



Annual Results
Presentation 2020



**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.

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, poultry 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

Delivering our strategy



Portfolio Focus

- CAP performance robust
- FAP growth accelerating



Pipeline Delivery

- Numerous product registrations achieved
- Significant progress made on Akston and Tri-Solfen



Geographic Expansion

- Increasing footprint through acquisition and licensing
- Dechra branded organisations delivering strong growth



Acquisition

- Ampharmco integration progressing well
- Mirataz acquisition completed in April 2020
- Osumnia acquisition completed in July 2020

Financial Highlights

Strong revenue and EBIT growth



Revenue Growth

- + 6.8% to £515.1 million



Operating Cash Generation

- 99.4% cash conversion



Underlying EBIT Growth

- Increase to £128.3 million
- EBIT margin (excluding impact of pension credit) reduction by 80 bps to 24.9% due to mix effect



Shareholders' Value

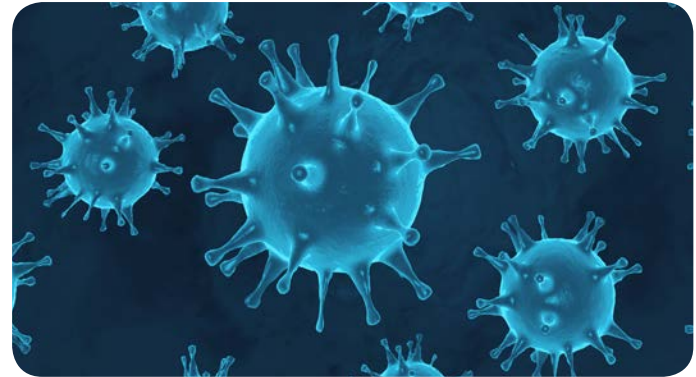
- Underlying diluted EPS +1.7% to 92.19 pence
- Full year dividend 34.29 pence

Growth is at CER

COVID-19

Operations continued throughout a difficult year

- Successfully remained operational across the business throughout the epidemic
- No employees furloughed in any country:
 - Job security
 - Enhanced loyalty
 - Innovative ways of working
- Sad loss of Group Manufacturing & Supply Chain Director; Simon Francis
- Market performance by country varies
- Strategy to focus on essential and chronic medicines has served us well



Underlying Financial Results

Robust performance, strong second half

	Year ended 30 June		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2020 £m ⁽¹⁾	2019 £m ⁽¹⁾		
Revenue	515.1	481.8	6.9%	6.8%
Underlying gross profit	291.6	278.2	4.8%	4.7%
Underlying gross profit %	56.6%	57.7%	(110bps)	(110bps)
Underlying operating profit	128.3	127.4	0.7%	0.4%
Underlying EBIT %	24.9%	26.4%	(150bps)	(150bps)
Underlying profit before tax	120.1	117.4	2.3%	1.6%
Cash conversion	99.4%	85.0%		
Underlying diluted EPS (pence)	92.19	90.01	2.4%	1.7%
Dividend per share (pence)	34.29	31.60	8.5%	

(1) Actual Exchange Rate

(2) Constant Exchange Rate

Underlying results exclude items associated with areas such as amortisation of acquired intangibles, acquisition expenses and subsequent integration costs, fair value of 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.

IFRS16 has been adopted in the period using the modified retrospective approach and accordingly comparatives have not been restated, P&L effect negligible.

Cash conversion is calculated as cash generated from operations before tax and interest payments as a percentage of underlying operating profit.

Revenue by Segment

Growth from existing business and acquisitions

Revenue	Year ended 30 June		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2020 £m	2019 £m		
EU Pharmaceuticals – Existing ⁽³⁾	314.3	304.0	3.4%	4.7%
NA Pharmaceuticals – Existing	187.8	177.8	5.6%	3.0%
Group Total - Existing	502.1	481.8	4.2%	4.1%
EU Pharmaceuticals – Acquisition ⁽⁴⁾	9.2	–	–	–
NA Pharmaceuticals – Acquisition ⁽⁵⁾	3.8	–	–	–
Group Total – Acquisition	13.0	–	–	–
Total	515.1	481.8	6.9%	6.8%

(1) Actual Exchange Rate

(2) Constant Exchange Rate

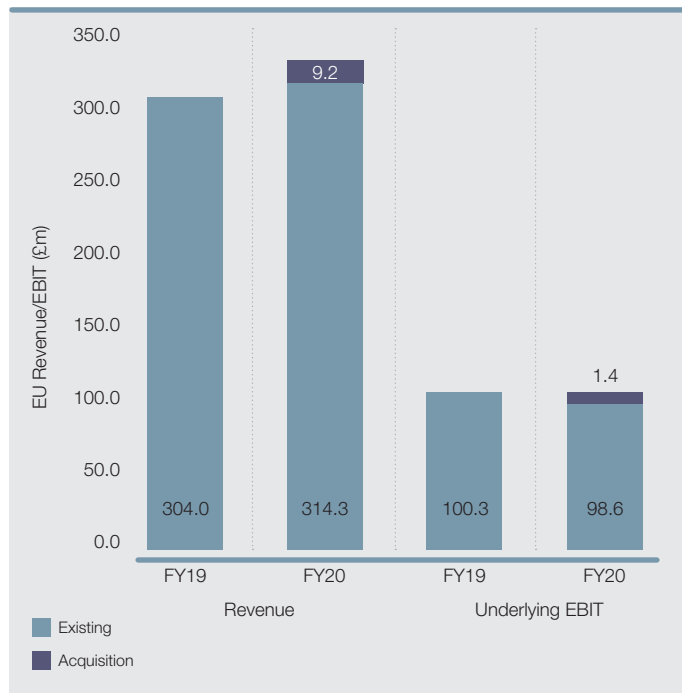
(3) EU Pharmaceuticals – Existing including like-for-like for Caledonian, Venco and third party contract manufacturing (strategic exit)

