

ANIMALCARE GROUP PLC

Results Presentation

FOR THE YEAR ENDED 2017

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CFO – Chris Brewster



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AGENDA

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| 1. | Introduction and Summary of 2017 | CHRIS CARDON |
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| 2. | Financial Review 2017 | CHRIS BREWSTER |
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| 3. | Product Development Pipeline | CHRIS CARDON |
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| 4. | Strategy and considerations for 2018 | CHRIS CARDON |
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| 5. | Q&A | |
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INTRODUCTION AND HIGHLIGHTS

- Reverse acquisition of Ecuphar NV completed in July 2017 for £134m, creating a pan-European sales, marketing and product development company serving the Animal Health market
- **Financial performance**
 - Strong revenue growth of 22.4% (9.6% increase on a pro-forma basis) with underlying EBITDA increased by 11.9% (8.5% decline on a pro-forma basis)
- **Operations**
 - Cross-selling through higher margin own sales channels
 - Integration in progress with priority focus on Supply, HR and Product Development
 - New country managers recruited post year end (SP, UK)
 - Launch of a number of new products foreseen in 2018 in most of the territories

OVERVIEW OF NEW ANIMALCARE GROUP

	PHARMACEUTICALS SEGMENT	WHOLESALE SEGMENT
Product focus ⁽¹⁾	61% CAP 32% FAP 7% EQUINE	42% CAP 27% FAP 31% OTHER
No. of products	Broad portfolio of over 300 products.	Extensive range of c. 5,000 lines.
Revenue mix ⁽²⁾	74% of total sales	26% of total sales
EBITDA mix ⁽²⁾	97% of total EBITDA	3% of total EBITDA
Customer type	Veterinary clinics	Veterinary clinics
No. employees	240 (inc. 76 sales reps) & 28 agents	24
Direct sales	7 countries	Belgium
Export markets	38 countries	N/A
NPD pipeline	17 projects	N/A

REVENUE MIX



EBITDA mix



■ PHARMACEUTICALS ■ WHOLESALE

(1) CAP: Companion animal products; FAP: Farm (production) animal products, OTHER: Other products and services

(2) Based on the aggregated underlying pro-forma results for the 12 months ended 31st December 2017

A SPECIALIST PAN-EUROPEAN ANIMAL HEALTH SALES AND MARKETING ORGANISATION

■ Business model

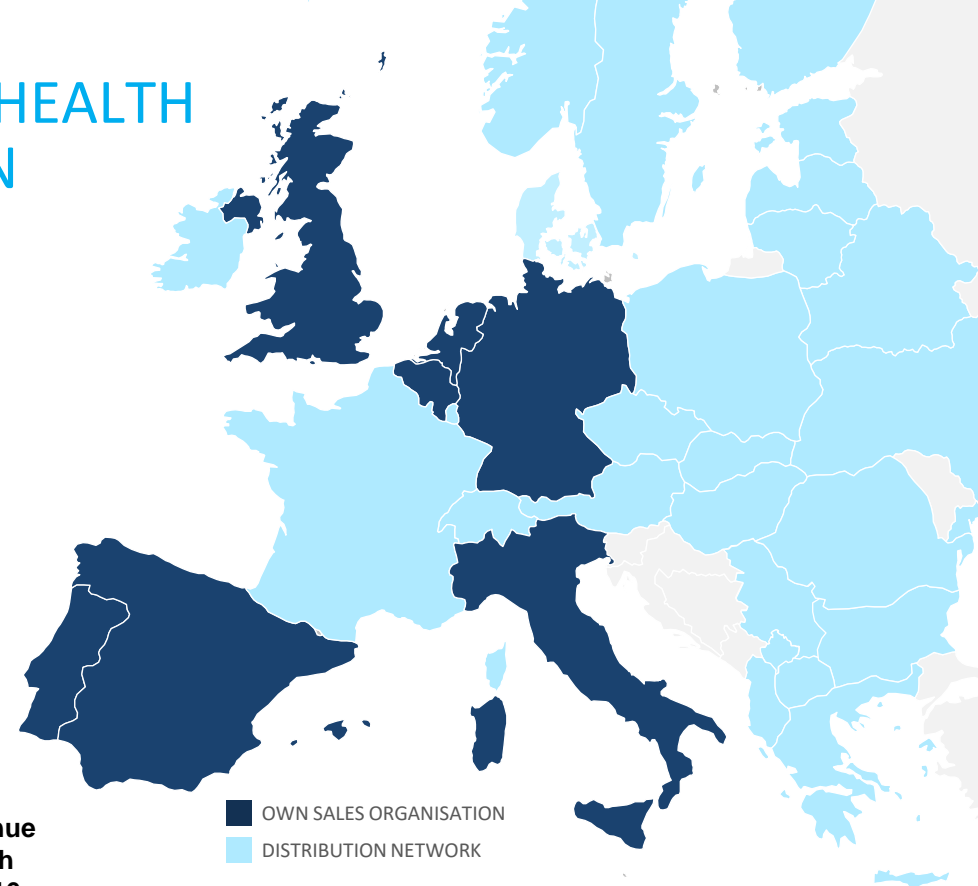
- Combination of own products & licenses
- Focus on both NPD and sales & marketing
- Experienced and capable management enhanced

