

Preliminary Results

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Positioning & Strategy



Business Overview

AUTOCLAVE TECHNOLOGY



POLYOLEFINS

AZOTE®

Premium, durable, foams

Ultra durable, highly heat and impact resistant foam. AZOTE® is manufactured from engineering polymers using our unique nitrogen-expansion process.

Key markets served

Automotive
Aviation
Construction
Industrial
Marine
Military
Packaging
Sport and leisure

Key market drivers

1. Light weighting
2. High-technology insulation
3. Durability
4. Fire safety
5. Reduced toxicity



HPP

ZOTEK®

Lightweight technical foams

Uniformly dense foam sheets and blocks with a consistent cell structure. These foam sheets and blocks are manufactured from common polymers using our unique nitrogen-expansion process.

Key markets served

Automotive
Aviation
Athletic footwear
Construction
Packaging

Key market drivers

1. Light weighting
2. Personal safety
3. High-technology insulation
4. Durability
5. Fire safety
6. High-technology insulation
7. Reduced toxicity



T-FIT®

Technical insulation for industry

A range of bacteria resistant insulation products manufactured from high-grade polymers using our unique nitrogen-expansion process. T-FIT® products are purpose designed to perform in demanding environments.

Key markets served

Food and personal care manufacturing
High temperature processing environments
Pharmaceutical cleanrooms

Key market drivers

1. Aging population
2. Durability
3. Reduced toxicity

EXTRUSION TECHNOLOGY



MEL

MuCell®

Innovative and accessible technology for greener, lower cost plastic products

This pioneering licensed technology injects gas into plastics during the manufacturing process to create micro-bubbles – the end product uses 15-20% less material than similar plastics but delivers equally high performance.

Key markets served

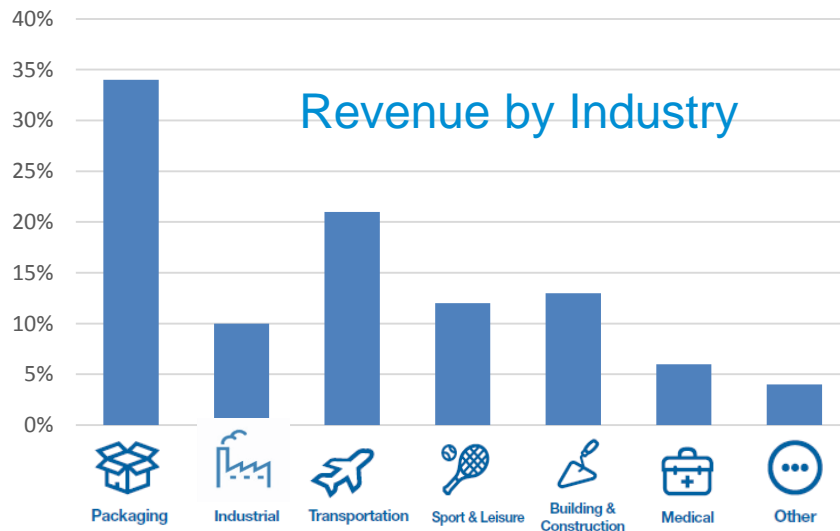
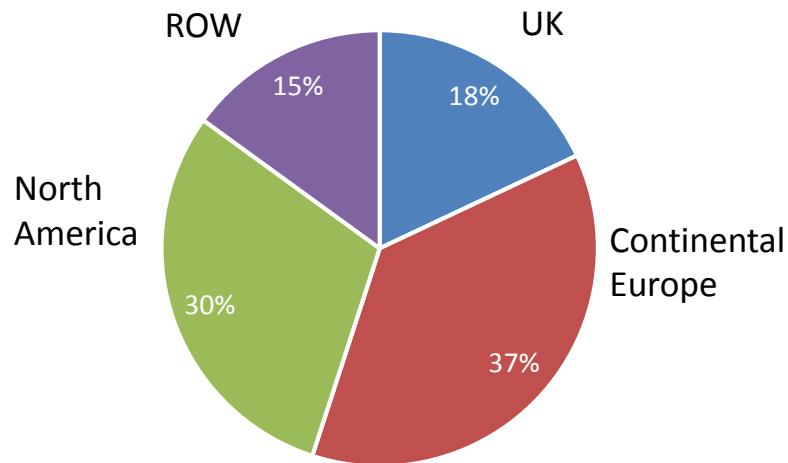
Automotive
Consumer packaging

Key market drivers

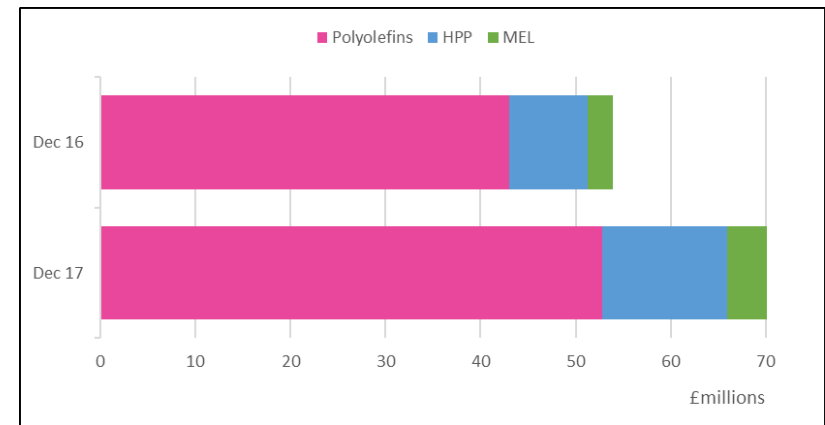
1. Light weighting
2. High-technology insulation
3. Durability
4. Reduced toxicity

Segment Overview

Revenue by Geography



Revenue by Business Unit



A well balanced geographical and industrial spread, with improving mix of higher value HPP business

Zotefoams' Strategy

"We intend to be the world leader in cellular materials technology in our chosen markets"

*We deliver stakeholder value by using **unique technology** to create a portfolio of **differentiated products**.*

*We **focus resources** primarily on markets where we are, or have the potential to be, a **market leader**.*

*We intend to develop our business **through sustained high levels of organic growth** and, where appropriate, through partnerships or acquisitions.*



The Year



Main achievements in period

- ✓ 7% volume growth though improved utilisation of existing assets
- ✓ Double-digit growth in all business units
- ✓ Completed major US capacity expansion investment, now producing high-quality foam and providing 20% increased global capacity
- ✓ Strategic partnership with Nike to develop footwear technology and supply materials, augmenting HPP growth prospects
- ✓ Captured market share and improved mix benefits in important German market following switch to direct supply into a larger number of customers
- ✓ Launched brand extension of T-FIT[®] insulation, using a lower-cost manufacturing process targeted at food, dairy and general process industries
- ✓ Increased number of machines in production using MuCell[®] technology by 46%

Achievements vs strategic objectives



AZOTE[®] polyolefin foams
up 18%



Operating margins stable at 13.4%,
aggregate segment margins up
50bps to 17.3%



HPP & MEL 25% of Group
revenue, up 37%



Return on capital (over our investment
cycle) up 157 bps to 15.5%

Revenue

£70.15m

+ 22%

reported

+ 17%

constant currency

Adjusted Operating Profit

£9.70m

+ 20%

*before exceptional
item*

+ 15%

constant currency

Gross Margin

35.3%

+ 90bps

reported

Business Units

AZOTE®

+18%

HPP **+32%**

MuCell® **+56%**

Adjusted EPS

16.64p

+14%

*before
exceptional item*

Full Year Dividend

5.93p

+3.1%

Common polymers made extraordinary by Zotefoams' unique process, creating premium, durable, consistent materials

Revenue

- Croydon at full capacity
- 7% volume growth
- 6% price increases and mix improvements
- 5% tailwind through FX
- Market share capture in Germany through successful direct approach to market
- Growth across all regions

