



AN INNOVATIVE WORLD LEADER IN HIGH PERFORMANCE POLYMER SOLUTIONS

Victrex plc
Interim results 15 May 2017

SHAPING FUTURE PERFORMANCE™



David Hummel
Chief Executive



Louisa Burdett
Group Finance Director



Tim Cooper
Managing Director
Industrial



Martin Court
Managing Director
Medical

SHAPING FUTURE PERFORMANCETM

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 on page 22 of Victrex's 2016 Annual Report, accessed via www.victrexplc.com

CHIEF EXECUTIVE-DESIGNATE

JAKOB SIGURDSSON



- **Joins Victrex as Chief Executive-designate September 1st 2017**
- **Joins the Board and becomes Chief Executive October 1st 2017**
- **20+ years experience in diverse multinational growth companies**
- **CEO transition Jakob & Dave October 2017 – March 2018**



H1 2017

**STRONG CORE GROWTH &
STRONG CASH GENERATION**

H1 2017 highlights:

Strong core growth; strong cash generation

- **Strong core business growth in H1**

- Total sales volumes up 5%
- Core volumes* up 19%, offsetting lower year on year Consumer Electronics
- Group revenue up 12%, constant currency revenue** up 4%
- Record core volumes in Q2 of >1000 tonnes driven by Automotive, Electronics, Value Added Resellers
- Medical remains muted, reflecting mature US Spine market

- **Further pipeline progress**

- New Gears mega-programme secures initial OEM production opportunity for 2018
- PEEK-OPTIMA™ HA-Enhanced on track for FY17 meaningful revenue

- **Investment to accelerate Polymer & Parts strategy**

- £10m acquisition of Zyex PEEK fibres business to expand semi-finished products offering
- TxV Aero Composites joint-venture supports new differentiated Aerospace products
- Polymer Innovation Centre on track for completion in H2; support prototyping & new grades

- **Strong cash generation continues**

- Cash up 90% to £86m, operating cash conversion[#] 137%
- Interim dividend up 4% to 12.20p (H1 16: 11.73p)

*References to core volumes, core revenue or core performance exclude Consumer Electronics

**Constant currency values have been reached by applying current year (H1 2017) effective currency rates to prior year (H1 2016) transactions

[#] Operating cash conversion is cash generated from operations / operating profit

P&L: strong top-line growth

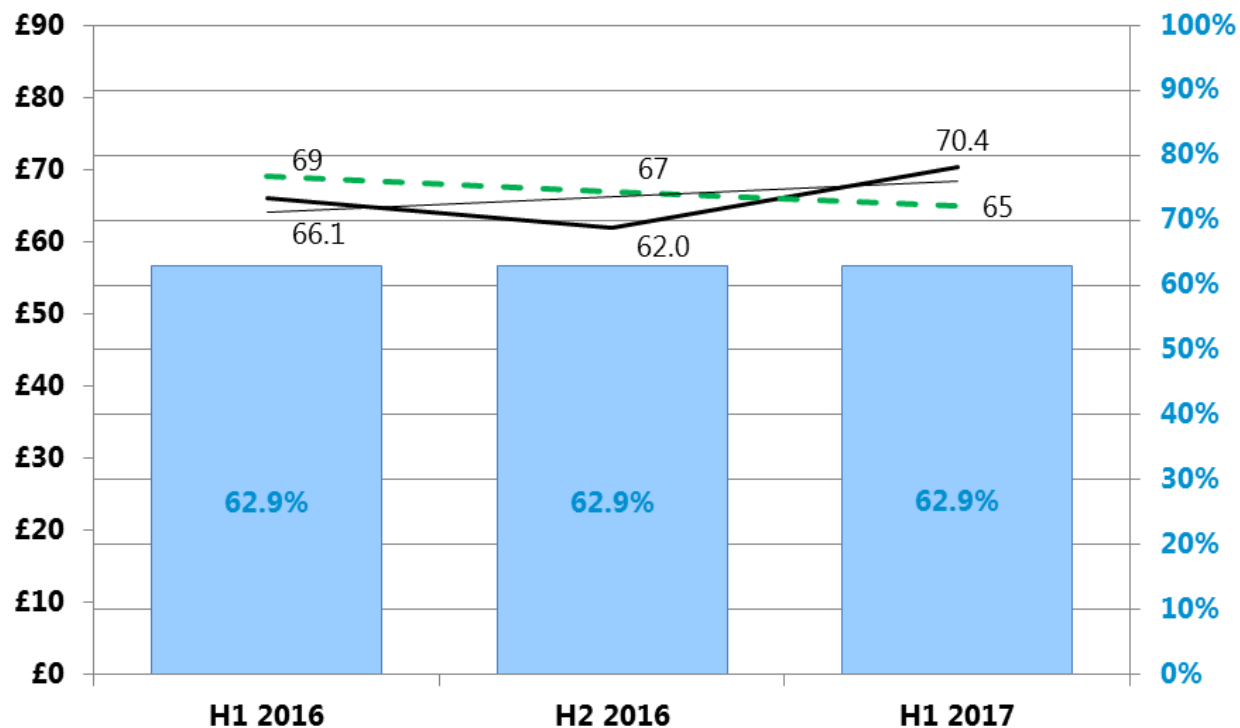
	H1 2017	H1 2016	Change
	£m	£m	%
Revenue	130.9	117.0	+12%
Gross profit	82.4	73.6	+12%
<i>Gross margin %</i>	62.9%	62.9%	<i>flat</i>
Overheads	(32.3)	(26.1)	+24%
<i>Interest</i>	-	-	<i>flat</i>
Profit before tax	50.1	47.5	+5%
Earnings per share	46.4p	45.5p	+2%
Dividend per share	12.20p	11.73p	+4%

