

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





Half-Yearly Results Presentation
for the six months ended 31 December 2016





Operational Highlights



Acquisition

- Recent acquisitions exceeding our expectations
- Apex completed: direct access to important CAP and Equine markets



Geographical Expansion

- Now trading in Austria, Australia and New Zealand



Pipeline Delivery

- Pipeline strengthened by acquisition
- Approval of Amoxi-clav



Portfolio Focus

- Solid growth in core businesses in EU and NA
- Growth in all product categories; CAP, FAP, Equine and Diets



Financial Highlights



Revenue Growth

- 34.7% to £172.6m



Underlying EBIT Growth

- 28.6% to £38.6m



Underlying Operating Cash Generation

- 124.0 % cash conversion



Shareholders' Value

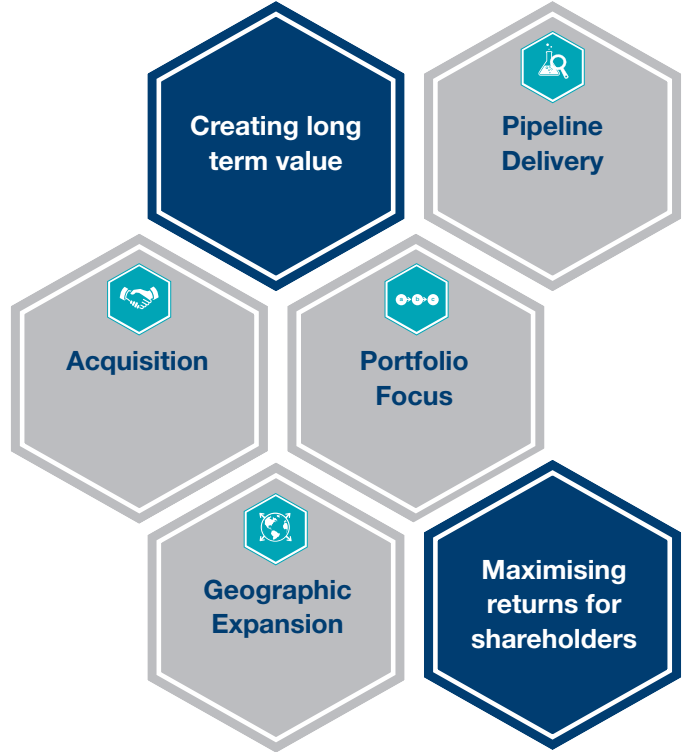
- Underlying diluted EPS: 24.5% increase to 31.25 pence
- Interim dividend: 10.0% increase to 6.11 pence



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





Reported Financial Results

Sustained double digit growth

	Six months ended 31 December		Growth at AER ⁽¹⁾	Growth at CER ⁽²⁾
	2016 £m ⁽¹⁾	2015 £m ⁽¹⁾	%	%
Revenue	172.6	110.7	55.9	34.7
Underlying gross profit	92.2	63.5	45.2	27.2
Gross profit %	53.4%	57.4%		
Underlying operating profit	38.6	26.3	47.1	28.6
EBIT %	22.4%	23.7%		
Underlying profit before tax	37.5	24.9	50.6	31.9
Underlying EBITDA	41.6	28.7	45.0	27.7
Underlying diluted EPS (pence)	31.25p	21.99p	42.1	24.5
Interim dividend per share (pence)	6.11p	5.55p	10.0%	

(1) Actual Exchange Rate

(2) Constant Exchange Rate



Revenue by Segment

Strong performance in core and acquisitions

Revenue	Six months ended 31 December		Growth at AER ⁽¹⁾	Growth at CER ⁽²⁾
	2016 £m ⁽¹⁾	2015 £m ⁽¹⁾		
EU Pharmaceuticals – Core	99.4	82.8	20.0%	5.9%
EU Pharmaceuticals – Acquisitions	11.3	3.4	232.4%	173.6%
EU Pharmaceuticals Total	110.7	86.2	28.4%	12.5%
NA Pharmaceuticals – Core	32.3	24.5	31.7%	10.2%
NA Pharmaceuticals – Acquisitions	29.6	–	–	–
NA Pharmaceuticals Total	61.9	24.5	152.7%	112.3%
Total	172.6	110.7	55.9%	34.7%

