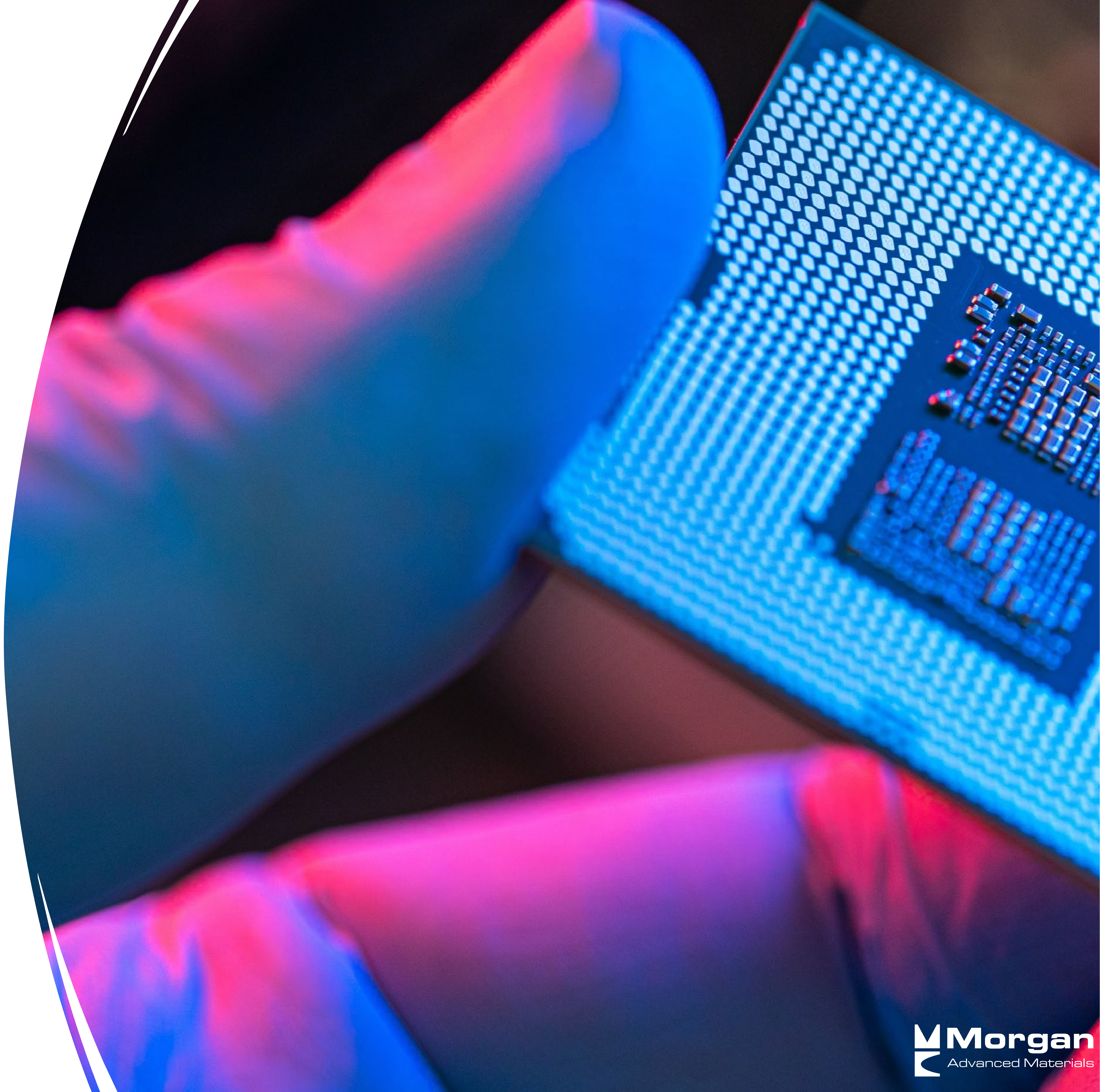
2023 FY results presentation

Results in line, business simplification, higher growth outlook

12 March 2024



Agenda

- Introduction and summary – Pete Raby
- 2023 Full year results – Richard Armitage
- Operational and strategic update – Pete Raby

Results in line, business simplification, higher growth outlook

- Organic constant-currency* revenue growth of 2.5%, with 10.4% from our faster growing markets
- Adjusted operating profit of £120.3m, adjusted operating profit margin of 10.8% and ROIC of 17.6%
- Recovery from cyber security incident now substantially complete
- Cash generated from continued operations of £126.3 million, reflecting full recovery of the mid-year increase in working capital
- Strong balance sheet with net debt*/EBITDA (excl. leasing)* of 1.2 times
- Absolute CO2e emissions (from scope 1 and 2) reduced by 25% compared with 2022
- Simplification of Group structure announced alongside additional cost reduction programme
- Further market demand driving an acceleration of Semiconductor investment, with higher medium-term Group growth now expected
- Underlying outlook for 2024 performance unchanged, foreign exchange headwind anticipated

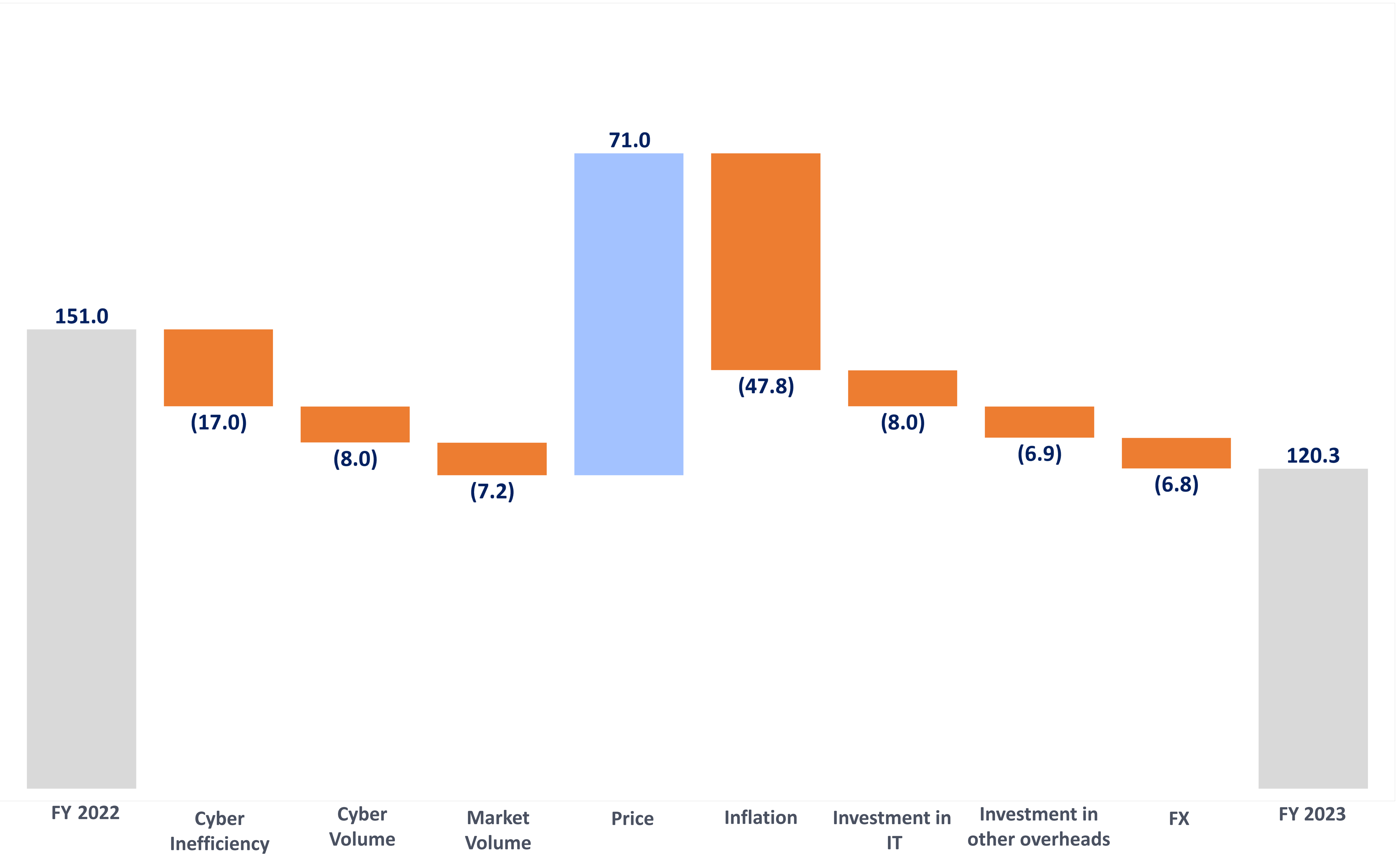
2023 Full year results
Richard Armitage

Group Performance

£m	FY 2023	FY 2022	% change from FY 2022	
			As reported	At organic constant-currency
Revenue	**1,114.7**	**1,112.1**	**0.2%**	**2.5%**
Group adjusted operating profit[1]	**120.3**	**151.0**	**(20.3)%**	**(16.6)%**
Group adjusted operating profit margin %	*10.8%*	*13.6%*		
Return on invested capital %[2]	*17.6%*	*23.7%*		
Cash generated from continuing operations	**126.3**	**59.1**	**113.7%**	
Free cash flow before acquisitions, disposals and dividends	**14.6**	**(46.9)**		
Adjusted earnings per share	**25.0p**	**33.8p**	**(26.0)%**	
Total dividend per share	**12.0p**	**12.0p**	**-%**	

