



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

**Victrex plc**  
Preliminary results  
9 December 2014

# Welcome and introductions



**David Hummel**  
Chief Executive



**Louisa Burdett**  
Group Finance Director



**Tim Cooper**  
Managing Director VPS



**Martin Court**  
Managing Director Invibio



# A focused strategy: accelerating growth



PASSION • INNOVATION • PERFORMANCE



# Highlights FY14: accelerating growth

- Continued momentum across our markets: Revenue up 14%, PBT up 9%
  - *Strong performance in VPS and 17% growth in Speciality Products*
  - *Invivio returned to growth driven by Spine*
  - *New Consumer Electronics business: further H1 15 volumes, platform to future opportunities*
- Cost of manufacture improvement in H2
  - *Continued focus on efficiency and sourcing in 2015*
- Major capacity investments nearing completion
  - *New PEEK and Aptiv film capacity to support larger commercial opportunities*
- Special dividend of 50p/share, underpinned by strong cash generation
  - *50p/share special dividend alongside 33.76p/share final dividend; cover\* 2.1x*
  - *FY14 net cash £89.6m after record capex*

\* Cover of 2.1x is regular dividend cover

# Group income statement FY14

Year ended 30 September

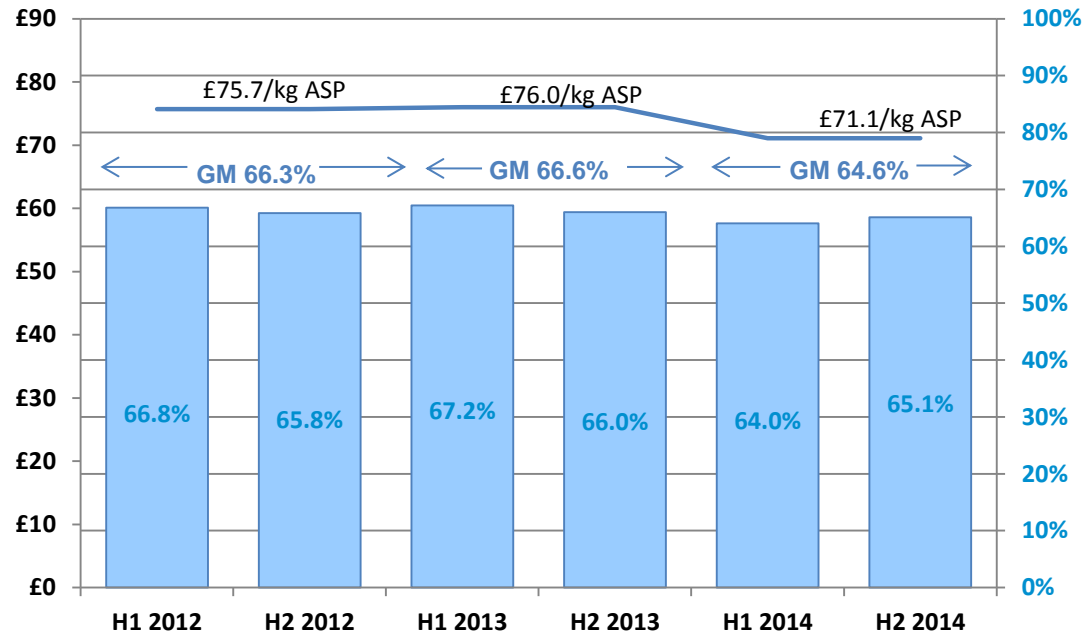
	<b>FY 2014</b> <b>£m</b>	<b>FY 2013</b> <b>£m</b>	<b>Change</b> <b>%</b>
<b>Revenue</b>	<b>252.6</b>	221.9	<b>14%</b>
<b>Gross profit</b>	<b>163.2</b>	147.8	<b>10%</b>
<i>Gross margin %</i>	<b>64.6%</b>	66.6%	<i>(2.0%) pts</i>
<b>Overheads</b>	<b>(61.0)</b>	(53.8)	<b>13%</b>
<b>Interest</b>	<b>0.5</b>	0.6	<b>(17%)</b>
<b>Profit before tax</b>	<b>102.7</b>	94.6	<b>9%</b>
<b>Earnings per share</b>	<b>94.6p</b>	86.5p	<b>9%</b>

- Strong volume and revenue growth
- Margins reflect mix, overheads, currency

# Price and margin

£/kg Average selling price (ASP)

Gross margin (GM) %



- After currency impact:
  - H2 gross margin improvement to 65%
  - FY14 ASP ex-Consumer Electronics £74.6/kg
- Stable pricing across our markets

# Operating leverage focus

	Impact in FY14	Medium term view
<b>Sales mix</b> <i>- Lower priced Electronics</i>	↓	↑
<b>Plant efficiency</b> <i>- Cost of manufacture</i>	→	↑
<b>Overhead growth</b> <i>- Investment supporting future growth programmes</i>	→	→
<b>Currency</b> <i>- Sterling strength</i>	↓	→



