



An innovative world leader in high  
performance polymer solutions

Victrex plc  
Interim results  
14 May 2018



**Jakob Sigurdsson**  
Chief Executive



**Richard Armitage**  
Group Finance Director



**Tim Cooper**  
Managing Director  
Industrial



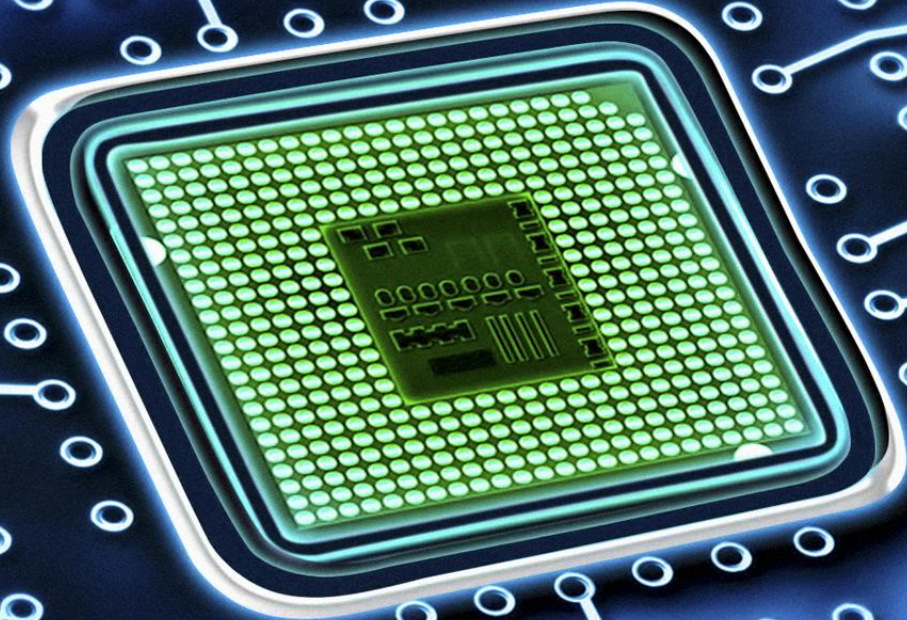
**Martin Court**  
Managing Director  
Medical

## FORWARD LOOKING STATEMENTS

Sections of this results presentation contain forward-looking statements, including statements relating to: future demand and markets for the Group's products and services; research and development relating to new products and services and liquidity and capital resources. These forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future. Accordingly, actual performance may differ materially from anticipated performance because of a variety of risk factors which are summarised in Victrex's Annual Report, accessed via [www.victrexplc.com](http://www.victrexplc.com)



**A RECORD FIRST HALF:  
FULL YEAR ON TRACK**





- **Continued broad based growth**
  - *Group sales volumes up 21% driven by core growth & new applications*
  - *Core<sup>1</sup> volumes (ex Consumer Electronics) up 13%*
  - *Group revenue up 27%, constant currency revenue<sup>2</sup> up 15%*
  - *Strong performances in Automotive & Electronics, offset by Medical (in constant currency)*
- **Further milestones in new product pipeline**
  - *Dental supply agreement to enhance market access*
  - *First parts supplied for PEEK Gears mega-programme*
  - *Magma on track for full year growth*
  - *Commissioning of TxV Aero Composites facility in H2 2018*
- **Strong cash generation supports investment & shareholder return**
  - *Cash (available<sup>3</sup>) at £91.8m and operating cash conversion<sup>4</sup> of 106%*
  - *Interim dividend up 10% to 13.42p/share*



# P&L: STRONG TOP-LINE GROWTH

Half year (6 months) ended 31 March

	<b>H1 2018</b>	H1 2017	Change
	<b>£m</b>	£m	%
<b>Revenue</b>	<b>166.6</b>	130.9	<b>+27%</b>
<b>Gross profit</b>	<b>106.3</b>	82.4	<b>+29%</b>
<i>Gross margin %</i>	<b>63.8%</b>	62.9%	<i>+90bps</i>
<b>Overheads</b>	<b>(43.3)</b>	(32.3)	<b>+34%</b>
<i>Interest</i>	<b>0.3</b>	-	<i>100%</i>
<b>Profit before tax</b>	<b>63.3</b>	50.1	<b>+26%</b>
<b>Earnings per share</b>	<b>64.7p</b>	46.4p	<b>+39%</b>
<b>Dividend per share</b>	<b>13.42p</b>	12.20p	<b>+10%</b>

- **Strong & broad-based growth**
  - *H1 sales volumes 2,256 tonnes (H1 2017: 1,859 tonnes)*
  - *Mix reflects Medical & H1 Consumer Electronics*
- **Currency weighted to H1**
- **‘Front end’ investment & additional bonus/LTIP accrual**
  - *Overheads up 11% ex-bonus, LTIP, acquisitions*
- **EPS growth reflects tax effect from Patent Box**

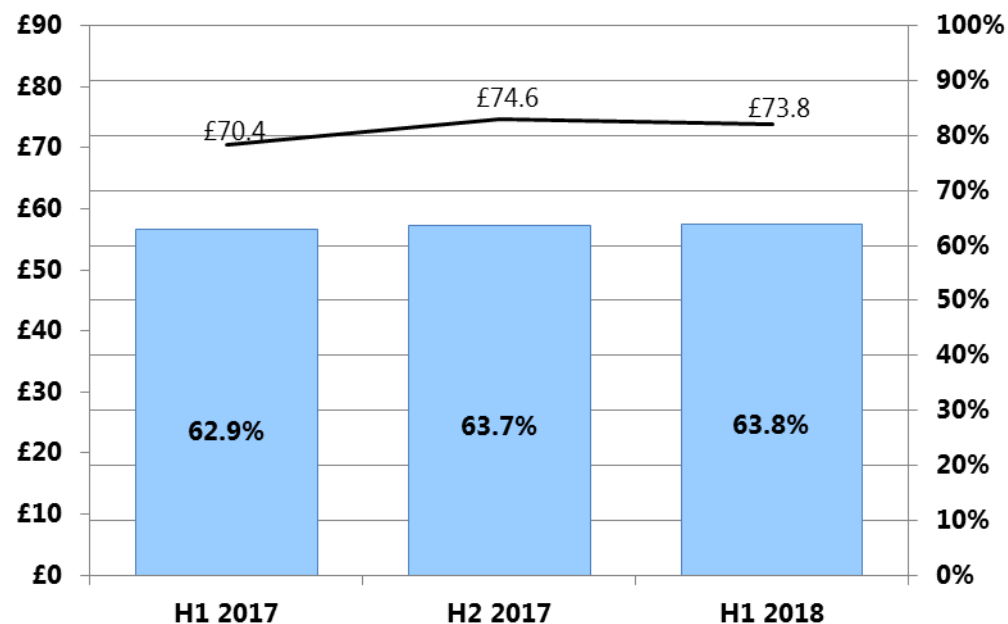
# PRICE & MARGIN AHEAD

£/kg Average selling price  
(ASP)

