



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

Victrex plc

Preliminary results
5 December 2019

EXECUTIVE DIRECTORS



Richard Armitage
Chief Financial Officer



Jakob Sigurdsson
Chief Executive Officer



Martin Court
Chief Commercial Officer

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

**FULL YEAR IN-LINE:
CYCLICAL WEAKNESS
OFFSETTING
GROWTH MARKETS**



HIGHLIGHTS

- **GROWTH IN AERO, ENERGY & MEDICAL OFFSET BY AUTO & ELECTRONICS CYCLICALITY**
 - *FY19 Group sales volumes down 15% impacted by Auto, Electronics & Value Added Resellers*
 - *Run rate stabilising in Q4 with sequential improvement*
 - *Good performance in Medical, revenue +4% with strong growth in Asia (China +123%)*
 - *Underlying PBT¹ down 17%*
- **FURTHER PROGRESS TO COMMERCIALISE 'MEGA-PROGRAMME' PIPELINE**
 - *First commercial order for Aerospace composite parts, new US facility operational*
 - *New Aerospace Structures mega-programme (long-term development alliance with Airbus)*
 - *>10 development programmes for PEEK Gears*
 - *Double-digit revenue growth in next generation PEEK-OPTIMA™ HA Enhanced Spine product*
 - *PEEK Knee clinical trial underway*
- **CASH GENERATION IMPACTED BY BREXIT & DEBOTTLENECKING INVENTORY BUILD**
 - *Operating cash conversion¹ of 87%, impacted by stock build; available cash¹ of £72.8m*
 - *Final dividend held at 46.14p/share*
 - *Investments to support 3D printing and moulding technology*
 - *Two-year £15m debottlenecking investment underway, unlocking incremental capacity*

¹ Alternative performance measures are defined in the Appendix on slide 36

WEAKER TRADING & FX IMPACT

- FY 2019 sales volumes down 15% to 3,751 tonnes
- Margin impacted by currency (including IFRS 9), raw material and energy inflation

TARGETED 'FRONT-END' INVESTMENT, NO BONUS ACCRUAL

- Total overheads (excluding exceptional items) down 13%
- Excluding YoY impact of profit related remuneration (bonus, LTIP and share options), overheads +5% (investment in R&D, marketing, sales)

Year ended 30 September

	FY 2019 £m	FY 2018 £m	Change %	Change (constant currency) ¹ %
Revenue	294.0	326.0	-10%	-11%
Losses on foreign currency net hedging*	(5.9)	-	-100%	
Gross profit	176.3	208.0	-15%	-14%
<i>Gross margin %</i>	60.0%	63.8%	-380bps	
Overheads**	(70.7)	(81.1)	-13%	-14%
<i>Exceptionals</i>	(1.5)	-	-100%	
<i>Interest</i>	0.6	0.6	0%	
Underlying profit before tax¹	106.2	127.5	-17%	-14%
Profit before tax	104.7	127.5	-18%	-15%
Earnings per share	107.2p	128.8p	-17%	
Dividend per share	59.56p	142.24p	-58%	

* 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 £1.5m.

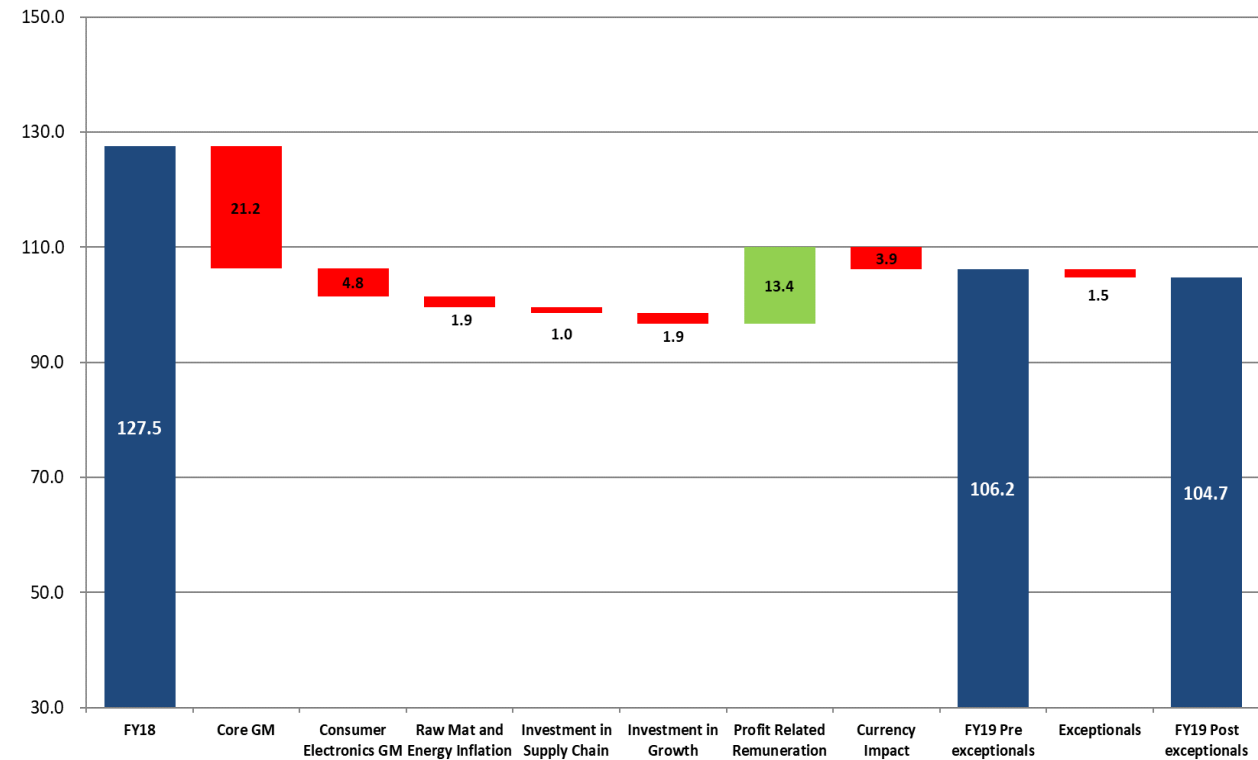
¹ Alternative performance measures are defined in the Appendix on slide 36

