



An International Veterinary Pharmaceutical Business





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**Preliminary Results for the year ended 30 June 2008**

# Overview

- **Excellent Group performance**
  - good growth in revenue and profitability
  - strong cash generation
  - robust organic growth
- **Strategically significant acquisition of *VetXX***
  - acquired January 2008
  - fully integrated into *Dechra*<sup>®</sup>
- **Product development programme on schedule**
  - *Vetoryl*<sup>®</sup> US FDA compliance notification received

# Preliminary Results

	Year ended 30 June		
	2008	2007	
Revenue	<b>£304.4m</b>	£253.8m	+20%
Adjusted operating profit*	<b>£19.1m</b>	£13.9m	+38%
Operating profit	<b>£14.1m</b>	£13.8m	
Adjusted pre-tax profit*	<b>£16.9m</b>	£12.6m	+33%
Pre-tax profit	<b>£11.7m</b>	£12.6m	
Adjusted earnings per share*	<b>20.81p</b>	16.89p	+23%
Earnings per share	<b>14.20p</b>	16.86p	
Full year dividend	<b>8.25p</b>	7.50p	+10%

\* Pre VetXX rationalisation costs and amortisation of acquired intangibles

# Impact of *VetXX* Acquisition

	2008 £'000	2007 £'000	
<b>Revenue</b>			
Existing <i>Dechra</i> Group	<b>285,413</b>	253,803	+12%
<i>VetXX</i>	<b>18,958</b>	-	
	-----	-----	
	<b>304,371</b>	253,803	+20%
	-----	-----	
<b>Adjusted operating profit</b>			
Existing <i>Dechra</i> Group	<b>16,491</b>	13,876	+19%
<i>VetXX</i>	<b>2,651</b>	-	
	-----	-----	
	<b>19,142</b>	13,876	
	-----	-----	

# Financials

## Pharmaceuticals Division

	2008	2007	
	£000	£000	
Revenue - pharmaceuticals	<b>32,136</b>	16,599	+94%
- diets	<b>9,915</b>	-	
- contract manufacturing	<b>8,677</b>	6,232	+39%
- instruments	<b>3,574</b>	3,817	-6%
	-----	-----	
	<b>54,302</b>	26,648	+104%
Adjusted operating profit	<b>10,765</b>	6,102	+76%
Adjusted operating margin	<b>19.8%</b>	22.9%	

- Continued growth from key pharmaceuticals
- Excellent result from Dales

# Financials

## Services Division

	2008	2007	
	£000	£000	
Revenue - veterinary wholesaling	<b>253,973</b>	229,840	+10%
- laboratories	<b>5,390</b>	4,367	+23%
	-----	-----	
	<b>259,363</b>	234,207	+11%
Adjusted operating profit	<b>10,693</b>	9,525	+12%
Adjusted operating margin	<b>4.1%</b>	4.1%	

- *MVS*<sup>®</sup> achieved above market growth
- *MVS* operating profit grew by 14%

# Financials

## Other Items

- **Net finance charge : £2.3m vs £1.2m**
  - increased borrowings following *VetXX* acquisition
- **Effective tax rate : 28.9% vs 29.9%**
  - utilisation of US trading losses
- **Product development costs expensed £2.4m vs £1.6m**
  - further £1.3m capitalised (2007: £1.7m)
  - in future, greater proportion of expenditure will be expensed

# Financials

## Balance Sheet

	2008 £000	2007 £000
Non-current assets - intangibles	90,375	13,089
- property, plant and equipment	8,224	5,739
- deferred tax assets	1,053	-
	-----	-----
	<b>99,652</b>	18,828
Net working capital	<b>17,284</b>	13,264
Current tax liability	<b>(2,824)</b>	(2,464)
Deferred tax liabilities	<b>(15,316)</b>	(147)
Net (borrowings)/cash	<b>(26,997)</b>	1,027
	-----	-----
Net assets	<b>71,799</b>	30,508
	-----	-----
Inventory days	<b>43</b>	42
Trade receivable days	<b>39</b>	40

Investment in working capital in US and build-up of inventory ahead of *Vetoryl* US launch

# Financials

## Cash Flow

	2008 £000	2007 £000
<b>Cash Flow</b>		
Inflow from operations	<b>16,053</b>	14,328
% of operating profit	<b>114%</b>	103%
Capital expenditure (including acquisitions)		
- intangible assets	<b>77,533</b>	5,959
- property, plant and equipment	<b>3,680</b>	1,144
	-----	-----
	<b>81,213</b>	7,103
Depreciation and amortisation	<b>4,521</b>	1,121

# Product Development

- ***Vetoryl* US FDA compliance notification received**
  - January 2009 launch
- ***Felimazole*<sup>®</sup> US on track**
  - CMC and safety sections approved
- **Trial and research programmes on *Equidone*<sup>®</sup> providing good results**
- **New EU products approved**
- **New EU dossiers submitted**
- **New projects identified and in progress**

# VetXX Acquisition

- **Successfully integrated into *Dechra***
  - expected synergies realised
  - new management team in place
  - re-branding progressing
  - new pharmaceutical product introductions ongoing
  - *Equipalazone*<sup>®</sup> transferred from previous distributor
  - manufacturing synergies in progress
  - *Specific*<sup>®</sup> diet sales showing growth

# Pharma Division Review, EU

- **Increased penetration of key products**
- **New products launched**
  - *Atipam®*, *Prednidale 25*, *Ovuplant®*
- **UK country manager appointed**
- **New pharmacovigilance monitoring and reporting database implemented**
- **Further increase in Dales third party manufacturing**
- **Quality Director appointed at Dales to facilitate FDA compliance**

# Pharma Division Review, US

- **Significant increase in revenue**
- **Two new products secured through partnerships**
  - *Oxyglobin*<sup>®</sup> and Irap
- **Scientific advisory Board assembled**
- **New technical staff appointed**
- **Recruitment progressing for January *Vetoryl* launch**

# Services Division Review

- ***MVS* market share increased**
- ***MVS's* two major competitors now under American ownership**
- **Successful distribution of blue tongue vaccine**
- **Continued cost efficiencies achieved**
- **LVL fully integrated into NWL**

# Prospects

- **Current trading in line with Board's expectations**
- ***VetXX* acquisition fully integrated and meeting expectations**
- **International companion animal markets continuing to show growth**
- **New product introductions planned**
- **We remain confident in our future**

# Appendices



# Divisional Summary

	2008 £000	2007 £000
<b>Revenue</b>		
Pharmaceuticals	54,302	26,648
Services	259,363	234,207
Inter division	(9,294)	(7,052)
	-----	-----
	304,371	253,803
	-----	-----
<b>Adjusted operating profit</b>		
Pharmaceuticals	10,765	6,102
Services	10,693	9,525
Central costs	(2,316)	(1,751)
	-----	-----
	19,142	13,876
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## **Trademarks**

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