



ZOTEFOAMS

Zotefoams plc

Preliminary 2012 results presentation

March 2013

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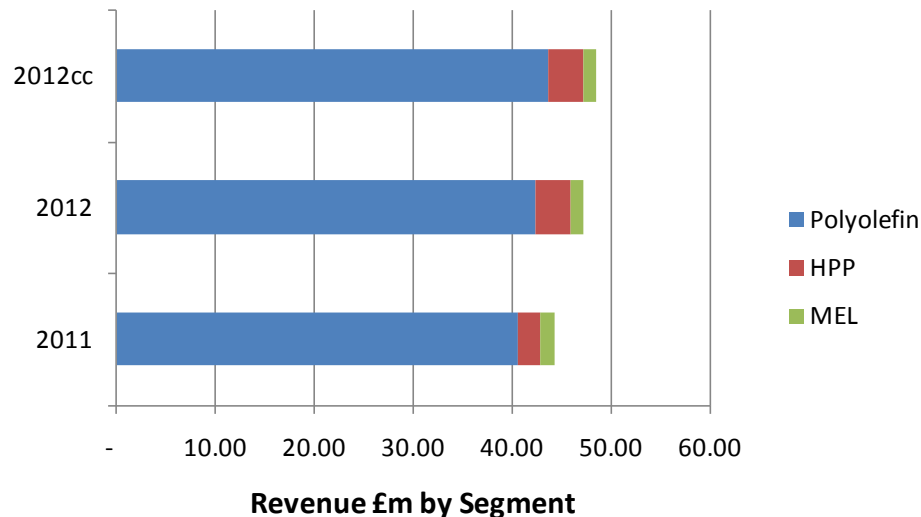
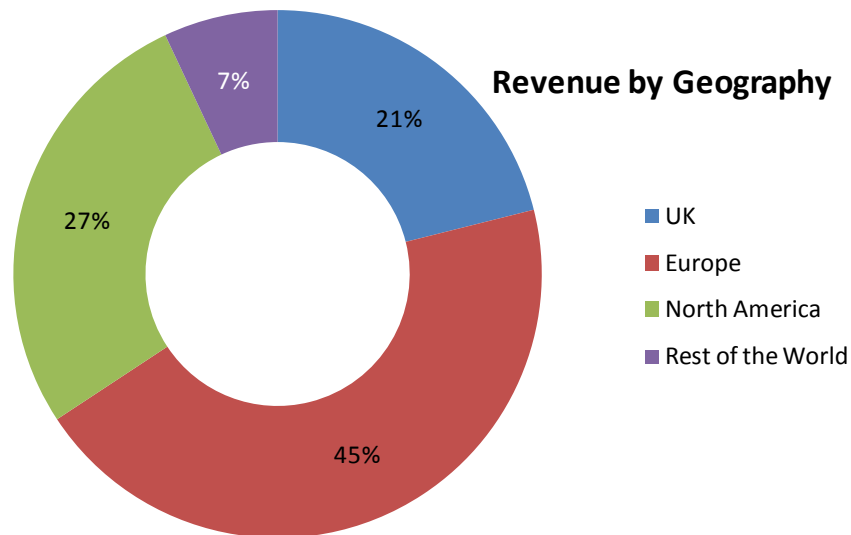
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2. Group Business model
3. Zotefoams' Strategy
4. 2012 Results and Financial Statements
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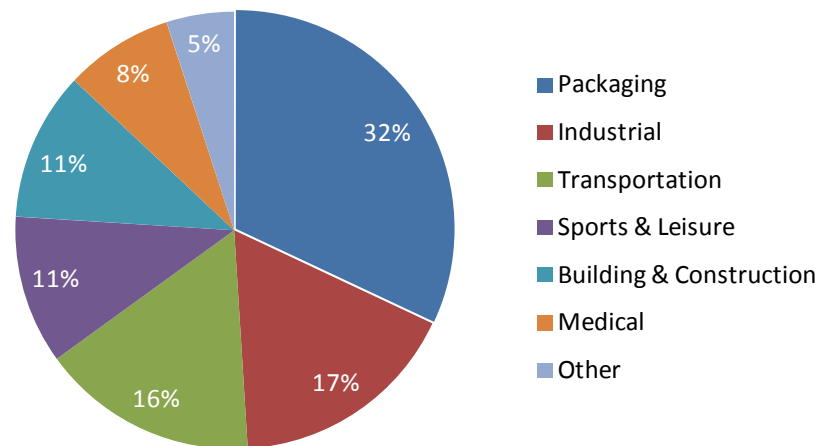
Appendices



Group Overview



Revenue Split by Application Area



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.



