

# SEALS

The Seals Sector businesses supply a range of seals, gaskets, cylinders, components and kits used in heavy mobile machinery and a diverse range of fluid power products with Aftermarket, OEM and MRO applications.

## FINANCIAL HIGHLIGHTS

**£419.0m**

Revenue

FY22: £331.4m | +26% YoY

**£79.0m**

Adjusted operating profit

FY22: £62.6m | +26% YoY

**£55.8m**

Statutory operating profit

FY22: £46.0m | +21% YoY

**+5%**

Organic revenue growth

FY22: +14%

**18.9%**

Adjusted operating margin

FY22: 18.9%

## NORTH AMERICAN SEALS

NA Aftermarket  
US OEM  
US MRO

## INTERNATIONAL SEALS

UK Aftermarket  
European OEM  
Australia

**NA AFTERMARKET: 18%**

Our North American Aftermarket business supplies a range of products, including seals, bespoke kits, repair accessories, and cylinders to customers repairing heavy machinery and hydraulic equipment across a wide range of industries. Their value-add proposition includes next-day delivery, technical assistance, kitting, custom seals and quality assurance.

**UK AFTERMARKET: 21%**

These businesses supply a wide range of fluid-power products, including industrial hose and couplings, hydraulic and pneumatic components, and gaskets and seals. Their customers benefit from their expertise, broad experience and in-depth product knowledge and stock.

**AUSTRALIA: 8%**

These businesses deliver solutions that reduce whole-of-life costs through equipment efficiency and reliability, reduced downtime and energy use. They supply premium mechanical engineering products, parts and servicing as well as products, including pumps, filtration and sealing devices. They serve the power, water and mining industries.

**US OEM: 13%**

Our US OEM business is a leading provider of technical solutions. They supply a wide range of products, including seals, gaskets, custom moulded parts and stamped metal components. Their value-add services include engineering expertise, such as compound and application design; supply chain and inventory management; quality assurance and kitting and assembly.

**EUROPEAN OEM: 11%**

Our European OEM businesses supply seals, gaskets and custom and moulded parts to customers across a wide range of industries, including renewable energy, healthcare, food & beverage, and automotive. They offer value-add services, including design and engineering support, and quality control and testing.

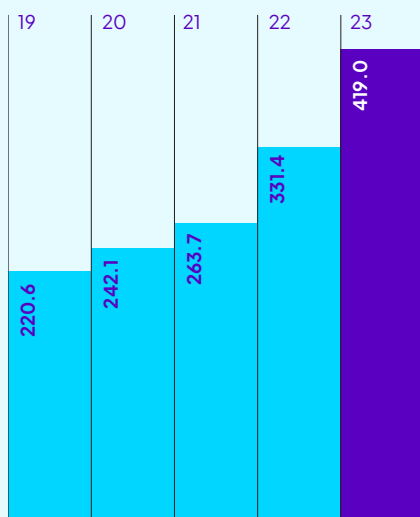
**US MRO: 13%**

Our US MRO business is engineering-focused and supports customers' gasket, packing and expansion joint needs in high-cost-of-failure applications. Customers benefit from proprietary products, significant cost savings and inventory management. Product design assistance and experienced engineering resources offer customers ongoing support throughout their production cycle.

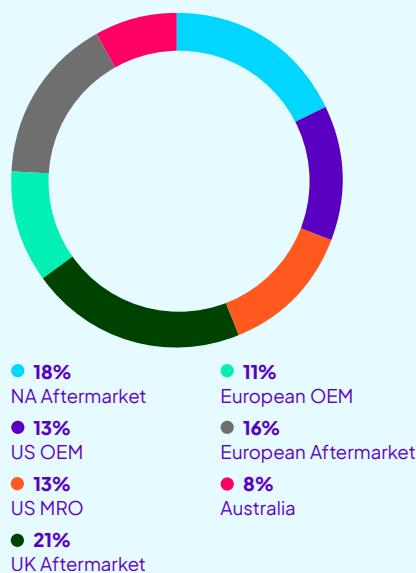
**EUROPEAN AFTERMARKET: 16%**

Our European Aftermarket business distributes a range of connectors, stainless steel fittings, hoses, and hydraulic components to customers in diverse industries, including agriculture, marine, automotive, chemical processing and infrastructure. Their value-add proposition includes deep technical expertise, breadth of stock and advanced international logistics.

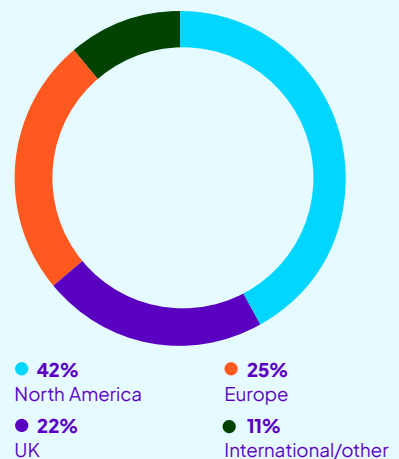
**REPORTED REVENUE £**



**REVENUE BY SEGMENT<sup>1</sup>**



**REVENUE BY GEOGRAPHY<sup>1</sup>**



<sup>1</sup> Pro forma revenue is stated after total adjustments of £74.6m to Reported revenue for acquisitions completed during the year.

## SEALS SECTOR CONTINUED



**TED MESSMER**  
CEO, NORTH AMERICAN SEALS SECTOR

“I am so proud of the North American Seals team and all the progress they have made this year in strengthening our growth potential and broadening our value-add capabilities.”



