



Scapa Group plc

Investor Presentation – Autumn 2019



Scapa Group at a glance

Invested for growth

Healthcare



Scapa Healthcare is the trusted strategic partner of choice for the world's leading companies in Advanced Wound Care, Consumer Wellness and Medical Device Fixation. We partner with market leaders to design, develop and manufacture innovative medical device fixation and topical solutions to improve people's lives.

Industrial



Scapa Industrial manufactures an extensive portfolio of adhesive bonding solutions, supplying a diverse range of market segments throughout Europe, North and South America and Asia.

Our Engineered Products business provides solutions for global customers in the Automotive, Cable and Specialty Products segments where demand is driven by approvals, specifications, localisation and technical solutions.

Our Commercial Products business includes the Construction and Consumer segments, both market environments with shorter lead times within a demand-driven supply chain.

Locations

7

Number of employees

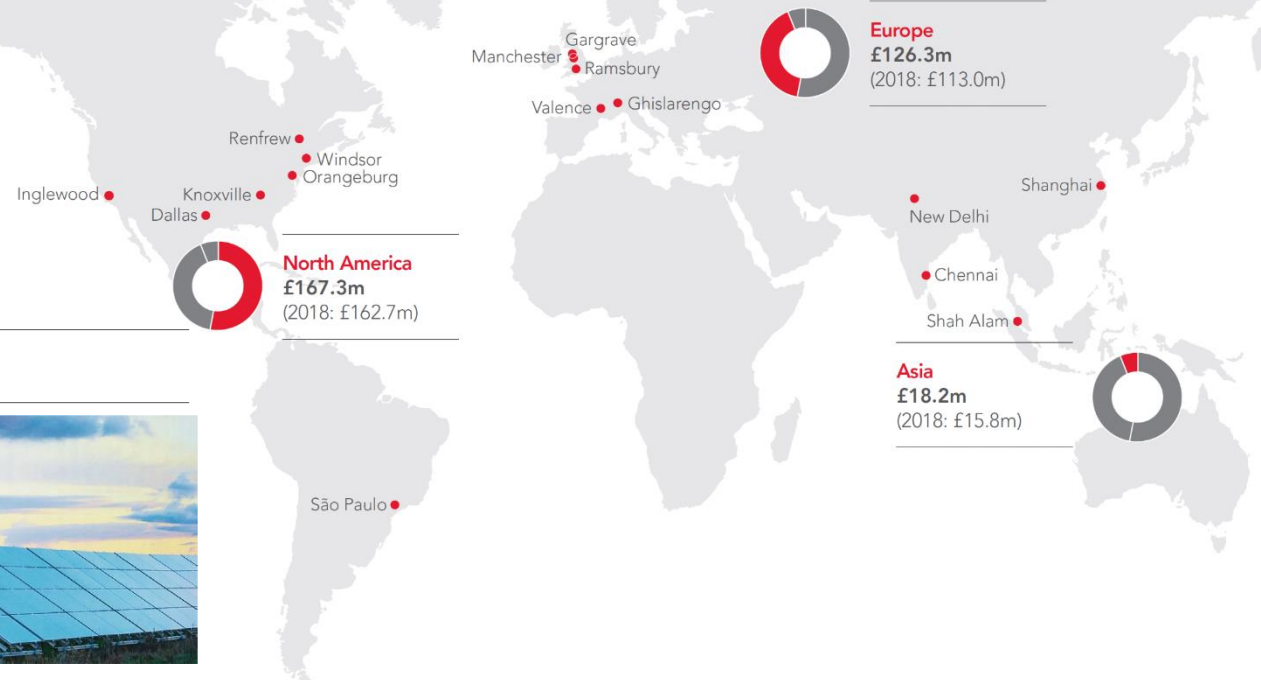
965

Locations

9

Number of employees

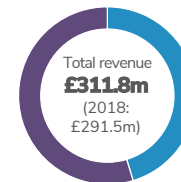
621



Revenue by division

Healthcare
£141.3m
(2018: £112.8m)

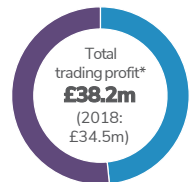
Industrial
£170.5m
(2018: £178.7m)



Trading profit¹ by division

Healthcare
£20.9m
(2018: £17.4m)

Industrial
£22.3m
(2018: £22.5m)



¹ Trading profit is before exceptional items, acquisition costs, amortisation of intangible assets and legacy pension costs.

* Trading profit for the Group is £38.2m after charging £5.0m (2018: £5.4m) of corporate costs.

