









Scapa Group plc

Interim Results – September 2017

Investor Presentation










FINANCIALS

-  Revenue up 7.5% (1.6% constant fx)
-  Trading profit increased 31.5% (21.9% constant fx)
-  Trading profit margin up to 11.5%
-  Adjusted earnings per share up 29.7%
-  Basic earnings per share of 7.5p (2016: 4.5p)
-  Net debt of £3.2m after paying US\$10.2m (£7.6m) for the acquisition of Markel Industries









OPERATIONAL HIGHLIGHTS

HEALTHCARE

-  Revenue increased 7.9% to £57.7m; 2.1% constant fx
-  Trading profit increased 22.4% to £9.3m; 16.3% constant fx
-  Margins increased 1.9% to 16.1%
-  EuroMed performing ahead of expectation
-  Revenue impacted by a now resolved customer product issue
-  Renewed three contracts with key OEMs
-  Agreement of first asset/technology transfer from a wound care company

INDUSTRIAL

-  Revenue increased 7.3% to £87.9m; 1.3% constant fx
-  Trading profit increased 32.9% to £10.1m; 23.2% constant fx
-  Margins increased 2.2% to 11.5%
-  Sale of Swiss land and buildings completed, achieving sale proceeds of CHF17.1m (£13.6m)
-  Korean production ceased in August 2017 as planned
-  Acquired Markel Industries, a manufacturer of adhesive floor mats, in August 2017 for US\$10.2m (£7.6m)

INCOME STATEMENT

	2017 September £m	2016 September £m	
Revenue	145.6	135.4	○ Revenue increased 7.5% (1.6% constant fx)
Trading profit	16.7	12.7	○ Trading profit increased 31.5% (21.9% constant fx)
Margin %	11.5%	9.4%	○ Strong improvement in both Industrial and Healthcare
Amortisation of intangibles	(1.5)	(1.9)	○ WebTec amortisation complete
Exceptional items	1.4	(1.0)	
Pension administration costs	(0.3)	(0.3)	
Interest payable - cash	(0.9)	(1.0)	
Profit Before Tax	15.4	8.5	
Taxation	(3.9)	(1.8)	
Profit for the period	11.5	6.7	
Basic EPS (p)	7.5p	4.5p	
Adjusted EPS (p)	8.3p	6.4p	○ Adjusted EPS increased 29.7%

EXCEPTIONAL ITEMS

	2017 September £m	2016 September £m
Operating income:		
Swiss property sale gain	7.4	-
Total operating income	7.4	-
Operating expense:		
Site closure costs	(3.2)	(0.3)
Asset write-offs	(1.2)	(0.1)
Reorganisation costs	(1.0)	-
Abortive acquisition costs	(0.2)	-
Acquisition costs	(0.4)	(0.6)
Total operating expense	(6.0)	(1.0)
“Net” exceptional items	1.4	(1.0)

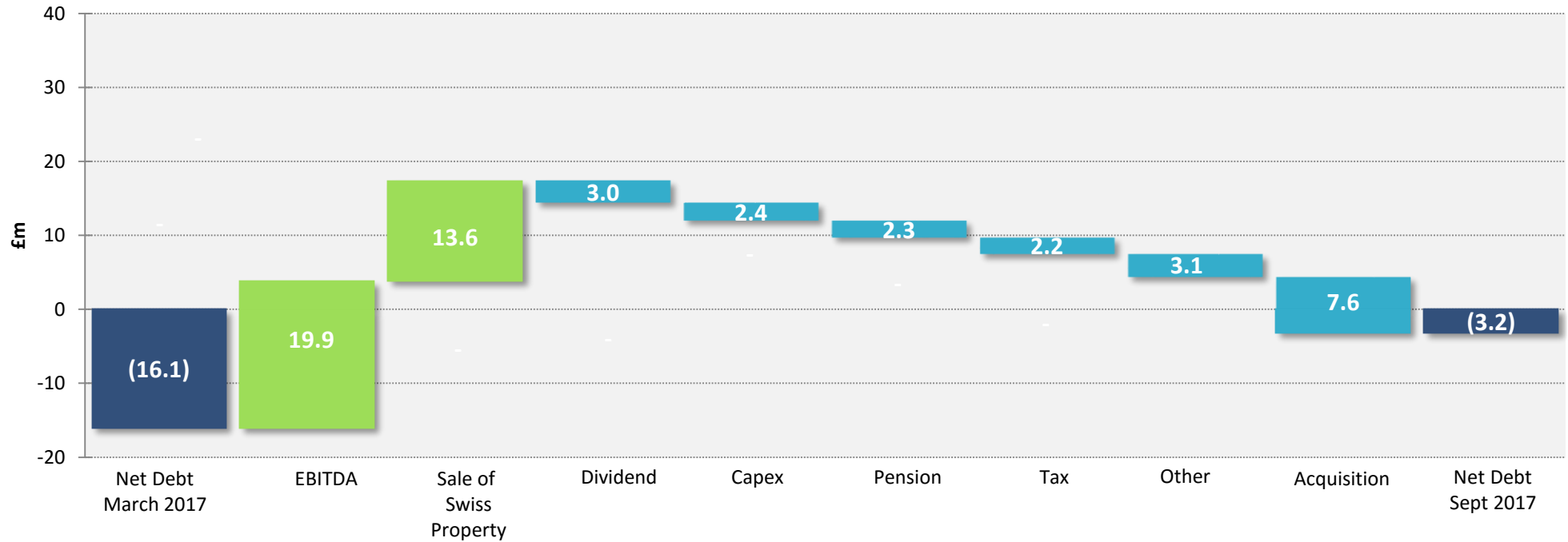
Operating Income:

- Land and buildings sold for CHF 17.1m (£13.6m) in July 2017, resulting in a gain of £7.4m

Operating expenses (2017):

- Site closure costs and asset write-offs – exit of Korean operation
- Reorganisation costs – restructuring in a UK based manufacturing facility
- Acquisition costs – relate to the acquisition of Markel Industries

Net Debt Bridge



- Strong cash generation
- Net debt of £3.2m (<0.2x EBITDA).

GROUP RE-FINANCING COMPLETED

	OLD	NEW
Amount	£60m	£70m
Accordion	-	£30m
Term	4.5 years	5 Years
Banks	HSBC / Lloyds / Barclays	HSBC / Lloyds / Santander
Rate	Libor +1.5 to 2.5%	Libor + 1.1 to 2.1%



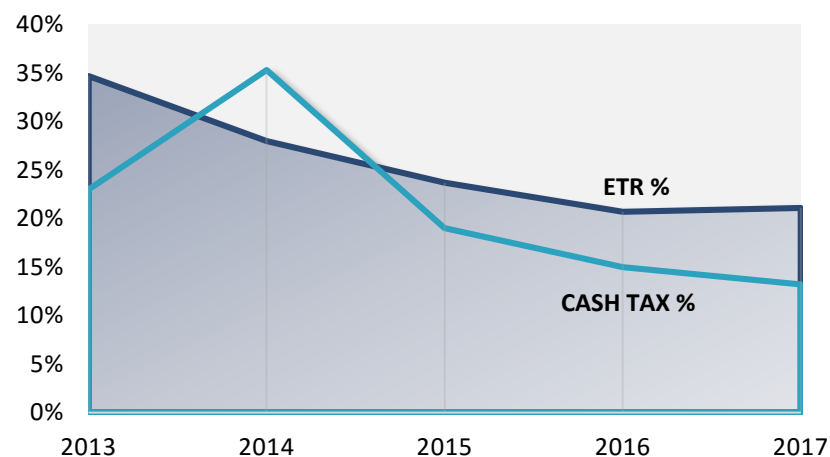
- Refinanced the facility which was due to expire in June 2018
- Improved terms give greater flexibility

Pension

	2017 September £m	2016 September £m
Gross deficit	22.0	38.0
Contributions	2.4	2.2
Administration expenses	0.3	0.3

- Pension projects continue to produce benefits
- UK deficit reduced from £35.5m to £14.8m since last triennial valuation in 2014
- 31 March 2017 triennial valuation nearly complete and no changes to company contributions expected

Effective Tax Rate / Cash Tax



- Small increase in ETR to 21.1% due to higher profit from non-UK entities in the period
- Tax planning remains conservative with no use of hybrid entities or tax havens
- ETR expected to be maintained at current levels
- Proposed rate change in the US may be positive



