

2020 Preliminary Results

Roy Twite – Chief Executive
Daniel Shook – Finance Director

Key Messages

- Adjusted profit before tax improved 9%, margins improved in all 3 divisions
- Customer-focused organisation responding well to market changes
- Reducing complexity: £33m restructuring benefits delivered
- Investing in future growth through the sprint teams
- Assuming no worsening of the current Coronavirus impact, we expect 2021 adjusted EPS to be 75p to 82p

Business review

Daniel Shook – Finance Director

Organic revenue and operating profit

£m	12 months to 31 December 2020			12 months to 31 December 2019		
	Adjusted	Adjusted Growth (%)	Organic Growth (%)*	Adjusted	Foreign Exchange	Organic
Revenue						
IMI Precision Engineering	877	-3%	-3%	907	(1)	906
IMI Critical Engineering	643	-1%	-4%	651	(1)	650
IMI Hydronic Engineering	305	-3%	-4%	315	2	317
Total	1,825	-3%	-4%	1,873	-	1,873
Operating Profit						
IMI Precision Engineering	151.4	2%	2%	148.0	0.3	148.3
IMI Critical Engineering	106.5	18%	14%	90.1	-	90.1
IMI Hydronic Engineering	55.7	-2%	-5%	56.7	2.0	58.7
Corporate costs	(28.9)			(28.7)	-	(28.7)
Total	284.7	7%	5%	266.1	2.3	268.4
Operating Profit Margin (%)	15.6%			14.2%		14.3%

* Organic growth after adjusting for exchange rates and excluding the first 9 months of PBM results in 2020 (Revenue: £19m; Operating Profit £3.7m), where PBM was not owned in the prior year.

Income statement

£m

	2020	2019
Adjusted operating profit	284.7	266.1
Net interest expense	(11.0)	(14.9)
Net pension finance income/(expense)	0.2	(0.5)
Adjusted profit before tax	273.9	250.7
IFRS 9 adjustment	(3.2)	4.4
Restructuring costs	(36.1)	(51.8)
Impairment losses	(1.6)	(1.5)
Gain on special pension events	-	8.6
Acquired intangible amortisation/other	(18.7)	(21.1)
Discontinued operations	-	2.8
Profit before tax	214.3	192.1
Taxation	(44.1)	(36.0)
Total profit for the period	170.2	156.1

- Net interest expense lower due to the repayment of US\$100m loan notes in the second half of 2019 and one-off £0.5m benefit of interest on tax refunds
- Restructuring costs (including impairment losses) of £38m continue to deliver cost efficiencies
- Acquired intangible amortisation/other decreases following first year one off PBM charges

Rationalisation plans

£m	2019*	2020	2021	Future years	Overall programme
Restructuring charge (including impairment losses)					
IMI Precision Engineering	(20)	(8)	(47)	(5)	(80)
IMI Critical Engineering	(19)	(26)	(11)	(3)	(59)
IMI Hydronic Engineering	-	(5)	(1)	-	(6)
Total charge (excluding Corporate)	(39)	(39)	(59)	(8)	(145)
Cash impact	(13)	(37)	(55)	(30)	(135)

£m	2019*	2020	2021	Future years	Annualised
Benefits					
IMI Precision Engineering	1	20	5	9	35
IMI Critical Engineering	12	13	7	11	43
IMI Hydronic Engineering	-	-	3	-	3
Total benefits	13	33	15	20	81

*2019 excludes costs and benefits from previous programmes.

Operating cash flow

£m

	2020	2019
Adjusted operating profit	285	266
Depreciation & amortisation	65	59
Lease depreciation	30	32
EBITDA (from continuing operations)	380	357
Inventory	(9)	(15)
Debtors	18	45
Creditors	6	(17)
Working capital	15	13
Capital expenditure	(51)	(66)
Provisions and employee benefits	9	7
Principal elements of lease payments	(29)	(31)
Asset sales/other	11	19
Adjusting operating cash flow	335	299

- Strong cash delivered in 2020
- Debtor reduction reflects continued focus on improving cash collection
- Capital expenditure of £51m represents 0.8x of depreciation and amortisation
- Inventory growth to protect supply chains and maintain customer service