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 90% 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.



Zotefoams' strategy

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: Sales of polyolefin foams grew by 8% in constant currency.

HPP SALES

Objective: Develop a HPP portfolio to deliver enhanced margins.
Outcome: HPP sales grew by 51%.

GROUP MARGIN

Objective: Improve our operating margins.
Outcome: Group operating margins increased to 12.8% (2011: 12.6%).

GROUP ROCE

Objective: Improve our return on capital employed.
Outcome: Pre-tax return on average capital employed, excluding intangible assets and their amortisation costs, increased to 20.8% (2011: 19.5%).



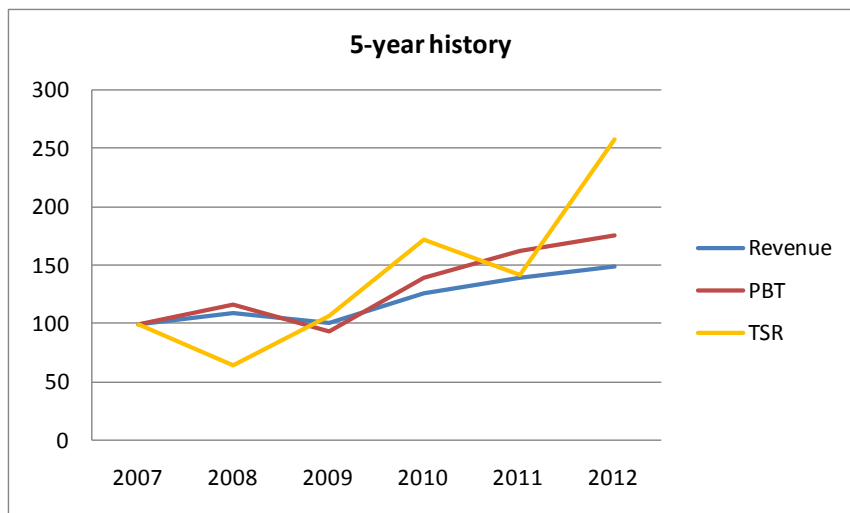
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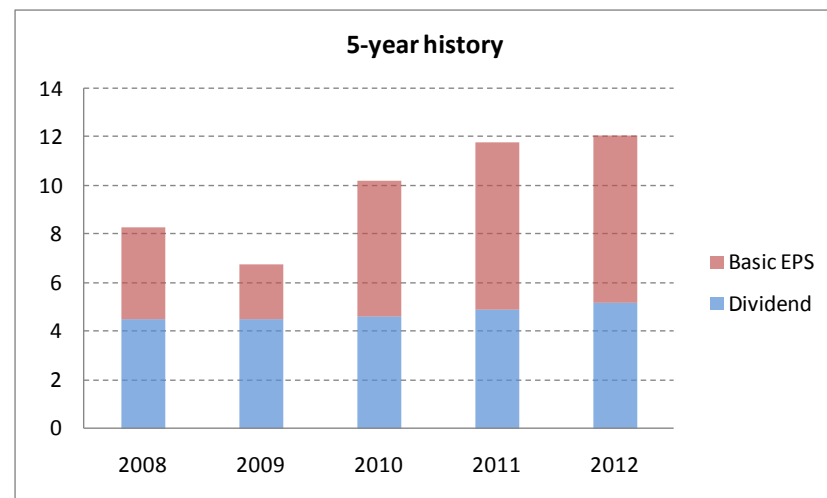


Financial Track Record



- Growth in sales and margin
 - Diversified sales growth
 - Operational Gearing and Cost Management
 - Investment in top-line development
- CAGR
 - Sales +8%
 - PBT +12%
 - TSR +21%

- Progressive Dividend since 2010
- Earnings cover > 2 times
- Strong balance sheet
- Good operational cash flow
- Growth alongside Dividend Yield



All figures pre-exceptional items

Details per Appendix



Financial Highlights

	2012 £m	2011 £m	Change
Revenue	47.2	44.2	7%
Profit before Tax	5.9	5.5	8%
Basic earnings per share (p)	12.1	11.8	3%
Dividends per share for year (p)	5.2	4.9	6%
Net (debt)/funds	(0.6)	1.9	



