

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, vaccines, locomotion (lameness) and pain management.



Equine

Species: Horses and ponies.

Key therapeutic sectors: Lameness and pain management.



Nutrition

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

Delivering our strategy



Portfolio Focus

- All product categories delivering growth, CAP and Equine performance exceptional
- Strong organic growth in all key markets



Pipeline Delivery

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



Geographic Expansion

- ANZ, Brazil and distribution business all performed strongly
- Growth enhanced by successful product launches and registrations



Acquisition

- Mirataz and Osumnia both performing well
- Successful European launch of Mirataz
- 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



Manufacturing and Supply

- Huge progress on supply chain improvements
- Further investment to strengthen quality systems
- Significant expansion of Danish distribution centre underway



People

- Excellent employee engagement during COVID-19 pandemic
- Significant progress on pay principles, particularly 'Living Wage'
- Excellent trust rating score on Great Place to Work survey



Environmental, Social and Governance

- Group Sustainability Director appointed
- 'Making a Difference' plan commenced
- Committed to the Science-Based Target initiative

Financial Highlights

Strong revenue and profit growth supplemented by acquisitions



Revenue Growth

- Increase of 21.0% to £608.0 million
- Existing revenue growth of 16.2%



Operating Cash Generation

- 87.1% cash conversion



Underlying EBIT Growth

- Increase of 29.2% to £162.2 million
- COVID-19 related cost savings



Shareholders' Value

- Underlying diluted EPS increase of 19.4% to 108.14 pence
- Full dividend increase by 18.1% to 40.5 pence

Growth is at CER

Underlying Financial Results

Excellent trading performance

	Year ended 30 June		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2021 £m ⁽¹⁾	2020 £m ⁽¹⁾		
Revenue	608.0	515.1	18.0%	21.0%
Underlying gross profit	345.9	291.6	18.6%	21.3%
Underlying gross profit %	56.9%	56.6%	30bps	20bps
Underlying operating profit	162.2	128.3	26.4%	29.2%
Underlying EBIT %	26.7%	24.9%	180bps	170bps
Underlying profit before tax	150.1	120.1	25.0%	27.2%
Cash conversion	87.1%	99.4%		
Underlying diluted EPS (pence)	108.14	92.19	17.3%	19.4%
Dividend per share (pence)	40.50	34.29	18.1%	

(1) Actual Exchange Rate

(2) Constant Exchange Rate

Underlying results exclude items associated with areas such as amortisation of acquired intangibles, acquisition expenses and subsequent integration costs, manufacturing rationalisation costs, loss on extinguishment of debt, and fair value and other movements on contingent consideration.

Cash conversion is calculated as cash generated from operations before tax and interest payments as a percentage of underlying operating profit.

Revenue by Segment

Strong organic growth supplemented by product acquisitions

Revenue	Year ended 30 June		Growth at AER ⁽¹⁾ %	Growth at CER ⁽²⁾ %
	2021 £m	2020 £m		
EU Pharmaceuticals – Existing ⁽³⁾	374.4	323.5	15.7%	15.9%
NA Pharmaceuticals – Existing ⁽⁴⁾	209.6	191.6	9.4%	16.7%
Group Total - Existing	584.0	515.1	13.4%	16.2%
EU Pharmaceuticals – Acquisition ⁽⁵⁾	14.1	–		
NA Pharmaceuticals – Acquisition ⁽⁶⁾	9.9	–		
Group Total – Acquisition	24.0	–		
Total	608.0	515.1	18.0%	21.0%

(1) Actual Exchange Rate

(2) Constant Exchange Rate

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

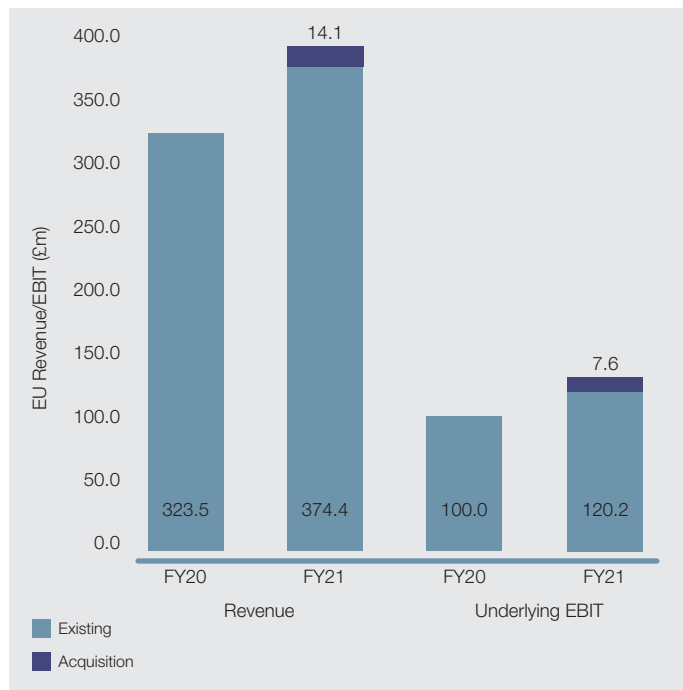
(4) NA Pharmaceuticals – Existing including like-for-like for Ampharmco and Mirataz

