



An International Veterinary Pharmaceutical Business



An International Veterinary Pharmaceutical Business

Preliminary Results for the year ended 30 June 2009

Overview

- Good increase in revenue and profitability by both divisions
- Strong cash generation and low gearing
- Key products approved internationally
- New development opportunities initiated
- Current performance remains in line with the Board's expectations

Preliminary Results

	Year ended 30 June		
	2009	2008	
Revenue	£350.0m	£304.4m	+15%
Adjusted operating profit*	£25.0m	£19.1m	+30%
Operating profit	£17.7m	£14.1m	+26%
Adjusted pre-tax profit*	£23.4m	£16.9m	+39%
Pre-tax profit	£16.1m	£11.7m	+38%
Adjusted earnings per share*	25.61p	20.81p	+23%
Earnings per share	17.27p	14.20p	+22%
Full year dividend	9.10p	8.25p	+10%
Net borrowings	£15.5m	£27.0m	

* Before amortisation of acquired intangibles and exceptional costs

Financials - Pharmaceuticals Division

	2009	2008	
	£000	£000	
Revenue - pharmaceuticals	49,000	32,136	+52.5%
- diets	22,716	9,915	+129.1%
- contract manufacturing	10,369	8,677	+19.5%
- instruments	3,105	3,574	-13.1%
	-----	-----	
	85,190	54,302	+56.9%
Adjusted operating profit	15,340	10,765	+42.5%
Adjusted operating margin	18.0%	19.8%	

- Like for like revenue growth of 16.5% and operating profit growth of 10.1%
- Global revenue from *Vetoryl*[®] reached £8.1 million, up 56.6%
- Strong performances from manufacturing and diets (like for like growth of 6.5%)

Financials - Services Division

	2009	2008	
	£000	£000	
Revenue - veterinary wholesaling	270,772	253,973	+6.6%
- laboratories	5,369	5,390	-0.4%
	-----	-----	
	276,141	259,363	+6.5%
Adjusted operating profit	12,334	10,693	+15.3%
Adjusted operating margin	4.5%	4.1%	

- *MVS*[®] operating profit increased by 17.1%
- Strong margin progression, reflecting improved operating efficiencies
- Laboratories showed improved second half performance

Financials - Balance Sheet

	2009 £000	2008 £000
Non-current assets - intangibles	89,565	90,375
- property, plant and equipment	8,040	8,224
- deferred tax assets	-	1,053
	-----	-----
	97,605	99,652
Net working capital	17,548	17,284
Current tax liability	(4,756)	(2,824)
Deferred tax liabilities	(14,184)	(15,316)
Net borrowings	(15,527)	(26,997)
	-----	-----
Net assets	80,686	71,799
	-----	-----
Inventory days	39	43
Trade receivable days	37	39

- Strong working capital management
- Good control over inventory levels
- Reduction in overdue receivables achieved
- Net borrowings reduced to £15.5 million (2008: £27.0 million)

Financials - Cash Flow

	2009 £000	2008 £000
Cash Flow		
Inflow from operations	27,557	16,053
% of operating profit (excluding amortisation of acquired intangibles)	112.5%	94.2%
Capital expenditure (including acquisitions)		
- intangible assets	1,368	77,533
- property, plant and equipment	1,086	3,680
	-----	-----
	2,454	81,213

Product Development - Achievements

- ***Vetoryl* approved in the USA**
 - Launched in January 2009
- ***Vetoryl* approved in Canada and Australia**
 - Launched by Vetoquinol in Canada in June 2009
 - Launch by Dermcare in Australia imminent
- ***Felimazole*[®] approved in the USA**
 - Launch scheduled for September 2009
- **2.5mg low dose *Felimazole* approved in the EU**
 - Launched in May 2009
 - 5mg marketing to commence beginning of 2010
- ***Malaseb*[®] approved in Scandinavia, Holland and Ireland**
 - Launch ongoing
- **Joint support diet marketed in EU**
 - Launched in April 2009

