

JAMES CROPPER ^{PLC}

ESTABLISHED 1845



**TECHNICAL
FIBRE PRODUCTS**

JAMES
CROPPER



3D
PRODUCTS

JAMES
CROPPER

EST. 1845



Divisional Headlines



Paper

- Strategy to drive a higher value product mix being deployed successfully ✓
- Activities to drive operational efficiencies are yielding positive results ✓
- Impacted by significant raw material pulp price increases ✗

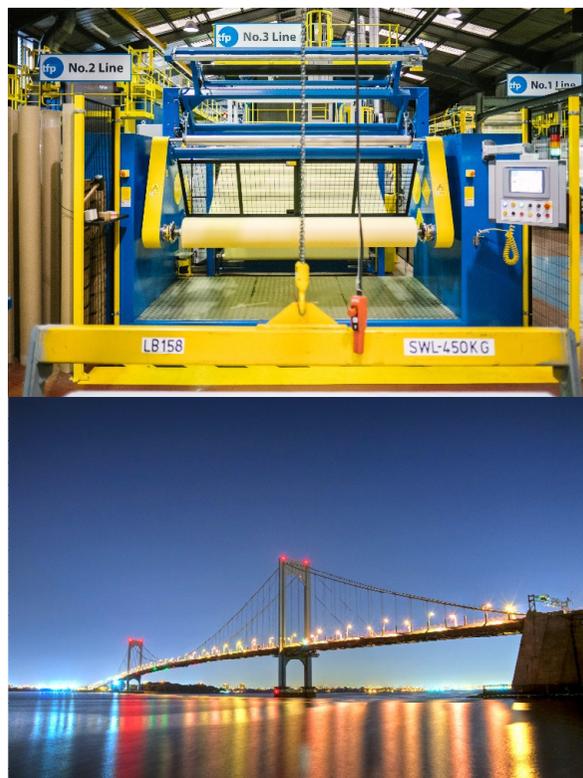
TFP

- Double digit organic growth across target markets ✓
- Recently installed capacity is ensuring demand is met ✓
- Additional capacity is being planned to support continued volume growth ✓

3DP

- Significant market interest resulting in a strong active project pipeline ✓
- Project cycle time to commercialisation is longer than anticipated ✗
- 3DP business is a strategic growth focus with attractive financial returns ✓

Financial Headlines



	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
		Restated			
Revenue	96,312	92,363	87,920	83,052	84,518
Adjusted operating profit (excluding IAS 19 impact and exceptionals)	6,133	6,849	6,264	3,899	2,545
Adjusted profit before tax (excluding IAS 19 impact)	5,825	6,566	5,173	3,494	2,088
Impact of IAS 19	(1,284)	(1,025)	(1,305)	(919)	(775)
Profit before tax	4,541	5,541	3,868	2,575	1,313
Earnings per share - diluted	43.0p	49.0p	31.8p	20.1p	15.0p

Balance Sheet Highlights



	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
		Restated			
Non-pension assets – excluding cash	59,899	64,304	57,470	50,810	51,093
Non-pension liabilities – excluding borrowings	(15,585)	(19,433)	(17,019)	(14,289)	(11,230)
	44,314	44,871	40,451	36,521	39,863
Net IAS 19 pension deficit (after deferred tax)	(16,162)	(18,421)	(6,453)	(11,554)	(9,312)
	28,152	26,450	33,998	24,967	30,551
Net borrowings	(4,806)	(7,364)	(7,305)	(6,105)	(10,277)
Equity shareholders' funds	23,346	19,086	26,693	18,862	20,274
Gearing % - before IAS 19 deficit	12%	20%	22%	20%	35%
Gearing % - after IAS 19 deficit	21%	39%	27%	32%	51%
Capital expenditure £'000	1,935	5,315	4,086	2,619	2,958

Paper Products



Raw material increase (pulp) of £3.5M compared to prior year

Focus on higher value segments, and exiting lower value commodities

Increased PR and marketing focus leading to substantial brand exposure

Launch of post consumer recycling of coffee cups –CupCycling™

Paper	2018	2017	% Change
Revenue	71,237	71,024	0.3%
EBITDA	2,883	4,619	(38%)
Profit	1,468	3,209	(54%)



