

# ANIMALCARE GROUP H1 INTERIMS

*“We have shown exceptional resilience in the face of unprecedented conditions enabling the Group to continue to invest in growth”*



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



**ANIMALCARE**  
GROUP PLC

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# CONTINUED EXECUTION OF 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 through 2020

# DELIVERING ON STRATEGIC COMMITMENTS IN FIRST HALF

## *Strategic and operational achievements*



**STRONG FINANCES** Resilient performance in H1 at higher end of Board's range of pandemic scenario modelling



**BUSINESS DEVELOPMENT** Agreement with Kane Biotech signed post period end: Animalcare gains access to attractive products today, influence over new treatments for the future



**PIPELINE PROGRESS** Differentiated COX-2 inhibitor for treatment of pain in dogs continues to progress. Planned 2021 launch subject to approval



**IMPROVED CAPABILITY** Sales and marketing excellence programme initiated to optimise launch and commercialisation of differentiated products



**IMPROVED CAPABILITY** Digital review to capitalise on accelerated transition to digital working by customers, supply chain and other stakeholders

## H1 2020 FINANCIAL HIGHLIGHTS



# H1 2020: RESILIENCE IN FACE OF COVID-19 DISRUPTION



*Financial performance at the higher end of pandemic scenario modelling range*

## Revenue

£34.5m

↓4.4%



## Underlying\* EBITDA

£6.6m

↓2.4%



Underlying EBITDA margin 19.1%, up 0.4% on prior year

## Net debt

£18.1m

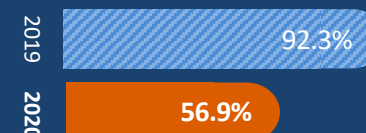
↑£0.3m



Underlying EBITDA leverage ratio at 1.4 times

## Underlying cash conversion

↓56.9%



## 2019 final dividend

£1.4m **retained** to support investment in growth, including funding for Kane Biotech deal

## 2020 interim dividend

2.0 pence per share dividend **payment** reflecting H1 resilience, financial strength and confident outlook

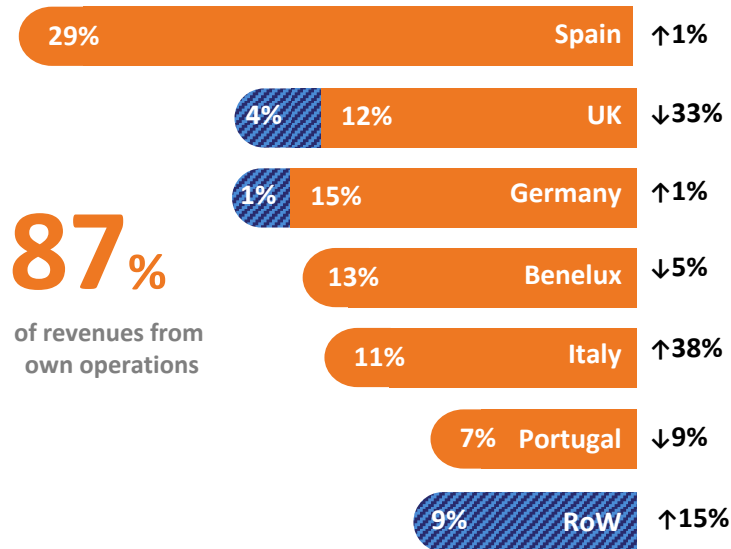
# REVENUE: DIVERSITY OF PORTFOLIO SUPPORTS RESILIENCE



