

Materials advancement
for a sustainable future

2022 Half-year results presentation

29 July 2022

Agenda

- Introduction and summary – Pete Raby
- 2022 Interim results – Richard Armitage
- Operational and strategic update – Pete Raby

Key highlights

- The safety of our people remains our priority and we maintain controls in the parts of our business that continue to be impacted by COVID-19 to keep our employees safe
- Organic constant-currency revenue growth of 11.2% with 15%¹ from our faster growing markets and 11% from our core markets
- Adjusted operating profit margin was 13.7%, up by 90 bps, reflecting the drop through on organic growth and the benefits from our restructuring programme
- Pricing and continuous improvement efficiencies continue to more than offset inflation
- Strong sales and profit growth drives a material improvement in ROIC to 22.2%, up 680 bps on 1H 2021
- Adjusted earnings per share of 15.9p, up 25.2% on the previous year
- Positive cash generated from continuing operations at £45.2m, free cash flow of £(1.0)m with net debt/EBITDA (excluding lease liabilities) of 0.5x
- Scope 1 and 2 CO₂e emissions reduced by 11% compared with 1H 2021

¹ Organic constant-currency growth is presented excluding one-off benefits from solar projects.

2022 Interim results

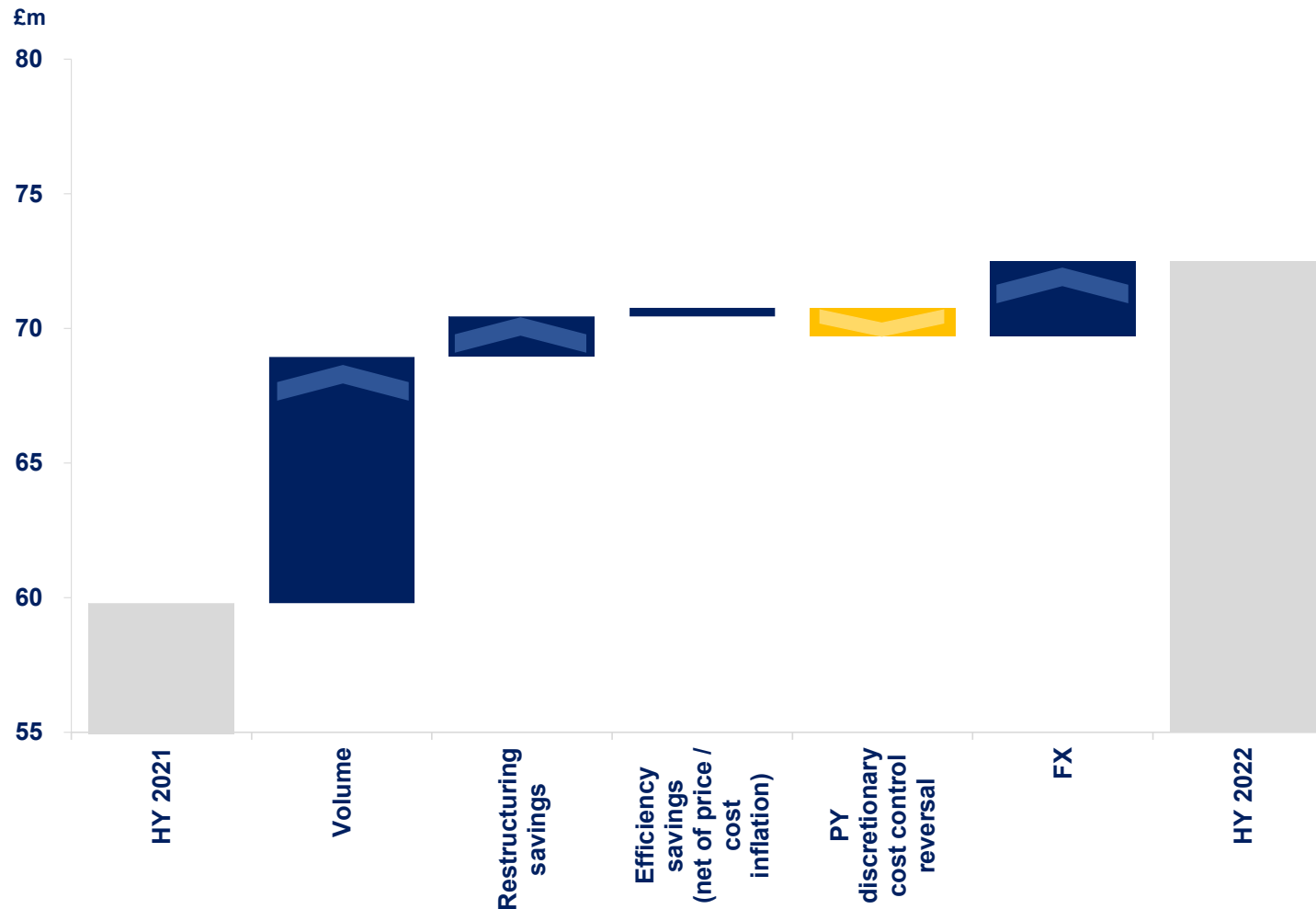
Richard Armitage

Group performance

£m	1H 2022	1H 2021	% change from 1H 2021	
			As reported	At organic constant-currency
Revenue	530.2	461.2	15.0%	11.2%
Group adjusted operating profit ¹	72.5	59.1	22.7%	16.6%
<i>Group adjusted operating profit margin %¹</i>	<i>13.7%</i>	<i>12.8%</i>		
<i>ROIC %</i>	<i>22.2%</i>	<i>15.4%</i>		
Cash generated from continuing operations	45.2	63.1		
Free cash flow before acquisitions, disposals and dividends	(1.0)	36.5		
Adjusted earnings per share	15.9p	12.7p	25.2%	
Interim dividend per share	5.3p	3.2p	65.6%	

¹ Group adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Group adjusted operating profit bridge



- Strong revenue growth drops through to support margin expansion
- Delivery of the restructuring programme benefits as planned
- Pricing and continuous improvement efficiency actions continue to offset cost inflation
- Reversal of prior year discretionary cost control measures
- Tailwind from foreign exchange translations

