

# Animalcare Group plc

Full Year Results to 30 June 2011



**Developing and Supplying**

Veterinary Products for Companion Animals

**Animalcare Group plc**

# Business Overview

*“A leading supplier of generic veterinary medicines and animal identification products to companion animal veterinary markets”*

Animalcare Group develops and sells goods and services to veterinary professionals principally for use in companion animals. It operates directly in the UK and through distribution and development partners in key markets in Western Europe

Its principal products are licensed veterinary medicines and companion animal identification products and services

# Overview Of Results

## Group performance in line with expectations

- Sale of non strategic businesses and assets completed. Clear focus now on veterinary markets and growth through veterinary medicines
- Key financial objectives for the year met
- Our target of four new generic veterinary medicines (Phenoleptil, Anivac VHD, Sedastart and Sedastop) launched in the financial year achieved
- New product development pipeline remains on track with project Bouquet very near completion and project Quattro well advanced in the regulatory process
- Temporary interruption in the supply of Buprecare ampoules
- Significant improvements in the IT infrastructure of the business
- Sales force reinforced and management structure reorganised

# Key Financial Highlights

	<b>2011</b>	<b>2010</b>	change
Revenue - continuing operations	£11.83m	£11.22m	5.4%
Underlying* operating profit - continuing operations	£3.05m	£2.60m	17.3%
Underlying* profit before tax – continuing operations	£3.00m	£2.48m	21.0%
Underlying* profit for the year – continuing operations	£2.29m	£1.72m	33.0%
Underlying* fully diluted earnings per share – continuing operations	11.2p	8.5p	31.8%
Profit/(loss) for the year	£2.33m	(£1.03m)	-
Underlying* fully diluted earnings per share	11.7p	11.0p	6.4%
Total dividend for the year	4.0p	3.0p	33.3%
Interim dividend	1.0p	nil	-
Dividend cover*	2.9	3.7	
Borrowings	nil	£4.46m	£4.46m

- Strong growth in underlying profit from continuing operations
- Improved cash flow from operating activities
- £2.71m cash realised from sale of livestock businesses
- Borrowings fully repaid during 2011

\* Exclude, where applicable, amortisation of acquired intangibles, impairment of goodwill, fair value movements on interest hedging, impairments to current and non-current assets and other charges relating to Group reorganisation.

# Revenue and Profit

	<b>2011</b>	<b>2010</b>	
	<b>£'000</b>	<b>£'000</b>	<b>change</b>
Revenue	<u>11,825</u>	<u>11,223</u>	<u>5.4%</u>
Gross Profit	6,390	5,957	7.3%
Distribution & Admin costs	<u>3,337</u>	<u>3,360</u>	<u>-0.7%</u>
Underlying Operating Profit	3,053	2,597	17.6%
Interest charges	<u>(49)</u>	<u>(114)</u>	<u>-57.0%</u>
Underlying Profit before tax	3,004	2,483	21.0%

- Strong growth in revenues from higher margin product groups
- Strong cost control maintained
- Minimal interest charges following settlement of loans

# Balance Sheet

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Intangible Assets	14,531	15,132
Property, Plant & Equipment	47	1,153
<b>Non-current assets</b>	<b>14,578</b>	<b>16,285</b>
Net working capital	1,461	2,463
Net funds/(borrowings)	1,179	(2,892)
Current and deferred taxation	(385)	(729)
Derivative financial instruments	-	(55)
Deferred income	(1,044)	(991)
<b>Net assets</b>	<b>15,789</b>	<b>14,081</b>

- Property, Plant & Equipment disposed of with Livestock businesses
- Reduction in overall working capital requirements
- Strong cash position
- Deferred taxation liability reduced following disposals

# Cash Flow

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash generated by operations</b>	<b>3,060</b>	<b>2,748</b>
Taxation and interest	(913)	(796)
Net capital expenditure	(148)	(592)
Disposal of businesses	2,705	-
Dividends	(812)	(494)
Loan Repayments	(4,456)	(1,000)
Issue of Share Capital	179	166
<b>Net cash flow</b>	<b>(385)</b>	<b>32</b>

- Strong operating cashflow to fund any working capital requirements
- Continuing business less capital intensive
- Strong progression in dividend
- Employee share options exercised

# Key Product Categories

	% of Total Company 12 months to June 2011		% of Total Company 12 months to June 2010	
	Revenue	Gross Margin	Revenue	Gross Margin
<b>Licensed Veterinary Medicines</b>	48.9%	50.6%	47.3%	48.8%
<b>Companion Animal Identification</b>	27.3%	31.1%	29.0%	34.7%
<b>Other Products</b>	23.8%	18.3%	23.7%	16.4%



