



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

Victrex plc Interim results
16 May 2016



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Shaping **Future Performance**

Robust core business with H2 expectations supporting full year outlook



H1 16 Highlights

- **Robust core business offset by Consumer Electronics and Oil & Gas**
 - Q2 core volumes (ex Cons Elec) >900 tonnes and in-line with record Q2 2015
 - Automotive & Aerospace in growth, Medical solid
 - H1 performance offset by Electronics (down 42%) and Oil & Gas softness (down 28%)
 - Gross margin reflects annualised new plant costs
- **Strong progress developing the pipeline; early commercialisation**
 - Kleiss acquisition accelerates Gears; major OEM prototype orders
 - Magma Oil & Gas mega-programme on track for meaningful revenue in FY16
 - Aerospace composites progressing towards qualification
 - New polymer grades being developed for multiple markets
 - Further progress in PEEK-Optima® HA-Enhanced; regulatory submissions doubled
- **Downstream manufacturing investments in progress**
 - PEEK/composite tape line underpins Aerospace, Medical & Magma mega-programmes
 - New Trauma plate facility currently being commissioned
 - Commenced Polymer Innovation Centre; supports new Victrex-led 3D printing consortium
- **Strong cash generation**
 - Net cash up 7% to £45.3m
 - Interim dividend of 11.73p (H1 15: 11.73p)

H1 Group income statement

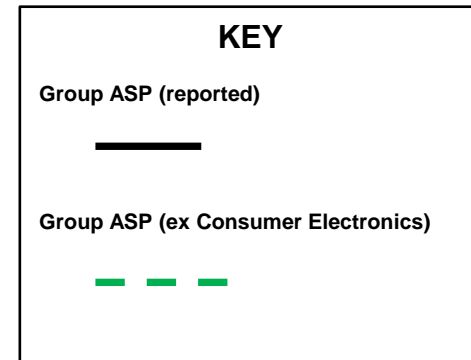
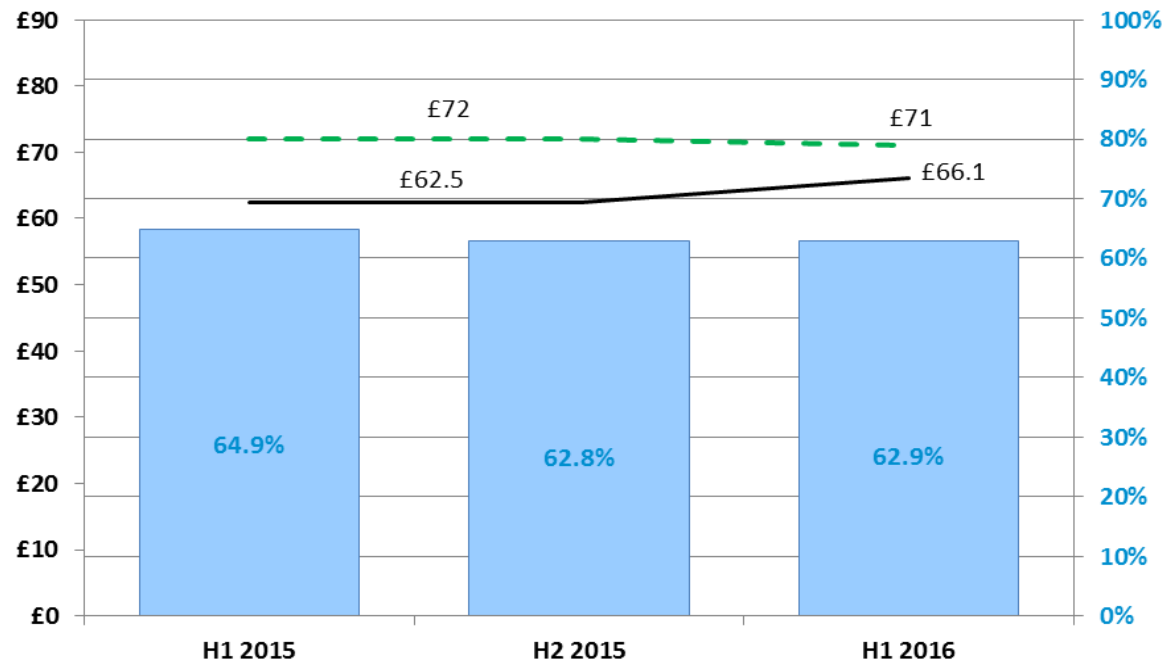
Half year ended 31 March	H1 2016 £m	H1 2015 £m	Change %
Revenue	117.0	130.3	- 10%
Gross profit	73.6	84.5	- 13%
<i>Gross margin %</i>	62.9%	64.9%	- 200bps
Overheads	(26.1)	(30.8)	- 15%
Interest	0.0	0.2	
Profit before tax	47.5	53.9	- 12%
Earnings per share	45.5p	49.8p	- 9%
Dividend per share	11.73p	11.73p	flat

- Annualised new plant costs in H1 16

Pricing slightly ahead

£/kg Average selling price (ASP)

