

Animalcare Group plc

Interim Results Presentation

For the six months to 31st December 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



Animal Welfare Products

- Broad range of lower margin support products
- Infusion Accessories 61% of AWP group: synergy with I.V. fluid range
- Other unconnected products
 - Bandages, instruments, hygiene



Companion Animal Identification

- idENTICHIP branded microchips
- Anibase pet database
 - 4.9m registered pet owners
- Revenue from insurance, premium services & administration fees

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

RECRUITMENT &
INDUCTION

CAREER &
SUCCESSION
PLANNING

PERFORMANCE
MANAGEMENT

REWARD &
RECOGNITION

PEOPLE
DEVELOPMENT



IN-HOUSE
PRODUCT
DEVELOPMENT
PIPELINE

PRODUCT
ACQUISITION

ANIMALCARE-
OWNED PRODUCTS

PRODUCTS ON
DISTRIBUTION

UK VETERINARY
WHOLESALE

DISTRIBUTED IN EU
& ROW THROUGH
PARTNER NETWORK

UK VETERINARY
PRACTICES

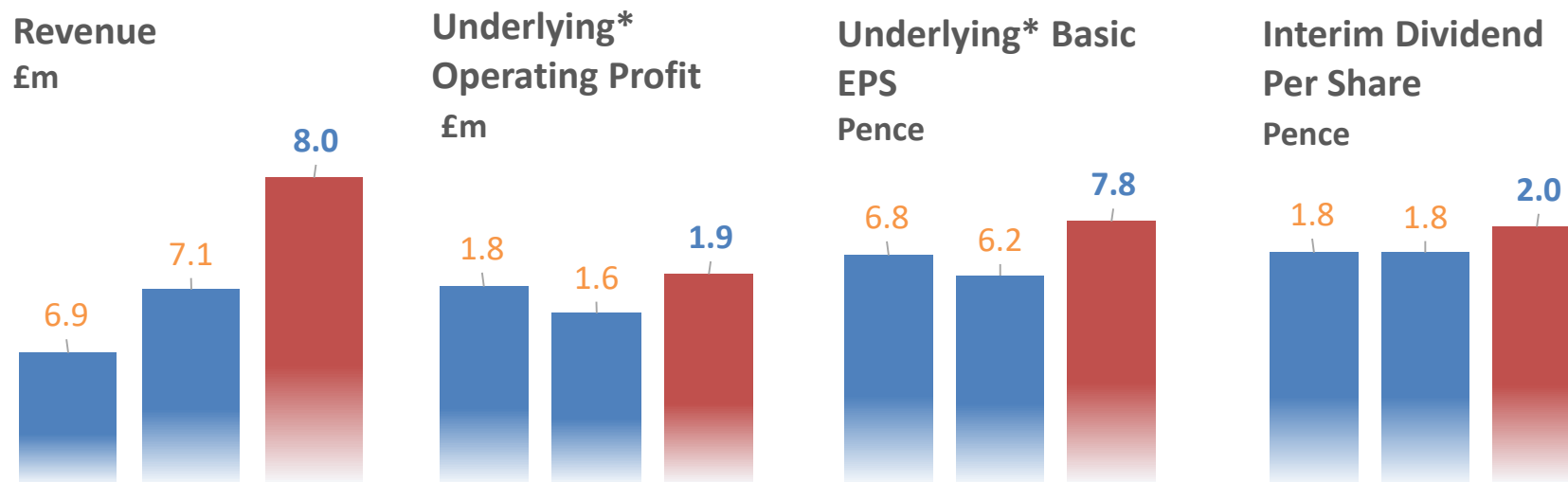
PET OWNERS

Market Review

- UK companion animal medicines market £344m +1% (12 months to June 2016*)
- Consolidation in customer base has continued in the period
 - Introduction of a new northern based corporate group
 - Scandinavian group now principal investor in key UK corporate group
- Merger of Merial and Boehringer Ingelheim animal health businesses complete
- Sequent Scientific Ltd (India) to focus on animal health business US\$120m TO

Financial Results – H1 FY17

Strong first half performance ahead of Board's expectations



- Revenue growth +12.0% to £7.97m
- Underlying* operating profit growth +22.6% to £1.9m. Underlying* Basic EPS +23.0%
- Interim dividend increased by 11.1% to 2.0p per share
- Cash position remains strong at £7.0m. Enabled the business to:
 - Continue to build value in product development pipeline
 - Invest in working capital and infrastructure to support growth

Product Group Performance

Licensed Veterinary Medicines

67%

Revenue

£5.4m

2015: £4.6m | 2014: £4.4m

Market

- UK companion animal market value c.£344m, +1% growth (www.noah.co.uk)