FY 2019 vs FY 2018

COST OF MANUFACTURE & CURRENCY IMPACT

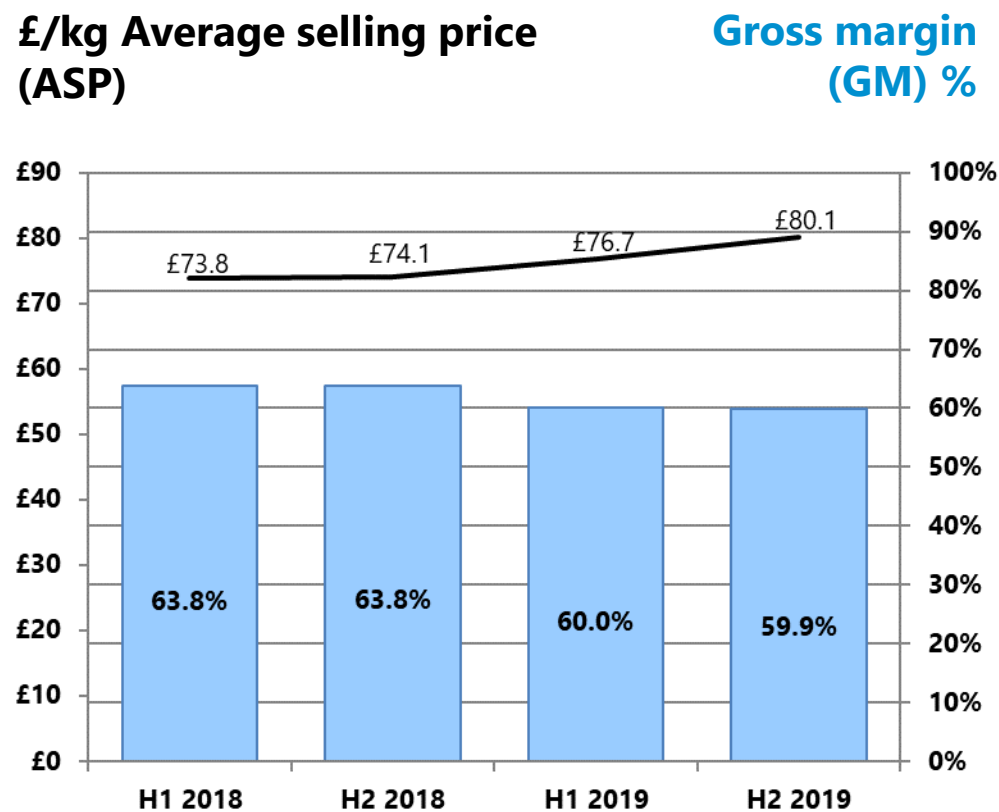
- 15% volume decline impacting margin
- Raw material and energy inflation weighted to H1
- c£4m currency headwind

PBT BRIDGE



ASP & MARGIN

Medical growth
supporting Mix...



FY 2019 ASP £78/kg

- Improved sales mix
- Underlying pricing broadly stable

FY 2019 GM 60.0%

- Currency, inflation, and cost of manufacture impacting margin
- IFRS 9 presentational impact on GM%

CURRENCY

FY19 headwind...

FY20 tailwind...

	Reported £m	FY 2019 Currency Impact £m	Constant currency ¹ £m	FY 2018 £m	Change Constant currency ¹ £m
Revenue	294.0	(5.8)	288.2	326.0	-11%
Losses on foreign currency net hedging	(5.9)	5.9	-	-	
Gross profit	176.3	2.3	178.6	208.0	-14%
Gross margin %	60.0%		62.0%	63.8%	
Profit before tax	104.7	3.9	108.6	127.5	-15%

Exchange rates	FY 2018 ²	FY 2019 ³	FY 2020 ³	FY 2020 ²	Exchange rate sensitivity ⁴
\$/£	1.30	1.29	1.28	1.28	£5.0m
€/£	1.13	1.13	1.16	1.13	£4.2m
¥/£	144	143	139	140	£1.0m

- FY 2019 currency & inflation headwind c£6m at PBT
- FY 2020 c80% hedging in place, with currency tailwind c£5m-£7m at PBT
- Review effectiveness of hedging policy during FY 2020

¹ Alternative performance measures are defined in the Appendix on slide 36

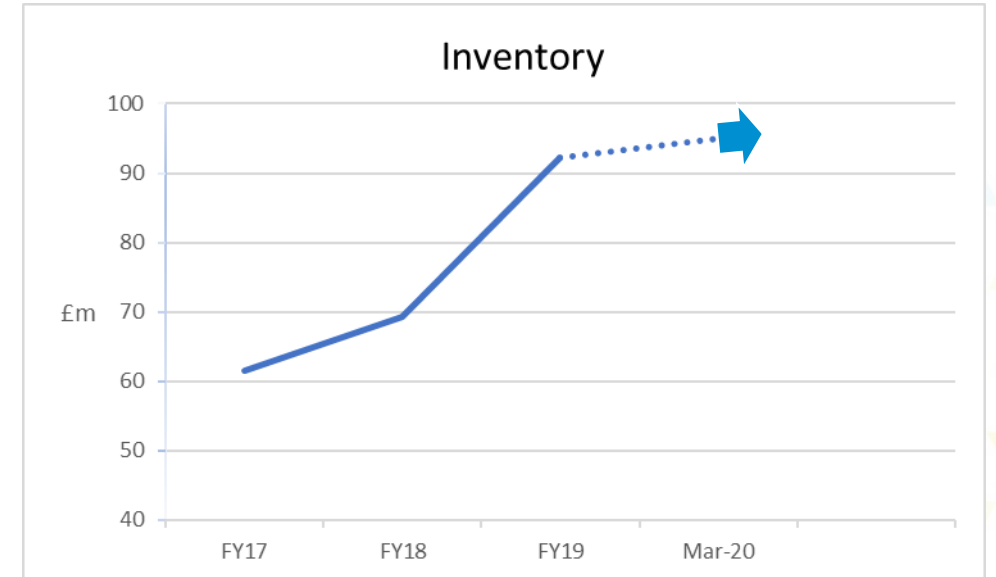
² Effective rates (includes the impact of hedging)

³ Weighted average spot exchange rates (before the impact of hedging)

⁴ Management estimate of impact on 2020 full year forecast PBT from a 5% movement in weighted average spot exchange rates (before the impact of hedging)

INVENTORIES

Brexit contingency & support for debottlenecking...



- **FY 2019 inventory £92.2m (FY 2018: £69.3m)**
- **New German warehouse supplying European customers**
 - *c3 months sales stock in place*
- **Anticipate phased inventory unwind late FY 2020 / FY 2021**

DEBOTTLENECKING

Unlocking incremental capacity...



