



22 November 2016

**Rotork p.l.c.**

### **Trading Update**

Rotork p.l.c ("Rotork"), the market leading actuator manufacturer and flow control company, today issues the following trading update covering the period from 1 July to 30 October 2016.

The underlying performance of our business in the third quarter was broadly the same as was seen in the first half, albeit reported numbers have benefited from currency movements and a contribution from acquisitions. We continue to invest in infrastructure, including IT, that will improve our operational performance. In addition, good progress continues to be made on our previously-announced cost reduction programme.

Order intake for the third quarter was up 22.2% (+0.1% OCC) on the comparable period in 2015, with cumulative order intake in the ten months to 30 October up 10.2% (-6.7% OCC) on the prior year.

Revenue for the third quarter was 28.9% higher (+5.3% OCC) than the comparable period, with cumulative revenue 8.3% higher (-8.6% OCC) than the prior year. The order book at 30 October was £214.0m, 15.3% ahead (-6.8% OCC) of the same point last year.

#### **Rotork Controls**

Order intake in the third quarter was 19.7% ahead (+4.3% OCC) of the same period last year. Cumulative order intake was up 6.1% (-4.0% OCC) on the prior year. Certain sectors of the oil and gas market showed signs of increased activity levels in the third quarter, notably in the Middle East, Asia and North America. Power remained at similar levels to the start of the year, with the exception of China, where we have seen activity levels increase. Our after-market business continues to see good levels of growth.

#### **Rotork Fluid Systems**

Order intake in the third quarter was up 4.8% (-8.6% OCC) compared with the same period last year. Cumulative order intake was 4.1% lower (-12.6% OCC) than the prior year. Project activity showed signs of improvement in midstream and downstream, but we are still seeing projects taking longer to convert into orders with the size of the projects smaller than in prior years. We continue to look for further cost saving opportunities within the division but also see areas where investment remains appropriate, such as product development and improving operational efficiency.

#### **Rotork Gears**

Order intake in the third quarter was up 34.0% (-9.1% OCC) compared with the third quarter of 2015. Cumulative order intake was up 23.7% (-5.5% OCC) on the prior year. The USA performed well against the prior year and there were signs of an improvement in Asia. Our strategy of providing our valve customers with a comprehensive solution to their product needs continues to make good progress. Roto Hammer, purchased in September 2015, is performing well and we are currently

integrating this business into a new facility in Tulsa with Rotork Valvekits and Flowquip. The integration of Mastergear acquired in May 2016 is proceeding as planned.

### **Rotork Instruments**

Order intake in the third quarter was 65.5% higher (+18.6% OCC). Cumulative order intake was up 52.4% (-0.9% OCC). Our focus this year has been on integrating the various recent acquisitions and introducing a number of new products.

Bifold, acquired in August 2015, has continued to experience a difficult trading environment given its focus on upstream oil and gas. We have recently launched a number of new products that are helping to offset some of the slowdown in the market. Further product launches are anticipated which will strengthen our portfolio into 2017 and beyond.

### **Financial position**

The Group continues to be highly cash generative and maintains a strong balance sheet with a high return on capital employed. Net debt at 30 October was £70.0m.

### **Outlook**

The trading environment is anticipated to remain challenging across most of our key markets and geographies. Margins are expected to be lower than the prior year, as previously indicated, but in line with market expectations. Currency continues to provide a tailwind, and based on current exchange rates is now expected to deliver a 10% benefit to both full year revenue and profit. Taking into account this assumed currency benefit, our performance to date, and anticipated shipments in the remaining two months of 2016, the Board now expects reported revenue to be towards the top end of market expectations<sup>1</sup>.

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Notes

1. Reuters: Full year 2016 revenue range of estimates - £527.3m to £587.0m.
2. 2016 figures quoted are at actual exchange rates and 2015 are as previously reported.

3. OCC (organic constant currency) growth rates remove the results of the businesses acquired during 2015 and 2016 that were not consistently in both periods' results and restate 2016 at 2015 exchange rates.

4. Third quarter results refer to the period from 1 July to 2 October 2016. Cumulative results refer to the period from 1 January to 30 October 2016.

5. Rotork will be announcing its results for the period ending 31 December 2016 on Monday 27 February 2017.

6. This announcement contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and Rotork undertakes no obligation to update these forward-looking statements.