



5 December 2023

**Vitrex plc – Preliminary Results 2023**

**‘PBT in-line & record Medical revenues’  
\*New mid-term growth targets\***

Vitrex plc is an innovative world leader in high performance polymers, delivering sustainable products which enable environmental and societal benefit. This announcement covers preliminary results (audited) for the 12 months ended 30 September 2023.

	<b>FY 2023</b>	FY 2022	% change (reported)	% change (constant currency <sup>1</sup> )
Group sales volume	<b>3,598 tonnes</b>	4,727 tonnes	-24%	N/A
Group revenue	<b>£307.0m</b>	£341.0m	-10%	-13%
Average selling price (ASP)	<b>£85.3/kg</b>	£72.1/kg	+18%	N/A
Gross profit	<b>£162.6m</b>	£174.5m	-7%	-10%
Gross margin	<b>53.0%</b>	51.2%	+180bps	N/A
Underlying profit before tax (PBT) <sup>1</sup>	<b>£80.0m</b>	£95.6m	-16%	-18%
Reported PBT	<b>£72.5m</b>	£87.7m	-17%	-19%
Underlying EPS <sup>1</sup>	<b>77.7p</b>	95.0p	-18%	N/A
EPS	<b>70.9p</b>	87.6p	-19%	N/A
Dividend per share	<b>59.56p</b>	59.56p	flat	N/A

**Highlights:**

- **PBT in-line# after challenging year**
  - Underlying PBT in-line at £80.0m; reported PBT £72.5m
  - FY 2023 volume down 24%; Group revenue down 10%
    - Significant weakness in Electronics, Energy & Industrial, VAR
    - Record Medical revenues +12% & broad-based growth; strong Aerospace performance
    - Robust cost discipline whilst prioritising Medical & innovation investment
- **Strong average selling prices; improved gross margin**
  - ASP up 18%, driven by price increases (& mix/FX)
  - FY 2023 gross margin up 180bps, offset by lower asset utilisation
- **Well placed for macro-recovery, with new strategic growth targets**
  - Targeting mid-term revenue growth of 5-7% CAGR<sup>##</sup> based on core & new applications
  - Upside potential to 8-10% CAGR driven by mega-programme commercialisation
  - Targeting £25m-£35m of revenues from mega-programme portfolio in FY 2025
  - Decarbonisation targets submitted to Science-based targets initiative (SBTi)
- **Mega-programmes prioritised to drive enhanced commercialisation**
  - Investment prioritised in streamlined portfolio: Aerospace, E-mobility, Knee, Magma, Trauma
  - Key milestones delivered in pathways to £10m revenue:
    - E-mobility: £6m revenues, ahead of expectations & new customer collaborations
    - Trauma plates: growing demand & broader customer opportunities
    - Knee: clinical trial & top 5 OEM collaboration, 2-3 years to 1<sup>st</sup> sales
    - Aerospace: broader customer portfolio for composite parts & revenues growing
    - Magma: supporting TechnipFMC for Brazil scale up
- **Strong balance sheet & opportunity for cashflow improvement**
  - FY 2023 available cash<sup>1</sup> £30.1m (FY 2022: £66.0m) after major capex & higher inventory
  - Well invested assets: new China facilities ready & UK facilities upgraded
  - Inventory set to unwind from FY 2024 (FY 2023 inventory £134.5m vs FY 2022 £86.8m)
  - Final dividend<sup>###</sup> maintained at 46.14p/share, reflecting confidence in future performance

<sup>1</sup> Alternative performance measures are defined in note 16

#in line with revised June 2023 guidance of £80m-£85m underlying PBT

##revenue CAGR in 5 year period

###Proposed

**Commenting on the Group's preliminary results, Jakob Sigurdsson, Chief Executive of Victrex, said:**

"After one of the most challenging years for the Chemical sector and for Victrex, the Group delivered in line with guidance#. Strong average selling prices, continued innovation, cost discipline and well invested assets demonstrate the strength of our Polymer & Parts strategy and business model. Record revenues in Medical – with a new goal for Medical to double in five years and contribute around one-third of revenues in less than 10 years – and growing opportunities in China, with our new facilities ready to start up, underpin our belief in the core and our mega-programmes.

**Confidence in our strategy & new mid-term growth targets**

"We have today set out new mid-term growth targets of 5-7% CAGR for revenue, with an opportunity for 8-10% as our mega-programmes further commercialise. PBT has the opportunity to grow faster than revenue, as operating leverage improves and overhead investment moderates. These targets reflect the opportunity from a macro-economic recovery and industry indicators across Automotive, Electronics and General Industrial, with the ability for our core business to grow faster than the wider market through new and differentiated applications. As our mega-programmes further commercialise, we see additional upside potential. Investment is now being prioritised around five key mega-programmes, offering substantial opportunity across Aerospace, E-mobility, Knee, Magma and Trauma. Several programmes are on the pathway to £10m revenues and we are targeting £25m-£35m of revenues from the mega-programme portfolio in FY 2025. With further long term upside in the Medical programmes particularly, the total portfolio opportunity remains broadly unchanged. Whilst Gears saw further growth to £6m revenue, it is well down the adoption pathway and enables us to prioritise investment elsewhere.

**Further progress in mega-programme portfolio**

"All of our mega-programmes met key technical or commercial milestones during the year. Our E-mobility platform, focused on electric vehicle applications, saw the strongest growth, ahead of expectations with £6m revenues, new customer collaborations and increasing penetration in major car brands.

"In Medical, we saw strong progress in Trauma and commercial revenue building towards £1m. In Knee, our collaboration with a top 5 Knee company in Aesculap (B Braun), and our partner Maxx in the clinical trial, as well as engagement with major customers, offers the potential for a commercial PEEK Knee in 2-3 years.

**Outlook – a slow start but well placed for recovery & growth**

"The Group is expecting good progress in revenue and PBT for FY 2024, subject to an improving macro-economic outlook. Volumes have the potential for double-digit growth although, at this early stage, we have yet to see signs of a macro recovery, with a slow start to our typically seasonally weak Q1. Consequently, growth is expected to be second half weighted, which is consistent with some end-market indicators pointing to improvement during 2024. Demand continues to be soft in Electronics, Energy & Industrial and VAR. Automotive and Aerospace remain positive, with Medical also expected to deliver full year growth.

"Input costs are tracking lower year-on-year, although the potential for energy volatility remains. Within operating overheads, we expect only limited increases, despite wage inflation and bonus accrual. However, the effect of lower asset utilisation and start-up costs in China will have some effect on our cost of manufacture and gross margin. In relation to currency, whilst spot rates imply a headwind, our hedging will offset this impact to PBT.

"Overall, the Group is well placed for recovery and growth. With a strong and diversified core business, increasing commercialisation in our mega-programmes, well invested assets and incremental capacity, and the opportunity for cashflow improvement, our investment proposition remains strong."

## About Victrex:

Victrex is an innovative world leader in high performance polymer solutions, focused on the strategic markets of automotive, aerospace, energy & industrial, electronics and medical. Every day, millions of people use products and applications which contain our sustainable materials – from smartphones, aeroplanes and cars to energy production and medical devices. With over 40 years' experience, we develop world leading solutions in PEEK and PAEK based polymers, semi-finished and finished parts which shape future performance for our customers and our markets, enable environmental and societal benefits, and drive value for our shareholders. Find out more at [www.victrexplc.com](http://www.victrexplc.com)

*A presentation for investors and analysts will be held at 9.00am (UK time) this morning via a dial-in facility, which can be accessed by registering on the following link:*

<https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=5475738&linkSecurityString=e8f40c1d8>

*The presentation will be available to download from 8.30am (GMT) today on Victrex's website at [www.victrexplc.com](http://www.victrexplc.com) under the Investors/Reports & Presentations section.*

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## Preliminary results statement for the 12 months ended 30 September 2023

### 'PBT in-line & record Medical revenues'

#### \*New mid-term growth targets\*

## Operating review

### Volume and revenue down, despite record Medical performance

With a continuing challenging trading environment during the second half, full year Group sales volume of 3,598 tonnes was 24% down on the prior year (FY 2022: 4,727 tonnes). In line with similar declines seen across the Chemical sector, the Group delivered full-year revenue of £307.0m, which was down 10% (FY 2022: £341.0m). In constant currency<sup>1</sup> Group revenue was 13% down on the prior year.

### H2 2023 volume and revenue

Trading in the final quarter (Q4) remained similar to Q3, resulting in a H2 2023 sales volume of 1,657 tonnes (H2 2022: 2,463 tonnes), with H2 2023 revenue of £144.8m down 20% (H2 2022 revenue: £180.9m). With the weaker macro-economic environment impacting several end-markets, our FY 2023 result was achieved through a combination of a strong focus on pricing and cost discipline, including minimising discretionary spend and deferral of certain recruitment. Investment was sustained in our priority areas of Medical and innovation to support differentiated applications or mega-programme commercialisation.

### Divisional performance

Despite weakness across several end-markets in our Sustainable Solutions (formerly Industrial) area, primarily Electronics, Energy & Industrial and our Value Added Resellers (VAR) area, we saw a good performance in Aerospace, with volumes up 20% as build rates increase, together with new application growth. VAR was the weakest area, with volumes down 39%, driven by destocking and weak demand. Whilst Automotive volume was stable (and up in revenue terms), we note that 2024 market indicators support the opportunity for growth, with car sales set to increase by 1-3% (S&P November 2023). Revenue in Sustainable Solutions was down 14% at £241.8m (FY 2022: £282.7m).

Medical revenues of £65.2m were a record and increased by 12% compared to the prior year (FY 2022: £58.3m), driven by broad based application growth. Across our core business of Spine, Arthroscopy and Cranio Maxillo-Facial (CMF), we continue to see good growth opportunities, with support from increasing penetration in Cardio, Orthopaedics and Drug Delivery. Our Non-Spine area represents the most significant growth opportunity, as PEEK's inert nature and strong biocompatibility drives increased application usage. Revenues in Medical are now 46% Spine and 54% Non-Spine. Growth was broad based by region, with Asia driving the highest revenue growth of 31%.

### Strong ASP driven by pricing & sales mix

FY 2023 saw good progress in recovering the significant energy and raw material inflation seen over the past two years. Average selling prices (ASPs) increased by 18% to £85.3/kg, driven by price increases, sales mix and currency. The overwhelming majority of price increases were achieved via structural price increases.

For FY 2024, we anticipate average selling prices will remain comfortably in excess of £80/kg. This reflects some expected recovery in end-markets within Sustainable Solutions, which will result in a slightly less favourable sales mix.

### Core business application pipeline

Despite a challenging macro-economic environment, we continue to build our core business growth pipeline, to support PEEK's use in a range of applications, driven by its lightweighting, durability, chemical and heat resistance, or other properties.

Mature Annualised Revenues (MAR), which reflect the pipeline of incremental opportunities in the core business, was robust at £300m (FY 2022: £294m). This number assumes all targets are converted. Automotive and Medical opportunities showed the highest year on year growth, reflecting the increasing range of applications within these end-markets.

### **Sales from new products increased to 7%**

Our measure of Sales from new products revenue increased to 7% of Group revenue for FY 2023 (FY 2022: 6%). From FY 2023, sales from new products was based on new products and grades, including some mega-programmes, introduced over the past seven years, rather than from FY 2014. Recent examples of new product grades included in this definition being our Victrex XPI™ polymer for E-mobility and Victrex PC101™, a medical grade for use in drug delivery devices.

Going forward, our priority will be on measuring our newly introduced goal of mega-programme portfolio revenues.

