



# Yule Catto & Co plc

Preliminary results  
for year ended  
31 December 2009



Being part of  
all our lives



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# Introduction

Adrian Whitfield, Chief Executive



# Key Themes

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- 2009 a year of significant achievement
- Debt level, a key legacy issue, successfully addressed
- Solid start to 2010
- Emphasis returns to growth now balance sheet strengthened
- Business now clearly focused around core Polymers business
- Significant and growing exposure to high growth emerging markets
- Geographic balance and market leadership positions create good growth dynamics



# 2009 Highlights

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- A very good year for Yule Catto
  - Underlying PBT up 27% (£41.5m)
  - Underlying EPS up 19%
- Effective action on costs to offset impact of lower volumes
- Volume recovery in core Polymers business through 2009
- Significant reduction in net debt, ahead of schedule
  - £88m at year end, versus target of < £100m by end 2010
- All three divisions increased profitability year-on-year
- Dividend to recommence with 2010 interims and overall total dividend will be not less than 5p



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# Preliminary Results

David Blackwood, Finance  
Director



# P&L - Underlying

	2009 (£'m)	2008 (£'m)	Variance
	<b>Underlying</b>	<b>Underlying</b>	
<b>Total Sales</b>	<b>543.4</b>	<b>602.2</b>	<b>-9.7%</b>
<b>Operating Profit/(Loss)</b>	<b>51.4</b>	<b>43.2</b>	<b>+19%</b>
<b>Finance Cost</b>	<b>(9.9)</b>	<b>(10.5)</b>	
<b>Profit/(Loss) Before Tax</b>	<b>41.5</b>	<b>32.7</b>	<b>+27%</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>-</b>	
<b>Tax</b>	<b>(8.2)</b>	<b>(4.9)</b>	<b>20% rate vs 15%</b>
<b>Minorities</b>	<b>(2.2)</b>	<b>(1.7)</b>	
<b>Attributable to equity holders of parent</b>	<b>31.1</b>	<b>26.1</b>	
<b>EPS</b>	<b>21.3p</b>	<b>17.9p</b>	<b>+19%</b>

# Consolidated Income Statement

	2009 (£'m)			2008 (£'m)		
	Underlying	Special items	IFRS	Underlying	Special items	IFRS
<b>Total Sales</b>	<b>543.4</b>	<b>-</b>	<b>543.4</b>	<b>602.2</b>	<b>-</b>	<b>602.2</b>
<b>Operating Profit/(Loss)</b>	<b>51.4</b>	<b>(30.0)</b>	<b>21.4</b>	<b>43.2</b>	<b>(2.4)</b>	<b>40.8</b>
<b>Finance Cost</b>	<b>(9.9)</b>	<b>(4.4)</b>	<b>(14.3)</b>	<b>(10.5)</b>	<b>8.6</b>	<b>(1.9)</b>
<b>Profit/(Loss) Before Tax</b>	<b>41.5</b>	<b>(34.4)</b>	<b>7.1</b>	<b>32.7</b>	<b>6.2</b>	<b>38.9</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>3.7</b>	<b>3.7</b>	<b>-</b>	<b>22.6</b>	<b>22.6</b>
<b>Tax</b>	<b>(8.2)</b>	<b>9.3</b>	<b>1.1</b>	<b>(4.9)</b>	<b>-</b>	<b>(4.9)</b>
<b>Minorities</b>	<b>(2.2)</b>	<b>-</b>	<b>(2.2)</b>	<b>(1.7)</b>	<b>-</b>	<b>(1.7)</b>
<b>Attributable to equity holders of parent</b>	<b>31.1</b>	<b>(21.4)</b>	<b>9.7</b>	<b>26.1</b>	<b>28.8</b>	<b>54.9</b>
<b>EPS</b>	<b>21.3p</b>	<b>(14.7)p</b>	<b>6.6p</b>	<b>17.9p</b>	<b>19.8p</b>	<b>37.7p</b>

# Special / Exceptional Items

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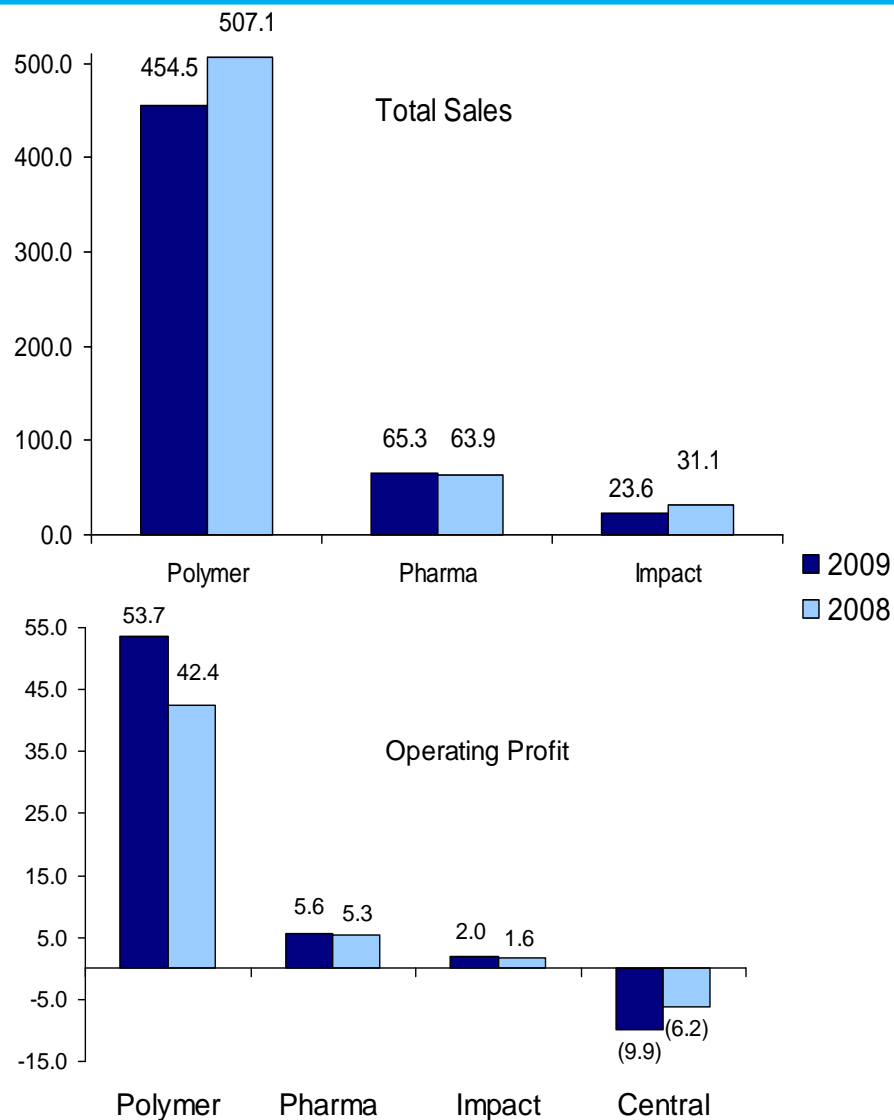
- Pharma goodwill impairment - £30m
  - Lower recent earnings
  - Increasing Asian competition
- Finance £4.4m negative (2008 £8.6m gain)
  - Mark to market on US\$ cross currency swaps
  - Does not qualify for “technical” hedge accounting
- Gain on disposal of businesses £3.7m
  - Completion of Sale of Oxford chemicals in January
- Tax – prior year provision adjustments £9.3m gain



