



## 2013 Preliminary Results

28<sup>th</sup> February 2014

- Resilient performance in a challenging macro-economic environment, particularly in Europe
- Volumes and profitability in Europe impacted by deterioration in construction related sectors
- Encouraging performance in Asia, with nitrile recovery quicker than expected
- Strong cash flow enabled further investment across business in new products and additional capacity
- Net debt reduced by another £22.2m to £133.6m
- Full year dividend increased by 9% to 6.0p



# FINANCIAL REVIEW

David Blackwood - Finance Director

## FY Results: Financial Highlights

	2013	2012 <sup>(2)</sup>	% Change
Revenue <sup>(1)</sup> (£m)	1054.9	1111.8	(5.1)
EBIT <sup>(1)</sup> (£m)	104.8	111.2	(5.8)
PBT <sup>(1)</sup> (£m)	90.1	94.6	(4.8)
EPS	20.7p	20.9p	(1.0)
DPS	6.0p	5.5p	9.1
Net debt (£m)	133.6	155.8	

<sup>(1)</sup> Underlying basis

<sup>(2)</sup> 2012 restated for IAS19 adoption

- Global volumes up 0.7%: ENA down 2.5%, ARW up 8.2%
- Group tax rate down 2% to 20%
- Increased final dividend of 3.6p - giving 6.0p for the year
- Strong free cash flow - net debt down to £134 million
- At current spot rates, currency impact on 2013 EBIT would be circa £4m

## Europe & North America (71% Sales, 80% EBIT)

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	2013	2012	% Change
Sales (£m)	744.8	796.9	(6.5)
EBIT (£m)	89.8	100.2	(10.4)
Volumes (Ktes)	805.5	825.9	(2.5)

- EBIT down – 10.4%
- Volumes down 2.5% on soft demand – particularly in Construction related areas
- Unit margin erosion – mainly in Paper and Carpet business segments
- Modest demand improvement in C&C, FP and PP in recent months

	2013	2012	% Change
Sales (£m)	310.1	314.9	(1.5)
EBIT (£m)	23.1	19.1	20.9
Volumes (Ktes)	376.2	347.7	8.2

- EBIT significantly ahead, 21%
- Nitrile improvements ahead of expectations
  - Volumes up 22% during year
  - Unit margin recovery ahead of expectations

## Free Cash Flow

	2013	2012
Underlying operating profit (£m)	99.9	106.3
Depreciation (£m)	19.2	18.4
Movement in working capital (£m)	5.8	(1.3)
Capital expenditure (net) (£m) <sup>(1)</sup>	(35.0)	(38.1)
Tax, interest, pensions (£m) <sup>(2)</sup>	(31.6)	(46.4)
Free cash flow (£m)	58.3	38.9

<sup>(1)</sup> £39 million gross. £4 million received from sale of Pharma land. Net £35 million

<sup>(2)</sup> Also includes minority interest dividends, and JV adjustment

- EBITDA, including share of JV's , £124.0 million
- Prepayment to pension fund £8 million in December
- Capex in line with expectations £39 million gross
- Capex will fall in 2014 – expected £25-30 million

## Net Cash Flow

	2013	2012
Free cash flow (£m)	58.3	38.9
Synergy spend / restructuring (£m)	(3.8)	(11.4)
Acquisition costs (£m)	-	(0.4)
Dividends paid (£m)	(19.4)	(15.3)
Exchange / other (£m) <sup>(1)</sup>	(12.9)	(3.3)
Movement in borrowings (£m)	22.2	8.5
Closing net debt (£m)	133.6	155.8

<sup>(1)</sup> Includes settlement of LTIP incentives of £6.2 million

- Free cash flow £58 million
- Significant improvement in net debt – down to £133.6 million
- Announced Malaysian land sales in 70/30 JV Revertex of 144m MRY (circa £27 million) – share of proceeds expected no later than end of 2015

	2013		2012
Net Cash (£m) <sup>(1)</sup>	64.8		38.5
Term Debt (£m)	(198.4)		(194.3)
Net Debt (£m)	(133.6)		(155.8)
Undrawn Revolver (£m)	60.0		60.0
Net Debt: EBITDA (LTM)	1.1		1.2

<sup>(1)</sup> Includes £5.8 million (2012 £5.6 million) illiquid financial asset

- Conservative balance sheet – net debt: EBITDA 1.1
- Substantial available liquidity
- Next term debt repayment - US PP payment of £42m due H2 2014

## Dividend Increased by 9.1%

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- Full year dividend of 6.0p, in line with announcement at interim results
- Dividend cover of 3.5 times (2012 3.8 times)
- Intention remains to move dividend cover to 3 times by 2015