(5) EU Pharmaceuticals – Acquisition comprises Osumia and Mirataz

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

EU Pharmaceuticals Segment

Strong revenue growth delivering operating leverage



- **Revenue 20.2% to £388.5 million**

- Existing: 15.9% increase to £374.4 million; 16.7% increase excluding declining third party contract manufacturing (strategic exit)
- Acquisition: contributed £14.1million from Mirataz and Osurnia

- **Underlying EBIT 26.9% to £127.8 million**

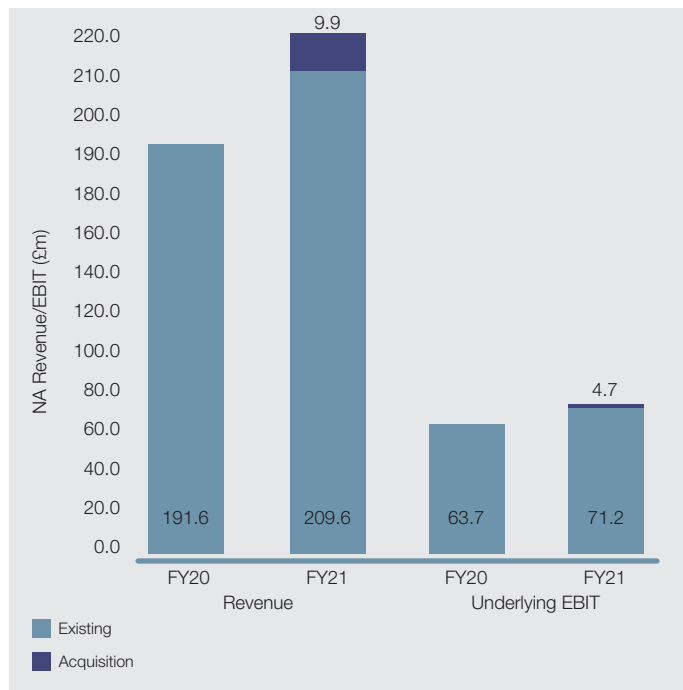
- Existing: 19.4% increase to £120.2 million
- Acquisition: contributed £7.6 million from Mirataz and Osurnia

- **Underlying EBIT margin**

- Existing: Operating leverage up 90 bps to 32.1%
- Acquisition: 53.9% (CER acquisition margin)
- Consolidated: 170 bps increase in margin to 32.9%

NA Pharmaceuticals Segment

Strong organic growth during second half



- **Revenue 22.2% to £219.5 million**

- Existing: 16.7% increase to £209.6 million
- Acquisition: Ampharmco, Mirataz and Osumnia acquisitions contributed £9.9 million

- **Underlying EBIT 27.5% to £75.9 million**

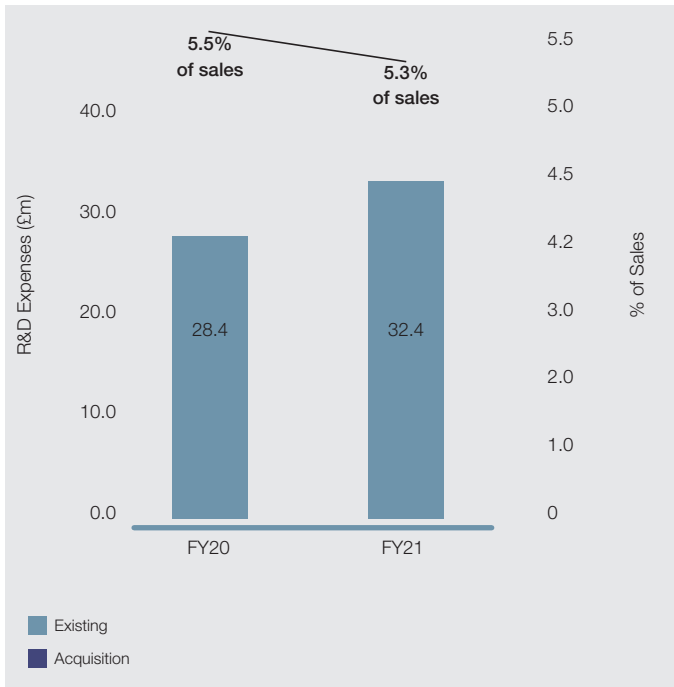
- Existing: 19.6% increase to £71.2 million
- Acquisition: Contributed £4.7 million

- **Underlying EBIT margin**

- Existing: Operating leverage up 90 bps to 34.0%
- Acquisition: Margin at 47.5%
- Consolidated: 150 bps increase in margin to 34.6%

