



HALF YEAR RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

29 JULY 2020

H1 HIGHLIGHTS

- Good progress on strategic priorities despite Covid-19 impact
- Emerging markets volumes up 19% - in line with growth agenda
- Mature markets volumes down 6% - impacted by European destocking and Q2 Covid-19
- Continued delivery of cost savings - Bellshill site closed and project on track
- EBIT up 4%, margin up 60 bps and free cash flow up 67%
- Net debt £122.1m (June 2019: £149.2m)
- Underlying basic earnings per share 7.5p (June 2019: 7.0p)
- Interim dividend 2.7p, second interim dividend 6.3p



COVID-19 UPDATE

GUIDING PRIORITIES

01

**Health and safety of
our colleagues and the
communities we live in**

02

**Contribute in a positive way
to the food supply chain**

03

**Maintain a robust
financial position**

Supply

- Supply maintained throughout period despite some challenges mainly related to hides
- Temporary additional costs to manage supply in Q2 offset by cost savings

Make

- All sites have operated throughout the pandemic – production maintained at planned levels
- Strict protective measures including H&S rules and quarantine processes

Demand

- Q1 Retail demand elevated
- Q2 impacted by lower food service demand and temporary customer supply chain interruptions in North America
- Net negative volume impact in H1 of 1.5%

MATURE MARKETS

Protein snacking growth

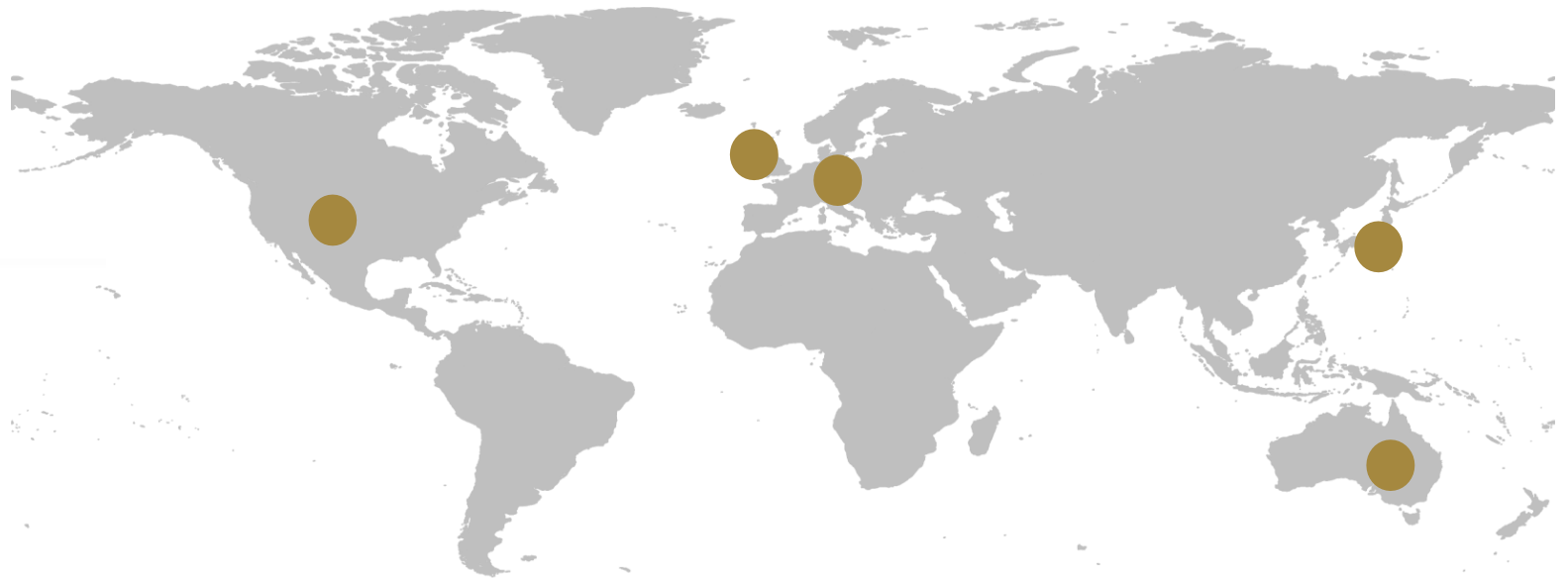
- North America +11% albeit volume growth lower than anticipated due to Covid-19 impact

Continued distributor inventory destocking in Europe

Covid-19 impact

- Elevated retail demand in Q1
- Lower demand in Q2 from food service customers in UK&I, CEU&W and ANZ
- Meat and labour shortages at customers in North America

