

# Building for the future

2020 Full Year Results – 5<sup>th</sup> March 2021

# FY 2020: SUMMARY

**Strength of 3 distinct business models demonstrated through resilient performance, with all global divisions well placed to capitalise on growth opportunities**

- Group trading is recovering well with Q4 LFL -1%
  - Components – improving trend since onset of pandemic
  - Packaging – underlying market impacted in Q3, much improved in Q4
  - Filters – underlying demand remained robust, returned to marginal growth in H2
- High customer satisfaction levels leading to deepened customer franchises
- Value enhancing \$65m acquisition of 3C! Packaging completed, integration on plan
- Efficiencies of £13m<sup>1</sup> from strategic initiatives underpinning future profitability
- Progress on sustainability, with environmental targets announced
- Net debt to EBITDA ratio of 1.5x<sup>2</sup> provides strategic optionality
- FY dividend to be resumed at 3.3p

<sup>1</sup> – Savings from these actions expected to start in 2021, with annual savings of c£13m from 2022 onwards

<sup>2</sup> – Net debt to EBITDA ratio is presented excluding lease liabilities, including lease liabilities ratio is 1.8x



# FY 2020 SAFEGUARDING OUR PEOPLE

**Paul Forman – Chief Executive**

# FY 2020: SAFEGUARDING OUR PEOPLE

## Employee wellbeing at forefront of planning reflected in strong engagement

- Employee survey: 91% participation with strong engagement
- Asymptomatic COVID-19 testing: introduced to help protect our staff
- Senior leadership: visibility and communication continues to be a focus
- Make it Work awards: 536 nominations, almost double the previous year
- Roll out of global EAP programme
- Launch of health and wellbeing strategy to look after the Essentra family - physically and emotionally
- Company funded certain country furlough schemes, no UK government support taken



Conscious  
leadership

Resilience and  
emotional energy

Health, nutrition  
and vitality

'Kindfulness'  
culture



# FY 2020 SUPPORTING OUR CUSTOMERS

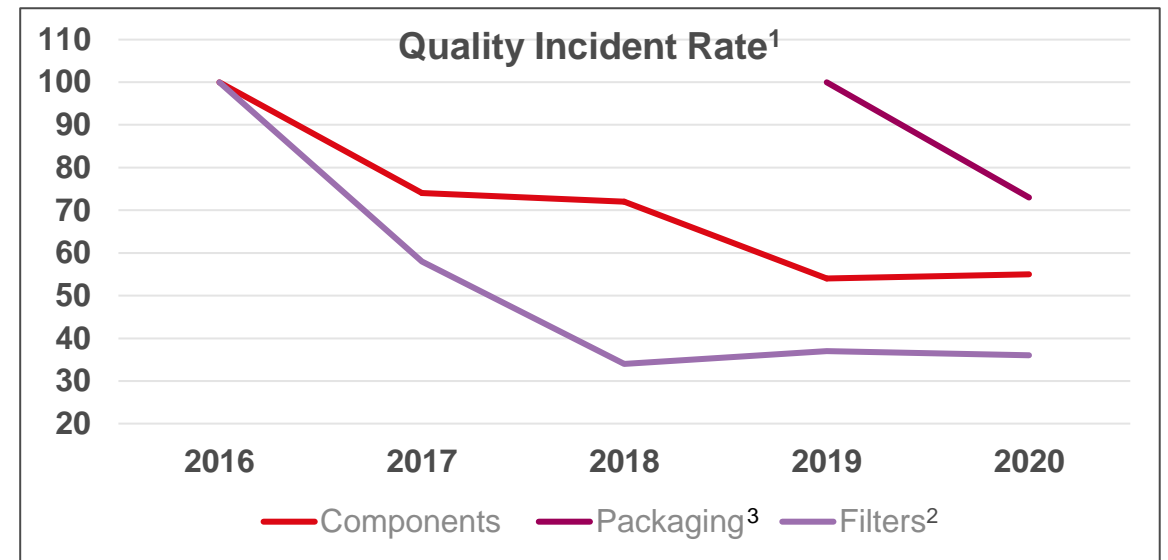
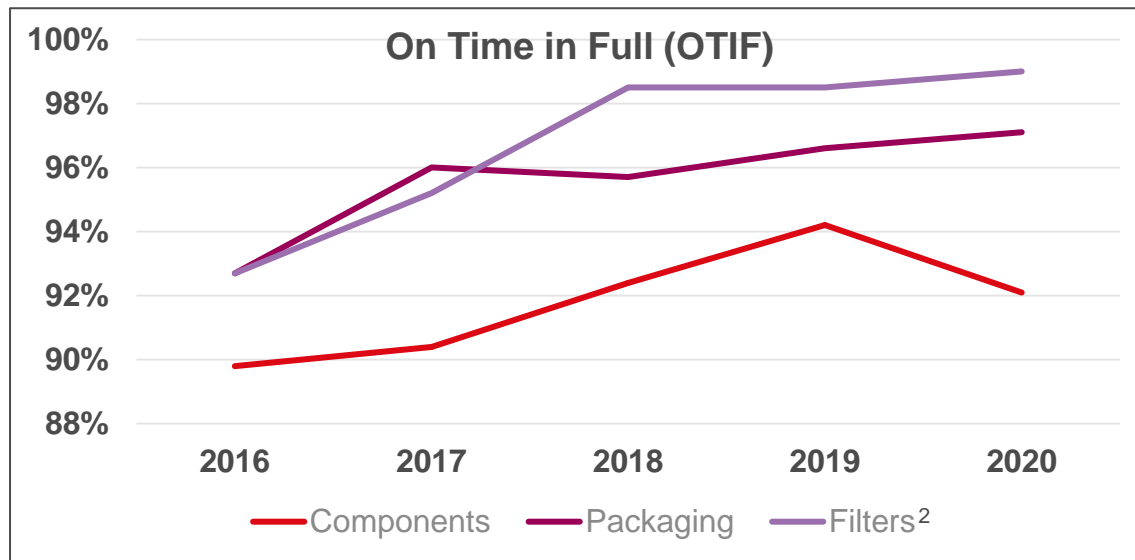
Paul Forman – Chief Executive



