



# Scapa Group plc

Preliminary Results 2016 and acquisition of EuroMed Inc  
Investor Presentation

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

- Market leading developer and manufacturer of bonding materials and solutions
- Sales and manufacturing facilities throughout Europe, North and South America and Asia
- 1,400+ employees in 11 countries and 20 locations
- Established in 1927



## Financial Highlights

- Revenue grew 4.5% to £246.7m (2015: £236.0m); 4.1% at constant exchange rates
- Trading profit\* increased 14.5% to £21.3m (2015: £18.6m); 14.5% at constant exchange rates
- Trading profit\* margins further improved to 8.6% (2015: 7.9%)
- Adjusted earnings per share\*\* increased 16.5% to 10.6p (2015: 9.1p)
- Basic earnings per share of 4.1p (2015: 6.5p)
- Final dividend increased to 1.75p (2015: 1.50p)
- Net debt of £2.6m (2015: £3.4m) after site closure costs and First Water earn-out

## Operational Highlights

- Healthcare revenue increased 26.4% to £93.3m (2015: £73.8m); 19.2% at constant exchange rates
- Organic growth of 17.9% excluding First Water
- Healthcare trading profits increased 26.1%; 17.6% growth at constant exchange rates - maintaining margins at 15.0% as it continues to invest for growth
- US\$35m Healthcare acquisition of EuroMed Inc on 23 May 2016; US\$2.5m EBITDA on revenue of US\$18.0m for the financial year ended 31 December 2015
- Signed a six-year contract extension with Convatec, a world leading wound therapeutics company
- New Partner Enabled Development (PED) product launched with Johnson & Johnson
- Successfully integrated First Water, strengthening innovation and development capabilities
- Industrial profits grew 7.0%; 16.3% at constant exchange rates, and margins increased to 7.0% (2015: 6.2%) further improving the quality of the business
- Consolidation of the French sites completed on time and on budget
- Closure of the Swiss facility on plan and expected to complete in H2 of 2016/17
- Invested new equipment in Canada and South Korea to support growth in their Construction and Automotive markets

\* Operating profit before 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

## Income statement

	2016 March £m	2015 March £m	
<b>Revenue</b>	<b>246.7</b>	236.0	<ul style="list-style-type: none"> <li>Revenue increased 4.5% (4.1% at constant fx)</li> </ul>
<b>Trading profit</b>	<b>21.3</b>	18.6	<ul style="list-style-type: none"> <li>Trading profit increased 14.5%</li> </ul>
<b>Margin %</b>	<b>8.6%</b>	7.9%	<ul style="list-style-type: none"> <li>Trading profit margins increased to 8.6%</li> </ul>
Amortisation of intangibles	(2.3)	(1.4)	<ul style="list-style-type: none"> <li>Amortisation includes First Water intangible assets from February 2015</li> </ul>
Exceptional items	(6.6)	(0.5)	
Pension administration costs	(0.7)	(0.7)	
Interest payable - cash	(0.7)	(0.7)	
Interest payable - non cash	(1.2)	(1.6)	<ul style="list-style-type: none"> <li>Non-cash interest (IAS 19R) decreased - continued progress on pension programme</li> </ul>
Taxation	(3.7)	(4.2)	
<b>Profit for the year</b>	<b>6.1</b>	9.5	<ul style="list-style-type: none"> <li>Adjusted EPS increased 16.5%</li> </ul>
Basic EPS (p)	4.1p	6.5p	
<b>Adjusted EPS (p)</b>	<b>10.6p</b>	9.1p	<ul style="list-style-type: none"> <li>Dividend increased 16.7%</li> </ul>
Dividend (p)	1.75p	1.5p	

## Analysis of exceptional Items

	<b>2016 March £m</b>
US pension settlement gain	1.0
UK pension settlement gain	0.6
Bellegarde land sale	0.5
<b>Total exceptional income</b>	<b>2.1</b>
Rorschach site closure costs (Cash)	(3.5)
Rorschach asset write-offs (Non-Cash)	(1.6)
First Water earn-out	(2.0)
Reorganisation costs	(1.2)
Abortive acquisition costs	(0.4)
<b>Total exceptional expense</b>	<b>(8.7)</b>
<b>Net exceptional expense</b>	<b>(6.6)</b>

- US pension project yielded £1.0m gain on member exits
- Pension gain in UK related to FRO exits
- Legacy site in Bellegarde France sold for €0.8m
- Rorschach closure costs £5.1m (£3.5m cash cost)
- First Water earn-out paid in full
- Reorganisation costs related to Group restructure
- Disciplined approach to acquisitions cost £0.4m

