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Executives:

James Routh - Chief Executive Officer

Ian Melling - Chief Financial Officer

Andrew Hanson - Director of Investor Relations, Corporate Communications & ESG

Operator: Good day, ladies and gentlemen, and welcome to the Victrex Interim Results. At this time, all participants are in listen-only mode. Later, we will conduct the question-and-answer session through the phone lines, and instructions will follow at that time. I would like to remind all participants that this call is being recorded.

I will now hand over to CEO of Victrex PLC, Dr. James Routh, to open the presentation. Please go ahead.

James Routh: Good morning, everybody, and welcome to the Victrex interim results presentation. For those that don't know me, I'm James Routh, and I've been CEO at Victrex since January. I spent the first four months working at pace on the short-term actions needed to address the performance issues we've seen over the past few years, along with reviewing and updating our medium-term strategy.

That being said, I've been greatly impressed by the passion and capabilities of the Victrex team, and the fundamentals of the business remain robust. So I'm confident that we can drive dramatically improved financial performance over the medium term.

Today, I'm joined by our CFO, Ian Melling, and our Director of Investor Relations, Andrew Hanson.

In terms of the agenda for today, I'm going to take you through the headlines of our H1 results and then some updates on our end markets, before Ian will take you through the financial performance. Then I'll come back and give you my initial observations of Victrex, provide an update on the previously announced profit improvement plan, and provide a high-level overview of our strategic framework before providing a summary and outlook. And then we'll throw open to Q&A.

So overall, the first half of the year was characterized by a weak Q1 offset by a strong Q2, resulting in overall revenues up 1% on the prior year.



The weaker Q1 period was due to particularly low seasonal sales in December, with some deferment into January, particularly with our VAR customers. And the gross margin of 41.7% was down 240 basis points on the prior year through a combination of price pressure, mix, and currency. This all fed through into an underlying PBT of £19 million, 18% lower than the prior year, whilst free cash flow was good at £22 million.

I'll provide more information later in the presentation, but in summary, the profit improvement plan is progressing well, with actions already taken to reduce global headcount by around 10% and the launch of a new organization structure better aligned to growth and performance.

The strategy review is nearing completion, and today I'm announcing we will be holding a Capital Markets Day in September, detailing our approach to dramatically improve financial performance.

As part of the strategy review, we are actively reviewing and simplifying our portfolio of products, facilities and operating sites. And as a result, we've recorded a noncash impairment of our China manufacturing plant of £60.6 million, which Ian will talk through in more detail later. And it's really important to note this relates to operational capability at the plant itself and not market demand. Demand in China remains robust. It's our fastest-growing region with continuing growth in the period across a broad range of industries, including Aerospace, Automotive, and Medical.

For those that aren't aware, we service a wide range of end market segments and geographic territories and are split into two primary divisions: Medical and Sustainable Solutions. By end market volume, Value Added Resellers or VARs are the largest at 42%, where we use Victrex PEEK to form stock shapes or compounds, and these are then sold on to a wide range of end market sectors.

The next largest sector by volume is Transport, which consists of specialized applications for PEEK in Automotive and Aerospace. Energy & Industrial consists of customers in oil and gas, renewables and broader industrial applications. Electronics consists of PEEK used in consumer electronic devices, including smartphones and home appliances, as well as in semiconductor manufacturing.

Finally, Medical is the smallest market by volume but with considerably higher average selling prices, made up of PEEK sales of implantable materials and devices, and PEEK used in non-implantable medical applications such as tools or pharmaceuticals.

Overall, our volumes are up 6% with ASP down 4% through a combination of mix and price, with lower proportional medical volumes and an increase in lower price point Sustainable Solutions sales.



Overall, Sustainable Solutions revenue was up 3%, driven by a good performance in Electronics, Energy & Industrial, and in VARs, with Medical sales down 9% due to mix, competitive pricing, and some order phasing. And importantly, we've seen some stabilization in Spine sales over the period.

By region, EMEA remains our largest territory at 44% of revenue, with Asia Pacific running around a third, and the balance in the U.S. APAC revenue grew by 1% in the first half, led by Greater China, with our other two regions broadly flat. The APAC region, and China in particular, is our fastest-growing territory, and along with the U.S., are our focus areas for growth.

By end market, we saw all market segments deliver volume growth except for Automotive, which declined 6% on volume and continues to be impacted, particularly in Europe, due to the well-documented challenges with European Automotive OEMs. In general, this remains a challenging market driven by lower production and lower-than-anticipated EV sales. And the industry production forecast for 2026 is down 1% at 92 million cars, with ICE production down 7% and EV and hybrid vehicles up 4%, with ICE accounting for the majority of the 92 million cars forecast.

It's important to note that most Victrex applications are drivetrain agnostic across both ICE and EV, for example, ABS and bearings. But the EV upside opportunity that we talked about before, particularly in batteries and motors for Victrex, has not yet been realized.

In Aerospace, volumes are up 9% after a slow start in Q1, with strong improvement in Q2 and continuing momentum at the start of Q3. We see really good opportunities for PEEK thermoplastic composite solutions alongside our core applications in brackets, fasteners, and thermal acoustic blankets. The sector saw slower production rates in 2025, with some improvement at the start of 2026. Both Boeing and Airbus build rate forecasts show a 20% increase in 2026, driven by the 737 MAX recovery. And Victrex has also been specified on the Comac C919 aircraft in China, with Comac forecasting 25 aircraft to be built during 2026.

Electronics volumes are up 14% with a strong recovery in Q2 after a weak first quarter. Semiconductor demand is recovering well, mostly driven by AI-related infrastructure rather than broad consumer volume growth. Based on the consensus of all industry forecasts across TSMC, Samsung, and Intel, chip demand is forecast to be up 4% in 2026, with smartphone shipments down, as the industry flags memory shortages. As an example, Samsung reported a 6% reduction in the first quarter of this year.