72% GROUP REVENUE



VOLUME

- HY volume: -6%

PRICE/MIX & FX

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

EMERGING MARKETS

Strong growth in line with 3Cs strategy

- Growth in all markets (except MEA)
- MEA impacted by Covid-19 shut downs in South Africa

New contract wins in Brazil underpin 82% growth in Latam

- Driven by sale of product from China plant

SEA up 23%

- New wins in Singapore and Vietnam

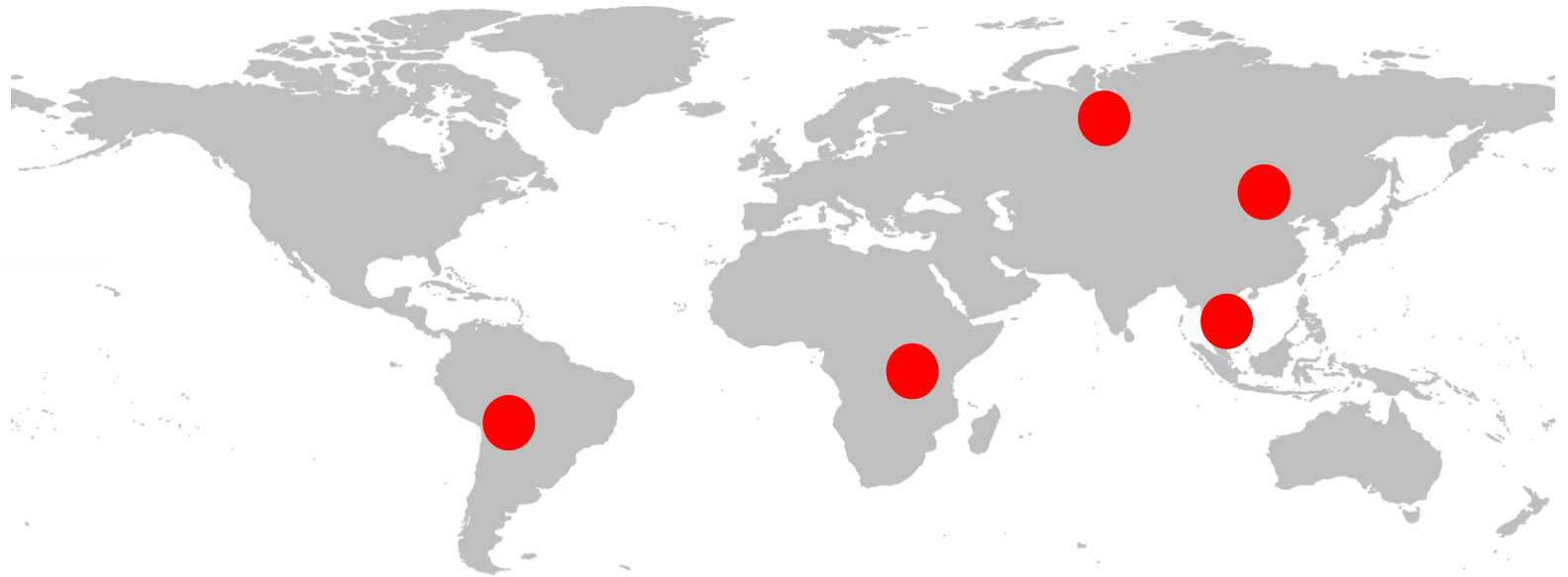
Russia up 21%

- New wins but with FX headwinds in H2 likely to partially reverse

China up 5%

- Growth impacted by Covid-19

28% GROUP REVENUE



VOLUME

- HY volume: +19%

PRICE/MIX & FX

- Price/mix: flat
- FX: +3% due to a stronger USD

GOOD PROGRESS ON STRATEGIC PRIORITIES



Win with the winning **Customers**



For revenue growth



- Sales cycle management and 3 year plans delivering underlying growth
- Commercial resource investment mainly in emerging markets



Focus on **Core profitability** drivers



For margin improvement



- Bellshill closed, project on track
- Continued delivery of cost savings
- Focus on continued operational improvements



Strengthen **Competencies**



For long-term competitiveness



- Integrated Business Planning process operational
- Enhanced internal communications and employee engagement
- Further build on ESG policies and plans

DRIVING OUR AMBITION AND VISION



WIN WITH THE WINNING CUSTOMERS



Working with our distributor to build trust and improve our customer's efficiency, to become the preferred casing partner to one of the largest food producers in Brazil

BACKGROUND

- Our customer supplies both the domestic Brazilian market and items for Japan
- Our customer is focused on optimising their facilities and were seeking a second source of qualified casings

WHAT WE DID

- Established a collaborative team of Technical, Product Development, Sales and Distributor support to work with the customer
- Demonstrated our value proposition, including problem solving, efficiency initiatives and staff training
- Working in partnership, delivered a range of productivity gains for the customer

