IMI plc
Interim Management Statement

Thursday, 6th November 2025

Introduction

Roy Twite

CEO, IMI plc

Good morning, everybody, and welcome to IMI's third quarter trading update. I am joined here today by Luke, our CFO.

It was another excellent performance from our team in the third quarter. Organic revenue was 12% higher than the same period last year, and is now 5% higher year-to-date, demonstrating the continued success of our growth strategy and the strength of our One IMI operating model.

We delivered an outstanding performance in Process Automation, supported by rising global energy demand and our focus on high margin Aftermarket orders, which are now up 7% organically year-to-date and were up 1% against a strong performance in the third quarter last year.

The Climate Control, Industrial Automation and Life Science & Fluid Control market sectors all performed well. There is strong momentum across the business and we remain on track to deliver our fourth consecutive year of mid-single-digit organic revenue growth. I am therefore pleased to reconfirm guidance. We continue to expect that full year EPS will be between 129p and 136p. With that, I am going to hand back to the operator, who will manage the Q&A session. Thank you.

Q&A

Christian Hinderaker (Goldman Sachs): Morning Roy, morning Luke. I want to start on the Process Automation growth rate. I think you have called out what the year-to-date number was, but what was the quarterly figure? Then just how do we think about the quantum of the shipment catch-up that you flagged both with respect to Process, but maybe elsewhere as well?

Roy Twite: Hi, Christian. Good morning. In terms of Process Automation, obviously, the sales grew 26% in the quarter. That was shipment phasing, Christian. Okay, so we still see Process Automation up high single-digit, maybe slightly higher, maybe 9%, 10% for this year in terms of shipments, no change to that. But what we have done is derisk the final quarter, which obviously, if you do the math, we expect to be flattish in terms of shipments versus last year. If you remember, last year, we had an absolutely fantastic Q4 in terms of shipments and December, in particular, was massive. What we have done is derisk that, so I'm really pleased with the team. Obviously, to be able to ship 26% more is excellent in terms of execution, and that really has been a long journey in terms of our investment in the factories, our investment in supply chains and obviously the team.

On the order side, in Q3, we were flat in the quarter versus last year, which was a very tough comparator. I mean, from memory, last year Aftermarket orders in the third quarter were up 10% and New Construction was up 20%. So, it was a huge third quarter. So, I am pleased we are flat. The difference really was mainly those big hydrogen orders that we won with VIVO in Q3 last year, which we said were never going to repeat, right, because the grants that were given by governments and local governments were not repeated this year in hydrogen to that extent. So yes, we were flat in terms of orders. Year-to-date, I think the important number that we put in the release is that total orders outside of the multi-year marine order, which we called out last year, are up 5% organically year-to-date. And obviously, Christian, we do see good support from combined cycle gas, energy in general across Process Automation, obviously, on the back of what is happening with the energy demands for electrification and for data centres and AI. So, we see good demand there.

I think we see good demand in nuclear Aftermarket at the moment for the upgrades to the existing plants, the life extensions to the existing plants. And in time, we expect to see good demand on New Construction in nuclear, but that will obviously be a few years out. That is not something that is going to happen quickly. But in general, Process Automation, I would say, in good shape. We had a good look, Luke and I, at the pipelines with Jackie and Roby and the team, and the pipelines of opportunity for Aftermarket and New Construction and they look good. So yes, I would say, in terms of shipments, we are about where we thought we would be. Maybe the year-end will be slightly better than we thought at the half year for Process Automation. And in terms of orders, again, pretty much bang on where we thought. And that would lead, Christian, into what I would call good growth for next year, not at the high single-digit level. I do not think we will be quite that good next year, but around the mid-single-digit level for Process Automation in terms of shipments.

