



An **innovative**  
**world leader** in  
high performance  
polymer solutions

**Victrex plc**  
Interim results  
19 May 2015

# Welcome and introductions



**David Hummel**  
Chief Executive



**Louisa Burdett**  
Group Finance Director



**Tim Cooper**  
Managing Director VPS



**Martin Court**  
Managing Director Invibio

# Good first half progress



# Highlights H1 15: good progress

- Revenue up 9%, PBT up 10%
  - Strong performance in VPS offsetting weaker Oil & Gas
  - Strong Consumer Electronics volumes; further potential through FY16
  - Invibio focused on second half growth
  - Gross margin improvement to 65% driven by volume and efficiency
- New proven capacity online: underpin future growth programmes
  - Second Aptiv® film line completed: ultra-thin film to support new opportunities
  - Third PEEK plant commissioned: underpin core demand and future growth
  - Further downstream capability: new Polymer Innovation Centre
- Cash remains strong
  - H1 net cash £42.2m after capital investment cycle & special dividend payment
  - Interim dividend up 3% to 11.73p; maintain cover around 2x
  - Capital allocation and investment for growth plan in development (update at year-end)

# Group income statement H1 15

Half year ended 31 March

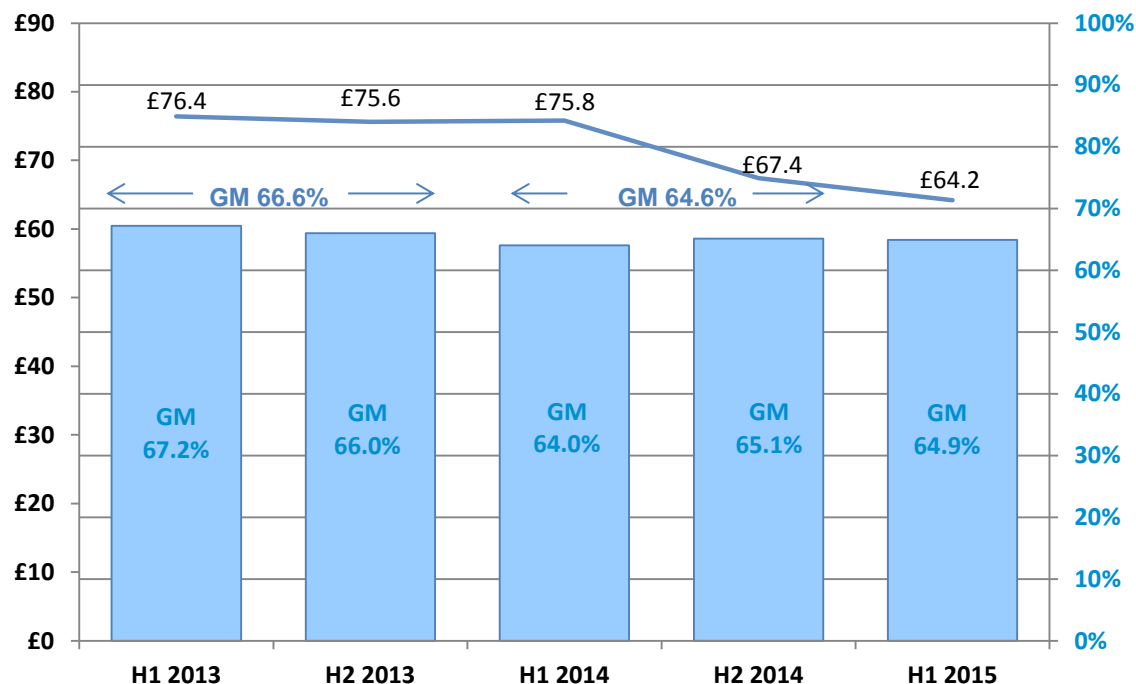
	H1 2015 £m	H1 2014 £m	Change %
<b>Revenue</b>	<b>130.3</b>	120.0	<b>9%</b>
<b>Gross profit</b>	<b>84.5</b>	76.8	<b>10%</b>
<i>Gross margin %</i>	<b>64.9%</b>	64.0%	<i>0.9% pts</i>
<b>Overheads</b>	<b>(30.8)</b>	(28.2)	<b>9%</b>
<b>Interest</b>	<b>0.2</b>	0.3	<b>(33%)</b>
<b>Profit before tax</b>	<b>53.9</b>	48.9	<b>10%</b>
<b>Earnings per share</b>	<b>49.8p</b>	45.1p	<b>10%</b>

