HALF YEAR RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

2 AUGUST 2022

DEVRO

H1 HIGHLIGHTS

- Growth accelerated, strong momentum
- Good pricing and costs savings partially offsetting inflation
- Secured price increases benefitting H2, expect to recover inflation in full year
- Despite inflation and growth investments constant currency operating profit slightly up
- Major strategic progress - new business lines, new capacity successfully bought online in China and Czech and ESG
- Interim dividend 2.9p declared by the Board, 4% up on prior year

FINANCIAL REVIEW

GOOD PERFORMANCE DESPITE ECONOMIC HEADWINDS

01

Constant currency revenue up 9% at £130.4m

Reported revenue of £129.8m up 8%

02

Constant currency operating profit up 1% to £20.4m

Underlying operating profit down 8% to £18.6m

03

Underlying profit before tax down 10%

Underlying basic EPS down 14% to 7.5p (H1 2021: 8.7p)

04

Robust cash delivery

Free cash flow £3.2m (H1 2021: £9.4m)

05

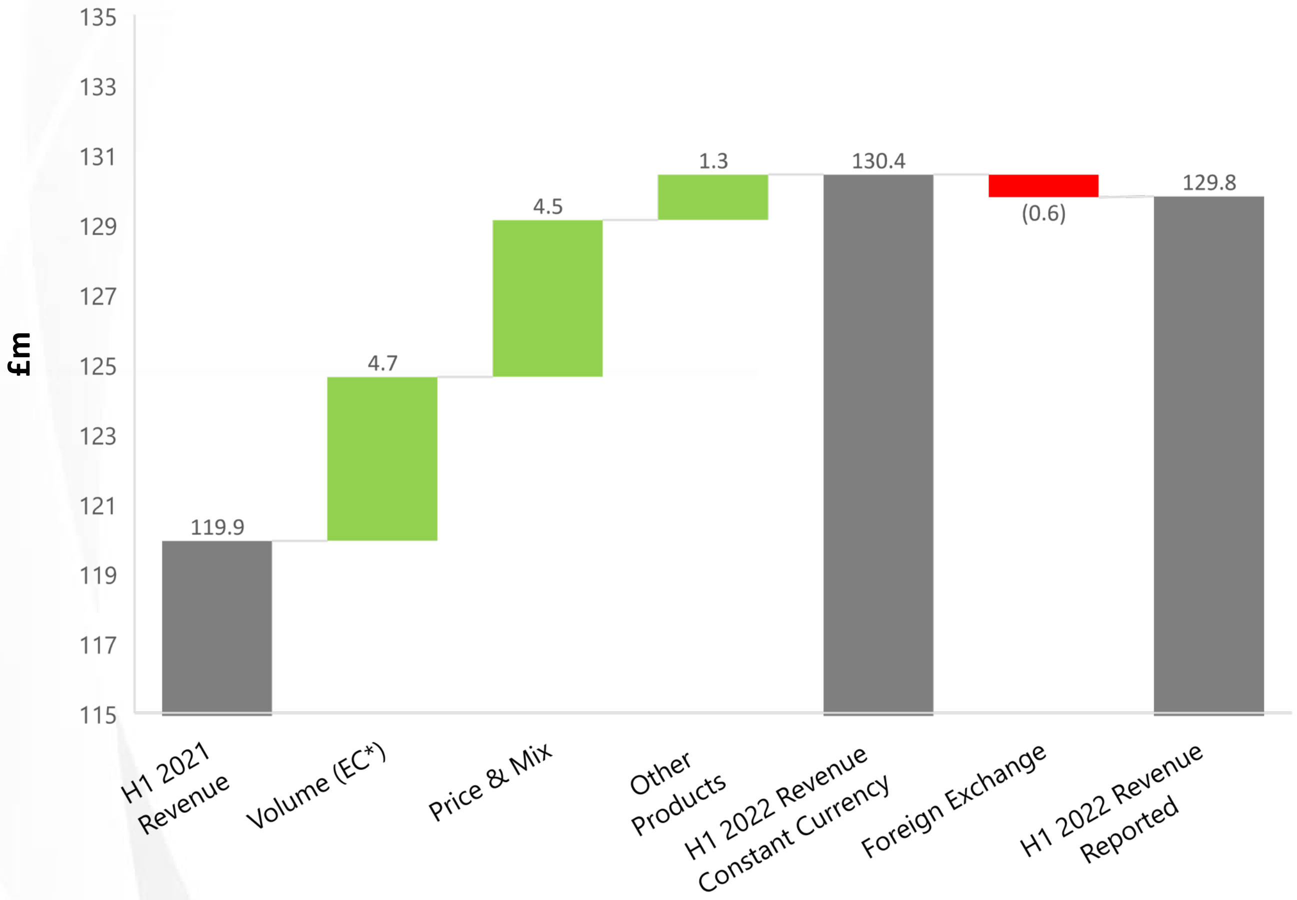
Covenant net debt £95.3m (H1 2021: £103.1m)

