



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

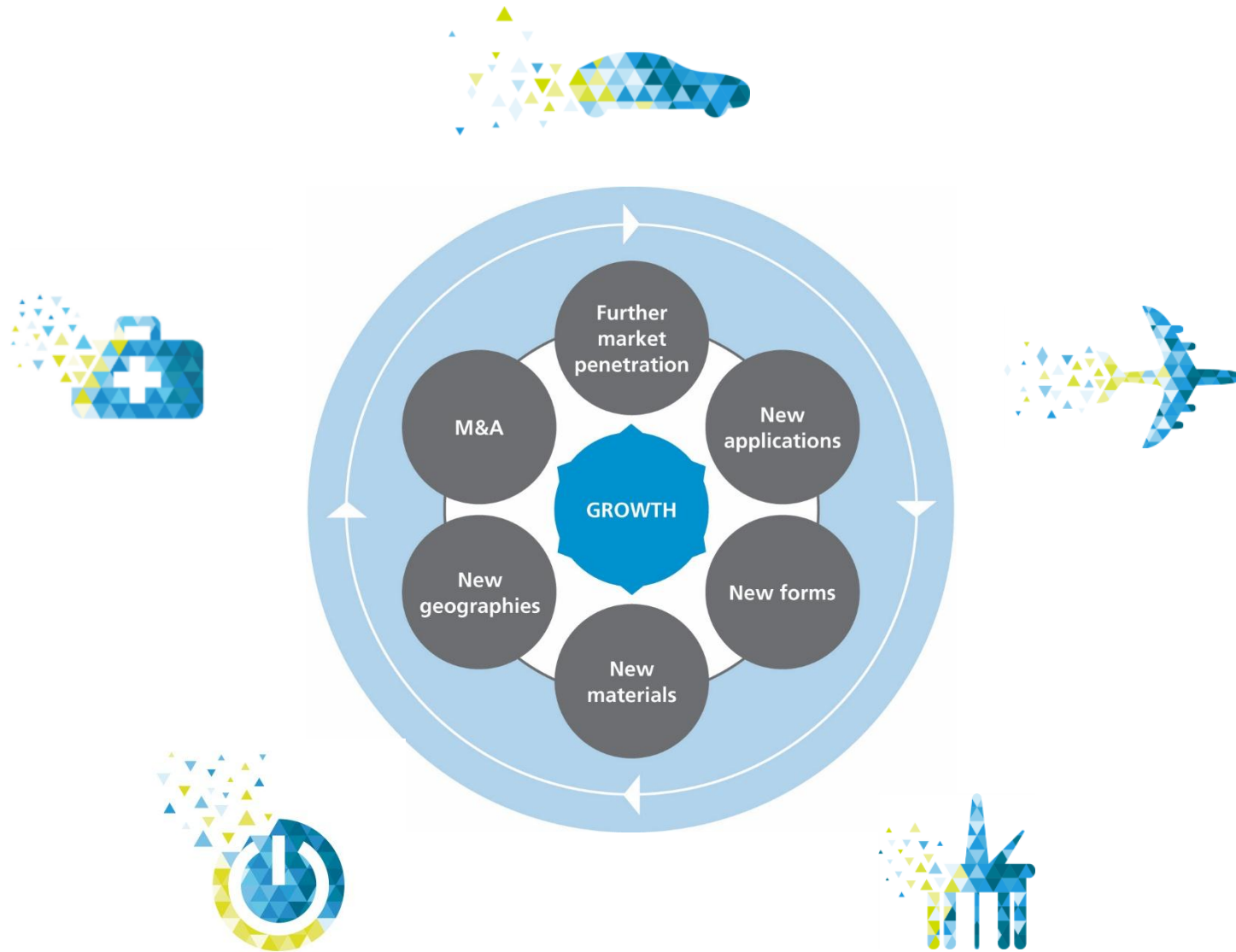
**Victrex plc** Preliminary results  
8 December 2015

# Welcome and introductions



*Victrex's Executive Leadership Team, left to right: Louisa Burdett, Group Finance Director; Tim Cooper, MD VPS; David Hummel, Chief Executive; Martin Court, MD Invibio*

# A balanced portfolio: driving growth



# FY15 Highlights

- **Balanced portfolio driving growth**
  - *Revenue up 4%, PBT up 4%, fully overcoming FX, Oil & Gas and Medical headwinds*
  - *Double-digit constant currency growth (revenue up 8%; PBT up 10%)*
- **Strong pipeline: growth programmes on track**
  - *Continued opportunities in Consumer Electronics*
  - *HA-Enhanced (Spine) adoption on plan*
  - *Magma Oil & Gas mega-programme approaching meaningful revenue in 2016*
  - *Kleiss Gears acquisition to support Automotive growth*
- **New capacity fully on-stream; further downstream investment**
  - *7,150 tonne PEEK capacity underpins future growth*
  - *New downstream manufacturing investments in FY16: PEEK/composite tape & Trauma*
- **New capital allocation framework; opportunity for enhanced returns**
  - *Growth investment remains top priority*
  - *50% of net cash returned in future as special dividend (subject to investment requirements)*
  - *FY15 net cash £53.8m*

# Revenue & profit growth

Year ended 30 September	FY 2015 £m	FY 2014 £m	Change %
<b>Revenue</b>	<b>263.5</b>	252.6	<b>+ 4%</b>
<b>Gross profit</b>	<b>168.2</b>	163.2	<b>+ 3%</b>
<i>Gross margin %</i>	<b>63.8%</b>	64.6%	- 80bps
<b>Overheads</b>	<b>(61.9)</b>	(61.0)	<b>+ 1%</b>
<b>Interest</b>	<b>0.1</b>	0.5	<b>- 80%</b>
<b>Profit before tax</b>	<b>106.4</b>	102.7	<b>+ 4%</b>
<b>Earnings per share</b>	<b>98.1p</b>	94.6p	<b>+ 4%</b>
<b>Dividend per share (regular)</b>	<b>46.82p</b>	45.15p	<b>+ 4%</b>

- Revenue and profit ahead, fully overcoming FX
- Margins reflect mix, new plant costs, FX
- FY15 total dividend growth 4%

