

**SUSTAINING
GROWTH
THROUGH
EXPERTISE**



Dechra is a **global 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

Companion Animal Products (CAP)

Species: Dogs and cats.

Key therapeutic sectors:

Endocrinology, dermatology, analgesia and anaesthesia, antibiotics, cardiovascular and critical care.



Equine

Species: Horses and ponies.

Key therapeutic sectors: Lameness and pain management.



Food producing Animal Products (FAP)

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

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



Nutrition

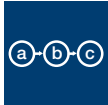
Species: Dogs and cats.

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



Operational Highlights

Delivering our strategy



Portfolio Focus

- CAP outperformance in all key markets
- FAP growth continuing



Pipeline Delivery

- Numerous product registrations achieved
- New significant development opportunities secured



Geographic Expansion

- Increasing footprint through acquisition and licensing



Acquisition

- Recent acquisitions performing ahead of expectations
- Small bolt-on acquisition, Ampharmco, completed post year-end

Financial Highlights

Strong revenue and EBIT growth



Revenue Growth

- 17.5% to £481.8 million



Operating Cash Generation

- 85.0% cash conversion



Underlying EBIT Growth

- 27.3% to £127.4 million
- EBIT margin (excluding impact of pension credits) expansion by 130 bps to 25.7%



Shareholders' Value

- Underlying diluted EPS +16.6% to 90.01 pence
- Full year dividend +23.9%

Underlying Financial Results

Sustaining double digit growth

	Year ended 30 June		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2019 £m ⁽¹⁾	2018 £m ⁽¹⁾		
Revenue	481.8	407.1	18.3%	17.5%
Underlying gross profit	278.2	227.5	22.3%	21.5%
Underlying gross profit %	57.7%	55.9%	180bps	190bps
Underlying operating profit	127.4	99.2	28.4%	27.3%
Underlying EBIT %	26.4%	24.4%	200bps	200bps
Underlying profit before tax	117.4	93.7	25.3%	24.1%
Underlying EBITDA	137.2	106.6	28.7%	27.7%
Underlying diluted EPS (pence)	90.01	76.45	17.7%	16.6%
Dividend per share (pence)	31.60	25.50	23.9%	23.9%

(1) Actual Exchange Rate

(2) Constant Exchange Rate

Underlying results excludes items associated with areas such as rationalisation, acquisition and disposal related expenses and income (including amortisation and impairment on acquired intangibles, non-cash inventory adjustments, and the remeasurement and other movements on deferred and contingent consideration), Brexit costs, debt refinancing including any loss on extinguishment of debt, impairment of investments and the rationalisation of the manufacturing organisation and taxation credits.

Revenue by Segment

Growth from existing business and acquisition

Revenue	Year ended 30 June		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2019 £m	2018 £m		
EU Pharmaceuticals – Existing ⁽³⁾	269.8	258.7	4.3%	5.2%
NA Pharmaceuticals – Existing	177.8	148.4	19.8%	15.4%
Group Total - Existing	447.6	407.1	9.9%	8.9%
EU Pharmaceuticals – Acquisition ⁽⁴⁾	34.2	–	–	–
NA Pharmaceuticals – Acquisition	–	–	–	–
Group Total – Acquisition	34.2	–	–	–
Total	481.8	407.1	18.3%	17.5%

(1) Actual Exchange Rate

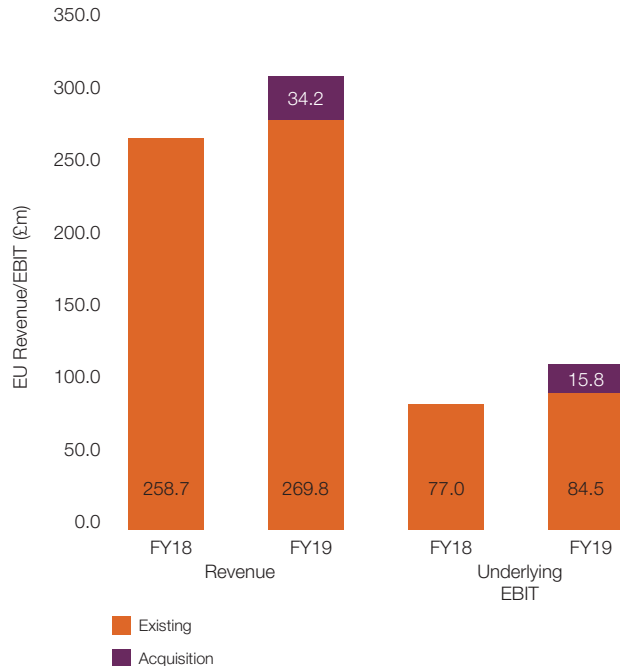
(2) Constant Exchange Rate

(3) EU Pharmaceuticals – Existing including like-for-like for RxVet, AST Farma/Le Vet and non-veterinary pharmaceuticals (strategic exit)

(4) EU Pharmaceuticals – Acquisition includes Caledonian, Venco and the balance of AST Farma/Le Vet and RxVet.

