

Essentra

Accelerating our potential as a pure-play Components business

A unique manufacturing and distribution
proposition

15 November 2022



Board of Directors



Paul Lester, CBE
Non-Executive Chair



Scott Fawcett
Chief Executive Officer designate



Jack Clarke
Chief Financial Officer



Mary Reilly
Senior Independent Director



Adrian I Peace
Non-Executive Director



Ralf K. Wunderlich
Non-Executive Director



Dupsy Abiola
Non-Executive Director



Emma Reid
Company Secretary

Scott Fawcett will join the Board on 1 January 2023
Emma Reid will become Company Secretary on 1 January 2023

In summary:

A unique business model,
combining manufacturing
and distribution, operating in
a highly fragmented market

A service led proposition,
innovating through
digitalisation and
sustainability, leading
to organic and inorganic
growth opportunities

A resilient business with
the ability to expand margins
and deliver strong returns

Our Executive Committee and today's presenters



Scott Fawcett

Chief Executive Officer designate



Jack Clarke

Chief Finance Officer



Lynne Vandever

Chief Marketing Officer &
President Americas



Hugues Delcourt

Chief Sales Officer & Managing
Director Europe

TBC

Managing Director Asia



Oshin Cassidy

Chief People & Culture Officer
(Interim)



Emma Reid

Company Secretary



Rob Baker

Chief Operations Officer



Sam Edwards

Chief Digital Information Officer

 Speakers

1. The new Essentra PLC – Scott Fawcett

2. The strengths of our model – Scott Fawcett

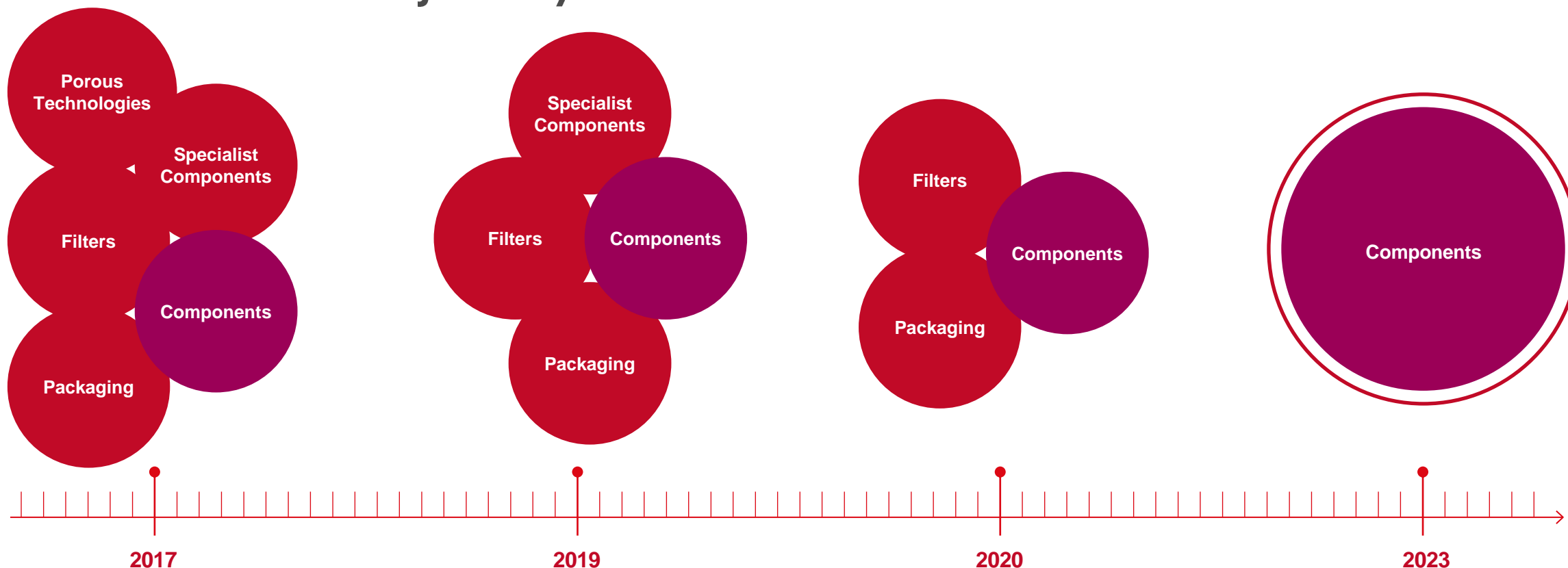
- A leading market position with a unique proposition, in a fragmented market – Scott Fawcett
- A clear strategy for growth and market share gains – Hugues Delcourt
- Sustainability as a source of competitive advantage – Lynne Vandever
- Progressive margin enhancement – Rob Baker
- A strong financial framework and value enhancing M&A – Jack Clarke

3. Conclusions and Q&A

1

1. The new Essentra PLC

We have been on a journey



FY 21 – Three Divisions

£960m revenue
£84m adj operating profit
8.7% adj operating margin

FY 21 – Components

£302m revenue
£44m pro-forma adj operating profit
c.14% pro-forma adj operating margin
Including central costs

Our Business Today

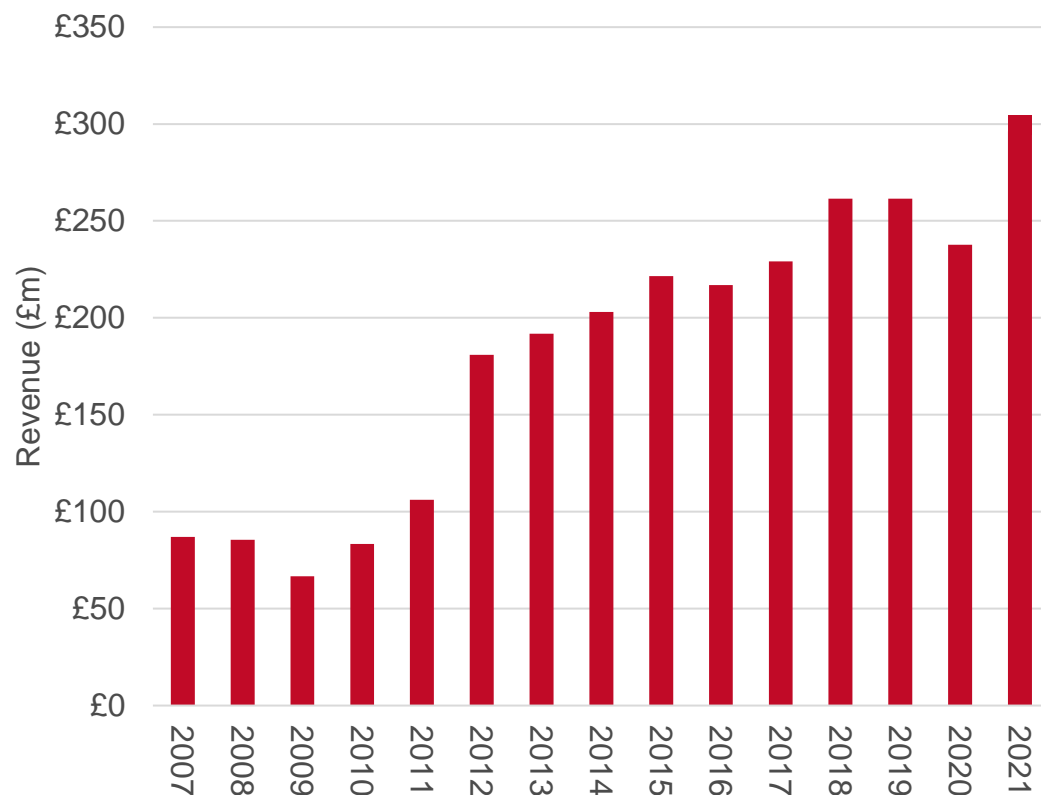
A leading global manufacturer and distributor of a comprehensive range of components used in diverse industrial applications and end-markets

Our Vision

To be the world's leading responsible hassle-free supplier of essential industrial components

Our ambition is to double revenue and triple operating profit

A track record of growth and potential to accelerate



We have a strong track record of growth over the past decade

- From <£100m to >£300m of revenue through a mixture of organic and inorganic growth
- 4 - 5% organic CAGR, with the plan to accelerate to >5% organic growth in the medium term
- Completion of 10 acquisitions across a breadth of geographies and markets

