

Filtrona plc

Investor Presentation

Full Year 2011 Results

22nd February 2012

Agenda



- | | |
|---|--------------------------|
| 1. Operational Review | - Colin Day |
| 2. Financial Review | - Steve Crummett |
| 3. Acquisition Update | - Matthew Gregory |
| 4. Vision 2015 Update & 2012 Outlook | - Colin Day |

Operational Review

Colin Day, Chief Executive

FY 2011: summary



- Strong revenue growth across all divisions
- Supported by increased gross and operating margins
- Excellent cash flow generation
- Full year dividend per share increased by 17% to 10.5p
- Positive organisational changes implemented to underpin Vision 2015 objectives
- Successful completion of two value-adding acquisitions
- Further growth targeted in 2012

A strong start to Vision 2015 strategy

Revenue and profit growth across divisions



Protection & Finishing
 Revenue ↑ 28%
 Op Margin ↑ 90bps
 Op Profit ↑ 33%



Coated & Security

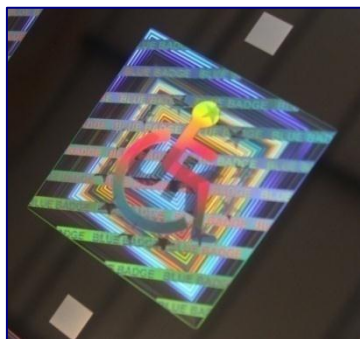
Revenue ↑ 7%
 Op Margin ↓ 10bps
 Op Profit ↑ 6%

GROUP

Revenue ↑ 11%
 Gross Margin ↑ 80bps
 Op Margin ↑ 40bps
 Op Profit ↑ 14%

Porous Technologies

Revenue ↑ 6%
 Op Margin unchanged
 Op Profit ↑ 6%



Filter Products

Revenue ↑ 4%
 Op Margin unchanged
 Op Profit ↑ 4%

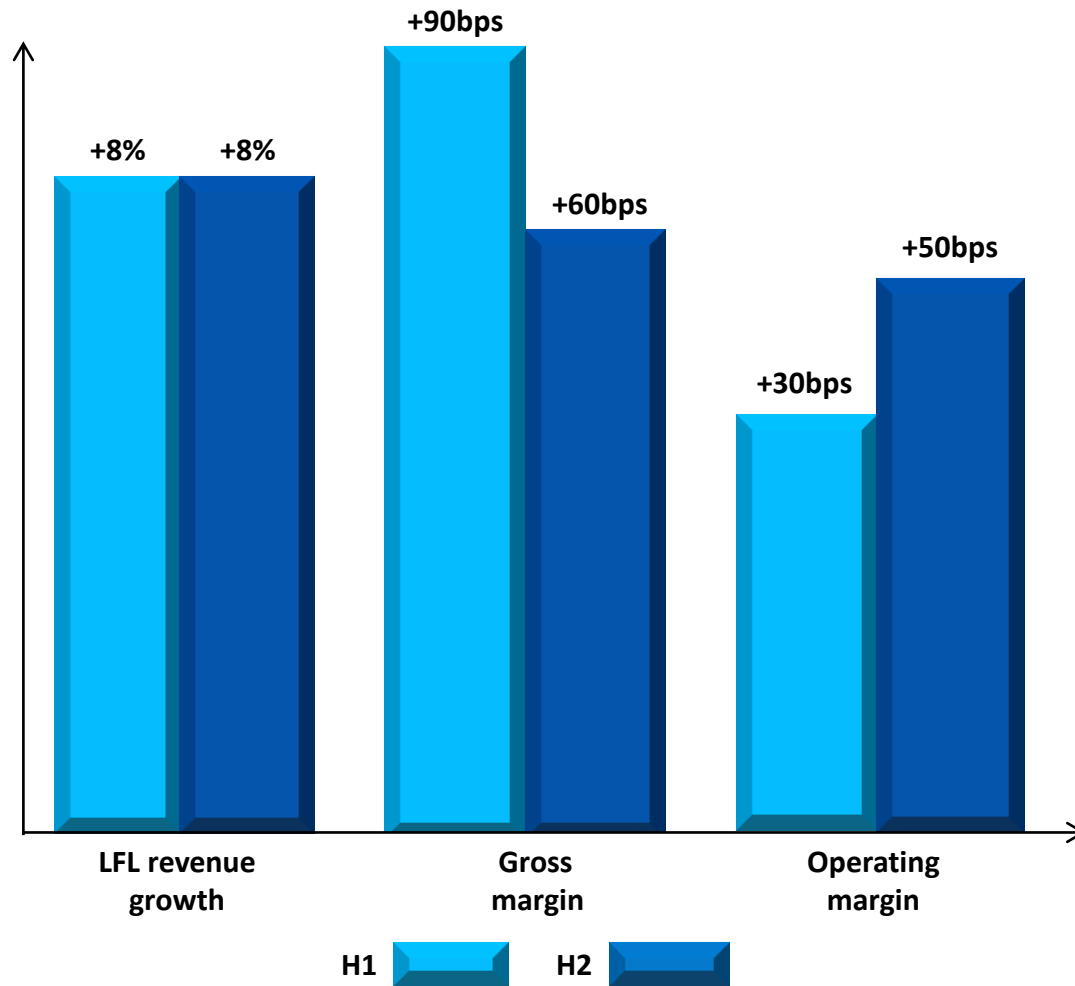


Notes:

At constant exchange rates

Operating profit and margin are adjusted to exclude intangible amortisation and exceptional operating items