Business model

A deep understanding of our core markets

Resources and relationships

- Financial discipline
- Strategic assets
- Partnerships
- Employees
- Synergies



Our goal

To expand our addressable market by enhancing our value chain and technologies

How we will succeed

We will partner with our customers to continue to drive technology transfers, become an integrated part of their product life cycles and build a platform to play across the full outsourced spectrum

Challenge the Status Quo

Stakeholder values

Shareholders

18.9p

Adjusted EPS
(2018: 18.2p)

Customers

97.6%

Customer satisfaction
per order
(2018: 97.4%)

Employees

0.63

Lost time accident
frequency rate
(2018: 0.97)

Community

£74,852

Charitable
contributions
(2018: £91,145)

Challenge Ourselves

Challenge Sufficiency

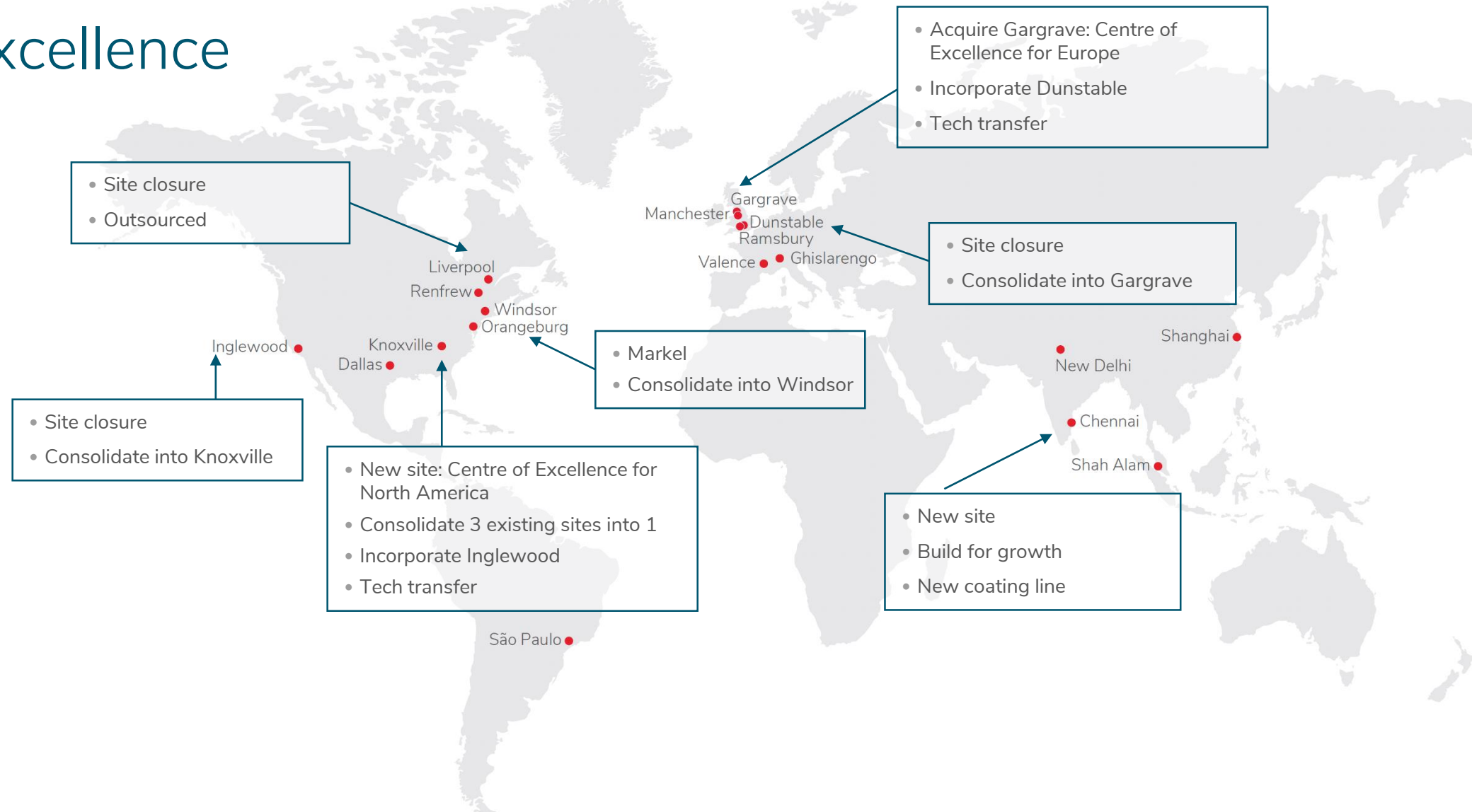
Our goal

To grow and gain market share in the niche markets where we have a competitive advantage

How we will succeed

We will concentrate on core markets with differentiated application solutions, increasing revenue to our key customers by introducing additional products and technologies, as well as pursuing cross-selling opportunities in adjacent markets

Leveraging our operational excellence



Our divisions

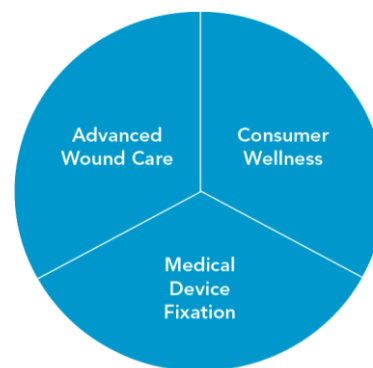
Healthcare



Strategy validated: clear blueprint

Scapa Healthcare is the trusted strategic partner of choice for the world's leading companies in Advanced Wound Care, Consumer Wellness and Medical Device Fixation. We partner with market leaders to design, develop and manufacture innovative medical device fixation and topical solutions to improve people's lives.

