



# Interim Results Presentation

For the six months to 31<sup>st</sup> December 2013

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# Financial Highlights

	6 months to 31st Dec 2013	6 months to 31st Dec 2012	% change
Revenue	£6.46m	£6.10m	5.9%
Underlying* EBITDA	£1.58m	£1.57m	0.4%
Underlying* operating profit	£1.44m	£1.47m	(2.9%)
Profit before tax	£1.38m	£1.34m	3.5%
Basic underlying* earnings per share	5.5p	5.8p	(5.2%)
Interim dividend	1.5p	1.5p	–
Cash and cash equivalents	£3.64m	£2.96m	+23.1%

\* Underlying measures are before the effect of exceptional and other items. These are analysed in note 3.

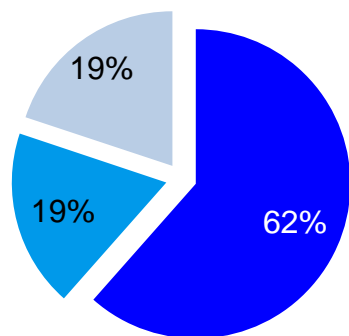
- Revenue increased 5.9% to £6.5m (2012: £6.1m)
  - Sales of Licensed Veterinary Medicines up 10.7%
- Underlying\* operating profit down 2.9% to £1.4m (2012: £1.5m)
- Underlying\* basic earnings per share decreased by 5.2% to 5.5p (2012: 5.8p)
- Continued strong cash position – interim dividend maintained at 1.5p

# Operational Highlights

- Strong revenue growth from Licensed Veterinary Medicines:
  - three new product launches in the period
  - growth comfortably ahead of the UK market
- Companion Animal Identification returned to growth:
  - sales of both microchips and database services increasing
- Product development pipeline progressing on schedule:
  - recruitment underway to expand the product development team and support growth plans
- Maintained strong cash position:
  - capital available to invest in new product development opportunities

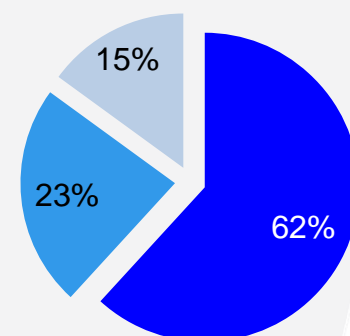
# Product Group Segmental Analysis

H1 FY14 Revenue



- Licensed Veterinary Medicines
- Companion Animal Identification
- Animal Welfare

H1 FY14 Gross Profit



Revenue	6 months to 31st Dec 2013	6 months to 31st Dec 2012	% change
Licensed Veterinary Medicines	3,975	3,590	10.7%
Companion Animal Identification	1,201	1,137	5.6%
Animal Welfare	1,286	1,376	(6.5%)
<b>TOTAL</b>	<b>6,462</b>	<b>6,103</b>	<b>5.9%</b>

# Licensed Veterinary Medicines

- Turnover up 10.7% to £3.98m (2012: £3.59m)
- Growth comfortably ahead of market (+7.6%) (source: [www.noah.co.uk](http://www.noah.co.uk))
- Two distribution products (Phenoleptil, Thiafeline) and one in-house developed product (Marbocare) launched successfully in H1
- Strong competition and pricing pressure persists in veterinary generic medicines market
- Supports business case for Project Sustain investment

# Companion Animal Identification

- Sales increased by 5.6% to £1.20m (2012: £1.14m)
- Microchip sales
  - Marketing focus has reversed decline
  - Margin pressure ahead of implementation of compulsory microchipping in England and Wales
- Sales of follow-on services grown by 9.7%
  - Database contains over 3.8m registered pets/owners
  - Economic recovery and legislation will have positive effect
- Compulsory microchipping – see slide 14

