



# **Animalcare Group plc**

## **Interim Results Presentation**

For the six months to 31<sup>st</sup> December 2015

# Investment Case

- **Animalcare is a sustainable growing business** in a growing market
- **Animalcare is cash generative** and debt-free
- **Animalcare is dividend paying** and expects to maintain its current dividend policy during its investment phase
- **Animalcare is implementing a clear strategy** to accelerate its growth over the next 3 to 5 years

# Product Group Descriptions

## Licensed Veterinary Medicines

- Mainly generic medicines for treatment of companion animals
- Core therapy areas
  - Fluid therapy
  - Pain relief
  - Antibacterials
  - Chronic/senior diseases



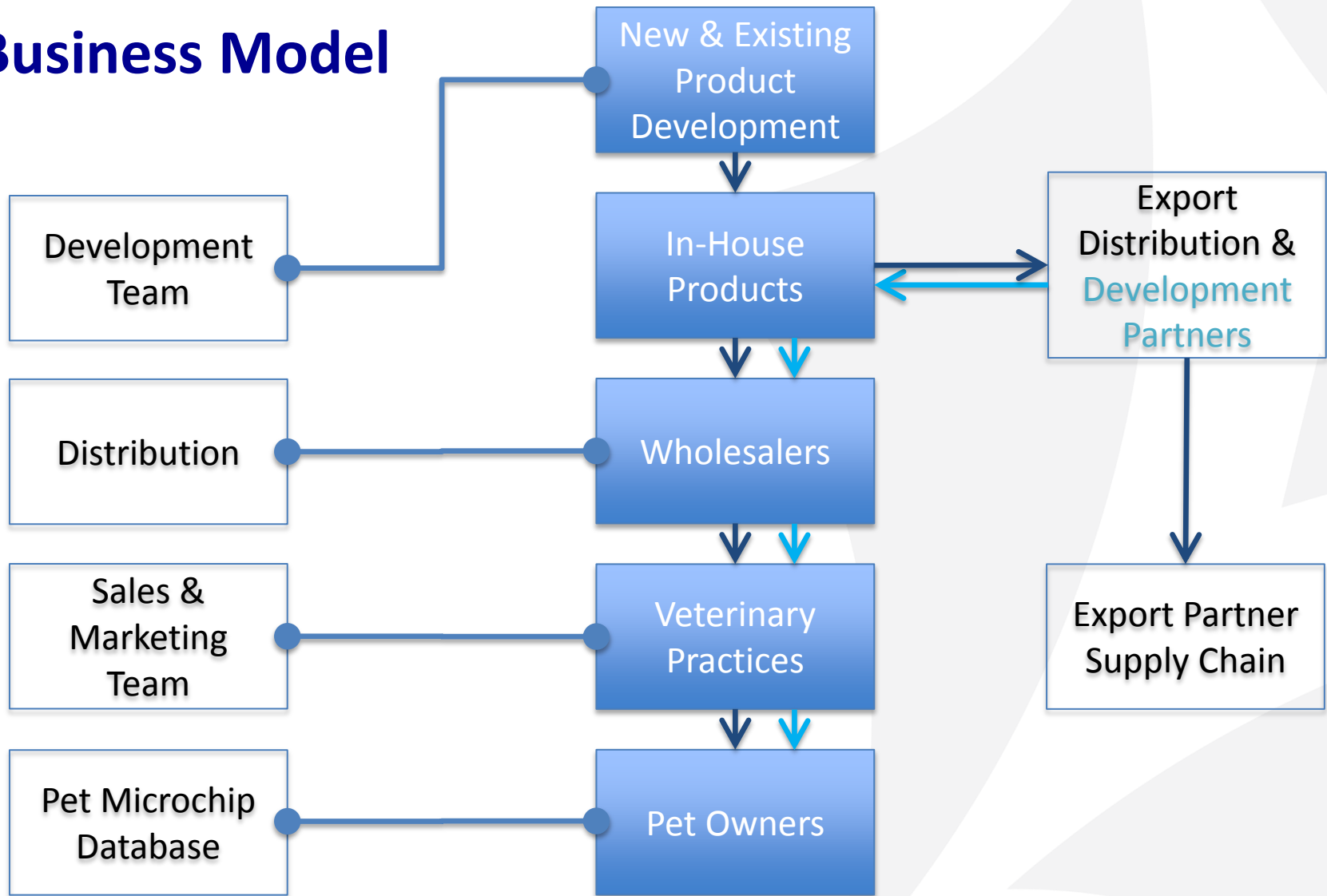
## Animal Welfare Products

- Broad range of lower margin support products
- Infusion Accessories 55% of AWP group: synergy with IV fluid range
- Other unconnected products
  - Bandages, instruments, hygiene

## Companion Animal Identification

- Identichip branded microchips
- Anibase pet database