# FY 2020: SUPPORTING OUR CUSTOMERS

## Resilient operational performance across all divisions

- All 72 manufacturing and distribution sites fully operational since May
- Gone above and beyond to support our customers
  - OTIF improved in Packaging and Filters, temporary drop in Q4 within Components
  - Annual customer survey in both Components and Packaging showed further improvement



1 – Quality Incident Rate (2016 base year = 100 with exception of Packaging where base year is 2019)

2 – Filters figures are presented excluding Tear Tapes

3 – Packaging quality definition was changed to be more stringent in 2019. As such, 2018 & earlier years are not on a comparable basis, hence 2019 used as the base year on the chart

# FY 2020 RESILIENT FINANCIAL PERFORMANCE

Lily Liu – Chief Financial Officer





# FY 2020: RESILIENT FINANCIAL PERFORMANCE

## Strong financial position provides firepower for strategic optionality

- Operating cash flow £76m, conversion 123%
- Actions taken during the year in order to strengthen our finances:
  - Discretionary cost control
  - Reduction in Capex spend while selectively investing to support growth
  - Strong cash collection performance
- Net debt to EBITDA ratio decreased to 1.8x, 1.5x on a pre-IFRS16 basis
- Underlying liquidity<sup>1</sup> £287m at the year end, a c£57m improvement since March 2020
- One year extension to a tranche of the RCF facility, now expiring in November 2023
- Proceeds from equity raise completed in September 2020 used to fund \$65m acquisition of 3C! Packaging plus the repayment and cancellation of £50m bridging loan facility
- Confirmation of no further enforcement action from OFAC following voluntary disclosure

1 – Underlying liquidity is cash on hand + undrawn available facilities less JV partner share of cash balances



# FINANCIAL OVERVIEW

FY 2020 results impacted by pandemic:

- Like-for-like (LFL) decline of 6.3%
- Improved LFL revenue trend in Q4 at -1.0%
- Adjusted operating profit down 27.9% to £62.0m; adjusted operating margin -200bps to 6.9% (at constant FX)
- Reported operating profit £21.7m versus £80.0m in FY 2019
  - FY 2019 included an overall adjusting items credit of £15.4m (mainly due to gains on business disposals), whilst 2020 has a total charge from adjusting items of £17.7m (mainly due to restructuring costs)
- Adjusted basic EPS lower by 37.2% (at constant FX) at 13.1p
  - 1.7p of the 7.7p decline relates to businesses disposed in 2019
  - Reported basic EPS of 1.7p compares to 14.7p in FY 2019



# INCOME STATEMENT<sup>1</sup>

	FY 2020	FY 2019	Growth	
	£m	£m	Actual FX	Constant FX
Revenue	896.5	974.1	-8.0%	-6.8%
Operating profit <sup>2</sup>	62.0	87.5	-29.1%	-27.9%
<i>Operating margin<sup>2</sup></i>	6.9%	9.0%	-210bps	-200bps
Profit before tax <sup>2</sup>	46.3	73.0	-36.6%	-35.3%
Earnings <sup>2</sup>	35.6	55.7	-36.1%	-34.6%
Earnings per share <sup>2</sup>	13.1	21.3	-38.5%	-37.2%

<sup>1</sup> Continuing operations

<sup>2</sup> Presented after removing minority interest and adjusted to exclude intangible amortisation and adjusting items

# REVENUE BY DIVISION

	FY 2020	FY growth
	£m	Constant FX
<b>Components</b>	<b>255.0</b>	<b>-8.5%</b>
<i>Components like-for-like<sup>1</sup></i>		<i>-10.1%</i>
<b>Packaging</b>	<b>363.2</b>	<b>2.8%</b>
<i>Packaging like-for-like<sup>2</sup></i>		<i>-4.0%</i>
<b>Filters</b>	<b>278.3</b>	<b>-5.6%</b>
<b>Group</b>	<b>896.5</b>	<b>-6.8%</b>
<i>Group – like-for-like<sup>3</sup></i>		<i>-6.3%</i>

<sup>1</sup> At constant exchange rates, adjusted for the acquisition of Innovative Components

<sup>2</sup> At constant exchange rates, adjusted for the acquisitions of Nekicesa and 3C! Packaging

<sup>3</sup> At constant exchange rates, adjusted for the acquisitions of Innovative Components, Nekicesa and 3C! Packaging along with the disposals of Pipe Protection Technologies, Extrusion, Speciality Tapes and Card Solutions

# OPERATING PROFIT<sup>1</sup> BY DIVISION

	FY 2020	Growth	Margin
	£m	Constant FX	FY 2020
Components	45.5	-23.4%	17.8%
Packaging	13.8	-9.6%	3.8%
Filters	25.2	-29.2%	9.1%
Central Services	-22.5		
<b>Group</b>	<b>62.0</b>	<b>-27.9%</b>	<b>6.9%</b>
Group – like-for-like <sup>2</sup>		-28.4%	

<sup>1</sup> Adjusted to exclude intangible amortisation on acquired assets and adjusting items

<sup>2</sup> Adjusted for the acquisitions of Innovative Components, Nekicesa and 3C! Packaging plus disposals of Pipe Protection Technologies, Extrusion, Speciality Tapes and Card Solutions businesses.



