

Accelerating

our global growth strategy





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.

For more information please visit: www.dechra.com

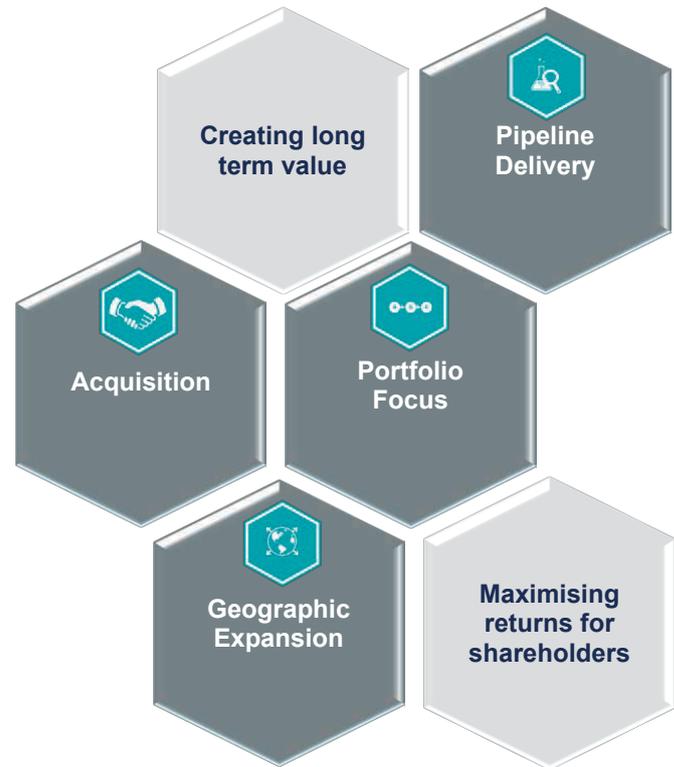




Our Strategy

To continue to develop our position as an international, high margin, cash generative, veterinary pharmaceuticals and related products business with a clear focus on key therapeutic areas:

- Endocrinology
- Dermatology
- Ophthalmology
- Equine medicine
- Anaesthesia and analgesia
- Cardiovascular disease
- Food producing animal antibiotics
- Poultry vaccines
- Pet diets
- Complementary generics





Annual Results Presentation
for the year ended 30 June 2016





Operational Highlights



Acquisition

- Completed three acquisitions
- Enhanced geographic reach
- Increased critical mass in US
- Expanded the Group's product portfolio



Geographical Expansion

- Poland performing to expectation
- Austria successfully established
- Canada trading well in first full year



Pipeline Delivery

- Osphos® gaining momentum
- Zycortal® successful launch in all key market territories
- Avishield® ND gains first EU approval
- Several FAP approvals achieved



Portfolio Focus

- FAP return to growth
- CAP growth robust
- Equine building solidly



Financial Highlights



Revenue Growth

- Consolidated Group : 21.7%
- Double digit existing business growth
- Double digit acquisition benefit
- Strong growth in EU (13.9%) and NA (59.5%)



Underlying Profit

- Underlying operating profit growth 20.9%
- Existing business growth 17.8% after continued infrastructure investment



Underlying Cash Generation

- Underlying cash conversion 106.8%
- Financed acquisitions through a mixture of cash, increased borrowing and equity



Shareholders Value

- Underlying EPS growth of 8.9% as interest charges incurred following acquisitions
- Dividend growth at 9.0%



Key Financials

“Building for the future on a strong foundation”

	FY 2016			FY 2015	% Growth at CER	
	Existing £m	Acquisition £m	Consolidated £m	Existing £m	Existing	Consolidated
Revenue	225.9	21.7	247.6	203.5	11.2%	21.7%
Gross profit	129.9	8.6	138.5	116.1	12.7%	20.0%
<i>Gross profit %</i>	57.5%	39.6%	55.9%	57.1%		
Underlying operating profit	51.6	1.3	52.9	44.4	17.8%	20.9%
<i>Underlying EBIT %</i>	22.8%	6.0%	21.4%	21.8%		
Underlying PBT	48.5	1.2	49.7	45.1	8.6%	11.3%
Underlying EBITDA	55.9	2.1	58.0	48.0	18.3%	22.7%
Underlying diluted EPS			42.65p	39.90p		8.9%
Dividend per share			18.46p	16.94p		9.0%