Our targeted segments



Locations

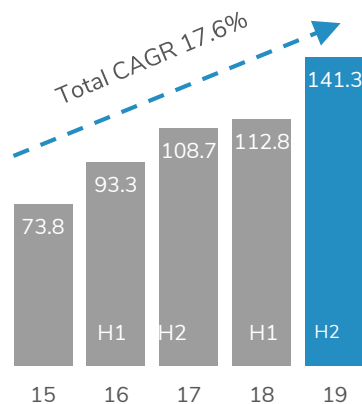
7

Number of employees

965

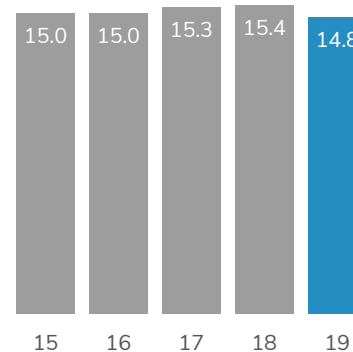
Revenue (£m)

£141.3m



Trading margin (%)

14.8%

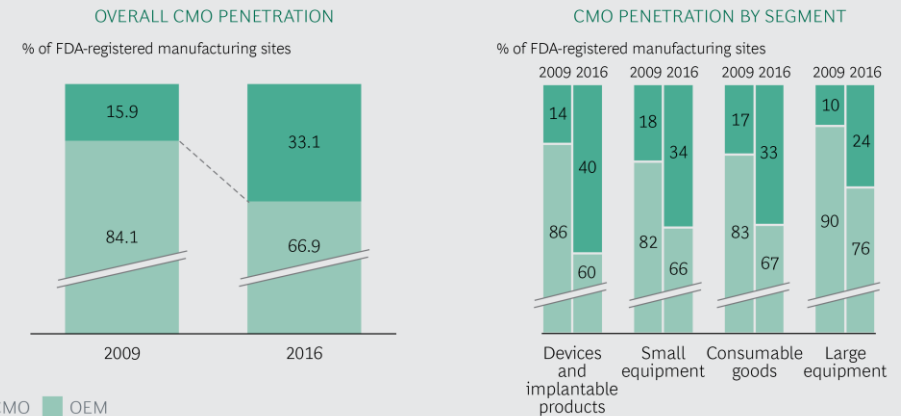


Highly favourable market dynamics

MEDTECH DILEMMA

- MedTech growth has slowed in recent years:-
 - 2000-2007: 11%
 - 2008-2015: 4%
- Shift to value-based care from fee-for-service has increased pricing pressure
- New market entrants are increasing competition
- Rapid growth and acquisitions has created inefficient and complex manufacturing network
- Most companies’ approach to manufacturing is traditional and inefficient according to Boston Consulting Group⁽¹⁾
- MedTech finishes at bottom on several key operating metrics among similar industrial goods companies in the S&P500⁽¹⁾
- Tremendous pressure to re-think effective manufacturing strategy

EXHIBIT 1 | Medtech Use of Contract Manufacturing Has Grown



Source: BCG medtech manufacturing analysis, 2017.

Scapa well-positioned to partner with OEMs

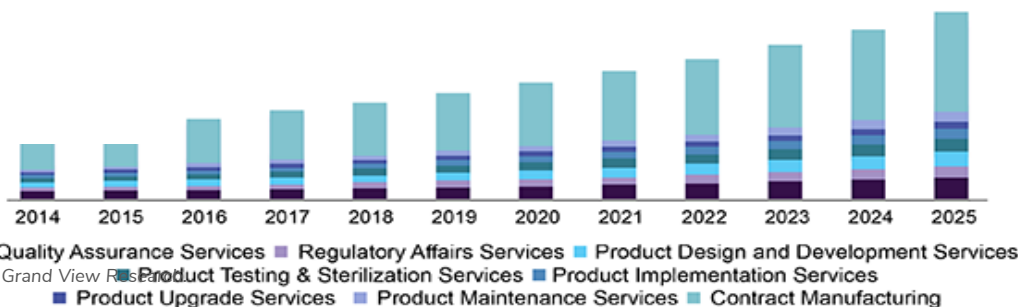
(1) Source: BCG MedTech manufacturing analysis, 2017

Building a platform to play across the outsourced spectrum

MEDICAL DEVICE OUTSOURCING

- Global medical device outsourcing market was valued at \$85b in 2017 and is expected to grow 11% CAGR from 2018 to 2025
- Whilst manufacturing is a significant portion of the outsourcing activity, OEMs are increasingly relying on trusted partners across a wide range of services
- The Gargrave tech transfer includes:
 - Regulatory and quality support for Acelity's existing AWD portfolio as well as new product development
 - Enhances our capabilities and improves our ability to participate across the outsourced services beyond manufacturing

U.S. medical device outsourcing market size, by service, 2014 - 2025 (USD Billion)



