



An innovative world leader in high performance polymer solutions

Victrex plc Preliminary results
6 December 2016

Shaping future performance



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SHAPING FUTURE PERFORMANCE™



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Accelerating our growth opportunities



FORWARD LOOKING STATEMENTS

Sections of this results presentation contain forward-looking statements, including statements relating to: future demand and markets for the Group's products and services; research and development relating to new products and services and liquidity and capital resources. These forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future. Accordingly, actual results may differ materially from anticipated results because of a variety of risk factors which are summarised in note 7 of the Preliminary Results announcement

- **Good finish to 2016**

- *Core business in growth with improved second half; core volumes up 9% on H2 2015*
- *Continued growth in Auto & Aero, Oil & Gas stable, Medical in-line*
- *Consumer Electronics volumes >400 tonnes in H2 2016; remain cautious on 2017*
- *Full year performance offset by weaker H1 & lower Consumer Electronics*

- **Good progress accelerating growth pipeline**

- *Meaningful revenue of £1m+ for Magma Oil & Gas mega-programme*
- *Gears accelerated; initial revenue from Auto development programmes*
- *Trauma development agreement with major US medical device manufacturer*
- *Over 1,000 patient implants for PEEK-OPTIMA™ HA Enhanced*

- **Continued growth investment to further develop downstream strategy**

- *Strategic investment of minority interest in Magma Global for £10m*
- *New Trauma and Composite facilities operational*
- *Continued 'front-end' commercial investment; supported through cost efficiency focus*

- **Cash generation remains strong**

- *Net cash up 19% to £64.0m*
- *Final dividend of 35.09p (2015: 35.09p)*

Group income statement

Full year ended 30 September

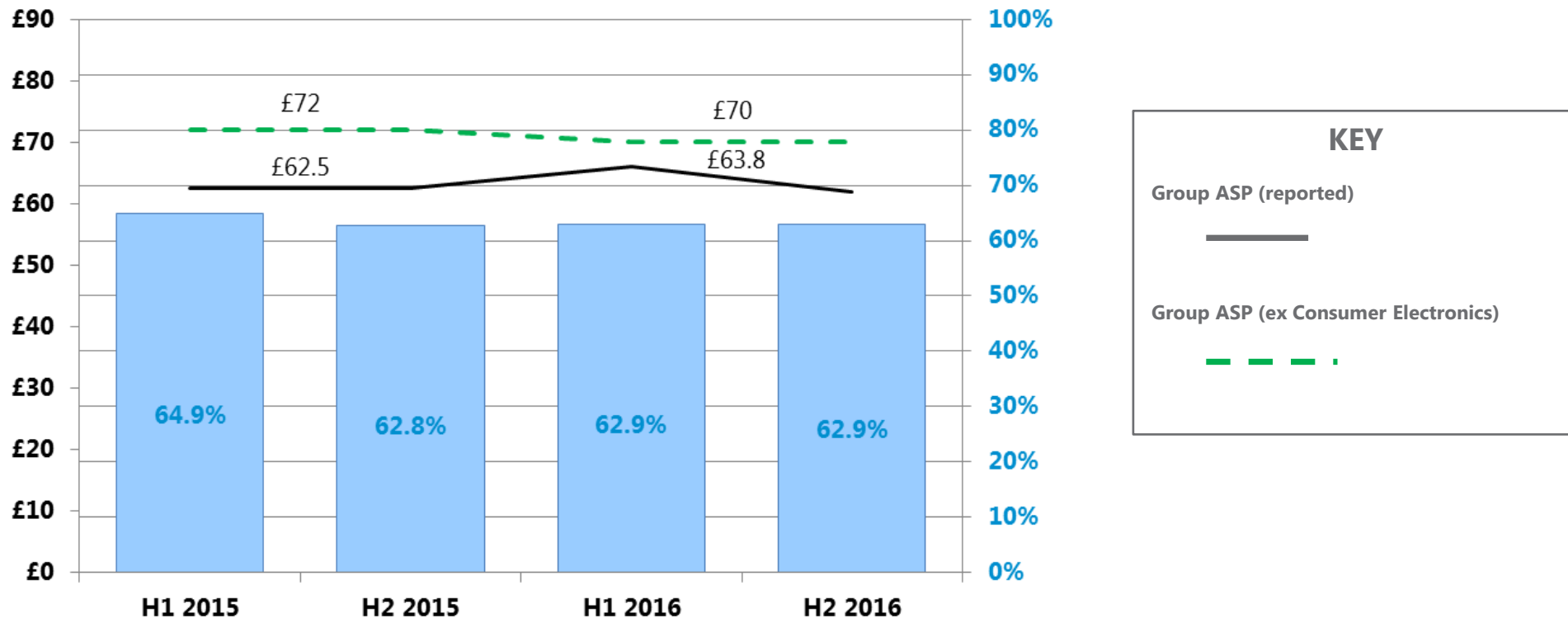
	FY 2016	FY 2015	Change
	£m	£m	%
Revenue	252.3	263.5	-4%
Gross profit	158.7	168.2	-6%
<i>Gross margin %</i>	62.9%	63.8%	<i>-90bps</i>
Overheads	(58.4)	(61.9)	-6%
Interest	-	0.1	-100%
Profit before tax	100.3	106.4	-6%
Earnings per share	96.8p	98.1p	-1%

- Overall performance offset by lower Consumer Electronics (volumes down >30%)
- Annualised new plant costs in 2016

Pricing slightly ahead

£/kg Average selling price (ASP)