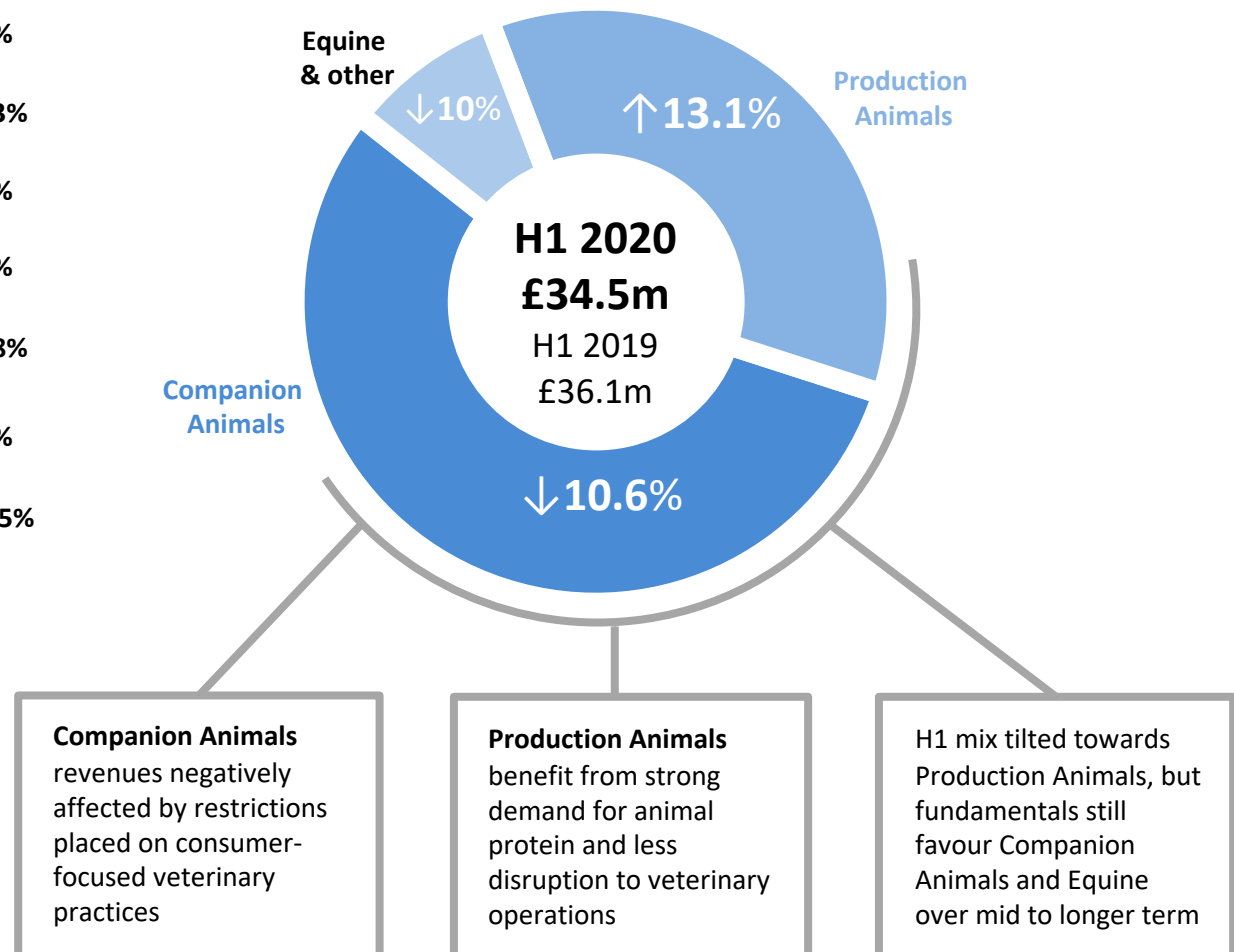
*Production Animals revenues increase, Companion Animals sector disrupted by pandemic restrictions*

