

# Invensys Capital Markets Day

London  
5 June 2013

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# 1

## Introduction

Wayne Edmunds  
Chief Executive, Invensys plc

# Forward looking statements

*This document contains certain statements that are forward looking. These statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.*

*Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition and liquidity, and the development of the industries in which the Group operates, may differ materially from those made in or suggested by these statements and a number of factors could cause the results and developments to differ materially from those expressed or implied by these forward-looking statements.*

# Invensys now

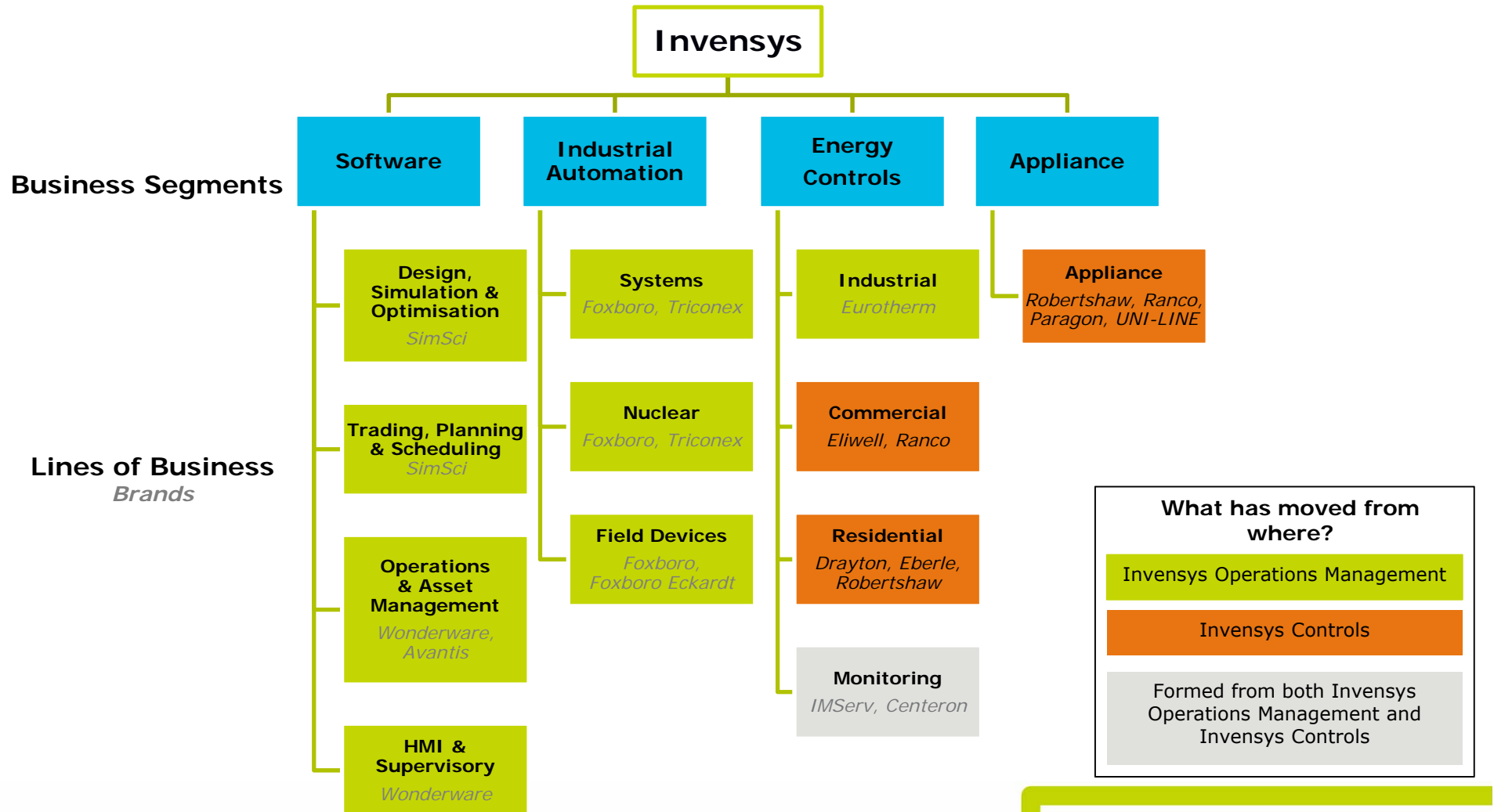
- A technology group focused on software, automation and controls
  - High quality, defensible niche businesses with natural value
  - Industrial software leadership
  - Lower volatility with fewer very large projects
- Experienced management team with deep domain knowledge
- Pension and other legacy matters de-risked
- Strong balance sheet
  - Enables continued R&D investment in our technologies
  - Provides ability to grow through acquisitions

# What you will learn today

- A simple explanation of Invensys:
  - what do we do?
  - who do we do it for?
  - why they buy from us?
- Our new corporate structure of lines of business and business segments which are used for capital allocation
- Our strategy to grow our lines of business both organically and through acquisitions
- Our acquisition criteria to ensure we deploy our substantial resources in a thoughtful and disciplined manner, driving shareholder value
- Financial information that helps realistic valuation versus comparables

# Lines of business and segment structure

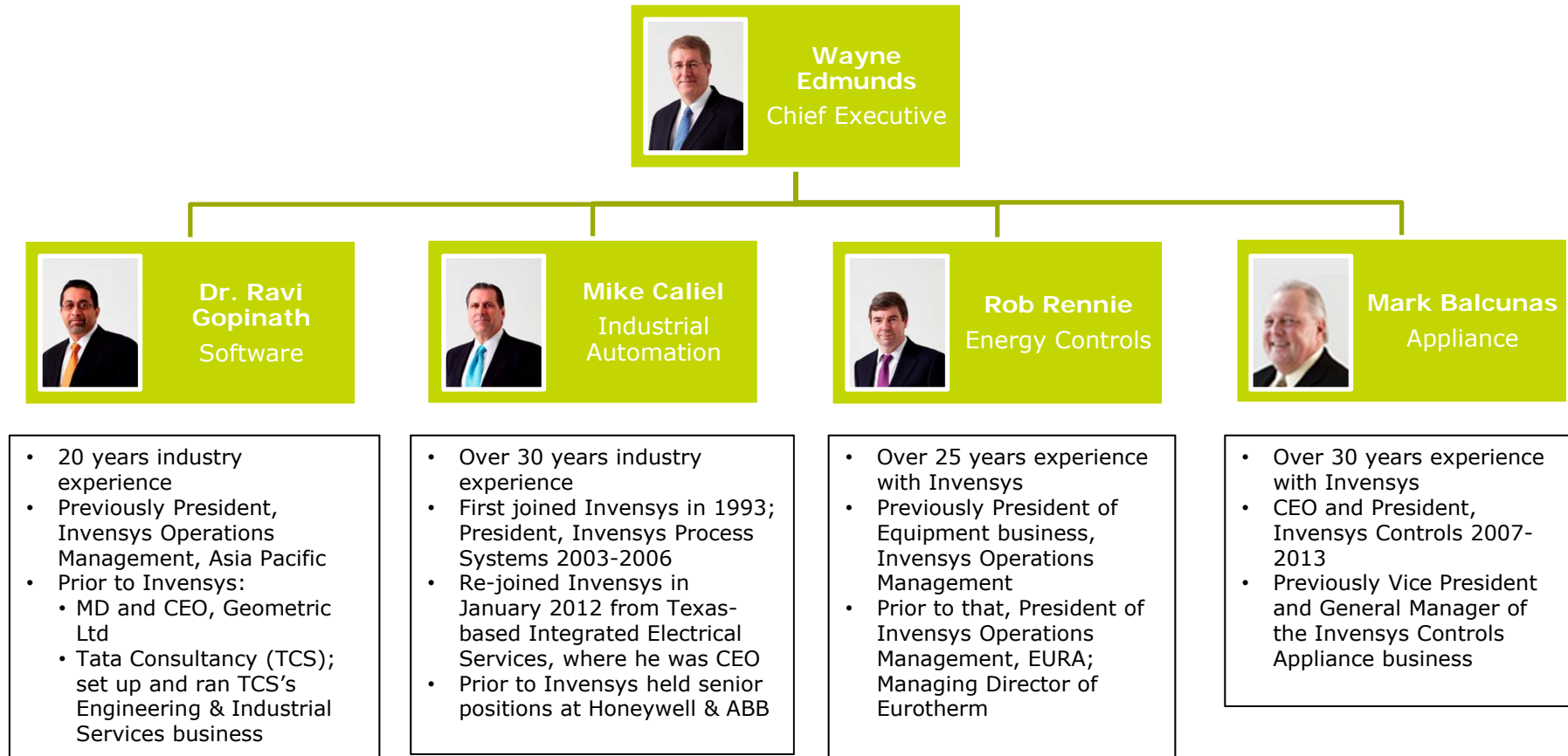
Better business plans, accountability and capital allocation



# Rationale for and benefits of new structure

- **Business segments**
  - Provide the basis for external reporting and the basis for you to measure our performance against comparators
  - Are used to achieve technology and/or financial synergies
  - Segment structure has very low attributable overheads
- **Lines of business (LOBs)**
  - Each LOB has a unique business model
  - Enable transparent investment decisions
  - Business plans are developed by leaders with deep domain knowledge
  - Enable business plans to be closely aligned with markets and enable focus on niche positions

# Group management structure



Strong and experienced management team with deep domain knowledge



# Today's agenda

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1.	<b>Introduction</b>	<b><i>Wayne Edmunds</i></b>
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2.	Group Strategy	<i>Wayne Edmunds</i>
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3.	Software	<i>Dr. Ravi Gopinath</i>
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***11.15: Coffee Break***

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4.	Industrial Automation	<i>Mike Caliel</i>
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5.	Energy Controls	<i>Rob Rennie</i>
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***13.00: Buffet Lunch***

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6.	Financial Overview	<i>David Thomas</i>
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***Q&A***

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7.	Conclusion	<i>Wayne Edmunds</i>
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# 2

## Group Strategy

Wayne Edmunds

# Key industry trends

- **Software is driving growth** across our portfolio, followed by **monitoring and advanced controls** in Energy Controls
- Brownfield sites are **upgrading ageing systems** to avoid the cost of “rip and replace”
- Increasing **cost of regulatory compliance** driving new requirements for technology
- Dramatic **growth in the number of measurements** due to lower cost devices and wireless technologies
- Global standardisation of manufacturing processes and product traceability needs are **driving requirements for business process digitisation** in batch and discrete manufacturing



# Key industry trends *continued*

- **Unconventional gas production** is creating a revival in the production of olefins in North America and the Middle East
- **Nuclear energy now a global market** with Chinese focusing on export leadership
- Global emphasis on **safety**
- **China** remains a unique market for Industrial Automation
- **Intense competition** on greenfield projects

These industry trends play to our portfolio strengths and technology



# Key technology trends



## Software

- Proliferation of point solutions for various plant operations creating awareness of need for a coherent portfolio that addresses customer business issues comprehensively
  - Depth and breadth of Invensys software will be used as a differentiator
  - Think “Enterprise Control”
- The Stuxnet and Shamoon attacks have dramatically increased the urgency and importance of **cyber security**
- Mobility, management of big “real-time data” and visualisation from OEM<sup>1</sup> to control room increasingly in demand

*Note 1: Original equipment manufacturer*

# Key technology trends



## Industrial Automation

- Continual emphasis on safety in vital nuclear power, oil & gas, refining and petrochemicals means **Triconex** (safety system) will remain a vital asset
- Lower cost devices, wireless technology and general purpose computing driving integration of control and safety
  - Our next generation system is capitalising on these trends in addition to leveraging our **Foxboro** (control system) and Triconex technologies
- Industry has recognised that capture, contextualisation and visualisation of data is central to total cost of plant ownership
  - Software and control room considerations now impacting DCS<sup>1</sup>/safety selection
  - DCS and safety hardware alone no longer enough at the high end of process control

*Note 1: Distributed control system*

# Key technology trends



## Energy Controls

- Device level wireless capabilities now more common
- Monitoring and central control being evaluated
- “Energy management” theme now penetrating lower end of the market
- Data management for regulatory compliance



## Appliance

- Global platforms required to meet cost expectations



# Our strategy

## **Portfolio is now built around strong technology niches**

- Maintain leadership in industrial software by extending depth and breadth of offerings
- Investment in and use of technology to defend our high quality niche businesses
- Extend natural value of our businesses with business development and partnering
- Maintain simple and competitive cost structure, transparent and effective investment criteria and controls via LOB model
- Progressively deploy surplus Invensys Rail disposal funds effectively over 3 years
- Reshape portfolio in direction of technology

# Our strategy *continued*

## **Enablers to our strategy**

- Cash from Invensys Rail disposal
- Legacy issues eliminated
- Leadership in technology in chosen niches
- Embedded brands / embedded base
- Best-in-class software and monitoring businesses
- Organisational structure for transparent performance and portfolio management

We have the customer base, the technology and the brands to sell that technology

# Strategy in action:

## Software (£260m revenue<sup>1</sup>)

Strengths	Response to trends
<ul style="list-style-type: none"> <li>• Depth and breadth of offerings</li> <li>• Wide range of industries served and platform neutrality</li> <li>• Brand equity</li> </ul>	<ul style="list-style-type: none"> <li>• Extend reach of sales and distribution</li> <li>• Expand service offerings                             <ul style="list-style-type: none"> <li>• Training services based on sophisticated simulation tools</li> <li>• Global scaling of system integration services and increasing partner network</li> <li>• Cyber security practice</li> </ul> </li> </ul>
R&D focus	M&A focus
<ul style="list-style-type: none"> <li>• Major enhancements of simulation and HMI<sup>2</sup> product suites</li> <li>• Cyber security</li> <li>• Enterprise integration and scalability</li> <li>• Selective cloud and SaaS<sup>3</sup> offerings</li> </ul>	<ul style="list-style-type: none"> <li>• HMI, mobility and data management</li> <li>• Extend industry reach of trading and MES<sup>4</sup></li> </ul>

*Note 1: FY 2012/13 revenue; Note 2: Human machine interface  
Note 3: Software as a Service; Note 4: Manufacturing execution system*

# Strategy in action:

## Industrial Automation (£948m revenue<sup>1</sup>)

Strengths	Response to trends
<ul style="list-style-type: none"> <li>• Global footprint</li> <li>• Installed base</li> <li>• Triconex</li> <li>• Software integration</li> </ul>	<ul style="list-style-type: none"> <li>• Integrate DCS solution over time</li> <li>• Establish equipment supplier go-to-market strategy for Triconex nuclear sales (versus role of systems integrator)</li> </ul>
R&D focus	M&A focus
<ul style="list-style-type: none"> <li>• Foxboro/platform migration</li> <li>• Software – control room technology</li> </ul>	<ul style="list-style-type: none"> <li>• New market entry</li> </ul>

*Note 1: FY 2012/13 revenue*

# Strategy in action:

## Energy Controls (£253m revenue<sup>1</sup>)

Strengths	Response to trends
<ul style="list-style-type: none"> <li>• Distributor relationships</li> <li>• Good fundamental control technology</li> <li>• Brands</li> </ul>	<ul style="list-style-type: none"> <li>• PLC<sup>2</sup> offer in Eurotherm</li> <li>• SaaS for energy monitoring</li> </ul>
R&D focus	M&A focus
<ul style="list-style-type: none"> <li>• Wireless for monitoring</li> <li>• Remote monitoring and management</li> <li>• Product refresh</li> </ul>	<ul style="list-style-type: none"> <li>• New market entry</li> <li>• Portfolio augmentation</li> </ul>

*Note 1: FY 2012/13 revenue*

*Note 2: Programmable logic controller*

# Strategy in action:

## Appliance (£331m revenue<sup>1</sup>)

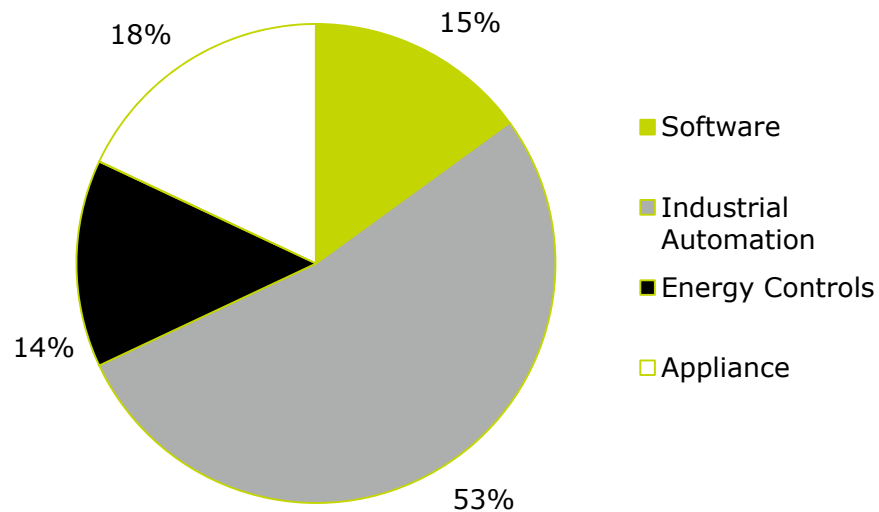
Strengths	Response to trends
<ul style="list-style-type: none"> <li>• Factories and engineering staff in right locations</li> <li>• Brands</li> <li>• Engineering platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Concentrate on NPIs<sup>2</sup> with new market OEMs to increase growth</li> </ul>
R&D focus	M&A focus
<ul style="list-style-type: none"> <li>• NPI – global platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Minimal</li> </ul>

*Note 1: FY 2012/13 revenue*

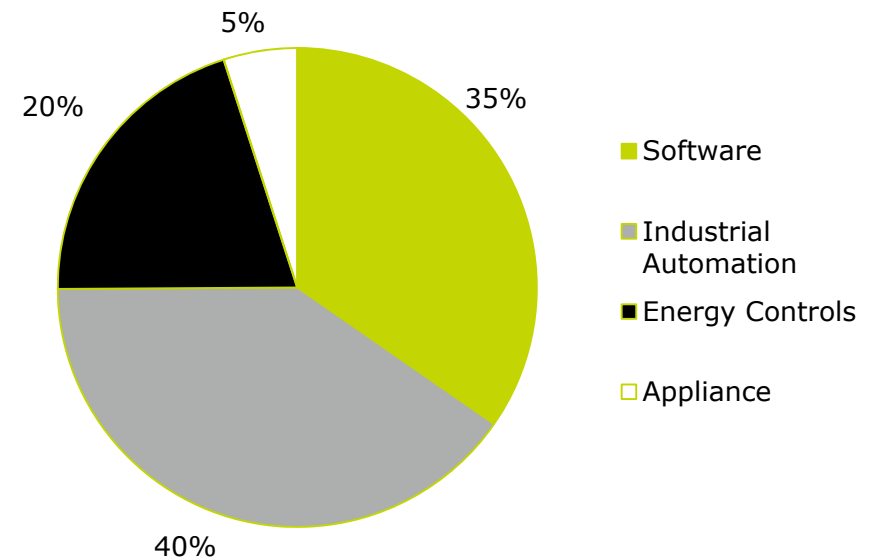
*Note 2: New product introductions*

# New Invensys

**FY 2012/13 revenue by business segment**



**FY 2012/13 OPBIT<sup>1</sup> by business segment**



**We will make our most profitable segments the fastest growing**

*Note 1: Excluding central costs  
Source: Invensys*

# We serve the world's most sought after customers

## We work with

23 of the top 25 petroleum companies

48 of the top 50 chemical companies

18 of the top 20 pharmaceutical companies

35 of the top 50 nuclear power plants

All of the top 10 mining companies

7 of the top 10 appliance manufacturers

## We enable

20% of the world's electricity generation

18% of the world's crude oil refining

37% of the world's nuclear energy generation

62% of the world's liquefied natural gas invention

23% of the world's chemical production

Our customer base speaks for itself



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# 3

Software

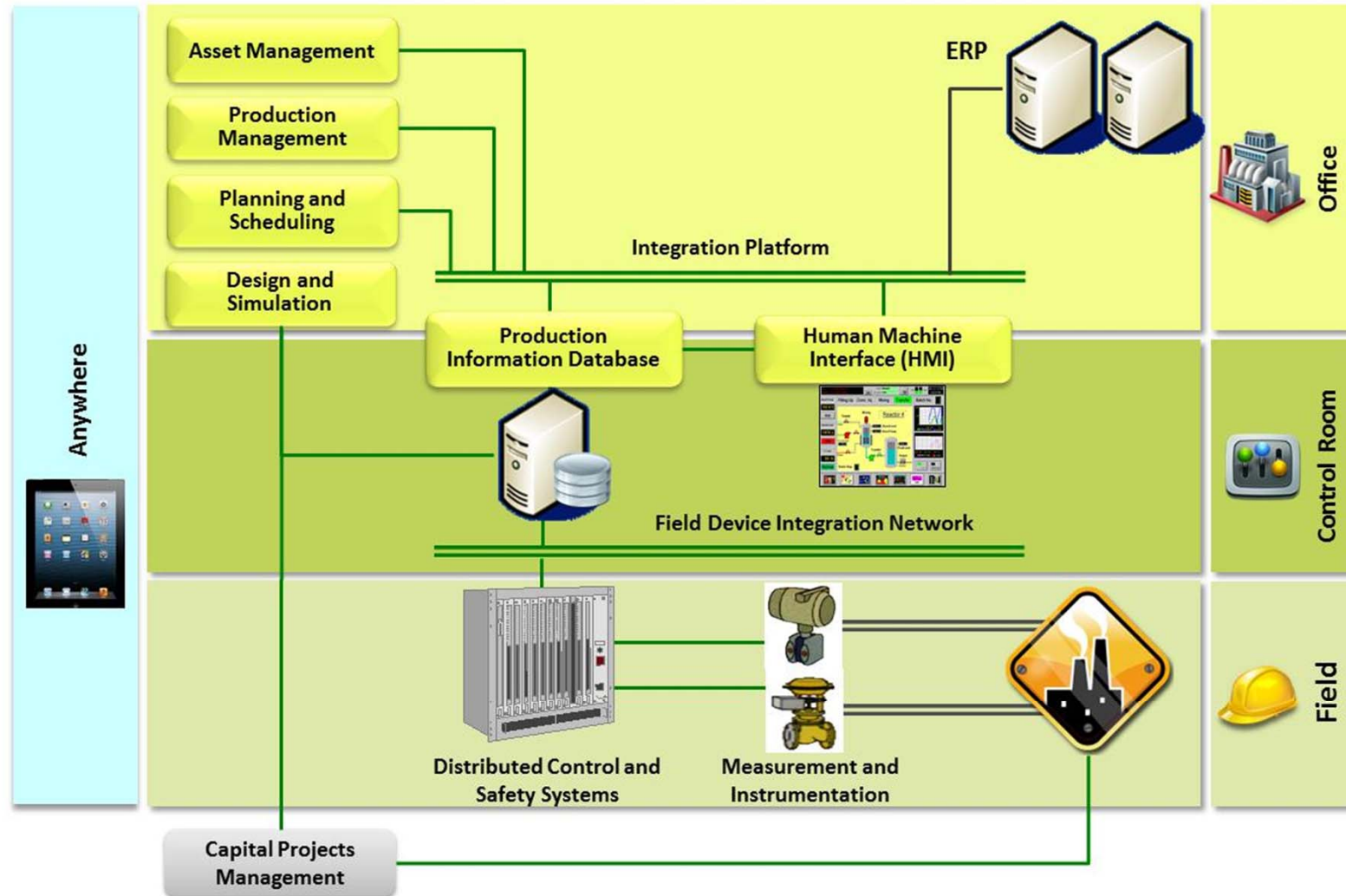
Dr. Ravi Gopinath

# OVERVIEW

# Business overview




- A **differentiated portfolio** of products with very broad coverage of the manufacturing value chain across a wide range of industries
- A **leader** in most of the technology areas we address
- Track record of **strong growth**, with a business model and strategy to maintain the growth trajectory
- A **high margin** business, with a business model and strategy to maintain the margin profile
- A well defined framework and **track record of acquisitions** to support further inorganic growth and the funds to support it
- A highly skilled and passionate **global team** committed to the vision of creating the world's leading industrial software business