Costs and Margin

- Euro-denominated LDPE relatively stable
- Labour cost increases modest
- Segment margins up 168bps through price & mix improvement and benefit of operational gearing

Polyolefin Foams	Dec-17 £m	Dec-16 £m	% Change
Group revenue	52.82	44.73	18%
Segment profit pre amortisation	10.29	8.00	29%
Segment profit post amortisation	10.29	7.96	29%
Segment profit margin	19%	18%	

- Sales through local channel partners who promote and convert foams
- Mainly a local market due to channel partner profile and transport cost
- Capacity investment on existing site in Walton, KY balances global supply with local demand
- US investment (HP1) completed in February 2018, adding over 20% annualized global capacity
- Board has approved \$9m investment to commission HP2 and ancillary equipment

Revenue

- Further 22 lines installed at licensees, bringing total installed base to 133
- Completion of largest contract in MuCell history, representing 25% of equipment revenue in year
- Licence and royalty income up 19% to £1.01m
- 46% increase in number of machines in production to 83

Costs and Margin

- Lower initial margin on equipment revenue, followed by higher margin “licence fee” contract
- Planned investment in people, including dedicated IP Manager
- £0.29m write-down of history as a result of superseded machinery developments

MEL	Dec-17 £m	Dec-16 £m	% Change
Group revenue	4.25	2.73	56%
Segment loss pre amortisation	(1.03)	(0.40)	(158%)
Amortisation	(0.33)	(0.42)	-
Segment loss post amortisation	(1.36)	(0.82)	(66%)

- Expected present value of contracts
 - A key management measure of long-term value creation
 - Increased significantly in the year
- Focus in specific markets
 - Thermoformed sheet (e.g. yoghurt pots)
 - Blow-moulded packaging
 - Film
- Strong IP pipeline

High-Performance Products (HPP)

ZOTEK® foams: retaining the attributes of high-performance polymers with the added benefits of (consistent) foaming

T-FIT® high-performance insulation

ZOTEK® F fire, smoke, chemical performance foams
ZOTEK® N high-temperature polyamide (nylon) foams
ZOTEK® PEBA excellent kinetic-energy management
T-FIT® technical insulation products

Revenue

- 32% revenue growth, particularly from:
 - ZOTEK® PEBA in footwear
 - T-FIT® Clean in biotech and pharma markets
 - Offset by reduction in ZOTEK® F aviation destocking
- HPP, which offers the potential for accelerated growth and higher margins, now represents 19% of Group Revenue

Costs and Margin

- Clear strategy to invest in opportunity for future growth and both R&D and sales development costs reflect this

HPP	Dec-17 £m	Dec-16 £m	% Change
Group revenue	13.15	9.99	32%
Segment profit pre-amortisation	3.16	2.48	27%
Segment profit post amortisation	3.16	2.48	27%
Segment profit margin	24%	25%	

- Portfolio of products, including early-stage developments (new and range extensions)
- T-FIT® product-line extensions launched, using a low-cost manufacturing process, targeting food, dairy and general process industries
- Successful progress on 3-D foaming

HPP: a growth portfolio



Technical Development of 3D foaming

- Capability to create solid 3D shape and retain this shape through the foaming process
- Large-scale plant trials ongoing with key sponsor
- Potentially applicable to all product lines but HPP gives clear benefit with less material to make final product

T-FIT® technical insulation

- Development of product portfolio covering technical insulation requirements in regulated industries
- Local manufacturing strategy being developed
- KZKL in China operational

Footwear

- Strategic partnership with Nike
- Investment in Croydon site to support demand expectations
- High level of resource, including R&D. Investment and alignment

Global Capacity



Capacity Development



Global capacity management for local and global markets

- 2017 : operating at capacity
- 2018 : USA “HP1” investment commissioned Q1
- 2019 : USA “HP2” investment expected to commission H2
- 2019 : UK “High-Temp LPs” expected to commission Q1-2

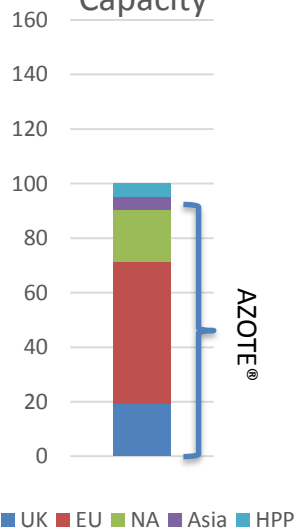
Bottleneck capacity increased by 45% over 2 years

