



ZOTEFOAMS

Zotefoams plc

Interim results presentation

August 2015

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- Total Revenue¹ increased by 8% to a record £26.6m
- MuCell Extrusion revenue growth of 39%
- High-Performance Products revenue growth of 23%
- Gross margin excluding exceptional items² of 29.8% (2014:27.3%)
- Operating profit excluding exceptional items increased 20% in constant currency³
- 47% increase in Cash generated from Operations to £5.0m (2014:£3.4m)
- All business units have strong forward order books
- Investment in global manufacturing capacity in Kentucky, USA proceeding to plan
- Interim dividend increased by 3% to 1.80 pence

¹Total Revenue consolidates all external sales made by joint ventures as well as those made by Zotefoams plc and its subsidiaries.

²In 2014 the non-cash impairment charge made following the decision to curtail manufacturing activity on the microZOTE[®] extrusion line was treated as an exceptional item.

³Estimated impact of restating 2015 at 2014 average foreign currency exchange rates, including the restatement of gains/losses on maturing forward exchange hedges in the period at 2014 average rates which increases the profit impact by £0.25m. Balance sheet foreign exchange translation differences have not been restated.



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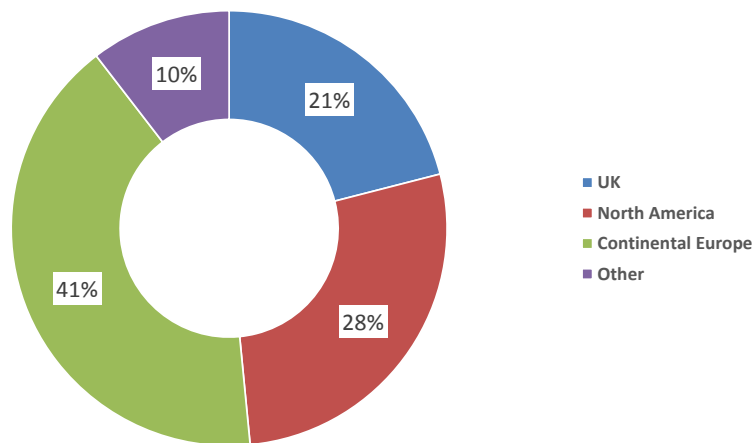
1. Group Overview
2. Zotefoams' Strategy
3. Interim Results
4. Business Review
5. Outlook

Appendices



Group Overview

Total Revenue by Geography



Zotefoams is a world leader in cellular materials technology. Using a unique manufacturing process with environmentally friendly nitrogen gas expansion, Zotefoams produces lightweight foams in UK and USA for diverse markets worldwide. Zotefoams also owns and licenses patented MuCell® microcellular foams technology from a base in Massachusetts, USA to customers worldwide and sells T-Tubes® advanced insulation.

Segments

- Azote® Polyolefin Foams
- HPP : High Performance Products
- MEL : MuCell Extrusion LLC technology licensing

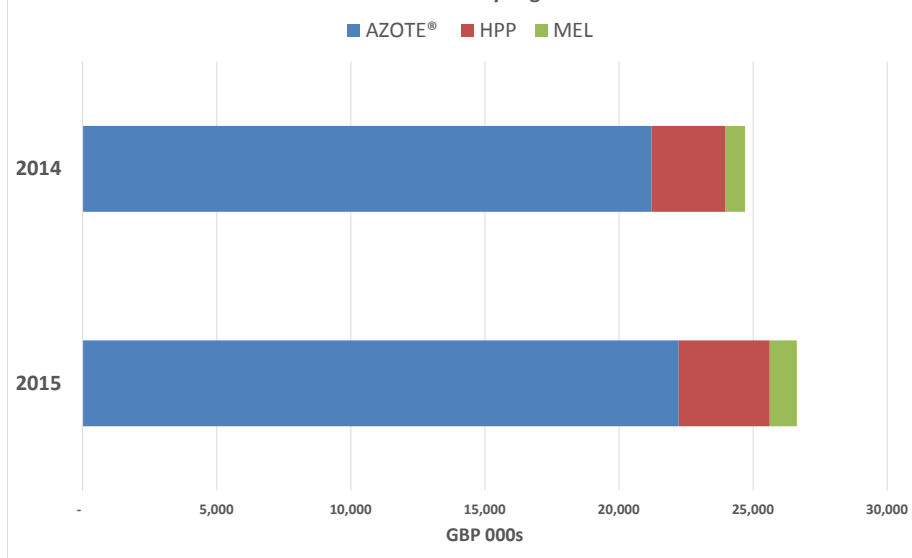
Locations (wholly owned)

- Croydon, UK : main manufacturing site
- Walton, KY, USA : foam expansion
- Woburn, MA, USA : MuCell Extrusion HQ
- Phuket, Thailand : sales office

Locations (JV)

- 50% - Hong Kong : sales and investment
- 51% - Kunshan, PRC : sales and foam conversion

Total Revenue by Segment



Zotefoams' strategy



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Zotefoams' strategy is to expand through a combination of profitable organic growth of our Polyolefin and HPP foams businesses, new customers for our MuCell Extrusion technology licensing business, and through partnerships or acquisitions in related technologies, products or markets.

