



**DELIVERING** OUR GLOBAL  
GROWTH STRATEGY

**Annual Results Presentation 2015**



# Dechra Pharmaceuticals PLC

Annual Results

Year ended 30 June 2015

# FY2015 Highlights

## *'Delivering our global growth strategy'*

### Strong performance

Revenue growth of 10.0%

EPS growth of 16.9%

Net cash of £13.4m

Cash generation of 107.1%

### Building a global business

Increasing resources to support growth

Expanding geographic footprint

### Investing for the future

Short term pipeline progress

Strategic entry into vaccines:  
conditional offer for Genera d.d., Croatia announced post year end

# Financial Results

*‘Strong performance while investing for growth’*

<i>Continuing operations</i> <sup>(1)</sup>	Year ended 30 June		Growth	Growth
	2015 £m	2014 £m	at AER <sup>(2)</sup> %	at CER <sup>(3)</sup> %
Revenue	203.5	193.6	5.1	10.0
Gross profit	116.1	107.7	7.8	13.6
<b>Gross profit %</b>	<b>57.1%</b>	<b>55.6%</b>		
Underlying operating profit	44.4	42.2	5.2	11.6
<b>Underlying EBIT %</b>	<b>21.8%</b>	<b>21.8%</b>		
Underlying profit before tax	45.1	39.9	13.0	20.3
Underlying EBITDA	48.0	46.2	3.9	10.2
<b>Underlying diluted EPS (p)</b>	<b>39.90</b>	<b>36.32</b>	<b>9.9</b>	<b>16.9</b>
<b>Dividend per share (p)</b>	<b>16.94</b>	<b>15.40</b>	<b>10.0</b>	<b>10.0</b>

(1) Underlying results for continuing operations excluding Services Segment following divestment in August 2013

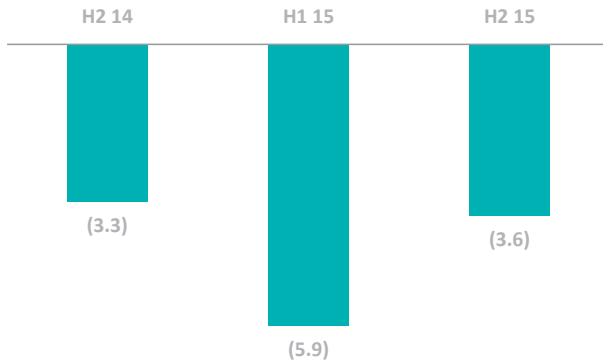
(2) Actual Exchange Rate

(3) Constant Exchange Rate

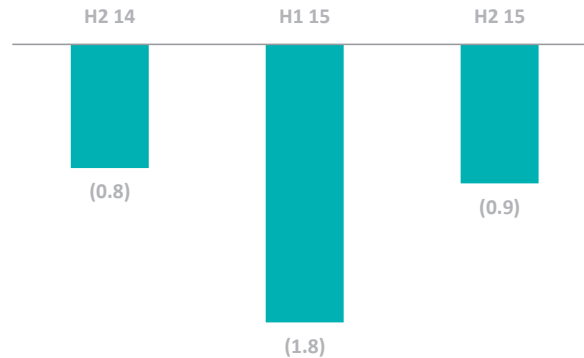
# Translational Currency Impact

*‘Continued currency headwind in last 18 months’*

Exchange Rate Impact on Revenue  
(£m)



Exchange Rate Impact on EBIT  
(£m)



