

A wide-angle photograph of a large industrial chemical plant at dusk. The sky is a deep blue with some light clouds. The facility is illuminated by numerous artificial lights, creating a warm glow against the cool tones of the twilight. In the foreground, several large, cylindrical storage tanks are visible, some with labels. A complex network of pipes, walkways, and structural steel frames rises into the background. On the right side, there's a loading station with a sign that reads "Building 2719 Loading Station".

Building sustainable growth

Synthomer plc

Preliminary Results

1 March 2018

Cautionary Statement



This review is intended to focus on matters which are relevant to the interests of shareholders in the Company. The purpose of the review is to assist shareholders in assessing the strategies adopted and performance delivered by the Company and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose. Forward looking statements are made in good faith, based on a number of assumptions concerning future events and information available to the Directors at the time of their approval of this report. These forward looking statements should be treated with caution due to the inherent uncertainties underlying such forward looking information. The user of this review should not rely unduly on these forward looking statements, which are not a guarantee of performance and which are subject to a number of uncertainties and other facts, many of which are outside the Company's control and could cause actual events to differ materially from those in these statements. No guarantee can be given of future results, levels of activity, performance or achievements.

Agenda



- Headlines
- Financial Performance
- Building sustainable growth
- Summary and Outlook
- Q&A



Solid and Sustainable profits growth



- Solid profit growth with Underlying profit before tax up 6.4% to £130.0m; up 3.0% in constant currency
 - Good progress in Europe & North America with increased volumes and margins
 - Asia & Rest of World Nitrile latex margins stable and broadly in line with Q4 2016
 - Strong Nitrile latex consumption growth and timely introduction of new 90ktes capacity in H2 2018
- PAC synergies on track to deliver \$12m run rate savings by 2018, and incremental \$2m by 2019
- Continued focus on:
 - Organic growth:
 - Products launched in the last five years representing 20% of total sales (2016: 20%)
 - Record capital investment of £60.3m in the year
 - Inorganic growth:
 - Acquisitions – Oxo Belgium (Speciality Additives) and BASF Pischelsdorf SBR business
- Underlying earnings per share up 8.5% at 30.7p per share (2016: 28.3p)
- Full year dividend up 8.0% to 12.2p (2016: 11.3p), in line with dividend policy
- Balance sheet remains strong and flexible to deliver our growth strategy – leverage 1.0x EBITDA

Financial performance



Solid and sustainable profits growth

Underlying PBT up 6.4%



■ Higher revenue:

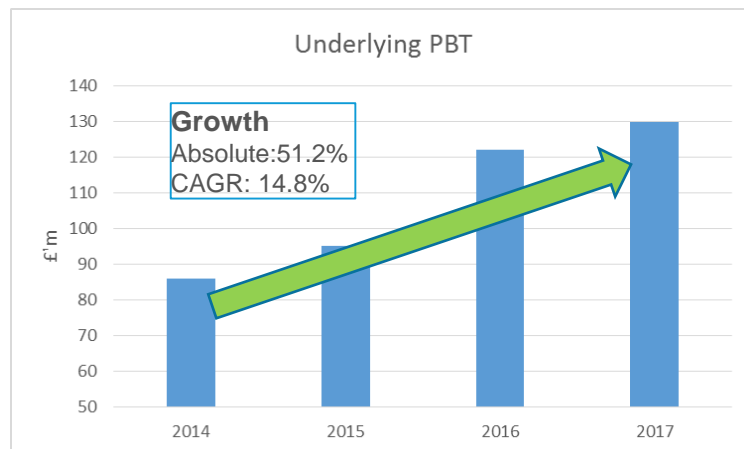
- Volumes higher: principally due to PAC (Dispersions) and Speciality Additives acquisitions
- Significant volatility and rising raw material prices
- Impact of the depreciation in £ in H1

■ Solid rise in PBT:

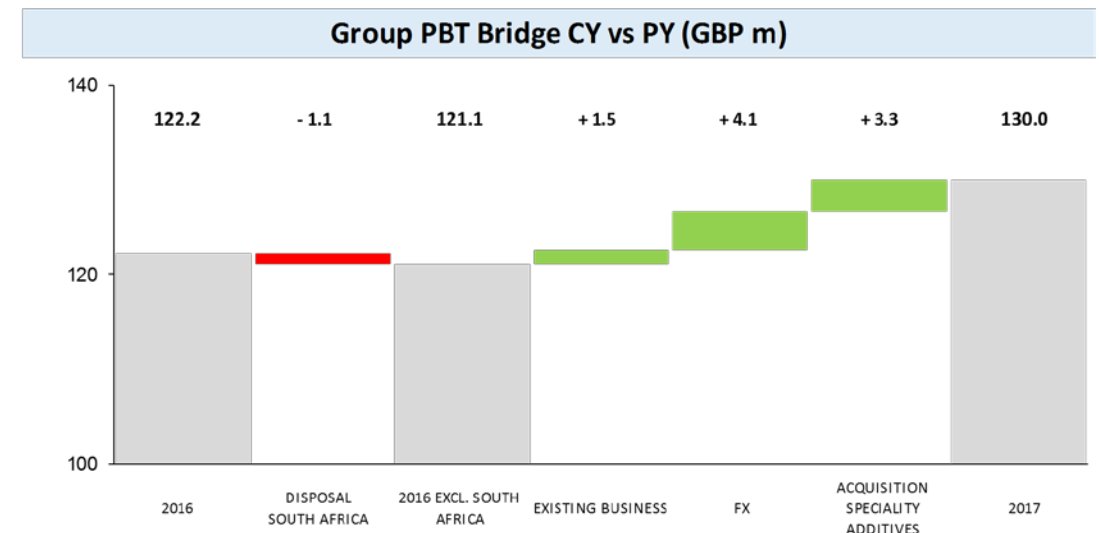
- ENA organic growth, acquisition returns and synergy delivery, offsetting expected softer Nitrile latex margins
- Impact of the depreciation in £ in H1

■ Lower Underlying effective tax rate:

- Effective Underlying tax rate 19.0% (2016: 20%)
 - Impact of prior year adjustments



	FY 2017	FY 2016	% Change	% Constant FX
Volumes (Ktes)	1,443.8	1,324.9	9.0	
Revenue (£m)	1,480.2	1,045.7	41.6	38.2
EBITDA (£m)	176.2	160.1	10.1	6.9
EBIT (£m)	139.0	130.2	6.8	3.5
PBT (£m)	130.0	122.2	6.4	3.0
EPS	30.7p	28.3p	8.5	
DPS	12.2p	11.3p	8.0	