# FY15 currency impact fully overcome

	Average exchange rates			Exchange rate sensitivity #
	2014	2015	2016*	
<b>\$/£</b>	<b>1.60</b>	<b>1.63</b>	<b>1.53</b>	<b>£6.9m</b>
<b>€/£</b>	<b>1.19</b>	<b>1.24</b>	<b>1.38</b>	<b>£3.5m</b>
<b>¥/£</b>	<b>155</b>	<b>175</b>	<b>184</b>	<b>£0.7m</b>

- **FY15 adverse currency impact c£7m at PBT level**
- **FY16 adverse currency impact c£1m-£2m at current rates**

• 2016 year estimates based on forecast sales volume, currency hedging already in place and spot exchange rates as at 9 Nov 2015

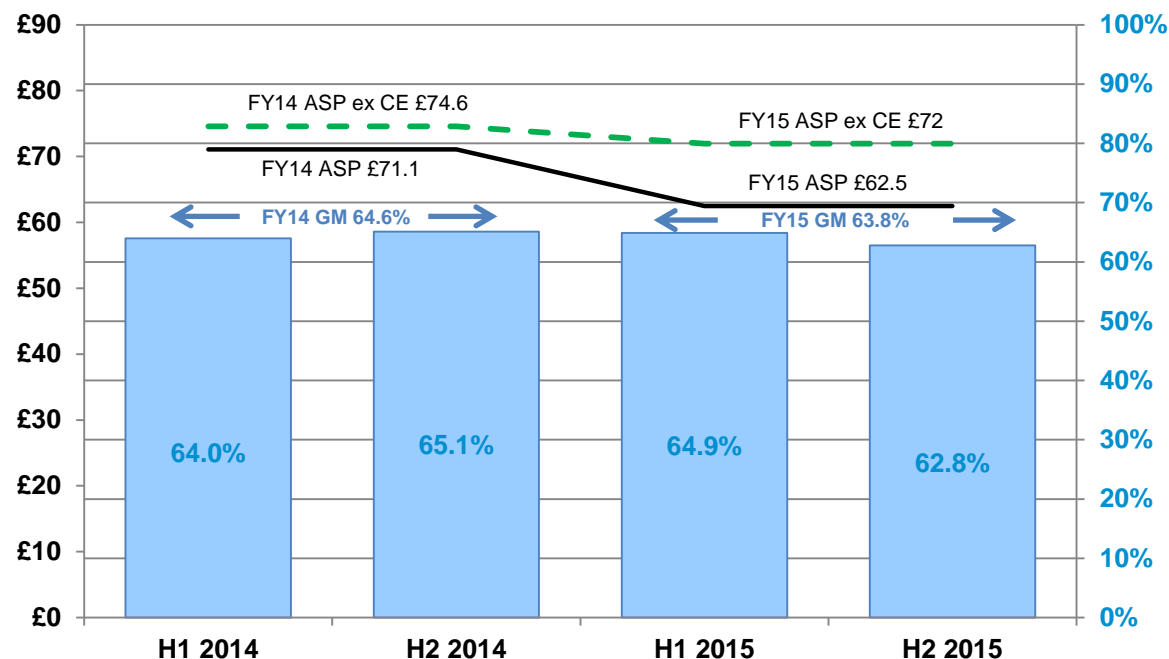
# Management estimate of impact on 2016 full year forecast PBT from a 5% movement in full year forecast average exchange rate



# Core pricing broadly stable

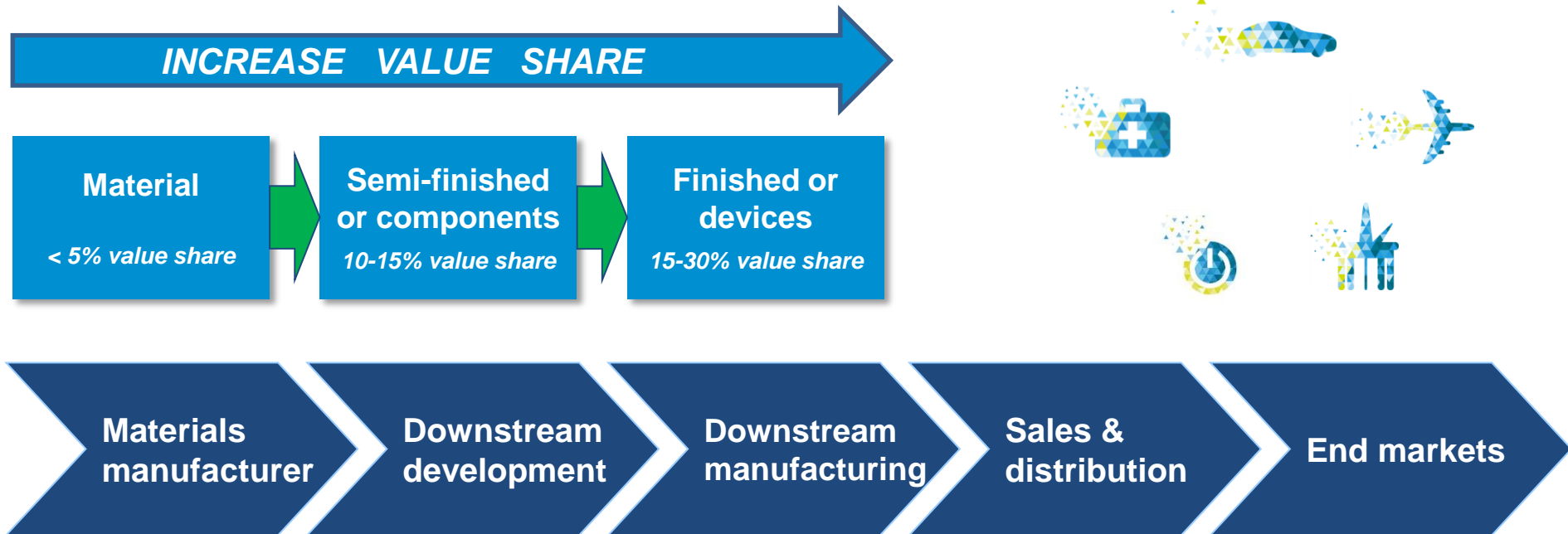
## £/kg Average selling price (ASP)