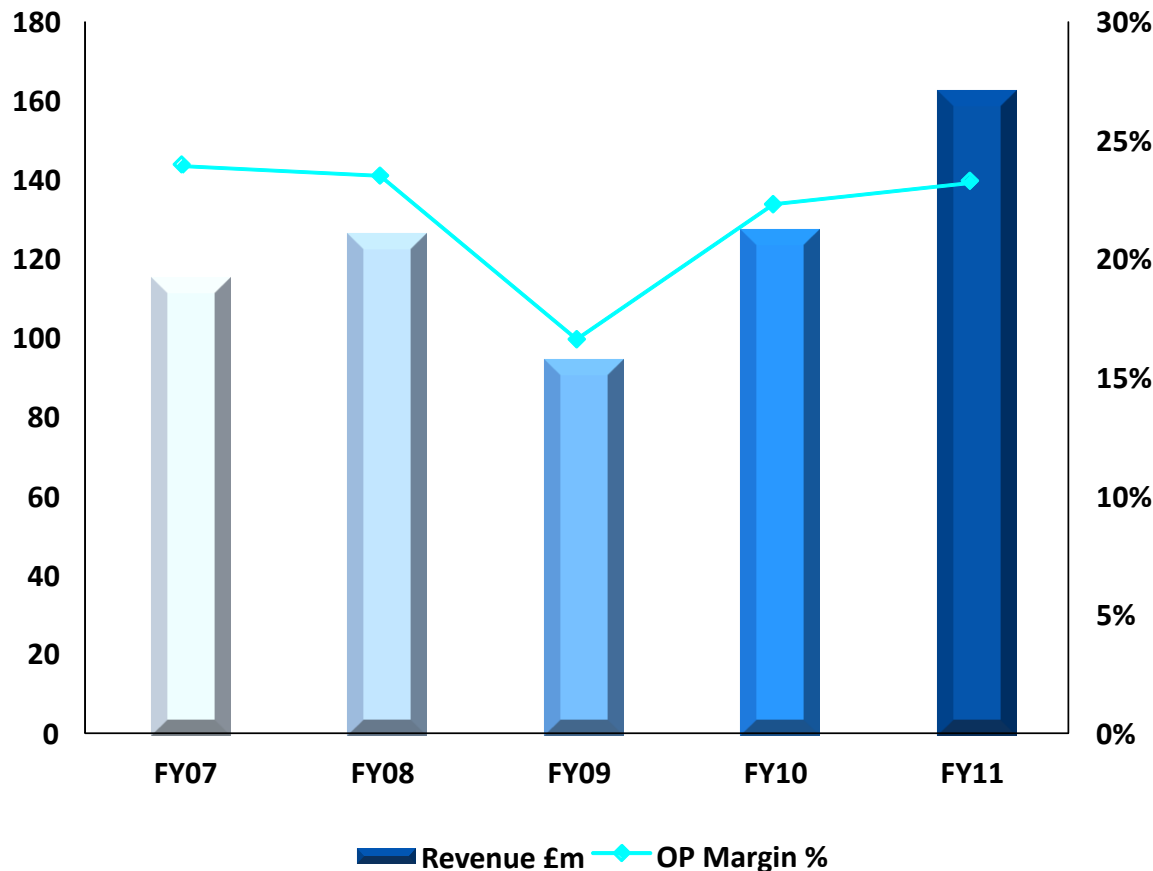
H1 and H2 2011 performance



Consistent delivery through the year

Notes:
At constant exchange rates
LFL = like-for-like, at constant FX, adjusted for acquisitions and disposals
Operating margin is adjusted to exclude intangible amortisation and exceptional operating items

Protection & Finishing Products

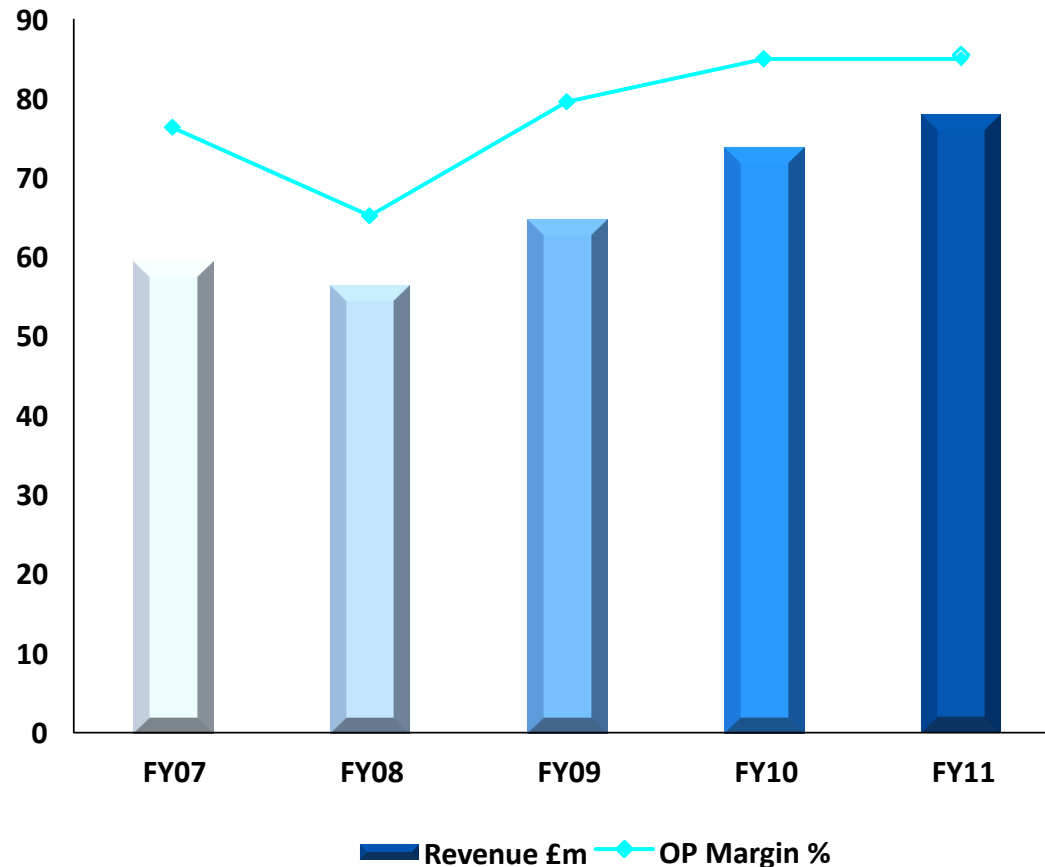


- Range developments and improved marketing effectiveness
- Benefit from warehouse expansion and new sites
- Geographic footprint strengthened through Richco acquisition
- E-commerce strategy successfully reinforced
- Division re-focused on 3 go-to-market business units
- Operational leverage and positive product mix effect

Note:

At constant exchange rates, and adjusted to exclude intangible amortisation and exceptional operating items

Porous Technologies

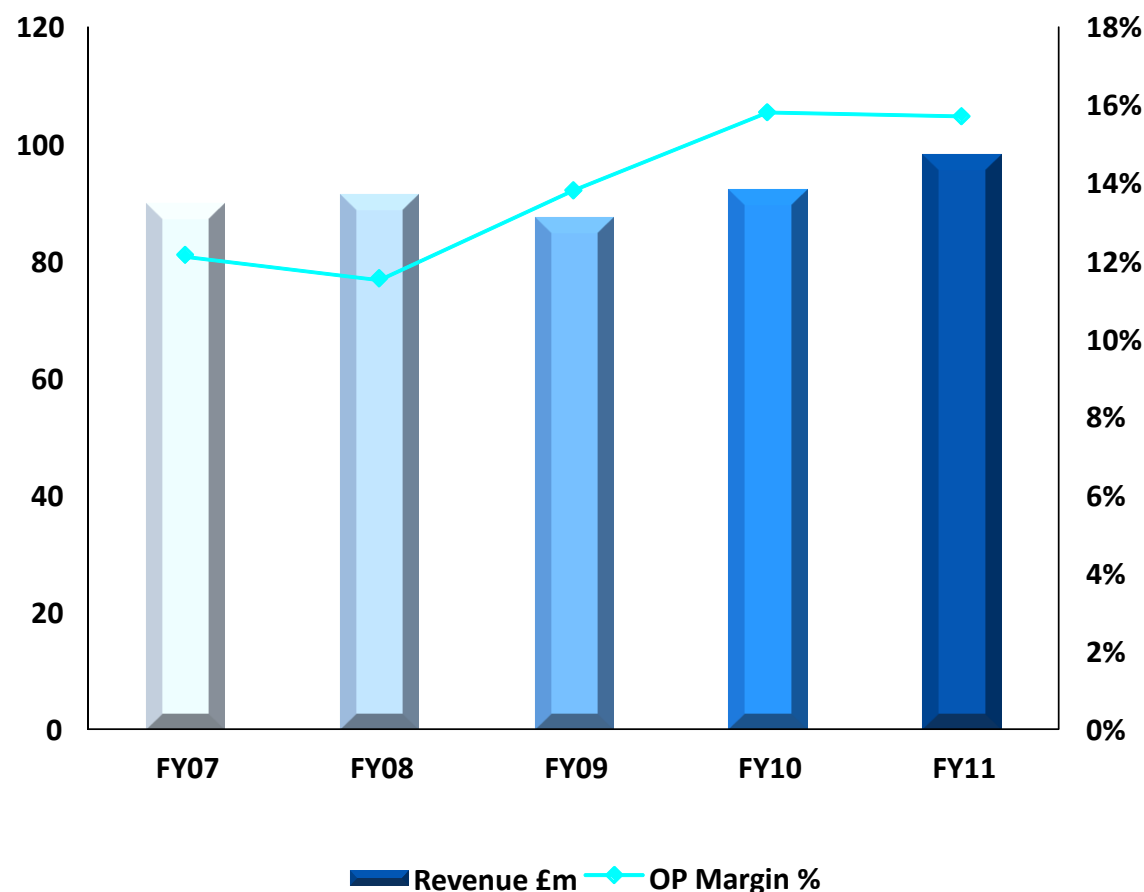


- Excellent growth in printer systems, supported by healthcare
 - Inventory de-stocking in writing instruments and H&PC
- Strong commercial success
 - Introduction of new technologies
 - Commercial launch of products using porous plastics > expectations
- Capacity investments to support future growth, including Far East markets
- Division re-focused on 3 go-to-market business units
- Successful initiatives to offset higher input costs

