Essentra plc

Full Year Results 2023

19 March 2024

Welcome and Overview

Scott Fawcett
CEO

ESSENTRA

Agenda

1 2023 highlights

2 Financial performance

3 Strategic update

4 Outlook

5 Q&A

FY23 highlights

A resilient financial performance, navigating challenging macro-economic conditions

- Revenue of £316.3m, 4.4% decline on a constant currency basis[1]
- Adjusted[2] operating profit increased to £43.2m; margin expansion to 13.7% (2022: 7.4%)
- Pro-active, disciplined approach to cost management
- Strong pricing sustained, offsetting inflation

Strong balance sheet and cash generation, enabling investment in growth

- Excellent adjusted operating cash flow[2] generation of £48.2m with cash conversion of 111.6%
- Robust balance sheet with year-end net debt to adjusted EBITDA[2,3] of 1.0x
- Recommended final ordinary dividend of 2.4p per share (total dividend 2023: 3.6p)

Demonstrating strategic progress, and operational strength

- Central corporate costs re-sized, in line with the c.£13m run rate previously guided
- Strategically aligned bolt-on acquisition of BMP TAPPI completed in October 2023
- NPS score increased by 6 points to 40, and employee engagement at industry leading levels of 82%
- Excellent progress towards sustainability goals

1. Excludes the impacts of foreign exchange
2. On a continuing operations basis, before amortisation of acquired intangible assets and adjusting items
3. Including lease liabilities

Financial Performance

Jack Clarke

CFO

Resilient financial performance

Total revenue	Adjusted[1] operating profit	Adjusted[1] operating margin	Adjusted[1] operating cash conversion
£316.3m	£43.2m	13.7%	112%
2022: £337.9m	2022: £25.1m	2022: 7.4%	2022: 80%
-4.4% constant currency	+85.3% constant currency	+660bps constant currency	

Net debt to adjusted EBITDA incl. leases[2]	Return On Invested Capital[3]	Adjusted[1] Earnings per Share	Dividend per share
1.0x	12.4%	10.6p	3.6p
2022: 2.3x net surplus	2022: 13.3%	2022: 1.9p	2022: 3.3p

1. On a continuing operations basis, before amortisation of acquired intangible assets and adjusting items
2. Presented including lease liabilities. The ratio of net debt to adjusted EBITDA excluding lease liabilities was 0.5x (2022: net funding surplus 3.3x).
3. ROIC adjusted for the acquisition of BMP TAPPI in October 2023

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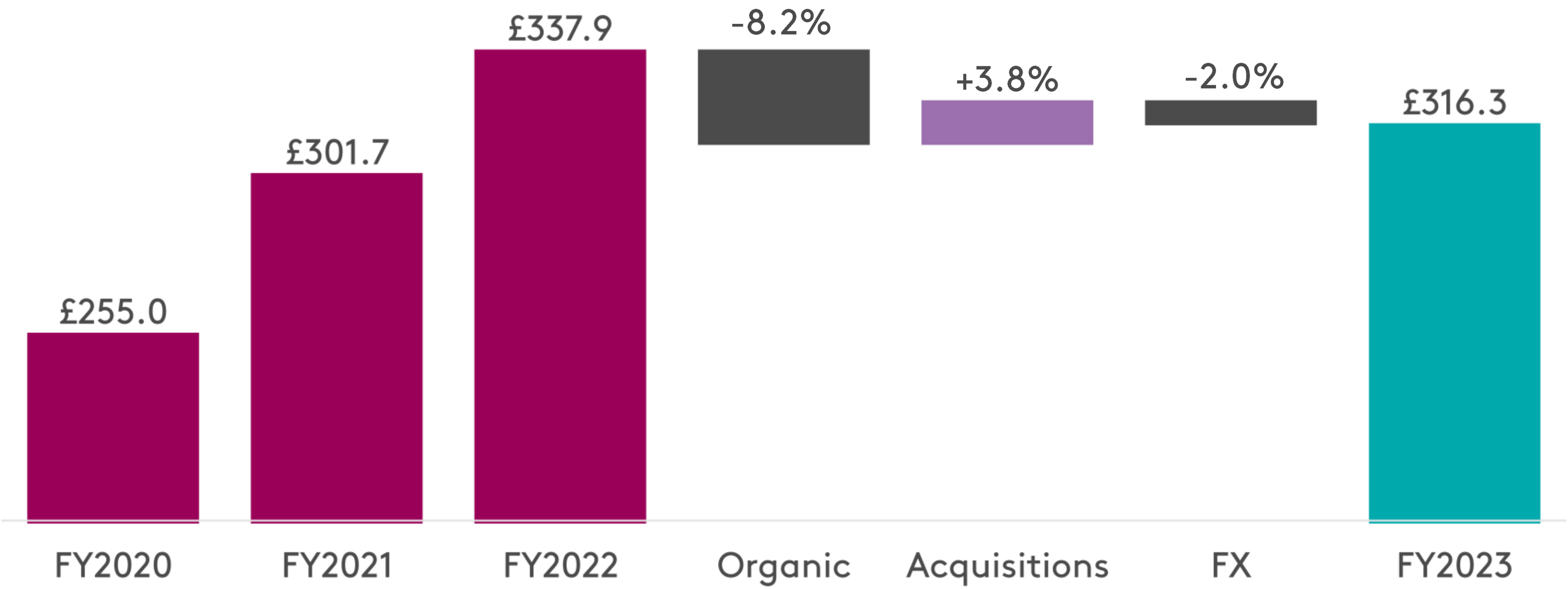
Revenue bridge

-4.4% constant currency, -6.4% reported



Income statement

£m	2023	2022[1]	Constant currency growth
Revenue	**316.3**	**337.9**	**(4.4%)**
Gross profit	141.8	148.2	(2.4%)
Gross margin	*44.8%*	*43.9%*	*+90bps*
Trading adjusted operating profit[2]	54.8	61.9	
Central corporate costs	(11.6)	(23.1)	
Central corporate costs - discontinued	-	(13.7)	
Adjusted operating profit[2]	**43.2**	**25.1**	**+85.3%**
Adjusted operating profit margin	*13.7%*	*7.4%*	*+660bps*
Net finance expense	(2.5)	(17.8)	
Adjusted profit before tax[2]	40.7	7.3	
Effective tax rate	*23.6%*	*21.5%*	
Adjusted profit[2]	**31.1**	**5.7**	
Adjusted basic EPS[2]	10.6p	1.9p	

1. Prior year numbers re-presented on a continuing operations basis
2. Adjusted to exclude intangible amortisation of £11.3m and an adjusting items pre-tax charge of £21.0m along with associated tax impact

- Strong gross margins retained at 44.8%
- Central corporate costs re-sized
- Long-term and low interest main sources of funding
- Effective tax rate towards lower end of 24-25% guidance
- Adjusted EPS increase to 10.6p

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Adjusting items

	2023
	£m
Software as a Service ("SaaS")	10.8
Relating to acquisitions[1]	(1.0)
Impairment of non-current assets held in China	3.4
	13.2
Defined benefit pension scheme charges[2]	1.8
Relating to disposals of legacy businesses and separation	1.3
Other[3]	4.7
Total	**21.0**