MARKET REVIEW

Scapa Healthcare

HEALTHCARE BUSINESS UNIT ANALYSIS

Revenue growth of 7.9%; constant fx 2.1%

EuroMed fully integrated and performing ahead of expectations

A customer product issue now resolved impacted revenue; resumes delivery in Q4

Trading profit increased 22.4%; 16.3% constant fx

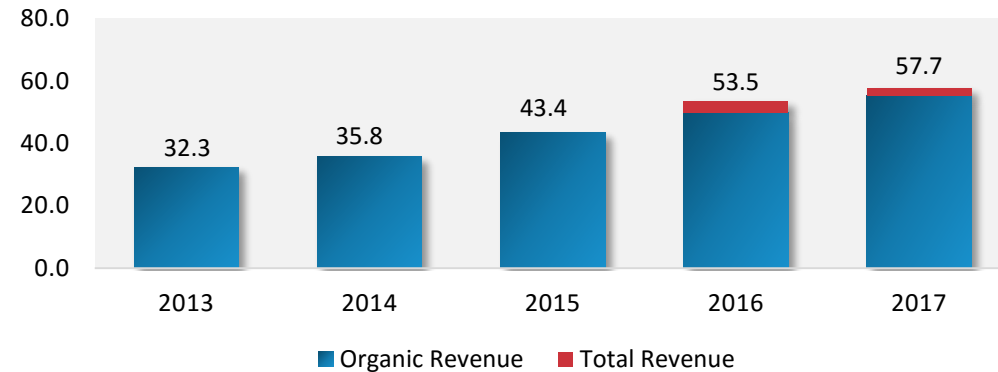
Margin increased to 16.1% from 14.2%

Renewed contracts with three OEMs in the period

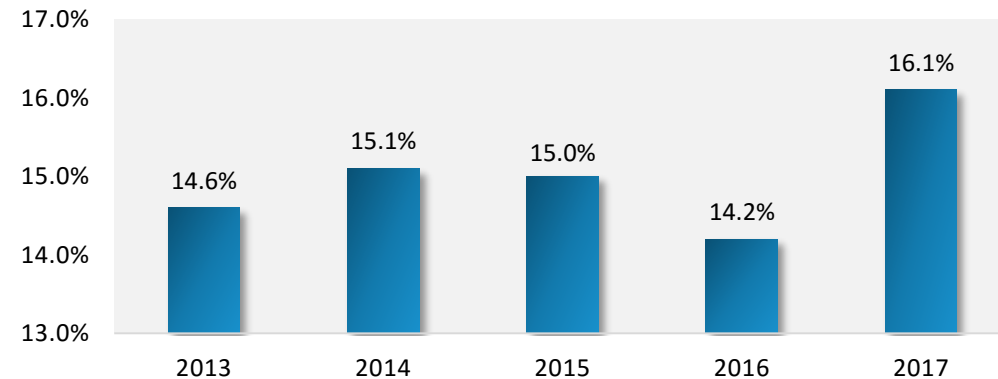
Agreement of first asset/technology transfer from a wound care company

Continued development of new project pipeline

Revenue £m



Trading Margin %



HEALTHCARE HIGHLIGHTS

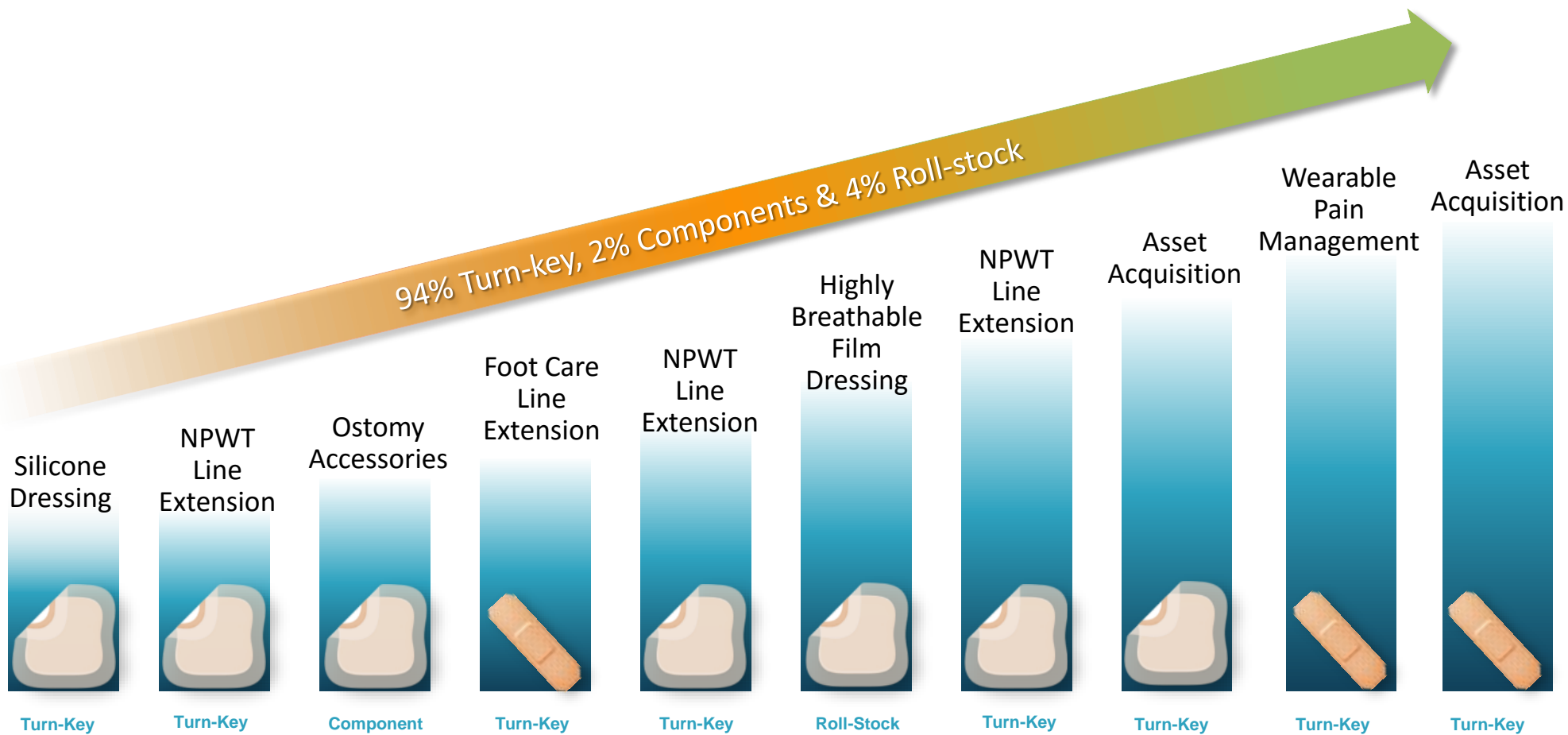
- Entry into pain management segment through development of innovative pain therapy product with a global market leader
- Working with a global market leader to refresh their first aid portfolio
- Commercialising proprietary patented heel patch product with global consumer companies
- Developed patterned hydrocolloid for foot care market



