



An innovative world leader in high performance polymer solutions

Victrex plc Interim results
13 May 2019

EXECUTIVE DIRECTORS



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Chief Executive



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Executive Director
Industrial



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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

**H1 AS EXPECTED:
IMPROVED RUN RATE
IN H2 (SLOWER THAN
EXPECTED)**



HIGHLIGHTS

H1 IMPACTED BY AUTO, ELECTRONICS VAR & CONSUMER ELECTRONICS

- *H1 Group sales volumes down 16% on weaker Auto, VAR & Consumer Electronics contract*
- *Improving trend in Q2, with Auto stabilising*
- *Solid performance in Medical, revenue +1% and +2% in constant currency¹*
- *Underlying PBT² in constant currency down 9%, reflecting weaker trading and opex investment*

GOOD PROGRESS IN MEGA-PROGRAMMES; NEW AEROSPACE ALLIANCE

- *Second PEEK Gears contract*
- *New 'Clean Sky 2' development alliance signed with Airbus*
- *Patient recruitment imminent for PEEK Knee clinical trial*
- *Investments in Surface Generation and Bond 3D; further downstream manufacturing capability*

CASH GENERATION DRIVES INVESTMENT & SHAREHOLDER RETURN

- *Operating cash conversion³ of 65%, impacted by Brexit stock build giving available cash⁴ of £49.4m*
- *Interim dividend held at 13.42p/share*
- *Reviewing new capacity options; potential for first investment in FY 2019/2020*
- *Debottlenecking opportunity commencing in FY 2019/2020*

¹⁻⁴ Alternative performance measures are defined in the Appendix on slide 30

Weaker H1

- H1 2019 sales volumes down 16% to 1,899 tonnes
- Margin impacted by currency, raw material and energy inflation & weaker operating leverage

Further “front-end” investment; no accrual for Employee bonus scheme

- Overheads (excluding exceptional items) down 18%
- Excluding YoY bonus impact, overheads up 3% (investment in R&D, marketing, sales)

Half year (6 months) ended 31 March

	H1 2019 £m	H1 2018 £m	Change %	Change (constant currency) ¹ %
Revenue	145.7	166.6	-13%	-12%
Losses on foreign currency net hedging*	(2.9)	-	-100%	
Gross profit	87.4	106.3	-18%	-13%
Gross margin %	60.0%	63.8%	-380bps	
Overheads**	(35.5)	(43.3)	-18%	-13%
Exceptionals	(2.2)	-	-100%	
Interest	0.5	0.3	67%	
Profit before tax	50.2	63.3	-21%	-13%
Earnings per share	51.4p	64.7p	-21%	
Dividend per share	13.42p	13.42p	flat	

* Losses on foreign currency contracts, when net hedging is applied on cash flow hedges, are disclosed separately within gross margin on adoption of IFRS 9.

