

Animalcare Group plc

Final Results Presentation

For the year to 30th June 2016



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
- Mix of in-house and distributor products, the bulk manufactured in mainland EU



Companion Animal Identification

- Identichip branded microchips
- Anibase pet database
 - 4.8m registered pet owners
- Revenue from insurance, premium services and database administration fees



Animal Welfare Products

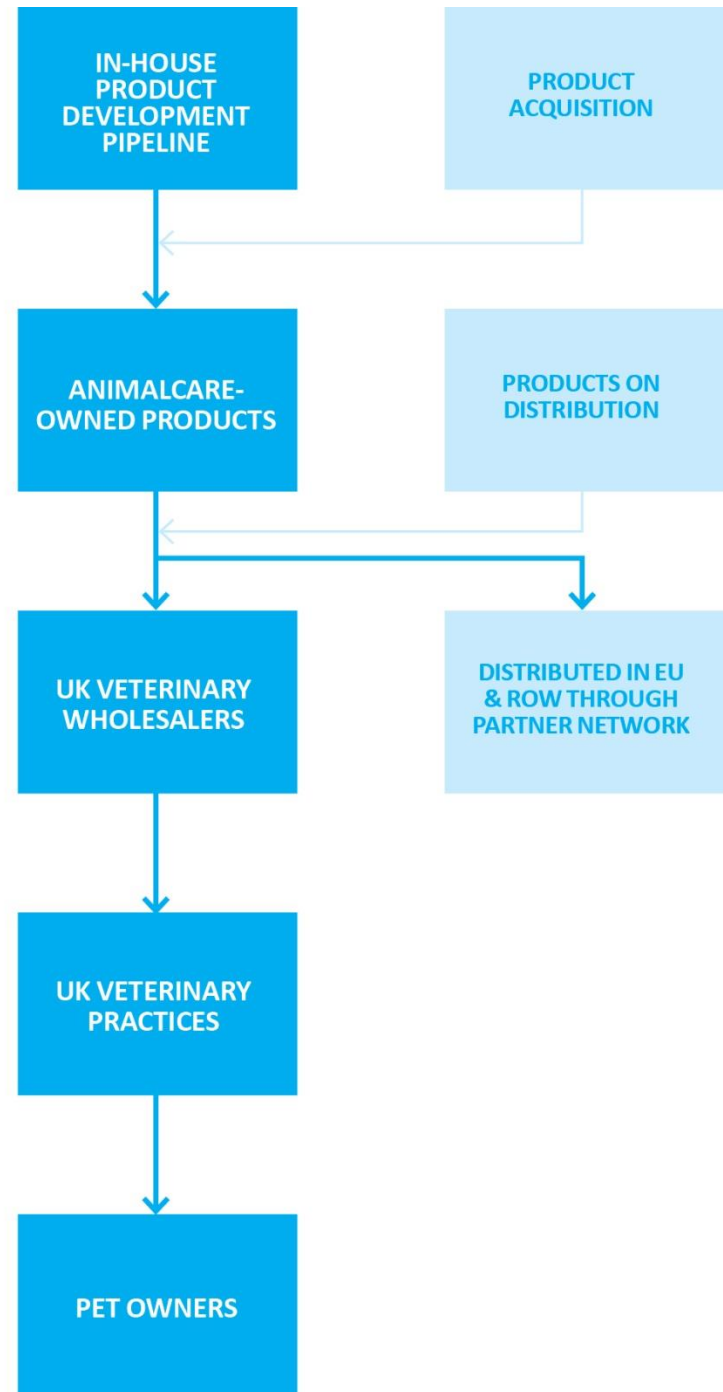
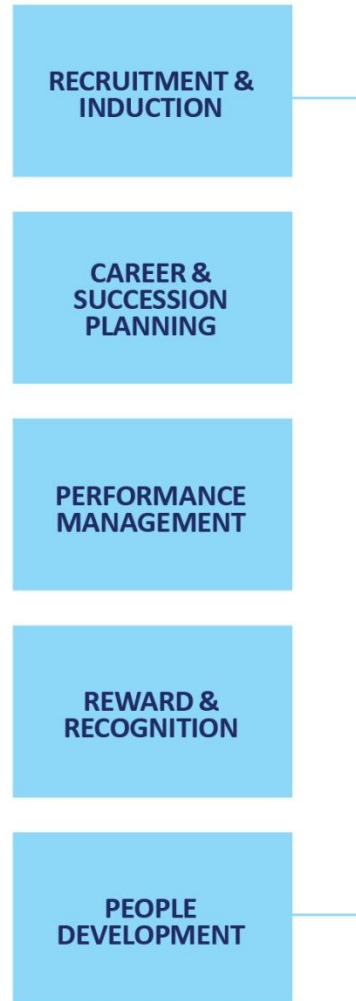
- Broad range of lower margin support products
- Infusion Accessories 56% of AWP group: synergy with I.V. fluid range
- Other unconnected products
 - Bandages, instruments, hygiene

