2021 Year end results presentation

4 March 2022

Agenda

- Introduction and summary – Pete Raby
- 2021 Year end results – Peter Turner
- Operational and strategic update – Pete Raby

Key highlights

- The safety of our people is our priority and we continue to operate protection measures to keep our employees safe during the pandemic
- Organic constant-currency revenue growth of 10.3% with 22%[1] from our faster growing markets and 7% from our core markets
- Adjusted operating profit margin was 13.1%, up by 300 bps, the highest in more than 20 years
- Pricing and continuous improvement efficiency actions continue to more than offset cost inflation
- ROIC % of 20.5%, up 750 bps on the previous year
- Adjusted earnings per share of 27.2p, up 43% on the previous year
- Strong cash flow, with free cash flow of £66.2m driving a further reduction in leverage, with net debt / EBITDA (excluding leasing) of 0.3x
- Scope 1 and 2 CO_2e emissions reduced by 17% compared with the previous year

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

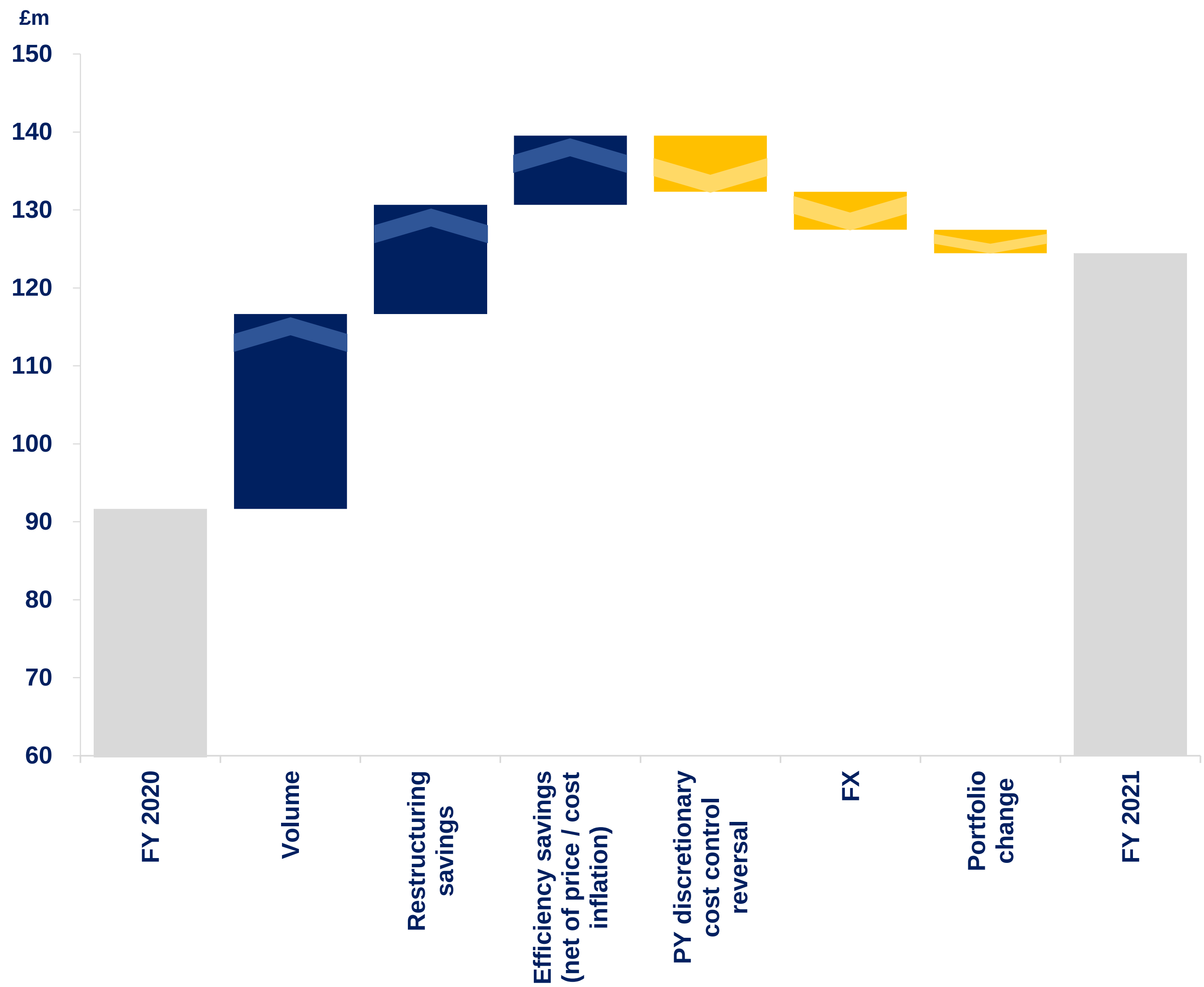
2021 Year end results
Peter Turner

Group performance

£m	FY 2021	FY 2020	% change from FY 2020	
			As reported	At organic constant-currency
Revenue	950.5	910.7	4.4%	10.3%
Group adjusted operating profit[1]	124.5	91.7	35.8%	48.6%
Group adjusted operating profit margin % [1]	*13.1%*	*10.1%*		
ROIC %	*20.5%*	*13.0%*		
Cash generated from continuing operations	135.9	146.3	(7.1%)	
Free cash flow before acquisitions, disposals and dividends	66.2	72.4		
Adjusted earnings per share	27.2p	19.0p	43.2%	
Total dividend per share	9.1p	5.5p	65.5%	

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

Group adjusted operating profit bridge



- Margin expansion from volume growth driven by recovery in the economy
- Delivery of the restructuring programme benefits
- Pricing and continuous improvement efficiency actions continue to more than offset cost inflation
- Reversal of prior year discretionary cost control measures
- Headwind from foreign exchange translations
- Business exits in Technical Ceramics

Emerging stronger: Group restructuring and efficiency programme

The Group restructuring and efficiency programme to simplify Morgan's structure and drive efficiency in operations is on track.

