



Scapa Group plc

Interim results - September 2015

Investor presentation

Scapa is a leading global manufacturer of bonding solutions and adhesive components for applications in the Healthcare and Industrial markets



Market leading developer and manufacturer of bonding solutions and adhesive components



Sales and manufacturing facilities throughout Europe, Americas and Asia



1,300+ employees in 19 locations



Established 1927 as Scapa Dryers Limited

Revenue of £119.3m and trading profit of £10.0m - 6 months to September 2015

FINANCIAL HIGHLIGHTS

- Revenue grew 4.0% to £119.3m (2014: £114.7m); 4.0% at constant exchange rates
- Trading profit* increased 17.6% to £10.0m (2014: £8.5m); 16.3% at constant exchange rates
- Trading profit* margin further improved to 8.4% (2014: 7.4%)
- Adjusted profit before tax improved 18.3% to £9.7m (2014: £8.2m)
- Adjusted earnings per share** increased 25.0% to 5.0p (2014: 4.0p)
- Net debt £6.8m (31 March 2015: £3.4m net debt)

OPERATIONAL HIGHLIGHTS

- Healthcare revenue grew 21.2%; 12.7% at constant exchange rates
- Strategic acquisition of First Water – integration on plan
- Designated as Partner Enabled Development Supplier by Johnson & Johnson Consumer Healthcare
- Industrial profit increased 18.6% on flat revenue, at constant exchange rates
- Completed the consolidation of the French facilities on budget and on time
- Closure of the Swiss facility is progressing on plan with completion expected H2 of next year
- New structure yielding cost saving opportunities and improved capital deployment
- Active acquisition pipeline; strategy is focused and disciplined

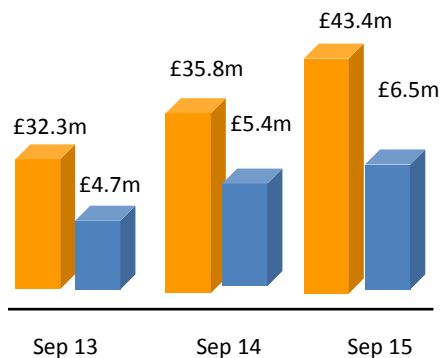
* Before amortisation of intangible assets, exceptional items and legacy pension costs and finance charges

** 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

	2015 Sept £m	2014 Sept £m
Revenue	119.3	114.7
Trading profit	10.0	8.5
Margin %	8.4%	7.4%
Amortisation of intangibles	(1.2)	(0.8)
Exceptional items	(4.3)	-
Pension administration costs	(0.4)	(0.3)
Interest payable - cash	(0.3)	(0.3)
Interest payable - non cash	(0.5)	(0.9)
Taxation on trading activities	(2.3)	(2.3)
Taxation on exceptional items	1.1	0.1
Profit for the year	2.1	4.0
Basic EPS (p)	1.4p	2.7p
Adjusted EPS (p)	5.0p	4.0p

- Revenue increased 4.0% (4.0% at constant Fx)
- Trading profit increased 17.6% (16.3% at constant Fx)
- Trading profit margin increased to 8.4%
- Amortisation increase due to the inclusion of First Water intangible assets from February 2015
- Exceptional items primarily reflect the Swiss facility closure
- Non-cash IAS 19R finance charges decreased, lower liabilities (de-risking liability management exercises)
- Cash interest on £40m RCF facility
- Adjusted EPS increased 25%

HEALTHCARE

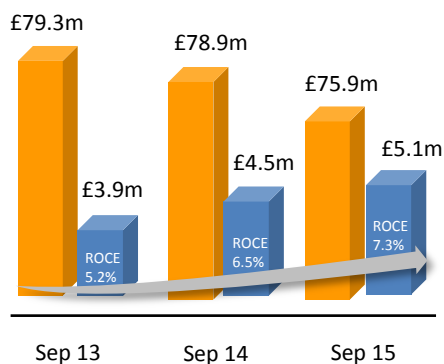


Revenue split **36.4%**
2014 31.2%

Trading profit margin **15.0%**
2014 15.1%

- Revenue growth of 21.2%, constant fx 12.7%
- Revenue increased to 36.4% of Group
- Trading profits increased 20.4%, constant fx 14.0%
- Accounts for 65.0% of Group trading profits