1. £1.2m acquisitions costs incurred in the year, offset by a credit of £2.2m for the earn-out payment related to Wixroyd
2. Incurred in relation to defined benefit pension scheme charges which, following the outcome of the strategic review, no longer pertain to the continuing operations of the Group
3. Costs of £0.2m for professional fees relating to the capital reduction completed during 2023, £3.7m has been reported relating to a write-down of investment property to market value and £0.8m in respect of indemnity provisions raised for claims

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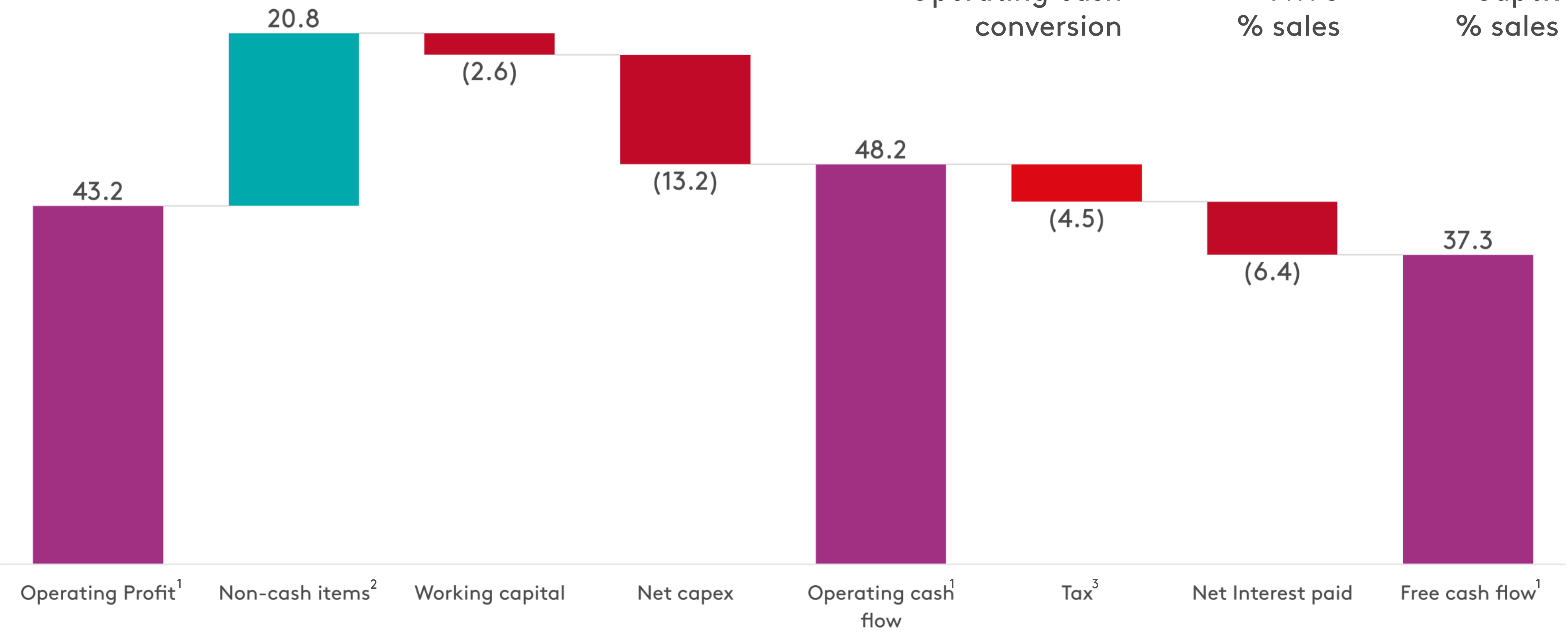
Excellent cashflow

112% Operating cash conversion

18% NWC % sales

4% Capex % sales



1. Adjusted to exclude intangible amortisation and adjusting items
2. Being depreciation and amortisation of £14.0m, right-of-use asset depreciation of £5.9m, Share Option Expense of £0.9m
3. Tax paid excludes the tax received on business acquisitions/disposals

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Strong balance sheet supporting investment in future growth

Strong liquidity position and headroom for investment

- 1.0x net debt to adjusted EBITDA
- £244.5m undrawn facilities and cash resource
- Excellent free cashflow generation and operating cash conversion

Long-term, low interest funding

- $102.5m US private placement (USPP)
- Terms to 2033 with average coupon rate 3.8%
- £200m Rolling Credit Facility (RCF)

Net debt to adjusted EBITDA[1]

1.0x

Liquidity[2]

£244.5m

USPP

$102.5m

3.8% coupon rate

RCF[3]

£200.0m

£15.2m drawn

1. Including IFRS-16. (Pre-IFRS16: 0.5x)
2. Group's liquidity position defined as the headroom available under the banking facilities plus cash resources
3. As of 31 December 2023, the Rolling Credit Facility was £15.2m drawn

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Returning capital to shareholders

Ordinary dividend

- Final recommended ordinary dividend of 2.4p per share
- 9% increase in full year dividend for 2023 to 3.6p
- To be paid on 5 July 2024. Ex-dividend date 16 May 2024
- Progressive dividend policy unchanged - maintaining dividend cover in the order of three times adjusted earnings

Shareholder Returns

- £90m special dividend paid in April 2023 (29.8p)
- £24m of £60m share buyback programme deployed
- 40% complete as at 31 December 2023 and likely to extend beyond 2024

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A consistent capital allocation policy

ORGANIC GROWTH

- Capital investment remains core to strategic growth
- Capex to be maintained between 4 – 5% of sales

INNOVATION

- Sustainable new product development and propositions
- Digitalising the customer experience

ACQUISITIONS

- Strong pipeline of potential acquisitions
- Addition of product adjacencies enables higher organic growth through cross-sell

ORDINARY DIVIDENDS

- Maintaining dividend cover in the order of three times adjusted earnings

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Clear financial targets to deliver profitable growth

Focus and momentum on the delivery of our medium-term targets

Revenue Growth	Profitability	Cashflow	Leverage	Returns	Dividend
Revenue CAGR >10% total >5% organic	Adjusted operating profit margin c.18%	Cash Conversion >85%	<1.5x medium term	ROIC >15%	Maintain dividend cover in the order of 3.0x adjusted earnings
-4.4% total -8.2% organic	13.7%	112%	1.0x	12.4%	3.6p

Numbers presented on a constant currency basis

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Regional Performance

Scott Fawcett
CEO

Our Executive Management team has strengthened

Hugues Delcourt
Managing Director EMEA

- Began career at Moss Plastics (Essentra)
- 2004 moved to Coats Plc became Global Commercial Director
- 2019 returned to Essentra as Managing Director EMEA
- Appointed to Group Executive Committee in 2023

Chris Brooks
President Americas

- Joined Essentra and appointed to the GEC in February 2024
- Previously President of X-Rite Inc
- Diverse industrial and manufacturing background including Ametek, Nordson, Coca-Cola and ITW