- **Debottlenecking project FY 2020/21 (c£15m capex over 2 years)**
 - *Capex weighted to FY 2020*
 - *Extended plant shutdown impacting overhead recovery*
 - *c£10m-£12m as exceptional items in FY 2020*
- **Organic & inorganic capacity options remain under review (but no anticipated near-term multi-year PPP4 type investment)**

Year ended 30 September

	2019 £m	2018 £m
Cash flows from operating activities		
Cash generated from operations	90.3	135.8
Net financing interest received	0.7	0.6
Tax paid	(10.9)	(7.4)
Net cash flow from operating activities	80.1	129.0
Cash flows from investing activities		
Cash received from investments	-	5.5
Acquisition of property, plant and equipment and intangible assets	(22.7)	(9.9)
Decrease/(increase) in other financial assets	72.9	(73.2)
Cash consideration of acquisitions in associated undertakings and unquoted investments	(11.8)	-
Net cash flow from investing activities	38.4	(77.6)
Cash flows from financing activities		
Premium on issue of ordinary shares exercised under option	4.3	5.0
Dividends paid	(122.4)	(105.6)
Net cash flow from financing activities	(118.1)	(100.6)
Net increase/(decrease) in cash and cash equivalents	0.4	(49.2)
Effect of exchange rate fluctuations on cash held	0.9	0.3
Cash and cash equivalents at beginning of year	71.2	120.1
Cash and cash equivalents at end of year	72.5	71.2
Cash invested in longer term deposits	0.3	73.2
Available cash¹	72.8	144.4

¹ Alternative performance measures are defined in the Appendix on slide 36

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



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: WLTP IMPACT, STABILISING IN Q1 2020

- *FY 2019 Automotive down 12%; stabilising in Q1 2020*
- *>10 development programmes for PEEK Gears, multiple EV programmes underway*



AEROSPACE: GOOD GROWTH & LONG-TERM OPPORTUNITIES

- *FY 2019 Aerospace up 5%, good progress in AETM250 composites based grade*
- *First commercial order for TxV Aero Composites facility*
- *Long term development alliance with Airbus 'Clean Sky 2' programme*



ENERGY & OTHER INDUSTRIAL: GOOD PROGRESS IN OIL & GAS

- *FY 2019 Energy & Other Industrial down 1% (Oil & Gas up 6%)*
- *Magma revenue lower but strong mid-term opportunities*



ELECTRONICS: WEAKER SEMICONDUCTOR & CE CONTRACT COMPARATIVE

- *FY 2019 Electronics down 35%, driven by Semicon & Consumer Electronics*
- *Growth in Home Appliances and new application areas*

VALUE ADDED RESELLERS (VAR)

- *FY 2019 volumes down 17%; weaker Auto and Industrial markets*
- *Destocking impact*

MEGA-PROGRAMME UPDATE

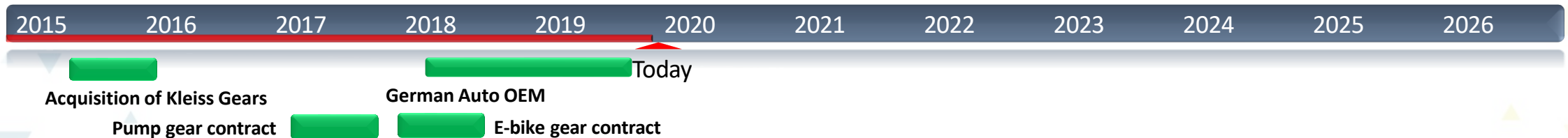
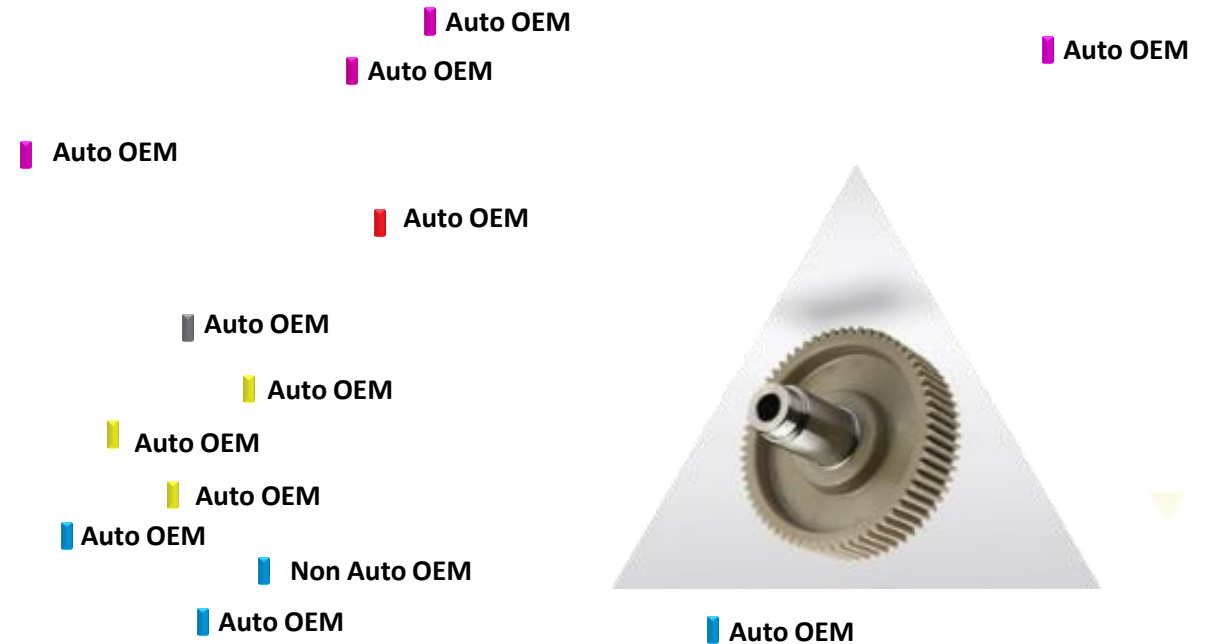
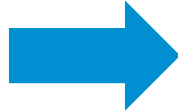
PEEK GEARS

- On the road; strong value proposition
- Further opportunities

MULTIPLE APPLICATIONS



Good medium-term opportunities...



- PEEK Gears 'on the road' & strong value proposition (50% lower NvH, faster processing)
- Kleiss (Grantsburg) facility qualified to IATF16949 manufacturing standard

MEGA-PROGRAMME UPDATE

Aerospace Loaded
Brackets...



