



2019 Full Year Results

March 3, 2020

Presented by
Chief Executive – Kevin Hostetler
Finance Director – Jonathan Davis

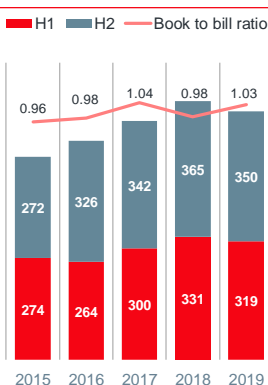
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Keeping the World Flowing
for Future Generations

Highlights

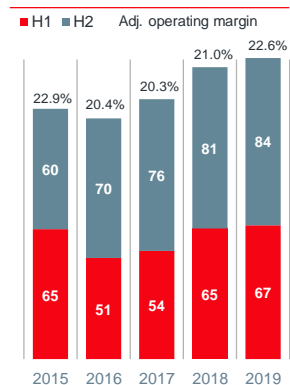
Performance

- Significant progress on our Growth Acceleration Programme
- Strong earnings, cash and returns
 - Operating margin expansion of 160bps to 22.6%
 - Cash Conversion 131%, 106m net cash at year end
 - Closing cash £106m
 - ROCE 31.8%, +260bps
- Rotork Site Services up to 20% of Group Revenues

Revenue £m



Adjusted¹ operating profit £m



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



Financial Review

Presented by
Jonathan Davis, Finance Director



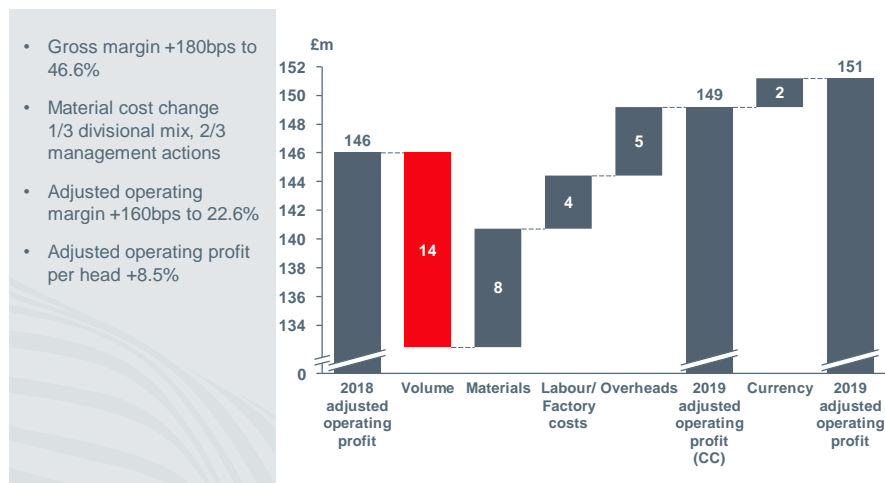
Financial review

- Currency impact c1% tailwind
- 2018 disposals contributed £3.1m revenue & minimal profit
- H2 order intake +3.9% (OCC+2.4% on H2/18)
- Adjusted operating margin +160bps to 22.6%
- Cash conversion 131%
- Final dividend +5.4%

	2018	2019	%	OCC ¹ %
Order intake	£682m	£692m	+1.5%	+0.7%
Order book	£179m	£195m	+8.7%	+12.6%
Revenue	£696m	£669m	-3.8%	-4.4%
Adjusted² operating profit	£146m	£151m	+3.4%	+2.2%
Adjusted² operating margin	21.0%	22.6%	+160bps	+140bps
Adjusted² EPS	12.6p	13.0p	+3.2%	+2.4%
Cash conversion	111%	131%		
Full year dividend	5.9p	6.2p	+5.1%	

Note: 1) OCC results exclude disposals and are restated at 2018 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