Gross margin  
(GM) %

KEY

— Group ASP (reported)



- **H1 2018 ASP £73.8/kg**

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

- **H1 2018 GM 63.8%**

- *Stable underlying margin*

## Average exchange rates

	2017 H1	2018 H1	2018 Year <sub>1</sub>	2019 Year <sub>1</sub>	Exchange rate sensitivity <sub>2</sub>
<b>\$/£</b>	<b>1.41</b>	<b>1.26</b>	<b>1.30</b>	<b>1.41</b>	<b>£5.3m</b>
<b>€/£</b>	<b>1.28</b>	<b>1.13</b>	<b>1.12</b>	<b>1.13</b>	<b>£4.1m</b>
<b>¥/£</b>	<b>158</b>	<b>143</b>	<b>144</b>	<b>150</b>	<b>£0.9m</b>

- **FY 2018 currency tailwind > £10m at PBT level (90% hedging in place)**
- **FY 2019 currency headwind > £10m at PBT level (c35% hedging in place)**

<sub>1</sub> 2018 and 2019 year estimates based on forecast sales volume, existing currency hedging in place and spot exchange rates at 31 March 2018

<sub>2</sub> Management estimate of impact on 2018 full year forecast PBT from a 5% movement in full year forecast average exchange rate

Half year (6 months) ended 31 March

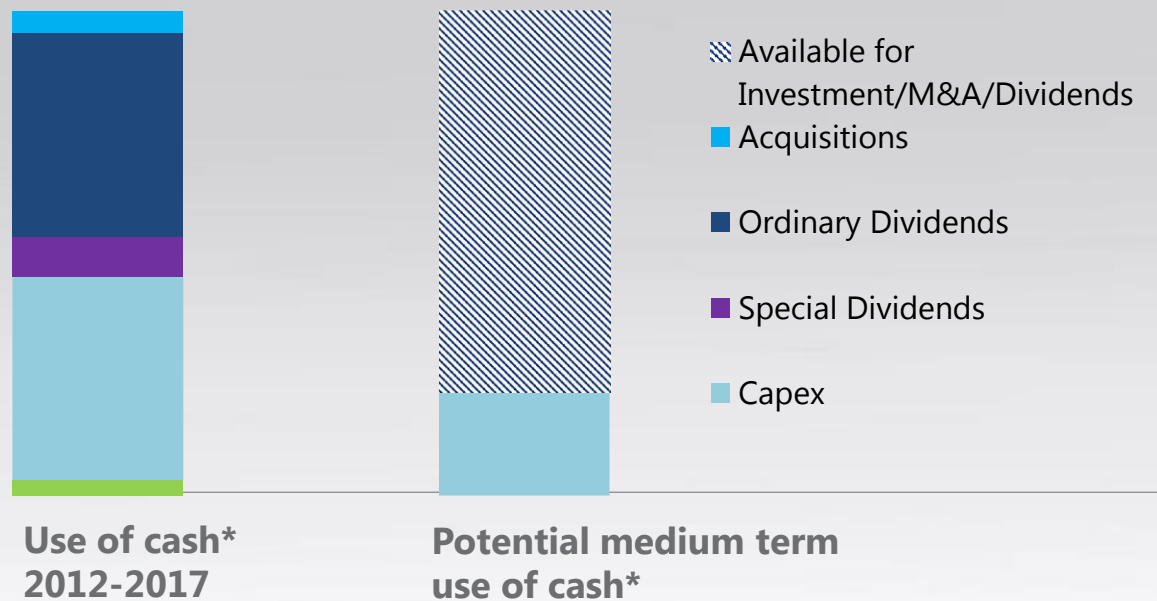
	H1 2018 £m	H1 2017 £m
<b>Cash flows from operating activities</b>		
Cash generated from operations	66.5	68.4
Net financing interest received	0.3	-
Tax repayment/(paid)	0.9	(8.1)
<b>Net cash flow from operating activities</b>	<b>67.7</b>	60.3
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(4.4)	(12.2)
Cash invested in longer term deposits	(27.0)	-
<b>Net cash flow from investing activities</b>	<b>(31.4)</b>	(12.2)
<b>Cash flows from financing activities</b>		
Premium on issue of ordinary shares exercised under option	3.0	3.6
Dividends paid	(94.0)	(30.0)
<b>Net cash flow from financing activities</b>	<b>(91.0)</b>	(26.4)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(54.7)</b>	21.7
Effect of exchange rate fluctuations on cash held	(0.6)	0.3
Cash and cash equivalents at beginning of period	120.1	64.0
<b>Cash and cash equivalents at end of period</b>	<b>64.8</b>	86.0
Cash invested in longer term deposits	27.0	-
<b>Available cash<sup>3</sup></b>	<b>91.8</b>	86.0

- Highly cash generative business model underpins capital allocation policy

<sup>3</sup> Alternative performance measures are defined in the Appendix on slide 31