Gross margin (GM) %



- **ASP reflects improved mix**
 - *Lower Consumer Electronics*
 - *H1 16 ASP ex-Consumer Electronics and FX £71/kg*

FY16 currency adverse; FY17 tailwind

Average exchange rates

	2015 H1	2016 H1	2016* Year	2017* Year	Exchange rate sensitivity #
\$/£	1.66	1.55	1.54	1.45	£5.1m
€/£	1.23	1.37	1.36	1.28	£3.2m
¥/£	172	182	183	159	£0.7m

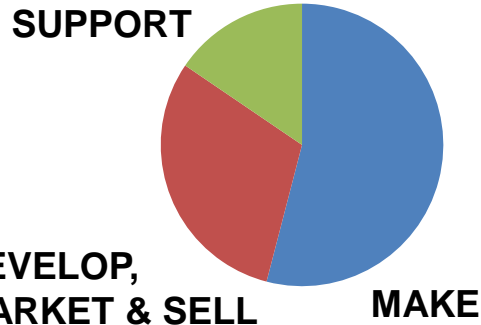
- **FY16 currency c£1m adverse**
- **FY17 currency c£10m tailwind at current rates**

* 2016 and 2017 year estimates based on forecast sales volume, currency hedging already in place and spot exchange rates as at 6 May 2016

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

Invest to support downstream strategy

Split of Victrex employees 2015



In-line with strategy, focus of investment shifting from primary manufacturing (MAKE and SUPPORT) to secondary manufacturing (Downstream)

Further investment in DEVELOP, MARKET, SELL to drive adoption

Front-end investment in Technical, Marketing, Sales

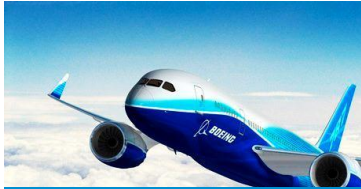


DOWNSTREAM MANUFACTURING KNOW-HOW (Technical)	DOWNSTREAM ASSETS, SKILLS & CAPABILITY (All)	MARKET ACCESS (Marketing)	REGULATORY (Technical/Quality)	DRIVE ADOPTION (Marketing & Sales)
Continue 	Invest & M&A 	Continue 	Continue 	Further invest 

P&L themes: short and long term

SHORT TERM (1-2 YEARS)	LONG TERM (2 YEARS +)
FILL RATE <ul style="list-style-type: none"> • <i>Solid core business + incremental growth</i> • <i>Mega-programme early commercialisation</i> • <i>New plant costs in P&L</i> • <i>Resource focus to support GM%</i> 	FILL RATE <ul style="list-style-type: none"> • <i>Solid core business + breakthrough applications</i> • <i>Mega-programme delivery</i> • <i>Enhanced plant efficiency</i> • <i>Gross profit vs GM% ; increase value share</i>
CONSUMER ELECTRONICS <ul style="list-style-type: none"> • <i>Current large order; single customer</i> 	CONSUMER ELECTRONICS <ul style="list-style-type: none"> • <i>New solutions & industry wide opportunity</i>
MEGA-PROGRAMMES <ul style="list-style-type: none"> • <i>Downstream investment: manufacturing & capability</i> • <i>Selective M&A or partnerships to accelerate</i> • <i>Milestones to meaningful revenue</i> 	MEGA-PROGRAMMES <ul style="list-style-type: none"> • <i>Downstream adoption, execution and growth</i> • <i>Volume & value applications:</i> <ul style="list-style-type: none"> • <i>Magma, Aerospace, Automotive</i> • <i>HA-Enhanced, Dental, Trauma, Knee</i>

Performance update: Industrial & Medical



Aerospace



Automotive



Electronics



Energy



Medical



Industrial update (VPS)



- **Continued penetration; new applications in development**

- *H1 Transport volumes up 7% (Automotive up 6%)*
- *Acquisition accelerates Gears opportunity; major OEM prototyping*



- **Aerospace composite opportunities progressing well**

- *H1 Aerospace volumes up 8%*
- *PEEK composites gaining acceptance; sizeable opportunity*



- **Further oil price impact; continued Magma progress**

- *H1 Energy & Industrial volumes down 14% (Oil & Gas down 28%)*
- *Magma approaching meaningful revenue; composite intervention pipe*