(1) Actual Exchange Rate

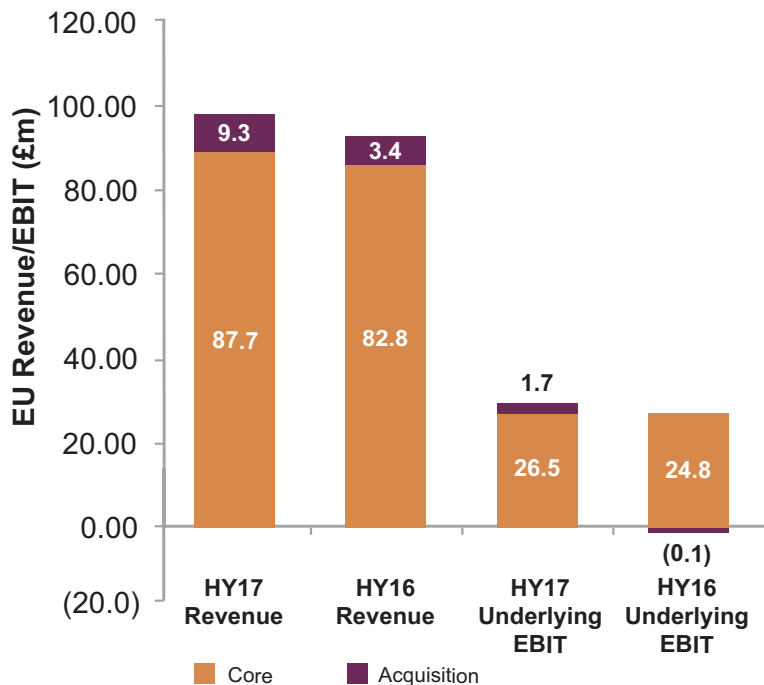
(2) Constant Exchange Rate



EU Pharma Segment

(£m at CER)

*Consistent performance
in key markets*



➤ **Revenue +12.5% at CER to £97.0m**

- Core: 5.9% increase to £87.7m
- Acquisitions: 173.6% increase to £9.3m

➤ **Underlying EBIT +14.1% at CER**

- Core: 6.9% increase to £26.5m
- Acquisitions: 100.0% increase to £1.7m

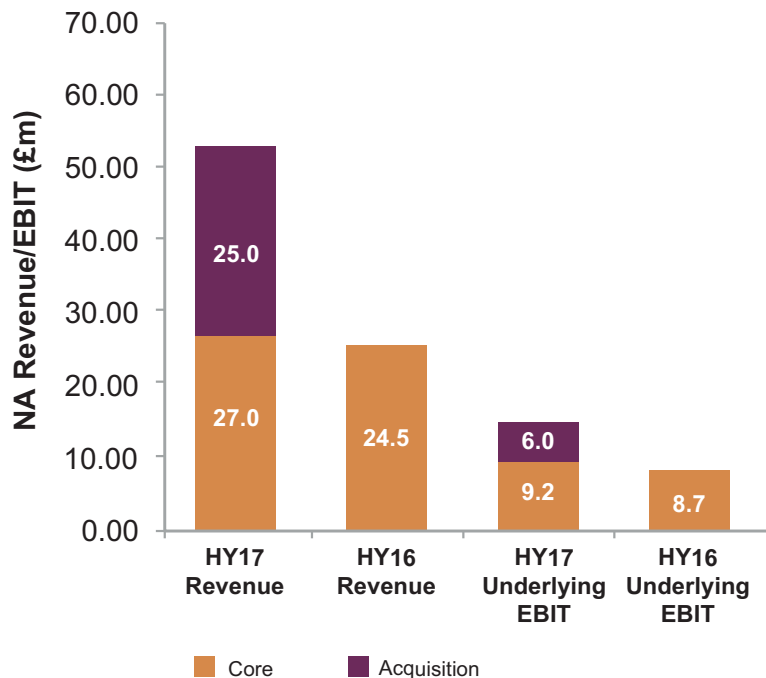
➤ **Underlying EBIT margin**

- +40 bps to 29.1%



NA Pharma Segment

(£m at CER)



