Our Strategy

In 2019, we set a strategic ambition to deliver above market growth in three to five years on the way to becoming a leading player in the European animal health market. In spite of the extreme headwinds of COVID-19, we made tangible progress against our short-term and long-term goals during 2020.

Our strategic pillars

Key goals	Key initiatives	Progress	2021 priorities	Link to KPIs
Strong finances Financial sustainability through revenue growth, cash conversion, EPS growth and EBITDA margin growth				
Revenue growth Link to Risks A G	• 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	• New product sales of £2.2m (2019: £1.8m) • Fast growing contribution from Italy • c3.2% like-for-like growth from top 40 products in base portfolio	• Continue to scale up in fast-growing countries • UK and Belgium return to growth • Successful launch of Daxocox and STEM biofilm range in H2	Revenue Growth Underlying EBITDA margin Number of partners
Cash conversion and net debt Link to Risks C E F	• Optimise inventory • Tax efficiency • Net debt reduction	• Strong underlying cash conversion of 102.9% • £13.6m net debt; reduced by 24% over course of 2020 • Net debt to underlying EBITDA leverage ratio further reduced to 1.1 times	• Maintain strong cash conversion focus to provide investment for growth strategy • Maintain EBITDA leverage in the range of 1 to 2 times	Basic Underlying Earnings per share ("EPS") Number of products in portfolio Number of countries selling in/to
Underlying EBITDA margin and EPS growth Link to Risks C E F	• Focus on higher margin products • Operating efficiency and leverage	• Low margin tail products reduced to around 200 (c330 at time of merger) • Underlying EBITDA margin 17.2% reflecting decisive management of SG&A costs and increased investment in people, business development and pipeline • Underlying EPS of 10.6 pence	• Investment in new product launches and other growth opportunities while maintaining focus on operational efficiency	Basic Underlying Earnings per share ("EPS") Number of products in portfolio Number of countries selling in/to

Risks

- 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

Key goals	Key initiatives	Progress	2021 priorities	Link to KPIs
Key leadership Organisation for success; leadership strength and core capabilities				
Attract, retain and develop talented people Link to Risks C D	• Build leadership capabilities • Align reward to performance • One-team culture • Drive effective communication and collaboration • Improve diversity	• 11% improvement in annual engagement survey score • Strengthened business development and sales and marketing capabilities • Regular pulse surveys during pandemic, supporting well-being • Performance management process rolled out	• Implement actions from employee engagement survey • Improve two-way employee communication • Implement Group-wide talent management programme • Live our new brand	Underlying cash conversion Underlying EBITDA margin Number of countries selling in/to
Organisation for growth Link to Risks B G I	• Reorganisation to drive growth agenda with clear leadership accountabilities	• Launched new structure to support delivery of growth strategy (February 2021) • Creation of streamlined Senior Executive Team (SET)	• Complete recruitment of SET roles • Embed new structure and ways of working	Employee engagement Number of partners Number of countries selling in/to
Growth portfolio Focused portfolio in key therapy areas in growing market segments				
Focus on existing core brands that generate sustainable growth and margins Link to Risks C D	Improve quality of portfolio; focus on smaller number of bigger selling, higher margin brands	• 100 smaller tail products removed since merger: now around 200 brands • £2.2m of new product sales with launches of Procanicare, Doxycare and Metrocare helping to reinforce base portfolio • Strengthened sales and marketing excellence	• Drive growth in Companion Animals and maintain strong presence in Production Animals • Continue to reduce tail with long-term portfolio target of c150 brands while maintaining or growing revenues • Continued investment in product launch capability	Underlying cash conversion Underlying EBITDA margin Number of countries selling in/to

Our Strategy CONTINUED

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Key goals	Key initiatives	Progress	2021 priorities	Link to KPIs
Business Development Work with partners to build a pipeline of products that meet our criteria for growth				
In-license or acquire products and develop network partnerships Link to Risks B G I	• 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	• STEM joint venture gives access to companion animal biofilm-targeting products today and influence over development of products in the future	• Continue to pursue value-creating partnerships and in-licensing opportunities • Recruit and onboard Strategic Product and Business Development Director to continue capability build • Complete carve-out of UK Identibase business to increase management focus and facilitate growth opportunities	Employee engagement Number of partners Number of countries selling in/to
Innovative Pipeline Building a pipeline of novel and differentiated products				
Launch new products and develop differentiated and innovative pipeline of products for the future Link to Risks A E	• Strengthen internal pipeline of differentiated products through partnerships, in-licensing and acquisitions • Prioritise and accelerate in-house R&D projects	• CVMP recommends approval for Daxocox in EU (February 2021) • Initiation of life cycle management (LCM) programmes for Daxocox to support new indications and geographical expansion • Completed development of branded generics pipeline to reinforce base portfolio	• Increase investment in pipeline versus 2020 • Execute clinical and regulatory programme for Daxocox LCM • Drive launch of Daxocox and STEM products • Identify potential development opportunities from STEM joint venture	Revenue Growth Basic Underlying Earnings per share (“EPS”)