# Segmental Results

- Underlying Group sales down 9.7%
- Polymers sales down 10.4%
  - Volume -8.6%
  - Price/mix net of FX – 1.8%

- Polymer operating profit up 27%
  - Margin Management
  - Costs / restructuring
- Pharma slightly ahead
  - Weaker volumes
- William Blythe Limited (Impact) ahead
- Central costs
  - Pensions IAS19 y-o-y £2.7m
  - Restructuring costs



# Currency Issues

Average	2009	2008	2007	2006
US \$	1.57	1.85	2.01	1.85
Euro	1.12	1.25	1.46	1.47
Malaysian ringgit	5.34	6.15	6.88	6.78
South African rand	12.97	15.05	14.15	12.64
€ / \$	1.40	1.48	1.38	1.26
\$ / MXP	13.51	11.10	10.94	10.92

- Currency transaction

- Generally helpful
- € / \$, \$ / MXP benefit Pharma
- £ / \$ benefit Polymers

Spot	2009	2008	2007	2006
US \$	1.59	1.45	2.00	1.96
Euro	1.11	1.03	1.36	1.49
Malaysian ringgit	5.46	5.05	6.62	6.92
South African rand	11.81	13.70	13.69	13.82
€ / \$	1.43	1.41	1.47	1.32
\$ / MXP	13.06	13.76	10.91	10.81

- Currency translation

- Positive £4.2m - essentially Polymers

# Cash Flow Statement

	2009 £'m	2008 £'m	2007 £'m
Operating profit (before JV)*	50.2	45.7	44.9
Movement in working capital	13.9	(1.5)	4.0
Depreciation	14.8	16.9	16.0
Capital expenditure (net)#	(8.5)	(17.3)	(16.4)
Interest	(10.5)	(11.4)	(11.1)
Tax paid	(6.8)	(10.2)	(10.5)
Pension funding in excess of IAS19 charge	(10.7)	(6.3)	(5.5)
Other (2008 JV Divis)	(1.9)	0.2	(0.2)
Sub total	40.5	16.1	21.2
Cash impact of closure of business	(3.6)	(10.3)	(9.0)
Disposal proceeds/acquisitions (net)	10.9	52.1	1.8
Dividends paid	-	(14.1)	(13.7)
Exchange/other	(0.3)	(8.5)	(4.9)
Movement in borrowings	47.5	35.3	(4.6)
Closing debt	88.0	135.5	170.8

Note: \* includes operating profit of sold businesses

# adjusted from statutory accounts to reflect land divestments

# Balance Sheet - Debt and UK Pensions

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	2009	2008
PBT £'m	<u>41.5</u>	<u>32.7</u>
Net Debt £'m	88	135
IAS 19 (UK) £'m	70	67
Discount rate	5.7%	6.7%
Inflation	3.0%	2.6%

# Debt Reduction and Liquidity

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DEBT - Net debt down to £88m from £135m:

- Strong EBITDA generation
- £8m gross proceeds OCL in January 2009
- Dividend suspended (2008 dividend cash was £14m)
- 2009 substantially lower capex – circa 60% of depreciation
- Working Capital inflow £14m

## LIQUIDITY

- Term debt repayment of £33m due September 2010
- Available to repay from free cash flow and:
  - Existing revolver £30m
  - Cash on balance sheet £40m

FINANCIAL RATIOS - Net debt to EBITDA 1.3



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# Strategic Update Operational Review Outlook

Adrian Whitfield, Chief Executive



# Near Term Strategic Priorities – An Update

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## Stated priorities for 2009

Maximise performance of Polymer and Pharma businesses

Continue strong new product and business development activity

Deliver full benefits from recent restructuring

Reduce debt below £100m

Revert to the payment of dividends as soon as practical

## Achievement

- *Both businesses ahead year on year*
- *Polymers operating profit increased by 27%*
- *50% of Nitrile latex sales from products launched in the last 3 years*
- *6 DMF's filed by Uquifa*
- *Both businesses ahead year on year*
- *Year end Net Debt £88m  
(After £4m additional pension fund contribution)*
- *Will recommence with 2010 interim*
- *Overall total dividend will be not less than 5p*



# Yule Catto – Polymer Focussed

## Polymer Chemicals

88% of Divisional Operating Profit

- Water based polymers used in a diverse range of applications including:

- Paints
- Adhesives
- Carpets
- Varnishes and lacquers
- Protective gloves



- Speciality chemicals including Lithenes and Polyvinyl Alcohol.

13 manufacturing sites in 4 regions: Europe; South East Asia; Middle East; South Africa

44% of sales to emerging markets

## Pharma Chemicals

- Manufacture of Active Pharmaceutical Ingredients for both generic and ethical drug manufacture. Products include:

- Omeprazole
- Ranitidine
- Ciprofloxacin

- Early stage research and contract manufacture of molecules.

