



Setting the pace

ZOTEK®

AZOTE®

MuCell®

T-FIT®

David Stirling Group CEO
Gary McGrath Group CFO



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ZOTEFOAMS

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ZOTEFOAMS

Introduction



AZOTE® / ZOTEK® / T-FIT® / MuCell®

Outlook comment



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On 24 March 2020 we stated:

- challenging market conditions experienced in the latter part of 2019, particularly within our Polyolefin Foams business, yet to improve noticeably
- outbreak of the COVID-19 virus is causing additional disruption and uncertainty
- Board anticipates a stronger performance during the second half of the year
- current focus on cash, including cost and capital management, and maintaining core operational capability across the business
- diverse customer base and strong competitive position, with our proprietary product portfolio focused on long term structural growth applications
- this enables Zotefoams to continue to develop attractive new markets for its products and underpins the Board's confidence in the Group's future prospects

As expected, since 24 March 2020:

- 2020 market conditions remain challenging, with high levels of customer uncertainty, subdued market demand and rapid response times expected by customers
- using recently commissioned Group capacity, Zotefoams has aggressively targeted market share in discrete segments, the benefit of which is slowly being realised
- implemented strict cost and capital control throughout the business and are considering all elements of government support across our operating sites around the world
- as a result of the measures the Group is taking, we believe we have sufficient liquidity to navigate through this uncertain period



TRADING

- ZTF facilities operational and inbound supply chains functional
- Update on sites and people
- Q1 – challenging market conditions following slowdown in H2:2019
- Q2 – subdued demand, high levels of uncertainty and rapid response times required
- Aggressively targeted market share in discrete segments
- Anticipation of a stronger H2 based on demand expectations for HPP products
- Well-balanced geographical and industrial spread of operations

LIQUIDITY

- 31 December 2019:
 - Net debt under bank definitions, of £30.69m
 - Liquidity headroom of £24.5m
- Dividend suspended due to uncertainty
- Cost and capital management measures in place
- Government support measures being considered



AUTOCLAVE TECHNOLOGY

EXTRUSION TECHNOLOGY

POLYOLEFINS

AZOTE®

Premium durable foams

Uniformly dense foam sheets with a consistent cell structure. These foam sheets and blocks are manufactured from common polymers using our unique nitrogen-expansion process.

Key Markets

Automotive / Aviation
Construction / Industrial / Marine / Military / Product Protection / Sport and leisure

Key Market Drivers

Lightweighting
Durability
Fire safety
Reduced toxicity

HPP

ZOTEK®

Lightweight technical foams

Ultra durable, highly heat and impact-resistant foam. ZOTEK® foams are manufactured from engineering polymers using our unique nitrogen-expansion process.

Key Markets

Automotive / Aviation
Athletic footwear / Construction

Key Market Drivers

Lightweighting
Personal safety
Durability
Fire safety
Energy management

T-FIT®

Technical insulation for industry

A range of bacteria-resistant insulation products manufactured from high-grade polymers using our unique nitrogen-expansion process. T-FIT® products are purpose designed to perform in demanding environments.

Key Markets

Food and personal care manufacturing
High-temperature processing environments
Pharmaceutical, biotech and semiconductor clean rooms

Key Market Drivers

Aging population
Demographic changes
Reduced toxicity

MEL

MuCell®

Innovative and accessible technology for greener, lower cost plastic products

This pioneering technology injects gas into plastics during the manufacturing process to create micro-bubbles and is licensed to customers manufacturing plastic parts. The end product uses 15 - 20% less material.

Key Markets

Automotive
Consumer packaging

Key Market Drivers

Environmental benefit
Lower cost

Strategy



ZOTEFOAMS

“Our ambition is to be the **world leader in cellular materials** technology in our chosen markets”

We intend to develop business **through sustained high levels of organic growth** and through partnerships or acquisitions

We **focus resources** primarily on markets where we are, or have the potential to be, a **market leader**

We deliver stakeholder value by using **unique technology** to create a portfolio of **differentiated products**

Zotefoams remains well positioned competitively and environmentally. Our core materials offer improved product performance using less material and MEL licenses technology specifically to reduce polymer usage

Key Points



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**Gross revenue
in line with PY
at £80.9m**

**Gross Margin
stable at 35.4%
(2018: 35.8%)**

**Adjusted² profit
before tax
£9.04m
2018: £11.07m)**

**Basic¹ EPS
14.91p
(2018: 18.66p)**

- Higher margin HPP sales now account for 33% of Group revenue (2018: 27%) and 53% of consolidated segment profit (2018: 43%)
- Gross profit margin robust at 35.4% (2018: 35.8%) with positive mix offsetting higher depreciation and operating costs from new strategic assets
- SG&A costs impacted by FX movements
- Cash and cost management focus
- No final dividend proposed to conserve cash in time of uncertainty

