Morgan Advanced Materials plc
2024 Preliminary Results

Pete Raby, Chief Executive Officer
Richard Armitage, Chief Financial Officer

28 February 2025

Morgan
Advanced Materials

Agenda

- Introduction and summary – Pete Raby
- 2024 Full year results – Richard Armitage
- Operational update – Pete Raby

Introduction

- Organic constant-currency* revenue growth of 3.7%, with 7.6% from our faster growing markets, reflecting challenging market conditions in the second half
- Simplification programme accelerated; annual savings of £27 million from 2026 now expected (previously £22m) with total cash costs of £45m (unchanged); underpins return to 12.5% margin during 2025
- Operating margins of 11.7% and ROIC of 18.5%, both up 90 bps; pricing measures continue to offset inflation, significant simplification and efficiency benefits achieved
- Cash generated from continued operations up 29%, driven by focused initiatives to improve working capital; free cash flow of £15.0 million reflecting accelerated capital investment plan
- Strong balance sheet with net debt*/EBITDA of 1.4 times
- Absolute CO_2e emissions (from scope 1 and 2) reduced by 3% compared with 2023
- Buyback programme progressing well; a second tranche of £10m to commence immediately on completion of the first tranche

2024 Full year results

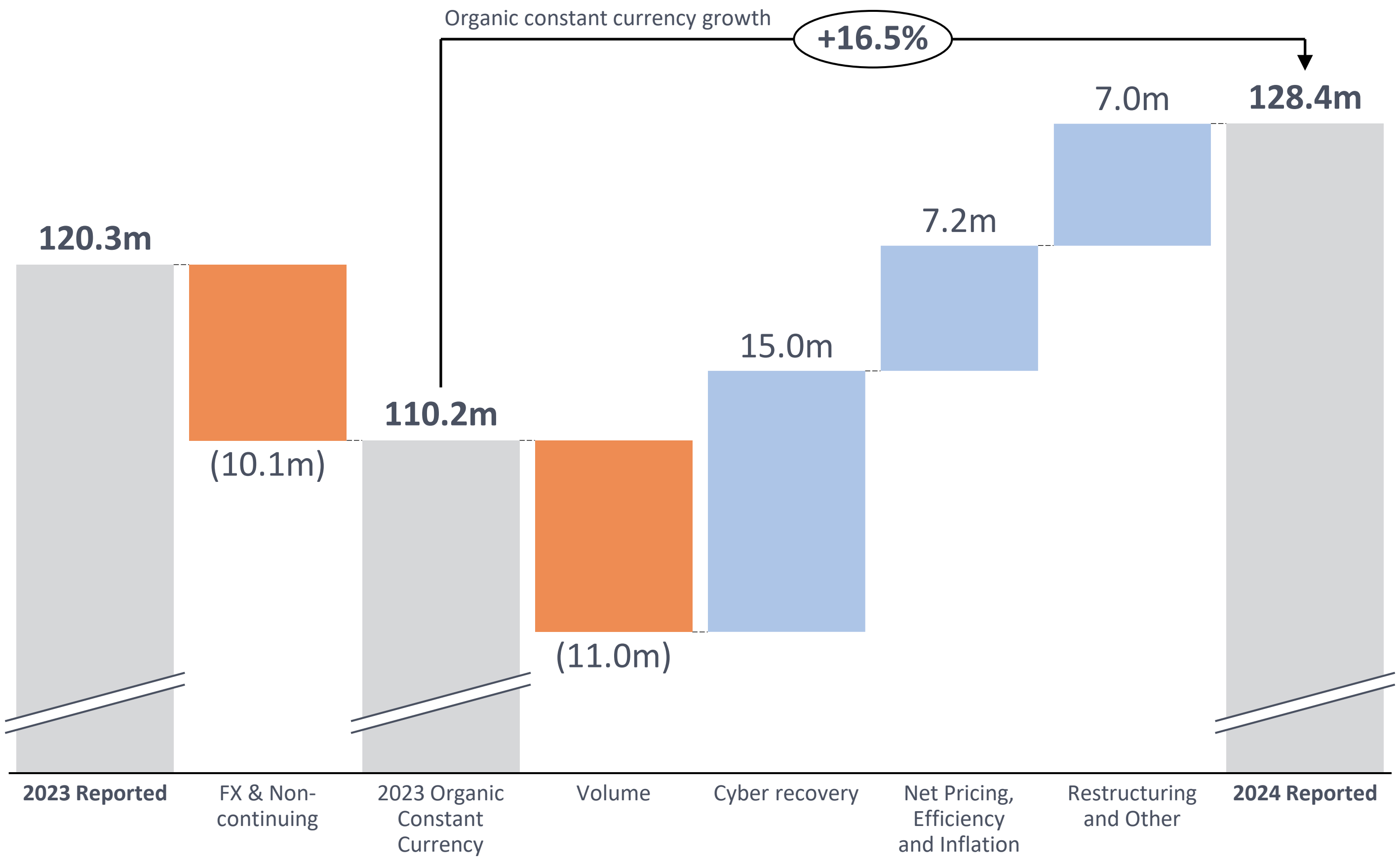
Richard Armitage

Group Performance

£m	FY 2024	FY 2023	% change from FY 2023	
			As reported	At organic constant-currency
Revenue	1,100.7	1,114.7	(1.3)%	3.7%
Group adjusted operating profit[1]	128.4	120.3	6.7%	16.5%
Group adjusted operating profit margin %	*11.7%*	*10.8%*		
Return on invested capital %	*18.5%*	*17.6%*		
Cash generated from continuing operations	162.9	126.3	29.0%	
Free cash flow before acquisitions, disposals and dividends	15.0	14.6		
Adjusted earnings per share	25.5p	25.0p	2%	
Total dividend per share	12.2p	12.0p	1.7%	

