



**TECHNICAL
FIBRE PRODUCTS**

COLOURFORM™
PLASTIC-FREE PACKAGING

**JAMES
CROPPER**
EST. 1845



2019 - 2020 Headlines



- Record sales and profit achieved in the year
- Growth achieved across the group with exports growing to 60%
- Innovation: maintained spend in R&D and new products commercialised
- Remained open and operational throughout Covid 19 pandemic, although sharp decline in demand in Q1 2020
- Covid 19 focus on:
 - Employee health & wellbeing
 - Customers
 - Cost reduction & conservation of cash
- Management focused on growth as we emerge from the pandemic
- Company celebrates 175 years in 2020

Financial Headlines



	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Revenue	104,667	101,095	96,312	92,363	87,920
Adjusted operating profit (excluding IAS 19 impact)	7,240	4,262	6,133	6,849	6,264
Adjusted profit before tax (excluding IAS 19 impact)	6,674	3,962	5,825	6,566	5,173
Impact of IAS 19	(1,215)	(1,386)	(1,284)	(1,025)	(1,305)
Profit before tax	5,459	2,576	4,541	5,541	3,868
Earnings per share - diluted	50.6p	24.3p	43.0p	49.0p	31.8p

Balance Sheet Highlights



	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Non-pension assets – excluding cash	72,084	64,871	59,899	64,304	57,470
Non-pension liabilities – excluding borrowings	(19,032)	(16,236)	(15,585)	(19,433)	(17,019)
	53,052	48,635	44,314	44,871	40,451
Net IAS 19 pension deficit (after deferred tax)	(7,600)	(18,798)	(16,162)	(18,421)	(6,453)
	45,452	29,837	28,152	26,450	33,998
Net borrowings	(11,055)	(8,561)	(4,806)	(7,364)	(7,305)
Equity shareholders' funds	34,397	21,276	23,346	19,086	26,693
Gearing % - before IAS 19 deficit	26%	21%	12%	20%	22%
Gearing % - after IAS 19 deficit	32%	40%	21%	39%	27%
Capital expenditure £'000	9,195	5,229	1,935	5,315	4,086

Technical Fibre Products



TFP	2020	2019	% Change
Revenue	26,536	26,487	-
EBITDA	8,728	9,665	(10%)
Profit	7,753	8,883	(13%)

- 40% growth in fuel cell
- 59% growth in renewable energy (wind) driven from new materials developed by TFP
- Decline of 17% in the aerospace market driven from Boeing 737 Max withdrawal and early Covid 19 impact
- Markets in defence remain stable
- Investment continued to support additional capacity
 - 80% completion of an additional production line to add a further 50% capacity. Work will restart later this year
 - New warehousing facilities



Paper Products



Paper	2020	2019	% Change
Revenue	75,545	74,318	2%
EBITDA	5,057	(533)	-
Profit	3,406	(1,992)	-

- Year-on-year revenue growth, largely driven from packaging
- Return to profitability over previous year driven from mix improvement, pulp price and increased virgin pulp substitution
- 23% growth in luxury packaging sector from new and existing contracts
- Increased substitution of virgin pulp, now 24%. Target is 50% by 2025
- New luxury brand contracts won
- Coffee cup recycling (CupCycling™) continues to grow
- Capital investments planned for growth in capacity and capability to support luxury packaging



Colourform	2020	2019	% Change
Revenue	2,586	290	792%
EBITDA	(473)	(1,905)	75%
Profit	(1,378)	(2,462)	44%