## H1 2020 revenue % by country

v H1 2019



## H1 2020 revenue % by segment





# NET DEBT AND CASH CONVERSION OVER FIRST SIX MONTHS



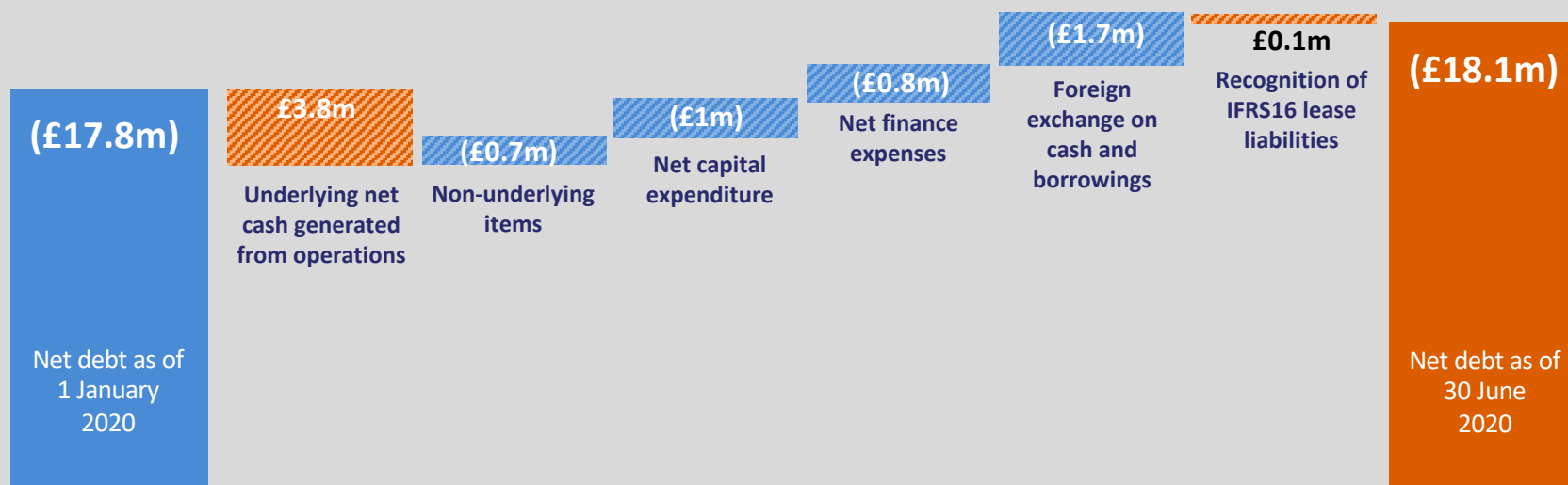
*Operational efficiency contributes to stable financial platform*

## Net debt position largely maintained

- Marginal increase in net debt, up £0.3m versus 2019 year-end
- Net debt to EBITDA leverage ratio at 1.4x v 1.9x for 2019 (maximum covenant 3.5 times)
- Net debt and leverage ratio at end of June 2020 approximately same level as year-end 2019

## Cash conversion

- Cash conversion rate of 56.9% reflects:
  - Effects of COVID-19 disruption
  - Working capital increase due to strategic stock build related to manufacturing transfers





# EVIDENCE OF RECOVERY BUT COVID-19 CONTINUES TO DISRUPT

*Confidence in future despite pandemic supports continued investment in growth*

## Q1

**Animalcare enters 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
- Planned new product launches affected or deferred

## Q3

**Return to more normal customer activity continues into H2**

- Trading to end of August broadly in line with same period last year
- Reduced interaction with vets continue to affect take-up rate of new products

## Q4

**Uncertainty prevails over shape and extent of recovery across 2020 and into 2021**

- Second wave has potential to adversely affect shape and rate of market recovery
- Significant variation between countries

- Economic and market uncertainty remains due to COVID-19
- Variation between markets and slower uptake of new products make forecasting difficult
- Group confident that strong market fundamentals combined with Animalcare's agility and financial strength will support continuing growth investment

2020

ADVANCING  
OUR  
GROWTH  
STRATEGY



# KANE BIOTECH DEAL SUPPORTS BUSINESS DEVELOPMENT FOCUS



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



**REINFORCES** portfolio through licensing deal for existing oral care products

**DIFFERENTIATES** through development of new biofilm treatments

## 1 REINFORCE

Maintain competitiveness of existing base portfolio

Providing cashflows and commercial reach to support investment in differentiated opportunities

## 2 DIFFERENTIATE

Products with potential to drive more sustainable, higher margin growth

### All deals must...

- Create value in appropriate time period
- Play to core strengths (market knowledge, relationships, product development)
- Build on existing segments: companion animals, equine and production animals
- Maximise leverage of the Group's geographic footprint

### CHARACTERISTICS ...

- 'Plug and play' deals that are rapidly accretive to revenue and earnings
- Lower risk/reward profile
- Neat fit with current product offerings

