IMI plc
Press release

1 March 2024

Accelerating Better World growth
Strong organic growth, margin progression and cash generation
Expect further progress in 2024

Preliminary results, year ended 31 December 2023

	Adjusted[1]				Statutory		
	2023	2022	Change	**Organic[4]**	**2023**	2022	Change
Revenue	**£2,196m**	£2,049m	+7%	**+6%**	**£2,196m**	£2,049m	+7%
Operating profit	**£411m**	£364m	+13%	**+10%**	**£319m**	£298m	+7%
Operating margin	**18.7%**	17.8%	+90bps		**14.5%**	14.6%	-10bps
Profit before tax	**£387m**	£346m	+12%		**£302m**	£285m	+6%
Basic EPS	**116.8p**	105.5p	+11%		**91.5p**	87.6p	+4%
Operating cash flow[2]	**£366m**	£290m	+26%		**£439m**	£336m	+31%
Dividend per share	**28.3p**	25.7p	+10%		**28.3p**	25.7p	+10%
Return on invested capital[3]	**13.1%**	12.7%	+40bps				

1 Excluding the effect of adjusting items as reported in the income statement. See Note 1 for definitions of alternative performance measures.

2 Adjusted operating cash flow, as described in Note 1 to the financial statements. Statutory measure is Cash generated from operations as shown on the cash flow statement.

3 Post-tax return on invested capital, as described in Note 1 to the financial statements.

4 After adjusting for acquisitions, disposals and exchange rates (see Note 1).

Key points

- 7% sales growth, 12% adjusted profit before tax growth
- Adjusted basic earnings per share 11% higher than 2022
- Complexity reduction programme delivered £20m of incremental benefits
- Adjusted operating margin up 90bps to 18.7%
- Statutory profit before tax increased by 6%
- Significant growth in operating cash flow to £366m
- Return on invested capital increased to 13.1%
- Record Process Automation order book provides momentum into 2024
- Proposed final dividend of 19.2p, increased by 10%
- Unified IMI under one brand

Roy Twite, Chief Executive, said:

"We continued to make significant progress in 2023 as we delivered our fourth consecutive year of profit and adjusted operating margin growth. Our purpose-led strategy, Breakthrough engineering for a better world, is accelerating performance as we continue to help our customers become safer, more sustainable, and more productive. We have a resilient portfolio with around 45% of sales now generated from the aftermarket, and our sectors are aligned to attractive growth markets supported by long-term global macroeconomic trends. Both our operating platforms increased revenues and margins in the year.

By harnessing our engineering expertise, addressing customer challenges, fostering market-led innovation, and reducing complexity in our business, we are creating real value.

Based on the strong 2023 results and current market conditions we expect 2024 full year adjusted EPS to be between 120p and 126p."

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A live webcast of the analyst meeting taking place today at 8:30am (GMT) will be available on the investor page of the Group's website: www.imiplc.com. The Group plans to release its next Interim Management Statement on 9 May 2024.

Results overview

IMI delivered another strong financial performance in 2023. Organic revenue increased by 6% and organic adjusted operating profit increased by 10%. Group adjusted operating margin increased by 90bps to 18.7% and both platforms increased margins in the year. Statutory operating margin reduced by 10bps to 14.5% as we accelerated our complexity reduction programme in the year. Statutory profit before tax increased by 6%. Cash conversion was strong at 89% (2022: 80%) and the Group's return on invested capital increased to 13.1% (2022: 12.7%). Our adjusted basic earnings per share increased by 11% to 116.8p (2022: 105.5p).

Everyone at IMI was pleased to see the Company rejoin the FTSE 100 index during the year. The sustainable improvements in financial performance that are being delivered are testament to the hard work of all our people. It is an important milestone in the continued delivery of our strategy.

As we unite our people and business around our purpose, it is time for the next step in our journey. We are consolidating under a unified IMI master brand while maintaining strong product brands within our sectors, all presented through a singular visual identity. This approach will simplify our engagement with customers, support our growth ambitions, unite us as one team and help us to attract top talent. Great things happen when we come together as one – finding the best ways of solving customer problems with breakthrough solutions that help build a better world.

Dividend

The Board is recommending a 2023 final dividend of 19.2p per share (2022: 17.4p per share). Payment will be made on 17 May 2024 to shareholders on the register at the close of business on 5 April 2024.

Outlook

Based on current market conditions, we expect 2024 full year adjusted basic EPS to be between 120p and 126p.

This guidance reflects strong growth in our Automation platform from the record order book in Process Automation and continued resiliency in our Industrial Automation sector as the competitive labour market drives investment. The Life Technology platform is expected to be broadly flat in the full year, reflecting continued demand for our energy efficient products in Climate Control, offset by softer performance in Life Science & Fluid Control and Transport. We expect that Life Technology revenue will be down in the first half.

We expect continued margin progression in 2024 towards our 20% through-cycle target, supported by the benefits from the complexity reduction programme.

Our guidance assumes a net interest charge of £17m, that our tax rate will increase to 24% and a weighted average number of shares of 260.5m. Foreign exchange rates are expected to have an adverse impact on sales and profits of c.2%.

Strategic progress

Accelerating Better World growth

Our purpose-led strategy, Breakthrough engineering for a better world, is accelerating growth as we continue to help our customers to operate more efficiently, safely and sustainably. We are aligned to attractive growth markets and are creating real value for all our stakeholders through a focus on customer satisfaction, market-led innovation and complexity reduction.

There is great momentum in our business, and I am delighted that we have delivered another strong financial performance in 2023. We have seen exceptionally strong growth in our Process Automation sector, where our focus on growing the aftermarket is showing tangible results, and global investments in energy security have led to a significant increase in demand for our solutions. Our focus on hydrogen as a sustainable fuel is also delivering results, and I am pleased to report that hydrogen orders doubled to £15m in 2023 (2022: £7m). The integration of Heatmiser, acquired in December 2022 and now part of our Climate Control sector, is progressing well and we successfully launched its innovative range of smart control products in Germany and France during the year.

I would like to thank everyone across IMI for contributing to another impressive year. We would not be where we are today without your dedication, collaboration, innovation and expertise.

Our new structure

In July 2023, we announced a new business structure as the next step in our purpose-led strategy, Breakthrough engineering for a better world. To build on the opportunities for growth, IMI has been organised into five market-focused sectors operating within two business platforms, Automation and Life Technology.

Platform	Sectors	Previous Name
Automation	Process Automation Industrial Automation	IMI Critical Engineering IMI Precision Industrial Automation
Life Technology	Climate Control Life Science & Fluid Control Transport	IMI Hydronic Engineering IMI Precision Fluid OEM IMI Precision Transportation

Our five market-focused sectors bring us even closer to our customers and align with long-term macro trends that will support our sustainable, profitable growth in the years to come.

Customer satisfaction

Understanding our customers and providing world-class engineering expertise is crucial to the delivery of our strategy. We continue to invest in our people and processes to strengthen the customer experience further, and are achieving industry-leading customer satisfaction scores across the Group. We thank our customers and partners for their business and look forward to continuing these partnerships which contribute to a better world.

Market-led innovation

We are accelerating market-led innovation by embracing our Growth Hub culture and processes. We are developing breakthrough solutions to solve key industry problems and support our customers with their most complex engineering challenges. Our innovation pipeline remains strong, with exciting projects across IMI. Supported by selective M&A, this is delivering Better World growth. The integration of recent acquisitions is progressing well, giving us further exposure to attractive end markets.

Complexity reduction

During the year, we have continued to identify and execute opportunities to reduce complexity and drive more efficient, resilient operations. As forecast, our restructuring programmes delivered £20m of incremental annual benefits in 2023. We now expect to deliver a further £15m of benefits in 2024 and £7m in 2025. Our complexity reduction investment is expected to complete in 2024.

We have also progressed initiatives focused on reducing the complexity and increasing the resilience of our supply chains. We are strengthening relationships with key suppliers whilst dual-sourcing components where appropriate to ensure we can continue to serve our customers' needs.

Environmental, Social and Governance (ESG)

Our purpose, Breakthrough engineering for a better world, continues to focus our actions and create real energy across our organisation.

Empowering people

Ensuring all our employees feel safe at work has always been our number one priority. The Total Recordable Incident Frequency Rate (TRIFR) in 2023 was 0.44 (2022: 0.35), which despite remaining in the top quartile for our industry, was a disappointing outcome. We remain focused on identifying and reducing workplace hazards and are committed to the ambition of an accident-free workplace.

Our Inclusion and Diversity activities are helping to build a more dynamic and innovative organisation. The female representation on the Board is currently 44% and the Executive Committee is now at 50% as at 1 February 2024. Women in management, a key metric for improving gender balance in leadership roles, remained at 22% (2022: 22%).

