



An International Veterinary Pharmaceutical Business



**Preliminary Results for the year ended 30 June 2011**

- Fifth successive year of double digit underlying earnings per share growth
- Strong growth from branded veterinary products
- Investment in product pipeline increased
- High cash inflow in second half
- Two earnings enhancing acquisitions completed and integrated
- Strong balance sheet with net borrowings 0.98 times underlying EBITDA

# Financial Highlights

	Year ended 30 June					
	Underlying*			Reported		
	2011	2010		2011	2010	
Revenue	<b>£389.2m</b>	£369.4m	+5.4%	<b>£389.2m</b>	£369.4m	+5.4%
Operating profit	<b>£31.8m</b>	£28.2m	+12.9%	<b>£21.7m</b>	£19.9m	+9.3%
Pre-tax profit	<b>£30.1m</b>	£26.1m	+15.4%	<b>£18.5m</b>	£17.7m	+4.4%
Earnings per share	<b>34.33p</b>	29.50p	+16.4%	<b>21.33p</b>	19.97p	+6.8%
Full year dividend	<b>12.10p</b>	10.50p	+15.2%	<b>12.10p</b>	10.50p	+15.2%
Net borrowings	<b>£34.1m</b>	£6.7m		<b>£34.1m</b>	£6.7m	

\* Non-underlying items comprise amortisation of acquired intangibles, acquisition expenses, rationalisation costs, payments to acquire technology for the research and development programme, impairment charges, loss on extinguishment of debt and the unwinding of discounts on deferred and contingent consideration

# Revenue

	Year ended 30 June		
	2011	2010	
	£'000	£'000	
European Pharmaceuticals	89,287	84,637	+5.5%
US Pharmaceuticals	16,107	10,634	+51.5%
Services	296,258	285,670	+3.7%
Inter-segment	(12,415)	(11,572)	
	<b>389,237</b>	<b>369,369</b>	<b>+5.4%</b>

## Impact of acquisitions and foreign exchange

	Revenue Growth %
Organic at constant currency	3.9
Acquisitions	1.8
Currency	(0.3)
	<b>5.4</b>

# Underlying Operating Profit

	2011	2010	
Gross profit	<b>£88.4m</b>	£80.6m	+9.6%
Gross margin	<b>22.7%</b>	21.8%	
<ul style="list-style-type: none"> <li>Increased contribution from Pharmaceuticals business</li> <li>Diets margin under pressure</li> </ul>			
Underlying distribution expenses	<b>(£17.7m)</b>	(£16.2m)	-8.7%
<ul style="list-style-type: none"> <li>Increased volumes and fuel costs</li> </ul>			
Underlying SG&A expenses	<b>(£33.7m)</b>	(£31.5m)	-6.8%
<ul style="list-style-type: none"> <li>Investment in US business</li> </ul>			
Research and development expenses	<b>(£5.2m)</b>	(£4.7m)	-11.9%

# Underlying Operating Profit

	2011 £'000	2010 £'000	
European Pharmaceuticals	22,506	21,412	+5.1%
US Pharmaceuticals	4,838	1,311	+269.0%
Services	13,087	13,103	-0.1%
Research and development	(5,221)	(4,666)	-11.9%
Central costs	(3,387)	(2,970)	-14.0%
Underlying operating profit	<b>31,823</b>	28,190	+12.9%
Underlying operating margin	<b>8.2%</b>	7.6%	

## Impact of acquisitions and foreign exchange

	Underlying Operating Profit Growth %
Organic at constant currency	4.2
Acquisitions	9.7
Currency	(1.0)
	<b>12.9</b>

- Net finance expense : £1.8 million (2010: £2.1 million)
  - Increased borrowings to fund acquisitions
  - Net foreign exchange gains
- Taxation : effective rate on underlying earnings 24.3% (2010: 25.4%)
  - Group will benefit from reduced UK corporation tax rate going forward



## Group Statement of Financial Position

		2011 £'000	2010 £'000
Non-current assets	- intangibles	125,098	80,371
	- property, plant and equipment	7,721	7,673
		<hr/> 132,819	<hr/> 88,044
Net working capital		32,494	21,486
Deferred and contingent consideration		(14,055)	-
Current tax liability		(5,391)	(4,105)
Deferred tax liability		(13,443)	(12,496)
Net borrowings		(34,091)	(6,701)
Net assets		<hr/> 98,333	<hr/> 86,228
Inventory days		<hr/> 46	<hr/> 42
Trade receivable days		43	37

- £6.7m reduction in working capital in H2
- Inventory build-up in H1 partially reversed in H2
- Net assets of acquired businesses £46.9 million including working capital of £1.5 million. Funded by borrowings and deferred and contingent consideration

# Financials

## Cash Flow

	2011 £'000	2010 £'000
<b>Cash Flow</b>		
Inflow from operations	<b>25,374</b>	26,662
% of operating profit (excluding amortisation of acquired intangibles)	<b>82.8%</b>	100.8%
Free cash flow	<b>9,294</b>	9,938