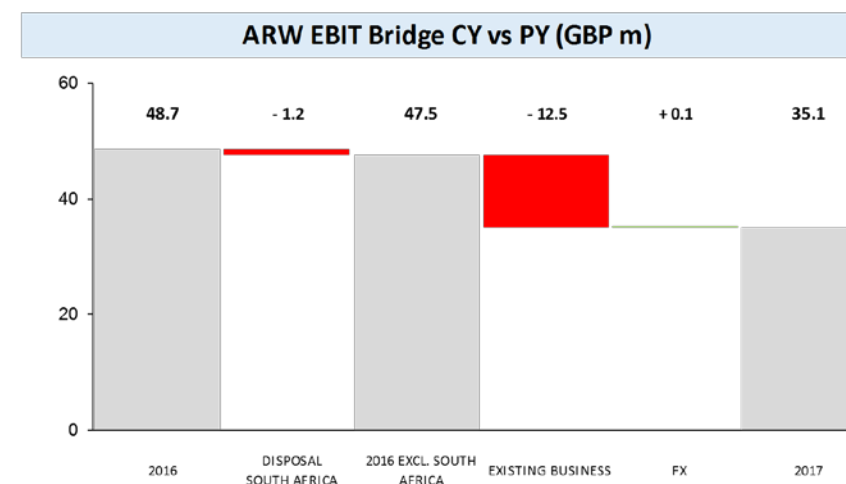
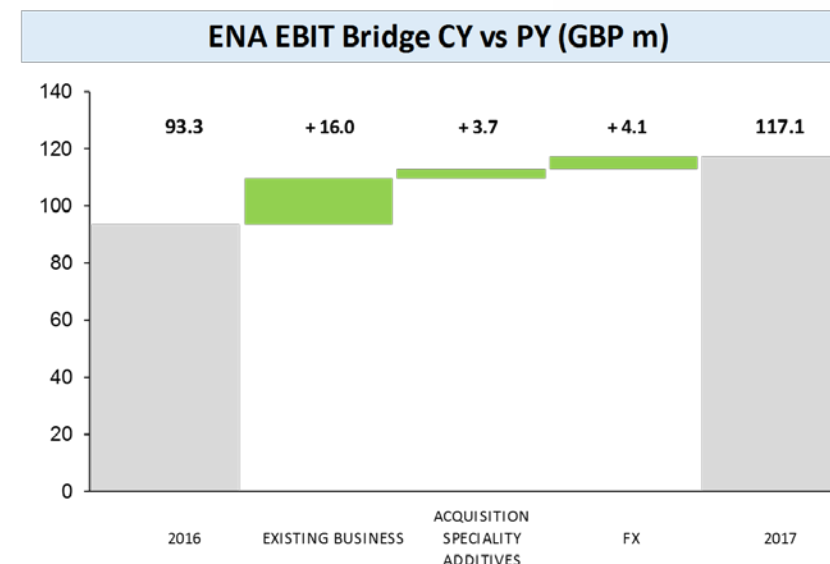


ENA proportionately larger on acquisitions and organic growth



	FY 2017	FY 2016	% Change	% Constant FX
ENA				
Volumes (Ktes)	1,067.7	936.7	14.0	
Revenue (£m)	1,134.9	746.1	52.1	47.6
EBITDA	140.9	111.2	26.7	22.5
EBIT (£m)	117.1	93.3	25.5	21.1
ARW				
Volumes (Ktes)	376.1	388.2	(3.1)	
Revenue (£m)	345.3	299.6	15.3	14.8
EBITDA	48.2	60.4	(20.2)	(20.4)
EBIT (£m)	35.1	48.7	(27.9)	(28.1)

- **ENA 76.7% Revenue (2016: 71.3%), 76.9% EBIT (2016: 65.7%):**
 - Acquisitions: PAC (Dispersions) and Speciality Additives
 - GDP underlying growth
 - Favourable currency impact of £4.1m
- **ARW 23.3% Revenue (2016: 28.7%), 23.1% EBIT (2016: 34.3%):**
 - Nitrile margins softer and in line with Q4 2016 as per guidance
 - Disposal of South Africa and slow down in Middle East



ENA: Growth driven by acquisitions, unit margins and FX



■ Volumes:

- Significant volume growth – largely due to 6 months of PAC (Dispersions)
- Overall market volumes up with exception of Paper

■ Unit margins:

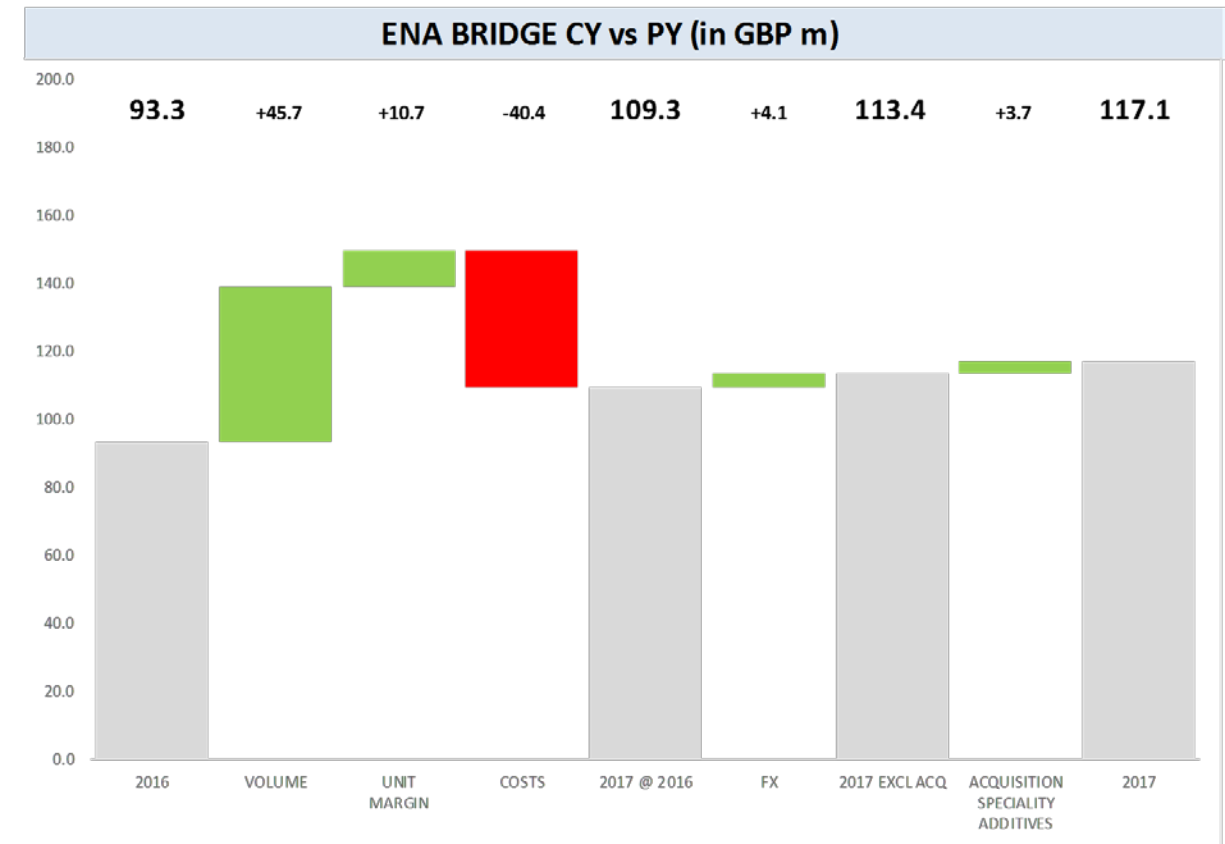
- Up across all markets with the exception of Dispersions, latter impacted by rising raw material prices

■ PAC integration:

- On track to deliver \$12m by end of 2018, and a further \$2m by end of 2019

■ FX translation impact:

- Favourable £4.1m
- 2017 £1:€1.14; 2016 £1:€1.22



ARW: Nitrile latex margins in line with expectations

Significant market growth continues



■ NBR:

- Volumes: flat – operating at capacity
 - Market growing at 8-10% pa (2017: 17%)
 - New 90ktes capacity well timed to capture market growth and share
- Unit margins remained resilient and broadly in line with Q4 2016
 - Reflecting our focused R&D, capacity expansion, service & quality
 - Impact of recent capacity expansions largely priced into market

■ Dispersions:

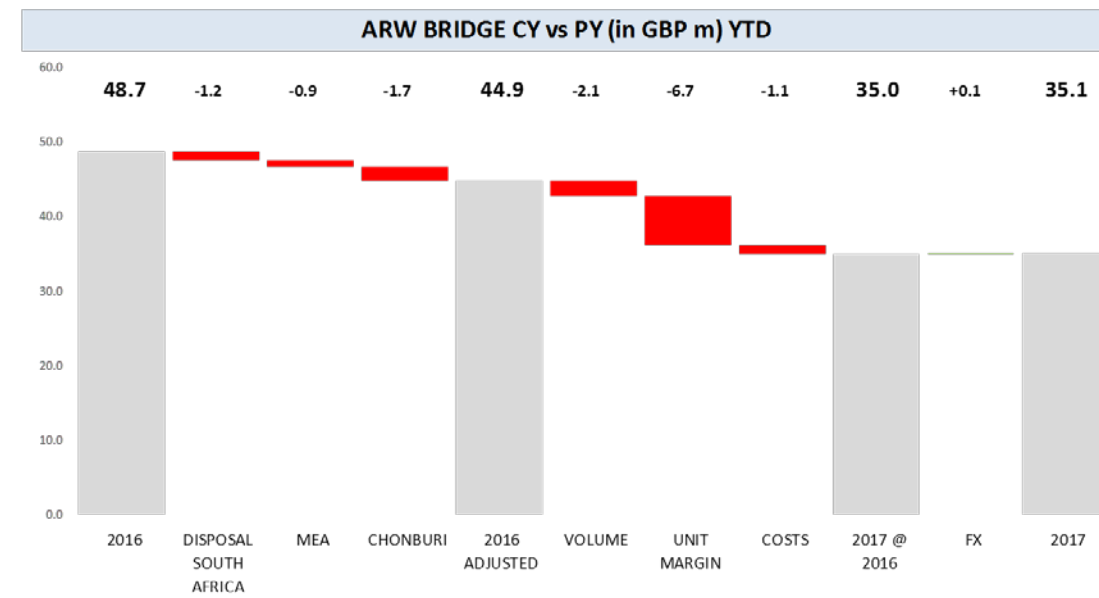
- Volumes: flat – capacity constrained
- Unit margins lower – rising raw material prices

■ Chonburi:

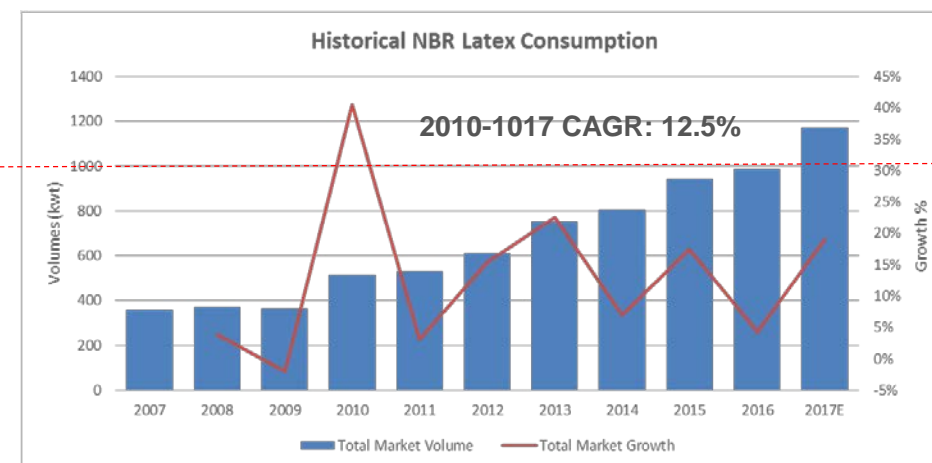
- New management team at Chonburi Dispersion site

■ Innovation:

- Launch of market leading patented SyNovus® NBR product



1,000,000 tonnes



Consistently strong operating cash flows

Record investment in growth capex



■ Record capex:

- Capex at £60.3m (2016: £45.6m)
 - Sustenance £25m
 - Growth £35m

■ Working capital improvement:

- Reversal of £55m outflow seen in H1 (raw material prices/seasonality)
- Tightly managed and remains at circa 10% of revenue at year end

■ Cash tax:

- 20% of Underlying PBT
- Increase due to acquisitions (£4m) and the phasing of payments on account (£6m)

■ Pensions:

- Principally relating to the closed UK defined benefit pension scheme deficit recovery payment (£15m)

£m	2017	2016
Underlying EBIT	139.0	130.2
JVs	(1.0)	(2.0)
Underlying EBIT (before joint ventures)	138.0	128.2
Depreciation	37.2	29.9
Underlying EBITDA (excluding joint ventures)	175.2	158.1
Movement in working capital	9.5	10.2
Capital expenditure	(60.3)	(45.6)
Interest	(4.8)	(3.3)
Tax	(26.1)	(17.1)
Pensions	(16.8)	(16.9)
Other	1.2	0.5
Underlying operating cash flow	77.9	85.9