Covenant net debt / EBITDA 1.6x, unchanged y-o-y

06

Interim dividend 2.9p (H1 2021: 2.8p)

ACCELERATED REVENUE GROWTH



Volume

- Edible collagen volume growth 4.5%

Price/Country/Product Mix

- Price increases across all markets. Favourable mix driven by growth in North America, and declines in China

Other products

- Double digit growth across all products

Foreign exchange

- Largely non-repeat of H1 2021 hedging gain £2.9m
- Offset by translation benefit in H1 2022 from weakening of Sterling vs US Dollar

*EC – Edible Collagen

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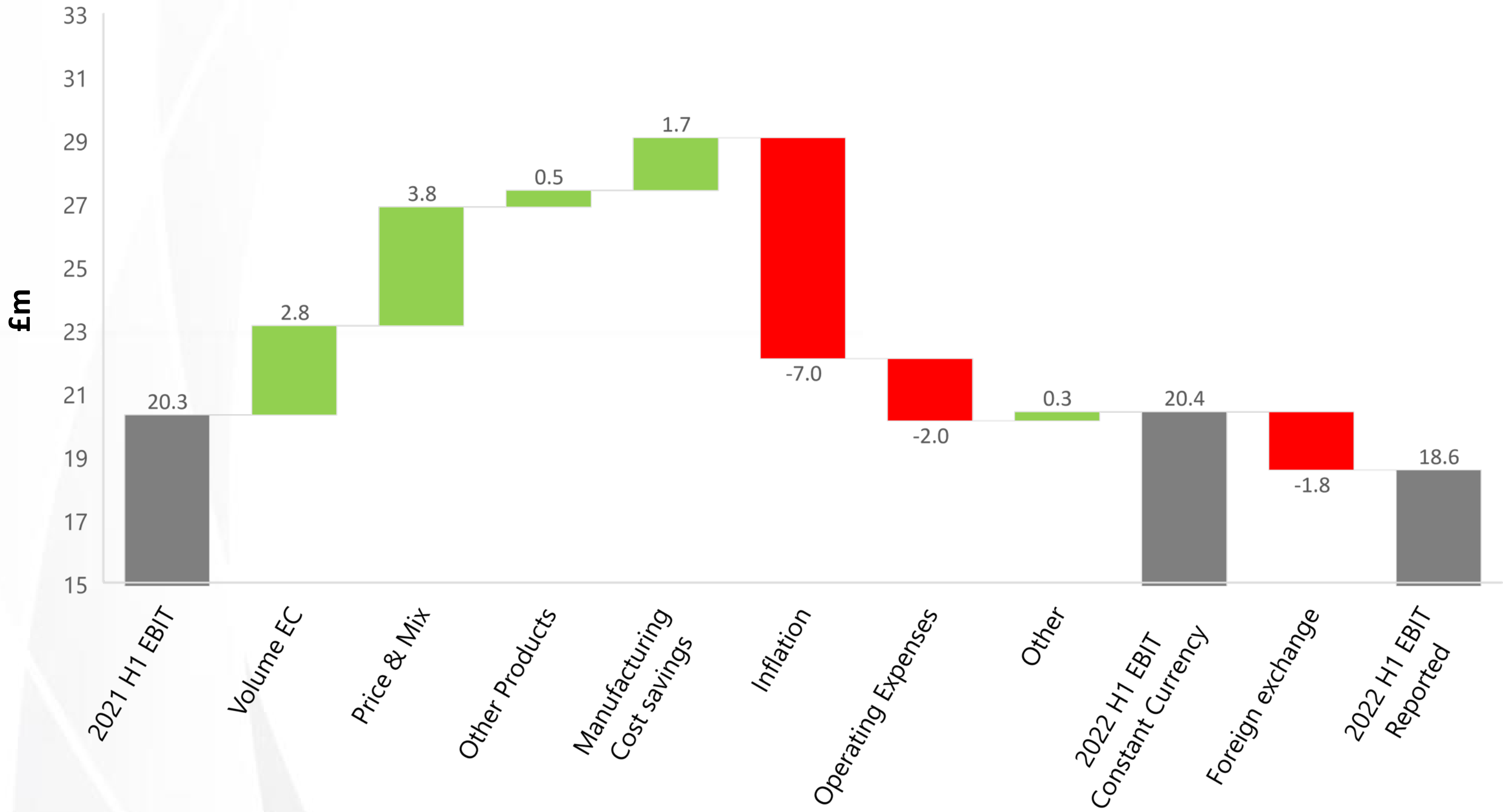
RESILIENT OPERATING PROFIT



