



An innovative world leader in high  
performance polymer solutions

Victrex plc  
Preliminary results  
5 December 2017



**Jakob Sigurdsson**  
Chief Executive



**Louisa Burdett**  
Group Finance Director



**Tim Cooper**  
Managing Director  
Industrial



**Martin Court**  
Managing Director  
Medical



**David Hummel**  
Executive Director

## 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 performance may differ materially from anticipated performance because of a variety of risk factors which are summarised in Victrex's Annual Report, accessed via [www.victrexplc.com](http://www.victrexplc.com)

**STRONG CORE  
GROWTH & RECORD  
CASH GENERATION**



- **Strong core business growth**
  - *Core<sup>1</sup> business volumes up >15% fully offsetting lower Consumer Electronics*
  - *Group revenue up 15%, constant currency revenue<sup>2</sup> up 3%*
  - *Strong performances in Automotive, Electronics (ex-Consumer), Value Added Resellers & Energy*
- **Further progress in new product pipeline**
  - *PEEK Gears supply agreement with major European car manufacturer in 2018*
  - *Meaningful revenue of £1m+ for PEEK-OPTIMA™ HA-Enhanced Spine product*
  - *Medium term aspiration for 10-20% of sales from new products<sup>3</sup> (FY 2017: 4%)*
- **Investment to underpin Polymer & Parts strategy**
  - *£10m acquisition of Zyex PEEK fibres business to expand semi-finished products offering*
  - *TxV Aero Composites joint-venture to develop differentiated Aerospace products*
  - *£10m Polymer Innovation Centre now operational; support prototyping & new polymer grades*
- **Record cash generation supports strong shareholder returns**
  - *Cash up 88% to £120.1m and operating cash conversion<sup>4</sup> 124%*
  - *Regular dividend up 15% and special dividend of 68p/share*

<sup>1-4</sup> Alternative performance measures are defined in the Appendix on slide 33



# P&L: STRONG TOP-LINE GROWTH

Full year (12 months) ended 30 September

	<b>FY 2017</b>	FY 2016	Change
	<b>£m</b>	£m	%
<b>Revenue</b>	<b>290.2</b>	252.3	<b>+15%</b>
<b>Gross profit</b>	<b>183.8</b>	158.7	<b>+16%</b>
<i>Gross margin %</i>	<b>63.3%</b>	62.9%	+40bps
<b>Overheads</b>	<b>(72.7)</b>	(58.4)	<b>+24%</b>
<i>Interest</i>	<b>(0.1)</b>	-	-100%
<b>Profit before tax</b>	<b>111.0</b>	100.3	<b>+11%</b>
<b>Earnings per share</b>	<b>116.4p</b>	96.8p	<b>+20%</b>
<b>Dividend per share<sup>+</sup></b>	<b>53.80p</b>	46.82p	<b>+15%</b>

- Strong core business growth**

- Sales volumes 3,992 tonnes (2016: 3,952 tonnes)*
- Core volumes up >15%*
- Total volumes up 1%*

- Cost of manufacture & operations ramp-up in H2**

- Opex reflects 'front-end' investment, bonus, minor restructuring**

<sup>+</sup> Proposed regular dividend. Dividend cover<sup>5</sup> is 2.2x (2016: 2.1x)

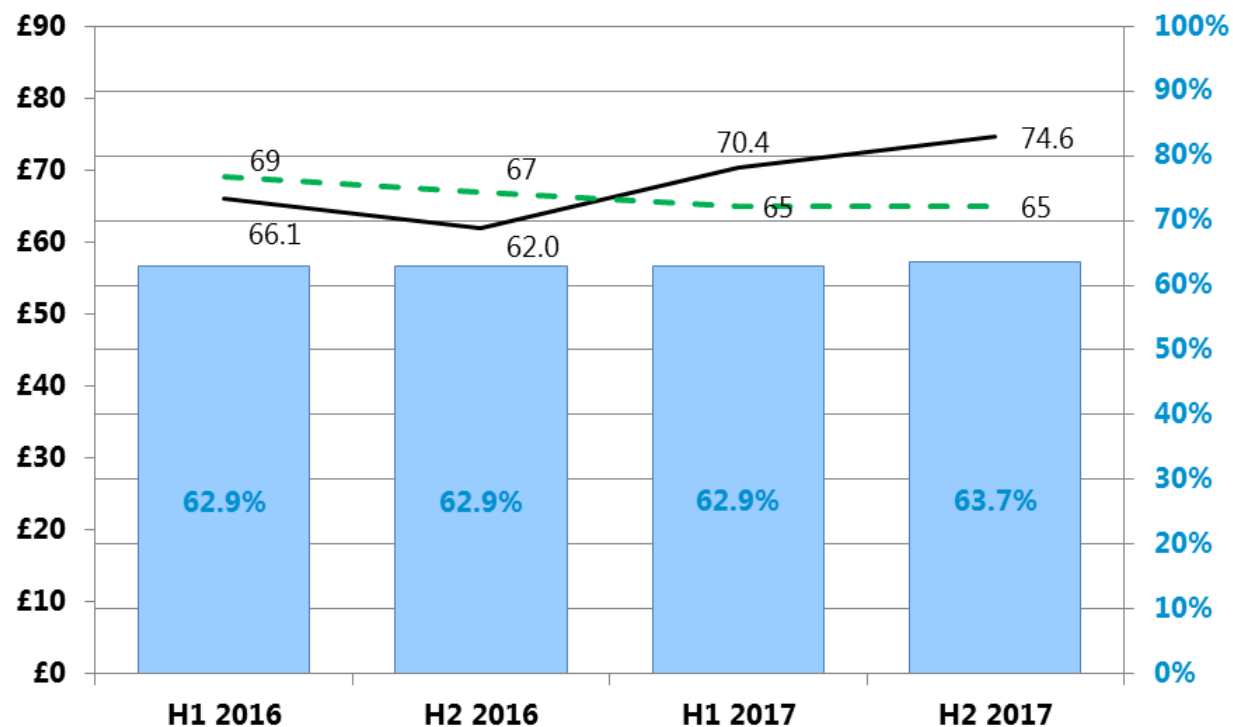
Victrex also announced a special dividend of 68p per share

<sup>5</sup> Alternative performance measures are defined in the Appendix on slide 33

# MARGIN STABLE & PRICING AHEAD

£/kg Average selling price  
(ASP)

Gross margin  
(GM) %



## KEY

— Group ASP (reported)

- - - Group ASP (constant currency ex Consumer Electronics)

- FY 2017 GM stable at 63.3% (FY 2016: 62.9%)

- FY 2017 ASP of £73/kg (FY 2016: £64/kg) reflects FX

- Core pricing broadly stable (FY 2017 ASP ex-Consumer Electronics and FX £65/kg)