EU Pharmaceuticals Segment

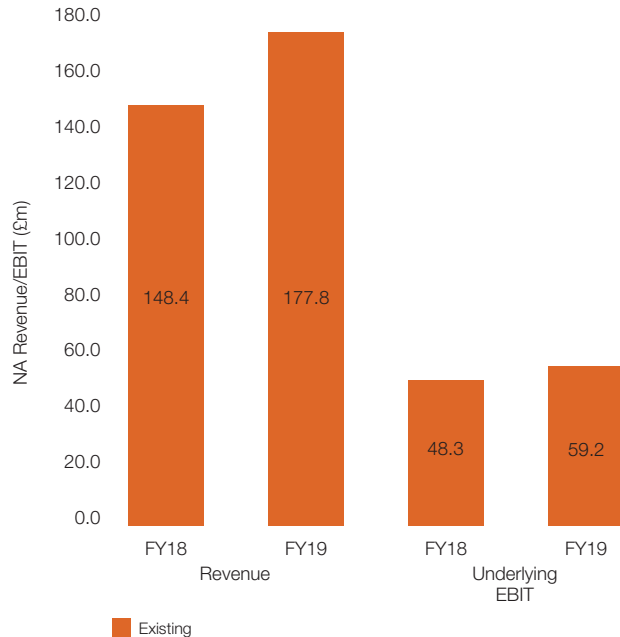
Existing business above market growth; acquisitions performing well



- **Revenue +18.7% to £304.0 million**
 - Existing: 5.2% increase to £269.8 million; 7.8% increase excluding third party contract manufacturing
 - Acquisition: contributed £34.2 million from Caledonian, Venco and the balance of RxVet, AST Farma and Le Vet
- **Underlying EBIT +31.7% to £100.3 million**
 - Non-recurring credit of £3.5 million due to curtailment of Dutch pension scheme
 - Existing: 10.6% increase to £84.5 million, 6.1% increase excluding pension credit
 - Acquisition: contributed £15.8 million
- **Underlying EBIT margin**
 - Existing: Operating leverage up 150 bps to 31.3% (up 20bps to 30.0% excluding pension credit)
 - Acquisition: benefit of AST Farma/Le Vet margin diluted by lower Venco margin
 - Consolidated: 320 bps increase in margin to 33.0% (up 210bps to 31.8% excluding pension credit)

NA Pharmaceuticals Segment

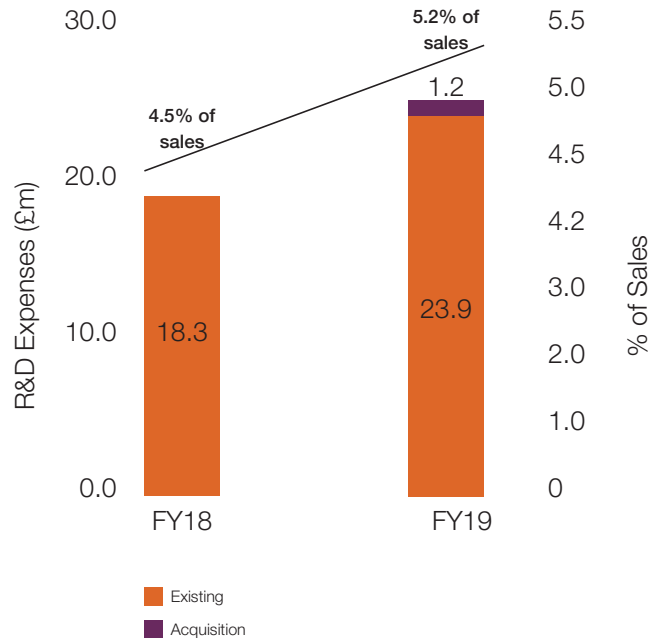
Strong organic growth leveraging commercial investment



- **Revenue +15.4% to £177.8 million**
 - Strong outperformance of the market
 - US main driver but solid performance in Canada
- **Underlying EBIT +17.8% to £59.2 million**
 - Full year impact of investment in commercial team driving strong growth
- **Underlying EBIT margin**
 - Operating leverage up 70 bps to 33.3%