OUTCOMES

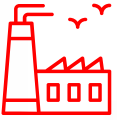
- Devro is now qualified to supply majority of the customer's collagen casing requirement and has achieved preferred supplier status
- Significant contribution to growth in Latam
- Continue to pursue further opportunities to grow our footprint with this customer





FOCUS ON CORE PROFITABILITY DRIVERS

Bellshill closed, project on track



Bellshill Closure

- Facility closed as planned on 30 June 2020
- Decommissioning of site has started



Product Development

- Customer development projects are on track
- Required buffer inventory has been built



Customer Acceptance

- Positive feedback on new products
- Covid-19 has hampered some customer visits but no significant delay expected



Process development

- Contractors working to planned dates, despite Covid-19 impact
- Site changes required in Jilemnice have commenced





INTEGRATED BUSINESS PLANNING

9

GLOBAL PROCESS TO DELIVER STRATEGY AND LINK THE GLOBAL FUNCTIONAL ORGANISATION TOGETHER

- Monthly cycle to provide 36 month rolling forecast
- Brings together
 - Category and Innovation plans (Product)
 - Commercial plans (Demand)
 - Supply plans (Supply)
- Provides integrated financial outlook
- Manages delivery of 3Cs strategy and decides on resource allocation (Management Business Review)

36 MONTH ROLLING PLANNING PROCESS





STRENGTHEN COMPETENCIES

10



Building an engaged workforce

- Covid-19 employee portal developed
- Global newsletter launched
- Bi-weekly calls held for 180+ managers across the business
- Pulse surveys run to engage employees around key topics (e.g. Return to Work) with action plans published to address feedback



Delivering on our Environment, Social and Governance responsibilities

- Our sites have continued to engage with and support local community initiatives
- Our Covid-19 responses have highlighted the future opportunity to reduce business travel
- We launched a global Sustainability initiative and used 'crowdsourcing' approaches to engage our employees in prioritising future focus
- Delivered on global clean water, energy consumption and responsible production initiatives (reduction in water usage of 5%*, energy usage down 2%* and reduced CO2 emissions by 5%*)

* YTD May 2020 vs YTD May 2019

FINANCIAL REVIEW



GOOD PROGRESS DESPITE COVID-19 IMPACT

01

Revenues of £119.0m,
marginally lower than H1 2019

Underlying operating
profit up 4% to £18.5m

02

Continued delivery of cost
savings more than offsetting
both general inflation and
temporary Covid-19 costs

03

Underlying profit
before tax up 5%

Underlying basic EPS up to 7.5p
(H1 2019: 7.0p)

04

Good cash delivery

Free cash flow £7.2m
(H1 2019: £4.3m)

05

Covenant net debt £121.5m
(H1 2019: £148.2m)

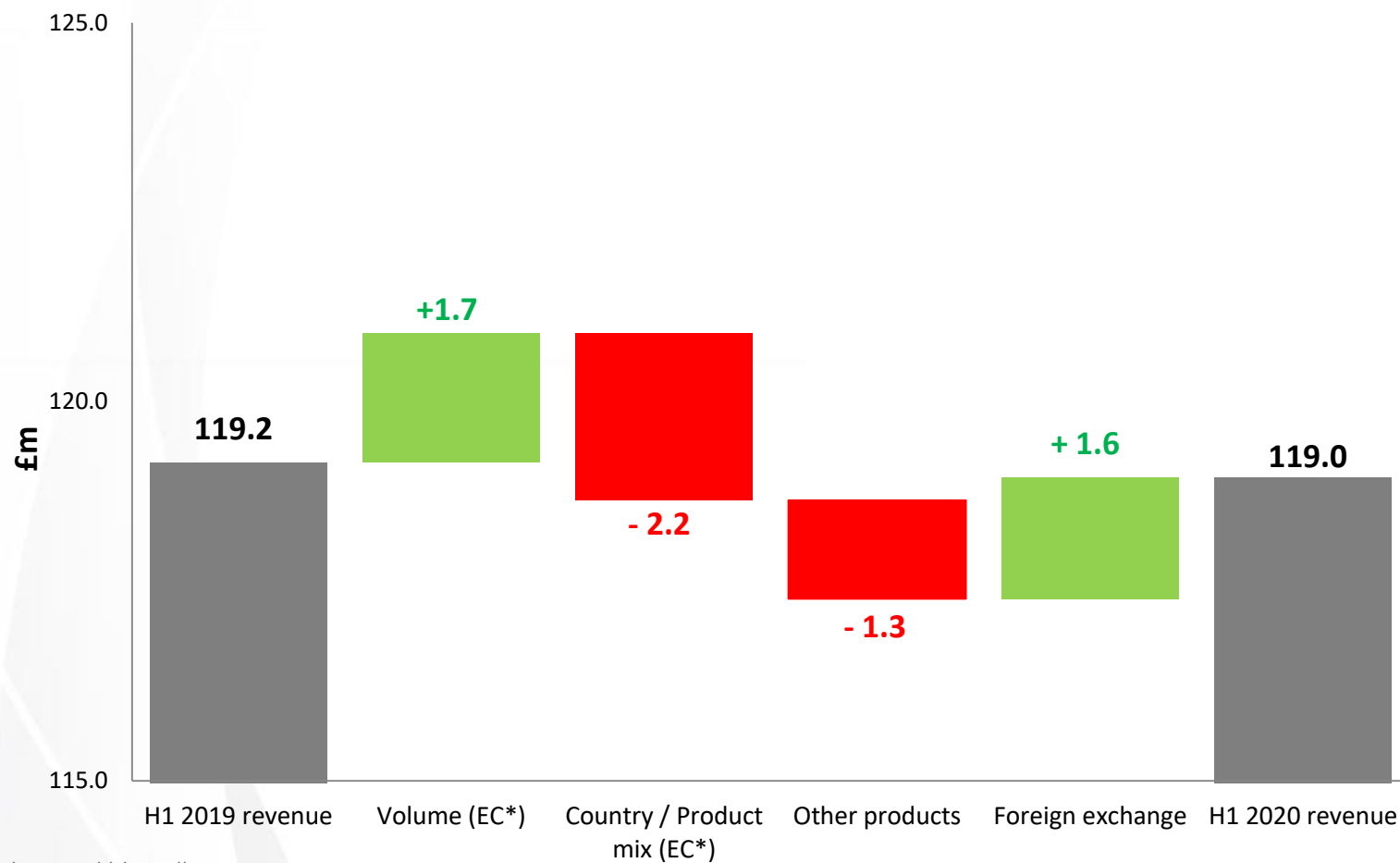
Covenant net debt
/ EBITDA ratio 1.9x
(H1 2019: 2.3x)

