IMI plc
Half Year Results 2026

Friday, 31st July 2026

Introduction

Roy Twite

CEO, IMI plc

Welcome

Good morning, everybody, and welcome to IMI's 2026 Half Year Results Presentation. I am joined here today by our CFO, Luke Grant. Together, we are going to take you through what was a strong first half performance, and I would like to begin by thanking our people. It is a real privilege to lead such a talented and committed team, and this first half performance is a direct reflection of their hard work and their dedication.

Consistent execution delivers a strong first half performance

We delivered 5% organic revenue growth in the first half with growth across all of IMI. Organic adjusted operating profit was 8% higher than the same period last year. Growth Hub continues to deliver with orders up 22% to £78 million, despite a strong prior year comparator.

And we saw a significant improvement in free cash flow generation. We are committed to deploying this capital for growth and to enhance shareholder returns. We returned over £300 million to shareholders in the first half and are declaring another 10% increase in the interim dividend.

I am pleased to reconfirm our full year guidance. We are on track to deliver our sixth consecutive year of mid-single digit organic revenue growth. And we continue to expect full year adjusted EPS to be between 136p and 142p.

Importantly, excluding any contribution from Truflo Marine, we expect to deliver our typical 45% half-one to 55% half-two EPS weighting.

Growth strategy has delivered 10% EPS CAGR

IMI has been fundamentally transformed since we launched our growth strategy in 2019, delivering a 10% EPS CAGR as we create significant value for shareholders.

At the heart of this is the One IMI operating model, our relentless focus on commercial excellence, market-led innovation and continuous improvement, all underpinned by our performance culture. Supported by the three long-term megatrends of Energy, Automation, and Healthcare, we remain confident in our ability to continue compounding earnings growth over the medium term.

Okay, with that, I am going to hand over to Luke.

Business Review

Luke Grant

CFO, IMI plc

Delivering our financial framework

Thank you, Roy, and good morning, everybody. I am pleased to be able to take you through our strong first half performance.

Our One IMI operating model continues to drive consistent high-quality results, and the first half of 2026 was no exception. Revenue was 5% higher organically, and organic adjusted operating profit was up 8%.

The adjusted operating margin was 50 basis points higher at 18.7%, reflecting strong operating leverage and continued growth in the high-margin Aftermarket, partly offset by our previously communicated cybersecurity investments.

Adjusted basic EPS increased to 63.4p, reflecting the strong operational performance and the benefits of our disciplined approach to capital allocation. Cash conversion was 96%, and we saw a significant improvement in the free cash flow generation during the period.

Following the strong performance and reflecting our confidence in the business, we are pleased to declare another 10% increase in the interim dividend.

One IMI operating model delivering organic growth

Turning briefly to the revenue and profit bridges. Organic revenue was 5% higher with a modest tailwind from foreign exchange. Adjusted operating profit increased to £217 million, with organic adjusted operating profit up 8% year-on-year.

Disciplined execution of the One IMI operating model has delivered a 580 basis point margin expansion since 2019, taking us to 20% in 2025. We remain confident in further progression over the medium term.

Our strong operating leverage means we expect to deliver a drop-through of around 30% over the medium term.

Continued organic growth and margin improvement

Turning to the income statement. As mentioned, we saw good organic revenue and profit growth in the period. The net interest charge was broadly in line with last year at £8.4 million, and the tax rate increased to 26.2%, broadly in line with our guidance for the full year.

Adjusted basic EPS increased by 13% to 63.4p in the period.

Broad based organic growth

Looking now at the performance of the platforms and sectors. Automation delivered good growth, with revenue up 5% organically. Process Automation had another strong first half. Order intake was up 12% organically, including a significant £48 million New Construction nuclear order, which covers deliveries over more than a decade.

New Construction orders were up 20% organically, and high-margin Aftermarket orders were 7% higher. The Process Automation order book at the end of June was 10% higher than the prior year.

Industrial Automation organic revenue was 5% higher, principally reflecting improved levels of industrial activity and a softer first half comparator.

Turning to Life Technology, where organic revenue was also 5% higher. Climate Control organic revenue was 4% higher, reflecting continued demand for our energy-efficient and smart connected solutions. Data centre orders were £18 million in the first half, significantly higher than the £6 million in the first half of 2025.