# CURRENCY FAVOURABLE FOR FY 2018

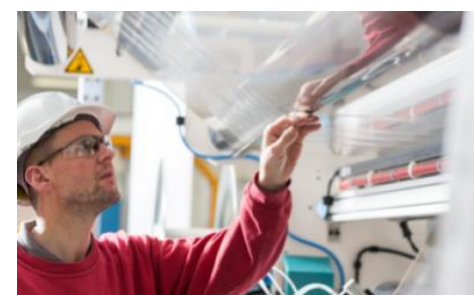
## Average exchange rates

	2016	2017	2018 <sup>1</sup>	Exchange rate sensitivity <sub>2</sub>
\$/£	1.54	1.37	1.29	£4.9m
€/£	1.35	1.23	1.12	£3.4m
¥/£	179	150	143	£0.7m

- **FY 2018 potential currency tailwind > £10m at PBT level (>80% hedging in place)**

<sup>1</sup> 2018 year estimates based on forecast sales volume, existing currency hedging in place and spot exchange rates at 24 November 2017

<sup>2</sup> Management estimate of impact on 2018 full year forecast PBT from a 5% movement in full year forecast average exchange rate



## Patent Box reflects Victrex's differentiation & unique PEEK / PAEK chemistry

- ▶ Patent Box: a UK government sponsored programme
- ▶ Encourages commercialisation of patents and R&D in the UK (offers a competitive tax regime)
- ▶ Effective tax rate anticipated to reduce to c12% #
- ▶ Patents filed and granted; in place for 20 years

# Expected tax rate from FY 2018. FRS requires tax to be recognised on the most likely outcome. The directors consider the acceptance of Patent Box in the 2017 computations to be more likely than not, although as with all tax items, HMRC reserve the right to query the Company's calculations



# RECORD CASH GENERATION

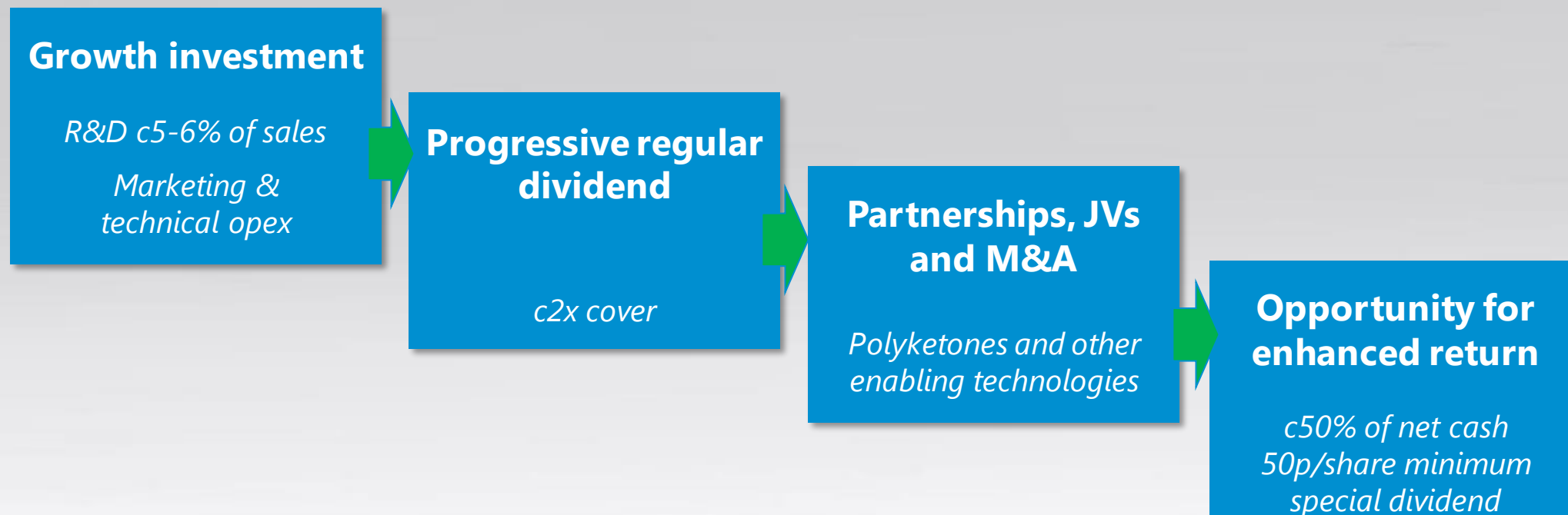
Year ended 30 September

	FY 2017 £m	FY 2016 £m
<b>Cash flows from operating activities</b>		
Cash generated from operations	137.4	96.0
Net financing interest received	-	0.1
Tax paid	(19.8)	(12.7)
<b>Net cash flow from operating activities</b>	<b>117.6</b>	<b>83.4</b>
<b>Cash flows from investing activities</b>		
Acquisition of investments	-	(10.0)
Acquisition of property, plant and equipment and intangible assets	(16.7)	(25.9)
Cash consideration of acquisitions	(9.9)	-
Cash acquired with acquisitions	0.9	-
<b>Net cash flow from investing activities</b>	<b>(25.7)</b>	<b>(35.9)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares exercised under option	5.2	1.0
Dividends paid	(40.4)	(39.9)
<b>Net cash flow from financing activities</b>	<b>(35.2)</b>	<b>(38.9)</b>
<b>Net increase in cash and cash equivalents</b>	<b>56.7</b>	<b>8.6</b>
Effect of exchange rate fluctuations on cash held	(0.6)	1.6
Cash and cash equivalents at beginning of year	64.0	53.8
<b>Cash and cash equivalents at end of year</b>	<b>120.1</b>	<b>64.0</b>

