



Scapa Group plc

Investor Presentation – H1 2011



Scapa Group

Scapa is a global developer and manufacturer of specialist technical tapes for the Medical, Industrial, Electronics and Transportation markets.

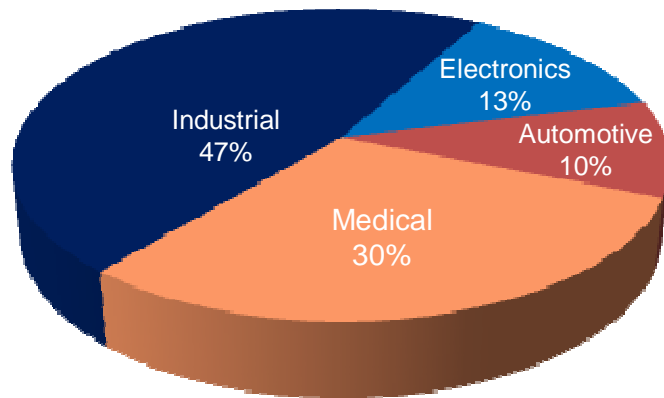
- Leading global manufacturer of speciality tape solutions covering the market needs of three continents
- Headquarters in Manchester, UK, with sales and manufacturing facilities throughout Europe, Asia and North America
- Founded in 1927 as Scapa Dryers Ltd



Turnover for 6 months to September 2010 of £97.9m



Global Market

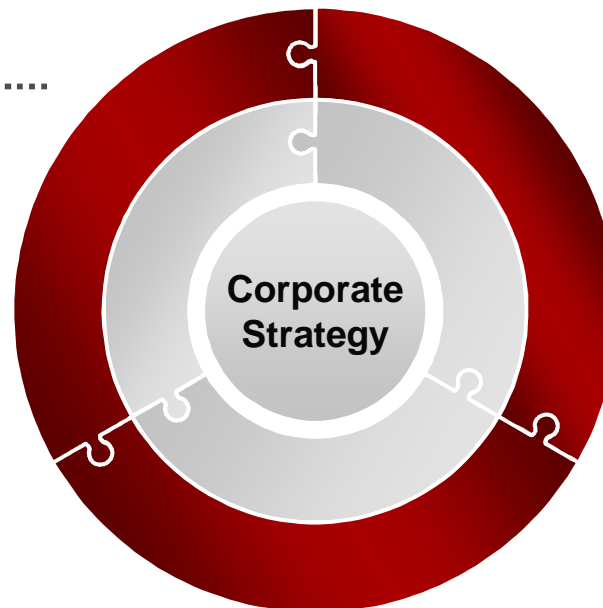


- Market size US\$26.5bn growing at c.5%*
- Highly fragmented market
- Medical & Electronics:
 - Engineered and application-specific products
 - High growth and stronger margins
- Industrial:
 - Broad range of industries and applications
 - Mostly consumables:
 - Consumer
 - Construction
 - No industry standard or specifications

* Company estimates

Core Capabilities

- Our global footprint
- Our technology leadership
- Our brand



Markets

- High growth
 - High margin
 - Competitive position
- Medical
 - Industrial
 - Electronics
 - Transport

Focus

- Continuing improvements in margin and cash generation
- Drive operational efficiencies and improve cost base through centralisation and global structure
- Increase share of wallet with leading global accounts
- Customer partnerships from design to supply chain fulfilment
- Leverage areas of success across geographies/market segments



Management Team

HEEJAE CHAE
Chief Executive Officer

- Volex Group plc
- Amphenol Corp
- Credit Suisse
- Blackstone Group

PAUL EDWARDS
Chief Finance Officer

- NCC Group plc
- TDG plc
- Caudwell Communications

RALF SEUFERT
Global Sales

- Quadrant Plastic Composites
- GE Advanced Materials
- Wieland Electric

IAN MARCHANT
Global Operations

- GE Sensors & Security
- GE Lighting
- Avon Rubber plc

GENE KIM
MD - Asia

- Cisco Systems
- Samsung
- Arthur D Little

TRACY SHEEDY
Group HR

- BAE
- Convatec
- Georgia Pacific

MARK STIRZAKER
Company Secretary
& General Counsel

- British Vita plc
- Wrigley Claydon & Armstrongs
- Hephherd Winstanley & Pugh



2009 / 2010 Results



Continued focus on profit and margin growth

12.9% Revenue Growth

- Revenue grew 12.9% compared to first six months of last year while repositioning the portfolio to align with market and profit strategy