# Animal Welfare Products

- Planned withdrawal from older, less profitable products:
  - Gross profit up 5.5% versus prior period to £0.54m on lower turnover of £1.29m (2012: £1.38m)
- Infusion Accessories represents 52% of product group sales:
  - Turnover and gross profit increased by 0.7% and 7.2% respectively
- Selective withdrawal will allow focus on key product lines that complement sales and marketing strengths



# Financials: P&L Summary

£'000	6 months to 31 <sup>st</sup> December 2013	6 months to 31 <sup>st</sup> December 2012
Revenue	6,462	6,103
Gross Profit	3,595	3,402
SG&A expenses	(2,160)	(1,934)
<b>Underlying operating profit</b>	<b>1,435</b>	<b>1,468</b>
Exceptionals (see Appendix)	(59)	(134)
Operating profit	1,376	1,343
Basic underlying EPS	5.5p	5.8p
Dividend per share	1.5p	1.5p

- SG&A costs increase principally driven by relocation to our new premises and higher staff costs including share based payments
- Underlying operating margin at 22.2% (2012: 24.1%) consistent with FY13
- Basic underlying EPS decline of 5.2% to 5.5p
- Interim dividend per share maintained at 1.5p

# Financials: Cash Flow

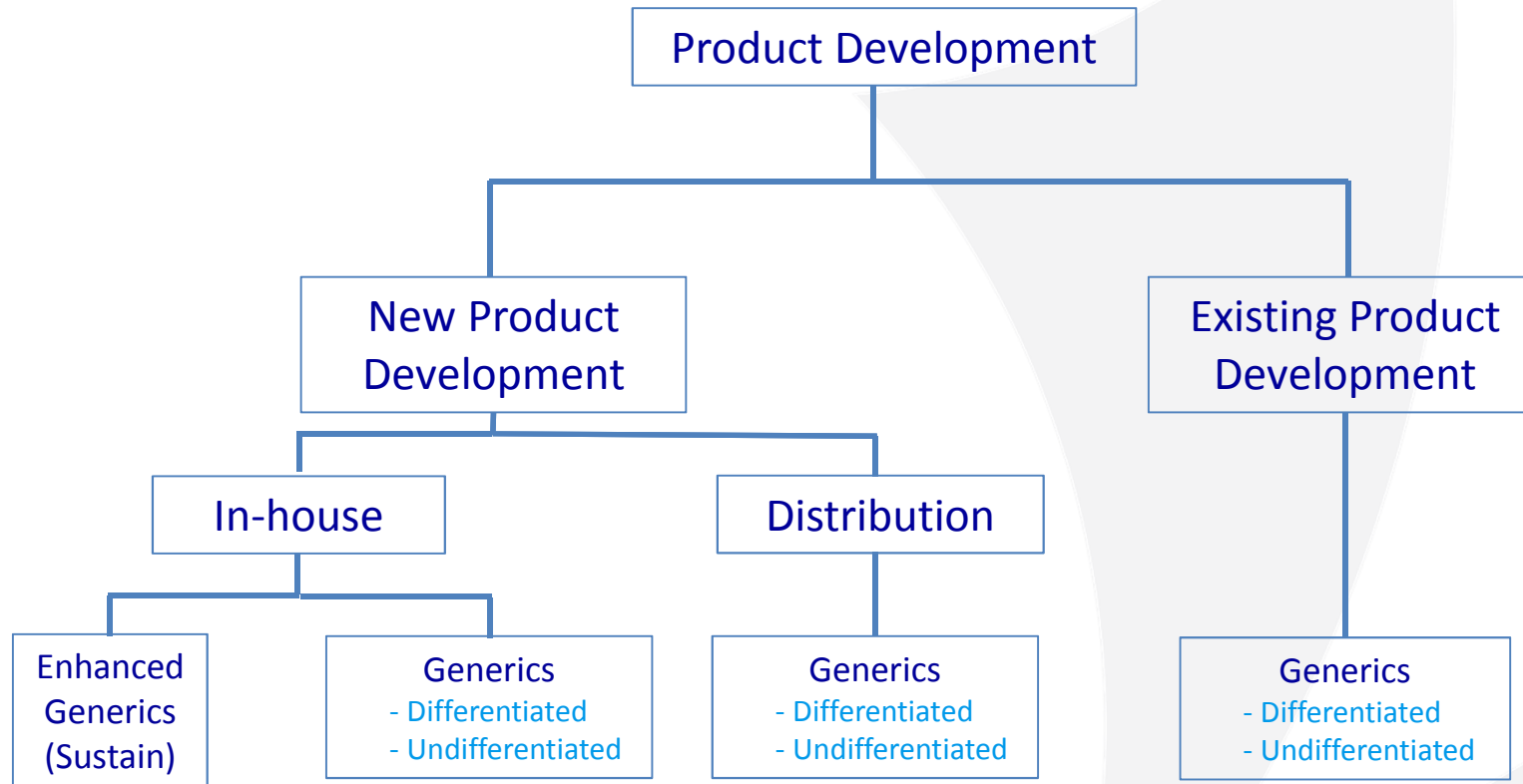
£'000	6 months to 31 <sup>st</sup> December 2013	6 months to 31 <sup>st</sup> December 2012
Operating cash flows	1,627	1,553
Movement in working capital	(678)	(251)
<b>Cash generated from operations</b>	<b>949</b>	<b>1,302</b>
Capital expenditure	(31)	(100)
Taxation and interest payments	(250)	47
Dividends and equity issue	(773)	(598)
<b>Net cash (used)/generated</b>	<b>(105)</b>	<b>651</b>

