FY2022 results presentation

Strong growth, returns and strategic progress

28 April 2023

Morgan
Advanced Materials

Agenda

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

Strong growth, returns & strategic progress

Strong organic constant currency revenue growth of 11.2%

Continued trajectory of improving returns:

- Adjusted operating profit margin +50 bps to 13.6%
- ROIC +190 bps to 22.4%

Adjusted earnings per share +24.3% to 33.8p and DPS up 31.9%

Strong balance sheet with net debt/EBITDA (excl. leasing) of 0.8x

Disciplined and targeted investment:

- £67.0 million pension contribution with UK pension funds substantially de-risked
- Increased investment to support future growth in both working capital (+£35m) and CapEx (+£29.3m)

Scope 1 and 2 CO_2e emissions reduced by 8% compared with 2021

Outlook for FY2023 adjusted operating profit unchanged from 7 February 2023 guidance

Cyber incident

In early January, we experienced a significant cyber attack on our business.

- Customer demand has remained robust throughout
- We are well on our way to recovery, with our ERP systems substantially restored
- We have accelerated our IT modernisation programme, with faster deployment and additional security tools and processes
- Our employees have been at the heart of our response working with customers to provide the best possible service
- As a result of our contingency plans in place, manufacturing sites have remained operational throughout
- 2023 exceptional costs c.£15m

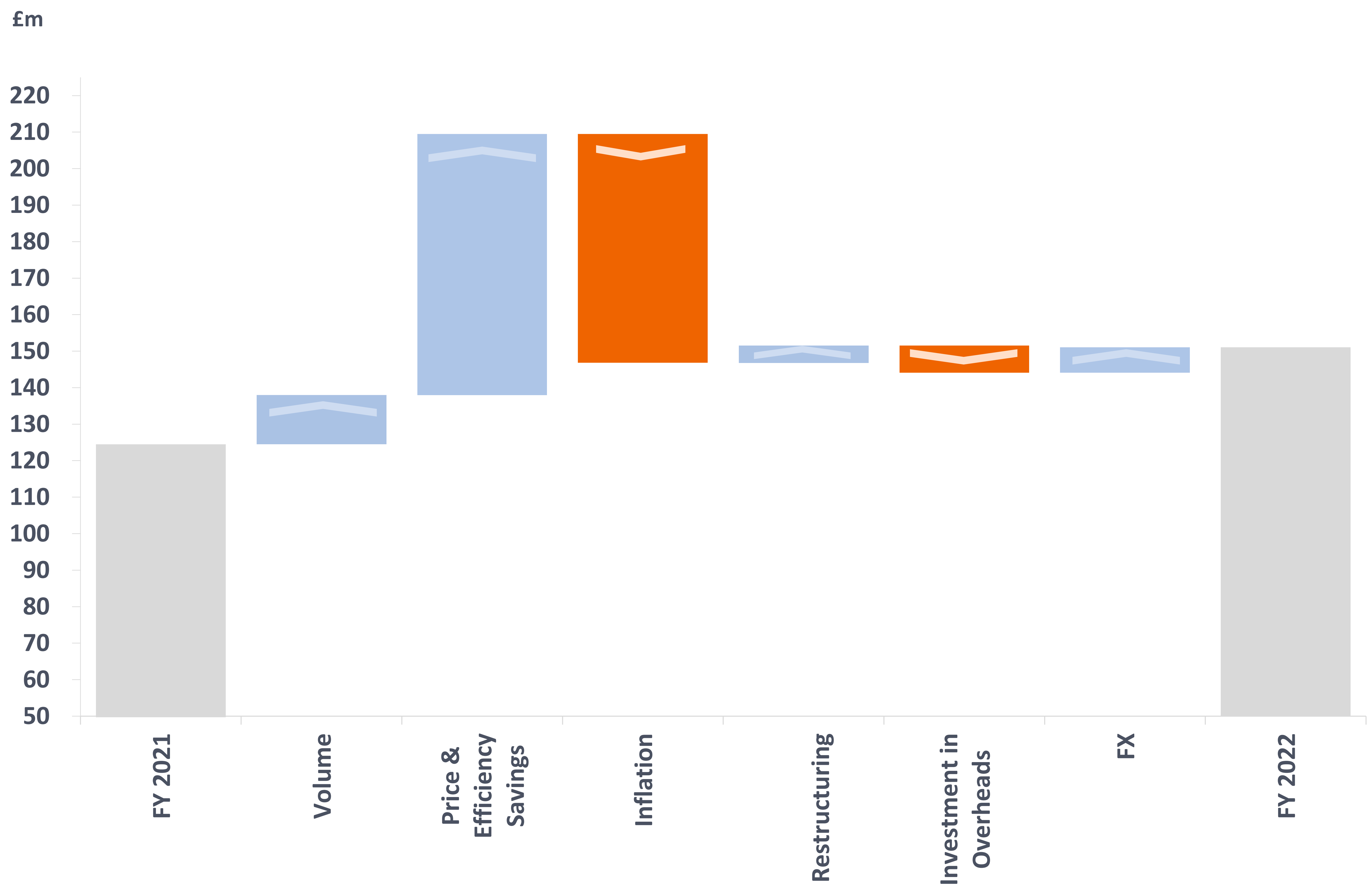
FY 2022 results
Richard Armitage

Group Performance

£m	FY 2022	FY 2021	% change from FY 2021	
			As reported	At organic constant-currency
Revenue	**1,112.1**	**950.5**	**17.0%**	**11.2%**
Group adjusted operating profit[1]	**151.0**	**124.5**	**21.3%**	**14.7%**
Group adjusted operating profit margin %	*13.6%*	*13.1%*		
ROIC %	*22.4%*	*20.5%*		
Cash generated from continuing operations	**59.1**	**135.9**	**(56.5%)**	
Free cash flow before acquisitions, disposals and dividends	**(46.9)**	**66.2**		
Adjusted earnings per share	**33.8p**	**27.2p**	**24.3%**	
Total dividend per share	**12.0p**	**9.1p**	**31.9%**	

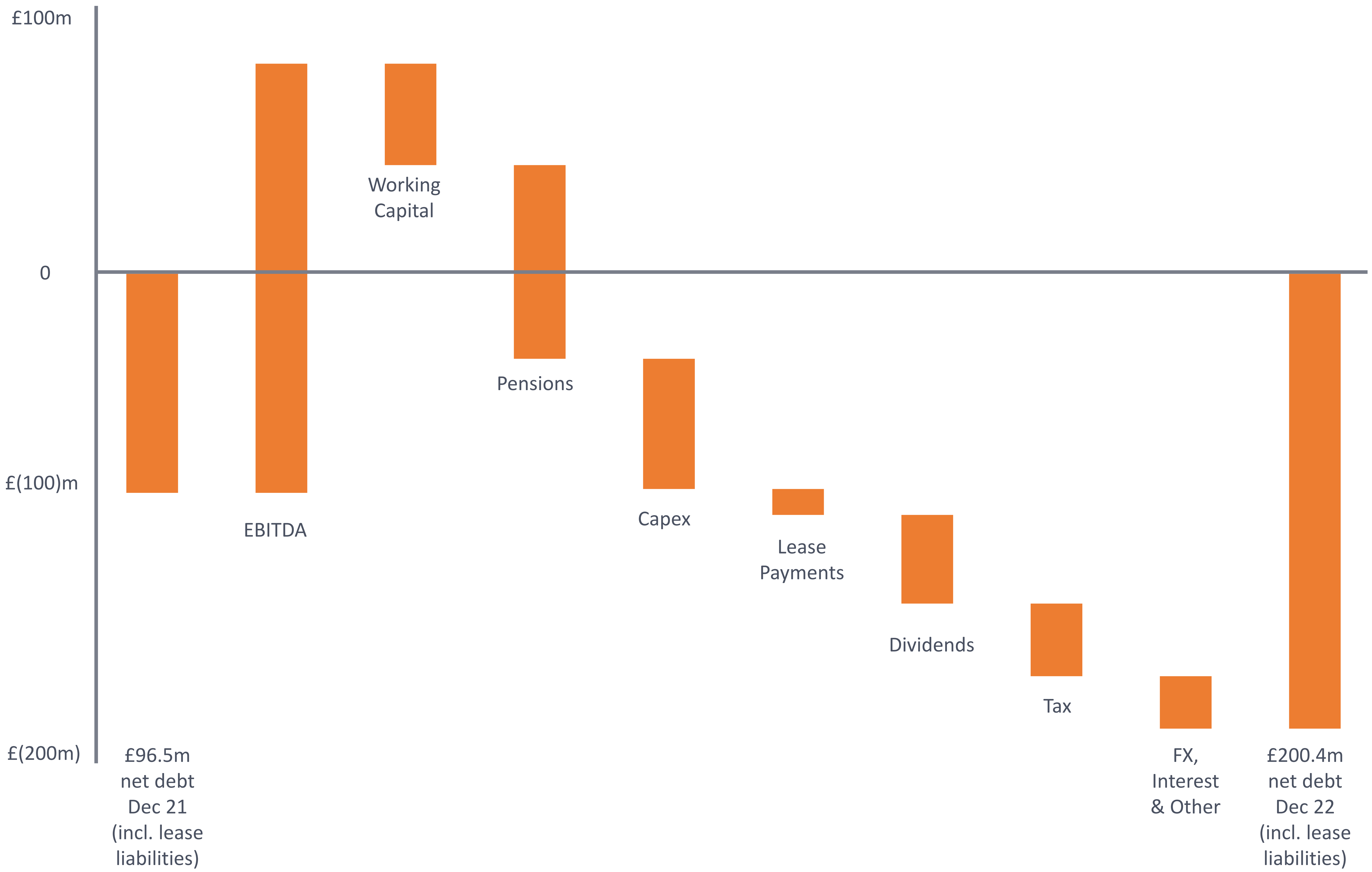
1 Group adjusted operating profit is before specific adjusting items and amortisation of intangible assets.