- **Good revenue growth**
- **Mix reflects Consumer Electronics and softer Invibio**

# Gross margin improvement

£/kg Average selling price (ASP)

Gross margin (GM) %



- Gross margin improvement vs H1 14 to 65%
  - Volume and manufacturing efficiency
  - Core pricing stable: £74.1/kg ex Consumer Electronics & FX

# Currency update

## Average exchange rates

	2014 H1	2015 H1	2015 Year *	2016 Year *	Exchange rate sensitivity #
<b>\$/£</b>	<b>1.56</b>	<b>1.66</b>	<b>1.63</b>	<b>1.52</b>	<b>£6.0m</b>
<b>€/£</b>	<b>1.19</b>	<b>1.23</b>	<b>1.25</b>	<b>1.35</b>	<b>£3.8m</b>
<b>¥/£</b>	<b>150</b>	<b>172</b>	<b>173</b>	<b>181</b>	<b>£0.7m</b>

- FY15 currency guidance unchanged: c£8m adverse at PBT level**

• 2015 & 2016 year estimates based on forecast sales volume, currency hedging already in place and spot exchange rates as at 5 May 2015

# Management estimate of impact on full year forecast 2015 PBT from a 5% movement in full year forecast average exchange rate

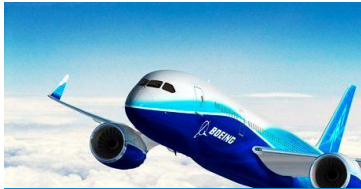
# Capacity and manufacturing update



- **PPP3 proven capacity now online; Aptiv film capacity doubled**
- **Enhanced downstream manufacturing capability: tape, pipe, medical**
- **Retain strong Group gross margin despite mix**



# VPS & Invibio performance update



**Aerospace**



**Automotive**



**Electronics**



**Energy / Industrial**



**Medical**



# VPS market highlights

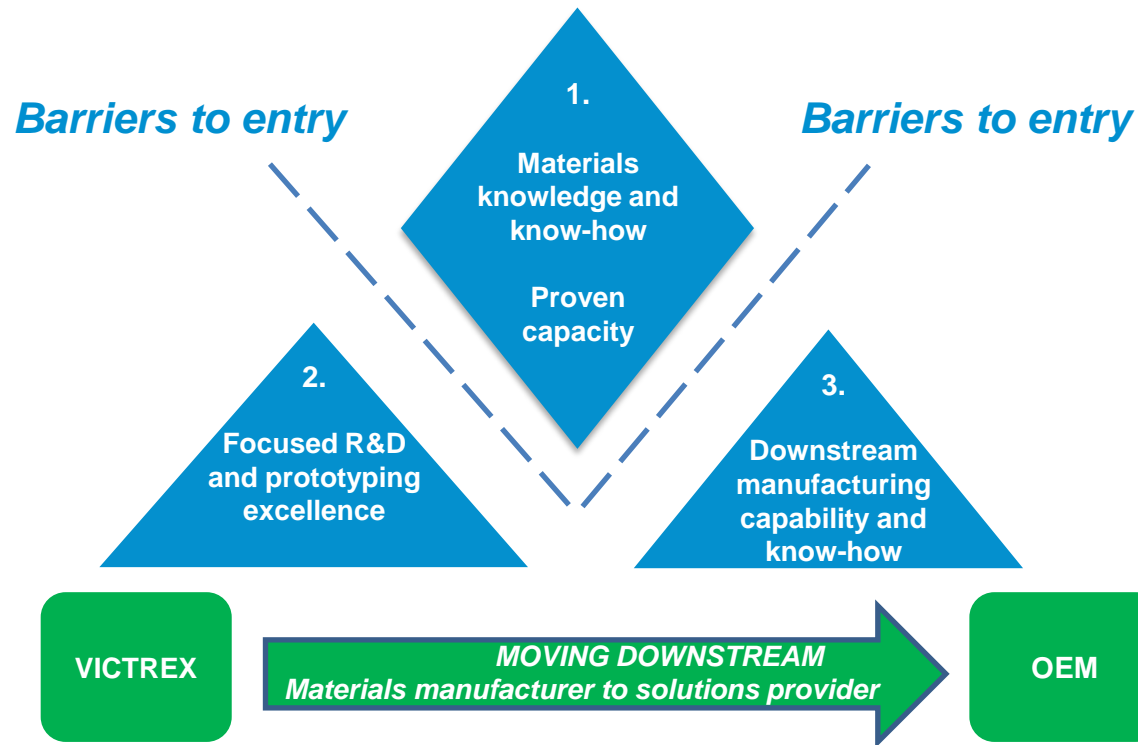
- 
- **Transport volume up 6%**
    - *Aerospace – build rates driving growth*
    - *Automotive – core growth and new applications*
  - **Energy / Industrial volume down 2%**
    - *Oil & Gas – sales down 9%, principally E&P*
    - *Magma – revenue from ‘majors’ test programmes*
  - **Electronics volume up 135%**
    - *Aptiv® capability increased and new opportunities*
    - *Consumer Electronics strong*
      - *Current opportunity offers potential through FY16*
      - *New unique (IP) products in development for next generation opportunities*