### **Mega-programme highlights: investment prioritised & streamlined portfolio**

With several programmes on their journey towards £10m revenue per annum (Aerospace, E-mobility, Magma and Trauma), we have chosen to prioritise investment in five key programmes to enhance strategic progress. This also ensures that we measure appropriate investment, resource and capability in order to improve our returns.

PEEK Gears continues to see good growth and opportunities in ICE and EV platforms, but as the focus is now on progressing adoption, it will no longer be defined as a mega-programme and will be overseen as part of our core business, as we prioritise investment in E-mobility and elsewhere. PEEK Gears delivered growth to £6m revenue this year, vs over £4m in FY 2022. Having successfully seeded the market, it also reflects that the route to market is via both parts manufacture and polymer resin based sales, where a third party manufacturer would build the final component, based on Victrex design, development and know-how. As a result, there has been no significant change in the overall portfolio value, with several mega-programmes offering revenue potential of significantly more than £50m per year (e.g. Knee).

Key highlights in our mega-programme portfolio include:

Our **E-mobility** mega-programme platform is based on specific electric vehicle applications and drove the most growth of all mega-programmes during the year, with business wins specifically focused on wire coating and other applications. This programme delivered revenue of £6m this year, with better than expected progress as our materials supported major car brands. This mega-programme includes Victrex XPI™ grade, which enables coatings of tightly wound electric wires for existing and primarily next generation high-voltage vehicles (800 volt batteries and applications), where higher performance is required. Compared to previous enamel coatings, VICTREX XPI™ is extruded onto the copper and requires less energy in the process, supporting sustainability goals. With penetration in battery applications and elsewhere in electric vehicles, we assess the future potential PEEK content per electric vehicle as over 200g (average content in existing internal combustion engine car approximately 10g today). We are collaborating with multiple customers, and signed a strategic collaboration agreement with Well Ascent, a major wire coating manufacturer, supplying into European, Asian and US car manufacturers, including existing Chinese models. Continued growth in E-mobility is expected during FY 2024, with the potential for £10m revenue within two years.

In our **Magma** composite pipe programme for the energy industry, we saw close collaboration with TechnipFMC and a team from the end-customer in Brazil, including detailed technical and commercial meetings hosted at our UK facilities. The primary focus is supporting TechnipFMC to accelerate the significant opportunities for thermoplastic composite pipe in deepwater oil & gas fields in Brazil, with light-weighting, durability, a reduced carbon footprint for installation and ease of manufacturing being key parts of the proposition. Multiple field opportunities are being targeted in Brazil, requiring alternative solutions to existing performance issues with metal-based pipes. PEEK based Hybrid Flexible Pipe (HFP) is seen by TechnipFMC as the most cost effective riser solution, with TechnipFMC constructing a new pipe extrusion facility in Brazil, incorporating Victrex's pipe extrusion know-how. We continue to await outcomes on existing bids by TechnipFMC, utilising this technology, which offers the potential for a step up in volume from 2025. This programme offers good mid-term potential towards £10m annual revenues with the next key milestone being bid outcomes.

In **Trauma**, we saw a significant step up in demand post FDA approval and launch, with revenues building towards £1m this year, and further expected growth in the coming years. This was primarily driven by our partnership with In2Bones (part of CONMED) and other customers for PEEK composite Trauma plates, supporting fracture fixation, including in foot and ankle plates. Over 3,000 Victrex manufactured trauma plates were supplied for implants. Studies show an enhanced union rate using

PEEK composites rather than titanium based plates. Victrex manufactures the PEEK composite based trauma plates in-house, or via our partner, Paragon Medical, who will toll manufacture in China, supporting a growing customer base in the US, Asia and globally. This programme has the potential for double-digit revenues within the next two to three years.

In our **Aerospace Composites** programme, which combines the programmes for smaller composite parts, larger structural parts and interior applications, we are advancing qualifications with OEMs, including Airbus and Boeing, and tier companies as thermoplastic composites based on PEEK are validated and qualified. Major structural parts include for wings, engine housing and fuselage. The potential PEEK content per plane is at least 10-times current levels, with large scale demonstrator parts being exhibited and advancing through qualification programmes. We have also broadened the number of customers we are working with as part of this programme, beyond the Airbus Clean Sky 2 programme, reflecting the significant opportunity for light-weight and easily processed PEEK composite materials. In both structural and smaller composite based parts, our AE™250 composite tape is integral to these opportunities. Smaller composite parts currently being used on aircraft include for use in seat pans and door brackets. Revenue for these programmes in FY 2023 was nearly £3m, with the potential opportunity to £10m in the next two to three years and good long-term prospects.

In our **PEEK Knee** programme, we saw particularly strong progress. We are working with Maxx Orthopaedics, our partner in the clinical trial across Belgium, India and Italy, as well as Aesculap (part of B Braun), a top 5 global knee company. We also have interest in the progress of PEEK Knee from other top 10 organisations. 46 patients to date have been implanted with a PEEK Knee, with no remedial intervention required. Ten patients have also passed the two year stage with no intervention, which is particularly encouraging. Both of these companies, supported by our Medical business, are focusing on the route to early commercialisation. Our offering has also expanded beyond a cemented PEEK Knee implant, to include cementless and tibia options, which enables us to offer a broader suite of customer solutions. The next milestone is targeted as commencing a US clinical trial during FY 2024. PEEK Knee would be an alternative to existing surgeries, which primarily use metal (cobalt chrome). Early assessment suggests the opportunity of first sales within two to three years, subject to the appropriate regulatory pathway. PEEK Knee remains the largest of our mega-programme opportunities by annual revenue potential.

### **Innovation investment**

Our new innovation investment during FY 2023 was primarily supporting our Medical Acceleration programme. This includes an investment in our New Product Development (NPD) Centre in Leeds, UK, to support new roles and capability. R&D investment was higher this year at £18.6m (FY 2022: £15.7m) representing 6% of revenues on a full year basis, with the higher percentage reflecting incremental investment and lower revenues. Our total R&D investment in dedicated sustainable products or programmes as a proportion of total R&D investment increased to 40% (FY 2022: 35%). This metric has been updated from prior disclosures, which measured project-based, non-labour R&D spend in sustainable programmes (92% for FY 2023 vs 89% for FY 2022), rather than total R&D spend. A level of 40% of total R&D investment in dedicated sustainable products or programmes underlines our focus in this area.

### **Financial review**

#### **Gross profit down 7%**

Gross profit was down 7% at £162.6m (FY 2022: £174.5m), primarily driven by lower sales. Energy costs eased, yet raw materials remained relatively high. We also incurred some under-absorbed fixed costs (totalling approximately £3m) as a result of lower production volumes compared to FY 2022 (production volumes 9% lower). For FY 2024, we anticipate some modest benefit from lower input costs, offset by start-up and under-utilised asset costs in China (including costs moving from overheads to COGs), as well as depreciation and lower asset utilisation (UK and China), as we start to gradually unwind inventory from its high level.

#### **Gross margin slightly ahead**

Full year Group gross margin of 53.0% was 180 basis points (bps) ahead of FY 2022 (FY 2022: 51.2%), supported by improved pricing and a favourable sales mix. Second half Group gross margin of 52.4% was slightly below the first half, impacted by lower asset utilisation and the corresponding impact on under absorbed fixed costs. The impact from losses on forward hedging contracts was also higher than the prior year.

We remain focused on a mid-to-high fifty percent gross margin level over the medium term, whilst noting that sales mix, asset utilisation and the expected increase in parts contribution to revenue will play a key role over the coming years. For FY 2024, we anticipate Group gross margin will be slightly lower than the prior year, reflecting start up costs in China and lower asset utilisation as we start to unwind inventory over the next two years. Currency also impacts gross margin.

### **Gains & losses on foreign currency net hedging**

Fair value gains and losses on foreign currency contracts in FY 2023 were a loss of £7.6m (FY 2022: loss of £2.8m), largely from contracts where the deal rate obtained in advance was unfavourable to the average exchange rate prevailing at the date of the related hedged transactions, following the devaluation of Sterling from mid H2 2022. The corresponding spot rate benefit is largely seen in the revenue line.

### **Currency tailwind in FY 2023**

FY 2023 saw a currency tailwind of approximately £3m at profit before tax (PBT) level, with most of this coming in the first half, prior to Sterling recovering. At this early stage, spot rates show currency for FY 2024 is tracking as a modest headwind. This is prior to the impact of hedging, with gains and losses on foreign currency net of hedging tracking as a small gain. We are mindful of unhedged currencies – predominantly in Asia – which are set to increase in importance as we see growth in China and other parts of Asia over the coming years. Recent devaluation in these currencies has contributed to the spot rate headwind in FY 2024.

Our hedging policy is kept under review, for duration of hedging, level of cover and specific currencies. It requires that at least 80% of our US Dollar and Euro forecast cash flow exposure is hedged for the first six months, then at least 75% for the second six months of any twelve-month period.

### **Operating overheads<sup>1</sup> up 5%; H2 overheads down 14%**

Operating overheads<sup>1</sup>, which excludes exceptional items of £7.5m, increased to £81.9m (FY 2022: £78.1m) driven primarily by higher innovation spend (R&D is now separately disclosed on the face of the income statement), with targeted R&D investment commencing last year, primarily to support Medical acceleration. We also saw wage inflation, including targeted cost of living payments to support global employees at certain grades.

We also incurred costs to support the commercial ramp up for our new China PEEK facilities. This facility will underpin further commercial growth in this region over the coming years, driven by new polymer grades to meet existing and new demand. Following commissioning and production of first PEEK, we will start to ramp up and support revenues in early 2024.

Pleasingly, second half operating overheads were down 14% compared to H1 2023 (and down 9% vs H2 2022), which reflects strong cost discipline and the impact of no accrual for bonus, as profits fell.

Going forward, our intention is to ensure investment remains targeted and to deliver an appropriate return. Operating overheads are therefore expected to show only limited increases for FY 2024, including the effect of wage inflation and bonus accrual.

### **Underlying PBT down on weaker trading environment**

Underlying PBT of £80.0m was in-line with our revised guidance and down 16% on the prior year (FY 2022: £95.6m).

Reported PBT reduced by 17% to £72.5m (FY 2022: £87.7m). This reflects exceptional items of £7.5m (FY 2022: £7.9m), representing the cost of implementing a new ERP software system, the majority of which has been incurred. The implementation will be substantially completed during 2024.

### **Earnings per share down 19%**

Basic earnings per share (EPS) of 70.9p was 19% down on the prior year (FY 2022: 87.6p per share), reflecting the decline in PBT. Underlying EPS was down 18% at 77.7p (FY 2022: 95.0p).

### **Taxation**

Victrex continued to benefit from the reduced tax rate on profits taxed under the UK Government's Patent Box scheme, which incentivises innovation and consequently highly skilled Research & Development jobs within the UK. Net taxation paid was £2.0m (FY 2022: tax paid of £10.6m), with the effective tax rate of 15.9% (FY 2022: 13.9%), being slightly higher due to the increase in UK corporation tax and a lower proportion of profits being

eligible for the patent box rate. Our mid-term guidance for an effective tax rate has slightly increased to approximately 13%-17% primarily reflecting the increase in the UK Corporation tax rate from 19% to 25% from 1 April 2023. We continue to monitor global taxation developments.

### **Strong balance sheet**

With a range of global customers across our end-markets, customers recognise and value our strong balance sheet, and our ability to invest and support security of supply. Net assets at 30 September 2023 totalled £501.0m (FY 2022: £490.6m).

