Dechra®

Pharmaceuticals PLC

Annual Results Presentation 2022

Celebrating **25 years** of Continuous Growth and Improvement in 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 and critical care.

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

Species: Dogs and cats.

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

Strategic Growth Drivers

Portfolio Focus

- Strong organic growth in all key markets
- Growth delivered in all therapeutic segments

Pipeline Delivery

- Positive progress in diabetes drugs developed with Akston Biosciences
- Pipeline strengthened through own innovation and acquisition

Geographic Expansion

- International portfolio strengthened through numerous product approvals
- Established a sales & marketing business unit in South Korea, the world's eighth largest CAP market

Acquisition

- Successfully completed two material company acquisitions post year-end: Piedmont and Med-Pharmex
- Also executed numerous bolt-on product acquisitions to complement existing equine and CAP portfolios

Operational Highlights

Strategic Enablers

Technology

- Excellent progress on major IT projects: new quality document management system and upgraded Manufacturing ERP system
- Increased investment in digital communication capabilities

People

- New appointments at Board and SET level
- Investment in talent development to support future organic growth
- Remain a Living Wage (or equivalent) employer globally

Manufacturing and Supply

- Ongoing investment across our network of sites
- Consistently high levels of stock availability
- Continue to migrate more production in-house

Environmental, Social and Governance

- Strong progress in developing our ESG strategy, metrics and targets
- Publication of inaugural standalone Sustainability Report

Financial Highlights

Strong organic revenue and profit growth supplemented by acquisitions

Revenue Growth

- Increase of 13.8% to £681.8 million
- Organic revenue growth of 11.8%, with North America particularly strong at 21.3%

Operating Cash Generation

- Strong cash generation of £163.3 million representing cash conversion of 93.7%

Underlying EBIT Growth

- Increase of 9.4% to £174.3 million
- Operating margin higher than pre-pandemic levels of 2020 financial year

Shareholder Value

- Underlying diluted EPS increase of 14.0% to 120.84 pence
- Full year dividend increased by 10.8% to 44.89 pence

Growth is at CER

Underlying Financial Results

Strong trading performance despite post-COVID normalisation

	Year ended 30 June **2022 £m[1]**	2021 £m[1]	Growth at AER[1] %	**Growth at CER[2] %**
Revenue	**681.8**	608.0	12.1%	**13.8%**
Underlying gross profit	**385.3**	345.9	11.4%	**13.1%**
Underlying gross profit %	**56.5%**	56.9%	(40 bps)	**(40 bps)**
Underlying operating profit[3]	**174.3**	162.2	7.5%	**9.4%**
Underlying EBIT %	**25.6%**	26.7%	(110 bps)	**(110 bps)**
Underlying profit before tax	**170.0**	150.1	13.3%	**15.5%**
Cash conversion[4]	**93.7%**	87.1%		
Underlying diluted EPS (pence)	**120.84**	108.14	11.7%	**14.0%**
Dividend per share (pence)	**44.89**	40.50	10.8%	

(1) Actual Exchange Rate
(2) Constant Exchange Rate
(3) Includes £1.5 million of costs relating to cloud computing arrangements which have been expensed through the income statement
(4) Cash conversion is calculated as cash generated from operations before tax and interest payments as a percentage of underlying operating profit

Underlying results exclude amortisation and impairment of acquired intangibles, acquisition expenses and subsequent integration costs, impairment of assets, transformational cloud computing costs, loss on extinguishment of debt, and fair value and other movements on contingent consideration.