- Cash generated from operations decreased to £0.9m (2012: £1.3m) principally driven by higher inventory levels (£0.4m) and reverse of FY13 items in the first week of FY14 (£0.2m)
- Net income taxes paid were £0.3m (2012: £0.04m received) reflecting lower cash benefit from R&D claims
- Robust cash position (£3.6m at 31<sup>st</sup> December 2013) and strong cash flows will fund product development pipeline

# FY14 Plan

- Licensed Veterinary Medicines
  - Continue to develop (un)differentiated generics ✓
  - Ongoing implementation of Project Sustain (enhanced generics) ✓
  - Develop sales in existing/new overseas markets Ongoing
- Position Companion Animal Identification products and services to benefit from compulsory microchipping ✓
- Rationalise Animal Welfare legacy products from range ✓

# Overview of development pipeline



# Development Pipeline – FY14

- Product development pipeline gaining momentum
  - NPD projects (High, Trowel, Isle) approved by Board in period and moved into development phase
  - One Existing Product Development (EPD) project signed off
- Non-pharmaceutical product development opportunities under consideration that complement existing brands and core competencies

# Compulsory Microchipping in England and Wales

- Compulsory microchipping legislation to be introduced:
  - Wales March 2015
  - England April 2016
- Dogs Trust 'Free Microchipping through Vets' campaign will be launched 1<sup>st</sup> April 2014 for 12 months
- Veterinary practices will retain relationship with existing supplier and claim rebate (£5 + VAT) from the charity
- National focus on microchipping expected to increase microchip sales and follow-on services revenues, though margins under pressure
- Animalcare well-placed

# Project Sustain

- Background
  - Animalcare differentiated/undifferentiated generic veterinary medicine licensing strategy has been successful
  - New entrants encouraged into the market by lower barriers to entry
  - Growth potential becoming more limited
- Project Sustain (see Appendix)
  - Next phase of investment in our growth strategy
  - Selection and reformulation of well-established veterinary medicines to create a new range of enhanced generics
  - Up to 5 years from concept to bring to market
  - Differentiated protectable products offer opportunities for higher margins and greater market penetration

## Project Sustain (cont.)

- Significant capital investment required to secure platform technologies
- Anticipate being able to fund through business cashflow
- Recruiting to ensure resource available to deliver projects