Energy & Industrial volumes are up 19% as momentum continued throughout Q1 with an acceleration in Q2. With a buoyant oil market and a desire to maximize output, maintenance CapEx is being spent by our customers, although global rig count is down 7% year-on-year.



And in General Industrial, global PMIs are variable and volatile, but all are above 50 at the end of the first half.

In Medical, given the high-value nature of our business, revenue is the key metric we look at rather than volume. H1 reflected a real mix shift, with Spine broadly stable but with non-Spine growing much stronger in non-implantable applications. And pricing within certain applications was softer, particularly in China. Order phasing was also a key factor during H1, with some orders shifting out into the second half. In Medical geographically, the U.S. remained weak, with China and Asia Pacific seeing strong growth opportunities, and Asia Pacific now represents 24% of Medical, and that was 9% 10 years ago.

VARs volumes are up 5% after a very slow start in Q1, as already noted, with improvement during Q2. This remains a highly competitive market with typical contract renewals occurring in calendar Q1. And it's really important to note that VARs are key partners to help us grow the market for Victrex PEEK.

So, I'll now hand over to Ian, who will take you through more detail on the financial results.

Ian Melling:

Thank you, James, and good morning, everyone. As James noted, there was a soft start to our financial year in the first quarter, but momentum improved significantly in Q2. I'd like to cover the key drivers for the half, starting with our income statement, then covering our profit and gross margin movements. We'll then turn to the key cash flow items, cover the details around our exceptional items for H1, but also our expectations for those for the full year, as we proactively progress a number of actions as part of the profit improvement plan.

Moving to slide seven and our income statement. Starting with revenue, up 1% to £147.1 million, and up 2% in constant currency, driven by good volume growth of 6%, offset by mix, price, and currency. In Q2, revenue was up 7%, driven by volume growth of 14%. James has covered the detail of the end markets which were driving these volumes, but it's worth reiterating the overall sales mix in the first half, which saw Sustainable Solutions increase in proportion compared to Medical. There was also an adverse impact on ASP, caused by mix within both divisions.

In Sustainable Solutions, we saw a much stronger performance in VARs during Q2 after a softer start to the year, and strong momentum from Energy & Industrial, where volumes were up 19% in the half. At the same time in Medical, whilst Spine was stable, we saw an adverse mix within non-Spine, including growth from non-implantable applications, alongside some price pressure in certain applications and geographies.

Finally, it's worth noting that many of our contract renewals take place at the start of the calendar year, particularly in the VARs. These negotiations took place in a challenging pricing environment prior to the Middle East conflict, but we were largely successful in retaining, and in some cases growing, business with modest price



concessions. The same is true in Energy & Industrial, where we continued to regain business previously lost to competition on price.

On average selling prices, H1 ASP was down 4% year-on-year, driven by mix and price, but we saw a stable ASP sequentially for H1 2026 versus H2 2025, and the detail of this is shown in slide 25 in the appendix.

The market for PEEK remains competitive, particularly in the VARs and Energy & Industrial end markets, which are seeing the most price pressure. Price is more stable in other end markets, though the competitive threat remains. Taking an overall view on like-for-like pricing across the group, the continuing average pricing impact overall is a decline of around 1% to 2% per year. The divisional revenue summaries are also shown in the appendix on slide 23, with Sustainable Solutions revenue up 4% and Medical down 9%.

Moving on, currency weighed slightly on our half-year revenues, with the corresponding gain from currency hedging of £1 million, as shown on the chart. Gross profit was 5% lower than the prior year at £61.3 million, or down 2% in constant currency. Other than currency, gross profit was impacted predominantly by sales mix and price.

In respect to cost of manufacture, we expect to produce broadly similar volumes to the prior year and therefore do not expect to see any notable benefit from asset utilization this year. We did see some increased costs in respect of wage inflation and the annualization of the NI increase, but these were more than offset by raw material benefits that I'll come onto in the next slide.

Turning to overheads, overheads for the half were up 3% to £41.3 million. Excluding wage inflation and reward, overheads were broadly stable with strong cost control in place. H1 did not see any material benefits from our profit improvement plan, with these coming in H2. Interest was an expense of approximately £1 million for the half and is expected to be around a £2 million expense on a full-year basis. Currency was adverse during the period, with just over £1 million impact at PBT, and we anticipate this being slightly first-half weighted, meaning an approximate £2 million headwind based on current spot rates and hedging in place on a full-year basis. More detail on currency is shown in the appendix on slide 28.

This resulted in underlying profit before tax of £19 million, down 18%, or down 14% in constant currency. After the impact of the £63 million of exceptional items we reported in H1, we saw a loss before tax of £44 million versus a reported profit before tax in H1 2025 of £17.2 million. I'll cover exceptional items shortly.

Underlying earnings per share of 17.2p was down 21%, slightly worse than the movement in underlying PBT, and the tax charge in the period was £4 million compared to the prior year charge of £3.6 million. Reported tax rate of minus 9.1% is impacted by the non-taxable impairment of the China manufacturing site.



The H1 underlying tax rate of 24.4% is based on the expected full-year rate. This is above our mid-term guidance of 15% to 19%, as a result of unrecognized losses in China and the proportion of U.K. profits available to the patent box.

Turning to slide eight, which shows the underlying PBT movements. Looking at the key movements beyond the £1.1 million adverse impact from currency, Sustainable Solutions volume was a £3 million benefit with good growth in a number of end markets. Sustainable Solutions price and mix was an adverse impact of £2.8 million, which reflects some of the points covered earlier, including an adverse mix as the likes of Energy & Industrial saw good growth in the half alongside some contract renewals or regained business at lower prices.

Medical price and mix was a £1.7 million adverse year-on-year movement driven by the mix of applications and particularly strong growth in non-implantable. Raw materials provided a benefit of £1.2 million as we continued to make good progress in our procurement processes, allowing us to take advantage of favorable market conditions, though, as we note in our announcement, we are mindful of potential future energy and raw material price inflation in FY 2027.

