SCAPA GROUP PLC
PRELIMINARY RESULTS FY18
INVESTOR PRESENTATION






PRELIMINARY RESULTS

FINANCIAL HIGHLIGHTS

- Revenue grew 4.3% to £291.5m (2017: £279.6m); 3.1% constant fx
- Trading profit* increased 18.2% to £34.5m (2017: £29.2m); 17.3% constant fx
- Trading profit* margins further improved to 11.8% (2017: 10.4%)
- Adjusted earnings per share** increased 23.0% to 18.2p (2017: 14.8p)
- Basic earnings per share of 15.4p (2017: 11.6p)
- Net debt of £3.8m (2017: £16.1m) after paying US$18.6m (£13.3m) for the acquisition of BioMed Laboratories LLC and US$10.2m (£7.6m) for the acquisition of Markel Industries
- Final dividend increased 20.0% to 2.4p (2017: 2.0p)
- Pension deficit reduced to £21.0m (2017: £31.4m)

* Profit before tax, before net finance costs, amortisation of intangible assets, exceptional items and pension administration costs
** Adjusted earnings per share is calculated by dividing the trading profit less cash interest less tax on operating activities by the weighted average number of ordinary shares in issue during the year

OPERATIONAL HIGHLIGHTS

HEALTHCARE

- Revenue increased 3.8% to £112.8m (2017: £108.7m); 4.3% constant fx
- Trading profit grew 4.8% to £17.4m (2017: £16.6m); 5.5% constant fx
- Full year margins at 15.4% (2017: 15.3%)
- Acquisition of BioMed on 23 March 2018 expanding capabilities beyond adhesives value chain into liquids, powders and gels
- Two technology transfers signed and expected to benefit revenues in H2 FY19
- Commenced construction of new facility to consolidate operations and expand capacity in Tennessee, US

INDUSTRIAL

- Revenue increased 4.6% to £178.7m (2017: £170.9m); 2.4% constant fx
- Trading profit grew 26.4% to £22.5m (2017: £17.8m); 24.3% constant fx
- Margins increased to 12.6% (2017: 10.4%), on journey to 15% target
- Markel acquisition completed and integration into existing Scapa facility progressing well
- Swiss facility closure delivering savings and property successfully sold for £13.3m
- Korean factory closed and Asia infrastructure rationalised
- New factory in India opened to serve auto and local construction market

INCOME STATEMENT

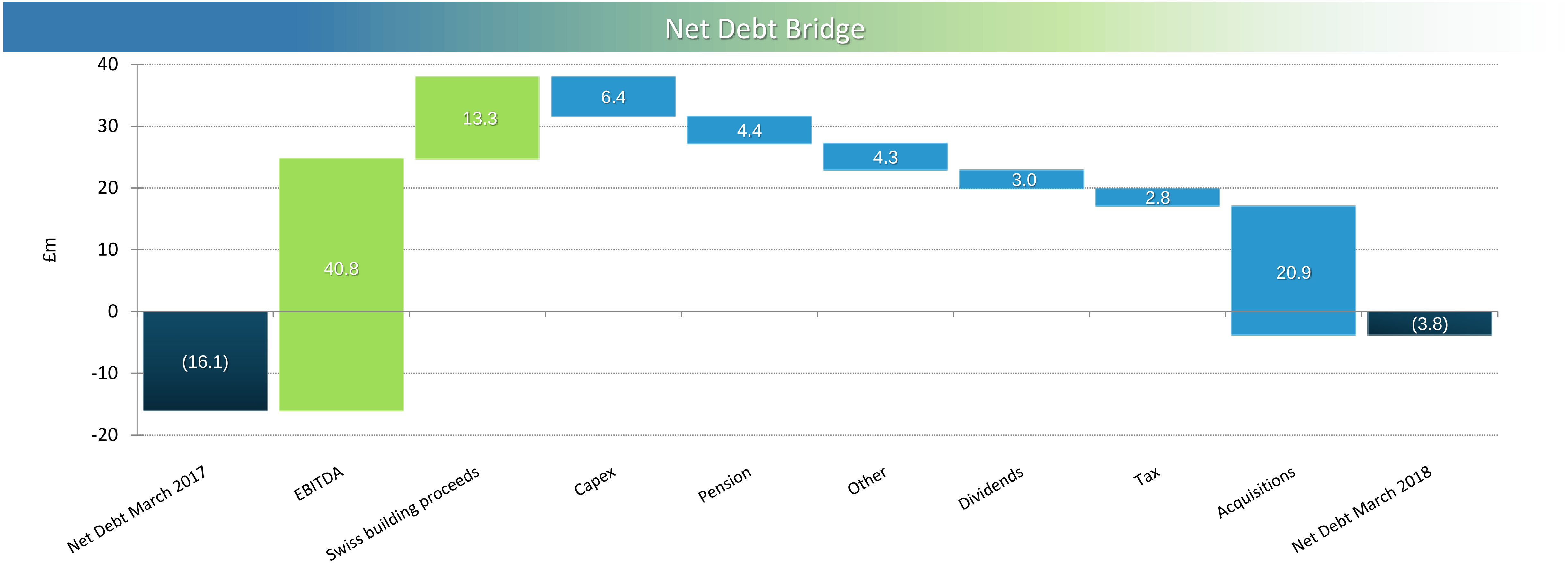
	2018 March £m	2017 March £m	
Revenue	**291.5**	279.6	• Revenue increased 4.3% (3.1% constant fx)
Trading profit	**34.5**	29.2	• Trading profit increased 18.2% (17.3% constant fx)
Margin %	**11.8%**	10.4%	• Trading margins increased by 140bps
Amortisation of intangibles	**(3.3)**	(3.7)	
Exceptional items	**0.1**	(1.0)	• Exceptionals: Page 4
Pension administration costs	**(0.6)**	(0.7)	
Interest payable – cash	**(1.2)**	(1.2)	• Borrowings in US$ - creates natural hedge • Swiss property cash in escrow until March
Interest payable – non cash	**(0.7)**	(0.8)	
Profit Before Tax	**28.8**	21.8	
Taxation	**(5.3)**	(4.2)	
Profit for the period	**23.5**	17.6	
Basic EPS (p)	**15.4p**	11.6p	
Adjusted EPS (p)	**18.2p**	14.8p	• Adjusted EPS increased 23.0%
Dividend	**2.4p**	2.0p	• Dividend increased by 20.0% to 2.4p

