



20 years

of strategic growth

Dechra Pharmaceuticals PLC
Annual Results Presentation 2017

Celebrating 20 years

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.

For more information please visit www.dechra.com



Operational Highlights



Portfolio Focus

- Core growth solid in EU, excellent in NA
- Major therapeutic sectors continue to grow



Pipeline Delivery

- Two new FAP EU registrations
- Numerous international approvals
- Exploring several new opportunities



Geographic Expansion

- New team structure to create greater focus
- New territories performing well



Acquisition

- Strong performance from prior year acquisitions
- Apex, Australia completed
- 33.0% share in Medical Ethics

Financial Highlights



Revenue Growth

- Overall growth of 28.3% at CER
- Solid growth in CAP, FAP and Equine



Underlying Operating Cash Generation

- 115.9% cash conversion
- Net Debt/underlying EBITDA leverage down from 2.0 to 1.4 times



Underlying EBIT Growth

- Underlying operating profit growth of 36.9% at CER
- Strong operational leverage and full year synergies from acquisitions



Shareholders' Value

- Underlying diluted EPS growth of 35.1%
- Increase in full year dividend of 16.1% to 21.44 pence
- ROCE increased 160bps to 17.7%

Our Strategy

To continue to develop our position as an international, high margin, cash generative, veterinary pharmaceuticals and related products business with a clear focus on key therapeutic areas:

- Endocrinology
- Dermatology
- Ophthalmology
- Equine medicine
- Anaesthesia and analgesia
- Cardiovascular disease
- Food producing animal antibiotics
- Poultry vaccines
- Pet diets
- Complementary generics



Generating and maximising returns and long term value for shareholders



Strategic Growth Drivers



Pipeline
Delivery



Portfolio
Focus



Geographic
Expansion



Acquisition

Reported Financial Results

Sustained double digit growth

	Twelve months ended 30 June		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2017 £m ⁽¹⁾	2016 £m ⁽¹⁾		
Revenue	359.3	247.6	45.1%	28.3%
Underlying operating profit	81.3	52.9	53.7%	36.9%
EBIT %	22.6%	21.4%	120bps	140bps
Underlying profit before tax	77.0	49.7	54.9%	38.4%
Underlying EBITDA	88.2	58.0	52.1%	35.5%
Net cash generated from operations	94.3	56.5	66.9%	-
Underlying diluted EPS (pence)	64.33	42.65	50.8%	35.1%
Dividend per share (pence)	21.44	18.46	16.1%	16.1%

(1) Actual Exchange Rate

(2) Constant Exchange Rate

Underlying results excludes items associated with areas such as amortisation of acquire intangibles and impairment of acquired intangibles, impairment of investments, acquisition expenses, fair value uplift of inventory acquired through business combinations, rationalisation costs, loss on extinguishment of debt, and fair value and other movements on deferred and contingent consideration

Revenue by Segment

Strong performance in existing business and acquisitions

	Twelve months ended 30 June		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2017 £m ⁽¹⁾	2016 £m ⁽¹⁾		
Revenue				
EU Pharmaceuticals – Existing	200.3	175.1	14.4%	3.6%
EU Pharmaceuticals – Acquisition ⁽³⁾	26.6	13.8	92.8%	63.0%
EU Pharmaceuticals – Total	226.9	188.9	20.1%	7.9%
NA Pharmaceuticals – Existing	69.3	50.8	36.4%	16.5%
NA Pharmaceuticals – Acquisition ⁽⁴⁾	63.1	7.9	698.7%	589.9%
NA Pharmaceuticals – Total	132.4	58.7	125.6%	93.7%
Total	359.3	247.6	45.1%	28.3%

(1) Actual Exchange Rate

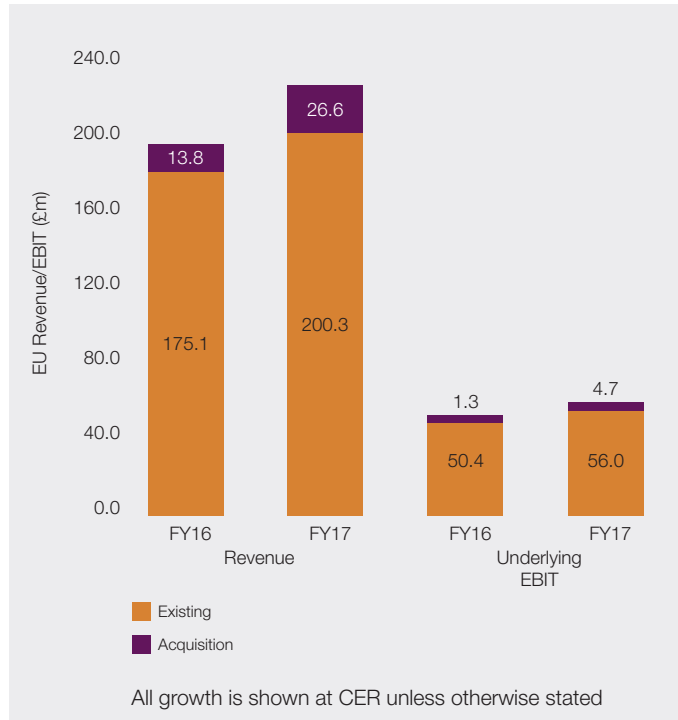
(2) Constant Exchange Rate

(3) EU Pharmaceuticals - Acquisition includes Genera and Apex

(4) NA Pharmaceuticals - Acquisition includes Brovel and Putney

EU Pharmaceuticals Segment

Consistent performance in key markets



— Revenue +7.9% to £226.9 million

- Existing: 3.6% increase to £200.3 million; 5.3% increase excluding third party contract manufacturing
- Acquisition: contributed £26.6 million
- Strong performance in CAP and FAP

