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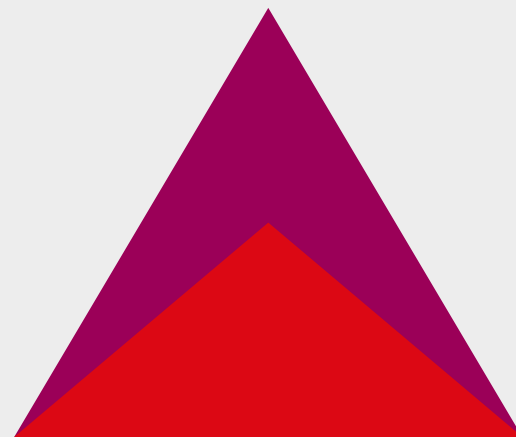
ESSENTRA

# INVESTOR PRESENTATION

Half Year 2017 Results

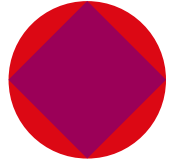
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28 JULY 2017



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# AGENDA



1. HY 2017 Overview - Paul Forman
2. Financial Review – HY 2017 - Stefan Schellinger
3. Summary & FY 2017 Outlook - Paul Forman
4. Q&A

# HY 2017 OVERVIEW

Paul Forman  
Chief Executive

# HY 2017: SUMMARY



- Revenue, adjusted profit and EPS decline reflect continuation of trends communicated in 20 April 2017 Trading Update
  - A good performance in Component Solutions ...
  - ... offset by ongoing operational challenges in Health & Personal Care Packaging ...
  - ...and the pricing impact of raw material pass-through in Filter Products
    - Revenue decrease of 4% on a like-for-like basis
    - Adjusted operating profit down 35% (at constant FX) to £43m
    - Basic adjusted EPS lower by 38% (at constant FX) to 11.2p
- Net debt of £207m (31 December 2016: £379m): operating cash conversion of >70% (HY 2016: 59%) reflects greater underlying stability in the business
- Balance sheet strengthened post-completion of Porous Technologies divestment: net debt to EBITDA reduced to 1.6x (31 December 2016: 2.3x)
- Half year dividend unchanged at 6.3p per share

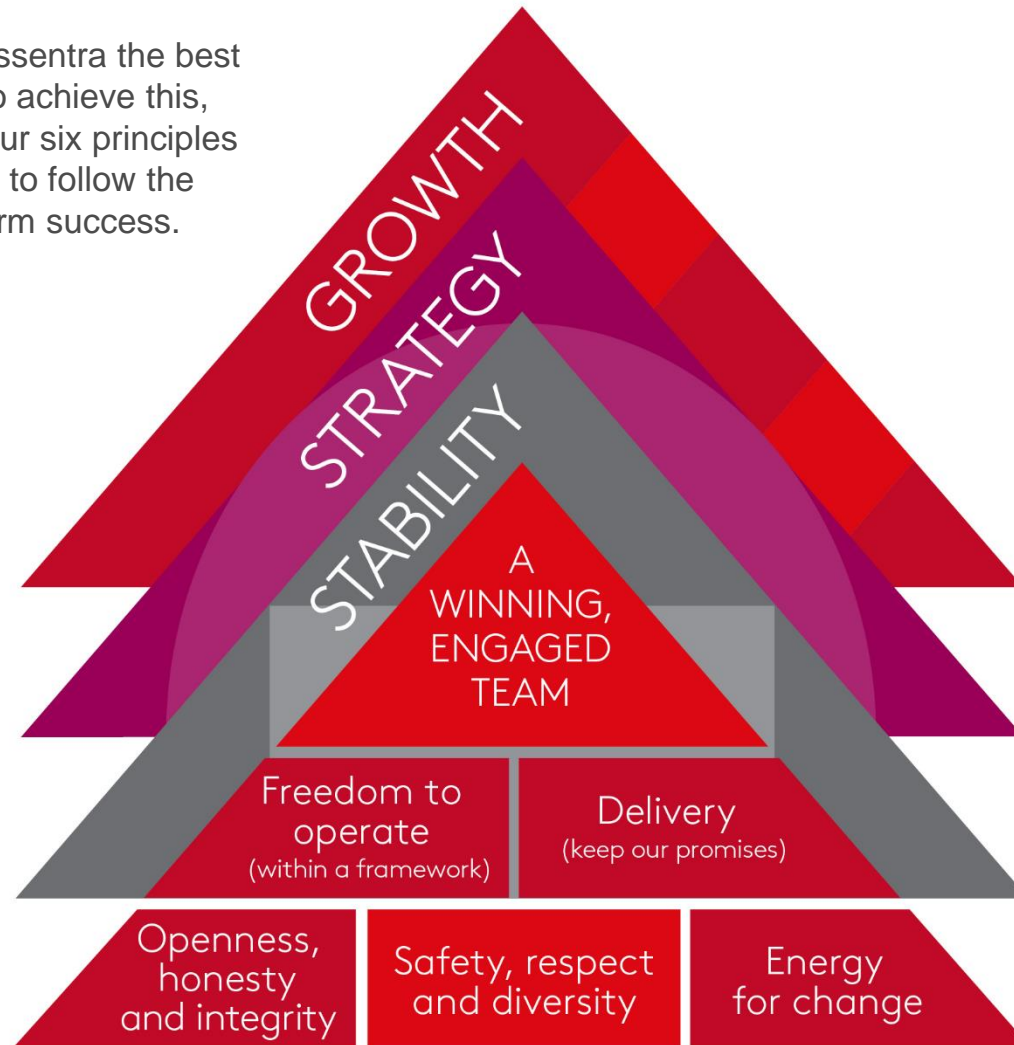
**A period of stability and strategic development**