Net cash flow

£m

	2020	2019
Adjusting Operating cash flow	335	299
Adjusting items	(37)	(26)
Interest	(11)	(15)
Derivatives	(23)	16
Tax paid	(41)	(40)
Acquisitions	-	(69)
Dividend	(92)	(111)
Special pension contributions/other	(15)	(11)
Net cash flow	116	43
Opening net debt	(438)	(405)
Net cash flow	116	43
Movement in lease liabilities	2	(90)
Foreign exchange/other	4	14
Closing net debt	(316)	(438)

- Adjusting items reflect £37m of restructuring spend
- Adverse currency impact on net debt of £19m
- Dividend outflow lower due to mid-year reset
- Net debt / Adjusted EBITDA reduced to 0.8x

£m

	2020	2019
Adjusted EBITDA	380	357
Net debt / Adjusted EBITDA	0.8x	1.2x

IMI Precision Engineering operational review

£m	2020 Adjusted	FX	Organic	2019 Adjusted
Adjusted Revenue	877	(1)	(29)	907
Organic Growth	-3%			-3%
Operating Profit	151.4	0.3	3.1	148.0
Operating Margin	17.3%			16.3%

Outlook

- The revenue gap from ventilators is expected to be largely offset by growth within the Motion Control and Commercial Vehicle businesses, leading to a slightly lower revenue in 2021.
- Profits and margins are expected to be flat to slightly down as rationalisation benefits will be offset by the reversal of 2020 temporary savings and the mix effect from reduced Life Sciences sales.

Sales by business unit*

Motion Control	£398m Down 11%
Factory Automation	£361m Down 11%
Rail	£37m Down 13%
Fluid Technologies	£339m Up 24%
Life Sciences	£171m Up 93%
Process Control	£86m Down 12%
Energy	£82m Down 5%
Commercial Vehicle	£140m Down 25%

* The sales segmentation has been reclassified compared to 2019, a bridge of 2019 sales is included in the appendices.

IMI Critical Engineering operational review

£m	2020 Adjusted	Acq'n	FX	Organic	2019 Adjusted
Adjusted Revenue	643	19	(1)	(26)	651
Organic Growth*	-4%				-6%
Operating Profit	106.5	3.7	-	12.7	90.1
Operating Margin	16.6%				13.8%

Outlook

- We expect to achieve broadly flat revenue and profits during 2021, when compared to 2020.

* Organic growth excludes the impact of the first 9 months of PBM results in 2020 (Revenue: £19m; Operating Profit £3.7m), where PBM was not owned in the prior year.

** Order input figures include results of PBM, growth percentages are on an organic basis. The order segmentation has been reclassified compared to 2019, a bridge of 2019 orders is included in the appendices.

Order input by sector**

Oil & Gas £134m Up 9%

New Construction £89m Up 25%
Aftermarket £45m Down 13%

Refining & Petrochemical £177m Down 20%

New Construction £87m Down 29%
Aftermarket £90m Down 10%

Power £190m Up 5%

New Construction £57m Up 24%
Aftermarket £133m Down 1%

Marine £33m Down 51%

Nuclear £78m Up 38%

New Construction £6m Up 1,256%
Aftermarket £72m Up 28%

Other £47m Down 43%

Total £659m
Down 8%

IMI Hydronic Engineering operational review

£m	2020 Adjusted	FX	Organic	2019 Adjusted
Adjusted Revenue	305	2	(12)	315
Organic Growth	-4%			3%
Operating Profit	55.7	2.0	(3.0)	56.7
Operating Margin	18.3%			18.0%

Sales by sector

IMI TA	£146m Down 4%
IMI Heimeier	£95m Down 2%
IMI Pneumatex	£51m Down 1%
Other	£13m Down 13%

Outlook

- We expect some organic revenue growth in the year.
- Profit initiatives are expected to deliver margins slightly higher than 2020.

Group outlook

- Assuming no worsening of the current Coronavirus impact, we expect 2021 adjusted EPS to be 75p to 82p
 - *Including currency headwind of 3% on sales and profits*

Strategy update

Roy Twite – Chief Executive

Business model evolution

- **Clear purpose, values and vision**
 - *Placing customers at the heart of all we do*
 - *Focused on solving industry problems*
 - *to create differentiation and enable faster growth*

