FULL YEAR RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019

4TH MARCH 2020

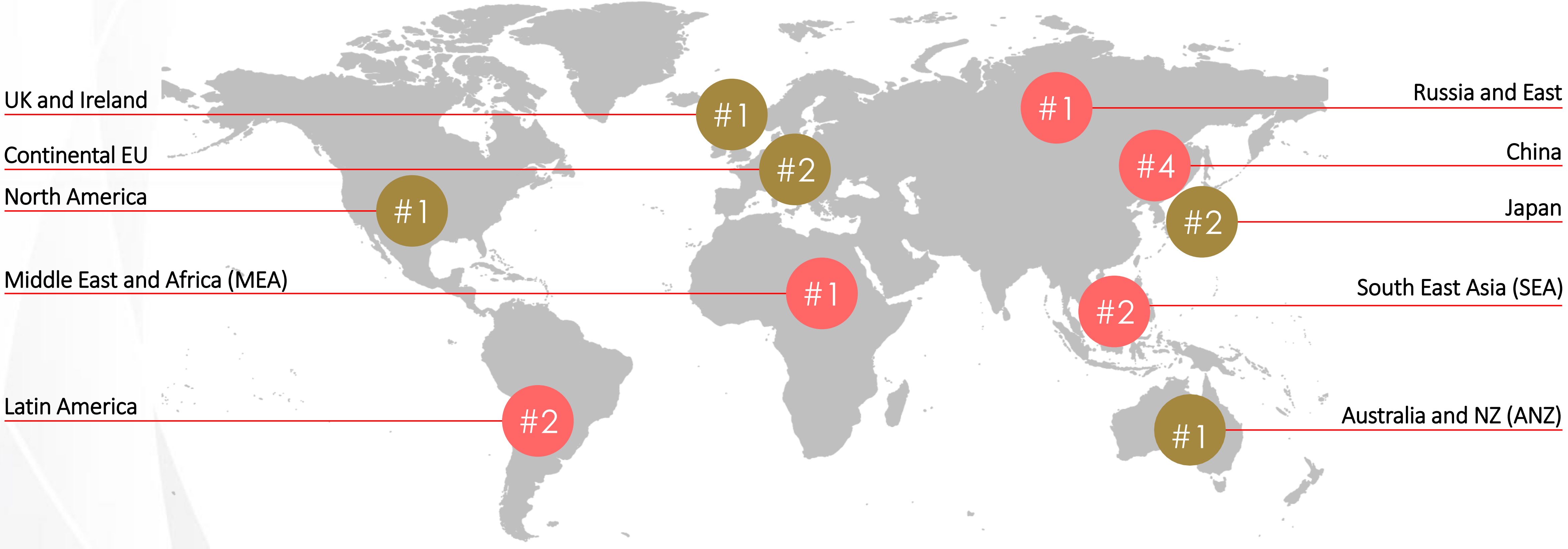
DEVRO

2019 HIGHLIGHTS

- **Strong growth in emerging markets**
- **Continued strong growth in North America**
- **Weak demand environment in UK, Japan and Europe**
- **Strong cash generation**
- **Overdelivery of cost savings**
- **Good progress on strategic priorities**

2019 DEVRO MARKET POSITION

Mature Markets* (circa 2/3 sales volume) Emerging Markets** (circa 1/3 sales volume)



*Devro mature markets include: North America, Continental EU, UK & Ireland, Japan and Australia & NZ