# Sales by Categories

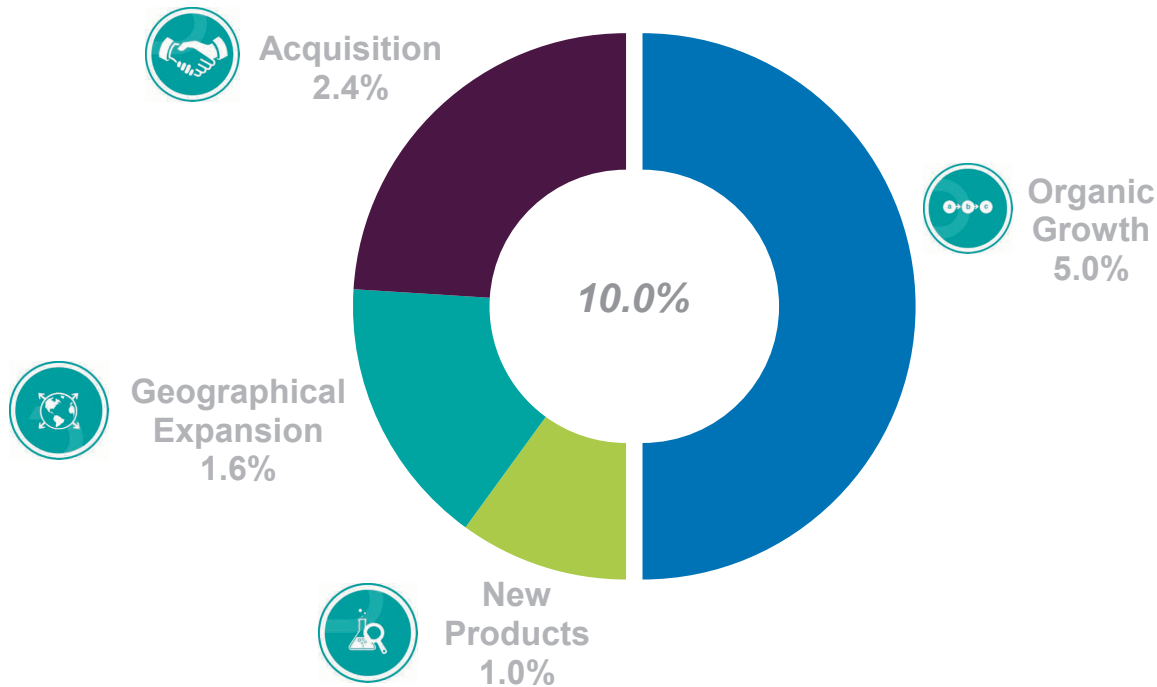
*‘CAP and Equine drive the portfolio growth’*

	Revenue FY 2015 £m	Growth at CER %
Companion Animal Products	113.9	20.8
Equine	17.0	17.0
Food producing Animal Products	27.3	(13.6)
<b>Sub-Total Pharmaceuticals</b>	<b>158.2</b>	<b>12.6</b>
Diets	25.6	(4.2)
Third Party Manufacturing	19.7	11.7
<b>Total</b>	<b>203.5</b>	<b>10.0</b>

Note: 2014 restated following reclassification of product sales from FAP to Equine to allocate multi-species products

