



Dechra Pharmaceuticals PLC
Half Year Presentation 2022

Improving Global Animal Health and Welfare



Dechra is a **global specialist veterinary pharmaceuticals** and related products business. Our expertise is in the **development, manufacture, marketing and sales** of high quality products **exclusively for veterinarians** worldwide. Our **Purpose** is the sustainable improvement of global animal health and welfare.

For more information please visit www.dechra.com

Companion Animal Products (CAP)

Species: Dogs and cats.

Key therapeutic sectors: Endocrinology, dermatology, analgesia and anaesthesia, antibiotics, cardiovascular, critical care and oncology.



Food producing Animal Products (FAP)

Species: Poultry, pigs and an increasing presence in cattle.

Key therapeutic sectors: Water soluble antibiotics, vaccines, locomotion (lameness) and pain management.



Equine

Species: Horses and ponies.

Key therapeutic sectors: Lameness and pain management.



Nutrition

Key therapeutic sectors: Our pet diets are available to support the wellbeing of cats and dogs with numerous therapeutic conditions, such as allergies, obesity, heart and kidney disease.



Operational Highlights

We continue to outperform a market that has seen strong growth



Portfolio Focus

- All product categories and major therapeutic areas delivering strong growth
- H1 benefit from increased COVID-19 spending on pets



Pipeline Delivery

- Good progress continues
- New opportunities under review



Geographic Expansion

- International businesses performed well
- Robust performance from distribution business supplemented by new product launches
- Successfully launched Tri-Solfen in ANZ



Acquisition

- Executed six product acquisitions
- Majority strengthen our North American business
- Laverdia expands portfolio into oncology

Operational Highlights

Strategic Enablers



Technology

- Digital technology continues to be main strategic focus
- Commenced work on a new quality management system
- Approved investment to move most of manufacturing sites onto one consolidated ERP System



Manufacturing and Supply

- Supply chain robust and supporting high levels of growth
- Completed our exit from third party manufacturing at Skipton and Fort Worth
- Expanded Danish distribution centre to open in April 2022



People

- The cornerstone of our success
- Alison Platt appointed Chair of the Board
- Strengthened Senior Management Team



Environmental, Social and Governance

- Decarbonisation remains top priority
- Employee engagement via inaugural Dechra Climate Race

Financial Highlights

Strong revenue growth delivering operating leverage



Revenue Growth

- 15.9% to £332.4 million
- Predominately driven by organic growth



Operating Cash Generation

- 110.0% underlying cash conversion



Underlying EBIT Growth

- 22.0% to £93.9 million
- Lower R&D spend in H1, expected to correct in H2



Shareholders' Value

- Underlying diluted EPS +24.0% increase to 64.01 pence
- Interim dividend: +8.0% increase to 12.00 pence

In presentation all financial references will be at CER unless otherwise stated.

Underlying Financial Results

Excellent trading performance, all major product categories posted double digit growth

	Six months ended 31 December		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2021 £m ⁽¹⁾	2020 £m ⁽¹⁾		
Revenue	332.4	299.8	10.9%	15.9%
Underlying gross profit	189.2	170.7	10.8%	15.9%
<i>Underlying gross profit %</i>	56.9%	56.9%	0bps	0bps
Underlying operating profit	93.9	80.8	16.2%	22.0%
Underlying EBIT %	28.2%	27.0%	120bps	140bps
Underlying profit before tax	90.5	75.1	20.5%	26.8%
Underlying EBITDA	101.3	88.2	14.9%	20.6%
Underlying diluted EPS (pence)	64.01	54.28	17.9%	24.0%
Dividend per share (pence)	12.00p	11.11p	8.0%	8.0%

(1) Actual Exchange Rate

(2) Constant Exchange Rate

Underlying results excludes items associated with amortisation of acquired intangibles, acquisition expenses and subsequent integration costs, impairment of assets held for sale, and fair value and other movements on contingent consideration.

Revenue by Segment

Strong organic growth

Revenue	Six months ended 31 December		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2021 ⁽¹⁾ £m	2020 ⁽¹⁾ £m		
EU Pharmaceuticals – Existing ⁽³⁾	201.9	195.6	3.2%	8.3%
NA Pharmaceuticals – Existing ⁽⁴⁾	125.1	104.2	20.1%	25.0%
Group Total – Existing	327.0	299.8	9.1%	14.1%
EU Pharmaceuticals – Acquisition ⁽⁵⁾	4.2	–		
NA Pharmaceuticals – Acquisition ⁽⁶⁾	1.2	–		
Group Total – Acquisition	5.4	–		
Total	332.4	299.8	10.9%	15.9%