Life Science & Fluid Control organic revenue was 5% higher, supported by resilient healthcare demand and a softer first half comparator. We now expect Life Science & Fluid Control organic revenue to be modestly higher in 2026.

Transport organic revenue was 8% higher as the heavy-duty truck market began to recover. Reflecting improving market conditions, we now expect Transport to deliver mid-single digit organic revenue growth in 2026. The strategic review remains ongoing, and the team continues to execute well.

Finally, I would like to provide a quick update on the Middle East. Shipments to the region in the first half were modestly ahead of the expectations we set out in our Q1 trading update. Our full year expectations for shipments into the region remain unchanged, and our guidance assumes that conditions allow for planned shipments to be delivered by the end of the financial year.

Significant increase in cash flow generation

Turning now to cash flow, where we delivered a significant improvement during the first half. Adjusted operating cash flow was £208 million, up 32% on the prior period, reflecting the strong profit performance and continued good working capital management.

I want to say a big thank you to our commercial and operational teams across the business who continue to manage working capital exceptionally well.

Working capital showed an £8 million outflow in the period, much improved on a £42 million outflow in the prior period and follows on from an inflow in the full year 2025. Free cash flow was £171 million, significantly higher than the £30 million delivered in the first half of 2025. This reflects the strong operating cash flow performance together with the non-repeat of the one-off items called out in 2025.

We continue to invest in new capacity and capability across IMI with capex of £38 million in the first half, representing 1.2 times depreciation.

Net debt at the end of June was £673 million, with the net debt to adjusted EBITDA at 1.2 times, comfortably within our 1 to 2 times target range.

Disciplined capital allocation delivering returns

IMI is a highly cash-generative business with a clear and disciplined approach to capital allocation, prioritising investments in our people, processes and operations that accelerate organic growth.

In the first half, we opened three new world-class facilities and made significant investments in Growth Hub and data and digital across IMI, which are all key enablers of our One IMI operating model. We remain committed to a progressive dividend and are very pleased to be declaring a 10% increase in the interim dividend today.

We will also pursue targeted bolt-on acquisitions that enhance our positions in attractive long-term growth markets. Since 2019, we have deployed over £400 million into bolt-on acquisitions whilst increasing our fully burdened return on invested capital by 260 basis points to 14%.

Our M&A pipeline remains strong, and we will continue to seek targeted bolt-on opportunities that complement our organic growth model, providing access to differentiated, scalable technology and expanding our installed base and Aftermarket positions, whilst delivering returns in line with our strict financial criteria.

Finally, we will look to return surplus capital to shareholders, should net debt to adjusted EBITDA fall sustainably below our 1 to 2 times target range. Our £500 million share buyback programme, announced at our full year results, is progressing as planned with £250 million completed as at 30th June 2026.

By deploying our growing cash flows into organic growth, targeted bolt-on acquisitions, and value-enhancing share buybacks, we are confident we can continue our track record of compounding EPS and free cash flow per share growth.

Outlook: Full year guidance reconfirmed

Turning now to the outlook. Following our strong first half performance, we are reconfirming our full year guidance. We remain on track to deliver our sixth consecutive year of mid-single digit organic revenue growth in 2026, and we continue to expect full year adjusted basic EPS to be between 136p and 142p.

We continue to expect that the adjusted operating margin will be flat to slightly up in 2026, with strong operating leverage, offset by our previously communicated cybersecurity investments.

Our guidance assumes that the disposal of Truflo Marine completes in the third quarter of 2026, that shipments to the Middle East for the full year are unchanged from the expectation set out during our Q1 trading update, and that foreign exchange rates do not have a material impact on full year sales and profits.

We are assuming a net interest charge of approximately £20 million, a tax rate of around 26.3%, and a weighted average number of shares of 239 million following completion of the £500 million share buyback programme.

As Roy previously mentioned, excluding Truflo Marine, we expect our typical H1, H2 EPS profile of around 45% to 55%. If completion takes place as assumed, our reported EPS profile is likely to be more H1 weighted, reflecting Truflo Marine's contribution ahead of the disposal.

With that, I will hand back to Roy, who will take you through the strategy update.