- **Highly cash generative business model underpins capital allocation policy**

# CAPITAL ALLOCATION:

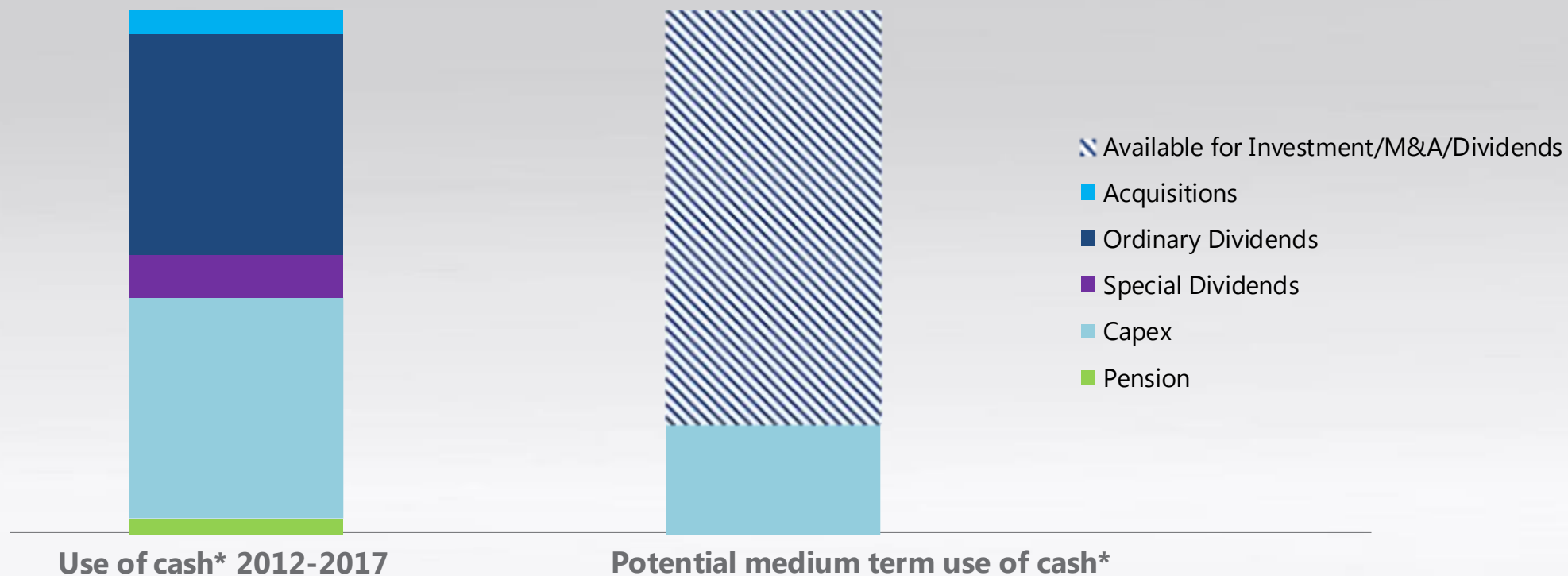
## INVESTMENT FOR GROWTH REMAINS THE PRIORITY



### Investment for growth:

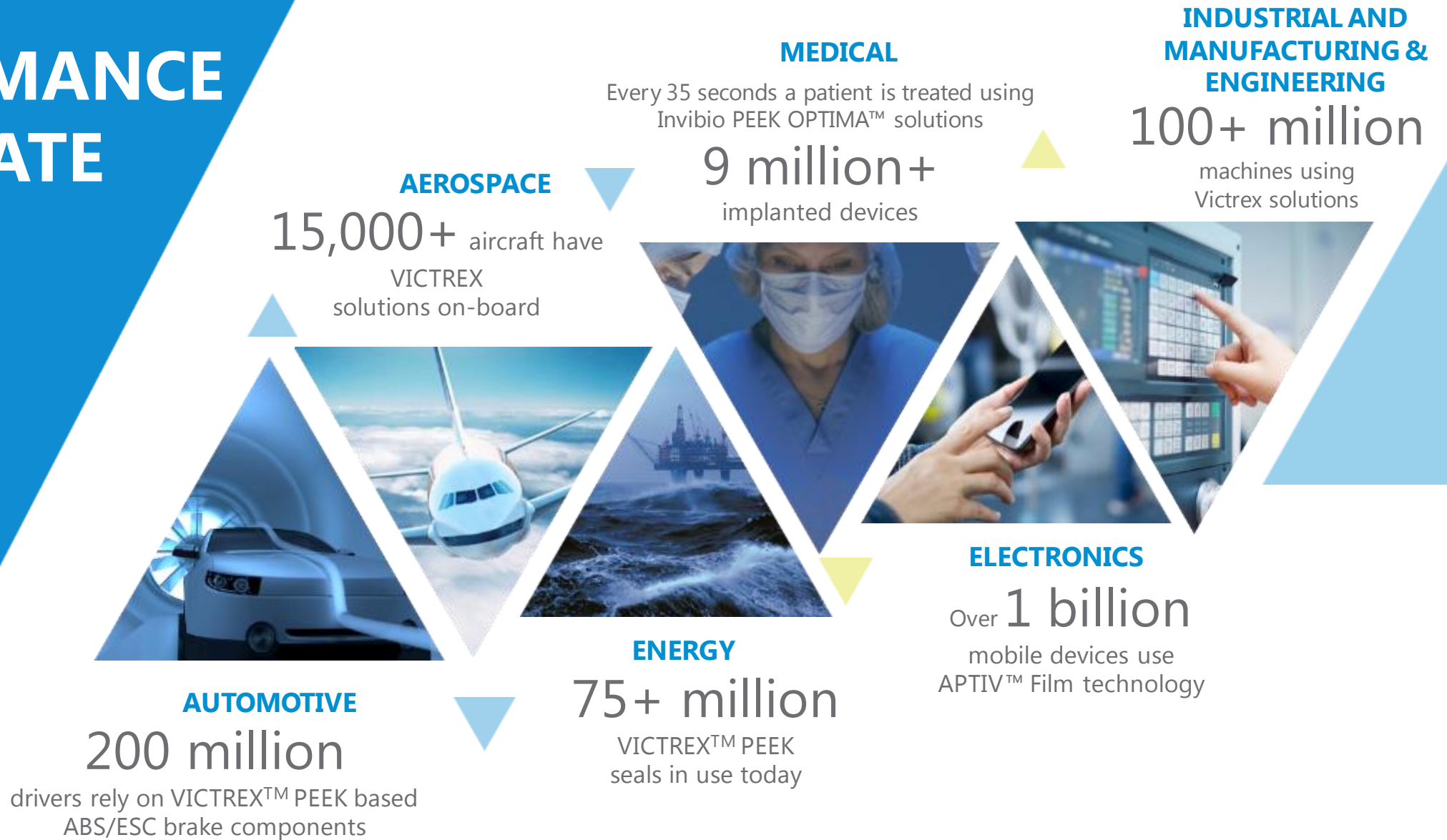
- Increase opex investment: drive pipeline adoption ("burden of proof")
- Capex guidance c£20m FY18 and £25m-£35m pa over medium term
- Invest in partnerships, JVs, alliances, M&A

# ENHANCED OPPORTUNITIES FOR RETURNS



\*Net cash flow from operating activities. Use of cash 2012-2017 does not include payment for the proposed final regular dividend in respect of FY 2017 and the special dividend (both paid in FY 2018)

# PERFORMANCE UPDATE



Every day **millions** of people rely on products and applications containing our PEEK and PAEK polymers...