£3.6m Operating Profit

- Operating profit increased to £3.6m from a loss of £1.4m

£2.7m Profit

- Profit before tax of £2.7m from a loss of £3.1m

£11.7m Cash Balance

- Net cash improved £0.6m after funding £4.3m of exceptional cash flows and pension contributions
- Net cash is £11.7m⁽¹⁾

New Leadership Team

- New leadership team appointed to deliver the new strategy

⁽¹⁾ Includes £6.3m Waycross deposit which is restricted until December 2011



Strong growth driven by key markets

	2010 £m	2009 £m	Growth %
Group revenue	97.9	86.7	12.9%
Sales by market			
Medical	16.8	12.8	31.3%
Industrial	64.9	59.4	9.3%
Transportation	9.3	8.9	4.5%
Electronics	6.9	5.6	23.2%
Sales by region			
Europe	52.3	49.0	6.7%
North America	38.7	32.1	20.6%
Asia	6.9	5.6	23.2%

- Group revenue up 12.9% - strong performances in Medical and Industrial
- Adjusting for exchange rates, growth in revenue was 11.3% or £9.9m
- Medical - 31.3% increase on prior year. Focusing on global engagement with strategic customers
- Industrial - 9.3% increase on prior year period. Performance supported by general growth in construction and energy-related products
- Transportation - £9.3m up from £8.9m. Demand slow after a strong comparative period. Strategy is to improve margin by reducing the cost to serve
- Electronics increased revenue by 23.2%. Asian strategy is to de-list low margin commodity products and develop more application specific engineered products which will impact short-term growth



Continuing focus on margin improvement

	2010 £m	2009 £m	Growth %
Sales	97.9	86.7	12.9%
Trading profit/(loss) ⁽¹⁾	3.6	(1.0)	-
Exceptional items	-	(0.4)	-
Operating profit/(loss)	3.6	(1.4)	-
Regional trading profit/(loss) ⁽¹⁾			
Europe	0.8	(1.7)	-
North America	2.9	0.8	262.5%
Asia	0.4	0.3	33.3%
Head Office	(0.5)	(0.4)	25.0%
Margins			
Group	3.7%	(1.2%)	
Europe	1.5%	(3.5%)	
North America	7.5%	2.5%	
Asia	5.8%	5.4%	

- Return to profitability - £3.6m. Group targeting profits and cash
- No exceptional items in the period
- Profit performance predominantly driven by Europe and NA
- NA aided by increase in sales volume and a strong weighting towards Medical sector that has pushed margins up 5.0% to 7.5%
- Cost control and additional volume helped Europe return to profitability with a £2.5m increase to £0.8m
- Asia / Electronics - transitional period focusing on application specific products, pulling back from high volume lower margin business
- Significant improvement in margins across the Group

⁽¹⁾ Trading profit/(loss) is the operating profit/(loss) before exceptional items



Interest & tax - mainly non-cash

	2010	2009
	£m	£m
Operating profit/(loss)	3.6	(1.4)
Interest		
- Interest payable (cash)	(0.1)	-
- IAS 19 (non-cash)	(0.6)	(1.5)
- Unwind of discount (non-cash)	(0.2)	(0.2)
Profit/(loss) before tax	2.7	(3.1)
Tax (charge)/credit	(1.0)	0.5
Profit/(loss) after tax	1.7	(2.6)
EPS (Basic & Diluted)	1.2p	(1.8p)