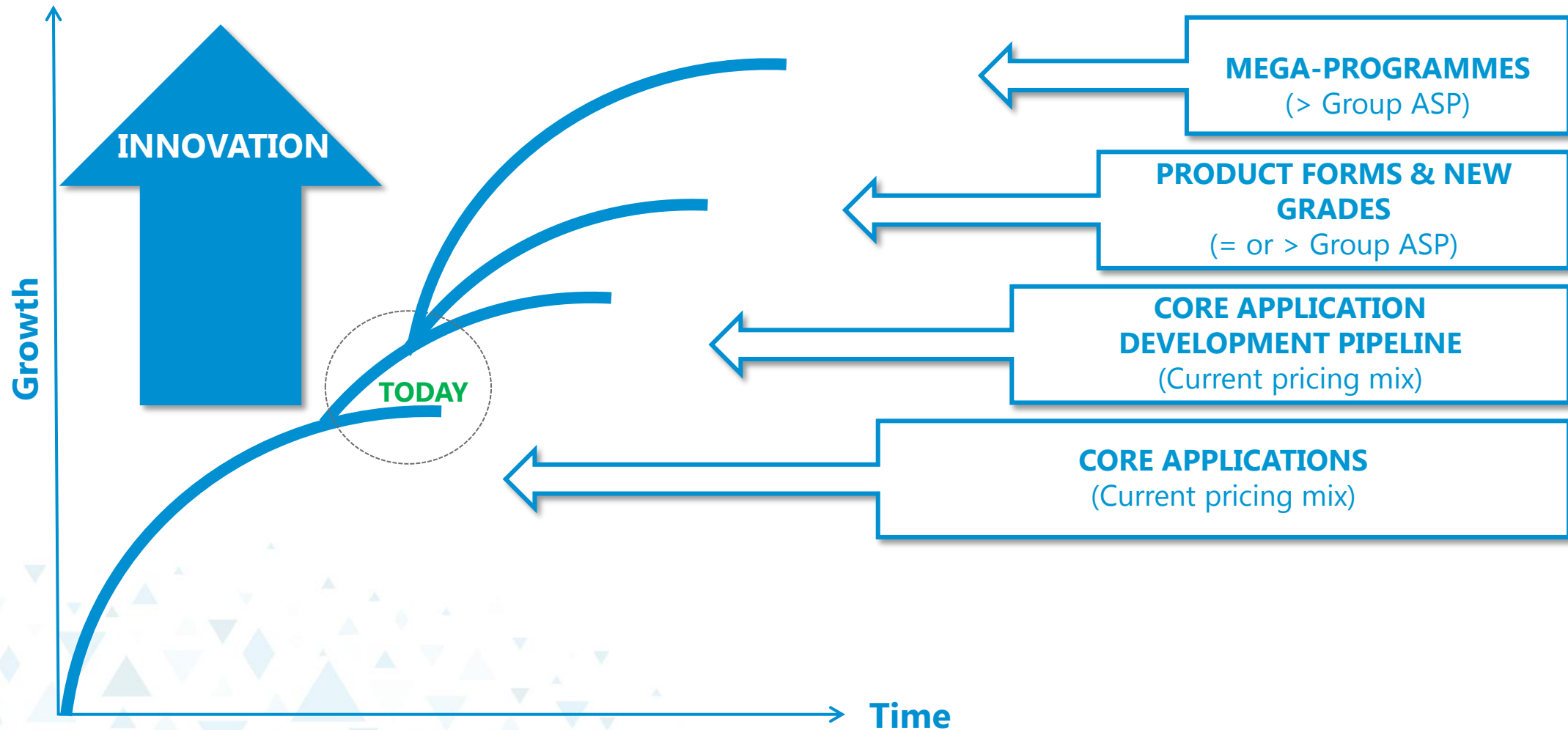
Gross margin (GM) %



- **ASP ahead, reflecting lower Consumer Electronics**

- 2016 ASP ex-Consumer Electronics and FX £70/kg

Growth and mix opportunities



Innovate to grow in a competitive market

Currency favourable for FY17 / FY18

	Average exchange rates			
	2015	2016	2017*	Exchange rate sensitivity [#]
\$/£	1.63	1.54	1.40	£5.7m
€/£	1.24	1.35	1.23	£4.2m
¥/£	175	179	150	£0.8m

- **FY16 currency < £1m adverse**
- **FY17 currency > £15m tailwind**
 - *FY17 currency now slightly ahead of prior guidance*
 - *Proportion of incremental currency benefit to support 'front-end' investment*

* 2017 year estimates based on forecast sales volume, currency hedging already in place and spot exchange rates as at 24 November 2016

Management estimate of impact on 2017 full year forecast PBT from a 5% movement in full year forecast average exchange rate

Downstream manufacturing investments

- Further progress in 2016: increase differentiation & underpin mega-programmes
- Medium term capex guidance unchanged: c£25m-£35m pa