Our continued focus on empowering people and on creating an inclusive, diverse, and safe workplace is being recognised. Our employee engagement remains high, with 77% of employees seeing IMI as a great place to work (2022: 80%). We were pleased to see an increase in survey participation.

Sustainable solutions

IMI's solutions support our customers' products and operations and often directly contribute to the delivery of their carbon reduction targets. When considering investments, we ensure that the impact on IMI's overall ESG positioning and performance is a prime consideration.

IMI sees a natural link between pursuing our ESG objectives with vigour and our wider ambitions for improved growth and profitability. Many of our best growth opportunities involve supporting customers in developing solutions for a zero-carbon future.

In particular, we are developing solutions for many aspects of the hydrogen value chain, including electrolysis, liquid storage, refuelling and heavy-duty trucks. We delivered £15m of hydrogen-related orders in 2023 (2022: £7m) and expect further growth in 2024.

Climate action

We improved our CO_2 intensity by 5% in 2023. Both platforms are progressing actions that will further reduce our Scope 1, 2 and 3 emissions as we make meaningful progress towards our net-zero targets. We committed to setting science-based targets during the year and have submitted both a near-term and net-zero target to the Science Based Targets initiative for validation. We continue to improve our metrics regarding water withdrawal and non-recyclable waste generation.

We also agreed our first sustainability linked revolving credit facility in June 2023 and used this as a template for a further revolving credit facility in the second half of the year.

More information about our ESG credentials and initiatives, including our policies and practices, can be found on our website: www.imiplc.com.

Roy Twite
Chief Executive Officer
29 February 2024

Financial review

Key highlights

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	2023	2022	Change	**Organic[4]**	**2023**	2022	Change
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Certain alternative performance measures ('APMs') have been included within this press release. These APMs are used by the Executive Committee to monitor and manage the performance of the Group, in order to ensure that the decisions taken align with the Group's long-term interests. Movements in revenue and adjusted operating profit are given on an organic basis (see definition in Note 1) so that assessment of performance is not distorted by acquisitions, disposals and movements in exchange rates. Further rationale for the use of APMs, their definition, and a reconciliation of APMs to statutory measures is included in Note 1.

Delivering sustainable, profitable growth

The Group delivered a strong financial result in the year, as revenue, profit and adjusted operating margin improved. Revenue increased by 7% to £2,196m (2022: £2,049m). Organic revenue was 6% higher than the prior year, after adjusting for acquisitions, disposals and exchange rate movements. Exchange rate adjustments had an immaterial impact.

Adjusted operating profit of £411m (2022: £364m) was 13% higher than last year. On an organic basis, adjusted operating profit increased by 10%.

Group adjusted operating margin was 18.7% (2022: 17.8%). Both platforms grew adjusted margins in the year as we continue to progress towards our 20% margin target. Statutory operating profit was £319m (2022: £298m), which increased by 7%. The Group statutory operating margin was 10bps lower than last year, largely reflecting an increase in restructuring costs recognised in 2023.

Adjusted net financing costs on net borrowings of £22.7m (2022: £19.2m) was higher as a result of acquisitions completed in 2022 and increases in base rates and includes the impact of £2.9m (2022: £2.8m) interest cost on leases. Statutory net finance costs were £16.2m compared to £12.8m in 2022, largely reflecting the higher interest rate environment.

Adjusted net financing costs on borrowings were covered 22 times (2022: 24 times) by adjusted earnings before interest, tax, depreciation, amortisation, impairment and adjusting items of £503m (2022: £457m). Net pension financing interest expense under IAS 19 was £0.5m (2022: £1.5m income).

Adjusted profit before taxation was £387m (2022: £346m), which was 12% higher than 2022. Statutory profit before taxation increased 6% to £302m (2022: £285m) reflecting growth in the year and the Group's continued execution of restructuring activities to improve customer satisfaction and long-term competitiveness. The total statutory profit for the period after taxation was £237m (2022: £226m).

Platform results

Automation

Automation specialises in the design and manufacture of motion and fluid control solutions that enable a diverse range of industries, to operate more efficiently, safely and sustainably. Our Process Automation sector supports vital process and energy industries whilst Industrial Automation helps create the smart, safe and sustainable factories, production lines and warehouse operations of the future.

£m	Adjusted				Statutory		
	2023	2022	Change	Organic[1]	2023	2022	Change
Revenue							
Process Automation	807	713	+13%	+14%	807	713	+13%
Industrial Automation	543	535	+1%	0%	543	535	+1%
Total Revenue	1,350	1,248	+8%	+8%	1,350	1,248	+8%
Operating profit	257	225	+14%	+14%	202	188	+7%
Operating margin	19.1%	18.1%	+100bps		15.0%	15.1%	-10bps

1 After adjusting for acquisitions, disposals and exchange rates (see Note 1).

Process Automation (£m)	2023	2022	Change	Organic[1]
Closing order book	760	627	+21%	
Order intake:				
Aftermarket	561	458	+22%	+23%
New Construction	390	354	+10%	+10%
Total order intake	951	812	+17%	+18%

1 After adjusting for acquisitions, disposals and exchange rates (see Note 1).

Automation delivered strong organic revenue growth of 8%, with revenue also up 8% on a reported basis.

Process Automation had an excellent year, with strong order intake and continued organic growth. Orders were up 18% organically, with a 23% increase in Aftermarket. Organic revenue was 14% higher than 2022 and 13% higher on an adjusted basis. We have benefitted from our self-help initiatives in the Aftermarket and continued investments in energy security and have seen particular strength in LNG, Nuclear and downstream Oil & Gas.

Industrial Automation delivered a good performance, despite uncertain markets. Organic revenue was in line with the prior year, and was up 1% on an adjusted basis. We see continued demand for solutions that automate processes in a competitive labour market.

Adjusted operating profit increased by 14% on an organic basis and the adjusted operating margin improved by 100bps to 19.1%. This was a strong performance, reflecting a further shift towards higher-margin Aftermarket opportunities and the continued execution of footprint optimisation initiatives, which delivered £15m of incremental benefits in 2023. Statutory operating profit increased by 7% to £202m in the year.

We expect to deliver good growth in 2024, following on from the strong order book in Process Automation and continued resiliency in our Industrial Automation sector as the competitive labour market drives investment. We expect margins to increase, supported by the continued delivery of our complexity reduction programme.

Life Technology

Life Technology develops motion and flow control solutions that enhance and improve the quality of life across three key sectors. Climate Control's innovative solutions help customers optimise heating and cooling systems, reduce energy consumption and improve building comfort. Life Science & Fluid Control develops solutions that empower our Life Science customers to enhance patient-focused critical care and diagnose disease earlier, and our Fluid Control customers to accelerate the safety, reliability and performance of everyday activities. Transport is at the heart of advancing commercial vehicles, our cutting-edge technology helps manufacturers to radically reduce emissions and improve vehicle safety.

£m	Adjusted				Statutory		
	2023	2022	Change	Organic[1]	2023	2022	Change
Revenue							
Climate Control	**386**	350	+10%	**+3%**	**386**	350	+10%
Life Science & Fluid Control	**276**	289	-4%	**-5%**	**276**	289	-4%
Transport	**184**	162	+14%	**+14%**	**184**	162	+14%
Total Revenue	**846**	801	+6%	**+2%**	**846**	801	+6%
Operating profit	**153**	139	+11%	**+3%**	**116**	110	+6%
Operating margin	**18.1%**	17.3%	+80bps		**13.7%**	13.7%	-

1 After adjusting for acquisitions, disposals and exchange rates (see Note 1).

Life Technology delivered a resilient performance, despite some significant market uncertainty. Revenue was up 6% and 2% on an organic basis.

Climate Control saw good demand for its energy-saving products, with revenue up 10% when compared to 2022 and 3% higher on an organic basis. Whilst trends in the European construction market did impact sales in the second half, the sector continues to perform resiliently due to the strong retrofit demand for products that improve energy efficiency in buildings. The integration of Heatmiser, acquired in December 2022, has progressed well as we look to accelerate our growth in smart buildings.

Life Science & Fluid Control revenue was 4% lower than in 2022 and 5% lower on an organic basis. We saw customer destocking and reduced demand in the second half and expect this to continue into 2024. The long-term fundamentals of this sector are strong, and we remain excited about the opportunities for growth.

Transport revenue was up 14% when compared to 2022, and 14% higher organically. We saw growth across all regions in the year as supply chains recovered. We have benefitted from particularly strong demand in China and India.

Adjusted operating margin for the year was 18.1%, 80bps higher than the prior year. The platform continues to advance complexity reduction initiatives, delivering £5m of incremental benefits in the year. Statutory operating profit increased by 6% to £116m in the year.