— Underlying EBIT +9.9% to £60.7 million

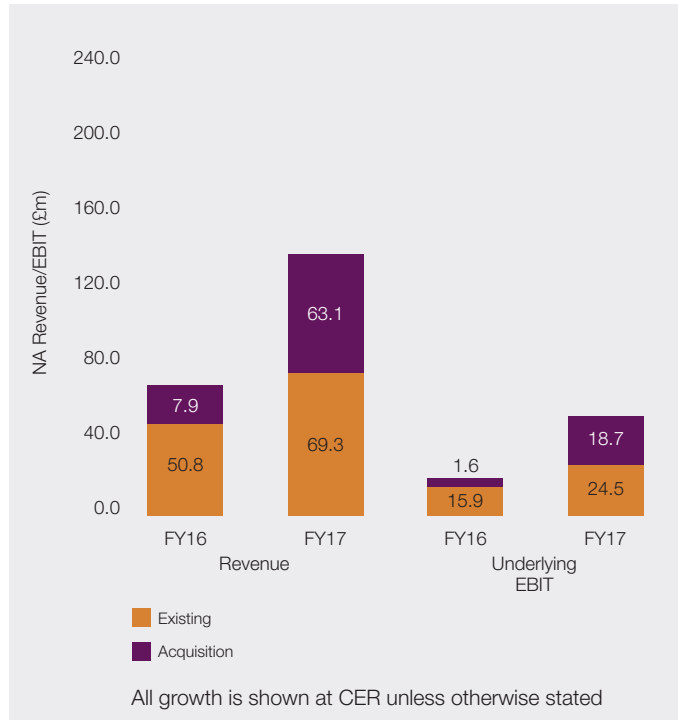
- Existing: 5.0% increase to £56.0 million
- Acquisition: contributed £4.7 million

— Underlying EBIT margin

- +50 bps to 26.8% as operating leverage offset lower margin products acquired

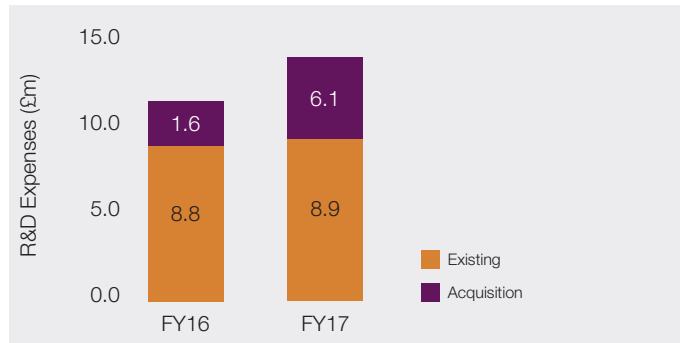
NA Pharmaceuticals Segment

Strong organic growth and leverage of Putney



- **Revenue +93.7% to £132.4 million**
 - Existing: 16.5% increase to £69.3 million
 - Acquisition: contributed £63.1 million
 - Strong performance in CAP and Equine
- **Underlying EBIT +110.9% to £43.2 million**
 - Existing: 31.4% increase to £24.5 million
 - Acquisition: contributed £18.7 million
- **Underlying EBIT margin**
 - +270 bps to 32.6%
 - Existing: +400 bps to 35.4%
 - Strong margin performance