Sales by Category

“Robust performance across the pharma portfolio; contract manufacturing enhanced through acquisition”

£million	FY 2016			FY 2015	
	Existing	Acquisition	Consolidated	Existing	Growth at CER*
Companion Animal Products	132.2	5.5	137.7	113.9	19.4%
Equine	20.5	-	20.5	17.0	19.4%
Food producing Animal Products	30.2	7.9	38.1	27.3	43.2%
Sub Total Pharmaceuticals	182.9	13.4	196.3	158.2	23.5%
Diets	24.4	-	24.4	25.6	(1.2%)
Other	18.6	8.3	26.9	19.7	36.5%
Total	225.9	21.7	247.6	203.5	21.7%

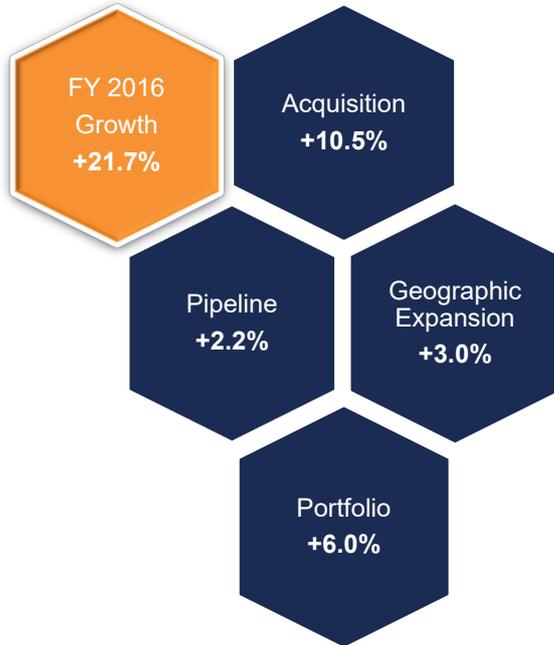
* Consolidated versus Existing



Revenue Growth

(on CER basis)

“Existing business drives double digit revenue growth; acquisitions adding a further 11%”



£m	Total (at CER)
Acquisition	21.3
Geographic Expansion	6.0
Pipeline	4.6
Portfolio	12.2
Growth FY 2016	£44.1m

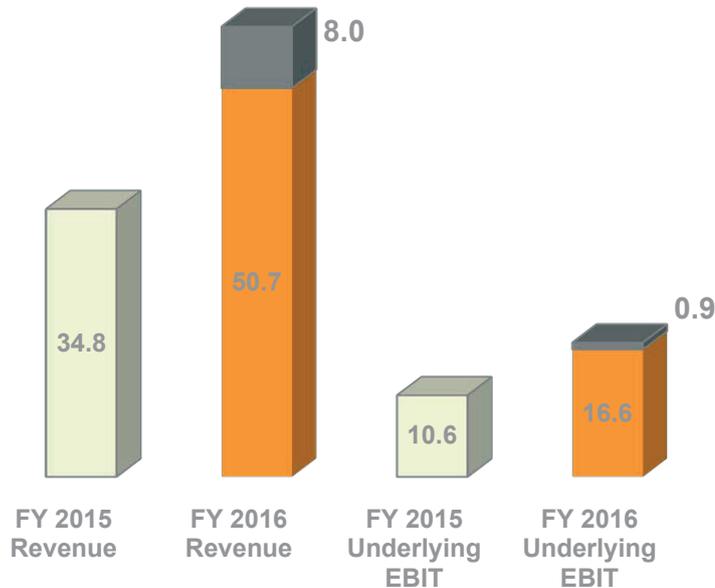




NA Pharma Segment

(£m at AER)

“Investment in people and products driving the performance”



Existing Acquisition (Brovel and Putney)

➤ **Revenue +59.5% at CER**

- Focus on therapeutic areas continues to deliver positive results
- Positive impact from latest acquisitions
- Full year impact of Canadian subsidiary