Revenue by Segment

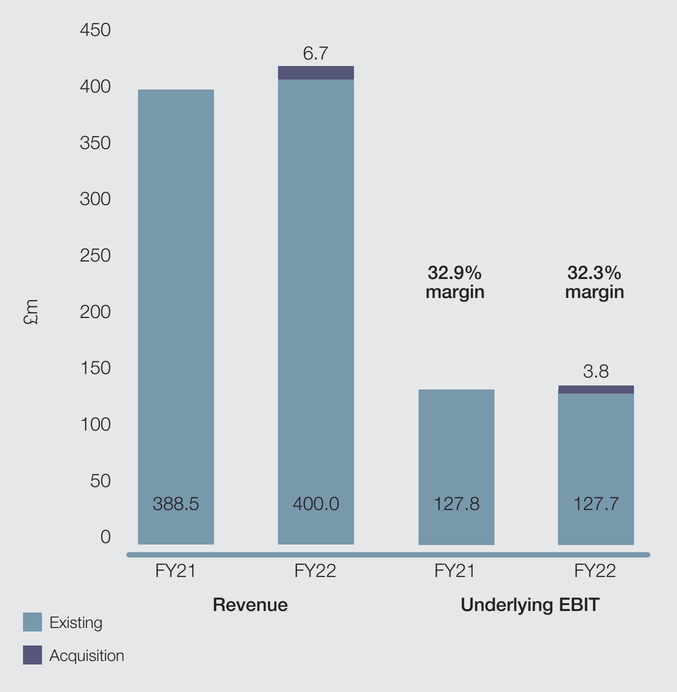
Revenue growth driven by strong organic performance

Revenue	Year ended 30 June 2022 £m	2021 £m	Growth at AER[1] %	Growth at CER[2] %
EU Pharmaceuticals – Existing[3]	**400.0**	388.5	3.0%	**6.4%**
NA Pharmaceuticals – Existing[3]	**269.4**	219.5	22.7%	**21.3%**
Total Existing	**669.4**	608.0	10.1%	**11.8%**
EU Pharmaceuticals – Acquisition[4]	**6.7**	–		
NA Pharmaceuticals – Acquisition[5]	**5.7**	–		
Total Acquisition	**12.4**	–		
Group Total	**681.8**	608.0	12.1%	**13.8%**

(1) Actual Exchange Rate
(2) Constant Exchange Rate
(3) Represents revenue including the impact of previous acquisitions where there is a comparative period and therefore growth rates are stated on a like-for-like basis
(4) Includes the acquisition of Tri-Solfen for the ANZ market plus one month contribution from Osurnia
(5) Includes numerous minor product acquisitions plus one month contribution from Osurnia

EU Pharmaceuticals Segment

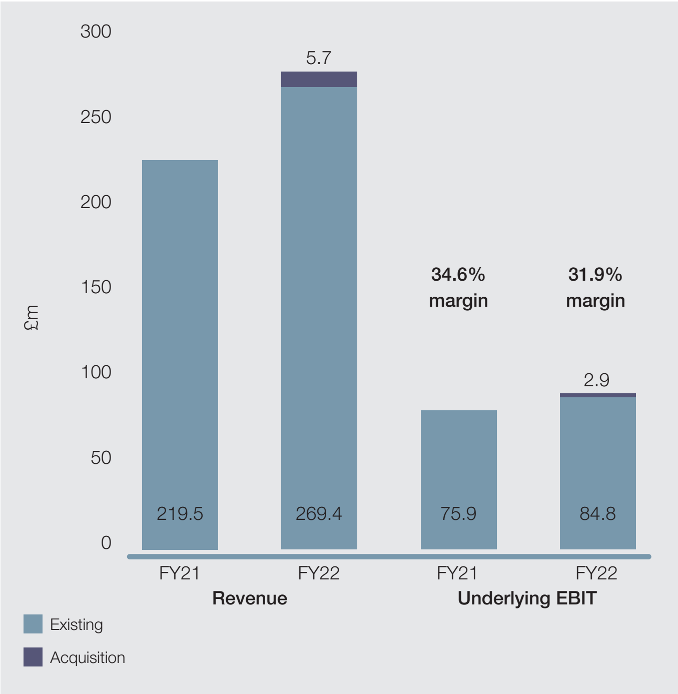
Operating margins above pre-pandemic levels



- **Revenue growth of 8.2% to £406.7 million**
  - Existing: 6.4% increase to £400.0 million
  - Acquisition: contributed £6.7million from the acquisition of Tri-Solfen for the ANZ market and annualisation of Osurnia
- **Underlying EBIT growth of 6.9% to £131.5 million**
  - Existing: 3.8% increase to £127.7 million
  - Acquisition: contributed £3.8 million, mostly from Tri-Solfen
- **Underlying EBIT margin**
  - Existing: Operating margin at 31.9%
  - Acquisition: 56.7%
  - Consolidated: (60) bps decrease in margin to 32.3% due to normalisation of cost base following COVID-19
  - On a two year basis, consolidated EBIT margin remains higher