Business Model

STRENGTH THROUGH *Our People*

Talent Management PROGRAMME

The TMP is designed to recognise, develop and appreciate all the various talents we have and to build on them, to make us even more successful



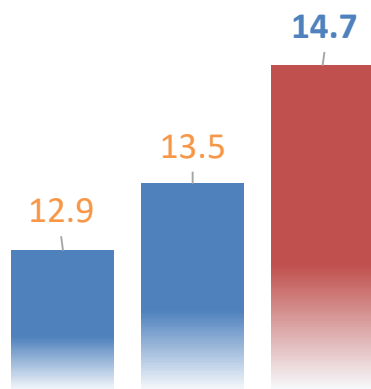
Market Review

- UK companion animal medicines market £344m +0.8% MAT in 2015 calendar year*
- Corporate consolidation of customer-base continues
- Increased corporate and charity customer tenders with extended terms
- Merger of Merial and Boehringer Ingelheim animal health businesses almost complete
 - A combined animal health business of around €3.8bn sales
- Large, new entrants to animal health space in EU

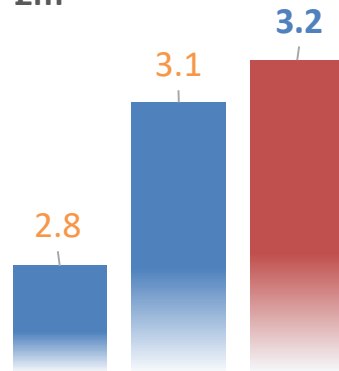
Financial Results – FY16

Strong performance while investing for future growth

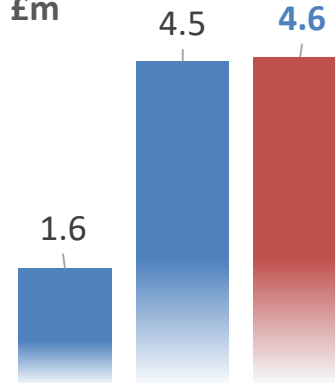
Revenue
£m



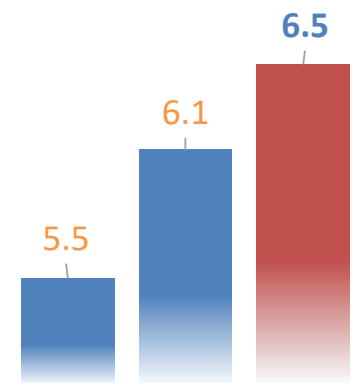
Underlying*
Operating Profit
£m



Operating Cash
Generation
£m



Dividend Per Share
Pence



- Revenue growth +8.6% to £14.7m
- Underlying* operating profit growth +2.6% to £3.2m, slightly ahead of recently revised market expectations (£3.1m)
- Cash generated from operations remains strong at £4.6m. Year end cash £7.1m. Enabled the business to:
 - Continue to build value in product development pipeline
 - Propose total dividend increase of 6.6%

Product Group Performance



63%
Revenue
£9.2m

2015: £8.6m | 2014: £7.9m

Market

- UK companion animal market value c.£344m, +0.8% growth (www.noah.co.uk)

Performance

- Revenue growth +7.7%
- Full year sales of products launched FY15 +£0.7m supporting UK growth of 6.0%
- Export growth +22.5% offset prior year UK Buprecare benefit of c£0.2m
- Underlying gross margins consistent with prior year – expect improvement in FY17



18%
Revenue
£2.7m

2015: £2.3m | 2014: £2.4m

Market

- Compulsory microchipping for dogs implemented April 2016
- Expect market to reduce

Performance

- Revenue growth +16.1%
- Both microchip and database services revenue +15% including £0.3m benefit from legislation change
- Gross margins impacted by significant price competition