Richard Sederman
Managing Director APAC

- Joined Essentra in 2003
- Appointed to APAC role and GEC in January 2024
- Product & Marketing focused career
- M&A sourcing and integration

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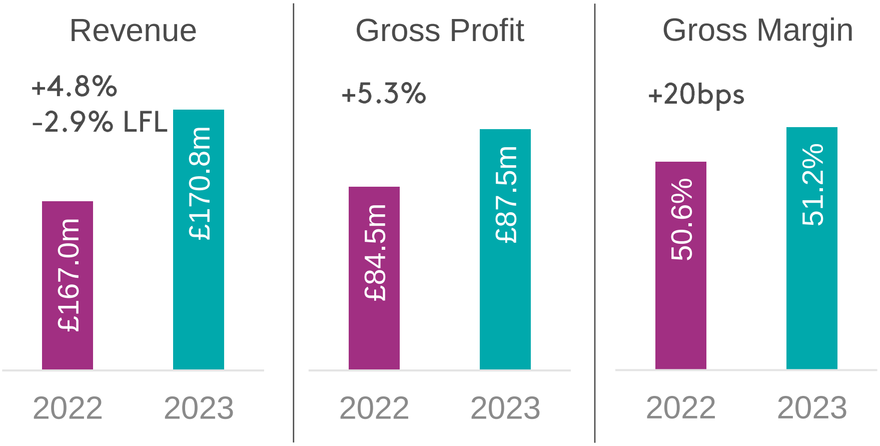
EMEA

A resilient performance, benefiting from accretive M&A

- Market conditions in line with wider Purchasing Manager Index trends
- Constant currency H1 revenue -0.1%, H2 +10.9% as comparatives softened
- Acquisitions of Wixroyd and BMP TAPPI performing well, contributing £13.3m incremental revenue
- ERP implementation in five Eastern Europe sites including Lodz distribution hub
- Region continues to invest in high growth markets, with particular focus on operations in Turkey and access hardware product range



Year on year % movement is presented on a constant currency basis
Like-for-like revenue growth % excludes the impacts of acquisitions

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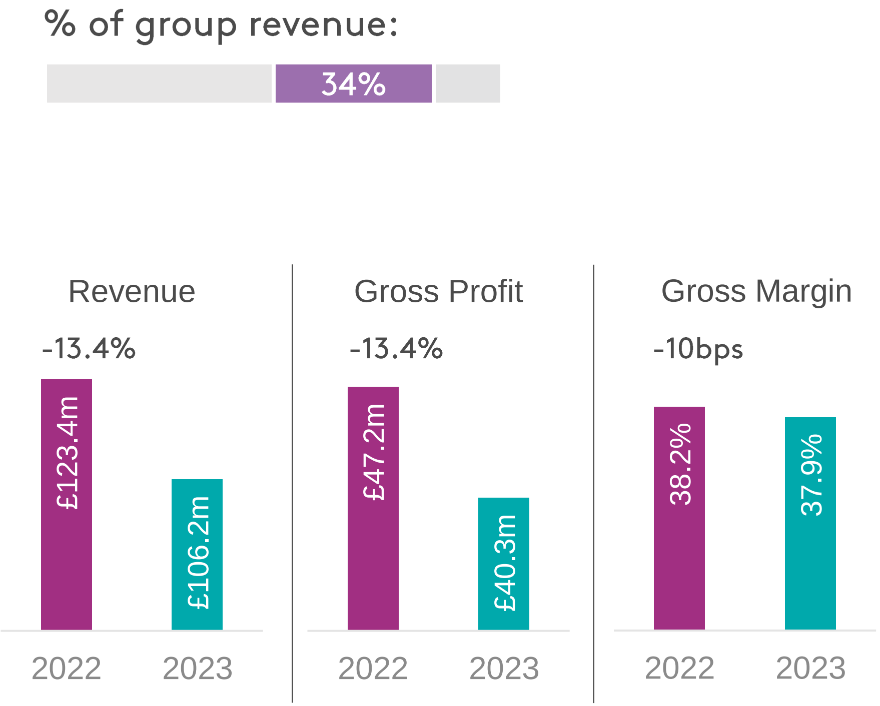
Americas

Weaker end-markets and destocking leading to subdued volumes

- Distributor destocking persisted throughout the year
- General industrial environment showed greater stability towards the end of 2023
- Constant currency H1 revenue -12.6%, H2 -14.4%
- Investment in manufacturing and distribution capabilities, including acceleration of near-shoring and opening of new Monterrey, Mexico facility
- Investment in commercial teams in the US & Mexico driving focus on new business generation
- Increase in inventory levels and sample activities to drive improved service, and new business wins



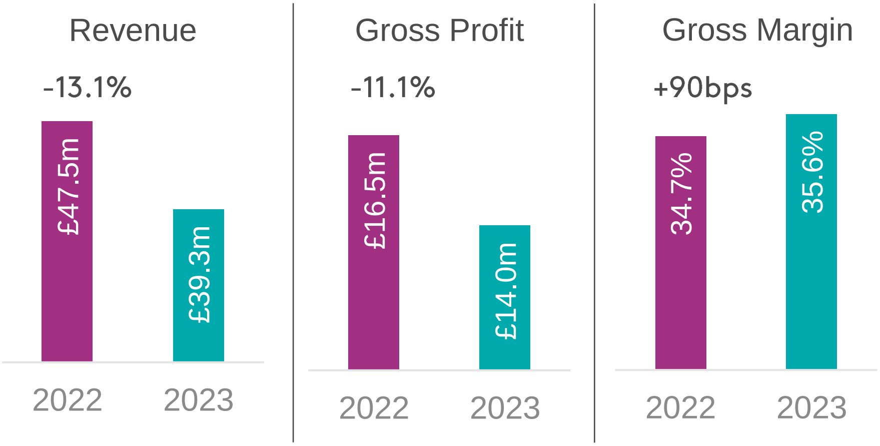
Year on year % movement is presented on a constant currency basis

APAC

Second half recovery due to modest improvements from China

- Performance driven by the market in China, seeing modest improvements from the end of Q1
- Constant currency H1 revenue -18.3%, H2 -7.0%
- Review of commercial and operational footprint, including entry into the Vietnamese market
- Increased levels of interest in faster growing industries and infrastructure development including renewable energy, telecommunication and data networks
- Acceleration of Hengzhu commercial integration activities, focussing on the growth of access hardware

% of group revenue:



Year on year % movement is presented on a constant currency basis

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Strategic Update

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Our vision is to be the world's leading responsible hassle-free supplier of essential industrial components

Market leader with a unique proposition in a fragmented £8-10bn market

Clear strategy to drive organic growth and market share gains supported by digitalisation and sustainability

High margin business with scope to expand through scale efficiencies, operational effectiveness and pricing