## **BUSINESS REVIEW**

Adrian Whitfield - Chief Executive Officer

## Resilient Performance in a Challenging Year

Full Year Highlights	2013	2012	Change
Underlying basis	£m	£m	%
Sales	1054.9	1111.8	(5.1)
Operating Profit (EBIT)	104.8	111.2	(5.8)
Europe and North America	89.8	100.2	(10.4)
Asia and ROW	23.1	19.1	20.9
Unallocated	(8.1)	(8.1)	-

## Regional Overview

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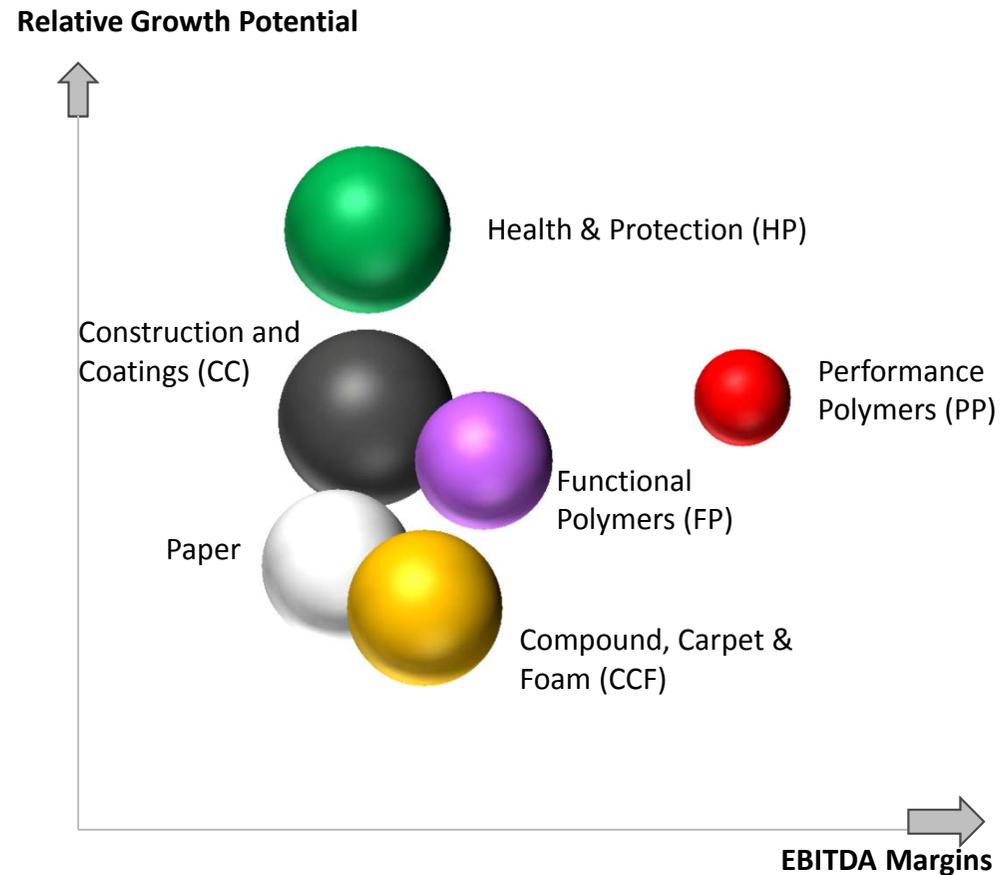
- Europe
  - Demand generally weak, particularly in construction related areas
    - Volumes lower across all Business Units except Paper
    - FY unit cash margins reduced
      - Very modest declines in C&C, FP and PP
      - CCF + Paper margins most affected
  - Some improvement late H2 in C&C, FP and PP
- Asia
  - Overall EBIT growth of 20.9%
  - Strong Nitrile performance
    - Volumes up 22% year-on-year
    - Recovery ahead of expectations
  - Non-Nitrile demand remains positive
    - Slight deterioration in competitive environment as competitor prepares to bring new dispersion capacity online in Malaysia
    - Continued good prospects for future growth

## Cohesive and complementary portfolio of businesses

### Portfolio Dynamics:

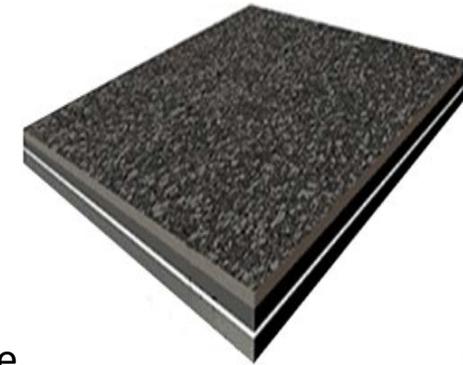
- 10-15% growth : HP.
- GDP + growth : CC, FP, PP.
- Driven by market trends : Paper and CCF.