** Excluding exceptional items of £2.2m.

H1 19 vs H1 18

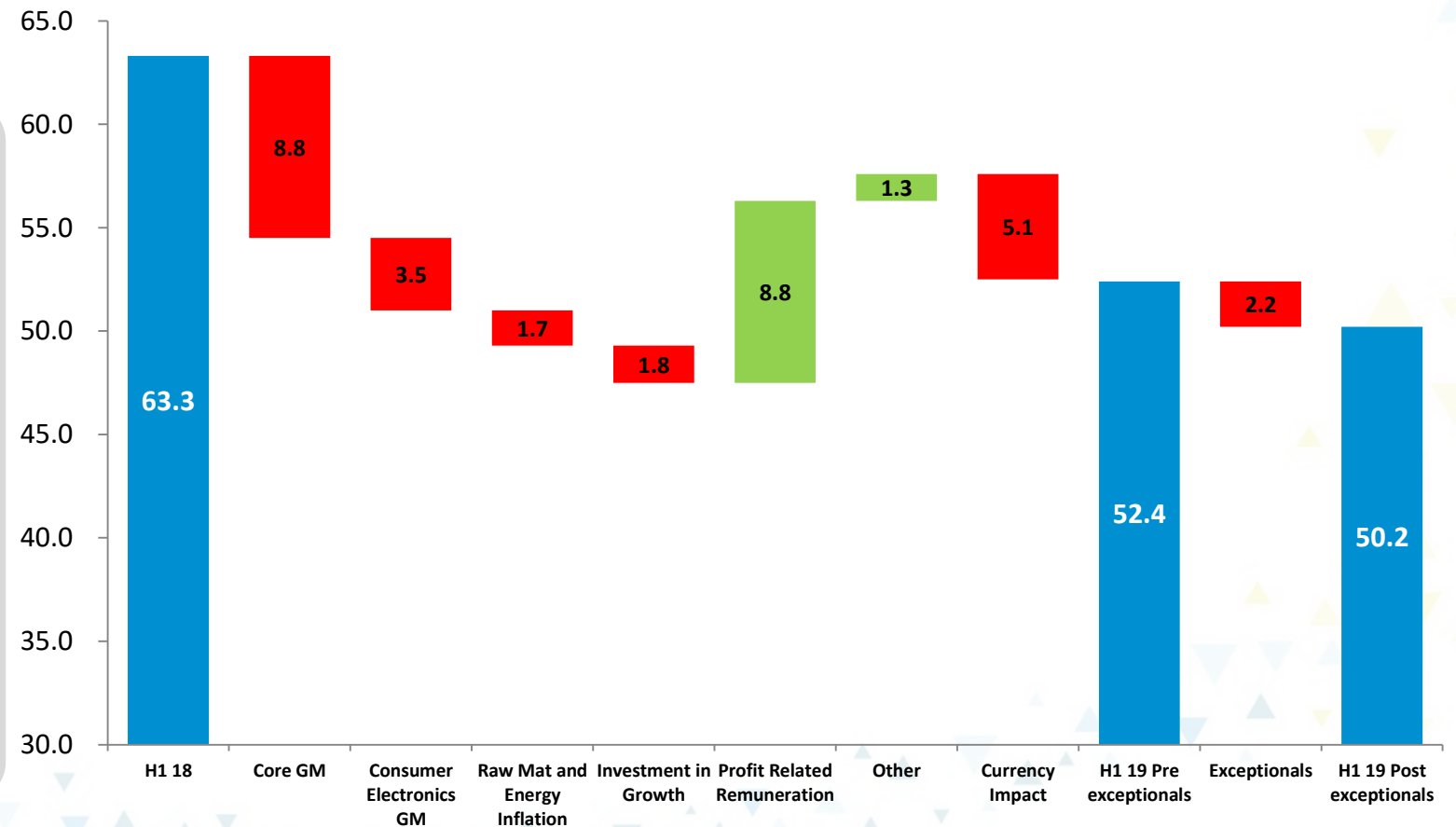
Weaker operating leverage

- 16% volume decline impacting margin

Higher cost of manufacture & currency

- Raw material and energy inflation weighted to H1
- £5m currency headwind

PBT BRIDGE

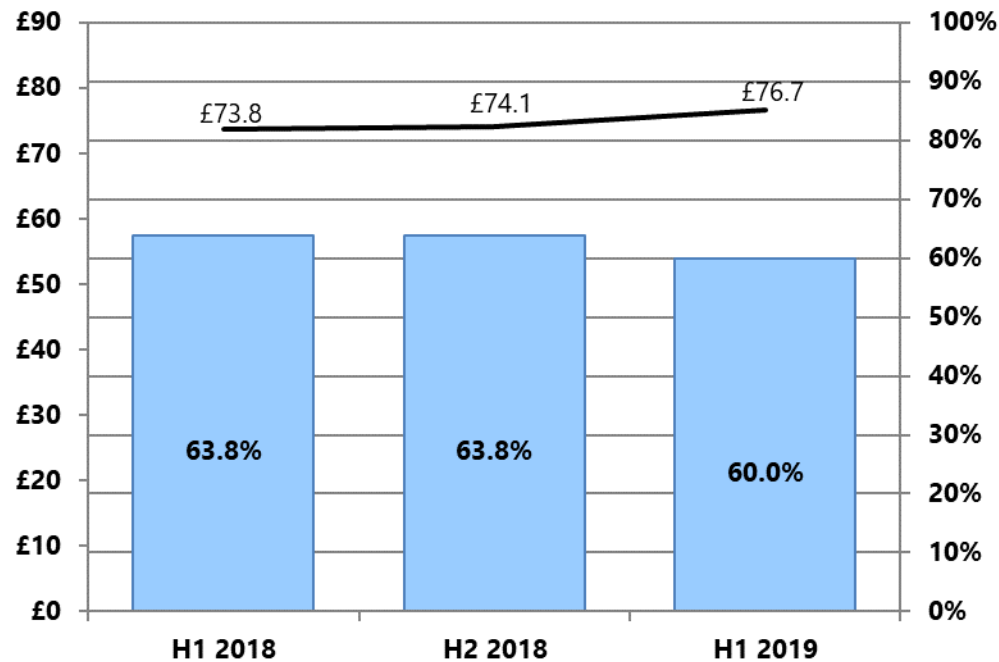


ASP & MARGIN

Improved mix;
higher cost of
manufacture...