Strong returns and cash conversion enabling value enhancing M&A

Our ambition remains to double revenue and triple operating profit

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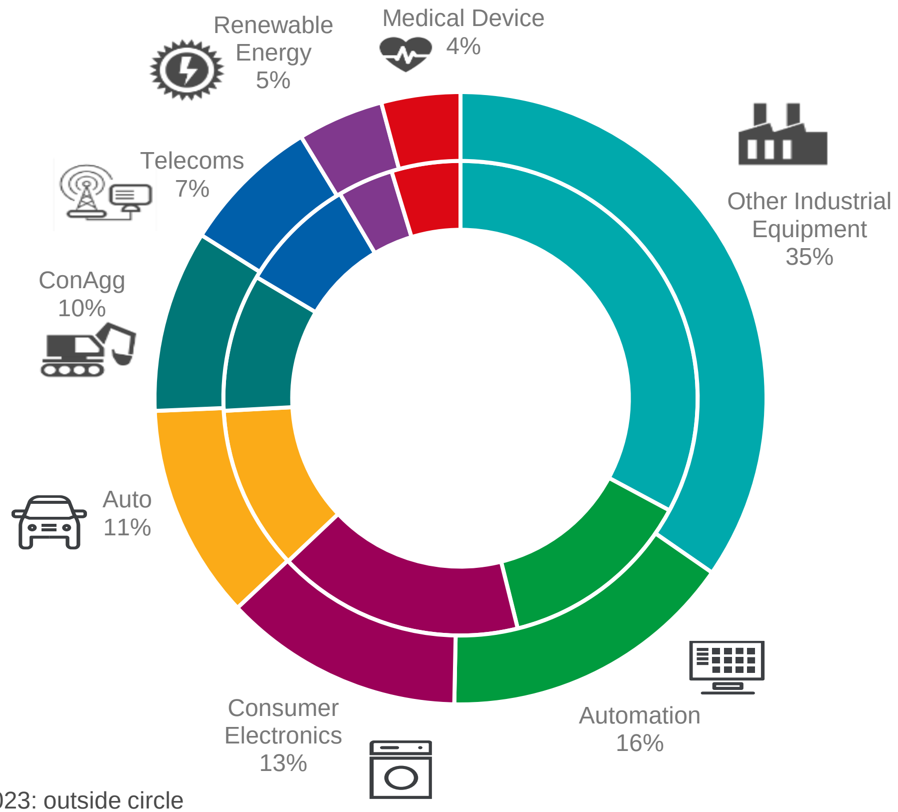
We continue to focus and invest in high-growth segments

End-markets

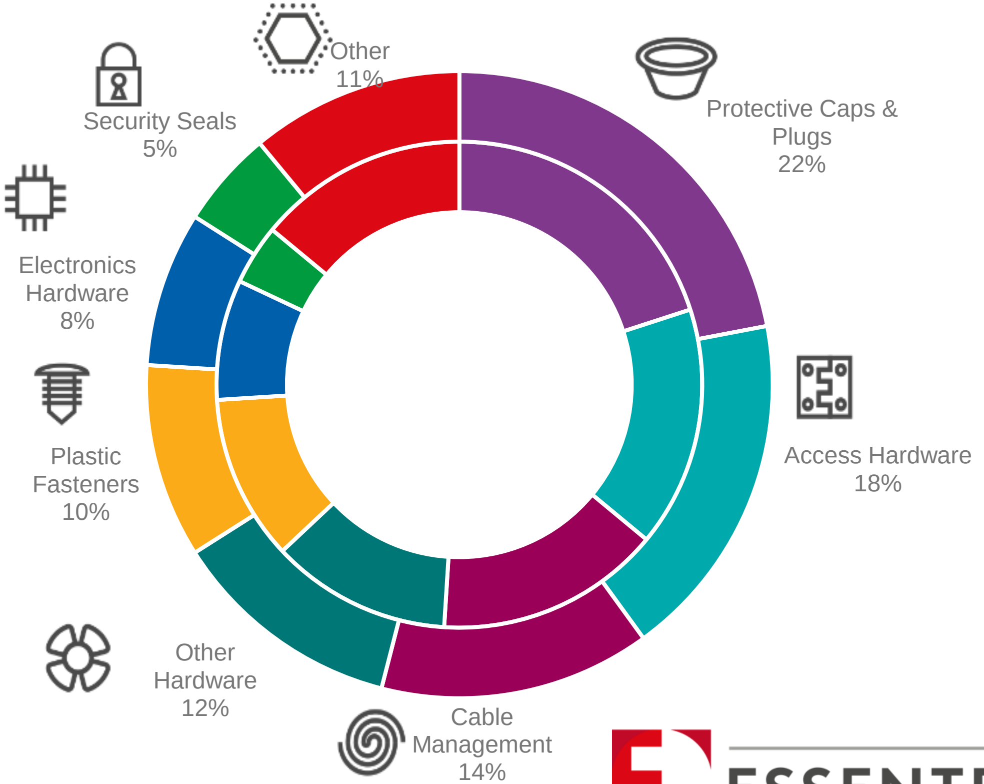
- We are seeing increases in **automation** end-markets particularly in EMEA, supported by Wixroyd
- **Renewables** growth in APAC
- **Consumer electronics** has reduced in all regions



2023: outside circle
2022: inside circle

Products

- Growth in **access hardware** is a key focus for us supported by the acquisition of Hengzhu in APAC, and operations in Turkey.



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Delivering on M&A

- ✓ Performing to management expectations
- ✓ Targets new product adjacencies
- ✓ Accelerating and supporting organic growth
- ✓ Continental Europe cross-selling opportunities are gaining traction
- ✓ Strong profit margins

- ✓ Early integration is on track
- ✓ Expansion of protective caps and plugs range
- ✓ Existing supplier of sourced products
- ✓ Expansion of injection moulding footprint in Europe
- ✓ Strong profit margins