NA Pharmaceuticals Segment

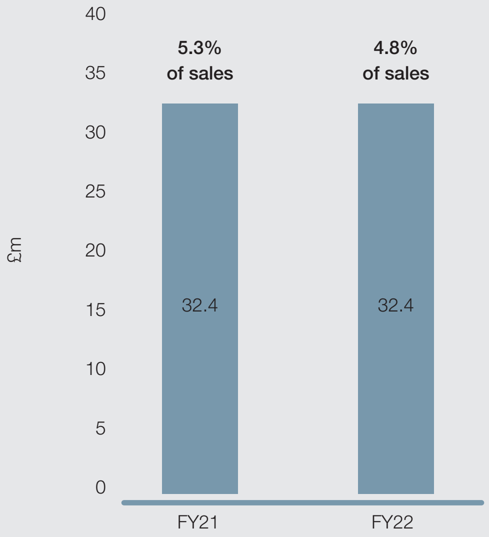
Excellent existing revenue growth due to strong demand for CAP products



- **Revenue growth of 23.8% to £275.1 million**
  - Existing: 21.3% increase to £269.4 million
  - Acquisition: Various small product acquisitions plus annualisation of Osurnia contributed £5.7 million
- **Underlying EBIT growth of 13.6% to £87.7 million**
  - Existing: 9.7% increase to £84.8 million
  - Acquisition: Contributed £2.9 million
- **Underlying EBIT margin**
  - Existing: Operating margin down (310) bps to 31.5%
  - Acquisition: 50.9%
  - Consolidated: (270) bps decrease in margin to 31.9% due to normalisation of cost base and impact of increased generic competition

Pharmaceutical Research & Development

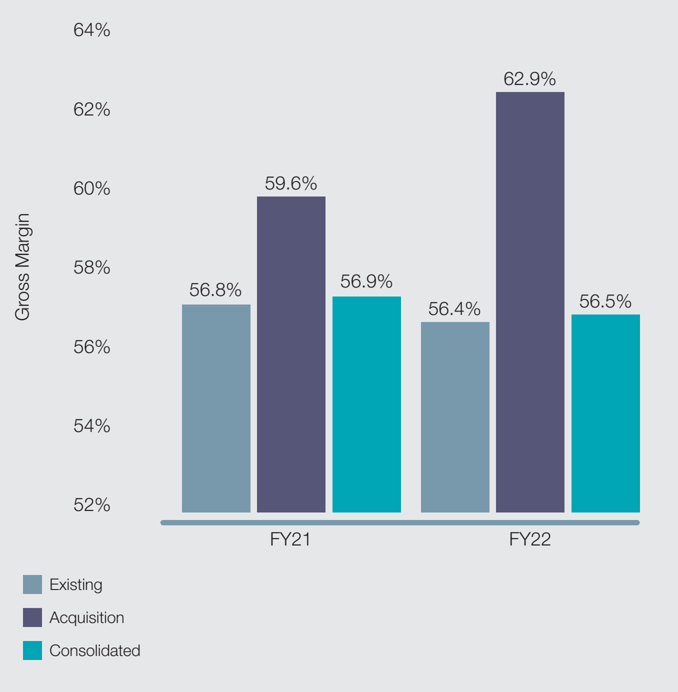
Ongoing investment in pipeline of new products

