



**DELIVERING** OUR GLOBAL  
GROWTH STRATEGY

HALF YEAR  
PRESENTATION **2016**



# Dechra Pharmaceuticals PLC

## Half-Yearly Results

Six months ended 31 December 2015

# Strong performance in the first half

**Delivering  
solid sales growth**

**Sales up 15% at CER**

**Strong financial  
performance**

**Investment in NA and new  
subsidiaries**

**EPS up by 18%**

**New product  
registrations and  
launches**

**Osphos<sup>®</sup> launch in EU  
3 product approvals received,  
including Zycortal<sup>®</sup>**

**Investing in M&A**

**Entry into poultry vaccines  
First steps into Latin America\***

\* Note: Brovel was acquired on 13 January 2016

# Reported Financial Results

## *‘Sustained double digit growth’*

	Six months ended 31 December		Growth at AER <sup>(1)</sup> %	Growth at CER <sup>(2)</sup> %
	2015 £m	2014 £m		
Revenue	110.7	100.9	9.7%	14.9%
Gross profit	63.5	56.9	11.6%	18.8%
<b>Gross profit %</b>	<b>57.4%</b>	<b>56.4%</b>		
Underlying operating profit	26.3	23.1	13.9%	24.2%
<b>EBIT %</b>	<b>23.8%</b>	<b>22.9%</b>		
Underlying profit before tax	24.9	22.7	9.7%	20.3%
Underlying EBITDA	28.7	24.8	15.7%	24.6%
<b>Underlying diluted EPS (pence)</b>	<b>21.99p</b>	<b>20.51p</b>	<b>7.2%</b>	<b>17.6%</b>
<b>Dividend per share (pence)</b>	<b>5.55p</b>	<b>5.12p</b>	<b>8.4%</b>	<b>8.4%</b>

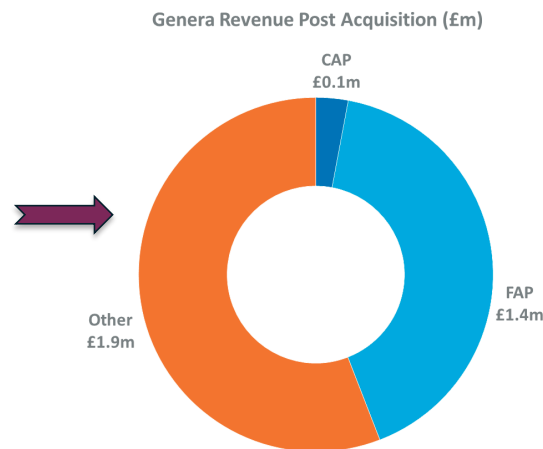
(1) Actual Exchange Rate

(2) Constant Exchange Rate

# Post Acquisition Genera Results

## *‘Strategic review underway to improve future performance’*

	Post Acquisition
	H1 2016 £m
Revenue	3.4
Gross profit	1.2
<b>Gross profit %</b>	<b>35.3%</b>
Underlying operating loss	(0.2)
<b>EBIT %</b>	<b>(5.9%)</b>
Amortisation of acquired intangibles	(0.4)
Fair value uplift of inventory	(1.0)
Rationalisation costs	(0.1)
<b>Reported loss after tax</b>	<b>(1.7)</b>