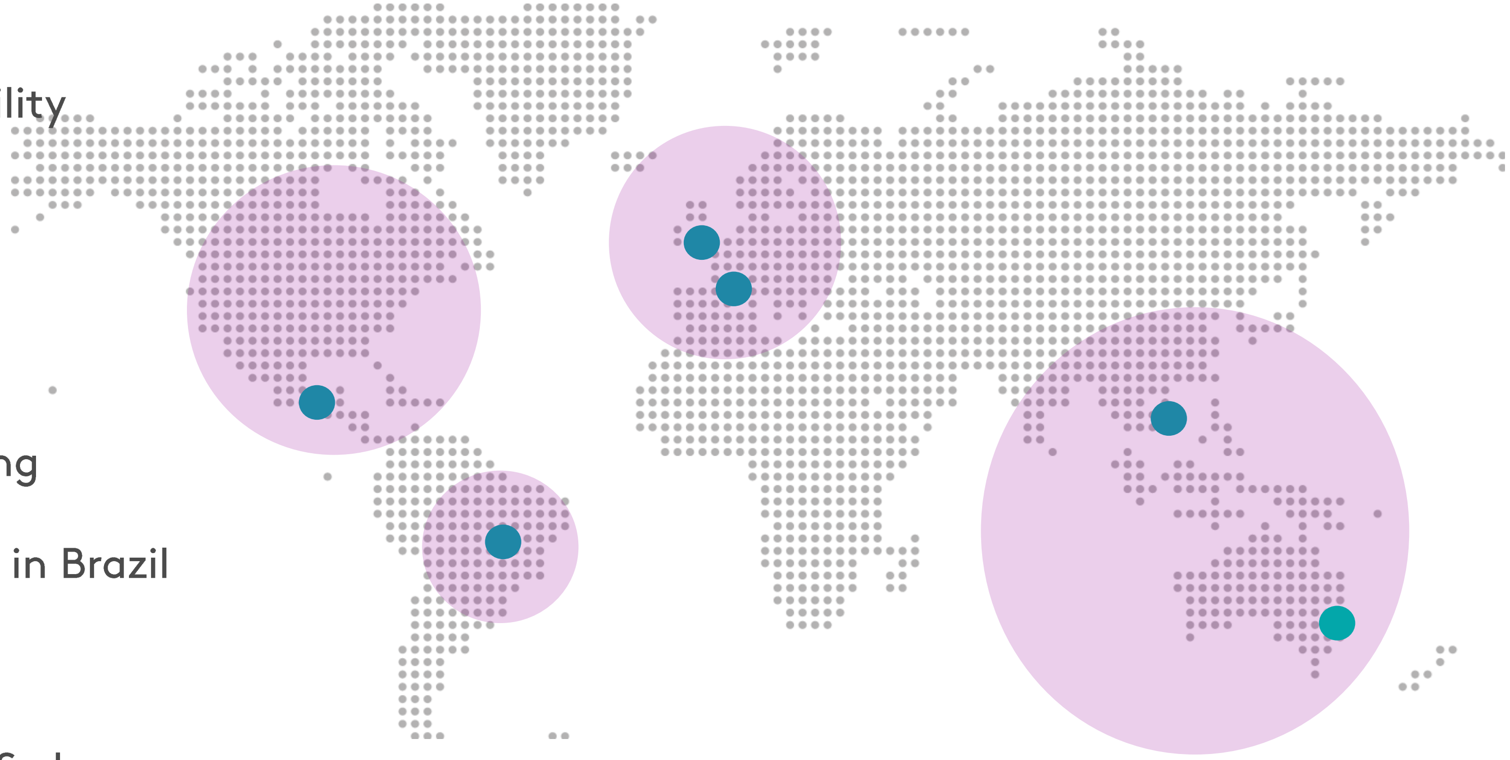
Essentra maintains a healthy bolt-on acquisition pipeline and Management remain disciplined in the current environment

Investing in our global footprint, with capacity for growth

EMEA
- Acquisition of BMP TAPPI in Italy, increasing manufacturing capability
- Wixroyd in UK unlocking and delivering on cross-sell opportunities

Americas
- Expansion of manufacturing and distribution in Mexico, accelerating near-shoring opportunities
- Further dip moulding capabilities in Brazil

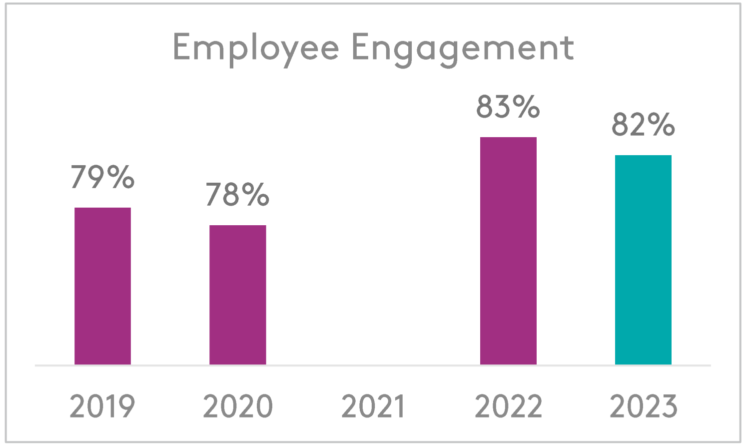
APAC
- Vietnam entry
- Relocating Perth operations into Sydney

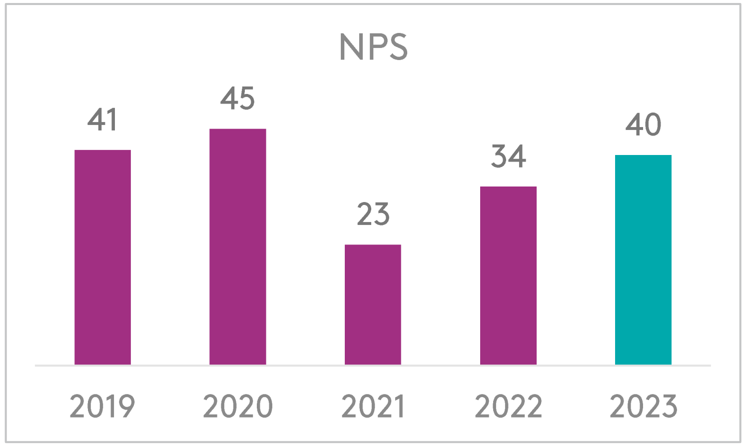


Strong delivery on our service metrics

Strong and improving customer sentiment, combined with employee engagement above industry average

- We have continued to enhance our product offering, focussing on delivering our hassle-free proposition
  - OTIF delivery improved to 82.2%. Target: >95%
  - Employee engagement of 82, with 86% participation rate. Benchmark engagement: 75%
  - NPS +6 points to 40. Target: 50





We continue to invest in our digital journey

ERP progress

- 5 sites live in Eastern Europe in January 2024
- 8 sites now live across the Group
- Focus remains on European roll out in 2024

- Measured approach, providing greater delivery assurance
- The costs in 2023 were £10.8m in line with guidance, and in 2024 will be c.£10m
- Same projected benefits

WEBSITES
Improving our customer experience, Deployed 26 sites and 17 languages

ARTIFICIAL INTELLIGENCE
Championing data driven insights, informing commercial decisions

ERP DEVELOPMENT
Integration of our technology, standardisation of processes, and driving efficiencies

CRM ROLL OUT
Putting our customer interactions first. D365 CE is live in 38 sites

INTEGRATED PLANNING
Supporting top line growth and margin expansion

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Excellent sustainability progress across our five pillars

Our Planet

Gained SBTi approval for our near and long term science based emissions reduction targets

Two on site solar projects in Thailand and China

38% reduction in scope 1 and 2 emissions since 2019. Target: 50% by 2030

34% sites achieved zero waste to landfill. Target: 100% by 2030

Our Components

Launched centre of excellence supporting our transition to using more sustainable materials

Seven sites using recycled content

20.7% recycled content achieved, two years ahead of original target

Our Customers

Developing new customer relationships in high-growth, low-carbon markets

750 products with sustainable attributes introduced. Now 7,981 in total

Our Culture

57% reduction lost time incidents

31% women in leadership teams. Target: 40% by 2025

82% employee engagement. 75% benchmark

Our Communities

Joined UN Global Compact, confirming our commitment to responsible practices

Re-launched community volunteering programme. Over 1,000 hours of volunteering recorded

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On track to reach medium-term target adjusted operating margin of c.18%