16.9% → Underlying CC Operating Profit Margin % → 15.6%

*EC – Edible Collagen

Volume, Price/Country/Product Mix, Contribution from other products

- Refer to previous slide

Manufacturing cost savings

- Ongoing efficiency improvements

Cost inflation

- Including labour, raw materials, energy, transportation

Operating expenses

- Increased due to investment in new product lines
- One off costs including major trade show (IFFA)

Foreign exchange

- £1.8m headwind, lower than guided due to Q2 translation benefits

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GOOD FREE CASH FLOW

	H1 2022 £M	H1 2021 £M
Underlying EBITDA	29.1	31.0
Working capital/other	-7.5	-6.4
Underlying operating cash flow	**21.6**	**24.6**
Capital expenditure	-9.3	-7.6
Cash exceptional items	-	2.8
Pension deficit funding	-1.9	-1.7
Interest	-2.2	-2.3
Tax	-4.7	-5.4
Other	-0.3	-1.0
Free cash flow	**3.2**	**9.4**
Dividends	-4.7	-4.5
Foreign exchange	-5.1	0.7
Movement in net debt	**-6.6**	**5.6**

- As usual, seasonal working capital increased by £7.5m reflecting higher H2 volumes
- As guided, higher capital expenditure £9.3m, mainly capacity expansions in China and Czech
- No exceptional items; sale of the Bellshill site in H1 2021 (£2.8m)
- Tax lower due to timing of payments
- Higher 2021 interim dividend payment distributed in H1 2022
- Foreign exchange impact on retranslation of USD denominated debt

BALANCE SHEET STRENGTH

	June 2022 £M	Dec 2021 £M	June 2021 £M	Banking covenants
Net debt	96.3	89.7	104.4	
Covenant net debt	95.3	88.6	103.1	
Covenant net debt / EBITDA	1.6x	1.4x	1.6x	<3.0x
Covenant EBITDA / Net interest payable	15x	15x	14x	>4.0x

SUPPORTING OUR CAPITAL ALLOCATION PRIORITIES

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FY 2022 MODELLING GUIDANCE

GROWTH

Expect ongoing good volume growth in H2, led by mature markets

Continue to expect positive price and mix

COST INFLATION vs PRICING

Price increases enacted to offset inflation

Further inflation headwind in 2023, Group responding proactively

CAPEX

Capex marginally above depreciation as the Group invests in additional capacity in China and Czech sites to support medium term growth

PENSION DEFICIT FUNDING PAYMENTS

2022 unchanged

FOREIGN EXCHANGE

At current rates would be favourable versus prior year in H2 driven by the USD / GBP translation

NET DEBT

Expect to make progress year-on-year

CEO REVIEW

STRATEGY WORKING AND DELIVERING ACCELERATED GROWTH

IMPROVING PERFORMANCE

- Volume growth of 4.2% in H1 21, increasing to 5.6% in H2 21
- H1 22 growth of 4.5% constrained by manufacturing capacity
- Strong backlog and visibility
- Successful in delivering price increases, feeding through to revenue