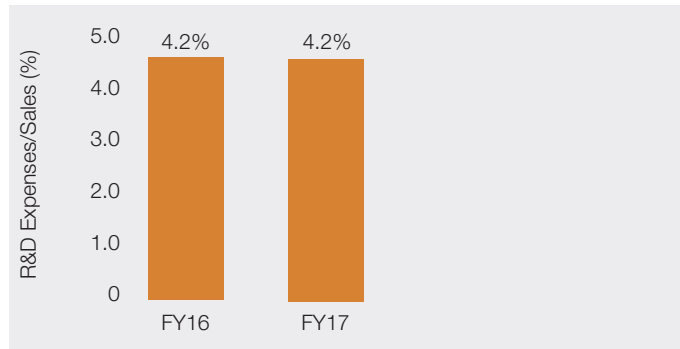
Pharmaceutical Research & Development



— Over 30% increase

— Addition of Genera, Brovel, Putney and Apex

R&D Expenses as percentage of sales

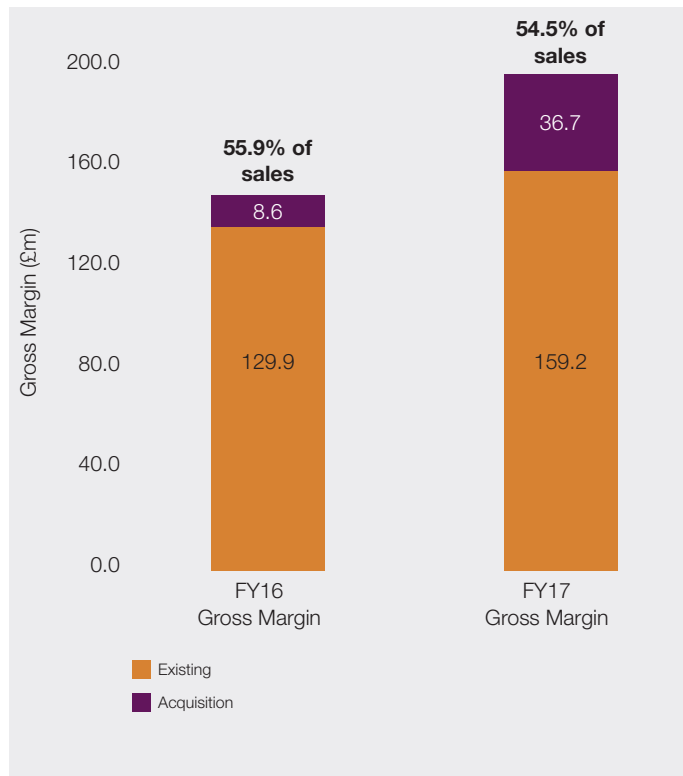


— Consistent investment in pipeline

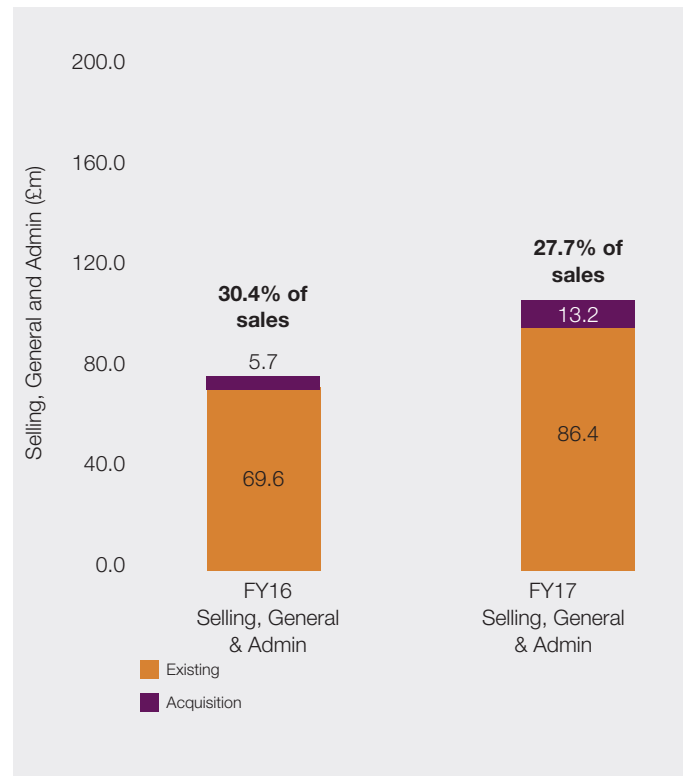
— Integration of acquisitions' R&D teams

— Platform to grow investment

Gross Margin

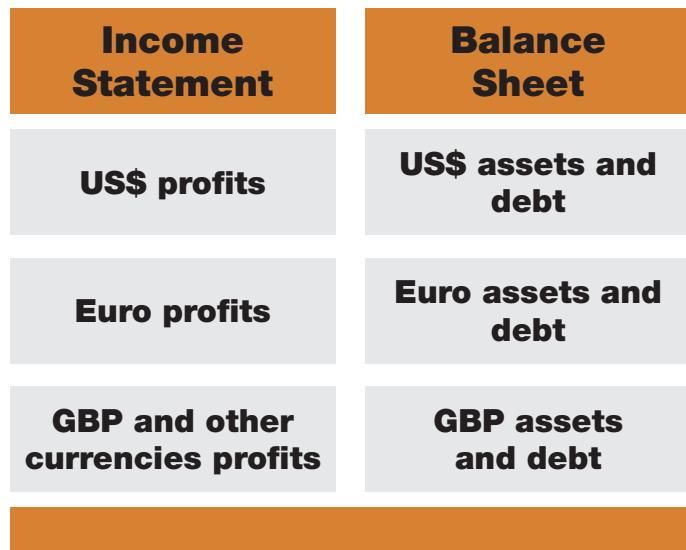


Selling, General & Admin



Currency Exposure

Balancing currency flows with financing strategy



	Average Rates		
	FY 2017	FY 2016	% change
£/€	1.1681	1.3432	(13.0%)
£/\$	1.2735	1.4870	(14.4%)

— **Euro€**
1% variation in £/€ impacts underlying diluted EPS by approximately +/-0.79%

— **US\$**
1% variation in £/\$ impacts underlying diluted EPS by approximately +/-0.54%

Current exchange rates are c £/€1.08 and £/\$1.29 (30 August 2017)

If these exchange rates had applied throughout the period, the underlying diluted EPS would be approximately 5.4% higher