# The Big Picture: 'closed-loop' manufacturing business management



We enable the comprehensive management of manufacturing centric businesses with applications, automation and enterprise-wide access to real-time information

# Portfolio overview *continued*

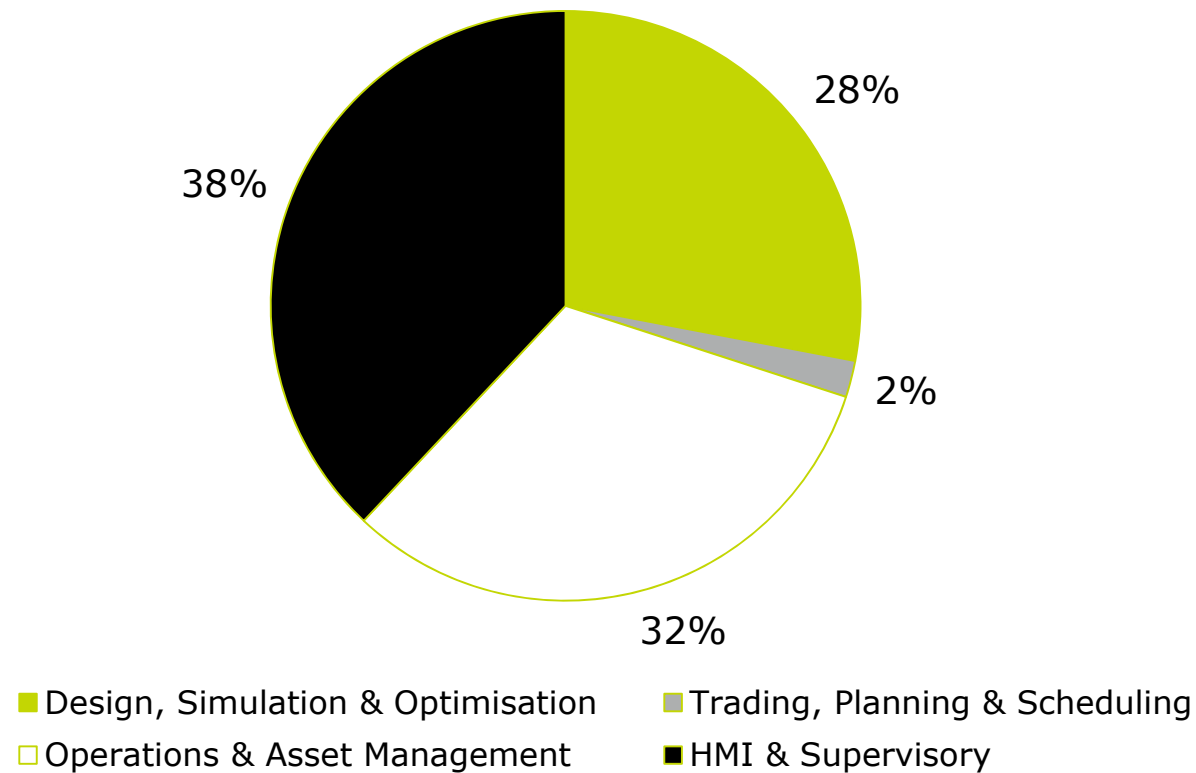
Line of business	Offerings	Key product brands	Key industry coverage
Design, Simulation & Optimisation 	<ul style="list-style-type: none"> <li>Modelling and design of process plants</li> <li>Simulation of operational scenarios</li> <li>Advanced control and real-time optimisation</li> <li>Product blend and quality management</li> </ul>	<b>SimSci</b>	<ul style="list-style-type: none"> <li>Upstream oil &amp; gas</li> <li>Refining, petrochemicals</li> <li>E&amp;C<sup>1</sup></li> <li>Metals and minerals</li> <li>Power generation</li> </ul>
Trading, Planning & Scheduling 	<ul style="list-style-type: none"> <li>Crude property analysis and valuation</li> <li>Production planning and scheduling</li> </ul>	<b>SimSci</b>	<ul style="list-style-type: none"> <li>Commodity trading</li> <li>Refining</li> <li>E&amp;C</li> </ul>
Operations & Asset Management	<ul style="list-style-type: none"> <li>Manufacturing planning and execution</li> <li>Inventory and quality management</li> <li>Predictive maintenance of capital assets</li> <li>Mobile workforce, work process management</li> </ul>	<b>Wonderware Avantis</b>	<ul style="list-style-type: none"> <li>Food &amp; beverage</li> <li>CPG<sup>2</sup></li> <li>Pharmaceuticals</li> <li>Discrete</li> <li>Refining</li> <li>Power generation</li> </ul>
HMI <sup>3</sup> & Supervisory 	<ul style="list-style-type: none"> <li>Enterprise-wide access to real-time data</li> <li>Abstraction, analysis and visualisation of data</li> <li>Supervisory control applications</li> </ul>	<b>Wonderware</b>	<ul style="list-style-type: none"> <li>All manufacturing</li> <li>Transportation</li> <li>Water, wastewater</li> </ul>

Invensys owns many of the world's leading industrial software product brands

Note 1: Engineering & construction  
 Note 2: Consumer packaged goods  
 Note 3: Human machine interface

# Portfolio overview

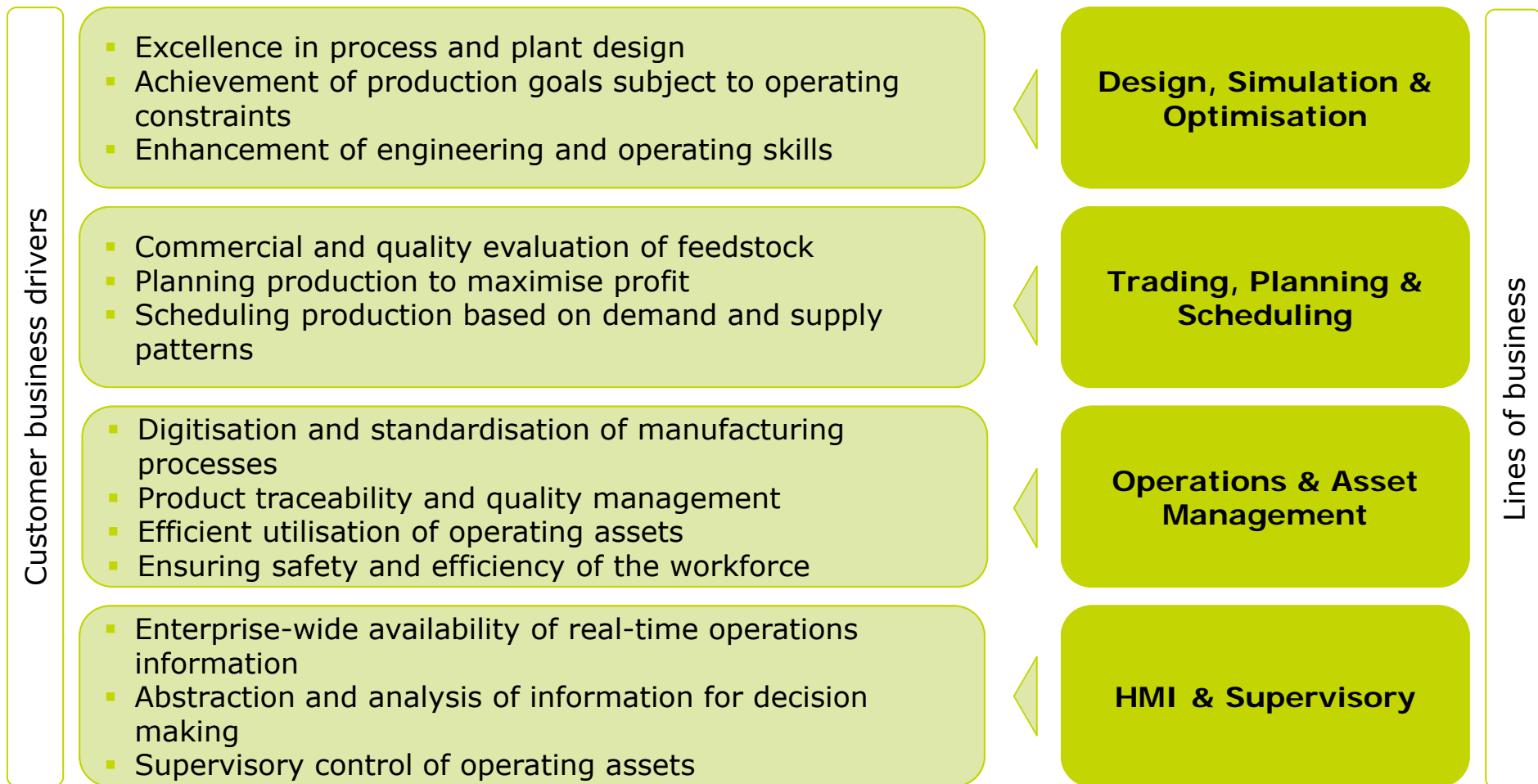
## FY 2012/13 Software revenue by line of business



Software comprises four lines of business

Source: Invensys

# Enabling business value



The Software business portfolio is closely aligned to customer business drivers

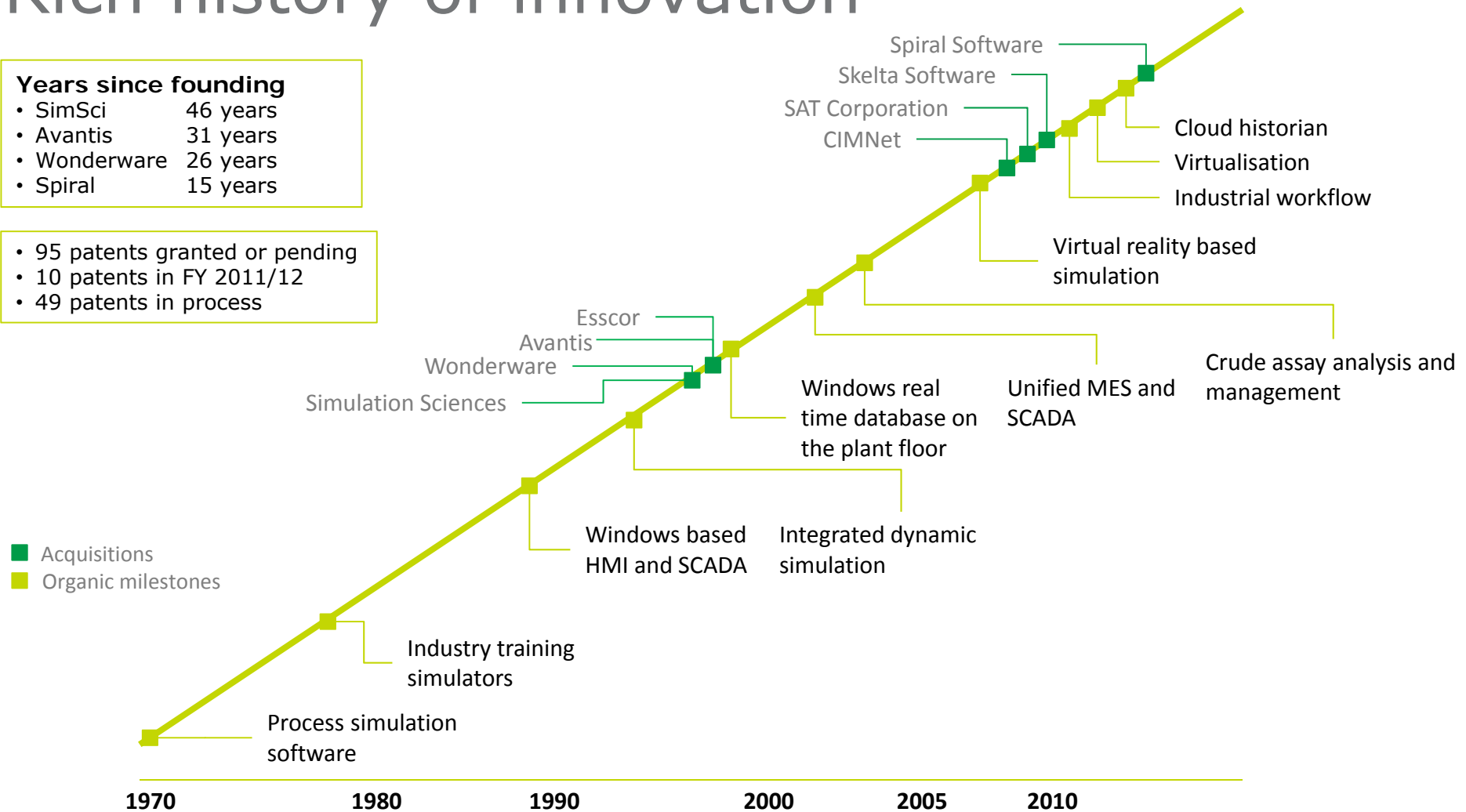


# Rich history of innovation

## Years since founding

- SimSci 46 years
- Avantis 31 years
- Wonderware 26 years
- Spiral 15 years

- 95 patents granted or pending
- 10 patents in FY 2011/12
- 49 patents in process



A strong track record of organic innovation and successful inorganic growth

# Competitive landscape

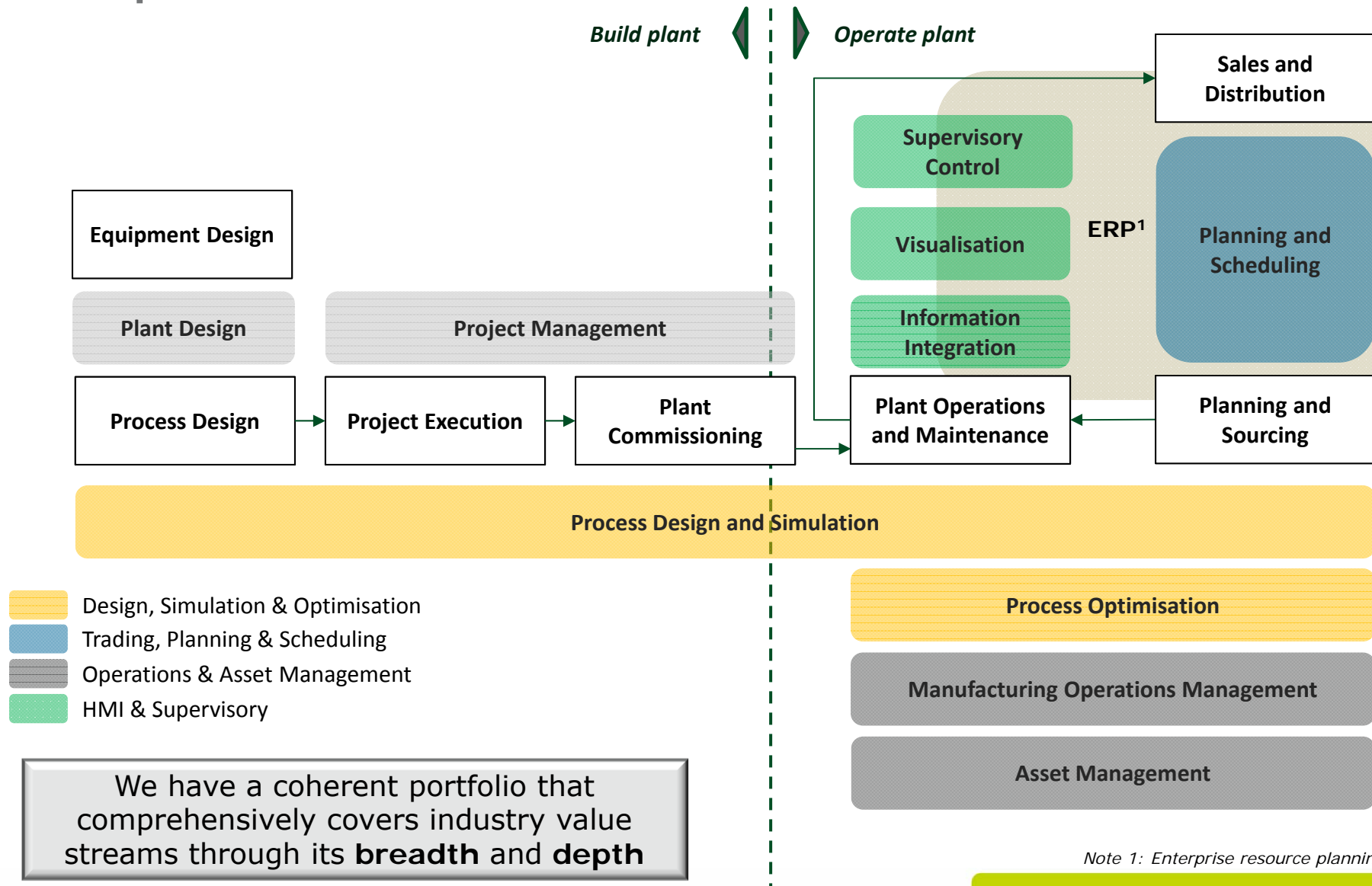
Line of business	Industries served, market size <sup>1</sup> and growth	Comparables
Design, Simulation & Optimisation	EPC <sup>2</sup> companies, refining, petrochemicals, power, minerals and metals £1.0bn market; 8.2% CAGR	AspenTech, Aveva, Honeywell
Trading, Planning & Scheduling	Refining companies £0.2bn market; 9.6% CAGR	AspenTech Honeywell
Operations & Asset Management: <i>manufacturing operations management</i>	Food & beverage, pharmaceuticals, specialty chemicals, automotive, medical devices, industrial goods £1.4bn market; 9.8–12.1% CAGR	Apriso, Rockwell, SAP, Siemens, Werum
Operations & Asset Management: <i>asset management</i>	Mining, power, utilities, infrastructure, process and discrete manufacturing £1.2bn market; 5.6% CAGR	ABB, IBM, Infor, SAP, Schneider
HMI & Supervisory	All facilities with real-time information and control systems: continuous, batch and discrete process £0.8bn market; 6.9% CAGR	Copadata, GE, Inductive, Indusoft, OSI, Rockwell, Schneider, Siemens

The span of our portfolio results in a diverse industry vertical and competitive landscape

Note 1: Market size is based on reports from ARC Advisory Group; Frost & Sullivan; IDC; Invensys

Note 2: Engineering, procurement and construction

# Competitive differentiation



# What the market says about us

- **#1 market share position for MES<sup>1</sup> & Enterprise Compliance Quality Management** - *Frost & Sullivan 2012 Strategic Analysis of MES & ECQM<sup>2</sup> for Regulated Industries*
- **#1 market share position** based on revenues as a global provider of **human machine interface (HMI) software and services** - *ARC Advisory Group's latest HMI/SCADA<sup>3</sup> Software and Services Global Market Research Study*
- Invensys SimSci has achieved the **#2 market share position** based on revenues as a global provider of **simulation and optimization software and services**, according to the *ARC Advisory Group's Worldwide Process Engineering Tools Global Market Research Study*

## Gartner's Magic Quadrant

- Invensys – Avantis Positioned in the Visionaries Quadrant of the 2012 Magic Quadrant for Power Generation EAM<sup>4</sup> Software report
- Invensys – Avantis Positioned in the Visionaries Quadrant of the 2012 Magic Quadrant for Delivery Utility EAM report

*Note 1: Manufacturing execution system; Note 2: Enterprise compliance and quality management;  
Note 3: Supervisory control and data acquisition; Note 4: Enterprise asset management*

