



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

Victrex plc
Interim results
11 May 2020

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



**SOLID GROWTH IN H1 –
EMERGING COVID-RELATED
HEADWINDS IN H2**

PROACTIVE ACTIONS ON COVID-19

OUR PEOPLE

- ▶ *Safety & well-being our highest priority*
- ▶ *>80% of global employees homeworking*
- ▶ *Recently re-opened China & Korea offices*
- ▶ *Multiple global community programmes supported, including PPE donations*

OUR FINANCIAL POSITION

- ▶ *Cash conservation measures implemented*
 - ▶ *UK debottlenecking capex deferred*
 - ▶ *Bonus accrual removed*
 - ▶ *Interim dividend deferred*
- ▶ *Healthy net cash position & £40m facilities (RCF undrawn)*

OUR CUSTOMERS

- ▶ *Continuing to produce aligned to demand*
- ▶ *Chemicals defined as "essential industry" by UK government & "life sustaining" in US*
- ▶ *Strong inventories (c12 weeks sales stock)*
- ▶ *Supplying for life-sustaining devices eg Ventilators*

HIGHLIGHTS

- **SOLID H1: GROWTH IN AUTO & MEDICAL; STABLE PERFORMANCE IN AEROSPACE & ELECTRONICS**
 - *H1 sales volume up 5%, offset by weakness in Energy*
 - *Q2 volume up 4% against tougher comparatives*
 - *Good progress in Medical, revenue up 6% to £29.5m; further growth in Asia and new applications*
 - *Underlying PBT stable at £52m; margin impacted by under-recovered overhead from lower production*
- **‘MEGA-PROGRAMME’ PIPELINE REMAINS STRONG**
 - *Continued progress in Aerospace composite parts, focused on FY20 meaningful revenue*
 - *Double-digit growth in next generation PEEK-OPTIMA™ HA Enhanced Spine product*
 - *Good progress supporting Magma for TechnipFMC pre-qualification pipe*
- **INVESTMENT TAILORED TO NEW GROWTH OPPORTUNITIES**
 - *Manufacturing joint-venture established to develop new PEEK facility in China*
 - *£3m investment to acquire remaining equity in TxV Aero Composites from Tri-Mack*
- **NET CASH & STRONG FINANCIAL POSITION**
 - *H1 net cash £53.2m*; operating cash conversion¹ of 85%*
 - *Committed and undrawn RCF of £20m, with £20m accordion*
- **PROACTIVE ACTIONS TAKEN TO MANAGE COVID-19 RELATED CHALLENGE**
 - *Strong inventory position with H1 inventory £95.1m (H1 2019: £85.2m)*
 - *Solid start to H2, with emerging headwinds in forward order book*
 - *Cash conservation measures implemented:*
 - *Deferral of UK debottlenecking programme to FY 2021*
 - *Interim dividend deferred*

¹ Alternative performance measures are defined in the Appendix on slide 32

*Net cash of £53.2m includes £9.2m ring-fenced for the China joint-venture

SOLID TRADING & FX BENEFIT

- H1 2020 sales volume up 5% to 1,992 tonnes
- Margin impacted by weaker operating leverage from lower production and special grade campaigns

TARGETED GROWTH INVESTMENT, NO BONUS ACCRUAL

- Total overheads (excluding exceptional items) down 2%, benefiting from lower travel & marketing spend
- No accrual for profit related remuneration (bonus, LTIP and share options)

Half year (6 months) ended 31 March

	H1 2020 £m	H1 2019 £m	Change %	Change (constant currency) ¹ %
Revenue	151.5	145.7	4%	3%
Losses on foreign currency net hedging*	(1.2)	(2.9)	59%	
Gross profit	86.8	87.4	-1%	-6%
<i>Gross margin %</i>	57.3%	60.0%	-270bps	
Overheads**	(34.6)	(35.5)	2%	}
Exceptionals	(2.1)	(2.2)	4%	
Finance income less share of associate	(0.2)	0.5	-132%	
Profit before tax and exceptionals	52.0	52.4	-1%	
Profit before tax	49.9	50.2	-1%	-11%
Adjusted earnings per share	50.0p	53.7p	-7%	
Earnings per share	47.6p	51.4p	-7%	
Dividend per share	-	13.42p		

