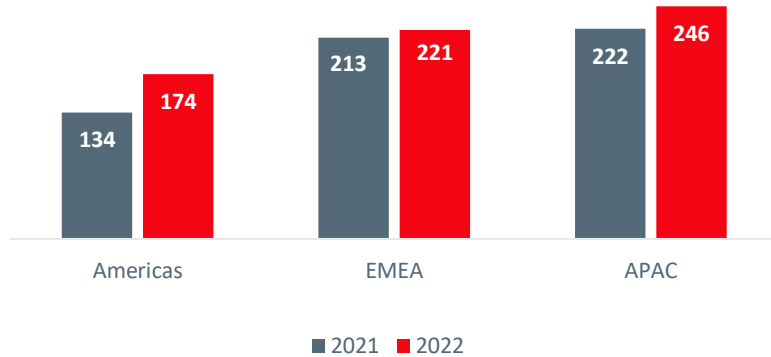
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Group revenue

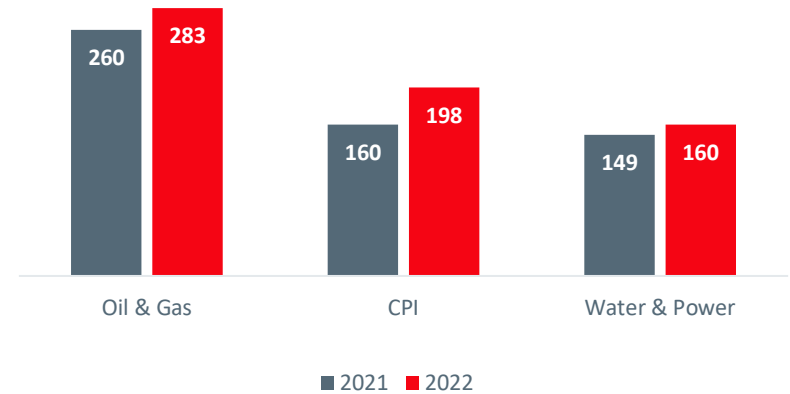
- Revenue +12.8% YoY (+8.4% OCC)
- Americas revenues grew across all divisions
- EMEA growth in CPI and W&P
- APAC growth in CPI but O&G lower
- Rotork Site Services 21% of sales (2021: 21%)

Oil & Gas	2021	2022
Upstream	11%	11%
Midstream	11%	11%
Downstream	24%	22%
Contribution to revenue	46%	44%

End destination (£m)