Geographic markets

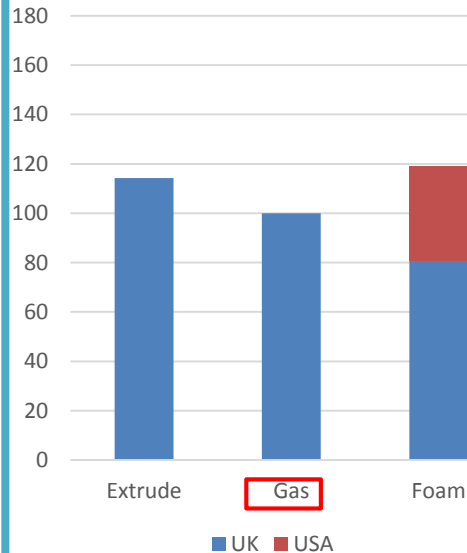
for Block Foams



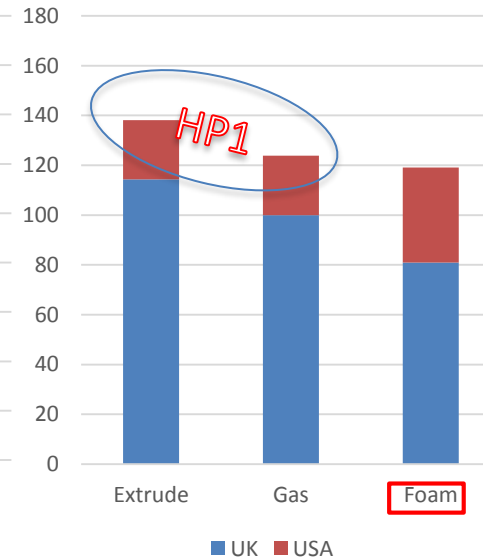
2017: Use of Capacity



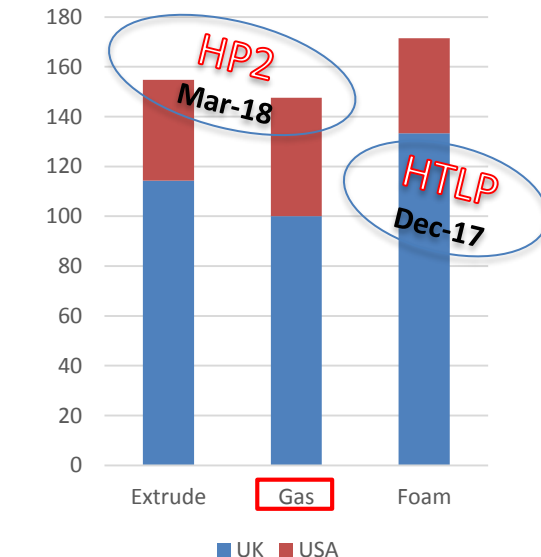
2017



2018



2019



Global Capacity Trend : annualised, indexed to 2017 bottleneck

AZOTE®

ZOTEK®

T-FIT®

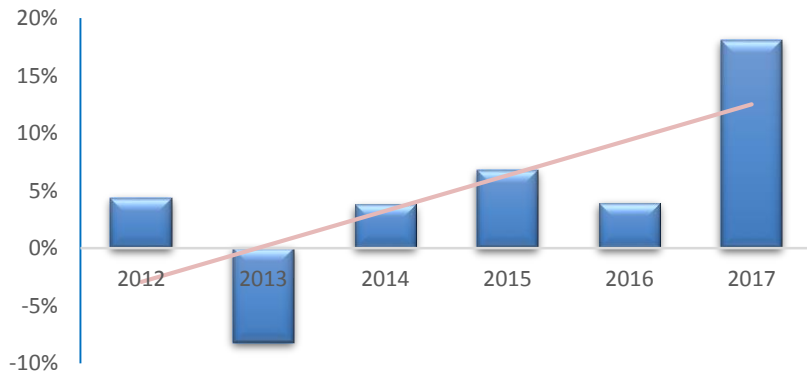
MUCELL®

Financial Review

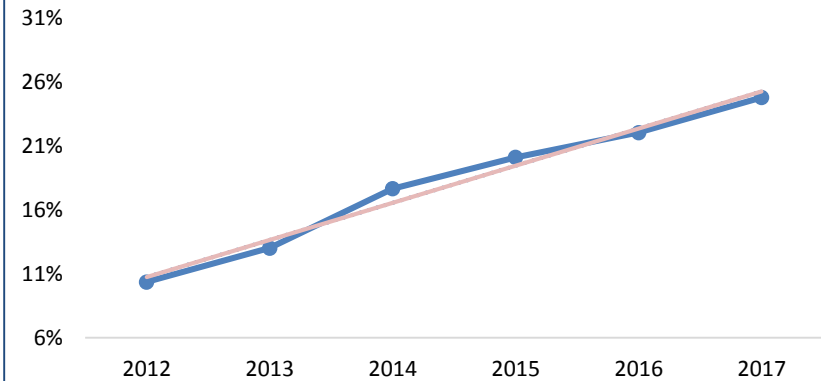


Key Performance Metrics

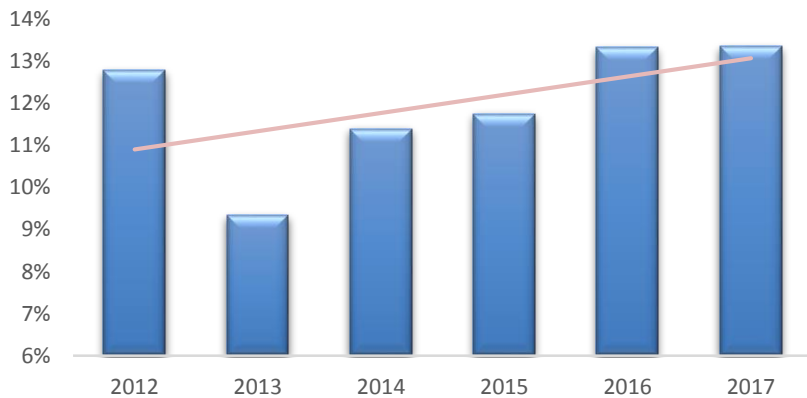
Polyolefin Foams Growth %



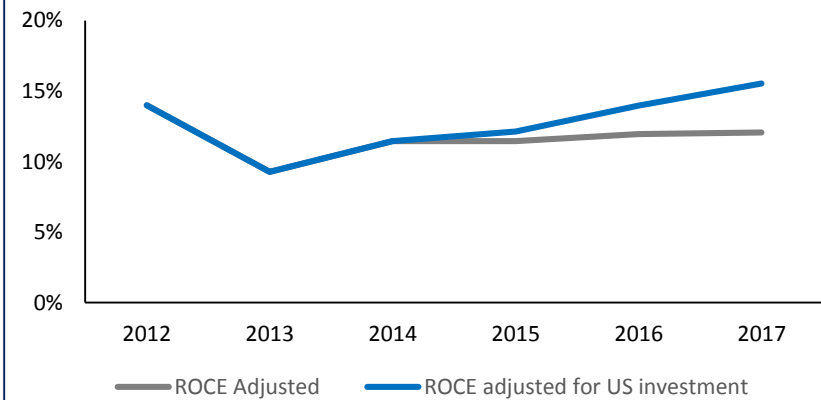
HPP & MEL Share of Gross Revenue



Group Operating Margin %



Return on Capital Employed %



Income Statement

£million		Dec-17	Dec-16	% Change Reported
Group Revenue		70.15	57.38	22.3%
Group Profit		25.49	20.34	25.3%
Gross Profit Margin		36.3%	35.4%	
Adjusted Operating Profit	^{1,2}	9.70	8.11	19.6%
Adjusted Profit before Tax	^{1,2}	9.14	7.70	18.7%
Tax Charge		1.54	1.29	19.0%
Adjusted Profit after Tax	^{1,2}	7.60	6.41	18.7%
Effective Tax Rate		20.4%	18.5%	
Adjusted EPS (p)	^{1,2}	16.64	14.55	14.4%
Return on Capital	^{1,3}	15.5%	14.0%	
Final Proposed DPS (p)		4.02	3.90	3.1%
Exceptional item		1.27	0.24	

- Exceptional item of £1.27m, following legal advice related to the effective closing of the scheme to future accrual of salaries.
- Effective tax rate above the Corporate rate of 19.25% due change in US tax rates impacting losses carried forward
- Including the US investment assets not commissioned at 31.12.17, the return on capital increased from 11.94 to 12.07%