Flexibility to continue to invest in organic and inorganic growth

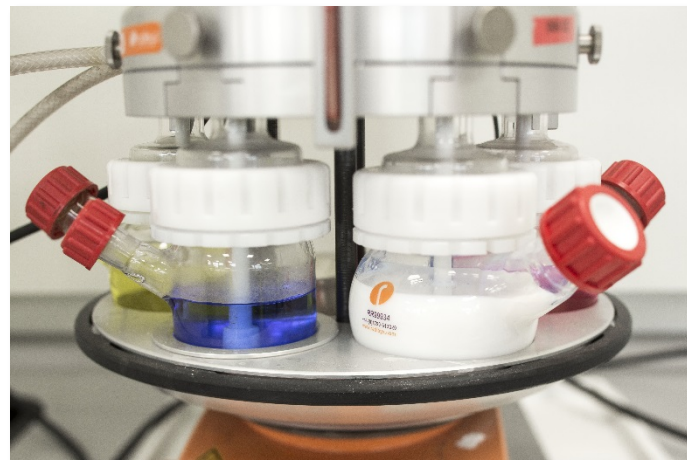


- **Substantial available liquidity:**
 - £370m committed Revolving Credit Facility due July 2019
 - €55m committed bilateral Loan Facility due November 2018
- **Net debt:**
 - Increase of £30m during 2017 – Speciality Additives acquisition £66m completed on 5 March 2017
- **Net debt/EBITDA:**
 - 1.0x levered
 - Significant flexibility
 - BASF Pischelsdorf SBR business acquisition €29.3m resulting in proforma Net Debt/EBITDA circa 1.1x
- **Remain disciplined with capital allocation**
 - Capital expenditure to support organic growth momentum
 - Selective acquisitions
- **Final 2017 ordinary dividend:**
 - 8.5p payable 6 July 2018 - £28.9m

£m	2017	2016
Cash and cash equivalents	89.6	117.4
Current Borrowings	(73.1)	(65.4)
Non-current Borrowings	(197.0)	(202.3)
Net debt	(180.5)	(150.3)
Facilities cash headroom	172.2	166.1
Net debt/EBITDA	1.0	0.9

- **Sensitivity to €, \$ and MYR:**
 - €0.01 movement = £0.8m, \$0.01 movement = £0.3m, MYR0.01 movement = £0.1m
- **Underlying effective tax rate:**
 - Full year rate 19.0% (2016: 20%) – impact of prior year adjustments
 - Transfer pricing project to ensure compliance with Base Erosion and Profit Shifting (“BEPS”) legislation underway – likely favourable impact on accounting and cash tax rates in 2018 - update at interim announcement
 - Longer term trajectory unchanged - ending of Malaysian pioneer status in 2020 resulting in upward pressure on accounting and cash tax rates
- **UK pensions recap:**
 - Pension deficit decrease from £112m to £78m – update on mortality assumptions £18m and deficit contribution £15m
 - Deficit recovery plan remains unchanged = payroll cost + £2m
 - Triennial valuation due April 2018 – results in early 2019.
- **Capital expenditure:**
 - Continued investment in growth capex
 - Spend in 2018 and 2019 circa £60m (Growth circa £35m and sustenance circa £25m)
- **Malaysian land sale:**
 - Final tranche now contracted - completion likely H2 2018 – Group share of sale proceeds circa £10m

