Viscofan
The casing company

January – December 2018 Results and Outlook



1 March 2019

Moving forward MORE TO BE

2018 FY Results

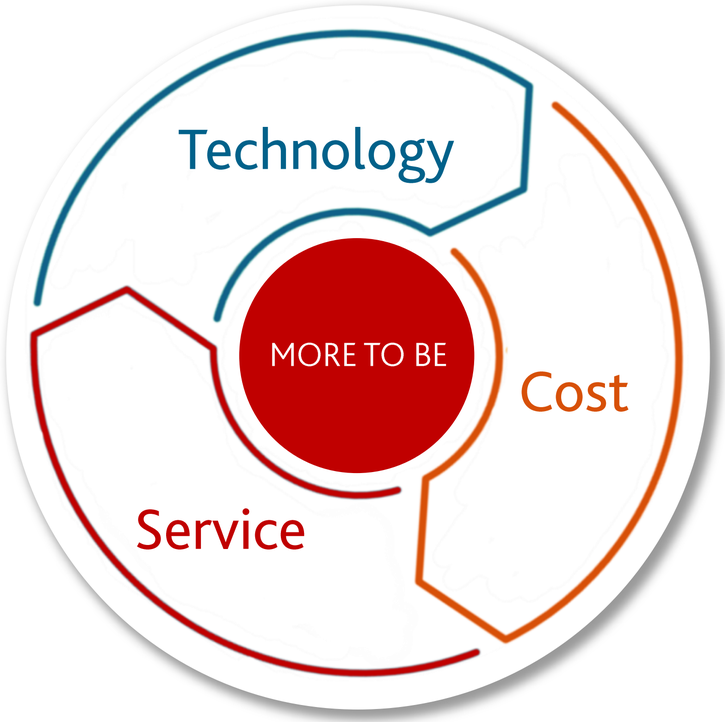
Projects and outlook 2019

Moving forward
MORE TO BE

A transformation to change the casings industry

The Casing Company

Leadership



Goals

Strengthen cellulose **leadership** ✓

Strengthen collagen **leadership** ✓

Achieve fibrous **leadership** ✓

Achieve plastics **leadership** ✓

MORE TO BE. Moving forward

Taking advantage of our knowledge in future opportunities.

ORGANIC INVESTMENT

€265Mn

Capex 2016-2018

"2016-2018: All-time high in investments to transform the Group"

Cáseda. Cutting edge technology in cellulose and fibrous

- ✓ Improving customers service, more stable product
- ✓ Increasing speed and reducing waste
- ✓ Better environmental and ergonomic solutions



Europe and Asia

- ✓ New collagen capacity in Serbia
- ✓ Efficiency improvement in China



North America

- ✓ New converting machinery
- ✓ Production process consolidation in Mexico



Latam

- ✓ New concepts to replace animal gut



MORE TO BE. Moving forward

A transformation to change the casings industry

INORGANIC INVESTMENT

€33Mn

EV. 2016-2018

"The acquisitions are a drive up to be the benchmark in plastics casings, while expanding our footprint on a geographically basis "

Vector. Oct 2016

Plastics and specialties
Plants in the US and Belgium

Supralon. Nov 2017

Plastics and specialties
Plant in Germany

Transform Pack. Feb 2018

Season transfer technology
Plant in Canada

Globus. Nov 2018

Distributor in Oceania
Converting Plant in Australia and New Zealand

MORE TO BE. Moving forward

Taking advantage of our knowledge in future opportunities.

LOOKING BEYOND

€4.2Mn

CAPEX
Bio Engineering
2016-2018

"Steady progress in projects that will lead us to diversify our revenue stream and to offer better products to our customers"

Cardiomesh

Authorization to carry out the first clinical trials



Hydrolysates

Progress in R&D leads us to expect a more significant commercialization in 2019



Added value

Sanic: Granted Patent. Commercial drive
Transform Pack : Developing casings with species



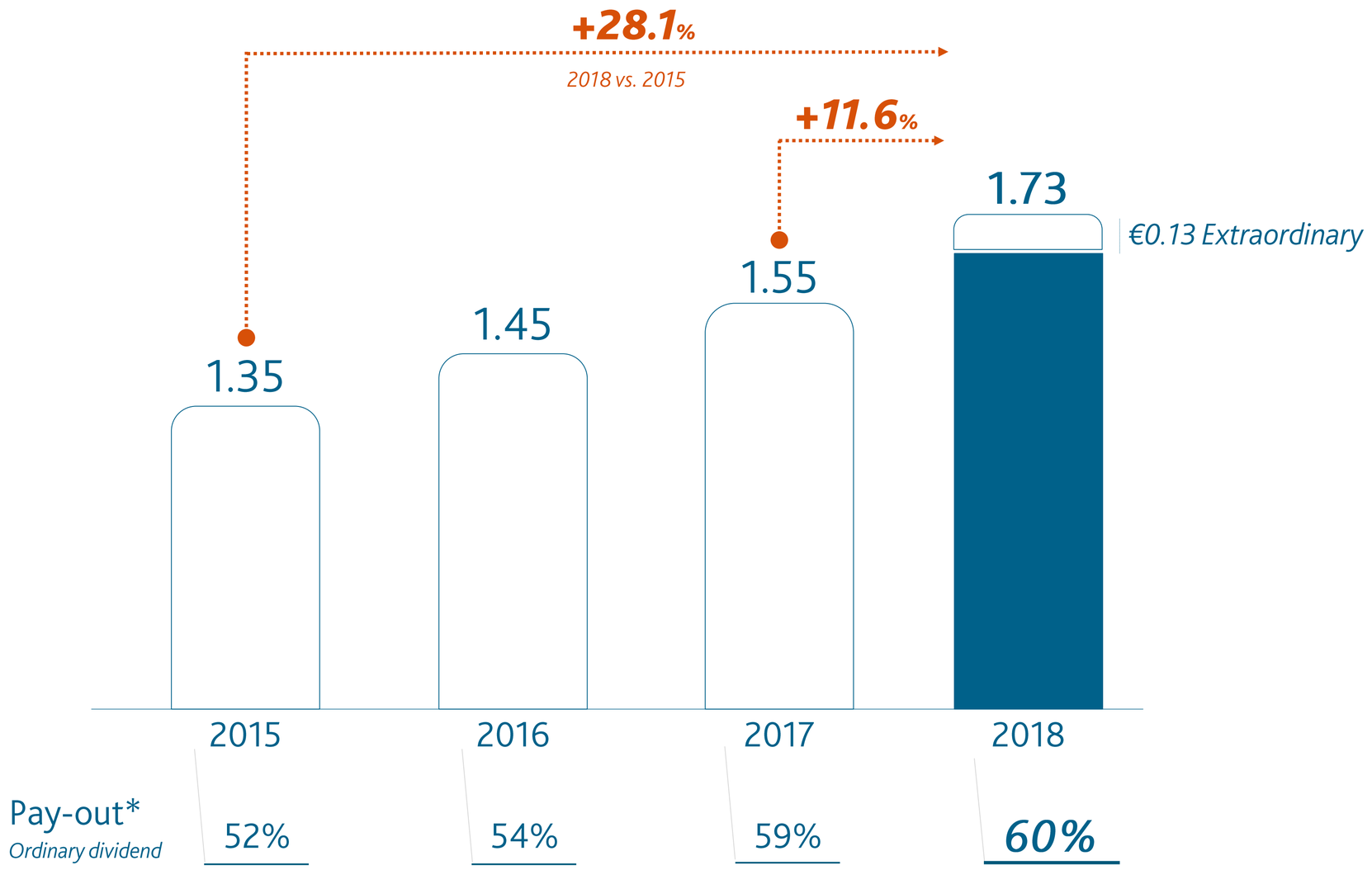
Increasing shareholder remuneration

SHAREHOLDER REMUNERATION

€220Mn
Distributed dividend 2016-2018

+ €5Mn
Share buyback 2016-2018

> ***"… while increasing shareholder remuneration. 2018 dividend is a new all-time high"***



2018 FY Results

2018 FY Results. Main financial figures:

€ Million	2018	% y-o-y	% y-o-y Like-for-like [1]	Guidance
Revenue	786.0	+1.0%	+2.9%	✗
Recurring [2] EBITDA	189.7	-8.2%	-1.3%	✗
Recurring [2] EBITDA margin	*24.1%*	*-2.5 p.p.*	*-1.1 p.p.*	
EBITDA	208.8	-1.2%		
EBITDA margin	*26.6%*	*-0.5 p.p.*		
Operating profit	146.3	-5.5%		
Net profit	123.7	+1.4%		✓

[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon, Transform Pack and Globus) and non-recurring impacts.

[2] Recurring results: a) In 2018, the figure does not include the € 15.4 million impact recorded in Other Operating Income corresponding to the conclusion of the lawsuit against Mivisa Envases S.A. €5.5 million of negative goodwill recorded with the acquisition of the Globus companies, net of € 1.8 million recorded in Other operating expenses related to consultancies and lawyers for said litigation and the acquisition of companies. b) In 2017, it does not include the positive impact of € 4.5 million corresponding to the net impact of the collection of the compensation for the fire in Germany once the non-recurring expenses of inventories, debris and cleaning were deducted; and the management expenses associated with the purchase of Supralon companies in Europe, among others.

Like-for-like growth in all reporting areas, highlighting the strength in Latam and North America that contrasts with the weakness of its currencies …

GROUP +1.0% vs. 2017 | +2.9% Like-for-like[2]

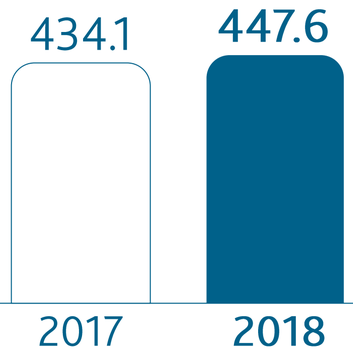
REVENUE 2018. Breakdown by geographical area [1] (€ million)

EUROPE AND ASIA

56.9%



+3.1% vs. 2017 | +0.6% Like-for-like[2]

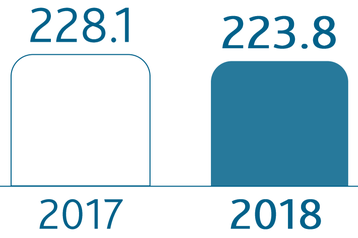


NORTH AMERICA

28.5%



-1.9% vs. 2017 | +2.7% Like-for-like[2]

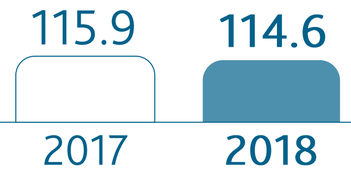


LATAM

14.6%



-1.1% vs. 2017 | +11.9% Like-for-like[2]