**£/kg Average selling price
(ASP)**

**Gross margin
(GM) %**



H1 2019 ASP £76.7/kg

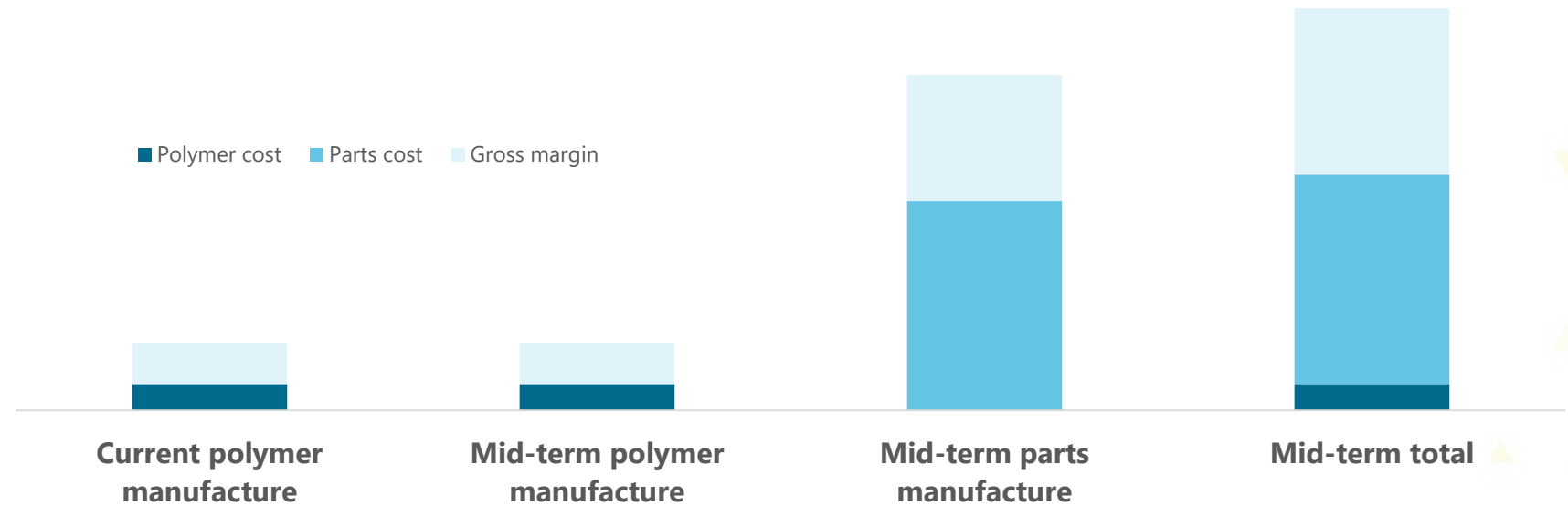
- Improved mix offset by currency
- Stable underlying pricing

H1 2019 GM 60.0%

- Margin impacted by currency, inflation, operating leverage
- Stable underlying margin

ECONOMICS OF POLYMER & PARTS...

INDICATIVE MARGIN OPPORTUNITY FOR POLYMER & PARTS (£/KG)



- *Focus on absolute margin opportunity vs % margin*
- *Focus on ROCE*

CURRENCY

FY19 headwind...

	Reported	H1 2019 Currency Impact	Constant currency	H1 2018	Change in Constant currency
	£m	£m	£m	£m	£m
Revenue	145.7	0.7	146.4	166.6	-12%
Losses on foreign currency net hedging	(2.9)	2.9	0.0	-	
Gross profit	87.4	4.9	92.3	106.3	-13%
Gross margin %	60.0%		63.0%	63.8%	
Profit before tax	50.2	5.1	55.3	63.3	-13%

Exchange rates	H1 2018 ¹	H1 2019 ²	FY 2019 ²	Exchange rate sensitivity#
\$/£	1.26	1.31	1.30	£6.5m
€/£	1.13	1.12	1.13	£5.4m
¥/£	143	145	144	£1.2m

- ***FY 2019 currency headwind c£6m – £8m at PBT (currency & inflation)***
- ***FY 2020 c1/3rd hedging in place***

¹ Effective rates

² Weighted average spot exchange rates (before the impact of hedging).

Management estimate of impact on 2019 full year forecast PBT from a 5% movement in weighted average spot exchange rates (before the impact of hedging).