# WE ARE STABILISING ...

## “BUILDING ESSENTRA TOGETHER”



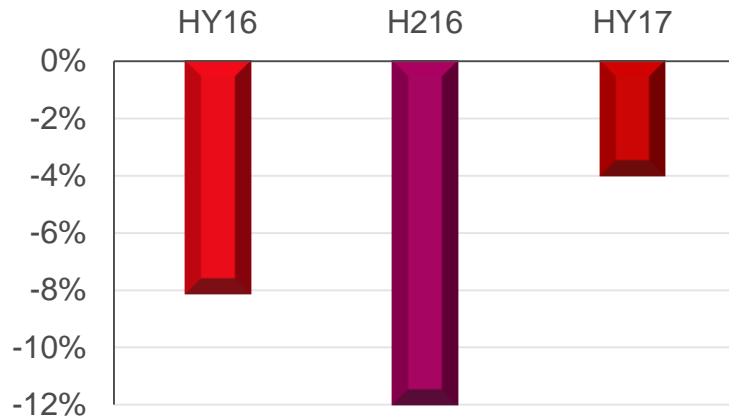
Our aim is to make Essentra the best company it can be. To achieve this, we all need to bring our six principles to life in our work and to follow the three steps to long-term success.



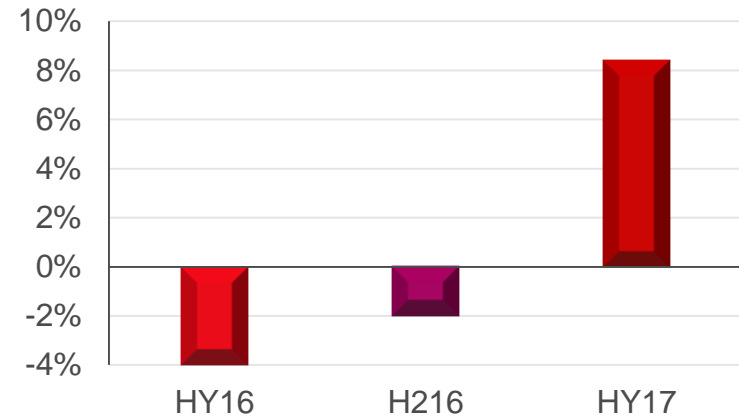
# WE ARE STABILISING ... OUR REVENUE<sup>1</sup> TRENDS



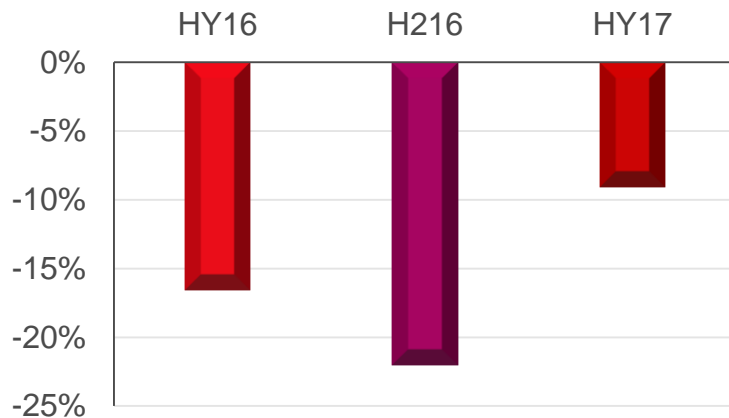
**Group<sup>2</sup>**



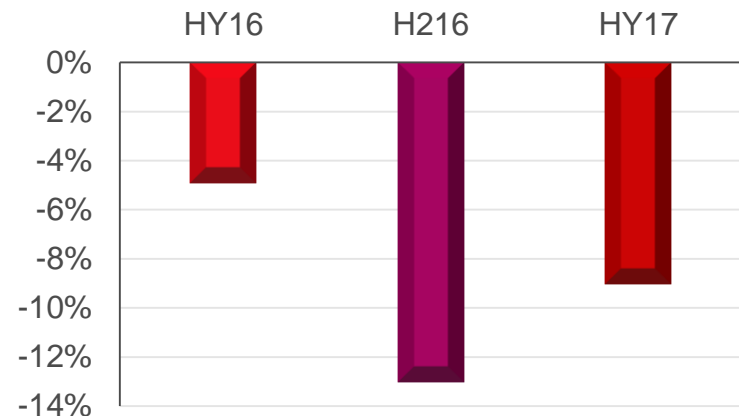
**Component Solutions**



**Filter Products**



**H&PC Packaging**



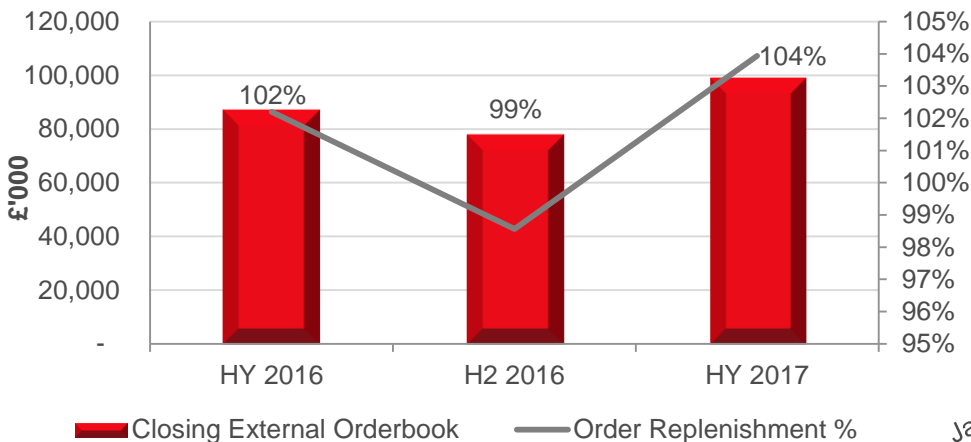
<sup>1</sup> Revenue trends are shown on a like-for-like growth basis