➤ **Underlying EBIT +57.5% at CER**

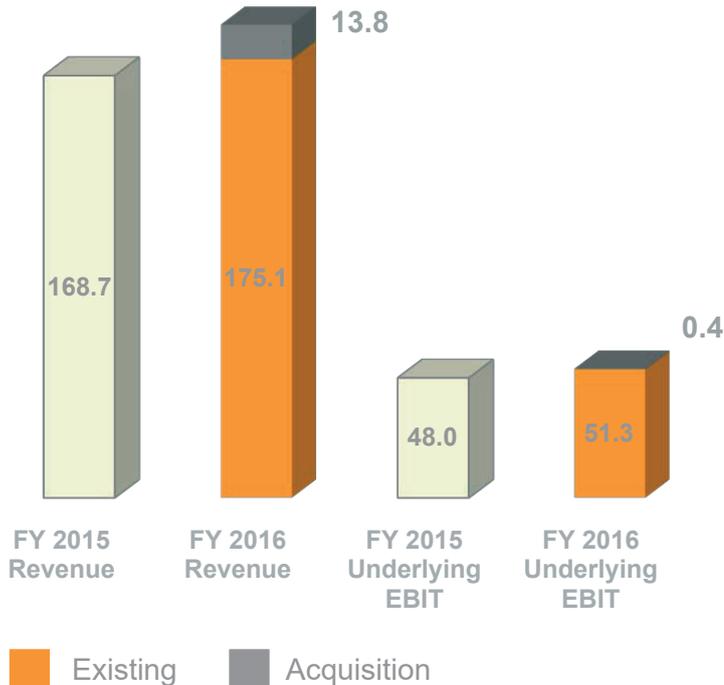
- Increase in sales personnel
- Additional capabilities through Putney
- Strong margins generated



EU Pharma Segment

(£m at AER)

*“Consistent performance
in key markets”*



➤ **Revenue +13.9% at CER**

- Return to growth for FAP
- Positive impact from Poland
- Good performance in the UK and France

➤ **Underlying EBIT +11.0% at CER**

- Dilutive effect from acquisitions
- Product mix impacts operating margin



Gross Margin

“Product mix within existing business improves gross margin and partially offsets the anticipated margin dilution from acquisitions”

FY 2015 – Existing Business	57.1%
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Product Mix	0.4%
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FY 2016 – Existing Business	57.5%
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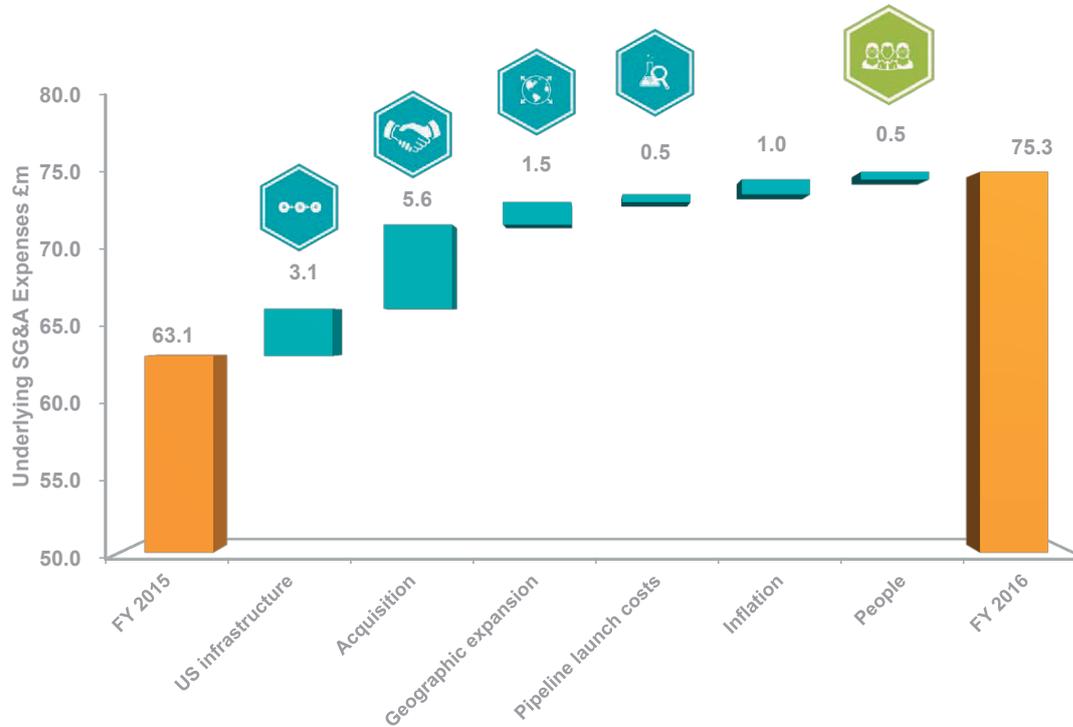
Acquisition	(1.6%)
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FY 2016 - Consolidated	55.9%
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Selling, General and Admin Expenses