Wage inflation and targeted investments was £2.8 million, including the impact of the NI increase and a below-inflation pay increase across the organization. As a result, underlying PBT was £19 million.

Turning to slide nine, where we cover gross margin. Disappointingly, gross margin was below our guidance for the half, and we do now expect gross margin for the full year to be slightly below the prior year 45.3%, but with some improvement in H2 over H1, driven by mix and Medical, based on our latest manufacturing and customer forecasts. Our indicative guidance summary is shown on slide 22.

Starting on the left-hand side with H1 2025 at 44.1%, currency was an adverse impact of 80 basis points. The mix between the two divisions, with a slightly higher share of Sustainable Solutions business in the first half compared to last year, drove an adverse impact of 50 basis points. Within Sustainable Solutions, price and mix represented an adverse impact of 120 basis points, and that was 50 basis points within Medical. Raw materials gave us a benefit of 60 basis points, resulting in H1 2026 gross margin of 41.7%. Our gross margin excluding the plant in China was 43.9%.

Turning briefly to cash flow on slide 10. The detailed cash flow items are shown in the Appendix on slide 26. The main headline here is a continuing strong cash conversion at 109%, slightly lower year-on-year, but a key measure of our cash flow efficiency and a positive result. This is one of our key strategic objectives in the organization, which we remain fully focused on. Free cash flow was stable year-on-year at £22 million. We've maintained our interim dividend of 13.42p per share, which will be paid on the 26th of June, representing a cash amount of around £11 million. Remember we also paid the FY 2025 final dividend in February, which represented a cash outflow of approximately £40 million.



CapEx was lower in H1 versus last year at £7.4 million, and we are now guiding to FY 2026 full-year CapEx being below the 8% to 10% of revenues guidance as we continue to control spend carefully.

Net debt for the half was slightly higher at £45.4 million, but at 0.65x net debt to underlying EBITDA, well within our target range of 0.5 to 1x.

So, I'll finish on slide 11, exceptional items. The main driver here is the impairment of our China manufacturing facility in Panjin. This was a noncash impairment of £60.6 million, which, together with £2.4 million of exceptional items associated with restructuring and reorganization, led to total exceptional items of £63 million in the first half, a material increase on the prior year.

A more detailed summary of this impairment is covered in our announcement, but to summarize, the impairment follows the conclusion, after a period of continuous running in H1, that parts of the process technology in one of the final manufacturing stages at the plant is not capable of delivering the original nameplate capacity of 1,500 tonnes, meaning we are not currently able to maximize full capability of this asset. This was the main basis of an impairment indicator, which caused us to assess the value in use of the China plant.

In assessing that value in use, we have undertaken a discounted cash flow calculation under the principles of IAS 36, Impairment of Assets.

There are two important things to note about this calculation under the guidance of IAS 36:

- Firstly, the calculation does not assume further enhancement of the asset, and therefore, it remains limited to its current capacity
- Secondly, the calculation is limited to five years' future forecast cash flows and a terminal growth rate over the remaining life of the asset. And therefore, further improvements from year six onwards do not significantly contribute to the value in use calculation

As a result, the calculated value in use is £10.2 million, and the resulting noncash impairment, as I've already said, is £60.6 million.

As we note on the slide here, we do remain committed to a plant turnaround, given the opportunities in China that James will comment further on. We are currently assessing the most effective way to improve the rate-limiting step for the Panjin plant, including what investment may be required to increase its operating capacity to take advantage of the long-term opportunities that we continue to see. I will also add that any future investments to realize its full potential would be expected to be delivered within our mid-term guidance for annual capital expenditure of 8% to 10% of revenues.



Turning to the other two areas where we will see exceptional items coming through this year on the right-hand side of the slide. Firstly, on portfolio simplification, we are looking to rationalize and simplify some of our portfolio and specific programs and anticipate up to £10 million of costs associated with this for the full year. These would be noncash.

Secondly, on restructuring and reorganization, James will cover more on the actions we've been proactively taking so far this year, but we anticipate the headcount reduction and other actions will result in up to £10 million of costs on a full-year basis as previously guided. These will be predominantly cash items. At the half year, we had incurred £2.4 million of exceptional items associated with restructuring.

In terms of guidance for the full year, we note in our announcement today that total exceptional items for the year are anticipated to be in the range of £75 to £85 million, the noncash China impairment accounting for the majority of this charge.

Thank you, and I'll now hand back to James.

James Routh:

Thank you, Ian. So I'm now going to provide an update on my first four months in the business, my initial observations, and what actions we're taking to improve financial performance.

So why have I joined Victrex? Simply, the business has strong fundamentals, and with my background, there's a strong opportunity to unlock its potential and drive significant improvements in financial performance. I've worked in engineering and technology businesses for over 35 years, would you believe, and mostly aligned to end markets that Victrex serves, such as Aerospace, Automotive, Energy, and broad industrial markets. And my PhD is actually in applied materials science, and I've got a lot of experience and knowledge of utilizing the properties of polymers to deliver commercial outcomes.

In my previous roles, I've demonstrated a track record of designing and implementing strategies and plans that deliver long-term sustainable growth. And I have a passion for high-growth businesses sector, particularly where there's an opportunity, such as Victrex, where the fundamentals are good, but execution has been weak.

For all our challenges in recent years, we have to recognize and acknowledge the positive position of Victrex. We are the undoubted leader in PEEK. We have a very strong brand and value proposition along with what remains differentiated products. Victrex addresses a wide range of end markets and geographic territories, and there are clear long-term structural and, in many cases, regulatory growth drivers that support continued demand for PEEK and the creation of new markets.

The business has been well invested over many years in terms of manufacturing capability and capacity, equipment, people and R&D, driving a strong science and engineering-led culture.



And looking at the regional growth drivers, there are strong opportunities in both Asia Pacific and North America that are yet to be adequately exploited by the business.