# INDUSTRIAL UPDATE (VPS)

- **Automotive: core applications & Gear opportunities**
  - FY 2017 Transport volumes up 7% (Automotive up 11% vs car build up 1.5%)
  - Gears supply agreement for FY 2018; emerging EV opportunities
- **Aerospace: focus on next generation 'parts'**
  - FY 2017 Transport volumes up 7% (Aerospace down 5%)
  - TxV Aero Composites joint-venture; new facility in place H2 2018
- **Core growth in Energy & Other Industrial**
  - FY 2017 Energy & Other Industrial volumes up 14% (Oil & Gas up 15%)
  - Double-digit growth from new Manufacturing & Engineering opportunity
- **Electronics: strong growth offsetting Consumer Electronics**
  - FY 2017 Electronics (ex large Consumer Electronics order) up >40%
  - Strong semi-conductor; Home Appliances & new application areas
- **Value Added Resellers**
  - FY 2017 volumes up 21%, strong industrial performance
  - Continued market pull; opportunity to add value



# CORE BUSINESS:

## GROWTH FROM EXISTING & NEW APPLICATIONS



- **Automotive**
  - *Global expansion of powertrain applications*
- **Electronics**
  - *Growing applications in Semiconductor & Home Appliances*
- **Energy**
  - *Differentiated products*
- **Manufacturing & Engineering\***
  - *New opportunities; fluid handling & process systems*

\* M&E reports under  
Energy & Other  
Industrial

# CORE BUSINESS:


*COMMERCIAL FOCUS SUPPORTS GROWTH*



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**MORE TIME  
WITH  
CUSTOMERS**

**PARTNER &  
SERVICE  
ACCOUNTS + 17%**



**MORE BUSINESS  
REGAINED**

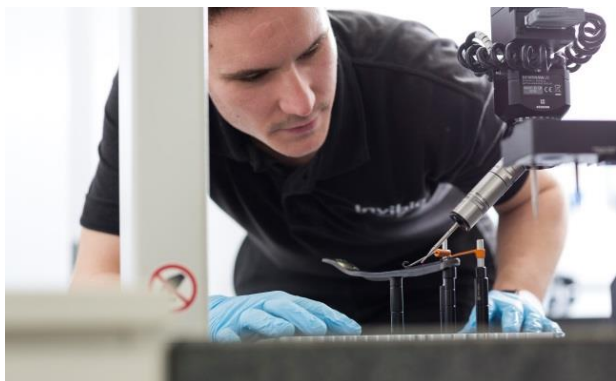
**COMPETITIVE REGAIN  
c100T regained**



**MORE NEW  
BUSINESS  
WON**

**NEW BUSINESS  
>400T won**

# MEDICAL UPDATE (INVIBIO)



- **Medical ahead, supported by FX**
  - FY 2017 Medical revenue up 6% to £53.9m
  - Non-US growth remains positive; Europe up 13%
  - Differentiated products: HA-Enhanced delivered £1m+ meaningful revenue
- **Dental: closing in on OEM partnership agreements**
  - Clinical data and "burden of proof" focus
- **Trauma: continued focus on development agreements**
- **Knee: clinical trial preparations complete**

# MEGA-PROGRAMME PROGRESS

## PEEK-OPTIMA™ HA-ENHANCED

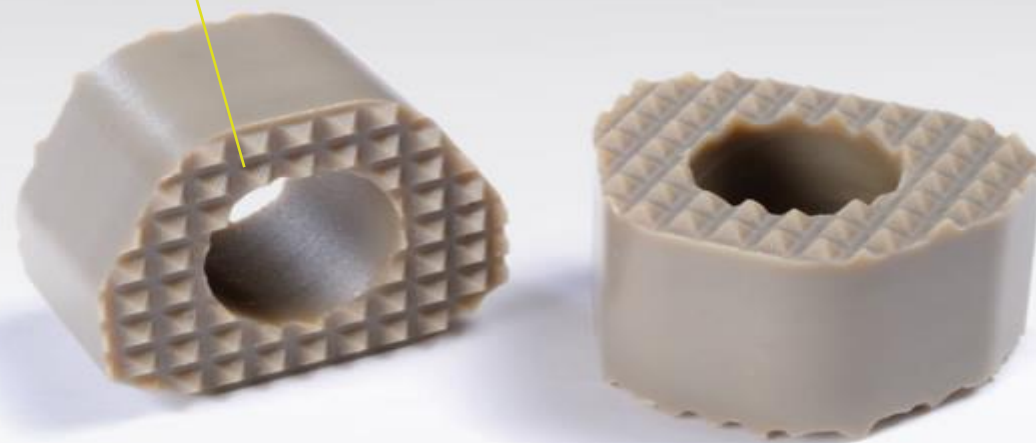
### SPINAL INTERBODY FUSION

#### PEEK-OPTIMA™ HA ENHANCED

- ✓ Premium product meeting the demand for earlier bone on-growth and greater bone formation
- ✓ Higher quality of new bone bridging



Hydroxyapatite (HA) is fully integrated into the PEEK-OPTIMA™ matrix making it available on all surfaces of a finished device



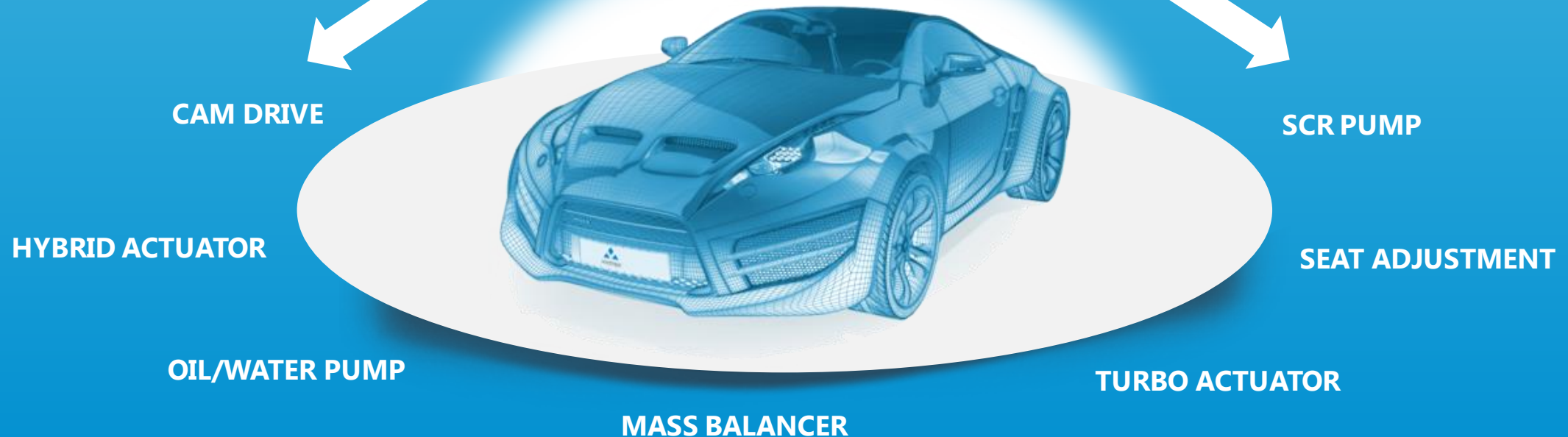
- Focused on further growth in FY 2018; clinical data & surgeon adoption
- Global adoption progressing; 28 approvals including US, Asia, Latin America

# MEGA-PROGRAMME PROGRESS

GEARS  
(VICTREX™ GEAR SOLUTIONS)

- Initial supply agreement for 2018
- Closing in on multiple major OEM agreements
- Partnership opportunities