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

Group adjusted operating profit bridge



- Volume reflects weak market conditions in H2 across core industrial and Semiconductors markets
- 2023 Cyber impact recovered
- Pricing & Efficiency measures more than offset cost inflation
- Progress with restructuring initiatives delivering expected savings
- Negative FX impact due to strength of the pound throughout the year

Morgan Advanced Materials

Cash flow summary

£m	FY 2024	FY 2023
EBITDA	**171.1**	**159.8**
Change in working capital	14.6	(3.0)
Net capital expenditure	(90.2)	(58.5)
Net interest	(15.3)	(11.6)
Tax paid	(29.2)	(30.3)
Lease payments & other items	(17.4)	(13.3)
Exceptional costs	(18.6)	(28.5)
Free cash flow	**15.0**	**14.6**
Acquisitions	(4.9)	-
Dividends paid	(34.5)	(34.2)
Other items	(16.6)	(17.1)
Net cash flow	**(41.0)**	**(36.7)**
Closing net debt excl. lease liabilities	**(226.2)**	**(185.2)**
Net debt (excl. lease liabilities)/EBITDA	**1.4**	**1.2**

Working capital inflow of

£14.6m

FY 2023: £(3.0)m

Net capital investment of

£90.2m

FY 2023: £58.5m

Free cash flow of

£15.0m

FY 2023: £14.6m

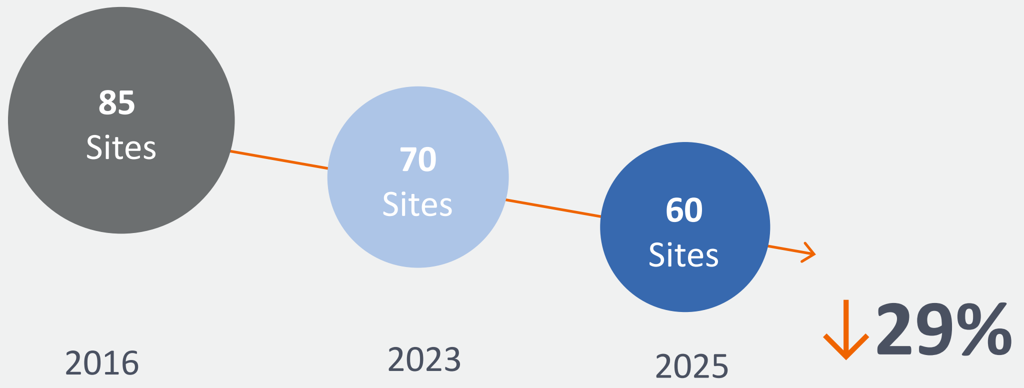
Net debt/EBITDA of

1.4x

FY 2023: 1.2x

Simplification and restructuring

£m	2023	2024	2025	2026	2027	Total
Incremental adjusted operating profit[1] benefits	1	8	24	27	27	-
Costs charged to specific adjusting items	(7)	(13)	(25)	-	-	(45)



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

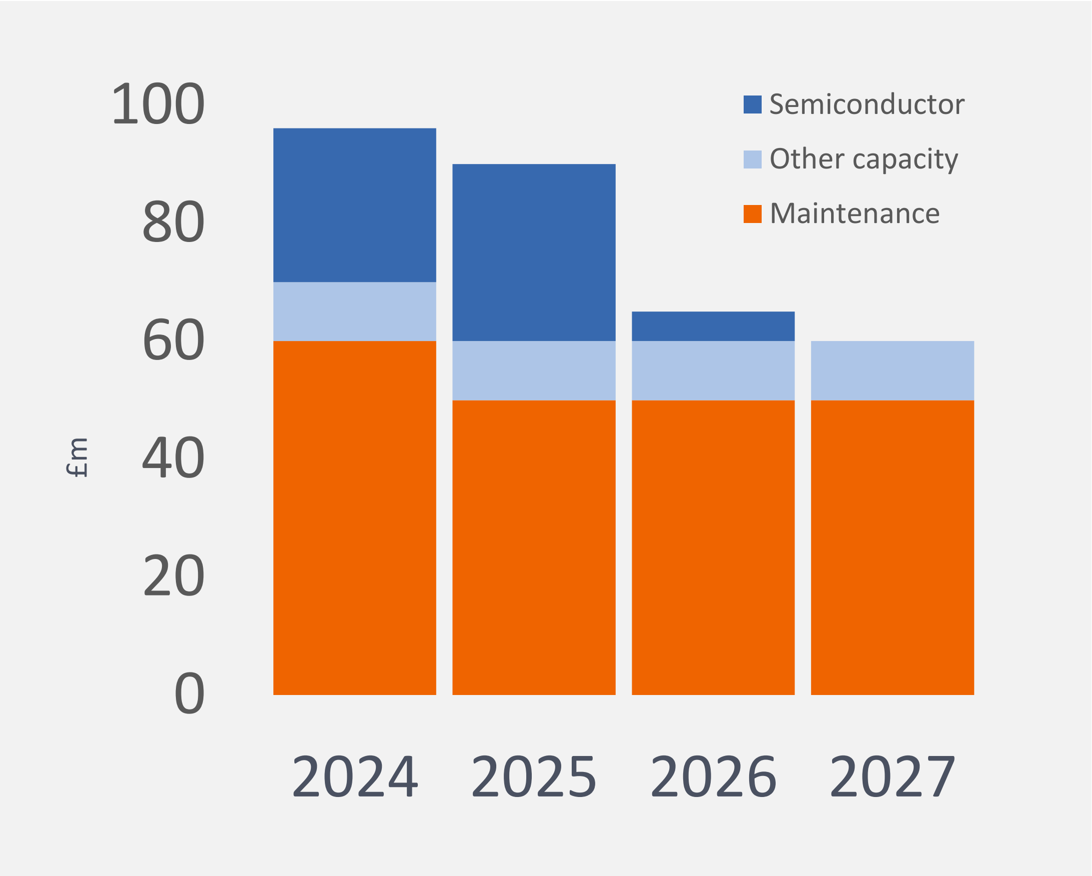
Programme accelerated:

- Additional savings identified in response to weak market conditions
- Run-rate savings now £27m by 2026 (up from £22m announced in November 2024)
- Unchanged implementation costs of £45m

2024 Specific adjusting items

Global ERP implementation: Costs associated with the design, configuration and implementation costs of Global ERP	£5.2m
Restructuring programme: Redundancy and site closure costs associated with our business simplification and restructuring programmes	£13.1m
Other: Major components are the impairment of fixed assets within Thermal Europe business reflecting challenging end markets (£4.2m) and final Cyber recovery costs recognised in H1 (£1.1m)	£4.8m

Capital investment



Revised 2027 Semiconductor guidance

c.£60m
Capex investment underway

Estimated
+£40m
additional revenue from investment

Expected at least
+£12m
in incremental profit by 2027

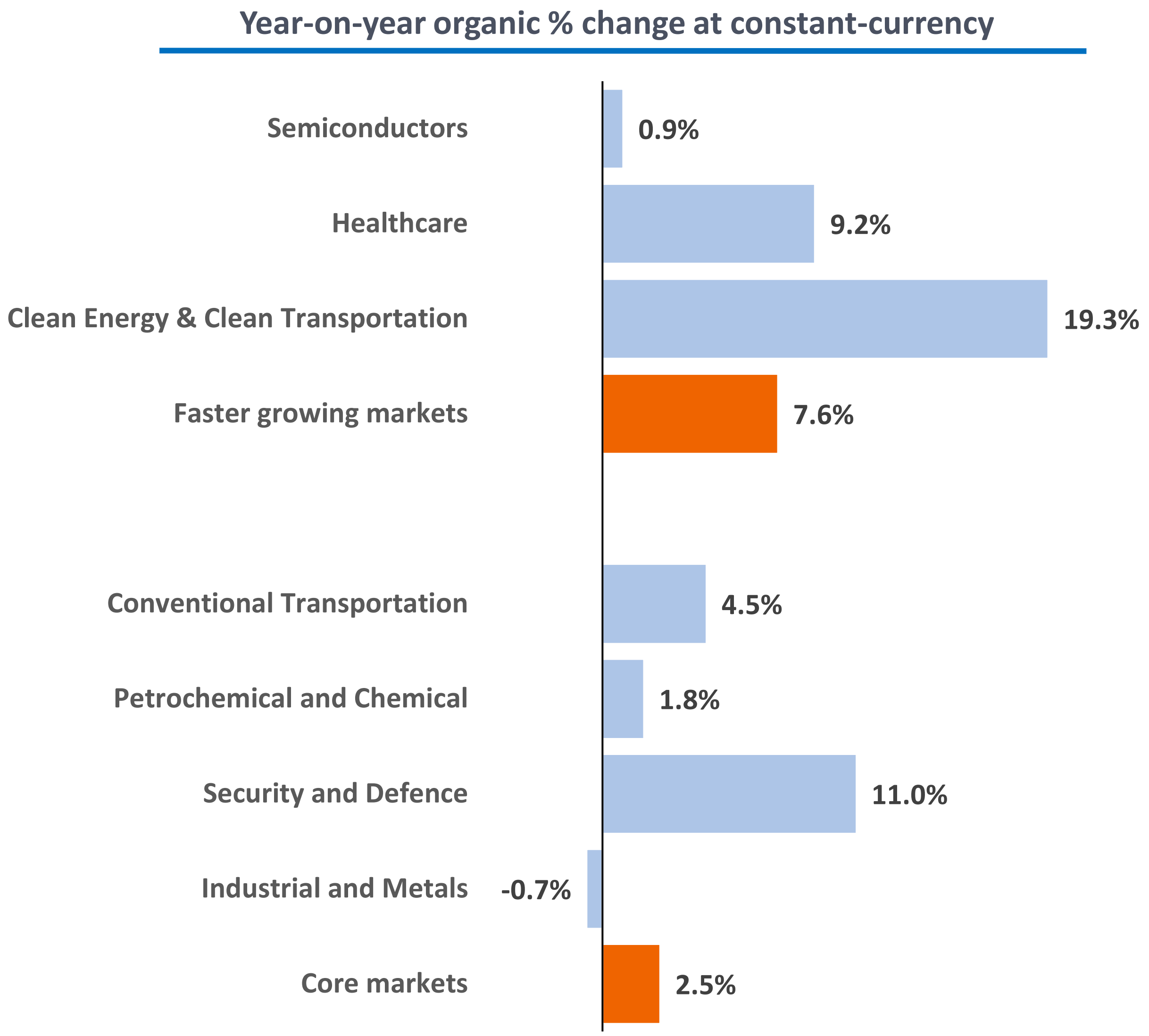
FY2025 technical guidance

Capital expenditure	c. £90m
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	26-28%
Dividend Policy in the medium term	c. 2.5x
Foreign currency impacts	See slide 27

Operational Review

Pete Raby

Growth across major market segments



- Slowdown in SiC power electronics
- Growth in feedthroughs for implantable medical devices
- Ceramic products for solar panel manufacture and carbon products for electric rail

- Aerospace driving the growth in this segment
- Growth in aftermarket sales
- Broad-based growth in Defence demand
- Weak industrial demand, particularly in Europe and North America.