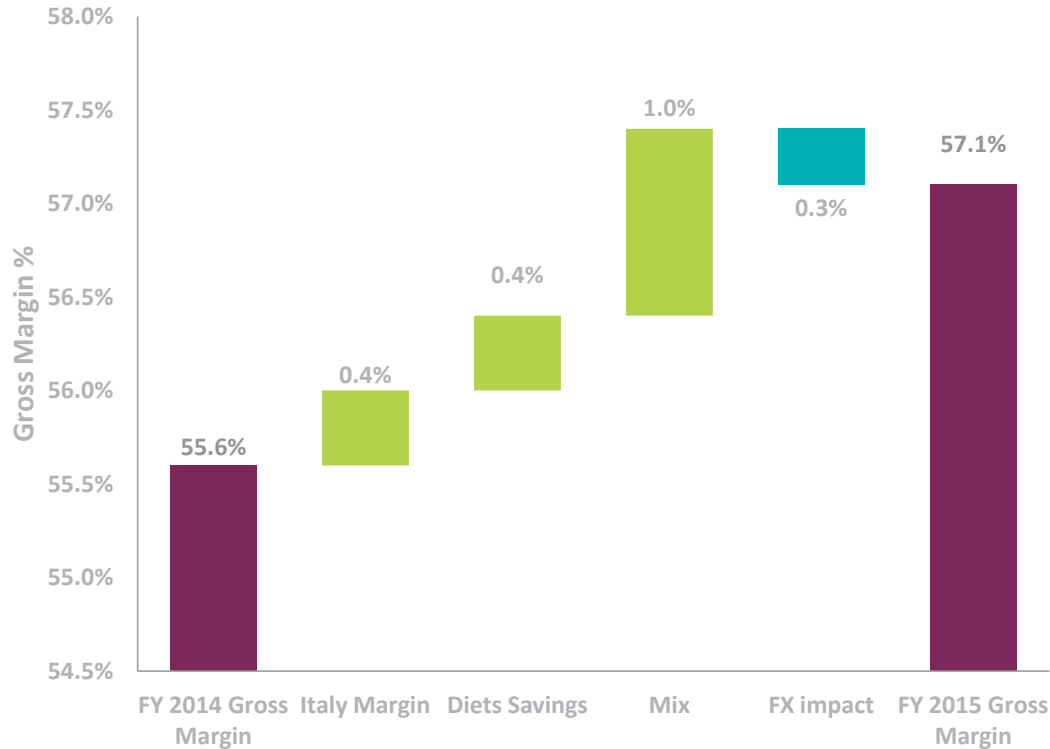
# Revenue Growth

*‘All strategic pillars contribute to revenue growth ’*



# Gross Margins

*'Increased gross margin % driven by product mix'*

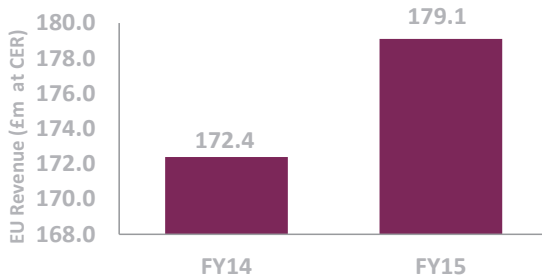




# EU Segment Performance

## *'CAP growth drives performance'*

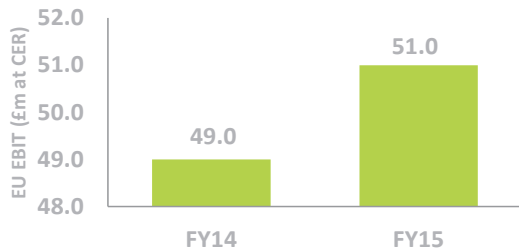
### Revenue



**+3.9% at CER**  
**-2.2% reported growth**

- Strong growth in the UK market
- FAP decline
- Diets manufacturing transfer completed

### Underlying EBIT



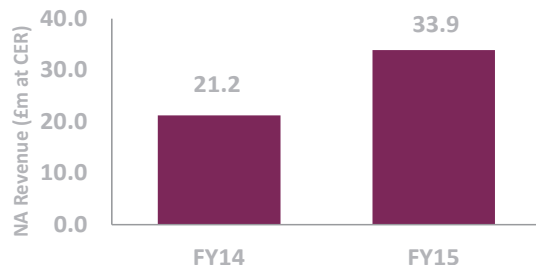
**+4.1% at CER**  
**-2.0% reported growth**

- Improved operational leverage
- EBIT margin increased to 28.5% from 28.4% in 2014

# NA Segment Performance

*‘Combination of organic and acquisition growth’*

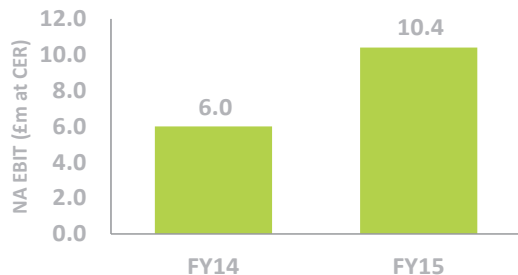
## Revenue



**+59.9% at CER**  
**+64.6% reported growth**

- Strong growth of focus products
- Resolution of long term supply issues
- Good uptake of *Osphos®* in US
- Expansion into Canada