We have closed sites as planned with the last site closed in the second half of 2021.

2021 savings were £20 million in line with expectations previously reported. Full-year run rate benefits of £23 million for 2022 remain unchanged.

The expected phasing of the benefits and costs is as follows:

£m	FY 2020	FY 2021	FY 2022	Total
Adjusted operating profit[1] benefits (incremental)	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.

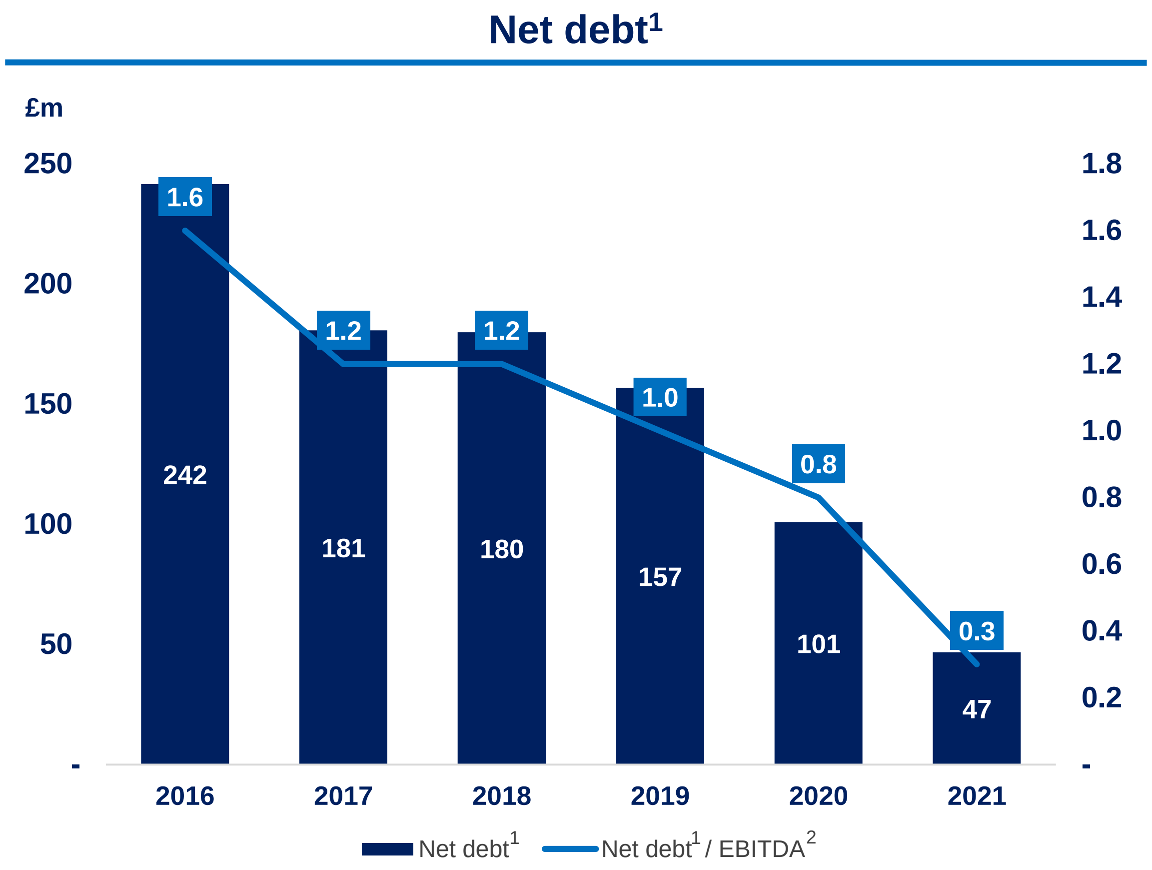
Cash flow summary

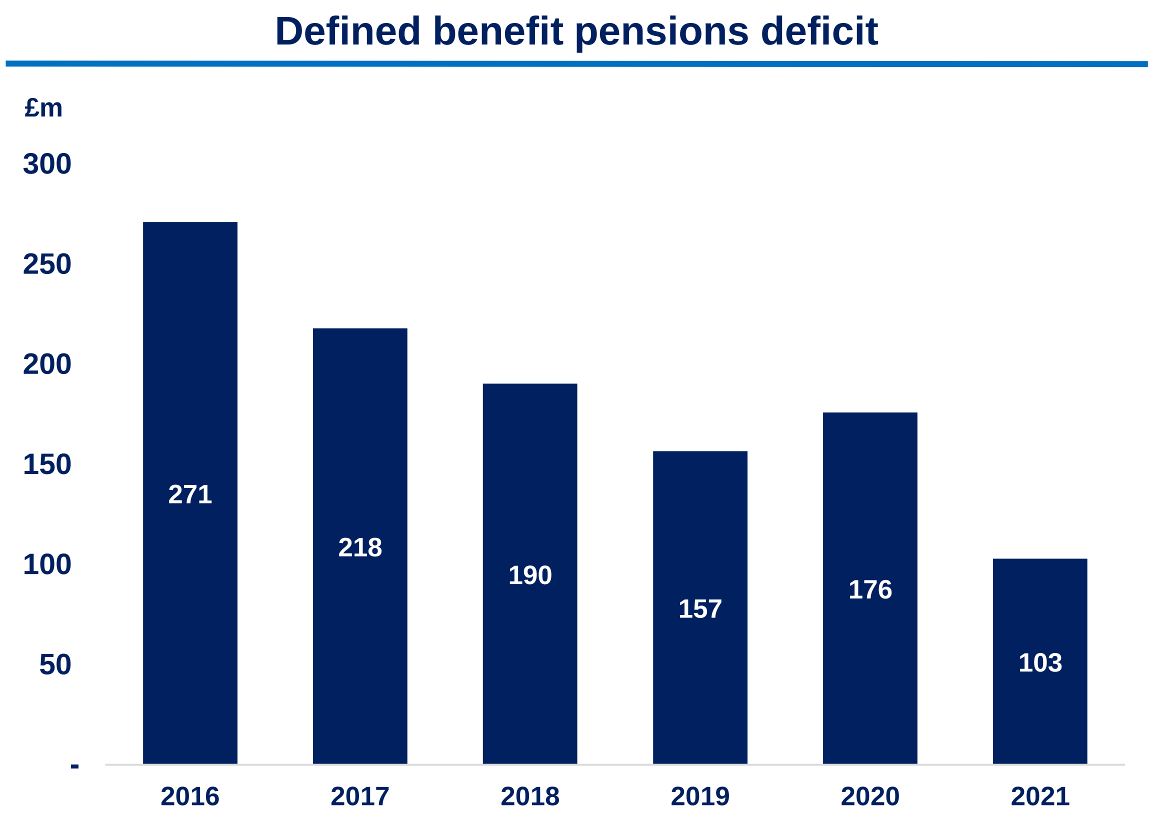
£m	FY 2021	FY 2020
EBITDA	162.5	133.6
Change in working capital	(9.0)	34.8
Change in provisions and other	(17.6)	(22.1)
Cash generated from continuing operations	**135.9**	**146.3**
Net capital expenditure	(28.1)	(28.6)
Net interest on cash and borrowings	(5.3)	(6.6)
Tax paid	(25.4)	(26.0)
Lease payments and interest	(10.9)	(12.7)
Free cash flow before acquisitions, disposals and dividends	**66.2**	**72.4**
Dividends paid to external plc shareholders	(19.1)	(5.7)
Net cash flows from other investing and financing activities	(15.0)	(13.1)
Cash flows from sale of subsidiaries and associates	15.0	5.3
Net cash flows from discontinued operations	5.3	(0.1)
Exchange movement and other non-cash movements	1.9	(2.5)
Opening net debt excluding lease liabilities	(101.0)	(157.3)
Closing net debt excluding lease liabilities	**(46.7)**	**(101.0)**
Closing lease liabilities	(49.8)	(54.6)
Closing net debt	**(96.5)**	**(155.6)**

- Working capital outflow driven by business growth
- Free cash flow of £66.2 million with lower capex, net interest and lease payments
- Net debt (excluding lease liabilities) of £46.7 million
- Net debt to EBITDA (excluding leasing) 0.3x (FY 2020: 0.8x)
