



ESSENTRA

## HY 2020 PRE-CLOSE TRADING STATEMENT

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### ESSENTRA PLC PRE-CLOSE TRADING UPDATE

#### Summary

- Four priorities remain; employee physical and emotional wellbeing, continued high levels of customer support, cash conservation, and the more recently introduced - building for our future
- All 71 manufacturing and distribution facilities are operational and broadly back to pre-pandemic levels of service
- Like-for-like revenue trend improved as Q2 progressed; -17% in April, -10% in May and -1% anticipated in June
- Most significant impact of the pandemic in Components, with underlying demand in Packaging and Filters robust and marginal year on year growth achieved in June in both divisions
- Liquidity position increased, further ensuring Group is well placed to absorb an extended period of uncertainty
- Well positioned to respond effectively to the impacts of the pandemic; continued revenue progress on a stable operating base expected in Q3

Essentra plc ('the Company') today provides a pre-close trading update for the half year ending 30 June 2020, in light of the impact of COVID-19 ('the pandemic').

Commenting on today's announcement, Paul Forman, Chief Executive said:

"I am very proud of the way the whole Essentra family has navigated through the last three months.

We have achieved a high degree of stability by focusing consistently and from the beginning on our three pillars of employee wellbeing, customer support and cash conservation. We have seen an increasing monthly sales trend this quarter, and barring a major second wave to the pandemic, we expect this trend to continue in the third quarter. We believe that our high level of customer support is enabling us to gain market share. We are actively focusing on our fourth pillar, "building a better future", and are confident that we are emerging a stronger business.

I remain impressed and supremely grateful to every single member of the Essentra family."

#### Trading performance

Whilst Q1 trading was largely unaffected by the pandemic, as expected the impact was more profound in Q2. Nonetheless, the performance is in-line with our expectations and trading trends are improving.

As highlighted in the Company's last announcement dated 21 May 2020, Group like-for-like (LFL) revenue declined 17% in April.

Group LFL revenue performance has improved as the quarter progressed - in May it was -10%, in June it is expected to be -1%. The Company therefore expects that LFL Q2 performance will be -10%, whilst LFL H1 performance is anticipated to be -9%.

In the Components division (which is more exposed to industrial cyclicality), the start of Q2 saw an accelerated slowdown in customer demand, with LFL revenue -24% on prior year in April. May and June showed an improvement from the April low, as our enhanced online offer enabled us to continue supporting customers through this period.

As previously indicated, the greater risk for the Packaging and Filters divisions related to supply chain performance and individual country temporary legislation. In line with this, April performance in both divisions was somewhat affected by temporary facility closures, which subsequently reopened in May. Underlying demand has remained robust for both divisions in May and June, and both divisions have now returned to modest positive growth - Packaging since May and Filters in June.

#### Balance sheet strength and liquidity

The Company continues to maintain a strong balance sheet and liquidity position. We are pleased to report that since the last

announcement, the Company has been cash generative and hence our liquidity position has further improved. Overall liquidity at the end of June was c£260m - this has been achieved by diligent cash flow management in the Company.

In line with improving trading trends and our liquidity position, the Company is not in receipt of any UK government furlough support, as of 30 June 2020. The Company had previously announced that its top 100 senior leaders, its Group Management Committee members and the Board had taken a voluntary reduction in salaries, in order to support the financial well-being of members of the Essentra family who were in a less fortunate position. Full salaries for the Board and leadership will be reinstated as of 1<sup>st</sup> July 2020, which is testament to the Company's improving performance and financial stability.

The Company continues to proactively work on protecting profit and conserving cash and is actively managing costs and capex. This decisive cost action combined with the Company's strong liquidity position, leaves it well placed to weather these unprecedented trading conditions.

## **Outlook**

The Company anticipates some continued disruption to its trading in the coming months and believes that it is still too early to outline the full impact on full year financial performance - hence any guidance remains absent.

In Components, recent order book trends are positive - with June seeing a c10% improvement compared to May, with progress being noted in all regions.

The order book for Packaging is encouraging, and remains higher than at the same point last year, on a LFL basis. The division has been awarded more than \$5m (annualised) of new business as a result of its focus on supporting customers.

Filters continues to make progress on its strategic agenda, in particular the commencement of our two 'gamechanger' outsourcing deals and the establishment of the China JV.

Despite the immediate challenges posed by the pandemic, the Company is well positioned to respond effectively, with the revenue trend seen in Q2 expected to continue into Q3, barring a major second wave to the pandemic.

The Company has a dedicated COVID-19 section within its corporate website, where regular updates are being posted (please see <https://www.essentraplc.com/about-us/covid-19-approach/groupwide-approach>).

## **Date for HY 2020 results announcement**

The Company will report on its half year results, for the six months ended 30 June 2020, on Friday 28 August 2020.

The results will be published at 07:00 (UK time) that day through the regulatory news service (RNS) and on the Company's website (<http://www.essentraplc.com>)

Further details regarding the Company's presentation to analysts and investors shall be released nearer the time.

## **Enquiries**

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## **Notes to Editors**

### **About Essentra plc**

Essentra plc is a FTSE 250 company and a leading global provider of essential components and solutions. Organised into three global divisions, Essentra focuses on the light manufacture and distribution of high volume, enabling components which serve customers in a wide variety of end-markets and geographies.

Headquartered in the United Kingdom, Essentra's global network extends to 34 countries and includes 7,552 employees, 50 principal manufacturing facilities, 34 sales & distribution operations and 4 research & development centres. For further

information, please visit [www.essentraplc.com](http://www.essentraplc.com).

### **Essentra Components**

Essentra Components is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating in 29 countries worldwide, 14 manufacturing facilities and 29 logistics centres serve more than 85,000 customers with a rapid supply of low cost but essential products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction. The division also includes the Reid Supply business, which provides a wide range of branded hardware supplies to a broad base of industrial customers, largely located in the US Mid-West.

### **Essentra Packaging**

Essentra Packaging is one of only two multicontinental suppliers of a full secondary packaging range to the health and personal care sectors, with 24 facilities across four geographic regions. The division's innovative products include cartons, leaflets, self-adhesive labels and printed foils used in blister packs, which help customers to meet the rapidly-changing requirements of these end-markets and can also be combined with Essentra's authentication solutions to help the fight against counterfeiting.

### **Essentra Filters**

Essentra Filters is the only global independent cigarette filter supplier. The seven worldwide locations, plus a dedicated Technology Centre supported by three regional development facilities, provide a flexible infrastructure strategically positioned to serve the tobacco sector. The business supplies a wide range of value-adding high quality innovative filters, packaging solutions to the roll your own segment and analytical laboratory services for ingredient measurement to the industry: Essentra's offering also includes Heat Not Burn and e-cigarette solutions to the rapidly evolving market for Next Generation Products. The division now also includes the Tear Tapes business, which is globally recognised as the leading manufacturer and supplier of pressure-sensitive tear tapes, that are largely used in the tobacco, food and drink and specialist packaging sectors.

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