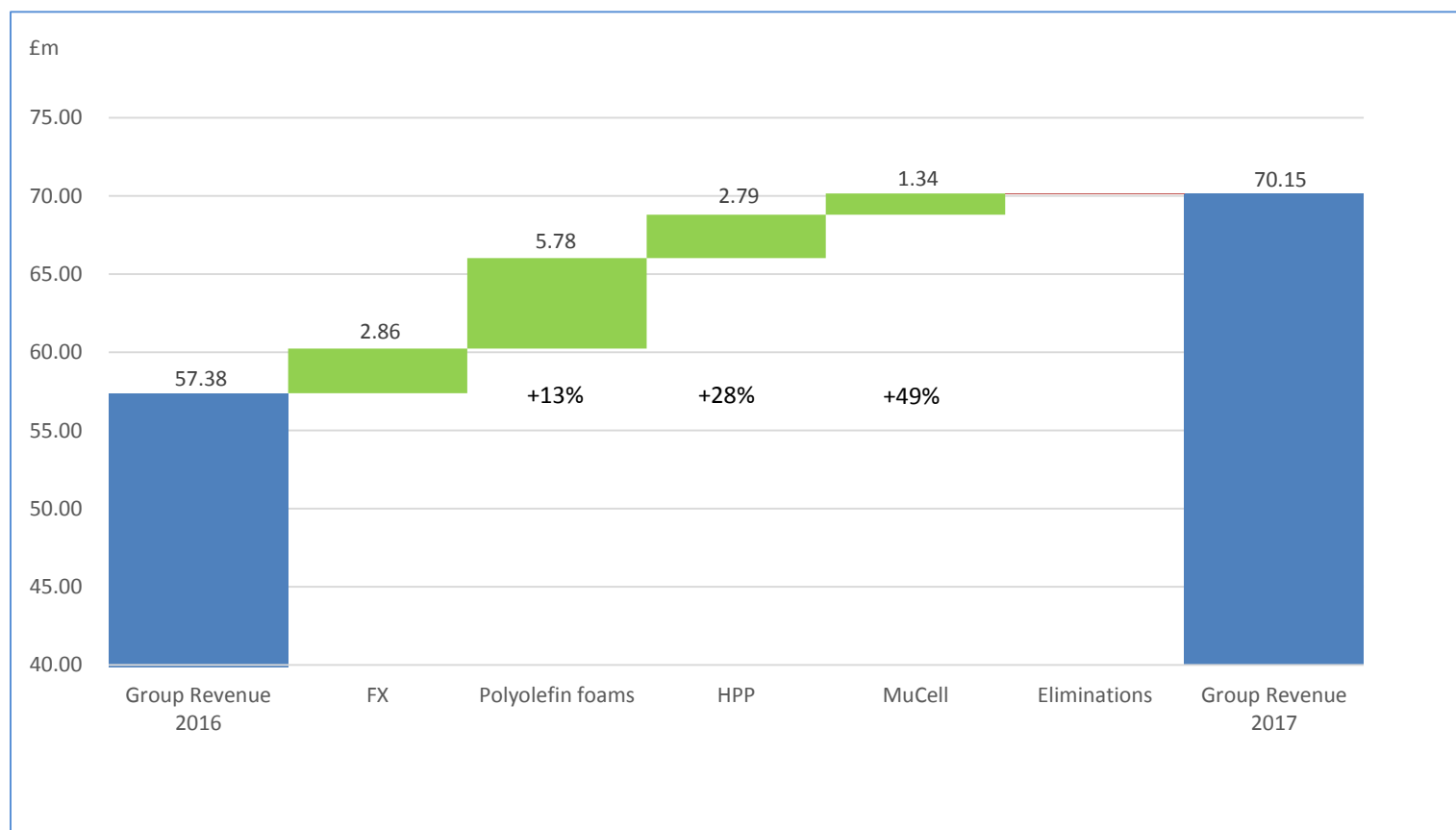
¹ Before exceptional items

² Excludes amortisation costs of acquired intangible assets

³ Ex US investment expansion

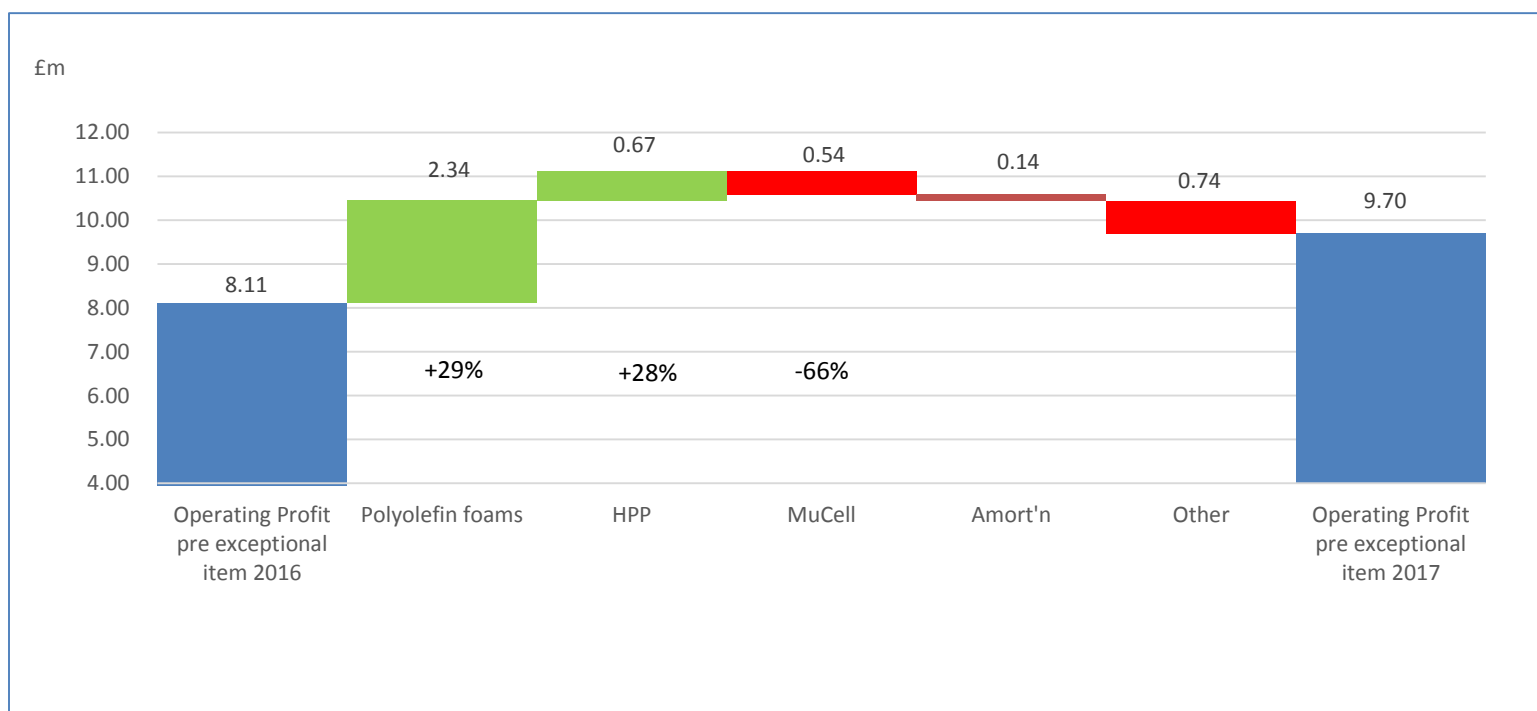
Revenue Bridge

- 22% increase in revenue on a reported basis, 17% in constant currency
- Growth across all business units



Adjusted Operating Profit Bridge

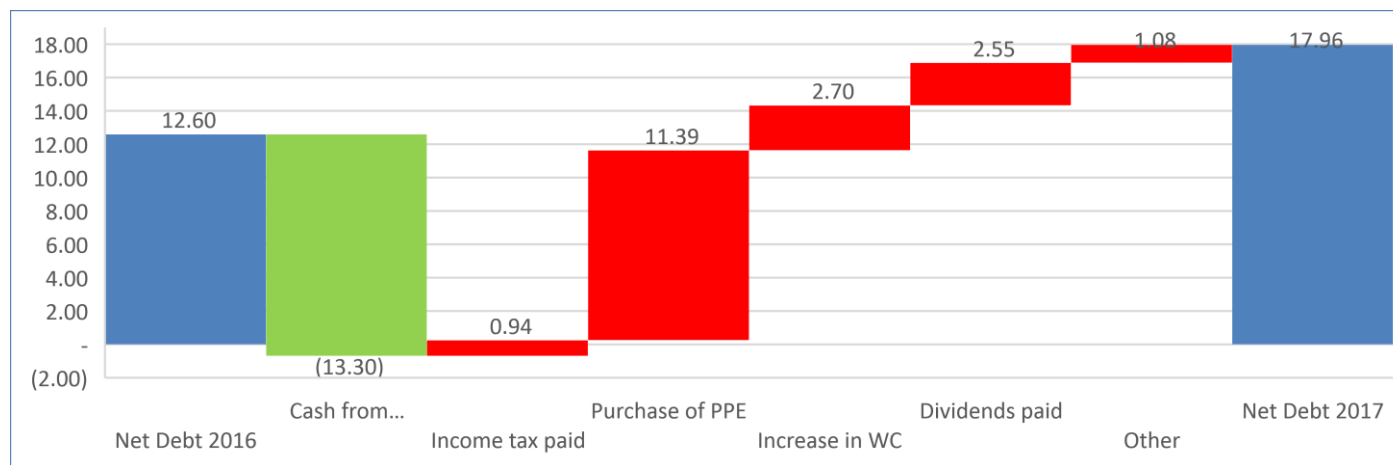
- Foreign exchange impact £0.4m
- £3.4m of increased overhead to support pursuit of expansion strategy



- HP1 in Kentucky, USA (previously a site with one low-pressure vessel), \$33m
 - Includes infrastructure and ancillary equipment for 3 high-pressure vessels
 - Includes 2 extrusion lines
 - Includes a 1st high-pressure vessel
 - Includes a 2nd high-pressure vessel to be commissioned when the Board considered appropriate
 - Adds over 20% global capacity
- HP2 in Kentucky, USA, \$9m
 - Includes ancillary equipment for 2nd high-pressure vessel
 - Includes an additional extrusion line
 - Adds over 20% global capacity
- High-temperature, low-pressure vessels in Croydon, £12m
 - Includes buildings and infrastructure, plus 2 vessels
 - Increases existing HPP capacity by a factor of six