Segmental performance

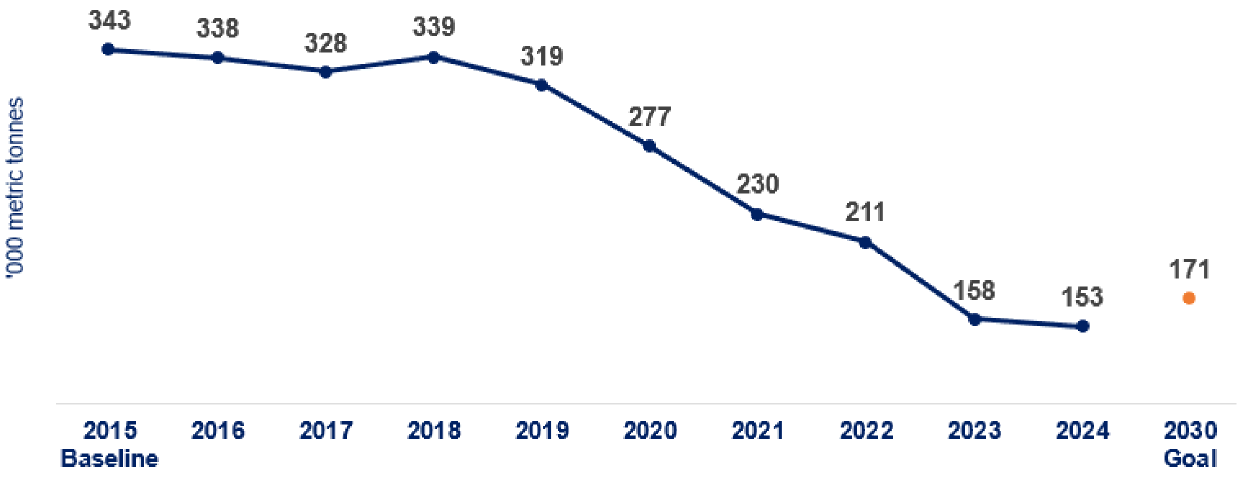
	Revenue £m		Organic constant-currency growth	Adjusted operating profit[1] £m		Margin %	
	FY 2024	FY 2023	%	FY 2024	FY 2023	FY 2024	FY 2023
Thermal Products	418.2	454.4	(0.6)%	40.0	40.2	9.6%	8.8%
Performance Carbon	345.2	327.2	9.3%	55.1	50.0	16.0%	15.3%
Technical Ceramics	337.3	333.1	3.7%	39.2	36.0	11.6%	10.8%
Corporate costs	-	-		(5.9)	(5.9)	-	-
Group	**1100.7**	**1114.7**	**3.7%**	**128.4**	**120.3**	**11.7%**	**10.8%**

- Thermal Products decline due to weak industrial markets
- Growth in Performance Carbon driven by Faster Growing segments and Aerospace and Defence
- Growth in Technical Ceramics driven by Faster Growing segments and ceramic cores for industrial gas turbines
- Margins expand in each segment with restructuring savings together with recovery of cyber inefficiencies and the drop through on sales in Performance Carbon and Technical Ceramics

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

CO_2e emissions now 50% below 2015 baseline

Absolute CO_2e (Scope 1 and 2)[1]



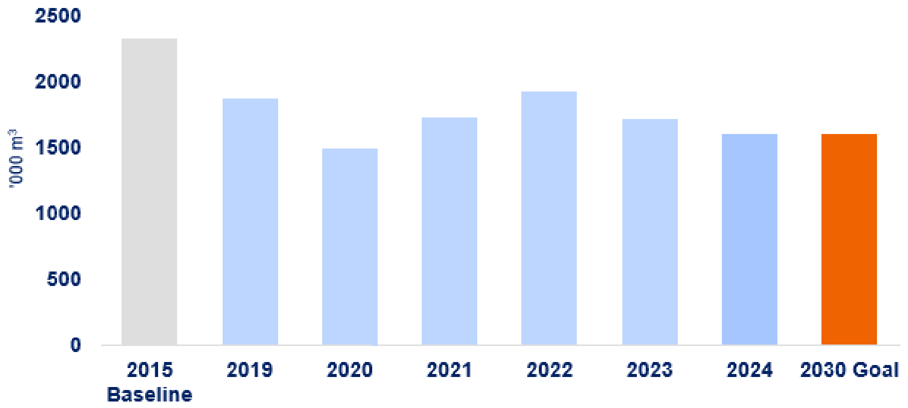
1 Scope 1 and 2 relate to CO_2e emissions from direct and indirect sources, respectively.

3% reduction in absolute CO_2e emissions compared with FY 2023 driven by:

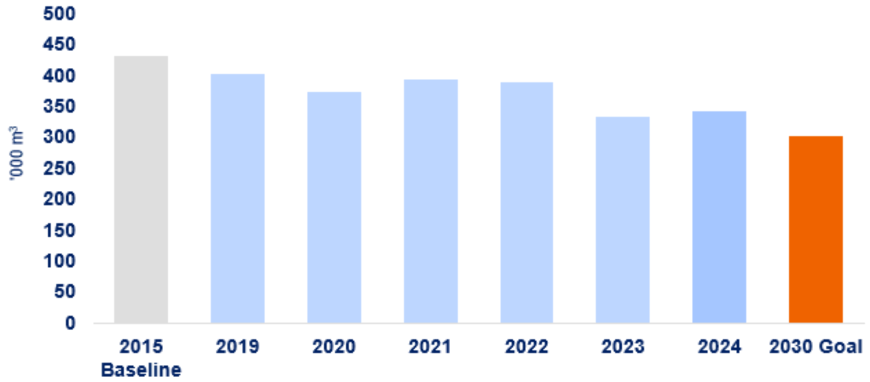
- **Green energy procurement:** transition to renewable and other carbon free energy sources
- **Efficiency and process optimisation actions:** changes to processes (e.g. kiln firing profiles) and equipment operating protocols e.g. equipment shutdowns and idling machines
- **Capital projects:** replacement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