KEY GROWTH DRIVERS

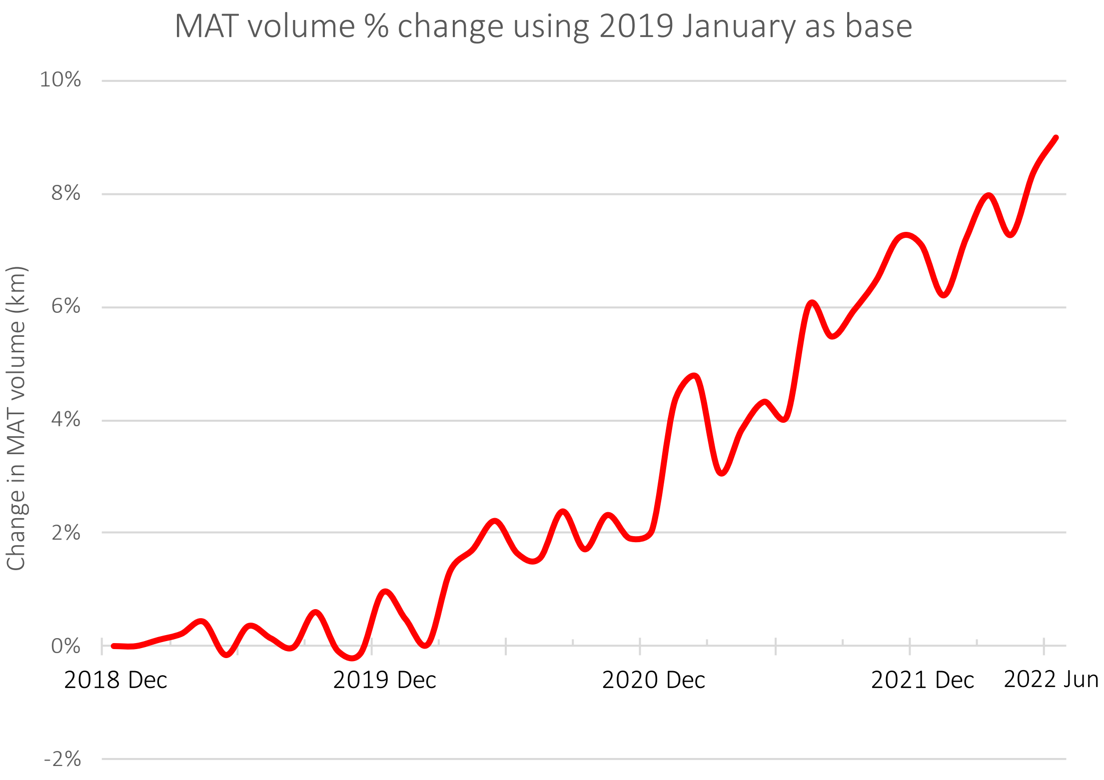
Solid Market Growth

Share Gains in Emerging Markets

Strategic Projects (Snacking)