# Competitive differentiation: sticky for the long run

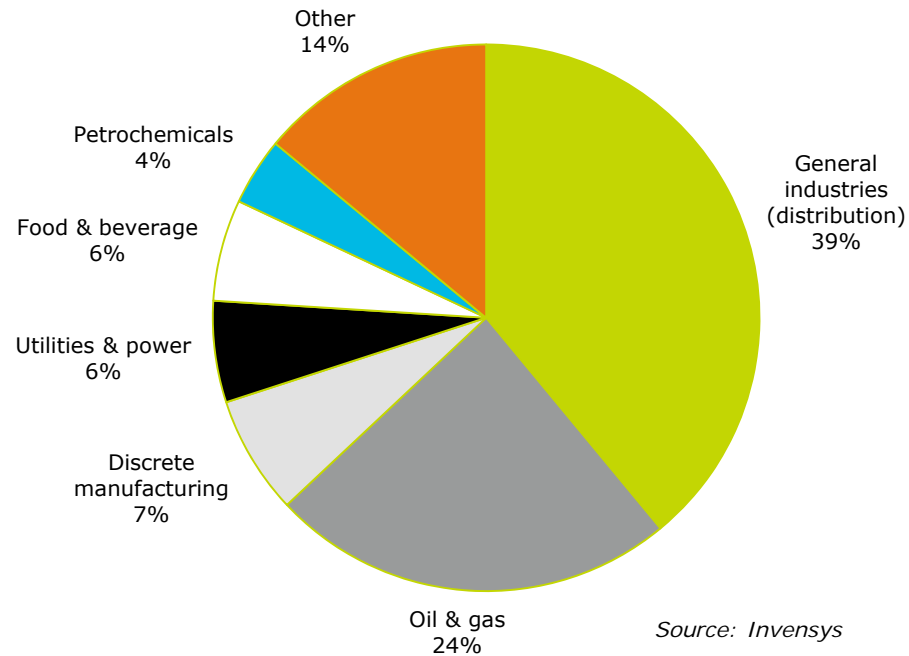
Line of business	Specific barriers to entry
Design, Simulation & Optimisation	<ul style="list-style-type: none"><li>• Installed base and credibility with user base</li><li>• Richness of model libraries</li><li>• Sophistication of algorithms</li><li>• Ease of use</li></ul>
Trading, Planning & Scheduling	<ul style="list-style-type: none"><li>• Installed base and credibility with user base</li><li>• Feed property database</li><li>• Sophistication of algorithms</li><li>• Ease of use</li></ul>
Operations & Asset Management	<ul style="list-style-type: none"><li>• Industry-specific business process templates</li><li>• Integration with real-time and enterprise systems</li><li>• Scalability (from single unit to local to global multi-site)</li><li>• Ubiquitous information access (mobile and cloud support)</li></ul>
HMI & Supervisory	<ul style="list-style-type: none"><li>• Platform-neutral access to real-time information</li><li>• Richness of abstraction and visualisation tools</li><li>• Scalability (from single unit to local to global multi-site)</li><li>• Channel and system integration network</li></ul>

The portfolio has an “entry barrier defence” based on all the specific parameters above, built on years of industry experience, investment in technology and people capabilities

# BUSINESS MODEL

# Sector exposure and customer base

**FY 2012/13 revenue by sector**



23 of the top 25 petroleum companies  
48 of the top 50 chemicals companies  
21 of the top 25 food and beverage companies

**Over 750,000 software licences**

Our diversified industry footprint mitigates industry-specific risks and business cycles

## Primary Offerings

### General discrete and OEM (e.g. automotive; industrial machinery)

- HMI and supervisory control
- Manufacturing operations management
- Asset management

### Batch processing (e.g. food & beverage; pharmaceuticals)

- HMI and supervisory control
- Manufacturing operations management
- Process simulation

### Infrastructure (e.g. water & wastewater; power; transportation)

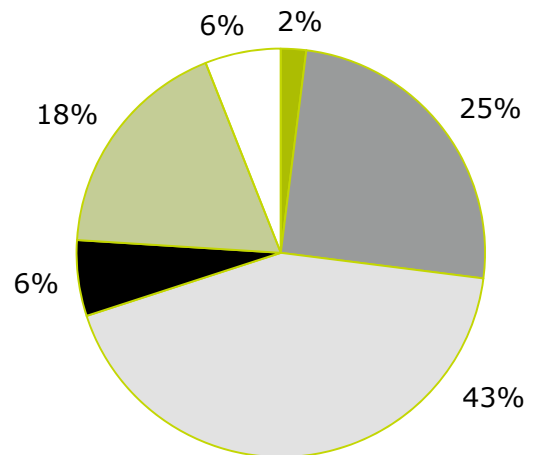
- HMI and supervisory control
- Process simulation and optimisation
- Asset management

### Oil & gas

- Design, simulation and optimisation
- Planning and scheduling
- Manufacturing operations management

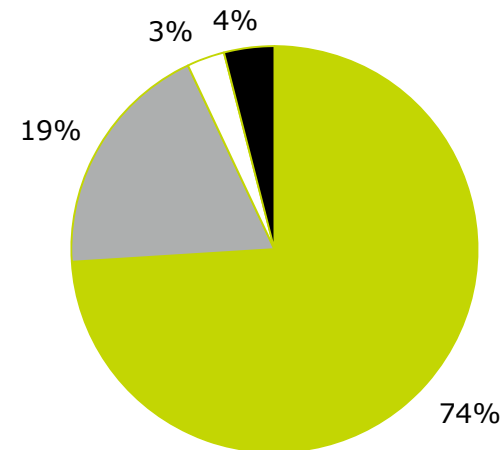
# Software revenue and orders distribution

**FY 2012/13 revenue by destination**



■ UK  
■ Rest of Europe  
■ North America  
■ South America  
■ Asia Pacific  
■ Africa/Middle East

**FY 2012/13 orders distribution by size**



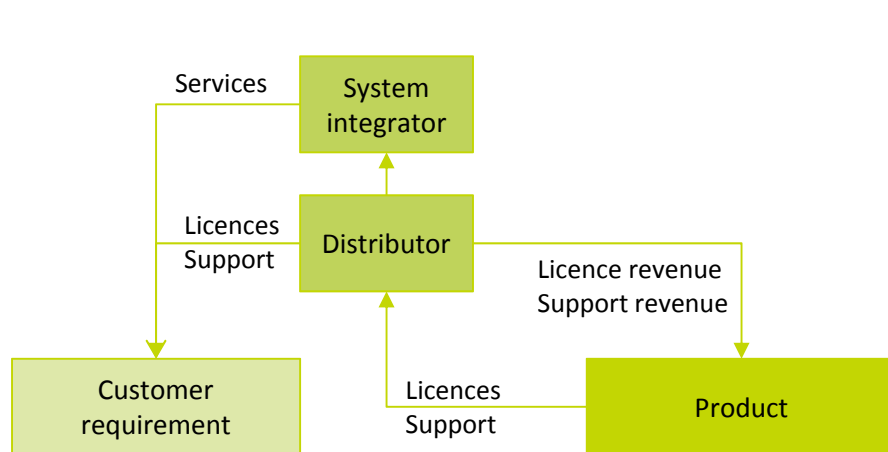
■ <US\$750,000  
■ >US\$750,000 to <US\$3m  
■ >US\$3m to <US\$5m  
■ >US\$5m

Source: Invenys

Good global distribution of revenues with growing business from high growth markets. Orders distribution represents mix of volume license business and growing projects base.

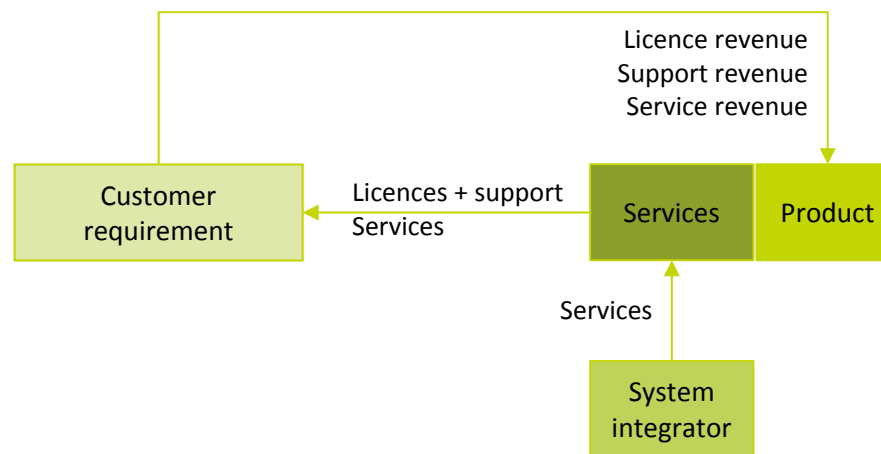


# Routes to market



36% FY 2012/13 revenue

**Partner sales and project delivery**

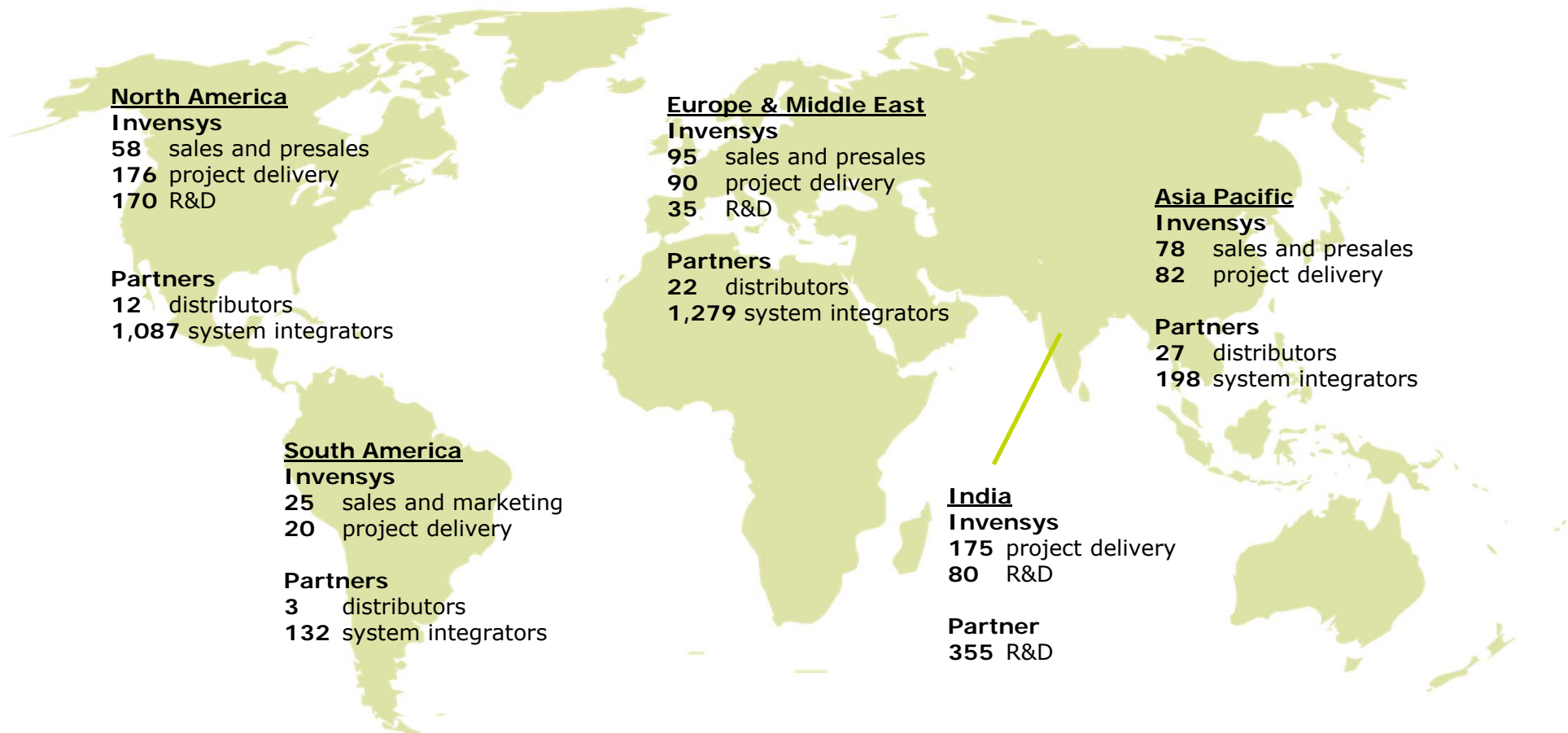


64% FY 2012/13 revenue

**Direct sales and project delivery**

Market routes and revenue streams vary based on product features and customer requirements. Growing scale and complexity drives greater project volume and service revenue.

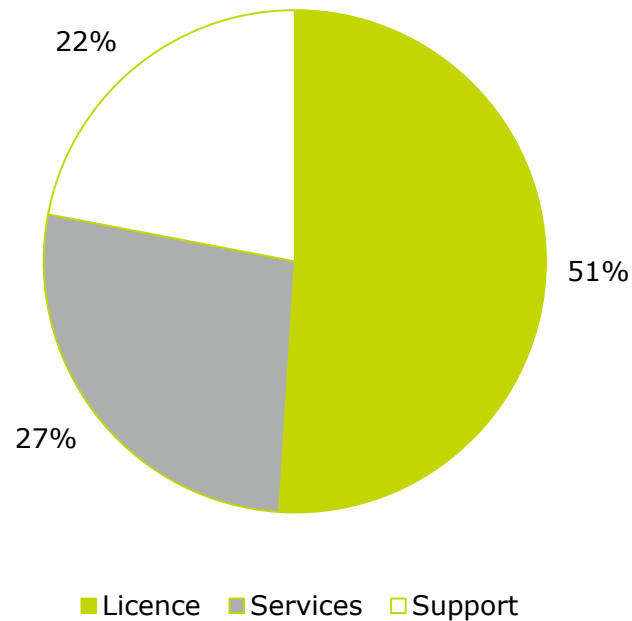
# Resource distribution



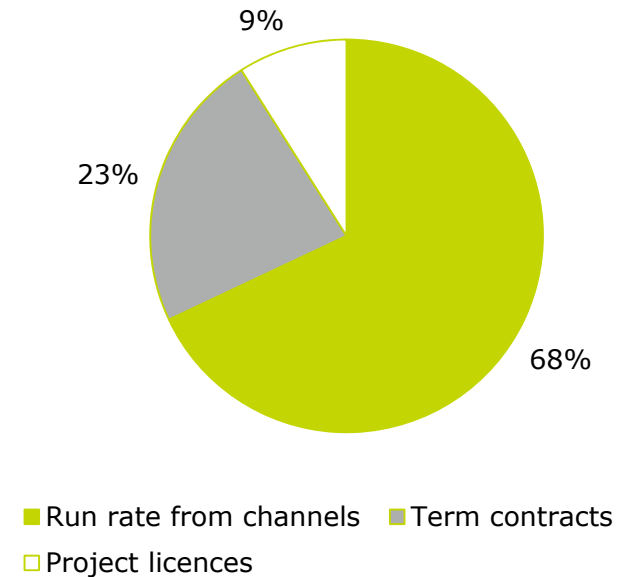
Strong market coverage through a network of direct sales and channel partners, supported by a strong project delivery team. Globalised R&D enables seamless support.

# Revenue streams

**FY 2012/13 revenue by type**



**Source of FY 2012/13 licence revenue**

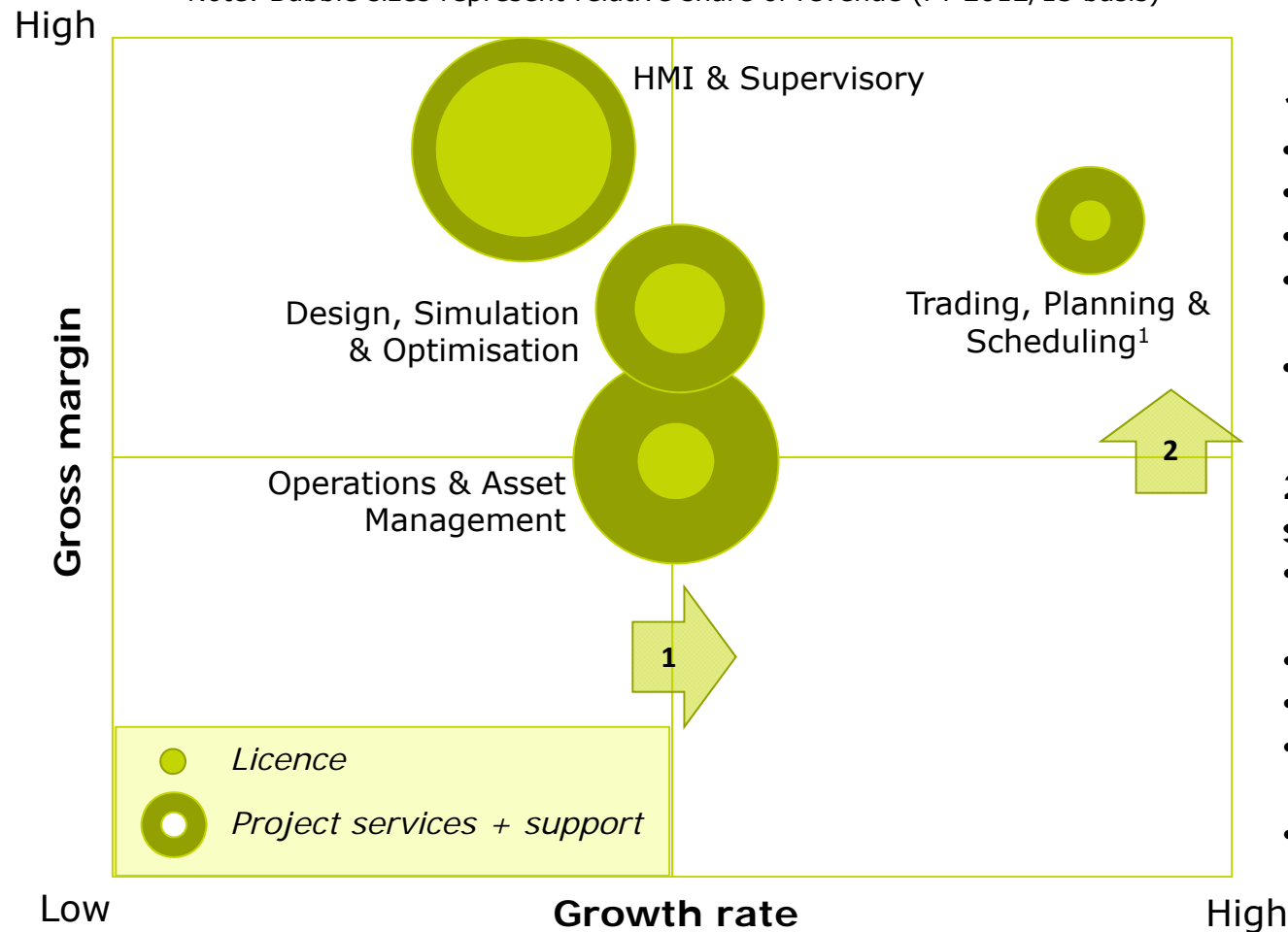


*Source: Invensys*

A healthy mix of licence revenue provides a strong profitability driver.  
Channel network drives volume licences, project licence revenues are growing.