# Licensed Veterinary Medicines

	June 2011	June 2010	
<b>Revenue (£m)</b>	5.78	5.31	8.9%
<b>Gross Margin</b>	3.24	2.91	11.4%
<b>% GM</b>	56.0	54.8	

- Newly launched products selling well
- Established new products maintaining momentum
- Older products continue to be pulled through by newer products

# Companion Animal Identification

	June 2011	June 2010	
<b>Revenue (£m)</b>	3.23	3.25	-0.6%
<b>Gross Margin</b>	1.98	2.07	-4.2%
<b>% GM</b>	61.3	63.7	

- Price pressure on microchip sales but volume maintained
- Insurance commissions growing
- Locate sales promotion delivered anticipated results

## Other Products

	June 2011	June 2010	
<b>Revenue (£m)</b>	2.81	2.66	5.5%
<b>Gross Margin</b>	1.17	0.98	19.3%
<b>% GM</b>	41.6	36.8	

- Tracking ahead of the market as pull through behind new licensed medicines continues
- Low margin products ranges continue to be rationalised – Theatre Equipment
- Infusion Accessories sales tracked the good performance of Fluid Therapy range
- Trauma Management flat revenues but margins reduced as distributors scramble in a fragmented market

# 2011/12 Prospects

## Current trading in line with expectations

### Veterinary Medicines

- New licensed medicines performing strongly
- EU partners to receive more resource and focus
- Fluid therapy range with identified development opportunities

### Companion Animal Identification

- Microchip market very competitive
- But database software development complete giving cost saving and revenue growth opportunities

### NPD

- Two large animal products launched in September
- Two equine product launches and one line extension in Q2
- Two more major products to be launched before end of financial year
- Development pipeline progressing on track

# Animalcare New Product Developments

## Key projects

### Launched in financial year 2010-11

- Anivac VHD – vaccine for viral haemorrhagic disease in rabbits
- Sedastart and Sedastop – sedative and reversal agent for cats and dogs
- Phenoleptil - epilepsy in dogs

### Launched Q2 financial year 2011-12

- Tilmidil - antibiotic for bovine respiratory disease
- Emdocam – bovine and equine anti-inflammatory

### Launch Q2 2011-12 Third party distributions

- Deadwood
- Dodge

### In-house and partnership developments

- Bouquet – Q3 2011-12
- Quattro – Q4 2011-12
- Stone – Q1 2012-13

# New Product Development Pipeline

## **In house product development pipeline full and partner programmes very productive**

- Deadwood is in our warehouse and will be launched along with Dodge in Q2 of 2011-12
- Bouquet regulatory procedure will end September 2011
- Quattro is at the half-way stage of regulatory procedure
- Stone dossier has been submitted for regulatory approval process; extended range of products close behind
- Amigo final offers to develop and manufacture received from two selected suppliers and will start Q2 2011-12
- Project Sustain started involving novel (to animal health markets) proprietary technology from a development partner
- Other new product candidates under review and in-depth feasibility study prior to entering product development pipeline
- A number of ready to market new product offerings rejected

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# Consolidated Income Statement

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2011

	Underlying results before exceptional and other items	Exceptional and other items(*)	Total	Underlying results before exceptional and other items	Exceptional and other items(**)	Total
	2011	2011	2011	Restated(**)	Restated(**)	Restated(**)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	11,825	-	11,825	11,223	-	11,223
Cost of sales	(5,435)	-	(5,435)	(5,266)	-	(5,266)
<b>Gross profit</b>	6,390	-	6,390	5,957	-	5,957
Distribution costs	(292)	-	(292)	(264)	-	(264)
Administrative expenses	(3,045)	(118)	(3,163)	(3,096)	(401)	(3,497)
<b>Operating profit/(loss)</b>	3,053	(118)	2,935	2,597	(401)	2,196
Finance costs	(51)	(1)	(52)	(130)	(38)	(168)
Finance income	2	-	2	16	-	16
<b>Profit/(loss) before tax</b>	3,004	(119)	2,885	2,483	(439)	2,044
Income tax (expense)/credit	(717)	52	(665)	(761)	123	(638)
<b>Total comprehensive income/(loss) for the year from continuing operations</b>	2,287	(67)	2,220	1,722	(316)	1,406
Total comprehensive income/(loss) for the year from discontinued operations	105	-	105	499	(2,936)	(2,437)
<b>Total comprehensive income/(loss) for the year</b>	2,392	(67)	2,325	2,221	(3,252)	(1,031)
Total basic earnings/( loss) per share	11.8p		11.5p	11.2p		(5.2p)
Total fully diluted earnings/(loss) per share	11.7p		11.4p	11.0p		(5.2p)
Basic earnings per share from continuing operations	11.3p		11.0p	8.7p		7.1p
Fully diluted earnings per share from continuing operations	11.2p		10.8p	8.5p		6.9p

Total comprehensive income/(loss) for the year is attributable to the equity holders of the parent.