# Invibio market highlights



- **Invibio focused on H2 improvement:**
  - *H1 sales down 4% (flat in CC) driven by industry consolidation*
  - *Emerging market growth remains strong (Asia-Pacific up 26%)*
- **Four PEEK-OPTIMA® HA-Enhanced approvals and first implants**
- **New platforms progressing well:**
  - *Dental: Distribution deals and partnerships under discussion*
  - *Trauma: Two beta-sites secured, further opportunities for remainder of FY15*
  - *Opportunities to invest for growth*

# Strategic priorities



- *Selling a solution, not only materials*
- *Further differentiation*
- *Accelerating our growth*

# Further differentiation: technical excellence

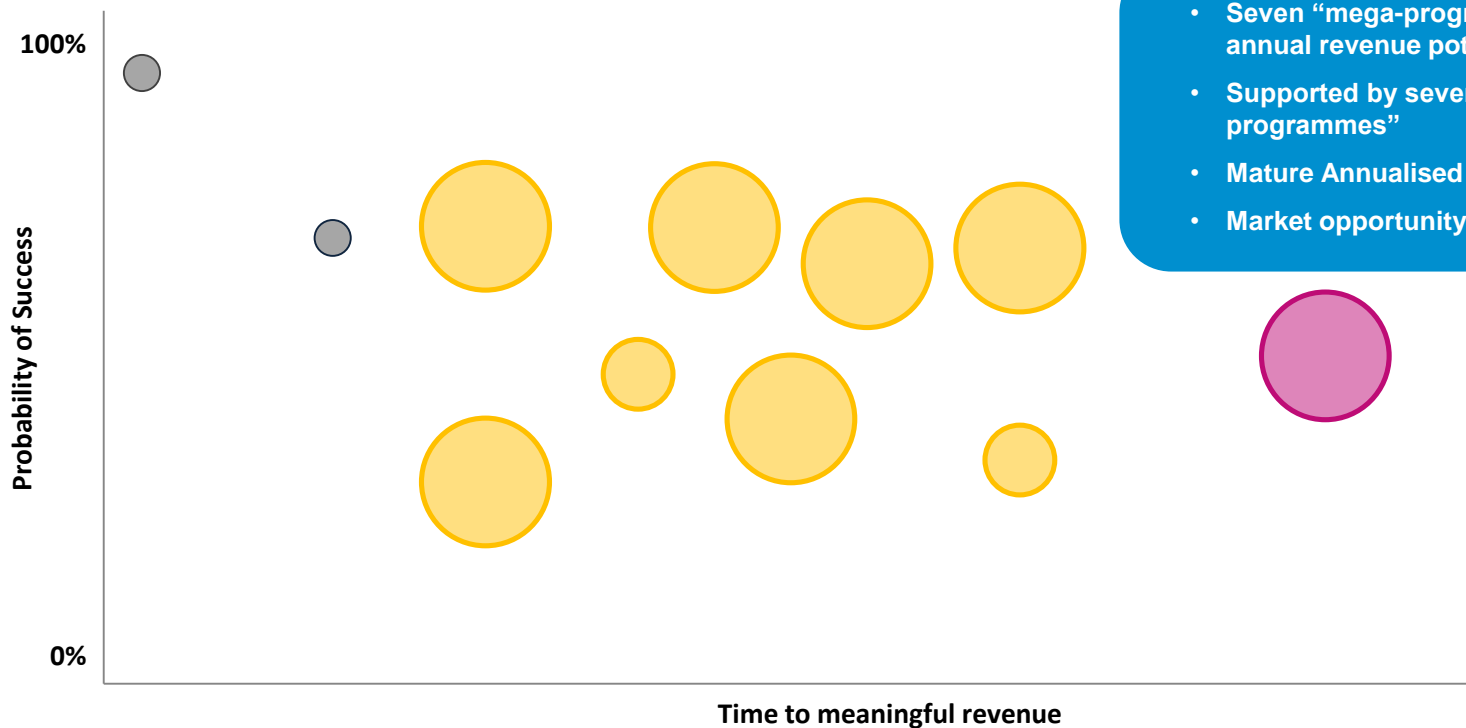


**New Polymer  
Innovation Centre  
(UK)**

## **Selling a solution – not only materials**

- *World class Polymer Innovation Centre to accelerate prototyping*
- *Capability to deliver total solutions for OEMs*
- *Investment within forward capex guidance; completion FY17*




# Strong and focused pipeline



- Seven “mega-programmes” >£50m annual revenue potential (peak year)