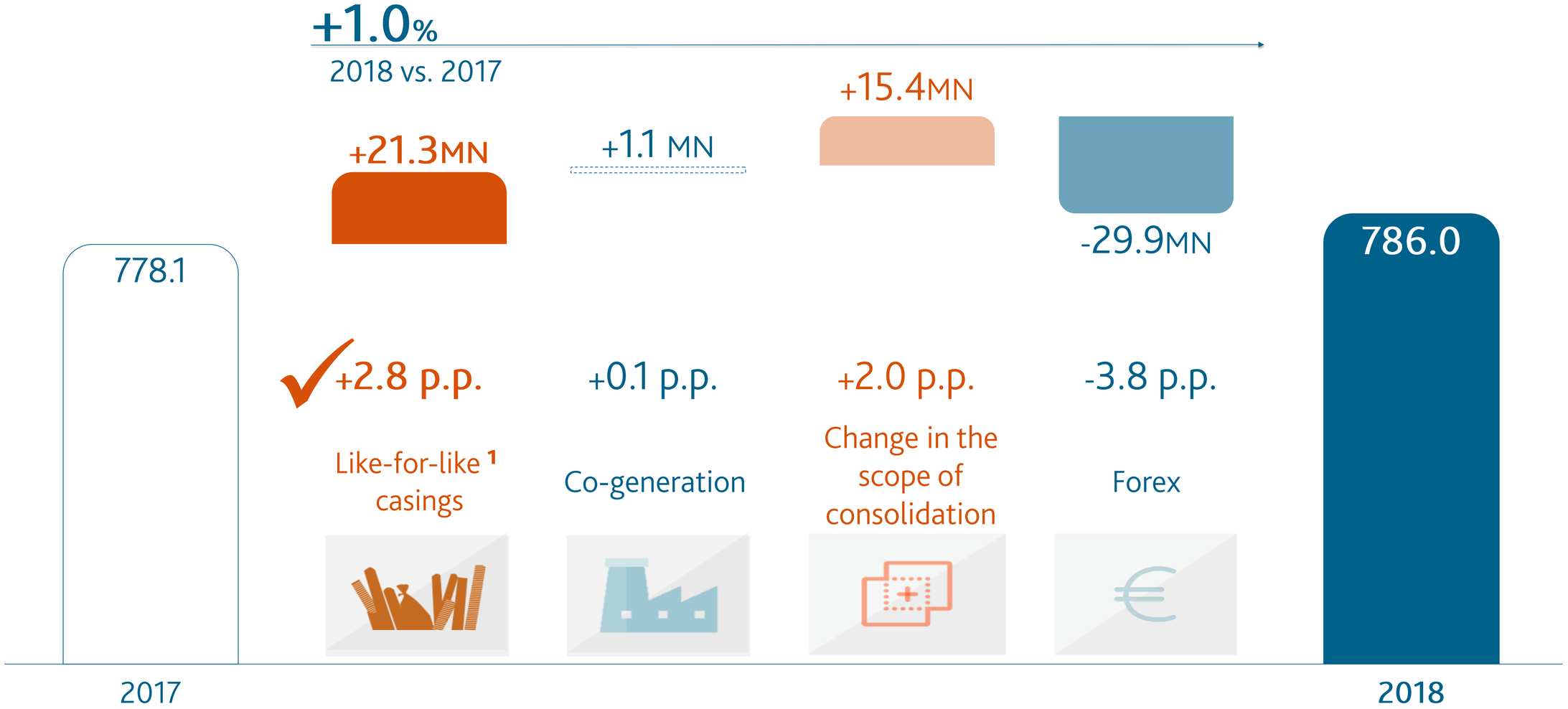


[1] Revenue per origin of sales.

[2] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon, Transform Pack and Globus) and non-recurring impacts.

Full year like-for-like and inorganic growth is eroded by an adverse forex environment…

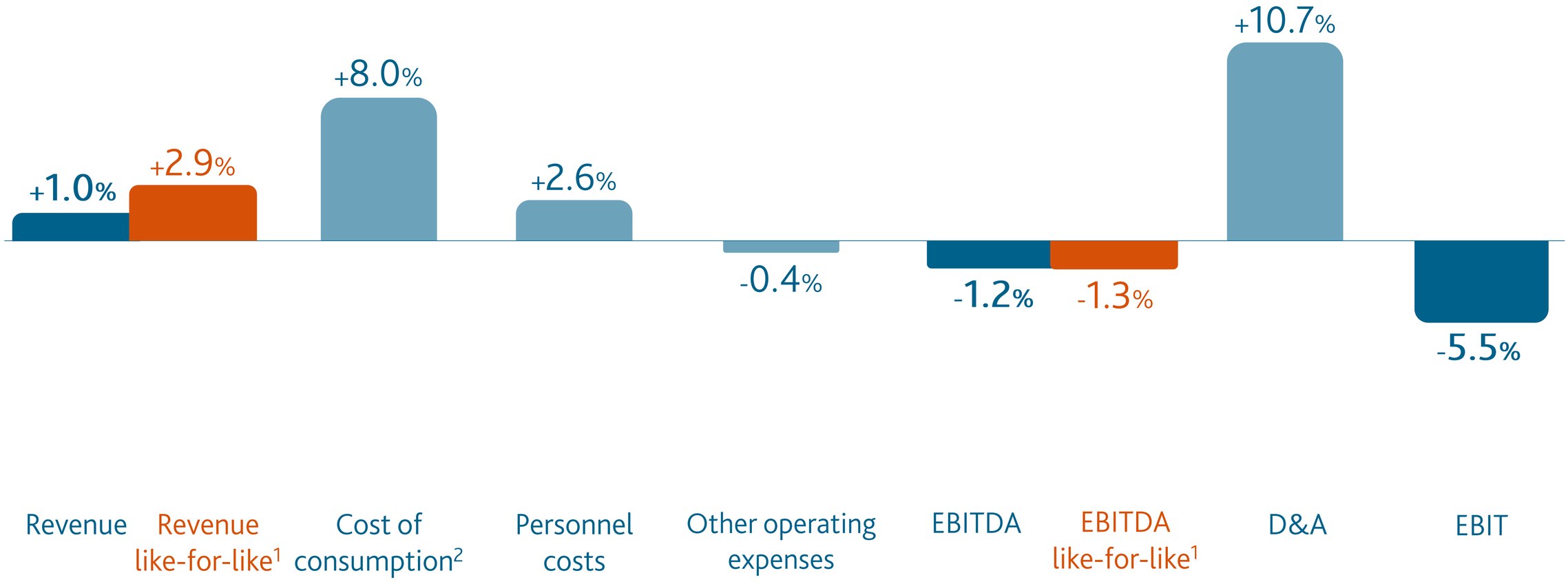
REVENUE. Growth contribution (€ million)



[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon, Transform Pack and Globus) and non-recurring impacts.

Commercial discipline against a backdrop of higher raw materials and energy costs, and the technological transition that includes the start-up costs of the new plant in Cáseda.

P&L 2018. % year-on-year change



[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon, Transform Pack and Globus) and non-recurring impacts.

[2] Cost of consumption = Supplies +/- Change in inventories of finished and unfinished products.

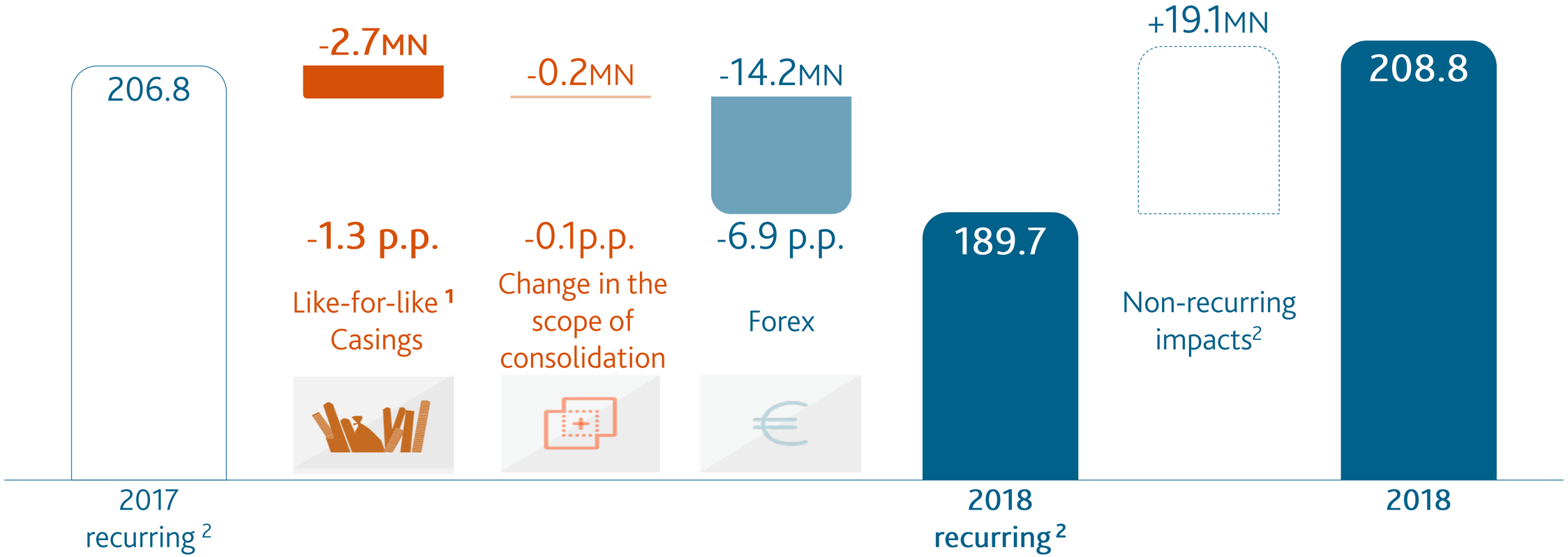
Additional positive non-recurring impact thanks to the management discipline in inorganic growth.

2018 NON-RECURRING IMPACTS. Breakdown in € million

1Q18	€8.5 Mn corresponding to the compensation received in 2018 for a dispute against Mivisa Envases S.A.U. due to patent infringement, netted at €0.3 Mn related with this dispute and the acquisition of companies.	+€8.2 Mn EBITDA
2Q18	Agreement to end the litigation against Mivisa Envases S.A.U, currently named Crown Foods España S.A.U. for patent validity	+€6.3 Mn EBITDA
4Q18	Globus: The difference between the business combination cost and the purchase price allocation of acquired assets (PPA) after deducting the costs related to the acquisition process and the due diligence.	+€4.6 Mn EBITDA
2018		+€19.1 Mn

EBITDA performance also affected by forex headwind.

EBITDA 2018. y-o-y bridge (€ million)

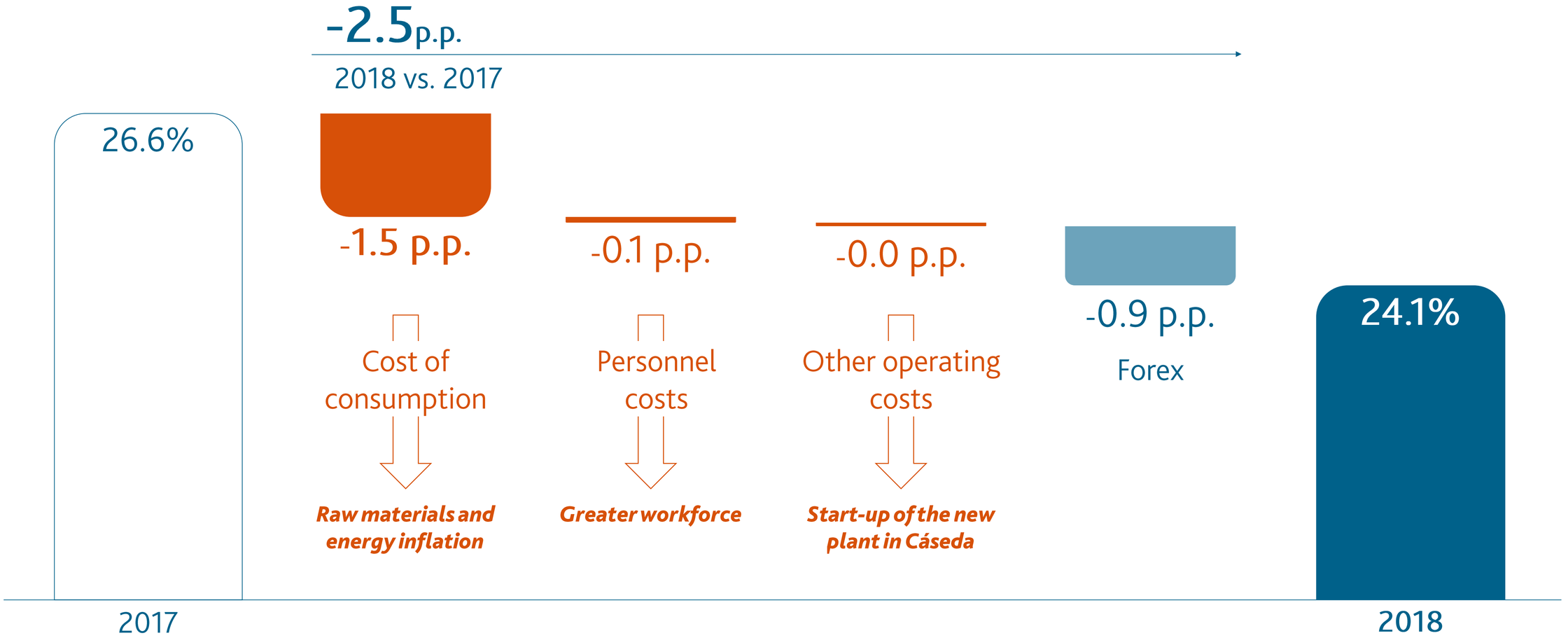


[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon, Transform Pack and Globus) and non-recurring impacts.