06

Interim dividend 2.7p

Second interim dividend 6.3p

GROUP REVENUE



*EC – Edible Collagen

**ASP – Average Selling Price

Volume

- Overall collagen casing volume growth 1.4%

Country/Product Mix

- Emerging market ASP** at lower than Group
- Long term contract pricing

Other products

- Non-edible casings (market weakness in Europe)
- Bio-medical – Covid-19 impact

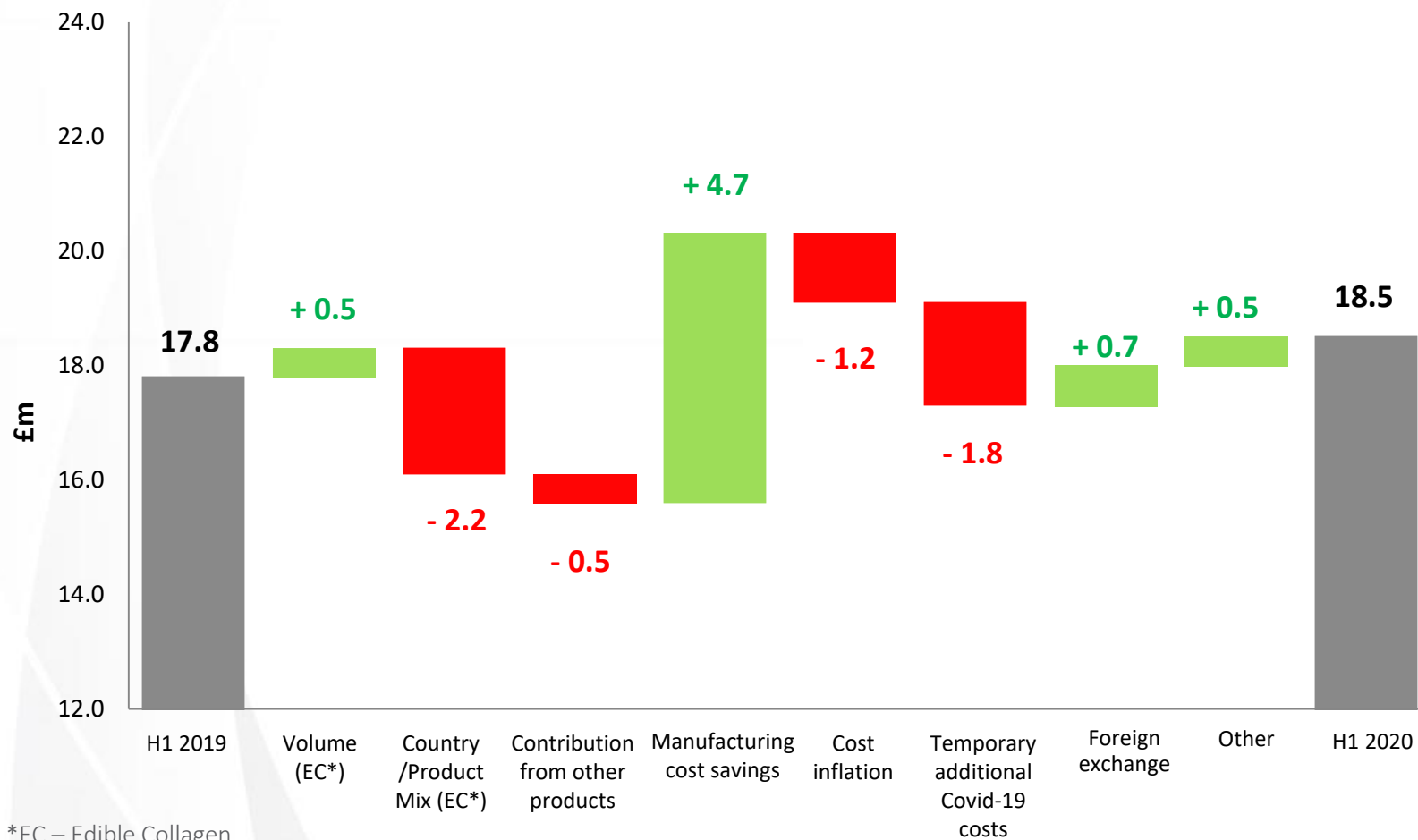
Foreign exchange

- Strengthening of the JPY and the USD during the year



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UNDERLYING OPERATING PROFIT



*EC – Edible Collagen

Volume, Country/Product Mix, Contribution from other products

- Refer to slide 13

Manufacturing cost savings

- Continued delivery of cost savings more than offsetting both general inflation and temporary Covid-19 raw material inflation

Cost inflation

- Primarily salary inflation in China and Czech Republic

Foreign exchange

- Strengthening of the JPY and the USD



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FINANCIAL SUMMARY

	UNDERLYING			STATUTORY		
	H1 2020 £M	H1 2019 £M	Change	H1 2020 £M	H1 2019 £M	Change
Revenue	119.0	119.2	-	119.0	119.2	-
Operating profit	18.5	17.8	+4%	17.2	17.4	-1%
Operating profit margin (%)	15.5%	14.9%	+60bps	14.5%	14.6%	-10bps
Finance costs	-2.9	-2.9	-	-3.7	-3.8	-3%
Profit before tax	15.6	14.9	+5%	13.5	13.6	-1%