Cash flow summary

£m	1H 2022	1H 2021
EBITDA	90.8	77.5
Change in working capital	(38.7)	(7.4)
Change in provisions and other	(6.9)	(7.0)
Cash generated from continuing operations	45.2	63.1
Net capital expenditure	(22.5)	(8.6)
Net interest on cash and borrowings	(2.7)	(2.5)
Tax paid	(15.3)	(9.9)
Lease payments and interest	(5.7)	(5.6)
Free cash flow before acquisitions, disposals and dividends	(1.0)	36.5
Dividends paid to external plc shareholders	(16.5)	(10.0)
Net cash flows from other investing and financing activities	(2.6)	7.5
Exchange movement and other non-cash movements	(9.5)	1.8
Opening net debt excluding lease liabilities	(46.7)	(101.0)
Closing net debt excluding lease liabilities	(76.3)	(65.2)
Closing lease liabilities	(52.2)	(51.4)
Closing net debt	(128.5)	(116.6)

- Working capital outflow including increased inventory of £18.8m driven by business growth and supply chain management
- Free cash outflow of £1.0m including increased capex of £13.9m
- Net debt (excluding lease liabilities) of £76.3m
- Net debt to EBITDA (excluding leasing) 0.5x (FY 2021: 0.3x).
- Lease liabilities of £52.2 million.

FY22 financial framework

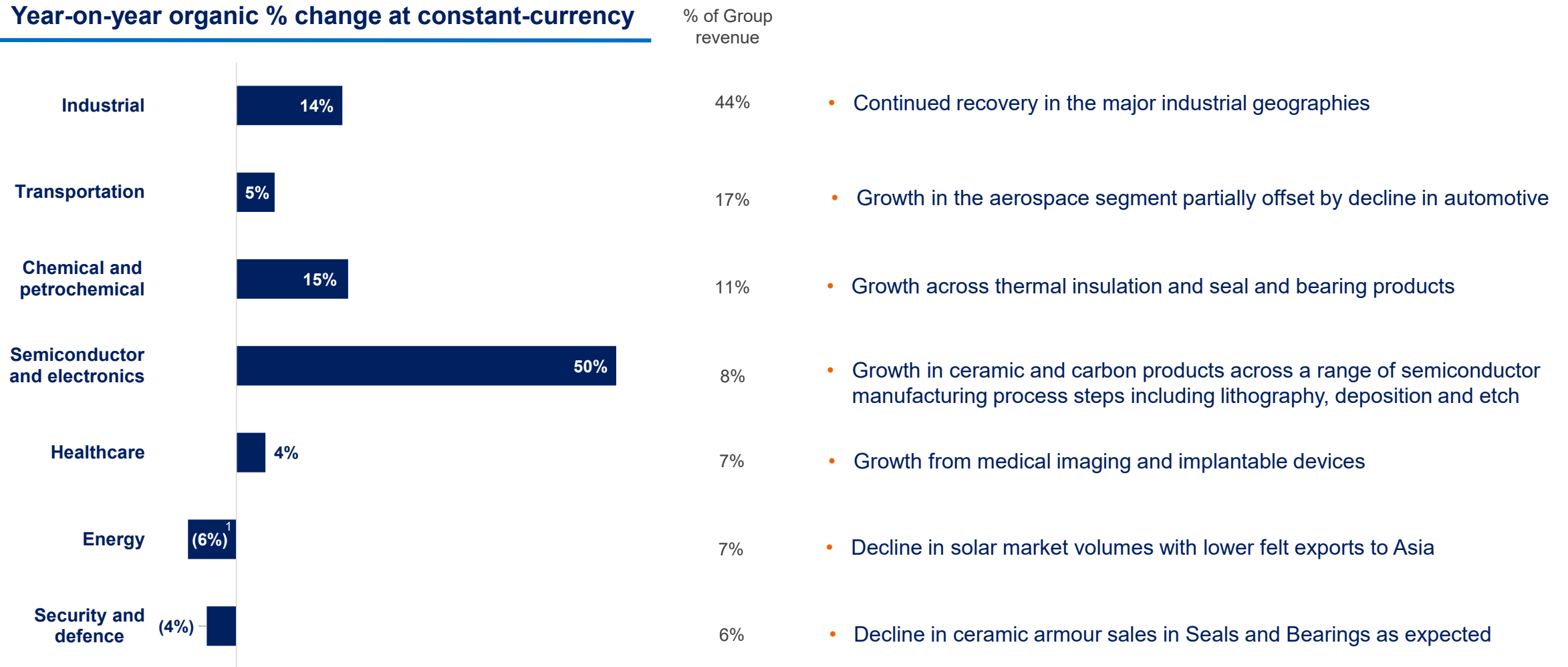
Effective tax rate	26-28%
Net finance charge: Interest charge (c. £6.5m) IAS 19 pensions net interest charge (c. £1.2m) IFRS 16 lease interest (c. £2.3m)	c. £10m
Defined benefit pension scheme contributions	c. £20.4m
Foreign currency impacts	<i>see slide 30</i>
Capital expenditure	c. £55m

Operational and strategic update

Pete Raby

Broad based growth across major market segments

Year-on-year organic % change at constant-currency



¹ Organic constant-currency growth is presented excluding one-off benefits from solar projects.

