

ANIMALCARE GROUP ANNUAL GENERAL MEETING

CEO Jenny Winter
CFO Chris Brewster



Animalcare is committed to being a leader in animal health through innovative and trusted products and services



ANIMALCARE
GROUP PLC

AGENDA

ANIMALCARE ANNUAL GENERAL MEETING 2019

1. FY Results highlights

2. Financial Overview

3. Business Model

5. Strategy Update

6. Product Pipeline

7. Summary and Outlook

FY18 RESULTS

FOCUSED ON A SHORT TERM STRATEGY TO OPTIMISE THE ORGANISATION TO DELIVER MID TO LONG TERM SUSTAINABLE GROWTH THROUGH ORGANIC GROWTH, INNOVATION AND SELECTIVE ACQUISITIONS

Financial Highlights

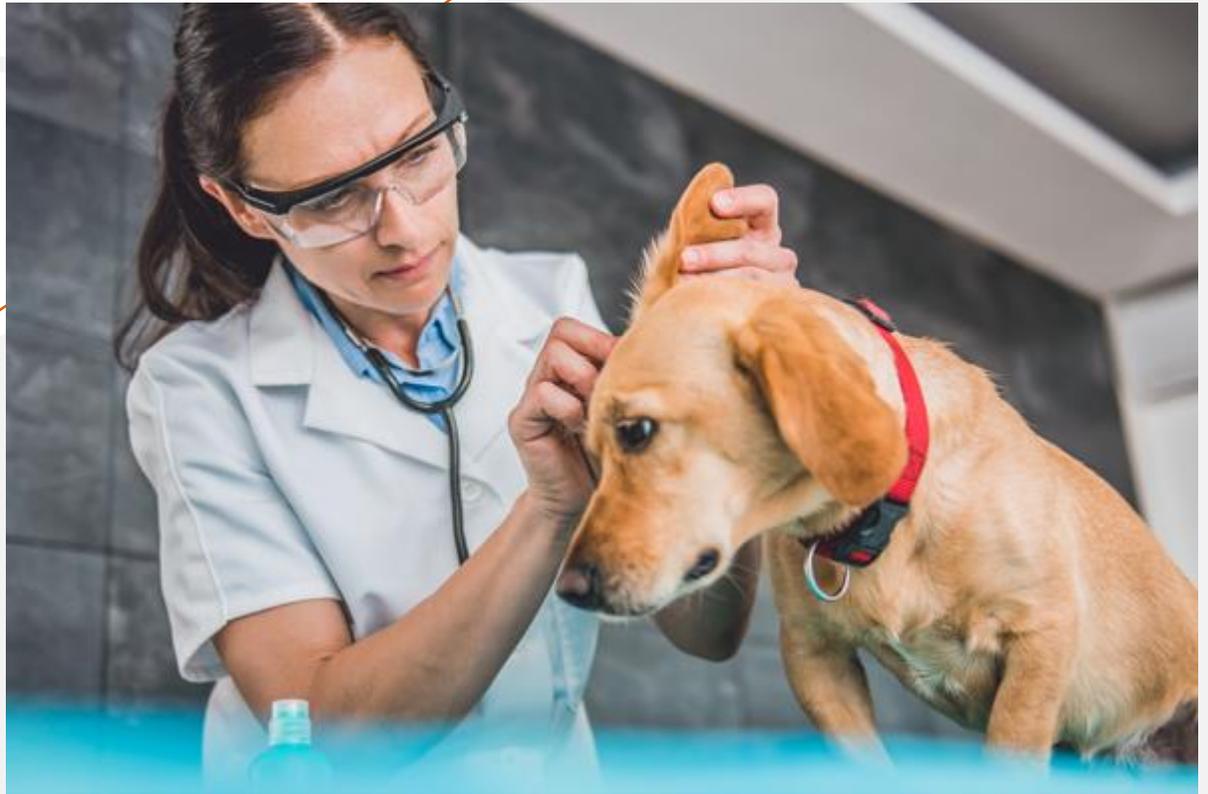
- Pro-forma revenue growth of 2.7% to £72.5m (2017: £70.6m)
- Pro-forma underlying EBITDA increased by 2.8% to £11.8m (2017: £11.5m)
- £7.3m underlying net cash generated from operations, and a cash conversion of 80%.
- Proposed final dividend of 2.4 pence per share giving a total dividend of 4.4 pence per share for 2018, the first full financial year as a combined Group

