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Victrex PLC
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Victrex plc - Preliminary Results 2024

'FY volumes up 4%; solid start to FY 2025 & focused on growth'

Victrex 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 2024.

	FY 2024	FY 2023	% change (reported)	% change (constant currency[1])
Group sales volume	**3,731 tonnes**	3,598 tonnes	+4%	N/A
Group revenue	**£291.0m**	£307.0m	-5%	-2%
Average selling price ('ASP')	**£78.0/kg**	£85.3/kg	-9%	-5%
Gross profit	**£134.3m**	£162.6m	-17%	-18%
Gross margin	**46.2%**	53.0%	-680bps	N/A
Underlying profit before tax ('PBT')[1]	**£59.1m**	£80.0m	-26%	-32%
Reported PBT	**£23.4m**	£72.5m	-68%	-75%
Underlying EPS[1]	**51.7p**	77.7p	-33%	N/A
EPS	**19.8p**	70.9p	-72%	N/A
Dividend per share	**59.56p**	59.56p	flat	N/A

Highlights:

- **First 1,000 tonne quarter since FY 2022; FY volumes up 4% & robust pricing**
  - *Q4 2024 Group volumes of 1,015 tonnes; up 3% vs Q3 and up 21% vs Q4 2023*
  - *FY 2024 Group volumes up 4% vs prior year, after a soft H1:*
    - *Transport volumes up 8% (Aero +15%, Automotive +5%)*
    - *VAR volumes +14%; Electronics -12% and Energy & Industrial -5%*
  - *FY 2024 Group revenue down 5%, reflecting Medical destocking & FX*
  - *Medical revenues down 19% at £53.0m (flat H2 2024 vs H1 2024)*
  - *Robust like-for-like pricing with ASP at £78/kg, offset by sales mix & FX*

- **Underlying PBT impacted by Medical mix & lower asset utilisation; strong cost control**
  - *FY 2024 Underlying PBT down 26% at £59.1m, driven by Medical sales & lower asset utilisation as inventories reduced*
  - *FY 2024 Reported PBT £23.4m after £35.7m exceptional items, including Bond 3D impairment of investment in associate and fair value loss on loans*
  - *FY 2024 Gross margin 46.2% (FY 2023: 53.0%); recovery opportunity as asset utilisation improves*
  - *Self-help & Project Vista: support future profitability through Go to Market & sales improvements*

- **Strong cash conversion driven by lower capex & inventory unwind**
  - *FY 2024 net debt £21.1m, including cash of £29.3m (FY 2023: net debt of £16.7m including cash & other financial assets of £33.5m) with RCF repaid*
  - *New China manufacturing facilities operational, concluding major capital investment phase*
  - *Good progress on inventory reduction; £19.4m YoY movement (FY 2024: £115.1m) & further opportunity in FY 2025*
  - *Improved underlying operating cash conversion[1] of 114% (FY 2023: 18%)*
  - *Final dividend maintained at 46.14p/share*

- **Key mega-programme milestones delivered, supporting mid-term growth targets**
  - *Aerospace Composites: further revenue growth*
  - *E-mobility: new customer collaborations*
  - *Knee: regulatory submission for approval in India & US clinical trial approved*
  - *Magma: continuing technical & commercial collaboration with TechnipFMC & Petrobras*
  - *Trauma plates: strong revenue growth & broader customer base*
  - *Mid-term growth targets of 5-7% revenue CAGR#; upside to 8-10% CAGR as mega-programme contribution increases*

[1] **Alternative performance measures are defined in note 14**
#revenue CAGR in 5 year period, targets communicated in December 2023

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Jakob Sigurdsson, Chief Executive of Victrex, commented: "After a soft start to FY 2024, we saw some improvement during the second half within Sustainable Solutions, primarily in VAR and Electronics. In Medical, the destocking phase within the medical device industry continues to linger, although continued growth in surgery rates supports improvement as we progress through FY 2025.

First 1,000 tonne quarter since FY 2022: FY volumes up 4% & robust pricing
"Full year volume growth of 4% reflects a good finish to FY 2024, with our first 1,000 tonne quarter since Q4 FY 2022. Although we saw better volume momentum, revenue and profitability were impacted, driven by lower Medical revenues and reduced asset utilisation. Pricing was robust, with ASP in line with our guidance at £78/kg, offset by currency moving adversely through the year, and sales mix. Our differentiation, technical service and application development strengths mean that we can continue to price Victrex^{TM} PEEK for its performance benefits across economic cycles.

Key mega-programme milestones delivered with increasing commercialisation in FY 2025
"Our mega-programmes continue to deliver technical and commercial milestones. Aerospace Composites is seeing increasing opportunities from retrofit projects on existing models, whilst E-mobility has secured broader automotive platforms to drive growth in FY 2025. In Magma, we continue to support the advanced qualification with TechnipFMC and Petrobras and the significant opportunity from PEEK based composite pipe. Our goal is for Medical to become a larger part of our portfolio and our game-changing PEEK Knee programme completed a regulatory submission for approval in India, the precursor to a first commercial PEEK Knee in the market, with a US clinical trial also approved. In our Trauma programme, we delivered strong growth to over £1m revenue this year. Broader customer launches in FY 2025 support continued progress.

Self-help: sales improvement to support short & mid-term profitability
"During the year we launched our Project Vista programme that will support and enhance profitability, through improving our Go to Market and sales approach with customers. This builds on our self-help efforts and strong cost control, driving short and mid-term improvements from FY 2025.

Step-up in mega-programmes for FY 2025
"The strength of our innovation pipeline, and a macro-improvement, validates our mid-term growth targets of 5-7% revenue CAGR and an upside to 8-10% as mega-programmes further increase their contribution. All of our mega-programmes are expected to see a significant step-up in FY 2025, although the timing of Magma's opportunity in Brazil and the regulatory pathway in Medical may hamper overall progress.

Improved cash position - supporting shareholder returns
"Cash generation improved significantly this year, with underlying operating cash conversion of 114%. As capex reduces - following completion of our UK and China investments - and based on improved trading and continuing inventory unwind, an enhanced cash position supports incremental shareholder returns.

Outlook - solid start despite mixed trading conditions; focused on growth in FY 2025
"The Group has seen a solid start to FY 2025 - ahead of the prior year - despite mixed trading conditions. Our expectations for profit growth are based on robust demand continuing across the end markets of Sustainable Solutions, together with Medical improvement as we progress through 2025. The timing of the upturn in Medical will be a key factor in the scale of Group profit growth, with cost control, self-help measures, higher asset utilisation and lower raw material costs helping to underpin profit improvement.

"If current demand levels remain on track, with some seasonality in our Q1, a run-rate across the rest of the year similar to the FY 2024 exit rate - of around 1,000 tonnes per quarter - offers the potential for at least mid- single digit volume growth.

"In summary, we have the opportunity to deliver underlying PBT growth ahead of volume growth, after the impact of currency, which is now a £7m-£8m headwind to PBT in FY 2025. For the medium to long term, the Board's confidence in delivering our growth opportunities remains strong. We have a diversified core business, increasing mega-programme commercialisation, well invested assets and the opportunity for cashflow improvement."

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

A presentation for investors and analysts will be held at 9.00am (UK time) this morning at JP Morgan, 60 Victoria Embankment, London EC4Y 0JP or via a dial-in facility, which can be accessed by registering on the following link:

Victrex Year End Results Meeting Registration Page!

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

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Preliminary results statement for the 12 months ended 30 September 2024

'FY volumes up 4%; solid start to FY 2025 and focused on growth'

Operating review

FY volumes up 4%, with sequential volume & revenue improvement in Q4
Group sales volume of 3,731 tonnes was 4% up on the prior year (FY 2023: 3,598 tonnes), with an improvement during the second half year, driven by Sustainable Solutions and the end-markets of Electronics and Value Added Resellers ('VAR'). Aerospace continued to see good growth.

Q4 Group sales volume of 1,015 tonnes was 3% up on Q3 and 21% up on the prior year (Q4 2023: 839 tonnes). Q4 Group revenue of £77.7m was 7% up on the prior year (Q4 2023: £72.6m) despite Medical remaining soft.

Revenue down 5% reflecting softer Medical performance and currency
Although the Group saw some improvement in the second half year, our high margin Medical business remained soft as customer inventory corrections continued. This resulted in full year revenue of £291.0m, a 5% decline compared to FY 2023 (FY 2023: £307.0m).

H2 2024 revenue of £151.7m was 9% up on H1 2024 (H1 2024: £139.3m).

Divisional performance
Full year revenue in Sustainable Solutions was down 2% at £238.0m (FY 2023: £241.8m), after a softer start to the year. Sustainable Solutions saw some improvement during the second half. H2 2024 revenue was up 11% compared to the first half year, and up 12% compared to the prior year (H2 2023 revenue: £112.1m).

After a record year in FY 2023, Medical revenues continued to be impacted by industry destocking. Most of the major medical device customers reported high inventory levels, despite growth in clinical procedures. Medical revenues of £53.0m were 19% down on the record performance in the prior year (FY 2023: £65.2m), with H2 revenues being similar to H1.

Across our core Medical businesses of Spine, Arthroscopy and Cranio Maxillo-Facial ('CMF'), we continue to see good growth opportunities once destocking headwinds clear, with support from increasing penetration in Cardio, Orthopaedics and Drug Delivery. Full year revenues in Medical were 40% Spine and 60% Non-Spine (FY 2023: 46% Spine and 54% Non-Spine), with Spine more heavily impacted by destocking.

ASP in line with guidance; sales mix driven by Medical softness
Average selling price ('ASP') was broadly in line with our guidance at £78/kg, down 9% on the prior year due to the impact of sales mix, with weaker Medical and improvement in VAR, and currency moving adversely during the year. Like-for-like pricing was robust across our end markets with the 5% reduction in constant currency ASP driven by sales mix.

For FY 2025, at prevailing exchange rates and with Sustainable Solutions expected to show continuing improvement, average selling prices are expected to be in the £75/kg - £80/kg range. Upside from these levels is dependent on the shape of a Medical recovery.

