

# 2021 Interim Results

Roy Twite – Chief Executive  
Daniel Shook – Finance Director

# Key messages

- 8% organic sales growth, 24% organic adjusted operating profit growth
- Adjusted operating margin improved by 170bps in first half
- Increased revenue, profits and margins across all three divisions
- Growth Hub and Sprint Teams delivering early orders and sales
- £101m delivered to shareholders via dividends and buybacks
- Interim dividend increased by 5%
- Guidance increased to adjusted EPS of 85p to 90p including buyback impact

# Business review

Daniel Shook – Finance Director

# Organic revenue and operating profit

£m

	6 months to 30 June 2021			6 months to 30 June 2020		
	Adjusted	Adjusted Growth (%)	Organic Growth (%)*	Adjusted	Foreign Exchange	Organic
<b>Revenue</b>						
IMI Precision Engineering	440	+2%	<b>+7%</b>	430	(18)	412
IMI Critical Engineering	297	+1%	<b>+5%</b>	293	(10)	283
IMI Hydronic Engineering	170	+18%	<b>+20%</b>	144	(2)	142
<b>Total</b>	<b>907</b>	<b>+5%</b>	<b>+8%</b>	<b>867</b>	<b>(30)</b>	<b>837</b>
<b>Operating Profit</b>						
IMI Precision Engineering	76.6	+5%	<b>+10%</b>	72.9	(3.4)	69.5
IMI Critical Engineering	42.9	+22%	<b>+31%</b>	35.1	(2.4)	32.7
IMI Hydronic Engineering	34.2	+39%	<b>+40%</b>	24.6	(0.2)	24.4
Corporate costs	(11.6)			(11.6)	-	(11.6)
<b>Total</b>	<b>142.1</b>	<b>+17%</b>	<b>+24%</b>	<b>121.0</b>	<b>(6.0)</b>	<b>115.0</b>
<b>Operating Profit Margin (%)</b>	<b>15.7%</b>			<b>14.0%</b>		13.7%

- Organic revenue growth of 8% due to strong end markets and early Growth Hub delivery
- Organic profit growth of 24%
- Adjusted operating margin increased to 15.7% with all divisions improving whilst investing significantly in growth

\*Organic growth after adjusting for exchange rates.

# Income statement

£m

	2021 H1	2020 H1
Adjusted operating profit	142.1	121.0
Net interest expense	(5.7)	(5.5)
Net pension finance income	0.3	0.1
<b>Adjusted profit before tax</b>	<b>136.7</b>	<b>115.6</b>
IFRS 9 adjustment	-	(2.9)
Restructuring costs	(6.6)	(9.7)
Acquired intangible amortisation	(7.3)	(9.4)
<b>Profit before tax</b>	<b>122.8</b>	<b>93.6</b>
Taxation	(38.1)	(19.6)
<b>Total profit for the period</b>	<b>84.7</b>	<b>74.0</b>

- Adjusted profit before tax up by £21m
- Net interest expense of £5.7m expected to be consistent in the second half
- Group pension position now in overall surplus of £27m
- Restructuring charge of £7m continues to deliver footprint and permanent cost efficiencies
- Acquired intangible amortisation includes charges for Bimba and PBM
- Taxation in 2021 impacted by one-off non-cash charge of £13m

# Operating cash flow

£m

	2021 H1	2020 H1
Adjusted operating profit	142	121
Depreciation, impairment & amortisation	29	31
Lease depreciation	15	15
<b>EBITDA</b>	<b>186</b>	<b>167</b>
Inventory	(34)	(46)
Debtors	(52)	3
Creditors	45	10
<b>Working capital</b>	<b>(41)</b>	<b>(33)</b>
Capital expenditure	(22)	(21)
Provisions and employee benefits	-	3
Principal elements of lease payments	(14)	(15)
Asset sales/other	2	6
<b>Adjusted operating cash flow</b>	<b>111</b>	<b>107</b>

- Good cash delivery in the first half
- Normal first half inventory build
- Debtors increase due to increased revenue, overdues and debtor days lower
- Full year capital expenditure expected to return to normal levels

# Net cash flow

£m

	2021 H1	2020 H1
<b>Adjusted Operating cash flow</b>	<b>111</b>	<b>107</b>
Adjusting items	(21)	(24)
Interest	(6)	(5)
Derivatives	26	(25)
Tax paid	(28)	(17)
Special pension contribution	(3)	(3)
<b>Free cash flow before corporate activity</b>	<b>79</b>	<b>33</b>
Dividend	(41)	-
Share buyback	(60)	-
Other	3	-
<b>Net cash flow</b>	<b>(19)</b>	<b>33</b>
Opening net debt	(316)	(438)
Net cash flow	(19)	33
Movement in lease liabilities	(6)	-
Foreign exchange	2	(15)
<b>Closing net debt</b>	<b>(339)</b>	<b>(420)</b>