<sup>2</sup> Continuing operations

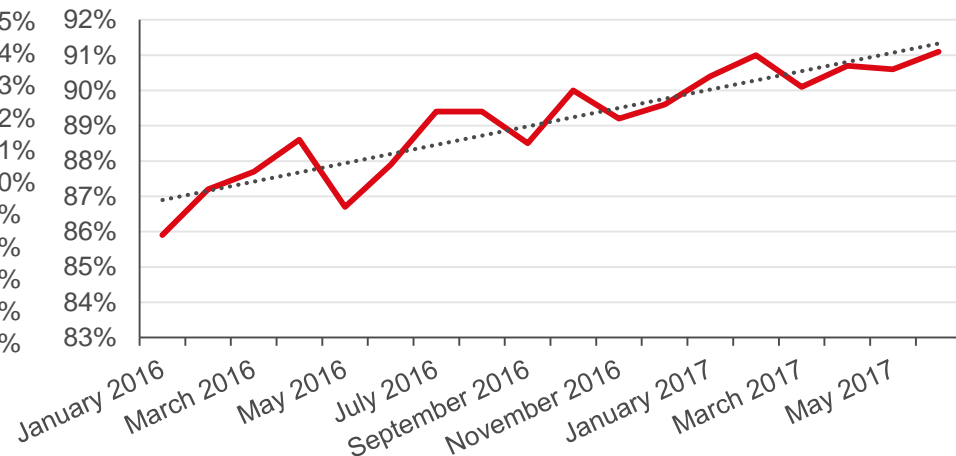
# WE ARE STABILISING ... OUR KEY PERFORMANCE INDICATORS



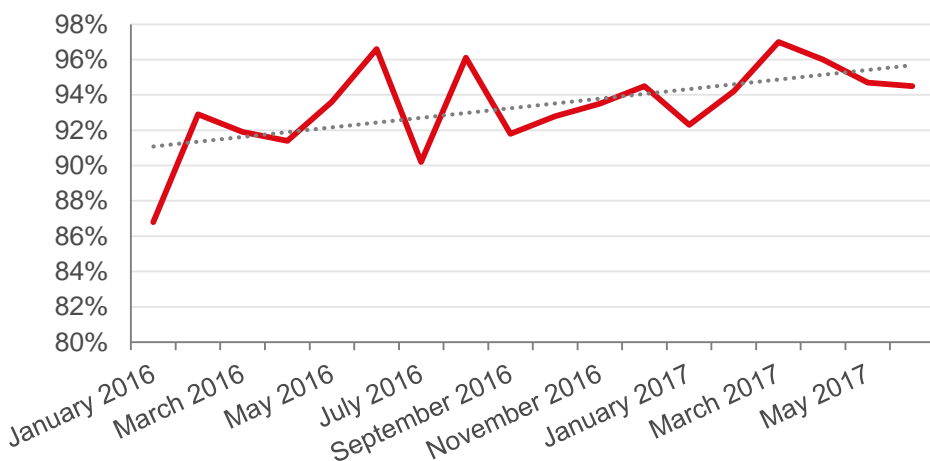
Group – Order Book<sup>1</sup>



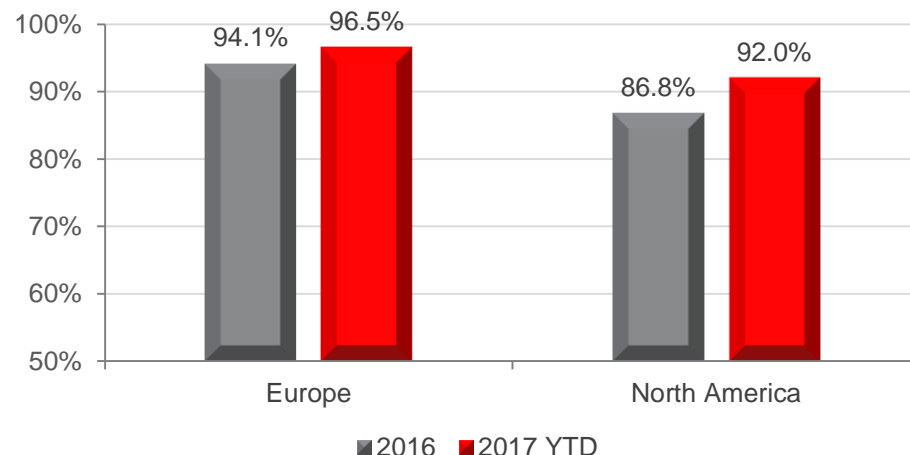
Components - External Dispatched OTIF



Filter Products - OTIF



H&PCP - OTIF



<sup>1</sup>Continuing operations

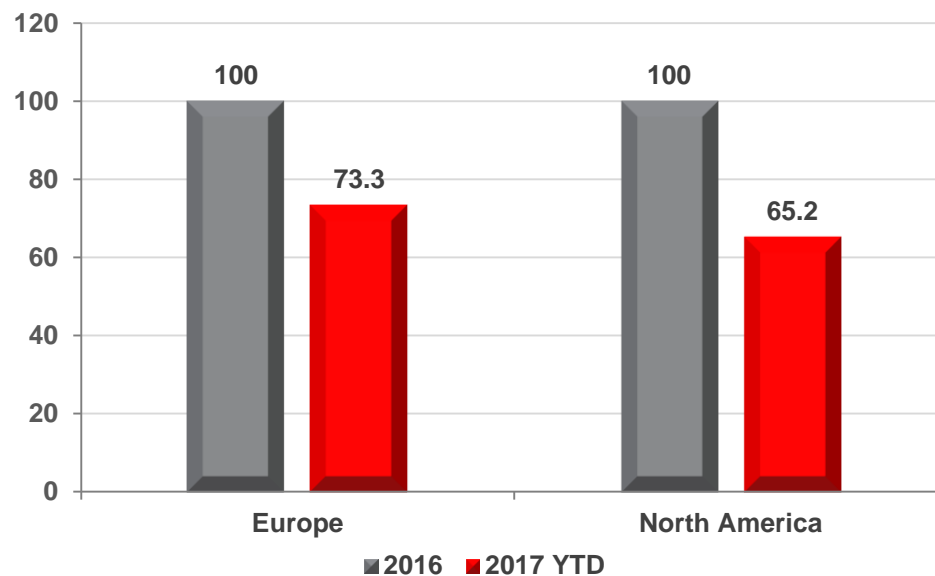
# WE ARE STABILISING ... OUR KEY PERFORMANCE INDICATORS