Revenue from sustainable products
With strong megatrends like CO2 reduction, energy efficiency and clinical innovation supporting the use of Victrex™ PEEK, our materials support a range of applications which are enabling environmental and societal benefit for our customers. These typically focus on Aerospace, Automotive and Medical, with some applications in Electronics (energy efficiency) also being part of our measure of sustainable product revenues. In FY 2024, 52% of our revenues were based on sustainable products (FY 2023: 55%), with the growth in Aerospace and Automotive being offset by lower Medical revenues.

Revenue from sustainable products currently excludes VAR, where the disparate nature of end-markets is challenging to track. Our long-term goal is to increase sustainable product revenues to over 70% of Group revenues by the end of FY 2030.

Strong application development capabilities
A core strength of Victrex, supporting our Product Leadership based strategy, is in application development, through working with customers and partners to broaden the use of PEEK. This is typically driven by its lightweighting, durability, chemical and heat resistance, or other properties. The success of Victrex since its inception has been innovating to bring new cases where Victrex™ PEEK can replace metal or other materials, in turn bringing a performance benefit to customers.

Whilst Group innovation targets are primarily focused on our mega-programme revenue goals, rather than sales from new products as previously reported, we continue to track our total business pipeline, including our mega-programmes. Mature Annualised Revenues ('MAR') is one of our pipeline measures for the health of our portfolio, with MAR at £352m (FY 2023: £300m), driven by application opportunities in Aerospace and Medical. This number assumes all targets are converted.

Mega-programmes: significant step-up expected in FY 2025
In FY 2024, mega-programme revenues totalled £10.2m (FY 2023: £11.1m), partly reflecting a longer qualification phase for the Magma programme in Brazil, and a slight decline in E-mobility revenues. Despite similar year-on-year revenues, the Group delivered strong milestones including a regulatory submission for PEEK Knee, advancing qualifications for Aerospace Composites and Trauma commercial revenues growing strongly, beyond £1m.

For FY 2025, all of our mega-programmes are expected to see a significant step up towards our portfolio revenue target of £25m. However, the timing of Magma's opportunity in Brazil, together with the normal regulatory pathway in Medical, may hamper FY 2025 progress.

Strong progress in mega-programme milestones; commercial progress advancing
Our mega-programmes are defined as potential game changing projects in the end-markets we serve. Each mega-programme offers revenue potential of at least (and in some cases significantly more than) £50m per year. Our PEEK Knee programme, for example, is modelled as offering revenues at least the same size as the Group today.

The Group has prioritised investment in five mega-programmes to enhance strategic progress. This also ensures that we measure appropriate investment (including R&D), resource and capability in order to maximise return on investment.

Key milestones in our mega-programme portfolio include:

> **Aerospace Composites** is a programme combining applications in smaller composite parts, larger structural parts and interior applications. With some final qualifications completed with OEMs for our LMPAEK™ grade, we expect to see increasing 'use cases' supporting much larger applications within future aircraft. An increasing opportunity is in retrofit or 'running changes' as existing models take advantage of selected thermoplastic composite parts to drive fuel efficiency and manufacturing efficiency, for example in engine housings and interior structures or other applications. Major structural parts include for wings and fuselage, with Victrex part of the Airbus Clean Sky 2 and other programmes, which seek to utilise PEEK and composite structures to save weight and speed up manufacturing time. The potential PEEK content per plane is at least 10-times current levels, with large scale demonstrator parts being exhibited prior to adoption. In both structural and smaller composite based parts, our AE™250 polymer and composite tape, is integral to these opportunities. Revenue for this programme in FY 2024 increased to over £3m. We anticipate further growth in FY 2025 as other qualification programmes advance.
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> Within **E-mobility,** our materials are seeking to address the higher performance requirements from next generation batteries (800V volts) used in electric vehicles. These requirements include insulative properties, heat and chemical resistance and mechanical strength. A primary application is in wire coatings where our VICTREX XPI™ polymer grades can replace enamels used in coatings, avoiding harsh solvents and offering performance benefits and efficiency. VICTREX XPI™ is extruded onto the copper and requires less energy in the process compared to enamel, supporting customers and their 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 11g today). This programme delivered revenue of just over £5m in FY 2024, a slightly lower level to the prior year as EV adoption faced some headwinds during the year. With additional business opportunities for FY 2025, we are anticipating a transitional year for this programme, with milestones across a range of Automotive brands, including those in China and opportunities in Europe and the US.
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> **Magma** is our composite pipe programme for the energy industry, offering a potential game-changing solution, with light-weighting, durability, a reduced carbon footprint for installation and ease of manufacturing being key parts of the proposition. Our materials - Victrex™ PEEK polymer and composite tape - and pipe extrusion know-how are supporting the final qualification programme and bid process by TechnipFMC in Brazil. The focus is to deliver a performance benefit and remedy existing steel based flexible pipe issues in pre-salt deep water fields in the offshore Brazil region. Milestones during the year include final testing and technical and commercial preparation at our UK facilities. Victrex™ PEEK based Hybrid Flexible Pipe ('HFP') is seen by TechnipFMC as the most cost effective riser solution, with TechnipFMC targeting scale up from 2026 onwards. A number of technical and commercial meetings took place between Victrex, TechnipFMC and Petrobras during the year. Annual revenues in the Magma programme remain around the £1m level currently, reflecting the qualification phase. With 1km of pipe containing approximately 8 tonnes of PEEK, and an annual opportunity of >100km of pipe, this remains a sizeable opportunity for the Group.
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> In **Trauma**, revenue grew strongly in this programme during FY 2024, to over £1m. Victrex manufactures the PEEK composite based trauma plates in-house, or via our partner. With our product portfolio, we are supporting a growing global customer base including the US and Asia. Beyond CONMED (In2Bones), our main existing customer, we have also added new customers in Asia. Victrex's PEEK composite Trauma plates support fracture fixation, including in foot and ankle plates. Studies show an enhanced union rate using PEEK composites compared to titanium based plates.
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> In our **PEEK Knee** programme, the opportunity of a first commercial PEEK Knee in the market is moving closer. Following a regulatory submission in India, we await the potential of moving into the commercial phase during FY 2025. This follows strong progress in the clinical trials in India and Europe, with 57 patients being implanted with a PEEK Knee, including 20 post the two-year clinical phase. Maxx Orthopaedics is our partner in the clinical trial across Belgium, India and Italy. We are also collaborating with Aesculap (part of B Braun), a top 5 global knee company. Interest has been growing in the progress of PEEK Knee from other top 5 players and broader market participants, with potential new collaborations. Beyond regulatory submission, approval by the US Food & Drug Administration ('FDA') was secured for a US clinical trial to commence in FY 2025, covering 120 patients. PEEK Knee would be an alternative to existing implants, which primarily use metal (cobalt chrome), with a proportion of customers impacted by metal intolerance or discomfort. PEEK Knee continues to be the largest of our mega-programme opportunities by annual revenue potential. Our ability to leverage clinical data with a broader range of customers also supports the opportunity. Subject to a positive approval in India, attention would focus on regulatory submissions in Europe, followed by the US.

Innovation investment - With our strategic goal to increase the proportion of Medical revenues in our portfolio - to reduce cyclicality and enhance earnings stability - the focus of our innovation investment over recent years has been in our Medical Acceleration programme. Our New Product Development ('NPD') Centre in Leeds, UK, saw some limited incremental investment during the year, with new roles and capability to support customer scale-up in some limited incremental investment during the year, with new roles and capability to support customer scale-up in Trauma and Knee. We expect to see continued modest investment in this area during FY 2025.

Group R&D investment represented 6% of revenues in FY 2024, at £17.5m (FY 2023: £18.6m), with 37% (FY 2023: 40%) of our total innovation spend being prioritised towards programmes which are based on sustainable products - primarily those in Automotive, Aerospace and Medical. Project based R&D investment to support sustainable programmes represented 88% of project based R&D spend (FY 2023: 92%).

Financial review

Gross profit down 17%

Gross profit was down 17% at £134.3m (FY 2023: £162.6m), primarily driven by lower revenues and the impact of much lower production rates in our manufacturing assets. The adverse year-on-year impact from under-absorbed fixed costs was approximately £10m for FY 2024 (including China impact), driven by nearly 1,000 tonnes of lower production, as we unwound inventory closer to target levels.

For FY 2025, we anticipate a year-on-year improvement from higher production levels and a benefit from lower material costs, supporting an overall lower cost of manufacture, despite the impact of China start-up (including depreciation) and continued inventory unwind.

Gross margin lower on sales mix and reduced asset utilisation

Full year Group gross margin of 46.2% was 680 basis points ('bps') lower than last year (FY 2023: 53.0%), as a continuing softer Medical performance impacted sales mix, alongside lower asset utilisation. Second half gross margin of 44.5% (H2 2023: 52.4%) was impacted by Medical, after a strong year in FY 2023, with some improvement in Sustainable Solutions. The strengthening of Sterling in the second half also impacted our margin.

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 2025, Group gross margin is expected to improve to around 50% as the final stage of our inventory unwind is offset by improved asset utilisation and some raw material cost benefit. Gross margin progression is expected to be weighted to the second half.

Gains & losses on foreign currency net hedging

Fair value gains and losses on foreign currency contracts in FY 2024 were a gain of £5.2m (FY 2023: loss of £7.6m), arising from contracts where the deal rate obtained in advance was favourable to the average exchange rate prevailing at the date of the related hedged transactions. We continue to hedge the net currency exposure, which reflects the diversity of our customer base across regions.

Currency adverse for FY 2025

With the strengthening of Sterling during H2 2024, FY 2025 now sees a modest currency headwind of approximately £7m-£8m at PBT, based on spot rates and currency contracts in place at the date of this report. Unhedged currencies - predominantly in Asia - are also set to increase in importance as we see further 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 and the implied headwind for FY 2025.

Our hedging policy is kept under review, for the duration of hedging, level of cover and currencies covered. 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 rolling twelve-month period.

Underlying operating overheads[1] down 10%

Underlying operating overheads, which exclude exceptional items of £14.5m, decreased by 10% to £74.0m (FY 2023: £81.9m) despite targeted innovation investment and wage inflation. We continued to deliver tight cost control, including deferral of certain recruitment, travel, and reductions in discretionary spend. With the profit threshold to trigger performance based reward as part of our All Employee Bonus Scheme not being met, no bonus was paid. Wage inflation reflected our employee salaries increasing by an average of 4.5%.

