



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

**Victrex plc** Preliminary results  
4 December 2018

# EXECUTIVE DIRECTORS



**Jakob Sigurdsson**  
Chief Executive



**Richard Armitage**  
Group Finance Director



**Tim Cooper**  
Executive Director  
Industrial



**Martin Court**  
Executive Director  
Medical

## 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)

# **CORE GROWTH & MEGA-PROGRAMME PROGRESS**



# HIGHLIGHTS

## STRONG CORE BUSINESS\* GROWTH

- *Group sales volumes up 10% driven by core growth*
- *Group revenue up 12%; constant currency revenue\* up 7%*
- *Strong performances across Industrial markets; Medical revenue up 3%*
- *Profit before tax (PBT) up 15%, supported by currency*

## FURTHER PROGRESS IN MEGA-PROGRAMMES

- *Major Dental supply agreement with Straumann & new Trauma collaboration*
- *PEEK Gears now “on the road” & further larger opportunities*
- *Strong performance in Magma following planned deployments & further opportunities*
- *TxV Aero Composites facility in commissioning; new Aerospace alliances under discussion*
- *Clinical trial submitted for PEEK Knee programme*

## CONTINUED STRONG CASH GENERATION, SUPPORTING INVESTMENT & SHAREHOLDER RETURN

- *Cash (available\*) up 20% to £144.4m and operating cash conversion\* of 107%*
- *Regular dividend up 11% to 59.56p/share and special dividend of 82.68p/share*
- *Dividend distribution policy retained, balancing investment flexibility & shareholder return*



Strong core growth...

## Strong core growth

- FY 2018 sales volumes up 10% to 4,407 tonnes
- Mix reflects Medical & Consumer Electronics

## 'Front end' investment & additional bonus/LTIP accrual

- Overheads up 5% ex-bonus, LTIP, acquisitions

## Full year ended 30 September

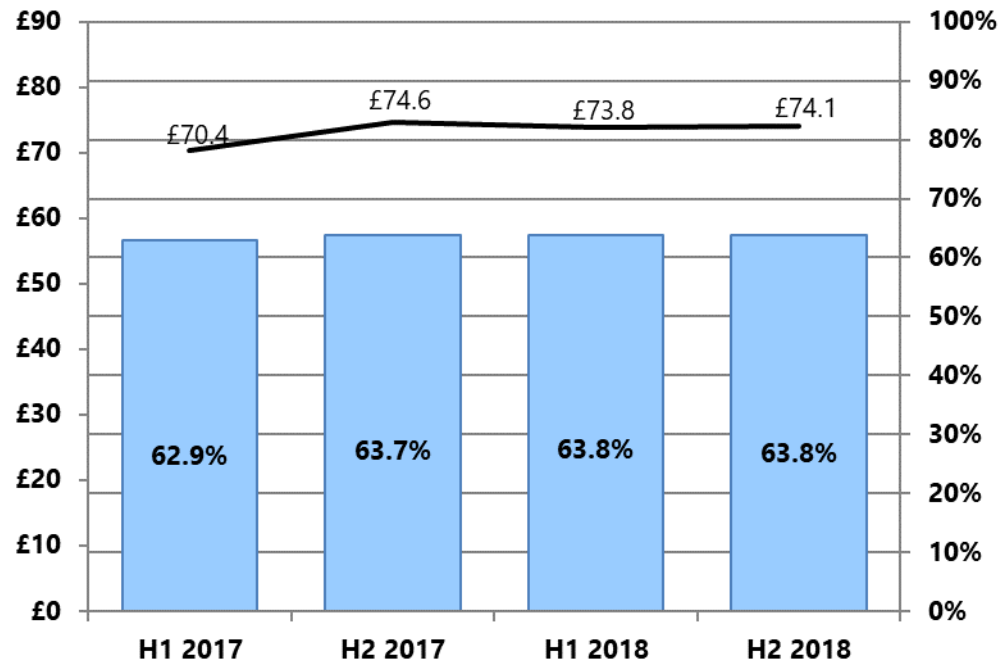
	<b>FY 2018</b>	<b>FY 2017</b>	<b>Change</b>
	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>Revenue</b>	<b>326.0</b>	290.2	<b>+12%</b>
<b>Gross profit</b>	<b>208.0</b>	183.8	<b>+13%</b>
<i>Gross margin %</i>	<b>63.8%</b>	63.3%	<b>+50bps</b>
<b>Overheads</b>	<b>(81.1)</b>	(72.7)	<b>+12%</b>
<b>Interest</b>	<b>0.6</b>	(0.1)	
<b>Profit before tax</b>	<b>127.5</b>	111.0	<b>+15%</b>
<b>Earnings per share</b>	<b>128.8p</b>	116.4p	<b>+11%</b>
<b>Dividend per share (regular and special)</b>	<b>142.24p</b>	121.80p	<b>+17%</b>

# ASP & MARGIN

Stable price & margin...

£/kg Average selling price  
(ASP)

Gross margin  
(GM) %



**FY 2018 ASP £74/kg**

- *Currency offsetting weaker sales mix*
- *Stable underlying pricing*

**FY 2018 GM 63.8%**

- *Stable underlying margin*

# OVERHEADS

Investing for growth...