# INCOME STATEMENT (CONT.)

	FY 2020	Growth	
	£m	Actual FX	Constant FX
Operating profit <sup>1</sup>	62.0	-29.1%	-27.9%
Net finance charge	(15.7)		
<b>Profit before tax<sup>1</sup></b>	<b>46.3</b>	<b>-36.6%</b>	<b>-35.3%</b>
Taxation <sup>1</sup>	(8.9)		
<i>Underlying tax rate</i>	19.2%		
<b>Net income<sup>1</sup></b>	<b>37.4</b>	<b>-36.1%</b>	<b>-34.7%</b>
Minority interests	1.8		
Earnings <sup>1</sup>	35.6	-36.1%	-34.6%
EPS <sup>1</sup>	13.1	-38.5%	-37.2%
EPS – diluted <sup>1</sup>	13.0	-38.1%	-36.8%

<sup>1</sup> Adjusted to exclude intangible amortisation of £22.6m and an adjusting items pre-tax charge of £17.7m along with associated tax impact

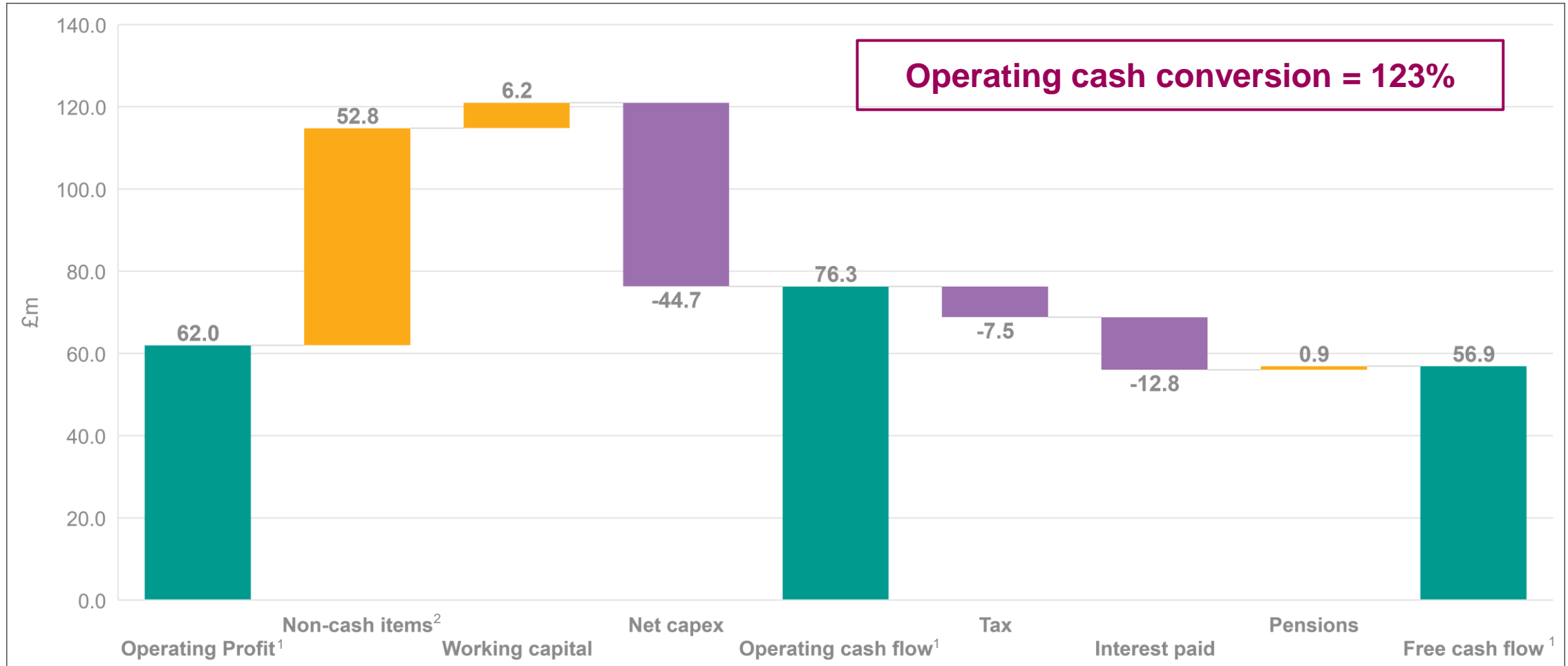
# STRATEGIC INITIATIVES

- Global footprint review resulted in proposed closure of certain sites in Components and Packaging, estimated cost of closures is c.£17m of which £12.7m has been recognised in 2020
- **Packaging** – closure of two manufacturing facilities (in UK and USA) as well as additional workforce rationalisation costs
- **Components Europe** – transfer of manufacturing activities out of Sweden into Barcelona and warehousing capabilities of certain central northern European locations consolidated into the new German Distribution Hub
- **Components Americas** – closure of two manufacturing sites with transfer of production to Flippin, Arkansas, as well as the exit of three smaller warehousing and distribution (express) sites
- Savings from these actions expected to start in 2021, with annual savings of c.£13m from 2022 onwards, helping to underpin the profitability potential of the Company



2022 annual  
savings of  
c.£13m

# CASH FLOW



<sup>1</sup> Adjusted to exclude intangible amortisation and adjusting items

<sup>2</sup> Being depreciation and amortisation of £40.2m, right-of-use asset depreciation of £12.0m and Share Option Expense / Other Movements of £0.6m

# NET DEBT RECONCILIATION

Full year leverage improved to within target range at 1.8x (1.5x pre IFRS16)

	£m
As at 1 January 2020	284.4
FX	4.4
As at 31 December 2020	210.4
<b>Change in net debt after FX</b>	<b>(78.4)</b>
Of which:	
Dividends to minority interest	0.7
Free cash flow	(56.9)
Adjusting items	11.1
Acquisitions – net cash paid	41.2
Shares issued in Joint Venture	(5.0)
Shares issued (net of costs incurred)	(96.7)
Other <sup>1</sup>	5.0
<b>Change in Net Debt pre IFRS 16</b>	<b>(100.6)</b>
Lease liability movements (including liabilities acquired)	22.2
<b>Total Change in Net Debt</b>	<b>(78.4)</b>