Pharmaceutical Research & Development

Investment in innovative new products

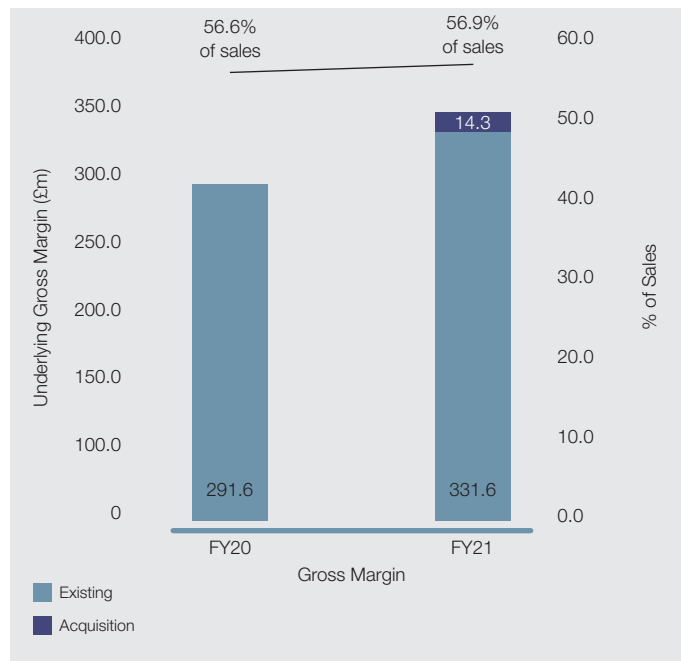


- **Investment increased by 17.3% to £32.4 million**

- Reduction in spend from 5.5% to 5.3%
- Good progress made on pipeline although some delays due to COVID-19
- £3.9 million spend on Akston, which remains on track for 2026 launch

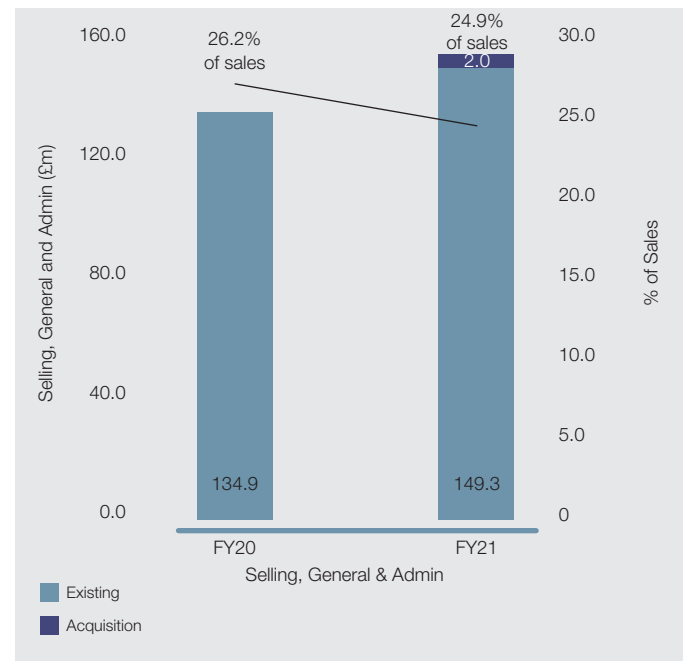
Gross Margin

Accretion driven by CAP



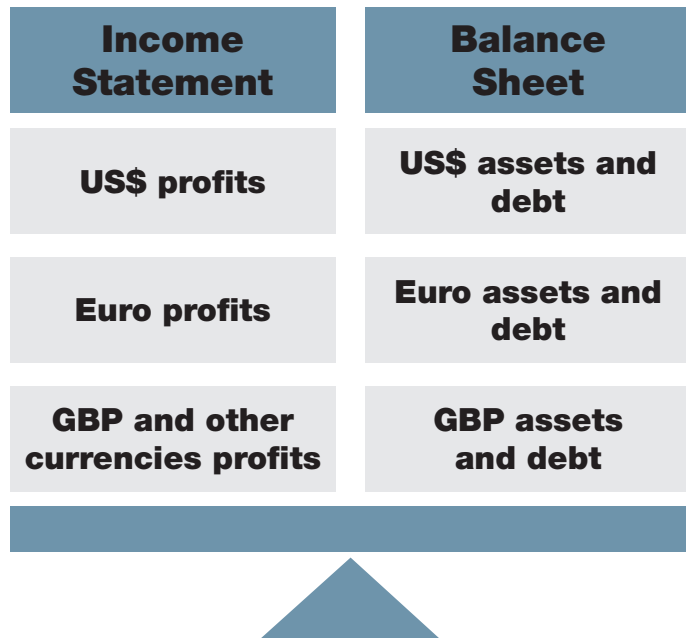
Selling, General & Admin

Investment in people partially offset by COVID-19 related cost savings



Currency Exposure

Balancing currency flow with financing strategy



	Average Rates		
	FY 2021	FY 2020	% change
£/€	1.1287	1.1396	(1.0%)
£/\$	1.3466	1.2601	6.9%

- Euro€**
 1.0% variation in £/€ impacts underlying diluted EPS by approximately +/-0.4%
- US\$**
 1.0% variation in £/\$ impacts underlying diluted EPS by approximately +/-0.4%

Current exchange rates are c. £/€1.1646 and £/\$1.3763 (1 September 2021)

If these exchange rates had applied throughout the period, the underlying diluted EPS would be approximately 2.5% lower