(1) Actual Exchange Rate

(2) Constant Exchange Rate

(3) EU Pharmaceuticals – Existing including like-for-like Osumia

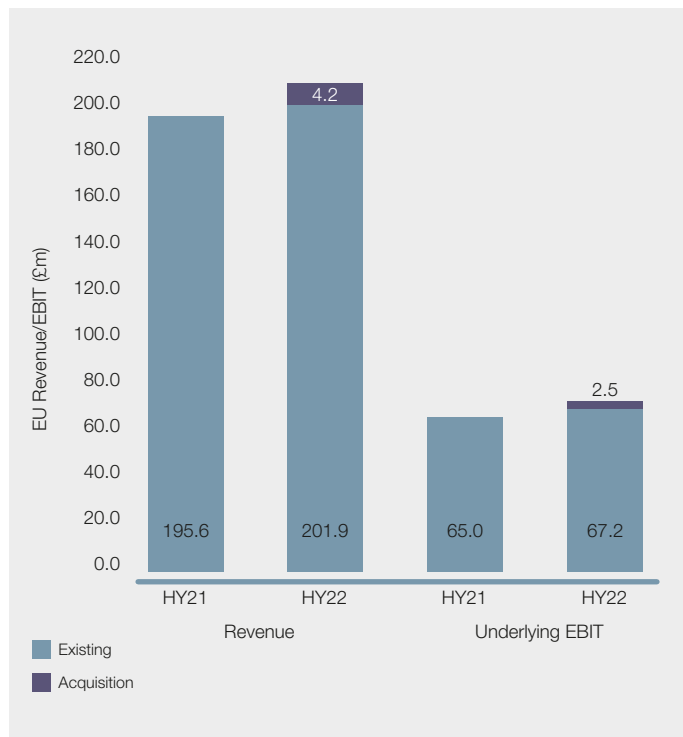
(4) NA Pharmaceuticals – Existing including like-for-like Osumia

(5) EU Pharmaceuticals – Acquisition comprises Osumia (July sales) and Tri-Solfen ANZ

(6) NA Pharmaceuticals – Acquisition comprises Osumia (July sales) and other US product rights deals

EU Pharmaceuticals Segment

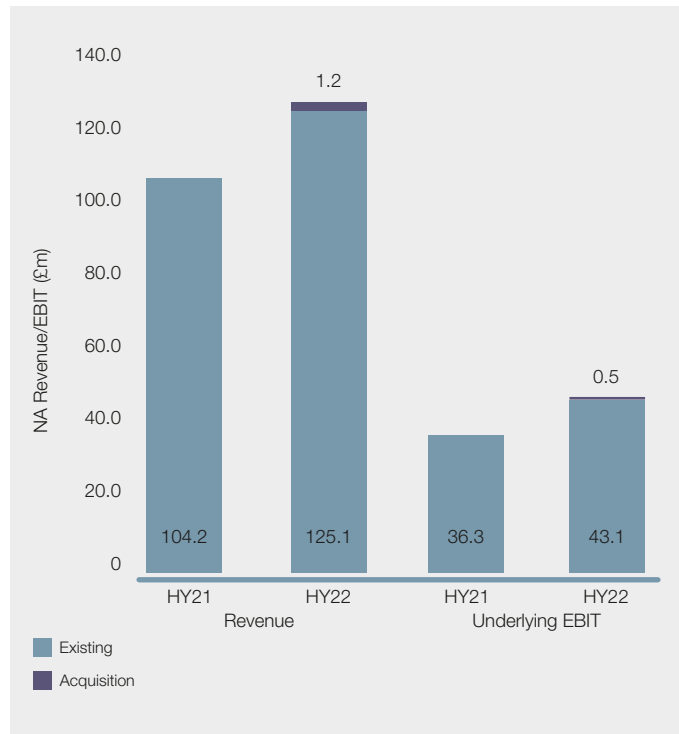
Returning to more normalised levels of growth



- **Revenue +10.5% to £206.1 million**
 - Existing: 8.3% increase to £201.9 million;
 - Acquisition: £4.2 million contributed from Tri-Solfen ANZ and Osumnia (July sales)
- **Underlying EBIT +12.2% to £69.7 million**
 - Existing: 8.2% increase to £67.2 million
 - Acquisition: Contributed £2.5 million
- **Underlying EBIT margin**
 - Existing: Operating margin maintained at 33.3%
 - Acquisition: margin at 59.5% reflecting gross margin nature of acquisitions
 - Consolidated: 50 bps increase in margin to 33.8%

NA Pharmaceuticals Segment

Exceptional organic growth



- **Revenue 26.1% to £126.3 million**

- Existing: 25.0% increase to £125.1 million
- Acquisitions: £1.2 million contributed from the acquisitions of various product rights and Osumia (July sales)