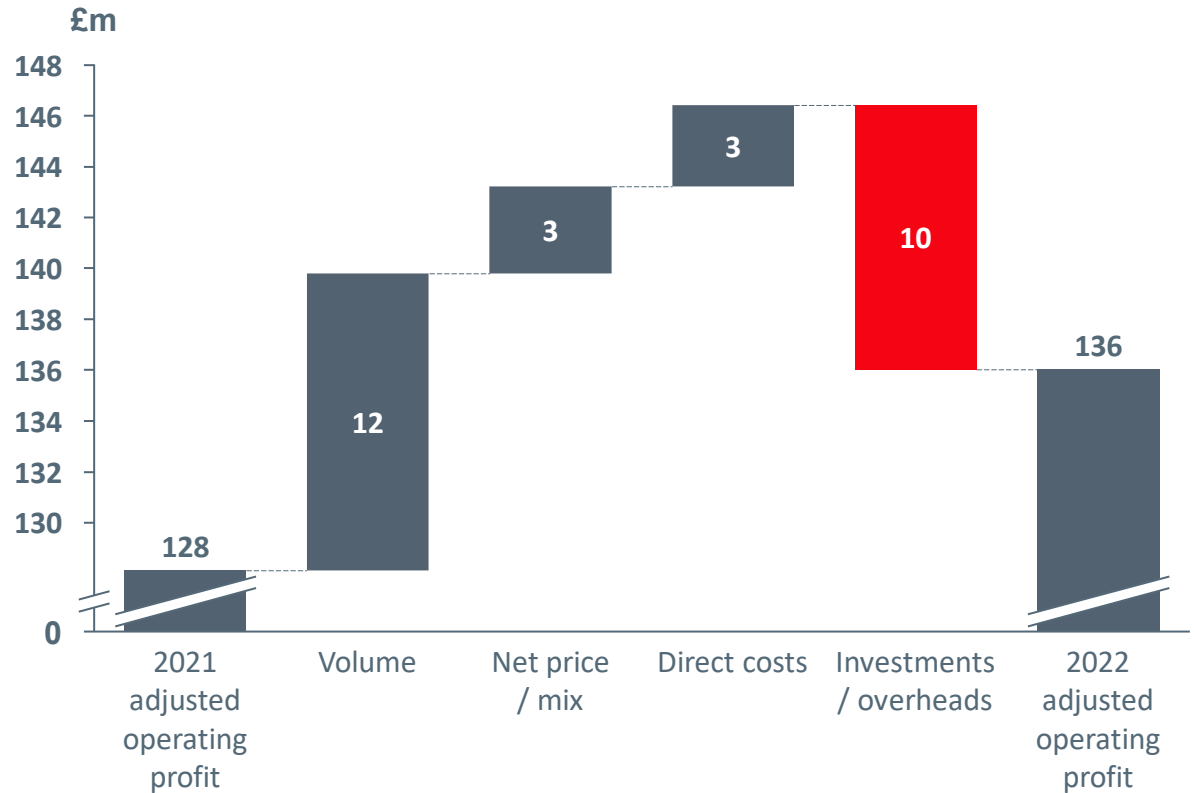


End user market (£m)



Adjusted² operating profit bridge (OCC¹)

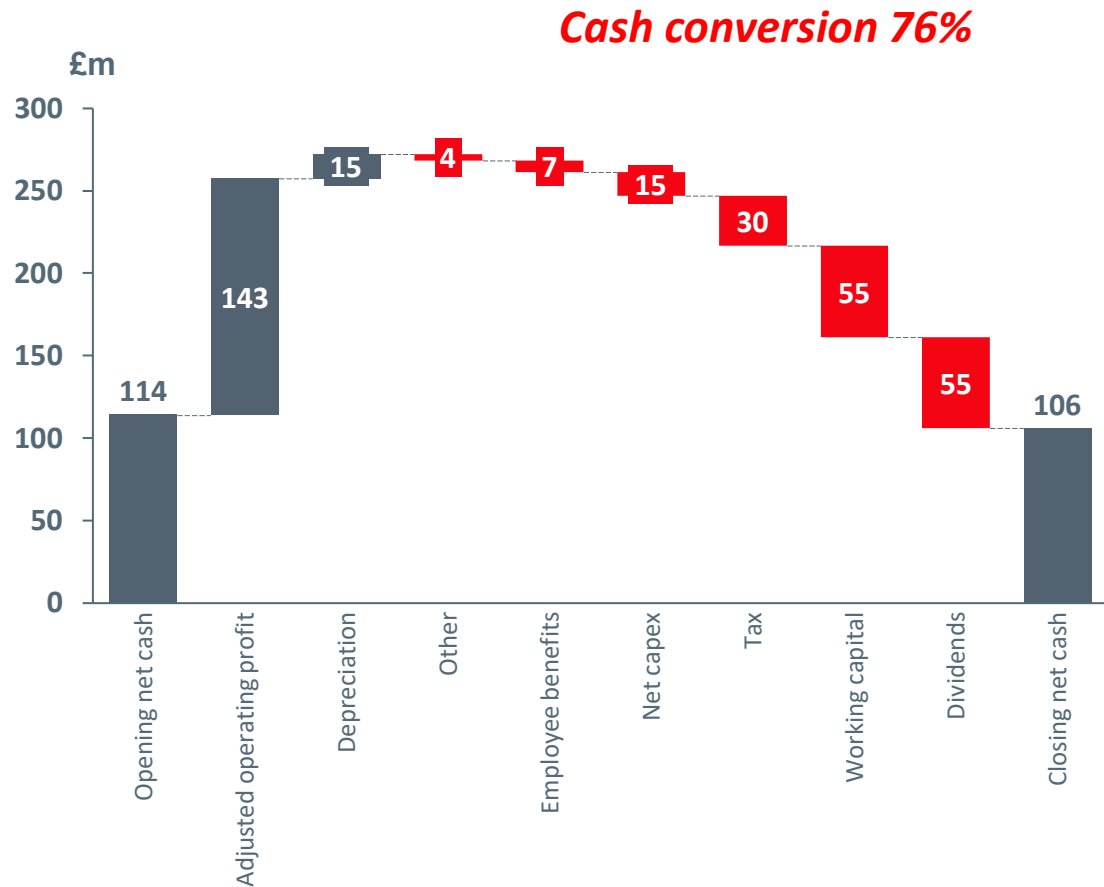
- Volume and price both positive
- Investment in people and other costs covered by volume and price
- Gross margin 45.6% (-60bps)
- Adjusted operating margin -40bps to 22.1% OCC