**Devro emerging markets include: Latin America, Russia & East, Middle East & Africa, South East Asia and China

DEVRO

MATURE MARKETS

75% GROUP REVENUE

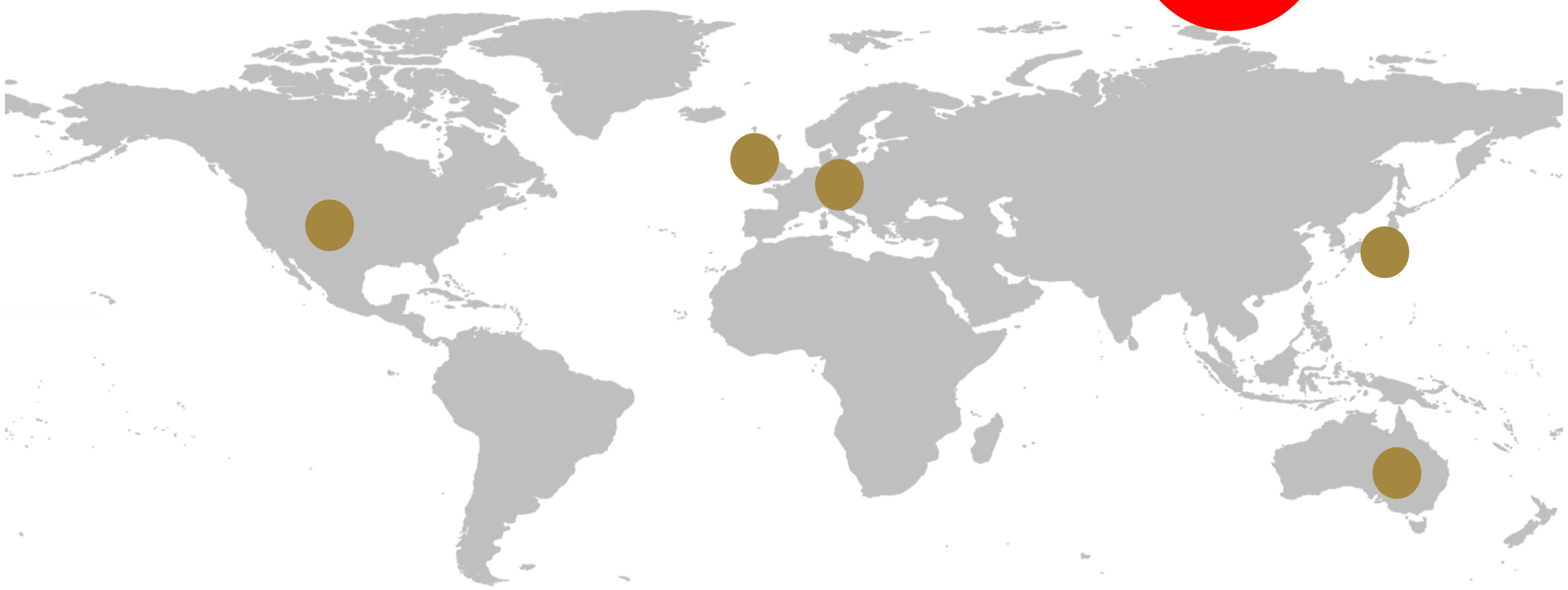
Protein snacking growth

- North America +7% volume

Market related headwinds

- Some weaker market sentiment as a result of higher pork prices due to ASF*, lower promotional activity and inventory destocking
- Impact of lower sheep gut pricing in Japan

Fine Ultra platform launched successfully in Europe



VOLUME

- FY volume: -3%

PRICE/MIX & FX

- Price/mix: -1%
- FX: +1% due to stronger JPY and USD

- ASF – African Swine Fever

EMERGING MARKETS

25% GROUP REVENUE

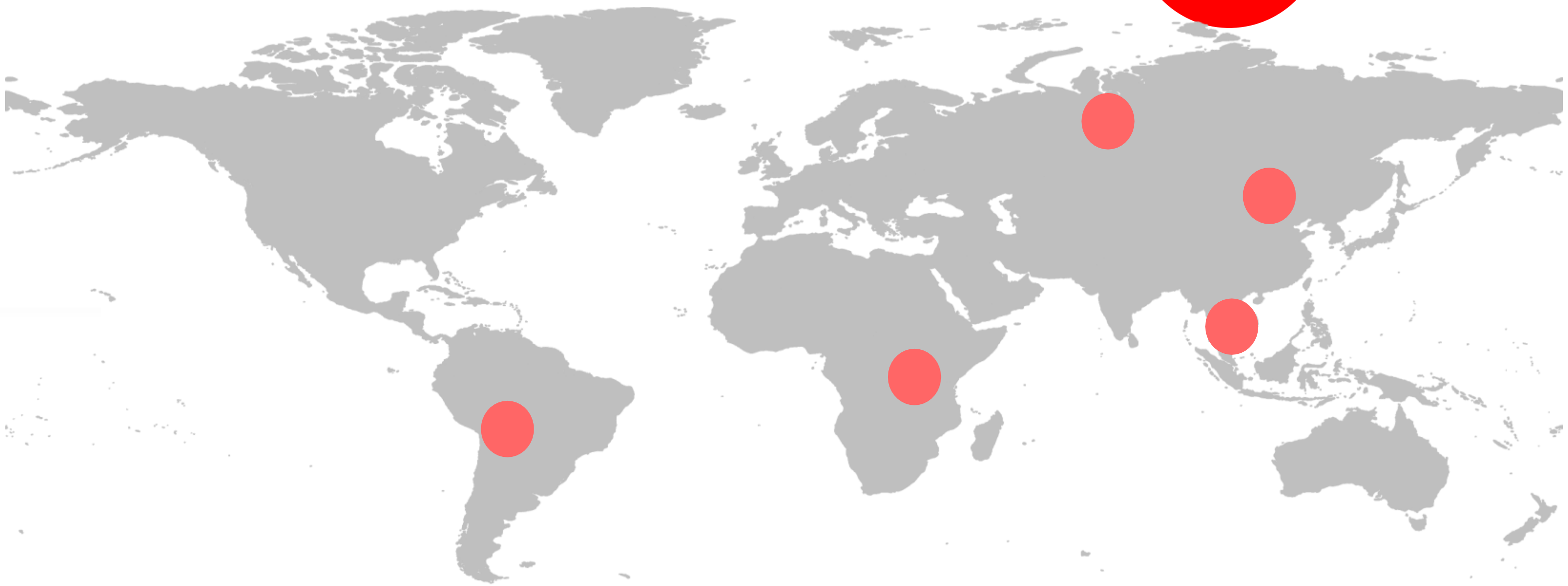
Very strong H2 volume growth

- All markets (except Latin America) showed growth in H2
- Recent contract wins in Brazil will support growth in Latin America in 2020