NOTE:

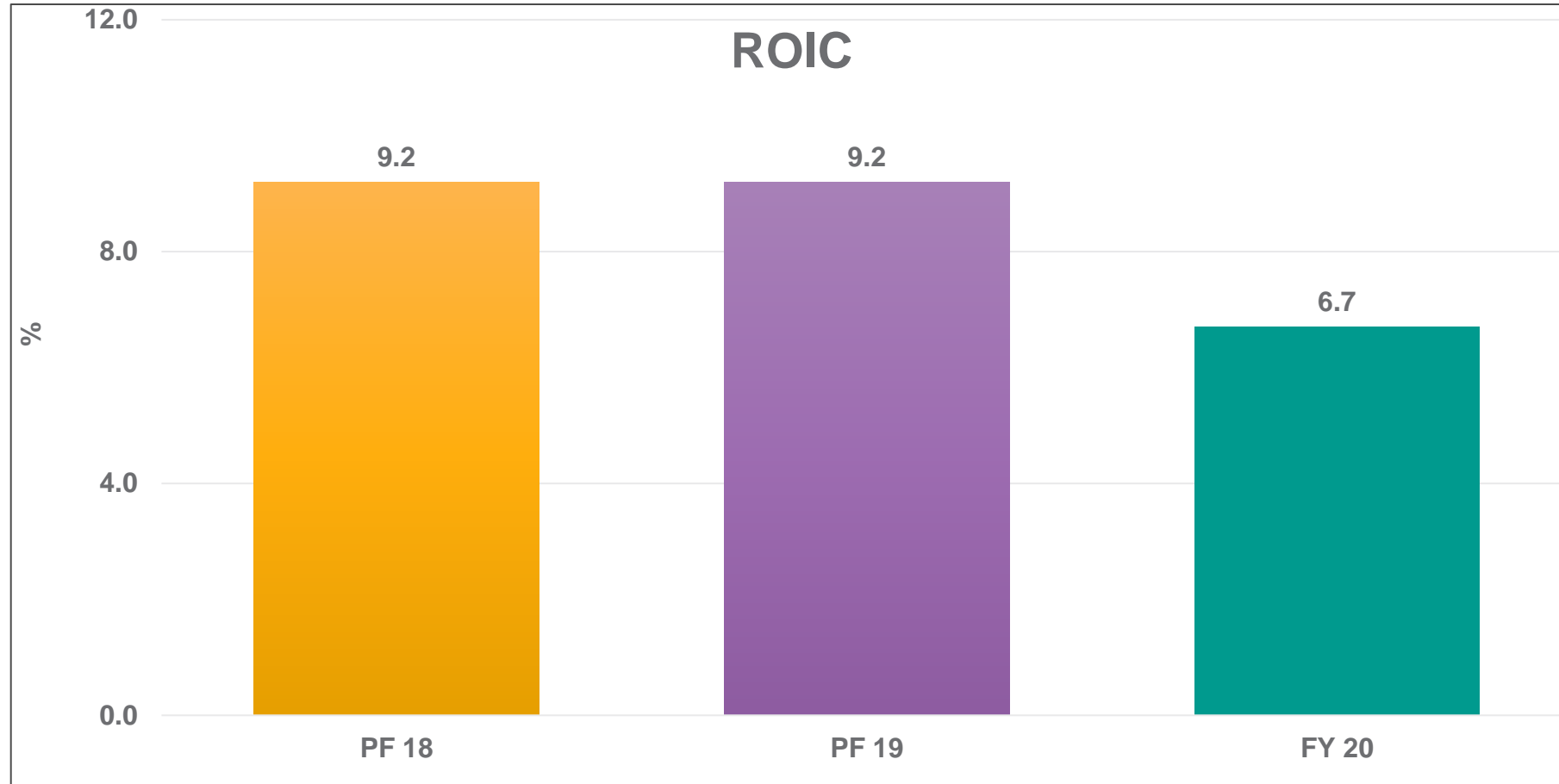
Negative numbers denote a cash inflow, positive numbers a cash outflow

<sup>1</sup>Other balance primarily includes £4.1m debt (excl lease liabilities) acquired through business combinations, £1.0m amortization of prepaid facility fees and £0.1 other immaterial net debt movements.



# RETURNS

FY 2020 returns adversely impacted by pandemic



1 – Proforma 2018 and 2019 are adjusted to remove impact of businesses disposed during 2019 (Pipe Protection Technologies, Extrusion, Speciality Tapes and Card Solutions)

# DIVIDEND

## Resumption in dividend fully funded by cash flows generated from operations

- Dividend to be resumed at 3.3p per share
- Payment of proposed dividend (totalling £10m) reflects resilient trading performance, strong financial position and an encouraging outlook
- To be funded in full from cash flows generated from the operations of the Company during 2020
- A progressive dividend policy will be adopted



# BUILDING FOR THE FUTURE

Paul Forman – Chief Executive

# COMPONENTS – PERFORMANCE AND STRATEGIC PRIORITIES

Current market share estimated at 4% of c.£8bn market; the largest global broad range supplier

- NPS up 4 points due to excellent customer service
- Commenced operations at German hub warehouse
- Strategic footprint initiatives announced
- Actions taken to drive cross selling and enhance market share gains:
  - Enhanced e-commerce offering
  - Launch of CRM platform
  - Category driven customer interactions
  - Cross-selling training

## STRATEGIC PRIORITIES

- Further improve customers' digital experience
- Expansion of sustainable product offering
- Optimisation of European supply chain
- Complete development & commence roll-out of ERP platform