- Strong cash flow in H2
- Additional payment terms approved to certain large *MVS*<sup>®</sup> accounts

- *DermaPet*<sup>®</sup> acquired October 2010
  - Total potential consideration US\$64 million
  - Accelerates presence and scale of US operation
  - Strengthens the Groups dermatological portfolio
- *Genitrix*<sup>®</sup> acquired December 2010
  - Total potential consideration £6.4 million
  - Increases UK product portfolio
  - Product opportunities in other EU subsidiaries
- Both businesses fully integrated
  - Cost synergies realised in H2
  - Sales revenues performing to expectations
- Both will be earnings enhancing year ending 30 June 2012

# Product Development

- 12% increase in development spend
- Ten pharmaceutical registrations achieved
- Three new diets developed and trialled
- Five novel pharmaceutical products in development
- Several pharmaceutical generics in development
- Numerous new diets and pharmaceutical opportunities under review

# Product Development

- New Chemical Entities

Species	Therapeutic Category	Target Approval
Equine	Lameness	2013
Canine	Endocrine	2014
Feline	Endocrine	2015
Feline	Gastrointestinal	2014
Canine	Dermatological	TBD

- Generics and Unlicensed Products

Species	Therapeutic Category	Target Approval
Canine	Epilepsy	2011
Equine/Canine	Euthanasia	2012
Canine/Feline/Equine	Pain Management	2012
Canine/Feline	Pain Management	2013
Feline	Endocrine	2013
Feline	Endocrine	TBD

- £29 million to £35 million annual revenue
- Gross margins in excess of 70%

# European Pharmaceuticals Review

- Strong performance from own branded veterinary products
  - Pharmaceuticals increased by 9%
  - Diets increased by 8%
- New Benelux business unit created
- *Canaural*<sup>®</sup>, *Fuciderm*<sup>®</sup> and *Fucithalmic*<sup>®</sup> now in Dechra livery in Germany and Belgium
- *Vetoryl*<sup>®</sup> and *Felimazole*<sup>®</sup> now marketed in-house across all subsidiaries
- Several new products launched
- FDA approval at *Dales*<sup>®</sup> imminent

# US Pharmaceuticals Review

- Strong revenue growth of 51.5%
- Sales, marketing and technical support further strengthened
- *Vetoryl* sales increased by 30%
  - Ongoing month on month growth continuing
  - Successful lobbying of senators against compounding
- *Equidone*<sup>®</sup> Gel launched to equine veterinarians
- *Specific*<sup>®</sup> diets launched by iVet
  - Future royalty stream

# Services Review

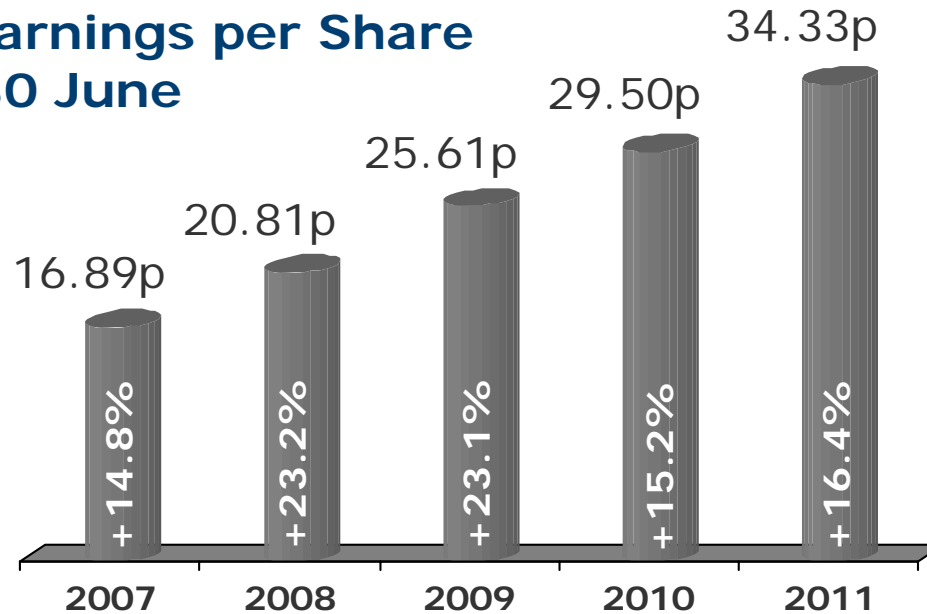
- Revenue growth of 3.9% at *MVS* in challenging market
- New integrated IT system implemented at *MVS*
  - Improved management information
  - Platform for new forward looking services
- Further warehouse efficiencies delivered
- Poor performance at laboratories



- International products businesses delivering good growth
- Full year contribution from in-house marketing of our own products
- Full year revenue and cost synergies from acquisitions
- Additional sales from expansion into new territories
- Strong product development pipeline
- Our strategy will continue to deliver Shareholder value

# Five Year Earnings Record

- **Underlying Earnings per Share  
Year ended 30 June**



- **Proven track record of growth throughout the current global economic uncertainty**

# Appendices



## **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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