Operational Highlights (including post-period)

- Jenny Winter appointed Chief Executive Officer in October 2018
- Key leadership appointments made to deliver strategy
- Portfolio prioritisation completed including the sale of the non-core Wholesale business in Q3 2018
- Ten new products launched in 2018 with an additional six submissions made for products that are scheduled for launch in 2019 or early 2020
- Five pillar strategy reflecting the new combined Animalcare Group



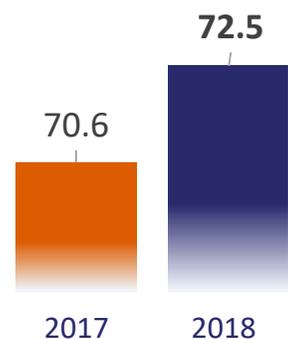
FINANCIAL OVERVIEW



OVERVIEW OF 2018 RESULTS

DELIVERING PROFITABLE GROWTH DURING A PERIOD OF CHANGE

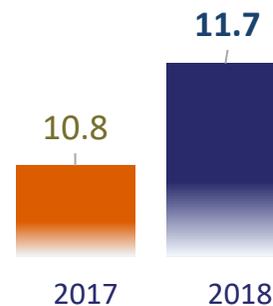
Revenue
£m



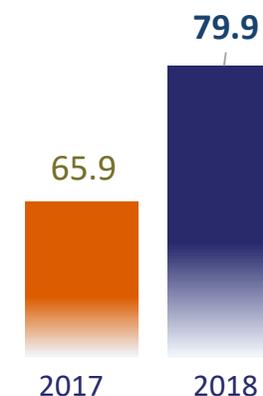
**Underlying*
EBITDA**
£m



**Underlying* Basic
EPS**
Pence



**Operating Cash
Conversion***
%



- Proforma revenue growth +2.7% to £72.5m
- Proforma underlying* EBITDA increased by 2.8% to £11.8m. Proforma underlying Basic EPS up 8.3% to 11.7p
- Underlying* operating cash conversion improved to 79.9%. Net debt reduced by £2.3m to £23.6m with leverage at c2.0 times proforma underlying* EBITDA
- Proposed final dividend of 2.4p – total dividends for 2018 at 4.4p per share

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

SUMMARY AND 2019 FOCUS

2018 summary – return to profitable growth

- Proforma P&L growth across all key metrics during a continuing period of change
- Revenues growing faster than SG&A costs - starting to see operating leverage gains whilst investing in our people to improve capability, drive integration and efficiency
- Improving cash conversion and reduced net debt – funded large increase in R&D investment from which we should see the first launches in 2019
- Good progress with integrating our financial (SAP) and commercial IT systems

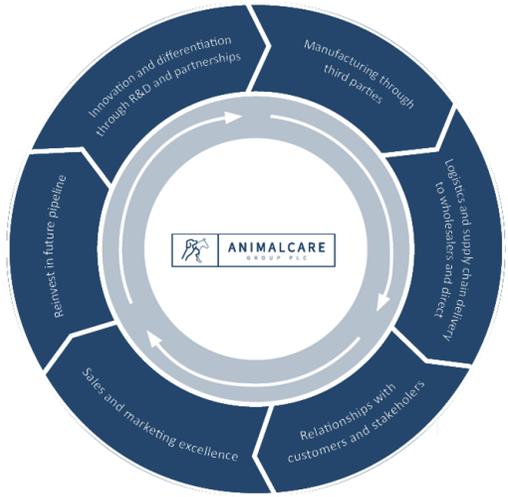
2019 focus – platform to deliver sustainable growth

- Accelerate pace of integration to drive simplification and improve efficiency
 - Supply Chain – consolidate function, reduce inventory, stock outs and write-offs. Investment in SAP ERP will accelerate this process
 - Portfolio review and optimisation – focus on EBITDA leverage and tail products
 - R&D and regulatory functional centralisation
- Building a balanced pipeline (internal and external) – improve cash conversion to allow capacity to invest in new product opportunities