And finally, I saw the opportunity to drive performance through internal changes to how we approach the market and execute in terms of leadership capability, organization design, operating model, and leveraging IT and automation.

As mentioned in the last slide, Victrex has significant untapped potential that has been challenged by some external factors in recent years, but many of the issues were due to things that were within our control. On the positive front, we have a strong and differentiated value proposition and are well-invested. However, in recent years, the issues have related to weak commercial and operational execution. In general, the approach to the market has been correct, but our ability to translate those ideas and plans into tangible commercial outcomes has been deficient. We became an inward-looking organization without sufficient focus on the needs of the customer and the markets we serve. We've also been slow to adapt to changing market conditions in terms of competition and buying behaviors. We've not acknowledged that there is pricing pressure in certain markets and that we need to adapt accordingly and reduce our cost to serve, including our cost of manufacture.

Many of these legacy issues have been caused by our suboptimal and centralized organization structure and operating model. A proportionally large corporate center with decisions being made away from the regions and the customers in which we operate has resulted in a slow, complex organization that has not kept up with the rapid pace of change we see in today's markets. This has also caused our cost base to become out of step with the financial realities in terms of revenue and gross profit.

So importantly, what are we doing to resolve these issues? Firstly, we're fixing the foundation by right-sizing the cost base and implementing a new decentralized operating model with regional P&L ownership to drive performance and decisions made close to the customers we serve. The leadership team is in the process of being refreshed, creating a high-performance team who have a track record of focusing on the customer and delivering financial results. As part of this, we'll improve our commercial capability by reviewing the effectiveness of our sales teams and ensuring they have the appropriate tools and incentives to drive performance. We've already appointed a new Chief Commercial Officer, who started a couple of weeks ago to drive this change.

We're refreshing our strategy to focus on the theme of relentless execution. We'll focus on markets where we have a natural defensive moat in terms of being specified in, and also geographies that have built-in protection against certain competitors. And as part of our strategic development, we're expanding our approach as a trusted solutions partner to customers, providing a range of additional value-added services to improve long-term customer relationships and drive improved gross margins.



A key part of our value proposition is applications development for our customers, and I'll explain a little more about this as we go through the presentation. Equally important is to have world-class operational excellence, driving the customer experience through improved quality, right first time, and reducing the cost of manufacture, which also contributes to improving gross margins.

So moving onto the profit improvement. As you may recall, we announced a £10 million profit improvement plan back in December, with the objective of delivering the full-year improvement in FY 2027.

The plan consists of three main elements:

- Reducing overhead costs and restructuring
- Driving operating efficiency
- Simplification of our portfolio

Since joining in January, I've taken rapid actions to implement this plan with a 10% reduction of global headcount, driving a direct overhead reduction, the early benefits of which will be seen towards the end of this financial year. We've primarily focused on central and support functions rather than direct customer-facing or operational roles.

We've also launched a new organization structure and operating model, the early stages of which have been implemented. As part of this change, we've moved to a decentralized P&L-based structure and hired some proven high-performance leaders to improve execution. It's early days in the actions taken around operating efficiency, but the operating model work we're doing will drive improvements. Plus, we've put together a transformation team to focus on operational transformation, delivering improved end-to-end processes across our manufacturing facilities. And in recent years we've invested in our IT systems, and now is the opportunity to leverage this investment, including initial investigations of where automation and AI can be deployed.

We're actively reviewing our product, project, and operational portfolio to ensure we are focused on those that drive tangible commercial outcomes. Examples include a review of our mega-programme. For the sake of clarity, mega-programmes will no longer form part of our investor communications as they'll become business as usual and will be assessed on a business case basis like all other projects. That being said, technical milestones continue to progress, for example, in the magma programme, and we will report on them when there's a tangible, real development to talk about.

We're also reviewing our product portfolio to ensure we're focused on products that support profitable growth, and a review of our underperforming assets on a global. We'll stop any activities that are not aligned to our refreshed strategy.



So moving on to our updated strategic framework. Victrex has always had various elements of this slide, demonstrating a premium offering to the market driven by long-term structural and regulatory growth drivers. And these four components you can see on the screen are essentially the value proposition of Victrex. And we'll build on this more during the Capital Markets Day in September. Essentially, the four components of the value proposition are the 'what' we do, which is largely unchanged, although more emphasis is required in certain areas. What we are now focused on transforming is the 'how', driving relentless execution as part of our core values.

As already mentioned, we're improving our commercial capabilities and structure to focus on order intake and financial performance. The changes we'll make to operations will drive excellence, improve the customer experience, drive down the cost of manufacture, and improve gross margins. The most important part of the change to how we approach the market is a simplified business model. Removal of non-value-added activities and aligning the organization and incentives to financial performance is key to our future success. This will ensure we're an agile, responsive organization aligned to the needs of our customers on a regional basis.

And finally, I'd like to briefly mention who our customers are. We focus on three main areas. Firstly, customers or markets that are driven by the need to substitute metals or other materials and are driven by structural or regulatory changes. We work closely with manufacturing partners who are focused on driving manufacturing efficiency, and we use our trusted solutions partner status to help. And the third group are value-added resellers who use our PEEK materials to develop stock shapes or compounds for their customers.

And I really want to reiterate that, although VARs are lower ASP, we value our long-standing relationships with them, and we partner with them on material development. The cost to serve VARs customers is relatively low, and as such, they're of real value to the performance of Victrex.

In summary, our core value proposition, delivering a premium offering plus, [inaudible] will drive real value and unlock the strong potential of Victrex.

A key part of the value proposition on the previous slide was how we use applications engineering to drive customer value. And I wanted to provide a couple of examples here because this drives strong differentiation and high barriers to entry and ensures a long-term partnership with our key customers. So the first example is in the field of aerospace composites. We have a partnership with Daher to develop thermoplastic composite parts that are structural in nature. In this case, the wing ribs using patented Victrex lower-melting LMPAEK unidirectional tape. This helps Daher design a structural part with the optimum properties to deal with a wide range of load cases seen in flight, while significantly reducing waste and therefore fuel usage and emissions. They are considerably shorter manufacturing time versus conventional thermoset comp.