- Supported by several “major programmes”
- Mature Annualised Volume up 10%
- Market opportunity >80,000 tonnes













## KEY:

Annual revenue potential in peak year:  <£20m  £20-50m (major)  >£50m (mega)




Time to meaningful revenue:  Horizon 1 (0-2 years)  Horizon 2 (2-5 years)  Horizon 3 (5 years +)

*Two new £50m+ mega-programmes since FY14*

# Group outlook: H2 2015\*

	Aerospace	
	Automotive	
	Electronics	
	Medical (Spine)	
	Medical (other markets)	
	Energy / Industrial	

**Key:**

-  Optimistic
-  Neutral
-  Cautious

**\* Indicative outlook for our markets for H2 2015**

**\* Medium/long term structural growth drivers remain strong**

# H2 15: Our focus

## ***Build up new proven capacity***

- *Underpin core demand and support future growth*

## ***Maintain positive momentum: overcome FX impact***

- *Drive core VPS and Consumer Electronics*
- *Invibio focused on second half growth*
- *Drive development of new mega-programmes*

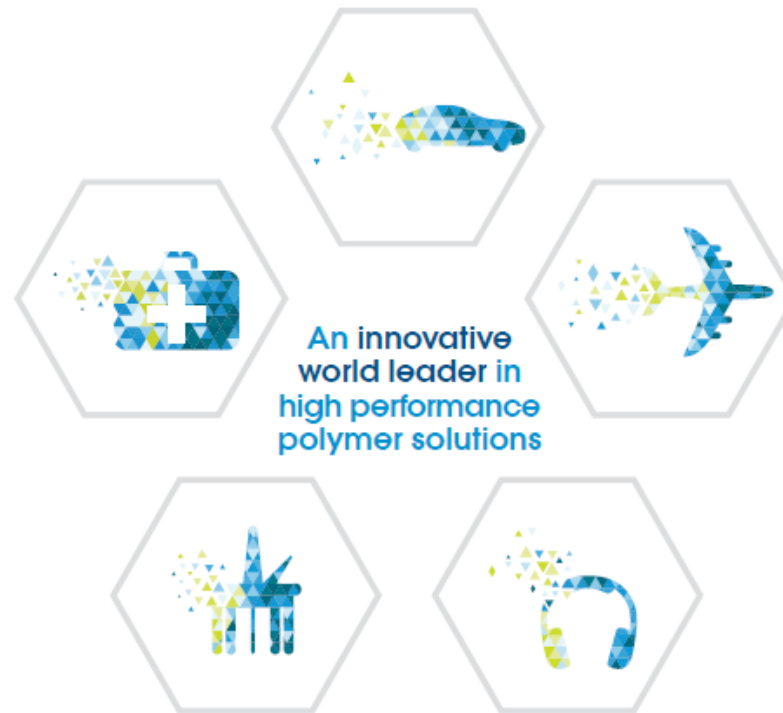
## ***Capital allocation and investment for growth plan***