19%
Revenue
£2.8m

2015: £2.6m | 2014: £2.6m

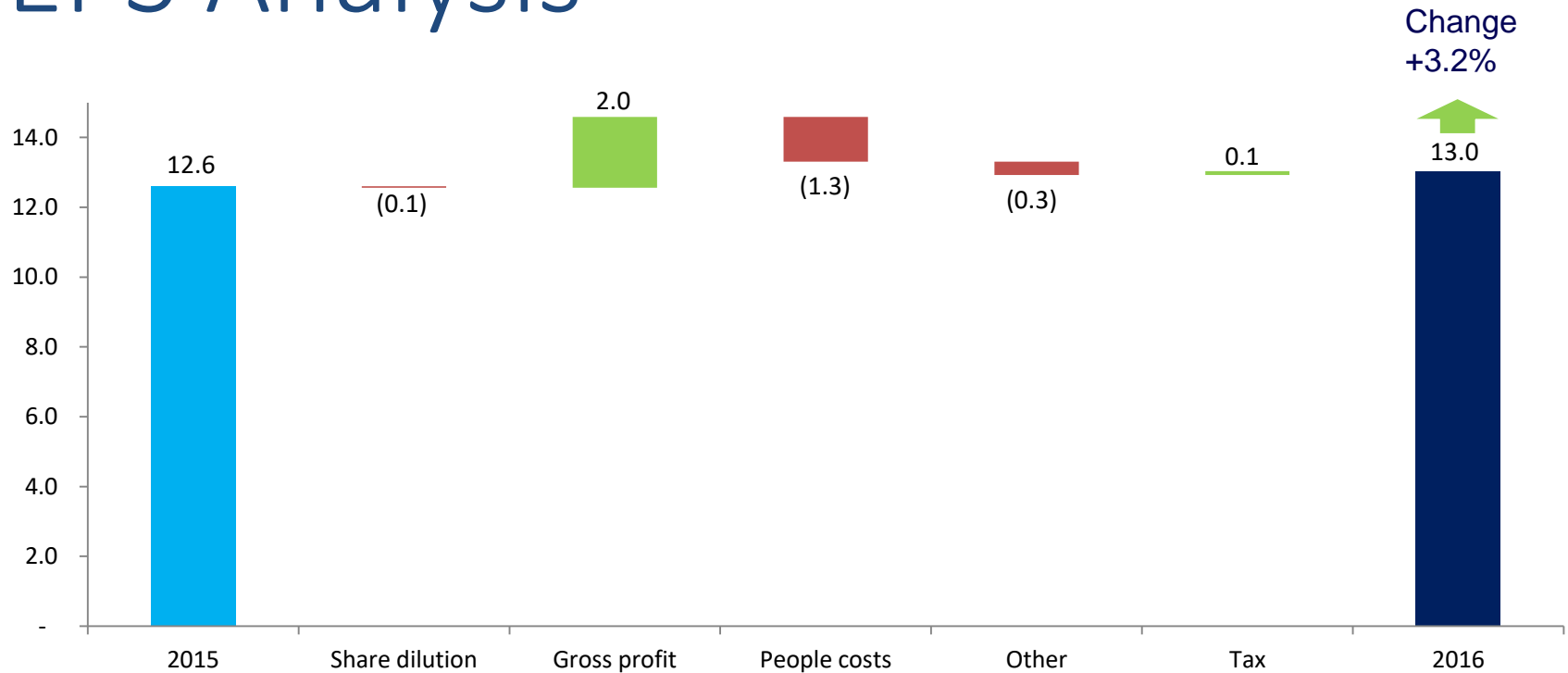
Market

- Wide range of products and suppliers

Performance

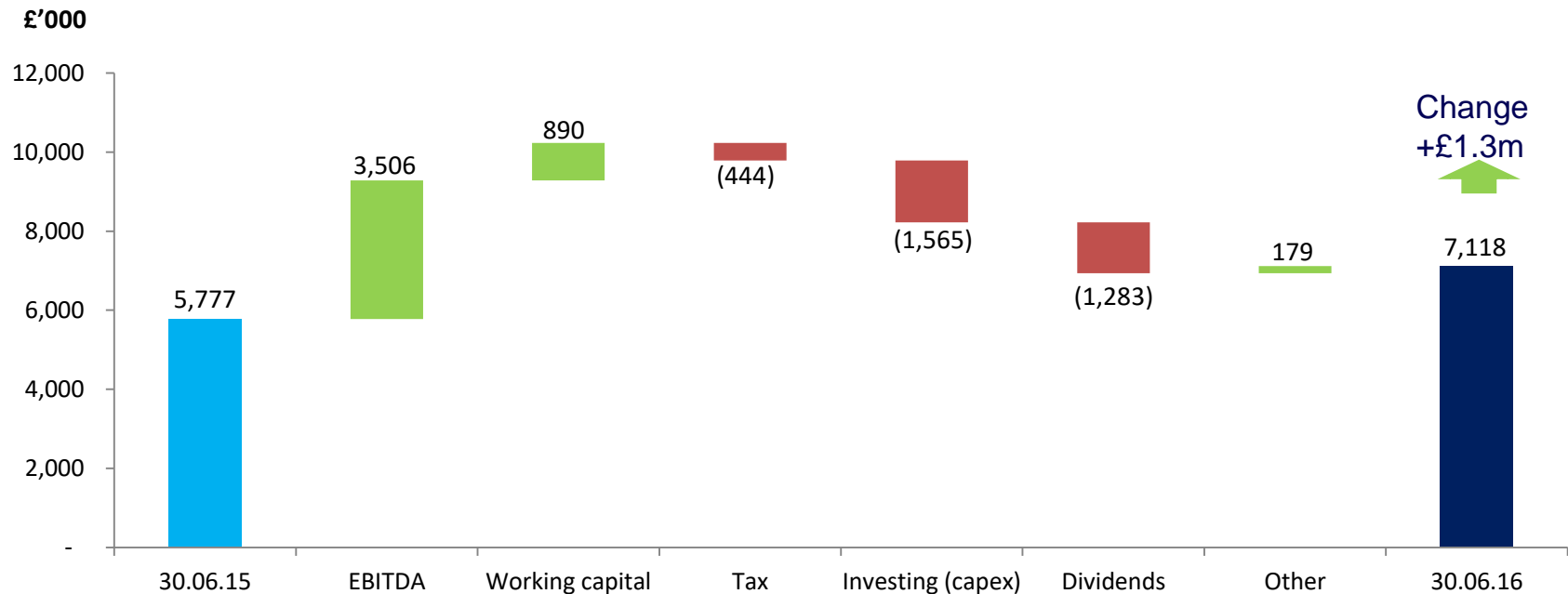
- Revenue growth +5.1%
- Infusion accessories revenue +9.8%, 56% of product group sales

EPS Analysis



- People costs increased by £0.3m reflecting investment to support future growth. Operating margin reduced by 170bps to 20.5%. Other costs tightly controlled
- Effective tax rate at 14.6% vs 15.8% 2015 – R&D benefit through increased qualifying NPD

Cash Flow Analysis



- Cash generated from operations remains strong – expect investment in FY17 to support growth
- Strong momentum in building value in our NPD pipeline continues - expenditure increased 100% to £1.6m – expect further increase in overall FY17 spend
- Balance sheet strength will help with current economic uncertainty

