



Half Year Presentation
2021



**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.

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, poultry 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

We continue to function and be effective throughout COVID-19



Portfolio Focus

- Strong market dynamics
- All product categories delivering double digit growth



Pipeline Delivery

- Good progress continues
- Akston proof of concept studies continue to show favourable results



Geographic Expansion

- Brazil and ANZ performing well
- Robust performance from distribution business



Acquisition

- Osumia and Mirataz performing ahead of expectations
- European launch of Mirataz imminent
- Tri-Solfen for ANZ

Operational Highlights

Strategic Enablers



Technology

- Focus on remote working capabilities and digital communication
- Key ancillary system roll outs underway and on track



People

- Commitment and dedication of all employees has been exceptional
- Significant progress on actioning Dechra's pay principles, particularly 'Living Wage'
- Employee Engagement



Manufacturing and Supply

- Majority of historic supply issues resolved
- Further investment to strengthen quality systems
- Significant expansion of Danish distribution centre underway



Environmental, Social and Governance

- Focus on gathering data and establishing targets
- Group Sustainability Director appointed and will be in role from 1 March

Financial Highlights

Strong revenue growth delivering operating leverage



Revenue Growth

- 21.8% to £299.8 million



Operating Cash Generation

- 105.3% cash conversion



Underlying EBIT Growth

- 32.7% to £80.8 million
- COVID-19 related cost savings



Shareholder Value

- Underlying diluted EPS +24.7% increase to 54.28 pence
- Interim dividend: +8.0% increase to 11.11 pence

Underlying Financial Results

Excellent trading performance, first half weighted

	Six months ended 31 December		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2020 £m ⁽¹⁾	2019 £m ⁽¹⁾		
Revenue	299.8	248.5	20.6%	21.8%
Underlying gross profit	170.7	143.9	18.6%	19.5%
<i>Underlying gross profit %</i>	56.9%	57.9%	(100bps)	(110bps)
Underlying operating profit	80.8	61.1	32.2%	32.7%
Underlying EBIT %	27.0%	24.6%	240bps	220bps
Underlying profit before tax	75.1	56.8	32.2%	32.0%
Underlying EBITDA	88.2	67.9	29.9%	30.6%
Underlying diluted EPS (pence)	54.28	43.46	24.9%	24.7%
Dividend per share (pence)	11.11p	10.29p	8.0%	8.0%

(1) Actual Exchange Rate

(2) Constant Exchange Rate

Underlying results excludes items associated with amortisation of acquired intangibles, acquisition expenses and subsequent integration costs, manufacturing rationalisation costs, and fair value and other movements on contingent consideration.

Revenue by Segment

Strong market fundamentals

Revenue	Six months ended 31 December		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2020 ⁽¹⁾ £m	2019 ⁽¹⁾ £m		
EU Pharmaceuticals – Core	184.2	154.4	19.3%	18.6%
EU Pharmaceuticals – Third Party Contract Manufacturing	4.1	5.2	(21.2%)	(21.2%)
EU Pharmaceuticals – Existing ⁽³⁾	188.3	159.6	18.0%	17.3%
NA Pharmaceuticals – Existing ⁽⁴⁾	98.2	88.9	10.5%	14.8%
Group Total – Existing	286.5	248.5	15.3%	16.4%
EU Pharmaceuticals – Acquisition ⁽⁵⁾	7.3	-	-	-
NA Pharmaceuticals – Acquisition ⁽⁶⁾	6.0	-	-	-
Group Total – Acquisition	13.3	-	-	-
Total	299.8	248.5	20.6%	21.8%

(1) Actual Exchange Rate

(2) Constant Exchange Rate

(3) EU Pharmaceuticals – Existing including third party contract manufacturing (strategic exit)