For FY 2025 and thereafter, our intention is to ensure investment remains targeted and to deliver an appropriate return. Underlying operating overheads are therefore expected to show only limited increases, excluding the effect of wage inflation and bonus accrual. This offers the opportunity for revenue and PBT growth to be ahead of overhead growth. For FY 2025, we have introduced a revised All Employee Bonus Scheme - to support retention and based on personal and strategic objectives, profit before tax and cash conversion measures - which no longer requires a minimum level of profit to trigger the non-profit measures. In FY 2025, we expect to accrue for bonus, based on market expectations showing profit growth.

Net interest expense

With interest payments for our China loan now expensed (rather than capitalised) and RCF interest incurred, the net interest expense was £1.2m in FY 2024 (FY 2023 - net interest income of £0.6m). This is expected to be an expense of approximately £2m in FY 2025, based on currently prevailing interest rates.

Underlying PBT down on Medical & lower fixed cost recovery

Underlying PBT of £59.1m was down 26% (FY 2023: £80.0m). This was driven by the impact of Medical destocking and a much higher impact from under recovery of fixed costs (approximately £10m higher in FY 2024 vs FY 2023), as our assets saw materially lower production levels. The driver for reduced asset utilisation was to unwind inventory built during FY 2023 to support our UK Asset Improvement programme - which was completed in H1 2024. The UK Asset Improvement Programme provides us with incremental capacity to support large-scale volume programmes like Aerospace Composites, E-mobility and Magma, boosting UK nameplate capacity to approximately 8,000 tonnes.

Reported PBT & exceptional items

Reported PBT reduced by 68% to £23.4m (FY 2023: £72.5m). This reflects exceptional items of £35.7m in total (FY 2023: £7.5m). This includes a non-cash impairment of investment in associate (Bond 3D - supporting 3D printing capabilities in Spine (Medical)) of £9.1m and fair value loss on loans due from Bond 3D of £11.9m and associated legal fees of £0.2m, the cost of our business improvement project, incorporating a new ERP software system implementation (go live in H1 FY 2025) of £9.9m, and an impairment relating to the asset value of our downstream manufacturing facilities in the US, totalling £4.6m.

As previously communicated, in relation to Bond 3D, the new financial investment required to complete the development through to cash breakeven was not raised. With no other options available, Bond 3D's trade and assets were sold for a nominal value, leaving all amounts owed to Victrex still outstanding. Accordingly, an exceptional charge of £21.2m, included within Result of associate in the income statement, has been recognised, comprising the full impairment of investment in associate of £9.1m, reduction in fair value to £nil of the convertible loan notes and bridging loan (£11.9m) and associated legal fees of £0.2m. The terms of sale include a clause entitling certain existing Bond debt holders, including Victrex, to participate in any upside of a subsequent sale of the business within the next five years. Due to the high level of uncertainty around any future sale, no value has been attributed to this provision. Subsequent to the year end, Bond 3D has been liquidated.

Pleasingly, US FDA approval for the first 3D printed Porous PEEK spinal cage was received in September 2024. This development - which was one of the key milestones from our original investment in Bond 3D - furthers the opportunity of bringing together PEEK-OPTIMA™ as a material of choice in spinal fusion, with the processing benefits of 3D printing. This milestone will enable us to collaborate with the new owners of the Bond 3D technology.

For FY 2025, the majority of the final costs of implementing our ERP system, and associated business improvements, will be incurred during the first half. These include our Project Vista programme, to drive sales excellence, improve our Go to Market approach and increase digitalisation. These costs, including final ERP costs, will be treated as an exceptional item, with total costs, including consultancy, expected to be between £5m-£10m in the year.

Earnings per share down 72%
Basic earnings per share ('EPS') of 19.8p was 72% down on the prior year (FY 2023: 70.9p per share), reflecting the decline in reported PBT, including the adverse effect of exceptional items. Underlying EPS was down 33% at 51.7p (FY 2023: 77.7p).

Taxation
The total tax charge, incorporating deferred tax, was £7.6m (FY 2023: £11.5m) giving an effective tax rate of 32.5% (FY 2023: 15.9%), with a current tax charge on profits for the year of £2.0m (FY 2023: £8.0m). The effective tax rate was materially higher than the prior year and the mid-term guidance range due to the impact of exceptional items, with the impairment of associate investment (Bond 3D) and the impairment of downstream manufacturing facilities in the US both being non-tax deductible. Excluding the impact of exceptional items, the underlying effective tax rate[1] was 22.2% (FY 2023: 16.5%) driven by the increase in the UK corporation tax rate, losses associated with the start-up of our China facilities (where a deferred tax asset has not been recognised), and a lower proportion of profits being eligible for the patent box rate.

Taxation paid during FY 2024 was £4.3m (FY 2023: £2.0m) in relation to profit-based taxes, which was higher than the corporation tax charge reflecting payments made on account for the UK prior to fair value losses recognised in relation to the loans due from Bond 3D.

Patent box incentivises innovation and consequently highly skilled Research & Development jobs within the UK. The reduced tax rate on profits taxed under the UK Government's Patent Box scheme remains available to Victrex; however the profits which benefit from the lower patent box rate is reduced at lower profit levels and vice versa. Our mid-term guidance for an effective tax rate is marginally higher than previously communicated, at approximately 14%-18% (previously 13%-17%). In the FY 2025 period the effective rate may exceed the top end of the range, with China and the proportion of UK profits available for patent box being the key drivers. We continue to monitor global taxation developments and their impact on the effective rate.

Robust balance sheet
Victrex values a strong balance sheet, as do our global customers, providing us with the ability to invest and support security of supply. Net assets at 30 September 2024 totalled £461.6m (FY 2023: £501.0m).

ROIC[1]
Return on Invested Capital ('ROIC') is one of our strategic KPIs. We continue to enjoy strong returns compared to the broader Chemical sector, with our 5 year average ROIC at 16%. However, ROIC fell in FY 2024 to 10% (FY 2023: 14%) reflecting the weaker underlying PBT performance against a strong balance sheet. With our investment phase in assets and capability concluded, we expect to see good mid-term improvement.

Good progress on inventory unwind; on track for FY25 target
Following the pandemic, rebuilding raw material inventories to safety stock levels, to support security of supply for customers, was a priority. This, combined with a build of finished goods and work in progress during FY 2023 - to reflect inventory required for our UK Asset Improvement programme and preparing for an upturn in demand - resulted in inventory of £134.5m at 30 September 2023. We commenced the unwind of this inventory in FY 2024. Total closing inventory was £115.1m, a reduction of £19.4m, reflecting good progress towards our target of approximately £100m by the end of FY 2025. Whilst this goal of approximately £100m is higher than historic levels, it reflects the broader business and geographic portfolio, including an increased range of polymer grades, product forms and parts to serve a wider customer base. Despite further inventory unwind in FY 2025, our planned production levels will be higher, supporting operating efficiency and gross margin.

China facilities; commercial production
Our Victrex Panjin facilities commenced commercial production towards the end of FY 2024 and will gradually ramp up during FY 2025. These facilities - which will supply the domestic China region - will enable us to broaden our portfolio of PEEK grades, including a new Elementary type 2 PEEK polymer grade. Group sales revenue in China currently represent approximately 15% of our portfolio, with Automotive, Electronics and VAR end-markets offering attractive long-term opportunities, with both existing and new customers. Close collaboration with customers continues, in support of their own growth plans in China. Alongside our polymer manufacturing capabilities, we also invested in compounding and additional commercial capability in China.

Operating efficiency in these assets will improve over the coming years, despite being a modest headwind initially. In FY 2025 we are expecting to see production levels of 100-200 tonnes within the Panjin facility.

Investment phase concluded; capital expenditure reducing

After a period of major investment to ensure we have the appropriate level of production capacity to support core business growth and high volume opportunities in our mega-programmes, cash capital expenditure during the year reduced to £32.6m (FY 2023: £38.5m). A significant proportion of this investment was to support completion of our China manufacturing assets and UK Asset Improvement programme. A large proportion of the China investment was funded through utilisation of the Group's China banking facilities, with interest being capitalised in H1 2024, and expensed in H2 2024 as the facility became commercially operational. In total since FY 2020, our capacity investments in China have been over £60m.

Following conclusion of these investments, we see a very limited need for sizeable polymer capacity for several years. Over the coming years, investment will include increased ESG related capital spend in our manufacturing facilities, to support decarbonisation. Current ESG related capital expenditure remains relatively small and is primarily for our Continuous Improvement ('CI') activities. We may also see smaller scale capital investment in Medical, as key programmes like Trauma and Knee scale up. Overall capital expenditure guidance remains at approximately 8-10% of revenues.

Cashflow

Cash generated from operations was significantly ahead of the prior year, at £88.7m (FY 2023: £42.9m), reflecting the improved working capital position. This resulted in underlying operating cash conversion[1] of 114% (FY 2023: 18%). With a highly cash-generative business model, we expect to see a continuing improvement in absolute cash generation.

In June 2024 we paid the 2024 interim dividend of 13.42p/share at a value of £11.7m. Net debt at 30 September 2024 was £21.1m (FY 2023: £16.7m), including cash of £29.3m (FY 2023: £33.5m, including other financial assets). The Group utilised its UK RCF and China bank facility borrowings - put in place for the investment in new China manufacturing assets - during the year. Borrowings, including lease liabilities, at 30 September 2024 were £50.4m (FY 2023: £50.2m) with the RCF fully repaid.

Repayment of RCF

The Group's UK banking facilities were undrawn at the end of FY 2024, following a period of utilisation during the financial year. These facilities comprise of £60m (£40m committed and £20m accordion), expiring in October 2027.

Dividends

The Board has proposed to maintain the final dividend at 46.14p/share (FY 2023: 46.14p/share final dividend), which reflects the anticipation of better prospects in FY 2025. We intend to grow the regular dividend in line with earnings growth once underlying dividend cover returns closer to 2.0x (FY 2024 underlying dividend cover[1]: 0.9x vs FY2023 underlying dividend cover: 1.3x).

Capital allocation policy

Growth investment remains the focus for the Group. Share buybacks remain an option for future shareholder returns, alongside special dividends, within our capital allocation policy.

The prospects are positive for improving cashflows, and reducing net debt, as trading improves, capital expenditure reduces and inventory levels come down.