# Growth and margin spread

Note: Bubble sizes represent relative share of revenue (FY 2012/13 basis)



## 1. Growth strategies

- NextGen programs
- Services and support
- Industry solutions
- Go-to-market investments
- M&A

## 2. Profitability strategies

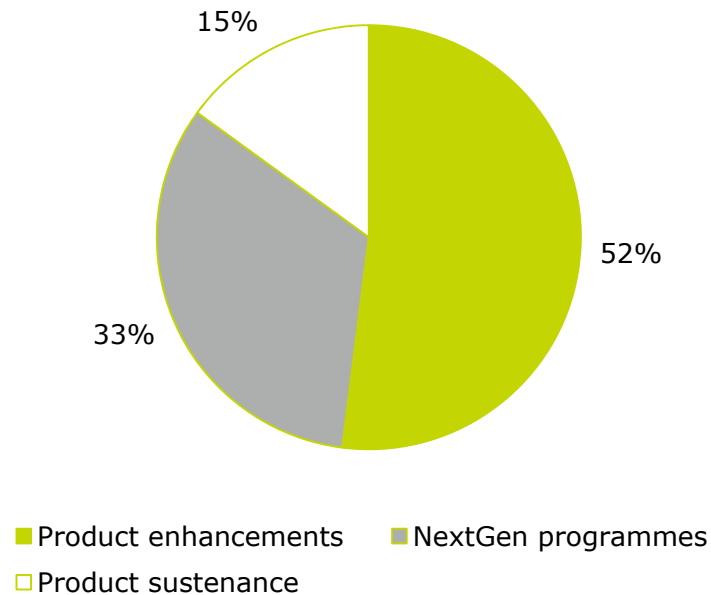
- Enterprise license deals
- HMI growth initiatives
- Service practices
- Software delivery centres
- Offshore R&D leverage

Strategies are aimed at enabling the right balance between growth and profitability

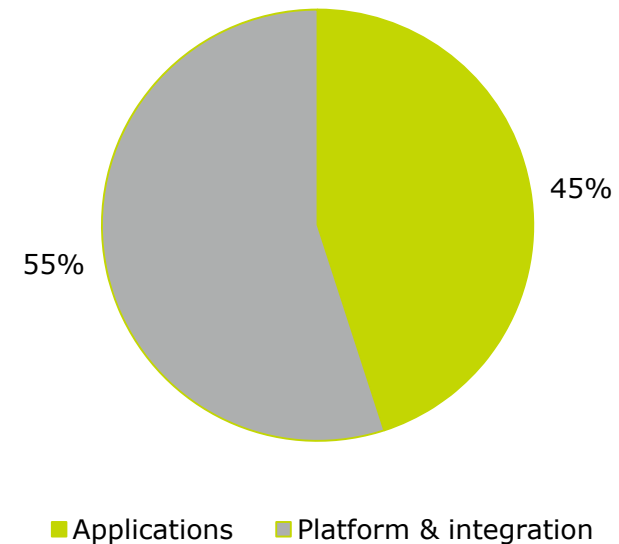
Note 1: The Trading, Planning and Scheduling bubble has been normalised for the full year i.e. assuming a full year of Spiral Software

# Software R&D investment

FY 2012/13 R&D distribution  
by programme



FY 2012/13 R&D distribution  
by product type



Source: Invensys

- 12% of Software revenue invested in R&D
- An industry leading team of **285** technology experts
- Supported by over **355** resources at the Cognizant offshore development centre in India

Market differentiation is driven by well planned R&D investment

# Software financials and outlook

£ million	FY 2012/13
<b>Revenue</b>	<b>260</b>
<i>Licences</i>	<i>133</i>
<i>Services</i>	<i>71</i>
<i>Support</i>	<i>56</i>
<b>Gross profit</b>	<b>163</b>
<b>Operating expenses</b>	
<i>Sales and marketing</i>	<i>52</i>
<i>Product development</i>	<i>32</i>
<i>General and administration</i>	<i>17</i>
<b>Operating profit</b>	<b>62</b>
<b>Operating margin (%)</b>	<b>24%</b>

15% revenue growth y/y

## Medium- to long-term outlook

Revenue growth	~10% per annum
Operating margin	Mid twenties

# STRATEGY

# Growth strategies

Strategy area	Key elements
NextGen programmes	<ul style="list-style-type: none"><li>• Integrated functionality</li><li>• Ease of use and powerful visualisation</li><li>• Ubiquitous information access</li></ul>
Services and support	<ul style="list-style-type: none"><li>• Project implementation capacity</li><li>• Industry and technology centric consulting</li><li>• New support models</li></ul>
Industry solutions	<ul style="list-style-type: none"><li>• Industry specific solution bundles</li><li>• Ecosystem solutions</li></ul>
Go-to-market initiatives	<ul style="list-style-type: none"><li>• Increased bandwidth</li><li>• Product brand revitalisation campaigns</li><li>• Strategic account coverage</li></ul>
Inorganic growth	<ul style="list-style-type: none"><li>• Technology bolt-on acquisitions</li><li>• Market access acquisitions and partnerships</li></ul>

Organic growth strategies will drive increased volumes across revenue streams through product functionality, service capability and improved market positioning

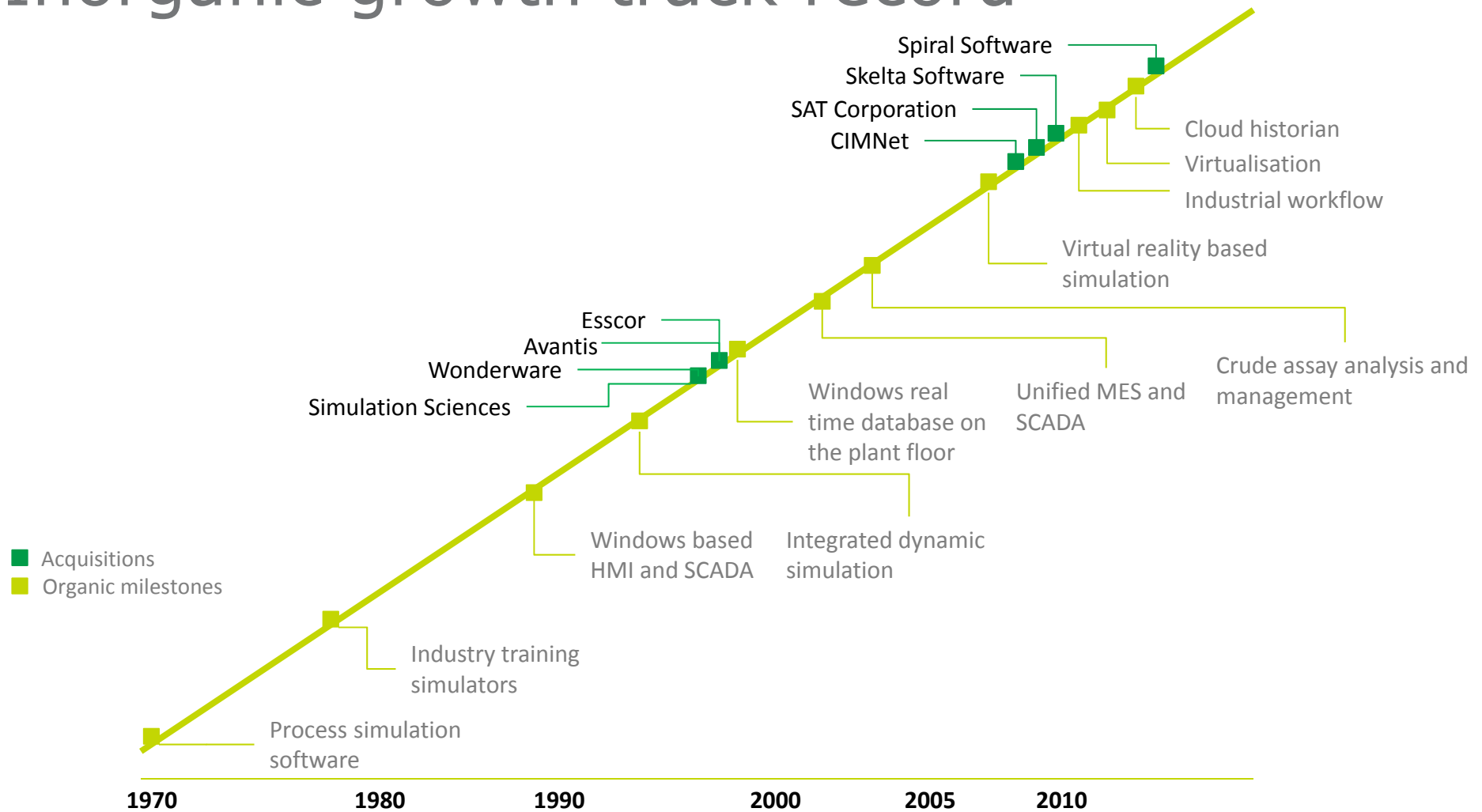


# Profitability strategies

Strategy area	Key elements
Enterprise licence deals	<ul style="list-style-type: none"><li>• Offer larger portfolio of products to increase licence volume</li></ul>
HMI growth initiatives	<ul style="list-style-type: none"><li>• New pricing structures and incentives</li><li>• Brand promotion</li><li>• Increase partner network coverage</li></ul>
Service practices	<ul style="list-style-type: none"><li>• Standardised delivery processes</li><li>• Project templates to increase productivity</li><li>• Competency development</li></ul>
Software delivery centres	<ul style="list-style-type: none"><li>• Increase offshore leverage</li><li>• Offshore competency development</li></ul>
Offshore R&D leverage	<ul style="list-style-type: none"><li>• Year-on-year improvements in offshore productivity</li><li>• Focus core R&amp;D teams on key programme acceleration</li></ul>

Strategies will enhance licence revenue streams, improve margins on project services and driver greater offshore leverage

# Inorganic growth track record



Strong track record of successful bolt-on acquisitions

# M&A framework

Bolt-on technology	Market access	Scale and consolidation
<ul style="list-style-type: none"><li>• Address “white spaces” in technology stack to enhance differentiation</li><li>• Accelerate time to market for identified functionality</li><li>• Access to specialised technologies and capabilities</li></ul>	<ul style="list-style-type: none"><li>• Access to new markets and geographies</li><li>• Strengthen vertical market penetration, access new industry verticals</li><li>• Enable services competency extensions</li></ul>	<ul style="list-style-type: none"><li>• Drive quantum growth and change market dynamics through consolidation</li><li>• Access a breadth of applications and capabilities to drive scale globally</li><li>• Expand installed base</li></ul>

Invensys brands, channels strength and software culture  
secures value for acquisitions

# Key takeaways

- A **differentiated portfolio** of products with very broad coverage of the manufacturing value chain across a wide range of industries
- A **leader** in most of the technology areas we address
- Track record of **strong growth**, with a business model and strategy to maintain the growth trajectory
- A **high margin** business, with a business model and strategy to maintain the margin profile
- A well defined framework and **track record of acquisitions** to support further inorganic growth and the funds to support it
- A highly skilled and passionate **global team** committed to the vision of creating the world's leading industrial software business

A strong investment rationale – cool  
and sticky technology

# Q&A

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# 4

## Industrial Automation

Mike Caliel

# Business overview

- We already participate in the **most attractive industries**, including oil & gas, power and petrochemicals
- We already have a **global presence** with considerable experience in large, complex projects
  - More than 50% of our order book is to emerging markets
- Our **Triconex safety system is the leader** in crucial sector
  - Consolidates our position in high-end industries and China
  - Creates significant opportunities as equipment supplier in expanding nuclear power market
- Our Foxboro DCS offering will be **differentiated through our software and control room technologies**
- We understand our customers' needs for **integration of systems** to maximise their performance

A strong technology franchise with market-leading brands and blue-chip customer base



# OVERVIEW

# Industrial Automation portfolio overview

Engineered systems and solutions to monitor, manage and control complex processes. DCS<sup>1</sup> and safety system installed base of £12 billion

Line of business	Description	Brands	Main competitors	Revenue <sup>2</sup> by line of business
<b>Systems</b>	Integrated solutions providing safety and control equipment and services	<ul style="list-style-type: none"> <li>Triconex</li> <li>Foxboro</li> </ul>	<ul style="list-style-type: none"> <li>Honeywell</li> <li>Emerson</li> <li>Yokogawa</li> <li>ABB</li> <li>Siemens</li> <li>Hollysys</li> </ul>	<p>73% 12% 15%</p> <p>■ Systems ■ Nuclear □ Field devices</p>
<b>Nuclear</b>	Nuclear power solutions from across the portfolio	<ul style="list-style-type: none"> <li>Triconex</li> <li>Foxboro</li> </ul>	<ul style="list-style-type: none"> <li>Areva</li> <li>Westinghouse /Toshiba</li> </ul>	
<b>Field devices</b>	Measurement and instrumentation products	<ul style="list-style-type: none"> <li>Foxboro</li> <li>Foxboro Eckardt</li> </ul>	<ul style="list-style-type: none"> <li>Emerson</li> <li>Endress &amp; Hauser</li> <li>Yokogawa</li> <li>ABB</li> </ul>	

Source: Invensys

A global leader in process automation

## Notes

1 Distributed control system  
2 FY 2012/13 revenue

# Triconex – a unique asset



- Safety remains at forefront of customers' agendas
- Our safety system, Triconex, is the market leader
  - £3 billion installed base with more than 13,000 systems
  - 600 million system operating hours without failure upon demand
  - Leader in China through distribution agreement
- Only safety system vendor certified by Nuclear Regulatory Commission for commercial, off-the-shelf equipment that was designed and certified for process safety in Nuclear 1E safety applications
  - Creates significant opportunities as **equipment supplier** in expanding nuclear power market



Value-creating asset across all industries and markets

# A strong industry presence with blue-chip customers



## We work with:

- 23 of the top 25 petroleum companies
- 48 of the top 50 chemical companies
- 35 of the top 50 nuclear power plants
- All of the top 10 mining companies
- More than 650 fossil power plants

## We enable:

- 23% of the world's chemical production
- 62% of the world's liquefied natural gas production
- 20% of the world's electricity generation
- 37% of the world's nuclear energy generation
- 18% of the world's crude oil refining

*"Invensys has been uniquely innovative for decades and we expect this to continue for the foreseeable future" –*  
ARC Advisory Group

# Representative customers

## Oil & gas

**PETROBRAS**



**ExxonMobil**

## HPI<sup>1</sup> and chemical

**EASTMAN**



## Power



**BELCO**



## Metals/mining/minerals



**NUCOR**



# Transaction types

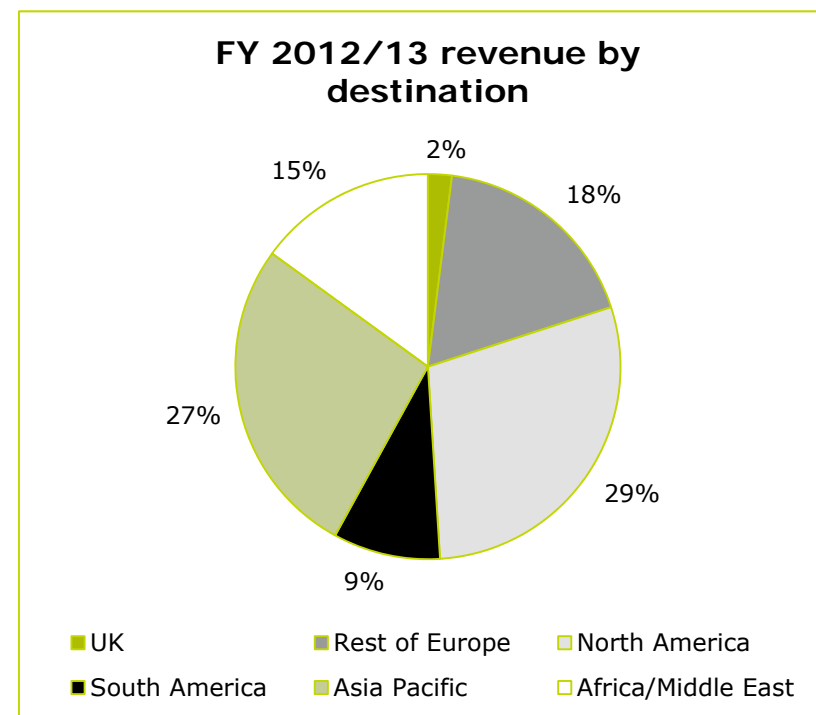
<i>Transaction type</i>	<i>Typical customers</i>	<i>Decision makers</i>	<i>Purchasing criteria</i>
<b>Greenfield</b>	<ul style="list-style-type: none"> <li>• EPCs<sup>1</sup></li> <li>• Customer project engineering organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement</li> <li>• Technologists</li> </ul>	<ul style="list-style-type: none"> <li>• Lowest delivered cost</li> <li>• Compliance to specifications</li> <li>• Lowest project risk</li> </ul>
<b>Brownfield</b>	<ul style="list-style-type: none"> <li>• Customer operations organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Senior management</li> <li>• Technologists</li> <li>• Procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Total cost of ownership</li> <li>• Reliability</li> <li>• Ease of use</li> <li>• Technical support</li> </ul>

*Note 1: Engineering, procurement and construction*

# Global presence and opportunities

Country/region	2013 GDP forecast (%)	2013 Cap Ex growth forecast (%)
US	2%	5%
Western Europe	0%	(1)%
UK	1%	2%
Canada	2%	1%
<b>Mature markets</b>	<b>1%</b>	<b>2%</b>
China	8%	7%
India	6%	6%
Brazil	3%	3%
Russia	3%	6%
Middle East	2%	3%
<b>Emerging markets</b>	<b>5%</b>	<b>6%</b>

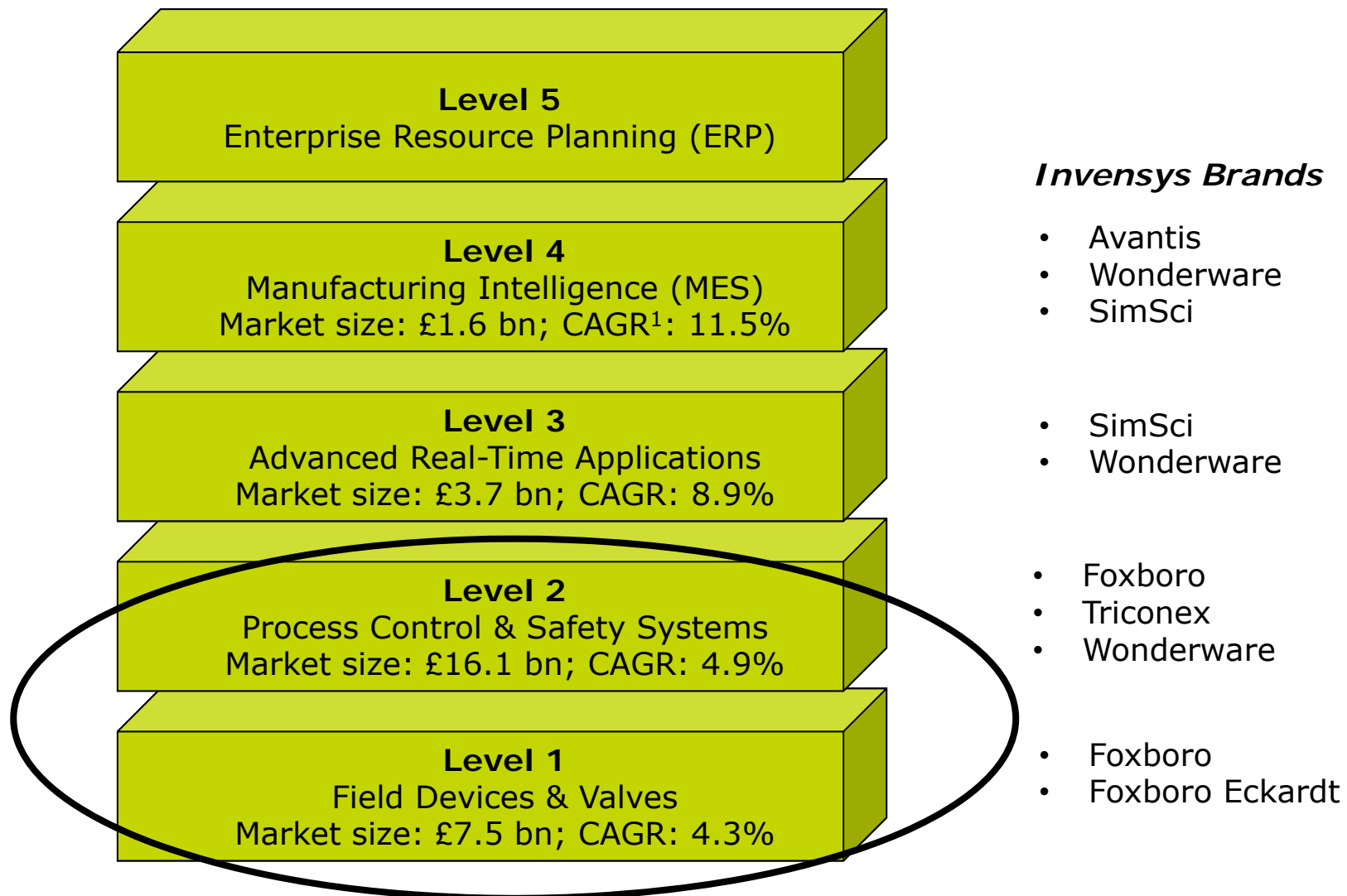
Sources: IHS Global Insight; Invensys



Source: Invensys

**46% of revenue to high-growth emerging markets**

# Market profile



Note 1: Five-year CAGR

Sources: ARC Advisory Group; IMS Research; Frost and Sullivan; Invensys



# Industry exposure

- Energy demand continuing to drive investment in **energy sectors**
- Increasing scale and complexity of **refineries and chemical** plants drive new requirements for technology and safety
- Integrated **oil & gas** companies increasing investment in upstream sectors due to opportunities arising from gas and strong oil price
- **Offshore oil** development creates increased opportunities in pipelines and automation
- **Nuclear power** investment strong as emerging markets build and mature markets extend plant life

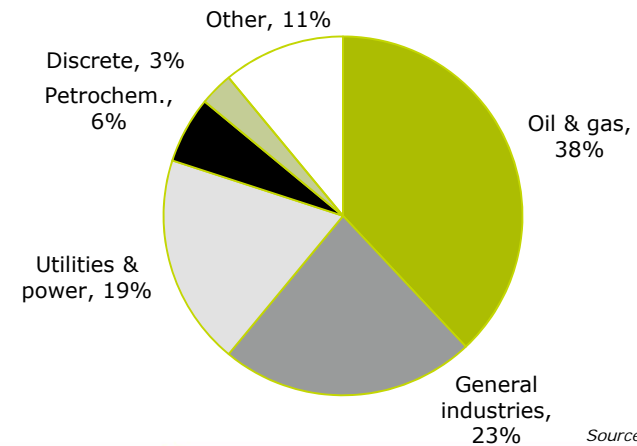
Nearly 70% of automation<sup>1</sup> spend in target industries averaging 7% CAGR

Industries	2013 spend US\$	2013 % of total spend	2012-2016 CAGR <sup>1</sup> (%)
Chemicals	\$7bn	17%	5%
Power (includes nuclear)	\$10bn	25%	8%
Petroleum refining	\$3bn	8%	6%
Oil & gas	\$7bn	18%	7%
All other process industries	\$13bn	32%	5%

Note 1: Automation includes software

Sources: ARC Advisory Group; IMS Research; Frost & Sullivan; Invensys

## FY 2012/13 revenue by sector



Source: Invensys

# BUSINESS MODEL

# Industrial Automation - business characteristics

- Primarily sold through direct sales channels
  - Field devices (*15% Industrial Automation revenue*) sold primarily through indirect channels
- Selling cycle averages 9 - 18 months
- Project delivery cycle averages 9 - 24 months
- Primary project characteristics:
  - **Greenfield** - new plant construction, typically large capital projects with strong competition.
    - *Objective: acquire new plant sites*
  - **Brownfield - existing plant sites; often non-competitive.**
    - *Objective: leverage breadth of Invensys portfolio to differentiate and maximise value creation*

Both greenfield and brownfield projects represent opportunity for market share expansion