1. The new Essentra PLC

The breadth and depth of our offering is a key differentiator



12

manufacturing
sites



80m

parts produced
per week



45,000+

SKU's



23

distribution
centres



1bn

parts in stock



32

sales and service
locations



c.80k

customers



1.8m

order lines
per year



17k

orders shipped
per week



c.3,000

employees
worldwide

1. The new Essentra PLC

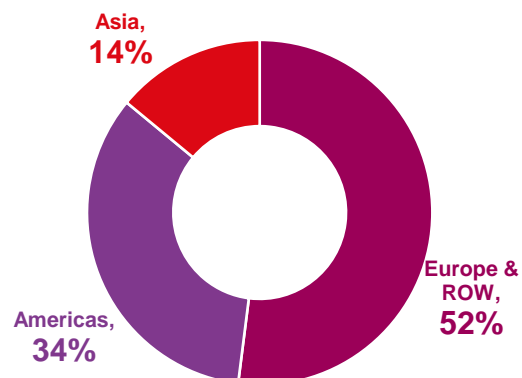
Global manufacturing and distribution footprint, balancing local customer service with operational scale



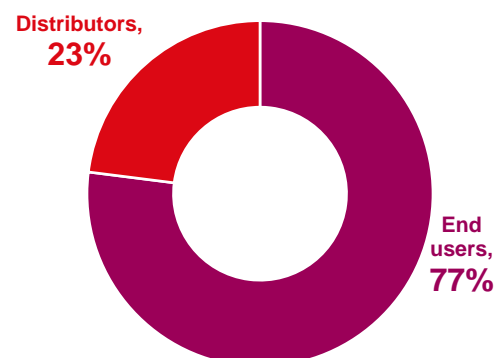
1. The new Essentra PLC

A resilient and diversified business

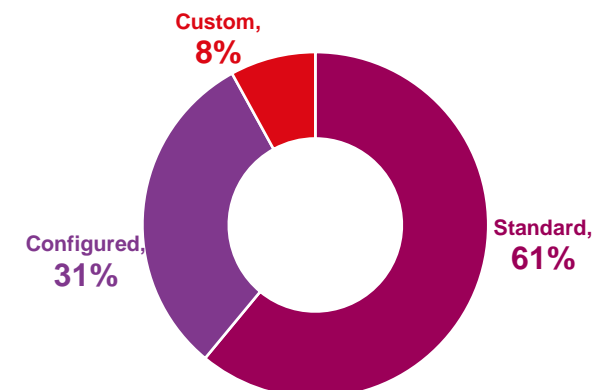
Revenue by region



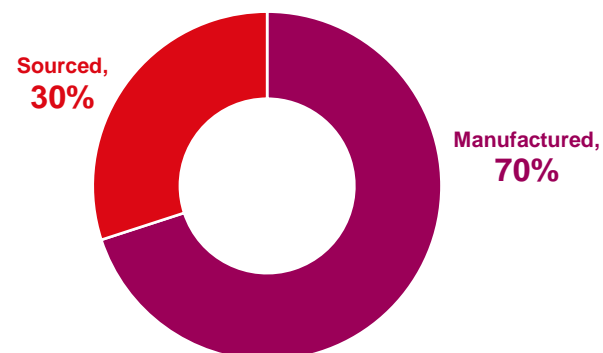
Revenue by channel



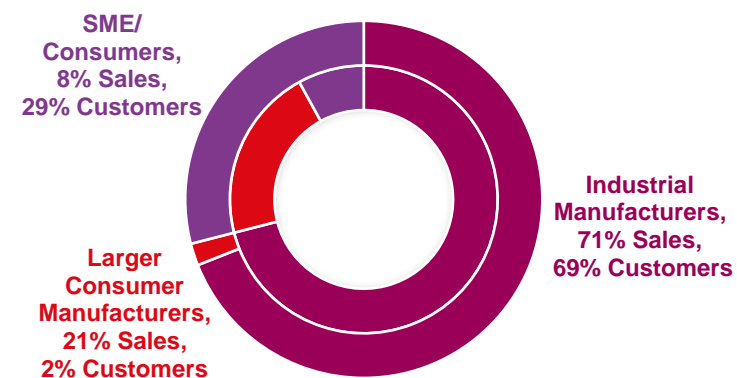
Revenue by offer type



Revenue by source



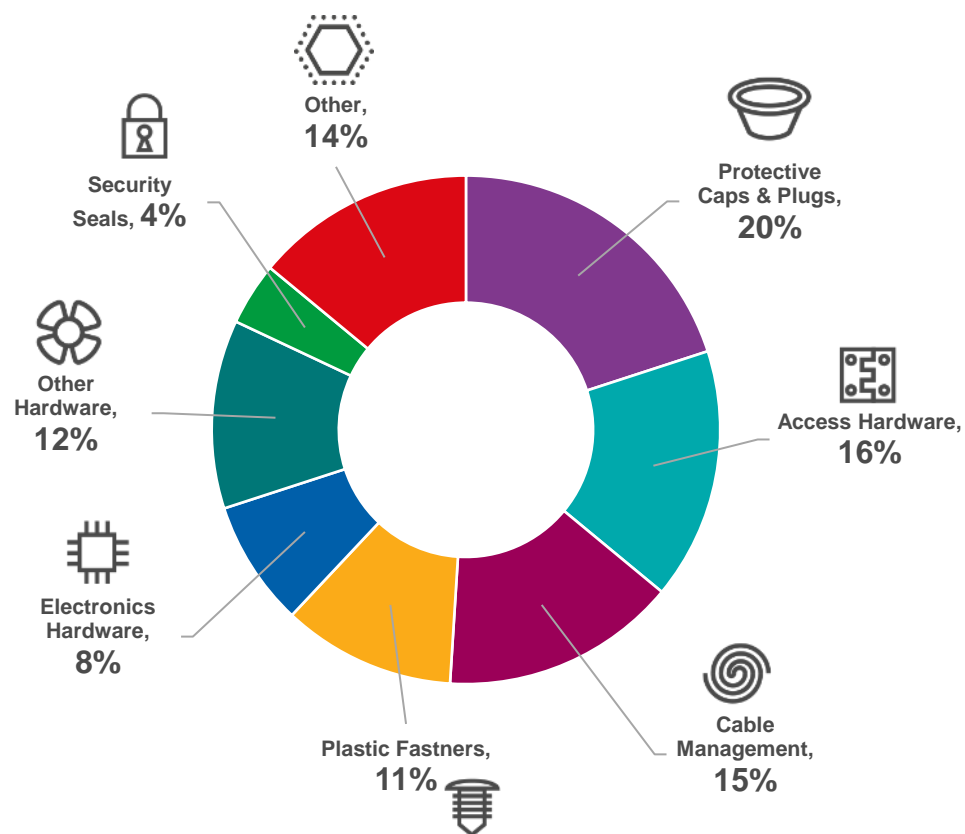
Revenue by customer segment



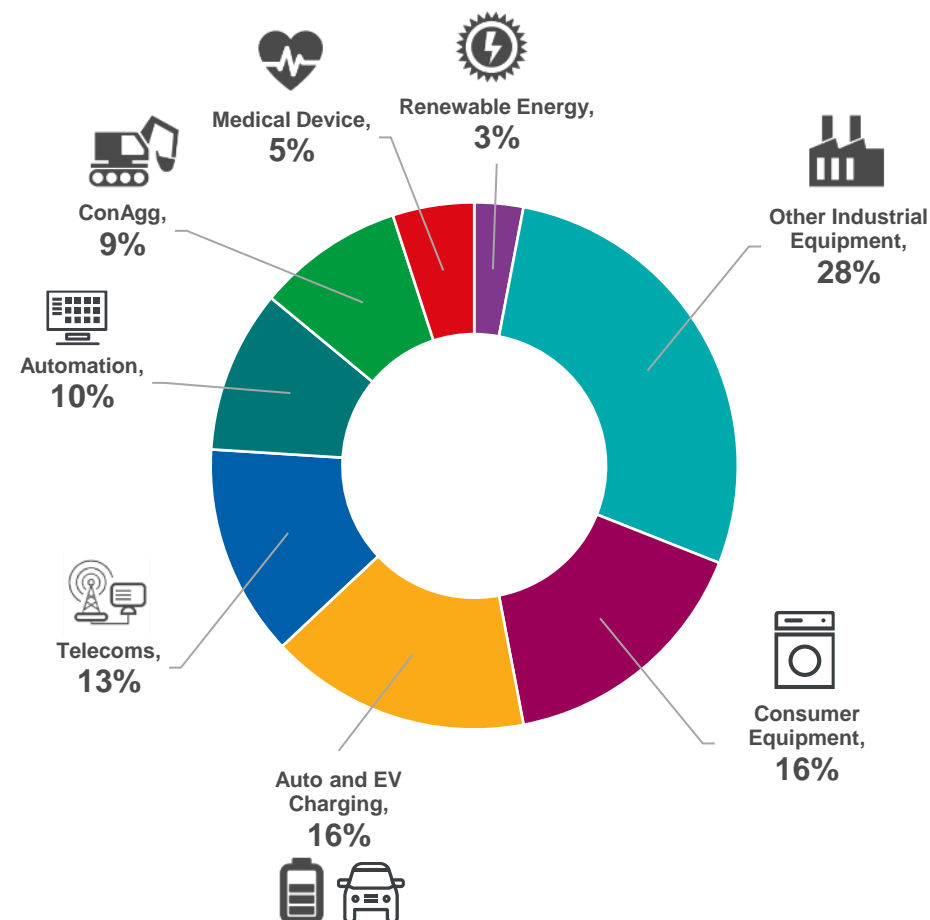
1. The new Essentra PLC

A diverse product offer, serving a broad range of customers

Revenue by product type

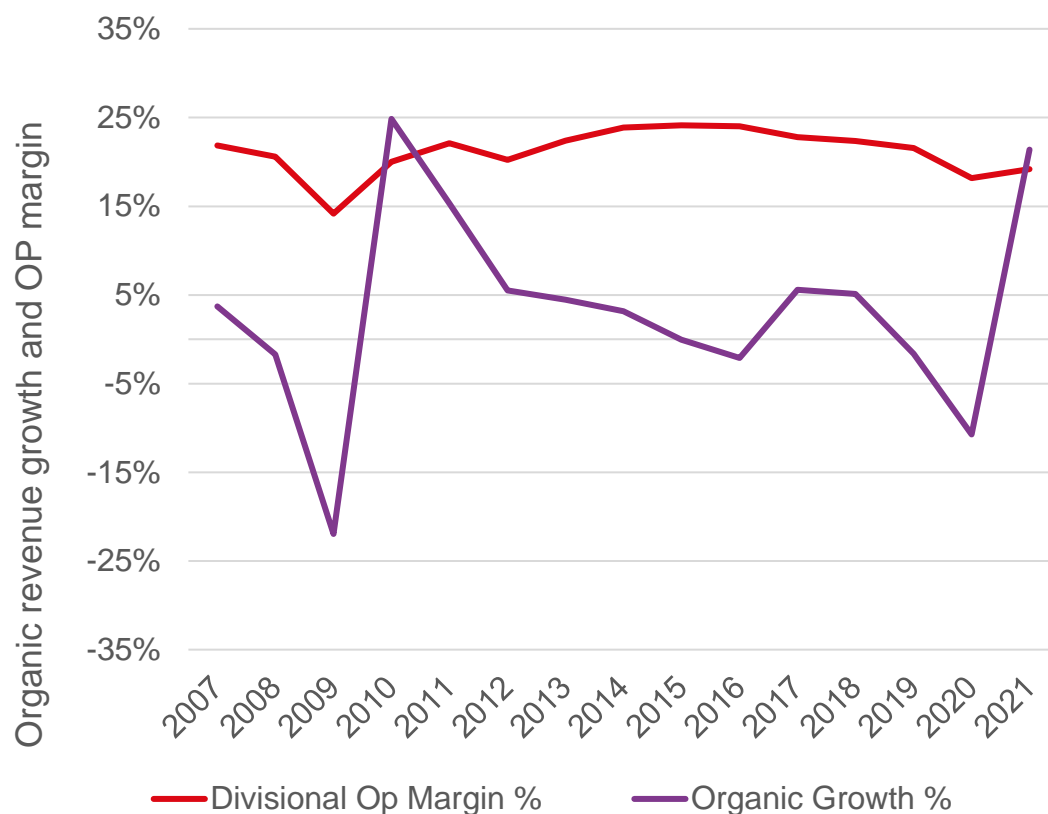


Revenue by customer category



Data correct as of 2021-2022

We have historically demonstrated resilience through the cycle



- We have a robust business model which has delivered strong operating margins and cash conversion through the cycle
- We have a track record of market share gains, as demonstrated after 2009 and in 2021
- Our organic growth strategy enhanced by M&A has expanded product, market and geographic diversity increasing resilience

1. The new Essentra PLC

2. The strengths of our model – Scott Fawcett

- **A leading market position, with a unique proposition, in a fragmented market**
- A clear strategy for growth and market share gains
- Sustainability as a source of competitive advantage
- Progressive margin enhancement
- A strong financial framework and value enhancing M&A

3. Conclusions and Q&A

2

2. The strengths of our model

A leading market position, with a unique proposition, in a fragmented market

We operate in a highly fragmented market



Market size
£8bn - £10bn
globally*

Thousands
of competitors

Over **1m**
potential
customers

Growth in line
with industrial
production

c. 4%
market
share

* Addressable market will expand as we move into new product ranges and customer categories

2. The strengths of our model

A leading market position, with a unique proposition, in a fragmented market

Service is key for our customers



Our customers are manufacturers, and our products are used in their end product



Our products are a small but critical part of our customers' manufacturing bill of materials



Product availability and peace of mind is typically more important than pricing

2. The strengths of our model

A leading market position, with a unique proposition, in a fragmented market

Our customer survey confirms what they value from us

Reasons to recommend Essentra:

Evolving customer needs



■ Manufacturing
 ■ Distribution





































































































2. The strengths of our model

A leading market position, with a unique proposition, in a fragmented market

Multiple product expertise and a broad range of customer categories