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

**Excluding exceptional items of £2.1m (£2.2m)

¹ Alternative performance measures are defined in the Appendix on slide 32

H1 2020 vs H1 2019

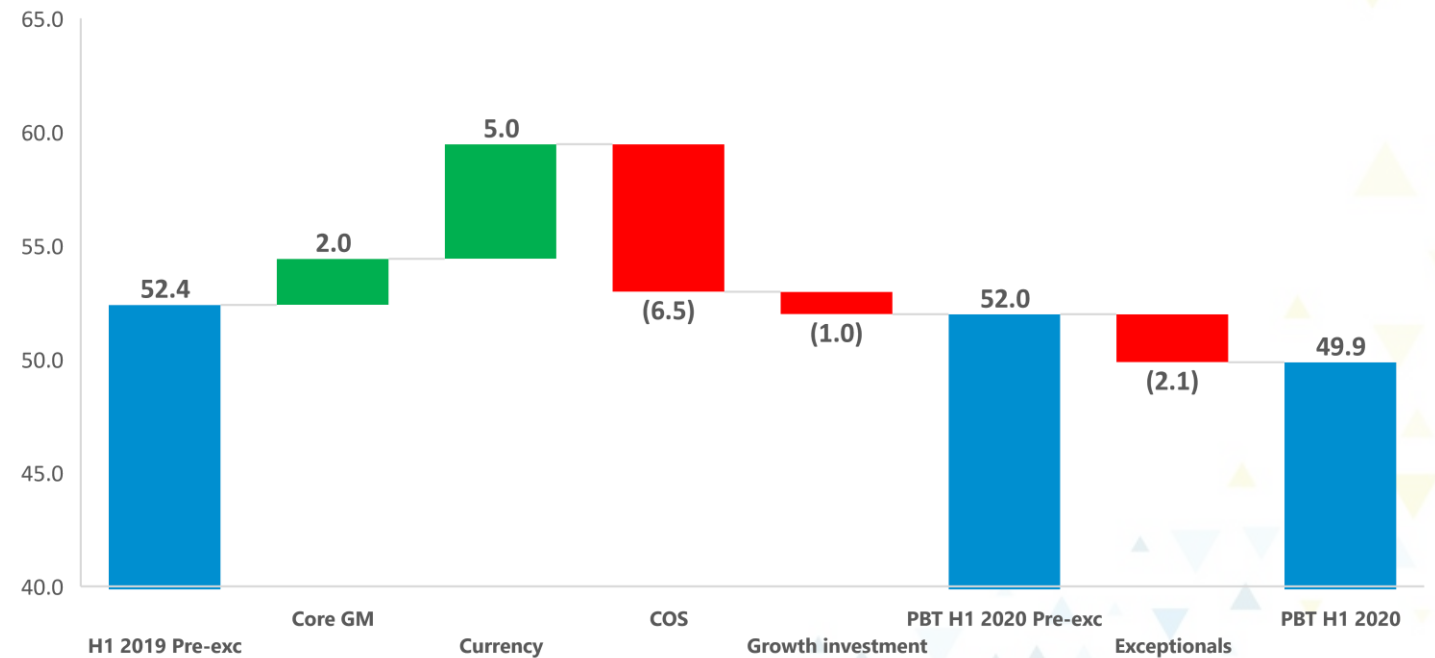
PBT bridge...

PBT STABLE:

CORE GROWTH OFFSET BY FRONT-END INVESTMENT & UNDER-RECOVERED OVERHEAD

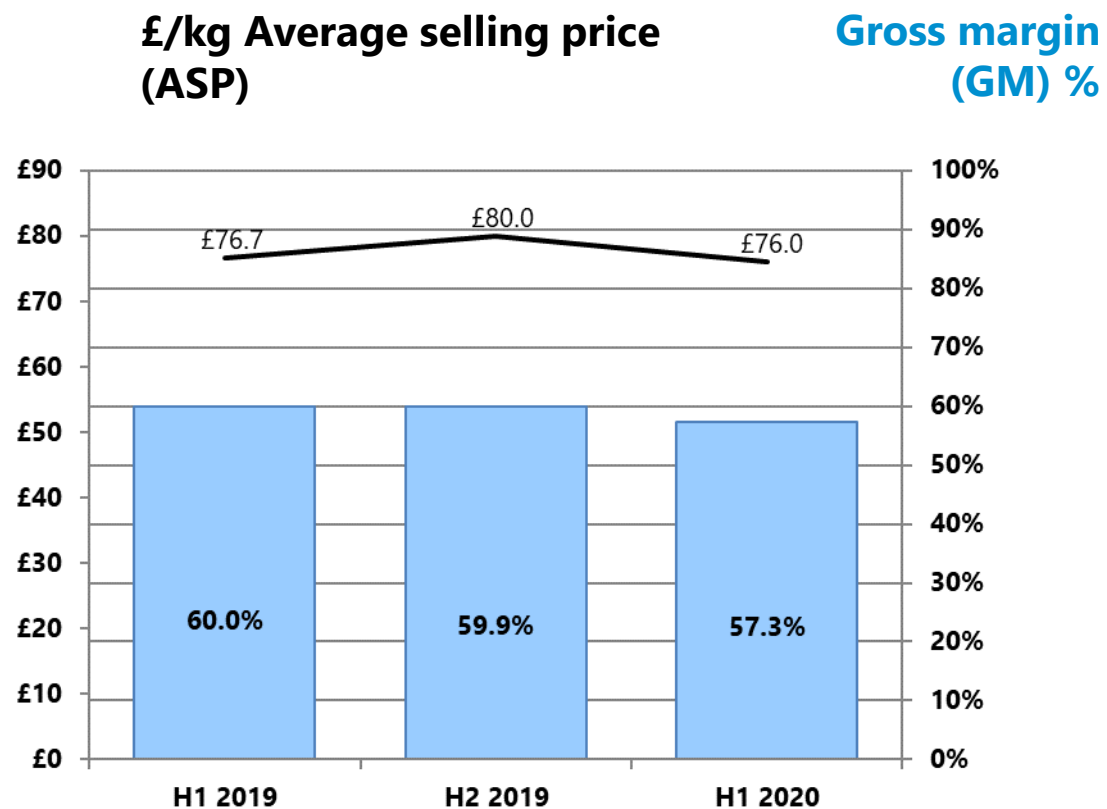
- *Under-recovered overhead from lower production vs sales, special grade campaigns, new parts programmes*
- *Growth investment up £1m*

PBT H1 2019 to H1 2020 - £m



ASP & MARGIN

Industrial growth
delivers softer mix



H1 2020 ASP £76/kg (down 1%)

- *Growth in Industrial*
- *Underlying pricing broadly stable*

H1 2020 GM 57.3% (down 270bps)

- *Margin impacted by lower production & under-recovered overhead, special grade campaigns*
- *Softer mix*

CURRENCY

FY20 tailwind...