“Investing to drive growth in revenue”





Non-underlying Items

“Driven by acquisition activities”

FY 2016 Underlying Profit Before Tax	£49.7m
<u>Cash impacting non-underlying items</u>	
Rationalisation costs	(£1.6m)
Acquisition costs	(£3.9m)
<u>Non-cash impacting non-underlying items</u>	
Fair value adjustment for inventory acquired through business combinations	(£6.1m)
Amortisation on acquired intangibles	(£20.1m)
Impairment of acquired intangibles and related deferred consideration	(£1.7m)
Fair value and other movements on deferred and contingent consideration	(£0.9m)
Loss on extinguishment of debt	(£0.9m)
FY 2016 Reported Profit Before Tax	£14.5m



Balance Sheet

“Increased assets and net debt reflect the impact of acquisitions and business growth”

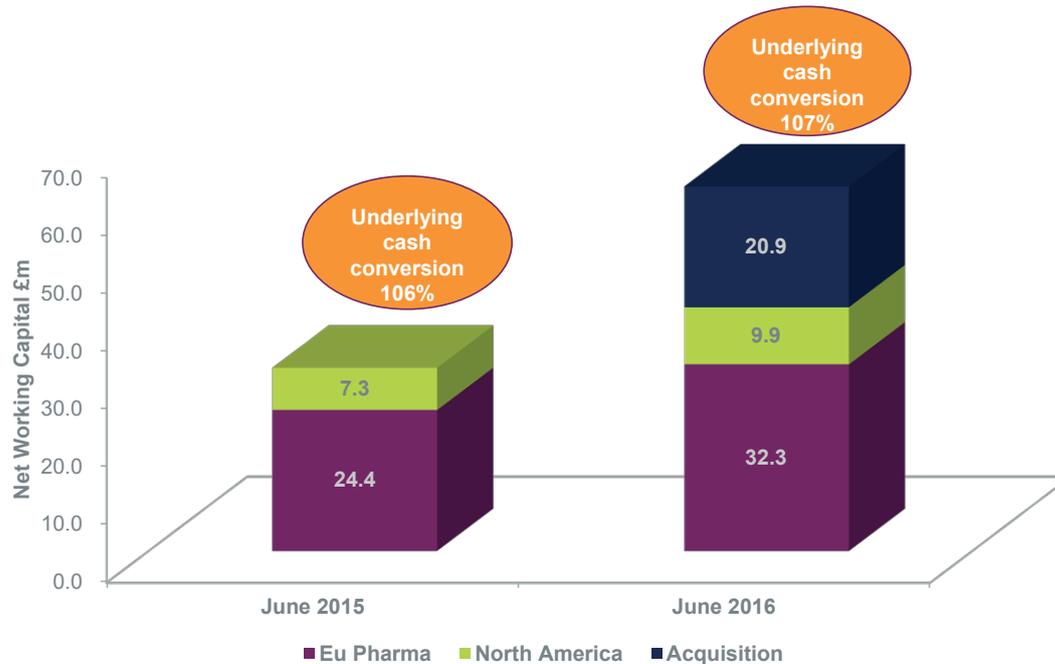
	30 June	
	2016 £m	2015 £m
Total non-current assets (excluding deferred tax assets)	398.1	183.5
Working capital	63.1	31.7
Cash and cash equivalents	39.1	45.9
Borrowings	(155.7)	(32.5)
Corporate and deferred tax	(57.3)	(25.0)
Other liabilities	(10.7)	(9.1)
Total net assets	276.6	194.5
Net (debt)/cash	(116.6)	13.4
Leverage covenant* - 2.5:1	2.0:1	(3.6:1)

