

Our strategy

We continue to pursue our strategic ambition of becoming a leading player in all our chosen markets. 2021 proved to be a very positive year for Animalcare with strong revenue and profit growth and progress against our short-term and long-term priorities as set out in the five pillars of our growth strategy.

STRONG FINANCES

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

Revenue growth

Key initiatives

- Focus on segments and products with highest potential
- New product launches
- Leverage strengths across all our direct markets
- Maximise opportunities in other high growth markets through partnerships or selective acquisition

Progress

- New product sales of £2.2m (2020: £2.2m)
- Successful launch of Daxocox in H2, contributing £1.2m in revenue
- 8.3% growth in revenue generated by top 40 products in portfolio

2022 priorities

- Continue to scale up in fast-growing countries
- Maximise growth potential of Daxocox in dynamic market
- Successful launch of STEM biofilm dental range in H1

Link to risks



Link to KPIs

Revenue growth
Underlying EBITDA margin

Cash conversion and net debt

Key initiatives

- Maintain net debt to underlying EBITDA leverage ratio between 1 to 2 times
- Optimise inventory
- Tax efficiency

Progress

- Strong underlying cash conversion of 108.8%
- £5.3m net debt at year end; reduced by 60% over course of 2021
- Net debt comfortably below target range

2022 priorities

- Support investment in growth strategy by maintaining strong cash conversion within 90%-100% range
- Maintain EBITDA leverage in the range of 1 to 2 times

Link to risks



Link to KPIs

Underlying EBITDA margin
Underlying cash conversion
Net debt to underlying EBITDA leverage

Underlying EBITDA margin and EPS growth

Key initiatives

- Focus on higher margin products
- Operating efficiency and leverage

Progress

- Total number of brands in portfolio close to steady state target of 150. Reduced from c.330 at time of merger
- Underlying EBITDA margin increased to 18.2% even allowing for absorption of higher SG&A investment in people
- Underlying EPS of 12.0 pence

2022 priorities

- Investment in new product launches, other growth opportunities and capability development while maintaining focus on operational efficiency

Link to risks



Link to KPIs

Underlying EBITDA margin
Basic underlying earnings per share ("EPS")

KEY LEADERSHIP

Organisation for success; leadership strength and core capabilities

Attract, retain and develop talented people

Key initiatives

- Build leadership capabilities
- Align reward to performance
- One-team culture
- Drive effective communication and collaboration
- Improve diversity

Progress

- Well ahead of Gallup's average benchmark of European companies despite slight decline (down 4%) in annual employee engagement score
- Strengthened sales and marketing capabilities
- Wellbeing programme available for all employees
- Launch of leadership development and talent management programme

2022 priorities

- Implement actions from employee engagement survey
- Continue to improve two-way employee communication
- Embed leadership development “high challenge, high support” principles

Link to risks



Link to KPIs

Employee engagement

Organisation for growth

Key initiatives

- Reorganisation to drive growth agenda with clear leadership accountabilities

Progress

- Regional structure and Senior Executive Team (SET) supporting focus on performance and growth opportunities
- Sandra Single appointed Strategic Product and Portfolio Director and joined SET (February 2022)

2022 priorities

- Continue adoption of regional and Group model

Link to risks



Link to KPIs

Employee engagement

Risks key

- A** Market risk
- B** Competitor risk
- C** Portfolio risk
- D** Product development risk
- E** Financing/Treasury risk
- F** Foreign exchange translation risk
- G** Supply chain risk
- H** IT systems and cyber security risk
- I** Regulatory risk
- J** People risk

Our strategy

CONTINUED

GROWTH PORTFOLIO

Focused portfolio in key therapy areas in growing market segments

Focus on existing core brands that generate sustainable growth and margins

Key initiatives

- Improve quality of portfolio; focus on smaller number of bigger-selling, higher-margin brands

Progress

- Increased management focus on top 40 products; tail further reduced
- £2.2m of new product sales supported by launches such as Daxocox
- Strengthened sales and marketing excellence

2022 priorities

- Drive growth in Companion Animals and maintain strong presence in Production Animals
- Continued focus on bigger-selling, higher-margin products
- Further investment in product launch capability

Link to risks

Link to KPIs

C	Revenue growth
D	Underlying EBITDA margin
	Basic underlying earnings per share ("EPS")

BUSINESS DEVELOPMENT

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

In-license or acquire products and develop network partnerships

Key initiatives

- In-license or acquire innovative pipeline or market-ready products
- Establish Animalcare as partner of choice, especially for companies selling into Europe
- Build partnerships to exploit growing global markets

Progress

- Secured distribution partnership with Virbac for Daxocox in most European countries outside Group's direct markets
- UK Identibase business carved out to facilitate growth opportunities. Entrepreneurial leader appointed

2022 priorities

- Continue to pursue value-creating partnerships and in-licensing opportunities

Link to risks

Link to KPIs

B	Revenue growth
G	New product revenue
I	

INNOVATIVE PIPELINE

Building a pipeline of novel and differentiated products

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

Key initiatives

- Strengthen internal pipeline of differentiated products through partnerships, in-licensing and acquisitions
- Prioritise and accelerate in-house R&D projects

Progress

- EU and UK authorities approve Daxocox for canine OA-related pain
- Early-stage pipeline licence and collaboration deal signed with Orthros Medical to develop innovative therapies using VHH antibodies (March 2022)
- Advancement of life cycle management (LCM) programmes for Daxocox and STEM biofilm technology

2022 priorities

- Increase investment in pipeline versus 2021 (as percentage of revenues)
- Execute clinical and regulatory programme for Daxocox LCM
- Identify potential development opportunities from STEM joint venture

Link to risks

Link to KPIs

A	Revenue growth
E	Basic underlying earnings per share ("EPS")
	New product revenue

Risks key

- A** Market risk
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