# Greenfield projects represent a key strategic investment point

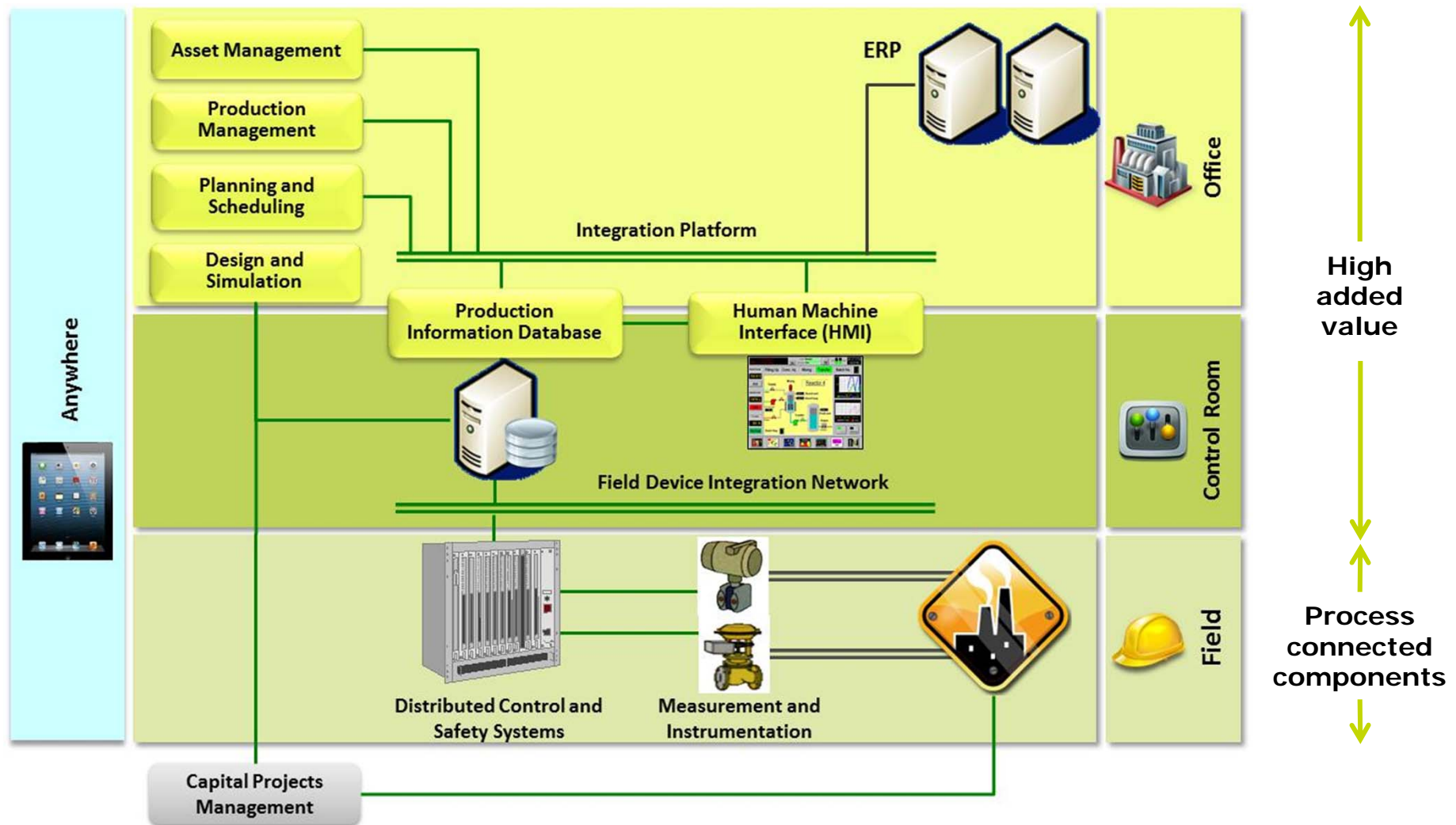
- Technologies represent strategic, long-term investment by customers
- Systems typically remain in service for 20 – 25 years

DCS process connected	20+ years				
DCS control room	5 - 7 years	5 - 7 years	5 - 7 years	5 - 7 years	5 - 7 years
Software	10+ years		10+ years		
Field devices	3 - 5 years	3 - 5 years	3 - 5 years	3 - 5 years	3 - 5 years

Source: Invensys

Greenfield projects, typically at lower margins, enable several cycles of technology refresh and margin improvement

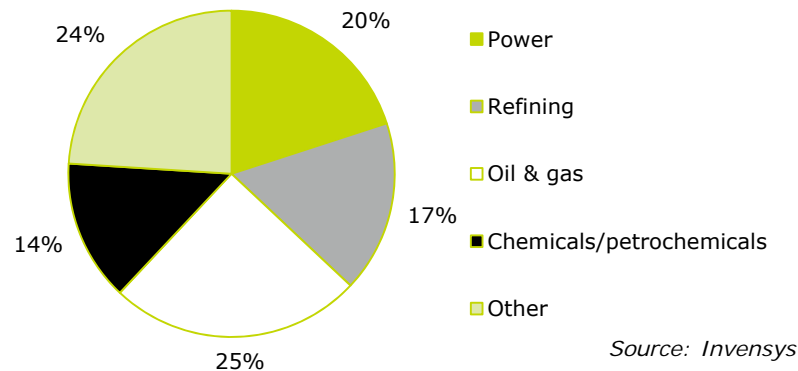
# Systems architecture



# Control systems<sup>1</sup> - overview

(Foxboro DCS, Foxboro SCADA<sup>2</sup>)

**FY 2012/13 revenue by sector**



*Primary path to market – Invensys direct sales*

**FY 2012/13 order split by sector**

Sector	Brownfield/ greenfield (%)
Chemicals/petrochemicals	98%/2%
Oil & gas (upstream)	83%/17%
Power	86%/14%
Refining	85%/15%
Other	95%/5%

Source: Invensys

Note 1: Control systems sit within the Systems and Nuclear lines of business

Note 2: Supervisory control and data acquisition

## Competitive advantages

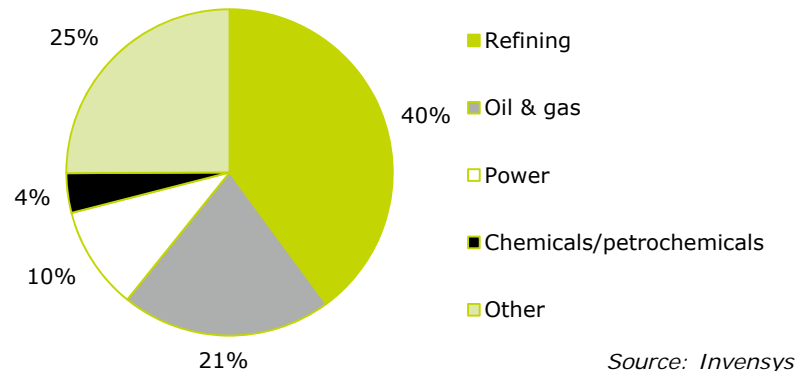
- Top 3 (£9 billion) DCS installed base with strong customer loyalty
- Proven, highly reliable platform
- Market-leading migration technology
- Experienced and well respected project delivery and support personnel
- Highly (cyber) secure system

Next generation platforms will lower cost  
over next five years

# Safety systems<sup>1</sup> - overview

(Triconex safety systems)

## FY 2012/13 revenue by sector



Primary path to market – Invensys direct sales

## FY 2012/13 order split by sector

Sector	Brownfield/ greenfield (%)
Chemicals/petrochemicals	97%/3%
Oil & gas (upstream)	60%/40%
Power	97%/3%
Refining	57%/43%
Other	100%/0%

Source: Invensys

Note 1: Safety systems sit within the Systems and Nuclear lines of business

Note 2: Safety Instrumented Systems

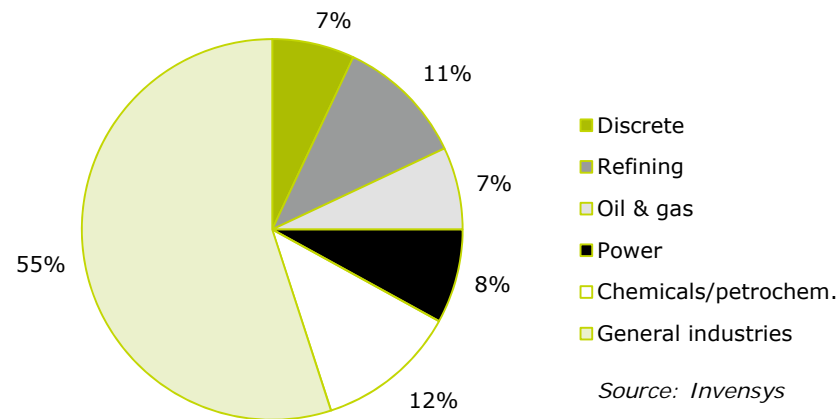
## Competitive advantages

- No 1 position in SIS<sup>2</sup> market – £3 billion installed base of more than 13,000 systems
- More than 600 million system operating hours without failure upon demand
- Leading solution for critical turbo-machinery control
- Only safety system vendor to receive the certification from the Nuclear Regulatory Commission for commercial, off-the-shelf equipment that was designed and certified for process safety for use in Nuclear 1E safety applications
- Next generation platforms will lower cost over next five years

# Field devices - overview

(Foxboro, Foxboro Eckardt)

## FY 2012/13 revenue by sector



Primary path to market – Invensys indirect sales

## FY 2012/13 order split by sector

Sector	Brownfield/ greenfield (%)
Chemicals/petrochemicals	98%/2%
Oil & gas (upstream)	83%/17%
Power	86%/14%
Refining	85%/15%
Other	95%/5%

Source: Invensys

## Competitive advantages

- Unique intellectual property in Coriolis and vortex meter technologies
- Integrated solutions for oil and wet gas measurement
- World class pressure, flow and valve positioner offerings
- 100-year heritage with proven track record and solid brand equity



# GROWTH DRIVERS & STRATEGY

# Growth drivers

## *Driver*

## *Opportunity*

## *Invensys solution*

Growth in unconventional gas production

- Revamps of olefins plants in North America and Middle East
- New gas processing and liquefaction facilities planned for all major producing regions

- Control systems
- Safety systems
- SCADA systems
- Instrumentation
- Wonderware software
- Services

Large number of ageing control systems in use

- Estimated £42.5 billion<sup>1</sup> of ageing control systems requiring upgrade or replacement

- Control systems
- Safety systems
- SCADA systems
- Instrumentation
- Services

*Note 1: Source - ARC Advisory Group, Worldwide DCS Study 2010*

# Growth drivers

## *Driver*

Growth in cyber threats and attacks

## *Opportunity*

- Significant percentage of automation systems currently in use not sufficiently protected from cyber threat
- Need for remediation services and migration to newer, more inherently cyber-secure systems
- Industrial Automation partners with Software for cyber security offerings

## *Invensys solution*

- Cyber security services
- Cyber certified:
  - Control systems
  - Safety systems
  - SCADA systems
  - Control network segmentation

Customer skilled resource shortage

- Capture greater percentage of customer operating expenditure through expanded portfolio of value-added services
- Broad portfolio to assist customer needs

- Cyber security
- Alarm management
- High-performance user interfaces (HMI)
- Remote system monitoring (SaaS<sup>1</sup>)

*Note 1: Software as a service*

# Growth drivers

## *Driver*

Increasing emphasis on safety

## *Opportunity*

- New safety standards have caused process industry manufacturers worldwide to become much more knowledgeable about safety issues
- Increase in demand for safety instrumented systems, safety consulting, and related applications and services
- **Triconex is the leading safety system**

## *Invensys solution*

- Triconex safety instrumented systems
- Functional and process safety consulting services
- SIL 2<sup>1</sup> – rated instruments
- SafetyView bypass management software

*Note 1: Safety Integrity Level 2*

# Strategy overview

## Organic growth



- Grow greenfield and major project business
- Expand lifecycle solution and aftermarket business within the installed base
- Excellence in go-to-market approach and client management

## Inorganic growth



- Niche technologies complementary to our portfolio
- Accelerated time to market for critical technologies
- Expand footprint in growth geographies and industry verticals

## Technology



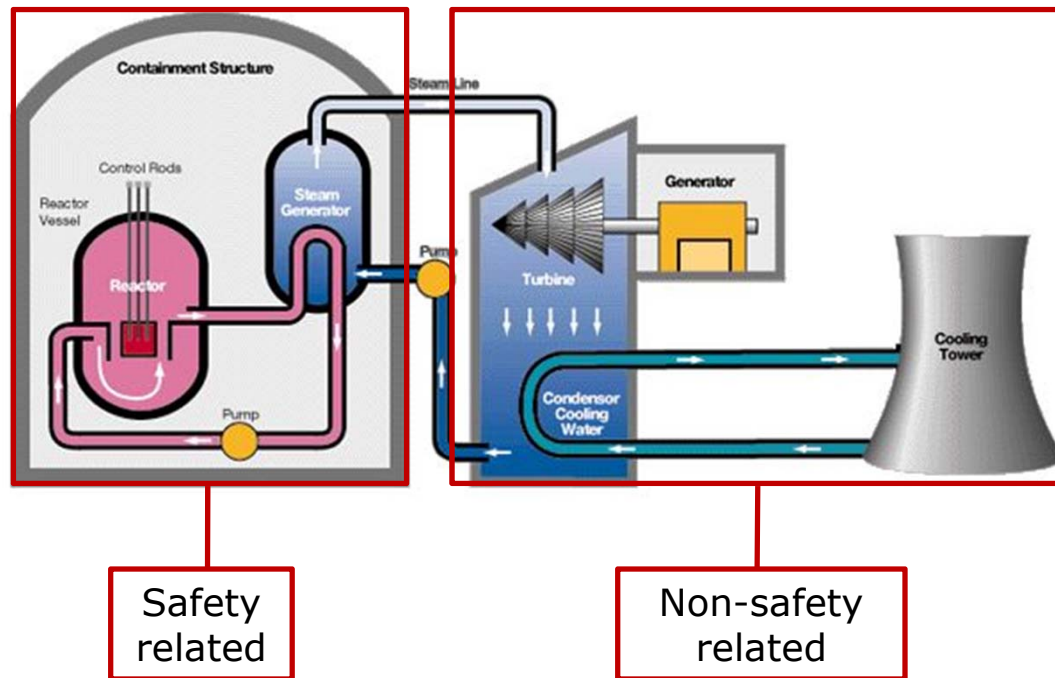
- Enhance competitiveness via reduced product cost and improved engineering efficiency
- Enable accelerated migration of legacy systems
- Inherent cyber security – product and process enhancements

## Productivity



- Commercial and contract management to reduce project risk
- Enhance project management and project delivery capability
- Supply chain productivity in project procurement

# Nuclear – systems overview



- Safety systems require extensive certification process
  - significant time and expertise required
- Non-safety systems require less extensive process
  - less stringent standards

# Nuclear - overview and strategy

- Market
  - Post Fukushima market
  - Continued growth in China and other emerging markets
  - North America retrofit market
- Strategic focus
  - **China** - completion of existing contracts; equipment supplier
  - **North America** - replacement of safety related 1E systems
  - **Rest of World** - equipment supplier to NSSS<sup>1</sup> Reactor providers

Our strategy to become an equipment supplier

*Note 1: Nuclear Steam Supply System*

# Nuclear – key projects

- Pacific Gas & Electric
  - Diablo Canyon reactor protection system
- Duke Energy
  - Main turbine control for 5 units
- China Nuclear Power Engineering (CNPE)
  - 8 reactors in total - Fuqing Units 1-4; Fangjiashan Units 1 & 2; Hainan Units 1 & 2
  - Triconex 1E safety-related systems
  - Integrated non-safety and safety DCS
  - Simulator – SimSci
  - Engineering services and main control room design



# Evolving customer delivery

- Schedule integrity– **need to be online faster** with reduced risk and minimum cost
- Automation system **requirements mature late** in the project lifecycle
- Managing **change** is an issue
- **Global engineering workforce** is required with local content
- Systems have become **more inter-dependent and complex** to integrate
- **Multiple groups** are required; internal, vendor, external
- A **shrinking resource** pool
- Need to mitigate **human errors**

# How do we deliver?

Single focus on delivering on customer expectations through tangible elements integrated into everything we do:

- **iDeliver** – systems and processes to link information and people
- **Engineering toolset** – intelligent engineering technology
- **Project Management** – linking standards, methodology and experience
- **People** – engineering excellence centres driving synergies
- **Capabilities** – project execution and commercial contracting skills

Resulting in reduced project risk, higher quality,  
clear visibility and higher customer satisfaction

# Technology – macro themes

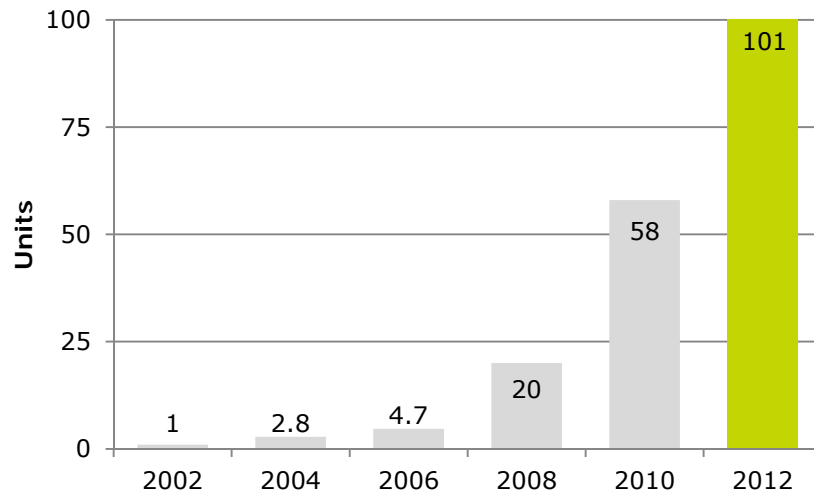
- **Connectivity** - Customers see physical layer and management layer becoming **more integrated through software**
- **Software and other technology advancements** at the control room and enterprise levels are accelerating justification of brownfield refresh
- **Decreasing cost per function** for technology is driving lower price expectations for automation projects

# Software and other technology advancements at the control room and enterprise levels

- Technology refresh in and of itself is insufficient to justify upgrading; there must be **tangible business benefits**
- **High-performance human machine interfaces** needed to improve human reliability and ultimately safety and reliability of plant
- **Multi-locale operation** to enable remote operations and in some cases de-manning in dangerous or costly environments
- **Mobile handheld devices** to create better collaboration between inside and outside operations personnel
- **Engineering tools** to get the man-hours out of system upgrade projects, and make them easier to cost justify

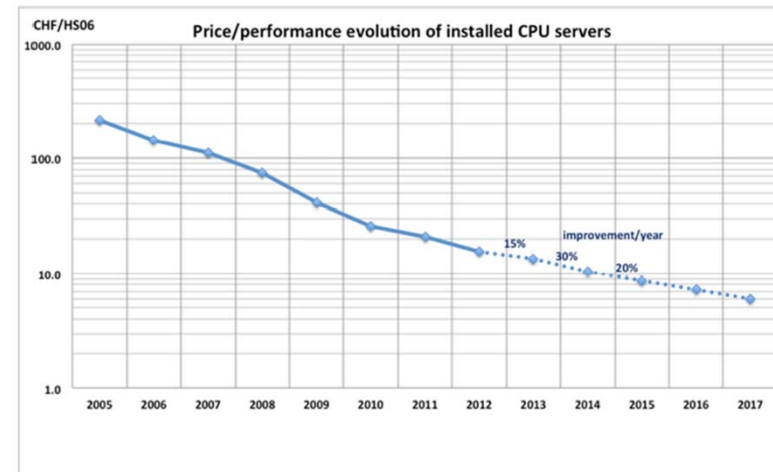
# Decreasing cost per function

## Performance trend for servers



Source: Gartner RPE2 for select HP ProLiant DL360 generations

## Price trend for servers



Source: Technology, Market and Cost Trends 2012, Bernd Panzer-Steindel

\* Notes: Data normalized to 2GB per server core

## Technology implications

- Emergence of higher capacity devices with significant capability enhancements (i.e. more embedded functionality)
- Lower cost, higher density, lower footprint
- Simpler networks with fewer switches and self-configuration capability

# Next generation of systems

- **Enhanced cost competitiveness**
  - High density, low footprint, low cost hardware
  - Large capacity process controllers
  - Simplified control network architecture
  - High-productivity engineering environment
- **Enable accelerated migration of our own and competitive legacy systems**
  - De-coupled approach to independently evolve core elements of DCS
  - High-performance human interface utilising Wonderware technologies
  - Embedded Invensys software applications (optimisation, batch, workflow, etc.)
- **Cyber-security inherent in design, process and standards (DCS and SIS<sup>1</sup>)**

A practical and effective approach to strengthen our position while continuously delivering commercial benefits

*Note 1: Safety instrumented system*

# Key takeaways

- We already participate in the **most attractive industries**, including oil & gas, power and petrochemicals
- We already have a **global presence** with considerable experience in large, complex projects
  - More than 50% of our order book is to emerging markets
- Our safety system **Triconex is the leader** in crucial sector
  - Consolidates our position in high-end industries and China
  - Creates significant opportunities as equipment supplier in expanding nuclear power market
- Our DCS offering Foxboro will be **differentiated through our software and control room technologies**
- We understand our customers' needs for **integration of systems** to maximise their performance

A strong technology franchise with market-leading brands and blue-chip customer base

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# 5

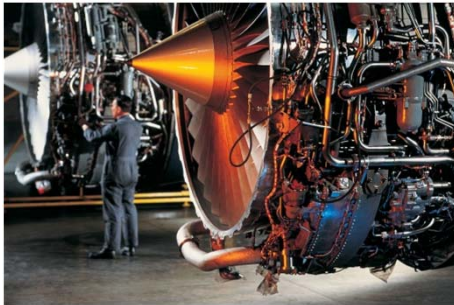
## Energy Controls

Rob Rennie

# OVERVIEW

# Energy Controls – an overview

**Industrial**



**Residential**



**Commercial**



**Monitoring**



**We will save our customers energy** by providing information to better understand their consumption, insights for change, and control devices for improvement

