



Victrex plc – 2014 Interim Results presentation

Tuesday 20 May 2014

PASSION • INNOVATION • PERFORMANCE



Welcome and introductions



David Hummel
Chief Executive



Louisa Burdett
Group Finance Director



Tim Cooper
Managing Director VPS



Martin Court
Managing Director Invibio

Chairman transition



Anita Frew
Chairman



Larry Pentz
Chairman designate

- Anita Frew to retire as Chairman after 14 years; 6 as Chairman*
- Larry Pentz, Non-Executive Director since 2008, to become Chairman
 - Over 30 years' multinational experience
 - Executive Director of Johnson Matthey plc

* Anita Frew will retire as Chairman on 30 September 2014

Continued growth momentum....



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Highlights: Continued growth momentum

- H1 volume, revenue and EPS ahead
- Strong trading in VPS driven by core business; Invibio back in growth
- Speciality Products remain strong; double-digit growth
- Margins impacted by cost of manufacture, mix and currency in H1
- Major capacity expansion to now start commissioning early 2015; supporting core growth and new business opportunities
- Good cash generation; interim dividend increased by 10%

Group income statement

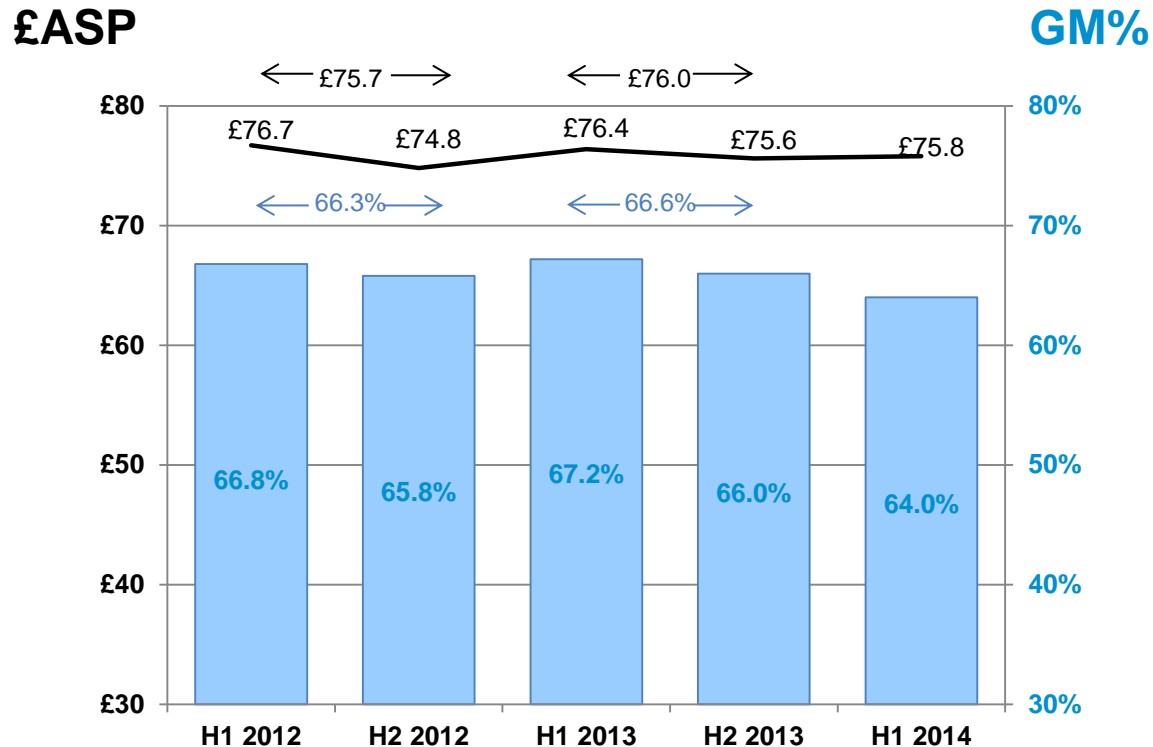
Half year ended 31 March	H1 2014 £m	H1 2013 £m	Change %
Revenue	120.0	106.4	13%
Gross profit	76.8	71.5	7%
<i>Gross margin %</i>	64.0%	67.2%	<i>(3.2%) pts</i>
Overheads	(28.2)	(26.1)	8%
Interest	0.3	0.3	0%
Profit before tax	48.9	45.7	7%
Earnings per share	45.1p	41.7p	8%

- Volume and revenue ahead: driven by core VPS business
- Margins reflect cost of manufacture, mix and currency
- Investment to support future growth programmes

