



FULL YEAR RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2020

2ND MARCH 2021



DEVRO

2020 HIGHLIGHTS

- Good progress made on strategic and financial priorities
- Volumes up 1% with robust trading despite COVID-19 (net negative impact c.2%)
- Strong volume growth in emerging markets, up 13%
- Headwinds in certain mature markets driven by weaker food service demand due to COVID-19 and European distributor destocking
- Continued delivery of cost savings with operating margins showing 90 bps improvement
- Robust cash generation resulting in a significant reduction of net debt to £110m, down almost £15m on last year
- Final dividend of 6.3p declared, 9.0p total for 2020, flat on prior year



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 the year despite some challenges mainly related to hire and workforce availability
- Temporary additional costs to manage supply offset by cost savings

MAKE

- All sites were operational throughout the pandemic - production maintained at planned levels
- Strict protective measures including H&S rules, track & trace and quarantine processes

DEMAND

- H2 retail demand remained elevated, underpinned by further lockdowns
- In H2 ongoing impact on food service demand
- We estimate net negative volume impact for full year of c.2%

GOOD PROGRESS ON STRATEGIC PRIORITIES



Win with the winning **Customers**



For revenue growth



- Sales cycle management and three year plans delivering underlying growth
- Investment in commercial resource, additional 10% increase in headcount, mainly in emerging markets aligned with growth prospects
- Good progress with strategic customer wins



Focus on **Core profitability** drivers



For margin improvement



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



Strengthen **Competencies**



For long-term competitiveness



- Integrated Business Planning process operational and working
- Enhanced internal communications and employee engagement
- Developing enhanced ESG plans

DRIVING OUR AMBITION AND VISION

STRONG GROWTH OF 13% IN EMERGING MARKETS

Strong growth in line with 3Cs strategy

- Growth in all markets (except Middle East and Africa)

Latin America up 76%

- New customer wins in Brazil

South East Asia up 14%

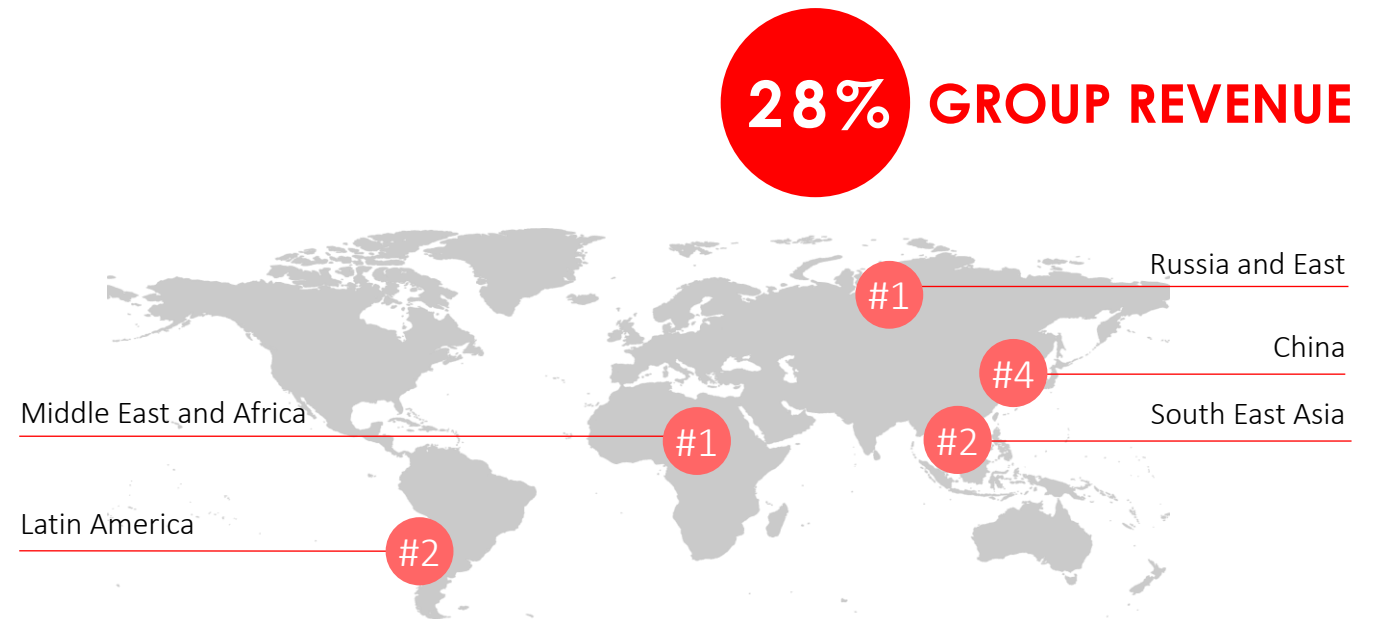
- New wins in Singapore and Vietnam coupled with strong growth in Thailand