Thermal Ceramics performance summary

£m	1H 2022	1H 2021	% change from 1H 2021	
			As reported	At organic constant-currency
Revenue	200.5	174.7	14.8%	11.1%
Adjusted operating profit ¹	22.7	21.2	7.1%	1.3%
<i>Margin %</i>	<i>11.3%</i>	<i>12.1%</i>		

Performance commentary

- Strong growth with continued recovery in industrial markets and growth in energy
- Margin decline due to price plus continuous operational improvement only recovering inflation

¹ Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Molten Metal Systems performance summary

£m	1H 2022	1H 2021	% change from 1H 2021	
			As reported	At organic constant-currency
Revenue	28.1	22.8	23.2%	20.6%
Adjusted operating profit ¹	4.2	2.5	68.0%	61.5%
<i>Margin %</i>	<i>14.9%</i>	<i>11.0%</i>		

Performance commentary

- Revenue growth from strong demand in the aluminium segment
- Margin improvement from volume leverage and efficiency measures

¹ Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Electrical Carbon performance summary

£m	1H 2022	1H 2021	% change from 1H 2021	
			As reported	At organic constant-currency
Revenue	91.3	82.3	10.9%	8.4%
Adjusted operating profit ¹	18.9	15.6	21.2%	19.6%
<i>Margin %</i>	<i>20.7%</i>	<i>19.0%</i>		

Performance commentary

- Strong growth in the semiconductor and wind market segments
- Margin expansion from volume and strong operational efficiencies

¹ Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Seals and Bearings performance summary

£m	1H 2022	1H 2021	% change from 1H 2021	
			As reported	At organic constant-currency
Revenue	71.8	64.3	11.7%	7.8%
Adjusted operating profit ¹	10.9	10.7	1.9%	(5.2%)
<i>Margin %</i>	<i>15.2%</i>	<i>16.6%</i>		

Performance commentary

- Growth in the petrochemical and aerospace market segments, armour slightly down year on year (£12m vs. £13m PY)
- Margin decline from adverse ceramic armour mix

¹ Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Technical Ceramics performance summary

£m	1H 2022	1H 2021	% change from 1H 2021	
			As reported	At organic constant-currency
Revenue	138.5	117.1	18.3%	13.3%
Adjusted operating profit ¹	18.8	12.1	55.4%	45.7%
<i>Margin %</i>	<i>13.6%</i>	<i>10.3%</i>		

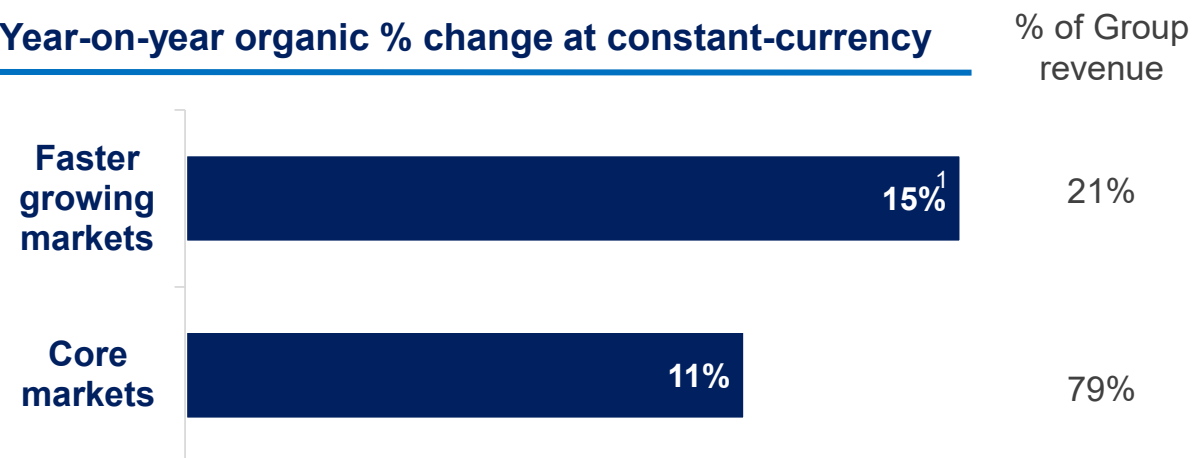
Performance commentary

- Growth in the industrial, semiconductor, healthcare and aerospace market segments
- Margin improvement from volume leverage and restructuring programme benefits

¹ Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Strong growth in our faster growing segments

Year-on-year organic % change at constant-currency



- We are investing in business, and new product, development and new capacity in our four faster growing segments
- These investments are enabling us to win share and accelerate our growth

¹ Organic constant-currency growth is presented excluding one-off benefits from solar projects.

Environment, Social and Governance (ESG)

Our purpose is to use advanced materials to make the world more sustainable and to improve the quality of life.

Our aspiration

Our 2030 goals²

PROTECT THE ENVIRONMENT



- A CO₂e net zero business by 2050¹
- Use water sustainably across our business

- 50% reduction in scope 1 and scope 2 CO₂e emissions³
- 30% reduction in water use in high and extremely high stress areas
- 30% reduction in total water usage



PROVIDE A SAFE, FAIR AND INCLUSIVE WORKPLACE



- Zero harm to our employees
- A workforce reflective of the communities in which we operate
- A welcoming and inclusive environment where employees can grow and thrive

- 0.10 lost time accident rate
- 40% of our leadership population is female
- Top quartile engagement score



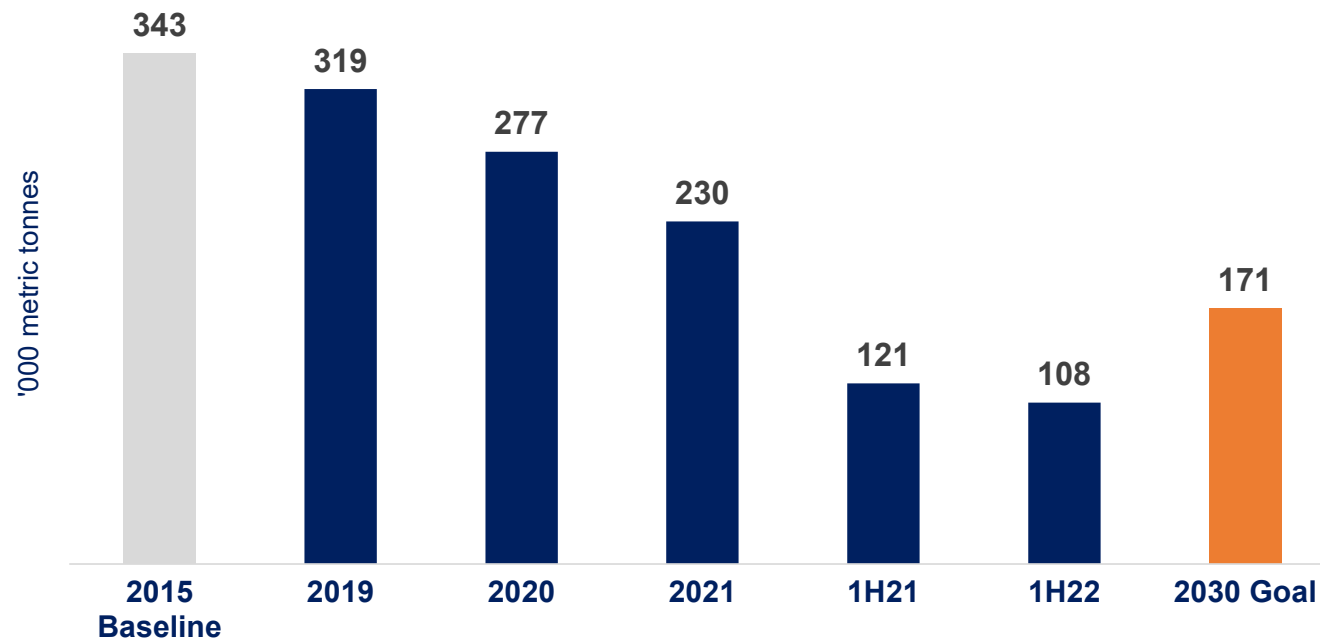
¹ Excludes indirect emissions generated by our supply chain, distribution network and employee travel.