## Strong balance sheet to support growth

	<b>2016</b>	2015
	<b>March</b>	March
	<b>£m</b>	£m
Goodwill and intangible assets	<b>38.1</b>	39.5
Fixed assets	<b>46.1</b>	42.0
Working capital	<b>40.4</b>	38.1
Other	<b>(11.0)</b>	(12.5)
Provisions	<b>(5.4)</b>	(2.4)
Tax	<b>(4.2)</b>	(4.1)
Pension deficit	<b>(27.5)</b>	(39.8)
Deferred tax on pensions	<b>3.8</b>	4.4
Net pension deficit	<b>(23.7)</b>	(35.4)
Net debt	<b>(2.6)</b>	(3.4)
Net assets	<b>77.7</b>	<b>61.8</b>

- Working trading capital well controlled at 16.4% of revenue (2015: 16.1%)
- Increase in provisions relates to the closure of the Swiss facility
- Gross pension deficit significantly reduced and at record low
- Period closed with net debt of £2.6m against banking facilities of £60m
- Net debt 1x EBITDA post acquisition of EuroMed
- Balance sheet further strengthened; net assets increased 25.7% to £77.7m

## Strong cash generation from operations

	<b>March 2016</b>	March 2015
	<b>£m</b>	£m
<b>Trading profit</b>	<b>21.3</b>	18.6
Depreciation	<b>5.2</b>	5.2
<b>EBITDA</b>	<b>26.5</b>	23.8
Working / other capital	<b>(3.8)</b>	(3.9)
Pensions	<b>(4.4)</b>	(4.2)
Tax & interest	<b>(3.6)</b>	(4.5)
Dividend	<b>(2.2)</b>	(1.5)
Net capex	<b>(9.7)</b>	(7.5)
Acquisitions	<b>(2.0)</b>	(11.0)
<b>Net cash inflow</b>	<b>0.8</b>	<b>(8.8)</b>

- Group remains highly cash generative, net cash from operations 90% of trading profit
- Pension payments – UK asset backed arrangement providing certainty over future payments
- Tax paid £3.0m “normal” run rate; prior year included €1m capital gain on French site
- Increase in capex associated with site consolidation projects and other strategic investments (Canada / South Korea)
- £2m First Water earn-out paid in full

## Pensions

- Gross deficit decreased 30.9% to £27.5m
- UK scheme < 1,700 members (2012 was over 4,000). Classed as an 'old' scheme with average age now 63, and getting older
- Asset performance, FRO project and changes to assumptions saw UK deficit fall £10.8m in the year
- Liability management projects extended to the US with lumps sum exits creating £1.0m settlement credit
- Project pipeline exists for on going liability management

	2016	2015
Gross deficit	<b>£27.5m</b>	£39.8m
Contributions	<b>£4.7m</b>	£4.3m
Administration expenses	<b>£0.7m</b>	£0.7m

## Taxation

- ETR continues to fall in line with projections as a result of delivery of group tax strategy
- Cash tax payable is likely to increase next year, principally driven by the expected utilisation of tax losses in the US
- Additional focus on risk and compliance during the year, with the conclusion of reviews focusing on transfer pricing and VAT
- The tax audit of Scapa France concluded prior to the year end, with adjustments of less than £0.1m across all taxes

	2016	2015
Tax on trading activities	<b>£4.9m</b>	£4.5m
Underlying ETR(%)	<b>23.8%</b>	25.1%
Cash tax paid (£m)	<b>£3.0m</b>	£3.9m
Cash tax / Trading profit(%)	<b>14.1%</b>	21.0%

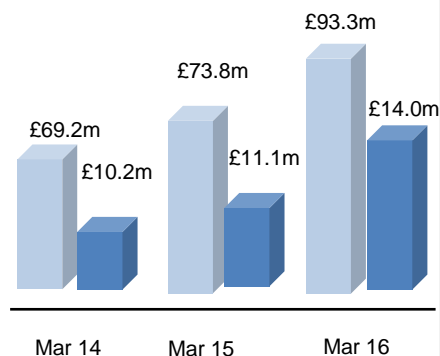




# MARKET REVIEW



## Healthcare

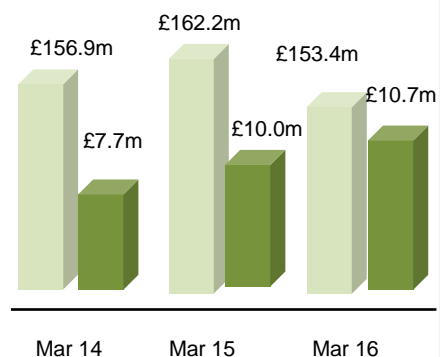


**Revenue split 37.8%**  
(2015: 31.3%)

**Margin 15.0%**  
(2015: 15.0%)

- Revenue growth of 26.4%; constant fx 19.2%
- Organic growth 17.9%
- Revenue increased to 37.8% of Group; increasing to 40.8% upon acquisition of EuroMed
- Trading profits increased 26.1%
- Margin maintained at 15.0%
- Accounts for 65.7% of trading profits
- Acquisition of EuroMed