INDUSTRIAL



Revenue split **63.6%**
2014: 68.8%

Trading profit margin **6.7%**
2014 5.7%

- Revenue steady at constant fx
- Trading profit increased 13.3%, constant fx 18.6%
- Margin improved by 1% to 6.7%
- ROCE continues to increase

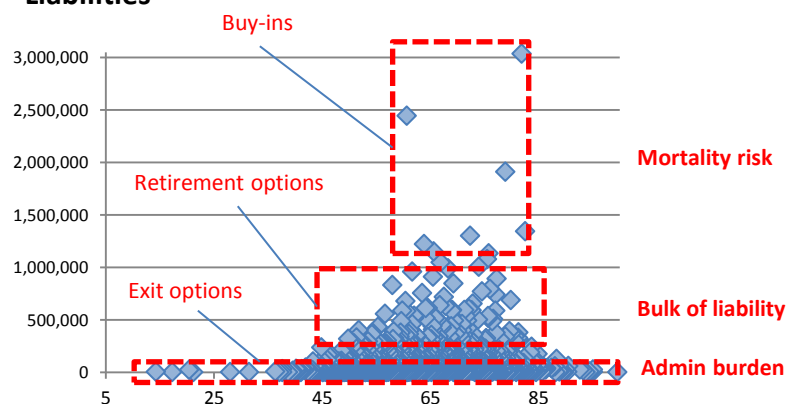
	2015 Sept £m	2014 Sept £m
Goodwill and intangible assets	37.9	27.5
Fixed assets	42.5	36.5
Trading working capital	38.6	36.5
Other	(10.2)	(9.2)
Provisions	(5.6)	(3.2)
Tax	(3.4)	(2.5)
Pension deficit	(31.7)	(37.3)
Deferred tax on pensions	4.4	2.9
Net pension deficit	(27.3)	(34.4)
Net (debt) / cash	(6.8)	1.7
Net assets	65.7	52.9

- Change in goodwill and intangible assets driven by First Water acquisition
- Increase in fixed asset balance is due to investments and the inclusion of First Water
- Stock and debtors have increased in line with the growth. Trading working capital 16.0% of revenue consistent with prior year 15.9%
- Increase in provisions relates to the closure of Swiss facility
- ‘Other’ relates to non-trade creditors
- Gross pension deficit at record low, reduced in line with liability management projects, additional contributions paid and assumptions
- Period closed with net debt of £6.8m
- Net assets increased 24.2% to £65.7m

	Sept 2015	Sept 2014	
	£m	£m	
Cash generation from operations before exceptional items	8.9	6.6	<ul style="list-style-type: none"> ▪ Cash generation from operations increased 35% ▪ Majority of cash related to exceptional items to be incurred in H2
Exceptional items	(0.2)	-	<ul style="list-style-type: none"> ▪ Pension payments – UK asset backed arrangement providing certainty over future payments
Pensions	(2.1)	(2.0)	
Tax and interest	(2.2)	(3.3)	<ul style="list-style-type: none"> ▪ Low cash tax in the period – decline from prior year that included capital gain on French land sale
Dividend	(2.2)	(1.5)	
Capex	(5.6)	(3.5)	<ul style="list-style-type: none"> ▪ Year end dividend of £2.2m
Net movement in debt	(3.4)	(3.7)	<ul style="list-style-type: none"> ▪ Capex higher than prior year, investments in France associated with the site move and a new coating line in Asia

	Sept 2015	March 2015	Sept 2014
Underlying ETR (%)	23.7	25.1	28.0
Underlying cash tax rate (%)	21.2	21.8	36.6

Liabilities



Tax

- Underlying effective tax rate continues to fall
- Group tax strategy continues to focus on the reduction of the Group effective tax rate and management of cash tax payable
- Cash tax and ETR will align, driven by utilisation of US losses and additional profits in France following the transfer of Swiss business
- Limited impact of OECD BEPS, as all tax planning has strong commercial justification and the Group does not utilise hybrid entities/ tax havens