Tax charge	-3.0	-3.2	+6%	-2.4	-2.8	+14%
Profit after tax	12.6	11.7	+8%	11.1	10.8	+3%
Basic EPS (pence)	7.5p	7.0p	+0.5p	6.6p	6.5p	+0.1p
Interim dividend per share (pence)	2.7p	2.7p	-	2.7p	2.7p	-
Second interim dividend per share (pence)	6.3p	-	+6.3p	6.3p	-	+6.3p



GOOD FREE CASH FLOW

	H1 2020 £M	H1 2019 £M	Change £M
Underlying EBITDA	29.4	30.6	-1.2
Working capital/other	-6.8	-6.9	0.1
Operating cash flow	22.6	23.7	-1.1
Capital expenditure	-6.3	-5.9	-0.4
Cash exceptional items	-1.5	-4.0	2.5
Pension deficit funding	-0.6	-1.1	0.5
Interest	-2.8	-2.7	-0.1
Tax	-3.4	-5.0	1.6
Other	-0.8	-0.7	-0.1
Free cash flow	7.2	4.3	2.9
Dividends	-	-10.5	10.5
Foreign exchange	-4.7	-0.4	-4.3
Impact of IFRS 16 (Leases)	-	-1.0	1.0
Movement in net debt	2.5	-7.6	10.1

- Working capital impacted by inventory build up to support seasonality and closure of Bellshill
- Cash exceptional items H2 weighted with closure of Bellshill
- Pension deficit funding for US scheme deferred to H2
- Tax payments lower due to timing of payments
- Final 2019 dividend payment deferred to H2
- Negative FX impact on retranslation of USD denominated debt

NET DEBT

	June 2020 £M	Dec 2019 £M	June 2019 £M	Banking covenant
Net debt	122.1	124.6	149.2	
Covenant net debt	121.5	123.8	148.2	
Covenant net debt / EBITDA ratio	1.9x	1.9x	2.3x	<3.0x
Covenant EBITDA / Net interest payable ratio	11x	12x	10x	>4.0x