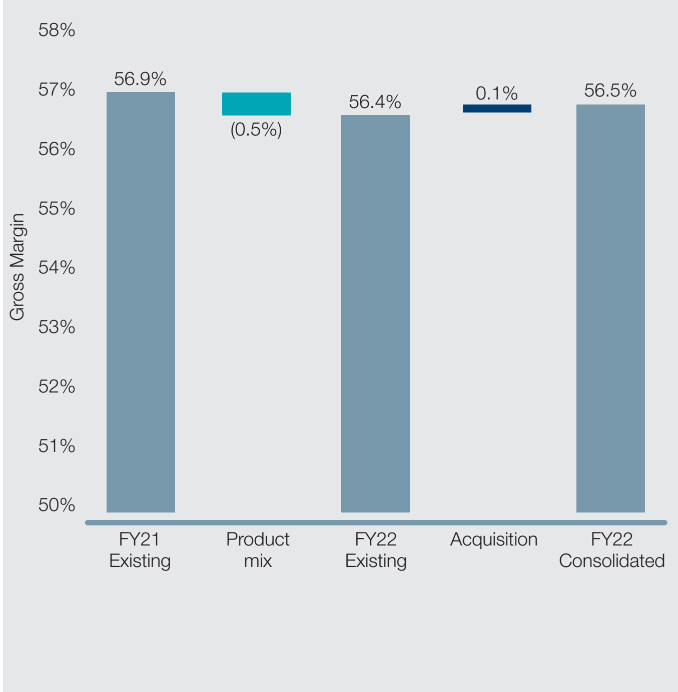


- **R&D investment consistent year-on-year at £32.4 million**
  - Slight reduction in spend from 5.3% to 4.8% of consolidated revenue
  - Some ongoing delays in clinical study projects due to impact of COVID-19
  - Spend includes £3.3 million on Akston, which remains on track to launch in 2026
  - Following the acquisition of Piedmont Animal Health in July 2022, we now expect R&D investment to represent 7% to 8% of revenue in each of the next three years

Underlying Gross Margin

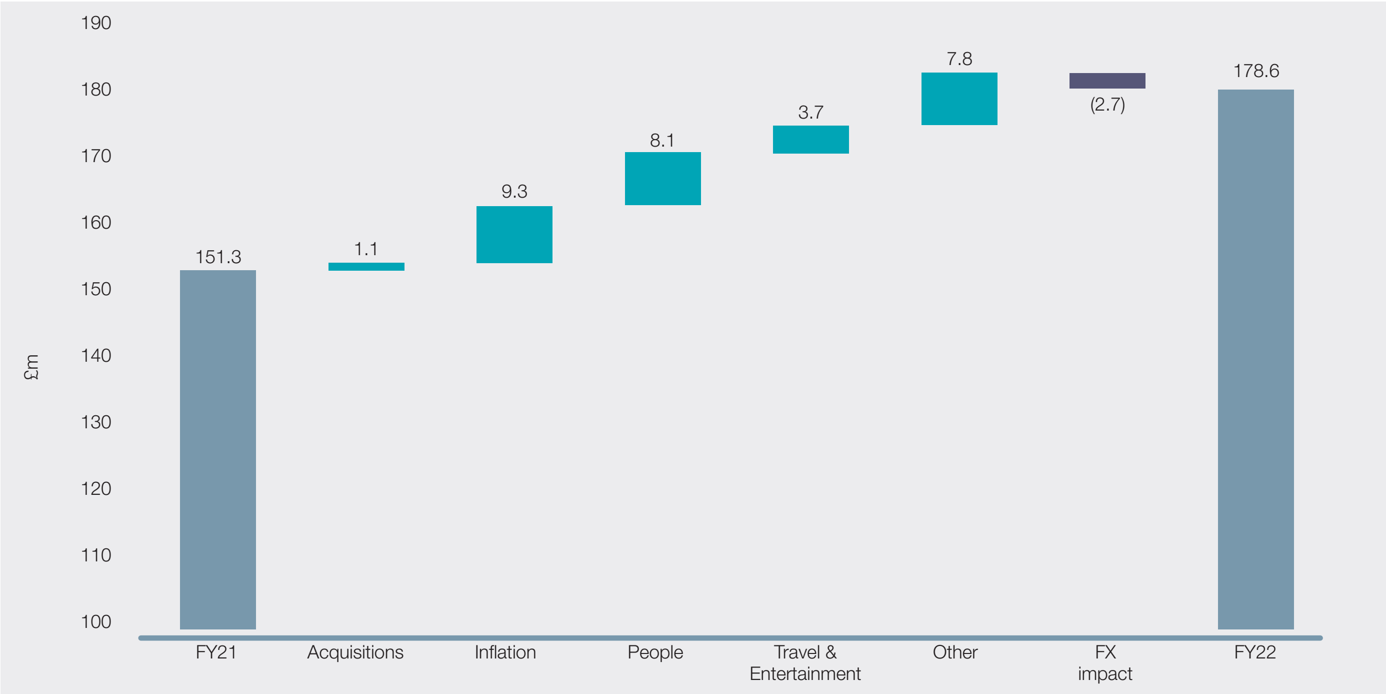
Slight year-on-year dilution due to competition from generics in NA