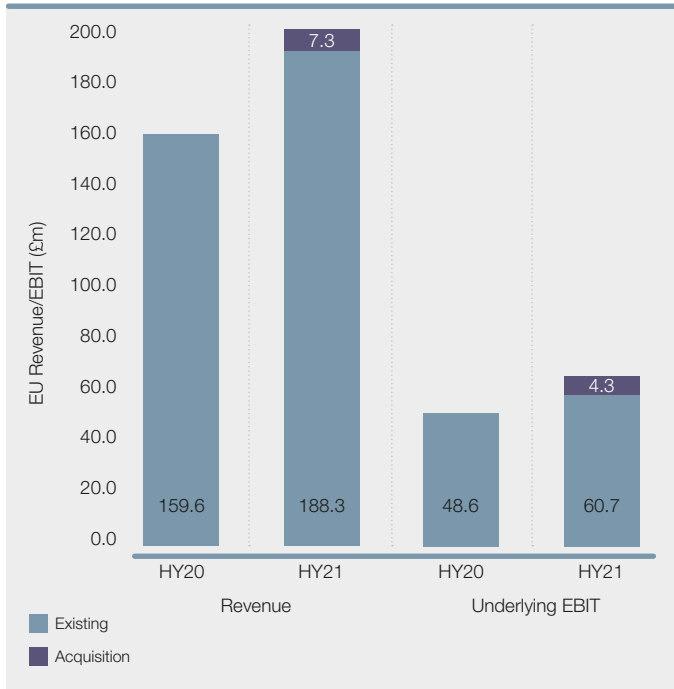
(4) NA Pharmaceuticals – Existing including like-for-like for Ampharmco

(5) EU Pharmaceuticals – Acquisition comprises Osumnia

(6) NA Pharmaceuticals – Acquisition comprises Ampharmco, Osumnia and Mirataz

EU Pharmaceuticals Segment

Double digit organic growth



- **Revenue +21.7% to £195.6 million**

- Existing: 17.3% increase to £188.3 million; 18.6% increase excluding strategically declining third party manufacturing
- Acquisition: £7.3 million contributed from Osumnia

- **Underlying EBIT +31.9% to £65.0 million**

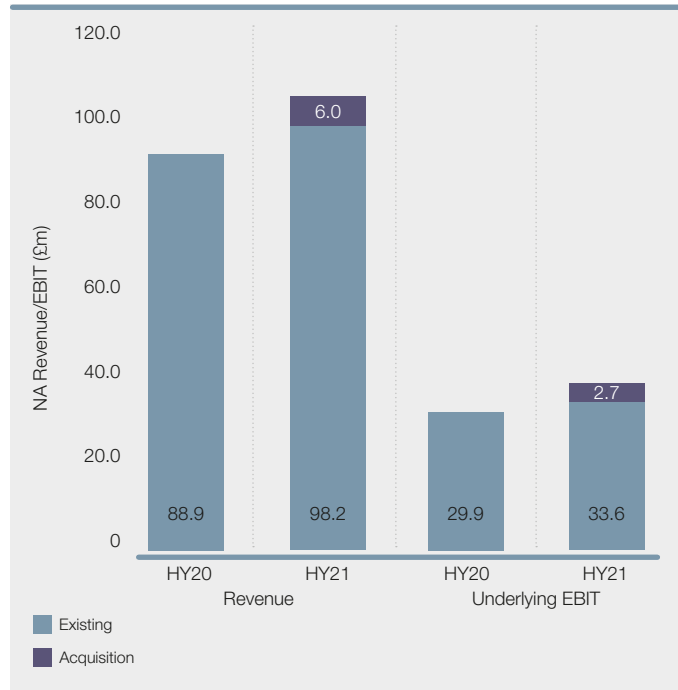
- Existing: 23.0% increase to £60.7 million
- Acquisition: Contributed £4.3 million

- **Underlying EBIT margin**

- Existing: Operating leverage up 140 bps to 32.2%
- Acquisition: margin at 60.6% reflecting gross margin nature of acquisition
- Consolidated: 250 bps increase in margin to 33.2%

NA Pharmaceuticals Segment

CAP driving performance against a soft comparator



- **Revenue 21.9% to £104.2 million**

- Existing: 14.8% increase to £98.2 million
- Acquisitions: £6.0 million contributed from the acquisitions of Ampharmco, Osumnia and Mirataz