  - 4.5m registered pet owners
- Revenue from insurance, premium services and database admin. fees

# Business Model



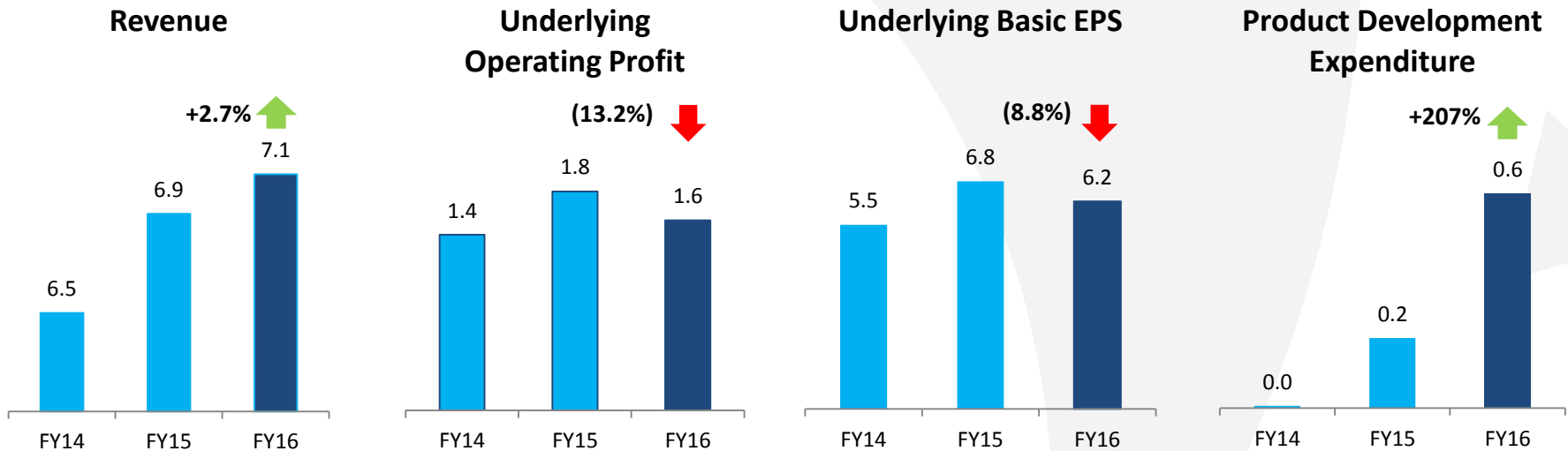
# Market Review

- UK pet medicines market £336m +2.3% MAT to June 2015 (latest NOAH data\*)
- Unprecedented consolidation in customer base in the period
  - Strategy of increased engagement with key accounts as important as ever
- Proposed merger of Merial and Boehringer Ingelheim animal health businesses announced
  - A combined animal health business of around €3.8bn sales
  - No direct impact on or opportunity for Animalcare
- Significant number of product acquisition & in-licensing opportunities continue

(\*National Office of Animal Health, [www.noah.co.uk](http://www.noah.co.uk) )

# Financial Results – H1 FY16

*Solid H1 performance while investing for future growth*



- Interim dividend maintained at 1.8p per share
- Strong financial position continues with cash balances up £0.3m to £6.1m (30<sup>th</sup> June 2015: £5.8m) – well positioned to reinvest for future growth