- **Strong core business growth**
 - *Total volumes up 5%*
 - *Core volumes up 19%*
- **Higher cost of manufacture & softer Industrial mix**
- **Opex reflects 'front-end' investment, bonus accrual & minor restructuring costs**

Pricing ahead

£/kg Average selling price
(ASP)

Gross margin
(GM) %



KEY

— Group ASP (reported)

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

- **ASP reflects lower Consumer Electronics and FX, offset by Medical and softer mix**

- *H1 2017 ASP ex-Consumer Electronics and FX £65/kg*

- **GM reflects cost of manufacture**

Economics of Polymer & Parts strategy

POLYMER



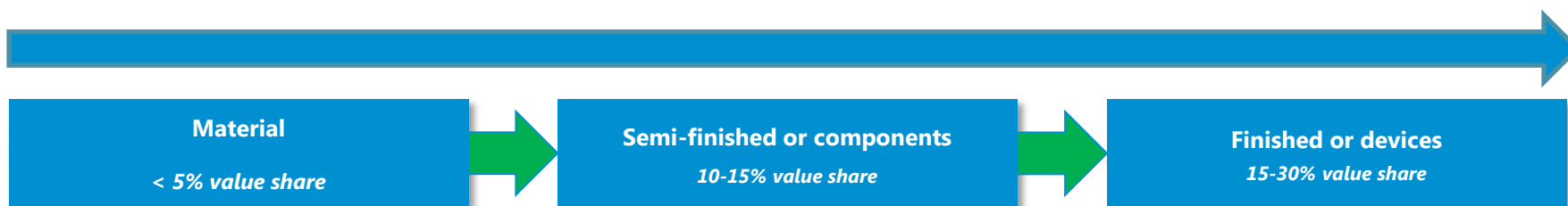
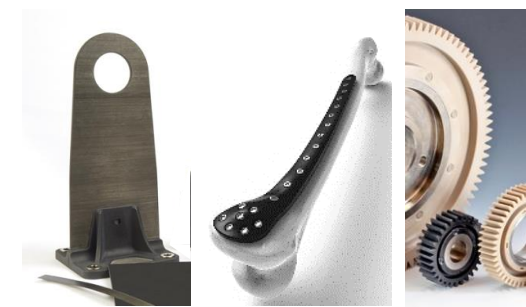
NEW POLYMERS, COMPOUNDS & NEW GRADES



PRODUCT FORMS



SELECTED PARTS



HIGHER VALUE SHARE

HIGHER COST OF MANUFACTURE

Currency favourable for FY17 & FY18

Average exchange rates

	2016 H1	2017 H1	2017 Year ₁	2018 Year ₁	Exchange rate sensitivity ₂
\$/£	1.55	1.41	1.37	1.27	£4.5m
€/£	1.37	1.28	1.23	1.16	£3.0m
¥/£	182	158	149	140	£0.6m

- **FY17 currency c£18m-£19m tailwind at PBT level**
 - *Re-invest a proportion of FY17 currency benefit to support 'front-end' investment*
- **FY18 potential currency benefit > £10m at PBT level (<40% hedging in place)**

¹ 2017 and 2018 year estimates based on forecast sales volume, existing currency hedging in place and spot exchange rates at 24 April 2017

² Management estimate of impact on 2017 full year forecast PBT from a 5% movement in full year forecast average exchange rate