# ENHANCED OPPORTUNITIES FOR RETURNS

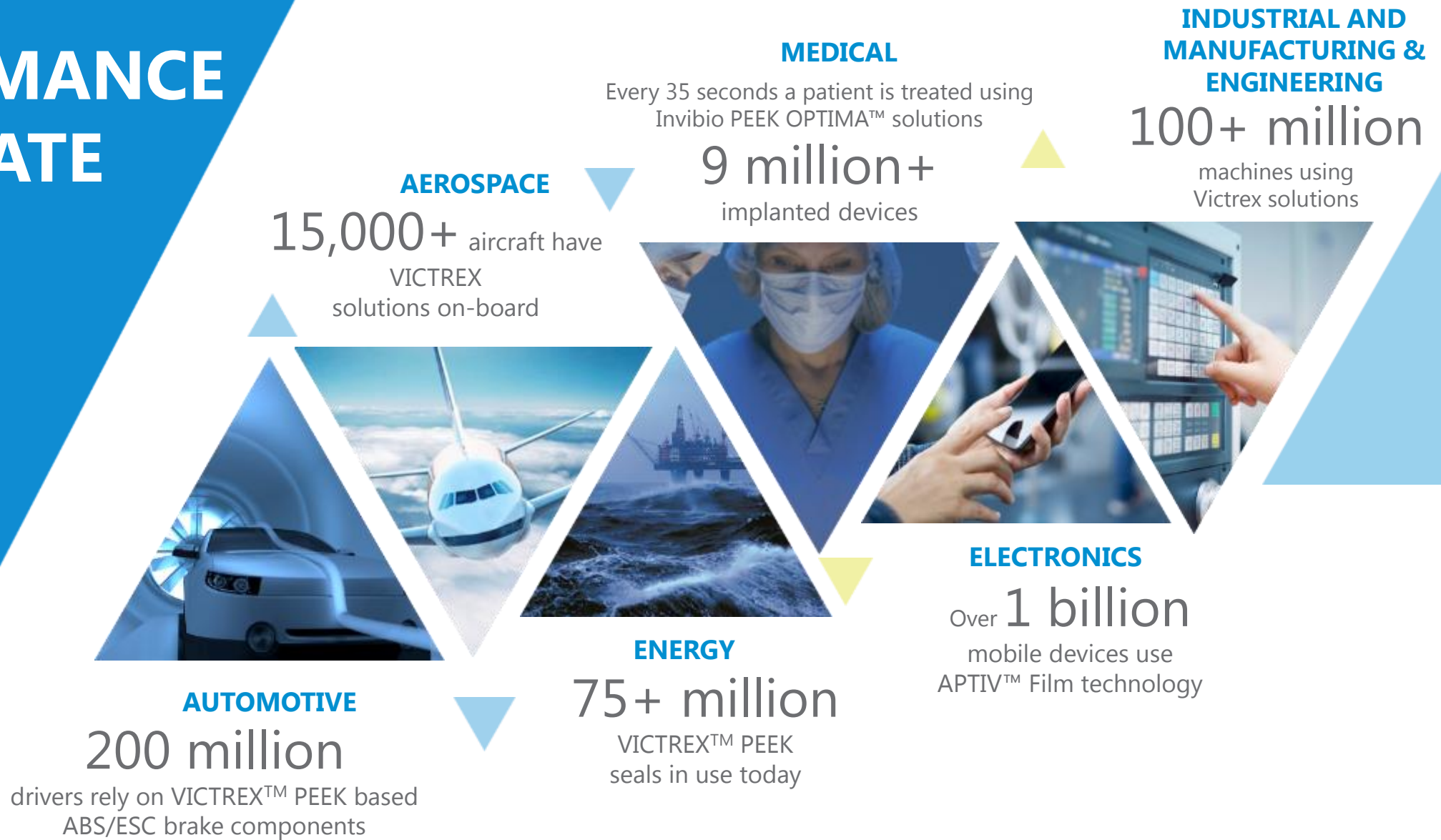


## • Dividend distribution options

- *Existing policy*
- *Higher regular dividend*
- *Lower special dividend threshold*
- *Update: December 2018*

\*Net cash flow from operating activities. Use of cash 2012-2017 does not include payment for the proposed final regular dividend in respect of FY 2017 and the special dividend (paid in February 2018 )

# PERFORMANCE UPDATE



Every day **millions** of people rely on products and applications containing our PEEK and PAEK polymers...



# INDUSTRIAL UPDATE (VPS)

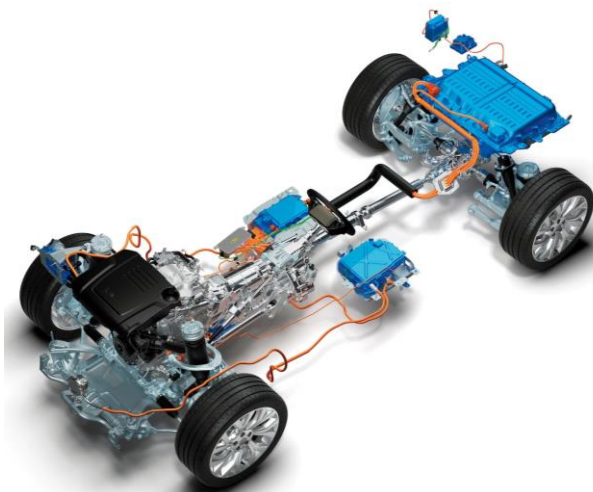
- **Automotive: outperforming the market**
  - *H1 2018 Automotive up 12% vs car build up 2%*
  - *First Gear parts supplied; closing in on multiple opportunities*
- **Aerospace: differentiation to drive growth**
  - *H1 2018 Aerospace up 21%, progress in AE™250 (low-melt PEEK) grade*
  - *New Loaded Brackets & composite parts facility commissioning H2 2018*
- **Energy & Other Industrial: continued growth**
  - *H1 2018 Energy & Other Industrial volumes up 25% (Oil & Gas up 15%)*
  - *Magma progress; Manufacturing & Engineering opportunities*
- **Electronics: new applications**
  - *H1 2018 Electronics up 85%*
  - *Growth driven by Semicon, Film, Home Appliances & new applications*
- **Value Added Resellers**
  - *H1 2018 volumes up 8%, continued market pull*



# MEGA-PROGRAMME UPDATE: GEARS



ICE



Hybrid/PHEV



EV

**MULTIPLE APPLICATIONS ACROSS ICE & EVs**

- ✓ 50% lower noise vibration & harshness vs metal
- ✓ Potential 20g+ PEEK per application
- ✓ Up to 70% lighter than metal gears

- ✓ First parts supplied to European car manufacturer
- ✓ Closing in on multiple agreements
- ✓ Develop manufacturing partnerships (retain IP)