## Industrial



**Revenue split 62.2%**  
(2015: 68.7%)

**Margin 7.0%**  
(2015: 6.2%)

- Revenue decreased 5.4%; constant fx 3.3%
- Trading profit increased 7.0%; constant fx 16.3%
- Margins improved to 7.0%
- Focus on optimising Return on Capital Employed (ROCE)
- Consolidation of French sites on time and on budget
- Closure of Swiss facility on plan
- Growth in Auto and Cable
- Decline in European construction and specialty products

- Signed a six-year contract extension with Convatec
- Launched Hydrogel FlexPore (patent pending) dressing with key partner
- Developed SoftPro® Silicone Gel with perforations
- Strategic engagement with all top five wound care companies
- Working with next tier wound care companies to fill their portfolio with turn-key solutions

- Designated as Partner Enabled Development (PED) supplier by J&J consumer
- Launched second PED product with J&J
- Successfully launched two new First Water products with two global consumer Healthcare companies
- Expanded into foot care and beauty segments



- Introduced 14-day wear time MEDIFIX® Solutions
- Development revenue increased 100%
- 16 NDAs executed
- Working with world's foremost digital medication monitoring company

- Specified in technology platform for diabetes care
- Engagement with major players in the global infusion set marketplace

# First Water integration

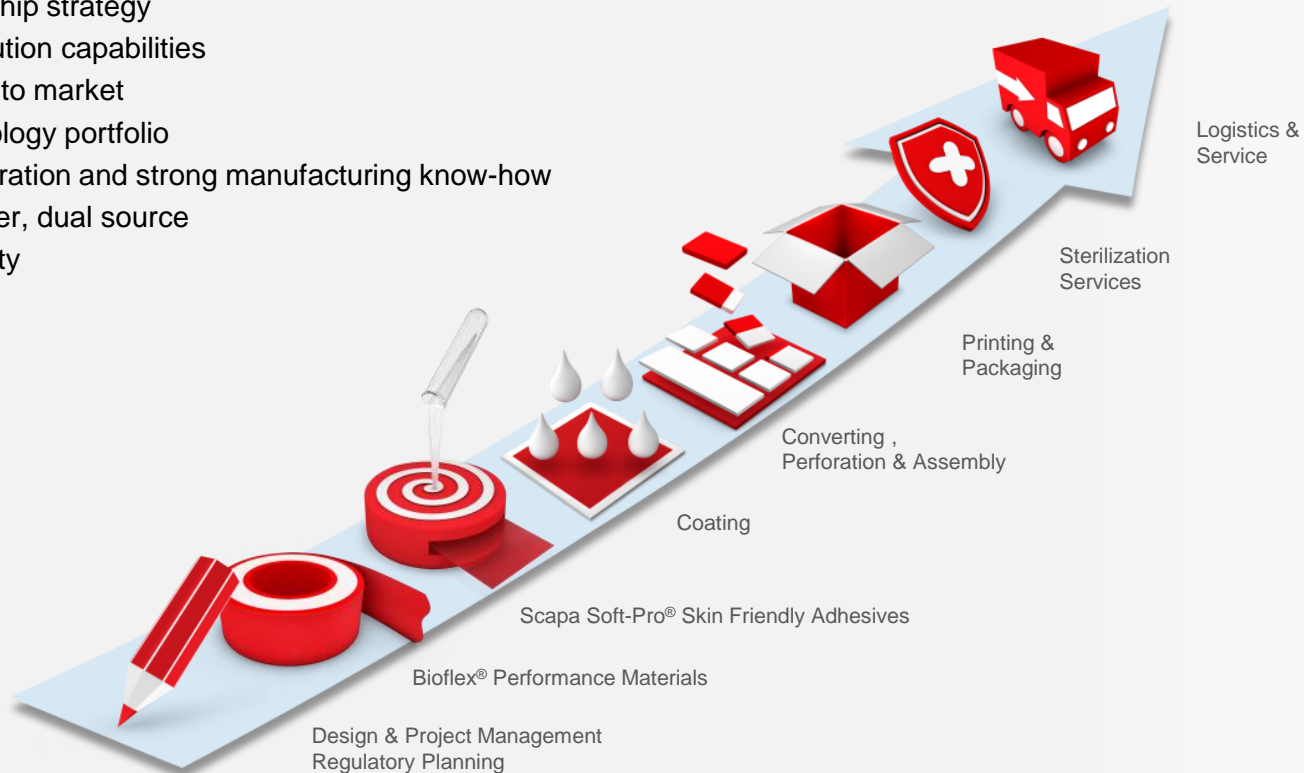
## Delivering growth and strengthening our value chain

- Successful first year for Ramsbury site
  - Revenue growth 24.9%
- Leveraged hydrogel technology with Scapa Healthcare customers
  - CW & AWC segments
- Launched two products to global consumer Healthcare companies
- Broadened engagement across Scapa Healthcare
  - Design and Innovation, R&D, Operations, Quality, Regulatory