Russia and East up 16%

- New business wins with product from China plant

China up 3%

- Growth impacted by COVID-19 and strong H2 2019 comparator



VOLUME

- Volume: +13%

PRICE/MIX & FX

- Price/mix: -1%
- FX: +1% due to a stronger EUR

NORTH AMERICAN GROWTH OFFSET BY COVID-19 & DESTOCKING

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3Cs strategy

- Growth except UK and Ireland and Continental Europe

North America up 9%

- Strong growth from snacking and development projects

UK and Ireland down 9%

- Weak collagen market conditions mainly due to COVID-19

Continental Europe down 16%

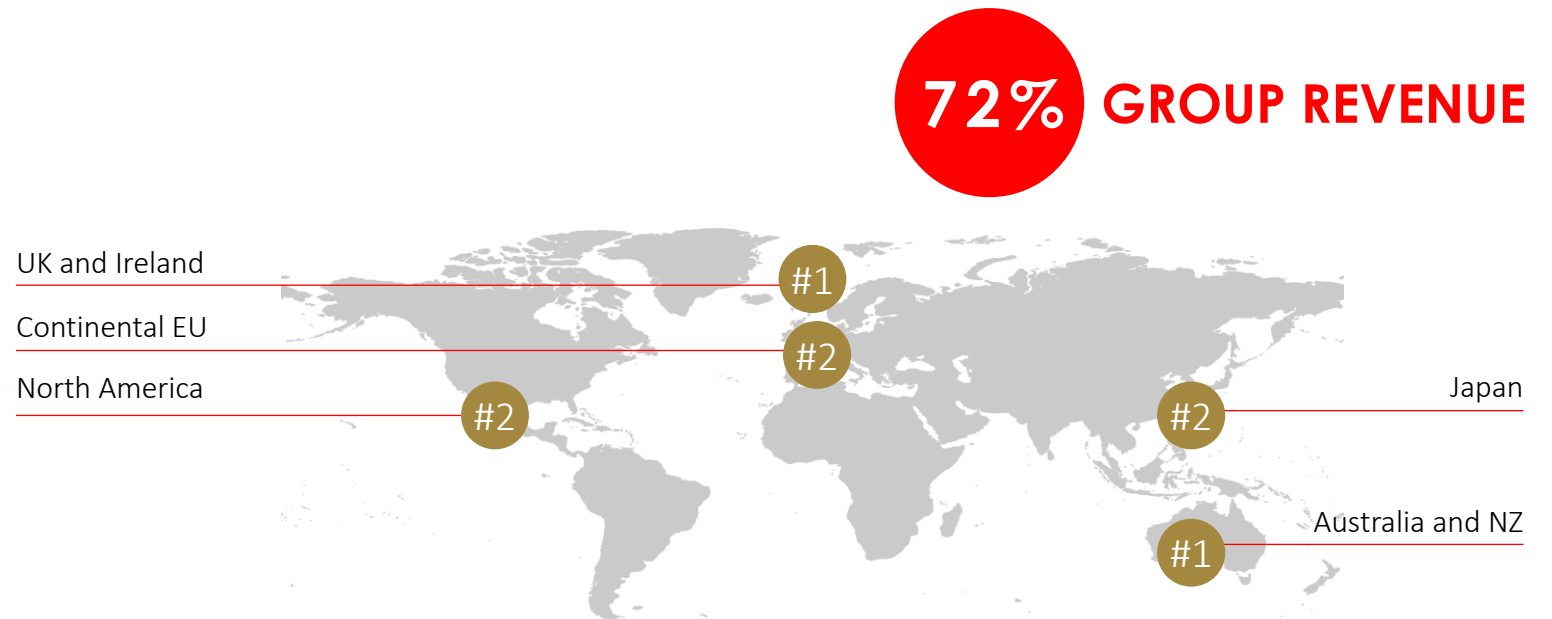
- Continued distributor inventory destocking in Europe and negative COVID-19 impact