■ Geographical sales opportunities

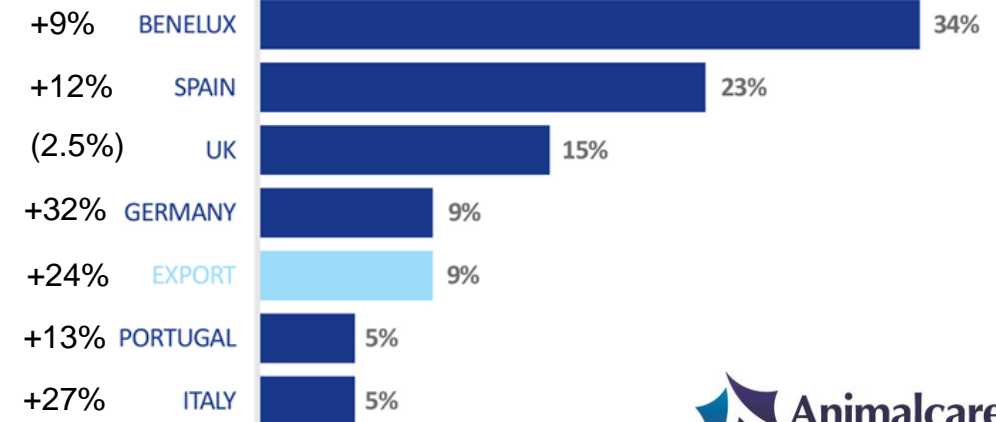
- Cross-selling through higher margin own sales channels

■ Commercial advantages of critical mass

- Critical scale in the large and growing animal health market
- Appealing distribution partner
- Significant operating efficiencies
- Opportunities in fragmented market



