



ESSENTRA

## STRATEGIC UPDATE AND Q3 2021 TRADING

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF THE UK VERSION OF THE MARKET ABUSE REGULATION (EU NO. 596/2014) WHICH FORMS PART OF ENGLISH LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018.

### ESSENTRA PLC

*A leading global provider of essential components and solutions*

#### STRATEGIC GOAL TO BECOME A PURE PLAY COMPONENTS BUSINESS AND Q3 2021 TRADING UPDATE

##### Summary

- The Board has concluded that, in order to maximise shareholder value and the growth potential of its three businesses, Essentra should become a pure play global Components business over time
- As a first step the Board is reviewing the full range of strategic options for the Filters business
- Overall, a robust Q3 2021 performance, revenue increased 5.1% on a like-for-like (LFL) basis
- Components - LFL day adjusted revenue growth of 28.5% in Q3 2021, 14.2% above Q3 2019
- Packaging - LFL revenue declined 6.1% due to delays in the recovery of elective surgeries and prescription levels
- Filters - Revenue growth of 2.8% in Q3 2021 against a tough comparative
- The Company is expecting to deliver FY21 adjusted operating profit in the range of analysts' forecasts<sup>1</sup>

Essentra plc ('the Company' or 'the Group') today announces the strategic goal to become a pure play Components business and its Q3 2021 trading update.

##### Strategic Update

Over the last few years, Essentra has simplified its portfolio into three global businesses, each with leading market positions and a clear purpose and strategy. These businesses all have strong prospects and the potential to deliver compelling returns for investors, but are at different stages of their development and have limited synergies. The Board has therefore concluded that, in order to maximise shareholder value and the potential of each of its businesses, Essentra should become a pure play global Components business over time. This will enable strategic focus and an acceleration of organic and inorganic growth.

As a first step to realising this goal, the Board has decided to review the full range of strategic options for the Filters business. It is anticipated that the strategic review is likely to conclude in Q2 2022 at the earliest. In the meantime, the Filters division will continue to receive full support from the Group and focus on sustaining its strong performance. The Filters division has made significant progress over the last four years on the delivery of all strategic "game changers" and now has attractive long-term growth prospects.

##### Trading performance

Overall, the Group had a robust start to the second half of the year, with Q3 2021 Group trading within the range of expectations. The Company delivered LFL revenue growth of 5.1% for the period (-2.2% LFL vs. Q3 2019) thanks to the strong performance in Components and Filters, despite ongoing global supply chain disruptions.

The Components division had a very strong performance in Q3 2021, with LFL revenue growth of c.28.5% compared to Q3 2020 after adjusting for two less trading days (+14.2% vs. Q3 2019 on a LFL day adjusted basis). This growth comes amid supply chain challenges and inflationary input cost pressures. Price increases implemented during the quarter have partially mitigated these cost pressures, with further benefit expected in Q4. Integration of the recently completed acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd is on track and we continue to improve our market leading digital platform for customers, as well as the roll out of our ERP system. We expect the strong year on year growth to continue in Q4, albeit against tougher comparatives.

The Packaging division's revenue declined 6.1% on a LFL basis in Q3 2021 (reported growth of +3.6%, LFL decline of 15.2% vs.

2019) as prescriptions and elective surgery volumes continue to be impacted by the pandemic. The division implemented pricing actions in Q3. The slower than expected recovery in volumes coupled with global supply chain challenges - the availability and cost of raw materials and labour especially in the US, means the Q4 margin is now expected to be slightly below 8%. However, we expect global healthcare systems will continue to recover given pent-up demand, a trend we are already seeing reflected in our current order levels, especially in North America.

The Filters division had another positive quarter, with Q3 2021 revenue growth of 2.8% (+5.0% vs. Q3 2019), mainly driven by higher volumes from outsourcing contracts, in line with expectations. As expected, the rate of growth in Q3 has moderated as the comparatives have become tougher.

The division made further progress with its 'game changers'. The China JV has made a positive start with volumes increasing each month and it has participated in a number of local supply tenders with other tobacco companies under the State Tobacco Monopoly Administration (STMA). Our range of proprietary eco-products continue to attract increased interest and the Essentra innovation team remains focused on delivering new products to market. During the quarter, and in collaboration with a large MNC, trials have been launched into four European markets using non-plastic biodegradable filters. We are also working with another MNC to launch a new product in Q1 2022. We expect Q4 growth in Filters to accelerate from the levels seen in Q3, driven by the China JV and further outsourcing wins.

## **Outlook**

The Company has delivered a robust performance, whilst taking actions to mitigate the global supply chain disruptions and ongoing impacts from the global pandemic. Based on recent order book data, we expect strong revenue growth in Components and Filters in Q4 (vs. both FY2020 and FY2019). Whilst the Packaging division has been impacted by COVID-induced soft demand, rising material costs and labour shortages, the business should start to benefit from the recovery in global healthcare systems and pent-up demand for prescriptions and elective surgeries, with the recent order book showing early signs of improvement. Given these overall trends, the Company is expecting to deliver a total FY21 adjusted operating profit in the range of analysts' forecasts<sup>1</sup>.

**Commenting on today's announcement Paul Forman, Chief Executive, said:** "Since I became CEO of Essentra, we have simplified the Group, significantly improved underlying performance and focused on our three market leading global businesses: Components, Packaging and Filters. The improvements in operational efficiencies and the strategic investments we have made mean our businesses are better positioned for growth, albeit they are at different stages of their development. We have concluded it is in the best interests of all our stakeholders that Essentra becomes a pure play Components business over time - reflecting the opportunity to build on its growth strategy and accelerate investment in organic and inorganic growth, leveraging its highly attractive financial model. As a first step, the Board has decided to review the full range of strategic options for the Filters business, a division which has undergone a substantial transformation and delivered on its strategic objectives over recent years but may have the opportunity to maximise its potential under a different ownership/partnership structure.

I am pleased with the third quarter performance overall. Components has delivered strong revenue growth, Filters has good momentum and Packaging continues to manage the difficult conditions within its market. We continue to focus on organic growth and efficiency initiatives to drive profitability, as well as acquisition opportunities."

## **Conference call details**

There will be a conference call for analysts and investors today at 8.30am BST.

Participation No: +44 (0) 330 336 9434  
Confirmation Code: 8751877

## **Notes**

(1) Analyst operating profit (adjusted to exclude intangible amortisation on acquired assets and exceptional operating items) forecasts for FY21 range from £80.7m - £84.3m.

The person responsible for arranging the release of this announcement on behalf of the Company is Jon Green, Company Secretary of Essentra plc.

## **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 7,430 employees, 48 principal manufacturing facilities, 30 sales & distribution operations and 3 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 25 countries worldwide, 14 manufacturing facilities and 23 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 23 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. Currently headquartered in Singapore, the division has thirteen sites across nine countries, including three innovation centres, providing 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 sectors.

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