² Reduction targets shown are compared to a 2015 baseline.

³ Scope 1 and 2 relate to CO₂e emissions from direct and indirect sources, respectively.

CO₂e emissions

Absolute CO₂e (Scope 1 and 2)¹



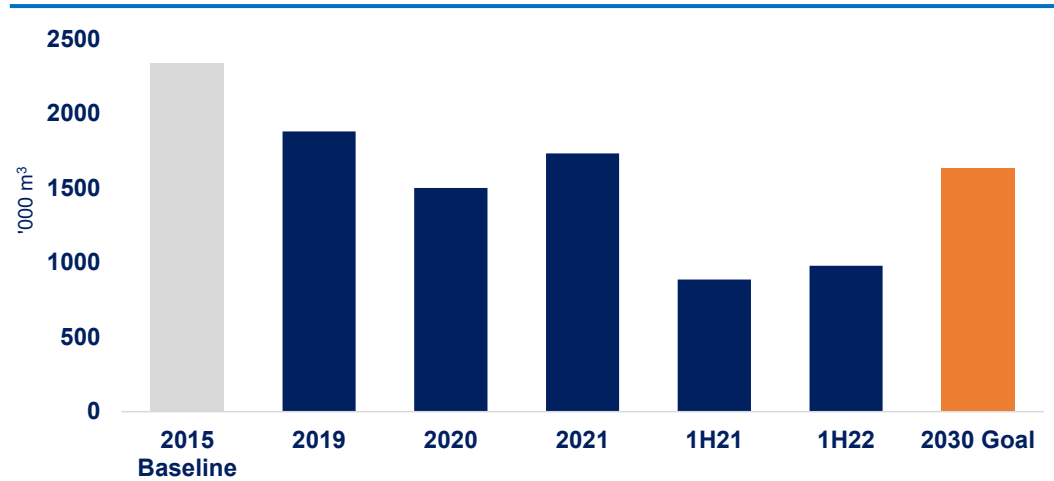
11% reduction in absolute CO₂e emissions on the prior year driven by improvements in:

- **Green energy procurement:** transitions to renewable and other carbon free energy sources
- **Behavioural changes:** changes in our behaviours obtained through awareness training such as turning off lights, equipment shutdowns and idling machines
- **Operational and Engineering projects:** production schedule optimisation and projects that result in process changes to improve efficiencies
- **Capital projects:** replacement of inefficient assets and improvement in control systems

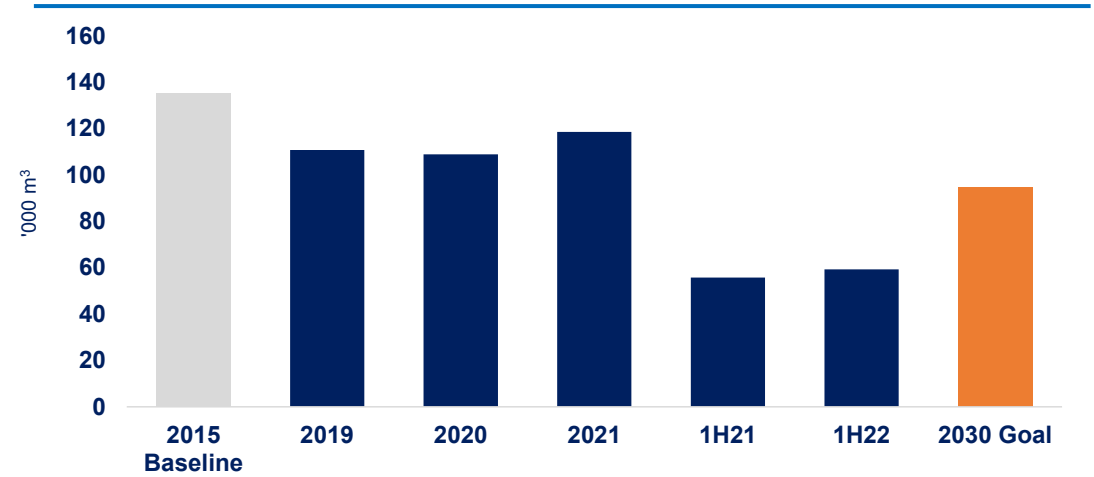
¹ Scope 1 and 2 relate to CO₂e emissions from direct and indirect sources, respectively.