Other currencies starting to influence: AUD, HRK, BRL

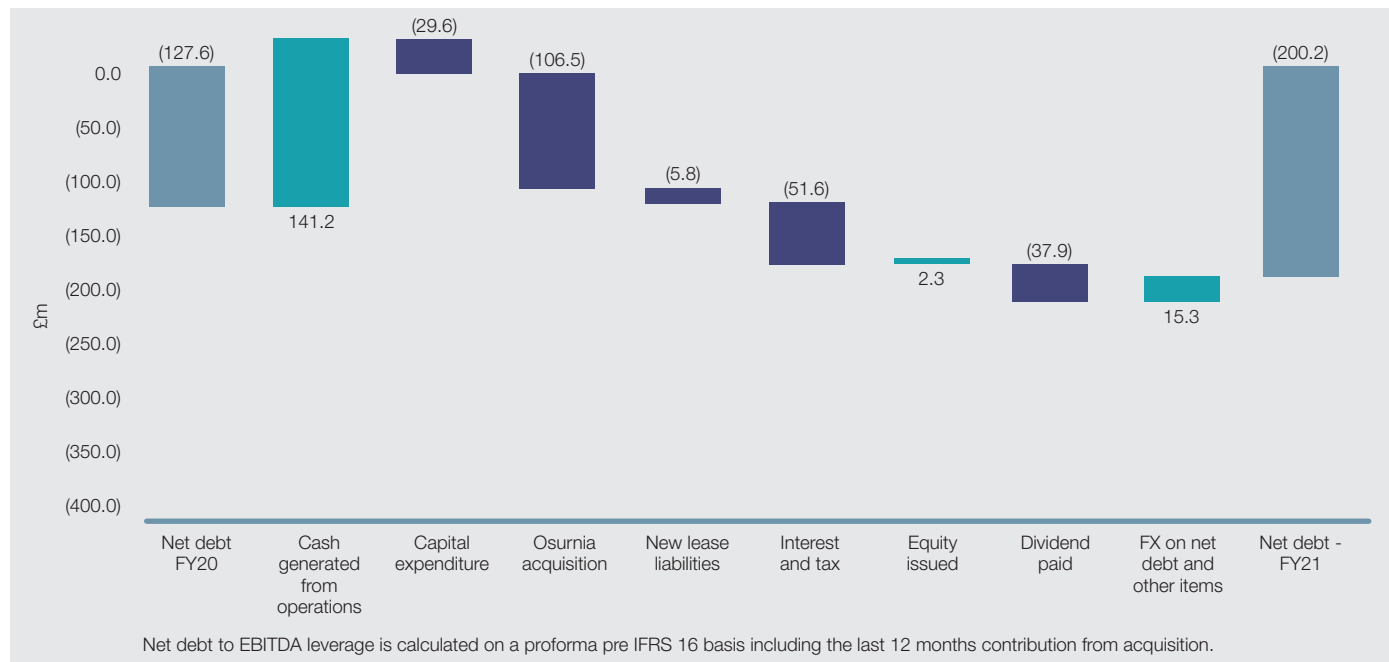
Cash Flow

Investment in inventory to support product launches and maintain service levels

	30 June	
	2021 £m	2020 £m
Underlying operating profit	162.2	128.3
Depreciation and amortisation	15.5	14.2
Working capital	(36.0)	(8.7)
Other	2.5	1.0
Net cash generated from operations before non-underlying items	144.2	134.8
Non-underlying items	(3.0)	(7.3)
Net cash generated from operations	141.2	127.5
Cash conversion %	87.1%	99.4%
ROCE %	18.8%	15.4%

Net Debt

Net debt/EBITDA at 1.1 times, strong cash generation offset by Osumnia completion and significant tax outflow



Tax

ETR increased, set to increase further

- Group underlying effective tax rate (ETR) increased to 21.7% (2020: 20.6%)
- Group underlying ETR is expected between 22.5% and 23% in 2022, due to reduction in patent box allowance
- Reported ETR is 25.0% (2020: 17.1%) and includes the one-off impact of substantively enacted increases in corporate tax rates in the Netherlands and the UK on deferred tax balances
- Significant cash tax outflow in the year
- Risks to ETR include:
 - Global tax reform
 - EU challenge of UK Controlled Foreign Companies (CFC) legislation
 - Expiry of patents reducing patent box and innovation box benefits



Other Financial Items

Further details

- **Non-underlying operating profit charge £78.2 million (2020: £76.1 million) includes:**
 - Increase of £5.6 million in amortisation of acquired intangibles to £75.2 million
 - Acquisition and integration costs £1.4 million
 - Rationalisation of manufacturing organisation costs £1.6 million, now concluded
- **Dividend**
 - Final dividend increased to 29.39 pence per share (2020: 24.0 pence)
 - Final dividend payable on 19 November 2021; Record Date 29 October 2021
 - Full dividend increased 18.1% to 40.5 pence (2020: 34.29 pence)
 - Dividend cover on underlying diluted EPS of 2.7 times
- **Banking**
 - Net debt of £200.2 million at the period end (2020: £127.6 million)
 - Proforma leverage is 1.1 at the period end (2020: 0.80): covenant cannot be higher than 3.0:1 for RCF and 3.5:1 for Private Placement
 - Interest cover is 22.8 at the period end (2020: 14.5): covenant cannot be lower than 4.0:1



Portfolio Focus

Strong market fundamentals

Global Trends

- Reports of increasing pet ownership
- People spending more time with pets/more cognitive of welfare
- Expenditure per pet increased

EU Pharmaceuticals

- Excellent organic growth
- Improved supply, digital sales and marketing interactions
- Almost all countries delivered high single or double digit growth
- International team continues to perform strongly