## INCREASING INDUSTRY ADOPTION & VALIDATION



Subsea gas jumper line



IDP deployment: auxiliary drill pipe



6" 2.5km flowline in West Africa



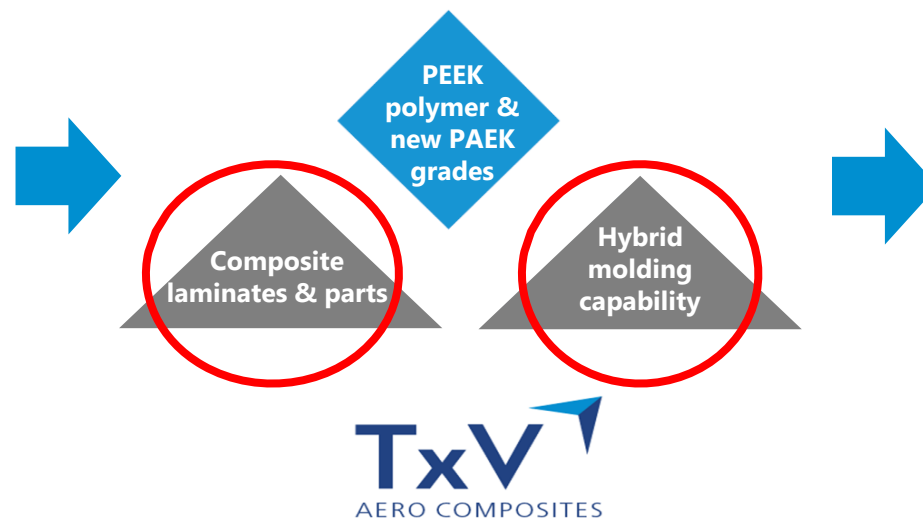
Offshore opportunity: Brazil



- On track for FY18 growth; new long-term opportunities
- Industry qualifications: 3" m-pipe® qualified to DNV standard
- Tullow West Africa deployment & Technip Brazil opportunity

# MEGA-PROGRAMME UPDATE

## AEROSPACE LOADED BRACKETS



### Differentiated solutions:

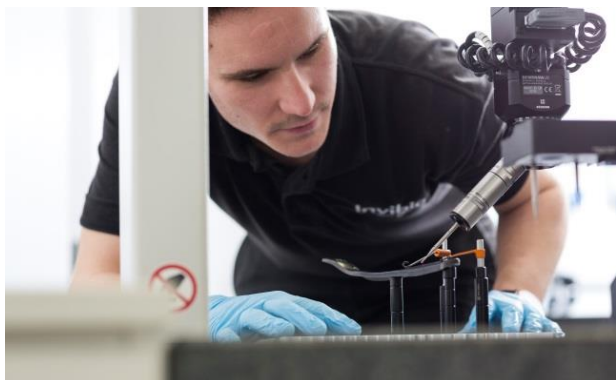
>70% weight saving  
>20% cost saving



- Commissioning of new US composites manufacturing facility in H2 2018
- Prototype orders in place: differentiated solutions
- Increased pull for PEEK and new AE™250 composites grade



# MEDICAL UPDATE (INVIBIO)



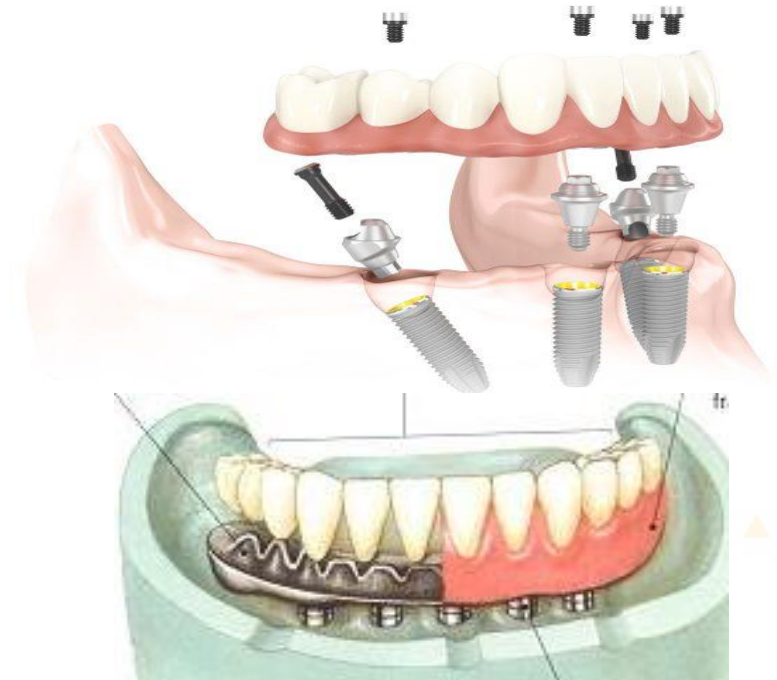
- **Medical 10% ahead driven by FX (slightly down in constant FX)**
  - *H1 2018 Medical revenue £27.6m (H1 2017: £25.2m)*
  - *HA-Enhanced on track for FY18 growth*
- **Dental: OEM supply agreement with Straumann**
- **Trauma: focus on partnerships**
- **Knee:**
  - *Lead investigator appointed*
  - *Clinical trial protocols agreed*

### A strong proposition:

- ▶ Quality of life: long term bone & gum health
- ▶ Lower infection rates & device failure
- ▶ Manufacturing efficiencies
- ▶ 5 year clinical data; regulatory approvals



### Implant Dentures



0 patients

2013 - 2017

21,000 patients

2025 - 2028

Potential for  
>500,000 patients

# STRAUMANN AGREEMENT: MARKET ACCESS

## CAPABILITY, APPROVALS & PATENTS



## INDUSTRY ALLIANCES & CLINICAL EVIDENCE

**99 %**  
of patients rated  
JUJORA™ in highest categories for  
comfort and fit\*



Family Labs → National Labs → Distributors → Extended Geographies → OEMs & partnerships