Underlying measures are before the effect of exceptional costs and other items

# Product Group Performance

## Licensed Veterinary Medicines

- H1 FY16 revenues: £4.6m
- +4.2% vs H1 FY15
- Lfl sales flat excluding c£0.2m non-recurring H1 FY15 benefit from Buprecare sales
- Growth driven by new distribution products launched in FY15, notably Pet Remedy and Synthadon

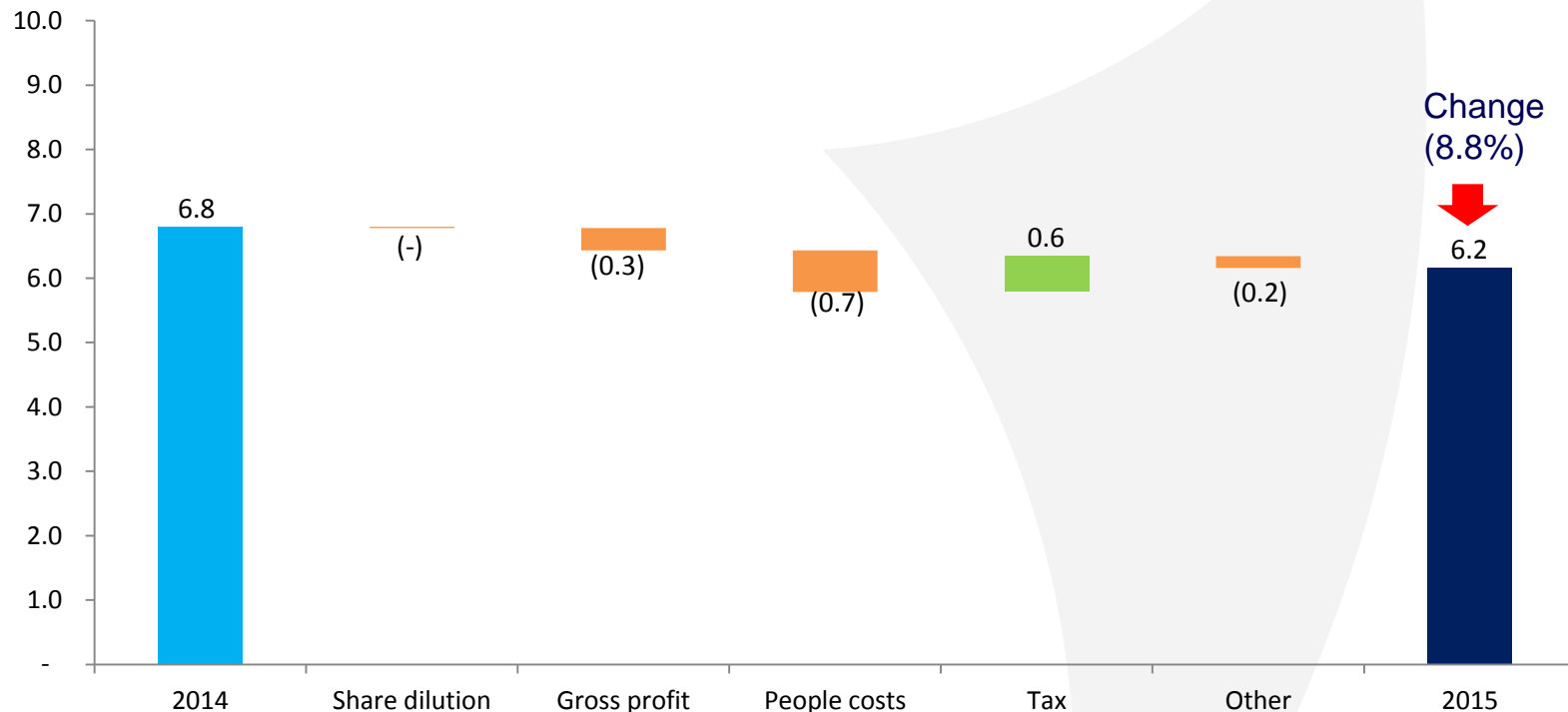
## Companion Animal Identification

- H1 FY16 revenues: £1.2m
- (5.2%) vs H1 FY15
- Decline in standard chip volumes – driven by phasing of our promotional activity and change in market demand:
  - Compulsory microchipping
  - Smaller microchips
- Sales of follow on services +7.2%.
- Plans in place to maximise value – short and medium-term