- *Support to accelerate growth programmes*





# Appendix slides

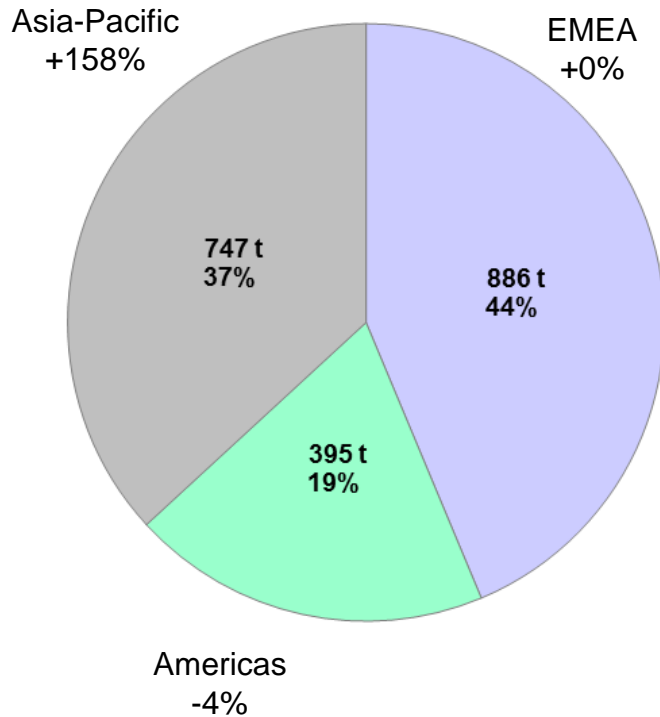


# Group end markets by volume

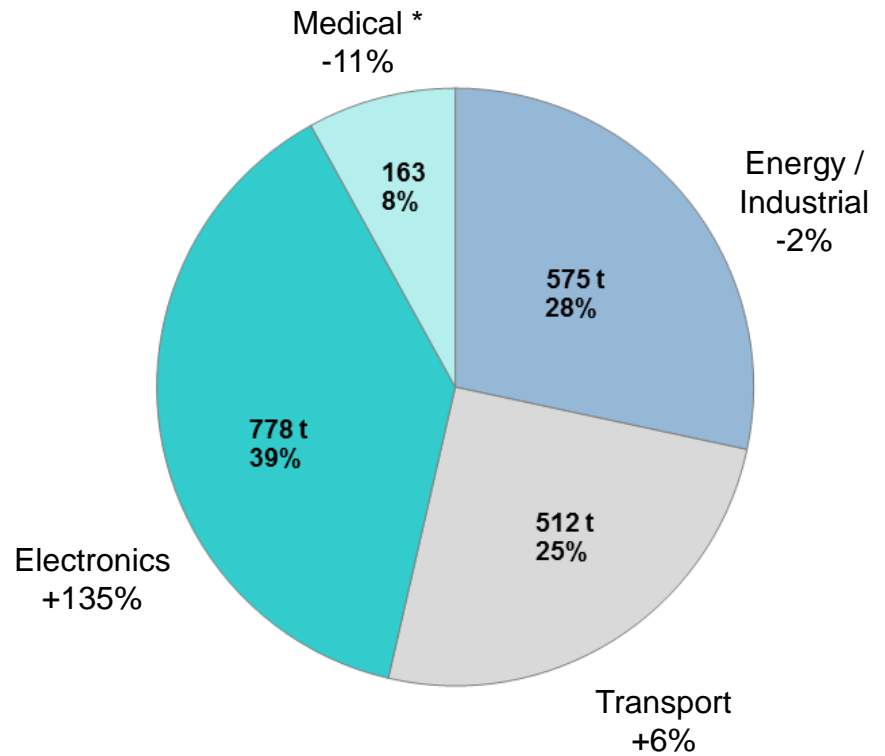
H1 2015: 2,028 tonnes

(H1 2014: 1,584 tonnes)