## Gross margin (GM) %



- **ASP reflects FX and mix**
  - Core pricing broadly stable
  - FY15 ASP ex-Consumer Electronics and FX £72/kg
- **FY15 GM% broadly stable at 63.8%**

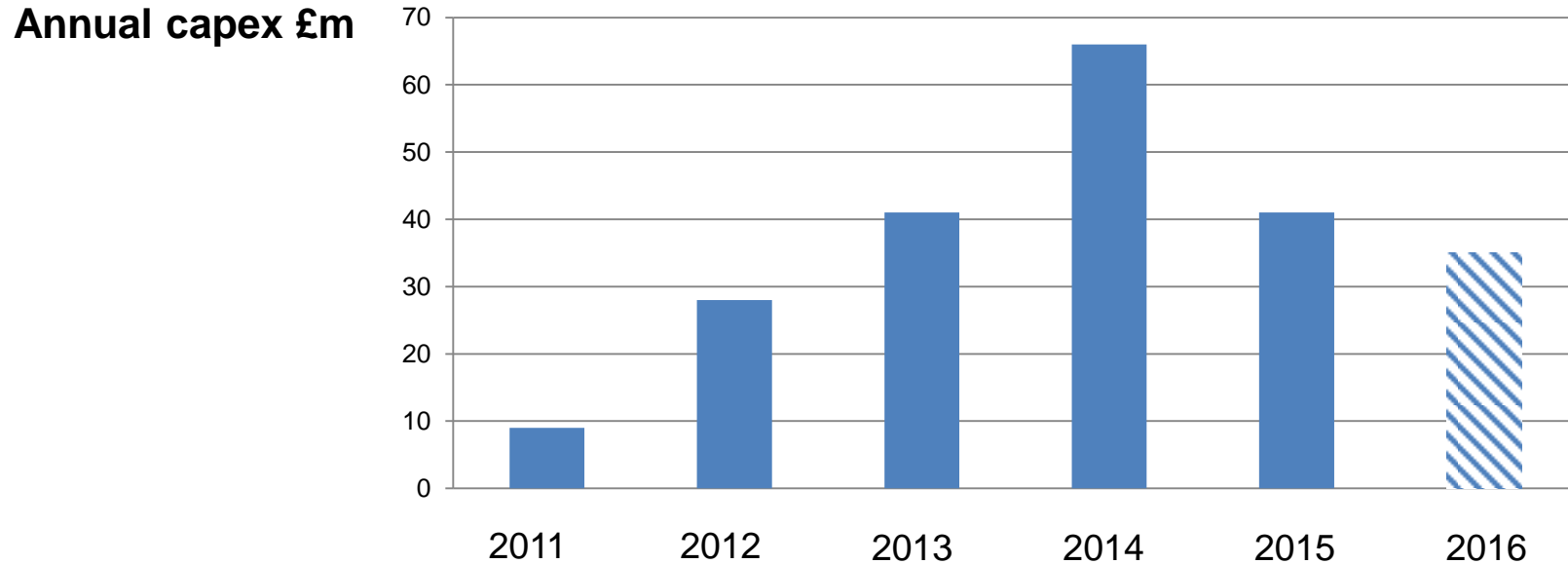
# Retain strong margins: increase value share



- **Move downstream: increase value share**
  - *Retain strong margins*
  - *Larger gross profit opportunity*
  - *Increased barriers to entry*

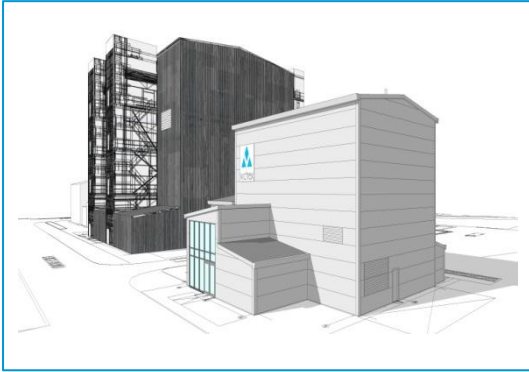


# Continued investment for growth



- **Shift to downstream investment: support mega-programmes**
  - *Overall capex reducing following major asset investments*
  - *'Normalised' capex c£25m-£35m pa for medium term*
  - *Opex investment focused on marketing and technical*