	Reported	H1 2020 Currency Impact	Constant currency ¹	H1 2019 As reported	H1 2019 Exc Deals	Change Constant currency ¹
	£m	£m	£m	£m	£m	£m
Revenue	151.5	(1.1)	150.4	145.7	145.7	3%
Losses on foreign currency net hedging	(1.2)	1.2	-	(2.9)	-	
Gross profit	86.8	(4.4)	82.3	87.4	90.3	-9%
Gross margin %	57.3%		54.7%	60.0%	62.0%	
Profit before tax	49.9	(5.0)	44.8	50.2	53.1	-16%

Exchange rates	H1 2019 ²	H1 2020 ²	FY 2020 ²	Exchange ³ rate sensitivity
\$/£	1.31	1.28	1.24	£5.0m
€/£	1.12	1.13	1.13	£4.2m
¥/£	145	141	135	£1.0m

- **FY 2020 currency tailwind c£6m-£7m at PBT (pre-COVID 19 expectation)**
- **FY 2021 currency now neutral; <50% hedging in place**
- **No change to current hedging policy following review in H1 2020**

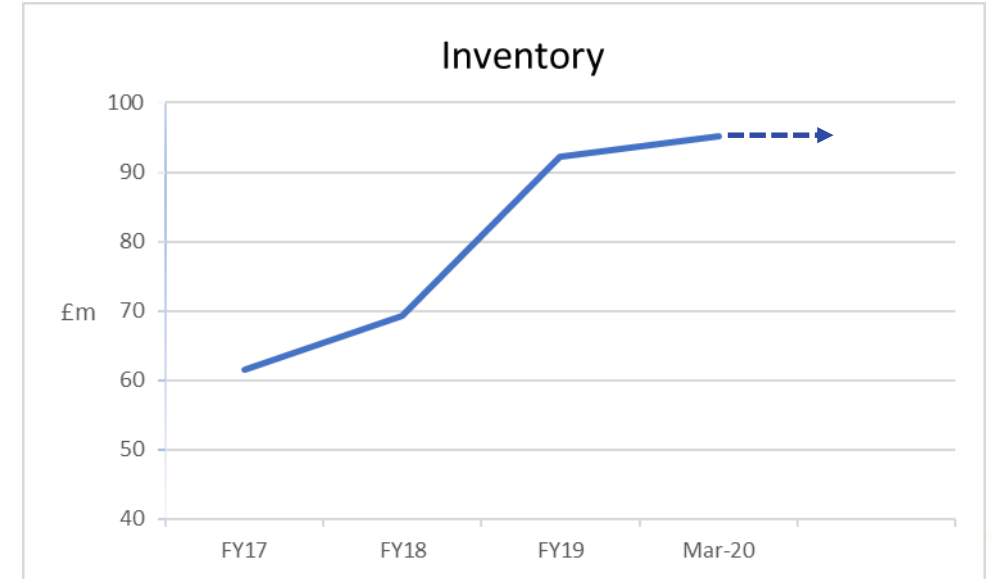
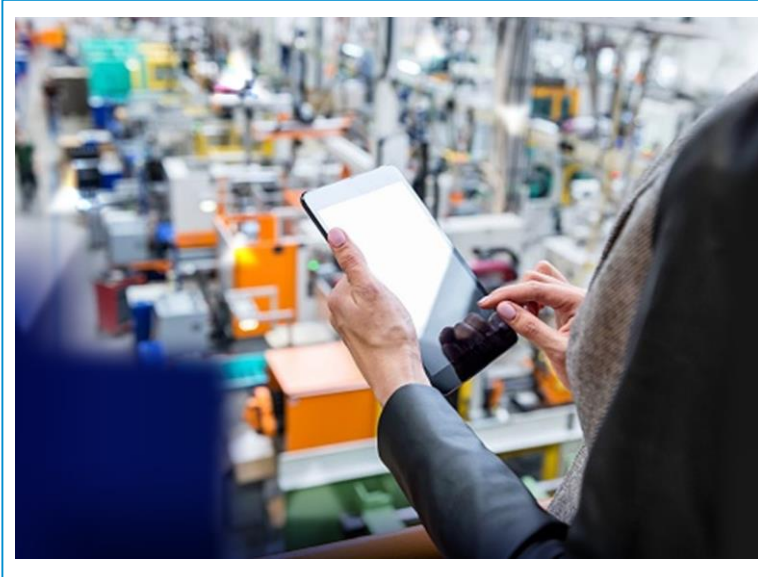
¹ Alternative performance measures are defined in the Appendix on slide 32

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

³ 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

Well positioned for
COVID-19



- **H1 2020 inventory £95.1m (H1 2019: £85.3m)**
- **High buffer inventory across Europe, US, Asia**
 - *c3 months sales stock in place*
 - *UK raw material inventory built during H1 2020*
- **Deferral of UK debottlenecking; retain high inventory into 2021**