Australia and New Zealand up 2%

- Growth with some key customers

Japan up 1%

- Marginal growth driven by snacking and retail



VOLUME

- Volume: -5%

PRICE/MIX & FX

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



WIN WITH THE WINNING CUSTOMERS

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CONSISTENT GROWTH IN NORTH AMERICAN SNACK STICKS MARKET

BACKGROUND

- Exciting meat snacks market driven by modern consumer trends
- High quality products providing operational benefits and the right mouth feel
- The leading brands differentiate through innovation – suppliers expected to support

WHAT WE DO

- Global snack sticks category and product development teams focused on innovative new products
- Complementary local organisation that delivers marketing, sales and technical support in close collaboration with our customers
- State-of-the-art US manufacturing facility provides domestic supply with continuity support from the global network

OUTCOMES

- North American market volume growth >8% p.a. since 2017
- Devro performance ahead of the market



DEVRO



STRENGTHEN COMPETENCIES



Building an engaged workforce

- COVID-19 employee portal developed including training resource
- Regular global newsletter launched
- Bi-weekly calls held for 180+ managers across the business
- Good participation in Tell Dev survey with an improvement in employee engagement score to 72% (2019 67%)



Delivering on our Environment, Social and Governance responsibilities

- Launched a global Sustainability initiative and used 'crowdsourcing' approaches to engage our employees in prioritising future focus while using UN SDGs as guide
- Our sites have continued to engage with and support local community initiatives
- Delivered on five year global water, energy consumption, emissions and responsible production targets. In year reduction of water usage 10%, energy usage 8% and reduced CO2 emissions by 8%. In 2021 new ambitious targets will be unveiled
- Improved Board diversity post period end, major board refresh complete





GROWTH SUPPORTED BY GLOBAL MANUFACTURING FOOTPRINT

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CAPACITY

- Proven cost-effective capacity enhancement delivering >50% capacity increase
- Stable Operations initiative further rolled out to uncover the 'Hidden Plant'
- Continued delivery of year-on-year yield and speed improvements

GLOBAL REACH

- Each site is operating well and providing products for at least four different sales areas

COST EFFECTIVE

- Further cost savings from Bellshill closure in 2021
- Global Supply Chain structure continues to deliver on year-on-year cost savings
- Lower-cost China plant supporting growth in emerging markets – 60% of 2020 growth China sourced





DRIVERS OF GROWTH

2021 AND BEYOND

Converting **the opportunity pipeline** through the sales cycle into revenue

Ever increasing **customer intimacy**

- Stronger pipeline into 2021 than for many years
- 70% conversion rate achieved in 2020
- Increased product development resources to support accelerated growth
- 10% increase in commercial headcount in 2020 – mainly emerging markets and market development - more planned
- Route to market strategy continuously reviewed
- New EMEA commercial organisation implemented

EMERGING

- Build upon account management with the winning customers in Latin America
- Leverage resource investment in South East Asia with wider geographical presence

MATURE

- Maintain growth momentum in snacking in North America
- Food service recovery in mature markets although timing uncertain
- Leverage new commercial organisation in Europe, Middle East and Africa and re-balanced demand pattern after de-stocking