Another example of the work we did with Abiomed to develop their ventricular assist device, which assists patients with severe heart failure to improve blood circulation. We used our PEEK-OPTIMA material to ensure this minimally invasive device is biocompatible and durable in this critical application. Cardio and active implantable devices are areas where we continue to see significant opportunities for our medical business. So applications development is a key part of our strategic approach and will be further enhanced as part of our organizational changes to ensure we have the additional capacity skills in this critical enabler for sales growth.

Before we wrap up, I wanted to include a slide around our performance and plans for China and the broader Asia-Pacific region, particularly in the context of the impairment of our China manufacturing plant discussed earlier, which is solely related to operational issues and not market demand. Over the past 10 years, we've grown our greater China sales strongly, with over 17% compound annual growth rate and strong positions in various end markets, including aerospace, automotive, and medical. Medical is now a strong part of our China sales, representing around a quarter.

And we are committed to drive further growth and presence in what is the fastest-growing region for our products and services. We already have in-country sales, technical, and manufacturing capabilities, and it's a really good example of how we intend to operate going forward on a regional decentralized basis. And this region will be a key focus for our newly appointed commercial team.

So in summary, the week's first quarter led to a less-than-satisfactory H1 result. However, Q2 was strong and this momentum has continued to date into Q3. Of course, we've been mindful of global macroeconomic and geopolitical uncertainty and its corresponding impact on energy costs, shipping, and end market demand. And as a result of these external factors and being mindful of the uncertainty from them, the Board now expects underlying PBT for FY 2026 to be between £42 and £44 million.

This is a transitional year as I joined the business at the start of Q2, and we're taking urgent actions to address some of the issues that I acknowledged earlier. We're focusing on ensuring tight cost control and delivering for our customers while simultaneously delivering the profit improvement plan and strategy review. Earlier in the presentation, I described some elements of the strategic review taking place. I'm delighted to announce that we'll deliver a Capital Markets Day in September this year, where we'll focus on the following. Firstly, an update on the Profit Improvement Plan, including more details around overhead reduction, plans for operating efficiency, and portfolio simplification. We'll provide some details on market dynamics, competitive positioning, and focus areas that will drive tangible financial performance. We'll describe the new organization design and operating model, and you'll get the opportunity to hear from the refreshed leadership team and details on how they intend to drive profitable growth over the medium term. And finally, we'll provide a roadmap to our medium-term ambitions and how we'll drive significant improvements in profitability, including detail of the proposed parts and clearly identifiable KPIs to show progress.



So that brings me to the end of the formal presentation. I'd now like to open the floor for any questions. We'll start in the room, and then we'll move to the call after that. So, which hand went up first? Henry, you're right at the front. Thank you.

Ian Melling: Sorry, we've got a microphone, so people on the phone can hear you.

Henry Carver: Thanks. Henry Carlos from Singer. Just first on the China operation, what did you find the nameplate capacity to be if it wasn't the 1500? Was the first question. And then the other one was just around the growth opportunities. You highlight US and Asia is sort of why not Europe or other sort of regions in particular?

James Routh: Okay. On the first question, So the nameplate is 1,500 tons. We've been operating at trying to get to sort of increased capacity in the first half of the year. We are permitted to still delivering to our 100 tons target for this year. So that's still progressing. So what we found is there's a rate limiting step towards the end of the process, which is like limiting the output from the overall plant. So we're still able to ramp over the next couple of years beyond the 100 tons using the existing plant that we have. But there are improvements that need to be made to get us up towards the nameplate capacity. So that will take a couple of years to get to that point.

In terms of market opportunity, I think just if you just look at general market indicators around industrial sectors, the European region is not exactly firing on all cylinders. Obviously, our Asia-Pacific opportunities are in Japan, Korea, Greater China, lots of industry there focused on the markets that we serve. And the U.S. in particular is a strong market for us in medical, in aerospace, defense, oil and gas, and other applications. And I think from my perspective, there's lots of opportunities, particularly in the U.S. that we haven't really exploited. We've done well in Greater China, but in the broader Asia region, there's more we can do as well.

Vanessa Jeffries: Hi, Vanessa Jeffries from Jeffries. So thinking in China, the 1,500 tons is supposed to give you 40% of total China PEEK capacity, and now you probably have 3-5%. So when you're talking about that strong demand in China, and especially that's not just PEEK, but I guess lower grade PEEK, so what's your confidence in your ability to deliver on that demand, and what can you deliver from the UK?

James Routh: Well, we have sufficient capacity within our U.K. manufacturing plants to deliver the needs over that short to medium term while we're waiting for this plant to come on stream. So I have no concerns around being able to deliver against demand from the U.K.

Vanessa Jeffries: And then just on inflation and your ability to recover that via pricing. I guess, given the price pressure you're seeing in your markets and the fact that you took price down in a couple of them in Jan-Feb. Is it easy to go back and now say, " We need the price increase?"