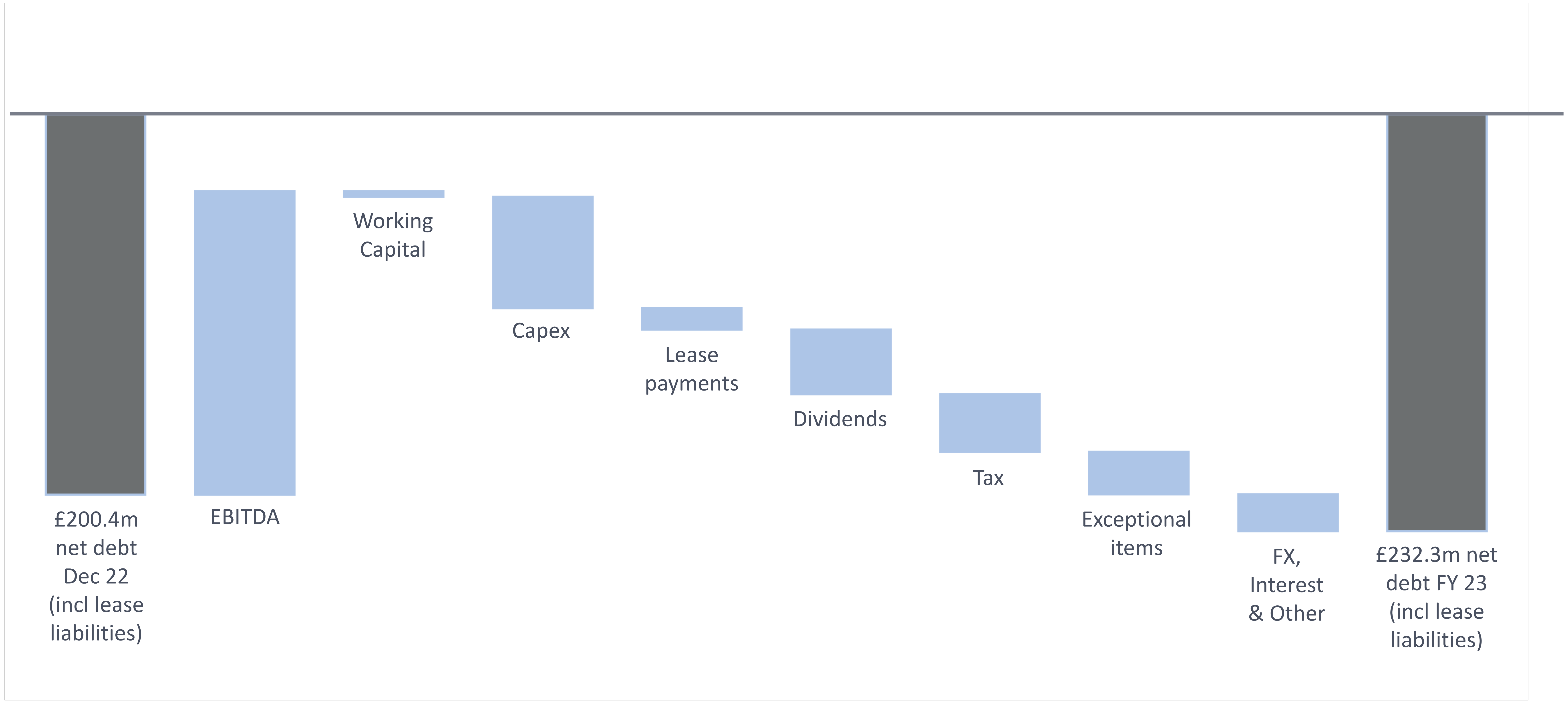
1 Group adjusted operating profit is before specific adjusting items and amortisation of intangible assets.
2. The ROIC calculation has been simplified so that it can be calculated from published information and the prior period comparative has been restated to follow the same methodology. See slide 31 in the appendix for details.

Group adjusted operating profit bridge



- Principal impacts of cyber security incident are:
  - lower volume due to capacity constraints; and
  - costs of inefficient operation during the cyber incident
- Volume shows impact of industrial slowdown impacting core markets in H2
- Pricing measures continue to more than offset cost inflation
- Increased investment in IT infrastructure
- Increase in overheads (excluding inflation) limited to £7m.

Cash flow summary



Working capital outflow of **£(3.0)m**

2022 : £(44.7)m

Capital investment of **£58.5m**

2022 : £57.4m

Free cash flow of **£14.6m**

2022 : £(46.9)m

Net debt (excl lease liabilities) of £185.2m, net debt/EBITDA of **1.2x**

2022 : 0.8x

Simplification and restructuring

£m	FY 2023	FY 2024	FY 2025	Total
Adjusted operating profit[1] benefits (incremental)	1	7	10	-
Costs charged to specific adjusting items	(7)	(11)	(2)	(20)

- Simplification into three segments supports our growth ambition by allowing resources to be focused on most attractive opportunities:
  - Thermal Products
  - Performance Carbon
  - Technical Ceramics
- Further improvement in efficiency through the closure of four manufacturing sites
- Cost savings from simplification, along with back-office streamlining and other cost reductions recognise weaker short-term demand in some of our Industrial end-markets.

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

FY2023 Specific adjusting items

Cyber security incident: Legal, advisory, IT recovery and impairment charges arising from the cyber incident	£14.7m
Argentina: Impairment and currency adjustments arising from the devaluation of the Argentine Peso in December 2023	£5.8m
Restructuring programme: Staff redundancy and site closure costs associated with our new restructuring programme (£6.5m), partly offset by a release of £3.0m in relation to our 2020 restructuring programme	£3.5m
Others: Net business closure and exit costs of £1.9m, and a net credit of £0.8m from an impairment review of non-financial assets	£1.1m

FY2024 technical guidance

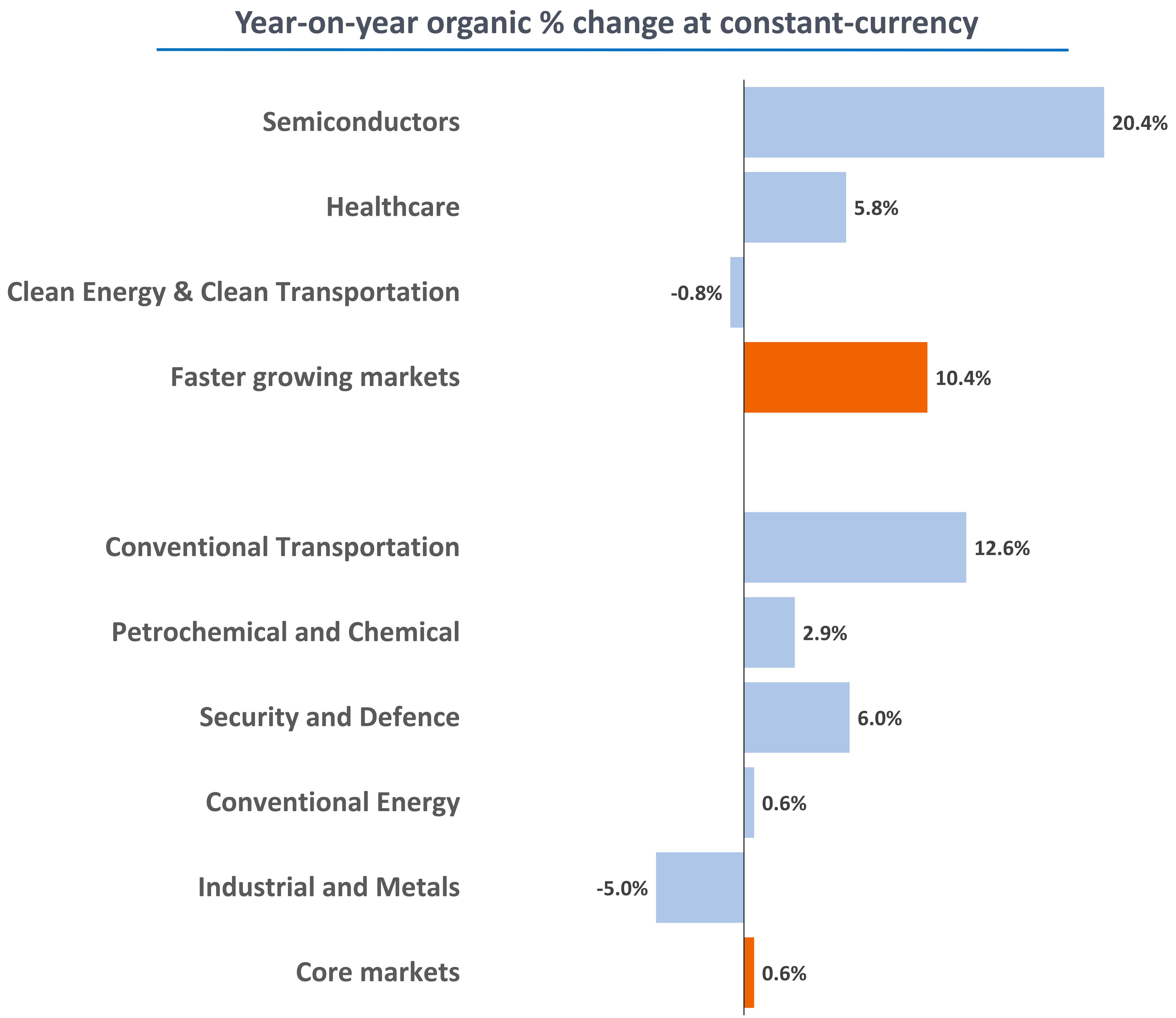
Capital expenditure	c. £120m
Net finance charge: Interest charges (c. £16-17m) IAS 19 pensions net interest charge (c. £0.5m) IFRS 16 lease interest (c. £2m)	c. £18-20m
Effective tax rate	25-27%
Non-UK defined benefit pension scheme contributions	c. £3-4m
Dividend Policy in the medium term	c. 2.5x
Foreign currency impacts	c.£5m headwind anticipated

A disciplined approach to delivering improving growth and returns

Delivering enhanced EPS growth	Clear through cycle financial framework
Organic revenue growth	**4-7% organic revenue growth (increased from 3-6%)**
+	
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

Growth across major market segments



- Strong semiconductor growth in both carbon and ceramic products with SiC power electronics particularly strong
- Growth in vacuum insulation and medical seals
- Destocking in rail and weakness in China

- Aerospace driving the growth in this segment
- Growth in aftermarket Seals & Bearings
- Broad-based growth in Defence demand
- Conventional energy reflecting weaker economic demand
- Decline predominantly driven by weak industrial demand, particularly in Europe.