# Currency update

## Average exchange rates

	2013	2014	2015*	Exchange rate sensitivity #
<b>\$/£</b>	<b>1.57</b>	<b>1.60</b>	<b>1.62</b>	<b>£6.2m</b>
<b>€/£</b>	<b>1.21</b>	<b>1.19</b>	<b>1.23</b>	<b>£4.0m</b>
<b>¥/£</b>	<b>128</b>	<b>155</b>	<b>173</b>	<b>£0.7m</b>

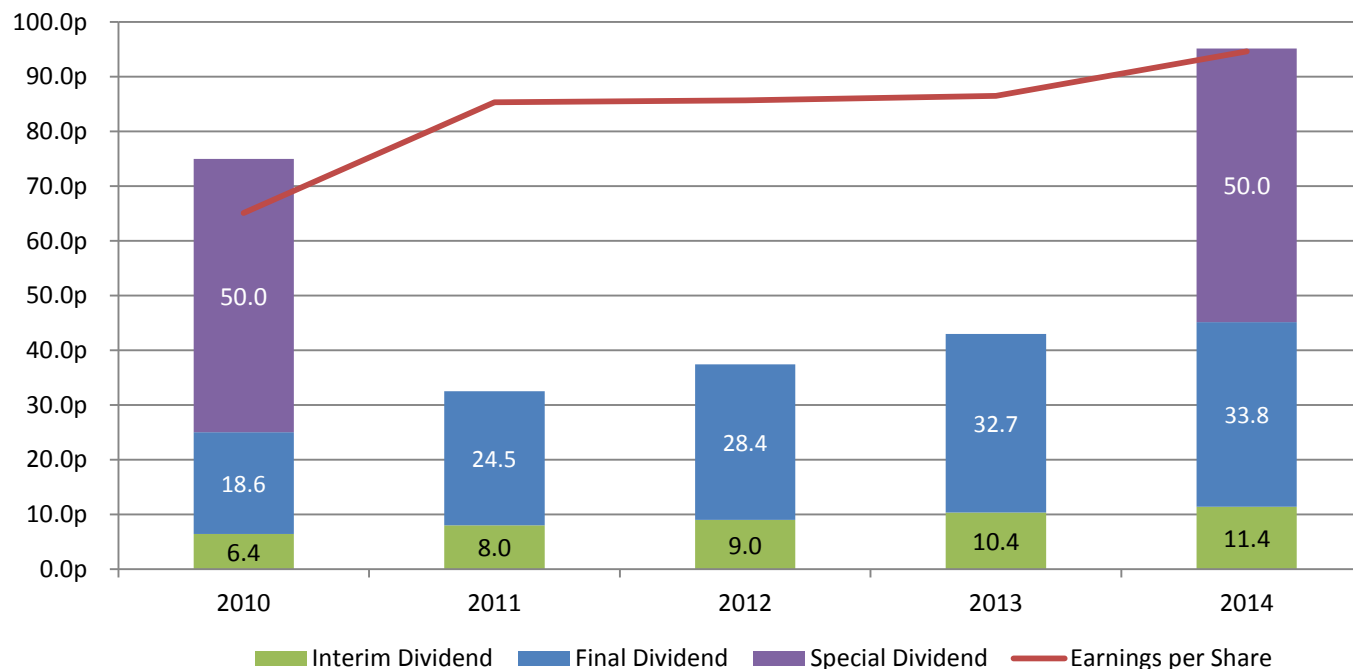
- **FY14 currency impact £2.3m at PBT level**
- **FY15 currency impact remains adverse**

• 2015 year estimates based on forecast sales volume, currency hedging already in place and spot exchange rates as at 14 Nov 2014

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



# Capital allocation: special dividend






- Dividend underpinned by cash strength: £89.6m net cash
  - Cash performance supports investment, security of supply, shareholder return
- Progressive dividend policy: retain cover around 2x (FY14: 2.1x)
- Special dividend of 50p (£43m payout) alongside final dividend of 33.76p