AZOTE SALES

Objective: Sales growth in our polyolefin business to exceed twice the average rate of GDP growth.
Outcome: Total Revenue from polyolefin foams grew by 5%, (8% in Constant FX)

HPP & MEL

Objective: Develop a HPP portfolio and MEL customer base to deliver enhanced margins.
Outcome: HPP sales grew by 23% with the segment average profit margin of 20%.
MEL sales increased by 39% with planned losses reflecting investment

GROUP MARGIN

Objective: Improve our operating margins.
Outcome: Group operating margins increased to 13.2% (H1:2014 12.1%) in Constant FX excluding exceptional item

GROUP ROCE

Objective: Improve our return on capital employed.
Outcome: Pre-tax return on average capital employed, excluding acquired intangible assets and their amortisation costs was 14.9% (H1:2014 pre exceptional item 17.7%)



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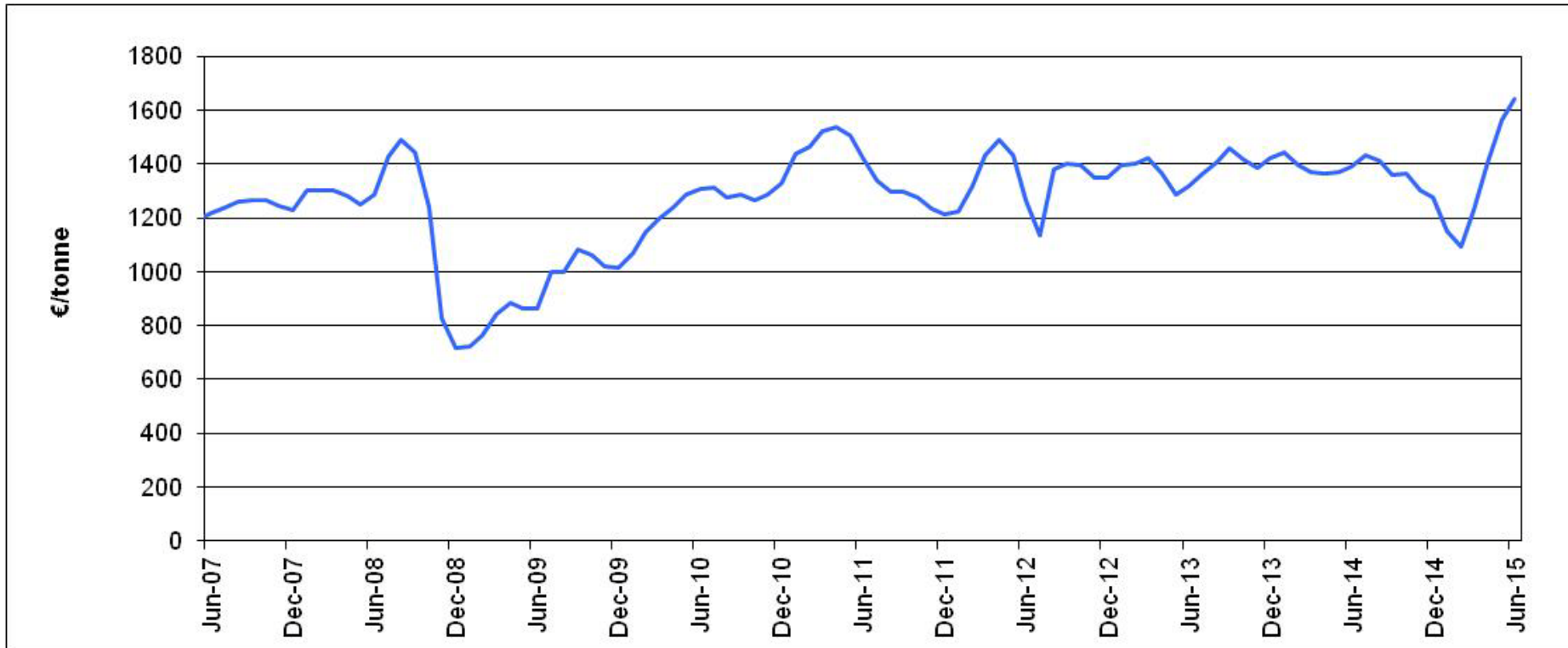
Income statement (excluding 2014 exceptional item)