Technical Fibre Products



TFP	2018	2017	% Change
Revenue	24,909	21,332	17%
EBITDA	8,189	6,653	23%
Profit	7,449	5,940	25%



Growth across all targeted market sectors

Higher growth seen within the Fuel Cell market

Defence markets growing including F35 Lightning II Joint Strike Fighter

Continued strong growth into Aerospace markets

Recently installed capacity being utilised, with a fourth line being planned for 2020 to support demand

3D Products

3DP	2018	2017	% Change
Revenue	166	7	2271%
EBITDA	(1,273)	(372)	(242%)
Profit	(1,639)	(426)	(285%)

Active pipeline of projects

Project cycle times are longer than originally anticipated to achieve commercialisation

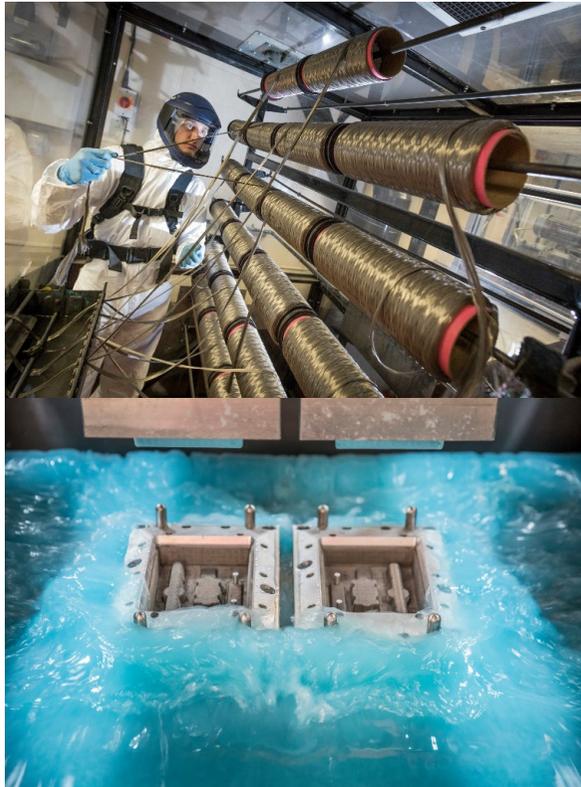
Increased resources to manage projects – creative designers and tool designers

Publicity around single use plastics is supporting the move to Colourform™
CupCycling™ is now offered in Colourform™



COLOURFORM™
PLASTIC-FREE PACKAGING

Innovation



A strong commitment to R&D to support medium to long term growth

Over £2 million spend last year

15% employees fully dedicated to R&D activities

Dedicated labs to support individual businesses

Group R&D supports strategic innovation

Some examples of projects:

- Nano coating technology within TFP
- Alternatives to virgin cellulose fibres for Paper

Outlook

Continued investment in Innovations to support operational and commercial advances

Pulp prices are expected to increase throughout the next financial year

Activity to bring greater independence away from commodity pulp pricing

Invest in a fourth line for TFP to increase capacity by a further 50%

Further 3DP pipeline projects to be commercialised

Dr Andrew Hosty, Founding CEO of The Royce Institute of Advanced Materials, joining as NED



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Group Revenues

Group				%
£'m	2018	% Sales	2017	Change
UK	43.0	45%	42.1	2%
Europe	20.5	21%	20.2	1%
Americas	23.1	24%	21.0	10%
Asia	7.6	8%	7.1	7%
Other	2.1	2%	2.0	5%
Total	96.3	100%	92.4	4%

55% of revenues come from export markets (54% last year)

Paper				%
£'m	2018	% Sales	2017	Change
UK	40.0	56%	39.4	2%
Europe	14.9	21%	15.7	(5%)
Americas	7.8	11%	8.1	(4%)
Asia	7.1	10%	6.4	11%
Other	1.4	2%	1.4	0%
Total	71.2	100%	71.0	0%