Luke Grant: Yes, maybe just the second question you asked, Christian, was on shipment catch-up in the quarter. So the Group overall, as you know, grew 12% organically, and we think about 2% to 3% of that was shipment catch-ups and quite a bit of that was in the Life Science and Fluid Control sector, some in Industrial Automation and then a little bit in Process Automation, but only a relatively small impact from a percentage growth perspective in both Process and Industrial Automation, and there was a reasonable amount of catch-up in Life Sciences and Fluid Control in the quarter.

Christian Hinderaker: Very helpful, thank you. Can I just squeeze one in on IA? Sorry, Luke, go ahead.

Luke Grant: I was just going to say we do think the catch-up is about done now.

Christian Hinderaker: Okay. Can I just squeeze one in on IA. I guess, just interested in any commentary around regional developments and, I guess, the underlying backdrop there. Obviously, data has been a bit mixed.

Roy Twite: We had a good look at this, and broadly, all regions are broadly flat, Christian. I think Industrial Automation markets generally are still struggling a bit. We have not yet seen the recovery we are hoping for. I think I said previously, the 60-day moving average was up, which it was. Now it is about flat in Industrial Automation. So still not yet seeing that investment. We all know it will come; it is just a question of when and we have all seen these cycles before. But it is across the regions, Christian, is broadly flat.

Christian Hinderaker: Thank you very much.

Roy Twite: Thank you.

Luke Grant: Thank you.

Lushanthan Mahendrarajah (JP Morgan): Morning guys, thanks for taking my questions, I have got three, I think. The first is on Process Automation and orders, and I guess OE in the quarter, appreciate there is the sort of, I think, £9 million comp in Q3. I think ex that, was New Construction orders up 10% in Q3 from the sense check my maths there. And if so, what are the key end markets driving that? I know you called out power already, just interested to hear what is driving that OE growth there.

The second question is on next year, if possible. I know it is early, but I do not know if I have not got any initial thoughts. I know you have sort of touched on Process already but across some of the other end markets as well. And also, margin-wise, anything we need to think about.

And then the third question is just on Transport and the strategic review. Just any update you can give there. I appreciate the backdrop is probably tougher now than maybe we thought it was going to be six, seven, eight months ago, just if that is impacted your thinking in any way?

Roy Twite: Three good questions, Lush. On Process Automation orders, I think your math is about right. So, orders in the third quarter were just over £90 million. And yes, the hydrogen orders that I think you are referring to, the comp on that is about £10 million. So yes, you are right, be careful what we strip out, I think. But if you did take out those hydrogen orders from the grants from last year, yes, you would be looking at about 10% growth in the quarter on New Construction. I still think, Lush, in my mind, the 5% is very much a year-to-date business for Process Automation. As you know, it is a longer cycle. So, I still think that total orders are 5% up organically year-to-date. If you strip out the marine order that we called out last year, I still think that is a pretty good guide. But as I said, we do see good opportunity pipelines in both combined cycle gas and in gas generally, LNG and so on.

Your second question then was about next year. Obviously, we have not completed the budget reviews yet. We have done some pre-budget reviews. But I think we saw one of the peers call out yesterday 4% organic growth for next year in overall terms across the piece and I would not disagree with that. Again, I think mid-single-digit growth for next year, it looks to me at the moment about right, subject to current market conditions carrying on.

I think on top of that, our tax rate unfortunately will be going up next year. This year, we have benefited from settling some old tax cases. And next year, our tax rate will be going up to just over 26%. So that is worth getting into your models.

And then the other thing, clearly, we are already investing more in cyber. Having been through the cyber incident beginning of this year and seeing what else is happening, obviously, around the piece in industrials, but more broadly in retail and automotive, we are upping our game already. Luke talked a bit about it on the last call, investing in the team, investing in the best systems, investing in training broadly across IMI and all of this, it will probably cost us about 1.5p of EPS incremental next year. So again, it is an investment I absolutely believe we need having been through that attack earlier this year.