Note: 1) OCC results are restated at 2021 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

Cash flow

- Tactical inventory and higher component costs
 - Inventory 14.4% of sales (2021: 12.0%) +£24m in year
- Q4 revenue vs 2021
 - Trade receivables 58 DSO (2021: 57) +£40m in year
- Net working capital/sales 28.7% (2021: 21.8%)
- Capex includes IT development costs expensed



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Growth Acceleration Programme – 5 year review

Courtesy of GAP, Rotork now has a strong platform for growth
 £30m of profit improvement, £33m cash generation
 but working capital benefit reduced to £4m

<p>EBITA margin from 20.3% to 22.3% 200 bps increase</p>	<p>WC as a % of sales from 29.3% to 28.7% 60 bps reduction</p>	<p>ROCE from 24.9% to 31.3% 640 bps improvement</p>
<p>Footprint 14 mfg. facilities closed 47% reduction</p>	<p>Sourcing £2.1m net increase</p>	<p>Innovation 36 new products launched</p>
<p>Lean & productivity >1,000 lean events £8.6m savings²</p>	<p>Inventory £92m at start and finish</p>	<p>>45,000 hours of value selling training and development</p>
<p>Productivity 30% improvement in EBITA per FTE</p>	<p>Organisation re-alignment £6m savings</p>	<p>Portfolio actions 4 businesses sold or closed 16 offices closed or consolidated</p>

¹ Measured from YE 2017 through YE 2022

² Inclusive of workforce planning tool utilisation

Items below adjusted operating profit

- Russian sales and service operations suspended in late February 2022

Adjustments to operating profit (£m)	2021	2022
Amortisation of acquired intangibles	9.0	7.1
Gain on property disposal	(1.6)	(1.2)
IT transformation costs	8.5	8.9
Redundancy / restructuring	6.5	1.3
Russia market exit	-	3.6
	22.4	19.7

	2021	2022
Headline effective tax rate	24.2%	24.9%
Adjusted effective tax rate	23.8%	23.9%

Oil & Gas

	2021	2022	Change	OCC ¹ Change
Revenue	£260.2m	£283.3m	+8.9%	+4.9%
Adjusted ² operating profit	£56.3m	£64.0m	+13.5%	+8.3%
Adjusted ² operating margin	21.7%	22.6%	+90bps	+70bps

- Revenue higher despite withdrawal from Russia
- Volume up low single digit
- EMEA sales broadly flat, pipeline electrification positive
- APAC revenues lower despite the upstream growing
- Americas sales grew strongest, including methane emission reduction
- Margins benefitted from higher volume, lower exposure to electronics and lower other costs

Note: 1) OCC results are restated at 2021 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments



Chemical, Process & Industrial

	2021	2022	Change	OCC ¹ Change
Revenue	£160.5m	£198.4m	+23.6%	+19.6%
Adjusted ² operating profit	£42.8m	£51.2m	+19.7%	+15.2%
Adjusted ² operating margin	26.7%	25.8%	-90bps	-100bps

- Sales grew in all segments and all regions
- Estimated pricing benefit high single-digit
- APAC revenues grew strongest, led by China
- EMEA sales increase led by process sector
- Americas revenues increase with good performance in mining
- Margin benefited from higher revenue offset by higher share of overheads

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Water & Power

	2021	2022	Change	OCC ¹ Change
Revenue	£148.6m	£160.2m	+7.8%	+2.4%
Adjusted ² operating profit	£40.4m	£40.3m	-0.3%	-6.2%
Adjusted ² operating margin	27.2%	25.2%	-200bps	-220bps