NB. Aqueous Polymers (Except PP)



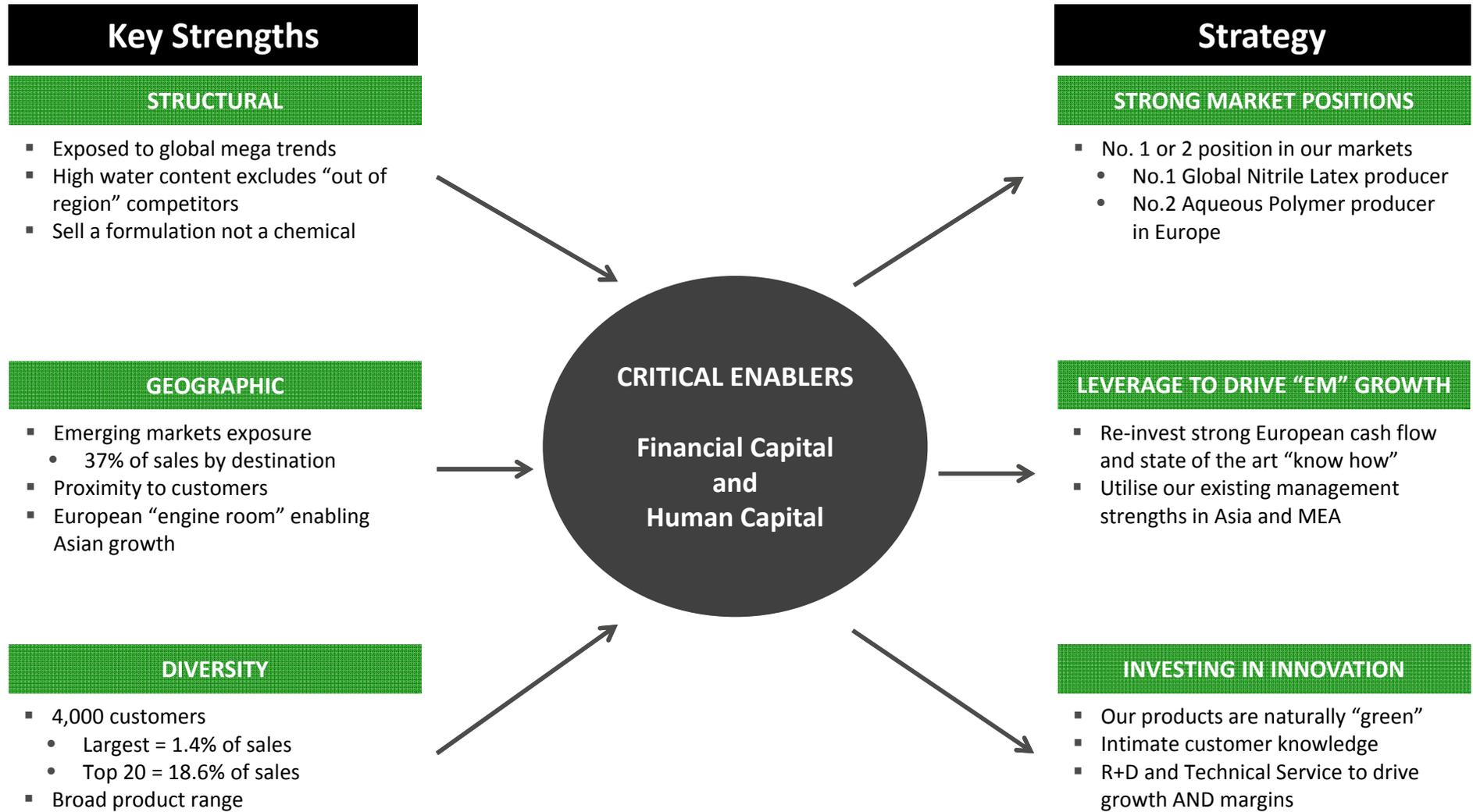
Diameter of bubble is proportional to sales

- Dispersion expansion at Stallingborough finished; completed the closure of Batley
- New product pipeline continues to build
- Completed investment in bio-polymer hybrid latex plant in Finland
- Initiated investment programme for additional bio latex capability in Germany
- Continued progress to drive commercial and cost effectiveness
- Common SAP system successfully implemented on budget in Europe to be rolled out globally '14 + '15
- Appointed Christoph Breucker as VP EMEA. Experienced VP ex. BASF and Cognis