Pensions - IAS19 Improvements

- UK deficit at all time low of £22.9m, Group deficit £31.7m
- Rebased to 2015 discount rates the UK 2013 deficit would be £43.9m or **£21m** of value added above assumption changes
- Targeted approach specific for each liability set
- Buy-out a realistic ambition; Nil IAS19 a medium-term goal



Market Review

Diversified Business Portfolio

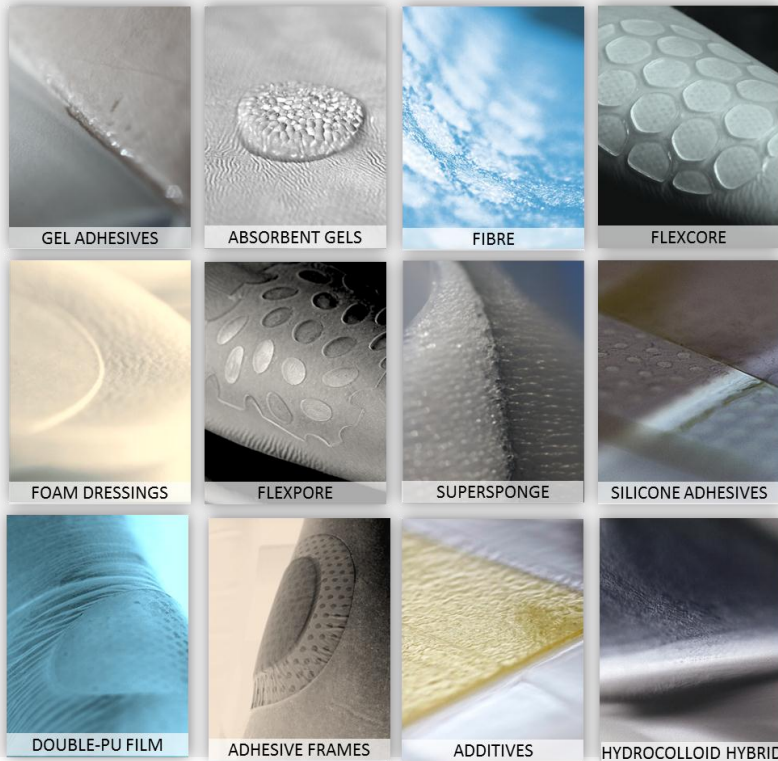
- Strategic and meaningful engagement with 3 out of 4 of the world's top Wound Care companies
- Launched hydrogel wound dressing with key partner
- Launched new perforation capability for Scapa Soft-Pro® Silicone Gel adhesives

- Designated as Partner Enabled Development supplier by J&J Consumer
- First Water acquisition added two world leading consumer Healthcare companies
- Leveraging expertise of professional Wound Care into consumer market



- MEDIFIX Solutions™ gaining momentum
- Launched long term wear adhesive capabilities
- Focus on development revenue
- 10+ NDAs executed

- Specified in technology platform for diabetes care beyond 2018 launch
- Developed drug infusion component with market launch planned for the end of 2016



- Financial performance on target
- Integration on plan
- Former Directors of First Water have integrated into Scapa Healthcare
 - Managing Director, EU
 - Global Innovation and Design Director
- First Water innovation portfolio driving customer engagement
- Launched new products incorporating unique designs and hydrogel technology
 - Existing and new customer acquisition
 - Advanced Wound Care
 - Consumer Wellness
- Designated First Water as global centre of excellence for innovation and development

New Products and Innovations












Scapa Healthcare - Johnson & Johnson

Participation at the annual Innovation Day



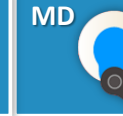
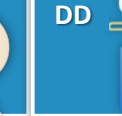