Typical product range to unlock target category customer

After customer is unlocked, we can cross-sell our full range.

		CUSTOMER CATEGORY									
		CONSUMER MANUFACTURING			INDUSTRIAL MANUFACTURING					SME	
		 Auto	 Consumer Equipment	 Telecoms/ Industrial Electronics	 Con-agg	 Renewable Energy	 EV charging	 Medical Equipment	 Other Industrial Equipment	 SME	 Consumer
PRODUCT EXPERTISE	 Protection										
	 Cable management										
	 Electronic hardware										
	 Plastic fasteners										
	 Access hardware										
	 Other hardware										
	 Security Seals										
	 Other										

2. The strengths of our model





A leading market position, with a unique proposition, in a fragmented market

Case study: Demonstrating the breadth of our offer

Challenge

VentilatorChallengeUK set about building thousands of emergency ventilators

Solution

- Researched products via the website
- Phoned call centre to arrange same day delivery
- Led to Essentra supplying 5 products across 4 categories
 -  Protection – Rectangular inserts
 -  Cable Management – Cable clips
 -  Fasteners - Slotted screws and washers
 -  Other Hardware – Knurled knobs

"In a race against time, Essentra gave us a seamless experience. Their wide range of products, expertise and ability to meet our tight deadlines made them an easy choice to support our challenging project."

Mike Barlow — Materials Manager, Penlon Ltd



1. The new Essentra PLC

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2. The strengths of our model

A clear strategy for growth and market share gains

Organic growth strategy



2. The strengths of our model

A clear strategy for growth and market share gains

Focus on acquiring more customers

Target:
5%
Growth in
new customer
acquisition

The foundations are in place

- A new generation of websites has been implemented globally
- £5m of digital investment in new websites has resulted in a doubling of our conversion rate and organic traffic
- Our category teams are identifying opportunities in high growth markets, such as:
 - Renewables
 - EV
 - Automation
 - Medical

Further digitalisation optimisation

- Continued website optimisation and new functionality, investing c. £1m annually
- AI based lead scoring
- Marketing automation programmes
- CRM enabled cross-border collaboration
- Brand campaign market trials, examples below



2. The strengths of our model

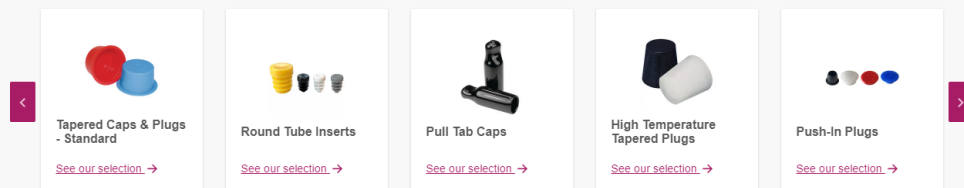
A clear strategy for growth and market share gains

Focus on cross-sell

Cross-selling tools have launched

- CRM solutions have been implemented to enable opportunity management and customer service improvements
- A Learning Management System has been developed to upskill our commercial teams
- AI solutions are delivering cross-selling prompts via our website and CRM platforms

Frequently Bought



Sales effectiveness is being accelerated

- Developing a knowledge management solution to digitalise expertise
- Global sales effectiveness programme supported by our CRM platform to deliver:
 - Global standards
 - Sharing best practice
 - Focused and aligned rewards
 - Consistent opportunity management
 - Cross-border account management
- We are expanding our product offer organically and through M&A