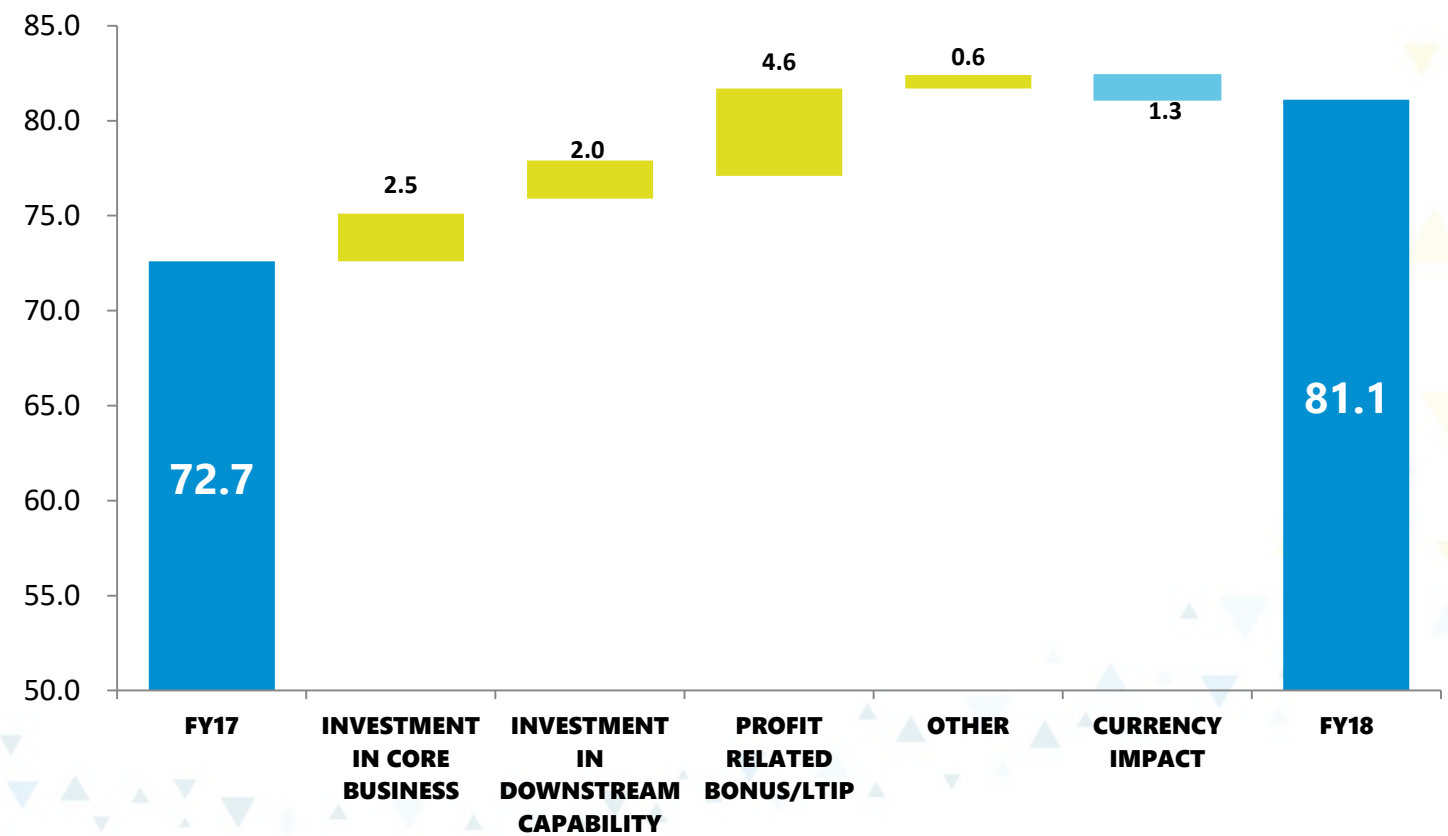
## FY18 overheads up 12%

- *Overheads excluding bonus up 5%, supporting growth programmes*

## Continued FY19 investment

- *Further significant front-end investment*
- *Lower bonus accrual (reflecting consensus)*
- *Investment in capability (manufacturing & enabling capability)*

## OVERHEADS FY17 TO FY18



# CURRENCY

FY19 headwind...

## Average exchange rates

	2017	2018	2019 <sup>1</sup>	Exchange rate sensitivity <sub>2</sub>
\$/£	1.37	1.30	1.36	£6.5m
€/£	1.23	1.13	1.11	£4.9m
¥/£	150	144	146	£1.2m

- ***FY 2018 currency benefit £13m at PBT level***
- ***FY 2019 currency headwind £6m – £8m at PBT (currency & inflation)***

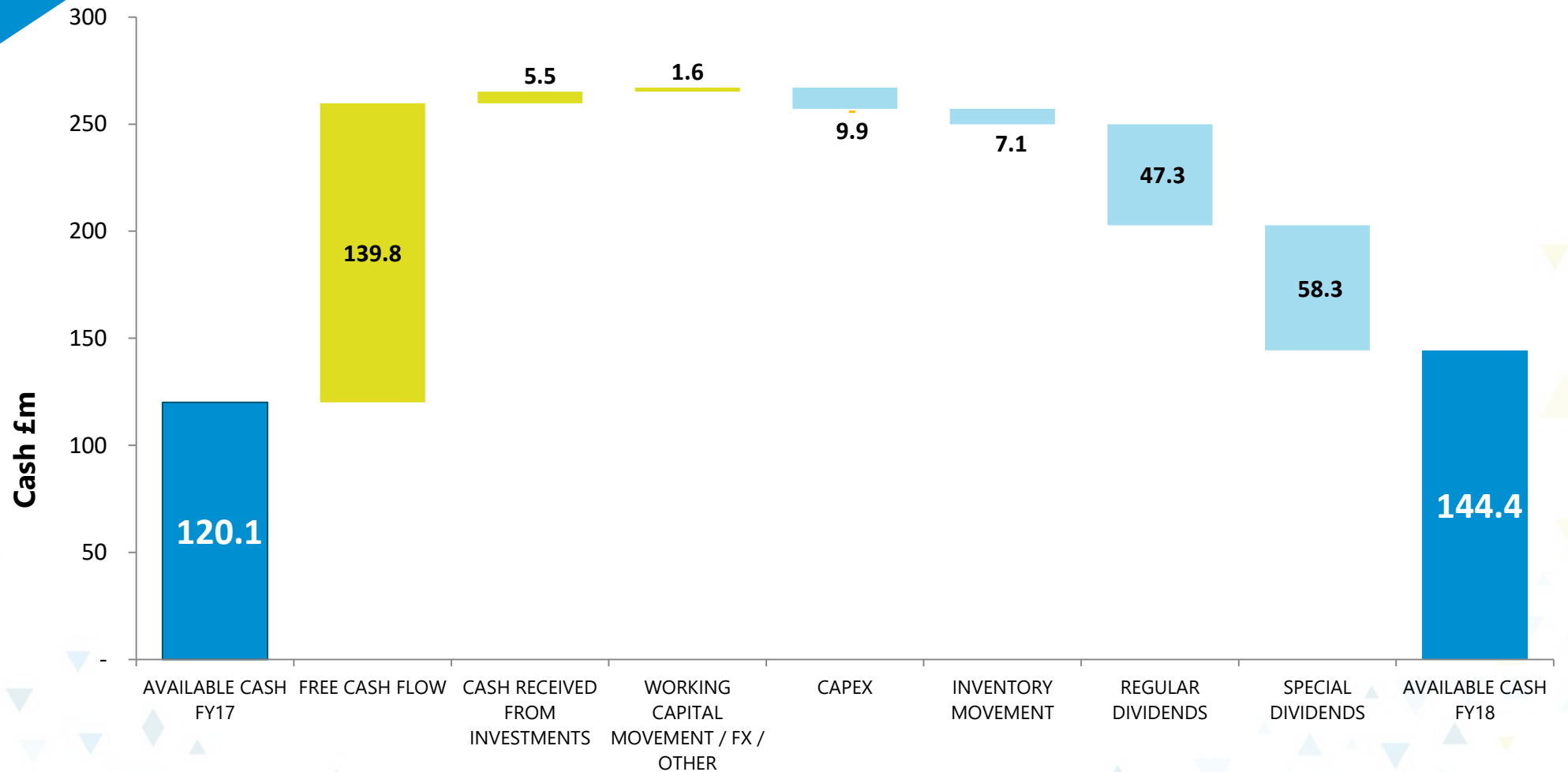
<sup>1</sup> 2019 year estimates based on forecast sales volume, existing currency hedging in place and spot exchange rates at 22 November 2018