Underlying Selling, General & Admin Expenses

Cost to sales ratio has returned to pre-pandemic levels, despite inflationary pressures



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Currency Exposure

Balancing currency flow with financing strategy

Income Statement	Balance Sheet
US$ profits	US$ assets and debt
Euro profits	Euro assets and debt
GBP and other currencies profits	GBP assets and debt

	Average Rates		
	FY 2022	FY 2021	% change
£/€	**1.1807**	1.1287	4.6%
£/$	**1.3316**	1.3466	(1.1%)

Euro €: A 1% variation in £/€ impacts underlying diluted EPS by approximately +/- 0.5%

**US $**: A 1% variation in £/$ impacts underlying diluted EPS by approximately +/- 0.5%

Current exchange rates are c. £/€1.1623 and £/$1.1623 (1 September 2022)

If these exchange rates had applied throughout the period, the underlying diluted EPS would be approximately 8.3% higher

Other currencies starting to influence: AUD, HRK, BRL

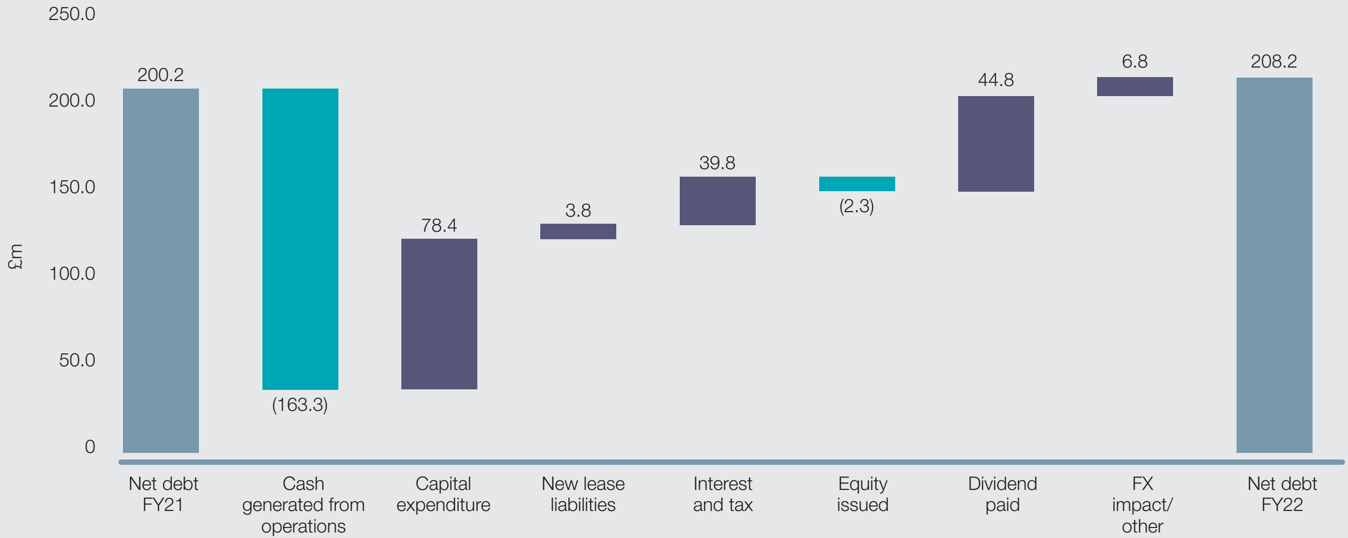
Cash Flow

Strong cash conversion despite investment in additional stock cover

	30 June 2022 £m	2021 £m
Underlying operating profit	**174.3**	162.2
Depreciation and amortisation	**16.3**	15.5
Working capital	**(27.8)**	(36.0)
Other	**3.3**	2.5
Net cash generated from operations before non-underlying items	**166.1**	144.2
Non-underlying items	**(2.8)**	(3.0)
Net cash generated from operations	**163.3**	141.2
Cash conversion %	**93.7%**	87.1%
ROCE %	**19.5%**	18.8%