(4) EU Pharmaceuticals – Acquisition includes the balance of Caledonian and Venco

(5) NA Pharmaceuticals – Acquisition comprises Ampharmco and Mirataz

EU Pharmaceuticals Segment

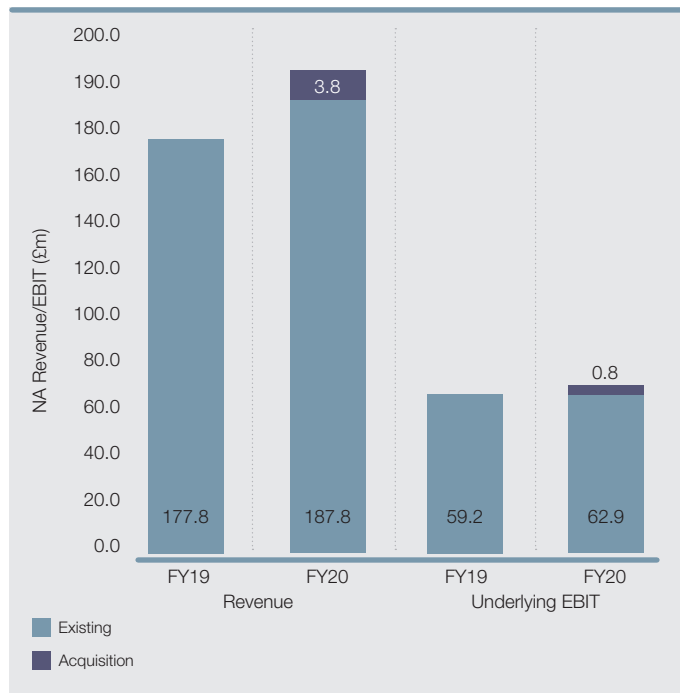
Existing business outperforming market; acquisitions performing well



- **Revenue +7.8% to £323.5 million**
 - Existing: 4.7% increase to £314.3 million; 6.4% increase excluding strategically declining third party contract manufacturing
 - Acquisition: contributed £9.2 million from the balance of Caledonian and Venco
- **Underlying EBIT +0.8% to £100.0 million**
 - Existing: 0.6% decrease to £98.6 million, 3.0% increase excluding pension credit
 - Non-recurring credit of £3.5 million in the prior year due to the curtailment of Dutch pension scheme
 - Acquisition: contributed £1.4 million
- **Underlying EBIT margin**
 - Existing: Operating leverage down 170 bps to 31.4% diluted by strong FAP growth (down 50 bps excluding pension credit)
 - Acquisition: dilution due to lower Venco margin
 - Consolidated: 220 bps decrease in margin to 30.9% (down 100 bps excluding pension credit)

NA Pharmaceuticals Segment

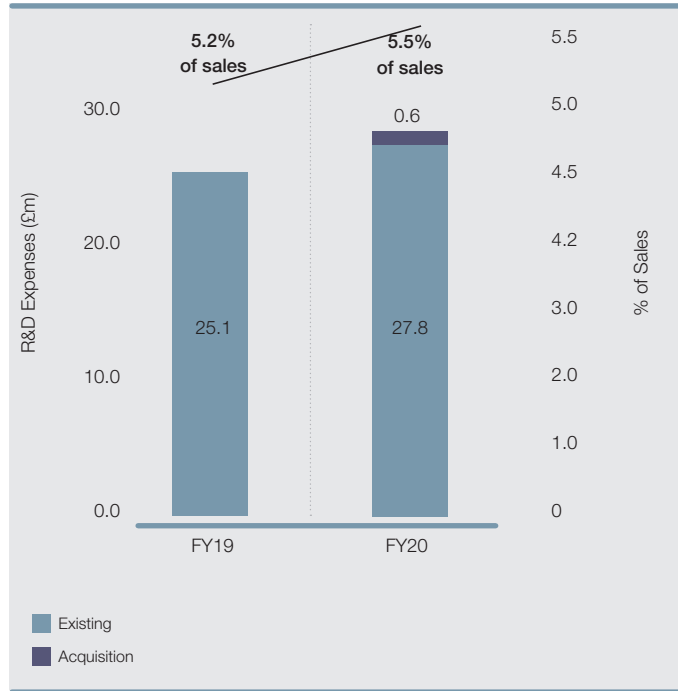
Second half recovery following first half supply issues



- **Revenue +5.1% to £191.6 million**
 - Existing: 3.0% increase to £187.8 million
 - Acquisition: Ampharmco and Mirataz acquisitions contributed £3.8 million
- **Underlying EBIT +4.7% to £63.7 million**
 - Existing: 3.4% increase to £62.9 million
 - Acquisition: Contributed £0.8 million
- **Underlying EBIT margin**
 - Existing: Operating leverage up 10 bps to 33.5% despite no ophthalmic revenues in year
 - Acquisition: benefit of two months Mirataz revenues diluted by small contribution from Ampharmco
 - Consolidated: 10 bps decrease in margin to 33.2%