Water, Safety and Diversity

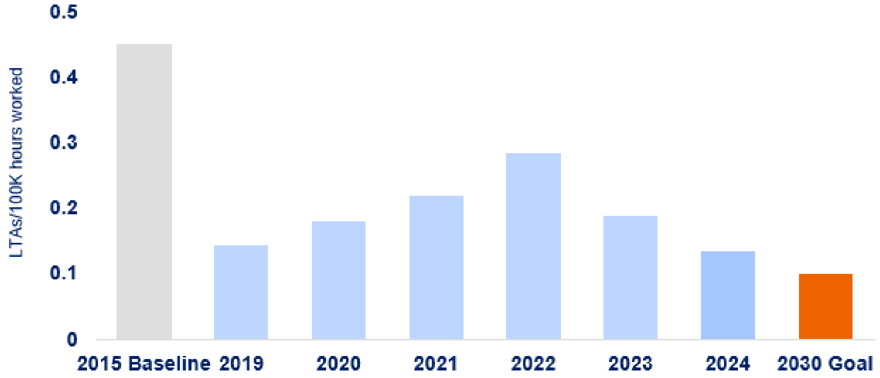
Water usage



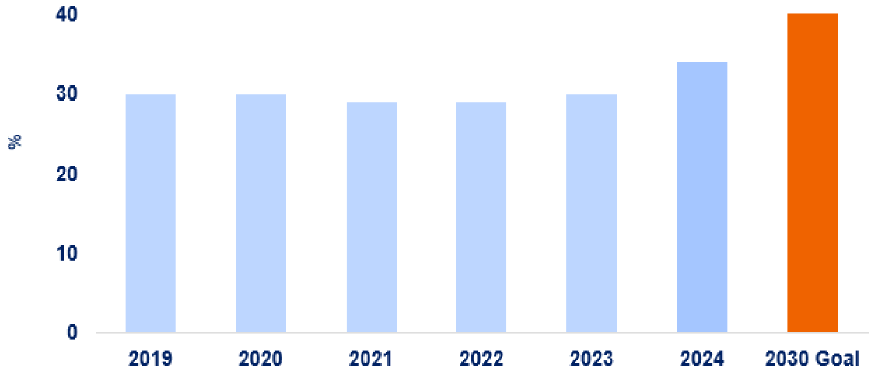
Water usage in stressed areas



Lost time accident rate

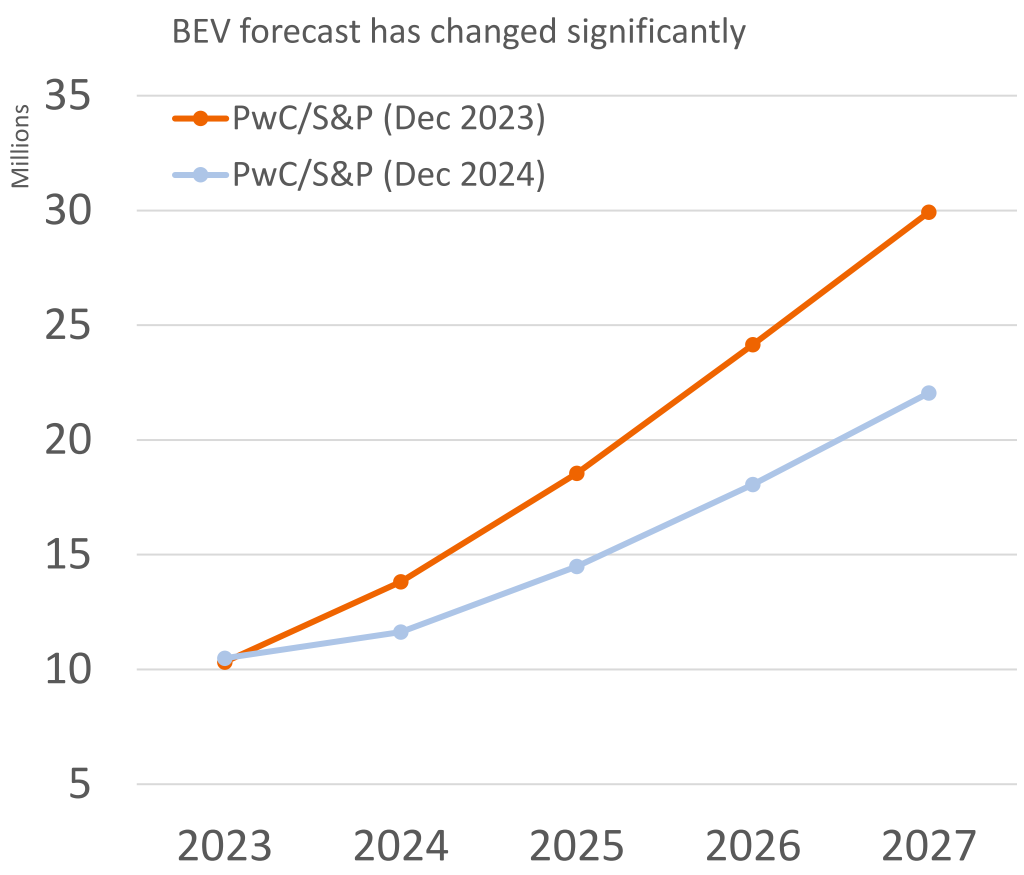


% Female leadership population[1]