**ALESSANDRO LALA**  
CEO, INTERNATIONAL SEALS SECTOR

“The International Seals Sector is poised for continued strong organic growth, augmented by the increased European footprint due to the acquisition of DICSA.”

### 2023 HIGHLIGHTS

- Strong International Seals performance driven by R&G and Australian Seals.
- Resilient performance in North American Seals, benefitting from returns on the investment into the Aftermarket facility in Louisville and strong performance in our MRO business offsetting some destocking in certain OEM customers.
- Adjusted operating profit increased by 26% to £79.0m (2022: £62.6m).
- Invested in scaling projects focusing on automation and supply chain efficiencies through facilities upgrades.
- Strategic acquisition of Distribuidora Internacional Carmen S.A.U. (DICSA) builds scale in Europe and broadens the product portfolio into stainless steel fittings, expanding addressable markets.

**International Seals** (56% of Sector revenue) delivered strong organic growth of 9%, principally driven by an excellent trading performance from R&G in the UK and strong recovery of capital projects in Australia.

**North American Seals** (44% of Sector revenue) delivered organic growth of 1% against a very strong comparator (2022: +16%) with strong growth in our North American Aftermarket and MRO businesses, partly offset by some destocking in some industrial OEM customers.

### REVENUE DIVERSIFICATION DRIVING ORGANIC GROWTH

In International Seals, our UK Aftermarket business, R&G, grew strongly, benefitting from initiatives to diversify into product adjacencies and new end markets, such as wastewater treatment and potash mining. R&G has made a significant contribution to the organic growth of the Sector since acquisition, driven by strong sales into capital projects, particularly in the pneumatics and industrial markets, underpinned by solid MRO volumes.

Our Australian Seals businesses delivered very strong growth. This was driven by share gains and public infrastructure investments on the east coast, strong demand in anti-corrosion applications in the oil and gas industries, and continuous strong demand for the mining of raw materials for batteries. Anti-Corrosion Technology (ACT), which was acquired in late FY22, has more than doubled since acquisition, capitalising on asset protection projects in the oil and gas industry.

We saw softer performance in our European OEM businesses where both medical and industrial end markets suffered some customer destocking. We expect this to moderate growth in the near term.

North American Aftermarket delivered another year of strong growth. The investment in our Aftermarket facility in Louisville, extending service hours and product availability, is continuing to deliver accelerated growth and market share gains, particularly in western states. Very strong organic growth in the core repair market was boosted by the continuing focus on US infrastructure development.

The US MRO business delivered strong organic growth driven by high levels of demand for our proprietary products in the transportation market.

The US OEM business was softer, driven by destocking in a number of customers. We expect this to moderate growth in the near term.

### TARGETED ACQUISITIONS TO ACCELERATE GROWTH

During the year, the Sector acquired DICSA for ca. £170m, establishing a scaled platform in fluid power solutions across the European aftermarket. It adds to our established positions in the US and UK and over time will drive significant revenue and procurement synergies: cross-selling existing product from R&G, leveraging the Louisville facility to accelerate DICSA's growth in the US, and enabling procurement synergies.

Also in International Seals, four bolt-on acquisitions were added into the R&G Group. Hedley and FPS bring complementary products and geographical expansion to R&G's Hydraulics division. Valves Online will complement and strengthen R&G's capabilities in the online route to market, as well as developing the valve product category. Lantech enhances the end market capabilities of the Industrial division with its focus on the food & beverage and pharmaceutical markets.

In North American Seals, VSP acquired two businesses during the year, both creating cross-selling opportunities. GP&S, which supplies gaskets, seals, and fasteners; and Hex, which provides bolting and sealing training solutions to make manufacturing sites safer, more reliable and more profitable. Hercules OEM completed the bolt-on acquisition of ITG, a distributor of seals and adhesives for use in electrical connectors, valves, medical devices and industrial equipment.

### BUILDING SCALE

The Sector is selectively integrating smaller businesses to form better scaled platforms and during the year, completed the integration of TotalSeal into FITT Resources in Australia.

Further scaling investments in facilities to establish national hubs are being made, with the construction of a new M Seals facility in Denmark that will become the Nordic hub for the Sector. In the UK, we have invested in a national distribution centre for hydraulic products and a centre of excellence for hose assemblies to position R&G as the national leader for these product ranges.

In North American Seals, we have focused on improving the supply chain; investing in facilities, talent and processes to improve supply-demand planning and optimise inventory. The Sector continues to make major investments in warehouse automation and has successfully expanded the Autostore facility in Louisville.

### OUTLOOK

We have made good strategic progress in Seals in the year and the growth prospects for the Sector remain strong. The Sector is more resilient now than ever, supported by end segment exposures such as medical, food and beverage and renewable energy, and DICSA adds a scaled European operation to our existing US and UK platforms.

Customer destocking has continued in our North American and European industrial OEM businesses and while we remain confident in their long term prospects, we do expect this to moderate Seals growth in the near term. We are well positioned to benefit from the significant investments into infrastructure projects across the US and Europe, which create a tailwind for growth across our Aftermarket businesses.

## US MRO VSP TECHNOLOGIES

VSP Technologies offers customers fluid sealing solutions used in mission-critical and hazardous environments.

When VSP Technologies was acquired in 2019, it sold custom gaskets used in chemical processing, power generation and other heavy industries.

Since our acquisition, they have successfully broadened their flow control product lines, cross selling o-rings and hoses from other North American Seals Sector businesses, to VSP's existing customers.

Supported by their engineering expertise, VSP sells its customers solutions that reduce fugitive emissions and leakages and reduce downtime in mission-critical and hazardous environments such as rail transportation of toxic materials.

Their solutions reduce customer operating costs and have tangible environmental benefits.