	2015 £m	2014 £m	Change	Constant Currency Change
Total Revenue	26.63	24.70	8%	10%
Group Revenue	26.49	24.65	7%	10%
Gross profit	7.94	6.73	18%	20%
<i>Gross margin</i>	<i>30%</i>	<i>27%</i>		
Operating profit	3.17	3.00	6%	20%
Net interest/joint venture loss	(0.15)	(0.13)		
Profit before tax	3.02	2.87	5%	20%
Tax	(0.62)	(0.58)	6%	
<i>Effective tax rate</i>	<i>20%</i>	<i>20%</i>		
Profit after tax	2.40	2.29	5%	
Eps (p)	5.5	5.8	-5%	
Adjusted profit before tax (Excludes acquired amortisation costs)	3.19	3.02	6%	19%

Polymer (LDPE) Prices



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Cash Flow

	2015 £m	2014 £m
Operating profit (including exceptional items)	3.17	1.73
Depreciation, impairment & amortisation	1.73	3.04
Working capital movements	0.28	(1.12)
Pension contributions	(0.33)	(0.33)
Share options charge	0.14	0.09
Cash generated from operations	<u>4.99</u>	<u>3.40</u>
Tax paid	(0.37)	(0.34)
Capital expenditure (inc software)	(3.20)	(4.61)
Other	(0.21)	(0.25)
Dividends	(1.62)	(1.42)
Net movement	<u>(0.41)</u>	<u>(3.22)</u>

Net Funds



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	2015 £m	2014 £m
Net movement in funds	(0.41)	(3.22)
Net funds/(debt) brought forward	2.42	(1.12)
Exchange adjustments/roundings	(0.15)	0.07
Net funds/(debt)	<u>1.86</u>	<u>(4.26)</u>
Consisting of:		
Cash	4.02	0.45
Bank overdraft (£4.9m overdraft facility)	(0.31)	(2.16)
Loan	(1.85)	(2.55)
	<u>1.86</u>	<u>(4.26)</u>

Capital Expenditure & Capacity



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US investment on track. Will generate an estimated 20% additional global capacity.



Balance Sheet

	2015	2014
	£m	£m
Investments in Joint Ventures	0.34	0.22
Intangible assets	6.79	4.64
Tangible assets	29.78	28.56
Net Working Capital	16.49	14.81
Retirement benefit obligations	(5.91)	(4.05)
Deferred tax, net	(0.40)	(0.59)
Tax payable	(0.48)	(0.66)
Net funds/(debt)	1.86	(4.26)
Total Shareholders' equity	<u>48.47</u>	<u>38.68</u>



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Polyolefin Foams

Business Model

- Azote® polyolefin foams are more consistent, lighter, purer and have better mechanical properties than similar foams made by other foaming methods.
- Investment in process equipment, technology, marketing and R&D gives us distinct advantages in both product and market presence
- Process : core high-pressure Nitrogen gas autoclave technology in UK and foam expansion in UK and USA
- Value to customer : consistency in manufacturing with performance in end-use
- Structure : Zotefoams have largest market share in UK, EU and North American markets. Our growth comes from market extension here and penetration elsewhere

Strategy

- Product line extension in specific sub-segments where Zotefoams has a lower market share and/or can increase our competitive advantage and margin
- Increased participation (with sales through channel partners) in end-use markets, such as:
 - Construction
 - Automotive
 - Sports & leisure
- Increased presence geographically
 - 50:50 Sales and Manufacturing JV in Asia signed July 2013
 - Medium-term increased exposure in South America, India, Middle East
- Investment to deliver quality, service and capacity improvements
- Price increases based on comparative advantage



Polyolefin Foams : Results

- NARRATIVE THROUGH THE PERIOD
 - Strong demand from all areas
 - Cleared backlog from Dec 14 caused by ERP system implementation in the last qtr of 2014.
 - Strong order book

- INVESTMENT IN CAPACITY
 - Planned capacity increase by 20% globally due to Walton site extension.
 - High Pressure Gas Services : ancillary investment in UK to increase capacity ongoing
 - Further capacity improvements planned on an incremental basis.