China (+33%) and MEA (+20%) exceptional FY growth

- In China a number of new customer wins and growth with existing accounts
- In MEA recovery of volumes post 2018 listeria outbreak

SEA strong growth in Vietnam and Singapore



VOLUME

- FY volume: +7%

PRICE/MIX & FX

- Price/mix: -6%
- FX: +2% due to stronger USD

GOOD PROGRESS ON STRATEGIC PRIORITIES – 3Cs

Win with the winning Customers	For revenue growth	Developed 3 year commercial plan incorporating category strategy for each sales area which will drive growth ambition and strengthen market position Introduced new Avem™ poultry collagen gel Fully commercialised Fine Ultra range in Europe with plans to further penetrate in Asia and Latin America
Focus on Core profitability drivers	For margin improvement	Cost effective capacity enhancements D100 cost savings exceeded previously stated targets Closure of Bellshill site in Scotland in 2020
Strengthen Competencies	For long-term competitiveness	Integrated Business Planning implementation on track Progress on employee engagement participation Long-term strategy opportunities identified to extend current core business Plan to enhance Environmental, Social and Governance (ESG) strategy

DRIVING OUR AMBITION AND VISION

WIN WITH THE WINNING CUSTOMERS

Growth is managed through the sales cycle

01 → 02 → 03 → 04 → 05 → 06 → 07 → 08

8 step Devro sales cycle
from 1st engagement with the customer to receiving the order

Cluster and prioritise opportunities

Degree of difficulty
from existing product to existing customer
to new product to new customer

By segment
Processed, Dried and Fresh

By product family
Fine, Select, Fresh, Fine Ultra and Stix

Focus resources

WIN WITH THE WINNING CUSTOMERS

3 year commercial plan

Balanced growth opportunities:

- Largest opportunity continues to be in Processed, reflecting global market size but also in Dried and Fresh
- Around the three pillars of: convenience & snacking, yield quality & performance and clean & sustainable
- Existing product platforms and innovation driven
- Existing and new customers – with existing, slightly modified products and new products

Reflecting different market dynamics between mature and emerging markets

Mature Markets
0 – 2% growth p.a.

◀ **Average growth expectations** ▶

Emerging Markets
6 – 10% growth p.a.

DEVRO

FOCUS ON CORE PROFITABILITY DRIVERS

Closure of Bellshill

As a result of the review of global manufacturing footprint in 2019, the Group announced in Q4 2019 its intention to close the Bellshill site in Scotland in 2020

01

Exceptional cost of £10.5m (including restructuring cost of £5.6m and an impairment charge of £4.9m) recognised in 2019

02

Relocation of manufacturing assets within the wider Group in 2020 to better align capacity to growth ambitions – increased manufacturing options to support growth plans

03

Expected annualised savings of £5.0m in 2021

CORE COMPETENCIES AND ENABLERS

Environmental, Social and Governance (ESG)

On track to deliver 2020 environmental targets

Combined Heat and Power
Increasing energy efficiency with further opportunities in 2020

Water Management
Aimed at identifying significant opportunities to reduce water intake and potentially water recycling

Hearts and Minds

Behavioural Based Safety program – toolkit to facilitate safety cultural change based on >20 years of academic psychological research

Engagement

2nd annual survey with significant increase in participation

Insights leading to improvement actions across the business

COVID-19 UPDATE

01 **Main priority is the health and safety of our colleagues**

02 **We are committed to put in all measures we can to help contain the outbreak and support the wellbeing of our employees**

Current Status

- Closely monitoring impact on our manufacturing and commercial operations and global supply chain
- Nantong manufacturing location operating at normal capacity and is not facing labour or supply shortages
- Precautionary measures include:
  - Restrictions on international travel
  - Self-quarantine where appropriate
  - Reviewing business continuity plans