Volume by Region



Volume by Industry

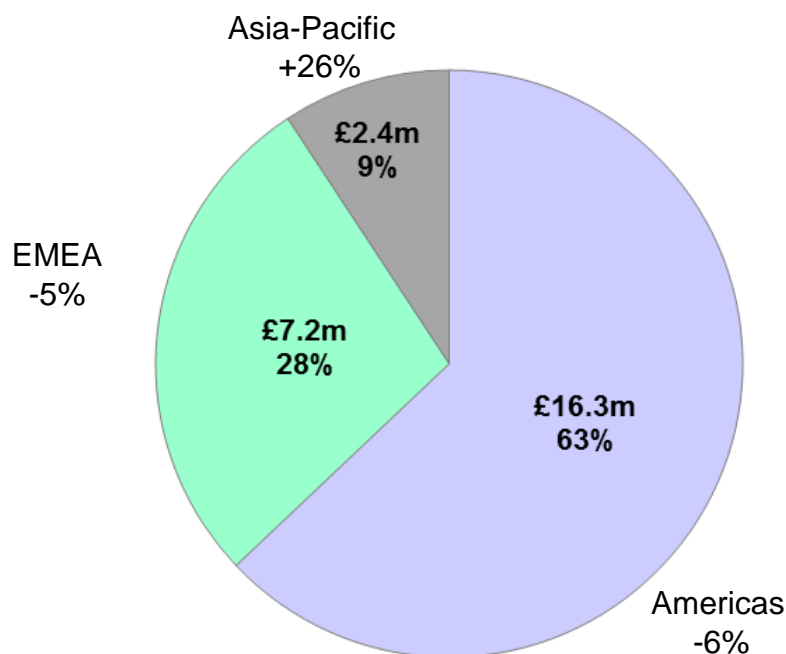


\* Medical volume reflects both non-implantable and implantable volumes

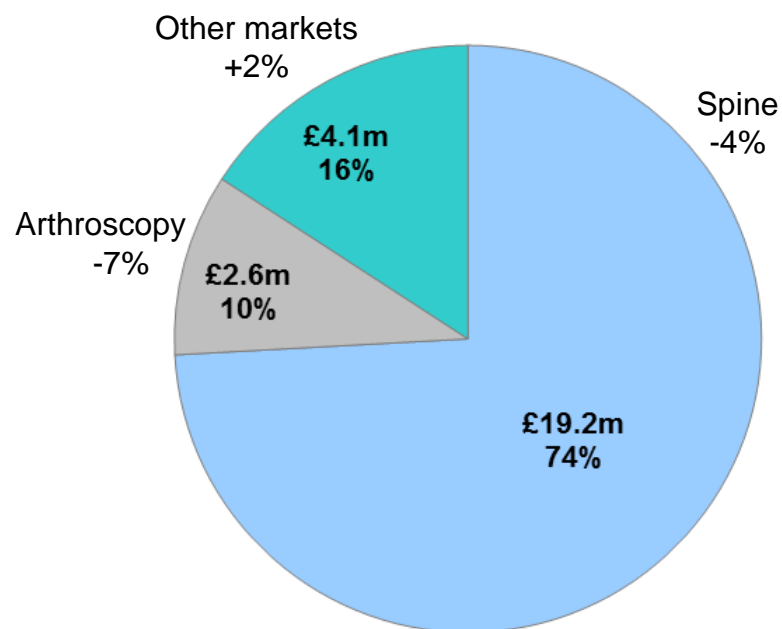
# Invibio: key markets

**H1 2015: £25.9m**  
**(H1 2014: £26.9m)**

Revenue by Region



Revenue by Market



# Business unit income statements

	VPS			Invibio		
Half year ended 31 March	2015	2014	Change	2015	2014	Change
	£m	£m	%	£m	£m	%
<b>Revenue</b>	<b>104.4</b>	93.1	<b>12%</b>	<b>25.9</b>	26.9	<b>(4%)</b>
<b>Gross profit</b>	<b>61.6</b>	53.2	<b>16%</b>	<b>22.9</b>	23.6	<b>(3%)</b>
<i>Gross margin</i>	<i>59.0%</i>	<i>57.1%</i>	<i>1.9% pts</i>	<i>88.4%</i>	<i>87.7%</i>	<i>0.7% pts</i>

From 1 October 2014, management of sales, marketing and administration functions servicing both VPS and Invibio were consolidated. Accordingly, segmental performance is reported to the gross profit level, with overheads reported at Group level

# Strong cash from operations

Half year ended 31 March	2015	2014
	£m	£m
Operating profit	53.7	48.6
(Increase)/decrease in inventories	(3.1)	2.5
Decrease/(increase) in trade and other receivables	1.2	(2.7)
Increase in trade and other payables	2.0	1.2
Depreciation	5.5	4.8
Other	1.6	(1.3)
