

# ANIMALCARE GROUP FULL YEAR 2019 RESULTS

*“Our positive 2019 performance enabled the Group to enter 2020 in a strong financial position with a solid platform from which to drive our growth strategy”*



**Jenny Winter** Chief Executive Officer  
**Chris Brewster** Chief Financial Officer



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# CONTINUED FOCUS ON GROWTH STRATEGY



## Strong finances

Financial sustainability through revenue growth, cash conversion, EPS growth and EBITDA margin growth



## Key leadership

Organisation for success; leadership strength and core capabilities



## Growth portfolio

Focused portfolio in key therapy areas in growing market segments



## Business development

Work with partners to build a pipeline of products that meet our criteria for growth



## Innovative pipeline

Launch new products and develop differentiated and innovative pipeline of products for the future

## Maintaining a clear strategic focus

# DELIVERING ON STRATEGIC COMMITMENTS IN 2019

## *Strategic and operational achievements*



**IMPROVED CAPABILITY** Strengthened capability in strategically important areas of business development and marketing



**OPTIMISE PORTFOLIO** Significant progress towards goal of generating 80% of revenue from top 20 products



**NEW PRODUCT CONTRIBUTION** Newly introduced Companion Animal products contributed sales of £1.5m in 2019. Four 2019 launches expected to show sales benefits in 2020



**PIPELINE PROGRESS** Completion of clinical studies (and regulatory submission post period) for E-6087, COX-2 inhibitor for treatment of pain in dogs



**NEW DEALS** Distribution deals struck to strengthen treatment options in focus segments of Companion Animals and Equine

## 2019 FINANCIAL HIGHLIGHTS





# 2019 HEADLINES: ENTERED 2020 WITH STRONG FINANCIALS



*Increased profitability, significant improvement in cash performance and reduction in net debt*

**Revenue**  
**£71.1m**

↓ **1.9%**



**Underlying\* EBITDA**  
**£13.1m**

↑ **11.3%**

(+1.7% adjusted)



**Underlying\* Basic EPS**  
**12.0p**

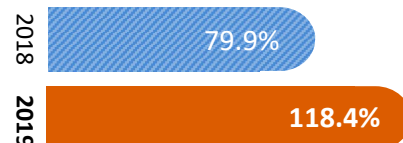
↑ **2.6%**



**Underlying\* cash conversion**

↑ **118.4%**

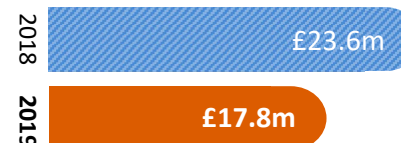
Due to focus on inventory reduction and lower cash taxes



**Net debt**  
**£15.9m**

↓ **£7.7m**

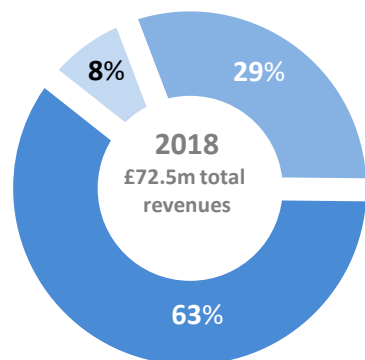
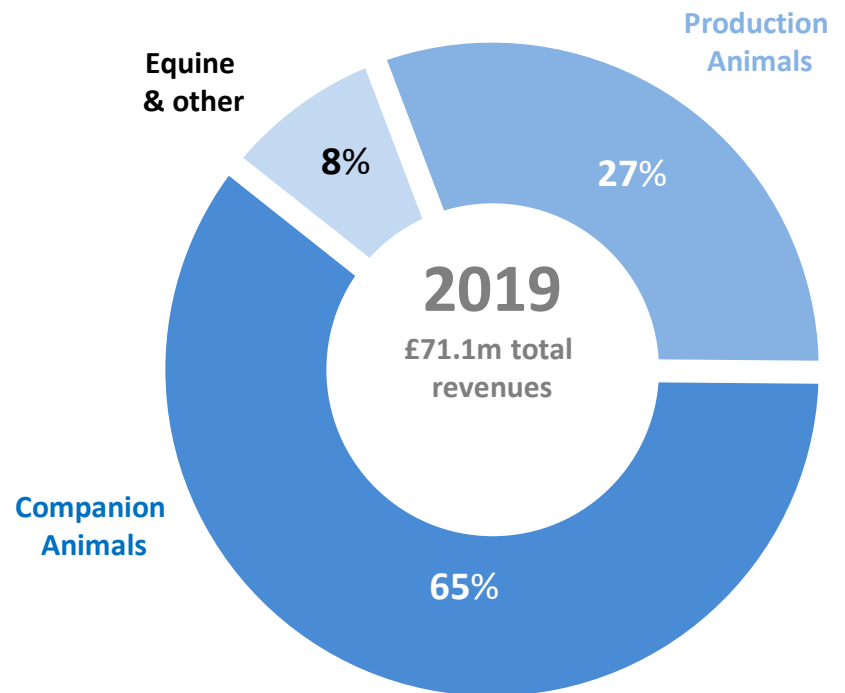
Net debt 2019 incl IFRS16 leases = £17.8m  
Underlying EBITDA leverage ratio at 1.4 times