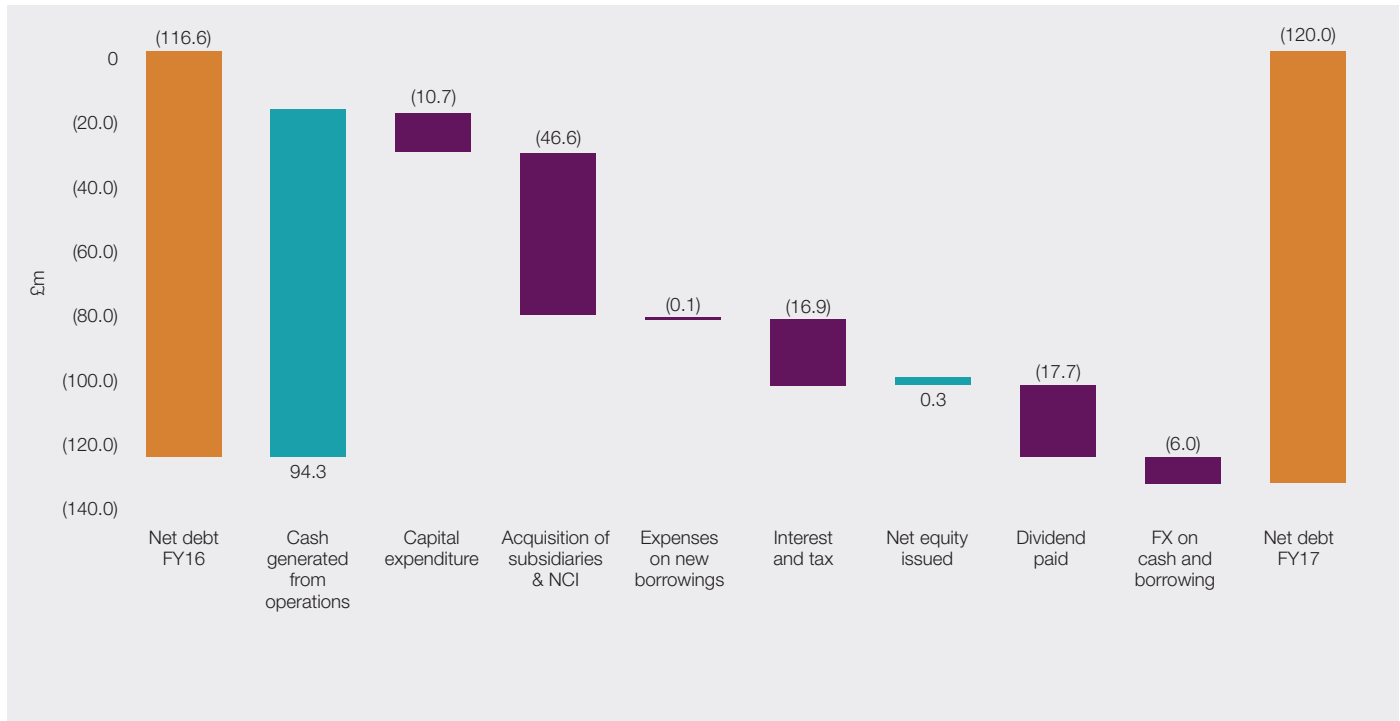
Cash Flow

Continuing strong cash generation

	30 June	
	2017 £m	2016 £m
Underlying operating profit	81.3	52.9
Depreciation and amortisation	6.9	5.1
Underlying EBITDA	88.2	58.0
%	24.5%	23.4%
Working Capital	6.9	(1.6)
Other	2.9	4.7
Net cash generated from operations before non-underlying items	98.0	61.1
Non-underlying items	(3.7)	(4.6)
Net cash generated from operations	94.3	56.5
Cash conversion %	115.9%	106.8%
ROCE %	17.7%	16.1%

Net Debt

Leverage down from 2.0 times to 1.4 times



Banking

New flexible, competitively priced facilities

Bank of Ireland



BNP PARIBAS



**Raiffeisen
BANK**



- **New credit agreement signed 25 July 2017**
- **Five year multi-currency Revolving Credit Facility**
 - two one year extension options
- **£235.0 million committed with further £125.0 million Accordion facility**
- **Lenders:**
 - Bank of Ireland
 - BNP Paribas
 - Fifth Third
 - HSBC
 - Lloyds
 - Raiffeisen
 - Santander
- **Covenants:** Leverage net debt to underlying EBITDA less than 3:1 (was 2.5:1)
 - Interest cover underlying EBITDA to net finance charges greater than 4:1 (unchanged)
- **Margins over Libor:** Range Net Debt to underlying EBITDA <1.5:1, 1.3%, >2.5:1, 2.2%

Other Financial Items

- **Non-underlying items (pre-tax) £48.4 million (2016: £35.1 million)**
 - Increase of £20.3 million on amortisation of acquired intangibles to £40.4 million
 - Amortisation of associate intangible, acquisition and integration costs £3.6 million
 - Acquisition fair value uplift of inventory £4.2 million
 - Fair value and other movements on deferred consideration £0.2 million
- **Dividend**
 - Final dividend increased 18.7% to 15.33p per share (2016: 12.91p)
 - Full dividend increased 16.1% to 21.44p (2016: 18.46p). Payable on 17 November 2017; Record Date 27 October 2017
 - Dividend cover on underlying diluted EPS of 3.0 times
- **Tax**
 - Effective Tax Rate (ETR) on PBT for the period reduced to 8.6% (2016: 14.0%)
 - Underlying ETR on underlying PBT is 21.9% (2016: 22.7%)
- **Banking**
 - Net debt of £120.0 million at 30 June 2017 (2016: £116.6 million)
 - Leverage ratio is 1.4 at 30 June 2017 (2016: 2.0): covenant cannot be higher than 2.5:1*
 - Interest ratio is 21.2 at 30 June 2017 (2016: 16.0): covenant cannot be lower than 4:1*

* 2.5:1 under old credit agreement. 3.0:1 under new credit agreement.