Gut conversion opportunity

DELTA VOLUME MAT %



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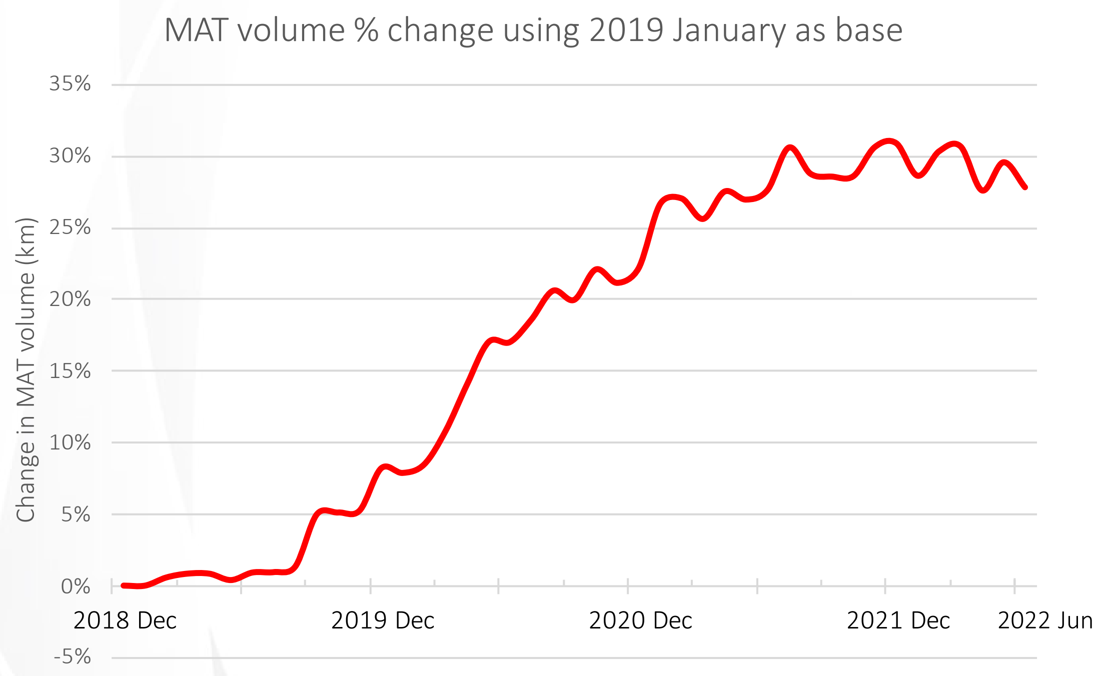
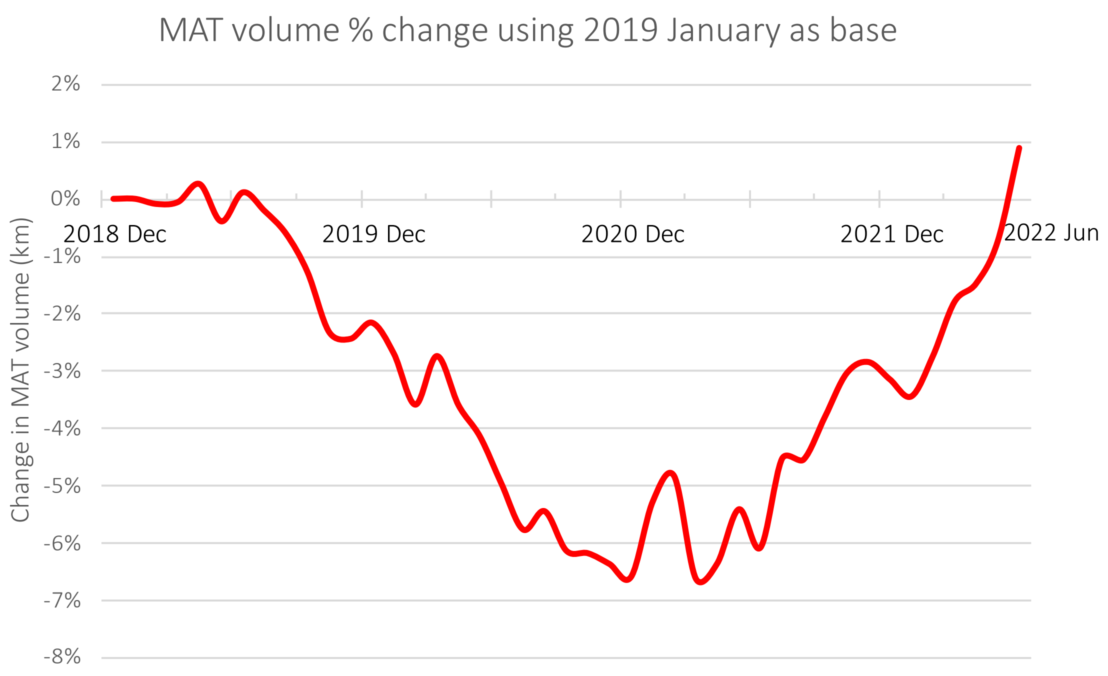
STRONG GROWTH IN EMERGING MARKETS WITH A RECOVERY IN MATURE MARKETS

DELTA VOLUME MAT (%) - EMERGING MARKETS



Emerging markets have grown significantly in the last 3 years (+25%)

DELTA VOLUME MAT (%) - MATURE MARKETS



Mature markets stabilised in H2 2021 and returned to growth in 2022

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WELL INVESTED AND EFFICIENT GLOBAL MANUFACTURING FOOTPRINT SUPPORTING GROWTH

2022 CAPACITY

- New H1 2022 capacity was installed on time and cost
- New lines are performing well
- Two lines upgraded in **Nantong**
  - Investment of c. £6m
  - Adding c.20% to Nantong capacity (phased between 2022 and 2023)
- Two lines upgraded in **Jilemnice**
  - A further investment of c. £6m
  - Adding c. 10% to Czech capacity (phased between 2022 and 2023)

