

2018 Full Year Results

AGM Presentation

10th May 2019

Key highlights

- Strategy implementation progressing, well accelerating growth
- Revenue growth of 7.4% and headline operating profit growth of 9.4% on an organic constant-currency basis
- Group headline operating profit margin 12.1%
- Headline EPS growth of 17.1% reflecting improvement in operating profit, lower financing charges and a lower effective tax rate
- Investment in R&D is now £10m per annum higher than in 2015
- Divestment of Composites and Defence Systems completed further reducing complexity
- Looking ahead to 2019:
 - there are significant macro economic uncertainties that could impact our markets
 - based on current trends, we expect to deliver modest revenue growth for the year
 - efficiency savings to deliver benefits to Group headline operating profit

Group performance summary

	FY 2018^{1/2}	FY 2017^{1/2}	% change from FY 2017	Organic % change from FY 2017
	£m	£m	As reported	At constant currency
Revenue	1,033.9	1,001.4	3.2%	7.4%
Group headline operating profit³	124.8	120.7	3.4%	9.4%
<i>Group headline operating profit margin %³</i>	<i>12.1%</i>	<i>12.1%</i>		
Cash flow from operations⁵	131.3	127.6	2.9%	
Free cash flow before acquisitions, dividends and one-off US pension payment⁵	48.9	52.8		
Headline earnings per share⁴	26.7p	22.8p	17.1%	
Total dividend per share	11.0p	11.0p		

1 The year ended 31 December 2018 has been prepared reflecting the adoption of IFRS 15, and the disposal and treatment as discontinued operations of the Composites and Defence Systems business. The year ended 31 December 2017 has been restated to reflect the adoption of IFRS 15 and the disposal of discontinued business.

2 Results before specific adjusting items.

3 Group headline operating profit is before specific adjusting items and amortisation of intangibles.

4 Headline earnings per share excluding divestments.

5 Presented before additional accelerated payment into US pension scheme of £28m in 2017.

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

Execution priorities - 2015 to 2018

Move to a global structure

Completed in 2016, the simplified organisational structure delivers a co-ordinated approach to global customers and markets.

Extend our technology leadership

We are investing £10m per year more in R&D than 2015, established two new Centres of Excellence, and strengthened project management.

Improve operational execution

We have deployed lean manufacturing, process automation and procurement tools to fund significant reinvestment in the business and expand margins.

Drive sales effectiveness and market focus

We are redesigning our sales processes, building capability, deploying new tools, increasing business development resources, changing sales incentives and deploying sales systems.

Increase investment in people management and development

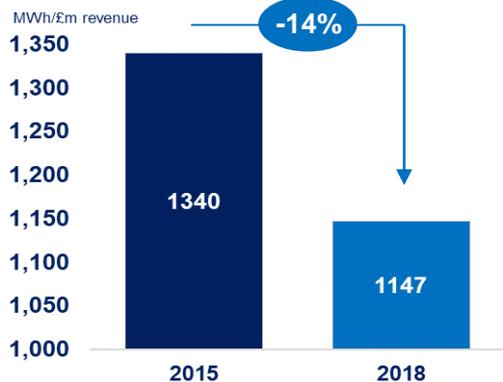
We have strengthened the leadership of the Group, introduced leadership behaviours, and adjusted our incentives.

Simplify the business

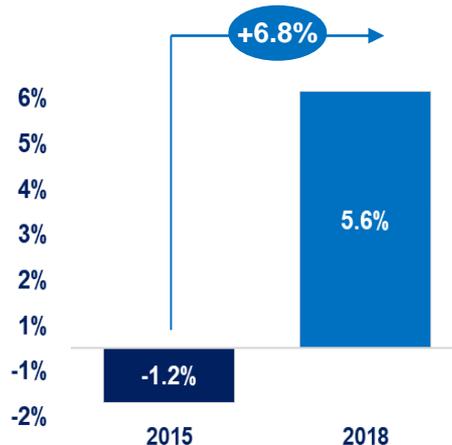
We have completed three divestments, receiving proceeds of £82m and are closing three small loss making sites.

Group progress - 2015 to 2018

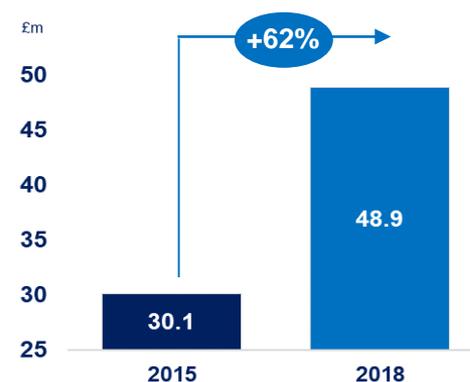
Energy consumption¹



Organic growth²



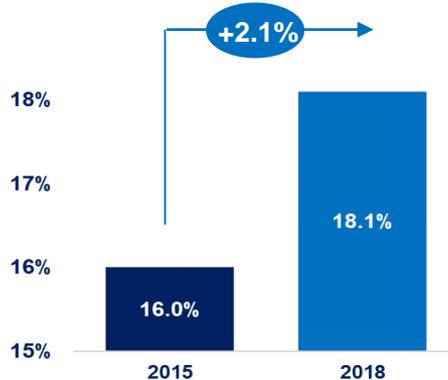
Free cash flow



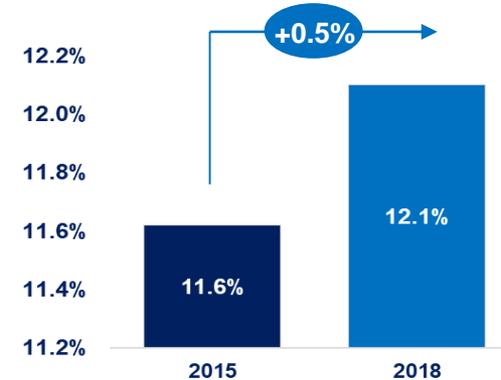
Lost-time accident rate³



ROIC



EBITA %



¹ Energy consumed in MWh per £m of third party revenue

² Excluding ceramic amour in 2018.

³ Lost-time accidents per 100,000 hours worked.

Execution priorities – 2019 and beyond

Drive sales effectiveness and market focus

Continue the deployment of our tools, processes and training to improve our capabilities and market insight and drive sales growth.

Extend our technology leadership

Accelerating the development of new materials and manufacturing processes, and strengthening our technical teams capability.

Increase investment in people management and development

Focus on building our leadership teams and launching new talent programmes to support the development of our future leaders.

Improve operational execution

Continue improvement projects tailored to each business unit to drive operational savings to offset material and labour inflation and enable reinvestment.

Summary

- Strategy implementation progressing, well accelerating growth
- Revenue growth of 7.4% and headline operating profit growth of 9.4% on an organic constant-currency basis
- Group headline operating profit margin 12.1%
- Headline EPS growth of 17.1% reflecting improvement in operating profit, lower financing charges and a lower effective tax rate
- Investment in R&D is now £10m per annum higher than in 2015
- Divestment of Composites and Defence Systems completed further reducing complexity
- Looking ahead to 2019:
 - there are significant macro economic uncertainties that could impact our markets
 - based on current trends, we expect to deliver modest revenue growth for the year
 - efficiency savings to deliver benefits to Group headline operating profit