CASH

Half year (6 months) ended 31 March

	H1 2019 £m	H1 2018 £m
Cash flows from operating activities		
Cash generated from operations	32.5	66.5
Net financing interest received	0.5	0.3
Tax (paid)/repayment	(3.8)	0.9
Net cash flow from operating activities	29.2	67.7
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(8.8)	(4.4)
Decrease/(increase) in other financial assets	72.9	(27.0)
Cash consideration of acquisitions	(5.9)	-
Net cash flow from investing activities	58.2	(31.4)
Cash flows from financing activities		
Premium on issue of ordinary shares exercised under option	1.3	3.0
Dividends paid	(110.8)	(94.0)
Net cash flow from financing activities	(109.5)	(91.0)
Net decrease in cash and cash equivalents	(22.1)	(54.7)
Effect of exchange rate fluctuations on cash held	-	(0.6)
Cash and cash equivalents at beginning of period	71.2	120.1
Cash and cash equivalents at end of period	49.1	64.8
Cash invested in longer term deposits	0.3	27.0
Available cash⁴	49.4	91.8

⁴ Alternative performance measures are defined in the Appendix on slide 30

NEW POLYMER CAPACITY

Investment for growth...



- *Multiple capacity options under review*
- *Build & other options; single stage or two-stage approach*
- *Debottlenecking opportunity in FY19/20 (c£20m capex over 2 years)*
- *Investment for growth remains the priority*

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: SHORT-TERM CHALLENGES, LONG-TERM OPPORTUNITY

- *H1 2019 Automotive down 13%, some improvement in Q2*
- *Second major PEEK Gears contract & EV opportunities*



AEROSPACE: TOUGHER H1 COMP; ON TRACK FOR FY GROWTH

- *H1 2019 Aerospace stable, further progress in AE™250 composites grade*
- *TxV Aero Composites facility operational; new Airbus development alliance*



ENERGY & OTHER INDUSTRIAL: GOOD GROWTH IN OIL & GAS

- *H1 2019 Energy & Other Industrial flat (Oil & Gas up 9%)*
- *Slower start in Manufacturing & Engineering*



ELECTRONICS: WEAKER & CONSUMER ELECTRONICS IMPACT

- *H1 2019 Electronics down 42%, driven by Consumer Electronics*
- *Softer performance in Semicon; growth in Home Appliances*

VALUE ADDED RESELLERS

- *H1 2019 volumes down 15%; weaker Auto and Industrial markets*

MEGA-PROGRAMME UPDATE

Aerospace Loaded
Brackets...



NEW US MANUFACTURING FACILITY OPERATIONAL

- **Increased capability: diverse and differentiated thermoplastic composite parts**
- **Qualified to AS9100 Aerospace 'parts' standard**
- **First prototype parts supplied – focus on meaningful revenue in FY20**

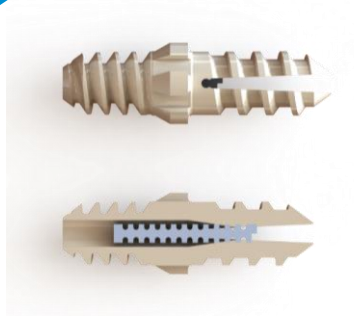
NEW DEVELOPMENT ALLIANCE WITH AIRBUS

Polymer & Parts



AIRBUS: 'CLEAN SKY 2' PROGRAMME

- **Development alliance: deliver composite solutions in primary & secondary structures**
- **11% CAGR in thermoplastic composites projected by 2025** (source: Grand View Research)
- **Well positioned for Polymer & Parts; further opportunity for Victrex AE™250 composites grade**



SPINE STABLE GROWTH IN HA-ENHANCED

- *H1 2019 Medical revenue £27.9m (H1 2018: £27.6m), Asia growth +88%*
- *HA-Enhanced on track for FY19 growth*
- *New 'Hammertoe' foot and ankle application*



DENTAL ADDITIONAL AGREEMENTS WITH ASTI & UMBRA

- *Launch of Juvora 'Oyster White' product*
- *Seek further OEM collaborations*



TRAUMA GROWING COLLABORATIONS

- *Top 5 collaboration, developing additional capacity to support scale-up*



KNEE CLINICAL TRIAL UNDERWAY; PATIENT RECRUITMENT IMMINENT

MEGA-PROGRAMME UPDATE

Knee...