Performance

- Overall revenue growth +17.2%
- Like for like growth 13%, balance from 4 new products
- UK growth +14.6%, Export growth +37.7% to £0.7m (2015: £0.5m)
- Gross margins benefited from favourable sales mix and COGS initiatives

Animal Welfare Products

19%

Revenue

£1.5m

2015: £1.3m | 2014: £1.3m

Market

- Group dominated by Infusion Accessories (61% of sales) and Hygiene range (20% of sales)

Performance

- Revenue growth +13.3%
- Infusion accessories revenue +25%; hygiene flat

Companion Animal Identification

14%

Revenue

£1.1m

2015: £1.2m | 2014: £1.3m

Market

- Expected reduction as a result of compulsory microchipping for dogs in UK

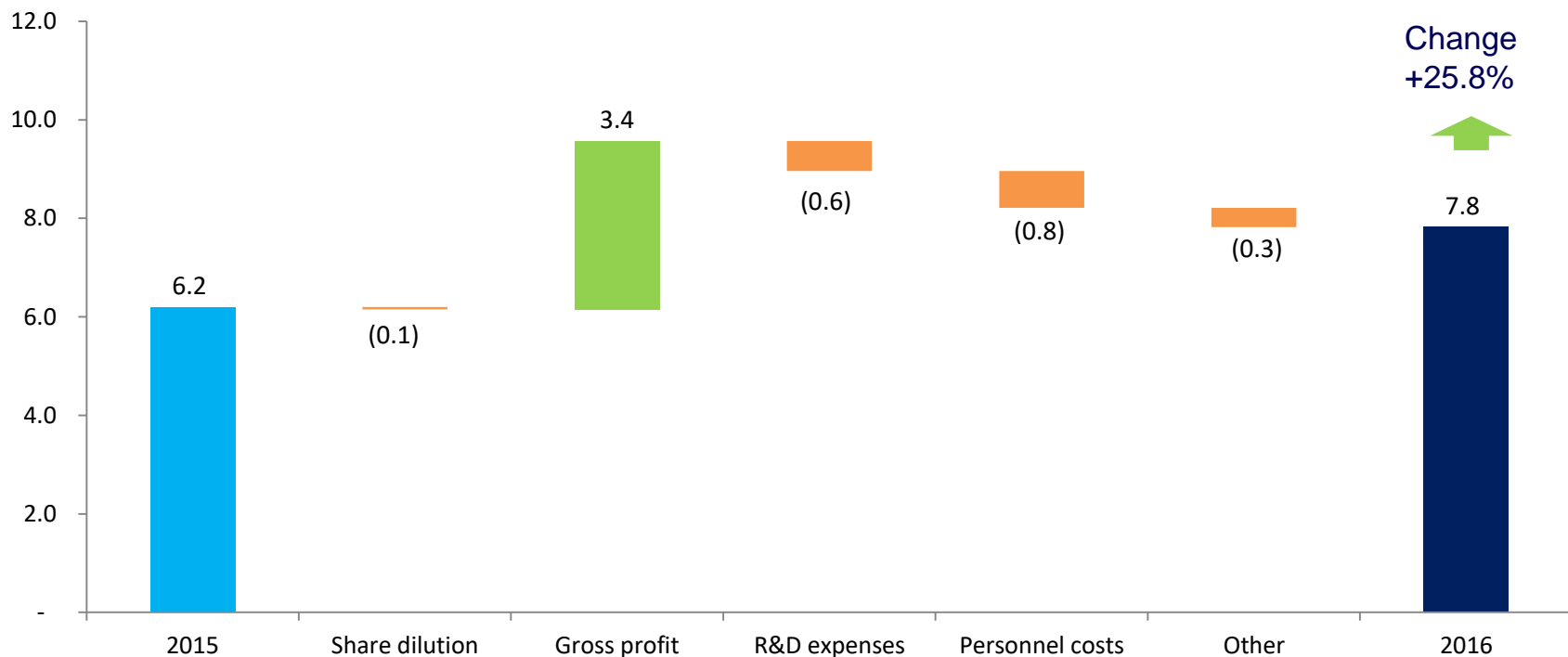
Performance

- Group revenue decline 9.2%
- Pricing remains competitive
- Database services revenue +2.9%