Pharmaceutical Research & Development

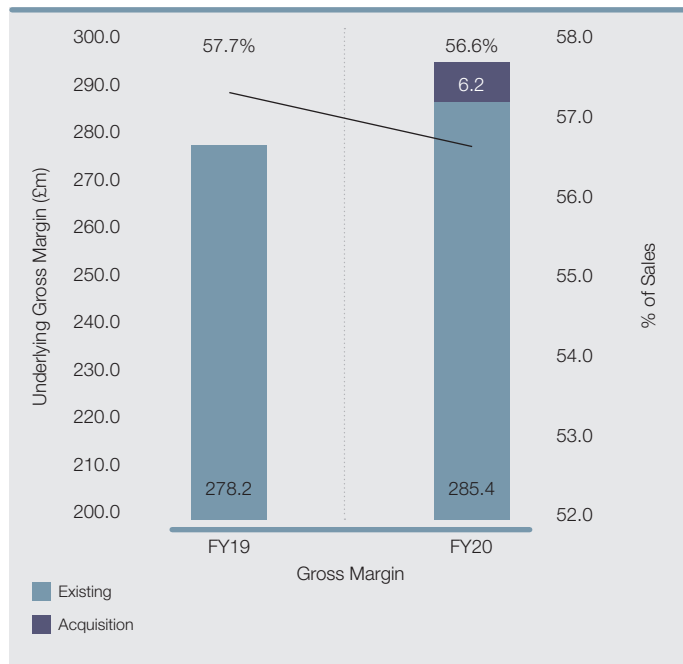
Novel products development progressing well



- **Investment increased by 12.4% to £28.4 million**
 - £2.2 million spend on Akston
 - Increased investment in international registrations
 - Growth of spend from 5.2% to 5.5% of sales

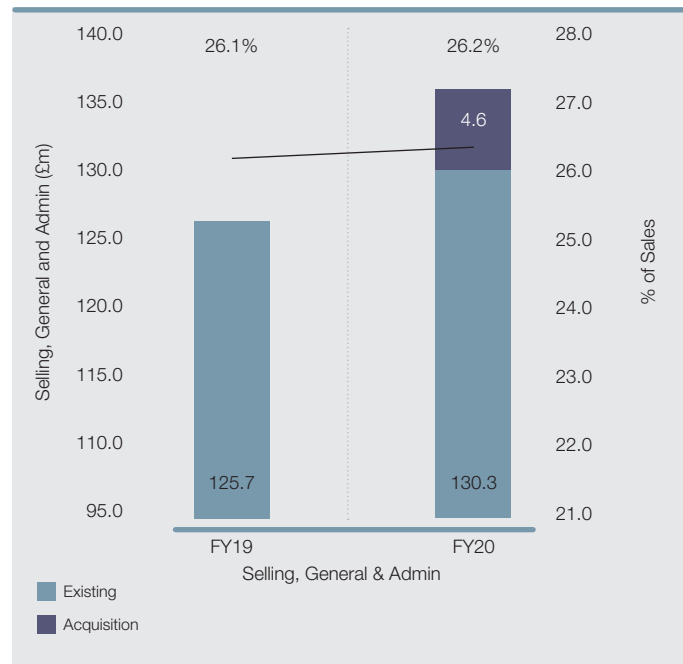
Gross Margin

Dilution from acquired businesses and mix due to strong growth in FAP



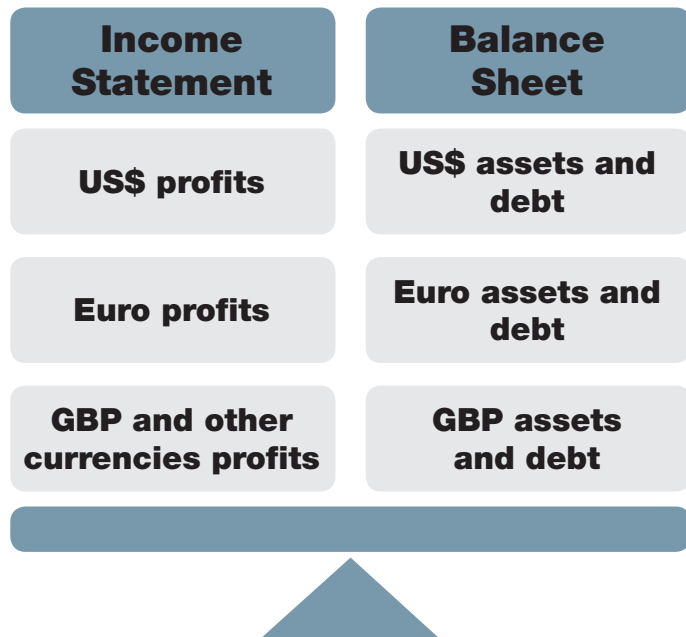
Selling, General & Admin

Excluding prior year pension credit, existing cost base broadly flat delivering operating leverage



Currency Exposure

Balancing currency flows with financing strategy



	Average Rates		
	FY 2020	FY 2019	% change
£/€	1.1396	1.1345	0.4%
£/\$	1.2601	1.2945	(2.7%)

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

Current exchange rates are c. £/€1.1256 and £/\$1.3351 (2 September 2020)

If these exchange rates had applied throughout the period, the underlying diluted EPS would be approximately 2.1% lower