Adjusted² operating profit bridge



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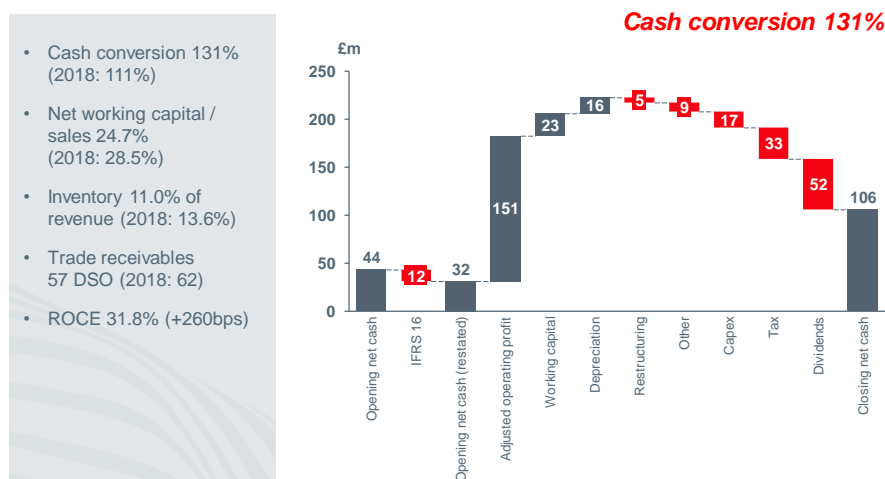
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Cash flow



Note: 1) OCC results exclude disposals and are restated at 2018 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

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Growth Acceleration Programme update

- Restructuring costs comprise redundancy and asset write off costs less profit on disposal
- P&L benefit over two years exceeds restructuring costs
- Net cash benefits £21.3m in year and £39.3m over two years
- Building and IT capex £8m

	Restructuring costs		P&L benefit		Net cash benefits	
	2018	2019	2018	2019	2018	2019
Closure / sale of business	(0.7)	2.5	-	-	4.3	4.3
Site improvements	(0.7)	(4.4)	1.1	1.9	1.1	(1.0)
Procurement	-	-	1.7	5.8	1.7	5.8
Continuous improvement / lean	-	-	-	1.5	-	1.5
Asset write offs	(2.4)	(1.9)	-	-	-	-
Organisation changes	(2.1)	(1.4)	-	1.0	(2.0)	(0.4)
Working capital improvements	-	-	-	-	12.9	11.1
Total GAP impact	(5.9)	(5.2)	2.8	10.2	18.0	21.3

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2020 Guidance

- Incremental GAP benefits lower than 2019
- c1% currency tailwind in 2019 becomes c3% headwind for 2020 at current rates
- 2019 disposal (£8.2m revenue, £0.9m profit)
- Adjusted effective tax rate not expected to change
- Increased investment in IT and R&D
- Tariff costs +£0.5m
- Capex c£30m

	2019	2020	
Site improvements	1.9	➔	
Procurement	5.8	➔	
Continuous improvement / lean	1.5	➔	
Organisation change	1.0	➔	
	10.2		
	2018	2019	2020
Headline effective tax rate	24.0%	24.1%	No change
Adjusted effective tax rate	23.7%	23.5%	No change

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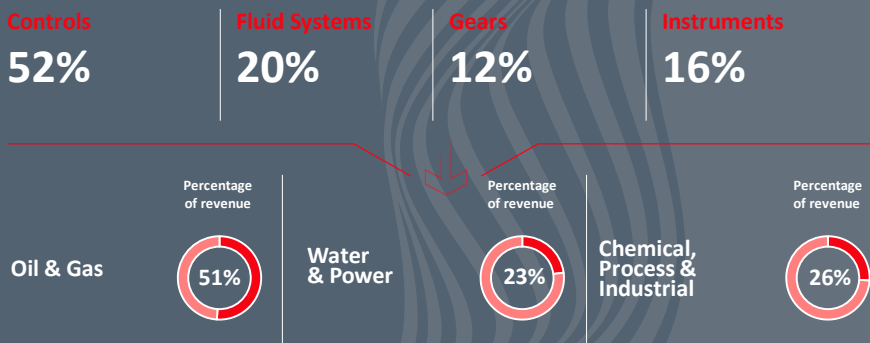
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Our new market-aligned structure

One of the most significant changes from the Growth Acceleration Programme is a migration from a product-based structure to an organisation aligned to market segments and customer needs.

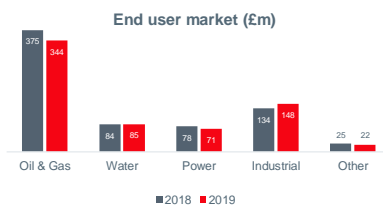
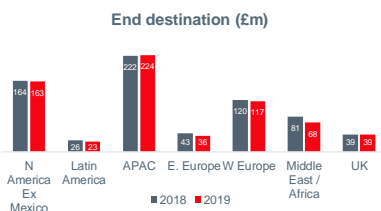


Rotork Site Services, currently 20% of Group revenues, will continue to be reported within these segments.