Group adjusted operating profit bridge



- Operating margin expanded through drop through on strong revenue growth
- Pricing and efficiency savings more than offset cost inflation
- Restructuring programme completed
- Small tailwind from foreign exchange

Cash flow summary



Working capital outflow of **£44.7m** driven by business growth

2021: £(9.0)m

Pension contributions of **£85.9m** including £67m one-off contribution to UK schemes

2021: £16.9m

Capital investment of **£57.4m**, including £29.3m invested in new capacity

2021: £28.1m

Free cash flow of **£(46.9)m**

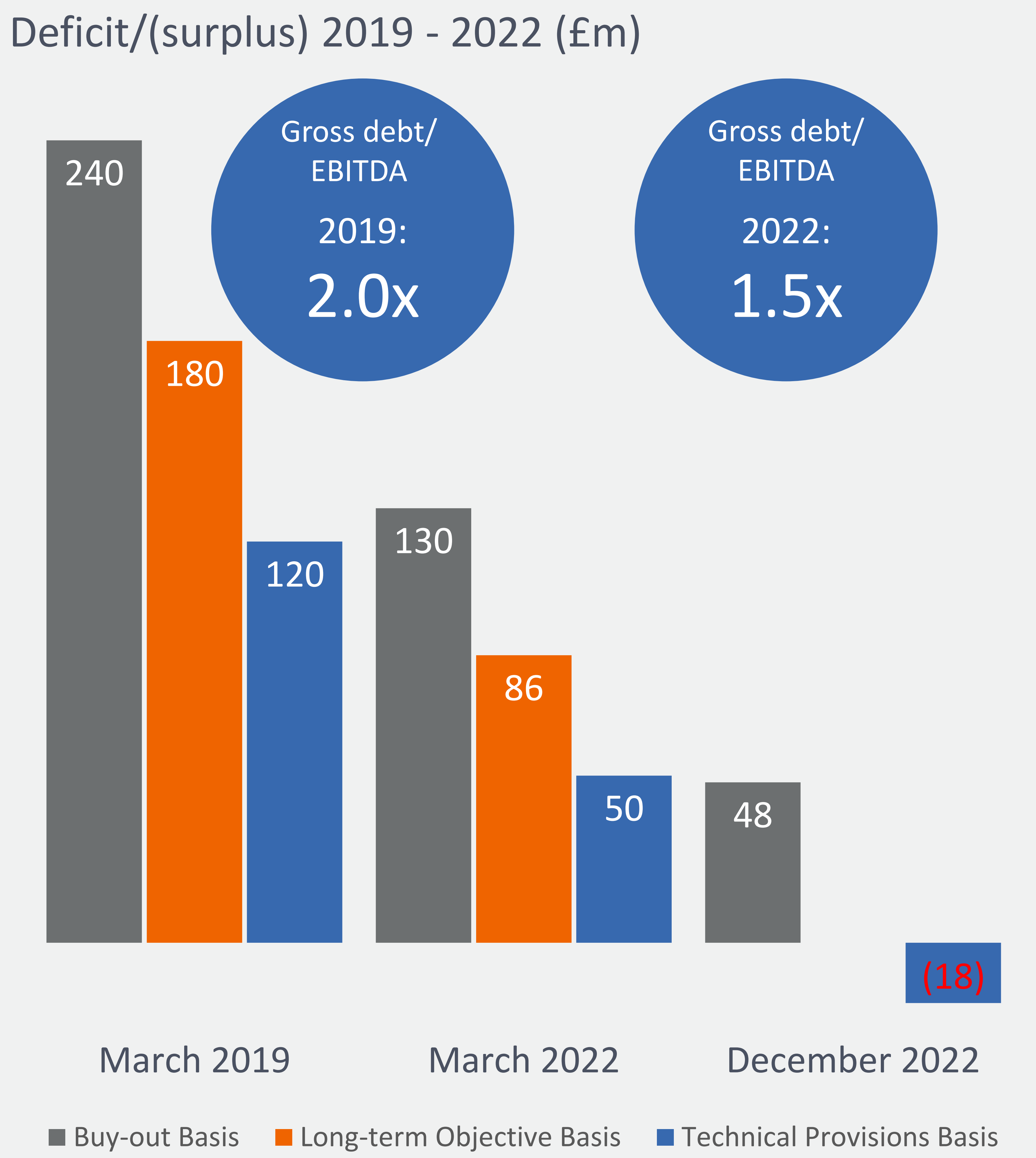
2021: £66.2m

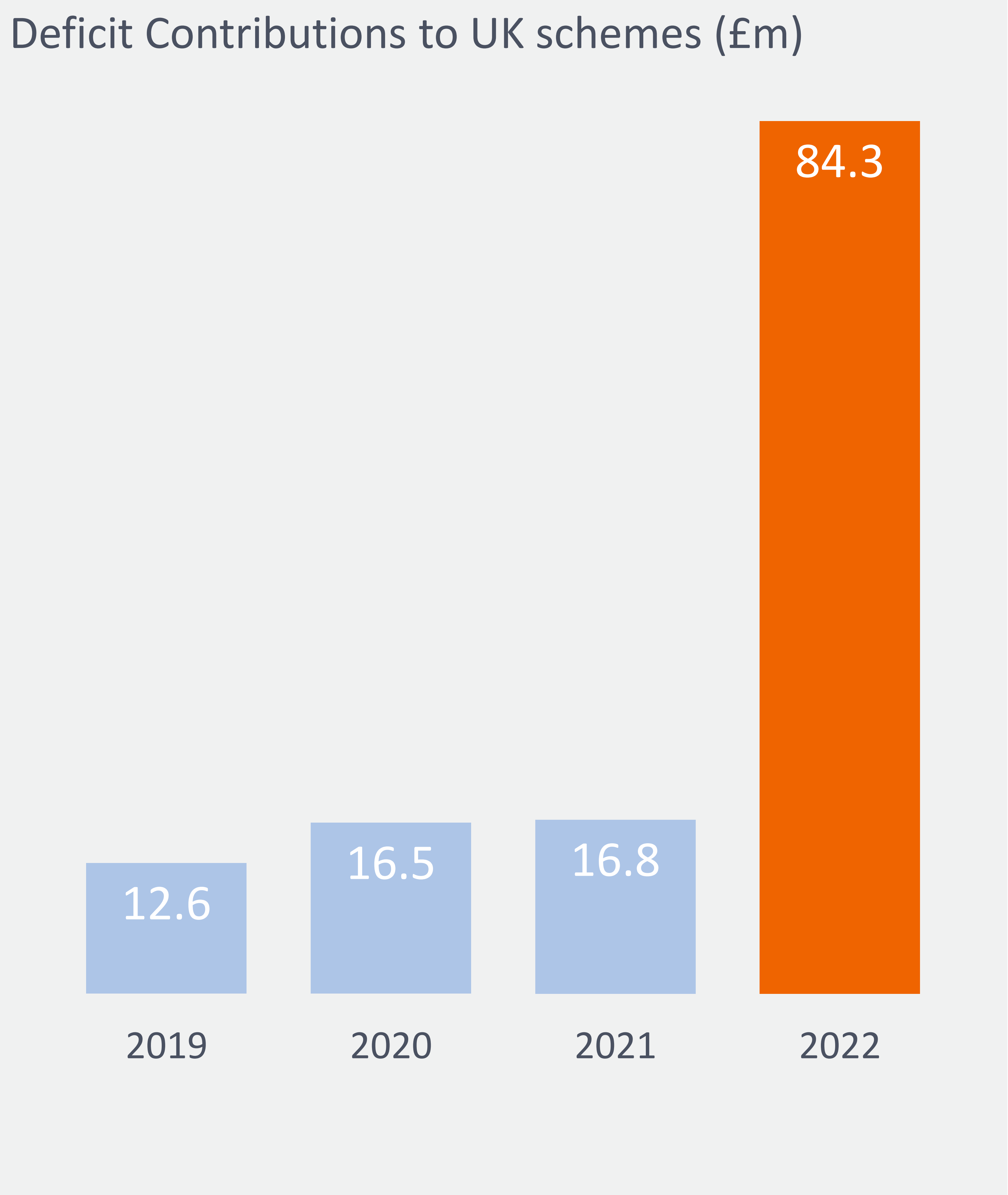
Net debt (excl. lease liabilities) of £148.5m, in line with expectations at **0.8x**

2021: 0.3x

Reducing the UK pensions burden

- Accelerated contribution of £67m paid in December 2022
- FCF improvement of £15m per annum
- Inflation & interest rate risk fully hedged with lower investment risk
- Scheme leverage maintained at c.1.3x
- An essential step towards buy-in/buy-out





FY2023 technical guidance

Effective tax rate	26-28%
Net finance charge: Interest charges (c. £10-12m) IAS 19 pensions net interest charge (c. £0.5m) IFRS 16 lease interest (c. £2.0m)	c. £13-15m
Non-UK defined benefit pension scheme contributions	c. £3-4m
Foreign currency impacts	*see slide 33*
Capital expenditure	c. £70-80m
Dividend policy	c. 2.5x