Strong organic growth and leverage of Putney

➤ **Revenue +112.3% at CER to £52.0m**

- Core: 10.2% increase to £27.0m
- Acquisitions: contributed £25.0m

➤ **Underlying EBIT +75.5% at CER**

- Core: 5.8% increase to £9.2m
- Acquisitions: contributed £6.0m

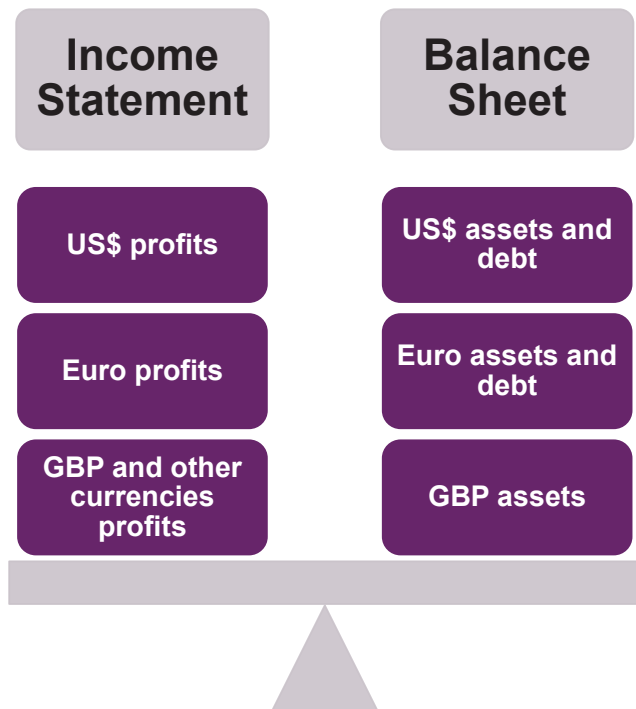
➤ **Underlying EBIT margin**

- Expected dilution of lower margin Putney sales
- (630) bps to 29.2%



Currency Exposure

Balancing currency flows with financing strategy



	Average Rates		
	HY 2017	HY 2016	% change
£/€	1.170	1.394	(16.07%)
£/\$	1.289	1.538	(16.19%)

- **Euro €:**

1% variation in £/€ impacts underlying diluted EPS by approximately +/- 0.7%

- **US\$:**

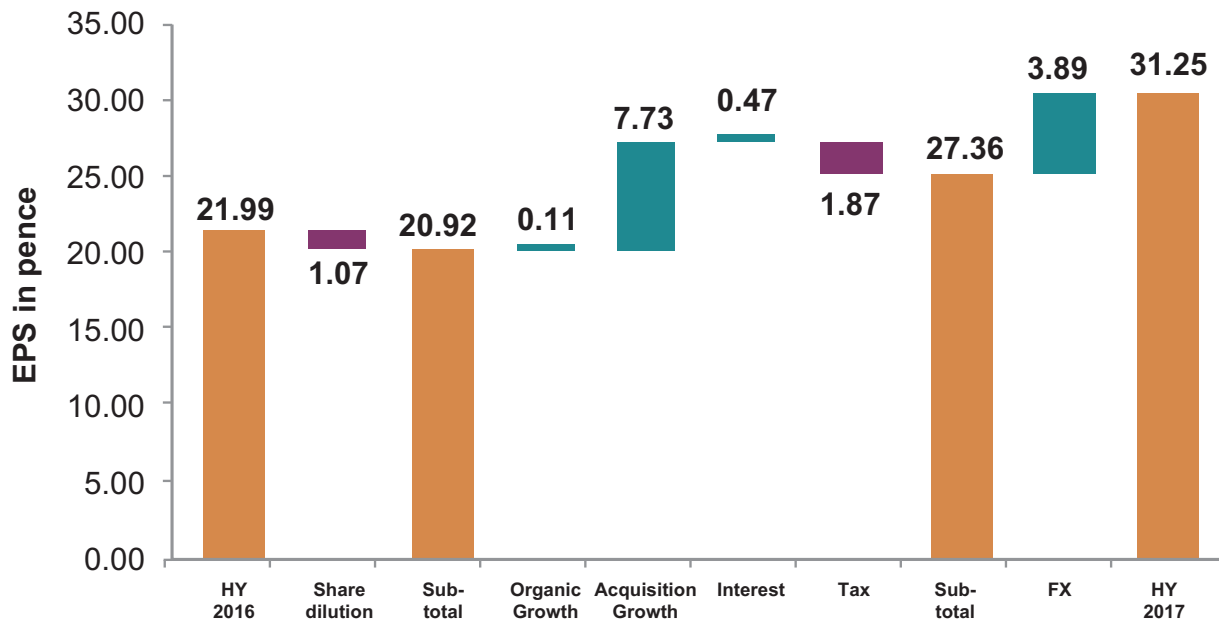
1% variation in £/\$ impacts underlying diluted EPS by approximately +/- 0.4%

Current exchange rates are c. £/€ 1.17 and £/\$ 1.25
If these exchange rates had applied throughout the period, the underlying diluted EPS would be approximately 1.6% higher



Earnings per Share (EPS)