Strategy Update

Roy Twite

CEO, IMI plc

IMI is aligned to three powerful megatrends

Thanks, Luke. Since launching our growth strategy in 2019, we have deliberately aligned our business to three long-term megatrends; Energy, Automation, and Healthcare. These structural drivers provide significant opportunities to create long-term value and will underpin our delivery of profitable growth in the years to come.

Our right to win

IMI is a global leader in fluid and motion control with a compelling value proposition. Our solutions typically account for a small share of the total system cost but have an outsized positive impact on end customer outcomes. This drives growth, customer loyalty, and strong pricing power. It also positions us well to serve the attractive Aftermarket, which today represents around 45% of IMI's sales. Our business is built on the strength of our One IMI operating model. By applying a consistent approach rooted in commercial excellence, market-led innovation, and continuous improvement, we are creating significant value for shareholders.

Growth underpinned by energy demand and efficiency

Over half of IMI's sales are directly supported by rising energy demand and energy efficiency, and I wanted to provide an update on how this long-term megatrend is driving sustainable, profitable growth.

Firstly, in conventional power, where IMI is a key supplier to the large gas turbine OEMs. We continue to see strong demand in the first half with organic order intake up 24% and New Construction actually doubling. This is being driven by widespread electrification and the need for stable, reliable energy to power data centres. Our customers now have multi-year order books that give us confidence in the growth opportunities ahead.

Nuclear also continues to be an exciting area for IMI. We won £51 million of New Construction orders in the first half, including the £48 million New Construction order that Luke mentioned earlier. This is one of our largest ever contracts, with revenue to be recognised over more than a decade. We also continued to see strong momentum in the higher-margin Aftermarket, with orders up 33% organically year-on-year.

Thirdly, LNG. IMI's control solutions play a significant role right across the LNG value chain. And as previously highlighted, we are particularly excited about the significant opportunity to support new liquefaction capacity additions.

Organic order intake in LNG was up 56% in the first half, with New Construction up 67% and Aftermarket up 36%. With strong customer relationships and leading technology, we see a clear pathway to sustained growth.

And finally, data centres. The rapid expansion of data centre capacity is not only driving energy demand, it is also creating an exciting opportunity for Climate Control. Our innovative solutions play a key role in supporting energy efficiency and thermal management. We won £18 million of orders in the first half, up from £6 million in the first half of 2025.

The global pipeline of opportunities continues to grow.

Growing exposure to high-quality Aftermarket

Growing the Aftermarket is a key strategic priority for IMI. Our Aftermarket exposure has expanded from around 35% in 2014 to approximately 45% in 2025, and it is central to how we create significant value for our customers and drive long-term returns for shareholders.

Our Aftermarket revenues are mission-critical to customers' operations, largely funded through opex rather than capex, and supported by long-term customer relationships. This gives us recurring revenue at high margins and stronger returns.

In Process Automation, the Aftermarket now accounts for around 60% of orders. And as you can see on this slide, we have grown order intake at an 11% CAGR since 2020. This growth is underpinned by our installed base of more than 200,000 severe service valves, where our parts, upgrades and services help our customers run their most critical operations safely, efficiently, and profitably.

As many of you will be aware, our innovative Retrofit3D technology uses 3D printing to fit our complex designs into installed valves. We are continuously finding ways to improve this process, and I am really proud of the innovation coming from our teams. A great example of this is our team in Korea, who have combined our engineering expertise with AI-enabled tools to accelerate the design of our bespoke 3D disc stacks, reducing engineering time by more than 90%. This means we can respond much more rapidly to customers and continue to grow the recurring high-margin Aftermarket.

Financial framework compounds earnings growth

IMI now consistently delivers against our financial framework, and we have built a strong track record of compounding earnings growth. Over the last five years, we have delivered average organic revenue growth of 5%, supported by our leading positions in attractive long-term growth markets, and our success in driving commercial excellence and market-led innovation.

The adjusted operating margin has expanded to 20%, and we continue to see opportunities for further progression over the medium term. Cash conversion remains very strong, and our fully burdened return on invested capital is meaningfully higher than our 12% underpin and well above our weighted average cost of capital.