PERFORMANCE

- Each site continues to operate well, providing products for at least four different sales areas
- Global supply chain structure continues to deliver on year-on-year cost savings
- Further capex matched to growth momentum

COST EFFECTIVE

- Return on investment > 20% for new capacity
- Continue delivery of year-on-year yield and speed improvements, higher utilisation, thereby reducing cost and unlocking capacity simultaneously
- Potential to increase global capacity by c. 30% without increase in footprint of which 5% actioned for 2022
- More capacity to be added in 2023 based on market demand and planning assumptions






VOLUME GROWTH OF 8% IN MATURE MARKETS

Mature markets recovering well

- Strong growth in Continental Europe and North America

North America up 12%

- Continued growth from snacking and new business wins with product development success

Continental Europe up 14%

- New business wins in Poland. Underlying market recovery

UK and Ireland up 8%

- Recovery from COVID-19 in food service channels as well as gut conversion success

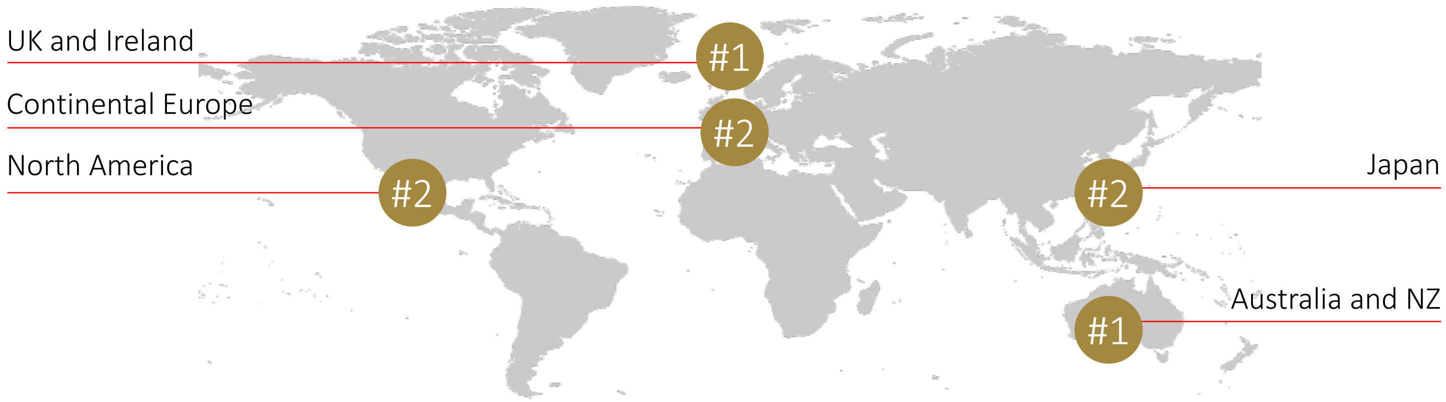
Australia and New Zealand down 2%

- Poor weather weakening consumer demand

Japan down 7%

- Weak market conditions, some impact from gut

70% GROUP REVENUE



VOLUME	PRICE/MIX & FX
• Volume: +8%	• Price/mix: +2% • FX: -1%

VOLUME FLAT IN EMERGING MARKETS

Constrained supply during capacity investments, strong pricing action and success

- Varying performance across sales areas

South East Asia up 1%

- Largely flat with new business wins in South Korea and Indonesia offset by timing impacts in Thailand

China down 9%

- Constrained volume allocated to higher value markets, increased capacity in H2 should partly remedy this