Filter Products – Complaints per billion rods



H&PCP – Indexed Complaint Rate – 2016 = 100)





# WE ARE STABILISING ...

## OUR COMMERCIAL & OPERATIONAL INITIATIVES - CS



Continued investment in robotics at PPT, Houston

- Benefit to UK and US Components from renewed Commercial focus with larger customers
  - US MRO segment also boosted by greater product segmentation and dedicated team
- Increase in access hardware, supported by new product introductions
  - Three innovative solutions esp. aimed at transport and cabinet manufacturing segments
  - Further growth supported by expansion into second facility in Turkey
- Encouraging revenue contribution from custom business in automotive sector
- Further automation of manufacturing processes in Pipe Protection Technologies, Houston
- Continued growth in technical solutions for water purification applications in Extrusion
- Ongoing operational initiatives, inventory optimisation and service improvement programmes



Launch of new latch and lock solutions, to support growth in access hardware

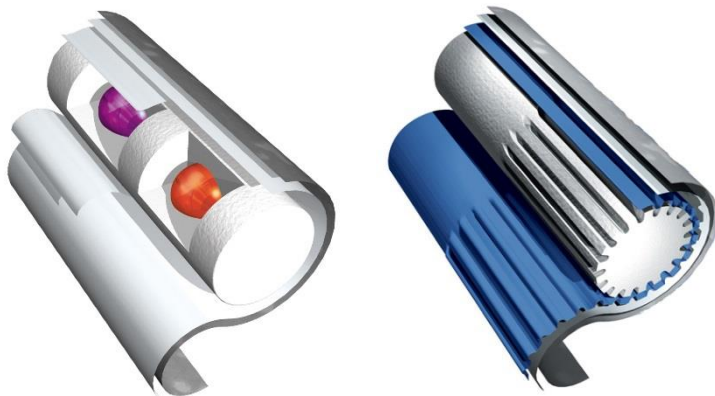
# WE ARE STABILISING ...

## OUR COMMERCIAL & OPERATIONAL INITIATIVES - FILTERS



Further investment in capsule equipment

- Significant investment in capsule capacity, to meet consumer demand in a growing segment
  - Asia, Middle East and Europe
- Improvement in base rod capacity, due to better utilisation of equipment across the footprint
- Continued product innovation, to address industry trends
  - Joint development initiatives for capsule products
  - Successful variants combining enhanced performance and visual differentiation
  - Ramp-up of new, smaller diameter filters in China
- Technical and development capability enhanced in Asia and introduced in Europe
- Scientific Services lab named as the only approved UK provider of services required under EU TPD



Launch of innovative new capsule filters to meet evolving industry trends

# WE ARE STABILISING ...

## OUR COMMERCIAL & OPERATIONAL INITIATIVES – H&PCP



Investment in equipment to support stabilisation of key service metrics



Further product innovation to meet evolving industry trends

- Focus and remedial action has stabilised key performance and service metrics in the US integration sites ...
- ... BUT significant challenges in the UK
- HOWEVER:
  - We are still seen as a strategic supplier by our customers
  - We are investing to help unblock production “bottlenecks”, as well as to support growth opportunities
    - Eg, Charlotte, Indianapolis
  - We are winning business in “untouched” sites
    - Labels, leaflets and foils
  - We are continuing to develop our new product pipeline, to meet industry trends and customer requirements
    - Eg, patient adherence
- Good progress in both US Speciality Tapes (esp. white goods) and food applications for Tear Tape
  - Offset by continued declines in tobacco tear tape

# NEWPORT: CONSULTATION ON PROPOSAL TO CLOSE CARTONS SITE (“IP5”)



- On 27 July, Essentra announced the proposal to cease the production of folding cartons for the consumer goods industry at Newport and, as a consequence, to close its cartons facility
- Structurally challenged from a financial and operational perspective
  - Currently focused on low complexity consumer cartons
  - Generated an operating loss of £(3.4)m on revenue of £6.1m (six months ended 30 June 2017)
- If proposal confirmed, production will stop by the end of 2017
  - Exceptional charge of c. £35m expected in H2 2017, of which approximately £13m non-cash
- Newport labels and Design Hub unaffected by proposal