Other currencies starting to influence: AUD, HRK, BRL

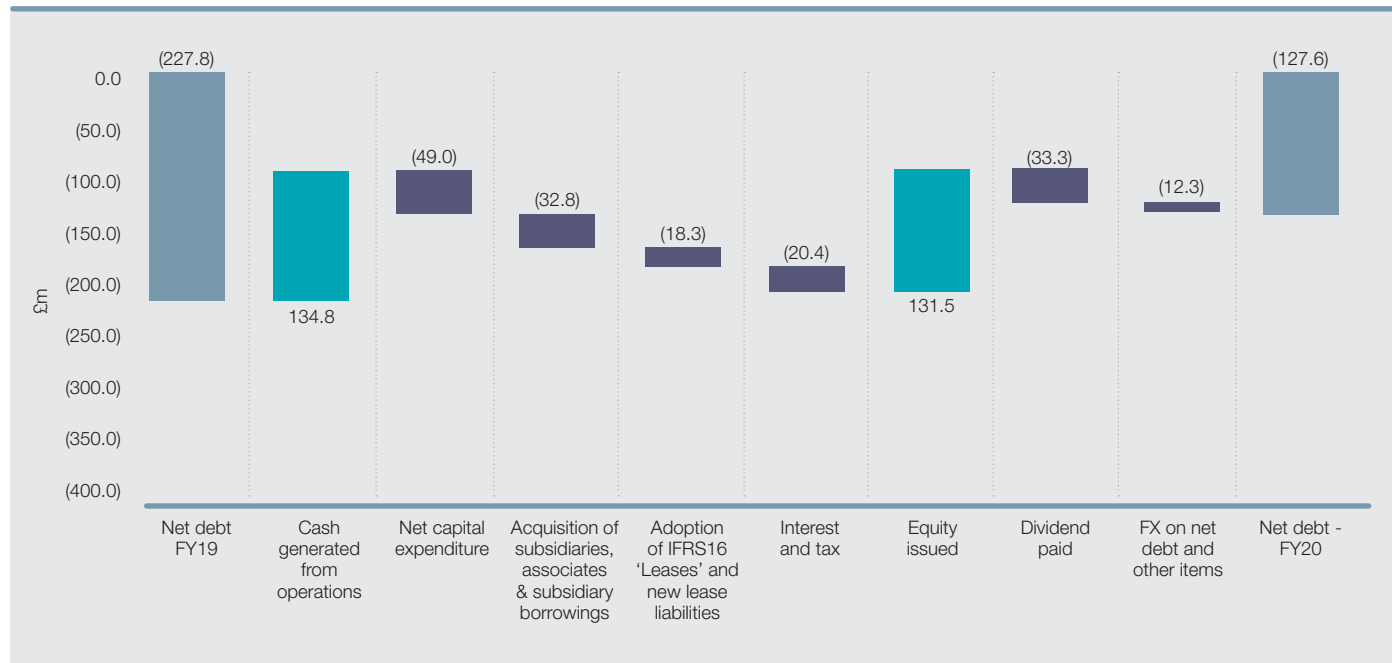
Cash Flow

Strong cash conversion

	30 June	
	2020 £m	2019 £m
Underlying operating profit	128.3	127.4
Depreciation and amortisation	14.2	9.8
Working capital	(8.7)	(19.5)
Other	1.0	(2.0)
Net cash generated from operations before non-underlying items	134.8	115.7
Non-underlying items	(7.3)	(7.4)
Net cash generated from operations	127.5	108.3
Cash conversion %	99.4%	85.0%
ROCE %	15.4%	15.6%

Net Debt

Proforma net debt/EBITDA leverage decreased from 1.64 times to 0.80 times due to strong cash generation, pre year end equity placement and delay to Osurnia completion (£104.7 million)



Tax

ETR broadly flat

- Group underlying effective tax rate (ETR) decreased to 20.6% (2019: 21.2%)
- Group underlying ETR is expected to remain broadly similar for 2021
- Reported ETR is 17.1% (2019: credit of 11.2% included 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 £76.1 million (2019: £88.4 million) include:**

- Decrease of £7.2 million in amortisation of acquired intangibles to £69.6 million
- Acquisition and integration costs £4.3 million
- Rationalisation of manufacturing footprint costs £2.2 million

- **Dividend**

- Final dividend increased to 24.0 pence per share (2019: 22.10 pence)
- Final dividend payable on 27 November 2020; Record Date 6 November 2020
- Full dividend increased 8.5% to 34.29 pence (2019: 31.60 pence);
- Dividend cover on underlying diluted EPS of 2.7 times

- **Banking**

- Net debt of £127.6 million at the period end (2019: £227.8 million)
- Proforma leverage is 0.80 at the period end (2019: 1.64); covenant cannot be higher than 3:1
- Interest cover is 14.5 at the period end (2019: 13.1); covenant cannot be lower than 4:1
- Strong financial position with available cash balances and unutilised committed bank facilities of £353.2 million
- Acquired Osurnia worldwide product rights for £104.7 million post year end



Portfolio Focus

Strong EU growth supplemented by strong second half in NA

EU Pharmaceuticals

- Existing pharmaceutical range increased by 6.4% at CER (excluding strategically decreasing third party contract manufacturing)
- Le Vet integration almost complete
- Performance by country varied, UK and France underperformed. All other territories performed well
- Caledonian and Venco acquisitions added £9.2 million revenue and are performing well
- Consolidated growth at 7.8% at CER

NA Pharmaceuticals

- Existing business grew by 3.0% due to strong second half
- Robust performance in Mexico and Canada
- Ampharmco and Mirataz acquisitions added £3.8 million revenue
- Consolidated growth 5.1% at CER