- Launched turn-key silicone based product line for a tier 2 player to broaden their portfolio
- Asset acquisition/transfer from a wound care company; revenue in H1 FY19 post validation
- Collaborated development of innovation application for NPWT to significantly improve the existing product; the next best thing
- Continue to convert bill of materials into Scapa proprietary product
- Advanced Wound Care market relatively weak

- Developing wearable devices utilising hydrocolloid technology for longer wear and low trauma removal
- Revitalised neonatal range using silicone gel with leading medical device manufacturer
- Continuing to drive development revenue in this sector

TOP HEALTHCARE PROJECTS FOR FY18

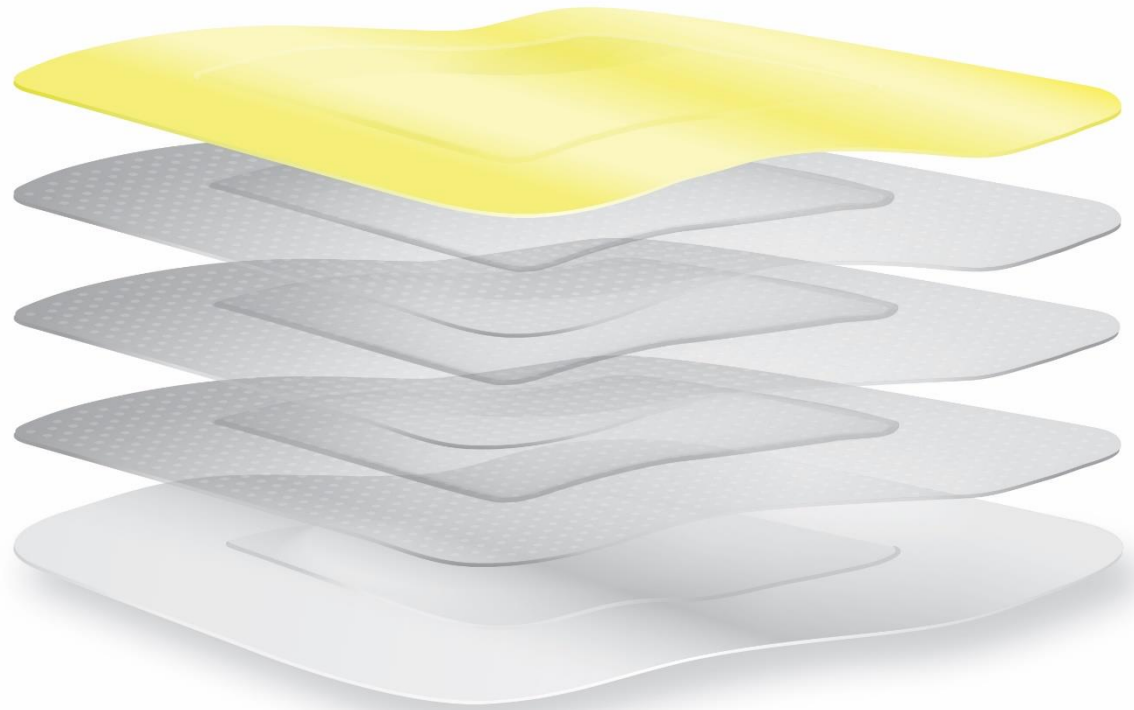


Leveraging Our Innovation: 84% New Product Development

CASE STUDY

Expand Advanced Wound Healing Portfolio

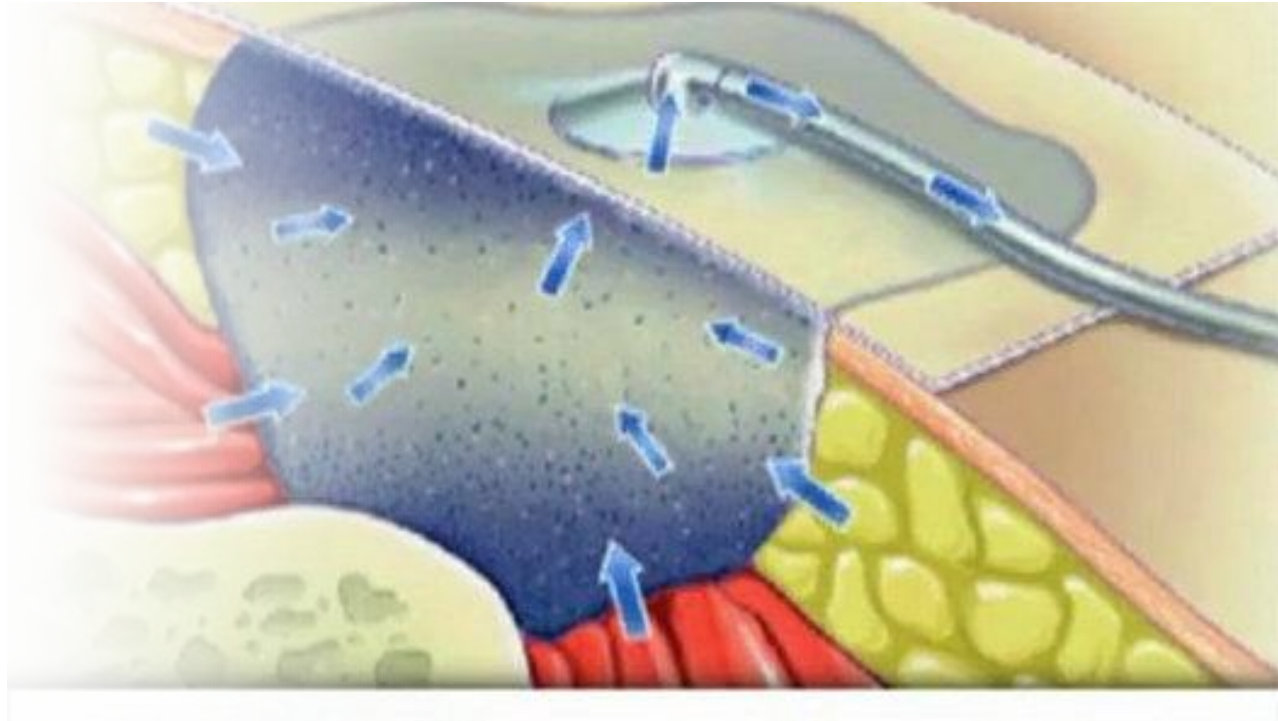
- Asset acquisition
- Developing two families of absorbent dressings