Despite Advancements

1 in 5

Knee Replacement Patients
are not happy with the result



IP & manufacturing capability



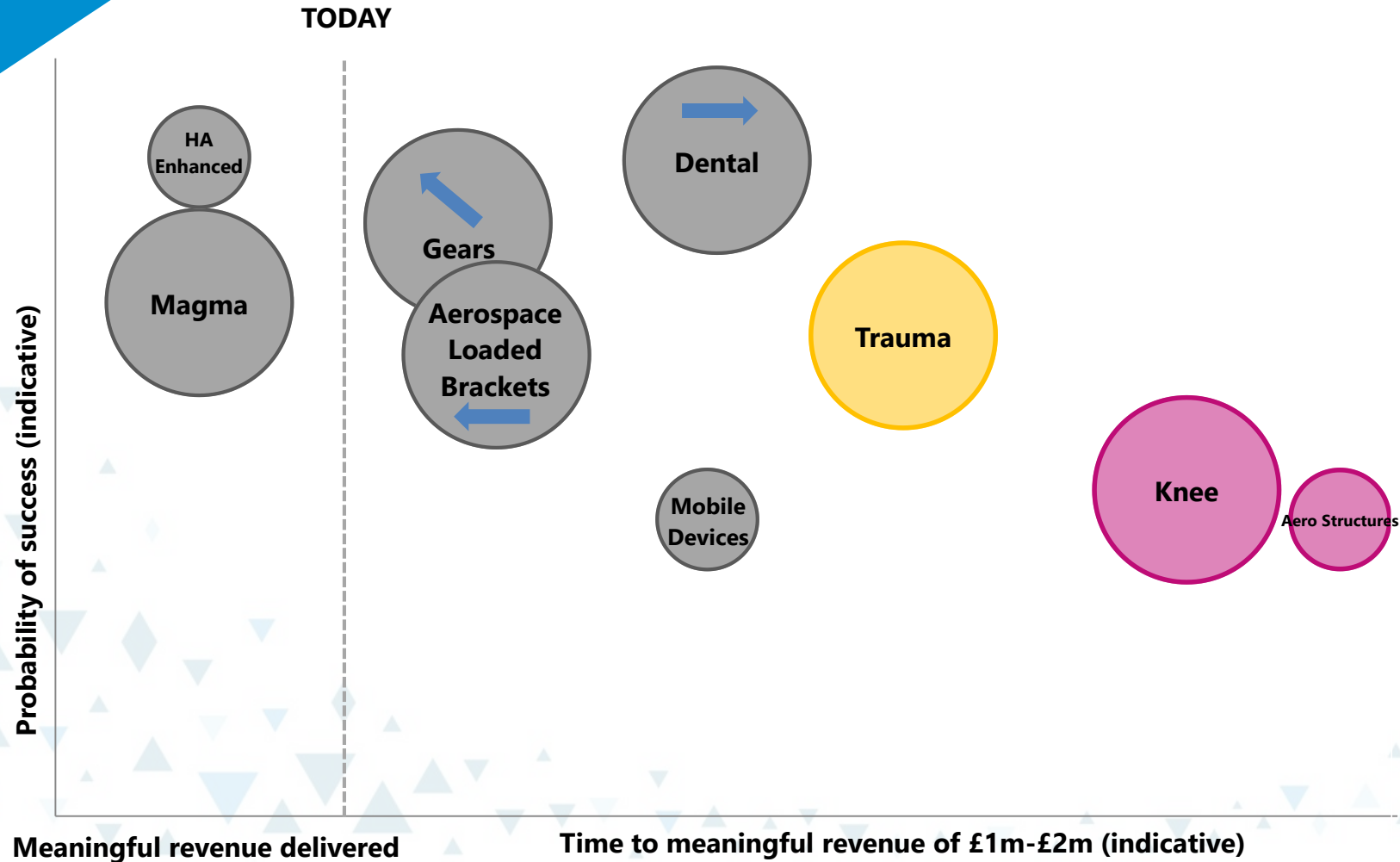
Clinical evidence & key opinion leaders



- Patient recruitment imminent (30 patients, 18 month trial)
- Sizeable opportunity (\$6bn global market) and demand for change
- Simplicity and speed of manufacture
- Develop 2nd OEM partner, build clinical evidence & key opinion leaders

BUBBLE CHART

Strong pipeline...