Pharmaceutical Research & Development

Confidence to invest in growing the pipeline

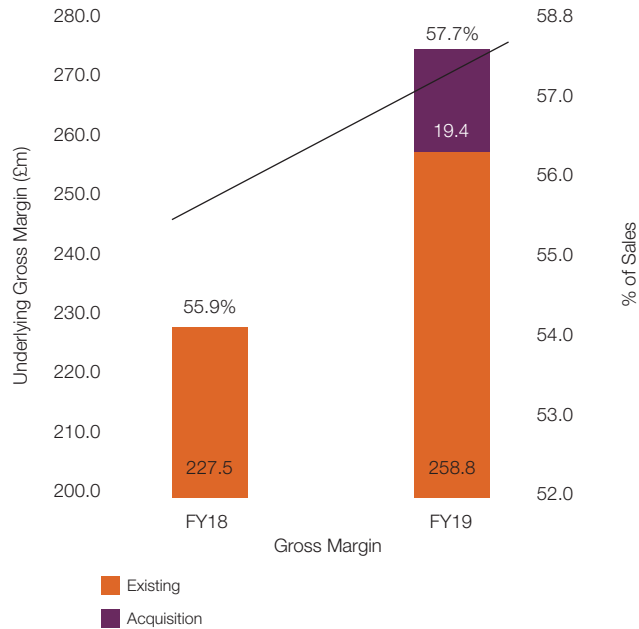


- **Investment increased by 36.6% to £25.1 million**

- Expansion of pipeline projects and novel opportunities
- Increase in registration in new territories
- Growth of spend from 4.5% to 5.2% of sales

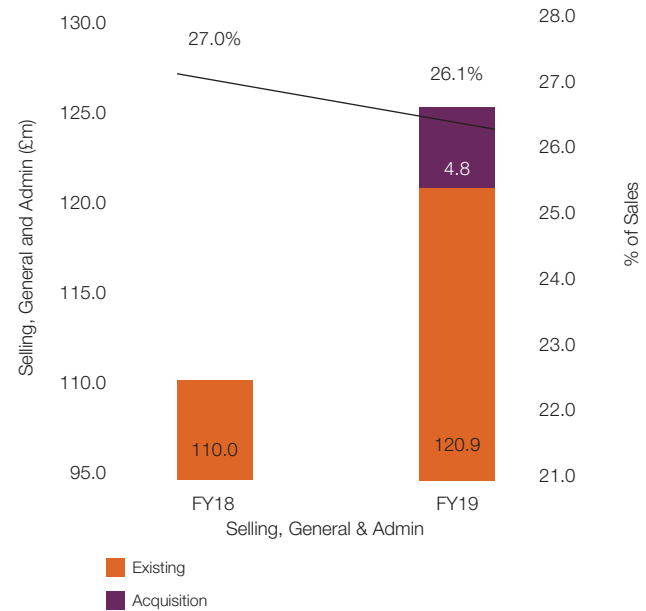
Gross Margin

Accretion from existing and acquired businesses



Selling, General & Admin

Operational leverage broadly flat excluding pension credit



Currency Exposure

Balancing currency flows 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 2019	FY 2018	% change
£/€	1.1345	1.1286	0.5%
£/\$	1.2945	1.3465	(3.9%)

- **Euro€**
1% variation in £/€ impacts underlying diluted EPS by approximately +/-0.8%
- **US\$**
1% variation in £/\$ impacts underlying diluted EPS by approximately +/-0.5%

Current exchange rates are c. £/€1.1010 and £/\$1.2203 (28 August 2019)

If these exchange rates had applied throughout the period, the underlying diluted EPS would be approximately 5.6% higher