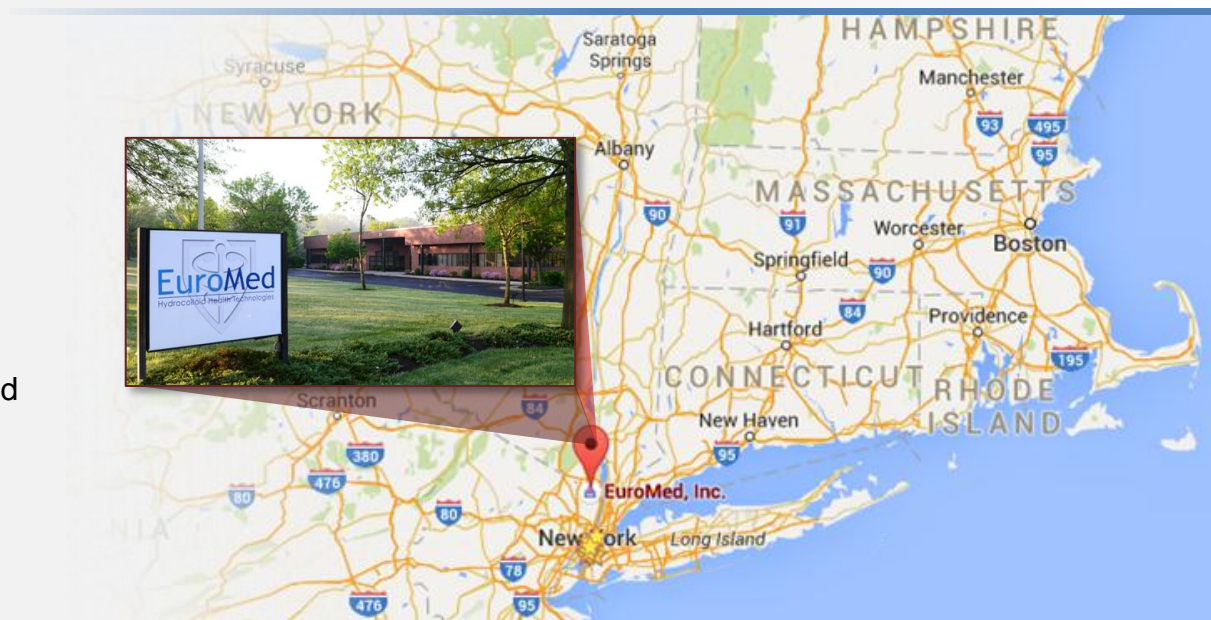
# Skin friendly turn-key solutions

- B2B partnership strategy
- Turn-key solution capabilities
- Rapid speed to market
- Broad technology portfolio
- Vertical integration and strong manufacturing know-how
- Single supplier, dual source
- Trusted quality



# History

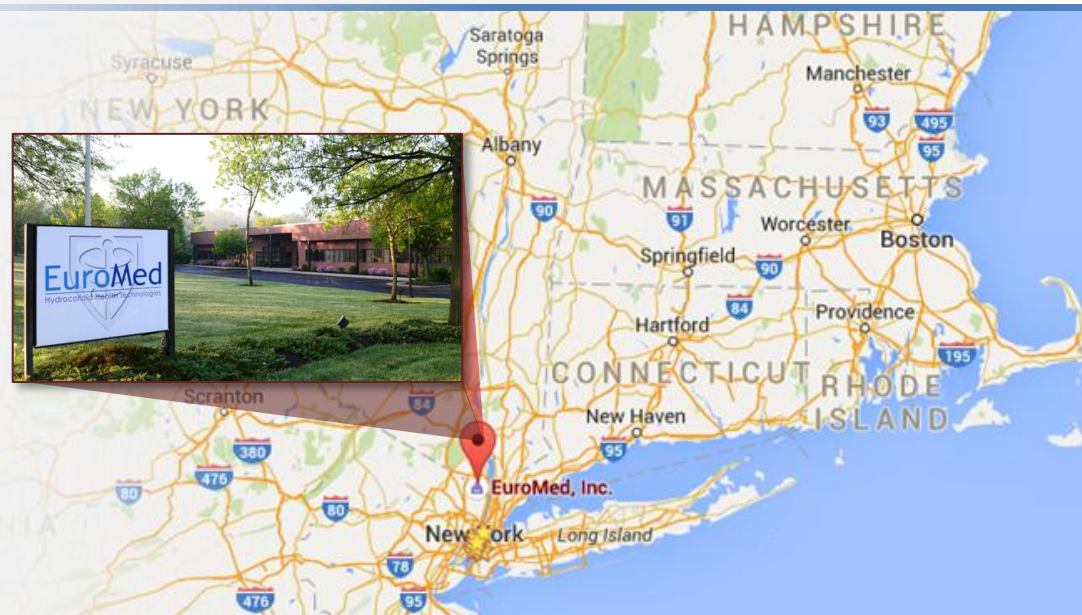
- Orangeburg, NY
- Employees: 122
- Established in 1991 in Denmark
- Re-located to New York in 1996
- Specialized in development and manufacturing of hydrocolloid dressings
- **IP Portfolio of over 40 patents**
- Segments served: Consumer Wellness and Advanced Wound Care
- ISO certified with state-of-the-art manufacturing and class 8 Clean Room
- CY2015 net sales of \$18.0m and Adjusted EBITDA of \$2.5m