AZOTE® Polyolefin Foams

	2015	2014
	£000s	£000s
Total Revenue	22,228	21,217
Segment Result	4,078	3,410

- TOTAL REVENUE
 - Gain of 5% in value, 7% in volume
 - Constant Currency growth 8% total
 - North America ~
 - Europe 10%
 - UK 6%
 - Asia 33%
 - RoW 18%

- COSTS
 - LDPE pricing slightly favourable

- PRICING
 - No significant change in the period

Business Model

- ZOTEK® HPP foams are manufactured from raw materials offering enhanced properties, such as being fire retardant or stability at high-temperature. With additional value added and existing installed capacity these foams generate higher margins
- Portfolio of products at different stages of development and market penetration (against foam and non-foam solutions) in this segment
- Process : core high-pressure Nitrogen gas autoclave technology in UK
- Value to customer : superior technical performance, often replacing “multi-material” composite systems
- Structure : HPP foams are redefining markets with significant opportunity across a variety of segments. Timing and extent of penetration can be difficult to predict

Strategy

- ZOTEK® F fluoropolymer foams for aviation remains the largest market and medium-term offers the largest opportunity for growth.
 - Increased content per plane in USA
 - EU and Asia with OEMs
 - Aftermarket and completion centres with “specified products”
- T-Tubes®
 - Manufacturing JV in China with selling resource focused on Asia and India
 - Product-line extension into industrial areas
- ZOTEK® N nylon foams
 - Markets include construction, composites, automotive & sports
- ZOTEK® PEBA
 - Sports mainly & some industrial markets



HPP : Results

- REVENUE

- Growth of 23%
- CAGR 37% from 2009 based on reporting currency year to June
- HPP now represents 13% of group sales

- COSTS

- Sales and development resource increased
- Manufacturing costs in line with revenue growth

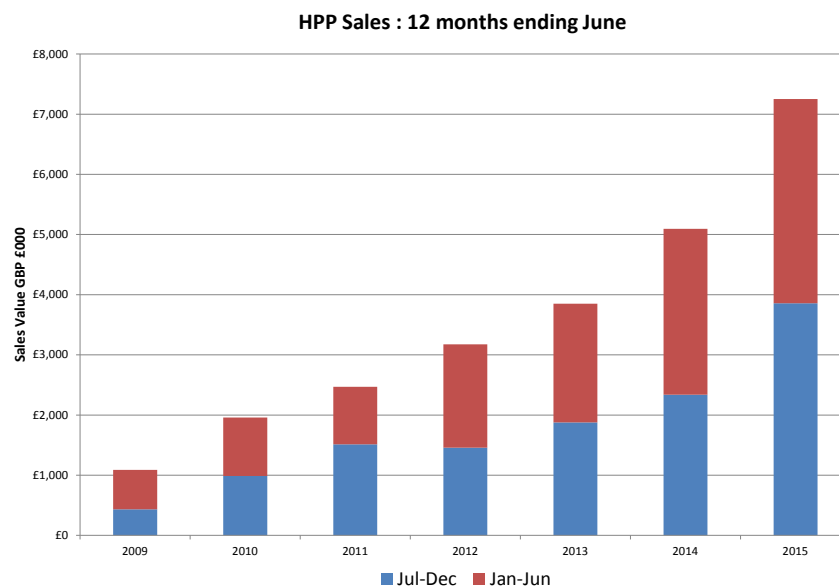
- MARGIN

- 20% segment margin

- CHINA JV

- 51% owned by Zotefoams
- Currently hiring staff and expect to be operational from October
- Zotefoams wholly responsible for sales outside China

	HPP	
	2015	2014
	£000s	£000s
Total Revenue	3,394	2,757
Segment Result	670	528



Business Model

- MEL licenses technology for continuous foaming
- Process : easy to retrofit to existing equipment. Uses CO₂ or Nitrogen inert, environmentally friendly gases
- Value to licensee : saving of material cost and environmental benefits (less plastic, fully recyclable, no chemical additives) for their customers
- Payment model : MEL takes a share of savings over the life of the contract
- Market size : very large
- Intellectual property : developed internally and licensed-in where appropriate. Portfolio of patents and know how

Strategy

- Focus of activities within segments with high potential, mainly in consumer packaging
 1. thin film
 2. plastic sheet
 3. extrusion blow moulded packaging
- Leverage : addressing markets through channel partners where possible, e.g.;
 - Automotive blow moulding : signed global agreement with Kyoraku of Japan
 - Thin films : MuCell capability installed at Dow Chemical global technical centres (Switzerland, Singapore, Texas)
- Machinery sales are enabling technology
 - Further development of capability outside existing supplier base
 - Internally developed 1000barG gas unit
- IP : develop IP “ecosystem” with licensees