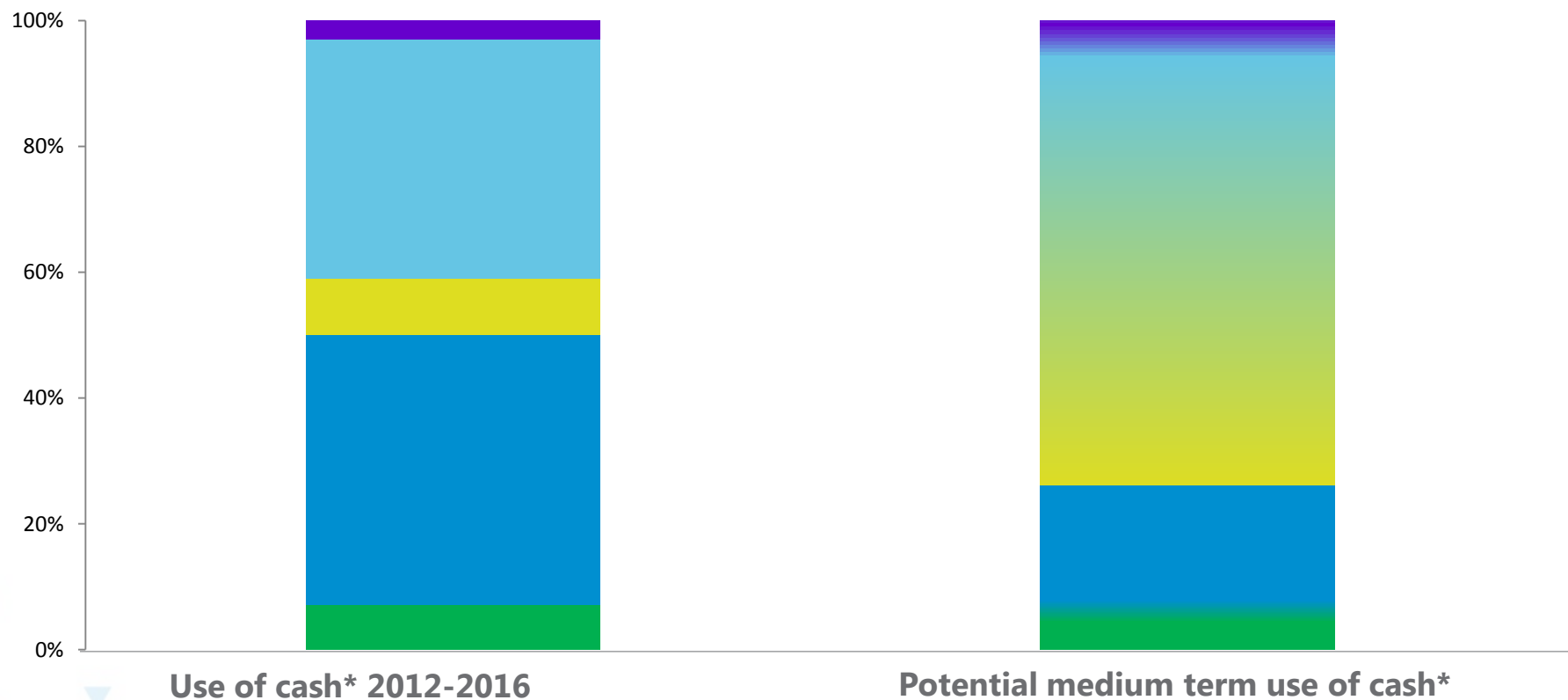
Strong cash generation

Half year (6 months) ended 31 March

	H1 2017 £m	H1 2016 £m
Cash flows from operating activities		
Cash generated from operations	68.4	38.1
Interest and similar charges paid	(0.2)	-
Interest received	0.2	0.1
Tax paid	(8.1)	(5.7)
Net cash flow from operating activities	60.3	32.5
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12.2)	(12.5)
Net cash flow from investing activities	(12.2)	(12.5)
Cash flows from financing activities		
Premium on issue of ordinary shares exercised under option	3.6	0.7
Dividends paid	(30.0)	(29.9)
Net cash flow from financing activities	(26.4)	(29.2)
Net increase/(decrease) in cash and cash equivalents	21.7	(9.2)
Effect of exchange rate fluctuations on cash held	0.3	0.7
Cash and cash equivalents at beginning of period	64.0	53.8
Cash and cash equivalents at end of period	86.0	45.3

- **Highly cash generative business model**
 - *Supports investment for growth*
 - *Supports opportunities for additional shareholder returns*

Potential for additional shareholder returns

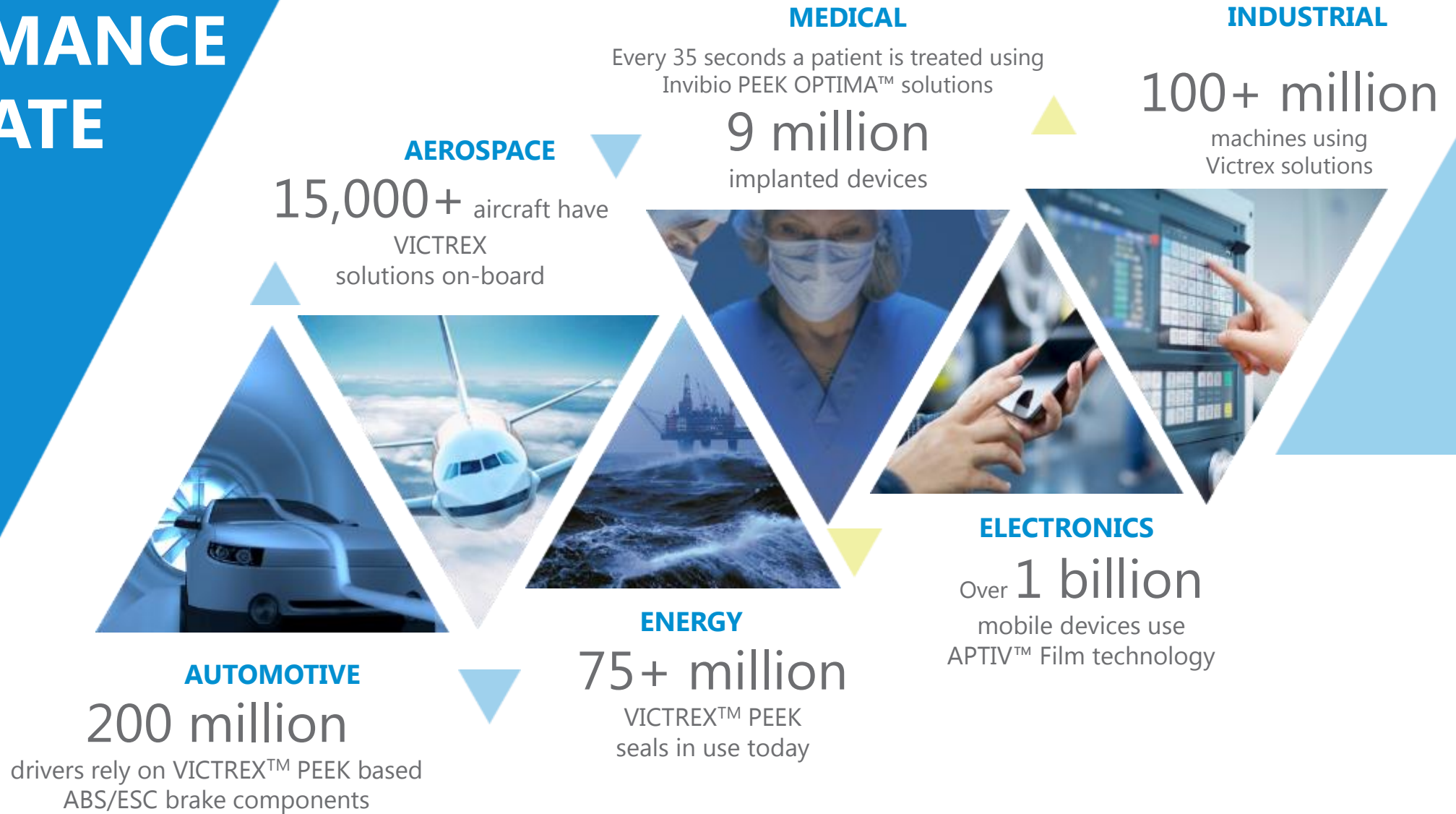


* Net cash flow from operating activities

- Acquisitions
- Ordinary dividends
- Special dividends
- Capital expenditure
- Pension