Business unit income statements

	VPS			Invibio		
Half year ended 31 March	2014	2013	Change	2014	2013	Change
	£m	£m	%	£m	£m	%
Revenue	93.1	82.2	13%	26.9	24.2	11%
Gross profit	53.2	50.0	6%	23.6	21.5	10%
<i>Gross margin</i>	<i>57.1%</i>	<i>60.8%</i>	<i>(3.7%) pts</i>	<i>87.7%</i>	<i>88.8%</i>	<i>(1.1%) pts</i>
Overheads	(17.7)	(16.8)	5%	(8.2)	(7.5)	9%
Operating profit	35.5	33.2	7%	15.4	14.0	10%

ASP and margins



- H1 ASP in line with FY13: Specialities strong
- Currency now adverse in FY14

Currency update

Average exchange rates

	2013 H1	2014 H1	2014 Year *	2015 Year *	Exchange rate sensitivity #
\$/£	1.57	1.56	1.57	1.68	£4.7m
€/£	1.19	1.19	1.19	1.22	£4.4m
¥/£	127	150	154	172	£0.7m

- **Expected FY14 currency impact: adverse**
- **Recent rate movements impacting FY15 outlook**
- **Reviewing currency policy**

* 2014 & 2015 year estimates based on 2014 forecast sales volume, currency hedging already in place and spot exchange rates as at 13 May 2014

Management estimate of impact on full year 2014 PBT from a 5% movement in full year 2014 average exchange rate

Strong cash generation

Half year ended 31 March	2014 £m	2013 £m
Operating profit	48.6	45.4
Decrease/(increase) in inventories	2.5	(4.4)
Increase in trade and other receivables	(2.7)	(2.1)
Increase/(decrease) in trade and other payables	1.2	(4.4)
Depreciation	4.8	5.3
Other	(1.3)	1.3
Cash generated from operations	53.1	41.1
Tax paid	(12.2)	(11.9)
Capital expenditure	(28.2)	(16.0)
Dividends paid	(27.6)	(23.9)
Other financing activities	2.7	1.1
Net increase in cash and cash equivalents	(12.2)	(9.6)

- **Strong cash generation supporting our investments:**
 - PEEK, BDF and APTIV capacity investments
 - Indicative capex estimates: 2014: £65m 2015: £40m 2016: £30m
- **Healthy net cash position: H1 £79.4m**
- **Progressive dividend policy: 10% increase in H1 dividend**

New capacity update



- **New PEEK capacity to underpin core growth and new business opportunities:**
 - Supports security of supply; manufacturing capability
 - Capacity now scheduled for commissioning early 2015
- **Financial considerations:**
 - Incremental annual fixed costs c£2m (people, maintenance)
 - Depreciation c£4m per annum (includes new Aptiv capacity)

Strong balance sheet

	31 March 2014 £m	31 March 2013 £m
PPE and intangible assets	210.9	166.7
Inventories	47.9	53.7
Cash	79.4	74.3
Trade receivables and other assets	42.9	41.1
Retirement benefit obligations	(3.4)	(9.7)
Trade payables and other liabilities	(51.7)	(52.1)
Equity shareholders' funds	326.0	274.0
Return on capital employed*	11.7%	12.8%

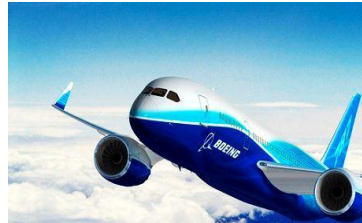
- **Strong balance sheet:**
 - **Supports security of supply**
 - **Underpins current record capex**
 - **Enables other growth opportunities**

* Return on capital employed is Profit after tax / (net assets)

Business update: VPS



Automotive



Aerospace



Electronics



Energy



Strategic Focus

Focus on PEEK in Auto, Aero, Electronics and Energy

Exploit downstream integration opportunities (eg Speciality Products)
and extend into other proven markets

VPS highlights

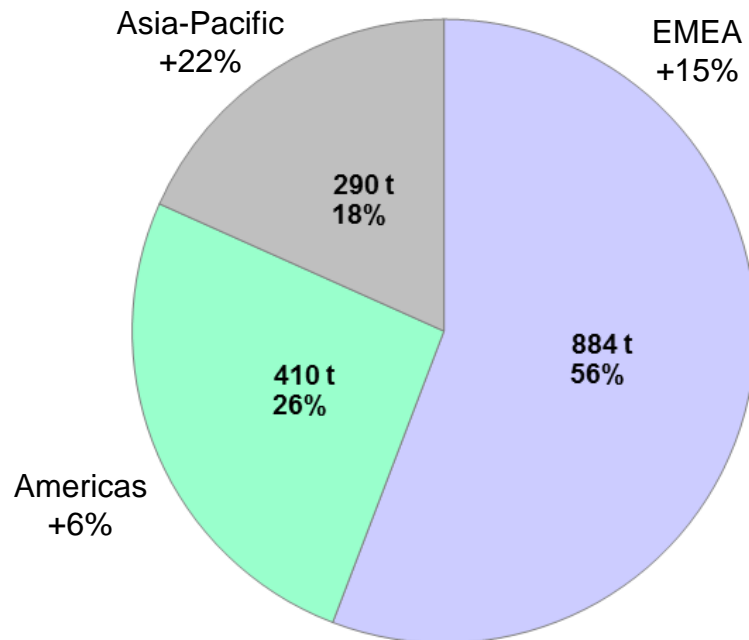


- Broad based growth across our strategic markets
- Core PEEK resin sales driving growth
- Speciality Products strong; 15% sales growth driven by Aptiv
- Progressing new business opportunities

