Viscofan
The casing company

January-December 2020
Results

25 February 2021



1 *Main challenges and implemented projects*

2 *2020 results*

3 *Initiatives and 2021 outlook*

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).

1 *Main challenges and projects*

2 *2020 results*

3 *Planned Initiatives and 2021 outlook*

Thanks to all the Viscofan team…



Management priorities during the COVID-19 pandemic



Guarantee the safety and well-being of out workers

Protection protocols, including sanitation measures, social distance, mandatory use of face masks, higher cleaning and disinfection works, teleworking and increased communication.



Ensure supply to customers

Production and logistics activity has been increased and strengthened to guarantee global supply to all our customers.



Limit the spread of COVID-19 and its effects

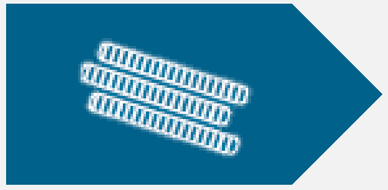
Protective material provided to the people that is fighting in the first line, donations for food and medical equipment acquisition for to the most disadvantaged in this crisis. Awareness campaigns.

Improving the leadership thanks to a unique proposition in the industry



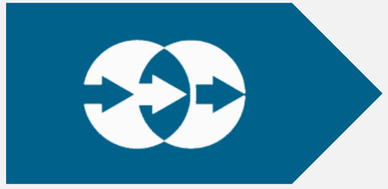
Global footprint & Customer proximity

22 production plants in 14 countries
Sales in more than 100 countries



Broad and diversified product portfolio

The only one with the 4 main technologies
More than 14,000 references sold in 2020



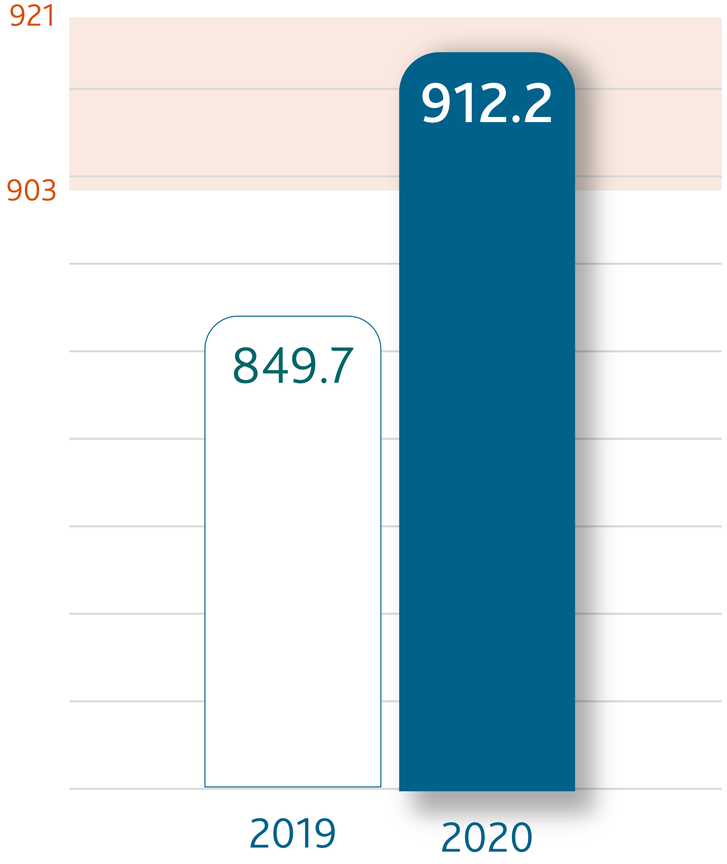
Increased capacity in a renovated industrial base

Greater service level increasing the production output
High efficiencies achieved in plants
The new Cáseda technology in cellulose and fibrous boost efficiencies.

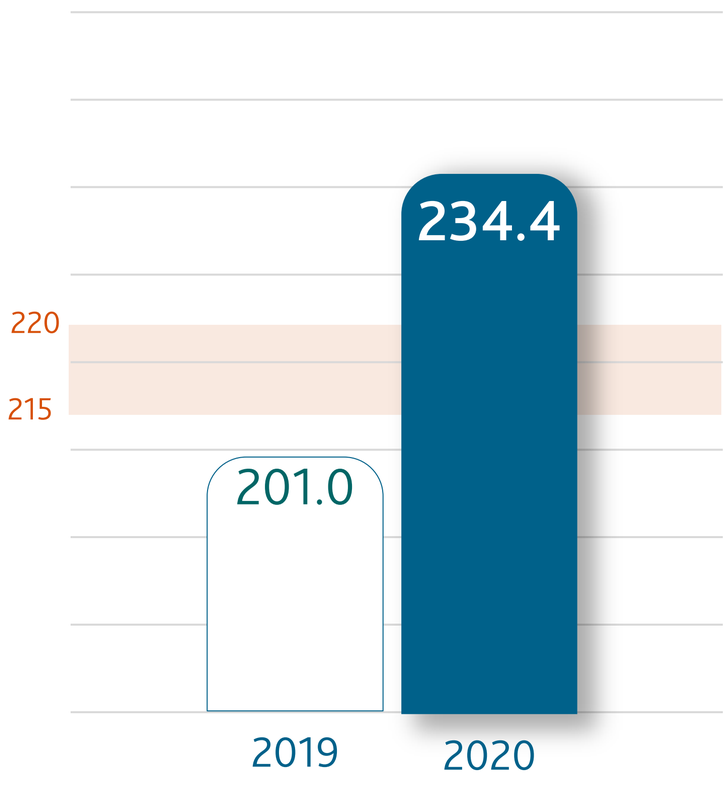
MORE TO BE. Meeting objectives

REPORTED FIGURES vs. GUIDANCE (€ million)

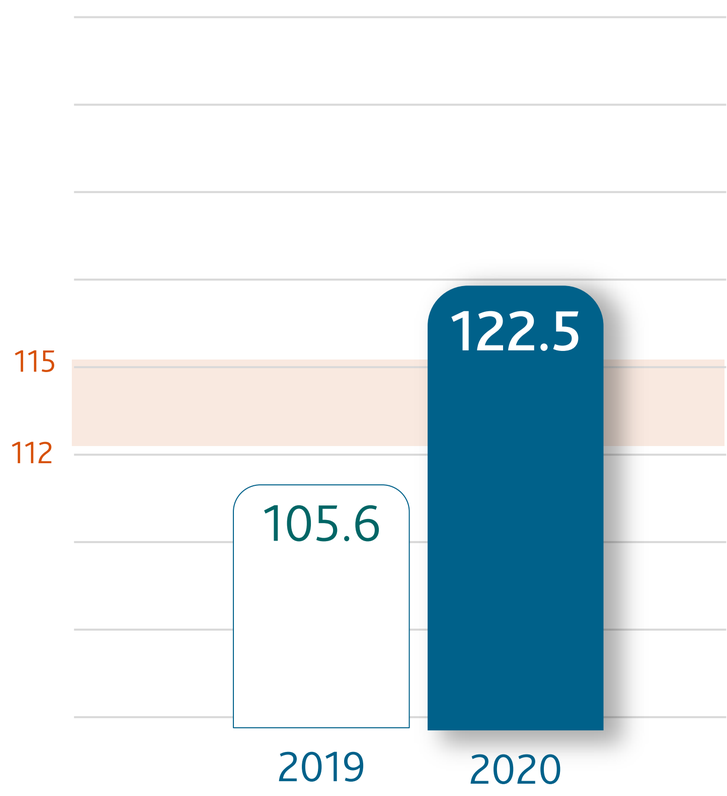
Revenue



EBITDA



Net profit

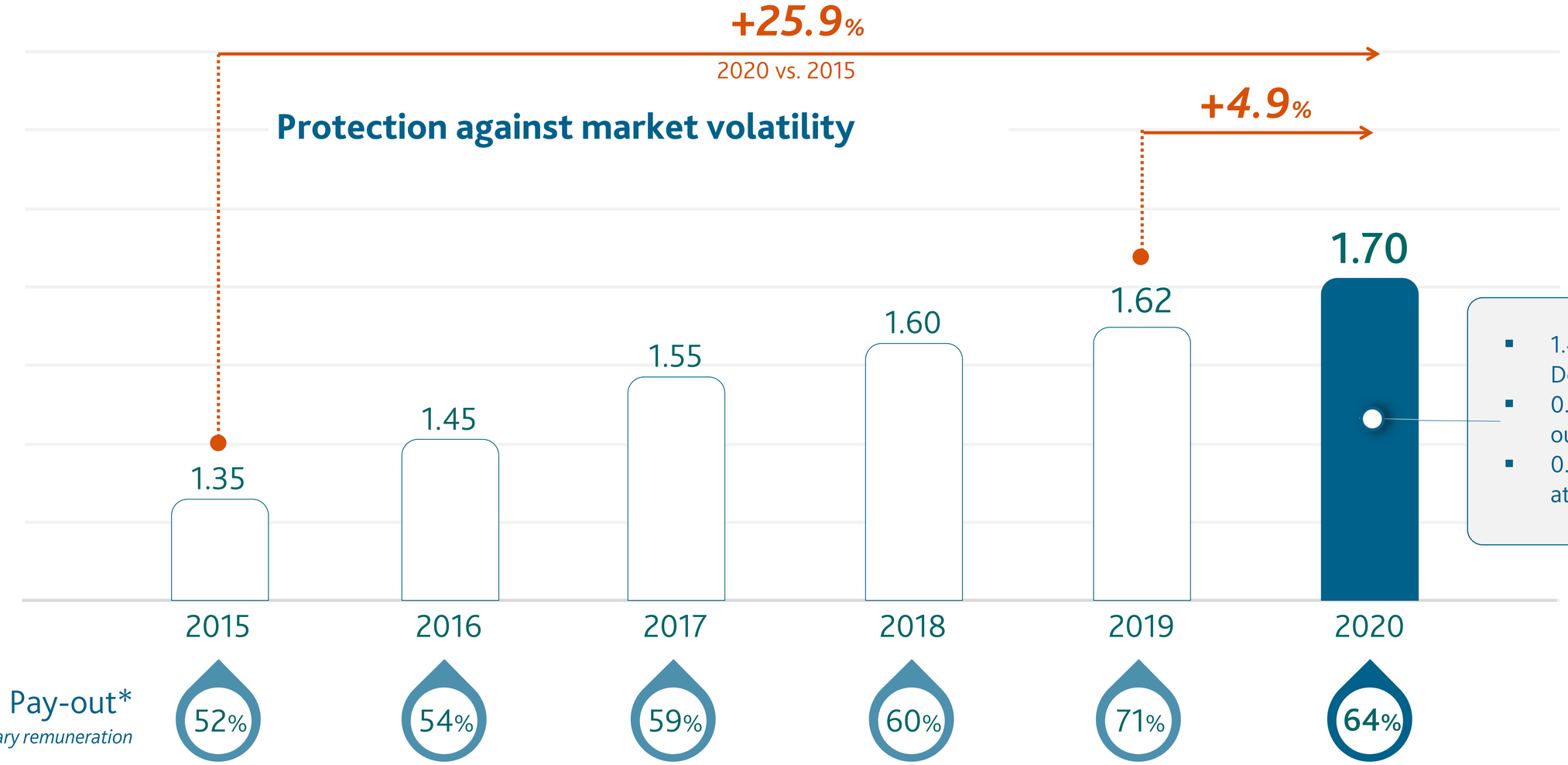


US$/€ = 1.14 vs. 1.13

BRL/€ = 5.89 vs. 4.50

MORE TO BE. Increasing shareholder remuneration

ORDINARY REMUNERATION PER SHARE (€)