- **Underlying EBIT 26.1% to £36.3 million**

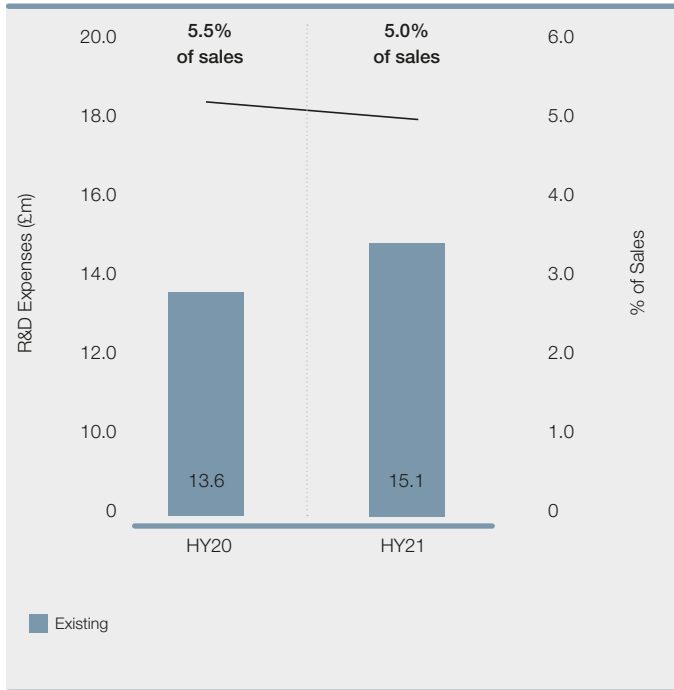
- Existing: 16.7% increase to £33.6 million
- Acquisitions: Contributed £2.7 million

- **Underlying EBIT margin**

- Existing: Operating leverage up 60 bps to 34.2%
- Acquisitions: Margin at 45.0% reflecting gross margin nature of the balance of product acquisitions diluted by Ampharmco
- Consolidated: 120 bps increase in margin to 34.8%

Pharmaceutical Research & Development

Investment in innovative new products



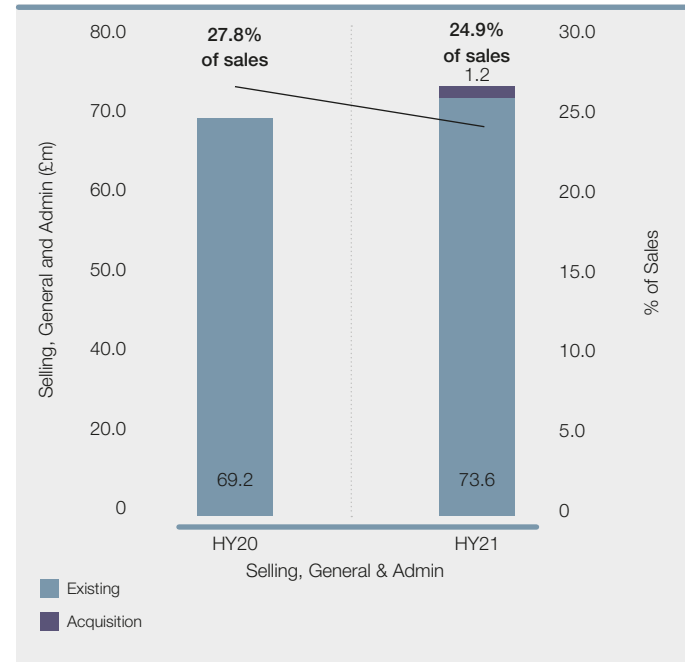
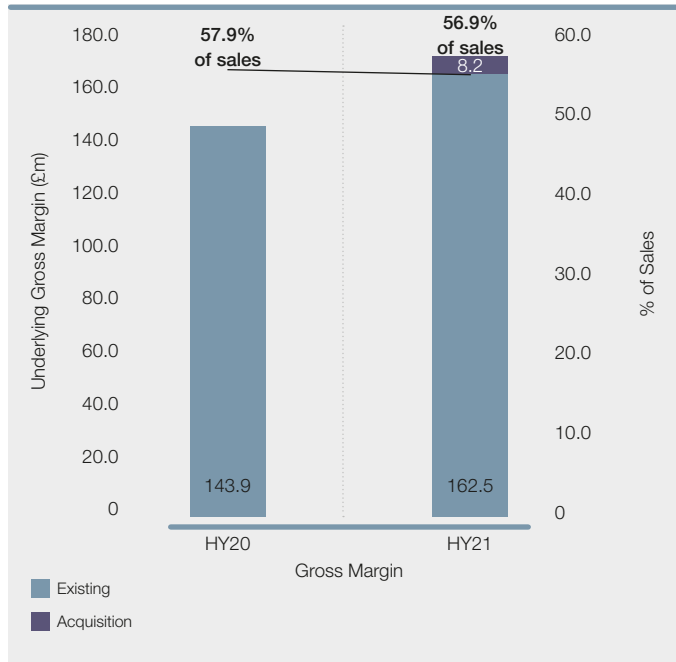
- **Investment increased by 12.5% to £15.1 million**