MuCell Extrusion: Results

• REVENUE

- 39% increase driven by equipment sales
- Licence & Royalty
£0.48m (2014:£0.45m)
- Equipment
£0.52m (2014:£0.28m)

• COSTS

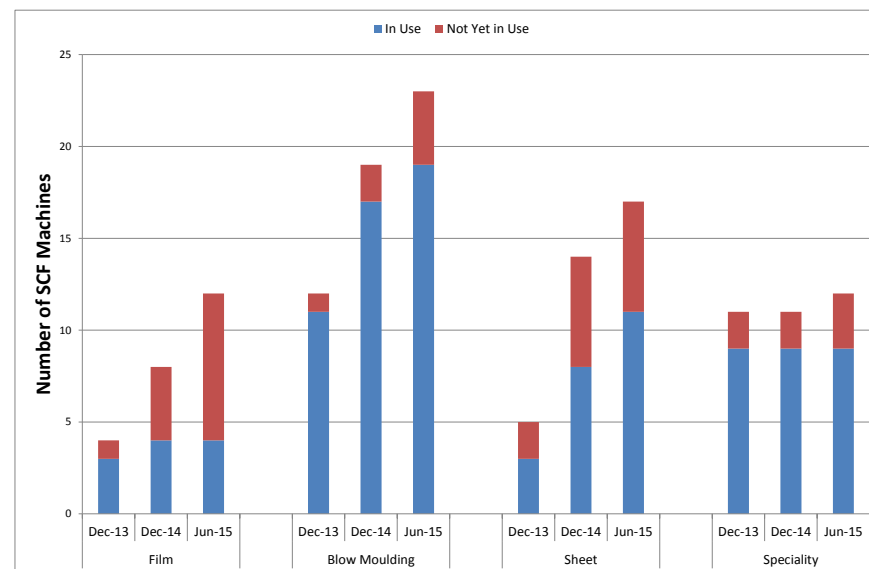
- Investment to support growth
- Cost increases per business plan

• ACTIVITY LEVEL

- 12 new SCF machines installed
- 23% increase in install base to 64 machines
- 18 machines currently on order

MuCell Extrusion

	2015	2014
	£000s	£000s
Total Revenue	1,008	724
Segment Result	(374)	(288)
Segment Result (Pre-amortisation)	(221)	(139)





Current Trading and Outlook

Current Trading and Prospects

In our Azote® Polyolefin foams business we have good forward visibility across all geographic regions and expect sales volume growth to exceed that experienced in the first six months of 2015.

Indications are that the price of LDPE, which has risen sharply in recent months, may not sustain this momentum, although on average it is likely that prices in the second half of 2015 will be above those in the first six months and therefore dampen Polyolefin foam margins in the short term. In our HPP business, orders plus invoiced sales for ZOTEK® technical foams currently exceed 2014 sales and in T-Tubes® insulation products we anticipate growth from a second-half weighted pipeline of bids.

MEL's level of activity and current order book also provide leading indicators of strong future growth justifying our continued investment in this business. Supporting growth potential beyond 2015 we will invest further in resources during the second half of this year, increasing sales and administration, including technical, costs in the short term. Foreign exchange rates are currently unfavourable for our business and, if they remain at the current levels, we expect second half sales to be adversely impacted by approximately 3% compared to exchange rates for the same period in 2014.

Outlook

In the first half of 2015 we delivered an 8% increase in Total Revenue, 18% increase in Gross Profit before exceptional items and demonstrated confidence in the future of our business with investment in sales, development and technical resource. Zotefoams is also committed to some significant capital investments to support our medium and longer-term growth potential. We enter the second half of the year with a strong order book and high levels of activity in all business segments.

Zotefoams continues to maintain a consistent strategy and approach while being mindful of economic uncertainty and the impact of foreign exchange in particular. We therefore remain confident in the long-term prospects for the business.



Appendices



Group Business Model

Our business model is designed to harness our unique manufacturing technologies and intellectual property to produce added value products that meet or anticipate market requirements.

INVEST

People

Products

Processes

We ensure Zotefoams’ investment is balanced across people, products and business processes (“PPP”). Investment, or the lack of it, in plant and equipment is easy to see while our PPP investment is less visible. Profitable and sustainable growth relies on the number and quality of our people, the range and differential advantage of our products and the robustness of our processes.

CREATE

Defensible technology leadership

Market position

Unique attributes

By investing in our technology, usually as an extension of our existing knowledge, we can differentiate from our competitors. Our market position is based around the uniqueness of our products and the advantages that brings to our customers. We are active in many markets, both geographical and across industries, and are well positioned to identify and deliver these benefits for users of Zotefoams products and technology. This is particularly important for MuCell Extrusion who license our patents and know-how.