- 1.40 €/share paid on 22 December 2020
- 0.29 €/share to be paid out on 3 June 2021
- 0.01 €/share. AGM attendance premium

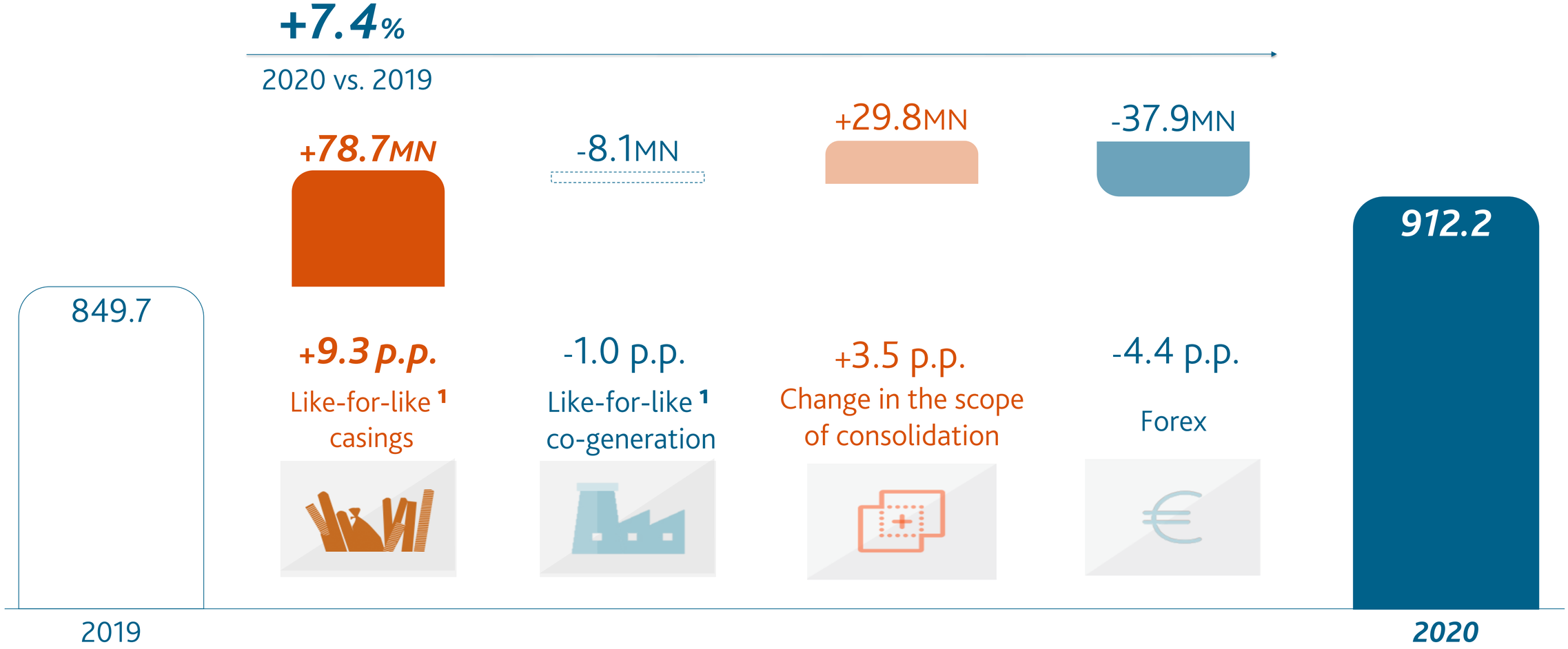
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All-time high in revenue driven by volume growth, price/mix and Nitta contribution against forex headwind

REVENUE 2020FY. Growth contribution (€ million)



[1] Like-for-like: Comparable growth excludes the impact of the variation of the different exchange rates in 2020, changes in the scope of consolidation and non-recurring results of the business.

Growth in all reporting areas

REVENUE 2020FY. Breakdown by geographical area[1] (€ million)

GROUP

+7.4% vs. 2019

+8.3% Like-for-like[2]

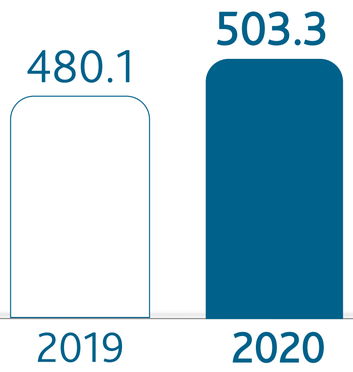
EUROPE AND ASICA PACIFIC

55.2%



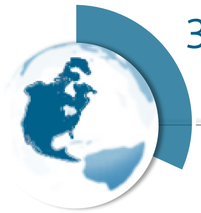
+4.8% vs. 2019

+5.7% Like-for-like[2]



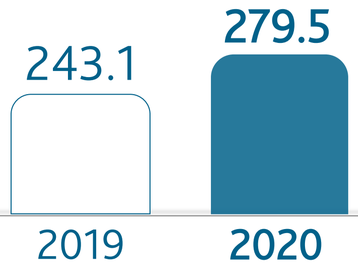
NORTH AMERICA

30.6%



+15.0% vs. 2019

+4.9% Like-for-like[2]



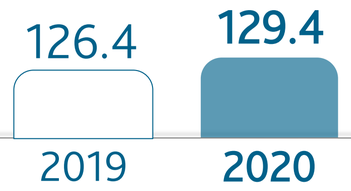
LATAM

14.2%



+2.3% vs. 2019

+24.8% Like-for-like[2]



[1] Revenue per origin of sales.

[2] Like-for-like: Excludes the impact of the different exchange rates in 2020, the change in the scope of consolidation and non-recurring impacts.

Acceleration in China, Rest of Asia and North America in the fourth quarter

REVENUE 4Q20. Breakdown by geographical area[1] (€ million)

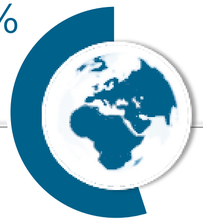
GROUP

+7.3% vs. 4Q19

+11.3% Like-for-like[2]

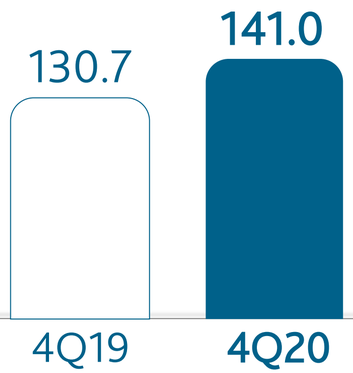
58.7%

EUROPE AND ASICA PACIFIC



+7.9% vs. 4Q19

+9.6% Like-for-like[2]



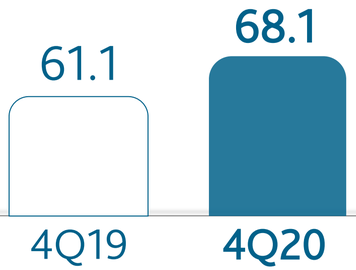
28.4%

NORTH AMERICA



+11.5% vs. 4Q19

+8.0% Like-for-like[2]



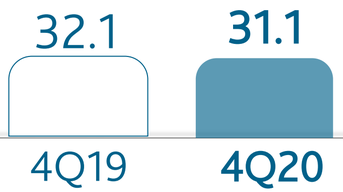
LATAM



13.0%

-2.9% vs. 4Q19

+24.2% Like-for-like[2]

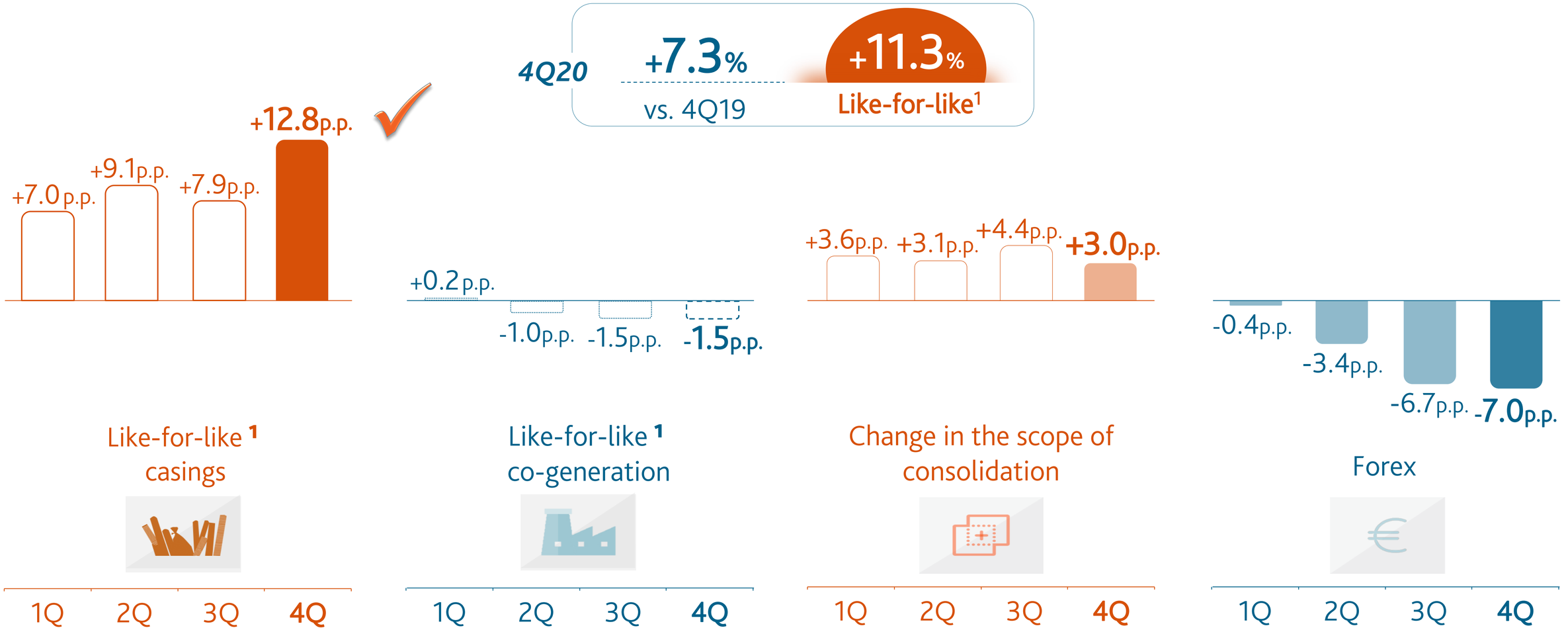


[1] Revenue per origin of sales.

[2] Like-for-like: Excludes the impact of the different exchange rates in 2020, the change in the scope of consolidation and non-recurring impacts.