A disciplined approach to delivering improving growth & returns

Delivering enhanced EPS growth	Clear through cycle financial framework
Organic revenue growth	**3-6% organic revenue growth**
+	
Continuing profit growth	**12.5% to 15% adjusted operating profit margin**
+	
Accretive M&A	**ROIC 17-20%**
+	
Additional shareholder returns	**Leverage of 1.0x to 2.0x**
=	
Enhanced EPS growth	**Enhanced EPS growth**

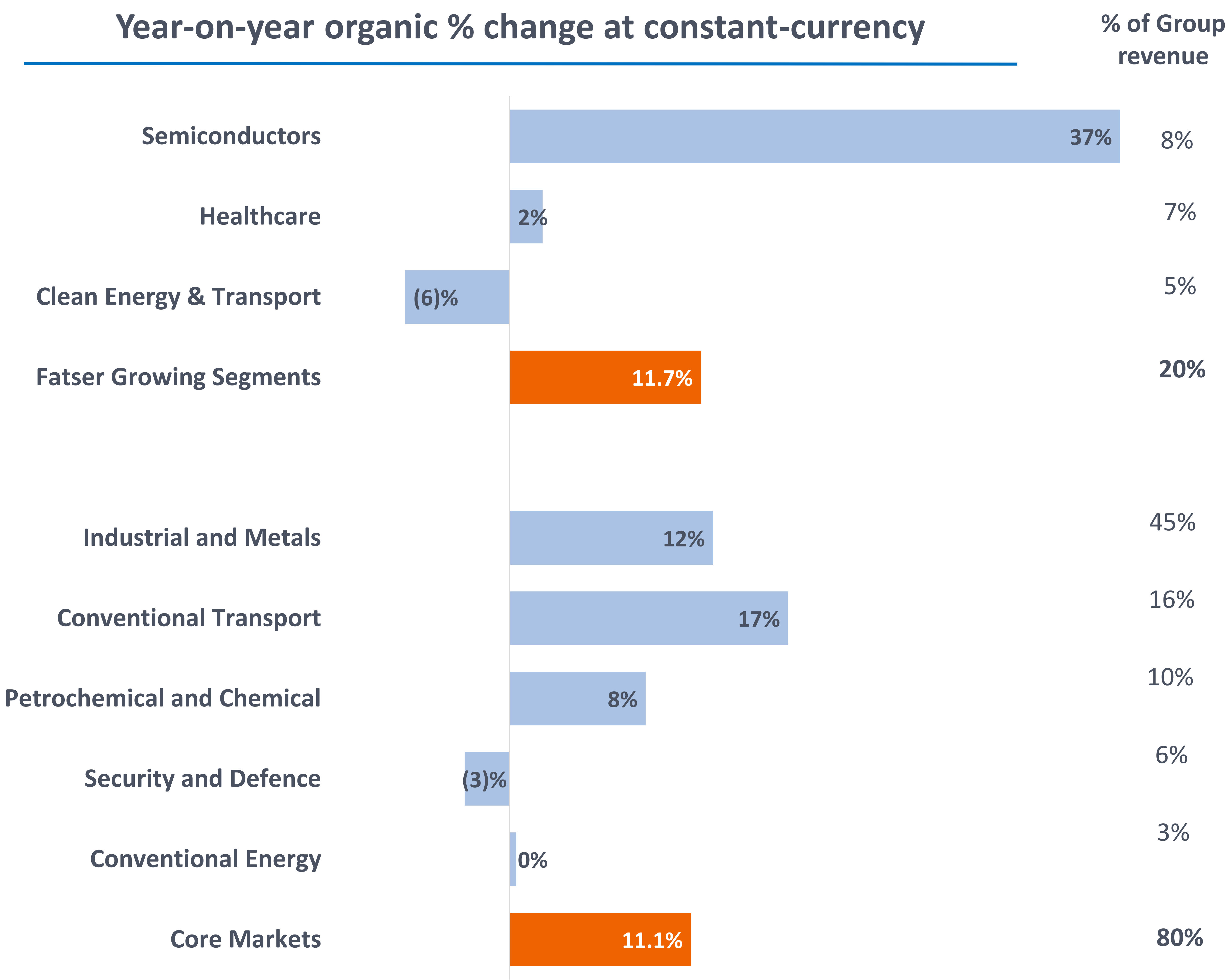
Operational and strategic update
Pete Raby

Leading differentiated positions

Market	Share of revenue (%) (YE2022)	Market Position	Differentiation
Faster growing			L H
Semiconductors	8%	Emerging	
Healthcare	7%	Leader	
Clean energy + clean transportation	5%	Emerging	
	20%		
Core			L H
Industrial	31%	Leader/Top 3	
Metals	14%	Top 3	
Petrochemical	10%	Leader	
Aerospace	9%	Leader	
Other	16%	Top 3	
	80%		

Growth across major market segments

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



- Strong market growth and share wins
- In implantable devices and analytic eqt. Offset by declines in vacuum packaging
- Declined as expected with non-repeat of one-off solar projects

- Strong end market growth, with N. America and Europe particularly robust
- Strong aerospace demand
- Higher project activity in Thermal and growth in aftermarket seals & bearings
- Declined as expected, driven by armour decline
- Flat with some project activity coming to an end

Thermal Ceramics performance summary

£m	FY 2022	FY 2021	% change from FY 2021	
			As reported	At organic constant-currency
Revenue	421.4	364.7	15.5%	11.4%
Adjusted operating profit[1]	48.7	42.0	16.0%	19.3%
Margin %	*11.6%*	*11.5%*		

Performance commentary

- Revenue growth of 11.4% at constant currency driven by further recovery in industrial and metals, aerospace and automotive markets, growing petrochemical project revenues and growth in clean energy applications
- Slight margin improvement due to volume, with price offsetting inflation

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

Molten Metal Systems performance summary

£m	FY 2022	FY 2021	% change from FY 2021	
			As reported	At organic constant-currency
Revenue	57.8	47.7	21.2%	15.8%
Adjusted operating profit[1]	7.8	6.3	23.8%	21.9%
Margin %	*13.5%*	*13.2%*		

Performance commentary

- Revenue growth from strong demand and share wins in the Aluminium market and growth in copper and precious metals
- Margin improvement from volume leverage and price and efficiency actions more than offsetting inflation and investment

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

Electrical Carbon performance summary

£m	FY 2022	FY 2021	% change from FY 2021	
			As reported	At organic constant-currency
Revenue	188.7	164.9	14.4%	9.7%
Adjusted operating profit[1]	39.7	32.8	21.0%	21.0%
Margin %	*21.0%*	*19.9%*		

Performance commentary

- Strong revenue growth at constant currency driven by growth in the Semiconductor and Transportation markets
- Margin increase driven by operational efficiency savings and impact of pricing increases which more than offset cost inflation and investment

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

Seals & Bearings performance summary

£m	FY 2022	FY 2021	% change from FY 2021	
			As reported	At organic constant-currency
Revenue	148.5	135.9	9.3%	2.8%
Adjusted operating profit[1]	19.0	22.9	(17.0%)	(21.5%)
Margin %	*12.8%*	*16.9%*		

Performance commentary

- Organic revenue growth of 2.8% with a reduction in armour volumes as expected, more than offset by growth in industrial, petrochemical and aerospace markets (Armour 2022: £25.5m, 2021: £32.3m)
- Margin declined due to manufacturing inefficiencies in the second half and a provision for a quality claim with an armour customer

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

Technical Ceramics performance summary

£m	FY 2022	FY 2021	% change from FY 2021	
			As reported	At organic constant-currency
Revenue	295.7	237.3	24.6%	15.8%
Adjusted operating profit[1]	41.7	26.4	58.0%	51.1%
Margin %	*14.1%*	*11.1%*		

Performance commentary

- Organic revenue growth driven by semiconductor, healthcare, industrial, defence and aerospace segments with a combination of market growth and share wins
- Margin improvement from volume leverage, pricing and efficiency actions and the remaining benefits from our restructuring programme

