

**ESSENTRA PLC****COVID-19 Update****Summary**

- 3 priorities; employee physical and emotional wellbeing, continued high levels of customer support, cash conservation
- Groupwide performance not materially impacted in first two months by COVID-19 but disruption to trading anticipated in the coming months
- Underlying demand in Packaging and Filters currently remains robust, but Components saw some weakening in the week commencing 16th March with an accelerated trend expected
- Liquidity position and capital structure well placed to absorb an extended period of uncertainty
- In light of the need for prudent cash management, the Board has decided to cancel the 2019 final dividend. Other cash actions include reductions in capex, net working capital and discretionary costs.
- Well positioned to respond effectively to the impacts of the pandemic and return to driving growth over the medium to long term

Essentra PLC (the 'Company'), a leading global provider of essential components and solutions, today issues an update on the impact of the COVID-19 virus on the business. This announcement is made in the context of the increasingly uncertain macro-environment, which has been uniquely impacted by the rapid and global spread of COVID-19.

**People**

The Company's immediate priority is the health and safety of its people. We have been taking every possible step to reduce the risk of infection across our sites and are working closely with local authorities to ensure the continued safety and wellbeing of our people, as the situation develops.

The Company has implemented responsible working practices for the current environment and has established appropriate governance and communication structures to enable focussed decision making. We have already seen an exceptional response from our employees, even in locked down countries, and we are extremely grateful for their outstanding commitment. This feature, allied to our inherent strategic strengths, provides a good platform to manage through this uncertain period.

**Customers**

The Company is proud to be serving critical industries involved in the fight against COVID-19; the pharmaceutical industry in our Packaging division and the medical devices industry in our Components division.

Apart from government-imposed closures, our supply chain continues to serve our customers. Although, the Company currently has a handful of manufacturing and distribution facility shut-downs, due to local government requirements, the vast majority of sites continue to operate as normal. We are working with customers and suppliers by enacting appropriate business continuity plans to mitigate the impact of any potential disruption.

## **Impact of COVID-19 on Current Trading**

As previously indicated in our year end 2019 results announcement, there has been some limited impact on trading from COVID-19 in the first two months of the year; most notably in the China Filters business and to a lesser extent in the China Components business. The Company is pleased to update that in very recent weeks, demand in China has returned back to more normalised levels.

In the Components division (which is our one division that has some degree of exposure to industrial cyclicality), over the course of the past week, we have noted a high single digit slowdown in customer demand, particularly in Europe and the US, as the epicentre for the outbreak shifts from East to West. The most recent indications however, are that this is an accelerating trend as customers reduce activity materially. Conversely, Asia trading is broadly in line with expectations.

In the Packaging and Filters divisions, customer feedback would suggest that there is not a significant risk to underlying medium to longer term demand, but rather the greater risk lies on the supply chain side and in relation to individual country temporary legislation. However, we have not seen any significant impact to date.

## **Financial Position and Priorities**

The Company continues to maintain a strong balance sheet and has recently completed the refinancing of an \$80m USPP facility in February 2020. We currently have available liquidity of c£225m, which is made of undrawn committed bank facilities of c£100m (from a group of eight international blue-chip banks), along with cash on hand across the Company of c.£125m.

Net debt on 31 December 2019 (IFRS16 unadjusted) was £234m, with a ratio of net debt to EBITDA at just under 2x versus a banking covenant threshold of 3x.

The Company has undertaken extensive scenario testing, factoring in a variety of potential outcomes, which indicate that the Company has sufficient liquidity to absorb an extended period of uncertainty.

The Company has no bank or refinancing events until October 2021. In addition, we are exploring the newly announced Covid Corporate Financing Facility (CCFF) from the Bank of England.

The Company is working proactively to protect its trading and cash flow position by assessing a number of mitigation levers within its control, such as the reduction of discretionary capex and net working capital across the business. The Company is also implementing a reduction in discretionary spend, namely:

- Hiring has been frozen and the use of overtime and contractors is being significantly reduced
- Marketing budgets have been significantly scaled back and refocused
- Government support is being applied for globally where appropriate to support the costs of employees

Other potential cost saving levers are being actively reviewed.

## **Dividend**

Notwithstanding the generally robust trading position and our healthy balance sheet, the macro economic environment is one of extreme uncertainty. Therefore, the Board has concluded that all reasonable steps should be taken to conserve cash and, accordingly, has decided to cancel the 2019 final dividend. As a result, final dividend payment will not be presented as a resolution at the forthcoming Annual General

Meeting. The Board will continue to closely monitor the development of COVID-19, its impact on the Company's people and businesses, and assess the dividend policy in due course.

## **Outlook**

The Company anticipates inevitable disruption to its trading in the coming months and it is too early to call out the full extent of the resulting impact on the full year financial performance; the Company remains a financially sound business with a liquidity position and capital structure that is well placed to absorb an extended period of uncertainty. Despite the current intense focus on addressing the immediate challenges, we continue to pursue the strategic initiatives that are driving our medium to long term growth, albeit it at a revised pace.

## **MAR Statement**

This announcement contains inside information.

## **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.