And then your last question on Transport, yes, it is a tough market, particularly US, that is a regional effect where some of our customers have literally shut down for a week or more because of the lack of demand. So, Transport market, tough. The Transport strategic review made very good progress in the quarter, I have to say. We have got a really strong team. As you know, we brought in some ex-passenger car people last year. They have come up with a pragmatic but ambitious plan, which was presented to the Board, accepted by the Board, it is a five-year plan, obviously, in line with all of our plans.

I talked a little bit about it on the last call, obviously, it is predicated on value engineering, new products at better margins and exiting frankly, some of the lower margin business. They have also built on that. There is more continuous improvement, lean and cost effectiveness that has gone into the plan as well. That is sort of a fourth leg of that plan. And then the fifth leg is all about working capital, particularly stock turns and they have made good progress this year, and we can see good runway for next year as well. So, they are very focused on improving the return on capital of that business. And indeed, by the end of the five years, getting the return on capital employed of Transport to be pretty close to the IMI average. So yes, it is a good plan, Lush, they are very focused. Clearly, as you said, externally, truck market is not great, and we are very much focused on the internal plan, get our heads down to deliver those improvements. Did that cover all your points, Lush?

Lushanthan Mahendrarajah: Yes, that was really helpful. Thank you very much.

Roy Twite: Brilliant, thanks Lush.

Colin Grant (Davy): Hi everyone, good morning. Just a question on two things, really. Just firstly on margin development. Is there anything you can give us in terms of what you are expecting margins to do in the current year 2025? I mean, you have got very strong growth coming through here, and you are getting it in your higher margin areas. Just any view on the accretion that you might get in margin would be helpful.

Secondly, just if you could give us an update on any thoughts looking into 2026 around potential share buybacks that you might look to try and do next year given the strength of your balance sheet? Thanks very much.

Roy Twite: Yes, great. Thanks, Colin. I will let Luke talk about share buybacks, in a moment, for next year. Just a couple of points for me. Margins, so as I said, where consensus is for this year is our base case looks about right. That would mean margins of about 20% for this year, which obviously I am very pleased with the team, Colin, because we started at 14% and we have made year-on-year progress towards that original target. As we go forward over time, I would expect over the five-year period, as I have said before for those margins to tick up. And if you take roughly a 30% drop-through because we are going to continue to fully invest in the business. Growth is our number one priority. So we will continue to fully invest in the business, but we still expect to do around, on average, obviously, it would not be every year around a 30% drop-through over that five-year period, and that will take margins closer to 22% over that period.

Before I let Luke talk on share buybacks, I will just say the acquisition pipeline does look better than it has looked for a while. Of course, these things are very binary and we are very, very disciplined about how we use shareholder money. And as you know, we are looking for returns above the cost of capital within three years. And we are looking to be not too dilutive to IMI's 13% return on invested capital over a five-year period. So, we are very strict about that. But I would say, Colin, that the muscles that we have built, particularly around Aftermarket, Growth Hub innovation, around the way we go to market, commercial excellence, the use of data, and obviously, our operational footprint, which I really say is truly world-class and the way we can improve companies in that way, means that we are more confident of generating those returns.

With that, I will let Luke talk about share buybacks.

Luke Grant: Yes, good morning, Colin. Looking at the year's free cash flow, I think we feel really good about the work we have been doing, particularly on working capital this year and particularly the inventory reduction work we are doing. So nice cash generation coming through there. And we have always said we will look at our leverage and operate roughly between a 1 to 2 times range, and at the half year was 1.4 times. And subsequent to the half year, we completed the share buyback, paid the dividend. So, as we now approach the end of the year, we have said we will delever to around about 1.1 times come the end this year. And as we get into next year, we will look ahead and if we sustainably think we will have the leverage below a times, we will definitely look at initiating a share buyback. But I echo the same as Roy that we continue to have M&A as part of our strategy and look at that as well.

Colin Grant: Great thanks very much.

Roy Twite: Thanks Colin.