NA Pharmaceuticals

- Strong organic growth
- Exceptional second half against tough comparator
- Improved supply and market share gains
- Ophthalmics still to return





Portfolio Focus

All categories delivered solid growth

CAP

- Continues to be the key driver of organic growth:
 - Increased market shares in key therapy areas
 - Successfully launched our two key new products, Mirataz and Osumia
 - Launched Maroboquin in USA, exceeding expectations

FAP

- Growth slowed following strong performance in recent years
- Key markets seen reduction in meat consumption and production as a result of COVID-19, African Swine Fever and Avian Influenza

Equine

- Exceptional growth in year
- Lifecycle improvement to Equipalazone and launch of Le Vet pipeline products

	Year ended 30 June 2021 £m	Growth at CER
Revenue		
CAP	442.6	25.9%
FAP	77.0	4.7%
Equine	44.8	25.5%
Subtotal Pharmaceuticals	564.4	22.5%
Nutrition	31.7	9.4%
Other	11.9	(8.1%)
Total	608.0	21.0%

Nutrition

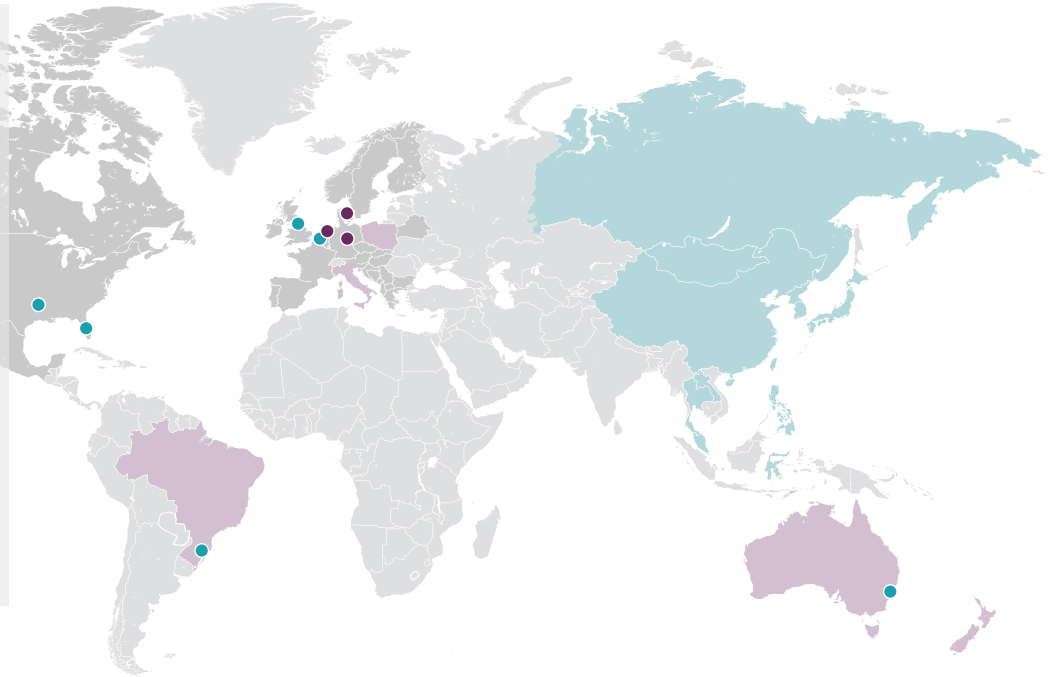
- Strong growth in year
- Recently formed Business Unit rebuilding confidence and attracting new customers to the range



Geographic Expansion

International team performing strongly

- Dechra branded organisations in ANZ and Brazil delivering strong growth
- Several key brands registered in Australia
- Endocrinology products now marketed under Dechra brand in Australia
- Successful registration of CAP products in Brazil
- Distribution business extended





Pipeline Delivery

Good progress continues to be made

- Final section of a dossier for a new canine sedative in USA submitted
- Akston dog and cat proof of concept studies continue to deliver favourable results
- Akston cat contract signed
- Numerous minor registrations in major territories and international markets
- First approval in Europe with Animal Ethics' Equi-Solfen, a topical anaesthetic for horses
- Mirataz transdermal gel registered in Canada





Acquisition

Recent product acquisitions both performing strongly

Osurnia

- Robust performance in the EU, despite launch of competitor product
- Exceeded expectations in Japan and Australia
- Gaining market share in the USA
- Pursuing registrations in new territories

Mirataz

- Exceptional performance in the USA
- Strong initial sales following EU launch
- Expect approvals for other countries imminently

Tri-Solfen

- Acquisition of ANZ marketing rights, facilitates the creation of meaningful FAP presence in that market
- Additional 1.5% holding in Medical Ethics





Manufacturing, IT and People

Excellent progress on Strategic Enablers

Technology

- Dechra's online Academy voted best in class
- Relaunched our website on new improved platform
- Launched a new intranet site branded OneDechra
- Global roll out of Salesforce and ADP/CELEGRO payroll solutions

Manufacturing

- Backorders materially reduced
- Approval of new quality management system
- Management team strengthened
- Good progress on technical transfers of products in-house