[2] Recurring results: a) In 2018, the figure does not include the € 15.4 million impact recorded in Other Operating Income corresponding to the conclusion of the lawsuit against Mivisa Envases S.A. €5.5 million of negative goodwill recorded with the acquisition of the Globus companies, net of € 1.8 million recorded in Other operating expenses related to consultancies and lawyers for said litigation and the acquisition of companies. b) In 2017, it does not include the positive impact of € 4.5 million corresponding to the net impact of the collection of the compensation for the fire in Germany once the non-recurring expenses of inventories, debris and cleaning were deducted; and the management expenses associated with the purchase of Supralon companies in Europe, among others.

Setting the foundation to boost the growth and profitability of our operations.

Recurring[1] EBITDA margin



[1] Recurring results: a) In 2018, the figure does not include the €15.4 million impact recorded in Other Operating Income corresponding to the conclusion of the lawsuit against Mivisa Envases S.A. €5.5 million of negative goodwill recorded with the acquisition of the Globus companies, net of €1.8 million recorded in Other operating expenses related to consultancies and lawyers for said litigation and the acquisition of companies. b) In 2017, it does not include the positive impact of €4.5 million corresponding to the net impact of the compensation for the fire in Germany, once non-recurring costs are deducted for inventory, clearing and cleaning; and the management expenses associated with the purchase of Supralon companies in Europe, among others.

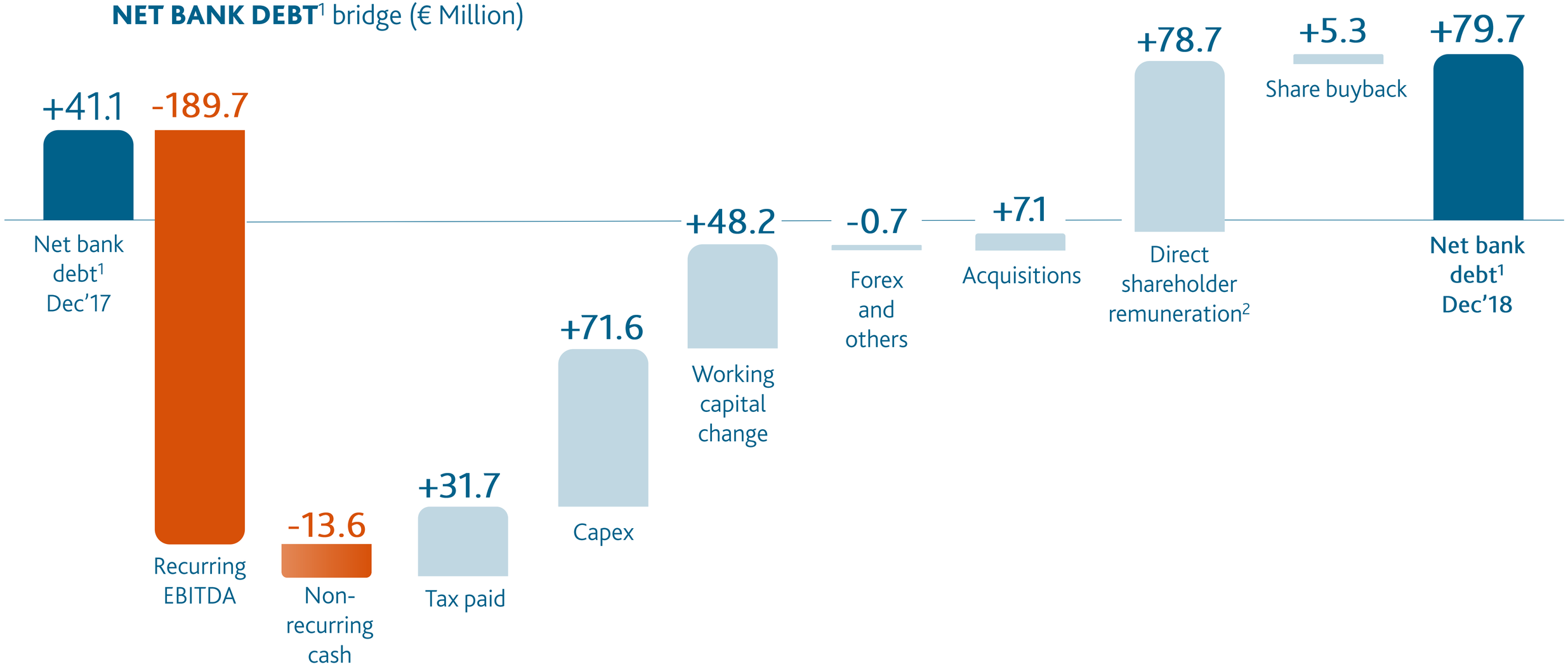
Forex also negatively impact the Net profit.

2018. EBITDA to Net Profit (€ million)

	2018	2017	% y-o-y	Forex impact
EBITDA	208.8	211.2	-1.2%	-14.2
- *D&A*	*-62.4*	*-56.4*	*+10.7%*	
Operating Profit	146.3	154.9	-5.5%	
+ *Financial income*	*+0.3*	*+0.3*		
- *Financial expenses*	*-2.1*	*-1.8*		
+ / - Exchange differences and others	*+2.8*	*-8.5*		*+11.3*
- *Taxes*	*-23.6*	*-23.3*		
(Tax rate)	*(16.0%)*	*(16.1%)*		
Net profit	123.7	122.0	+1.4%	

Organic and inorganic investments are financed with operating cash flow while increasing shareholder remuneration.

NET BANK DEBT[1] bridge (€ Million)

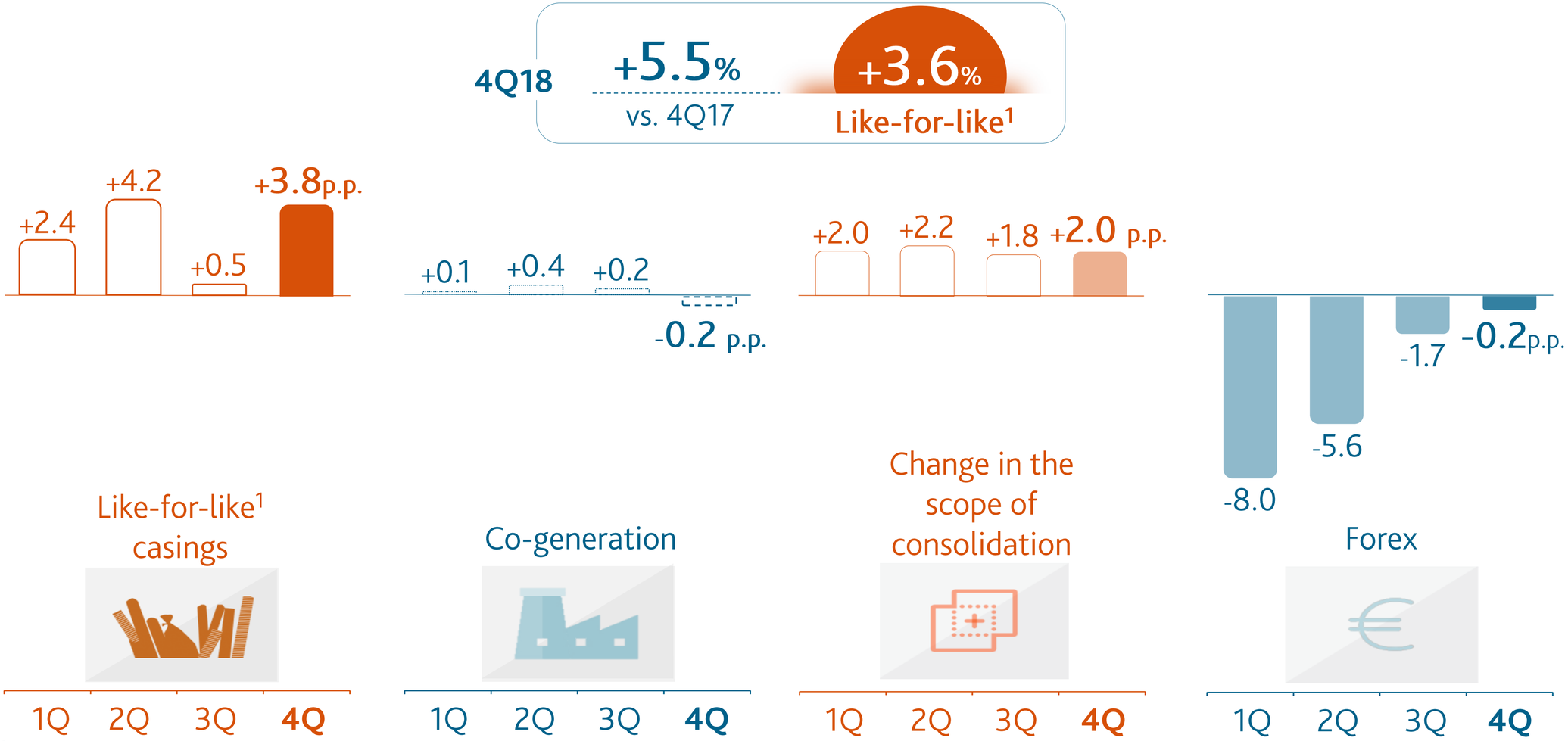


[1] Net bank debt = Non-current bank borrowings + Current bank borrowings – Cash and equivalents.

[2] Includes €0.13 per share extraordinary dividend paid in March 2018, €0.92 per share 2017 FY final dividend paid in June 2018 and €0.64 per share 2018 FY interim dividend paid in December 2018

Commercial discipline and volumes improvement in 4Q drive up like-for-like growth…

REVENUE. Quarterly growth contribution



[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon, Transform Pack and Globus) and non-recurring impacts.