## Animal Welfare Products

- H1 FY16 revenues: £1.3m
- +5.0% vs H1 FY15
- Infusion Accessories growing +8.0%
- Upgraded range of hygiene products introduced in preparation for EU Biocidal Product Regulations

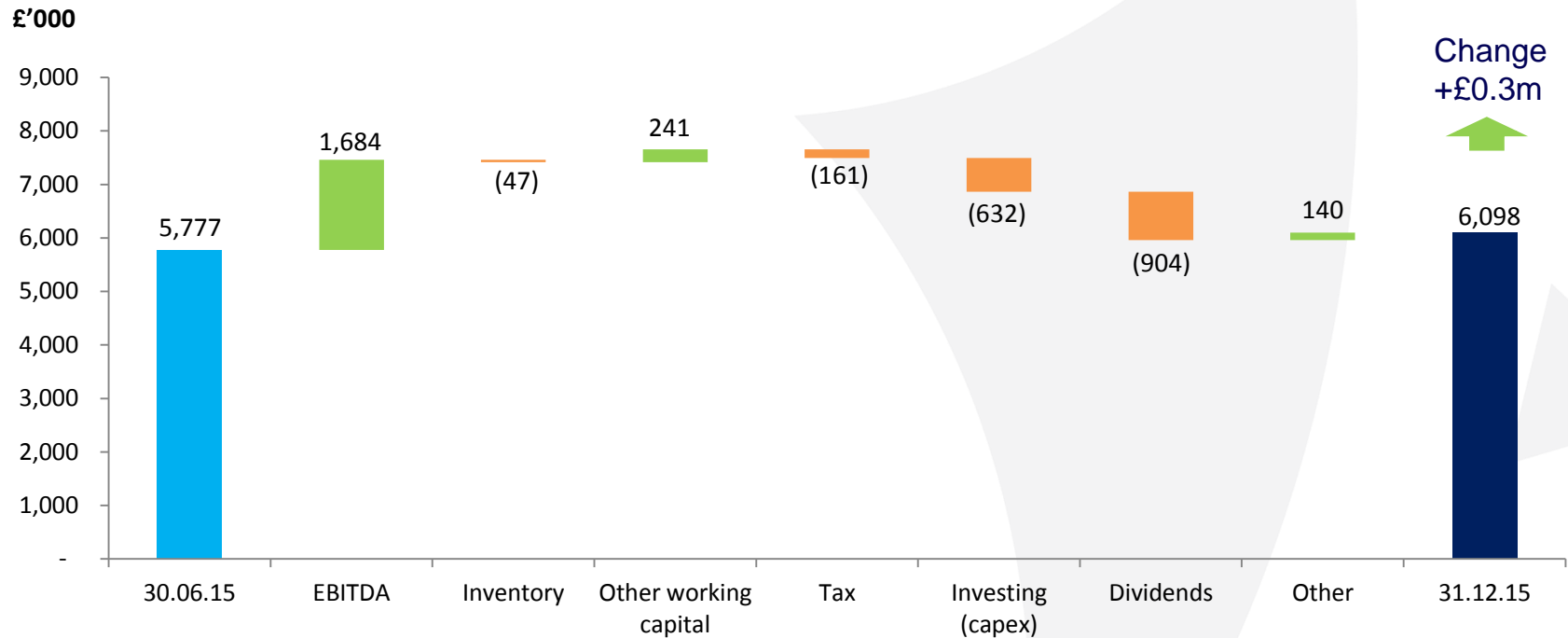
# EPS Analysis



- Gross profit contribution impacted by prior period £0.2m non-recurring Buprecare sales benefit and increased export sales (+28%)
- Overheads excluding exceptionals up £0.2m to £2.3m; reflects investment in people to support future growth. Operating margins similar to FY14 – controlled cost increase
- Effective tax rate at 16.4% vs 20.8% 2014 – R&D benefit through increased NPD