- W&P saw most significant supply chain disruption in H1
- Revenue 40% increase in H2 over H1
- Volume flat
- APAC lower in total as a result of power decline
- Americas grew, led by rebound in water
- EMEA strongest growth, both segments positive
- Margins saw disproportionate impact of higher exposure to electronics components and more modest growth

Note: 1) OCC results are restated at 2021 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments



Financial summary

- Pricing to offset inflation in overheads and energy
- Investment in Growth+
- Current year currency impact estimated at ~1.5% tailwind
- Capex spend ~£18m including IT development costs

Encouraging order growth & record order book

Supply chain challenges remain but stabilised

Price to offset inflationary pressures

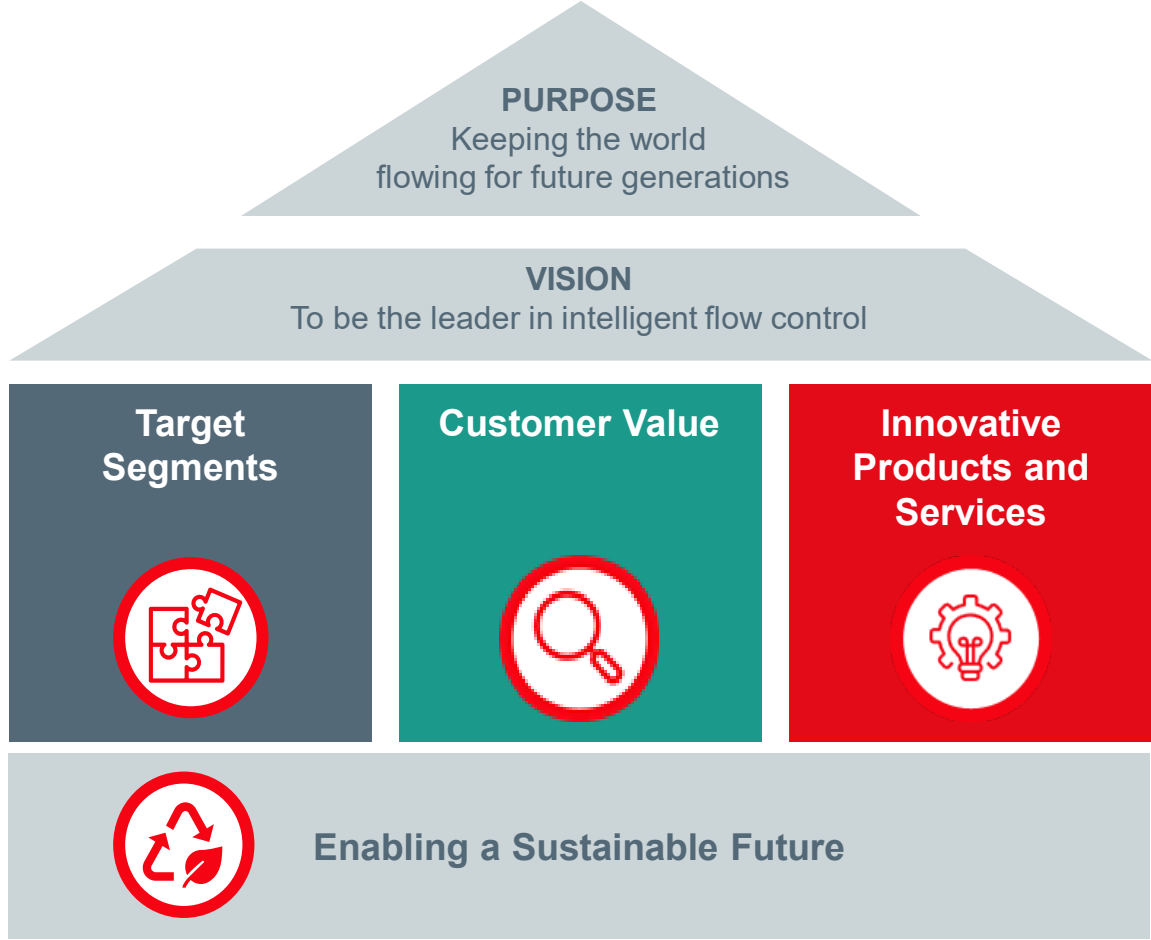
Growth+ investments

Growth+ update & outlook

Presented by
Kiet Huynh, Chief Executive Officer



Growth+ strategy





Target segments in action

	Oil & Gas	CPI	Water & Power
Total market size (£m)	1,500	800	1,400
Total market growth rate (CAGR)	High single-digit*	Low double-digit	Mid to high single-digit