Return on capital employed (ROCE) and return on sales (ROS) are focus areas for the Group. After a period of investment in people, capability and assets, we have the opportunity to improve operating leverage. Return on sales is a specific KPI we are seeking to improve, having reduced to 26% in FY 2023 (FY 2022: 28%).

### **Inventory higher due to softer demand; opportunity for unwind**

For FY 2023, we were required to rebuild raw material inventories to safety stock levels, to support security of supply for customers. Several raw materials had run below or close to safety stock levels during the pandemic, with supply chains impacted. During the year, we also built inventory to reflect planned engineering work in H1 2024, which is required as part of our UK Asset Improvement programme and asset shutdowns.

With the weaker trading environment persisting during the second half, total closing inventory was higher than expectations at £134.5m (FY 2022: £86.8m), which also includes the impact of higher energy and raw material costs. Upon completion of our UK Asset Improvement programme in early 2024, we have the opportunity to start unwinding inventory over the next 1-2 years.

### **First PEEK in China; commercial ramp-up in FY 2024**

With commissioning concluding, including the successful production of first PEEK prior to commercial start-up, we will be ramping up commercial production from early 2024. The China facility, PVYX, will enable us to broaden our portfolio of PEEK grades, including a new Elementary type 2 PEEK grade, as well as target a number of key end-markets, particularly Automotive, Electronics and VAR. Close collaboration with customers continues, in support of their own growth plans in China. We also invested in some additional capability within China to support customers, for example in compounding. With a strong sales and supply chain team, our technical centre in Shanghai, and our new manufacturing assets, we are underpinning our future growth.

### **Capital expenditure set to reduce**

Growth investment remains the priority, with cash capital investment during the year of £38.5m (FY 2022: £45.5m), of which a significant proportion was to support our China manufacturing investments. A large proportion of the China investment was funded through utilisation of the Group's China banking facilities.

Other investments included our UK Asset Improvement programme (we anticipate this will be approximately £15m in total, with most spend already completed and a further £5m in FY 2024). This UK investment will support increased capacity due to batch sizes and faster cycle times, offering a total nameplate capacity in excess of 8,000 tonnes (approximately 1,000 tonnes of additional capacity gained from this investment). This supports growth for the years ahead and is particularly key in engagement with major OEMs for high volume opportunities in Aerospace, Automotive and the Magma programme.

After conclusion of these investments, we see a limited need for sizeable polymer capacity in the medium term, which will drive lower capital expenditure. Overall capital expenditure for FY 2024 is expected to be approximately £30m-£35m, or 8-10% of revenues. Over the medium term, this will include increased ESG related capital investment in our manufacturing facilities, to support decarbonisation. Current ESG related capital expenditure remains relatively small and is primarily for our Continuous Improvement (CI) activities. Our increased capacity is expected to enhance asset efficiency.

### **Cashflow**

Cash generated from operations was £42.9m (FY 2022: £90.7m), giving an operating cash conversion<sup>1</sup> of 18% (FY 2022: 49%). This was driven by the weaker trading environment and increased inventory. We expect to see an improvement on operating cash conversion in FY 2024.

Cash and other financial assets at 30 September 2023 was £33.5m (FY 2022: £68.8m). This lower cash position reflects weaker demand and capital expenditure. It also includes £3.4m ring-fenced in our China subsidiaries (FY 2022: £2.8m) and other financial assets of £0.1m, representing cash which was held in deposit accounts



greater than three months in duration (FY 2022: £10.1m). With utilisation of the Group's China bank facilities – put in place for the period of investment in new China manufacturing assets – borrowings (current and non-current) at 30 September 2023 were £39.7m (FY 2022: £22.5m).

In Bond 3D, which is making good progress in porous PEEK spinal cages for medical, with regulatory approval planned in FY 2024, we committed a further £2.9m in convertible loan notes during the year. This takes the total carrying value of assets in Bond 3D to £18.8m (FY 2022: £17.0m). Further investment is required to complete the development phase and fund through to cash break-even, with the Bond board targeting new investors during 2024.

In February 2023 we paid the 2022 full year final dividend of 46.14p/share at a cash cost of £40.1m and in July 2023 paid the interim dividend of 13.42p/share at a cash cost of £11.7m. After the year end, the Group renewed its UK banking facilities, increasing the level of facilities to £60m (£40m committed and £20m accordion) to reflect higher inventory and provide support against the current weaker trading environment. The facility expires in October 2026.

### **Dividends**

Despite the weaker trading environment during the year, the Board is proposing to maintain the final dividend at 46.14p/share (FY 2022: 46.14p/share), which reflects the Group being well placed for a macro-economic recovery. Underlying dividend cover<sup>1</sup> was 1.3x (FY 2022: 1.6x). The Group intends to grow the regular dividend in line with earnings growth once dividend cover returns closer to 2x.

### **Capital allocation; share buybacks a consideration, alongside special dividends**

Whilst growth investment remains the focus for the Group, we note the income attractions of Victrex, with a cash generative business model. We continue to review a number of potential investment opportunities, particularly in Medical as we see significant opportunities to enhance our portfolio. Following engagement with shareholders during the year, share buybacks are now included as an option for future shareholder returns, alongside special dividends, within our capital allocation policy. Reflecting the liquidity of Victrex shares, any future buyback programme is likely to require a lower cash level than that required for special dividends. Current cash resources would not support a sufficient buyback programme at this time, although we note the prospect of improving cashflows as capital expenditure reduces and inventory levels come down.

### **Sustainability**

Victrex's Sustainability credentials are strong as part of our 'People, Planet and Products' agenda. During the year we saw sustainable product revenues increase to 55%<sup>2</sup> (FY 2022: 48%). At the end of FY 2023, we concluded our SBTi submission, aligning our goals with Science Based Targets across scope 1, 2 and 3 and a range of decarbonisation options available for us. Post review and validation by SBTi, we expect to communicate exact reduction targets during FY 2024, which will be equivalent to an annualised reduction of approximately 4% to 2050.

### **FY 2024: Sustainable Solutions & Medical**

Following the retirement of our Chief Commercial Officer, Martin Court, we are further enhancing our focus on delivering growth through the creation of our Sustainable Solutions (formerly Industrial) and Medical business areas for FY 2024 onwards. These will be led by Managing Directors Michael Koch and John Devine respectively. The re-positioning of Industrial to Sustainable Solutions has been driven by how we are increasingly demonstrating the technical, environmental or societal benefits our products bring to customers.

### **Mid-term growth targets**

Our new mid-term core growth targets 5-7% CAGR on revenue in the five year period of our strategic plan. This is broadly in line with our performance on sales volume since 2015 (excluding Consumer Electronics). These targets reflect the opportunity from a macro-economic recovery in our core business, with the ability to grow faster than the wider market through new and differentiated applications, including growth in China. As our mega-programmes further increase their commercialisation – whilst noting growth rates will be influenced by the timing of milestones achieved and the adoption pathway – we see upside potential towards double-digit growth (8-10%). With improved operating leverage and more modest investment expected, PBT has the opportunity to grow faster than revenue.

We are also targeting £25m-£35m of revenues from mega-programmes in FY 2025 (current mega-programme revenues of £11m, which excludes £6m of Gears revenue).

## **Outlook – a slow start but well placed for recovery & growth**

The Group is expecting good progress in revenue and PBT for FY 2024, subject to an improving macro-economic outlook. Volumes have the potential for double-digit growth although, at this early stage, we have yet to see signs of a macro recovery, with a slow start to our typically seasonally weak Q1. Consequently, growth is expected to be second half weighted, which is consistent with some end-market indicators pointing to improvement during 2024. Demand continues to be soft in Electronics, Energy & Industrial and VAR. Automotive and Aerospace remain positive, with Medical also expected to deliver full year growth.

Input costs are tracking lower year-on-year, although there remains the potential for energy volatility. Within operating overheads, we expect only limited increases, despite wage inflation and bonus accrual. However, the effect of lower asset utilisation and start-up costs in China will have some effect on our cost of manufacture and gross margin. In relation to currency, whilst spot rates imply a headwind, our hedging will offset this impact to PBT.

Overall, the Group is well placed for recovery and growth. With a strong and diversified core business, increasing commercialisation in our mega-programmes, well invested assets and incremental capacity, and the opportunity for cashflow improvement, our investment proposition remains strong.

### **Jakob Sigurdsson**

Chief Executive, 5 December 2023

<sup>1</sup> **Alternative performance measures are defined in note 16**

<sup>2</sup> **Other internal metrics are defined below**

## DIVISIONAL REVIEW

### Sustainable Solutions (formerly Industrial)

	12 Months Ended 30 Sep 2023 £m	12 Months Ended 30 Sep 2022 £m	% Change (reported)	% Change (constant currency)
Revenue	241.8	282.7	-14%	-17%
Gross profit	110.5	124.8	-11%	-14%

Victrex's divisional performance is reported through Sustainable Solutions (formerly Industrial) and Medical. The Group continues to provide an end-market based summary of our performance and growth opportunities. Within Sustainable Solutions end-markets, we have the Energy & Industrial, Value Added Resellers (VAR), Transport (Automotive & Aerospace) and Electronics.

A summary of all the mega-programmes and the strong progress made during the year, is covered earlier in this report.

#### Weaker end markets driving revenue down 14%

The Sustainable Solutions division saw revenue of £241.8m (FY 2022: £282.7m), down 14% on the prior year, with a decline across Electronics, Energy & Industrial and VAR, as these end markets remain weak. Revenue in constant currency was down 17%. With improved pricing and a more favourable sales mix, gross margin was up by 160bps to 45.7% (FY 2022: 44.1%).

#### Energy & Industrial

Energy & Industrial sees our materials used in a range of energy applications where Victrex™ PEEK has a long-standing track record of durability and performance benefit in many demanding Oil & Gas applications. Sales volume of 639 tonnes, was down 23% on the prior year (FY 2022: 830 tonnes), reflecting the weaker performance across this area, which is currently a challenging end-market. Industrial (which makes up more than half of this segment) is driven by global activity levels and capital goods equipment, which was weaker during the period.

Elsewhere in the new energy space, we continue to assess applications in Hydrogen, where PEEK's inert nature and durability could have a strong play. In Wind, we have gained business on wind energy applications supporting durability in harsh environments. Energy volumes overall were down 19%.

#### Value Added Resellers (VAR)

Victrex has significant business through VAR, much of which is specified by end users. End market alignment, whilst difficult to fully track, supports a similar alignment to our Sustainable Solutions end-markets, with the exception of Aerospace, where sales volumes are largely direct to OEMs or tier suppliers. VAR is often a good barometer of the general health of the supply chain, with VAR customers processing high volumes of PEEK into stock shapes, or compounds.

After a strong period of growth and a strong comparative, VAR saw a particularly challenging year, leading to a 39% decline in VAR volumes, to 1,304 tonnes (FY 2022: 2,122 tonnes). Destocking was a key contributor in VAR volumes falling significantly this year, as supply chains adjusted to weaker demand, continuing the volatility in order patterns seen since the start of the pandemic. Although visibility remains low, we are well placed for when the global economic environment improves, with VAR typically seeing a strong bounce back as demand improves and restocking commences.

#### Transport (Automotive & Aerospace)

Our Transport area builds on both legacy applications and new applications with the use of composites or new innovative materials in aircraft and electric vehicles. We continue to have a strong alignment to the CO2 reduction megatrend, with our materials offering lightweighting, durability, comfort, dielectric properties and heat resistance. As well as long standing core business within Automotive & Aerospace across a range of application areas, we also made good progress in our Transport related mega-programmes of E-mobility and Aerospace Composites.