## Transaction terms

- Cash consideration of \$35m
- Further payment of up to \$7m depending on achievement of EBITDA targets
- Funded from existing cash and bank facilities
- Accordion drawn post year end to facilitate acquisition; committed facilities now £60m
- Expected to be accretive in first full year



## Full turn-key capabilities



### Research & Development

- Prototyping and testing capabilities
- Design and development expertise and support
- Pilot R&D line including extrusion & laminating capabilities



### Extrusion & Conversion

- ISO class 8 clean room
- Up to 4 station web conversion
- Compliant with:
  - ISO 13485:2003
  - ISO 9001: 2008
  - FDA CFR 21 Part 820



### Printing & Packaging

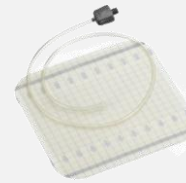
- In-line primary packaging
- Semi-automated retail packaging
- External sterilization with E-beam



## Broadened technology portfolio Hydrocolloid adhesives

### Benefits:

- Absorbent
- Self-adhering
- Waterproof
- Moist wound healing environment ideal for consumer wounds or advanced care
- Beveled edges gently secure bandages to skin



### Expands technology offering into existing Scapa Healthcare markets:

#### Advanced Wound Care

- Low-moderate exudation
- Post-op incisions
- Diabetic ulcers
- Pressure sores
- Burns
- Ostomy

#### Consumer Wellness

- Foot care
- First aid
- Personal care
- Skin care

### HydroSoft™ - Proprietary Hydrocolloid low-trauma adhesive

- Alternative to silicone
- Ideal for fragile skin
- Low-trauma removal
- Repositionable
- Gamma sterilization



# Broadened technology portfolio

## Design of compelling and differentiated product solutions



**Advanced  
Wound Care**



**Consumer  
Wellness**



**Medical  
Devices**



**Drug  
Delivery**

Capability Enhancement on-going  
Substrate Evaluation on-going

### Bioflex® Performance Materials

- Films
- Foams
- Sponges
- Fibre Composites

### Scapa Soft-Pro® Adhesives

- Acrylics
- Silicone
- Polyurethane
- Hydrogel
- **Hydrocolloid**
- **HydroSoft™**

### Antimicrobials

- Slow acting (Silver)
- Fast acting (BZ, CHG)
- Proprietary (foam & sponge)

### Additives

- Honey
- **Aloe**
- **Salicylic Acid**
- **Coco butter**

### MEDIFIX Solutions™

- MEDIFIX® Long-term Wear
- Welding (film to housing)
- Unique backing materials

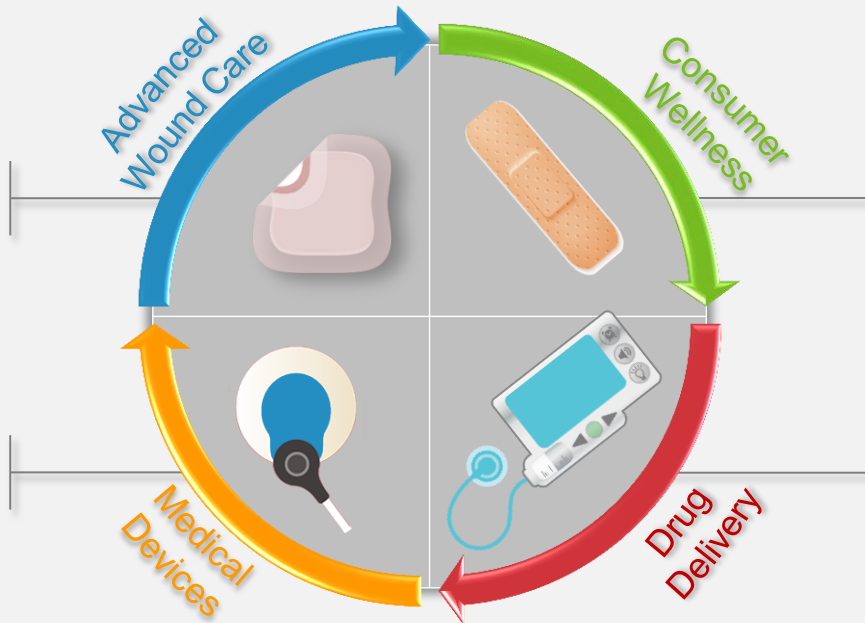
### Finished Products

- Consumer Dressings
- FlexPore, perforation
- Antimicrobial Dressings
- **Beveled Edge**

# Expanding our capabilities in all markets

- HydroSoft™ adhesive positioned as an alternative to silicone
- NPWT: hydrocolloid used on portable
- Proprietary hydrocolloid outsource opportunity