STRATEGY FOR GROWTH



THE ANIMALCARE BUSINESS MODEL



Innovation and differentiation through R&D and partnerships

Manufacturing through third parties

Supply chain delivery to wholesalers and direct

Customer and stakeholder relationships

Sales and marketing excellence

Reinvestment in future pipeline



OUR MARKETPLACE AND RESPONSE TO THE KEY TRENDS

The market for animal health is growing rapidly



Expand sales into higher growth markets through partners (eg China) where we do not have infrastructure or build infrastructure where relevant

Veterinary practice changing



In-house experts and capacity building to align with changing environment including Key Account Management

Pet ownership focused on pet health and wellbeing



Development pipeline aligned to future needs of veterinarians whilst supporting established businesses in Production animals

Diagnostics and digital technology are increasing



Continuing to develop Microchip and Identibase business in the UK whilst evaluating opportunities to develop tech and expand

Changes in the use of antibiotics

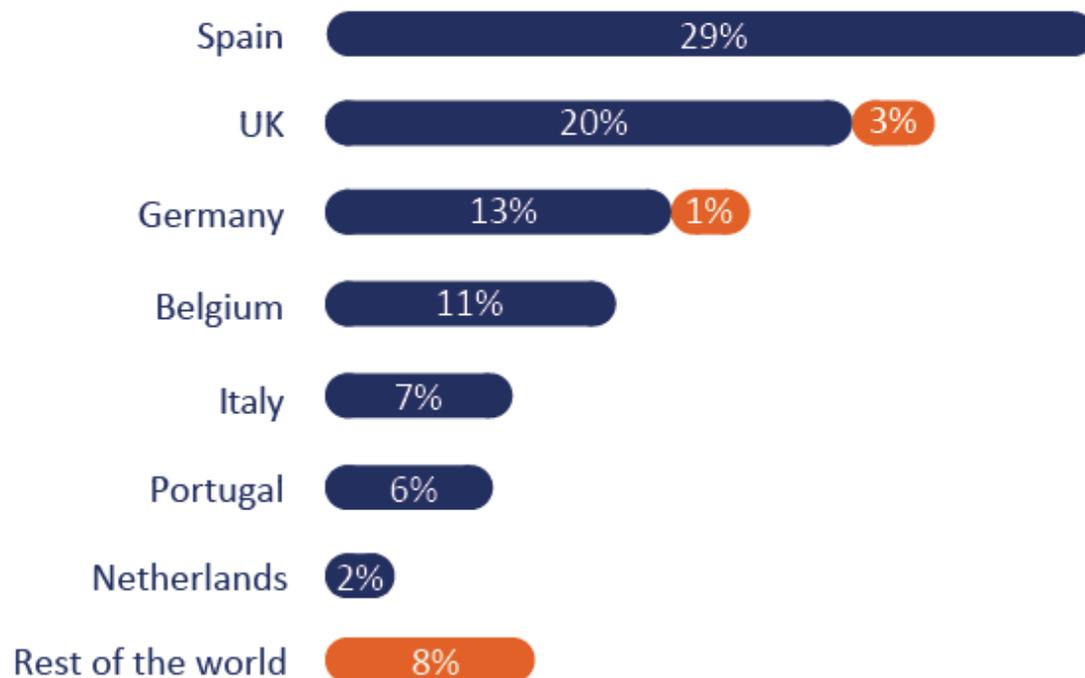


Rebalancing the portfolio to higher growth areas of the business

ANIMALCARE MARKETS

88% OF OUR BUSINESS IS FROM WITHIN OUR OWN NETWORK

Revenue % by country



Growth versus 2017



■ Our operations 88%
■ Our network partners 12%

3 – 5 YEAR STRATEGY TO BECOME A LEADING VETERINARY PHARMACEUTICAL BUSINESS

**SUSTAINABLY PROFITABLE, CASH-GENERATIVE AND INNOVATIVE ANIMAL HEALTH COMPANY
GROWING FASTER THAN THE MARKETS IN WHICH WE OPERATE**

Strong finances

Build financial sustainability through revenue growth, cash conversion, EPS growth and EBITDA margin growth

Key leadership

Organisation for success; build leadership strength and core capabilities for growth