Note: Genera was acquired on 20 October 2015

# Sales by Categories

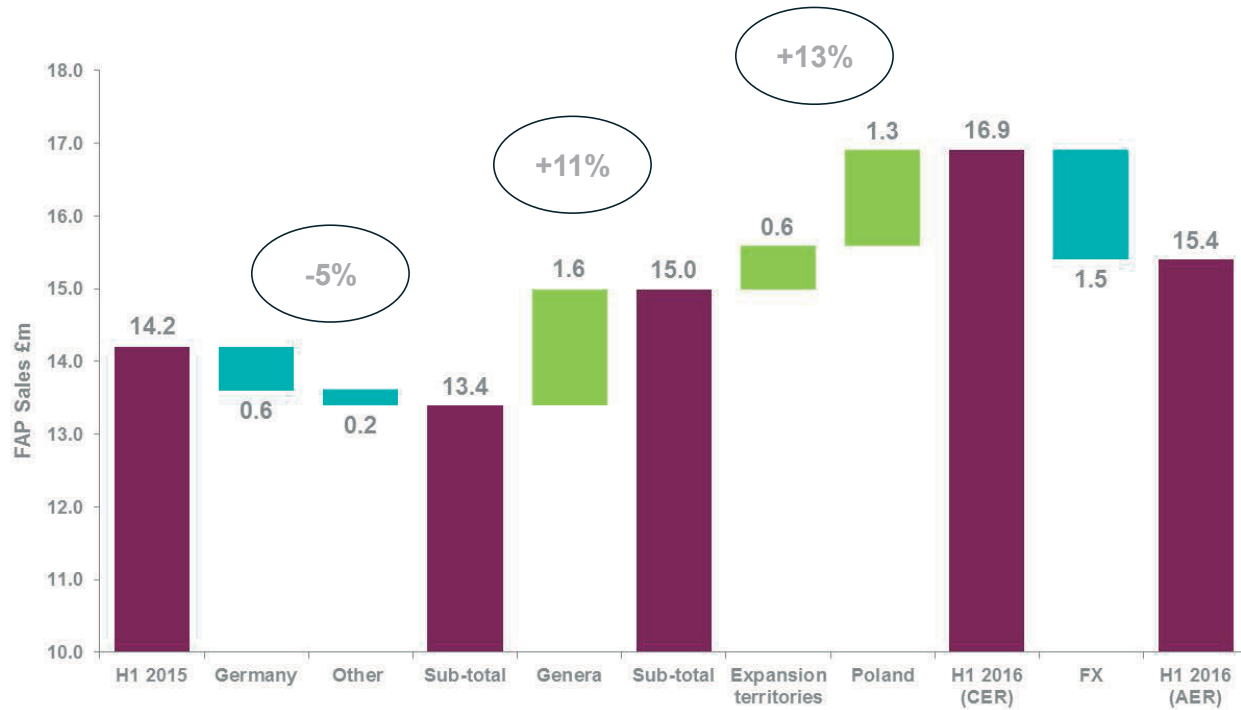
*‘All categories performing well, except for Diets’*

	Revenue H1 2016 £m	Growth (AER)	Growth (CER)
Companion Animal Products	62.6	11.8%	14.8%
Equine	9.5	17.3%	19.8%
Food producing Animal Products	15.4	8.5%	19.0%
<b>Sub-Total Pharmaceuticals</b>	<b>87.5</b>	<b>11.7%</b>	<b>16.1%</b>
Diets	11.6	(12.1%)	(2.3%)
Other*	11.6	23.4%	28.7%
<b>Total</b>	<b>110.7</b>	<b>9.7%</b>	<b>14.9%</b>

\* Other includes third party manufacturing and other non-core businesses in Genera