Demonstrating 100bps progress in 2023 to 13.7%

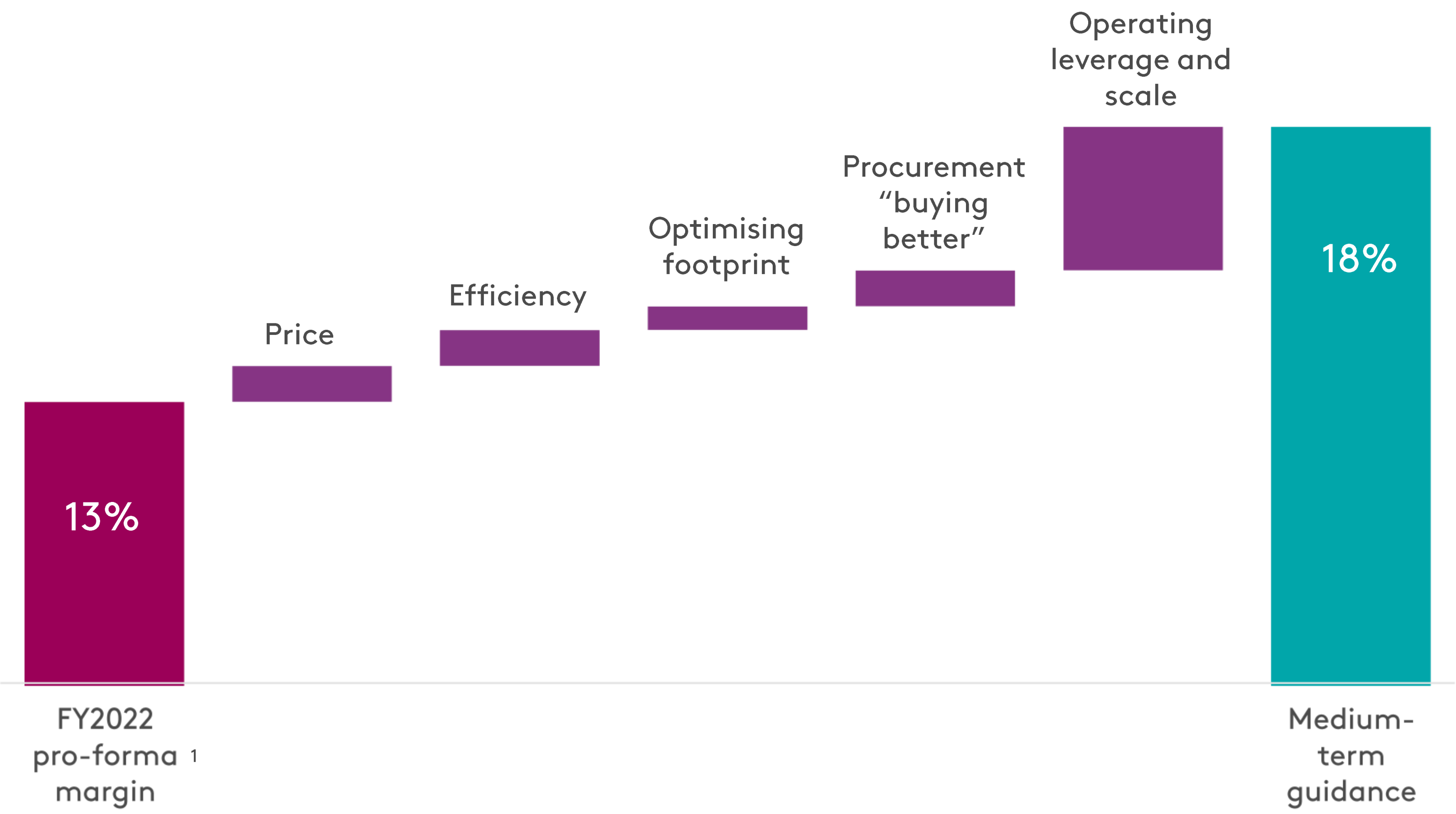
Pricing discipline offsetting inflation

Efficiency focus in outer years as ERP benefits are delivered

Optimising footprint through M&A and operational expansion

Renewed procurement focus delivering value

Right-sizing the cost base and investing in growth enablers to drive scale benefits as volumes return



1. In 2022, a pro-forma operating profit measure was reported as an additional alternative performance measure, used to represent the components business on a standalone basis after the strategic review

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Outlook

Outlook

Greater stability and orderbook momentum

- Consistent with the trend seen towards end of Q4 2023:
  - European soft macro-economic environment but with sequential improvement quarter on quarter
  - Americas showing notable improvements, and destocking behaviour is stabilising
  - APAC continues to show quarter on quarter gradual recovery
- Greater stability and orderbook momentum in all three regions
- The Group continues to deliver resilient levels of profitability and excellent levels of cash conversion

Board expectations for 2024 are unchanged

- Trading to date is in line with expectations
- Management anticipates performance to be marginally weighted towards the second half
- Continued strength of the balance sheet will support further investment in value-enhancing growth initiatives, and disciplined bolt-on M&A
- Essentra's robust and differentiated business model will support further progress towards its medium-term targets in 2024

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Essentra is well-positioned to return to growth

Global footprint with breadth and depth of offer

- Unique manufacturing and distribution business model, with capacity for growth
- Wide range of product capabilities and end-markets with increasing exposure to high growth markets
- M&A is unlocking cross-selling opportunities

Investment in growth enablers

- Sustainable investment in growth across the Group
- Robust operations driving efficiencies and supporting operating leverage
- Value enhancing organic and inorganic opportunities

A winning and engaged team

- Right-sized central corporate costs
- Regional management team changes embedded to drive our strategy forwards
- Above benchmark average employee engagement scores
- Consistently improving NPS customer satisfaction scores, demonstrating the value of service delivery

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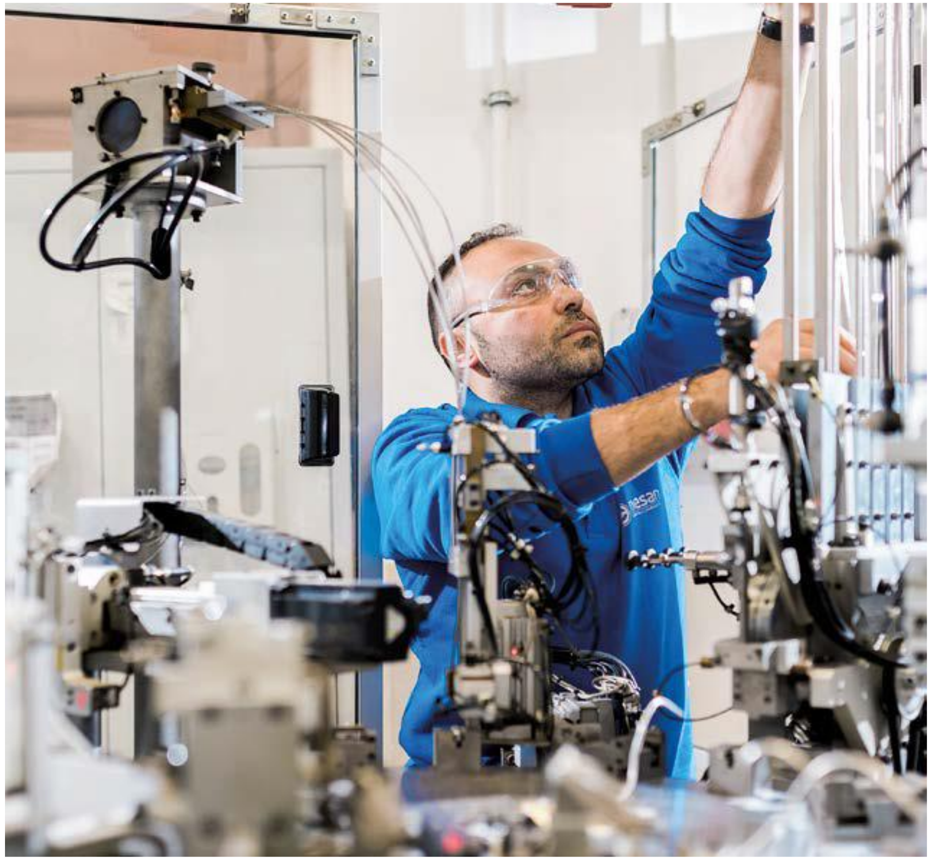
Q&A