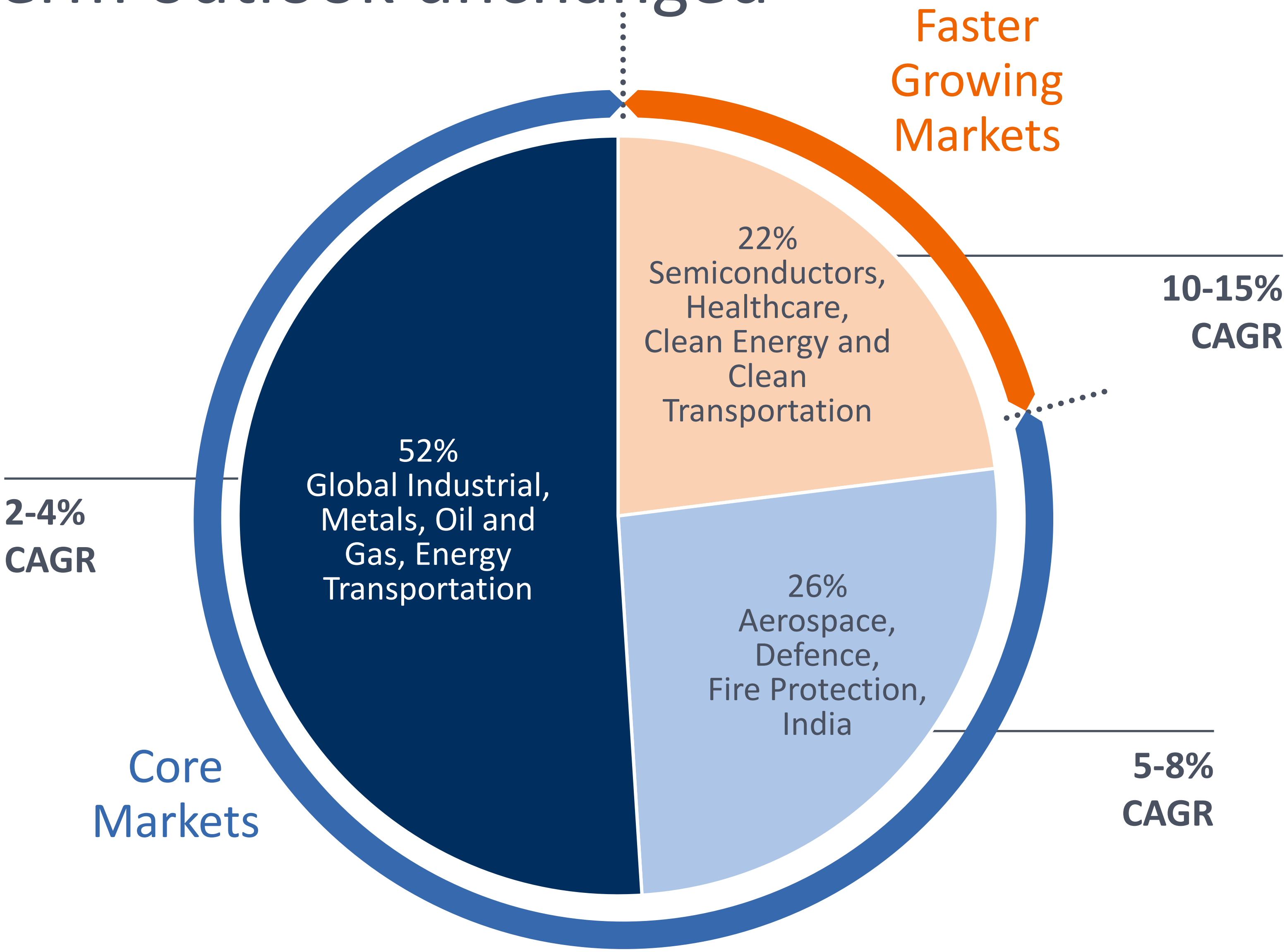
1 Leadership population consists of approximately 400 of the most senior individuals in the organisation.

WBG Semiconductor impacted by BEV slower growth



- BEV market grew at 11% in 2024 against an expected 30% growth. Capacity and supply have exceeded short-term demand, creating inventory challenges in the entire value chain of power electronics, with Morgan sales expected to be down in 2025.
- Long term BEV growth still expected to be robust influenced by incentives and government targets.
- Penetration of WBG technology is increasing in all power conversion applications supported by ongoing fab investments.
- As the industry continues to improve efficiency and yield, especially through the transition to an 8'' wafer platform, Morgan expects its market to grow at 0.4 to 0.7 times the rate of the overall BEV market.

Medium term outlook unchanged



Financial framework unchanged

Delivering enhanced EPS growth

Organic revenue growth

+

Continuing profit growth

+

Accretive M&A

+

Additional shareholder returns

=

Enhanced EPS growth

Clear through cycle financial framework

4-7% organic revenue growth

12.5% to 15% adjusted operating profit margin

ROIC 17-20%

Leverage of 1.0x to 2.0x

Enhanced EPS growth

Outlook

- Looking ahead to this year, European and Chinese industrial and metals markets are weak, and we expect those to be a headwind, partially offset by the US
- Semiconductors also a headwind given the stronger H1 last year along with weakness in the SiC power electronics market expected to continue through 2025
- Clean Energy and Transportation, India, Aerospace and Defence are expected to grow but not to fully offset the declines in Industrial and Semiconductor segments
- Overall, we expect revenues to be down mid single digit compared to the prior year
- With the self help we are pursuing through our restructuring programme; we expect margins to be back within our 12.5-15% range
- We have not included any impact from tariffs in our guidance. These are fast moving, with multiple jurisdictions being discussed, and without understanding the details of any proposals it is difficult to assess the overall impact