FIRST COMMERCIAL ORDERS

- *New US manufacturing facility delivering 'parts that fly'; qualified to AS9100 Aerospace standard*
- *Parts based on differentiated AE™250 'low-melt' PAEK & UD composite tape*
- *Focus on meaningful revenue in FY 2020*

AEROSPACE STRUCTURES

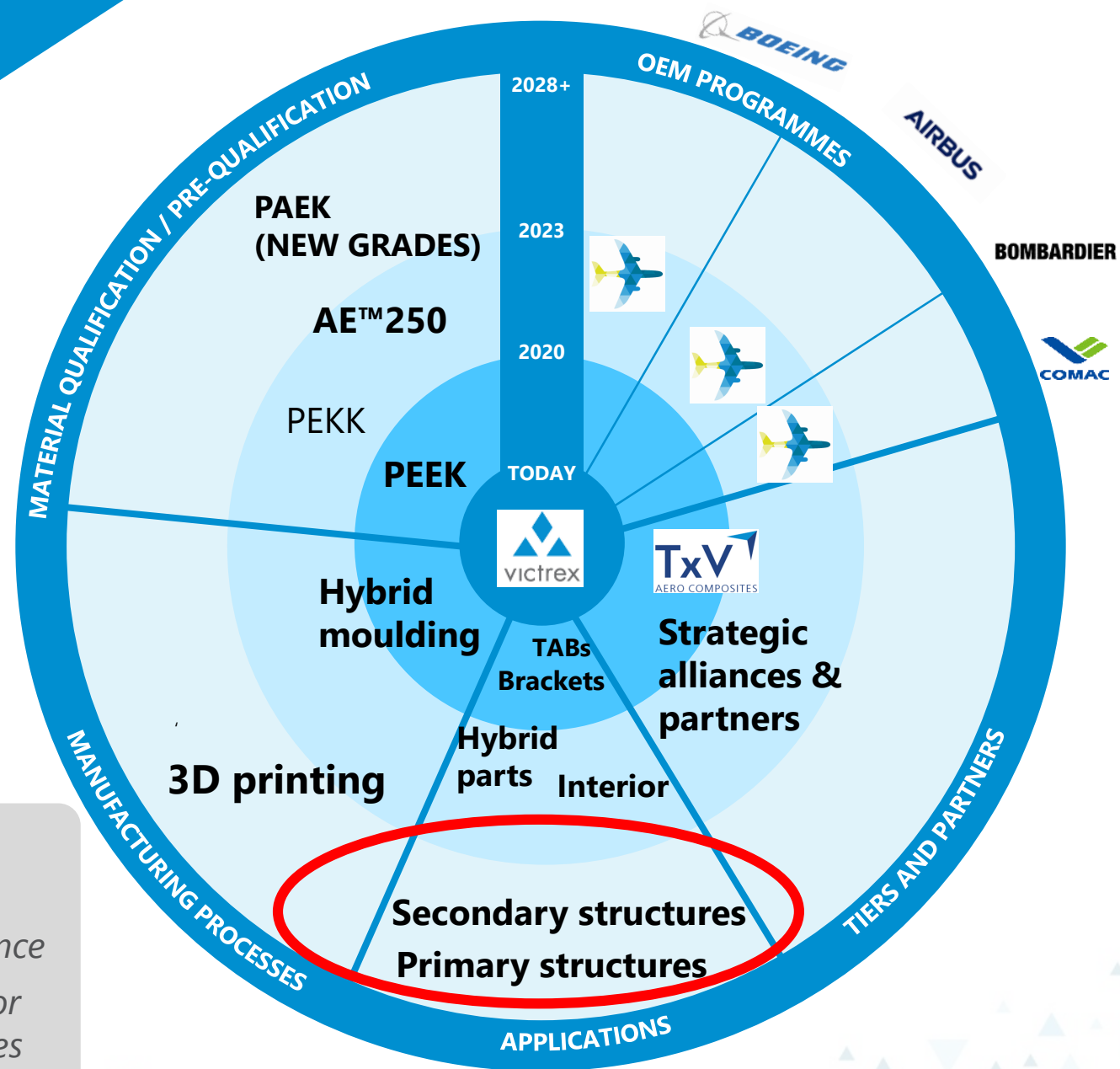
New mega-programme...



AIRBUS

'CLEAN SKY 2' PROGRAMME

- Long-term Airbus development alliance
- Thermoplastic composite solutions for larger primary & secondary structures
- Thermoplastic composites forecast to grow 11% CAGR to 2025 (Grand View Research)



MEGA-PROGRAMME UPDATE

Magma...



Image courtesy of TechnipFMC



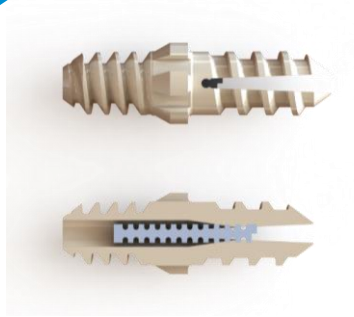
**Hybrid Flexible
Pipe (HFP)**



CompRiser®

SUPPORTING MAGMA & TECHNIP FMC ON BRAZIL OPPORTUNITIES

- *Two M-pipe® based opportunities: 'Hybrid Flexible Pipe' (HFP) & 'CompRiser®'*
- *Industry certification (DNV GL-ST F119) for Victrex pipe extrusion & UD composite tape*
- *Focused on FY 2020 growth; support delivery of TechnipFMC qualification pipe*



SPINE STABLE STRONG GROWTH IN HA-ENHANCED

- *FY 2019 Medical revenue +4% at £57.7m (FY 2018: £55.6m)*
- *Double digit growth in HA-Enhanced revenue to £1.6m*
- *Strong Medical growth in Asia +79%*
- *Good growth in non-Spine; CMF, Hammertoe*



DENTAL NEW OEM AGREEMENTS WITH ASTI & UMBRA

- *New products to support penetration: Juvora 'Oyster White'*
- *Continue driving OEM collaborations*
- *Further clinical evidence; new Malo Clinic study*



TRAUMA GROWING COLLABORATIONS

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



KNEE PATIENT RECRUITMENT UNDERWAY

MEDICAL UPDATE



PEEK-OPTIMA™
HA-Enhanced...