- Commissioned new 70,000 tonne nitrile latex capacity expansion in Pasir Gudang, Malaysia
- Established SBR manufacturing capability on the same site
- Further expanded our Middle East facilities and will commission a further 28,000 tes (+40%) Q3 2014
- Initial increase in Dispersions capacity in Malaysia now operational
- Reached agreement to sell 700 acres of plantation land (144m MYR / ~£27m). Further 900 acres available for sale
- Appointed Dennis McCullough as VP SEA. Experienced VP ex. Bayer





## STRONG MARKET POSITIONS

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- Demonstrates technical and commercial strength
- Aligns Synthomer and market needs

## LEVERAGE EUROPE TO DRIVE EMERGING MARKET GROWTH

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- “Centre of Excellence” provides strong base to drive the rest of the business
- Re-invest European “Know How”, market profile and Cash Flow to drive overall growth rates

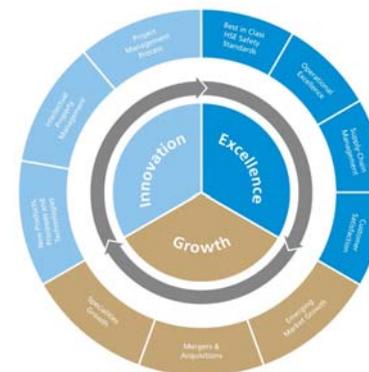
## INVESTING IN INNOVATION

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- Drive growth and efficiency through new products and processes
- Develop “environmentally sustainable” products and processes

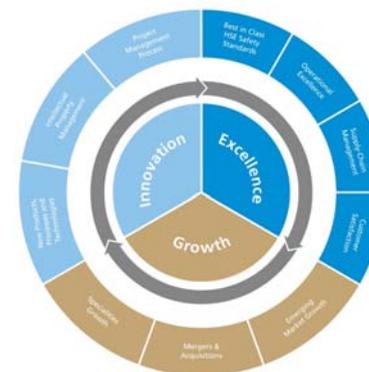
## Strategic and Tactical Actions – Europe and North America

- Synthomer’s “Centre of Excellence”
- Continue to take actions to address European low growth environment AND drive global business model
  - “Cost Leadership” is a very important element of “Excellence”
- Targeting €10m/annum of Performance Improvement benefits end 2015 to mitigate inflation and low growth
  - Cash costs of circa €15m of which €5m Capex
- Good progress on Innovation



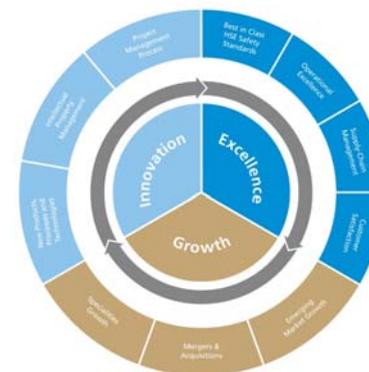
## Strategic and Tactical Actions – Asia and RoW

- Synthomer’s “Growth Engine”
  - C&C strong in all territories, FP growing and H&P very strong in APAC
- Very dynamic environment with ongoing need for extra capacity and technology pull
- Build on European business model
  - Ongoing introduction of products into Asian market
- Investing in Human Capital: new Operations Director and HR Director for Asia
- Capacity increases in Vietnam and Saudi Arabia underway



## Strategic and Tactical Actions - Innovation

- Ongoing investment in Innovation capacity and capability
- Growing pipeline of New Product contribution
  - 12% of current sales from products launched in last 5 years.
  - Working towards mid-term target of 20% of revenues
- New products help us to build strong market positions and drive profit growth
- Recent launches have had a material impact on business performance:
  - 2 new Nitrile grades in 2013
  - Bio modified paper latex grade launched Q4 2013
  - Aqueous binder for chopped glass mat
- European grades rolled out globally:
  - UV resistant decorative coatings
  - Flexible cement membranes



## Outlook

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- Some positive trends but limited evidence of a sustained improvement in trading conditions in Europe
- Modest increase in demand in our C&C, FP and PP segments late in H2
- Aggregate unit cash margins across the European business slightly below 2013 average as we enter 2014
- Weakening of the Euro through H2 2013 will create a year-on-year drag
- Expect some further improvement in Asia from Nitrile plus benefits from additional capacity and investment
- Board remains confident that Synthomer is well positioned despite European macro-economic environment



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