Growth portfolio

Grow the business through a focussed portfolio in five key therapy areas in the companion animal and equine markets

Business development

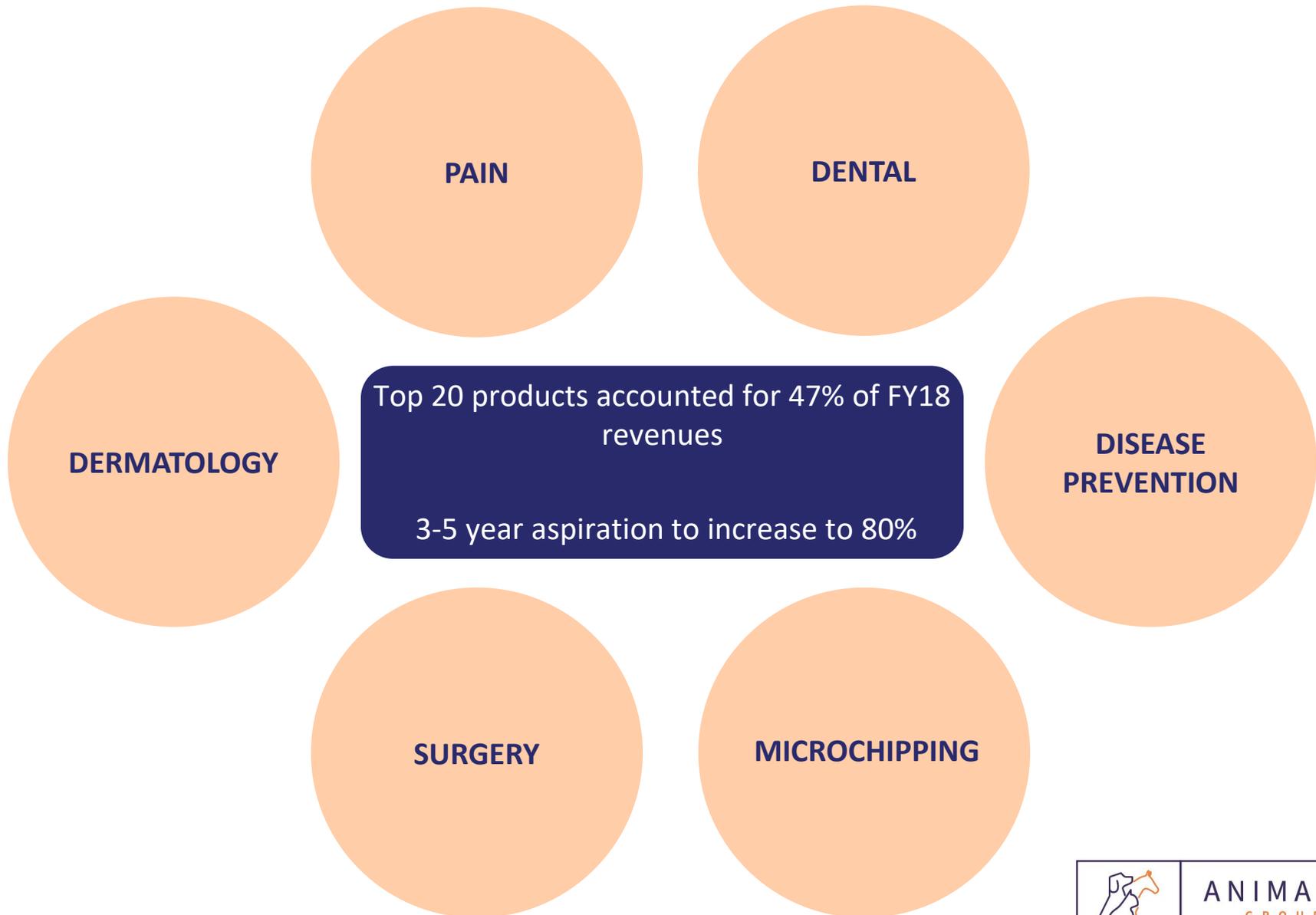
Short term – work with partners to build a pipeline of distribution products that meet our criteria for growth.

Innovative pipeline

Mid term – develop differentiated and innovative pipeline of products for sustainable growth.