Other currencies starting to influence: AUD, HRK, BRL

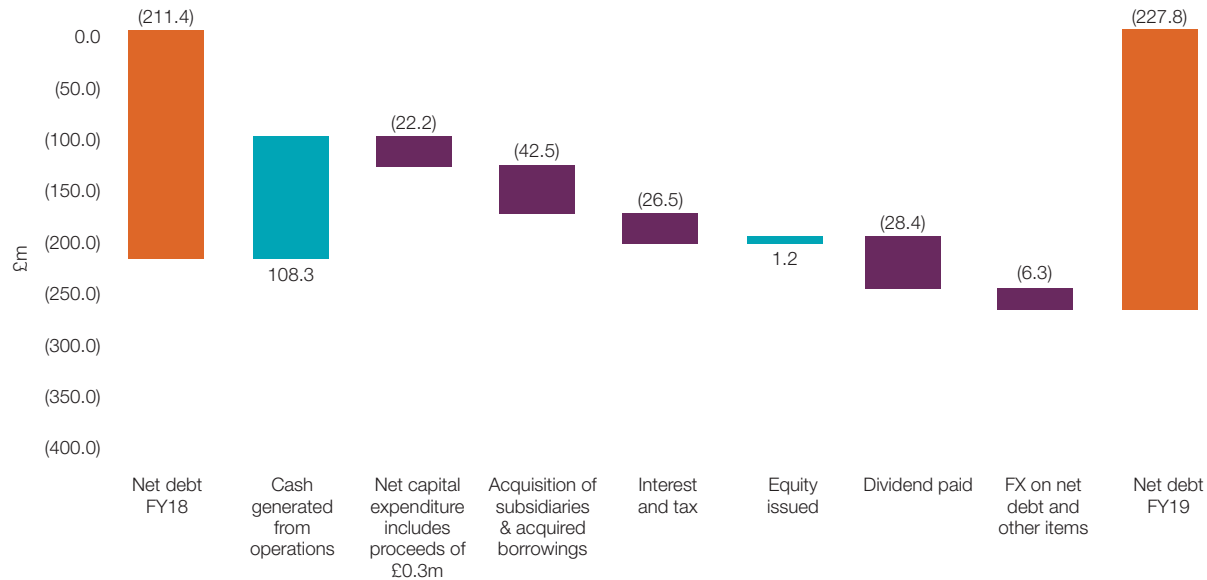
Cash Flow

Investment in working capital to support growth and mitigate Brexit risk

	30 June	
	2019 £m	2018 £m
Underlying operating profit	127.4	99.2
Depreciation and amortisation	9.8	7.4
Underlying EBITDA	137.2	106.6
Underlying EBITDA %	28.5%	26.2%
Working capital	(19.5)	(23.4)
Other	(2.0)	2.4
Net cash generated from operations before non-underlying items	115.7	85.6
Non-underlying items	(7.4)	(4.4)
Net cash generated from operations	108.3	81.2
 Cash conversion %	 85.0%	81.9%
ROCE %	15.5%	15.4%

Net Debt

Net debt/EBITDA leverage decreased from 1.75 times to 1.64 times due to strong cash generation



Tax

More certain than life or death

- Group underlying effective tax rate (ETR) increased slightly to 21.2% (2018: 20.5%)
- Group underlying ETR is expected to remain broadly similar for 2020
- Reported ETR credit of 11.2% includes a one-off tax credit of £8.0 million (non-underlying) from revaluation of deferred tax assets and liabilities due to a reduction in the Netherlands tax rate
- Risks to ETR include:
 - Further tax reform, e.g. USA
 - EU challenge of UK Controlled Foreign Companies (CFC) legislation
 - Expiry of patents reducing patent box and innovation box benefits



Other Financial Items

Further details

- **Non-underlying operating profit items £88.4 million (2018: £65.1 million) include:**
 - Increase of £22.7 million in amortisation of acquired intangibles to £76.8 million
 - Remeasurement of contingent consideration gain £0.1 million
 - Non-cash inventory adjustment £5.1 million
 - Acquisition and integration costs £3.7 million
 - Rationalisation of manufacturing footprint costs £2.0 million
 - Expenses relating to Brexit £0.9 million
- **Dividend**
 - Final dividend increased to 22.10 pence per share (2018: 18.17 pence)
 - Full dividend increased 23.9% to 31.60 pence (2018: 25.50 pence); Payable on 15 November 2019; Record Date 25 October 2019
 - Dividend cover on underlying diluted EPS of 2.8 times
- **Banking**
 - Net debt of £227.8 million at the period end (2018: £211.4 million)
 - Leverage covenant is 1.64 at the period end (2018: 1.75); cannot be higher than 3:1
 - Interest covenant is 13.1 at the period end (2018: 15.7); cannot be lower than 4:1



Portfolio Focus

Strong growth in key territories

EU Pharmaceuticals

- Existing pharmaceutical range increased by 5.2% at CER (7.8% excluding decreasing third party contract manufacturing)
- Outperforming in all key markets in which we trade
- Strong performance in Germany, Italy and Poland
- Consolidated growth at 18.7% at CER as AST Farma and Le Vet perform well

NA Pharmaceuticals

- Organic pharmaceutical growth at 15.4%
- Continued strong performance
 - Increasing market penetration of novel products
 - Strong market share gains from generics
- Sales team scale now mature





Portfolio Focus

CAP and FAP

CAP

- Continues to be the main driver of growth:
 - Excellent delivery in main therapeutic areas
 - Increased market share from generics
 - Realisation of significant Le Vet synergies

FAP

- Growth continued despite declining use of antibiotic in EU
- New product introductions
- Venco acquisition making a significant contribution

Revenue	Year ended 30 June 2019 £m	Consolidated growth at CER	Organic growth at CER
CAP	340.2	23.1%	14.6%
Equine	34.4	21.1%	3.1%
FAP	57.3	19.1%	4.2%
Subtotal Pharmaceuticals	431.9	22.4%	12.2%
Nutrition	29.1	0.0%	0.0%
Other	20.8	(25.1%)	(23.6%)
Total	481.8	17.5%	8.9%



