

9 November 2017

## **IMI plc Interim Management Statement**

IMI, the specialist engineering company, issues the following Interim Management Statement, which covers the third quarter from 1 July to 30 September 2017. Unless otherwise indicated, comparatives reflect results on an organic constant currency basis.

### **Current trading and outlook**

Progress with the Group's strategic initiatives continues and expectations for the year are slightly ahead of market estimates.

During the third quarter economic and market conditions have continued to be mixed. Organic revenues were 3% higher in the third quarter than the same period last year and, reflecting the benefit from foreign exchange movements, were 11% higher.

As previously indicated, organic revenues and margins in the second half are expected to improve when compared with the first half of 2017. Adjusted constant currency earnings per share for the full year are likely to be slightly ahead of the expectations outlined at the Group's 2017 interim results.

### **Strategic progress**

Despite mixed market conditions, our various initiatives to harness the Group's potential continue to progress well. We remain committed to investment in new product development to fuel growth, improving operational performance to enhance our competitiveness and investing to modernise our IT infrastructure.

The business continues to successfully implement cost-reduction activities on time and on budget that support the near term financial results, whilst also supporting our long-term strategic agenda.

### **IMI Critical Engineering**

In the nine months to September, Critical Engineering order intake was 4% higher than the previous year. In the third quarter, the expected 13% decline in orders included New Construction and Aftermarket which were 20% and 6% lower respectively, when compared with the same period last year. Parts orders were 1% higher in the period.

The value of the division's order book at the end of September 2017, at £544m, was 2% below the same point last year and includes £100m of orders won through Value Engineering, with margins now comparable to the prior year also reflecting an improved Aftermarket order book.

As expected, organic revenues were 4% lower year to date and in the three months to the end of September were 6% lower compared with the same period last year. On a reported basis revenues were 2% higher in the quarter.

As detailed in the Group's 2017 interim results, in the second half of the year, organic revenue is still expected to be weaker than the second half of last year. Full year margins are expected to show a modest improvement on 2016 – and a significant improvement on the first half of this year – due to the benefits of the division's reorganisation activities and phasing of the order backlog.

### **IMI Precision Engineering**

Precision Engineering organic revenues in the three months to the end of September were 9% higher compared to the same period last year and on a reported basis were 18% higher.

Sales in Industrial Automation were 11% higher when compared to the third quarter of 2016, with growth across all three regions. Contrary to previous market expectations of continuing decline, Commercial

Vehicle sales have been stronger in both Europe and North America. The Energy sector continued to be impacted by lower oil prices while both Life Sciences and Rail delivered growth in the quarter.

In the second half, on a constant currency basis, organic revenues and margins are expected to improve when compared with the second half of last year reflecting the benefits of ongoing cost reduction and improved market conditions.

### IMI Hydronic Engineering

Hydronic Engineering organic revenues in the three months to the end of September were 3% higher compared to the same period last year and 12% higher on a reported basis.

Underlying conditions across our key European markets remain mixed and we continue to make good progress with new product development and operational improvements. Customer and market reaction to our market-leading new products continues to be positive.

In the second half, on a constant currency basis, we expect revenue growth to show some improvement when compared to the first half of the year. Margins will be slightly lower than the second half of last year due to increased costs associated with our investments for growth.

### Exchange rates

As detailed in the Group's 2017 interim results, IMI's financial results are being favourably impacted by the effects of exchange rate movements compared to 2016, and in particular by the weakening of Sterling against the US Dollar and the Euro. At current rates, this would translate to an exchange rate tailwind for the full year of around 6% on both revenues and profits.

### Preliminary results

IMI will issue its preliminary results announcement in respect of the year ending 31 December 2017 on 2 March 2018.

*A conference call for analysts and investors will be held at 08:30 GMT today to discuss this statement. To access the call, please dial: +44 (0)1452 555 566, Toll Free (UK) 0800 694 0257– Conference call id: 2386128.*

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### Cautionary Statement:

This Interim Management Statement contains forward-looking statements which are made in good faith based on the information available at the time of its approval. 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.

### Notes to editors

#### IMI plc

IMI plc, the specialist engineering company, designs, manufactures and services highly engineered products that control the precise movement of fluids. IMI has manufacturing facilities in more than 20 countries and operates a global service network. The Company is listed on the London Stock Exchange. Further information is available at [www.imiplc.com](http://www.imiplc.com).