- Custom wound contact layer adhesive developed
- Turn-key product: sterilised and packaged
- Long-term supply agreement
- Revenue in H1 of 2019 post qualifications



CASE STUDY

Support leading NPWT Player – next best thing

- New platform technology
- Developing a low trauma drape for unmet need in NPWT market
- Custom hybrid adhesive developed for wound contact layer
- Drape designed for ease of application and for low cost manufacturing
- Turn-key product – packaged and sterilised in kits
- Potential for significant growth



CASE STUDY

Support Leading Consumer Brand's New Pain Relief Management Platform

- Partnering to develop OTC wearable pain management device
- Disposable patient interfaces
- Hydrogel essential to the function of the device
- Investing in Ramsbury capabilities
- Turn-key product: sterilised and packaged for the consumer



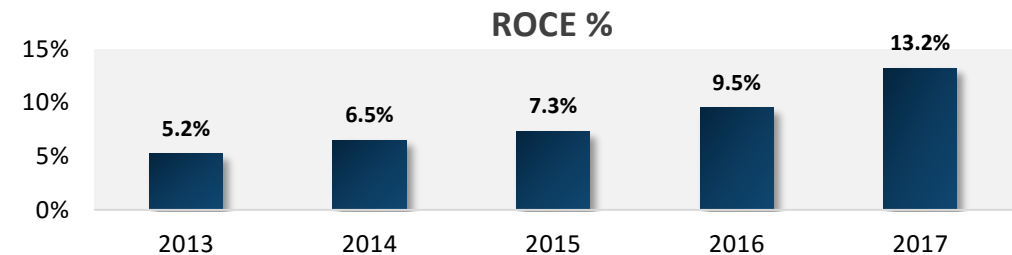
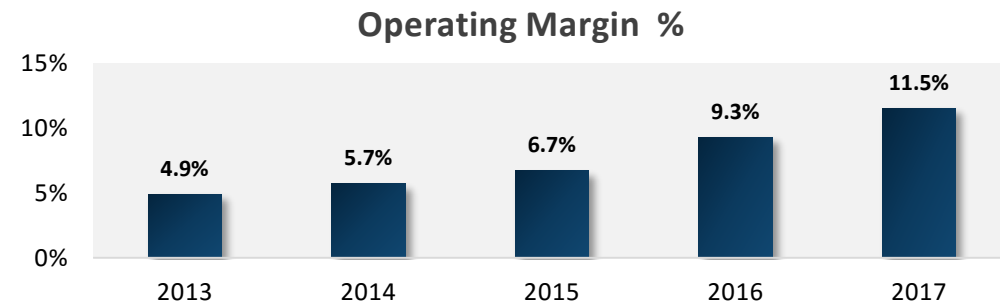
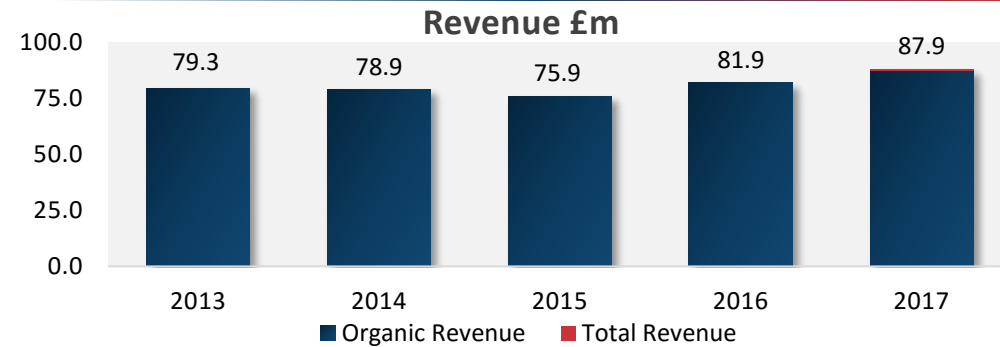