DELIVER

Customer value

Sustainable margin

Accelerated growth

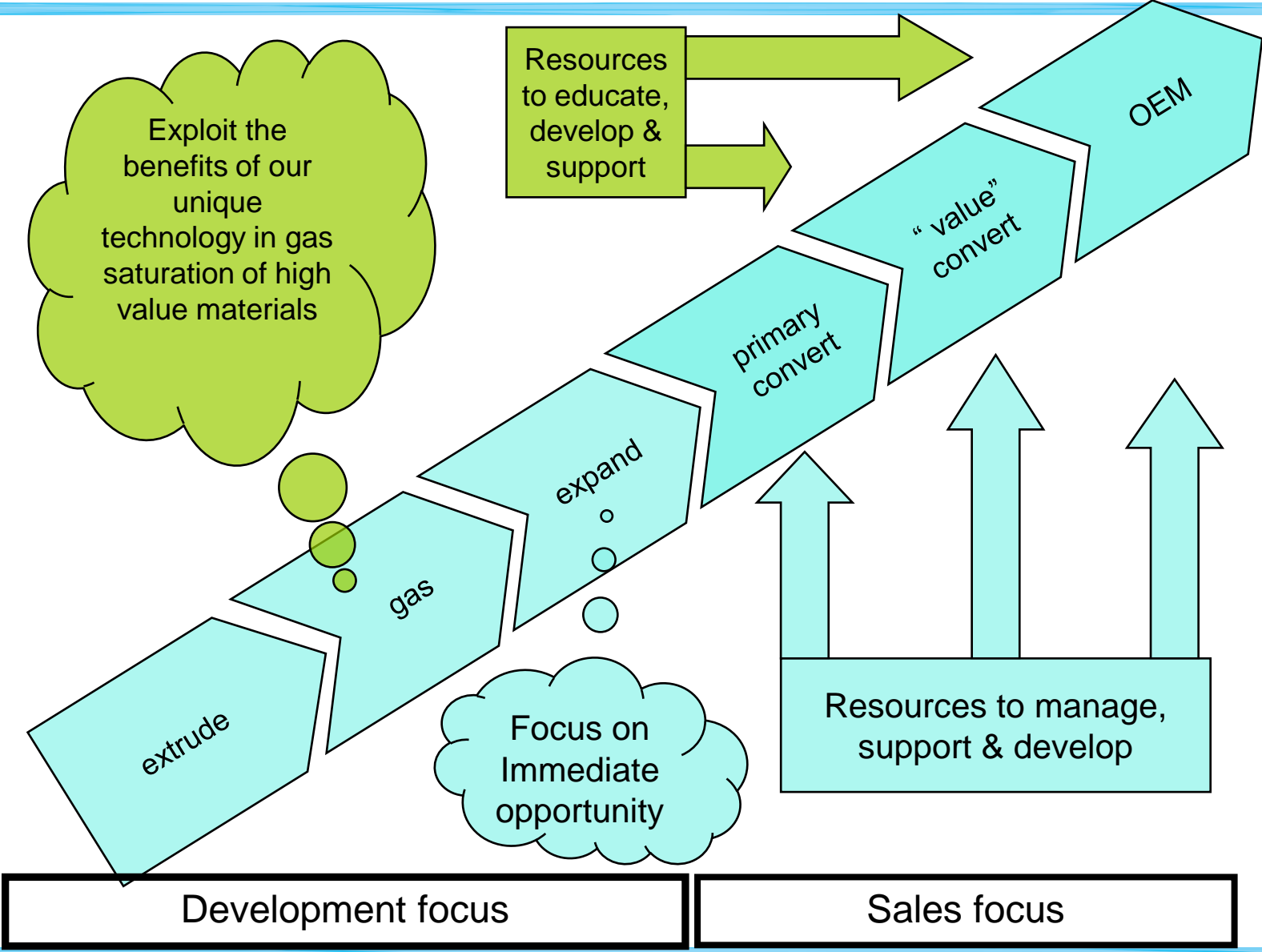
The delivery of customer value is at the heart of our business. Creating this value and charging the right price gives us sustainable margin. Over 80% of our business is with customers we were supplying five years ago and these customers are the bedrock of our success. Accelerated growth comes from continuing to deliver value on core products augmented by success in new and innovative areas.