* Net debt/(Cash) to EBITDA



Working Capital

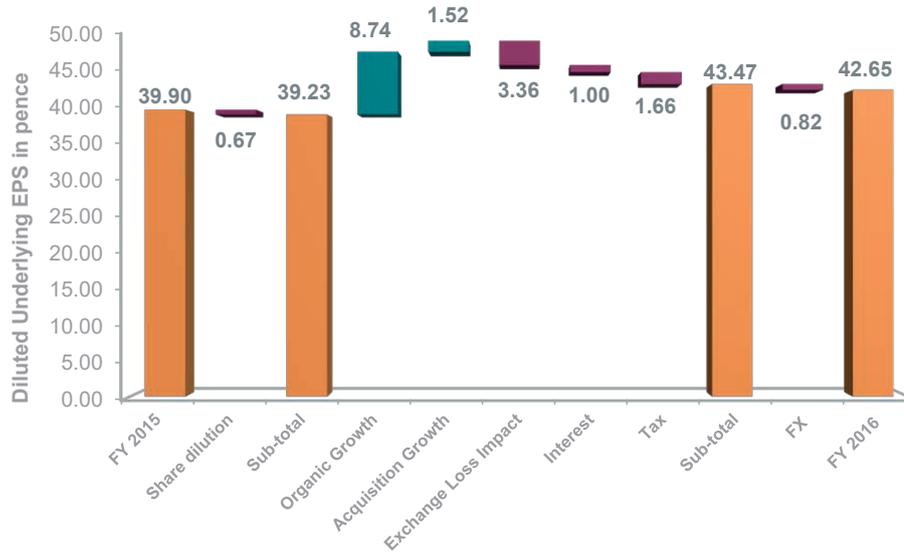
“Acquisitions and investment in supporting the enlarged business drives working capital”





Earnings per Share (EPS)

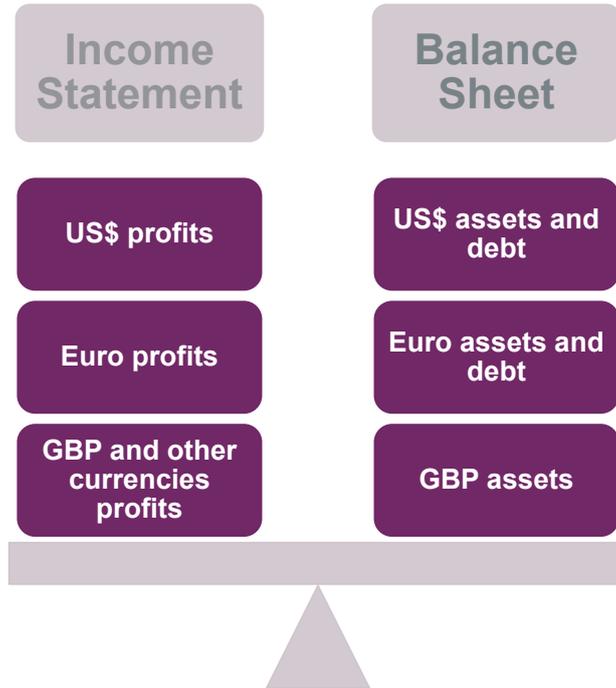
“Strong organic and acquisitive growth offsets increased interest, exchange headwinds and tax exposure”





Currency Exposure

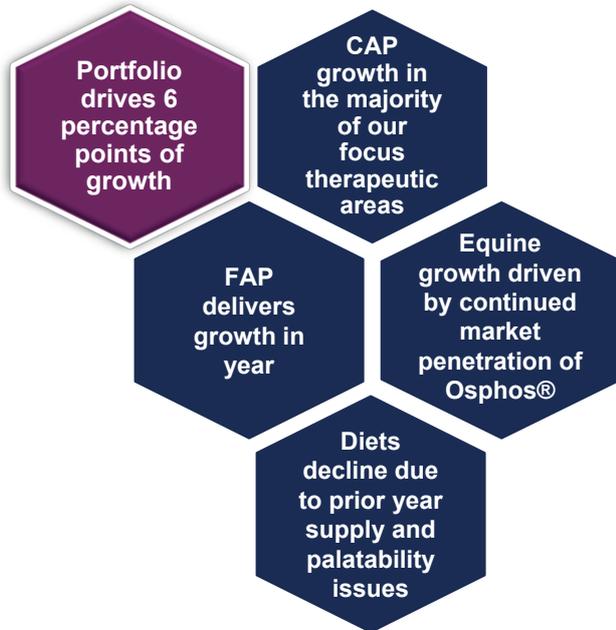
“Balancing currency flows with financing strategy”





Portfolio Focus

“Key therapeutic areas perform well”



■ Total Growth by category (CER)	
○ CAP	19%
○ FAP	43%
○ Equine	19%
○ Diets	(1%)



Pipeline Delivery

“Regulatory milestones met successfully”



Navicular syndrome

- Novel treatment for lameness
- Launched in all major territories
- Expected growth for several years before maturity
- Current sales in line with expectations



ZYCORTAL

Hidden disease. Visible answer.