- **Underlying EBIT 25.6% to £43.6 million**

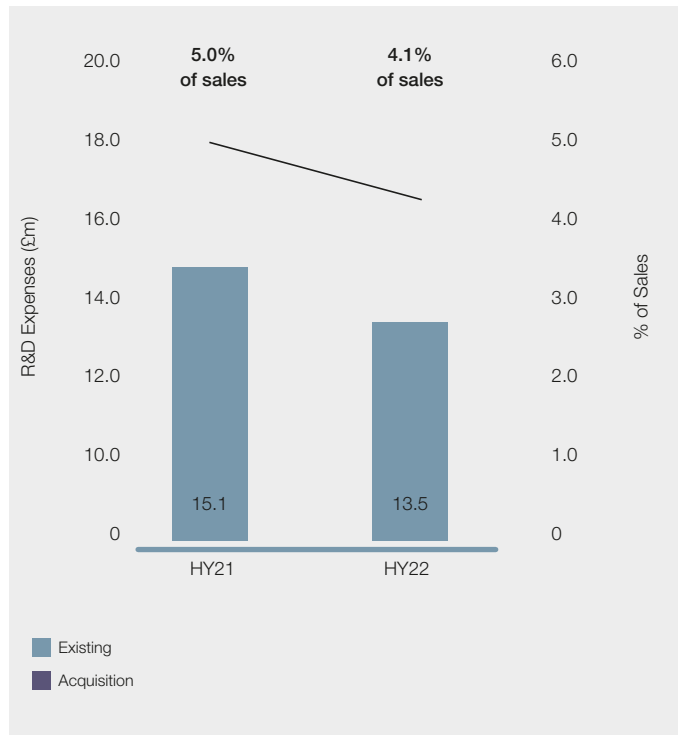
- Existing: 24.0% increase to £43.1 million
- Acquisitions: Contributed £0.5 million

- **Underlying EBIT margin**

- Existing: Operating leverage down 20 bps to 34.5%
- Acquisitions: Margin at 41.7% reflecting gross margin nature of the acquisitions
- Consolidated: 10 bps decrease in margin to 34.5%

Pharmaceutical Research & Development

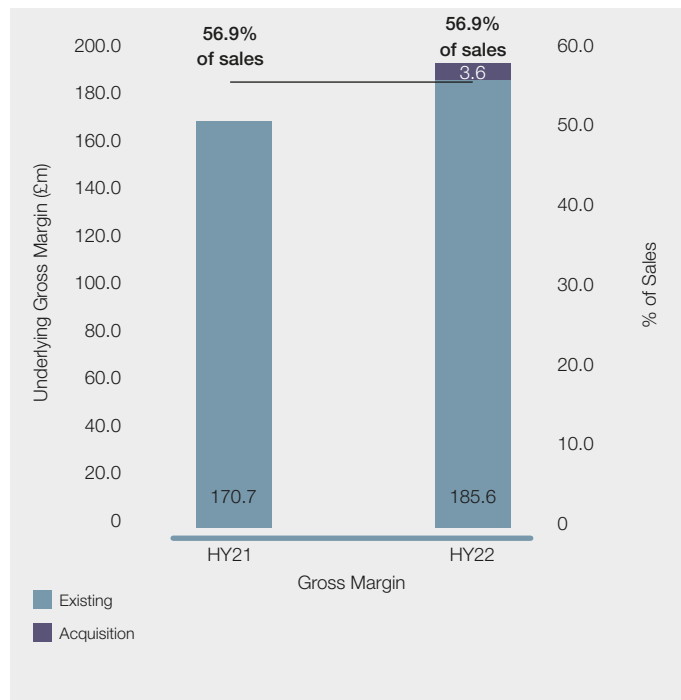
Investment in innovative new products



- **Investment decreased by 7.3% to £13.5 million**
 - Good progress made on pipeline, despite COVID-19
 - Reduction in spend from 5.0% to 4.1% of revenue
 - Expect spend to be second half weighted and in line with previous guidance