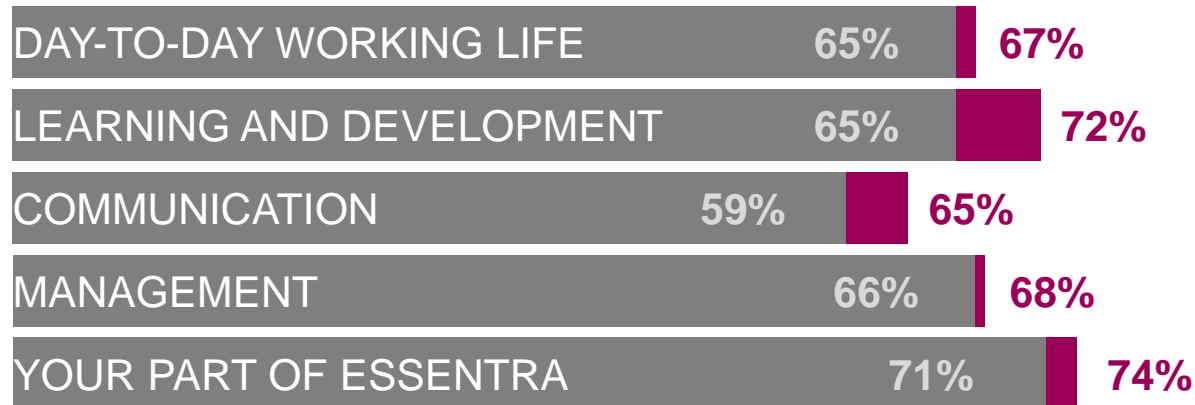
**Clear example of value destruction through poor acqn integration**

# WE ARE STABILISING ... OUR PEOPLE



In our latest “pulse” employee engagement survey, overall we improved in each area compared to 2016.

■ 2016 ■ 2017



WE NEED TO  
DO BETTER

 -1%

COMMUNICATION  
BETWEEN AREAS

▶ **HOW MUCH DID WE IMPROVE BY?**  
What you said about the July 2016 survey results:

**23% GOOD FEEDBACK**

**21% MANAGEMENT TOOK ACTION**

**17% FELT ABLE TO TALK ABOUT IT**

▶ **WHAT HAVE WE SAID?**  
We improved by ...

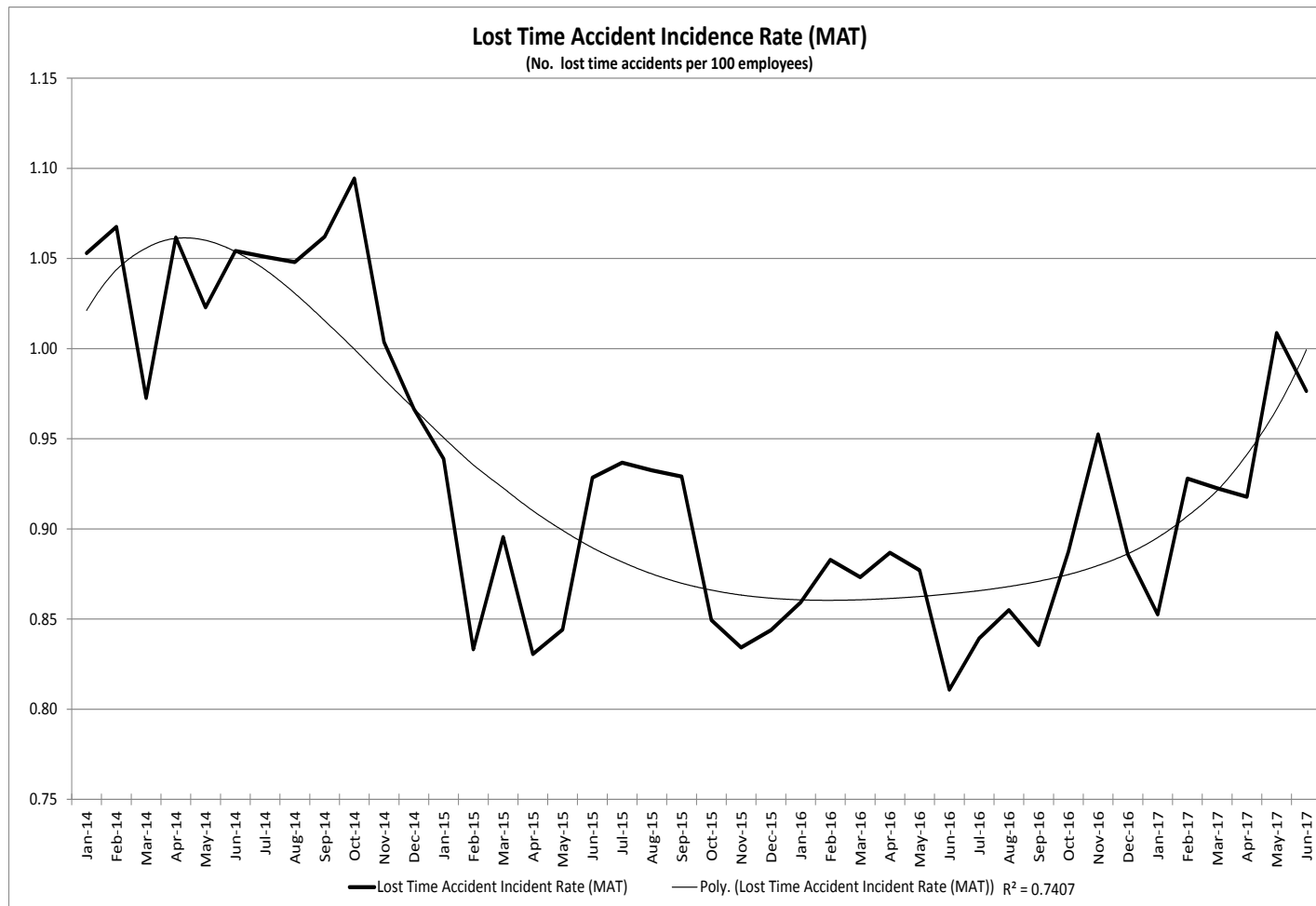
**8% GOOD COMMUNICATION**

**8% AWARE OF OUR GOALS**

**8% AWARE OF OUR PERFORMANCE**



# ... ALTHOUGH THERE IS MUCH STILL TO DO OUR HSE PERFORMANCE



**A number of initiatives in progress to improve HSE culture**

# KEY AREAS TO ADDRESS IN THE SHORT TO MEDIUM TERM



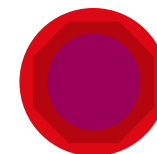
- Operational performance in a few H&PC Packaging sites is not stable
- Customer perception and repurchasing decisions, as expected, lagging operational trends
- Lack of many basic processes as standard - see later Strategy presentation
- Given broad operational lack of standard practice, surprises can still occur ...
- ... as can legacy issues from 2016
- The team (although changing ...) and morale (although improving ...) have a long way to go

