

IMI plc
Interim Management Statement

Thursday, 8th May 2025

Introduction

Roy Twite

CEO, IMI plc

Good morning, everybody, and welcome to IMI's first quarter trading update. I am joined here as normal by Dan Shook, our CFO. Hopefully, you have all had the chance to read through the press release this morning.

While market conditions are highly uncertain, we are pleased to be reconfirming guidance for the full year. We continue to expect to deliver another year of mid-single-digit organic revenue growth in 2025, and EPS we expect to be between 129p and 136p.

We saw continued strong momentum in Process Automation with orders up 7% organically in the first quarter, and the order book now 13% higher than March 2024. We made further progress in the resilient, high-margin Process Automation Aftermarket, where organic orders were up another 19% in the first quarter.

Climate Control also delivered another good performance as we saw continued demand for our energy efficient products. The other sectors delivered, as expected, with Life Science and Fluid Control flat, Industrial Automation and Transport lower than the prior year.

I am also pleased to report that Group margins were up in the first quarter, supported by demand for our innovative high value-add solutions, our strong pricing power, significant Aftermarket exposure, and the final benefits from our restructuring programme.

As you all know, at IMI, we have an extremely disciplined approach to capital allocation, and we are committed to the delivery of our financial framework. As such, we are announcing a strategic review of our Transport sector. Whilst the sector has strong positions in its end markets, we will be assessing its ability to deliver our financial framework over the medium term.

Before I hand back to the operator, I would like to provide a quick update on tariffs. Our teams have been incredibly busy working through all the exemptions and quantifying our likely exposure. As things stand today, I can confirm that IMI's major non-exempted trade flows stand at about £50 million per year from Mexico into the USA, £20 million per year from the EU into the USA, £10 million from the UK and £6 million from China, all into the USA.

On top of that, we have had £30 million per year from various other countries flow into the USA and an estimated £5 million of tariff effects from steel, aluminium, and other secondary tariffs.

As demonstrated on a smaller scale when tariffs have been implemented previously, we believe that we are well placed to manage the direct impact of the currently proposed tariffs through pricing surcharges and our regional manufacturing footprint. We remain alert to any changes in customer behaviour, and we will respond quickly to opportunities to unlock further growth.

So, with that, I am going to hand back to the operator, who will manage the Q&A session. Thank you.

Q&A

Lush Mahendrarajah (JP Morgan): Morning guys, thanks for taking my questions. I think I have got three, which I can take in turn, if that is easier. The first is just on Transport and the strategic review. I guess, can you just give us a bit more colour on the reasons and I guess the timing. I guess, why now? Then how we should think about the timeline going forward in terms of next steps? And is it a sale, or is

it something you can do to push that business a bit further? Should I leave it there or should I do all three of my questions now?

Roy Twite: Yes, your line is terrible, sorry Lush, but carry on with your questions and then we will just confirm that we have understood correctly. Yes.

Lush Mahendrarajah: Okay, sorry about that. The second is just on Process Automation. Obviously, very strong orders, particularly Aftermarket. I guess you called out nuclear, but is there anything else in that that is really strong or a bit softer that is worth flagging? Then I guess, within that, is OE down? And I guess, is there anything particularly driving that as well? That is the second question.

Then the third is just on tariffs. Very helpful colour there in terms of where the imports are coming from. But in terms of across the five businesses, is there any business that is more exposed to those imports? And I guess, how do your competitors fare in those specific end markets?

Roy Twite: Okay. I think I have got it. Right, Lush, first one on Transport. So strategic review, we have made good progress with Transport I have to say. We have moved manufacturing to some of our most competitive, some of our best factories over the last couple of years. We have built a really strong leadership team. We have got a really good leadership team with some newer members out of passenger car who completely understand how you compete and win in this industry.

But if we are honest with ourselves, the rest of IMI has made more progress, right. We have moved returns and growth rates firmly in the right direction across IMI. And margins have gone from 14% to close to 20%. That is not where Transport is in terms of margins. And we are clear about our financial framework. As I said at the beginning of the call, we are absolutely committed to that financial framework.

So, I personally talked to the sector President, and we are completely aligned. He has a great plan for improving that business. He is obviously going to accelerate that plan now to improve the returns from Transport. And then we will look at all the options, and we will see.