- **Lower Consumer Electronics; new solutions**

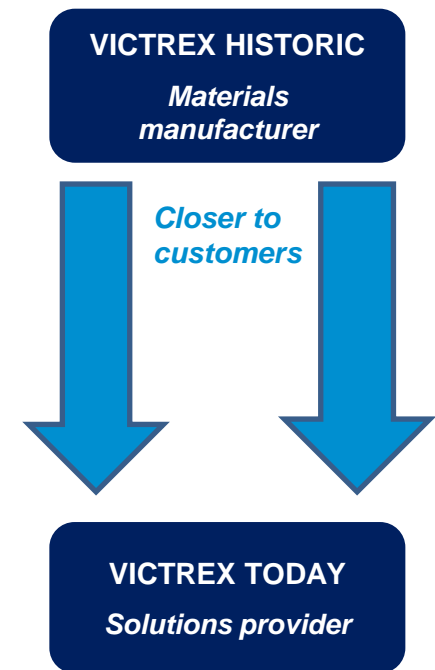
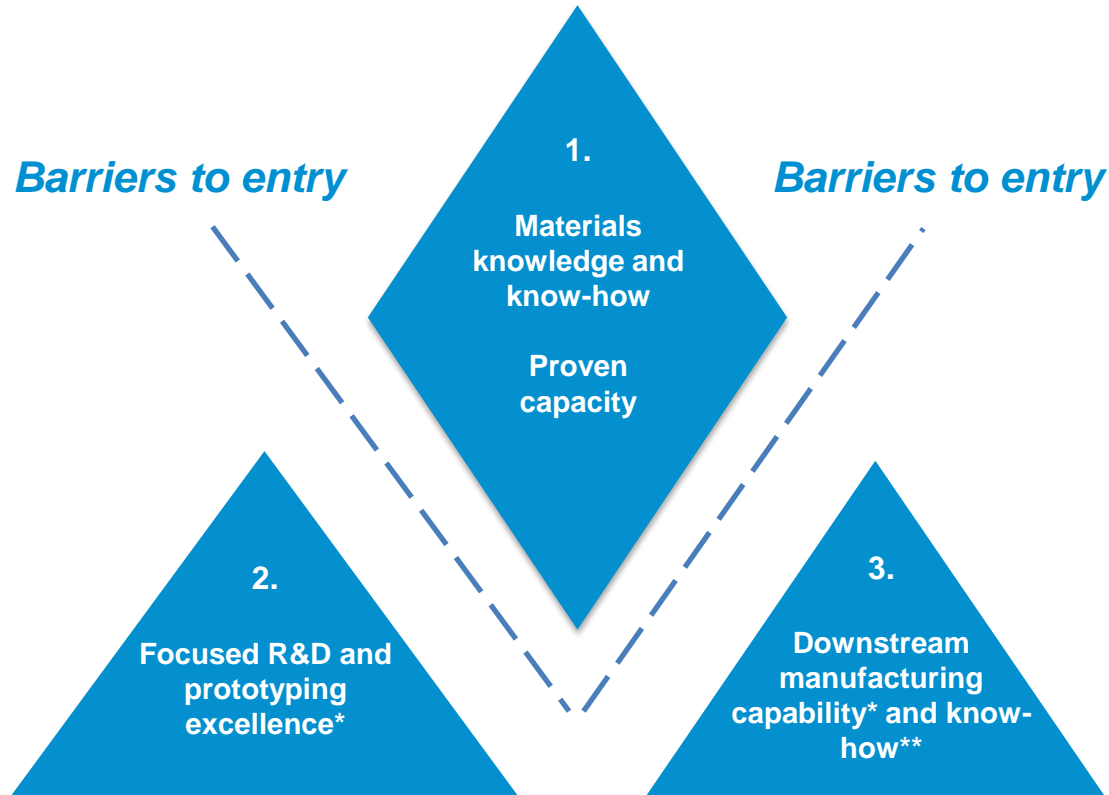
- *H1 Electronics volumes down 42%, re-phased to H2 16*
- *New solutions to capture market-wide opportunities*

Medical update (Invibio)



- **Spine performance broadly in line:**
 - *US Spine market remains muted*
 - *Continued progress in new geographies – Asia up 13%*
- **Further progress in PEEK-Optima® HA-Enhanced:**
 - *Differentiated product*
 - *Doubling of regulatory submissions to >30*
 - *Pending submissions in Brazil/Colombia*
- **US FTC inquiry resolution:**
 - *Not admitted any violation of any law*
 - *No penalties or fines*
 - *Do not expect a material impact on our business*