Group revenue

- Growth in APAC despite tough comparator
- North America and UK close to prior year
- Sharpest decline in Eastern Europe and Middle East / Africa
- Oil & Gas down in total but growth in midstream
- Strongest growth in Industrial

	2018	2019
Upstream	16%	14%
Midstream	9%	10%
Downstream	29%	27%
Contribution to revenue	54%	51%

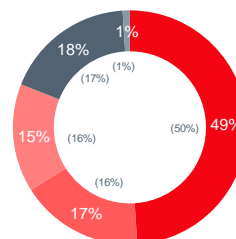


Controls

	2018	2019	Change	OCC ¹ change
Revenue	£351.9m	£353.2m	+0.4%	-0.9%
Adjusted ² operating profit	£101.3m	£113.1m	+11.6%	+10.3%
Adjusted ² operating margin	28.8%	32.0%	+320bps	+320bps

- Water growth in North America and APAC
- Industrial strong in APAC
- Power positive in North America but down in APAC
- Oil & Gas lower in APAC but positive in North America

End user market



■ Oil & Gas ■ Water ■ Power
■ Industrial ■ Other (2018 comparative)

Note: 1) OCC results exclude disposals and are restated at 2018 exchange rates 2) Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

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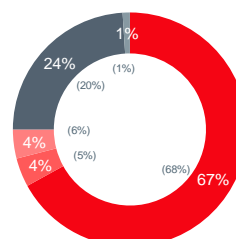
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Fluid Systems

	2018	2019	Change	OCC ¹ change
Revenue	£166.3m	£137.9m	-17.1%	-16.8%
Adjusted ² operating profit	£16.1m	£8.3m	-48.3%	-48.3%
Adjusted ² operating margin	9.7%	6.0%	-370bps	-360bps

- Revenue lower across most end markets with only midstream and Industrial positive
- Water & Power largest percentage decline
- All regions except the UK were lower

End user market



■ Oil & Gas ■ Water ■ Power
■ Industrial ■ Other (2018 comparative)

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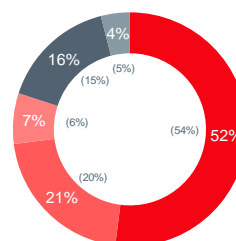
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Gears

	2018	2019	Change	OCC ¹ change
Revenue	£85.6m	£83.0m	-3.0%	-2.6%
Adjusted ² operating profit	£15.3m	£15.0m	-2.3%	-3.3%
Adjusted ² operating margin	17.9%	18.0%	+10bps	-10bps

- Non-oil & gas end market positive
- Oil & Gas positive in North America but negative elsewhere
- All geographies similar to prior years

End user market



■ Oil & Gas ■ Water ■ Power
■ Industrial ■ Other (2018 comparative)

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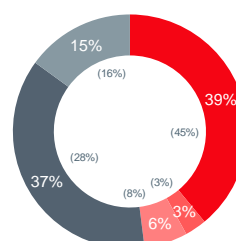
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Instruments

	2018	2019	Change	OCC ¹ change
Revenue	£107.2m	£108.6m	+1.3%	+0.9%
Adjusted ² operating profit	£24.1m	£26.2m	+9.0%	+6.9%
Adjusted ² operating margin	22.5%	24.2%	+170bps	+140bps

- Industrial sales growth in North America and Western Europe
- Oil & Gas lower across all segments, particularly downstream

End user market



■ Oil & Gas ■ Water ■ Power
■ Industrial ■ Other (2018 comparative)

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Market outlook & Growth Acceleration Programme update

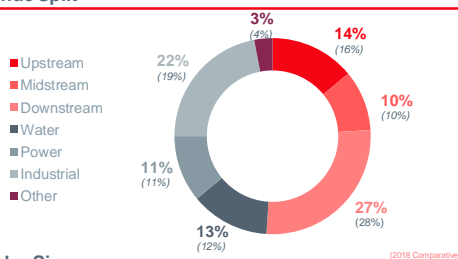
Presented by
Kevin Hostetler, Chief Executive



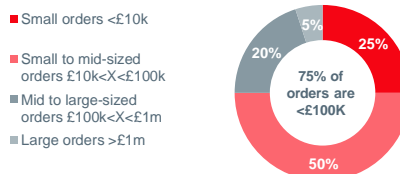
Market environment

- Forecasts for Oil & Gas capex tempered to low single digits, in part due to North American upstream weakness (where Rotork has limited exposure)
- Upstream & Midstream – return of subsea and Middle East wellhead expansion
- Downstream – petrochemical and refinery expansion in Middle East and Asia Pacific. Active upgrade and maintenance markets
- Industrial Process continuing to outperform underlying markets
- Water – steady – with good growth in Asia Pacific
- Power – remains in structural decline