Target:
5%
Growth in
categories per
customer

2. The strengths of our model

A clear strategy for growth and market share gains

Cross-selling example: EV chargers

Cable Management

Cable Tie Holders



Heat Stabilised Cable Ties



Tubular Ring Terminals



Slotted Wire Duct



Insulated Cord End Terminals



Fasteners

Peek® Socket Head Screws



Slotted Cheese Head Screws

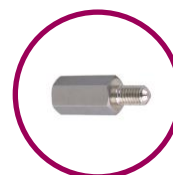


Anti-loss Washers

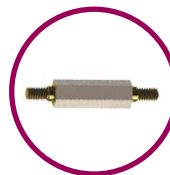


PCB Hardware

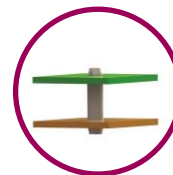
Hex Spacers



Low Voltage Insulators



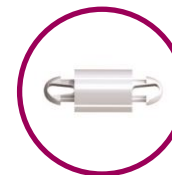
Mini Support Post



Hex Threaded Standoff



Circuit Board Support Posts



Access Solutions

Leaf Hinges



Concealed Hinges



Secure Quarter Turn Locks



Bubble Gaskets & Edge Protectors



EMI Gaskets



Cover Stays



Side Hinges



2. The strengths of our model

A clear strategy for growth and market share gains

Keeping customers by being hassle-free

Our customer experience is key

- Net Promoter Score (NPS) and employee engagement are two of our priority KPI's and are closely linked
- Our NPS monthly score continues to improve through 2022
- We have launched our annual customer survey and anticipate an improvement
- Employee engagement remains important to us, our 2022 survey is now live

Digitalisation enables further improvement

- New ERP platform and improved information will underpin improvements in customer experience and service:
 - Global product offer visibility
 - 'My Account' website functionality
 - Case management
- c.£20m expected investment across 2023 and 2024 in total:
 - Driving margin expansion
 - Optimising working capital
 - Enhancing customer experience

Target:
> 50
NPS

2. The strengths of our model

A clear strategy for growth and market share gains

A disciplined approach to pricing with further opportunities

Strong pricing discipline

- Successfully offsetting cost inflation with sales price actions
- 83% of recurring business has had a price increase in past 12 months
- Pro-active management of price agreements, focus on margins and length of validity
- Alignment of pricing structures within a range, creating a consistent approach
- We are comparatively small on the bill of materials

Digitalisation enables optimisation

- Enhanced visibility of pricing at a product and customer level
- Consistency of costing approach globally
- Improvement in real time user controls in the new ERP system, enabling customer segmentation and use of AI pricing

2. The strengths of our model

A clear strategy for growth and market share gains

Our organic growth strategy



1. The new Essentra PLC

2. The strengths of our model

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- **Sustainability as a source of competitive advantage - Lynne Vandever**
- Progressive margin enhancement
- A strong financial framework and value enhancing M&A

3. Conclusions and Q&A

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2. The strengths of our model

Sustainability as a source of competitive advantage

Building upon Essentra's ESG progress

Our Planet

Driving resource and energy efficiency, reducing emissions and embracing renewables



Our Culture

A safe, supportive work environment that champions equality and celebrates diversity



Our Communities

Working with suppliers to ensure ethical practices and contribute to equitable economies

Volunteering our time and supporting good causes to enrich the communities around us



Our Components

Developing innovative products using renewables, recyclables, reusables and biodegradables



Our Customers

Providing a hassle-free service that helps customers achieve their sustainability goals



2. The strengths of our model

Sustainability as a source of competitive advantage

Providing a hassle-free service that helps customers achieve their sustainability goals

We are in a leading position to assist customers in defining and reducing their Scope 3 reporting in a fragmented market

Currently in discussions to support circular economy models with targeted customers

Increasing our commercial focus on ESG supportive categories such as renewable energy and electrification



Our
Customers

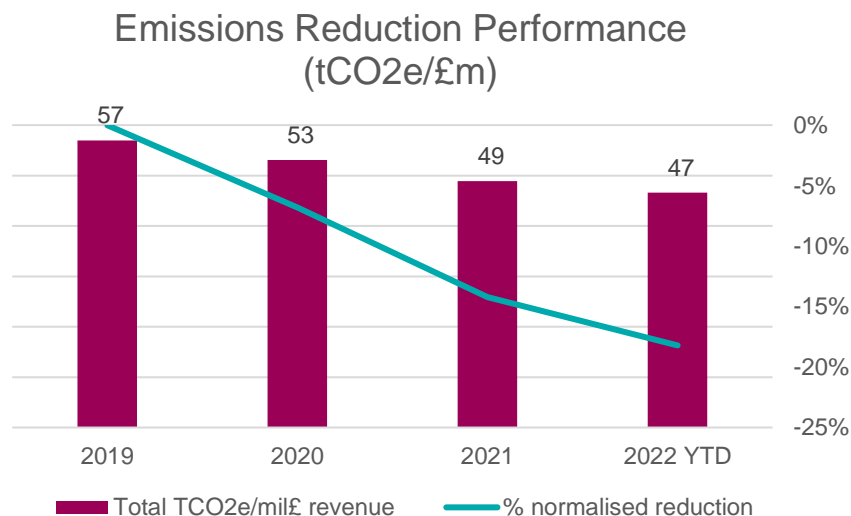
Essentra has agreed a sustainable supply deal with the UK's leading rigid tube manufacturer, Iracraft, to save 2.5m parts going to landfill by using LDPE products that can be chipped and recycled for reuse in future production

2. The strengths of our model

Sustainability as a source of competitive advantage

Driving resource and energy efficiency, reducing emissions and embracing renewables

- Essentra has committed to refreshing near and long-term emission reduction targets in line with science based targets with the SBTi
- Ambition to be net zero by 2040 for Scope 1 and 2 emissions



Our mid-term targets:

- To reduce our Scope 1 and 2 emissions by 25% by 2025 (against a 2019 baseline)
- All sites to achieve Zero Waste to Landfill (ZWTL) by 2030

Our progress:

- In FY21 we achieved an absolute reduction of 11% (14% normalised by revenue)
- 13 sites on track to achieve ZWTL in 2022



2. The strengths of our model

Sustainability as a source of competitive advantage

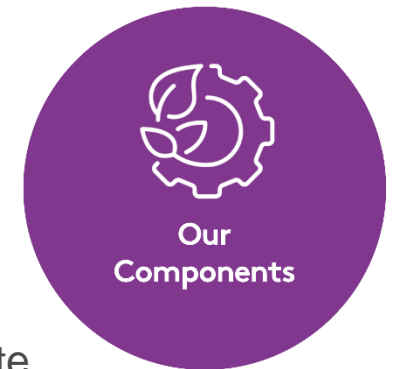
Developing innovative products using renewables, recyclables, reusables and biodegradables

We have signed up to the Circular Plastics Alliance commitment to use at least 20% recycled content by 2025 and making good progress:

- We achieved 8.5% in FY21
- A number of products within the LDPE range are now manufactured almost entirely from recycled materials

We continue to innovate and explore

- Creating a Centre of Excellence to accelerate the testing of recycled and bio-based materials
- We are also reviewing the sustainability of our packaging materials



2. The strengths of our model

Sustainability as a source of competitive advantage

Working with suppliers to ensure ethical practices and supporting good causes in the communities around us



- We continue to volunteer time to support good causes
- We are working with suppliers to ensure ethical practices to drive ESG progress
- Our procurement teams run a supplier development programme with all key suppliers, and we are looking to digitalise this moving forward



Flippin Arkansas, USA:
Food pantry essentials



Poland: Essentra helped to co-ordinate repackaging and logistics to transfer aid to the Łódź City Hall for Ukraine

2. The strengths of our model

Sustainability as a source of competitive advantage

Creating a safe, supportive work environment that champions equality and celebrates diversity

- Safety, health and wellbeing programmes are in place to support our employees
- We continue to focus on growth opportunities for all
- We remain committed to ensuring diverse talent across the organisation including the Board and ExCo
- Employee engagement remains a vital measure of business health and also supports the delivery of our hassle-free proposition



2. The strengths of our model

Sustainability as a source of competitive advantage

Building upon Essentra's ESG progress

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Driving resource and energy efficiency, reducing emissions and embracing renewables



Our Culture

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Our Customers

Providing a hassle-free service that helps customers achieve their sustainability goals



1. The new Essentra PLC

2. The strengths of our model

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- **Progressive margin enhancement – Rob Baker**
- A strong financial framework and value enhancing M&A

3. Conclusions and Q&A

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Polarisation of the supply chain presents a significant opportunity

A shift towards near-shoring to mitigate the risks of supply chain disruption for our customers will...