## Underlying EBIT

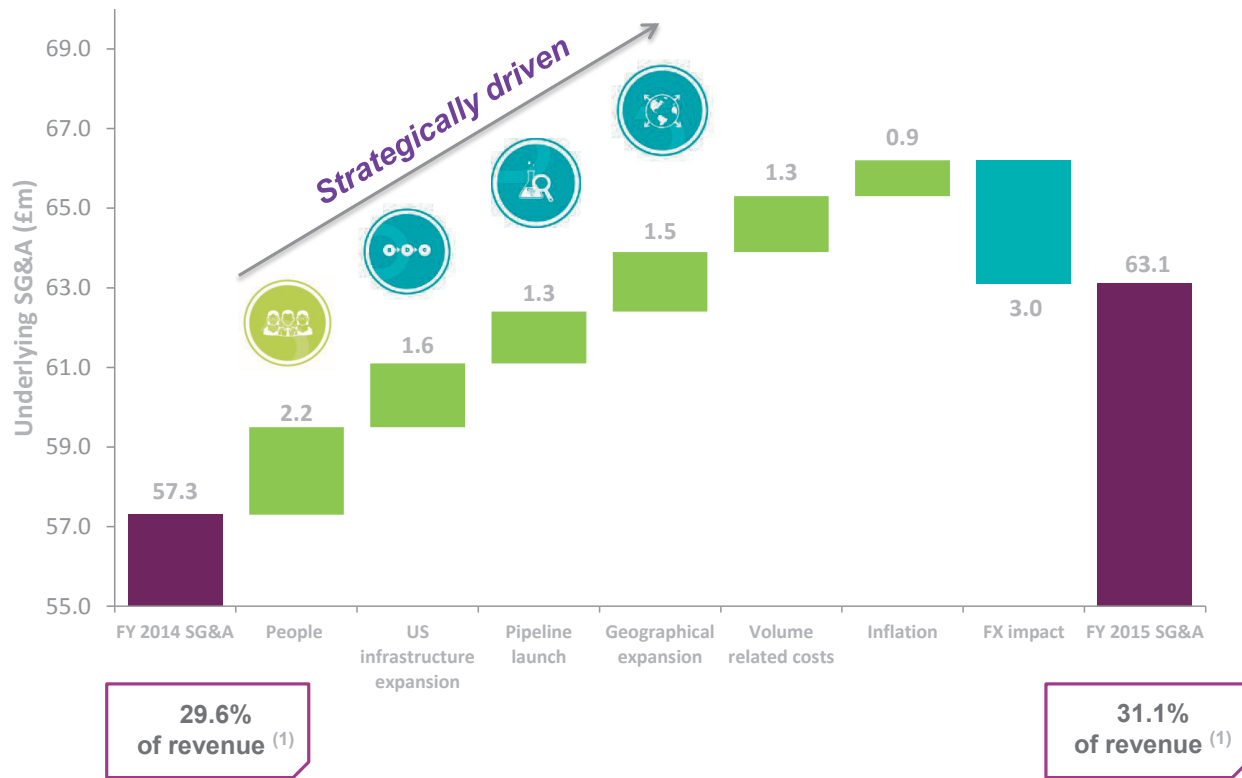


**+73.3% at CER**  
**+76.7% reported growth**

- PSPC fully integrated
- Increased investment in sales force to maintain growth

# Selling, General & Admin Expenses

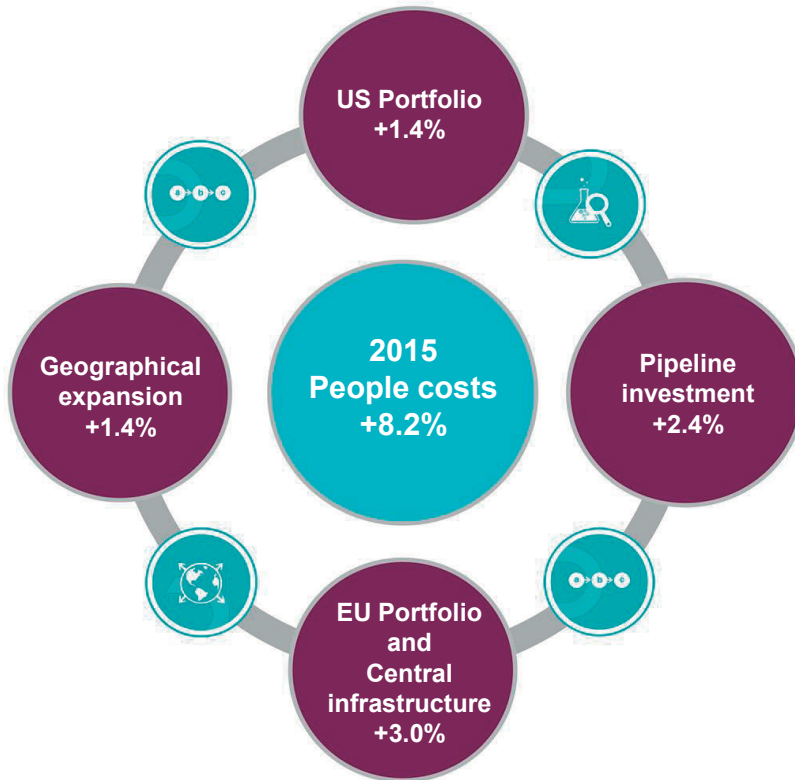
*'Infrastructure investments to support future growth'*