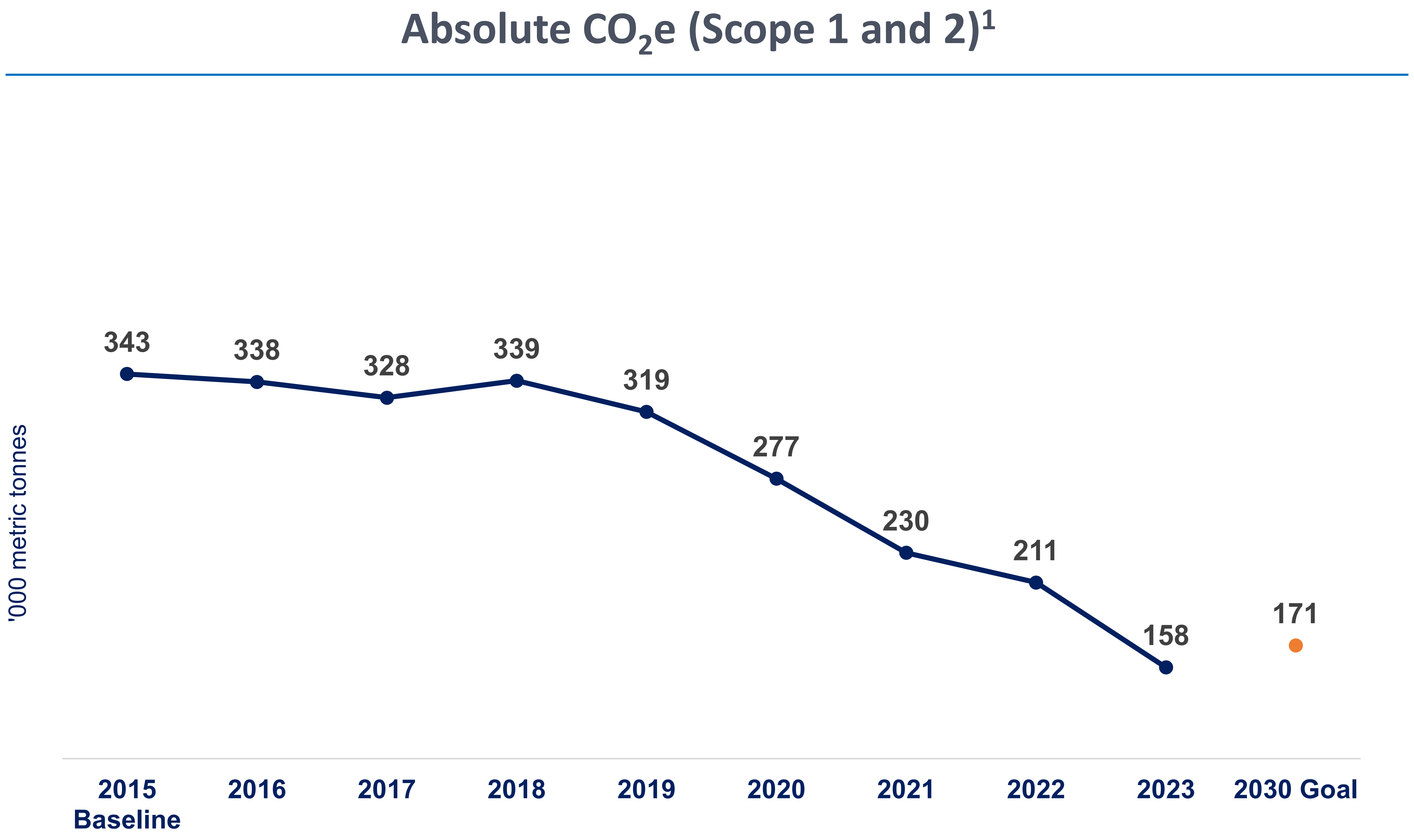
Segmental performance

	Revenue £m		Organic constant-currency growth	Adjusted operating profit[1] £m		Margin %	
	FY 2023	FY 2022	%	FY 2023	FY 2022	FY 2023	FY 2022
Thermal Ceramics	402.2	421.4	(0.7)%	34.5	48.7	8.6%	11.6%
Molten Metal Systems	52.2	57.8	(8.1)%	5.7	7.8	10.9%	13.5%
Electrical Carbon	201.4	188.7	9.7%	41.5	39.7	20.6%	21.0%
Seals and Bearings	145.8	148.5	(1.2)%	11.4	19.0	7.8%	12.8%
Technical Ceramics	313.1	295.7	6.4%	33.1	41.7	10.6%	14.1%
Corporate costs	-	-		(5.9)	(5.9)	-	-
Group	**1,114.7**	**1,112.1**	**2.5%**	**120.3**	**151.0**	**10.8%**	**13.6%**

- Revenue growth depressed by 2.5% overall and margins by 2.2% overall as a result of the cyber security incident
- Cyber impact greatest in Seals and Bearings and Technical Ceramics as their ERP systems had to be replaced
- Margins in other GBUs have seen greater improvement in the second half
- Market weakness in the second half in all GBUs in European Industrial and Metals markets
- Overall Group margins were 12.5% in the second half, within range of our financial framework

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

CO_2e emissions now 50% below 2015 baseline



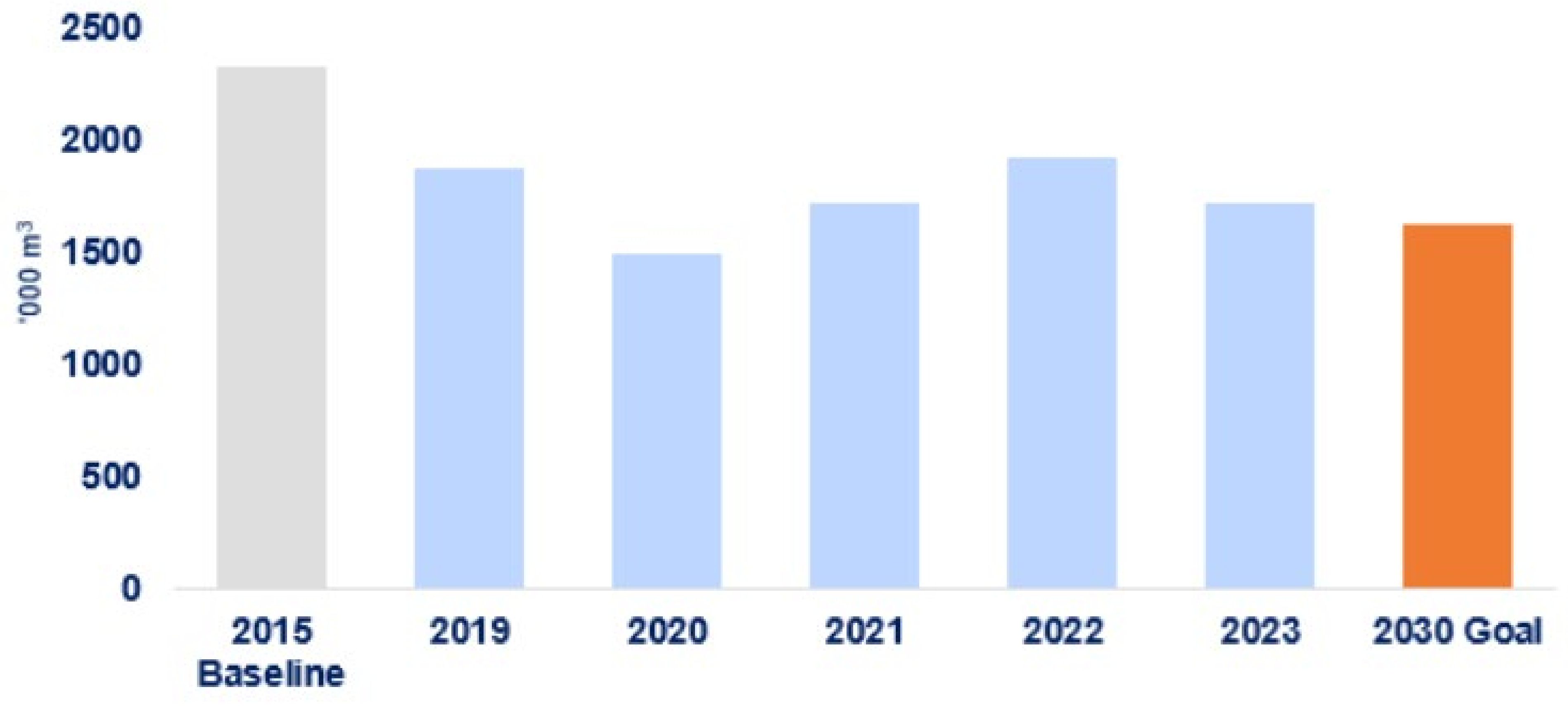
25% reduction in absolute CO_2e emissions compared with FY 2022 driven by:

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

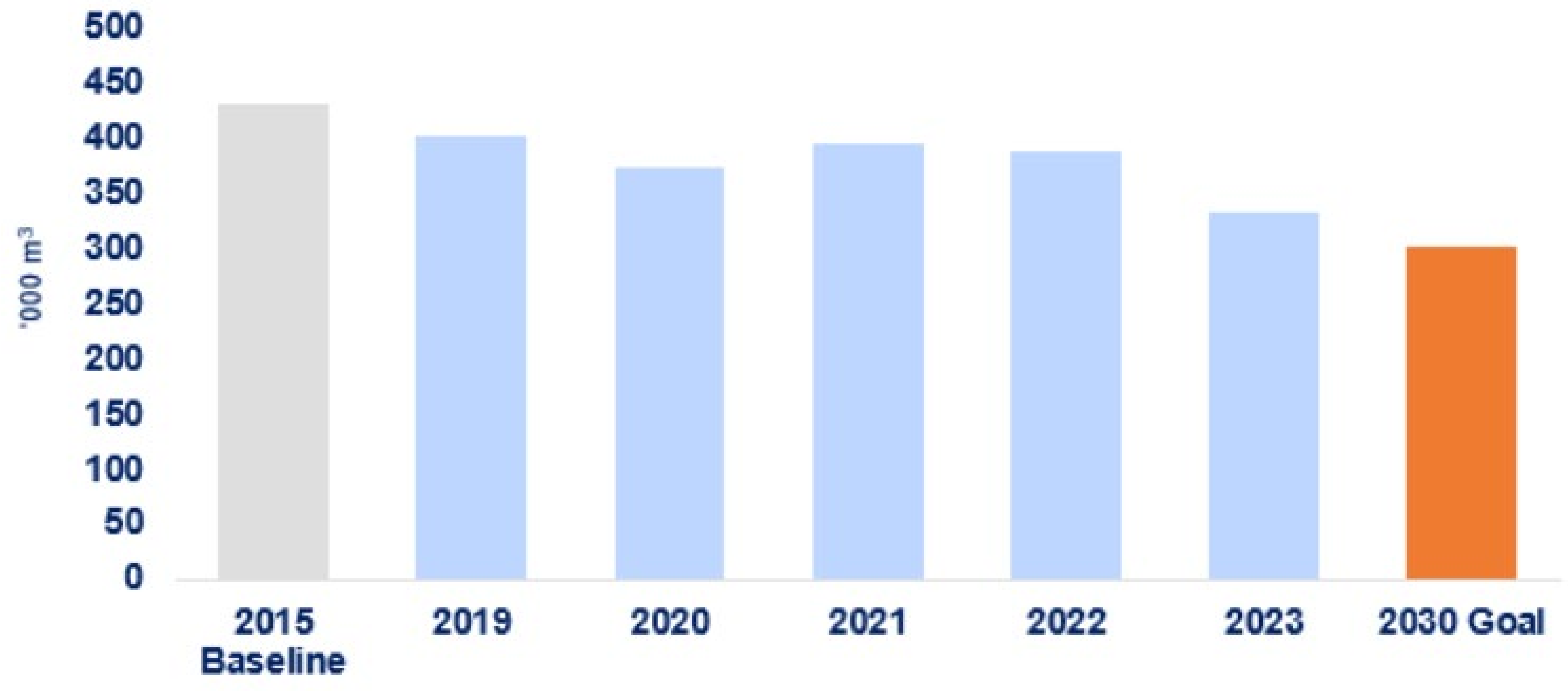
1 Scope 1 and 2 relate to CO_2e emissions from direct and indirect sources, respectively.