MARKET REVIEW

Scapa Industrial

INDUSTRIAL BUSINESS UNIT ANALYSIS

- Revenue growth of 7.3%; constant fx 1.3%
- Organic revenue growth of 6.2%; constant fx 0.2%
- Trading profit grew 32.9% to £10.1m; constant fx 23.2%
- Margins increased to 11.5%
- Improvement in profit driven by:
 - Reduced factory costs, including full year benefit of Swiss closure
 - Reduced cost to serve
- Korean production ceased in August 2017
- Sale of Swiss property for £13.6m vs. £7.0m estimated
- Acquisition of Markel Industries in August 2017 for US\$10.2m (£7.6m)



INDUSTRIAL HIGHLIGHTS

- Seven new and existing products qualified on new models
- Strong pipeline in Europe and Asia
- Commissioned new facility in Chennai, India, to support growth potential of Automotive market in India
- North America declined due to discontinued technology

- Surge growth in North America driven by hurricanes
- Expanded Barrier brand beyond tapes to include safety products
- Indian decoration market continues to perform well; added new major retailer



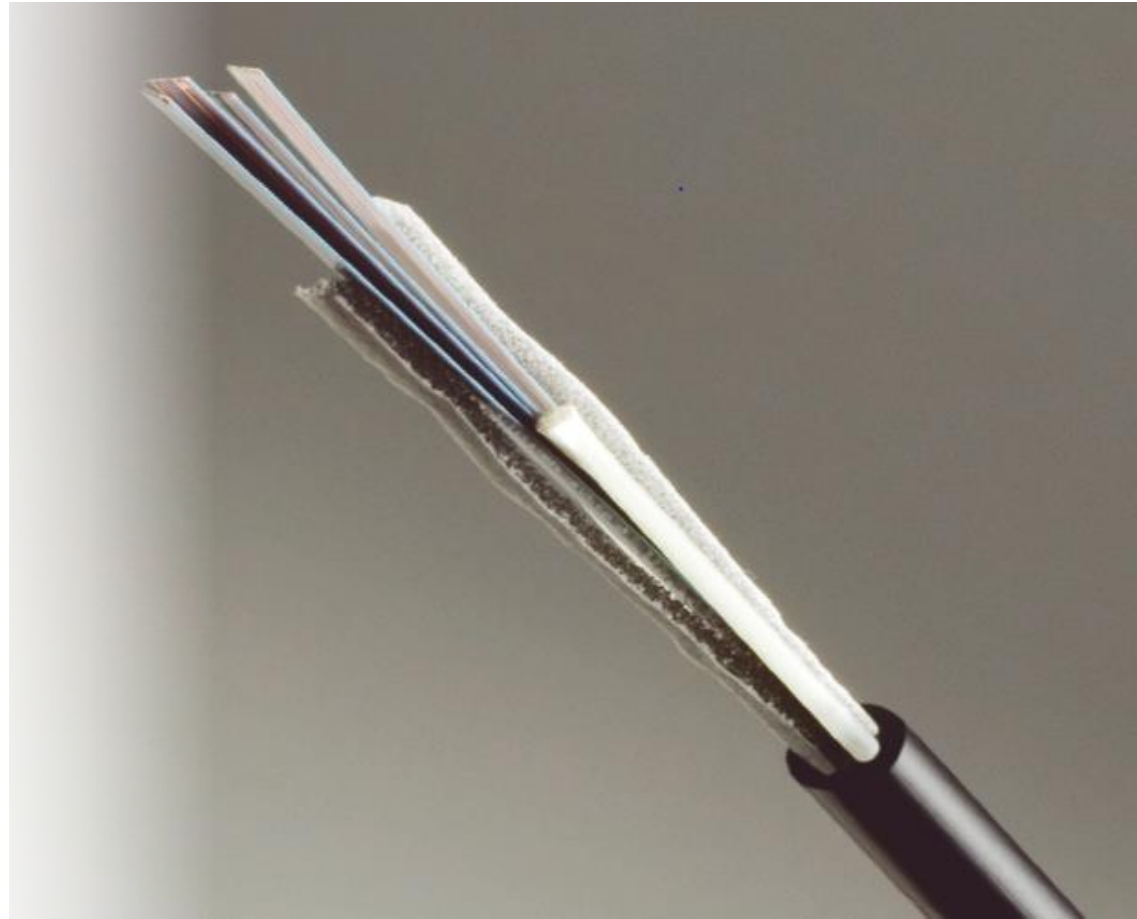
- North American growth driven by Corning's US\$1bn contract with Verizon
- Significant projects in renewable energy, oil and gas and power grids driving growth in Europe
- New customers in India to support 4G and fiber optic rollout
- Launched new product offering to support EU construction products regulation (CPR)