FINANCIAL REVIEW

RESILIENT FINANCIAL PERFORMANCE IN 2020

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01

Revenues of £247.6m
marginally lower than 2019

Volume growth in line with long term
target when adjusted for COVID-19
demand impacts

02

Continued delivery of cost
savings including Bellshill
closure benefits offsetting
inflation and additional
COVID-19 costs

03

Underlying operating
profit up 4% to £40.8m

Profit margin increased 90 bps
to 16.5%

04

Underlying basic EPS
up 9% to 16.5p
(2019: 15.2p)

05

Covenant net debt £109.5m
(2019: £123.8m)

Covenant net debt
/ EBITDA ratio 1.8x
(2019: 1.9x)

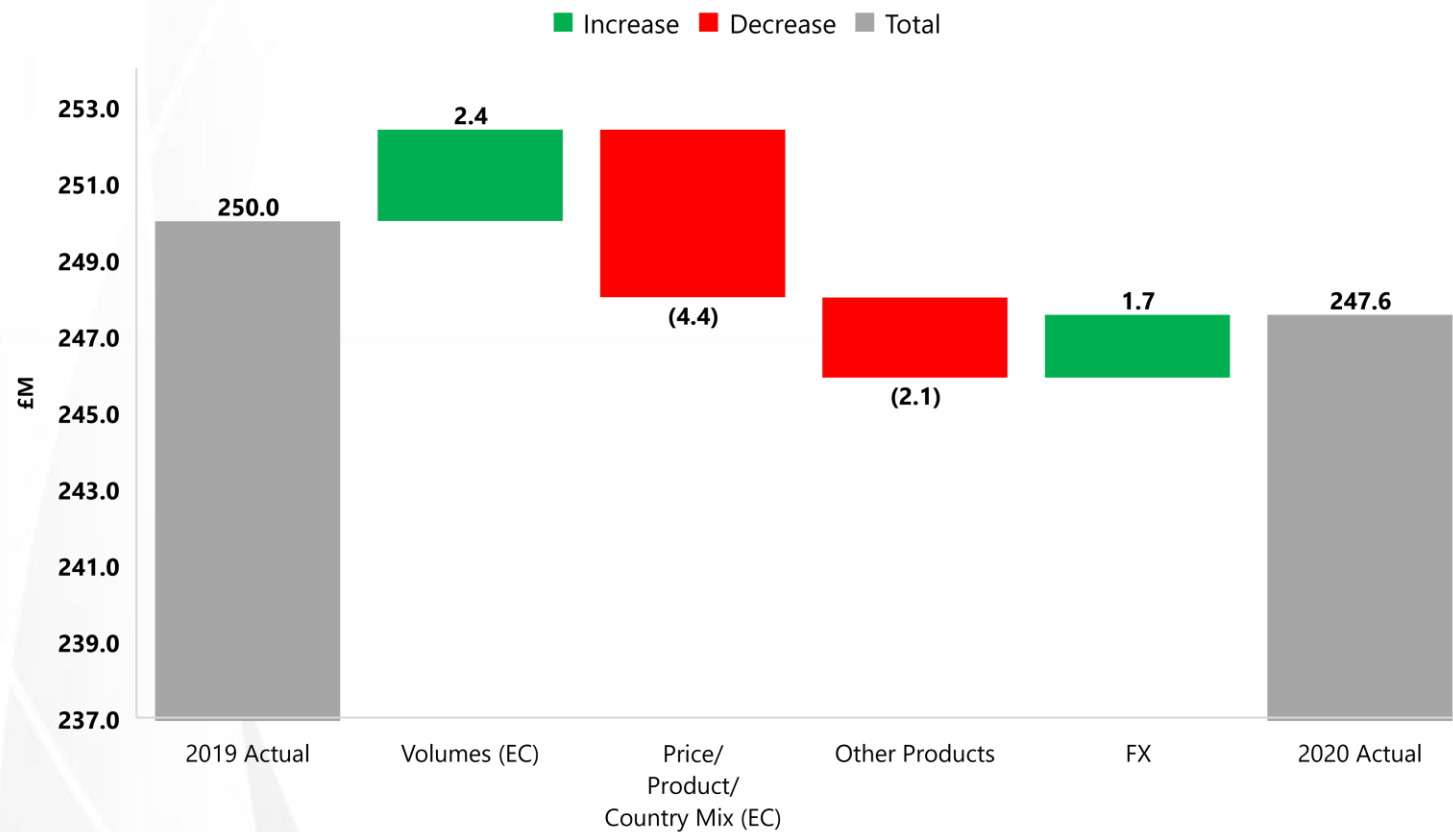
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Final dividend of 6.3p,
9.0p total for 2020