We are certainly not, Lush, going to fire sell that business. It is a good business. It makes good returns. It is certainly not going to be sold in a hurry at a discount. I want to make sure all shareholders understand that. But we are going to improve it, one way or the other, we are going to improve the situation for IMI. As I said, we are completely committed to the financial framework.

Did that capture because your line, as I said, was not great, Lush.

Lush Mahendrarajah: Yes. That is super helpful.

Roy Twite: In terms of timeline, obviously, we are not going to put a timeline. We are certainly not going to reduce the value of the business by forcing any sort of timeline on it. I see this very much, Lush, like the 20% to 30% of what was Critical back in 2019, where 20% to 30% of Critical was not hitting the financial framework. It was particularly poor on the margins. That part today, honestly, is obviously well in line with the rest of Process Automation. And actually, if we had sold it, it would not have been good in terms of creation of shareholder value. So, the team there, as you know, did phenomenally well. I see it very much like that.

I think we reported on that. Obviously, every quarter, we reported on the progress on that. And then after two years, we said, actually, this is far too good. We are definitely not going to sell it; we are going to retain it. I see a similar pattern with this exercise around the strategic review of Transport. The internal team is absolutely focused on improving that business.

Your second question was about Process Automation. Yes, I mean, phenomenal performance again. We had a review of the business again yesterday. And yes, that whole Aftermarket strategy is really firing on all cylinders, right. So, lots of upgrades of our own valves, lots of upgrades of competitor valves and really good parts orders in the quarter as well.

We called out the nuclear orders. Well, one, because it takes longer, obviously, on a nuclear upgrade, we would not be delivering those this year. So, we have said consistently, we expect Process Automation to deliver high-single-digit percentage increase in shipments this year. We absolutely still expect that, Lush.

Obviously, the strong Aftermarket orders in the first quarter really underpin the performance of that and gives us confidence in our overall business for the year. And that is why we are confident in our outlook and keeping the outlook exactly the same.

What I would say is that we called out the nuclear orders. The nuclear orders year-on-year is about £12 million up, I think. If you strip those out because they are multiyear, then still Aftermarket orders, I think were up about 10%, Dan, in the first quarter. So still nicely double-digit growth on Aftermarket even when you take out that higher nuclear order, Lush. So, we feel good.

On the New Construction side, we were slightly down but that is just phasing of LNG, mainly LNG New Construction orders. We have got a really good pipeline on the LNG New Construction orders. Apart from, obviously, we called out last year, we got that multi-year marine order, which I think was about £35 million. So, make sure you account that in your models because we keep counting that out. But if you look at the underlying business, we think New Construction this year will hold up well as well.

And then your last question was on tariffs. Yes, so I went through all of the trade flows. We have done a lot of work, as you can see. We have obviously moved out the exempted trade flows. We have looked at every way that we can, if we are shipping from different countries, make sure that we minimise the impact of potential tariffs. That is what we are left with in terms of trade flows.

In terms of the sectors that are impacted. Actually now, because of what has happened where tariffs have been applied very broadly across the world, actually, it is quite similar, the effect between Transport, Industrial Automation with Process Automation, again, depending on the exact mix of shipments for this year, but just slightly less than those two. But they are the big three.

Obviously, Climate Control is not very much affected because it is mainly a European business. Life Science and Fluid Control is not very much affected because it is very regional in the way that we support customers. It is really those three, Lush, where the big impact is.

Now Lush, did I cover your questions adequately then?

Lushanthan Mahendrarajah: Yes. Yes, you did. That is really appreciated. Thank you very much.

Roy Twite: Thanks, Lush.

Christian Hinderaker (Goldman Sachs): Morning Roy. Morning Dan. I want to start on Industrial Automation if I may. I am curious as to; you have previously guided on the 60-day moving average for order intake. How did that trend in the quarter? What did you see as well in April relative to the minus 7% organic, which I think was affected to cyber and just thinking about conditions in demand overall. I will start there.

Roy Twite: Yes. Good question, Christian. Yes, 60-day moving average orders is slightly up, Christian. I do not want to get too excited, but it is slightly up. Jackie and the team are doing a phenomenal job in terms of commercial excellence really driving that in IA.

Obviously, that was the hardest hit area by cyber, right. As you know, we supply around two hundred thousand products. It has complex supply chains. Normally that is to our advantage in terms of how we can create good value for customers, in terms of service and in terms of margins for ourselves, capture some of that value. But obviously, when you get hit by a very severe cyber-attack, then that creates problems within the supply chain, and that is what happened.