<b>Cash generated from operations</b>	<b>60.9</b>	<b>53.1</b>
Tax paid	(13.1)	(12.2)
Capital expenditure	(26.8)	(28.2)
Dividends paid	(71.2)	(27.6)
Other financing activities	2.8	2.7
<b>Net decrease in cash and cash equivalents</b>	<b>(47.4)</b>	<b>(12.2)</b>

- Major asset investment cycle nearing completion
- Indicative capex guidance:
  - FY15: c£45m    FY16: c£25-30m
  - Capital allocation and investment for growth plan in development

# Strong balance sheet

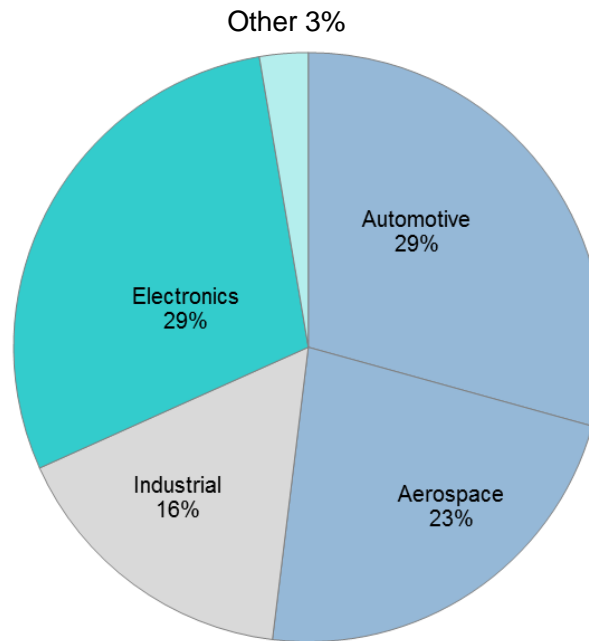
	31 March 2015 £m	31 March 2014 £m
PPE and intangible assets	260.3	210.9
Inventories	49.5	47.9
Cash	42.2	79.4
Trade receivables and other assets	47.7	42.9
Retirement benefit obligations	(7.4)	(3.4)
Trade payables and other liabilities	(66.4)	(51.7)
<b>Equity shareholders' funds</b>	<b>325.9</b>	<b>326.0</b>

- Supports security of supply
- Underpins investment for growth
- H1 15 net cash £42.2m after capex & special dividend payment

# Development pipeline by volume

## PIPELINE BY VOLUME

*Mature Annualised  
Volume 2,365 tonnes  
(FY 2014: 2,141 tonnes)*



- Mature Annualised Volume (MAV) up 10%
- Horizon 1 average target size now 1.8 tonnes (September 2014: 1.4 tonnes)

# Further information and contacts:

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