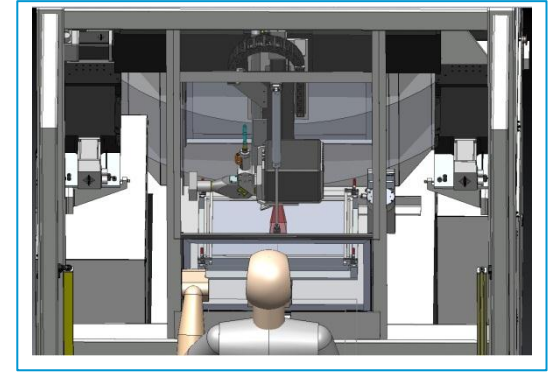
# New downstream investments



Polymer Innovation Centre



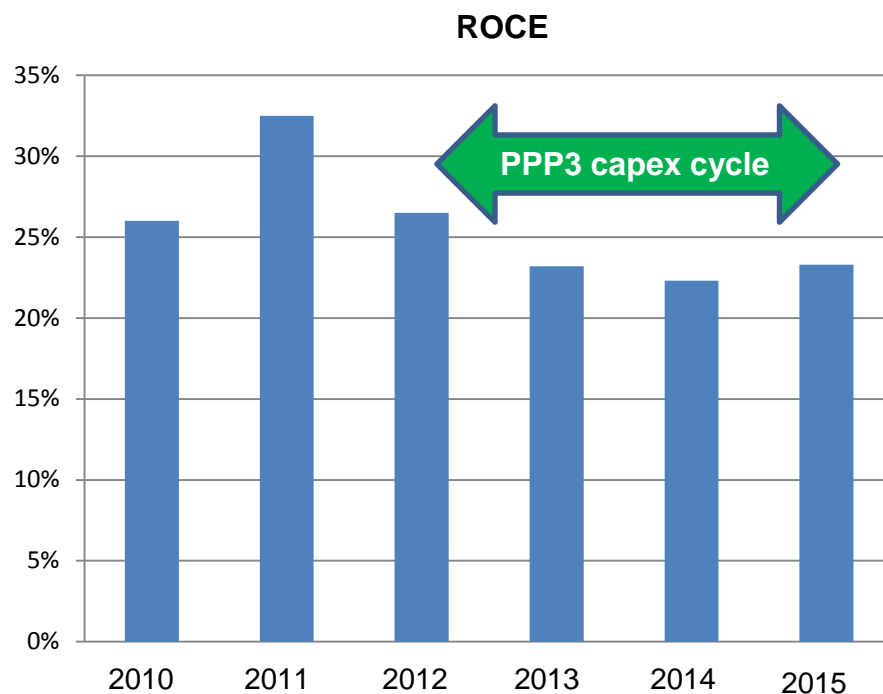
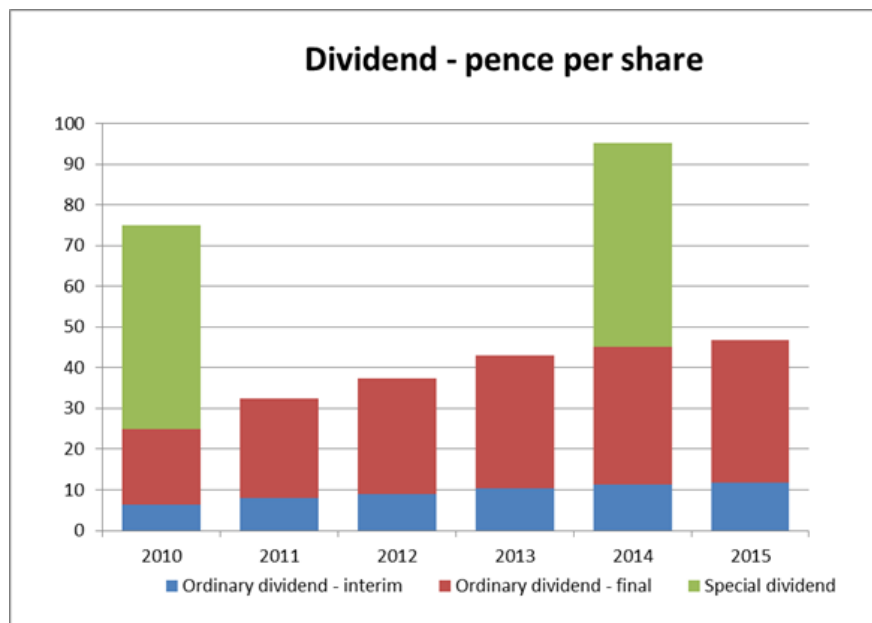
PEEK composite tape



Trauma

- **PEEK and Aptiv 2<sup>®</sup> capacity fully on-stream**
  - *FY16 new plant costs annualise*
- **New downstream investments: support mega-programmes**
  - *Polymer Innovation Centre; prototyping and application development*
  - *PEEK composite tape (Magma, Aerospace); Trauma components*
  - *Investment within £25m-£35m pa capex guidance*

# Strong record of shareholder return



- Progressive dividend
- Strong ROCE through capex cycle
- FY15 ROCE improvement to 23.3%

# A clear capital allocation framework

## Prioritise growth investment

*R&D c5% of sales*  
*Marketing & technical opex*

## Progressive regular dividend

*c2x cover*

## Partnerships and M&A

*Polyketones and other enabling technologies*

## Opportunity for enhanced return

*c50% of net cash*  
*50p/share de minimis*

## Maintain a strong and agile balance sheet

- *Confidence and security of supply for customers*
- *Underpin investment for growth*

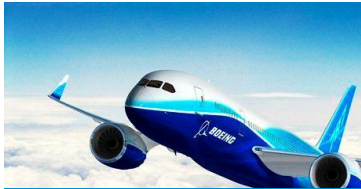
# Capital allocation summary



- Investment for growth prioritised
- Opportunity for enhanced returns
  - *50% of future net cash returned as special dividend\**
  - *Retain medium term net cash; ability to support M&A/partnerships*

\* Subject to investment requirements

# Performance highlights



Aerospace



Automotive



Electronics



Energy / Industrial



Medical



# VPS market update

- **Further global penetration and new opportunities**

- *Transport volumes up 15% (Automotive up 15%)*
- *Kleiss Gears globalisation opportunity*

- **Light-weighting, speed, reduced cost of manufacture**

- *PEEK composites launched, differentiated offerings*
- *Aerospace volumes up 14%*

- **Oil price impact, Magma cost efficiency opportunity**

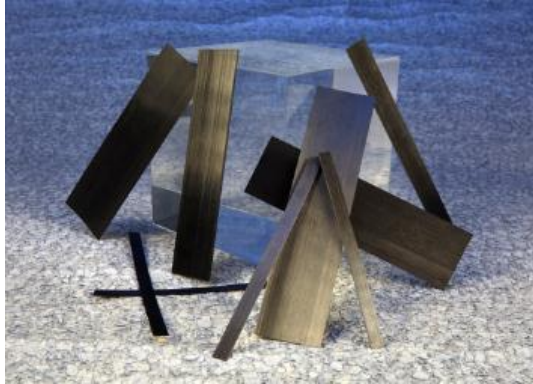
- *Magma test orders, meaningful revenue approaching*
- *Energy / Industrial volumes down 10% (Oil & Gas down 22%)*

- **Strong Consumer Electronics, Semiconductor growth**

- *Continued opportunities for FY16*
- *Electronics volumes up 63%*



# VPS focus: Aerospace composites



- **Industry shift: Titanium ➡ Thermosets ➡ Thermoplastics**
  - *Victrex AE250 thermoplastic composites launched; UD tape*
- **Significant performance benefits**
  - *Faster processing, lighter, stronger, lower total system cost*
  - *Up to 60% weight reduction; 5x strength vs metal, 100% recyclable*
- **New grades in development to support downstream opportunities**