EXCEPTIONAL ITEMS

	2018 March £m	2017 March £m
Operating income:		
Swiss property sale gain	**6.9**	-
Past service credit	**-**	0.3
Total operating income	**6.9**	0.3
Operating expense:		
Site closure costs	**(2.9)**	(0.5)
Asset write-offs	**(1.8)**	(0.2)
Reorganisation costs	**(1.1)**	-
Abortive acquisition costs	**(0.2)**	-
Acquisition costs	**(0.8)**	(0.6)
Total operating expense	**(6.8)**	(1.3)
‘Net’ exceptional items	**0.1**	(1.0)

- Swiss property sold for £13.3m exceeding estimates of £5m-£7m
- Costs of Korean / Asian reorganisation – severances, asset write downs and costs of asset moves
- Acquisition costs – costs of completed BioMed and Markel acquisitions, plus cost of external due diligence on acquisitions that did not complete

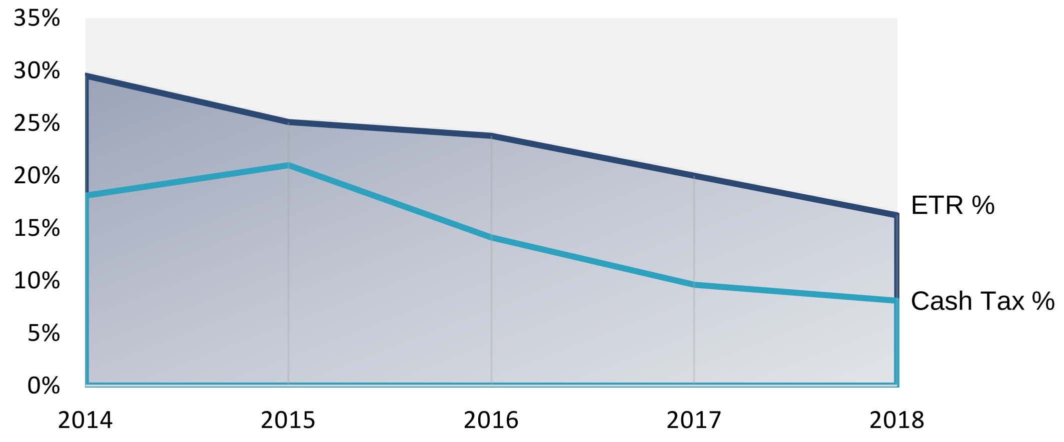
CASH FLOW



- Strong cash generation
- Good working capital control
- Proceeds from sale of Swiss building reinvested into acquisitions
- Net debt of £3.8m (<0.1x EBITDA)

TAX

Effective Tax Rate / Cash Tax



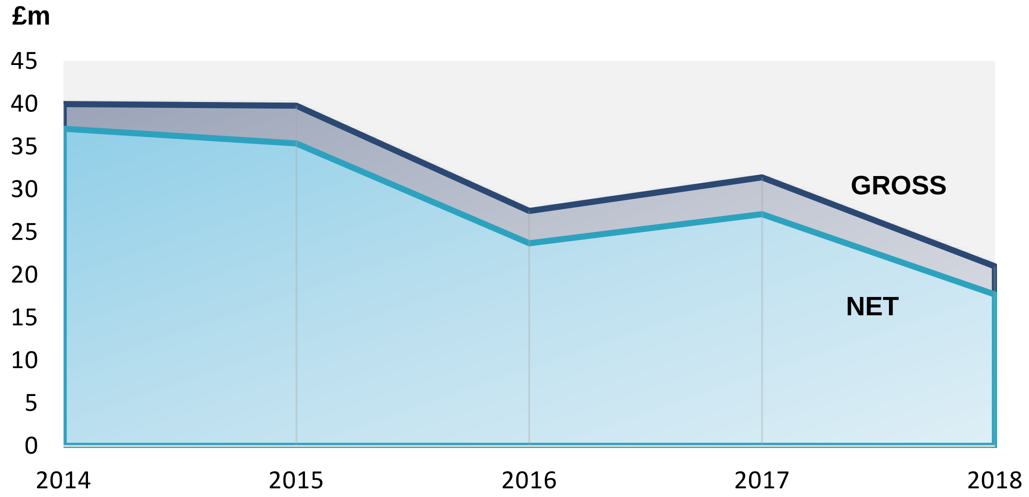
- Significant reduction in the ETR to 16.2% (2017: 20.0%)
- One-off (non-cash) impact of the revaluation of US deferred tax liabilities to 21% following the enactment of the Tax Cuts and Jobs Act in the US
- Impact of one-off rate changes, including those announced in France, result in an overall ETR reduction of 6.6% in the year
- We expect the future ETR to remain between 20%-24%. This is dependent upon profit mix, particularly the UK % where we have unrecognised tax losses
- Cash taxes will increase in 2019 with higher expected payments in France and US.

Impact of US Tax Reform

- The reduction in the US federal tax applies from 1 January 2018 - hybrid US tax rate of 30.75% for the full year to 31 March 2018.
- The federal tax rate reduction resulted in a significant one-off (non-cash) ETR benefit during the year given revaluation of deferred tax liabilities
- New interest restriction rules will limit deductible interest payments to 30% of EBITDA (rules apply in FY19)
- New ‘Base Erosion and Anti-abuse Tax’ (BEAT) not applicable as US business is currently below the threshold (US gross receipts in excess of US$500m).