Portfolio Focus

Strong growth in key territories

— EU Pharmaceuticals

- Existing pharmaceutical range increased by 3.6% at CER (5.3% excluding third party contract manufacturing)
- Key territories: UK, France and Germany performing well
- All therapeutic sectors delivering growth
- Consolidated growth 7.9% at CER
 - Enhanced by Genera and Apex acquisitions

— NA Pharmaceuticals

- Existing pharmaceutical growth 16.5%
- One-off negative comparator due to loss of Levocrine
- Both CAP and Equine performing strongly
- Consolidated growth 93.7% at CER
 - Enhanced by Putney and Brovel acquisitions

Four leading brands.
One powerful leader in endocrinology.

Brands like Zycortal, Vetoryl, Forthyrone and Felimazole, combined with better understanding and support deliver effective control and management of Addison's, Cushing's disease, hypothyroidism and hyperthyroidism.

We believe that even animals with marginal diseases should be given the opportunity to live life to their full potential. Successfully treating these challenging diseases means taking back control and restoring quality of life to both the animal and the owner.



Portfolio Focus

All therapeutic areas performing well

Therapeutic Areas

Existing portfolio continues to drive growth

CAP growth in the majority of our focus therapeutic areas

Solid FAP growth against market decline in antibiotic use

Equine growth driven by continued market penetrations of Osphos

Diets market remains challenging

	Twelve months ended 30 June 2017 £m	Growth at CER
Revenue		
CAP	223.8	42.8%
Equine	27.2	19.5%
FAP	47.3	8.9%
Subtotal Pharmaceuticals	298.3	33.8%
Diets	27.5	(1.2%)
Other	33.5	14.5%
Total	359.3	28.3%



Geographic Expansion

Increasing area of focus

- Internal reorganisation
 - Dedicated management
 - Additional marketing
 - More product registration resource
- All recently entered countries delivering growth
- Global expansion continues organically and through acquisition:
Austria, Australia and New Zealand





Pipeline Delivery

Global registrations continue to be delivered

EU

FAP:

Revozyn, Altidox

Mexico

Equine:

Osphos

CAP:

Dermapet, Vetoryl

USA

CAP:

Amoxi-Clav

Australia

CAP:

Zycortal, Cardisure, Benazapril

Equine:

Doxy paste, Osphos

Canada

FAP:

Cyclosol

CAP:

Vetoryl 5mg

International

Numerous other registrations



Pipeline Delivery

Evaluation		Feasibility		Development		Registration	
CAP/Equine	FAP	CAP/Equine	FAP	CAP/Equine	FAP	CAP/Equine	FAP
<p>Projects are not shown for the Evaluation phase as new opportunities are constantly being evaluated and will move into the Feasibility phase quickly if of interest.</p>		Analgesic therapy for dogs	Anti-inflammatory therapy for poultry	Analgesic therapy for horses	Fluid therapy for cattle	Antibiotic for dogs and cats	Antibiotic for cattle
		Gastrointestinal therapy for horses	Antibiotic for pigs and poultry	Parasiticides for cats	Antibiotic for pigs	Dermatological therapy for dogs	Anti-inflammatory for poultry
		Dermatology treatment for dogs	Antibiotic for pigs	Parasiticides for dogs	Parasiticides for poultry	Antibiotic for dogs and cats	Antibiotic for pigs and poultry
		Dermatological therapy for dogs	Antibiotic for cattle	Parasiticides for dogs	Poultry vaccines	Analgesic therapy for dogs	Poultry vaccines
		Endocrine therapy for horses	Poultry vaccines	Endocrine diagnostic	Poultry vaccines		Poultry vaccines
		Anaesthetic for dogs	Poultry vaccines	Dermatological therapy for dogs			Poultry vaccines
		Analgesic therapy for cats					Poultry vaccines
		Cardiological therapy for dogs					Poultry vaccines
		Dermatological therapy for dogs					
		Dermatological therapy for dogs					
<p>Key</p> <ul style="list-style-type: none"> Analgesic, Anaesthesia, Anti-inflammatory Antimicrobial Antiparasitic Cardiology Dermatology Endocrinology Fluid therapy Gastrointestinal Vaccines 							



Acquisition

Three acquisitions completed in 2016 financial year

- All performances and integrations ahead of expectations
- Cost synergies delivered in Genera and Putney
- Significant cross selling benefits at Putney
 - New sales channels opened
 - One-off US\$3.0 million benefit from unblocking distributors

New acquisitions in 2017 financial year

- Apex, Australia completed October 2016 for AUD\$55.0 million (£34.2 million)
- 33.0% share in Medical Ethics Pty Ltd completed March 2017 for AUD\$18.0 million (£11.0 million). Also agreed long term marketing contract with Animal Ethics Pty Ltd
- Potential future targets identified





Acquisition

Animal Ethics

- Developing novel approach to farm animal pain management
- Tri-Solfen: three modes of action, pain relief, reduces bleeding, controls infection
- Potential multi species application
- Strong ethical and clinical justification
- Approved and very successful in sheep in Australia
- Positive opinion on possibility for registration in human medicine





Strategic Enablers – Manufacturing

Change to support our future

– Manufacturing

- 9.7% planned decline in revenue from contract manufacturing
- Management team strengthened
- Five year plan established and implemented to improve efficiency, create centres of excellence, reduce costs
- New third party supply chain initiatives completed