Note:

At constant exchange rates, and adjusted to exclude intangible amortisation and exceptional operating items

Coated & Security Products

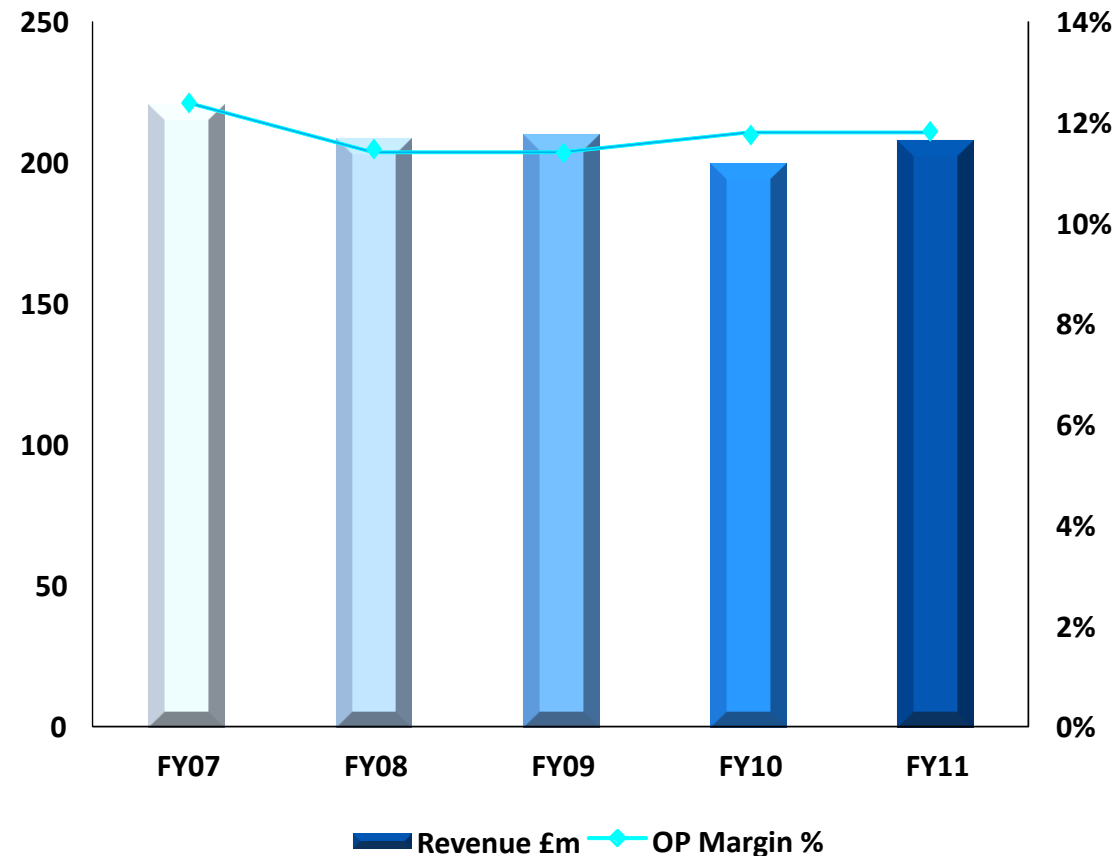


Note:

At constant exchange rates, and adjusted to exclude intangible amortisation and exceptional operating items

- Broad-based growth across the division
 - Strong performance from wide-width message tapes and a new opening solution in US food
 - Labels growth driven by tobacco segment, and includes BP Labels acquisition (re-branded to Payne Cardiff)
 - Strong performance from the Payne authentication system
- Go-to-market focus on Packaging Solutions and Authentication & Identity Solutions
- Improved performance at Enitor
- Efficiency gains offset impact of UK Passport contract

Filter Products



Note:

At constant exchange rates, and adjusted to exclude intangible amortisation and exceptional operating items

- Underlying volumes up +2%
- Successful launches, development initiatives and service offerings
 - Premium filter variants, eg capsules
 - New launches and further extension of packaging services in RYO segment
- Better-positioned to serve growing Asian market
 - 54% divisional revenue
 - Divisional H/O → Singapore
 - New facility opened in Thailand
- Division re-focused on 3 go-to-market business units
- Further cost reduction and productivity improvements

Key operational developments

Protection & Finishing Products



Alliance Express opened in Albany, US

Coated & Security Products



Investment in machinery and capability for the next generation Blue Badge in the UK

Porous Technologies



Transfer of production capacity and equipment for pregnancy test wicks to China

Filter Products



Investment in high speed flexible machines in Indonesia

Key commercial developments

Protection & Finishing Products



New range of MSI thread protectors, and launch of Stera Tape products in the US

Coated & Security Products



Promotional tape solution for Nestle, Mexico

Porous Technologies



Porous plastic pipette tip filters, helping to reduce contamination

Filter Products



Patented Cavitec™ technology in the first Superslim size cavity product

Financial Review

Steve Crummett, Group Finance Director

Income statement - summary



	FY 11	FY 10	Growth	
	£m	£m	Actual FX	Constant FX
Revenue	540.7	489.6	+10%	+11%
<i>Like-for-like¹</i>				+8%
Gross margin	35.7%	34.9%	+80bps	+80 bps
Operating profit²	84.5	75.0	+13%	+14%
Operating margin	15.6%	15.3%	+30bps	+40bps
Profit before tax²	76.2	64.6	+18%	+19%
Adjusted earnings^{2,3}	51.8	43.0	+20%	+22%
Adjusted earnings per share^{2,3}	25.1p	21.0p	+20%	+21%

¹ At constant FX, adjusted for acquisitions and disposals

² Adjusted to exclude intangible amortisation and exceptional operating items

³ Continuing operations

Revenue growth – volume / mix / price



	%
Volume / mix	+6
Price	+2
Like-for-like	+8
Acquisitions	+3
Constant FX growth	+11
Exchange	(1)
Reported growth	+10