- Hydrocolloid substitute for acrylic adhesives in LTW applications
- Numerous product design options utilizing beveled edge hydrocolloids
- HydroSoft™ utilized for fragile skin applications

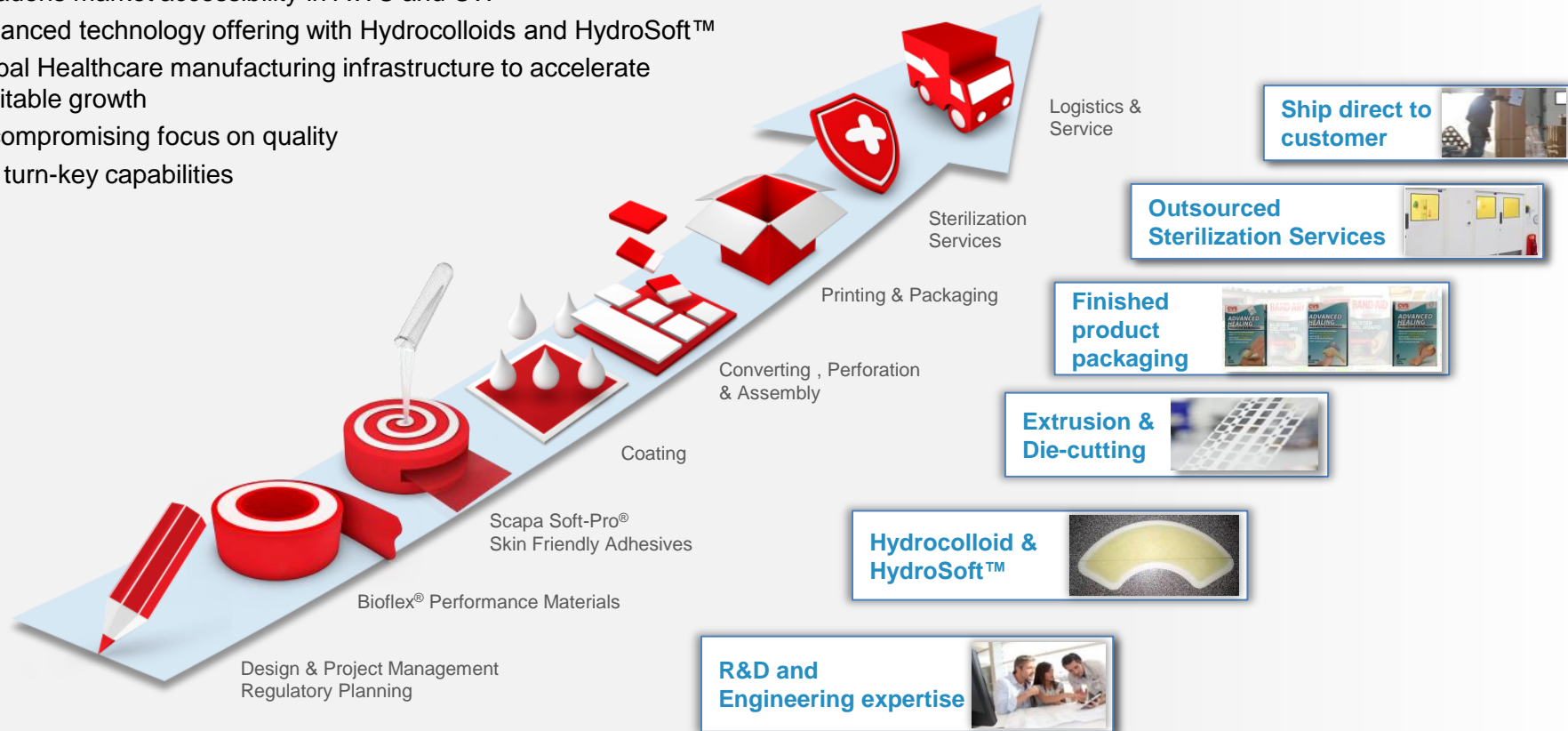


- Expand presence in global hydrocolloid consumer market
- Entry to scar management market
- Cracked Heel development programs align with First Water hydrogel technology
- Health & Beauty Market: Development of acne and age spot patches

- Hydrocolloids and HydroSoft™ expands device fixation LTW adhesives portfolio

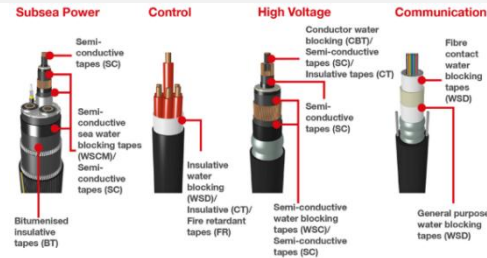
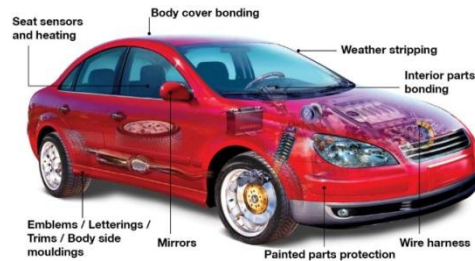
## Additive across the full value chain