- Available for Investment/M&A/Dividends
- Capital expenditure
- Pension

PERFORMANCE UPDATE



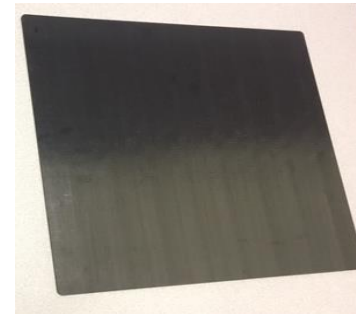
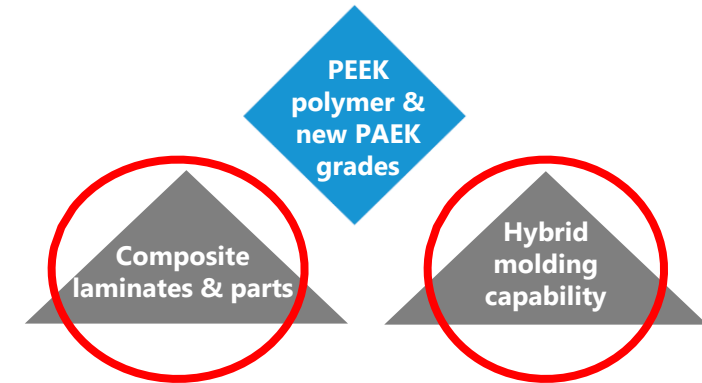
Every day **millions** of people rely on products and applications containing our PEEK and PAEK polymers...



Industrial update (VPS)

- **Automotive: core application growth & Gears opportunity**
 - H1 17 Transport volumes up 9% (Automotive up 11%)
 - Initial Gears production agreement with major OEM
- **Aerospace: differentiation opportunities**
 - H1 17 Transport volumes up 9% (Aerospace up 2%)
 - Established TxV Aero Composites joint-venture
- **Core growth in Energy & Other Industrial**
 - H1 17 Energy & Other Industrial volumes up 15% (Oil & Gas up 13%)
 - New Manufacturing & Engineering opportunities
- **Electronics: opportunities beyond Consumer Electronics**
 - H1 17 Electronics (ex Consumer Electronics) up >50%
 - Semiconductor strong; "Internet of things" opportunities
- **Value Added Resellers**
 - H1 17 volumes up 23%, robust Industrial market

Joint-venture: accelerate Loaded Brackets



AEROSPACE LOADED BRACKETS

- TxV Aero Composites joint-venture with Tri-Mack Plastics to build supply chain
- Differentiated solution: >70% weight saving and >20% cost saving
- Pre-qualification and prototype revenue secured
- Multiple application areas: fixings, interiors, structural parts