Victrex plc Preliminary results 2023

Overall Transport sales volume was up 4% to 950 tonnes (FY 2022: 913 tonnes), with Aerospace up 20% and Automotive flat (Automotive revenue up 9%).

### **Automotive**

In Automotive, supply chains continue to impact growth, although we note market indicators support a return to modest car production growth in 2024, with S&P forecasting a 1-3% increase in car production (S&P October 2023). Core applications include braking systems, bushings & bearings and transmission equipment, with increasing opportunities and new business wins in electric vehicles, supporting a growing E-mobility business.

Translation across internal combustion engine (ICE) to electric vehicles (EVs) remains a net benefit opportunity, with current PEEK content averaging around 10g per car. Our assessment of the EV opportunity is now for a long term potential of over 200g per electric vehicle, with several application areas.

We also gained some new gear business in the e-bike market during the year, which is expected to grow.

### **Aerospace**

Aerospace volumes were up 20%, reflecting the benefit of plane build increasing during the year and new application growth. Application growth includes in Aptiv™ film and also our AE™250 PEEK grade (and use as composite tape). Emerging areas of business include the potential from PEEK's inert characteristics within fuel systems, including sustainable fuels. Our mega-programmes in Aerospace were consolidated into one programme of Aerospace Composites to simplify and focus resources. Aerospace Composites supports smaller and larger structural parts for Airbus, Boeing and tier companies, with qualifications well advanced, existing parts on planes and larger demonstrator parts being exhibited by major customers, ahead of commercial adoption.

FY 2023 also saw applications with COMAC start to yield growing revenue. Whilst relatively small at this stage (based on plane build of approximately two planes per month) we note the planned ramp up of production over the coming years.

The mid-term outlook for Aerospace is good. We continue to consider future plane build forecasts, with our assessment that over 53 million tonnes of CO2 could be saved over the next 15 years if all new single aisle planes were produced with over 50% PEEK composite content.

### **Electronics**

2023 was a tough year for the global Semiconductor market and Consumer Electronics. Volumes into Semiconductor typically make up close to half of our Electronics exposure. Total Electronics volumes were down 23% at 513 tonnes (FY 2022: 662 tonnes), though we note industry forecasts suggesting an improvement in 2024 for Semiconductor of 11.8% (WSTS October 2023).

Victrex has historic business in this end market, for core applications like CMP rings (for Semiconductor), as well as new applications utilising PEEK, including for Semiconductor, 5G, cloud computing and other extended application areas. Our Aptiv™ film business and small space acoustic applications remain well positioned, though consumer devices was an area significantly impacted by the global downturn.

Home appliances has been an area of growth in recent years and our impeller application business in high-end brands continues to offer good growth opportunities. These applications, with lighter materials and enhanced durability, also offer the opportunity for improved energy efficiency.

### **Regional trends**

With a more challenging global macro-economic environment, regional performance in Europe and North America was adversely affected, with North America being the most impacted.

Overall by region. Europe was down 25%, at 1,903 tonnes (FY 2022: 2,554 tonnes), driven by declines in Energy & Industrial and VAR primarily. North America was down 32% at 650 tonnes (FY 2022: 952 tonnes), principally driven by Energy & Industrial. Asia-Pacific was down 14% at 1,045 tonnes (FY 2022: 1,221 tonnes), as we saw declines in Electronics and VAR.

## Medical

	<b>12 Months Ended 30 Sep 2023 £m</b>	12 Months Ended 30 Sep 2022 £m	% Change (reported)	% Change (constant currency)
Revenue	<b>65.2</b>	58.3	+12%	+7%
Gross profit	<b>52.1</b>	49.7	+5%	+2%

Our strategy of Polymer & Parts also includes a goal of increasing the proportion of Medical revenues for the Group, above one-third of revenues by 2032 from a baseline year of FY 2022 (FY 2023 had Medical share of Group revenue at 21% vs FY 2022 at 17% of Group revenue). As a high value segment, this end market is seeing a broader range of opportunities to meet patient and surgeon requirements, as PEEK's performance supports improved patient outcomes. To date, over 15 million patients have PEEK implanted devices.

Medical saw a record performance in FY 2023, driven by further recovery of elective surgeries post pandemic, and new application growth. Revenue in Medical was up 12% at £65.2m (FY 2022: £58.3m). In constant currency, Medical revenue was up 7%.

Gross profit was £52.1m (FY 2022: £49.7m) and gross margin was slightly lower at 79.9% (FY 2022: 85.2%) primarily reflecting sales mix and the higher growth in non-Spine. We continue to see faster growth in non-Spine as we purposely target emerging or developing application areas in Cardio, Drug Delivery and Active Implantables. Geographically, Asia-Pacific revenues were up 31% year on year, with Medical revenues in the US up 4% and Europe up 9%.

Progress on the Medical mega-programmes is covered in the operating review.

### Medical strategy

Our Medical aspirations are for our solutions to treat a patient every 15-20 seconds by 2027 (from approximately 25-30 seconds now) and the Group is prioritising targeted investment in Medical, including a New Product Development Centre of Excellence in Leeds, UK, which opened during the year. This facility will support customer scale up in Trauma and Knee, aligned to major medical device companies, as well as working closely with academia. It was one of the key overhead investment items in FY 2023, as we build additional capability and skills in this area, with approximately 25 new roles initially.

Our Medical manufacturing capability is already strong in driving innovation for our parts businesses. As we focus on scale up, we have established a manufacturing partner for Trauma plates, Paragon Medical (Paragon), in China, whilst retaining the design and development know-how. Paragon, who are contracted by many of the major global medical device companies, will help us to meet the initial excess demand. Our customer base is growing in this area, with additional development agreements now in place.

### Spine and non-Spine

Non-Spine offers the highest growth area for our core business over the medium term. Several application areas have seen good growth, including Arthroscopy and Cranio Maxillo-Facial (CMF). CMF also offers us an opportunity through 3D printed parts, with new product grades introduced in this area, driving growth of 38% this year.

Our current revenue split shows 46% of segmental revenue from Spine and 54% non-Spine. Next generation Spine products will be key in maintaining PEEK's position in this segment, including the opportunity for Porous PEEK, where a spinal cage can support bone-in growth as well as bone-on growth. A US 510k submission is targeted during FY 2024. Whilst we continue to innovate and develop new products for Spine, partly through our associate investment in Bond 3D, usage of 3D printed titanium cages continues, largely in the US. PEEK within Spinal fusion remains strong in Asia and Europe. In China, we are mindful of both the opportunities and risks from the emerging volume-based procurement (VBP) approach, The first VBP cycle for Spine occurred during FY 2023 with the cycle for some other applications expected during FY 2024. Our premium and

differentiated PEEK-OPTIMA™ HA Enhanced product (POHAE) – to drive next generation Spine procedures – is one part of our strategy, alongside the introduction of Porous PEEK, to grow our Medical business, with annualised revenues being approximately £2m and good opportunities globally, and in Asia particularly.

Other non-Spine applications include Cardio. More than 250,000 patients have now benefited from PEEK being used in heart pumps, containing implantable grade PEEK. We also introduced a new pharmaceutical grade, PC-101, for use in drug delivery devices and pharmaceutical contact.

**Other internal metrics:**

In addition to the Alternative performance measures defined in note 17 there are a number of other internal metrics, which are used by the Board in evaluating performance, and are referenced in this report, but do not meet the definition for an APM. The measures are as follows:

- Sales from New Products as a percentage of Group sales is used by the Board to measure the success of driving adoption of the new product pipeline. It measures Group sales generated from certain mega-programmes, new differentiated polymers and other pipeline products that were not sold in the prior seven years as a percentage of total Group sales. This metric has been updated in FY 2023 with the prior year's metric, based on new products not sold before FY 2014.
- Sustainable revenues as a % of total revenues is calculated as the % of revenue earned from sustainable products, which are defined as those which offer a quantifiable environmental or societal benefit. These are primarily in automotive and aerospace (supporting CO2 reduction) but also in energy and industrial and electronics (e.g. wind energy applications, or those which support energy efficiency) and medical, supporting better patient outcomes.

## Consolidated Income Statement

		Year ended 30 September 2023	Year ended 30 September 2022
	Note	£m	£m
<b>Revenue</b>	4	<b>307.0</b>	341.0
Losses on foreign currency net hedging		<b>(7.6)</b>	(2.8)
Cost of sales		<b>(136.8)</b>	(163.7)
<b>Gross profit</b>	4	<b>162.6</b>	174.5
Sales, marketing and administrative expenses		<b>(70.8)</b>	(70.3)
Research and development expenses		<b>(18.6)</b>	(15.7)
<b>Operating profit before exceptional items</b>		<b>80.7</b>	96.4
Exceptional items	5	<b>(7.5)</b>	(7.9)
<b>Operating profit</b>		<b>73.2</b>	88.5
Financial income		<b>1.3</b>	0.5
Finance costs		<b>(0.7)</b>	(0.3)
Share of loss of associate		<b>(1.3)</b>	(1.0)
<b>Profit before tax and exceptional items</b>		<b>80.0</b>	95.6
Exceptional items	5	<b>(7.5)</b>	(7.9)
<b>Profit before tax</b>		<b>72.5</b>	87.7
Income tax expense	6	<b>(11.5)</b>	(12.2)
<b>Profit for the period</b>		<b>61.0</b>	75.5
Profit/(loss) for the period attributable to:			
Owners of the Company		<b>61.7</b>	76.2
Non-controlling interests		<b>(0.7)</b>	(0.7)
<b>Earnings per share</b>			
Basic	7	<b>70.9p</b>	87.6p
Diluted	7	<b>70.5p</b>	87.3p
<b>Dividends (pence per share)</b>			
Interim		<b>13.42</b>	13.42
Final		<b>46.14</b>	46.14
		<b>59.56</b>	59.56

A final dividend in respect of FY 2023 of 46.14p per ordinary share has been recommended by the Directors for approval at the Annual General Meeting on 9 February 2024.