- Similar business model: *B2B partnership strategy*
- Expands Scapa's customer base (EU & AP)
- Broadens market accessibility in AWC and CW
- Enhanced technology offering with Hydrocolloids and HydroSoft™
- Global Healthcare manufacturing infrastructure to accelerate profitable growth
- Uncompromising focus on quality
- Full turn-key capabilities



## AUTOMOTIVE

- Significant growth in Asian customer base
- Robust pipeline driven by new car model qualifications
- Launch of new water-based technology to meet pending regulations

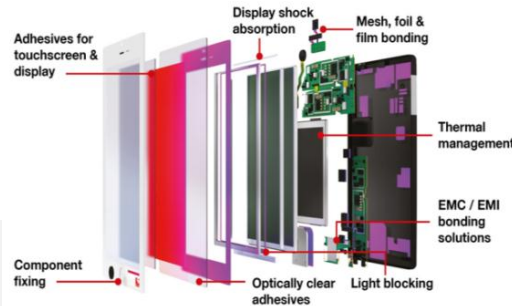
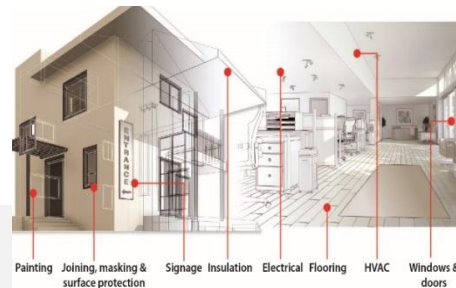


## CABLE

- Pipeline of new products to expand presence within our global customer base
- Global growth through new project awards
- Target expansion into marine markets

## CONSTRUCTION / CONSUMER

- New House Wrap product for DIY and professional markets.
- Investment in Canada to meet growing demand
- Strong strategic partnerships with WD-40 Kimberly Clark, and NHL



## SPECIALTY

- New high performance Exafit product line
- Margin improvement across the segment
- Ongoing expansion of electronics applications including top OEM manufacturers



## Site specifics

- 41,000m<sup>2</sup> 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 m<sup>2</sup>
- 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 m<sup>2</sup>
- Working in partnership with local and regional government
  - Received grants and tax credits €0.7m
  - Site will be developed for apartments for senior citizens
  - Tendered the site to developers for £3.4m
  - Sold Bellegarde site on similar scheme for €0.8m





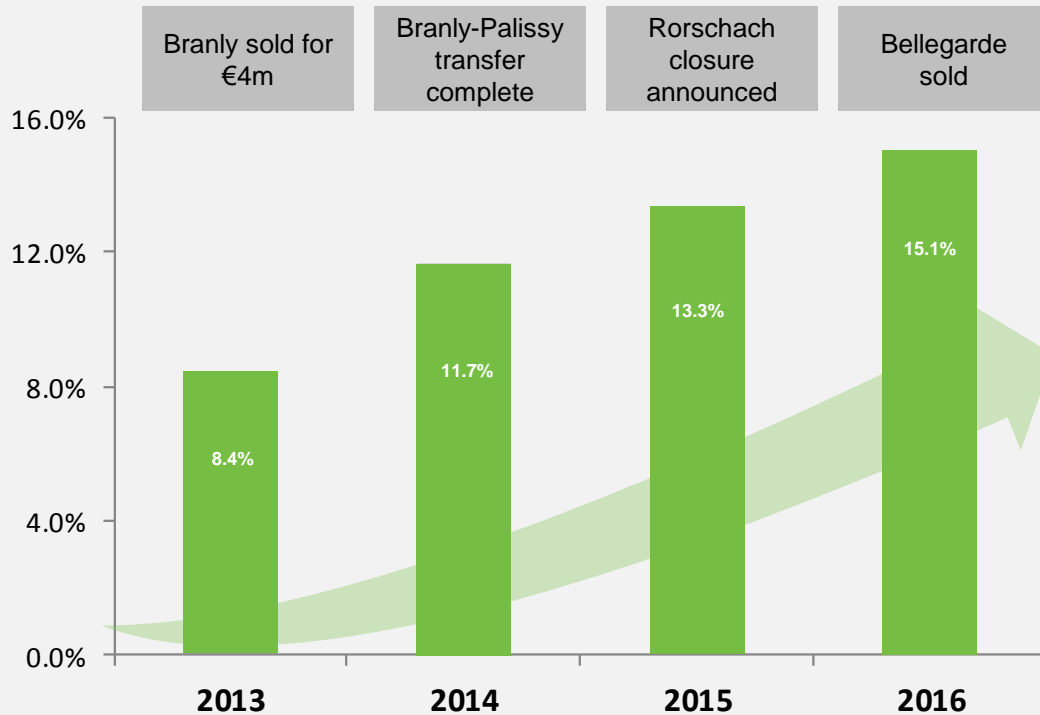
## Site specifics

- 28,000m<sup>2</sup> site
- 18,000m<sup>2</sup> buildings
- Located in the canton of St Gallen, on the shores of Lake Constance, NE Switzerland
- Site sits directly adjacent to train station 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