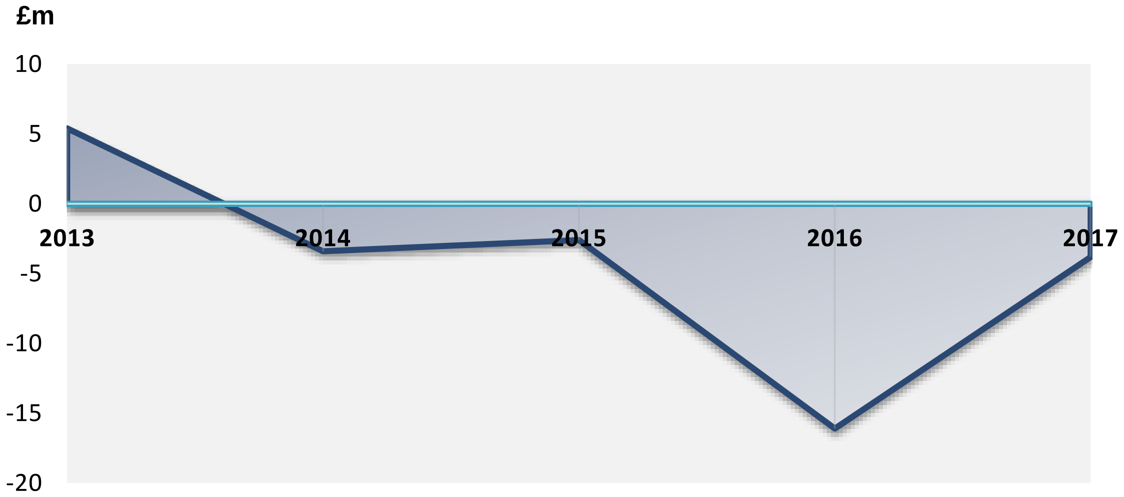
PENSIONS AND REFINANCING

Total Pension Deficit



- Overall deficit reduced £10.4m to £21.0m
- UK Triennial valuation is ongoing (31.3.2017) – deficit reduced from £35.5m to £14.0m since last valuation and draft results are positive. Company covenant strengthened
- Ongoing CAR payment commitment of £4.0m per annum for the UK scheme. No change to funding arrangements post the triennial valuation
- Buy-in projects under consideration for FY19, joint working party commenced with the trustee

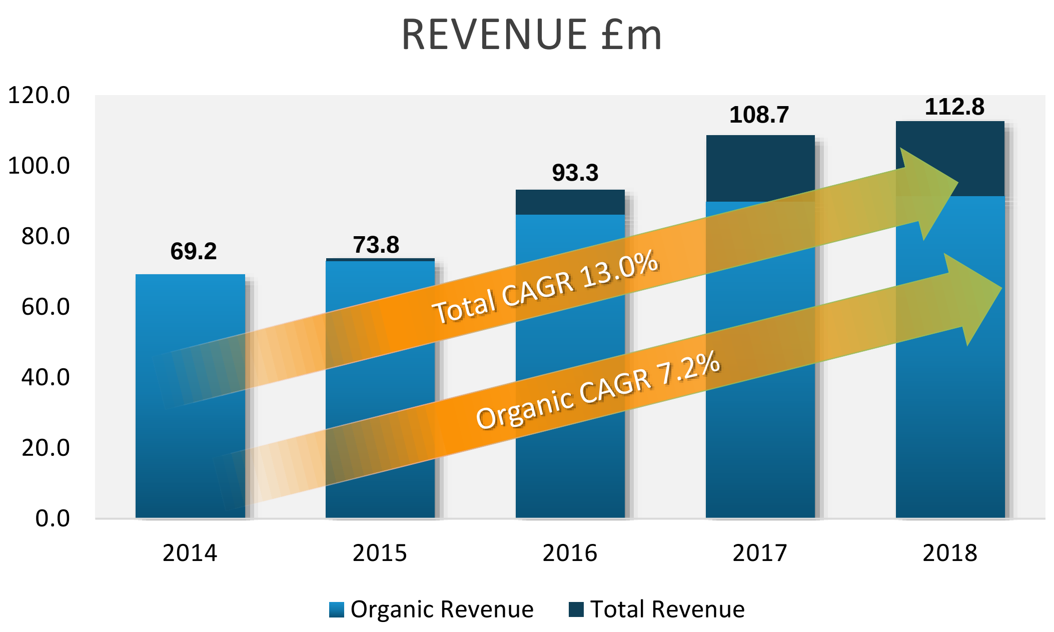
Net Debt

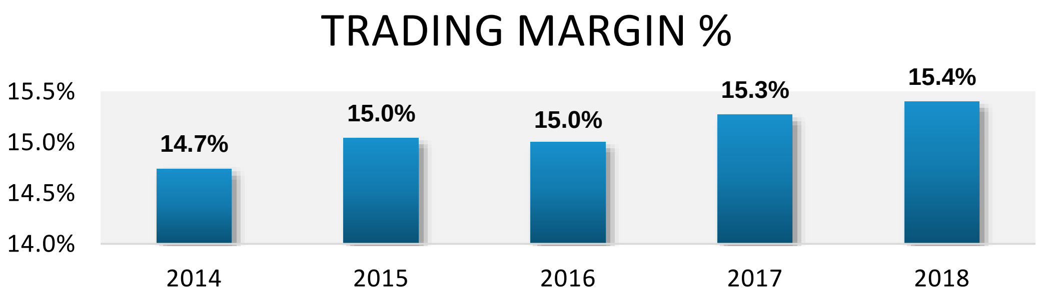


- The Group held a £60.0m committed facility which was due to expire in June 2018. Replaced with a new agreement, signed on the 31 October 2017 - facility of £100.0m, £70.0m committed plus a £30.0m accordion.
- 5-year agreement with three banks (HSBC, Lloyds and Santander) terminating on 31 October 2022
- Provides a multi-currency RCF for acquisitions and general commercial purposes
- Strong competition between the banks allowed Scapa to improve terms on this new facility – rates and flexibility

Scapa Healthcare

HEALTHCARE ANALYSIS





- Revenue growth of 3.8%; constant fx 4.3%
- H2 sales growth of 6.8% on a constant currency basis
- Acquisition of BioMed in March 2018 for US$18.6m plus EBITDA based earn-out potential of US$13m
- Trading profit increased 4.8%; 5.5% constant fx
- Margin increased to 15.4%
- Investment in operational resources for technology transfers
- Signed two technology transfers, in Advanced Wound Care and Consumer Wellness
- Commenced construction of new facility to consolidate operations and expand capacity in Knoxville, Tennessee

HEALTHCARE HIGHLIGHTS

ADVANCED WOUND CARE

- Signed a technology transfer with a fast growing wound care company; 5-year exclusive supply agreement and sole manufacturing partner
- Multiple technology transfers currently in discussion
- Launched new low trauma NPWT drape with strategic partner – first in a platform application
- Expanded Scapa Soft-Pro® Silicone Gel range with proprietary IP to serve Tier 2 customers who need to fill portfolio gaps
- Reduced demand outlook across the sector

CONSUMER WELLNESS

- Signed a technology transfer with a major consumer product company; 5-year exclusive supply agreement and innovation agreement
- Growth in acne care market with strategic partner
- Relaunch of next generation foot care products with major strategic partner
- Launch of pain therapy product with a global consumer company is progressing but with delayed launch