One IMI: powered by our people

None of this would be possible without the more than 10,000 people right across IMI, and I want to take this opportunity once again to thank each and every one of them. Our people and performance culture are the foundation of our One IMI operating model. We have worked hard to build a culture rooted in ownership, customer focus, and innovation, and we are continuing to make significant investments in our people to help them grow, develop, and create value for our customers.

The image on the left-hand side of this slide is from the recent IMI Way Day, which this year focused on solving our customers' challenges. It really was an inspiring day and a great reminder of the pride and dedication of our teams right across IMI, as our people work together to create great solutions.

As you can see on the right-hand side of this slide, this focus on our people and performance culture is delivering real results. Added value per employee has grown by 30% since 2019, while employee engagement remains at very high levels.

Key messages

Just to close, three key messages to take away today. Firstly, we delivered a strong first half performance with organic growth across IMI, a significant improvement in cash generation, and over £300 million returned to shareholders.

Secondly, we remain on track to deliver our sixth consecutive year of mid-single digit organic revenue growth.

Thirdly, we are reconfirming our full year guidance. We continue to expect adjusted EPS to be between 136p and 142p.

Thank you. I will now hand over to the moderator for the questions and answers.

Q&A

Christian Hinderaker (Goldman Sachs): Good morning, Roy, good morning, Luke, and thanks for the presentation. I want to start on Process Automation, please. Very strong growth you saw in OE within the power market. I guess interested in your outlook there over the next few years given some of the capacity expansion comments we have heard from the turbine makers. How do you expect that to affect your business?

And then also, the Aftermarket capture piece. I saw, I think, you had 1% growth in the half, I guess there is a comps effect here. As we think about that expansion in your installed base on OE, when might we see that pick up on the Aftermarket side?

Roy Twite: Brilliant. That is a great question. Thanks, Christian. Yes, obviously really pleased that New Construction conventional power orders doubled in the first half to £64 million, Christian. So, really good performance. As you know, our customers, that are actually building the power stations, have got multi-year order books now. So, we are very pleased with the medium to long-term outlook for that segment.

What I would say is, obviously, it will not continue to double, right? As I said on the last call, this is going to be constrained by the ability to speed up the construction of those power stations. But nonetheless, it is going to be good for quite a few years, I would think, within that sector.

On the Aftermarket side, you are right, Christian, that just within the conventional power segment, Aftermarket orders are up 1%. And what we see is that typically a couple of years after the valve is installed, we start to see Aftermarket at about 10% of the New Construction value on average, Christian.

That number can go up a bit if the power station is cycling a lot, and it can come down a bit if it is sort of acting as base load. On average, that is what we see. That is what we love, because we have now got something like 206,000 installed valves, severe service valves, not just in power, but across all the segments. And that is what is generating that beautiful long-term, high-margin, Aftermarket stream of revenue that comes through.

I would say, just so that everybody is clear on the call, our overall Aftermarket orders across Process Automation were actually up 7% in the first half, which is great, because that underpins this year and starts to even move into some delivery for next year as well. So, yes, that is where we see the power sector.

The good news as well is that is conventional power that you focused on, Christian. But obviously nuclear, we won that nice nuclear order, which as I said, will be delivered over more than a decade. It is several reactors over more than a decade. But nuclear Aftermarket as well, we saw good strength in the first half, as I said, and that was up 33%, right? So, we are starting to see nuclear Aftermarket improve. And in the longer term, I think we will see nuclear New Construction, as we have been consistently saying, we will see some good opportunities there. Does that answer your question, Christian?

Christian Hinderaker: It does, Roy, thank you.

Just moving then to… in the growth Q-on-Q, I appreciate the comp was a bit easier. I guess Q3, we have then got a tougher comp. But can we just think about the underlying demand you are seeing there? Has that improved? How do you expect that to play out through H2?

Roy Twite: Sorry, Christian, we just lost the first part of your question there. Which sector?

Christian Hinderaker: Sorry. Life Sciences.

Roy Twite: Yes, Life Sciences. So we have moved up our guidance slightly on that Life Science & Fluid Control sector from stable to modest growth. So yes, we are seeing some improved demand, I would say, in that sector. It is modest, Christian, I do not want anybody to get carried away. We are not returning to the glory years yet on analytical devices by any means. But, yes, there is, I would say, more consistent, modest growth in that sector.