- Progressing well with transfer of products to Valence
- On track for 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.
- Currently establishing re-zoning with Rorschach town – in early stages of marketing site to investors

# Increase ROCE through optimising the asset base



## Reduce Assets Employed

- Rorschach closure H2 2016/17
- Further site consolidations
- Asset allocation and utilisation initiatives

## Increase Profitability

- RoS increased from 4.6% to 7.0%
- Continued focus on self help
- Site consolidations realising cost savings



# Investment in efficiency and capacity

Calender, Canada



UV Coating Line, Korea



## Healthcare

- Continue delivering profitable growth organically and through acquisitions
- Embed and exploit the acquisition of EuroMed
- Strengthen our value chain and deepen our strategic engagement with our global customers

## Industrial

- Further drive ROCE through optimising the asset base
- Continue to focus on efficiency improvement and cost control
- Focus on key markets where we can gain market share

## Outlook

- We are confident that executing our strategies will deliver long-term growth and we fully expect to make further progress in the year ahead

# Appendix

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

	<b>% Revenue</b>	<b>Average rate</b>	<b>Average rate</b>	<b>Currency Effect</b>	
	<b>2015/16</b>	<b>Full year 2015/16</b>	<b>Prior Year 2014/15</b>	<b>Full year 31/3/2016</b>	
EURO	25%	1.36	1.28	( 6.3%)	
USD\$	50%	1.50	1.61	6.8%	
CAD\$	10%	1.97	1.84	(7.1%)	
				<b>Weighted impact</b>	<b>1.1%</b>

## Reconciliation of Adjusted EPS

	<b>2016</b>	2015
	<b>March</b>	March
	<b>£m</b>	£m
Trading profit	<b>21.3</b>	18.6
Cash interest payable	<b>(0.7)</b>	(0.7)
Tax on operating activities	<b>(4.9)</b>	(4.5)
Adjusted profit after tax	<b>15.7</b>	13.4
Shares in issue	<b>148.3</b>	146.8
Adjusted EPS	<b>10.6p</b>	9.1p

## Reconciliation of effective tax rate

	<b>2016</b>	2015
	<b>March</b>	March
	<b>£m</b>	£m
Profit before tax	<b>9.8</b>	13.7
Tax charge	<b>(3.7)</b>	(4.2)
Headline effective tax rate	<b>37.8%</b>	30.6%
Trading Profit	<b>21.3</b>	18.6
Cash interest	<b>(0.7)</b>	(0.7)
Adjusted PBT	<b>20.6</b>	17.9
Tax on operating activities	<b>(4.9)</b>	(4.5)
Underlying effective tax rate	<b>23.8%</b>	25.1%

## Reconciliation of tax charge

	<b>2016 March £m</b>	2015 March £m
Profit before tax	<b>9.8</b>	13.7
Theoretical UK tax on trading activities	<b>(2.0)</b>	(2.9)
Effect of overseas tax rates <small>(Includes CVAE, IRAP and US capital tax)</small>	<b>(1.7)</b>	(1.7)
Other items	-	0.4
Tax charge for the year	<b>(3.7)</b>	(4.2)



## Reconciliation of cash from operations

	<b>2016</b>	2015
	<b>March</b>	March
	<b>£m</b>	£m
Operating profit	<b>11.7</b>	16.0
Depreciation and amortisation	<b>7.5</b>	6.6
Working capital movement	<b>(1.2)</b>	(2.7)
Other	<b>5.4</b>	2.1
'Free cash flow'	<b>23.4</b>	22.6
Pensions	(4.4)	(4.3)
Exceptionals	(2.5)	(0.7)
	<b>16.5</b>	17.6

## Analysis of trading working capital

	<b>2016</b>	2015
	<b>March</b>	March
	<b>£m</b>	£m
Trade debtors	<b>43.3</b>	42.8
Stock	<b>27.1</b>	24.8
Trade creditors	<b>(30.0)</b>	(29.5)
	<b>40.4</b>	38.1
Sales (12mth calendar)	<b>246.7</b>	236.0
	<b>16.4%</b>	16.1%

## Legacy pension cash flows and funding

	<b>2016 March £m</b>	2015 March £m
Cash contributions: UK	<b>3.7</b>	3.5
Cash contributions: Overseas	<b>1.0</b>	0.8
Pension admin costs	<b>0.7</b>	0.7
<b>Total cash (deficit, operating and admin)</b>	<b>5.4</b>	5.0

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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