- Adjusting items reflect £21m of restructuring spend, primarily in IMI Critical & IMI Precision
- Positive foreign exchange impact of £28m
- £101m delivered to shareholders via dividends and buybacks
- Net debt reduction of £81m in last 12 months

£m

	2021 H1	2020 H1
Adjusted EBITDA	<b>186</b>	167
Net debt / Adjusted EBITDA	<b>0.9x</b>	1.2x

# Restructuring summary

£m	2021 H1	2021 FY	Future years
<b>Restructuring charge</b> (including impairment losses)			
IMI Precision Engineering*	(4)	(41)	(59)
IMI Critical Engineering	(1)	(8)	(6)
IMI Hydronic Engineering	(2)	(3)	(1)
<b>Total charge</b>	<b>(7)</b>	<b>(52)</b>	<b>(66)</b>
Cash impact	(21)	(42)	(91)

£m	2021 H1	2021 FY	Future years
<b>Benefits</b>			
IMI Precision Engineering*	3	7	32
IMI Critical Engineering	7	12	6
IMI Hydronic Engineering	2	3	1
<b>Total benefits</b>	<b>12</b>	<b>22</b>	<b>39</b>

\*Details of new IMI Precision initiatives are included in the Appendix.

- Restructuring benefits of £12m delivered in the first half and £22m expected for the full year
- IMI Precision Engineering added new initiatives with costs of £48m and benefits of £25m
- Cash payback continues to be circa 2 years



# IMI Precision Engineering operational review

£m	2021 H1 Adjusted	FX	Organic	2020 H1 Adjusted
Revenue	440	(18)	28	430
Organic growth	7%			-7%
Operating profit	76.6	(3.4)	7.1	72.9
Operating margin	17.4%			17.0%

## Growth

- Sprint Teams advancing opportunities in IMI Precision's attractive end markets

## Outlook

- Based on strong first half results and current market conditions, IMI Precision Engineering 2021 organic revenues and margins are expected to be higher than in 2020

## Sales by business unit

<b>Motion Control</b>	<b>£211m</b> Up 9%
Factory Automation	£194m Up 10%
Rail	£17m Down 6%
<b>Fluid Technologies</b>	<b>£138m</b> Down 12%
Life Sciences	£48m Down 33%
Process Control	£51m Up 9%
Energy	£39m Down 1%
<b>Commercial Vehicles</b>	<b>£91m</b> Up 50%

# IMI Critical Engineering operational review

£m	2021 H1 Adjusted	FX	Organic	2020 H1 Adjusted
Revenue	297	(10)	14	293
Organic growth	5%			-4%
Operating profit	42.9	(2.4)	10.2	35.1
Operating margin	14.4%			12.0%

## Growth

- Aftermarket orders up 9% in the first half

## Outlook

- Based on the division's orderbook and current market conditions, we expect IMI Critical Engineering 2021 organic revenues and margins to be higher when compared to 2020

## Order input by sector

<b>Aftermarket</b>	<b>£186m</b>	<b>Up 9%</b>
Power	£75m	Up 25%
Refining & Petrochemical	£55m	Up 16%
Oil & Gas	£20m	Down 8%
Nuclear	£20m	Down 20%
Marine	£5m	Down 23%
Other	£11m	Up 11%
<b>New Construction</b>	<b>£145m</b>	<b>Down 2%</b>
Refining & Petrochemical	£55m	Up 51%
Oil & Gas	£32m	Down 48%
Power	£26m	Down 3%
Marine	£15m	Up 77%
Other	£17m	Up 17%

<b>Total</b>	<b>£331m</b>	<b>Up 4%</b>
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# IMI Hydronic Engineering operational review

£m	2021 H1 Adjusted	FX	Organic	2020 H1 Adjusted
Revenue	170	(2)	28	144
Organic growth	20%			-5%
Operating profit	34.2	(0.2)	9.8	24.6
Operating margin	20.1%			17.1%

Sales by sector	
IMI TA	£81m Up 15%
IMI Heimeier	£55m Up 27%
IMI Pneumatex	£28m Up 27%
Other	£6m Down 1%

## Growth

- Significant contribution from new products, including the launch of our digitally enabled TA-Smart Valve, a product of the Growth Hub process

## Outlook

- Given the excellent first half results and current market conditions, IMI Hydronic Engineering's 2021 organic revenues are expected to be strongly ahead, with margins also higher, when compared to 2020