Jonathan Hurn (Barclays): Hey guys, good morning. Just three questions, please. Just going to focus on some of the other subsegments. Firstly, just in terms of Climate Control, obviously, 5% growth. If you kind of look to Q4, there is a really tough comp, probably the toughest comp of the year. Do you think that business can still grow at 5% in Q4? And if you can just give us a little bit more info about that exposure to data centres and what you are seeing. I think we had 14 million orders of that last time you spoke about it, where we are sitting on that?

Second question was just on Life Science and Fluid Control. Obviously, big spike up in growth, 13%. Can you just break that out? How much of that is underlying, and where is that coming from? And how much of that is catch up?

Then the third question was just coming back to Process but just focusing on that nuclear opportunity there. I mean, look, there is a lot of talk out there about what that market can ultimately be. Can you just give us some more information about where you see it, where you are winning, what type of growth rates you expect? Just more colour on that nuclear opportunity going forward for you in Process, please?

Roy Twite: As usual, Jonathan, you managed to find three new questions after everybody else. So that is great. Climate, 5%. Climate has been growing at 5%, pretty much year in, year out for the last five years, something like that, Jonathan. And it really is driven by overall requirement for energy saving, principally in Europe, right. So, it is a great growth track record. It does have a very difficult comparator in Q4. So, I am not sure if we will quite grow that fast. But in the overall year, we will be around that 4% to 5% level for Climate. So very pleased with our performance. As you said, data centres is becoming an increasing part. It is only 2% or 3%. But that has come from nothing over the last few years, obviously, for data centres and the pipeline is strong. And as I said on the last call, we will follow several years after those initial investment decisions on those data centres. So that is good for the future because that means with all that data centre investment that has been announced, that gives us a very good pipeline.

Life Sciences, yes, I mean, 13%. I will let Luke talk in a minute about what was catch-up. Clearly, the catch-up was on the Fluid Control side, and we flagged that at the half year. I still think Life Sciences and overall term will be about flat for the year, about flat for the fourth quarter. So, we are not seeing that inflection point yet. Certainly, though, the mood music is better. And at some point, next year, I am not going to call first or second half at this point, Jonathan. But at some point, next year, I would expect it to start to return to let us say, low single-digit growth before eventually kicking up to more of that mid-single, even higher growth that we saw historically.

Then on nuclear. Yes, I mean, the nuclear New Construction, as I said earlier, it is not going to happen quickly. These are long, long cycle projects, but it is very good news for IMI. I mean, this year, as you know, we won a big project in the UK already. In terms of nuclear New Construction and Aftermarket put together will probably be 7% or 8% of our orders this year, so ticking up nicely. Per reactor, we can get up to £20 million worth of content around the valves and the strainers. Then on an SMR as well, that could be up to £20 million worth of content as well. So again, longer term, but bodes well for the future as that starts to really kick in. Aftermarket will be up in nuclear again this year. And that is the extension to the nuclear reactors that is already happening. And I expect to see more of that, Jonathan. And that Aftermarket is just about the best Aftermarket we have in terms of the capture rate. Obviously, a lot of it is regulatory. And in terms of the margins, because everybody competes very hard on New Construction, as you probably remember, but then Aftermarket could be an annuity for decades after that, a very good recurring revenue stream. Does that capture your questions? Apart from, I will just let Luke talk about catch-up.

Luke Grant: On the Life Science and Fluid Control organic growth at 13% growth in the quarter, about 3% to 4% of that was underlying growth and then the rest was catch up. Roy said the most important thing is it has now brought us to where we thought we would be, which is 1% year-to-date growth and then around about that for the year.

Jonathan Hurn: Great guys, that is very helpful. Can I just have one just very quick follow-up just on that Aftermarket within Process. Can you tell us where that sits in terms of percentage of the division? I know it has been growing, but where are we in that AM/OE mix and where do you think that could go to in Process?