We have started to recover that. We are not anywhere near that down in April. That is great. I am obviously not going to report on April as such, Christian. But April was another factor in our confidence in reassuring around guidance overall, but also within IA. And so, what I want to say about IA, it was hardest hit. We do expect to recover quite a lot of that, but not all of it by the half year, Christian.

And what we are now saying about Industrial Automation is that for the year, not so much because of cyber for the year, but because of the uncertainty in the markets, we expect Industrial Automation to be roughly flat for the full year, but we expect Process Automation to be slightly better than we thought at our last update, obviously due to the strength of the Aftermarket orders.

Net, apart from FX, which is slightly worse, guidance is exactly the same as where we were, Christian.

Christian Hinderaker: Thanks Roy. Can I follow up on this just maybe more strategically or thinking about the long term in IA, given potential reshoring dynamics in the US, given trade dynamics. How do we think about your positioning there? Do you get a sense that customers are looking to expand capacity and that is a structural benefit? How do we think about the timing of all of that?

Roy Twite: Yes. I think that there is a long way to go with tariffs, right, Christian. Everybody is thinking, okay, exactly how will this play out. So, I would say, right now, there is more uncertainty, although, as I said, our moving average orders are slightly up overall. I think that there will be some reshoring inevitably. So, we are looking at some things that will now make a bit more sense to make in US, but it is around the edges for us, I will have to say.

To do that, automation will inevitably be involved, Christian, for us and for other people. Because it is very hard, if you think about hourly rates, typically, the US, the total factory fully absorbed cost hourly rate is typically more than twice some of these other countries. So, to actually compete from the US, where, let's face it, it is not always easy to get the labour in the US that you need to run the production lines.

Automation is certainly in our minds, and it is certainly in the minds of our customers as well. I would say it is not an immediate thing because of the uncertainty. We want to see how this is all playing out. But over time, I think we will play well into that, and I feel really good about where the Industrial Automation business is, both in terms of, let's call it, the overall market trend. I think that is going to be stronger than it has been for a while. I think not only in the US, Christian, but also in Germany.

When Germany is a very significant market for us. It is a very significant market because not only have you got the domestic market, but obviously it is a huge export market from there. And as Germany hopefully starts to spend the five hundred billion that is going to invest in infrastructure, Germany is one of our best automation markets. I think that dynamic is good plus, internally where we are with the business, the team, where Jackie's got it, I think we are going to make some good progress as that comes through the cycle.

Christian Hinderaker: Maybe just a third and final one on Process. You have talked about Aftermarket strength and relative softness in OE. Just what are you hearing from customers on the OE side? How do we think about the oil price sensitivity, given WTI is now sub-sixty dollars? Just thinking about demand dynamics as we look into the rest of the year?

Roy Twite: Yes. What we see at the moment, generally across the world is still strong pipelines on the New Construction side. Remember that oil and gas New Construction is about 20% of Process Automation. The most important thing about Process Automation now is that 60% of it is Aftermarket and is motoring along nicely, Christian, because the gross margins are 2.5 times in Aftermarket what they are in New Construction.

Obviously, to feed that Aftermarket, we do two things. One is we upgrade our old valves and our competitors' valves. As you know, that has been very successful. Two is we have got to feed from the New Construction side, that installed base. On that side, of that 20% around 60% is gas, and we think that the fundamentals for gas are still strong. In fact, we had a business review on Process Automation yesterday. And still the team is talking that they believe as well that gas is going to be strong for multiple years, put it that way.

Christian Hinderaker: Understood. Thank you.

Roy Twite: Thanks Christian.

Andrew Simms (Berenberg): Morning Gentlemen. Thanks for taking my questions. Just firstly on the Life Sciences side of things. I mean, it seems like it is bouncing along the bottom still. Is there any signs of life there, any conversations you are having with customers as to when or whether that picks up maybe at the back end of this year. I appreciate comps getting easier, but any comment on that would be useful.

And then you mentioned some of the commercial side of things in IA, which the team is doing very well at. I do not know if you can expand on that and just maybe provide a few examples as to some of the changes which have been made and how that is affecting the business, that would be great, thank you.