- James Routh:** So, broadly speaking, most of our customers, we are contractually fixed to a price for a period of time, so we're not sort of trading on a day-to-day basis like more commoditized chemicals. So typically, we'll be on a 12-month contract where we've got that fixed in. That being said, you know, for the larger things that are outside of control, we have put customers on notice that we may need to put surcharging through, depending on what happens with the Middle East conflict. We are focusing on markets where we are specified in and we have high barriers to entry. At the more standardized end of our market, we've got more price pressures. So, for example, with VARs, where we're providing volumes of standard products, that's where you have more price pressure. In the specialized applications, that's where we've got more pricing power. So we are strategically focusing on those whilst continuing to support those standardized ends of the market where the volume is because we need that for asset utilization. So there's a bit of a mix there. Do you have anything to add to that, Ian?
- Ian Melling:** No, I think it's a good summary. I think the point that we put customers on notice that we may need to use surcharges as we did previously is important. I think the only other thing to note is we do try and line up our raw material spends, so we are not as vulnerable to moving prices day-to-day in the chemicals market as other companies as well. We do try to contract our raw material spend over a similar window to how we contract with our customers as well.
- Vanessa Jeffries:** Thank you.
- James Routh:** We have also put price increases through already in certain territories and certain market sectors.
- Vanessa Jeffries:** Thank you. And just a quick follow-up on that. I mean, you said that you took price down in energy and industrial, but not automotive. I mean, it just seems to me like a market where it would have been obvious to take price down. Was there a reason for that?
- Ian Melling:** I think with energy and industrial, there are specific opportunities that involve significant volumes of PEEK where historically we've lost chunks of business based on price, and therefore there's the opportunity to go back and try and win those chunks of business back. With automotive, it tends to be slightly more fragmented in terms of customers and order size, so there isn't the same kind of opportunity to play with price necessarily.
- Vanessa Jeffries:** Thank you.
- Martin Young:** Hi, I'm Martin Young, Investec. I've got three quick ones. The first one is related to the previous one. I don't know if you can give us a feel for the margin development in sustainable solutions, excluding the VAR business, given it's such a swing factor in terms of growth piece and margin.



Secondly, I think Evonik announced strong PEEK demand in the first calendar quarter, but they attributed that to stocking and expected it to reverse in the second half. I'd love to know what you're seeing on that. And then thirdly, can you give us any color on medical, especially the non-spine sample business? Maxx Orthopedics haven't said anything, I think, in terms of the launch timeline for the knee, but it's supposed to be on the market in India, I think you said.

James Routh:

I'll answer the second question, first of all, and the reference to Evonik. First of all, we've also seen strong demand in our Q2 or Q1 calendar. Clearly, how much of that is buying ahead or anticipated shortages due to the Middle East conflict is questionable. We've spoken to our customers around that, and the general feedback is that is not what they're seeing. However, we are mindful of that, which is another reason for us being prudent in our guidance for the full year in terms of where we're positioning those numbers. Do you want to ask the medical one, Ian?

Ian Melling:

Yes, sure. In terms of medical, I think what we're seeing in the medical businesses, it's hard to judge on one half a year, right? I think we get orders from customers. Customers don't typically order every month. Some customers order from once a quarter, potentially. And we've just seen some order phasing out to the second-half of the year, specifically on the knee. So the knee has been submitted for approval in India, and we haven't had, or Maxx specifically haven't had that approval in India yet, so we wait on that, and we'll be ready to go once that approval comes through from the regulatory authorities in India.

Going back to the first point and margin development in VARS, we don't comment on margins specifically at an industry level, so I wouldn't want to go there in terms of what it's doing. What I would say is it's similar to VSS overall in terms of what we're seeing. We see the benefit of the raw materials that have come through across the VSS side. Obviously, VARS is a significant driver of the volumes through the plants, which helps as well. But, yes, overall, nothing dramatic to see other than the price and a bit of raw material benefit coming through on that. What I would say, it's important to note the VARs don't have a lot of costs further down the P&L. So, VARs is a lower cost to serve market. So, it might be at the lower end of our gross margin percentages. It is still a positive number. It is still contributing gross profit, and there's a lot less SG&A associated with the VARs than some of the markets.

Kevin Fogarty:

Thank you. Morning. Thanks very much. Kevin Fogarty from Deutsche Numis. Two, if I could, please. So one, obviously, a lot of the changes there around operational efficiency. But clearly, I guess, kind of re-viewing portfolio, you found areas where products have kind of lost the competitive advantage, or perhaps isn't as strong. I guess, is the application development you've talked about this morning the key to making Victrex more important to its customers in those areas where perhaps weaker as opposed to just sort of X-ing them for the portfolio in time? Or are there other things you can do to sort of bring these things back to act the life, I guess, where they get into a growth phase again? Just be good to sort of understand how you think the sort of steps are there in the weaker areas.



And just in terms of the capital allocation, obviously, dividend policy kind of unchanged at this point, you're not flagging greater investment in the business at this point in time. I just wondered sort of why there is a sort of need to be so generous, I guess, in terms of dividends at this point? And could we see an opportunity where, having fixed the business, you find growth opportunities, either organic or M&A, that you think could be interesting?

James Routh:

Okay, I'll answer the second one first. I've forgotten the first one question already. In terms of... You won't expect to comment on the details of our capital allocation policy at this time. It remains under review. We're holding a Capital Markets Day in September, and I think it's important to align the needs, the capital allocation needs to the strategic direction of the business. So we'll comment further on that potentially later in the year. The first question around application engineering and application development, that is absolutely the key, because this is where we are now working in partnership with our customers, so it becomes a long-term relationship. There's mutual benefit to both organizations, because generally speaking, if you're moving, for example, from metal to PEEK, most engineers that are designing with metals don't understand fully how to design with PEEK. So specification of the material, the properties, the design of the product, the regulatory approval, the testing, and all of those things, that's where we help our customers to get that sort of long-term sticky relationship. And also, of course, once you've specified in, the cost of change is high because you need to re-qualify a new material against all of the requirements for those industries. So we're focusing on industry that are driven by strong regulations or qualification requirements, then those are the markets that we're focusing on. Equally, looking at geographies where, for example, some of our Chinese competitors will find it more difficult to operate, shouldn't say. But focusing on those areas, I mentioned the U.S. earlier, is an opportunity to do.

Kevin Fogarty:

Great, thank you. And just on one note, are there sort of quick wins that you see for Victrex, rather than feeling this is a slow burn, two to three years?