Roy Twite: Yes. So, Jonathan, it is about 60%. I think last year it was 59%. So, it is in that 60% Aftermarket, 40% OE. Clearly, I want both segments to grow as fast as possible, right? That will be my absolute dream, which means the mix would not change. Naturally, I think what has changed over the last couple of years is the power requirement globally has obviously stepped up, and that is very good for our combined cycle gas, good for LNG, good for our gas business in general. So let us see how the next few years form out. We have said at the Capital Markets Day back a few years ago now that we expect Aftermarket to grow more like 5% to 7%. New Construction in the longer term, probably a bit slower than that, which will mean the mix will tick up, which will mean obviously, the margins will tick up. Roughly, our gross margins are 2.5 times in the Aftermarket what they are in New Construction. So as that mix does tick up over time, Jonathan, that is obviously very healthy for us.

Jonathan Hurn: That is great guys, thanks very much.

Roy Twite: Thanks Jonathan.

Mark Davies Jones (Stifel): Thanks very much, morning both. We are getting down to some gory detail here. But on Process, I just wanted to ask quickly on the non-power gen-related markets and whether you are seeing any softening in the refining petrochem end of the world, given where current oil prices are. That was the first one.

And then on IA. Obviously, it has not really turned yet, but looking into next year, are you starting to hear any more positive noises out of particularly Germany, given the similar plans coming through there. Is that likely to feed through to you, or is that still fairly distant?

Roy Twite: Yes. Good questions, Mark. Yes, you are absolutely right. On Process, it is downstream where orders are lower. You are absolutely right. I think everybody is seeing that and we are certainly seeing that. In IA, I would say it is early days yet, Mark. When you look at a normal IA cycle, I would say we are overdue an uplift. And certainly, with the investment going into Germany, at some point, I mean, Germany is 12% of IMI's total sales. And the biggest part of that is in the industrial production economy, which is obviously both IA and the Fluid Control part of Life Science & Fluid Control. And then very close behind that, we have got Climate Control with what we do in HVAC. So generally, very important to IMI. At some point, I am pretty sure there will be a lift now. When exactly that is, is difficult to call, I would say, Mark.

Mark Davies Jones: Okay, Understood.

Richard Paige (Deutsche Bank): Morning all. As Mark said, down to the nitty-gritty, but could you just remind us on gas combined cycle, what the size of your opportunity there? And ultimately, how quickly Aftermarket flows from New Construction there?

Then secondly, just a point of clarity on the Climate Control data centre work. Is all of that exclusively European customers, please?

Roy Twite: Yes, good questions. I will let Luke talk about data centres in Climate in a minute. In terms of gas combined cycle, well, in terms of, let us call it, conventional power, which is mainly gas combined cycle, that is about 25% of Process Automation. 5% is New Construction at the moment and 20% is Aftermarket. So yes, that is a significant tailwind, and I am sure you have seen what has happened to our customers in that segment. Their order books are very, very full. And that is building for us, and we are getting nice high hit rates as well. So very encouraged about that. In terms of data centre, do you want to talk a little bit about data centres in Climate?

Luke Grant: Yes, definitely. We continue to see lots of opportunity there with our cooling products going in there, and that is fully global exposure. So, of the orders we have had year-to-date, about half is Europe, 40% is in North America and then about 10% in Asia Pacific. So, I think we have got a pretty good geographic spread and exposure opportunities there.

Richard Paige: Thank you

Roy Twite: Thanks Richard.

Mark Fielding (RBC): Hi, actually I am going to be not original and ask a new question but actually circle back to one right at the start in terms of just getting a little bit more sense around this phasing in Process Automation. I was trying to think about clever ways to ask it. But I think the simplest one is, in terms of us understanding how good Q3 was and what that means in Q4, how do you think the sequential progression will be Q4 on Q3 in the revenues in Process Automation?

Roy Twite: Yes, very good. Yes. So, you are right, Mark, because I think what you have cottoned on to is that last year, the comparator in Q3 was weaker and the comparator in Q4 was a lot harder, right? But if we look at overall shipments in Q3 this year, we shipped about just over £230 million, right Luke?