Culture of innovation and recognition for Victrex in Sunday Times Best Places to Work 2024

Despite the challenging trading environment over the past two years, the Group has continued to invest in people, assets and capability. As a reflection of our motivated, innovative and engaged workforce, Victrex was pleased to be recognised in The Sunday Times Best Places to Work 2024 list, following on from its Employee Engagement survey.

Self-help: Go to Market & Project Vista to support profitability

Through a challenging period for the chemical industry, Victrex has sought to ensure that 'self-help' measures remain strong, including cost control. After adapting our organisational structure last year, we launched our Project Vista programme in FY 2024, underpinned by our new ERP system, to further enhance how we Go to Market and serve our customers, thereby supporting and enhancing profitability in FY 2025 and beyond.

We are enhancing our sales mechanisms, including operating a more regional approach for our sales teams. This also includes the opportunity for greater digitalisation. Overall, we will seek to enhance the speed and value creation of business development and technical service - one of Victrex's key strengths and points of difference, as well as focusing on smarter procurement. Balancing customer facing resources across our core business and more specialised business (including our mega-programmes) will mean that we can allocate our resources where we can drive the greatest return.

Jakob Sigurdsson
Chief Executive, 3 December 2024

[1] **Alternative performance measures are defined in note 14**

DIVISIONAL REVIEW

Sustainable Solutions

	Year Ended 30 Sept 2024	Year Ended 30 Sept 2023	% Change	% Change (constant

	£m	£m	(reported)	currency)
Revenue	**238.0**	241.8	-2%	+2%
Gross profit	**90.3**	110.5	-18%	-18%

The Group reports divisional performance through Victrex Sustainable Solutions and Medical. An end-market based summary of our performance and growth opportunities continues to be provided. Within Sustainable Solutions end-markets, we have Electronics, Energy & Industrial, Transport (Automotive & Aerospace) and Value Added Resellers ('VAR').

Summaries of the Group's mega-programmes and key milestones are covered earlier in this report.

Improvement in H2 2024

After a soft start to the year, revenue in Sustainable Solutions improved during the second half, with H2 2024 revenue up 12% at £125.1m vs H2 2023 (H2 2023: £112.1m). This was supported by improvement in Electronics, Energy & Industrial and VAR during the second half (vs both H2 FY 2023 and H1 FY 2024), with continuing growth in Aerospace. Automotive saw a softer second half year, compared to some restocking benefit in the first half.

Full year revenue was down 2% at £238.0m (FY 2023: £241.8m), impacted by the soft first half performance and currency. Revenue in constant currency was up 2%. Pricing remained robust, although we saw the adverse impact of VAR volumes influencing sales mix through the year, particularly in the second half. The impact of reduced asset utilisation resulted in gross margin declining by 780bps to 37.9% (FY 2023: 45.7%).

Electronics

With some improvement through the year in the Global Semiconductor and Consumer Electronics markets (which together make up approximately two-thirds of our exposure in this end-market), Electronics sales volumes grew 19% during the second half (vs H2 2023) and were also up 39% vs H1 2024.

However, after a soft first half, total Electronics volumes for the full year were down 12% at 454 tonnes (FY 2023: 514 tonnes). The latest industry forecasts continue to suggest an improvement for Semiconductor, with WSTS forecasting Semiconductor demand to increase by 12.5% in 2025.

Within Electronics, core applications include CMP rings (for Semiconductor), as well as newer applications utilising PEEK, including for Semiconductor, 5G, cloud computing and other extended application areas. The increased level of data usage in society, AI and cloud based services is supportive to long-term growth in this end-market, though we are mindful of the short-term demand cycle. Within our APTIV™ film business, which supports small space acoustic applications including in speaker diaphragms and related components, we continue to see good growth and opportunities to further differentiate. These include much thinner film, which we have developed through our capability and know-how.

Victrex™ PEEK's lighter materials and enhanced durability have strong credentials to continue supporting improved energy efficiency in a range of Electronics applications. Other key applications include in a range of home appliances and areas where energy efficiency, lightweighting and mechanical strength are all key requirements. Innovation in smart devices, including flexible devices, are seeing increased underpinning from Victrex™ PEEK solutions.

Energy & Industrial ('E&I')

Energy & Industrial is built on Victrex™ PEEK's long-standing track record of durability and performance benefit in many demanding Oil & Gas applications, where lightweighting, durability and performance are key. The trend of metal replacement in demanding applications remains a key trend. In recent years, E&I has also been developing broader business across energy applications. These include in wind energy and opportunities in hydrogen. We now have a small but growing proportion of revenue coming from wind and renewable based applications. Sales volume of 604 tonnes, was down 5% on the prior year (FY 2023: 639 tonnes), reflecting the continuing weakness across General Industrial (which makes up more than half of this segment). Recent market indicators ('PMIs') in Europe have remained below 50 during H2 2024 (source: Trading Economics), with a slightly better picture in the US.

Other applications within this end-market include food processing equipment, where Victrex™ PEEK's inert properties prove beneficial in metal replacement. We have also commenced marketing Victrex™ PEEK as a PFAS (Per- and Polyfluoroalkyl chemicals) alternative. The safety concern around PFAS has sparked global action. Regulators across the UK, EU and the US are proposing to ban or restrict PFAS substances to only a few critical uses. Manufacturers using these products are looking to find safer alternative materials, without compromising product performance with Victrex™ PEEK well placed.

Transport (Automotive & Aerospace)

Victrex has a strong record of enabling environmental and societal benefit through its products. "Avoided emissions" and CO2 emission reduction is a key megatrend, with our materials offering lightweighting, durability, dielectric properties and heat resistance. A combination of legacy applications, and innovation into delivering new requirements for our customers, positions us well for the coming years. We also continue to make good progress in our Transport related mega-programmes of E-mobility and Aerospace Composites.

Overall Transport sales volume was up 8% to 1,022 tonnes (FY 2023: 950 tonnes), with Aerospace up 15% and Automotive up 5%. This performance reflects continuing increases in plane build as the Aerospace industry recovers post-pandemic. Automotive saw some restocking benefit in the first half, with a softer performance in H2 2024 as industry demand weakened.

Automotive

Victrex remains strong in core applications like braking systems, bushings & bearings and transmission equipment, the majority of which will transition between internal combustion engine ('ICE') platforms and electric vehicles ('EVs'). Overall, translation across ICE to EVs remains a net benefit opportunity, with current

PEEK content averaging around 11g per car. Our assessment of the EV opportunity is for a long term potential of over 200g per electric vehicle across several application areas.

Our E-mobility mega-programme was stable this year, with FY 2025 set to see an uptick in new platforms utilising PEEK, particularly around larger and higher voltage batteries. Applications include wire coatings, slot liners and rotor sleeves, where the insulative properties of Victrex™ PEEK suit the more demanding performance requirements. Opportunities are growing in both Europe and Asia, with China a particular focus area.

PEEK Gears saw further growth, following a positive performance in FY 2023. This reflects growing business in both cars and e-bikes. Victrex owns the know-how for manufacture and is able to manufacture at facilities in the US, or licence the manufacture within the supply chain. With PEEK Gears now being adopted, supply chain manufacturing is likely to be the primary route for sales of this application, following Victrex successfully seeding the market.

Aerospace
Aerospace volumes were up 15%, reflecting the benefit of plane build continuing to increase. The latest indicators for long-term plane build forecasts 42,000 new or replacement aircraft by 2043 (source: Airbus). With manufacturing speed and efficiency a key driver, Victrex™ PEEK's offering to support faster cycle times in part manufacture positions us well. We continue to enjoy good application growth in APTIV™ film and also our LMPAEK™ grade (and use as composite tape).

In our mega-programmes, Aerospace Composites supports both 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. Retrofit and "running change" opportunities for existing aircraft are supporting increased activity in this area, beyond the potential from future aircraft programmes.

This year we saw increased volumes with COMAC in China, noting the planned ramp up of production for the C919 model over the coming years. Victrex™ PEEK supports a broad range of aircraft platforms, with one of the highest production models being the Boeing 737-Max. Victrex™ PEEK content here is over 100kg per plane and we note the continuing industry focus, following the FAA's ruling on a production cap. The potential of a small headwind in FY 2025 remains, if the FAA's ruling remains in place. However, we also anticipate incremental revenue from composite development programmes, as well as the COMAC business in China, which continues to ramp up.

Overall, the mid-term outlook for Aerospace remains positive. With our materials supporting lightweighting, safety and durability - as well as faster cycle times - the PEEK content opportunity in composites could be 10x current levels, with use cases for larger structural parts set to become clearer. Our collaborations include a range of OEMs and tier manufacturers, including on Airbus' Clean Sky 2 programme, focused on the wings and fuselage of tomorrow.

Value Added Resellers ('VAR')
VAR is long standing business for Victrex, where VARs process PEEK into stock shapes or compounds, for onward sale into multiple supply chains. 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 and economic recovery, with VAR customers processing high volumes of PEEK.

During the second half, we saw continued progress in VAR demand, with H2 volumes up 25% vs H1 2024. This resulted in full year VAR volumes increasing by 14% to 1,488 tonnes (FY 2023: 1,304 tonnes). Whilst visibility remains low for FY 2025, we continue to be well placed for a sustainable recovery.

Regional trends
At a regional level, the Group's regional performance in North America was most adversely affected vs the prior year, driven by continued softness in Energy & Industrial. Europe saw the most improvement as VAR drove a better H2 2024, with Asia-Pacific slightly ahead.

Europe was up 8%, at 2,062 tonnes (FY 2023: 1,903 tonnes), driven by VAR primarily. North America was down 6% at 612 tonnes (FY 2023: 650 tonnes), reflecting Energy & Industrial, with Asia-Pacific up 1% at 1,057 tonnes (FY 2023: 1,045 tonnes).

Medical

	Year Ended 30 Sept 2024 £m	Year Ended 30 Sept 2023 £m	% Change (reported)	% Change (constant currency)
Revenue	**53.0**	65.2	-19%	-16%
Gross profit	**44.0**	52.1	-16%	-17%

Medical strategy
Our Medical business is focused on further broadening the applications we serve, building on the strong track record for PEEK-OPTIMA™ over more than 20 years. To date, over 15 million patients have PEEK-OPTIMA™ based implanted devices. A number of key milestones were delivered during the year, that support our emerging parts businesses, as well as our core materials business. These include US FDA approval for a 3D printed PEEK-OPTIMA™ based spinal cage.