People

- Main factor behind success is Our People
- Denise Goode, appointed to provide continuity to the Board
- Accredited living wage employer in UK
- Over 90% of employees responded to Great Place to Work survey, trust rating of 77%
- Dr Susan Longhofer, Group Chief Scientific Officer, to retire in December 2021
- Employee engagement programme commenced to enable the views of our employees to be taken into consideration by the Board
- Commitment and dedication of all employees has been exceptional



ESG Strategy

Making a Difference



Our People

- Launch of THRIVE programme: supporting physical, mental, emotional and financial wellbeing
- Delivered ahead of plan on our ambition to be a living wage employer



Our Business

- Provided over 77,000 hours of CPD to veterinary professions
- Initiated sustainability review of existing products and pipeline



Our Environment

- Proportion of waste to landfill or incinerated with no energy recovery reduced from 17% to 14%
- Signed up to Science Based Target initiative, aim to set verifiable targets on the entire value chain



Our Communities

- Benefit local communities through the provision of 100,000 community hours by 2030
- Established Regional Giving Committees to improve engagement with employees and local communities

Outlook

Group continues to outperform as we successfully execute our strategy

- Trading in the new financial year remains strong
- Strategic opportunities continue to be identified and progressed
- Investment made in infrastructure and people resource
- Board believes in capability of our people to execute our strategy and has confidence in future growth prospects

Strategic Growth Drivers



Pipeline
Delivery



Portfolio
Focus



Geographical
Expansion



Acquisition



Technology



People



Manufacturing
and Supply



Environment,
Social and
Governance

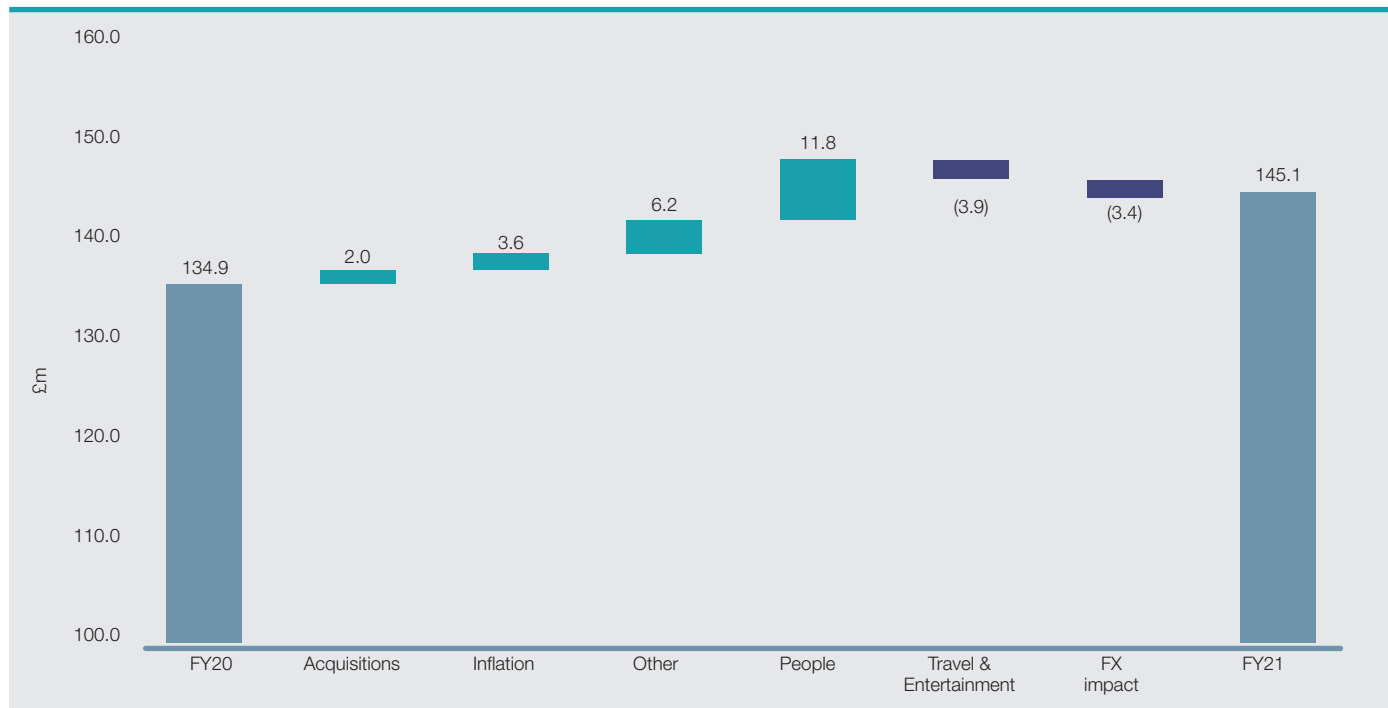



Dechra
Pharmaceuticals PLC
Appendices

Underlying Gross Margin (at AER)

FY 2020 – Existing	56.6%
Product mix	0.2%
FY 2021 – Existing	56.8%
Acquisition	0.1%
FY 2021 – Consolidated	56.9%