Strategic engagement - top projects

	Description	Customer Segment	Status
FY 15	Perforated Silicone Gel 	European Wound Care Companies	Launched in key global markets, good initial feedback received
	Wound Care Drape 	Global Wound Care Company	Waiting refile with FDA
	Consumer Wound Care 	Global Consumer Company	Launching in 2015
	Flange Extender 	UK Ostomy Company	Product launched in key markets. Further market penetration due in 2015.
FY 16	Single Injectable Device 	Global Pharma	Pending European approval from notified bodies
	Infusion Plasters 	Global Pharma	Negotiating supply agreement
	Wound Care Dressing 	Global Wound Care Company	Product launched
	Blister Care 	Global Wound Care Company	Product Launched
	Wound Care Dressing 	Global Consumer Company	Scheduled to launch in Q4
FY 17	Blister Care	Global Consumer Company	Scheduled to launch in Q2
	Dilator Materials	Global Consumer Company	Development work
	Dilator Design	Global Consumer Company	Initial concept work
	Wound Closure	Global Wound Care	Scheduled to launch in Q1
	Neonatal Sensor	Global Medical Device	Development work

Business development activity to fill strategic gaps

- Expand and strengthen current capabilities
- Exploring adjacent markets
- New growth platform
 - Trans-dermal
 - Diagnostics
 - Other
- Deep dive into several targets

	AWC 	CW 	MD 	DD 	New Growth Platform
Design/Product Innovation	+	+	·	·	
Formulation	·	·	·	·	
Adhesives	+	+	+	+	
Coating	+	+	+	+	
Converting	+	+	+	+	
Printing/Packaging	+	+	+	+	
Components for Finished Assembly	·	·	X	X	
Finished Product Assembly	+	·	X	X	
In House Sterilization Services	X	X	X	X	
Logistic Services	·	·	·	·	

+ Good Capabilities · Mixed Capabilities X No Capabilities

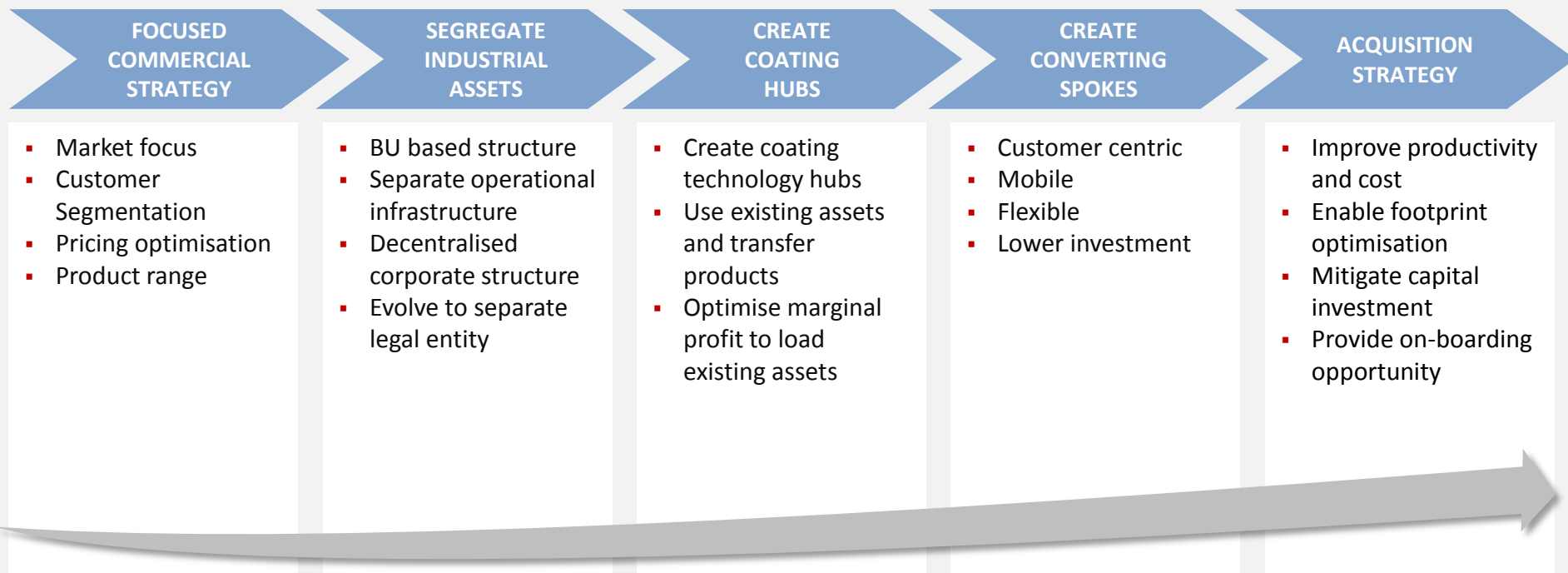
- Growth in every region, globally +14.1%
- Increased engagement with major OEMs including Ford, JLR and General Motors
- Developed solvent free solutions to address environmental trend, approved and received orders from major OEM