AZOTE® / ZOTEK® / T-FIT® / MuCell®

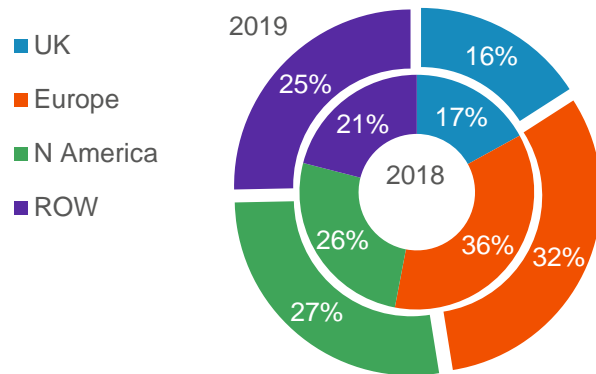
¹ before exceptional item

² before amortisation of acquired intangibles and exceptional item

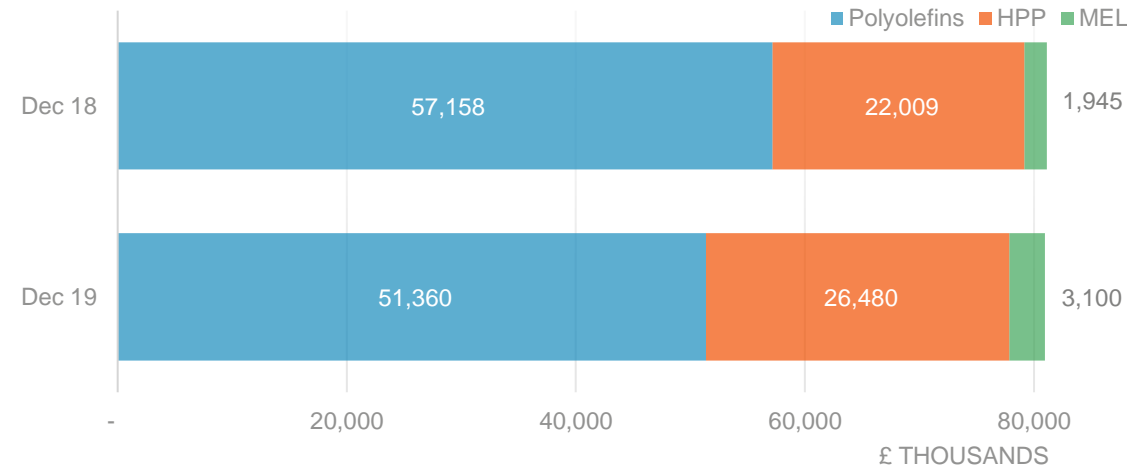
Segment Overview



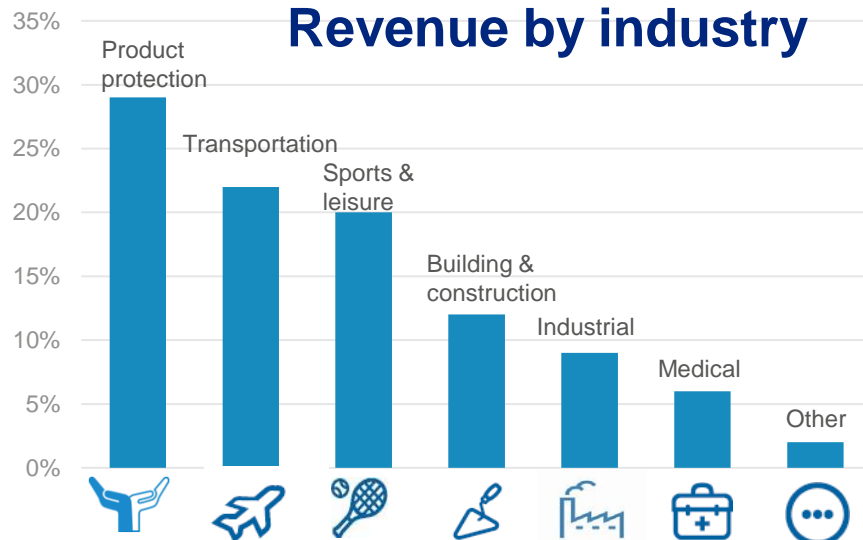
Revenue by geography



Revenue by business unit



Revenue by industry



A well-balanced geographical and industrial spread

Improving mix of higher value HPP business



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Financial Review



Key points



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Liquidity headroom

- As at 31.12.19 the Group has sufficient liquidity headroom of £24.5m

Covenants (two)

- Net debt to EBITDA (leverage) of 3.0x (31 December 2019: 2.0x), increased to 4.0x for the 12 months to 30 June 2020
- EBITDA to net finance charges of 4 (31 December 2019: 73)

Going concern assumptions

- Board believes the business has sufficient liquidity and covenant headroom
- Severe but plausible scenario, given current unprecedented uncertainty, demonstrates sufficient liquidity but potential for leverage covenant breach during the test period without further mitigating actions
- Scenario assumes Group revenue 20% below 2019 for 12 months to 31.12.20 and 25% below 2019 for 12 months to 30.06.21
- Cash and cost management focus includes cost reduction, capex deferral and dividend deferral in the short term
- Government support measures not considered when forming severe but plausible scenario
- Working capital intensity of Zotefoams generates cash inflow if business activity reduced

Abbreviated income statement



ZOTEFOAMS

£million	Dec-19	Dec-18	Change
Group Revenue	80.86	81.04	(0%)
Gross Profit	28.59	29.00	(1%)
Gross Profit Margin	35.4%	35.8%	
Adjusted Operating Profit	9.38	11.84	(21%)
Adjusted Profit before Tax	9.04	11.07	(18%)
Tax Charge	1.59	2.00	(21%)
Adjusted Profit after Tax	7.45	8.90	(16%)
Effective Tax Rate	16.2%	20.3%	
EPS before exceptional item (p)	14.91	18.66	(20%)
Adjusted EPS (p)	15.38	19.11	(20%)
Final Proposed DPS (p)	0.00	4.15	(100%)
Exceptional item	1.05	(0.95)	

Adjusted: before amortisation of acquired intangibles and exceptional item
Tax charge includes impact of exceptional item

Statement of financial position, free cash flow and net debt



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Statement of Cash Flows

Statement of Financial Position

£million	Dec-19	Dec-18	Change
Intangible assets	6.61	6.52	1%
Tangible assets	86.86	67.61	28%
Net working capital	35.09	32.94	7%
Retirement benefit obligation	(6.93)	(8.08)	(14%)
Net debt	(31.90)	(12.96)	146%
Other	(0.09)	(0.94)	
Total net assets	89.64	85.08	5%
Issued share capital	2.42	2.42	0%
Share premium	44.18	44.18	0%
Translation reserve	2.92	4.05	(28%)
Retained earnings	40.00	34.80	15%
Other	0.13	(0.36)	
Total equity	89.64	85.08	5%

Net debt reconciliation

£million	Dec-19	Dec-18
Cash & cash equivalents	6.66	7.08
Loans (short term)	(15.72)	(14.50)
Loans (long term)	(21.63)	(5.54)
Lease liability	(1.21)	0.00
Net debt	(31.90)	(12.96)

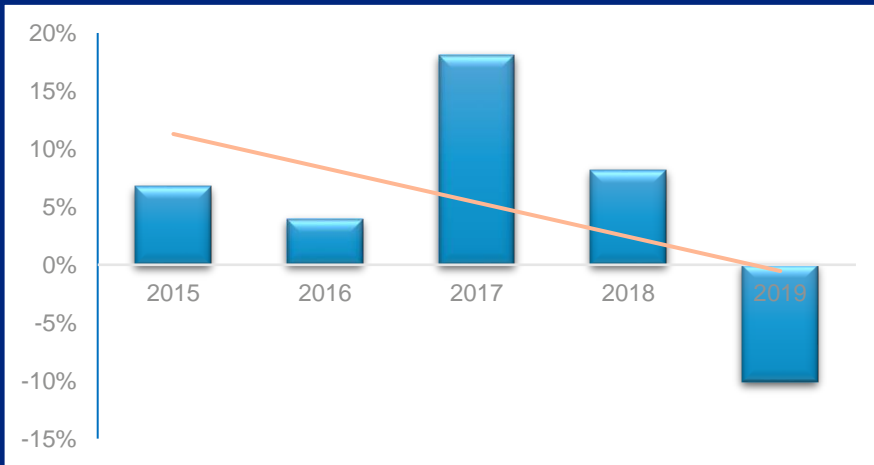
£million	Dec-19	Dec-18
Profit before tax	9.81	9.86
Depreciation	5.77	5.08
Other	(0.19)	2.54
Operating profit before movements in W/C	15.39	17.48
Movement in receivables	2.65	(6.36)
Movement in inventory	(0.88)	(3.75)
Movement in payables	(3.72)	0.36
Pension contributions	(1.67)	(0.62)
Cash (used)/generated from operations	11.77	7.11
Interest & Income tax paid	(2.42)	(2.62)
Net cash flows from operating activities	9.35	4.49
Net cash used in investing activities	(25.27)	(16.12)
Proceeds of share issue	-	20.08
Repayment of borrowings	(3.83)	(45.06)
Proceeds from borrowings	22.58	44.58
Dividend paid	(2.97)	(2.71)
Other	(0.25)	0.03
Cash flows from financing activities	15.53	16.92
Net movement in cash and equivalents	(0.39)	5.29
Cash and cash equivalents at period start	7.08	1.81
FX	(0.02)	(0.03)
Cash and cash equivalents at period end	6.67	7.07

Key performance metrics

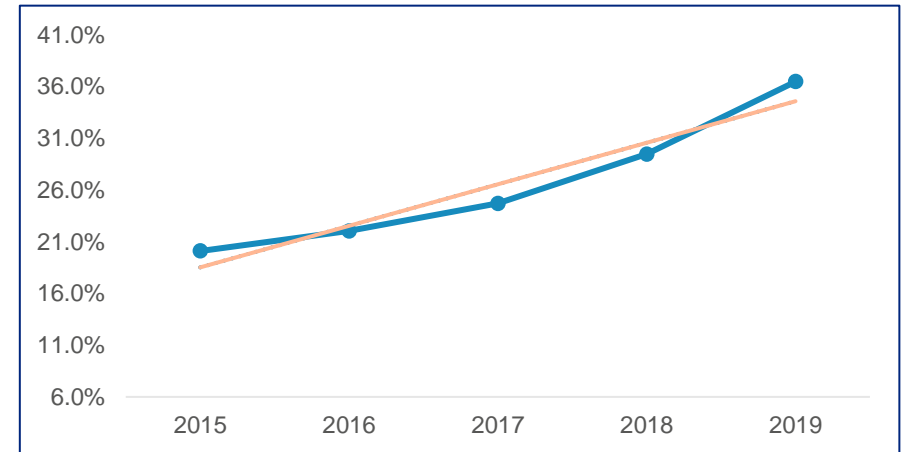


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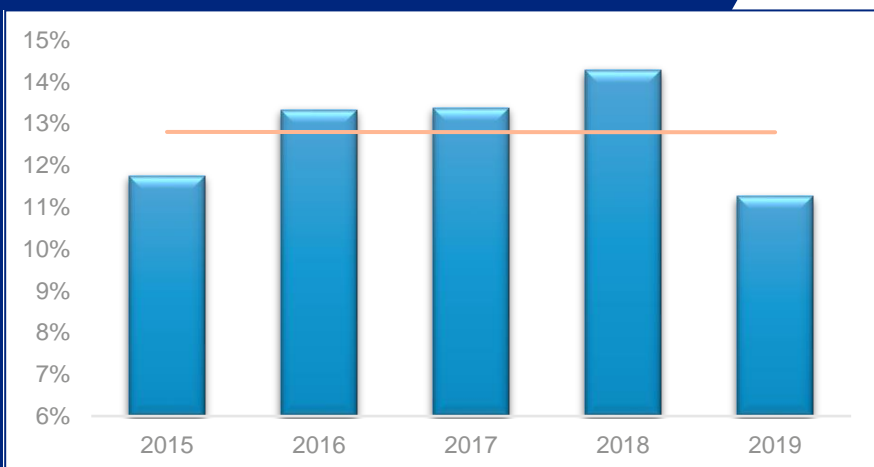
Polyolefin Foams Growth %



