

28 October 2020

IMI plc (“IMI” or “the Group”) Interim Management Statement

This announcement contains inside information in relation to IMI plc.

IMI, the specialist engineering company, issues the following Interim Management Statement, covering the third quarter from 1 July to 30 September 2020. Unless otherwise indicated, comparatives reflect results on an organic constant currency basis. References to adjusted results include the impact of foreign exchange and M&A.

Current trading and outlook

Our highest priority remains the protection of our people, our communities and our customers. Thanks to the dedication, courage and continuing diligence of our employees, the direct impact of Coronavirus on the business has continued to be contained. We will maintain our vigilance and strict operating protocols for as long as necessary to ensure we minimise this ongoing risk.

Our customers also continue to receive our closest attention. IMI’s quick and effective action to solve industry problems has resulted in strengthened customer relationships and uncovered new business opportunities.

Our strategic market-led innovation programme continues to gain traction across all divisions, with initial orders won on a number of the early Growth Accelerator projects.

Good progress is being made with the Group’s strategic restructuring initiatives to deliver a fundamentally less complex business which is fit for growth. We remain on-track to deliver the targeted 2020 structural savings of £30m. Additional benefits from our short-term cost saving actions will also support IMI’s 2020 performance by approximately £30m, as we have previously flagged.

Overall trading in the third quarter has been somewhat better than previous expectations. Revenues for the third quarter were, on an organic basis, 1% lower compared to 2019 and, when including the impact of foreign exchange movements and acquisitions, flat on an adjusted basis. The results were supported by additional surge sales within our ventilator business of £40m in the third quarter. We now estimate the full year effect of this ventilator demand surge will be a one-off revenue benefit of £85m, versus the expectation of £70m reported in our July half-year results.

Based on current market conditions, the resilient trading of the third quarter, and no significant escalation of Coronavirus-related disruption, we now expect full year 2020 adjusted EPS of 74p to 78p.

IMI Precision Engineering

On an organic basis, IMI Precision revenues in the three months to the end of September were 3% higher when compared to the same period last year supported by the ventilator surge sales. When including the impact of foreign exchange movements, the division was 2% higher on an adjusted basis.

Sales in Motion Control were 14% lower when compared to the third quarter of 2019, improving slightly from 16% down in the second quarter. Sales in Commercial Vehicle were 24% lower, recovering sharply from 50% down in the second quarter. Life Sciences revenue was 166% higher, supported by £40 million of additional surge sales within our ventilator business.

Based on stronger than expected third quarter trading and higher one-off ventilator sales, and assuming no significant escalation of Coronavirus-related market disruption, organic revenue in the full year is now expected to be about 5% lower when compared to last year, with margins improved versus last year.

IMI Critical Engineering

In the three months to the end of September, organic order intake was 23% lower when compared to the third quarter of 2019, with Oil & Gas and Power continuing to reflect weak activity. Aftermarket orders were 4% lower than the comparable period in 2019.

The division's order book at the end of September 2020, at £523m, was 3% lower than the same point last year. The business now has 98% orderbook coverage of its sales forecast for the remainder of the year.

In the three months to the end of September, organic revenues were 4% lower when compared to the same period last year, with a 5% reduction in Aftermarket and a 2% fall in New Construction sales. On an adjusted basis, revenues were 1% higher, when compared to the same period last year, reflecting both the impact of foreign exchange movements and the acquisition of PBM in September 2019.

In the full year, based on no significant escalation of Coronavirus-related disruption, we now expect organic revenue to be about 5% lower, when compared with 2019. We now expect margins for the full year to be improved versus 2019, supported by improved operational efficiencies.

IMI Hydronic Engineering

IMI Hydronic organic revenues in the three months to the end of September were 4% lower when compared to the same period last year and 5% lower on an adjusted basis, when including the impact of foreign exchange movements.

Further good progress has been made towards our objective of structurally improved margins, with our reorganisation projects aimed at simplifying both our manufacturing and distribution infrastructure, and improving customer service. These are advancing well.

Based on no significant escalation of Coronavirus-related disruption, we now expect revenues to be about 5% lower and margins to be held broadly flat when compared with the full year 2019.

Exchange rates

Although foreign exchange rates have been volatile during 2020, current expectations are for currency to have a limited impact on IMI's revenue and profits in 2020, when compared to 2019.

Audit tender

An audit tender process was initiated by the Board in October, which will result in a decision on the auditor to be proposed for appointment at next year's AGM in May 2021.

Preliminary results

IMI will issue its preliminary results announcement in respect of the six months ending 31 December 2020 on 26 February 2021.

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A conference call for analysts and investors will be held at 08:00 GMT today to discuss this statement. To access the call, please register using the link: <http://emea.directeventreg.com/registration/3590729>

Notes to editors

IMI plc, the specialist engineering company, designs, manufactures and services highly engineered products that control the precise movement of fluids. Its innovative technologies, built around valves and actuators, enable vital processes to operate safely, cleanly, efficiently and cost effectively. IMI employs around 11,000 people, 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.

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 John O'Shea, Company Secretary and Group Legal Director.