- Lease liabilities of £49.8 million

Net leverage

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





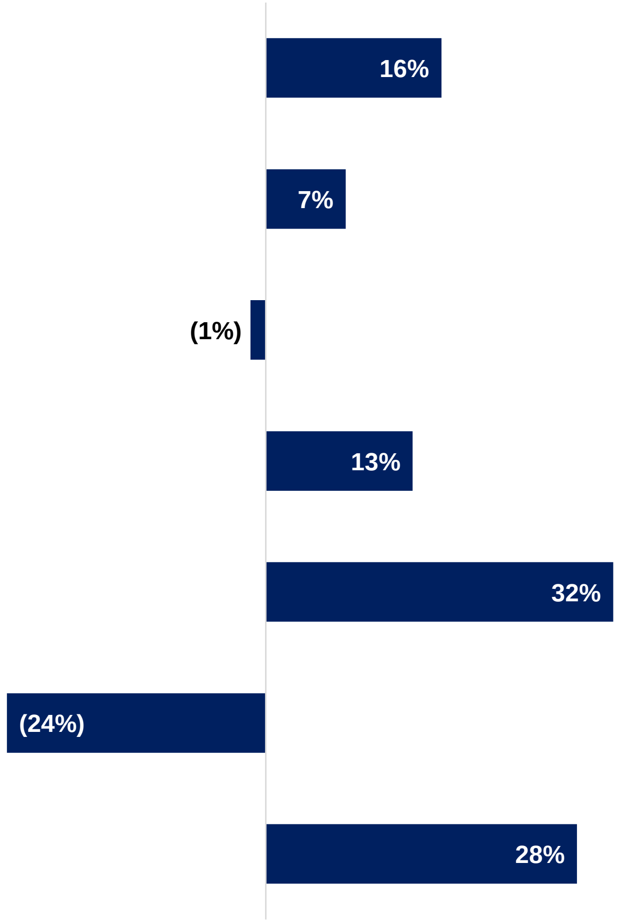
1 Net debt is presented excluding lease liabilities.
2 EBITDA is presented on a pre-IFRS 16 basis.

FY22 financial framework

Effective tax rate	27-28%
Net finance charge: Interest charge (c. £6m) IAS 19 pensions net interest charge (c. £1m) IFRS 16 lease interest (c. £2m)	c. £9m
Defined benefit pension scheme contributions	c. £20m
Foreign currency impacts	*see slide 33*
Capital expenditure	c. £60m

Operational and strategic update
Pete Raby

Broad based growth across most major market segments



Year-on-year organic % change at constant-currency		% of 2021 Group revenue	
Industrial	16%	45%	• Broad based recovery in the major industrial geographies
Transportation	7%	17%	• Growth in automotive and aerospace segments
Chemical and petrochemical	(1%)	10%	• Slightly down with Thermal projects lagging the cycle as expected
Healthcare	13%	7%	• Growth from medical imaging, transportation and storage
Energy	32%	7%	• Growth in energy storage and power generation from wind and solar, and one-off benefits from solar projects (12% of the 32%)
Security and defence	(24%)	7%	• Decline in ceramic armour sales in Seals & Bearings as expected
Semiconductor and electronics	28%	7%	• Growth in ceramic and carbon products across a range of semiconductor manufacturing process steps including lithography, deposition and etch

Thermal Ceramics performance summary

£m	FY 2021	FY 2020	% change from FY 2020	
			As reported	At organic constant-currency
Revenue	364.7	344.3	5.9%	9.8%
Adjusted operating profit[1]	42.0	26.7	57.3%	61.5%
Margin %	*11.5%*	*7.8%*		