**FY 20** **FY 19**

Revenue	£255m	£283m
LFL growth	-10.1%	-0.6%
Operating margin	17.8%	21.3%





# COMPONENTS: CONTINUING OUR DIGITAL JOURNEY

## Positives strides made during 2020: Websites, AI, CRM rollout and ERP developments

### WEBSITES – continuing to improve customer experience

- 8 new websites launched, helping to drive 33,500+ web orders
- Continual optimisation through agile 3 week release schedule

### ARTIFICIAL INTELLIGENCE – championing data driven insight

- Partnership with Peak – informing commercial decision making
- AI driven ‘product recommendations carousels’ to websites

### CRM ROLLOUT – putting our customer interactions first

- D365 CE live across 38 sites – putting ‘hassle free’ service first
- Optimal tracking of opportunities and customer interactions

### ERP DEVELOPMENTS – streamlining internal processes

- D365 F&O being prepared for first launch in Spain (Q2 2021)
- Integrates our tech, standardises process, drives efficiency gains

#### Grease Nipple Caps

● In stock

Our Red Grease Nipple Caps are a low-cost solution to protect grease nipples from ingress of dirt when not engaged with its mating part. The cap is knurled for an easy grip and is fitted with a retaining washer to stay in place. The caps are made from Low-Density Polyethylene.

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Imperial ☒ Metric

Colour

All

Inside Diameter

All

Washer Hole Diameter

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Strap Length

All

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Quick View	Item Code	Price range	Availability	Strap Length	Colour	Washer Hole Diameter	Inside Diameter
	<a href="#">087063000503</a>	£ 0.0733 - £ 0.0764	<span>● 70 In stock</span>	29.5 mm	Red	6.4 mm	6.0 mm
	<a href="#">087063029103</a>	£ 0.0733 - £ 0.0764	<span>● 98500 In stock</span>	30.0 mm	Yellow	6.0 mm	6.02 mm
	<a href="#">61454</a>	£ 0.0364 - £ 0.1354	<span>● 89600 In stock</span>	11.6 mm	Red	6.2 mm	6.3 mm

# per page **20**

#### Frequently Bought

Threaded Protection Plugs - BSP/Gas Threads

[See our selection →](#)

Slottex Plugs

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Threaded Protection Plugs - Metric Threads

[See our selection →](#)

Threaded O-ring Plugs - BSP/Gas Threads

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Threaded Sealing Caps - BSP/Gas Threads

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# PACKAGING – PERFORMANCE AND STRATEGIC PRIORITIES

Current market share estimated at 3-4% healthcare and 1% personal care of c.£15bn combined market; one of two global market leaders

	FY 20	FY 19
Revenue	£363m	£353m
LFL growth	-4.0%	+5.6% <sup>1</sup>
Operating margin	3.8%	4.3%



- Trading impacted by underlying market in Q3, improved in Q4
- Integration of 3C! acquisition in line with expectations
- Annual customer survey result improved to 81% (2019: 79%) ahead of industry average score of 76%
- Continued delivery of new business wins
- Restructuring projects announced to underpin margin improvement
- Awarded 2020 UK Packaging Company of the Year

## STRATEGIC PRIORITIES

- Support customers international requirements
- Develop wider range of sustainable products
- Global supply chain optimisation
- Deliver margin in-line with industry average by end 2021

<sup>1</sup> Like-for-like, adjusted for the closure of the Kilmarnock and Largo consumer packaging sites

# PACKAGING: 3C! ACQUISITION

**A compelling acquisition in line with Essentra's strategic and financial criteria**

- Based in North Carolina, 3C! has more than 35 years' experience developing secondary packaging solutions for the pharmaceutical industry
- Acquisition has added manufacturing capacity and service capability to Essentra Packaging's already existing two site footprint in North Carolina, helping to establish us as a leading player with a 'centre of excellence' in the home of the US pharmaceutical market
- 3C! also brings the Clear Code technology, a next-generation coating system proven to significantly enhance the customer serialisation and coding experience
- Integration activities are progressing well with early procurement synergies delivered within the first 90 days and significant growth pipeline opportunities being progressed, as we leverage the commercial 'know how' of a business that has achieved revenue CAGR of c10% over the past 5 years



# PACKAGING: SUPPORTING CUSTOMERS IN FIGHTING THE PANDEMIC

## Leading anti-viral drug

- Helped establish a supply chain to deal with rapidly increasing demand
- Invested in additional capacity to support the customer both in Europe and the US



## Vaccine rollouts

- Supplier of bespoke packaging items to two of the leading manufacturers of the COVID-19 vaccine



# FILTERS – PERFORMANCE AND STRATEGIC PRIORITIES

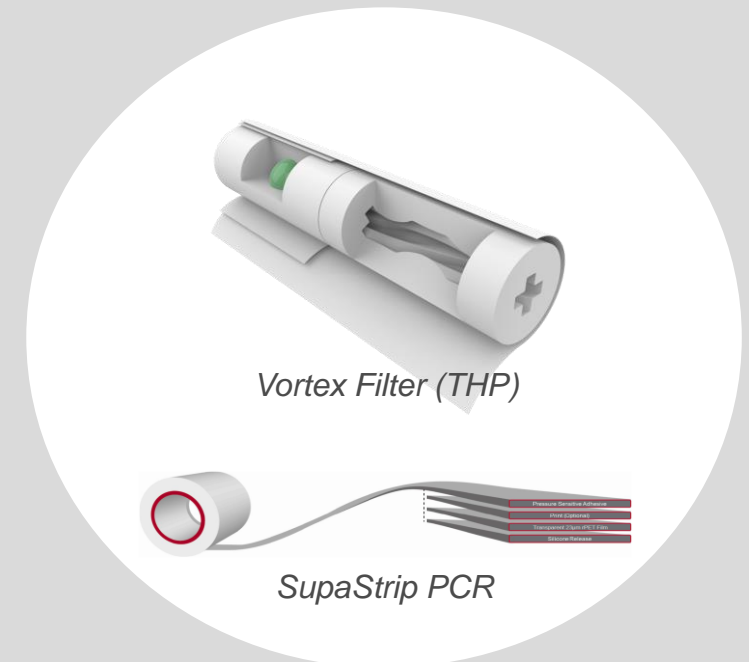
Current market share estimated at 5% of c.£6bn total filters market (45% of 3<sup>rd</sup> party market); the only global independent provider of filters and related solutions to the tobacco industry