Water, safety and diversity

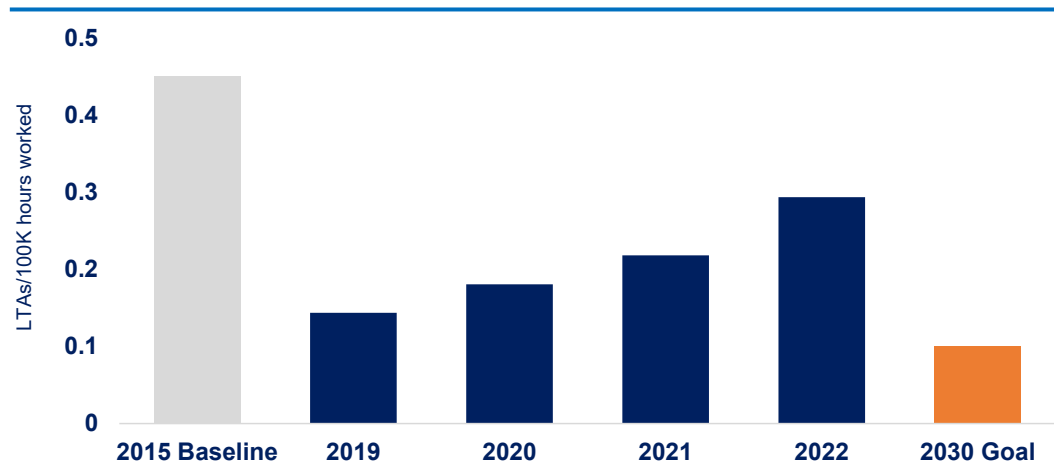
Water usage



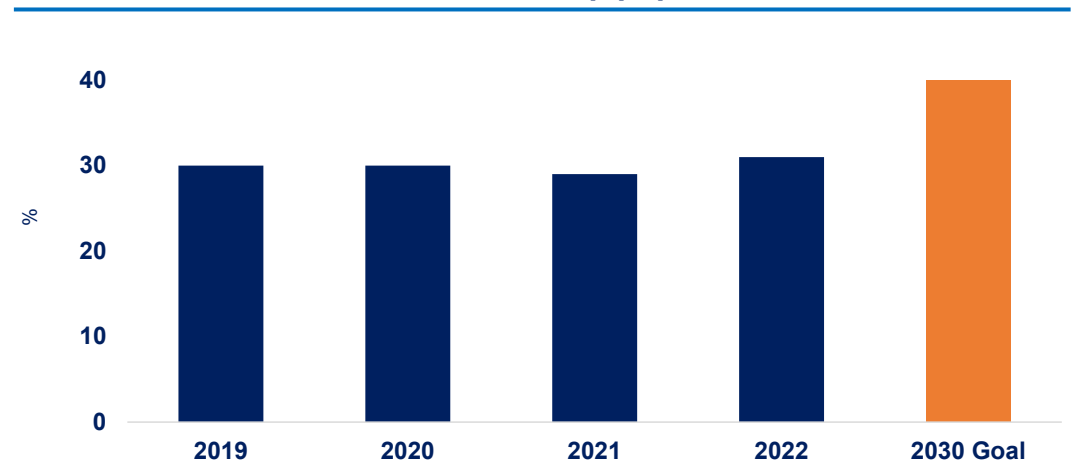
Water usage in stressed areas



Lost time accident rate



% Female leadership population¹



¹ Leadership population consists of approximately 400 of the most senior individuals in the organisation.

Summary

- Organic constant-currency revenue growth of 11.2% with 15%¹ from our faster growing markets and 11% from our core markets
- Adjusted operating profit margin was 13.7%, up by 90 bps, reflecting the drop through on organic growth and the benefits from our restructuring programme
- Pricing and continuous improvement efficiencies continue to more than offset inflation
- Strong sales and profit growth drives a material improvement in ROIC to 22.2%, up 680 bps on H1 2021
- Adjusted earnings per share of 15.9p, up 25.2% on the previous year
- Positive cash generated from continuing operations at £45.2m, free cash flow of £(1.0)m with net debt/EBITDA (excluding lease liabilities) of 0.5x
- Scope 1 and 2 CO₂e emissions reduced by 11% compared with the previous year
- Full year outlook around top end of analysts' forecasts
- Our business is robust and performing strongly and we expect to deliver resilient performance in the challenging economic environment to come

¹ Organic constant-currency growth is presented excluding one-off benefits from solar projects.

Appendix

Our strategy for growth

We have a strategy to ensure we are the leaders in our field, with the customer and materials insight to apply our capabilities quickly and effectively



We apply these skills to a portfolio of businesses where:

- Our technical expertise and differentiation is valued
- We can operate on a global scale
- We are scalable
- Market segments are growing and we have room to grow

Strengthening the Group to deliver resilient financial performance and faster growth

End-market mix (as a % of revenue)