Net Debt Bridge

Leverage remains low at 1.0 times



Note: Subsequent to the year end, the Group acquired Piedmont Animal Health for £175 million, Med-Pharmex for £222 million and also raised £184 million through the issue of New Ordinary Shares

Tax and Other Financial Items

Taxation

- Group underlying effective tax rate (ETR) increased slightly to 22.5% (2021: 21.7%)
- Group underlying ETR is expected to remain at a similar level in 2023 financial year
- Reported ETR is 25.0% (2021: 25.0%)

Non-underlying loss after tax of £73.5 million includes:

- £72.8 million in amortisation of acquired intangibles (2021: £75.2 million)
- £13.5 million finance charge largely driven by FX losses on contingent consideration liabilities (2021: £2.8 million credit)
- £18.9 million tax credit (2021: £14.0 million)

Dividend

- Final dividend increased to 32.89 pence per share (2021: 29.39 pence)
- Full year dividend increased 10.8% to 44.89 pence (2021: 40.50 pence)
- Dividend cover on underlying diluted EPS of 2.7 times

Portfolio Focus

Strong growth throughout the year

EU Pharmaceuticals

- Growth across all product segments and countries
- Territories such as Iberia, Poland, Italy and Austria all delivered double digit sales growth
- ANZ and Brazilian businesses continue to perform well, with Dechra Australia now established as the second largest company in CAP pharmaceuticals in the ANZ market

NA Pharmaceuticals

- Exceptional performance despite increased competition to three of our branded generics
- Ongoing review of distributor relationships
- Mexico and Canada also delivered strong results

Education & technical support

- Remains crucial across all markets
- High levels of engagement with our veterinary customers
- Ongoing investment, particularly in digital

Portfolio Focus

All core categories delivered solid growth

CAP
- Continues to be the key driver of organic growth:
  - Increased market shares in key therapy areas such as endocrinology, dermatology, anaesthesia and analgesia
  - Successfully launched Zenalpha in the USA

FAP
- Solid growth overall
- European market remains challenging due to avian influenza and classic swine fever

Equine
- Another strong year following exceptional growth seen in 2021 financial year
- Growth driven by locomotion and internal medicine
- Launched three acquired products in the USA

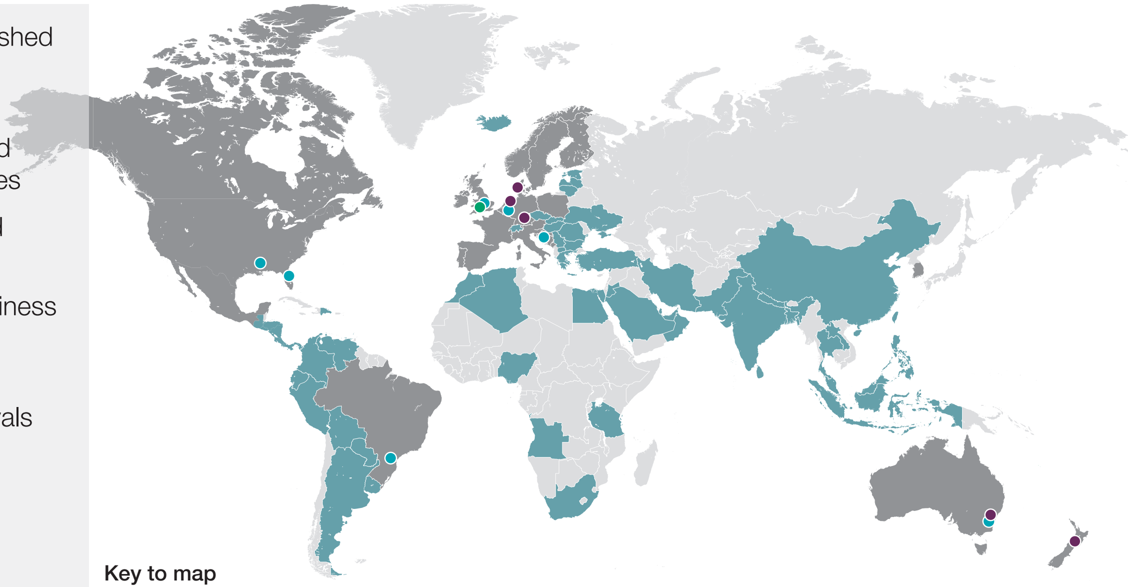
Revenue	Year ended 30 June 2022 £m	Growth at CER
CAP	**508.4**	**16.0%**
FAP	**78.8**	**6.0%**
Equine	**49.5**	**12.1%**
Subtotal Pharmaceuticals	**636.7**	**14.3%**
Nutrition	**35.0**	**15.1%**
Other	**10.1**	**(12.6%)**
Total	**681.8**	**13.8%**