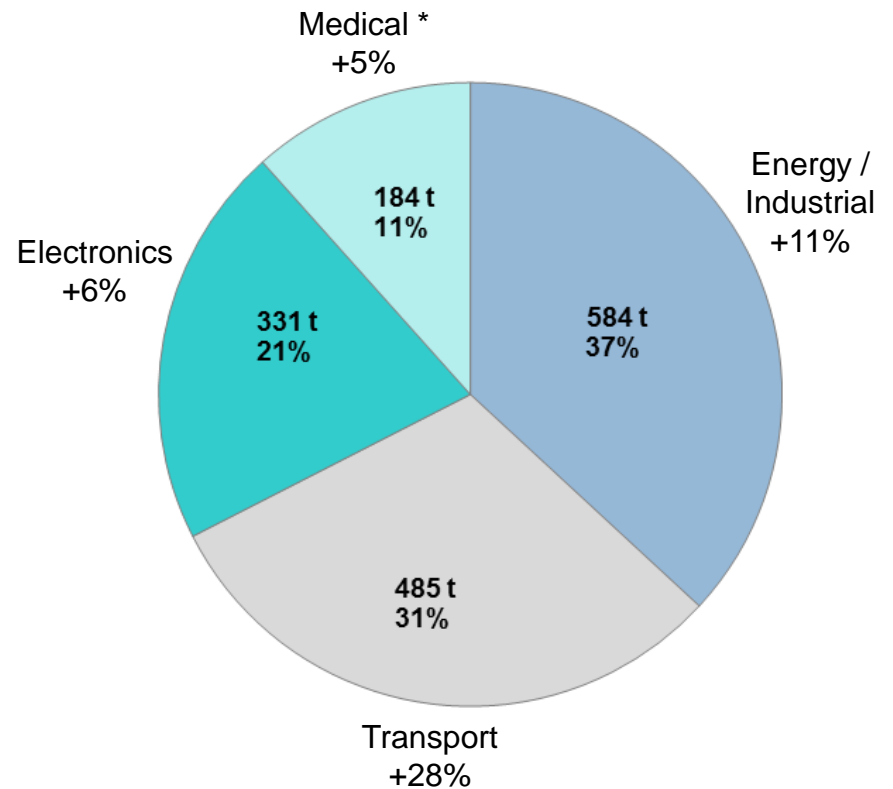
Group end markets

H1 2014:
1,584 tonnes

Volume by Region








Volume by Industry



* Medical volume reflects both non-implantable and implantable volumes

Megatrends remain strong

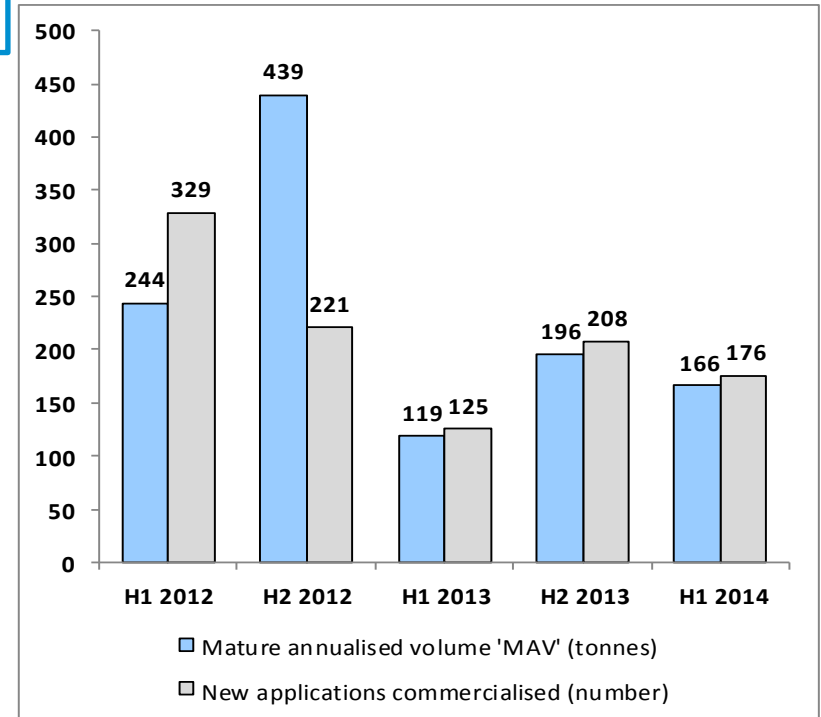
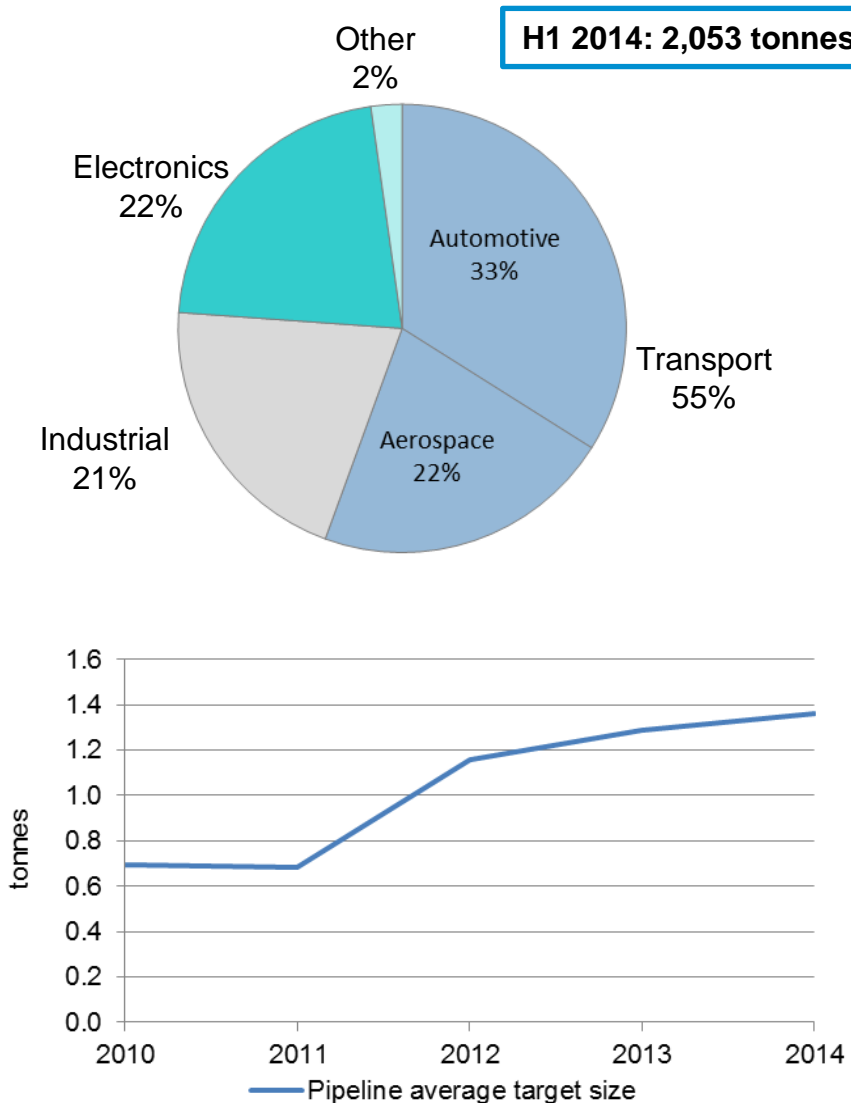
Market	Trend
 Aerospace	<i>‘Lift off with less’</i> <i>Weight reduction to reduce fuel cost: a strategic imperative in aerospace</i>
 Automotive	<i>‘A Road to no wear’</i> <i>Fuel efficiency and durability resulting from consumer and regulatory trends</i>
 Electronics	<i>‘No heavy metal’</i> <i>High quality sound in small spaces: portable communications & entertainment</i>
 Energy/ Industrial	<i>‘Recover more’</i> <i>Reliability, yield and safety in increasingly extreme environments (HPHT)</i>
 Medical	<i>‘Ageing global population’</i> <i>Demand to replace worn out body parts; durable materials (metal replacement)</i>

VPS market highlights

- **Transport volume up 28%**
 - Aerospace – production ramp ups; new applications
 - Automotive – Europe strong; Wear Grade products performing well
- **Energy / Industrial volume up 11%**
 - Industrial machinery strong; emerging market growth
 - Rig count remains muted
- **Electronics volume up 6%**
 - Consumer Electronics new business opportunities
 - Upside opportunity with further potential for 2015
 - Ultra-thin Aptiv films