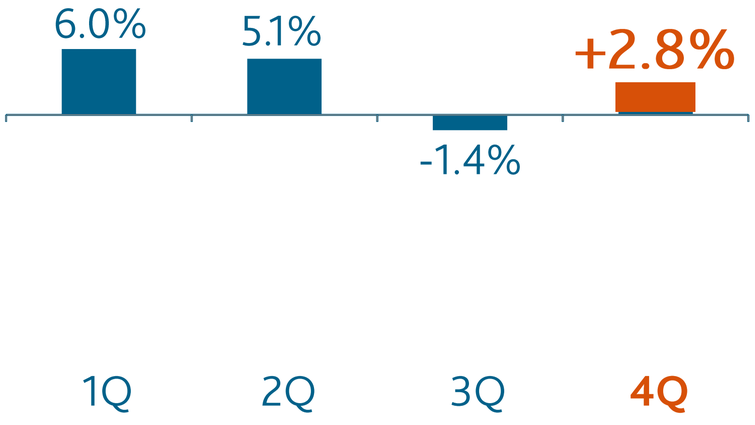
Growth in all reporting areas, highlighting the strength in Latam and North America and the recovery in Asia.

REVENUE 2018. Breakdown by geographical area [1] (€ million)

EUROPE AND ASIA

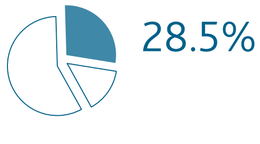
56.9%



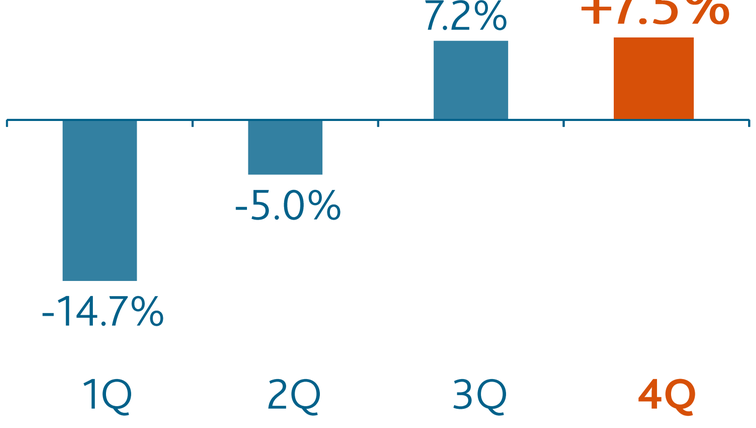


NORTH AMERICA

28.5%





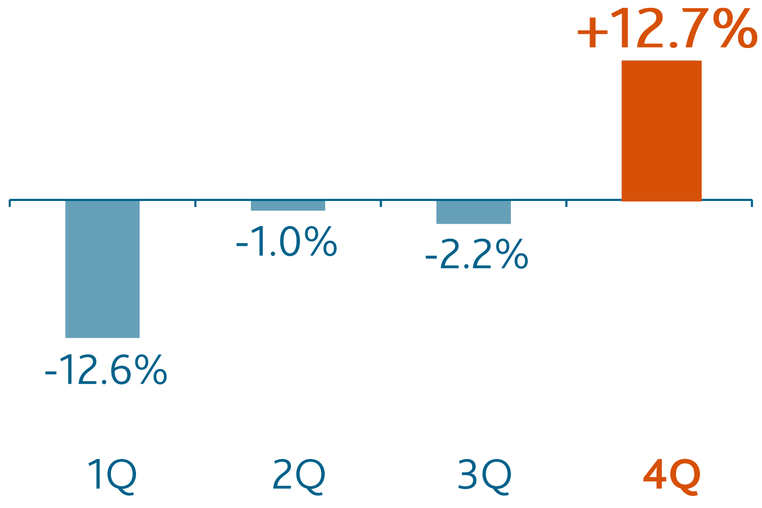


LATAM

14.6%



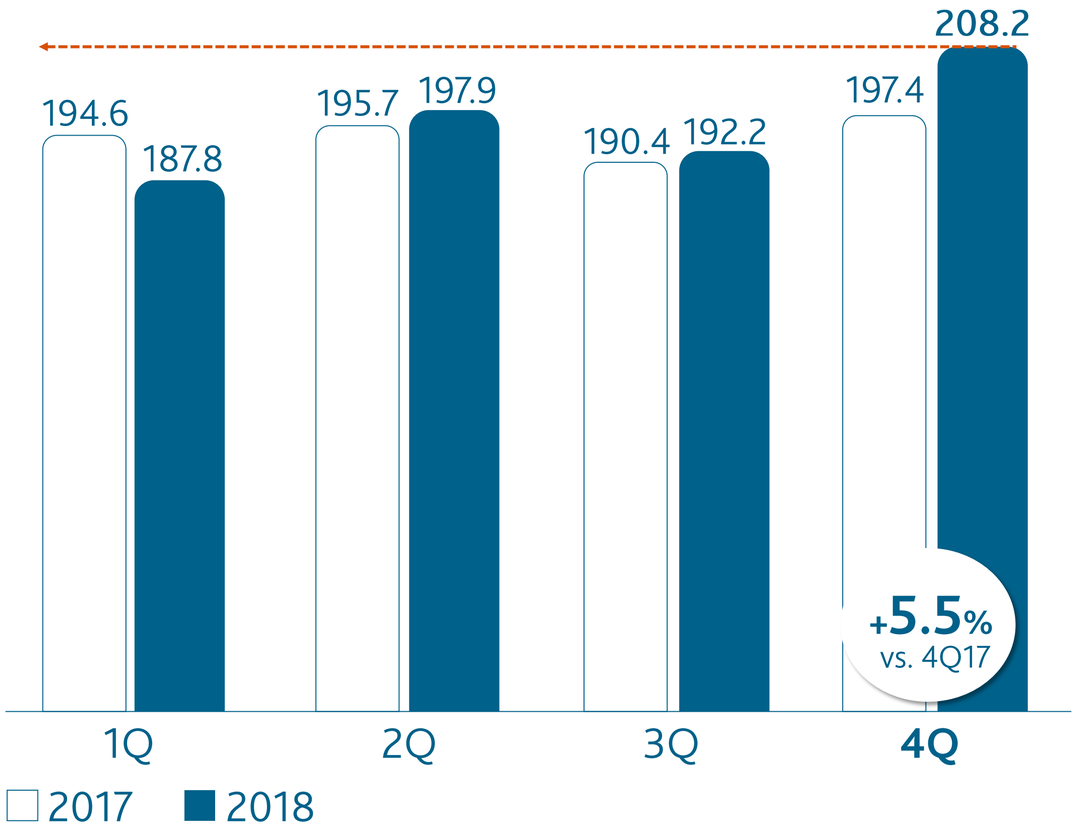




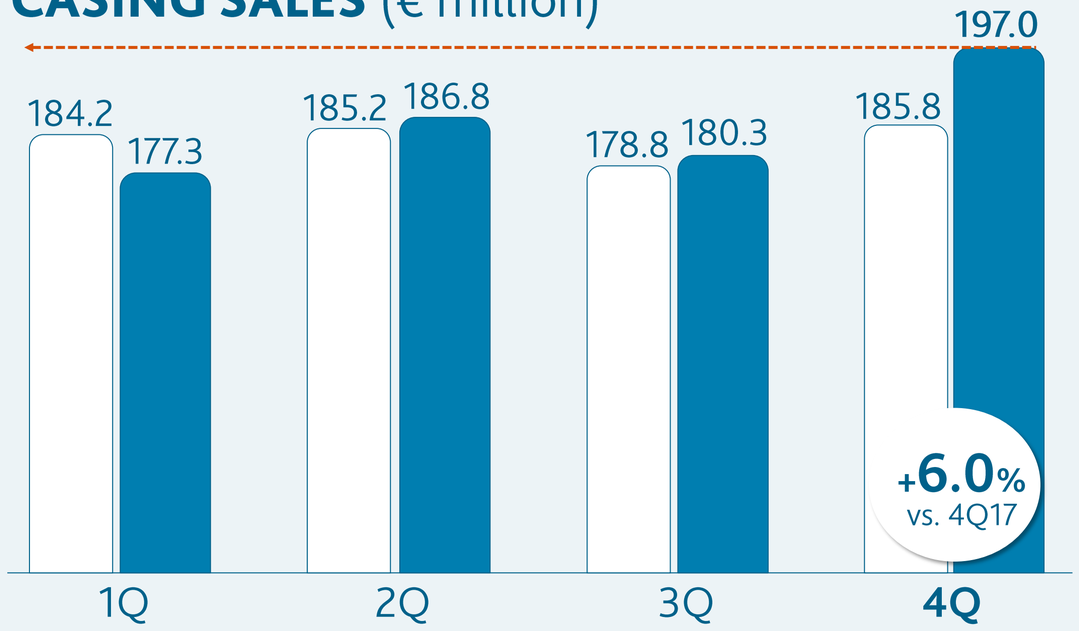
[1] Revenue per origin of sales.

New all-time high in quarterly revenue driven by volume growth and the price/mix improvement.

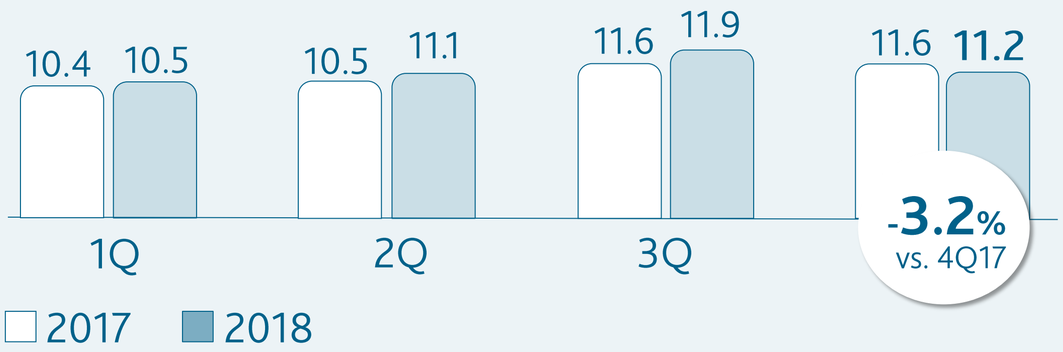
REVENUE. Viscofan Group (€ million)



CASING SALES (€ million)