Water, Safety and Diversity

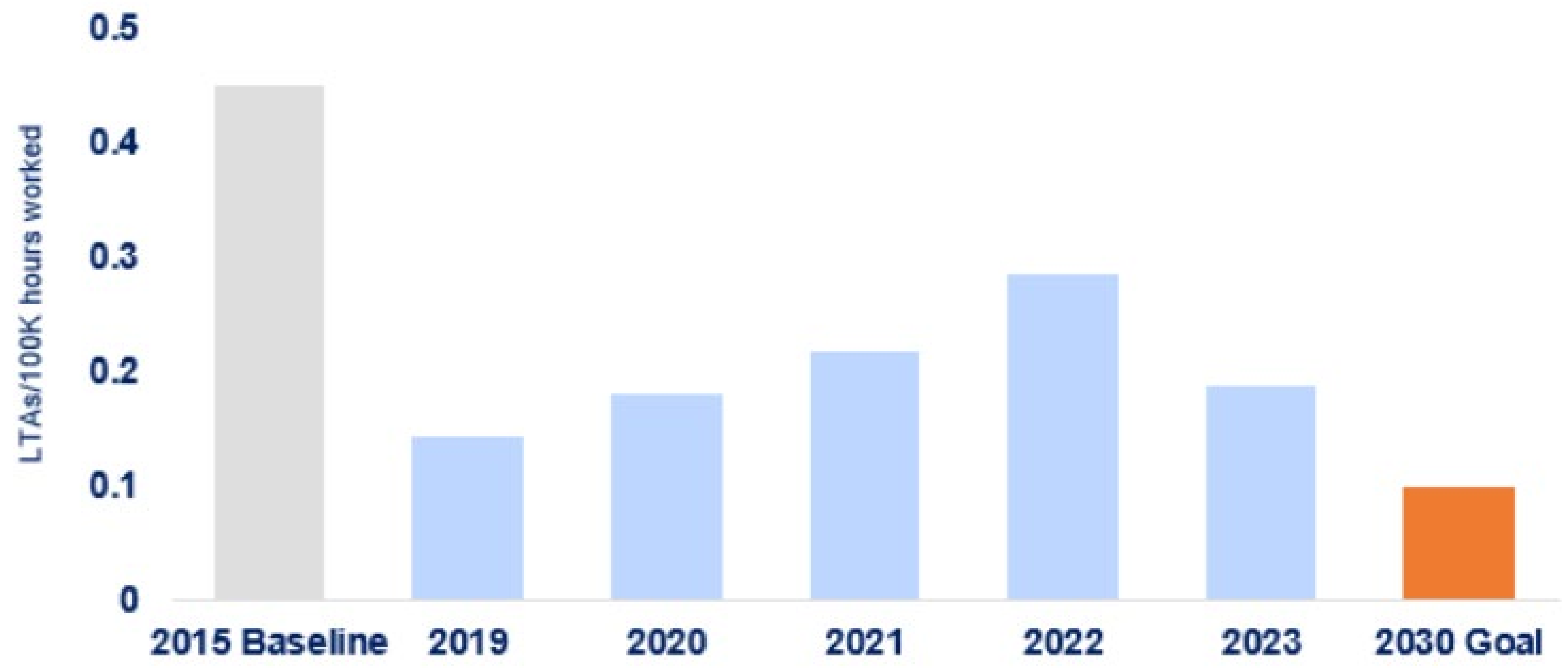
Water usage



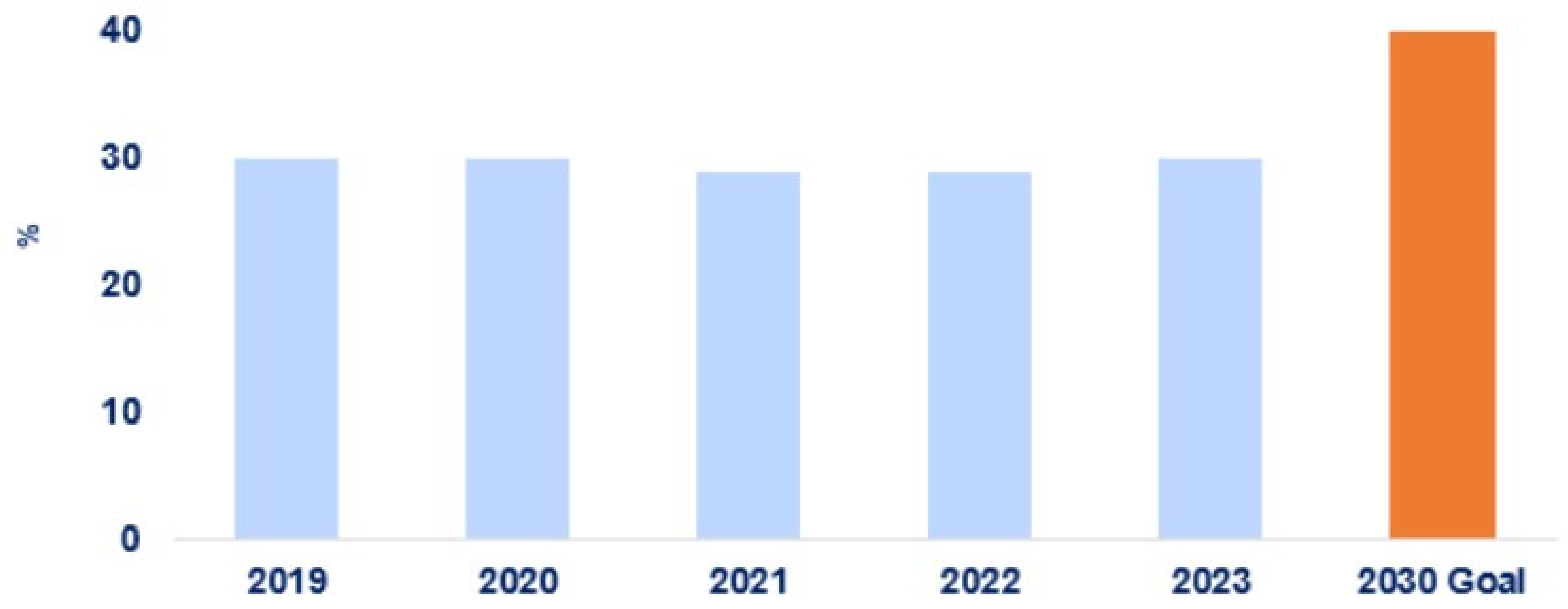
Water usage in stressed areas



Lost time accident rate



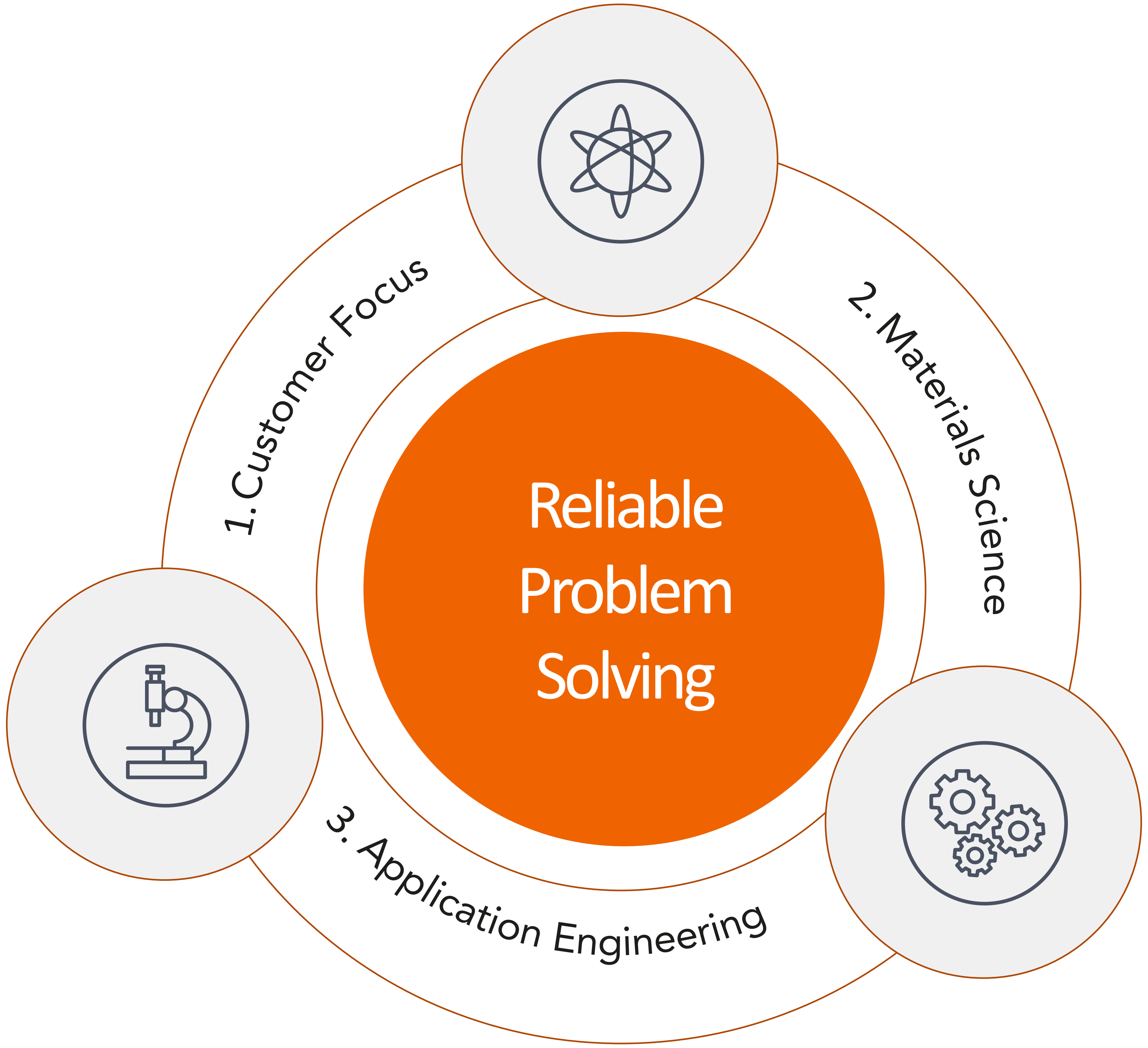
% Female leadership population[1]



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

Our strategy for growth

Three distinctive capabilities...



