



**Zotefoams plc**  
("Zotefoams" or "Group" or "the Company")

## **2019 Financial Year Summary, COVID-19 and Current Trading Update**

**24 March 2020** – Zotefoams, a world leader in cellular materials technology, today provides the following summary of its performance for the financial year ended 31 December 2019 ("FY2019") and an update on COVID-19 and current trading.

### **Financial Year 2019**

As set out in the announcement of 23 March 2020, the Company has delayed the publication of its preliminary FY2019 results at the request of the Financial Conduct Authority (FCA). Consistent with the guidance set out in the trading update of 21 January 2020, Zotefoams expects, subject to audit completion, to report as follows:

- Group revenue of £80.86m (2018: £81.04m)
  - HPP sales up 20% to £26.48m (2018: 22.01m)
  - MEL revenue increased by 59% to £3.10m (2018: £1.95m)
  - Polyolefin Foams sales declined by 10% to £51.36m (2018: £57.16m)
- Gross profit margin of 35.4% (2018: 35.8%)
- Profit before tax and exceptional item\* of £8.76m (2018: £10.81m)
- Basic EPS before exceptional item\* of 14.91p (2018: 18.66p)
- Statutory profit before tax of £9.81m (2018: £9.86m) and EPS of 17.10p (2018: 16.96p)
- Net debt as at 31 December 2019 of £31.90m (2018: £12.96m) following investment in property, plant and equipment of £24.41m (2018: £15.83m) in the year
- Suspension of dividend in the short term due to current uncertainty

This performance reflects the previously reported difficult trading conditions in the Polyolefin Foams business in the latter part of 2019, offset in part by the continued progress in HPP and MEL during the year. 2019 was also a year of significant investment for Zotefoams and the strategic capacity expansion projects to support long-term growth expectations are all progressing on track and to budget. Whilst market demand and the unprecedented macroeconomic uncertainty will affect the pace of ramp-up in utilisation in the near term, these assets provide a platform for significantly enhanced returns over the medium term.

### **COVID-19 update**

The health and safety of our colleagues, their families and our business partners remain our primary concern and public health measures advised by governments are being followed in support of their efforts to contain the spread of the virus.

Following an extended closure post Chinese New Year, our China-based customers and our own relatively small processing facility for T-FIT® technical insulation in China returned to work at the beginning of March. As at today's date, all Group foam production facilities are open and fully operational and we have not experienced any significant disruption in supply chains to Zotefoams. The global outbreak of COVID-19 is a constantly developing situation and we are not in a position at this stage to speculate on the duration nor its future impact on the broader global customer base of the Group. We continue to monitor developments closely and have put appropriate measures in place to minimise disruption where possible.

In these circumstances and in anticipation of likely reduced demand levels in the short term, we are actively focused on cash and cost management actions that are prudent, but also ensure the Group is well placed to benefit when market conditions recover. These actions include appropriate and targeted cost reduction measures across the business and the deferral of capital expenditure.



Due to the current uncertainty, the Board intends to suspend dividend payments in the short term.

The Group's banking arrangements offer ample headroom, with undrawn facilities of £17.7m as at 31 December 2019. The current leverage level is due to the coincidence in timing of the market downturn in Polyolefin Foams and the expenditure on the Group's capacity expansion projects. The Group's banking facilities include a net debt to EBITDA ('leverage') covenant of 3.0x, tested semi-annually, and as at 31 December 2019 Group leverage was 2.0x. The Group has now secured agreement with its banks to amend the leverage covenant from 3.0x to 4.0x for the 30 June test, to provide additional comfort and flexibility.

### **Outlook**

The challenging market conditions experienced in the latter part of 2019, particularly within our Polyolefin Foams business, have yet to improve noticeably. Adding to this, the outbreak of the COVID-19 virus is causing additional disruption.

Based largely on the expected demand profile for HPP products across a number of markets, the Board anticipates a stronger performance during the second half of the year. We are, however, mindful that the further spread of the virus, and responses to this, have created significant uncertainty in the near term with likely adverse trading impacts on operations and demand patterns.

In light of these exceptional circumstances, Zotefoams is currently focused on cash, including cost and capital management, and maintaining core operational capability across our business. We have a diverse customer base and strong competitive position, with our proprietary product portfolio focused on long term structural growth applications. This enables Zotefoams to continue to develop attractive new markets for its products and underpins the Board's confidence in the Group's future prospects.

\* Exceptional item represents a credit of £1.05m from a Defined Pension Scheme litigation award (2018: £0.95m charge related to the legal ruling around guaranteed minimum pensions).

**- Ends -**

### **Enquiries:**

#### **Zotefoams plc**

David Stirling, Group CEO  
Gary McGrath, Group CFO

**+44 (0) 208 664 1600**

#### **IFC Advisory**

Graham Herring  
Zach Cohen

**+44 (0) 203 934 6630**

### **About Zotefoams plc**

Zotefoams plc (LSE – ZTF) is a world leader in cellular materials technology. Utilising a variety of unique manufacturing processes, including environmentally friendly nitrogen expansion for lightweight AZOTE® polyolefin and ZOTEK® high-performance foams, Zotefoams sells to diverse markets worldwide. Zotefoams uses its own cellular materials to manufacture T-FIT® advanced insulation for demanding industrial markets. In addition, Zotefoams owns and licenses patented microcellular foam technology, developed specifically for extrusion applications, from a base in Massachusetts, USA to customers worldwide.

Zotefoams is headquartered in Croydon, UK, with additional manufacturing sites in Kentucky and Oklahoma, USA (foam products manufacture and conversion), Massachusetts, USA (MuCell Extrusion)



**ZOTEFOAMS**

and Jiangsu Province, China (T-FIT®). A third foam manufacturing site, in Poland, is planned to begin operations in 2020.

[www.zotefoams.com](http://www.zotefoams.com)

AZOTE®, ZOTEK®, T-FIT® are registered trademarks of Zotefoams plc.