Portfolio Focus

CAP, FAP, Equine and Nutrition

CAP

- Continues to be the key driver of organic growth:
 - Growth across all key therapeutic sectors
 - Increased market penetration of key products
 - Addition of Mirataz from May
 - Adversely impacted by supply issues

FAP

- Growth accelerated despite declining use of antibiotic in EU
- Full year of sales from Venco acquisition making a significant contribution
- Less impact from COVID-19

Equine

- Full year impact from Caledonian exceeding expectations
- Osphos sales continue to recover in NA

Revenue	Year ended 30 June 2020 £m	Consolidated growth at CER	Organic growth at CER
CAP	361.6	5.5%	3.7%
Equine	36.4	6.1%	0.8%
FAP	74.8	33.5%	24.3%
Subtotal Pharmaceuticals	472.8	9.3%	6.2%
Nutrition	28.6	(0.7%)	(0.7%)
Other	13.7	(34.1%)	(33.3%)
Total	515.1	6.8%	4.1%

Nutrition

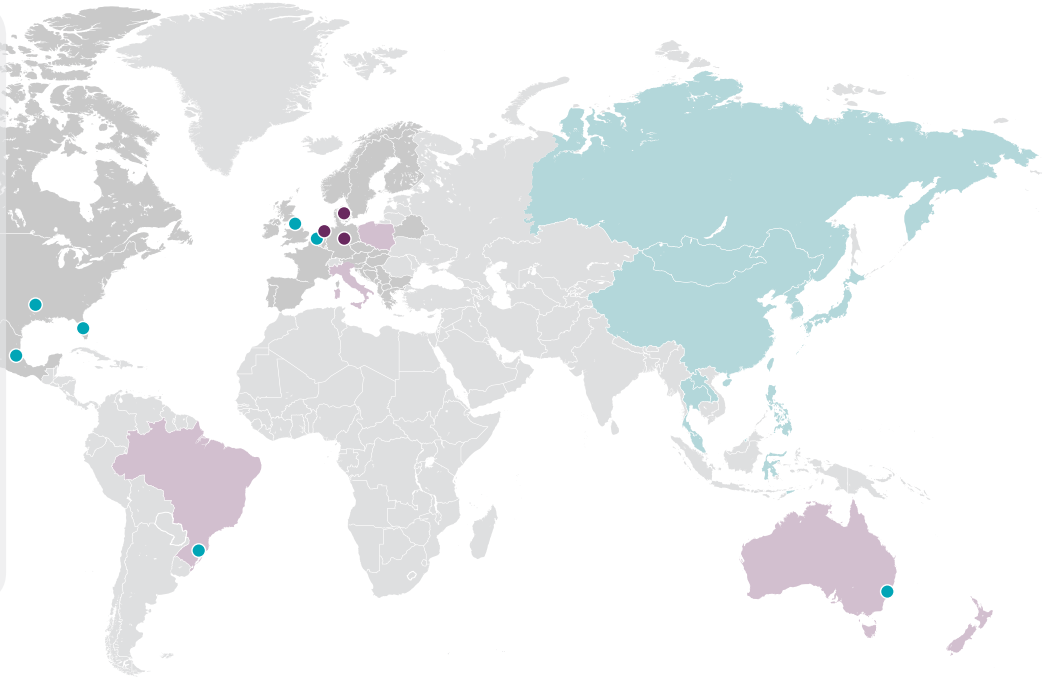
- Solid performance given discretionary nature of product
- Dog diet range refreshed with improved formulation, packaging and presentation



Geographic Expansion

International expansion continues to deliver growth

- Dechra branded organisations in ANZ and Brazil delivering strong growth
- Distribution business extended
- Additional resources provided on international registrations
- Acquisition opportunities being assessed but progress hampered by COVID-19





Pipeline Delivery

New products and innovation

- Cosacthen registered in 23 EU countries and Canada
- Numerous existing products registered in new EU territories
- Two new poultry vaccines approved in the EU
- Marboquin antibiotic CAP tablets approved in US
- Eight new product registrations in ANZ, two in Mexico, one in Brazil
- 34 approvals across our key brands in other countries
- Akston:
 - Proof of concept study in dogs positive
 - Cat option exercised and proof of concept ongoing
- Pipeline rationalised to 37 projects





Acquisition

Enhancing our supply chain

Ampharmco, acquired 28 August 2019 for US\$29.6 million

- FDA approved contract manufacturing facility:
 - Successfully integrated
 - Supports strategy to produce more in-house
- Three veterinary product licences:
 - Gentamycin/Betamethasone topical spray marketed by Dechra
 - Carprofen chewable sales strong
 - Carprofen flavoured tablets approved post year end





Acquisition

Extending our specialist portfolio

Mirataz, acquired April 2020 for US\$43 million plus royalty on future sales

- First and only FDA and EMA approved product for management of weight loss in cats
- Complementary to our existing portfolio
- Currently sold in US
- EU launch expected by end of calendar year
- In registration in other territories





Acquisition

Extending our global portfolio

Osrurnia, acquired post year end in July 2020 for US\$135 million

- Long acting treatment for otitis externa in dogs
- Increases treatment option for veterinarians and pet owners
- Significantly enhances our dermatology portfolio
- Sold in all our main markets, NA, EU, Brazil and Australia
- Further territories in registration