FINANCIAL REVIEW

FINANCIAL REVIEW – KEY HIGHLIGHTS

01

Revenues of £250.0m, marginally lower than 2018

Underlying operating profit £39.1m

02

Over delivery of cost savings more than offsetting inflation

03

Underlying profit before tax up 3%

Underlying basic EPS up 4%

04

Statutory loss before tax includes non-cash impairment charge of £45.9m

05

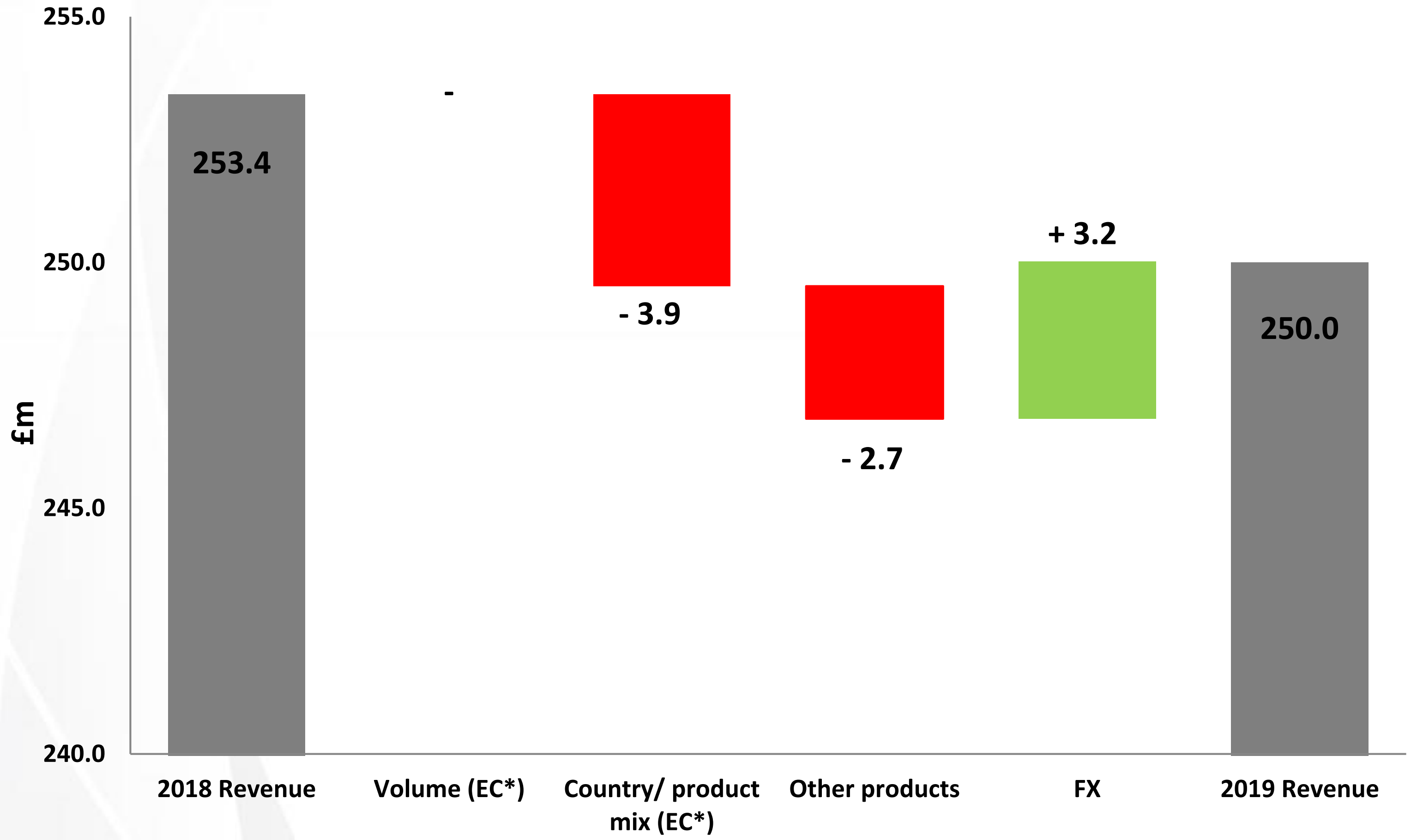
Strong cash delivery

Free cash flow £30.8m (2018: £11.2m)

06

Covenant net debt / EBITDA ratio 1.9x

GROUP REVENUE



Volume

- Overall sales volumes flat

Country/Product Mix

- Less favourable country mix (primarily growth in China – below Group average selling price)

Other Products

- Collagen gel (dual sourcing) and non-edible casings (market weakness in Europe)