Summary

- Despite increasingly weak market conditions, we have grown revenue +3.7%, with +7.6% growth from our faster growing markets
- Margin improved to 11.7%; foundations laid for return to 12.5% during 2025
- Restructuring delivers a leaner more efficient business
- Semiconductor investment re-phased, flexibility retained to investor more as markets improve
- Our strong balance sheet the ability to deliver additional shareholder returns
- Outlook for 2025 is for a low to mid single digit revenue decline with revenue and adjusted operating profit split roughly 50/50 in H1/H2; operating margin to return to framework range
- Business positioned well to grow and expand margins as markets recover

Appendix

End-market mix (as a % of revenue)

Main markets by GBU[1]

Thermal Products

Industrial, Chemical and petrochemical, Metals, Automotive, Copper (construction), Precious metals

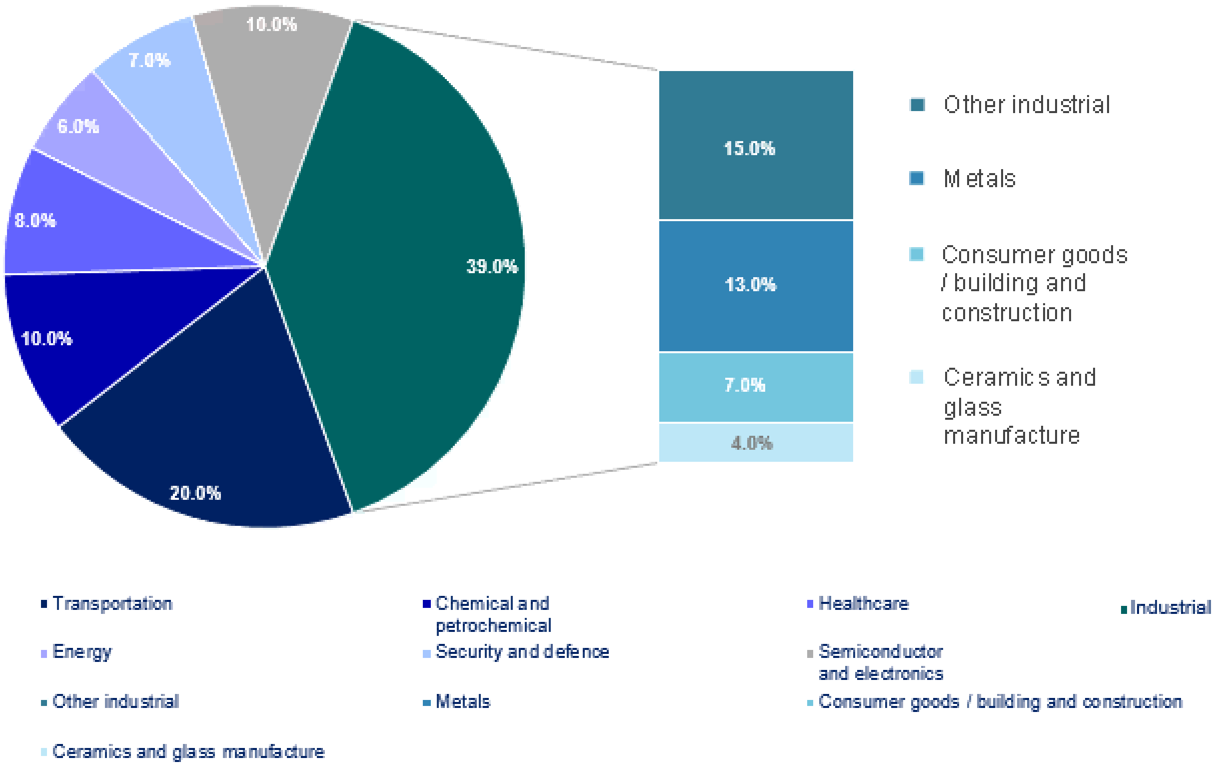
Performance Carbon

Rail, Industrial equipment, Power generation, Electronics and semiconductor, 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