International Sales Progress

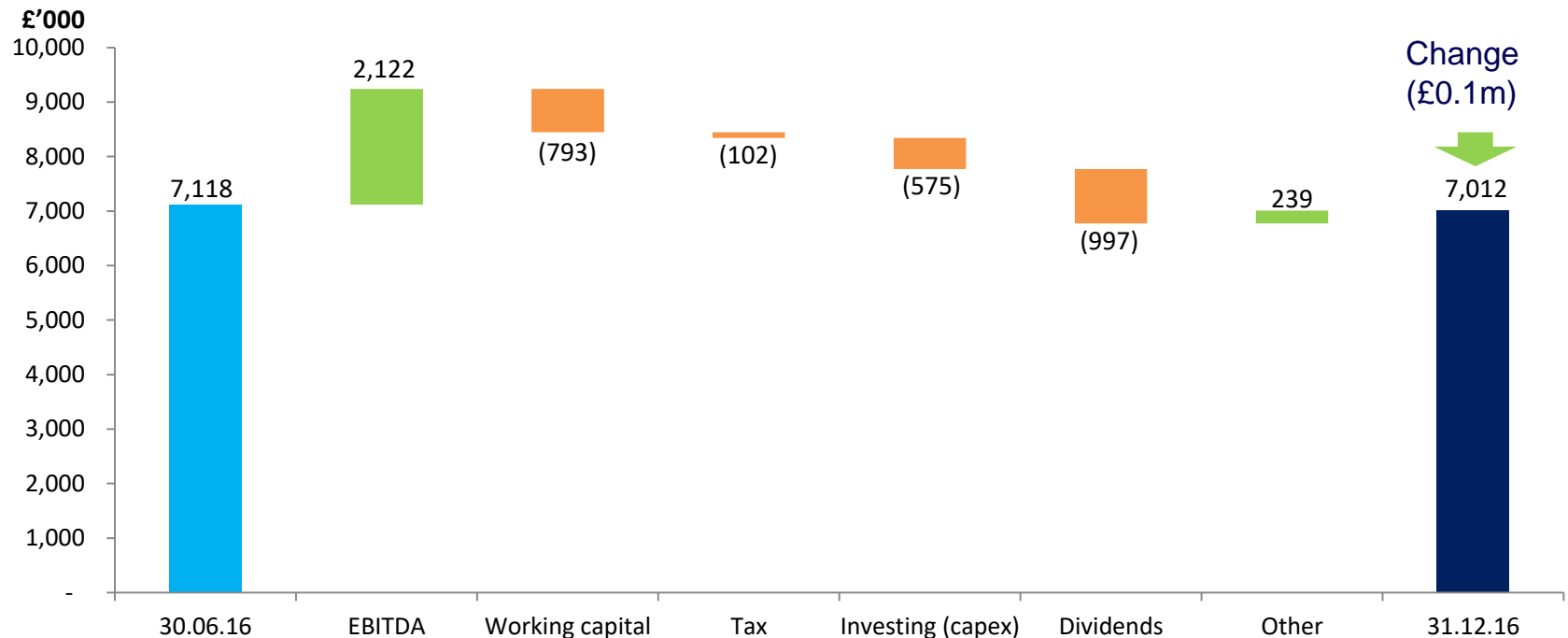
- Licenced Veterinary Medicine growth of 37.7%
 - Like-for-like growth of 28.5% in existing countries
 - Additional growth from 3 new territories including 2 in Asia
- Sales to 12 export countries (2015: 9)
- Agreed 14 new distribution contracts and letters of understanding
 - New markets in Asia, Australasia, Europe and North America
 - Will take between 18 to 36 months to commercialise products in these markets due to regulatory approval timelines

EPS Analysis



- R&D costs increased by £0.1m, people costs up £0.2m, reflecting investment to support future growth
- Operating margin increased by 220bps to 23.2%
- Effective tax rate of 14.3%, broadly in line with FY16

Cash Flow Analysis



- As expected, significant (£0.8m) investment in working capital to support growth. Expect some unwind in H2 as new supply chain team becomes established
- Strong momentum in building value in our NPD pipeline continues – expenditure in H1 flat at £0.6m – expect overall FY17 spend to be in region of £2.0m (FY16: £1.6m)
- Balance sheet strength remains - will help with current economic uncertainty

Overall financial performance strong and good progress in executing strategy for growth