* Includes the benefit of conversion from pneumatic to electric actuation

Target segment sales in 2022 represented around 50% of Group revenue



Target segments in action

Methane emissions reduction

Increasing demand for Rotork solutions



Carbon Capture Usage & Storage

Rotork electric solutions selected for Northern Lights onshore CO₂ storage facility



Wastewater treatment

Success in modernisation & improvement projects



ENABLERS



Digitalisation



Efficiency



Electrification



Customer value in action

Achieving Customer Excellence

- ACE - Transforming lead times to deliver customer value
- Pilot programme reduced lead times from 16 to 2 weeks at two European plants



Customer experience

- Optimisation of business processes
- Delivering an end-to-end quote-to-cash improvement
- ERP a key enabler





Eco-transition update

Water & waste water portfolio

- Potable water treatment
- Potable water distribution
- Sewage treatment
- Irrigation

Methane emissions reduction portfolio

- Electric actuators used in:
- Oil & gas upstream (incl. onshore and offshore)
 - Oil & gas pipelines (incl. terminals, compressor stations)

New energies & technology portfolio

- Carbon capture
- LNG
- Biofuels
- Hydrogen
- Nuclear
- Renewable energy

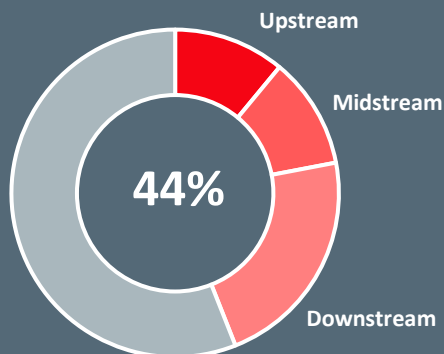
Eco-transition sales in 2022 represented around 30% of Group revenue

Market outlook

Oil & Gas

- China reopening positive for global oil & gas demand
- Investment required for energy security and 'catch-up'
- Energy transition and emissions reduction opportunities

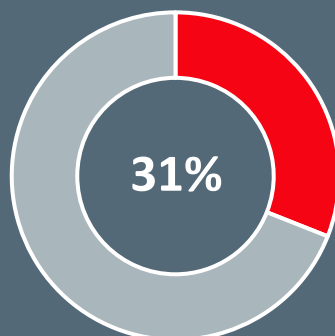
% of revenue



Chemical, Process & Industrial

- Increased activity in decarbonisation
- HVAC and mining active
- Drive to lower industry's CO₂ emissions gaining momentum

