



9 February 2024

Victrex plc - AGM & Q1 Interim Management Statement

'A soft start to FY 2024 - in line with guidance'

Victrex plc is an innovative world leader in high performance polymer solutions, delivering sustainable products which enable environmental and societal benefit in multiple end-markets. Today's Interim Management Statement (IMS) covers the first quarter of FY 2024, from 1 October 2023 to 31 December 2023.

At the Group's FY 2023 preliminary results in December 2023, our outlook for the year ahead indicated that we were seeing a slow start to FY 2024. This has been driven by a continuation of the weakness seen in H2 2023 across several end-markets, in line with the wider Chemical sector. Although we typically see seasonally lower volumes in Q1, this period has remained challenging, compared to a good performance in the prior year period.

Summary

- Q1 Group revenue down 22% at £61.2m (Q1 2023: £78.8m)
- Q1 Group volume down 21% at 751 tonnes (Q1 2023: 948 tonnes)
- Robust Group ASP, in line with guidance at £82/kg; sales mix reflects a softer quarter in Medical due to order phasing and destocking, and adverse currency movements
- Improvement seen in January (the start of Q2), though visibility remains limited

End market performance

In our Sustainable Solutions area, the Group saw further progress in Aerospace, whilst Automotive returned to growth and continues to track positively. Q1 performance was offset by the prolonged downturn in the end-markets of Electronics, Energy & Industrial and Value Added Resellers (VAR). At the start of Q2, January trading saw a slight improvement, compared to Q1 run-rates and the prior year (January 2023), though we note that visibility is limited.

After a softer start in Medical, Q2 has begun positively, compared to both Q1 and the prior year. However, we are mindful of some destocking amongst medical device companies, which has impacted the industry over recent months. We expect to see improvement as the year progresses and remain encouraged by the broader range of Medical applications using PEEK. In our Medical mega-programmes, we are seeing commercial revenues building in Trauma plates, whilst our PEEK Knee development is ahead of our expectations. Following strong progress in the clinical trial, the focus for PEEK Knee is now on the regulatory and commercial pathway, and additional major OEM collaborations.

Financial position & cost actions

Victrex retains a cash generative business model, supporting growth investment and shareholder returns. With interest payable for our China loan - as our manufacturing facilities in China prepare for commercial operations - and reflecting the Group's lower cash balance, net interest will be negative this year.

Cash and working capital management remain key priorities. Together with lower capital expenditure, our planned inventory unwind will improve our cash position, although this is currently being held back by the weak trading environment. This one-off impact of lower asset utilisation, as we unwind inventory in FY 2024 and the remainder in FY 2025, will further increase under-recovered fixed costs in our income statement.

The Group's cost actions remain strong in this challenging period. Pleasingly, operating overheads are tracking lower than the prior year at this early stage, despite continued innovation investment. Additional cost options are available if the current macro-economic environment persists for a longer timescale.

Outlook

Jakob Sigurdsson, Chief Executive of Victrex, said: "After a soft start to the year, in line with the wider Chemical sector, the Group is seeing signs of monthly run-rate improvement, on a sequential basis (Q2 vs Q1).

"January trading was solid and ended slightly ahead of the prior year comparative. However, we are mindful of the soft start and limited visibility of an uptick in several end-markets. Together with the increased year-on-year impact in our income statement from reduced asset utilisation, this means first half revenue and PBT is expected to be lower than the prior year period. The Group previously communicated that progress in revenue and PBT for FY 2024 was reliant on a macro-economic recovery in our second half. The opportunity to deliver year-on-year progress remains. However, a continuation of the current macro-economic conditions makes achieving a profit growth outcome for the year more challenging and requires a further step up in run rates for the remainder of FY 2024. We continue to tightly manage controllable expenses, to support our performance.

"Victrex's long-term investment proposition remains strong. We have a robust and diversified core business, increasing commercialisation in our mega-programmes, well invested assets, and the opportunity for cashflow improvement. Overall, we are well-placed for a macro-economic recovery and for the medium to longer term."

Annual General Meeting

Victrex's Annual General Meeting will also be held today, starting at 11.00am GMT and taking place at JP Morgan, 1 John Carpenter Street, London EC4Y 0JP.

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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 rely on products or applications which contain our sustainable materials, from smartphones, aeroplanes and cars to energy operations and medical devices. With over 40 years' experience, we are moving beyond the polymer into semi-finished and finished products which shape future performance for our customers and our markets, enable environmental and societal benefit for our customers and drive value for our shareholders. Find out more at www.victrexplc.com

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