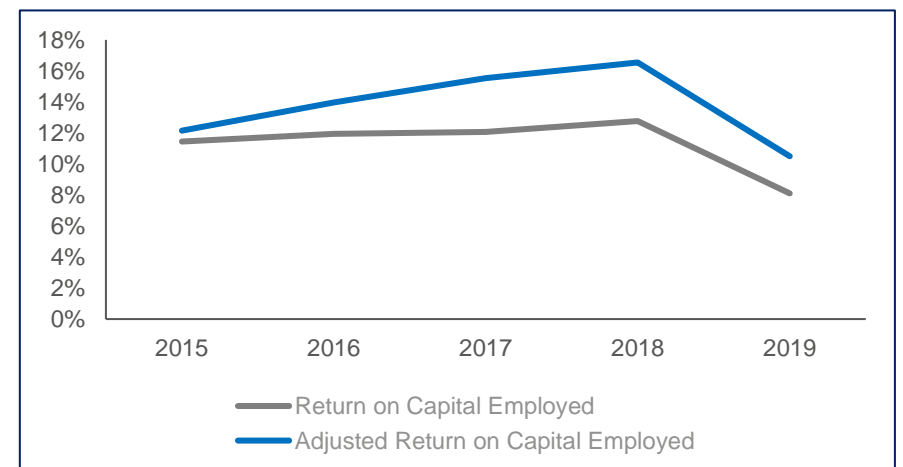
HPP and MEL Share of Gross Revenue



Group Operating Margin %



Return on Capital Employed



Segment headlines



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High-Performance
Products sales up
20% to £26.5m.
33% of Group
revenue and 53%
of consolidated
segment profit

Polyolefin Foams
sales down 10% in
challenging H2
market conditions

MuCell Extrusion
returning to growth,
with sales up 59% to
£3.10m



ZOTEK®

ZOTEK® foams: retaining the attributes of high-performance polymers with the added benefits of consistent foaming

T-FIT®

T-FIT® high-performance insulation

Revenue

- 20% sales growth (15% constant currency)
- Footwear largest application area followed by aviation
- ZOTEK® F fluoropolymer delivered the largest share of growth +28%
- T-FIT® insulation products +33%

Costs and Margin

- HPP remains an aggregation of products and markets at different stages of development
- Investment mainly in T-FIT® where we see very good potential
- Increased allocation of fixed costs (with lower AZOTE® foams sales) impacted profit growth

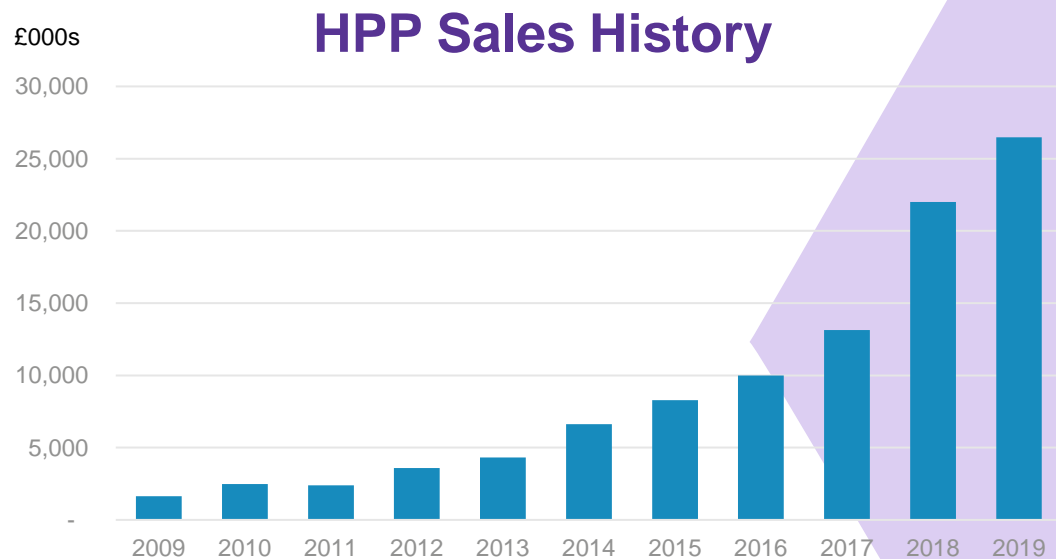
HPP	Dec 19 £m	Dec 18 £m	Change
Segment revenue	26.48	22.01	20%
Segment profit pre amortisation	6.43	5.81	11%
Segment profit post amortisation	6.43	5.81	11%
Segment profit margin	24%	26%	

- ZOTEK® F fluoropolymer foams: fire, smoke, chemical resistance
- ZOTEK® N nylon foams: high temperature performance
- ZOTEK® PEBA foams: excellent kinetic energy return
- T-FIT® technical insulation products



ZOTEK® T-FIT®

UK plant has significant capacity to support further HPP sales growth



Footwear

- Significant exclusive strategic partnership announced December 2017 with Nike
- Close co-operation on materials for wider adoption across Nike product lines
- Anticipated demand pull from H2:2020

T-FIT® technical insulation

- China facility fully operational following short COVID-19 related shutdown
- Growth of +33% with increased contribution from India
- Biotech and pharmaceutical are main markets with sales beginning in food, dairy etc markets

Polyolefin Foams results



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AZOTE® Common polymers made extraordinary by Zotefoams' unique process, creating premium, durable, consistent materials

Revenue

- Strong start to 2019
- Difficult market conditions experienced in H2:2019 across the business
- Continental EU/Germany largest impact
- Current focus on market share

Costs and Margin

- Segment profit impacted by operational gearing with lower revenue combined with higher fixed costs and depreciation of the US facility
- Improved operational efficiency and material yields
- LDPE polymer costs slightly below 2018

AZOTE® / ZOTEK® / T-FIT® / MuCell®

Polyolefin Foams	Dec 19 £m	Dec 18 £m	Change
Segment revenue	51.36	57.16	(10%)
Segment profit pre amortisation	7.30	9.45	(23%)
Segment profit post amortisation	7.30	9.45	(23%)
Segment profit margin	14%	17%	

The commercial focus of our AZOTE® business is to grow revenues through closer collaboration with end users and channel members, to continually enhance our product range and deliver capacity and efficiency improvements from production

MuCell® microcellular technology

Revenue & Growth

- Equipment sales and related license and royalty income
- Revenue growth driven by equipment sales
- Growth potential significantly enhanced with development of ReZorce® mono-material barrier packaging

Costs and Margin

- Benefits seen from business restructuring in mid 2018
- MuCell remains below critical mass and business administration and development costs are not yet carried by gross profit

MEL	Dec 19 £m	Dec 18 £m	Change
Segment revenue	3.10	1.95	59%
Segment loss pre amortisation	(1.27)	(1.63)	22%
Amortisation	(0.28)	(0.26)	-
Segment loss post amortisation	(1.55)	(1.89)	18%