# FINANCIAL REVIEW – HY 2017

Stefan Schellinger  
Group Finance Director



# INCOME STATEMENT – SUMMARY<sup>1</sup>



	<b>HY 17</b>	<b>HY 16</b>	<b>Growth</b>		
	<b>£m</b>	<b>£m</b>	<b>Actual FX</b>	<b>Constant FX</b>	
<b>Revenue</b>	<b>522.6</b>	<b>494.7</b>	<b>+5.6%</b>	<b>-4.0%</b>	→ CS +8% H&PCP -9% Filter Products -9%
<b>Operating profit<sup>2</sup></b>	<b>42.8</b>	<b>59.8</b>	<b>-28.4%</b>	<b>-35.1%</b>	
<b>Operating margin</b>	<b>8.2%</b>	<b>12.1%</b>	<b>-390bps</b>	<b>-400bps</b>	→ H&PCP Filter Products
<b>Profit before tax<sup>2</sup></b>	<b>37.3</b>	<b>52.8</b>	<b>-29.4%</b>	<b>-36.7%</b>	
<b>Adjusted earnings<sup>2</sup></b>	<b>29.2</b>	<b>42.1</b>	<b>-30.6%</b>	<b>-38.0%</b>	
<b>Adjusted earnings per share<sup>2</sup></b>	<b>11.2p</b>	<b>16.1p</b>	<b>-30.4%</b>	<b>-38.2%</b>	

<sup>1</sup> Continuing operations

<sup>2</sup> Adjusted to exclude intangible amortisation and exceptional operating items

# REVENUE BY DIVISION



	<b>HY 17</b>	<b>HY growth</b>	
	<b>£m</b>	<b>Constant FX</b>	
<b>Health &amp; Personal Care Packaging</b>	<b>213.4</b>	<b>-9.2%</b>	→ <b>Challenged H&amp;PCP sites and tobacco tear tape</b>
<i>Like-for-like<sup>1</sup></i>		-9.2%	
<b>Component Solutions</b>	<b>173.9</b>	<b>+8.5%</b>	→ <b>Significant recovery in PPT</b>
<i>Component Solutions ex-PPT</i>	<i>158.5</i>	<i>+2.8%</i>	→ <b>Broad-based Components growth – recovery in the UK &amp; US</b>
<b>Filter Products</b>	<b>136.7</b>	<b>-9.4%</b>	→ <b>Modest volume decline Pricing impact from raw material pass-through</b>
<b>Eliminations</b>	<b>(1.4)</b>		
<b>Group (continuing)</b>	<b>522.6</b>	<b>-4.0%</b>	
<b>Group (continuing) – at actual FX</b>		<b>+5.6%</b>	

<sup>1</sup> At constant exchange rates, adjusted for the disposal of the Bristol consumer packaging site (from 5 June 2017)

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



	HY 17 £m	Growth Constant FX	Margin HY 17	Margin HY 16	
Health & Personal Care Packaging	4.7	-80.4%	2.2%	10.3%	→ Volume, challenged H&PCP sites and tobacco tear tape
Component Solutions ex-PPT	27.8	-7.2%	17.5%	19.4%	→ Continued investment, Extrusion
PPT	2.0	n/m	13.0%	-33.1%	
Filter Products	16.1	-27.3%	11.8%	14.7%	→ Volume, mix and timing of raw material pass-through
Central Services	(7.5)				
Costs allocated to Porous Technologies	(0.3)				
Group	42.8	-35.1%	8.2%	12.1%	
Group – at actual FX			8.2%	12.1%	

<sup>1</sup> Adjusted to exclude intangible amortisation and exceptional operating items (for continuing operations only)

# INCOME STATEMENT – CONTINUED



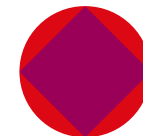
	<b>HY 17</b>	<b>Growth</b>	
	<b>£m</b>	Actual FX	Constant FX
Operating profit <sup>1</sup>	42.8	-28.4%	-35.1%
Net finance charge	(5.5)		
Profit before tax <sup>1</sup>	37.3	-29.4%	-36.7%
Taxation	(7.5)		
- <i>Underlying tax rate</i>	20.0%		
Net income <sup>1</sup>	29.8	-29.7%	-37.2%
Adjusted earnings <sup>1</sup>	29.2	-30.6%	-38.0%
EPS - adjusted <sup>1</sup>	11.2p	-30.4%	-38.2%
EPS – diluted, adjusted <sup>1</sup>	11.1p	-30.6%	-37.9%

→ Lower average net debt

→ Tax rate maintained

<sup>1</sup> Adjusted to exclude intangible amortisation of £11.5m and an exceptional pre-tax charge of £6.4m (for continuing operations only)