# Cash Flow Analysis



- Cash generated from operations remains strong – maintained robust control over working capital
- NPD expenditure increased 207% to £0.6m – expect overall FY16 in range of £1.0-£1.5m

*Enter FY16 H2 in strong position to execute strategy for growth*

# Building a Strong Business

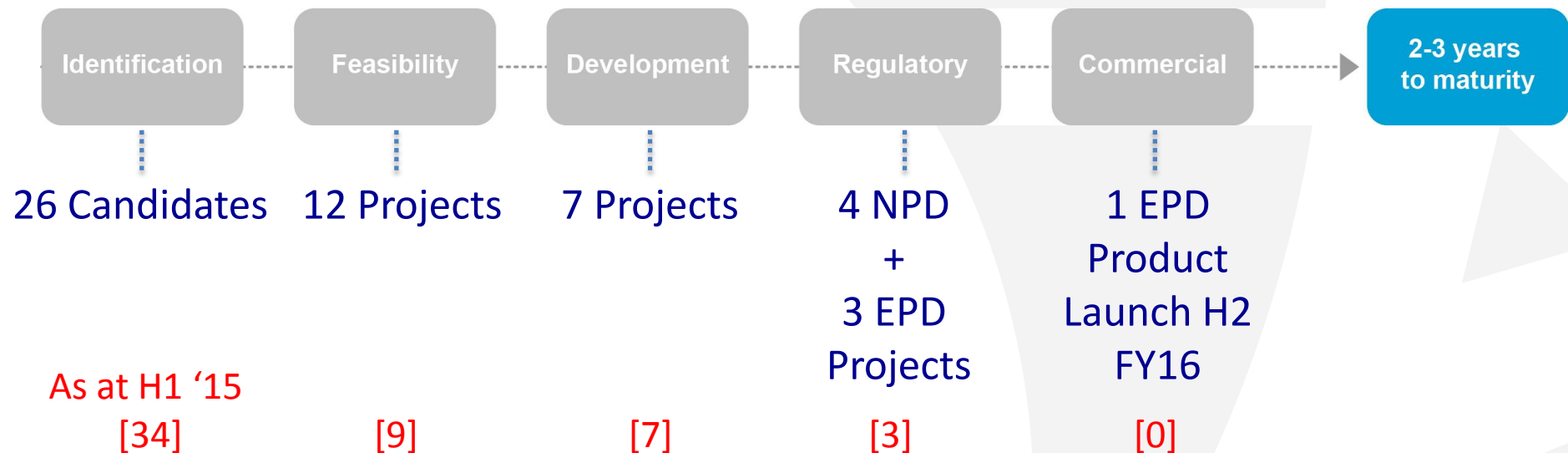
- Senior Management Team in place
  - Head of Export Development already delivering wide-ranging opportunities
- Sales Team
  - Sales team capacity unparalleled in UK for size of company
- Technical and Product Development
  - First regulatory submission prepared fully in-house
  - Additional product development recruitment to increase commercial expertise and capacity
- Talent Management Program
  - Embarked on extensive program to develop and retain staff

## Strategy: 2015 to 2018

- Identify product candidates to maintain flow into and through development pipeline
- Increase efforts to license in new pharmaceutical products
- Assess opportunities to innovate and strengthen Companion Animal Identification group
- Increase our revenues from outside the UK

# In-house New & Existing Product Development

Generic development 3yrs; enhanced generic development 5yrs



- First in-house project to be commercialised since 2012
- In-house regulatory team entirely managing submissions

# Outlook: *Strategy execution on track*

- Fully stocked in-house development pipeline
  - In-house regulatory team preparing all submissions
- In discussion to bring in exciting new development opportunities
- Plans to build value in microchips and services in advanced stages
- Export plans ahead of internal expectations