Commercial discipline, volume acceleration driven by China, the rest of Asia and North America in a quarter with forex weakness

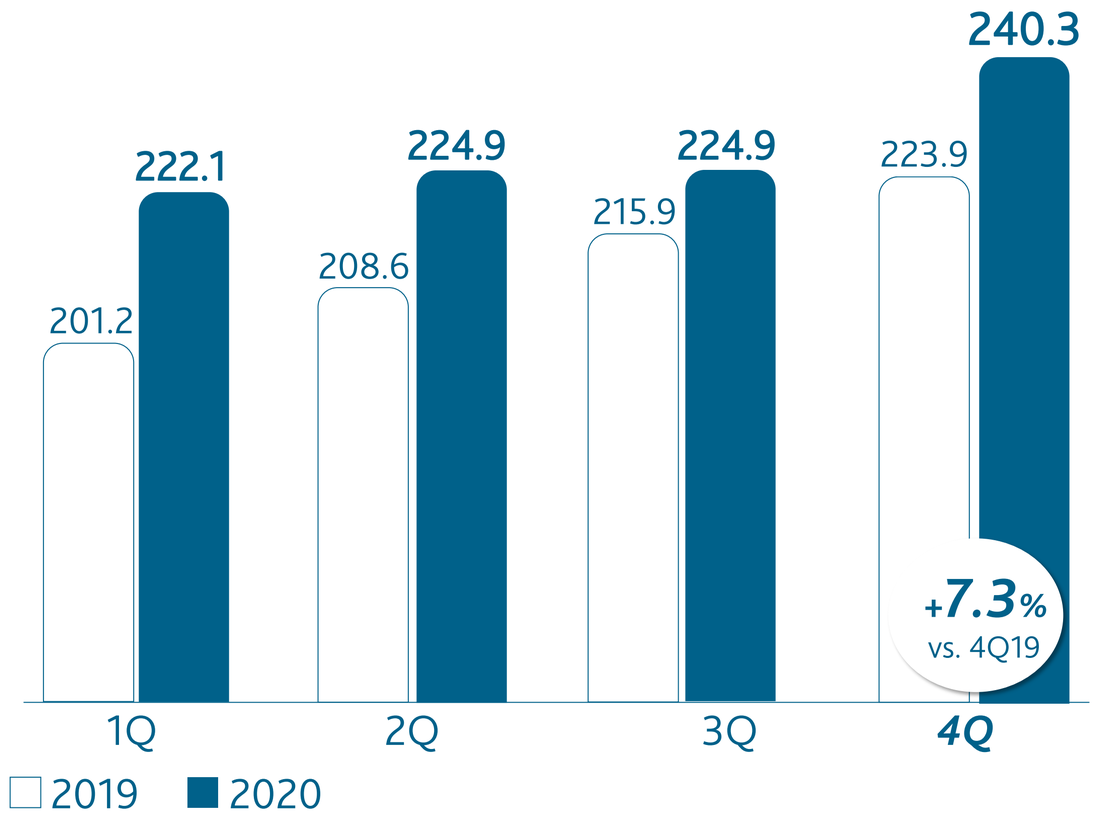
REVENUE. Quarterly growth contribution



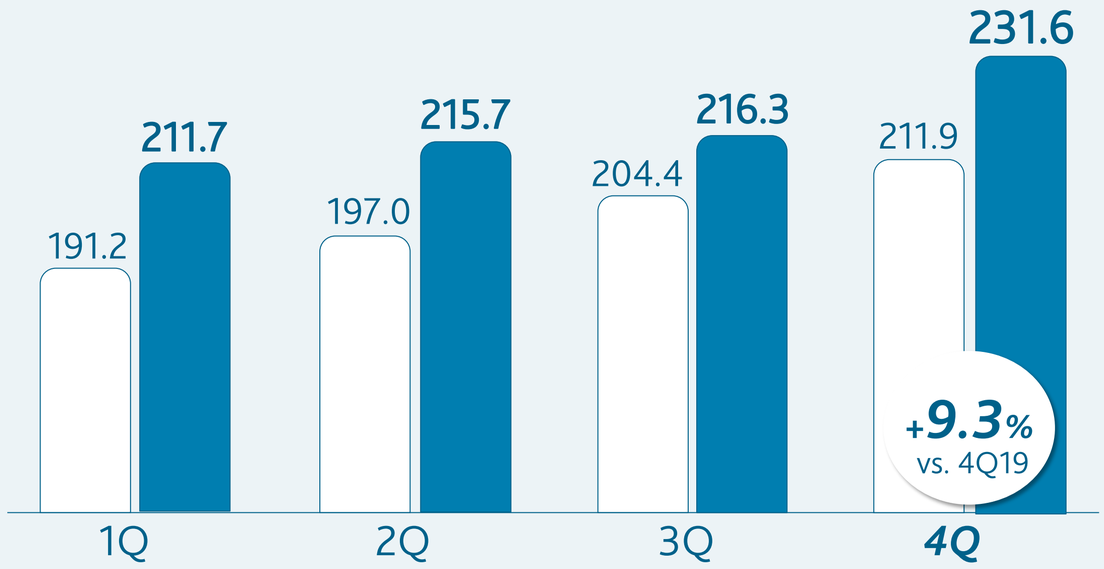
[1] Like-for-like: Comparable growth excludes the impact of the variation of the different exchange rates in 2020, changes in the scope of consolidation and non-recurring results of the business.

Casings sales growth leads to a new all-time high in quarterly revenue despite the decline in co-generation revenue

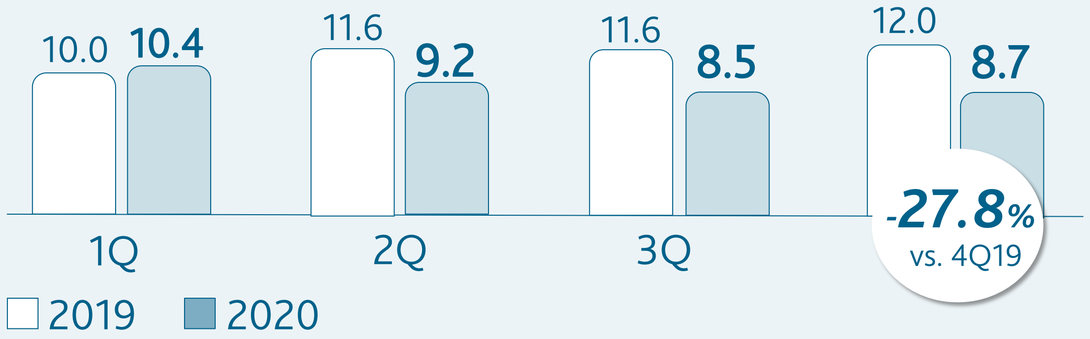
REVENUE. Viscofan Group (€ million)



CASINGS SALES (€ million)

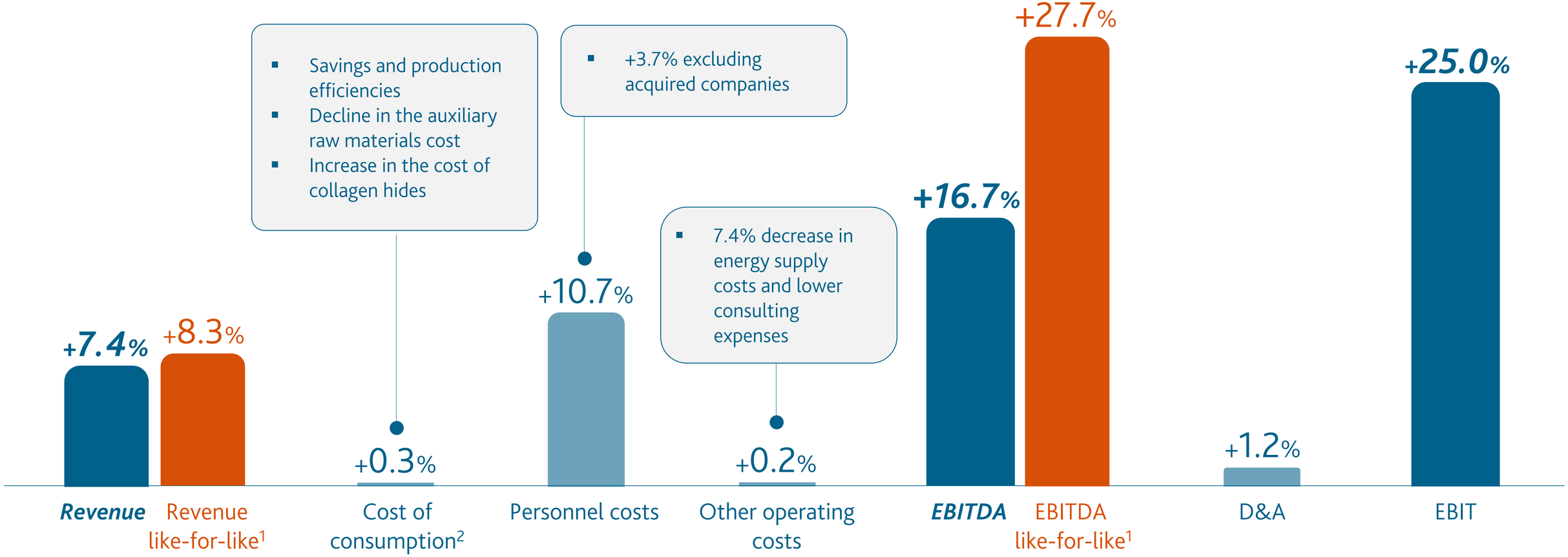


CO-GENERATION REVENUE (€ million)



Operating results are boosted by revenue growth, high capacity utilization, efficiencies and savings arising from the new technology