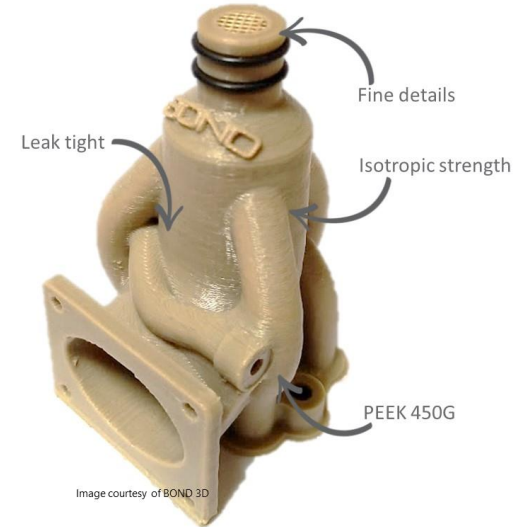
STRONG GROWTH & CLINICAL EVIDENCE

- Double-digit growth (>£1m revenue), primarily US; mid-term Europe & Asia opportunities
- Focused on providing early bone-on growth
- Good clinical evidence (74% of patients fused at 6 months*)

3D PRINTING PROGRESS

Leveraging our
Bond
investment...

BOND
HIGH PERFORMANCE 3D



GOOD PROGRESS IN 3D PRINTED PARTS

- Investment yields >20 3D printing customer programmes; Aerospace & Energy
- Enabler to develop 3D printing eco-system; ability to use existing PEEK grades
- 3D printed part properties = injection moulded part properties (X, Y, Z direction strength)
- Significant opportunity in Medical (Spine)

MEDICAL UPDATE

Non-spine...



This product is not cleared for distribution or implantation.

CRANIO-MAXILLOFACIAL

Higher brain function improvement and lower reoperation rates compared to titanium¹

Titanium	vs.	PEEK-OPTIMA™
10%	PATIENT REOPERATION	1%
11%	BRAIN FUNCTION IMPROVEMENT	25%

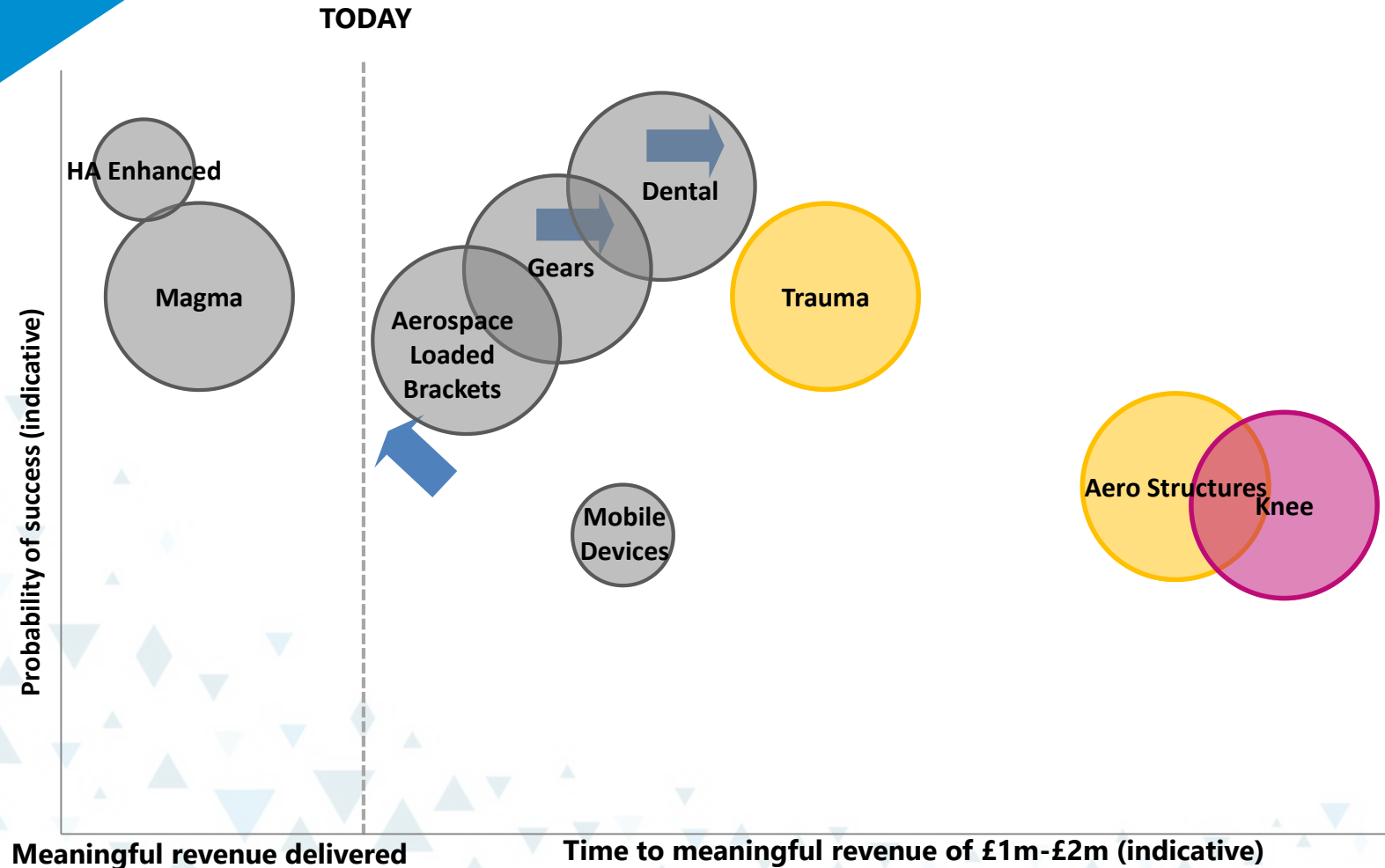
¹ Based on a paper by Dr Zhang, World Neurosurgeon

GOOD GROWTH OPPORTUNITIES IN NON-SPINE

- Double-digit growth in Cranio-Maxillo Facial (CMF) to >£4m revenue, primarily Asia
- Strong clinical evidence; lower patient reoperation, brain function improvement
- Opportunity to translate CMF globally & related application areas; 3D printing opportunities