<sup>2</sup> Management estimate of impact on 2019 full year forecast PBT from a 5% movement in full year forecast average exchange rate



# STRONG CASH GENERATION

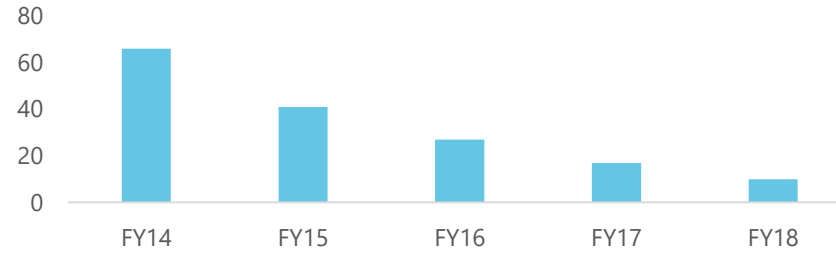
## CASH FLOW MOVEMENT FY17 TO FY18



***FY 2018 operating cash conversion 107%***

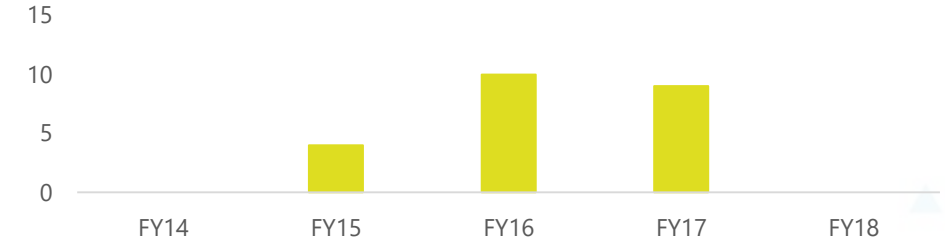
# USE OF CASH FY14 TO FY18

CAPEX (£m)



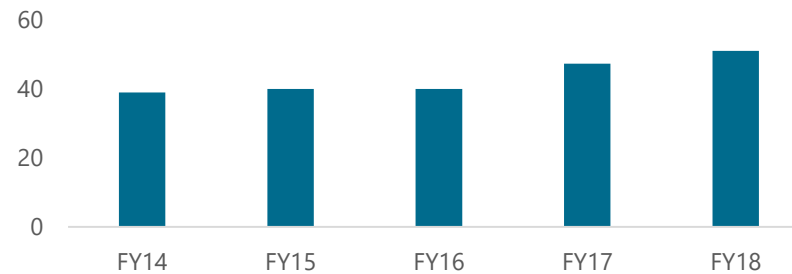
- **Maintenance capex c5-6% of revenue**
- **Periodic investment in capacity & innovation**

DOWNSTREAM  
ACQUISITIONS/INVESTMENTS (£m)



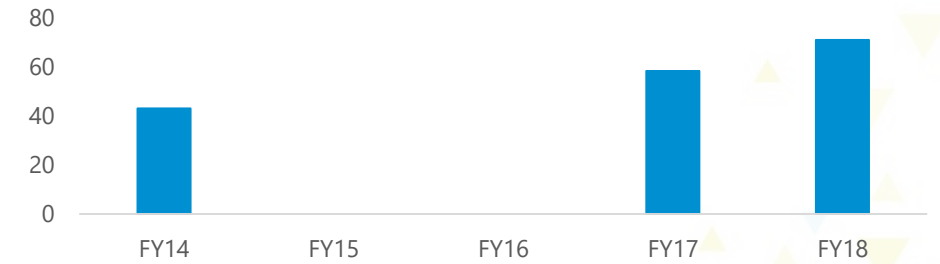
- **'Enablers' to support mega-programmes**
- **Develop further downstream capability**