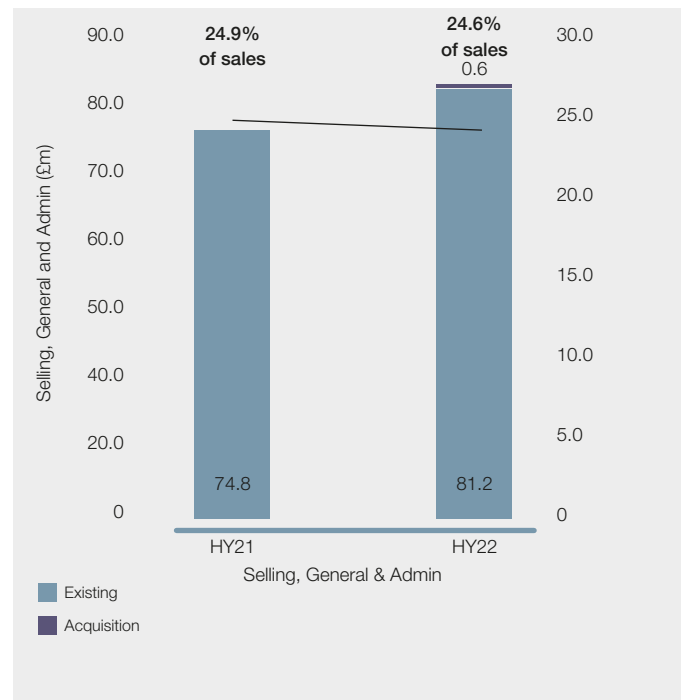
Gross Margin

Margin maintained in period



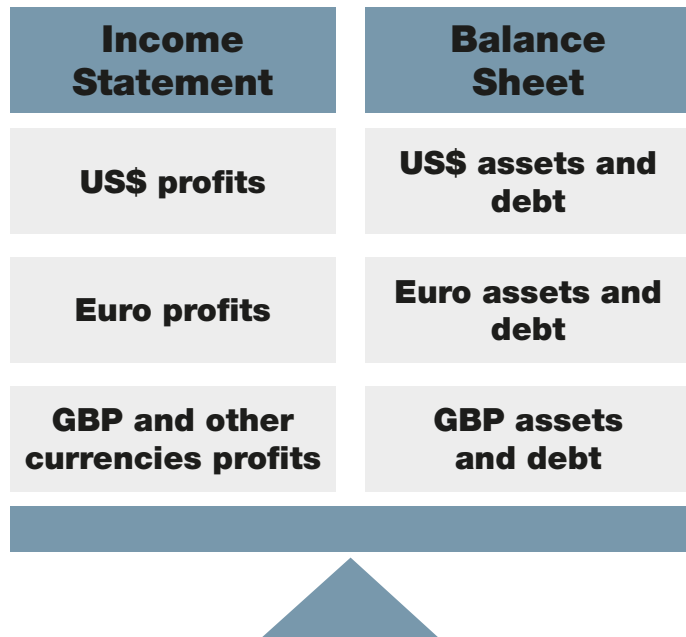
Selling, General & Admin

Cost base starting to normalise post COVID-19



Currency Exposure

Balancing currency flow with financing strategy



	Average Rates		
	HY 2022	HY 2021	% change
£/€	1.1744	1.1060	6.2%
£/\$	1.3635	1.3060	4.4%

- Euro€**
 1% variation in £/€ impacts underlying diluted EPS by approximately +/-0.4%
- US\$**
 1% variation in £/\$ impacts underlying diluted EPS by approximately +/-0.6%

Current exchange rates are c. £/€1.3548 and £/\$1.1913 (16 February 2022)

If these exchange rates had applied throughout the period, the underlying diluted EPS would be approximately 0.3% lower