Portfolio Focus

Equine and Nutrition

Equine

- Organic growth depressed due to slow Osphos sales in USA:
 - Off label use created bad press
 - Correct use reiterated by strong marketing campaign
 - Sales growth returning
- Acquisition strengthened our position as a global market leader in Equine medicine



Nutrition

- Improved performance in H2 on reorganisation of business unit and cat relaunch
- Dog diets relaunch planned in this new financial year
- Range complements our CAP Pharma sales





Geographic Expansion

Footprint extending through acquisitions

- South American business growing well following Venco acquisition
- ANZ performing strongly
- Focus continues on international registration
- Acquisition opportunities being assessed





Pipeline Delivery

New products launched

- Several new products registered in the EU
- Numerous existing products registered in new EU territories
- New product approved in the USA
- Multiple international registrations achieved





Pipeline Delivery

Pipeline significantly enhanced through licensing agreements

- New technology agreements signed
- Focusing on:
 - Dog and Cat diabetes (see next slide)
 - Equine lameness
 - Equine Gastric Ulcers
 - Canine Sedative
 - Vaccine Technologies
- Several other opportunities being evaluated





Pipeline Filling

Major licensing and development agreement signed with Akston

- Agreement completed post year-end
- Novel protein for treatments of diabetes in dogs and cats
- Weekly as injection, current treatments daily
- Benefit to the veterinarian, owner and pet
- Should become the biggest product in Dechra's portfolio
- Increased development spend for four years
- Significant long term value





Acquisition

Prior year acquisitions performing to expectations

AST Farma, completed February 2018

- Fully integrated with our Dutch commercial organisation
- Revenue synergies from enlarged sales team
- Direct to Vet service implemented

Le Vet, completed February 2018

- Driving good growth in EU
- Two thirds of distribution agreements now terminated
- Products being launched in Dechra livery through own sales and marketing channels
- Strong margin and operational leverage delivered in second half





Acquisition

Recent acquisition, performing well

Caledonian Holdings, completed October 2018

- Good contribution to Group's Equine growth
- Created market leading position in ANZ on Equine products

Venco, completed December 2018

- Created excellent base to develop Dechra in South America
- Performing ahead of expectations
- Strong management team in place





Acquisition

Recent announcement

Ampharmco, acquired 28 August 2019 for US\$30 million

- FDA approved contract manufacturing facility:
 - Will transfer production of a number of US products to the site to secure supply
- Two veterinary product licences:
 - Gentamycin/Bentametasone topical spray marketed by Dechra
 - Carprofren chewable tablets marketed by competitor
- Pipeline of two new generic products





Animal Ethics

Improving animal welfare

- Increased holding in Medical Ethics:
 - Parent company of Animal Ethics
 - Additional 15% acquired for AUD\$13.5 million (£8.0 million)
 - Total holding now 48%
- Progress being made to register Tri-Solfen® in multiple global markets
- New indication for treating cattle suffering from foot and mouth disease
- Human trials to treat venous leg ulcers ongoing





Strategic Enablers – IT and People

Infrastructure to support growth

People

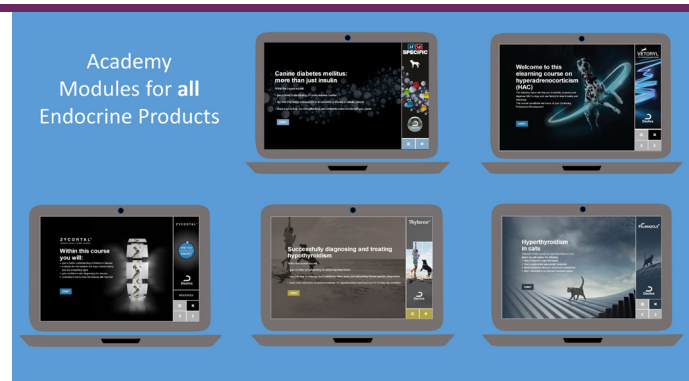
- Simon Francis, Group Manufacturing and Supply Director
- Lisa Bright, Strengthening Board and Employee Engagement Designated Non-Executive Director
- Paul Sandland appointed as Acting Chief Financial Officer

IT

- Oracle ERP now embedded
- Phase II completed

Manufacturing

- New management structure
- Revised five year plan implemented
- Supply chain issues, now mostly mitigated
- Several new appointments to strengthen team



Outlook

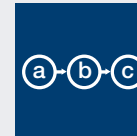
Our strategy continues to outperform

- Acquisitions performing to expectations
- Pipeline delivering new products
- New technology agreements
- International business gaining traction
- Board remains confident in the outlook for the year and our future