Zyex acquisition: extending our product forms

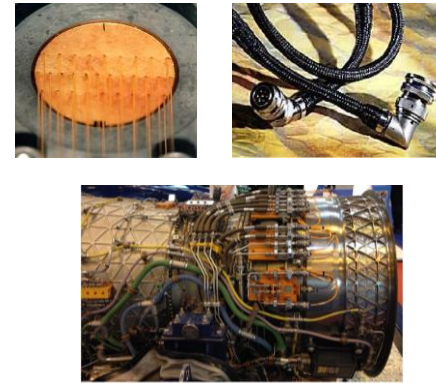
POLYMER



NEW POLYMERS, COMPOUNDS & NEW GRADES

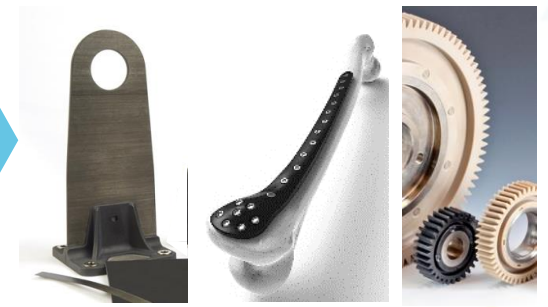


PRODUCT FORMS



Zyex®

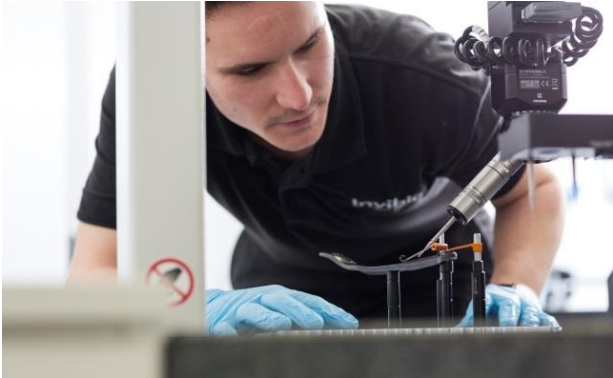
SELECTED PARTS



ZYEX PEEK FIBRES

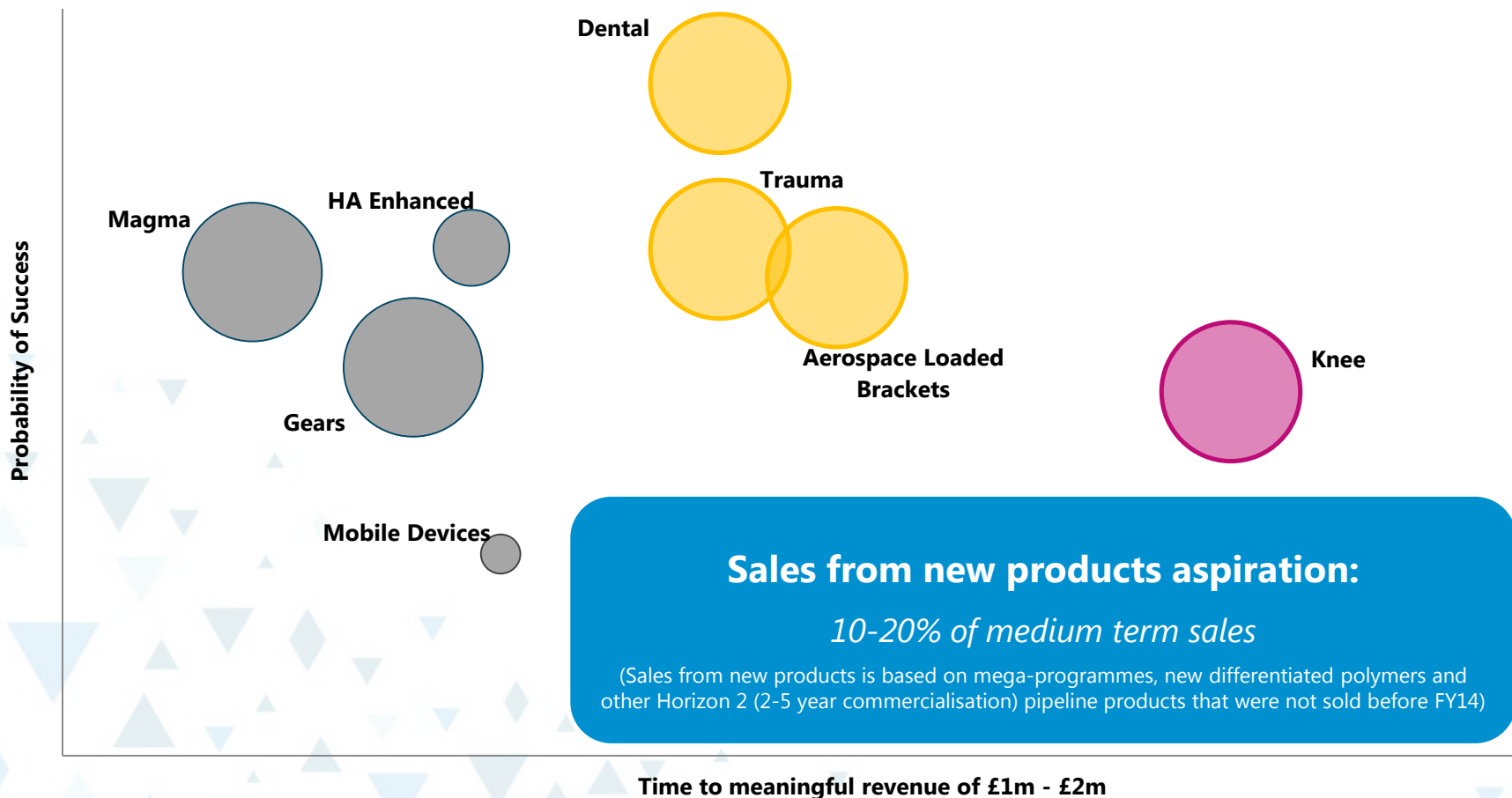
- Growth opportunities in well aligned markets
- Aerospace, Industrial and Automotive applications
- Opportunities in 3D printing
- Secures incremental revenue today

Medical update (Invibio)

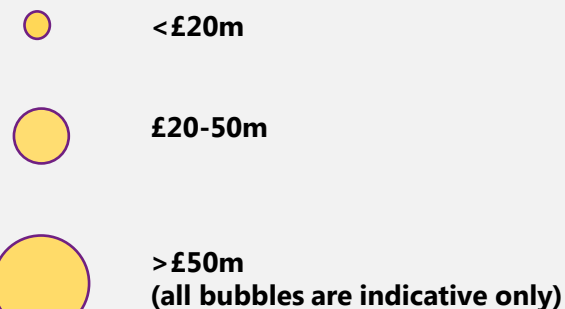


- **Mature US Spine market**
 - H1 17 revenue flat at £25.2m
 - Strong growth in Europe, revenue up 26%
 - Good progress in HA-Enhanced; on track for FY17 meaningful revenue
- **Dental: 5 year clinical data in place, strong satisfaction rates**
 - Focus on premium Prosthetic implants
 - Collaboration with Malo Dental to enhance market access
- **Trauma: explore development agreements with innovators**
- **Knee: clinical trial on plan for H2 2017**

Strategic priorities: strong pipeline










Size of bubble
= potential annual revenue in peak year:



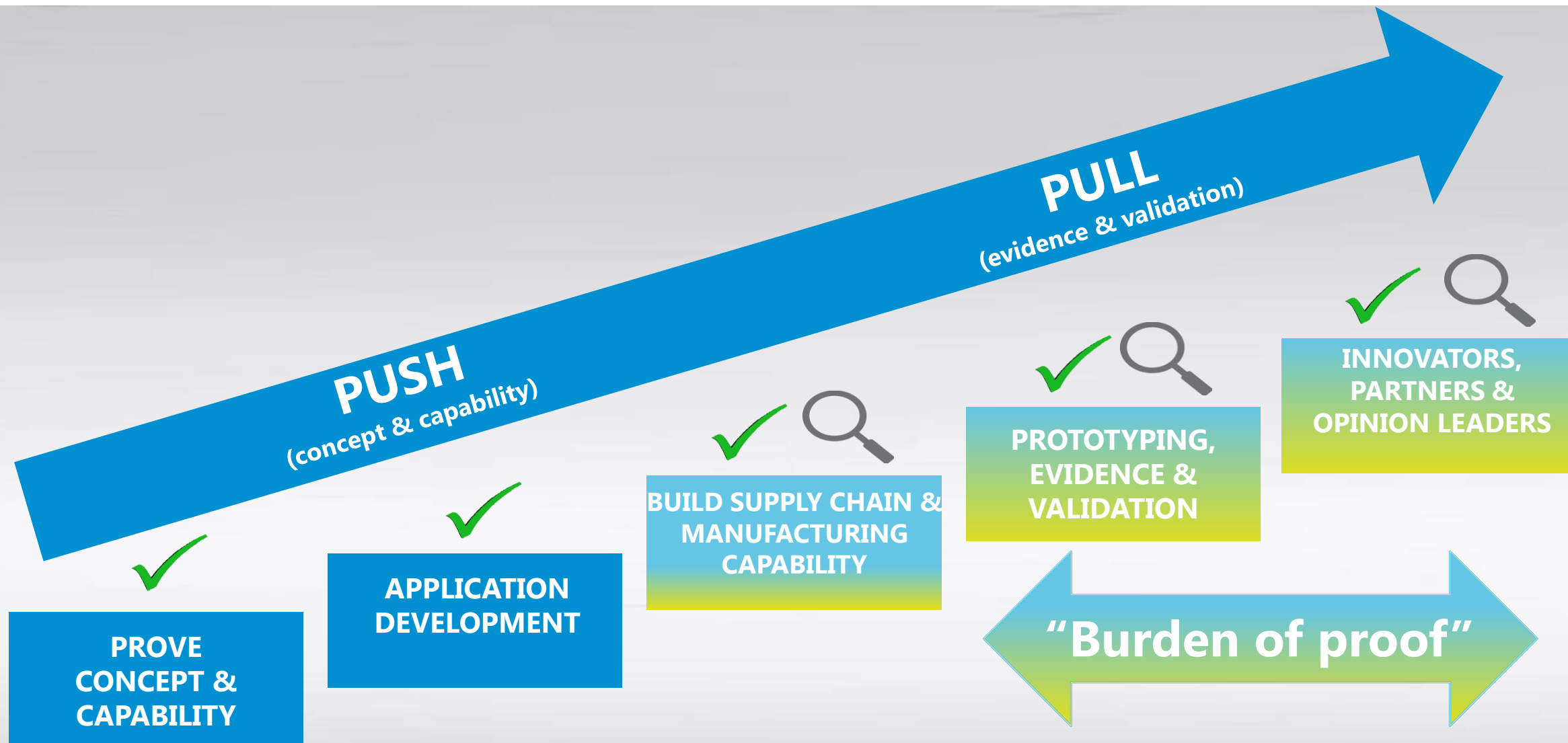
Position and colour of bubble
= time to meaningful revenue:







Strategic priorities: pipeline milestones




PROGRAMMES	REVENUE STATUS	2017 PRIORITY	PROGRESS TO DATE
MAGMA	Meaningful (£1m+)	<ul style="list-style-type: none"> Customer specifications 	<ul style="list-style-type: none"> Rental pipe model established 
HA-ENHANCED	< £1m	<ul style="list-style-type: none"> Further OEM product launches 	<ul style="list-style-type: none"> On track for meaningful revenue 
DENTAL	< £500k	<ul style="list-style-type: none"> OEM engagement Enhanced market access 	<ul style="list-style-type: none"> Malo Clinic collaboration 5 year data, FDA approval 
TRAUMA	Prototype revenue	<ul style="list-style-type: none"> OEM product launch 	<ul style="list-style-type: none"> Exploring development options with innovators 
GEARS	Prototype revenue	<ul style="list-style-type: none"> Customer specifications OEM deployment 	<ul style="list-style-type: none"> Initial production agreement with major OEM 
AERO BRACKETS	Prototype revenue	<ul style="list-style-type: none"> Build supply chain Customer specifications 	<ul style="list-style-type: none"> TxV Aero Composites JV established 
KNEE	n/a	<ul style="list-style-type: none"> Clinical trial 	<ul style="list-style-type: none"> On plan for H2 17 

Strategic priorities: Delivering the “burden of proof”



Group outlook H2 2017*

	Aerospace	
	Automotive	
	Electronics	
	Electronics (Consumer)	
	Energy	
	Medical (Spine)	
	Medical (New markets)	