*Debt-free, cash generative and investing for growth*

# Appendices

# Appendix 1: Profit and Loss

	6 months ended 31.12.15			6 months ended 31.12.14		
	Underlying	Exceptionals	Total	Underlying	Exceptionals	Total
<b>Revenue</b>	<b>7,114</b>	-	<b>7,114</b>	6,928	-	6,928
Cost of sales	(3,230)	-	(3,230)	(2,971)	-	(2,971)
<b>Gross Profit</b>	<b>3,884</b>	-	<b>3,884</b>	3,957	-	3,957
Distribution costs	(121)	-	(121)	(135)	-	(135)
Research & development expenses	(70)	-	(70)	(84)	-	(84)
SG&A expenses	(2,140)	(59)	(2,199)	(1,948)	(49)	(1,997)
<b>Operating profit/(loss)</b>	<b>1,553</b>	<b>(59)</b>	<b>1,494</b>	1,790	(49)	1,741
Finance income/(expense)	13	21	34	13	1	14
<b>Profit/(loss) before tax</b>	<b>1,566</b>	<b>(38)</b>	<b>1,528</b>	1,803	(48)	1,755
Income tax (expense)/credit	(257)	7	(250)	(374)	10	(364)
<b>Profit after tax</b>	<b>1,309</b>	<b>(31)</b>	<b>1,278</b>	1,429	(38)	1,391
<b>EPS</b>						
Basic	6.2p		6.1p	6.8p		6.6p
Fully diluted	6.1p		6.0p	6.8p		6.6p

## Appendix 2: Summary Balance Sheet

£'000	2015	2014
Goodwill	12,711	12,711
Other intangible assets	2,257	1,395
Property, plant and equipment	271	330
<b>Non-current assets</b>	<b>15,239</b>	<b>14,436</b>
Inventories	1,700	1,938
Trade and other receivables	1,909	2,165
Cash and cash equivalents	6,098	5,037
<b>Current assets</b>	<b>9,707</b>	<b>9,140</b>
<b>Total assets</b>	<b>24,946</b>	<b>23,576</b>
Trade and other payables	(2,090)	(1,976)
Current tax liabilities	(301)	(481)
Deferred income	(233)	(242)
<b>Current liabilities</b>	<b>(2,624)</b>	<b>(2,699)</b>
Deferred income	(724)	(703)
Deferred tax liabilities	(127)	(84)
<b>Total liabilities</b>	<b>(3,475)</b>	<b>(3,486)</b>
<b>Net assets</b>	<b>21,471</b>	<b>20,090</b>