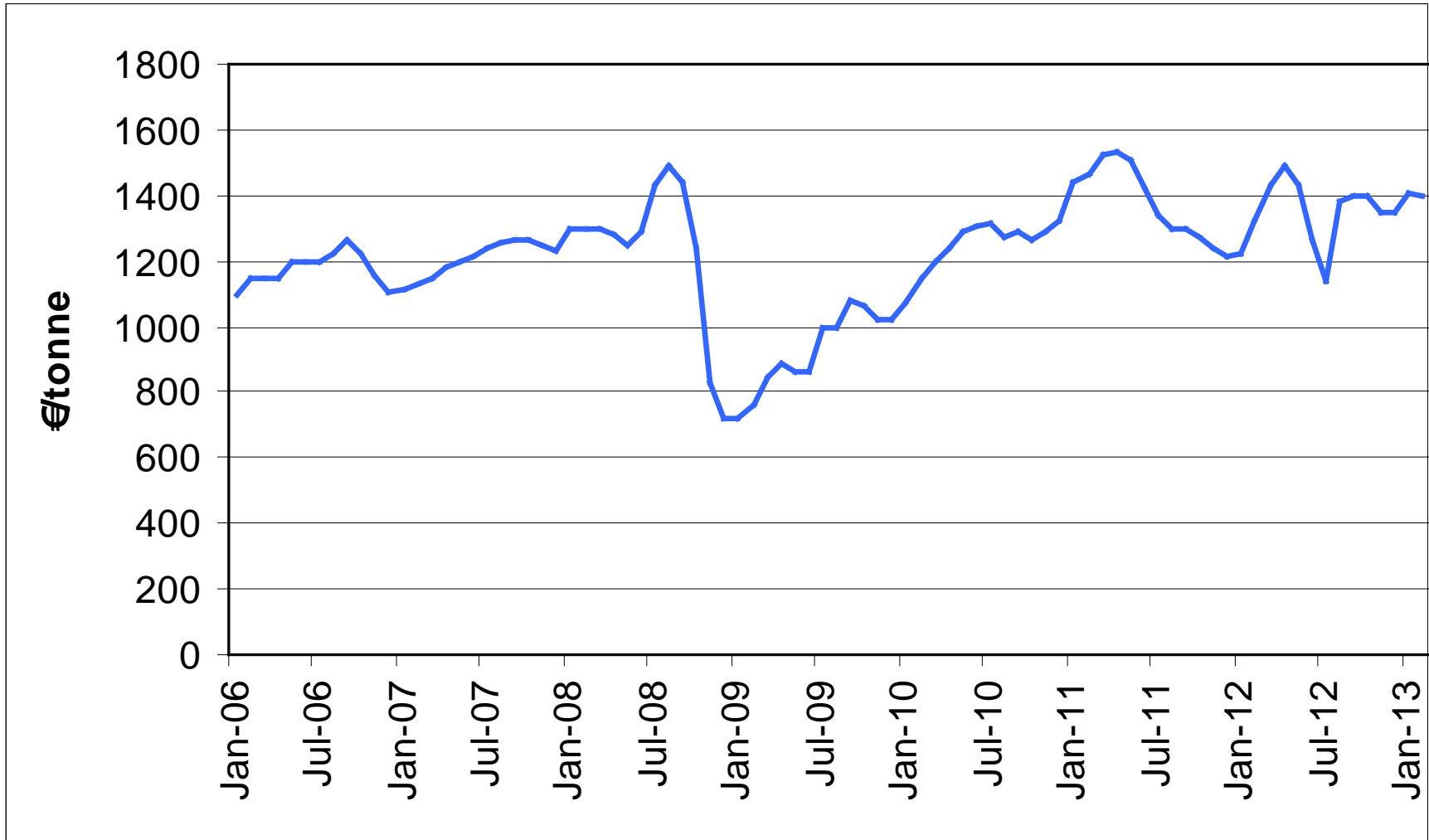
Profit Before Tax

	2012 £m	2011 £m	Change
Revenue	47.2	44.2	7%
Gross profit	13.7	12.6	9%
<i>Gross margin</i>	29.0%	28.5%	
Operating profit	6.0	5.6	8%
Net interest	(0.1)	(0.1)	
Profit before tax	<u>5.9</u>	<u>5.5</u>	<u>8%</u>

Polymer (LDPE) Prices



ZOTEFOAMS



	2012	2011
	£m	£m
Profit before tax	5.9	5.5
Tax	(1.2)	(0.9)
<i>Effective tax rate</i>	<i>20%</i>	<i>17%</i>
Basic earnings per share (p)	12.1	11.8
Dividend (p)	5.2	4.9
Cover	2.3	2.4