Net Debt & Covenants

- Net debt up £5.4m to £18.0m, vs £12.6m at Dec 2016
 - Net cash inflow from operations of £9.98m (up 57% vs 2016) used to support £11.4m of investment in property, plant, equipment and intangibles
- Net debt/EBITDA of 1.4 and interest cover 29x (as measured by banking agreement definitions)



- Zotefoams increasing growth expectations translate into capacity and working capital needs
- Close management of facilities and ratios to maintain strong balance sheet while supporting Zotefoams' growth strategy
- Zotefoams has increased its facilities to support growth during the period:
 - Lombard term loan of £7.5m, £4.5m drawn down at 31.12.17
 - Barclays RCF of £2.0m in March 2017, taking RCF to £10m
 - Barclays new term loan of £10m in March 2018
- In addition, Zotefoams has a fixed rate USD term loan of \$8m with Heritage Bank, USA

Key Messages & Outlook



Another record year for sales and profits

- 22% increase in Group revenue to a record £70.15m (2016: £57.38m)
 - 18% up in AZOTE® foams, with strong market mix improvements
 - 32% up in High-Performance Products (HPP)
 - 56% up in MuCell Extrusion
- 17% increase in Group revenue in constant currency
- 22% increase in reported PBT and exceptional items to a record £8.81m (2016: £7.23m)
- 8% increase in reported PBT after exceptional items to £7.55m (2016: £6.99m)

An important period in the delivery of our strategy

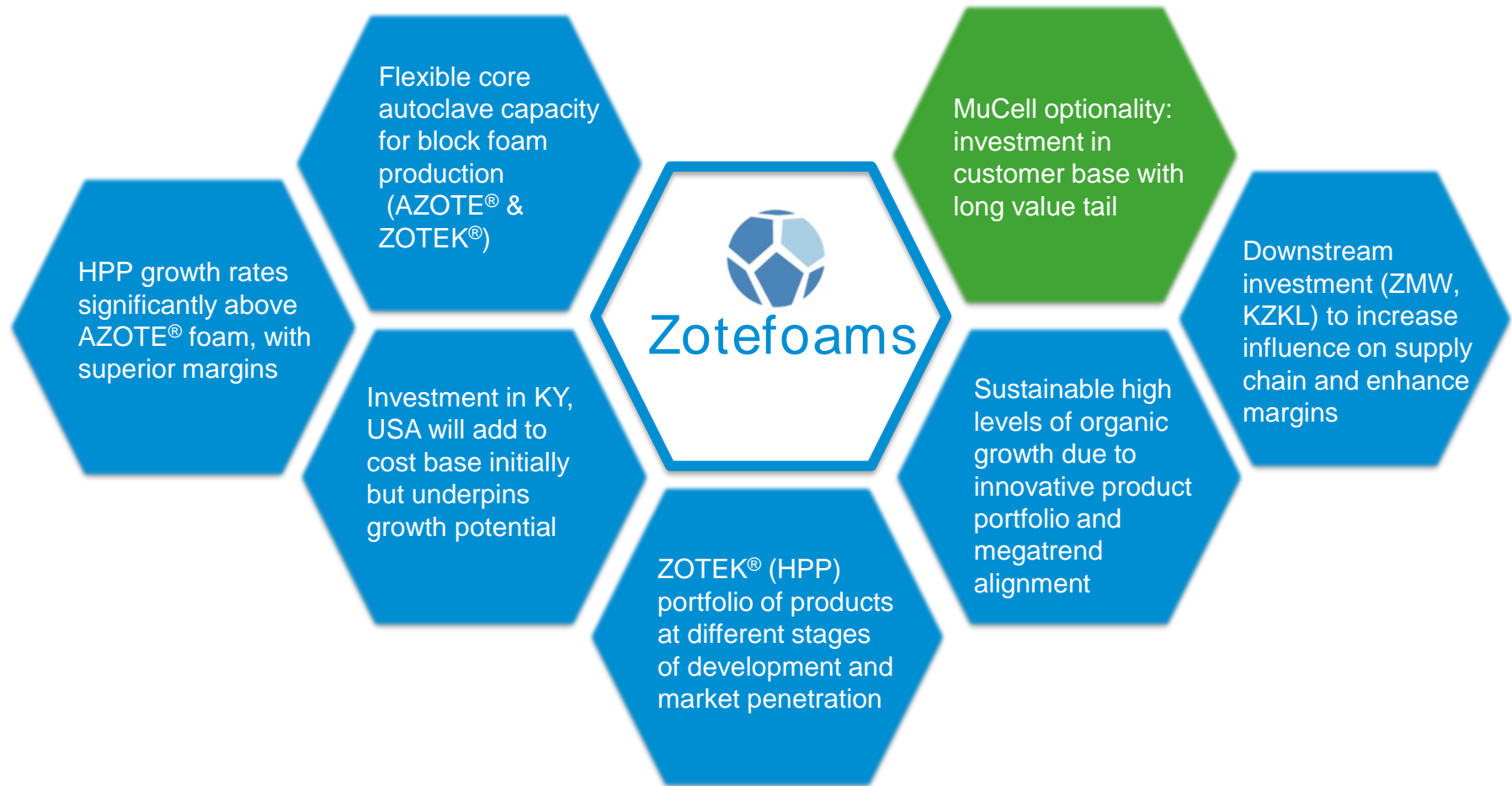
- Completed US capacity expansion investment, which is now producing high-quality foam
- Entered into a strategic partnership with Nike, augmenting growth prospects in HPP
- Significant expenditure to deliver capacity for expected future growth
 - Commenced £12m low-pressure capacity investment in the UK
 - Approved further investment of \$9m to double high-pressure autoclave capacity in Kentucky, USA

Outlook: The year has started positively, with first quarter order volumes 8% higher than 2017 and an increased proportion of higher value HPP sales