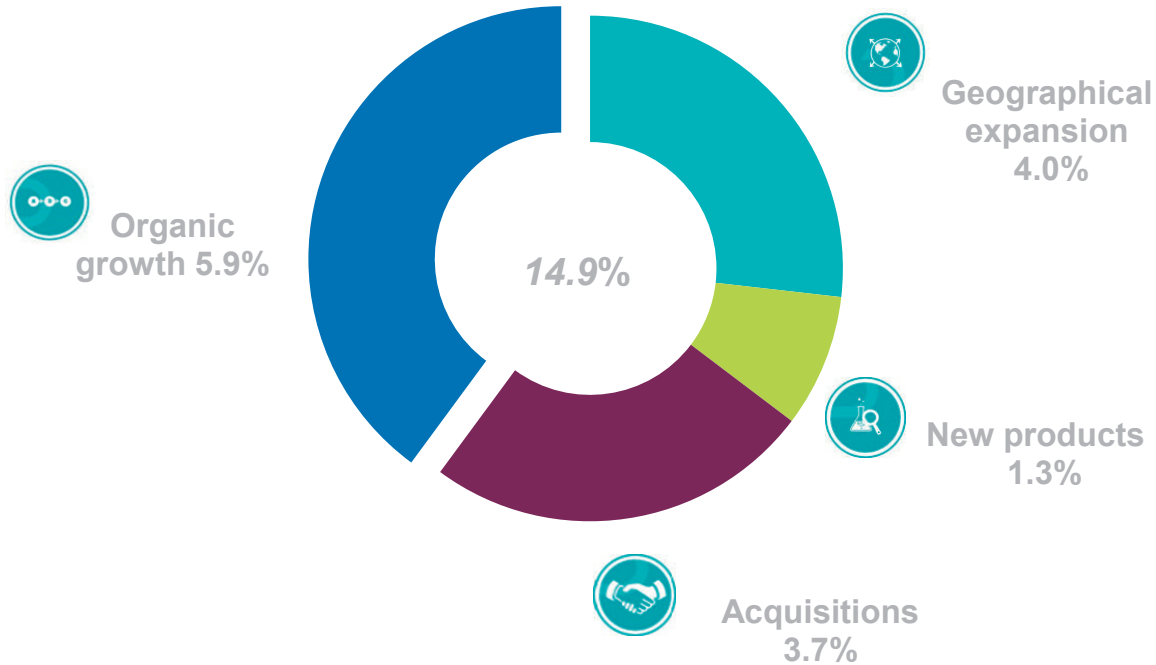
# FAP Analysis

*'Recovery driven by our expansion strategy'*



# Revenue Growth

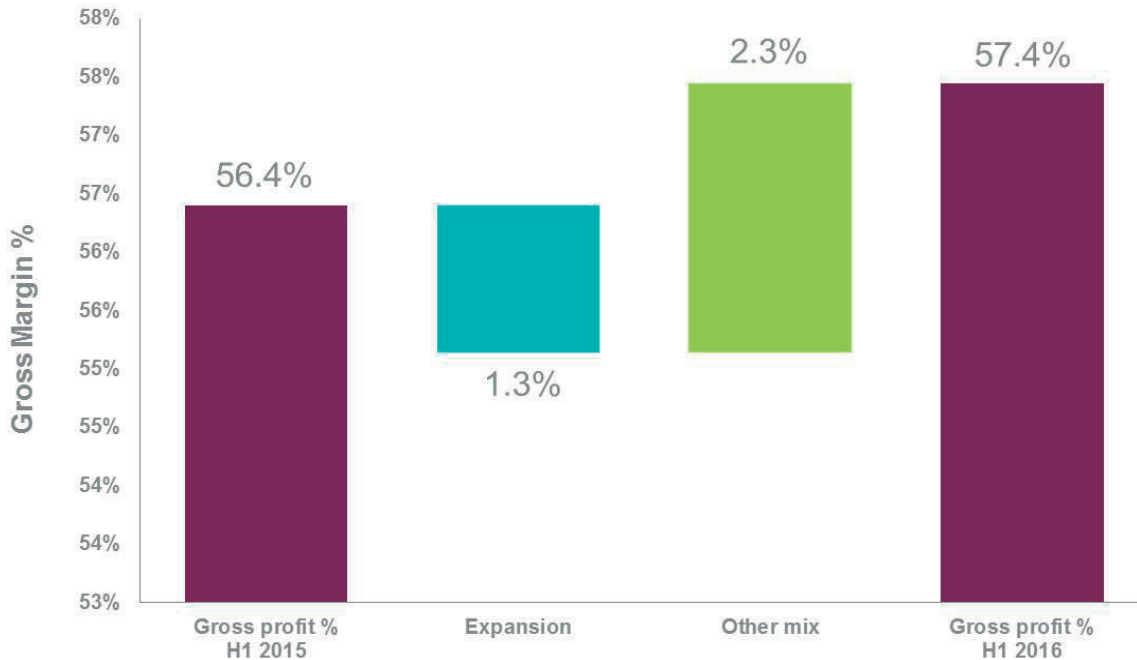
*‘Successful execution of our strategy drives growth’*