Revenue growth vs 2016



AREAS OF FOCUS

SURGERY AREA



PAIN



SEDATION



ORTHOPAEDIC IMPLANTS



FLUIDS

VACCINES



DERMATOLOGY



ANTI-INFLAMMATORY



PET IDENTIFICATION

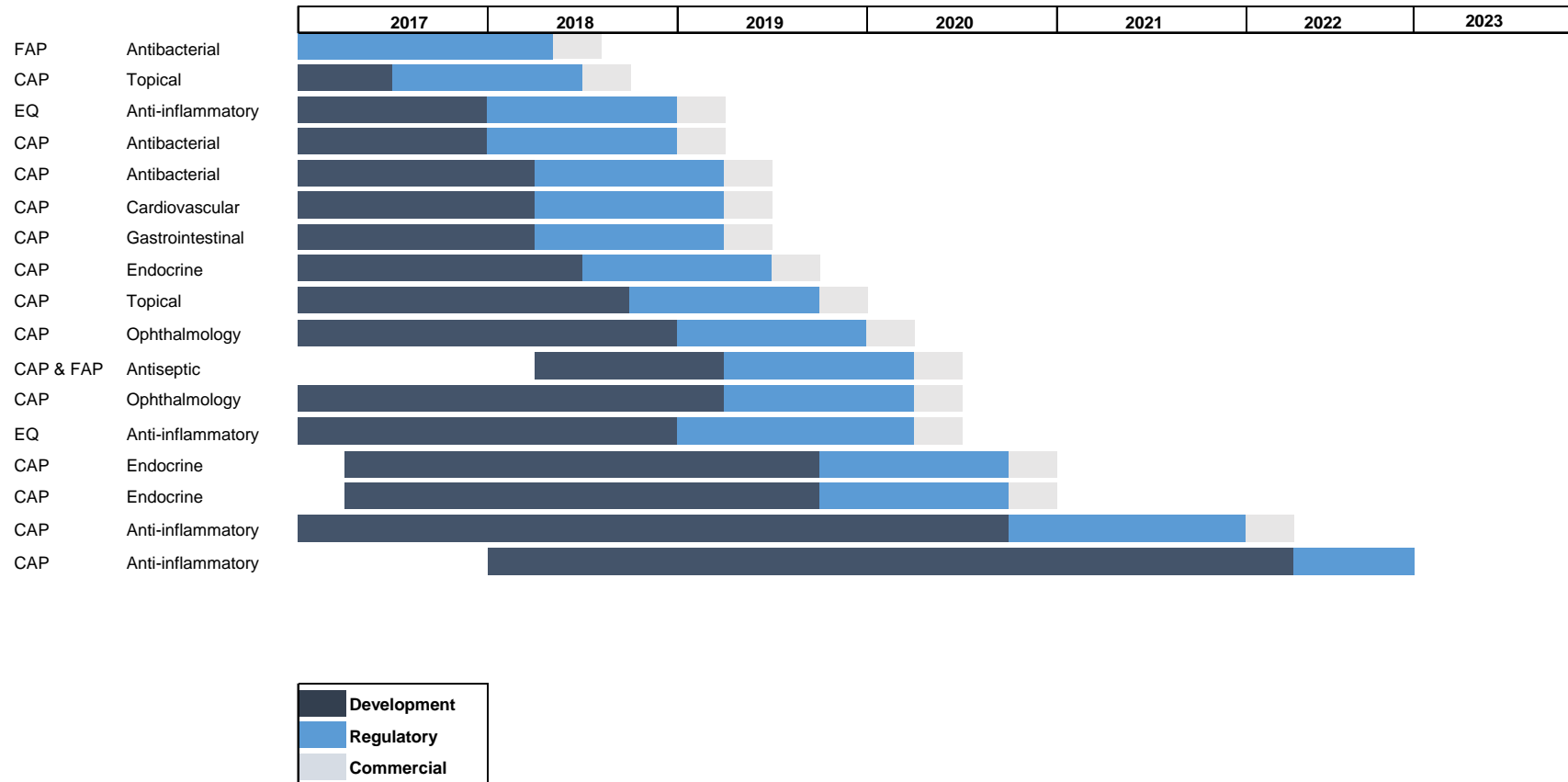


Areas of focus to:

- *Deliver organic revenue growth*
- *Priorities for our product development pipeline*
- *New product opportunities via our network*