*Core and acquisitive growth, with
exchange tail wind*





Cash Flow Statement

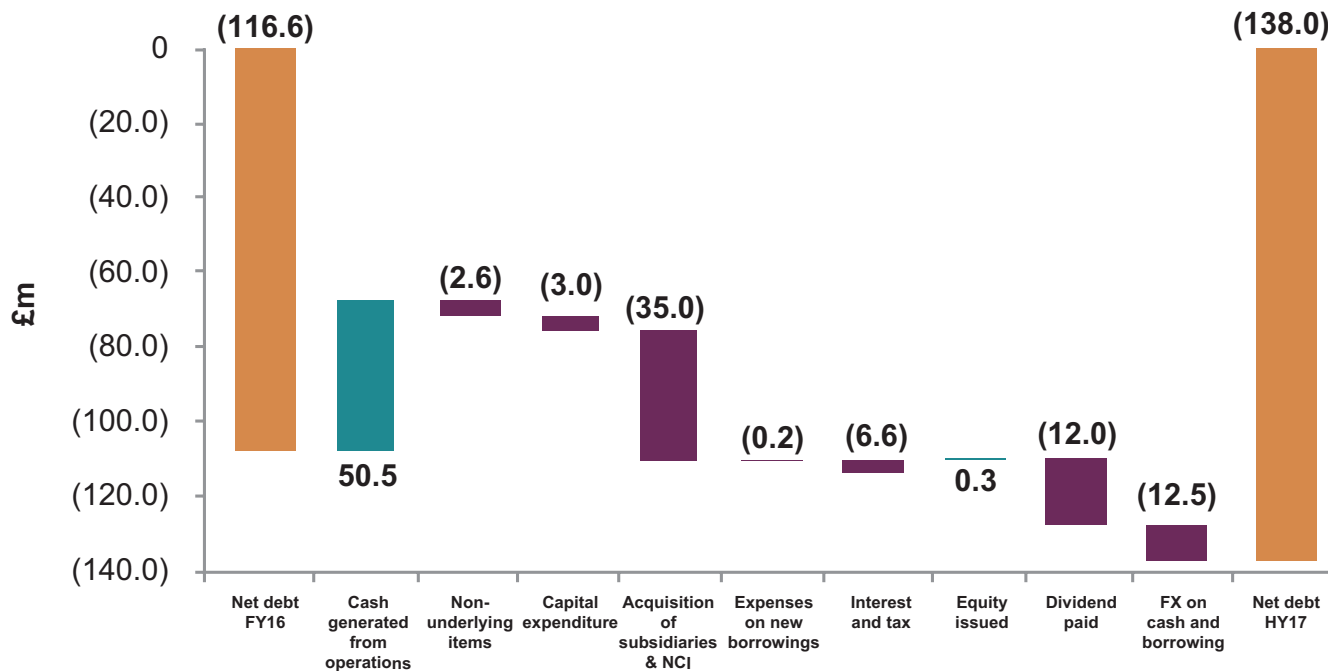
Continuing strong cash generation

	31 December	
	2016	2015
	£m	£m
Underlying operating profit	38.6	26.3
Depreciation and amortisation	3.0	2.4
EBITDA	41.6	28.7
%	24.1%	25.9%
Working Capital	7.6	(2.6)
Other	1.3	1.1
Net cash generated from operations before non-underlying items	50.5	27.2
Non-underlying items	(2.6)	(0.6)
Net cash generated from operations	47.9	26.6
Cash conversion %	124.0%	101.0%



Net Debt Bridge

Leverage down from 2.0 times to 1.9 times





Other Financial Items

➤ **Non-underlying items £21.2m (2016: £10.7m)**

- Increase of £6.0m on amortisation of acquired intangibles to £14.9m
- Acquisition and integration costs £2.1m
- Acquisition fair value uplift of inventory £4.0m

➤ **Dividend**

- Interim dividend increased to 6.11p per share (2016: 5.55p)

➤ **Tax**

- Effective Tax Rate (ETR) on PBT for the period broadly flat 21.9% (2016: 21.7%)
- Underlying ETR on PBT is 22.2% (2016: 22.3%)

➤ **Banking**

- Net debt of £138.0m at the period end (2016: £17.9m)
- Leverage covenant is 1.9 at the period end (2016: 0.3): cannot be higher than 2.5:1
- Interest covenant is 13.4 at the period end (2016: 29.6): cannot be lower than 4:1