Value Chain / Strategy

High performance products

Polyolefin Foams



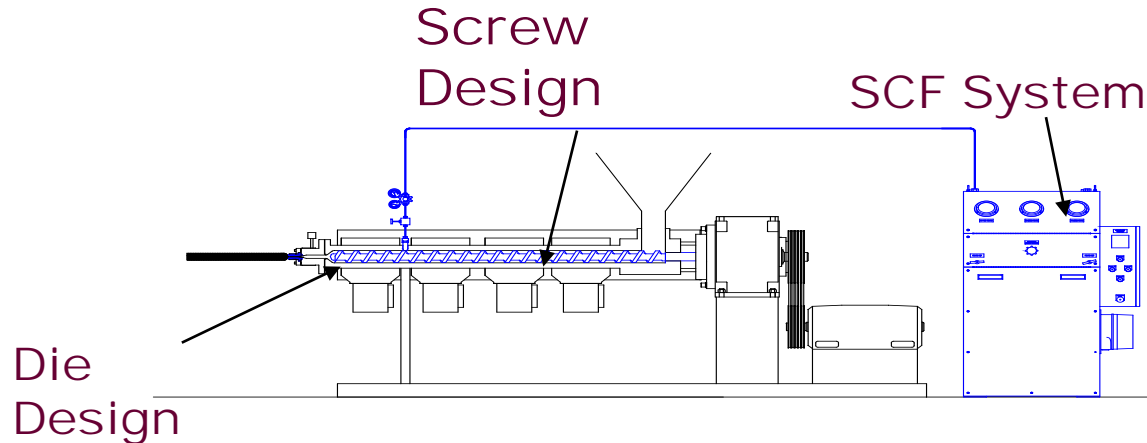


Financial History

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2013	2012	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m	£m	£m	£m
Sales	49.1	44.6	47.2	44.2	39.9	31.8	34.8	31.6
Sales growth	10%	-5%	7%	11%	25%	-9%	10%	5%
PBT (excl exceptionals)	5.3	3.9	5.8	5.5	4.7	3.2	3.9	3.4
Exceptionals	(1.3)	0.0	0.0	0.0	0.6	(0.5)	0.0	0.0
PBT (incl exceptionals)	4.0	3.9	5.8	5.5	5.3	2.7	3.9	3.4
Cash generated from operations	6.0	6.6	6.3	6.1	7.2	7.0	5.8	4.8
Capex	7.6	4.2	3.7	3.1	2.7	3.4	1.4	2.7
Net (funds)/debt	(2.4)	1.1	0.6	(1.9)	(1.9)	0.4	1.2	1.7
Gearing		11%	2%			2%	4%	6%
Basic eps (excl exceptionals)	10.7p	8.0p	11.8p	11.8p	10.2p	6.8p	8.3p	8.0p
Dividends	5.45p	5.30p	5.20p	4.90p	4.65p	4.50p	4.50p	4.50p



MuCell Technical & Business Process



Technical Process : Key items

Know How

- Material Formulation
- Processing

Patent Coverage

- Method & Apparatus
- Articles

Business Process

Trials

Machinery rental

Licence Negotiation

Licence finalisation

Machinery purchase and install

Application development

Application sales

Revenue basis

engineering support

rental fees

-

annual licence fee *

equipment sale

-

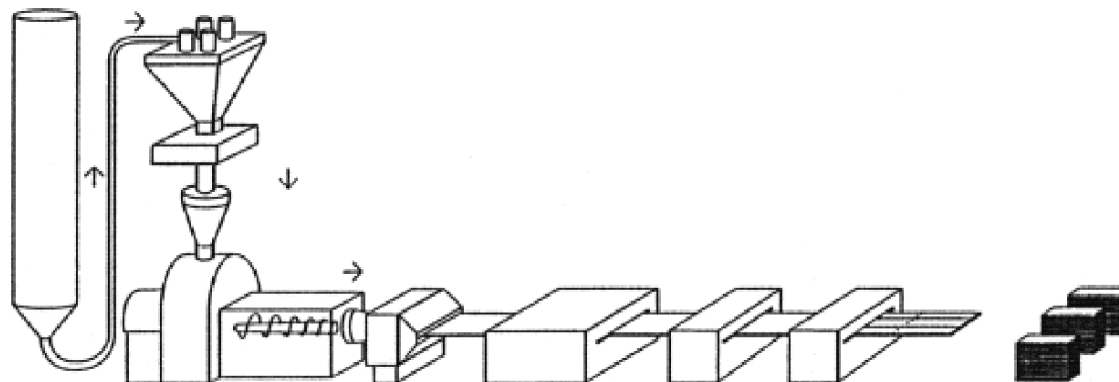
royalty (net of annual licence fee)