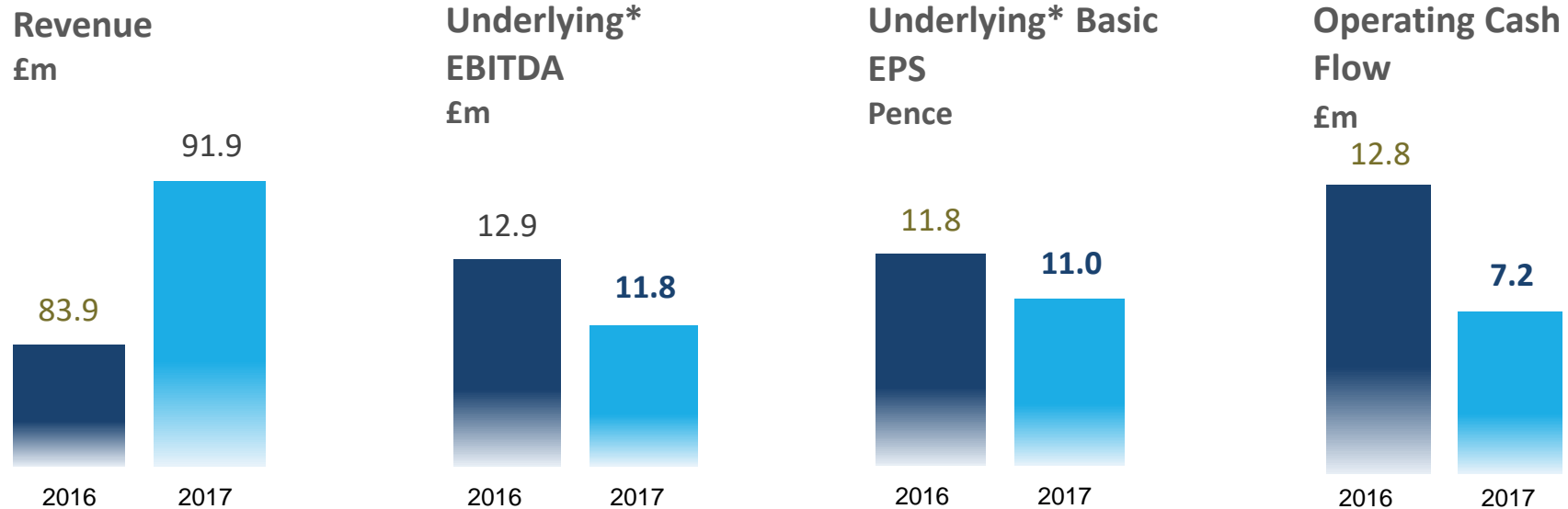
PRODUCT DEVELOPMENT PIPELINE

We have rationalised and prioritised our product development pipeline to focus on 17 active projects as shown below:



OVERVIEW OF PROFORMA FINANCIAL RESULTS

A period of challenge and change



- Revenue growth +9.6% (3.8% at CER) to £91.9m
- EBITDA declined by 8.5% (12.9% at CER) to £11.8m. Basic EPS decreased by 6.8% to 11.0p
- Operating cash flow excluding £4.3m non-underlying items reduced to £7.2m. Net debt at £25.9m with leverage at 2.2 times pro-forma underlying EBITDA
- Total proposed dividend of 6.7p, equivalent to Animalcare FY17

*Underlying measures are before the effect of non-underlying items

PROFORMA P&L FOR 12 MONTHS TO 31ST DECEMBER 2017

Strong revenue performance has not translated through to profit with the benefits of the merger yet to be seen

£m	Animalcare 2017	Ecuphar 2017	Total 2017	Total 2016*
Revenue	15.8	76.1	91.9	83.9
<i>% change</i>	<i>+1.7%</i>	<i>+12.1%</i>	<i>+9.6%</i>	
Gross profit	8.7	30.4	39.1	37.0
<i>Gross margin %</i>	<i>55.1%</i>	<i>39.9%</i>	<i>42.6%</i>	<i>44.1%</i>
Underlying EBITDA	3.3	8.4	11.8	12.9
<i>EBITDA %</i>	<i>21.2%</i>	<i>11.3%</i>	<i>12.8%</i>	<i>15.3%</i>
Underlying net profit	2.8	3.8	6.6	7.1
Basic underlying EPS			11.0p	11.8p

*Aggregated financials are calendarised for Animalcare for the 12 months ended 31 December 2016