...applied to markets where we are differentiated, can grow and operate at scale

Core

- Industrial & metals
- Petrochemical
- Aerospace & Defence

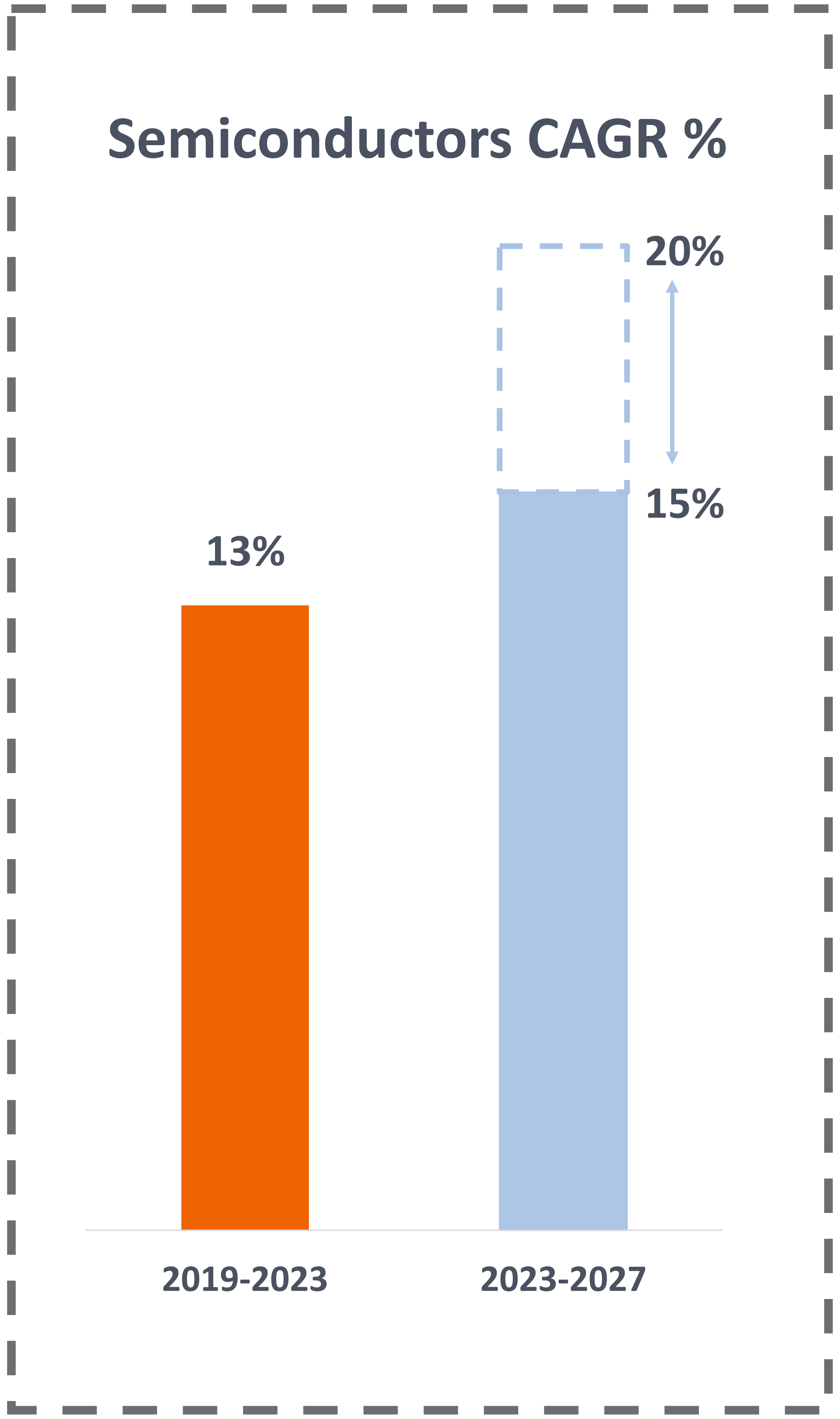
Faster growing

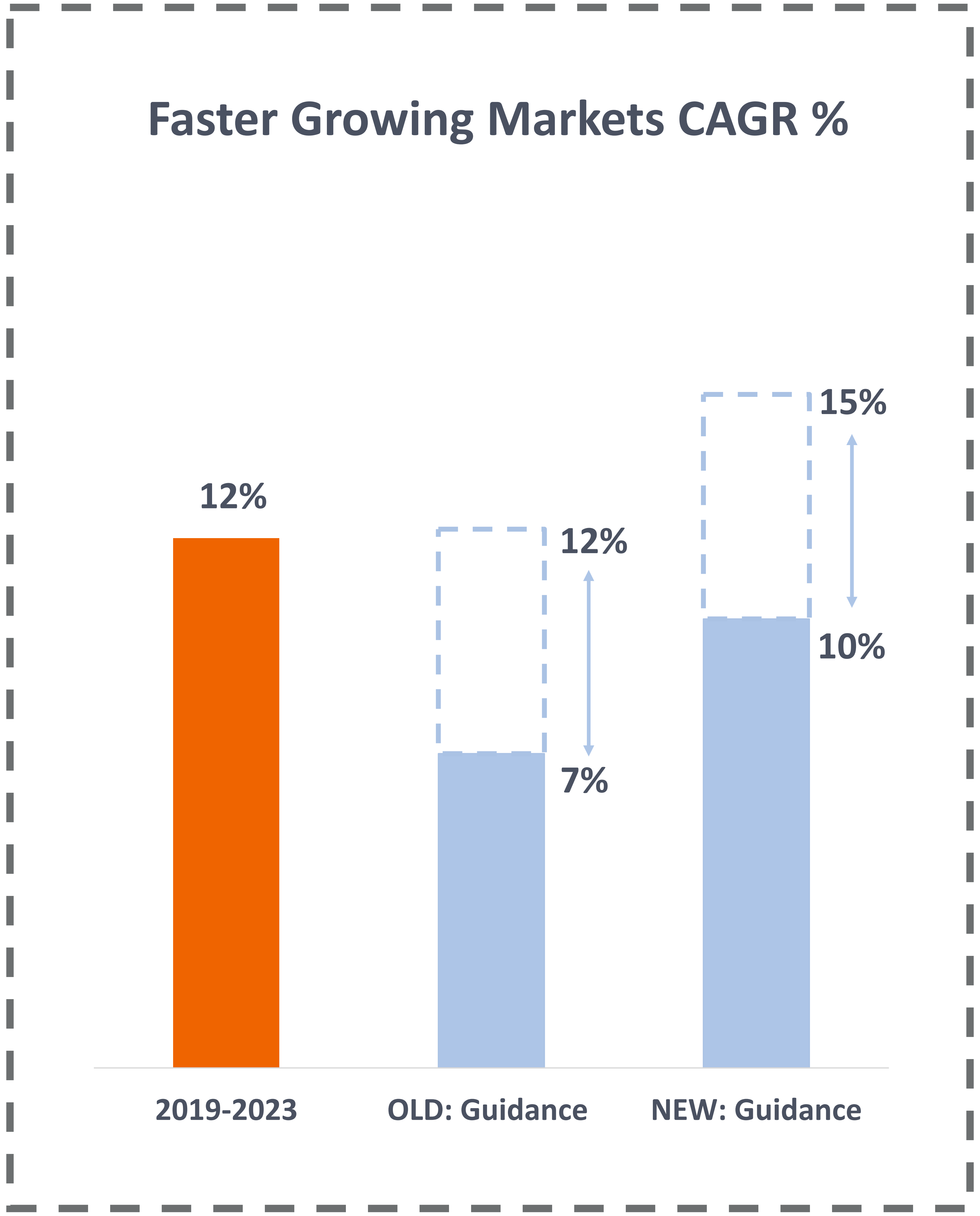
- Semiconductors
- Healthcare
- Clean energy & clean transportation

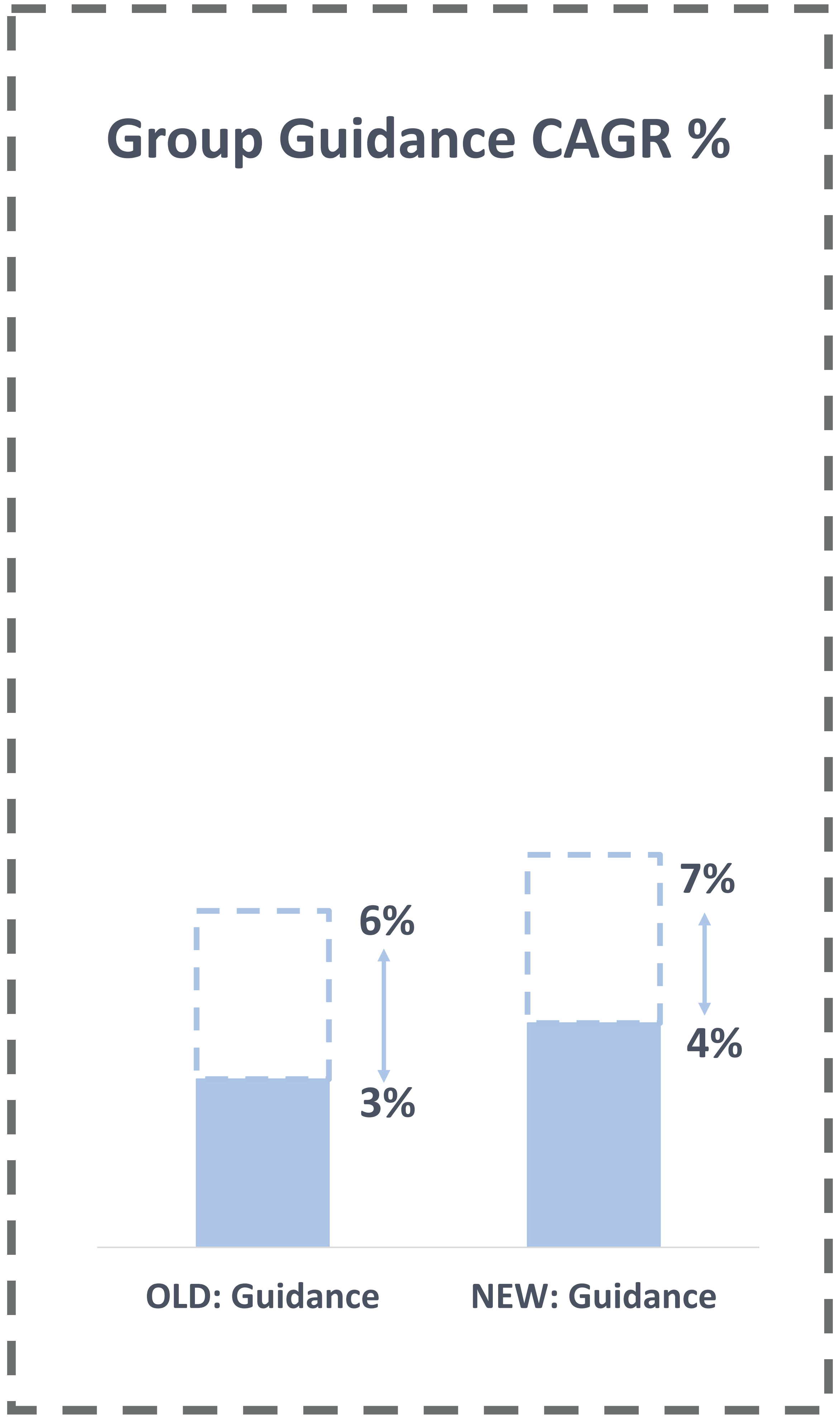
Leading differentiated positions

Market	Share of revenue (%) (FY 2023)	Market Position	Differentiation
Faster growing			L H
Semiconductors	9.7%	Emerging/Top 3	
Healthcare	7.1%	Leader	
Clean energy + clean transportation	4.5%	Emerging	
	21.3%		
Core			L H
Industrial	28.3%	Leader/Top 3	
Metals	13.5%	Top 3	
Petrochemical	9.9%	Leader	
Aerospace & Defence	17.0%	Leader	
Other (inc Automotive)	10.0%	Top 3	
	78.7%		