- Decline in sales of 2.1% reflecting the macro, NA flat and Europe down 3.4%
- France continues to exceed market with 1% growth
- Reinforcing and introducing brands across product segments to strengthen market position
 - Polyflex - marine segments
 - Flex Xtra - construction segments
 - Trapper - multi-segment duct tape

- Flat sales year on year
- Lower oil and commodity prices reducing demand and new projects
- Infrastructure and construction projects in Middle East and Asia driving new demand

- Revenue down year on year
- Focus on increasing segment profitability
- Won a world leading manufacturer of interior laminates as new customer in NA
- Major retailer returned which originally left based on price



Roadmap to industry average margins

Footprint consolidation: France



Site specifics

- 41,000m² Site (owned)
- Total work force 160 employees
- 2 coating lines and associated adhesive mixing technologies
- 10 major slitters and associated packaging lines
- Coating capacity 20million m²
- Scope for further expansion

Project highlights

- Completed in 12 months from breaking ground
- Total cost £6m – on plan, funded from land sale and government subsidies
- Seamless transfer of activities with zero sales overdue arising from project
- Project delivered during a record sales year for the French legal entity
- Potential coating capacity up from 13 to 20million m²
- Working in partnership with local and regional government
 - Received grants and tax credits €0.7m
 - Designed a planning scheme to convert the site to 400 apartments over five floors - received planning permission on an accelerated schedule (6 months)
 - Tendered the site to developers for €4.0m
 - Contract in place to sell Bellegarde site on similar scheme for €1.0m



Site specifics

- 28,000m² site
- 18,000m² buildings
- Located in the canton of St Gallen, on the shores of Lake Constance, NE Switzerland
- Site sits directly adjacent to train terminal and Zurich is reachable within 1 hour
- Local government has medium term plans for developing Rorschach on the back of proposed new transport links between Zurich and Munich

Project highlights

- Swiss operation can be incorporated into Valence, France with moderate capex
- Potential £2m annual profit improvement
- Expect to be cash generative from sale of land
- Proceeds from sale of land and buildings £5m-7m based on current state and zoning. Proposing the same approach as in Branly, France to maximise proceeds

TARGET TYPE	COMMENTS
Coating	<ul style="list-style-type: none"> Consolidate capacity and enhance efficiency of remaining facilities Improve productivity and cost Accelerate footprint optimisation
Converting	<ul style="list-style-type: none"> Add design and converting capabilities to further expand value proposition and enhance customer intimacy On-board tape volume to existing coating facilities
Adjacencies	<ul style="list-style-type: none"> Similar products, such as films, serving existing core end markets and customers Attractive new end markets leveraging existing capabilities and technologies
New Platforms	<ul style="list-style-type: none"> Add new technologies and / or capabilities applicable to existing core end markets and customers to increase share of wallet

GAIN SCALE IN CHOSEN END MARKETS

WIDEN PRODUCT AND SERVICE RANGE AVAILABLE TO EXISTING CUSTOMERS

IMPROVE PRODUCTIVITY AND PROFITABILITY

Healthcare

- To become the strategic Turn-Key partner for our customers
- Continue to add capabilities to further expand value chain
- Explore adjacent markets
- Grow organically or through acquisitions

Industrial

- Maximise the Return on Capital Employed (ROCE)
- Deliver performance ahead of the macro through focused approach to customers and markets
- Continue to execute the footprint optimisation
- Acquisitions to drive scale or accelerate asset optimisation

Outlook

- We have the strategy, structure and resources in place to deliver on our strategic goals
- We expect to make further progress for the remainder of the year and beyond



Data Appendix

Term	Definition
Adjusted profit after tax	Trading profit, less cash interest payable, less tax on operating activities
Adjusted profit before tax	Trading profit, less cash interest payable
Effective tax rate	Total tax charge divided by profit before tax
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
Adjusted earnings per share	Adjusted profit after tax divided by the number of shares in issue
Underlying effective tax rate	Tax charge on trading activities divided by trading profit less cash interest