FOCUS ON THERAPEUTIC AREAS WITH GOOD GROWTH POTENTIAL



ACHIEVING OUR THREE YEAR GOALS

OUR KEY DRIVERS FOR FUTURE GROWTH



THE RIGHT ORGANISATION FOR SUCCESS

Jenny Winter
CEO



Sam Williamson
UK Country
Manager



Jorge Norte
Portugal
Country
Manager



Guido Massero
Italy Country
Manager



Luke Goossens
Germany
Country
Manager



Sarah Maddens
Benelux
Country
Manager



Maria Lasagabaster
Spain Country
Manager



Carla De Schepper
HR



Martin Gore
Commercial



Karolyn Tapper
Technical and
Development



Stephen Pearson
Supply Chain



BUILDING A ROBUST PIPELINE

INVESTING IN FUTURE INNOVATION TO DRIVE FUTURE GROWTH

- Portfolio prioritisation completed including the sale of the non-core Wholesale business in Q3 2018, in line with focus on the higher-margin veterinary pharmaceuticals business
- Ten new products launched in 2018 with an additional six submissions made for products that are scheduled for launch in 2019 or early 2020
- 17 submissions to regulatory authorities for new products or existing products in new countries
- In-house pain product prioritised in own pipeline - entering clinical trials in 2019
- Future focus on in-licensing to build future pipeline and complement in-house development

SUMMARY



SUMMARY/OUTLOOK

Looking forward we will



Deliver sustainable profitable growth



Generate cash to invest in growth



Build a robust pipeline



Have a clear therapeutic focus in growth areas



Grow our network of mutually beneficial partnerships



Deliver sustained stakeholder returns

APPENDIX



APPENDIX - PROFORMA P&L RECONCILIATION

£m	Total 2018	Post- acquisition 2017	Pre- acquisition 2017	Total 2017
Revenue	72.5	62.3	8.3	70.6
<i>% change</i>	<i>+2.7%</i>			
Gross Profit	37.3	32.3	4.5	36.8
<i>Gross Margin %</i>	<i>51.5%</i>			<i>52.1%</i>
Underlying EBITDA	11.8	9.7	1.8	11.5
<i>% change</i>	<i>+2.8%</i>			
Underlying net profit	7.0	5.2	1.3	6.5
Basic underlying EPS	11.7p			10.8p
<i>% change</i>	<i>+8.3%</i>			

PROFORMA P&L – PHARMA

COMPANION ANIMALS - MAIN DRIVER OF GROWTH AND ABOVE MARKET

	2018 £'m	2017 £'m	Change at AER %
Revenue by Product Category			
Companion Animals	44.5	41.9	6.0%
Production Animals	22.8	23.7	(3.6%)
Equine & other	5.2	4.9	1.4%
Revenue	72.5	70.6	2.7%
Gross Profit	37.3	36.8	1.5%
Gross Margin %	51.5%	52.1%	(0.6%)
Underlying EBITDA	11.8	11.5	2.8%
Underlying Basic EPS	11.7p	10.8p	8.3%

- CA continues to drive growth (+6.0%) offset by decline in PA (-3.6%) against background of declining antibiotic usage
- Gross margins declined by 0.6% reflecting lower margin sales mix in CA and maturing portfolio
- EBITDA increased by 2.8% to £11.8m and EBITDA margin maintained at 16.3%. SG&A costs reduced to 35.2% of sales
- Lower effective tax rate (22.3% vs 23.0%) supporting 8.3% increase in underlying basic EPS to 11.7p