P&L 2020. Year-on-year change

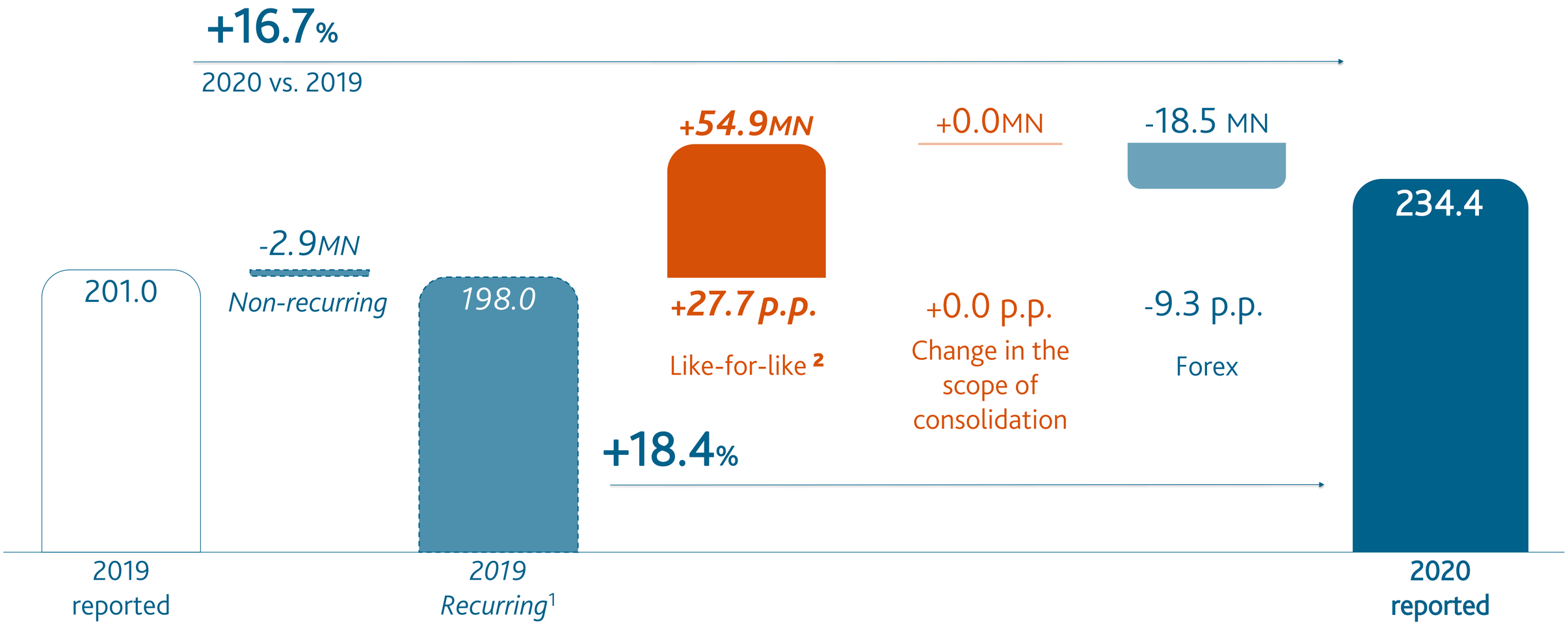


[1] Like-for-like: Comparable growth excludes the impact of the variation of the different exchange rates in 2020, changes in the scope of consolidation and non-recurring results of the business.

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

Double-digit growth in EBITDA despite forex headwind

EBITDA 2020. Growth contribution (€ million)

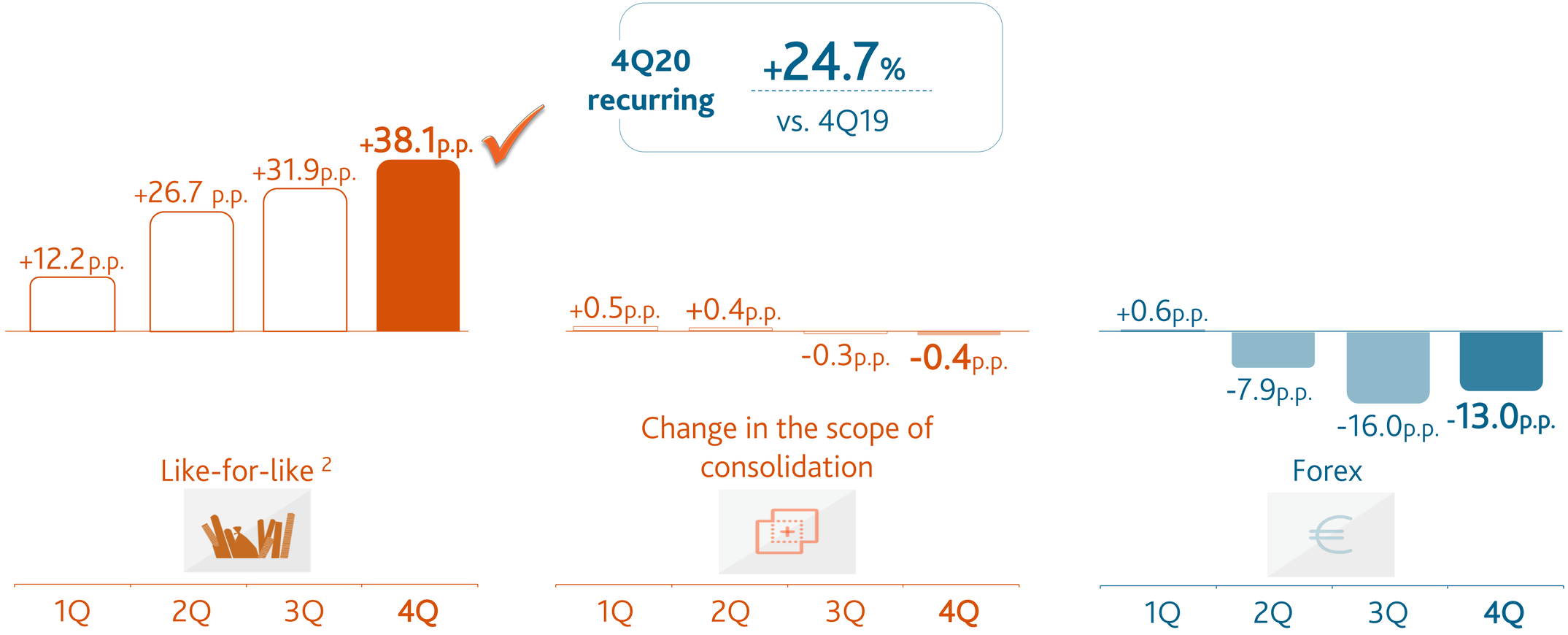


[1] Recurring results. Exclude non-recurring impacts in operating profit, +€2.9 million in 2019 arising from the business combination from the acquisition of Nitta Casings Inc. (USA) and Nitta Casings Canada Inc, legal and advisory expenses associated with the acquisition, the impairment of goodwill for Nanopack Technology & Packaging S.L. and the impact of the strike in the U.S.

[2] Like-for-like: Comparable growth excludes the impact of the variation of the different exchange rates in 2020, changes in the scope of consolidation and non-recurring results of the business.

Commercial discipline, improved price mix and higher volumes with market share gain allow to offset the strong forex erosion

Recurring[1] EBITDA. Quarterly growth contribution

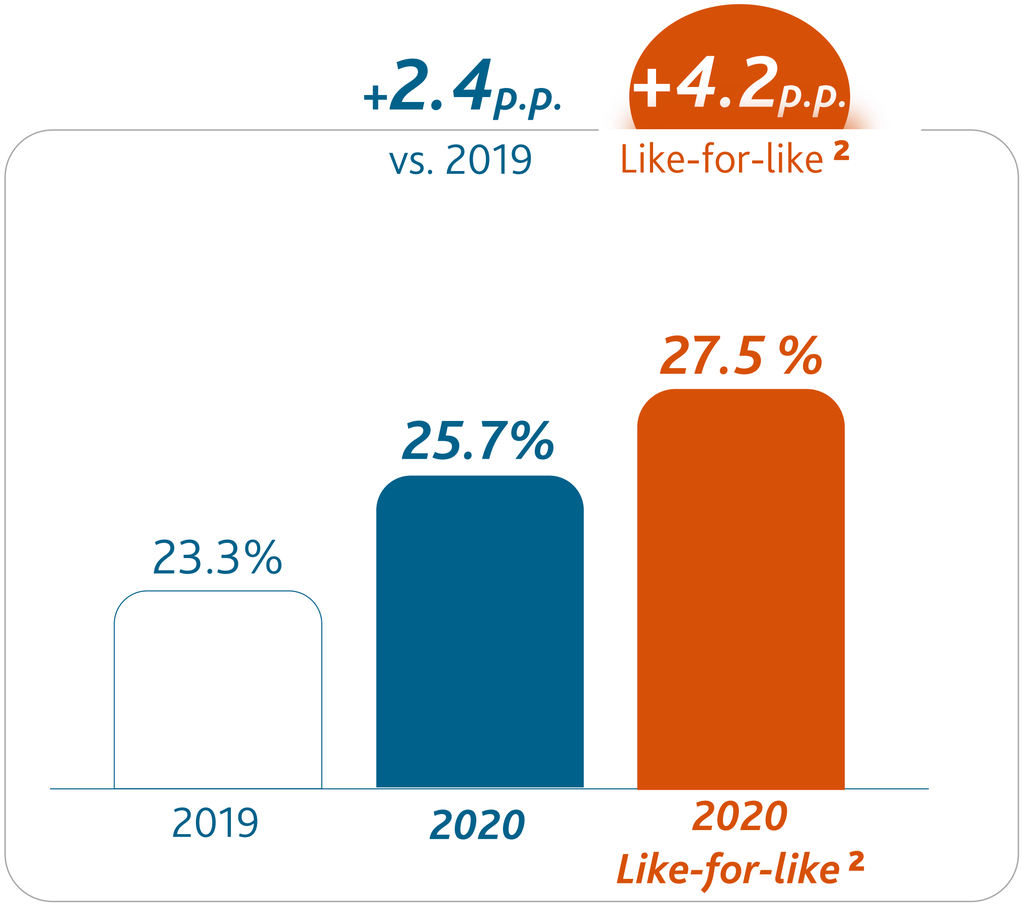


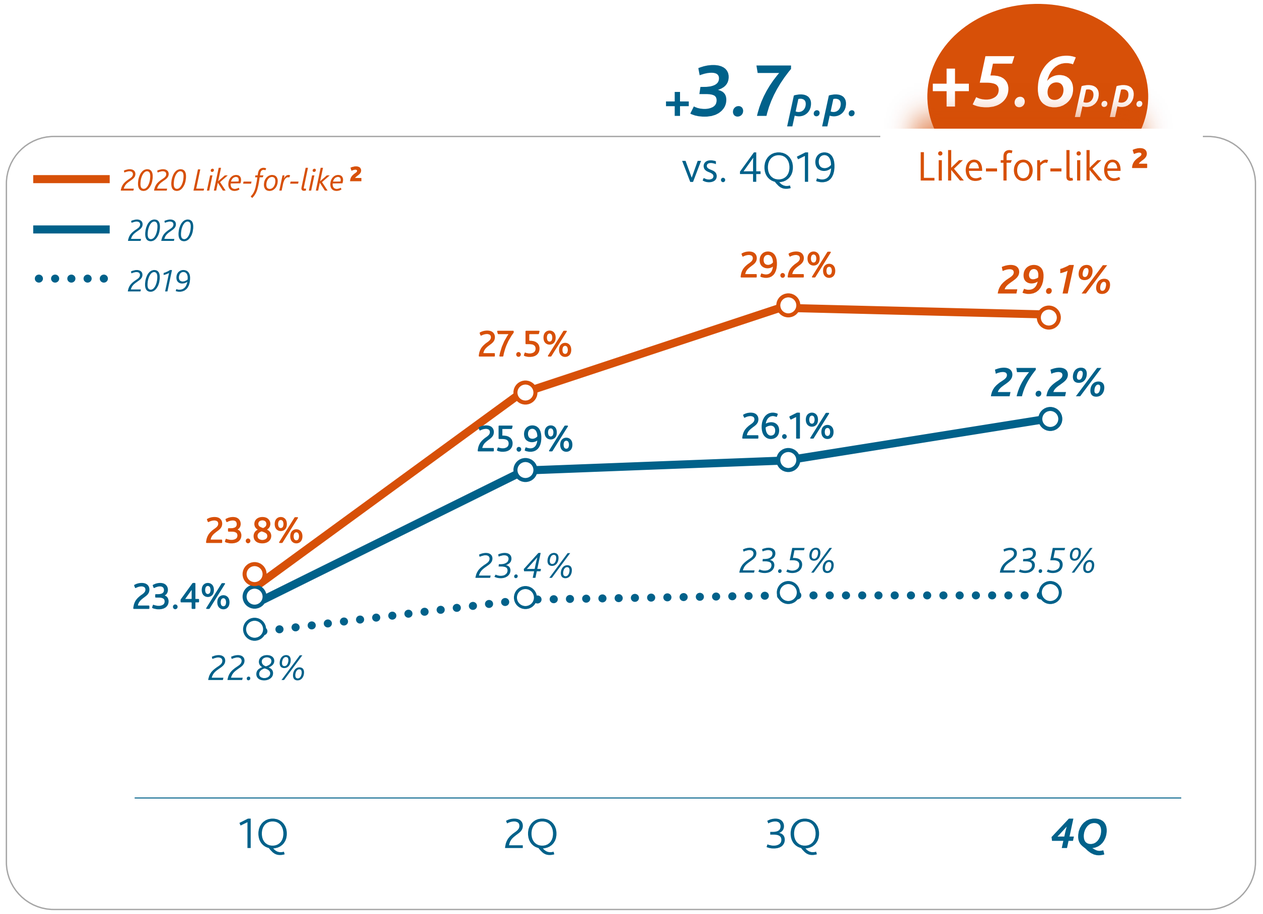
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[2] Like-for-like: Comparable growth excludes the impact of the variation of the different exchange rates in 2020, changes in the scope of consolidation and non-recurring results of the business.