Christian Hinderaker: Understood. And maybe thirdly, a little bit more strategic, in terms of questioning. When we think about your growth initiatives, you have really scaled the Growth Hub initiatives over the years, innovated with Retrofit3D, and you have obviously got some emerging but higher growth opportunities for Climate Control now in data centres.

When we think about your capital allocation priorities, i.e. buyback versus M&A, how do we think about those given you have shown, I would say, good ability to grow in higher growth segments? How are you thinking about M&A and the capacity to move into some of those more attractive growing markets?

Roy Twite: I will talk a little bit about Growth Hub because I cannot resist now that you have asked the question. But if you just want to carry on with capital allocation, Luke, after that.

Growth Hub, fantastic for orders to be up 22% in the first half. We did a brilliant event in California where we had every single sector pitching. And then at our IMI Way Day, where we involve all 10,000 people, we did, what I would call mini sprints to just, again, really focus our whole culture of the company on customers, on finding customer problems, validating customer problems that customers are really prepared to pay to solve. And that has created another wave of ideas, Christian.

So yes, investment in organic growth has been and will be our absolute clear priority, right? We all know that if we can consistently grow organically, the returns on that, the reduced risk on that. Let us face it. The virtuous spiral of opportunities for our people, to develop our people, to grow our people, and the culture that brings. And again, we just did our employee survey, and 79% of people said IMI is a great place to work. And that is what we want, is just to keep building on that momentum, because that virtuous spiral we know creates huge value for everybody.

So Luke, do you just want to talk a little bit about capital allocation?

Luke Grant: Yes, and I will really just build on what Roy says. I always say our capital allocation is very purposeful in the way it is laid out. If you think, as Roy said, organic growth is the absolute number one thing we think about when we think about capital allocation. You look at how much we are investing in a business. We are putting record levels of salespeople into the Aftermarket in Process Automation, investing in data centres and Climate Control, and that is what we are really driving and focusing on.

As you said with the share price improvement, we definitely look at M&A second from a capital allocation perspective, and we are still looking at exactly what we talked about on the last call. It is things like severe service valve companies with underserviced Aftermarket, or technology companies that are in nice adjacencies that feed into each sector.

So, putting more time and effort in M&A has definitely been a focus in recent months, and we are continuing to do that. As we then look at any leftover capital to allocate, we think share buybacks deliver good returns, and then also we have continued to progress the dividend at a good clip with very healthy cover.

Roy Twite: Does that answer your question?

Christian Hinderaker: Yes.

Roy Twite: Thanks, Christian.

Chitrita Sinha (J.P. Morgan): Hi, good morning, Roy and Luke. Thank you for taking my questions. I have got three, and I will take them one by one. So just firstly, regarding the unchanged guide. Clearly a very strong performance in the first half, and you are seeing very good order momentum in PA as well. I just wanted to get some of the moving parts in H2, which has led to you leaving the guidance unchanged for the year.

Roy Twite: Great question. Thank you, Chit, appreciate that. Yes, Chit, I think what everybody should understand is that last year was quite an unusual shape because of what happened with cyber, right? First half we were hit, second half we did a lot of catch up. What that meant was in the first half of last year, we grew about 2%, actually it is just slightly less than 2%, and in the second half we grew 9%, right? So in terms of comparatives, it is an unusual effect this year. What I always check is obviously both comparatives, but then sequentially. And when we look sequentially, if we strip out Truflo Marine, we are at our standard 45% to 55%, half-one to half-two on EPS. And that would get us to about where consensus is, which is about 140p, 140.5p, something like that. And Chit, that makes a lot of sense for us given what is happening in the world.

Clearly, externally in the external markets, there is a lot going on. Obviously, we have got the Middle East, but we have also got difficult German industrial production, we have got tariffs. There is various moving parts. So what we feel, consensus, given all of these effects, is in about the right place.

Chitrita Sinha: Very clear. My second question is just on Middle East as well. In the last update, I believe you said that there is about a maximum of £30 million orders that might be a risk of being pushed out. But it seems like from your comments that there has been positive development in the half. So could you please provide a bit more colour on the latest there, please?