Nutrition
- Growth rate accelerated from prior year
- Continued to increase market penetration of our Specific branded diet range

Geographic Expansion

International footprint strengthened

- New subsidiary established in South Korea
- Numerous marketing authorisations achieved across Dechra territories
- Launched Osphos and Zycortal in Brazil
- Established a FAP business unit in ANZ to support launch of Tri-Solfen
- Over 50 further approvals across a number of international territories



Key to map

- Dechra Sales and Marketing Countries
- Distribution Partners
- Dechra Distribution Centres
- Dechra Manufacturing Sites
- Dechra Pharmaceuticals PLC

Pipeline Delivery

Another year of consistent progress

Key product launches in FY22

- Launch of Zenalpha, a novel therapeutic product that is safe and effective for sedation in dogs
- Equine Strangles vaccine launched in EU
- Amoxi-Clav suspension launched in US market

Ongoing development

- 41 projects at various stages of development
- Lifecycle innovation of key brands such as Vetoryl and Osurnia
- Positive dose range finding data in both dogs and cats for the diabetes drugs being developed in partnership with Akston Biosciences
- Acquisition of Piedmont projects makes pipeline stronger than ever

Acquisition

Two material company acquisitions supplemented by several product acquisitions

Piedmont Animal Health

- Acquired for $210 million (£175 million) in July 2022
- Product development company with a long, successful track record
- Eight novel products in various stages of development, all in key CAP therapeutic areas
- Two near term opportunities expected to be top 10 products

Med-Pharmex

- Acquired for $260 million (£222 million) in August 2022
- Established platform business with manufacturing, product development and regulatory capabilities in US
- Opportunity to deliver material margin synergies by leveraging the Dechra sales and marketing channels

Product acquisitions

- Numerous bolt on acquisitions to complement existing CAP and equine portfolios

Strategic Enablers

Excellent progress across all Strategic Enablers

Technology
- Manufacturing ERP system being upgraded to one consolidated cloud-based Oracle platform
- New document management system progressing well
- Salesforce CRM system now being utilised across the majority of countries
- Continued expansion of digital communication capabilities, both internally and externally

Manufacturing
- Backorders now at a three year low
- Successful regulatory inspections at Zagreb, Skipton and Fort Worth
- Warehousing capacity increased in Denmark and Australia
- Ongoing strategy to migrate more production in-house

People
- Alison Platt appointed as Chair and John Shipsey as Non-Executive Director
- Patrick Meeus appointed as Chief Scientific Officer
- Maintained our accreditation as a Living Wage employer in UK, with the equivalent status in every Dechra territory
- Future Facing Leaders programme launched

ESG
- Inaugural standalone Sustainability Report published
- Focus on decarbonising the business, with an ambition to be Net Zero by 2050
- 10% reduction in carbon intensity this year, with Science Based Targets to be verified in 2023 financial year

Outlook

Group continues to successfully execute its strategy

- Continue to outperform our major markets
- ESG strategy progressed and well embedded
- Pipeline significantly strengthened
- Two major acquisitions completed post year end
- New opportunities identified
- Remain confident in our future prospects

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Appendices

Our Structure

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Key Support Functions

- Corporate
- Dechra Pharmaceutical Manufacturing and Supply (DPMS)
- Product Development and Regulatory Affairs (PDRA)

Key Revenue Generating Segments

- Dechra Veterinary Products (DVP EU)
- Dechra Veterinary Products North America (DVP NA)
- Dechra Veterinary Products International (DVP International)

Key Revenue Generating Segments

	EU	NA	International
Group revenue participation	49%	40%	11%
Species	CAP, FAP and Equine	CAP and Equine only	CAP, FAP and Equine (but not in every market)
Specialist nutrition	Yes	No	No
Market positioning	Leading brands in both niche and generic markets		Increased regulatory focus to accelerate product approvals
Infrastructure	Mature	Ongoing investment	Recently established structure
Geographical footprint[1]	39 EU countries	10 countries including US, Canada, Mexico	39 countries globally
Number of employees	561	275	360

The Group has a strong market position in key therapeutic sectors

(1) Dechra products marketed and sold either via own sales and marketing organisations or via distributors.