Size of bubble
= potential annual revenue in peak year:



<£20m



£20-50m



>£50m
(all bubbles are
indicative only)

Position and colour of bubble
= time to meaningful revenue:



Horizon 1 (0-2 years)



Horizon 2 (2-5 years)



Horizon 3 (5 years +)

PIPELINE MILESTONES

PROGRAMMES	REVENUE STATUS	H1 19 MILESTONES	FY 19 FOCUS
MAGMA	Meaningful (£1m+)	<ul style="list-style-type: none"> Support Technip preparation & qualification 	<ul style="list-style-type: none"> Explore Equinor opportunities Explore well containment opportunity (MWCC & HWCG)
HA-ENHANCED	Meaningful (£1m+)	<ul style="list-style-type: none"> Hammertoe foot & ankle application using HA 	<ul style="list-style-type: none"> Commitment from top 10 device company Assess Porous PEEK opportunity
DENTAL	< £1m	<ul style="list-style-type: none"> Asti & Umbra agreements Launch of Oyster White 	<ul style="list-style-type: none"> Drive adoption through OEM partners
GEARS	< £1m	<ul style="list-style-type: none"> 2nd major OEM IATF16949 certification Manufacturing scale-up 	<ul style="list-style-type: none"> Deliver additional supply agreements <u>Focus on delivering meaningful revenue</u>
TRAUMA	Prototype revenue	<ul style="list-style-type: none"> Capacity plan complete Scale up manufacturing 	<ul style="list-style-type: none"> 5 plates agreed for launch
AERO BRACKETS	Prototype revenue	<ul style="list-style-type: none"> TxV Aero Composites facility operational First prototype parts supplied Drive commercial revenue 	<ul style="list-style-type: none"> Drive growth in AETM250 composites Parts qualified with OEMs
KNEE	n/a	<ul style="list-style-type: none"> Patient recruitment imminent (30 patients) 	<ul style="list-style-type: none"> Safely progress clinical trial Engage with 2nd partner

DOWNSTREAM INVESTMENT

Supporting our
mega-
programmes



**SURFACE
GENERATION**















ENHANCING OUR CAPABILITIES

- **Surface Generation: state of the art compression moulding (minority investment)**
- **Bond 3D investment: support PEEK 3D printing programmes (exclusivity for Medical)**
- **Maximum investment <£20m**

