Case study

Victrex

Primary themes

Environmental | Social | Governance ✓

Approach

Direct | Collaborative | Escalation ✓

Objective

Achieved ✓ | Ongoing | Not met | N/A – interaction

Context

Victrex is a UK-listed industrials company with domestic and international exposure. The company specialises in the production of high-performance thermoplastics for aerospace, automotive, energy, industrial, electronics, and medical markets.

Summary

This case study is centred on governance and pinpoints our actions in channelling investor concerns to bring forth a resolute message about management accountability for share price underperformance and poor strategic decisions. The commentary below discusses the engagement pathways which involved direct dialogue with the Chair and written correspondence and interactions with the corporate broker. This case study demonstrates how we represented client interests by encouraging change, as we believe in the company's capabilities and long-term potential.

The method is one of patience, consistency and a strong willingness to work with companies. Although this case study showcases tried and tested methods of shareholder escalation, we do not portray these circumstances as simply reacting to a problem, but one where the Investment Team identified opportunities to advance business transformation through stewardship. The investment in Victrex was made with the specific intention of advancing and accelerating positive strategic change for the benefit of all stakeholders.

The Investment Team's approach is centred on identifying inflection points where businesses with strong market positions, robust customer offerings and a history of good margins are being questioned or undervalued by the market. The Investment Team may monitor these companies for years and not take a position. The key to the Team's investment decision-making is to use fundamental analysis to identify the root causes of the strategic and share price underperformance, and to assess the extent to which management actions have contributed to the decline. Through a focus on change, they then assess the extent to which improved leadership, more disciplined capital allocation, enhanced cash management and improved culture might remedy the situation.

The Team is continually searching for indicators in its investments and potential investments that signal the possibility of successful business transformation. This improvement is typically born out of management self-help through improved strategic decisions and capital allocation. The change can often be aided by investor inputs – we serve as active owners to influence change where necessary, encourage tough, but correct, strategic decisions and monitor progress consistently through an informed and adaptive analytical approach.

In this situation, we identified key facets of leadership, corporate performance and governance which could improve the company. These points served as the framework for our specific objectives for the engagement.

Engagement objectives

We value the company's strengths through its product offering and market position and recognise that Victrex has had to contend with some challenging market conditions. However, the Investment Team's research process and market outreach identified a deeper set of issues around the following considerations:

- A lack of long-term volume growth
- Consistent declines in ROIC (return on invested capital)
- Working capital inefficiency and capex overspend
- Delays in commercialisation of 'mega programmes'
- Inconsistent performance of the high-value medical device business

While the above quantitative factors are incredibly important, we needed to probe further and consider the impact of more qualitative factors such as underlying culture, performance incentives and governance strength, and how they may have contributed to the decline. Our research led us to question whether the existing leadership could administer the needed self-help with the required urgency and objectivity. Consequently, we decided to take these discussions to the Chair, with the specific objectives to:

- Escalate concerns about performance and signal a lack of confidence in management and current strategy to encourage change.
- Surface related concerns about Board / NED performance and (lack of) accountability, and to encourage refreshment.
- Probe the remuneration policy and consider whether it is fit for purpose or requires updating.

About the engagement

We held two calls with the Chair in early 2025. The Chair was accommodative and understanding, and recognised the validity of our position as it chimed with feedback from the market.

We pressed a firm message about the performance issues which shone a light on management capability and accountability. We talked in depth about these issues over two sessions. The Chair would understandably not be drawn on any leadership commitments or actions.

We extended the conversation about leadership in the direction of the NEDs. The Chair informed us that it was a well-functioning and effective Board with the relevant experience and skills. We acknowledged these points but stressed that the Board needed to reflect on its oversight of strategy, management and share culpability. We also pointed to longstanding NEDs, with a potential for upcoming Board vacancies. We stressed the importance of the Nominations Committee absorbing our feedback, and the need to appoint NEDs who could empower management and provide the Board with renewed strength and dynamism.

We had an interesting conversation on remuneration. The Chair was satisfied that the policy was effective in that pay outcomes had reflected the underlying corporate performance. We understood the Chair's perspective and agreed there was not a pay misalignment issue per se (evidenced by the low level of bonus and long-term incentive plan (LTIP) outcomes). However, our motive was to provoke a deeper philosophical examination and consider whether and how reward structures may be used to influence corporate culture and drive better performance.

We questioned whether the existing policy was too restrictive and if an increase in quantum might engender the right performance culture and attract better talent? The Chair stated the Remuneration Policy was due for renewal at the February 2026 AGM and Jupiter would be included in the consultation.

In June 2025, the company announced the appointment of an additional joint Corporate Broker. We also took the opportunity to relay our thoughts to the Broker and be transparent about our engagement activity.

Outcomes

We recognise these are sensitive discussions and respect the Chair's accessibility and willingness to constructively engage throughout the course of our dialogue.

- On 8 July 2025, the company disclosed that after eight years in post, the CEO had declared his intention to retire, and an external successor was named. On 21 October 2025, the company confirmed the new CEO would start on 1 January 2026.
- We recognise there will have been numerous stakeholders, considerations and variables that led to this development, but feel sure that our deliberate efforts had an indelible impact. It was important that we expressed our views.
- We regard the CEO change as positive and believe the successor has the right credentials and will accelerate further change and improvement.

In late 2025, the company included Jupiter in its shareholder consultation process to discuss the approval of the new three-year executive pay policy which commences in 2026. The company did not seek to overhaul quantum but, during consultation, they considered implementing a hybrid LTIP scheme (performance and restricted shares).

- The company did not proceed with a hybrid arrangement, instead opting to roll over the existing performance share format as the current timing was not considered to be appropriate. Although we are flexible on performance, restricted or hybrid arrangements, we supported the decision as the transparent performance focus sets the right tone with a new CEO in place.
- We remain convinced, however, that the quantum of reward available for exceptional performance is still too low and could be further reviewed in time.

Our objective was met, given the leadership change. We remain invested and will continue to monitor further board and strategic development, engaging where necessary in pursuit of better outcomes for all stakeholders.