(1) At CER

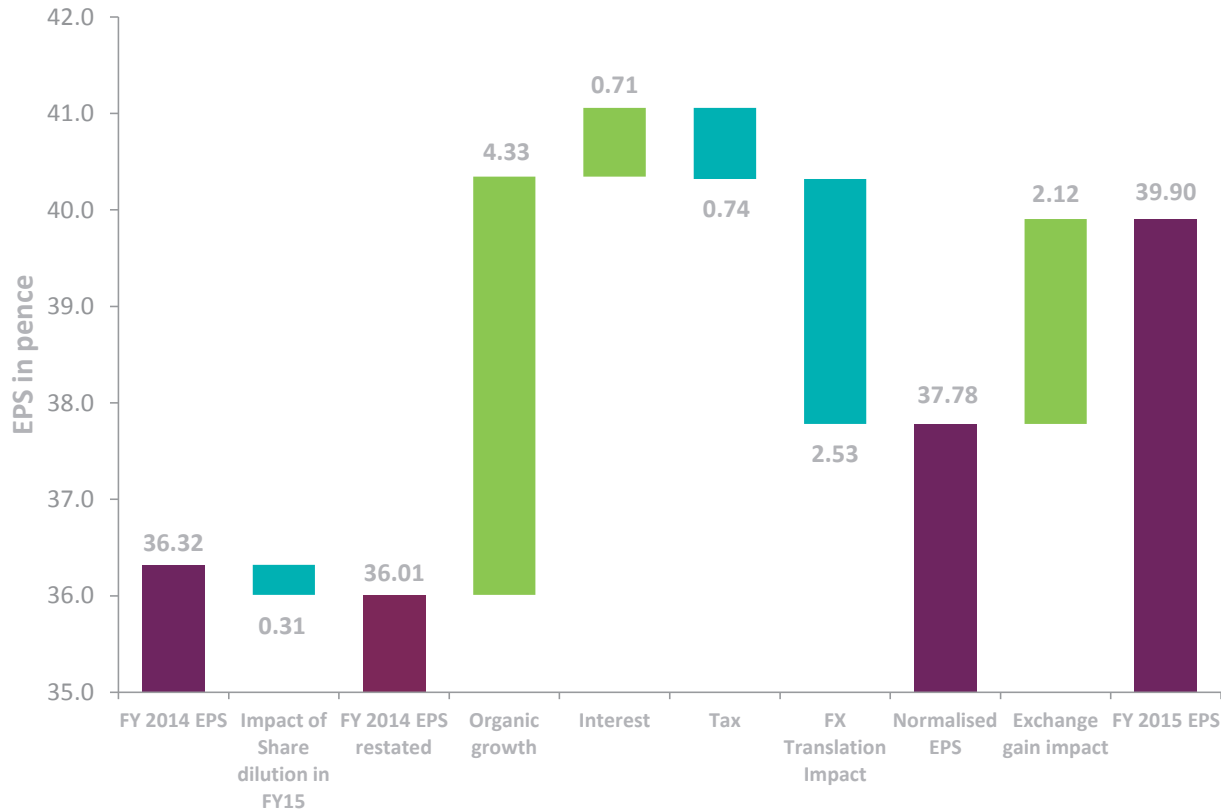
# Operating Expenses

*'Investment in people to support expansion'*



# EPS Analysis

## *'Currency impacts EPS'*



Note: Underlying diluted EPS for continuing operations

# Balance Sheet

*‘Good cash generation’*

	FY15 £m	FY14 £m
Total non-current assets	183.5	214.4
Working capital	31.7	32.2
<b>Net cash/(debt)</b>	<b>13.4</b>	<b>(5.0)</b>
Corporate and deferred tax	(25.0)	(28.0)
Other liabilities	(9.1)	(8.8)
<b>Total net assets</b>	<b>194.5</b>	<b>204.8</b>
<b>Cash conversion</b>	<b>107.1%</b>	<b>90.6%</b>