Roy Twite: Yes, Chit. So obviously, on the last call, literally things were just evolving. You know, just literally a few days. I would say you are absolutely right. We have given out the numbers so, everybody knows what our numbers are for the Middle East. I do feel a bit more confident now about delivering the year.

And just recently, Luke and I have just checked July shipments. They are bang in line with our plan, Chit. Despite the raised events that were happening in July, it does seem to us that customers really want our spare parts in particular, particularly the Aftermarket parts, and we are seeing good shipments. So, I would say yes, there is still a £30 million risk, but it is a much reduced risk than when I last talked to you.

Chitrita Sinha: Great news, thank you. And then finally, just on Industrial Automation, maybe a bit more colour here. What is the 60-day moving average looking like? Thank you.

Roy Twite: Yes, thank you. So, Industrial Automation obviously did well in the first half, but that was against a softer comparator because of cyber. Still nice to see it growing at 5%. Team is doing well, working really hard. That is a very high mix business where you are supplying a whole series of components to make a system, and therefore the supply chain complexity is high, and we have been investing to reduce the supply chain complexity and effectively improve response to customers. In the second half of last year, though, Chit, obviously what we are going to see is a much harder comparator because there was catch-up as we went through the cyber event.

In terms of our 60-day moving average, we have done our best to sort of normalise that. Luke has worked hard on the numbers, and the way I would characterise it is that it is slightly up, sort of 2% up, as we go into the second half. That number will vary a bit now, though, Chit, honestly, as we go into the European holiday season. But just to give you a rough idea, that is about where it is at the moment on orders. That is orders, obviously.

Chitrita Sinha: Sorry, just to follow up, do you mind providing a bit more colour just geographically in terms of what you are seeing?

Roy Twite: Yes, absolutely. Geographically, Europe is pretty flat, and that is dragged down by Germany. Other parts of Europe, not so bad. America is slightly up, around 3% up. And then Asia Pacific is up closer to double digits. It is only 15% of Industrial Automation, but Asia Pacific is actually quite strong at the moment.

Chitrita Sinha: Thank you so much.

Roy Twite: Thanks Chit.

Luke Grant: Thank you.

Tore Fangmann (Bank of America): Perfect, good morning. Thank you for taking my questions. Only two left from my side. First would be on your data centre growth. If I remember correctly, you had indicated recently, another around like 50%-ish of growth this year. Now you have delivered already 200% growth in the first half. So, could you speak a bit more about the opportunity here, what you are seeing? And maybe with this, it really seems like you are very quickly increasing your market share, so any further details would be super helpful.

Roy Twite: Brilliant, well, thanks, Tore. On data centres, we said on the last call we thought we would probably do about £30 million of sales this year. We have done £18 million in the first half. So, we think it will probably be slightly better than £30 million now. It is a little bit lumpy, as you can imagine. I think I talked on the last call about you can get orders of £6 million and whether they fall in this year or next year is a bit of an issue.

I am not sure whether we are taking share. I think we are doing well and we are holding our own in what is a rapidly growing market, and we have got a series of new product launches as we get towards the end of the second half as well, Tore, as Christian was talking about earlier with the Growth Hub. So yes, we remain pretty happy with where we are on data centres, but we do realise there is more to go for in the future as well.

Tore Fangmann: Perfect, thank you. Then just the second one would be on Transport. Appreciate you are still having a review of this segment as the total. Does this change, given that we see very strong organic growth, especially in the North American truck market and also a decent outlook into the second half? Are you still committed to separate this potentially from the rest of the Group?

Roy Twite: It is still under strategic review, I would say, Tore. And my congratulations to the team there because they are really improving that sector. You saw the cash performance in the half, and Transport is overweight producing cash. Really, it is a phenomenal team. As I said, it is almost two years ago now, where the new team started coming in. They are ex-passenger car people, and they are not only helping Transport actually, Tore, they are helping other parts of the business as well, which I really appreciate. Just to give you one number, they got their global quality to nine parts per million. That is properly world-class. It is not just improving stock turns, it is right across the operational performance of the business. And as you know, the target for them is very clear. It is to get above average return on invested capital for IMI, and they are going full speed to do that.

The strategic review is still on, and all things will be considered. But no, it is good progress in the first half from Transport.

Tore Fangmann: Very much appreciate the colour, thank you.

Roy Twite: Thank you.