# Invibio market update



- **Mature US Spine market: short term growth challenges**

- *US Spine market (interbody fusion) flat: further potential consolidation*
- *PEEK highly penetrated in US market increasing focus on value/efficiency*
- *Future growth to be driven by efficient and innovative solutions*

- **Medium & long term opportunities intact**

- *Growth through new geographies, new markets, innovation*
- *Strong growth in emerging geographies: Asia-Pacific up 8%*
- *Differentiation through HA-Enhanced: 12 regulatory submissions in FY15, strong innovation pipeline*

# Invibio growth through new markets



*Level of disruptive technology*

## Four mega-programmes: strong growth potential

- *Strong mega-trends: Doubling of global over 65s by 2030\**
- *Dental: sales doubled, distribution penetration, direct OEM sales*
- *Trauma: manufacturing investment, multiple committed collaborations*
- *Knee: clinical trial in FY16, other opportunities in Orthopaedics*

# Good strategic progress

## Strategic progress

## Progress being made

### DRIVE core business

#### What we're doing

- Strategic marketing: focus on highest growth opportunities
- Execute on key growth programmes in five strategic markets
- Drive growth in emerging geographies

#### Revenue growth (live currency)

**4 %**

#### Return on sales\*

**40%**

\* Return on sales: PBT/Revenue

### DIFFERENTIATE through innovation

#### What we're doing

- Market-led innovation
- Invest in emerging businesses
- Move further downstream: new applications, new forms, new materials, new product launches

#### Research & Development spend

**£13.7m**

5% of Group revenue

#### Sales from new products\*\*

**£5.7m**

\*\* Sales from new grades sold from FY14 onwards

### CREATE future value

#### What we're doing

- Strong pipeline
- Portfolio management
- M&A

#### Pipeline mega-programmes\*\*\*

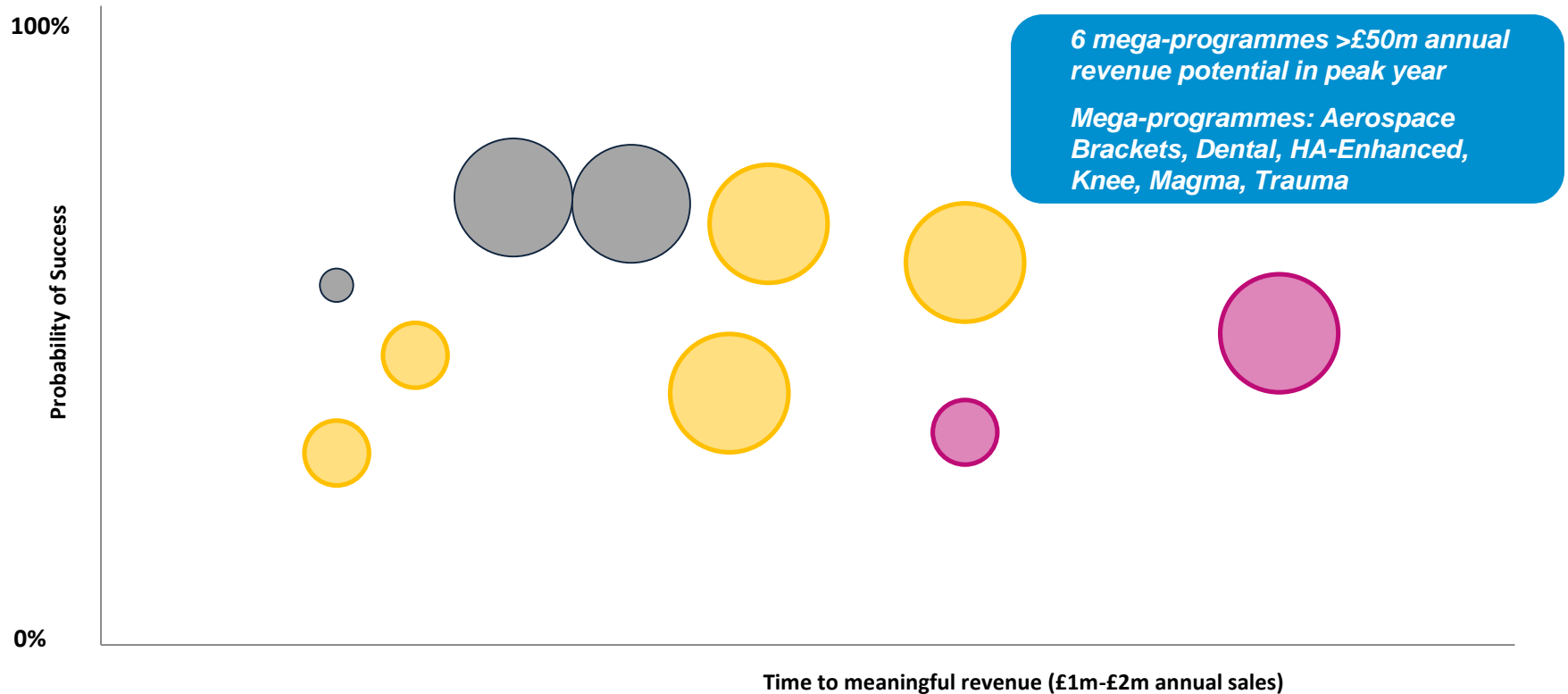
**6**

\*\*\* Number of organic pipeline programmes  
>£50m annual revenue potential in peak year

#### Earnings per share

**98.1p**

# Strategic priorities: strong pipeline



## KEY:

Annual revenue potential in peak year:



<£20m



£20-50m



>£50m

Time to meaningful revenue:



Horizon 1 (0-2 years)