CAPITAL INVESTMENT

Underpin
future growth



Artists impression of
China PEEK facility

- **China joint-venture on plan; construction commencing mid-2020**
 - *£32m investment over three years; c£7m capex in FY 2020*
 - *Underpinning China growth and customer opportunities*
- **Deferral of UK debottlenecking to FY 2021**
- **Lower capex for FY 2020, c£20-£25m**

CASH

Highly cash generative
business model

	H1 2020 £m	H1 2019 £m
Operating profit before tax & exceptionals	52.2	51.9
Depreciation & amortisation	9.1	8.4
EBITDA	61.3	60.3
Change in working capital	(5.1)	(27.3)
Capital expenditure	(11.9)	(8.8)
Operating cash flow	44.3	24.3
Operating cash conversion	84.9%	46.7%
Interest	0.1	0.5
Tax	(15.6)	(3.8)
Exceptional costs	(1.5)	(1.1)
Other	(1.1)	0.5
Free cash flow	26.2	20.4
Acquisitions	(6.8)	(5.9)
Dividends	(39.9)	(110.8)
Other	1.1	1.5
Net cash flow	(19.3)	(94.9)
Exchange differences	0.0	(0.0)
Net cash at 1st October	72.5	144.0
Net cash at 31st March	53.2	49.1

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



MANUFACTURING & ENGINEERING

100+ million
machines using
Victrex solutions



ELECTRONICS

Over 4 billion
mobile devices use
APTIV™ Film technology



ENERGY

75+ million
VICTREX™ PEEK
seals in use today



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

INDUSTRIAL UPDATE



AUTOMOTIVE: GOOD GROWTH IN EUROPE & JAPAN

- *H1 2020 Automotive +16%, benefiting from new applications, PFOA ban*
- *Beta-testing for PEEK Gears, new EV opportunities progressing*



AEROSPACE: STRONG START, OFFSET BY 737 MAX HEADWIND

- *H1 2020 Aerospace flat, further progress in AE™250 composites based grade*
- *Acquired remaining equity in TxV Aero Composites facility (£3m investment)*
- *Prototype revenue for Airbus 'Clean Sky 2' programme*



ENERGY & OTHER INDUSTRIAL: IMPACTED BY WEAKER OIL & GAS

- *H1 2020 Energy & Other Industrial down 1% (Oil & Gas down 11%)*
- *Magma revenue driven by TechnipFMC qualification pipe*



ELECTRONICS: STABLE PERFORMANCE; NEW ASIA OPPORTUNITIES

- *H1 2020 Electronics down 4%; weaker Semicon offset by Small Space Acoustics & Home Appliances*
- *Launch of new grade DBX film*

VALUE ADDED RESELLERS (VAR)

- *H1 2020 volumes +5%; solid Auto offset by Energy*

MEGA-PROGRAMME UPDATE

Aerospace Loaded
Brackets...



PROGRESS TOWARDS MEANINGFUL REVENUE

- *£3m investment to acquire remaining equity in US manufacturing facility*
- *New application areas based on differentiated AE™250 'low-melt' PAEK & UD composite tape*
- *eVTOL composite opportunities being explored*

MEGA-PROGRAMME UPDATE

Magma
(Oil & Gas)...



Thermoplastic
Composite Pipe (TCP)



Conventional Armor
(Insulation)
External Sheath



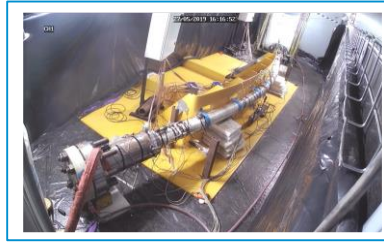
- ✓ High corrosion resistance (CO₂, H₂S)
- ✓ 100x less permeable (vs non-PEEK)
- ✓ High pressure/high temperature
- ✓ Manufacturing/installation cost benefits
- ✓ 60% lighter in water vs pure steel

SUPPORTING MAGMA & TECHNIP FMC TOWARDS QUALIFICATION

- Two M-pipe[®] based opportunities in Brazil: 'Hybrid Flexible Pipe' (HFP) & 'CompRiser[®]'
- Strong proposition based on corrosion resistance, manufacturing & installation benefits
- Combined expertise across Victrex, Magma, TechnipFMC

MEGA-PROGRAMME UPDATE

Magma
(Oil & Gas)...



**Initial
testing**



Qualification



Industrialisation

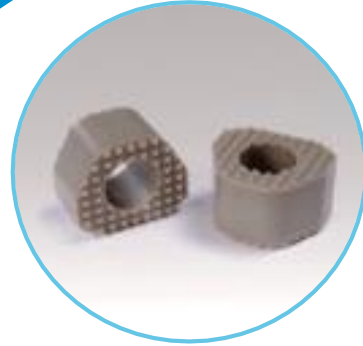


**Pilot pipe in
operation**



GOOD PROGRESS YTD IN FY 2020

- 6" pipe extrusion to support TechnipFMC qualification programme
- Industry standard (DNV) and several key milestones passed
- Strong medium-term opportunity; risers & flowlines



H1 MEDICAL +6% (+4% in constant currency) SPINE STABLE

- *H1 2020 Medical revenue +6% at £29.5m (H1 2019: £27.9m)*
- *HA-Enhanced revenue +92%, focused on £2m FY opportunity*
- *Continued Medical growth in Asia +10%*
- *Progressing porous PEEK opportunity*



TRAUMA FURTHER COLLABORATIONS

- *Build on multiple OEM collaborations*
- *Exploring options to support geographic growth*