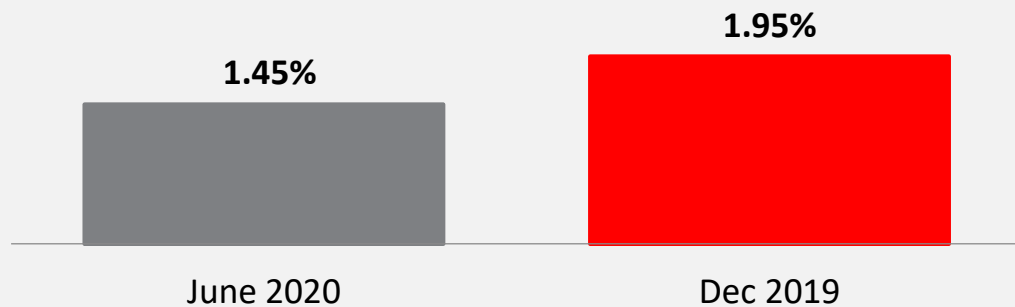
PENSION DEFICIT

	June 2020 £M	Dec 2019 £M
Net pension deficit	82.2	64.1

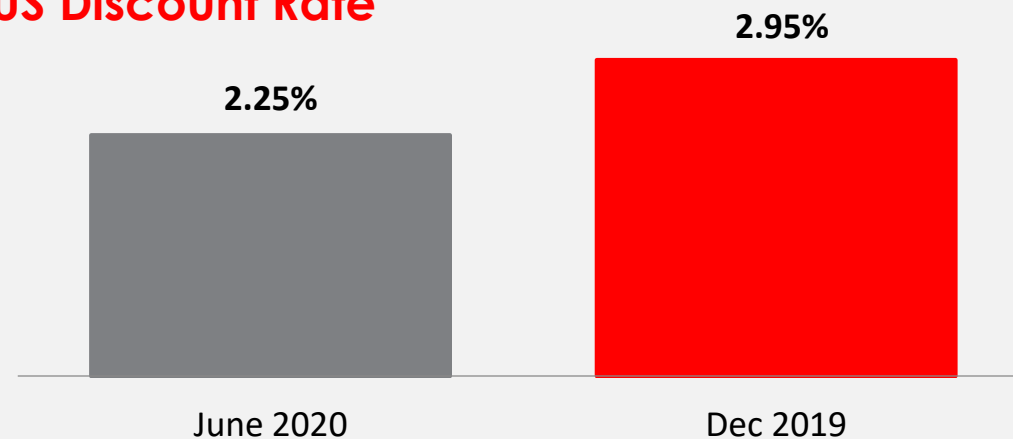
- Increase primarily due to change in discount rates in both UK and US

- Triennial review of UK plan underway

UK Discount Rate



US Discount Rate



FY 2020 MODELLING GUIDANCE (APPROXIMATIONS)

CAPEX £15m - £17m (depreciation and amortisation £22m)	CASH INTEREST £5.5m	PENSION DEFICIT FUNDING PAYMENTS £7.5m
CASH EXCEPTIONAL ITEMS £9.0m (primarily Bellshill closure costs)	INFLATION – SALARIES £2.0m	COST SAVINGS (INCLUDING BELLSHILL) £7.0m
TEMPORARY ADDITIONAL COVID-19 COSTS £2.5m	CASH FLOW Free cash flow generation impacted by Bellshill closure	NET DEBT/ EBITDA RATIO c. 1.9x 31 December 2020