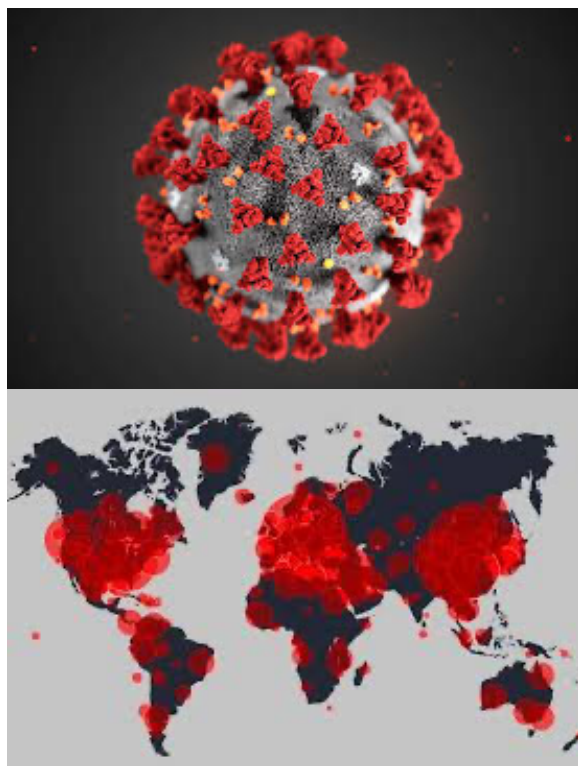
- Significant revenue growth to £2.6 million
- Profits improved by £1.1 million
- Beauty market demonstrated most of the growth
- New product introduced for the champagne market which will go live in 2020
- Licencing agreement signed with Asian moulded fibre manufacturer
- Colourform now utilising Paper's sales organisation

Covid 19 – Actions



- Protecting employees – acted immediately
 - Health & welfare of all employees
 - PPE, mental health support, home working
 - “Covid-secure” operations
 - Zero confirmed employees Coronavirus cases reported
- Supporting customers
 - Logistics & deliveries
 - Payment plans
- Reducing costs – acted fast
 - Furlough
 - Freeze discretionary spend
 - Pay freeze & temporary salary reductions
 - Suspend dividend
- Banks
 - Support from banks secured

Covid 19 – Impact



- All operations remained open and operational
- TFP
 - Continues to grow well in green technologies e.g. fuel cell, wind power
 - Sales into aerospace may decline further this year
 - TFP is more resilient, with a less significant decline anticipated & with return to growth next year
- Paper
 - Packaging proving to be more resilient (38% of portfolio)
 - Significant reduction across printing and graphic sectors
 - Expect a material year on year decline, with growth returning in H2
- Colourform
 - Continues to grow with new contacts
 - Expect a year on year growth
- Despite the revenue impact, expect to at least break-even

Outlook



- Profit will be significantly down, however, expect to at least break-even
- TFP's markets are demonstrating more resilience to Covid-19
 - Strong growth in green energy such as fuel cell and wind
 - Experiencing decline in aerospace, which may take 24 months to return to growth
 - New product development to deliver in 2020/21
- Paper demand recovery expected in H2 2020
 - Reduced demand as a result of retail decline
 - Market penetration: brands moving business from other paper manufacturers
 - Healthy commercial pipeline
- Colourform will continue to grow year on year
- Focus on growth
 - Cost constraints will not impact our ability to grow
 - Strong emphasis on building and deploying the revenue pipeline
 - Capital investments for growth with restart in Q4 2020
- Cost control will remain in place within the current financial year
- Maintaining a focus on employee skills and wellbeing

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Sustainability with Purpose, Impact and Scale



Waste Reduction

- Our commitment is in creating high quality products that play an important role in product design, be that light-weighting for aircraft or wind turbines, or paper products that are easily recycled after use
- Waste from our own paper and Colourform™ production is recycled on-site into new paper products
- Fibrous waste from the mill's de-watering plant is used as a soil improver on local farmland, approved by the Environment Agency
- Zero to landfill - what we cannot recycle ourselves on-site is collected by our local waste management company, of this typically 80% is recycled and 20% goes to Refuse Derived Fuel (RDF)
- With CupCycling™ we have upcycled 120 million disposable coffee cups into paper products and packaging
- We create paper and packaging solutions for the circular economy, and are a signatory to the Ellen MacArthur global commitment

Sustainability with Purpose, Impact and Scale

Water Management

- Our source of water, the river Kent, originates from a spring in the fells of the English Lake District which feeds into Kentmere reservoir situated at the head of the water catchment
- All fresh water drawn from the river is conserved by water recovery systems on the machines, our water saving investments have been certified as water efficient technologies by DEFRA
- The river is classed as a Site of Special Scientific Interest (SSSI) as it supports a flourishing population of white-clawed crayfish and freshwater mussels, both species being a signifier of water purity
- Our focus is on efficiency in water usage and on maximising the return of clean safe water to the catchment
- Over 91% of water abstracted is returned clean to the river downstream of the mill
- Water is an integral part of the paper products we produce; they typically contain 7% moisture