## Consolidated Statement of Comprehensive Income

	Year ended 30 September 2023	Year ended 30 September 2022
	£m	£m
Profit for the period	<b>61.0</b>	75.5
<b>Items that will not be reclassified to profit or loss</b>		
Defined benefit pension schemes' actuarial (losses)/gains	<b>(6.9)</b>	0.2
Income tax on items that will not be reclassified to profit or loss	<b>1.4</b>	(0.1)
	<b>(5.5)</b>	0.1
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences for foreign operations	<b>(10.0)</b>	11.1
Effective portion of changes in fair value of cash flow hedges	<b>10.0</b>	(19.7)
Net change in fair value of cash flow hedges transferred to profit or loss	<b>7.6</b>	2.8
Income tax on items that may be reclassified to profit or loss	<b>(3.4)</b>	3.2
	<b>4.2</b>	(2.6)
<b>Total other comprehensive expense for the period</b>	<b>(1.3)</b>	(2.5)
<b>Total comprehensive income for the period</b>	<b>59.7</b>	73.0
Total comprehensive income/(expense) for the period attributable to:		
Owners of the Company	<b>60.4</b>	73.7
Non-controlling interests	<b>(0.7)</b>	(0.7)

## Consolidated Balance Sheet

		30 September 2023	30 September 2022
	Note	£m	£m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		351.2	347.2
Intangible assets		18.7	20.2
Investment in associated undertakings	8	9.1	10.4
Financial assets held at fair value through profit and loss	9	13.2	10.1
Financial assets at amortised cost		0.6	-
Deferred tax assets		5.6	7.2
Retirement benefit asset		9.7	14.9
		<b>408.1</b>	<b>410.0</b>
<b>Current assets</b>			
Inventories		134.5	86.8
Current income tax assets		1.3	7.9
Trade and other receivables		47.2	68.1
Derivative financial instruments	11	2.0	-
Other financial assets	12	0.1	10.1
Cash and cash equivalents		33.4	58.7
		<b>218.5</b>	<b>231.6</b>
<b>Total assets</b>		<b>626.6</b>	<b>641.6</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		(34.0)	(34.3)
Borrowings	10	(34.5)	(21.6)
Long term lease liabilities		(8.9)	(7.8)
Retirement benefit obligations		(2.5)	(2.7)
		<b>(79.9)</b>	<b>(66.4)</b>
<b>Current liabilities</b>			
Derivative financial instruments	11	(1.8)	(19.9)
Borrowings	10	(5.2)	(0.9)
Current income tax liabilities		(3.0)	(2.3)
Trade and other payables		(34.1)	(59.7)
Current lease liabilities		(1.6)	(1.8)
		<b>(45.7)</b>	<b>(84.6)</b>
<b>Total liabilities</b>		<b>(125.6)</b>	<b>(151.0)</b>
<b>Net assets</b>		<b>501.0</b>	<b>490.6</b>
<b>Equity</b>			
Share capital		0.9	0.9
Share premium		61.9	61.5
Translation reserve		2.8	12.8
Hedging reserve		0.6	(13.6)
Retained earnings		432.8	427.2
Equity attributable to owners of the Company		<b>499.0</b>	<b>488.8</b>
Non-controlling Interest	13	2.0	1.8
<b>Total equity</b>		<b>501.0</b>	<b>490.6</b>

## Consolidated Cash Flow Statement

		Year ended 30 September 2023	Year ended 30 September 2022
	Note	£m	£m
<b>Cash flows from operating activities</b>			
Cash generated from operations	15	42.9	90.7
Interest received		1.0	0.3
Interest paid		(0.2)	(0.4)
Net income tax paid		(2.0)	(10.6)
<b>Net cash flow generated from operating activities</b>		<b>41.7</b>	<b>80.0</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(38.5)	(45.5)
Withdrawal of cash invested for greater than three months		10.0	27.4
Proceeds from disposal of financial asset held at fair value through profit and loss		-	4.2
Other loans granted		(0.9)	-
Loan to associated undertakings		(2.9)	(2.3)
<b>Net cash flow used in investing activities</b>		<b>(32.3)</b>	<b>(16.2)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares exercised under option		0.4	0.4
Repayment of lease liabilities		(2.1)	(2.1)
Transactions with non-controlling interests		2.6	-
Bank borrowings received		19.0	14.5
Bank borrowings repaid		(0.9)	-
Interest on bank borrowings paid		(0.9)	-
Dividends paid		(51.8)	(95.2)
<b>Net cash flow used in financing activities</b>		<b>(33.7)</b>	<b>(82.4)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(24.3)</b>	<b>(18.6)</b>
Effect of exchange rate fluctuations on cash held		(1.0)	2.4
Cash and cash equivalents at beginning of period		58.7	74.9
<b>Cash and cash equivalents at end of period</b>		<b>33.4</b>	<b>58.7</b>

## Consolidated Statement of Changes in Equity

	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Equity at 1 October 2022</b>	<b>0.9</b>	<b>61.5</b>	<b>12.8</b>	<b>(13.6)</b>	<b>427.2</b>	<b>488.8</b>	<b>1.8</b>	<b>490.6</b>
<b>Total comprehensive income for the period</b>								
Profit for the period attributable to the parent	-	-	-	-	61.7	61.7	-	61.7
Loss for the period attributable to non-controlling interest	-	-	-	-	-	-	(0.7)	(0.7)
<b>Other comprehensive (expense)/income</b>								
Currency translation differences for foreign operations	-	-	(10.0)	-	-	(10.0)	-	(10.0)
Effective portion of changes in fair value of cash flow hedges	-	-	-	10.0	-	10.0	-	10.0
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	7.6	-	7.6	-	7.6
Defined benefit pension schemes' actuarial losses	-	-	-	-	(6.9)	(6.9)	-	(6.9)
Tax on other comprehensive (expense)/income	-	-	-	(3.4)	1.4	(2.0)	-	(2.0)
<b>Total other comprehensive (expense)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(10.0)</b>	<b>14.2</b>	<b>(5.5)</b>	<b>(1.3)</b>	<b>-</b>	<b>(1.3)</b>
<b>Total comprehensive (expense)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(10.0)</b>	<b>14.2</b>	<b>56.2</b>	<b>60.4</b>	<b>(0.7)</b>	<b>59.7</b>
<b>Contributions by and distributions to owners of the Company</b>								
Adjustment arising from additional investment by non-controlling interest	-	-	-	-	-	-	0.9	0.9
Share options exercised	-	0.4	-	-	-	0.4	-	0.4
Equity-settled share-based payment transactions	-	-	-	-	1.1	1.1	-	1.1
Tax on equity-settled share-based payment transactions	-	-	-	-	0.1	0.1	-	0.1
Dividends to shareholders	-	-	-	-	(51.8)	(51.8)	-	(51.8)
<b>Equity at 30 September 2023</b>	<b>0.9</b>	<b>61.9</b>	<b>2.8</b>	<b>0.6</b>	<b>432.8</b>	<b>499.0</b>	<b>2.0</b>	<b>501.0</b>

	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Equity at 1 October 2021</b>	<b>0.9</b>	<b>61.1</b>	<b>1.7</b>	<b>0.1</b>	<b>445.4</b>	<b>509.2</b>	<b>2.5</b>	<b>511.7</b>
<b>Total comprehensive income for the year</b>								
Profit for the year attributable to the parent	-	-	-	-	76.2	76.2	-	76.2
Loss for the year attributable to non-controlling interest	-	-	-	-	-	-	(0.7)	(0.7)
<b>Other comprehensive income/(expense)</b>								
Currency translation differences for foreign operations	-	-	11.1	-	-	11.1	-	11.1
Effective portion of changes in fair value of cash flow hedges	-	-	-	(19.7)	-	(19.7)	-	(19.7)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	2.8	-	2.8	-	2.8
Defined benefit pension schemes' actuarial gains	-	-	-	-	0.2	0.2	-	0.2
Tax on other comprehensive income/(expense)	-	-	-	3.2	(0.1)	3.1	-	3.1
<b>Total other comprehensive income/(expense) for the year</b>	-	-	11.1	(13.7)	0.1	(2.5)	-	(2.5)
<b>Total comprehensive income/(expense) for the year</b>	-	-	11.1	(13.7)	76.3	73.7	(0.7)	73.0
<b>Contributions by and distributions to owners of the Company</b>								
Share options exercised	-	0.4	-	-	-	0.4	-	0.4
Equity-settled share-based payment transactions	-	-	-	-	1.8	1.8	-	1.8
Tax on equity-settled share-based payment transactions	-	-	-	-	(1.1)	(1.1)	-	(1.1)
Dividends to shareholders	-	-	-	-	(95.2)	(95.2)	-	(95.2)
<b>Equity at 30 September 2022</b>	<b>0.9</b>	<b>61.5</b>	<b>12.8</b>	<b>(13.6)</b>	<b>427.2</b>	<b>488.8</b>	<b>1.8</b>	<b>490.6</b>

## Notes to the Financial Report

### 1. Reporting entity

Victrex plc (the 'Company') is a public company, which is limited by shares and is listed on the London Stock Exchange. This Company is incorporated and domiciled in the United Kingdom. The address of its registered office is Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire FY5 4QD, United Kingdom.

The consolidated financial statements of the Company for the year ended 30 September 2023 comprise the Company and its subsidiaries (together referred to as the 'Group').

The consolidated financial statements were approved for issue by the Board of Directors on 5 December 2023.

### 2. Basis of preparation

Both the consolidated and Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted International Accounting Standards. The financial statements have been prepared under the historical cost basis except for derivative financial instruments, defined benefit pension scheme assets and financial assets held at fair value through profit and loss, which are measured at their fair value.

The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the FY 2023 Annual Report. In addition, note 16 (financial risk management) in the financial statements of the FY 2023 Annual Report details the Group's exposure to a variety of financial risks, including currency and credit risk.

The financial information set out in this document does not constitute the Group's statutory financial statements for the years ended 30 September 2023 or 2022 but is derived from those financial statements. Statutory financial statements for the year ended 30 September 2023 and 30 September 2022 have been reported on by the auditors who issued an unqualified opinion and did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or s498(3) of the Companies Act 2006 in respect of both years in the auditors' reports for FY 2023 and FY 2022. Statutory accounts for the year ended 30 September 2022 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 September 2023, will be delivered to the Registrar of Companies within the Companies House accounts filing guidance. A separate announcement will be made when the FY 2023 Annual Report is made available on the Company's website in January 2024.

#### Climate change

In preparing the financial statements of the Group an assessment of the impact of climate change has been made in line with the requirements of the Task Force on Climate-Related Financial Disclosures ("TCFD") and with specific consideration of the disclosures made in the Sustainability report starting on page 42 of the FY 2023 Annual Report. This has specifically incorporated the impact of the physical risks of climate change, transitional risks including the potential impact of government and regulatory actions as well as the Group's stated Net Zero targets. The potential impact has been considered in the following areas:

- the key areas of judgement and estimation
- the expected useful lives of property, plant and equipment
- those areas which rely on future forecasts which have the potential to be impacted by climate change:
  - o carrying value of non-current assets
  - o going concern
  - o viability
- the recoverability of deferred taxation assets
- the recoverability of inventory and trade receivables

The Directors recognise the inherent uncertainty in predicting the impact of climate change and the actions which regulators and governments, both domestic and overseas, will take in order to achieve their various targets. However from the work undertaken to date, outlined in the Sustainability report, the Directors have reached the overall conclusion that there has been no material impact on the financial statements for the current year from the potential impact of climate change.

The Group's analysis on the impact of climate change continues to evolve as more clarity on timings and targets emerges, with Victrex committed to reducing its carbon impact towards Net Zero across all scopes by 2050.

### Use of Judgements and estimation uncertainty

The Group uses estimates and assumptions in applying the critical accounting policies to value balances and transactions recorded in the financial statements. The estimates and assumptions that, if revised, would have a significant risk of a material impact on the valuation of assets and liabilities within the next financial year are retirement benefits, the valuation of inventory, the carrying value of the investment in associate and fair value of convertible loan notes held in Bond 3D High Performance Technology BV ("Bond"). The latter two were disclosed as "Other areas of judgement and sources of estimation uncertainty" in FY 2022 Annual Report. At 31 March 2023 the directors reassessed this resulting in the reclassification to "critical judgement and key source of estimation uncertainty". This conclusion was reached in the knowledge that further investment was required to support Bond through to net cash generation, the economic environment had tightened the financing market for early-stage businesses, there were delays to the delivery of the key milestones and current funding was only sufficient to sustain Bond through to mid-FY 2024. The directors therefore concluded there was an increased risk of a material change to the carrying values of both the investment in associate and convertible loans in the next 12 months.

### Going Concern

The Directors have performed a robust going concern assessment including a detailed review of the business' 24-month rolling forecast and consideration of the principal risks faced by the Group and the Company, as detailed on pages 32 to 38 of the FY 2023 Annual Report. This assessment has paid particular attention to current trading results and the impact of the current global economic challenges on the aforementioned forecasts.