# Strategy KPIs and future reporting

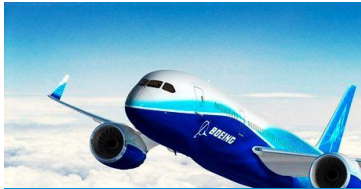
## Strategic progress

## Progress being made

 <p><b>DRIVE</b> core business</p>	<p><b>What we're doing</b></p> <ul style="list-style-type: none"> <li>• Strategic marketing: focus on highest growth opportunities</li> <li>• Execute on key growth programmes in five strategic markets</li> <li>• Drive growth in emerging geographies</li> </ul>	<p><b>Revenue growth</b></p> <p><b>14 %</b></p>	<p><b>Return on sales*</b></p> <p><b>41%</b></p> <p><small>* Return on sales: PBT/Revenue</small></p>
 <p><b>DIFFERENTIATE</b> through innovation</p>	<p><b>What we're doing</b></p> <ul style="list-style-type: none"> <li>• Market-led innovation</li> <li>• Invest in emerging businesses</li> <li>• Move further downstream: new applications, new forms, new materials, new product launches</li> </ul>	<p><b>Research &amp; Development spend</b></p> <p><b>£16m</b></p> <p><small>6% of Group revenue</small></p>	<p><b>Sales from new products**</b></p> <p><b>£3m</b></p> <p><small>** Sales from new grades sold from FY14 onwards</small></p>
 <p><b>CREATE</b> future value</p>	<p><b>What we're doing</b></p> <ul style="list-style-type: none"> <li>• Strong pipeline</li> <li>• Portfolio management</li> <li>• M&amp;A</li> </ul>	<p><b>Pipeline mega-programmes***</b></p> <p><b>5</b></p> <p><small>*** Number of organic pipeline programmes &gt;£50m annual revenue potential in peak year</small></p>	<p><b>Earnings per share</b></p> <p><b>94.6p</b></p>

- In addition:
  - Key FY15 P&L items in actual and constant currency
  - Reporting to focus on revenue over volume

# Performance highlights



**Aerospace**



**Automotive**



**Electronics**




**Energy / Industrial**



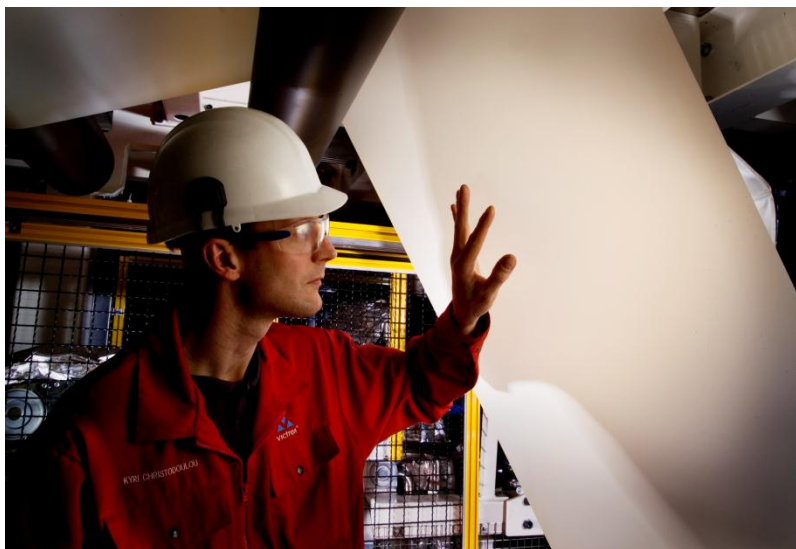
**Medical**



# VPS market highlights

- 
- **Transport volume up 20%**
    - Aerospace – build rates increased, new applications
    - Automotive – increasing global translations
  - **Energy / Industrial volume up 6%**
    - Industrial machinery strong
    - Oil & Gas in growth over the year
  - **Electronics volume up 64%**
    - Aptiv® and value added opportunities
    - Consumer Electronics volumes to continue in H1 15
      - Platform to longer lifecycle opportunities