Pharmaceuticals - Pipeline

- **New chemical entities**

Species	Therapeutic Category	Manufacturing	Safety	Efficacy	Regulatory
Equine	Endocrine	100%	100%	100%	25%
Equine	Lameness	100%		25%	
Canine	Endocrine	50%		25%	
Feline	Endocrine	50%			
Equine	Respiratory	25%		25%	

Chart shows the approximate % completion of the key stages of the development process

- **Generics**

- Five generics under development

- **Pipeline will compete in global markets in excess of £100m**

Specialist Pet Diets - Pipeline

- New manufacturing and development partner secured
- Novel product formulated, trials commencing
- Four canine diets reformulated to create second generation products
- Feline diets developed to improve palatability
- Complete range will become comparable or superior to market leaders

Pharmaceuticals - Review

- **Dechra Veterinary Products EU**
 - *VetXX*[®] fully integrated and re-branded
 - Pharmaceutical sales growth 8.9% on like for like basis
 - *Felimazole*, *Vetivex*[®] and *Canaural*[®] under competitive pressure
 - Growth gained from all other major products
 - Specialist pet diets sales growth 6.5% on like for like basis
 - Performance enhanced by new product introduction
 - Diets launched in Germany and Turkey

Pharmaceuticals - Review

- **Dechra Veterinary Products US**
 - Team strengthened to 21 people
 - 13 in sales
 - *Vetoryl* sales increasing month on month
 - Good conversion rate by representatives
 - Regional Group presentations successful
 - 10mg launch will strengthen position
 - Compounding pharmacies being addressed
 - Sales out of distributors in July 2009 US\$395,000
 - *Felimazole* launch on schedule
 - Distributor orders received
 - Dermatological, otic and ophthalmic line exceeding expectations

Pharmaceuticals - Review

- **Dales® Pharmaceuticals**
 - Excellent performance with increase in external and internal sales
 - New products introduced
 - *Fuciderm®* transferred in-house from previous *VetXX* supplier
 - Five year contract secured with biggest third party customer
 - Lean manufacturing techniques introduced
 - Process time reduced
 - FDA approval process on schedule
 - Inspection request to be made in first half of 2010

Services - Review

- **National Veterinary Services**
 - Good margin performance
 - Electronic ordering receipt improved to 85%
 - Better fuel utilisation
 - Improved operating efficiencies
 - Planned increase in warehouse capacity in second half of new financial year
 - New Operations Director appointed

Services - Review

- **Laboratory Services**
 - Restructured sales team
 - New Sales Manager
 - Two new representatives
 - CSLS located to new premises
 - Second half improvement in performance

Prospects

- Majority of international veterinary markets continue to demonstrate growth (albeit at lower rate than historically)
- Major products approved in key international markets
- New product launches planned
- Significant future opportunities initiated
- We remain optimistic for our future prospects

Appendices



Divisional Summary

	2009 £000	2008 £000
Revenue		
Pharmaceuticals	85,190	54,302
Services	276,141	259,363
Inter division	(11,367)	(9,294)
	-----	-----
	349,964	304,371
	-----	-----
Adjusted operating profit		
Pharmaceuticals	15,340	10,765
Services	12,334	10,693
Central costs	(2,703)	(2,316)
	-----	-----
	24,971	19,142
	-----	-----

Trademarks

Trademarks of the Dechra Group of companies appear throughout this document in italics. Dechra and the Dechra 'D' logo are registered Trademarks of Dechra Pharmaceuticals PLC



Dechra House
Jamage Industrial Estate
Talke Pits
Stoke-on-Trent
Staffordshire
ST7 1XW
England

T: +44 (0) 1782 771100
F: +44 (0) 1782 773366
E: corporate.enquiries@dechra.com

Registered in England No. 3369634

www.dechra.com