The Group maintains a strong balance sheet providing assurance to key stakeholders, including customers, suppliers and employees. The combined cash and other financial assets balance at 30 September 2023 was £33.5m, having reduced from £68.8m at 30 September 2022 following payment of the regular dividends of £40.1m in February 2023 and £11.7m in June 2023 and a strategic increase in the level of inventory held. Of the £33.5m, £3.4m is held in the Group's subsidiaries in China for the sole purpose of funding the construction of our new manufacturing facilities. Of the remaining £30.1m, approximately 70% is held in the UK, on instant access, where the company incurs the majority of its expenditure. The Group has drawn debt of £31.6m in its Chinese subsidiaries (with a total facility of c.£34.2m available until December 2026) and has unutilised UK banking facilities, renewed and extended in October 2023, of £60m through to October 2026, of which £40m is committed and immediately available and £20m is available subject to lender approval.

The 24-month forecast is derived from the company's Integrated Business Planning ("IBP") process which runs monthly. Each area of the business provides forecasts which consider a number of external data sources, triangulating with customer conversations, trends in market and country indices as well forward-looking industry forecasts. For example, forecast aircraft build rates from the two major manufacturers for Aerospace, rig count and purchasing manager indices for E&I, World Semiconductor Trade Statistics semiconductor market forecasts for Electronics and Needham and IQVIA forecasts for Medical procedures.

The assessment of going concern included conducting scenario analysis on the aforementioned forecast which, given current economic forecasts and sales trends through the financial year ended 30 September 2023, where volumes dropped 24% year on year and 33% in the second half, exacerbated by rapid customer destocking, focused on the Group's ability to sustain a further period of suppressed demand. In assessing the severity of the scenario analysis the scale and longevity of the impact experienced during previous economic downturns has been considered, including the differing impacts on Sustainable Solutions versus Medical segments.

Using the IBP data and reference points from previous downturns management has created two scenarios to model the continuing effect of lower demand at regional/market level and aggregated levels on the company's profits and cash generation through to December 2024 with consideration also given to the six months beyond this. The impact of climate change and the Group's Net Zero 2050 goal (Scope 1, 2 & 3) are considered as part of the aforementioned IBP process, from both a revenue and cost perspective, with the anticipated impact (assessed as insignificant over the shorter-term going concern period) incorporated in the forecasts. As a result the scenario testing noted below does not incorporate any additional sensitivity specific to climate change.

During the second half of FY 2023 the drop in sales to a quarterly run rate of c.830 tonnes reflected the continuation of the contraction in demand in the global economy, which started in the first quarter of FY 2023, and also the rapid destocking by customers as they managed their inventory and had extended shutdowns. This level of demand is not inconsistent with that seen during COVID-19 with Q2 and Q4 for 2020 at similar levels and Q3 lower due to global lockdowns. Other than in the current economic cycle and during COVID-19 demand has not been at this level during the past decade. With customers now largely destocked the Board believe the low point of the economic cycle has been reached, and whilst there are limited signs of a return to growth, demand has stabilised. As a result the key downside risk is that of an extended period of subdued demand. The current downturn has been running for 12 months, already longer than the previous downturns during COVID-19 and the financial crisis, but with no clear signs of recovery, the Board has considered the impact of reduced demand, in line with the lowest quarter of the previous year, Q3, for a further 6 months (scenario 1) and a further 12 months (scenario 2). As noted above, the lower cash balance at 30 September 2023 is, apart from lower sales volumes, attributable to an increase in the level of inventory held. Current forecasts assume a gradual reduction in inventory across FY 2024 and FY 2025 with inventory providing the

opportunity to benefit from market recovery. The scenarios modelled assume that a more aggressive inventory unwind approach is taken to mitigate the ongoing lower cash generation from subdued volumes.

Scenario 1 – the global economy remains subdued through the first half of FY 2024 with demand in line with the low point in FY 2023, quarter 3, before a slow recovery in the second half of FY 2024. The demand then increases modestly through the second half to c.1,900 tonnes before further modest growth for the remainder of the going concern period. Medical revenue remains in line with that seen during the past 12 months run rate, with the economic situation historically having minimal impact on this segment, in line with the experience of the past 12 months. Inventory is reduced in line with sales.

Scenario 2 – in line with scenario 1 through the first half of FY 2024, with this lower demand continuing for a further 12 months, i.e. throughout the going concern period, taking the total period of lower demand to in excess of 24 months, well above the duration of any previous downturn experienced by the company. This would give an annual volume below c.3,300 tonnes, a level not seen since 2013. In this scenario Medical revenue is reduced by 10% during the second six months to reflect a limited impact from a longer lasting slowdown. With the period of prolonged lower demand, a more aggressive unwind of the inventory balance has been assumed. Inventory is reduced in line with sales. The Group considers scenario 2 to be a severe but plausible scenario.

Commercial sales from the new PEEK manufacturing facility in China are expected in early 2024, a consequence of which is that the entity will require additional funding to see it through to net cash generation. In concluding on the going concern position, it has been assumed that Victrex will provide the additional funds in full, which the board consider to be the worst case scenario.

Before any mitigating actions the sensitised cash flows show the company has significantly reduced cash headroom, which would require use of the committed facility during the going concern period. The level of facility drawn down is higher in Scenario 2 but in neither scenario is the committed facility fully drawn, nor drawn for the whole year. With cash levels lower than has historically been the case for Victrex, the company has identified a number of mitigating actions which are readily available to increase the headroom. These include:

- Use of committed facility – £40m could be drawn at short notice. Conversations with our banking partners indicate that the £20m uncommitted accordion could also be readily accessed. The covenants of the facility have been successfully tested under each of the scenarios;
- Deferral of capital expenditure – the base case capital investment over the next 12 months is lower than recent years at approximately £30-£35m with major projects completed in China and the UK. This could be reduced significantly by limiting expenditure to essential projects, deferring all other projects later into 2025 or beyond;
- Reduction in discretionary overheads – costs would be limited to prioritise and support customer related activity;
- Reduction in inventory levels – inventory has been increased to provide additional security during plant shutdowns and to provide sufficient inventory to respond to a rapid economic recovery. The scenarios noted above include an acceleration of the inventory unwind but a more aggressive approach could be taken to provide additional cash resources; and
- Deferral/cancellation of dividends – the Board considers the cash position and interests of all stakeholders before recommending payment of a dividend. A dividend has been proposed for payment in February 2024 of c.£40m and in the past an interim dividend of c.£12m has been paid in June, giving a combined annual outflow of c.£52m.

Reverse stress testing was performed to identify the level that sales would need to drop by in order for the Group to run out of cash by the end of the going concern assessment period. Sales volumes would need to consistently drop materially below the low point in scenario 2 which is not considered plausible.

As a result of this detailed assessment and with reference to the company's strong balance sheet, existing committed facilities and the cash preserving levers at the company's disposal, but also acknowledging the current economic uncertainty with a number of global economies close to/in recession, the war in Ukraine continuing and tensions in the Middle East, the Board has concluded that the company has sufficient liquidity to meet its obligations when they fall due for a period of at least 12 months after date of this report. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

### **3. Significant accounting policies**

The accounting policies applied by the Group in these condensed financial statements are the same as those applied in the Group's 2022 Annual Report and Financial Statements except for the application of relevant new standards. None of the new standards have had a material impact on the Group's consolidated result or financial position.



#### 4. Segment reporting

The Group's business is strategically organised as two business units (operating segments): Sustainable Solutions (formerly Industrial), which focuses on our Energy & Industrial, VAR, Transport and Electronics markets, and Medical, which focuses on providing specialist solutions for medical device manufacturers.

	Year ended 30 September 2023			Year ended 30 September 2022		
	Sustainable Solutions	Medical	Group	Sustainable Solutions	Medical	Group
	£m	£m	£m	£m	£m	£m
Segment revenue	250.3	65.2	315.5	285.8	58.3	344.1
Internal revenue	(8.5)	-	(8.5)	(3.1)	-	(3.1)
<b>Revenue from external sales</b>	<b>241.8</b>	<b>65.2</b>	<b>307.0</b>	282.7	58.3	341.0
<b>Segment gross profit</b>	<b>110.5</b>	<b>52.1</b>	<b>162.6</b>	124.8	49.7	174.5

#### 5. Exceptional items

Items that are, in aggregate, material in size and/or unusual or infrequent in nature, are included within operating profit and disclosed separately as exceptional items in the Consolidated Income Statement.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the Consolidated Income Statement, helps provide an indication of the underlying performance of the Group.

	Year ended 30 September 2023 £m	Year ended 30 September 2022 £m
<b>Included within sales, marketing and administrative expenses</b>		
Implementation of SaaS ERP system	7.5	7.9
<b>Exceptional items before tax</b>	<b>7.5</b>	7.9
Tax on exceptional items	(1.7)	(1.5)
<b>Exceptional items after tax</b>	<b>5.8</b>	6.4

#### Implementation of SaaS ERP system

During FY 2022 the Group commenced a multi-year implementation of a new cloud-based ERP system. The implementation costs treated as exceptional include process redesign, customisation and configuration of the system, change management and training, which will deliver benefits to both customer interactions and internal business processes.

The new ERP system does not meet the criteria for capitalisation (as the majority of costs relating to past systems have), in line with the IFRS Interpretations Committee's decision clarifying how arrangements in respect of cloud based software as a service (SaaS) systems should be accounted for. Accordingly, the cost is expensed rather than capitalised and amortised. Given the size of the project and its impact on the reported profit-based metrics, the fact the system is evergreen and thus this level and nature of cost will not happen again, it meets the Group's criteria to be presented as exceptional. The ERP system is expected to be substantially complete in 2024.

The cash flow in the year associated with exceptional items was a £7.6m outflow (FY 2022: £5.6m outflow).

## 6. Income tax expense

	Year ended 30 September 2023	Year ended 30 September 2022
	£m	£m
UK corporation tax	5.5	9.0
Overseas tax	2.5	2.4
Deferred tax	3.2	1.7
Tax adjustments relating to prior years	0.3	(0.9)
<b>Total tax expense in income statement</b>	<b>11.5</b>	<b>12.2</b>
Effective tax rate	<b>15.9%</b>	<b>13.9%</b>

Deferred tax assets/liabilities have been recognised at the rate they are expected to reverse. For UK assets/liabilities this is 25% for the majority of assets and liabilities (30 September 2022: 25%), being the UK tax rate effective from 1 April 2023. For overseas assets/liabilities the corresponding overseas tax rate has been applied.

## 7. Earnings per share

	Year ended 30 September 2023	Year ended 30 September 2022
<b>Earnings per share</b> – basic	<b>70.9p</b>	87.6p
– diluted	<b>70.5p</b>	87.3p
<b>Profit for the financial period attributable to the owners of the company (£m)</b>	<b>61.7</b>	76.2
<b>Weighted average number of shares used</b> – basic	<b>86,937,187</b>	86,897,353
– diluted	<b>87,496,409</b>	87,239,312

## 8. Investment in associated undertakings

### Bond 3D High Performance Technology BV (“Bond”)

Bond is a company incorporated in the Netherlands, developing unique, protectable 3D printing (Additive Manufacturing) processes which are capable of producing high strength parts from existing grades of PEEK and PAEK polymers. The investment offers the potential of utilising this technology to help accelerate the market adoption of 3D printed PEEK parts, with particular emphasis on the Medical market.

The total carrying value of assets held with Bond as at 30 September 2023 is £18.8m (30 September 2022: £17.0m), comprising investment in associate of £9.1m (30 September 2022: £10.4m) and convertible loan notes of £9.7m (30 September 2022: £6.6m).