- Investment of \$1m in pilot line to accelerate growth by delivering development capability for key products



Delivering +60% capacity vs end 2017

**North America 27%
of Revenue**

**Europe 48%
of Revenue**

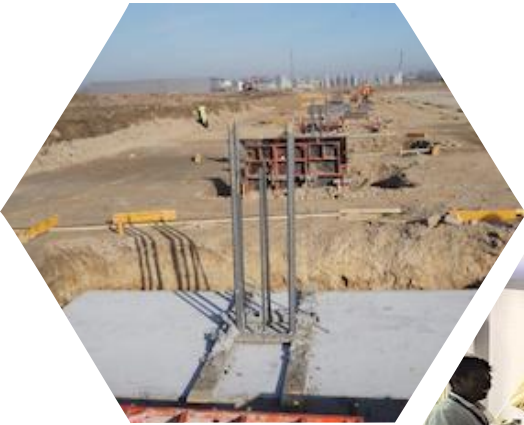
**ROW 25%
of Revenue**



Progress in 2019



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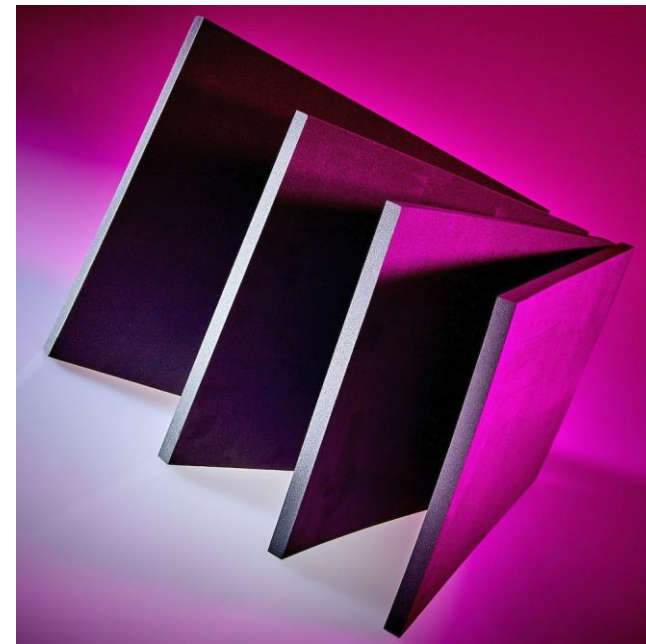
AZOTE® / ZOTEK® / T-FIT® / MuCell®

ReZorce®: 100% recyclable mono-material barrier packaging



- 100% HDPE = recycling stream no. 2
- Complies with all food standards
- Feels, prints and folds like paper

AZOTE® Adapt: Redefining chemical foaming



- Combines autoclave process with latest blowing agent technology
- Low residual VOC content
- Consistent cell structure



KEY MESSAGES

HPP strategy delivering growth with record revenue and profits from this segment

ReZorce® offers new revenue stream opportunity for MEL

Sufficient liquidity with 30 June 2020 performance covenants relaxed

OUTLOOK

Challenging markets and uncertain demand environment

Zotefoams facilities operational and in-bound supply chains functional

Focus on cash with costs and capital expenditure being managed closely



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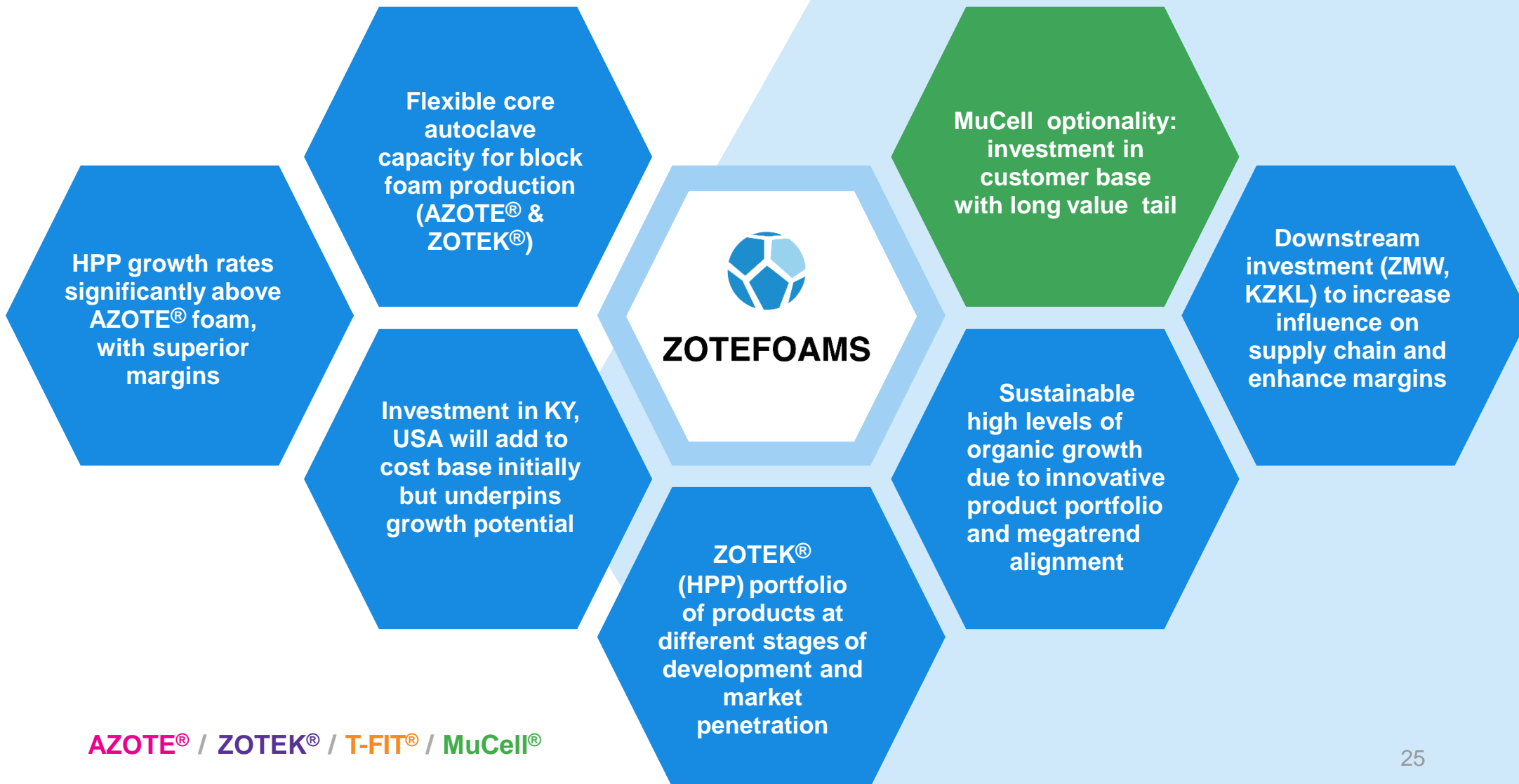
Appendices



AZOTE® / ZOTEK® / T-FIT® / MuCell®



Sustained high levels of organic growth with margin enhancement through product mix and operational gearing