- Cash interest payable of £0.1m owing to lower cash balances and reduced dollar interest rates; The majority of excess cash (including the Waycross deposit) is held in US\$
- Non-cash interest relates to Pensions and Asbestos. The IAS 19 pension charge has reduced in line with the reduction in the discount rate used to value the March 10 liabilities. The H2 charge will be c.£0.8m
- Tax charge for the period of £1.0m: effective rate of 37.0%. The tax rate is effected by “fixed” taxes (either on physical location or activity) in certain jurisdictions
- Reduction in UK corporation tax rate impacting our deferred tax assets, £0.3m charge for H1, with another £0.3m in H2. Effective tax rate without the change would have been 26%



Strong balance sheet and cash position

	As at	
	Sep 10	Sep 09
	£m	£m
Goodwill	12.2	12.1
Fixed assets	38.5	43.2
Working capital	26.0	25.1
Other provisions	(3.9)	(3.9)
Tax	25.9	24.0
	<u>98.7</u>	<u>100.5</u>
Provision for asbestos litigation	(6.2)	(7.5)
Provision for asbestos claims	(19.5)	-
Provision for asbestos insurance	19.5	-
Pensions deficit	(43.9)	(43.6)
Waycross deposit (\$10m)	6.3	6.3
Net cash	5.4	2.9
Net assets	<u>60.3</u>	<u>58.6</u>
Net asset value per share (p)	<u>41.6</u>	<u>40.5</u>

- Increase in net assets to £60.3m driven by movements in cash and tax offset by pensions, FX and depreciation
- Tight control of working capital means only £0.9m increment over Sep-09, despite the £11.2m increase in sales
- Debtors days have been managed down tightly over the past year
- Stock days part of management remuneration
- Net cash closed at £5.4m - £11.7m including the £6.3m restricted Waycross deposit
- Net assets per share above current share price - assets include L&B of £10.5m, a significant portion of which is carried at historic cost
- Pension deficit £31.7m net of deferred tax



Strong cash generation from operations

	Period Ended	
	Sep 10	Sep 09
	£m	£m
Operating profit/(loss)	3.6	(1.4)
Depreciation	2.9	2.5
Change in working capital	(1.6)	2.2
Pension in excess of charge	(1.8)	(2.6)
Other	0.7	0.3
Cash flow from operating activities before	3.8	1.0
Exceptional items	(2.1)	(3.5)
Cash from operating activities	1.7	(2.5)
Interest	(0.1)	-
Tax	(0.3)	0.8
Capital investment	(0.6)	(1.9)
Borrowings	(2.1)	1.8
Net cash outflow	(1.4)	(1.8)
Net cash	5.4	2.9

- Strong cash generation from operations - approx 106% cash generation from OP of £3.6m
- Small outflow on working capital £1.6m caused by sales growth. Expectation for little change in this outflow up to March
- Pension deficit payments down from prior period owing to the cessation of the s75 payments relating to the Irish business sale, and from the UK deferred contribution agreement - around £1.2m annual reduction
- Capital expenditure low at £0.6m but H2 will see a major investment in Asia with new coating line and a new R&D facility in South Korea
- Moderate tax outflow £0.3m compared to tax inflow (rebates) of £0.8m in prior period. Cash tax payable will remain low as the majority of the Group's tax charge is deferred tax
- Borrowings paid down and exited our facility in NA, replaced in part by new UK £3.8m facility

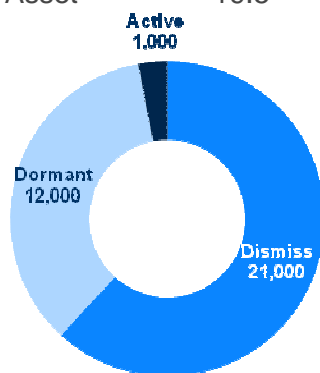


Legacy issues under control

Product Liability

- Continue to rigorously defend all cases
- Provision and equal asset booked at March 2010 owing to payout on a case
- No change in claims provision (both asset and liability) as no real changes in the underlying assumptions - only movement in FX
- Provision for defence costs utilised on existing cases and evidencing the year end provision

