



ESSENTRA

## Q3 2020 TRADING UPDATE

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### ESSENTRA PLC Q3 2020 TRADING UPDATE

#### Summary

- Four priorities remain; employee physical and emotional wellbeing, continued high levels of customer support, cash conservation, and building for our future
- All 72 manufacturing and distribution facilities have been operational throughout Q3, with service broadly back to pre-pandemic levels
- Overall for the Group, Q3 revenue has closed 6.7% down on prior year, on a like-for-like (LFL) basis
- Improved LFL revenue trends seen through Q2 have been maintained in Q3 for Components and Filters
- A reduction in elective surgeries and prescription levels have meant that the Packaging division has had a weaker Q3; integration of the recently acquired 3C! Packaging business is off to a positive start
- With the recent £100m fundraise, Essentra has further enhanced its balance sheet and liquidity position, enabling the Company to pursue other strategic opportunities whilst remaining within target leverage range of 1x to 2x (net debt/EBITDA)
- Continued revenue progress on a stable operating base expected in Q4. Barring a material disruption from a second wave to the COVID-19 pandemic, and based on recent trading, the Board's expectations for the year ending 31 December 2020 remain unchanged

Essentra plc ('the Company' or 'the Group') today provides a trading update for Q3 2020.

Commenting on today's announcement, Paul Forman, Chief Executive said:

"I am very proud of how Essentra has continued to respond to the pandemic. I would like to once again thank all of our employees who have gone above and beyond to continue delivering our world-class service despite the challenging circumstances.

We have delivered another resilient financial performance in the third quarter. For Components and Filters, the improving trading trends we saw through Q2 have been maintained in Q3, as expected. Whilst a reduction in elective surgeries and prescription levels have meant that the Packaging division has had a weaker Q3, the pharmaceutical and beauty markets are starting to slowly recover in Q4 thus far.

The recent capital raise has enabled Essentra to acquire an excellent North American business in 3C! Packaging. It has also allowed us to strengthen our balance sheet and positions us well to pursue other strategic opportunities, whilst remaining within our target leverage range of 1x to 2x.

The fundamentals of our Company are strong. We have built a resilient platform from which to drive profitable, cash generative growth across our three divisions, each with the potential to accelerate revenue growth as well as to grow margins. This platform, combined with new working arrangements brought about by COVID-19, presents us with a good opportunity to review our general and administrative costs as we move into 2021. I am very confident that we are coming through the pandemic as an even better and stronger organisation."

#### Trading performance

The improving trading trends seen in Q2 have been maintained in Q3, in the main. Revenue declined in Q3 by 6.7% compared to prior year, on a LFL basis.

In the Components division (which is more exposed to industrial cyclicity), on a LFL basis Q2 was -20% on the prior year period, whilst Q3 improved to -13.9%, clearly demonstrating the carry through of improving trading trends seen since the 'nadir' in April. Our enhanced online offer has enabled us to continue supporting customers through this period, whilst our new state-of-the-art German warehouse has recently become fully operational. Recent order book trends are demonstrating continued steady progress across all regions.

As previously indicated in the Company's HY 2020 results announcement, the Packaging division has had a weaker Q3, with softness seen in certain end markets owing to a reduction in the levels of prescriptions and elective surgeries through lockdown periods. This has resulted in a Q3 LFL decline in revenue of 8.5%. However, recent order book trends have been somewhat improving, as the pharmaceutical and beauty markets start to slowly recover. As announced on 17 September 2020, the Company acquired the entire issued share capital of 3C! Packaging, Inc. ("3C!"). This acquisition has not only further strengthened the Packaging division's position in core product areas, but has also brought valuable new innovation to the division with its serialisation technology. Though still in its early stages, the integration of 3C! into the Packaging division is on track versus our expectations.

The Filters division has maintained robust underlying demand throughout the pandemic, with revenue growth turning positive in June. This growth trend has continued in Q3; the overall division revenue grew by 2.0%, whilst the core Filters business (i.e. stripping out the impact of the Tear Tapes business) revenue grew by 3.4%. Full production has been reached for the previously announced outsourcing contract wins, the China JV remains on track to commence shipment of product in Q2 2021, and the division's innovation capability continues to deliver a strong pipeline of further projects whilst maintaining a focus on NGP and sustainable/biodegradable product categories.

### **Balance sheet strength and liquidity**

The Company's strong balance sheet and liquidity position, was further enhanced by the recent fundraise of £100m, as announced on 18 September 2020.

The Company is now back within its targeted gearing range of between 1x to 2x (net debt/EBITDA), providing the platform from which it can explore and drive further strategic opportunities.

### **Outlook**

The Company has delivered a resilient financial performance in the year thus far, despite the pandemic. Barring material disruption from a second wave and based on recent trading, the Board's expectations for the year ending 31 December 2020 remain unchanged.

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### **Notes to Editors**

#### **About Essentra plc**

Essentra plc is a FTSE 250 company and a leading global provider of essential components and solutions. Organised into three global divisions, Essentra focuses on the light manufacture and distribution of high volume, enabling components which serve customers in a wide variety of end-markets and geographies.

Headquartered in the United Kingdom, Essentra's global network extends to 34 countries and includes 7,552 employees, 50 principal manufacturing facilities, 34 sales & distribution operations and 4 research & development centres. For further information, please visit [www.essentraplc.com](http://www.essentraplc.com).

#### **Essentra Components**

Essentra Components is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating in 29 countries worldwide, 14 manufacturing facilities and 29 logistics centres serve more than 84,000 customers with a rapid supply of low cost but essential products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction. The division also includes the Reid Supply business, which provides a wide range of branded hardware supplies to a broad base of industrial customers, largely located in the US Mid-West.

#### **Essentra Packaging**

Essentra Packaging is one of only two multicontinental suppliers of a full secondary packaging range to the health and personal care sectors, with 25 facilities across four geographic regions. The division's innovative products include cartons, leaflets, self-adhesive labels and printed foils used in blister packs, which help customers to meet the rapidly-changing requirements of these end-markets and can also be combined with Essentra's authentication solutions to help the fight against counterfeiting.

#### **Essentra Filters**

Essentra Filters is the only global independent cigarette filter supplier. The seven worldwide locations, plus a dedicated Technology Centre supported by three regional development facilities, provide a flexible infrastructure strategically positioned to serve the tobacco sector. The business supplies a wide range of value-adding high quality innovative filters, packaging solutions to the roll your own segment and analytical laboratory services for ingredient measurement to the industry: Essentra's offering also includes Heat Not Burn and e-cigarette solutions to the rapidly evolving market for Next Generation Products. The division now also includes the Tear Tapes business, which is globally recognised as the leading manufacturer and supplier of pressure-sensitive tear tapes, that are largely used in the tobacco, food and drink and specialist packaging sectors.

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