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

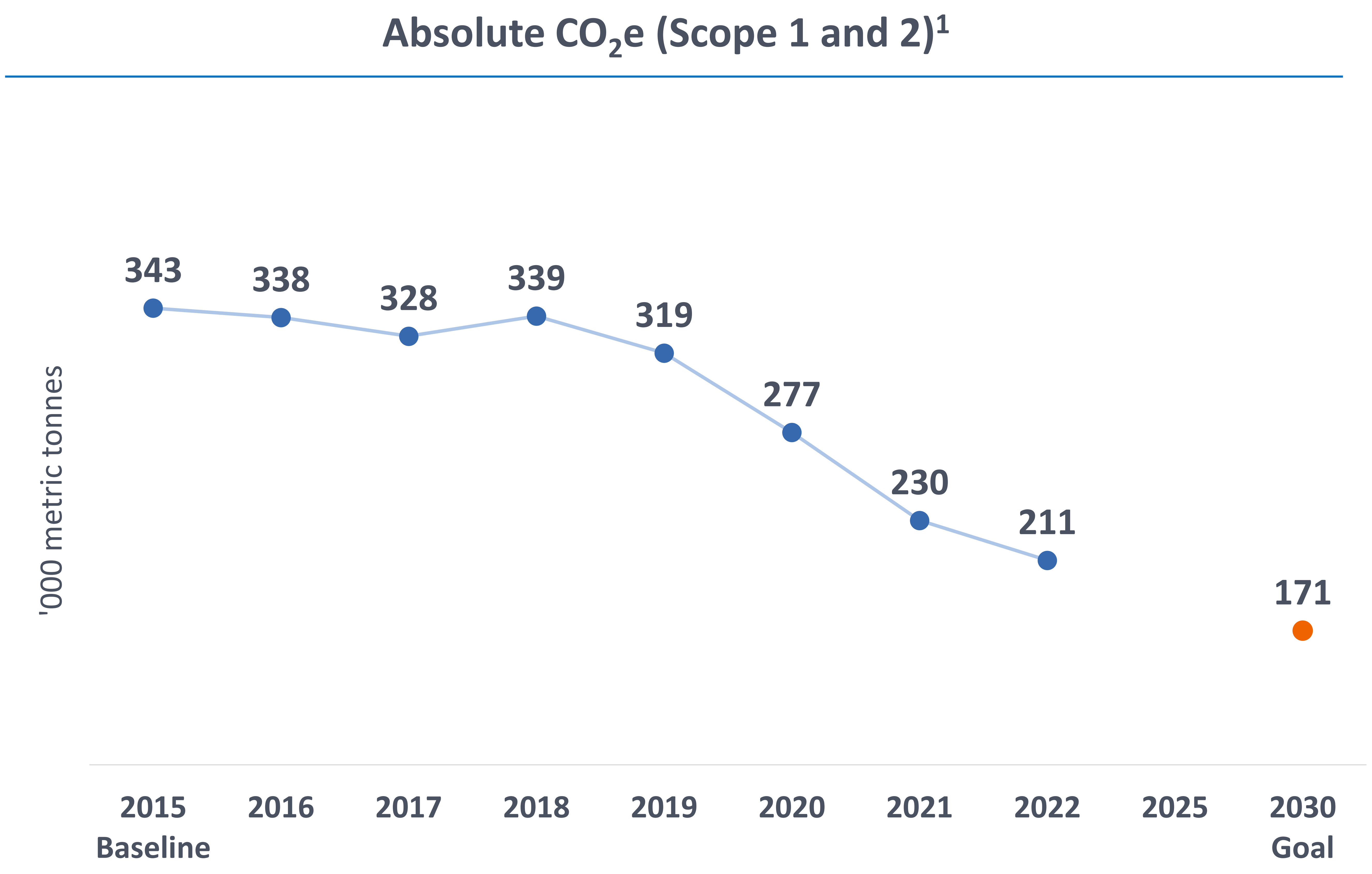
Environment, Social and Governance (ESG)

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

	Our aspiration	Our 2030 goals[2]
PROTECT THE ENVIRONMENT	• A CO_2e net zero business by 2050[1] • Use water sustainably across our business	• 50% reduction in Scope 1 and Scope 2 CO_2e emissions[3] • 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 CO_2e emissions from direct and indirect sources, respectively.

CO_2e emissions



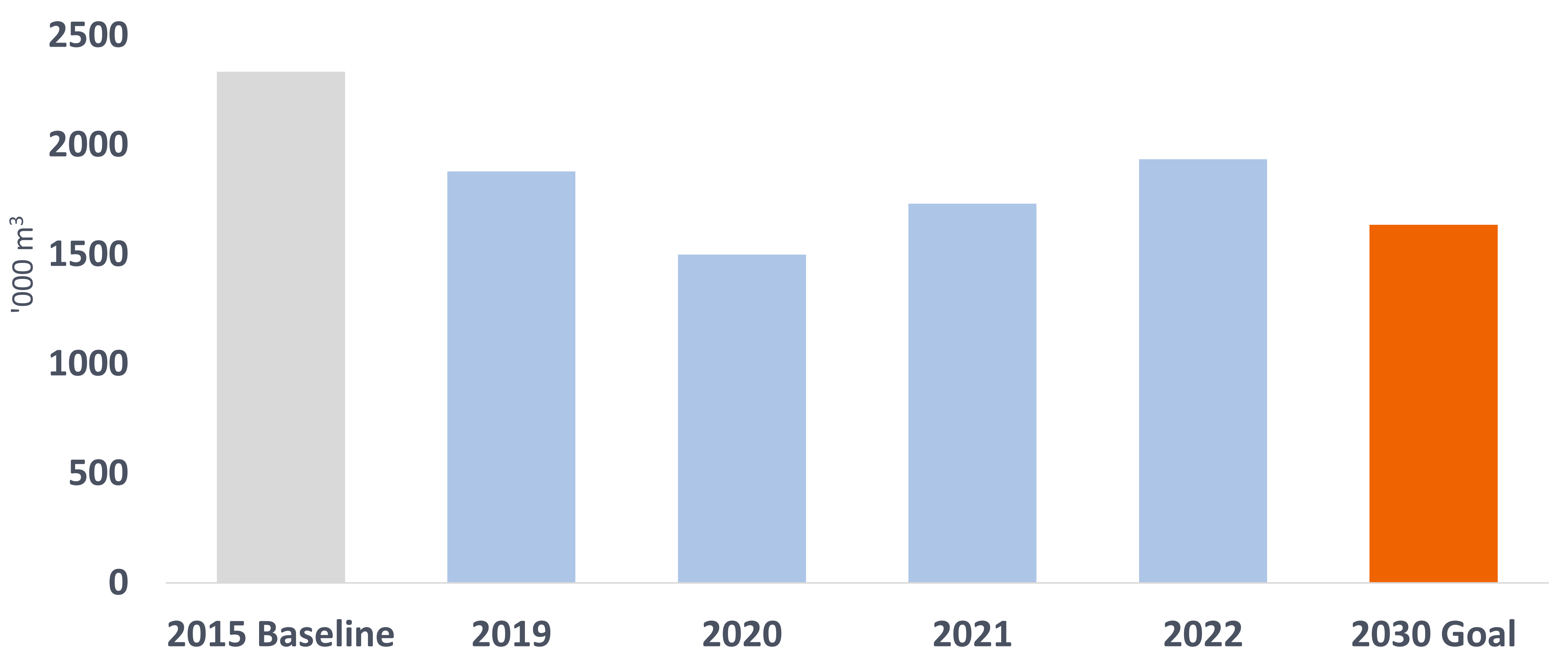
8% reduction in absolute CO_2e emissions on the prior year driven by improvements in:

- **Green energy procurement:** transition to renewable and other carbon free energy sources
- **Efficiency & process optimisation actions:** changes to processes (e.g., kiln firing profiles) and equipment operating protocols e.g., equipment shutdowns and idling machines
- **Capital projects:** replacement of inefficient assets, transition from gas to electric fuel types, and improvement in control systems

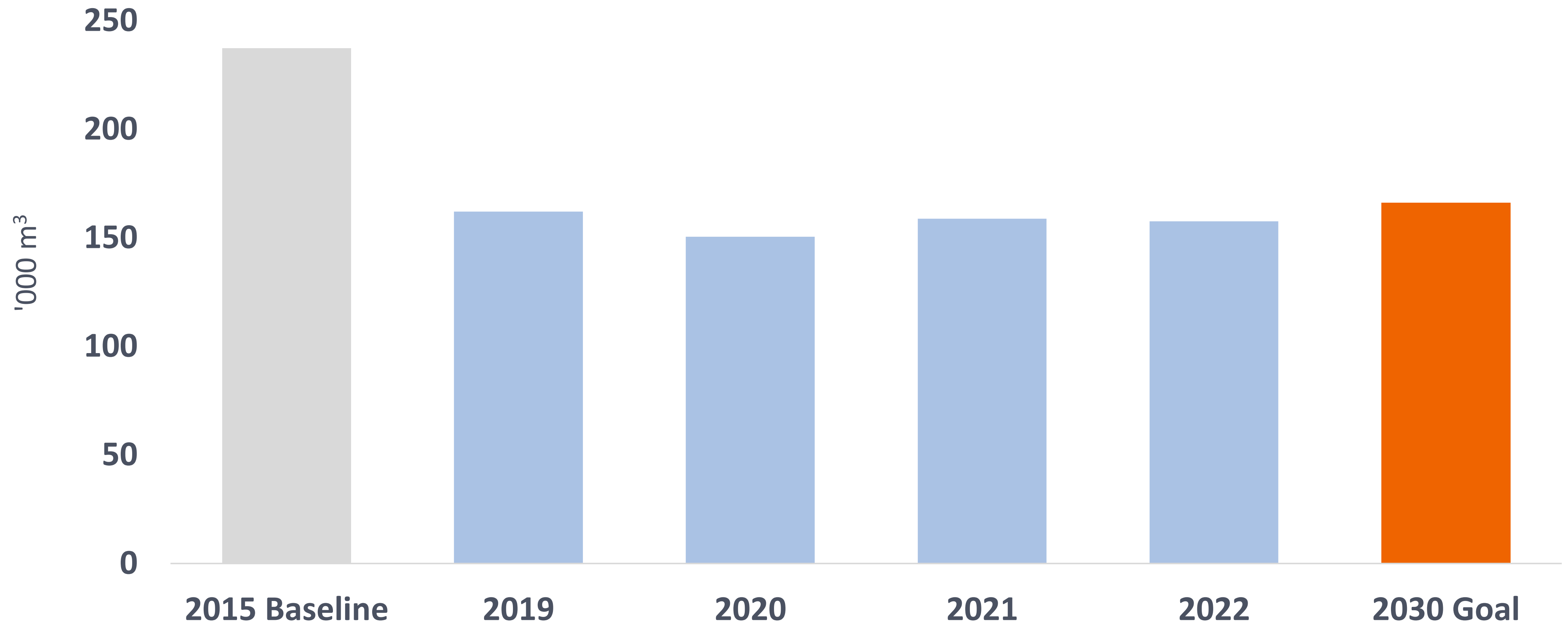
1 Scope 1 and 2 relate to CO_2e emissions from direct and indirect sources, respectively.