# Delivering our strategy

## 'Strong momentum'

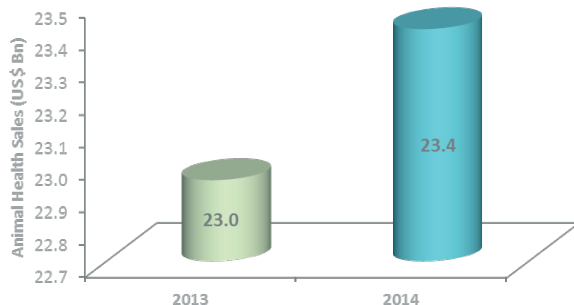
### 2015 Performance

- Revenue growth of 10%, outperforming market
  - EU revenue +4%
  - NA +60%
- Building the organisation to support the growth
- Improving returns

### Opportunities

- Portfolio focus
  - Continuing market penetration of key products
  - Diets repositioning
- Pipeline delivery
  - *Osphos* uptake
  - *Zycortal®* launch
- Geographic expansion
  - Canada and Poland
- Acquisition
  - Conditional offer for Genera d.d.

### 5% growth at CER



World Animal Health Market Sales

Source: Vetnosis



# Portfolio focus

*'Increased market penetration'*

## **Vetoryl®**

- Double-digit sales growth
- New marketing campaign rolled out in Europe
- Recovery in Italy following transfer to our own organisation
- Increased brand awareness in the US

## **Phycox®**

- Sales exceeded expectations in first year
- >50% increase in number of clinics purchasing
  - 33% of practices penetrated

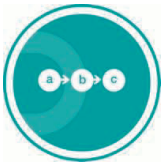
## **Dermatology**

- New marketing campaign rolled out in Europe
- Success of DermaPet range in US, including MiconHex+Triz launched in FY14

## **Levocrine®**

- Launched in October 2014
- Endocrinology franchise strengthened in the US
- Seized opportunity created by competitor stock out





# Portfolio focus

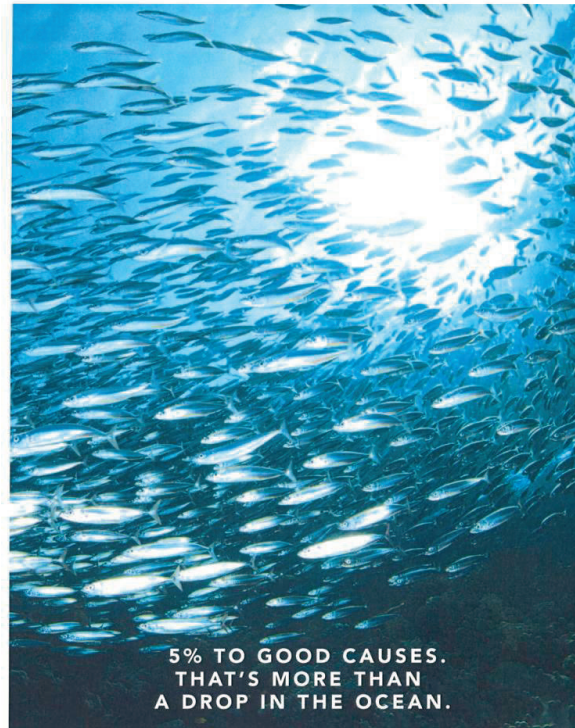
## 'Specific™ Diets repositioning'

### Opportunity:

Return the brand to growth

Marketing messages:

- Fish protein content and benefits of Omega 3
- Sourced from sustainable sources
- *Specific* dedicated to veterinary market



5% TO GOOD CAUSES.  
THAT'S MORE THAN  
A DROP IN THE OCEAN.