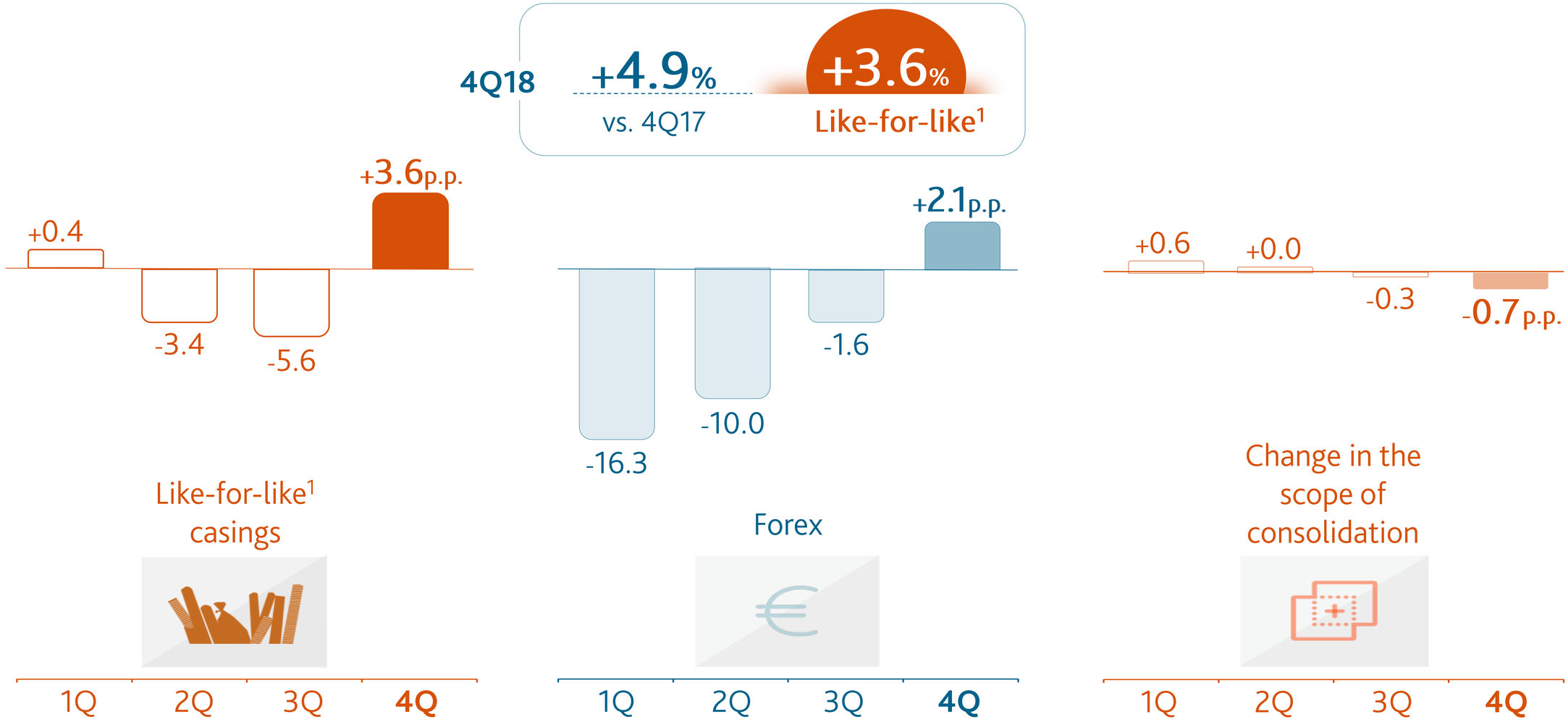


CO-GENERATION REVENUE (€ million)



Commercial discipline strategy and cost control together with the improvement of the currency environment contribute to the trend change in Q4

Recurring EBITDA. Quarterly growth contribution



[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon, Transform Pack and Globus) and non-recurring impacts.

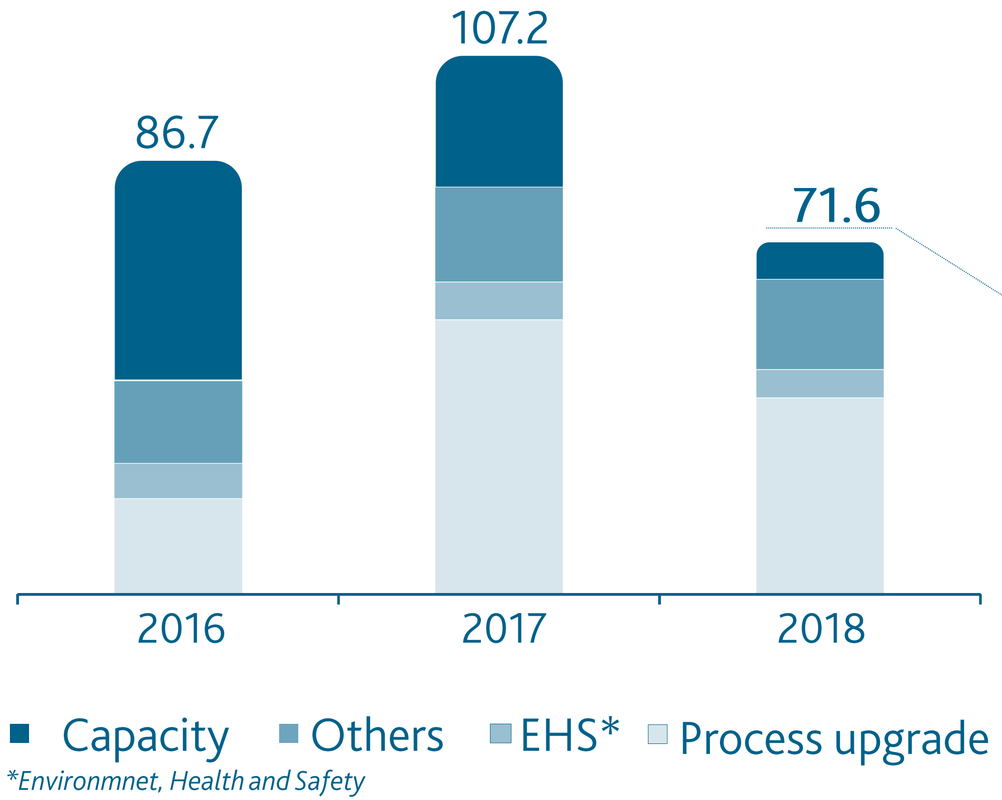
4Q18. Main financial figures:

€ Million	4Q18	% y-o-y	% y-o-y Like-for-like [1]
Revenue	208.2	+5.5%	+3.6% ✓
Recurring EBITDA	50.3	+4.9%	+3.6% ✓
Recurring EBITDA margin	*24.2%*	*-0.1 p.p.*	*0.0 p.p.* ✓
EBITDA	54.8	+18.2%	
EBITDA margin	*26.3%*	*+2.8 p.p.*	
Operating profit	38.8	+20.8%	
Net profit	35.0	+17.5%	

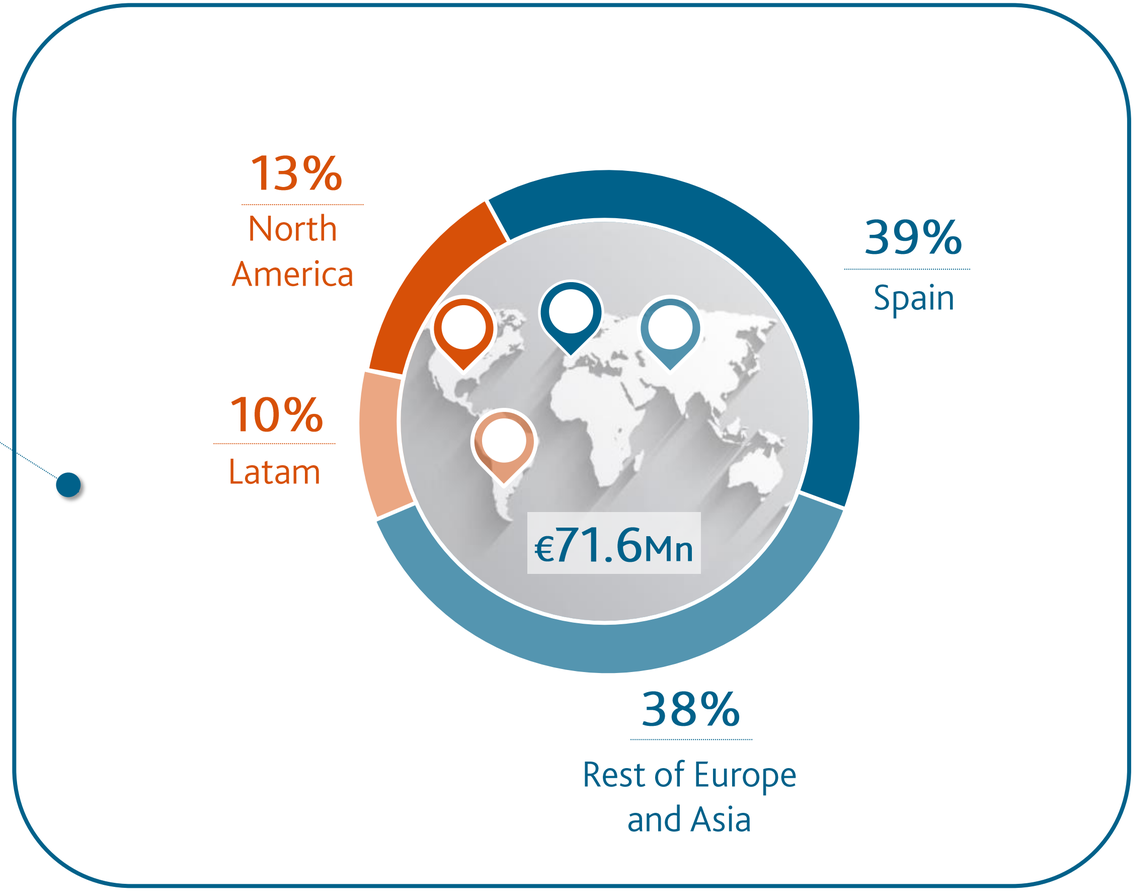
[1] Like-for-like: For comparative purposes, like-for-like growth excludes the impact of the different exchange rates, the change in the scope of consolidation (Supralon, Transform Pack and Globus) and non-recurring impacts.

In a year of intense operational activity, with investments aimed at taking advantage of the current context and improving the long-term competitive position …

CAPEX 2016-2018. Breakdown by type (€ Million)



*Environmnet, Health and Safety

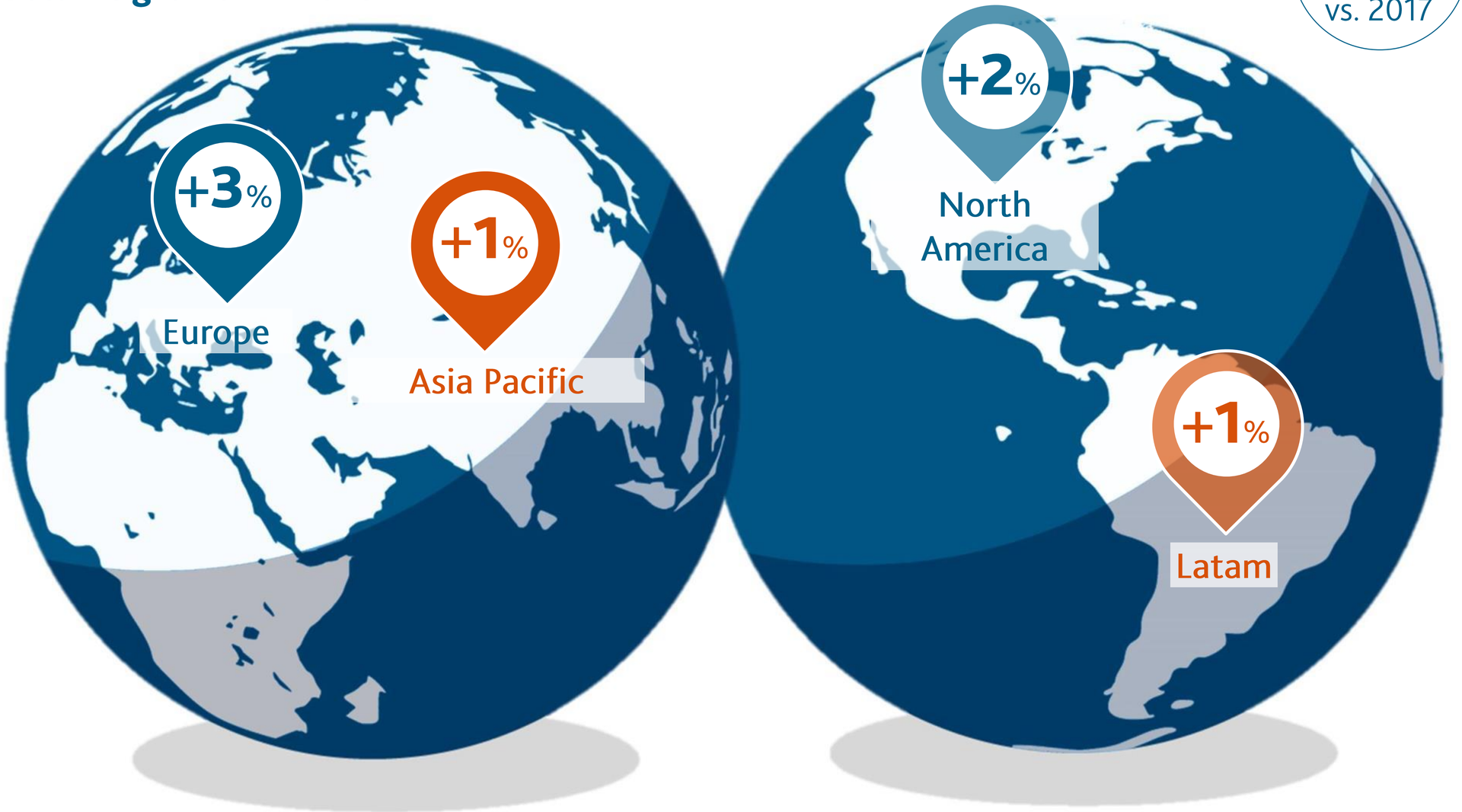


Projects and outlook 2019

MORE TO BE. A growing market.