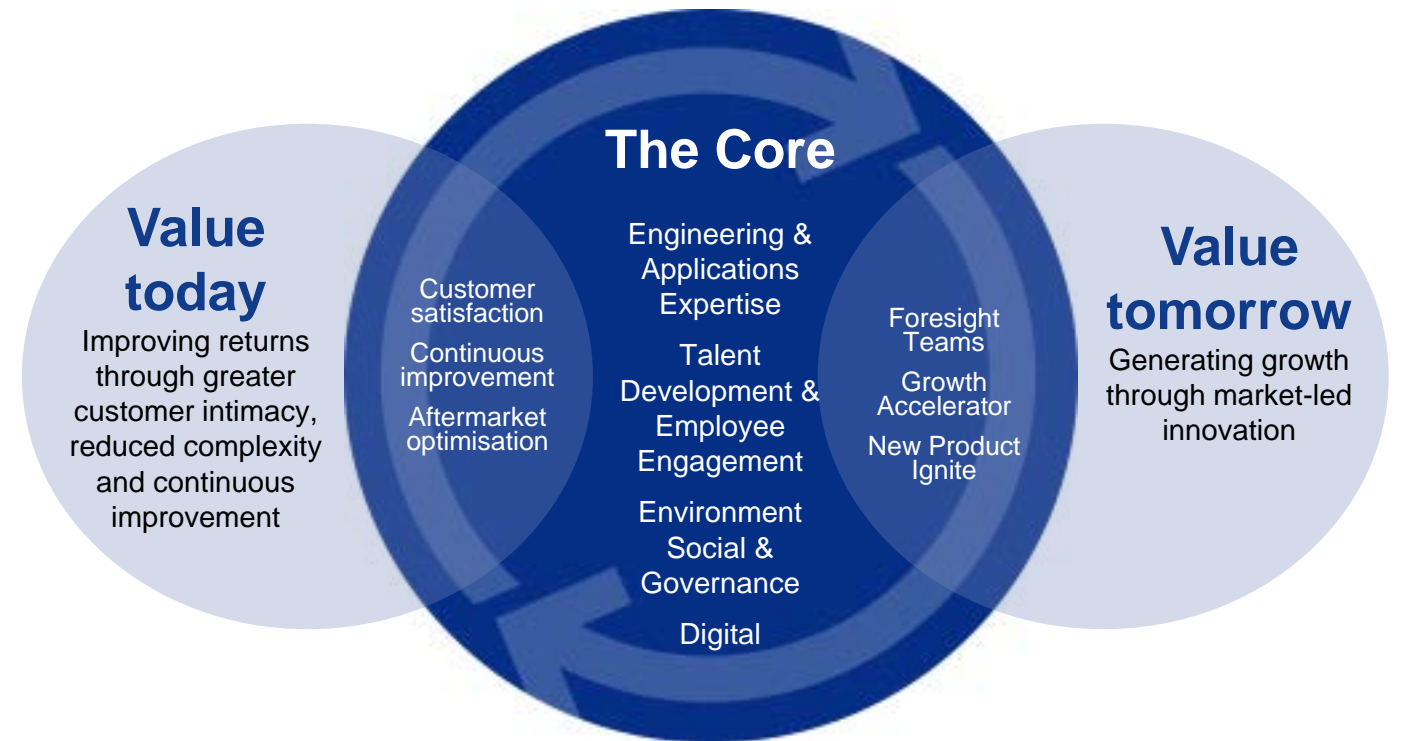
- **A common core foundation**
 - *Customer focus*
 - *Engineering and applications expertise*
 - *Employee engagement*

- **Delivering value today, creating value tomorrow**

Our purpose
Breakthrough Engineering for a better world



Our vision
IMI will create tremendous value by solving key industry problems in attractive markets and working with the best