Animal Ethics

Improving animal welfare

- Increased holding in Medical Ethics:
 - Parent company of Animal Ethics
 - Additional 15% acquired for AUD\$13.5 million (£7.6 million)
 - Total holding now 48%
- CVMP recommend MRL granted for local anaesthetic components
- Strong progress made on global development for pigs, cattle and sheep
- Submission of dossier for approval for use in pigs in EU expected before the end of the calendar year
- Human trials to treat venous leg ulcers delayed due to COVID-19





Strategic Enablers – Manufacturing, IT and People

Infrastructure to support growth

Manufacturing

- Extremely challenging year:
 - Loss of Simon Francis
 - Dealing with impact of COVID-19
- Strong management team further enhanced
- Majority of in-house issues in remediation, some outsourced product issues remain
- Accelerating strategic plan to increase in-house manufacturing and secure stronger long term CMO relationships
- Continued investment to develop and improve infrastructure at all sites

Technology

- Strengthened system and network security to provide safe and efficient access and connectivity for the increase in home workers

- Continued role out and development of Group ERP systems
- Integrated recent acquisitions
- Development of digital education modules

People

- Alison Platt, strengthened Board and providing continuity through our next phase of growth
- Paul Sandland appointed as Chief Financial Officer
- Dr Susan Longhofer promoted to Group Chief Scientific Officer
- Employee engagement programme commenced to enable the views of our employees to be taken into consideration by the Board
- Commitment and dedication of all employees has been exceptional

ESG Strategy

Committed to sustainable development

- Our Purpose is the sustainable improvement of global animal health and welfare
- We have chosen to link our strategy to the United Nations Sustainable Development Goals (SDG's)
- This provides a framework for activities we were already doing
- We identified three SDG's as being most material to Our Business, Our People and Our Environment



Quality
Education



Decent Work and
Economic Growth



Responsible
Consumption and
Production

- We are in the process of gathering additional data to set new targets
- More detailed information is included in our Annual Report and is available on the dedicated sustainability section of our website



Our People



Our Environment



Our Business



Our Community

Outlook

Our strategy continues to outperform

- Trading in the new financial year has been encouraging
- Uncertainty due to COVID-19 remains
- Recently acquired brands, Osurnia and Mirataz strengthen our portfolio and offer solid growth prospects
- Further acquisitions and licensing deals identified
- Board believes in capability of our people to execute our strategy and has confidence in future growth prospects