Innovation

- As well as manufacturing and creating paper products and moulded packaging from renewable sources, the business has invested in innovations dedicated to cutting waste and helping to tackle the issues we face
- Our unique CupCycling™ facility enables us to upcycle disposable single-use paper cups, in collaboration with coffee retailers, waste management companies and brands we are helping to drive a positive change in recycling
- The cups are given a second life as beautiful papers and consumer packaging such as Colourform™
- Over 15% of James Cropper's employees are involved with research and development activities and the company has invested over £8 million in the last 3 years
- The graduate intake programme now benefits each business supported by regular recruitment programmes working with high performing universities
- The business created the Technology and Innovation Directorate in 2014, taking a strong long-term view on strategy and investment

Sustainability with Purpose, Impact and Scale

Responsible Sourcing

- The business has a zero tolerance approach to any form of modern slavery and we are committed to acting in an ethical manner and with integrity and transparency in our business dealings
- 100% of fresh fibre, our primary raw material, is sourced from sustainably managed European forests and certified to FSC or PEFC chain of custody
- Chain of custody ensures from harvest site to end product, there is effective fibre traceability to provide assurance of the legality of wood, biodiversity and sustainable land use practices throughout
- Managed forestry in Europe is bucking the global forestry trend and continues to drive forest growth, a key component of many countries in the fight against climate change
- 20% of our fibre input for papermaking is from recycled sources
- Within our own business our approach to packaging is paper where possible, plastic when useful

Health & Wellbeing

- Our organisation provides diverse, rewarding employment and opportunity for personal growth, our commitment to people is core to the Group's values
- The business operates a Better Health at Work scheme, promoting and raising awareness of health matters
- We have nearly 50 trained mental health first aiders and over 20 health advocates across the business
- As standard, we provide all of our employees with healthcare insurance plans that contribute towards everyday healthcare bills and offer a wide range of other well-being benefits
- The annual Pride Awards celebrate employees going "above and beyond" demonstrating significant improvements, creativity and selflessly giving time to good causes
- Support for Community Energy, not only delivers renewable solar energy to the mill, but profits benefit environmental and social projects in our local parish of Burneside

Group Revenues

PAPER				
	2020	% Sales	2019	% Change
UK	37.9	50%	41.0	(8%)
Europe	18.1	24%	16.3	11%
Americas	9.7	13%	9.1	7%
Asia	8.9	12%	7.0	27%
Other	1.0	1%	1.0	0%
Total	75.5		74.3	2%
TFP				
	2020	% Sales	2019	% Change
UK	3.8	14%	3.1	23%
Europe	6.9	26%	6.9	0%
Americas	14.7	55%	15.3	(4%)
Asia	0.8	3%	0.8	10%
Other	0.3	1%	0.5	(37%)
Total	26.5		26.5	0%
Colourform				
	2020	% Sales	2019	% Change
UK	0.2	6%	0.2	(9%)
Europe	2.3	90%	0.1	-
Americas	0.1	4%	0	
Total	2.6	1.0	0.2	(9%)

Group revenues up to £104.7m

UK now **40%** of all sales at £41.8m (Prior year £44.2m, 44% sales)