Portfolio Focus

Strong growth in key territories

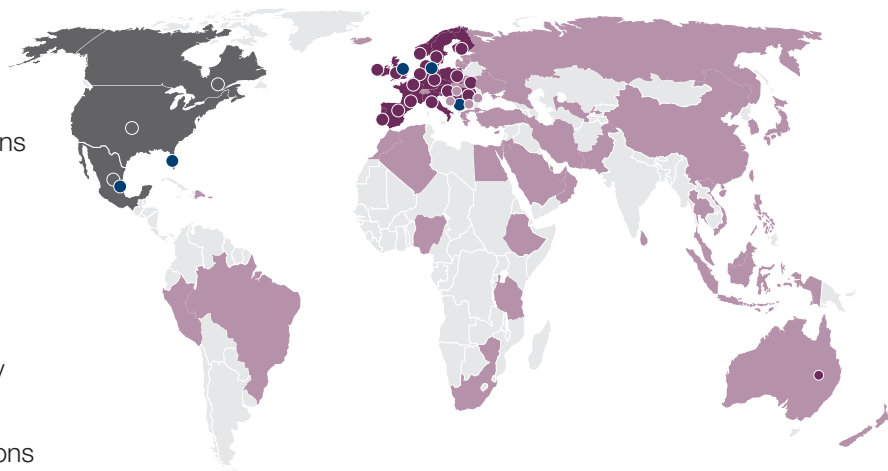


► EU Pharmaceuticals

- Core pharmaceutical range increased by 5.9% at CER (8.7% excluding third party contract manufacturing)
 - Key territories: UK, France and Germany performing well
- All therapeutic sectors delivering growth
- Consolidated growth 12.5% at CER
 - Enhanced by Genera and Apex acquisitions

► NA Pharmaceuticals

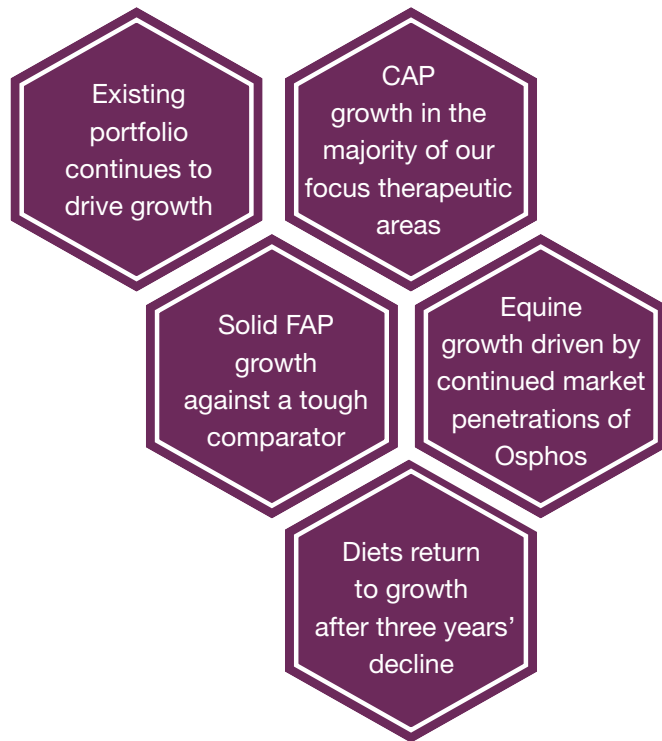
- Core pharmaceutical growth 10.2%
 - One off negative comparator due to loss of Levocrine
 - Both CAP and Equine performing strongly
- Consolidated growth 112.3% at CER
 - Enhanced by Putney and Brovel acquisitions



Key	
●	European Pharmaceuticals
●	North American Pharmaceuticals
●	Export
●	Manufacturing



Portfolio Focus



All therapeutic areas performing well



	Six months ended 31.12.16 £m	Growth at constant exchange rate
Revenue		
CAP	104.9	44.1%
Equine	13.7	27.4%
FAP	22.5	24.7%
Sub Total Pharmaceuticals	141.1	38.9%
Diets	13.9	1.7%
Other	17.6	36.2%
Total	172.6	34.7%



Geographic Expansion

Increasing area of focus



- Internal re-organisation
 - Dedicated Director
 - Additional marketing
 - More product registration resource
- All recently entered countries delivering growth
- Global expansion continues organically and through acquisition:

Austria, Australia and New Zealand





Pipeline Delivery

*Global registrations continue
to be delivered*



Amoxiclav

- First entrant generic antibiotic in significant market
- Major product from Putney pipeline
- USA



Altadox

- Water soluble antibiotic
- EU: 13 territories



Osphos

- Novel equine lameness
- Australia and Canada



Acquisition

*Three acquisitions completed
in 2016*



- All performances and integrations ahead of expectations
- Cost synergies delivered in Genera and Putney
- Significant cross selling benefits at Putney
 - New sales channels opened
 - One off US\$3.0m benefit from unblocking distributors
- Apex completed and integration progressing well





Strategic Enablers

Change to support our future

► People

- New Chairman, Tony Rice commenced at October 2016 AGM
- New Non-Executive Director, Lawson Macartney, veterinarian and development expertise, commenced December 2016
- Chief Financial Officer, Richard Cotton, commenced January 2017