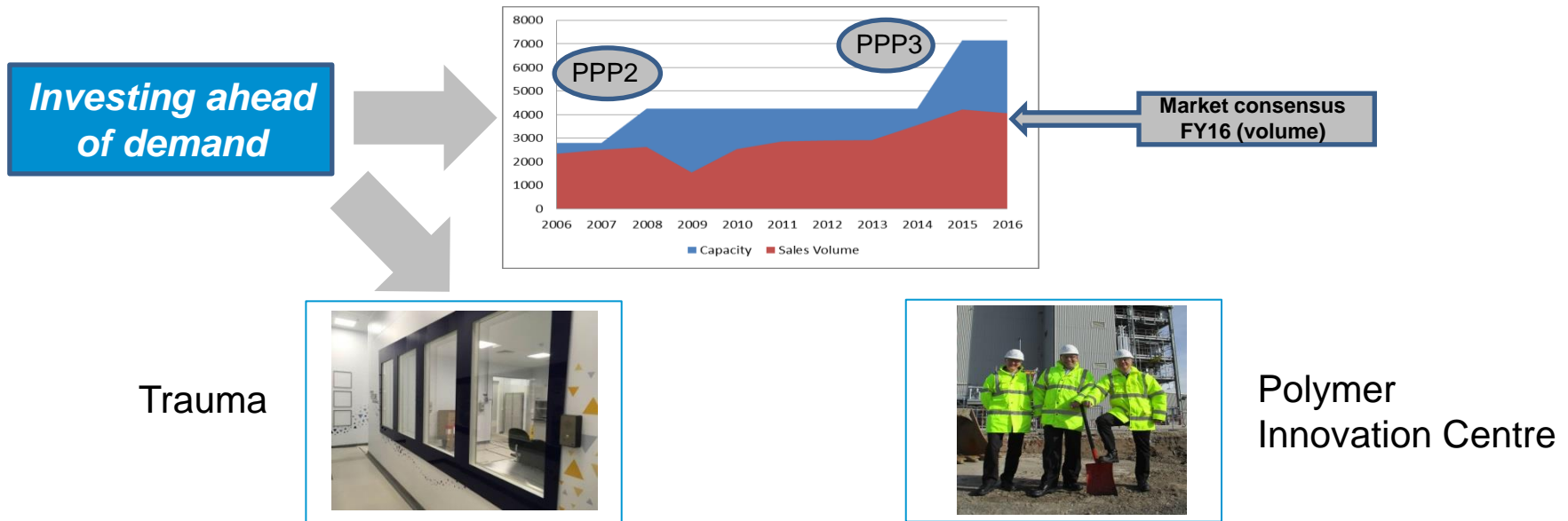
Strategic priorities: Differentiation



* Protectable IP

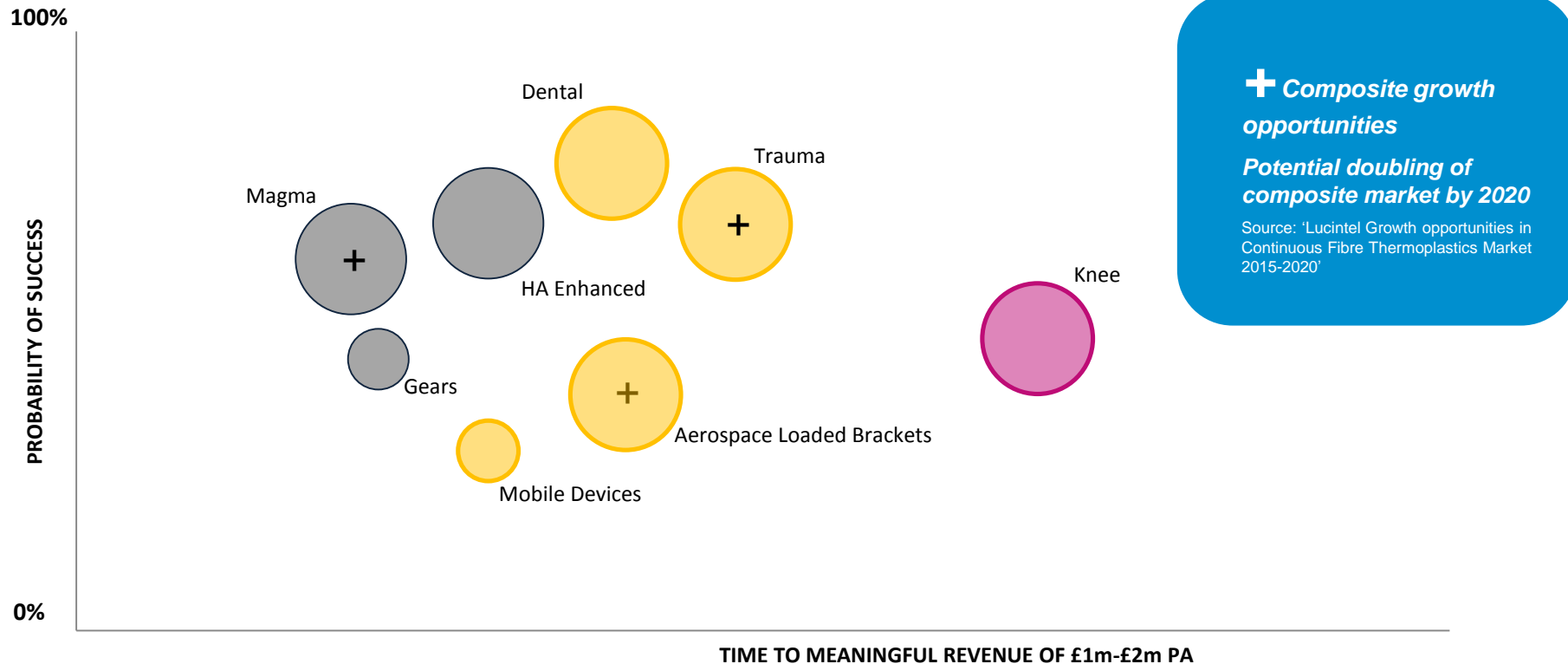
** Protectable downstream components, devices and semi-finished products, eg Knee, Dental, Tape, Pipe, Film

Strategic priorities: Downstream investment



- **Potential M&A opportunities & partnerships under review**
 - *Downstream opportunities in each market; potential to accelerate mega-programmes*
- **Downstream manufacturing investments in progress**
 - *Polymer Innovation Centre to support new grades, composites, 3D printing*
 - *PEEK composite tape line (Magma, Aerospace, Medical)*
 - *Trauma plate manufacturing facility*