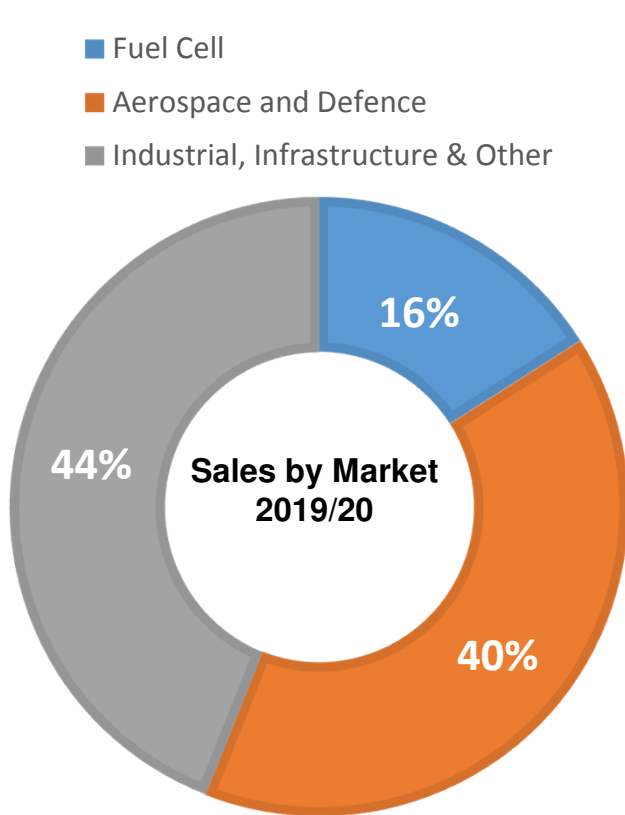
Export now **60%** of all sales at £62.9m (Prior year £56.9m, 56% sales)

Paper grew strongly in all export markets

Colourform key contracts in Europe

Technical Fibre Products

The broadest range of non-wovens in the world (June 2019)



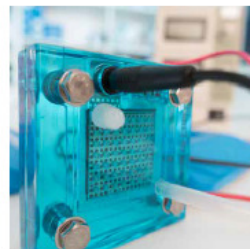
INDUSTRIAL, INFRASTRUCTURE AND OTHER
 WIND TURBINES
 BUSES AND TRAINS
 CONSTRUCTION
 MEDICAL DEVICES
 CONSUMER ELECTRONICS

1



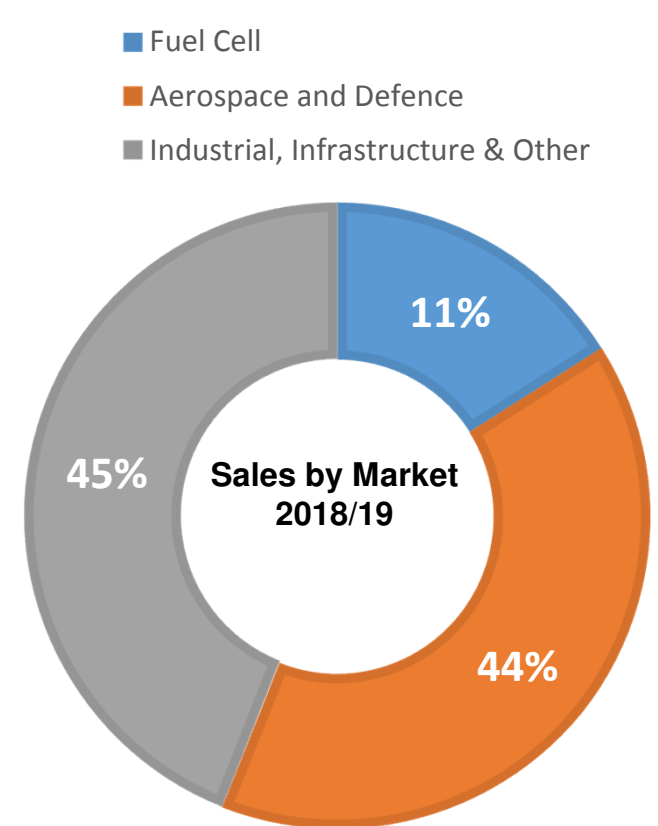
AEROSPACE AND DEFENCE
 COMMERCIAL AIRCRAFT
 MILITARY AIRCRAFT
 SATELLITES
 HELICOPTERS
 UAVs