Trauma



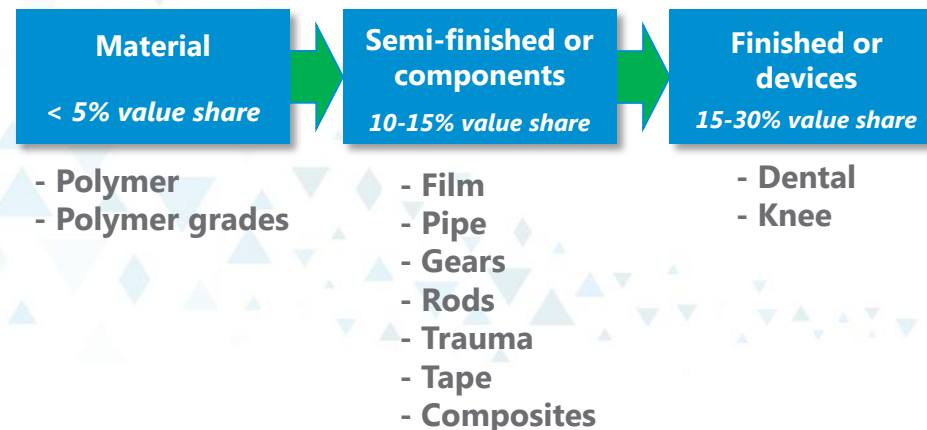
Composite tape



**Polymer
Innovation Centre**

Completion 2017

Move downstream: from polymer to parts



Cost efficiency: Support 'front-end' commercial investment

DEVELOP, MARKET & SELL (Front end functions)	Marketing Sales Technology Industrialisation	<ul style="list-style-type: none"> • <i>Market access, adoption & regulatory support</i> • <i>Downstream development/assets</i>
MAKE	Manufacturing Supply Chain	<ul style="list-style-type: none"> • <i>Lower cost manufacturing</i> • <i>Efficient supply chain; flexible resources</i>
SUPPORT	Finance HR Administration Compliance	<ul style="list-style-type: none"> • <i>ERP system efficiencies</i> • <i>Maintain safety investment; effective compliance</i>

FOCUS FOR
INVESTMENT



2016 milestones

- *ERP implementation*
- *Procurement savings*
- *Cost of manufacture*



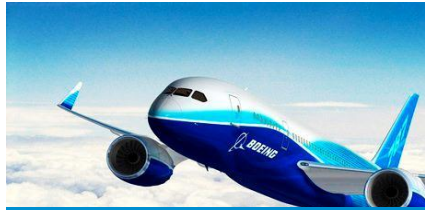
2017/18 opportunities

- *Cost of manufacture*
- *Supply chain*
- *FX supports investment*



- **Interim Management Statements: revenue & volume**
- **Interim & Preliminary results: full reporting**
- **Removal of pre-close trading updates**
- **Capital Markets Day 2017 (London)**

Performance update



Aerospace



Automotive



Electronics



Energy



Medical



- **Continued growth in core applications; Gears accelerated**
 - 2016 Transport volumes up 9% (Automotive up 9%)
 - Gears OEM engagement programmes; prototype revenue
 - E-motor and other new application opportunities
- **Aerospace loaded brackets pre-qualification**
 - 2016 Aerospace volumes up 8%
 - PEEK composites acceptance; loaded bracket prototype testing & revenue
 - Manufacturing cycle time savings >30% vs metal and thermoset composites
- **Energy market stabilising**
 - 2016 Energy & Other Industrial volumes down 7% (Oil & Gas down 16%)
 - Magma meaningful revenue; intervention and jumper lines
- **Electronics: differentiate beyond volume opportunities**
 - 2016 Electronics volumes down 29%
 - Semi-conductor and General Electronics robust
 - Market-wide differentiation opportunities for Consumer Electronics

Industrial update: Magma investment



- **Magma flexible subsea pipes**

- *Spoolable m-pipe®: manufacture onshore & reduce project cost*
- *1/10th weight of steel in water, 20x stronger, faster deployment*
- *Initial market traction: BP/Subsea 7 trial, intervention and jumper pipes*

- **Equity relationship: incremental benefit**

- *Existing relationship: Victrex pipe & composites – 3,500km of composite tape in FY16*
- *Strategic relationship: £10m secures minority interest, supports additional capacity*

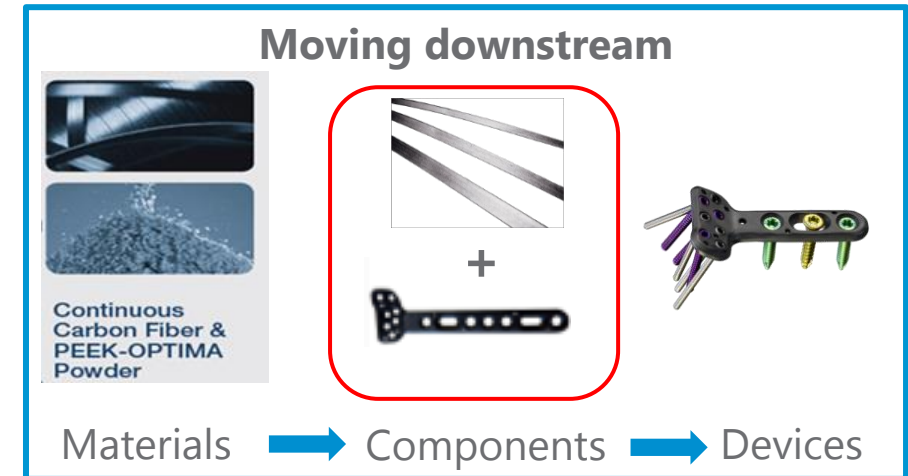
MORE TO COME.....ACTIVELY PURSUING OTHER INVESTMENT OPPORTUNITIES

Medical update (Invibio)