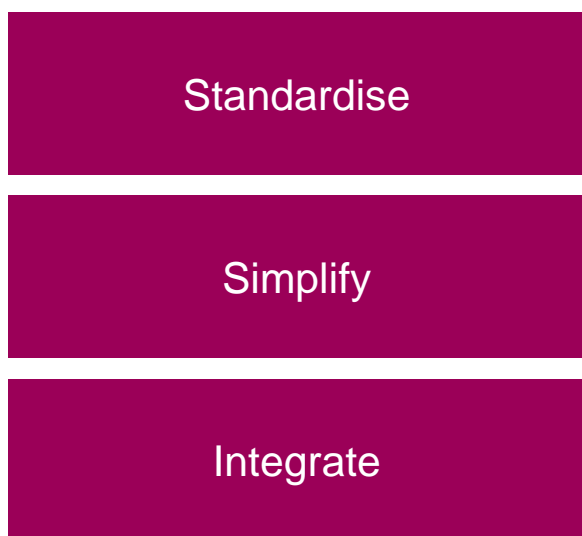


- Some tooling investment is needed to support a more localised manufacturing strategy
- The global drive towards better supply chain reliability will support our ESG ambition

Margin expansion opportunities

A programme of incremental improvements underpinned by our new ERP

Three opportunities...



Across three core focus areas...



ERP platform

Strong safety culture and ESG ambition

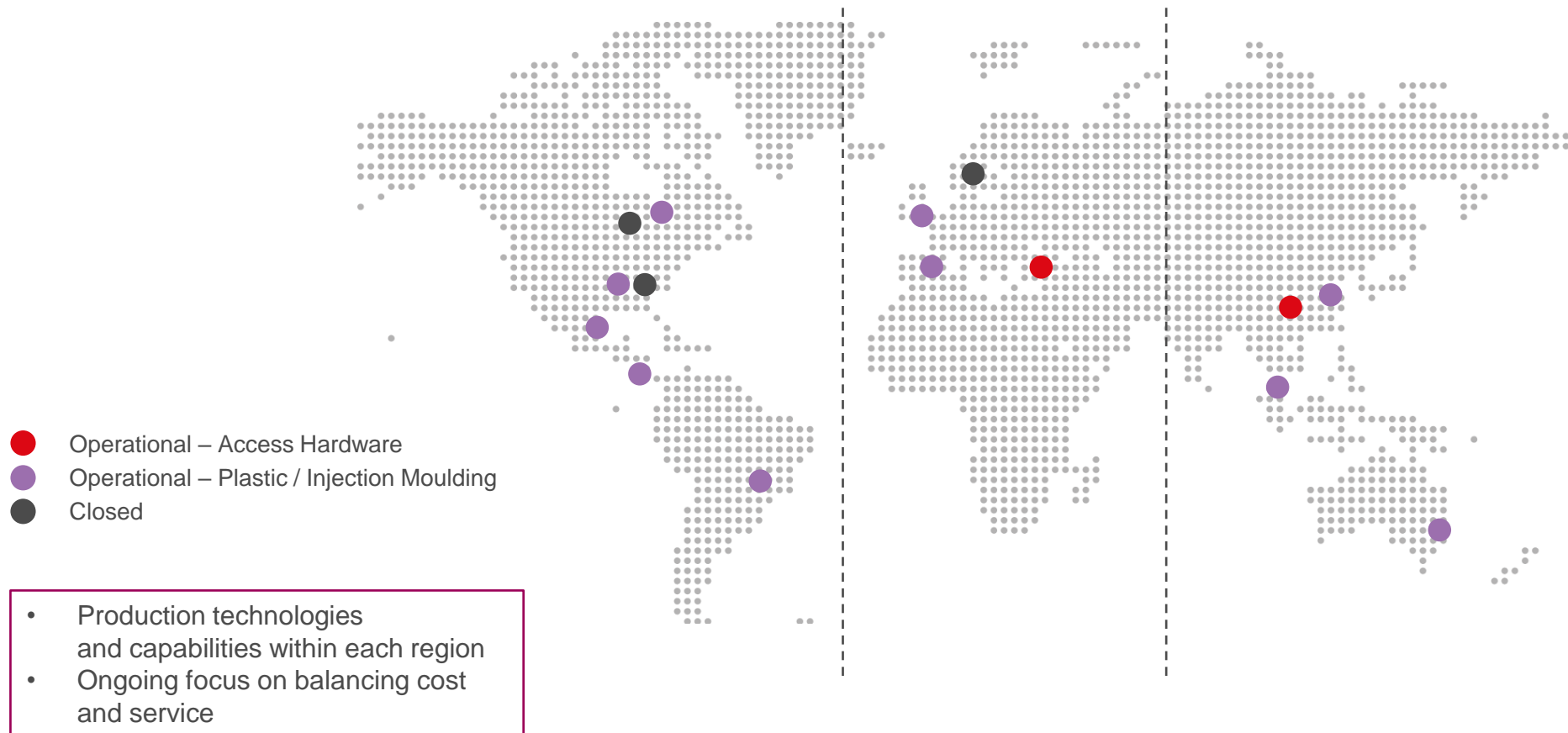
Margins are protected by doing “what’s right” – encouraging investment and mitigating financial risks

2. The strengths of our model

Progressive margin enhancement

The manufacturing footprint continues to evolve

We have the network capacity to support organic growth



2. The strengths of our model

Progressive margin enhancement

A service driven, distribution footprint

Our regional dual hub approach ensures reliability and responsiveness

AMER

- Investment in the US to support growth and efficiency
- **Louisville** operating as a primary hub location
- **Houston** operating as secondary hub location

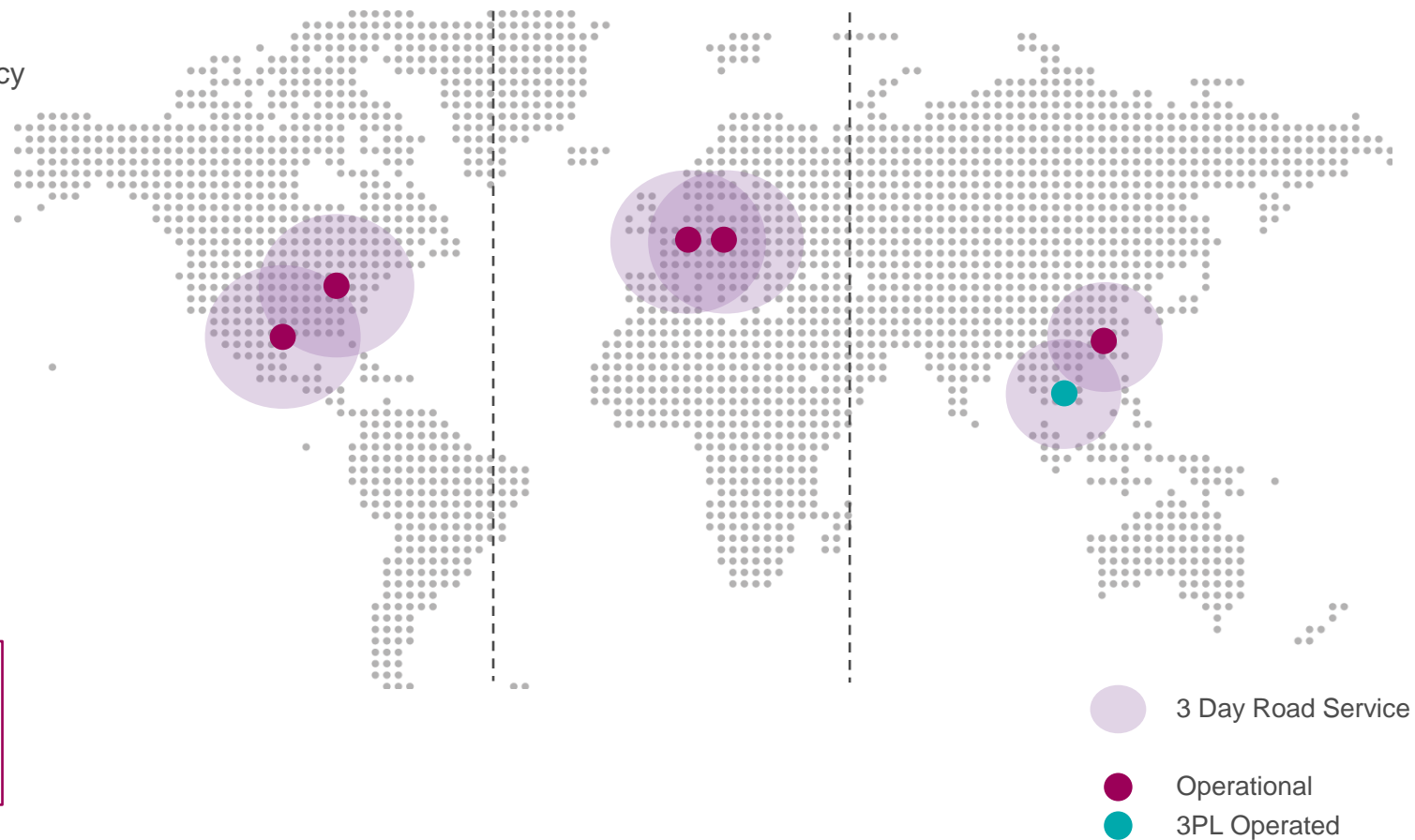
EMEA

- An automated hub in **Germany**
- A new hub in **Poland** enables further growth