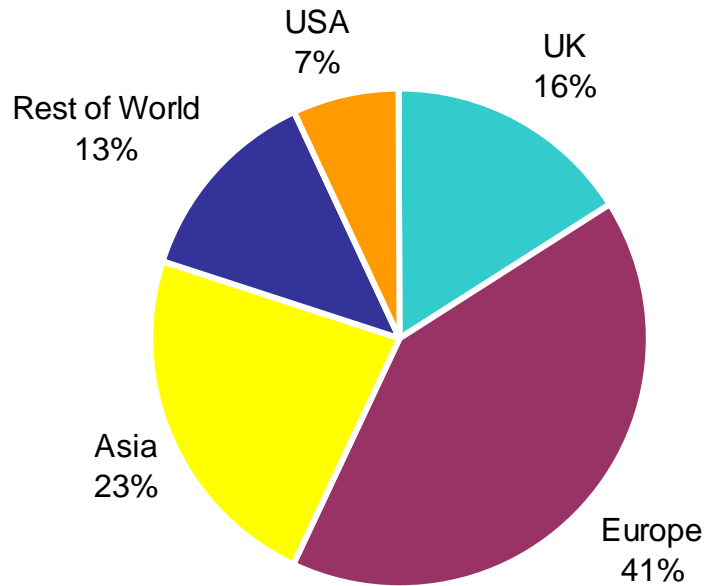


Now manufactures from 3 lower cost sites in Spain and Mexico

Impact Chemicals now largely divested

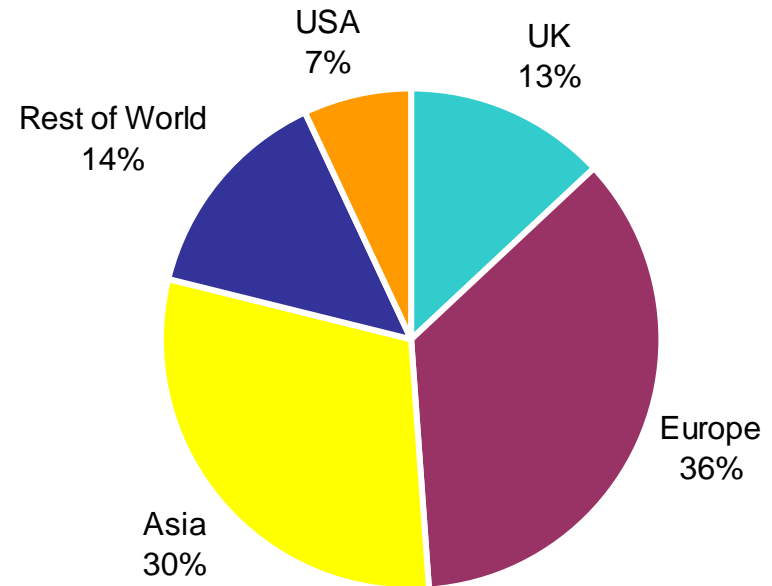
# Yule Catto – Sales Development 2006-2009