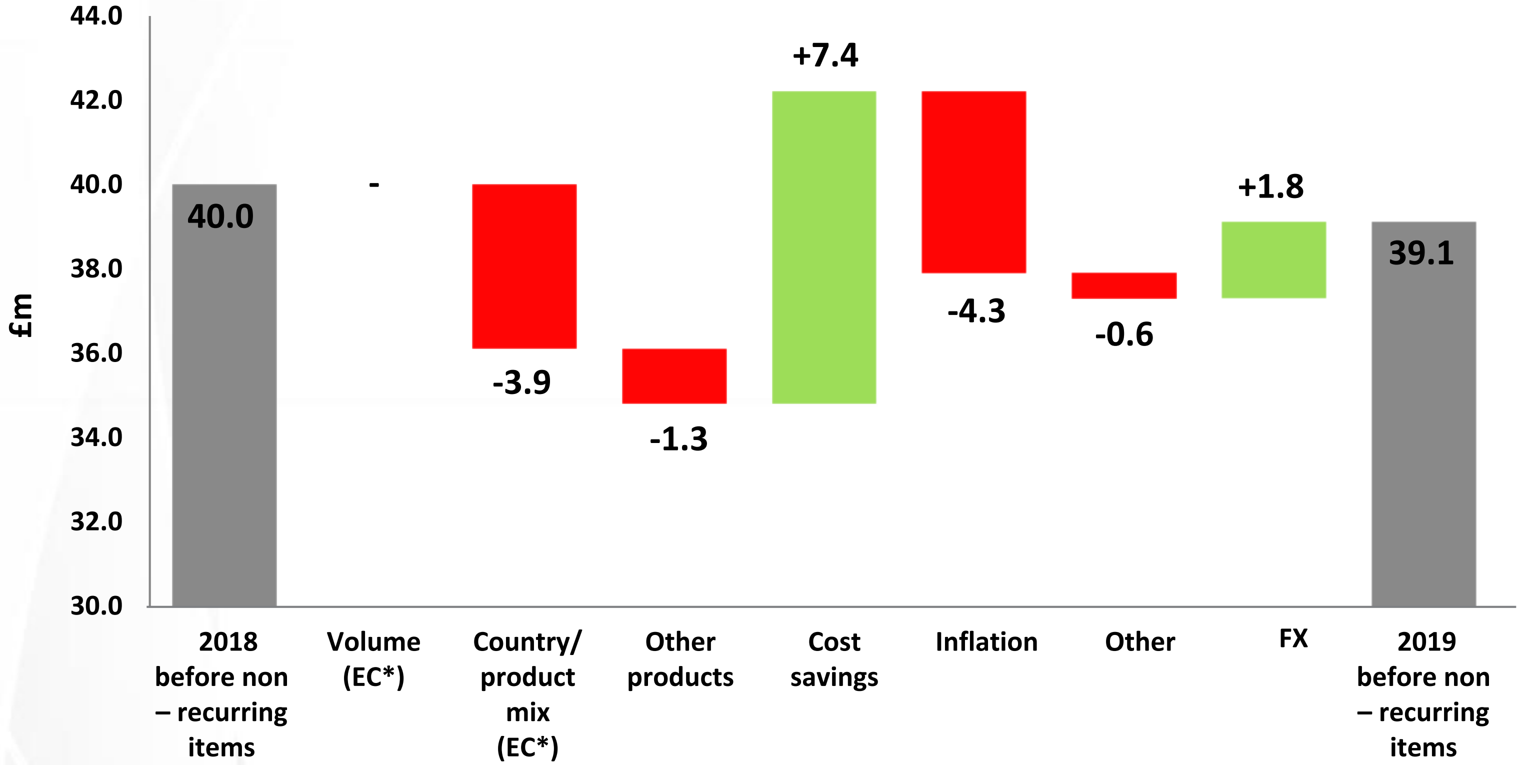
FX

- Strengthening of the JPY and the USD during the year

*EC – Edible Collagen

DEVRO

UNDERLYING OPERATING PROFIT



15.8% — Underlying operating profit margin before non-recurring items → 15.6%

25.9% — Underlying EBITDA margin before non-recurring items → 26.2%

Volume, Country/Product Mix, Other Products

- Refer slide 14

Cost Savings

- D100 programme savings including procurement, labour, energy and maintenance
- Savings from new global operating model

Inflation

- Utility and salary inflation

FX

- Strengthening of the JPY and the USD during the year

* EC – Edible Collagen

FINANCIAL SUMMARY

	UNDERLYING			STATUTORY		
	2019 £M	2018 £M	Change	2019 £M	2018 £M	Change
Revenue	250.0	253.4	-1%	250.0	253.4	-1%
Operating profit before non-recurring items	39.1	40.0	-2%	-	-	-
Operating profit margin before non-recurring items (%)	15.6%	15.8%	-20bps	-	-	-
Operating profit	39.1	39.2	-	-14.0	26.9	-152%
Operating profit margin (%)	15.6%	15.5%	+10bps	-5.6%	10.6%	-1600bps
Finance costs	-6.0	-7.1	+15%	-7.8	-9.4	+17%
Profit before tax	33.1	32.1	+3%	-21.8	17.5	-225%
Tax charge	-7.7	-7.7	-	-19.6	-5.0	-292%
Profit after tax	25.4	24.4	+4%	-41.4	12.5	-431%
Basic EPS (pence)	15.2p	14.6p	+0.6p	-24.8p	7.5p	-32.3p
Dividend per share (pence)	9.0p	9.0p	-	9.0p	9.0p	-

DEVRO

IMPAIRMENT CHARGES

In the second half of 2019 the Group reassessed its global manufacturing footprint