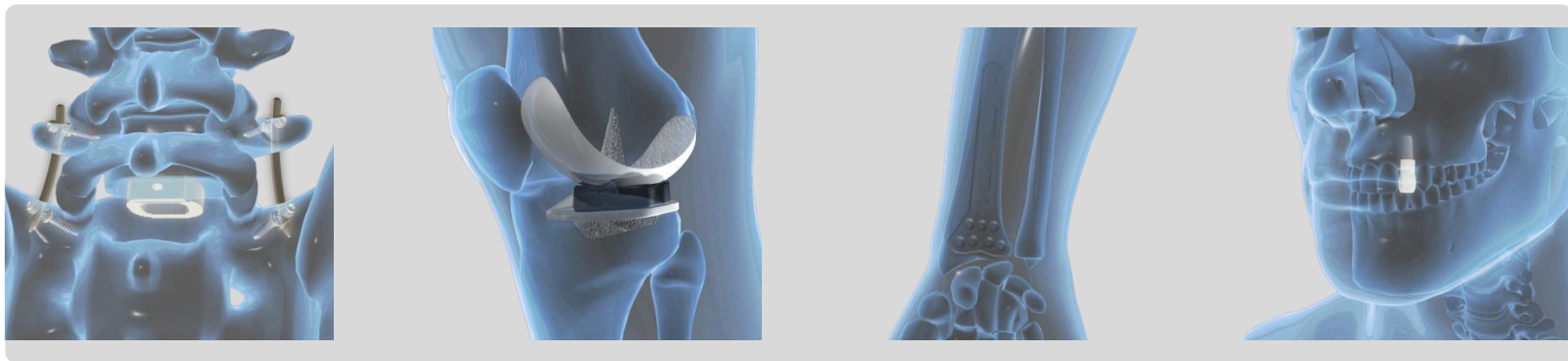


Development pipeline: focus on value



- Pipeline remains strong and diversified
- Focus on value over volume
- Target size continues to increase: impactful targets

Business update: Invibio



Strategic Focus

Deliver value-creating solutions, based on PEEK and other enabling polymers in:

Spine, Arthroscopy, Trauma, Dental and Orthopedics

Invibio highlights

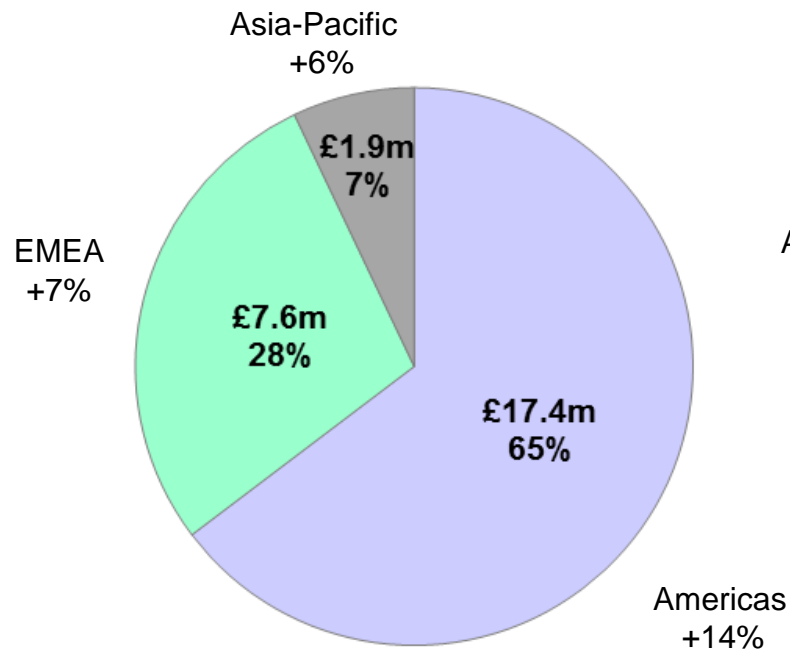


- Spine market back in growth; revenue 10% ahead of H1 13
- Margins remain stable
- Positive feedback from HA Enhanced launch; focus on adoption
- Increased investment to drive emerging market opportunities (Marketing, Regulatory expertise)