Strategic Growth Drivers



Pipeline
Delivery



Portfolio
Focus



Geographical
Expansion



Acquisition




Dechra
Pharmaceuticals PLC
Appendices

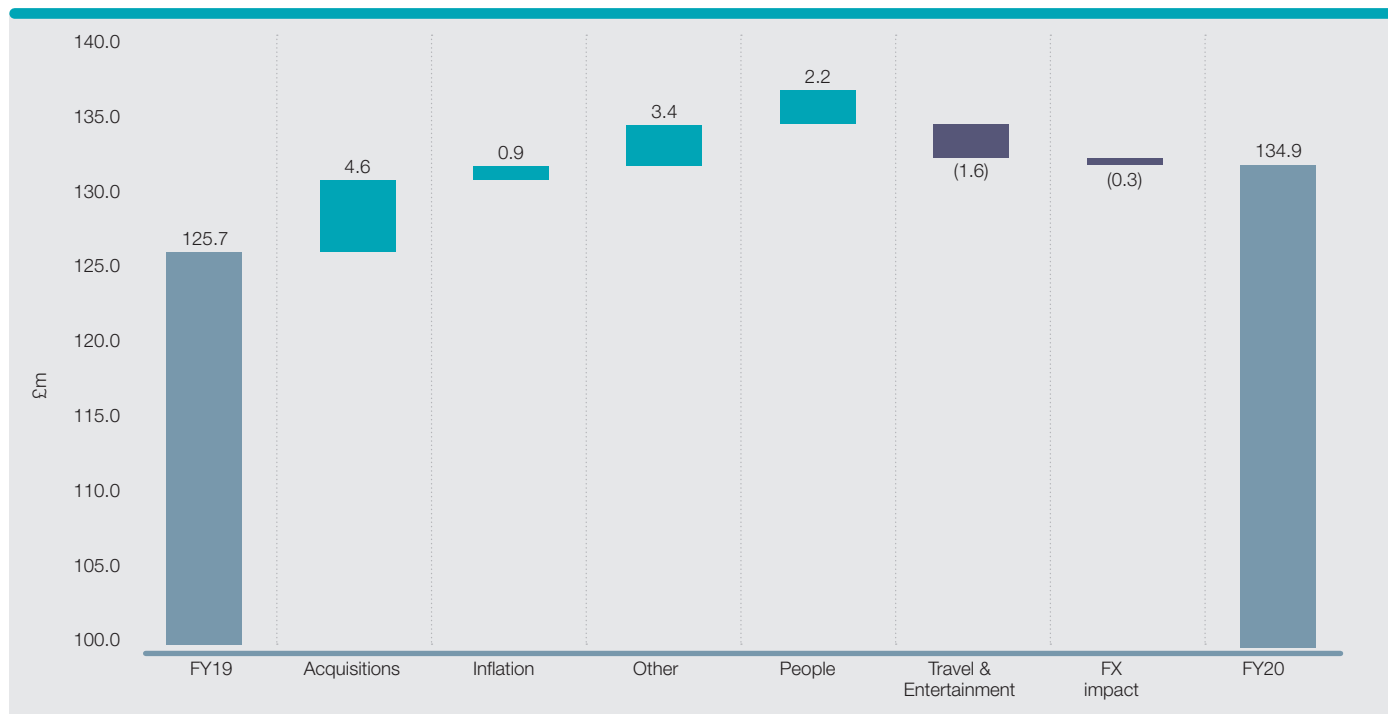
Principal Registrations Achieved

- Cosacthen for the diagnosis of Cushing's Disease and Addison's Disease (which Vetoryl and Zycortal treat) was approved in 23 EU territories and Canada;
- Avishield IB Plus and Avishield IB GI-13, both poultry vaccines, were approved in the EU territories;
- Marboquin tablets, a companion animal antibiotic, were approved in the USA;
- Eight new products were registered in Australia and New Zealand, two in Mexico and one in Brazil;
- A number of established products already registered in the EU have now received approval in new territories, including Clavudale, Felimazole, Isathal, Spectrabactin and Octacillin. Our market leading equine non-steroidal anti-inflammatory, Equipalazone, has been reformulated with the addition of a flavouring agent, which has now been approved in 13 European territories; and
- Internationally we have received 34 approvals across our key brands in countries including Indonesia, Korea, Myanmar, Nicaragua, Oman, Tanzania, Thailand, United Arab Emirates, Uruguay and Vietnam

Underlying Gross Margin (at AER)

FY 2019 – Existing	57.7%
Product mix	(0.9)%
FY 2020 – Existing	56.8%
Acquisition	(0.2)%
FY 2020 – Consolidated	56.6%

Underlying Selling, General & Admin Expenses



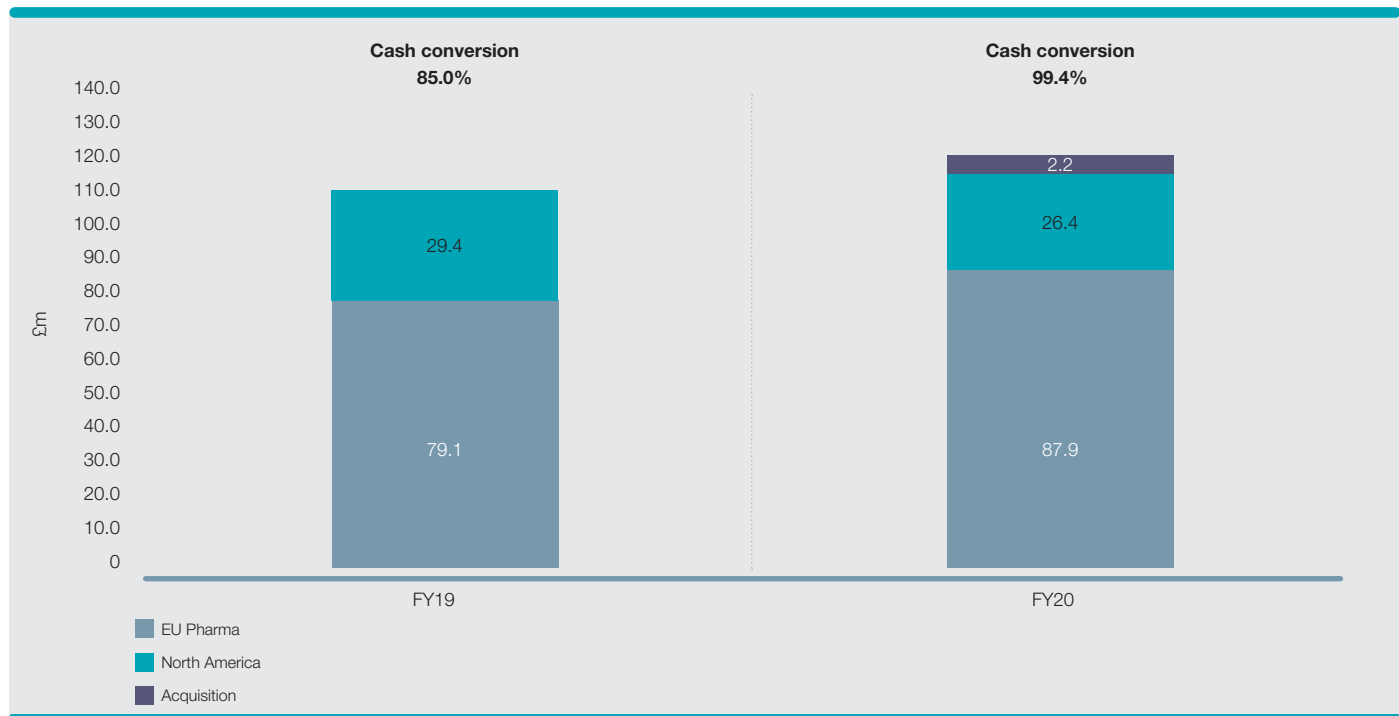
* People includes the impact of a credit of £3.5 million in relation to the curtailment of the Dutch defined benefit pension scheme in the prior year.