Our values

- Customer intimacy
- One big team
- Playing to win
- Integrity

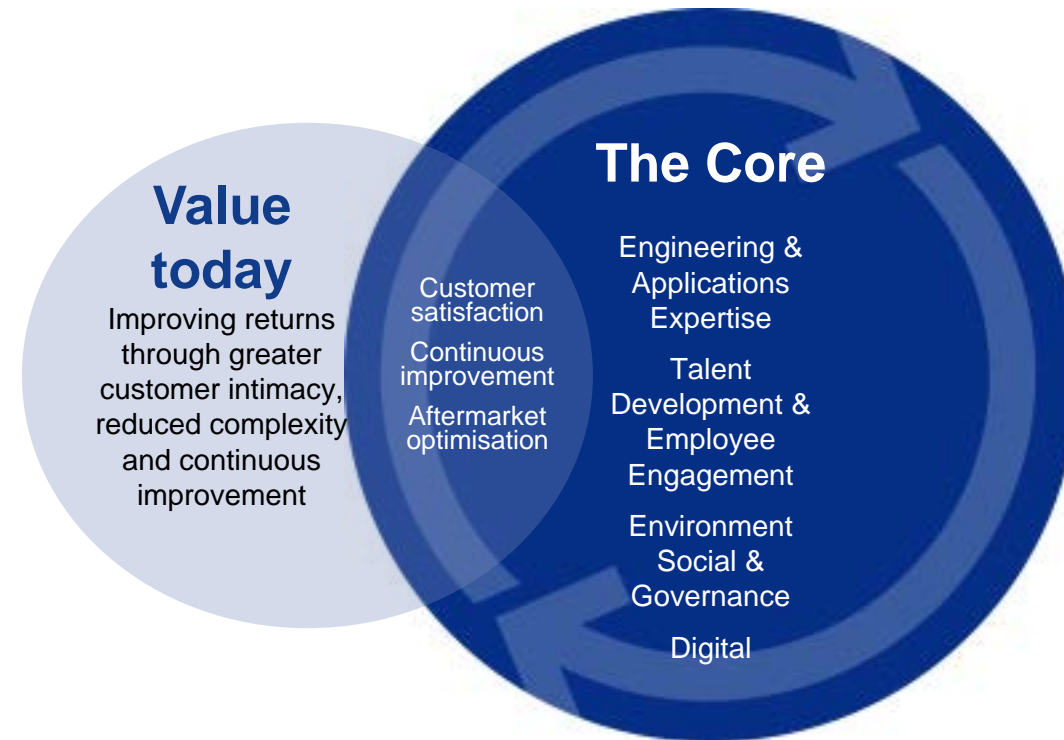
Delivering value today

- **IMI Precision**
 - *Friends in Adversity campaign to broaden relationships and opportunities*
 - *Group-wide effort to ramp ventilator valve production by x10, saving lives*
- **IMI Critical**
 - *Simplified New Construction product range*
 - *Extended digital configurators to drive speed and accuracy*
 - *Further shift to best cost country manufacturing*
- **IMI Hydronic**
 - *Distribution and operations reorganisation to significantly cut complexity*
 - *Extended customer digital interaction, enhancing loyalty and supporting growth*

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Creating value tomorrow

- **IMI Precision**
 - *Patented technology to provide a much more efficient machining fixture solution*

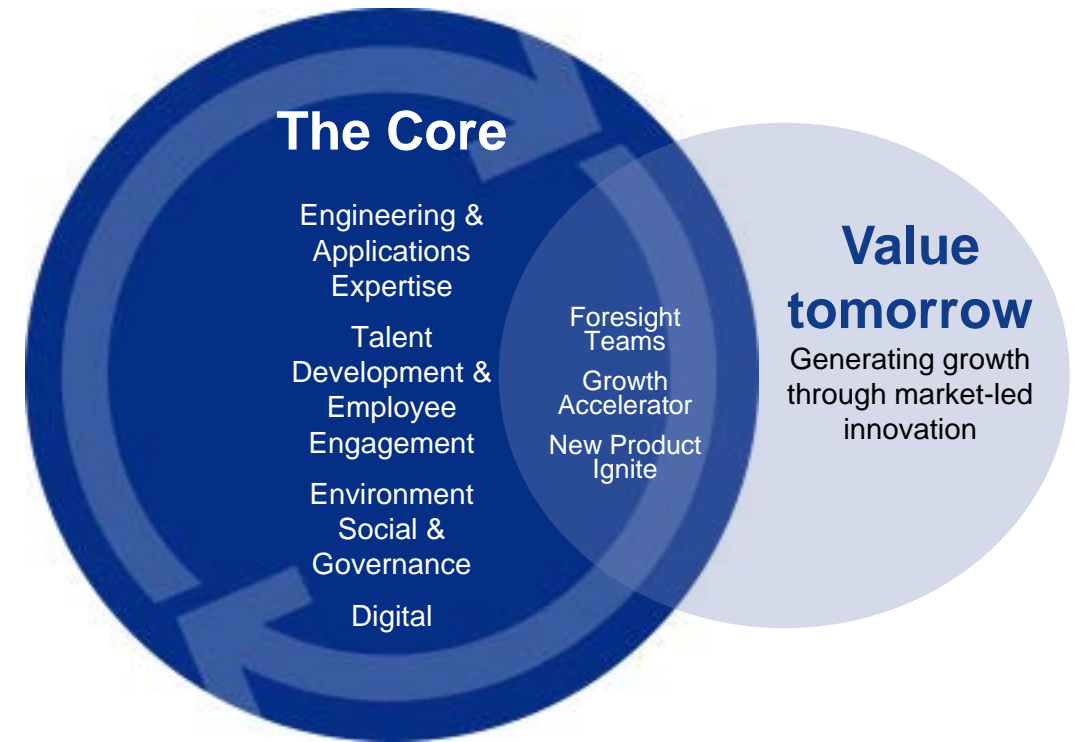
- **IMI Critical**
 - *Initial Growth Accelerator delivered £6m bookings in 2020, targeting £20m in 2021*