James Routh:

Okay, so there's... Historically, the mega programmes have all been long-term projects, and they've all continually moved to the right for lots of different reasons. I'm sure you know the history. We're having a more balanced portfolio of short, near-term opportunities with some of those still longer-term opportunities that we have. I think that's important. Those long-term opportunities are still there. There's some really good opportunities to drive step change in volumes and financial performance. But that's got to be balanced with some things in the here and now. I'm focusing on the next six, 12, 18 months. So some quick wins that will then fill in the gaps while we're waiting for these larger things to come in.

Kevin Fogarty:

Great. Very useful. Thank you.

Unknown Analyst:

Hi, Chetan from JPMorgan. First question on guidance. You know, you did first half 19, the implied for H2 is 24. You know, nobody likes H2 weighted guidance these days.



So can you maybe clarify what are the drivers of that H2 performance improvement? The second question, and apologies if this is a harder question, but you know, cost savings that we tracked started like two years ago already. And it seems like nothing has necessarily shown up in P&L. My question is more like you're talking about investment in application development, at the same time, cutting costs. You've got structural challenges. So do we need a proper reset for the next two to three years in terms of cost base so that you can reinvest to grow out of this situation? Or is the cost savings something that can actually drive the sustainable improvement?

James Routh:

I'll answer the second one, then you can ask the first one. So the second one, that targeted savings for next year, is net of the investments we need to make in the areas to drive performance. We are also doing a lot of work on refreshing our operating model and optimizing all of our processes, including using automation where possible to take out overhead. So as we start to do that and simplify all of our process, because our process is complex right now, overly complex for a business of our size and scale, and we really simplify that. That will identify further opportunities over the next year, 18 months for us to take additional costs out as we go forward as well. So this will not only take costs out, it will drive the performance of the business at the same time. So I can really see some upsides in doing that over the next 12, 18 months. I'll let you answer the first one.

Ian Melling:

I think it's part of it's the same answer, Chetan, right? We're making these cost savings now, and we're going to see the benefit of them as we come towards the end of this year. So I would expect to see £2-3 million of that delta between H1 and H2, at least coming from the cost savings starting to kick in in the fourth quarter. On top of that, you've got the momentum. So Q2 is clearly much stronger than H1. So Q2 is much stronger than Q1. That momentum from Q2, which we see continuing into Q3, will absolutely drive increased profits over the first half. And then we have a little bit of phasing in terms of manufacture costs as well, where we bank some savings into inventory that will come through in the second half as well. So with all those things, I don't think you need a significant step up in performance from where we're seeing coming out of Q2 to be able to deliver the guidance that we've put out there.

Unknown Analyst:

And just last question on pricing strategy. You mentioned you typically have annual contracts. I don't think many chemical companies have annual contracts these days, just given how volatile the market environment is. Most of them have monthly price changes. Is that part of your review, and why not, if you see so much volatility in the market? And sometimes, just proactivity is probably not bad in this environment, I suppose.

James Routh:

Well, we are being proactive. We're certainly not sitting on our hands when it comes to pricing at the moment. We are out there talking to customers. We have pushed through price increases where it's appropriate and where we can. That being said, it is still a competitive marketplace, and we need to acknowledge the fact that we are under competitive price pressure in certain parts of our portfolio of products. are proactively doing that.



But I think everyone needs to remember that we are already a premium-priced product. We have a differentiated product. We have premium pricing. So the ability to keep increasing it beyond a premium on a premium starts to get a bit more difficult. So that needs to be recognized. And also, we're not a commodity chemicals business. I know you know that, but we really... we're not reacting to what's going on on a day-to-day or week-to-week basis. You know, we have long-term customer relationships, and we value those customer relationships. You know, we want to retain those customers and grow with those customers as opposed to sort of month-to-month fluctuations. We're not selling a broad range of wide range of different polymers. We specialize in PEEK, and those customer relationships are important to us. So there's a balance to be struck, but equally, we're not just going to sit around and wait for costs to come through to us. We're already taking those proactive steps. We haven't factored those into any of that for the second half number this year. Thank you.

Unknown Analyst: Hi, Sander from Stifel. A few questions for me, please. Firstly, it's clear you've been very busy in the first few months. Just on the organization structure for decentralizing local P&L, can you give a sense of the incentives you put in there and any sense of how it's been received? Appreciate much today. And then secondly, our strategic hires that you mentioned, the Chief Commercial Officer, how many more people do you need to get in, do you think, to get the team to where you want to be to drive the future potential? Thank you.

James Routh: Okay, well, I'm not going to get into the specific incentive schemes that we're putting for our organizations. But clearly, having clearly measurable P&L accountability and driving performance against that and a cascade of those through the organization by reason, by area, is really, really important for visibility of performance. That's the first step in that. In terms of building out the team, we have a new Chief Commercial Officer, and we have a new Managing Director for our medical business with a great background who will be joining us in the summer. And that's one of the reasons we're doing the Capital Market Day in September. We want to make sure we've got our leadership team in place, they have their feet under the table, and then they're able to come and talk to you in September with some credibility after spending a good few months in the business.

Alex Bruce: Hi, it's Alex Bruce from Canaccord. A couple of questions. One, on the sort of picking up on the sales question. You're kind of flagging a lot less on the big mega programmes, a lot more on regional development. But you also said no net increased sales costs, basically. But it's a super technical process that takes years to get people. So can you kind of talk me through a bit how that fits together?

James Routh: Okay, so we have regional sales teams that are accountable for that region. They'll address a wide range of end markets. The exception to that is medical, because that's very specialized, and you'd expect medical salespeople to be discreet in that. But broadly speaking, across sustainable solutions, they address all different markets. We do have market specialists, for example, for aerospace, where you need to have a good understanding of the aerospace requirements.



That's been put together. We already have existing sales teams in those regions, but they are kind of cut across in a matrix organization at the moment, so it'd be very discreet to focus on that. The new chief commercial officer is coming in and looking at the moment on managing the balance between the short-to-medium-term pipeline and those longer-term opportunities. So the longer-term opportunities will still be there. And what we do with mega programmes, we'll talk about Capital Markets Day in terms of changing some of the approaches to those. But we've got to get a more balanced view of short-term opportunities.