Water, Safety & Diversity

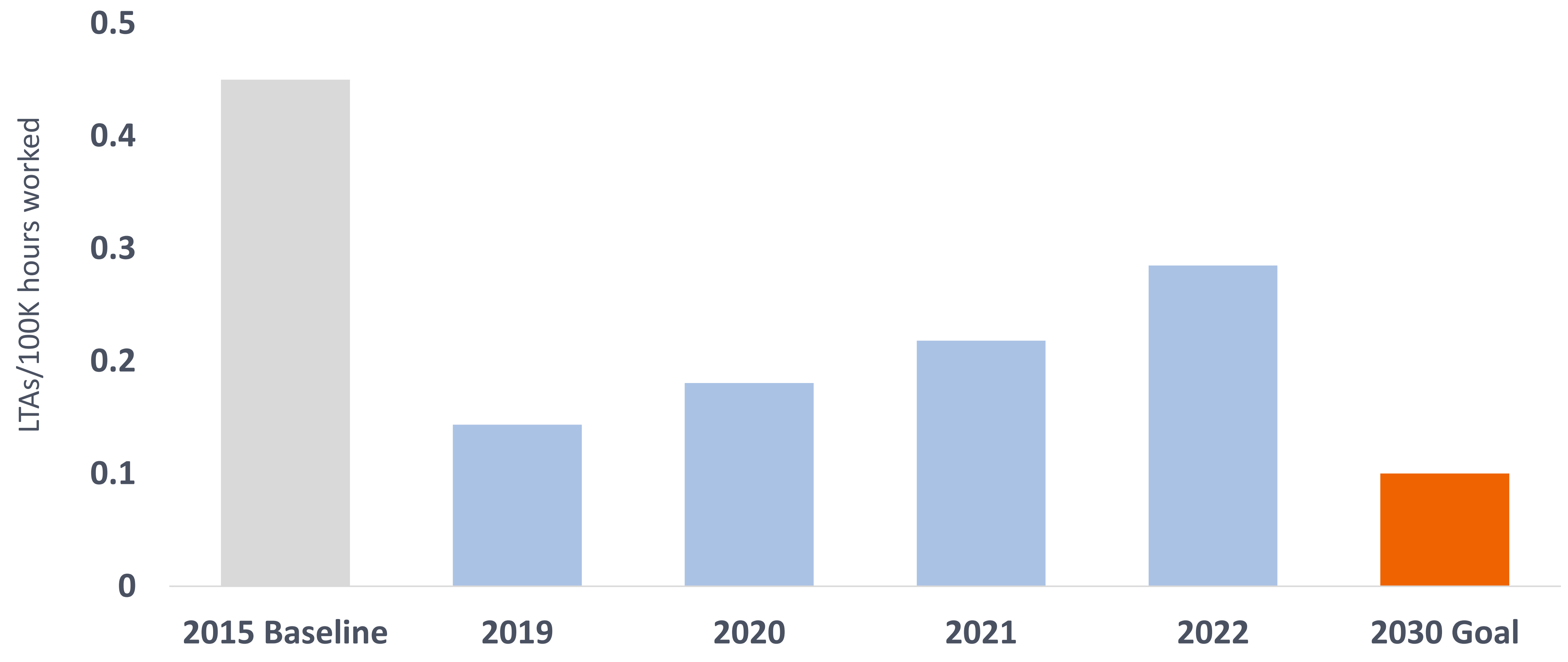
Water usage



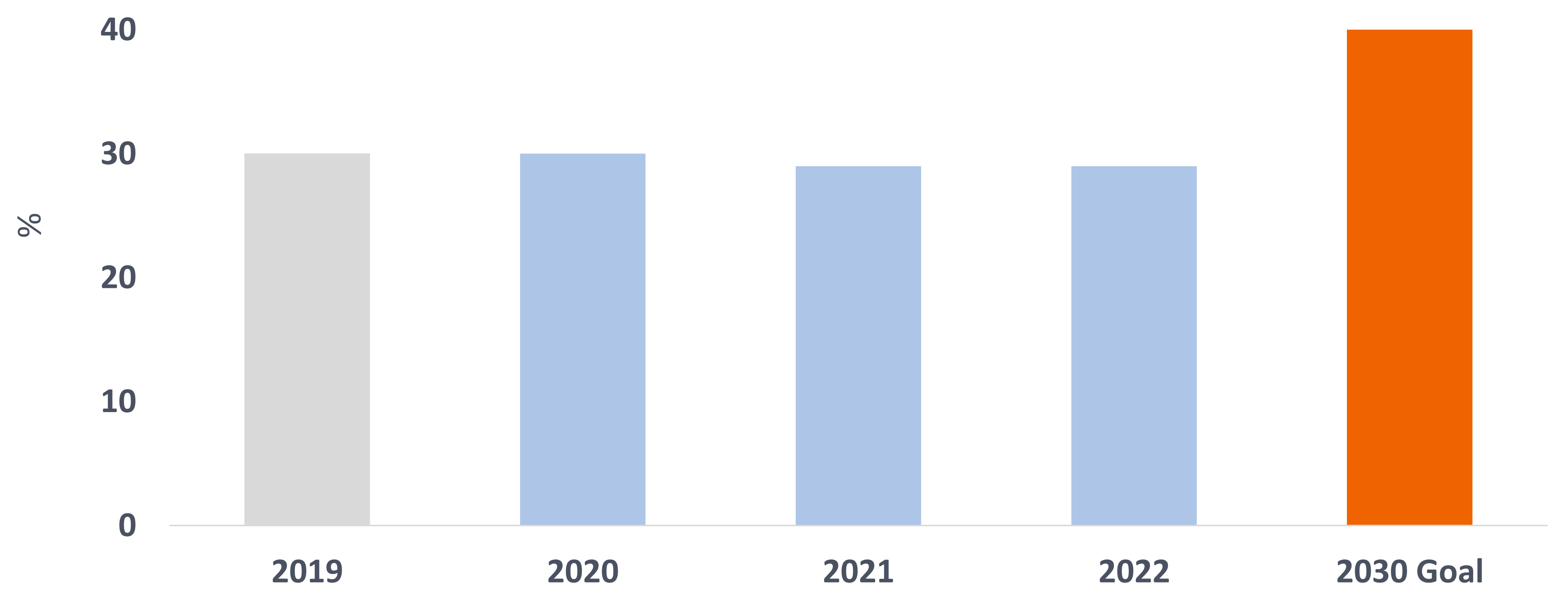
Water usage in stressed areas



Lost time accident rate



% Female leadership population[1]