Other currencies starting to influence: AUD, HRK, BRL

Cash Flow

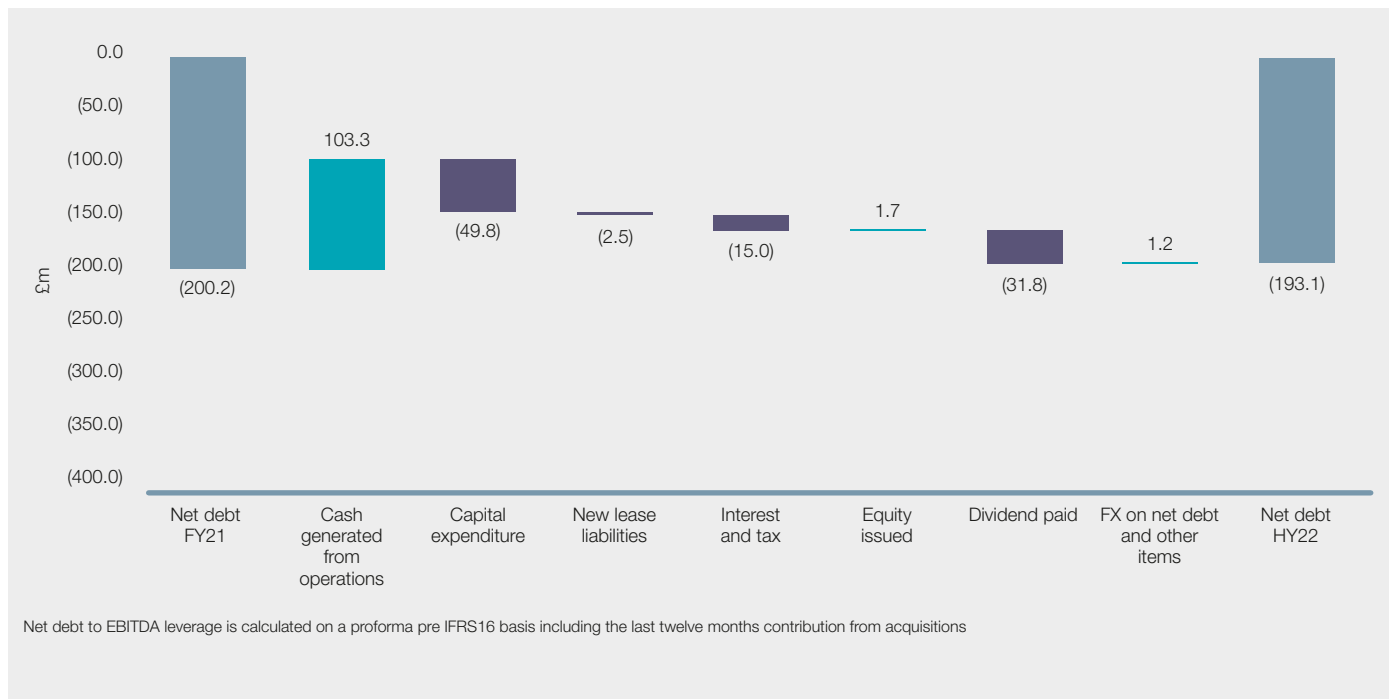
Strong cash conversion

	31 December	
	2021	2020
	£m	£m
Underlying operating profit	93.9	80.8
Depreciation and amortisation	7.4	7.4
EBITDA	101.3	88.2
<i>EBITDA %</i>	30.5%	29.4%
Working capital	1.7	(3.8)
Other	0.3	2.9
Net cash generated from operations before non-underlying items	103.3	87.3
Non-underlying items	–	(2.2)
Net cash generated from operations before interest and taxation	103.3	85.1
Underlying cash conversion %	110.0%	105.3%

Underlying cash conversion is defined as net cash generated from operations before interest and taxation as a percentage of underlying operating profit.

Net Debt

Net debt/EBITDA leverage at 0.9 times due to strong cash generation



Net debt to EBITDA leverage is calculated on a proforma pre IFRS16 basis including the last twelve months contribution from acquisitions

Tax

ETR increased, set to increase further

- Underlying effective tax rate (ETR) increased to 23.0% (2021: 21.4%) reflecting regional mix of operating profits and loss of patent box benefit
- Reported ETR of 23.8% includes the impact of non-underlying deferred tax charge of £0.9 million (2021: charge of £4.9 million) from revaluation of Netherlands deferred tax liabilities and assets

Risk to ETR from:

- Increasing tax burden
- Global tax reform, e.g. US, post COVID-19
- EU challenge of UK Controlled Foreign Company (CFC) legislation



Other Financial Items

Further details

- **Non-underlying net operating charge of £36.5 million (2021: £40.5 million)**
 - Decrease of £2.9 million in amortisation of acquired intangibles to £35.4 million
 - Impairment of £1.1 million relating to Agrochemicals business which was sold for £3.0 million post period end
- **Dividend**
 - Interim dividend increased to 12.00 pence per share (2021: 11.11 pence)
- **Banking**
 - Net debt of £193.1 million at the period end (2021: £204.0 million)
 - Leverage covenant is 0.9 at the period end (2021: 1.12) maximum cannot be higher than 3
 - Interest covenant is 25.9 at the period end (2021: 18.9) minimum cannot be lower than 4





Portfolio Focus

Strong market fundamentals

Global Trends

- Markets delivered strong growth in H1
- Increased spending on pets
- Markets returning to more normalised robust levels of historic growth

EU Pharmaceuticals

- Excellent organic growth against a comparator which included pre-Brexit load in UK
 - All EU countries performed well
 - Good growth in all product categories
 - International business performed well and successfully launched Tri-Solfen in ANZ

NA Pharmaceuticals

- Exceptional performance from our existing business despite new generic competition
 - Benefiting from strong market and product penetration
 - Sales team back making important face to face meetings
- Both Canada and Mexico performed well



Portfolio Focus

All categories delivered double digit growth

CAP

- Growth delivered in the majority of therapeutic areas
- Exceptional growth in endocrinology, topical dermatology and anti-infectives
- Osumnia and Mirataz performing in line with expectations

Equine

- Benefited from new product launches in prior year
- Increased market penetration of Equipalazone through lifecycle management