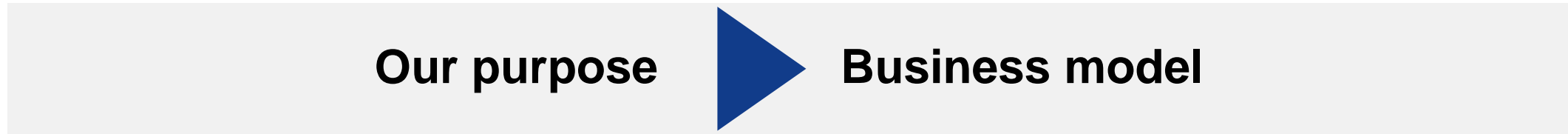
# Group outlook

- Based on the strong first half result and current market conditions we now expect 2021 full year adjusted EPS to be in the range of 85p to 90p
  - *Previous FY 2021 guidance was for adjusted EPS of 81p to 87p*
- This guidance reflects our expected average share position in 2021 of approximately 268 million shares, resulting from the ongoing share buyback

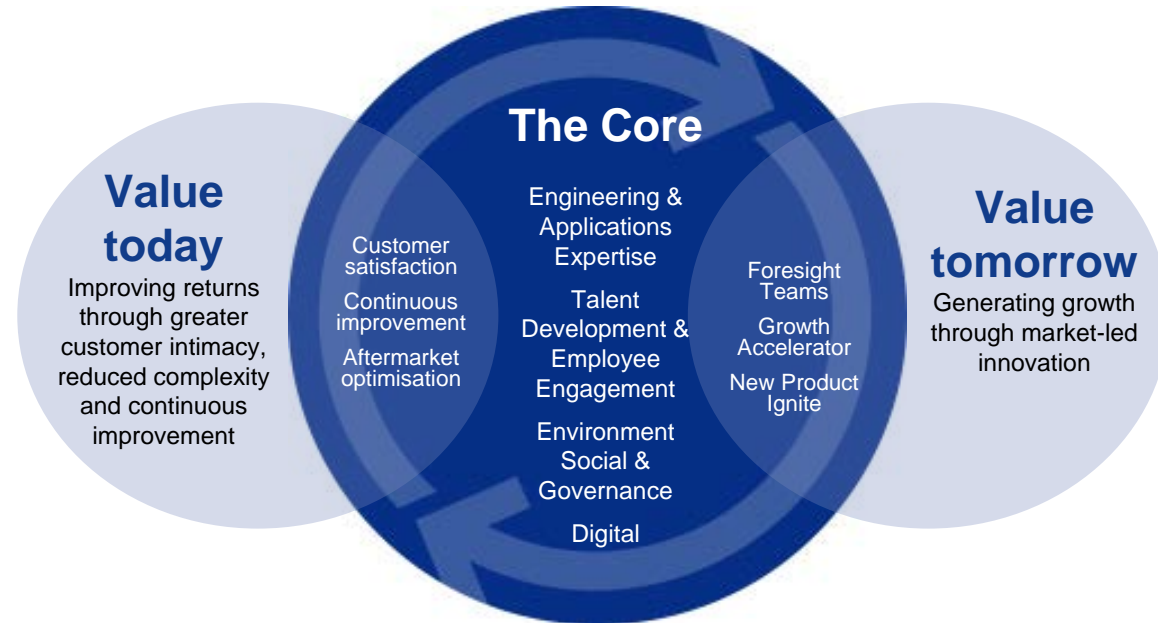
# Strategy update

Roy Twite – Chief Executive

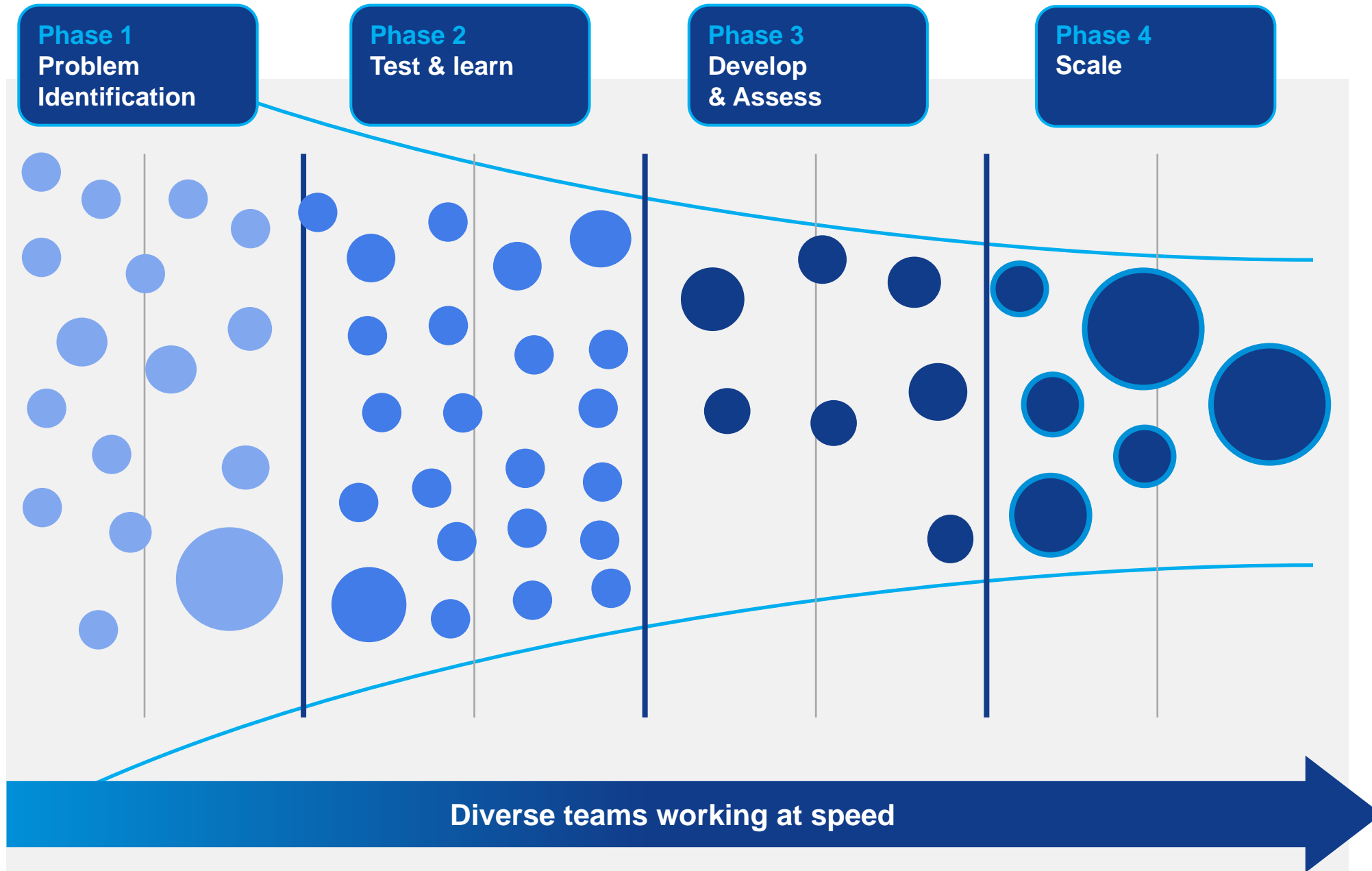
# Key enabling strategies



**Breakthrough Engineering**  
for a better world.



# IMI Growth Hub pipeline



- Growth funnel expanding
- Continued shift in focus to high growth and sustainable markets
- Expertise drawn from across the Group – and externally
- New transformational growth culture

# Increased sustainable margin targets



**20% through the cycle**



Prev. guidance:  
20% at the top of the cycle



2020:  
17.3% (+100bps)



**20%**



Prev. guidance:  
17% to 20%



2020:  
16.6% (+280bps)



**20%+**



Prev. guidance:  
20%



2020:  
18.3% (+30bps)



# IMI Critical Engineering highlights

1. Ambitious management team
2. Excellent applications expertise
3. Jewel is Aftermarket in the installed base
  - *5% Aftermarket CAGR over last 3 years, despite COVID*
  - *160k installed IMI valves, 280k competitor valves offer further growth*
4. New Construction headwinds diminishing
5. Growth opportunities include Marine, Pharma and Hydrogen
6. Growth Hub Sprint Teams increasing the pace of innovation
7. Sustained margin expansion through growth and increasing Aftermarket

# IMI Precision and IMI Hydronic highlights

1. Ambitious management team focused on customers and Purpose
2. Attractive end markets with positive growth outlook
3. Excellent applications expertise
4. Investing in growth
  - *Growth Hub gaining traction and influence*
5. Strong digital agenda underpinning growth
6. Simplification strategies to unlock structural gains
  - *New 'Customer First' programme in IMI Precision to improve service levels and margins*
  - *Manufacturing and supply chain optimisation offers continuing opportunity*