MEDICAL DEVICES

- Strong growth driven by the US launch of next generation insulin delivery device by market leader; launch demand normalising
- Partnered with leading diabetic company to develop extended wear patch beyond current 14 day
- Launched Scapa Soft-Pro® Low Trauma Hydrocolloid targeted for neonatal and geriatric applications

ACQUISITION OF BIOMED LABORATORIES

- Revenue: US$10.2m
- EBITDA: US$1.4m
- Purchase multiple 13x EBITDA
- Based in Dallas, TX
- Established in 2011
- B2B partner in the Healthcare formulation, manufacturing and filling of liquids, creams, powders and gels
- Segments served:
  - Advanced wound care accessories (Ostomy)
  - Consumer wellness (including Health & Beauty)

BioMed LABORATORIES
A Scapa Healthcare Company

Scapa Healthcare

✓ Similar business model: *B2B partnership strategy*

✓ First adjacent platform, provides room for growth

✓ Increases our addressable market

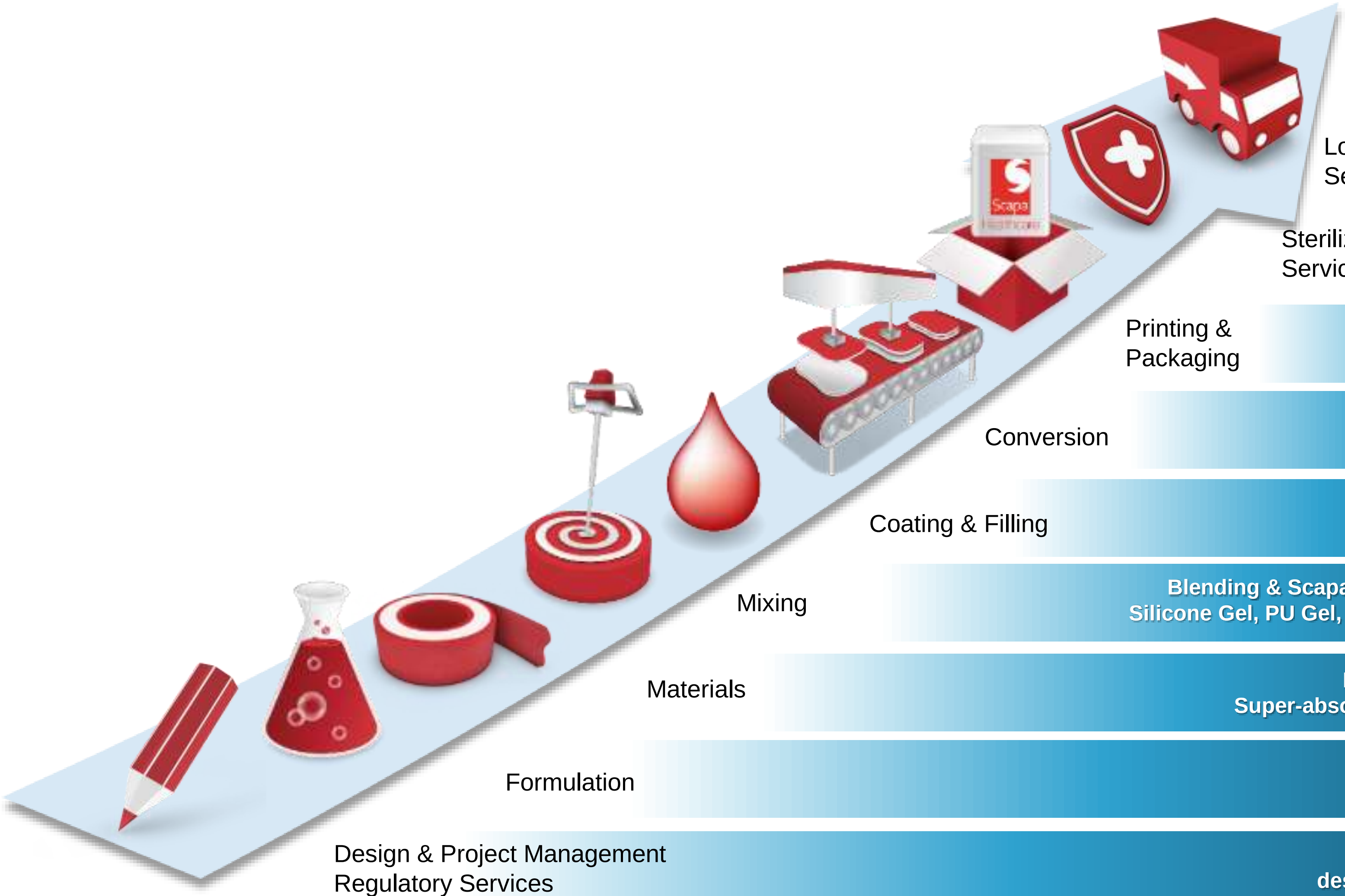
✓ Broadens capabilities into liquids, powders and gels