Addison's disease

- Novel treatment in EU; easier administration in US
- Launched in all major territories, now approved in Australia
- Strengthens position in endocrinology
- Current sales exceeding expectations



Pipeline Delivery



Solamocta®

- Water soluble antibiotic for poultry and pigs
- Line extension for ducks and turkeys
- Launch in Q2 17 in majority of EU territories

Phenocillin

- Narrow spectrum antibiotic for poultry and pigs
- Enhances product range
- Launch in Q2 17 when pioneer exclusivity ends

Metaxol

- Liquid Antibiotic for Poultry
- New indications to existing product
- Launched in majority of EU territories



- First EU approved poultry vaccine
- Initial launch in Germany
- Launch in other territories when range available



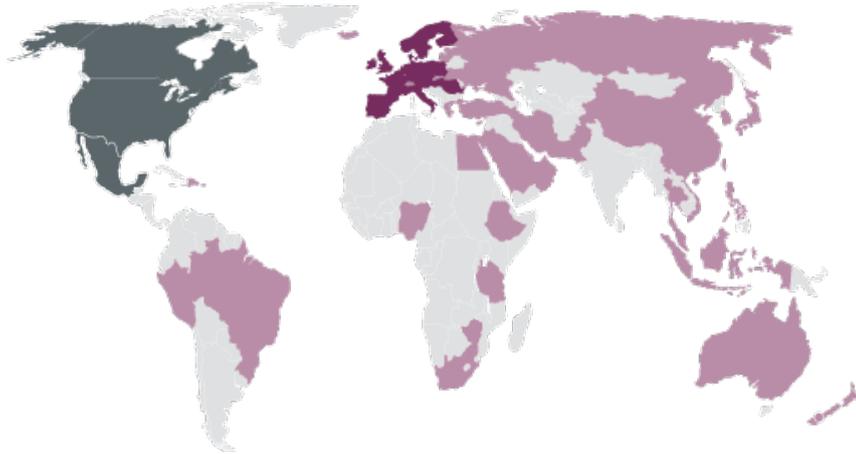
Pipeline Progress



- Team restructured utilising Putney expertise
- Pipeline strengthened through new ideas and acquisition
- 45 projects ongoing
 - Exploratory 8
 - Feasibility 17
 - Development 13
 - Registration 7



Geographic Expansion *“Entering new territories”*





Acquisition - Genera



Entry into important poultry vaccines market and addition to FAP portfolio

- €36.6m consideration
- Revenue: €30.0m in 2015
- Access to Adriatic market
- Low cost manufacturing base
- Financing: Available cash and debt of €28.0m

Integration Progress:

- Integration at advanced stage
- Workforce rationalisation completed
- Cost reductions achieved since cessation of non-core businesses
- First EU vaccine for Newcastle disease approved by EMA



Acquisition - Brovel



Platform to launch Dechra products in Mexico and future access to Latin America

- US\$6.0m consideration
- Diversified portfolio
- Access to Latin America
- Revenue: £2.6m in 2015
- Financing: Available cash US\$5.0m

Integration Progress:

- Integration at an advanced stage
- Several Dechra products in registration process
- Other product opportunities identified
- Brovel products and customers being rationalised
- Quality system improvements implemented
- New Country Manager and Finance Manager



Acquisition - Putney



Provides significant scale and pipeline to US business

- US\$200.0m consideration
- Provides 10 new products, most first market entry generics
- Adds several products to US pipeline
- The most complementary US acquisition identified
- Revenue: US\$49.6m in 2015
- Financing: Equity £47.1m and debt US\$120.0m

Integration Progress:

- Cost synergies delivered
- Commercial teams now integrated
- Senior Putney personnel taking on Group roles
- US benefiting from increased critical mass
- Imminent approval anticipated for two pipeline products



People

“Our strong team is critical to success”



- Chairman
 - Mike Redmond retires after 14 years
 - Tony Rice appointed

- CFO
 - Richard Cotton appointed

- Company Secretary
 - Suzana Cross appointed

- SET
 - Team strengthened with new Head of Product Development, Dr Anthony Lucas and new Manufacturing and Supply Director, Greig Rooney



Manufacturing

“A core competence to the Group”