Free Cash Flow



ZOTEFOAMS

	2012	2011
	£m	£m
Operating profit	6.0	5.6
Depreciation & amortisation	3.3	3.2
Working capital	(2.6)	(2.2)
Pensions and share schemes, net	(0.5)	(0.5)
Cash generated from operations	<u>6.2</u>	<u>6.1</u>
Taxation	(1.0)	(1.1)
Capital expenditure (incl intangibles)	(3.7)	(3.1)
Interest and other	(0.0)	(0.1)
Free cash flow	<u>1.5</u>	<u>1.9</u>



Working Capital

	2012	2011	2012	2011
	£m	£m	% of sales	% of sales
Stock	6.6	5.9	14.1%	13.4%
Receivables	11.6	10.5	24.6%	23.8%
Payables	(4.9)	(5.6)	-10.4%	-12.7%
Net working capital	<u>13.3</u>	<u>10.8</u>	<u>28.3%</u>	<u>24.5%</u>

NB Payables excludes £2.3m deferred consideration in 2011



Net Funds

	2012 £m	2011 £m
Free cash flow	1.5	1.9
Acquisition	(2.2)	(2.2)
Share capital issued (net)	0.0	2.3
Dividends	(2.0)	(1.8)
Net funds movement	<u>(2.6)</u>	<u>0.2</u>
Net funds brought forward	1.9	1.9
Exchange adjustments	0.1	(0.1)
Net funds	<u>(0.6)</u>	<u>1.9</u>
Comprising:		
Cash funds	3.7	3.4
Borrowings	<u>(4.3)</u>	<u>(1.5)</u>
	<u>(0.6)</u>	<u>1.9</u>



Balance Sheet

	2012	2011
	£m	£m
Intangible assets	5.2	5.7
Tangible assets	25.9	25.4
Net working capital	13.3	10.8
Retirement benefit obligations	(7.2)	(4.9)
Deferred tax, net	(0.2)	(0.7)
Tax payable	(0.8)	(0.8)
Deferred consideration		(2.3)
Net funds	(0.6)	1.9
Total shareholders' equity	<u>35.7</u>	<u>35.3</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



Ian Walsh is a world-renowned big-wave surfer and Red Bull® sponsored athlete. Surfing waves the size of five story buildings creates its own set of challenges, and the need for a supreme floatation vest is a must. Walsh has been working with a product development company called TECNIQ on various improvements to his surfing gear for quite some time now. TECNIQ approached Zotefoams about the prospect of an improved floatation foam in 2011. After a year of testing various densities of foam, the team set upon a new grade of foam called HydroZOTE™ LTE. The foam is a remarkable departure from existing PE and PVC floatation foams in that it is approximately 30% lighter in weight and 10% more buoyant. Additionally, HydroZOTE™ absorbs nearly zero water when submerged, compared to 10-15% water absorption from the competition.



Polyolefin Foams : Results

• REVENUE

- Growth of 4% in reporting currency
- Growth of 8% in constant currency
- Volume +2.9%, price/mix +1.5%
- All areas contributed to cc growth
- Longer lead times impact : inventory build with some change in application mix

• COSTS

- LDPE variable during the year but overall moderately favourable against 2011
- Energy prices increased

• INVESTMENT IN CROYDON SITE INFRASTRUCTURE

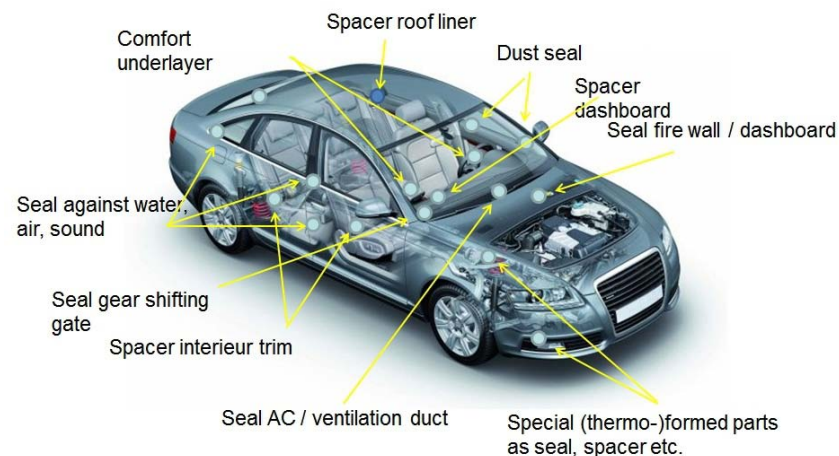
- Factory expansion Phase 1 commenced

• INVESTMENT IN CAPACITY

- New Extruder : commissioning 2013
- High-pressure : further capacity gains
- New LP autoclave : operational in 2012