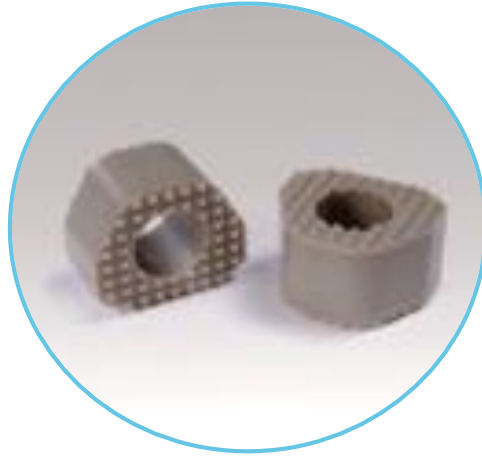


KNEE FIRST PATIENT IMPLANT PAUSED

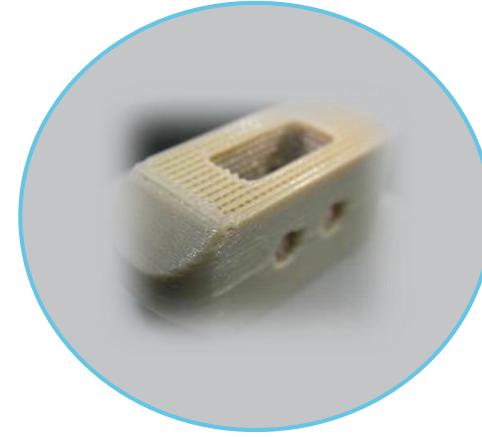
- *Patient recruitment on track pre-COVID-19 (clinical trial in Italy)*
- *Exploring other clinical trial options*



PEEK-OPTIMA™
HA-Enhanced...



**PEEK-OPTIMA™ HA Enhanced
(bone-on growth)**



**Porous PEEK
(bone-in growth)**

FURTHER PROGRESS IN NEXT GENERATION SPINE PRODUCTS

- Continued progress in HA-Enhanced, +92%, opportunity for >£2m revenue in FY 2020
- Supports bone-on growth and fusion rate; progress driven by US with Asia approvals due in FY 2021
- Bond 3D investment driving innovation in Porous PEEK
- Bone-in growth supports patient outcomes; good medium term opportunity



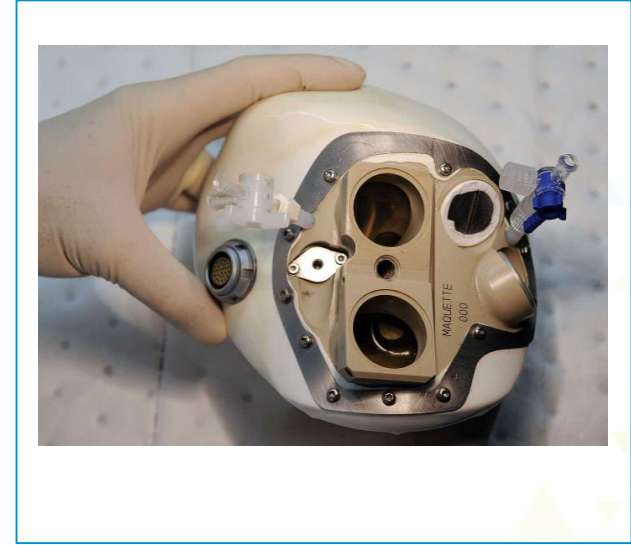
Non-spine...