Improving the profitability of our operations

RECURRING[1] EBITDA MARGIN (In %)





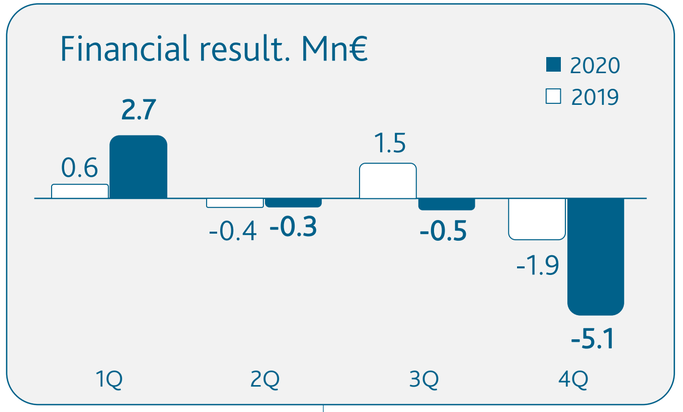
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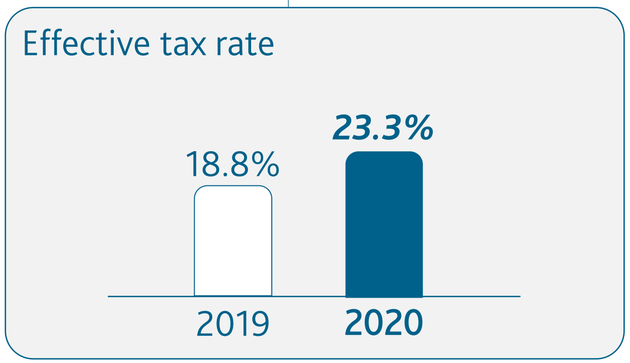
[2] Like-for-like: Comparable growth excludes the impact of the variation of the different exchange rates in 2020, changes in the scope of consolidation and non-recurring results of the business.

Double-digit growth in Net Profit with higher negative exchange differences and effective tax rate

EBIT to NET PROFIT. REPORTED (€ million)

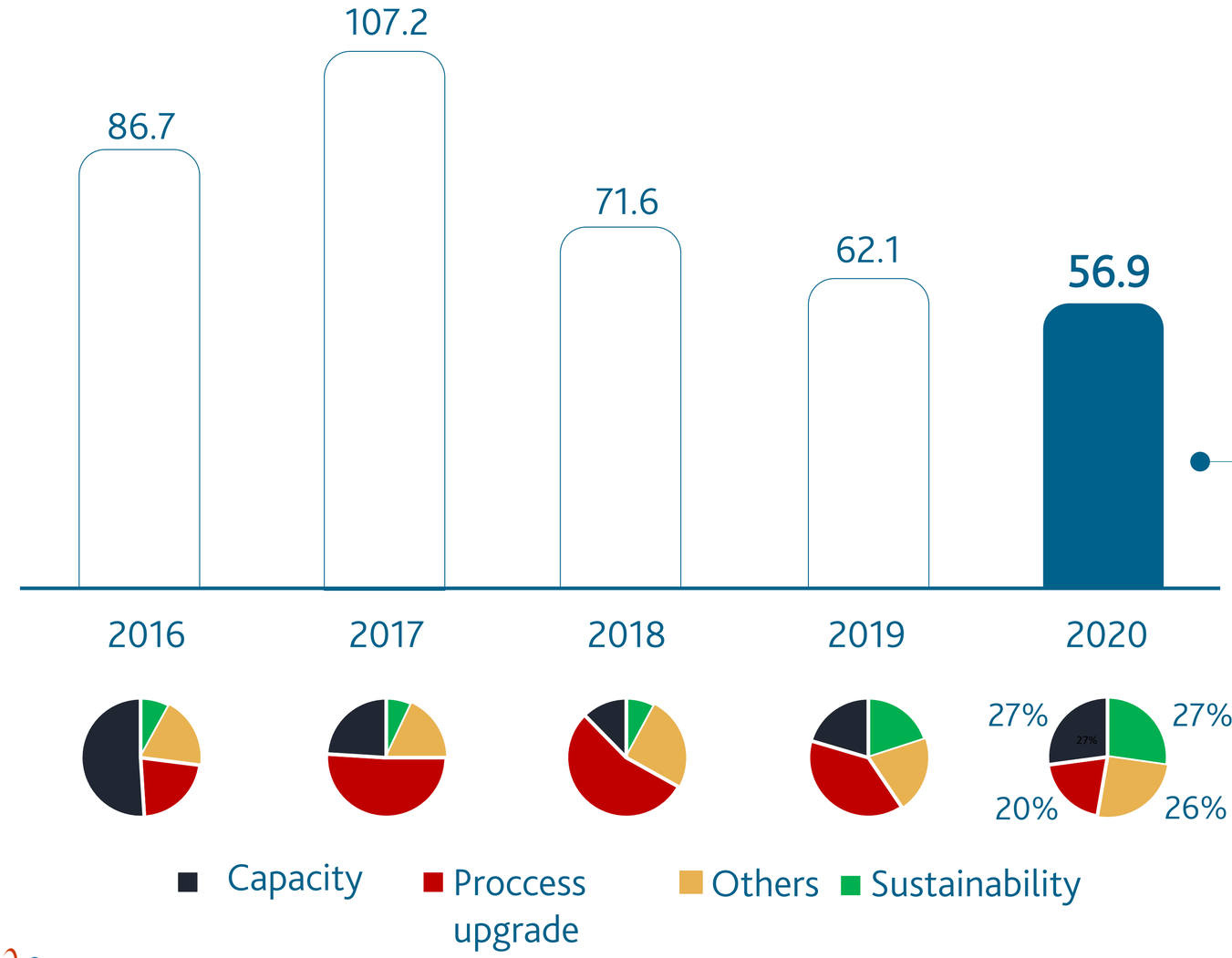
€ million	2020	2019	% y-o-y
Reported EBIT	162.9	130.3	+25.0%
Financial result	-3.3	-0.2	n.s.
Taxes	-37.1	-24.5	+51.7%
Net Profit	122.5	105.6	+16.0%





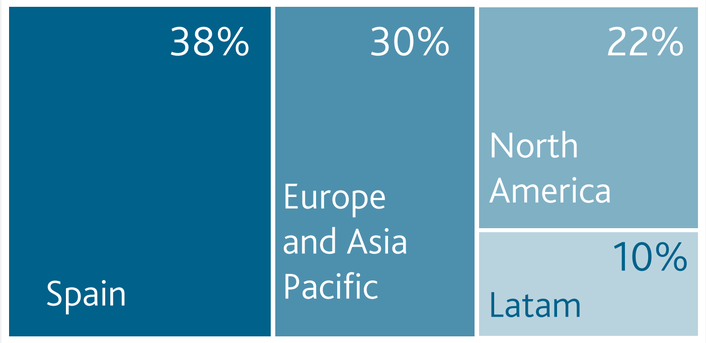
Good progress in investment despite difficulties in project execution due to the restriction of movements caused by the COVID-19 pandemic

CAPEX 2016-2020. Breakdown by type (€ million)



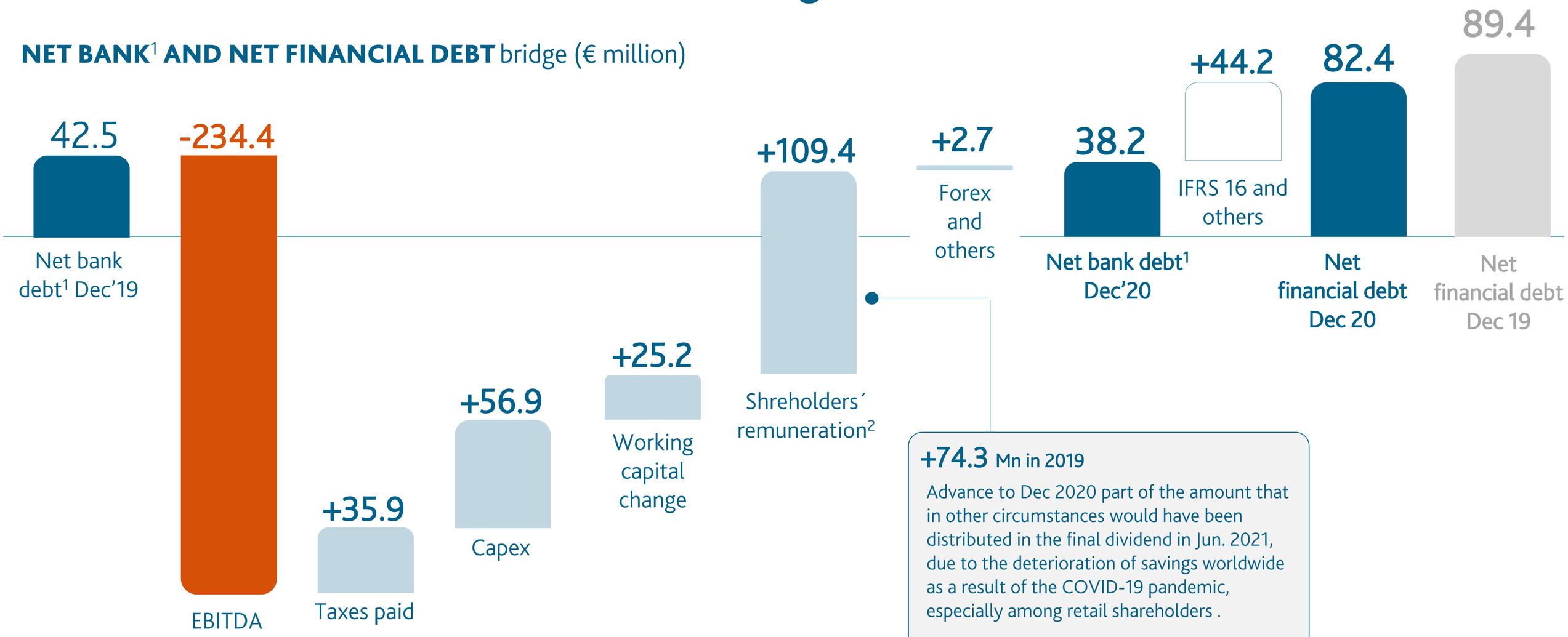
- Increase in fibrous capacity in Cáseda
- New co-generation engines that are more sustainable
- Collagen casings technology upodate in North America
- Increase in converting capacity

2020. Breakdown by region



Solid cash generation that allows to continue strengthening the balance sheet while the remuneration to shareholders grows.