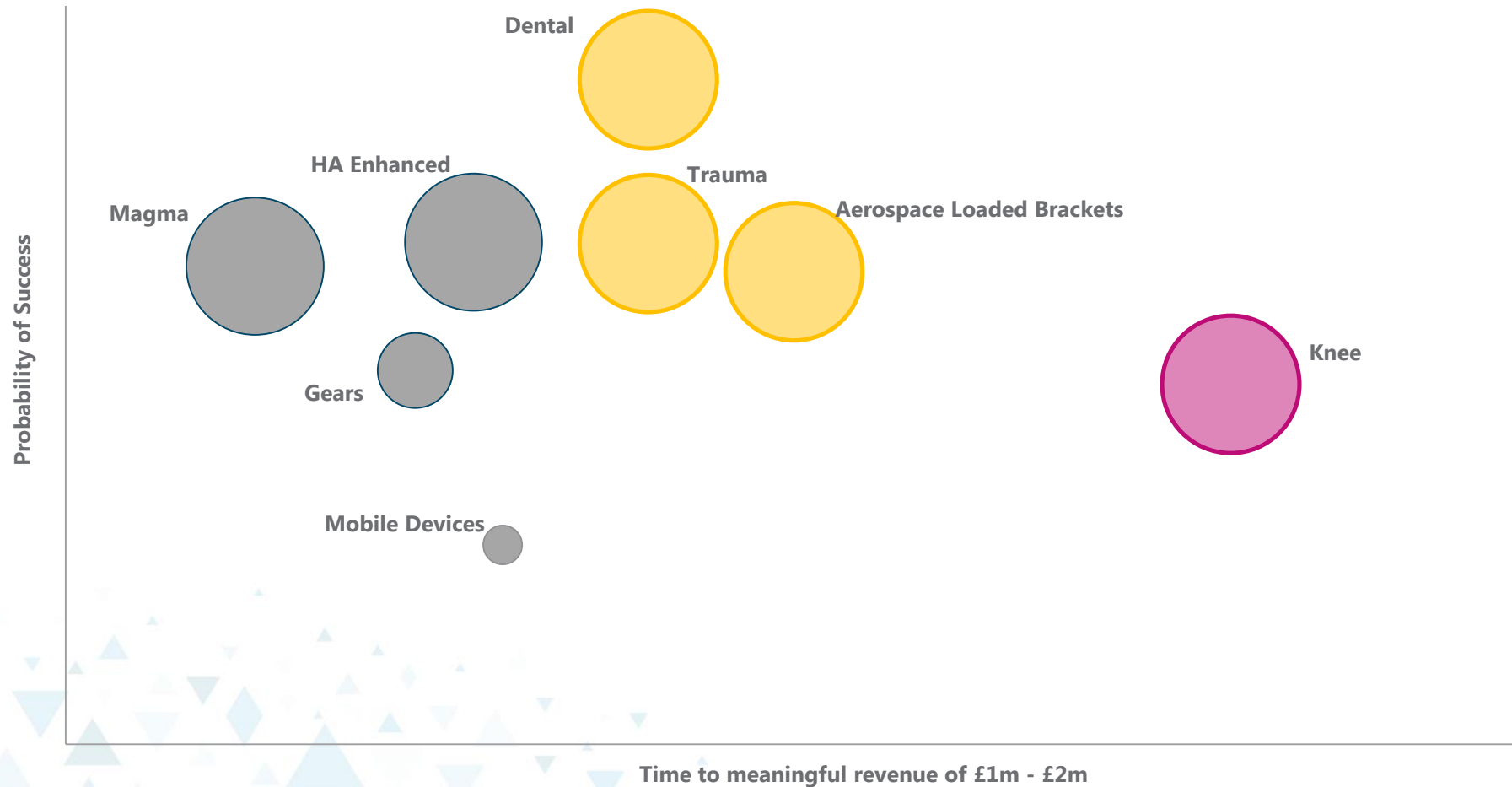
- **Spine performance stable**
 - *Stable US market*
 - *PEEK-OPTIMA™ HA Enhanced progress; 18 regulatory approvals (3-fold increase)*
 - *Further progress in new geographies: Asia-Pacific up 2%*
- **Dental: accelerate route to market**
 - *Over 6,000 dental patients with Juvora solutions*
 - *Working with Malo Dental, multi-year study, enhance market access*
- **Knee: clinical trial 2017**

Medical update: Trauma development agreement





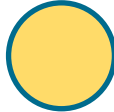
- **Compelling market opportunity**
 - 10% of US Trauma cases do not heal; \$2bn cost
 - 50x fatigue resistance vs metal; enhanced bone formation
- **Financial commitment from major medical manufacturer**
 - Development agreement progressing towards product launch
 - New Trauma manufacturing underpins OEM relationships
 - Successful ramp-up may require further manufacturing investment

Strategic priorities: strong pipeline



KEY :

Size of bubble = potential annual revenue in peak year:
(all bubbles are indicative only)

 <£20m
  £20-50m
  >£50m

Position and colour of bubble = time to meaningful revenue:
  Horizon 1 (0-2 years)
  Horizon 2 (2-5 years)
  Horizon 3 (5 years +)

Strategic priorities:

Pipeline milestones

PROGRAMMES	REVENUE STATUS	2016 MILESTONE	2017 PRIORITY
MAGMA	Meaningful (£1m+)	<ul style="list-style-type: none"> Meaningful revenue Prototype orders 	<ul style="list-style-type: none"> Customer specifications
HA-ENHANCED	< £1m	<ul style="list-style-type: none"> 18 regulatory approvals Over 1,000 implants 	<ul style="list-style-type: none"> Further OEM product launches
DENTAL	< £500k	<ul style="list-style-type: none"> Industry collaborations Over 6,000 implants 	<ul style="list-style-type: none"> OEM engagement Enhanced market access
TRAUMA	Prototype revenue	<ul style="list-style-type: none"> Development agreement 	<ul style="list-style-type: none"> OEM product launch
GEARS	Prototype revenue	<ul style="list-style-type: none"> Multiple Auto OEM engagement programmes 	<ul style="list-style-type: none"> Customer specifications OEM deployment
AERO BRACKETS	Prototype revenue	<ul style="list-style-type: none"> Pre-qualification with OEMs 	<ul style="list-style-type: none"> Build supply chain Customer specifications
KNEE	n/a	<ul style="list-style-type: none"> Partner agreement 	<ul style="list-style-type: none"> Clinical trial