# Energy Controls – an overview continued

	Industrial	Commercial	Residential	Monitoring
<b>Brands</b>	<i>Eurotherm</i> <i>Robertshaw</i>	<i>Eliwell</i> <i>Ranco</i>	<i>Drayton</i> <i>Eberle</i> <i>Robertshaw</i>	<i>Centeron</i> <i>IMServ</i>
<b>Market drivers</b>	<ul style="list-style-type: none"> <li>• Precision</li> <li>• Regulation</li> <li>• Energy</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation</li> <li>• Energy</li> <li>• Comfort</li> </ul>	<ul style="list-style-type: none"> <li>• Comfort</li> <li>• Energy</li> <li>• Ease</li> </ul>	<ul style="list-style-type: none"> <li>• Energy cost</li> <li>• Legislation</li> <li>• Security</li> </ul>

**We will save our customers energy** by providing information to better understand their consumption, insights for change, and control devices for improvement

# Why group these businesses together?

## External drivers

- Reducing cost of energy is key secondary driver to entire customer base
- Crossover points of portfolio occur with customers with each of the businesses
- Regulation of data is key secondary driver for three of the businesses
- SaaS<sup>1</sup> Monitoring being requested by all of the customer base

## Internal drivers

- Technical synergies will lower segment R&D cost
- SaaS Monitoring requires scale not possible with one business alone
- Combined geographic footprint will allow for improved global growth
- Apart from the above, LOBs will be managed separately

**A new organisation with clear alignment and strong synergies**  
- four great businesses with strong market positions

*Note 1: Software as a Service*

# Product portfolio

## Industrial

### Temperature control

- High precision and advanced control

### Data recording

- Long-term retention of key process data

### Power control

- Stable, precise electrical power control



## Commercial

### Freezer control

- Small to medium commercial freezer controllers

### Cooler control

- Energy saving bottled cooler controllers

### HVAC<sup>1</sup>

- Small commercial and light industrial HVAC control



*Note 1: Heating, ventilation and air conditioning*

# Product portfolio *continued*

## Residential

### Programmers & timers

- Advanced residential climate control

### Thermostats

- Wireless and wired room temperature measurement

### Radiator valves

- Energy saving radiator control valves



## Monitoring

### Energy meter reading

- Data collection, storage and visualisation

### Liquid tank measurement

- Data collection and optimisation of delivery services

### HVAC

- Remote control and optimisation





# Core competencies and niche positions

Core competencies		Niche positions	
Advanced control	<i>Eurotherm; Eliwell</i>	Small commercial refrigeration	<i>Eliwell</i>
Regulated industries	<i>Eurotherm</i>	Life sciences, heat treatment, plastics	<i>Eurotherm</i>
Low cost manufacturing	<i>Eliwell; Residential</i>	Domestic hot water heating	<i>Residential</i>
Global data acquisition	<i>IMServ; Centeron; Eliwell</i>	Energy meter reading	<i>IMServ; Centeron</i>
Big data management	<i>IMServ</i>	Small HVAC	<i>Eliwell; Residential; IMServ</i>

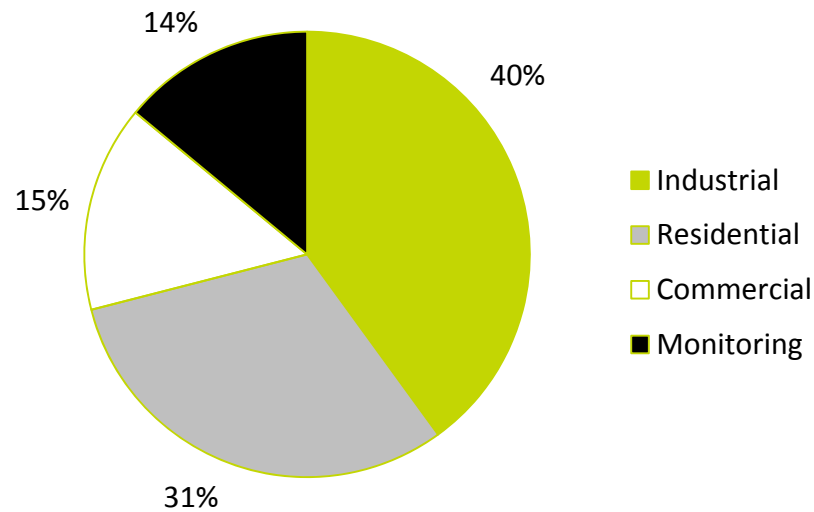
We continue to provide **great products and energy savings** whilst meeting regulatory demands



# BUSINESS MODEL

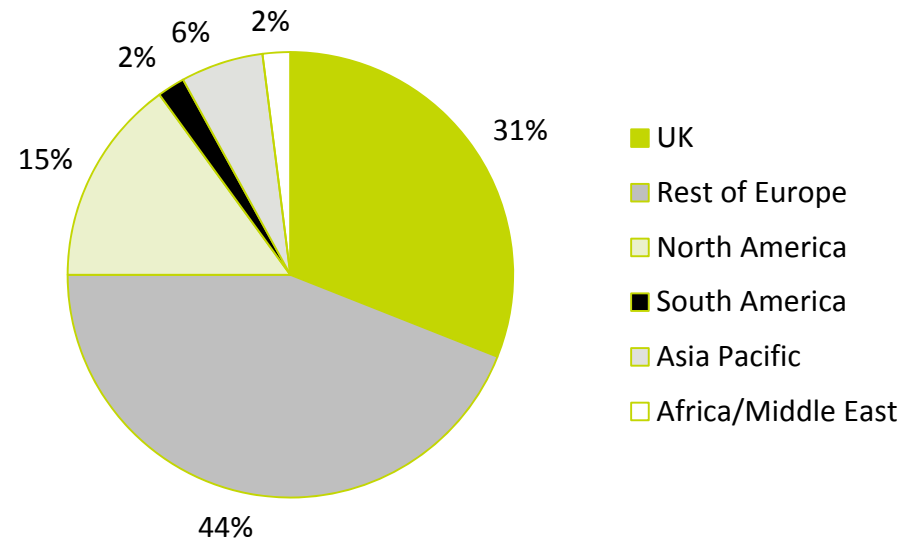
# Energy Controls revenue

FY 2012/13 revenue by line of business



Source: Invensys

FY 2012/13 revenue by destination



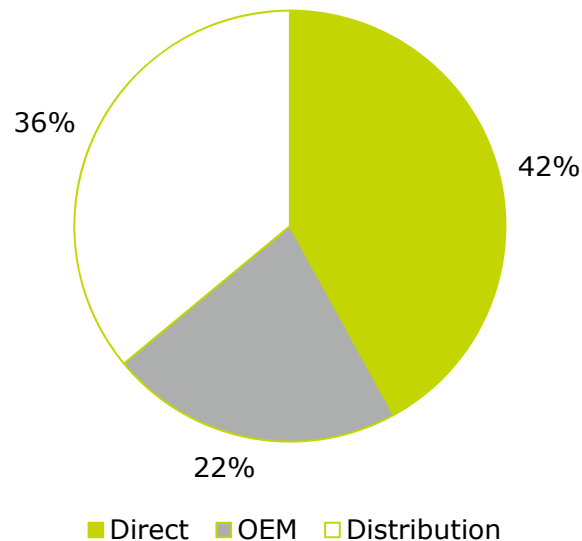
Source: Invensys

Our businesses have a **good mix of products** but are biased to a European market. **We will be investing in North America and some BRIC<sup>1</sup> countries to resolve this**

*Note 1: Brazil, Russia, India, China*

# Business model: routes to market

FY 2012/13 revenue by key channel



Source: Invensys

## Barriers to entry

- Market commoditisation – need to ensure cost models matched to our margins
- Market-specific R&D is costly to enter the market which makes the ROI<sup>1</sup> payback unattractive to our smaller competitors
- Channels to market are hard to win; we operate a partner of choice programme to offset this

To ensure **we have a complete view of market trends and customer requirements** we maintain direct links with all of our channels to market through our partner of choice programme

*Note 1: Return on investment*

# STRATEGY

# Growth drivers

<i>Driver</i>	<i>Note</i>	<i>Solution</i>
<b>Need to reduce energy costs</b>	<ul style="list-style-type: none"> <li>• Must retain core business drivers                             <ul style="list-style-type: none"> <li>• Precision</li> <li>• Comfort</li> <li>• Food safety</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• New control devices</li> <li>• Monitoring solutions</li> </ul>
<b>Increased regulation</b>	<ul style="list-style-type: none"> <li>• Record keeping of data</li> <li>• Process quality assurance</li> </ul>	<ul style="list-style-type: none"> <li>• Recording solutions</li> <li>• Cloud-based storage</li> </ul>
<b>Smart buildings</b>	<ul style="list-style-type: none"> <li>• Integration with new devices</li> <li>• Web-based technology</li> </ul>	<ul style="list-style-type: none"> <li>• Shared group technology</li> </ul>
<b>Capital spend restrictions</b>	<ul style="list-style-type: none"> <li>• ROI for energy saving not quite strong enough for some</li> </ul>	<ul style="list-style-type: none"> <li>• Provide energy saving as a service</li> </ul>
<b>Geographic</b>	<ul style="list-style-type: none"> <li>• Higher growth available in BRIC</li> </ul>	<ul style="list-style-type: none"> <li>• Use of new wider footprint</li> <li>• Acquisitions</li> </ul>

Residential, Commercial and Industrial businesses and properties are all moving towards having more **information that enables clearer choices and gives them greater control of their energy usage**

# Enabling technologies

Line of business	Technology	Rationale
<b>Industrial</b>	<ul style="list-style-type: none"> <li>Specialist PLC<sup>1</sup> <ul style="list-style-type: none"> <li>Precision control, regulated industries, batch processes</li> </ul> </li> <li>Energy Measurement</li> </ul>	<ul style="list-style-type: none"> <li>Opens adjacent products to existing customers</li> <li>Required to optimise operations</li> </ul>
<b>Residential</b>	<ul style="list-style-type: none"> <li>RF communications</li> <li>Web access</li> </ul>	<ul style="list-style-type: none"> <li>Stepping stone for Smart Homes</li> <li>Enablement for savings</li> </ul>
<b>Commercial</b>	<ul style="list-style-type: none"> <li>New freezer control</li> <li>Web Gateway</li> </ul>	<ul style="list-style-type: none"> <li>Global platform</li> <li>Provides compliance</li> </ul>
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>Web interface</li> <li>Cloud-based data acquisition</li> </ul>	<ul style="list-style-type: none"> <li>Reporting and visuals for energy saving</li> <li>Platform for the other businesses</li> </ul>

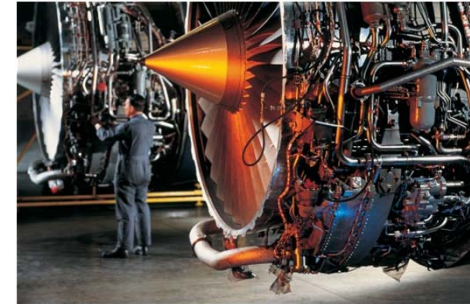
Our development programme will strengthen the core business and allow expansion into developing market positions and new geographies

*Note 1: Programmable logic controller*

*Note 2: Radio frequency*

# Go-to-market strategy

- **Geographic expansion** through acquisitions and sales/marketing investment
- Combine wide knowledge within group to **provide energy saving solutions** in control products
- Growing need for **domain expertise** to be offered as part of the product offering
- **Partner of choice** programme for both distribution and OEM
- Grow a new **energy management** business in the UK, and then in other selected geographies



Good strategic position with a **wide and deep set of synergies** within our businesses **providing advanced control, design and manufacturing**

# Investment priorities: go-to-market initiatives and R&D

## Sales

- Geographic expansion: using new combined group regional footprint to expand addressable markets
- Increased investment in direct employees to manage OEM and distribution channels
- Continue with our elite sales programme that invests in people and their training

## R&D

- Regulated industry PLC with inbuilt energy controls
- SMART Home solutions with internet connectivity
- Low cost platform for electronic freezer control
- Monitoring SaaS portal for acquisition, retention and display of data

To ensure **customer retention** and remain the **thought leaders in our markets** we will drive towards achieving NPIs<sup>1</sup> of over 15% of our portfolio per annum in all of our businesses

*Note 1: New product introductions*



# Investment priorities: M&A

## Bolt-on technology

- Quicker and more deterministic than self development
- Broaden portfolio to make better use of channels
- Low risk
- Ideally makes better use of existing facilities

## Market access

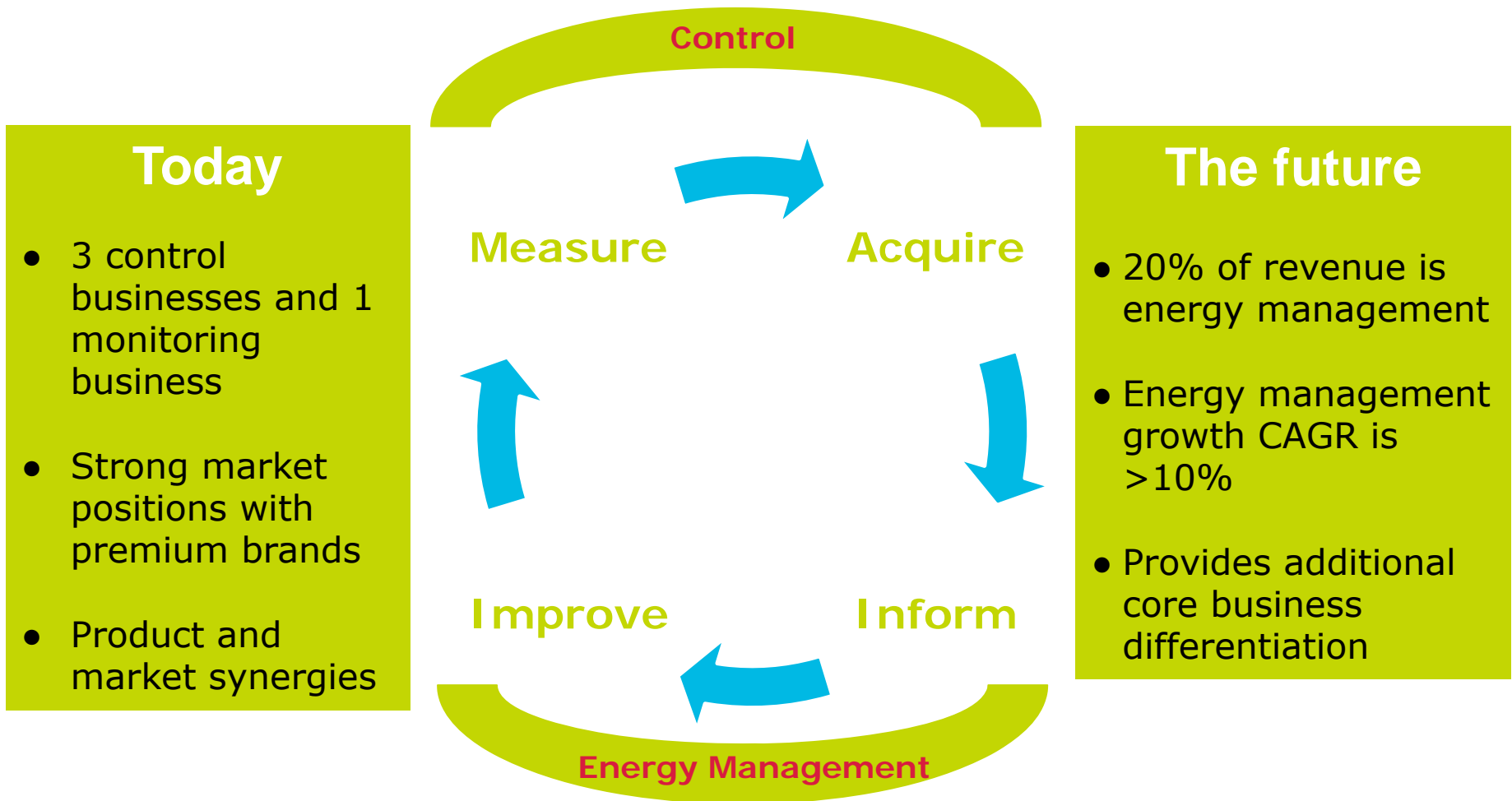
- Change the balance of geographic mix
  - India
  - Brazil
- Local for Local approach to portfolio and management

## Scale

- North America single largest accessible market
- Regional/local companies need to consolidate
- Gain access to distribution channels

We will focus on extending our product offering through **technology expansion** and market scale through **geographic expansion**

# Energy Controls: key takeaways



# Energy Controls: outlook

## Medium- to long-term outlook

Revenue growth	Flat to mid single digit
Operating margin	Mid teens



# Q&A

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# 6

## Financial Overview

David Thomas  
Chief Financial Officer, InvenSys plc

# Welcome to the new Invensys

## **What can we expect as general trends?**

- Software key to near-term growth
- Margins will gradually improve due to mix
- FCF at 4-6% of revenue in years 2 & 3
- Low tax rate continues in the medium term

## **Lower volatility with new Company**

- Fewer major projects with disposal of Invensys Rail
- Less volatility in operating cash flow from projects
- Free cash flow improved significantly with absence of UK Pension Scheme top-ups and improving margins
- Pension and other legacy issues dealt with for foreseeable future
- Exceptionals now in operating profit

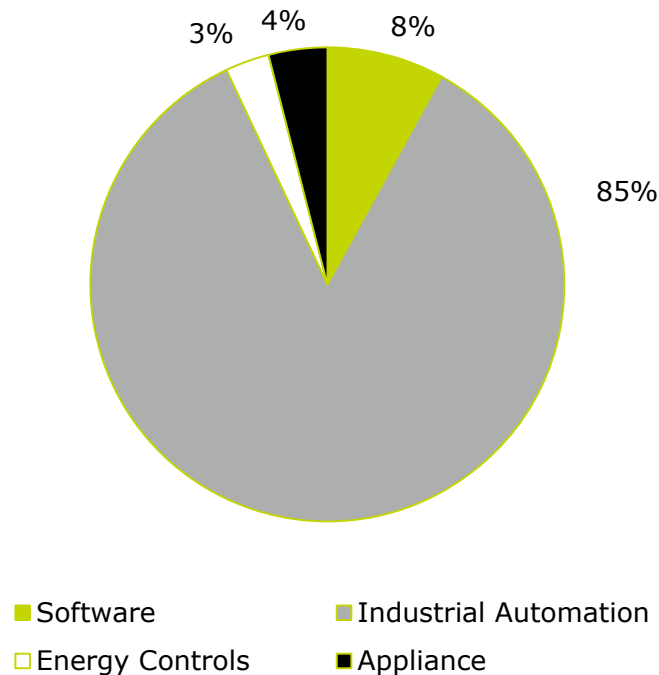
## **What can we do now?**

- Invest in R&D and sales & marketing
- Invest in bolt-on acquisitions

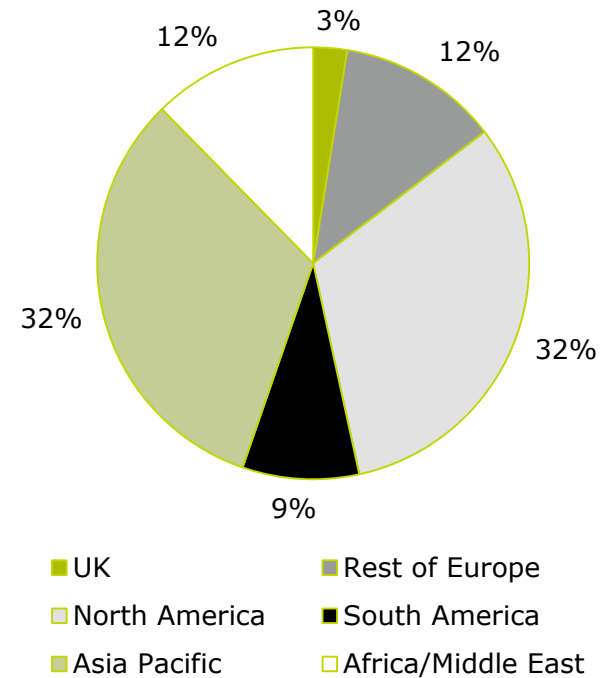
# Group order book at 31 March 2013

£1,094 million

**Group order book by business segment**



**Group order book by destination**



Source: Invensys

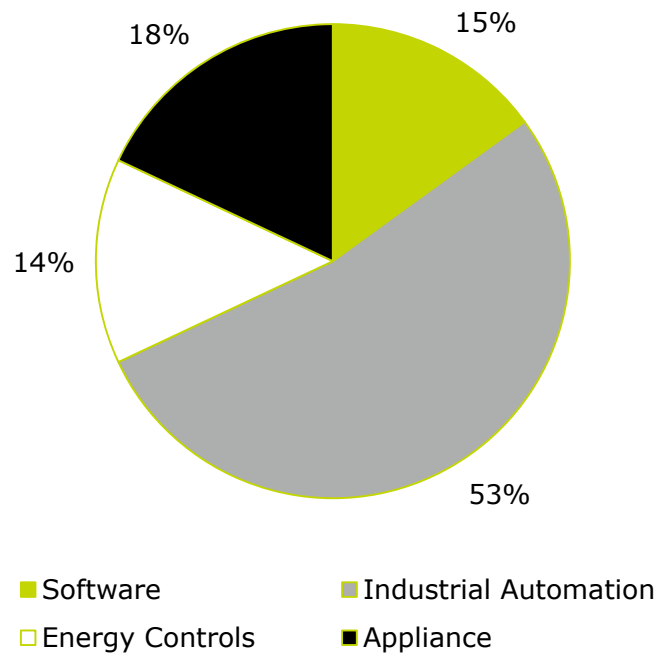
Order book principally driven by Industrial Automation projects with good geographical spread