Strategic priorities: Strong pipeline















Pipeline milestones






Progress across all mega and major programmes:

- *Magma: on track for meaningful revenue in FY16; longest composite intervention pipe*
- *PEEK-Optima® HA-Enhanced: submissions doubled and >500 patient implants*
- *Dental: secured over 30 sales distribution deals; sales progress*
- *Trauma: committed agreement signed with major partner*
- *Knee: clinical trial to commence by end of 2016; pre-clinical work complete*
- *Aerospace loaded brackets: PEEK composites progressing to qualification stage*
- *Electronics: new solutions in development; market wide opportunities*
- *Gears: Acquisition accelerates commercialisation; major OEM prototype orders*

Group outlook: H2 2016*

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

Key:

-  Optimistic
-  Neutral
-  Cautious

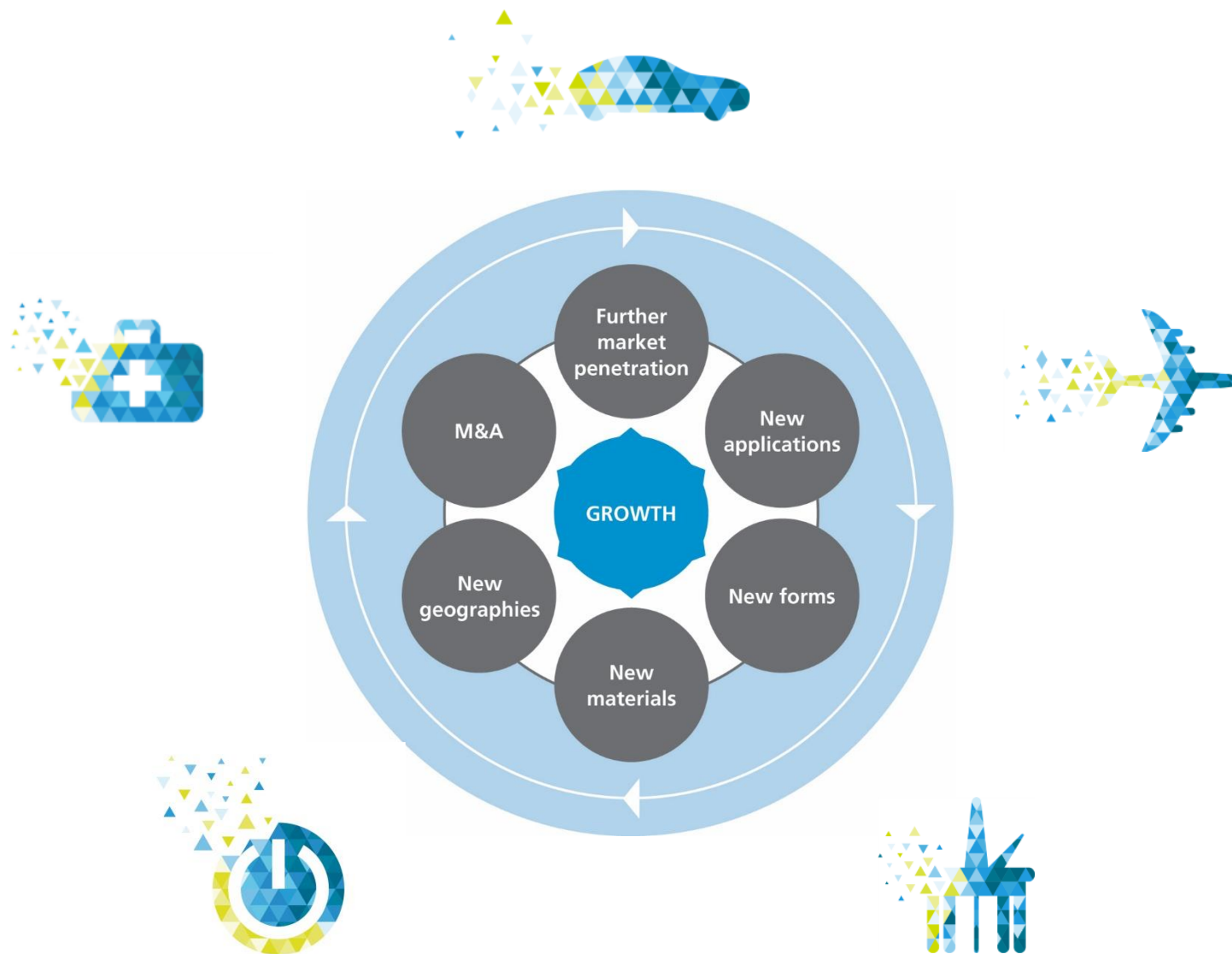
*** Indicative outlook for our markets for H2 2016**

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

H1 2016 takeaways

“Robust core business with H2 expectations supporting full year outlook”