- Good progress made on pipeline, despite COVID-19
- Reduction in spend from 5.5% to 5.0% of revenue
- Expect spend to be second half weighted

Gross Margin

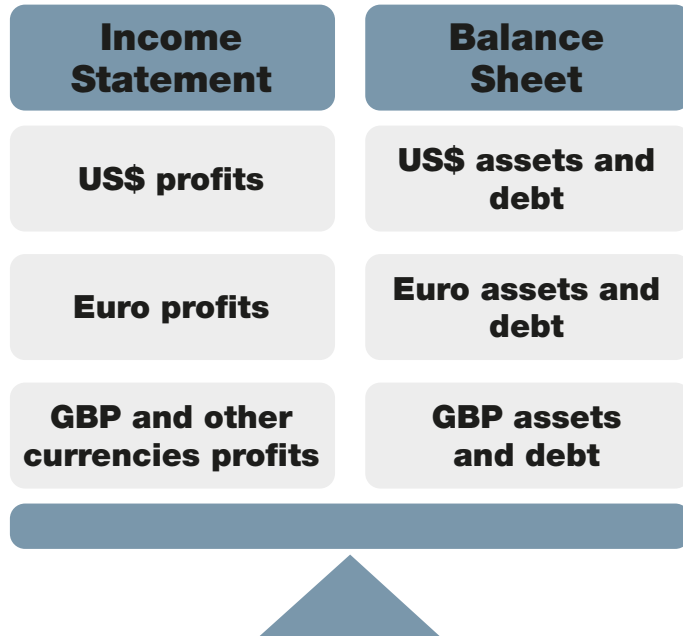
Selling, General & Admin

Small dilution in period but expansion on full year COVID-19 related costs savings



Currency Exposure

Balancing currency flow with financing strategy



	Average Rates		
	HY 2021	HY 2020	% change
£/€	1.1060	1.1352	(2.6%)
£/\$	1.3060	1.2593	3.7%

- **Euro€**
1% variation in £/€ impacts underlying diluted EPS by approximately +/-0.6%
- **US\$**
1% variation in £/\$ impacts underlying diluted EPS by approximately +/-0.4%

Current exchange rates are c. £/€1.1500 and £/\$1.3868 (17 February 2021)

If these exchange rates had applied throughout the period, the underlying diluted EPS would be approximately 4.8% lower

Other currencies starting to influence: AUD, HRK, BRL

Brazilian Real weakened significantly during the period offsetting any Euro benefit in EU Pharmaceuticals result

