

The Evolution of Dechra



Half-Yearly Results

for the six months ended 31 December 2012


www.dechra.com

Stock Code: DPH
Premium Listing
FTSE 350

Half-Year Overview

- 
- ↳ *Eurovet*® integration in line with plan and delivering expected synergies
 - ↳ Solid growth across all trading segments
 - ↳ Own branded products delivering strong revenue growth
 - ↳ Two US product in-licensing deals completed
 - ↳ Increase in interim dividend of 15.1%
 - ↳ New Group CFO appointed

Half-Year financials at a glance



	Half-Year ended 31 Dec 2012	Half-Year ended 31 Dec 2011	% change	Year ended 30 June 2012
Group revenue				
reported	£252.2m	£209.5m	20.4	£426.0m
constant currency	£258.7m	£209.5m	23.5	£427.0m
Underlying operating profit*				
reported	£24.3m	£16.2m	50.1	£36.6m
constant currency	£25.9m	£16.2m	60.2	£36.8m
Underlying profit before taxation*				
reported	£21.0m	£14.3m	46.9	£33.0m
constant currency	£23.3m	£15.1m	54.2	£34.1m
Operating profit	£15.1m	£11.0m	37.3	£20.9m
Profit before tax	£11.5m	£8.9m	29.2	£16.8m
Underlying earnings per share*				
Basic	18.03p	14.57p†	23.7	32.37p†
Diluted	17.99p	14.53p†	23.8	32.27p†
Earnings per share				
Basic	9.91p	9.27p†	6.9	15.65p†
Diluted	9.89p	9.24p†	7.0	15.60p†
Dividend				
Interim	4.34p	3.77p†	15.1	
Final dividend				12.27p†
Net borrowings	£102.0m	£46.1m		£86.7m

*Non-underlying items comprise amortisation of acquired intangibles, acquisition expenses, rationalisation costs, loss on extinguishment of debt and the unwinding of discounts on deferred and contingent consideration

†Restated to reflect the impact of the bonus element of the Rights Issue

Segmental Revenue



	Half-Year 31 Dec 2012 £'000	Half-Year 31 Dec 2011 £'000	% change	Year ended 30 June 2012 £'000
At Constant Currency				
European Pharmaceuticals	88,397	48,281	83.1	105,790
US Pharmaceuticals	10,062	9,231	9.0	20,287
Services	167,739	159,500	5.2	315,672
Intersegment	(7,487)	(7,501)		(14,758)
Total revenue at constant currency	258,711	209,511	23.5	426,991
Currency impact	(6,488)	-		(950)
Reported revenue	252,223	209,511	20.4	426,041

Underlying Operating Profit



	Half-Year 31 Dec 2012 £'000	Half-Year 31 Dec 2011 £'000	% change	Year ended 30 June 2012 £'000
At Constant Currency				
European Pharmaceuticals	22,668	12,780	77.4	29,166
US Pharmaceuticals	3,100	2,302	34.7	5,845
Services	5,720	5,397	6.0	11,056
Research & development	(3,457)	(2,405)	43.7	(5,735)
Corporate and other allocated costs	(2,110)	(1,895)	11.3	(3,487)
Underlying operating profit at constant currency	25,921	16,179	60.2	36,845
Currency impact	(1,634)	-		(244)
Reported underlying operating profit	24,287	16,179	50.1	36,601

Financials

Group Statement of Financial Position



	Half-Year ended 31 Dec 2012 £'000	Half-Year ended 31 Dec 2011 £'000	Year ended 30 June 2012 £'000
Non-current assets			
Intangible assets	222,869	116,835	225,872
Property, plant and equipment	16,479	7,344	16,720
	239,348	124,179	242,592
Working capital	64,050	48,897	49,531
Deferred and contingent consideration	(6,766)	(13,893)	(13,863)
Current tax liability	(7,717)	(4,632)	(8,155)
Deferred tax liability	(25,983)	(11,896)	(29,343)
Employee benefit obligations	(499)	-	(363)
Net borrowings	(101,964)	(46,071)	(86,717)
Net assets	160,469	96,584	153,682

Financials – Cash Flow



	Half-Year ended 31 Dec 2012 £'000	Half-Year ended 31 Dec 2011 £'000	Year ended June 2012 £'000
Cash generated from operations	11,622	1,353	29,128
Capital expenditure			
- Intangible assets	(1,291)	(515)	(6,300)
- Property, plant and equipment	(957)	(602)	(1,645)
Inventory days	61	59	61
Receivable days	45	48	47
Payable days	44	53	71