Balance Sheet

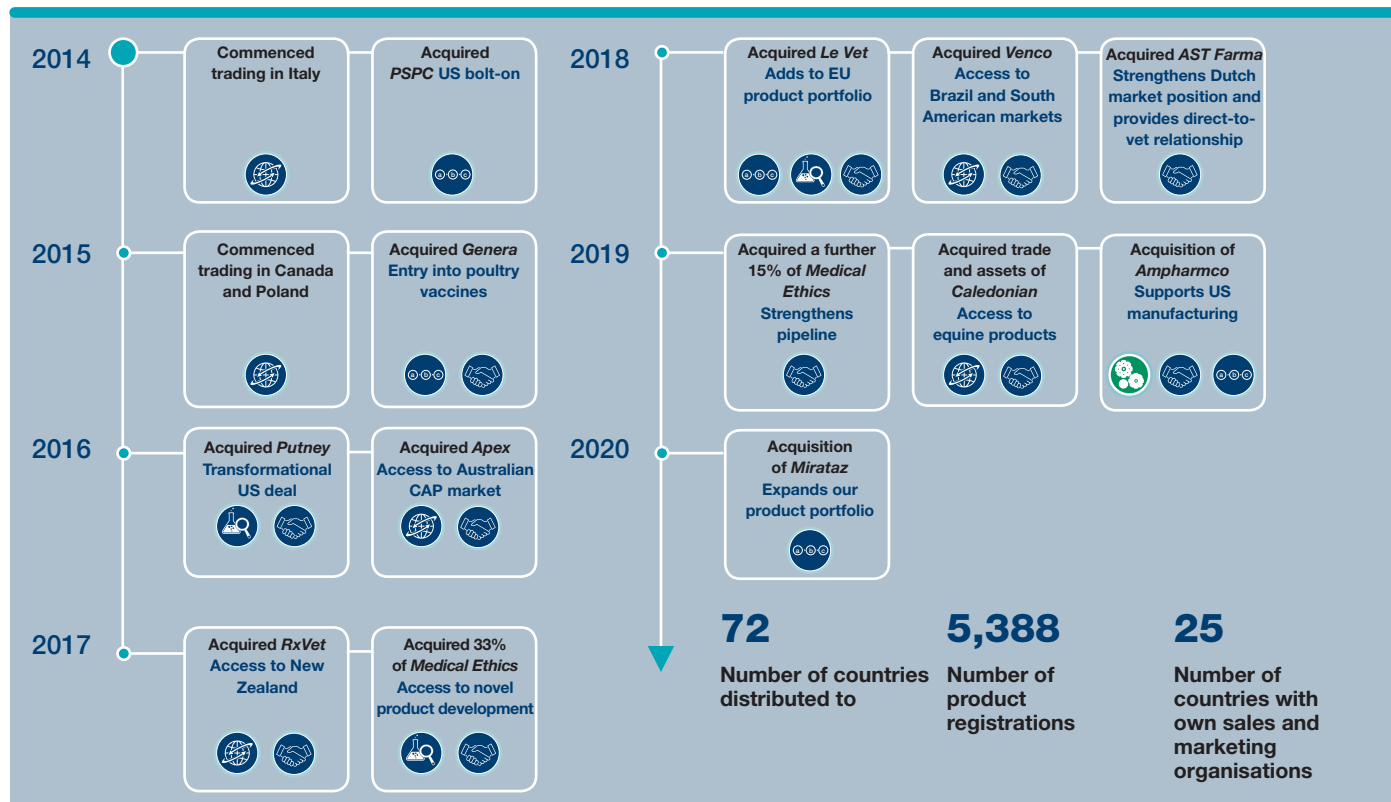
	30 June	
	2020 £m	2019 £m
Total non-current assets (excluding deferred tax assets)	786.0	749.1
Working capital	116.5	107.8
Cash and cash equivalents	227.4	80.3
Borrowings	(355.0)	(308.1)
Current and deferred tax	(78.7)	(82.0)
Other liabilities	(58.7)	(38.0)
Total net assets	637.5	509.1
Net (debt)/cash	(127.6)	(227.8)
Proforma leverage (covenant* 3.00:1)	0.80	1.64

* Net (debt)/cash to 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**
- **494 FTEs**



DVP International

- **Increased area of management focus**
 - Second year of new structure
- **Newly established organisational structure**
 - Increased area of Group investment
- **Export to 72 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**
89 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**
- **235 FTEs**

Our Structure

Manufacturing & Supply Chain

➤ **Five major sites**

- Skipton, UK
- Bladel, the Netherlands
- Zagreb, Croatia
- Londrina, Brazil
- Fort Worth, Texas US

➤ **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

➤ **More than 50% of the volume supplied by c.42 contract manufacturing sites**

➤ **Logistics hubs in Denmark for EU & Kentucky for NA**

➤ **878 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 (£28.4 million in 2020) is predominately development, not research orientated**
 - Expertise in innovation, formulation, clinical trials and regulatory affairs
- **149 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) Vetrinosis 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



OSPHOS
(clodronate injection)

Five Year Summary of Financials

Consolidated Income Statement (£m)	2020	2019	2018	2017	2016
Revenue	515.1	481.8	407.1	359.3	247.6
Underlying operating profit	128.3	127.4	99.2	81.3	52.9
Operating margin %	24.9%	26.4%	24.4%	22.6%	21.4%
Underlying profit after taxation	95.4	92.5	74.5	60.1	38.4
Underlying earnings per share					
– basic (pence)	92.50	90.24	76.85	64.68	42.95
– diluted (pence)	92.19	90.01	76.45	64.33	42.65
Dividend per share (pence)	34.29	31.60	25.50	21.44	18.46
Operating profit	52.2	39.0	34.1	33.2	19.5
Profit after taxation	33.9	30.9	36.1	26.1	12.5
Earnings per share					
– basic (pence)	32.87	30.15	37.24	28.09	14.00
– diluted (pence)	32.76	30.07	37.04	27.93	13.90

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: excludes items associated with areas such as amortisation of acquired intangibles, acquisition expenses and subsequent integration costs, fair value of 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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