Polyolefins

	Restated	
	2012	2011
	£000	£000
Revenue	42,295	40,531
Segment profit	6,434	5,682
EBITDA	9,267	8,478





Polyolefin Foams : Developments

Market Development

- ASIA
 - LP foam expansion
 - Same technology as KY, USA
 - Supply from UK :
 - Limits investment
 - Protects IP
- PARTNER WITH CONVERTERS
 - Target : Underrepresented segments and geographies
 - Benefits : Zotefoams global reach, unique product and market knowledge

Products

- Product line variants matched to specific needs
- New launches in:
 1. Packaging technology:
 - “no-mould” product differentiation
 - Size offering
 2. Matt Black for display packaging



One of our more unusual applications : Skeletal RP8 turntable with Azote polyolefin foam core from Rega



HPP : Business Model

- ZOTEK® HPP foams are manufactured from raw materials offering enhanced properties, such as being fire retardant or having stability at high-temperature. With additional value added and existing installed capacity these foams offer potential for higher margins
- Portfolio of products at different stages of development and market penetration 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



ZOTEK® F PVDF foam was initially developed for aerospace insulation. However its unique flame retardant properties and lightweight have led to ZOTEK® F obtaining material specifications at major OEM's in the USA and Europe. Our customer's ability to mould virtually any product configuration has seen a paradigm shift in lightweight Aerospace and Aviation components. These applications now include multiple products in the Environmental Conditioning System (ECS) such as, downers and risers, connector sleeves, flex hoses & caps and plenums. Other growth applications include lightweight, UV resistant window seals and foam dust seals which are commercial in multiple aircrafts.



HPP : Results

• REVENUE

- Growth of 51%
- ZOTEK[®] F : fluoropolymer foams in aviation, mainly in North America
- T-Tubes[®] : insulation systems for clean rooms, mainly in Asia & India
- Pebaxfoam[®] : development scale; mainly sports footwear. Product range tailored to application requirements
- ZOTEK[®] N : nylon foams currently sub-scale but longer-term projects in industrial markets

• COSTS

- #1 - Manufacturing, efficiency improvement opportunities identified
- #2 - Sales and Marketing. Well invested sales and development team
- #3 - Product development & quality.

	HPP	
		Restated
	2012	2011
	£000	£000
Revenue	3,595	2,380
Segment profit/(loss)	(82)	(175)
EBITDA	64	(60)



T-Tubes[®], made from ZOTEK[®] F foam, was developed by a customer in USA and we now have a co-operation where Zotefoams is the exclusive distributor for these products outside North America.



HPP : Developments

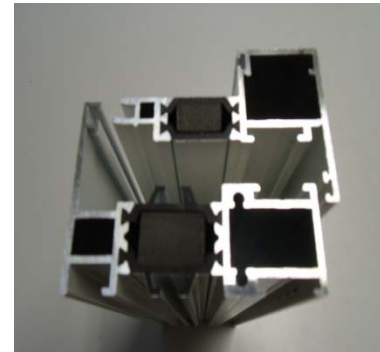
Market Development

- Market awareness and penetration
 - Application engineering support
- Industrial markets : longer development times but more secure business
- Wide range of application areas covered by global resource
 - Technical sales force
- Clear scope of opportunities – but timing is more difficult to predict

- T-Tubes®
 - direct representation and partner approach
 - Brand building in project-centric application

Products

- Portfolio well established
- Internal focus on efficiency & quality
- Improvements and market variants of:
 - Nylon : fire retardancy
 - Pebaxfoam®: breathable



ZOTEK® N used in insulation strips for window frames.



Pebaxfoam® used in North Face® Hayasa II.