Main markets by GBU

Thermal Ceramics

Industrial, Chemical and petrochemical, Metals, Automotive

MMS

Aluminium (automotive), Copper (construction), Precious metals

Electrical Carbon

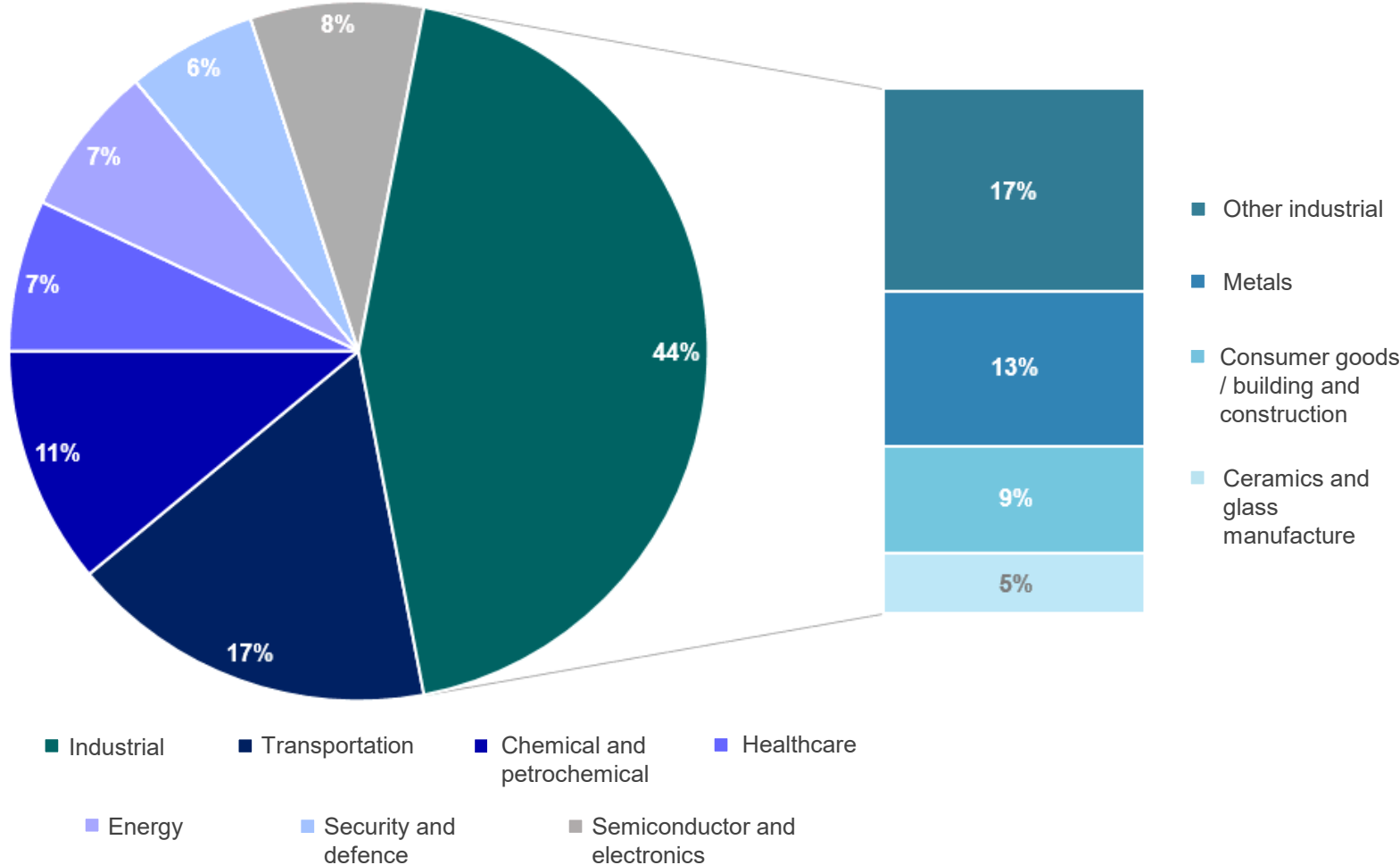
Rail, Industrial equipment, Power generation, Electronics and semiconductor

Seals and Bearings

Petrochemical, Pumps, Aerospace, Automotive, Home appliances

Technical Ceramics

Industrial equipment, Electronics, Aerospace, Healthcare, Energy



Segmental performance

	Revenue £m		Adjusted operating profit ¹ £m		Margin %	
	1H 2022	1H 2021	1H 2022	1H 2021	1H 2022	1H 2021
Thermal Ceramics	200.5	174.7	22.7	21.2	11.3%	12.1%
Molten Metal Systems	28.1	22.8	4.2	2.5	14.9%	11.0%
Electrical Carbon	91.3	82.3	18.9	15.6	20.7%	19.0%
Seals and Bearings	71.8	64.3	10.9	10.7	15.2%	16.6%
Technical Ceramics	138.5	117.1	18.8	12.1	13.6%	10.3%
Corporate costs	-	-	(3.0)	(3.0)	-	-
Group	530.2	461.2	72.5	59.1	13.7%	12.8%

¹ Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

² The Group reported the results of its five global business units as two divisions until 31 December 2021. From 1 January 2022 onwards, divisional subtotals have been removed from our segmental reporting; we continue to report the five separate global business units.

Emerging stronger: Group restructuring and efficiency programme

The Group has delivered its restructuring and efficiency programme, which has simplified Morgan's structure and driven efficiency in operations

The programme was completed last year.

The current year's expected benefits of £23 million remain unchanged.

£m	FY 2020	FY 2021	FY 2022	Total
Adjusted operating profit ¹ benefits (cumulative)	6	20	23	-
Cash costs charged to specific adjusting items	(24)	-	-	(24)

¹ Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Reported statutory figures

£m	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Results before specific adjusting items	Specific adjusting items	Total	Results before specific adjusting items	Specific adjusting items	Total
Revenue	530.2	-	530.2	461.2	-	461.2
Operating costs before amortisation of intangible assets	(457.7)	-	(457.7)	(402.1)	3.7	(398.4)
Profit from operations before amortisation of intangible assets	72.5	-	72.5	59.1	3.7	62.8
Amortisation of intangible assets	(2.3)	-	(2.3)	(2.6)	-	(2.6)
Operating profit	70.2	-	70.2	56.5	3.7	60.2
Net financing costs	(4.5)	-	(4.5)	(4.4)	-	(4.4)
Share of profit of associate (net of income tax)	-	-	-	0.4	-	0.4
Profit before taxation	65.7	-	65.7	52.5	3.7	56.2
Income tax (expense)/credit	(17.7)	-	(17.7)	(14.4)	0.3	(14.1)
Profit from continuing operations	48.0	-	48.0	38.1	4.0	42.1
Profit from discontinued operations	-	-	-	-	-	-
Profit for the period	48.0	-	48.0	38.1	4.0	42.1
Profit for the period attributable to:						
Shareholders of the Company	42.9	-	42.9	33.6	4.0	37.6
Non-controlling interests	5.1	-	5.1	4.5	-	4.5
Profit for the period	48.0	-	48.0	38.1	4.0	42.1