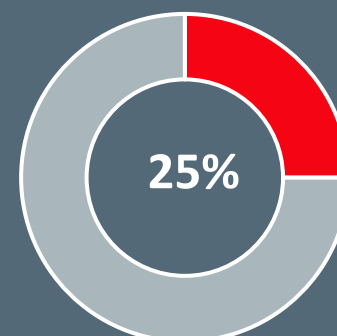
% of revenue



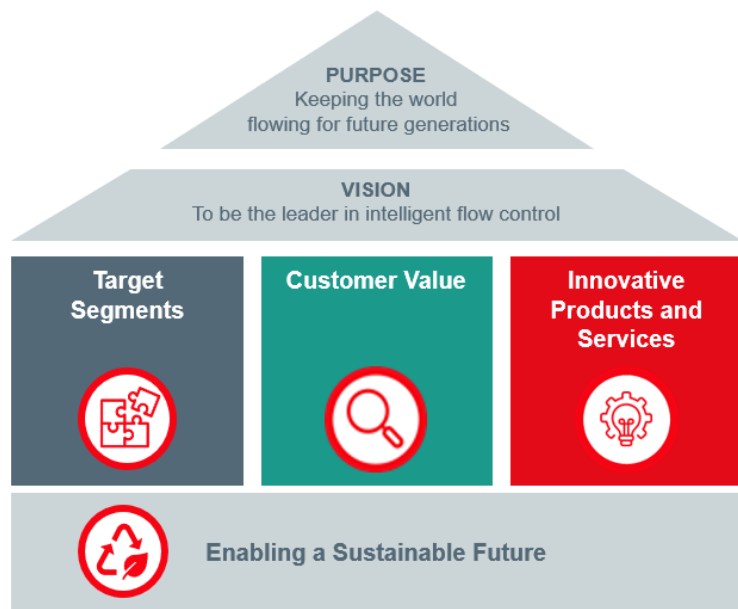
Water & Power

- Water infrastructure investment a global priority
- Lifting of COVID-19 restrictions in China
- Renovation opportunities in the power sector

% of revenue



Summary



Growth+ strategy

Strong 2022 results

- Strong growth in orders and sales reflecting higher prices and increased volumes
- Supply chain disruption reduced through 2022

Positive outlook

- Good Q4 order intake, record opening backlog
- Seeing early benefits of Growth+
- Whilst mindful of the uncertain economic outlook, we expect a year of further progress

We are committed to delivering mid to high single digit revenue growth and mid 20s adjusted operating margins over time

Appendices



Analysis of movements

£m	2022 as Reported	Adjust to CC	2022 at OCC ¹	2021 as Reported
Order intake	681.6	(25.8)	655.8	614.1
	+11.0%		+6.8%	
Revenue	641.8	(25.0)	616.8	569.2
	12.8%		8.4%	
Adjusted ² operating profit	143.2	(7.2)	136.0	128.1
	11.8%		6.2%	
Adjusted ² operating margin	22.3%		22.1%	22.5%
	-20bps		-40bps	

- Revenue split 47% US\$, 25% Euro, 12% GBP and 16% other currencies
- Adjustments relate to intangible amortisation of £7.1m (2021: £9.0m) and other adjustments £12.6m (2021: £13.4m)

Note:

¹ OCC results exclude acquisitions / disposals and are restated at 2021 exchange rates.

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

Constant currency analysis

	2022 as Reported		Adjust to CC	2022 at OCC ¹		2021 as Reported	
Revenue	641.8		(25.0)	616.8		569.2	
Cost of sales	(350.1)		14.4	(335.7)		(306.4)	
Gross profit	291.7	45.5%	(10.6)	281.1	45.6%	262.8	46.2%
Overheads	(148.5)	23.1%	3.4	(145.1)	23.5%	(134.7)	23.7%
Adjusted ² operating profit	143.2	22.3%	(7.2)	136.0	22.1%	128.1	22.5%

- OCC¹ gross margin decreased 60bps
- OCC¹ adjusted² operating profit margin decreased 40bps

Note:

¹ OCC results exclude acquisitions / disposals and are restated at 2021 exchange rates.

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

Revenue and adjusted operating margins²

Revenue £m	H1 2022	H2 2022	FY 2022	FY 2022 OCC ¹	FY 2021
Oil and Gas	122.3	161.0	283.3	272.9	260.2
Chemical, Process & Industrial	92.8	105.5	198.4	191.8	160.5
Water & Power	64.9	95.3	160.2	152.0	148.5
Group	280.0	361.8	641.8	616.8	569.2

Adjusted operating profit %	H1 2022	H2 2022	FY 2022	FY 2022 OCC ¹	FY 2021
Oil and Gas	19.3%	25.1%	22.6%	22.4%	21.7%
Chemical, Process & Industrial	24.5%	27.0%	25.8%	25.7%	26.7%
Water & Power	20.7%	28.2%	25.2%	25.0%	27.2%
Group	19.0%	24.9%	22.3%	22.1%	22.5%

Note:

¹ OCC results exclude acquisitions / disposals and are restated at 2021 exchange rates.