Acquisition and Licence Agreement



- ↳ Product rights acquired for US market
 - ↳ First entrant branded generic veterinary pharmaceutical
 - ↳ Significant market potential
 - ↳ Total potential payment of US\$6.5m

- ↳ Licence agreement for patented canine dry eye treatment
 - ↳ Significant novel product development opportunity
 - ↳ Global market substantial
 - ↳ Clinical advantage over current competitor products

Product Development



- ↳ Robust pipeline of novel and differentiated generic products
- ↳ Wide range of lifecycle and international registrations ongoing
- ↳ Numerous achievements in the period
 - ↳ Methoxasol: New pig and poultry antimicrobial for the EU
 - ↳ *Soludox*® and *Comfortan*®: New species indications
 - ↳ *Libromide*® and *Felimazole*®: New territory registrations

EU Pharmaceuticals - Review



Dechra Veterinary Products EU:

- ↳ *Eurovet* integration progressing in line with strategy
 - ↳ French and German distribution re-organised
 - ↳ Sales offices rationalised
 - ↳ *Eurovet* products being launched in Dechra subsidiary territories
 - ↳ *Eurovet* product re-branding ongoing
 - ↳ Expected cost and revenue synergies being delivered

EU Pharmaceuticals - Review



Dechra Veterinary Products EU:

- ↳ Branded pharma revenues up 10.2%
 - ↳ Growth across all key therapeutic sectors
 - ↳ Overall growth in the majority of markets in farm animal antibiotics, despite resistance focus
- ↳ Diet sales increased by 6.1%
 - ↳ New recovery diet launched
 - ↳ New livery and presentation to wet diets
- ↳ Logistics and distribution centre in Denmark being extended
 - ↳ Rationalisation of current multi-site activity
 - ↳ Cost and efficiency benefits anticipated

EU Pharmaceuticals - Review



Dechra Manufacturing:

- ↳ All sites re-branded as Dechra Manufacturing
- ↳ Closure of Danish site announced; significant cost savings expected
- ↳ Skipton contract manufacturing revenues increased by 15.8%
- ↳ Ongoing investment to extend FDA approval to new dosage forms

US Pharmaceuticals - Review



Dechra Veterinary Products US:

- ↳ 8.7% growth in own branded pharmaceuticals
 - ↳ Strong growth of *Vetoryl*®, *Felimazole* and *DermaPet*®
 - ↳ Partly offset by third party supply problems
- ↳ Three new products in-licensed
 - ↳ A-Cyst®; Polyglycan® SA; PolyChews®
- ↳ Ophthalmic product transfer to new manufacturer progressing well
 - ↳ Re-launch during 2013
- ↳ Sales, marketing and technical support teams continue to be strengthened

Services - Review



National Veterinary Services and Dechra Laboratories:

- ↳ Revenue increased by 5.2%
- ↳ Modest improvement in operating margin
- ↳ *NVS*®
 - ↳ New services launched and in development
 - ↳ 8.00pm ordering extension
 - ↳ New Indices
- ↳ Laboratories
 - ↳ New IT system implemented
 - ↳ New logistics collection service

Outlook



- ↳ Trading remains robust
 - ↳ Soft January at *NVS*, affected by bad weather
- ↳ Key strategic pharmaceutical segments performing strongly
- ↳ *Eurovet* integration continuing to deliver synergies
- ↳ New products from pipeline and in-licensing agreements being delivered
- ↳ New opportunities identified
- ↳ We remain confident that our strategy will continue to deliver growth and shareholder value

Segmental Summary

	Half-Year ended 31 Dec 2012 £'000	Half-Year ended 31 Dec 2011 £'000
Revenue		
European Pharmaceuticals	81,935	48,281
US Pharmaceuticals	10,036	9,231
Services	167,739	159,500
Inter-segment	(7,487)	(7,501)
	252,223	209,511
Underlying operating profit		
European Pharmaceuticals	21,171	12,780
US Pharmaceuticals	2,963	2,302
Services	5,720	5,397
Research & Development	(3,457)	(2,405)
Corporate and other unallocated costs	(2,110)	(1,895)
	24,287	16,179



Trademarks

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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 thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.



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