- Multiple applications
- Target meaningful revenue in FY18/FY19

SALES

TIME

2013

2015

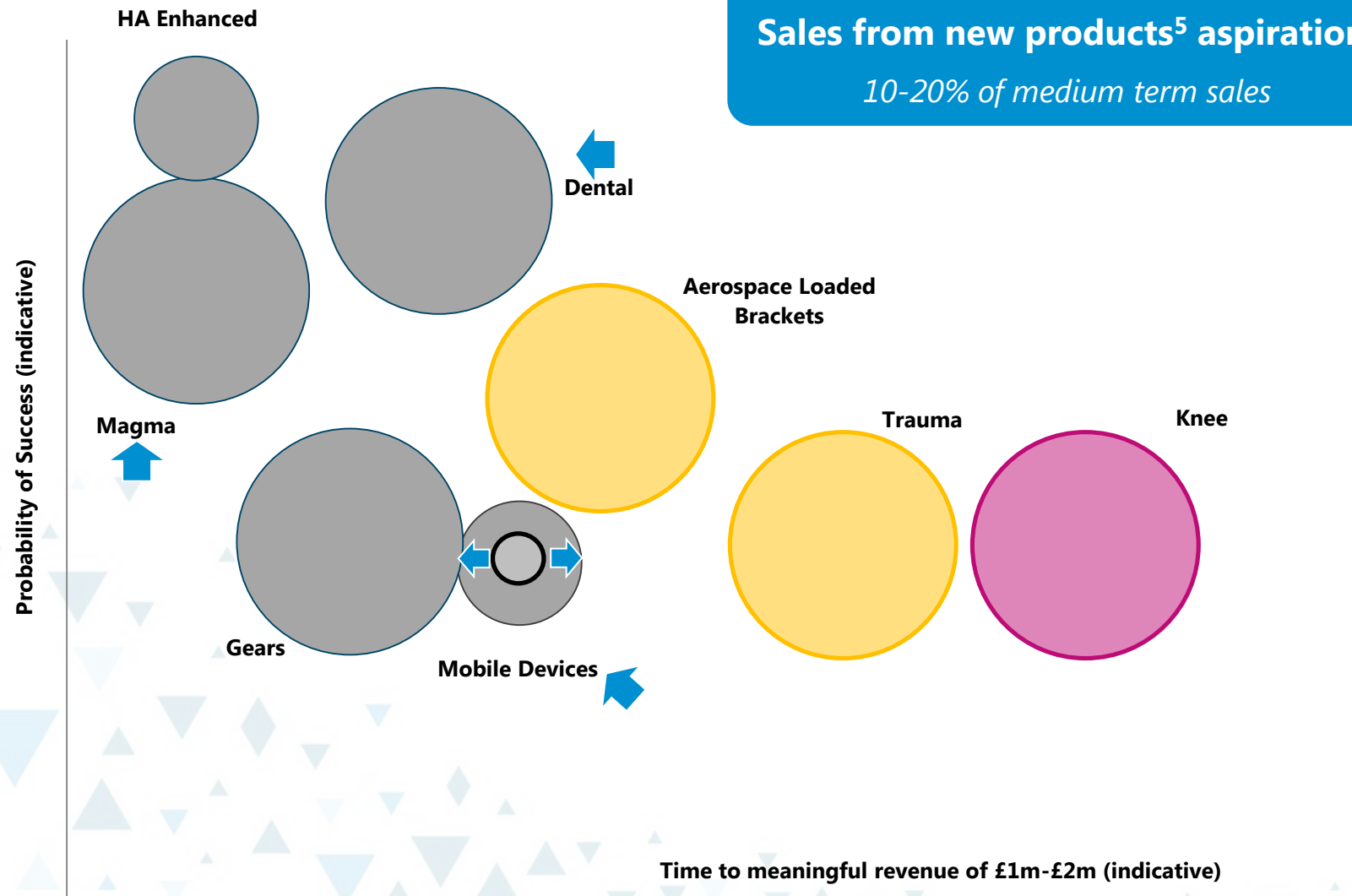
2017

2018




# STRATEGIC PRIORITIES: STRONG PIPELINE

**Sales from new products<sup>5</sup> aspiration:**  
10-20% of medium term sales



**Size of bubble**  
= potential annual revenue in peak year:

 <£20m

 £20-50m

 >£50m

**Position and colour of bubble**  
= time to meaningful revenue:

 Horizon 1 (0-2 years)

 Horizon 2 (2-5 years)

 Horizon 3 (5 years +)

<sup>5</sup> Alternative performance measures are defined in the Appendix on slide 31

# STRATEGIC PRIORITIES: PIPELINE MILESTONES

PROGRAMMES	REVENUE STATUS	H1 2018 MILESTONES
MAGMA	Meaningful (£1m+)	<ul style="list-style-type: none"> <li>Tullow Ghana deployment</li> <li>Technip opportunity (offshore Brazil)</li> </ul>
HA-ENHANCED	Meaningful (£1m+)	<ul style="list-style-type: none"> <li>Softer H1 but on track for FY18 growth</li> </ul>
DENTAL	< £1m	<ul style="list-style-type: none"> <li>Major distribution agreement with Straumann</li> </ul>
GEARS	< £1m	<ul style="list-style-type: none"> <li>First Gears supplied to European Auto OEM</li> <li>Further supply opportunities</li> </ul>
TRAUMA	Prototype revenue	<ul style="list-style-type: none"> <li>Focus on partnerships</li> </ul>
AERO BRACKETS	Prototype revenue	<ul style="list-style-type: none"> <li>Progress in AE™250 composites</li> <li>TxV facility on track for completion in H2 2018</li> </ul>
KNEE	n/a	<ul style="list-style-type: none"> <li>Lead investigator appointed</li> <li>Clinical trial protocols agreed</li> </ul>



# POLYMER & PARTS: THE RIGHT STRATEGY

A world leader in value creation through high performance PEEK and PAEK polymer solutions

MOVE DOWNSTREAM

FROM POLYMER TO PARTS

## 1. DRIVE CORE BUSINESS

- PEEK and PAEK polymers
- Core applications
- No.1 upstream manufacturing capacity of 7,150 tonnes (nameplate capacity)
- Cost efficiency
- Quality

## 2. DIFFERENTIATE THROUGH INNOVATION

- Core application development pipeline
- Invent and develop new grades
- Increase differentiation

## 3. CREATE & DELIVER...

- Selected product forms (semi-finished)
- Downstream manufacturing
- Pipes, film and composites

## ...FUTURE VALUE

- Selected components (semi-finished and finished)
- Downstream manufacturing
- Deliver mega-programmes
- Polymer to parts