Reconciliation of adjusted EPS

	2014	2015
	Sept	Sept
	£m	£m
Trading profit	8.5	10.0
Cash interest payable	(0.3)	(0.3)
Tax on operating activities	(2.3)	(2.3)
Adjusted profit after tax	5.9	7.4
Shares in issue	146.8	147.3
Adjusted EPS	4.0p	5.0p

	2015 Sept £m
UK pension settlement gain	0.6
Total exceptional income	0.6
Rorschach site closure costs	(3.4)
Rorschach asset write-offs	(1.5)
Total exceptional expense	(4.9)
Net exceptional expense	(4.3)

	2014 Sept £m	2015 Sept £m
Cash interest payable	(0.3)	(0.3)
Net discount on provisions		
IAS 19R finance costs	(0.9)	(0.5)
Total finance costs	(1.2)	(0.8)

Analysis of facilities and headroom

	2014 Sept £m	2015 Mar £m	2015 Sept £m
Net cash	1.7	(3.4)	(6.8)
Committed facilities	40.0	40.0	40.0
Overdrafts/other	1.0	1.6	1.6
Total Headroom	42.7	38.2	34.8
Net debt/EBITDA	n/a	0.1x	0.3x
EBITDA interest cover	37x	34x	36x
Drawn debt	(11.4)	(20.1)	(22.7)

Reconciliation of tax charge

	2014 Sept £m	2015 Mar £m	2015 Sept £m
Profit before tax	6.2	13.7	3.3
Theoretical UK tax on trading activities	(1.3)	(2.9)	(1.6)
Effect of overseas tax rates <small>(Includes CVAE, IRAP and US capital tax)</small>	(0.4)	(1.7)	(0.5)
Tax on exceptional items	0.1	0.3	1.1
Other items	(0.6)	0.1	(0.2)
Tax charge for the year	(2.2)	(4.2)	(1.2)

Reconciliation of effective tax rate

	2014	2015	2015
	Sept	Mar	Sept
	£m	£m	£m
Profit before tax	6.2	13.7	3.3
Tax charge	(2.2)	(4.2)	(1.2)
Headline effective tax rate	35.5%	30.6%	36.4%
Trading Profit	8.5	18.6	10.0
Cash interest	(0.3)	(0.7)	(0.3)
Adjusted PBT	8.2	17.9	9.7
Tax on operating activities	(2.3)	(4.5)	(2.3)
Underlying effective tax rate	28.0%	25.1%	23.7%

Reconciliation of cash from operations

	2014 Sept £m	2015 Mar £m	2015 Sept £m
Operating profit	7.4	16.0	4.1
Depreciation and amortisation	3.4	6.6	3.7
Working capital movement	(3.6)	(2.7)	(1.5)
Other	(0.2)	2.6	2.8
'Free cash flow'	7.0	22.5	9.1
Pensions	(2.0)	(4.2)	(2.1)
Exceptionals	-	(0.7)	(0.2)
Cash generated from operations	5.0	17.6	6.8

Analysis of Trading Working Capital

	2014	2015	2015
	Sept	Mar	Sept
	£m	£m	£m
Trade debtors	37.5	42.8	40.9
Stock	26.1	24.8	27.7
Trade creditors	(27.1)	(29.5)	(30.0)
	36.5	38.1	38.6
Sales (12mth rolling)	229.2	236.0	240.6
% Revenue	15.9%	16.1%	16.0%

Legacy pension cash flows and funding

	2014 Sept £m	2015 Mar £m	2015 Sept £m
Cash contributions: UK	2.0	3.5	1.9
Cash contributions: UK catch up 2013	-	-	-
Cash contributions: Overseas	-	0.7	0.2
Cashflow in excess of P&L charge	2.0	4.2	2.1
Pension admin costs	0.3	0.7	0.4
Total cash (deficit, operating and admin)	2.3	4.9	2.5

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.

Any forward-looking statement is based on information available to Scapa as of the date of the statement. All written or oral forward-looking statements attributable to Scapa are qualified by this caution. Scapa does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Scapa's expectations.