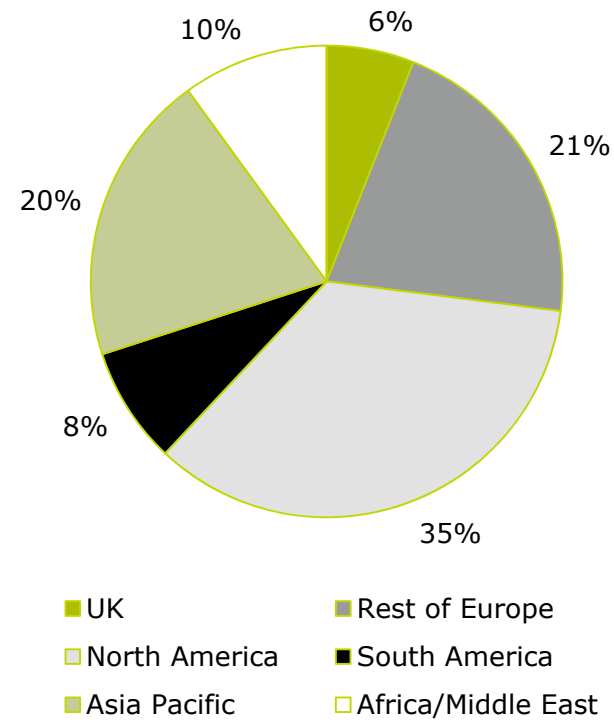
# Group revenue FY 2012/13

£1,792 million

**Group revenue by business segment**



**Group revenue by destination**

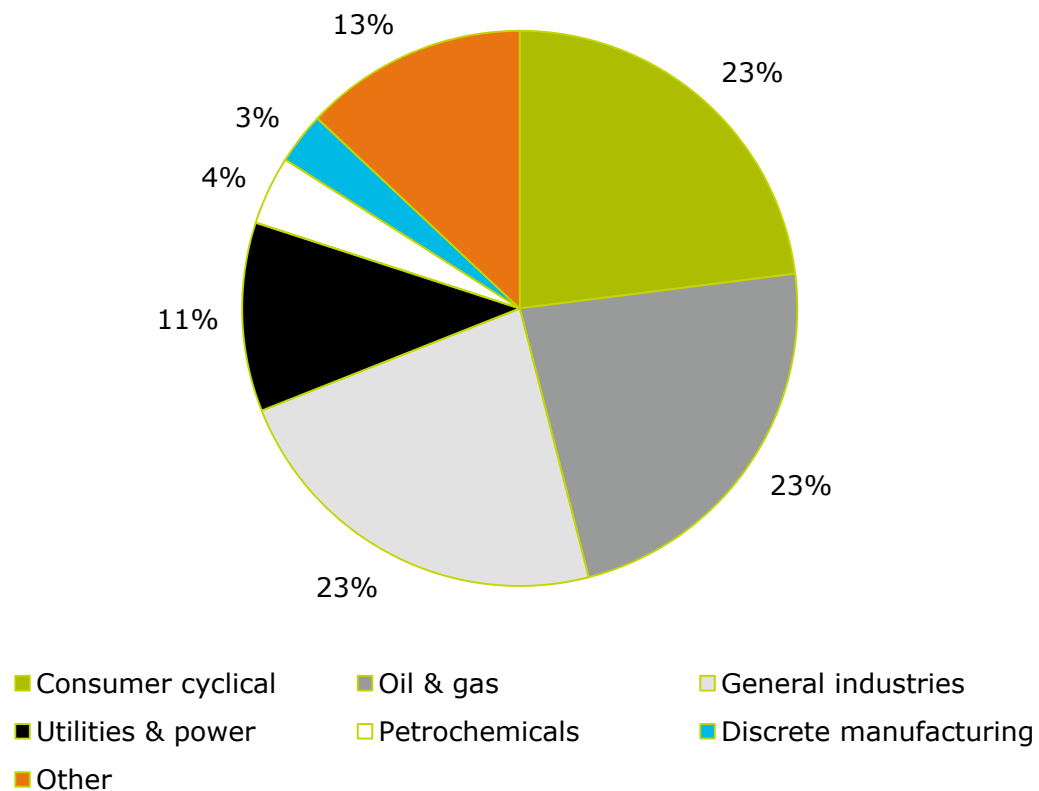


Source: Invensys

Growth driven by Software

# Group revenue FY 2012/13 *continued*

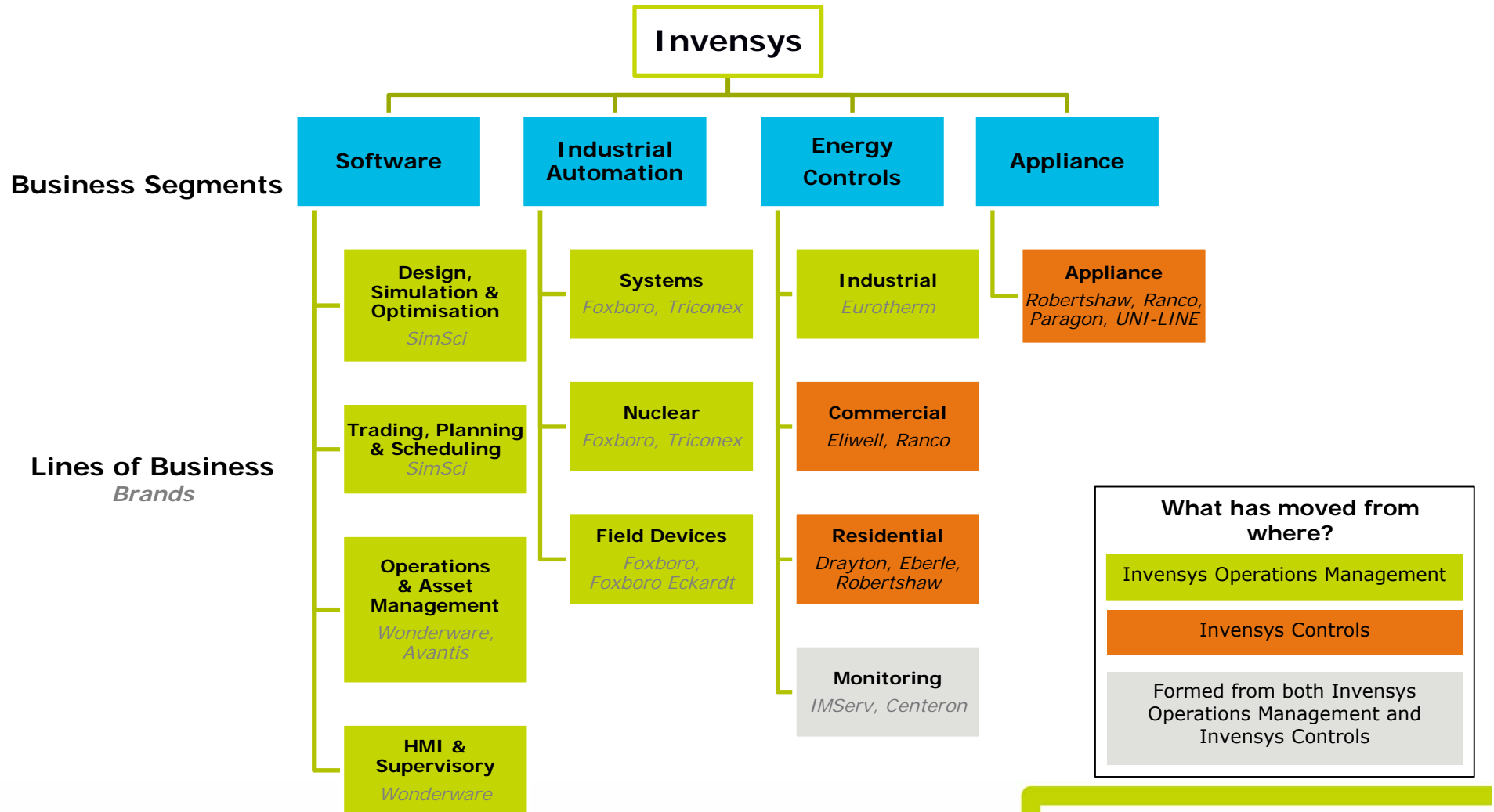
**Group revenue by sector**



Source: *Invensys*

# Lines of business and segment structure

Better business plans, accountability and capital allocation



# Summary of FY 2012/13 operating performance

## Revenue/OPBIT

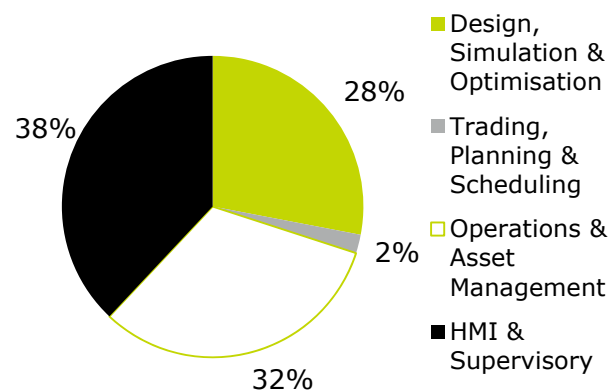
FY 2012/13 £ million	Invensys Operations Management		Invensys Controls		Corporate	Continuing Operations		FY 2013/14	FY 2014/15
	Revenue	OPBIT	Revenue	OPBIT	OPBIT	Revenue	OPBIT	Synergies	Synergies
Software	260	62	-	-	-	260	62	1	1
Energy Controls	127	17	126	19	-	253	36	1	1
Industrial Automation	948	72	-	-	-	948	72	5	8
Appliance	-	-	331	8	-	331	8	3	3
Corporate	-	(5)	-	-	(42)	-	(47)	10	12
<b>Continuing Operations</b>	<b>1,335</b>	<b>146</b>	<b>457</b>	<b>27</b>	<b>(42)</b>	<b>1,792</b>	<b>131</b>	<b>20</b>	<b>25</b>

# Software

## Segment data

FY 2012/13	£m
Revenue	260
OPBIT	62
ROS (%)	23.8%

## Revenue by LOB



Source: Invensys

## Comparable companies

Aveva

AspenTech

## Value derives from

Depth and breadth of offering

Relationship with Industrial Automation

Software has best ROI for customers

M&A possibilities

## Medium to long-term guidance

Revenue growth ~10% per annum

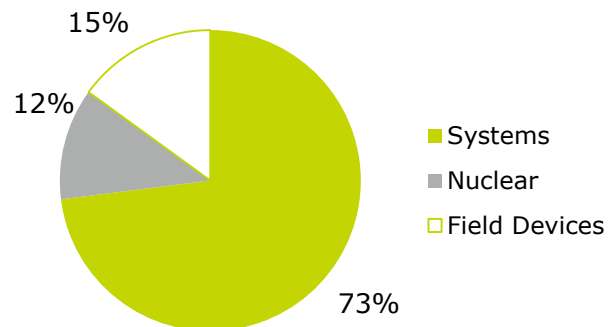
Operating margin % Mid 20s

# Industrial Automation

## Segment data

FY 2012/13	£m
Revenue	948
OPBIT	72
ROS (%)	7.6%

## Revenue by LOB



Source: Invensys

## Comparable companies

Honeywell

Yokogawa

## Value derives from

Brand, technology, global presence

Relationship with Software

Nuclear – providing safety equipment

## Medium to long-term guidance

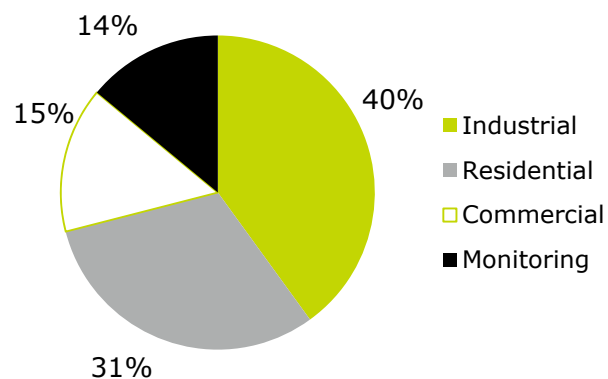
Revenue growth	Flat to mid single digit
Operating margin %	High single digits, moving to low teens over medium to long term

# Energy Controls

## Segment data

FY 2012/13	£m
Revenue	253
OPBIT	36
ROS (%)	14.4%

## Revenue by LOB



Source: Invensys

## Comparable companies

Endress & Hauser

Honeywell

Spectris

## Value derives from

Core products and channels to market

Wireless technology and SaaS

Domain knowledge to create energy savings

M&A possibilities

## Medium to long-term guidance

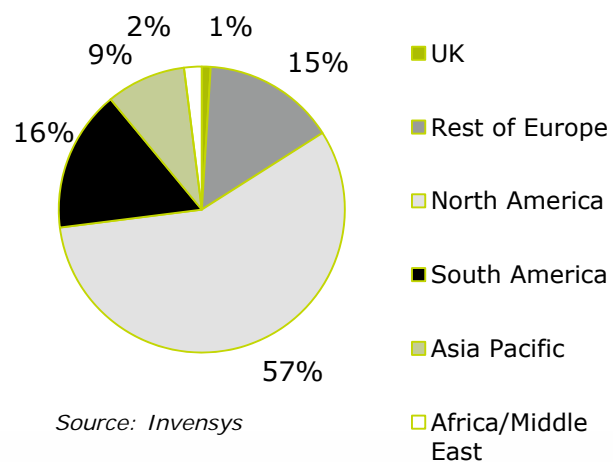
Revenue growth	Flat to mid single digit
Operating margin %	Mid teens

# Appliance

## Segment data

FY 2012/13	£m
Revenue	331
OPBIT	8
ROS (%)	2.4%

## Revenue by destination



## Comparable companies

Bitron

Whirlpool

Electrolux

## Value derives from

Gradual market recovery

Cost base set via previous restructuring

NPIs into new markets

## Medium to long-term guidance

Revenue growth      Flat to mid single digit

Operating margin %      Mid to high single digit



# Central costs

- Downsized following disposal of Invensys Rail
- Finished LOB move by eliminating divisional structure
- Taken opportunity to clear up other legacy items
- £25 million net savings (£20 million this year) of which £12 million relates to central costs
- Corporate centre run rate of circa £35 million, plus IAS 19 administrative costs of £10 million

# Priorities for cash

- £268 million net cash at 31 March 2013
- Following the completion of the disposal of Invensys Rail, pro forma net cash of £619 million, of which c£500 million is available to invest
- Priorities for cash
  - Disciplined approach to M&A in Software and Energy Controls
  - Investment in the lines of business - R&D and sales & marketing

# M&A – principles of operation

- Invensys businesses have natural value which will be enhanced with partnerships, ventures and M&A
- The LOB structure allows for both business and group level initiatives – everyone needs to contribute
- Cash will be deployed over a 3 year period:
  - Bolt-ons in Software and Energy Controls
  - Technology and market extensions
- We are hiring a new M&A lead to improve professionalism

# M&A – selection criteria

Operating	Financial
<ul style="list-style-type: none"> <li>• Aligned with strategy and macro trends</li> <li>• Principally in Software and Energy Controls</li> <li>• Target industries: <ul style="list-style-type: none"> <li>• Oil &amp; gas, petrochemicals, power</li> <li>• Pharmaceuticals, water treatment, etc</li> </ul> </li> <li>• Buy technology for market entry</li> <li>• Buy technology, not people</li> <li>• Avoid “fixer uppers”</li> <li>• Bolt-ons to avoid costly reorganisation of larger businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Financial results in line with segment targets by years 2 or 3</li> <li>• Free cash flow conversion 90-110% of OPBIT</li> <li>• Revenue synergies and costs savings will be targeted and factored to reflect execution and integration risk</li> <li>• At a minimum business to return cost of capital (8%) within 2/3 years – both P&amp;L and cashflow</li> <li>• Hurdle rates adjusted to reflect deal specific risks/opportunities</li> <li>• US/UK acquisitions may accelerate realisation of tax losses</li> </ul>

## Capacity

- £500m cash
- FCF from operations
- Debt free over strategy planning horizon

# Q&A

# 7

## Conclusion

Wayne Edmunds

# Key takeaways

- A technology group focused on software, automation and controls
  - High quality, defensible niche businesses with natural value
  - Industrial software leadership
  - Lower volatility with fewer very large projects
- Experienced management team with deep domain knowledge
- Pension and other legacy matters de-risked
- Strong balance sheet
  - Enables continued R&D investment in our technologies
  - Provides ability to grow through acquisitions

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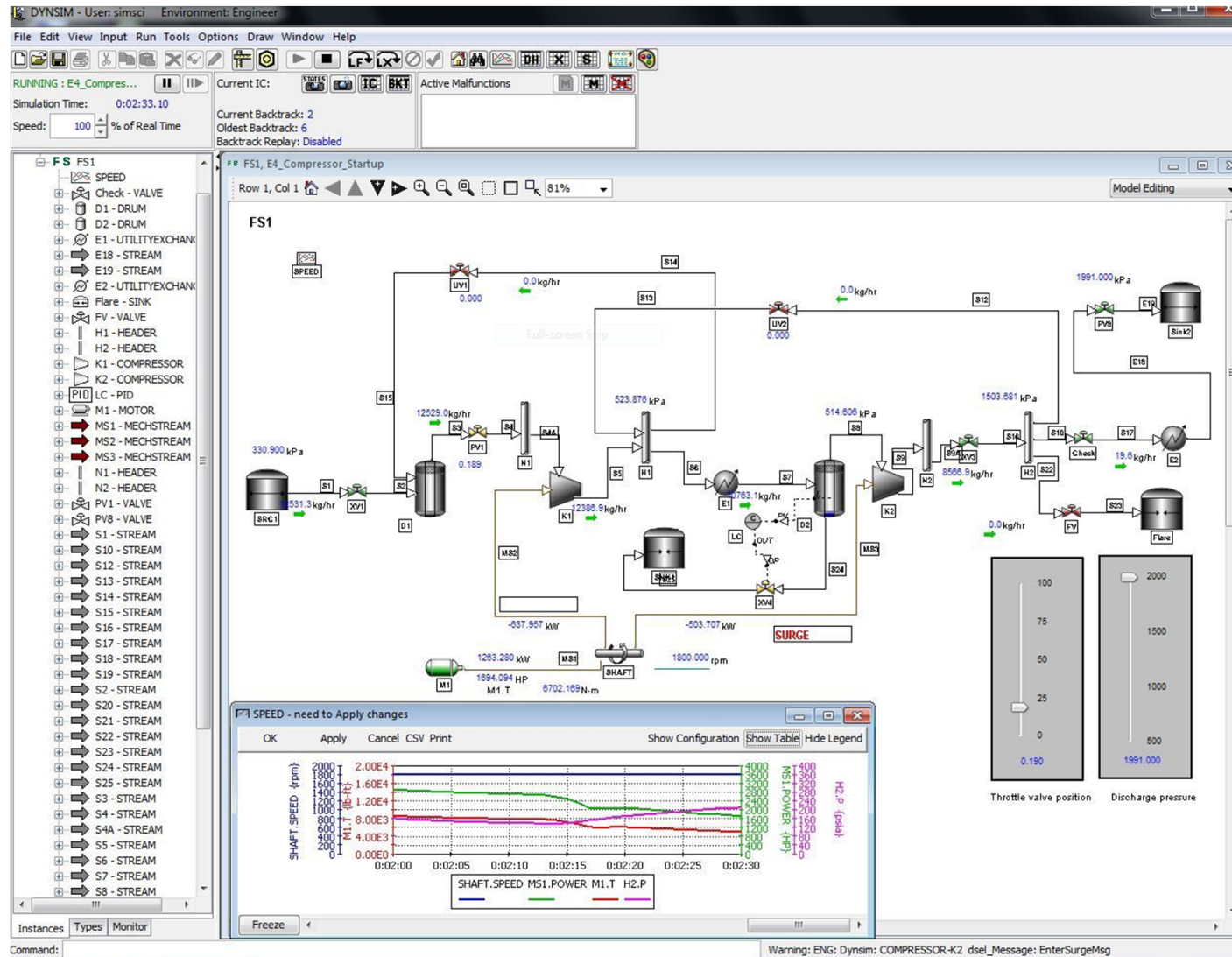


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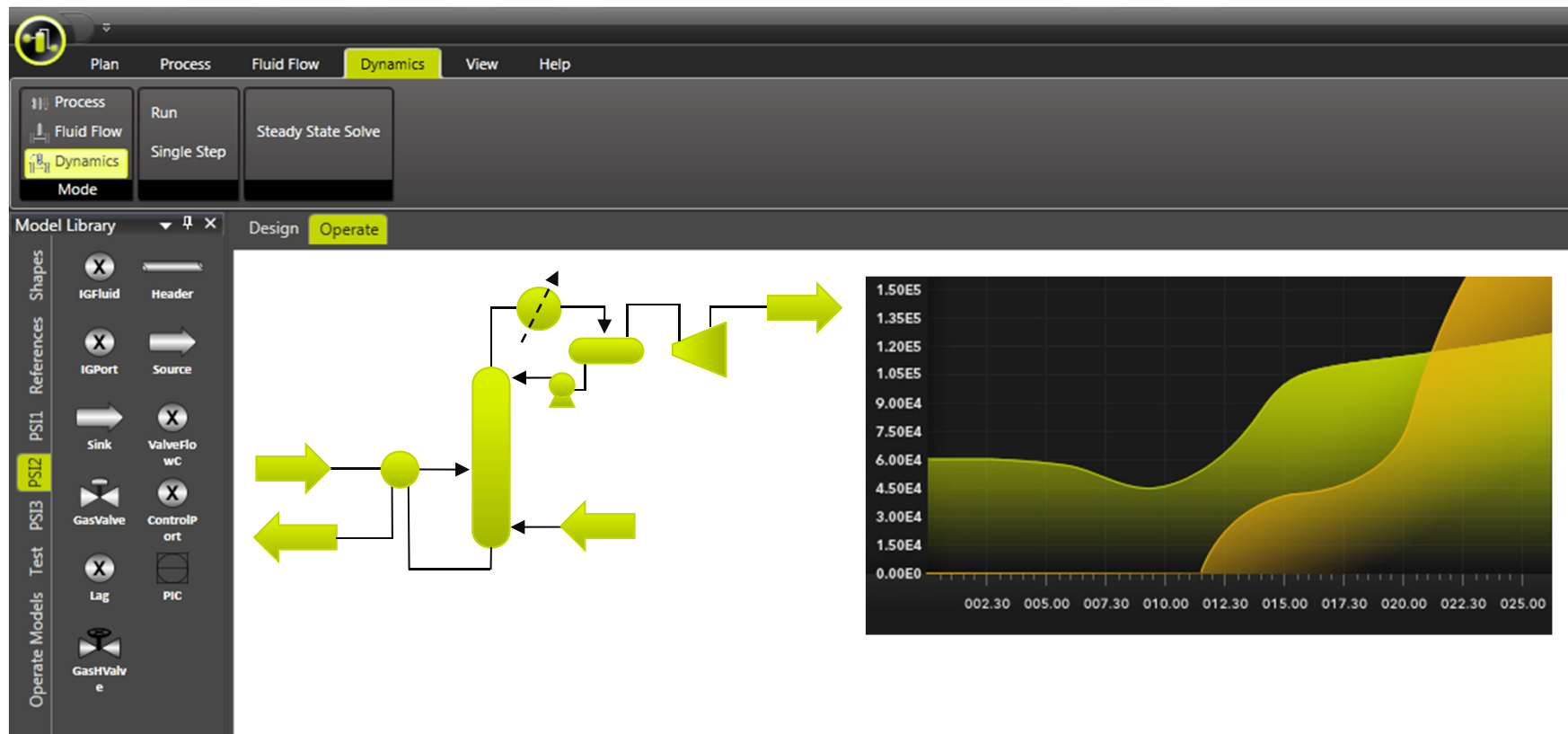
## Appendix