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

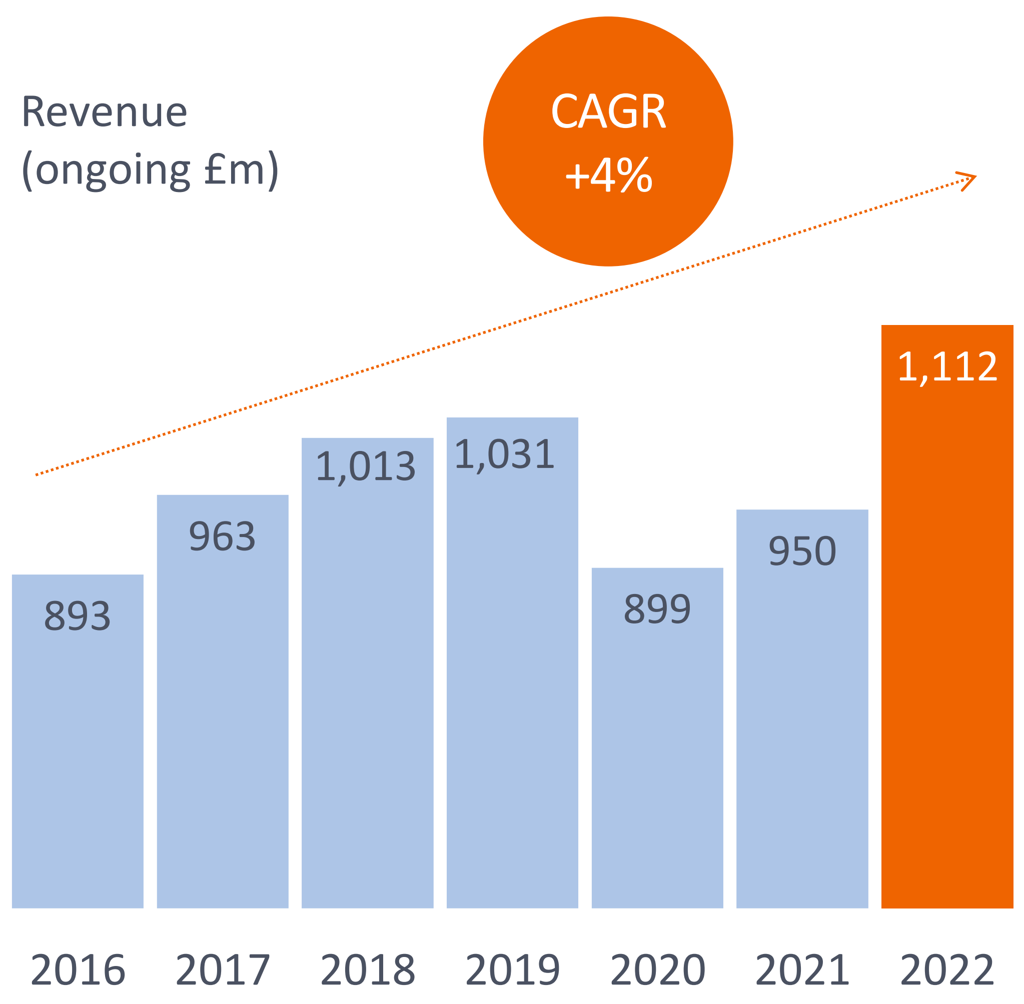
Outlook

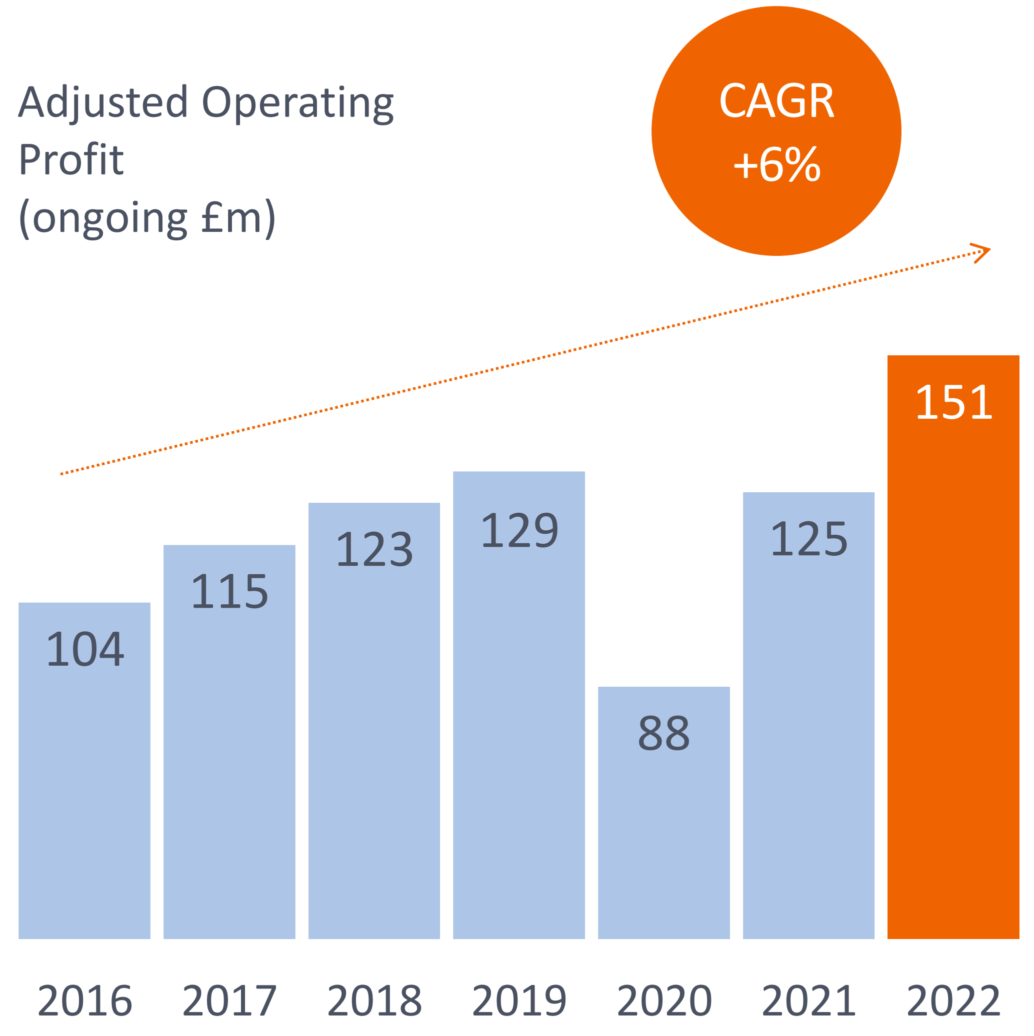
Customer demand remains robust. As a consequence of the cyber incident, we expect revenue in our first half to be in line with prior year, whilst experiencing temporary cost inefficiency as previously highlighted. In the second half, we expect to return to growth and margin in line with our financial framework. Outlook for full year adjusted operating profit is unchanged from our guidance of 7 February 2023.

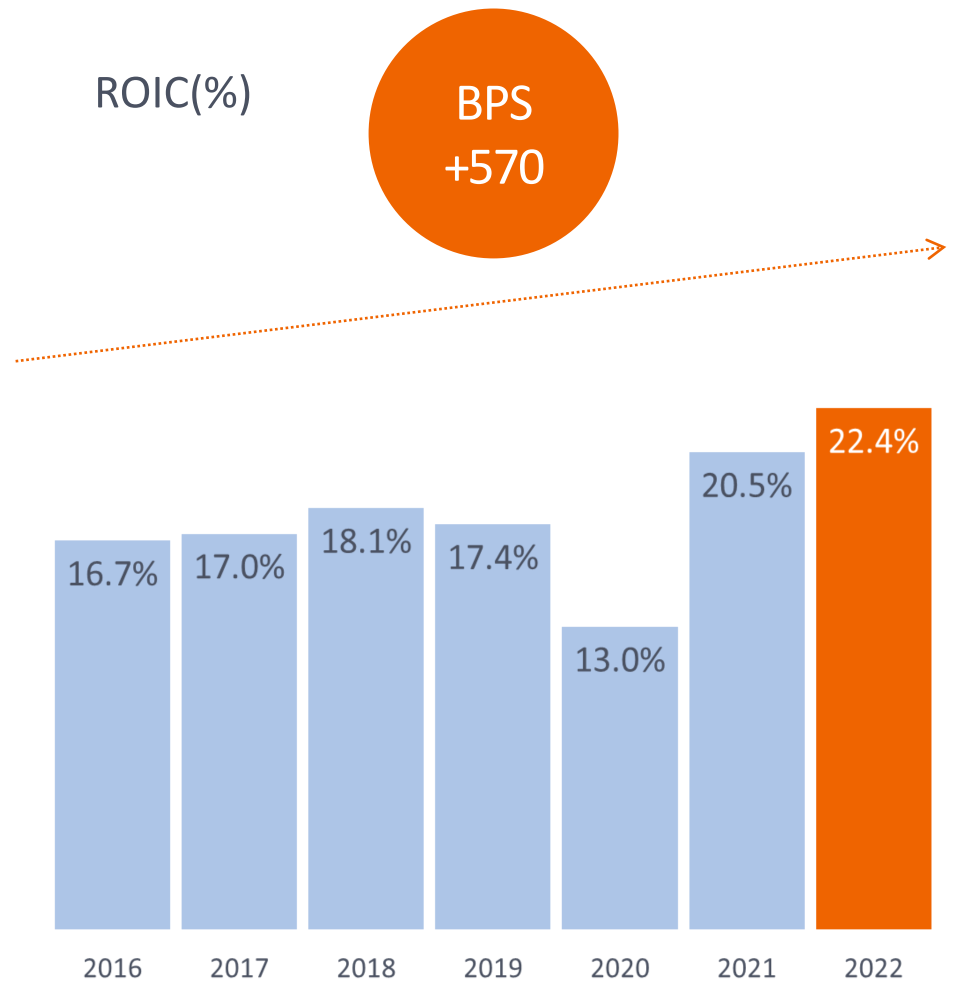
We have seen further inflation as expected which we will continue to offset through pricing and operational improvement. Our targeted investment in capacity for our faster growing segments continues at pace and we expect to increase further our exposure to these markets.