- Progress made on strategic game changers:
  - Establishment of China JV
  - Successful delivery of outsourcing contract volumes along with further contract awards
  - Vortex Filter (THP) launched expanding NGP offering
  - Launch of proprietary sustainable filters
- SupaStrip™ PCR tape developed and launched that is made from 70% recycled content

## STRATEGIC PRIORITIES

- China JV commencing production by end of Q2 2021, doubling the size of our addressable market
- Continued development and launch of environmentally friendly products building on recent momentum
- Expand KAM approach into Tear Tapes business
- Identify and secure new outsourcing opportunities

	FY 20	FY 19
Revenue	£278m	£304m
LFL growth	-5.6%	-1.1%
Operating margin	9.1%	11.9%



# FILTERS: DEVELOPING SUSTAINABLE SOLUTIONS

Sustainable Solutions developed leveraging 90+ years of innovation expertise

3 new products launched that are intended to meet EU's Single Use Plastics Directive initiatives for **plastic-free** and **biodegradable** solutions



**ECO Cavitec™**



**ECO Sensation™**



**ECO Cavitec Sensation™**

Initiative through our network to develop an ISO standard for environmental testing of tobacco products to be used as a **standardised** approach

21

Projects initiated within the first full month of launch

8

Customers covering Europe, Asia and Americas

2

Patent applications filed, covering all three of these proprietary developments

# ESSENTRA'S SUSTAINABILITY JOURNEY

**"Class leading sustainability" now included as a strategic goal**

- Good progress on innovative, more sustainable products across all Divisions
- Group-wide materiality exercise identified priority sustainability topics, re-confirming our 4 sustainability Themes
- Established 4 environmental KPIs and set stretching targets:
  - **Sustainable materials:** higher % recycled-content products launched in Tapes, and planned in Components (target: 20% of material by 2025)
  - **Zero waste to landfill:** now have 20 sites certified as zero waste to landfill, up from 8 last year (target: all sites by 2030)
  - **GHG:** reduced normalised emissions by 5.5% (certified); CDP score improved from C to B (target: 25% reduction by 2025, neutral by 2040)
  - **Waste volumes:** currently developing waste reduction tools and plans (target: 20% reduction by 2030)



CDP score  
improved from  
**C to B**

# BPR UPDATE

**BPR Programme will provide a solid platform for future growth**

## **Initial project phases complete**

- Scoping, Analysis, Design and Development phases complete for finance & procurement for HQ/Components, plus Components sales, distribution & manufacturing
- Core system & integration testing ongoing for Components in Spain, France & Germany

## **Roll out achieved**

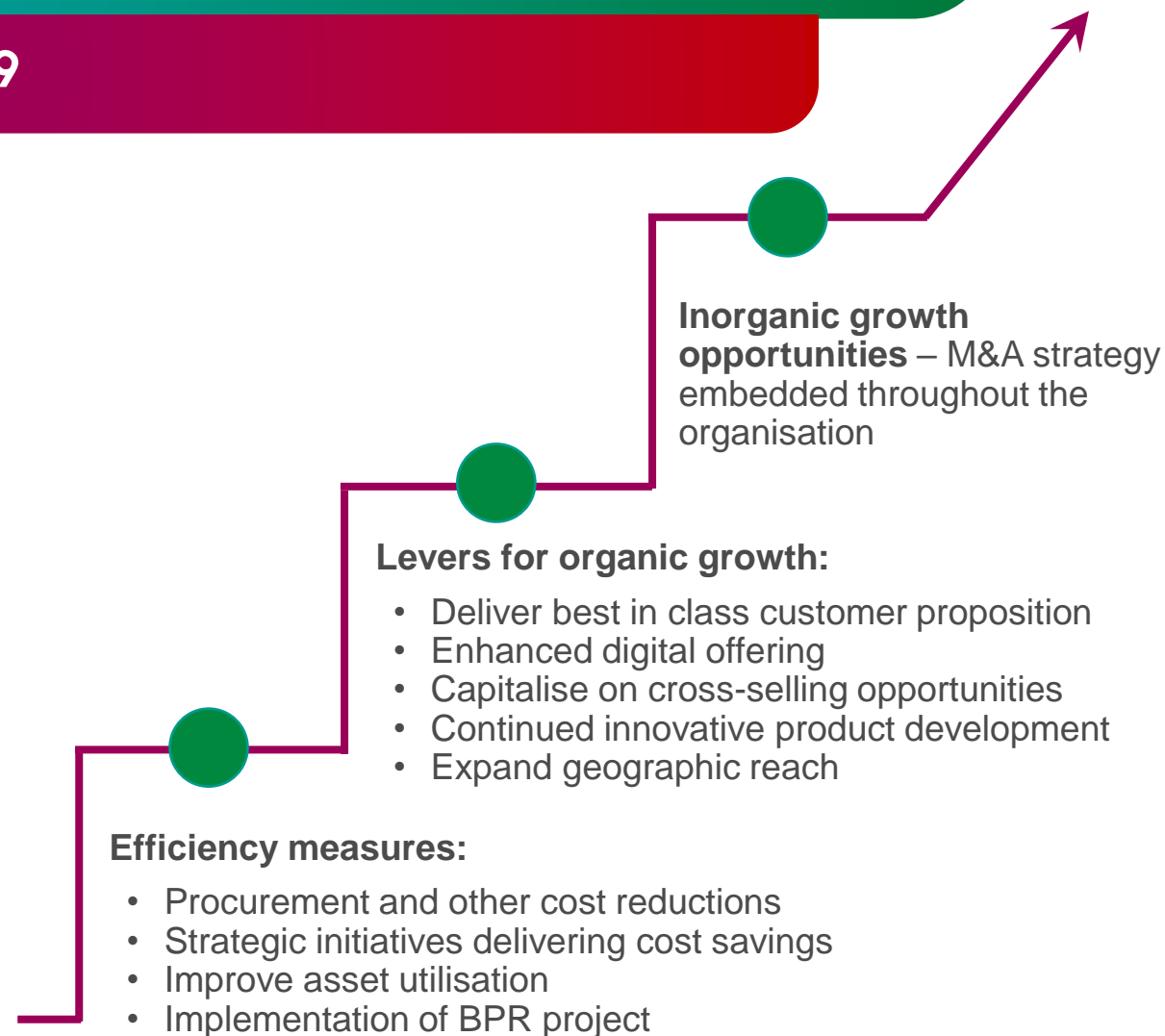
- Core D365 processes live for HQ Finance & Procurement since July 2020
- D365 CRM system live in Components & deployed globally