FAP

- Strong performance following slowdown in H2 2021 financial year
- Successful launch of Tri-Solfen in ANZ

	Six months ended 31.12.21 £m	Growth at CER %
Revenue		
CAP	245.5	17.0%
Equine	24.1	10.1%
FAP	39.2	12.2%
Subtotal Pharmaceuticals	308.8	15.8%
Nutrition	18.4	22.0%
Other	5.2	3.8%
Total	332.4	15.9%

Nutrition

- Successfully winning new customers in key European markets
- Excellent market penetration internationally (Japan and South Korea)



Pipeline Delivery

Good progress continues to be made

- Several global product approvals achieved and new submissions imminent
 - Equine Strangles vaccine for the EU market and Amoxi-Clav suspension for the US market
- Tri-Solfen successfully registered in UK for piglet castration, however the EU application was withdrawn
- New opportunities identified





Acquisition

Continued to identify and execute product acquisitions

• Equine

- Rompun and Butorphanol from Elanco, complement our A&A portfolio
- Sucromate from Thorn, expands our portfolio into reproduction
- ProVet system from Hassinger, revolutionary device that enhances healing in soft tissue injuries

• CAP

- Anaesthetic products Isoflurane and Sevoflurane from Halocarbon
- Atopivet range from Bioiberica which strengthens our leading topical dermatology portfolio

• Laverdia – CA1

- Post period end; acquisition of worldwide rights to Verdinexor from Aninive
- Novel treatment of all forms and stages of canine lymphoma in dogs
- Conditionally approved by FDA in January 2021, US sales commenced in July 2021
- Full submissions planned for key markets



Outlook

Remains positive with strong market dynamics

- Trading at the start of the second half remains strong
- Markets returning to more normalised levels of historic growth
- Supply chain improvements continuing
- Product development spend will be second half weighted
- New growth opportunities identified
- We remain confident in our future prospects






Dechra
Pharmaceuticals PLC
Appendices

Underlying Gross Margin (at AER)

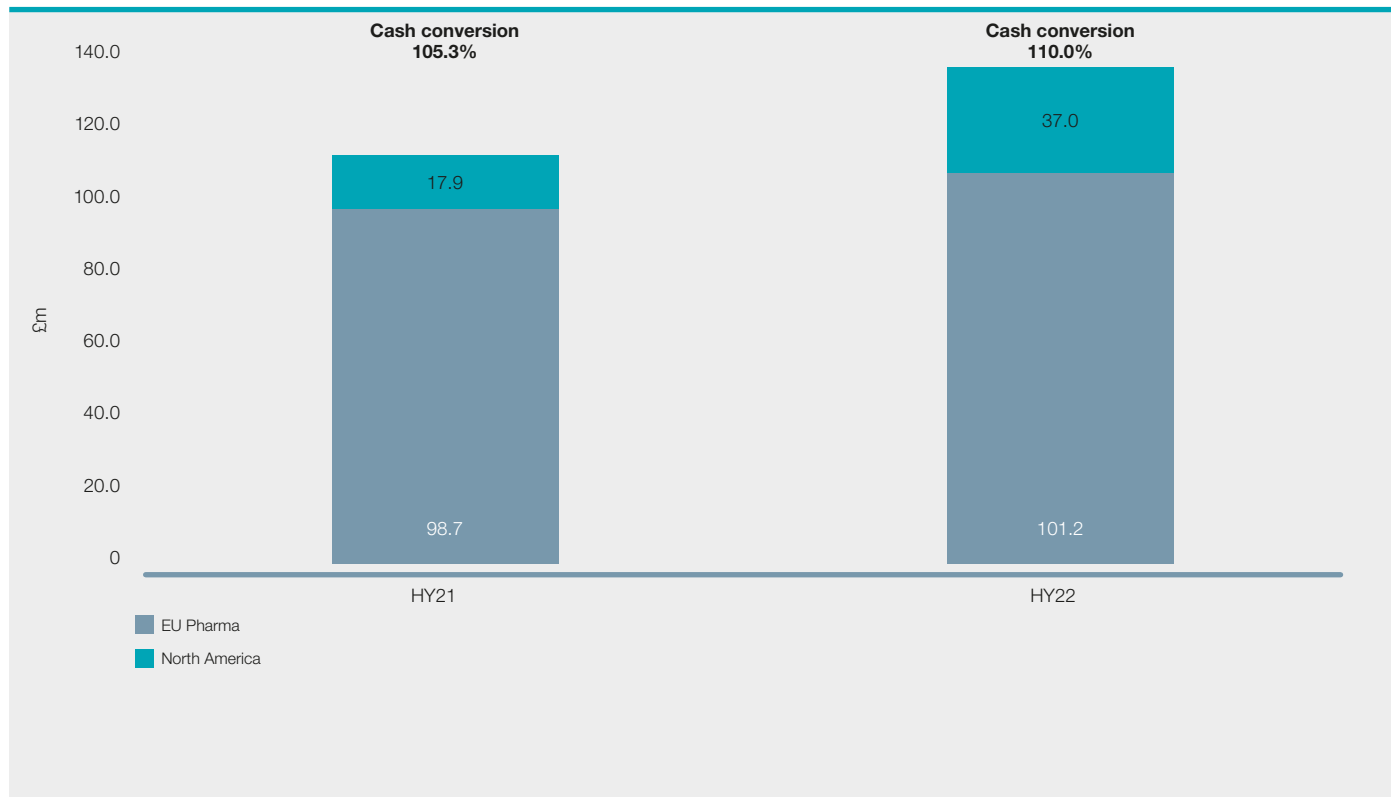
HY 2021 – Existing Business	56.9%
Product Mix	(0.1%)
HY 2022 – Existing Business	56.8%
Acquisition	0.1%
HY 2022 – Consolidated	56.9%