2019 Revenue Split



Typical Order Size



ESG & Sustainability Update

- 22%

Reduction in LTIR

-13%

Carbon Emissions (YoY)

-12%

Water Usage

-11%

Electricity Usage

50%+

Employees Owning Shares

23%

Women in Senior Roles

Q4 Employee Pulse Survey

7.3

Engagement

6.2

Pace of Change

- ESG sub-committee formed within our PLC Board
- ESG & Sustainability performance now part of executive bonus schemes

What drives our future growth?



Four pillar Growth Acceleration Programme



Since its 2018 inception, our Growth Acceleration Programme has delivered £13m of P&L benefit and £30.8m of working capital improvements.

Growth Acceleration Programme

1 Commercial Excellence

Market Realignment & Value Selling

- Transition from product to market segment orientation in Asia, Europe, and MENA Complete, Americas completes in Q1-20
- Rotork Value Selling Toolkit has launched with over 275 sales team members trained

Rotork Site Services (RSS)

- Streamlined organization structure to allow further scale in service capabilities through centralizing support functions
- Developed strategy to accelerate aftermarket and lifetime management offerings

Innovation and New Product Development






- Continued focus on energy efficiency, reduced emissions, increasing operating efficiencies, and advanced and secure communications protocols
- Revised engineering structure, focus and enhanced capabilities
- **Seventeen products launched in 2019**



Solar powered stations offer an efficient way of powering control stations while preventing harm to the environment and cutting installation costs by removing the need to install power lines along the length of the pipeline.

Rotork Solar Powered IQ3s controlling 12" & 16" valves for water gathering pipelines in the West Texas and New Mexico shale

End-market Alignment – early benefits

	Oil & Gas	CPI	Water & Power
 Customer	Integrated O&G Company	Chemical Company	Valve Company
 Programme	Annual framework agreement for maintenance and upgrades	New application and customer identified & targeted by focused CPI Team	Existing customer
 History	Agreement limited to single product family (IQs)	None	Orders limited to single product family
 Actions	Teams pitched entire Rotork portfolio of products and services emphasising initiatives underway making us easy to do business with		
 Results	Framework increased from £3m to £4m to include fluid systems and instrumentation products	Large order win - £750k – covering electric, fluid systems and instrumentation products	Strong growth in 2019 driven by sales of adjacent Rotork products

Growth Acceleration Programme

2 Operational Excellence

- Our lean/continuous improvement methodology has been successfully rolled-out to our largest factories
- Nearly 40% of manufacturing workforce completed lean training and participated in one of over 90 rapid improvement events (RIEs)
- Supply chain achieved £5.8 of savings in 2019
- Inventory reduction programme delivered £21M reduction (22%)
- 2 sites consolidated in 2019 -- our programme total is now 8 sites consolidated representing a 27% reduction in sites thus far

RIB128: IQ3 TEAM 02 ASSEMBLY FLOW LINE

Objectives: To create a standard approach of building granulators and extruders from stock in a continuous flow

Event: Weekly Lean Improvement Events (WLEIE) - Monday 10th October 2019

Results: The number of sites that were able to launch a new product range was increased from 10 to 15 sites. The number of sites that were able to launch a new product range was increased from 10 to 15 sites.

Learn Principles Deployed:

- Standardise:** 5S & standard work practices to be implemented across all sites.
- Visualise:** Visual management to be implemented across all sites.
- Standardise:** Standard work practices to be implemented across all sites.
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GEARS ASSEMBLY U SHAPED CELL - LEEDS

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Growth Acceleration Programme

3 Talent & Culture

Global developments

- 15 new senior leaders hired
- Rotork's Purpose articulated alongside our One Rotork Values and Behaviours launch
- Performance approach now linked to reward systems
- Progress made against gender diversity plans – *PLC Board, Management Board and Senior Leaders levels are now at least 20% female staff*
- New divisional structure and operating model changes implemented



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Growth Acceleration Programme

