



OVERVIEW

Devro is one of the world's leading supplier of collagen casings for the food industry, used by customers in the production of a wide variety of sausages and other meat products. Devro supply collagen casing, gel and film to over 1000 customers in more than 100 countries. Collagen is a naturally occurring polymer which is transformed into gel, tubular casing and films at Devro's manufacturing sites. Devro employs nearly 2,000 people, with skills and knowledge ranging from chemical and electrical engineering to food technology, meat science and environmental health. Over 100 Devro employees work in customer-facing operations as sales and technical advisers.

INVESTMENT CASE

- Global presence – No.1 in many countries, gaining share elsewhere
- Provider of premium edible collagen casings
- Helping customers to increase yield and gels with superior technical support
- Underlying market growth estimated at 2-4% p.a with mature markets growing between 0-2% p.a and emerging markets growing between 6-10% p.a
- Continued opportunity for gut conversion
- New product platforms, opening up new markets
- Strong margins and highly cash generative business
- Dynamic and motivated team; majority of Executive Management Team have blue chip experience
- Dividend covered by cash generation

GLOBAL LEADER



Mature Markets*

72%

Emerging Markets**

28%

* 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

BENEFITS OF COLLAGEN

- Consistency
- Traceability
- Appearance
- Supply reliability
- Price stability
- Value
- Customer productivity

KEY DIRECTORS

Steve Good, Non- Executive Chairman

Steve joined Devro in June 2019 as Non-Executive Chairman. Steve has international experience in specialty chemicals businesses, manufacturing and diverse industrial markets. He is the Non-Executive Chairman of Zotefoams plc and Non-Executive Director of Elementis plc, where he chairs the Remuneration Committee.

Rutger Helbing, Chief Executive Officer

Rutger joined Devro as Group Finance Director in April 2016 and became Chief Executive Officer in February 2018. Prior to joining the company he was Group Chief Financial Officer of Element Six. Previously, Rutger held senior positions in finance and general management with ICI/Akzo Nobel and Unilever.

Rohan Cummings, Chief Financial Officer

Rohan joined Devro on 1 December 2020. Prior to joining Devro, Rohan was Chief Financial Officer of Asahi International, part of Asahi Group Holdings, the Japanese global beer, spirits, soft drinks and food business group. Between 2002 and 2016 Rohan held a range of finance roles with SABMiller, living and working in Italy, Slovakia, Switzerland, Russia, the UK and South Africa.




LISTING INFORMATION

Market: **Full**Symbol: **DVO**Sector: **Food Producers**Shares in issue: **166.9m**Company Reg.: **129785**

**UNDERLYING MARKET GROWTH FACTORS**

- Overall global population growth expected at 1.1% p.a.
- Meat consumption growing with GDP/capita
- Increasing sausage consumption
- Growth in gut conversion and snacking
- Market share gains by continuing to work closely with customers

3Cs STRATEGY

	Win with the winning Customers	FOR REVENUE GROWTH	Deliver superior customer experience	Win in priority markets, customers and products
	Focus on Core profitability drivers	FOR MARGIN IMPROVEMENT	Further optimize current plan capabilities	Reduce cost of goods sold and operating expenses
	Strengthen Competencies	FOR LONG TERM COMPETITIVENESS	Define Devro's long term value proposition	Industry partner relationships Strengthen capabilities

INVESTING FOR THE FUTURE

- Devro invests in applied R&D and in a phased and disciplined capital programme, supporting the growth ambition.
- In 2020, Devro began its Environmental, Social and Governance (ESG) Group wide programme to enhance our ambition, disclosure and performance including as an initial step engaging with our stakeholders.
- Following the closure of Bellshill site on 30 June 2020, some of the production lines were transferred to Czech site. The new Czech lines will be commissioned in Q1 2021 with full annualised savings estimated to be £5m.
- Devro piloted a reconfiguration of its modern lines in the US manufacturing facility to provide further capacity for growth and successfully completed this in 2019. As a result in 2020, both overall yield and speed increased. This programme allows for increased capacity within our existing footprint without the requirement for significant capital expenditure based on our medium-term growth plans.
- Increased commercial headcount by 10% to focus on growing emerging markets

KEY FINANCIALS

31 December	2016	2017	2018	2019	2020
Sales (£m)	241.1	256.9	253.4	250.0	247.6
EBIT* (£m)	38.1	38.1	40.0**	39.1	40.8
Basic EPS*** (p)	14.7p	14.2p	14.6p	15.2p	16.5p
Dividend per share (p)	8.8p	8.8p	9.0p	9.0p	9.0p
Net debt (£m)	153.6	134.9	141.6	124.6	110.0

* Underlying basis before exceptional items

** Before non-recurring items

*** Underlying basis before exceptional items and net finance cost on pensions. 2017 and earlier underlying basic EPS was restated to exclude net finance cost on pensions and include this cost in non-underlying items.

ANALYST COVERAGE

Company	Analyst
Exane BNP Paribas	Francisco Ruiz
Investec	Nicola Mallard
Numis	Damian McNeela
Peel Hunt	Charles Hall
Shore Capital	Darren Shirley

MANUFACTURING PLANTS**Sandy Run**
USA**Gendt**
NETHERLANDS**Nantong**
CHINA**Moodiesburn**
UK**Jilemnice**
CZECH
REPUBLIC**Bathurst**
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**NUMIS,
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**INVESTOR
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