

Morgan Advanced Materials

Advancing Materials Science

A microscopic image showing a complex, layered material structure. The image is dominated by orange and purple colors, with some darker, almost black, regions. The structure appears to be composed of many small, interconnected fibers or layers, creating a dense, textured appearance. The overall effect is that of a highly detailed, multi-layered material.

Investec Best Ideas Conference 2020

18 November 2020

Our purpose

Our purpose is to use advanced materials to help make more efficient use of the world's resources and to improve the quality of life

- We improve quality of life through medical applications
- We enable greener electricity generation
- We enable the digital world, and all the benefits to the environment and health that brings
- We help to keep people safe
- We enable electrification for cleaner public transport
- We help our customers manage heat, reducing their energy usage

UN sustainable development goals



We have a diversified portfolio with attractive long term growth prospects

Main markets by GBU

Thermal Ceramics:

Industrial, Chemical and petrochemical, Metals, Automotive

MMS:

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

Electrical Carbon:

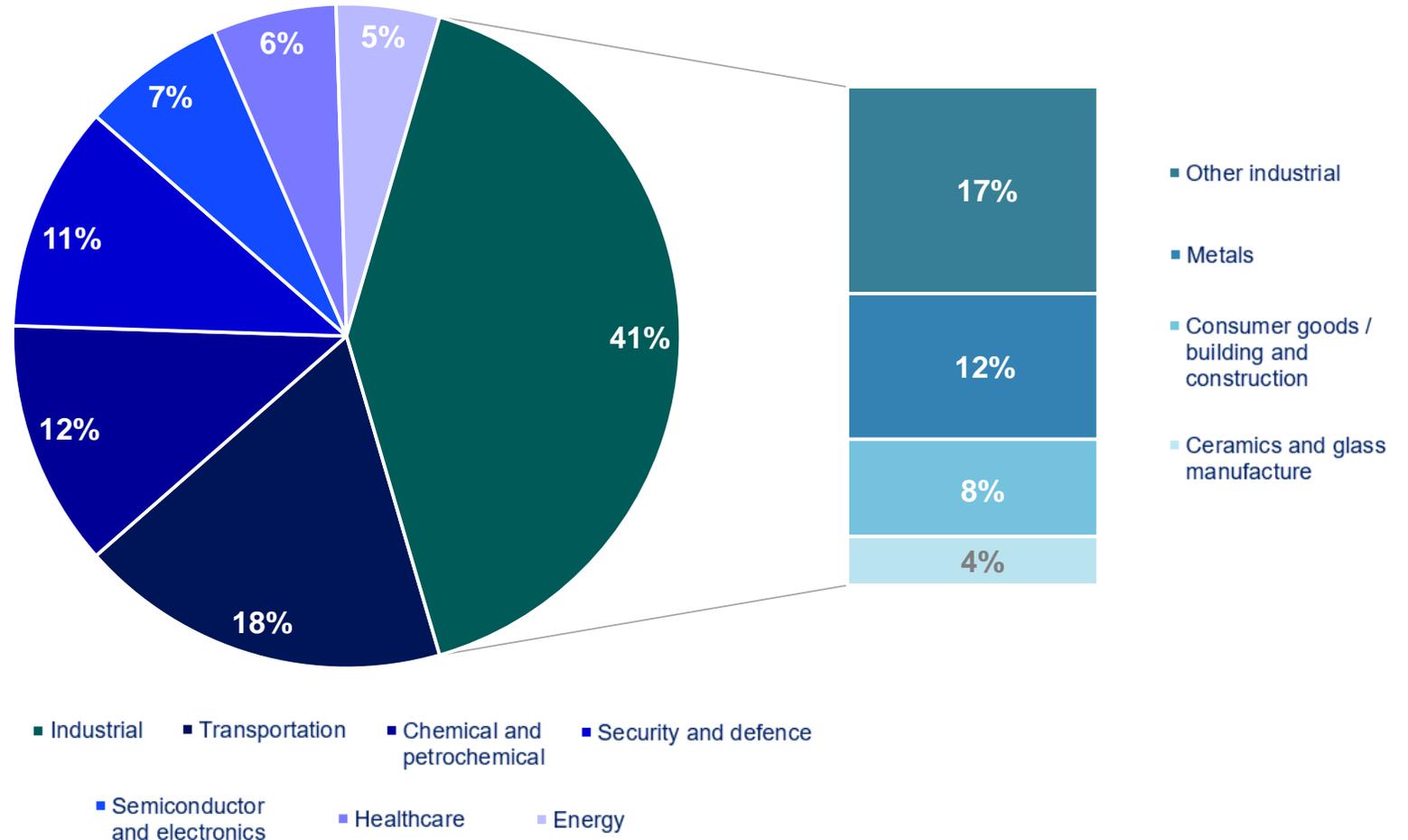
Rail, Industrial equipment, Power generation, Electronics and semiconductor