We expect Life Technology to be broadly flat in 2024 reflecting continued demand for our energy-efficient products in Climate Control, offset by softer performance in Life Science and Transport. We expect margins to increase, supported by the continued delivery of our complexity reduction programme.

Adjusting items

£m	2023	2022
Reversal of net economic hedge contract losses/(gains)	(8)	3
Restructuring costs	(48)	(26)
Acquired intangible amortisation and other acquisition items	(34)	(34)
Exit from Russia	(2)	(9)
Gains on instruments measured at fair value through profit or loss	7	5
Tax in connection with the above adjusting items	19	15
Total adjusting items	**(66)**	**(46)**

Adjusting items that are excluded from adjusted profit before tax are listed below:

- **Reversal of net economic hedge contract losses/gains:** For segmental reporting purposes, changes in the fair value of economic hedges which are not designated as hedges for accounting purposes, together with the gains and losses on their settlement, are included in the revenues and adjusted operating profit of the relevant business segment. The adjusting item reverses this treatment at an operating profit level, leading to a loss of £8m (2022: £3m gain).

- **Restructuring costs:** Restructuring costs of £48m were incurred in 2023, with a breakdown of these costs by platform, alongside expected benefits provided below. Further details on 2023 projects are included in Note 6.

- **Acquired intangible amortisation and other acquisition items:** Acquired intangible amortisation is excluded from adjusted profits, to allow for comparability of the performance across platforms. Acquired intangible amortisation increased to £32m (2022: £30m). Other acquisition costs of £2m (2022: £4m) were incurred relating to a Heatmiser IFRS 3 fair value inventory adjustment.

- **Exit from Russia:** During 2023, changes were made to the legal structure of a customer which resulted in a £2m write-off. In 2022, the Group's decision to end all new business in Russia resulted in a charge of £9m.

- **Gains on instruments measured at fair value through profit or loss:** A gain arose on the revaluation of financial instruments and derivatives under IFRS 9 of £7m (2022: £5m gain).

- **Taxation**: The tax effect of the above items has been recognised as an adjusting item and amounts to a £19m gain (2022: £15m gain).

Complexity reduction continues to deliver benefits

Along with investments into our future growth, IMI continues to identify and execute on opportunities to drive more efficient operations. The following tables provide a summary of progress on our restructuring programme:

£m **Restructuring charge**	2023	2024*	2025*
Automation	(31)	(27)	-
Life Technology	(17)	(12)	-
Total charge	**(48)**	**(39)**	**-**
Cash impact	(40)	(27)	(5)

£m **Incremental annual benefits**	2023	2024*	2025*
Automation	15	6	6
Life Technology	5	9	1
Total benefits	**20**	**15**	**7**

*Future-looking forecast information.

Both platforms advanced their significant multi-year restructuring projects in 2023, recognising a total charge of £48m.

The restructuring programme contributed £20m of benefits in the year. Including 2023, the programme has cost £192m to date and has delivered annual benefits of £104m.

We continue to expect that the programme will complete in 2024, although the Group will always seek and execute on opportunities that improve its competitive position.

Taxation

The adjusted effective tax rate for the Group increased to 21.8% (2022: 21.3%), reflecting the increase in the UK statutory rate of corporation tax from 19% to 25% with effect from 1 April 2023. The tax rate in 2023 also benefitted from favourable resolutions of certain historic tax cases. The total adjusted tax charge for the year was £85m (2022: £74m) and the statutory effective tax rate was 21.5% (2022: 20.7%). The Group seeks to manage its tax affairs within its core tax principles of compliance, fairness, value and transparency, in accordance with the Group's Corporate Tax Strategy which is available on the Group's corporate website. We are expecting the adjusted effective tax rate to increase to around 24% in 2024, due in part to higher UK corporation tax rates and new minimum tax legislation.

Adjusted basic earnings per share increased by 11%

The average number of shares in issue during the period was 259m (2022: 258m), resulting in adjusted basic earnings per share of 116.8p (2022: 105.5p), an increase of 11%. Statutory basic earnings per share increased by 4% at 91.5p (2022: 87.6p) and statutory diluted earnings per share increased by 5% at 91.2p (2022: 87.2p).

Maintaining continued cash discipline

Movement in net debt	2023 £m	2022 £m
Adjusted EBITDA*	**503.2**	**457.0**
Working capital movements	(31.3)	(85.1)
Capital and development expenditure	(79.9)	(71.3)
Provisions and employee benefit movements**	(2.7)	1.5
Principal elements of lease payments	(29.0)	(32.3)
Other	6.0	20.2
Adjusted operating cash flow * **	**366.3**	**290.0**
Adjusting items	(43.1)	(52.6)
Interest	(22.7)	(19.2)
Derivatives	9.8	(8.6)
Tax paid	(76.1)	(48.6)
Additional pension scheme funding	-	(3.5)
Free cash flow before corporate activity	**234.2**	**157.5**
Dividends paid to equity shareholders	(68.8)	(62.2)
Acquisition/disposal of subsidiaries	0.5	(213.3)
Net issuance/(purchase) of own shares	0.6	(18.8)
Net cash flow (excluding debt movements)	**166.5**	**(136.8)**
Reconciliation of net cash to movement in net debt		
Net increase in cash and cash equivalents excluding foreign exchange	17.7	11.0
Less: cash acquired/disposed	0.4	(10.0)
Net repayment/(drawdown) of borrowings excluding foreign exchange and net debt disposed/acquired	148.4	(137.8)
Decrease/(increase) in net debt before acquisitions, disposals and foreign exchange	**166.5**	**(136.8)**
Net cash acquired/disposed	(0.4)	10.0
Currency translation differences	1.8	(50.6)
Movement in lease liabilities	5.5	(11.8)
Movement in net debt in the year	**173.4**	**(189.2)**
Net debt at the start of the year	(812.0)	(622.8)
Net debt at the end of the year	**(638.6)**	**(812.0)**

*Adjusted profit after tax (£302.9m) before interest (£23.2m), tax (£84.5m), depreciation (£74.8m), amortisation (£17.6m) and impairment (£0.2m).

**Movement in provisions and employee benefits as per the statement of cash flows (£0.9m) adjusted for the movement in restructuring provisions (£3.6m).

***Adjusted operating cash flow is the cash generated from the operations shown in the statement of cash flows, less cash spent acquiring property, plant and equipment, non-acquired intangible assets and investments; plus cash received from the sale of property, plant and equipment and the sale of investments, excluding the cash impact of adjusting items; a reconciliation is included in Note 9.

Adjusted operating cash flow was £366m (2022: £290m). This represents a conversion rate of total Group adjusted operating profit to adjusted operating cash flow of 89% (2022: 80%), largely reflecting good working capital management during 2023. There was a £43m cash outflow from adjusting items (2022: £53m outflow) primarily related to restructuring costs.

Net working capital balances increased by £31m, with a £58m increase in payables in line with growth offset by a £57m increase in receivables and a £32m increase in inventory, with investments in stock to support the Process Automation order book offsetting the strategic reduction of inventory in other sectors. The £85m increase in 2022 was due to a £39m increase in receivables and a £47m increase in inventory, partly offset by an increase in payables of £1m.

Cash spent on property, plant and equipment and other non-acquired intangibles in the year was £80m (2022: £71m), which was equivalent to 1.3 times (2022: 1.2 times) depreciation and amortisation thereon. The Group continues to deploy capital to support growth and improve the efficiency of its operations, including projects that support our net-zero carbon target.

Research and development spend, including capitalised intangible development costs of £6m (2022: £6m), totalled £72m (2022: £68m), representing 3.3% (2022: 3.3%) of sales. The Group continues to support investment in growth, with this spend focused on delivering Better World solutions. As this measure focuses primarily on the efforts of the engineering function, it does not fully capture the cross-functional support in Growth Hub initiatives – a significant further investment alongside our research and development spend.

In 2023, the Group paid cash tax of £76m (2022: £49m), which was 117% (2022: 82%) of the statutory tax charge for the year.

Free cash flow before corporate activity increased significantly to £234m (2022: £158m).

Dividends paid to shareholders totalled £69m (2022: £62m), and there was a cash inflow of £1m associated with the issue of share capital for employee share schemes (2022: £19m outflow).

Overall net debt reduced by £173m in 2023 (2022: £189m increase).

Strong balance sheet offers strategic flexibility

Net debt at the year-end was £639m, compared to £812m at the end of the previous year. The reduction reflects the strong cash generation in the year. The net debt is composed of a cash balance of £107m (2022: £133m), a bank overdraft of £66m (2022: £94m), interest-bearing loans and borrowings of £580m (2022: £746m) and lease liabilities of £100m (2022: £105m).