✓ Widens reach within existing customers' product offering

✓ Leverage Scapa sales channel

✓ Uncompromising focus on quality

EXPANDED VALUE PROPOSITION

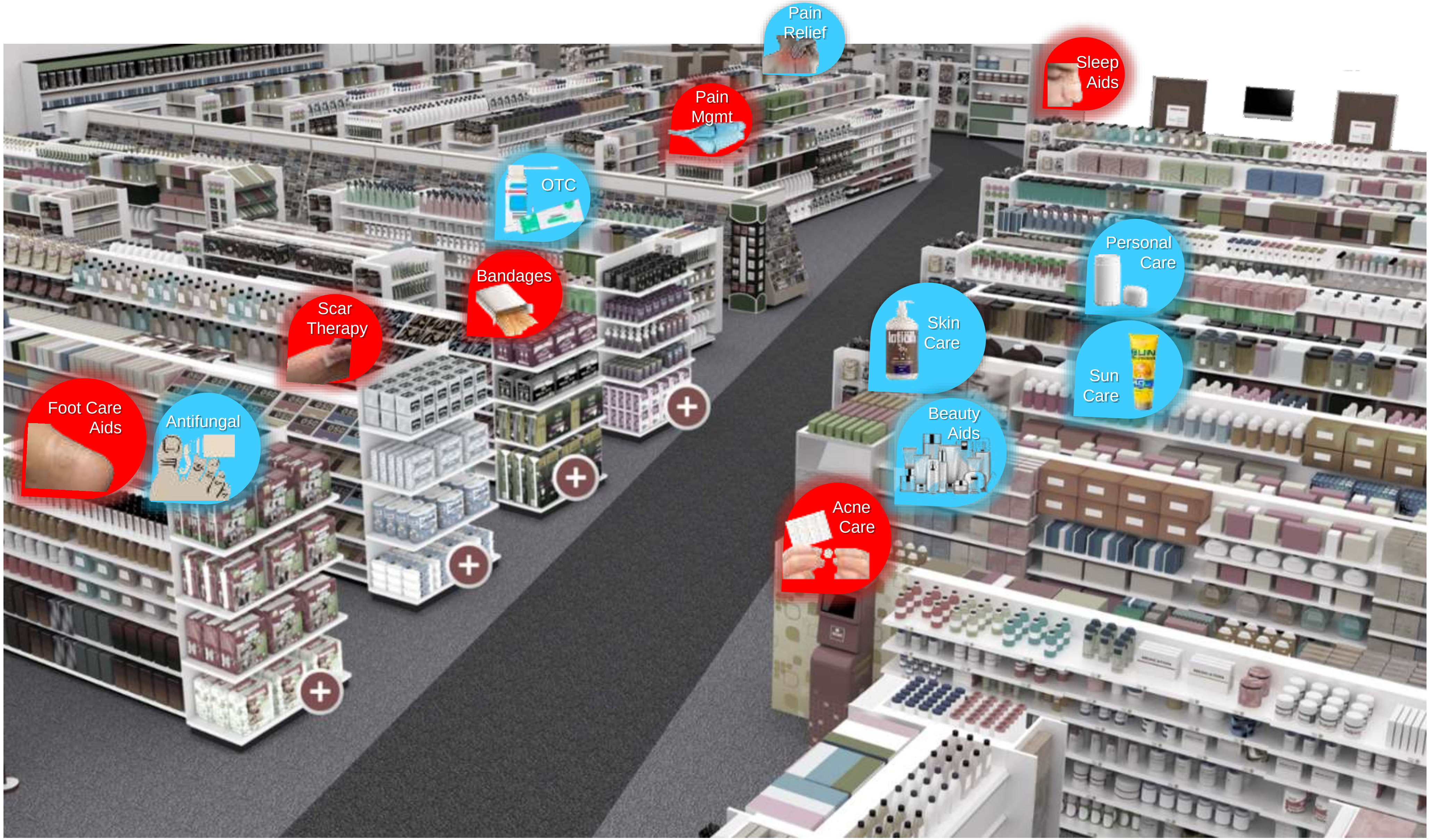


	Scapa Healthcare	BioMed LABORATORIES A Scapa Healthcare Company
Logistics & Service	Shipping & customer service	Distribution & Customer Service
Sterilization Services	Partnered sterilization	Sterilization of saturated dressings
Printing & Packaging	Advanced printing for finished product design & packaging	Wrap & 2-sided labels
Conversion	Converting into finished products	PE tubes, metal laminate tubes, bottles, pouches & canisters
Coating & Filling	Adhesive coating, Additives, Bottle & Tube Filling	Bottle & tube filling, hot fill & powder filling
Mixing	Blending & Scapa Soft-Pro® Skin Friendly Adhesives Silicone Gel, PU Gel, Hydrogel, Hydrocolloids & Acrylics	Blending
Materials	Bioflex High Performance Materials Super-absorbers, Nonwovens, Films & Foams	Custom & Reverse Formulations
Formulation	Custom formulation adhesives, liquids, creams, gels & hot waxes	Wound cleansers, tube hydrogel, antifungals & saturated dressings
Design & Project Management Regulatory Services	Dedicated Project Managers design and develop custom solutions	Specialized development team

EXPANDING INTO MORE CONSUMER WELLNESS SOLUTIONS

SCAPA HEALTHCARE

Possible new products with **BIOMED** capabilities



SIGNED TWO TECHNOLOGY TRANSFERS

Revitalising an Iconic Consumer Brand

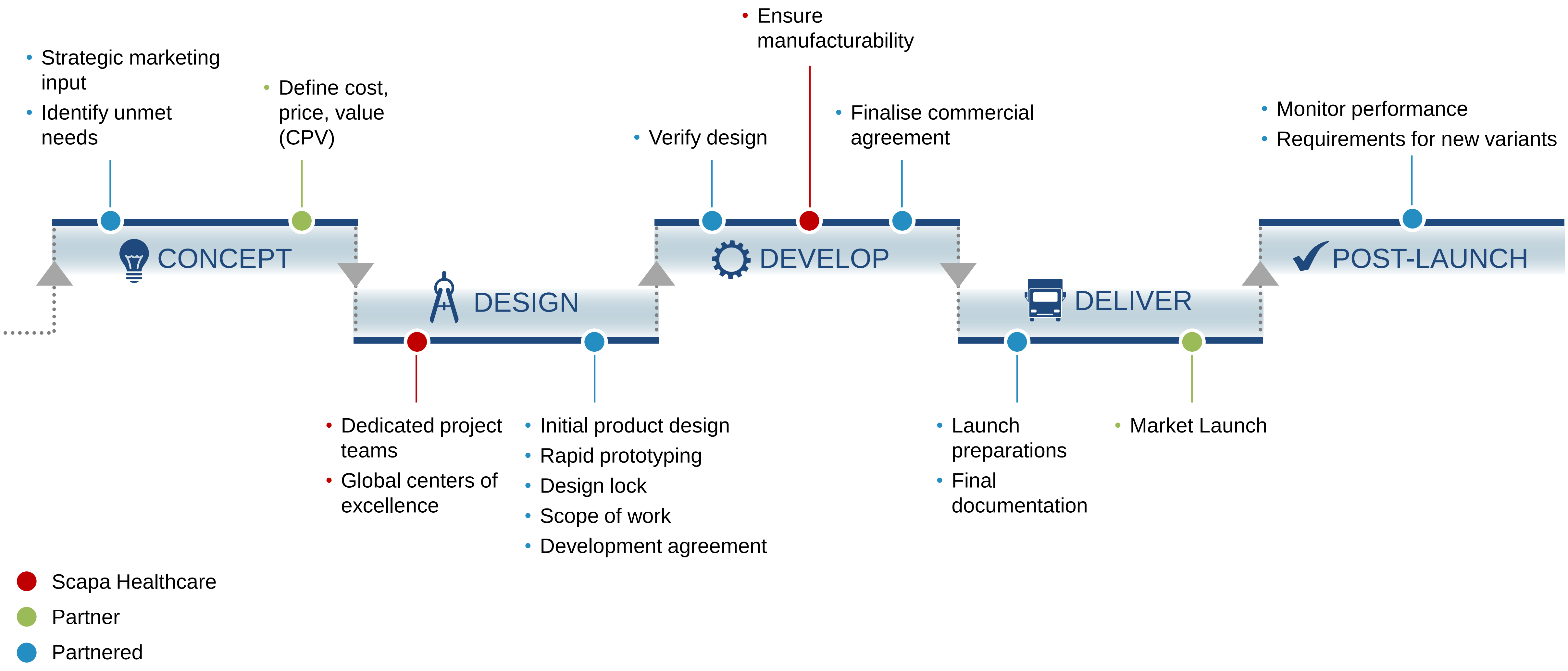
Structure	• 5-year exclusive supply agreement • Innovation agreement
Scope	• Supply agreement for portfolio of product ranges • Innovation agreement and strategic marketing collaboration to revitalise the brand with new products and claims
Customer Investment	• Technology transfer support and equipment • Funded development
Cost	• Transition cost and investment in capacity
Annualised Revenue	• £8M