Building sustainable growth



A year of strong strategic progress underpinning sustainable growth



Market leadership

No.1 player in European
aqueous polymers

Delivering on integration

\$2m added to \$12m
synergy target

Investment in growth

£60m capex
to enhance growth

Innovation focus

Launch of
SyNovus®

M&A

Transformational and
Bolt-on

Market leadership

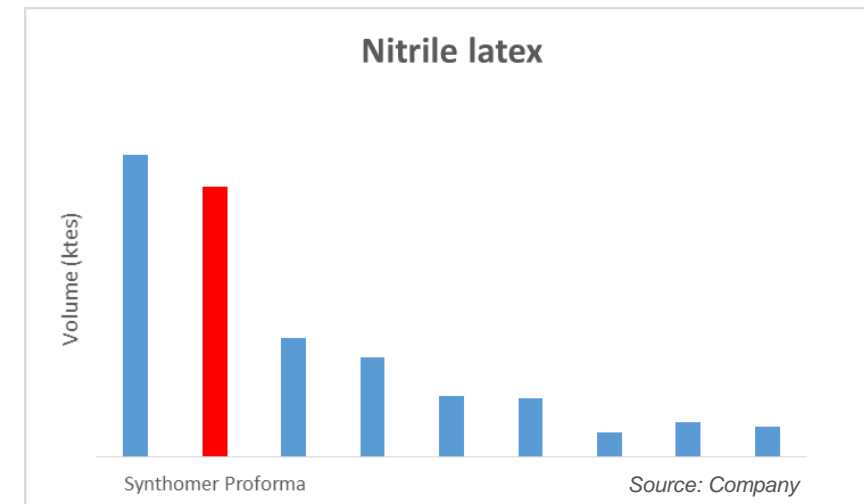
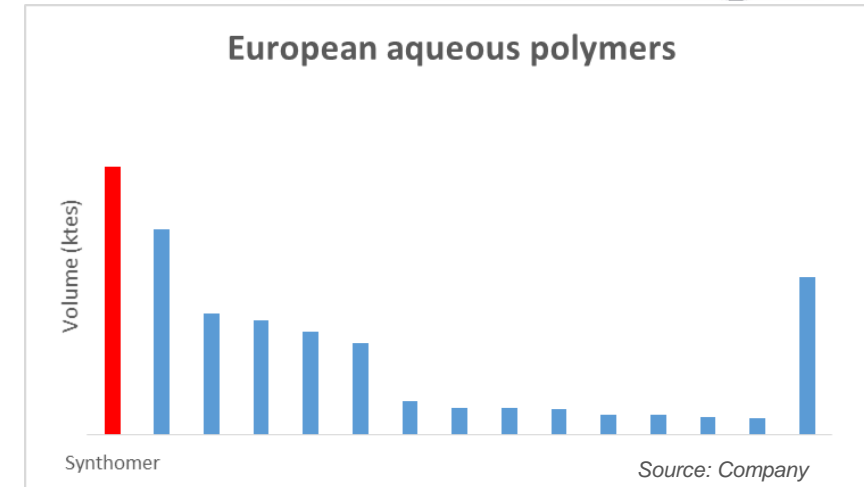


No.1 player in European aqueous polymers

- Acquisition of Pischelsdorf makes us No.1 player in European aqueous polymers
- Increased capacity following investment at Worms (Germany)
- Optimised network - PAC (Dispersions) provides strategically located manufacturing network

Well positioned to capture further growth in Nitrile latex

- Market leader with no.2 position in Nitrile latex
- Market demand in 2017 exceeded 1million tonnes milestone; market growth remains 8-10% pa
- 90kt Pasir Gudang capacity expansion progressing safely, on time, on budget
- Launch of proprietary patented SyNovus® Nitrile latex product



Delivering on integration



PAC (Dispersions)

- On target to deliver run rate synergies of \$12m by the end of 2018 and incremental \$2m by end of 2019
- Integration process well advanced:
 - Commercial and Technical Service teams
 - Sale of Leuna (Germany)
 - Rightsizing of Ribecourt site (France)
 - New management team at Chonburi (Thailand)
- Products embedded onto Synthomer's sales platform



Speciality Additives

- Deployment of Synthomer ERP
- Sales and customer services successfully transferred from seller
- Planning for site expansion; operational focus to enhance productivity and procurement of raw materials