***Overall financial performance reflects good progress
in executing strategy for growth***

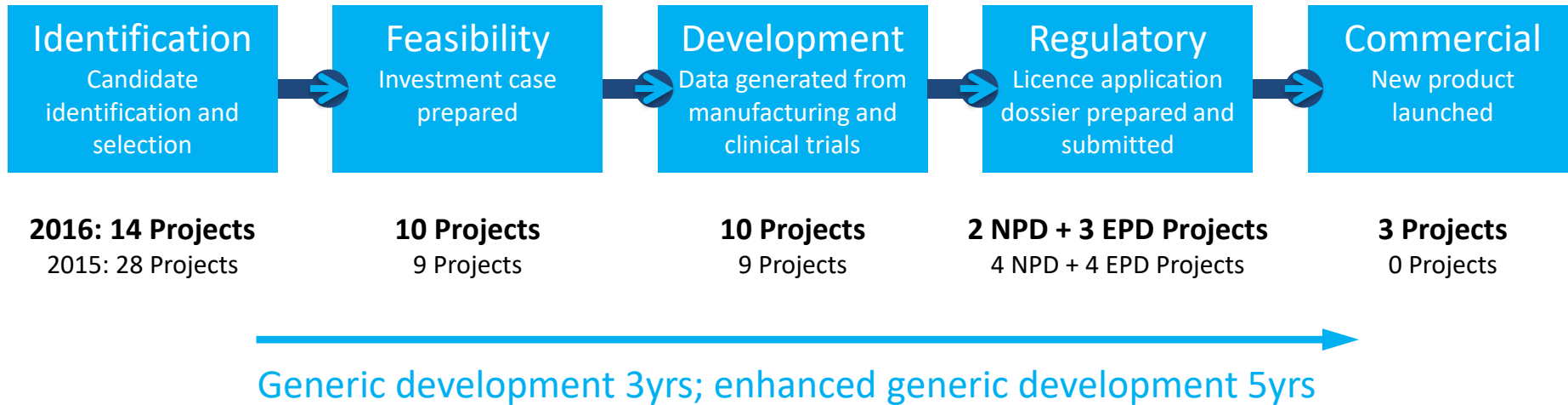
Building a Strong Business

- Sales Team
 - Further strengthening of Key Account Management underway
- Technical and Product Development
 - First regulatory submission prepared fully in-house
 - Recruitment, in H2, of commercial expertise has made a significant improvement to capacity
- Focus on supply chain
 - Started putting in place a specialist team
- Talent Management Programme
 - Rolling out programme to recruit, retain, recognise and reward staff

Strategy: 2016 to 2018

- Identify product candidates to maintain flow into and through development pipeline
 - Projects have advanced through pipeline with launches in the period
- Increase efforts to license in new pharmaceutical products
 - New relationships developed, launches early in the new period
- Assess opportunities to innovate and strengthen Companion Animal Identification group
 - New business model prepared and market researched
- Increase our revenues from outside the UK
 - Revenues grown by 23% (LVM)
 - Geographic footprint growing well beyond EU

In-house Development Pipeline



- NPD and EPD licences received in H2
- First in-house project commercialised since 2012
- First submissions prepared entirely by in-house team
- Five regulatory applications made in the year

Outlook: *Strategy on track*

- In-house development pipeline has momentum
- Generic opportunities will decline; focus has turned to investment in novel products
- Executing plan to build value in microchips and services through revised business model
- Export focus has delivered early gains; geographic expansion will continue following local regulatory registrations



Appendices

Appendix 1: Profit and Loss

	Year ended 30.06.16			Year ended 30.06.15		
	Underlying	Exceptionals	Total	Underlying	Exceptionals	Total
Revenue	14,701	-	14,701	13,536	-	13,536
Cost of sales	(6,702)	-	(6,702)	(5,963)	-	(5,963)
Gross Profit	7,999	-	7,999	7,573	-	7,573
Distribution costs	(255)	-	(255)	(279)	-	(279)
Research & development expenses	(156)	-	(156)	(143)	-	(143)
SG&A expenses	(4,398)	(173)	(4,571)	(4,041)	(110)	(4,151)
Operating profit/(loss)	3,190	(173)	3,017	3,110	(110)	3,000
Finance income/(expense)	33	36	69	27	(17)	10
Profit/(loss) before tax	3,223	(137)	3,086	3,137	(127)	3,010
Income tax (expense)/credit	(479)	27	(452)	(502)	26	(476)
Profit after tax	2,744	(110)	2,634	2,635	(101)	2,534
EPS						
Basic	13.0p		12.5p	12.6p		12.1p
Fully diluted	12.8p		12.3p	12.5p		12.0p

Appendix 2: Summary Balance Sheets

£'000	2016	2015
Goodwill	12,711	12,711
Other intangible assets	2,968	1,780
Property, plant and equipment	281	306
Non-current assets	15,960	14,797
Inventories	1,6043	1,653
Trade and other receivables	2,189	2,247
Cash and cash equivalents	7,118	5,777
Current assets	10,911	9,677
Total assets	26,871	24,474
Trade and other payables	(3,027)	(2,186)
Current tax liabilities	(101)	(212)
Deferred income	(220)	(234)
Current liabilities	(3,348)	(2,632)
Deferred income	(762)	(724)
Deferred tax liabilities	(246)	(127)
Total liabilities	(4,356)	(3,483)
Net assets	22,515	20,991

Appendix 3: Cash Flow

£'000	2016	2015
Profit before tax	3,086	3,010
Depreciation & amortisation	435	432
Other non-cash movements	111	98
Operating cash flows before w/c movements	3,632	3,540
Movement in inventories	49	767
Movement in receivables	77	(392)
Movement in payables	822	608
Cash generated by operations	4,580	4,523
Income taxes paid	(444)	(631)
Net cash flow from operating activities	4,136	3,892
Investing activities	(1,565)	(792)
Dividends	(1,283)	(1,217)
Issue of share capital	53	82
Net increase in cash	1,341	1,965
Cash balances at 30th June	7,118	5,777

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.