	Period Ended	
	Sep 10	Sep 09
	£m	£m
Claims Provision	(19.5)	-
Litigation Provision	(6.2)	(7.5)
Insurance Asset	19.5	-



Pensions Liability

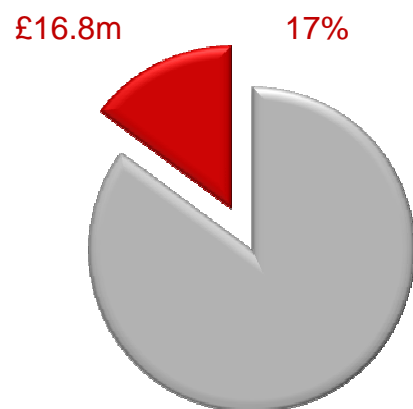
- IAS 19 deficit increased slightly, mainly driven by lower discount rate, which fell from 5.7% to 5.1% (linked to 15 year bond rates) - £38.6m at 31 March 2010
- s75 payments now ceased; UK full year deferred cash contributions £1.2m lower than the prior year
- Small admin and PPF spend owing to timing of invoices, will be incurred in H2

Note – all UK schemes closed to new members and future accruals

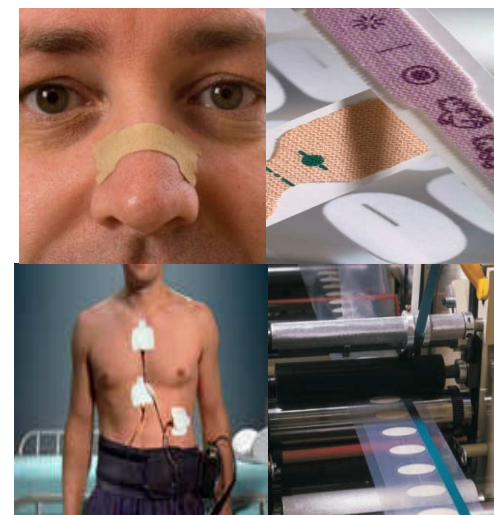
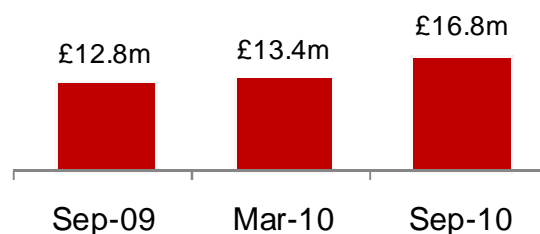
	Period Ended	
	Sep 10	Sep 09
	£m	£m
Group deficit	(43.9)	(43.6)
UK deficit payment	1.7	1.8
s75 contribution	-	0.7
Admin & PPF (UK)	-	0.2
Overseas	0.5	0.4
	<u>2.2</u>	<u>3.1</u>



Market Review



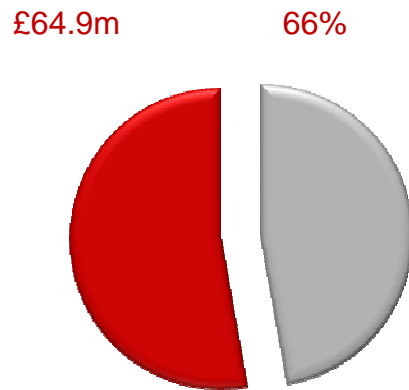
H1 2011 Revenue



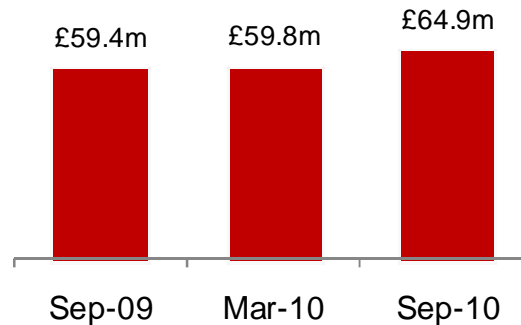
- Strong revenue growth of 31.3%
- Growth from existing customers expanding our share of wallet
- Strong performance from wound care products
- Focus on value added solution beyond coating
- Recognised as Silver Level Supplier for Johnson & Johnson Consumer Division
- Signed joint development agreement with Dow Corning on Silicon-based adhesive solutions