Roy Twite: Yes, Brilliant. No, we are not calling a recovery in Life Sciences. I think we have said this many times. We basically forecast it flat for this year. There is nothing in our forecast that relies on any market recovery. I have to make that completely clear. This is not one of those forecasts where we are suddenly relying on a big second half recovery in any market. We are not doing that.

Really, what will change in terms of our sales, if you think about it, is Process Automation shipment schedule. We have got a lot of shipments going out in Q2. As usual, we will have a lot of shipments going out in Q4. Overall, we think that gets us to high-single-digit organic sales growth this year. We map that project by project.

The other thing that changes quite significantly is the Transport comparator. Transport has a very, very tough comparator in the first half just because our truck customers were absolutely accelerating through the first half of last year as they managed to procure all of the electronic components that they could not get after the supply chain crisis after COVID. Obviously, that unwound in the second half. In the second half of this year, our comparator is much easier.

That is really the two components that mean that we get to mid-single-digit organic growth. We are not calling a recovery in Life Sciences. There are some good signals out there, however, that things are starting to improve. I know that one of our customers yesterday upgraded. So obviously, there is a bit of stock between us and them. But one of our customers upgraded yesterday, which is good.

I think what has happened is there has been an oversupply of the equipment during COVID. Obviously, all of that new kit is out there, so people have not been replacing or buying new kit at such a fast rate. The market is pretty flat at the moment. But in terms of the reagents that are being used on the equipment, that has been picking up. That is a good signal that the kit is being used and eventually the new programmes will come through.

In fact, our customers are now talking about launching new models, which, of course, they were not talking about for the last couple of years. There are signs, but our outlook does not rely - Life Sciences itself, remember, is 7% of IMI's business - so, we are certainly not relying on a recovery in that market.

Then in terms of Industrial Automation, yes, it is really exciting. What Jackie has been doing is, we completely implemented world-class CRM, basically IT systems across IA. What he is doing is ensuring that our data allows us to drive the best possible sales force efficiency. We have really got a much better picture now of where the biggest and best opportunities are. We are driving sales force effectiveness and productivity, and the pipeline is really starting to improve in terms of projects that we have got that are opportunities for us to win.

We are also doing a huge amount of sales force training to make sure that the salespeople are best equipped to solve customer problems using our dazzling array of technical solutions that we have to solve those problems. That is why I am really excited. That commercial front. It is pretty much similar to what we have done across certainly the rest of IMI in terms of commercial excellence, and then behind that driving market-led innovation, and then behind that, stripping the complexity out of the system. We have done a huge amount of that in IA.

So, we have got far less factories in Industrial Automation now. The factories we have got are much better. Therefore, our net promoter scores for customers, our customer satisfaction scores are now up at 60, whereas sort of five, six years ago, they would have been more like 10 to 20. That allows us happy customers. Cross-sell to those happy customers and then innovate into those customers as well. That is really the same pattern that we followed across the rest of IMI, it is making real progress now in Industrial Automation.

Andrew Simms: Great, many thanks.

Roy Twite: Thanks Andrew

Jonathan Hurn (Barclays): Hey guys. Good morning. Just a few questions for me, please. Firstly, just coming back to Transport. Can you say if you have had any external interest in that asset previously, has anyone looked to buy that? That was essentially the first one.

The second one was just on Climate Control. Obviously, you have seen the strongest growth in Q1, plus 4%. But if you look back to this time last year, the comp is pretty easy. As we go forward for Climate Control, obviously, the year-on-year comps get tougher. What kind of growth can we expect from Climate Control in 2025?

Then the third one was just coming back to Process. Obviously, good order book. You are calling out high-single-digit growth for that business in 2025. But just in terms of the book to ship within that business to meet that, how much book to ship do we need to get in the remainder of the year to essentially hit that high-single-digit growth aspiration? Thanks.

Roy Twite: Yes, well. Obviously, the book to ship is declining rapidly. I will let Dan get on to the book to ship at the end. In terms of Transport, no, we have not had any, what I would call, proper interest in that business externally, Jonathan. Obviously, by putting it under strategic review, we will see how that goes. That will obviously put it up, then we will see if there is more interest in that business.

But that is why it is very important that our team really gets on and improves and moves towards our financial framework for Transport, just like the, what was, Critical Engineering team did back in 2019.