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

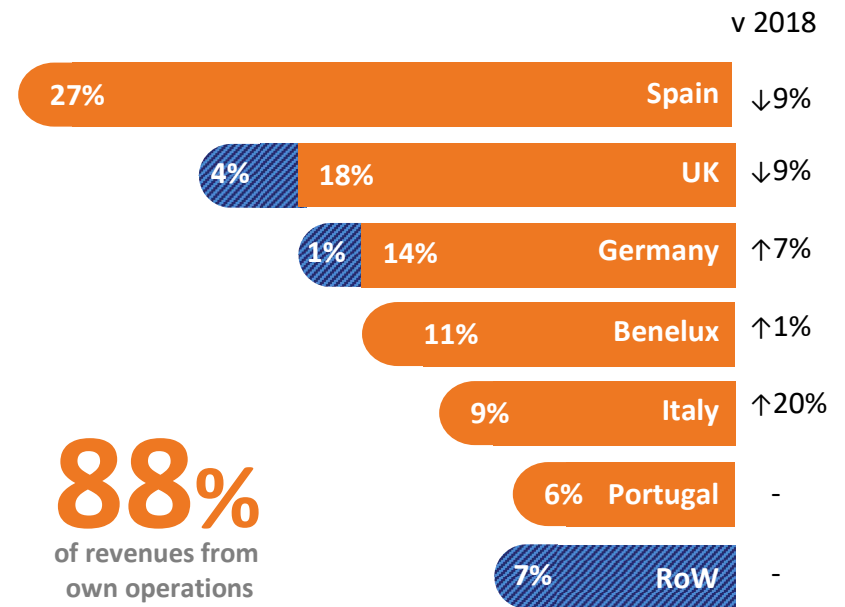
# REVENUE: FOCUS ON MARKETS WITH GROWTH POTENTIAL

*Companion Animals and Equine offer increased opportunities; strong revenue growth in smaller countries*



**Revenue % by product category**

## 2019 revenue % by country

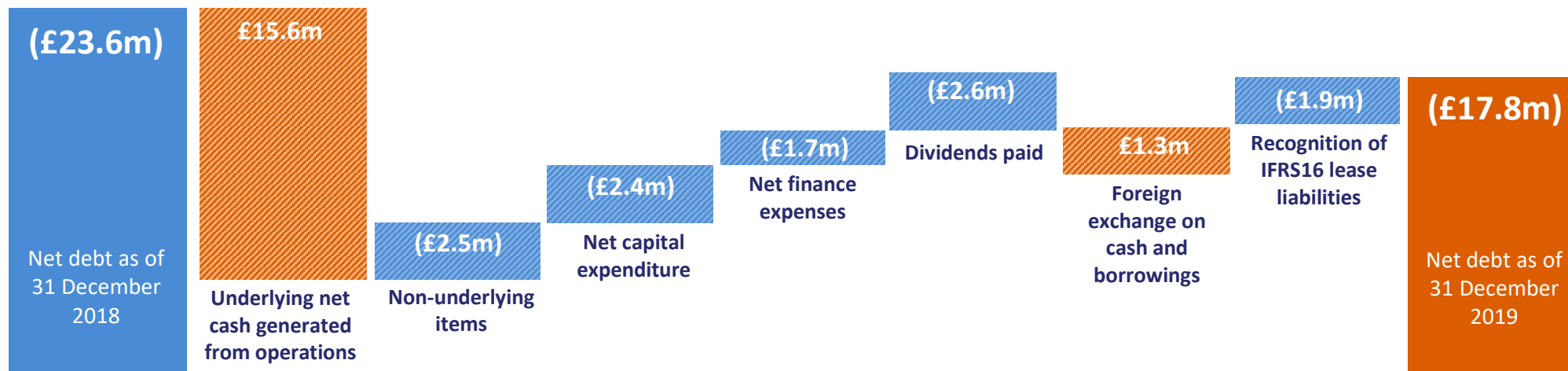


● Animalcare Group operations  
● Network partners

# EVOLUTION OF NET DEBT REDUCTION IN 2019



*Improved cash conversion and operational efficiency contributes to strengthened finances*