Stephan Klepp (BNP Paribas): Hi, good morning, everyone. I have three questions. The first one is for clarification on nuclear. So, that big deal, £48 million, this is conventional nuclear, as I understand. How is your pipeline looking into more modular reactors? And particularly, if you think about the success that Rolls-Royce has in winning now three countries with projects, and how set are you in that setup? Is it more or less that you will help Rolls-Royce to more or less build out the franchise?

The second question is on your order funnel in Process Automation. I think we all understand that power is carrying the business quite a lot at the moment. Nuclear is really good. But what does it take for the other areas to come back? And what do you see there in the funnel, in your pipeline? How is that building up?

And the last one is probably a very boring one, but looking ahead, your medium-term framework was put in place in the second half of 2023. What do you want us to expect going forward? More of the same, of the good execution because you are executing really, really well? Or is there any change factors that we should expect going forward with regard to your medium-term outlook?

Roy Twite: Great, a good set of questions. Thank you, Stephan, appreciate that. The nuclear is conventional, it is not SMR, that order, so that you know. On SMR, yes, we remain very upbeat about that. Of course, I am not going to talk about a particular customer, that is very commercially sensitive, on this call, Stephan. Just to say that SMRs, yes, we are well-placed. Our technology is very well-placed for SMRs, not just in the UK, but more globally than that as well. So, if SMR becomes a viable technology, we would be very pleased with that, Stephan.

On Process Automation, obviously the big thing is the Aftermarket, right? And that is 60% of that business, and Aftermarket orders are up 7%. That is really pleasing. On the New Construction side, you have got power, we have got nuclear, we have got LNG, remember as well, going great guns. Gas generally is good for us. We think gas over oil is good for the medium term, Stephan, and we are well placed with gas in Process Automation.

The parts that have not been doing so well, I do not think it will surprise anybody, on the New Construction side is downstream and petrochem. That is the bit that has been softer. Downstream oil, I think, is going to be tricky. I am not expecting any big increase there. For us, the downstream opportunity is more in the Aftermarket, and it is more around upgrades. That is what we are really excited about there, and we have done very well then. And I think as we look forward into the future over the next few years, there will be more upgrades in that area.

Then the framework. Yes, delighted, right? That framework in 2023. We were looking at some stats from one of the big investment banks, and the percentage of companies that do compound EPS, more than just 5%, actually, as you know, Stephan, we have done it 10% over that period. But the percentage of companies that do 5% plus over six years, which hopefully we will do this year, is around 2%, Stephan.

So for us, there is no fancy tricks here. This is about running a first-class engineering company. Investing in the future, creating innovation, staying super close to customers, making sure that we do not waste a penny, that we solve their problems, that they are prepared to pay for, we create value and then we capture that value.

We want to be the world's best engineering company in terms of that value creation, value capture, and that is what we are going to do. So yes, there is not going to be any big breakouts. Of course, there will be hopefully some really nice bolt-on acquisitions to accelerate that journey. But really, the core of our business is high-quality organic growth, and that investment growth cycle, continuing that. That is what we are about.

Stephan Klepp: Super. One follow-up, just on the cash conversion. You are doing really well, particularly the first half was strong. 90% plus, is that just a bit conservative going forward, actually?

Luke Grant: I think 90% plus is still our base, really, because we still want to invest capex to depreciation north of 1 times, at least 1.2 times through a cycle. And typically, as we grow, we will need to build inventory working capital as we go. So, thinking in that 90% plus range is about right for us.

Stephan Klepp: Okay, super. Thank you, guys.

Roy Twite: Thank you, Stephan.

Luke Grant: Thank you.

Andrew Douglas (Jefferies): Good morning, gents. Just two quick ones from me, please. In terms of the nuclear order, can you tell us what region was that in, and are there multiple nuclear opportunities? I suspect it is not just one country who is looking at their nuclear opportunity.

Secondly, just going back to the question on M&A. It has been a real challenge for you guys from a multiple perspective. And the areas in which you are focusing are not going to be seeing much multiple compression, I do not think, over the next few years. If anything, it is probably getting worse. Do you guys need to think slightly differently about how you do M&A, about the multiples that you are paying, and maybe more synergistic M&A? Or is it just going to be more of an opportunistic opportunity to do M&A, and then buybacks if you cannot? I am slightly struggling to see how anything fundamentally changes from an M&A perspective.