Strategic Growth Drivers



Pipeline
Delivery



Portfolio
Focus



Geographical
Expansion



Acquisition




Dechra
Pharmaceuticals PLC

Appendices

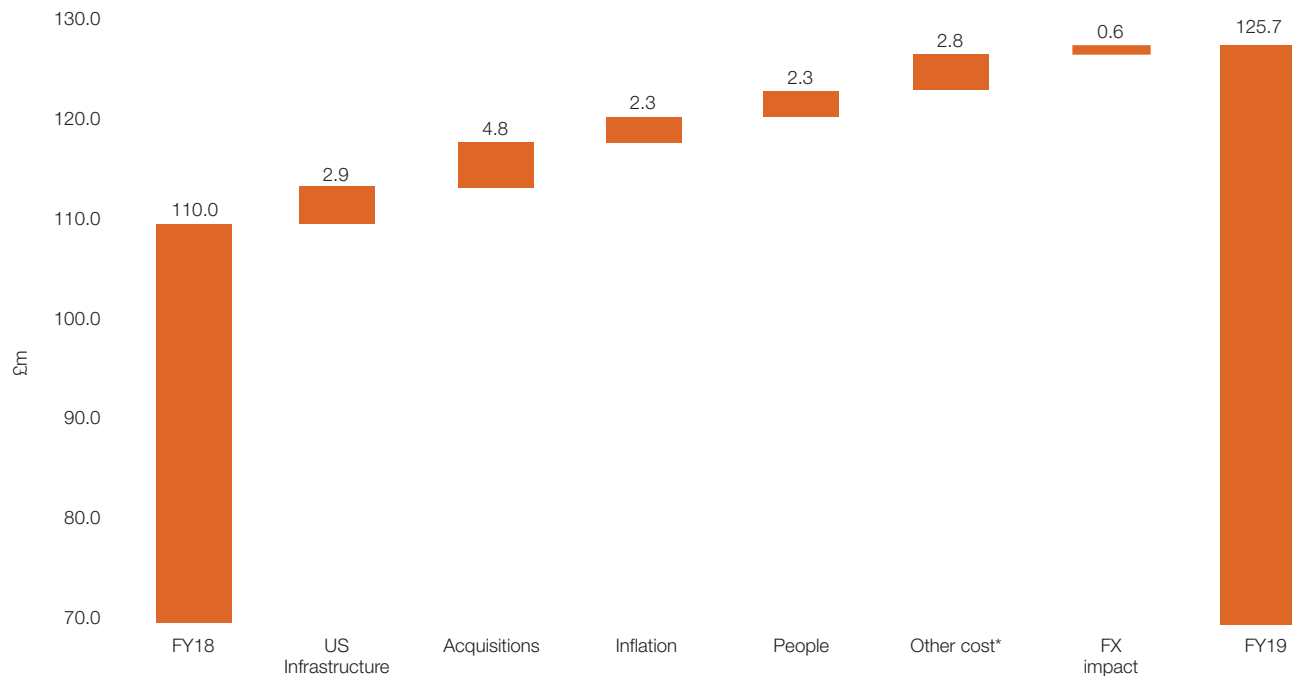
Principal Registrations Achieved

- Carbifusion Solution for Infusion, an electrolyte solution for cattle and horses, approved in four EU territories;
- Cardisure Liquid, a cardiovascular treatment for dogs, approved in 23 EU territories;
- Clindabactin Flavoured Tablets, an antibiotic for dogs and cats, approved in 28 EU territories;
- Cyclosporine Soft Gel Capsules, for allergic dermatitis in dogs, approved in the US;
- Dormazolam Injection, a sedative for horses, approved in 18 EU territories;
- Equibactin Oral Powder, an antibiotic for horses, approved in 20 EU territories;
- EquiShield EHV Vaccine, a herpes virus vaccine for horses, approved in 15 EU territories;
- Intubeaze Oromucosal Spray, an anaesthetic pre-treatment for cats, approved in 14 additional EU territories;
- Laxatract Syrup, a laxative for cats and dogs, approved in 28 EU territories;
- Rominervin Injection, a sedative for horses, approved in 27 EU territories;
- Solacyl Powder, an antibiotic for cattle and pigs, approved in six additional EU territories;
- Solupam Solution, for the management of convulsion disorders and skeletal muscle spasm or sedation for dogs and cats, approved in 28 EU territories;
- Sympagesic Injection, an analgesic and for the treatment of smooth muscle spasms in horses, cattle, pigs and dogs, approved in 28 EU territories;
- Domidine Solution, a sedative for horses, approved in Canada;
- Sedator Solution and Atipam Solution, a sedative and a reversal agent for dogs, Domidine, a sedative for horses, HY-50 for equine lameness and Felimazole for hyperthyroidism, approved in Mexico; and
- Panapex Ear Ointment for dogs, Intubeaze Oromucosal Spray an anaesthetic pre-treatment for cats, Meloxicam Oral Suspension an anti-inflammatory for dogs and Pimobendan Oral Solution a cardiovascular treatment for dogs, approved in Australia.

