



# Animalcare Group plc

Interim Report Presentation

Six months to 31<sup>st</sup> December 2012

**Developing and Supplying**

Veterinary Products for Companion Animals

# Business Overview

“A leading supplier of generic veterinary medicines and animal identification products to companion animal veterinary markets in the UK, and selected markets in the EU and other selected markets ”

# Overview of Results

## **First six months of the financial year have seen Animalcare return to solid growth**

- Revenues +13.0%; Underlying operating profit +20.3%; Cash and cash equivalents +69.1% to £3m
- Strong sales from Licensed Veterinary Medicines
- Resumption of supply of Buprecare ampoules at the end of the period
- Focus on Companion Animal Identification group has stabilised microchip sales and grown other revenues in the group
- Two veterinary medicines launched (Vitofyllin and Buprecare ampoules) and one receiving regulatory approval in the period (Marbocare – RNS 4<sup>th</sup> October 2012); fourth new product launch expected by end of financial year
- New product development pipeline continues with progress made on registrations close to launch and on Project Sustain platform
- Transition in senior management now complete

# Financial Highlights

	6 months ended 31 <sup>st</sup> December 2012	6 months ended 31 <sup>st</sup> December 2011	% Change
Revenue	<b>£6.10m</b>	£5.40m	+13.0%
Underlying* EBITDA	<b>£1.57m</b>	£1.32m	+19.4%
Underlying* operating profit	<b>£1.47m</b>	£1.22m	+20.3%
Underlying* profit before tax	<b>£1.48m</b>	£1.22m	+21.5%
Profit for the period	<b>£1.07m</b>	£0.88m	+21.6%
Basic underlying earnings per share	<b>5.8p</b>	4.7p	+23.4%
Interim dividend	<b>1.5p</b>	1.5p	-
Net cash	<b>£2.96m</b>	£1.75m	+69.1%

\* Underlying measures are presented before the effect of exceptional costs, amortisation of acquired intangibles and other items.

# Product Group Summary

£'000	6 months ended 31 <sup>st</sup> December 2012	6 months ended 31 <sup>st</sup> December 2011	% Change
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## Sales

Licensed Veterinary Medicines	3,590	2,916	+23.1%
Companion Animal Identification	1,137	1,202	(5.4%)
Animal Welfare	1,376	1,282	+7.3%
<b>Total</b>	<b>6,103</b>	<b>5,400</b>	<b>+13.0%</b>

## Gross Profit

Licensed Veterinary Medicines	2,084	1,617	+28.9%
Companion Animal Identification	807	843	(4.9%)
Animal Welfare	511	483	+14.1%
<b>Total</b>	<b>3,402</b>	<b>2,943</b>	<b>15.6%</b>

## Gross Margin %

Licensed Veterinary Medicines	58.0%	55.5%	+4.5%
Companion Animal Identification	71.0%	70.1%	+1.3%
Animal Welfare	37.1%	37.7%	(1.6%)
<b>Total</b>	<b>55.7%</b>	<b>54.5%</b>	<b>+2.2%</b>

# Category Performance

## Licensed Veterinary Medicines

- Turnover growth (+23.1%) driven by launches in current or previous financial year; Vitofyllin and Buprecare multi-dose vial
- Gross profit (+28.9%) growth is effect of higher margin new products
- Competition in older licensed medicines reinforces focus on new higher margin products

## Companion Animal Identification

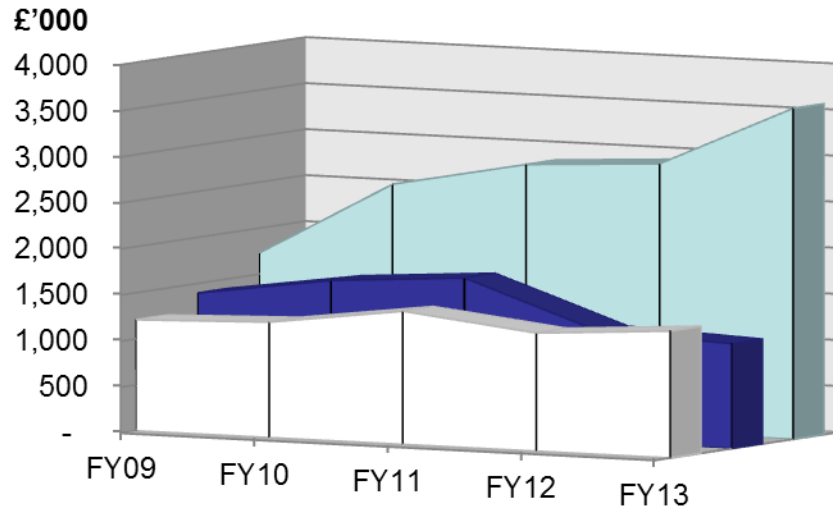
- Action taken earlier in 2012 has stabilised the sales of microchips
- Gross margin holding well under competitive pressure due to improved buying position
- Database services have grown 7% as a result of investment in previous financial year in database development