REGULAR DIVIDENDS (£m)\*



- **Average growth c8%**
- **Grow in line with EPS**

SPECIAL DIVIDENDS (£m)\*

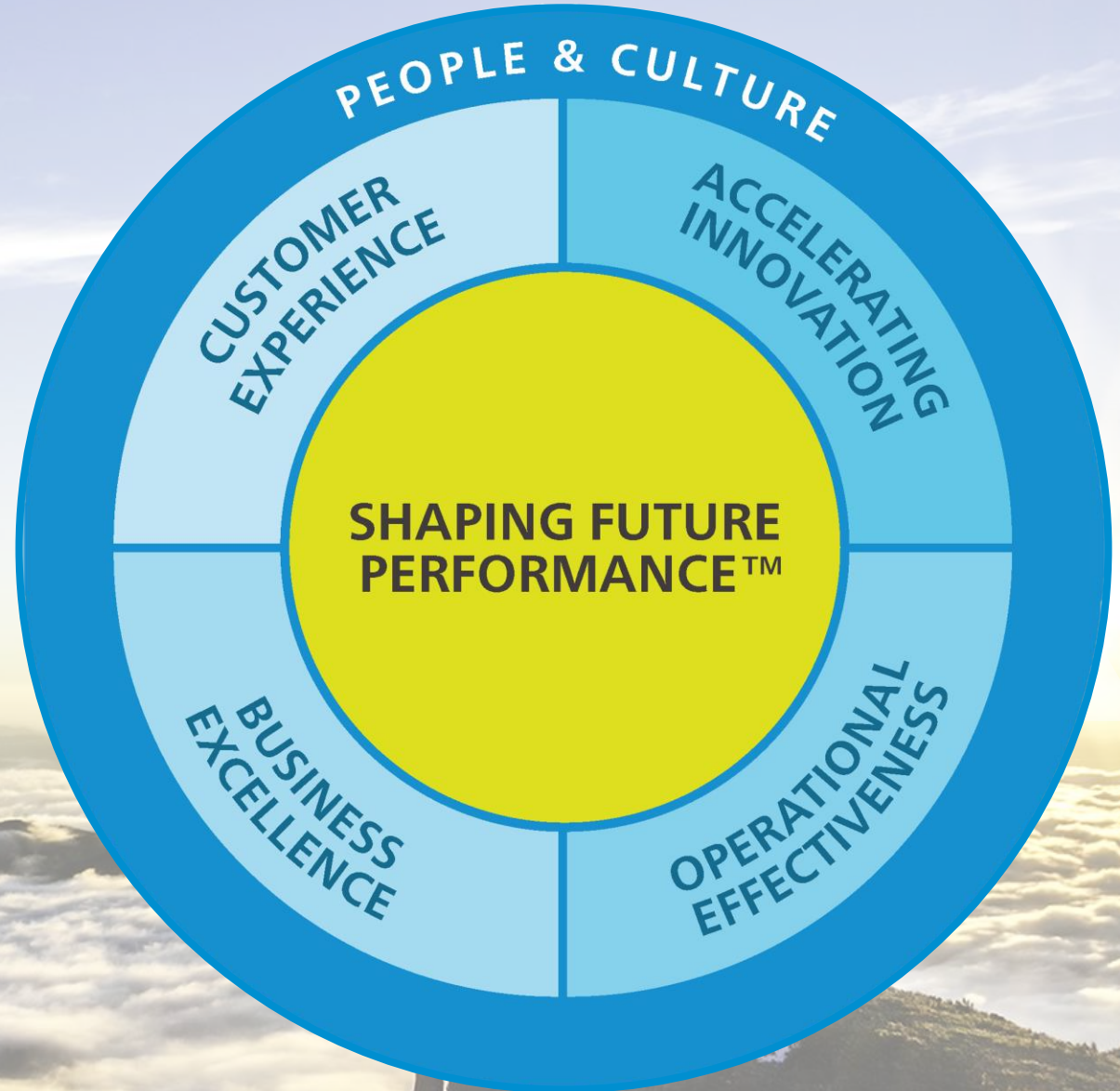


- **Policy retained at c50% of net cash**
- **50p/share minimum**

\* Regular & special dividends shown are based on the financial year those dividends are declared (rather than paid)

# BUSINESS EXCELLENCE

'THE BEST IS YET TO COME'



# PERFORMANCE UPDATE

## AEROSPACE

20,000+  
aircraft have VICTREX  
solutions on-board



## AUTOMOTIVE

500 million  
VICTREX™ PEEK based applications  
on the road today

## MEDICAL

Every 35 seconds a patient is treated using  
Invibio PEEK OPTIMA™ solutions

9 million+  
implanted devices



## ENERGY

75+ million  
VICTREX™ PEEK  
seals in use today



## INDUSTRIAL AND MANUFACTURING & ENGINEERING

100+ million  
machines using  
Victrex solutions



## ELECTRONICS

Over 4 billion  
mobile devices use  
APTIV™ Film technology



*Over 900 people waking up every day focused on making, selling  
and developing the market for PEEK and PAEK polymers...*



# INDUSTRIAL UPDATE



## AUTOMOTIVE: CONTINUED OUTPERFORMANCE

- FY 2018 Automotive up 8% vs car build up 2%
- PEEK Gears on the road; focused on further agreements in FY19



## AEROSPACE: DIFFERENTIATION TO DRIVE GROWTH

- FY 2018 Aerospace up 23%, progress in AE™250 composites grade
- TxV Aero Composites facility in commissioning; Aerospace alliances under discussion



## ENERGY & OTHER INDUSTRIAL: NEW OPPORTUNITIES

- FY 2018 Energy & Other Industrial volumes up 23% (Oil & Gas up 19%)
- Magma progress & exploring renewables; growth in M&E – new food grade



## ELECTRONICS: BROAD BASED GROWTH

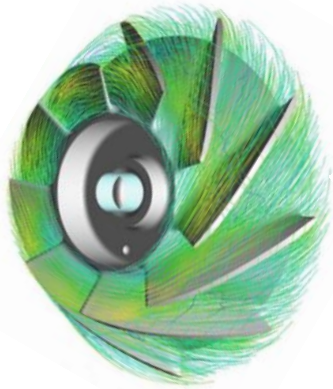
- FY 2018 Electronics up 19%
- Growth driven by Semicon, Film, Home Appliances

## VALUE ADDED RESELLERS

- FY 2018 volumes up 5%, continued market pull

# INDUSTRIAL UPDATE

Incremental  
opportunities...



## Home Appliances

- Home Appliance translation opportunity
- Heat, durability, strength requirements



## Food & drink

- Food processing 2x industrial growth
- New food grade (Victrex FG™)

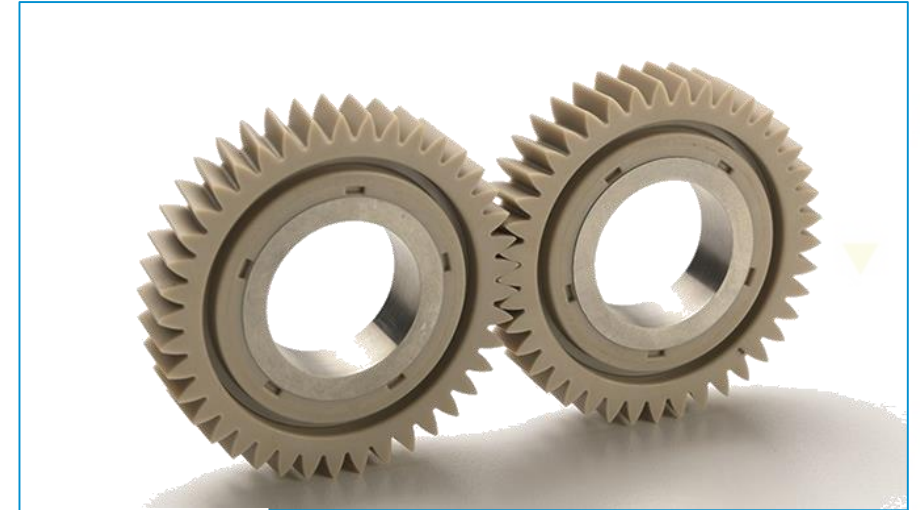


# MEGA-PROGRAMME UPDATE

Magma & Gears...



Energy



Gears

- Magma meaningful revenue of >£1m
- Tullow, Equinor, TechnipFMC opportunities
- c65%\* offshore opex cost saving
- PEEK Gears on the road (European OEM)
- Opportunities across ICE and EV
- Increase PEEK penetration (8g/car to 12g)

# INVESTING FOR GROWTH

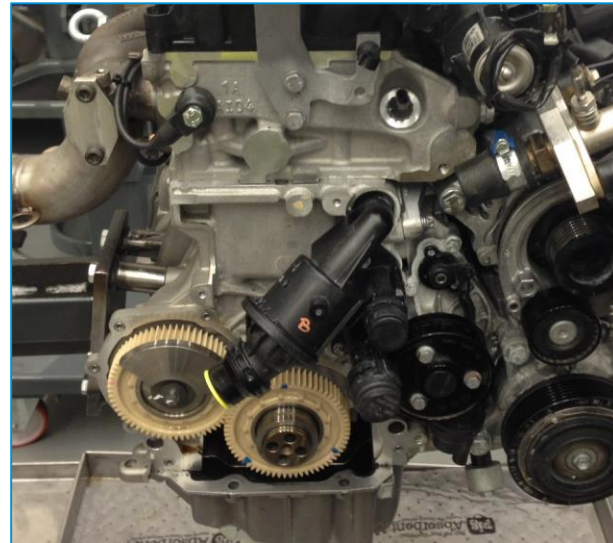
Aerospace, Gears,  
ZYEX Fibres...