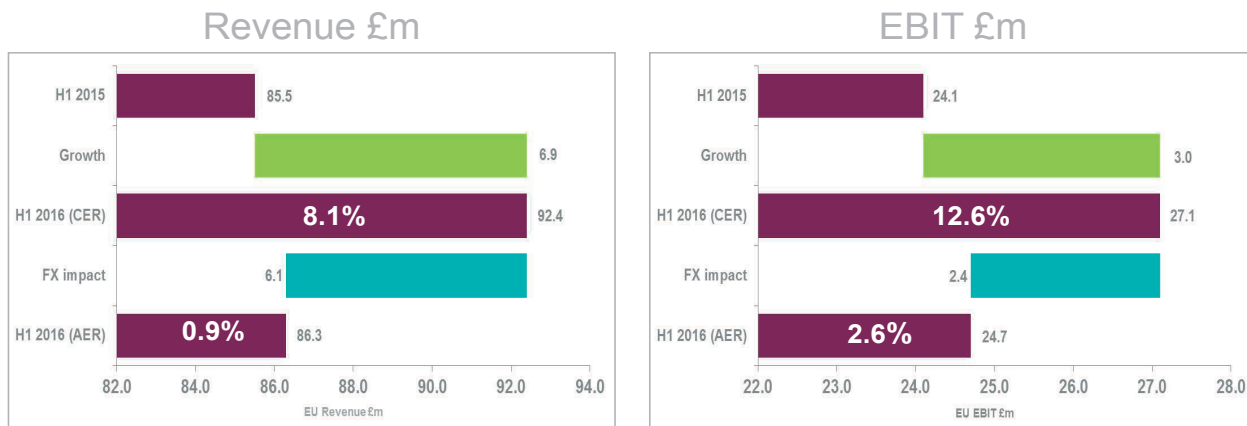
# Gross Margins

*'Positive impact of mix outweighs margin dilution from expansion'*



# EU Segment Performance

*‘Solid business performance masked by exchange rate headwinds’*

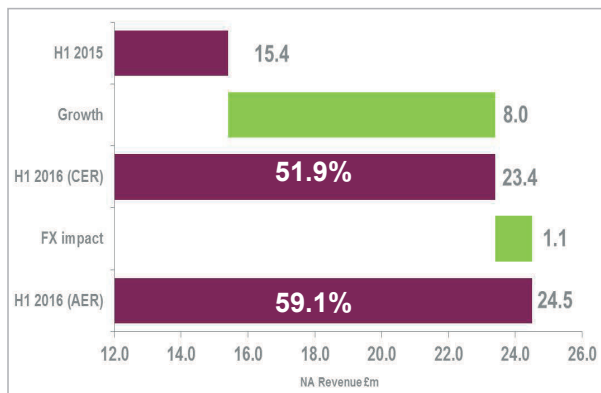


- ❑ EU Segment includes **Genera**, which contributed £3.4m revenue post acquisition
- ❑ **CAP growth** in the majority of our focus therapeutic areas
- ❑ **Profit margins maintained** despite investment in expansion
  - ❑ 28.2% in PY vs 28.6% in H1 16