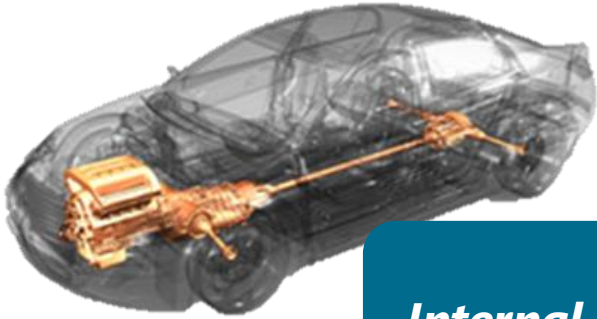
MULTIPLE APPLICATIONS





# AUTOMOTIVE

OPPORTUNITIES ACROSS  
INTERNAL COMBUSTION  
ENGINES & EVs



*Internal Combustion Engines (ICE)*

Engine  
(gears)

Transmission

Pumps  
(gears)

*Electric Vehicles (EVs)*

E-Motors

Driveline

Electr Actuators  
(gears)

*Hybrid (incl ICE & eMotor)*



SPECIFIC APPLICATIONS

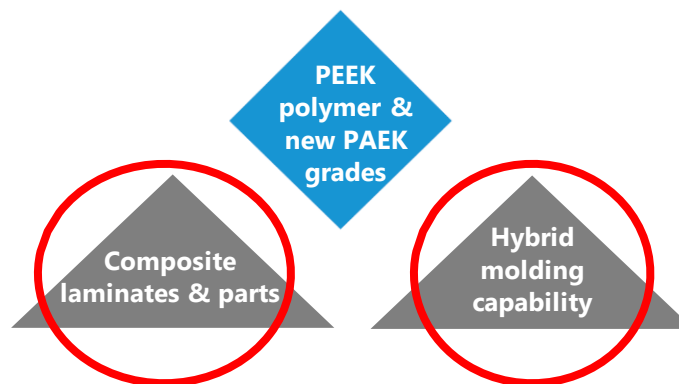


POWERTRAIN SOLUTIONS

# MEGA-PROGRAMME PROGRESS

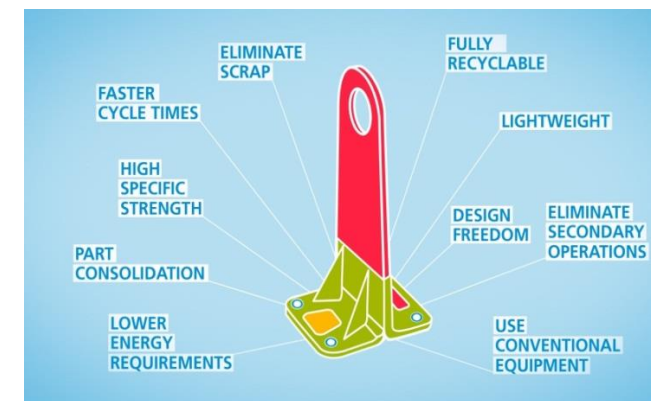
AEROSPACE  
LOADED BRACKETS

**TxV**  
AERO COMPOSITES



Differentiated solution:

> 70% weight saving  
> 20% cost saving  
Multiple applications



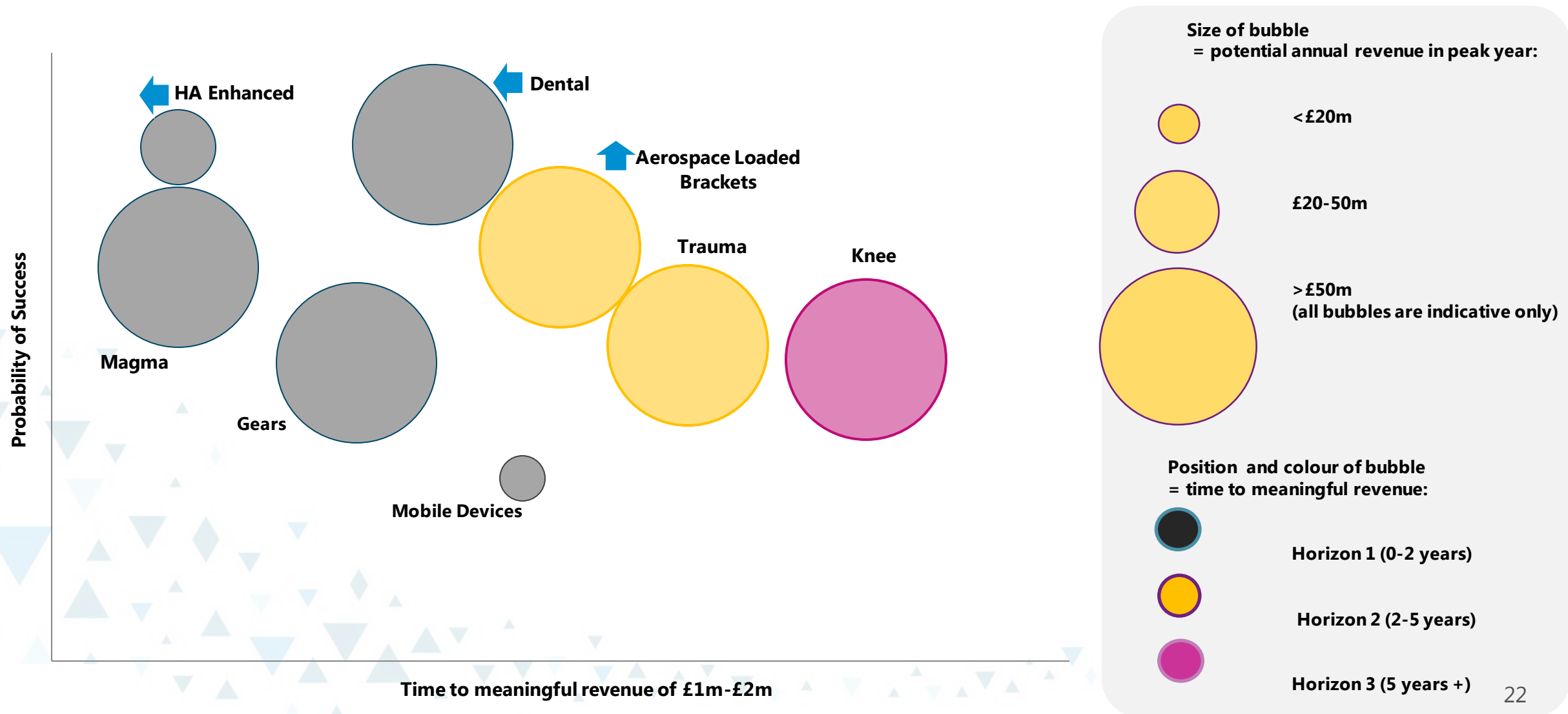
- Joint-venture with Tri-Mack to form TxV Aero Composites, £10m investment (capex/opex)
- Manufacturing facility in construction; commissioning H2 2018