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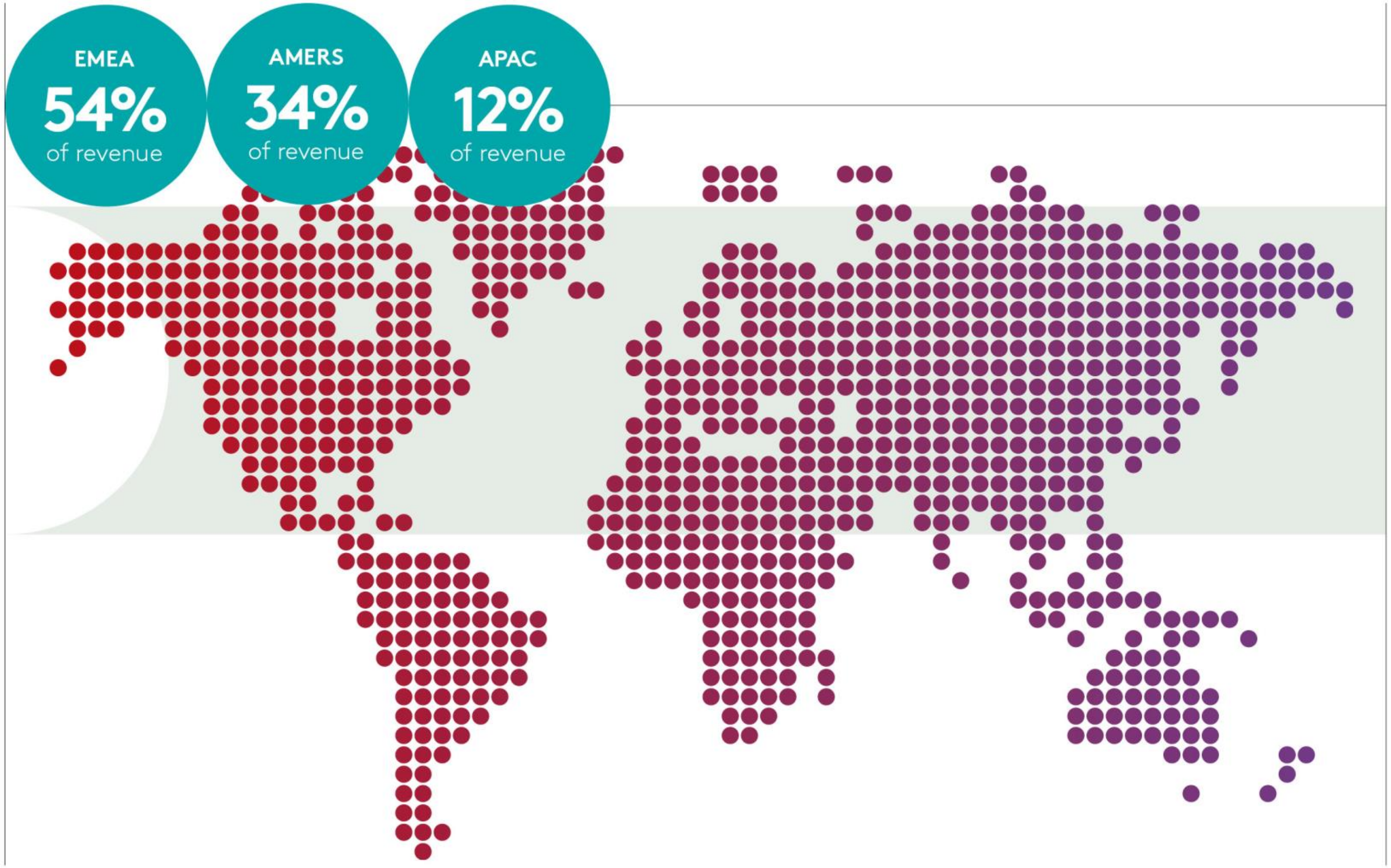
Appendices