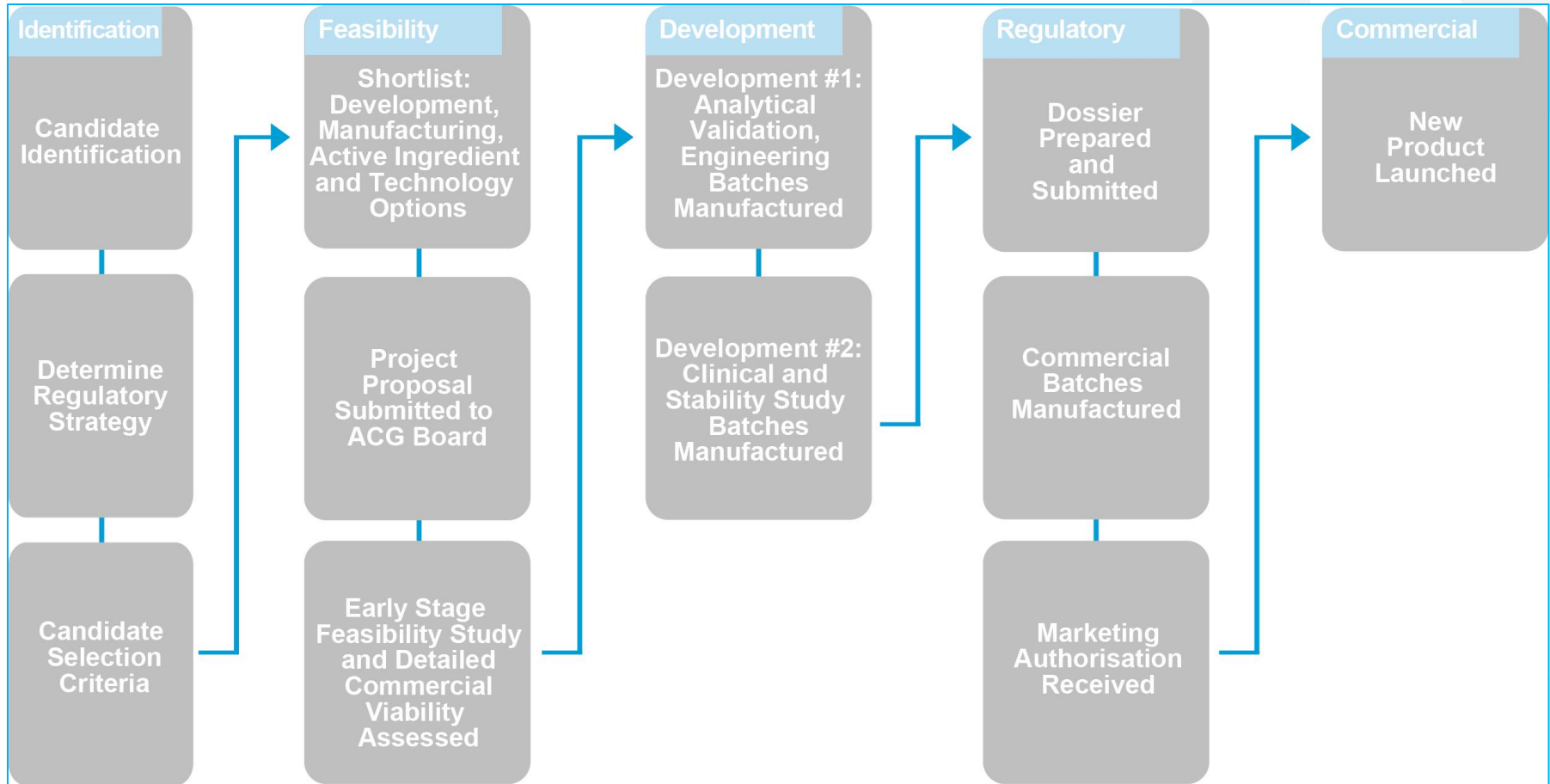
## Appendix 3: Cash flow

£'000	2015	2014
Profit before tax	1,528	1,755
Depreciation & amortisation	190	196
Other non-cash movements	47	34
<b>Operating cash flows before w/c movements</b>	<b>1,765</b>	<b>1,985</b>
Movement in inventories	(47)	482
Movement in receivables	337	(282)
Movement in payables	(96)	368
<b>Cash generated by operations</b>	<b>1,959</b>	<b>2,553</b>
Income taxes paid	(161)	(293)
<b>Net cash flow from operating activities</b>	<b>1,798</b>	<b>2,260</b>
Investing activities	(619)	(208)
Dividends	(904)	(827)
Issue of share capital	46	11
<b>Net increase in cash</b>	<b>321</b>	<b>1,225</b>
<b>Cash balances at 31<sup>st</sup> December</b>	<b>6,098</b>	<b>5,037</b>

## Appendix 4: Exceptional and other items

£'000	2015	2014
Amortisation of acquired intangibles	59	59
Supplier legal dispute	-	(10)
Interest rate swap refund	-	(18)
Fair value movements on FX hedging	(21)	17
	<b>38</b>	<b>48</b>

# Rigorous Product Development Process



- Structured development process
- Project progress monitored against timetable and budget

# Important Notice

This document contains certain forward looking statements.

Forward looking statements reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. These statements also reflect the Company's current view of the risks, uncertainties and assumptions with respect to future financial performance, strategy and future plans. Accordingly there are or will be factors that could cause the results to differ materially from those expressed or implied by those statements.

Therefore no statement in this document is intended as a profit forecast.