- Design wins of acrylic foam tapes into white goods market
- Benefitting from Markel acquisition through cross-selling across channel
- Product rationalisation to drive ROCE

FOCUS ON SELECTED MARKETS

Innovation in Cable: Fibre Optics 5G Next Generation

- Designed a highly engineered water swellable product
- Product integrated into customer manufacturing process
- Design complexity required trusted partner
- Multiple proprietary projects in pipeline
- Targeting the Fibertrench
 - Large multi-plex
 - Home
 - Multiple streaming device means more fibre and less copper
- Significant infrastructure investments announced
 - Verizon agreed to purchase US\$1.05b fibre-optic cable from Corning



FOOTPRINT CONSOLIDATION

Korea closure unlocks new market opportunities

- Three under-utilised Coating lines in Korea
- Convert UV line to Silicone coating and transfer to Healthcare business
- Convert second coater to PVC and cloth coating for Auto customers
- Relocate UV line to Europe to be closer to existing AFT foam customer base

Reductions in cost to serve in other Asian operations will benefit H2 onwards

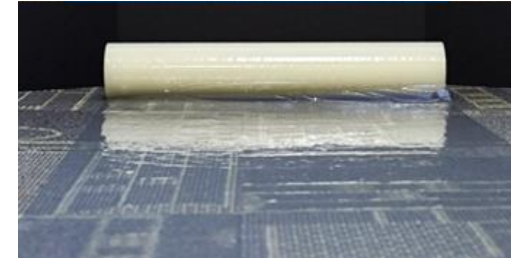


ACQUISITION – MARKEL INDUSTRIES

Markel is a manufacturer of adhesive floor mats primarily used for the healthcare and industrial markets

Opportunities for Efficiencies

- Supply chain overlap
- Overlap in manufacturing technologies – improvements in processes
- Proximity of Markel manufacturing to existing Scapa facilities
- Outsourcing non core products



Cross-selling Potential

- Distribution oriented business
- Expansion in European market
- Sales teams trained – Europe and North America







Value Enhancing

- US\$10.2m price < 4x expected post synergy EBITDA

DELIVERING THE FULL POTENTIAL






HEALTHCARE

-  Despite challenging wound care market, expect to deliver growth organically and through acquisitions
-  Pipeline continues to build with product launches scheduled in Q4
-  Growth and efficiency plans support drive to 20% margin target
-  Robust acquisition activities and pipeline







INDUSTRIAL

-  Continued improvement in ROCE and margin as the full benefits of closures are realised
-  Additional opportunities to improve as Korean closure and Market integration continue
-  Self-help agenda including further consolidation, operational efficiencies and effective cost to serve provide pathway to medium term 15% margin target



OUTLOOK

-  Significant potential remains in both Healthcare and Industrial
-  Clear targets to be delivered
-  Strong team with track record of delivery
-  Remain confident to deliver expectations



APPENDIX

DEFINITIONS

Term	Definition
Adjusted profit after tax	Trading profit, less cash interest payable, less tax on trading activities
Adjusted profit before tax	Trading profit, less cash interest payable
Exceptional items	Items which are both material and non-recurring
Trading margin	Trading profit divided by turnover
Trading profit	Operating profit before exceptional items, amortisation of intangibles and pension administration costs
Trading working capital	Trade debtors, plus stock, minus trade creditors
Underlying earnings per share	Adjusted profit after tax divided by the number of shares in issue
Effective tax rate	Tax charge on trading activities divided by trading profit less cash interest

BALANCE SHEET

	2017 September £m	2016 September £m
Goodwill and intangible assets	64.5	62.8
Fixed assets	46.6	53.5
Trading working capital	47.5	47.4
Other	(12.7)	(11.3)
Provisions	(6.2)	(4.7)
Tax	(7.6)	(3.6)
Pension deficit	(22.0)	(38.0)
Deferred tax on pensions	4.2	3.8
Net pension deficit	(17.8)	(34.2)
Net debt	(3.2)	(29.0)
Net assets	111.1	80.9