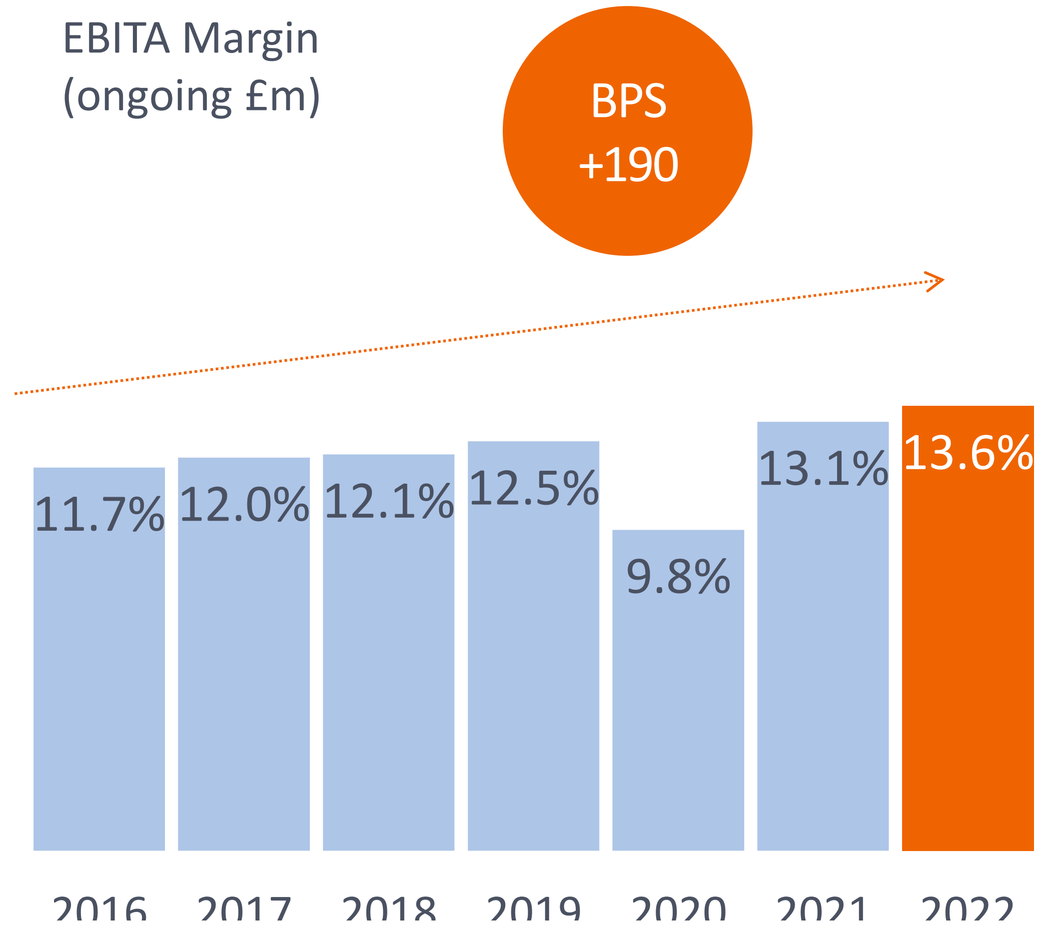
Resilient financial performance

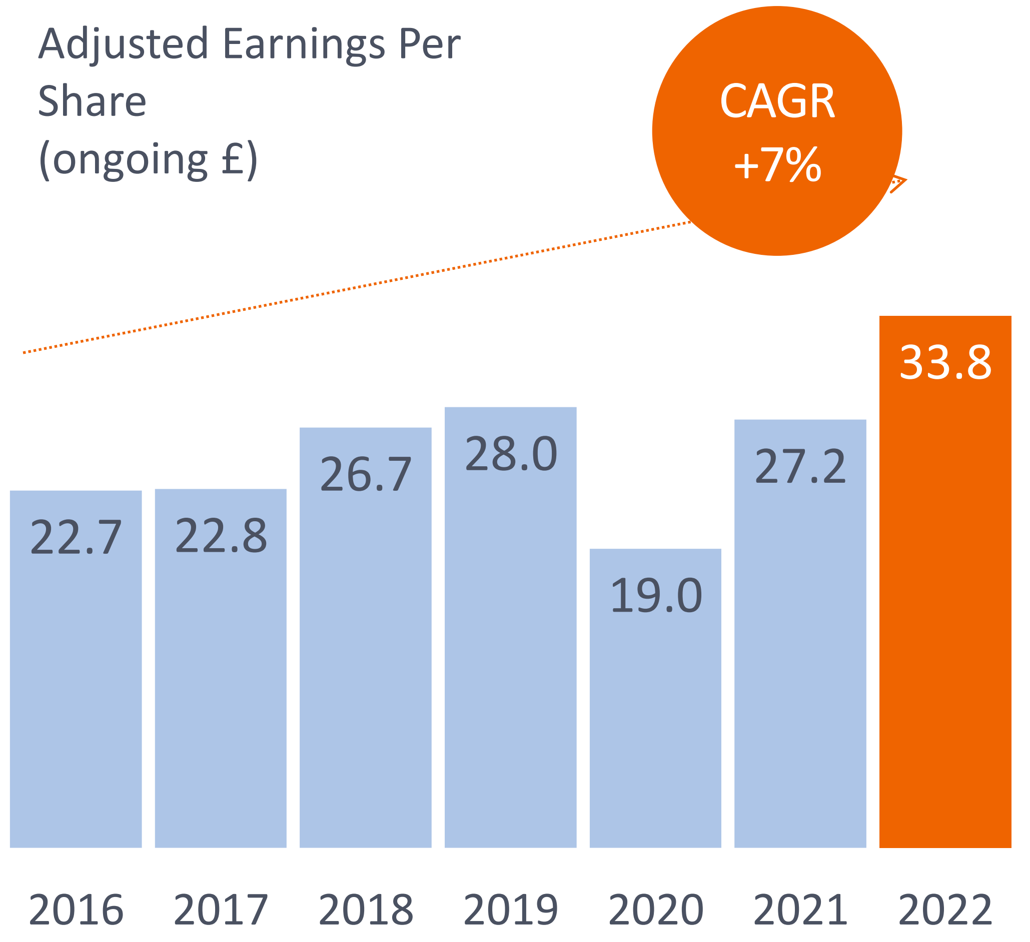
- A stronger more dynamic business
- Delivering growth in underlying revenue and earnings since 2016
- Resilience through the pandemic; accelerated recovery thereafter
- Inflation recovered in full
- Margin growth driving profitability











*Source: *Company compiled mean of analyst forecasts for EPS published post Q3 2022 trading update and Company forecasts*

Summary

- Delighted with progress made in delivering all aspects of our strategy in FY2022
- Strong organic constant currency revenue growth
- Improving returns with further expansion of margins and ROIC
- Strong balance sheet, further very significant step in de-risking pension liabilities
- Cyber impacts but recovery on track
- FY2023 adjusted operating profit guidance unchanged
- Solid foundations for delivering strategy and financial framework set out in December 2022

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

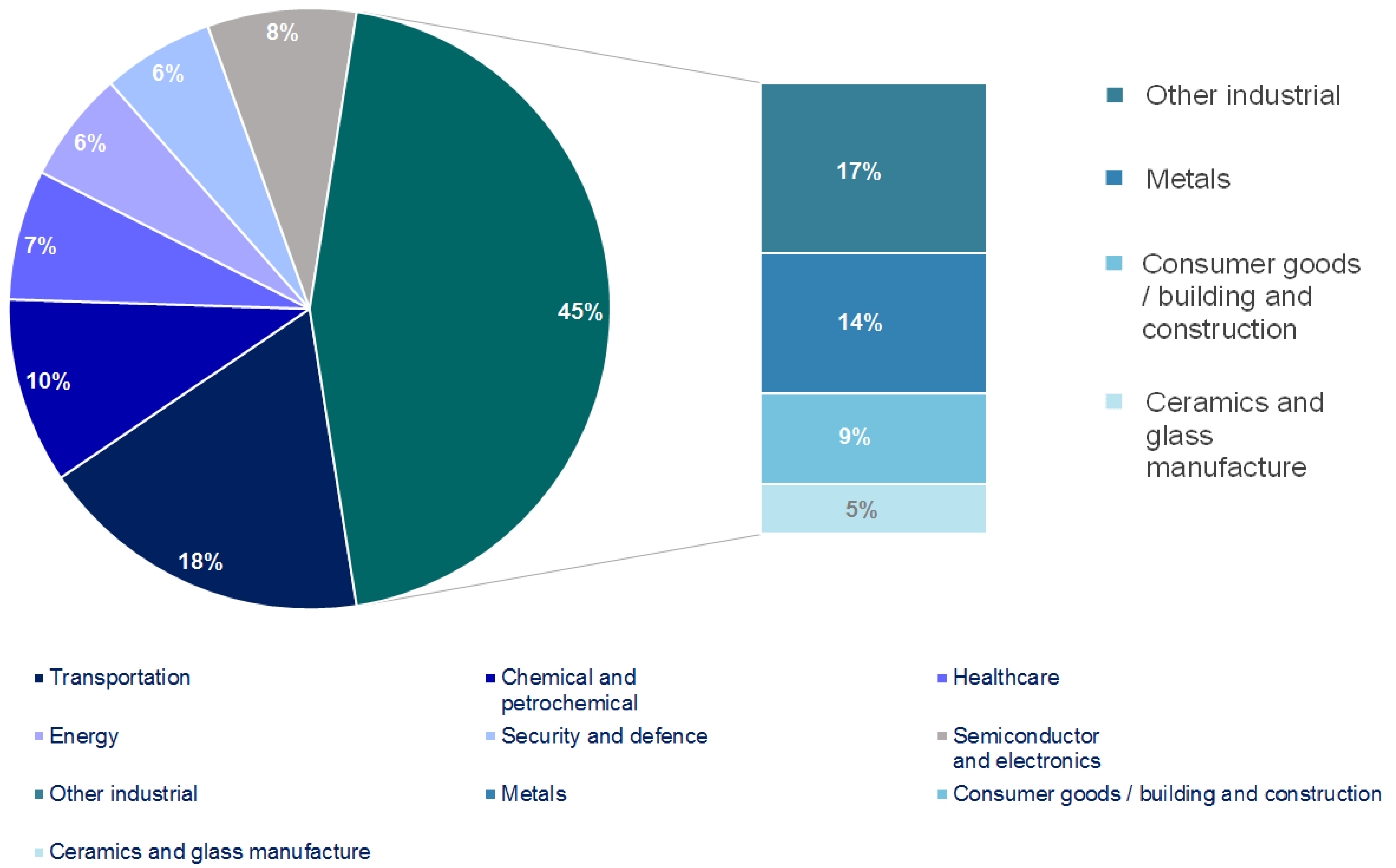
Rail, Industrial equipment, Power generation, Electronics and semiconductor

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 %	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Thermal Ceramics	421.4	364.7	48.7	42.0	11.6%	11.5%
Molten Metal Systems	57.8	47.7	7.8	6.3	13.5%	13.2%
Electrical Carbon	188.7	164.9	39.7	32.8	21.0%	19.9%
Seals and Bearings	148.5	135.9	19.0	22.9	12.8%	16.9%
Technical Ceramics	295.7	237.3	41.7	26.4	14.1%	11.1%
Corporate costs	-	-	(5.9)	(5.9)	-	-
Group	**1,112.1**	**950.5**	**151.0**	**124.5**	**13.6%**	**13.1%**

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.