Our Invibio brand is focused on material sales and a broader range of solutions, supported by our Polymer & Parts strategy, through manufacturing Medical components in the application areas of Trauma and Knee. Our goal is to increase the proportion of Medical revenues for the Group, above 30% of revenues by 2032 (FY 2024 had Medical share of Group revenue at 18%). 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 support these goals, recent targeted investment in Medical has helped support new customers in Trauma, as well as Knee. Our New Product Development Centre in Leeds is supporting customer scale up in Trauma and Knee, aligned to major medical device companies, as well as working closely with academia. This facility is dedicated to 'parts' programmes - the know-how, intellectual property and associated clinical data which underpins our expansion in Medical.

Performance

Following a record performance in FY 2023, our Medical business saw major customers starting to reduce their inventories from historically high levels. This has continued through the second half, with Medical revenues flat H2 2024 vs H1 2024. resulting in a softer year on year performance. Volume Based Procurement ('VBP') in China also resulted in softer revenues within the Asia-Pacific region. Full year revenue of £53.0m was down 19% on FY 2023 (FY 2023: £65.2m). The Group expects to see some improvement and a gradual easing of destocking - given procedural growth remains healthy - during 2025, based on ongoing dialogue with customers.

Gross profit was £44.0m (FY 2023: £52.1m) and gross margin was up at 83.0% (FY 2023: 79.9%). Geographically, Asia-Pacific revenues were down 27% year on year, with Medical revenues in the US down 18% and Europe down 10%

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

Spine and non-Spine

Non-Spine has seen good growth over recent years, and now forms 60% of our revenues in this division. Application areas include Arthroscopy and Cranio Maxillo-Facial ('CMF'). CMF also offers us an opportunity through 3D printed parts and saw continued growth of 7% in FY 2024, driven by its 'bespoke' made to order nature.

Elsewhere, recent and growing application areas include Cardio. PEEK-OPTIMA™ is now used in heart pumps, as well as Active Implantable devices and Drug Delivery systems. PEEK's strong track record and inert nature supports the broader range of application uses.

With porous titanium taking some share from PEEK in Spine over recent years, we have been working on the opportunities in 3D printed spinal cages. Next generation Spine products will be key in maintaining PEEK's position in this segment and potentially regaining share over time.

In September 2024, the US FDA approved the first 3D printed Porous PEEK device in the market. The combination of porous PEEK-OPTIMA™ structures allows for potential bone in-growth to achieve fixation, while maintaining the inherent benefits of PEEK-OPTIMA™ for imaging and bone-like modulus. Whilst we continue to innovate and develop new products for Spine, usage of 3D printed titanium cages continues, largely in the US. PEEK within Spinal fusion remains strong in Asia and Europe, where these regions have seen less of an impact from titanium.

Consolidated Income Statement

	Note	**Year ended 30 September 2024 £m**	Year ended 30 September 2023 £m
Revenue	4	**291.0**	307.0
Gains/(losses) on foreign currency net hedging	4	**5.2**	(7.6)
Cost of sales	4	**(161.9)**	(136.8)
Gross profit	4	**134.3**	162.6
Sales, marketing and administrative expenses		**(71.0)**	(70.8)
Research and development expenses		**(17.5)**	(18.6)
Operating profit before exceptional items		**60.3**	80.7
Exceptional items	5	**(14.5)**	(7.5)
Operating profit		**45.8**	73.2
Financial income		**0.7**	1.3
Finance costs		**(1.9)**	(0.7)
Result of associate	8	**(21.2)**	(1.3)
Profit before tax and exceptional items		**59.1**	80.0
Exceptional items	5	**(35.7)**	(7.5)
Profit before tax		**23.4**	72.5
Income tax expense	6	**(7.6)**	(11.5)
Profit for the financial year		**15.8**	61.0
Profit/(loss) for the year attributable to:			
Owners of the Company		**17.2**	61.7
Non-controlling interests		**(1.4)**	(0.7)
Earnings per share			
Basic	7	**19.8p**	70.9p
Diluted	7	**19.7p**	70.5p

Dividends (pence per share)		
Interim	**13.42**	13.42
Final	**46.14**	46.14
	59.56	59.56

A final dividend in respect of FY 2024 of 46.14p per ordinary share (£40.2m) has been recommended by the Directors for approval at the Annual General Meeting on 7 February 2025.

Consolidated Statement of Comprehensive Income

	Year ended 30 September 2024 £m	Year ended 30 September 2023 £m
Profit for the financial year	**15.8**	61.0
Items that will not be reclassified to profit or loss		
Defined benefit pension schemes' actuarial gains/(losses)	**0.3**	(6.9)
Income tax on items that will not be reclassified to profit or loss	**(0.1)**	1.4
	0.2	(5.5)
Items that may be subsequently reclassified to profit or loss		
Currency translation differences for foreign operations	**(6.7)**	(10.0)
Effective portion of changes in fair value of cash flow hedges	**9.6**	10.0
Net change in fair value of cash flow hedges transferred to profit or loss	**(5.2)**	7.6
Income tax on items that may be reclassified to profit or loss	**(1.1)**	(3.4)
	(3.4)	4.2
Total other comprehensive expense for the year	**(3.2)**	(1.3)
Total comprehensive income for the year	**12.6**	59.7
Total comprehensive income/(expense) for the year attributable to:		
Owners of the Company	**14.0**	60.4
Non-controlling interests	**(1.4)**	(0.7)

Consolidated Balance Sheet

	Note	**As at 30 September 2024 £m**	As at 30 September 2023 £m
Assets			
Non-current assets			
Property, plant and equipment		**352.1**	351.2
Intangible assets		**17.1**	18.7
Investment in associated undertakings	8	**-**	9.1
Financial assets held at fair value through profit and loss	8	**3.5**	13.2
Financial assets held at amortised cost		**1.0**	0.6
Deferred tax assets		**6.2**	5.6
Retirement benefit asset		**10.7**	9.7
		390.6	408.1
Current assets			
Inventories		**115.1**	134.5
Current income tax assets		**3.9**	1.3
Trade and other receivables		**45.8**	47.2
Derivative financial instruments	10	**7.3**	2.0
Other financial assets	9	**-**	0.1
Cash and cash equivalents		**29.3**	33.4
		201.4	218.5
Total assets		**592.0**	626.6
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**(40.8)**	(34.0)
Long term lease liabilities		**(8.3)**	(8.9)
Borrowings	9	**(32.9)**	(34.5)
Retirement benefit obligations		**(2.5)**	(2.5)
		(84.5)	(79.9)

	Note		
Current liabilities			
Derivative financial instruments	10	**(0.3)**	(1.8)
Borrowings	9	**(7.5)**	(5.2)
Current income tax liabilities		**(2.2)**	(3.0)
Trade and other payables		**(34.2)**	(34.1)
Current lease liabilities		**(1.7)**	(1.6)
		(45.9)	(45.7)
Total liabilities		**(130.4)**	(125.6)
Net assets		**461.6**	501.0
Equity			
Share capital		**0.9**	0.9
Share premium		**62.1**	61.9
Translation reserve		**(3.9)**	2.8
Hedging reserve		**3.9**	0.6
Retained earnings		**398.0**	432.8
Equity attributable to owners of the Company		**461.0**	499.0
Non-controlling interest	11	**0.6**	2.0
Total equity		**461.6**	501.0

Consolidated Cash Flow Statement

	Note	**Year ended 30 September 2024 £m**	Year ended 30 September 2023 £m
Cash flows from operating activities			
Cash generated from operations	13	**88.7**	42.9
Interest received		**0.7**	1.0
Interest paid		**(1.1)**	(0.2)
Net income tax paid		**(4.3)**	(2.0)
Net cash flow generated from operating activities		**84.0**	41.7
Cash flows (used in)/generated from investing activities			
Acquisition of property, plant and equipment and intangible assets		**(32.6)**	(38.5)
Withdrawal of cash invested for greater than three months		**0.1**	10.0
Other loans granted		**(0.7)**	(0.9)
Loans to associated undertakings		**(2.2)**	(2.9)
Net cash flow used in investing activities		**(35.4)**	(32.3)
Cash flows generated from/(used in) financing activities			
Proceeds from issue of ordinary shares exercised under option		**0.2**	0.4
Repayment of lease liabilities		**(1.9)**	(2.1)
Transactions with non-controlling interests		**-**	2.6
Bank borrowings received		**33.8**	19.0
Bank borrowings repaid		**(31.1)**	(0.9)
Interest paid on capital-related bank borrowings		**(1.1)**	(0.9)
Dividends paid		**(51.8)**	(51.8)
Net cash flow used in financing activities		**(51.9)**	(33.7)
Net decrease in cash and cash equivalents		**(3.3)**	(24.3)
Effect of exchange rate fluctuations on cash held		**(0.8)**	(1.0)
Cash and cash equivalents at beginning of year		**33.4**	58.7
Cash and cash equivalents at end of year		**29.3**	33.4

Consolidated Statement of Changes in Equity

	Share capital £m	**Share premium £m**	**Translation reserve £m**	**Hedging reserve £m**	**Retained earnings £m**	**Total attributable to owners of the Company £m**	**Non-controlling interest £m**	**Total £m**
Equity at 1 October 2023	**0.9**	**61.9**	**2.8**	**0.6**	**432.8**	**499.0**	**2.0**	**501.0**
Total comprehensive income/(expense) for the year								
Profit for the year								

Profit for the year attributable to owners of the Company	-	-	-	-	17.2	17.2	-	17.2
Loss for the year attributable to non-controlling interest	-	-	-	-	-	-	(1.4)	(1.4)
Other comprehensive (expense)/income								
Currency translation differences for foreign operations	-	-	(6.7)	-	-	(6.7)	-	(6.7)
Effective portion of changes in fair value of cash flow hedges	-	-	-	9.6	-	9.6	-	9.6
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	(5.2)	-	(5.2)	-	(5.2)
Defined benefit pension schemes' actuarial gains	-	-	-	-	0.3	0.3	-	0.3
Tax on other comprehensive income	-	-	-	(1.1)	(0.1)	(1.2)	-	(1.2)
Total other comprehensive (expense)/ income for the year	-	-	(6.7)	3.3	(0.2)	(3.2)	-	(3.2)
Total comprehensive (expense)/income for the year	-	-	(6.7)	3.3	17.4	14.0	(1.4)	12.6
Contributions by and distributions to owners of the Company								
Share options exercised	-	0.2	-	-	-	0.2	-	0.2
Equity-settled share-based payment transactions	-	-	-	-	0.2	0.2	-	0.2
Tax on equity-settled share-based payment transactions	-	-	-	-	(0.6)	(0.6)	-	(0.6)
Dividends to shareholders	-	-	-	-	(51.8)	(51.8)	-	(51.8)
Equity at 30 September 2024	**0.9**	**62.1**	**(3.9)**	**3.9**	**398.0**	**461.0**	**0.6**	**461.6**