# STRATEGIC PRIORITIES: PIPELINE MILESTONES

PROGRAMMES	REVENUE STATUS	2017 MILESTONES	2018 PRIORITY
MAGMA	Meaningful (£1m+)	<ul style="list-style-type: none"> <li>Rental pipe model roll-out</li> <li>ENI jumper line deployments</li> </ul>	<ul style="list-style-type: none"> <li>Gulf of Mexico &amp; Middle East deployments</li> <li>Larger pipe (6 inch) certification</li> </ul>
HA-ENHANCED	Meaningful (£1m+)	<ul style="list-style-type: none"> <li>28 global device approvals</li> <li>£1m+ meaningful revenue</li> </ul>	<ul style="list-style-type: none"> <li>Product launch in Asia</li> <li>Progress towards £2m revenue</li> </ul>
DENTAL	< £1m	<ul style="list-style-type: none"> <li>5 year clinical data – 99% satisfaction</li> <li>Malo Clinic collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Closing in on major OEM agreement</li> <li>Progress towards meaningful revenue</li> </ul>
TRAUMA	Prototype revenue	<ul style="list-style-type: none"> <li>Mid-size OEM engagement</li> <li>Carbofix / James Ellington collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Further Carbofix collaboration &amp; promotion</li> <li>Joint Development Agreement with mid-sized OEM</li> </ul>
GEARS	Prototype revenue	<ul style="list-style-type: none"> <li>First production to major European OEM in FY18</li> <li>Multiple development agreements</li> </ul>	<ul style="list-style-type: none"> <li>Multiple production agreements</li> <li>Establish partner production supply chain</li> <li>Progress towards meaningful revenue</li> </ul>
AERO BRACKETS	Prototype revenue	<ul style="list-style-type: none"> <li>TxV joint-venture</li> <li>Progress in AE250™ composites</li> </ul>	<ul style="list-style-type: none"> <li>Commission TxV facility</li> <li>1<sup>st</sup> parts supplied</li> </ul>
KNEE	n/a	<ul style="list-style-type: none"> <li>Clinical trial preparation complete</li> </ul>	<ul style="list-style-type: none"> <li>Clinical trial: patient recruitment</li> </ul>

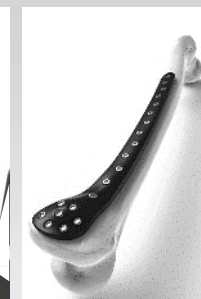
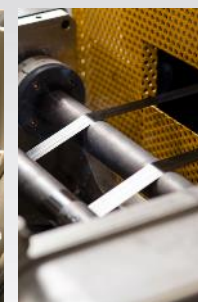


# STRATEGIC PRIORITIES: STRONG PIPELINE



# STRATEGIC PRIORITIES:

## CONTINUED PROGRESS IN SALES FROM NEW PRODUCTS



Year	2015	2016	2017	Medium term aspiration
% of Group sales** from new products or grades developed since 2014	2%	3%	4%	10-20%

\*\* Sales from new products is based on mega-programmes and other Horizon 2 (2-5 year commercialisation) pipeline products that were not sold before Victrex's 2014 financial year (FY 2014)



# STRATEGIC PRIORITIES:

## R&D INVESTMENT AND DIFFERENTIATION



- **New world class £10m Polymer Innovation Centre now operational**

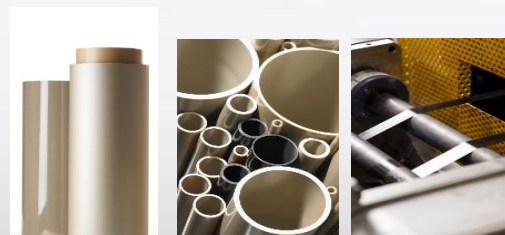
- *Process improvement for existing products*
- *Rapid prototyping / reduced time to market*
- *Support new polymer grades, new product forms, parts, 3D printing*

**PROTOTYPING**

**NEW POLYMERS,  
COMPOUNDS & GRADES**



**PRODUCT FORMS**



**SELECTED PARTS**



# SUMMARY THOUGHTS: THE FIRST 100 DAYS



**Jakob  
Sigurdsson**  
Chief Executive

## STRENGTHS



Strong global team;  
**focused** on PEEK/PAEK



**Differentiated strategy:**  
Polymer & Parts



**Healthy core business** &  
balanced portfolio



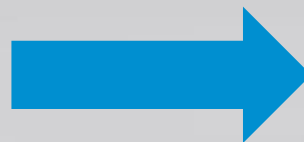
**Proven record of innovating**  
into new markets



**Strong** & diverse pipeline



**Capability to invest** &  
deliver strong returns



## FOCUS AREAS



More **core growth** opportunities



Pipeline **execution**



**Further business efficiency**


















**Acceleration opportunities:**  
Partnerships, JVs, acquisitions



**Dividend optionality**

# GROUP OUTLOOK FY 2018\*

	<b>Automotive</b>	
	<b>Electronics</b>	
	<b>Energy</b>	
	<b>Aerospace</b>	
	<b>Medical (Spine)</b>	
	<b>Medical (New markets)</b>	

Key	
Optimistic	
Neutral	
Cautious	

\* Indicative outlook for our markets for FY 2018

- ▶ **Strong core business growth**
- ▶ **New application opportunities**
- ▶ **Mega-programme progress**
- ▶ **Currency remains supportive**
- ▶ **Record cash generation & enhanced opportunities for returns**