**Composite parts capability**



**VICTREX GEAR SOLUTIONS  
(KLEISS)**



**Additional Gears capacity**



**ZYEX FIBRES**



**Fibre capacity investment**

# MEDICAL UPDATE



## **MEDICAL 3% AHEAD** (FLAT IN CONSTANT FX)

- *FY 2018 Medical revenue £55.6m (FY 2017: £53.9m)*
- *Meaningful revenue of £1m for HA-Enhanced; 10,000 patient implants*



## **DENTAL** OEM SUPPLY AGREEMENT WITH STRAUMANN

- *Secured two European distribution agreements*
- *Drive FY19 meaningful revenue & explore additional partnerships*



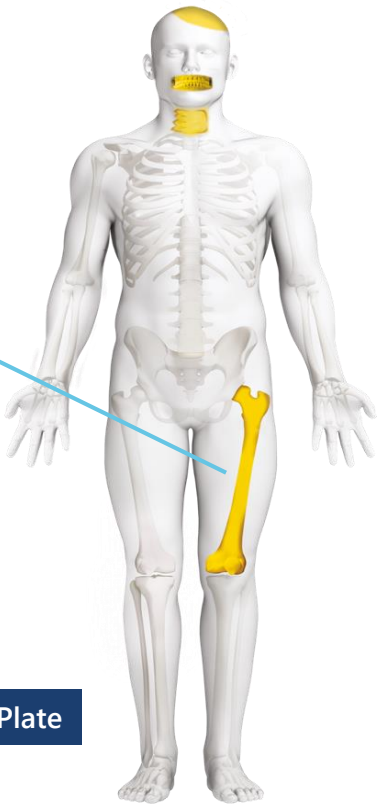
## **TRAUMA** GROWING COLLABORATIONS, INCLUDING WITH TOP 5 PLAYER



## **KNEE** CLINICAL TRIAL SUBMITTED

# MEGA-PROGRAMME UPDATE

Trauma & Knee...



## TRAUMA SOLUTIONS

Higher union rates without hardware failure\*

Distal Femur Outcomes in High Risk Patients

Stainless Steel Plate vs. Carbon Fiber PEEK Plate			
8%	COMPLICATIONS (Hardware failures)	0%	
75%	PATIENT OUTCOME (Bone Union)	100%	



Despite Advancements

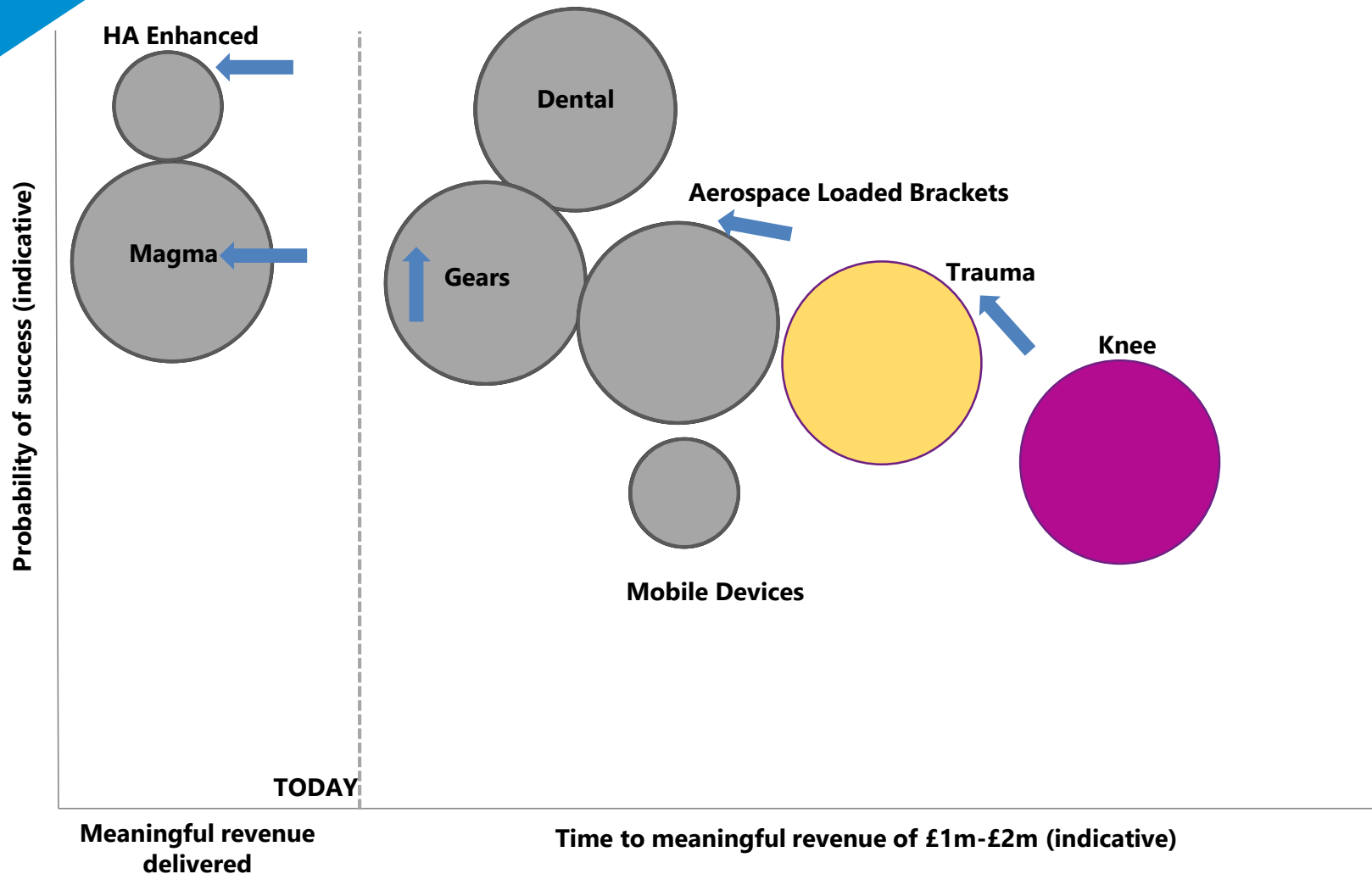
1 in 5

Knee Replacement Patients  
are not happy with the result

- New collaboration with top 5 player
- Drive market adoption
- Clinical trial submitted
- Lead investigator & patient recruitment

# BUBBLE CHART

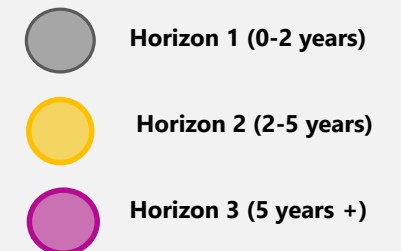
Strong pipeline...