The year-end net debt to adjusted EBITDA ratio was 1.3 times (2022: 1.8 times). At the end of 2023, loan notes totalled £532m (2022: £546m), with a weighted average maturity of 3.6 years (2022: 4.6 years), and other loans including bank overdrafts totalled £114m (2022: £294m). Total committed bank loan facilities available to the Group at the year-end were £300m (2022: £300m), of which £nil (2022: £100m) was drawn.

At 31 December 2023, the value of the Group's intangible assets, including goodwill, was £958m (2022: £1,014m restated).

The net book value of the Group's property, plant and equipment at 31 December 2023 was £300m (2022: £299m). Capital expenditure on property, plant and equipment amounted to £60m (2022: £57m), with the main capital expenditure focused on production facility investment to support operational efficiency and growth. Including capitalised intangible assets, total capital expenditure was £80m (2022: £71m) and was 1.3 times (2022: 1.2 times) the depreciation and amortisation charge (excluding acquired intangible amortisation and lease asset depreciation) for the year of £63m (2022: £60m).

The net deficit for defined benefit obligations at 31 December 2023 was £49m (2022: £19m deficit). The UK deficit was £4m (2022: £28m surplus), with the liabilities fully bought-in in 2022. The deficit in the overseas funds as at 31 December 2023 was £45m (2022: £47m deficit).

Return on invested capital ('ROIC')

The Group uses ROIC as an indication of IMI's ability to deploy capital effectively. The Group's definition of ROIC is adjusted operating profit after tax divided by average capital invested. Capital invested is defined as net assets adjusted to remove net debt, derivative assets/liabilities, defined pension position (net of deferred tax) and to reverse historical impairments of goodwill and amortisation of acquired intangibles.

ROIC was 13.1% in 2023 (2022: 12.7%), which increased by 40bps, reflecting the strong trading performance and the full year profit impact of acquisitions completed in 2022.

Return on invested capital	2023 £m	2022 £m
Adjusted operating profit	410.6	363.8
Notional tax charge	(89.5)	(77.5)
Net adjusted operating profit after tax	321.1	286.3
Net assets	1,030.2	905.6
Adjusted for:		
Net debt	638.6	812.0
Restructuring provision	20.9	17.8
Net derivative assets/liabilities	(1.2)	(1.9)
Net defined pension benefit	48.9	18.9
Deferred tax on employee benefits	(13.5)	(5.0)
Previously written-off/impaired goodwill	346.9	346.9
Acquired intangibles amortisation	387.6	366.5
Closing capital invested	2,458.4	2,460.8
Opening capital invested	2,460.8	2,039.6
Average capital invested	2,459.6	2,250.2
Return on invested capital	13.1%	12.7%

Disposals

On 2 October 2023 the Group disposed of IMI Aero-Dynamiek for proceeds of £0.8m resulting in a gain on disposal of £0.7m. The business contributed revenue of £4m and operating profit of £nil prior to disposal.

Foreign exchange

The income statements of overseas operations are translated into Sterling at average rates of exchange for the year, balance sheets are translated at year-end rates. The most significant currencies are the Euro and the US Dollar – the relevant rates of exchange were:

	Average Rates		Balance Sheet Rates	
	2023	2022	**2023**	2022
Euro	**1.15**	1.17	**1.15**	1.13
US Dollar	**1.24**	1.24	**1.27**	1.21

The movement in average exchange rates between 2022 and 2023 had no material impact on both revenue and adjusted operating profit in the full year when compared to 2022.

If exchange rates as at 16 February 2024 of US$1.27 and €1.17 were projected for the full year and applied to our 2023 results, it is estimated that both revenue and adjusted operating profit would be 2% lower.

Treasury

IMI has a centralised Treasury function that provides treasury services to Group companies including funding liquidity, credit, foreign exchange, interest rate and base metal commodity management. The Group Treasury function manages financial risks in compliance with Board-approved policies.

Disciplined approach to capital allocation

The Board has a clear and disciplined framework for capital allocation.

The Group will look to prioritise opportunities to deliver incremental organic growth as it continues to invest in its people and operations. Capital expenditure was 1.3x depreciation during the year (2022: 1.2x) with R&D expenditure at 3.3% of sales (2022: 3.3%), in line with a target to maintain spend above 3.0% of sales.

IMI will continue to pursue strategic acquisitions to further enhance the portfolio. These acquisitions must be in attractive, better world markets, and must deliver returns in line with our strict financial criteria, delivering returns above the Group weighted average cost of capital by year three and must not be materially dilutive to the Group return on invested capital by year five.

The Group is committed to a progressive dividend policy and would consider the appropriate mechanism to return additional surplus capital should the Group's net debt to adjusted EBITDA fall sustainably below our 1.0x – 2.0x target range.

There is significant headroom to current funding covenants of 3.0x net debt to adjusted EBITDA.

The Group remained highly cash generative in 2023, with free cash flow before corporate activity increasing 48% to £234m in the year (2022: £158m). Net debt reduced to 1.3x adjusted EBITDA (2022: 1.8x), comfortably within our target range.

At 31 December 2023, IMI plc (the parent company) had distributable reserves of £304m (2022: £282m).

Daniel Shook
Chief Financial Officer
29 February 2024

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023			2022		
		Adjusted	Adjusting items (Note 1)	Statutory	Adjusted	Adjusting items (Note 1)	Statutory
	Notes	£m	£m	£m	£m	£m	£m
Revenue	1	2,196		2,196	2,049		2,049
Cost of sales		(1,182.1)	(1.6)	(1,183.7)	(1,110.9)	(1.2)	(1,112.1)
Gross profit		1,013.9	(1.6)	1,012.3	938.1	(1.2)	936.9
Net operating costs		(603.3)	(90.4)	(693.7)	(574.3)	(64.4)	(638.7)
Operating profit	1	410.6	(92.0)	318.6	363.8	(65.6)	298.2
Financial income	3	8.1		8.1	4.6		4.6
Financial expense	3	(30.8)		(30.8)	(23.8)		(23.8)
Gains on instruments measured at fair value through profit or loss (Note 1)			7.0	7.0		4.9	4.9
Net financial (expense)/income relating to defined benefit pension schemes	8	(0.5)		(0.5)	1.5		1.5
Net financial (expense)/income		(23.2)	7.0	(16.2)	(17.7)	4.9	(12.8)
Profit before tax		387.4	(85.0)	302.4	346.1	(60.7)	285.4
Taxation	4	(84.5)	19.4	(65.1)	(73.7)	14.6	(59.1)
Profit after tax		302.9	(65.6)	237.3	272.4	(46.1)	226.3
Earnings per share	5						
Basic - from profit for the year				91.5p			87.6p
Diluted - from profit for the year				91.2p			87.2p

All activities relate to continuing operations and are all attributable to the owners of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £m	2023 £m	2022 £m	2022 £m
Profit for the year		237.3		226.3
Items that will not subsequently be reclassified to profit and loss				
Re-measurement loss on defined benefit plans	(33.7)		(82.7)	
Related taxation effect	8.6		20.4	
		(25.1)		(62.3)
Items that may be reclassified to profit and loss				
Gain/(loss) arising on hedging instruments designated in hedges of the net assets in foreign operation	6.7		(7.5)	
(Loss)/gain on exchange differences on translation of foreign operations net of funding revaluations	(41.1)		40.9	
(Gain)/loss on exchange differences reclassified to income statement on disposal of operations	(0.2)		0.6	
Related tax credit/(charge) on items that may subsequently be reclassified to profit and loss	1.8		(0.3)	
		(32.8)		33.7
Other comprehensive loss for the year, net of taxation		(57.9)		(28.6)
Total comprehensive income for the year, net of taxation		179.4		197.7
Attributable to:				
Equity holders of the parent		179.4		197.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total £m
As at 1 January 2022		78.6	15.2	177.6	10.1	497.6	779.1
Profit for the year						226.3	226.3
Other comprehensive income/(expense) excluding related taxation effect					34.0	(82.7)	(48.7)
Related taxation effect					(0.3)	20.4	20.1
Total comprehensive income					33.7	164.0	197.7
Issue of share capital			1.2				1.2
Dividends paid	7					(62.2)	(62.2)
Share-based payments (net of tax)						9.8	9.8
Shares acquired for:							
employee share scheme trust						(20.0)	(20.0)
As at 31 December 2022		78.6	16.4	177.6	43.8	589.2	905.6
Changes in equity in 2023							
Profit for the year						**237.3**	**237.3**
Other comprehensive expense excluding related taxation effect					**(34.6)**	**(33.7)**	**(68.3)**
Related taxation effect					**1.8**	**8.6**	**10.4**
Total comprehensive (expense)/income					**(32.8)**	**212.2**	**179.4**
Issue of share capital			**0.6**				**0.6**
Dividends paid	7					**(68.8)**	**(68.8)**
Share-based payments (net of tax)						**13.4**	**13.4**
As at 31 December 2023		78.6	17.0	177.6	11.0	746.0	1,030.2