2



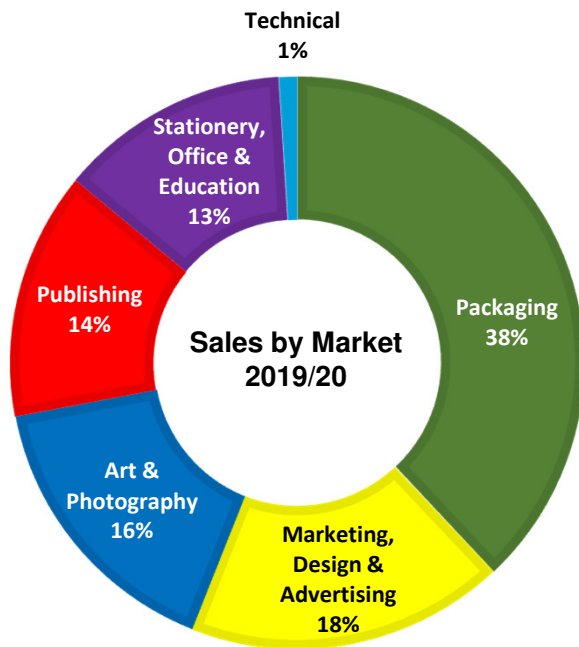
FUEL CELLS
 GAS DIFFUSION LAYER

3



James Cropper Paper

Leading speciality papermaker, producing premium, bespoke, coloured papers for many of the world's leading brands.



LUXURY PACKAGING
 FASHION & CLOTHING
 BEAUTY & COSMETICS
 JEWELLERY & WATCHES
 CONSUMER TECHNOLOGY
 ALCOHOLIC DRINKS



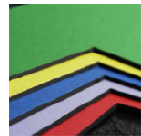
PUBLISHING
 BOOKBINDERS
 PUBLISHERS
 GREETING CARDS
 MAPS & CHARTS



MARKETING, DESIGN & ADVERTISING
 COMMERCIAL PRINTERS
 MARKETING AGENCIES
 COMPANY REPORTS



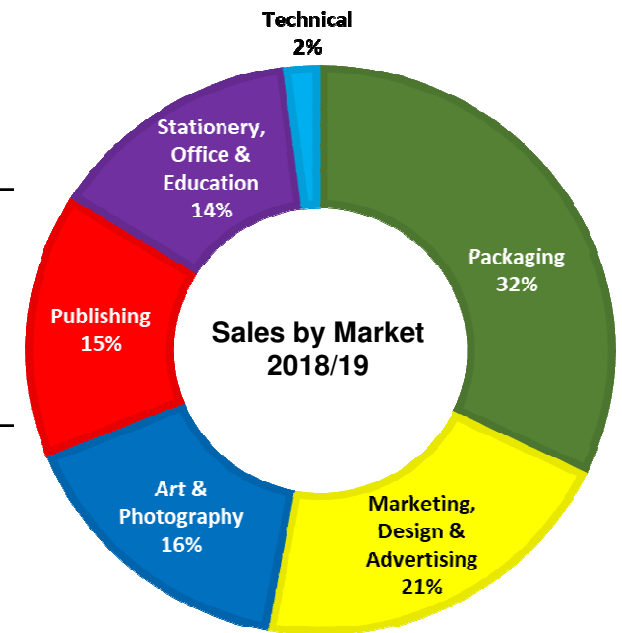
STATIONERY, OFFICE & EDUCATION
 SCHOOLS
 RETAIL
 OFFICE SUPPLIERS



ART & PHOTOGRAPHY
 FRAMING & ALBUMS
 FINE ART REPRODUCTION
 ARCHIVAL



TECHNICAL
 CONSTRUCTION
 LAUNDRY
 MEDICAL



Profit and Loss Summary

	2020	2019	Change	
	£'m	£'m	£'m	%
Paper Products	3.4	(2.0)	5.4	271%
Technical Fibre Products	7.8	8.9	(1.1)	(13%)
Colourform	(1.4)	2.5)	1.1	44%
Other Group expenses	(2.5)	(0.2)	(2.4)	-
Operating profit before interest prior to IAS 19	7.2	4.3	3.0	70%
Net interest prior to IAS 19 finance costs	(0.6)	(0.3)	(0.3)	(89%)
Profit before tax prior to IAS 19	6.7	4.0	2.7	68%
Net IAS 19 pension adjustments	(1.2)	(1.4)	0.2	12%
Profit before tax	5.5	2.6	2.9	112%

Balance Sheet

	2020	2019
	£'m	£'m
Non-pension assets - excluding cash	72.1	64.9
Non-pension liabilities - excluding borrowings	(19.0)	(16.2)
	53.1	48.6
Net IAS 19 pension deficit (after deferred tax)	(7.6)	(18.8)
	45.5	29.8
Net borrowings	(11.1)	(8.6)
Equity shareholders' funds	34.4	21.3
Gearing % - before IAS 19 deficit	26%	21%
Gearing % - after IAS 19 deficit	32%	40%