Strategic priorities:

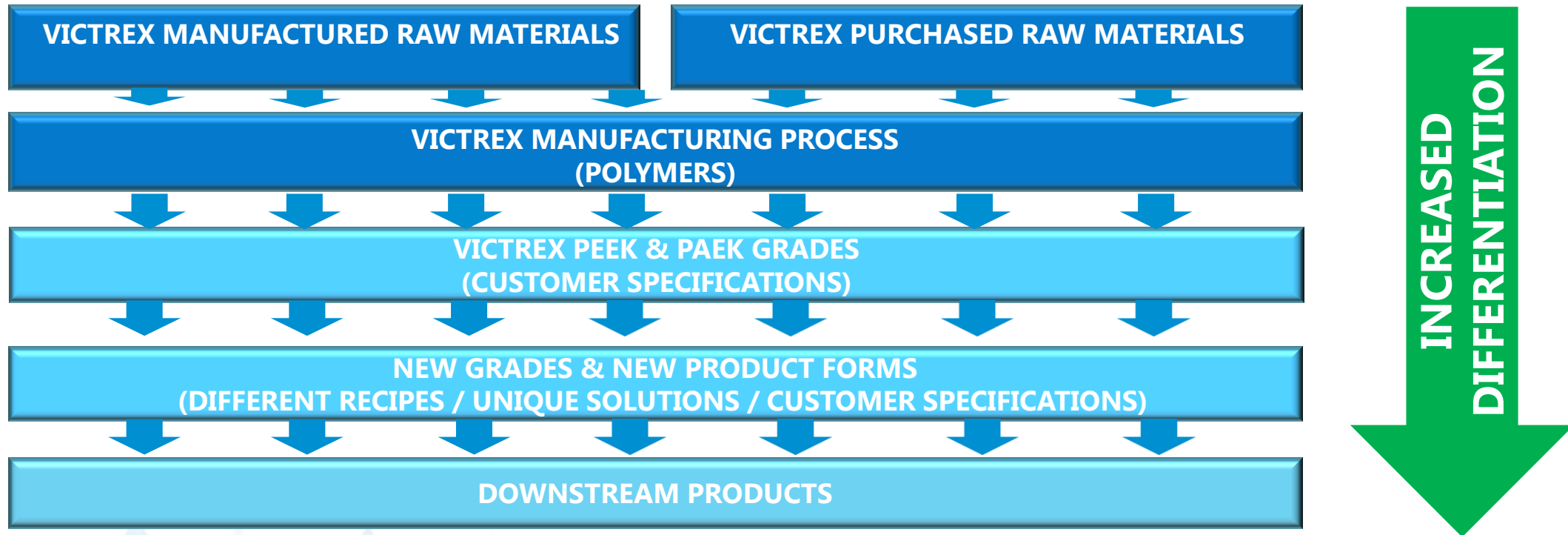
Acceleration options (Make vs Buy)



- Invibio & Aptiv film took ~6 years to double-digit revenues
- Make vs Buy acceleration options:

- M&A, partnerships, alliances

Supply chain opportunities: Differentiation, flexibility, cost efficiency



Supply chain priorities

- *Differentiated chemistry*
- *Flexibility and cost efficiency*
- *Capability to support new grades and downstream products*



Group outlook 2017*



Aerospace



Automotive



Medical (Spine)



Medical (New markets)



Energy



Electronics



Key:

Optimistic



Neutral



Cautious



* Indicative outlook for our markets for FY 2017

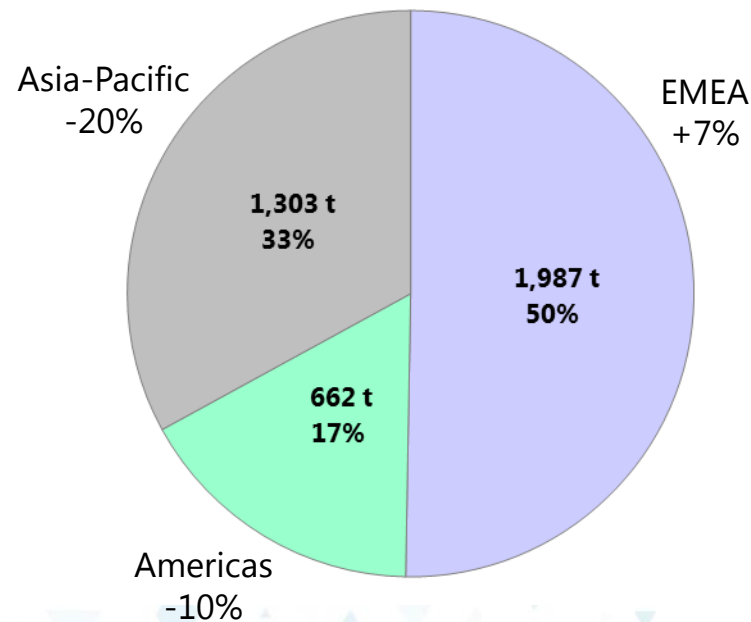
- *Core business in growth*
- *Consumer Electronics: lower volumes & anticipated H2 weighting*
- *Front-end investment supported through cost efficiency*
- *More favourable currency environment*
- *A balanced and differentiated strategy*