Roy Twite: Yes, that is a really good question. I will let Luke talk about M&A in a moment. I will just start. The nuclear order was in Europe, Andy, just to clear that one up for you. I think over the next few years, there will clearly be more New Construction opportunity in nuclear.

If you look at some of the nuclear power stations, these are big projects, right? They are 10-year type projects. So, it will come over the next few years. This particular order is for a whole series of reactors, as I said, which we will deliver over more than a decade, Andy, right?

So, the fact that this big order has come all together, that is the way the customer wants to do it. That is great for us. We love that in our order book, obviously. Nice to win that one. I would say that nuclear will happen over the next few years. I would not say that there is going to be other huge orders directly upon us. But it is very exciting for the medium term.

Luke, do you want to talk about M&A?

Luke Grant: Yes, more than happy to. From an M&A perspective for us, I am not too concerned with what you are saying. If you remember, really the M&A process we run, and we have a wide net of opportunities we look at. We then typically build relationships with those companies over a multi-year period. So it is not something that just happens overnight.

Typically, when we have done that, we have been able to build good relationships, even maybe work with them commercially ahead of a potential purchase, and then move forward from there, and had a long success of bringing companies in. Many of the founders or senior members of those management teams are still working for IMI years and years down the line. So, from our perspective, it is just about investing more time in doing that, and the more that we do that, the more opportunities that will come. We have not been sat on our hands in recent years, we have been involved in process, we have looked at different things.

To your point, I do not really like talking about multiples and stuff because there is always adjustments, lots of different stuff. We really just focus on cash returns over a long period for our shareholders. We talk about making sure they are in excess of WACC after year three, and then above our 12% ROIC underpin after year five, and that is what we are really focused on, and we will not step away from that discipline.

Roy Twite: Yes, some of the recent acquisition deals, Andy, obviously, we have looked at and some of them have got a cash return of less than 3% on day one. To get above WACC, you have got to treble profits, right, in a reasonable period of time to get above WACC. So, you are right, Andy. If other people are prepared to pay that, we have really got to see where that is coming from, right? Because we certainly are all about increasing shareholder value. We are certainly not about destroying it.

You are right. The competitive environment is slightly baffling. We have done six acquisitions. The target has to continue to be those preferably privately owned bolt-ons, does not have to be privately owned, but those bolt-ons where we can see where us plus the acquisition equals a lot more than the sum of its parts. And we have clearly had some of those. You will remember over the last decade, companies like Remosa or Orton, Z&J, where, as Luke said, suddenly we could unlock the Aftermarket, and the value accretion has just been superb.

Andrew Douglas: Yes, perfect. And one just quick follow-up, just a slight follow-up to Stephan's question. Margins are, I think the guidance was flat to slightly up in the current year, given the investment in cybersecurity. Going forward, there is no reason why margins cannot continue to tick up towards that 22% number that you talked about 18 months ago. Is that still fair in your thought process?

Roy Twite: You are absolutely right, Andy. As we said on the call, right, the baseline drop-through for us, because gross margins are now getting close to 50%, which is great as we have reorganised the manufacturing footprint, as we have really been relentless on that continuous improvement drive, you saw the productivity numbers in the presentation. So, as we continue on that journey, what it means is that even after we invest fully in growth, which as I said is our number one priority, we drop-through, generally speaking, more like 30% than 20%. If you run the maths on that over a five-year period, you get to around 22% margin.

So acquisitions, all this stuff can alter that position, right? But from where we are today, let us say the organic business, we would expect to do that profile, 30% drop-through. Of course, if we need to invest, like we certainly did need to invest in cyber, then we would always announce that and explain that. But you are right, over a five-year period, that is the trend we would expect.

Andrew Douglas: Perfect. Well done guys, thank you.

Roy Twite: Brilliant. Thanks Andy.

Luke Grant: Thank you.

Roy Twite: That is great. Thanks, great questions. I got to say, I will repeat what I said at the beginning. I am really proud to present these half year results and just want to thank again the people across IMI, the 10,000 people that contributed to this first half. Thanks, everyone.

[END OF TRANSCRIPT]