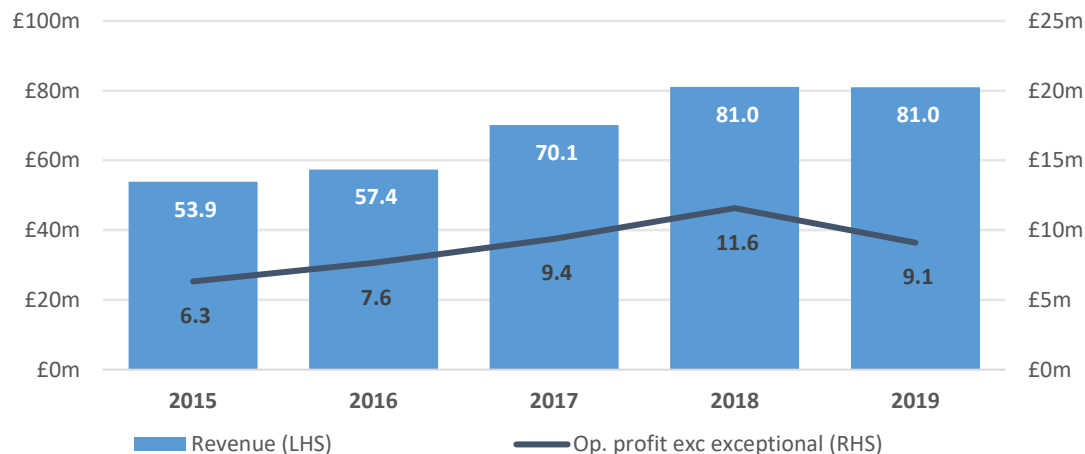


Revenue and profit momentum – Full year 2015 - 2019

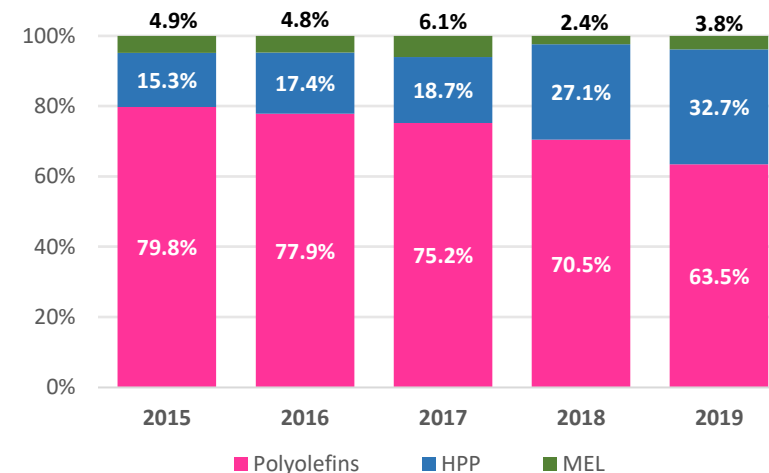


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Revenue & Op Profit excl. exceptional items