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022 (Restated Note 1)
	£m	£m
Assets		
Goodwill	680.3	697.4
Other intangible assets	277.4	316.7
Property, plant and equipment	300.4	299.2
Right of use assets	99.6	107.0
Employee benefit assets	1.7	28.5
Deferred tax assets	22.7	24.2
Other receivables	2.3	2.6
Total non-current assets	1,384.4	1,475.6
Inventories	437.3	417.7
Trade and other receivables	523.9	483.9
Derivative financial assets	12.1	15.7
Current tax	4.5	1.9
Investments	1.7	2.0
Cash and cash equivalents	106.5	133.0
Total current assets	1,086.0	1,054.2
Total assets	2,470.4	2,529.8
Liabilities		
Trade and other payables	(470.3)	(438.0)
Bank overdraft	(66.3)	(93.8)
Interest-bearing loans and borrowings	(47.2)	(150.1)
Lease liabilities	(25.2)	(25.8)
Provisions	(28.7)	(27.2)
Current tax	(73.0)	(70.4)
Derivative financial liabilities	(10.9)	(13.8)
Total current liabilities	(721.6)	(819.1)
Interest-bearing loans and borrowings	(531.4)	(595.4)
Lease liabilities	(75.0)	(79.9)
Employee benefit obligations	(50.6)	(47.4)
Provisions	(13.0)	(15.3)
Deferred tax liabilities	(33.3)	(59.2)
Other payables	(15.3)	(7.9)
Total non-current liabilities	(718.6)	(805.1)
Total liabilities	(1,440.2)	(1,624.2)
Net assets	1,030.2	905.6
Share capital	78.6	78.6
Share premium	17.0	16.4
Other reserves	188.6	221.4
Retained earnings	746.0	589.2
Total equity	1,030.2	905.6

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Operating profit for the year		318.6	298.2
Adjustments for:			
Depreciation and amortisation		124.4	122.2
Impairment/(reversal of impairment) of property, plant and equipment and intangible assets		5.2	(1.6)
(Profit)/loss on disposal of subsidiaries	12	(0.7)	4.8
Loss on sale of property, plant and equipment		0.5	1.7
Equity-settled share-based payment expense		12.9	11.7
Increase in inventories		(32.3)	(47.6)
Increase in trade and other receivables		(56.5)	(38.8)
Increase in trade and other payables		57.5	1.3
Decrease in provisions		(0.1)	(16.0)
Increase in employee benefits		1.0	2.2
Settlement of transactional derivatives		8.8	(2.3)
Cash generated from operations		439.3	335.8
Income taxes paid	4	(76.1)	(48.6)
Cash generated from operations after tax		363.2	287.2
Additional pension scheme funding		-	(3.5)
Net cash from operating activities		363.2	283.7
Cash flows from investing activities			
Interest received	3	8.1	4.6
Proceeds from sale of property, plant and equipment		1.6	2.9
Settlement of effective net investment hedge derivatives		1.0	(6.3)
Acquisitions of subsidiaries net of cash	11	-	(201.2)
Acquisition of property, plant and equipment and non-acquired intangibles		(79.9)	(71.3)
Proceeds from disposal of subsidiaries net of cash	12	0.1	(2.1)
Net cash from investing activities		(69.1)	(273.4)
Cash flows from financing activities			
Interest paid	3	(30.8)	(23.8)
Shares acquired for employee share scheme trust		-	(20.0)
Proceeds from issue of share capital for employee share schemes		0.6	1.2
Drawdown of borrowings	9	-	259.1
Repayment of borrowings	9	(148.4)	(121.3)
Principal elements of lease payments		(29.0)	(32.3)
Dividends paid to equity shareholders	7	(68.8)	(62.2)
Net cash from financing activities		(276.4)	0.7
Net increase in cash and cash equivalents		17.7	11.0
Cash and cash equivalents at the start of the year		39.2	29.1
Effect of exchange rate fluctuations		(16.7)	(0.9)
Cash and cash equivalents at the end of the year		40.2	39.2
Reconciliation of cash and cash equivalents			
Cash and cash equivalents		106.5	133.0
Bank overdraft		(66.3)	(93.8)
Cash and cash equivalents at the end of the period		40.2	39.2

Reconciliation of net cash to movement in net borrowings appears in Note 9.

1. Segmental information

Segmental information is presented in the consolidated financial statements for each of the Group's operating segments. The operating segment reporting format reflects the Group's management and internal reporting structures and represents the information that was presented to the chief operating decision-maker, being the Executive Committee.

On 28 July 2023, the Group announced a structure change where the existing divisional structure, including IMI Critical Engineering, IMI Precision Engineering and IMI Hydronic Engineering now reports by two platforms, Automation and Life Technology to better align IMI to its key sectors and to help position IMI to accelerate growth.

Automation

The Automation business leverages deep automation technology and applications expertise to improve productivity, safety and sustainability in the Process Automation and Industrial Automation sectors.

Life Technology

The Life Technology business focuses on technologies that enhance and improve everyday life, particularly in the areas of health, sustainability and comfort across the Climate Control, Transport and Life Science and Fluid Control sectors.

Performance is measured by the Executive Committee based on adjusted operating profit and organic revenue growth which are defined in Note 1. These two measures represent the two short-term key performance indicators for the Group.

Businesses enter forward currency and metal contracts to provide economic hedges against the impact on profitability of swings in rates and values in accordance with the Group's policy to minimise the risk of volatility in revenues, costs and margins. Adjusted operating profits are therefore charged/credited with the impact of these contracts. In accordance with IFRS 9, these contracts do not meet the requirements for hedge accounting and gains and losses are reversed out of operating profit and are recorded in net financial income and expense for the purposes of the consolidated income statement.

Restatements

2022 comparatives have been restated to reflect the impact of the following items:

Adjustments arising on prior year acquisitions

In finalising the accounting for the 2022 acquisitions of CorSolutions LLC and Heatmiser UK Ltd, 2022 goodwill was decreased by £36.3m at 31 December 2022 and allocated to Other intangible assets (increase of £46.2m), Inventories (increase of £1.4m), Trade and other receivables (decrease of £1.0m), Trade and other payables (decrease of £1.7m), Deferred tax (decrease of £11.6m) and Current tax (decrease of £0.4m). Refer to Note 11 which shows a reconciliation between the 2022 Consolidated Balance Sheet and the restated 2022 Consolidated Balance Sheet as disclosed on page 29.

Adjustments arising on changes in the structure

As discussed in the Segmental information section above, the Group will report by two platforms, Automation and Life Technology.

Industrial Automation (formerly part of the IMI Precision Engineering division) and Process Automation (formerly IMI Critical Engineering) forms the Automation platform and Climate Control (formerly IMI Hydronic Engineering), Transport and Life Science & Fluid Control (both formerly part of the IMI Precision Engineering division) forms the Life Technology platform. Rail, which was previously reported under Transportation, has been re-presented within Industrial Automation. As part of the 2022 restatement, corporate costs of £15.5m have been allocated to Automation and £9.9m has been allocated to Life Technology. Refer to Note 1 which shows the restated segmental analysis under the two new platforms.

1. Segmental information (continued)

Alternative Performance Measures ('APMs')

Certain alternative performance measures ('APMs') have been included within this announcement and discussed further in Note 6. These APMs are used by the Executive Committee to monitor and manage the performance of the Group. Movements in revenue and adjusted operating profit are given on an organic basis (see definition below) so that performance is not distorted by acquisitions, disposals and movements in exchange rates.

References to EPS, unless otherwise stated, relate to adjusted basic EPS i.e. after adjustment for the per share after tax impact of adjusted items. The directors' commentary discusses these alternative performance measures to remove the effects of items of both income and expense that are considered different in nature from the underlying trading and normal quantum and where treatment as an adjusting item provides stakeholders with additional information to assess period-on-period trading. The table below details the definition of each APM and a reference to where it can be reconciled to the equivalent statutory measure.

