



An International Veterinary  
Pharmaceutical Business





**Half-Yearly Review 2012**  
**Six months ended 31 December 2011**

# Overview

- Strong growth delivered through Dechra's key strategic Pharmaceutical segments
- Good revenue growth from Services
- Equine product acquisition completed
- FDA approval achieved at *Dales*® manufacturing site
- Balance sheet remains strong

# Half-Yearly Results

Six months ended 31 December  
**2011**                      2010

Revenue	<b>£209.5m</b>	£192.2m	+9.0%
Underlying operating profit*	<b>£16.2m</b>	£14.5m	+11.8%
Operating profit	<b>£11.0m</b>	£10.0m	+10.1%
Underlying profit before taxation*	<b>£14.3m</b>	£13.9m	+3.0%
Underlying profit before taxation at constant currency*	<b>£15.1m</b>	£13.6m	+11.3%
Profit before taxation	<b>£8.9m</b>	£9.0m	
Underlying earnings per share*	<b>15.86p</b>	15.60p	+1.7%
Earnings per share	<b>10.09p</b>	10.10p	
Interim dividend	<b>4.10p</b>	3.70p	+10.8%
Net borrowings	<b>£46.1m</b>	£49.6m	
Dividend cover*	<b>3.9 times</b>	4.2 times	

\* before amortisation of acquired intangibles, acquisition expenses, rationalisation costs, impairment charges, loss on extinguishment of debt and unwinding of discounts on deferred and contingent consideration

# Growth in Revenue

	£'000	Growth %
<b>Revenue growth</b>		
Period ended 31 December 2010	192,208	
Organic at constant currency	12,334	+6.4
Acquisitions	4,007	+2.1
Currency	962	+0.5
	-----	-----
Period ended 31 December 2011	209,511	+9.0
	=====	=====

# Financials

## European Pharmaceuticals

	<b>2011</b> <b>£'000</b>	2010 £'000	
Revenue			
- core	<b>46,577</b>	43,381	+7.4%
- acquisitions	<b>1,704</b>	296	
	-----	-----	
	<b>48,281</b>	43,677	+10.5%
	=====	=====	
Underlying operating profit	<b>12,780</b>	10,436	+22.5%
	=====	=====	

- ↳ Pharmaceuticals revenue grew by 16.8% (11.0% excluding acquisitions)
- ↳ Diets revenue flat at constant currency
- ↳ Growth in contract manufacturing revenues of 9.4%

# Financials

## US Pharmaceuticals

	<b>2011</b>	2010	
	<b>£'000</b>	£'000	
Revenue			
- core	<b>5,292</b>	5,136	+3.0%
- acquisitions	<b>3,939</b>	1,340	
	-----	-----	
	<b>9,231</b>	6,476	+42.5%
	=====	=====	
Underlying operating profit	<b>2,302</b>	1,846	+24.7%
	=====	=====	

- ↳ *DermaPet*® performing to pre-acquisition expectations
- ↳ Double digit growth from key brands offset by lower revenues from minor products and launch stock of *Equidone*® in the prior year
- ↳ Planned infrastructure build-up continues

# Financials

## Services

	<b>2011</b>	2010	
	<b>£'000</b>	£'000	
Revenue	<b>159,500</b>	148,592	+7.3%
Underlying operating profit	<b>5,397</b>	6,349	-15.0%

- ↳ Good market growth compared to soft comparable period
- ↳ Inventory levels reduced significantly in January. IFS system will drive further improvement.