We donate 5% of the profits from every single pack of pet food you buy to a range of good causes. And we have a wide range of diets – all containing fish oil to keep your pet healthy – adding to the Circle of good.



Ask your vet about the Circle of good. [www.specific-diets.com](http://www.specific-diets.com)





# Pipeline delivery

## *'Osphos uptake in the US'*

- *Osphos* recognised as the first treatment option for Navicular Syndrome
- Strong month-over-month growth
- Increasing uptake in clinics
- Focus on CE/CPD dinner meetings
- Recruited equine sales team and field veterinarians
- Gaining market share

**13%**  
**market share**  
**of equine**  
**lameness**  
**market**

**33%**  
**clinics**  
**penetration**





# Pipeline Delivery

## *'Progress during the year'*

### Approvals

- *Osphos* in EU and Canada
- *TAF Spray*® in EU
- *Vetoryl 5mg* in US

### Filing

- *Zycortal*
- 3 FAP dossiers submitted in EU

### Launches

- *Osphos* in US and UK
- *Sporimune*®, in-licensed in EU
- *TAF Spray* in EU countries

### Other Pipeline News

- Team reorganisation to strengthen both pipeline delivery and in-licensing
- Preliminary agreement with Jaguar Animal Health Inc. for EU marketing rights for novel treatment of diarrhoea in dogs
- Acquired partially completed dossier for new canine endocrine product
- 26 projects in pipeline at different stages
- 4 projects facing technical hurdles in the feasibility phase



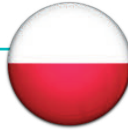
# Geographical expansion

## *'Continuing our near term expansion'*



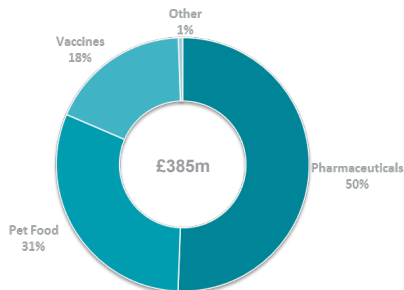
### Canada

- Commenced trading January 2015
- Experienced team of 8 selling to 5,000 veterinarians
- Initial sales impacted by channel loading
- Current performance in line with expectations

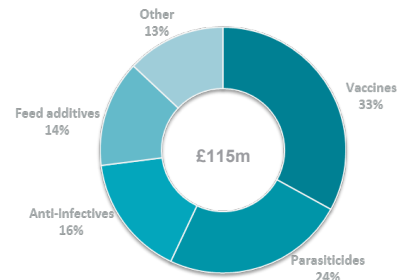


### Poland

- Commenced trading in May 2015
- Experienced team of 10, selling to 7,400 veterinarians



Canada Animal Health Market Sales



Poland Animal Health Market Sales



# Delivering our strategy *'Investing for growth'*

## Sales force

Investment in US  
Strengthened key  
therapy areas in Europe



## Geographical expansion

Contributed 16% of  
the sales growth  
23 additional heads



## Strategic enablers

FDA approval at  
Skipton for *Zycortal*  
Third party  
manufacturing up by  
12%





# Acquisition

## *'Strategic entry point to vaccines market'*

### Our conditional offer

- €51.4m for entire share capital, cash and debt free
- Funded from existing debt facility
- Expected to complete in November 2015 <sup>(1)</sup>

### Strategic rationale

- Enter vaccines market
- Broaden FAP portfolio
- Enhance manufacturing capabilities
- Earnings neutral in first 2 years, accretive thereafter

### Genera

- Founded 1901
- Largest manufacturer of animal health products in Croatia and neighbouring markets
- Revenue: €28.4m in 2014
- Diversified portfolio
- Investment in poultry vaccines
  - First submission ongoing in EU