#### Investment in associate

The Group's investment in the ordinary share capital of Bond at 30 September 2023 is €14.7m/£12.9m (24.5%) at cost (30 September 2022: same), with a carrying value of £9.1m (30 September 2022: £10.4m) which includes the impact of the Group's share of losses since investment. Bond's share capital consists solely of ordinary shares. For the year to 30 September 2023 the Group's share of Bond's losses was £1.3m (30 September 2022: £1.0m). As the Group is considered to have significant influence, but not control, in Bond, the investment continues to be accounted for as an associate using the equity method with the investment being held at cost less post-acquisition losses and subject to impairment.

#### Convertible loan notes (CLAs) due from Bond

The Group has also been providing regular cash injections to Bond in the form of CLAs. The CLAs are convertible into ordinary shares of Bond, at the Group's option, or are to be repaid by Bond on or before the end of the five-year agreed term. The majority of the CLAs accrue interest which is accumulated into the value of the CLA and attracts the same conversion rights as the principal. The CLAs have preferential treatment to the ordinary equity in an exit scenario.

The convertible loan notes due from Bond as at 30 September 2023 are as follows:

	Interest rate	Principal	As at 1 October 2022	Interest accrued	CLA drawdown	Currency movement	As at 30 September 2023
Convertible loan note agreements	%	€m	€m	€m	€m	€m	€m
CLA 1	3.0	0.3	0.3	—	—	—	0.3
2020 CLA	N/A	2.0	2.0	—	—	—	2.0
2021 CLA	6.0	6.7	5.1	0.4	1.9	—	7.4
2023 CLA	6.0	3.1	—	—	1.5	—	1.5
<b>Total (€m)</b>			<b>7.4</b>	<b>0.4</b>	<b>3.4</b>	<b>—</b>	<b>11.2</b>
<b>Total (£m)</b>			<b>6.6</b>	<b>0.4</b>	<b>2.9</b>	<b>(0.2)</b>	<b>9.7</b>

Under the 2023 CLA a further €1.6m will be advanced to Bond, subject to the satisfactory completion of pre-determined milestones, which are expected to be completed during FY 2024.

If all the CLA's are fully converted to equity, including the accumulated interest, Victrex's ownership interest will increase to 45.5%.

The CLA's in Bond do not meet the criteria to be classified as amortised cost nor FVTOCI, as the cash flows are not solely payments of principal and interest due to the existence of conversion rights and are therefore classified as FVTPL. The transaction value is considered materially equal to the fair value of the convertible loan for initial recognition.

In the absence of an arm's length transaction in the equity of Bond there remains a lack of observable market inputs for subsequent fair value assessments which results in the instrument continuing to be classified as Level 3. No gains or losses on the valuation of the CLA's have been recognised in the year (FY 2022 – same). The use of unobservable inputs in measuring fair value is disclosed below.

***Critical judgements and key sources of estimation uncertainty in relation to the carrying value of investment in associate in Bond and fair value of convertible loan notes due from Bond***

The carrying value of investment in associate in Bond and the fair value of convertible loan notes due from Bond (together the "assets in Bond") both require the use of judgement and estimates. While the basis of measurement for each is different, as noted above, given the relative immaturity of Bond, both assessments are dependent on the delivery of the company's strategy and the inherent uncertainties therein.

The clearest evidence of carrying value of the assets in Bond would be an arm's length transaction in the equity of Bond, however, due to the market conditions and the Bond board's decision to obtain additional funding from existing shareholders until the perceived risk in the company has reduced following delivery of key milestones, no such evidence exists.

In the absence of this evidence and a lack of other observable market inputs the assessment is based on the future forecasts for the business with the application of a number of scenarios to provide a range of potential outcomes which are used to both assess for indicators of impairment of the associate and to determine the range of fair values for the convertible loan notes. In making this assessment the status of each of the key milestones identified as driving the business valuation has been considered. Assumptions on the discount rate have also been considered in determining the business valuation range.

The delivery of the strategy relies on key milestones being met in the optimisation of the technology, regulatory approval being obtained from the relevant medical authority for the resulting products and successful commercialisation. The CLA 2023 funding is sufficient to fund the business through to mid-FY 2024 at which point additional funding is required to deliver the strategy. Work on delivering these milestones was in progress at the 30 September 2023, with the outcome not necessarily being clear until early in 2024, or later for the successful commercialisation. The current funding market for early stage technology companies remains difficult, and therefore assessing the fair value of Bond, along with any impact on the carrying value of Victrex's investment, requires significant judgement and estimation.

Using the Bond strategic plan and forecast, the Board of Bond has developed a business valuation based on discounting future cash flows. The valuation takes into account the risks in the delivery of the plan and includes a number of unobservable input assumptions that market participants would use when valuing the business, including, for example, the total addressable market, level of market penetration achievable and industry growth rates.

Management has assessed a range of possible outcomes around the Bond business valuation by varying key inputs, which will have the largest impact on the valuation over the next 12 months, including a delay to achieving the technology optimisation required to make the

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products commercially viable and a delay to obtaining regulatory approval, a delay to the growth in sales forecast, an increase in the discount rate applied and a reduction in the assumed terminal growth rate.

A range of potential outcomes is illustrated below noting that additional funding is required by mid-FY 2024 across all scenarios:

- Scenario 1 – The strategy is delivered in full which based on the strategic forecasts would value the business in excess of the current carrying value resulting in an increase in the fair value of the convertible loan notes
- Scenario 2 – The strategy is delivered, but with a two year delay and the discount rate increased from 12% to 14%. This two year delay covers milestone delivery delays and sensitivity of the unobservable market inputs noted above. In this scenario the valuation is materially in line with the current carrying value of the assets in Bond
- Scenario 3 – Bond is able to gain additional funding but, due to delays in executing its strategy or other factors, the valuation of the company is such that existing shareholders are significantly diluted or exit at a loss. The protections associated with the convertible loan notes, which have preference on exit over equity, mean that this balance is recoverable at carrying value (£9.7m) but an impairment of the investment in associate of up to £9.1m is required.
- Scenario 4 - The technology is superseded and does not make it to market or further external funding cannot be obtained and the existing shareholders decide not to continue funding, which with minimal saleable assets, would result in the assets in Bond having little or no value, incurring a write down for the Company of up to £18.8m, considered to be the worst case outcome.

The analysis performed by the Board illustrates a wide range of potential outcomes, which is not uncommon given the relative immaturity of Bond and its current stage of development. It is likely to be a longer time period, in the absence of an arm's length equity transaction, before the range of outcomes can be reduced to such an extent that a fair value which is different to the initial fair value can be established with a sufficient degree of reliability. Therefore, cost is considered to be the best estimate of fair value, sitting with the range of possible outcomes, in line with the criteria of IFRS 9 – Financial Instruments.

In undertaking the above analysis, the Directors have considered whether there is any objective evidence that a loss event (or events), which would trigger the requirement to perform an impairment review, as detailed in IAS 28 Investments in Associates and Joint Ventures, exists at 30 September 2023. The Directors have concluded that the challenges facing Bond (for example delays, further funding requirements etc) are typical of experiences in early stage technology companies and therefore the requirement to perform an impairment review has not been triggered. The investment has therefore not been tested for impairment.

## 9. Financial assets held at fair value through profit and loss

At 30 September 2023, financial assets held at fair value through profit and loss relate to:

- Investment in Surface Generation Limited at £3.5m (30 September 2022: £3.5m)
- Convertible loans in Bond at £9.7m (30 September 2022: £6.6m). See also note 8 above.

## 10. Borrowings

	<b>As at 30 September 2023</b>	As at 30 September 2022
	<b>£m</b>	£m
<b>Due within one year</b>		
Bank loans	<b>5.2</b>	0.9
<b>Total due within one year</b>	<b>5.2</b>	0.9
<b>Due after one year</b>		
Bank loans	<b>26.4</b>	14.8
Loan payable to Non-controlling interest	<b>8.1</b>	6.8
<b>Total due after one year</b>	<b>34.5</b>	21.6

### Bank loans

RMB 44 million (£5.1m) of the amount due within one year relates to the working capital facility in China, which comprises RMB 50 million of the Group's total facility of RMB 300 million facility, the remaining RMB 250 million relates to the capital expenditure facility. Each drawdown under the working capital facility is required to be repaid at least annually, after which the balance can be redrawn. Interest is charged at the one-year Loan Prime Rate of People's Bank of China +50bps and is charged to the income statement, included within Finance costs. The remaining RMB 232 million (£26.5m, 30 September £15.7m), relating to the capital expenditure facility, is repayable in line with an agreed schedule up to December 2026, of which £0.1m (30 September 2022: £0.9m) is repayable within one year. Interest is charged at the five-year Loan Prime Rate of People's Bank of China, which has been in the range of 4.2% - 4.3% in the year ended 30 September 2023. The purpose of the loan is funding the construction of a manufacturing facility in China, with the interest payable

capitalised as part of qualifying capital expenditure within property, plant and equipment. During the year, interest of £0.9m (FY 2022: £0.3m) has been capitalised accordingly.

### Loan payable to Non-controlling interest

The Group's loan payable to the non-controlling interest is interest bearing at 4% per annum. Interest payable on the shareholder loan is rolled up into the value of the loan, until repayment occurs. The purpose of the shareholder loan is funding the construction of a manufacturing facility in China, with the interest payable capitalised as part of qualifying capital expenditure within property, plant and equipment.

During the year, in line with the shareholder loan agreement, a loan of RMB 15m (£1.7m) was received from the non-controlling interest in Panjin VYX High Performance Materials Co., Ltd, Liaoning Xingfu New Material Co., Ltd. ('LX'). This is the second and final instalment, with the first instalment of RMB 50m (£5.6m) being received in FY 2021. Both instalments are unsecured and denominated in Chinese Renminbi ('RMB'), and had a combined Sterling value (including rolled up interest and the impact of foreign currency movements between the date the loan was received and the balance sheet date) of £8.1m at 30 September 2023 (30 September 2022: £6.8m).

The first instalment is repayable on 30 September 2026, with the second instalment repayable on 30 September 2027, or such date as may be mutually agreed by the shareholders, LX and Victrex Hong Kong Limited. During the year, the total interest cost of £0.3m was capitalised into assets under construction (30 September 2022: £0.2m).

## 11. Derivative financial instruments

The notional contract amount, carrying amount and fair value of the Group's forward exchange contracts are as follows:

	As at 30 September 2023		As at 30 September 2022	
	Notional contract amount	Carrying amount and fair value	Notional contract amount	Carrying amount and fair value
	£m	£m	£m	£m
Current assets	105.5	2.0	-	-
Current liabilities	86.7	(1.8)	197.5	(19.9)
	192.2	0.2	197.5	(19.9)

The fair values have been calculated by applying (where relevant), for equivalent maturity profiles, the rate at which forward currency contracts with the same principal amounts could be acquired on the balance sheet date. These are categorised as Level 2 within the fair value hierarchy. Fair value losses on foreign currency contracts of £7.6m has been recognised in the period (FY 2022 – losses of £2.8m).

## 12. Other financial assets

At 30 September 2023 the Group had £0.1m of cash which was held in deposit accounts greater than three months in duration (30 September 2022: £10.1m). This is included in the Available Cash metric (see Alternative performance measures in note 16).

## 13. Non-controlling interest

The non-controlling interest recognised relates to the Group's subsidiary company, PVYX, where the Group continues to hold a 75% equity interest with the remaining 25% held by Liaoning Xingfu New Material Co., Ltd. PVYX is a limited liability company set up for the purpose of the manufacture of PAEK polymer powder and granules, based in mainland China. The income statement and balance sheet of PVYX are fully consolidated with the share owned by LX represented by a non-controlling interest.