# EXCEPTIONAL ITEMS

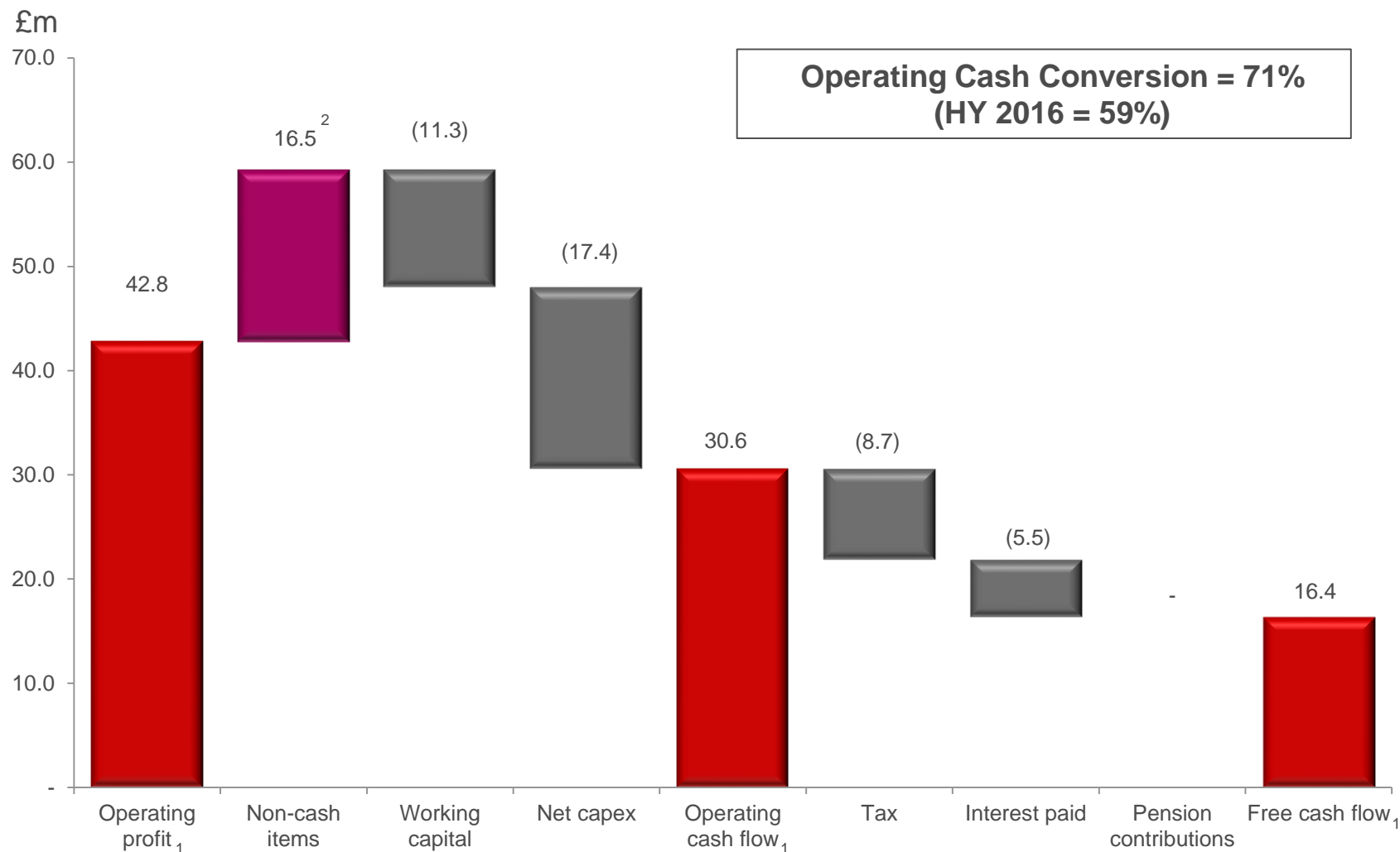


	£m
(Gains) / losses and transaction costs from business acquisitions and disposals <sup>1</sup>	(133.5)
Acquisition integration and restructuring costs	-
Other <sup>2</sup>	5.2
<b>Total Group</b>	<b>(128.3)</b>

<sup>1</sup> These are made up of (£134.7m) net gain on disposal of Porous Technologies and £1.2m net loss on disposal of the Health & Personal Care Packaging business in Bristol

<sup>2</sup> Other exceptional items relate to the strategic review undertaken and associated reorganisation cost, including senior management restructuring

# CASH FLOW - CONTINUING OPERATIONS



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

<sup>2</sup> Being Depreciation of £18.2m less Share Option Expense / Other Movements of £1.7m

# NET DEBT RECONCILIATION



	£m
As at 1 January 2017	379.3
FX	0.1
As at 30 June 2017	207.2
<b>Change in net debt after FX</b>	<b>172.2</b>
Of which:	
Free cash flow	(9.0)
Acquisitions	(211.9)
Dividends	37.7
Exceptionals	14.9
Net cashflow from employee trust shares	(0.3)
Other	(3.6)
	<b>172.2</b>