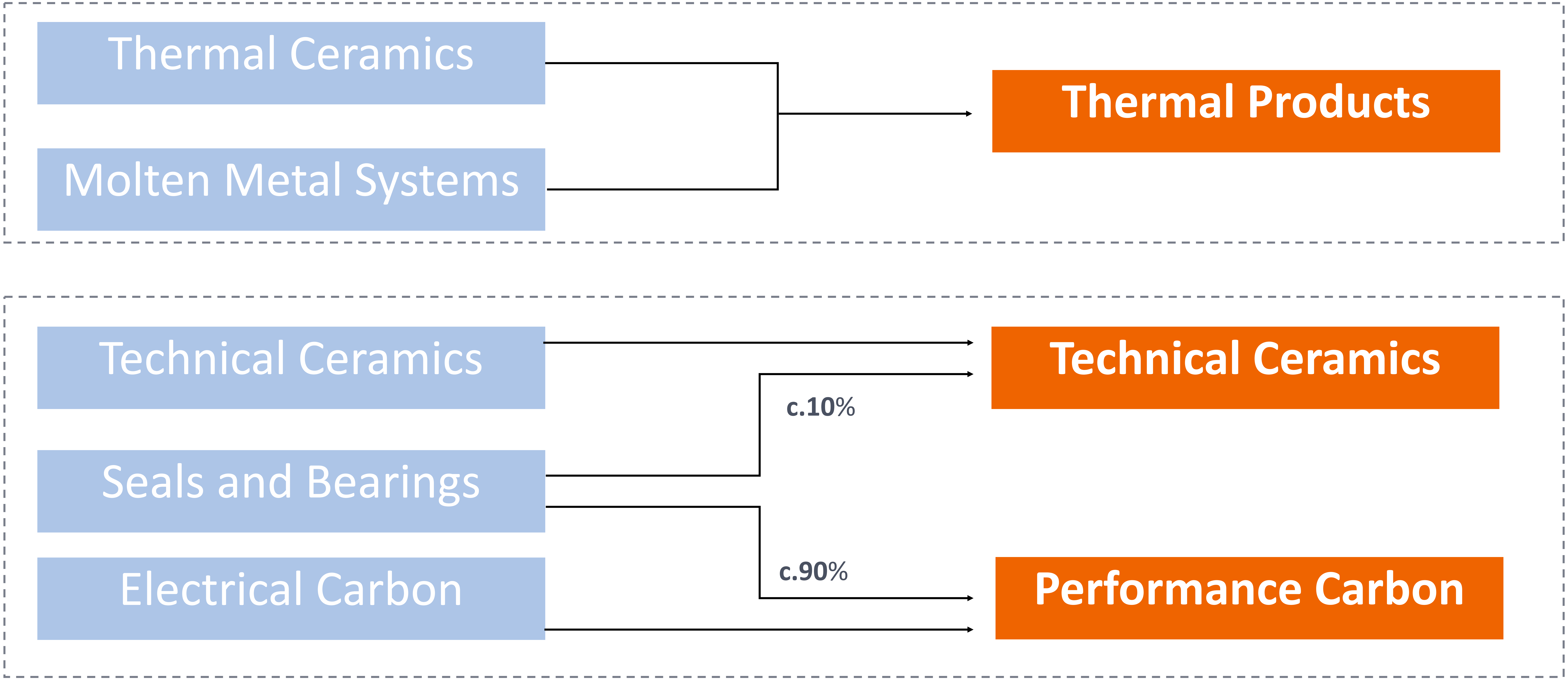
Semiconductors are growing more quickly and accelerating Group growth







Business Simplification



New segmental reporting format for 2024

	Revenue £m		Adjusted operating profit[1] £m		Margin %	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Thermal Products	454.4	479.2	40.2	56.5	8.8%	11.8%
Performance Carbon	327.2	321.7	50.0	57.3	15.3%	17.8%
Technical Ceramics	333.1	311.2	36.0	43.1	10.8%	13.8%
Corporate costs	-	-	(5.9)	(5.9)	-	-
Group	**1,114.7**	**1,112.1**	**120.3**	**151.0**	**10.8%**	**13.6%**

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

Why Morgan?

1

Well positioned in attractive, high-growth markets

2

Leading, differentiated market positions

3

Sustainable solutions for a greener future

4

Resilient group delivering attractive through cycle returns Sustainable solutions for a greener future

Summary

- Despite the cyber security incident, we have grown revenue +2.5%, with +10.4% growth from our faster growing markets
- Margins recovered to 12.5% in the second half, in line with our financial framework
- We are increasing our investment in capacity for the semiconductor market, lifting the group’s growth rate
- We are restructuring and simplifying our structure and operational footprint
- Our strong balance sheet underpins investment opportunities and the ability to deliver good shareholder returns
- Underlying outlook for 2024 performance is unchanged and aligned with our financial framework, foreign exchange headwind anticipated, with slight weighting to the second half as additional capacity comes online.

Appendix

End-market mix (as a % of revenue)

Main markets by GBU[1]

Thermal Ceramics

Industrial, Chemical and petrochemical, Metals, Automotive

MMS

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

Electrical Carbon

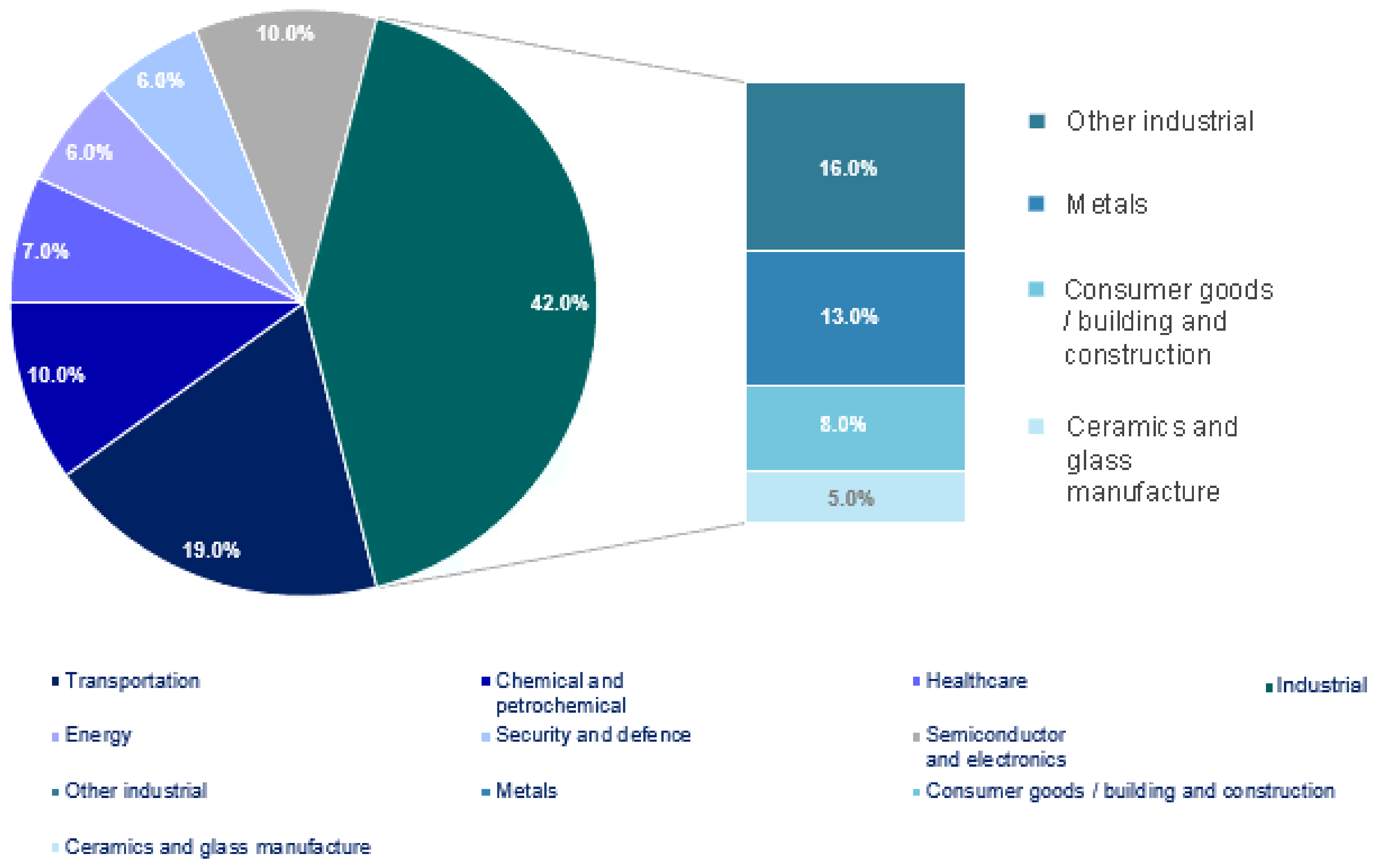
Rail, Industrial equipment, Power generation, Electronics and semiconductor