Now, it is generally quite a long sales cycle business. We're talking sort of 18 months, two years from initial conversations to getting a customer specified in and using our products and delivering volumes. So that's important. But in recent last couple of years, there has been some good improvement on the pipeline that is now coming through in some of our activities that we're seeing. But the more applications engineers we have that go out in partnership with our sales people, talking to customers about their issues and solving their problems, that's where we're going to really drive the value. So we do have good application engineering capability at the moment. We're doing a lot of work, for example, in modeling and simulation for our customers to optimize their part design, using things like finite element analysis and computational fluid dynamics, all good stuff like that, right? So we're already doing some of that stuff, but I want to do more of that. Essentially, that's what's going to drive the real value, so we're going to focus on those.

Alex Bruce: And then finally, I'm going to come right back to those questions on China. Are you basically saying that you're going to take remedial action to get back to 1,500 tons, or is that still an open question?

James Routh: It's an open question. We're looking at options at the moment and what we can do. We said earlier, we can ramp up from where we are now using the existing plant. and optimizing the existing plant. But we have identified that is a rate-limiting step, and we do need to do more with the plant to get up towards that factor there. Now, we're looking at various options around that, but if it does require additional investment, as we already said, it's within that 8 to 10% of CapEx range. It's not incremental CapEx beyond what we've already got.

Alex Bruce: Thank you very much.

James Routh: Can we move to the call? Can we move to questions from the call, please?

Operator: If you are dialed into the call and would like to ask a question, please signal by pressing star one.

Your first question comes from the line of Christian Bell from UBS. Your line is open.

Christian Bell: Good morning. I just have a couple of questions, please. And apologies if you've already sort of gone over this. I had to dip out and sort of missed some of the Q&A.



But my first question just relates to some of the sales momentum through the second quarter. I think you mentioned the step up that came through in March, which has continued into April. So just wondering how the order book looks for May and June, and how do the months of May and June sort of compare year-on-year in 2025?

And then my second question relates to... so we're seeing a sustained trend of volume growth that's come alongside weaker pricing, which again, you've sort of highlighted today in your presentation, which I assume has partly reflected a focus on driving capacity utilization in the past. But instead against your portfolio review and program rationalization, should we expect to shift away from that dynamic? And should we actually now be expecting lower growth coming, particularly through channels such as VARs? And in which case, how should we think about total capacity utilization going forward? Could your review include rationalizing some of that existing capacity? Yes, those are my two questions. Thank you.

James Routh: Remember the first?

Ian Melling: The first one was about demand into Q3.

James Routh: I'll answer that one. Okay. Starting with the demand in Q3. I mean, April was a strong month for us. May has started very well with a good order book cover. June at this stage, we won't comment on too much. We'll see what happens in June, but certainly April and May, a good month and provide some confidence for a good start into the second half of the year.

Ian Melling: Yes, I think it's important to say you mentioned the step-up in March, but we had a strong Q2 from the start of the Q2. I think it's first to say there was definitely some, I think, movement from December into January, but then from then on, the rest of Q2 through February and March was strong. It wasn't a specifically noticeable step-up following events in March.

James Routh: No, no, not until March. This continued throughout Q2 and into Q3.

Ian Melling: And then the asset utilization point and the focus on VARs. So do you want me to make a start?

James Routh: Yes, you can go now.

Ian Melling: So I don't think what you're going to see, Christian, us moving away from... I don't think this is about moving away from the focus on the VARs. The VARs are important for asset utilization. Asset utilization is important for us. The VARs are also a really important route to market in terms of getting PEEK use in specific applications. It tends to be via stock shapes, which can be machining, which can be a routine to other modes of manufacture like injection molding down the line. So I think the VARs are an important route to market for us. I wouldn't say we've been focused on driving the VARs over other things over the last year or so.



That might be what we've seen happen in the numbers, but I don't think that's been our focus. But likewise, I don't see us pivoting away from those sectors.

James Routh: No, no, it needs to be a balanced portfolio. I think the VARs are important, like we say, for volume and therefore asset utilization and also an entry point into the market PEEK. But incremental to that, we'll be looking at these other areas where we can use application development to get that specified in position and higher margins. So it'd be a blend of the two.

Christian Bell: Okay, and sorry, just I guess as a quick follow-on, in terms of some of the product portfolio rationalization that you've sort of spoken about in your presentation. Should we think about that more as a sort of customer-by-customer sort of focus as opposed to specifically between the different end markets?

James Routh: It's more of a... we have over 450 different grades of PEEK take in various different forms that we have, so it's more looking at that range of products that we have. The lower end of that in terms of the very low volume or maybe even low volume and declining sales area, we have to look at whether that's contributing to our overall financial performance. So it's a bit of a look at the portfolio, and if you do the Pareto analysis on these things, most of your profit comes from a small number of products. So just making sure that we're still confident. Now, some of those products may well be low volume, but very high price points. For example, some of the medical applications, of course, they are still attractive to us, but some of them may not. So it's looking at a broader range of issues than just by end market or customer. It's more looking at a sort of the overall product portfolio, the working capital required for that, the operation setup required for that, and seeing if it's optimal for the business.

Christian Bell: Are you able to sort of just give a sense of, just quickly, at a high level, how much of the existing portfolio sits at that lower end? Is it sort of like 5-10% of your current products there?

James Routh: I think you have to wait for the Capital Market Day, for that one, Christian.

Christian Bell: Okay, thank you. Thanks for answering my question.

James Routh: No problem.

Operator: There are no further questions on the conference line, so I'd like to hand back.

James Routh: Okay, great. Thank you very much for coming, and thank you for attending the call. We'll wrap up there. Thank you very much.

Ian Melling: Thank you.