## Sales by Territory 2006



**£557.4 million**

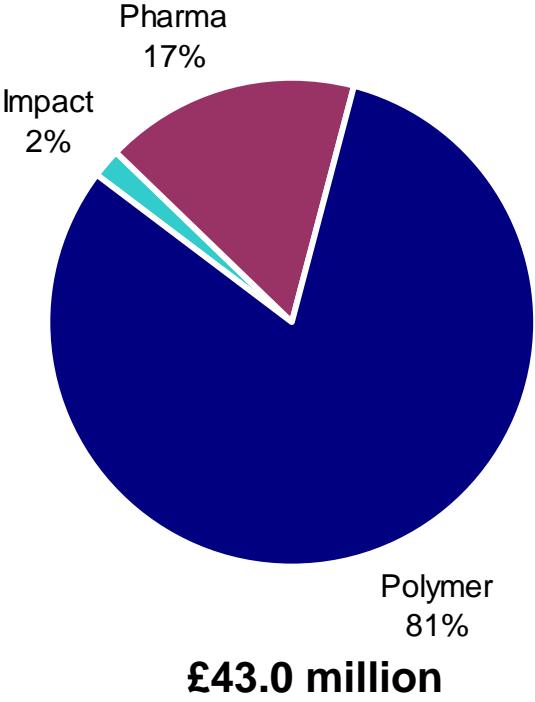
## Sales by Territory 2009



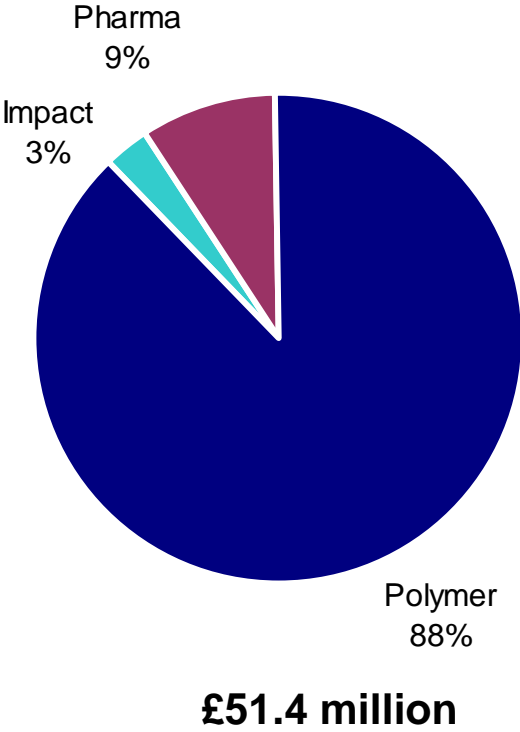
**£543.4 million**

# Yule Catto – Operating Profit Development 2006-2009

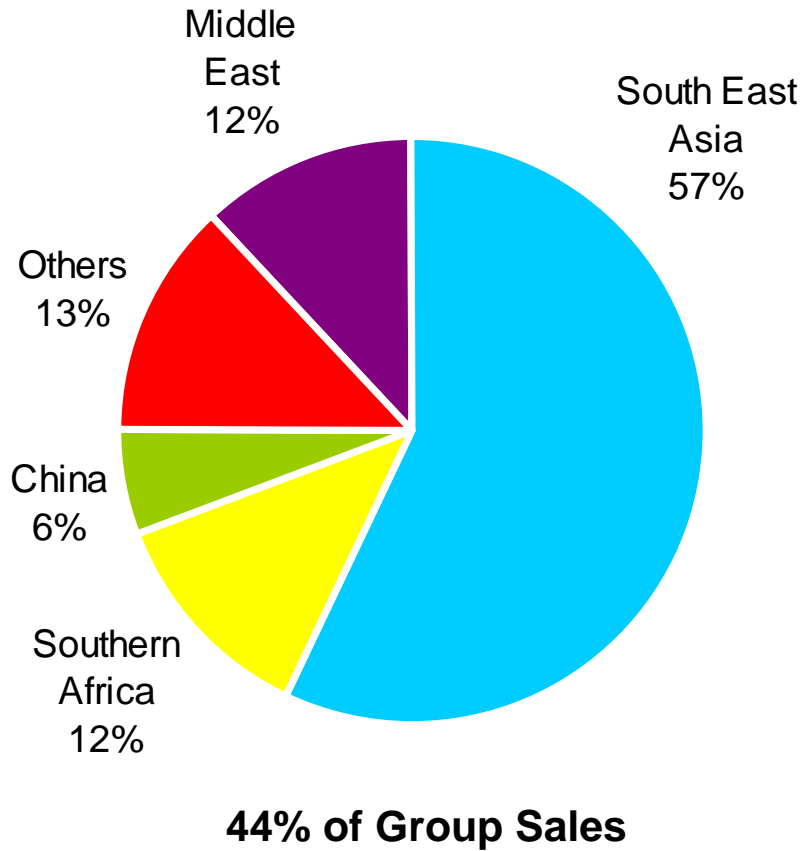
### Divisional Operating Profit 2006



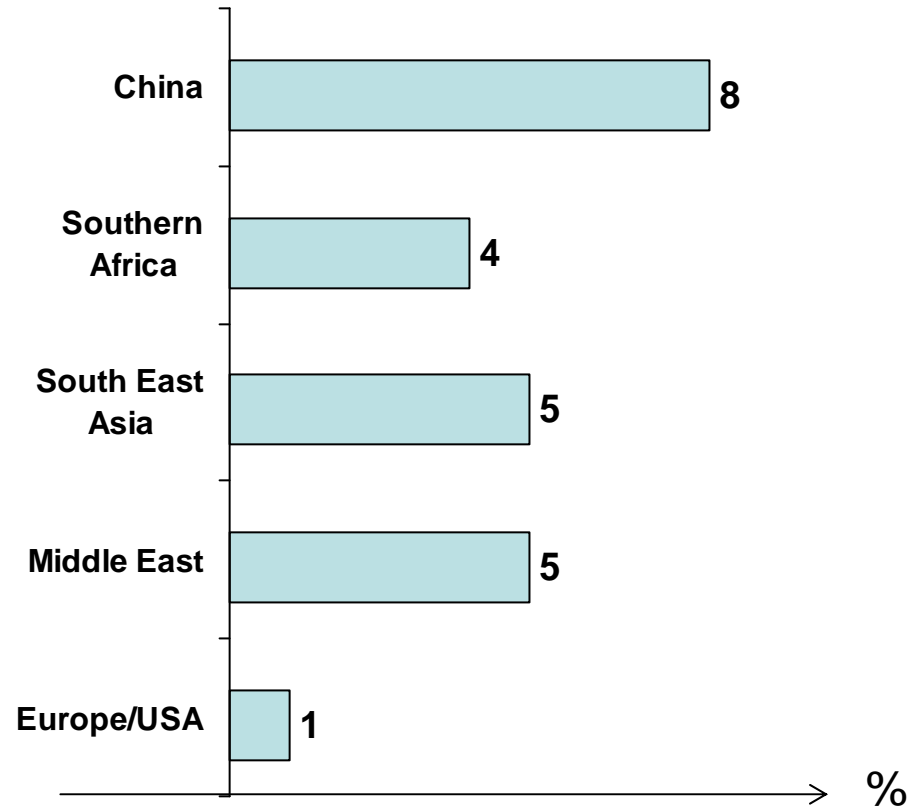
### Divisional Operating Profit 2009



# Developing World Sales



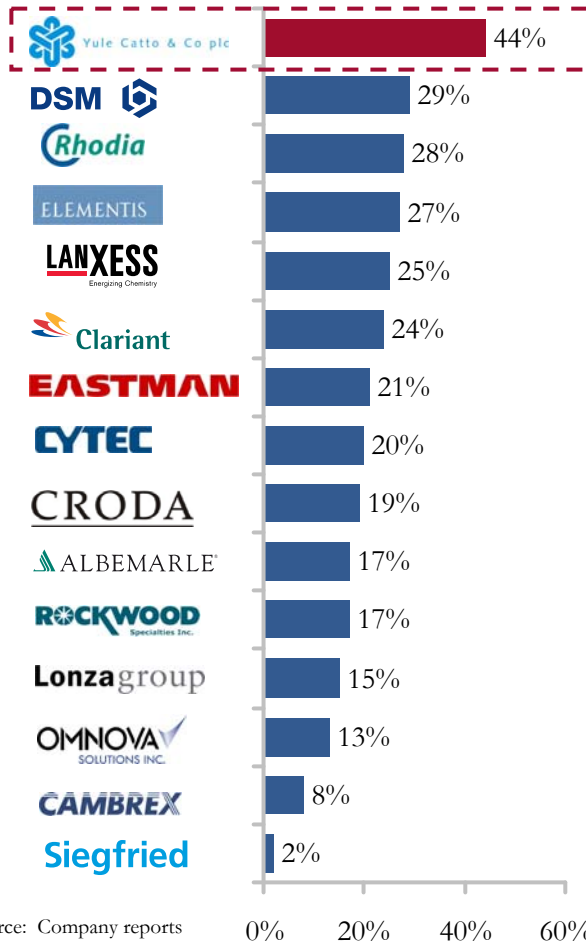
Average GDP growth for 05-09



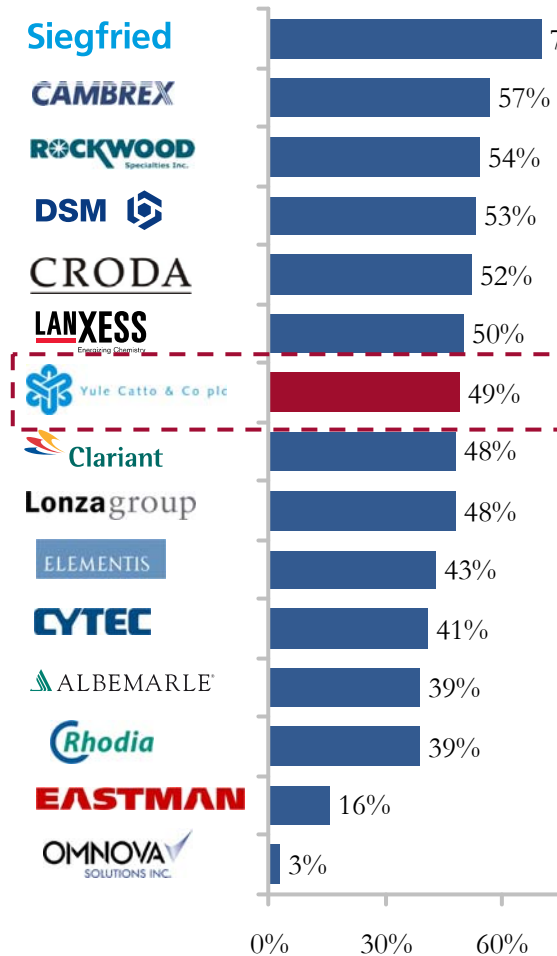
# Yule Catto – An Excellent Position in Developing Markets