NET BANK[1] AND NET FINANCIAL DEBT bridge (€ million)



+74.3 Mn in 2019

Advance to Dec 2020 part of the amount that in other circumstances would have been distributed in the final dividend in Jun. 2021, due to the deterioration of savings worldwide as a result of the COVID-19 pandemic, especially among retail shareholders .

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

[2] Direct remuneration: Includes €0.96 per share 2019 FY final dividend paid in June 2020 and €1.40 per share 2020 FY interim dividend paid in December 2020

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The MORE TO BE strategy period is extended due to COVID environment

Risks contagion

- Transportation and mobility restrictions
- Higher absentee rate
- Social distance



Changes in demand

- Change in eating habits. More consumption at home
- Economic recession. Basic food search



Continuity of successful projects

- Searching leadership in all markets
- Leader in Sustainability: Leading decarbonization in the Industry

MORE TO BE

* COVID-19. Active case map. Source: Dashboard by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University and Medicine

… in a market that has demonstrated great strength in 2020

Population

Feeding habits

Household consumption

External consumption

Technology sophistication

+4% Customized casings growth in 2020

Productivity

Safety

Availability

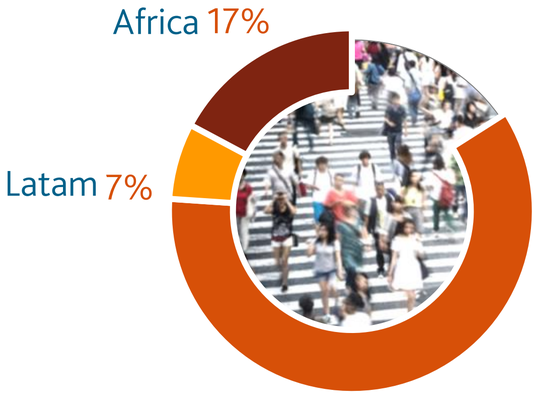
New products



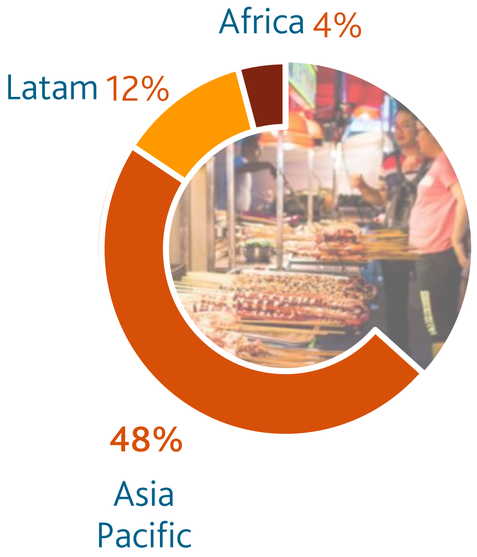




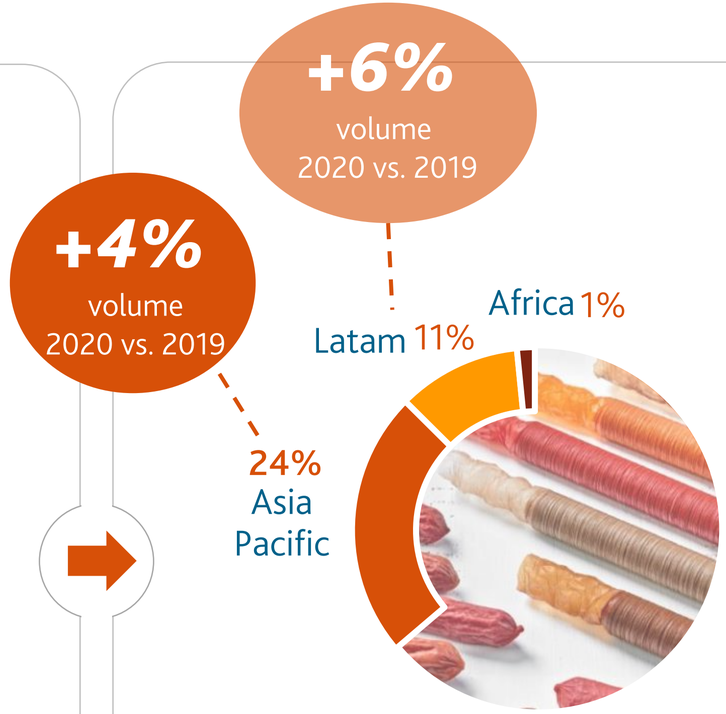
Emerging areas. Growth potential



Population
(FAO)



Poultry and pig meat
consumption. Tns (FAO)



Customized casings
market in 2020. In €
(internal)

Emerging areas. Growth potential



Urban population
(+2% annual)



Animal protein consumption
(+2% annual)



Animal gut substitution



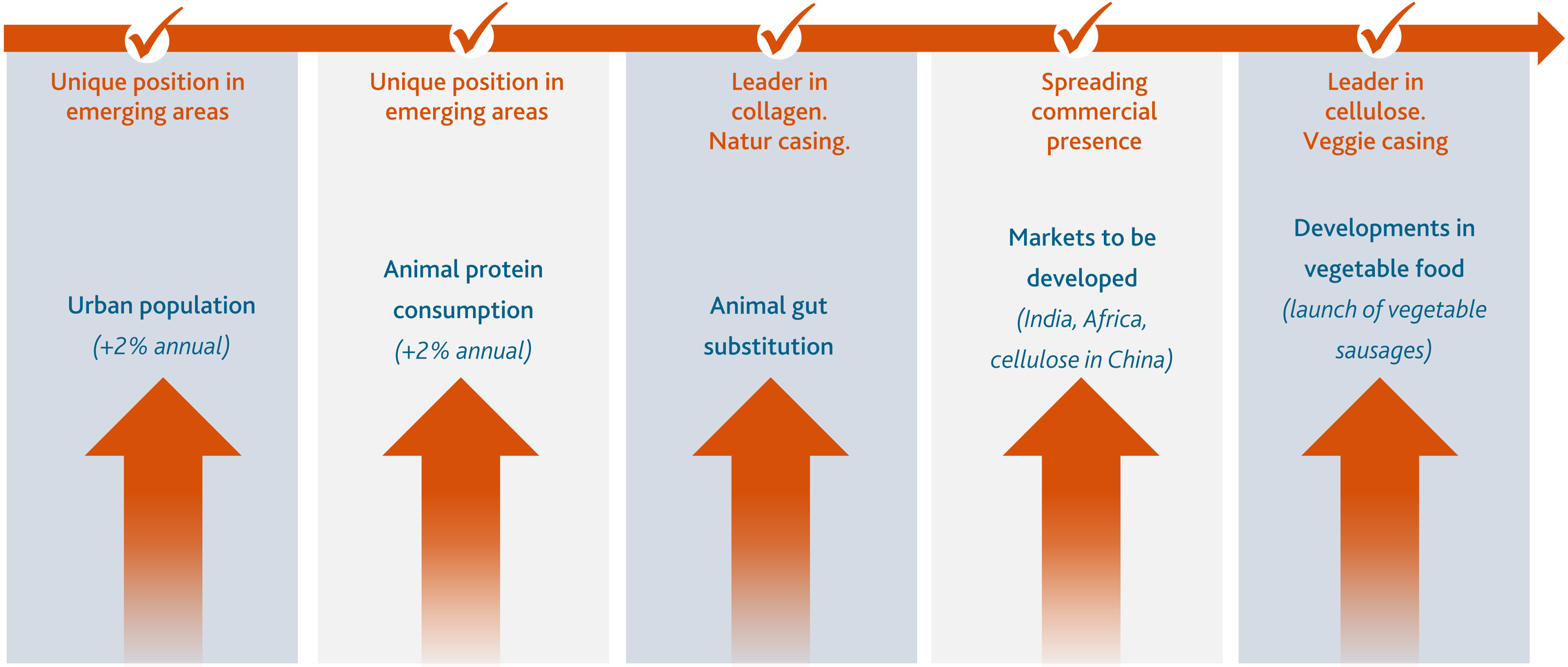
Markets to be developed
(India, Africa, cellulose in China)



Developments in vegetable food
(launch of vegetable sausages)

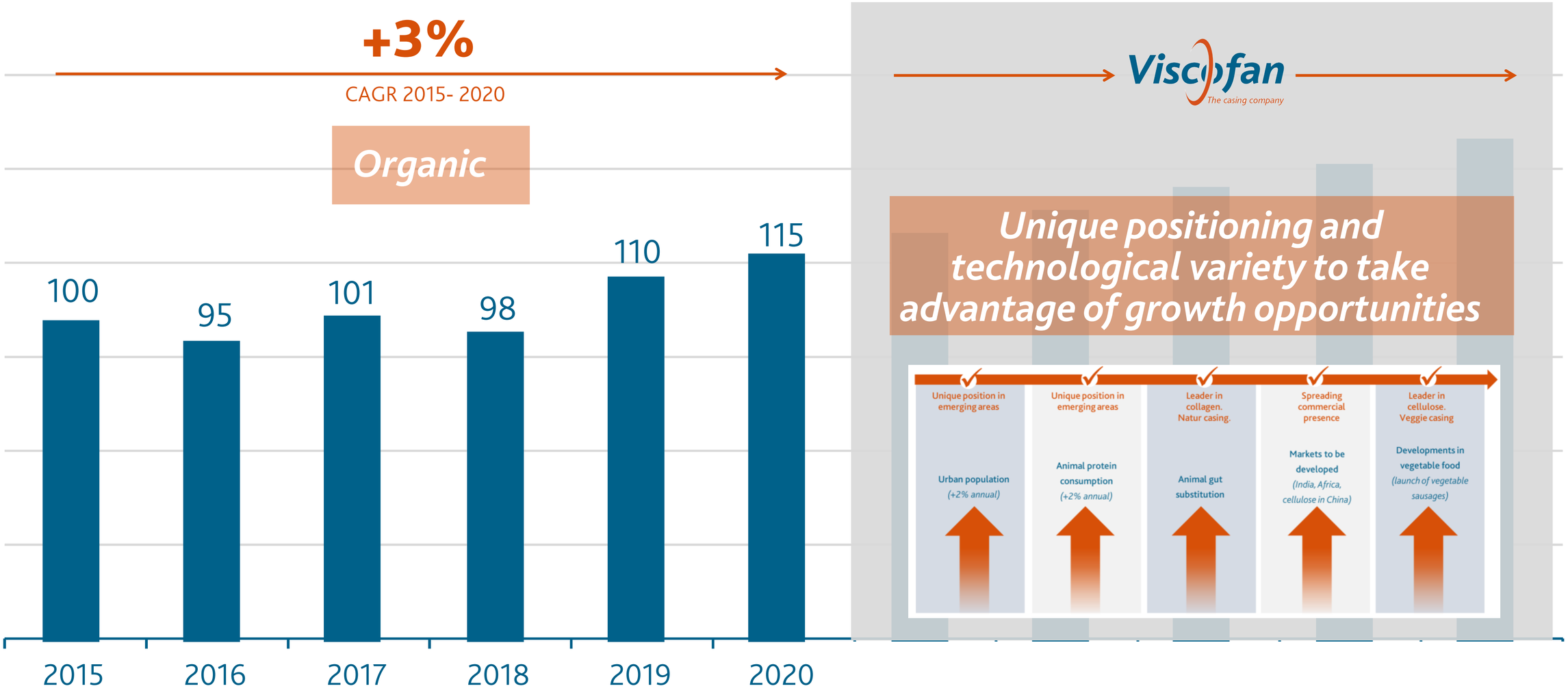
Emerging areas. Viscofan is placed to capture the growth