Bellshill closure improves the cash generation of the Group

However, it also triggered an impairment review of assets in the China and US plants

As a result of this review, the following non-cash impairment charges have been recognised in exceptional items:

	Value of impairment £M	Remaining assets carrying value at the end of 2019 £M
US site	(23.0)	47.8
China site	(18.0)	32.2
Bellshill site	(4.9)	7.5
	(45.9)	87.5

Sandy Run

Nantong

IMPROVED FREE CASH FLOW

	2019 £M	2018 £M	Change £M
Underlying EBITDA	65.5	64.8	0.7
Working capital/other	5.8	-7.3	13.1
Operating cash flow	71.3	57.5	13.8
Capital expenditure	-13.7	-12.2	-1.5
Cash exceptional items	-6.3	-6.5	0.2
Pension deficit funding	-5.3	-4.9	-0.4
Interest	-5.6	-7.6	2.0
Tax	-9.2	-12.5	3.3
Other	-0.4	-2.6	2.2
Free cash flow	**30.8**	**11.2**	**19.6**
Dividends	-15.0	-14.7	-0.3
FX	2.0	-3.2	5.2
Impact of IFRS 16 (Leases)	-0.8	-	-0.8
Movement in net debt	**17.0**	**-6.7**	**23.7**

- Positive working capital movements following standardisation of the payables and receivables practices within the newly created finance shared services centre
- Capex in line with guidance
- Cash exceptional items primarily relate to implementation of new global operating model
- Pensions deficit funding in line with guidance
- Interest decreased due to restructuring of Chinese RMB borrowings and lower net debt balances
- Tax payments lower due to timing of payments in 2018
- Favourable FX impact on retranslation of USD denominated debt

DEVRO

NET DEBT

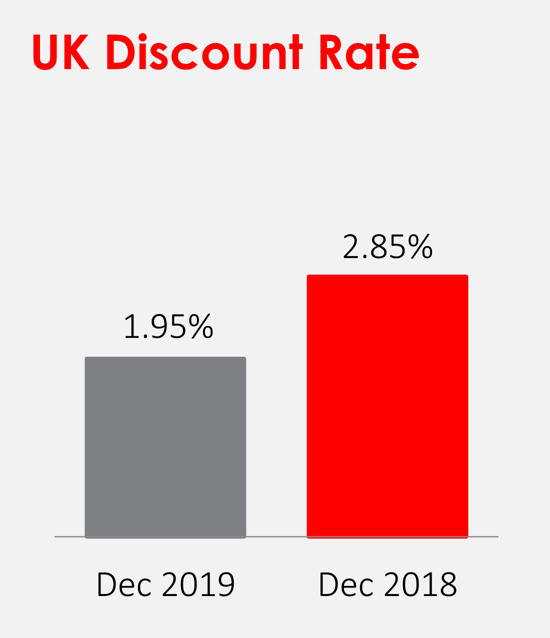
	Dec 2019 £M	June 2019 £M	Dec 2018 £M	Banking covenant
Net debt	**124.6**	148.2	141.6	
Covenant net debt / EBITDA ratio	**1.9x**	2.3x	2.2x	<3.0x
Covenant EBITDA / Net interest payable ratio	**12x**	10x	9x	>4.0x

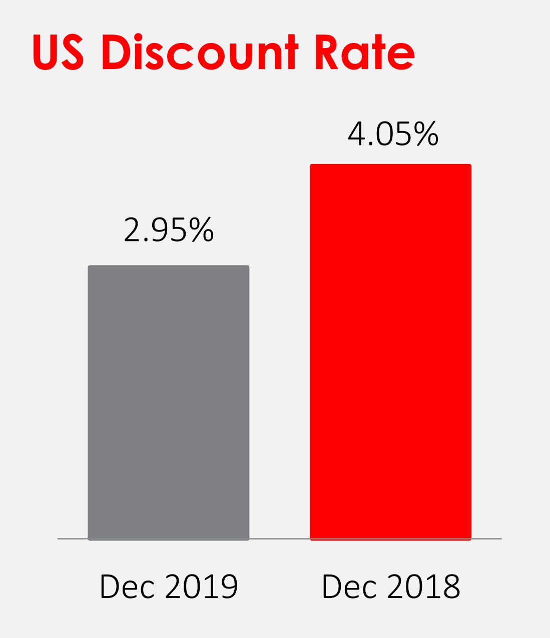
DEVRO

PENSION DEFICIT

- Increase primarily due to change in discount rates in both UK and US
- UK deficit funding payment expected to be £2.5m in 2020
- Next triennial review of UK plan in 2020
- US deficit funding payment expected to increase from £2.8m to £5.0m in 2020 - phasing out of the legislative taper relief on US plan discount rate