GROUP OUTLOOK

H2 2019*

	AEROSPACE	
	ENERGY	
	MEDICAL (NEW MARKETS)	
	MEDICAL (SPINE)	
	AUTOMOTIVE	
	ELECTRONICS	

KEY

OPTIMISTIC 

NEUTRAL 

CAUTIOUS 

* Indicative outlook for our markets for H2 2019

SUMMARY

- ▶ **WEAKER H1**
- ▶ **FOCUSED ON H2 IMPROVEMENT**
- ▶ **GOOD PROGRESS IN MEGA-PROGRAMMES**

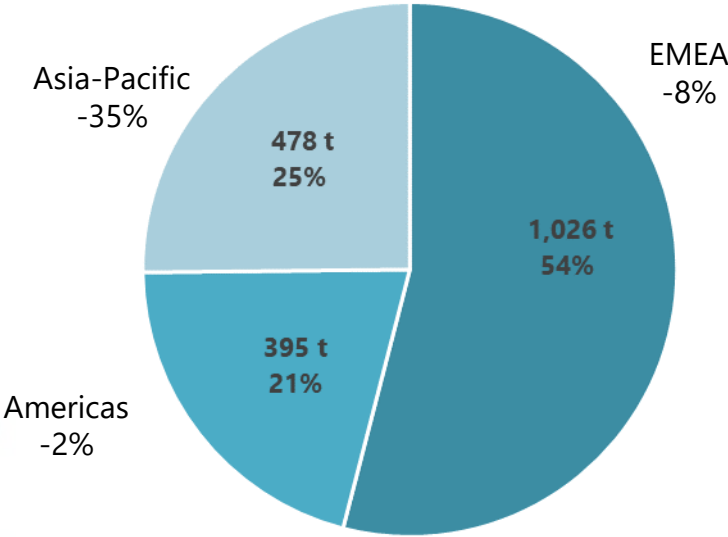


APPENDIX

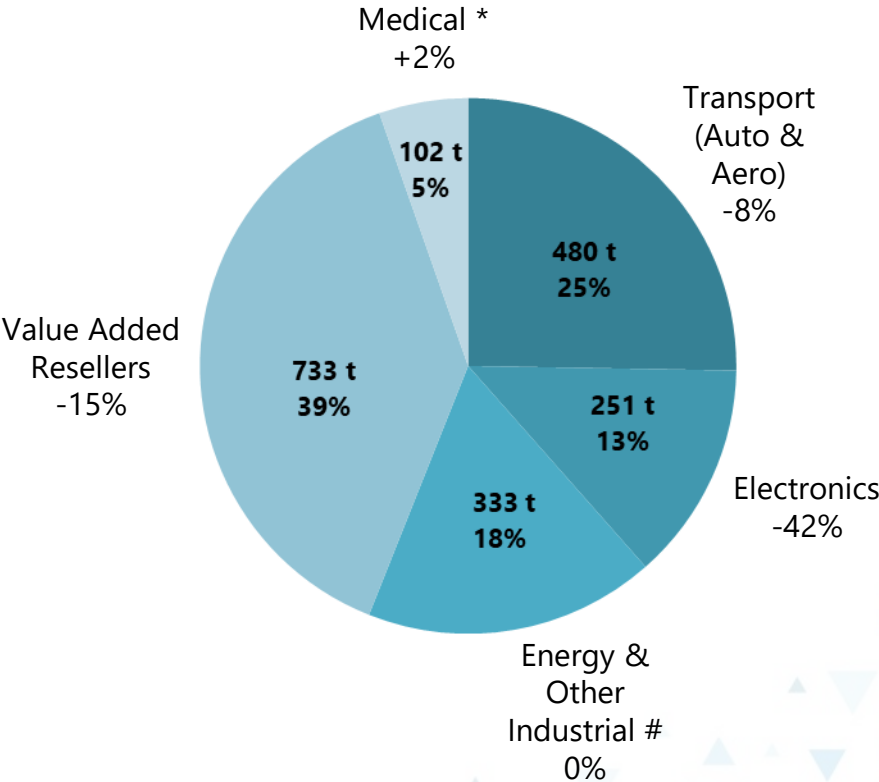
GROUP END MARKETS

H1 2019: 1,899 tonnes
H1 2018: 2,256 tonnes

Volume by Region



Volume by Industry



* Medical volume reflects both non-implantable and implantable volumes

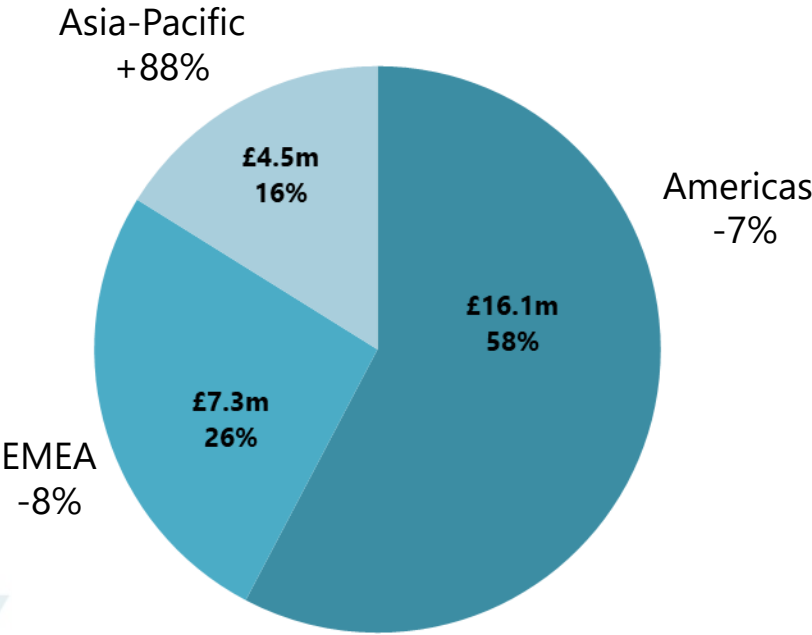
Includes Manufacturing & Engineering volumes