Balance Sheet

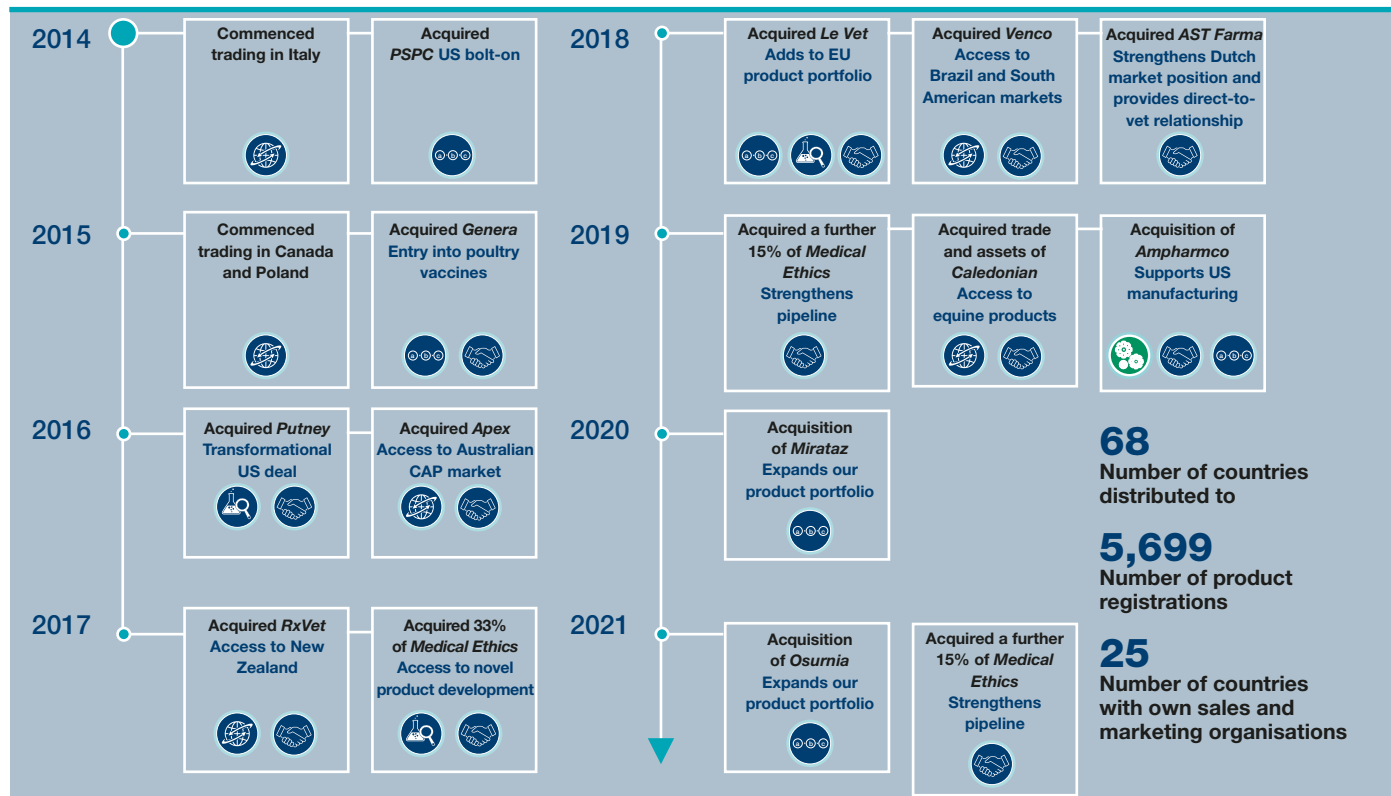
	31 December	
	2021	2020
	£m	£m
Total non-current assets (excluding deferred tax assets)	799.0	830.8
Working capital	138.1	116.6
Cash and cash equivalents	123.7	139.0
Borrowings	(316.8)	(343.0)
Corporate and deferred tax	(46.0)	(64.8)
Other liabilities	(58.9)	(53.2)
Total net assets	639.1	625.4
Net debt	(193.1)	(204.0)
Leverage covenant* – maximum 3.0:1	0.90	1.12