# VPS focus: Speciality Products



Aptiv® film

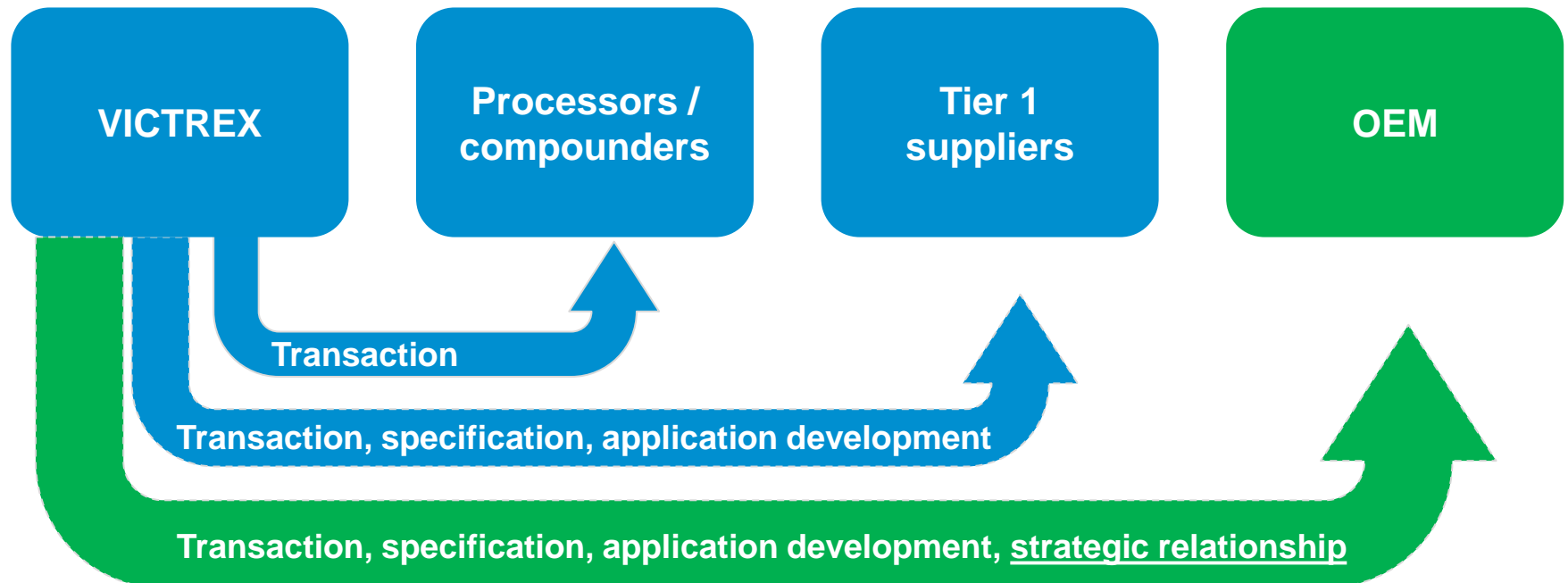


Victrex pipe

- Higher margin Speciality Products revenue up 17% driven by Aptiv®
- Aptiv® ultra-thin and ultra-wide film; deliver value
- Victrex PEEK pipe for Oil & Gas industry
  - Pipe spool commissioned and supplied to Magma

# Pioneering the market: moving downstream

DRIVING THE INDUSTRY VALUE CHAIN



# Invibio market highlights



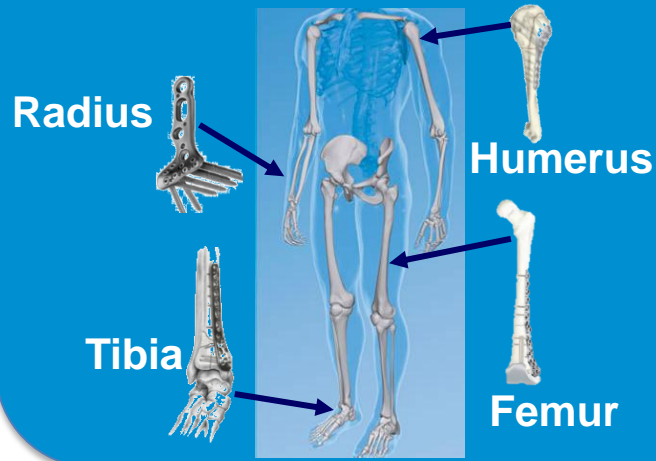
- Spine market return to growth; Invibio revenue up 5% (China sales +28%)
- Price and margin remain strong
- PEEK-OPTIMA® HA-Enhanced approvals secured: roll-out commenced
- Dental: OEM partnerships being developed
- Knee partnership signed: pre-development work ongoing

# Invibio focus: Trauma

## *Trauma progress: demand for change*

### Majority of procedures

(involve the four main long bones)



### Significant opportunity

- **Metal deficient, despite 70 year history:**
  - Stiffness
  - Low fatigue resistance
  - X ray imaging
- **450k Trauma cases pa (US)**
  - 10% not healing
  - \$2.4bn cost to US healthcare

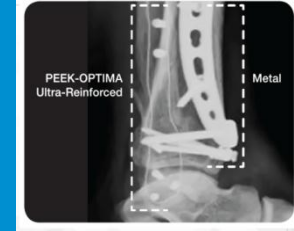
### Potential Benefits of PEEK OPTIMA® Ultra Reinforced

- 150% enhancement in early stage bone formation
- Improved bone alignment
- Better opportunity to heal: 50x fatigue resistance vs metal



# Trauma: pre-development milestones

## Status : PEEK OPTIMA® Ultra Reinforced



- Low regulatory barriers
- Ability to manufacture: scalable
- Horizon 2 opportunity (2-5 years) with >£50m annual revenue potential in peak year

*Surgeon support: "When I go back to using a standard implant for whatever reason, I'm disappointed that I don't see the same healing that I do when I use PEEK-OPTIMA Ultra-Reinforced." Adam Rives M.D, Liberty Orthopedics, US*

## FY14 progress and future milestones

- Trauma device robustly validated with niche player
- Increase industry awareness of clinical success
- Development programme established with major player
- First meaningful revenue within 3 years



# Our strategic priorities



David Hummel  
Chief Executive

World  
leader in  
value creation  
through  
high performance  
polymer  
solutions