- **IMI Hydronic**
 - *A core valve solution, now with significant digital intelligence, offers considerable growth*

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Towards divisional margin targets



Target: 20% top of cycle

2020: 17.3% (+100bps)

- £35m annualised benefits from footprint optimisation (£14m still to deliver).
- Beat inflation through productivity, material cost reduction and value pricing.
- Growth, including high margin new products.



Target: 17% to 20%

2020: 16.6% (+280bps)

- £43m annualised benefits from footprint optimisation (£18m still to deliver).
- Margin improvement from addressing 20% to 30%.
- Beat inflation through Value Engineering, material cost reduction, productivity and pricing in Aftermarket.
- Growth through Aftermarket focus and expansion into more attractive segments.



Target: 20%

2020: 18.3% (+30bps)

- £3m annualised benefits from supply chain optimisation.
- Beat inflation through value pricing, productivity and Value Engineering.
- Growth through investment in pull-model, cross-selling and new products.

Environment, Social & Governance

- Accidents reduced by 9%
- Employee satisfaction score of 85% for “looking after our people during the pandemic”
- 35 graduates recruited, 10 countries, 56% women
- “AA” ESG rated by MSCI
- Commitment to halve carbon dioxide intensity from factories by 2030 (against 2019 Scope 1 and Scope 2 emissions)

Summary

- Crisis being managed effectively, underlying business improving
 - *Increasing focus on employee engagement and customer satisfaction*
 - *Adjusted profit before tax up 9% on 2019, margins improved in all three divisions*

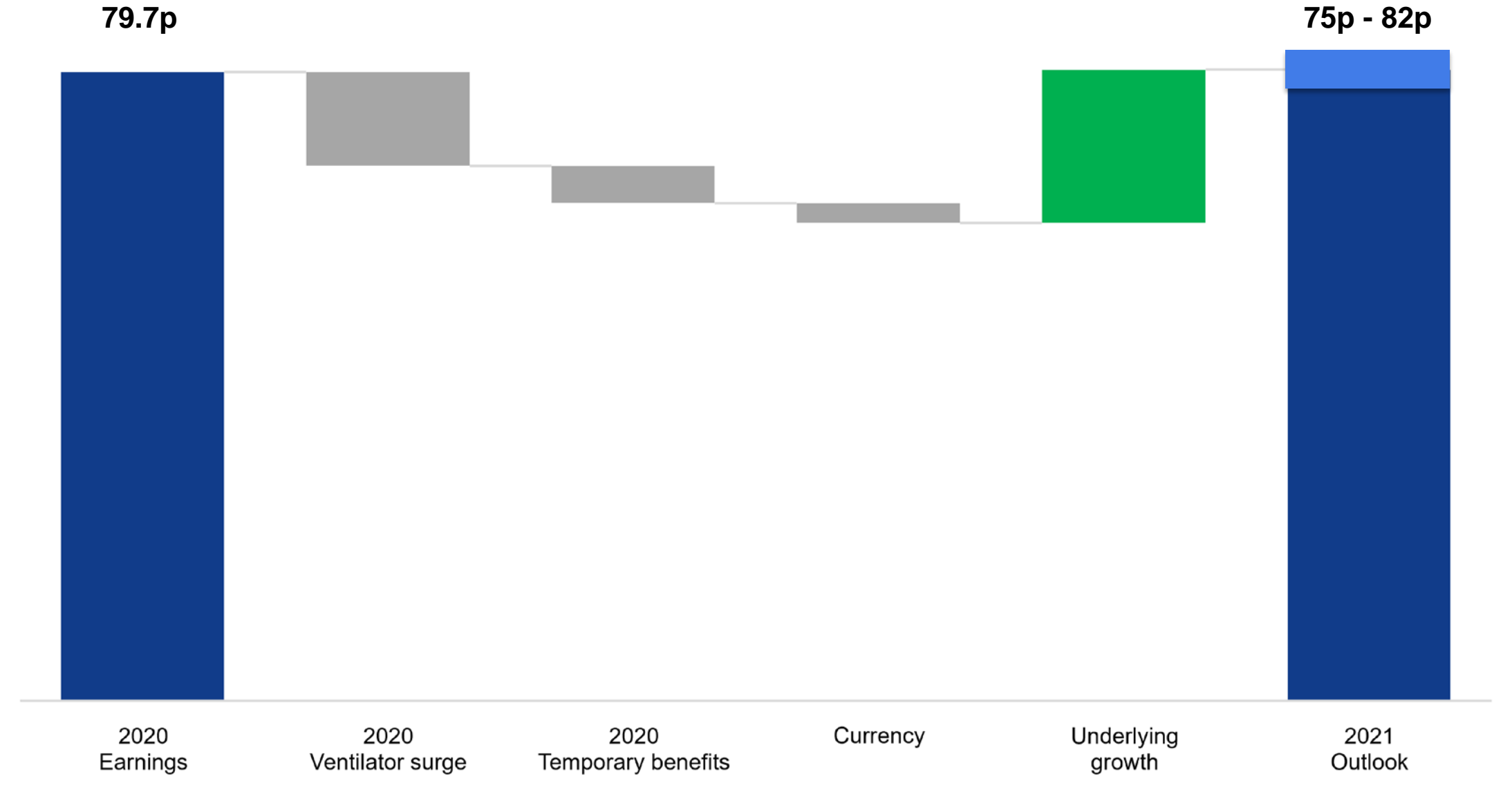
- Increased investment in creating growth
 - *£6m orders from Growth Accelerator in IMI Critical Engineering*
 - *Over 20 foresight and sprint teams now running across IMI*