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	FY 2019 MILESTONES	FY 2020 FOCUS
MAGMA	Meaningful (£1m+)	<ul style="list-style-type: none"> Supporting TechnipFMC qualification in Brazil 	<ul style="list-style-type: none"> Support manufacture of TechnipFMC qualification pipe Two opportunities: HFP & CR
HA-ENHANCED	Meaningful (£1m+)	<ul style="list-style-type: none"> Double-digit revenue growth New applications (Hammertoe foot & ankle) 	<ul style="list-style-type: none"> Commitment from top 10 device company Develop porous PEEK proposition
DENTAL	< £1m	<ul style="list-style-type: none"> Asti & Umbra agreements Launch of Oyster White Malo Clinic study 	<ul style="list-style-type: none"> Drive adoption through OEM partners
GEARS	< £1m	<ul style="list-style-type: none"> >10 development programmes Manufacturing scale-up 	<ul style="list-style-type: none"> Deliver additional OEM agreements Focused on year on year revenue growth
AERO BRACKETS	< £1m	<ul style="list-style-type: none"> First commercial order TxV facility operational 	<ul style="list-style-type: none"> Manufacture parts that fly <u>Deliver meaningful revenue</u>
TRAUMA	< £1m	<ul style="list-style-type: none"> Capacity scale up Continued engagement with top 5 major 	<ul style="list-style-type: none"> Drive market adoption with top 5 OEM
KNEE	n/a	<ul style="list-style-type: none"> Clinical trial (30 patients) 	<ul style="list-style-type: none"> Engage with 2nd OEM partner
AERO STRUCTURES	n/a	<ul style="list-style-type: none"> Long term development alliance with Airbus 	<ul style="list-style-type: none"> Further develop composites capability

GROUP OUTLOOK

FY 2020*



AEROSPACE



MEDICAL (SPINE)



MEDICAL (NEW MARKETS)



ELECTRONICS



ENERGY & OTHER INDUSTRIAL



AUTOMOTIVE



KEY

OPTIMISTIC



NEUTRAL



CAUTIOUS



* Indicative outlook for our markets for FY 2020

SUMMARY

- **Auto & Electronics weakness offsetting growth markets**
- **Further mega-programme progress:**
 - *First commercial order for Aerospace Loaded Brackets*
 - *New Aerospace Structures mega-programme*
 - *Strong growth in next generation Spine product (HA-Enhanced)*
- **Cash generation impacted by Brexit & debottlenecking inventory build**
- **Focused on making progress in FY 2020**

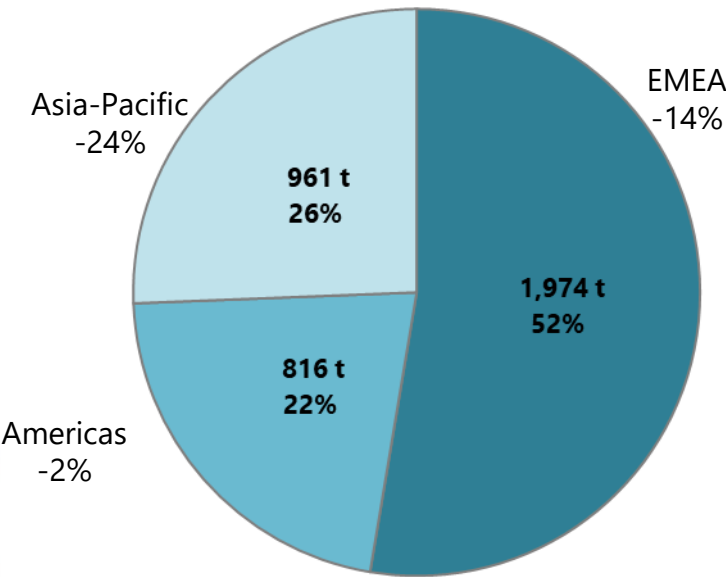


APPENDIX

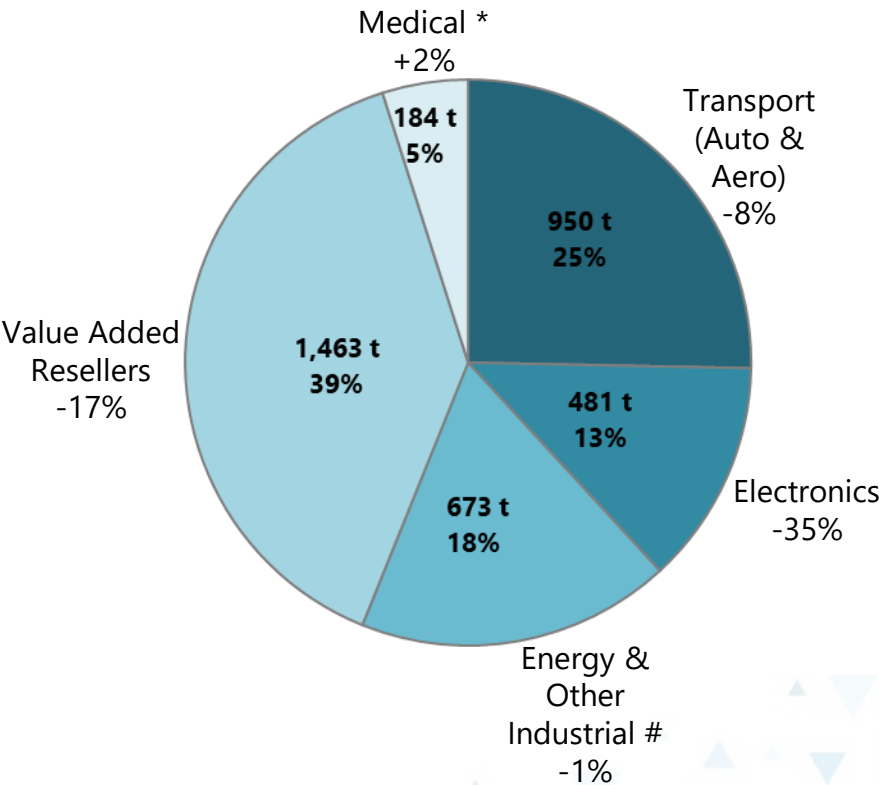
GROUP END MARKETS

FY 2019: 3,751 tonnes
FY 2018: 4,409 tonnes

Volume by Region



Volume by Industry



* Medical volume reflects both non-implantable and implantable volumes

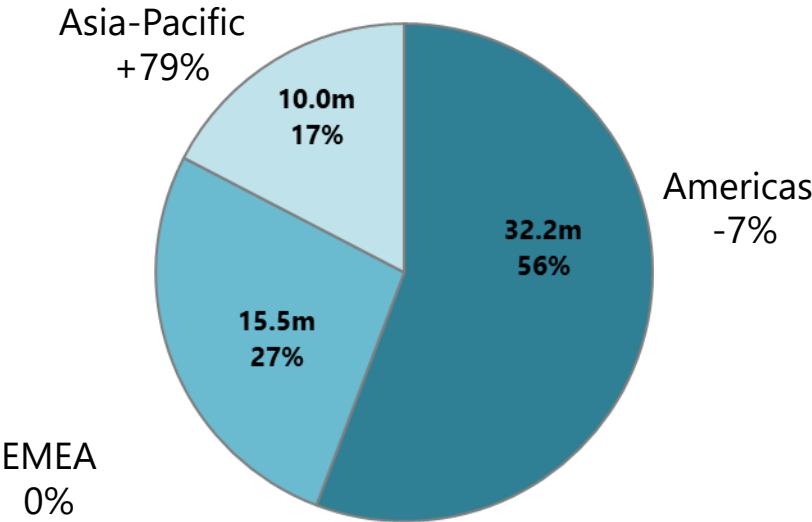
Includes Manufacturing & Engineering volumes