Investment in growth



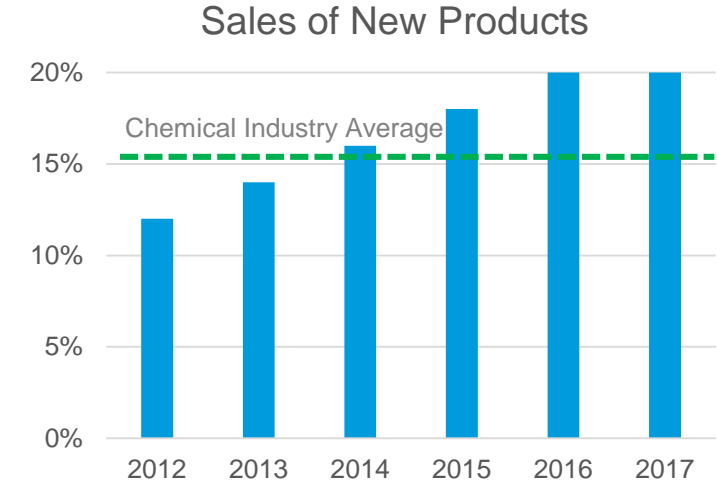
- £45m Pasir Gudang commissioning underway:
 - Production expected to come on stream Q3 2018
- £17m investment in Worms (Germany):
 - Made-to-order speciality acrylic lines
 - Commissioning targeting early 2019
- £12m investment in Roebuck (USA):
 - New acrylic reactor line adding 9ktes
 - Scheduled to be ready in Q1 2019
- Committed to £2m investment in SBR facility in Oulu (Finland):
 - To better supply the growing packaging and speciality paper markets
 - Commissioning expected in Q3 2018
- Initiated £3m project in Sant Albano (Italy):
 - To expand capacity at powder coatings business
 - Commercial production scheduled for Q4 2018



Innovation focus



- SyNovus®, new proprietary patented Nitrile latex, launched in September 2017:
 - Time from inception to commercialisation reduced to just 18 months
 - Higher throughput
 - Lower costs
- Sales of new products launched in last 5 years was 20% reflecting continued focus on innovation
- Evaluating opportunity for state-of-the-art Innovation Centre in Asia



Mergers and acquisitions



- Acquisitions remain a key component of growth strategy:
 - Bolt-on acquisitions with same chemistries/markets
 - Average of 1-2 per year
 - Transformational acquisitions
 - Adjacent chemistries
 - Speciality chemicals offering strong growth
 - Strong market positions, well invested assets and people
 - Technical support function/ R&D content
 - 15%+ EBITDA margins



Completed in previous two years

- 3 bolt-on acquisitions – PAC (Dispersions), Speciality Additives, BASF Pischelsdorf SBR business
- 2 disposals – South Africa, Leuna (Germany)
- 1 rationalisation – Ribecourt (France)

Not completed (No regrets)

- 2 transformational acquisitions
- Many other opportunities reviewed

Summary and outlook



Key Messages

- A year of solid progress
- GDP growth in ENA with increased volumes and margins
- ARW resilient with Nitrile latex margins broadly in line with Q4 2016
- Positive contribution from acquisitions
- Synergy programmes on track with upside in 2019
- Investing to strengthen platform for future growth
- Increased dividend per share consistent with Capital Policy and confidence in future growth

Outlook

- Confident of solid progress in both segments in 2018 recognizing ongoing challenges in:
 - Nitrile latex
 - construction and coatings Dispersions
- 2018 progress supported by integration synergies and BASF Pischelsdorf SBR business
- Substantial additional capacity coming on stream late 2018 underpinning confidence in medium term growth in profitability and shareholder value from 2019 onwards



Appendix

Currency Sensitivities



- Average FX currency rates 2017 and 2016

	2017	2016
€	1.14	1.22
\$	1.30	1.35
MYR	5.56	5.56

- Constant currency 2017 rates basis for Constant Currency consensus
- Currency sensitivity Underlying profit impact:
 - €0.01 change = +/- £0.8m
 - \$0.01 change = +/- £0.3m
 - MYR0.01 change = +/- £0.1m