Manufacturing Arm of Fast Growing Wound Care Company

Structure	• Subsumed manufacturing facility • 5-year exclusive supply agreement
Scope	• Two families of absorbent dressings • Develop custom wound contact layer vertical integration
Customer Investment	• Technology transfer support • Transition validation • Joint innovation and new development programmes
Cost	• Book value of the facility and equipment
Annualised Revenue	• £3M

TECHNOLOGY TRANSFERS

To become integrated part of customers' product life cycle



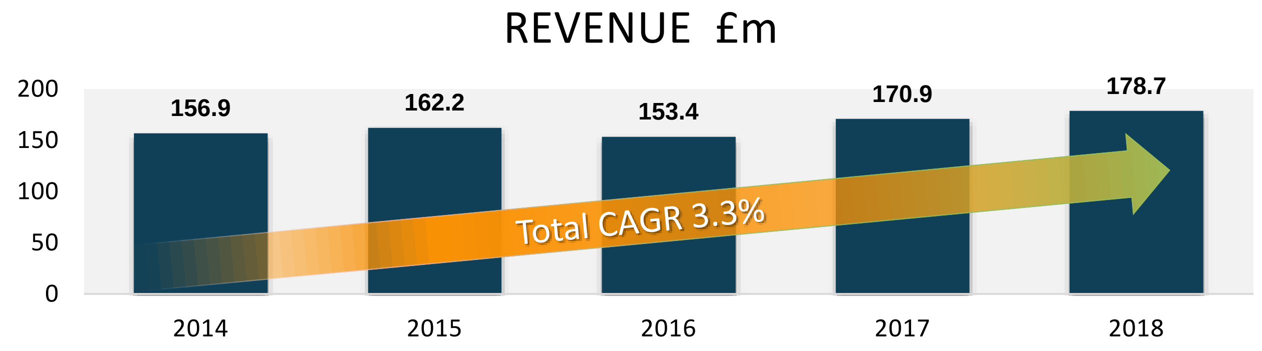
NORTH AMERICA MANUFACTURING FOOTPRINT OPTIMISATION

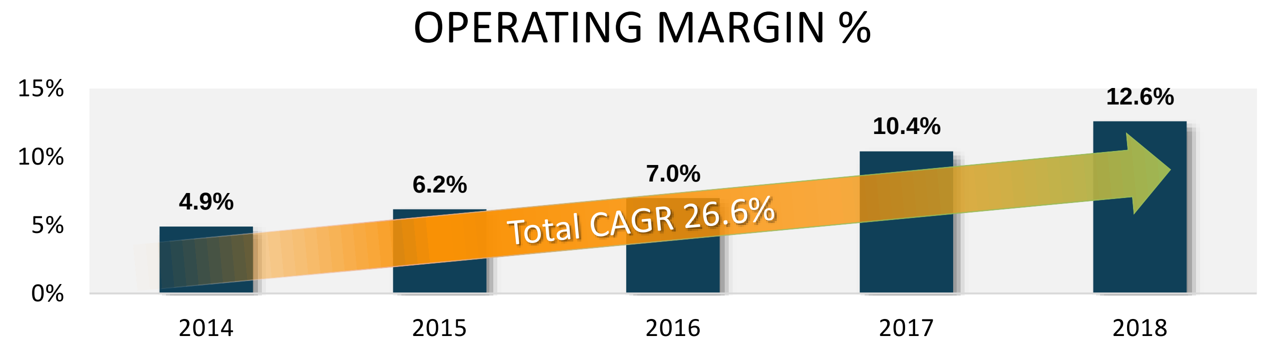
Create a Globally Competitive, Scalable Manufacturing Network

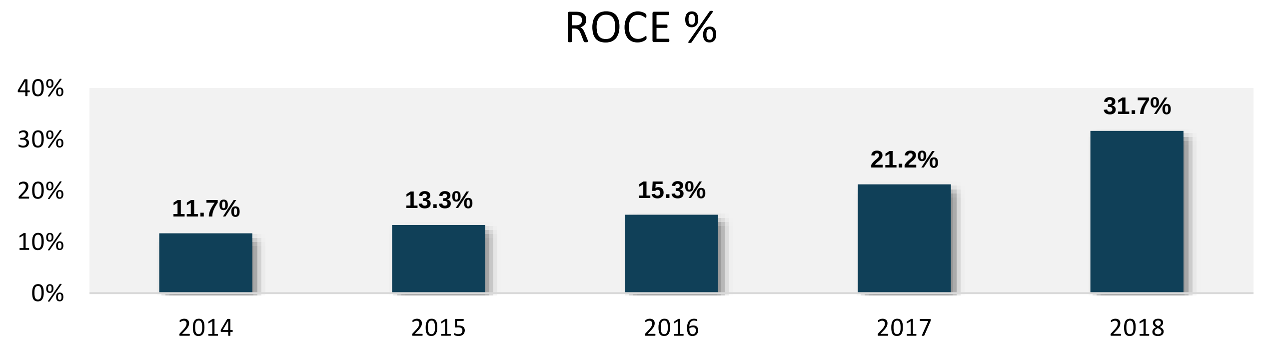
- Broke ground on a new built-for-purpose Medical Device facility in Knoxville, Tennessee in March 2018
- 152,000 ft^2 facility:
  - Consolidate three Knoxville sites
  - Integrate technology transfer
  - Room for future expansion (150k ft^2)
  - Potential for future technology transfers
- Land can accommodate an additional 120k ft^2 building
- Anticipated completion – end of calendar year
- Anticipated cost US$15m
- Significant annual cost savings