- Further strategic progress in 2021
 - *Continue complexity reduction*
 - *Enhance customer satisfaction*
 - *Accelerate market-led innovation*

Q&A

Appendices

2021 Indicative Earnings Waterfall



Foreign exchange

	2020	2019	Change
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Average Rates

Euro	1.13	1.14	-1%
US Dollar	1.28	1.28	0%

	Dec-20	Dec-19	Change
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Closing Rates

Euro	1.12	1.18	-5%
US Dollar	1.37	1.32	4%

Year Over Year impact

Revenue	0%
Operating Profit	1%

Projection for FY 2021*

Revenue	-3%
Operating Profit	-3%

Ready Reckoner for translation impact of movement in FX rates on 2020 FY Performance

Sensitivity to +/- 1 cent move in:

	Revenue	Operating Profit
Euro	+/-£6.3m	+/-£0.7m
US Dollar	+/-£3.6m	+/-£0.6m

*Compares the impact of projecting rates exchange rates as at 12 February 2021 (USD:1.39; EUR:1.14) for the full year and applying to our 2020 results.

Pensions

£m	Dec 2020	Dec 2019
Total Position:		
Liabilities	(741)	(655)
Assets	719	624
Deficit	(22)	(31)
UK Schemes:		
Liabilities	(569)	(500)
Assets	638	548
Surplus	69	48
Overseas Schemes:		
Liabilities	(172)	(155)
Assets	81	76
Deficit	(91)	(79)

- UK scheme remains in surplus following de-risking exercises
- Proactive management of overseas schemes, though slightly higher deficit due to lower discount rates

2019 sales & orders reclassifications

IMI Precision Sales Reclassification

£m	New Segmentation:	2019 Total	Motion Control	Factory Automation	Rail	Fluid Technologies	Life Sciences	Process Control	Energy	Commercial Vehicle
Old Segmentation:										
Industrial Automation		509	398	398		111	7	98	6	
Commercial Vehicle		194	8	8						186
Energy		81				81			81	
Life Sciences		81				81	81			
Rail		42	42		42					
2019 Total		907	448	406	42	273	88	98	87	186

IMI Critical Orders Reclassification

£m	New Segmentation:	2019 Total	Oil & Gas	Refining & Petrochemical	Power	Marine	Nuclear	Other
Old Segmentation:								
Aftermarket		364	52	100	135	12	56	9
Oil & Gas		123	71	52				
Power		47			47			
Petrochemical		70		70				
Marine		54				54		
Other		39						39
2019 Total		697	123	222	182	66	56	48

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.