Underlying Gross Margin (at AER)

FY 2018 – Existing	55.9%
Product Mix	1.9%
FY 2019 – Existing	57.8%
Acquisition	(0.1)%
FY 2019 – Consolidated	57.7%

Underlying Selling, General & Admin Expenses



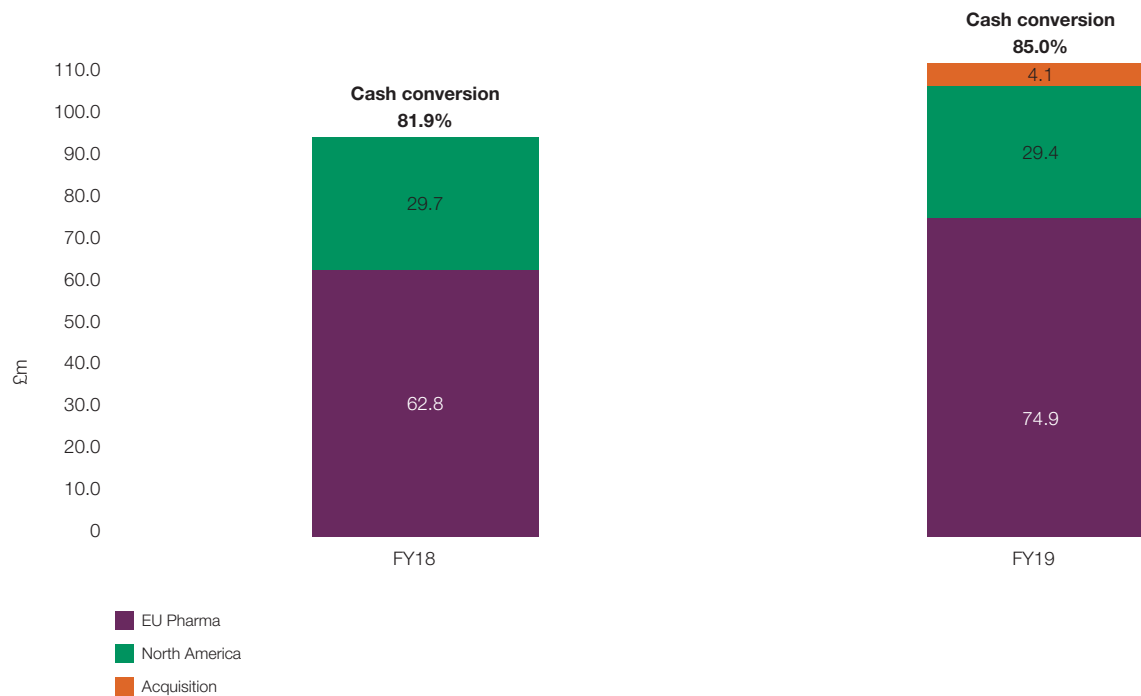
* Other costs includes a credit of £3.5 million in relation to the curtailment of the Dutch defined benefit pension scheme.

Balance Sheet

	30 June	
	2019 £m	2018 £m
Total non-current assets (excluding deferred tax assets)	755.5	765.6
Working capital	108.4	92.5
Cash and cash equivalents	80.3	79.7
Borrowings	(308.1)	(291.1)
Current and deferred tax	(89.0)	(98.9)
Other liabilities	(38.0)	(42.8)
Total net assets	509.1	505.0
Net (debt)/cash	(227.8)	(211.4)
Leverage covenant* – 3.00:1	1.64	1.75