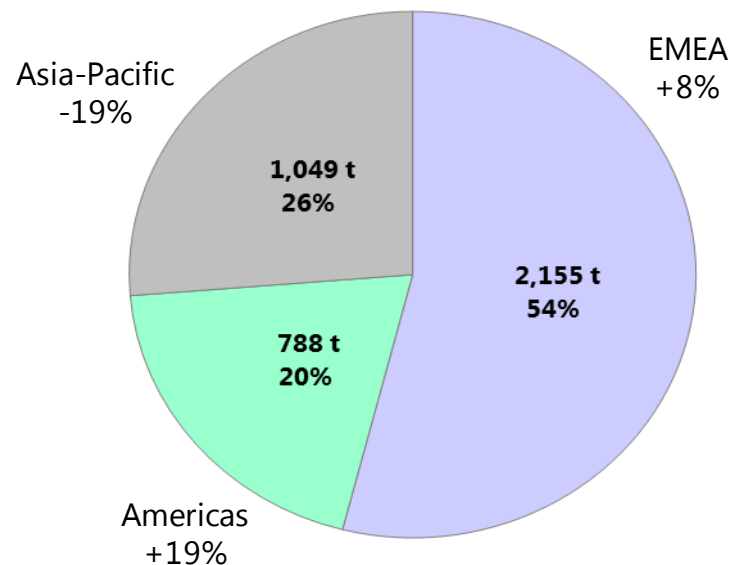
# **APPENDIX**



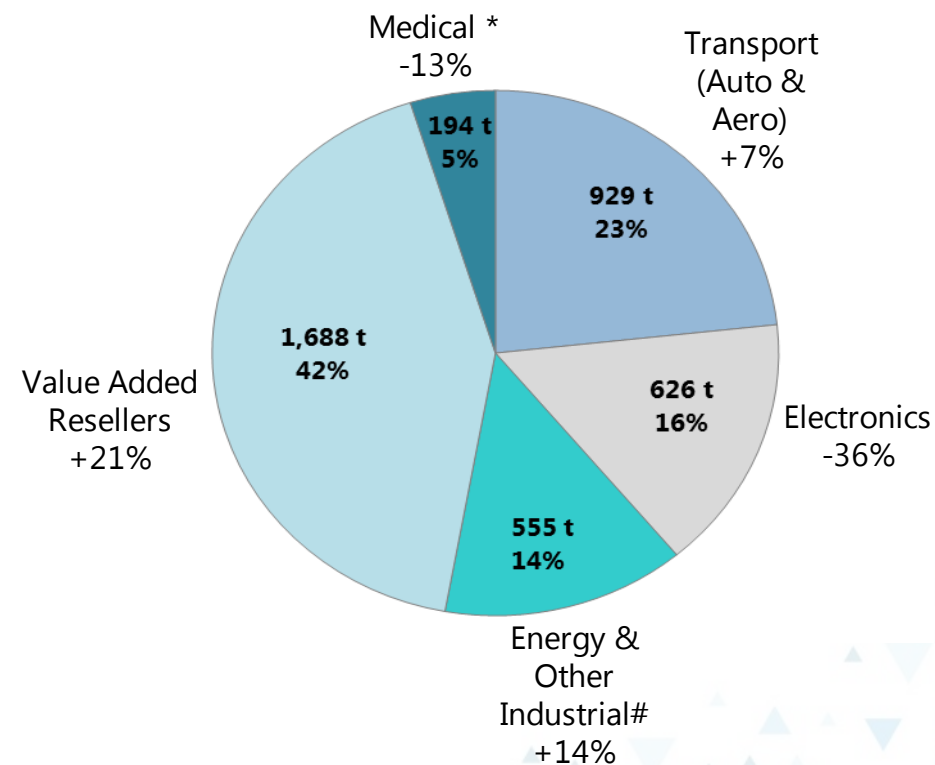
**2017: 3,992 tonnes**

**2016: 3,952 tonnes**

## Volume by Region



## Volume by Industry



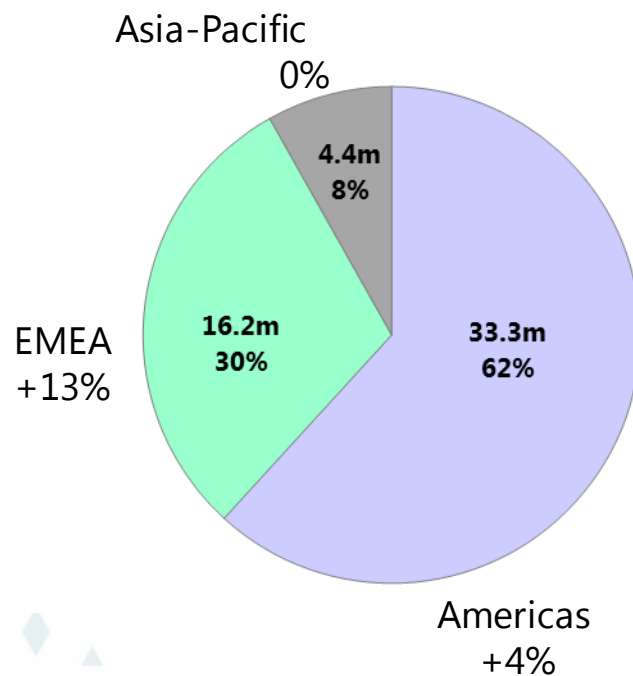
\* Medical volume reflects both non-implantable and implantable volumes

# Includes Manufacturing & Engineering volumes

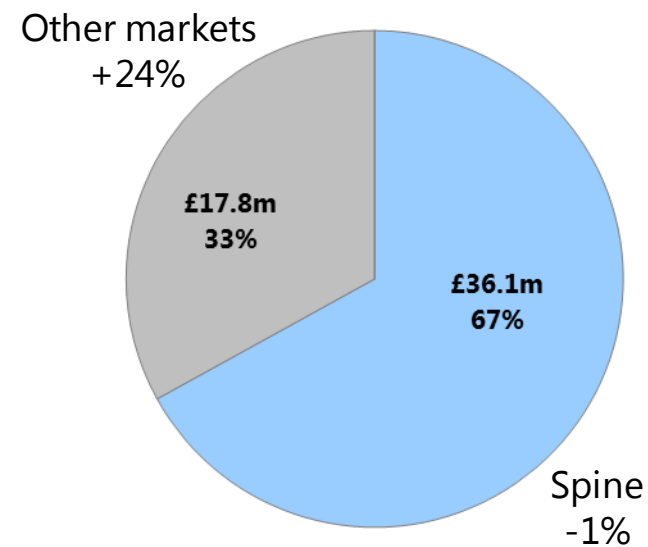
2017: £53.9m

2016: £50.8m

## Revenue by Region



## Revenue by Market



# BUSINESS UNIT INCOME STATEMENTS

	Industrial (VPS)			Medical (Invibio)		
Year ended 30 September	2017	2016	Change	2017	2016	Change
	£m	£m	%	£m	£m	%
<b>Revenue</b>	<b>236.3</b>	201.5	<b>17%</b>	<b>53.9</b>	50.8	<b>6%</b>
<b>Gross profit</b>	<b>135.5</b>	114.2	<b>19%</b>	<b>48.3</b>	44.5	<b>9%</b>
<i>Gross margin</i>	57.3%	56.7%	0.6 pts	89.6%	87.6%	2.0 pts

# BALANCE SHEET

	<b>2017</b>	2016
	<b>£m</b>	£m
PPE and intangible assets	<b>289.2</b>	279.0
Investments	<b>10.0</b>	10.0
Inventories	<b>61.5</b>	61.8
Cash	<b>120.1</b>	64.0
Trade receivables and other assets	<b>53.5</b>	57.9
Retirement benefit asset/(obligation)	<b>3.8</b>	(10.6)
Trade payables and other liabilities	<b>(59.7)</b>	(73.0)
Equity shareholders' funds	<b>478.4</b>	389.1

## ALTERNATIVE PERFORMANCE MEASURES

<sup>1</sup> Group metrics excluding Consumer Electronics are referred to as core i.e. core volumes, core revenue and core business;

<sup>2</sup> Group revenue in constant currency is reached by applying current year (FY 2017) effective currency rates to prior year (FY 2016) transactions;

<sup>3</sup> Sales from new products (sales from new grades sold from FY 2014 onwards);

<sup>4</sup> Operating cash conversion is cash generated from operations / operating profit; and

<sup>5</sup> Dividend cover (earnings per share/total dividend per share). This excludes the special dividend.