CMF



Ventilators



Other implantable

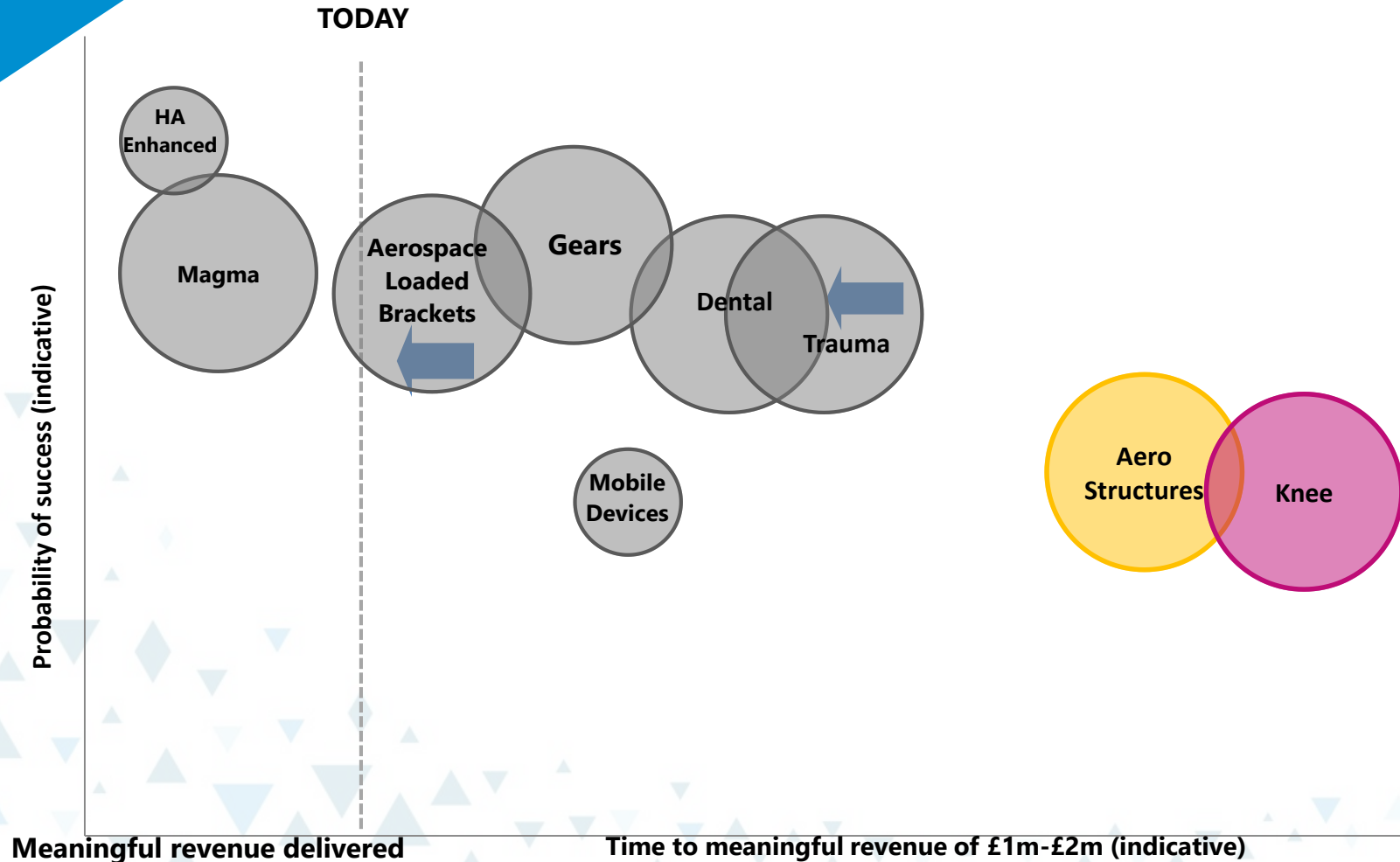
FURTHER PROGRESS IN NON-SPINE

- *PEEK supporting higher brain function¹ in Cranio-Maxillo Facial (CMF), double-digit revenue growth*
- *Supporting several global companies in Ventilators and related equipment*
- *Exploring other implantable and high-risk surgeries*

¹ Based on a paper by Dr Zhang, World Neurosurgeon

BUBBLE CHART

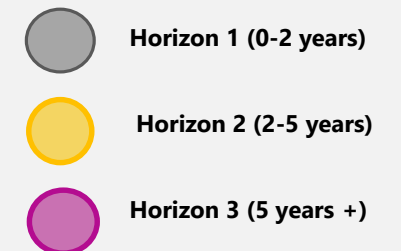
Strong growth pipeline...



Size of bubble
= potential annual revenue in peak year:



Position and colour of bubble
= time to meaningful revenue:



PIPELINE MILESTONES

PROGRAMMES	REVENUE STATUS	H1 2020 MILESTONES	FY 2020 FOCUS
MAGMA	Meaningful (£1m+)	<ul style="list-style-type: none"> Extrusion of qualification pipe in support of TechnipFMC On track for revenue growth 	<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 Bond 3D driving progress in Porous PEEK 	<ul style="list-style-type: none"> Commitment from top 10 device company Develop porous PEEK proposition
DENTAL	< £1m	<ul style="list-style-type: none"> Continued clinical data (Malo) Lab network validation (US) 	<ul style="list-style-type: none"> Drive adoption through OEM partners
GEARS	< £1m	<ul style="list-style-type: none"> US and China OEM qualifications > 10 development programmes Manufacturing ready 	<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"> Acquired remaining equity in TxV Aero Composites Composite seat pan delivered 	<ul style="list-style-type: none"> <u>Progress towards meaningful revenue</u> Explore eVTOL opportunities
TRAUMA	< £1m	<ul style="list-style-type: none"> Progressing OEM collaborations Manufacturing ready 	<ul style="list-style-type: none"> Drive market adoption with top 5 OEM Exploring new geographic opportunities and collaborations
AERO STRUCTURES	Prototype revenue	<ul style="list-style-type: none"> AE250 composite tape in demonstrator programme Certification 	<ul style="list-style-type: none"> Support Boeing & Airbus developments
KNEE	n/a	<ul style="list-style-type: none"> Clinical trial paused (Italy) Patient recruitment ready to recommence post COVID-19 	<ul style="list-style-type: none"> Engage with 2nd OEM partner Extend trial options

SUSTAINABILITY

Building on our strong proposition



SUSTAINABLE SOLUTIONS

Develop and deliver sustainable polymer solutions that provide clear social and environmental benefits to society



RESOURCE EFFICIENCY

Maximise resource efficiency across the value chain



SOCIAL RESPONSIBILITY

Inspire the next generation by supporting science, technology, engineering and maths education ('STEM')



NEW GOALS BY END OF 2020....ALIGNING WITH UN SUSTAINABLE DEVELOPMENT GOALS 2030



Supporting CO2 reduction trends



Recyclability potential



Green Revenues Index

GROUP OUTLOOK

H2 2020*



ELECTRONICS



MEDICAL



AEROSPACE



AUTOMOTIVE



ENERGY & OTHER INDUSTRIAL



KEY

OPTIMISTIC



NEUTRAL



CAUTIOUS



* Indicative outlook for our markets for H2 2020

SUMMARY

- **Solid growth in H1**
- **Emerging COVID-related headwinds in H2 & uncertain Outlook**
- **Proactive actions on COVID-19 & strong financial position**
- **Strong medium term opportunities & further progress**
 - *Aerospace Loaded Brackets*
 - *Magma*
 - *PEEK-OPTIMA™ HA-Enhanced*