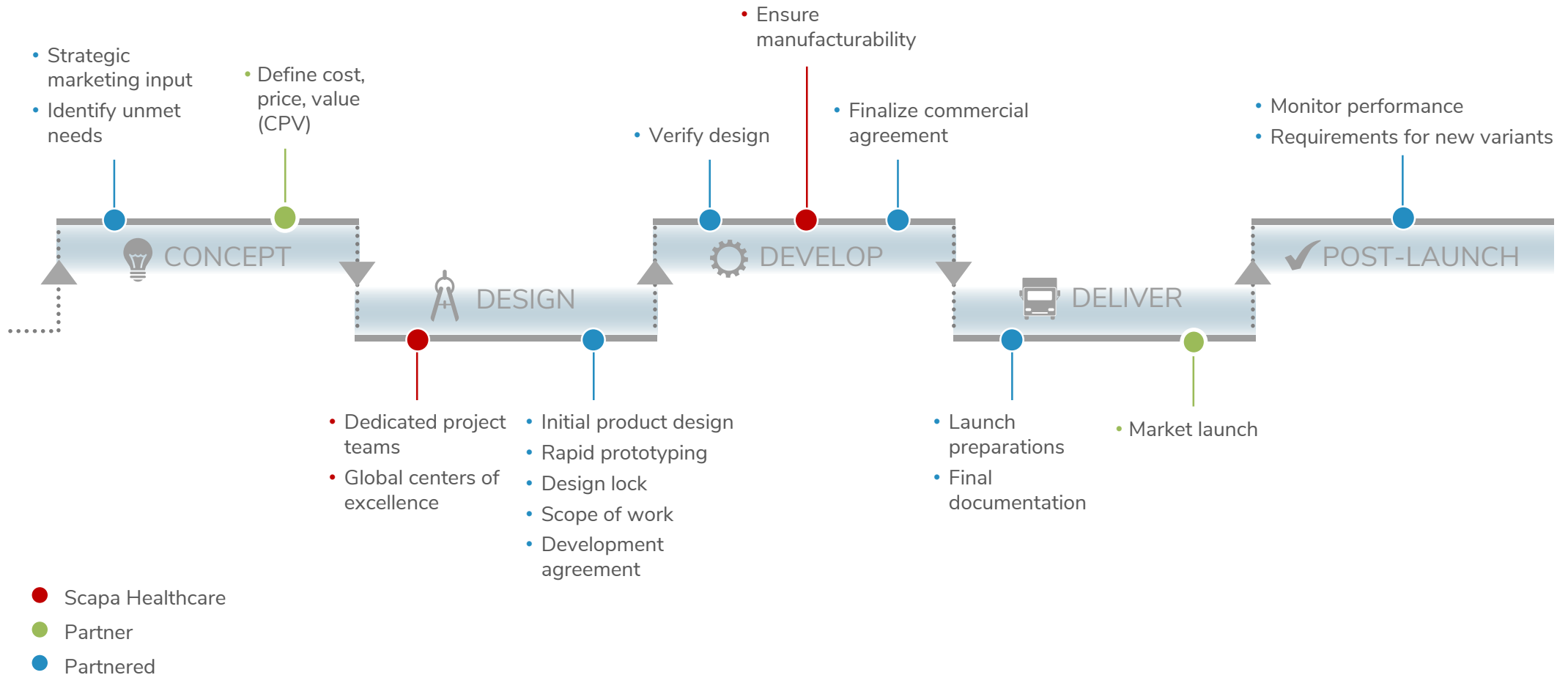
TRUSTED STRATEGIC OUTSOURCE PARTNER

- Higher level manufacturing know-how
- Shorten development and launch timelines
- Innovation expertise
- Focused on operational efficiency
- Uncompromising focus on quality and regulatory expertise
- Trusted partners with scale/unique abilities driving CMO consolidation
- Long history of strategic relationships

SCAPA HEALTHCARE'S SERVICE PLATFORMS

- Including the Gargrave transfer, Scapa now has:
 - 31 person R&D team to support OEM new product design and development efforts
 - 94 person Quality Assurance team
 - 5 person Regulatory Affairs team
 - A stand-alone gamma sterilization, testing and services facility to supplement the existing sterilization service management offering

To become integrated part of customers' product life cycle



Focusing on our respective core competencies

SCAPA

- Exclusive multi-year supply agreement
- Acquire new capabilities
- Further strengthen strategic relationship
- Development agreement to drive turn-key solutions
- Efficient financing strategy
- Opportunities to increase efficiencies through footprint optimisation

CUSTOMER

- Immediate cost savings
- Free up capital/resources
- Transfer restructuring risks
- Improved development cycle and time to market
- Improved service/supply chain management



Technology transfers are increasing – a window of opportunity

Technology transfers are gaining momentum

- Jabil/J&J – 14 medical device sites
- Avara/GSK – 1 OTC solid dose manufacturing site
- Recipharm/Sanofi – 1 inhalation drug manufacturing site
- Patheon/Roche – 1 API site