APM	Definition	Reconciliation to statutory measure
Adjusted profit before tax	Adjusted profit before tax is statutory profit before tax before adjusting items as shown on the income statement.	See income statement on page 14.
Adjusted net interest cost	Adjusted net interest cost is statutory net interest costs before adjusting items as shown on the income statement.	See income statement on page 14. See Note 5.
Adjusted earnings per share	Adjusted earnings per share is defined within the table in Note 5.	See Note 4.
Adjusted effective tax rate	The adjusted effective tax rate is the tax impact on adjusted profit before tax divided by adjusted profit before tax.	See Note 9.
Adjusted EBITDA	This measure reflects adjusted profit after tax before interest, tax, depreciation, amortisation and impairment.	
Adjusted operating profit	Adjusted operating profit is statutory operating profit before adjusted items as shown on the income statement.	
Adjusted operating margin	Adjusted operating margin is adjusted operating profit divided by revenue.	
Adjusted net financing costs	Adjusted net financing costs is interest received and interest paid including the impact on interest costs on leases before gains on instruments measured at fair value through profit or loss (other economic hedges) and net financial income relating to defined benefit pension schemes.	See income statement on page 14 and segmental reporting in Note 1.
Organic revenue growth **Organic adjusted operating profit**	These two measures remove the impact of adjusting items, acquisitions, disposals and movements in exchange rates.	
Adjusted operating cash flow	This measure reflects cash generated from operations as shown in the statement of cash flows less cash spent acquiring property, plant and equipment, non-acquired intangible assets and investments; plus cash received from the sale of property, plant and equipment, the sale of investments less the repayment of principal amounts of lease payments excluding the cash impact of adjusting items.	See Note 9.

1. Segmental information (continued)

APM	Definition	Reconciliation to statutory measure
Net debt	Net debt is defined as the cash and cash equivalents, overdrafts, interest-bearing loans and borrowings and lease liabilities.	See Note 9.
Net debt: adjusted EBITDA	Net debt divided by adjusted EBITDA as defined above.	
Free cash flow before corporate activity	This measure is a sub-total in the reconciliation of adjusted EBITDA to net debt and is presented to assist the reader to understand the nature of the current year's cash flows excluding dividends, share buybacks and the purchase and issuance of own shares.	See Note 9.
Return on invested capital (ROIC)	This measure takes adjusted operating profit after tax divided by average capital invested. Capital invested is defined as net assets adjusted to remove net debt, derivative assets and liabilities, defined benefit pension position (net of deferred tax) and to reverse historical impairments of goodwill and amortisation of acquired intangible assets.	See page 12.
Cash conversion	Cash conversion is the adjusted operating cash flow as a percentage of the adjusted operating profit.	See page 10.

The following table shows a reconciliation of platform adjusted operating profit to statutory operating profit. 2022 results have been restated to reflect the structure change described above.

	Automation		Life Technology		Total	
	2023	2022 (Restated)	**2023**	2022 (Restated)	**2023**	2022 (Restated)
	£m	£m	**£m**	£m	**£m**	£m
Revenue	**1,350**	1,248	**846**	801	**2,196**	2,049
Adjusted operating profit	**257.3**	225.3	**153.3**	138.5	**410.6**	363.8
Adjusted operating profit margin	**19.1%**	18.1%	**18.1%**	17.3%	**18.7%**	17.8%
Reconciliation to statutory operating profit:						
Reversal of net economic hedge contract losses/(gains)	**(7.5)**	1.0	**(0.8)**	2.0	**(8.3)**	3.0
Restructuring costs	**(30.6)**	(15.9)	**(17.5)**	(10.0)	**(48.1)**	(25.9)
Acquired intangible amortisation and other acquisition items	**(14.9)**	(16.2)	**(18.7)**	(17.5)	**(33.6)**	(33.7)
Exit from Russia	**(2.0)**	(5.9)	**-**	(3.1)	**(2.0)**	(9.0)
Statutory operating profit	**202.3**	188.3	**116.3**	109.9	**318.6**	298.2
Statutory operating margin (%)	**15.0%**	15.1%	13.7%	13.7%	**14.5%**	14.6%
Net financial expense					**(16.2)**	(12.8)
Statutory profit before tax					**302.4**	285.4

1. Segmental information (continued)

The following table illustrates how revenue and adjusted operating profit have been impacted by movements in foreign exchange, acquisitions and disposals compared to 2022. 2022 results have been restated to reflect the structure change described above.

	Year ended 31 December 2022 (Restated)				Year ended 31 December 2023				
Revenue	As adjusted	Disposal	Exchange	Organic	As adjusted	Acquisitions	Organic	Adjusted growth (%)	Organic growth (%)
Automation	1,248	(6)	(1)	1,241	1,350	(6)	1,344	8%	8%
Life Technology	801	(3)	4	802	846	(26)	820	6%	2%
Total	2,049	(9)	3	2,043	2,196	(32)	2,164	7%	6%
Adjusted operating profit									
Automation	225.3	(0.6)	(0.6)	224.1	257.3	(1.1)	256.2	14%	14%
Life Technology	138.5	-	1.8	140.3	153.3	(8.4)	144.9	11%	3%
Total	363.8	(0.6)	1.2	364.4	410.6	(9.5)	401.1	13%	10%
Adjusted operating profit margin (%)	17.8%			17.8%	18.7%		18.5%		

The following table shows a geographical analysis of how the Group's revenue is derived by destination:

	2023 £m	2022 £m
UK	117	93
Germany	280	265
Rest of Europe	557	520
Total Europe	954	878
USA	525	536
Rest of Americas	140	91
Total Americas	665	627
China	174	179
Rest of Asia Pacific	296	271
Total Asia Pacific	470	450
Middle East & Africa	107	94
Total revenue	2,196	2,049

1. Segmental information (continued)

The Group's revenue streams are disaggregated in the table below. The 2022 results have been restated as a result of the changes to the Group's structure, which now reports under two Platforms, Automation and Life Technology, as discussed above.

	2023 Revenue £m	2022 Revenue (Restated) £m
Industrial Automation	**543**	535
Aftermarket	**483**	411
New Construction	**324**	302
Process Automation	**807**	713
Automation	**1,350**	1,248
Climate Control	**386**	350
Life Science & Fluid Control	**276**	289
Transport	**184**	162
Life Technology	**846**	801
Total revenue	**2,196**	2,049
Sale of goods	**2,115**	1,977
Sale of services	**81**	72
Total revenue	**2,196**	2,049

2. Discontinued operations

There was no profit or loss from discontinued operations in 2023 or 2022.

3. Net financing costs

	2023			2022		
	Interest	Financial Instruments	Total	Interest	Financial Instruments	Total
Recognised in the income statement	£m	£m	£m	£m	£m	£m
Interest income on bank deposits	8.1		8.1	4.6		4.6
Financial income	8.1	-	8.1	4.6	-	4.6
Interest expense on interest-bearing loans and borrowings	(27.9)		(27.9)	(21.0)		(21.0)
Interest expense on leases	(2.9)		(2.9)	(2.8)		(2.8)
Financial expense	(30.8)	-	(30.8)	(23.8)	-	(23.8)
Recognised in other comprehensive income						
Gains on instruments measured at fair value through profit or loss:						
Other economic hedges		7.0	7.0		4.9	4.9
Net financial (expense)/income relating to defined benefit pension schemes	(0.5)		(0.5)	1.5		1.5
Net financial (expense)/income	(23.2)	7.0	(16.2)	(17.7)	4.9	(12.8)

Included in financial instruments are current year trading gains and losses on economically effective transactions which for management reporting purposes are included in adjusted revenue and operating profit (see Note 1). For statutory purposes, these are shown within net financial income and expense above. Gains or losses for future year transactions are in respect of financial instruments held by the Group to provide stability of future trading cash flows.

4. Taxation

The tax charge before adjusting items is £84.5m (year ended 31 December 2022: £73.7m) which equates to an adjusted effective tax rate of 21.8% compared to 21.3% for the year ended 31 December 2022. The statutory tax charge is £65.1m (year ended 31 December 2022: £59.1m) which equates 21.5% compared to 20.7% for the year ended 31 December 2022. Taxes of £76.1m (2022: £48.6m) were paid in the year. The Group seeks to manage its tax affairs within its core tax principles of compliance, fairness, value and transparency, in accordance with the Group's Tax Policy.

As IMI's head office and parent company is domiciled in the UK, the Group references its effective tax rate to the UK corporation tax rate, despite only a small portion of the Group's business being in the UK. The rate of corporation tax in the UK for the year ended 31 December 2023 is 23.5% (year ended 31 December 2022: 19.0%). The Group's effective tax rate remains slightly above the UK tax rate due to the Group's overseas profits being taxed at higher rates.

During 2023, the UK government substantively enacted the OECD Inclusive Framework agreement for a global minimum corporate income tax rate of 15%. For IMI, this takes effect from 1 January 2024. The event does not therefore affect IMI's results for 2023. IMI is evaluating the impact that this will have on future accounting periods but expects that its entities in most territories will not be impacted by this minimum tax requirement. To the extent top-up taxes are required, the impact on IMI's results is expected to be minimal. However, further evaluation will be undertaken as additional guidance becomes available.