DEVRO

GROUP REVENUE



*EC – Edible Collagen

**ASP – Average Selling Price

Volume

- Overall collagen casing volume growth 1.1%
- 13% growth in emerging markets offset by a 5% decline in mature markets
- Overall impact of COVID-19 is estimated at -2% sales volume

Price/Country/Product Mix

- Long term contract pricing and adverse product mix were partially offset by favourable country mix

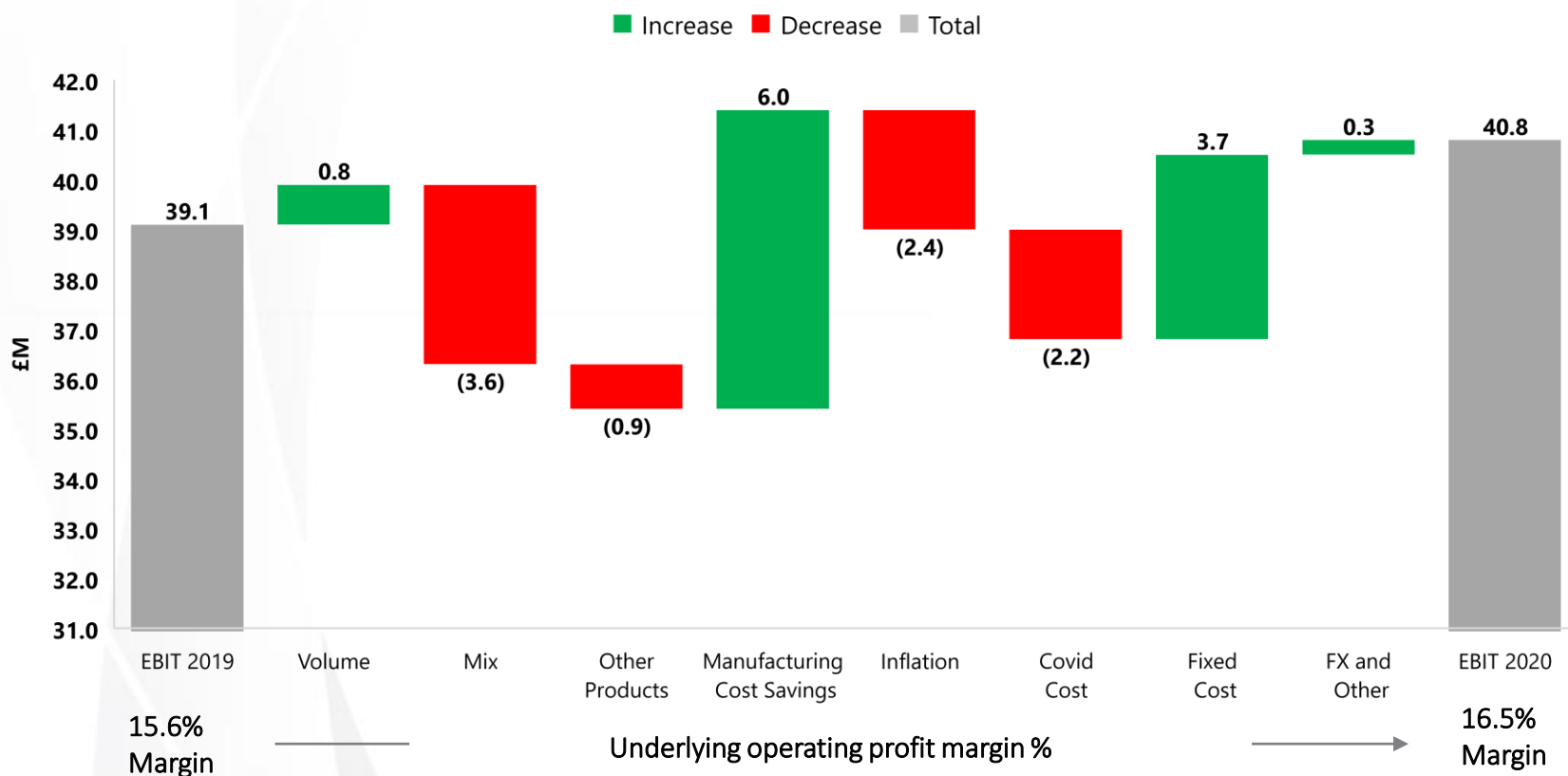
Other products

- Co-Ex gels growth was offset by declines in Bio medical and non-edible casings

Foreign exchange

- Strengthening of the EUR and JPY during the year

UNDERLYING OPERATING PROFIT



Volume, Country/Product Mix, Contribution from other products

- Volume impact on EBIT of £0.8m on £2.4m revenue (slide 13)
- Adverse mix of £4.4m offset by favourable manufacturing mix of £0.8m
- EBIT impact of £0.9m on Other Products driven by a revenue reduction of £2.1m

Manufacturing cost savings

- Continued delivery of cost savings included initial Bellshill closure benefits

COVID-19 Cost

- COVID-19 cost mainly includes premium for raw materials and temporary additional costs

Fixed Cost and Inflation

- Mostly saving in depreciation due to impairment
- Primarily salary inflation in people cost

FINANCIAL SUMMARY

	UNDERLYING			STATUTORY	
	2020 £M	2019 £M	Change	2020 £M	2019 £M