## **Roll out planned**

- Current plan to roll out across Components European business through 2021
- Spain testing ongoing – ‘go-live’ expected in Q2 2021

# BUILDING FOR THE FUTURE – SUMMARY

Well positioned as we emerge from COVID-19



Building for the Future



# FY 2021: OUTLOOK

## A resilient platform, driving profitable and cash generative growth

- Pandemic continues to contribute to an uncertain macro-economic environment, though the portfolio of end-markets served across the Group provides a degree of resilience against this uncertainty
- No material direct impact to the Company anticipated from Brexit, though some supply chain disruptions have been noted thus far in Q1 2021 (particularly in Components) due to additional administrative steps
- On a constant currency basis, our underlying business continues to improve:
  - Components should see (after a slower start to the year due to the logistical challenges mentioned above) a continuation in the improvement of LFL trends
  - Packaging should see the market return to moderate growth in the second half of 2021, with global healthcare systems catching up on significant backlog of prescriptions and elective surgeries
  - Filters should see growth driven in part by outsourcing contract volumes and commencement of the China JV



# Questions & Answers

2020 Full Year Results – 5<sup>th</sup> March 2021

# Appendices

2020 Full Year Results – 5<sup>th</sup> March 2021

# INCOME STATEMENT – Reported basis

	FY 2020	Growth	
	£m	Actual FX	Constant FX
Adjusted operating profit	62.0	-29.1%	-27.9%
Intangible amortisation	(22.6)		
Adjusting items	(17.7)		
<b>Reported operating profit</b>	<b>21.7</b>	<b>-72.9%</b>	<b>-72.0%</b>
Net finance charge	(15.7)		
<b>Profit before tax</b>	<b>6.0</b>	<b>-90.8%</b>	<b>-90.5%</b>
Taxation credit	0.3		
<i>Underlying tax rate</i>	19.2%		
<b>Net income</b>	<b>6.3</b>	<b>-84.7%</b>	<b>-83.7%</b>
EPS	1.7p	-88.4%	-87.8%
EPS - diluted	1.6p	-89.0%	-87.8%

# EXCHANGE RATES

Year ended 31 December 2020	Average	Closing
US\$/£	1.29	1.37
Euro €/£	1.13	1.12
<b>Impact on FY2020 of a one cent increase in rate</b>		<b>Adj Op. profit (£m)</b>
US\$/£		(0.2)
Euro €/£		(0.3)
<b>Year ended 31 December 2019</b>	<b>Average</b>	<b>Closing</b>
US\$/£	1.28	1.32
Euro €/£	1.14	1.18