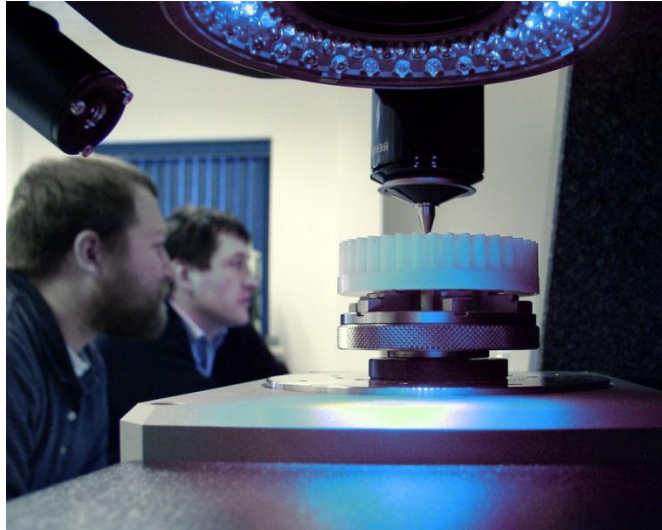


Horizon 2 (2-5 years)


















Horizon 3 (5 years +)

# Strategic priorities: growth accelerators



- First downstream acquisition delivered: Kleiss Gears
- Further M&A and partnership opportunities under review
- Focus on Polyketones and other enabling technologies

# Group outlook: FY 2016\*

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

**\* Indicative outlook for our markets for FY 2016**

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



# FY 2016: Our focus

## ***Balanced portfolio to drive growth:***

- *Diverse Industrial markets*
- *Medical focused on new markets, new platforms, innovation*

## ***Continue to differentiate:***

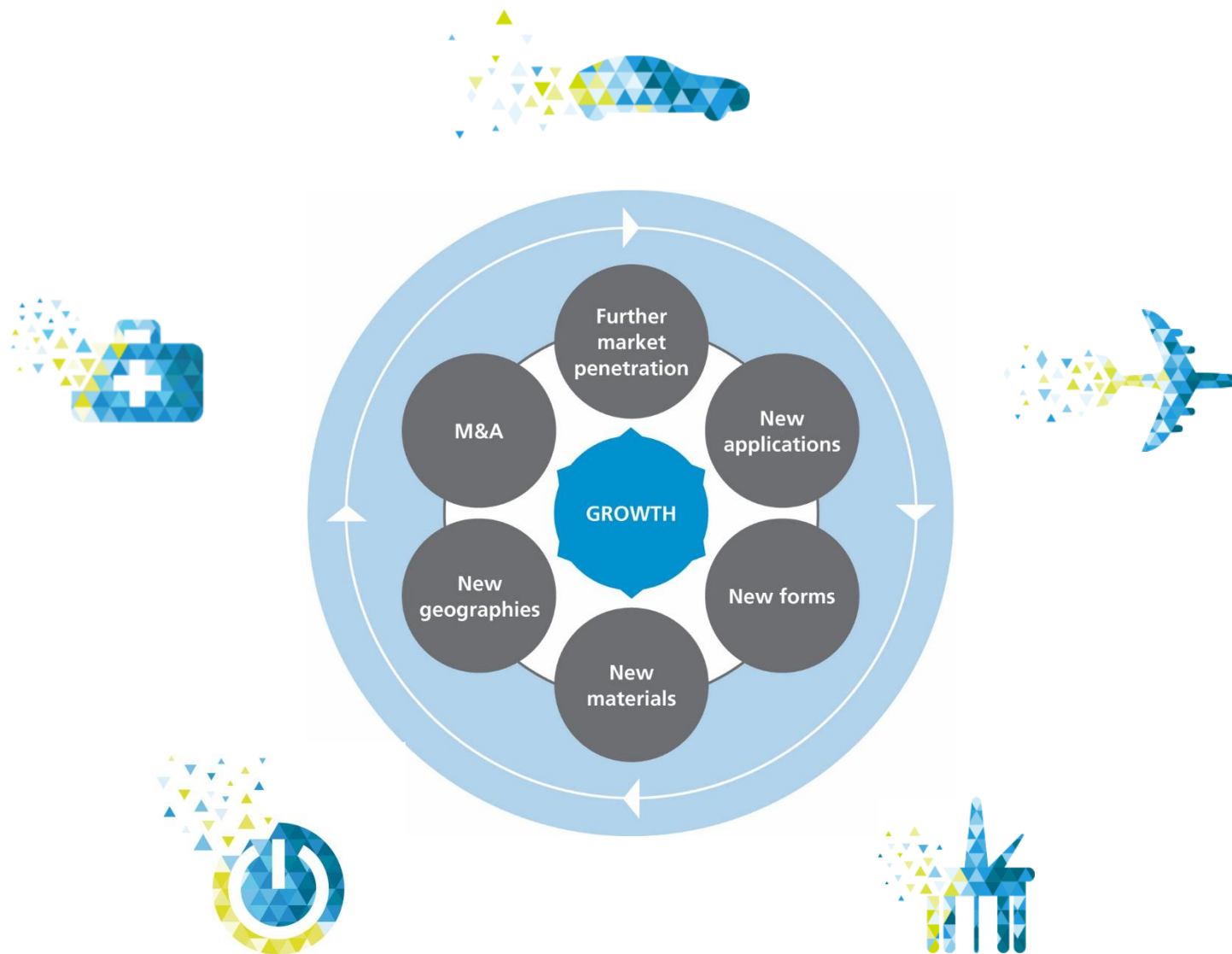
- *Upstream & downstream capacity, technical excellence, application know-how*