As a result of a strong performance in the year and decreases in the pension scheme deficits, shareholders' funds show an overall increase of £13.1m to £34.4m

Cash Flow

	2020	2019
	£'m	£'m
EBITDA (excluding IAS 19 impact)	11.2	7.2
Pension deficit payments	(1.4)	(1.5)
Decrease / (increase) in working capital	4.3	(1.9)
Other	(1.0)	(0.4)
Net cash generated from operations	13.1	3.4
Capital expenditure	(9.2)	(5.2)
Dividends	(1.3)	(1.3)
Increase in loans	4.3	0.3
Other	(0.3)	(0.3)
Increase/(decrease) in cash	6.6	(3.2)
Opening cash	2.4	5.6
Closing cash	9.0	2.4

The Group generated £13.1m of cash from operations notably through its strong operating performance and good working capital management

Facility Profile

	2020 £'m	2019 £'m	Change £'m
Cash and cash equivalents	9.0	2.4	6.6
Borrowings: repayable within one year	(3.8)	(1.5)	(2.2)
Borrowings: non-current	(16.3)	(9.4)	(6.9)
Net debt	(11.1)	(4.8)	(2.5)
Borrowings: repayable within one year	3.8	1.5	2.2
Borrowings: non-current	16.3	9.4	6.9
Facilities drawn down	20.0	10.4	9.7
Undrawn facilities	5.4	8.1	(2.8)
Facilities	25.4	19.3	6.1
Cash and cash equivalents	9.0	2.4	6.6
Undrawn facilities	5.4	8.1	(2.8)
Funds available at year end	14.3	10.5	3.9
Borrowings: repayable within one year	(3.8)	(1.5)	(2.2)
Funds available in excess of one year	10.6	8.9	1.6

During the period net debt increased by £2.5m to £11.1m

Note however that the Group has adopted IFRS 16 and incorporates £4.3m of right-of-use leases in its 2020 borrowings figure

Net debt on an equivalent comparative basis is £6.7m in the year, down by £1.8m on prior year

Pensions

The IAS 19 pension valuation March 2020				
	Staff Scheme Mar-20	Works Scheme Mar-20	Both Schemes 2020 Mar-20	2019 Mar-19
Discount rate	2.50%	2.55%	2.53%	2.45%
	£'m	£'m	£'m	£'m
Assets	53.5	60.5	114.0	110.0
Liabilities	(51.6)	(69.8)	(121.4)	(132.6)
Deficit	1.9	(9.3)	(7.4)	(22.7)
Limit recoverable surplus	(1.9)		(1.9)	-
Net (Deficit)/Surplus	-	(9.3)	(9.3)	(22.7)
Funding level - %	104%	87%	94%	83%

IAS 19 Valuation

The bi-annual IAS 19 valuations are applied for statutory reporting purposes only and require the groups actuaries to make a number of assumptions on a very different basis to the on-going valuations.

Under IAS 19 **the combined decrease** in the schemes' overall deficit of £13.4m is principally caused by rising corporate bond yields, a fall in expected future inflation and reductions in life expectancy all decreasing liabilities which was further aided by strong asset returns. Under IAS 19 the pension deficit is likely to be volatile and may in the future be very different from this year end position.

The 2016 Ongoing Valuation (2019 is near completion)			
	Staff Scheme	Works Scheme	Both schemes
Discount rate	3.55%	3.55%	3.55%
	£'m	£'m	£'m
Assets	44.4	47.9	92.3
Liabilities	(48.1)	(60.0)	(108.1)
Deficit	(3.7)	(12.1)	(15.8)
Funding level - %	92.4%	79.8%	85.4%

Ongoing Valuation

Work is near completion on the triennial "on-going" valuation set for April 2019.

The April 2016 "on-going" valuation resulted in contributions of £1.3m per annum to reduce the past service deficits and a further £0.16m per annum to meet pension protection levy payments, a total of £1.46m each year.

Pulp price