Size of bubble  
= potential annual revenue in peak year:



Position and colour of bubble  
= time to meaningful revenue:





# PIPELINE MILESTONES

PROGRAMMES	REVENUE STATUS	FY18 MILESTONES	FY19 FOCUS
MAGMA	Meaningful (£1m+)	<ul style="list-style-type: none"> <li>OEM deployment</li> <li>Technip opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Tullow &amp; Equinor opportunities</li> </ul>
HA-ENHANCED	Meaningful (£1m+)	<ul style="list-style-type: none"> <li>&gt;10,000 patient implants</li> <li>42 devices cleared</li> </ul>	<ul style="list-style-type: none"> <li>Secure commitment from top 10 device company</li> </ul>
DENTAL	< £1m	<ul style="list-style-type: none"> <li>Straumann agreement</li> <li>2 large European supply agreements</li> </ul>	<ul style="list-style-type: none"> <li>Supply agreement in US</li> <li><u>Focus on delivering meaningful revenue</u></li> </ul>
GEARS	< £1m	<ul style="list-style-type: none"> <li>PEEK Gears on the road</li> </ul>	<ul style="list-style-type: none"> <li>Closing in on additional supply agreements</li> <li><u>Focus on delivering meaningful revenue</u></li> </ul>
TRAUMA	Prototype revenue	<ul style="list-style-type: none"> <li>Top 5 collaboration</li> <li>7 development projects initiated under contract</li> </ul>	<ul style="list-style-type: none"> <li>5 projects agreed for launch</li> <li>Develop additional capacity</li> </ul>
AERO BRACKETS	Prototype revenue	<ul style="list-style-type: none"> <li>TxV facility in commissioning (produce composite parts)</li> </ul>	<ul style="list-style-type: none"> <li>Drive growth in AE™250 composites</li> <li>Advanced discussions on new alliances</li> </ul>
KNEE	n/a	<ul style="list-style-type: none"> <li>Lead investigator appointed</li> <li>Clinical trial submitted</li> <li>Ethics approval</li> </ul>	<ul style="list-style-type: none"> <li>Move forward with patient recruitment</li> <li>Safely progress clinical trial</li> </ul>



# 3D PRINTING UPDATE

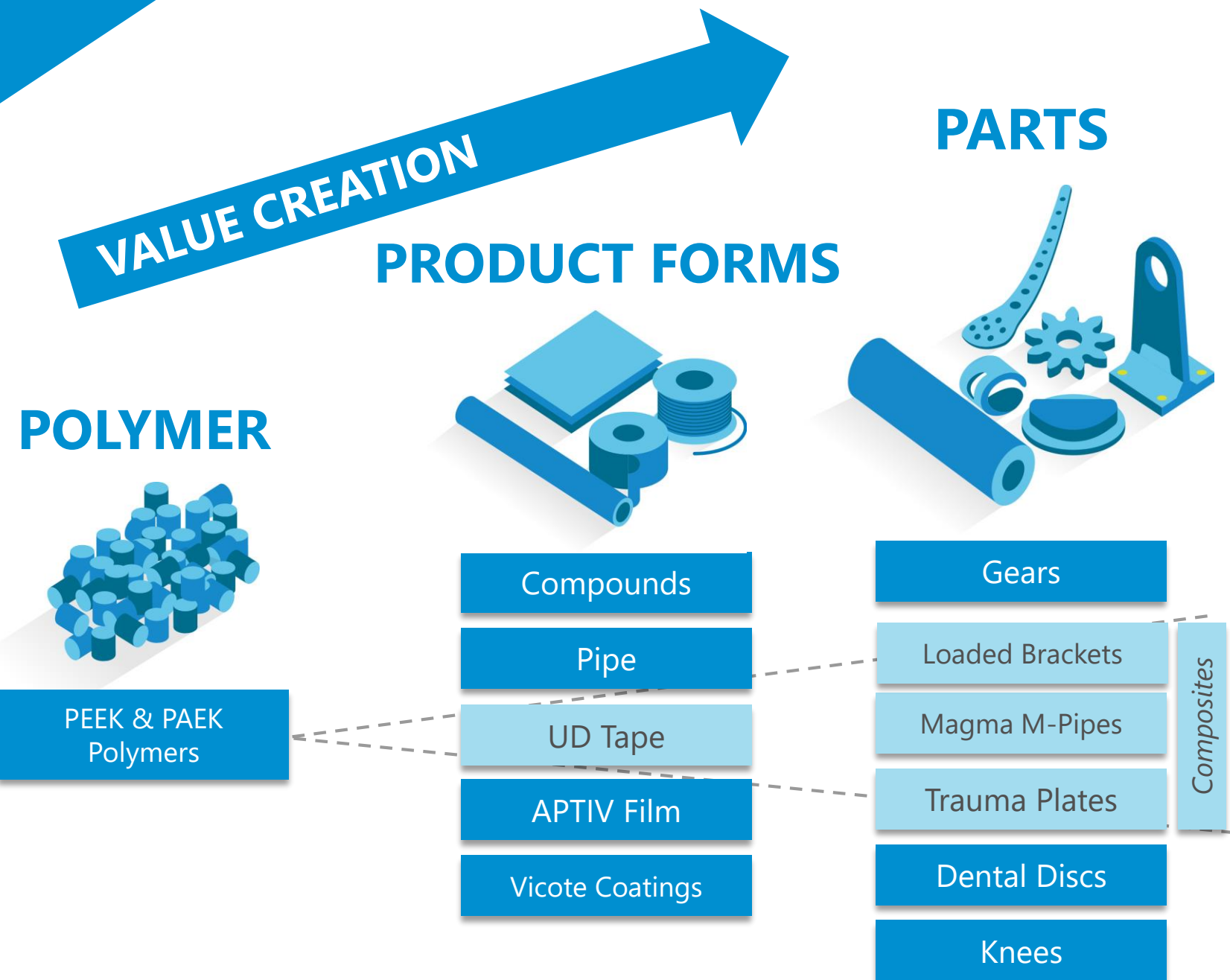
'Victrexeter'  
partnership

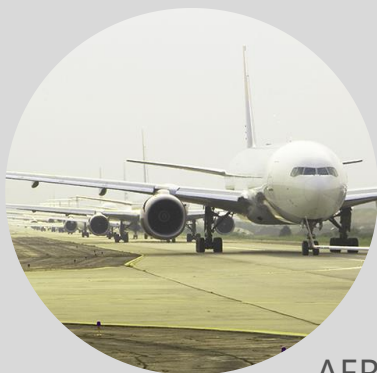


3D printing market growing 20%/yr\*.....build the market to offer polymer, product forms, parts

# POLYMER & PARTS

Differentiation & value creation...