Customised casings market. Volume growth in 2018*

+2% vs. 2017



* Million of meter. Internal market intelligence

MORE TO BE. Strong fundamentals for the long-term growth.



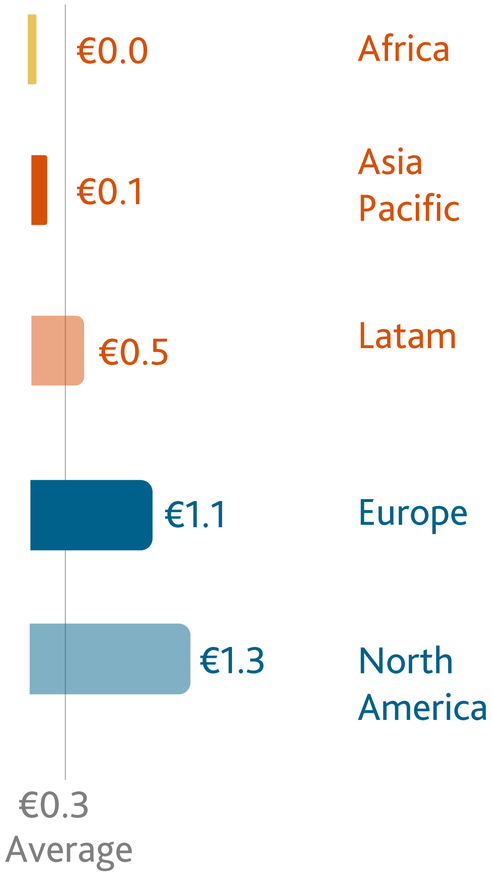
	Customized casings market *	Population%	Meat consumption	Customized casings
North America	~ €630Mn			
Europe	~ €800Mn			
Asia Pacific	~ €525Mn			
Latam	~ €250Mn			
Africa	~ €50Mn			

* Internal market intelligence

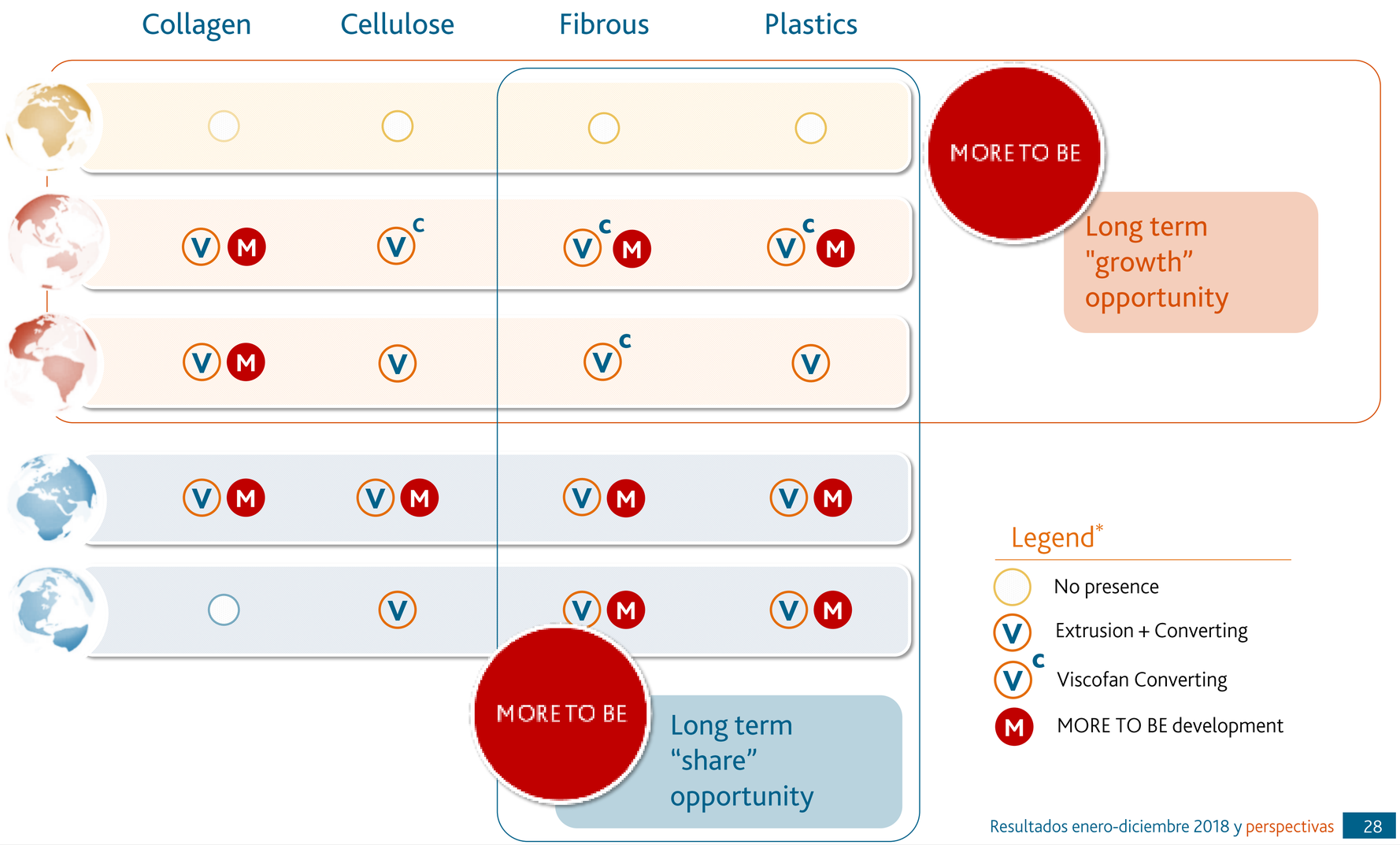
MORE TO BE: Viscofan is the company with better exposure to organic growth opportunities.

Growth opportunities

Expense on customised casings per capita/year (€)

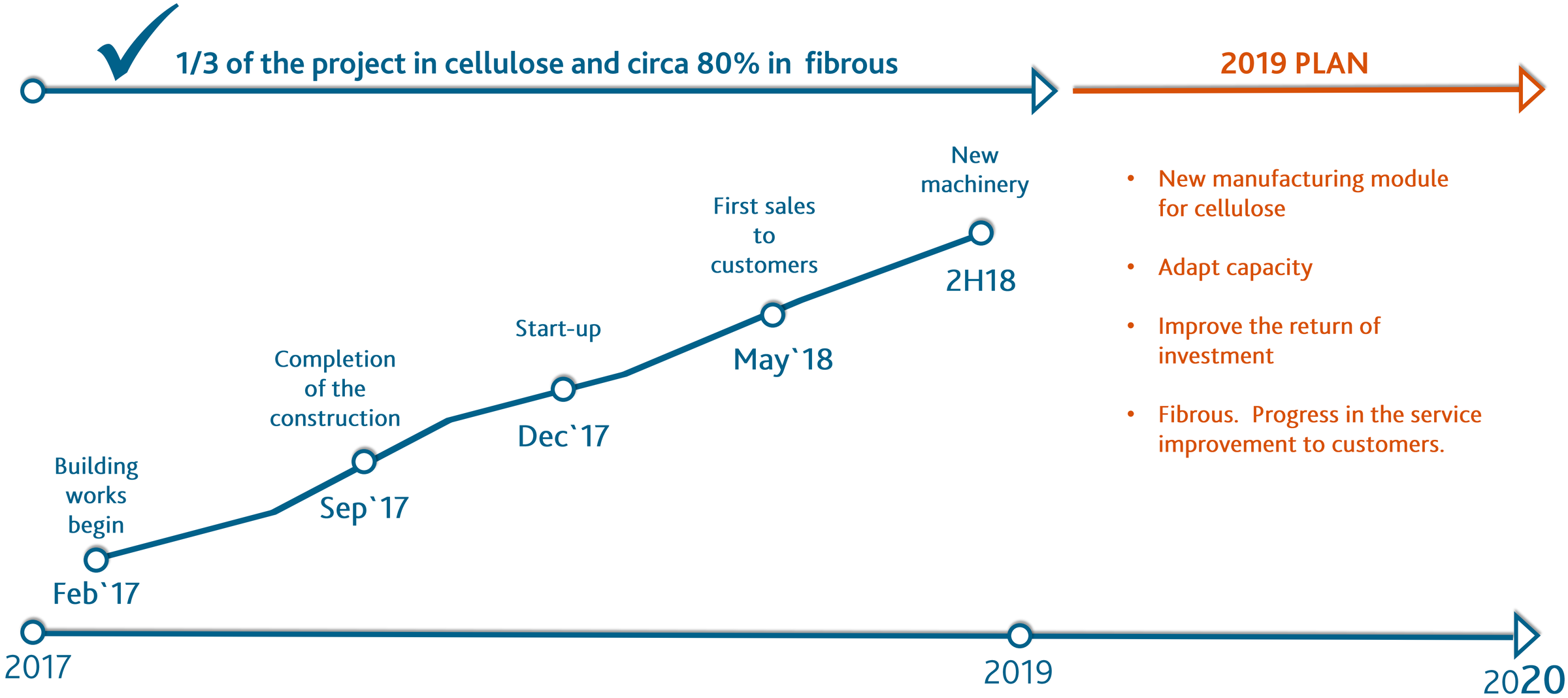


Viscofan´s footprint. Available capacity



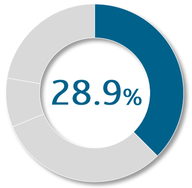
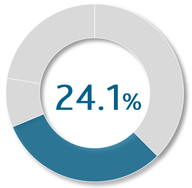
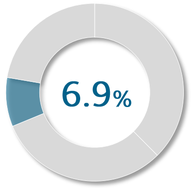
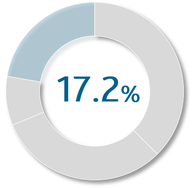
MORE TO BE: The new technology in Cáseda is a drive up in service and cost.

NEW CÁSEDA PLANT



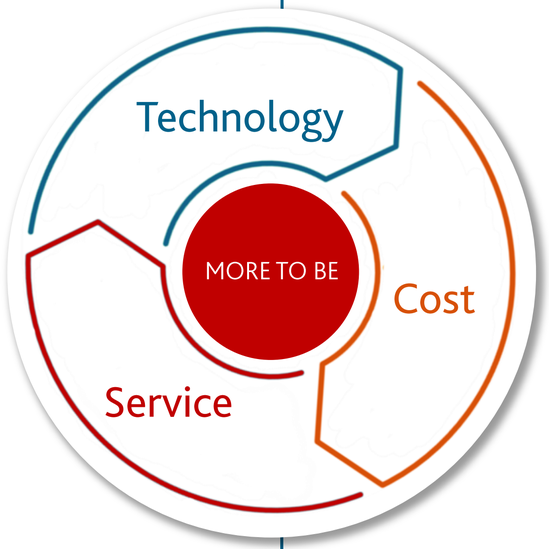
- New manufacturing module for cellulose
- Adapt capacity
- Improve the return of investment
- Fibrous. Progress in the service improvement to customers.