\* In order to aid understanding of underlying business performance, the directors have presented underlying results before the effect of exceptional and other items. These exceptional and other items are analysed in detail in note 6 to these financial statements.

\*\* During 2011 the Group disposed of the businesses and assets of its livestock division. The segment was not classified as held for sale or as a discontinued operation as at 30 June 2010, and the comparative consolidated statement of comprehensive income has been restated to show discontinued operations separately.

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# Consolidated Balance Sheet

	2011	2010		2011	2010
	£'000	£'000		£'000	£'000
<b>Non-current assets</b>			<b>Non-current liabilities</b>		
Goodwill	12,711	13,027	Bank loans	-	(3,573)
Other intangible assets	1,820	2,105	Deferred income	(862)	(837)
Property, plant and equipment	47	1,153	Deferred tax liabilities	(65)	(250)
	14,578	16,285		(927)	(4,660)
<b>Current assets</b>			<b>Total liabilities</b>	(2,995)	(9,001)
Inventories	1,346	1,815	<b>Net assets</b>	15,789	14,081
Trade and other receivables	1,681	3,418	<b>Capital and reserves</b>		
Cash and cash equivalents	1,179	1,564	Called up share capital	4,075	4,010
	4,206	6,797	Share premium account	6,045	5,931
<b>Total assets</b>	18,784	23,082	Retained earnings	5,669	4,140
<b>Current liabilities</b>			<b>Equity attributable to equity holders of the parent</b>	15,789	14,081
Trade and other payables	(1,566)	(2,770)			
Current tax liabilities	(320)	(479)			
Bank overdraft and loans	-	(883)			
Deferred income	(182)	(154)			
Derivative financial instruments	-	(55)			
<b>Current liabilities</b>	(2,068)	(4,341)			
<b>Net current assets</b>	2,138	2,456			

# Consolidated Cashflow Statement

	2011	2010		2011	2010
	£'000	£'000		£'000	£'000
Comprehensive income/(loss) for the year before tax	2,936	(558)	<b>Investing activities:</b>		
Adjustments for:			Payments to acquire intangible assets	(134)	(407)
Depreciation of property, plant and equipment	88	287	Payments to acquire property, plant and equipment	(18)	(205)
Amortisation of intangible assets	287	308	Interest received	2	16
Impairment of intangible assets	30	115	Receipts from sale of property, plant and equipment	4	20
Impairment of property, plant and equipment	-	596	Receipts from sale of businesses	2,705	-
Goodwill impairment charge	-	2,227	<b>Net cash generated by/(used in) investing activities</b>	<b>2,559</b>	<b>(576)</b>
Finance costs	55	175	<b>Financing:</b>		
Finance income	(2)	(16)	Receipts from issue of share capital	179	166
Share-based payment award	16	58	Equity dividends paid	(812)	(494)
Release of deferred income	53	108	Repayment of bank loans	(4,456)	(1,000)
(Profit)/loss on disposal of property, plant and equipment	(2)	(16)	<b>Net cash used in financing activities</b>	<b>(5,089)</b>	<b>(1,328)</b>
Loss on sale of businesses	94	-	Net (decrease)/increase in cash and cash equivalents	(385)	32
Operating cash flows before movements in working capital	3,555	3,284	<b>Cash and cash equivalents at start of year</b>	<b>1,564</b>	<b>1,532</b>
(Increase)/decrease in inventories	(596)	217	<b>Cash and cash equivalents at end of year</b>	<b>1,179</b>	<b>1,564</b>
Decrease/(increase) in receivables	572	(829)	Comprising:		
(Decrease)/increase in receivables	(471)	76	Cash and cash equivalents	1,179	1,564
Cash generated by operations	3,060	2,748		1,179	1,564
Income taxes paid	(805)	(547)			
Interest paid	(110)	(265)			
<b>Net cash flow from operating activities</b>	<b>2,145</b>	<b>1,936</b>			