TRADING PERFORMANCE BY SEGMENT - PHARMA

	2017 Continuing £'000	2017 Acquisition £'000	2017 Total £'000	2016 Continuing £'000	2016 Acquisition £'000	2016 Total £'000	Change at AER %
Revenue by Product Category							
Companion Animals	25,375	15,825	41,200	22,936	15,556	38,492	7.0%
Production Animals	22,022	-	22,022	18,883	-	18,883	16.6%
Equine	4,574	-	4,574	4,627	-	4,627	(1.1%)
Other	209	-	209	84	-	84	-
Revenue	52,180	15,825	68,005	46,530	15,556	62,086	9.5%
Gross Profit	27,993	8,720	36,713	26,003	8,722	34,725	5.7%
Gross Margin %	53.6%	55.1%	53.3%	55.9%	56.1%	55.9%	(2.6%)
Underlying Ebitda	8,126	3,349	11,475	8,429	3,944	12,373	(7.3%)

- Pharma segment represents 74% of total sales, 97% of total EBITDA
- Revenue growth of 9.5%; 12.1% (4.5% at CER) from continuing Ecuphar business, 1.7% acquired Animalcare
- Gross margins declined by 2.6% reflecting (i) lower margin sales mix (ii) maintaining our market share in a competitive environment and (iii) NutriScience disposal in Oct '16.
- EBITDA declined by 7.3% to £11.5m; £0.3m existing Ecuphar business and £0.6m Animalcare which includes c£0.3m new central costs

TRADING PERFORMANCE BY SEGMENT - WHOLESALE

	2017 Continuing £'000	2017 Acquisition £'000	2017 Total £'000	2016 Total £'000	% Change at AER Continuing %
Revenue	23,938	-	23,938	21,831	9.7%
Gross Profit	2,415	-	2,415	2,272	6.3%
Gross Margin %	10.1%	-	10.1%	10.4%	(0.3%)
Underlying Ebitda	289	-	289	485	(40.4%)

- Wholesale segment represents 26% of total sales; 3% of total EBITDA
- Revenue growth +9.7% (2.2% at CER).
- Gross margins slightly down on prior year due to sales mix
- EBITDA reduced by 40.4% mainly due to increased employee costs to drive product sales and service growth