	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Equity at 1 October 2022	**0.9**	**61.5**	**12.8**	**(13.6)**	**427.2**	**488.8**	**1.8**	**490.6**
Total comprehensive income/(expense) for the year								
Profit for the year attributable to owners of the Company	-	-	-	-	61.7	61.7	-	61.7
Loss for the year attributable to non-controlling interest	-	-	-	-	-	-	(0.7)	(0.7)
Other comprehensive (expense)/income								
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								

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)
Total other comprehensive (expense)/income for the year	-	-	(10.0)	14.2	(5.5)	(1.3)	-	(1.3)
Total comprehensive (expense)/income for the year	-	-	(10.0)	14.2	56.2	60.4	(0.7)	59.7
Contributions by and distributions to owners of the Company								
Contributions of equity from 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)
Equity at 30 September 2023	0.9	61.9	2.8	0.6	432.8	499.0	2.0	501.0

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 2024 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 3 December 2024.

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 2024 Annual Report. In addition, note 16 (financial risk management) in the financial statements of the FY 2024 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 2024 or 2023 but is derived from those financial statements. Statutory financial statements for the year ended 30 September 2024 and 30 September 2023 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 2024 and FY 2023. Statutory accounts for the year ended 30 September 2023 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 September 2024 will be delivered to the Registrar of Companies within the Companies House accounts filing guidance. A separate announcement will be made when the FY 2024 Annual Report is made available on the Company's website in January 2025.

<u>Climate change</u>

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 46 of the FY 2024 Annual Report.

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, in line emerges, with Victrex committed to reducing its carbon impact towards Net Zero across all scopes by 2050, in line with SBTi targets.

Use of Judgements and estimation uncertainty

The Directors consider that the application of the exceptional items accounting policy involves significant judgement, with the application and areas of judgement outlined in note 5. There are no other judgements that the Directors have made in the process of applying accounting policies that would have a significant effect on the amounts recognised in the financial statements, apart from those involving estimation uncertainty as detailed below.

The Group uses estimates and assumptions in applying 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, and therefore classified as critical at 30 September 2024, are retirement benefits and the valuation of inventory, consistent with the prior year. The use of estimates in assessing the carrying value of the investment in associate and fair value of convertible loan notes (see note 8) held in Bond 3D High Performance Technology BV ('Bond') was classified as critical in the prior year. With the investment in associate and loans due from Bond both now valued at £nil, the carrying value of these assets is no longer a source of estimation uncertainty at 30 September 2024.

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 38 to 42 of the FY 2024 Annual Report. This assessment has paid particular attention to current trading results and the impact of the ongoing global economic challenges on the aforementioned forecasts.

The company maintains a strong balance sheet providing assurance to key stakeholders, including customers, suppliers and employees. The Group had net debt of £21.1m at 30 September 2024, a reduction of £28.7m from 31 March 2024, and an increase of £4.4m from 30 September 2023. The increase in net debt during the year largely relates to the payment of the regular dividends in February 2024, £40.1m, and June 2024, £11.7m, with ongoing capital expenditure and soft trading reducing the cash generation in the short term. Underlying operating cash conversion improved to 114% for the year ended September 2024 from 18% for the year ended September 2023, supported by the partial unwind of the inventory position built during FY 2023. The Group drew on its UK revolving credit facility during the period, with a maximum drawn down of £26.0m, before fully repaying the facility by the end of the year from operating cashflows. Of the gross debt position of £50.4m, £9.2m is due within one year. The Group maintains a cash balance sufficient to manage short term liquidity and provide headroom against ongoing trading volatility. The cash balance at 30 September 2024 was £29.3m. Approximately 50% is held in the UK, on instant access, where the company incurs the majority of its expenditure. At the date of this report, the Group has drawn debt of c.£40m in its Chinese subsidiaries (with a total facility of c.£43m available until December 2026) and has unutilised UK banking facilities of £60m through to October 2027, 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. Whilst Sustainable Solutions has seen a partial recovery in sales volumes during calendar year 2024 compared to the suppressed levels seen in 2023, Medical continues to experience lower demand with destocking remaining a challenge as the industry carefully manages its inventory down from the elevated levels seen during 2022 and 2023. With economic forecasts remaining mixed and supply chains continuing to be cautious in both segments, the scenario analysis performed by management focuses 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 the reference points from previous economic cycles management has created two scenarios to model the impact of a reversal of the partial recovery seen in Sustainable Solutions during 2024 and the continuing effect of destocking within Medical at a regional/market level and aggregated levels on the Group's profits and cash generation through to January 2026 with consideration also given to the six months beyond this. The impact of climate change and the Group's goal of Net Zero across all scopes by 2050 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.

The directors have modelled the following scenarios:

Scenario 1 - Sustainable Solutions demand reduces back to the levels seen during H2 FY 2023 from January 2025 for 6 months, before recovering to the levels seen in H2 FY 2024 for the remainder of the going concern period. Medical revenue remains in line with the softer level experienced during FY 2024 through to June 2025 before recovery commences at a rate of 10% per annum through the remainder of the going concern period. Inventory is reduced in line with sales.

Scenario 2 - in line with scenario 1 through to June 2025 but with the lower demand continuing throughout 2025, i.e. throughout the going concern period, taking the total period of lower demand, which for Sustainable Solutions started in early FY 2023, to three years, well above the duration of any previous downturn experienced by the company. This would give an annualised volume below c.3,300 tonnes, a level not seen since 2013. In this scenario, destocking would continue to impact Medical revenue which would remain at an annualised revenue comparable to FY 2024. With the period of prolonged lower demand, a more aggressive unwind of the inventory balance has been assumed. The Directors consider scenario 2 to be a severe but plausible scenario.

Commercial sales from the new PEEK manufacturing facility in China commenced during H2 FY 2024; however, with volumes building over time 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 continued 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 - the committed facility 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 with major projects now completed in China and the UK. This could be reduced significantly by limiting expenditure to essential projects and 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 - the elevated inventory level seen at the end of FY 2023 has already been partially unwound and is forecast to continue to unwind during FY 2025. 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 2025 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 be unable to meet its liabilities as they fall due 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 remaining in or close to recession and the wars in Ukraine and the Middle East continuing, 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 the date of this report. For this reason, it continues to adopt the going concern basis for preparing the financial statements.

3. Significant accounting policies

The accounting policies applied by the Group in these financial statements are the same as those applied in the Group's FY 2023 Annual Report 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, 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 2024			Year ended 30 September 2023		
	Sustainable Solutions	**Medical**	**Group**	Sustainable Solutions	Medical	Group
	£m	**£m**	**£m**	£m	£m	£m
Segment revenue	**240.6**	**53.0**	**293.6**	250.3	65.2	315.5
Internal revenue	**(2.6)**	**-**	**(2.6)**	(8.5)	-	(8.5)
Revenue from external sales	**238.0**	**53.0**	**291.0**	241.8	65.2	307.0
Gains/(losses) on foreign currency net hedging	**4.2**	**1.0**	**5.2**	(5.4)	(2.2)	(7.6)
Cost of sales	**(151.9)**	**(10.0)**	**(161.9)**	(125.9)	(10.9)	(136.8)
Segment gross profit	**90.3**	**44.0**	**134.3**	110.5	52.1	162.6

5. Exceptional items

Items that are, in aggregate, material in size and/or unusual or infrequent in nature, are 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 2024	Year ended 30 September 2023

	£m	£m
Included within sales, marketing and administrative expenses:		
Business process improvements including ERP system	**9.9**	7.5
Impairment of property, plant and equipment relating to gears manufacturing	**4.6**	-
	14.5	7.5
Included within result of associate:		
Impairment of investment in associate	**9.1**	-
Fair value loss on loans due from Bond	**11.9**	-
Legal fees in relation to Bond	**0.2**	-
	21.2	-
Exceptional items before tax	**35.7**	7.5
Tax on exceptional items	**(8.0)**	(1.7)
Exceptional items after tax	**27.7**	5.8

Impairment of property, plant and equipment relating to gears manufacturing

The Company has successfully seeded the PEEK gears market with sales coming through both parts manufacture and polymer resin sales. With an increasing proportion of sales, both current and forecast, materialising from resin sales, the Company has performed a review of its property, plant and equipment which is specific to its gear manufacturing operations. Following this review the Company has written down a number of assets which are either no longer required or are not forecast to be fully utilised in the future by the gears business and cannot be redeployed elsewhere in the Group. The assets have been written down to their recoverable amount with an impairment loss recognised of £4.6m, none of which is deductible for tax. Given the size of the impairment, its impact on the reported profit-based metrics and the infrequent nature of such charges, it meets the Company's criteria to be presented as exceptional.

Business process improvements including ERP system implementation

During FY 2022 the Group commenced a multi-year improvement project centred around the implementation of a new cloud-based ERP system. The project, which includes process redesign, customisation and configuration of the new ERP system, change management and training, will deliver benefits to both customer interactions and internal business processes including those covering procurement, back office processing and organisational efficiency.

The project costs relating directly to the new ERP system implementation do 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 overall improvement 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 improvement project, including the ERP system go live, will be completed in 2025.

Impairment of investment in associate and fair value loss on loans due from Bond 3D High Performance Technology BV ('Bond')

Details of the non-cash impairment of investment in associate, fair value loss on loans (comprising convertible loan notes and 2024 bridging loan) and legal fees are detailed in note 8 below. At £21.2m this meets the criteria to be disclosed as exceptional, being material in size, and would therefore impact the reported profit-based metrics unduly affecting the comparability of the performance between reporting periods. The total cost has been disclosed within "Results of associate" on the income statement, a presentation which the Directors consider appropriately reflects the nature of the impairment and reduction in fair value of the loans.