## Animal Welfare Products

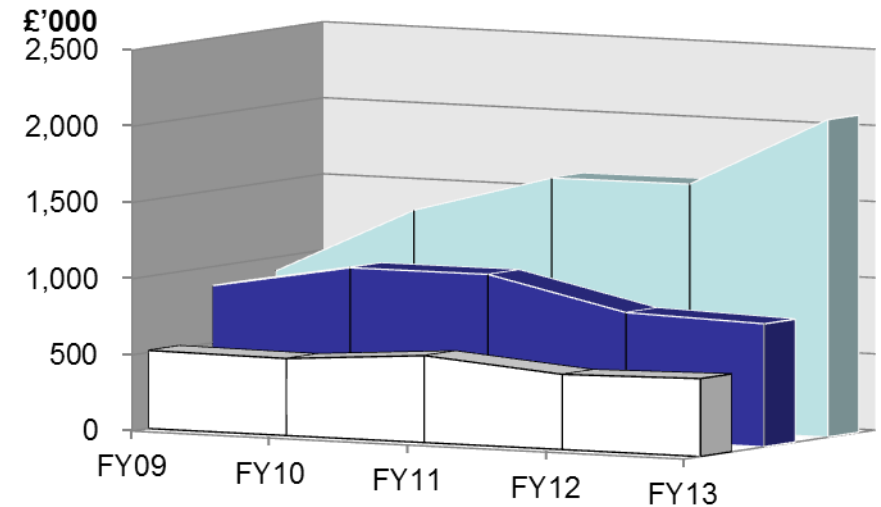
- Positive action sourcing Infusion Accessories products has underpinned strong performance versus same period last year (+6.7% TO; +12.3% GM), on sales in excess of £650k in the period
- Remaining Animal Welfare Products have held up well in like for like sales

# Segmental Analysis

## Revenue



## Gross Profit



- Licensed Veterinary Medicines
- Companion Animal Identification
- Animal Welfare

# Financials – Profit and Loss

	6 months ended 31 <sup>st</sup> December 2012	6 months ended 31 <sup>st</sup> December 2011	% Change
	£'000	£'000	
Revenue	<b>6,103</b>	5,400	+13.0%
Gross profit	<b>3,402</b>	2,943	+15.6%
Overheads	<b>(1,934)</b>	(1,723)	(12.2%)
Underlying operating profit	<b>1,468</b>	1,220	+20.3%
Finance income	<b>14</b>	-	-
Underlying profit before tax	<b>1,482</b>	1,220	+21.5%
Exceptional and other items	<b>(139)</b>	(130)	(6.9%)
Profit before tax	<b>1,343</b>	1,090	+23.2%
Taxation	<b>(269)</b>	(207)	(30.0%)
Profit for the period	<b>1,074</b>	883	+23.4%

- Gross margin improved from 54.5% to 55.7% due to higher sales of Licensed Veterinary Medicines
- Overheads increased by £0.2m to £1.9m principally reflecting investment in the senior management team
- Exceptional items include management severance and head office relocation costs
- Half year effective tax rate of 20% based on estimated tax rate for the full financial year; prior year R&D cash tax benefit of £0.2m in first half of which 50% reflected in P&L



# Financials – Balance Sheet and Cash Flow

## Balance sheet

£'000	6 months ended 31 <sup>st</sup> December 2012	6 months ended 31 <sup>st</sup> December 2011
Intangible Assets	<b>14,344</b>	14,554
Plant and equipment	<b>98</b>	59
Non-current assets	<b>14,442</b>	14,613
Net working capital	<b>1,633</b>	1,293
Cash	<b>2,956</b>	1,750
Current tax	<b>(464)</b>	(407)
Deferred tax	<b>(180)</b>	(65)
Deferred income	<b>(1,032)</b>	(1,049)
<b>Net assets</b>	<b>17,355</b>	16,135