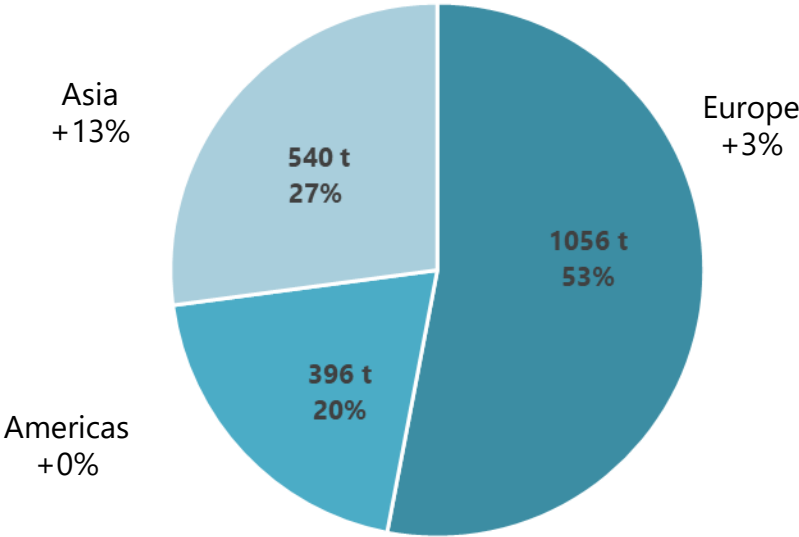


APPENDIX

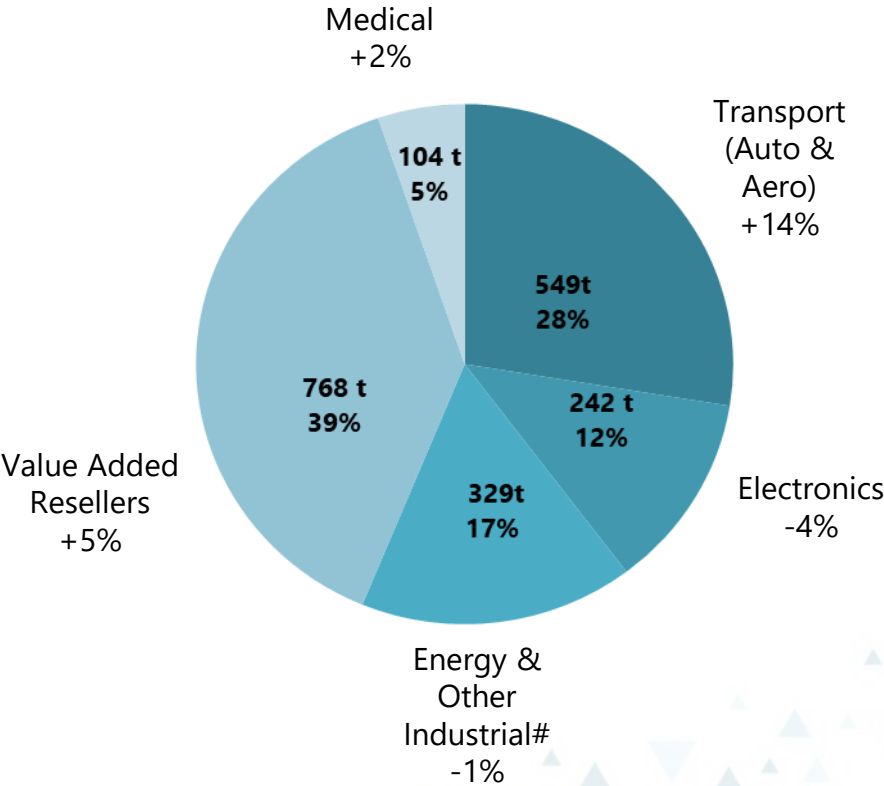
GROUP END MARKETS

H1 20: 1,992 tonnes
H1 19: 1,899 tonnes

Volume by Region



Volume by Industry



* Medical volume reflects both non-implantable and implantable volumes

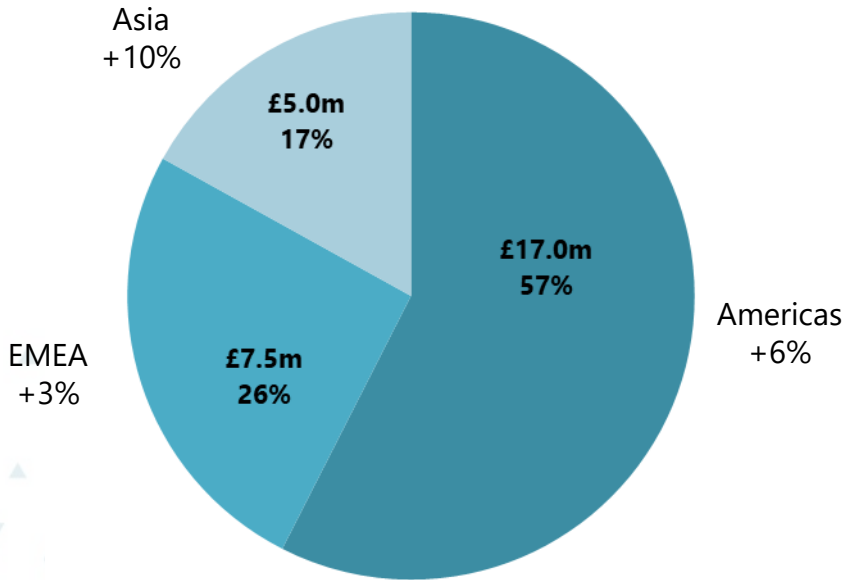
Includes Manufacturing & Engineering volumes