In terms of Process Automaton. Sorry, in terms of Climate Control. I will let Dan do the Process Automation in terms of book to ship. But in terms of Climate Control, yes, in terms of what customers are telling us, in terms of the market feel, I was at the big HVAC show in Germany a few weeks back.

In terms of our new product launches as well, as you know, we have got some really good new products, which are more connected. The TA-Smart valve that we have talked about many times, that is starting to get real traction. We have got pockets of the market as well that are small at the moment like data centres, but which are expanding quickly and which we have got real focus around as well, Jonathan.

When you put it all together in terms of Climate Control and you think about what it has achieved over the last five, six years, it is pretty much mid-single-digit growth. That is what we see again this year. Despite the fact that the market itself we do not think is going to be particularly fantastic, we expect to deliver mid-single-digit growth in Climate Control.

Dan, do you want to talk about book to ship in Process?

Daniel Shook: Yes, I think we already talked about it on the February call, where our expectation is we are still going to see a growing order book and book to bill this year is going to continue to move positively, Jonathan. That, of course, with New Construction orders coming in, in the first half and particularly on the upgrade and the parts, that gives us good momentum. You saw it in the first quarter as well.

There is a bit more book to ship to deliver on Process Automation this year, relative to last year. But I think the momentum that you have seen going through on the orders makes us comfortable that we will still hit that guidance of high single digits. Yes, there is a little bit more to deliver.

The first half is pretty much as you would expect. It is fully in the order book. I think the second quarter, as we get the orders in, that will give us a good comfort. A little bit more on book to ship, but nothing that the team cannot handle.

Very clear guys. Thank you very much.

Roy Twite: Thanks Jonathan.

Daniel Shook: Thanks Jonathan.

Stephan Klepp (HSBC): Morning everyone. A few leftovers, and I do not want to be too much of a nitpicker here. But if I look into the New Construction orders in Process Automation and use a typical 40%, I calculate it is down 10%. I mean, am I completely wrong there? I mean you mentioned already what is happening, but can you give a little bit more colour on that one?

The second one, if I am looking into the Q2 pickup. I mean, you have not been able to ship for 10 days. How much of a pickup and how much of an order growth are you basically implying is going to happen in the second quarter to basically meet your guidance, particularly here interest is Process Automation and Industrial Automation again.

Roy Twite: Yes. In terms of New Construction, you are bang on there, Stephan. You are right. So, 10% down. That translates to £10 million. It is just £10 million. That, as I said earlier, is basically LNG order phasing. So, we just got a big LNG order Q1 last year, and we are expecting bigger LNG orders Q2 this year, and then throughout the year LNG picks up.

It really is LNG order phasing. The only thing I would just say, as I did say earlier, it is important. We did get that huge marine order in New Construction, I will say this again, £35 million Q2 last year. I want to just make sure that everybody understands.

But by the end of the year, if you strip out that multi-year marine order, which is obviously still nicely in our order books, then we expect New Construction to be holding its own, Stephan, with the growth coming through again in the Aftermarket, shifting the mix of the business more towards Aftermarket, which again obviously helps us in terms of returns.

Stephan Klepp: Perfect. Thanks.

Roy Twite: Thanks, Stephan. Then in terms of Industrial Automation, yes, I mean, I think that the cyber incident is very hard to measure exactly. I mean you think about it, we have resisted 300 cyber ransom attacks over the years, Stephan. But this one was a really, really severe one. You are seeing it in the retailers at the moment. These guys are getting more and more sophisticated. This was a particularly nasty one.

Our systems, as you know, were down for around 10 days globally. I mean it was horrendous. I have got to thank all our people because the response to that, honestly, was incredible. Despite that incredible response, we estimate, and this is only an estimate, that our sales across the Group were hit by more than 2% in the first quarter. The bulk of that is in Automation and the bulk of that is in Industrial Automation. So yes, we expect a much better second quarter in Industrial Automation.

As I said, the 60-day moving average orders are slightly up. Actually, orders in the first quarter, I think were only 2% down against a more difficult quarter last year. That is why we think Industrial Automation for the year will be broadly flat, Stephan.

Stephan Klepp: Okay, perfect.

Daniel Shook: For clarity, we have had 300 attempts from what we track with our cyber support. The lion's share of those never get in, but a handful have over the last five years, and this one clearly was the most difficult to manage through. But yes, as you say, Roy, the IT organisation but also everybody in IMI really came together and got us back up really, really quickly.