## Cash flow

£'000	6 months ended 31 <sup>st</sup> December 2012	6 months ended 31 <sup>st</sup> December 2011
Operating cash flows	<b>1,534</b>	1,255
Movement in working capital	<b>(232)</b>	168
Taxation	<b>35</b>	(120)
Net cash flow from operating activities	<b>1,337</b>	1,303
Net capital expenditure	<b>(100)</b>	(189)
Interest received	<b>12</b>	-
Financing activities	<b>(598)</b>	(543)
Net cash generated	<b>651</b>	571

- Net working capital £0.2m higher than 30<sup>th</sup> June 2012 and £0.3m higher than 31<sup>st</sup> December 2011 – reflecting growth in sales towards the period end
- Strong cash position at £2.96 million – expect to reduce in H2 following business relocation and NPD spend.

- Net cash flow from operating activities comparable to FY11 with increase in working capital offset by a prior year research and development tax credit of £0.2m
- Capex lower than expected and prior period but this is a phasing issue; NPD anticipated to be in line with the full year market expectations
- Final FY12 dividend maintained at 3.0p per share

# 2012/13 Outlook

## **Second half trading ahead of last year and in line with expectations**

### **Veterinary Medicines**

- New products launched in FY12 and FY13 still not at maturity
- On target to launch four veterinary medicines by year end

### **Companion Animal Identification**

- Further progress with microchip sales expected; associated high margin database services anticipated to continue strongly
- Compulsory microchipping set to have positive impact on microchip and database sales

### **Animal Welfare Products**

- Infusion Accessories range expected to continue positive performance, with rest of group selling in line with management expectations

### **NPD pipeline**

- Good progress on final stages of Stone 2 registration
- Projects further up the development process close to entering registration procedure

# Animalcare Strategy

**Animalcare has built core product development and regulatory skills, credibility and EU partner network over last 10 years which has delivered strong growth**

**However,**

- the market for generic veterinary licensed medicines increasingly crowded
- simple product differentiation no longer enough to sustain the planned growth of the business
- Intellectual Property protectable differentiation will provide the medium-term motor for growth

**Therefore Animalcare's strategy has evolved to sustain growth by**

- continuing new product development of differentiated generic medicines at the current pace
  - better penetration in current markets
  - increased geographic cover particularly within the EU and potentially North America
- selective strengthening of the UK Companion Animal Identification range of goods and services
- removing resources from and allow the decline of non-core product groups
- accelerate Project Sustain
  - initially in enhanced generics
  - then in novel veterinary medicines

# Delivering the Strategy

- Iain Menneer, CEO January 2013
  - Joined Animalcare Ltd in December 2003
    - Product Manager, Licensed Pharmaceuticals
    - Business Development Manager (Benazecare, Buprecare, Anivac, Sedastart/stop)
    - Director of Marketing
    - Managing Director, Animalcare Ltd in March 2012
- Strengthened senior management team in place
  - Finance, Chris Brewster CFO
    - KPMG rising to Senior Manager in the audit team in Leeds, Findus Group Accounting Manager
  - Sales, Tim Rayner
    - 20 years in animal health industry, former Key Account Manager Pfizer Animal Health
  - Marketing, Rachel Crowe
    - 10 years in animal health industry, sales and marketing roles in top 10 animal health companies
  - Regulatory Affairs, Torben Orskov
    - Veterinary surgeon with 10 years experience in practice and 6 years at Animalcare
- Director of Business Development recruitment underway

# New Product Development Pipeline

Project	Sector	Expected launch*	Target Markets	Years to Maturity
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## Differentiated and undifferentiated generics

Stone 1	Livestock	2013	Limited EU	5
Stone 2	Companion Animal	2013	Limited EU	3
Poppy II	Companion Animal	2013	Selected EU	2
Raleigh	Companion Animal	2014	EU and others	3
Amigo	Companion Animal	2014	Selected EU	3
Calm	Companion Animal	2014	Selected EU	3
Isle	Companion Animal	2015	EU and others	3
Beat	Companion Animal	2015	EU and others	3

## Sustain Projects

Archipelago	Companion Animal	2016	EU and others	2
Phoenix	Companion Animal	2016	Selected EU	3
Sally	Companion Animal	2017	EU and others	2
Cardinal	Companion Animal and Livestock	2018	EU and others	-

\*All dates are calendar year

- At maturity UK sales are expected to be between £5 to £7 million per annum

# Animalcare Group plc



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Veterinary Products for Companion Animals