MuCell Extrusion : 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



MuCell® in Flexible Packaging

Mondi Consumer Packaging Technologies GmbH was the first packaging company to successfully implement the MuCell technology in flexible packaging. Mondi's innovative Nor®Cell is a lightweight film using a patented foaming process from MuCell Extrusion to significantly reduce the weight of flexible packaging without decreasing the film thickness. These light-weight films weigh 15 - 40 per cent less than conventional films and use less material. Therefore, they are a sustainable solution especially suitable for applications in the food, pet food and hygiene industries. The Nor®Cell film is a winner of the prestigious German Packaging Award in 2012 and the Worldstar Packaging Award in 2013.



MuCell Extrusion: Results

- REVENUE

- Focus in 2012 on acquiring new licensees with longer-term scale potential
- Short-term shift in mix with additional equipment sales (lower margin) in 2012
- Equipment seen as “enabling technology”
- Income from some licenses underperformed 2011

- COSTS

- Investment in people and premises to support growth
- Patent portfolio increased significantly
- All cost increases per business plan

MEL

	2012	2011
	£000	£000
Revenue	1,330	1,329
Segment profit/(loss)	(322)	143
EBITDA	11	445

Secured exclusive rights to patents from The Dow Chemical Company and Styron LLC in plastic film and sheet





MuCell Extrusion: Developments

Market Development

- Benefits of foaming technology is already recognised by the market
- Requirement for success
 1. technology implemented by plastics parts producers; and
 2. end customers acceptance and adoption the benefits of reduced material content
- Success with brand owners and/or technology leaders in the market to overcome perceived barriers

Services

- Refocus of activities towards a more limited number of segments with high potential
 1. thin films
 2. extrusion blow moulded bottles
 3. plastic sheets
- Addressing other markets through channel partners
- Machinery sales are enabling technology





Outlook

Against a strong comparative sales performance at the start of 2012, so far in 2013 we have seen a relatively subdued level of sales. However, levels of order intake are more encouraging and we believe that caution in the supply chain regarding uncertain economic conditions, coupled with our improved lead-time performance, are being reflected in part in a reduction in inventory levels in the market after the strong demand seen in the final quarter of 2012.

Raw material prices have risen slightly compared to the second half of 2012 while exchange rates, with Sterling relatively weaker against other major currencies, have moved favourably for us since the beginning of January. The multi-market and international scope of Zotefoams' activities mean we are influenced by global economic conditions while the timing of sales from new products and markets, where higher growth rates are anticipated, is more uncertain than in the more established businesses.

We are continuing our investment in new capacity in Croydon, in people and the longer term development of MuCell Extrusion LLC, and product and market development in our HPP business. Zotefoams enters 2013 with a strong balance sheet and a wide variety of options for future growth.

While being mindful of near-term economic conditions, the Board expects further progress in 2013 and remains confident about the long-term prospects for our business.