	Dec 2019 £M	Dec 2018 £M
Net pension deficit	64.1	54.4





DEVRO

2020 MODELLING GUIDANCE (APPROXIMATIONS)

CAPEX	INTEREST	PENSION DEFICIT FUNDING PAYMENTS
£18.0m (depreciation and amortisation £23.0m)	£5.5m	£7.5m

CASH EXCEPTIONAL ITEMS	INFLATION – SALARIES	COST SAVINGS (INCLUDING BELLSHILL)
£9.0m	£2.0m	£4.0m

VOLUME	CASH FLOW	NET DEBT/ EBITDA RATIO
Overall volumes to be ahead of 2019, H2 growth weighting	Free cash flow generation impacted by Bellshill closure	c. 1.9x 31 December 2020

DEVRO

OUTLOOK

- Good volume growth in emerging markets
- Mature markets
  - volume growth in the North American snacking market
  - continuation of the challenging market conditions in UK and Europe (particularly in the first half)
- Overall Group volumes to be ahead of 2019
- Cost savings are expected to more than offset inflationary cost pressures
- Absent any material adverse impact of Covid-19, the Board expects good progress in 2020

CONCLUDING COMMENTS

Attractive markets with different growth drivers

Strong market positions in mature markets

Increasing share from emerging markets

3Cs Strategy

- Balanced growth plans
- Aligned manufacturing capacity
- Global structure to deliver

Average growth expectations

Mature Markets average 0 – 2% growth p.a.

Emerging Markets average 6 – 10% growth p.a.

Profitable cash generative growth

APPENDIX

EMEA

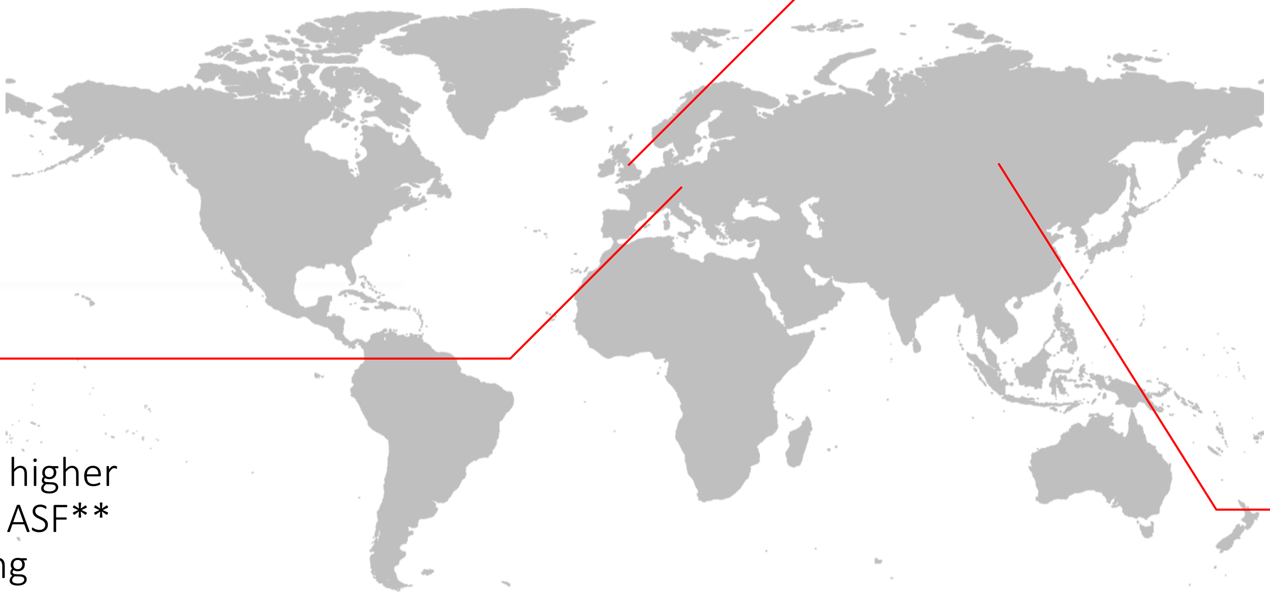
42% GROUP REVENUE

PRICE/MIX & FX

- Price/mix: flat
- FX: -1% due to strengthening GBP against EUR and CZK

CONTINENTAL EU*

- 2019 volume: -3%
- Weak market sentiment, higher pork prices as a result of ASF** and distributor destocking
- Fine Ultra product platform launched successfully



UK & IRELAND

- 2019 volume: -4%
- Weak market sentiment, higher pork prices as a result of ASF**

RUSSIA & EAST

- 2019 volume: -2%
- Recovery of volumes in H2 (2018 impacted by currency)

* Including Middle East & Africa
** ASF – African Swine Fever

AMERICAS

25% GROUP REVENUE

PRICE/MIX & FX

- Price/mix: -1%
- FX: +5% due to weaker GBP vs USD

NORTH AMERICA

- 2019 volume: +7%
- Continued market growth driven by snacking

LATIN AMERICA*

- 2019 volume: -21%
- Performance impacted by distributors destocking
- Recent contract wins in Brazil will support growth in Latin America in 2020