APAC

- In-house regional hub in **China**
- Outsourced customer logistics solution in **Singapore**

- Primary and secondary hub per region supporting growth
- Attractive 3-day delivery proposition
- Mitigates risk, reduces freight cost and impact



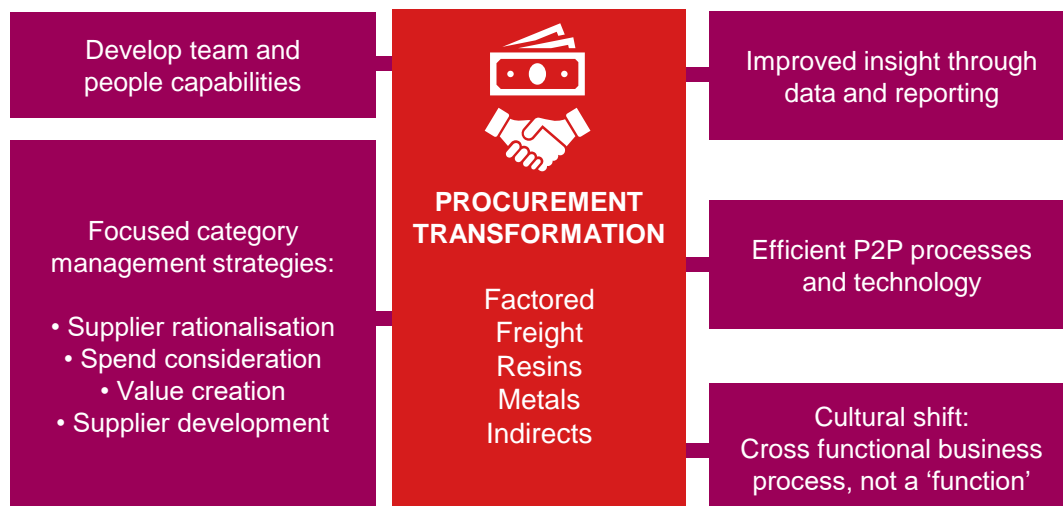
2. The strengths of our model

Progressive margin enhancement

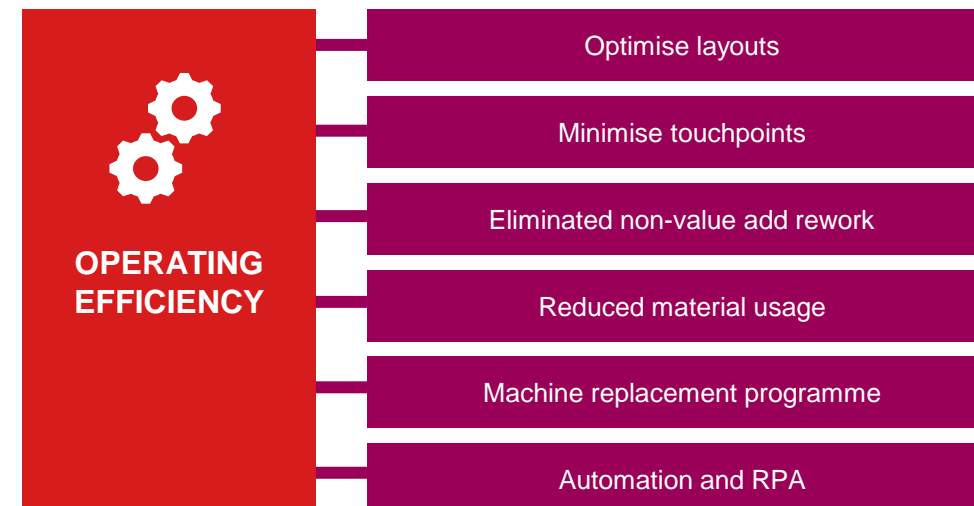
Buying better and operating efficiency

Accelerated through improved data and technology (ERP)

Transforming procurement capabilities, processes and technology



Aligning people and capabilities with process and technology



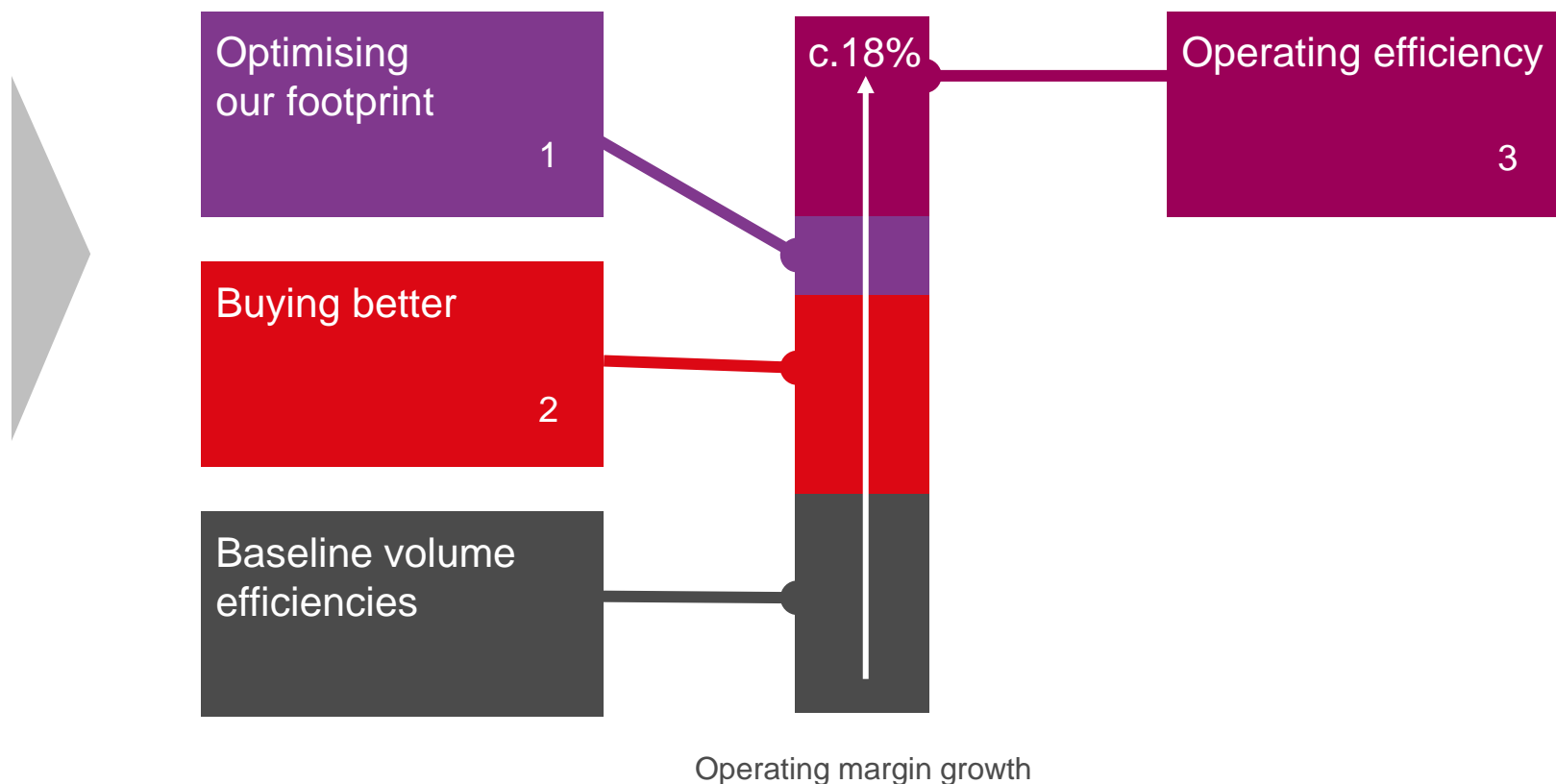
2. The strengths of our model

Progressive margin enhancement

We have a programme of incremental improvements underpinned by our new ERP

Polarisation of the supply chain
presents a significant opportunity

Standardisation, simplification, and
integration



1. The new Essentra PLC

2. The strengths of our model

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- **A strong financial framework and value enhancing M&A – Jack Clarke**