Key Support Functions

Manufacturing & Supply

- Total of seven sites located globally
  - Main sites located in Skipton (UK), Bladel (Netherlands), Zagreb (Croatia) and Londrina (Brazil)
  - Smaller sites in Melbourne (US), Fort Worth (US) and Sydney (Australia)
- Approximately 40% of volume is manufactured internally, with the remaining 60% supplied via a network of Contract Manufacturing Organisations (CMOs)
- Internally manufacture a wide range of dosage forms
- Infrastructure supplemented by own distribution centres in five sites across EU and ANZ plus third party logistics providers in North America and Brazil
- Generates approximately £10 million of revenue through contract manufacturing other human and animal health products
- 710 employees across all sites

Correct as of 30 June 2022

PDRA

- Provides expertise in product innovation, formulation, clinical trials and regulatory affairs for the Dechra Group
- Laboratories located in UK, Netherlands and Croatia with teams also located in US, Australia and Brazil
- Proven track record of pipeline delivery
- Main activities centre around
  - Developing and licensing new novel and generic products
  - Maintaining existing licences across all products already sold
- R&D spend (£32.4 million in 2022) is predominantly oriented towards development rather than research
- Global team of 190 employees

Structural Drivers of the Veterinary Pharmaceuticals Market

CAP

- Pets increasingly regarded as part of the family with owners having high levels of compassion
- Increasing pet ownership, particularly in developing countries
- Increased competence in managing complex conditions by veterinarians
- Improved nutrition and increased demand for new premium treatments and medicines extending pet lives
- Overall growth in pet spending
- Little pricing pressure; generics do not de-value markets to the extent of human products

FAP

- Increased global demand for high quality animal protein and diary products
- Need for healthier and more productive animals as world population continues to grow
- Increased use of vaccines
- Growing awareness of the need for better animal welfare standards, particularly pain control

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 and products

Five Year Summary of Financials

Consolidated Income Statement (£m)	2022	2021	2020	2019	2018
Revenue	**681.8**	608.0	515.1	481.8	407.1
Underlying operating profit	**174.3**	162.2	128.3	127.4	99.2
Operating margin %	**25.6%**	26.7%	24.9%	26.4%	24.4%
Underlying profit after taxation	**131.7**	117.6	95.4	92.5	74.5
Underlying earnings per share					
– basic (pence)	**121.57**	108.77	92.50	90.24	76.85
– diluted (pence)	**120.84**	108.14	92.19	90.01	76.45
Reported operating profit	**95.5**	84.0	52.2	39.0	34.1
Reported profit after taxation	**58.2**	55.5	33.9	30.9	36.1
Reported earnings per share					
– basic (pence)	**53.72**	51.33	32.87	30.15	37.24
– diluted (pence)	**53.40**	51.03	32.76	30.07	37.04
Dividend per share (pence)	**44.89**	40.50	34.29	31.60	25.50

Glossary

AER: Actual Exchange Rate

CAP: Companion Animal Products

CER: Constant Exchange Rate

CVMP: Committee for Veterinary Medicinal Products

EBITDA: Earnings before interest, tax, depreciation and amortisation

EPS: Earnings Per Share

ERP: Enterprise Resource Planning

EU: Europe

FAP: Food producing Animal Products

FX: Foreign Exchange

IFRS: International Financial Reporting Standards

NA: North America

ROCE: Return on Capital Employed

Underlying results: excluding items associated with areas such as: amortisation of acquired intangibles; downward remeasurement where there is not an intangible asset and accounting for the passage of time in respect of contingent considerations; impairment of assets; cloud computing arrangement costs; expenses relating to acquisition and subsequent integration activities; rationalisation of the manufacturing organisation; loss on extinguishment of debt; and the revaluation of deferred tax balances following substantial tax legislation changes.

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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