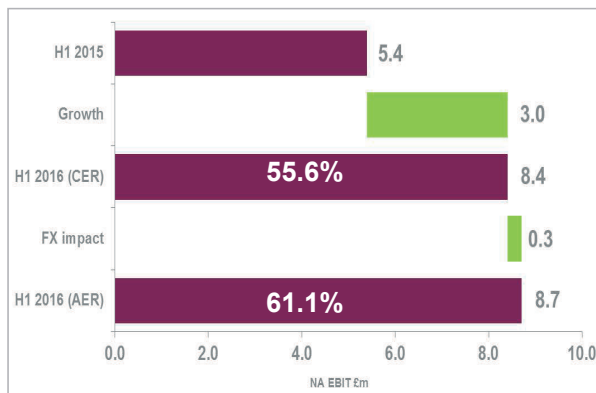
# NA Segment Performance

## *'Continued momentum'*

Revenue £m



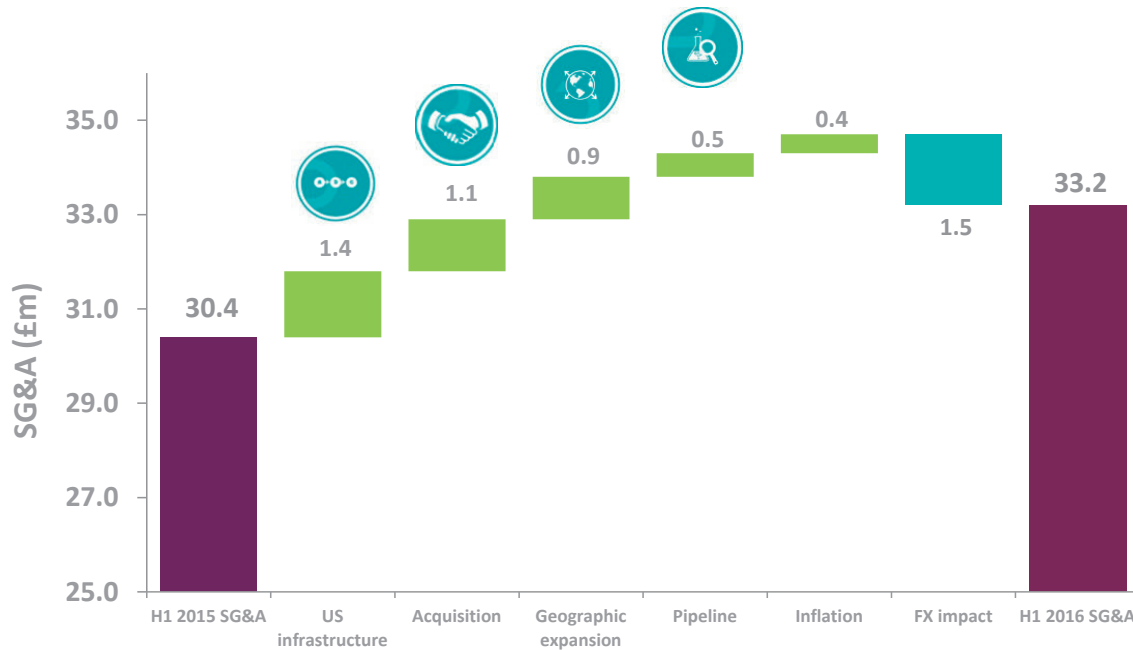
EBIT £m



- ☐ **Excellent sales performance**
- ☐ **Canada** subsidiary performing in line with expectations
- ☐ **Profit margins maintained** despite investment in expansion
  - ☐ 35.1% in PY vs 35.5% in H1 16