Strategic Enablers – IT and People

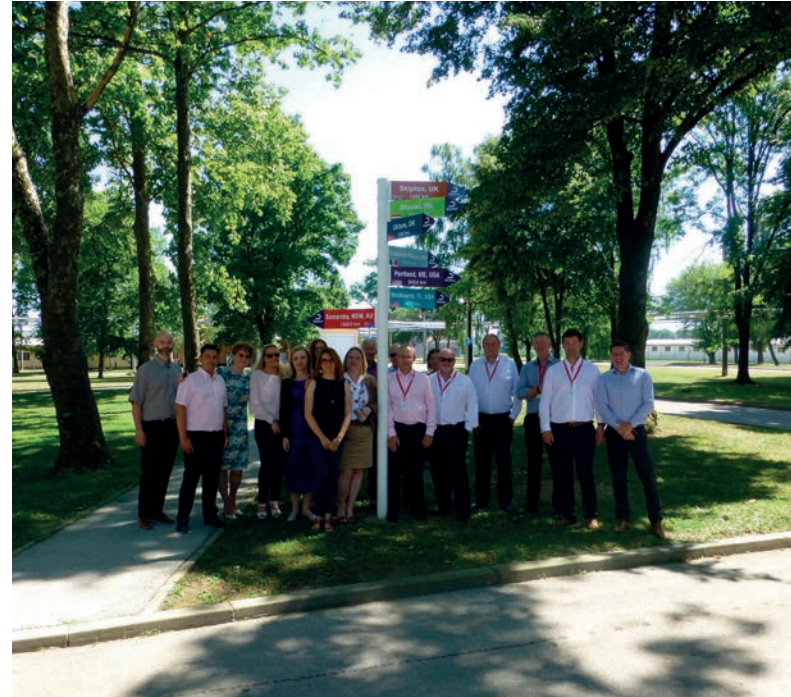
Change to support our future

— People

- SET performing well
- New Chairman, Tony Rice, commenced at October 2016 AGM
- New Non-Executive Director, Lawson Macartney, veterinarian and development expertise, commenced December 2016
- Chief Financial Officer, Richard Cotton, commenced January 2017

— IT

- Oracle ERP 'go-live' delayed
- Implementation expected 2018 financial year



Outlook

Our strategy continues to outperform

- Acquisitions delivering growth
- Pipeline producing new products
- Trading outperforming the majority of markets in which we trade
- New opportunities identified
- Current trading in line with management expectations
- Entering our 21st year with confidence

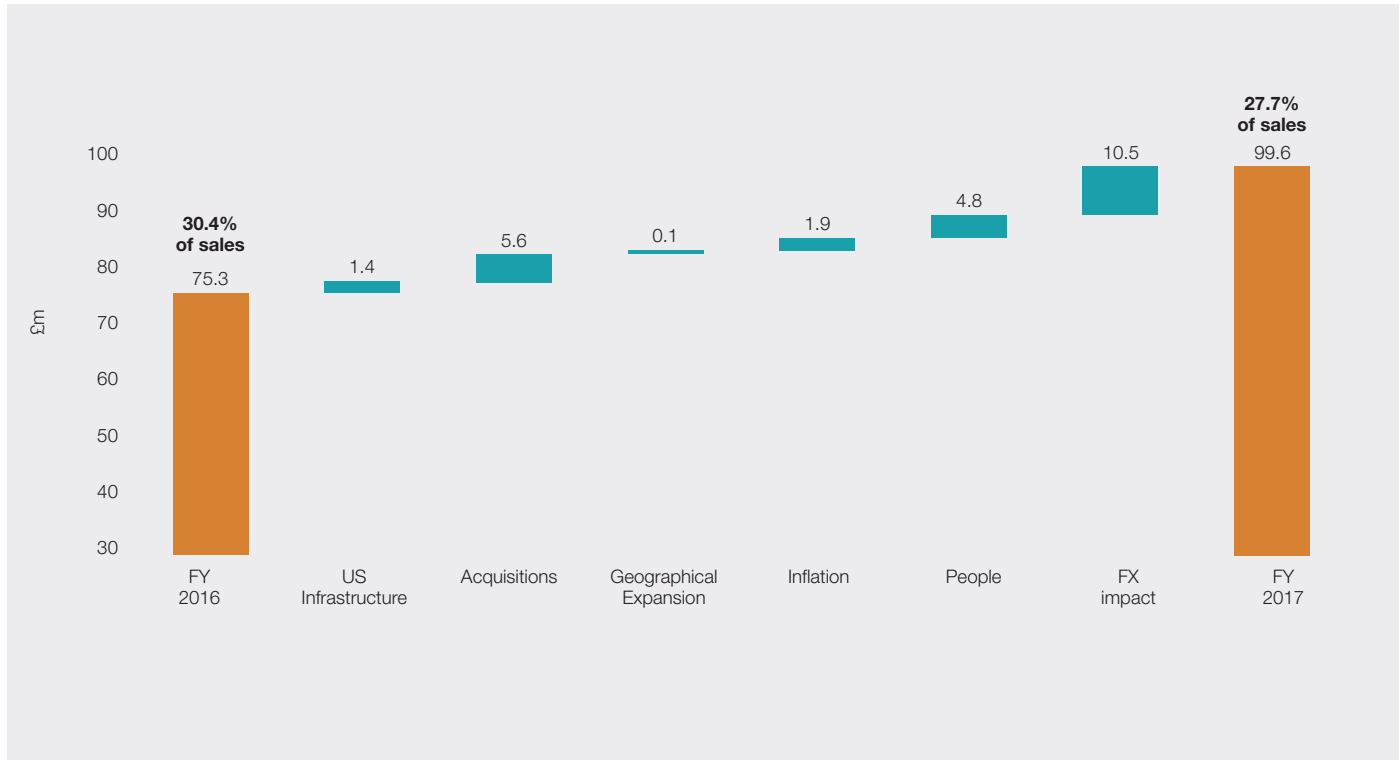




Underlying Gross Margin

FY 2016 – Existing	57.5%
Product Mix/leverage	1.6%
FY 2017 – Existing	59.1%
Acquisition	(4.6%)
FY 2017 – Consolidated	54.5%