Many of Scapa's customers are actively evaluating technology transfers

- Scapa is ideally positioned as long-term partner
- First mover with track record of technology transfers
- Acelity's performance validates the benefits of the structure

Other players are pursuing similar strategy albeit different markets and technologies

- Q Holdings
- Viant
- Integer
- Jabil
- Flex
- Contract manufacturers
- Private equity

Technology transfers are highly complementary to Scapa's acquisition strategy

- Pursue targeted transactions that leverage Scapa's existing competencies, people and facilities
- Focus on what customers consider core but not a 'must-have' internal manufacturing – provide tailored bespoke solutions
- Include adjacent and new capabilities and markets

Trusted strategic outsource partner

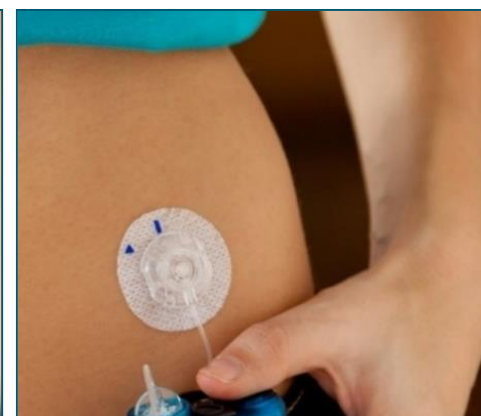
- B2B partnership strategy
- Turn-key solution capabilities
- Rapid speed to market
- Innovate by leveraging core technologies & design capabilities
- Vertical integration & strong manufacturing know-how
- Single supplier, dual source
- Trusted quality
- Invested for increased opportunities



ADVANCED WOUND CARE



CONSUMER WELLNESS



MEDICAL DEVICE FIXATION



Healthcare – Our customers are our biggest asset

Leveraging our customer base



Advanced Wound Care



Consumer Wellness



Medical Device Fixation



Healthcare – FY 2019 Highlights



Advanced Wound Care



- Gargrave, UK site strengthened R&D and innovation resources, global quality and regulatory services and sterilisation capabilities to address market trend of outsource partners beyond manufacturing
- Collaborative development of innovative NPWT programme with market leader. FDA approval and market introduction of first of three projects in May 2019
- Partnered with customer to develop unique ostomy device accessories planned for Summer 2019 introduction



Consumer Wellness



- Leveraging BioMed formulation capabilities, incorporated CBD as an additive for various skin care regimes
- Formulated and developed a new topical foot care product which will be available to consumers in Spring 2019 throughout the US with a national retail chain
- Developing turn-key hydrogel bandages for burn and foot care markets with global consumer brands



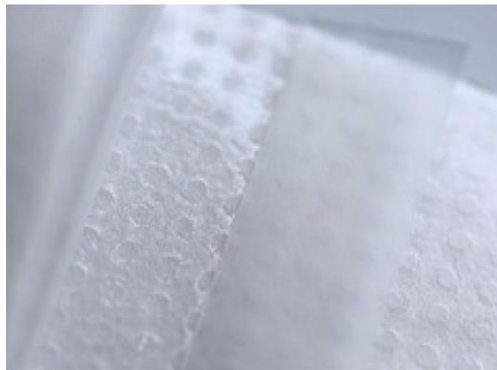
Medical Device Fixation



- Engaged with a market leader for a next generation of advanced neonatal pulse oximeter sensors
- Skin contact fixation development for a continuous glucose monitoring device
- Developing a turn-key insulin patch utilising a low trauma adhesive

Healthcare – FY 2019 Partnered development programmes

Low Trauma AWC Platform



- Exclusive partner to a market leader in the development of a new technology platform
- Addressing unmet needs in NPWT market
- Three projects utilising turn-key capabilities

Portfolio of Ostomy Accessories



- Extending partnership with an existing customer to expand ostomy portfolio with complementary topical solutions
- Skin cleanser, barrier and powders launched in Spring 2019
- Third phase of wet good accessories is in development with expected market introduction in April 2020

Professional Skin Care Product Line



- Expanding partnership with a leading advanced wound care company to expand professional skin care line
- Developing six products including skin protectants, moisturisers and foaming soaps
- Leveraging formulation and filling capabilities at BioMed

Gargrave expanding capabilities & services



- 373 employees
- R&D Talent = 17
 - 2 PhDs
 - 5 Masters Degrees
- QA&RA = 49



- 335,000 ft² Manufacturing
- Controlled Environment



- ISO 14001
- ISO 13485
- FDA Registered



USP WATER



CHEMICAL MIXING



RAPID LIQUID FILLING



ACTIVES MILLING



IMPREGNATION



KNITTING



LYPHOLIZATION



MICROBIOLOGY TESTING



GAMMA STERILIZATION

Moving beyond Advanced Wound Care

New Knoxville state-of-the-art site



- 120 employees



- 152,000 ft² Manufacturing
- 13,000 ft² Class 8 Clean Room



- ISO 9001
- ISO 13485
- FDA Registered for Med Devices & OTC Drug
- ANVISA GMP Clearance