3. Conclusions and Q&A

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2. The strengths of our model

A strong financial framework and value enhancing M&A

Medium term financial framework

	FY 2021	Organic Growth	Inorganic Growth	Total Medium Term
Total Revenue	£302m	£143m	£200m	£645m
Adjusted* Operating Profit	£44m	£46m	£30m	£120m
Adjusted* Operating Profit Margin	c.14%			c.18%

* Adjusted for revised central costs

Medium term targets:

Revenue (CAGR)	Adjusted Operating Margin
>10% Total >5% Organic	c.18%
Net Working Capital % Sales	Net Debt to EBITDA
c.18%	0x – 1.5x

Other financial guidance:

Capex % Sales	Operating Cash Conversion
4% - 5%	>85%
ROIC	Group underlying effective tax rate
>15%	24% - 26%

2. The strengths of our model

A strong financial framework and value enhancing M&A

Capital allocation policy



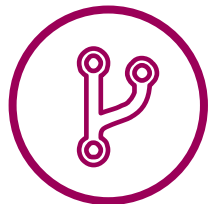
ORGANIC GROWTH

Capital investment remains core to strategic growth
Capex expected to be maintained between 4 – 5% of sales



INNOVATION

Sustainable new product development and propositions
Digitalising the customer experience drives cross-sell and customer acquisition



ACQUISITIONS

Strong pipeline of potential acquisitions
Addition of product adjacencies enables higher organic growth through cross-sell



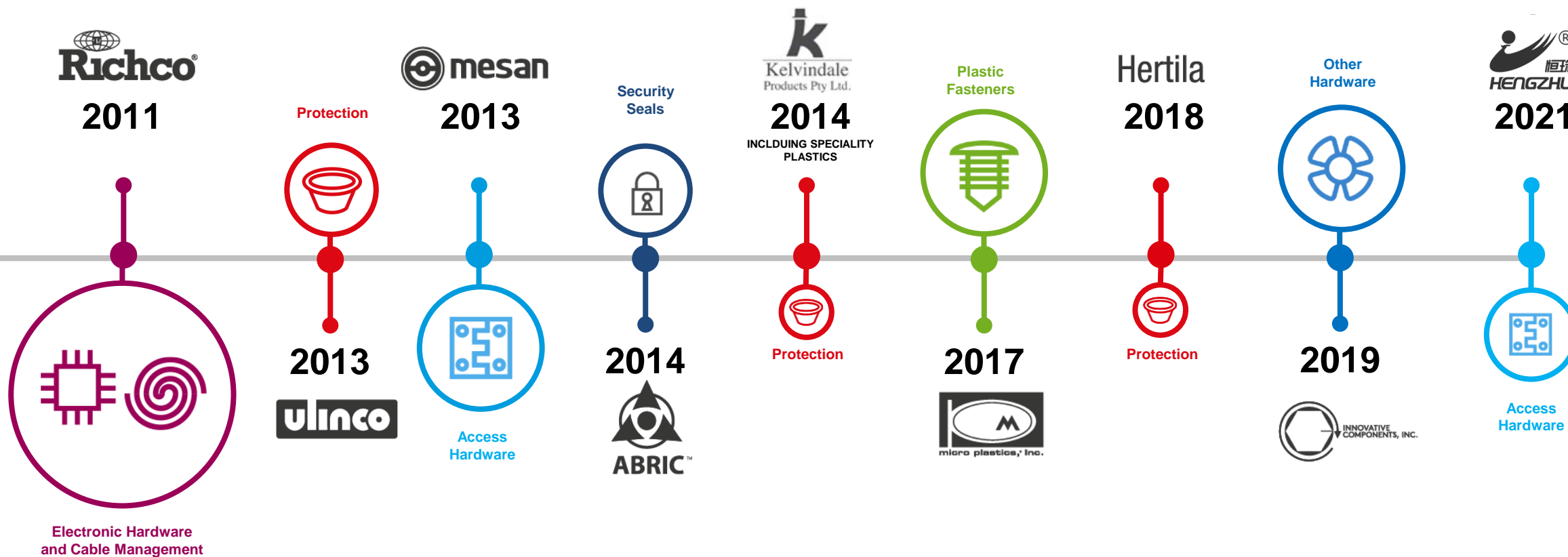
ORDINARY DIVIDENDS

Maintaining dividend cover in the order of three times

2. The strengths of our model

A strong financial framework and value enhancing M&A

We have a successful track record of M&A



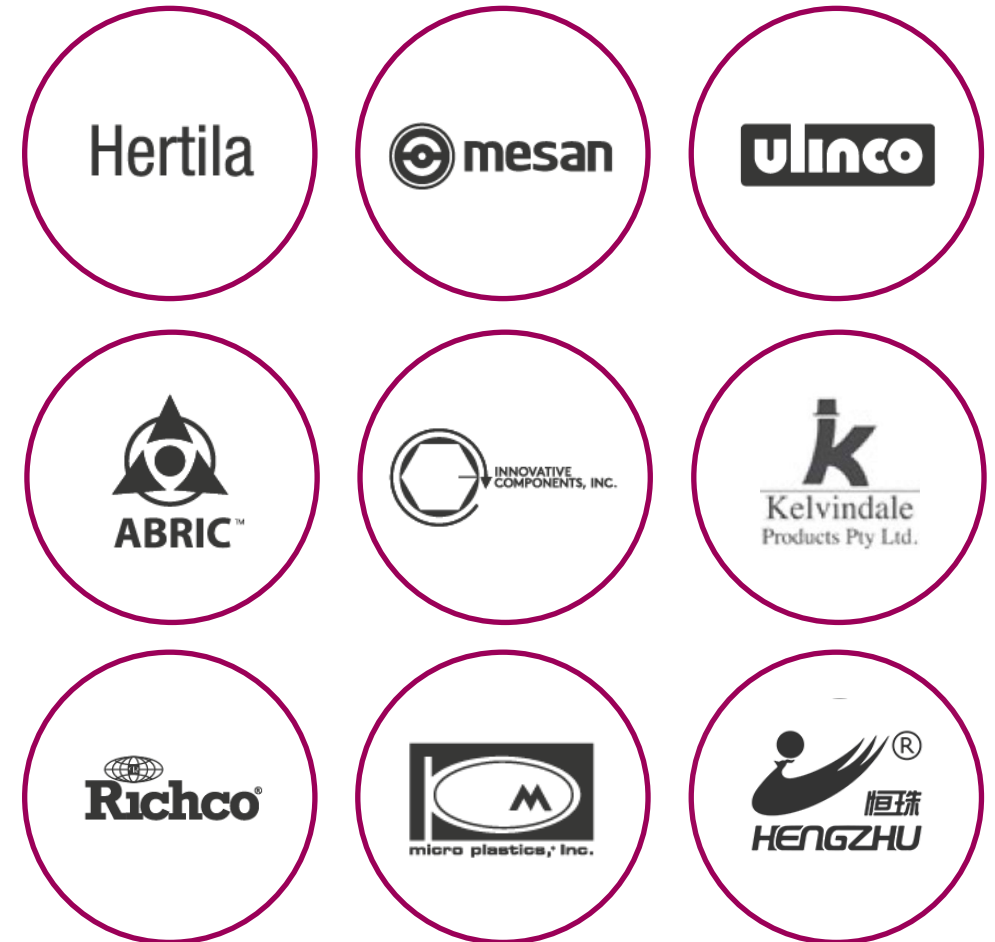
Approximate revenue is reflected by icon size