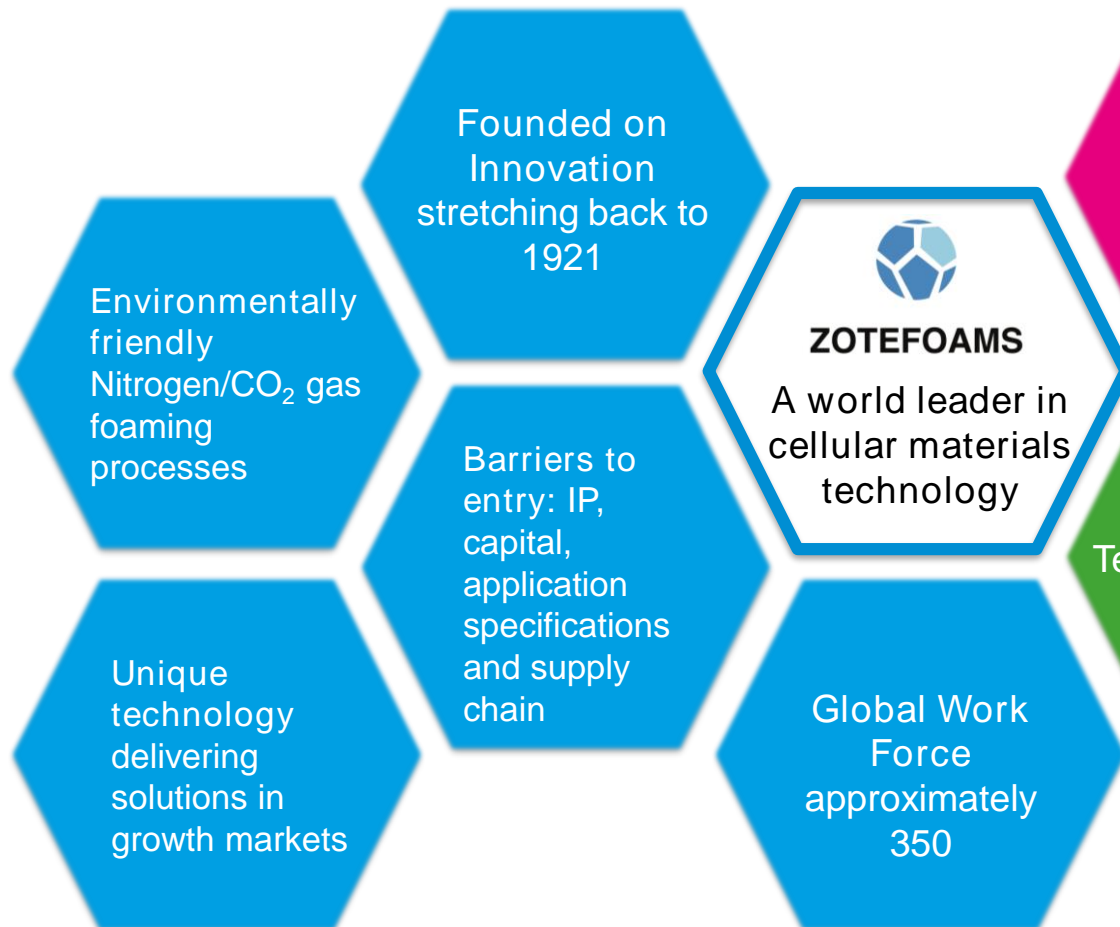
Appendices



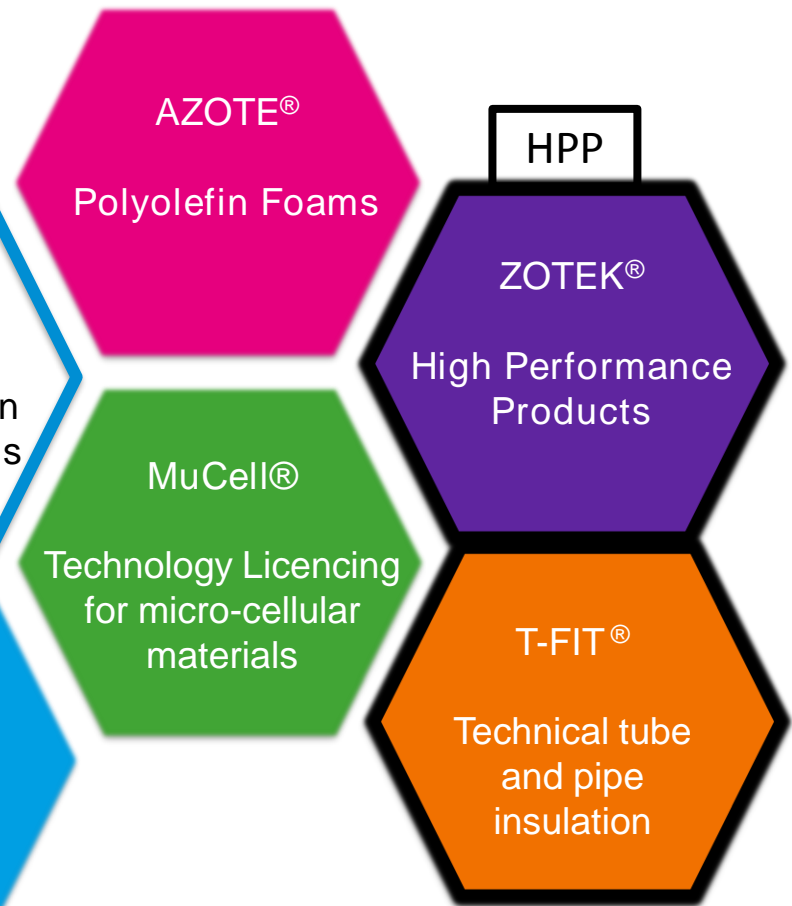
Sustained high levels of organic growth with margin enhancement through product mix and operational gearing



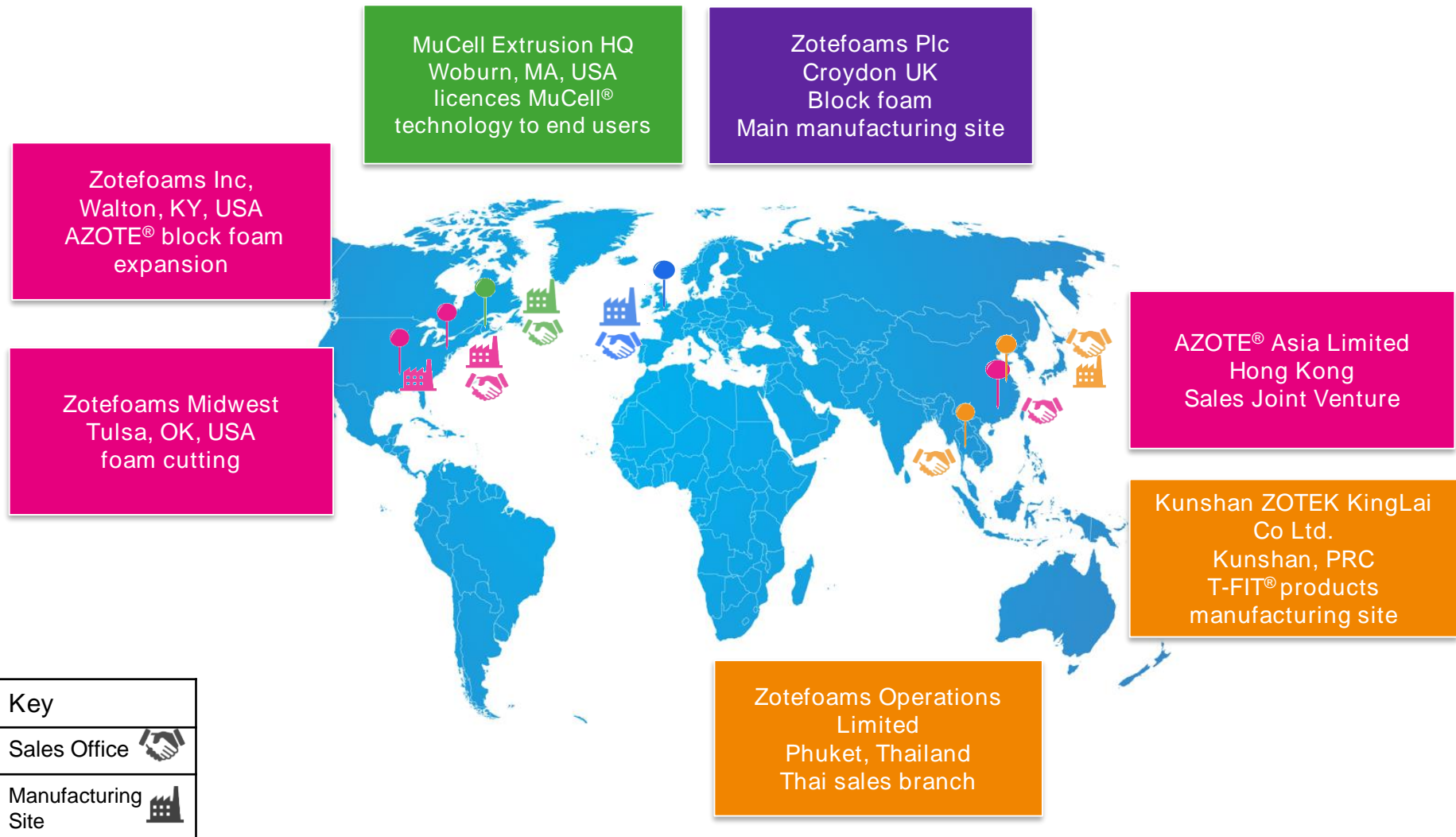
Organisation



Products



Group Overview - Locations



Main markets & typical applications

Packaging



AZOTE® ZOTEK® MuCell®

Luxury, fine art and museum
Industrial protective and transit
Aviation & aerospace
Electronics
Space station transit pods
Consumer (food and household)