Industrial



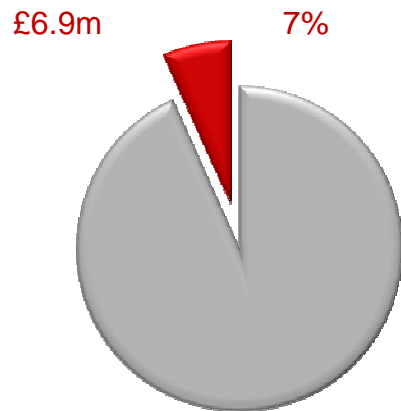
H1 2011 Revenue



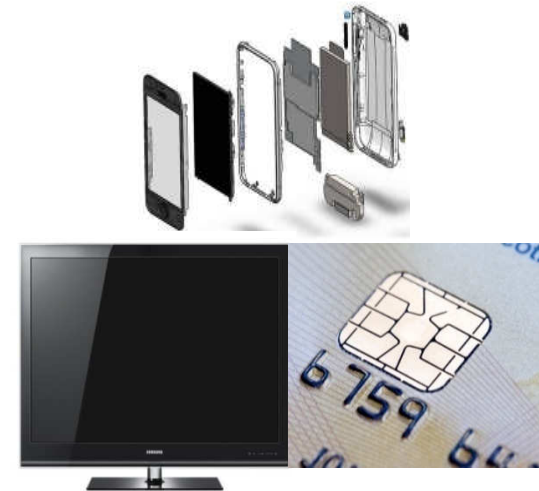
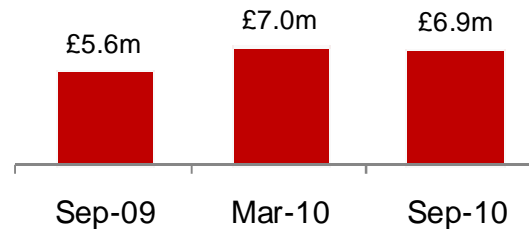
- Grew 9.3% driven by strong performance in North America
- Covers a wide range of markets including construction, consumer, energy, sports and prints & graphics
- Construction, the largest segment, performed well, aided by general economic recovery and restocking
- Maximise our margin through better product portfolio management which will lower our cost to serve and simplify our operational complexity
- Focus on energy sector yielding dividend, particularly solar



Electronics



H1 2011 Revenue



- Asia revenue grew 23.2% despite focus on cash and margin
- Shifting to application-specific products manufactured locally which will slow the growth during the transition
- Developing solid product pipeline in display and smartphone applications
- Invested in additional capacity and R&D Centre in Korea to further enhance our production and product development capability
- New local management in place to drive the execution