High quality revenue growth, driven by volume

Revenue growth – by division

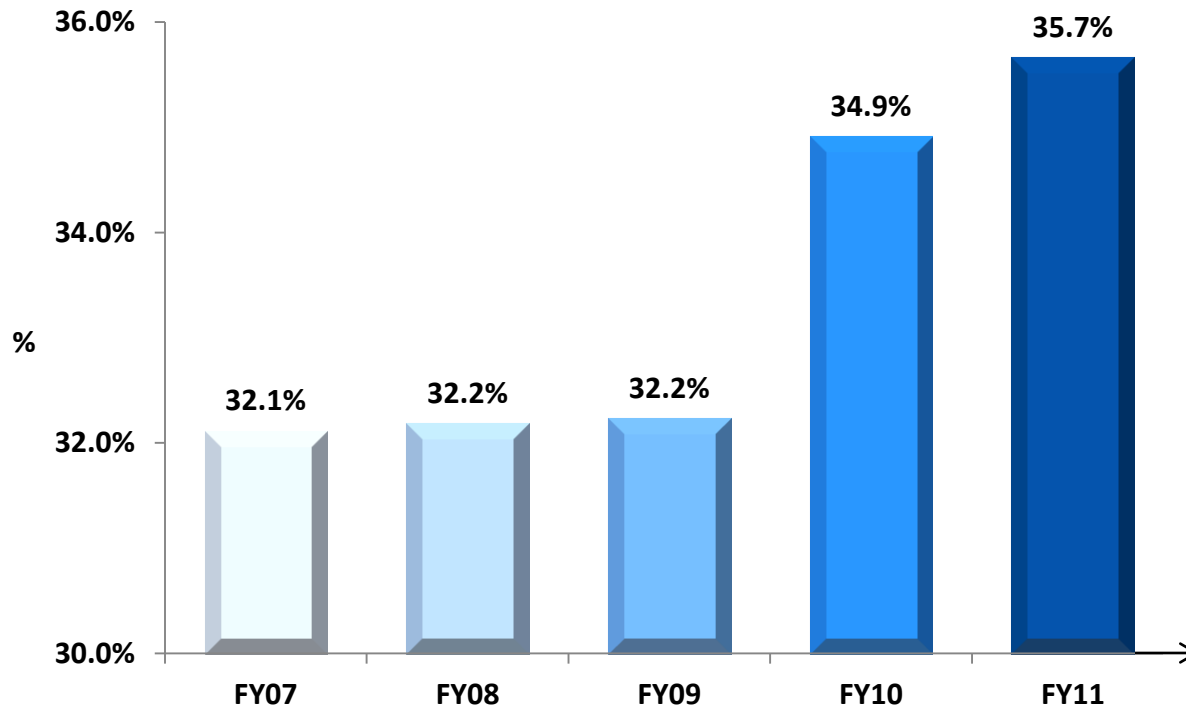


	FY 11 £m	Growth Constant FX		
Protection & Finishing Products	163.0	+27.5%	→	LFL ¹ growth +16.4%
Porous Technologies	77.9	+5.6%		
Coated & Security Products	98.2	+6.5%	→	LFL ¹ growth +5.5%
Filter Products	208.0	+4.2%		
Eliminations	(6.4)			
Group	540.7	+11.1%	→	LFL ¹ growth +8.0%
Group – at actual FX		+10.4%		

Strong performance across all divisions

¹ At constant FX, adjusted for acquisitions and disposals

Gross margin¹

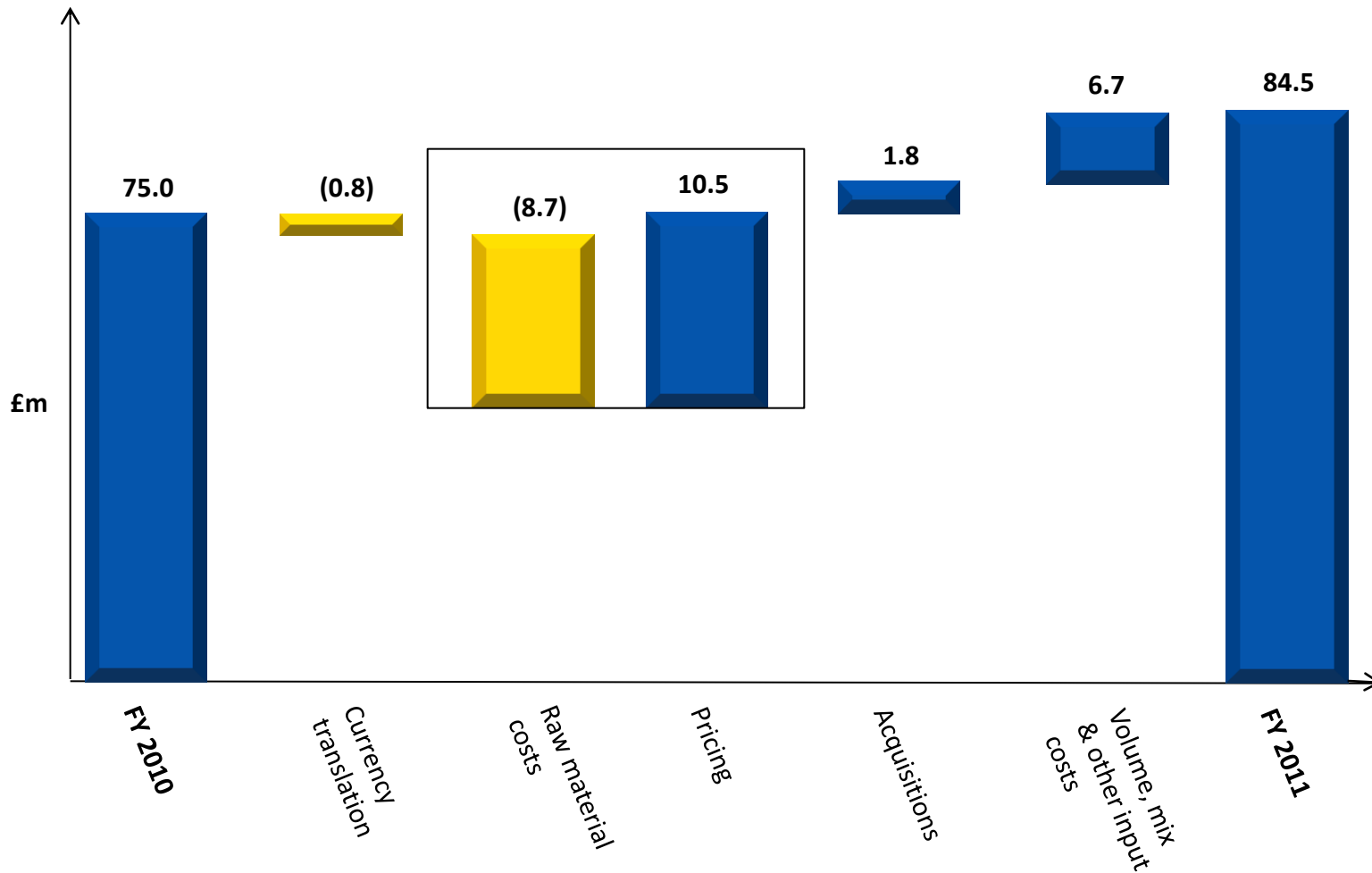


- +80 bps GM improvement
 - Mix effect benefit from higher growth in higher GM divisions
 - Pricing offsets raw material increases
 - Operational leverage impact from higher volume
 - Cost efficiencies

Strategic focus on GM uplift from cost & process efficiencies

¹ At constant FX, continuing operations

Operating profit¹ – key movements



Pricing more than recovering higher raw material costs

¹Adjusted to exclude intangible amortisation and exceptional operating items

Divisional summary



	Revenue		Adjusted ¹ operating profit		
	FY 11 £m	Growth Constant FX	FY 11 £m	Growth Constant FX	Margin Constant FX
Protection & Finishing Products	163.0	+27.5%	37.8	+32.6%	23.2%
Porous Technologies	77.9	+5.6%	18.4	+5.7%	23.6%
Coated & Security Products	98.2	+6.5%	15.4	+5.5%	15.7%
Filter Products	208.0	+4.2%	24.5	+3.8%	11.8%
Elims/Central Services	(6.4)		(11.6)		
Group	540.7	+11.1%	84.5	+13.9%	15.6%
Group – at actual FX		+10.4%		+12.7%	