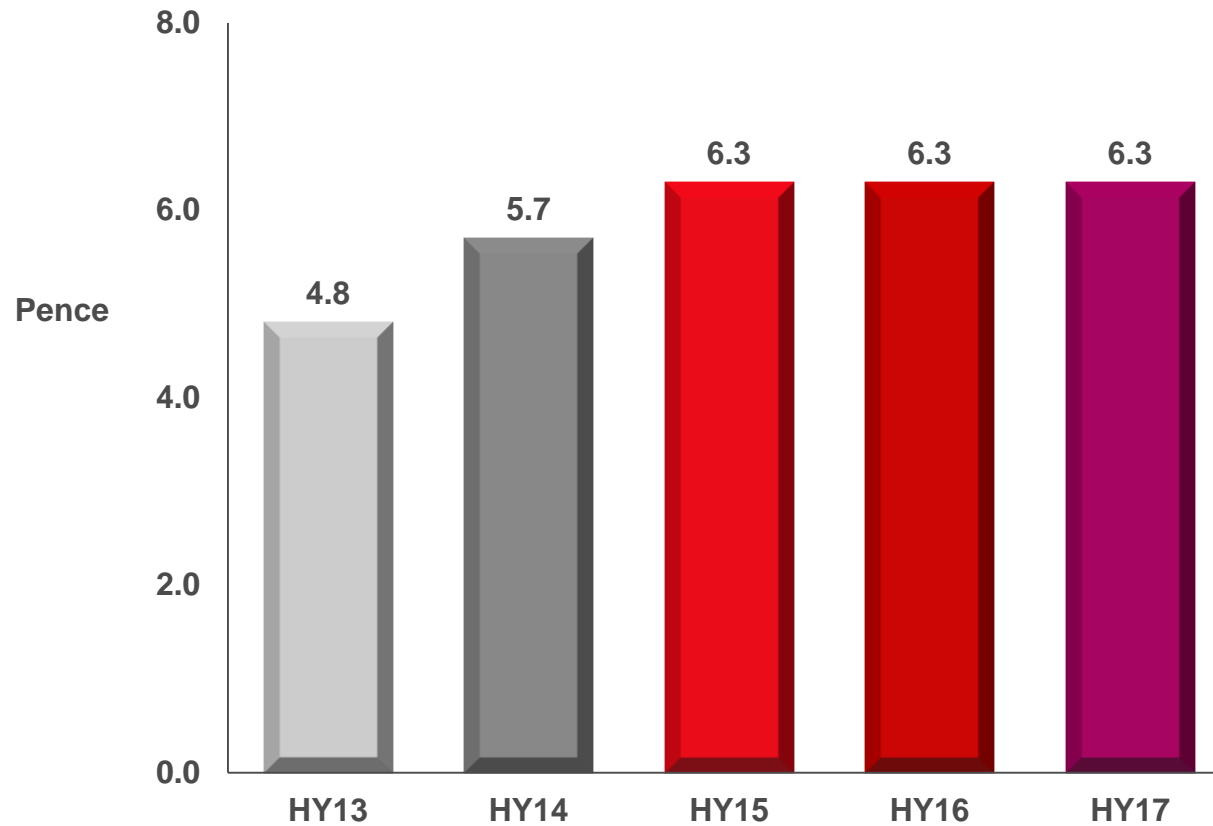
→ Gross proceeds from Porous Technologies divestment

→ Transaction costs for Porous sale + one-off costs relating to strategic review

**Net debt / EBITDA ratio of 1.6x**

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

# DIVIDEND



**Interim dividend held unchanged**



# SUMMARY & FY 2017 OUTLOOK

Paul Forman  
Chief Executive

# STABILITY: SUMMARY



## In HY 2017, we have:

- Increasingly stabilised our revenue trends
  - In all three global divisions
- Stabilised a number of our Key Performance Indicators
- Stabilised our finances
  - Significant reduction in net debt to EBITDA ratio to 1.6x from 2.3x post-Porous Technologies divestment
- Stabilised our people
  - Disbanded the matrix organisational structure
  - Introduced our 6 Principles and 3 Steps to Long-Term success
  - Seen an encouraging improvement in our latest employee engagement survey
- Stabilised our customers and processes
  - We are still viewed as a strategic supplier – notwithstanding our actions, in some cases ...

**We have much still to do – and it will take time – but we are already well on our way**

# STRATEGY



STRATEGY

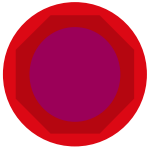
**To be covered now!**

**We have a number of skills gaps across the organisation which we will address:**

- Operational gap analysis
  - Esp. Sales & Operations Planning
- IT systems
- Commercial gap analysis
- PMI
- Governance framework and risk management
- RACI (“Responsible, Accountable, Consulted, Informed”) framework
- Growth maps
- Upgraded talent management and succession planning

**Prioritisation will be key to staying stable and delivering our strategy while growing**

# 2017 CONSIDERATIONS / OUTLOOK



- Continued growth in Component Solutions in H2
  - Further broad-based growth in Components
  - Solid order intake in PPT in July
- Ongoing stabilisation efforts in Health & Personal Care Packaging
  - Continued focus on improving underlying performance and service metrics
  - Improving yoy revenue and margin trends
- Revenue and margin improvement in Filters
  - Driven by Asia and timing of raw material price impact
- Measured investment in people and / or capability, to underpin future growth
- Two divisions on a more stable footing, although Health & Personal Care Packaging continuing to receive short-term focus and remedial action

**Overall improving trends in H2 vs H1**

# Q&A

# APPENDICES

# INCOME STATEMENT – REPORTED BASIS<sup>1</sup>



	HY 17	Growth	
	£m	Actual FX	Constant FX
Adjusted operating profit	42.8	-28.4%	-35.1%
Intangible amortisation	(11.5)		
Exceptional operating items	(6.4)		
Reported operating profit	24.9	-39.3%	-44.9%
Net finance charge	(5.5)		
Profit before tax	19.4	-42.9%	-49.2%
Taxation	(4.2)		
- <i>Underlying tax rate</i>	20.0%		
Net income	15.2	-45.1%	-50.6%
EPS	5.6p	-46.7%	-52.2%
EPS - diluted	5.6p	-46.2%	-51.5%

<sup>1</sup> Continuing operations



# EXCHANGE RATES



Six months ended 30 June 2017	Average	Closing
US \$/£	1.27	1.30
Euro €/£	1.16	1.14

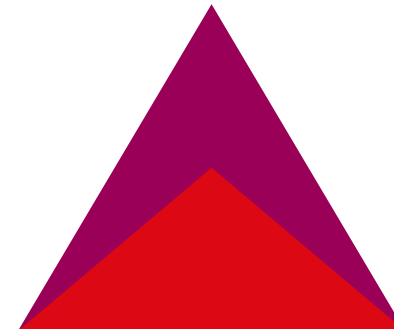
Impact of a one cent change	Op. Profit (£m)
US \$/£	0.1
Euro €/£	0.2

Six months ended 30 June 2016	Average	Closing
US \$/£	1.43	1.33
Euro €/£	1.28	1.20

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ESSENTRA

# INVESTOR PRESENTATION

Half Year 2017 Results

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28 JULY 2017