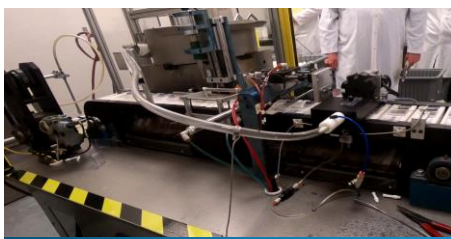
COMPOUNDING & BLENDING



PRECISION CONVERTING



KIT ASSEMBLY



AEROSOL HANDLING & PACKAGING



IN-HOUSE PROGRAM MANAGERS



PRINTING



EXPANDED PACKAGING



R&D AND ANALYTICAL LAB



REGULATORY SERVICES

Foundation for further growth

Innovative design capabilities & technologies



ADVANCED
WOUND CARE



CONSUMER
WELLNESS



MEDICAL
DEVICES

Bioflex Materials

- Films
- Foams
- Nonwovens
- Sponges
- Alginates
- Fabrics

Scapa Soft-Pro® Adhesives

- Silicone Gel
- Polyurethane Gel
- Low Trauma Hydrocolloid
- Hydrogel
- Hydrocolloid
- Acrylics

MEDIFIX Solutions™

- Short to long-term wear
- Welding (film to housing)
- Unique backing materials

Additives

- Aloe
- Salicylic Acid
- Lidocaine
- Menthol
- Clotrimazole
- Dimethicone
- Zinc Oxide
- Shea butter
- Antimicrobials







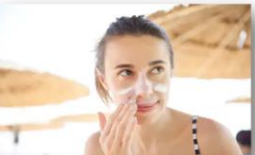












Formulation & Filling

- Liquids
- Creams
- Gels
- Lotions
- Powder
- Waxes

Finished Products

• First Aid • Foot Care • Health & Beauty • AWC Dressings & Products • Ostomy Supplies •

Topical market offers further growth

	Advanced Wound Care	Consumer Wellness
Sample products	    <p>Wound cleansers Skin protectants Skin moisturisers Skin barriers Anti-fungal treatments</p>	   <p>Anti-aging creams Skin brightening Sun protection</p>
Key players	     	     
Market size	Wound cleansers and professional skin care US\$2.4bn ¹	North America face cream skin care US\$20bn ²
CAGR	4 – 5%	4 – 5%

¹Public companies' annual reports

<https://industrytoday.co.uk/pharmaceutical/wound-cleansers-market--global-industry-share--market-size--market-trends-and-forecast-to-2026>

² Skin Care Products Market, Global Opportunity Analysis and Industry Forecast, 2014-2024, Allied Market Research

Our divisions

Industrial



Industrial – At a glance

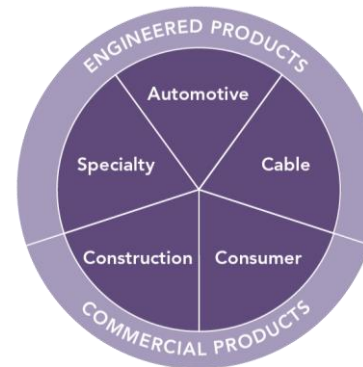
Fast approaching the target of 15% profit margin; poised for growth

Scapa Industrial manufactures an extensive portfolio of adhesive bonding solutions, supplying a diverse range of market segments throughout Europe, North and South America and Asia.

Our Engineered Products business provides solutions for global customers in the Automotive, Cable and Specialty Products segments where demand is driven by approvals, specifications, localisation and technical solutions.

Our Commercial Products business includes the Construction and Consumer segments, both market environments with shorter lead times within a demand-driven supply chain.

Our targeted segments



Locations

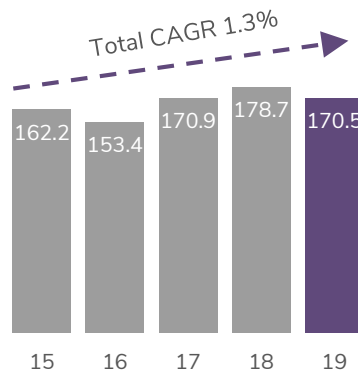
9

Number of employees

621

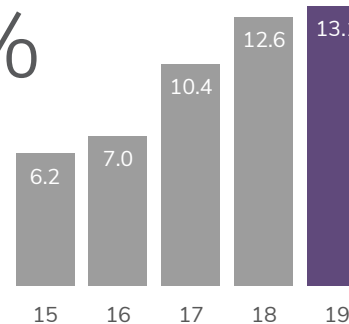
Revenue (£m)