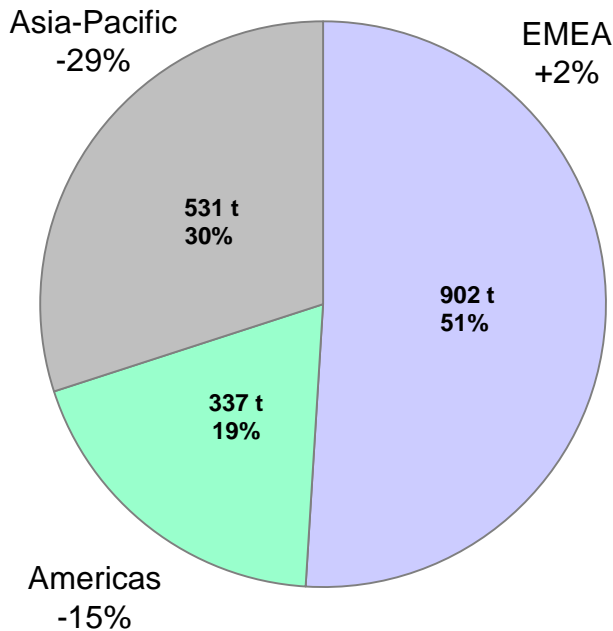
- *Expected H2 improvement*
- *Strong pipeline and early commercialisation*
- *Continued investment and M&A/partnerships to drive growth*
- *The right strategy for today.... and tomorrow*



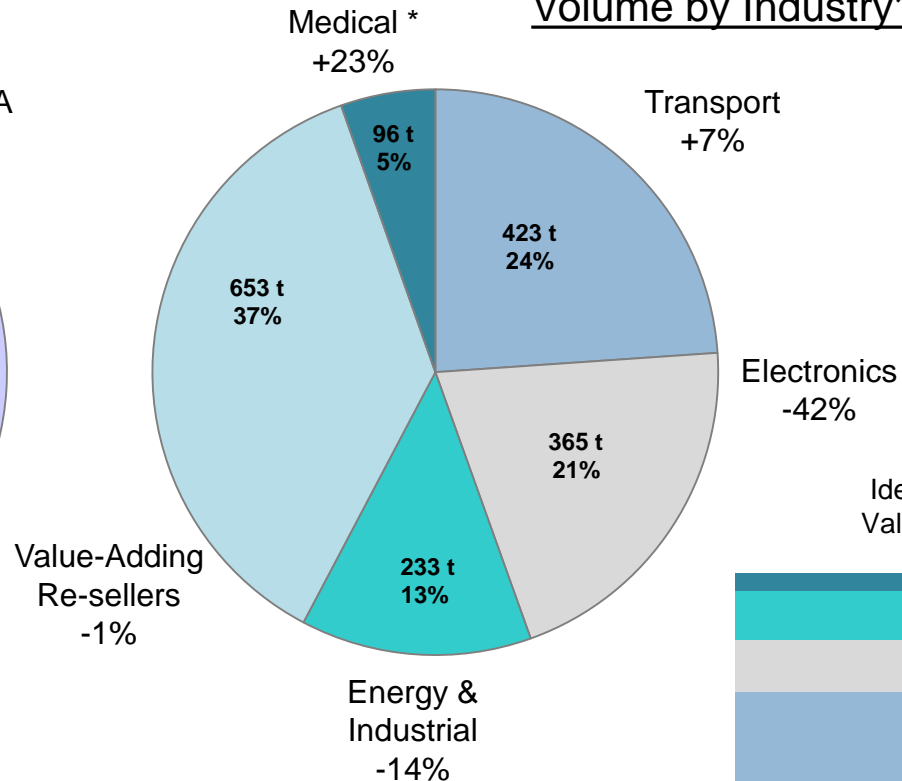
Group end markets

H1 2016: 1,770 tonnes
(H1 2015: 2,028 tonnes)

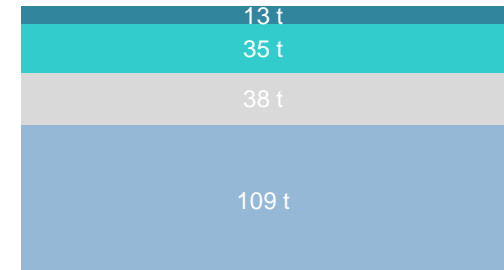
Volume by Region



Volume by Industry**



Identified end market of
Value-Adding Re-sellers:



Market splits revised in FY16

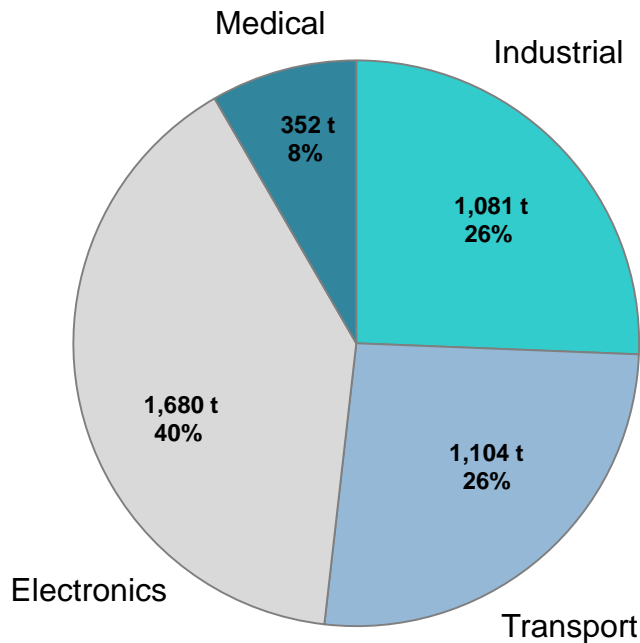
* Medical volume reflects both non-implantable and implantable volumes