Revenue	247.6	250.0	-1%	247.6	250.0
Operating profit	40.8	39.1	+4%	36.2	-14.0
Operating profit margin (%)	16.5%	15.6%	+90bps	14.6%	-5.6%
Finance costs	-5.4	-6.0	+10%	-6.8	-7.8
Profit before tax	35.4	33.1	+7%	29.4	-21.8
Tax charge	-7.9	-7.7	-3%	-6.3	-19.6
Profit after tax	27.5	25.4	+8%	23.1	-41.4
Basic EPS (pence)	16.5p	15.2p	+1.3p	13.8p	-24.8p
Dividend per share (pence)	9.0p	9.0p	-	9.0p	9.0p

ROBUST FREE CASH FLOW

	2020 £M	2019 £M	Change £M
Underlying EBITDA	62.4	65.5	-3.1
Working capital/other	5.4	5.8	-0.4
Underlying operating cash flow	67.8	71.3	-3.5
Capital expenditure	-14.2	-13.7	-0.5
Cash exceptional items	-8.8	-6.3	-2.5
Pension deficit funding	-7.4	-5.3	-2.1
Interest	-5.1	-5.6	0.5
Tax	-8.3	-9.2	0.9
Other	-1.5	-0.4	-1.1
Free cash flow	22.5	30.8	-8.3
Dividends	-10.5	-15.0	4.5
Foreign exchange	2.6	2.0	0.6
Impact of IFRS 16 (Leases)	-	-0.8	0.8
Movement in net debt	14.6	17.0	2.4

- Good working capital improvement driven by lower inventories and higher trade payables
- Cash exceptional items mainly related to closure of Bellshill
- Pension deficit funding includes higher payments for US scheme in H2
- Tax payments lower due to timing of payments
- Dividend payment in 2020 was the 2019 final paid in H2. The 2020 interim dividend was paid in January 2021
- Positive FX impact on retranslation of USD denominated debt