## Regional sales as % of Total

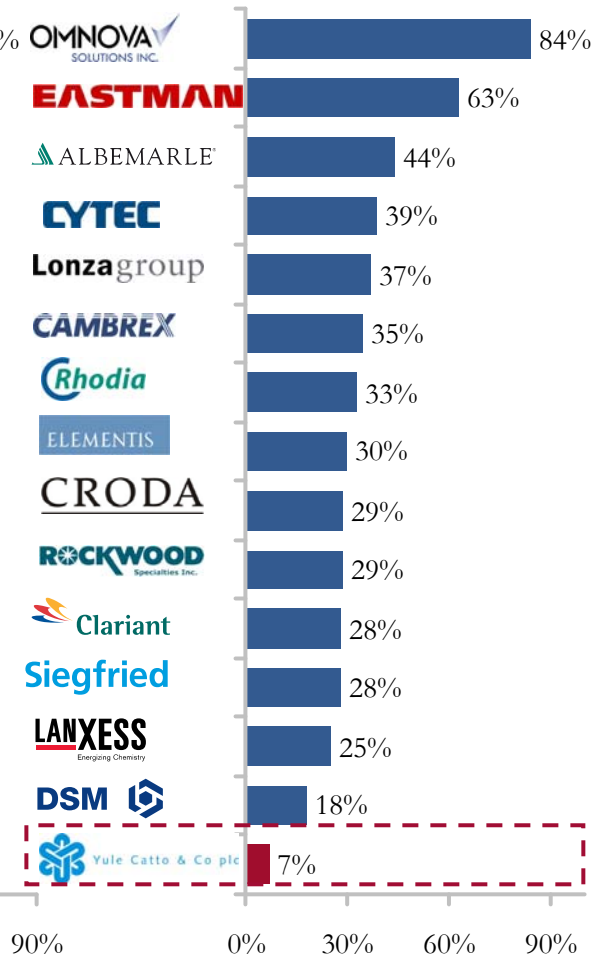
ASIA / ROW



EUROPE



AMERICAS



Source: Company reports

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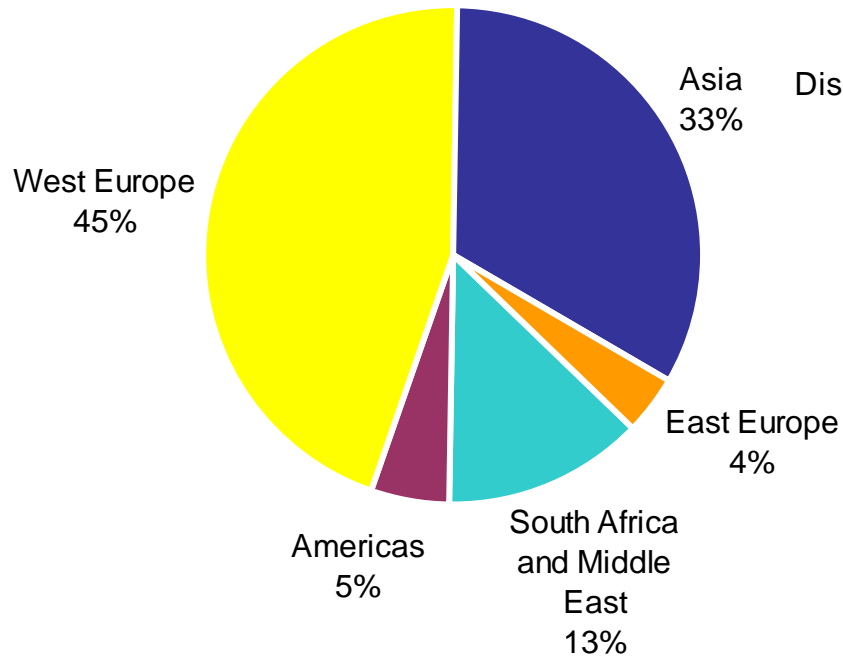
# Operational Review