Of the £21.2m, £9.1m relates to the impairment of investment in associate which is capital in nature for tax purposes and therefore not deductible for tax.

The cash flow in the year associated with exceptional items was a £11.7m outflow (FY 2023: £7.6m outflow).

6. Income tax expense

	Year ended 30 September 2024 £m	Year ended 30 September 2023 £m
UK corporation tax	**(0.7)**	5.5
Overseas tax	**2.7**	2.5
Deferred tax	**5.3**	3.2
Tax adjustments relating to prior years	**0.3**	0.3
Total tax expense in income statement	**7.6**	11.5
Effective tax rate	**32.5%**	15.9%

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 2023: 25% for the majority), 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 2024	Year ended 30 September 2023
Earnings per	- basic	**19.8p**	70.9p

share	- basic	**19.8p**	70.9p
	- diluted	**19.7p**	70.5p
Profit for the financial year attributable to the owners of the Company (£m)		**17.2**	61.7
Weighted average number of shares	- basic	**86,950,951**	86,937,187
	- diluted	**87,371,283**	87,496,409

8. Interests in other entities

Bond 3D High Performance Technology BV ('Bond')

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

Since FY 2021, the Group, along with other investors, has provided additional funding to Bond in the form of convertible loan notes ('CLNs') to fund the development and commercialisation through to net cash generation.

The carrying value of the investment in associate in Bond and the fair value of convertible loan notes and bridging loans due from Bond, collectively described as the 'Bond assets' below.

Investment in associate

The Group's investment in the ordinary share capital of Bond (24.5% ownership) at 30 September 2024 is €14.7m/£12.8m at cost (30 September 2023: €14.7m/£12.8m), with a carrying value of £nil (30 September 2023: £9.1m), which includes the impact of the Group's share of losses since investment and an impairment in the year of £9.1m.

Convertible loan notes ('CLNs') due from Bond

The CLNs were convertible into ordinary shares of Bond, at the Group's option, or were to be repaid by Bond on or before the end of the five-year agreed term, unless Bond exercised its right, available in certain circumstances, to extend the term by up to five years. The majority of the CLNs accrued interest which was accumulated into the value of the CLN and attracted the same conversion rights as the principal. The CLNs had preferential treatment to the ordinary equity in an exit scenario but were subordinated to certain other tranches of debt.

The CLN's in Bond were therefore classified as fair value through profit and loss, with the transaction value considered materially equal to the fair value of the convertible loan for initial recognition.

During the year the Group provided a €1.0m/£0.9m bridging loan ('2024 bridging loan') to Bond to extend the time available for Bond to find additional funding from new investors.

As detailed below the fair value of the CLN's and the 2024 bridging loan have been reduced resulting in a loss of £11.9m being recognised in the year (FY 2023: no gain or loss).

FY 2024 impairment of investment in associate and fair value loss on loans due from Bond

At previous reporting dates, in the absence of an arm's length transaction in the equity, the assessment of carrying value of the Bond assets was based on the future forecasts of the business, with the application of a number of scenarios to provide a range of potential outcomes which were used to both assess for indicators of impairment of investment in associate and to determine the range of fair values for the CLNs. In making this assessment the progress against each of Bond's key milestones, required for its future success, and therefore driving business valuation, was also considered.

The three key milestones, as detailed in the FY 2023 Annual Report, were:-

- optimisation of the technology,
- regulatory approval being obtained from the relevant medical authority for the resulting products and successful commercialisation, and
- receipt of additional funding from new investors.

Due to the inherent uncertainty of delivery of these milestones, the valuation exercise at each reporting date required the use of significant judgment and estimation, and therefore was classed as a 'critical judgement and use of estimation uncertainty' from March 2023.

The 2023 Annual Report included four valuation scenarios ranging from scenario 1, which saw full delivery of the strategy and resulted in an increase to the fair value of the CLNs, to scenario 4, which saw a full impairment of investment in associate and fair value reduction to £nil of the CLNs caused either by the technology being superseded and not making it to market or failure to raise sufficient external funding to sustain Bond. All scenarios required additional funding by mid-FY 2024.

The final €1.5m/ £1.3m of the 2023 CLN from the Group was drawn down by Bond between October 2023 and February 2024.

Despite actively seeking additional external funding since October 2023, Bond was unsuccessful in identifying new investors. Consequently, a request was made in February 2024 to existing shareholders for a bridging loan to provide an additional period of headroom to find new investment.

Victrex was the only investor to provide this funding, with a bridging loan of up to €2.5m, drawable only as required and assuming progress was being made to further reduce costs and secure the required funding and holding preference over all existing Bond debt. €1.0m/£0.9m of the 2024 bridging loan was drawn down in April 2024.

With no external funding raised, and slower than planned progression in obtaining regulatory approval, the Directors considered that the facts and circumstances available provided objective evidence that a loss event existed. A full impairment of investment in associate and fair value loss on loans due from Bond totalling £20.1m combined was recognised at 31 March 2024.

In late May 2024, the last potential investor declined to invest. At this point with no credible investment options remaining, Victrex determined the likelihood of securing new external funding was low and therefore the milestones would not be met. Accordingly, the Directors decided no further funding would be made available to Bond under the 2024 bridging loan.

Subsequently, the trade and assets of Bond were sold for a nominal value, leaving all amounts owed to Victrex still outstanding. The terms of sale of the trade and assets by Bond includes a clause entitling certain existing Bond debt holders, including Victrex, to participate in any upside of a subsequent sale of the business within the next five years. Due to the high level of uncertainty around any future sale, no value has been attributed to this provision.

On 30 October 2024 Bond was liquidated. Following that liquidation there is no chance of the Group recovering any value from the investment in associate, CLN's and 2024 bridging loan. Therefore, the carrying value of the Bond assets at 30 September 2024 is £nil and the valuation of the Bond assets is no longer considered an area requiring 'critical judgement and use of estimation uncertainty'.

The total charge recognised in the year is £21.2m, included in 'Result of associate' in the income statement, comprising the impairment of investment in associate of £9.1m, fair value loss on the CLN's of £11.0m and 2024 bridging loan of £0.9m and £0.2m of legal fees. This has been classified as an exceptional cost in the income statement. The impairment of investment in associate is non-tax deductible.

Surface Generation Limited

The Group continues to hold a minority equity interest in Surface Generation Limited, valued at £3,500,000 at 30 September 2024 (30 September 2023: £3,500,000), which is included within 'Financial assets held at fair value through profit and loss' in the consolidated balance sheet.

9. Cash and borrowings

Net debt
Net debt comprises cash and cash equivalents and other financial assets (within current assets), offset by borrowings and IFRS 16 lease liabilities.

	Year ended 30 September 2024 £m	Year ended 30 September 2023 £m
Cash and cash equivalents	**29.3**	33.4
Other financial assets	**-**	0.1
Total	**29.3**	33.5
Bank loans due within one year	**(7.5)**	(5.2)
Borrowings due within one year	**(7.5)**	(5.2)
Bank loans due over one year	**(25.0)**	(26.4)
Loan payable to non-controlling interest	**(7.9)**	(8.1)
Borrowings due over one year	**(32.9)**	(34.5)
Current lease liabilities	**(1.7)**	(1.6)
Non-current lease liabilities	**(8.3)**	(8.9)
Net debt	**(21.1)**	(16.7)

Other financial assets
At 30 September 2024 the Group had £nil other financial assets (30 September 2023: £0.1m comprising cash which was held in deposit accounts greater than three months in duration).

Bank loans
Bank loans comprise the UK revolving credit facility and Victrex (Panjin) High Performance Materials co., Ltd ('VIPL') banking facilities in China, split between capital expenditure facility and working capital facility.

Revolving credit facility
In October 2023, the Group renewed its UK banking facility, increasing the facility from £40.0m to £60.0m, of which £40.0m is committed and £20.0m accordion, which expires in October 2027. Interest is charged at a rate of SONIA +0.75% to SONIA +1.05% depending on the level of utilisation. In February 2024, £26.0m of the bank facility was drawn and was fully repaid by 30 September 2024. The facility contains covenant measures which are tested biannually, consisting of leverage and interest cover.

As at 30 September 2024 none of the committed facility was drawn (30 September 2023: £nil drawn).

VIPL banking facility
Bank loans relate to the capital expenditure facility and the working capital facility in China.

The Group's total capital expenditure facility is RMB 250m with the amount due at 30 September 2024 £26.2m/RMB 243m (30 September 2023: £26.5m/232m RMB). The amount due on the capital expenditure facility is split between the amount due within one year of £1.2m/ RMB 11m (30 September 2023: £0.1m/ RMB 1m) and the amount due after one year of £25.0m/RMB 232m (30 September 2023: £26.4m/RMB 231m).

The facility is repayable in line with an agreed schedule up to December 2026. Interest is charged at the five-year Loan Prime Rate of the People's Bank of China, which has been in the range of 3.85-4.20% in the year ended 30 September 2024. The purpose of the loan is to fund the construction of a manufacturing facility in China.

During FY 2024, interest of £0.7m (FY 2023: £0.9m) was capitalised as part of qualifying capital expenditure within property, plant and equipment. Capitalisation ceased in April 2024 when the property, plant and equipment to which the loans relate was commissioned.

The working capital facility in China is RMB 150m which increased from RMB 50m during FY 2024. Each drawdown under the working capital facility is required to be repaid at least annually, after which the balance can be redrawn. As such all amounts due on the working capital facility of £6.3m/RMB 58m (30 September 2023: £5.1m/RMB 44m) is included within the amount due within one year at 30 September 2024. Interest is charged at the one-year Loan Prime Rate of the People's Bank of China +50bps and is charged to the income statement, included within finance costs.

Loan payable to non-controlling interest
The Group's loan payable to the non-controlling interest ('shareholder loan'), Liaoning Xingfu New Material Co., Ltd ('LX'), 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 was to fund the construction of a manufacturing facility in China, with the interest payable capitalised as part of qualifying capital expenditure within property, plant and equipment until that plant is commissioned, which took place in April 2024.