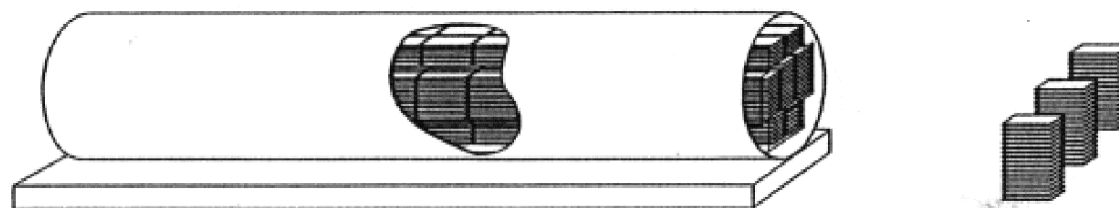
Zotefoams Process

Zotefoams Plc process

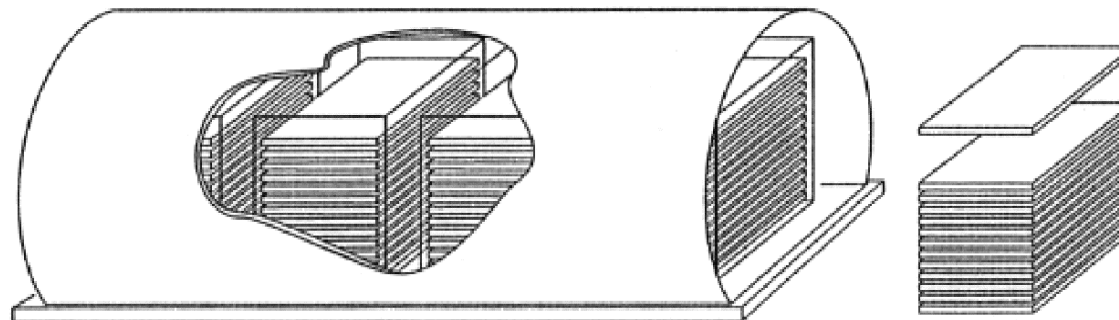
mixing and
extrusion



impregnation



expansion



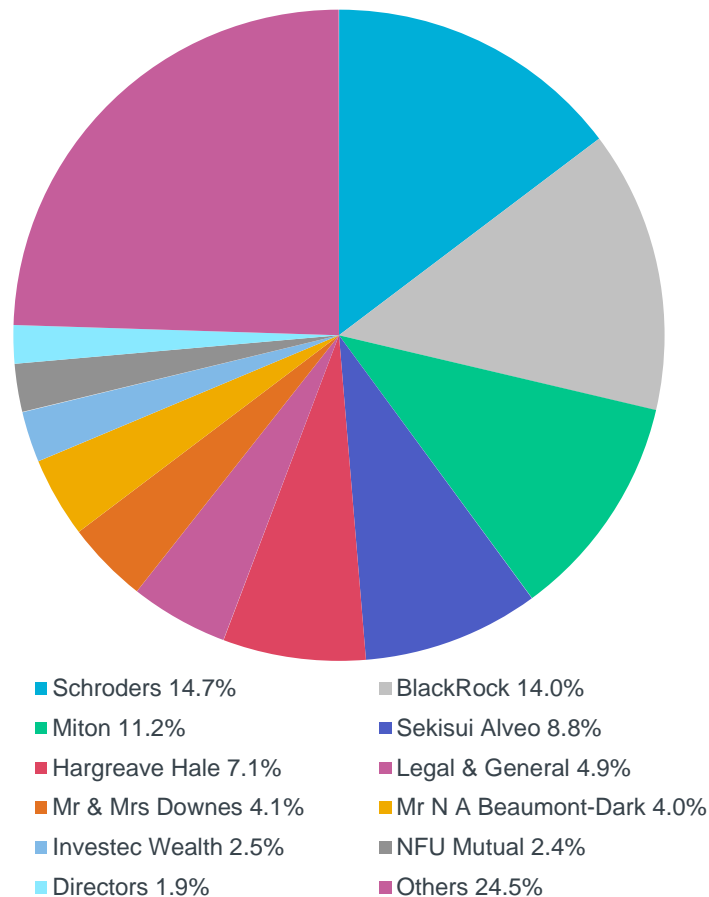


Key Information

- Share price 295p (31/07/15)
- Market Main Market
- Ticker ZTF.L
- Market cap. £129.3m
- Ord. shares in issue 43,814,442



Shareholder profile*



* Source: Investec Investor Relations (30/06/15)



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