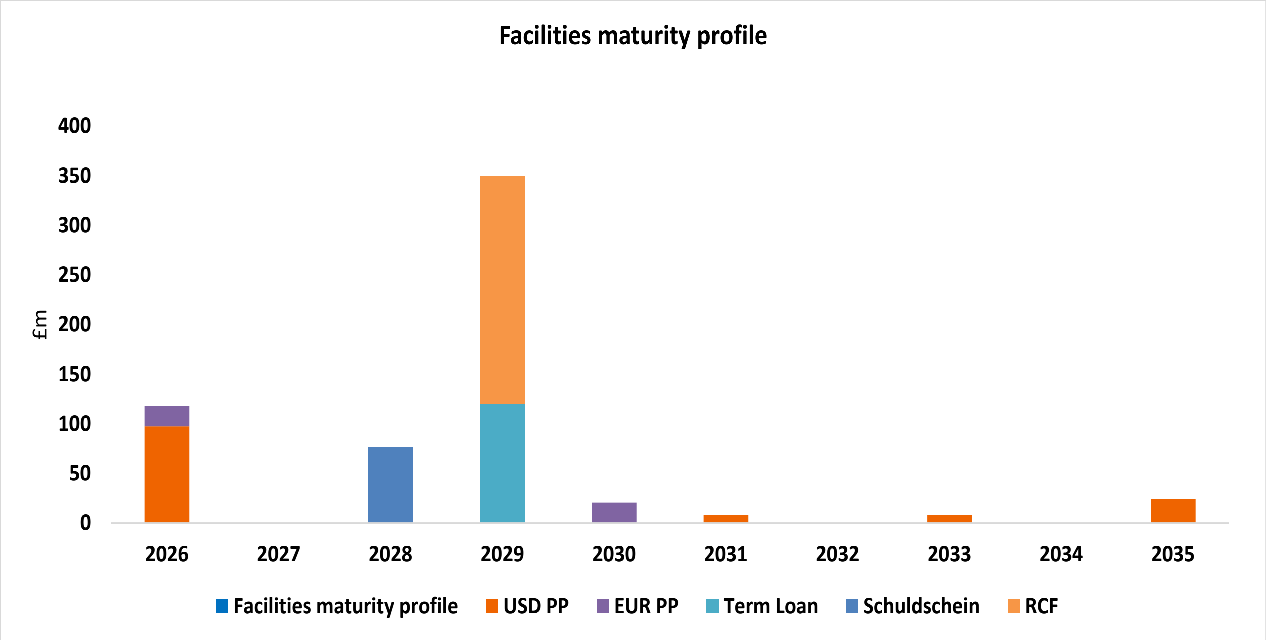
£m	Results before specific adjusting items	Specific adjusting items	Total	Results before specific adjusting items	Specific adjusting items	Total
Revenue	**1,100.7**	**-**	**1,100.7**	**1,114.7**	**-**	**1,114.7**
Operating costs before amortisation of intangible assets	(972.3)	(18.9)	(991.2)	(994.4)	(25.9)	(1,020.3)
Profit from operations before amortisation of intangible assets, impairments and reversal of impairments of non-financial assets	**128.4**	**(18.9)**	**109.5**	**120.3**	**(25.9)**	**94.4**
Amortisation of intangible assets	(1.7)	-	(1.7)	(3.3)	-	(3.3)
Impairment of non-financial assets		(4.2)	(4.2)		(7.3)	(7.3)
Reversal of impairment of non-financial assets			-		8.1	8.1
Operating profit	**126.7**	**(23.1)**	**103.6**	**117.0**	**(25.1)**	**91.9**
Net financing costs	(19.0)	-	(19.0)	(14.1)	-	(14.1)
Share of profit of associate (net of income tax)	-	-	-	-	-	-
Profit before taxation	**107.7**	**(23.1)**	**84.6**	**102.9**	**(25.1)**	**77.8**
Income tax expense	(28.4)	2.5	(25.9)	(26.0)	3.8	(22.2)
Profit from continuing operations	**79.3**	**(20.6)**	**58.7**	**76.9**	**(21.3)**	**55.6**
Profit from discontinued operations	-	0.1	0.1	-	0.7	0.7
Profit for the period	**79.3**	**(20.5)**	**58.8**	**76.9**	**(20.6)**	**56.3**
Profit for the period attributable to:						
Shareholders of the Company	70.8	(20.5)	50.3	67.9	(20.6)	47.3
Non-controlling interests	8.5		8.5	9.0	-	9.0
Profit for the period	**79.3**	**(20.5)**	**58.8**	**76.9**	**(20.6)**	**56.3**

Cash flow summary

£m	FY 2024	FY 2023
EBITDA	171.1	159.8
Change in working capital	14.6	(3.0)
Change in provisions and other	(22.8)	(30.5)
Cash generated from continuing operations	**162.9**	**126.3**
Net capital expenditure	(90.2)	(58.5)
Net interest on cash and borrowings	(15.3)	(11.6)
Tax paid	(29.2)	(30.3)
Lease payments and interest	(13.2)	(11.3)
Free cash flow before acquisitions, disposals and dividends	**15.0**	**14.6**
Dividends paid to external plc shareholders	(34.5)	(34.2)
Net cash flows from other investing and financing activities	(19.6)	(17.8)
Cash flows from sale of subsidiaries and associates		
Net cash flows from discontinued operations	0.1	0.4
Exchange movement and other non-cash movements	(2.0)	0.3
Opening net debt excluding lease liabilities	(185.2)	(148.5)
Closing net debt excluding lease liabilities	**(226.2)**	**(185.2)**
Closing lease liabilities	(47.1)	(47.1)
Closing net debt	**(273.3)**	**(232.3)**

- Working capital shows a strong inflow with a £17.6m improvement versus 2023.
- Increased capital expenditure as capacity investment accelerates
- Free cash inflow of £15.0m
- Effective tax rate of 26.4%
- Net debt (excluding lease liabilities) of £226.2m, Net debt/EBITDA at 1.4x (FY 2023: 1.2x).

Strong balance sheet and available liquidity



- Headroom on banking covenants
- Net debt to EBITDA excluding the impact of IFRS 16: 1.4x (FY2023: 1.2x)
- Significant liquidity
- £275m available RCF and Delayed Draw Term Loan funding plus available net cash and cash equivalents of £112m
- Average cost of long-term debt = 3.9%

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 2024 Closing rate	FY 2024 Average rate	FY 2023 Closing rate	FY 2023 Average rate
USD	1.25	1.28	1.27	1.24
Euro	1.21	1.18	1.15	1.15

For illustrative purposes, the table below provides details of the impact on FY 2024 revenue and adjusted operating profit[1] if the actual reported results, calculated using FY 2024 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 2024 revenue/adjusted operating profit if:	Revenue £m	Adjusted operating profit[1] £m
GBP weakens by 10c against USD in isolation	42.3	4.4
GBP weakens by 10c against the Euro in isolation	19.8	3.2

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

Adjusted earnings per share

£m	FY 2024	FY 2023
Profit for the period attributable to shareholders of the Company	50.3	47.3
Profit from discontinued operations	(0.1)	(0.7)
Profit from continuing operations	50.2	46.6
Specific adjusting items	23.1	25.1
Amortisation of intangible assets	1.7	3.3
Tax effect of the above	(2.5)	(3.8)
Non-controlling interests' share of the above adjustments	-	-
Adjusted earnings	**72.5**	**71.2**
Weighted average number of shares in the period	284.5	284.8
Adjusted earnings per share (pence)	**25.5**	**25.0**

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