Underlying Selling, General & Admin Expenses



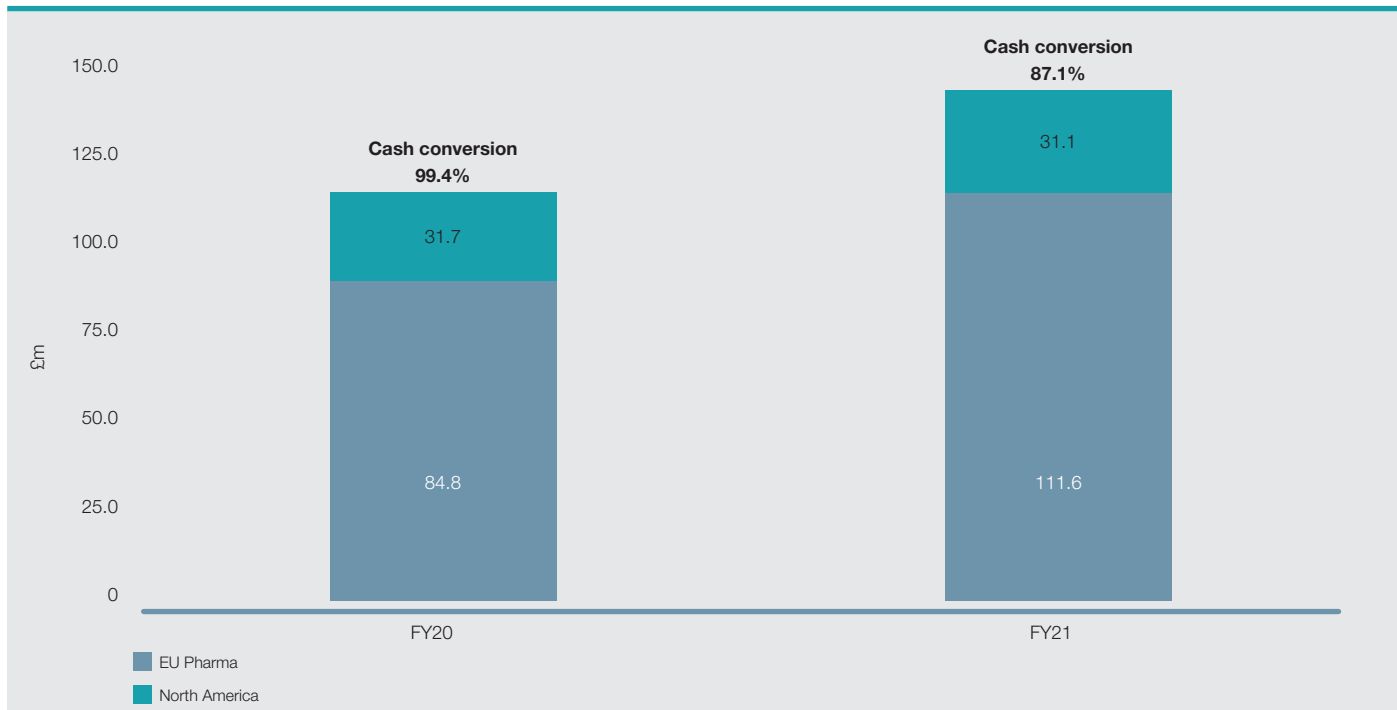
* People includes increases in the share-based payment and annual bonus charges.