## Polymer Chemicals

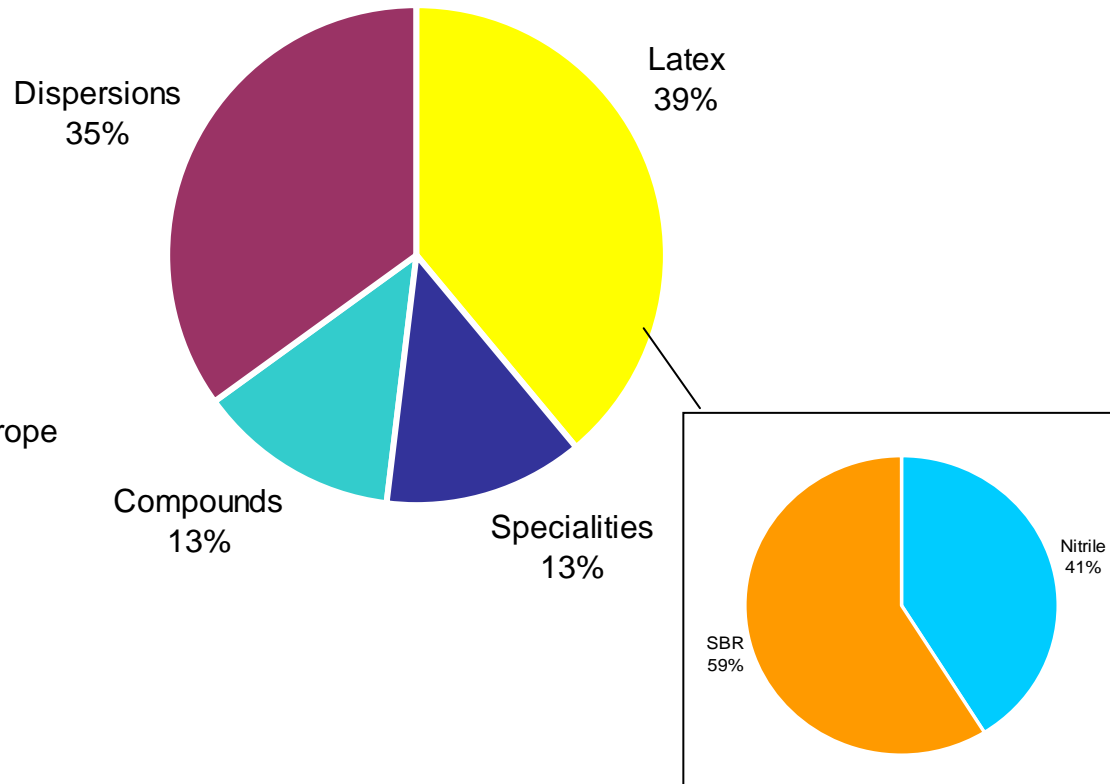


# Polymers – 2009 Sales

## Sales by Territory (destination)



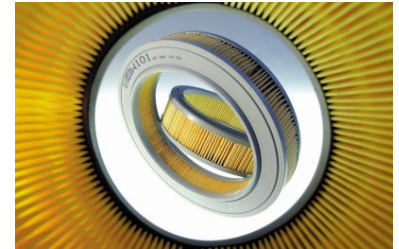
## Sales by Product



# Operational Review - Polymers

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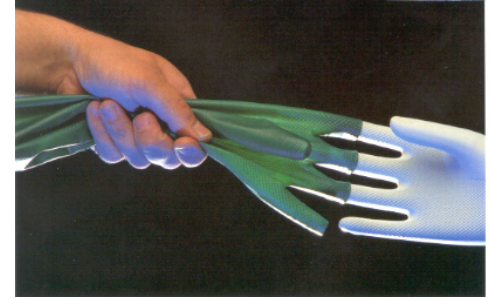
- Operating profit increased 27% to £53.7m
  - Prompt action to minimise costs
  - Focused margin management
- 8.6% volume reduction
  - Q1 marked the low point
  - Improved as the year progressed
- Raw materials starting to rise
  - Oil \$70-80/ Barrel
  - Capacity reduced in upstream supply chain



# Operational Review - Polymers

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- Enhanced geographic capability
  - Currently building a compound facility in Egypt
  - Will expand Latex and Dispersion capacity in Malaysia during 2010
  - Vietnam expansion being planned
  - Alert to opportunities to further develop our footprint
  
- Focus is back to growing the business
  - Overall European latex capacity heavily rationalised
  - Yule Catto has excellent market positions
  - Good historical success



# Yule Catto – Market Positioning



## Coatings

A range of aqueous polymers used in the manufacture of paint, wood stain etc

Open market position in:

UK	46%
Malaysia	60%
S. Africa	30%
Saudi Arabia	>50%
Cont. Europe	<2%



## Dipped Goods

Nitrile latex for thin wall protective gloves and industrial gloves

Market Leader: 27%  
Worldwide



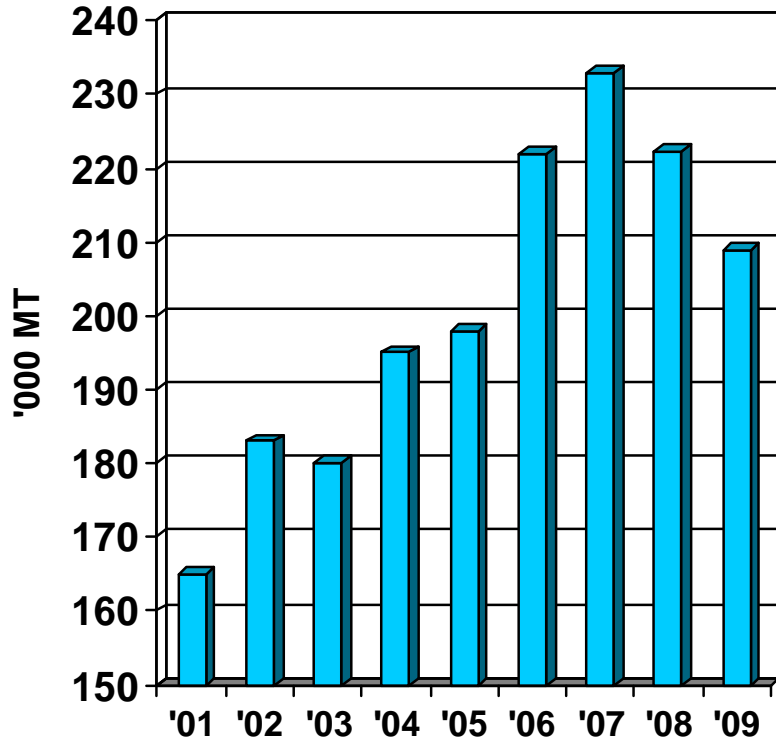
## PVC

Specialised polyvinyl alcohol used in the manufacture of PVC

Market Leader: 52%  
Worldwide

# Polymers - Volume Development

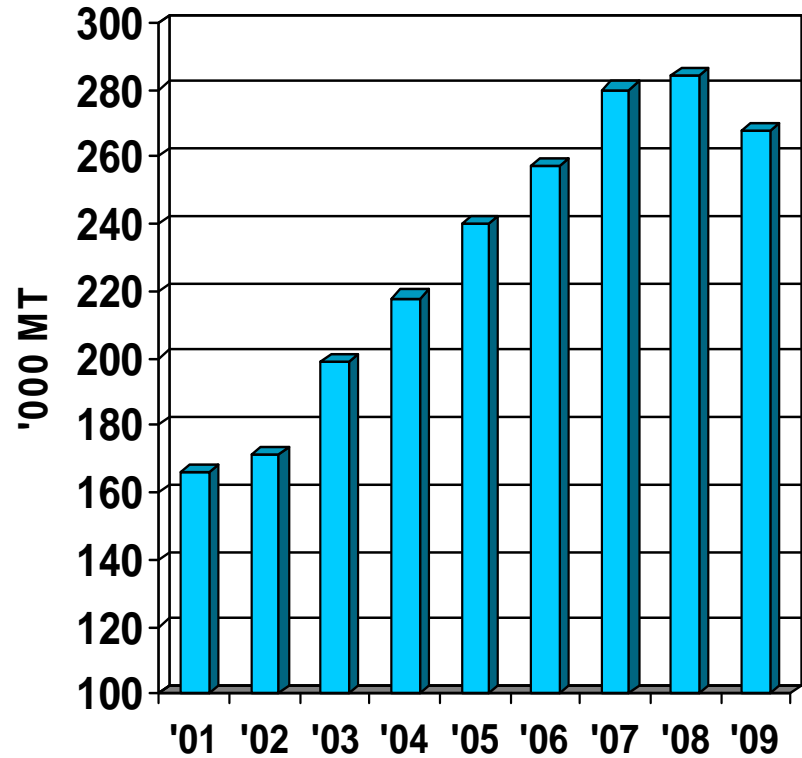
## Dispersions



3% CAGR over 8 years

6% CAGR '01 – '07

## Latex



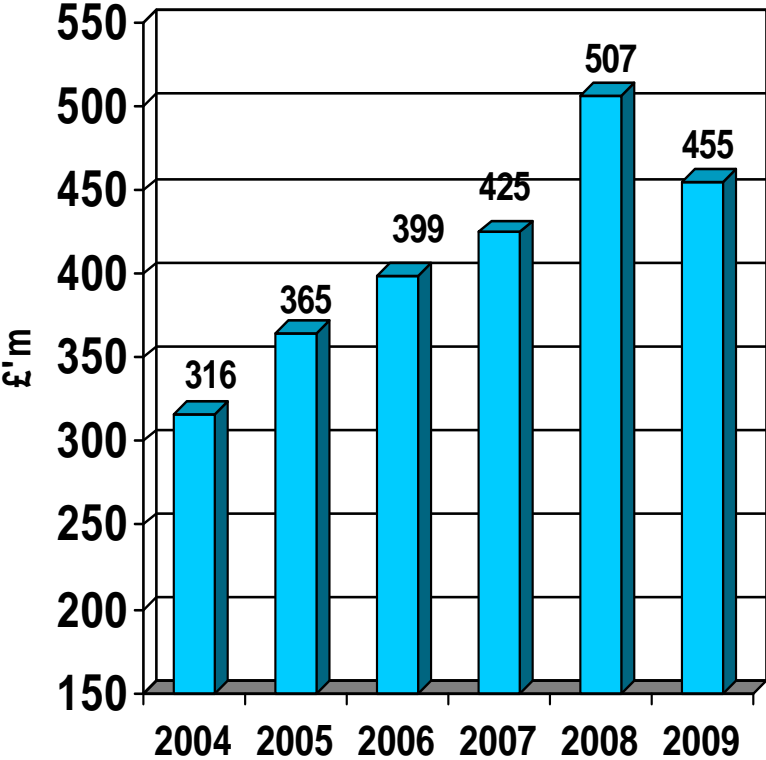
6% CAGR over 8 years

10% CAGR '01 – '07



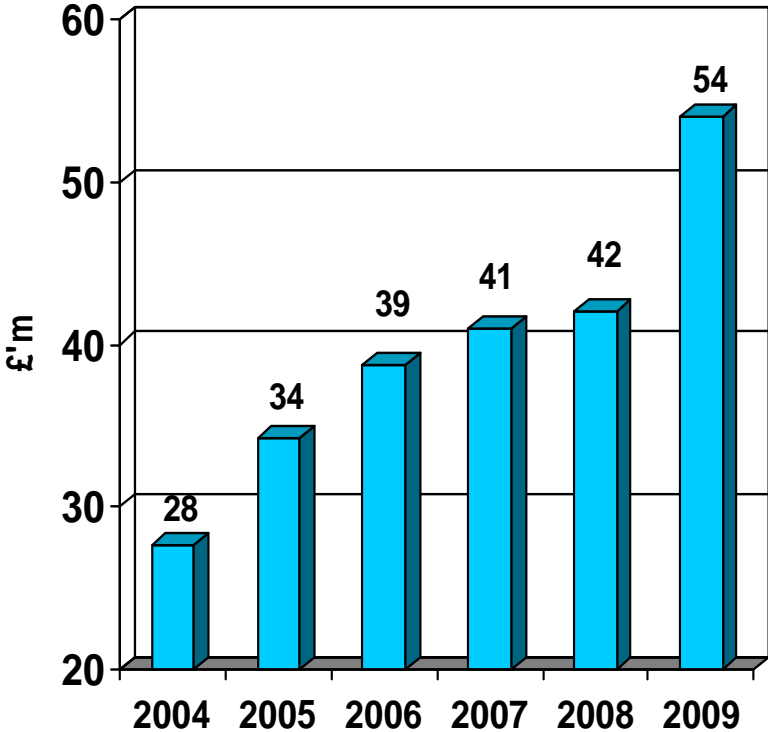
# Polymers - 6 Year History

### Sales



7% CAGR in 5 years

### Operating Profit



14% CAGR over 5 years

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# Operational Review

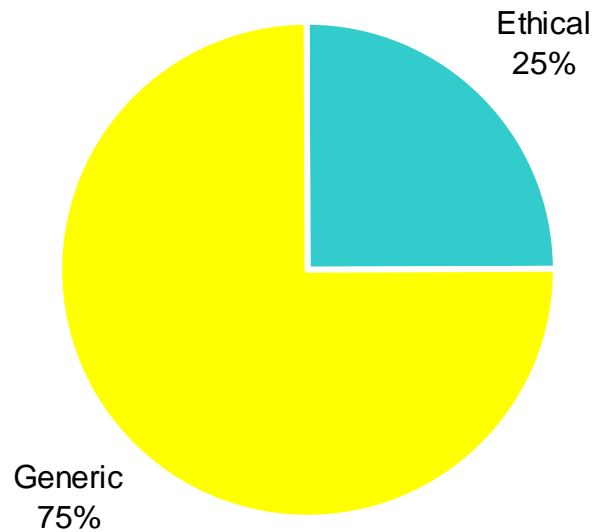
## Pharma Chemicals



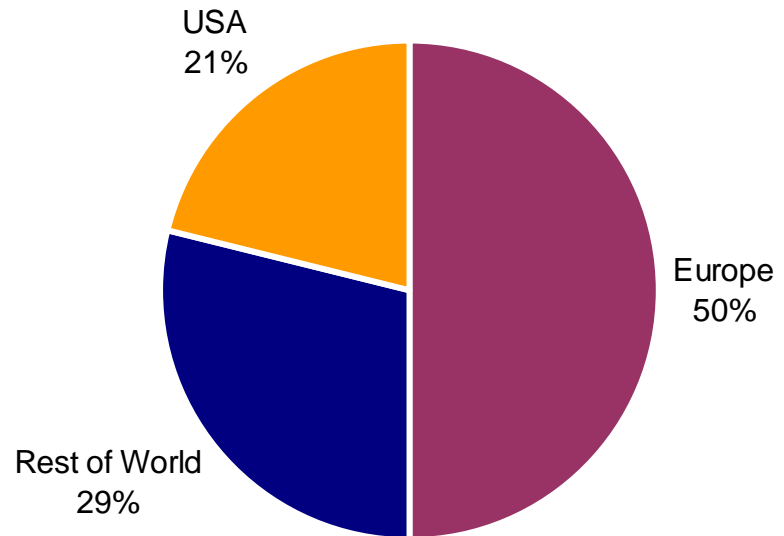
# Pharma – 2009 Sales

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## Sales by Market



## Sales by Territory



**(“Generic” - producers of off patent drugs)**

# Pharma – Near Term Strategy

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- Consolidate manufacture and supply of products transferred from Italy and Germany
- Continue to launch new products from existing DMF portfolio
- Maximise asset utilisation
- Drive further low cost sourcing / manufacture