4 IT & Core Business Processes

IT / Systems

- Extended our Strategic Data Platform to deliver advanced analytics and KPI dashboards for Strategic Sourcing and Procurement and Innovation and NPD
- Completed the global blueprint for our enterprise technology platform, Microsoft Dynamics 365 (D365)
- Deployed D365 Field Service 'Lite' application to UK and North America
- Launched our Global HR Platform
- CRM platform due in Q2-2020
- Introduced cybersecurity strategy and governance framework

Portfolio Actions to Date

- 6 business exited or sold
- 12% of SKUs eliminated

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Summary

Strong execution and momentum across our Growth Acceleration Programme

- Transition to market orientation completes in Q1-20
- Rotork Site Services up to 20% of Revenues
- 17 New Products introduced in 2019
- Supply Chain initiatives on-track
- Lean deployment gaining momentum
- Footprint reduced by 27% in 24 months

Culture change journey underway with our Purpose and Values launched and linked to our performance and rewards systems

Our focused execution delivered strong margin improvement despite lower sales



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Outlook

Looking ahead, it is too early to assess fully the potential impacts of COVID-19. Absent these, we were planning for modest sales growth on an OCC basis and margin progress in 2020, driven by further benefits of our Growth Acceleration Programme albeit with margin progress more gradual, reflecting our investment plans.



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Appendices

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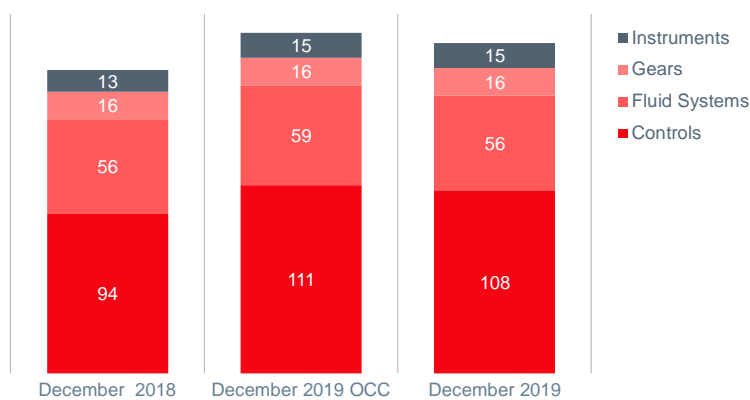
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Order Book



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Analysis of Movements

£m	2019 as Reported	Adjust to CC	Remove Disposals	2019 at OCC ¹	2018 ²	2018 as Reported
Order intake	691.9	(7.2)	-	684.7	679.7	681.7
	+1.5%			0.7%		
Revenue	669.3	(6.9)	-	662.4	692.6	695.7
	-3.8%			-4.4%		
Adjusted ³ operating profit	151.0	(1.8)	-	149.2	146.0	146.0
	+3.4%			+2.2%		
Adjusted ³ operating margin	22.6%			22.5%	21.1%	21.0%
	+160bps			+140 bps		

- Revenue split 35% US\$, 24% Euro, 11% GBP and 30% other currencies
- Adjustments relate to intangible amortisation of £18.8m (2019: £9.9m), pension related credits nil (2018: £7.7m credit) and restructuring costs £5.2m (2018: £10.5m)

Note:

¹ OCC results exclude acquisitions / disposals and are restated at 2018 exchange rates.² 2018 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	2019 as Reported		Adjust to CC	2019 at 2018 rates		Remove Disposals	2019 at OCC ¹		2018 ²	
Revenue	669.3		(6.9)	662.4		-	662.4		692.6	
Cost of sales	(357.7)		(4.0)	(353.7)		-	(353.7)		(382.3)	
Gross profit	311.6	46.6%	(2.9)	308.7	46.6%	-	308.7	46.6%	310.3	44.8%
Overheads	(160.6)	24.0%	1.1	(159.5)	24.1%	-	(159.5)	24.1%	(164.3)	23.7%
Adjusted³ operating profit	151.0	22.6%	(1.8)	149.2	22.5%	-	149.2	22.5%	146.0	21.1%

- OCC¹ gross margins increased 180bps
- OCC¹ net margin 140bps higher

Note:

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² 2018 reported figures excluding disposals.
³ Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments.

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Adjusted Operating Margins³

£m	H1 2019	H2 2019	FY 2019	FY 2019 OCC ¹	FY 2018 ²
Controls	29.7%	34.0%	32.0%	32.0%	28.8%
Fluid Systems	5.8%	6.3%	6.0%	6.0%	9.6%
Gears	17.1%	19.0%	18.0%	18.0%	18.1%
Instruments	24.8%	23.5%	24.2%	24.2%	22.8%
Group	21.1%	23.9%	22.6%	22.5%	21.1%

Note:

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³ Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments.