5. Earnings per ordinary share

	Key	2023 million	2022 million
Weighted average number of shares for the purpose of basic earnings per share	A	**259.3**	258.3
Dilutive effect of employee share options		**1.0**	1.2
Weighted average number of shares for the purpose of diluted earnings per share	B	**260.3**	259.5
		£m	£m
Statutory profit for the year	C	**237.3**	226.3
Total adjusting items charges included in profit before tax		**85.0**	60.7
Total adjusting items credits included in taxation		**(19.4)**	(14.6)
Earnings for adjusted EPS	D	**302.9**	272.4

Statutory EPS measures			
Statutory basic EPS	C/A	**91.5p**	87.6p
Statutory diluted EPS	C/B	**91.2p**	87.2p
Adjusted EPS measures			
Adjusted basic EPS	D/A	**116.8p**	105.5p
Adjusted diluted EPS	D/B	**116.4p**	105.0p

6. Adjusting items

Reversal of net economic hedge contract losses/gains

For segmental reporting purposes, changes in the fair value of economic hedges which are not designated as hedges for accounting purposes, together with the gains and losses on their settlement, are included in the revenue and adjusted operating profit of the relevant business segment. The adjusting items at the operating level reverse this treatment. The financing adjusting items reflect the change in value or settlement of these contracts with the financial institutions with whom they were transacted.

Restructuring costs

Restructuring costs of £48.1m were recognised in 2023. The Automation platform incurred costs of £30.6m related to the rationalisation of three facilities. The Life Technology platform incurred costs of £17.5m related to the Customer First reorganisation project, which transformed the structure into customer led sectors (across a number of businesses), and the rationalisation of three facilities. The benefits of the restructuring programme are included in adjusted operating profit. These ongoing significant restructuring projects are due to be completed in 2024.

Restructuring costs of £25.9m were recognised in 2022. These primarily related to Automation and were for the Customer First project, across a number of businesses and the rationalisation of four facilities.

Acquired intangible amortisation and other acquisition items

The acquired intangible amortisation charge was £32.0m (2022: £29.5m), which largely relates to the amortisation of the intangible assets recognised on the acquisition of Adaptas Solutions, Heatmiser UK Ltd and Bimba Manufacturing Company. Other acquisition costs of £1.6m for the year ended 31 December 2023, related to the unwind of the inventory fair value uplift adjustment for Heatmiser. Other acquisition costs of £4.2m for the year ended 31 December 2022 primarily related to professional fees associated with the acquisition of Heatmiser and Bahr and the write-off of the inventory fair value uplift adjustment for Adaptas.

Exit from Russia

During 2023, changes were made to the legal structure of a customer which resulted in a £2.0m write-off. In 2022, the Group's decision to end all new business in Russia resulted in a charge of £9.0m. The Group recorded a loss on disposal of its Russian subsidiary of £4.8m. In addition, the exit resulted in a £4.2m impairment of assets related to Russian contracts.

Taxation

The tax effect of the above items has been recognised as an adjusting item and amounts to £19.4m (2022: £14.6m).

7. Dividend

The directors recommend a final dividend of 19.2p per share (2022: 17.4p) payable on 17 May 2024 to shareholders on the register at close of business on 5 April 2024, which will cost approximately £49.9m (2022: £45.1m). Together with the interim dividend of 9.1p (2022: 8.3p) per share paid in September 2023, this makes a total distribution of 28.3p per share (2022: 25.7p per share). In accordance with IAS10 'Events after the Balance Sheet date', this final proposed dividend has not been reflected in the 31 December 2023 balance sheet.

8. Employee Benefits

The Group has 70 (2022: 70) defined benefit obligations in existence as at 31 December 2023. The Group recognises there is a funding and investment risk inherent within defined benefit arrangements and seeks to continue its programme of closing overseas defined benefit plans where possible and providing in their place appropriate defined contribution arrangements.

The net deficit for defined benefit obligations at 31 December 2023 was £48.9m (2022: £18.9m). The UK deficit was £3.7m (2022: surplus of £28.4m) and constituted 68% (2022: 70%) of the total defined benefit liabilities and 76% (2022: 80%) of the total defined benefit assets. The deficit in the overseas funds as at 31 December 2023 was £45.2m (2022: £47.3m).

	UK £m	Overseas £m	Total £m
Net defined benefit surplus/(obligation) at 1 January 2023	28.4	(47.3)	(18.9)
Movement recognised in:			
Income statement	1.3	(5.5)	(4.2)
Other comprehensive income	(33.4)	(0.3)	(33.7)
Cash flow statement	-	6.9	6.9
Exchange	-	1.0	1.0
Net defined benefit obligation at 31 December 2023	(3.7)	(45.2)	(48.9)

9. Cash flow and net debt reconciliation

Reconciliation of net cash to movement in net debt	2023	2022
	£m	£m
Net increase in cash and cash equivalents excluding foreign exchange	17.7	11.0
Less: cash acquired/disposed	0.4	(10.0)
Net repayment/(drawdown) of borrowings excluding foreign exchange and net debt disposed/acquired	148.4	(137.8)
Decrease/(increase) in net debt before acquisitions, disposals and foreign exchange	166.5	(136.8)
Net cash acquired/disposed	(0.4)	10.0
Currency translation differences	1.8	(50.6)
Movement in lease liabilities	5.5	(11.8)
Movement in net debt in the year	173.4	(189.2)
Net debt at the start of the year	(812.0)	(622.8)
Net debt at the end of the year	(638.6)	(812.0)

Movement in net debt	2023	2022
	£m	£m
Adjusted EBITDA*	503.2	457.0
Working capital movements	(31.3)	(85.1)
Capital and development expenditure	(79.9)	(71.3)
Provisions and employee benefit movements**	(2.7)	1.5
Principal elements of lease payments	(29.0)	(32.3)
Other	6.0	20.2
Adjusted operating cash flow * **	366.3	290.0
Adjusting items	(43.1)	(52.6)
Tax paid	(76.1)	(48.6)
Interest	(22.7)	(19.2)
Settlement of derivatives	9.8	(8.6)
Additional pension scheme funding	-	(3.5)
Free cash flow before corporate activity	234.2	157.5
Dividends paid to equity shareholders	(68.8)	(62.2)
Acquisition of subsidiaries	-	(213.3)
Disposal of subsidiaries	0.5	-
Net purchase of own shares	0.6	(18.8)
Net cash flow (excluding debt movements)	166.5	(136.8)

*Adjusted profit after tax £302.9m before interest £23.2m, tax £84.5m, depreciation £74.8m, amortisation £17.6m and impairment on property, plant and equipment and non-acquired intangible assets £0.2m.

**Movement in provisions and employee benefits as per the statement of cash flows £0.9m adjusted for the movement in the restructuring provisions £3.6m.

***Adjusted operating cash flow is the cash generated from the operations shown in the statement of cash flows less cash spent acquiring property, plant and equipment, non-acquired intangible assets and investments; plus cash received from the sale of property, plant and equipment and the sale of investments, excluding the cash impact of adjusting items. This measure best reflects the operating cash flows of the Group.

Reconciliation of adjusted operating cash flow to cash flow statement	2023	2022
	£m	£m
Cash generated from operations	439.3	335.8
Principal lease payments	(29.0)	(32.3)
Settlement of transactional derivatives	(8.8)	2.3
Acquisition of property, plant and equipment and non-acquired intangibles	(79.9)	(71.3)
Adjusting items	43.1	52.6
Proceeds from sale of property, plant and equipment	1.6	2.9
Adjusted operating cash flow	366.3	290.0

10. Exchange rates

The income statements of overseas operations are translated into sterling at average rates of exchange for the year, balance sheets are translated at year end rates. The most significant currencies are the euro and the US dollar – the relevant rates of exchange were:

	Average Rates		Balance Sheet Rates	
	2023	2022	**2023**	2022
Euro	**1.15**	1.17	**1.15**	1.13
US Dollar	**1.24**	1.24	**1.27**	1.21

The movement in average exchange rates between 2022 and 2023 had no material impact on both revenue and adjusted operating profit in the full year when compared to 2022.

If exchange rates as at 16 February 2024 of US$1.27 and €1.17 were projected for the full year and applied to our 2023 results, it is estimated that both revenue and adjusted operating profit would be 2% lower.