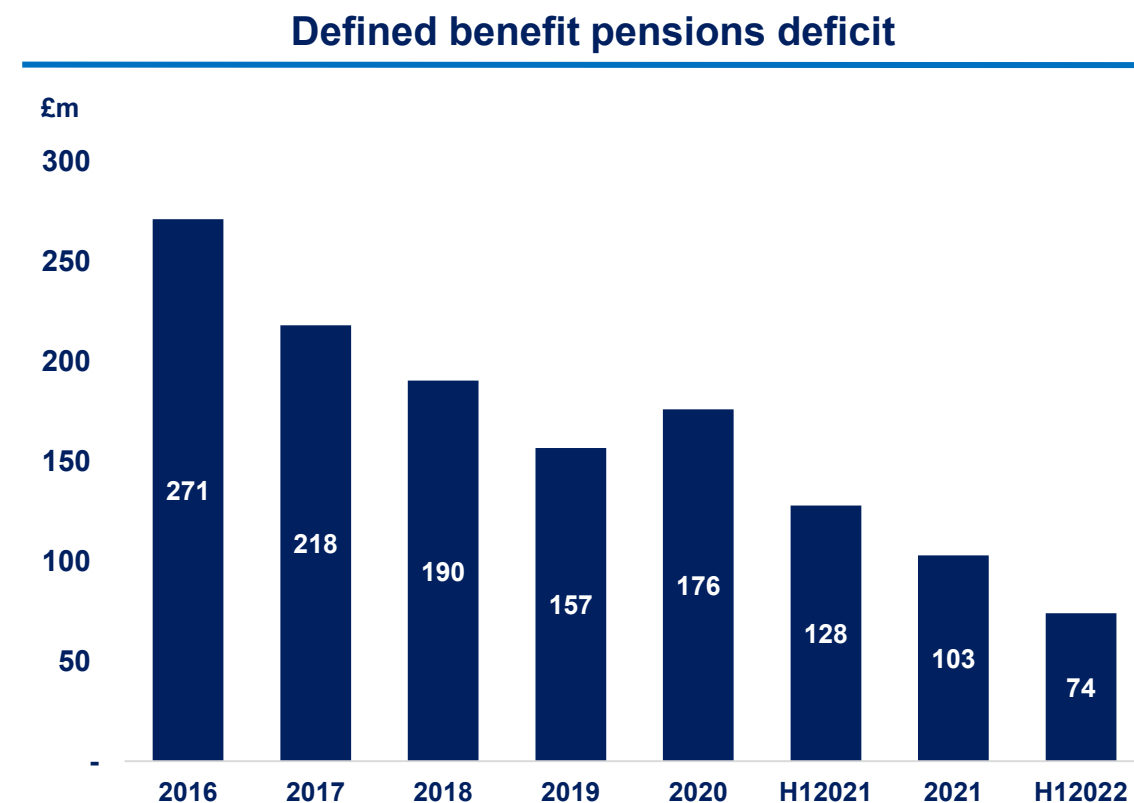
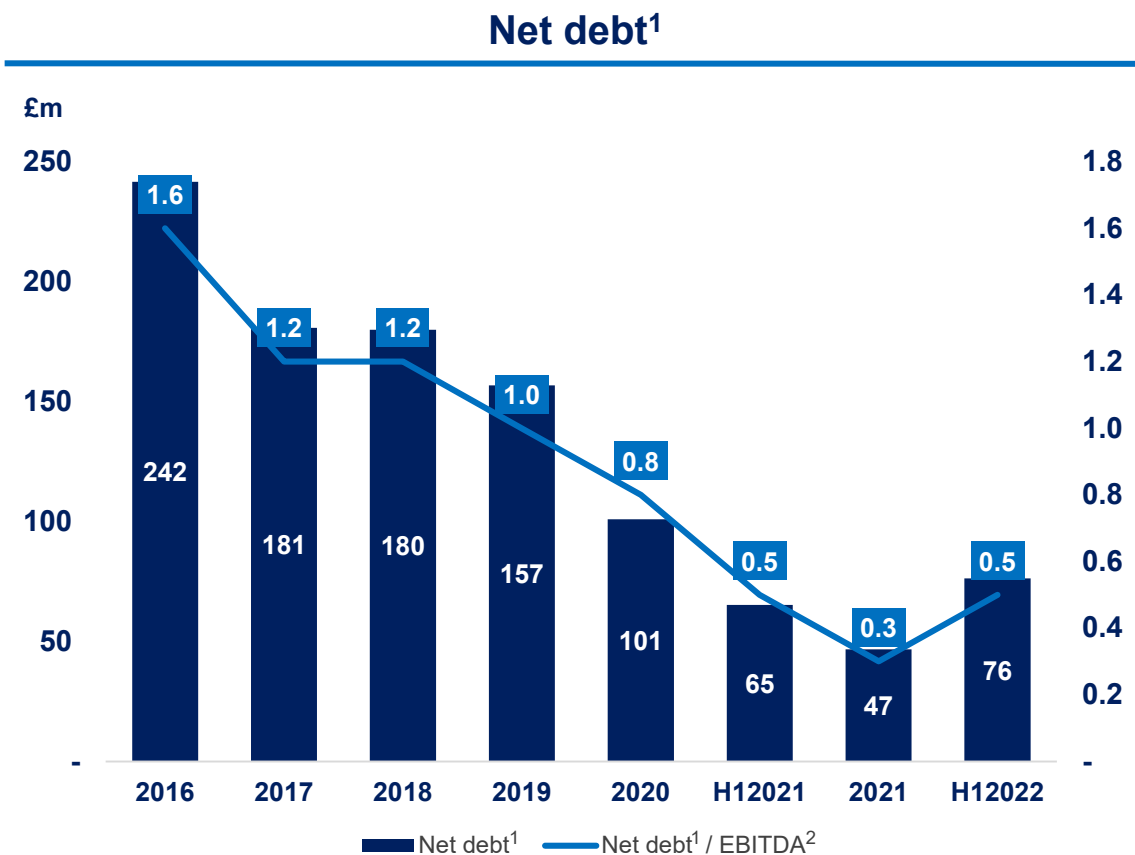
Pensions update

Deficit movement since 31 December 2021		£m
Deficit at 31 December 2021		(103)
Contributions (net of service costs)		9
Net IAS 19 interest costs		(1)
Actuarial loss on liabilities		(8)
Remeasurement gain on assets		31
Currency adjustment		(2)
Deficit at 30 June 2022		(74)

£m	30 June 2022	31 December 2021	31 December 2020
<i>Equities and growth assets</i>	118	154	165
<i>Bonds and LDI</i>	252	319	287
<i>Annuities</i>	124	150	169
<i>Other</i>	8	9	10
Total assets	502	632	631
Liabilities	(576)	(735)	(807)
Deficit	(74)	(103)	(176)
<i>UK discount rate</i>	3.86%	1.92%	1.23%
<i>US discount rate</i>	4.52%	2.71%	2.34%
<i>Europe discount rate</i>	3.00%	0.90%	0.40%

Net leverage

We have made significant progress in reducing leverage in recent years.