MORE TO BE. A more demanding environment in costs.

2018. COSTS ON REVENUE		CHANGE 2015-2018	PROJECTS AND EXPECTATIONS
Cost of consumption		+1.5 p.p. *2018 vs. 2015*	Raw materials inflation (Glycerol and Caustic soda in 2018) Start-up and learning curve (New technology in Cáseda)	2020. New technology in Cáseda project 100% completed. Savings Suppliers diversification
Personnel costs		+2.7 p.p. *2018 vs. 2015*	Workforce increase driven by new operations and acquisitions (+10% vs. 2015)	2020. New technology in Cáseda project 100% completed. Savings 2019 →Less staff hiring needs
Energy costs (opex)		-0.2 p.p. *2018 vs. 2015*	Favourable energy environment except in 2018	Search for more efficient energy solutions.
Other operating costs		+1.0 p.p. *2018 vs. 2015*	Additional plant costs due to the new technology	Brand-new industrial base implies lower maintenance Cost control projects

MORE TO BE. Main projects in 2019.

Europe, Asia Pacific





New technology development for large caliber in **Serbia**

Increase collagen capacity in **Spain**

Improve capacity in **Belgium**

Industry 4.0 projects in **the Czech Republic and Spain**



Increase productivity in **China**

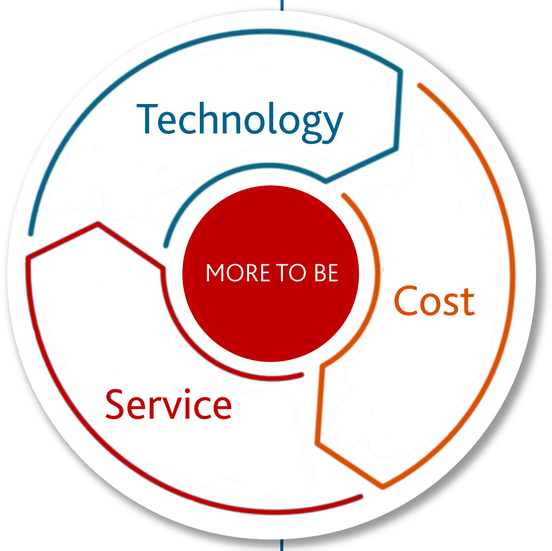
Globus integration

Legend*

- Service
- Technology
- Cost

MORE TO BE. Main projects in 2019.

North America and Latam





Orientation of the fibrous production to the **US market**

Improve production design. **Transform Pack (STT)**

Increase production capacity in **added value products**



Increase speed in **collagen**

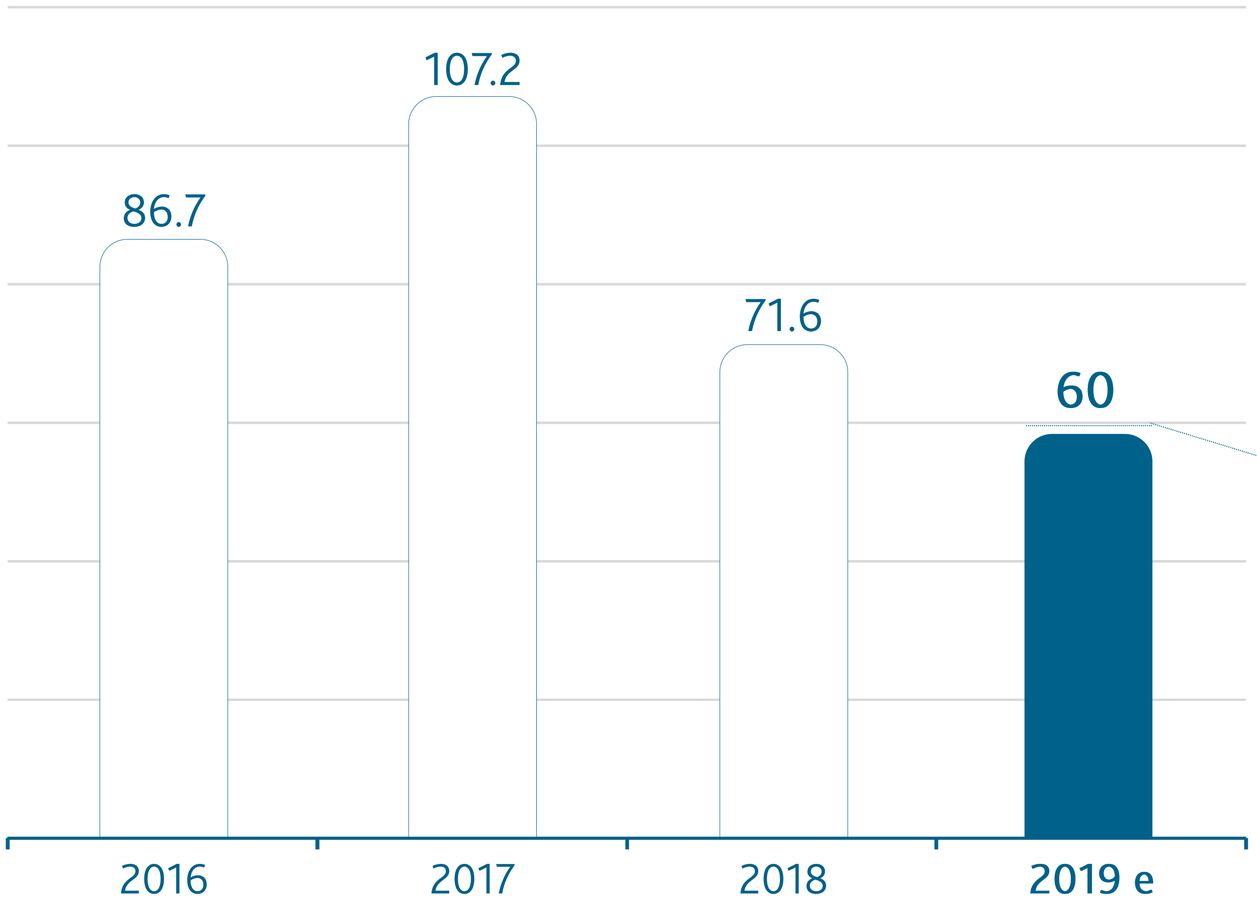
Increase converting capacity in **Brazil**

Legend*

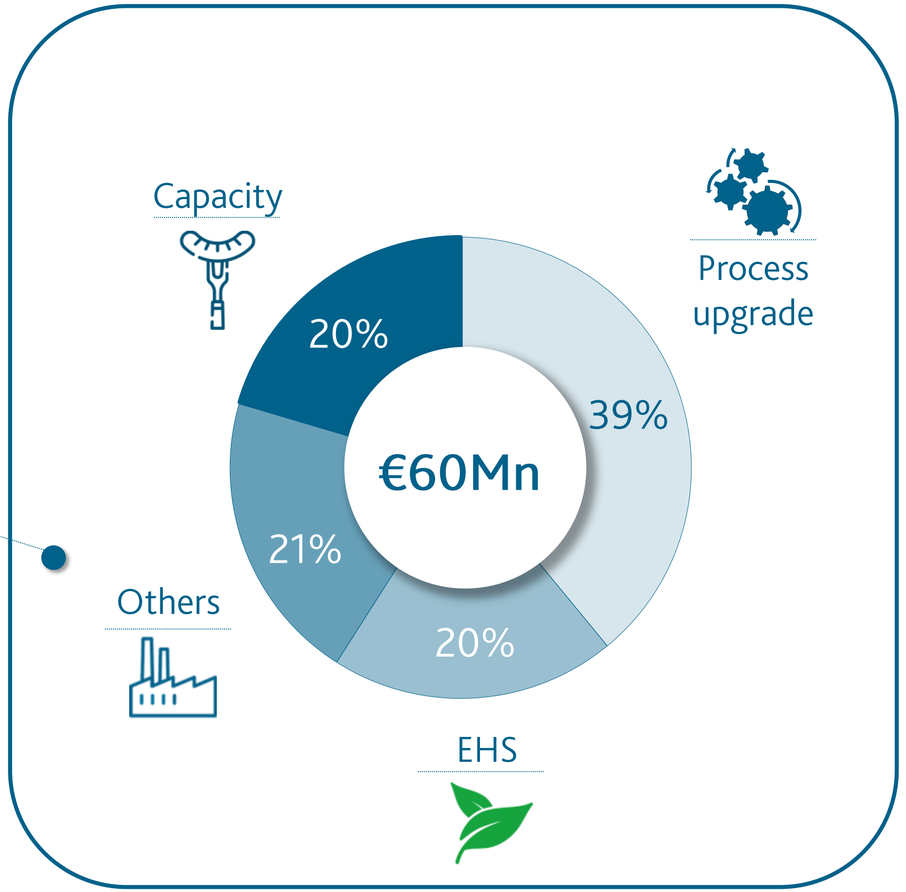
- Service
- Technology
- Cost

MORE TO BE. Lower investment requirements but with projects to take the most of the market growth.

CAPEX 2016-2019e. (€ Million)

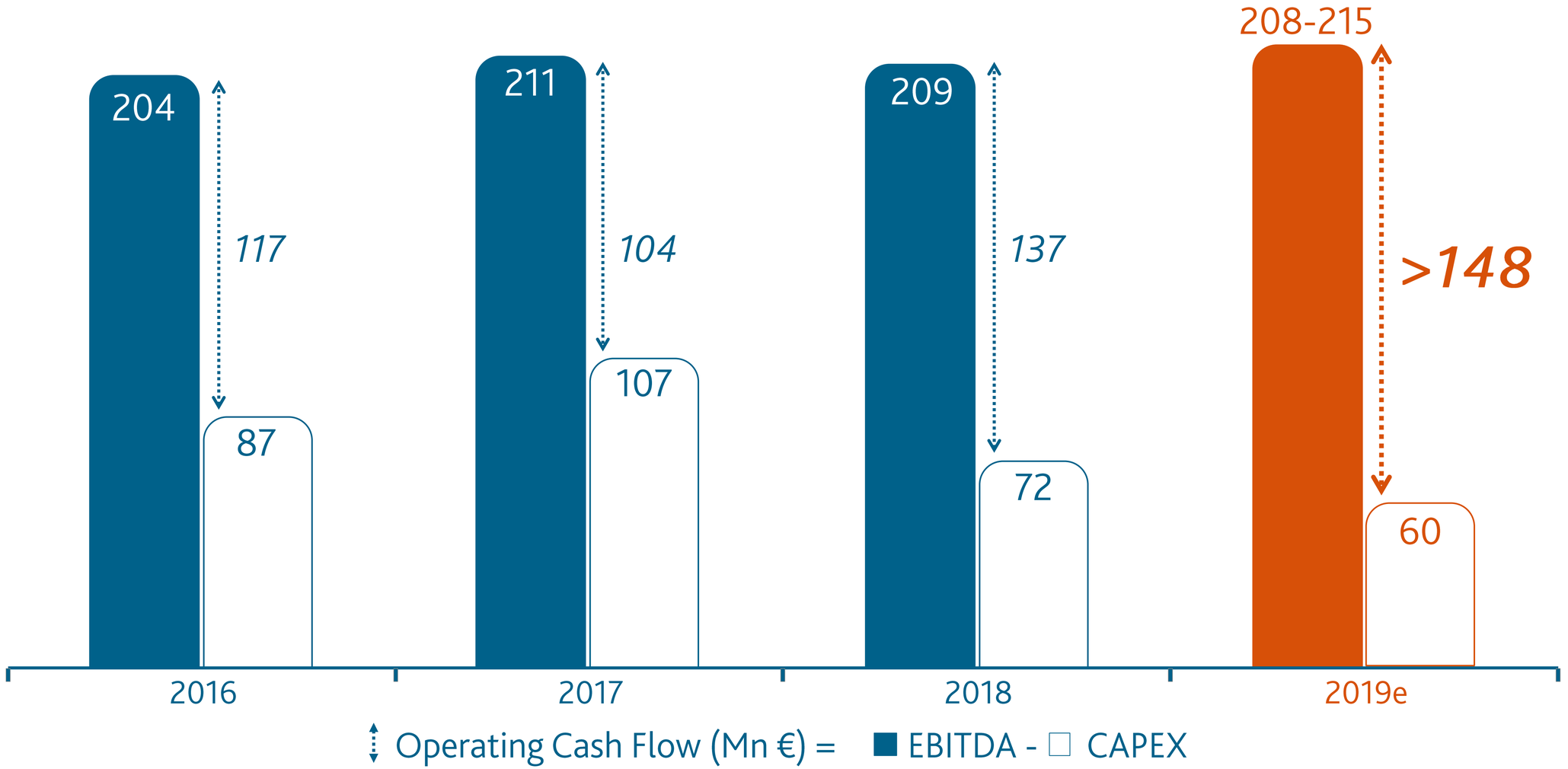


CAPEX 2019e. Breakdown by type



MORE TO BE. A period characterized by cash flow expansion.