* Net debt/underlying EBITDA leverage ratio per the borrowings facilities leverage covenant, which includes the last 12 months EBITDA value (adjusted for the impact of acquisitions) and excludes the impact of IFRS16

Working Capital



Our History



Our Structure

DVP EU

- **Wide range of approved pharmaceuticals**
 - Market leading brands
 - Multi species (CAP, FAP and Equine)
 - Specialist niche markets
 - Generic markets
 - Specific range of veterinary exclusive diets
- **Mature infrastructure**
- **Sales and marketing in 19 EU countries**
- **511 employees**



DVP International

- **Increased area of management focus**
 - Third year of new structure
- **Newly established organisational structure**
 - Increased area of Group investment
- **Export to over 68 countries worldwide**
 - Accessed through network of distribution partners
- **Increased regulatory focus to accelerate product approvals**
 - Create critical mass
 - Long term aim to establish Dechra subsidiaries
- **Acquisitions giving access to ANZ and Brazil**
- **90 employees (exclu. Manufacturing)**



➤ **The Group has a strong market position in focus therapeutic sectors**

Our Structure

DVP NA

- **Range of specialist approved pharmaceuticals**
 - Own developed products FDA approved (CAP, Equine)
 - Acquired ranges
 - In-licensed products
- **Ongoing investment in infrastructure**
- **Sales and marketing in US, Canada and Mexico**
- **246 employees**

Our Structure

Manufacturing & Supply Chain

- **Five main sites**
 - Skipton, UK
 - Bladel, the Netherlands
 - Zagreb, Croatia
 - Londrina, Brazil
 - Fort Worth, Texas US
- **Two smaller sites**
 - Melbourne, Florida US
 - Sydney, Australia
- **Internally manufacture wide range of dosage forms**
- **Several approvals including FDA at Skipton**
- **50% of the volume supplied by c.42 contract manufacture sites**
- **Logistics hubs in Denmark for EU & Kentucky for NA**
- **876 employees**

Our Structure

PDRA

- **Majority of targets utilise molecules developed for human medicine**
- **Formulation suitable for species, dosage level / dosage form**
- **Clinical trial capabilities**
- **Wide range of projects, FAP / CAP / Equine, novel, generic and poultry vaccines**
- **Proven track record of pipeline delivery**
- **Develop and license novel and generic products**
- **Maintain existing licences**
- **Operate in six countries**
 - USA, UK, Netherlands, Croatia, Australia, Brazil
 - Three development and formulation laboratories
 - Clinical trials in US and EU
- **Spend (£32.4 million in 2021) is predominately development, not research orientated**
 - Expertise in innovation, formulation, clinical trials and regulatory affairs
- **159 employees**



Key Drivers of the Veterinary Market

CAP

- + Increased demand for new treatments and medicines
- + Increase in owners' compassion for their pets
- + Little pricing pressure; generics do not de-value markets to the extent of human products
- + EU Cascade supports licensed product use

FAP

- + Increased world demand for animal protein
- + Improved meat quality requires high quality pharmaceuticals
- Decline in use of antibiotics in Western Europe
- + Increased use of vaccines
- + Animal welfare

Our Strategy

To continue to develop our position as an international, high margin, cash generative, veterinary pharmaceuticals and related products business by:



Maximising revenue from our existing portfolio



Innovation, development and registration of new products



Expanding our international footprint



Acquiring complementary businesses

Selection of Ranges



OSPHOS
(clodronate injection)

Glossary

AER: Actual Exchange Rate

CAP: Companion Animal Products

CER: Constant Exchange Rate

EPS: Earnings Per Share

EU: Europe

FAP: Food producing Animal Products

FX: Foreign Exchange

NA: North America

Underlying results: excludes amortisation and related costs of acquired intangibles, acquisition expenses, fair value uplift of inventory acquired through business combinations, rationalisation costs, loss on extinguishment of debt, impairment of assets held for sale and fair value and other movements on deferred and contingent consideration

Forward Looking Statements

This document contains certain forward-looking statements which reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future and thereby involve a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

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