Key	
Optimistic	
Neutral	
Cautious	

* Indicative outlook for our markets for H2 2017

H1 2017 takeaways

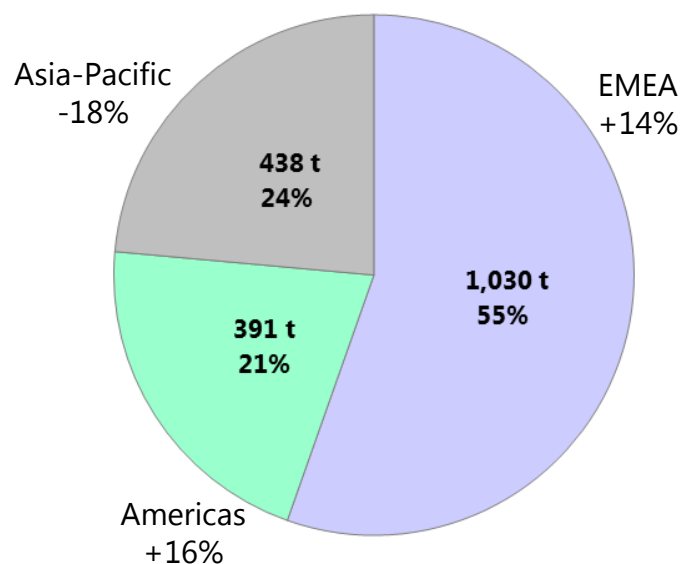
- ▶ **Strong core business growth, offsetting Consumer Electronics**
- ▶ **Further pipeline progress and investment for growth**
- ▶ **Currency remains supportive**
- ▶ **Compelling growth & income attractions**



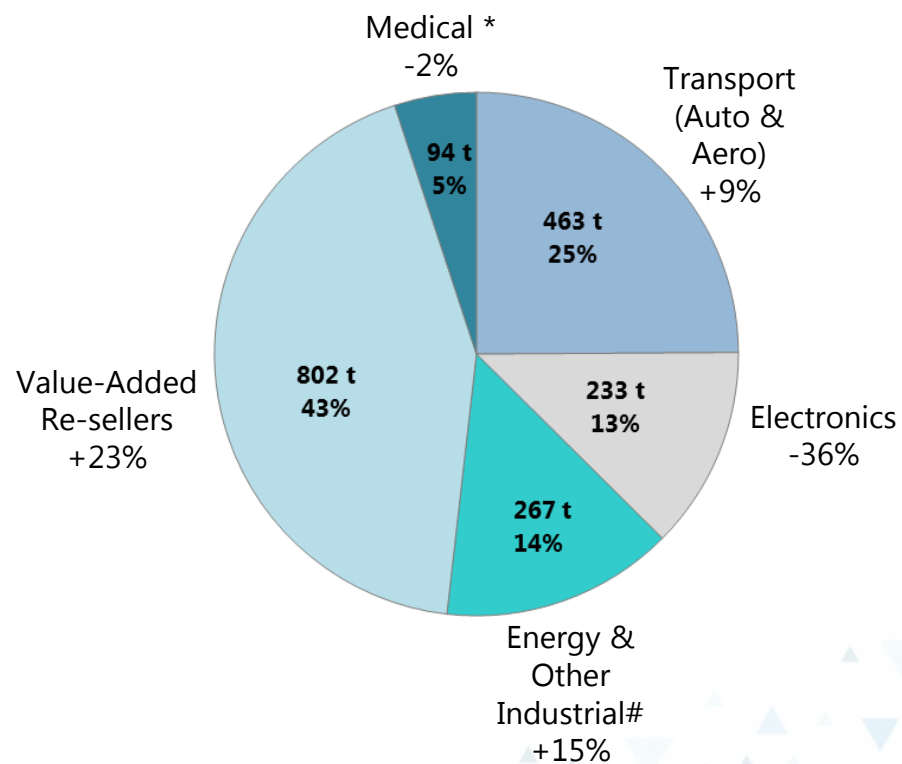
APPENDIX

H1 2017: 1,859 tonnes
H1 2016: 1,770 tonnes

Volume by Region



Volume by Industry



* Medical volume reflects both non-implantable and implantable volumes

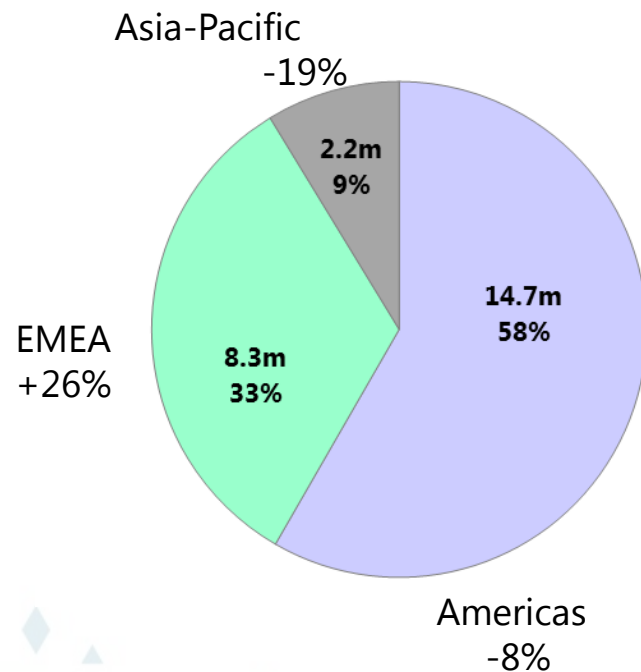
includes Manufacturing & Engineering volumes