Electronics: case study

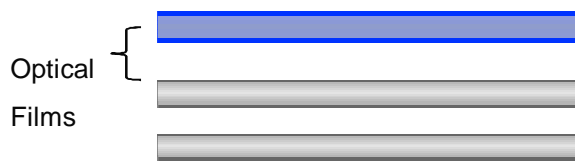


Exterior/protection tape
- Protecting frame from scratch

Frame bonding
- Bonding frame to Display module



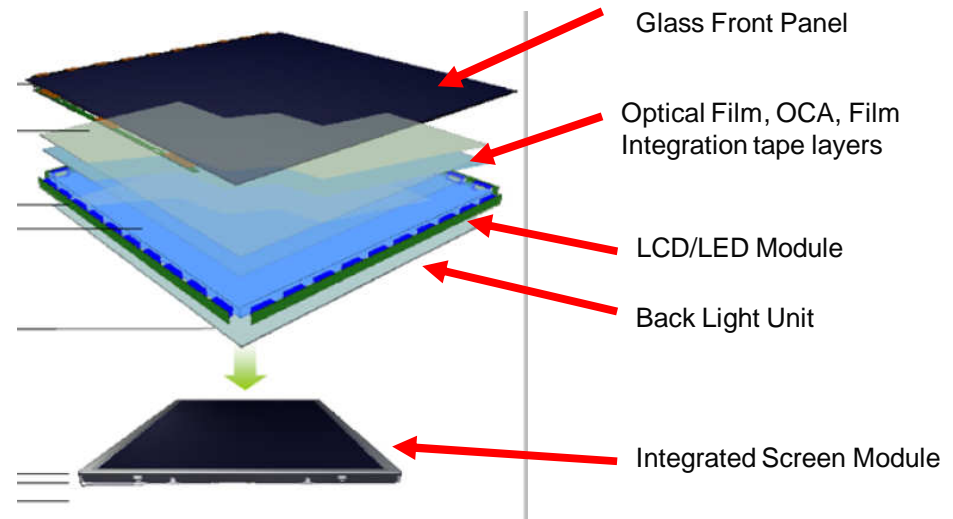
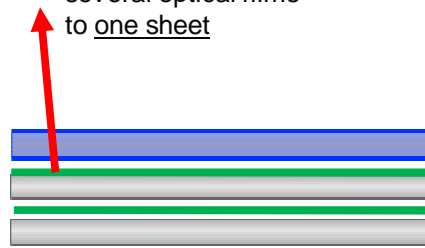
LCD
Panel



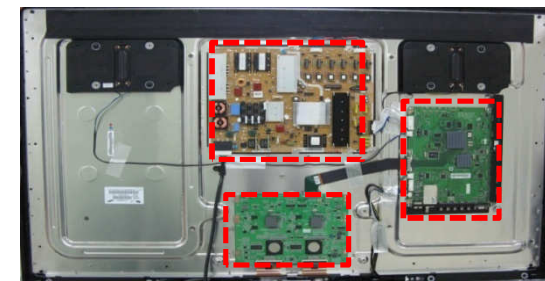
Optical
Films



Film integration tape
- Integrating or bonding
several optical films
to one sheet



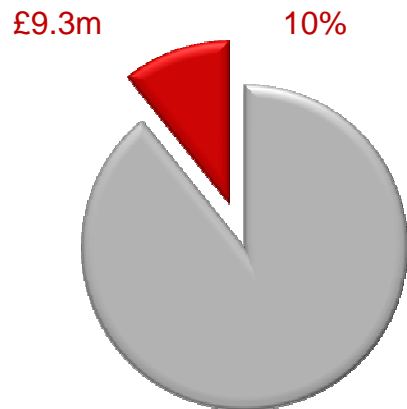
Circuit board in the back side of TV



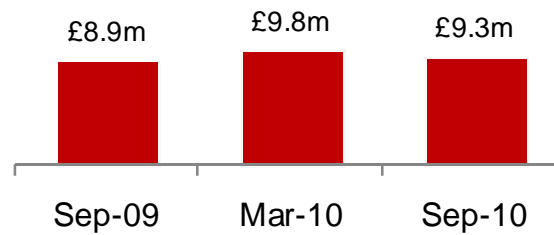
Thermal solutions
- Bonding heat source to heat sink



Transportation



H1 2011 Revenue



- Revenue increased 4.5% on the prior year
- Demand slowed after a strong rebound
- Focus on margin and cost to serve
- Expand beyond wire harness products
- Increase share of wallet from current global customers



- Profits and cash growth to remain key focus
- Continuing actions on the cost base and tight working capital management
- Reorganisation to global structure will further improve our cost base and operating leverage
- Reposition the portfolio toward value add solutions from low value commodity products
- Medical and Electronics remain key focus though all markets important
- Investment in Asia/Electronics to help drive growth
- Strengthening balance sheet and cash position
- Group remains confident of making further profit progress



Any Questions?