Reported statutory figures

£m	Year ended 31 December 2022			Year ended 31 December 2021		
	Results before specific adjusting items	Specific adjusting items	Total	Results before specific adjusting items	Specific adjusting items	Total
Revenue	**1,112.1**	**-**	**1,112.1**	**950.5**	**-**	**950.5**
Operating costs before amortisation of intangible assets	(961.1)	(5.5)	(966.6)	(826.0)	(5.4)	(831.4)
Profit from operations before amortisation of intangible assets	**151.0**	**(5.5)**	**145.5**	**124.5**	**(5.4)**	**119.1**
Amortisation of intangible assets	(4.7)	-	(4.7)	(6.0)	-	(6.0)
Operating profit/(loss)	**146.3**	**(5.5)**	**140.8**	**118.5**	**(5.4)**	**113.1**
Net financing costs	(9.2)	-	(9.2)	(9.2)	-	(9.2)
Share of profit of associate (net of income tax)	-	-	-	0.4	-	0.4
Profit/(loss) before taxation	**137.1**	**(5.5)**	**131.6**	**109.7**	**(5.4)**	**104.3**
Income tax (expense)/credit	(37.1)	1.1	(36.0)	(29.7)	1.5	(28.2)
Profit/(loss) from continuing operations	**100.0**	**(4.4)**	**95.6**	**80.0**	**(3.9)**	**76.1**
Profit from discontinued operations	-	1.1	1.1	-	5.7	5.7
Profit/(loss) for the period	**100.0**	**(3.3)**	**96.7**	**80.0**	**1.8**	**81.8**
Profit/(loss) for the period attributable to:						
Shareholders of the Company	91.3	(3.3)	88.0	71.5	2.3	73.8
Non-controlling interests	8.7	-	8.7	8.5	(0.5)	8.0
Profit/(loss) for the period	**100.0**	**(3.3)**	**96.7**	**80.0**	**1.8**	**81.8**

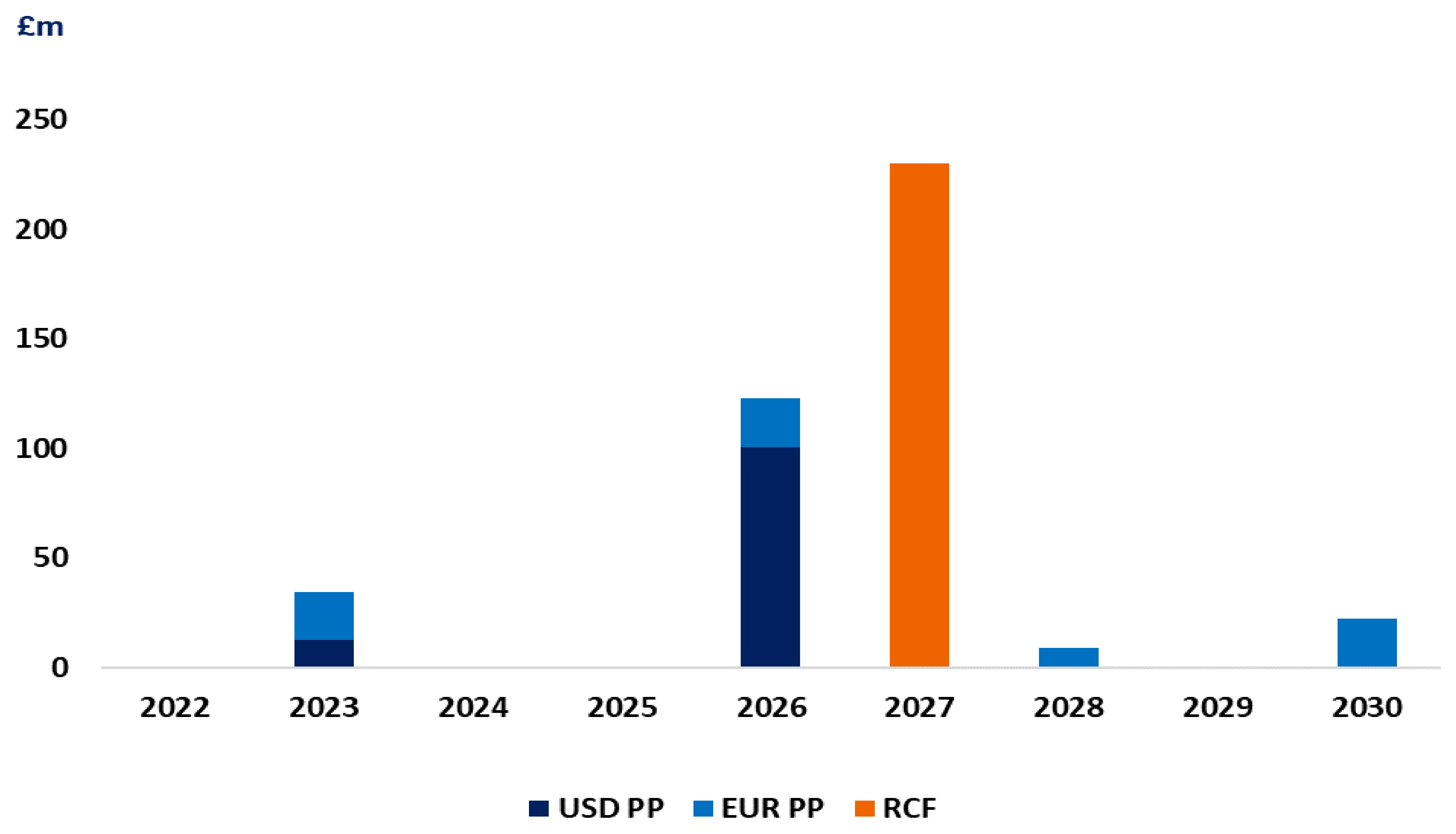
Cash flow summary

£m	FY 2022	FY 2021
EBITDA	189.1	162.5
Change in working capital	(44.7)	(9.0)
Change in provisions and other (incl. pension contribution)	(85.3)	(17.6)
Cash generated from continuing operations	**59.1**	**135.9**
Net capital expenditure	(57.4)	(28.1)
Net interest on cash and borrowings	(5.4)	(5.3)
Tax paid	(31.8)	(25.4)
Lease payments and interest	(11.4)	(10.9)
Free cash flow before acquisitions, disposals and dividends	**(46.9)**	**66.2**
Dividends paid to external plc shareholders	(31.6)	(19.1)
Net cash flows from other investing and financing activities	(10.3)	(15.0)
Cash flows from sale of subsidiaries and associates	0.4	15.0
Net cash flows from discontinued operations	1.1	5.3
Exchange movement and other non-cash movements	(14.5)	1.9
Opening net debt excluding lease liabilities	(46.7)	(101.0)
Closing net debt excluding lease liabilities	**(148.5)**	**(46.7)**
Closing lease liabilities	(51.9)	(49.8)
Closing net debt	**(200.4)**	**(96.5)**

- Working capital outflow primarily driven by business growth, including an increase in inventory of £25.2m
- Free cash outflow of £(46.9)m, including an increase in capex capacity investment of £29.3m and a one-off pension contribution of £67.0m
- Effective tax rate remains at 27.0%
- Net debt (excluding lease liabilities) of £148.5m, in line with expectations at 0.8x (FY 2021: 0.3x)

Strong balance sheet and available liquidity

Facilities maturity profile



Headroom on banking covenants

Net debt to EBITDA excluding the impact of IFRS 16: 0.8x (FY2021: 0.3x)

Significant liquidity

£154.0m undrawn RCF plus available net cash and cash equivalents of £116.2m

Average cost of fixed rate debt = 2.92%

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:	FY 2022 Closing rate	FY 2022 Average rate	FY 2021 Closing rate	FY 2021 Average rate
USD	1.21	1.24	1.35	1.38
Euro	1.13	1.17	1.19	1.16

For illustrative purposes, the table below provides details of the impact on FY 2022 revenue and adjusted operating profit[1] if the actual reported results, calculated using FY 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 FY 2022 revenue/adjusted operating profit if:	Revenue £m	Adjusted operating profit[1] £m
GBP weakens by 10c against USD in isolation	16.9	2.2
GBP weakens by 10c against the Euro in isolation	21.8	3.5

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

Adjusted earnings per share

£m	FY 2022	FY 2021
Profit for the period attributable to shareholders of the Company	88.0	73.8
Profit from discontinued operations	(1.1)	(5.7)
Profit from continuing operations	86.9	68.1
Specific adjusting items	5.5	5.4
Amortisation of intangible assets	4.7	6.0
Tax effect of the above	(1.1)	(1.5)
Non-controlling interests' share of the above adjustments	-	(0.5)
Adjusted earnings	**96.0**	**77.5**
Weighted average number of shares in the period	284.2	284.6
Adjusted earnings per share (pence)	**33.8**	**27.2**

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