Stephan Klepp: Great. Splendid. I have another nitpicking one. In Life Sciences, for the first half, you have been guiding also minus mid-single digit organically. Now the first quarter was flat. Are you basically sticking to that? I heard what you said before that you expect a flat year, but the first half was guided down mid-single digits. Are you basically saying this is still the case and Q2 is going to see quite a big slump?

Daniel Shook: Yes, Q2 last year was a nice comp. It is a bit tougher comp, Stephan. Yes, it was up about 10% on Q1 sequentially. So yes, we are going to hold to that and ask us in July.

Stephan Klepp: Okay, that is fair

Daniel Shook: Thanks.

Stephan Klepp: Thank you both.

Alexander Virgo (Bank of America): Yes, thanks very much. Morning Roy, Morning Dan. I just wanted to pick up a little bit on your comment there on the Transport strategic review. You talked about the comparability with putting the 30% of Critical under strategic review. Obviously, those businesses then responded incredibly well, and you then chose to keep them, as you said, to the benefit of the Group. I am wondering, when you look at Transport, you do not presumably see quite the same potential there in

terms of bringing that margin up into the broader Group financial framework, or am I wrong and that is the wrong interpretation? I guess that is the question I am getting at.

Roy Twite: Yes. No, I think way back in 2019, Alex, we are in about the position with what was Critical Engineering as we are with Transport now, right? In fact, it was a bigger ask to get that part of the business, get their margins to where we were targeting than it is to move Transport in terms of just the sheer quantum of what needed to be done. I would say it is a very, very similar situation.

The actions being taken though, will obviously be different. In Critical Engineering at that time, that part of the business, I was told, Alex, by the previous management for a decade that you could not develop Aftermarket business in that segment, which is why we went public with the strategic review and said, right, either we are going to develop the Aftermarket business and move the margin significantly, we are talking, what, Dan, over a thousand basis points we have to move the margin, or different actions will be taken.

Lo and behold, Jackie at that time did a phenomenal job with that team, and that is exactly what they did. Now he told me what the margins were yesterday, honestly, in that part of the business and it would have been terrible to have sold it. But at that time, Alex, I was no more certain around that than I am with Transport to be completely honest with you.

But with Transport, as I said, we have got a fantastic team. We have got a team that is steeped in passenger car knowledge, which is, as you know, very, very hard core in terms of commercial capability and what you need to do. They have built a good plan that we now need to accelerate. That plan is different. It is not about the Aftermarket. It is much more about value engineering. It is much more about making sure that the high-margin new product we have got, we scale up. It is much more around exiting low margin product. And we have moved a lot of the manufacturing to very competitive sites, which is great, but we now also need to deliver supply chain efficiencies behind that as well.

We are delivering them, but we need to accelerate that as well. It is a different plan, Alex. But I would actually say probably that actually it is in a better position because I think we have got a stronger team in Transport that really understand the markets and the dynamics to get on and deliver the financial framework.

I would say it is probably slightly better situation, but it is a lot to do as well.

Alexander Virgo: Thanks. That is really helpful. I guess what I am getting at is we are seeing the same situation here. But I guess the explicit question is, does the Transport business offer the opportunity to deliver 20% EBIT margins if you do and execute these actions in similar fashion to the way the end result you gained in Critical?

Roy Twite: Yes. The way I would answer that, Alex, is there is already parts of the Transport business delivering the financial framework. We just need more of it to do that.

Alexander Virgo: Alright, that is helpful. Thank you.

Roy Twite: Great. Thanks Alex.

Daniel Shook: Thanks Alex

Mark Davies Jones (Stifel): Thank you. Morning both. Firstly, can I just go back to the German stimulus? Because obviously, we are looking at potentially quite a big change in what has been a very sluggish market. Firstly, would I be right in thinking that is going to be more of a 2026 thing? You are not expect

seeing any benefit of that this year? Secondly, do you think that reads across to Climate Control as well as Industrial Automation in terms of potential benefit?

Then my second question was one for Dan maybe. This is going to be the year when we saw another step-up in cash conversion, cash flow as restructuring fell away. Is that still very much the thinking, or is anything in the complexity coming out of tariffs meant you had to carry a bit more working capital or other costs associated with that would limit that cash conversion?