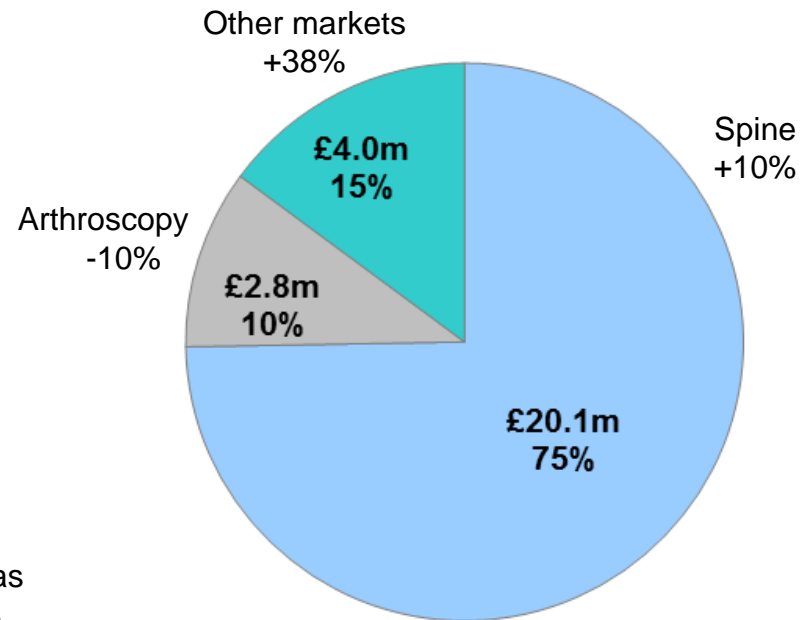
Invibio – key markets

**H1 2014:
£26.9m**

Revenue by Region



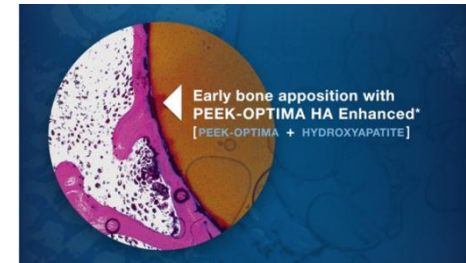
Revenue by Market



Invibio market highlights

Spine

- Further Spine recovery in H1; revenue +10%
- HA ENHANCED launch positive; focus on adoption in Europe (H2 14) and US (2015)
- Superior product; increased bone apposition



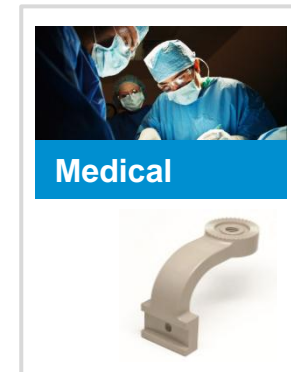
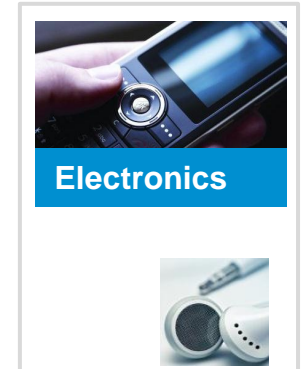
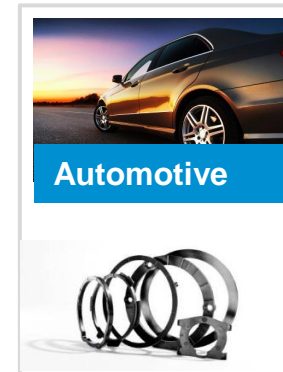
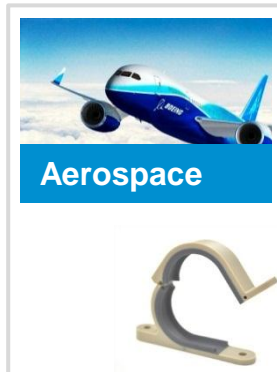
Other markets

- Dental – JUVORA FDA approval; 90+ labs certified for use; fragmented market
- Trauma – commercial programmes
- Arthroscopy – lower growth