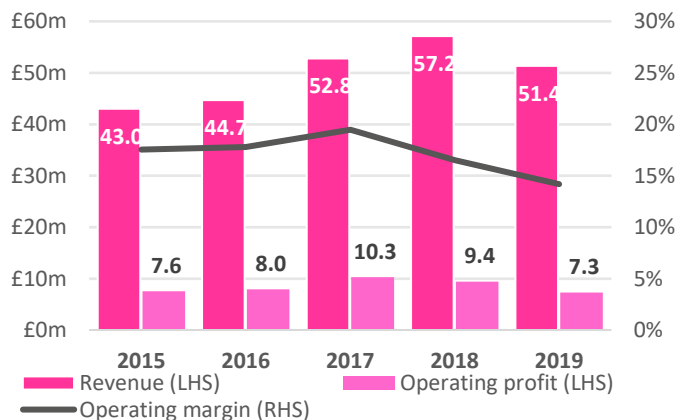


Divisional Revenue Split

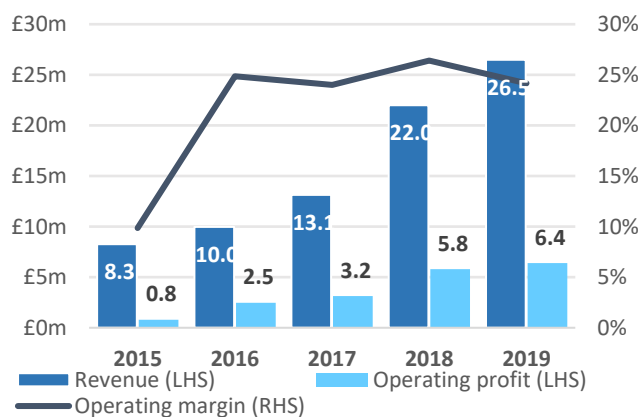


Autoclave technology

POLYOLEFINS

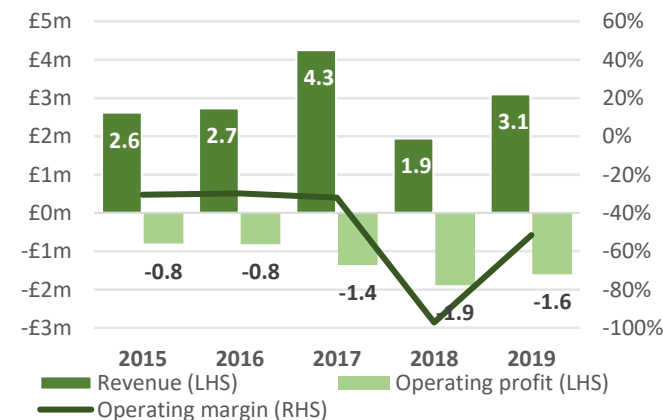


HPP



Extrusion technology

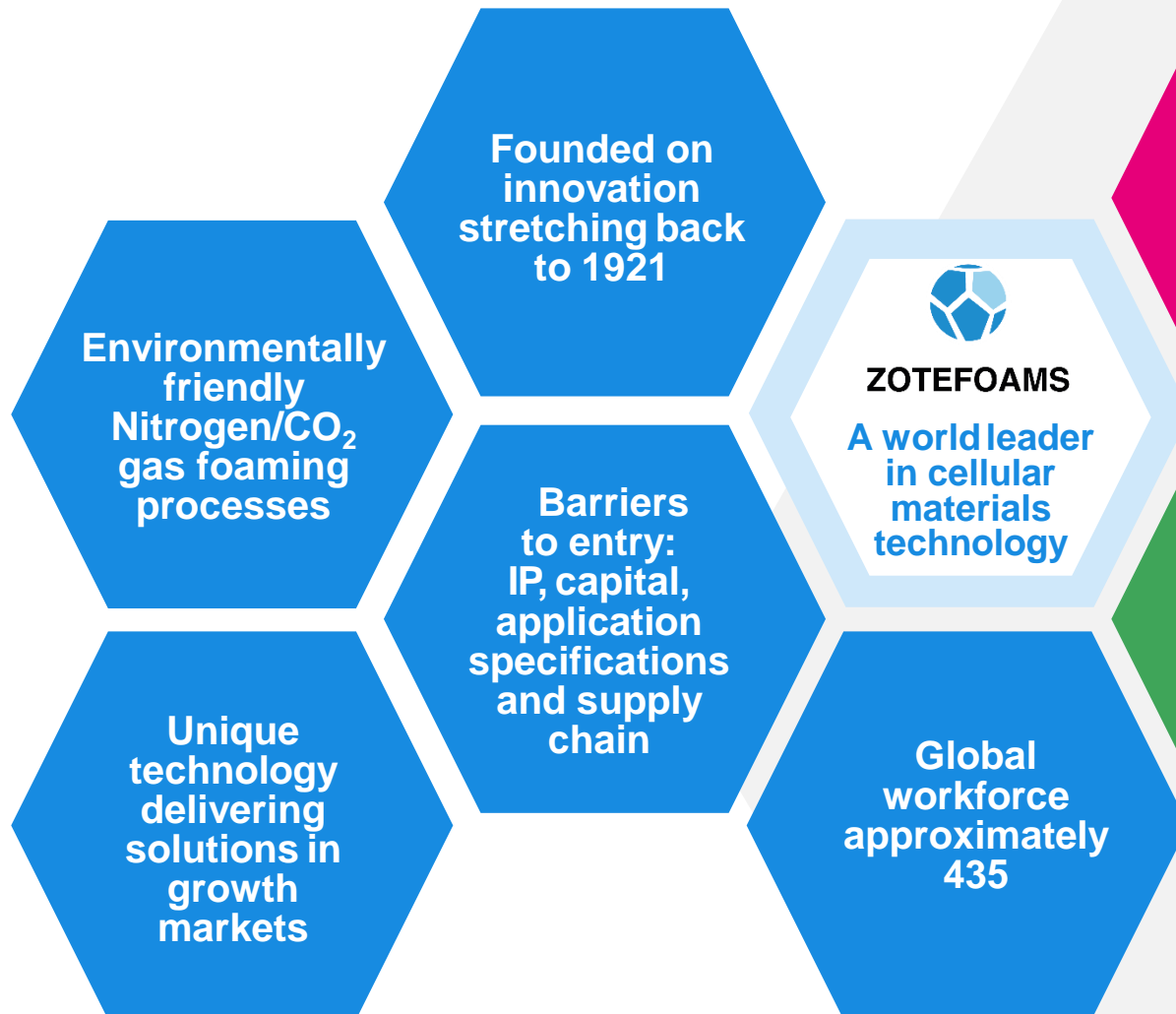
MEL



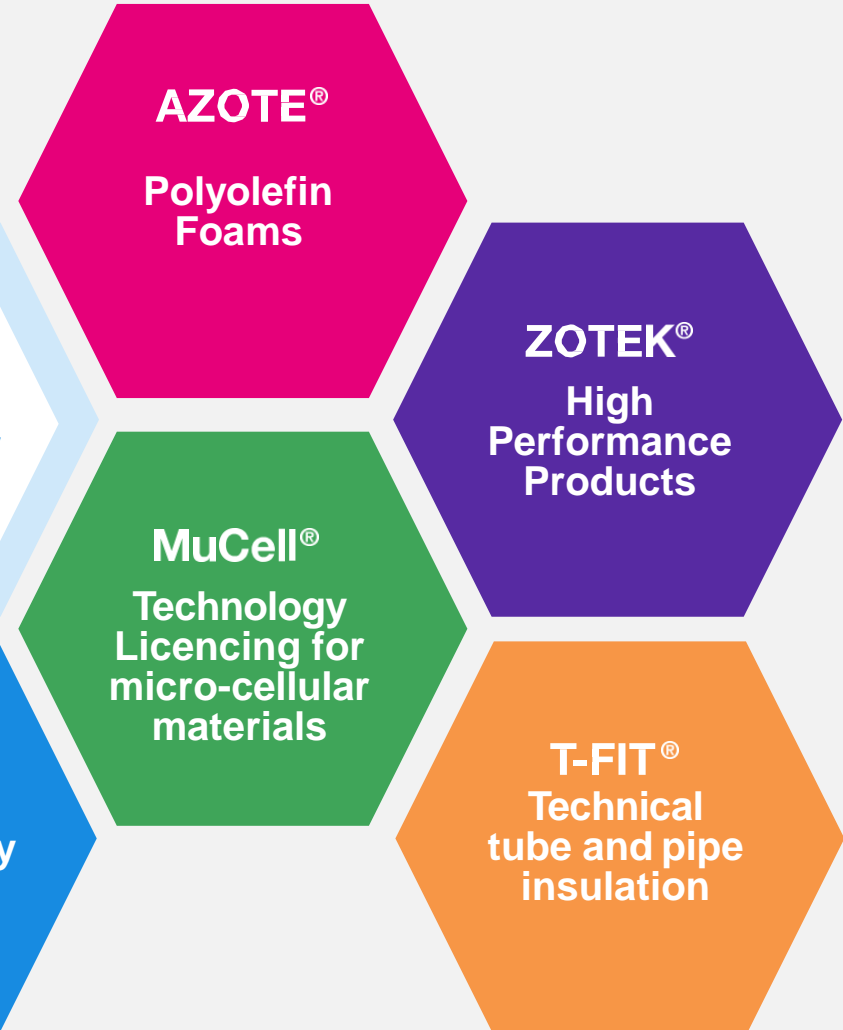
AZOTE® / ZOTEK® / T-FIT® / MuCell®



Organisation



Products



Group overview - locations



ZOTEFOAMS

MuCell Extrusion HQ
Woburn, MA, USA
licenses MuCell®
technology to end
users

Zotefoams plc
Croydon UK
Block foam main
manufacturing site

Zotefoams T-FIT
Material Technology
(Kunshan) Co. Ltd,
China
T-FIT® products
manufacture

Zotefoams Inc,
Walton, KY, USA
AZOTE® block foam
manufacture

Zotefoams Poland,
SP z.o.o., Brzeg
Foam manufacture
(from Q3 2020)

Zotefoams Midwest,
Tulsa, OK, USA
Foam cutting

T-FIT Insulation
Solutions Pvt Ltd.
Ahmedabad, India
T-FIT® sales
operation

AZOTE® Asia Limited
Hong Kong
Sales joint venture

Main markets & typical applications



Product Protection



AZOTE® ZOTEK® MuCell®
Luxury, fine art and museum
Industrial protective and transit
Aviation & aerospace
Electronics
Space station transit pods
Consumer (food and household)

Sports & leisure



AZOTE® ZOTEK®
Impact protection padding
Life jackets, swim floats,
Paddle boards, sports turf
underlay
Athletic shoes, impact pads

Transport



AZOTE® ZOTEK® MuCell®
Aircraft seats, seals
Automotive seals, gaskets
Galley areas / window seals
ECS (air ducting)
Soft touch trim / close outs
Composites panels
Automotive airducts

Building & construction



AZOTE® ZOTEK® MuCell®
Roof & wall insulation
District heating pipe spacers
Seals and gaskets, acoustic
dampening
Piping, signage and insulation

Industrial



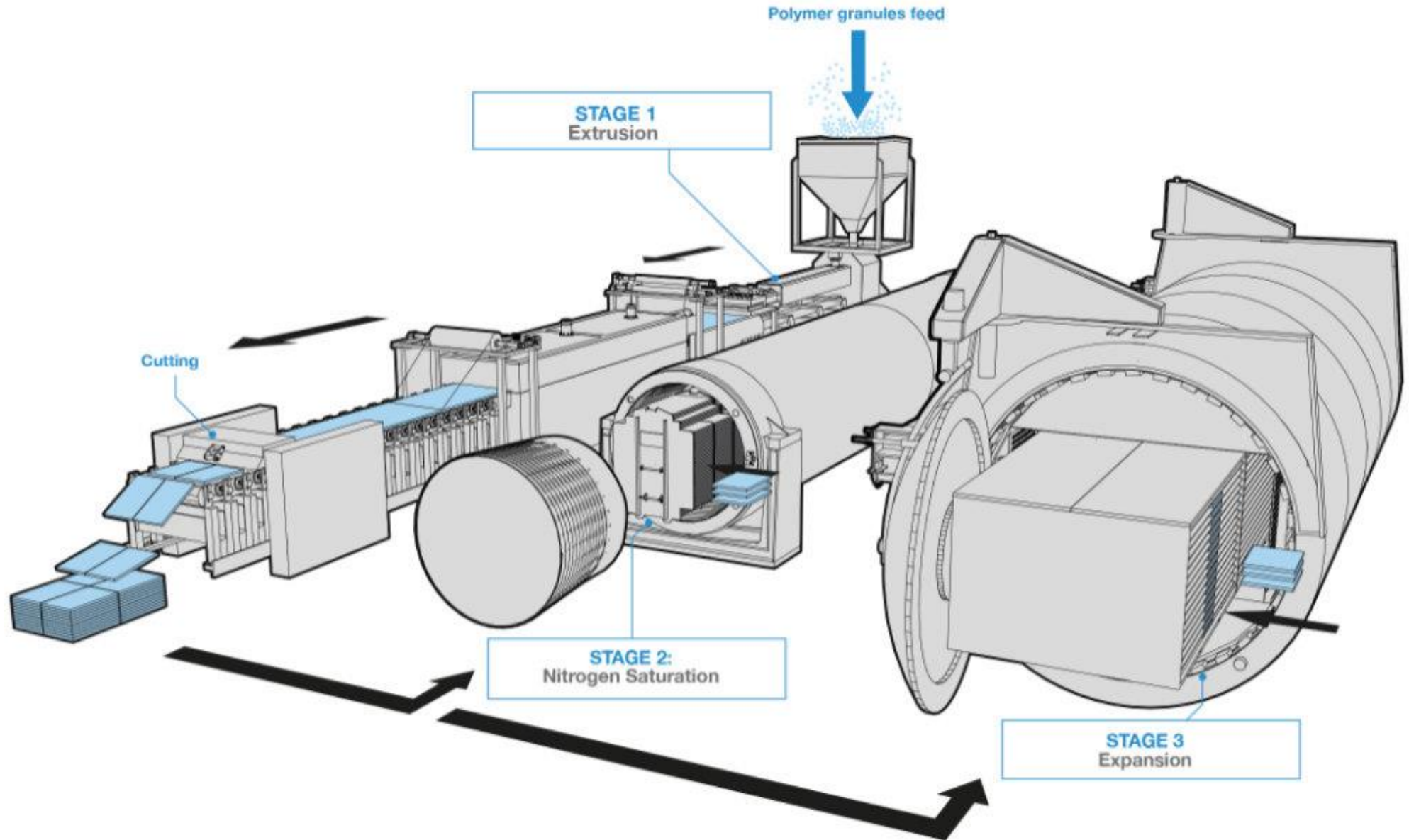
AZOTE® ZOTEK® T-FIT®
Seals and gaskets
Marine hoses and fenders
Clean room environments
High heat up to 205°C including
food processing & personal care
plants