ENERGY

AUTOMOTIVE

ELECTRONICS

MEDICAL

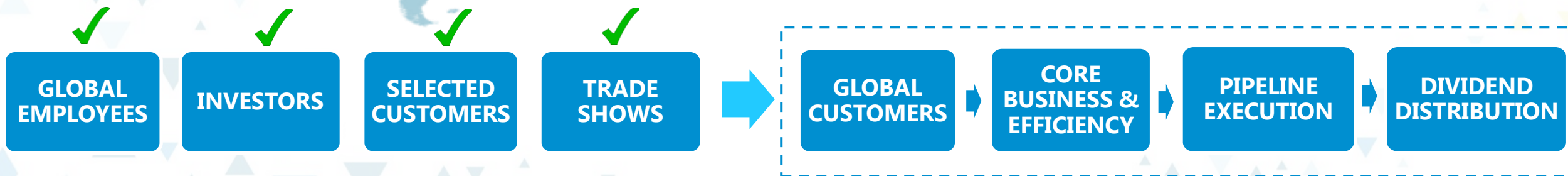
MANUFACTURING & ENGINEERING

AEROSPACE













DELIVERING THE 'BURDEN OF PROOF'






# JAKOB'S AGENDA : H2 2018



# GROUP OUTLOOK H2 2018\*

	<b>Automotive</b>	
	<b>Electronics</b>	
	<b>Energy</b>	
	<b>Medical (New markets)</b>	
	<b>Aerospace</b>	
	<b>Medical (Spine)</b>	

Key	
Optimistic	
Neutral	
Cautious	

\* Indicative outlook for our markets for H2 2018

- ▶ **Continued broad based growth**
  - ▶ *Core business*
  - ▶ *New applications*
- ▶ **Further milestones in new product pipeline**
- ▶ **Strong cash generation**
  - ▶ *Investment for growth*
  - ▶ *Shareholder return*

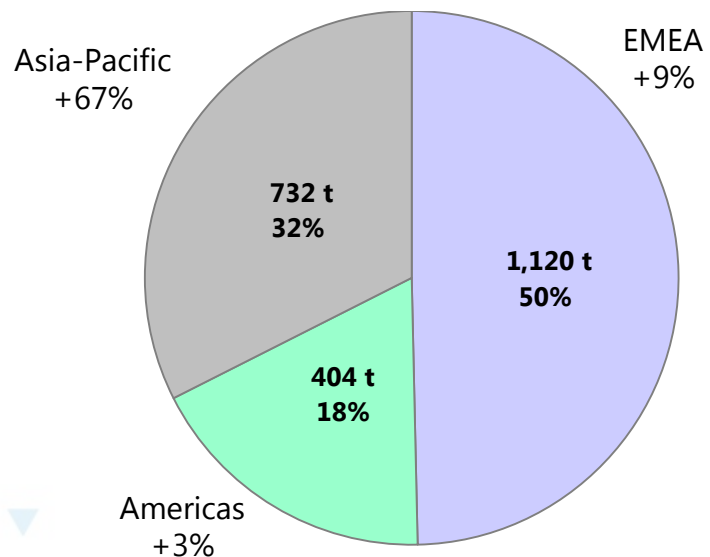


# **APPENDIX**

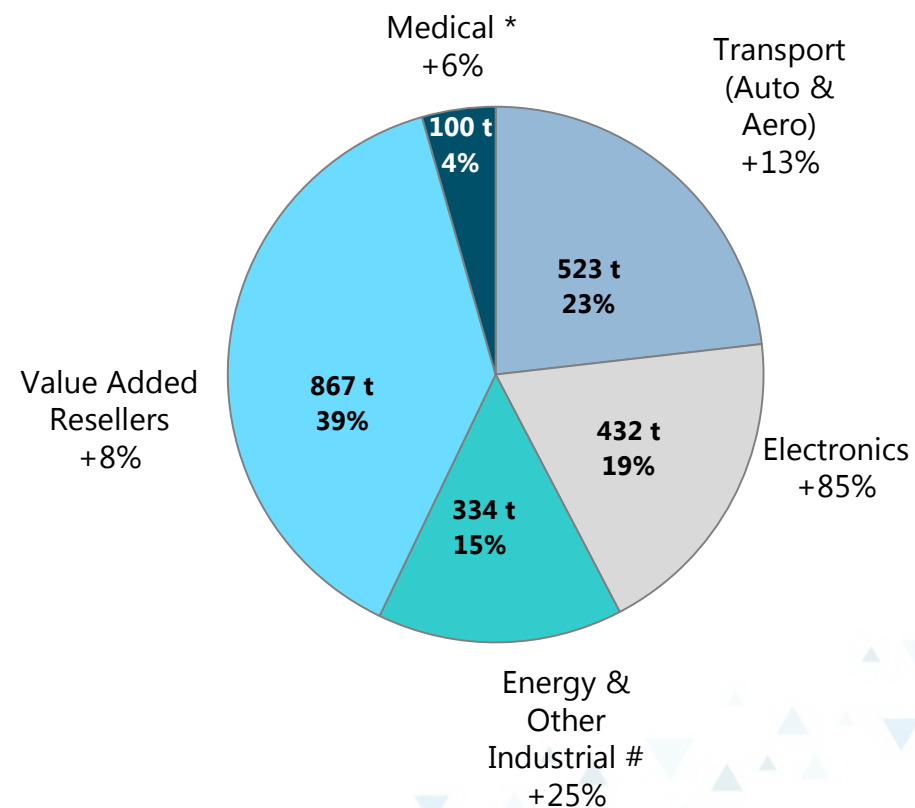


**H1 2018: 2,256 tonnes**  
**H1 2017: 1,859 tonnes**

**Volume by Region**



**Volume by Industry**



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

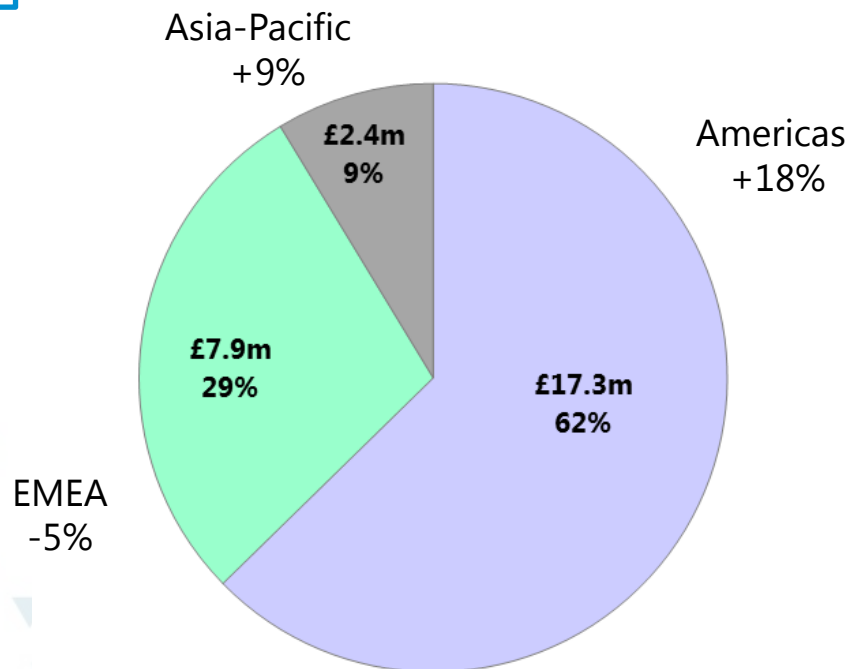
# Includes Manufacturing & Engineering volumes