# Selling, General and Admin Expenses

*'Expenses increase in line with expectations'*



**30.1%**  
of revenue <sup>(1)</sup>

**30.0%**  
of revenue <sup>(1)</sup>

(1) At CER

# Trade and Other Working Capital

*'Increase due to investments in NA and acquisitions'*



- ❑ Acquisition contributed 64% of the total working capital growth year on year

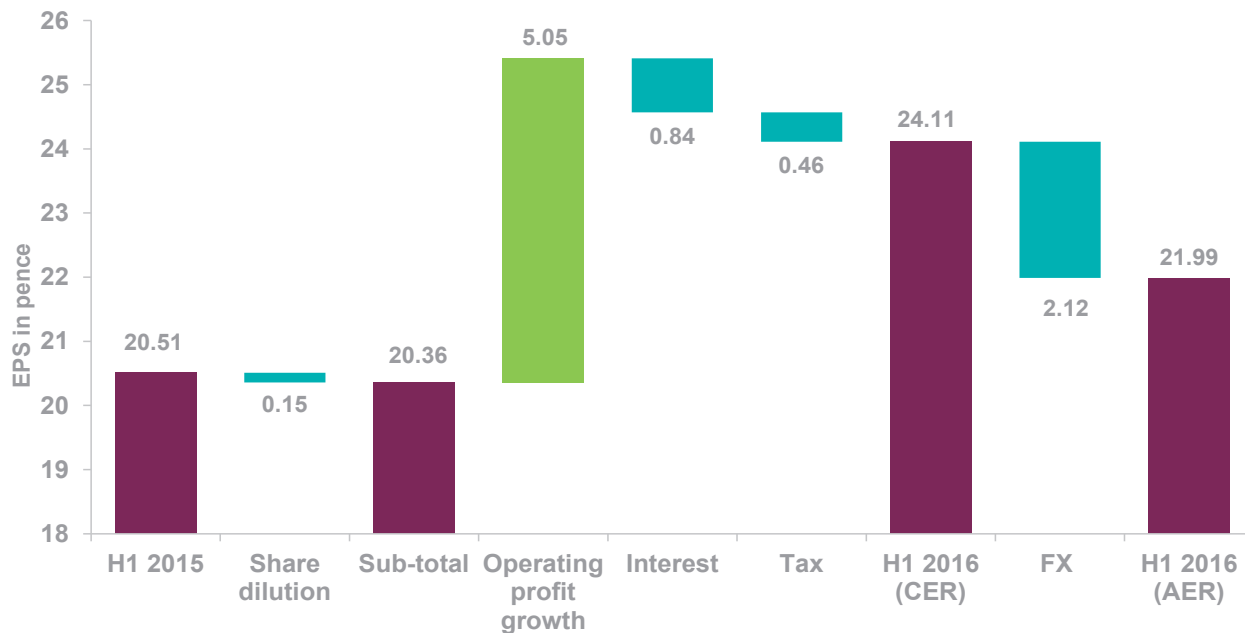
# Net Debt

*‘Additional borrowings to fund Genera acquisition’*

	£m
<b>Net cash - June 2015</b>	<b>13.4</b>
Increase in operating cash	20.0
Dermapet milestone payment	(3.3)
Dividend	(10.4)
Share issuance	0.5
Exchange differences	(3.1)
<b>Net cash pre-acquisition</b>	<b>17.1</b>
Genera equity acquisition	(26.5)
Genera debt acquired	(8.4)
<b>Net debt - December 2015</b>	<b>(17.8)</b>

# EPS Analysis

*'Organic growth impacted by currency'*



# Good progress executing our strategy

**Portfolio focus**

**Sustained momentum  
FAP recovery**

**Pipeline delivery**

***Osphos* launch in EU  
*Zycortal* and 2 FAP products  
approved**

**Geographic expansion**

**Strong growth in US  
New territories entered**

**Acquisition**

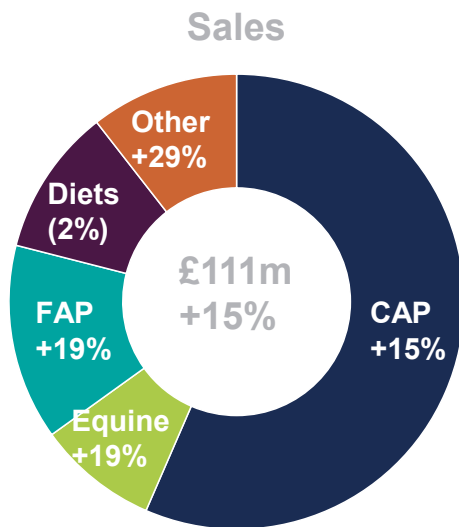
**Entry into poultry vaccines  
First steps into Latin America**





# Portfolio Focus

## *'Sustained momentum'*

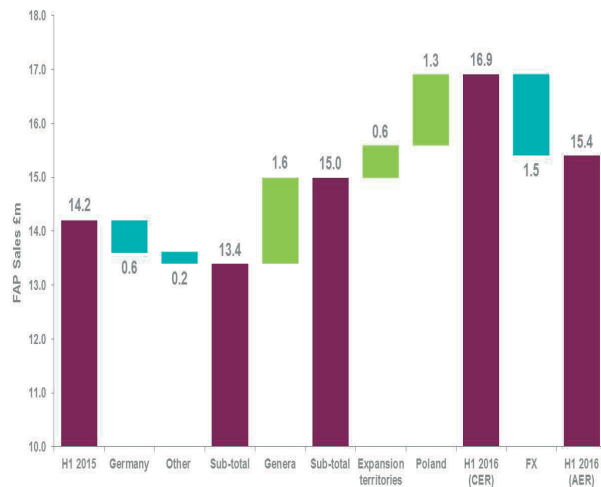


- ❑ **CAP growth** in the majority of our focus therapeutic areas
- ❑ Expansion strategy delivers early signs of **success in FAP**
- ❑ **Launch of *Osphos*** drives our Equine sales
- ❑ **Diets are still recovering** from prior year's supply issues
- ❑ **Genera** added c.4% to revenue growth