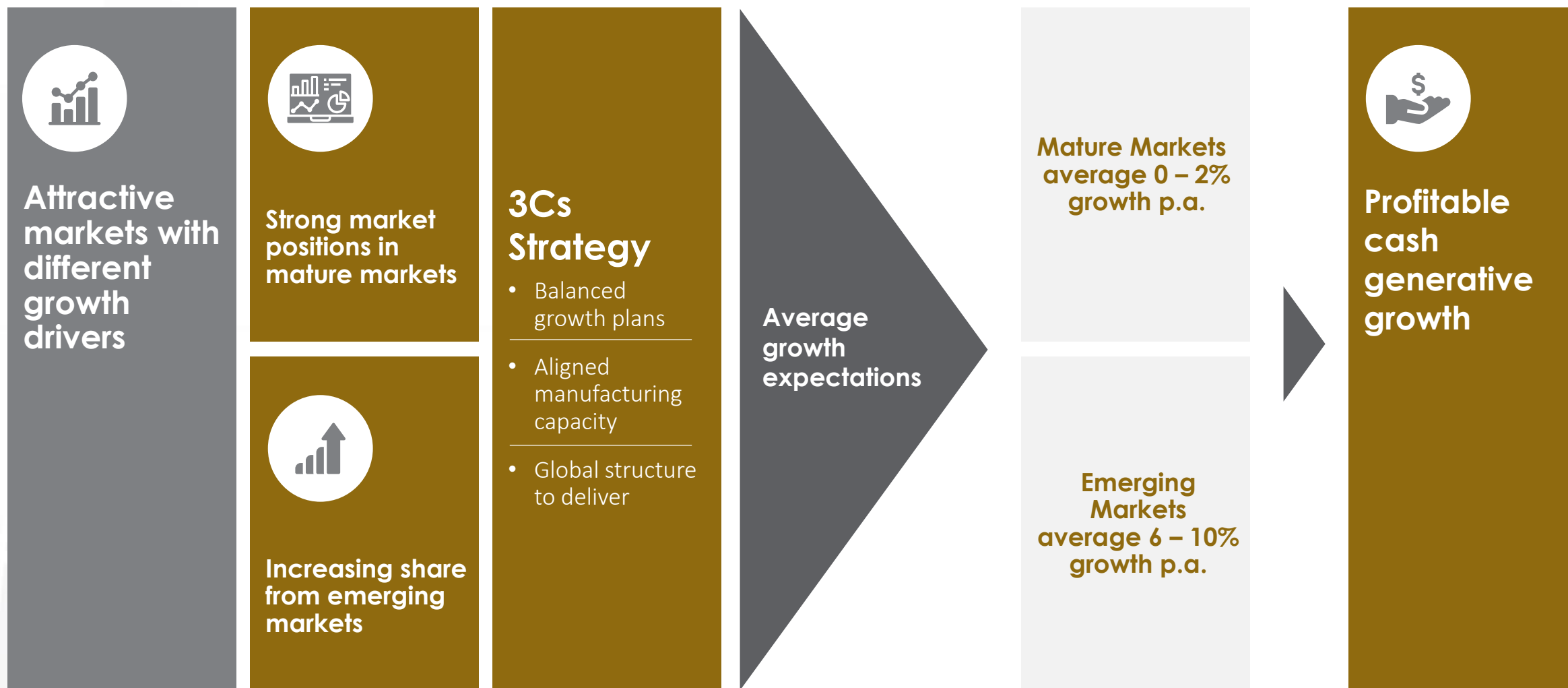


CONCLUDING COMMENTS

OUTLOOK

- Whilst trading conditions remain uncertain due to Covid-19, the Board expects, based on underlying growth momentum and supported by cost savings actions, and FX at current rates, to make progress during 2020.