SUBSTANTIAL IMPROVEMENT IN NET DEBT

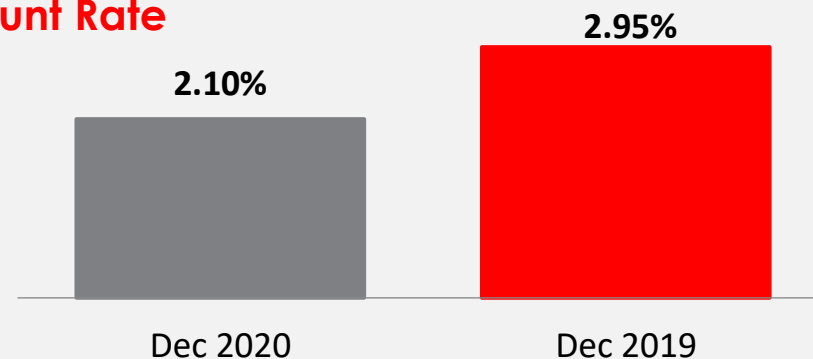
	Dec 2020 £M	June 2020 £M	Dec 2019 £M	Banking covenant
Net debt	110.0	122.1	124.6	
Covenant net debt	109.5	121.5	123.8	
Covenant net debt / EBITDA ratio	1.8x	1.9x	1.9x	<3.0x
Covenant EBITDA / Net interest payable ratio	12x	11x	12x	>4.0x

PROGRESS ON PENSION DEFICIT

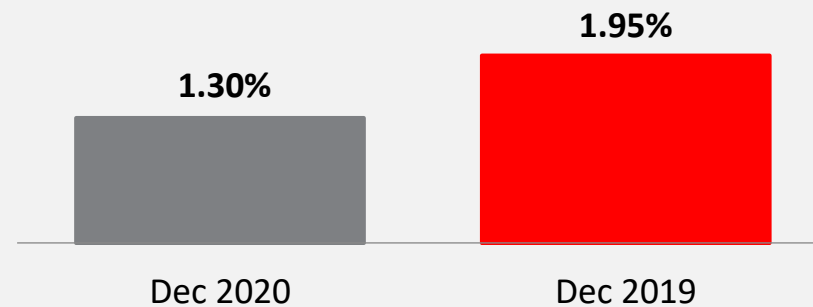
	Dec 2020 £M	Dec 2019 £M
Net pension deficit	55.2	64.1

- Decrease in liability reflects increased deficit funding and an experience gain on liabilities
- Significant decrease in deficit since H1 2020
- Triennial review of UK plan underway

US Discount Rate



UK Discount Rate



FY 2021 MODELLING GUIDANCE

CAPEX

Will be lower than the D&A annual cost, amount depends on future growth prospects

EXCEPTIONAL ITEMS

c.+£3.0m cash driven by Bellshill sale proceeds
minimal impact on P&L

FOREIGN EXCHANGE

Current foreign exchange rates would present a headwind to our FY21 reported results