- Net debt reduced by **£5.8m** versus 2018 year end; **£7.7m** before IFRS16 lease liabilities
- Net debt to EBITDA leverage ratio at 1.4 times v 2.0 times for 2018 (maximum covenant 3.5 times)
- Net debt and leverage ratio at end of April 2020 approximately same level as year-end 2019



RESPONDING  
TO THE  
COVID-19  
CHALLENGE



# COVID-19: SWIFT ACTION TO PROTECT CASH POSITION

## *Ensuring financial resilience and operational agility*



### **Re-aligning SG&A spend**

#### ***Balanced approach***

- Cost saving approach strikes balance between:
  - Immediate need to build financial resilience
  - Building and maintaining capabilities critical for recovery phase (esp. into 2021)

#### ***Drivers of savings***

- Total potential savings identified to date driven by either:
  - Spend that will naturally contract due to changes in activity (e.g. travel, sales commissions)
  - Deferral of spend and focus on 'essential requirements' to build financial resilience (e.g. bonuses, recruitment suspended, marketing re-evaluated)

#### ***Resource allocation***

- Allocation of resources will focus on driving recovery and return to growth

### **Preserving cash**

#### ***Focus on essential capex***

- Capex suspended unless for critical regulatory and manufacturing transfer projects

#### ***Close management of working capital***

- Focus on inventory management in light of demand shifts
- Tax payment deferrals enacted and repayments accelerated

#### ***Dividend deferral***

- Board deferred decision on final dividend for year ending 31 December 2019
- Retains approx. £1.4m cash in H1
- Decision to be reviewed later in year

# COVID-19: DISRUPTION UNAVOIDABLE IN 2020

*Difficult to accurately predict extent of pandemic impact on demand across financial year*

## Q1

- **Animalcare entered 2020 in strong financial position**
- **Strong trading in first quarter**
- Over first three months Group revenues in line with management expectations
- Impact of COVID-19 on customer activity offset by wholesaler and veterinary practice stockpiling

## Q2

- **Marked downturn in demand seen from start of Q2**
- Lockdown measures across Europe restricted many veterinary practices to emergency-only procedures
- Variation in demand for products and between sectors: e.g. production animals faring better than companion animals
- Planned new product launches affected or deferred

## Q3/Q4

- **Uncertainty prevails over shape and extent of recovery across 2020**
- Detailed modelling based on V, U and W recovery scenarios
- Rate that vets return to more normal work patterns will be driver of market recovery

- Too early to accurately assess impact of COVID-19 on 2020 Group revenues or EBITDA
- Modelling based on realistic V, U and W recovery scenarios and observed effects on markets
- Group confident that Animalcare's agility, financial strength and mitigating actions will allow strategic focus on growth to be maintained

**No specific financial guidance given at this stage on 2020 outlook**



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## *Animalcare's highly-skilled workforce enjoys strong relationships with customers*

### **Keeping the Animalcare team focused and engaged is key**

Our current focus:

- Ensuring team remains safe and engaged
- Providing support for customers rather than selling and launch activity
- Responding to sudden changes in demand
- Preparing for a different, more digital post-pandemic world
- Maintaining our flexibility and agility
- Maximizing capability to respond to scenarios
- Preparing for recovery and return to more normal operating conditions

*The customer-facing nature of our organisation means we are driven by what our customers do*



# 59%



of our employees  
are customer  
facing

# EVOLVING OUR PORTFOLIO



*Three-step portfolio strategy, viewed through lens of 2020 market place*

1

## FOCUS

Set and follow clear criteria to establish focused profitable portfolio

2020

Continued focus on clear criteria while considering evolution in customer needs over short to medium term

2

## CLEAN

Reduce complexity and number of products in portfolio, concentrate on higher margin brands

2020

Changes in veterinary practice expected to increase short to medium term demand for some products

3

## BUILD

Increase value of portfolio through focused business development, strengthened partnerships and differentiated pipeline