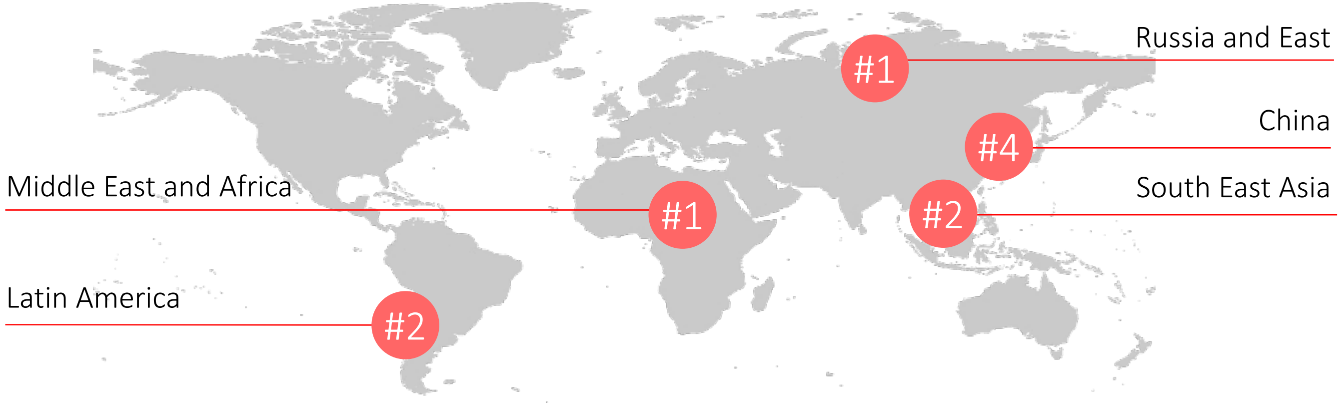
Latin America down 8%

- Impacted by high inventory levels at key customers, expected to grow again

Russia and East up 19%

- Large orders at start of year. Stopped selling to Russia at the end of June 2022

30% GROUP REVENUE



VOLUME	PRICE/MIX & FX
• Volume: -1%	• Price/mix: +7% • FX: 0%

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INFLATION – PRICE RISES SHOWING OUR STRONG MARKET POSITION

2022 aim

01
Offset inflation

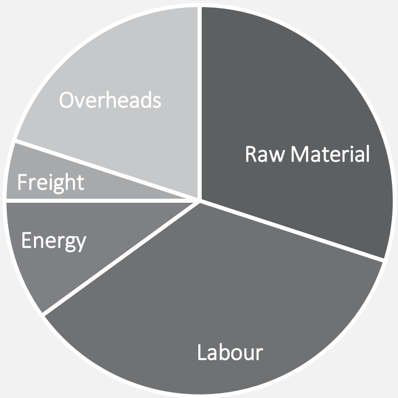
02
Focused price rises

03
Protect profitability and competitive position

INFLATION

- Energy largest headwind across Group - greater H2 impact as hedging rolls off
- Further headwind in 2023
- Labour inflation in all territories
- Inflation in raw materials although lower impact on hide pricing

Devro Cost Structure



PRICING

- Group's series of targeted price rises working, more to come, these will benefit H2 2022 and 2023
- Price rises are sticking

GUIDANCE

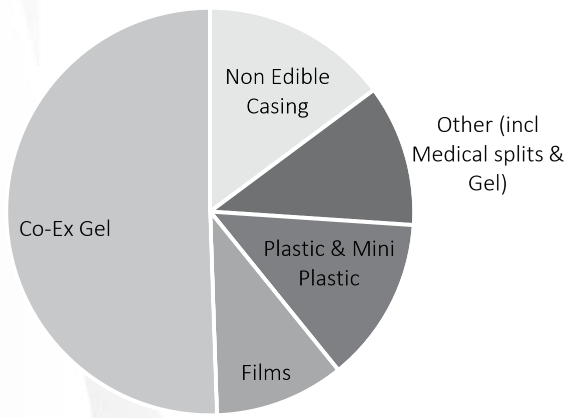
- Re-iterating, previous and ongoing price increases expected to largely offset current inflation headwinds
- Higher revenue but % operating margin impacted, aim to protect absolute profit
- Ongoing benefit from operational improvements

BROADENING THE BASE

‘Other products’ current platforms

- 12% of Group revenue
- 13% growth at constant currency in H1 after a few years of decline
- Expected ongoing increase in H2
- Niche applications, good margins
- Majority Collagen Co-Ex gel, but also Collagen Film, Medical splits and gels, and Non-Edible Casing and mini-Plastics

Revenue split of ‘Other Products’ in 2022 H1



Broadening the business - future platforms

Commercial sensitivity but making good technical and pipeline progress

3 focus areas:

- New markets – for existing products
  - Key applications/markets identified, building relationships
- New materials – for existing markets
  - Building upon position as sausage solutions provider
- New markets with new collagen products
  - Currently proving that technical properties required for targeted markets can be met

Significant long-term potential but it will take time

CONTINUING PROGRESS ON ESG

- Continuing good progress on advancing sustainability and ESG agenda
- Committed to SBTi* – validate targets as soon as possible
- Solar panels project in Nantong completed on time – generation ahead of expectations, plan on installing solar panels at site in Bathurst, Australia
- Further improvement on environmental metrics - carbon, water, waste
- Scope 3 analysis – the 15 scope 3 categories considered and first basic assessment completed. Indicates purchased good and services and capital goods contribute around ¾ of all scope 3
- Dignity at work programme – training roll out for managers and leaders in H2
- Supporting Ukrainian refugees by housing families in an existing dormitory at our Czech site

*Science Based Targets initiative

CONCLUDING COMMENTS

FULL YEAR EXPECTATIONS UNCHANGED

- A solid orderbook, good operational performance and benefits of pricing action provides H2 confidence
- Current foreign exchange rates could provide earnings upside if they prevail throughout the second half
- Ongoing strong free cashflow and balance sheet, providing options to:
  - continue investment in new products and technologies
  - increase manufacturing capacity within current footprint
  - increase returns to shareholders / bolt-on acquisitions
- Group resiliently positioned
- Longer term outlook positive, Group has good momentum

APPENDIX

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

FINANCIAL SUMMARY

	UNDERLYING			STATUTORY		
	H1 2022 £M	H1 2021 £M	Change	H1 2022 £M	H1 2021 £M	Change
Revenue	129.8	119.9	+8%	129.8	119.9	+8%
Operating profit	18.6	20.3	-8%	18.6	21.0	-11%
Operating profit margin (%)	14.3%	16.9%	-260bps	14.3%	17.5%	-320bps
Total finance cost	-2.7	-2.6	-4%	-2.7	-2.6	-4%
Profit before tax	15.9	17.7	-10%	15.9	18.4	-14%
Tax charge	-3.4	-3.1	-10%	-3.4	-2.9	-17%
Profit after tax	12.5	14.6	-14%	12.5	15.5	-19%
Basic EPS (pence)	7.5p	8.7p	-14%	7.5p	9.3p	-19%
Interim dividend per share (pence)	2.9p	2.8p	+4%	2.9p	2.8p	+4%
Final dividend per share (pence)		6.5p			6.5p	

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CONTINUED PROGRESS ON REDUCING THE PENSION DEFICIT

	JUNE 2022 £M	DEC 2021 £M	JUNE 2021 £M
Net pension deficit	**32.7**	36.2	41.2

- Reduction driven by an increase in discount rates in both the UK and US
- The UK level of contribution (£2.5m per annum) to remain until 2025; similar level of US deficit funding ($5 per annum)
- Given the current level of funding at c£7m per annum we expect to close the deficit within the next 4-5 years, subject to market conditions

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CAPITAL ALLOCATION – MAKING PROGRESS IN H1

CAPITAL DEPLOYMENT TO SUPPORT GROWTH AMBITIONS AND PROGRESSIVE DIVIDENDS

ORGANIC GROWTH

- Focus on accelerating organic growth
- Allocate capital into growth investments yielding high returns within current footprint
- Product development to help gain market share as well as to develop alternative technologies
- Investment in related processes and systems to support sustainable growth

DIVIDEND

- Progressive dividend

M&A

- Excess cash generation and strong balance sheet provides ability to acquire accretive, strategically aligned businesses

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FOREIGN CURRENCY PROFILE FOR REVENUE

% OF TOTAL FOR HALF YEAR 2022	REVENUE
US Dollar	41%
Euro	24%
Australian Dollar	7%
Sterling	9%
Japanese Yen	8%
Other	11%
Total	**100%**

GLOSSARY OF TERMS

Covenant net debt

Net debt before the impact of IFRS 16 Leases of H1 2022: £1.0m, H1 2021: £1.3m

Covenant EBITDA

EBITDA on underlying basis (before exceptional items) and before the impact of IFRS 16 of H1 2022: £0.3m, H1 2021: £0.2m

Underlying operating profit

Operating profit before exceptional items

Underlying profit before tax

Profit before tax and exceptional items

Underlying EBITDA

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

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