# SOFTWARE GRAPHICS

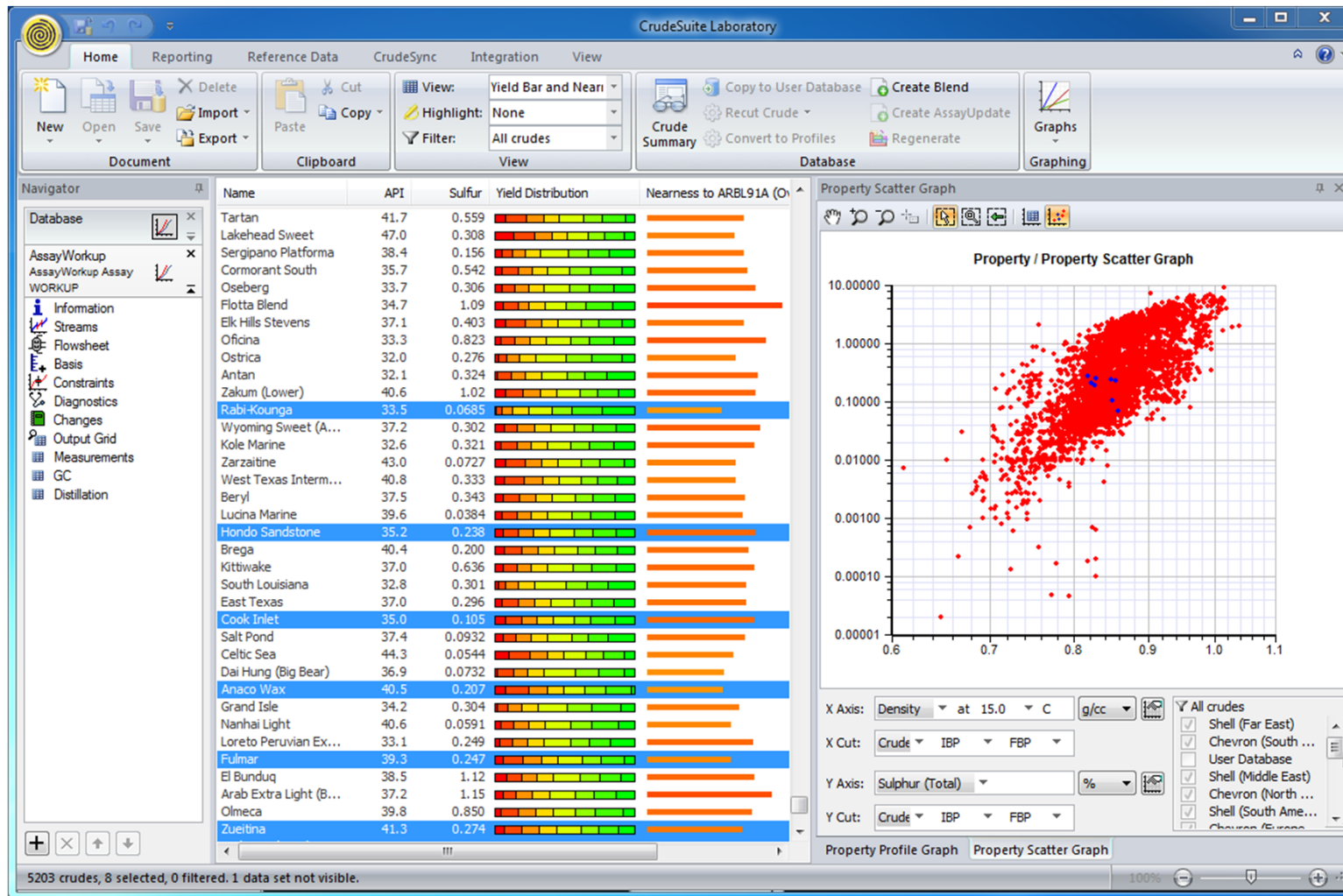
Dynamic simulation and optimisation tools enable offline evaluation of operating scenarios and online control to operating targets



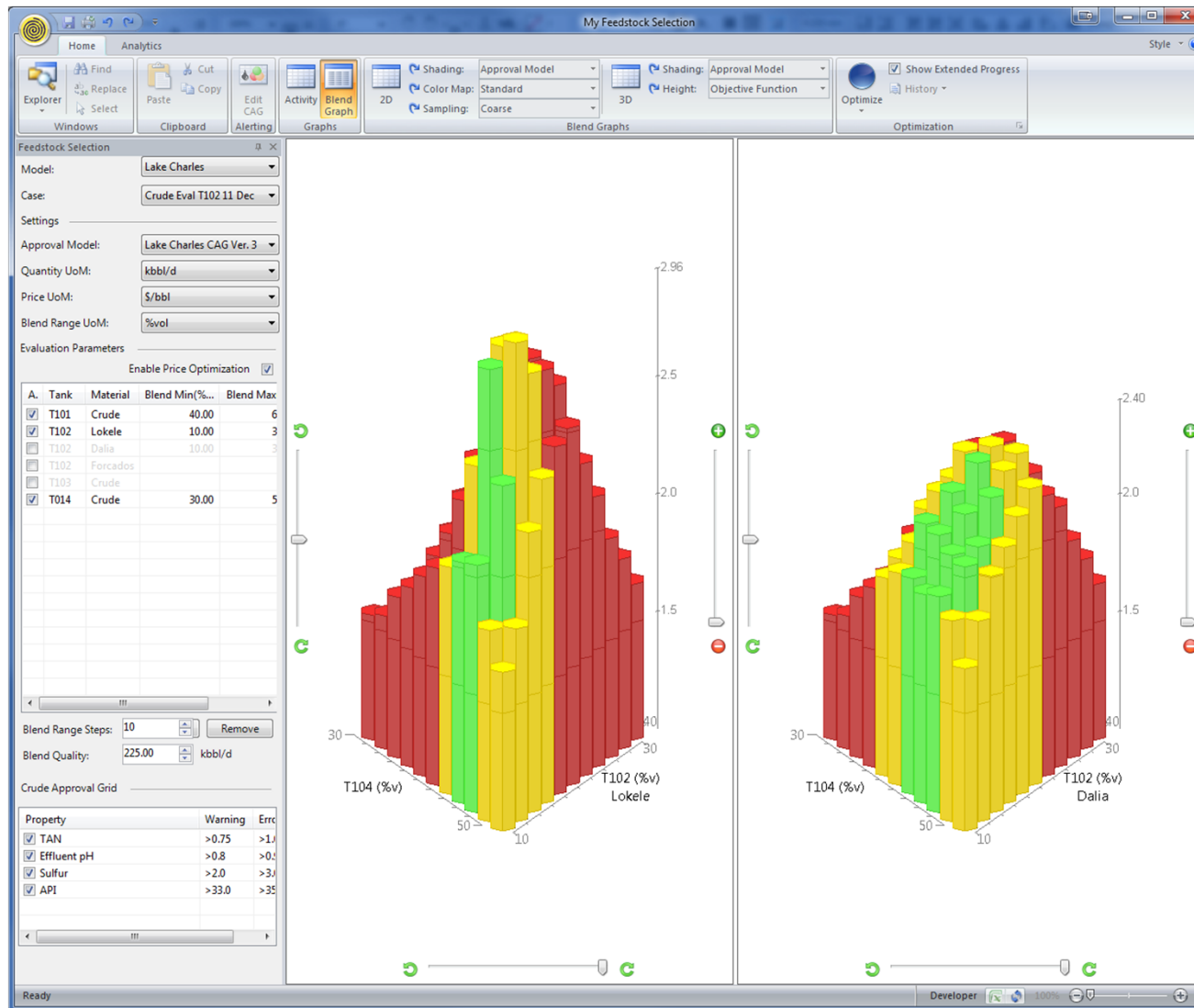
... and will soon be available in a completely enhanced environment



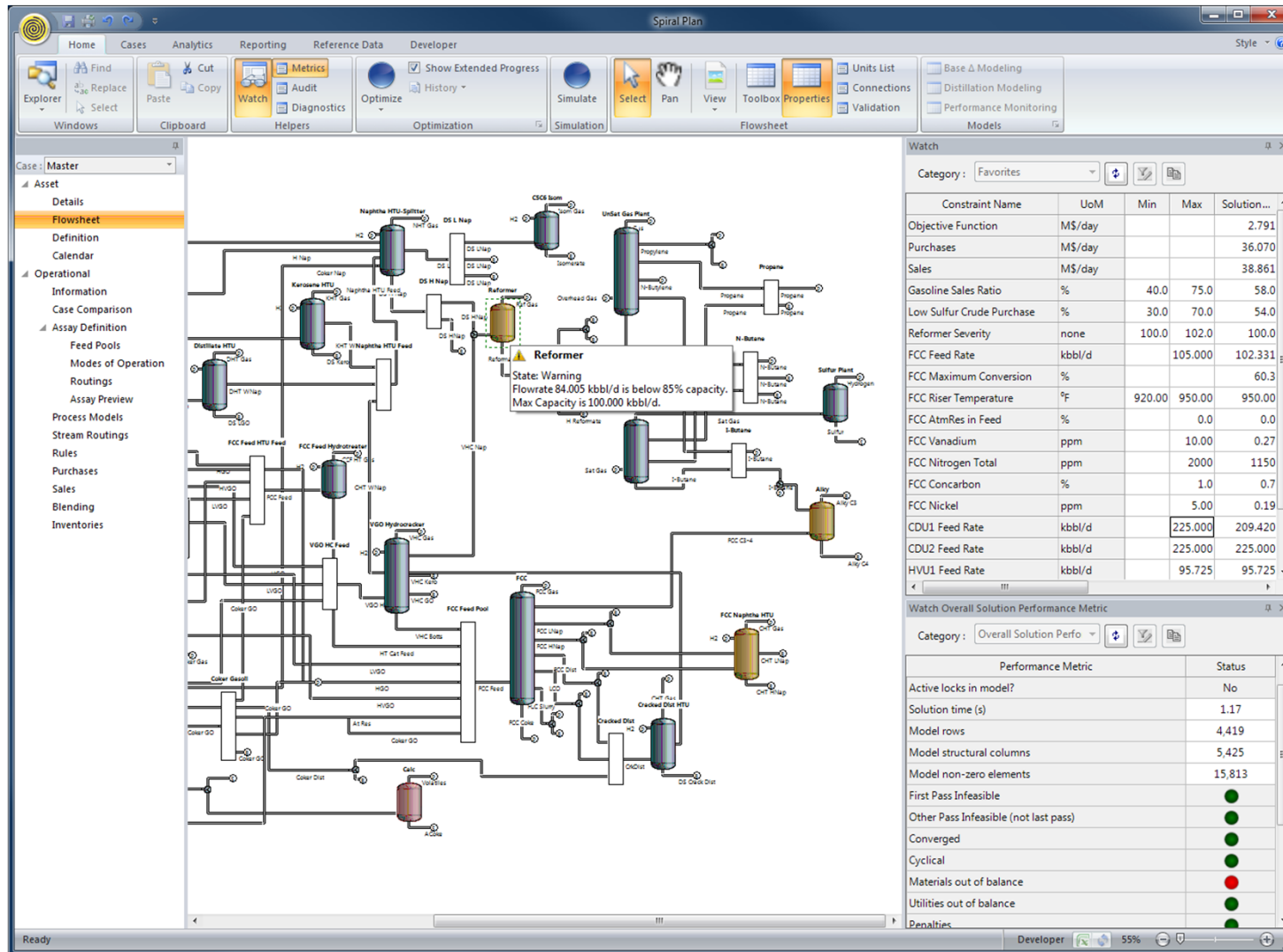
Spiral Crude Suite enables the evaluation of multiple available crudes based on a rich property database



# Spiral Crude Suite enables the evaluation of multiple available crudes based on a rich property database

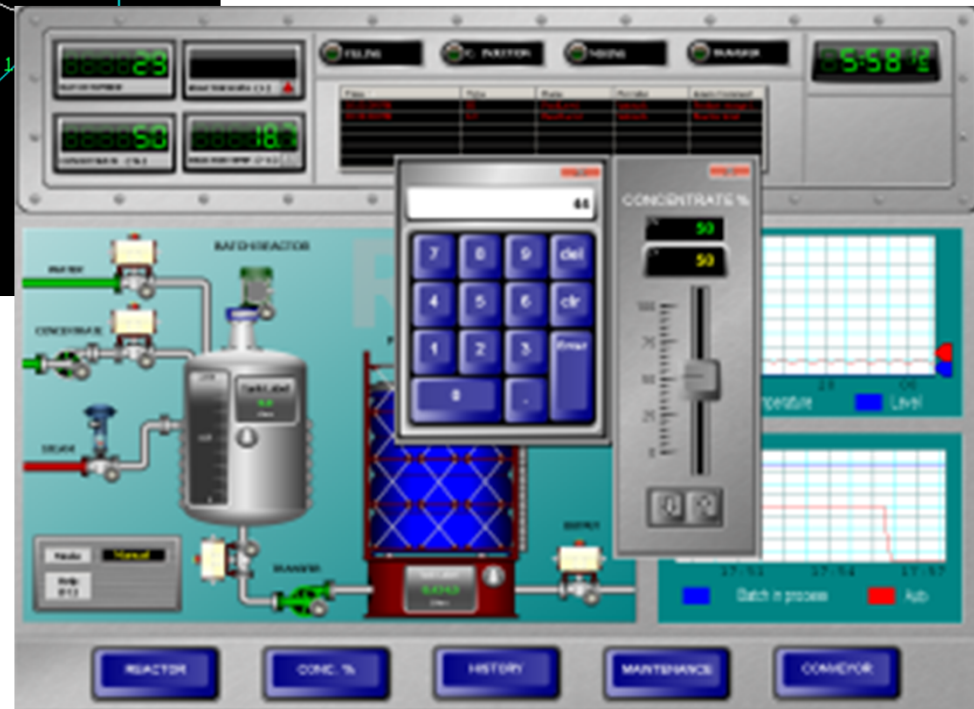
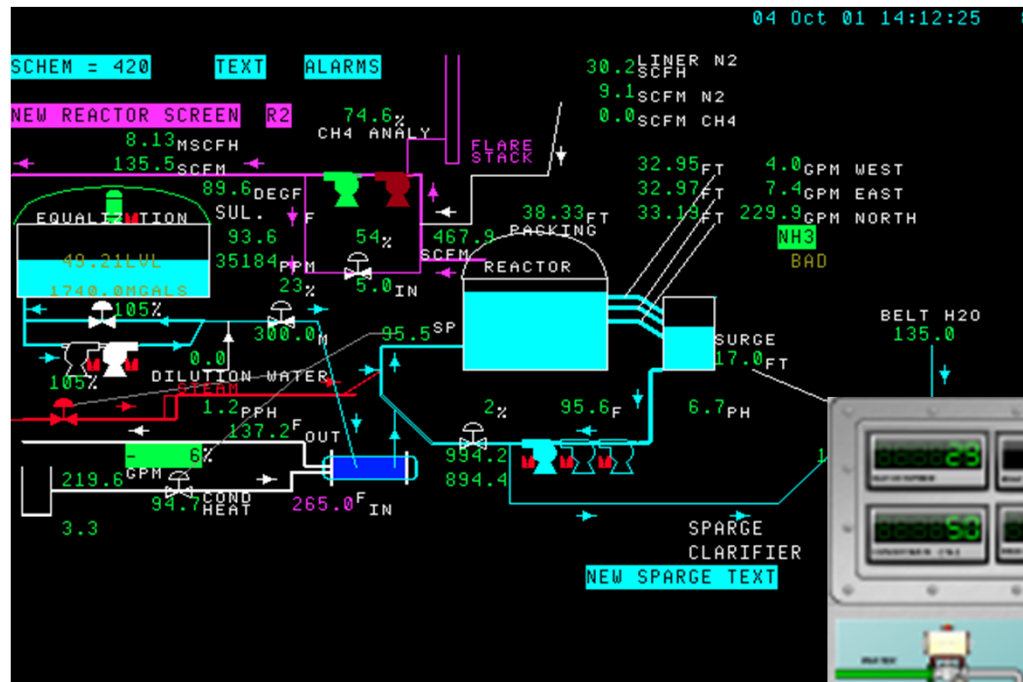


Spiral Plan enables the rapid simulation of various operating scenarios to determine the production plan that will ensure achievement of operating goals



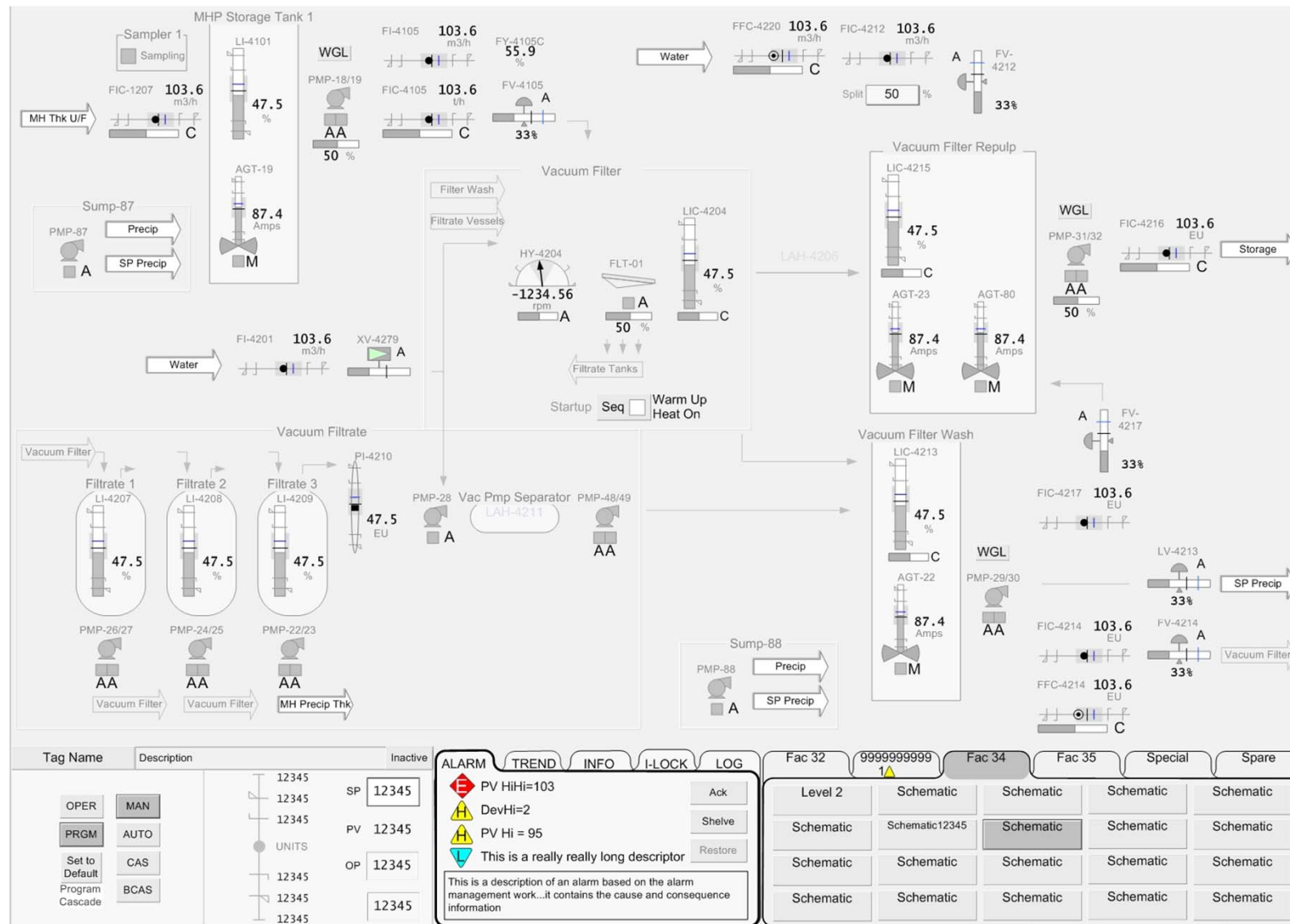


We have shaped the evolution of the Human Machine Interface...





... and will continue to define the paradigm



# Enabling ubiquitous access to information, supported by rich analytics



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