# Portfolio Focus

## 'FAP recovery'

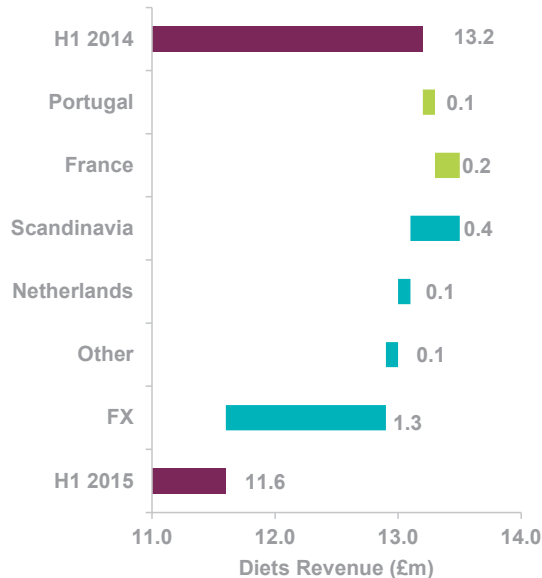


- ❑ Creation of a **dedicated FAP business unit**
- ❑ **Successful start of our Polish subsidiary** driving FAP growth
- ❑ **Decline in Germany** continues, but has slowed down in all other markets



# Portfolio Focus

## *'Specific™ Diets repositioning'*



☐ **New campaign** now rolled out across all countries

☐ Key markets have returned to **growth** (e.g. France)

☐ **Loss of a major contract in Scandinavia** has impacted sales

☐ **Increased collaboration** and sharing of best practices between the country teams



# Pipeline Delivery

*'Regulatory milestones met successfully'*



Navicular syndrome

EU – Q2  
and Q3 16



**ZYCORTAL**

Hidden disease. Visible answer.

Addison's disease

EU – Q4 16  
US – Q4 16



**Solamocta®**  
**Phenocillin**

Water soluble  
antibiotics

EU - Q4 16 (Solamocta)  
EU - Q2 17 (Phenocillin)



# Pipeline Delivery

*'A novel and innovative product - Zycortal'*

- ❑ **Product:** For use as replacement therapy for the mineralocorticoid deficit in dogs with primary hypoadrenocorticism (Addison's disease)
- ❑ **Disease:** Canine hypoadrenocorticism or Addison's disease, incidence 0.034% - 0.056%
- ❑ Reported **symptoms** range from loss of appetite, lethargy, depression, weakness, vomiting, diarrhoea, weight loss, shivering, tremors and/or muscle stiffness, slow heart rate/low blood pressure, low body temperature
- ❑ **UK launch** in April 2016, then EU and US

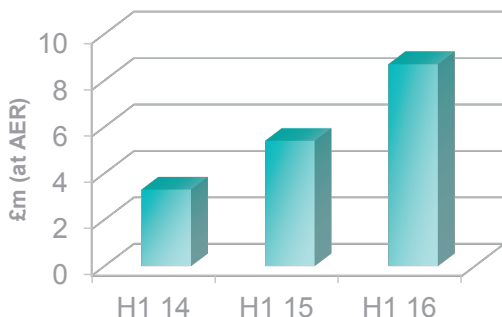




# Geographical Expansion

## *'Sustained double digit growth in NA'*

EBIT Evolution



- ❑ **Differentiated product portfolio** meeting veterinarians' needs
- ❑ Clear **marketing** messages supported by technical expertise
- ❑ **Investment in people:** 79 engaged employees in the US, of which 50 are field sales



### Itchin' for a new topical solution?

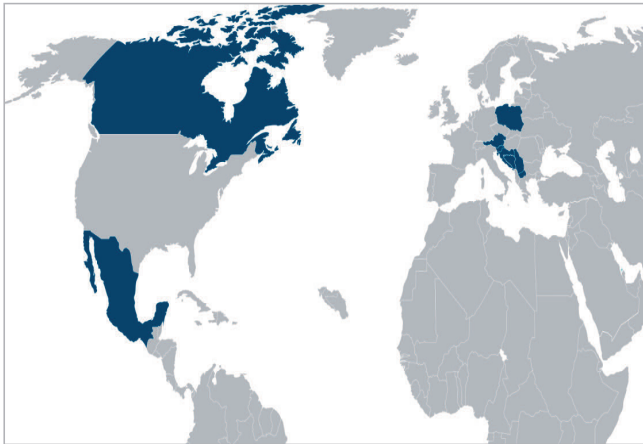
**Dechra has a topical solution to address all your topical therapy needs.**