Medical



AZOTE®
Product protection
Buoyancy aids
Prosthetics / orthoses
Pads, seats and cushions

Three stage process

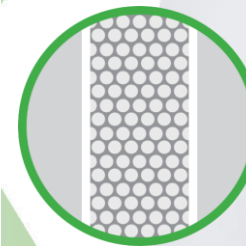
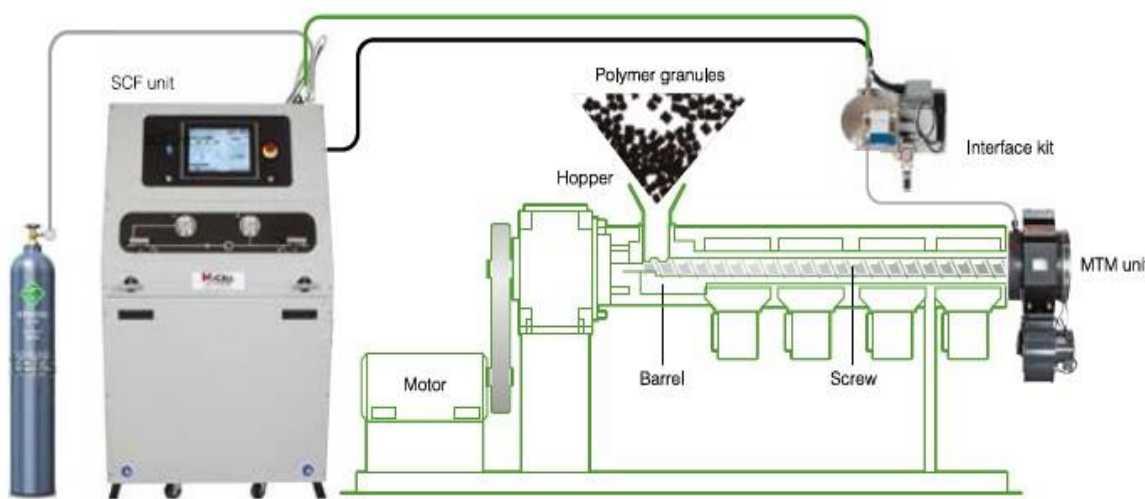


MuCell® process technology



MuCell® technology produces foam that performs like solid plastic. It creates micro-bubbles in the centre of plastic extrusions by injecting gas into the melt during manufacture.

Lighter · Greener · Lower cost





Pure Performance

Our core AZOTE® and ZOTEK® foams are expanded using pure nitrogen only. The air we breathe is 78% nitrogen



Supply chain savings

MuCell® technology enables manufacturers to use 15-20% less raw material. Some 22,000 tonnes of plastic have been saved by just 10 customers – that's the equivalent of 4 billion plastic bags!

Lighter from the outset

Our foams are typically 15-20% less dense than any competing foam for comparable applications.

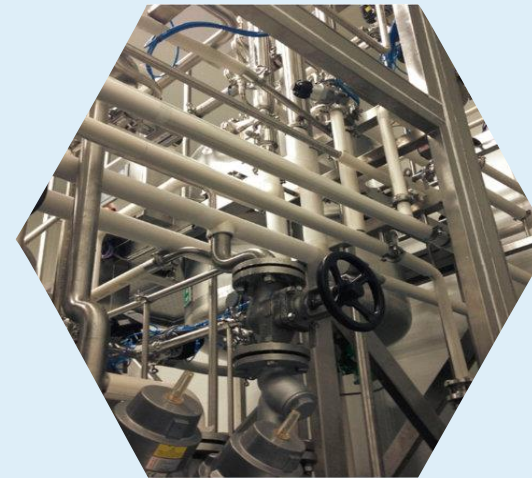
It all adds up

The replacement of traditional materials with lightweight fire-retardant ZOTEK® F can offer significant weight savings for aircraft operations:
window seals/ ducting = 120kg less per plane
Composite panels = 1.6kg less per seat



Durable for a decade

A decade ago, one of the largest biotech plants in the world chose T-FIT® for cleanroom insulation. With a service life that extends far beyond competing products, the original material is still in place saving time, cost and waste.



Identifying efficiencies

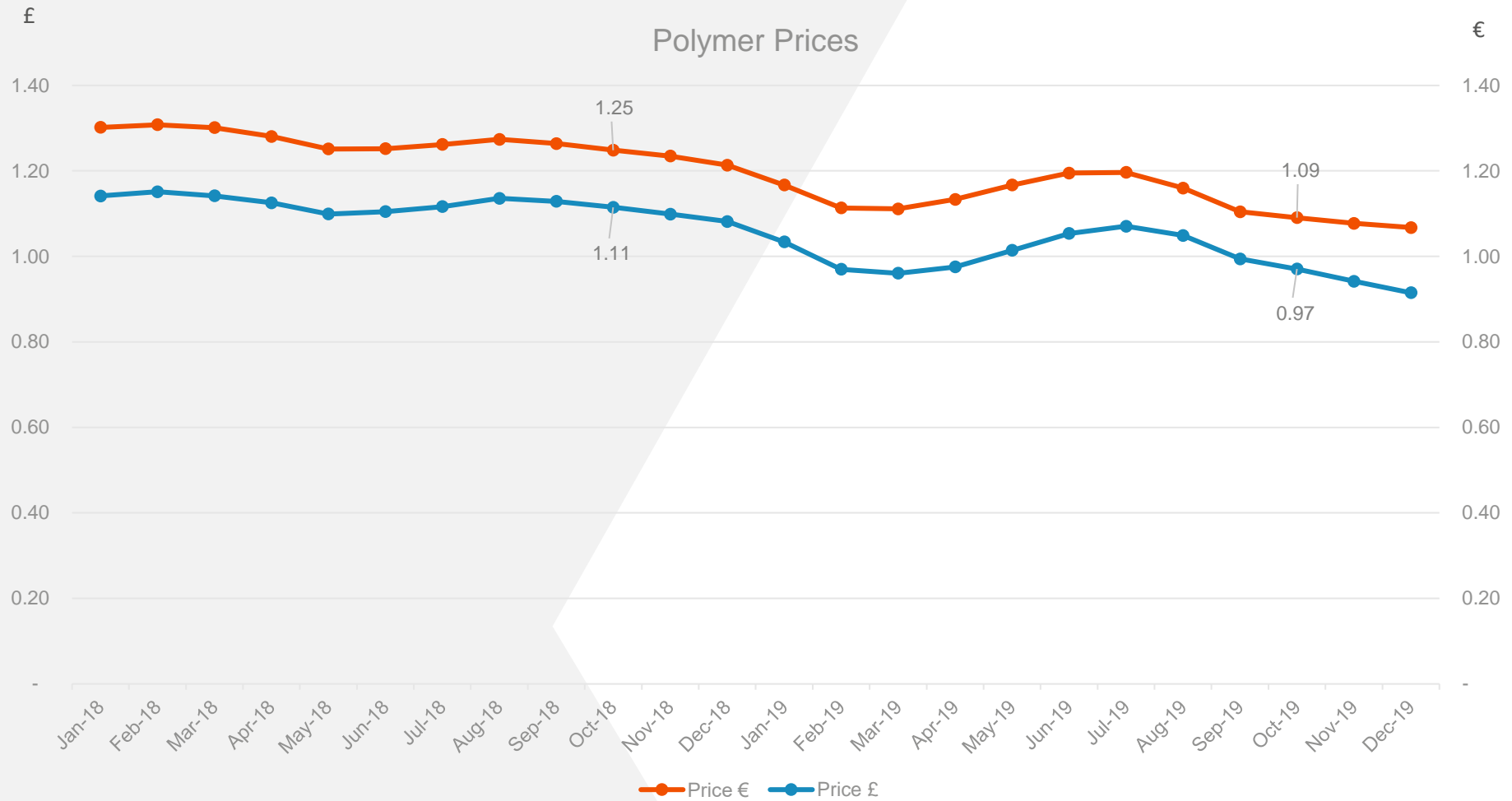
We strive for efficiency improvements in our production processes. Our newest low-pressure autoclaves are around 5% more efficient than older models