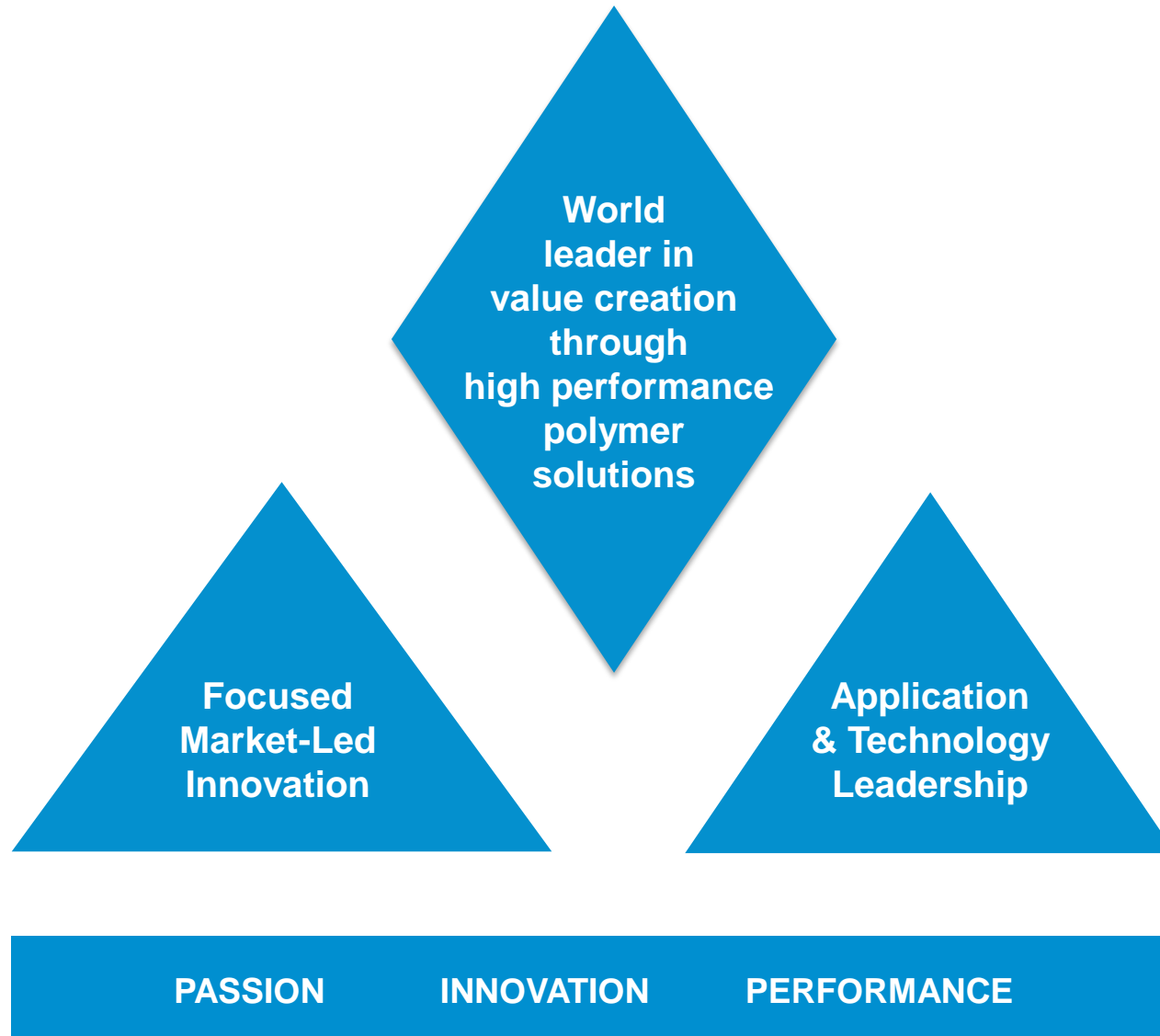
Our strategic priorities



David Hummel
Chief Executive

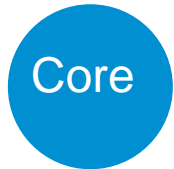


Our strategy for growth

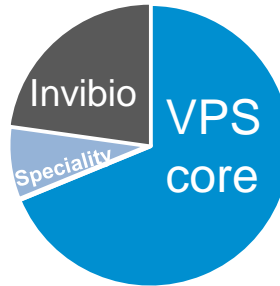


Creating value: solutions provider

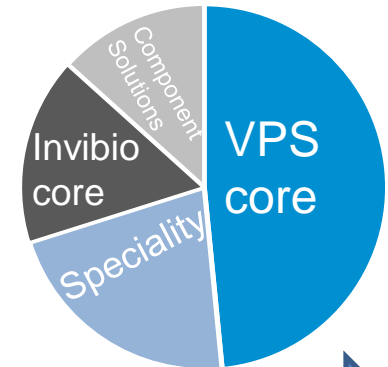
Historic: Core
(PEEK resin)



Today: Diverse mix
(Resin, Implantable, Specialities)



Future: Solutions provider
(Resin, Implantable, Specialities, Components)



MANUFACTURING CAPABILITY TO SUPPORT VOLUME AND VALUE

PPP1

PPP2

APTIV

PPP3/APTIV 2



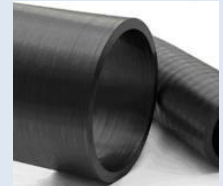
Resin / core grades

VALUE PLAY (Invisio core)

VALUE AND VOLUME (Speciality)













VALUE AND VOLUME (Invisio Component Solutions)

VOLUME AND VALUE (VPS core)






Solutions provider
Volume and value
Diverse margin mix

Group Outlook: H2 14*

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

Key:

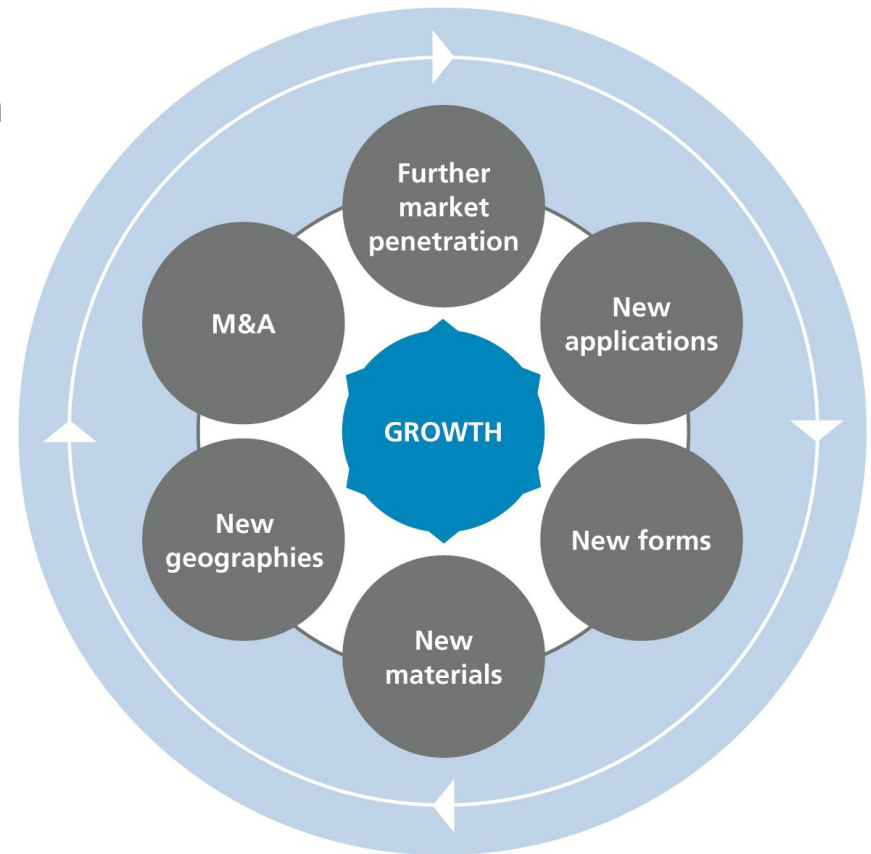
-  Optimistic
-  Neutral
-  Cautious

*** Outlook for our markets for the remainder of FY14**

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

Summary: Continued growth momentum

- **Market leader with growth momentum**
- **Leveraging technical excellence**
- **Multiple growth opportunities**
- **Investment to underpin future growth**



Further information and contacts:

Andrew Hanson

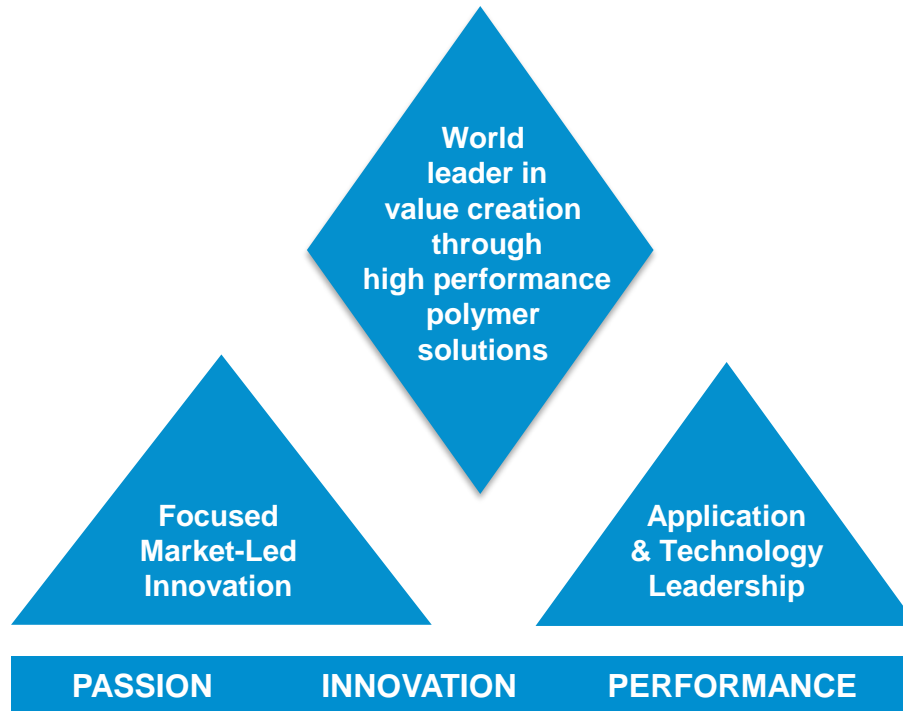
Head of Investor Relations

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Appendix 1: Investment to support our strategy



Continued investment in Technical, Regulatory and Marketing to underpin future growth programmes:

- Regulatory expertise: New resource in South America
- Marketing investment: drive adoption across markets and geographies

Victrex's business and share price may be affected by a number of risks, trends, factors and uncertainties, not all of which are in our control.

Accordingly, actual results may differ materially from anticipated results because of a variety of risk factors, including: changes in exchange rates; changes in global, political, economic, business, competitive and market forces; changes in raw material pricing and availability; changes to legislation and tax rates; future business combinations or disposals; relations with customers and customer credit risk; events affecting international security, including global health issues and terrorism; changes in regulatory environment and the outcome of litigation.