Performance commentary

- Strong growth with a broad based recovery in industrial markets and growth in energy, healthcare and automotive segments
- Margin expansion driven by volume leverage and the delivery of the restructuring programme benefits

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

Molten Metal Systems performance summary

£m	FY 2021	FY 2020	% change from FY 2020	
			As reported	At organic constant-currency
Revenue	47.7	41.2	15.8%	20.8%
Adjusted operating profit[1]	6.3	3.2	96.9%	103.2%
Margin %	*13.2%*	*7.8%*		

Performance commentary

- Revenue growth from strong demand in the aluminium and copper segments
- 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	FY 2021	FY 2020	% change from FY 2020	
			As reported	At organic constant-currency
Revenue	164.9	151.4	8.9%	13.1%
Adjusted operating profit[1]	32.8	23.6	39.0%	46.4%
Margin %	*19.9%*	*15.6%*		

Performance commentary

- Growth in the industrial, renewable energy and semiconductor market segments
- Margin expansion from volume, strong operational efficiencies and cost reduction actions

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

Seals and Bearings performance summary

£m	FY 2021	FY 2020	% change from FY 2020	
			As reported	At organic constant-currency
Revenue	135.9	146.4	(7.2%)	(3.1%)
Adjusted operating profit[1]	22.9	27.5	(16.7%)	(11.6%)
Margin %	*16.9%*	*18.8%*		

Performance commentary

- Revenue from ceramic armour declined as expected to £29 million in 2021 (2020: £49 million)
- Growth in the industrial, petrochemical and transportation market segments
- Margin decline from lower ceramic armour volume

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

Technical Ceramics performance summary

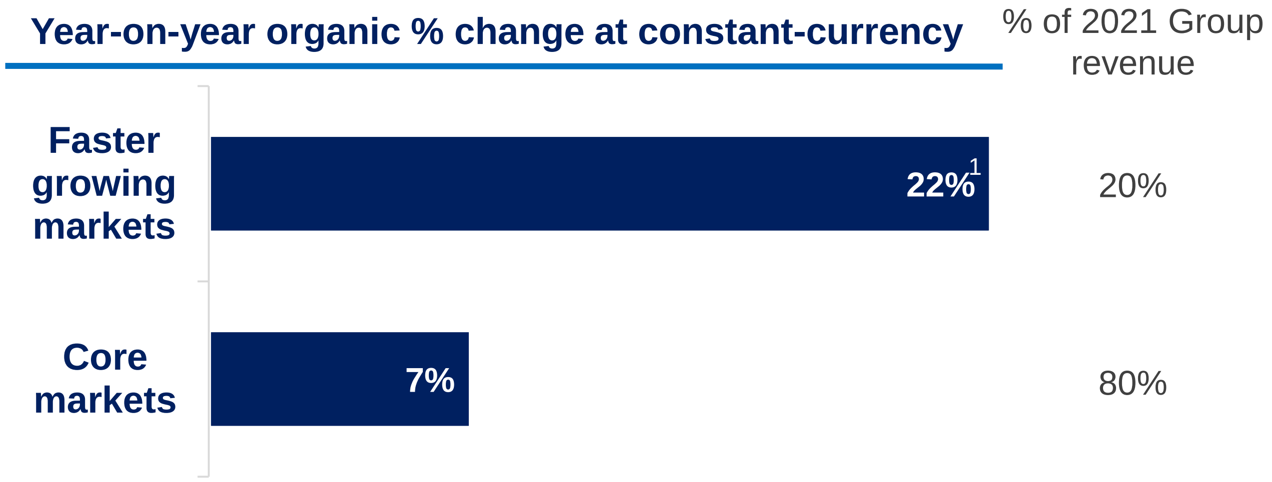
£m	FY 2021	FY 2020	% change from FY 2020	
			As reported	At organic constant-currency
Revenue	237.3	227.4	4.4%	16.1%
Adjusted operating profit[1]	26.4	14.8	78.4%	151.4%
Margin %	*11.1%*	*6.5%*		

Performance commentary

- Growth in the industrial, semiconductor, healthcare, energy and aerospace market segments
- Margin improvement from volume leverage and from restructuring programme benefits partially offset by a £3 million headwind from business exits

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

Clean Energy, Clean Transportation, Semiconductors and Healthcare grew rapidly



- 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)

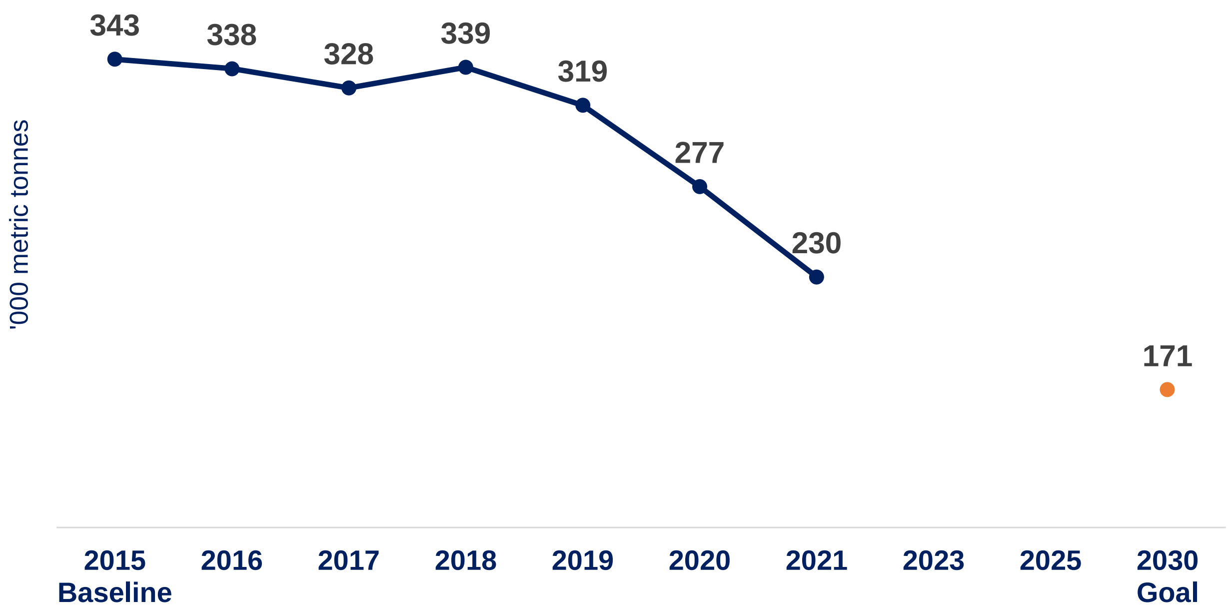
Our purpose is to use advanced materials to make the world more sustainable and to improve the quality of life.