# MEDICAL: KEY MARKETS

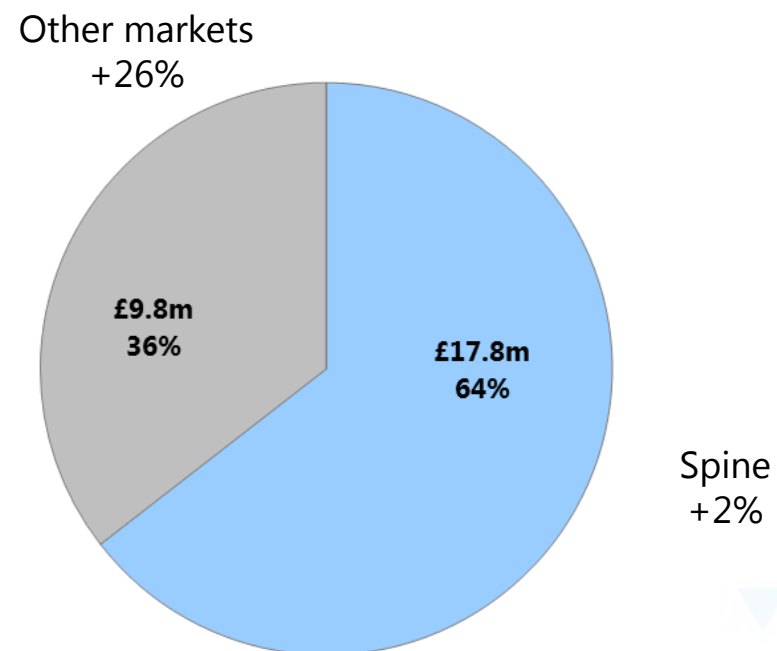
H1 2018: £27.6m

H1 2017: £25.2m

Revenue by Region



Revenue by Market



# BUSINESS UNIT INCOME STATEMENTS

Half year (6 months) ended 31 March

	Industrial (VPS)			Medical (Invibio)		
	2018	2017	Change	2018	2017	Change
	£m	£m	%	£m	£m	%
<b>Revenue</b>	<b>139.0</b>	105.7	<b>32%</b>	<b>27.6</b>	25.2	<b>10%</b>
<b>Gross profit</b>	<b>81.7</b>	59.9	<b>36%</b>	<b>24.6</b>	22.5	<b>9%</b>
<i>Gross margin</i>	58.8%	56.7%	+210bps	89.1%	89.3%	-20bps

# BALANCE SHEET

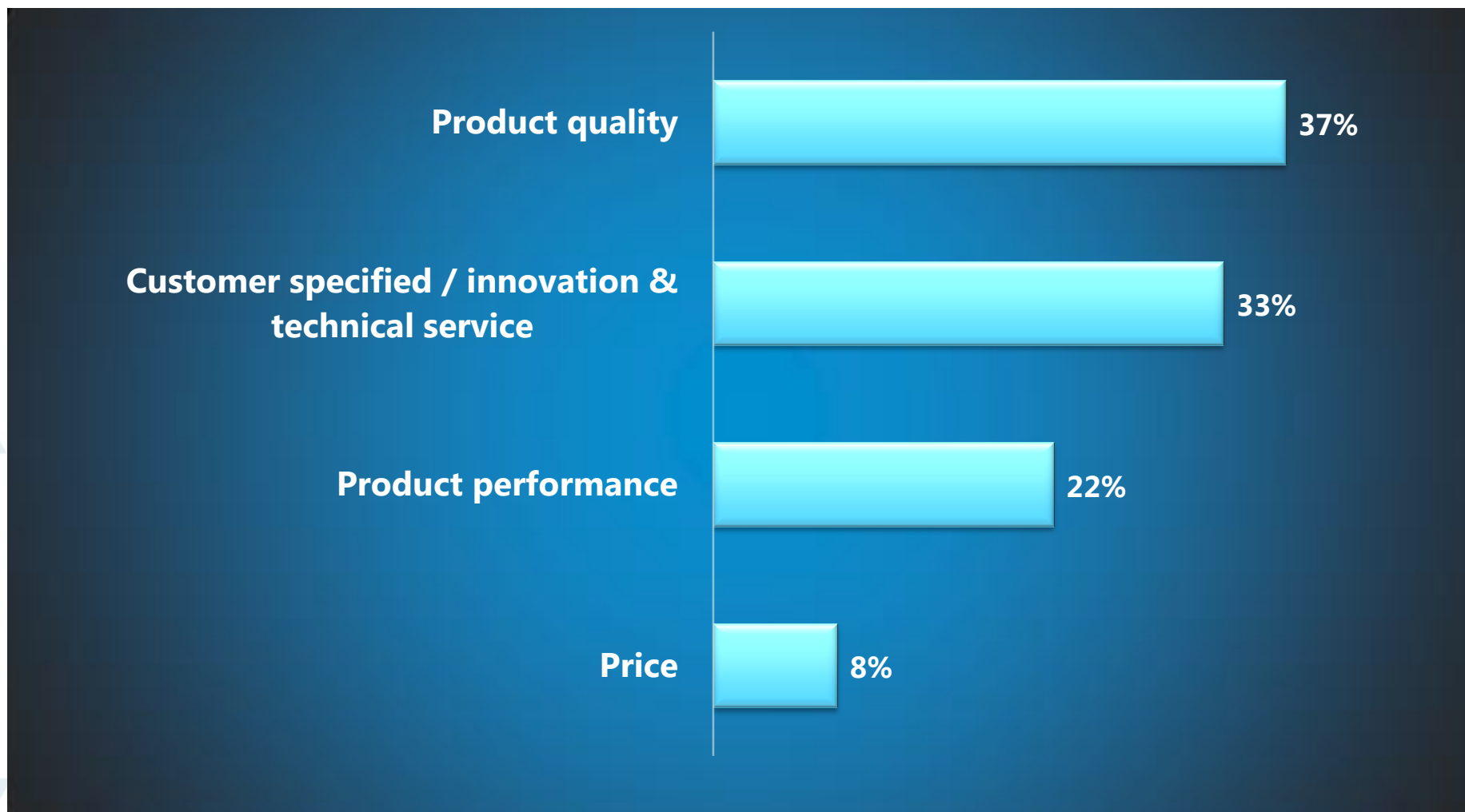
	H1 2018	H1 2017
	£m	£m
PPE and intangible assets	<b>284.1</b>	284.1
Investments	<b>10.0</b>	10.0
Inventories	<b>62.8</b>	66.3
Cash (available*)	<b>91.8</b>	86.0
Trade receivables and other assets	<b>54.8</b>	56.7
Retirement benefit asset	<b>5.4</b>	1.8
Current and Deferred tax liabilities	<b>(28.6)</b>	(34.2)
Derivative financial instruments	<b>(3.3)</b>	(11.3)
Trade and other payables	<b>(32.8)</b>	(40.4)
Equity shareholders' funds	<b>444.2</b>	419.0