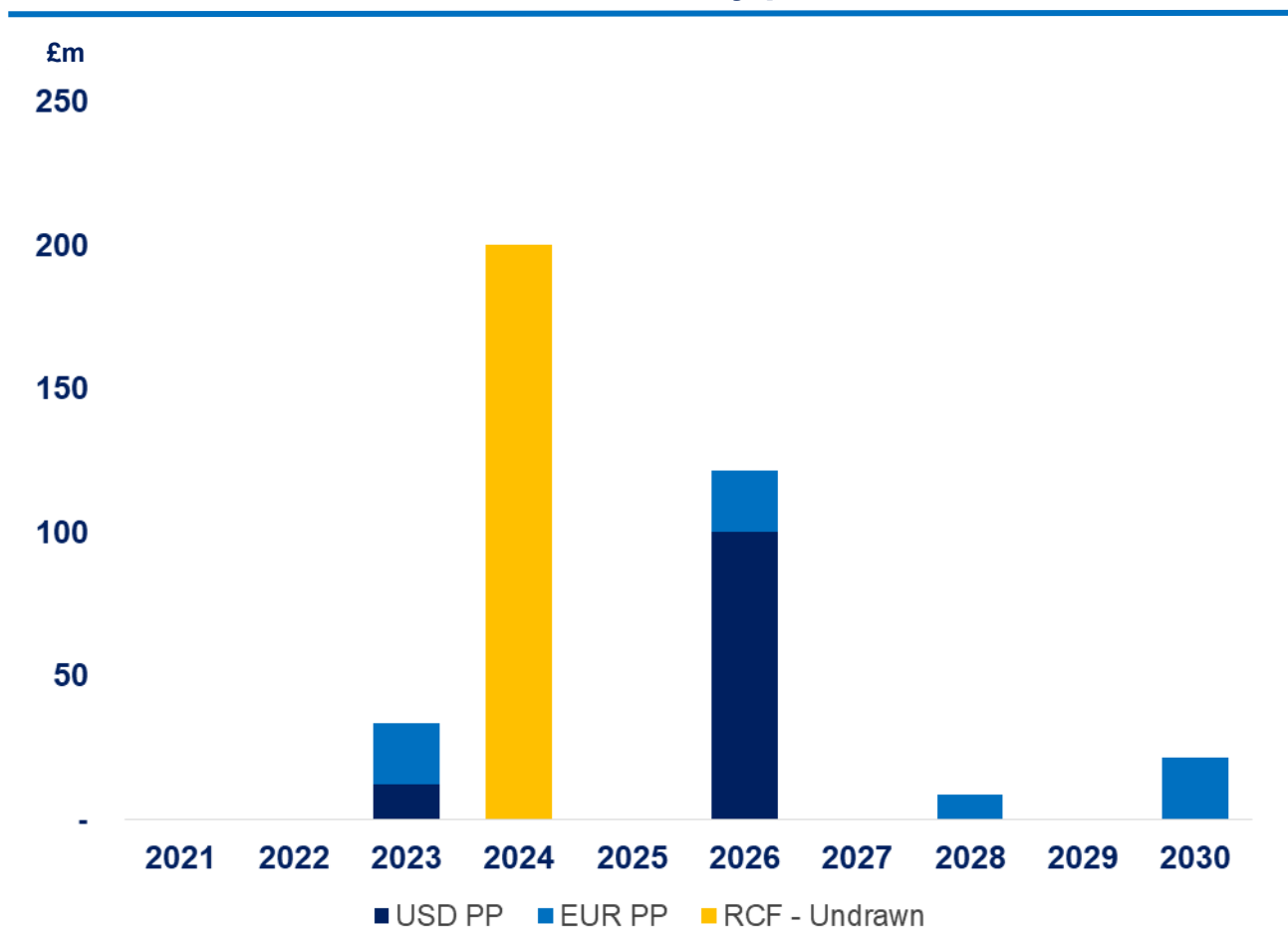


1 Net debt is presented excluding lease liabilities.

2 EBITDA is presented on a pre-IFRS 16 basis.

Strong balance sheet and available liquidity

Facilities maturity profile



Headroom on banking covenants

- Net debt to EBITDA excluding the impact of IFRS 16: 0.5x (FY2021: 0.3x)

Significant liquidity

- £190m undrawn RCF plus available net cash and cash equivalents of £120.5m

Average cost of fixed rate debt = 2.93%

All figures are shown on a pre-IFRS16 basis to align more closely to banking covenants.
Net cash and cash equivalents is defined as cash and cash equivalents less bank overdrafts.

Foreign currency impacts

The principal exchange rates used in the translation of the results of overseas subsidiaries were as follows:

GBP to:	1H 2022		1H 2021	
	Closing rate	Average rate	Closing rate	Average rate
USD	1.22	1.30	1.38	1.39
Euro	1.16	1.19	1.17	1.15

For illustrative purposes, the table below provides details of the impact on HY 2022 revenue and adjusted operating profit¹ if the actual reported results, calculated using HY 2022 average exchange rates, were restated for GBP weakening by 10 cents against USD in isolation and 10 cents against the Euro in isolation:

Increase in 1H 2022 revenue/adjusted operating profit ¹ if:	Revenue	Adjusted operating profit ¹
	£m	£m
GBP weakens by 10c against USD in isolation	18.6	2.5
GBP weakens by 10c against the Euro in isolation	10.0	1.7

¹ Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Adjusted earnings per share

£m	1H 2022	1H 2021
Profit for the period attributable to shareholders of the Company	42.9	37.6
Profit from discontinued operations	-	-
Profit from continuing operations	42.9	37.6
Specific adjusting items	-	(3.7)
Amortisation of intangible assets	2.3	2.6
Tax effect of the above	-	(0.3)
Non-controlling interests' share of the above adjustments	-	-
Adjusted earnings	45.2	36.2
Weighted average number of shares in the period	284.4	284.8
Adjusted earnings per share (pence)	15.9	12.7