MEDICAL: KEY MARKETS

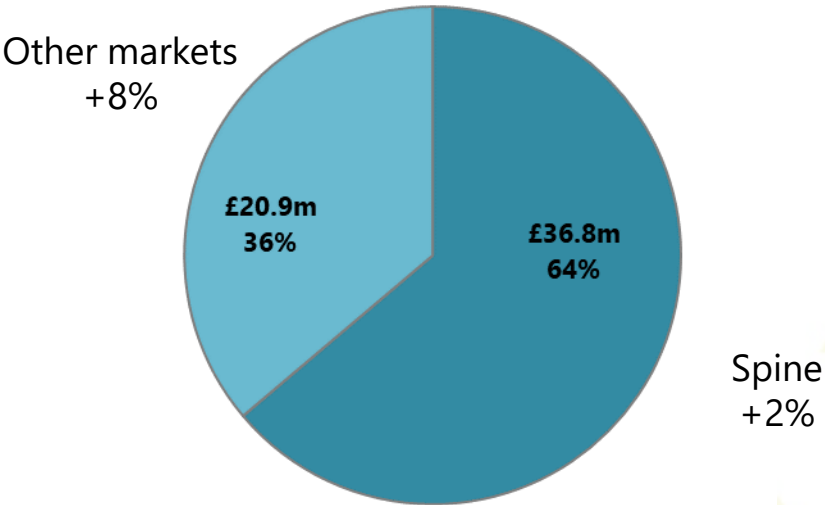
FY 2019: £57.7m

FY 2018: £55.6m

Revenue by Region



Revenue by Market



BUSINESS UNIT INCOME STATEMENTS

Full year ended 30 September

	Industrial				Medical			
	2019	2018	Change	Change (constant currency) ¹	2019	2018	Change	Change (constant currency) ¹
	£m	£m	%		£m	£m	%	
Revenue	236.3	270.4	-13%	-14%	57.7	55.6	4%	1%
Losses on foreign currency net hedging	(3.9)	-	-100%		(2.0)	-	-100%	
Gross profit	128.2	158.6	-19%	-18%	48.1	49.4	-3%	-1%
<i>Gross margin</i>	54.3%	58.7%		<i>-440bps</i>	83.4%	88.8%		<i>-540bps</i>

¹ Alternative performance measures are defined in the Appendix on slide 36

BALANCE SHEET

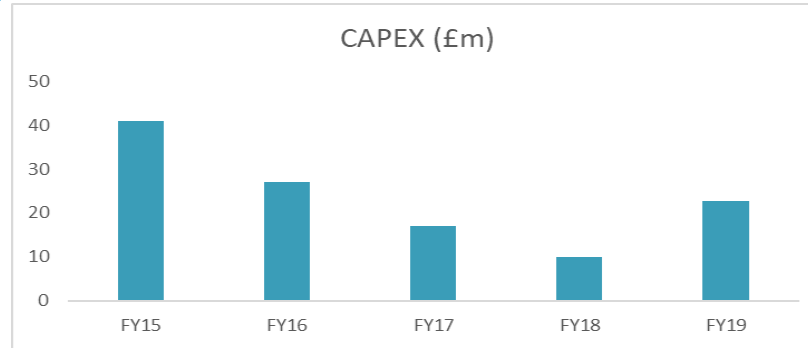
	2019 £m	2018 £m
PPE and intangible assets	288.2	281.0
Investment in associated undertakings	8.2	-
Financial assets held at fair value through profit and loss*	8.0	4.5
Inventories	92.2	69.3
Cash (available**)	72.8	144.4
Trade receivables and other assets	57.7	51.1
Retirement benefit asset	9.1	13.5
Trade payables and other liabilities	(74.6)	(73.9)
Equity shareholders' funds	461.6	489.9

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

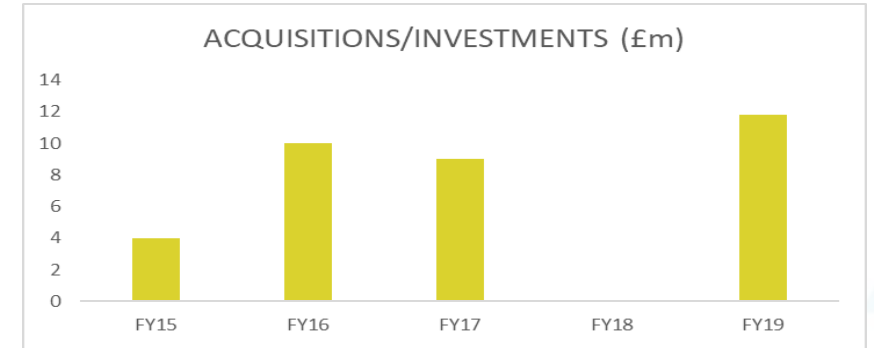
** Available cash includes cash held on deposit. Excluding cash held on deposit, cash was £72.5m (FY 2018: £71.2m)