Viscofan
The casing company



Emerging areas. Viscofan is placed to capture the growth

VISCOFAN. CASINGS REVENUE IN EMERGING AREAS. Base 100 year 2015



Developed Areas. An increasingly demanding market



Population (FAO)



Poultry and pig meat consumption. Tns (FAO)



Customized casings market in 2020. In € (internal)

Developed Areas. An increasingly demanding market



Higher yields and automatization



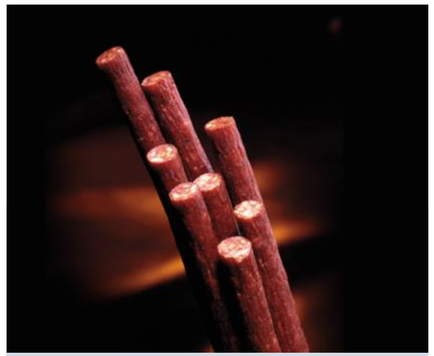
Proximity
Technical sale



Taylor-made product
Variety, new flavors, aromas



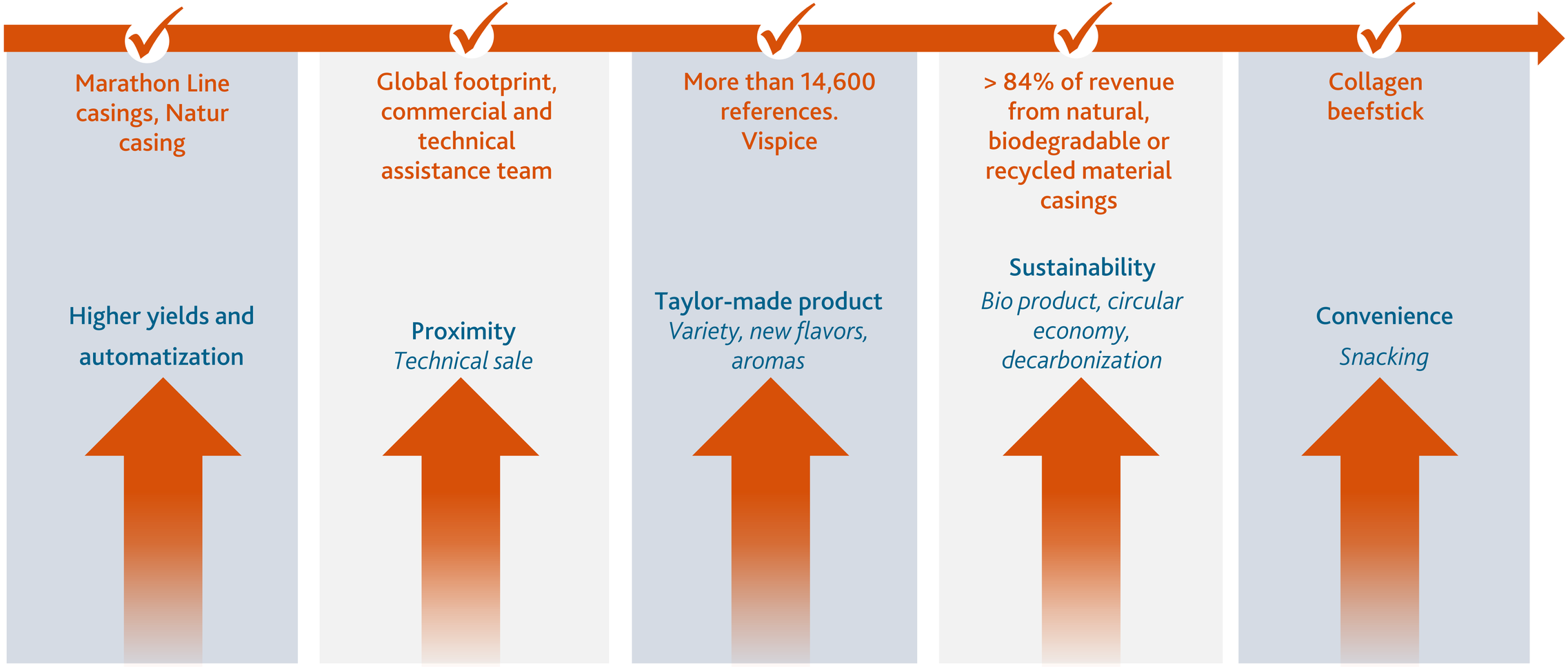
Sustainability
Bio product, circular economy, decarbonization



Convenience
Snacking

Developed areas. Viscofan is positioned to grow

Viscofan
The casing company



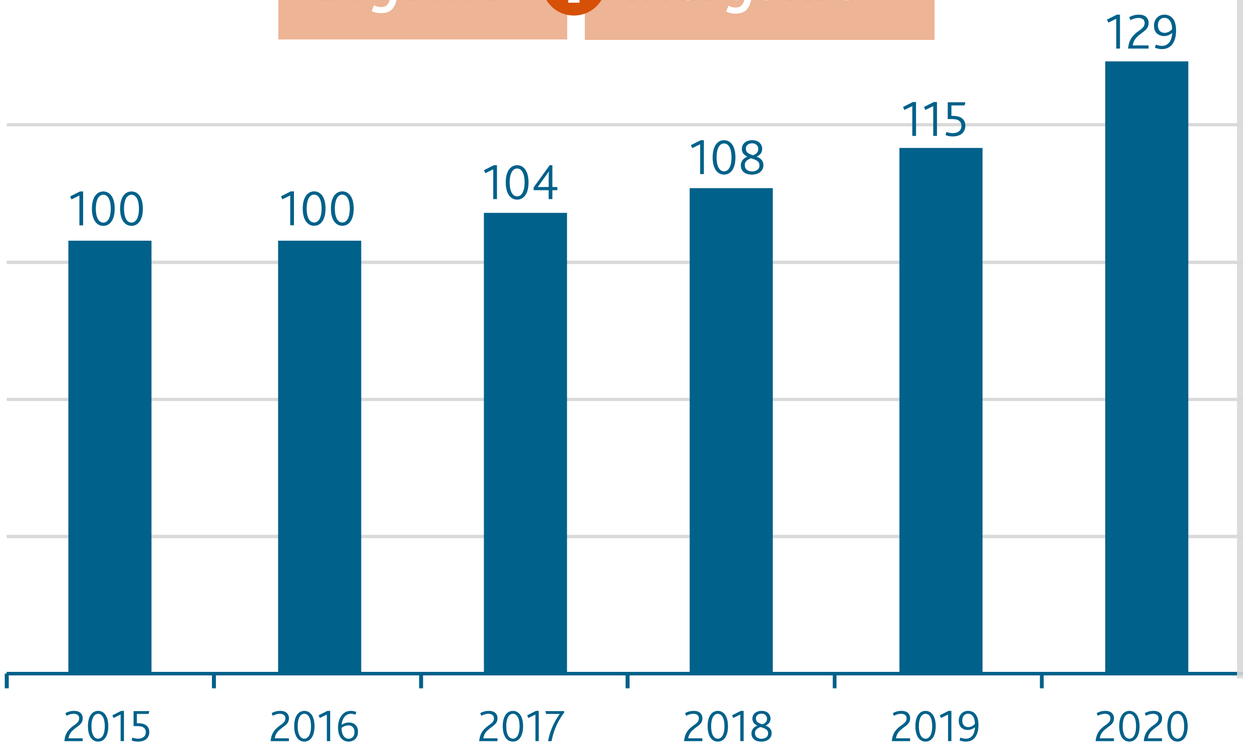
Developed areas. Viscofan is positioned to grow