£170.5m

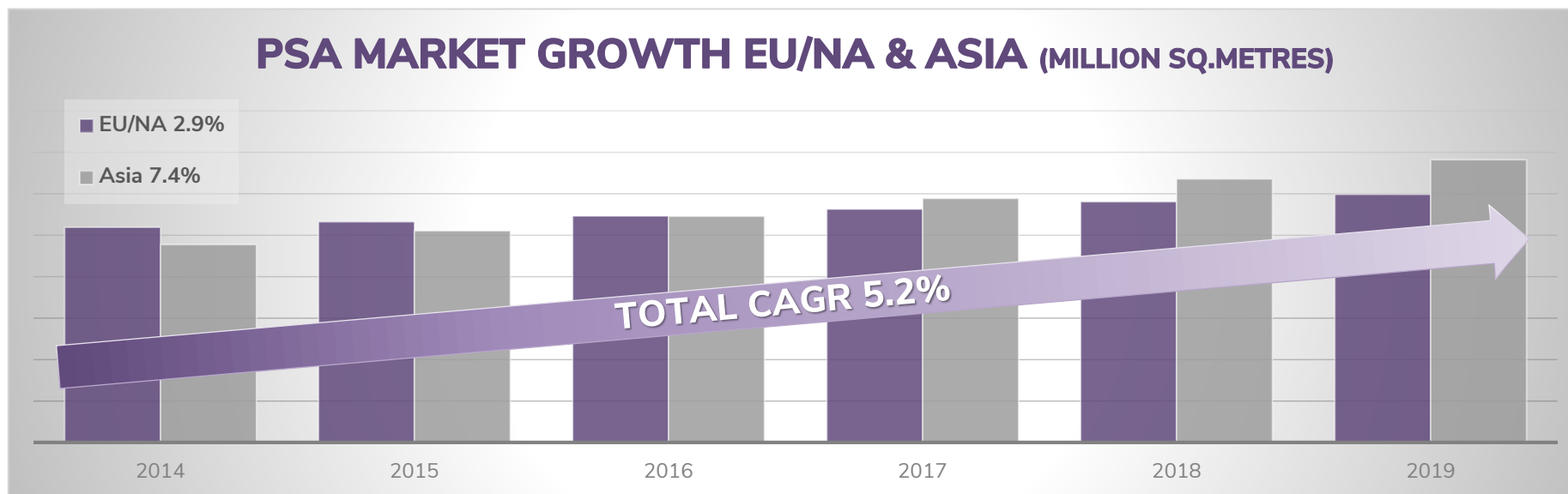


Trading margin (%)