The breadth and depth of our offering is a key differentiator



14 manufacturing sites

24 distribution centres

33 sales and service centres

c.3,000 employees worldwide

c.69k customers

c.60m parts produced per week

c.2bn parts in stock

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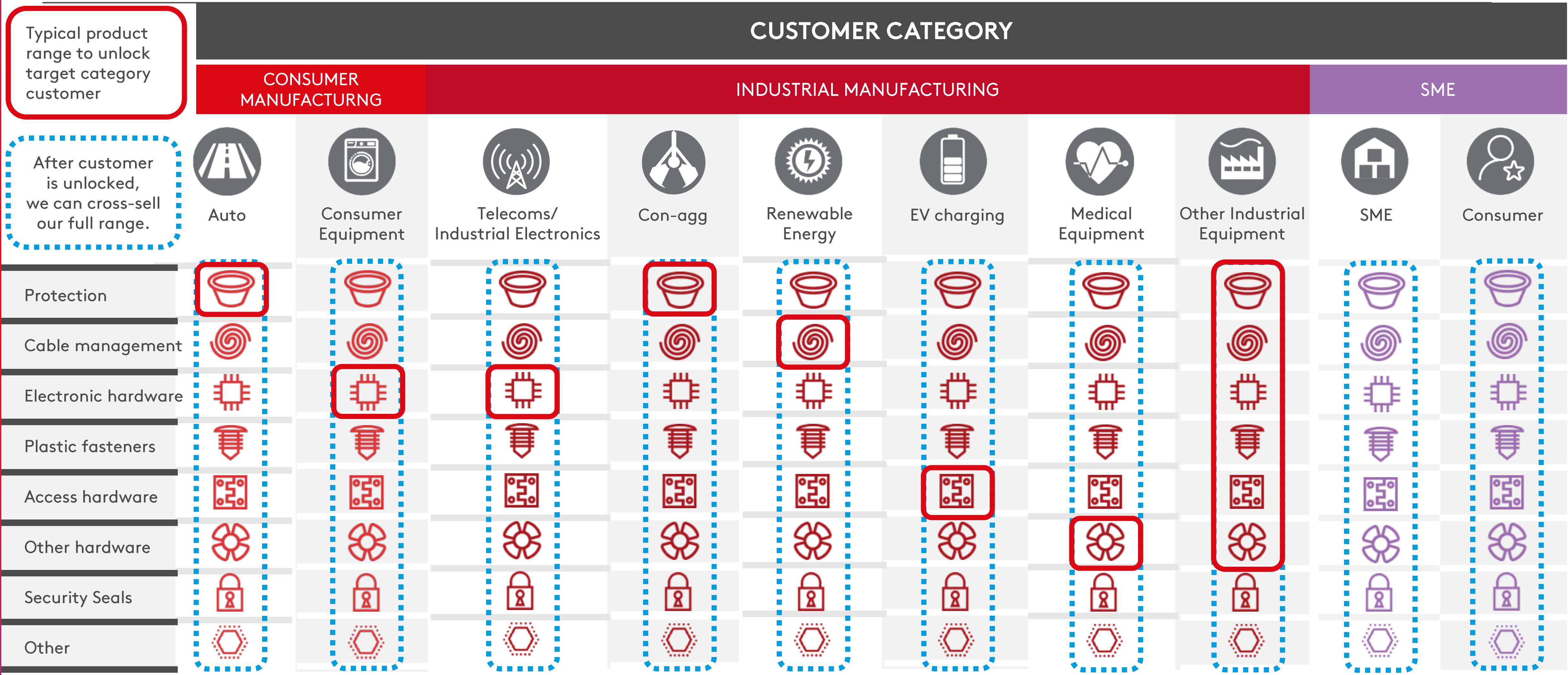
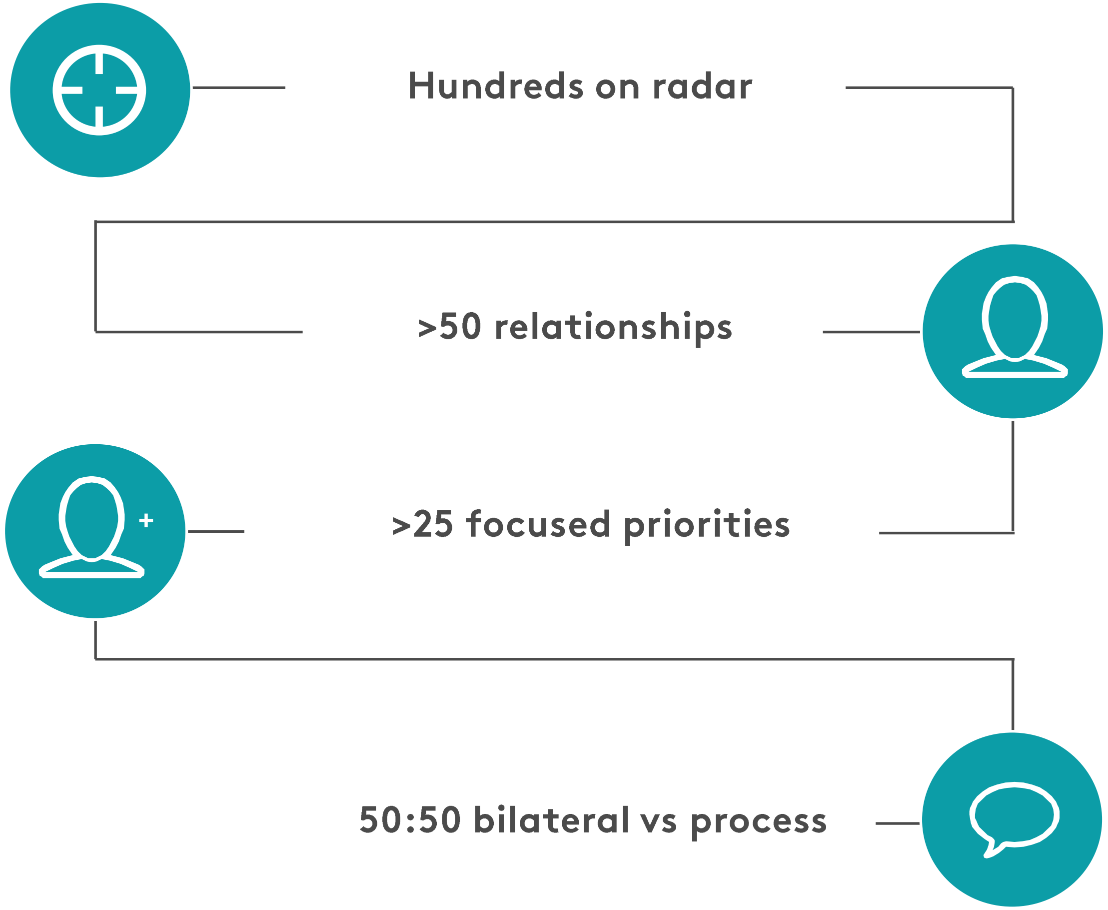
Multiple product expertise and a broad range of customer categories



A healthy pipeline of value-enhancing M&A

- We continue to apply a disciplined approach to deal rationale, our pipeline is healthy
- Our focus remains on bolt-on acquisitions
- Targeting new product capabilities that can be cross-sold, including existing suppliers of sourced products
- We are increasingly considering the impacts of ESG
- We have a rigorous financial framework, seeking a post synergy ROIC of >15%
- We typically buy at 8-10x EBITDA reducing to 6-8x EBITDA after synergies



Income Statement – Reported basis

	2023	2022
	£m	£m
Adjusted operating profit	43.2	25.1
Intangible amortisation	(11.3)	(10.4)
Adjusting items	(21.0)	(26.0)
Reported operating profit	**10.9**	**(11.3)**
Net finance charge	(2.5)	(17.8)
Profit / (loss) before tax	**8.4**	**(29.1)**
Taxation (expense) / credit	(2.6)	(2.0)
Net income / (loss)	**5.8**	**(31.1)**
Net loss from discontinued operations	(0.4)	(152.7)
Profit / (loss) for the year	**5.4**	**(183.8)**

Net debt reconciliation

	£m
As of 1 January 2023: net funding surplus	113.8
Free cash flow	37.3
Shareholder capital return	(113.8)
Dividends	(6.5)
Acquisitions less cash acquired	(33.3)
Adjusting items	(23.6)
Cash flow from discontinued businesses including disposal costs	(21.6)
FX including hedging derivatives	(0.8)
Lease Liabilities	(14.0)
As of 31 December 2023: net (debt)	(62.5)

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ESG Framework

Our Planet

Our Culture

Our Communities

Our Components

Our Customers

Planet

Driving resource and energy efficiency, reducing emissions and embracing renewables

Culture

A safe, supportive work environment that champions equality and celebrates diversity

Communities

Working with suppliers to ensure ethical practices and contribute to equitable economies

Volunteering our time and supporting good causes

Components

Developing innovative products using renewables, recyclables, reusables and biodegradables

Customers

Providing a hassle-free service that helps customers achieve their sustainability goals

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