Cash Flow

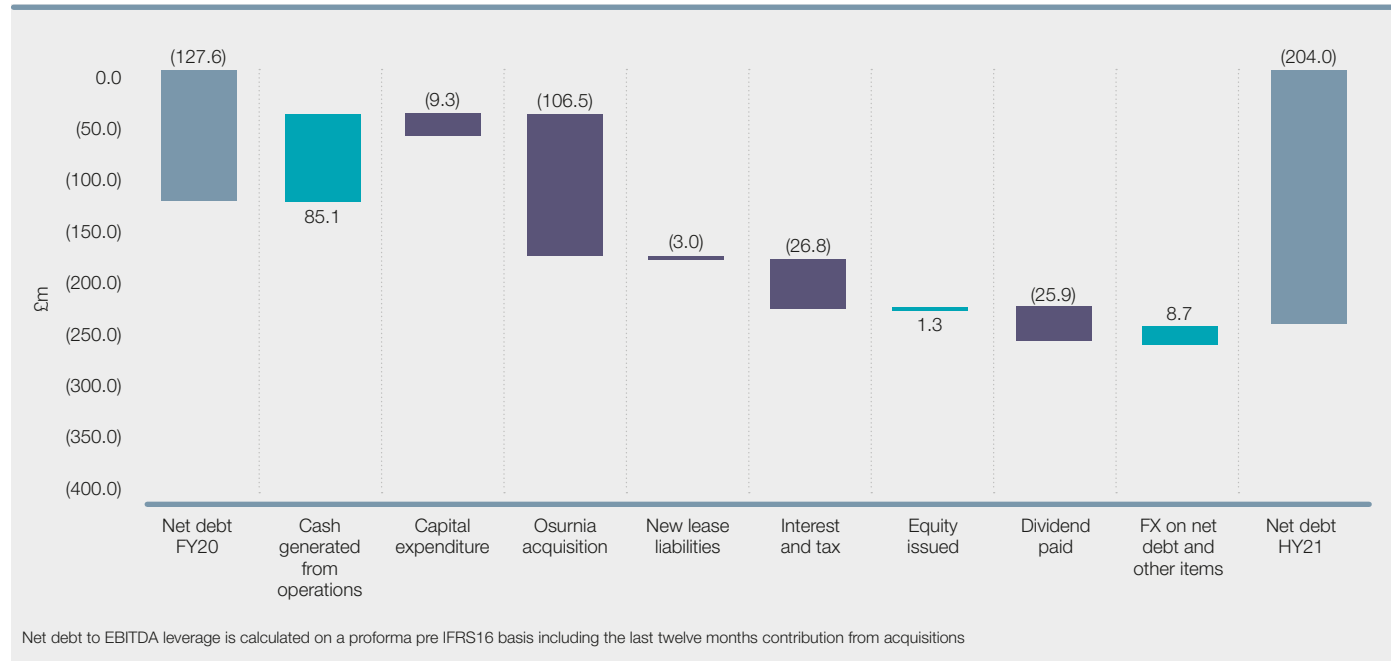
Strong cash conversion

	31 December	
	2020 £m	2019 £m
Underlying operating profit	80.8	61.1
Depreciation and amortisation	7.4	6.8
EBITDA	88.2	67.9
<i>EBITDA %</i>	29.4%	27.3%
Working capital	(3.8)	(3.3)
Other	2.9	0.3
Net cash generated from operations before non-underlying items	87.3	64.9
Non-underlying items	(2.2)	(4.0)
Net cash generated from operations	85.1	60.9
 Cash conversion %	 105.3%	 99.7%

Cash conversion is defined as net cash generated from operations as a percentage of underlying operating profit.

Net Debt

Net debt/EBITDA leverage at 1.12 times due to strong cash generation offset by Osumnia completion



Tax

ETR increased slightly

- Underlying effective tax rate (ETR) up slightly to 21.4% (2020: 21.1%) reflecting regional mix of operating profits
- Expect underlying rate of 21.5% to 22.5% in 2022
- Reported ETR of 34.2% includes a one-off non-underlying deferred tax charge of £4.9 million (2020: charge of £2.7 million) from revaluation of Netherlands deferred tax liabilities and assets

Risk to ETR from:

- Increasing tax burden
- Global tax reform, e.g. US, post COVID-19
- EU challenge of UK Controlled Foreign (CFC) legislation
- Expiry of patents reducing patent box and innovation box benefits