► IT

- Oracle ERP 'go-live' delayed
- Implementation expected H1 2018 Financial Year

► Manufacturing

- 14.3% decline in revenue from contract manufacturing
- Good progress being made of efficiency improvements



Outlook

Our strategy continues to deliver out performance

- Acquisitions delivering growth
- Pipeline producing new products
- Sales from core business outperforming the majority of markets in which we trade
- New opportunities identified
- Current sales in line with management expectations
- Entering our 20th year with confidence





Appendices





Underlying Gross Margin

HY 2016 – Core Business	57.4%
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Product Mix	0.2%
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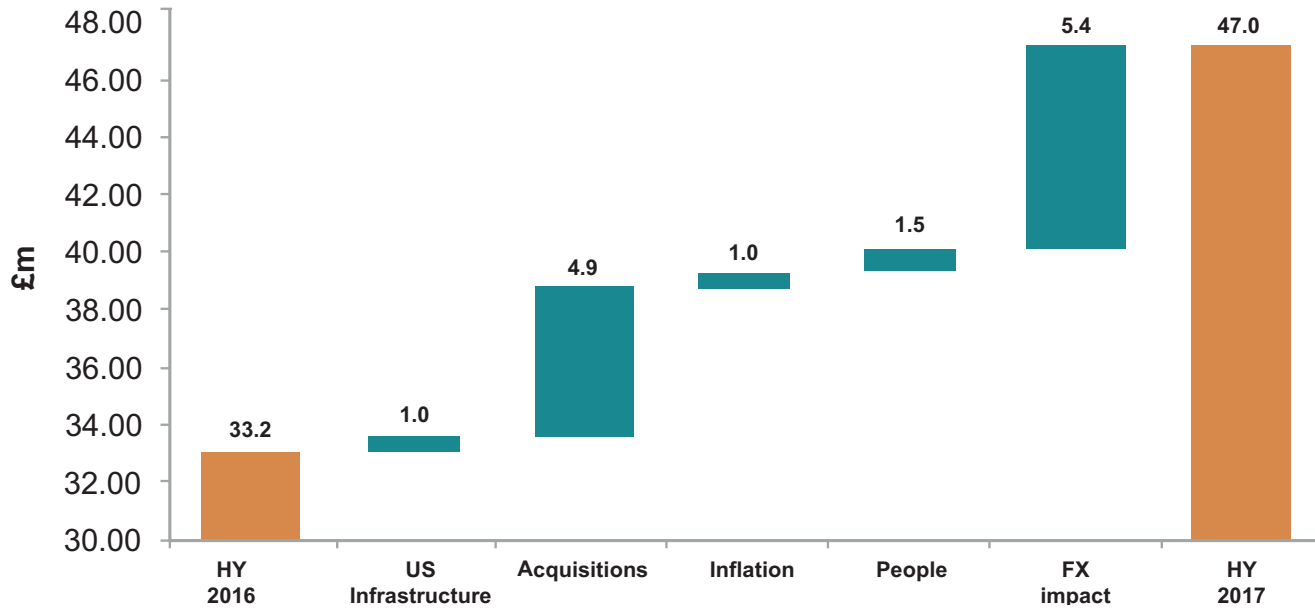
HY 2017 – Core Business	57.6%
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Acquisition	(4.2%)
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HY 2017 – Consolidated	53.4%
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Selling, General and Admin Expenses