Appendices



Financial History

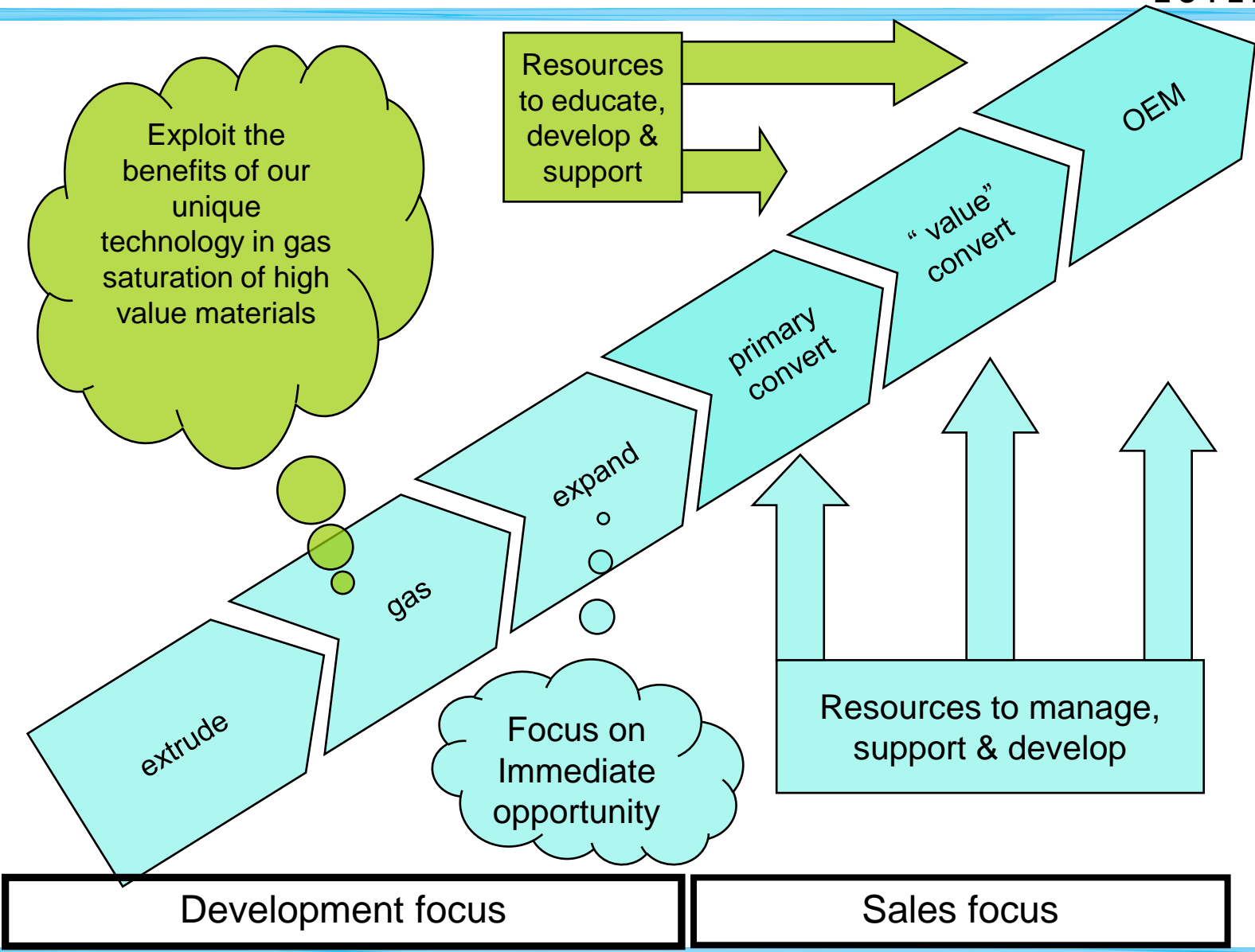
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sales	47.2	44.2	39.9	31.8	34.8	31.6	30.1	28.0	25.2
Sales growth	7%	11%	25%	-9%	10%	5%	7%	11%	7%
PBT (excl exceptionals)	5.9	5.5	4.7	3.2	3.9	3.4	2.7	1.8	1.3
PBT (incl exceptionals)	5.9	5.5	5.3	2.7	3.9	3.4	1.6	3.3	1.3
Cash generated from operations	6.3	6.1	7.2	7.0	5.8	4.8	4.7	4.1	5.3
Capex	3.7	2.7	2.7	3.4	1.4	2.7	2.6	1.1	1.3
Net (funds)/debt	0.6	(1.9)	(1.9)	0.4	1.2	1.7	1.4	1.1	1.7
Gearing	2%			2%	4%	6%	6%	4%	7%
Basic eps (excl exceptionals)	12.1p	11.8p	10.2p	6.8p	8.3p	8.0p	5.4p	3.5p	3.2p
Dividends	5.20p	4.90p	4.65p	4.5p	4.5p	4.5p	4.5p	4.5p	4.5p