	Our aspiration	Our 2030 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

Absolute CO_2e (Scope 1 and 2)[1]



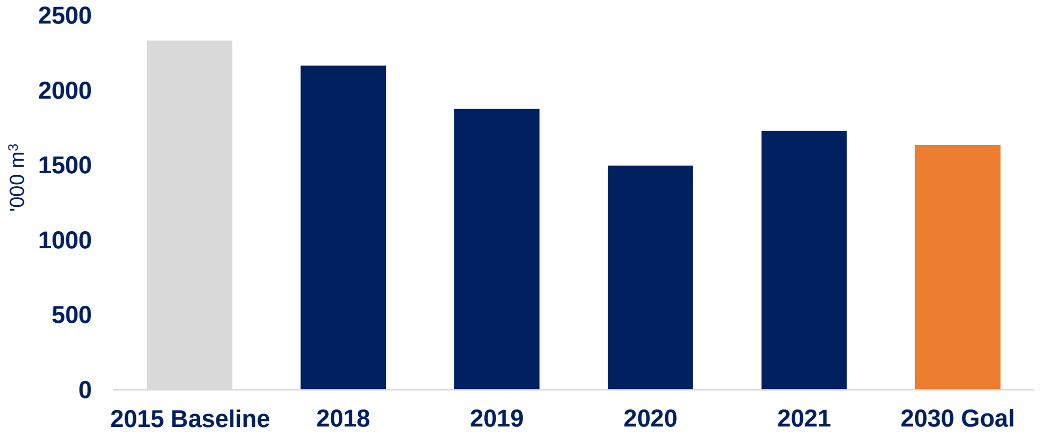
17% reduction in absolute CO_2e emissions on the prior year driven by improvements in:

- **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

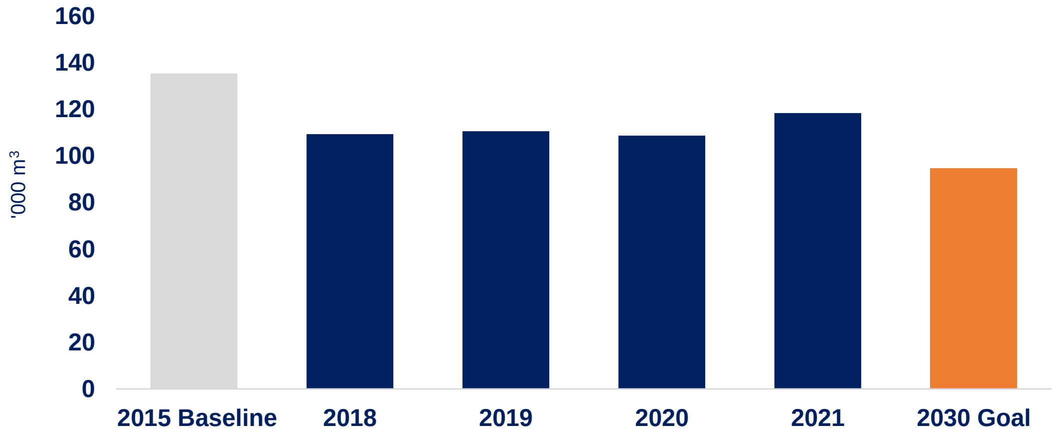
1 Scope 1 and 2 relate to CO_2e emissions from direct and indirect sources, respectively.