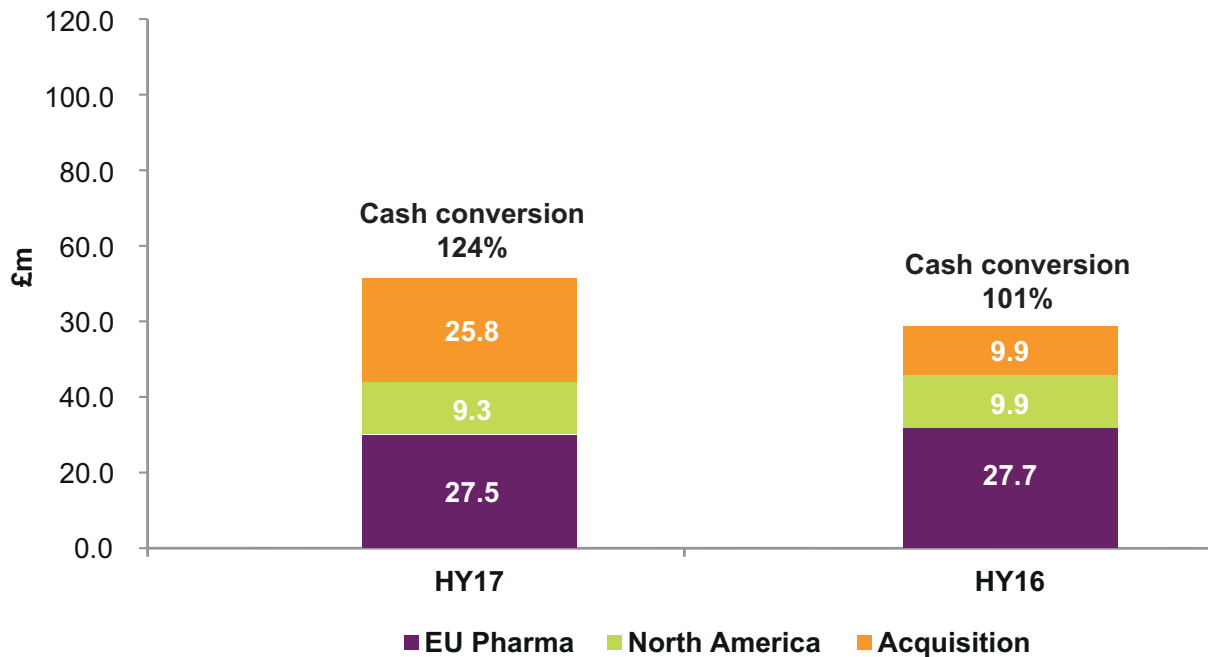
Balance Sheet

	31 December	
	2016	2015
	£m	£m
Total non-current assets (excluding deferred tax assets)	441.7	211.8
Working capital	62.6	47.5
Cash and cash equivalents	49.2	45.1
Borrowings	(187.2)	(63.0)
Corporate and deferred tax	(66.6)	(27.1)
Other liabilities	(12.1)	(9.1)
Total net assets	287.6	205.2
Net (debt)/cash	(138.0)	(17.9)
Leverage covenant* – 2.5:1	1.9	0.3