Focused  
Market-Led  
Innovation

Application  
& Technology  
Leadership

PASSION

INNOVATION

PERFORMANCE

# New capacity: support future growth



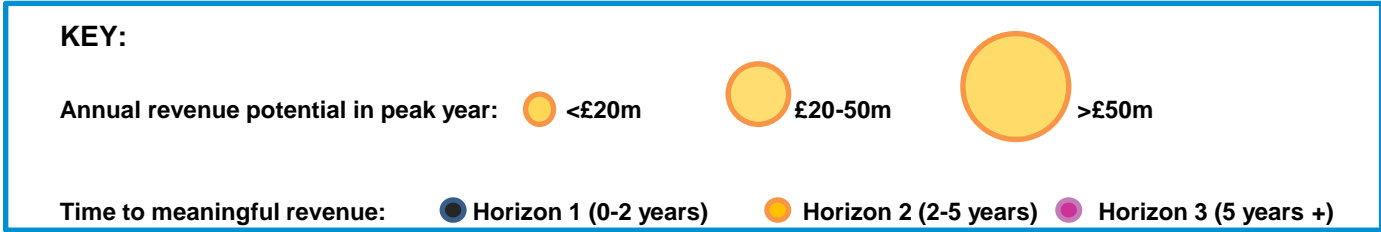
PPP3



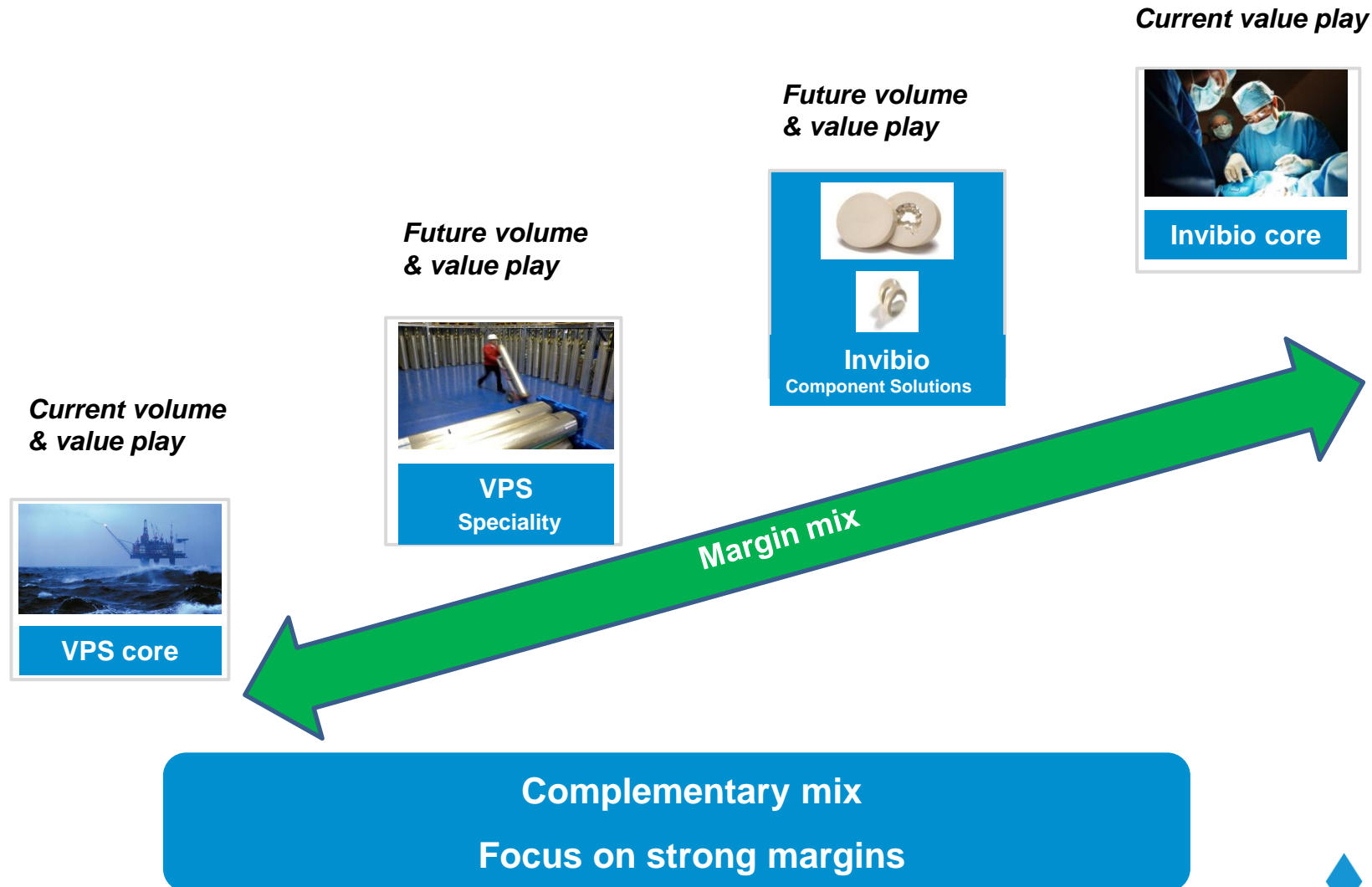
Aptiv 2 \*\*

- **New PEEK and Aptiv® capacity: supports volume and value plays**
  - PPP3 commissioning early 2015: 2,900 tonnes capacity in two streams
  - Enhance medium term operating efficiency across three plants
- **Aptiv® film capacity doubled**
  - Aptiv 2 now commissioned: £16m investment in high-margin film
  - Increasing applications across our markets
