2. The strengths of our model

A strong financial framework and value enhancing M&A

M&A success factors and key takeaways

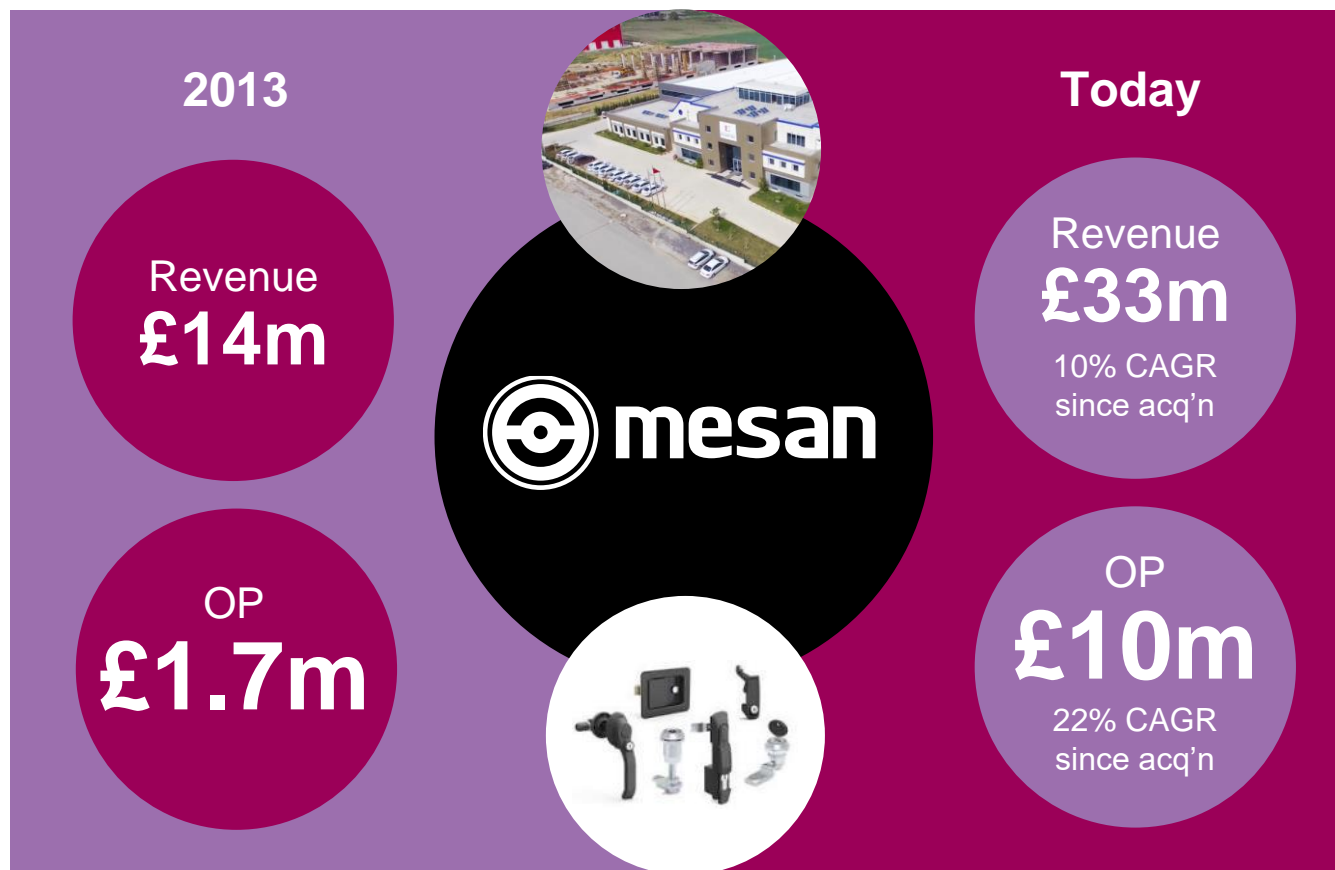
- Strategic clarity
- Highly disciplined approach and deal rationale
- Importance of aligning diligence and management teams
- Communication is key for acquired employees
- Keeping agile, recognising that plans will change
- Decisive and well planned closure of sub-scale facilities



2. The strengths of our model

A strong financial framework and value enhancing M&A

M&A case studies: Strategic rationale and performance



Mesan Locks – Q4 2013

Deal rationale:

- Entering the Access Hardware market as a manufacturer with a product that would cross-sell
- Entering the Turkish market with full breadth of our offer
- Cross-selling the acquired product range with the capability to offer standard parts and customised solutions

2. The strengths of our model

A strong financial framework and value enhancing M&A

M&A case studies: Strategic rationale and performance



Micro Plastics – Q4 2017

Deal rationale:

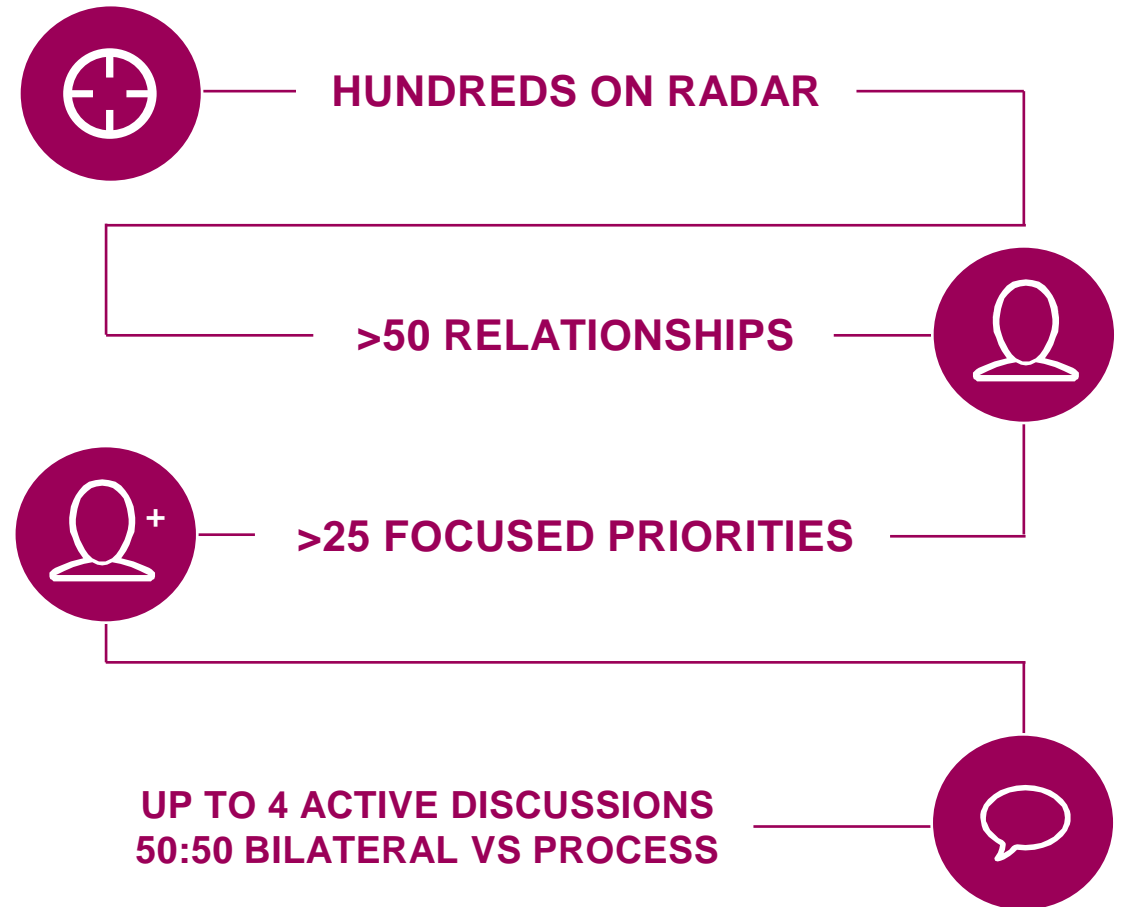
- Gaining capability and market position in the North American plastic fasteners market, already held in Europe
- Enhancing service levels enabling price improvements
- Cross-selling products to acquired and existing customers

2. The strengths of our model

A strong financial framework and value enhancing M&A

Our M&A pipeline is healthy and based on clear criteria

- Typically targets will offer new product capabilities that can be cross-sold, including existing suppliers of sourced products
- Our initial focus will be bolt-on acquisitions
- Our targets are geographically neutral
- We have a rigorous WACC framework and seek a post synergy ROIC of >15%
- We typically buy at 8-10x EBITDA and after synergies, effectively reduce to 6-8x EBITDA
- We are particularly focused on an opportunity to potentially acquire a UK based manufacturer and distributor of hardware components and discussions with the current owners are progressing well



2. The strengths of our model

A strong financial framework and value enhancing M&A

Strong financial framework, with clear metrics to achieve our strategy

- Clear financial targets; strong growth but attainable
- Clear capital allocation policy to support organic and acquisitive growth
- Committed progressive dividend policy, maintaining dividend cover in the order of three times
- Delivery of M&A strategy, supported by a strong track record of delivery

Revenue (CAGR)

>10% Total
>5% Organic

Adjusted Operating
Margin

c.18%

Net Working Capital %
Sales

c.18%

Net Debt to EBITDA

0x – 1.5x

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- Progressive margin enhancement
- A strong financial framework and value enhancing M&A

3. Conclusions and Q&A

3

A unique, highly profitable and resilient business

Market leader with a **unique proposition** in a fragmented £8-10bn market

Clear strategy to drive **organic growth** and **market share gains** supported by digitalisation and sustainability

High margin business with scope to expand through scale efficiencies, operational effectiveness and pricing

Strong returns and cash conversion enabling value enhancing M&A

Our ambition is to double the revenue and triple operating profit