OTHER FINANCIAL ITEMS

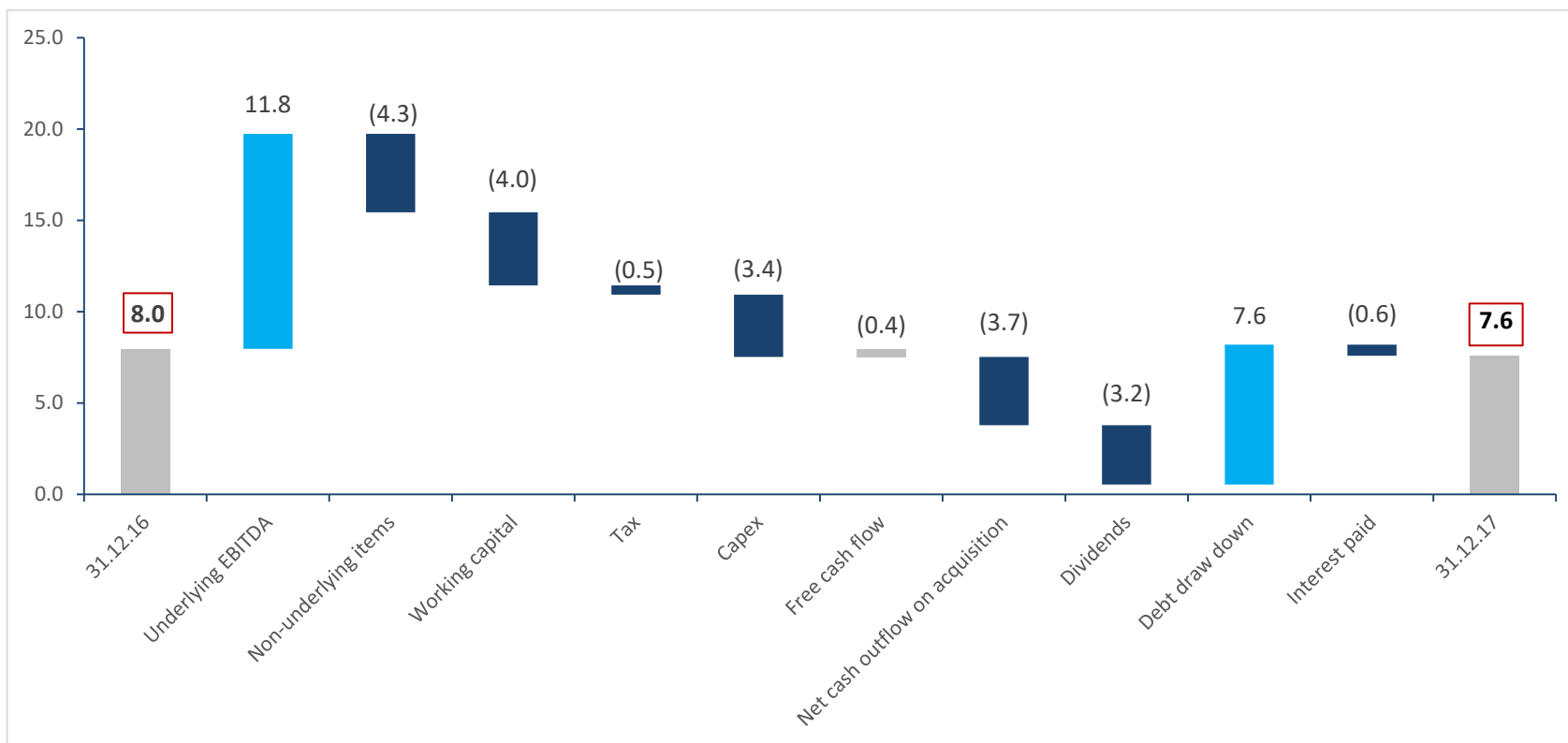
Overview of non-underlying items

	Proforma Reported Result £'000	Amortisation of acquired intangibles £'000	Acquisition and integration costs £'000	Proforma Underlying Result £'000
Profit before tax	1,300	2,657	4,684	8,641
Taxation	(828)	(652)	(567)	(2,047)
Profit after tax	472	2,005	4,117	6,594
Basic EPS (p)	0.8p	-	-	11.0p

- Amortisation of acquired intangibles of £2.7m from previous acquisitions (principally Esteve SA)
- Acquisition and integration costs: primarily £4.2m transaction costs in relation to the reverse acquisition and £0.5m post-acquisition & integration costs (including legal reorganisation involving ACL which provided £4m cash injection via debt draw down, LTIP, manufacturing transfers in relation to Esteve acquisition)

CASH FLOW ANALYSIS

£'m



- £4.3m cash outflow of non-underlying items relating to acquisition and integration costs
- Working capital increase of £4.0m primarily driven by high trade receivables due to strong growth in the final quarter and investment in stock (mainly in wholesale operation, Germany and Italy)
- £3.4m of capex largely relates to the product development pipeline
- Debt draw down of £7.6m of which £4.0m utilised to part fund the transfer of Animalcare Ltd to offset £4m existing Animalcare cash used in the acquisition of Ecuphar NV