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

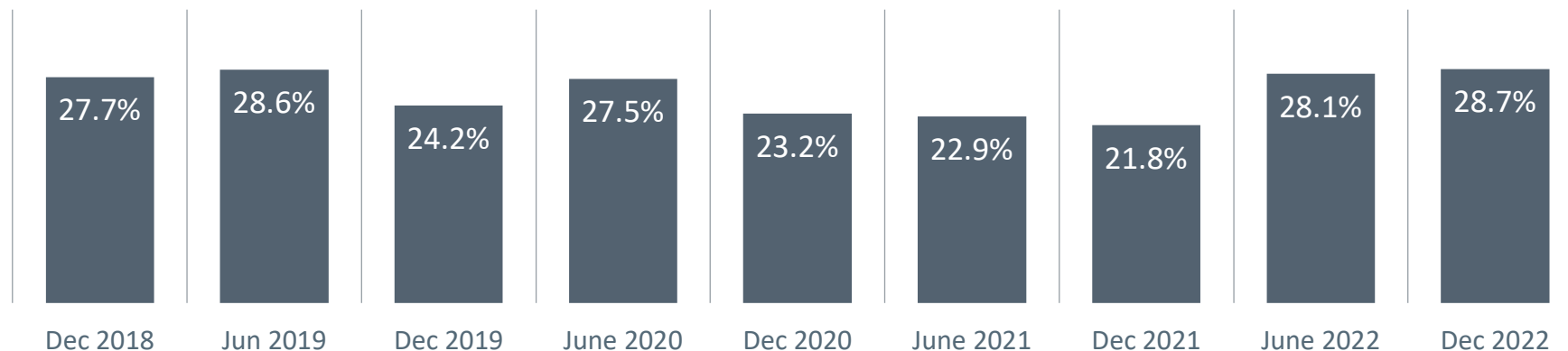
Earnings per share

£m	2022	2021	Change
PBT as reported	124.1	105.9	17.2%
Adjusted ¹ PBT	143.7	128.3	12.0%
Effective tax rate	24.9%	24.2%	
Adjusted ¹ effective tax rate	23.9%	23.8%	
Basic EPS as reported	10.9p	9.2p	17.6%
Adjusted ¹ basic EPS	12.7p	11.3p	13.2%

Note:

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

Working capital



£m	Dec 2022	% Revenue	Dec 2021	% Revenue
Inventory	92.3	14.4%	68.4	12.0%
Trade Receivables	134.3	20.9% (58 D.S.O.)	94.2	16.5% (57 D.S.O.)
Trade Payables	(42.3)	6.6%	(38.8)	6.8%
Net Working Capital	184.3	28.7%	123.8	21.8%

Exchange rates

	US \$	Euro €
Average rates		
H1 2021	1.39	1.15
Full year 2021	1.38	1.16
H1 2022	1.30	1.19
Full year 2022	1.24	1.17
+ = GBP STRENGTHENING / - = GBP WEAKENING		
H1 2022 v H1 2021	-6.5%	3.5%
FY 2022 v FY 2021	-10.1%	0.9%
Period end rates		
December 2021	1.35	1.19
June 2022	1.22	1.16
December 2022	1.21	1.13
+ = GBP STRENGTHENING / - = GBP WEAKENING		
December 2022 v December 2021	-10.4%	-5.0%

Dividends

- 2019 final dividend was withdrawn as a result of the COVID-19 pandemic and an interim dividend of an equivalent amount was paid in the second half of 2020
- In May 2021 a dividend, reflecting the combined interim and final dividends, was paid in respect of the year to 31 December 2020
- 2022 full year dividend increased 4.7% to 6.70p
- Dividend cover 1.6 times (adjusted cover 1.9 times)

Core Dividend	Month Paid / Payable	Amount (pence)	Cost (£m)
2020 interim and final	May 2021	6.30p	55.0
2021 interim	September 2021	2.35p	20.5
Paid in 2021		8.65p	75.5
2021 Final	May 2022	4.05p	34.8
2022 interim	September 2022	2.40p	20.6
Paid in 2022		6.45p	55.4
2022 proposed final	May 2023	4.30p	37.0

The image features the Rotork logo in the top left corner, consisting of the word "rotork" in a bold, red, lowercase sans-serif font with a registered trademark symbol. Below the logo is the tagline "Keeping the World Flowing for Future Generations" in a smaller, dark grey font. A decorative graphic of three overlapping, curved ribbons in red, teal, and dark grey extends from the left side of the page towards the right, creating a sense of motion and flow.

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