# SUPPORTIVE MEGATRENDS

*Attractive growth opportunities across our markets*



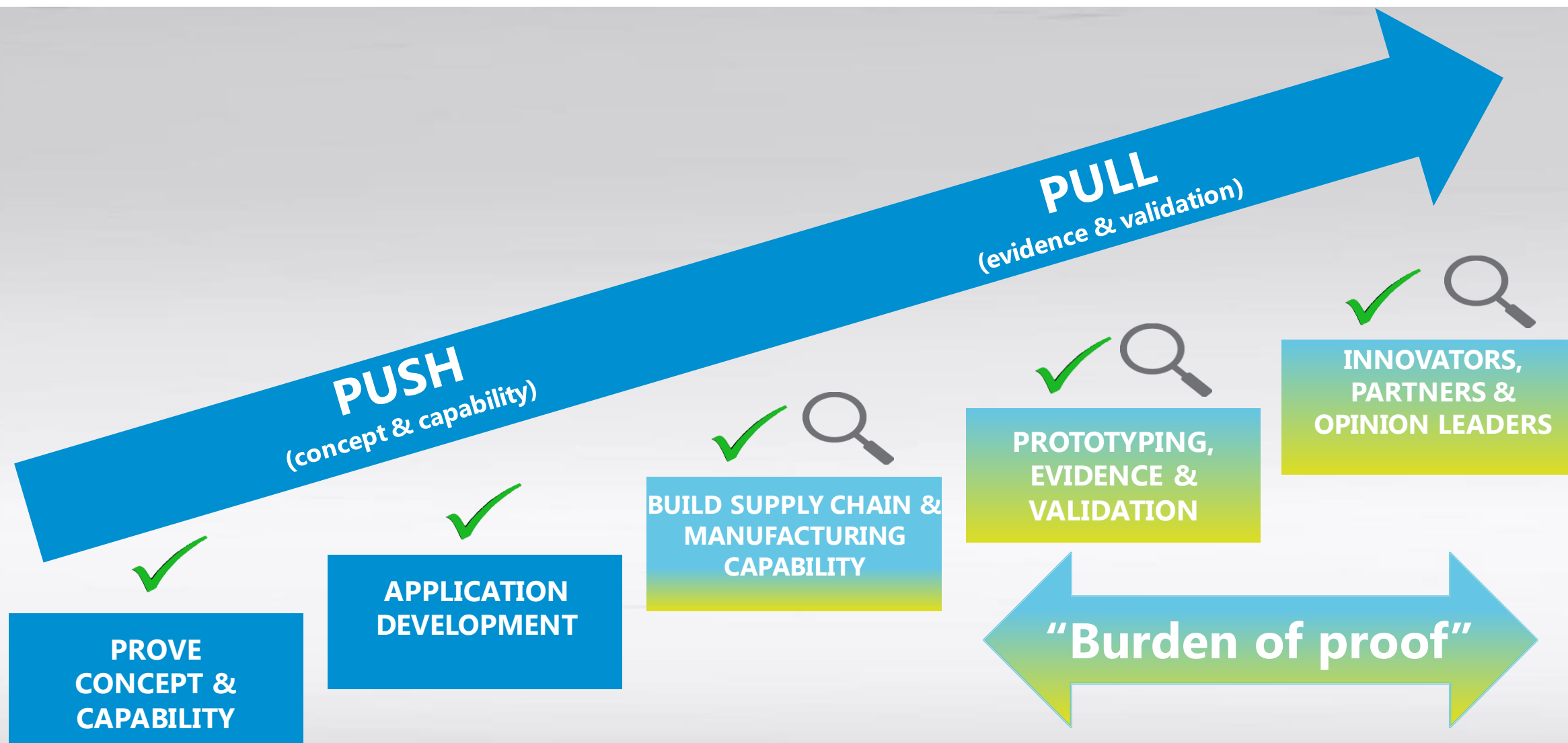
TRENDS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>- Light-weighting, processability</li> <li>- 2x current global fleet by 2035</li> </ul>	<ul style="list-style-type: none"> <li>- Average order backlog ~9 years</li> <li>- Faster processing through PAEK composites</li> </ul>
<ul style="list-style-type: none"> <li>- Efficiency, safety, noise reduction</li> <li>- CO2/NOx regulations, electrification</li> </ul>	<ul style="list-style-type: none"> <li>- Increase 8g PEEK/car average to 12g</li> <li>- Gears potential &gt;20g per application</li> </ul>
<ul style="list-style-type: none"> <li>- Global energy demand up 25% by 2040*</li> <li>- Cost-out focus in Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>- Metal replacement in core applications</li> <li>- Double differentiated products, drive Magma</li> </ul>
<ul style="list-style-type: none"> <li>- Thinner, functionality, heat and power</li> <li>- Data/storage needs, "Internet of things"</li> </ul>	<ul style="list-style-type: none"> <li>- Differentiated solutions</li> <li>- Chip processability: yield and output</li> </ul>
<ul style="list-style-type: none"> <li>- Ageing population &amp; healthcare costs</li> <li>- Metal deficiency, evidence based solutions</li> </ul>	<ul style="list-style-type: none"> <li>- Proven clinical benefit in PEEK, 9m implants</li> <li>- Vision to treat a patient every 15-20 seconds</li> </ul>

\* Source: IEA



# DELIVERING THE BURDEN OF PROOF

*Driving adoption of our mega-programmes*





## INFORMATION & CONTACTS

### Andrew Hanson

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Communications  
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ir@victrex.com  
www.victrexplc.com

## From polymer to parts

### Key Material

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

PEEK

7,150t

### Upstream Capacity

No.1 PAEK  
manufacturing capacity

### Downstream Manufacturing

Investment in facilities to increase  
application development



35+  
years

Shaping  
Future  
Performance

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

## Financial Performance

c£2bn

### Market Value

FTSE 250, listed since 1995

£290+m

### Revenue 2017

## Global Presence

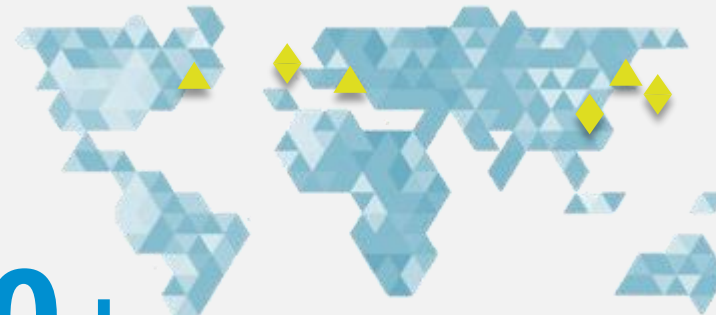


750+

Employees in  
16 Countries

40+

Countries are served  
by Victrex across our  
markets



98%

Revenue generated  
outside the UK

### Global Technical Excellence

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