Seals and Bearings:

Petrochemical, Pumps, Aerospace, Automotive, Home appliances

Technical Ceramics:

Industrial equipment, Electronics, Aerospace, Healthcare, Energy



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:

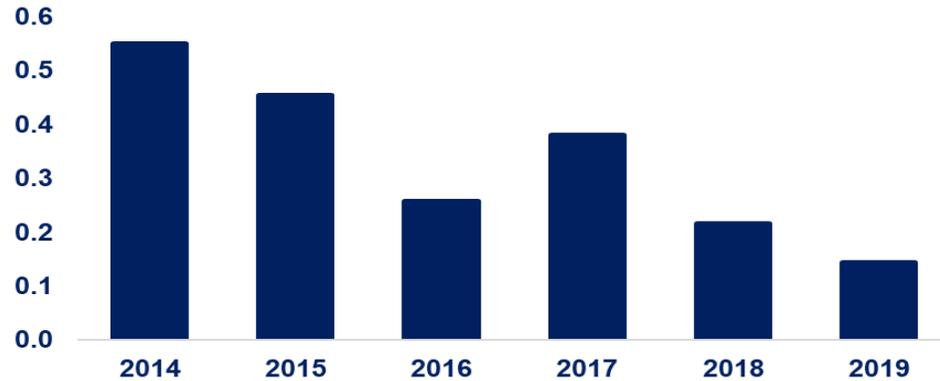
- Our technical expertise and differentiation is valued
- We can operate on a global scale
- We are scalable
- Market segments are growing and we have room to grow

Strengthening the Group to deliver resilient financial performance and faster growth

Our strategy is delivering

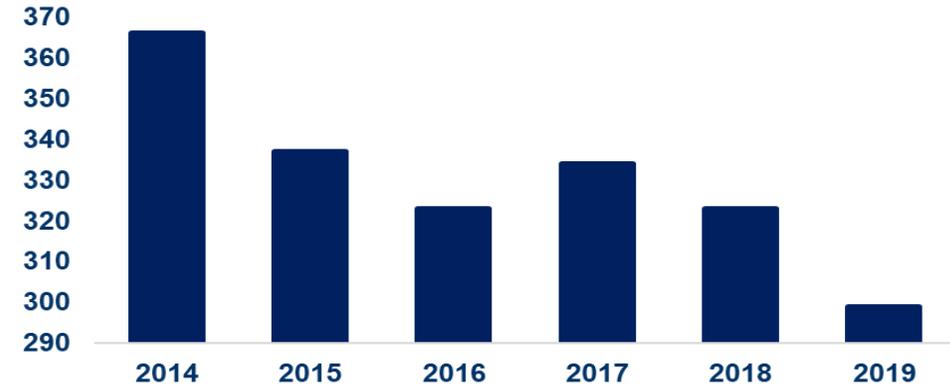
Lost-time accident frequency rate – 74% improvement in 5 years