** Growth % calculated using H1 16 vs H1 15 revised market splits

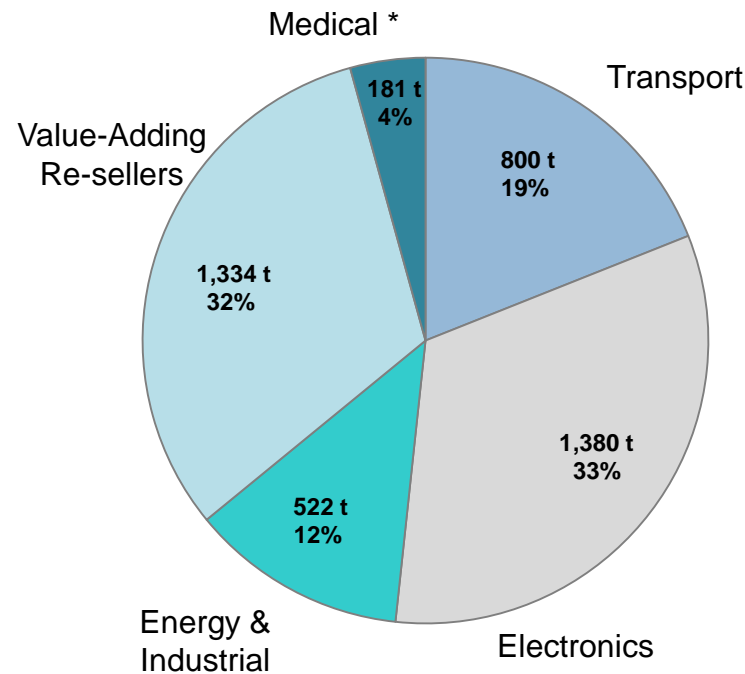
Industry split comparatives

FY 2015: 4,217 tonnes

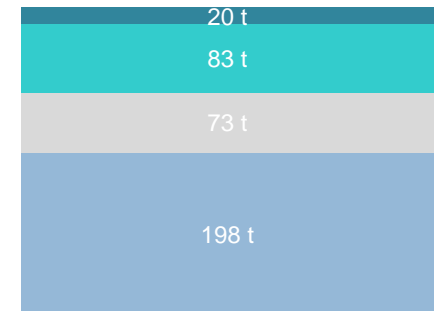
Volume by Industry –
FY 2015 old split



Volume by Industry –
FY 2015 revised split



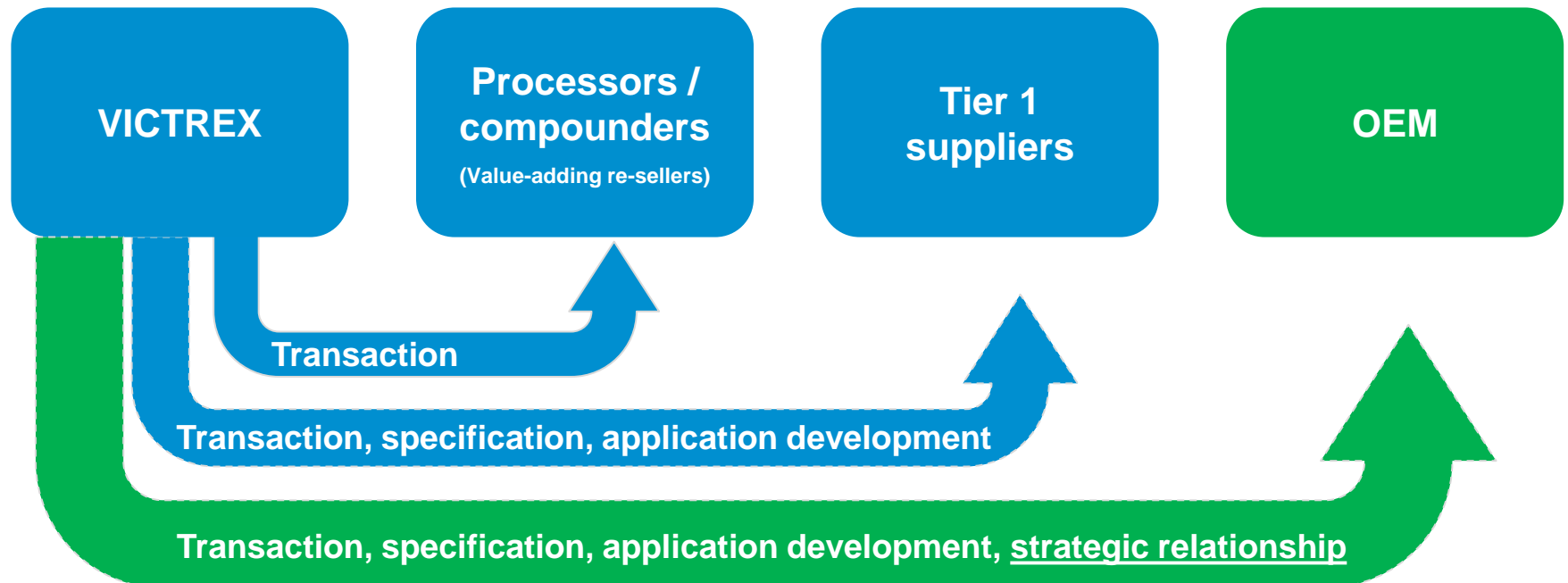
Identified end market of
Value-Adding Re-sellers:



Market splits revised in FY16

How we go to market

DRIVING THE INDUSTRY VALUE CHAIN



Strategic priorities: Moving downstream

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

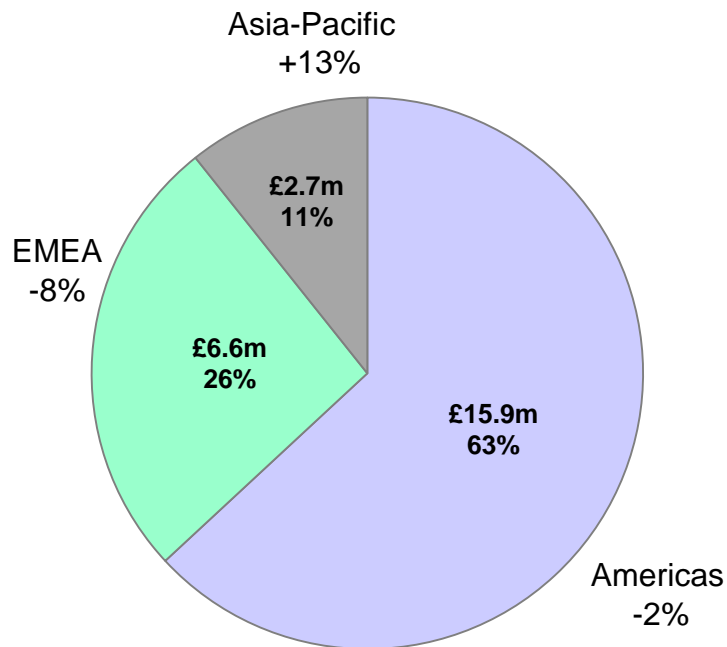
Move downstream:

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

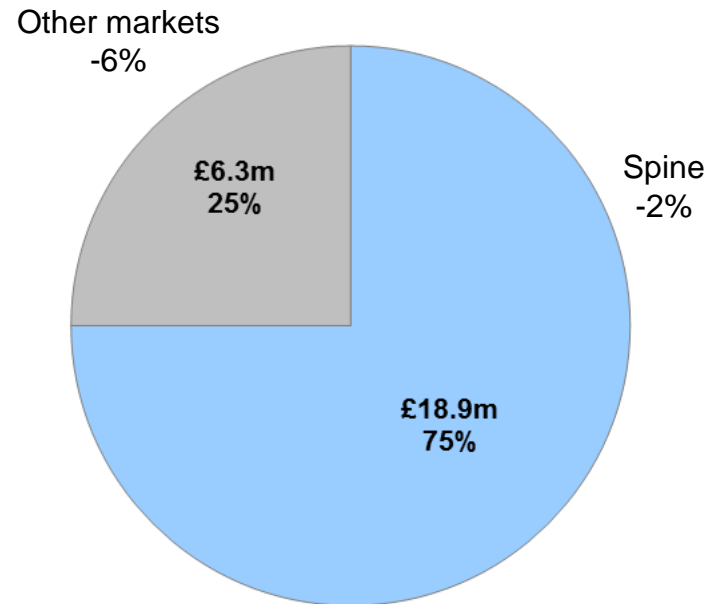
Medical: key markets

H1 2016: £25.2m
(H1 2015: £25.9m)

Revenue by Region



Revenue by Market



Business unit income statements

	Industrial (VPS)			Medical (Invivio)		
Half year ended 31 March	H1 2016	H1 2015	Change	H1 2016	H1 2015	Change
	£m	£m	%	£m	£m	%
Revenue	91.8	104.4	- 12%	25.2	25.9	- 3%
Gross profit	51.4	61.6	- 17%	22.2	22.9	- 3%
<i>Gross margin</i>	<i>56.0%</i>	<i>59.0%</i>	<i>-300bps</i>	<i>88.1%</i>	<i>88.4%</i>	<i>-30bps</i>

* VPS H1 2016 includes the post acquisition results of Kleiss Gears.



**Selling a solution,
beyond the polymer**

**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

c£1.5bn

Market Value

FTSE 250, listed since 1995

£260+m

Revenue 2015

**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