Water, safety and diversity

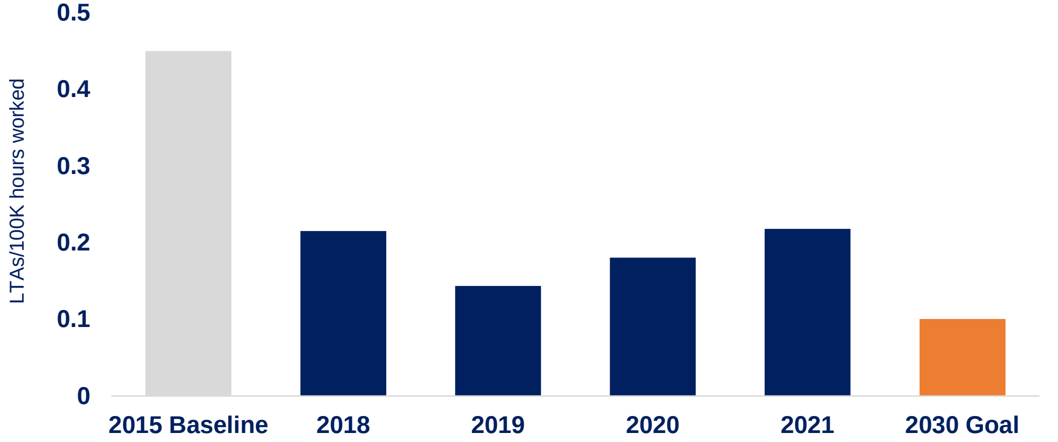
Water usage



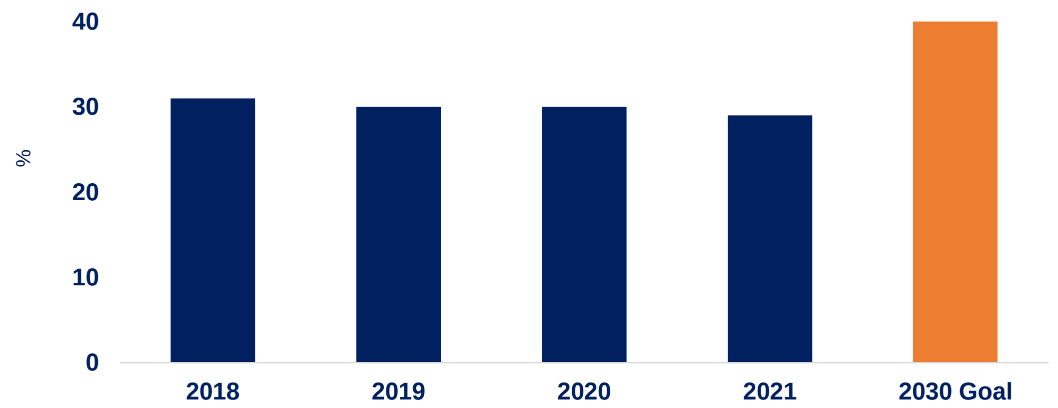
Water usage in stressed areas



Lost time accident rate



% Female leadership population[1]



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

Our journey

What have we done

- Invested in safety and ESG
- Strengthened our sales effectiveness and customer relationships
- Invested in R&D
- Simplified our portfolio
- Increased capital investment
- Strengthened leadership capabilities
- Improved operational execution

Where are we now

- Improved safety
- Improved environmental performance
- Delivering faster growth
- Increased exposure to faster growing markets
- Higher operating profit margins
- Stronger balance sheet

Our future

Focus on our three execution priorities:

- **Make a big positive difference**
- **Innovate to grow**
- **Delight the customer**

Now capable of delivering faster growth, higher margins and stronger cash

Outlook

- There is considerable geopolitical uncertainty, in particular the Russian conflict in Ukraine
- However, we have seen good order momentum coming into the year and anticipate organic revenue growth of 4-7% in 2022[1]
- With our investments in new products and new technologies, we plan to increase our exposure to our faster growing markets and to continue to win in our core markets
- We will see higher inflation in 2022 and expect higher pricing and continuous improvement to offset this
- We expect our margins to expand further reflecting the drop-through on our organic growth and the remaining full-year benefits from our restructuring programme

1 Assuming no significant change in market momentum.

Summary

- The safety of our people is our priority and we continue to operate protection measures to keep our employees safe during the pandemic
- Organic constant-currency revenue growth of 10.3% with 22%[1] from our faster growing markets and 7% from our core markets
- Adjusted operating profit margin was 13.1%, up by 300 bps, the highest in more than 20 years
- Pricing and continuous improvement efficiency actions continue to more than offset cost inflation
- ROIC % of 20.5%, up 750 bps on the previous year
- Adjusted earnings per share of 27.2p, up 43% on the previous year
- Strong cash flow, with free cash flow of £66.2m driving a further reduction in leverage, with net debt / EBITDA (excluding leasing) of 0.3x
- Scope 1 and 2 CO_2e emissions reduced by 17% compared with the previous year
- We anticipate 4-7%[2] organic growth this year with a further expansion in margins

1 Organic constant-currency growth is presented excluding one-off benefits from solar projects.
2 Assuming no significant change in market momentum

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

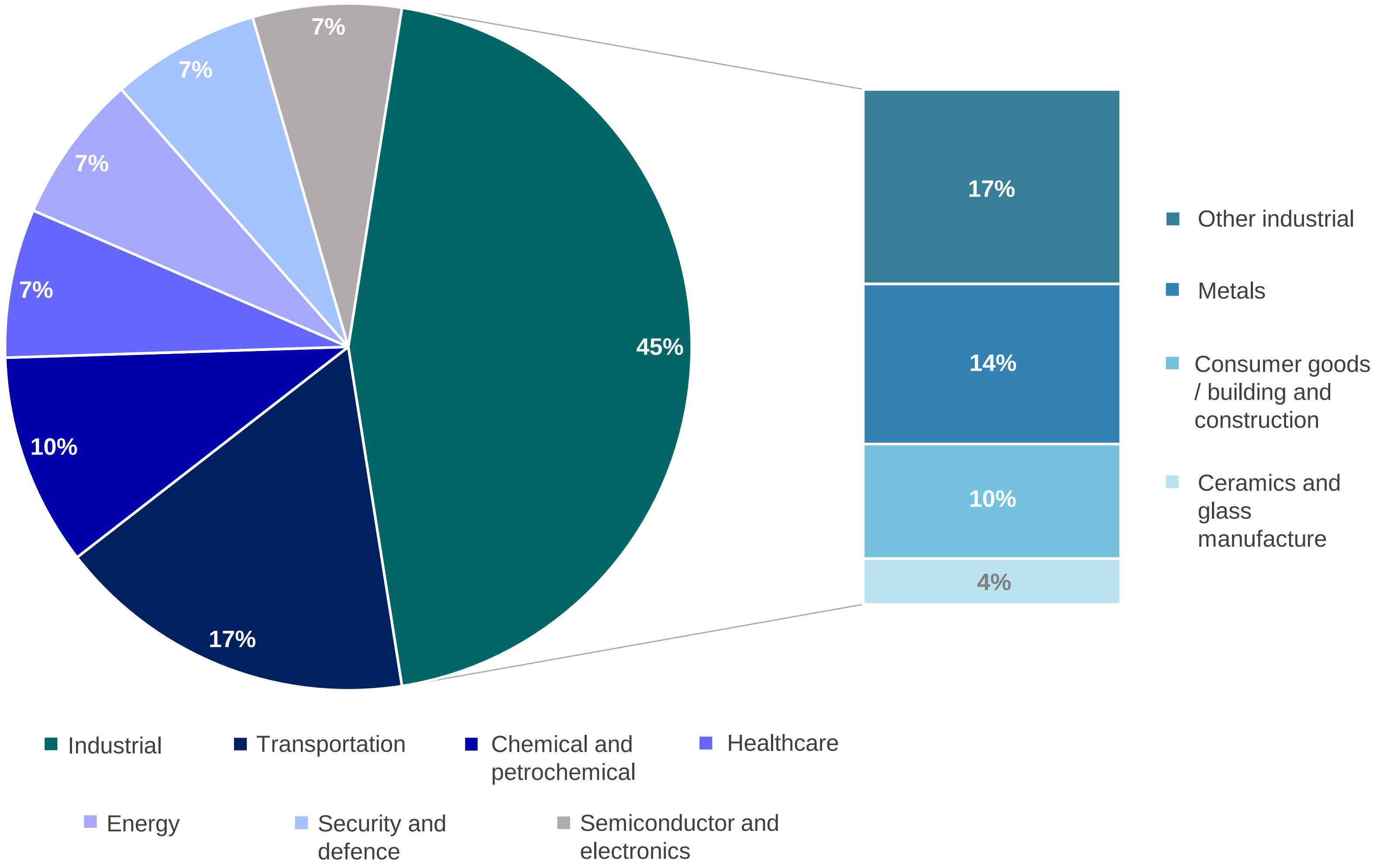
Thermal Ceramics
Industrial, Chemical and petrochemical, Metals, Automotive