Luke Grant: Yes.

Roy Twite: And then in Q4, we are going to be shipping just over £300 million. That is the plan, right? And that will be very similar, as I said earlier, to the level that we shipped last year, Mark. So, you're right. We still got a lot of work to do, and the teams know that, and that probably puts it better in context than I did, Mark. So, thank you for that.

Mark Fielding: Very helpful thanks.

Stephan Klepp (BNP Paribas): Can you hear me now guys? Hello?

Roy Twite: Yes, Stephan. It is a very, very bad line, though.

Stephan Klepp: I am very sorry. I speak a bit louder to help. Just to follow up on Transport, you sounded very positive on the internal catch-up plan. Are you ruling out that you divest the division?

Secondly, on the acquisition side of things. I think you have for a long time, not been that positive about acquisitions. What are you looking at the moment size-wise because the last acquisition was TWTG and it was a tiny one.

Roy Twite: Excellent. I think I heard you right. So, Transport, I think you were asking about the balance between the internal efforts and what we might be doing externally. And as I said earlier, Stephan, the real focus is on internal progress with a great team at the moment. Clearly, the external market with what is happening, particularly in the US, is not in great shape. And so, we will always, as we always do, as we run through our strategic review process, look at both across the business at what value we can generate over a reasonable time period versus what value we can attract externally. But right now, as I said, the focus is on internal improvement, I think, for obvious reasons. And it is a great internal improvement plan, I have to say from the team.

I think your second question is what sort of size of acquisitions do we look at? There is really no change there is what we have always said. We would look at bolt-ons up to a value of about £500 million in terms of the acquisition cost. What is really important for us is that one plus one equals a lot more than two. As I said earlier, the muscles that we have around Aftermarket generation, around things like innovation, around our commercial excellence, the broad global teams that we have that can really expand businesses. But when we really look at that, and we are quite harsh in our judgment, which is why we are only doing an acquisition every year or so. When we do that, we understand the returns on day one and that we understand the returns on at the end of year three, and they have to be above our cost of capital. And then at the end of the five-year period that we are not too dilutive to our overall IMI return on invested capital. And we really look at that, and we make sure that we can look ourselves in the faces. We are paid, in our long-term investment plan, on our all-in return on invested capital, right?

So, we are incentivised to make sure that we create shareholder value. And it is, I can tell you, top of our minds. But yes, the acquisition pipeline, as I said, Stephan, does look better than it has looked for a while, and there is a few interesting ones in there. I am sorry, I could not hear your question in detail because of the line. But hopefully, that covered what you asked.

Harry Philips (Peel Hunt): Good morning everyone. Again, sorry, two questions from myself. Again, given some of the other questions around nerdy detail, that got up my competitive streak. So, another nerdy detailed one. Just wondering around the LNG opportunity and what scale that is within the business?

Then secondly, I just missed the data centre percentage of Climate earlier on. I know you have just given us the geographic split, but I missed the original one, as I say, data percentage of total Climate at the current time, please?

Roy Twite: Data centre of Climate, 2% or 3%, Harry. That is a nice easy one.

Then in terms of LNG, LNG is around 10%. When you look at Aftermarket and New Construction combined, it is about 10% of Process Automation, Harry. And as you said, the pipeline of opportunities, the projects as we go into next year and the next few years looks very strong to us.

Harry Philips: Fantastic, thanks very much.

Roy Twite: Well, I am obviously just going to use this as a big thank you. A lot of people across IMI listen to this, and I want to thank them for an excellent - and I do not use that word often, but an excellent operational performance, excellent execution in the third quarter, an excellent recovery from cyber and everything else that has happened geopolitically this year.

And in particular, I want to thank, obviously, the Exec, Jackie, and the operations team. I think it was a really outstanding performance. We look forward to closing out the year from here. Thanks very much, everybody, for listening. Thank you.

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