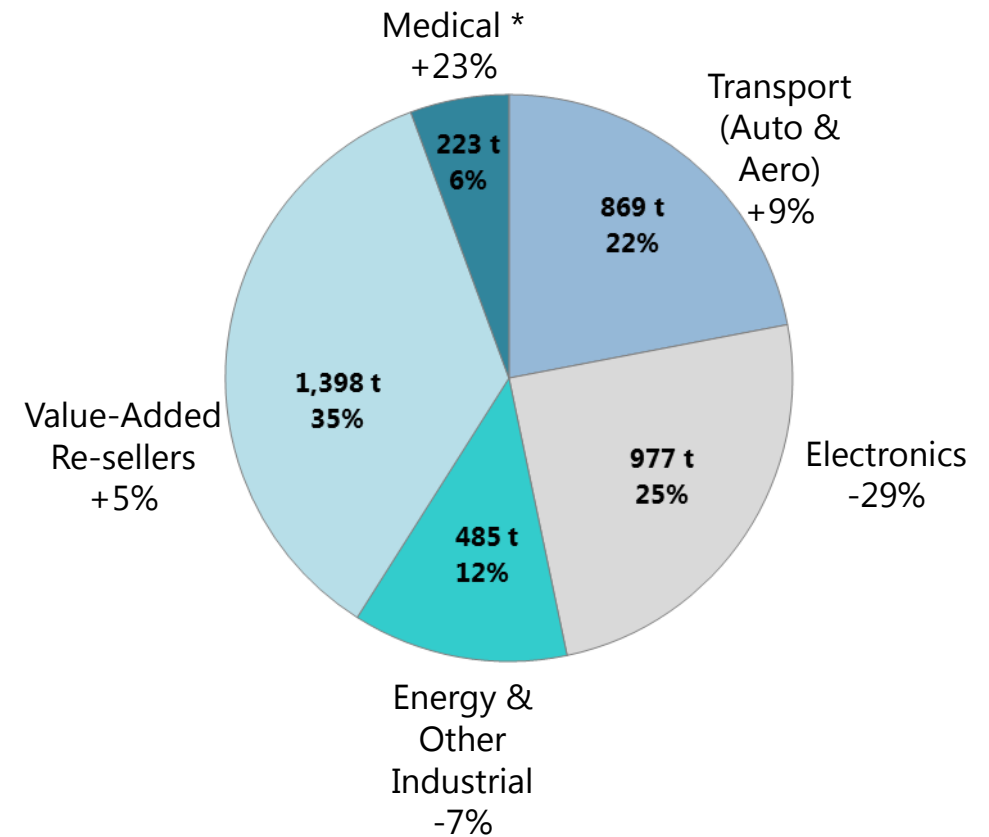
2016: 3,952 tonnes

2015: 4,217 tonnes

Volume by Region



Volume by Industry**



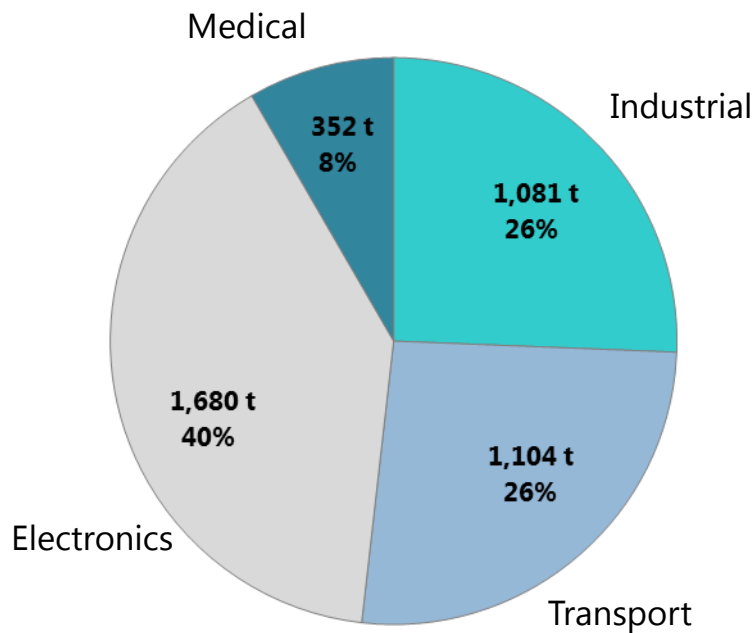
* Medical volume reflects both non-implantable and implantable volumes