Transport



AZOTE® ZOTEK®

Galley areas / window seals
ECS (air ducting)
Soft touch trim / close outs
Composites panels
Aircraft seats, seals
Automotive seals, gaskets

Industrial



AZOTE® T-FIT®

Seals and gaskets
Marine hoses and fenders
Clean room environments
High heat up to 205°C including
food processing & personal care
plants

Sports & leisure



AZOTE® ZOTEK®

Athletic shoes, impact pads
Impact protection padding
Life jackets, swim floats,
Paddle boards, sports turf underlay

Building & construction



AZOTE®

Roof & wall insulation
District heating pipe spacers
Seals and gaskets, acoustic
dampening

Medical

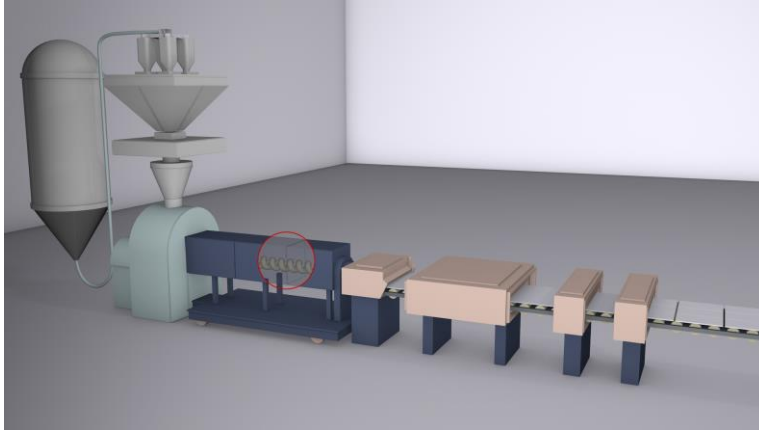


AZOTE®

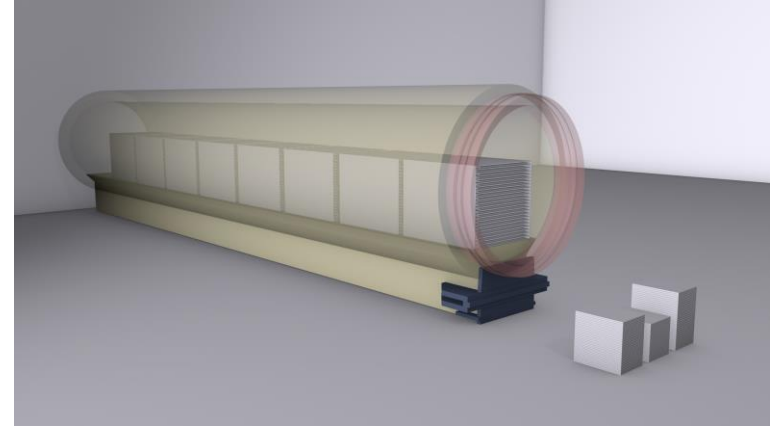
Packaging
Prosthetics / orthoses
Buoyancy aids
Pads, seats and cushions

Technology Block Foams

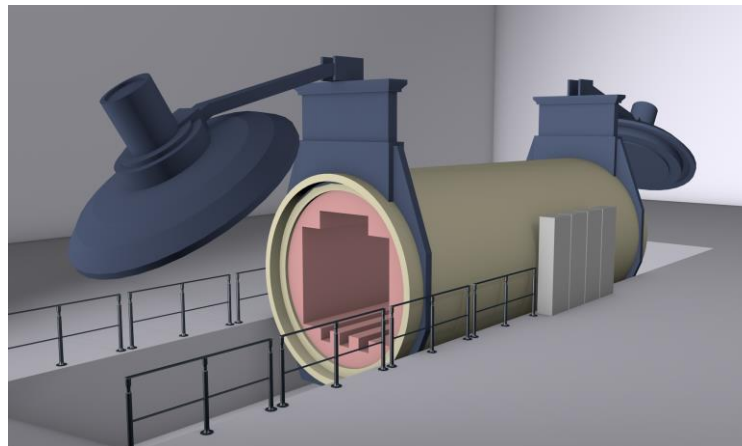
What sets us apart from competition is a unique, environmentally friendly process that uses nitrogen gas to produce a range of uniform closed-cell cross-linked foams.



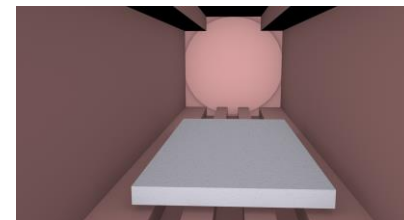
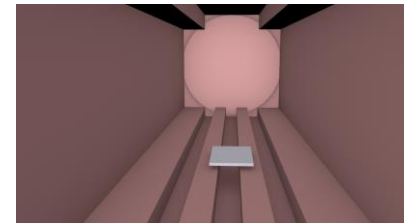
Stage 1: High quality extrusion and cross-linking of solid polymeric sheet



Stage 2: Impregnation and saturation



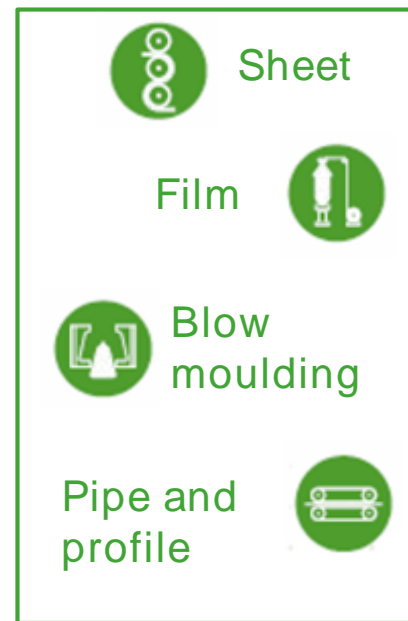
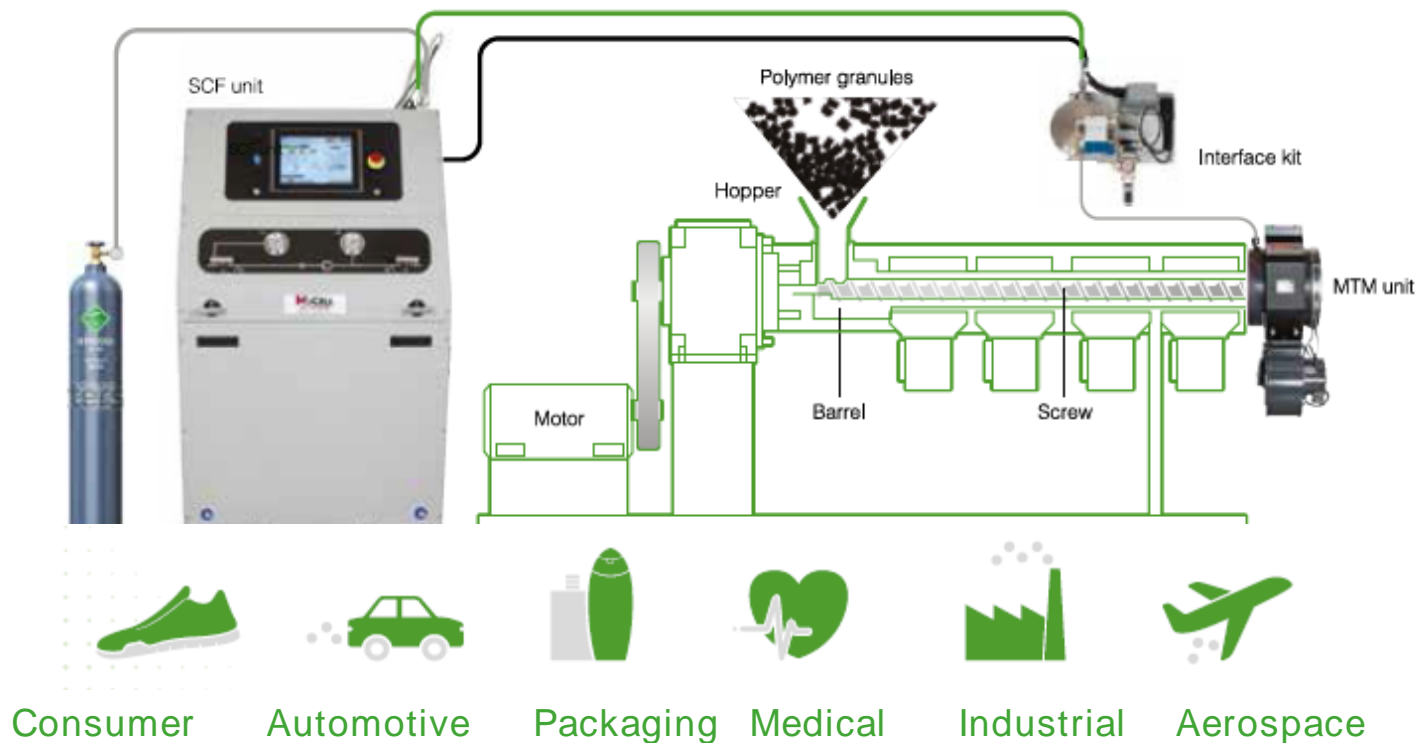
Stage 3: Expansion