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



Divisional performance

	Revenue £m		Adjusted operating profit[1] £m		Margin %	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Thermal Ceramics	364.7	344.3	42.0	26.7	11.5%	7.8%
Molten Metal Systems	47.7	41.2	6.3	3.2	13.2%	7.8%
Thermal Products division[2]	**412.4**	**385.5**	**48.3**	**29.9**	**11.7%**	**7.8%**
Electrical Carbon	164.9	151.4	32.8	23.6	19.9%	15.6%
Seals and Bearings	135.9	146.4	22.9	27.5	16.9%	18.8%
Technical Ceramics	237.3	227.4	26.4	14.8	11.1%	6.5%
Carbon and Technical Ceramics division[2]	**538.1**	**525.2**	**82.1**	**65.9**	**15.3%**	**12.5%**
Corporate costs	-	-	(5.9)	(4.1)	-	-
Group	**950.5**	**910.7**	**124.5**	**91.7**	**13.1%**	**10.1%**

1 Adjusted operating profit is before specific adjusting items and amortisation of intangible assets.
2 From 2022 onwards, we will no longer present divisional totals in our segmental reporting. We will continue to report five separate global business units.

Reported statutory figures

£m	Year ended 31 December 2021 Results before specific adjusting items	Specific adjusting items[1]	Total	Year ended 31 December 2020 Results before specific adjusting items	Specific adjusting items[1]	Total
Revenue	**950.5**	**-**	**950.5**	**910.7**	**-**	**910.7**
Operating costs before amortisation of intangible assets	(826.0)	(5.4)	(831.4)	(819.0)	(87.4)	(906.4)
Profit from operations before amortisation of intangible assets	**124.5**	**(5.4)**	**119.1**	**91.7**	**(87.4)**	**4.3**
Amortisation of intangible assets	(6.0)	-	(6.0)	(6.1)	-	(6.1)
Operating profit/(loss)	**118.5**	**(5.4)**	**113.1**	**85.6**	**(87.4)**	**(1.8)**
Net financing costs	(9.2)	-	(9.2)	(11.9)	-	(11.9)
Share of profit of associate (net of income tax)	0.4	-	0.4	0.6	-	0.6
Profit/(loss) before taxation	**109.7**	**(5.4)**	**104.3**	**74.3**	**(87.4)**	**(13.1)**
Income tax (expense)/credit	(29.7)	1.5	(28.2)	(20.2)	13.3	(6.9)
Profit/(loss) from continuing operations	**80.0**	**(3.9)**	**76.1**	**54.1**	**(74.1)**	**(20.0)**
Profit from discontinued operations	-	5.7	5.7	-	2.0	2.0
Profit/(loss) for the period	**80.0**	**1.8**	**81.8**	**54.1**	**(72.1)**	**(18.0)**
Profit/(loss) for the period attributable to:						
Shareholders of the Company	71.5	2.3	73.8	48.1	(70.6)	(22.5)
Non-controlling interests	8.5	(0.5)	8.0	6.0	(1.5)	4.5
Profit/(loss) for the period	**80.0**	**1.8**	**81.8**	**54.1**	**(72.1)**	**(18.0)**

1 Further details on specific adjusting items can be found on the next slide.

Specific adjusting items

£m	FY 2021	FY 2020
Impairment of non-financial assets	(12.4)	(65.6)
Restructuring credit/(costs)	0.1	(24.0)
Net profit on disposal of business	7.1	2.2
Business closure and exit costs	(0.2)	-
Total specific adjusting items before income tax	**(5.4)**	**(87.4)**

- Specific adjusting items were a £5.4 million loss (2020: £87.4 million loss)
- Impairment losses of £12.4 million were recognised primarily in relation to assets in Technical Ceramics and Electrical Carbon
- Net profit on disposal from sale of businesses was £7.1 million