VISCOFAN. CASINGS REVENUE IN DEVELOPED AREAS. Base 100 year 2015

+5%

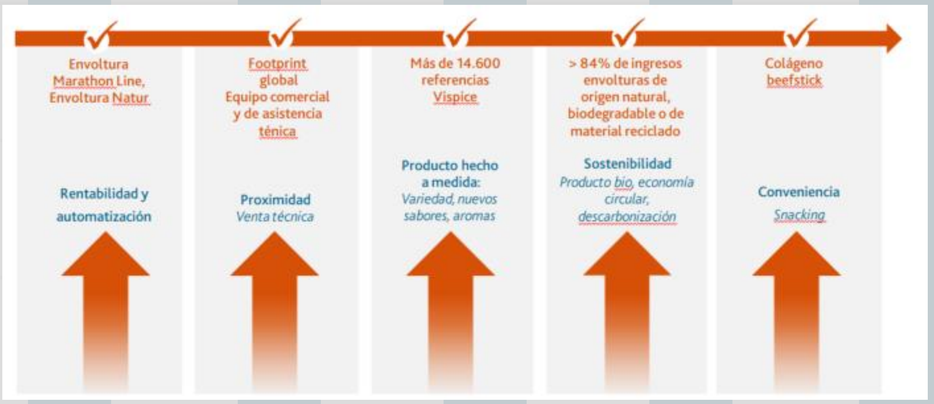
TACC 2015- 2020

Organic + *Inorganic*



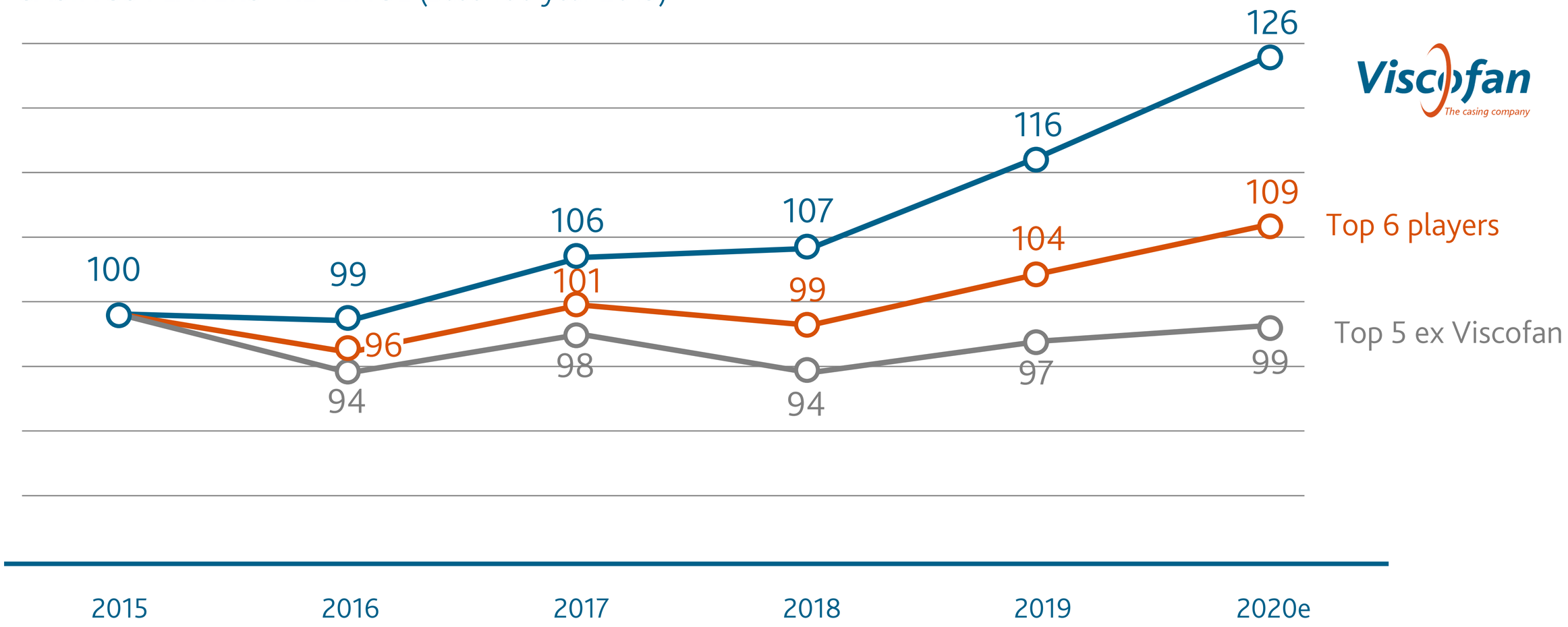
Viscofan
The casing company

Value proposition to meet the market demands



A growing market

CASINGS PLAYERS* REVENUE (Base 100 year 2015)



* Includes Viscofan, Viskase, Devro, Kalle, Visko Teepak and Shenguan

** Released Financial Statements, market consensus, and internal estimates.

We grow in fibrous. Project evolution



Plant construction



- Improved proximity to the European market
- Commercial success
- Double digit sales growth

€15Mn

Increasing capacity aiming to be the leader in this technology

2016 2017 2018 2019 2020 2021

- Start-up
- Learning curve
- Testing products on customers



COVID-19: The plant is allowing us to maintain the service for fibrous customers and even meet peaks in demand

Search for greater efficiency in North America

Milestones achieved

- ✓ Nitta Casings, Vector, Transform Pak acquisitions
- ✓ Plastic casings plant in Mexico
- ✓ Maintaining service in a COVID environment

2015-2020

Tough context

- Higher competition
- Profitability bellow group level
- High staff turnover



2021e

- ✓ Consolidate the leadership in this market
- ✓ More product offer. Added Value
- ✓ Commercial discipline

2021e

- ✓ Improve collagen extrusion and converting technology
- ✓ Cost synergies
- ✓ Production plants stability

Commitments and investments in sustainability

2030 commitments



1 Reduction in CO2 emissions in tonnes/ million of extruded meters



2 Reduction in water withadrawal in m3/ million of extruded meters



3 Reduction in landfill waste in tonnes/ million of extruded meters

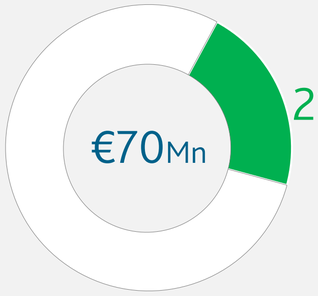


4 Reduction in accident rate



5 Women in management positions

2021e capex in sustainability



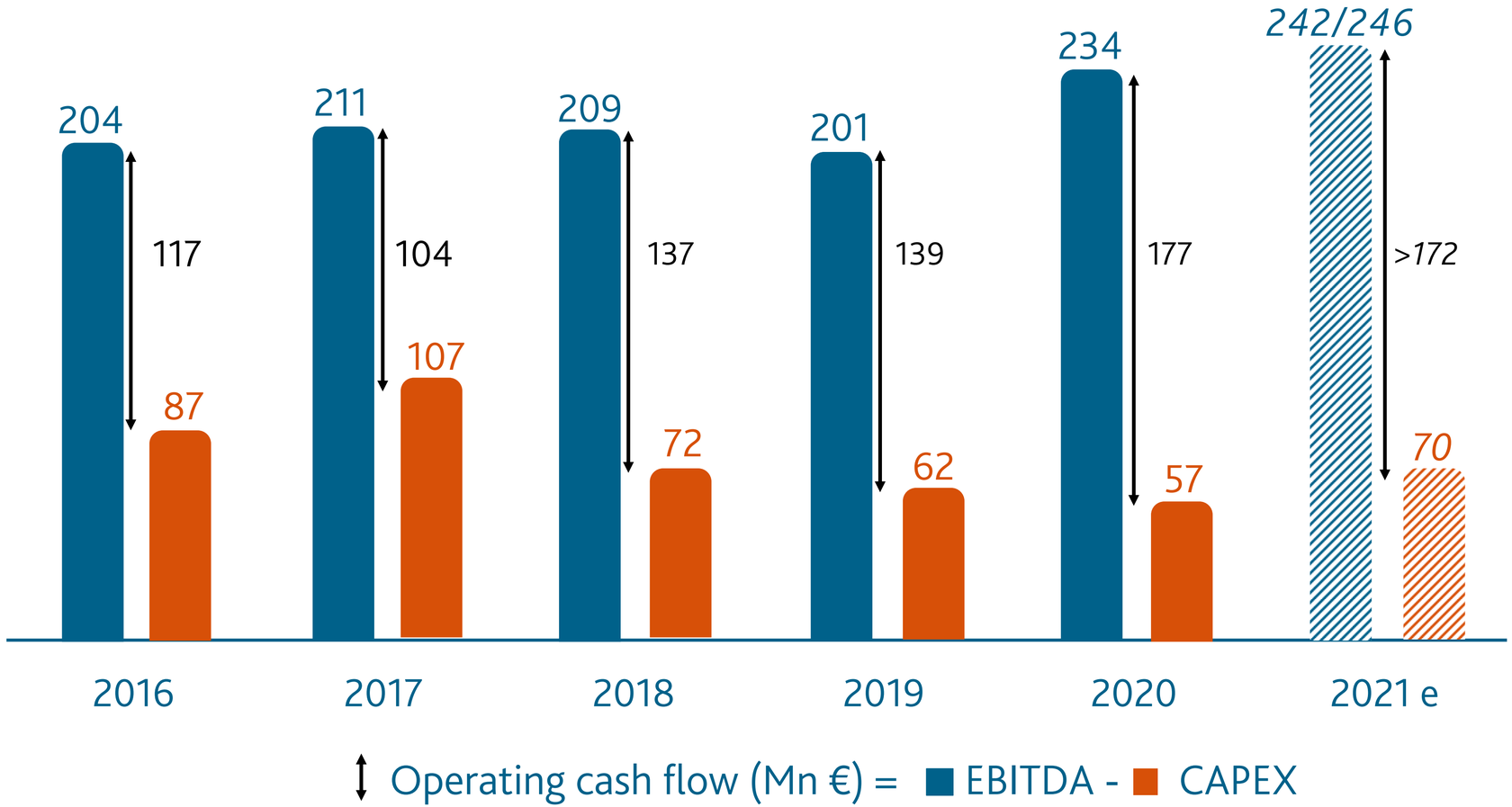
- Boiler installation with green hydrogen capacity in Cáseda and a new co-generation engine with green hydrogen
- Auxiliary installations related to the new fibrous capacity. Best available technology
- Worker safety systems
- Fire systems

Capex in capacity, proccess upgrade and others

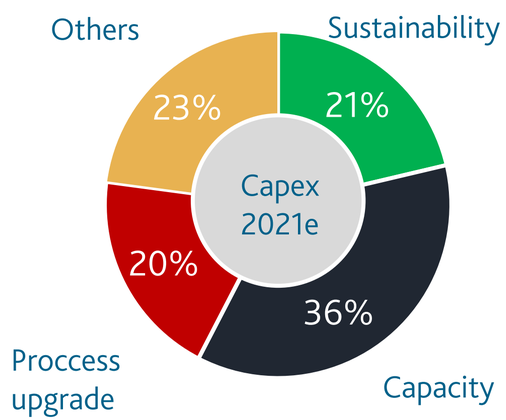
Capex in sustainability

Strong cash flow generation

OPERATING CASH FLOW (€ million)



CAPEX 2021e.
Breakdown by type



Guidance 2021

US$/€: 1.20

	€ Million	*% y-o-y*
Revenue	935-950	+3% / +4%
EBITDA	242-246	+3% / +5%
Net Profit	127-130	+4% / +6%
Capex	≈70	

To wrap-up

- ***Exceptional and very demanding year*** in which ***the human team delivered.***
- ***Growth in the main financial figures*** thanks to the ***solid foundations*** built in these years.
- ***The casing market continues to show a high growth profile,*** both in exceptional environments and in the new cycle ***due to the strength of its long-term trends.***
- ***Management focused on optimizing growth*** opportunities in the current context and strengthening industrial assets ***while extending the strategic plan during 2021.***
- ***Commercial, operational and financial discipline*** that allows us to ***continue to increasingly remunerate our shareholders.***
- We continue to see ***growth opportunities*** in the casings market and other businesses that translate into ***investment and ambitious financial targets in 2021.***

Appendix. **Main financial figures**

Millones €	*Reported* 2020	*% y-o-y*	*Like-for-like [1] % y-o-y*	*Reported* 4Q20	*% y-o-y*	*Like-for-like [1] % y-o-y*
Revenue	912.2	+7.4%	***+8.3%***	240.3	+7.3%	***+11.3%***
EBITDA	234.4	+16.7%	***+27.7%***	65.5	+13.4%	***+38.1%***
EBITDA margin	25.7%	+2.0 p.p.	***+4.2 p.p.***	27.2%	+1.4 p.p.	***+5.6 p.p.***
Operating profit	162.9	+25.0%		48.2	+18.9%	
Profit before taxes	159.7	+22.8%		43.1	+11.4%	
Taxes	-37.1	+51.7%		-8.4	+46.2%	
Net profit	122.5	+16.0%		34.7	+5.3%	

[1] Like-for-like: Comparable growth excludes the impact of the variation of the different exchange rates in 2020, changes in the scope of consolidation and non-recurring results of the business.

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 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.