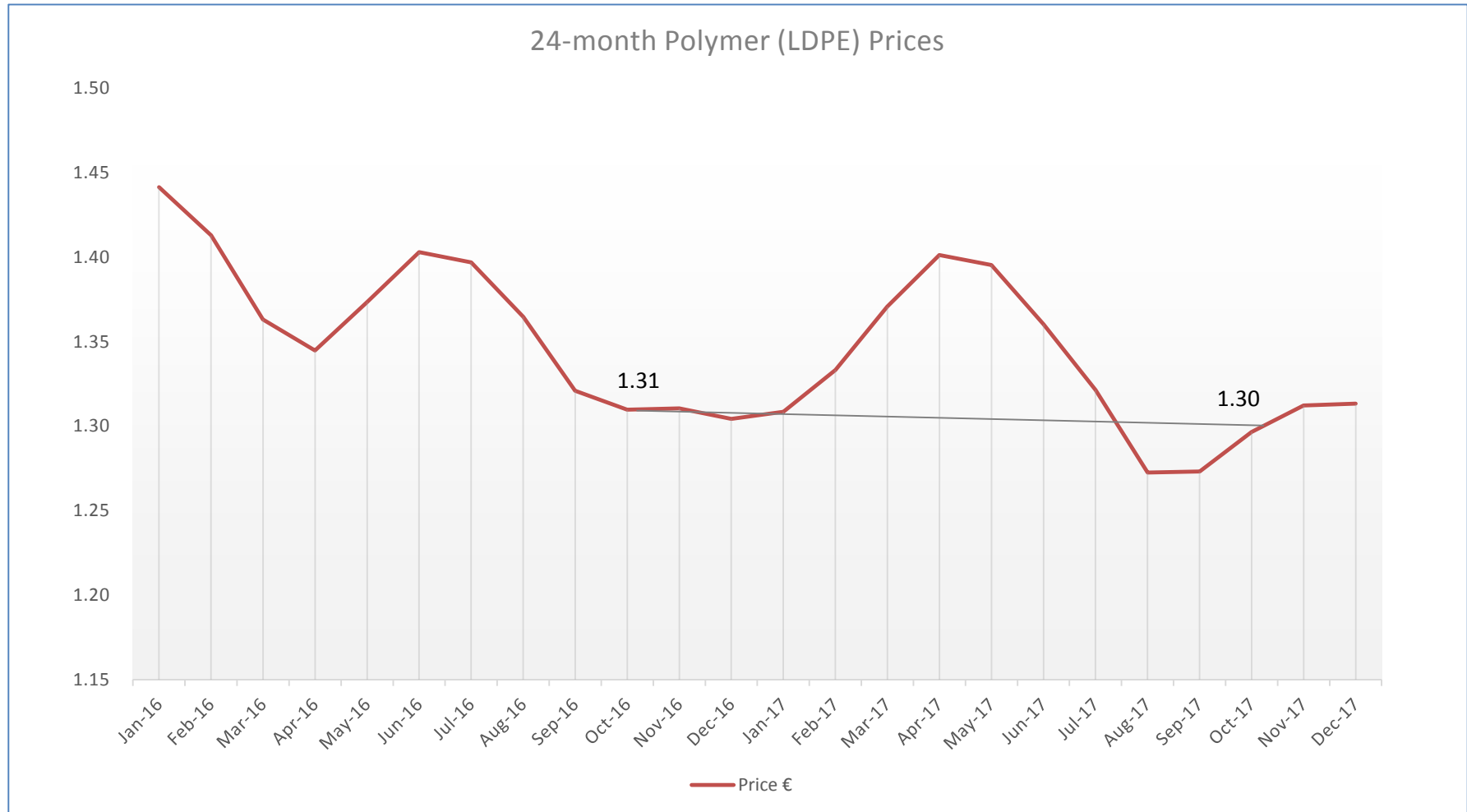
MuCell® Process Technology

MUCELL® technology produces foam that performs like solid plastic. It creates microbubbles in the centre of plastic extrusions by injecting gas into the melt during manufacture.

- Lighter
- Greener
- Lower cost



Polymer (LDPE) Prices

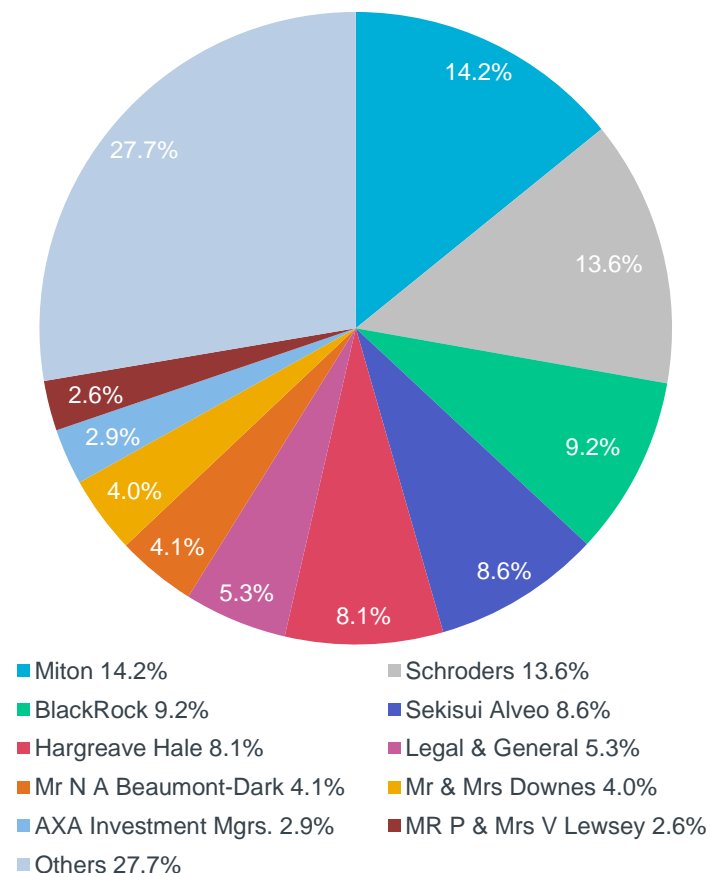


Market Information

Share price 495p (07/03/18)
 Market Main Market
 Ticker ZTF.L
 Market cap. £220.0m
 Ord. shares in issue 44,414,442



Shareholder Profile*



* Source: Company Share Register (29/12/17)