Underlying Selling, General & Admin Expenses



Balance Sheet

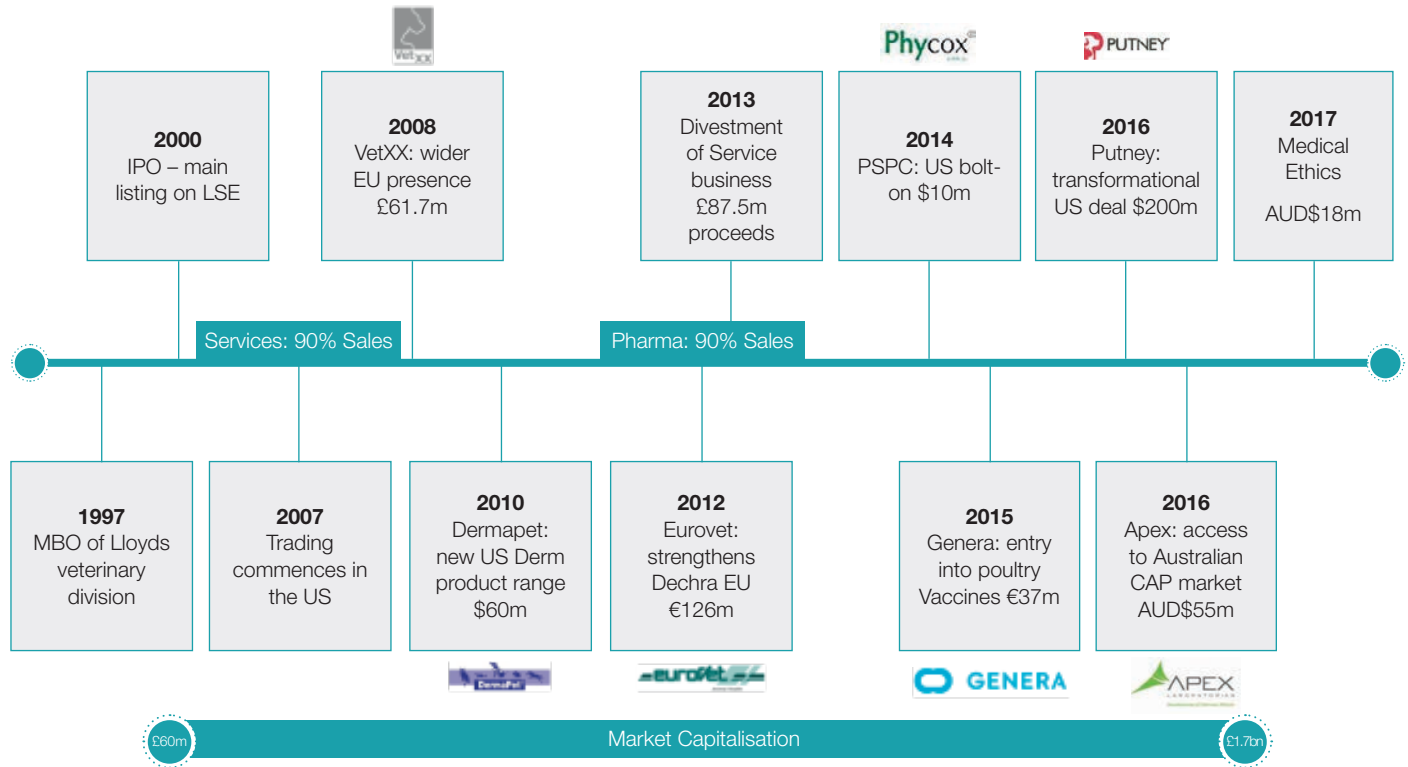
	30 June	
	2017 £m	2016 £m
Total non-current assets (excluding deferred tax assets)	452.3	393.0
Working capital	63.2	63.3
Cash and cash equivalents	61.2	39.1
Borrowings	(181.2)	(155.7)
Corporate and deferred tax	(51.0)	(52.4)
Other liabilities	(41.9)	(10.7)
Total net assets	302.6	276.6
Net (debt)/cash	(120.0)	(116.6)
Leverage covenant* – 2.5:1	1.4	2.0

* Net (debt)/cash to underlying EBITDA

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, Australia and New Zealand**
- **541 FTEs**



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

DVP International

- **Increased area of management focus**
 - Experienced Director recently appointed
- **Newly established organisational structure**
 - Increased area of Group investment
- **Export to over 50 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
- **2016 investment to acquire Apex provided access to Australian & NZ market**



Our Structure

DVP NA

➤ **Range of specialist approved pharmaceuticals**

- Five own developed products FDA approved (CAP, Equine)
- Acquired ranges
- In-licensed products
- New range of Putney generics