USE OF CASH

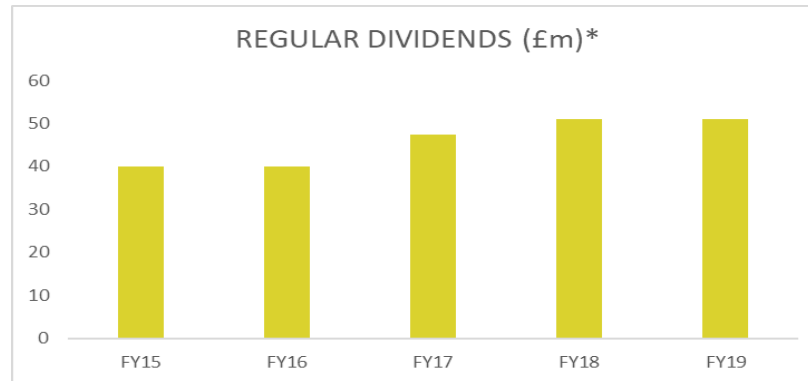
FY 2015 TO FY 2019



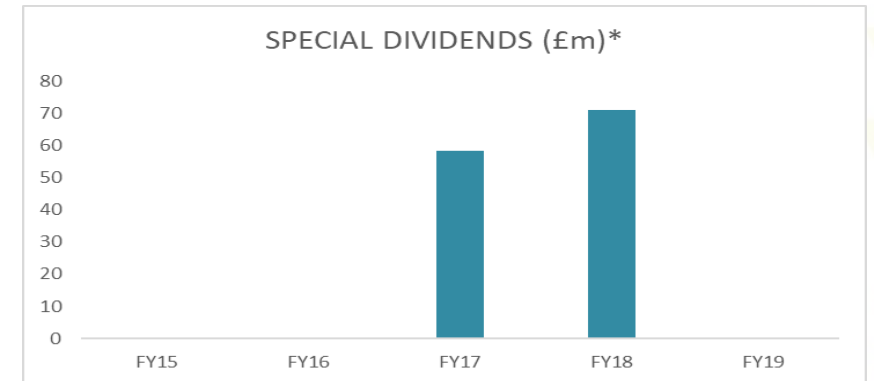
- Normalised capex c5-6% of revenue
- Periodic investment in capacity & innovation



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



- Average growth c6%
- Grow in line with EPS



- 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)

FUTURE USE OF CASH PRIORITIES

Investment for growth remains the priority

CAPEX

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



M&A / INVESTMENT

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



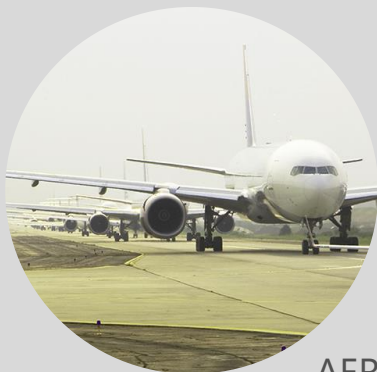
REGULAR DIVIDENDS

- Average growth c6% 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



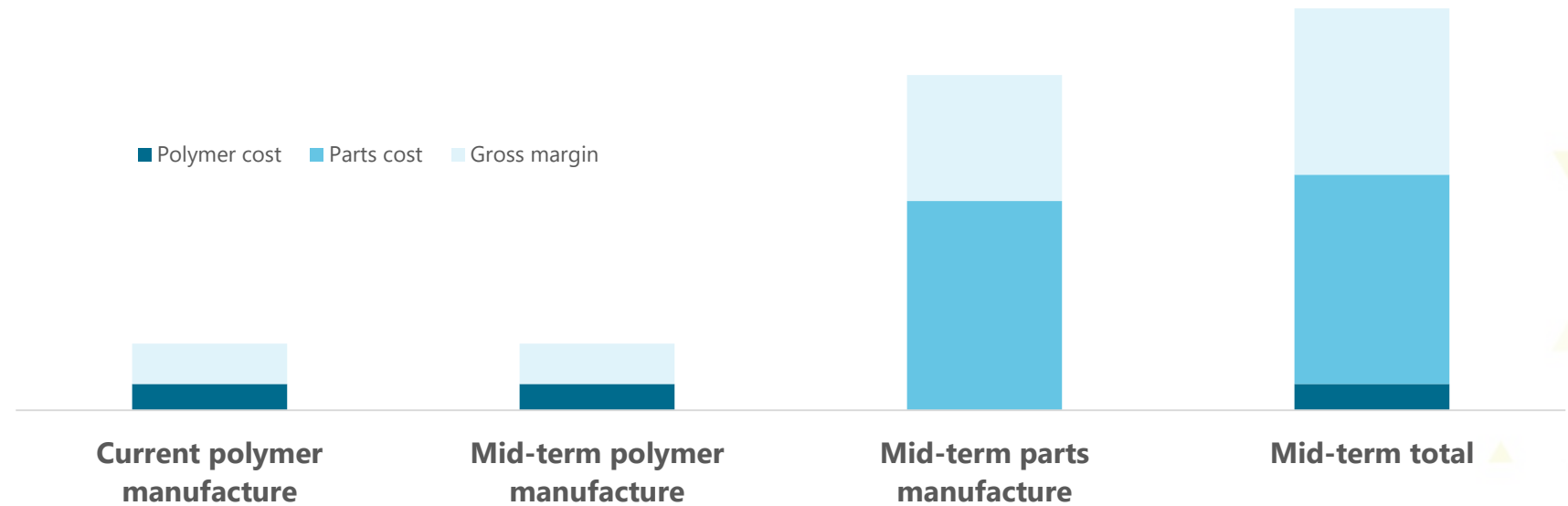
M&E
2.7bn more mouths to feed by 2030; requiring efficient food processing



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

ECONOMICS OF POLYMER & PARTS...

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



- ***Focus on absolute margin opportunity vs % margin***
- ***Focus on ROCE¹***

¹ Alternative performance measures are defined in the Appendix on slide 36

DEFINITIONS

ALTERNATIVE PERFORMANCE MEASURES:

- 1) Constant currency metrics are reached by applying current year (FY 2019) weighted average spot rates to prior year (FY 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;
- 4) Available cash is cash and cash equivalents plus other financial assets (cash invested in term deposits greater than three months in duration); and
- 5) Return on Capital Employed (ROCE) is profit after tax / total equity attributable to shareholders at the year end.

#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

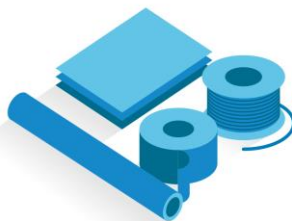


DIFFERENTIATE THROUGH INNOVATION TO CREATE NEW MARKETS



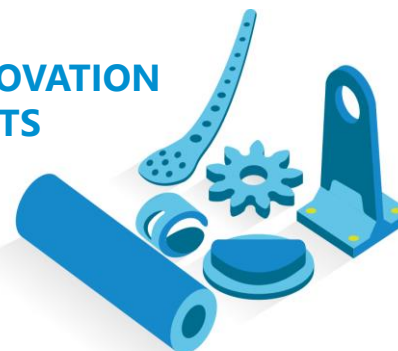
POLYMER

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
- c£300m Revenue



INVESTMENT IN INNOVATION

c5-6% c£150m

of annual sales invested in R&D

Invested in manufacturing facilities in the last 5 years

NEW CAPABILITIES

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