Other Financial Items

Further details

- **Non-underlying net operating charge of £40.5 million (2020: £37.8 million)**
 - Increase of £3.8 million in amortisation of acquired intangibles to £38.3 million
 - Acquisition and integration costs of £1.3 million
 - Rationalisation of manufacturing organisation costs £0.9 million
- **Dividend**
 - Interim dividend increased to 11.11 pence per share (2020: 10.29 pence)
- **Banking**
 - Net debt of £204.0 million at the period end (2020: £240.8 million)
 - Leverage covenant is 1.12 at the period end (2020: 1.66:1) maximum cannot be higher than 3.0:1
 - Interest covenant is 18.9 at the period end (2020: 12.7:1) minimum cannot be lower than 4:1





Portfolio Focus

Strong market fundamentals

Global Trends

- Increasing pet ownership
- People spending more time with animals/ Humanisation of pets
- Veterinary practices continue to operate

EU Pharmaceuticals

- Excellent organic growth
 - All countries performed strongly
 - International performing well
- Osumnia added £7.3 million revenue and is performing well

NA Pharmaceuticals

- Existing business grew strongly
- Soft comparator period due to supply issues, only ophthalmics to return
- Ampharmco, Osumnia and Mirataz added £6.0 million revenue



Portfolio Focus

All categories delivered double digit growth

CAP

- Key driver of growth with strong market dynamics
- Excellent virtual customer engagement
- Improved supply chain

Equine

- Growth ahead of expectation
- Enhanced and enlarged portfolio

FAP

- Solustab range outperforming
- Exceptional growth in Belgium and Spain

Nutrition

- Increased focus, fresh positioning and new organic range

	Six months ended 31.12.20 £m	Growth at CER %
Revenue		
CAP	219.0	27.3%
Equine	22.8	16.8%
FAP	36.8	10.6%
Subtotal Pharmaceuticals	278.6	23.9%
Nutrition	15.9	10.7%
Other	5.3	(22.9%)
Total	299.8	21.8%



Pipeline Delivery

Good progress continues to be made

- Dechra teams continue to be effective
- Numerous minor registrations in major territories and international markets
- Zagreb vaccines development laboratory received GLP certification
- Dossier for novel canine sedative to be submitted in H2
- Akston dog and cat proof of concept studies delivering favourable results
- Akston cat contract completed





Acquisition

Product acquisitions performing ahead of expectation

- **Osumnia**
 - Successfully transferred from Elanco
 - Exceeded expectations in EU, Japan and Australia
 - Gaining market share in US
- **Mirataz**
 - US delivering strong growth
 - EU launch imminent
- **Tri-Solfen**
 - Acquisition of ANZ marketing rights post period end
 - Additional 1.5% holding in Medical Ethics



Outlook

Remains positive with strong market dynamics

- Trading in the new calendar year remains robust
- Balance of trading to be first half weighted as pre-Brexit inventory build unwinds
- Product acquisitions performing well
- Supply chain improvements continue
- New growth opportunities identified
- Ongoing challenges of COVID-19
- We remain confident in our future prospects