➤ **Ongoing investment in infrastructure**

➤ **Sales and marketing in US, Canada and Mexico**

➤ **179 FTEs**

Our Structure

Manufacturing & Supply Chain

- **Three major sites**
 - Skipton, UK
 - Bladel, the Netherlands
 - Zagreb, Croatia
- **Three minor sites**
 - Melbourne, Florida US
 - Mexico City, Mexico
 - Sydney, Australia
- **Internally manufacture wide range of dosage forms**
- **Several approvals including FDA at Skipton**
- **Provide contract manufacturing services**
 - Human and animal health products
- **50% of the volume supplied by 42 contract manufacture sites**
- **Logistics hubs in Denmark for EU & Kansas City for NA**
- **511 FTEs**

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 four countries**
 - USA, UK, Netherlands, Croatia
 - Three development and formulation laboratories
 - Clinical trials in US and EU
- **Spend (£16.0 million in 2017) is development, not research orientated**
 - Expertise in innovation, formulation, clinical trials and regulatory affairs
- **89 FTEs**



Worldwide Economic Drivers Create Sustainable Demand



Population growth

- Increased reliance on livestock
- Need for healthier and more productive animals
- 7 billion people consume animal protein
- Forecast CAGR to 2018 for livestock 5–6% ⁽¹⁾

(1) Vetnosis Storm forecast 2014



Growing middle class

- Pets integrated in the household
- Veterinarians' competencies increasing
- Improved nutrition
- Pet spending growing



Increased urbanisation

- 225 million dogs in homes globally
- 125 million cats in homes globally
- Pet ownership increasing in developing countries
- Forecast CAGR to 2018 for companion animals 5–6% ⁽¹⁾

Key Drivers of the Veterinary Market

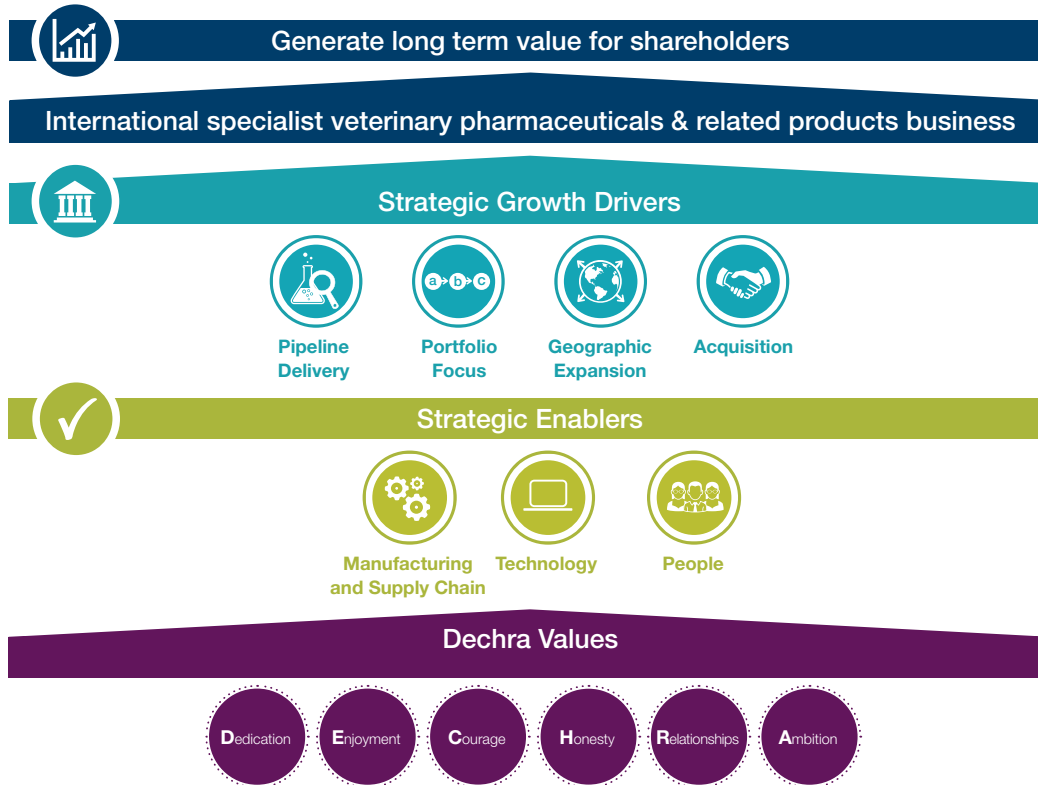
CAP

- + 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

Our Strategy



Selection of Ranges



OSPPOS
(clodronate injection)

Five Year Summary of Financials

Consolidated Income Statement (£m)	2017	2016	2015	2014	2013
Revenue	359.3	247.6	203.5	193.6	189.2
Underlying operating profit	81.3	52.9	44.4	42.2	39.1
Operating margin %	22.6%	21.4%	21.8%	21.8%	20.7%
Underlying profit after taxation	60.1	38.4	35.3	31.8	25.5
Underlying earnings per share	64.68	42.95	40.17	37.61	38.98
– basic (pence)					
– diluted (pence)	64.33	42.65	39.90	37.48	38.71
Dividend per share (pence)	21.44	18.46	16.94	15.40	14.00
Operating profit	33.2	19.5	26.0	25.0	18.3
Profit after taxation	26.1	12.5	19.5	19.4	10.9
Earnings per share	28.09	14.00	22.14	67.57	20.59
– basic (pence)					
– diluted (pence)	27.93	13.90	21.99	67.33	20.45

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 of acquired intangibles and impairment of acquired intangibles, impairment of investments, acquisition expenses, fair value uplift of inventory acquired through business combinations, rationalisation costs, loss on extinguishment of debt, 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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