



ESSENTRA

HY 2021 PRE-CLOSE TRADING UPDATE

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Summary

- Well positioned to continue the rebound from Covid-19 ("the pandemic"), focused on delivering organic growth, cost reduction initiatives and accretive M&A
- Strong Q2 2021 Group performance, revenue increased 13.6% on prior year (7.4% growth in H1), on a like-for-like (LFL) ¹ basis
- Components continued with its trend of improving growth, with LFL Q2 revenue up by c.38% ²
- Packaging had another tough period in Q2 with a LFL revenue decline of 4.8% due to underlying market conditions, though there was steady improvement as the period progressed. Strategic initiatives projects delivered to support margin improvement
- Filters' strong start to the year continued, with revenue growth of 15.4% in Q2
- Price increases in Components and Packaging in H2 to offset inflationary pressures

Current trading and outlook

Our four priorities remain; employee physical and emotional wellbeing, continued high levels of customer support, cash conservation, and building for our future.

The trend of positive quarterly momentum has continued with LFL growth in Q2 2021 of 13.6% (7.4% growth in H1), albeit the prior year comparison is inevitably skewed due to the impact of the pandemic taking its full grip from April last year. Compared to Q2 2019, Q2 2021 is up by 2.4% on a LFL basis. Although the pandemic continues to cause some uncertainty in the macro-economic environment, recent order book trends remain positive across the Group.

The Components division delivered a strong performance in Q2 2021, with LFL revenue per working day up c.38% (up c.7% vs. Q2 2019), as end markets continued to improve and our commercial initiatives continued to deliver benefit. Components has delivered this growth despite supply chain challenges, which are beginning to improve as we continue to drive proactive remediation actions. The business is facing some inflationary input cost pressures, which we are looking to offset with price increases in H2. We continue to invest in our Business Process Redesign (BPR) programme and have now gone live with our first operational site in Spain. The recently announced acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd is on track to complete in Q3 2021. Based on recent order book data we expect continued positive momentum in H2.

The Packaging division saw a Q2 2021 LFL revenue decline of 4.8% (reported +4.9%), as prescriptions and elective surgery volumes continued to be impacted by lockdowns. The prior year comparative was tough as volumes were boosted by enhanced 'over the counter' trade due to the pandemic. It should be noted though that there was a steady improvement in trade as Q2 progressed. Whilst input costs have increased in H1, we are now implementing pricing actions to mitigate these effects. Cost reduction initiatives, in particular the recent closure of our Portsmouth (UK) and Moorestown (USA) sites, continue to support margin improvement. We maintain our target exit rate of delivering an 8-10% margin, in line with the industry average, by the end of 2021 (barring any major unforeseen macro-economic events or extended lockdowns). Recent order book trends have been improving and we continue to believe the market will return to moderate growth in H2 2021 as global healthcare systems catch up on the significant backlog of prescriptions and elective surgeries.

The Filters division continued its strong start to the year, with Q2 2021 revenue growth of 15.4% (+3.3% vs. Q2 2019). This strong performance has mainly been driven by outsourcing contracts delivering volumes in line with expectations. In terms of progress with the division's other 'game changers':

- The China JV successfully commenced production in June; and
- Our range of proprietary eco-products³ are attracting increased interest. The number of projects underway has

significantly grown and a market trial with a large customer in Europe should begin imminently (the first batch of product has recently been delivered to the customer).

Filters' revenue is expected to continue growing, but the growth rate may moderate as the comparatives become tougher.

Issuance of Medium and Long Term Debt

The Company has agreed the issue of US \$250 million of medium and long-dated private placement debt. The issue comprises US \$80 million notes due 2028, US \$85 million notes due 2031, and US \$85 million notes due 2033.

The covenants on the notes are in line with those on the Company's existing private placement notes and its bank revolving credit facility.

The proceeds will be used for general corporate purposes and to repay shorter-dated bank debt (with net debt level maintained), thereby diversifying the Company's source of debt finance and lengthening its maturity profile. Some of the proceeds are intended to be swapped into Sterling, in accordance with the Group's hedging policies.

Update on the pandemic

The Company continues to proactively monitor the pandemic on a country by country basis, and is taking steps to ensure the safety of our people. In particular in our Asian facilities, we are carrying out proactive testing, providing assistance to employees and their families in isolation, as well as arranging medical and emotional support to those affected.

The Company is also assisting customers with BCP solutions to ensure access to essential products required for production needs.

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

"I am extremely pleased with the strong start to the year that we have delivered. We continue to focus on organic growth and cost initiatives to drive profitability. Whilst we remain mindful of external pressures including ongoing cost inflation, we have been quick to adjust pricing in Components and Packaging to protect margins.

We have an excellent base from which to drive responsible, profitable and cash generative growth in each of the divisions.

The issuance of our private placement debt provides us with optimal long term funding. The strength of our balance sheet, liquidity position and capital structure means we are well positioned to pursue attractive bolt-on acquisition opportunities."

Notes

- (1) Excludes the impact of acquisitions, disposals and foreign exchange
- (2) Adjusting for one more trading day during Q2 2021
- (3) ECO Cavitec, ECO Sensation, and ECO Cavitec Sensation

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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 7,065 employees, 50 principal manufacturing facilities, 32 sales & distribution operations and 3 research & development centres. For further information, please visit 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 25 countries worldwide, 15 manufacturing facilities and 25 sales & distribution centres serve more than 82,000 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 25 facilities across three 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 twelve sites across nine countries, including three R&D centres, 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 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.

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