Seals and Bearings

Petrochemical, Pumps, Aerospace, Automotive, Home appliances

Technical Ceramics

Industrial equipment, Electronics, Aerospace, Healthcare, Energy



1. Categorisation includes both core and faster growing segments

Reported statutory figures

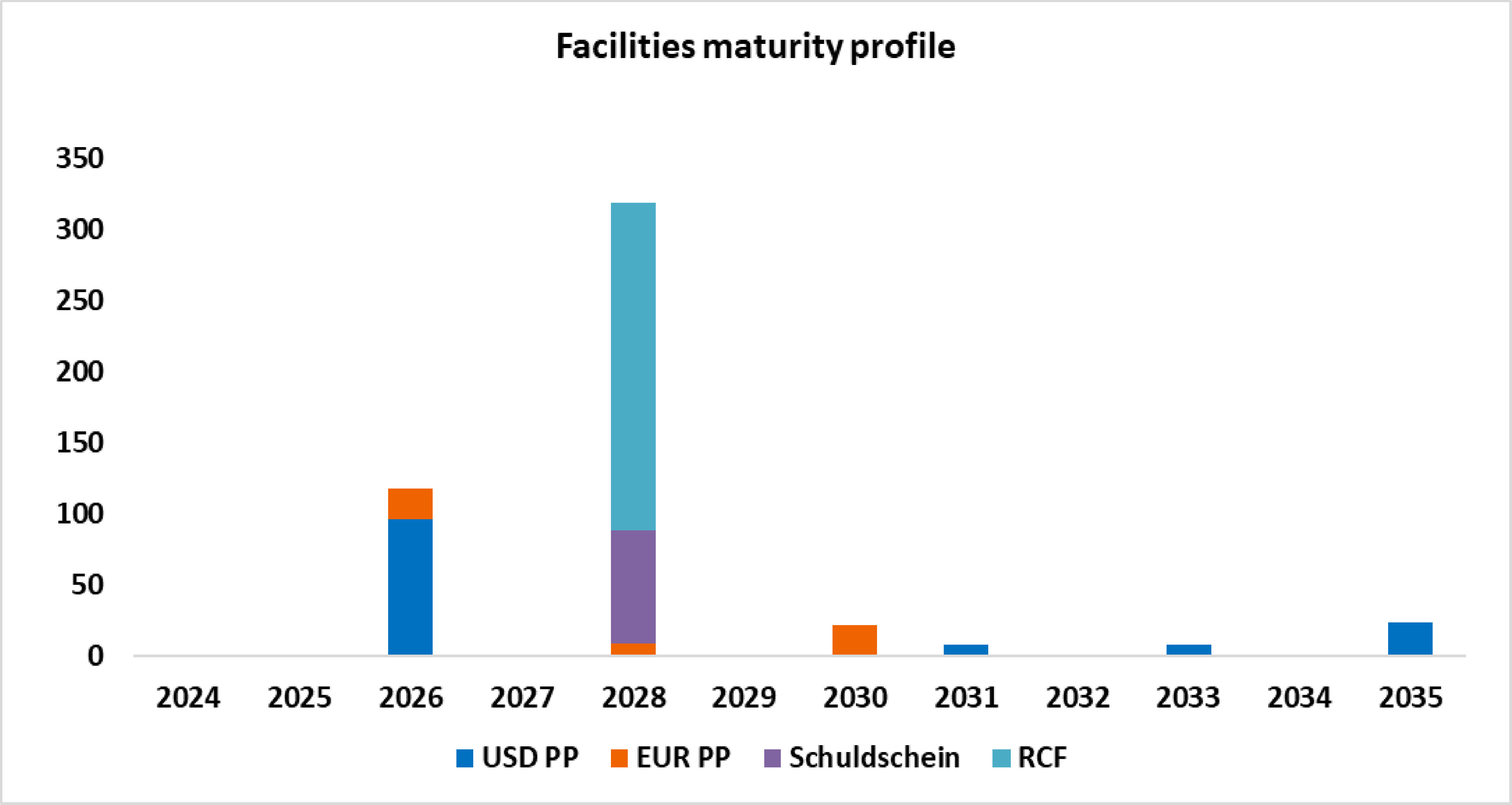
£m	Year ended 31 December 2023 Results before specific adjusting items	Specific adjusting items	Total	Year ended 31 December 2022 Results before specific adjusting items	Specific adjusting items	Total
Revenue	**1,114.7**	**-**	**1,114.7**	**1,112.1**	**-**	**1,112.1**
Operating costs before amortisation of intangible assets	(994.4)	(25.9)	(1,020.3)	(961.1)	1.0	(960.1)
Profit from operations before amortisation of intangible assets, impairments and reversal of impairments of non-financial assets	**120.3**	**(25.9)**	**94.4**	**151.0**	**1.0**	**152.0**
Amortisation of intangible assets	(3.3)	-	(3.3)	(4.7)	-	(4.7)
Impairment of non-financial assets		(7.3)	(7.3)		(6.5)	(6.5)
Reversal of impairment of non-financial assets		8.1	8.1			
Operating profit	**117.0**	**(25.1)**	**91.9**	**146.3**	**(5.5)**	**140.8**
Net financing costs	(14.1)	-	(14.1)	(9.2)	-	(9.2)
Share of profit of associate (net of income tax)	-	-	-	-	-	-
Profit before taxation	**102.9**	**(25.1)**	**77.8**	**137.1**	**(5.5)**	**131.6**
Income tax expense	(26.0)	3.8	(22.2)	(37.1)	1.1	(36.0)
Profit from continuing operations	**76.9**	**(21.3)**	**55.6**	**100.0**	**(4.4)**	**95.6**
Profit from discontinued operations	-	0.7	0.7	-	1.1	1.1
Profit for the period	**76.9**	**(20.6)**	**56.3**	**100.0**	**(3.3)**	**96.7**
Profit for the period attributable to:						
Shareholders of the Company	67.9	(20.6)	47.3	91.3	(3.3)	88.0
Non-controlling interests	9.0	-	9.0	8.7	-	8.7
Profit for the period	**76.9**	**(21.4)**	**56.4**	**100.0**	**(3.3)**	**96.7**

Cash flow summary

£m	FY 2023	FY 2022
EBITDA	159.8	189.1
Change in working capital	(3.0)	(44.7)
Change in provisions and other	(30.5)	(85.3)
Cash generated from continuing operations	**126.3**	**59.1**
Net capital expenditure	(58.5)	(57.4)
Net interest on cash and borrowings	(11.6)	(5.4)
Tax paid	(30.3)	(31.8)
Lease payments and interest	(11.3)	(11.4)
Free cash flow before acquisitions, disposals and dividends	**14.6**	**(46.9)**
Dividends paid to external plc shareholders	(34.2)	(31.6)
Net cash flows from other investing and financing activities	(17.8)	(10.3)
Cash flows from sale of subsidiaries and associates		0.4
Net cash flows from discontinued operations	0.4	1.1
Exchange movement and other non-cash movements	0.3	(14.5)
Opening net debt excluding lease liabilities	(148.5)	(46.7)
Closing net debt excluding lease liabilities	**(185.2)**	**(148.5)**
Closing lease liabilities	(47.1)	(51.9)
Closing net debt	**(232.3)**	**(200.4)**

- Working capital shows recovery from cyber incident with a £45.2m improvement in second half
- Increased capital expenditure as capacity investment accelerates
- Free cash inflow of £14.6m
- Effective tax rate of 25.3%
- Net debt (excluding lease liabilities) of £185.2m, Net debt/EBITDA at 1.2x (FY 2022: 0.8x).

Strong balance sheet and available liquidity



Headroom on banking covenants

- Net debt to EBITDA excluding the impact of IFRS 16 leases: 1.2x (FY 2022: 0.8x).

Significant liquidity

- £187.9m available RCF plus available net cash and cash equivalents of £123.9m
- No scheduled debt maturities until 2026.

Average cost of long term debt = 4%

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 2023 Closing rate	FY 2023 Average rate	FY 2022 Closing rate	FY 2022 Average rate
USD	1.27	1.24	1.21	1.24
Euro	1.15	1.15	1.13	1.17

For illustrative purposes, the table below provides details of the impact on FY 2023 revenue and adjusted operating profit[1] if the actual reported results, calculated using FY 2023 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 2023 revenue/adjusted operating profit if:	Revenue £m	Adjusted operating profit[1] £m
GBP weakens by 10c against USD in isolation	42.8	4.9
GBP weakens by 10c against the Euro in isolation	21.5	2.5

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

Adjusted earnings per share

£m	FY 2023	FY 2022
Profit for the period attributable to shareholders of the Company	47.3	88.0
Profit from discontinued operations	(0.7)	(1.1)
Profit from continuing operations	46.6	86.9
Specific adjusting items	25.1	5.5
Amortisation of intangible assets	3.3	4.7
Tax effect of the above	(3.8)	(1.1)
Non-controlling interests' share of the above adjustments	-	-
Adjusted earnings	**71.2**	**96.0**
Weighted average number of shares in the period	284.8	284.2
Adjusted earnings per share (pence)	**25.0**	**33.8**

ROIC Definition Chart

Simplified ROIC Calculation	FY 2023		FY 2022	
	2023 H1	2023 H2	2022 H1	2022 H2
Operating profit	34.5	57.4	70.2	70.6
Add back: Exceptional	13.4	11.7	0.0	5.5
Add back: Amortisation	2.1	1.2	2.3	2.4
Adjusted operating profit	50.0	70.3	72.5	78.5
12 month adjusted operating profit		**120.3**		**151.0**
	2022 FY	**2023 FY**	**2021 FY**	**2022 FY**
Inventory	174.2	175.1	140.7	174.2
Trade receivables	202.5	191.6	161.4	202.5
Trade payables	(195.0)	(192.0)	(177.2)	(195.0)
	181.7	174.7	124.9	181.7
Property, plant and equipment	283.2	293.8	248.1	283.2
Right-of-use assets	33.6	31.6	31.9	33.6
Goodwill	181.9	177.5	172.9	181.9
Other intangible assets	7.1	4.7	10.2	7.1
Capital employed	687.5	682.3	588.0	687.5
Average capital employed		**684.9**		**637.8**
FY ROIC		**17.6%**		**23.7%**

Return on invested capital (ROIC) has been simplified this year so that it can be recalculated from published data. It is now defined as:

12-month adjusted operating profit (operating profit excluding specific adjusting items and amortisation of intangible assets) ***divided by*** the average adjusted net assets (excludes long-term employee benefits, deferred tax assets and liabilities, current tax payable, provisions, cash and cash equivalents, borrowings, bank overdrafts and lease liabilities).

12-month adjusted operating profit: sum of profit in FY 2023.

Average adjusted net assets: average closing position of FY 2022 and FY 2023.

FY 2023 ROIC: 12-month adjusted operating profit / average adjusted net assets.

Under the previous methodology (which used 12-month adjusted operating profit and 12-month average adjusted net assets), ROIC as at 31 December 2023 was 16.7% (31 December 2022: 22.4%).

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