The loan is unsecured and is denominated in Chinese Renminbi ('RMB'). At 30 September 2024 the sterling value of the loan, including rolled up interest and the impact of exchange rate movement, was £7.9m (30 September 2023: £8.1m).

The loan is repayable in two instalments, the first is on 30 September 2026, with the second on 30 September 2027, or such date as may be mutually agreed by the shareholders, LX and Victrex Hong Kong Limited. During the year, interest costs of £0.2m was capitalised into assets under construction (30 September 2023: £0.3m).

10. 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 2024		**As at 30 September 2023**	
	Notional contract amount	**Carrying amount and fair value**	**Notional contract amount**	**Carrying amount and fair value**
	£m	**£m**	£m	£m
Current assets	**170.9**	**7.3**	105.5	2.0
Current liabilities	**(5.2)**	**(0.3)**	86.7	(1.8)
	165.7	**7.0**	192.2	0.2

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 gains on foreign currency contracts of £5.2m has been recognised in the year (FY 2023: loss of £7.6m).

11. Non-controlling interest

The non-controlling interest recognised relates to the Group's subsidiary company, VIPL, where the Group continues to hold a 75% equity interest with the remaining 25% held by LX. VIPL (formerly Panjin VYX High Performance Materials Co Ltd) 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 VIPL are fully consolidated with the share owned by LX represented by a non-controlling interest.

In the year to 30 September 2024 the subsidiary incurred a loss of £5.7m (FY 2023: loss of £2.6m), of which £1.4m (FY 2023: £0.7m) is attributable to the non-controlling interest. Total non-controlling interest as at 30 September 2024 is £0.6m (30 September 2023: £2.0m).

12. Exchange rates

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

	Year ended 30 September 2024		Year ended 30 September 2023	
	Average	**Closing**	Average	Closing
US Dollar	**1.26**	**1.32**	1.16	1.22
Euro	**1.16**	**1.18**	1.14	1.16

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.

13. Reconciliation of profit to cash generated from operations

	Year ended	Year ended

	30 September 2024 £m	30 September 2023 £m
Profit after tax for the year	**15.8**	61.0
Income tax expense	**7.6**	11.5
Result of associate	**21.2**	1.3
Net finance costs/(income)	**1.2**	(0.6)
Operating profit	**45.8**	73.2
Adjustments for:		
Depreciation	**21.5**	19.8
Amortisation	**1.7**	1.7
Loss on disposal of non-current assets	**0.1**	0.3
Gain on early termination of long-term lease liabilities	**(0.1)**	(0.2)
Impairment of property, plant and equipment	**4.6**	-
Equity-settled share-based payment transactions	**0.2**	1.1
Gains on derivatives recognised in income statement that have not yet settled	**(2.4)**	(2.5)
Loss on financial asset held at fair value	**-**	0.2
Decrease/(increase) in inventories	**17.2**	(50.7)
(Increase)/decrease in trade and other receivables	**(1.7)**	16.4
Increase/(decrease) in trade and other payables	**2.5**	(14.6)
Retirement benefit obligations charge less contributions	**(0.7)**	(1.8)
Cash generated from operations	**88.7**	42.9

14. Alternative performance measures

We use alternative performance measures ('APM') 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. The presentation of APMs should not be considered in isolation or as a substitute for related financial measures prepared in accordance with IFRS. The APMs presented in this report may differ from similarly titled measures used by other companies.

Where one APM is derived from another APM, a cross-reference to the relevant APM has been included, which then provides the reconciliation to the most directly reconcilable line items. APM 1 to APM 8 below have been calculated on a consistent basis to prior year. One additional APM, Underlying effective tax rate (APM 9), has been included in the current year because it has been used by the Board to assess the effective tax rate excluding the tax impact of exceptional items.

Given the change in the financing structure of the Group, with the utilisation of the revolving credit facility and continued use of bank loans to fund new manufacturing operations in China, the Directors now consider the broader net funds/debt metric (see note 9) to better represent the financial position when determining the use of cash under the capital allocation policy, and therefore are no longer presenting the Available Cash APM metric previously used.

The Return on Sales metric is also not presented in FY 2024 as it is no longer a strategic KPI.

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 2024 within operating profit is a charge of £14.5m (FY 2023: charge of £7.5m) relating to business process improvements including ERP system implementation and the impairment of property, plant and equipment relating to gears manufacturing (FY 2023: business process improvements including ERP system implementation), further details are disclosed in note 5;

	Year ended 30 September 2024 £m	Year ended 30 September 2023 £m
Operating profit	**45.8**	73.2
Exceptional items	**14.5**	7.5
Underlying operating profit	**60.3**	80.7

APM 2 Profit before exceptional items and tax (referred to as underlying profit before tax) is based on profit before tax ('PBT') 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 2024 is a charge of £35.7m (FY 2023: charge of £7.5m) relating to business process improvements including ERP system implementation, impairment of property, plant and equipment relating to gears manufacturing, impairment of investment in associate and fair value loss on the loans due from Bond (FY 2023: business process improvements including ERP system implementation), further details of which are disclosed in note 5;

	Year ended 30 September 2024 £m	Year ended 30 September 2023 £m
Profit before tax	**23.4**	72.5
Exceptional items	**35.7**	7.5
Underlying profit before tax	**59.1**	80.0

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 2024) weighted average spot rates to prior year (FY 2023) transactions;

Group	**Year ended 30 September 2024 £m**	Year ended 30 September 2023 £m	% change
At reported currency	**291.0**	307.0	-5%
Impact of FX translation	**-**	(10.9)	
Revenue at constant currency	**291.0**	296.1	-2%
Volume	**3,731**	3,598	
ASP at constant currency	**78.0**	82.3	-5%

Sustainable Solutions	**Year ended 30 September 2024 £m**	Year ended 30 September 2023 £m	% change
At reported currency	**238.0**	241.8	-2%
Impact of FX translation	**-**	(8.6)	
Revenue at constant currency	**238.0**	233.2	+2%

Medical	**Year ended 30 September 2024 £m**	Year ended 30 September 2023 £m	% change
At reported currency	**53.0**	65.2	-19%
Impact of FX translation	**-**	(2.3)	
Revenue at constant currency	**53.0**	62.9	-16%

APM 4 Underlying operating cash conversion is used by the Board to assess the business' ability to convert underlying operating profit into cash effectively. Underlying operating cash conversion is underlying operating cash flow as a percentage of underlying operating profit. Underlying operating cash flow is underlying operating profit before depreciation, amortisation and loss on disposal, less capital expenditure, adjusted for working capital movements.

	Year ended 30 September 2024 £m	Year ended 30 September 2023 £m
Underlying operating profit (APM 1)	**60.3**	80.7
Depreciation, amortisation and loss on disposal*	**23.3**	21.6
Change in working capital	**17.5**	(48.9)
Capital expenditure	**(32.6)**	(38.5)
Underlying operating cash flow	**68.5**	14.9
Underlying operating cash conversion	**114%**	18%

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

APM 5 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. Further details of the exceptional items are disclosed in note 5. 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.

	Year ended 30 September 2024 £m	Year ended 30 September 2023 £m
Profit after tax attributable to owners of the Company	**17.2**	61.7
Exceptional items	**35.7**	7.5
Tax on exceptional items	**(8.0)**	(1.7)
Profit after tax before exceptional items net of tax	**44.9**	67.5
Weighted average number of shares	**86,950,951**	86,937,187
Underlying EPS (pence)	**51.7**	77.7

APM 6 Underlying operating overheads is made up of sales, marketing and administrative expenses, and research and development expenses, before exceptional items. Further details of the exceptional items are disclosed in note 5. 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.

	Year ended 30 September 2024 £m	Year ended 30 September 2023 £m
Sales, marketing and administrative expenses	**71.0**	70.8

Exceptional items	**(14.5)**	(7.5)
Research and development expenses	**17.5**	18.6
Underlying operating overheads	**74.0**	81.9

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.

	2024 **p**	2023 p
Underlying earnings per share (APM 5)	**51.7**	77.7
Total dividend per share	**59.56**	59.56
Underlying dividend cover (times)	**0.9**	1.3

APM 8 Return on Invested Capital ('ROIC') is used by the Board to assess the return on investment at a Group level and provides a metric for long-term value creation. ROIC is defined as profit after tax adjusted to exclude exceptional items net of tax, finance costs and finance income ('ROIC adjusted profit')/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, retirement benefit obligations and borrowings. Average adjusted net assets is (adjusted net assets at the start of the year plus adjusted net assets at the end of the year)/2. This metric has been renamed in FY 2024 from 'Return on Capital Employed', with no change in the calculation.

	Year ended **30 September** **2024** **£m**	Year ended 30 September 2023 £m
Profit after tax attributable to owners of the Company	**17.2**	61.7
Exceptional items	**35.7**	7.5
Tax on exceptional items	**(8.0)**	(1.7)
Finance income	**(0.7)**	(1.3)
Finance costs	**1.9**	0.7
ROIC adjusted profit	**46.1**	66.9
Net assets	**461.6**	501.0
Cash and cash equivalents	**(29.3)**	(33.4)
Other financial assets	**-**	(0.1)
Retirement benefit asset	**(10.7)**	(9.7)
Retirement benefit obligations	**2.5**	2.5
Borrowings	**40.4**	39.7
Adjusted net assets	**464.5**	500.0
Average adjusted net assets	**482.2**	466.1
ROIC	**10%**	14%

APM 9 Underlying effective tax rate is used by the Board to assess the Groups effective rate excluding the impact of exceptional items. This metric is the underlying tax charge divided by underlying profit before tax. The underlying tax charge is the tax expense adjusted to exclude the tax effect of exceptional items.

	2024 **£m**	**2024** **%**	2023 £m	2023 %
Underlying profit before tax (APM 2)	**59.1**		80.0	
Tax expense / Effective tax rate	**7.6**	**32.5%**	11.5	15.9%
Tax on exceptional items	**8.9**		1.7	
Less: tax effect of impairments not deductible for tax purposes	**(3.4)**		-	
Underlying tax charge / Underlying effective tax rate	**13.1**	**22.2%**	13.2	16.5%

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

Financial calendar:

Ex-dividend date	23 January 2025
Record date#	24 January 2025
AGM	7 February 2025
Payment of final dividend	21 February 2025
Announcement of half-year results	May 2025
Payment of interim dividend	June/July 2025

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

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