Value Chain / Strategy

High performance products

Polyolefin Foams



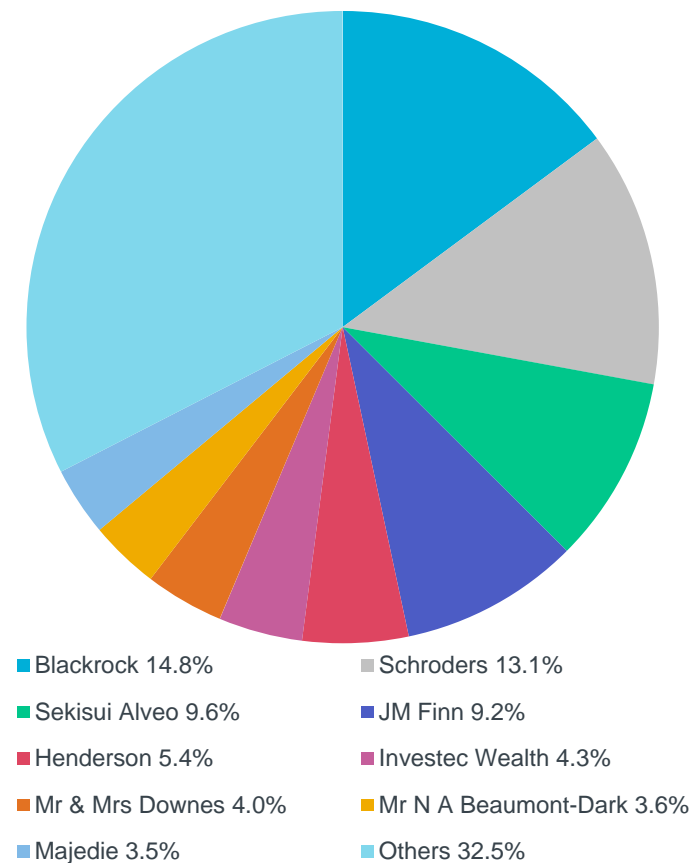


Key Information

- Share price 202.5p (04/03/13)
- Market Main Market
- Ticker ZTF.L
- Market cap. £80.7m
- Ord. shares in issue 39,831,312



Shareholder profile*



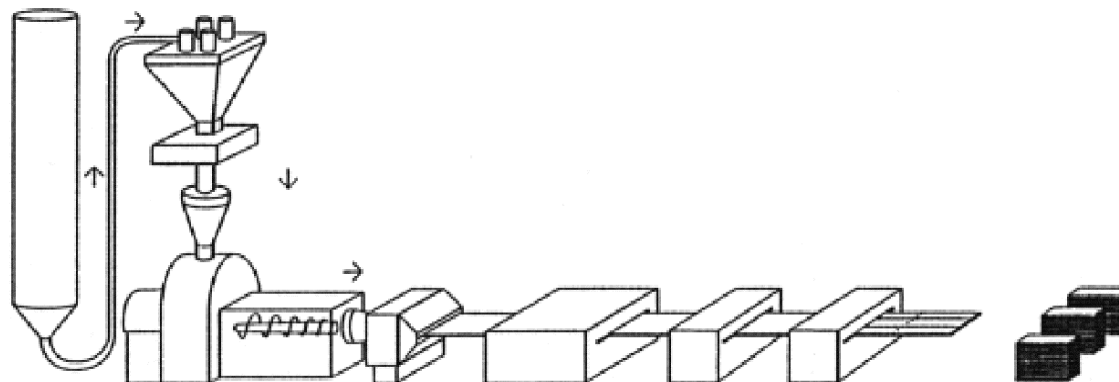
* Source: Investec Investor Relations (31/12/12)



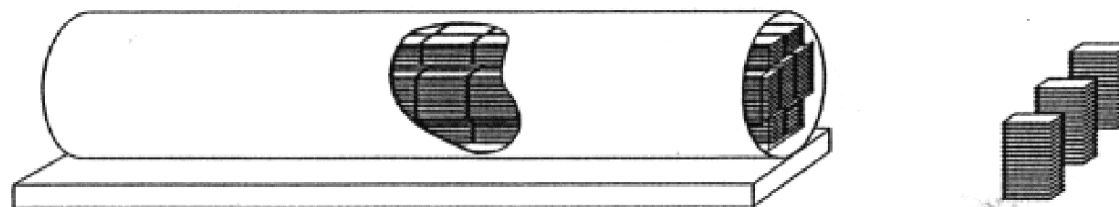
Process

Zotefoams Plc process

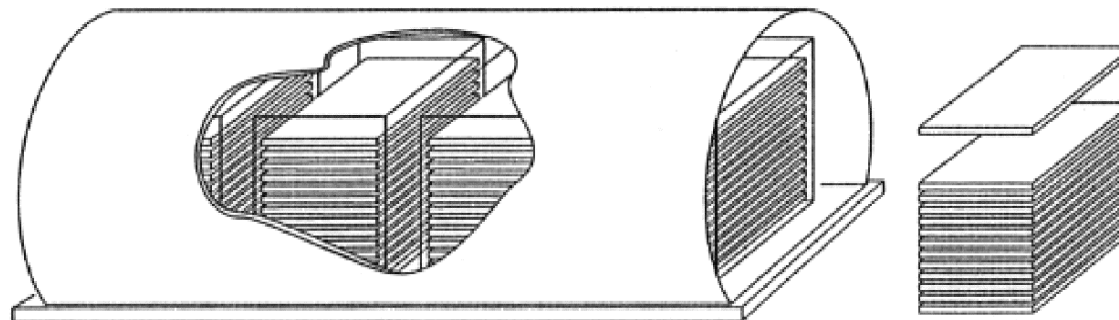
mixing and
extrusion



impregnation



expansion





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