TFP				%
£'m	2018	% Sales	2017	Change
UK	2.8	11%	2.6	8%
Europe	5.6	22%	4.5	24%
Americas	15.3	61%	12.9	19%
Asia	0.5	2%	0.7	(29%)
Other	0.7	3%	0.6	17%
Total	24.9	100%	21.3	17%

Profit and Loss Summary

Profit Summary	2018	2017 Restated	Change	Change
	£'m	£'m	£'m	%
Paper Products	1.5	3.2	(1.7)	(54%)
Technical Fibre Products	7.4	5.9	1.5	25%
3D Products	(1.6)	(0.4)	(1.2)	(285%)
Other Group expenses	(1.1)	(1.9)	0.7	39%
Operating profit before interest prior to IAS 19 and exceptionals	6.1	6.8	(0.7)	(10%)
Net interest prior to IAS 19 finance costs	(0.3)	(0.3)	(0.0)	(9%)
Profit before tax prior to IAS 19 and exceptionals	5.8	6.6	(0.7)	(11%)
Profit before tax prior to IAS 19	5.8	6.6	(0.7)	(11%)
Net IAS 19 pension adjustments	(1.3)	(1.0)	(0.3)	25%
Profit before tax	4.5	5.5	(1.0)	(18%)

Balance Sheet

Balance sheet	2018	2017
		Restated
	£'m	£'m
Non-pension assets - excluding cash	59.9	64.3
Non-pension liabilities - excluding borrowings	(15.6)	(19.4)
	44.3	44.9
Net IAS 19 pension deficit (after deferred tax)	(16.2)	(18.4)
	28.2	26.5
Net borrowings	(4.8)	(7.4)
Equity shareholders' funds	23.3	19.1
Gearing % - before IAS 19 deficit	12%	20%
Gearing % - after IAS 19 deficit	21%	39%
Capital expenditure £'m	1.9	5.3

Cash Flow

	2018	2017
	£'m	£'m
EBITDA (excluding IAS 19 impact and exceptionals)	8.8	9.2
Pension deficit payments	(1.4)	(1.4)
Increase in working capital	(0.4)	(0.1)
Other	(1.4)	(1.0)
Net cash generated from operations	5.5	6.7
Capital expenditure	(1.9)	(5.3)
Dividends	(1.1)	(0.9)
(Decrease) / increase in loans	1.7	(1.7)
Other	(0.5)	(0.1)
Increase/(decrease) in cash	3.6	(1.3)
Opening cash	1.9	3.2
Closing cash	5.6	1.9

Facility Profile

	2018 £'m	2017 £'m	Change £'m
Cash and cash equivalents	5.6	1.9	3.6
Borrowings: repayable within one year	(1.6)	(1.6)	(0.0)
Borrowings: non-current	(8.8)	(7.7)	(1.0)
Net debt	(4.8)	(7.4)	2.6
Borrowings: repayable within one year	1.6	1.6	0.0
Borrowings: non-current	8.8	7.7	1.0
Facilities drawn down	10.4	9.3	1.1
Undrawn facilities	8.9	7.8	1.2
Facilities	19.3	17.0	2.3
Cash and cash equivalents	5.6	1.9	3.6
Undrawn facilities	8.9	7.8	1.2
Funds available at year end	14.5	9.7	4.8
Borrowings: repayable within one year	(1.6)	(1.6)	(0.0)
Funds available in excess of one year	12.9	8.1	4.8

The Pension Deficit

The IAS 19 pension valuation 2018

	Staff Scheme	Works Scheme	Both schemes 2018	2017 <i>Restated</i>	Change %
Discount rate	2.80%	2.80%	2.80%	2.70%	
	£'m	£'m	£'m	£'m	
Assets	52.2	54.5	106.6	105.8	1%
Liabilities	(59)	(68)	(126)	(128)	(2%)
Deficit	(6)	(13)	(19)	(22)	(12%)
Funding level - %	89%	81%	85%	83%	2%

IAS 19 Valuation

The discount rate based on AA rated corporate bonds moved to 2.8% from 2.70% since the prior year end position, mortality factors were also updated resulting in the net deficit decreasing by £3m.