# ESG: Living our Purpose

- **‘Breakthrough Engineering for a Better World’** purpose a unifying driver
- Significant improvements to communications and engagement
  - *New internal platform delivering unprecedented collaboration*
- Focus on Inclusion & Diversity
- On track to halve carbon dioxide intensity from factories by 2030

# Key takeaways

- Strategy
  - *Solving industry problems in attractive markets, at pace*
  - *Sustainable Value Today and Value Tomorrow*
- Culture
  - *Breakthrough Engineering for a Better World*
  - *Sharpened customer focus and innovation*
- Outcome
  - *Improving returns*
  - *Sustainable, profitable growth*

# Q&A

*This document 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 statement. 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.*

# Appendices

# Foreign exchange

	HY 2021	HY 2020	Change
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## Average Rates

Euro	1.15	1.15	0%
US Dollar	1.39	1.26	10%

	Jun-21	Dec-20	Change
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## Closing Rates

Euro	1.17	1.12	4%
US Dollar	1.38	1.37	1%

## Half Over Half P&L impact

Revenue -3%

Adjusted Operating Profit -5%

## Projection for FY 2021\*

Revenue -4%

Adjusted Operating Profit -5%

## Ready Reckoner for translation impact of movement in FX rates on 2021 FY Performance

Sensitivity to +/- 1 cent move in:	Revenue	Adjusted Operating Profit
Euro	+/-£7.2m	+/-£1.2m
US Dollar	+/-£3.7m	+/-£0.7m

\*Compares the impact of projecting rates from 23 July 2021 (USD:1.37; EUR:1.17) for the full year and applying to our 2020 full year results.



# Rationalisation summary

£m	2019*	2020	2021 H1	2021 FY	Future years	Overall programme
<b>Restructuring charge</b> (including impairment losses)						
<i>IMI Precision – Previous Initiatives</i>	(20)	(8)	(3)	(34)	(18)	(80)
<i>IMI Precision – New Initiatives</i>	-	-	(1)	(7)	(41)	(48)
IMI Precision Engineering	(20)	(8)	(4)	(41)	(59)	(128)
IMI Critical Engineering	(19)	(26)	(1)	(8)	(6)	(59)
IMI Hydronic Engineering	-	(5)	(2)	(3)	(1)	(9)
<b>Total charge (excluding Corporate)</b>	<b>(39)</b>	<b>(39)</b>	<b>(7)</b>	<b>(52)</b>	<b>(66)</b>	<b>(196)</b>
Cash impact	(13)	(37)	(21)	(42)	(91)	(183)

£m	2019*	2020	2021 H1	2021 FY	Future years	Annualised
<b>Benefits</b>						
<i>IMI Precision – Previous Initiatives</i>	1	20	3	5	9	35
<i>IMI Precision – New Initiatives</i>	-	-	-	2	23	25
IMI Precision Engineering	1	20	3	7	32	60
IMI Critical Engineering	12	13	7	12	6	43
IMI Hydronic Engineering	-	-	2	3	1	4
<b>Total benefits</b>	<b>13</b>	<b>33</b>	<b>12</b>	<b>22</b>	<b>39</b>	<b>107</b>

\*2019 excludes costs and benefits from previous programmes.

# Pensions

£m	June 2021	Dec 2020
<b>Total Position:</b>		
Liabilities	(667)	(741)
Assets	694	719
<b>Surplus/(deficit)</b>	<b>27</b>	<b>(22)</b>
<b>UK Schemes:</b>		
Liabilities	(510)	(569)
Assets	613	638
<b>Surplus</b>	<b>103</b>	<b>69</b>
<b>Overseas Schemes:</b>		
Liabilities	(157)	(172)
Assets	81	81
<b>Deficit</b>	<b>(76)</b>	<b>(91)</b>

# Margin targets



## Target: 20% through the cycle

2020 margin: 17.3%

- £35m annualised benefits from footprint optimisation
  - **£14m to deliver after 2020**
- **Further £11m now identified from footprint optimisation**
- **Further £14m now identified in SG&A efficiencies**
- Beat inflation through efficiencies and value pricing
- **Growth, including high margin new products**



## Target: 20%

2020 margin: 16.6%

- £43m annualised benefits from footprint optimisation
  - **£18m to deliver after 2020**
- Margin improvement from addressing 20% to 30%
- Beat inflation through efficiencies and pricing in Aftermarket
- **Growth through Aftermarket and attractive market segment focus**



## Target: 20%+

2020 margin: 18.3%

- £3m annualised benefits from supply chain optimisation
- Beat inflation through value pricing and efficiencies
- **Growth through investment in sales pull-model and new products**