\*\* UK Chancellor of the Exchequer Rt Hon George Osborne MP (centre) officially opens Victrex's Aptiv 2 facility with Tim Cooper (left) and Paul Maynard MP



# Focus on strong margins



# Group outlook: FY 2015\*

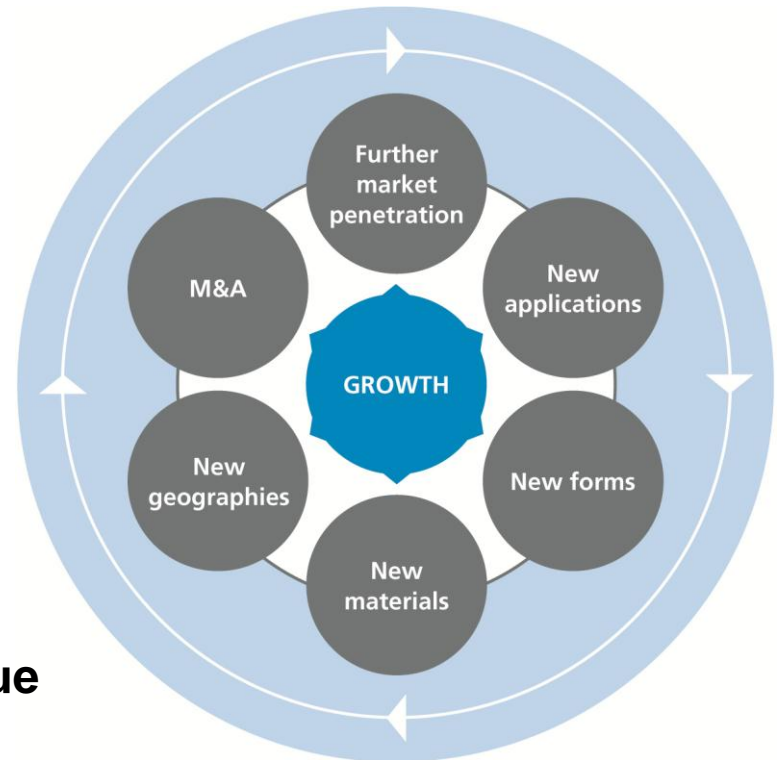
	Aerospace		<div>Key:</div> <div> Optimistic</div> <div> Neutral</div> <div> Cautious</div>
	Automotive		
	Electronics		
	Medical (Spine)		
	Medical (other markets)		
	Energy / Industrial		

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

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

# FY14 Summary: accelerating growth

- **Market leader with growth momentum**
- **Capacity investment ahead of demand**
- **Sizeable growth opportunities**
- **Investments in place to drive future value**