CASH FLOW

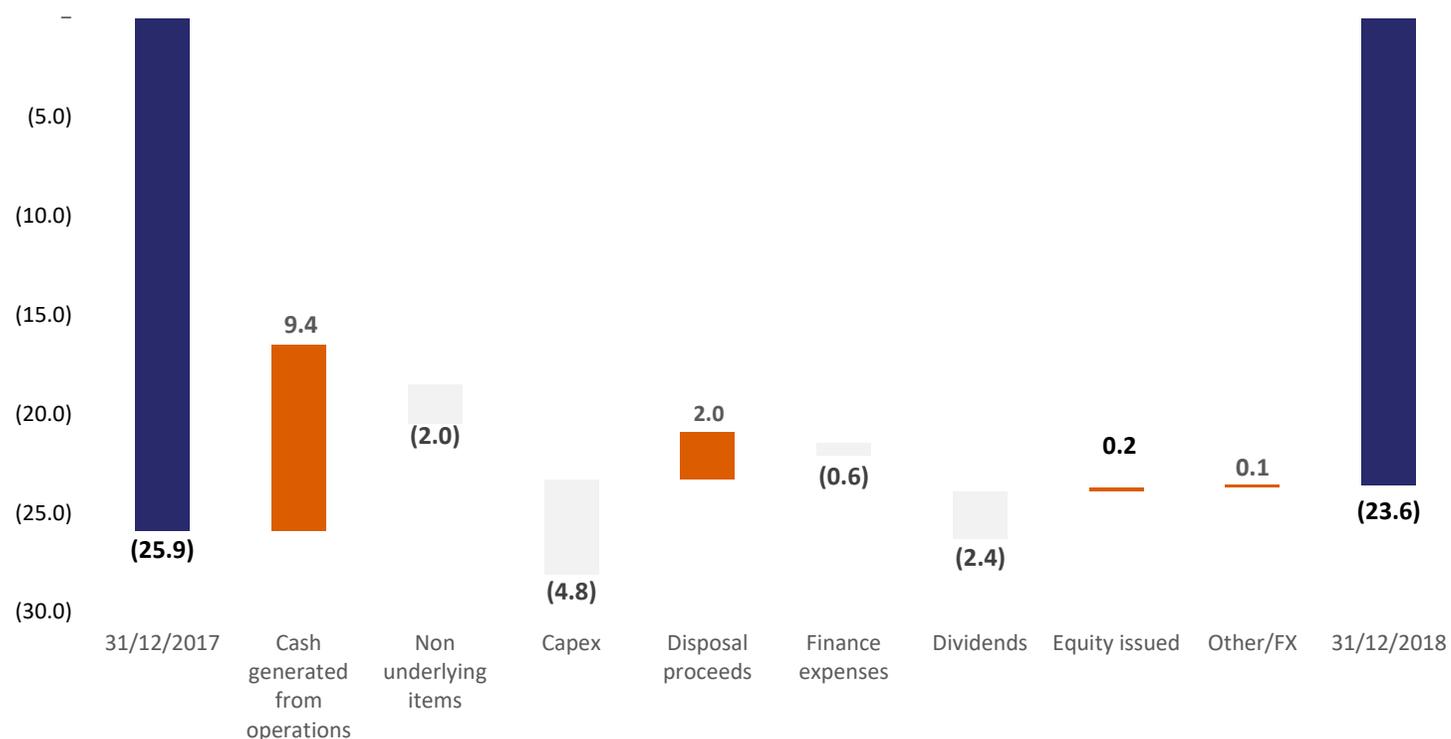
UNDERLYING CASH CONVERSION IMPROVED TO 79.9%

£m	2018	2017
Underlying EBITDA (statutory)	11.8	9.7
<i>EBITDA %</i>	<i>16.3%</i>	<i>15.6%</i>
Working capital	(0.9)	(5.6)
Other	(3.5)	(1.7)
Net cash flow from operations	7.4	2.4
Non-underlying items	2.0	4.0
Underlying net cash flow from operations	9.4	6.4
Cash conversion %	79.9%	65.9%

- Cash conversion improved to 79.9% - further improvement anticipated during 2019 primarily via inventory reduction
- Working capital increase largely due to stock build – but significantly lower than 2017 (£3.1m excluding non-underlying items)
- Other increase mainly driven by higher cash taxes
- £2.0m cash non-underlying items mainly integration/restructuring related (Belgium, Spain & UK)

NET DEBT

NET DEBT REDUCED AND EBITDA LEVERAGE COVENANT AT 2.0 TIMES



- Net debt reduced by £2.3m vs 2017 year end
- Net debt:EBITDA leverage ratio at 2.0 times (maximum covenant 3.5 times)
- £4.8m capital expenditure - £4.2m relates to the NPD pipeline, balance largely IT investment including UK SAP
- IFRS16 will increase financial debt in 2019 by c£2.5m