¹ Adjusted to exclude intangible amortisation and exceptional operating items

Income statement – continued



	FY 11 £m	Growth	
		Actual FX	Constant FX
Operating profit ¹	84.5	+13%	+14%
Net finance charge	(8.3)	-20%	-20%
Profit before tax ¹	76.2	+18%	+19%
Taxation	(23.2)	+16%	+17%
- Underlying tax rate	30.4%		
Net income ^{1,2}	53.0	+19%	+20%
Adjusted earnings ^{1,2}	51.8	+20%	+22%
EPS - adjusted ^{1,2}	25.1p	+20%	+21%
EPS – diluted, adjusted ^{1,2}	24.3p	+18%	+20%

▪ Strong operating cash flow, lower fee amortisation & higher pension credit

▪ Tax rate down to 30%

¹ Adjusted to exclude intangible amortisation and exceptional operating items

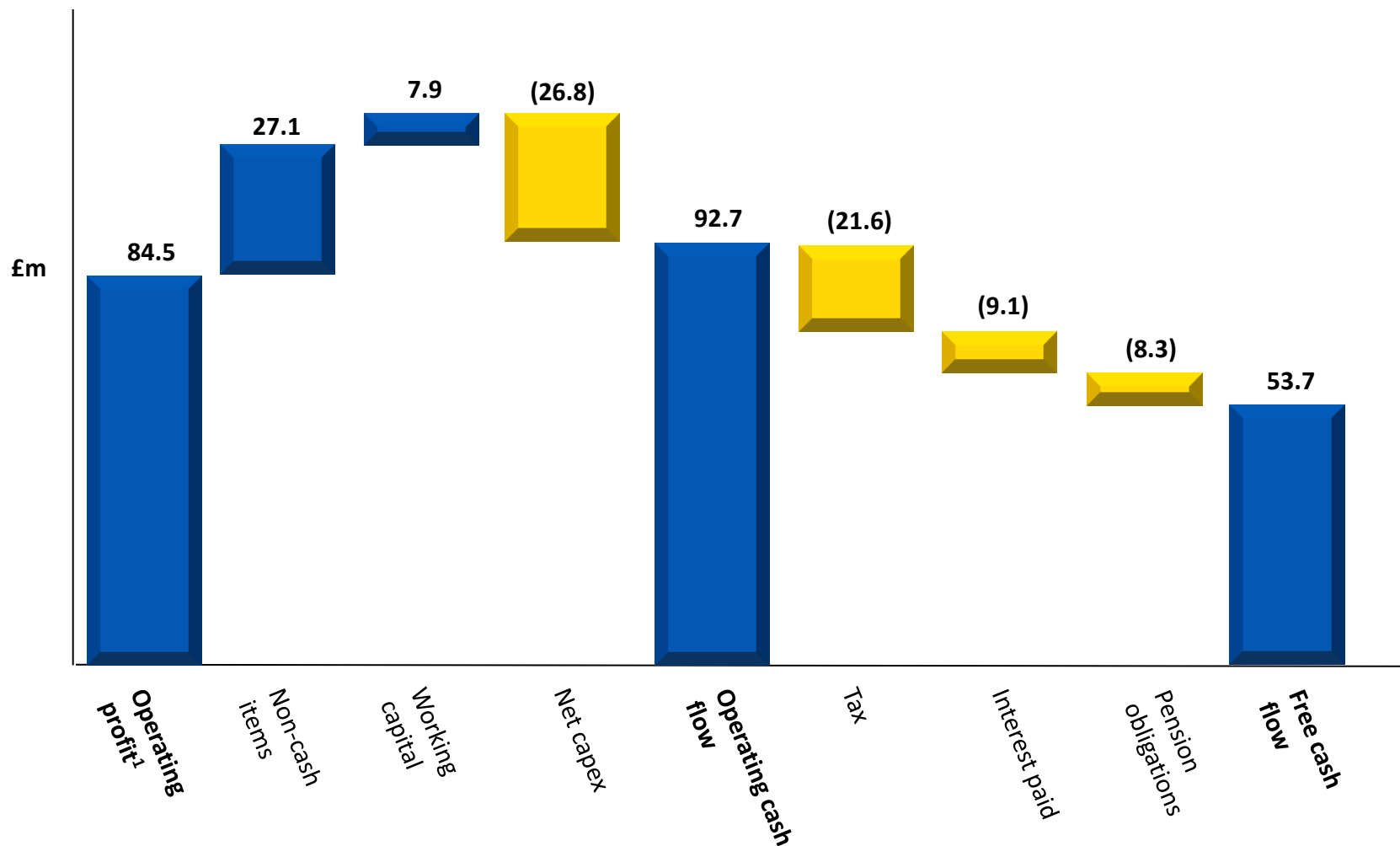
² Continuing operations

Exceptional operating items



	FY 11
	£m
Acquisition fees in respect of Reid and Richco	2.8
Acquisition integration costs	2.4
Other	3.0
Total exceptional operating items	8.2