PENSION DEFICIT FUNDING PAYMENTS

Triennial UK valuation and negotiations are underway;
no increase expected

COST SAVINGS

c.+£3.0m Bellshill savings

NET DEBT/ EBITDA RATIO

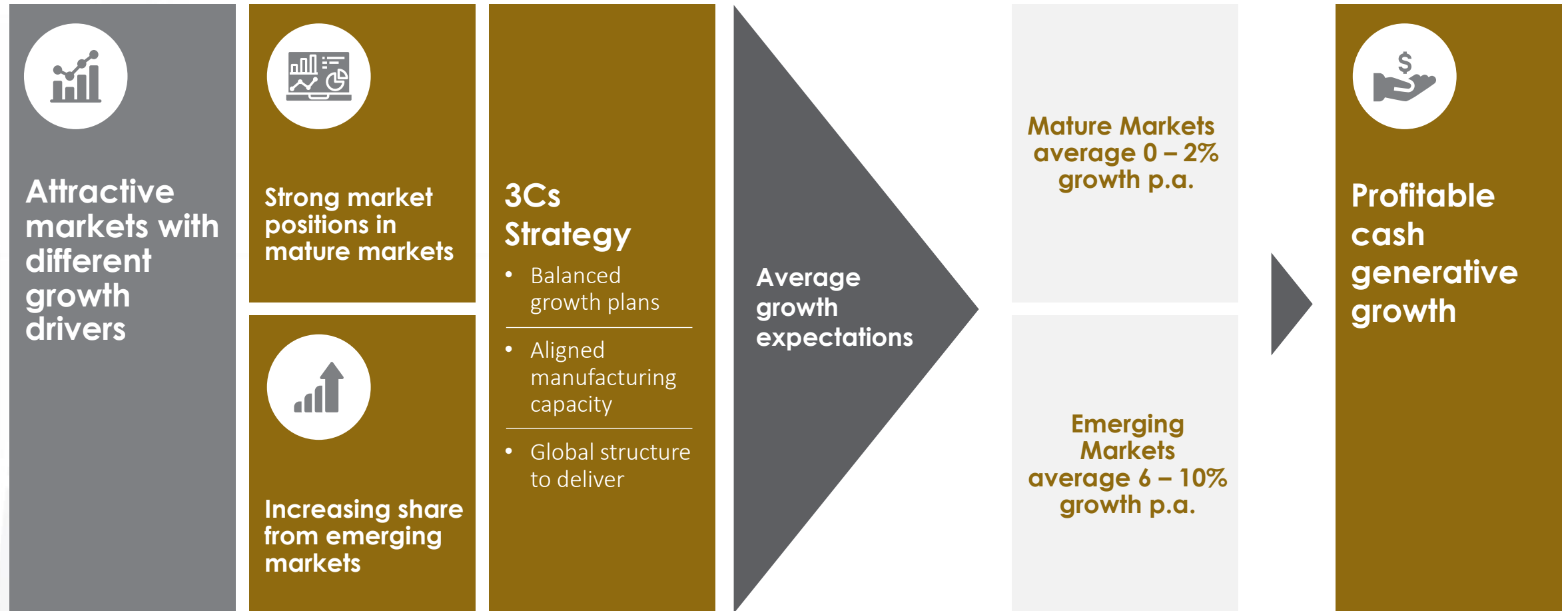
c. 1.6x 31 December 2021



CONCLUDING COMMENTS

FURTHER GOOD PROGRESS IN LINE WITH OUR STRATEGY

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OUTLOOK

The progress we have made in all areas of our 3Cs strategy in 2020 provides a strong foundation for further strategic improvements in 2021. Encouragingly, the year has started positively but many of the COVID-19 related challenges experienced in 2020 remain providing a level of caution.

Despite this we expect to make further progress in 2021 driven by our sales pipeline actions, solid underlying demand and the ongoing benefits of operational improvements including the Bellshill site closure. We would also expect another year of good free cash generation. Devro is well positioned for the future.





APPENDIX

FOREIGN CURRENCY PROFILE FOR REVENUE

% OF TOTAL FOR FULL YEAR 2020	REVENUE
US Dollar	36%
Euro	25%
Australian Dollar	7%
Sterling	10%
Japanese Yen	10%
Other	12%
Total	100%

GLOSSARY OF TERMS

Covenant net debt

Net debt before the impact of IFRS 16 leases of
2020: £0.5m, 2019: £0.8m

Covenant EBITDA

EBITDA on underlying basis (before exceptional items) and before the impact of IFRS 16

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

UN SDGs

United Nations 17 Sustainable Development Goals also known as Global Goals



CONTACT

INVESTORRELATIONS@DEVRO.COM
OR CHRIS.DYETT@DEVRO.COM
WWW.DEVRO.COM
+44 20 3865 7634