



ESSENTRA

FY20 PRE-CLOSE TRADING STATEMENT

Released : 08/01/2021 07:00

RNS Number : 9979K
Essentra plc
08 January 2021

ESSENTRA PLC PRE-CLOSE TRADING UPDATE

Summary

- Four priorities remain; employee physical and emotional wellbeing, continued high levels of customer support, cash conservation, and building for our future
- On a like for like basis (LFL), Group Q4 revenue is -1.1% on the prior year, maintaining the trend of steady quarterly improvement since the nadir in Q2 of -9.8%. The Company expects to deliver FY20 operating profit in line with the consensus of analysts' forecasts¹
- Improved LFL revenue trends seen through Q2 and Q3 have been maintained in Q4 for Components
- A reduction in elective surgeries and prescription levels, first seen in Q3, continued but overall the Packaging division had a much improved Q4
- The Filters division faced certain logistical challenges in Asia, derived from regional shipping container shortages, that resulted in a tougher Q4
- Essentra has a strong balance sheet and liquidity levels of c£285m
- Strategic initiatives continue to be implemented, helping to underpin the profitability potential of the Company

Essentra plc ('the Company') today provides a pre-close trading update for the year ending 31 December 2020.

Trading performance

Since the onset of COVID-19, as the year has progressed, Group revenue on a LFL basis has shown steady improvement - going from -9.8% in Q2, to -6.7% in Q3 and finally improving to -1.1% in Q4 (which equates to -3.9% for H2). As a result, the Company is expecting to deliver a total FY20 operating profit number in line with the consensus of analysts' forecasts¹.

The Components division is recovering well. Q2 revenue was -20% LFL on the prior year period, improving to -13.9% in Q3 and -0.4% in Q4. Overall for H2, Components was 7.2% down on a LFL basis. Recent order book trends are demonstrating continued steady progress across all regions. Our enhanced online offer continues to differentiate us, whilst our new state-of-the-art German warehouse has recently become operational, providing an enhanced logistical platform from which to drive the European Components business. The division has recently conducted its annual customer survey and is very pleased to report that despite all of the challenges faced in 2020 due to the impact of COVID-19, our customers have rated us with a net promoter score (NPS) of 45 points - which is a 4 point improvement on the prior year.

As reported previously, the Packaging division has seen softness in certain end markets owing to a reduction in the levels of prescriptions and elective surgeries through lockdown periods. This trend has continued in Q4, with a LFL decline of 1.3% (though much improved on the -8.5% seen in Q3), meaning that H2 has closed 4.9% below prior year on a LFL basis. However, recent order book trends have been somewhat improving, as the pharmaceutical and beauty markets start to slowly recover and we build on strong customer relationships. The division continues to play its part in supporting the healthcare industry in its fight against COVID-19, helping to produce secondary packaging for anti-viral and vaccine products, and has recently been honoured with the coveted award of UK Packaging Company of the Year, as adjudicated by Packaging News. The integration of 3C! into the division continues to progress well and is in line with our expectations.

The Filters division had a tougher end to the year, recording a 1.5% decline in Q4, which was driven by certain logistical challenges in shipping product in Asia derived from regional container shortages. In H2, the overall division revenue grew by 0.2%, whilst the core Filters business (i.e. excluding Tear Tapes) revenue grew by 0.7%. Full production has been reached for the previously announced outsourcing contract wins, the China JV remains on track to commence production towards the end of Q2 2021, and the division's innovation capability continues to deliver a strong pipeline of further projects, whilst maintaining a focus on NGP and sustainable/biodegradable product categories - for which three proprietary products have been launched in recent times.

Balance sheet strength and liquidity

The Company maintains a strong balance sheet and delivered positive cash generation in Q4 hence our overall liquidity position at the end of December was c£285m.

The Company expects to close FY20 comfortably within its targeted gearing range of between 1x to 2x (net debt/EBITDA), providing the platform from which it can explore and drive further strategic opportunities.

Strategic Initiatives

The Company has undertaken a detailed review of its global footprint, which has resulted in the proposed closure of certain sites in 2021, across the Components and Packaging divisions. The exceptional cost related to these closures is estimated to be c £17m. We expect to start generating savings in 2021, with annual savings of c£13m from 2022 onwards, helping to underpin the profitability potential of the Company. Further detail will be provided in the Final Results statement.

Brexit

Now that the UK has exited the EU with a trade deal, the Company's focus has shifted to ensuring the effective management of the new arrangements. Overall, we continue not to foresee any material direct impact to the Company from Brexit.

Notes

(1) Analyst operating profit (adjusted to exclude intangible amortisation on acquired assets and exceptional operating items) forecasts range from £59m-£63m

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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.

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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