Dechra's topical dermatology portfolio is anchored by key ingredients that you trust such as Chlorhexidine, Miconazole and Ketoconazole. Some of our formulations are also enhanced with other key ingredients like USP TrizEDTA, ceramides and acetic and boric acid. TrizEDTA chelates minerals in bacterial cell walls, thereby increasing their susceptibility to active ingredients in Dechra's topical products.<sup>1</sup> Dogs with atopy are known to be deficient in ceramides.<sup>2</sup> The ceramides in our topical products aid in moisturizing, repairing and restoring damaged skin. While acetic acid and boric acid offer a unique combination of ingredients not found in other products.



# Geographical Expansion

## *'Entering new territories'*



- ☐ **Poland and Canada**  
performing to expectations
- ☐ New greenfield subsidiary  
in **Austria**
- ☐ **Mexico and the Balkans**  
entered through acquisition



# Acquisition

*‘Acquisitions support the delivery of our strategy’*

## Genera

**Entry into poultry vaccines and addition to FAP portfolio**

- ❑ €36.6m funded through cash and debt
- ❑ Integration plan being formulated, ready for communication in March 2016
- ❑ First EU vaccine for Newcastle Disease approved by EMA

## Brovel

**Platform to launch Dechra products in Mexico and future access to Latin America**

- ❑ Acquired post reporting period for US\$5.0m
- ❑ Family owned business
- ❑ Diversified portfolio
- ❑ Revenue: £2.6m in 2015





# Delivering on our 2016 commitments



Strengthen  
therapeutic sectors



Innovate  
and generate  
profit growth



Seize growth  
opportunities in  
new markets



Deliver incremental  
profit through value  
enhancing  
acquisitions

- ✓ Deliver revenue growth
  - Current trading in line with expectations

***In line with  
expectations***

- ✓ Obtain Zycortal's approval

***Achieved***

- ✓ Open a new subsidiary in Austria

***Achieved***

- ✓ Complete integration of Genera,  
subject to completion

***On-track***

# Appendices

# Summary Balance Sheet

	31 December <sup>(1)</sup>		30 June
	2015 £m	2014 £m	2015 £m
Total non-current assets	211.8	204.4	183.5
Working capital	47.5	32.2	31.7
Cash and cash equivalents	45.1	36.3	45.9
Borrowings	(63.0)	(33.3)	(32.5)
Corporate and deferred tax	(27.1)	(27.6)	(25.0)
Other liabilities	(9.1)	(9.1)	(9.1)
<b>Total net assets</b>	<b>205.2</b>	<b>202.9</b>	<b>194.5</b>

(1) Actual Exchange Rate

# Currency

## Currency exposure

### **Euro €**

1% variation in £/€ impacts underlying diluted EPS by approximately +/- 1.1%

### **US\$**

1% variation in £/\$ impacts underlying diluted EPS by approximately +/- 0.3%

## Currency Average Rates

	H1 2015	H1 2016	% change
£ / €	1.260	1.394	10.63%
£ / \$	1.632	1.538	(5.76%)

Current exchange rates are c. £/€ 1.29 and £/\$ 1.45

If these exchange rates had applied throughout the period, the underlying diluted EPS would be approximately 13% higher

## Glossary

- AER: Actual exchange rate
- CAP: Companion Animal Products
- CER: Constant exchange rate
- EMA: European Medicines Authority
- EPS: Earnings per share
- EU: Europe
- FAP: Food producing Animal Products
- FX: Foreign Exchange
- NA: North America
- Underlying results: exclude acquired intangibles and other one-off items such as restructuring

## Trademarks

- Trademarks appear throughout this document in italics. Dechra and the Dechra “D” logo are registered trademarks of Dechra Pharmaceuticals PLC.

# About Dechra

Dechra is an international specialist veterinary pharmaceuticals and related products business. Our expertise is in the development, manufacture, and sales and marketing of high quality products exclusively for veterinarians worldwide.

Dechra's business is unique as the majority of its products are used to treat medical conditions for which there is no other effective solution or have a clinical or dosing advantage over competitor products.

For more information please visit: [www.dechra.com](http://www.dechra.com)

# 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 thereby involve a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

22 February 2016

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