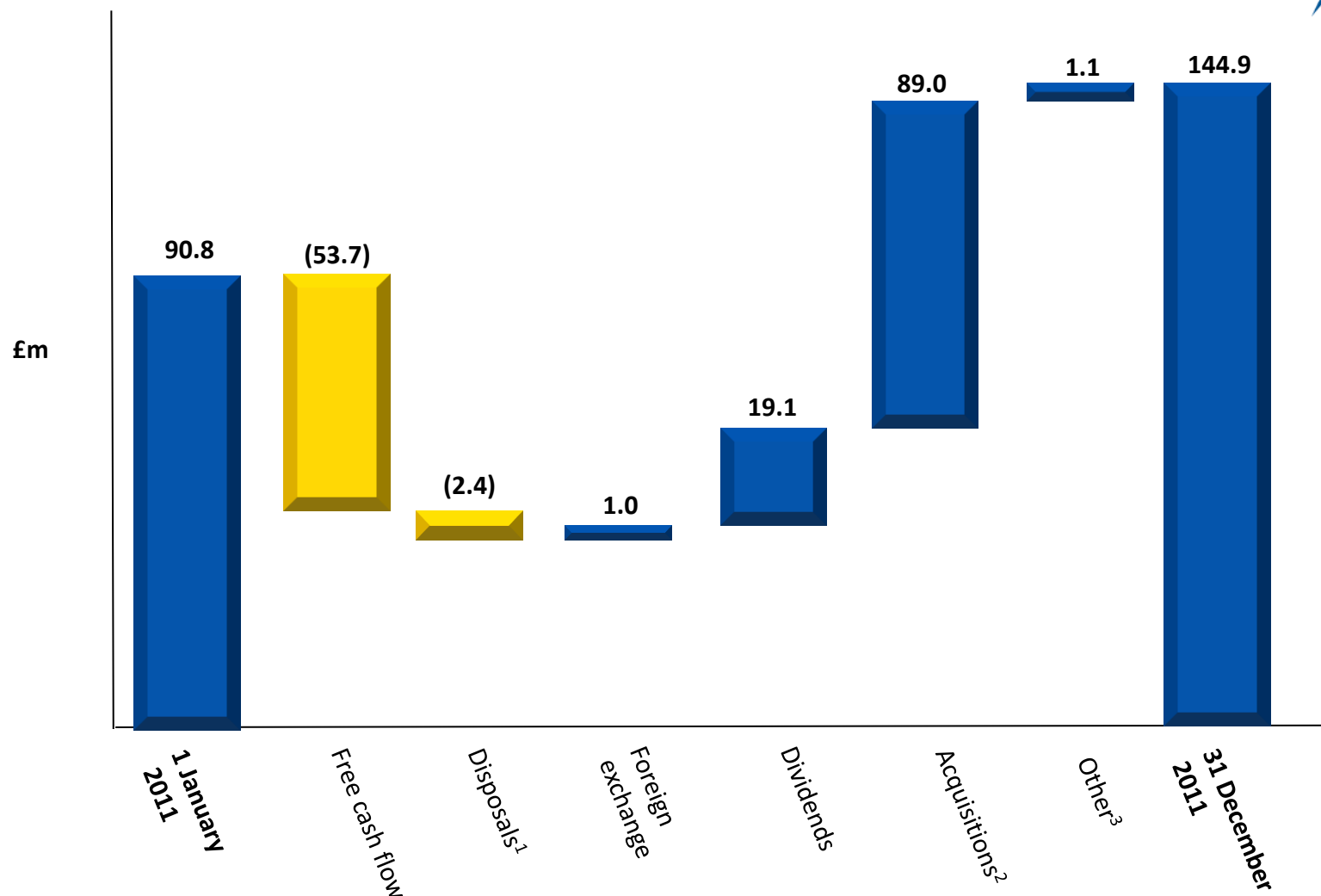
Cash flow¹



Operating cash flow up 24%: 110% conversion ratio

¹ Adjusted to exclude intangible amortisation and exceptional operating items

Net debt reconciliation



Net debt / EBITDA: 1.4x

¹ Receipt of deferred consideration on Globalpack (£2.6m) less taxes paid (£0.2m)

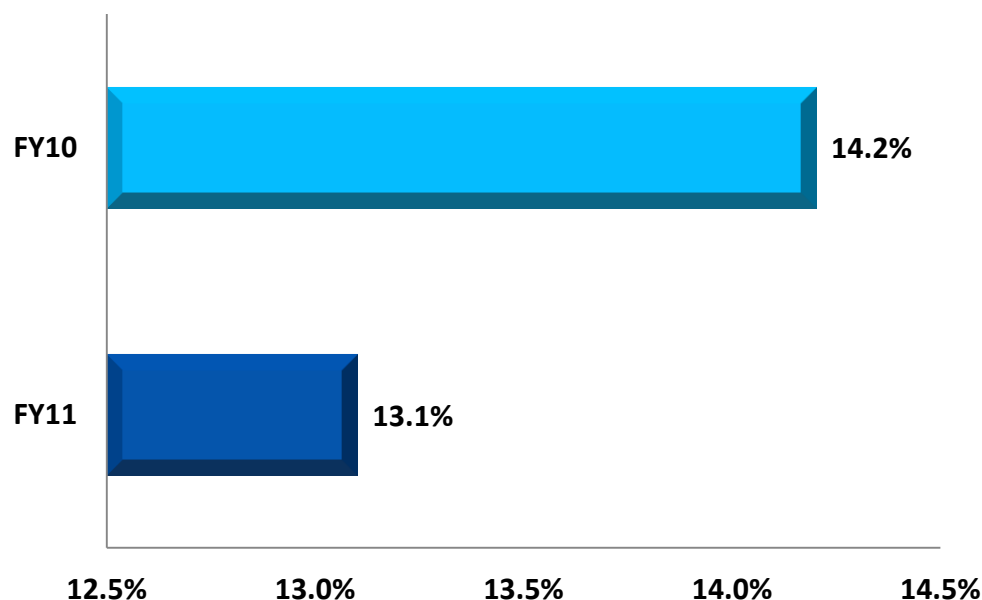
² Acquisition of Reid Supply in September 2011 and Richco in December 2011 (net)

³ Other includes exceptional operating items, purchase and sale of employee trust shares, dividends to non-controlling interests and other items

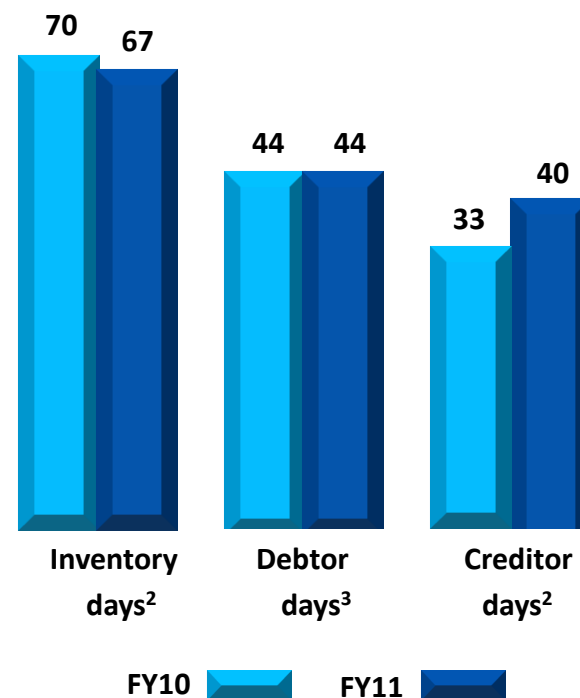
Working capital



Working capital / revenue¹ (WCR)



Key metrics



Working capital / revenue¹ ratio of 13.1%, down by 110 bps

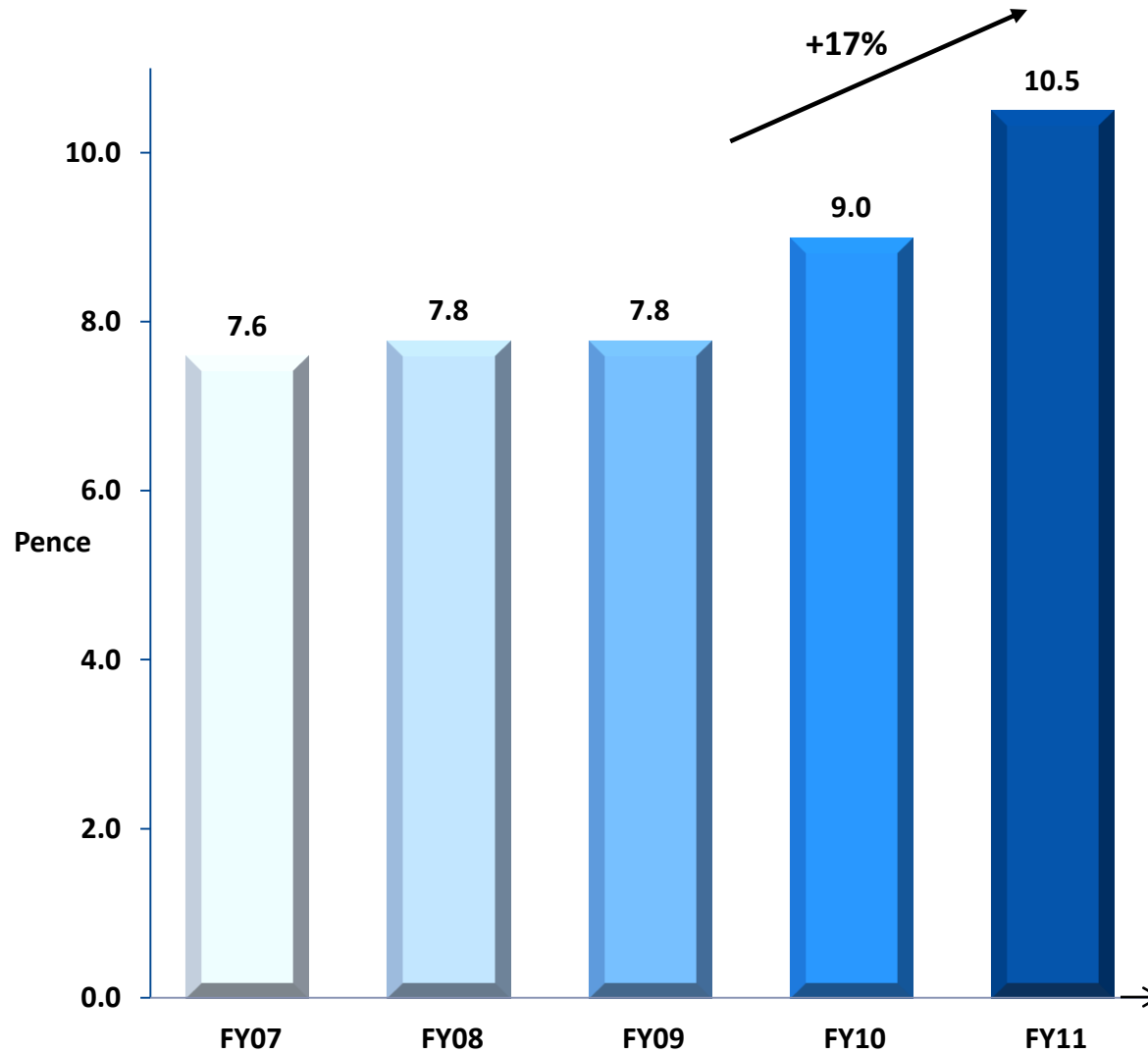
Notes:

¹ Constant FX, based on last 12 month revenue

² Number of current cost of sales days held as inventory or trade payables

³ Number of current sales days held in trade receivables

Dividend



Dividend growth in line with profit growth

Acquisition Update

Matthew Gregory, Corporate Development Director

The role of M&A



PLACE

- Reinforce & strengthen existing positions
- Enter into new geographies

PRODUCT & MARKETS

- Expand range
- Accelerate entry into new markets and segments
- Bring new technologies

PEOPLE

- Introduce new expertise to talent pool

Complements balanced organic growth strategy

Our approach



Divisional

- White space expansion
Further penetration of existing markets
- Complementary products, IP or technologies
- Expand into new markets with existing technologies
- Bolt-on / infill

Group

- Could add a new leg to the business ...
- ... but MUST have compelling strategic rationale and meet financial metrics
- Leverage USPs and complement existing business strengths

Key financial parameters

- EPS enhancing
- ROIC > WACC by at least year 3
- Debt

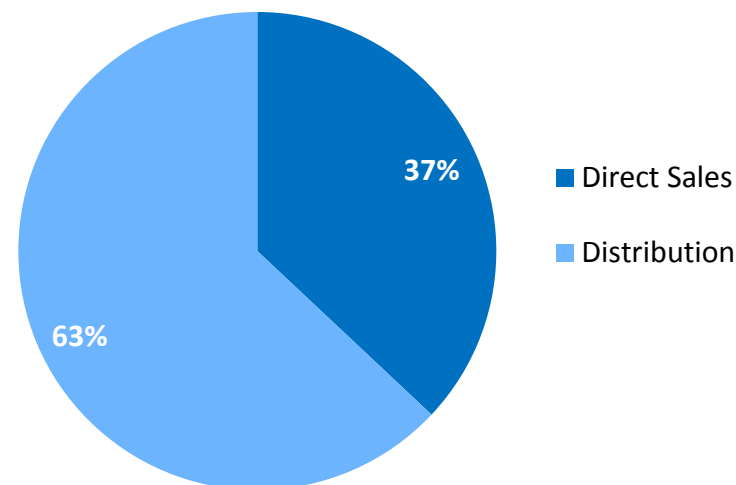
Acquisition of Securit World Ltd



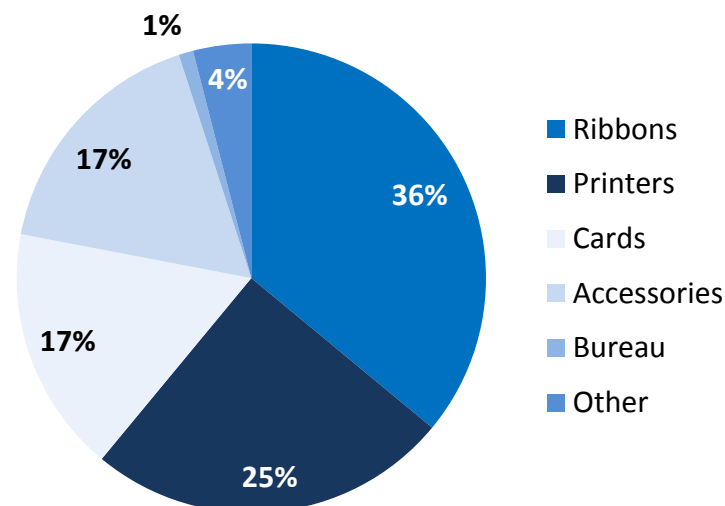
About Securit

- A UK distributor of desktop personal ID card systems
- Supplies printers, software and associated accessories
- Serves a wide range of end-markets, including Trade Distribution, Education, Government, Health and General Industry

Revenue by channel



Revenue by product sector



Key metrics (2012E)

- | | |
|-------------------|-----------|
| ▪ Purchase price: | £6m |
| ▪ Revenue: | c. £10.5m |
| ▪ EBITDA: | c. £1.2m |
| ▪ EBIT: | c. £1.2m |
| ▪ Employees: | 34 |
| ▪ Live customers: | c. 4,200 |

Acquisition of Securit World Ltd



Vs our scorecard ...

... Securit delivers

PLACE:

- Re-enforces position in the UK
- Adds export business

PRODUCT & MARKETS:

- Accelerates development in adjacent segments (eg, Access Control, Membership)

PEOPLE:

- Highly successful track record
- Strong understanding of the distributor sales channels, complementary to existing skills

RATIONALE:

- Immediately EPS enhancing
- ROIC > WACC in year 1
- Purchasing synergies through increased scale



A value-adding acquisition for C&SP

Versus our scorecard ...

... Reid delivers

PLACE:

- Strengthens position in the US

PRODUCT & MARKETS:

- Adds > 50,000 products, particularly in the hardware product range

PEOPLE:

- Strong management team with good understanding of e-commerce

RATIONALE:

- EPS accretive in year 1
- ROIC > WACC in year 1
- Delivers strong cross-selling opportunities
- Supply chain and product cost saving potential

Integration in line with ingoing expectations

Versus our scorecard ...