2017 Restated: A past service reserve of £3,315,000 (2017: £3,374,000) has been adjusted for on the valuation to capture an estimate of the potential additional liabilities arising from an issue which has arisen in relation to the normal retirement dates for male and female members of the Staff Scheme.

Under IAS 19 the pension deficit is likely to be volatile and may in the future be very different from this current year end position.

The 2016 Ongoing Valuation

	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%	80%	85%

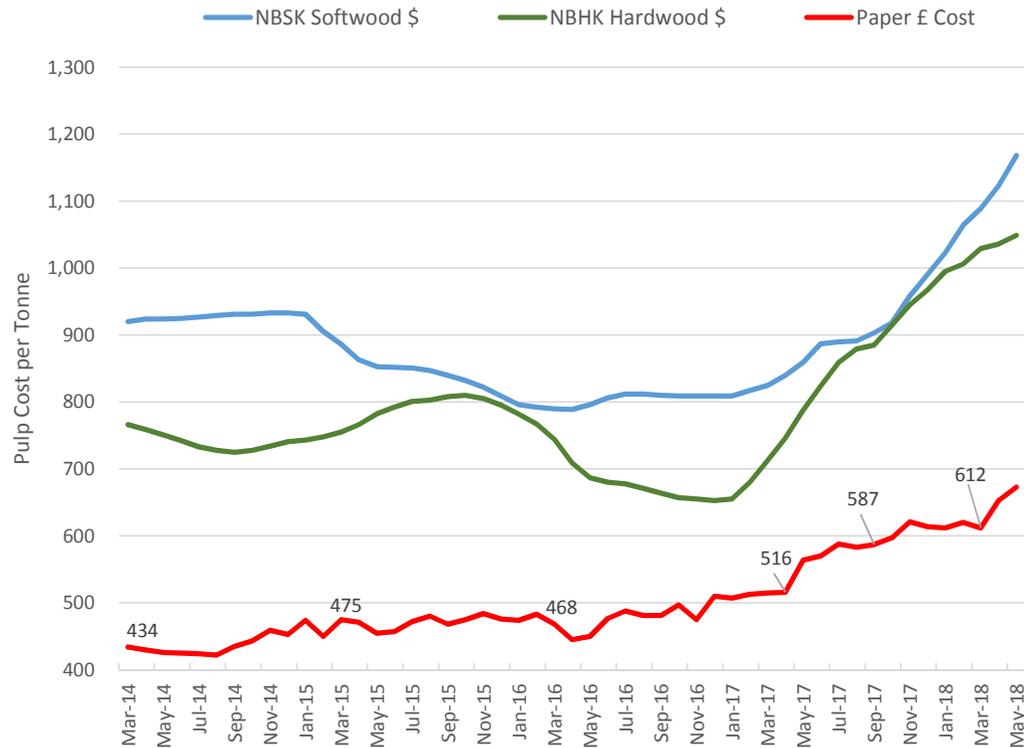
Ongoing Valuation

It is the on-going triennial valuations which the Group monitors in order to manage pensions, not the annual IAS 19 valuations.

The 2016 on-going valuations concluded with a combined deficit of £15.8m using a discount rate of 3.55% (2013: £12.7m with a discount rate of 4.45%). The next on-going valuation will be based on April 2019.

The 2016 valuation resulted in the implementation on the staff scheme of a reduction in future pensionable accruals and for both schemes the application of CPI to increases in pension once in payment. A new payment plan is agreed, the Company makes annual combined contributions of £1.4m a year (previously £1.3m).

Pulp price



Severe headwinds from the Pulp price

The cost of Northern Bleached Softwood Kraft (“NBSK”) wood-pulp opened at \$840/tonne in April and steadily increased to \$1,089/tonne in Mar 18, with prices still rising.

Northern Bleached Hardwood Kraft (“NBHK”) wood-pulp opened at \$746/tonne, in April 2017 hit \$1,029/tonne in March 18, with rises continuing.

The average sterling cost per tonne was £590/tonne this year, this is £104/tonne greater than the comparative period.

The pressure was mitigated via

- ✓ Deferment of expenditure
- ✓ Price increases
- ✓ Mix improvement
- ✓ Stronger efficiencies