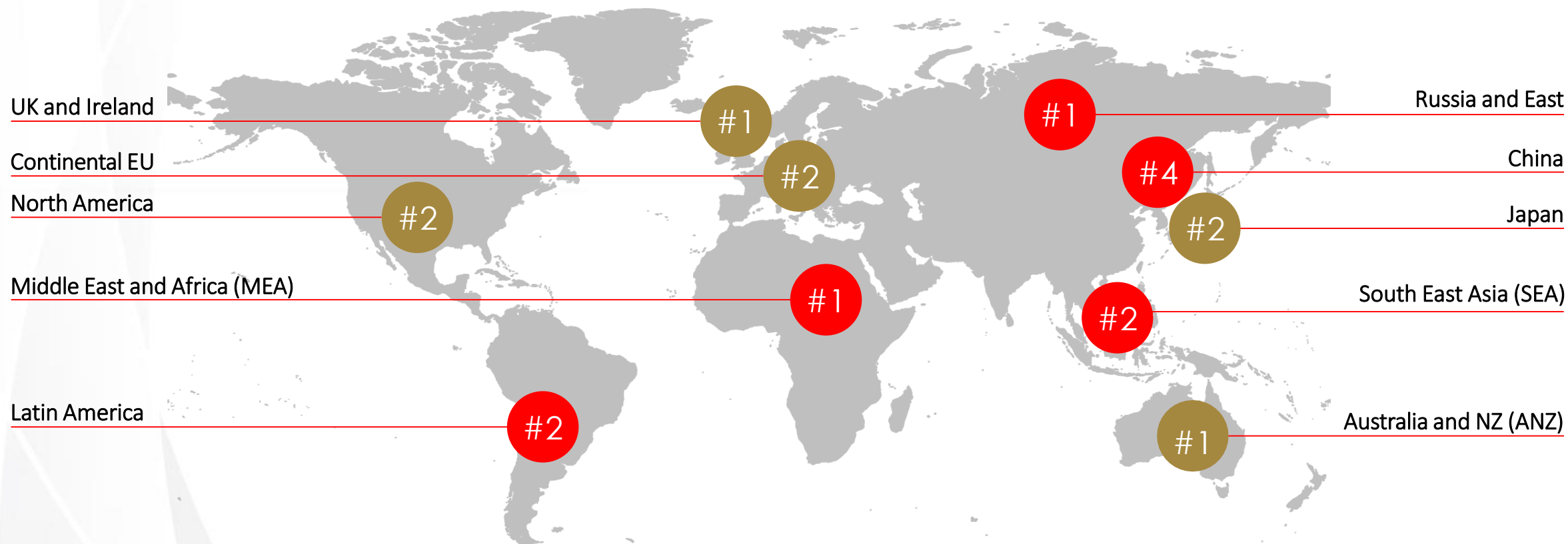


APPENDIX



2020 DEVRO MARKET POSITION

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

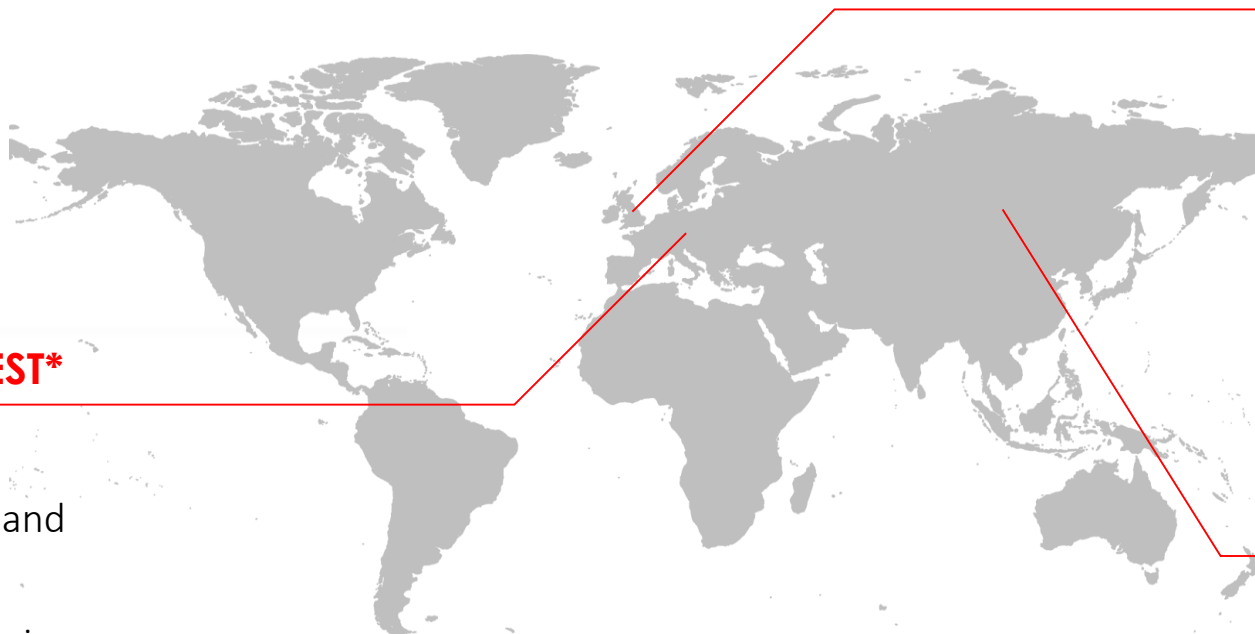


*Devro mature markets include: North America, Continental EU, UK & Ireland, Japan and Australia & NZ

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

EMEA

38% GROUP
REVENUE



UK & IRELAND

- H1 2020 volume: -8%
- Weak market sentiment
- Covid-19 loss of food service

CONTINENTAL EU & WEST*

- H1 2020 volume: -21%
- Weak market sentiment and distributor destocking
- Covid-19 loss of food service

RUSSIA & EAST

- H1 2020 volume: 21%
- New business wins

* Including Middle East & Africa



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AMERICAS

29% GROUP
REVENUE

LATIN AMERICA

- H1 2020 volume: 82%
- Recent contract wins in Brazil

NORTH AMERICA

- H1 2020 volume: +11%
- Continued market growth driven by snacking
- Q2 negatively impacted by Covid-19 - meat and labour shortages at customers



ASIA PACIFIC

33% GROUP
REVENUE



SOUTH EAST ASIA

- H1 2020 volume: 23%
- Strong growth in Singapore and Vietnam
- H1 timing shipments

CHINA

- H1 2020 volume: +5%
- Growth impacted by Covid-19

JAPAN

- H1 2020 volume: -3%
- Impacted by the timing of shipments

AUSTRALIA & NZ

- H1 2020 volume: 2%
- Q1 positive impact Covid-19: retail surge
- Q2 negative impact Covid-19: loss of food service

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 of H1 2020: £0.6m, H1 2019: £1.0m

Covenant EBITDA

EBITDA on underlying basis (before exceptional items) and before the impact of IFRS 16 of H1 2020: £0.3m, H1 2019: £0.3m

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





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