OPERATING CASH FLOW (€ Million)



MORE TO BE: An experienced team for the transformation that will change the industry.

Viscofan
The casing company

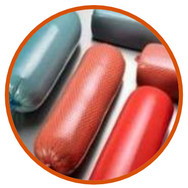
1º
The global casings leader











Cutting edge technology

Financial strength

33 % Market share

>12,000 Sold references

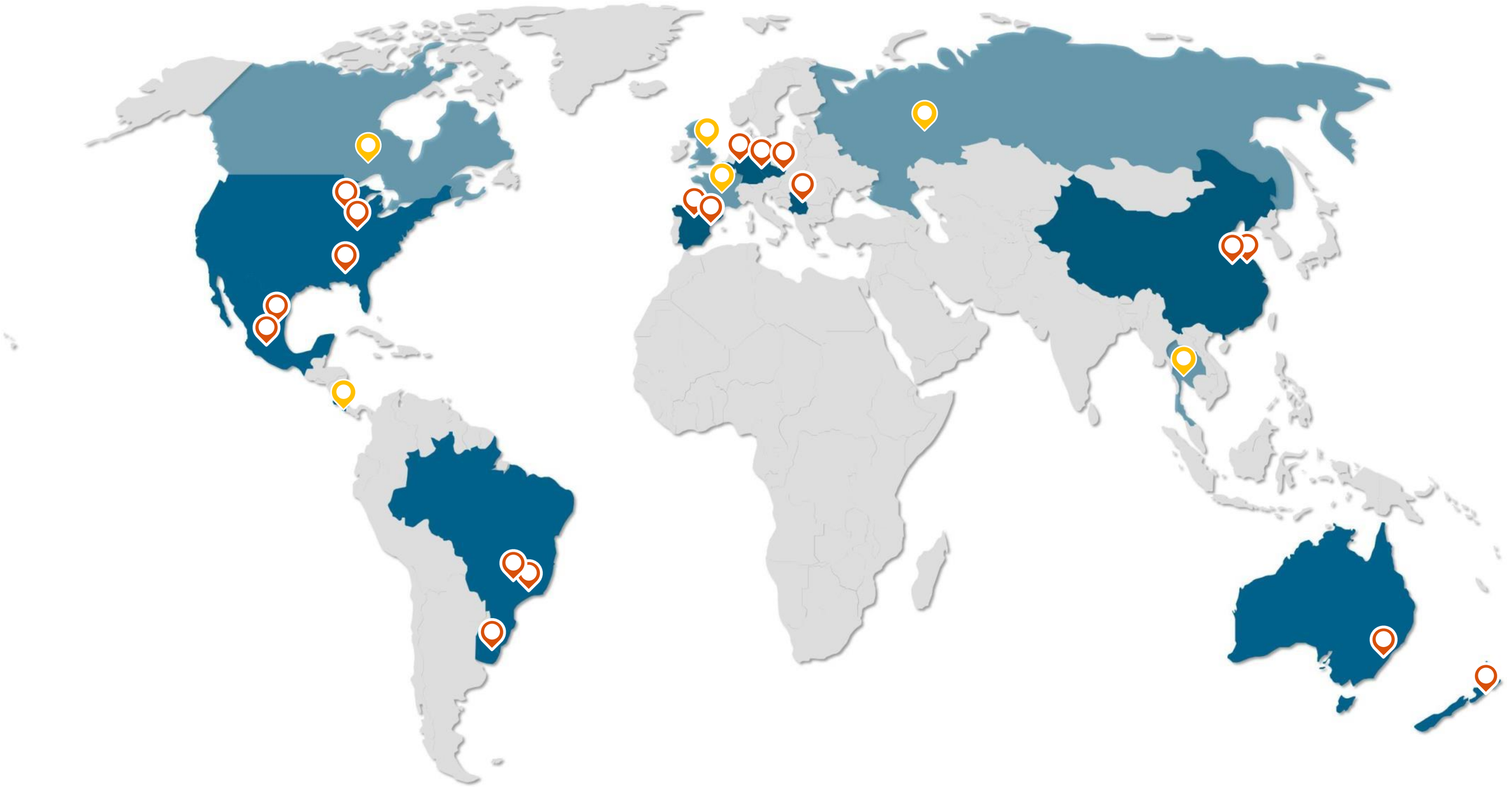
4,752 people

Unique team in the industry

4 continents
18 countries



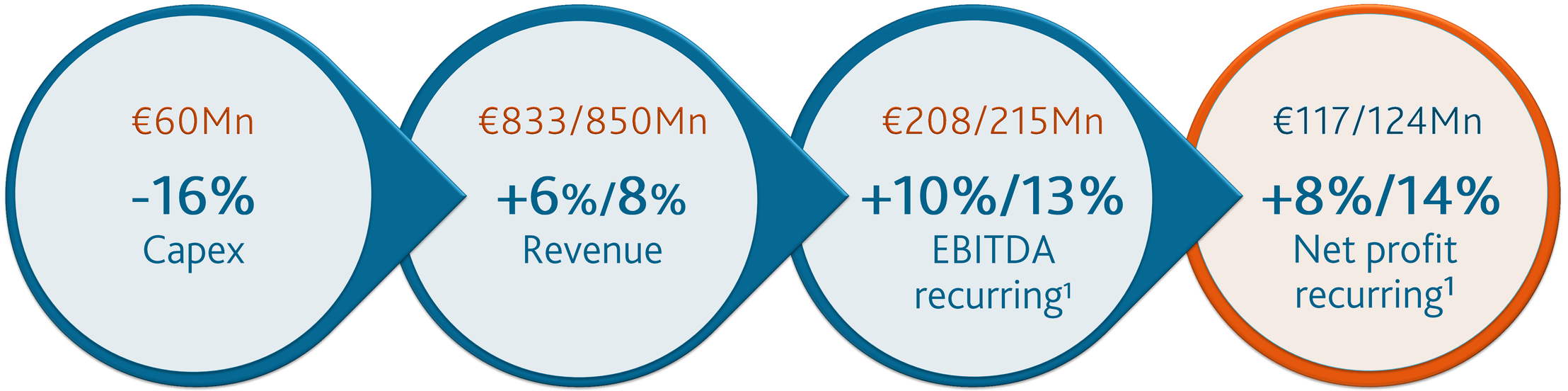
MORE TO BE: Unique footprint to grow and optimize our operations.



Production plant Commercial office

GUIDANCE 2019 (€ million)

US$/€: 1.13



[1] Recurring results: In 2018, the figure does not include the € 15.4 million impact recorded in Other Operating Income corresponding to the conclusion of the lawsuit against Mivisa Envases S.A. €5.5 million of negative goodwill recorded with the acquisition of the Globus companies, net of € 1.8 million recorded in Other operating expenses related to consultancies and lawyers for said litigation and the acquisition of companies.

To wrap-up

- ✓Within the current strategy plan, Viscofan is carring out a deep transformation while fulfilling main operational milestones.
- ✓Viscofan is going beyond in geographical and technological terms thanks to Transform Pack Inc, and Globus companies acquisitions.
- ✓**Reinforcing market leadership combining volumes and commercial discipline.**
- ✓The forex environment and the weak third quarter eroded results for the full year; nevertheless, the Group has resumed the normal growth pace in the fourth quarter.
- ✓High investment requirements in the first phase of the strategy plan together with record levels of shareholder remuneration at €1.73 per share, while maintaining a solid Balance Sheet.
- ✓**Market growth prospects remain solid in the medium and long term**, the second phase of the strategy plan starts with lower investment requirements and with **expected growth in Revenue, recurring EBITDA and Net Profit for 2019.**

Appendix. Alternative Performance Measures

The Alternative Performance Measures included in this report are as follows:

- The EBITDA, or operating profit before depreciation and amortisation, is calculated excluding depreciation and amortisation costs from the operating profit. The EBITDA is a measure that is commonly reported and widespread among analysts, investors and other stakeholders in the casing industry. The Viscofan Group uses this measure to monitor the business' development and to establish operational and strategic objectives in Group companies. However, it is not a defined indicator in IFRS and, therefore, it may not be compared with other similar indicators employed by other companies in their reports.

- Cost of consumption: This is calculated as the net amount of supplies plus the change in finished and unfinished products. Management monitors cost of consumption as one of the main cost components for Viscofan. The weight of net revenue for this cost component on revenue or gross margin is also analysed to study the operating margin's development. However, it is not a defined indicator in IFRS and cost of consumption must not be considered a substitute for the different items in the profit and loss account that comprise them. Furthermore, it may not be compared with other similar indicators employed by other companies in their reports.

- Net bank debt: This is calculated as non-current borrowings plus current borrowings netted from cash and cash equivalents. Management considers net bank debt to be relevant to shareholders and other stakeholders as it provides an analysis of the Group's solvency. However, net bank debt should not be considered a substitute for gross bank debt in the consolidated balance sheet, nor other liability or asset items that may affect the Group's solvency.

- Like-for-like revenue and EBITDA: This measure excludes the impact of exchange rate variations on the comparable previous period, the effect of the change in the consolidation scope, and the non-recurring impacts of the business in order to present a homogeneous comparison of the Viscofan Group's development. However, like-for-like revenue and EBITDA are not defined indicators in IFRS and, therefore, they may not be compared with other similar indicators employed by other companies in their reports, nor may they be considered a substitute for the business development indicators defined in IFRS.

Appendix. Disclaimer

This document may include statements about intentions, expectations or forecasts of the Company additional to the mandatory financial reporting whose sole purpose is to provide information more accurately about the perspectives of future behaviours.

Such intentions, expectations or forecasts do not constitute any guaranties of compliance and involve risks, uncertainties and other relevant factors that could cause actual developments and results to differ materially from those states in such forward-looking statements.

This circumstance must be taken into account mainly for all persons or entities that may have to take decision, develop or spread opinions relative to values issued by the Company and particularly by analysts and investors that handle this document.

The financial statements contained in this document have been prepared under International Financial Reporting Standards (IFRS). This financial statements has not been audited and consequently is susceptible to potential future modifications.