- Personnel reorganisation following Mike Annice retirement
 - Two new site managers appointed
 - Group quality manager (internal appointment)
- Efficiency and quality improvements delivered
 - Lower cost of goods
 - Reduced wastage rates and lower batch rejects
- Manufacturing volumes increased
 - Like for like, external sales reduced due to lower volumes from some customers
 - Overall external sales benefitted from acquisition



IT

“Expertise in technology”



- Oracle update
 - Solution implemented in US
 - Group financial consolidation system operational
 - Roll out targeted across majority of sites in 2017
 - Advanced Group personnel management system implemented

- Ongoing IT improvements
 - Improved security
 - New technology platforms
 - International MPLS system in place

- Communications tools
 - Learning management system developed
 - Dechra Academy enhanced
 - New Group intranet under development



Looking Ahead

“Building for the future”

- Acquisition integration on track
- Pipeline strengthened
- Continued investment in people and infrastructure delivering results
- International expansion providing new growth opportunities
- Continued market penetration of new and existing products
- We remain confident in our future growth prospects



Appendices





Currency Exposure

Average Rates

	FY 2015	FY 2016	% change
£ / €	1.304	1.343	3.0%
£ / \$	1.583	1.487	(6.1%)

- **Euro €:**

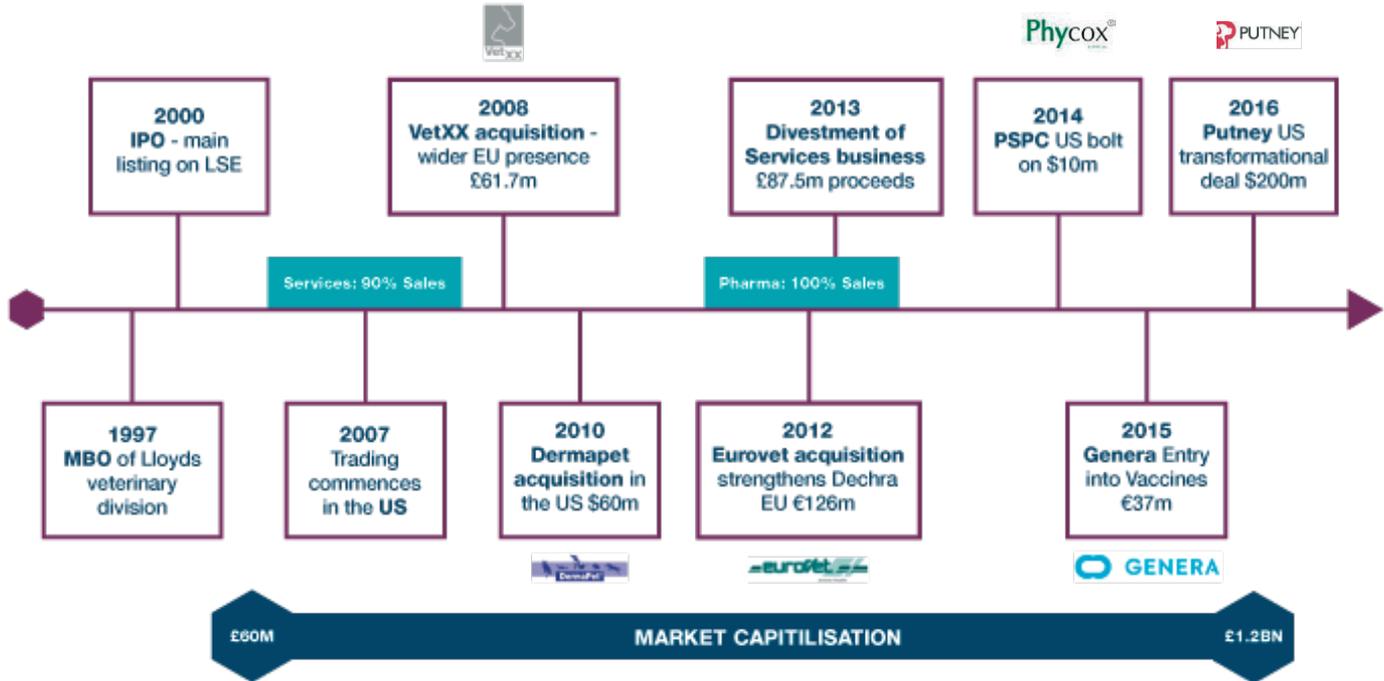
1% variation in £/€ impacts underlying diluted EPS by approximately +/- 1.1%