**AEROSPACE**  
**41,000 new or replacement planes by 2035**



**AUTOMOTIVE**  
**Electric vehicles**  
**100g<sup>+</sup> PEEK/car opportunity**



**ELECTRONICS**  
**\$4Trillion revenue opportunity through 25 billion<sup>+</sup> intelligent systems by 2020**

***STRONG  
FUNDAMENTALS***

## **SUPPORTIVE MEGATRENDS**



**ENERGY**  
**Global energy demand to increase >30% by 2040**















**M&E**  
**2.7bn more mouths to feed by 2030; requiring efficient food processing**



**MEDICAL**  
**Ageing population**  
**Vision for Invivio solutions to treat a patient every 15-20 seconds by 2027**

# GROUP OUTLOOK

FY 2019\*

	<b>AEROSPACE</b>	
	<b>ENERGY</b>	
	<b>MEDICAL (NEW MARKETS)</b>	
	<b>AUTOMOTIVE</b>	
	<b>ELECTRONICS</b>	
	<b>MEDICAL (SPINE)</b>	

## KEY

**OPTIMISTIC** 

**NEUTRAL** 

**CAUTIOUS** 

\* Indicative outlook for our markets for FY 2019

# SUMMARY

- ▶ **STRONG CORE BUSINESS GROWTH**
- ▶ **FURTHER COMMERCIALISATION OF NEW PRODUCT PIPELINE**
- ▶ **STRONG CASH GENERATION**
  - ✓ *Supporting investment for growth*
  - ✓ *Supporting shareholder return*