2020

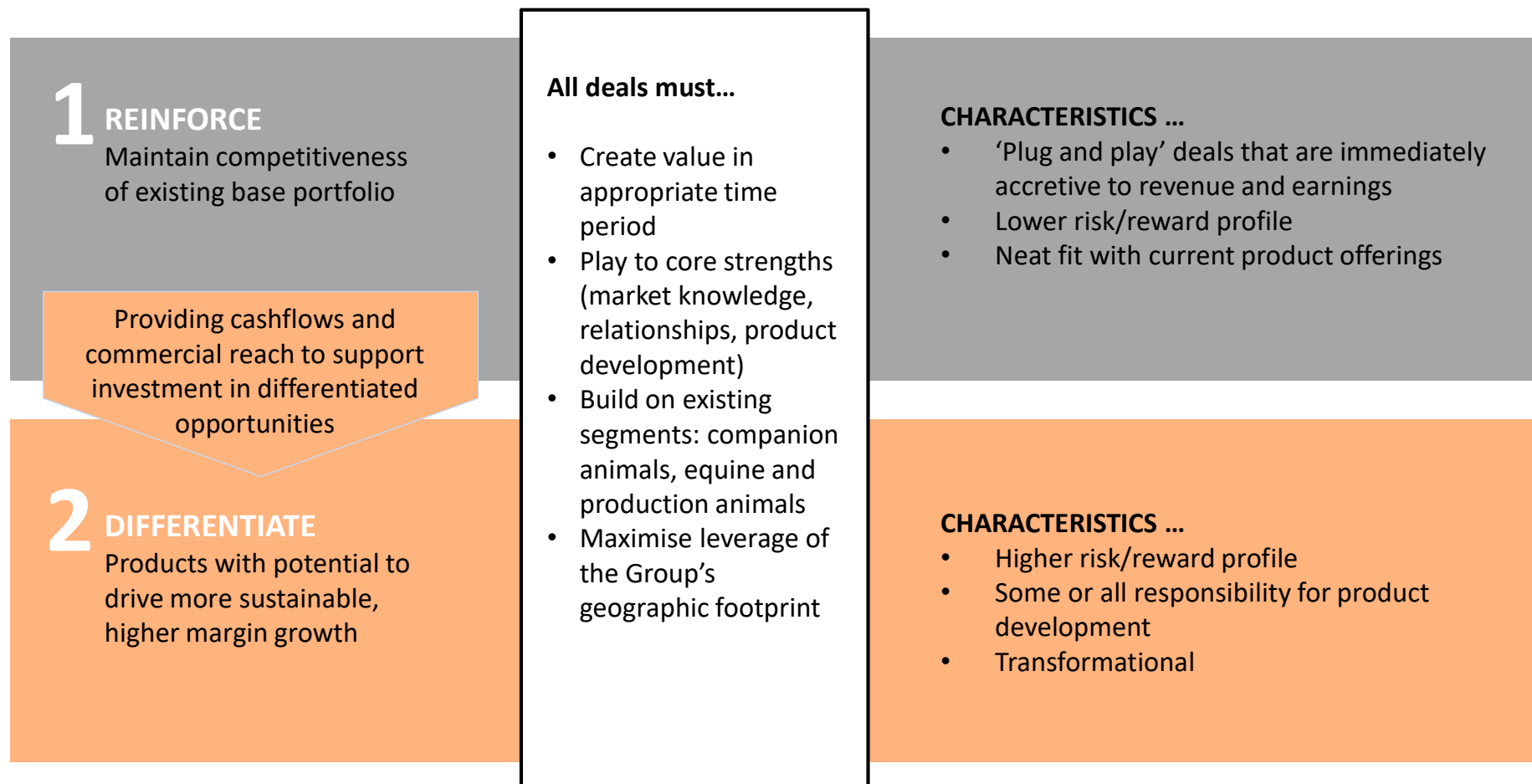
Actively pursue deal opportunities aligned to growth strategy using all funding options



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## *A two-pronged business development approach to drive growth ambitions*





# PIPELINE CONTINUES TO PROGRESS AS PLANNED



*Two important new products in the regulatory phase*

## E-6087

- **Differentiated** long-acting selective COX 2 inhibitor
- **First NCE** for Animalcare Group filed using centralised process
- **IP protected, globally owned, launch in all markets**
- Submitted Jan 2020, **regulatory process on track**
- **Significant commercial opportunity** – expected to become top 10 product three years post launch



*Submission Day celebration*

## Adequan

- **Differentiated** intramuscular treatment of lameness due to degenerative aseptic joint disease in horses
- Currently available in the US – was previously available in Europe
- **Significant commercial opportunity** expected to be top 10 product three years post launch



## SUMMARY



# 2020 FOCUS: SUMMARY

Continued focus on **growth strategy**

Solid performance in 2019; entered 2020 in **strong financial position** with reduced leverage

Decisive action taken to **reduce SG&A spend** and **protect cash** position

Solid Q1, downturn in demand from Q2 as result of **COVID-19**. Too early to predict 2020 impact

Animalcare's **strong relationships** with customers will be critical on return to more normal conditions

Appetite and capacity for **business development** unchanged

Drug development **pipeline** progresses with two new products in regulatory phase

## *What you can expect from us in the coming months*

- Regular check-ins in 2020 around results and news flow
- Building a picture of COVID-19 impact through financial KPIs and market intelligence

## APPENDIX



# PARTNER OF CHOICE: OUR PROPOSITION



*Playing to our strengths in business development*