IMPACT OF FX

	% Revenue	Average Rate Half Year 2017/18	Average Rate Half Year 2016/17	Currency Effect
EURO	23%	1.14	1.23	7.9%
USD\$	46%	1.29	1.38	7.0%
CAD\$	10%	1.68	1.78	6.0%
Overall				c. 6.0%

ADJUSTED EPS

	2017 September £m	2016 September £m
Trading profit	16.7	12.7
Cash interest payable	(0.6)	(0.6)
Tax on trading activities	(3.4)	(2.5)
Adjusted profit after tax	12.7	9.6
Shares in issue	152.5	150.4
Adjusted EPS	8.3p	6.4p

EFFECTIVE TAX RATE

	2017 September £m	2016 September £m
Profit before tax	15.4	8.5
Tax charge	(3.9)	(1.8)
Headline effective tax rate	25.3%	21.2%
Trading profit	16.7	12.7
Cash interest	(0.6)	(0.6)
Adjusted PBT	16.1	12.1
Tax on operating activities	(3.4)	(2.5)
Underlying effective tax rate	21.1%	20.7%

TAX CHARGE

	2017 September £m	2016 September £m
Profit before tax	15.4	8.5
UK tax @ 19% (2016: 20%) on trading activities	(2.9)	(1.7)
Effect of overseas tax rates (Includes CVAE, IRAP and US capital tax)	(1.1)	(0.7)
Other items	0.1	0.6
Tax charge for the period	(3.9)	(1.8)

CASH FROM OPERATIONS

	2017 September £m	2016 September £m
Operating profit	16.3	9.5
Depreciation and amortisation	4.7	4.8
Working capital movement	1.3	(0.1)
Other	(3.6)	1.4
'Free cash flow'	18.7	15.6
Pensions	(2.3)	(2.2)
Exceptionals	(2.4)	(2.2)
Net cash flow from operations	14.0	11.2

TRADING WORKING CAPITAL

	2017 September £m	2016 September £m
Trade debtors	47.8	46.8
Stock	33.2	33.9
Trade creditors	(33.5)	(33.3)
	47.5	47.4
Sales (12mth calendar)	289.8	262.8
	16.4%**	18.0%*

* EuroMed sales from 23 May 2016

** Market sales from 8 August 2017

STRATEGIC ENGAGEMENT

Top Healthcare Projects

	DESCRIPTION		CUSTOMER SEGMENT	STATUS
FY 18	Prevention Dressing	X	Global Wound Care Company	Scheduled to launch in Q4
	Wound Contact Layer	X	Global Wound Care Company	Scheduled to launch in Q3
	Pain Therapy Patch	On track	Global Consumer Company	Scheduled to launch in Q4
	Diabetes Monitoring	👉	Global Medical Device Company	Development revenue
	NPWT Line Extension	On track	Global Wound Care Company	Scheduled to launch in Q3
	Wound Contact Layer	X	Global Wound Care Company	Scheduled to launch in Q2
	HMVTR Film Dressing	✓	Global Wound Care Company	Scheduled to launch in Q3
	NPWT Line Extension	✓	Global Wound Care Company	Scheduled to launch in Q1
	Acne Patch	✓	Global Consumer Company	Scheduled to launch in Q1
	Anti Wrinkle Patch	👉	Global Consumer Company	Development revenue
	Foot Care Patch	👉	Global Consumer Company	Development revenue
	Therapy Patch	✓	Global Medical Device Company	Development revenue
	Wearable Bolus Injector	On track	Global Medical Device Company	Development revenue
	Wearable Injector	On track	Global Medical Device Company	Development revenue

STRATEGIC ENGAGEMENT

Top Healthcare Projects

	DESCRIPTION	CUSTOMER SEGMENT	STATUS
FY 19	Asset Acquisition – Absorbent Dressings	Global Wound Care Company	Scheduled to launch in Q1
	Silicone Wound Dressings	Global Wound Care Company	Scheduled to launch in Q1
	NPWT Portfolio Extension	Global Wound Care Company	Scheduled to launch in Q2
	Ostomy Accessory	Global Wound Care Company	Scheduled to launch in Q1
	Polyurethane Foam Rolls	Global Consumer Company	Scheduled to launch in Q1
	Ostomy Alginate	Global Wound Care Company	Scheduled to launch in Q1
	Wearable Pain Management Patch	Global Consumer Company	Scheduled to launch in Q1
	Asset Acquisition – Foot Care	Global Consumer Company	Scheduled to launch in Q4
	Nursing Breast Pad	Global Medical Device Company	Scheduled to launch in Q3
	NPWT Products	Global Wound Care Company	Development Revenue
	Neonatal Sensor	Global Medical Device Company	Development Revenue
	Hydrocolloid Foot Care Line Extension	Global Consumer Company	Scheduled to launch in Q2

DISCLAIMER

This document contains certain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements.

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