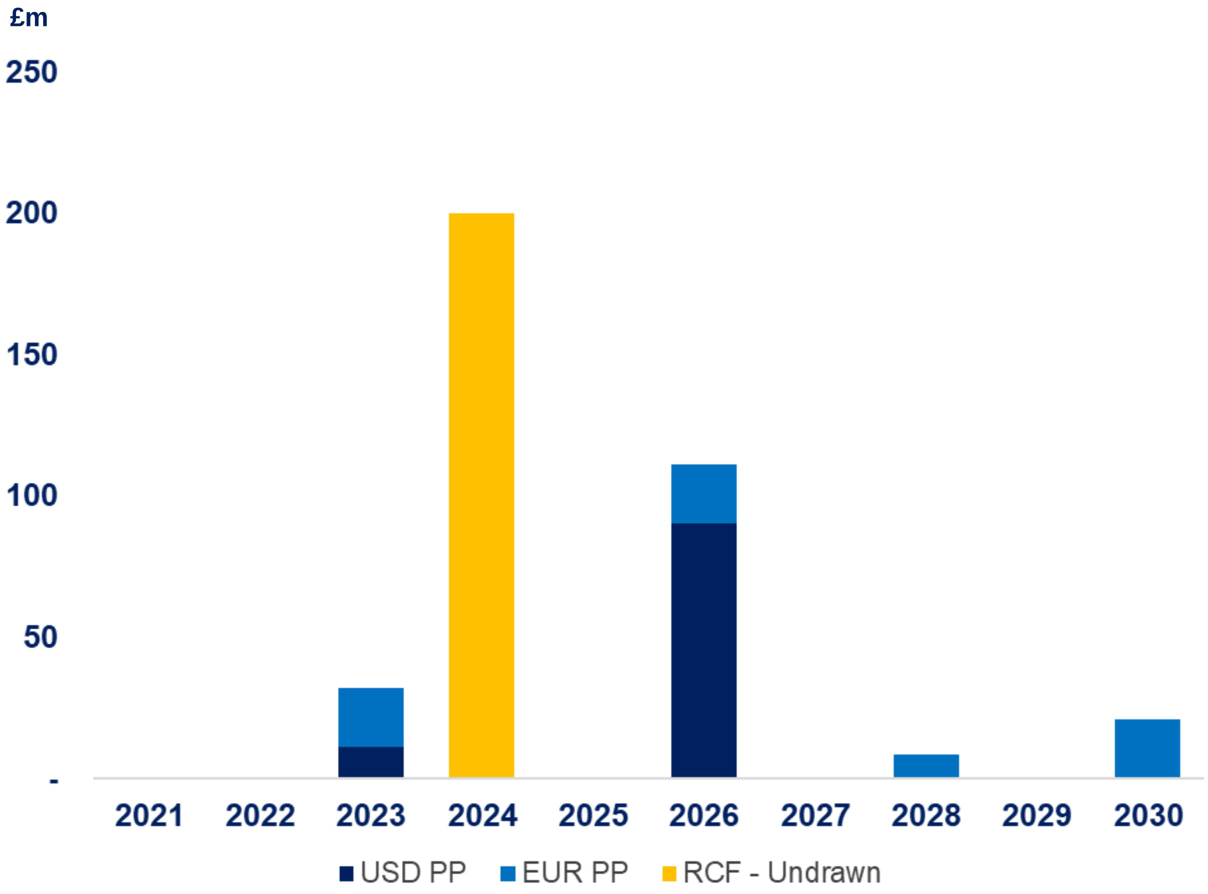
Pensions update

Deficit movement since 31 December 2020	£m
Deficit at 31 December 2020	**(176)**
Contributions (net of service costs)	17
Net IAS 19 interest costs	(2)
Actuarial gain on liabilities	53
Remeasurement gain on assets	2
Currency adjustment	3
Deficit at 31 December 2021	**(103)**

£m	31 December 2021	31 December 2020	31 December 2019
Equities and growth assets	*154*	*165*	*153*
Bonds and LDI	*319*	*287*	*252*
Annuities	*150*	*169*	*168*
Other	*9*	*10*	*5*
Total assets	632	631	578
Liabilities	(735)	(807)	(735)
Deficit	**(103)**	**(176)**	**(157)**
UK discount rate	*1.92%*	*1.23%*	*2.06%*
US discount rate	*2.71%*	*2.34%*	*3.21%*
Europe discount rate	*0.90%*	*0.40%*	*0.90%*

Strong balance sheet and available liquidity

Facilities maturity profile



Headroom on banking covenants

- Net debt to EBITDA excluding the impact of IFRS 16: 0.3x (FY2020: 0.8x)

Significant liquidity

- £200 million undrawn RCF plus available cash and cash equivalents of £127.3 million

Average cost of fixed rate debt = 2.90%

All figures are shown on a pre-IFRS16 basis to align more closely to banking covenants.

Foreign currency impacts

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

GBP to:	FY 2021 Closing rate	FY 2021 Average rate	FY 2020 Closing rate	FY 2020 Average rate
USD	1.35	1.38	1.37	1.28
Euro	1.19	1.16	1.12	1.13

For illustrative purposes, the table below provides details of the impact on FY 2021 revenue and adjusted operating profit[1] if the actual reported results, calculated using FY 2021 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 2021 revenue/adjusted operating profit[1] if:	Revenue £m	Adjusted operating profit[1] £m
GBP weakens by 10c against USD in isolation	29.6	3.9
GBP weakens by 10c against the Euro in isolation	18.8	3.3

Retranslating the 2021 full year results at the January 2022 closing exchange rates would lead to revenue of £954.6 million and adjusted operating profit[1] of £124.6 million.

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

Adjusted earnings per share

£m	FY 2021	FY 2020
Profit/(loss) for the period attributable to shareholders of the Company	73.8	(22.5)
Profit from discontinued operations	(5.7)	(2.0)
Profit/(loss) from continuing operations	68.1	(24.5)
Specific adjusting items	5.4	87.4
Amortisation of intangible assets	6.0	6.1
Tax effect of the above	(1.5)	(13.3)
Non-controlling interests' share of the above adjustments	(0.5)	(1.5)
Adjusted earnings	**77.5**	**54.2**
Weighted average number of shares in the period	284.6	284.7
Adjusted earnings per share (pence)	**27.2**	**19.0**

Morgan Advanced Materials

Morgan
Advanced Materials