Scapa Industrial

INDUSTRIAL ANALYSIS







- Revenue growth of 4.6%; constant fx 2.4%
- Trading profit grew 26.4% to £22.5m; constant fx 24.3%
- Margins increased to 12.6%; good progress towards mid-teens margin target
- Improvement in profit driven by:
  - Operational efficiency
  - Improvement in cost to serve
  - Full year benefit from closure of the Swiss facility and initial benefit from Asian restructure
- Improvement despite some commodity price increases
- Korean closure on time and budget
- Markel acquired – first Industrial acquisition – integration into existing Scapa facility progressing well
- New factory in India opened to serve auto and local construction market

INDUSTRIAL HIGHLIGHTS

AUTOMOTIVE

- Strong performance in Europe and India
- Decline in North America due to programme loss
- Margin improvement through repositioning of product portfolio
- 12 new products qualified
- Growth in new water-based products driven by environmental requirements
- Strong pipeline of opportunities in India
- New facility built in India

CABLE

- Verizon's upgrade to 5G expected to start in 2018
- Awaiting start of Viking Link, connecting the UK to Denmark, the world's longest submarine power cable link at 460 miles
- Germany to build cross-country renewable energy infrastructure to replace nuclear power by 2022
- Strong growth driven by design-in water blocking foam products for fibre-optic company
- New product launches including fire retardant and anti-rodent products

CONSTRUCTION

- Growth in North America
- Initial success in Indian decoration market
- Strong brand promotion to leverage 100 year anniversary of Barnier®
- Expanding product portfolio beyond tape

SPECIALTY

- Markel provides cross-selling opportunities across customers and geography
- Product rationalisation focused on margin
- Continued margin improvement

INTEGRATION – MARKEL INDUSTRIES

- Acquired on 8 August 2017 for US$10.2m (£7.6m)
- Closed Maine facility and currently integrating into Scapa Windsor
- In process of closing Manchester, Connecticut facility
- Integrated into Scapa SAP environment
- Scheduled to be completed by end of calendar year
- Cost benefit of £1.0m will lower acquisition multiple to <4x
- Positive revenue synergies with cross-selling across customers and geography

UPDATE AND OUTLOOK

DUNSTABLE UPDATE

- As announced on 11 April 2018, there was a fatal incident at our Dunstable site on 10 April 2018
- The police closed their file on 11 April 2018 and the matter was passed to the HSE
- HSE's investigation is in respect of Scapa UK Limited and the Company is co-operating with that investigation whilst also undertaking its own investigation using independent resources
- An inquest is not due until early next year and therefore the HSE investigation will continue for some time yet
- We are profoundly shocked and saddened by the incident
- As a Board, the health, safety and welfare of our people are paramount and we are fully committed to making sure it never happens again

2019 OPPORTUNITIES AND OUTLOOK

BUSINESS UNITS

HEALTHCARE

- Continue to challenge the status quo of the traditional healthcare companies
- Integrate and maximise revenue synergy from BioMed
- Execute and convert signed technology transfers into revenue
- Deliver double-digit growth organically and through acquisitions
- Continue to deliver margin improvement through operational excellence
- 2019 growth weighted towards H2 based on phasing of technology transfers and product launches

INDUSTRIAL

- Challenge the pressure sensitive market mindset of sufficiency and exceed customer expectations
- Focus on selected areas, such as Cable and India, where we have competitive advantage
- Deliver on Markel integration
- Continue to drive further margin improvements through operational efficiency and simplification

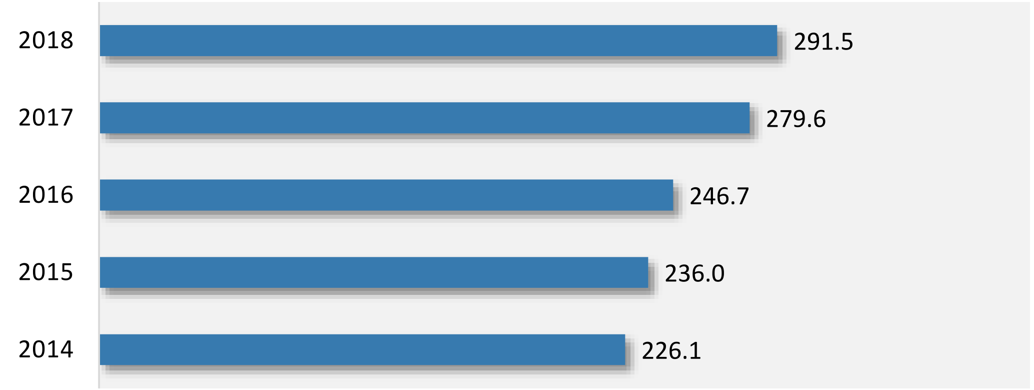
OUTLOOK

- Exciting opportunities remain for both business units
- Growth and margin targets remain
- Continue to build on the foundation of The Scapa Way and embed our culture into new acquisitions
- Well positioned to leverage the recent accomplishments and continue to make further progress

APPENDICES

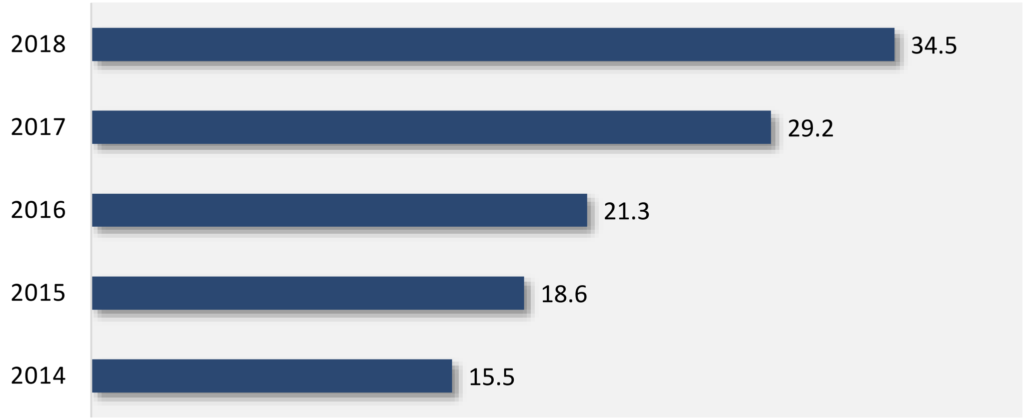
FINANCIAL PROGRESS – CONSISTENT STRONG PERFORMANCE