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Earnings Per Share

£m	2019	2018	Change
PBT as reported	124.1	120.7	+2.7%
Adjusted ¹ PBT	148.1	143.9	+2.9%
Effective tax rate	24.1%	24.0%	
Adjusted ¹ effective tax rate	23.5%	23.7%	
Basic EPS as reported	10.8p	10.5p	2.9%
Adjusted ¹ basic EPS	13.0p	12.6p	3.2%

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

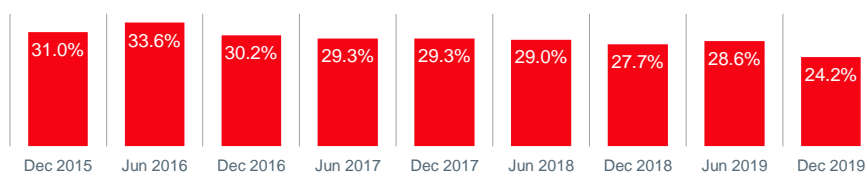
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Working Capital



£M	Dec 2018	% Revenue	Dec 2019	% Revenue
Inventory	94.7	13.6%	73.9	11.0%
Trade Receivables	145.5	20.9% (62 D.S.O.)	129.4	19.3% (57 D.S.O.)
Trade Payables	(47.3)	6.8%	(41.4)	6.2%
Net Working Capital	192.9	27.7%	161.9	24.2%

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Exchange Rates

	US \$	Euro €
Average rates		
H1 2018	1.38	1.14
Full Year 2018	1.34	1.13
H1 2019	1.29	1.15
Full Year 2019	1.28	1.14
+ = GBP STRENGTHENING / - = GBP WEAKENING		
H1 2019 v H1 2018	-6.5%	+0.9%
FY 2019 v FY 2018	-4.5%	+9%
Period end rates		
December 2018	1.28	1.11
June 2019	1.27	1.12
December 2019	1.31	1.17
+ = GBP STRENGTHENING / - = GBP WEAKENING		
December 2019 v December 2018	+2.3%	+5.5%

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Dividends

- 2019 final dividend increased by 5.4% to 3.90 pence
- Dividend cover 1.7 times (adjusted cover 1.8 times)

Core Dividend	Month Paid / Payable	Amount (pence)	Cost (£m)
2017 Final	May 2018	3.35p	29.2
2018 Interim	September 2018	2.20p	19.1
Paid in 2018		5.55p	48.3
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		3.90p	34.0

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Revenue Analysis

By division (%)	Controls	Fluid Systems	Gears	Instruments	Total
2019	52.8	20.6	12.4	14.2	100.0
2018	50.6	23.9	10.5	15.0	100.0

By end user market (%)	Oil & Gas	Power	Water	Industrial	Other	Total
2019	51.5	10.5	12.7	22.0	3.3	100.0
2018	53.9	11.3	12.1	19.2	3.5	100.0

By end destination (%)	Asia Pac/ Far East	Europe	Middle East/ Africa	N. America exc. Mexico	UK	Eastern Europe	Latin America
2019	33.4	17.4	10.2	24.3	5.9	5.3	3.5
2018	31.9	17.2	11.7	23.6	5.6	6.2	3.8

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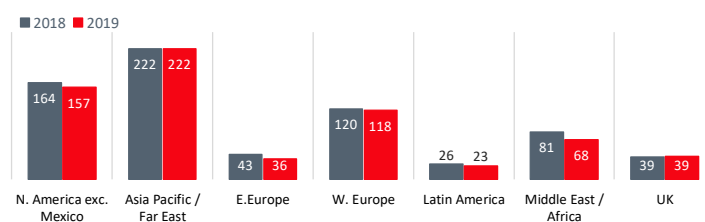
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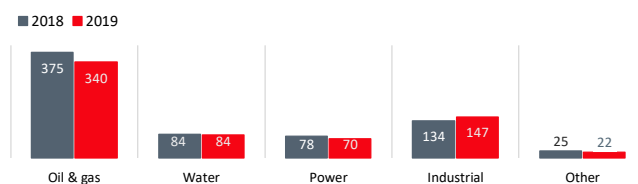
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Group Revenue¹

End Destination (£m)



End User Market (£m)



¹2018 revenue is stated on a constant currency basis with the 2019 figures restated at 2018 exchange rates

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