MEDICAL: KEY MARKETS

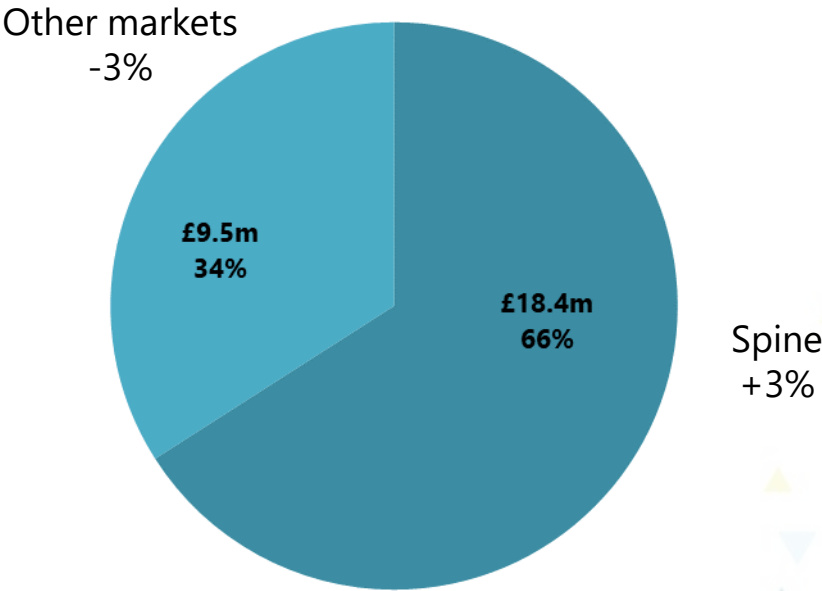
H1 2019: £27.9m

H1 2018: £27.6m

Revenue by Region



Revenue by Market



BUSINESS UNIT INCOME STATEMENTS

Half year (6 months) ended 31 March

	Industrial				Medical			
	2019	2018	Change	Change (constant currency) ¹	2019	2018	Change	Change (constant currency) ¹
	£m	£m	%		£m	£m	%	
Revenue	117.8	139.0	-15%	-15%	27.9	27.6	1%	2%
Losses on foreign currency net hedging	(1.9)	-	-100%		(1.0)	-	-100%	
Gross profit	64.2	81.7	-21%	-17%	23.2	24.6	-6%	0%
<i>Gross margin</i>	54.5%	58.8%	-430bps		83.2%	89.1%	-590bps	

BALANCE SHEET

	H1 2019	H1 2018
	£m	£m
PPE and intangible assets	280.9	284.1
Financial assets held at fair value through profit and loss*	10.5	10.0
Inventories	85.3	62.8
Cash (available**)	49.4	91.8
Trade receivables and other assets	53.2	54.8
Retirement benefit asset	7.5	5.4
Trade payables and other liabilities	(63.5)	(64.7)
Equity shareholders' funds	423.3	444.2

* Financial assets held at fair value through profit and loss comprises minority investments

** Available cash includes cash held on deposit. Excluding cash held on deposit, cash was £49.1m (H1 2018: £64.8m)

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



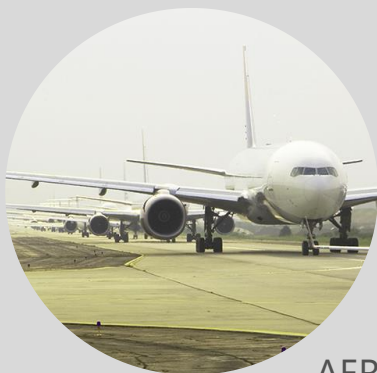
REGULAR DIVIDENDS

- 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



AEROSPACE
41,000 new or replacement planes by 2035



AUTOMOTIVE
Electric vehicles
100g⁺ PEEK/car opportunity



ELECTRONICS
\$4Trillion revenue opportunity through 25 billion⁺ 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

DEFINITIONS

ALTERNATIVE PERFORMANCE MEASURES:

¹ Constant currency metrics are reached by applying current year (H1 2019) weighted average spot rates to prior year (H1 2018) transactions. In the current period, gains and losses on foreign currency net hedging, are shown separately in the Income Statement, following adoption of IFRS 9, and are excluded from the constant currency calculation;

² Underlying PBT is profit before exceptional items and tax;

³ Operating cash conversion is cash generated from operations / operating profit; and

⁴ Available cash is cash and cash equivalents plus other financial assets (cash invested in term deposits greater than three months in duration).

#1 PEEK EXPERTS

First to commercialise PEEK, with unmatched knowledge and experience



INFORMATION & CONTACTS

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POLYMER MANUFACTURING

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

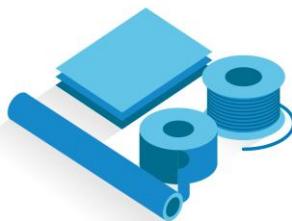


DIFFERENTIATE THROUGH INNOVATION TO CREATE NEW MARKETS



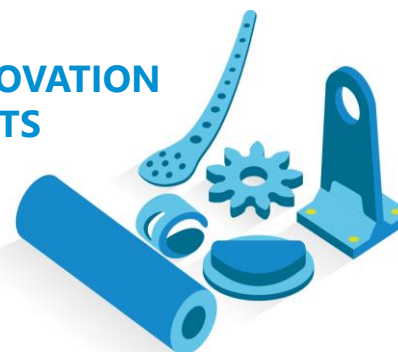
POLYMER

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£2bn

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