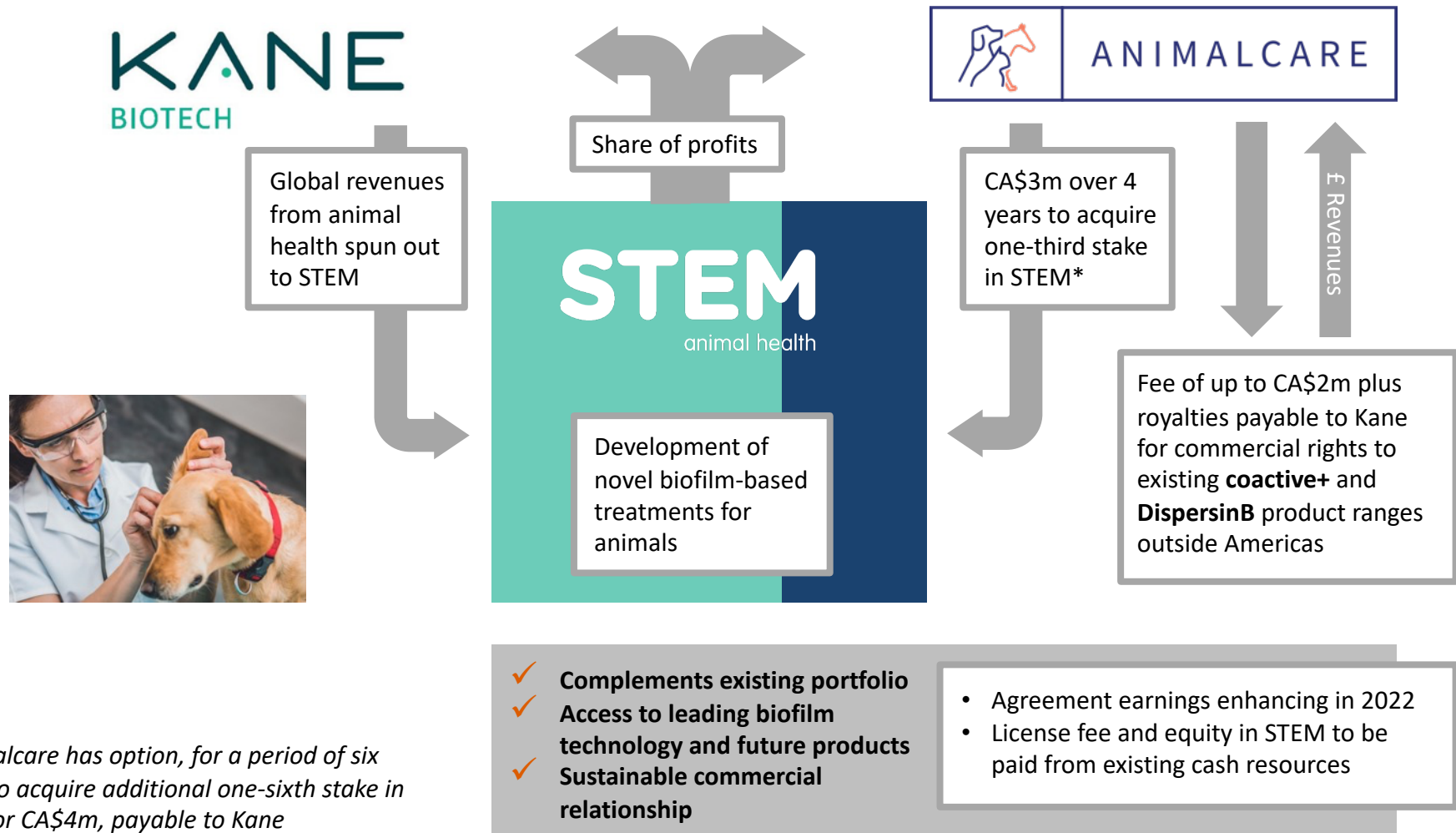
### CHARACTERISTICS ...

- Higher risk/reward profile
- Some or all responsibility for product development
- Transformational

# KANE BIOTECH: DELIVERING ON OUR GROWTH STRATEGY



*Access to attractive biofilm products today, influence over products of the future*





## *Maximising value as differentiated COX 2 inhibitor project matures*

### Differentiated pipeline

- Long-acting selective COX 2 inhibitor (E-6087)
- **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
- Preparations advanced for **2021 launch**, subject to approval

### Commercialisation

**Differentiated** treatments such as E-6087 call for comprehensive approach to secure market uptake:

- KOL advice and endorsement
- Extensive sales and marketing training
- Aligned brand planning across the Group
- Specialist agency support
- Higher levels of veterinary interactions to change prescribing behaviour

### Investment

- **Pipeline** development costs
- **Commercialisation** requires more upfront investment to unlock higher potential later in the value cycle
- *Group open to use full range of appropriate funding options to deliver growth opportunities*

## SUMMARY





# H1 2020 SUMMARY

Continue to deliver on **growth strategy** with Kane Biotech business development deal post period end

**Resilient performance** in H1, at higher end of range of pandemic modelling

**Financial position** remains strong supporting investment in growth and payment of interim dividend for 2020

Evidence of **return to more normal trading**, but economic and market uncertainty into 2021 remains

Development **pipeline** progresses with plans in place for 2021 launch of COX 2 inhibitor