... Richco delivers

PLACE:

- Expands geographic footprint in Europe and Asia
- 70% revenue outside US
- Adds manufacturing in China

PRODUCT & MARKETS:

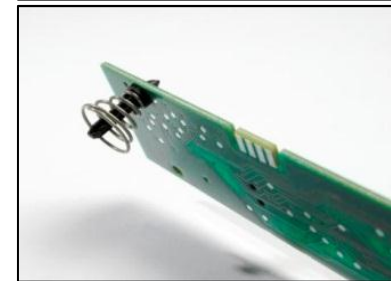
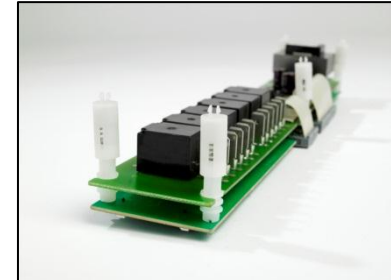
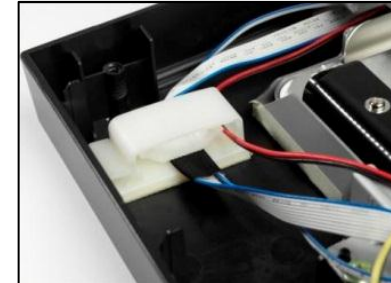
- Expands range in plastic fasteners and cable management
- Broader access to electronics, OEM, medical and other markets

PEOPLE:

- Global management team

RATIONALE:

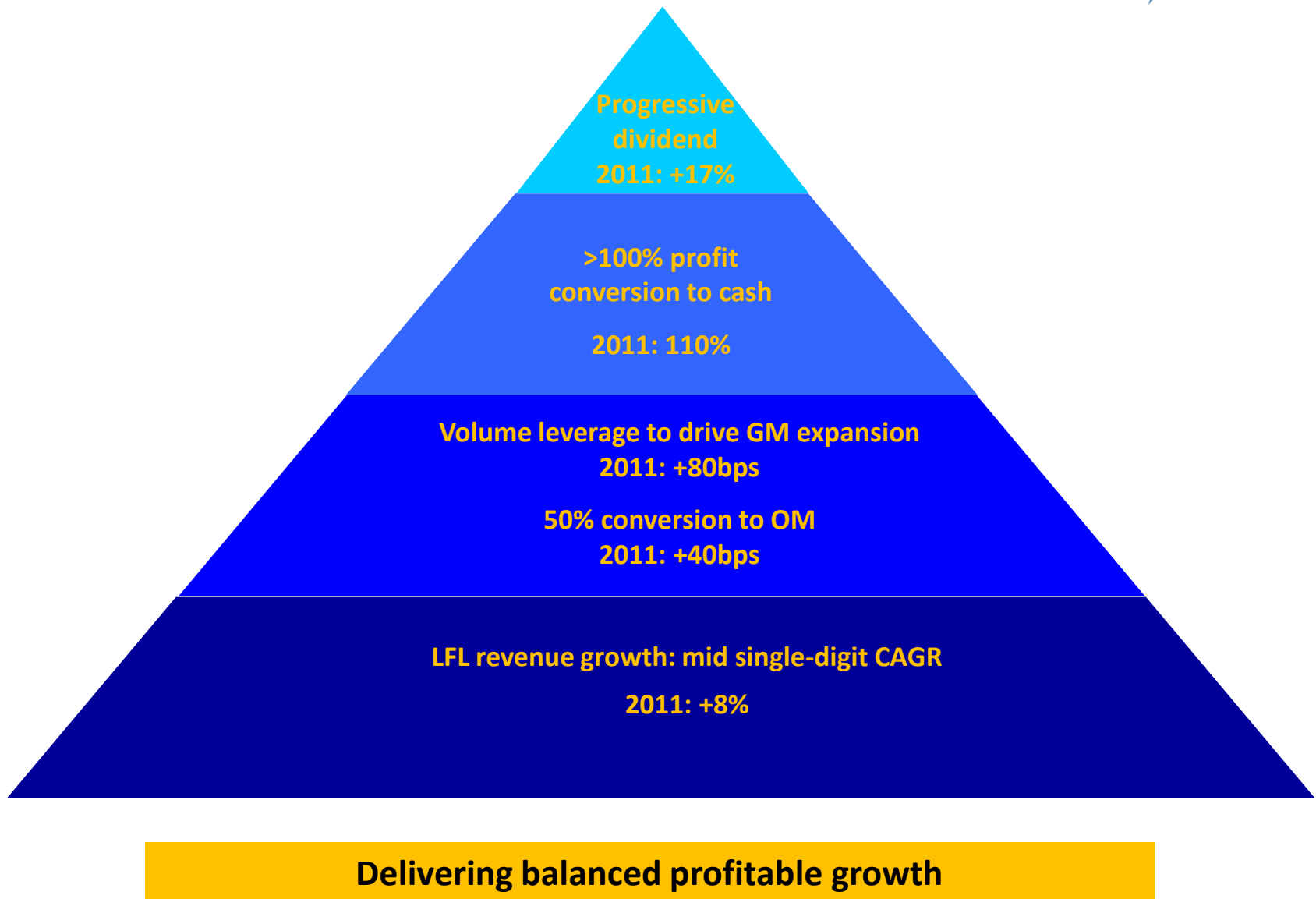
- Immediately EPS enhancing
- $ROIC > WACC$ in year 2
- Cross-selling revenue opportunities
- Purchasing, supply chain and other efficiency savings



Vision 2015 Update & 2012 Outlook

Colin Day, Chief Executive

Vision 2015 – how are we doing so far?



Vision 2015 – how are we doing so far?



What we said what we've achieved
<ul style="list-style-type: none">▪ Identify key geographic & white space opportunities▪ Focus on faster growing markets / economies▪ Invest in improving operational excellence & execution▪ Strengthen organisation▪ Fewer/more critical KPIs	<ul style="list-style-type: none">▪ Organic growth and M&A in new geographies (eg, Richco)▪ Investment in Far East and European markets▪ E-commerce strategy reinforced▪ Divisions re-focused on key go-to-market channels▪ Investment in sites and machinery to support future growth▪ Strong pipeline of new initiatives▪ Created Group Mgmt Committee (“GMC”) and Group Leadership Team▪ Established 3 new GMC positions and a number of senior functional roles▪ Aligned incentive programmes with Vision 2015 objectives▪ Revenue▪ Margin▪ Net working capital▪ Cash conversion

- Well positioned for continued balanced growth
 - Positive momentum maintained into early 2012
- Focus on successful integration of recent acquisitions
- Continued strong cash flow
 - FY 2012 capex of mid-£30m
 - Further improvement in net working capital % ratio
- FY 2012 tax rate c.100 bps < 2011



**Further progress towards Vision 2015 objectives:
> mid single-digit LFL revenue growth and double-digit adj. EPS growth¹**

Appendices

Income statement – reported basis



	FY 11	Growth	
	£m	Actual FX	Constant FX
Adjusted operating profit	84.5	+13%	+14%
Intangible amortisation	(3.7)		
Exceptional operating items	(8.2)		
Reported operating profit	72.6	+1%	+2%
Net finance charge	(8.3)		
Profit before tax	64.3	+4%	+6%
Taxation	(21.9)		
- <i>Underlying tax rate</i>	30.4%		
Net income ¹	41.2	+1%	+2%
EPS ¹	20.0p	-	+2%
EPS ¹ - diluted	19.3p	-2%	-

¹Continuing operations

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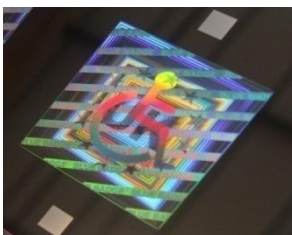
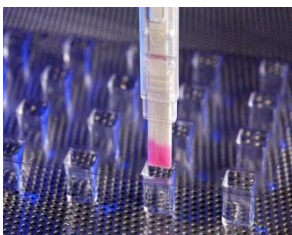
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Filtrona plc

Investor Presentation

Full Year 2011 Results

22nd February 2012