# Financials

## Group Statement of Financial Position

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Non-current assets - intangible assets	<b>116,835</b>	125,873
- property, plant and equipment	<b>7,344</b>	7,714
	-----	-----
	<b>124,179</b>	133,587
Net working capital	<b>48,897</b>	39,224
Contingent and deferred consideration	<b>(13,893)</b>	(14,800)
Current and deferred tax liabilities	<b>(16,528)</b>	(16,652)
Net borrowings	<b>(46,071)</b>	(49,648)
	-----	-----
Net assets	<b>96,584</b>	91,711
	-----	-----

↳ Net borrowings 1.3 x EBITDA

# Financials

## Group Cash Flow

	<b>2011</b> <b>£'000</b>	2010 £'000
<b>Cash Flow</b>		
Cash flow from operations before interest and taxation	<b>1,353</b>	842
Capital expenditure		
- Intangible assets	<b>515</b>	983
- Property, plant and equipment	<b>602</b>	619
	<b>-----</b>	<b>-----</b>
	<b>1,117</b>	1,602
	<b>====</b>	<b>====</b>
Inventory days	<b>59</b>	55
Receivable days	<b>48</b>	42
Payable days	<b>53</b>	52

- ↳ Inventory increase reversed out in January
- ↳ Receivable days driven by increased sales to corporate accounts

# Acquisition – HY-50®

- ↳ Equine product for lameness acquired January 2012
- ↳ Total consideration of CAD\$ 8.03 million (£5.1 million)
- ↳ Funded from existing cash resources
- ↳ Strengthens the Group's EU equine portfolio
- ↳ Will be earnings enhancing in first full year

# Product Development

- ↳ *Libromide*®, canine epilepsy product, approved across Europe
- ↳ Progress continues to be made on key novel Pharma projects
- ↳ Additional new novel pharmaceutical being screened for effectiveness
- ↳ Two new diets developed
  - *Specific*® CED
  - *Specific* FID
- ↳ Pipeline remains robust

# EU Pharmaceuticals

## Review

### ↳ **Dechra Veterinary Products EU**

- ↳ Strong pharmaceutical growth
- ↳ Diets flat due to phasing of export orders
- ↳ *Genitrix*® integrated, *DermaPet* re-launched
- ↳ Transfer of diets to new manufacturer completed

### ↳ **Dales Manufacturing**

- ↳ Good growth in contract manufacturing revenues
- ↳ FDA approval granted, *Vetoryl*® production commenced

# US Pharmaceuticals

## Review

### ↳ Dechra Veterinary Products US

- ↳ *DermaPet* distributor sales increased by 17% over corresponding pre-acquisition period
- ↳ Entire *DermaPet* range re-launched in new livery
- ↳ *Vetoryl* and *Felimazole*<sup>®</sup> continue to grow
- ↳ Veterinary Educational Professional Development platform extended

# Services

## Review

### ↳ **NVS**

- ↳ Strong revenue growth
- ↳ Margin declined due to product mix and discounts to customers
- ↳ New IT system live on 1<sup>st</sup> July
- ↳ New services introduced
  - Webshop
  - New Indices

# Outlook

- ↷ International pharmaceutical businesses delivering good growth
- ↷ Well positioned for future growth in key EU markets
- ↷ Ongoing development of US business
- ↷ Services revenue strong, margins under pressure
- ↷ Robust pipeline
- ↷ Confidence in our growth strategy



# Segmental Summary

	<b>2011</b>	2010
	<b>£'000</b>	£'000
<b>Revenue</b>		
European pharmaceuticals	<b>48,281</b>	43,677
US pharmaceuticals	<b>9,231</b>	6,476
Services	<b>159,500</b>	148,592
Inter-segment	<b>(7,501)</b>	(6,537)
	-----	-----
	<b>209,511</b>	192,208
	-----	-----
<b>Underlying operating profit</b>		
European pharmaceuticals	<b>12,780</b>	10,436
US pharmaceuticals	<b>2,302</b>	1,846
Services	<b>5,397</b>	6,349
Research & development	<b>(2,405)</b>	(2,456)
Corporate and other unallocated costs	<b>(1,895)</b>	(1,700)
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	<b>16,179</b>	14,475
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## **Trademarks**

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## **Forward-Looking Statements**

This document contains certain forward-looking statements. The forward-looking statements 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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