11. Acquisitions

Acquisitions in 2022

During the year ended 31 December 2022, the Group made three acquisitions, namely:

- Heatmiser UK Ltd ("Heatmiser")
- CorSolutions LLC ("CorSolutions")
- Bahr Modultechnik GmbH ("Bahr")

a) Heatmiser

	Fair value at 23 December 2022 £m
Other intangible assets	46.2
Property, plant and equipment	0.2
Inventories	7.4
Trade and other receivables	5.6
Cash and cash equivalents	7.4
Trade and other payables	(4.7)
Current taxation	(0.6)
Deferred taxation	(11.6)
Total identified net assets at fair value	**49.9**
Goodwill arising on acquisition	67.6
Purchase consideration	**117.5**

On 23 December 2022 the Group acquired 100% of the share capital, and associated voting rights, of Heatmiser for initial cash consideration of £117.5m, with up to a further £8.0m payable based on future financial performance. Heatmiser is a leading UK smart thermostatic control manufacturer and is based in Blackburn, UK.

This acquisition has been accounted for as a business combination and the accounting, including the purchase price allocation, has been finalised during the year. After updating the assumptions, deferred consideration recognised is £nil. The goodwill recognised above includes certain intangible assets that cannot be separately identified and measured due to their nature. This includes control over the acquired business, the skills and experience of the assembled workforce, the increase in scale, synergies and the future growth opportunities that the businesses provide to the Group's operations.

Acquisition costs of £2.0m were recognised in the income statement in 2022.

11. Acquisitions (continued)

b) CorSolutions

	Fair value at 27 October 2022 £m
Other intangible assets	8.8
Inventories	0.6
Deferred taxation	-
Total identified net assets at fair value	**9.4**
Goodwill arising on acquisition	-
Total consideration	9.4
Of which relates to deferred consideration	1.3
Purchase consideration	**8.1**

On 27 October 2022 the Group acquired 100% of the share capital, and associated voting rights, of CorSolutions for initial cash consideration of £7.5m, an additional payment of £0.6m made in 2023 as part of the closing consideration, with up to a further £3.6m payable based on future financial performance. CorSolutions is a leading innovator in micro-fluid flow control and is based in Ithaca, New York.

This acquisition was accounted for as a business combination. The acquisition accounting has been finalised and changes were made to the provisional fair value amounts recognised in the 2022 Annual Report & Accounts in respect of the deferred consideration and identified assets acquired and liabilities assumed. This resulted in a decrease of £1.7m from the 2022 Annual Report & Accounts, bringing the goodwill position to £nil. The expected earn-out payout has decreased from £3.6m as at 31 December 2022 to £1.3m.

c) Bahr

On 9 June 2022 the Group acquired 100% of the share capital, and associated voting rights, of Bahr for cash consideration of £88.3m. Bahr is a leading provider of highly configured modular electric linear motion systems, based on a broad portfolio of specialist components and is based in Luhden, Germany.

This acquisition was accounted for as a business combination. Our accounting has been finalised and there are no changes to the provisional fair value amounts recognised in the 2022 Annual Report & Accounts in respect of the identified assets acquired and liabilities assumed.

d) Adjustments arising on prior year acquisitions

In finalising the acquisition accounting for the prior year acquisitions of CorSolutions and Heatmiser, an adjustment of £36.3m was made to include acquired intangibles and corresponding deferred tax, adjust working capital and other payables. This resulted in a decrease in goodwill of £36.3m.

The adjustment is material and as such the comparative balance sheet has been restated, as follows:

	Balance Sheet (as Reported) 2022 £m	Allocation of Heatmiser and CorSolutions goodwill 2022 £m	Restated Balance Sheet 2022 £m
Non-current assets			
Goodwill	733.7	(36.3)	697.4
Other intangible assets	270.5	46.2	316.7
Deferred tax assets	24.5	(0.3)	24.2
Current assets			
Inventories	416.3	1.4	417.7
Trade and other receivables	484.9	(1.0)	483.9
Current tax	2.0	(0.1)	1.9
Total assets	**2,519.9**	**9.9**	**2,529.8**
Non-current liabilities			
Deferred tax liabilities	(47.9)	(11.3)	(59.2)
Other payables	(9.9)	2.0	(7.9)
Current liabilities			
Trade and other payables	(437.7)	(0.3)	(438.0)
Current tax	(70.1)	(0.3)	(70.4)
Total liabilities	**(1,614.3)**	**(9.9)**	**(1,624.2)**

12. Disposals

Disposals in 2023

The Group disposed of its Dutch subsidiary IMI Aero-Dynamiek BV on 2 October 2023 for proceeds of £0.8m resulting in a gain on disposal for the Group of £0.7m after disposing of £nil of net assets and incurring £0.3m of associated disposal costs.

This disposal is not disclosed as a discontinued item because it did not represent a separate major line of business.

	2 October 2023 £m
Sale consideration	0.8
Net assets disposal	-
Costs of disposal	(0.3)
Foreign exchange gain reclassified on disposal	0.2
Gain on disposal	**0.7**
Net cash flow arising on disposal	
Sale consideration	0.8
Cash costs of disposal	(0.3)
Net cash flow arising on disposal of operations	**0.5**

Disposals in 2022

The Group disposed of its Russian subsidiary IMI International LLC on 27 May 2022 for proceeds of £nil resulting in a loss on disposal for the Group of £4.8m after disposing of £3.3m of net assets and incurring £0.9m of associated disposal costs. In addition, the exit resulted in a £4.2m impairment of assets related to Russian contracts.

The exit from Russia is presented in the income statement as an adjusting item in 2022 but it was not disclosed as a discontinued item because it did not represent a separate major line of business.

	27 May 2022 £m
Sale consideration	-
Net assets disposed	(3.3)
Costs of disposal	(0.9)
Foreign exchange loss reclassified on disposal	(0.6)
Loss on disposal	**(4.8)**
Net cash flow arising on disposal	
Sale consideration	-
Cash costs of disposal	(0.9)
Net cash flow arising on disposal of operations	**(0.9)**

13. Financial information

The preliminary statement of results was approved by the Board on 29 February 2024. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2023 or 2022 but is derived from the 2023 accounts, which are prepared on the same basis as the 2022 accounts. Statutory accounts for 2022 have been delivered to the registrar of companies and those for 2023 will be delivered in due course. Deloitte LLP has reported on the 2023 and 2022 accounts. Their reports were (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying its reports and (iii) did not contain statements under section S498(2) or S498(3) of the Companies Act 2006.

This announcement may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and operating margins, market trends and our product pipeline are forward-looking statements. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated. Any forward-looking statement is made in good faith and based on information available to IMI plc as of the date of the preparation of this announcement. All written or oral forward-looking statements attributable to IMI plc are qualified by this caution. IMI plc does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in IMI plc's expectations. Nothing in this preliminary announcement should be construed as a profit forecast.

This preliminary statement has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to IMI plc and its subsidiaries when viewed as a whole.

References in the commentary to revenue, adjusted operating profit and adjusted operating margins, unless otherwise stated, relate to amounts on an adjusted basis before adjusting items as noted on the face of the consolidated income statement.

References to EPS, unless otherwise stated, relate to adjusted basic EPS i.e. after adjustment for the per share after tax impact of adjusting items in Note 6.

Alternative Performance Measures ('APMs') are used in discussions with the investment analyst community and by the Board and management to monitor the trading performance of the Group. We consider that the presentation of APMs allows for users to better assess period-on-period trading performance of the Group. The APMs presented in the Annual Report and Accounts to 31 December 2023 are defined in Note 1.

References to organic growth exclude the impact of exchange rate translation and acquisitions or disposals that are included in adjusted growth figures. The organic growth is derived from excluding any contribution from acquired businesses to revenues or profits in the current period until the first anniversary of their acquisition. It also excludes the contribution to revenues or profits in both the current and comparative period from any business that has been disposed of. These organic revenues or profits will then be compared to the organic revenue or profits for the prior period after their re-translation at the current period average exchange rates to provide the organic growth rate. The impact on revenue and adjusted operating profit of movements in foreign exchange, acquisitions and disposals is set out in Note 1.

IMI plc is registered in England No. 714275. Its legal entity identifier ('LEI') number is 2138002W9Q21PF751R30. The person responsible for releasing this announcement on behalf of the Board is Louise Waldek, Company Secretary and Group Legal Director.

The Company's 2023 Annual Report and Notice of the forthcoming Annual General Meeting will be posted to shareholders on 28 March 2024.

Notes to editors

IMI plc is a FTSE100 global specialist engineering company that designs, manufactures and services highly engineered products to control the precise movement of fluids. Its innovative motion and flow control technologies, built around valves and actuators, enable vital sectors to become safer, more sustainable and more productive. IMI combines world class applications engineering expertise with a continued focus on customer satisfaction, market-led innovation and complexity reduction to solve its customers most acute engineering problems. IMI employs approximately 10,000 people, has manufacturing facilities in 18 countries and operates a global service network. The Company is listed on the London Stock Exchange. Further information is available at www.imiplc.com.