* Net debt/(Cash) to EBITDA

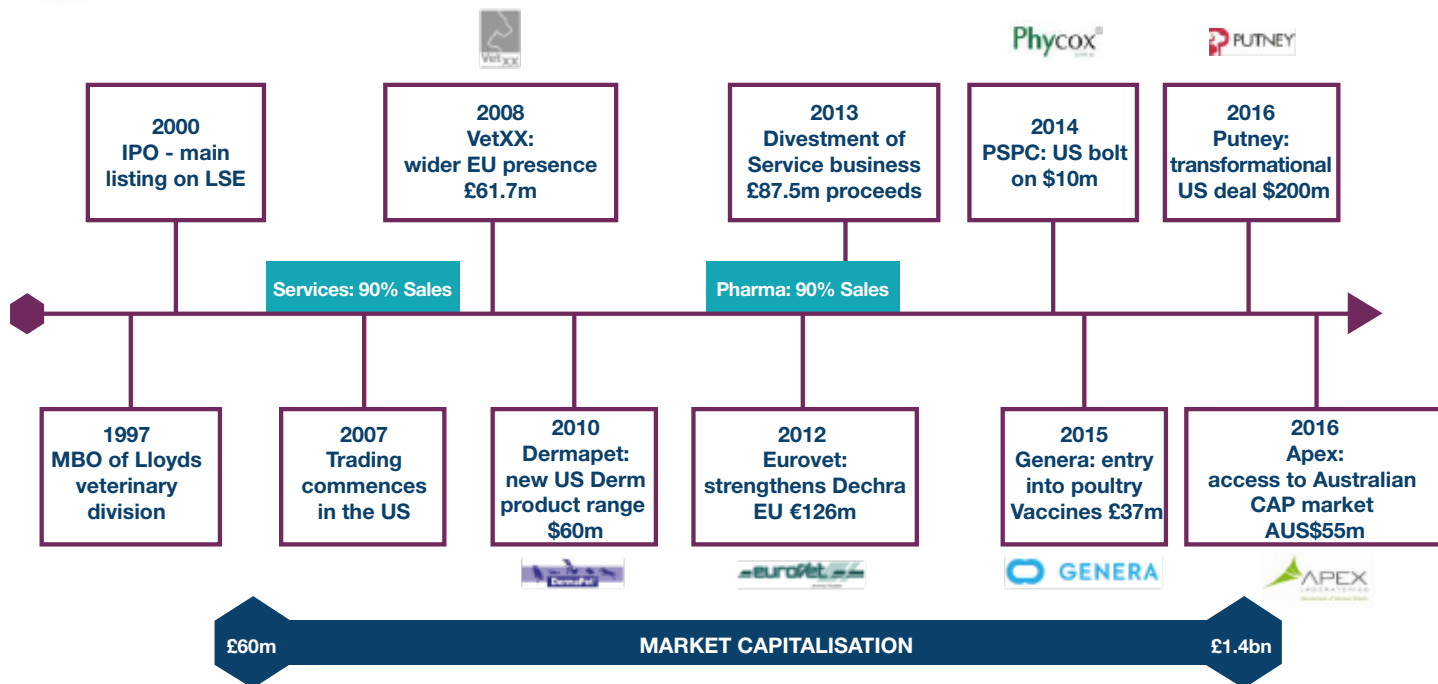


Working Capital





Our History





Our Structure

DVP EU

➤ **Wide range of approved pharmaceuticals**

- Market leading brands
- Multi species (CAP, FAP, Equine)
- Specialist niche markets
- Generic markets
- Specific range of veterinary exclusive diets

➤ **Mature infrastructure**

➤ **Sales to over 40 countries worldwide**

➤ **Sales and marketing in 18 EU countries, Australia and New Zealand**

➤ **513 FTEs**



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

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**





Our Structure

Manufacturing

- **Three major sites**
 - Skipton, UK
 - o Tablets, capsules, creams, ointments, powders and liquids
 - Bladel, the Netherlands
 - o Liquids, pre-mixes, powders, sterile injectables
 - Zagreb, Croatia
 - o Poultry vaccines
 - o Solid dose and liquids
- **Three minor sites**
 - Melbourne, Florida US
 - Mexico City, Mexico
 - Sydney, Australia
- **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
- **528 FTEs**

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**

➤ **Total employees 1,316**



Worldwide Economic Drivers Create Sustainable Demand



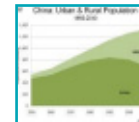
Population growth

- 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

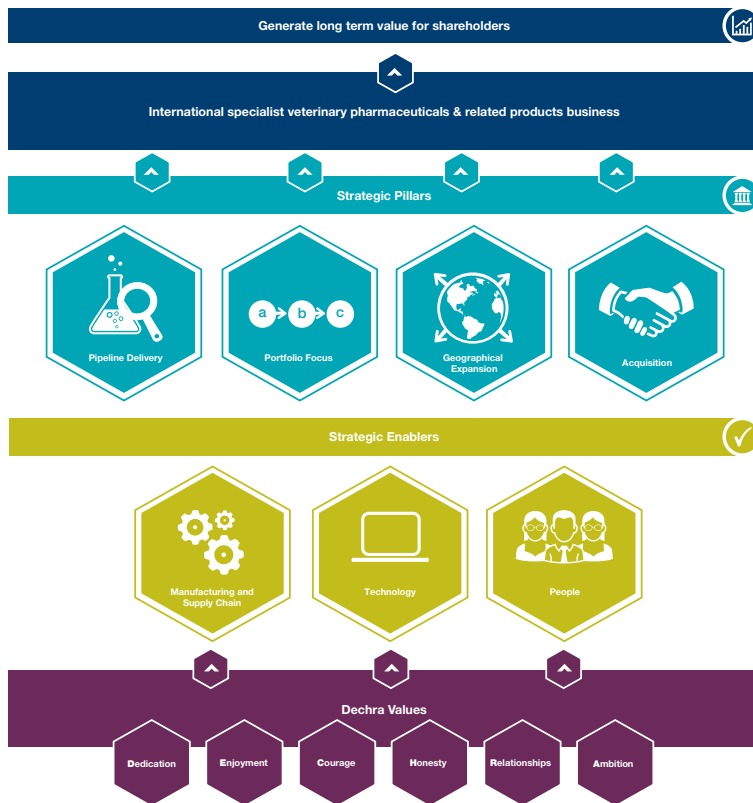
- + Increased demand for new treatments and medicines
- + Increase in owners' compassion for their pets
- + Little pricing pressure; generics do not de-value markets to the extent of human products
- + EU Cascade supports licensed product use

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 of 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	42.95	40.17	37.61	38.98	—	32.37
— basic (pence)						
— diluted (pence)	42.65	39.90	37.48	38.71	—	32.27
Continuing underlying earnings per share	42.95	40.17	36.45	29.27	21.35	—
— basic (pence)						
— 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	14.00	22.14	67.57	20.59	—	15.65
— basic (pence)						
— diluted (pence)	13.90	21.99	67.33	20.45	—	15.60
Continuing earnings per share	14.00	22.14	22.22	12.47	5.20	—
— basic (pence)						
— 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

EPS: Earnings per share

EU: Europe

FAP: Food producing Animal Products

FX: Foreign Exchange

NA: North America

Underlying results: excludes amortisation of acquired intangibles and impairment (if any) 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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