SUMMARY OF 2017 AND CONSIDERATIONS FOR 2018

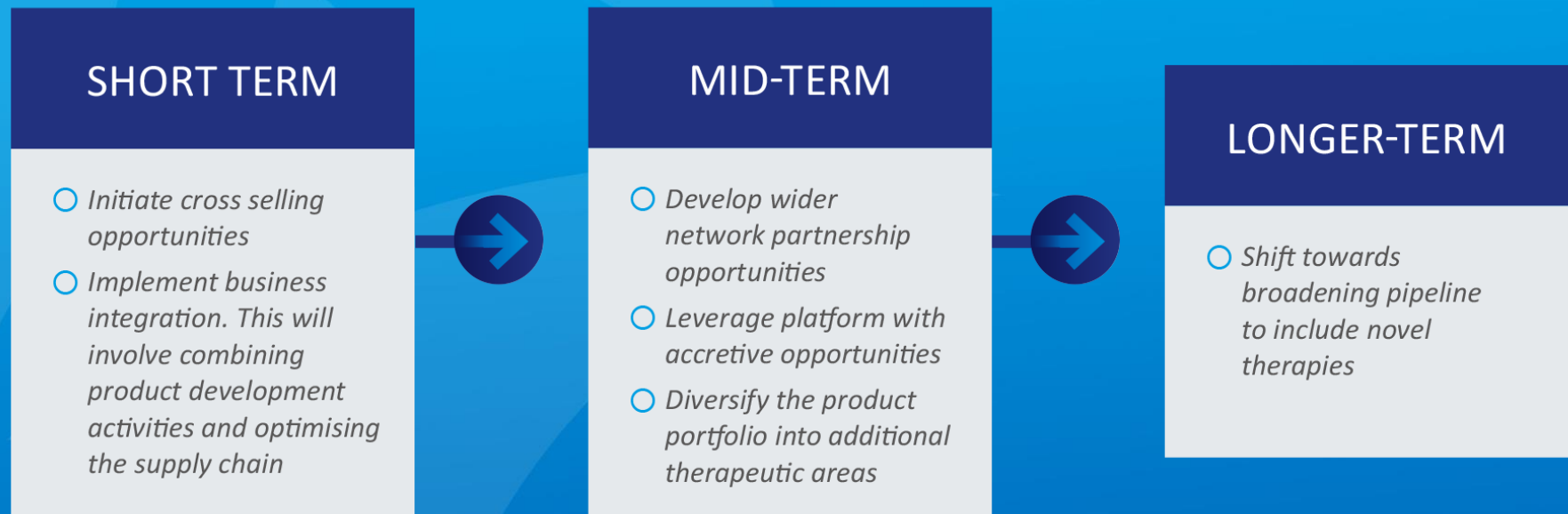
Delivered strong revenue growth however this has not translated through to our EBITDA primarily driven by gross margin decline, in particular in H2, and higher operating costs.

Our priorities for 2018 are:

- Increasing sales of new products from our distribution network and export expansion
- Focus on gross margin and EBITDA development
- Improve operating cash generation via greater focus on working capital
- Deliver integration to unlock scale benefits – IT and supply chain

Clear foundations to build from

OUR STRATEGIC OBJECTIVES



OUR STRATEGIC OBJECTIVES

Strategic Objective	Description	Performance 2017	Focus on 2018
1. CROSS SELLING	Animalcare & Ecuphar	Contracts ended	Preparation for launch to maximise benefits in 2019
2. BUSINESS INTEGRATION	R&D, HR, IT, Supply chain	Prioritisation of R&D project, Group HR, investment in future efficiency	Central management
3. MAPPING OF POTENTIAL ACQUISITIONS	Identification	Focus on integration	Listing acquisitions in line with areas of focus
4. DEVELOPING WIDER NETWORK PARTNERSHIPS	Offer EU footprint	Nutramax (US company)	Further development

OUTLOOK



Synergies: Starting to take effect post RTO

Cross-selling: Effects from Q4 2018

Launch Development Pipeline: 9 new launches expected by end of 2019

Licensing in Pipeline: Revenue growth from H2 2018

Delivering double digit profit growth: Incremental organic growth

Cash generative: Maintain dividend payments and investment in our business to drive growth

We are a cash-generative, growing pan-European animal health company

APPENDIX

BANKING COVENANTS

	Covenant	2017 Underlying results
Underlying Ebitda (£'000)		11,764
Net financial debt (£'000)		25,908
Leverage	3.5	2.2

EXCHANGE RATES

	Average	Closing
2017		
Euro €/£	1.14	1.13
2016		
Euro €/£	1.22	1.17

2018 FINANCIAL CALENDAR

- **27th June:** AGM
- **6th July:** Final dividend payment 2017
- **September:** Interim results H1 2018
- **November:** Interim dividend payment 2018