Roy Twite: Great. As you very eloquently put, a big change in a sluggish market. I think that is exactly right. I mean Germany for us has been very, very important. Technically as a market, it is a great engineering market, but it has been sluggish for a long time. I think definitely that is going to be more 2026 and even beyond that before it really starts to kick in, although I think the confidence in the market is what I was trying to portray earlier really, Mark, definitely feels stronger to me than it has for a while.

You are absolutely right. It is both Industrial Automation and Climate Control, and there may even be some Process Automation infrastructure type build as well, Mark. I would not rule that out. But yes, I think Climate Control, Industrial Automation should be the winners out of that. Then cash?

Daniel Shook: Yes, Mark, still targeting and forecasting 90% cash conversion. No real change there. At this stage, no need to do anything different on working capital. We do expect we will continue to migrate some of that additional stock out of the balance sheet.

The one thing I will remind everybody, we talked about it in February. We will have another capex figure similar to last year as we complete construction on a number of new facilities. That is why we are not seeing a higher cash conversion. There is a bit of an offset to the working capital coming off the books as we are completing the modernisation of a few facilities. Yes, so a long way to say, still looking at 90%, Mark.

Mark Davies Jones: Great. Thank you very much.

Daniel Shook: Awesome. Thanks.

Margaret Schooley (Redburn): Morning Roy. Morning Dan. Thanks for taking my question. I just have one because I think we have exhausted a lot of them. Just to go back to Transport, if you go through this review and, ultimately, it does get sold. Can you just give us some understanding of if there would be any stranded costs and what the capacity in those facilities would look like? Because I do think they share some facilities with IA. Just a little more colour on if eventually it does leave the Group, how we should be thinking about that?

Roy Twite: Yes. Good question, Margaret. Obviously, Transport was born out of Industrial Automation. I mean that is the point. A lot of our Industrial Automation fittings, valves, manifolds, systems were modified to be able to take the much harsher environment of it being on a truck, Margaret. You are absolutely right. I think there is about five factories which we share between Transport and Industrial Automation. So, it is integrated.

We have started the process of absolutely making sure that the Transport team have complete clarity and ownership of their part of the business. We have been doing that over the last six, nine months, something like that.

Daniel Shook: Yes.

Roy Twite: So, we have started that process. The stranded costs, so we would have to have a look at things like tax. But put that to one side. But in terms of stranded fixed cost, it will be pretty small in the overall scheme of things.

In terms of the carve-out, we are already adding a little bit of cost to Transport, and we will have to add a little bit more as well to make sure that where we have got shared services, we are making sure there is more of a delineation between Transport and Industrial Automation, Margaret.

But in terms of stranded cost that is left with the business, remember, Transport is only 8% of our sales. In the scheme of things, that would be relatively low.

Margaret Schooley: Very clear. Can I squeeze one last one in? Sorry, I think you have a lot of questions. Thank you for that. Just given the shape of the order book for Process Automation with OE and Aftermarket being higher and then Jackie having been within Life Technology for a year now and some of the incentives or changes that he is making there. Can you just give us some colour about how we should think about margin progression for the Group, but also by division as we progress through the year, if you can?

Roy Twite: Yes. Margaret, so overall, we expect to make progress on margins again this year. We expect to hit or even slightly exceed our 20% margin target this year. Obviously, Automation, the Automation platform has had tremendous progress on margins. We think that will be flatter this year purely because we are now taking all of the cost of any rationalisation projects above the profit line. We have said that to investors last year. That was the end of that programme.

We are now absorbing 1p to 2p of EPS in other improvement programmes that we are running above the line. That is why we think Automation on an underlying basis will make a bit of progress. But actually, what we report will be roughly flat. Then we expect to make the progress on the Life Technology side, which is currently below the 20% target, and we expect that to come through this year as they will have some costs, to be honest with you, above the line in terms of rationalisation, but they are also getting some benefits from the programmes that we run last year, and we expect to see that come through. That is how we see the shape of margin improvement. Overall, margin improvement for the Group again.

Margaret Schooley: Very clear. Thank you very much.

Roy Twite: Excellent. Well, thanks for your time today. I think you can see that we are really pleased with the progress of the business. The way we recovered from that cyberattack was frankly exceptional. The orders in Process Automation and the order book in Process Automation, plus where we are with the other businesses, gives us the confidence to reinforce guidance for this year.

Thanks very much and see you at the half year. Thank you.

[END OF TRANSCRIPT]