During the current year LX made further cash injections in to PVYX, totalling RMB 22.5 million (£2.6m), split RMB 15 million (£1.7m) in the form of loans (see note 10) and further equity investment of RMB 7.5 million / £0.9m.

In the year to 30 September 2023 the subsidiary incurred a loss of £2.6m (FY 2022: loss of £2.9m), of which £0.7m (FY 2022: £0.7m) is attributable to the non-controlling interest. Total non-controlling interest as at 30 September 2023 is £2.0m (FY 2022: £1.8m).

## 14. Exchange rates

The most significant Sterling exchange rates used in the financial statements under the Group's accounting policies are:

	Year ended 30 September 2023		Year ended 30 September 2022	
	Average	Closing	Average	Closing
US Dollar	1.16	1.22	1.30	1.10
Euro	1.14	1.16	1.16	1.13

The average exchange rates in the above table are the weighted average spot rates applied to foreign currency transactions, excluding the impact of foreign currency contracts. Gains and losses on foreign currency contracts, to the point where transferred to profit or loss, where net hedging has been applied for cash flow hedges, are separately disclosed in the income statement.

#### 15. Reconciliation of profit to cash generated from operations

	Year ended 30 September 2023 £m	Year ended 30 September 2022 £m
Profit after tax for the year	61.0	75.5
Income tax expense	11.5	12.2
Share of loss of associate	1.3	1.0
Net financing income	(0.6)	(0.2)
Operating profit	73.2	88.5
Adjustments for:		
Depreciation	19.8	19.0
Amortisation	1.7	2.6
Loss on disposal of non-current assets	0.3	2.4
Gain on early termination of long-term lease liabilities	(0.2)	-
Equity-settled share-based payment transactions	1.1	1.8
(Gains)/losses on derivatives recognised in income statement that have not yet settled	(2.5)	4.0
Losses/(gains) on financial asset held at fair value	0.2	(0.3)
Increase in inventories	(50.7)	(13.4)
Decrease/(increase) in trade and other receivables	16.4	(16.9)
(Decrease)/increase in trade and other payables	(14.6)	2.8
Retirement benefit obligations charge less contributions	(1.8)	0.2
<b>Cash generated from operations</b>	<b>42.9</b>	<b>90.7</b>

## 16. Alternative performance measures

We use alternative performance measures (APMs) to assist in presenting information in an easily comparable, analysable and comprehensible form. The measures presented in this report are used by the Board in evaluating performance. However, this additional information presented is not required by IFRS or uniformly defined by all companies. Certain measures are derived from amounts calculated in accordance with IFRS but are not in isolation an expressly permitted GAAP measure. The measures are as follows:

APM 1 Operating profit before exceptional items (referred to as underlying operating profit) is based on operating before the impact of exceptional items. This metric is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and / or unusual or infrequent in nature. Exceptional items for FY 2023 are £7.5m, details are disclosed in note 5;

	<b>Year ended 30 September 2023</b>	Year ended 30 September 2022
	<b>£m</b>	£m
Operating profit	<b>73.2</b>	88.5
Exceptional items	<b>7.5</b>	7.9
Underlying operating profit	<b>80.7</b>	96.4

APM 2 Profit before tax and exceptional items (referred to as underlying profit before tax) is based on Profit before tax before the impact of exceptional items. This metric is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and / or unusual or infrequent in nature;

	<b>Year ended 30 September 2023</b>	Year ended 30 September 2022
	<b>£m</b>	£m
Profit before tax	<b>72.5</b>	87.7
Exceptional items	<b>7.5</b>	7.9
Underlying profit before tax	<b>80.0</b>	95.6

APM 3 Constant currency metrics are used by the Board to assess the year on year underlying performance of the business excluding the impact of foreign currency rates, which can by nature be volatile. Constant currency metrics are reached by applying current year (FY 2023) weighted average spot rates to prior year (FY 2022) transactions;

Group	<b>Year ended 30 September 2023</b>	Year ended 30 September 2022	% change
	<b>£m</b>	£m	
At reported currency	<b>307.0</b>	341.0	-10%
Impact of FX translation	-	10.5	
Revenue at constant currency	<b>307.0</b>	351.5	-13%

Sustainable Solutions	<b>Year ended 30 September 2023</b>	Year ended 30 September 2022	% change
	<b>£m</b>	£m	
At reported currency	<b>241.8</b>	282.7	-14%
Impact of FX translation	-	8.1	
Revenue at constant currency	<b>241.8</b>	290.8	-17%

Medical	<b>Year ended 30 September 2023</b>	Year ended 30 September 2022	% change
	<b>£m</b>	£m	
At reported currency	<b>65.2</b>	58.3	12%
Impact of FX translation	-	2.4	
Revenue at constant currency	<b>65.2</b>	60.7	7%

APM 4 Operating cash conversion is used by the Board to assess the business's ability to convert underlying operating profit to cash effectively, excluding the impact of financing activities and non-capital expenditure related investing activities. Operating cash conversion is underlying operating profit, depreciation and amortisation, working capital movements and capital expenditure/ underlying operating profit.

	<b>Year ended</b> <b>30 September 2023</b>	Year ended 30 September 2022
	<b>£m</b>	£m
Underlying operating profit (as defined above)	<b>80.7</b>	96.4
Depreciation, amortisation and loss on disposal*	<b>21.6</b>	24.0
Change in working capital	<b>(48.9)</b>	(27.5)
Capital expenditure	<b>(38.5)</b>	(45.5)
Operating cash flow	<b>14.9</b>	47.4
Operating cash conversion	<b>18%</b>	49%

\*Excludes the impact of loss on disposal of right of use assets.

APM 5 Available cash is used to enable the Board to understand the true cash position of the business when determining the use of cash under the capital allocation policy. Available cash is cash and cash equivalents plus other financial assets (cash invested in deposit accounts greater than three months in duration) less cash ring-fenced in the Group's Chinese subsidiaries which is not available to the wider group;

	<b>Year ended</b> <b>30 September 2023</b>	Year ended 30 September 2022
	<b>£m</b>	£m
Cash and cash equivalents	<b>33.4</b>	58.7
Cash ring-fenced in Chinese subsidiaries	<b>(3.4)</b>	(2.8)
Other financial assets	<b>0.1</b>	10.1
Available cash	<b>30.1</b>	66.0

APM 6 Underlying EPS is earnings per share based on profit after tax but before exceptional items divided by the weighted average number of shares in issue. This metric is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature; and

	<b>Year ended</b> <b>30 September 2023</b>	Year ended 30 September 2022
	<b>£m</b>	£m
Profit after tax attributable to owners of the Company	<b>61.7</b>	76.2
Exceptional items	<b>7.5</b>	7.9
Tax on exceptional items	<b>(1.7)</b>	(1.5)
Profit after tax before exceptional items net of tax	<b>67.5</b>	82.6
Weighted average number of shares	<b>86,937,187</b>	86,897,353
Underlying EPS (pence)	<b>77.7</b>	95.0

APM 7 Underlying dividend cover is used by the Board to measure the affordability and sustainability of the regular dividend. Underlying dividend cover is underlying earnings per share/total dividend per share. This excludes special dividends.

	<b>Year ended</b> <b>30 September 2023</b>	Year ended 30 September 2022
	<b>p</b>	p
Underlying EPS (APM 6)	<b>77.7</b>	95.0
Total dividend per share	<b>59.56</b>	59.56
Underlying dividend cover (times)	<b>1.3</b>	1.6



APM 8 Return on capital employed ('ROCE') is used by the Board to assess the return on investment at a Group level. ROCE is profit after tax before exceptional items net of tax, finance costs and finance income/average adjusted net assets. Adjusted net assets is total equity attributable to shareholders at the year end excluding cash and cash equivalents, other financial assets, retirement benefit asset/obligations and borrowings. Average adjusted net assets is (adjusted net assets at the start of the year plus a adjusted net assets at the end of the year)/2. The method of calculating ROCE has been changed from FY 2022, with the comparative restated on a consistent basis. The change has been made following a review by the Board with the revised methodology considered to better reflect long-term value creation.

	<b>Year ended 30 September 2023</b>	Year ended 30 September 2022
	<b>£m</b>	£m
Profit after tax attributable to owners of the Company	<b>61.7</b>	76.2
Exceptional items	<b>7.5</b>	7.9
Tax on exceptional items	<b>(1.7)</b>	(1.5)
Finance income	<b>(1.3)</b>	(0.5)
Finance costs	<b>0.7</b>	0.3
	<b>66.9</b>	82.4
Net assets	<b>501.0</b>	490.6
Cash and cash equivalents	<b>(33.4)</b>	(58.7)
Other financial assets	<b>(0.1)</b>	(10.1)
Retirement benefit asset	<b>(9.7)</b>	(14.9)
Retirement benefit obligation	<b>2.5</b>	2.7
Borrowings	<b>39.7</b>	22.5
Adjusted net assets	<b>500.0</b>	432.1
Average adjusted net assets	<b>466.1</b>	412.5
ROCE	<b>14%</b>	20%

APM 9 Return of sales is used by the Board to assess the overall profitability of the Group. It measures underlying profit before taxation as a percentage of revenue.

	<b>Year ended 30 September 2023</b>	Year ended 30 September 2022
	<b>£m</b>	£m
Underlying profit before tax (APM 2)	<b>80.0</b>	95.6
Revenue	<b>307.0</b>	341.0
Return on sales %	<b>26%</b>	28%

APM 10 Operating overheads is made up of sales, marketing and administrative expenses, and research and development expenses, before exceptional items. This metric is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature.

	<b>Year ended 30 September 2023</b>	Year ended 30 September 2022
	<b>£m</b>	£m
Sales, marketing and administrative expenses	<b>70.8</b>	70.3
Exceptional items	<b>(7.5)</b>	(7.9)
Research and development expenditure	<b>18.6</b>	15.7
Operating overheads	<b>81.9</b>	78.1

## Forward-looking statements

### Forward-looking statements

Sections of this Financial Report may contain forward-looking statements, including statements relating to: certain of the Group's plans and expectations relating to its future performance, results, strategic initiatives and objectives, future demand and markets for the Group's products and services; research and development relating to new products and services; and financial position, including its liquidity and capital resources.

These forward-looking statements are not guarantees of future performance. By their nature, all forward looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future, and are or may be beyond the Group's control, including: changes in interest and exchange rates; changes in global, political, economic, business, competitive and market forces; changes in raw material pricing and availability; changes to legislation and tax rates; future business combinations or disposals; relations with customers and customer credit risk; events affecting international security, including global health issues and terrorism; the impact of, and changes in, legislation or the regulatory environment (including tax); and the outcome of litigation.

Accordingly, the Group's actual results and financial condition may differ materially from those expressed or implied in any forward-looking statements. Forward-looking statements in this Financial Report are current only as of the date on which such statements are made. The Group undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Nothing in this Financial Report shall be construed as a profit forecast.

### Shareholder information:

Victrex's Annual Reports and Half-yearly Financial Reports are available on request from the Company's Registered Office or to download from our corporate website, [www.victrexplc.com](http://www.victrexplc.com)

### Financial calendar:

Ex-dividend date	25 January 2024
Record date#	26 January 2024
AGM	9 February 2024
Payment of final dividend	23 February 2024
Announcement of half-year results	May 2024
Payment of interim dividend	June/July 2024

# The date by which shareholders must be recorded on the share register to receive the dividend

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