Watchful on waste

Waste from our USA plants is now collected for re-use in applications such as underlay for sports pitches. Investing in a baler to compact waste has significantly reduced transport costs through reduced volume and lower fuel usage

Polymer (LDPE) prices/kg



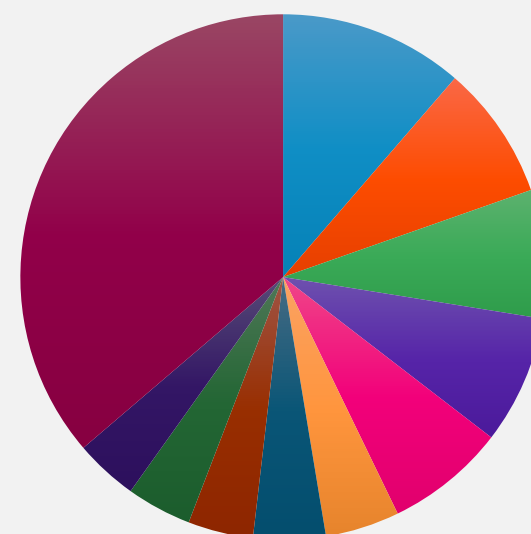
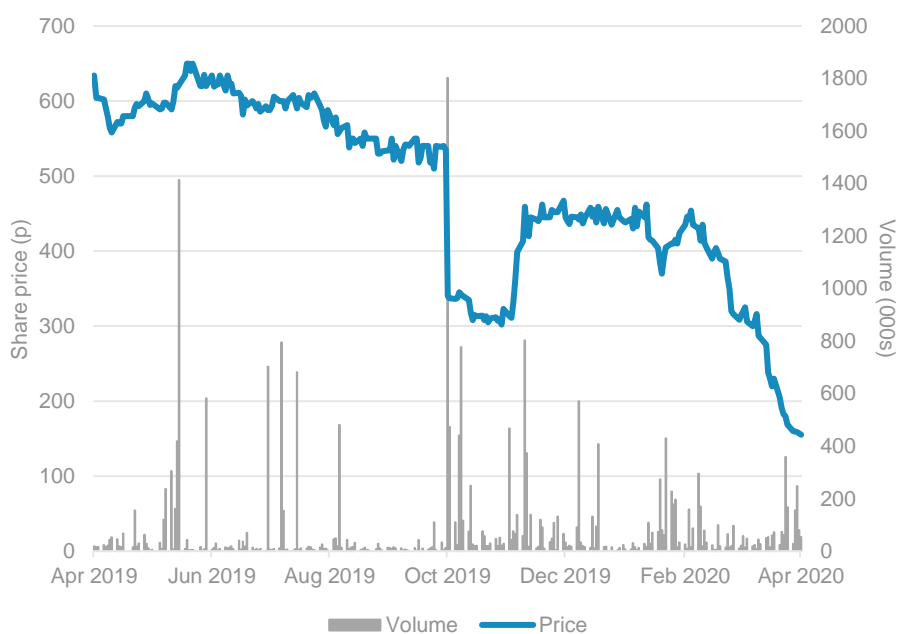
Market information



ZOTEFOAMS

Share price	155.0p (03/04/20)
Market	Main Market
Ticker	ZTF.L
Market cap.	£74.9m
Ord. shares in issue	48,301,234

Shareholder Profile*



- Schroders 11.3%
- Oppenheimer 8.3%
- Sekisui Alveo 7.9%
- Canaccord 7.9%
- Miton 7.4%
- Legal & General 4.6%
- BlackRock 4.5%
- Mr Nicholas Beaumont-Dark 4.0%
- Mr & Mrs Claire Downes 4.0%
- Highclere 3.9%
- Others 36.3%

Source: Factset

*Source: Company Share Register (31/12/2019)

Board of Directors



ZOTEFOAMS



Steve Good Non-Executive Chairman

(Chair of the Nominations Committee and a member of the Remuneration Committee)

Appointed to the Board in October 2014 as a Non-Executive Director and became Chairman on 1 April 2016. Steve was Chief Executive of Low & Bonar plc between September 2009 and September 2014. Prior to that role, he was Managing Director of its technical textiles division between 2006 and 2009, Director of new business between 2005 and 2006, and Managing Director of its plastics division between 2004 and 2005. Prior to joining Low & Bonar he spent 10 years with BTP plc (now part of Clariant) in a variety of leadership positions managing international speciality chemicals businesses. He is a Chartered Accountant.



Angela Bromfield MBA Non-Executive Director

(Chair of the Remuneration Committee and member of the Audit and Nominations Committees)

Appointed to the Board in October 2014. Angela was Strategic Marketing & Communications Director at Morgan Sindall plc until 2013 and prior to that she held senior roles at the Tarmac Group, Premier Farnell plc and ICI plc. Angela was a Non-Executive Director for Mondi Paper & Packaging Limited. Angela has a degree in Chemistry from the University of Reading and an MBA from Warwick University.



David Stirling Group CEO

Joined Zotefoams plc in September 1997 as Finance Director. Appointed Group CEO in May 2000. David started his career with KPMG in Scotland where he qualified as a Chartered Accountant.

He has worked for Price Waterhouse in the USA and Poland and with BICC plc. David is a graduate of Glasgow University and has an MBA from Warwick University and an MSc in Finance from London Business School.



Jonathan Carling Non-Executive Director

(Member of the Audit, Nominations and Remuneration Committees)

Appointed to the Board in January 2018. Jonathan is the CEO of Tokamak Energy, a technology business developing a faster route to fusion power. Jonathan was previously COO, Civil Large Engines at Rolls Royce plc, COO at Aston Martin Lagonda Limited, and Chief Engineer with Jaguar Landrover Limited. Jonathan has extensive engineering, operational and business experience. He was also a Non-Executive Director of Aga Rangemaster Group plc between 2011 and 2015.



Gary McGrath Group CFO

Joined Zotefoams plc in December 2015 and was appointed Group CFO on 1 February 2016. Gary is a Chartered Accountant, qualifying with Arthur Andersen. He spent 11 years with RMC Group plc before joining Koch Industries Inc, where he spent several years in various positions, including Global Finance Director of INVISTA Apparel and EMEA Vice President of Finance, Planning and Analysis at Georgia Pacific. Before joining Zotefoams, Gary was CFO of GC Aesthetics Limited. He has worked across public, private and private equity environments in the UK, Belgium, Germany, the USA and the Republic of Ireland.



Doug Robertson Non-Executive Director

(Chair of the Audit Committee and member of the Nominations and Remuneration Committees)

Appointed to the Board in August 2017. Doug was Group Finance Director of SIG plc until his retirement in January 2017. Prior to joining SIG, Doug had been Group Finance Director of Umeco plc and Seton House Group Limited, having spent his early career with Williams plc in a variety of senior financial and business roles.