Poultry vaccines



Anti-parasitics



Anti-infectives



Feed additives



Herbicides



Disinfectants

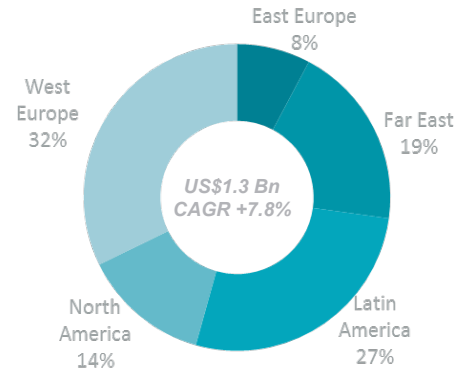
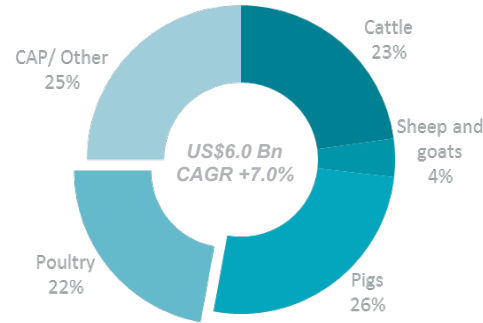
(1) Subject to approval by the Croatian Financial Services Supervisory Agency (HANFA)



# Vaccines

*'Poultry vaccines are fastest growing segment'*

- Vaccines (US\$6bn) are fastest growing segment of Animal Health market
  - Increased demand for meat protein
  - Shift from treatment to prevention
- Poultry vaccines (US\$1.3bn) is fastest growing segment with a forecast CAGR of c.8%
- Key competitors
  - Five companies hold c.80% market share (MSD, Zoetis, Merial, BI and Ceva)
  - Smaller local players such as Hipra, IDT or Bioveta
- High barriers to entry
  - Technical know-how
  - Manufacturing capabilities and investment



Source: Vetnosis Stormforecast 2014. CAGR: 2013 to 2020

# What to expect in 2016?



Maintain  
market leadership



Innovate  
and generate  
profit growth



Seize growth  
opportunities in  
new markets



Deliver incremental  
profit through value  
enhancing  
acquisitions

- ✓ Deliver revenue growth
  - Current trading in line with expectations
- ✓ Obtain *Zycortal*'s approval
- ✓ Open a new subsidiary in Austria
- ✓ Complete integration of Genera, subject to completion



# Appendices

# Operating Cash Flow

*‘Steady operating profit resulting in good cash generation’*

	FY 2015 £m	FY 2014 £m
Profit after tax on continuing operations	19.5	19.4
Depreciation and amortisation	21.5	20.5
Other non-cash movements	8.3	7.5
	49.3	47.4
Movement in working capital	(2.3)	(25.1)
	47.0	22.3
Tax and interest payments	(6.0)	(11.9)
<b><i>Cash generated from operating activities</i></b>	<b>41.0</b>	<b>10.4</b>
<b>Cash conversion</b>	<b>107.1%</b>	<b>90.6%</b>

Underlying results for continuing operations excluding Services Segment following divestment in August 2013 at reported rate

Cash conversion is calculated as cash generated from operations before interest and tax payments as a percentage of operating profit before amortisation of acquired intangibles

# Currency

## Currency exposure

### **Euro €**

1% variation in £/€ impacts underlying diluted EPS by approximately +/- 1.0%

### **US\$**

1% variation in £/\$ impacts underlying diluted EPS by approximately +/- 0.2%

## Currency Average Rates

	FY 2014	FY 2015	% change
£ / €	1.198	1.304	8.8%
£ / \$	1.626	1.583	(2.6%)

Current exchange rates are c. £/€ 1.35 and £/\$ 1.54

If these exchange rates had applied throughout the period, the underlying diluted EPS would be approximately 5% lower

## Glossary

- AER: Actual exchange rate
- CER: Constant exchange rate
- CAP: Companion Animal Products
- FAP: Food producing Animal Products
- Underlying results: exclude acquired intangibles and other one-off items such as restructuring
- EPS: Earnings per share
- TAF: Thiamphenicol
- CE/CPD: Continuous Education or Continuous Professional Development

## Trademarks

- Trademarks appear throughout this document in italics. Dechra and the Dechra “D” logo are registered trademarks of Dechra Pharmaceuticals PLC

# About Dechra

Dechra is an international 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.

Dechra's business is unique as the majority of its products are used to treat medical conditions for which there is no other effective solution or have a clinical or dosing advantage over competitor products.

For more information please visit: [www.dechra.com](http://www.dechra.com)

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

7 September 2015

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