MEDICAL: KEY MARKETS

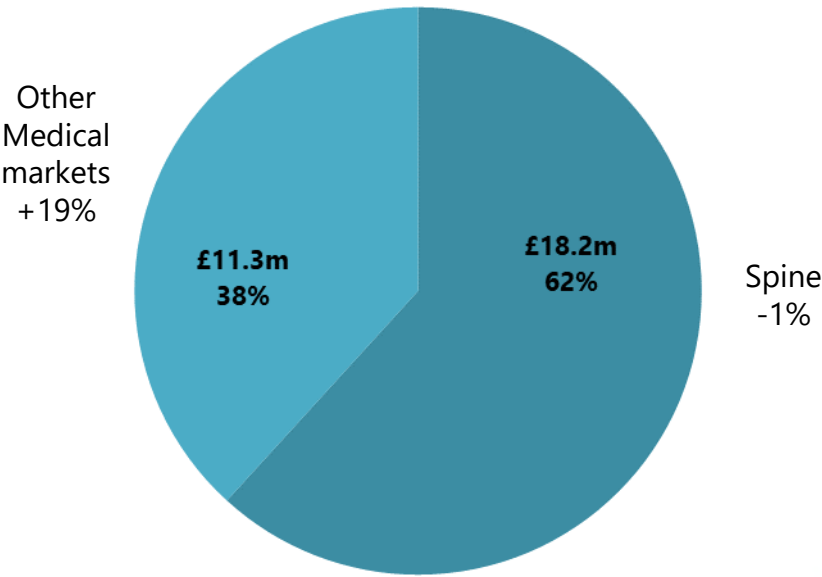
H1 2020: £29.5m

H1 2019: £27.9m

Revenue by Region



Revenue by Market



BUSINESS UNIT INCOME STATEMENTS

	Industrial				Medical			
	2020	2019	Change	Change (constant currency) ¹	2020	2019	Change	Change (constant currency) ¹
	£m	£m	%		£m	£m	%	
Revenue	122.0	117.8	4%	3%	29.5	27.9	6%	4%
Losses on foreign currency net hedging	(0.7)	(1.9)	61%		(0.5)	(1.0)	-100%	
Gross profit	61.6	64.2	-4%	-7%	25.2+	23.2	9%	5%
<i>Gross margin</i>	50.5%	54.5%	-400bps		85.4%	83.2%	+ 220bps	

¹ Alternative performance measures are defined in the Appendix on slide 32

BALANCE SHEET

	H1 2020	H1 2019
	£m	£m
PPE and intangible assets	297.8	280.9
Financial assets held at FVTPL* and Investment in Associates	20.5	10.5
Inventories	95.1	85.3
Cash (available**)	53.2	49.4
Trade receivables and other assets	70.7	53.2
Retirement benefit asset	11.9	7.5
Lease liabilities	(8.1)	-
Trade payables and other liabilities	(70.0)	(63.5)
Equity shareholders' funds	471.1	423.3

* Financial assets held at fair value through profit and loss ("FVTPL") which represents the Group's minority investments

** Includes £9.2m of cash that sits in the joint venture in China and is effectively "restricted"

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

DEFINITIONS

ALTERNATIVE PERFORMANCE MEASURES:

- 1) Constant currency metrics are reached by applying current year (FY 2020) weighted average spot rates to prior year (FY 2019) transactions. Gains and losses on foreign currency net hedging, are shown separately in the Income Statement and are excluded from the constant currency calculation;
- 2) Underlying PBT is profit before exceptional items and tax;
- 3) Operating cash conversion is operating profit before exceptional items adjusted for depreciation and amortisation, working capital and capital expenditure / operating profit before exceptional items;
- 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.
- 6) Operating overheads are indirect costs of the Group and equate to Sales, marketing and administrative expenses
- 7) Adjusted EPS is earnings per share based on profit after tax but before exceptional items divided by the weighted average number of shares in issue.

#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

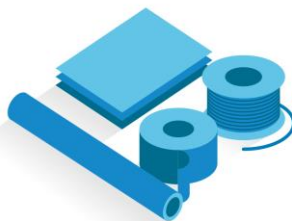


DIFFERENTIATE THROUGH INNOVATION TO CREATE NEW MARKETS



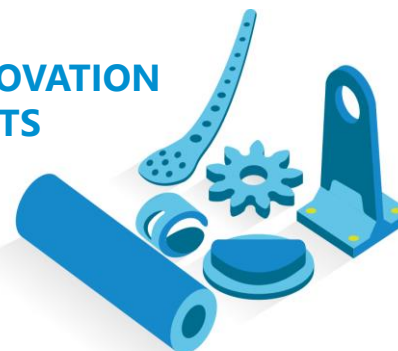
POLYMER

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