Medical: key markets

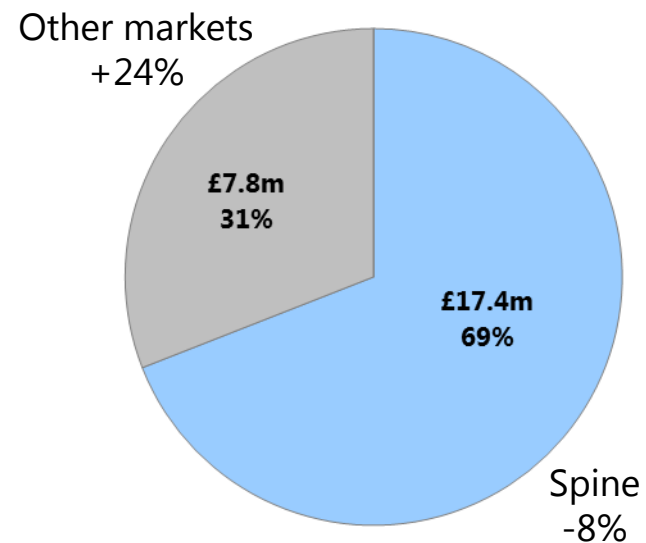
H1 2017: £25.2m

H1 2016: £25.2m

Revenue by Region



Revenue by Market



Business Unit income statements

Half year (6 months) ended 31 March

	Industrial (VPS)			Medical (Invibio)		
	2017	2016	Change	2017	2016	Change
	£m	£m	%	£m	£m	%
Revenue	105.7	91.8	15%	25.2	25.2	flat
Gross profit	59.9	51.4	17%	22.5	22.2	1%
<i>Gross margin</i>	<i>56.7%</i>	<i>56.0%</i>	<i>0.7% pts</i>	<i>89.3%</i>	<i>88.1%</i>	<i>1.2% pts</i>

	H1 2017	H1 2016
	£m	£m
PPE and intangible assets	284.1	274.7
Investments	10.0	-
Inventories	66.3	69.1
Cash	86.0	45.3
Trade receivables and other assets	56.7	47.5
Retirement benefit asset	1.8	3.2
Trade payables and other liabilities	(85.9)	(73.9)
Equity shareholders' funds	419.0	365.9

Cost efficiency: support growth investment



FOCUS FOR INVESTMENT

MAKE &
SUPPORT

FOCUS FOR INVESTMENT

DEVELOP, MARKET
& SELL

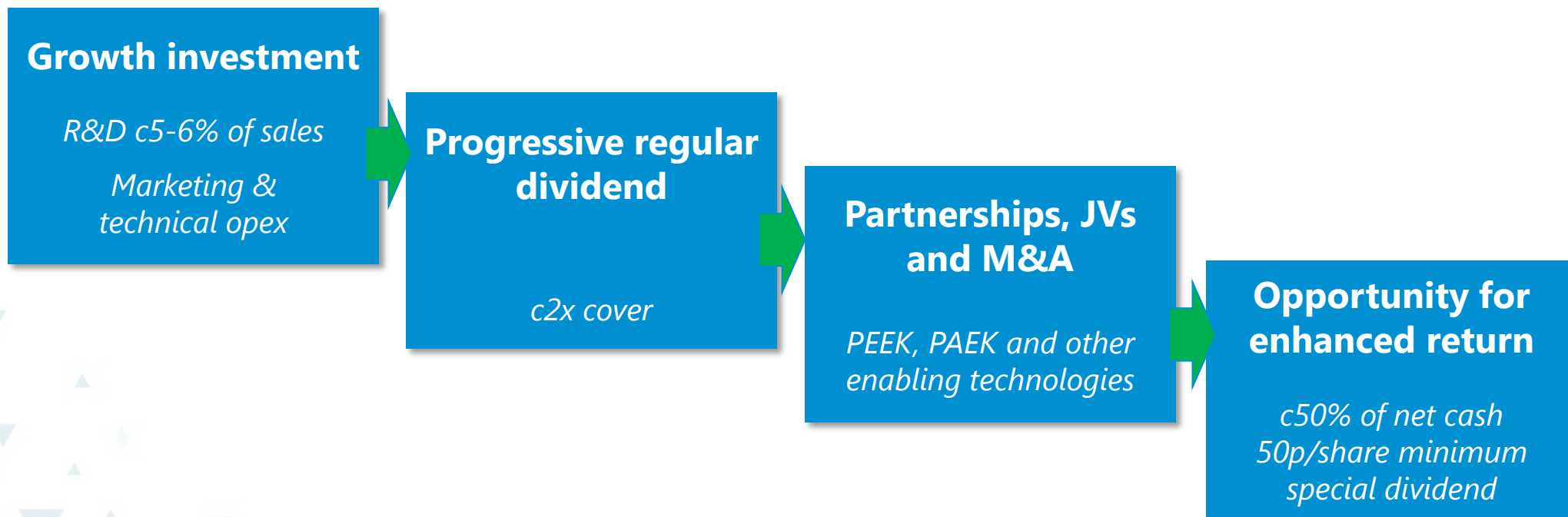


CONTINUED COST EFFICIENCY

- Drive low cost manufacturing
- Efficient working capital
- Supply chain evaluation:
 - Cost-out opportunities, whilst maintaining security of supply & chemistry differentiation

Capital allocation policy

Investment for growth remains the priority...





INFORMATION & CONTACTS

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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£1.5bn

Market Value

FTSE 250, listed since 1995

£250+m

Revenue 2016

Global Presence

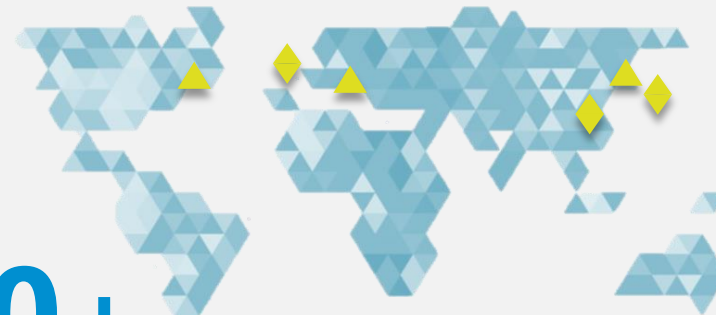


700+

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

An Innovative World Leader

in

High Performance Polymer Solutions