LTAs/100k hours worked

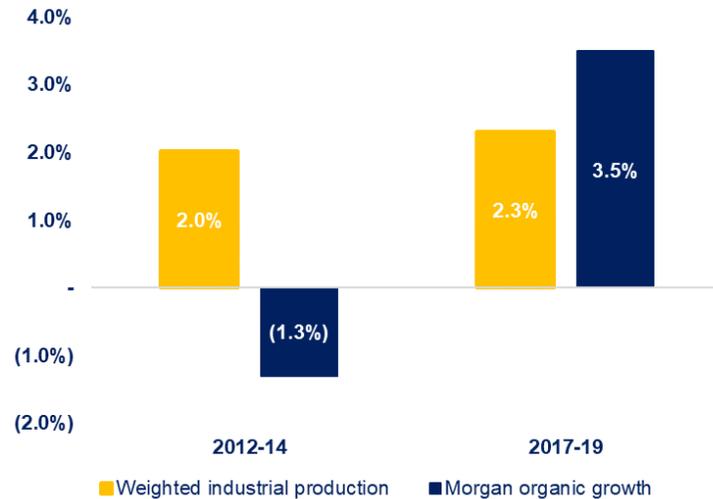


CO₂ intensity – 18% improvement in 5 years

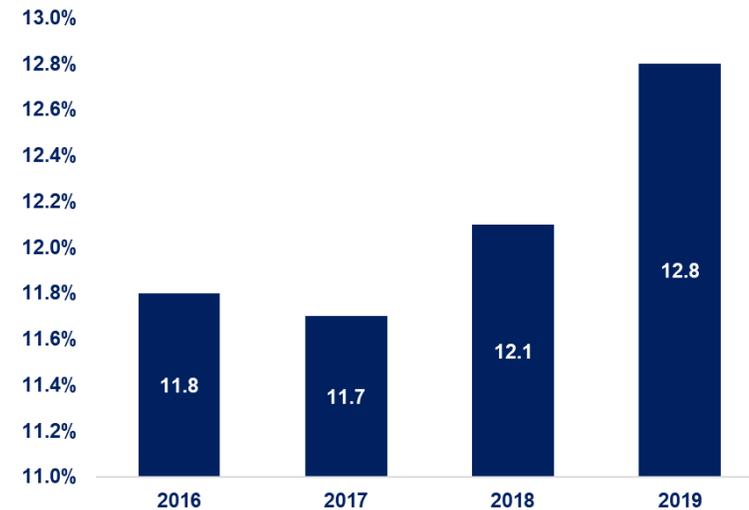
Tonnes CO₂ equivalent/£m revenue



Organic growth vs industrial production



Headline operating profit margins



H1 2020 - summary

- Trading has been resilient with revenue decline of 8.8% on an organic constant-currency basis demonstrating the benefits of our diverse end-market segments.
- Growth in healthcare and defence segments offset by declines in other end-market segments.
- Group headline operating profit margin held at 11.1%, demonstrating the impact of our rapid cost management actions.
- Free cash flow improved to £26.4m to give a net debt to EBITDA position of 1.0 times, excluding lease liabilities, reflecting the decisive action we have taken to maintain good liquidity.
- Restructuring actions accelerated to position the business for a period of lower demand, targeting annual cost savings of £20m by 2022 for a cash cost of £30m.

Emerging stronger: Group restructuring and efficiency programme

The Group restructuring and efficiency programme accelerates our existing plans to further simplify our structure, drive efficiency in our operations and align our capacity with the anticipated lower demand levels across the business:

- Closure of Technical Ceramics ceramic cores manufacturing sites in response to significant downturn in aerospace demand
- Closure of sites and under-utilised production lines in Thermal Ceramics to align our capacity to lower industrial and automotive demand
- Restructuring other roles across the Group to align our cost base to the lower overall demand position

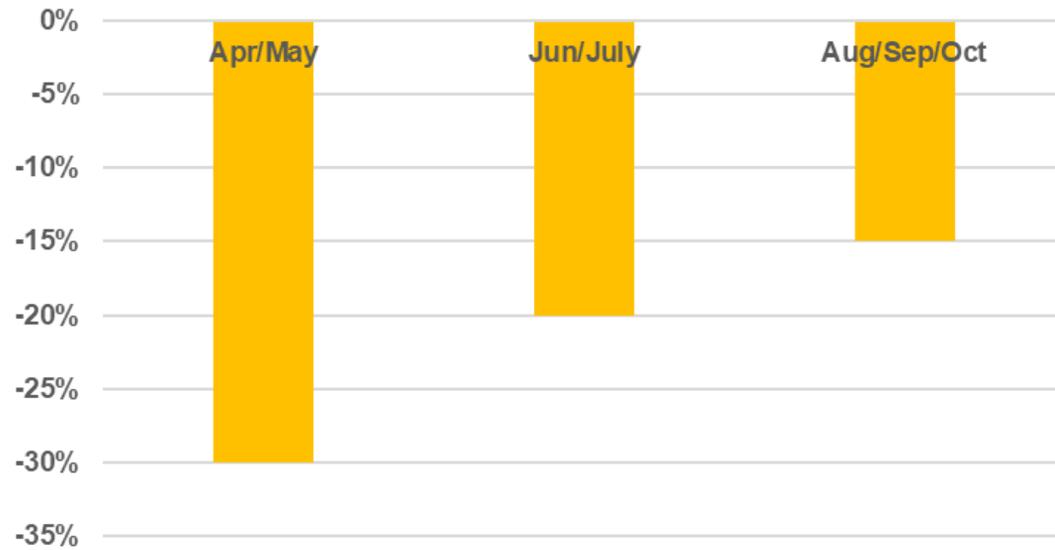
These actions will further reduce costs by a targeted £20m per annum by 2022, with an anticipated cash cost of £30m to deliver these savings:

£m	FY2020	FY2021	FY2022	Total
Headline operating profit ¹ benefits (incremental)	5	14	20	-
Cash cost to specific adjusting items	(15)	(14)	(1)	(30)

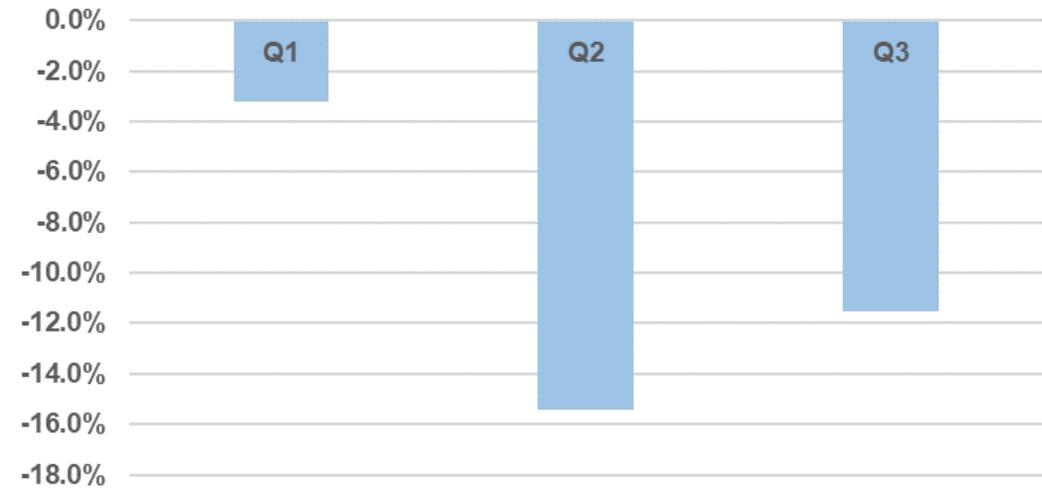
¹ Headline operating profit is before specific adjusting items and amortisation of intangible assets.

We are seeing a sequential improvement in orders and revenues

Average daily orders vs PY



Organic constant currency revenue vs prior year



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A microscopic image of a material structure, likely a composite or ceramic, showing a complex, layered, and fibrous texture. The colors are predominantly orange and purple, with some darker, almost black, regions. The structure appears to be composed of many small, interconnected fibers or layers, creating a dense, woven appearance.

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H1 2020 - growth in healthcare and chemical and petrochemical segments offset by decline in more traditional end-market segments

Organic % change at constant-currency

Segment	1H20 vs 1H19	2Q20 vs 2Q19	% of Group revenue
Industrial	(18%)	(22%)	41%
Transportation	(20%)	(34%)	18%
Chemical and petrochemical	15%	4%	12%
Security and defence	45%	40%	11%
Semiconductor and electronics	(7%)	(8%)	7%
Healthcare	12%	13%	6%
Energy	(16%)	(14%)	5%

- Volumes down across all regions with largest decline in North America
- Decline in aerospace in Technical Ceramics and Seals and Bearings as well as automotive in Thermal Ceramics
- Growth driven by Thermal Ceramics project activity in Asia and North America
- Growth in Seals & Bearings ceramic armour sales and Technical Ceramics in North America
- Growth in Electrical Carbon Asia offset by decline in Technical Ceramics
- Growth in Technical Ceramics and Seals and Bearings
- Decline in renewable energy and power generation industry, particularly in Asia