Revenue £m



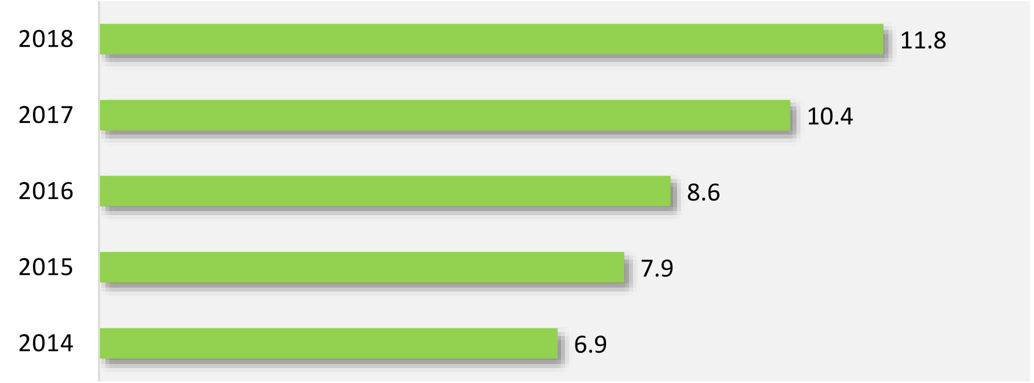
2018: ↑ 4.3%

Trading Profit £m



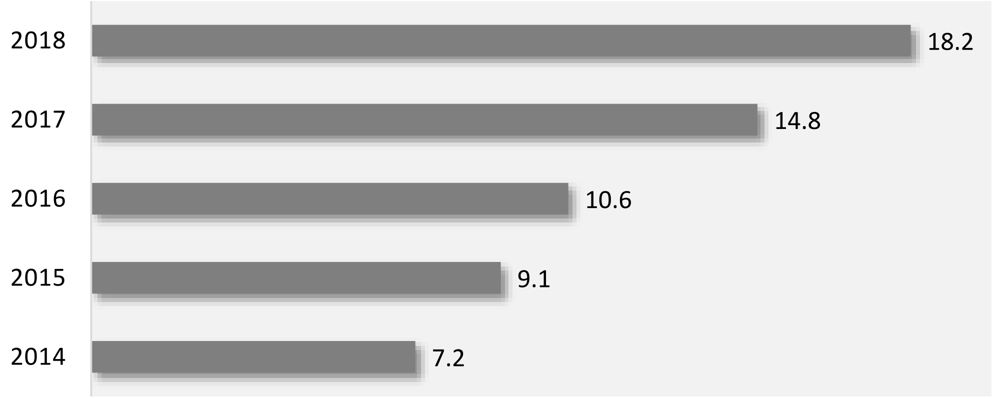
2018: ↑ 18.2%

Trading Profit Margin %



2018: ↑ 140bps

Adjusted EPS (p)



2018: ↑ 23.0%

BALANCE SHEET

	2018 March £m	2017 March £m
Goodwill and intangible assets	**78.2**	63.0
Fixed assets	**45.6**	49.3
Trading working capital	**47.5**	50.2
Other	**(28.0)**	(9.2)
Provisions	**(5.1)**	(3.7)
Tax	**(8.0)**	(6.0)
Pension deficit	**(21.0)**	(31.4)
Deferred tax on pensions	**3.3**	4.3
Net pension deficit	**(17.7)**	(27.1)
Net debt	**(3.8)**	(16.1)
Net assets	**118.9**	100.4

IMPACT OF FX

	% Revenue	Average Rate Full Year 2017/18	Average Rate Full Year 2016/17	Currency Effect
EURO	25%	1.14	1.20	5.5%
USD$	46%	1.33	1.32	-0.8%
CAD$	9%	1.71	1.72	0.6%
Overall				

ADJUSTED EPS

	2018 March £m	2017 March £m
Trading profit	**34.5**	29.2
Cash interest payable	**(1.2)**	(1.2)
Tax on trading activities	**(5.4)**	(5.6)
Adjusted profit after tax	**27.9**	22.4
Shares in issue	**153.1**	151.1
Adjusted EPS	**18.2p**	14.8p

EFFECTIVE TAX RATE

	2018 March £m	2017 March £m
Profit before tax	**28.8**	21.8
Tax charge	**(5.3)**	(4.2)
Headline effective tax rate	**18.4%**	19.3%
Trading profit	**34.5**	29.2
Cash interest	**(1.2)**	(1.2)
Adjusted PBT	**33.3**	28.0
Tax on operating activities	**(5.4)**	(5.6)
Underlying effective tax rate	**16.2%**	20.0%

TAX CHARGE

	2018 March £m	2017 March £m
Profit before tax	**28.8**	21.8
UK tax @ 19% (2016: 20%) on trading activities	**(5.5)**	(4.4)
Effect of overseas tax rates (Includes CVAE, IRAP and US capital tax)	**(2.1)**	(1.5)
Change in tax rate	**2.2**	-
Other items	**0.1**	1.7
Tax charge for the period	**(5.3)**	(4.2)

CASH FROM OPERATIONS

	2018 March £m	2017 March £m
Operating profit	**30.7**	23.8
Depreciation and amortisation	**9.6**	9.9
Working capital movement	**1.5**	(1.7)
Other	**(2.7)**	5.0
‘Free cash flow’	**39.1**	37.0
Pensions	**(4.4)**	(4.3)
Exceptionals	**(3.6)**	(3.6)
Net cash flow from operations	**31.1**	29.1

TRADING WORKING CAPITAL

	2018 March £m	2017 March £m
Trade debtors	**52.3**	51.9
Stock	**35.0**	30.6
Trade creditors	**(39.8)**	(32.3)
	47.5	50.2
Sales (12mth calendar)	**291.5**	279.6
	16.3%	18.0%