\* Available cash includes cash held on deposit. Excluding cash held on deposit, cash was £64.8m








# VICTREX: CUSTOMER SATISFACTION

DJS Research for Victrex: Key reasons for buying from Victrex



# SIGNIFICANT GROWTH OPPORTUNITIES

*Supportive megatrends across our markets*

TRENDS	OPPORTUNITIES
 <ul style="list-style-type: none"> <li>- Light-weighting, faster processing</li> <li>- 2x current global fleet by 2035</li> </ul>	<ul style="list-style-type: none"> <li>- Average order backlog ~9 years</li> <li>- Faster processing through PAEK composites</li> </ul>
 <ul style="list-style-type: none"> <li>- Efficiency, safety, noise reduction</li> <li>- CO2/NOx regulations, electrification</li> </ul>	<ul style="list-style-type: none"> <li>- Increase 8g PEEK/car average to 12g</li> <li>- Electric vehicle potential &gt;100g PEEK</li> </ul>
 <ul style="list-style-type: none"> <li>- Global energy demand up 30% by 2040*</li> <li>- Cost-out focus in Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>- Metal replacement in core applications</li> <li>- Double differentiated products, drive Magma</li> </ul>
 <ul style="list-style-type: none"> <li>- Thinner, functionality, heat and power</li> <li>- Data/storage needs, "Internet of things"</li> </ul>	<ul style="list-style-type: none"> <li>- Differentiated solutions</li> <li>- Chip processability: yield and output</li> </ul>
 <ul style="list-style-type: none"> <li>- Ageing population &amp; healthcare costs</li> <li>- Metal deficiency, evidence based solutions</li> </ul>	<ul style="list-style-type: none"> <li>- Proven clinical benefit in PEEK, 9m+ implants</li> <li>- Vision to treat a patient every 15-20 seconds</li> </ul>

\* Source: IEA

## ALTERNATIVE PERFORMANCE MEASURES

<sup>1</sup> Group metrics excluding Consumer Electronics are referred to as “core” i.e. core volumes, core revenue and core business;

<sup>2</sup> Group revenue in constant currency is reached by applying current year (H1 2018) effective currency rates to prior year (H1 2017) transactions;

<sup>3</sup> Available cash is cash and cash equivalents plus cash held on deposit (> 3 months);

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

<sup>5</sup> Sales from new products is based on mega-programmes, new differentiated polymers and other Horizon 2 (2-5 year commercialisation) pipeline products that were not sold before FY 2014

# #1 PEEK EXPERTS

First to commercialise PEEK, with unmatched knowledge and experience



## INFORMATION & CONTACTS

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MANUFACTURING & ENGINEERING



AEROSPACE



ELECTRONICS



MEDICAL



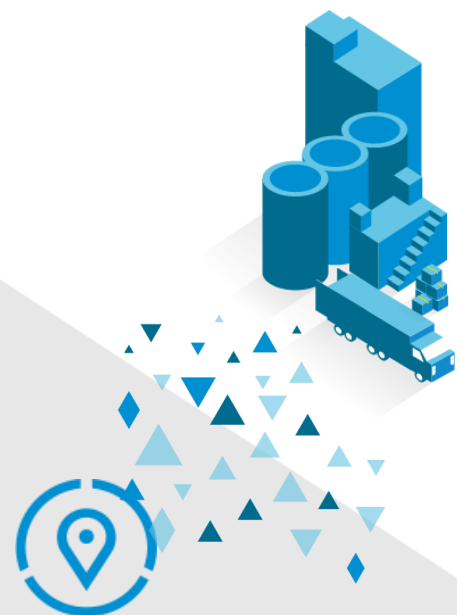
ENERGY



AUTOMOTIVE

## POLYMER MANUFACTURING

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



## GLOBAL CAPABILITY

**750+**

Employees

**40+**

Countries served by Victrex across our markets

**c£2bn**

Market Value

- FTSE 250 Company
- £290m+ Revenue

## DIFFERENTIATE THROUGH INNOVATION TO CREATE NEW MARKETS



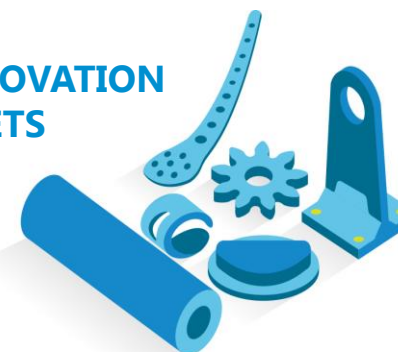
POLYMER

Producing new grades including optimisation 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

## 35+ YEARS SHAPING FUTURE PERFORMANCE

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



## INVESTMENT IN INNOVATION

**~5%**

of annual sales invested in R&D

**£200m+**

Invested in manufacturing facilities in the last 5 years

## NEW CAPABILITIES

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