# Appendix slides

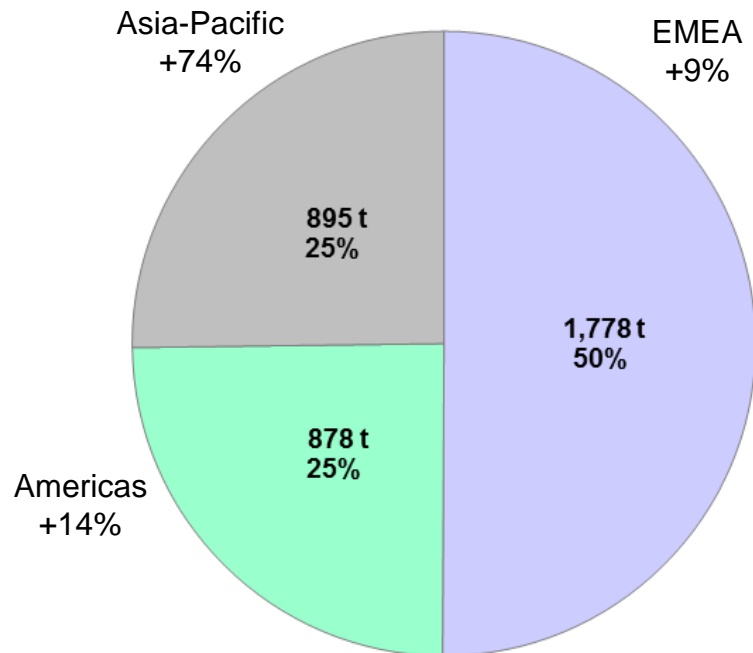




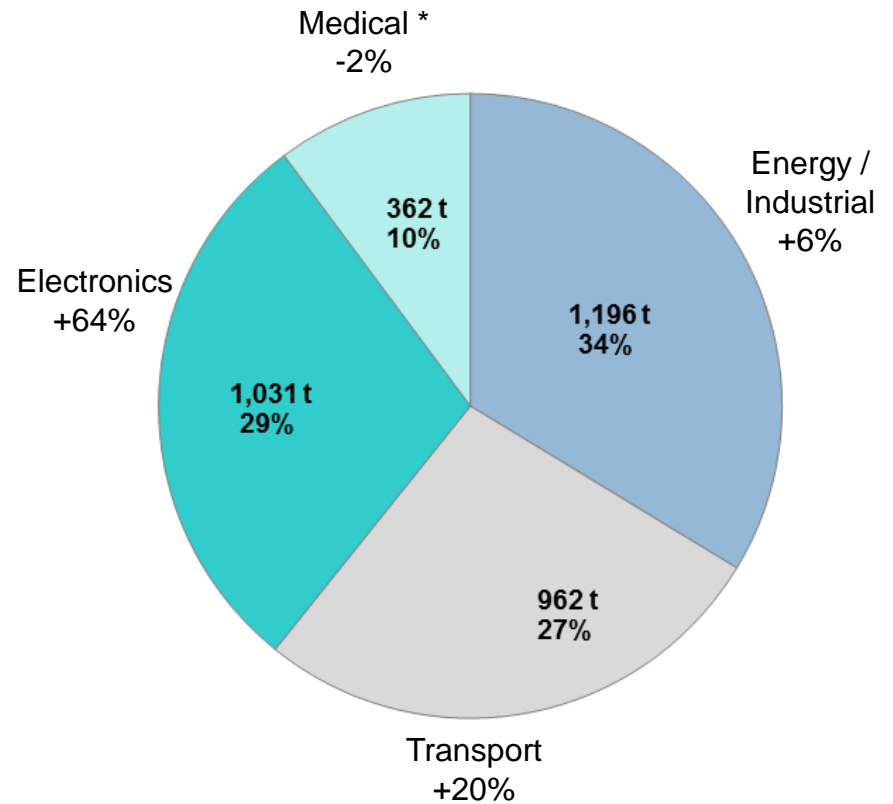
# Group end markets

**FY 2014:**  
**3,551 tonnes**

Volume by Region



Volume by Industry

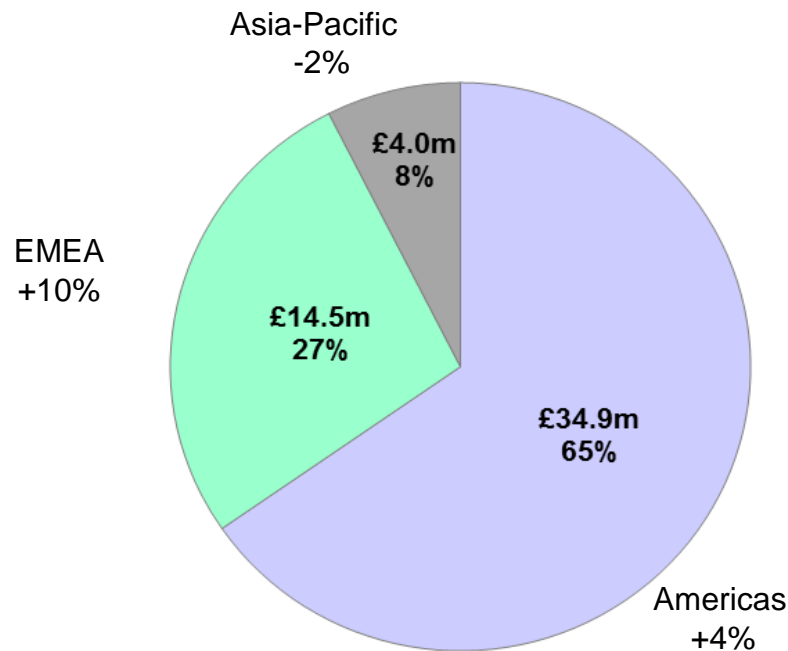


\* Medical volume reflects both non-implantable and implantable volumes

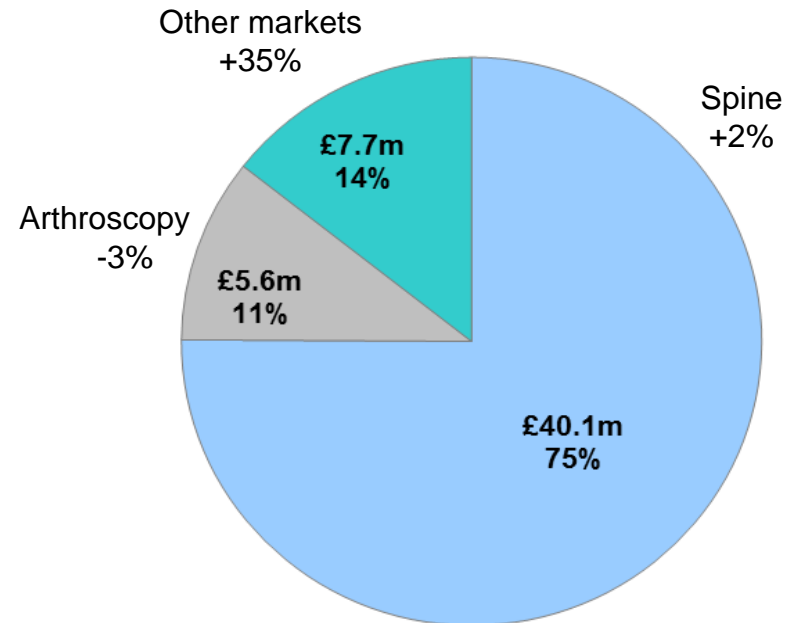
# Invibio – key markets

**FY 2014:  
£53.4m**

Revenue by Region\*



Revenue by Market



\* FY13 comparative includes a £0.3m reclassification between Americas and Asia-Pacific, to be consistent with current year

# Business unit income statements

	VPS			Invibio		
Year ended 30 September	2014	2013	Change	2014	2013	Change
	£m	£m	%	£m	£m	%
<b>Revenue</b>	<b>199.2</b>	171.1	<b>16%</b>	<b>53.4</b>	50.8	<b>5%</b>
<b>Gross profit</b>	<b>116.1</b>	103.1	<b>13%</b>	<b>47.1</b>	44.7	<b>5%</b>
<i>Gross margin</i>	58.3%	60.3%	(2.0%) pts	88.2%	88.0%	0.2% pts
<b>Overheads</b>	<b>(38.9)</b>	(34.5)	<b>13%</b>	<b>(17.5)</b>	(15.4)	<b>14%</b>
<b>Operating profit</b>	<b>77.2</b>	68.6	<b>13%</b>	<b>29.6</b>	29.3	<b>1%</b>

# Strong cash generation

Year ended 30 September	2014	2013
	£m	£m
Operating profit	102.2	94.0
Decrease/(increase) in inventories	6.7	(3.6)
(Increase)/decrease in trade and other receivables	(6.5)	1.3
Increase/(decrease) in trade and other payables	4.5	(1.3)
Depreciation	10.0	9.5
Other	1.4	1.0
<b>Cash generated from operations</b>	<b>118.3</b>	<b>100.9</b>