* Latin America represents c.3% of total Group 2019 volumes

ASIA PACIFIC

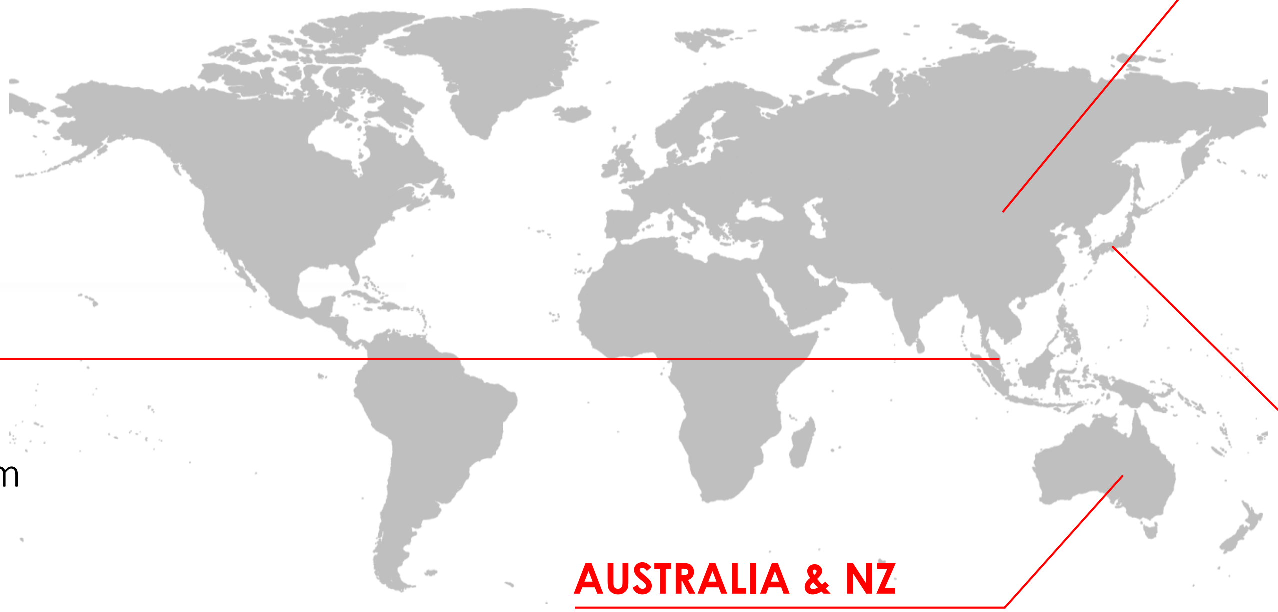
33% GROUP REVENUE

PRICE/MIX & FX

- Price/mix: -5%
- FX: +2% due to weaker GBP vs several key currencies

CHINA

- 2019 volume: +33%
- ASP*: -1%
- Number of new customer wins and growth with existing accounts



SOUTH EAST ASIA

- 2019 volume: flat
- Strong growth in Vietnam and Singapore
- Growth in H2

JAPAN

- 2019 volume: -7%
- Impact of lower sheep gut pricing

AUSTRALIA & NZ

- 2019 volume: -6%
- Isolated loss of a customer due to pricing

* ASP – Average Selling Price

COST SAVINGS

	YEAR-ON-YEAR £M
D100	
Total (original forecast)	13.0 – 16.0
2017 (actual)	7.0
2018 (actual)	4.5
2019 (actual)	6.2
Total D100	17.7
GLOBAL OPERATING MODEL	
2019 (actual)	1.2
TOTAL 2019 SAVINGS	7.4

FOREIGN CURRENCY PROFILE FOR REVENUE

% OF TOTAL FOR FULL YEAR 2019	REVENUE
US Dollar	32%
Euro	27%
Australian Dollar	7%
Sterling	12%
Japanese Yen	10%
Other	12%
Total	**100%**

GLOSSARY OF TERMS

Covenant net debt – Net debt before the impact of IFRS 16 Leases (2019: £0.8m, 2018: £nil)

Covenant EBITDA – EBITDA on underlying basis (before exceptional items) and before the impact of IFRS 16 (2019: £0.6m, 2018: £nil)

Non-recurring items – Non-recurring items relate to incremental costs incurred in 2018 associated with the Board change costs of £0.8m and disclosed separately due to their size and nature in relation to Group's operating profit base

Underlying operating profit – Operating profit before exceptional items

Underlying profit before tax – Profit before tax before exceptional items and net finance cost on pensions

Underlying EBITDA – Underlying EBITDA is defined as underlying operating profit excluding depreciation and amortisation

CONTACT

INVESTORRELATIONS@DEVRO.COM
WWW.DEVRO.COM
+44 20 3865 7634