13.1%



Stable and dominated by several large players

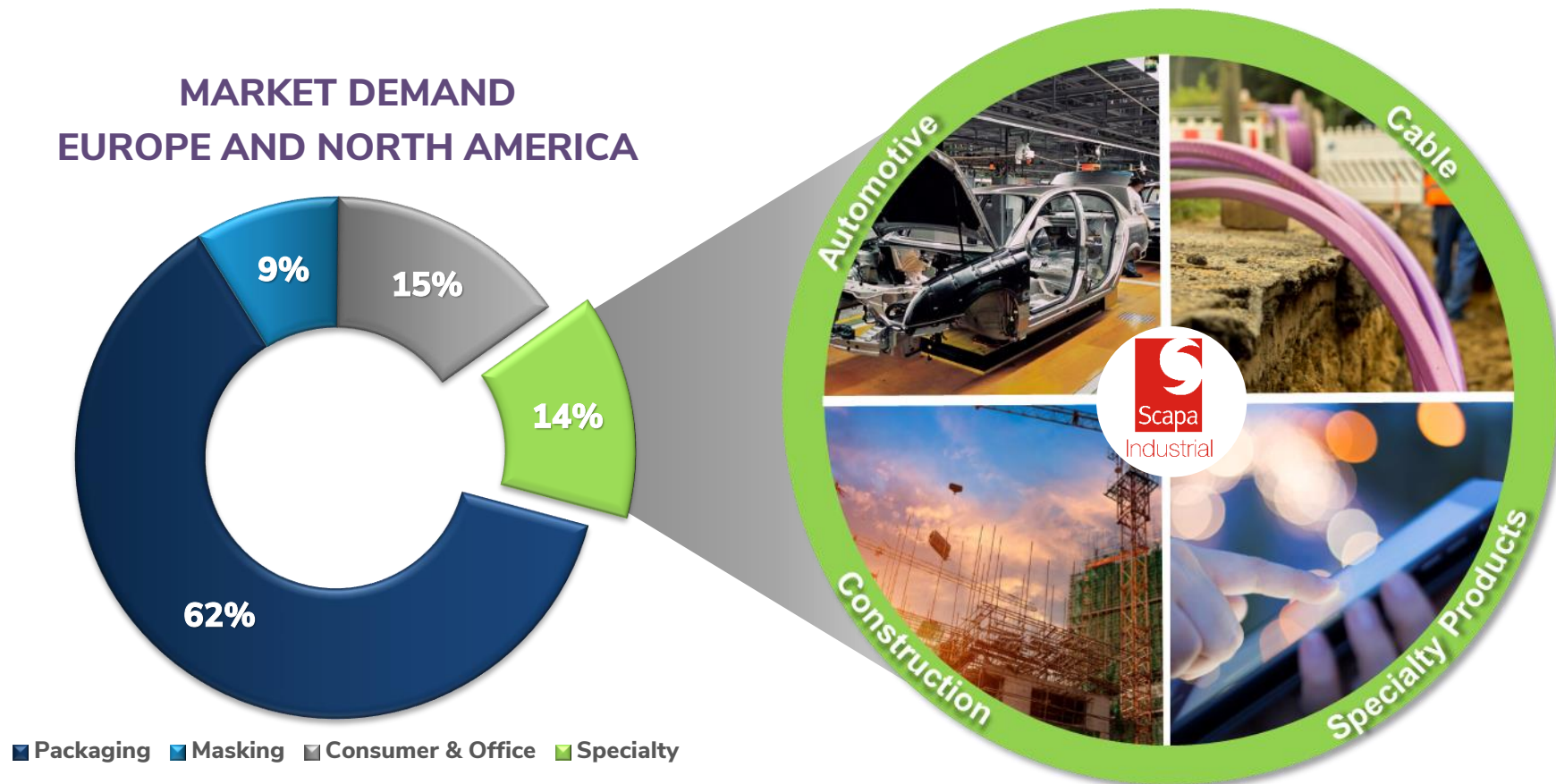


Source – AWA Global Specialty Pressure-sensitive Tape Market Study 2019



Source – Freedonia Industry Study #3447 Oct 2016 World Pressure Sensitive Tapes

Focus on attractive specialty market with high barriers to entry







Well positioned in select niche segments

ENGINEERED PRODUCTS

	CABLE	AUTOMOTIVE	SPECIALTY
Products			
Applications	<ul style="list-style-type: none"> Fiber optic 4G & 5G delivery High voltage & semi-conductive Land & sea installations Renewable energy projects Pipeline, oil & gas 	<ul style="list-style-type: none"> Wire harness Sensors and heating Surface protection 	<ul style="list-style-type: none"> Aerospace Composite & thermoformed assemblies Military & athletic textiles Graphics Smart cards
Customers			
Technology	<ul style="list-style-type: none"> Water swellable Fire retardant Self-amalgamating Semi-conductive Resins, putties, and accessories 	<ul style="list-style-type: none"> Acrylic Foam Tape (AFT) Electrical tape (PVC) Covergard™ Double sided foam High abrasion, high temperature tapes Water based & sustainable adhesives 	<ul style="list-style-type: none"> Heat seal transfer range Thermally conductive AFT High temperature masking and splicing Double-sided, soft & hard compression foam tapes

Well positioned in select niche segments

	COMMERCIAL PRODUCTS	
	CONSTRUCTION	CONSUMER
Products		
Applications	<ul style="list-style-type: none"> Residential & commercial new builds Maintenance & professional contractors Structural glazing 	<p>Retail access for</p> <ul style="list-style-type: none"> Professional painters & remodelers Electricians Hockey & Athletic
Customers		
Technology	<ul style="list-style-type: none"> Polyethylene (PE) Electrical and structural PVC Double sided cloth Compression foam sealants Diverse UV & FR rated product range 	<ul style="list-style-type: none"> All weather PE & PVC tapes Electrical PVC Masking & paper tapes Anti-slip Waterproof, high performance cloth

Industrial – FY 2019 Highlights



Automotive



- 20 new OEM approvals globally
- First electric vehicle new model ramp up in China
- Opened built-for-purpose manufacturing site in India to support regional expansion
- Overall performance in line with market trends



Cable



- Double-digit growth in North American Fiber Optic market
- Qualification in several large infrastructure programmes, including Ostwind 2, Crete/Greece Interconnector, and Hornsea 2
- Upgraded and expanded accessories business to address changing regulatory requirements



Construction



- Launched two new high-performance products under Polyflex™ brand
- Expanded Polyflex™ sales in Europe
- Continued growth in double sided and fire retardant product lines
- Saw H2 recovery in North American business



Consumer



- Continued growth in Indian paints and accessories market
- Expanded Barnier® range to include wipes
- Launched BarnierPro.com website
- Year-on-year growth in Renfrew Pro™ business
- Introduced DC Comics range of hockey tapes



Specialty



- Strong North American and European performance
- First aerospace product qualifications in China
- Secured leadership position in athletic textile manufacture
- Expanded Exafit printing and graphics products to North America

Outlook

Significant opportunities for growth

We have a clear strategic blueprint for both businesses. We have refreshed and strengthened our Leadership Team

Healthcare

- Impact of loss of ConvaTec contract in FY20 is £28m and £13m on revenue and earnings – this has a major effect on margins for the HC business as the current infrastructure has been designed for significant growth. As a result Scapa will:
 - Maximise the synergy from Systagenix transaction
 - Exploit the significant opportunities for further technology transfers
 - Play across the full outsourced spectrum
 - Acquire additional technologies beyond adhesives and topical products
 - Ensure NPDs leverage our technology transfer platform

Industrial

- Drive growth in the niche markets where we have a competitive advantage
- Participate in increased demand for technologies to support electric vehicles in the Automotive segment
- Leverage our strong European and US brand franchises in Construction
- Consolidate our leading position in the Cable market

Resources

- Build on The Scapa Way to ensure that we continue to focus on value creation underpinned by integrity and compliance



Q&A