* Net (debt)/cash to EBITDA

Working Capital



Our History

2013



Number of product registrations
1,327



Number of countries distributed to
40



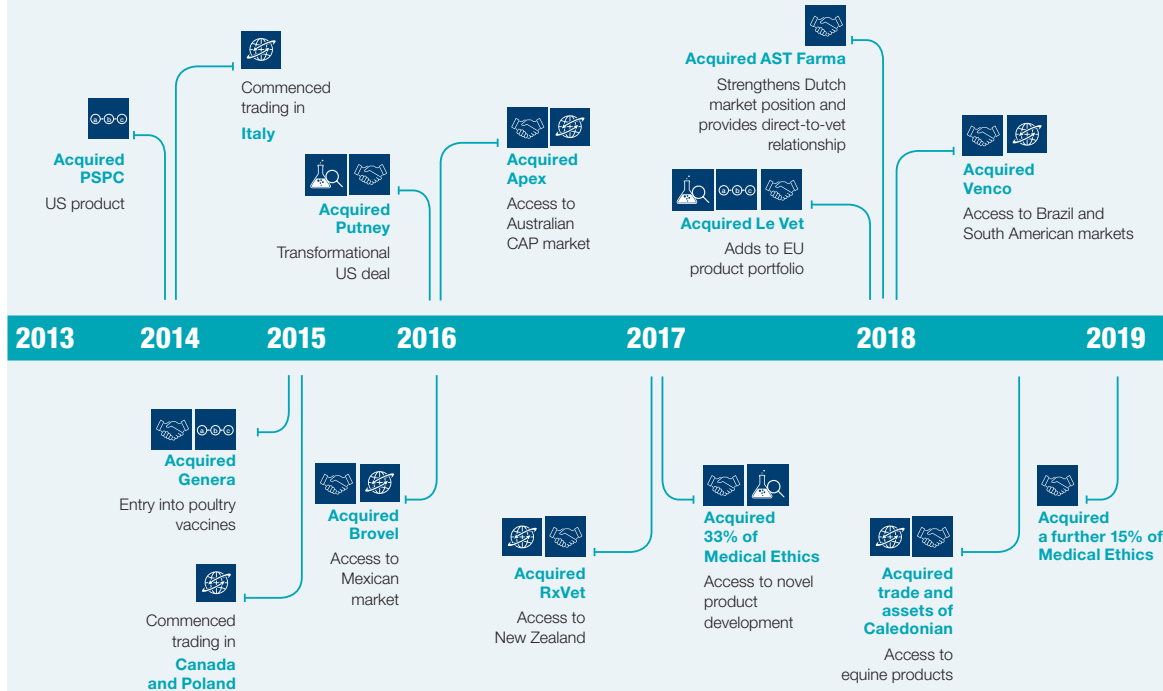
Number of countries with own sales and marketing organisations
13



Number of manufacturing sites
3



Number of employees
1,287



2019



Number of product registrations
5,407



Number of countries distributed to
68



Number of countries with own sales and marketing organisations
25



Number of manufacturing sites
7



Number of employees
1,753

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**
- **448 FTEs**



DVP International

- **Increased area of management focus**
 - Second year of new structure
- **Newly established organisational structure**
 - Increased area of Group investment
- **Export to 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**
- **136 FTEs**



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

Our Structure

DVP NA

- **Range of specialist approved pharmaceuticals**
 - CAP and Equine only
- **Strong investment in infrastructure**
- **Sales and marketing in US, Canada and Mexico**
- **265 FTEs**

Our Structure

Manufacturing & Supply Chain

- **Four major sites**
 - Skipton, UK
 - Bladel, the Netherlands
 - Zagreb, Croatia
 - Londrina, Brazil
- **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
- **c.50% of the volume supplied by c.42 contract manufacturing sites**
- **Logistics hubs in Denmark for EU & Kansas City for NA**
- **709 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 six countries**
 - USA, UK, Netherlands, Croatia, Australia, Brazil
 - Three development and formulation laboratories
 - Clinical trials in US and EU
- **Spend (£25.1 million in 2019) is development, not research orientated**
 - Expertise in innovation, formulation, clinical trials and regulatory affairs
- **153 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
- + 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



OSPHEOS
(clodronate injection)

Five Year Summary of Financials

Consolidated Income Statement (£m)	2019	2018	2017	2016	2015
Revenue	481.8	407.1	359.3	247.6	203.5
Underlying operating profit	127.4	99.2	81.3	52.9	44.4
Operating margin %	26.4%	24.4%	22.6%	21.4%	21.8%
Underlying profit after taxation	92.5	74.5	60.1	38.4	35.3
Underlying earnings per share					
– basic (pence)	90.24	76.85	64.68	42.95	40.17
– diluted (pence)	90.01	76.45	64.33	42.65	39.90
Dividend per share (pence)	31.60	25.50	21.44	18.46	16.94
Operating profit	39.0	34.1	33.2	19.5	26.0
Profit after taxation	30.9	36.1	26.1	12.5	19.5
Earnings per share					
– basic (pence)	30.15	37.24	28.09	14.00	22.14
– diluted (pence)	30.07	37.04	27.93	13.90	21.99

Glossary

AER: Actual Exchange Rate

CAP: Companion Animal Products

CER: Constant Exchange Rate

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

NCI: Non Controlling Interest

ROCE: Return on Capital Employed

Underlying results: excludes items associated with areas such as rationalisation, acquisition and disposal related expenses and income (including amortisation and impairment on acquired intangibles, non-cash inventory adjustments, and the remeasurement and other movements on deferred and contingent consideration), Brexit costs, debt refinancing including any loss on extinguishment of debt, impairment of investments and the rationalisation of the manufacturing organisation and taxation credits

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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