Strategic Growth Drivers and Enablers



Pipeline
Delivery



Portfolio
Focus



Geographical
Expansion



Acquisition



Technology



People



Manufacturing
and Supply



Environment,
Social and
Governance




Dechra
Pharmaceuticals PLC

Appendices

Underlying Gross Margin

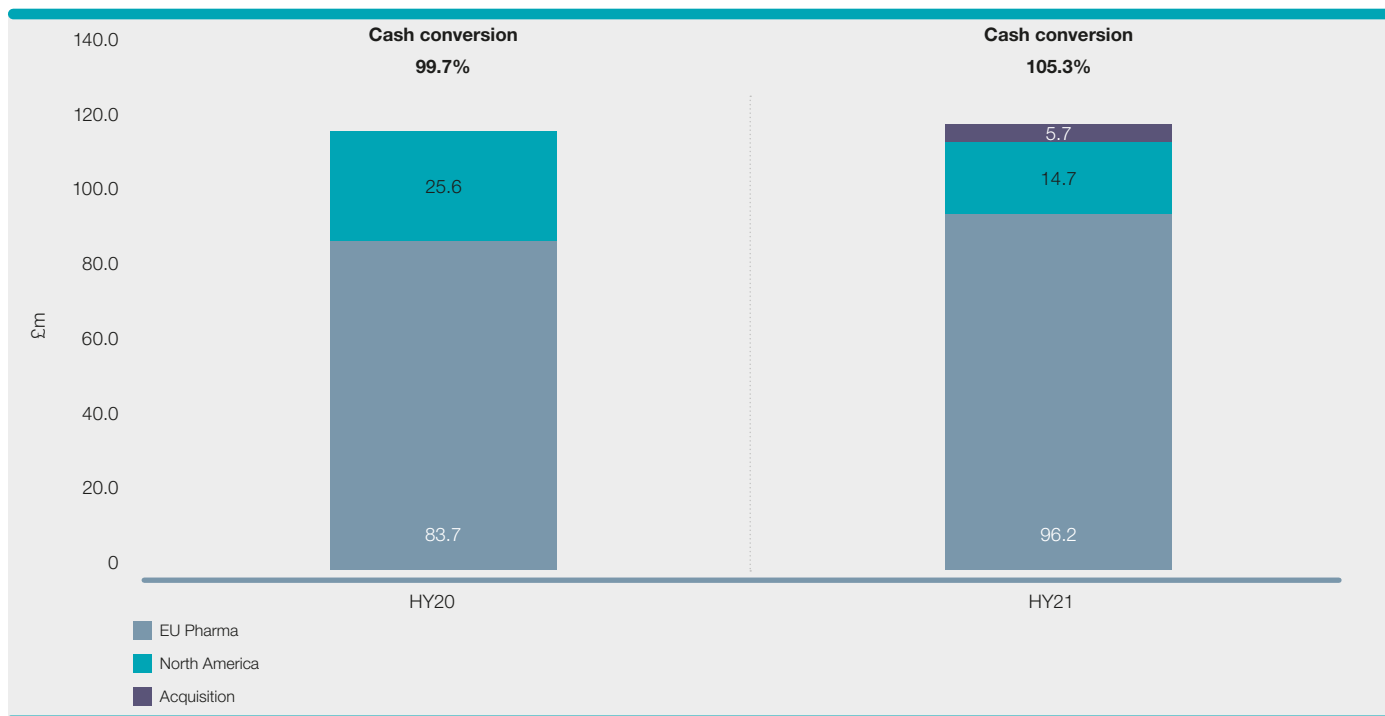
HY 2020 – Existing Business	57.9%
Product Mix	(1.2%)
HY 2021 – Existing Business	56.7%
Acquisition	0.2%
HY 2021 – Consolidated	56.9%