Balance Sheet

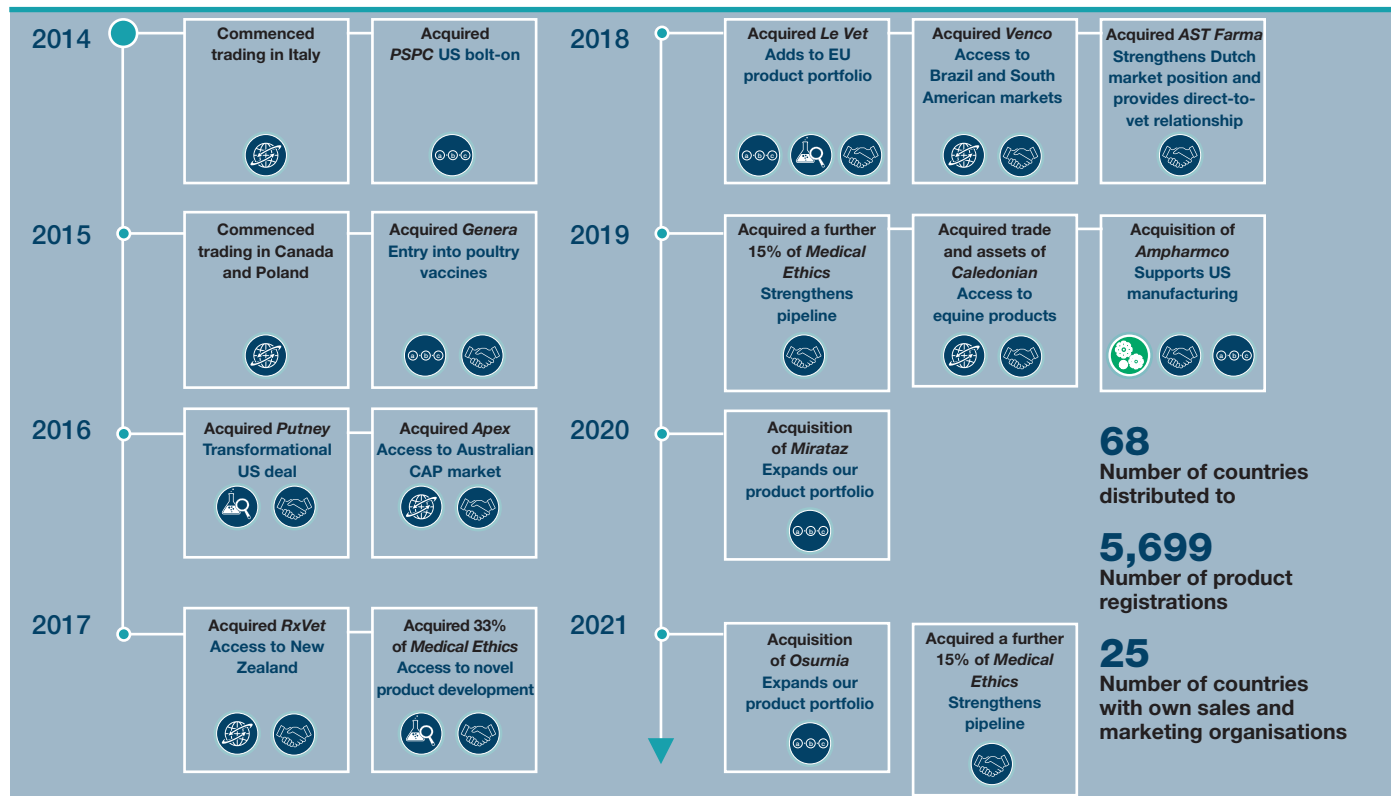
	30 June	
	2021 £m	2020 £m
Total non-current assets (excluding deferred tax assets)	819.9	786.0
Working capital	142.7	116.5
Cash and cash equivalents	118.4	227.4
Borrowings	(318.6)	(355.0)
Current and deferred tax	(45.8)	(78.7)
Other liabilities	(83.7)	(58.7)
Total net assets	632.9	637.5
Net (debt)/cash	(200.2)	(127.6)
Proforma leverage (covenant* 3.00:1)	1.06	0.80

* Net (debt)/cash to EBITDA leverage calculated on a proforma pre IFRS16 basis including the last 12 months' contribution from acquisitions.

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**
- **516 employees**



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

DVP International

- **Increased area of management focus**
 - Second year of new structure
- **Newly established organisational structure**
 - Increased area of Group investment
- **Export to 68 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**
- **112 employees**



Our Structure

DVP NA

- **Range of specialist approved pharmaceuticals**
 - CAP and Equine only
- **Strong investment in infrastructure**
- **Sales and marketing in US, Canada and Mexico**
- **245 employees**

Our Structure

Manufacturing & Supply Chain

➤ **Five main sites**

- Skipton, UK
- Bladel, the Netherlands
- Zagreb, Croatia
- Londrina, Brazil
- Fort Worth, Texas US

➤ **Two smaller 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

➤ **More than 50% of the volume supplied by c.42 contract manufacturing sites**

➤ **Logistics hubs in Denmark for EU & Kentucky for NA**

➤ **884 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, and Brazil
 - Three development and formulation laboratories
 - Clinical trials in US and EU
- **Spend (£32.4 million in 2021) is predominately development, not research orientated**
 - Expertise in innovation, formulation, clinical trials and regulatory affairs
- **163 employees**



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% ⁽¹⁾

(1) Vetrinosis Storm forecast 2014



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% ⁽¹⁾

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



OSPHOS®
(clodronate injection)

Five Year Summary of Financials

Consolidated Income Statement (£m)	2021	2020	2019	2018	2017
Revenue	608.0	515.1	481.8	407.1	359.3
Underlying operating profit	162.2	128.3	127.4	99.2	81.3
Operating margin %	26.7%	24.9%	26.4%	24.4%	22.6%
Underlying profit after taxation	117.6	95.4	92.5	74.5	60.1
Underlying earnings per share					
– basic (pence)	108.77	92.50	90.24	76.85	64.68
– diluted (pence)	108.14	92.19	90.01	76.45	64.33
Dividend per share (pence)	40.5	34.29	31.60	25.50	21.44
Operating profit	84.0	52.2	39.0	34.1	33.2
Profit after taxation	55.5	33.9	30.9	36.1	26.1
Earnings per share					
– basic (pence)	51.33	32.87	30.15	37.24	28.09
– diluted (pence)	51.03	32.76	30.07	37.04	27.93

Glossary

AER: Actual Exchange Rate

CAP: Companion Animal Products

CER: Constant Exchange Rate

CVMP: Committee for Veterinary Medicinal Products

EBITDA: Earnings before interest, tax, depreciation and amortisation

EPS: Earnings Per Share

ERP: Enterprise Resource Planning

EU: Europe

FAP: Food producing Animal Products

FX: Foreign Exchange

IFRS: International Financial Reporting Standards

NA: North America

ROCE: Return on Capital Employed

Underlying results: excludes items associated with areas such as amortisation of acquired intangibles, acquisition expenses and subsequent integration costs, fair value of uplift of inventory acquired through business combinations, manufacturing rationalisation costs, loss on extinguishment of debt, and fair value and other movements on 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.

Trademarks

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