** Growth % calculated using FY16 vs FY15 revised market splits

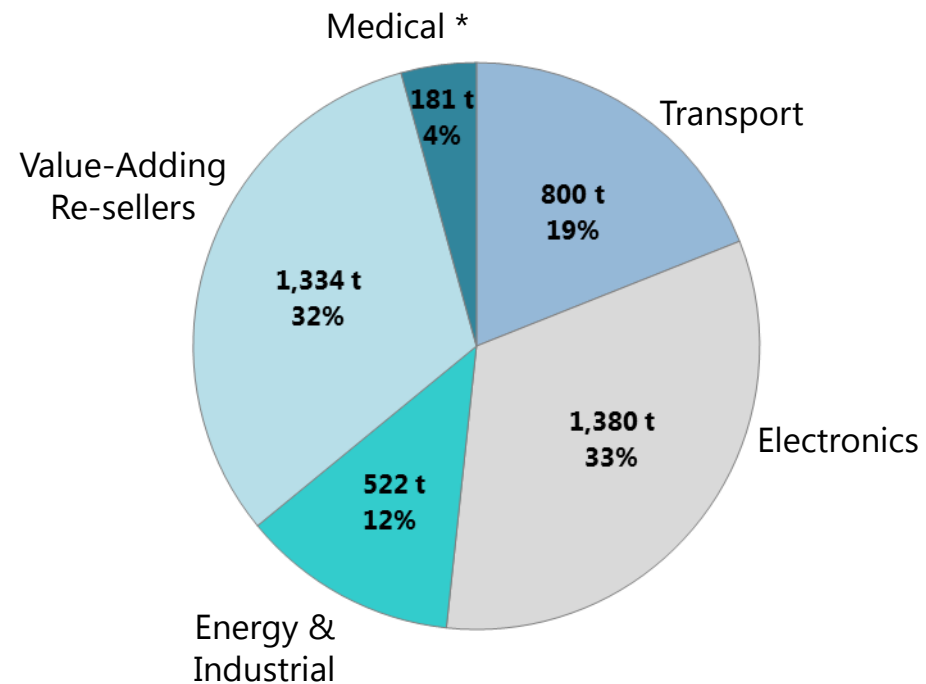
Group end markets – comparatives

2015: 4,217 tonnes

**Volume by Industry –
FY 2015 old split**



**Volume by Industry –
FY 2015 revised split**



Market splits revised in 2016

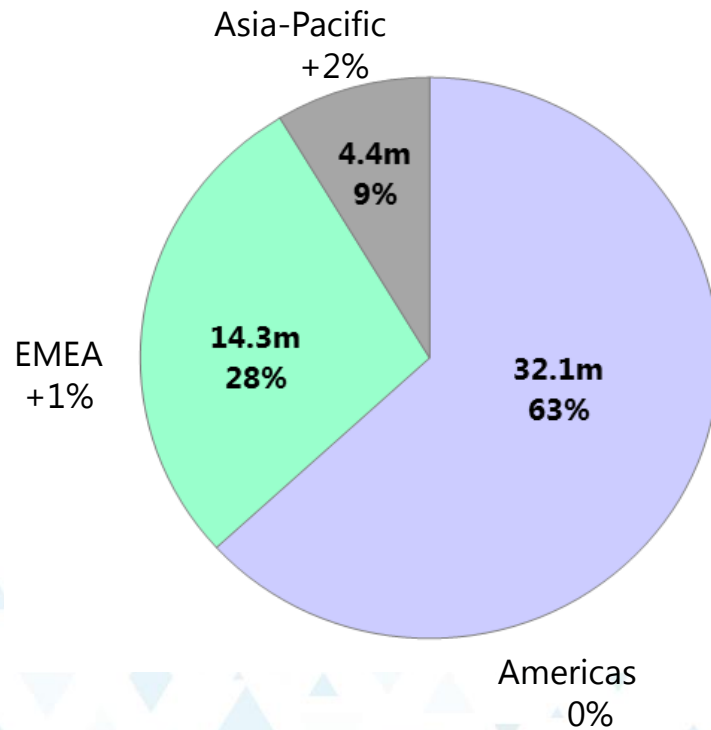
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Medical: key markets