# ADJUSTING ITEMS

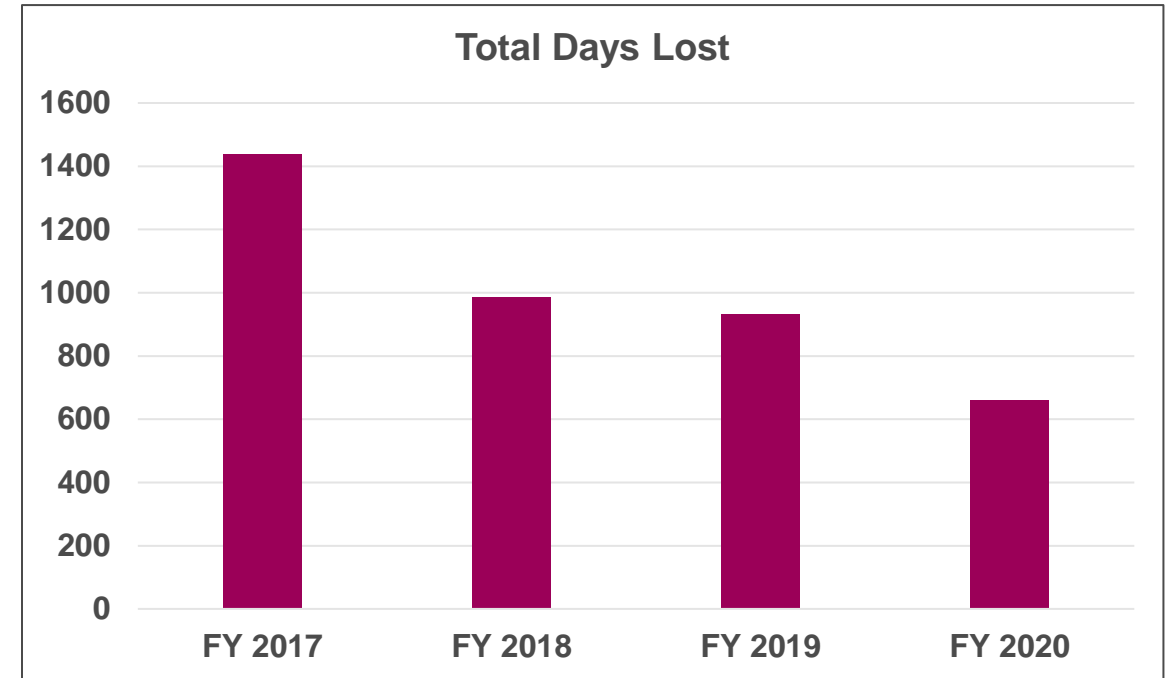
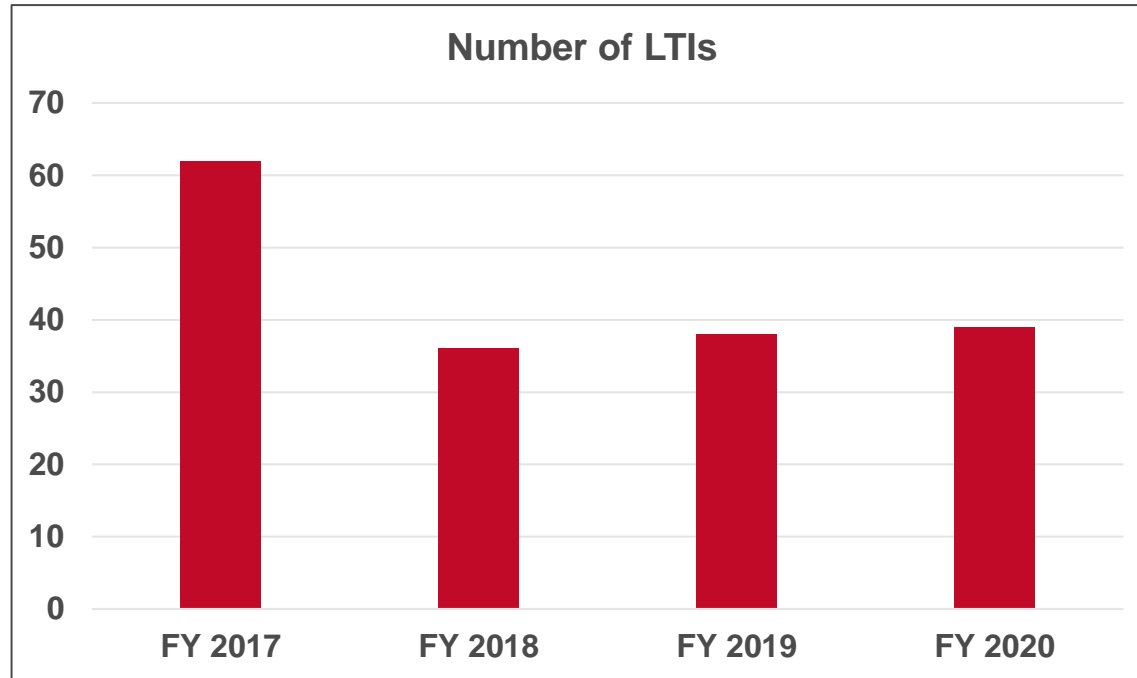
	£m
Restructuring projects	12.7
Acquisition integration and restructuring costs	0.5
Transaction costs relating to acquisitions and disposals of businesses <sup>1</sup>	5.7
Other	(1.2)
<b>Total charge from adjusting items</b>	<b>17.7</b>

<sup>1</sup> £0.3m gain relating to a VAT refund on the costs of a previous business disposal netted off against this line



# FY 2020: SAFEGUARDING OUR PEOPLE

## Our HSE (Lost Time Incidents and Total Days Lost)



NOTES:  
Data covers sites owned by Essentra as at 31 December 2020 (2017, 2018 and 2019 figures restated accordingly).

# ENVIRONMENTAL KPI'S AND TARGETS

These KPIs and targets are over and above existing safety-related KPIs

## Long-term Targets

**Scope 1&2 GHG  
emissions (normalised)  
(Group)**

- GHG emissions neutral by 2040
- 25% reduction by 2025 (vs. 2019 baseline)

**# sites at zero waste to  
landfill  
(Group)**

- All sites at zero waste to landfill by 2030 (and preferably sooner)

**Total waste volume  
(normalised)  
(Group)**

- 20% reduction by 2030, vs 2019 baseline

**% packaging/raw  
materials from more  
sustainable sources  
(Components)**

- 20% of material by 2025
- Note: using Components KPI as a Group proxy – other Divisions also tracking their own (different) metrics

# DIVISIONAL STRATEGIC POSITIONING

## Components

**Market Position:** largest global broad range supplier (in specific categories, typically top 5 supplier globally)

**Market Size:** estimated at c.£8bn

**Market Share:** Estimated market share of c.4% (Europe c.6%, Americas c.2% and c.0.3% in Asia)

## Packaging

**Market Position:** one of two multi-continental suppliers of a full secondary packaging range to health and personal care markets. Trades with 19 of the top 20 global healthcare companies

**Market Size:** Estimated at c.£15bn (Healthcare c.£9bn, personal care c.£6bn)

**Market Share:** Estimated market share of c.3-4% for health and c.1% for personal care market segments.

## Filters

**Market Position:** is the only global independent cigarette filter supplier and supplies to all major tobacco multinationals along with 200+ independent and state monopoly tobacco manufacturers. Joint global leader in “specials”

**Market Size:** estimated at c.£6bn with 3<sup>rd</sup> party market estimated at c.£640m

**Market Share:** estimated share of 3<sup>rd</sup> party market is c.45% (c.5% of total filters market)

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# Building for the future

2020 Full Year Results – 5<sup>th</sup> March 2021