## ***Continued investment for growth:***

- *Downstream investment to underpin and drive mega-programmes*



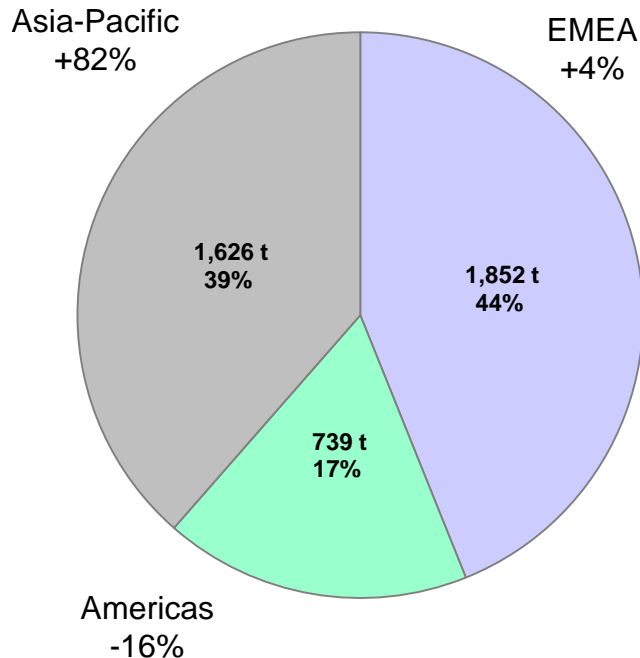
# Appendix



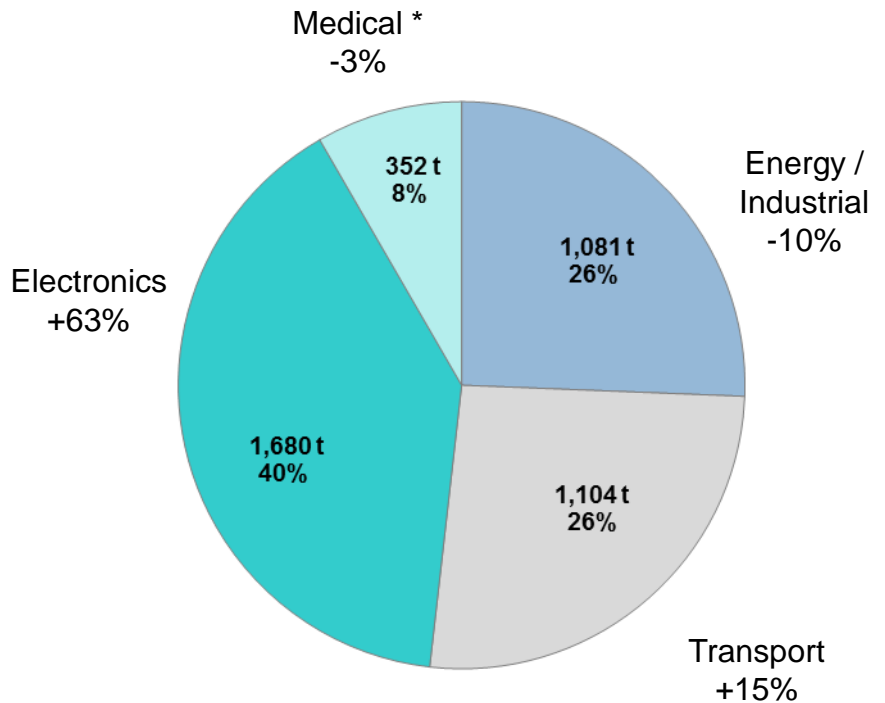
# Group end markets

**FY 2015:**  
**4,217 tonnes**

Volume by Region



Volume by Industry

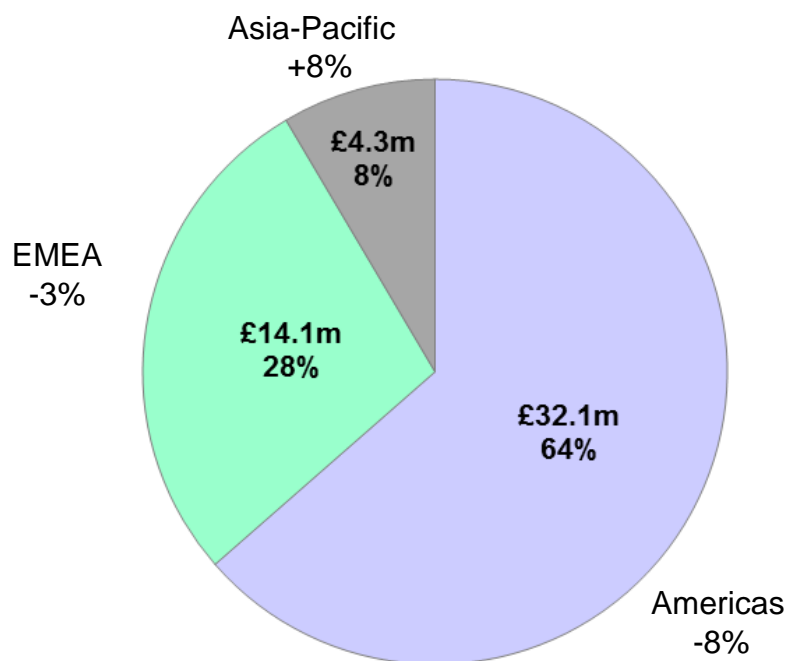


**Market splits to be revised in FY16**

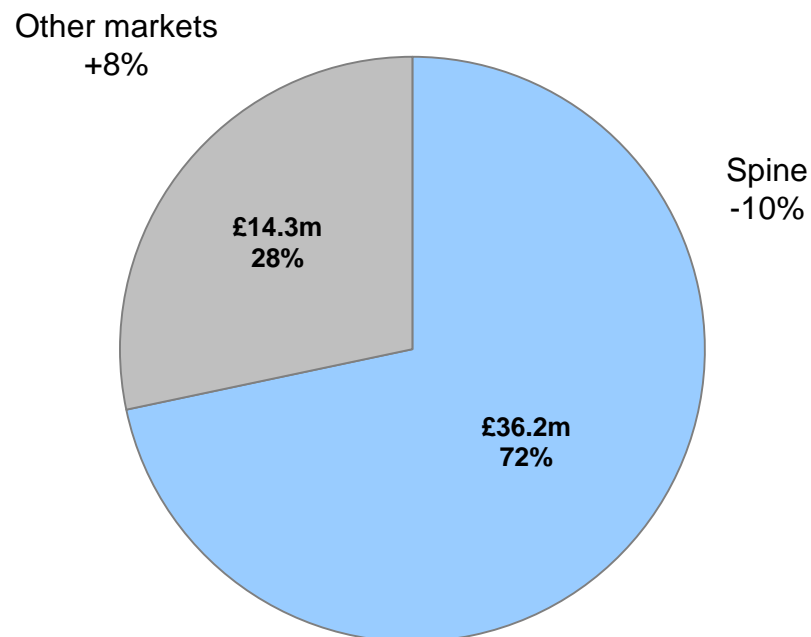
# Invibio: key markets

**FY 2015:  
£50.5m**

Revenue by Region



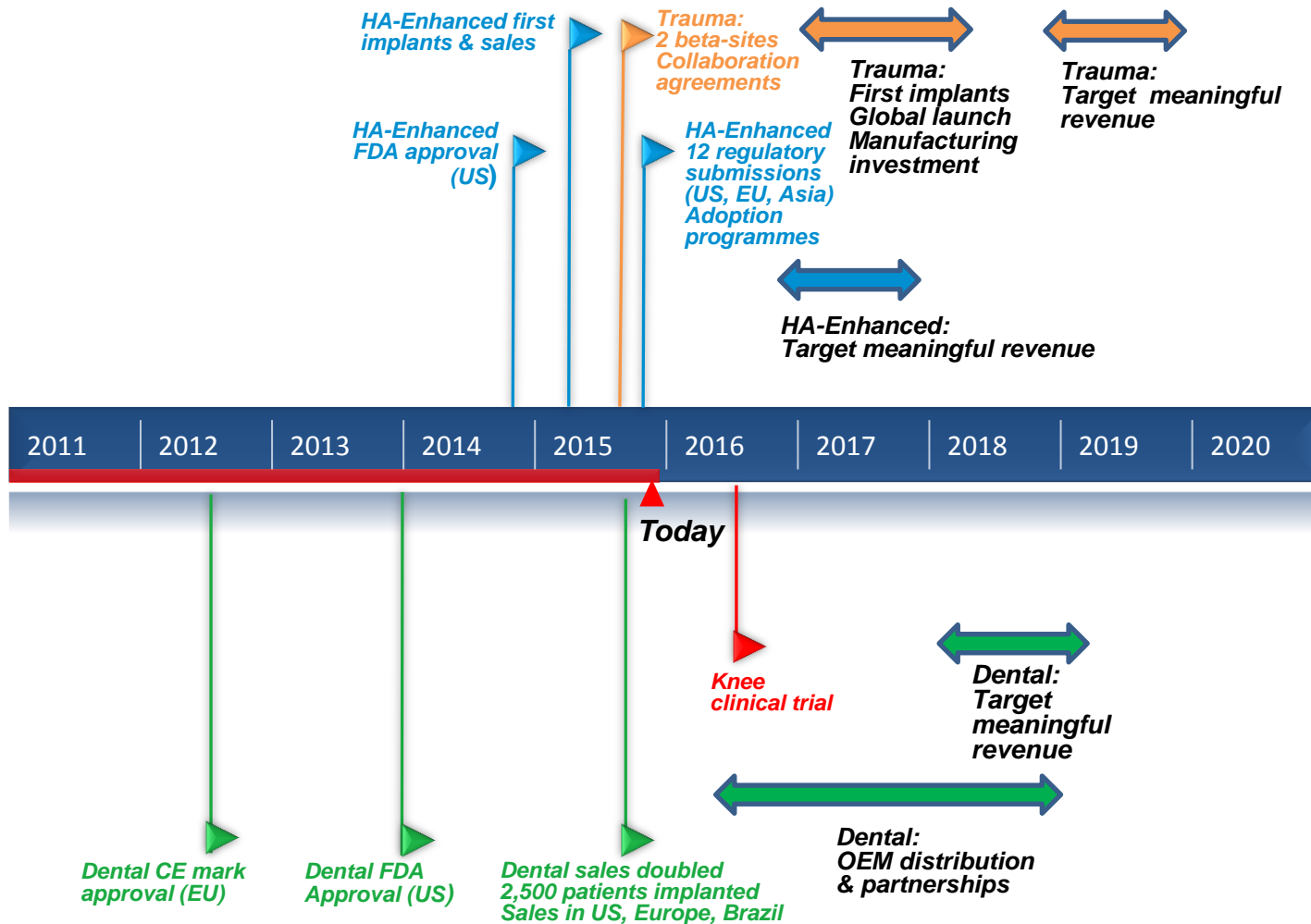
Revenue by Market



**Continued good growth from new markets**



# Invibio mega-programme milestones



# Business unit income statements

	VPS			Invibio		
Year ended 30 September	2015	2014	Change	2015	2014	Change
	£m	£m	%	£m	£m	%
<b>Revenue</b>	<b>213.0</b>	199.2	<b>+ 7%</b>	<b>50.5</b>	53.4	<b>- 5%</b>
<b>Gross profit</b>	<b>123.9</b>	116.1	<b>+ 7%</b>	<b>44.3</b>	47.1	<b>- 6%</b>
<i>Gross margin</i>	<i>58.2%</i>	<i>58.3%</i>	<i>-10bps</i>	<i>87.7%</i>	<i>88.2%</i>	<i>-50bps</i>

\* VPS 2015 includes the post acquisition results of Kleiss Gears.



**Further information  
and contacts:**

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**Head of IR & Communications**  
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## Financial performance

FTSE 250, listed since 1995

**£260+m**

Revenue 2015

Revenue generated  
outside the UK

**97%**

**40+**

Countries are  
served by Victrex  
across our markets

**Selling a solution, not just materials**



### Global Presence

Global sales team; technical centres  
in the UK, China and Japan; offices in  
the US, Germany & Korea

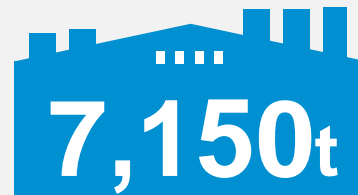


**700+**  
Employees in  
16 Countries

**PEEK**

### Our key product

Victrex focuses on PEEK and other  
enabling polymers in the PAEK family



### Upstream & downstream capacity

Over 7,000 tonnes of PEEK and PAEK  
manufacturing; further investments in  
downstream manufacturing capacity

**An innovative  
WORLD LEADER  
in  
High Performance  
Polymer Solutions**

## Our markets



Aerospace



Automotive



Electronics



Medical



Energy & Industrial

**35+**  
years  
of Shaping  
Future Performance

**Differentiation through  
Market-led Innovation, Technical  
Excellence, Application Development**