Tax paid	(21.1)	(21.7)
Capital expenditure	(65.6)	(40.7)
Dividends paid	(37.3)	(32.7)
Other financing activities	3.8	2.1
<b>Net increase in cash and cash equivalents</b>	<b>(1.9)</b>	<b>7.9</b>

## Strong cash generation, despite record capex:

- £65.6m capex in FY14: PEEK and Aptiv film
- Capex cycle nearing completion : FY15: £40-45m FY16: £25-30m (indicative estimates)

# Strong balance sheet

	30 September 2014 £m	30 September 2013 £m
PPE and intangible assets	237.7	185.8
Inventories	44.2	51.1
Cash	89.6	91.6
Trade receivables and other assets	44.8	39.1
Retirement benefit obligations	(7.8)	(3.6)
Trade payables and other liabilities	(55.1)	(50.3)
<b>Equity shareholders' funds</b>	<b>353.4</b>	<b>313.7</b>
Return on capital employed*	22.7%	23.2%

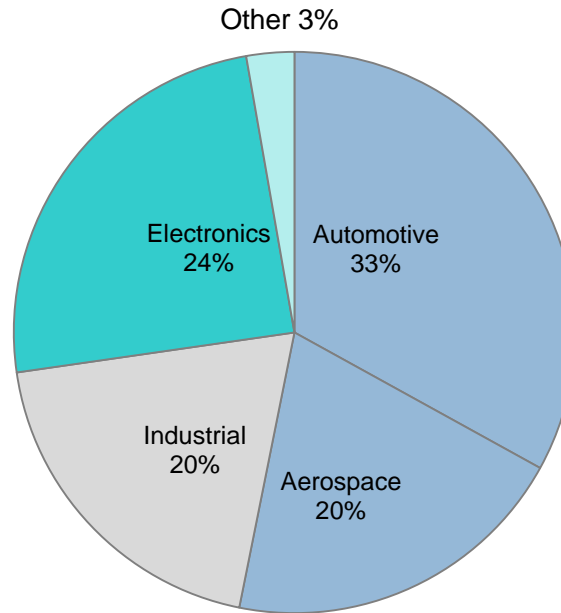
\* Return on capital employed = profit after tax / net assets

- **Strong balance sheet:**
  - Supports security of supply
  - Underpins investment
  - Enables other growth opportunities

# Development pipeline by volume

## PIPELINE BY VOLUME

*Mature Annualised  
Volume 2,141 tonnes  
(FY 2013: 2,064 tonnes)*



- Horizon 1 average target size now 1.4 tonnes (84% increase since 2010)

# Further information and contacts:

[ir@victrex.com](mailto:ir@victrex.com)

[www.victrexplc.com](http://www.victrexplc.com)

**Andrew Hanson**

**Head of Investor Relations & Communications**

**+44 (0) 1253 898121**