# Operational Review – Pharma Chemicals

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- Improved profitability £5.6m (£5.3m)
  - Sales increased 2%
  - Manufacturing costs controlled
- Disappointing demand
  - Customers de-stocking
  - Highly competitive environment
- New Mexican plant running well
- Italian plant / land for sale



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# Operational Review

## Impact Chemicals



# Impact – Operational Review

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- William Blythe the only remaining business
- Underlying profit progressed 25% (£1.6m → £2.0m)
  - Catalyst pre-cursor volumes held up well
  - Tin and Iodine based products recovered as the year progressed
- New General Manager and Sales Director appointed
- Anticipate further improved profitability in 2010



# Summary

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- 2009 was a very good year for Yule Catto
- We regard the historical debt issues as being resolved
- Dividend will recommence with 2010 interims and overall total dividend will be not less than 5p
- Company focus reverts to growth driven by Polymers



# Summary

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- Yule Catto's Key Growth Drivers are:
  - Excellent products and market positions
  - High percentage of current sales to Asia and other high growth economies
  - Strategy of growing around existing hubs, particularly in developing economies
  - Solid new product development pipeline



# Current Trading & Outlook

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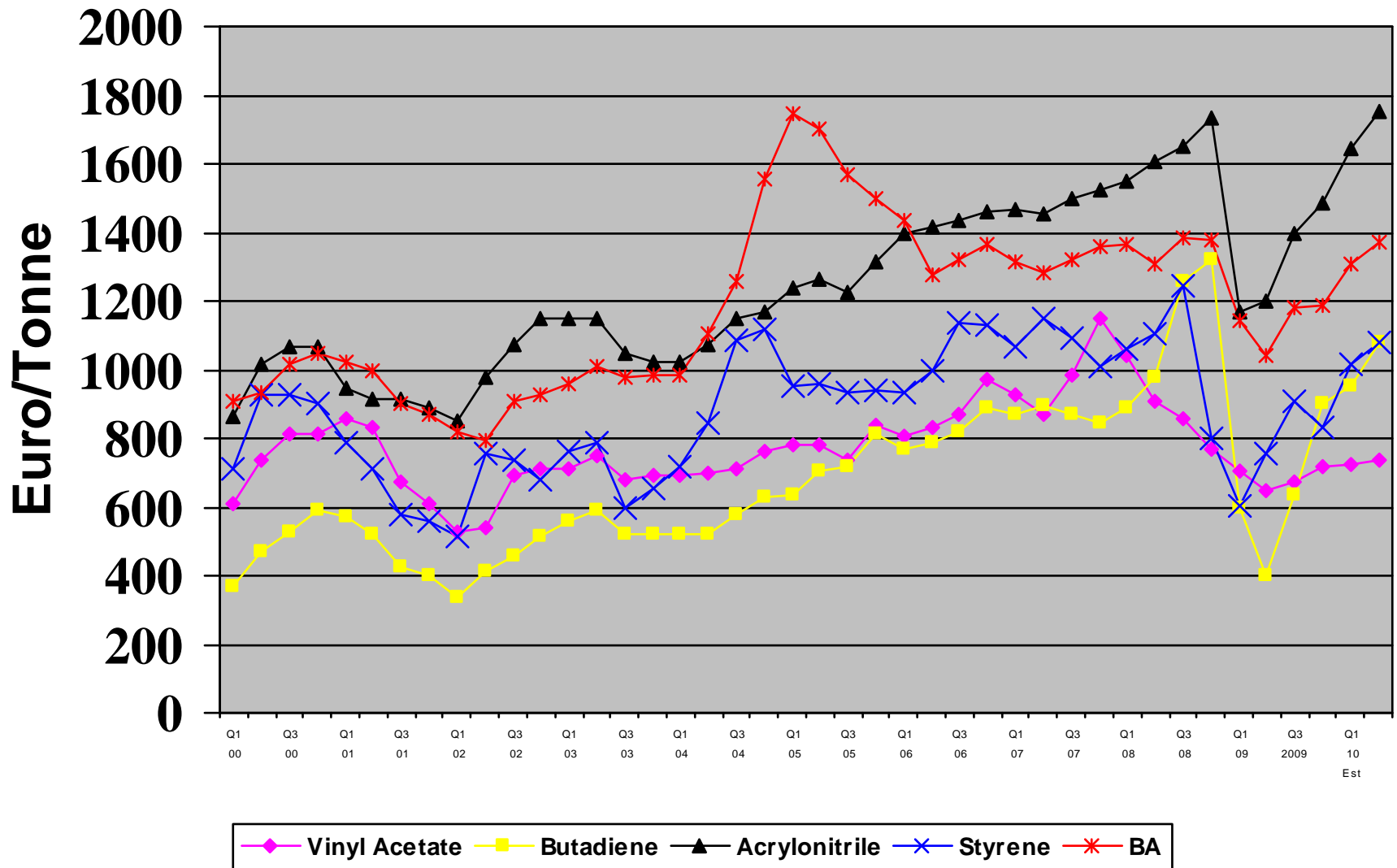
- Global growth patterns mixed:
  - Very low growth in Western Europe
  - Robust growth in Asia
- Trends in Yule Catto match this
- Raw materials recovering strongly from 2009 lows
- Competitor capacity rationalisation largely complete
- Confident about medium term prospects



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# Appendices

# Raw Material Prices 2000-2010



# UQUIFA Short Term Development Pipeline

Product	Brand Name	US Patent Expiry	2009 US Sales \$m
Lamotrigine	Lamictal	2009	1,157
Lansoprazole	Prevacid	2009	3,368
Venlafaxine	Effexor XR	2013	2,914
Famotidine	Repacid	2009	136
Pantoprazole (NI)	Protonix	2010	1,964
Quetiapine (NI)	Seroquel	2011	4,262
Levofloxacin	Levaquin	2011	1,671
Valsartan (NI)	Diovan	2012	3,368
Tolteridine	Detrol	2012	936
Fluvastatin	Lescol	2012	146
Duloxetine	Cymbalta	2013	2,616
Sodium Risedronate	Actonel	2013	Phase III
S-Omeprazole (NI)	Nexium	2014	5,973
Rabeprazole	Aciphex	2013	1,154
Linezolid	Zyvox	2014	677
Olmesartan	Benicar	2016	1,329