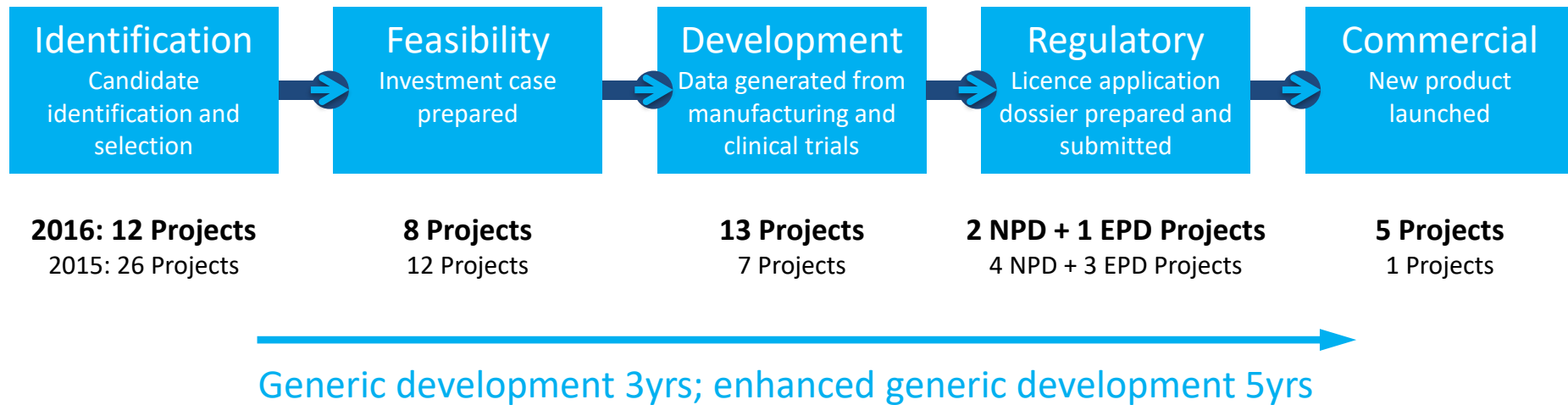
Building a Strong Business

- Sales team
 - Sales team strengthened with expansion of key account team
- Supply chain
 - New, experienced Supply Chain Manager in place and implementing change
- Talent Management Programme
 - Programme developing with first elements already rolled out to recruit, retain, recognise and reward staff
 - Several employees promoted internally to new roles, demonstrating healthy culture and providing inspiration for others in organisation

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
 - Wider partnership network developing
- Assess opportunities to innovate and strengthen Companion Animal Identification group
 - New business model prepared and market launch imminent
- Increase our revenues from outside the UK
 - Strong progress in first 18 months
 - Extensive geographic footprint well beyond EU

In-house Development Pipeline



- 5 NPD and EPD products commercialised in period
- First in-house project exceeding expectations
- Four regulatory submissions anticipated in H2, including first pan-European Centralised Procedure

Outlook: *Strategy on track*

- In-house development pipeline continued momentum
- Generic opportunities will decline; focus has turned to investment in novel products
- New business model to build value in microchips on track for launch in H2
- Two new products to begin shipping in H2
 - Aquopharm to 4 territories including 1 new territory for Animalcare
 - Isocare to 5 territories including 3 new territories
 - Further distribution agreements expected to be finalised in H2



Appendices

Appendix 1: Profit and Loss

	6 months ended 31.12.16			6 months ended 31.12.15		
	Underlying	Exceptionals	Total	Underlying	Exceptionals	Total
Revenue	7,968	-	7,968	7,114	-	7,114
Cost of sales	(3,361)	-	(3,361)	(3,230)	-	(3,230)
Gross Profit	4,607	-	4,607	3,884	-	3,884
Distribution costs	(124)	-	(124)	(121)	-	(121)
Research & development expenses	(198)	-	(198)	(70)	-	(70)
SG&A expenses	(2,381)	(59)	(2,440)	(2,140)	(59)	(2,199)
Operating profit/(loss)	1,904	(59)	1,845	1,553	(59)	1,494
Finance income/(expense)	16	(14)	2	13	21	34
Profit/(loss) before tax	1,920	(73)	1,847	1,566	(38)	1,528
Income tax (expense)/credit	(279)	15	(264)	(257)	7	(250)
Profit after tax	1,641	(58)	1,583	1,309	(31)	1,278
EPS						
Basic	7.8p		7.5p	6.2p		6.1p
Fully diluted	7.6p		7.4p	6.1p		6.0p

Appendix 2: Summary Balance Sheet

£'000	2016	2015
Goodwill	12,711	12,711
Other intangible assets	3,293	2,257
Property, plant and equipment	254	271
Non-current assets	16,258	15,239
Inventories	2,172	1,700
Trade and other receivables	2,661	1,909
Cash and cash equivalents	7,012	6,098
Current assets	11,845	9,707
Total assets	28,103	24,946
Trade and other payables	(3,274)	(2,090)
Current tax liabilities	(202)	(301)
Deferred income	(235)	(233)
Current liabilities	(3,711)	(2,624)
Deferred income	(732)	(724)
Deferred tax liabilities	(308)	(127)
Total liabilities	(4,751)	(3,475)
Net assets	23,352	21,471

Appendix 3: Cash flow

£'000	2016	2015
Profit before tax	1,847	1,528
Depreciation & amortisation	276	190
Other non-cash movements	8	47
Operating cash flows before w/c movements	2,131	1,765
Movement in inventories	(568)	(47)
Movement in receivables	(491)	337
Movement in payables	266	(96)
Cash generated by operations	1,338	1,959
Income taxes paid	(102)	(161)
Net cash flow from operating activities	1,236	1,798
Investing activities	(559)	(619)
Dividends	(997)	(904)
Issue of share capital	214	46
Net (decrease)/increase in cash	(106)	321
Cash balances at 31st December	7,012	6,098

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.