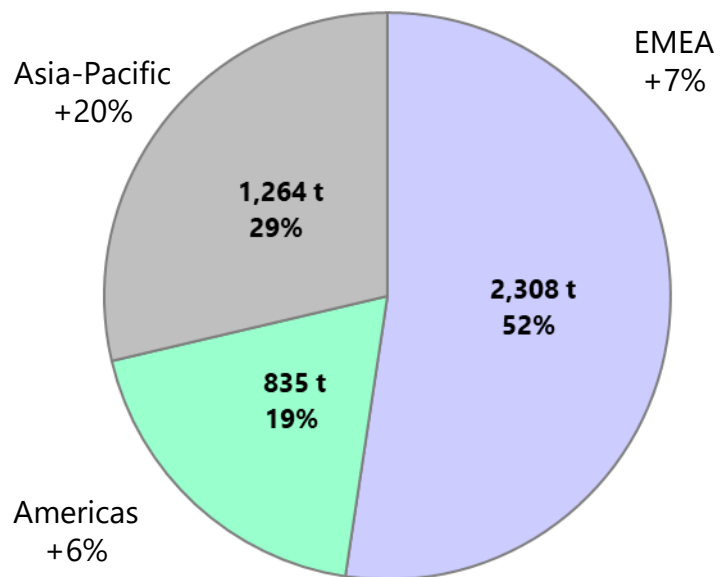


# APPENDIX

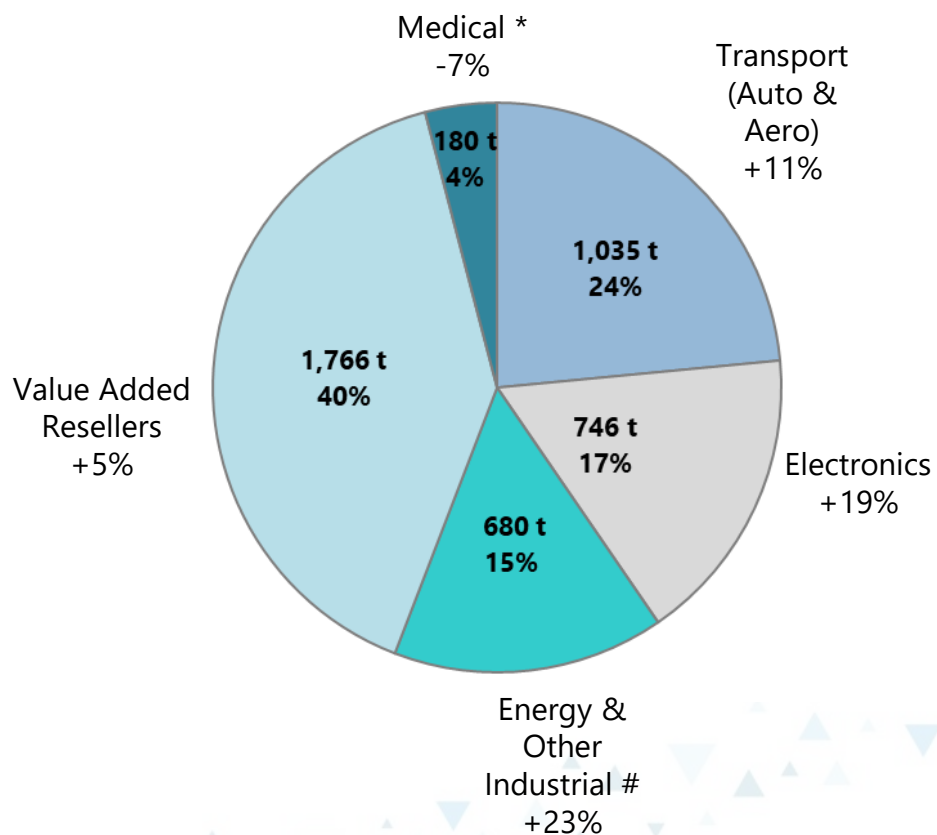


**FY 2018: 4,407 tonnes**  
**FY 2017: 3,992 tonnes**

**Volume by Region**



**Volume by Industry**



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

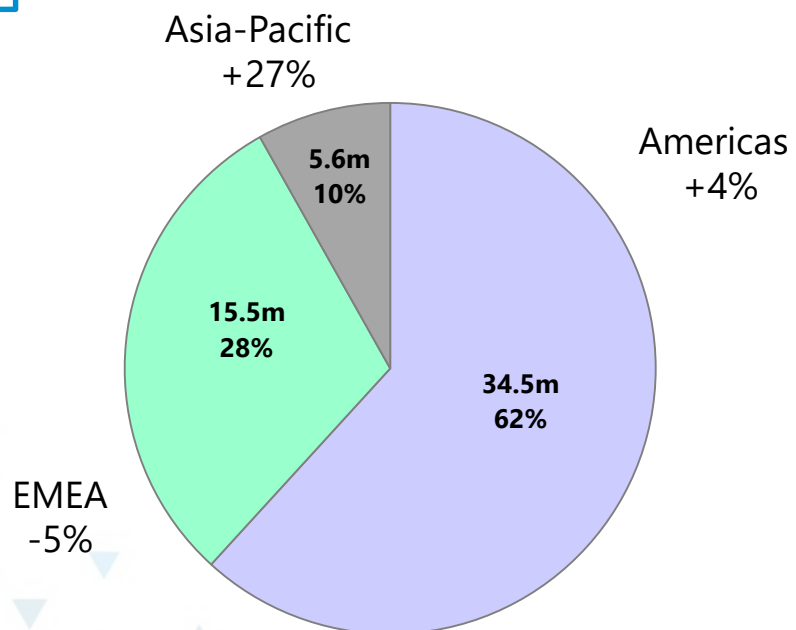
# Includes Manufacturing & Engineering volumes

# MEDICAL: KEY MARKETS

**FY 2018: £55.6m**

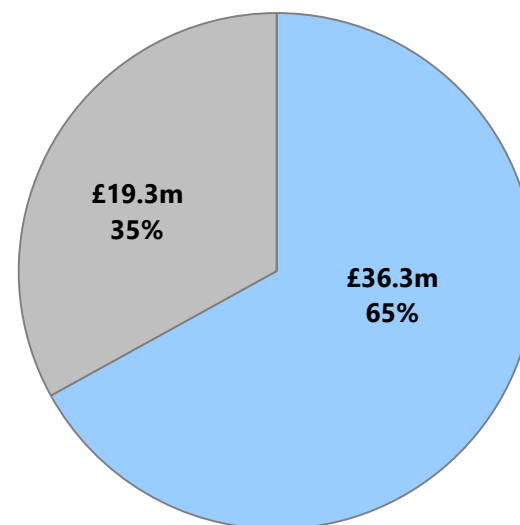
**FY 2017: £53.9m**

## Revenue by Region



## Revenue by Market

Other markets  
+8%



Spine  
+0%

# BUSINESS UNIT INCOME STATEMENTS

	Industrial			Medical		
Year ended 30 September	<b>2018</b>	2017	Change	<b>2018</b>	2017	Change
	<b>£m</b>	£m	%	<b>£m</b>	£m	%
<b>Revenue</b>	<b>270.4</b>	236.3	<b>+14%</b>	<b>55.6</b>	53.9	<b>+3%</b>
<b>Gross profit</b>	<b>158.6</b>	135.5	<b>+17%</b>	<b>49.4</b>	48.3	<b>+2%</b>
<i>Gross margin</i>	<i>58.7%</i>	<i>57.3%</i>	<i>+140bps</i>	<i>88.8%</i>	<i>89.6%</i>	<i>-80bps</i>

# BALANCE SHEET

	2018	2017
	£m	£m
PPE and intangible assets	<b>281.0</b>	289.2
Investments	<b>4.5</b>	10.0
Inventories	<b>69.3</b>	61.5
Cash (available*)	<b>144.4</b>	120.1
Trade receivables and other assets	<b>51.1</b>	53.5
Retirement benefit asset	<b>13.5</b>	3.8
Trade payables and other liabilities	<b>(73.9)</b>	(59.7)
Equity shareholders' funds	<b>489.9</b>	478.4

\* Available cash includes cash held on deposit. Excluding cash held on deposit, cash was £71.2m

# FUTURE USE OF CASH PRIORITIES

*Investment for growth remains the priority*

## CAPEX

- Maintenance capex c5-6% of sales
- Periodic investment in capacity & innovation



## M&A / INVESTMENT

- Developing capability
- Further investments to support mega-programmes & growth



## REGULAR DIVIDENDS

- Average growth c8% over last 5 years
- Grow in line with EPS



## SPECIAL DIVIDENDS

- Policy retained at c50% of net cash >£85m threshold
- 50p/share minimum

**<sup>1</sup> Core business, core growth, etc, excludes Consumer Electronics and mega-programmes**

**ALTERNATIVE PERFORMANCE MEASURES:**

**<sup>2</sup> Group revenue in constant currency is reached by applying current year (FY 2018) effective currency rates to prior year (FY 2017) transactions;**

**<sup>3</sup> Available cash is cash and cash equivalents plus cash invested in longer term deposits (> 3 months);**

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

**<sup>5</sup> Sales from new products is sales from new products or grades not sold before FY 2014**



# #1 PEEK EXPERTS

First to commercialise PEEK, with unmatched knowledge and experience



## INFORMATION & CONTACTS

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Director of IR &  
Corporate Communications

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ir@victrex.com  
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### POLYMER MANUFACTURING

Delivering the key PEEK & PAEK materials with No.1 manufacturing capacity of 7,150 tonnes

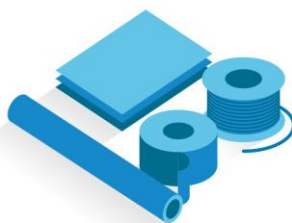


### DIFFERENTIATE THROUGH INNOVATION TO CREATE NEW MARKETS



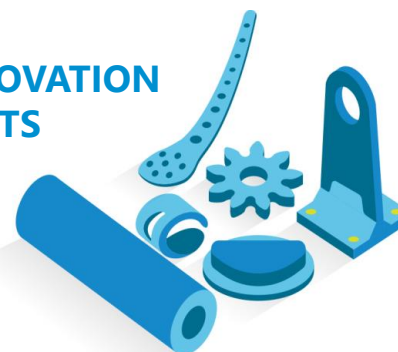
#### POLYMER

Producing new grades including for Additive Manufacturing (3D Printing)



#### PRODUCT FORMS

Manufacturing product forms: Pipes, Films, Fibres and Composite Tapes



#### PARTS & COMPONENTS

Developing new applications for PEEK, PAEK and Thermoplastic Composites



### 40+ YEARS SHAPING FUTURE PERFORMANCE

Enabling customers to overcome complex design & engineering challenges across 6 key markets



### GLOBAL CAPABILITY

**900+**

Employees

**40+**

Countries served by Victrex across our markets

**c£2.5bn**

Market Value

- FTSE 250 Company
- £300m+ Revenue



### INVESTMENT IN INNOVATION

**~5%**

of annual sales invested in R&D

**£200m+**

Invested in manufacturing facilities in the last 5 years

#### NEW CAPABILITIES

- Partnerships
- Strategic Alliances
- Polymer Innovation Centre
- Acquisitions
- Composites Manufacturing