- **US\$:**

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



Our History





Our Structure

DVP EU

- ↳ **Wide range of approved pharmaceuticals**
 - Market leading brands
 - Multi species (CAP, FAP, Equine)
 - Specialist niche markets
 - Generic markets
 - Specific™ range of veterinary exclusive diets
- ↳ **Mature infrastructure**
- ↳ **Export to over 40 countries worldwide**
- ↳ **Sales and marketing in 19 EU countries**
- ↳ **506 FTEs**

DVP NA

- ↳ **Range of specialist approved pharmaceuticals**
 - Five own developed products FDA approved (CAP, Equine)
 - Acquired ranges
 - In-licenced products
 - New range of Putney generics
- ↳ **Ongoing investment in infrastructure**
- ↳ **Sales and marketing in US, Canada and Mexico**
- ↳ **161 FTEs**



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





Our Structure

Manufacturing

- ↳ **Three major sites**
 - Skipton, UK
 - Tablets, capsules, creams, ointments, powders and liquids
 - Bladel, the Netherlands
 - Liquids, pre-mixes, powders, sterile injectables
 - Zagreb, Croatia
 - Poultry vaccines
 - Solid dose and liquids
 - ↳ **Two minor sites**
 - Melbourne, Florida US
 - Mexico City, Mexico
 - ↳ **Manufacture wide range of dosage forms**
 - ↳ **Several approvals including FDA at Skipton**
 - ↳ **Contract manufacturing**
 - Human and animal health products
 - Sourcing, formulation, validation, analytical and stability services
 - ↳ **507 FTEs**
- ↳ **Total employees 1,288**

PDRA

- ↳ **Develop and licence novel and generic products**
- ↳ **Maintain existing licences**
- ↳ **Operate in four countries**
 - USA, UK, Netherlands, Croatia
 - Three development and formulation laboratories
 - Clinical trials in US and EU
- ↳ **Spend (£10m in 2016) is development, not research orientated**
 - Expertise in innovation, formulation, clinical trials and regulatory affairs
- ↳ **92 FTEs**

Group

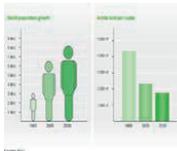
- ↳ **22 FTEs**



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%



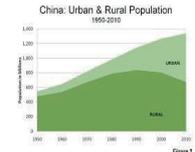
Growing middle class

- 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%





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



Our Strategy





Selection of Ranges





Five Year Summary Financials

CONSOLIDATED INCOME STATEMENT (£mil)	2016	2015	2014	2013	2012 (restated)*	2012
Revenue	247.6	203.5	193.6	189.2	124.3	426.0
Underlying operating profit	52.9	44.4	42.2	39.1	25.5	36.6
Underlying profit after taxation	38.4	35.3	31.8	25.5	16.0	24.3
Underlying earnings per share						
— basic (pence)	42.95	40.17	37.61	38.98	—	32.37
— diluted (pence)	42.65	39.90	37.48	38.71	—	32.27
Continuing underlying earnings per share						
— basic (pence)	42.95	40.17	36.45	29.27	21.35	—
— diluted (pence)	42.65	39.90	36.32	29.07	21.28	—
Dividend per share (pence)	18.46	16.94	15.40	14.00	12.27	12.27
Operating profit	19.5	26.0	25.0	18.3	10.3	20.9
Profit after taxation	12.5	19.5	19.4	10.9	3.9	11.7
Earnings per share						
— basic (pence)	14.00	22.14	67.57	20.59	—	15.65
— diluted (pence)	13.90	21.99	67.33	20.45	—	15.60
Continuing earnings per share						
— basic (pence)	14.00	22.14	22.22	12.47	5.20	—
— diluted (pence)	13.90	21.99	22.14	12.39	5.18	—

* Restated to reflect the Services Segment as discontinued operations



Glossary

AER: Actual exchange rate

CAP: Companion Animal Products

CER: Constant exchange rate

EMA: European Medicines Authority

EPS: Earnings per share

EU: Europe

FAP: Food producing Animal Products

FX: Foreign Exchange

NA: North America

Underlying results: excludes amortisation and impairment of acquired intangibles, acquisition expenses, fair value uplift of inventory acquired through business combinations, rationalisation costs, loss on extinguishment of debt, and reversal of 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.

Market Abuse Regulation (MAR)

The information contained within this presentation is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this presentation and the Annual results released via the Regulatory Information Service, this inside information is now considered to be in the public domain.

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