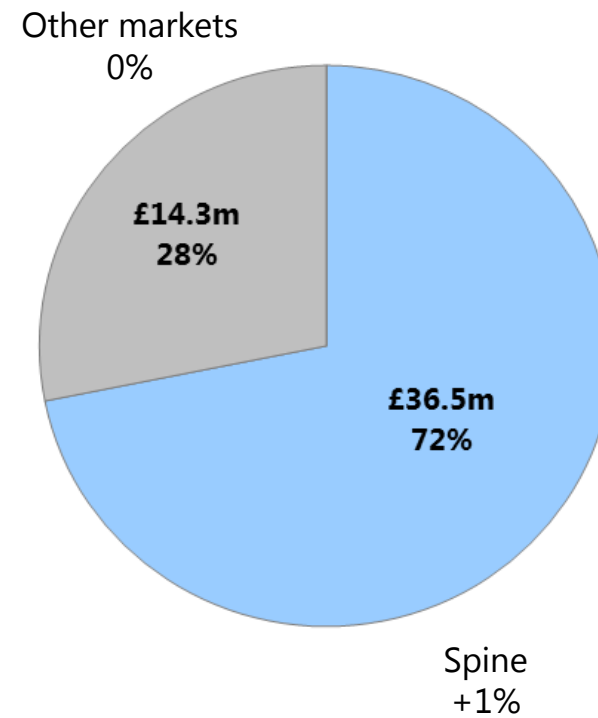
2016: £50.8m

2015: £50.5m

Revenue by Region



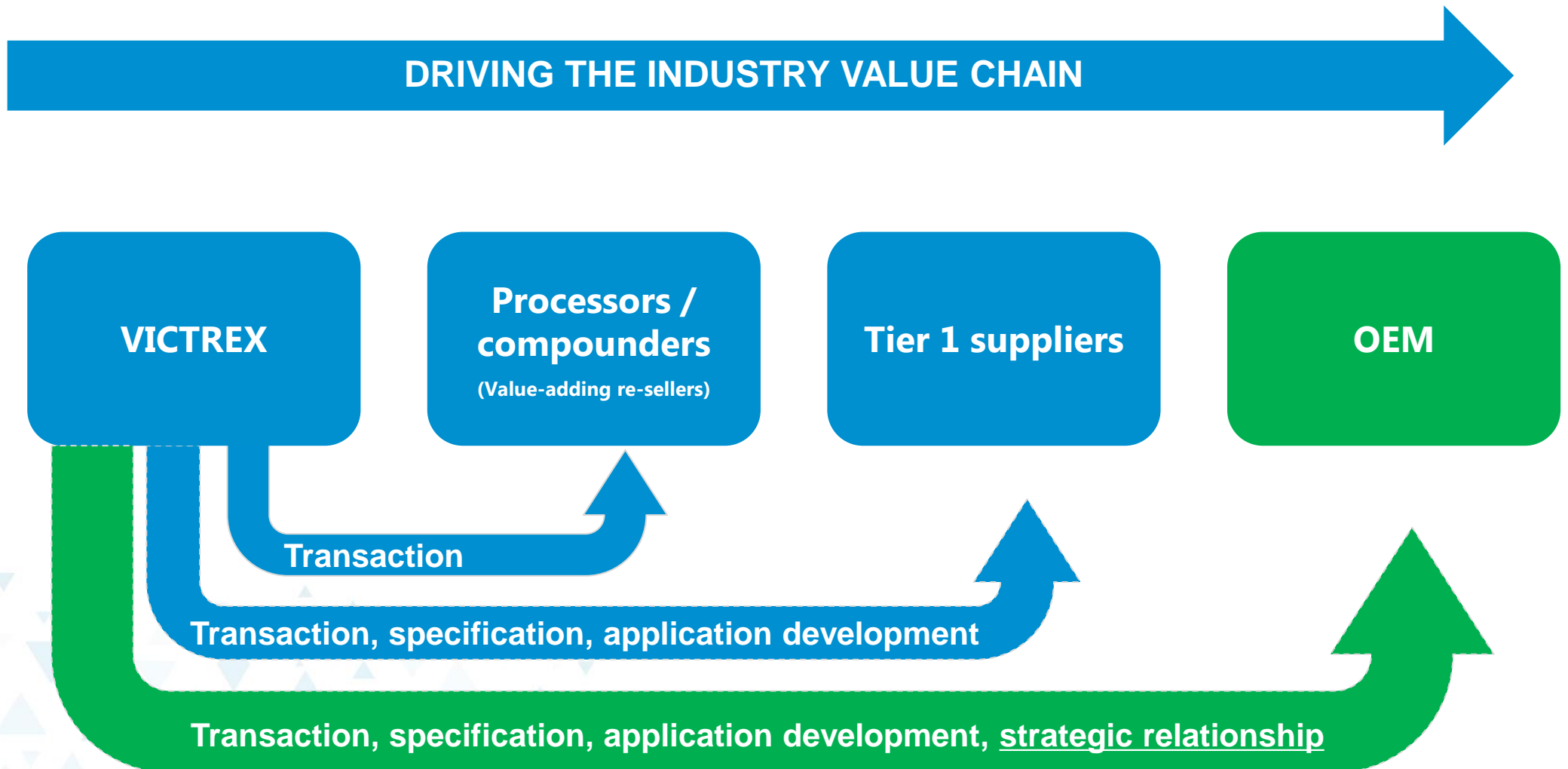
Revenue by Market



Business Unit income statements

	Industrial (VPS)			Medical (Invibio)		
Year ended 30 September	2016	2015	Change	2016	2015	Change
	£m	£m	%	£m	£m	%
Revenue	<u>201.5</u>	<u>213.0</u>	-5%	<u>50.8</u>	<u>50.5</u>	1%
Gross profit	114.2	123.9	-8%	44.5	44.3	0%
<i>Gross margin</i>	<i>56.7%</i>	<i>58.2%</i>	<i>(1.5%) pts</i>	<i>87.6%</i>	<i>87.7%</i>	<i>(0.1%) pts</i>

How we go to market



Moving downstream: value creation

MOVING DOWNSTREAM

Material

< 5% value share

**Semi-finished
or components**

*10-15% value
share*

**Finished or
devices**

*15-30% value
share*

**Materials
manufacturer**

**Downstream
development**

**Downstream
manufacturing**

**Sales &
distribution**

End markets

Move downstream:

- *Increase value share*
- *Increase differentiation*
- *IP and know-how*



From polymer to parts

Downstream
Manufacturing

Investment in facilities to increase application development

Key Material

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

PEEK

7,150t

Upstream
Capacity

No.1 PAEK
manufacturing capacity



35+
years

Shaping
Future
Performance

Differentiation through market-led innovation based on technical excellence and product leadership

An Innovative World Leader in High Performance Polymer Solutions

Financial
Performance

c£1.5bn

Market Value

FTSE 250, listed since 1995

£250+m

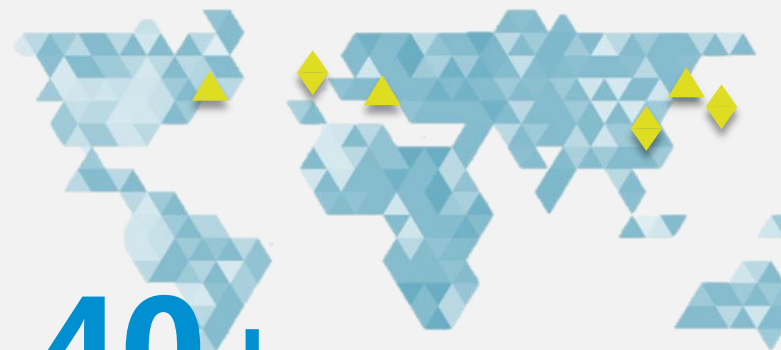
Revenue 2016

Global
Presence



700+

Employees in
16 Countries



40+

Countries are served
by Victrex across our
markets

97%

Revenue generated
outside the UK

Global
Technical
Excellence

Technical centres in the UK,
China and Japan plus offices
in the US, Germany & Korea