Balance Sheet

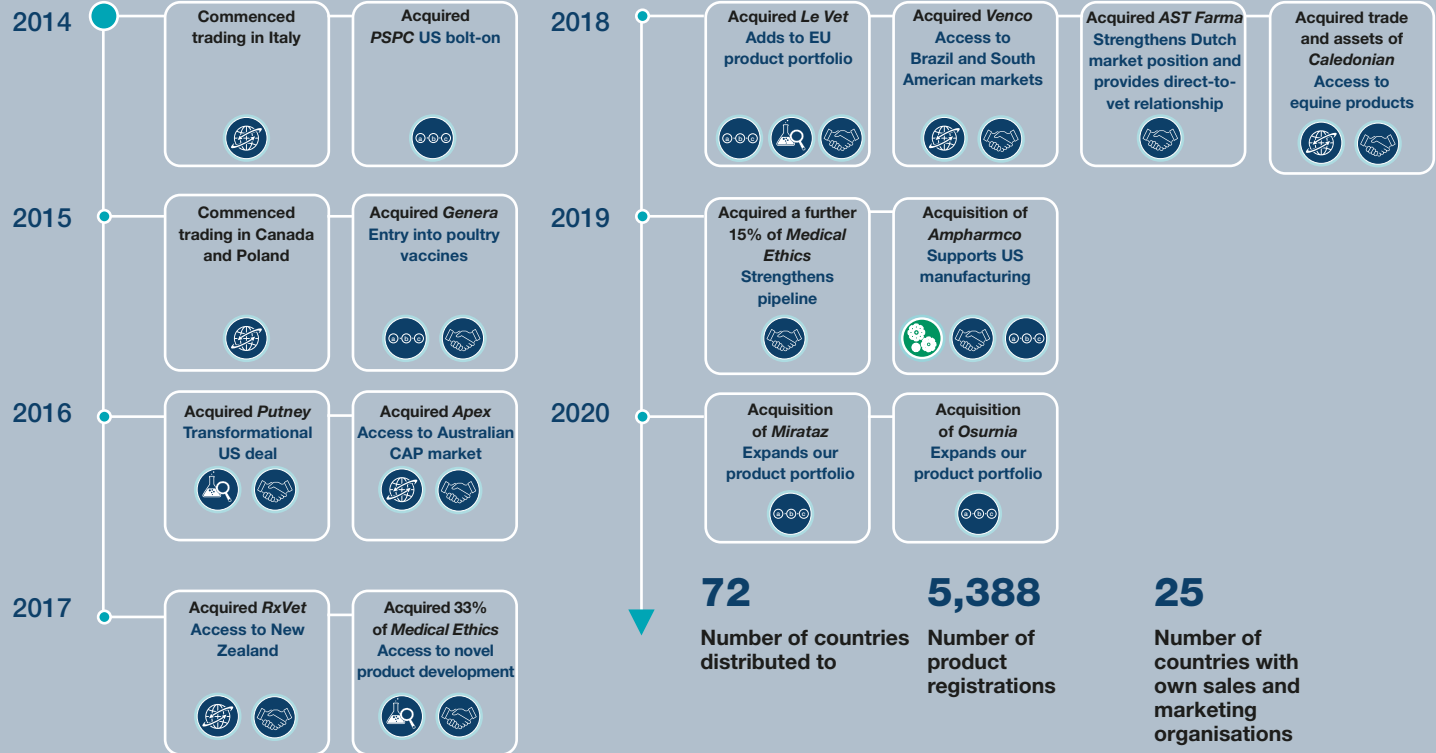
	31 December	
	2020	2019
	£m	£m
Total non-current assets (excluding deferred tax assets)	830.8	726.4
Working capital	116.6	109.3
Cash and cash equivalents	139.0	64.4
Borrowings	(343.0)	(305.2)
Corporate and deferred tax	(64.8)	(80.5)
Other liabilities	(53.2)	(37.5)
Total net assets	625.4	476.9
Net debt	(204.0)	(240.8)
Leverage covenant* – maximum 3.00:1	1.12	1.66

* Net debt/underlying EBITDA leverage ratio per the borrowings facilities leverage covenant, which includes the last 12 months EBITDA value (adjusted for the impact of acquisitions) and excludes the impact of IFRS16

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**
- **511 employees**



DVP International

- **Increased area of management focus**
 - Second year of new structure
- **Newly established organisational structure**
 - Increased area of Group investment
- **Export to over 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**
- **90 employees (exclu. Manufacturing)**

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



Our Structure

DVP NA

- **Range of specialist approved pharmaceuticals**
 - Five own developed products FDA approved (CAP, Equine)
 - Acquired ranges
 - In-licensed products
- **Ongoing investment in infrastructure**
- **Sales and marketing in US, Canada and Mexico**
- **246 employees**

Our Structure

Manufacturing & Supply Chain

- **Five major sites**
 - Skipton, UK
 - Bladel, the Netherlands
 - Zagreb, Croatia
 - Londrina, Brazil
 - Fort Worth, Texas US
- **Two minor sites**
 - Melbourne, Florida US
 - 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 c.42 contract manufacture sites**
- **Logistics hubs in Denmark for EU & Kentucky for NA**
- **876 employees**

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
- **159 employees**



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)

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 and related costs of acquired intangibles, 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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