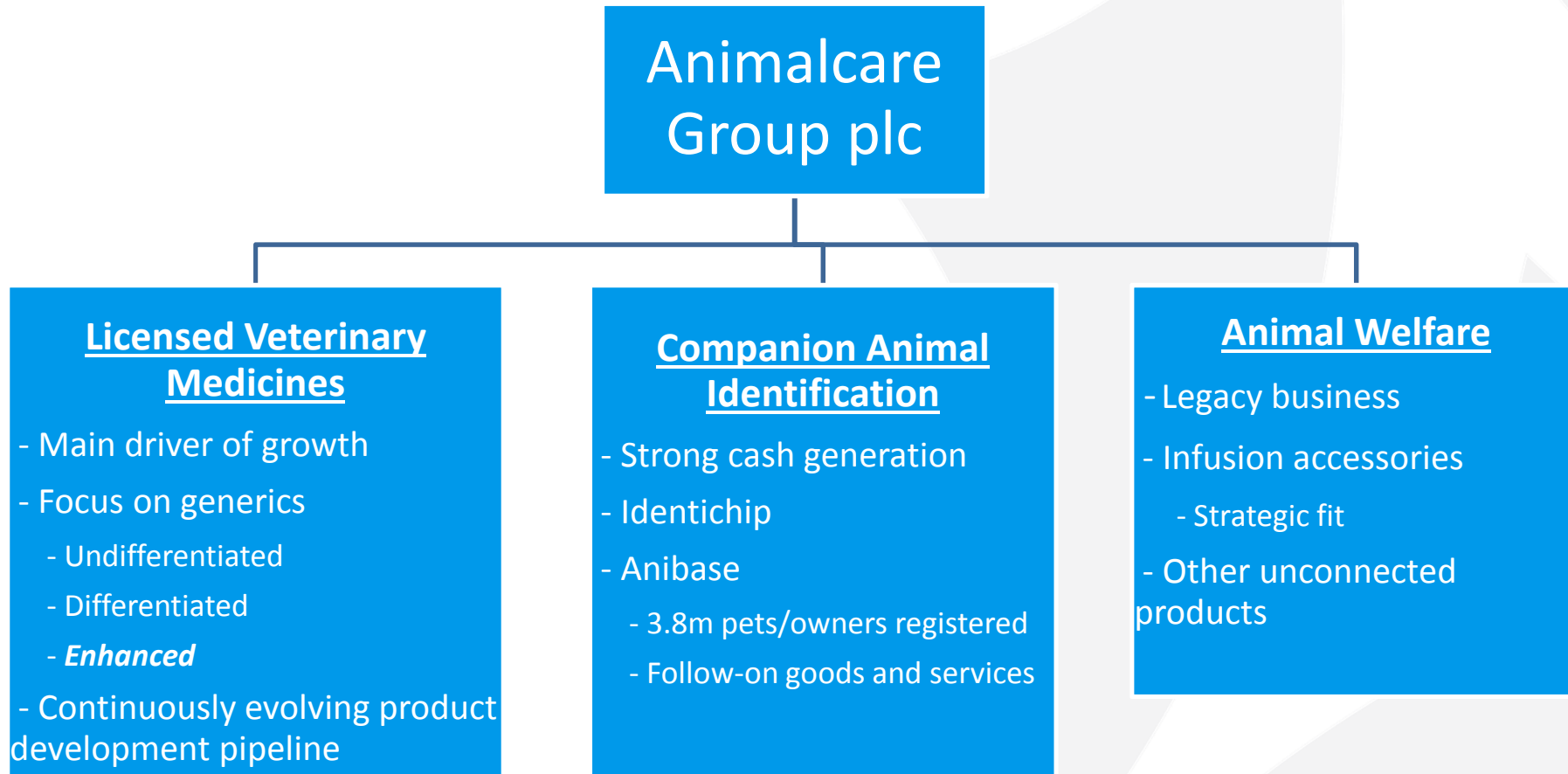
# Summary and Outlook

- Business growth maintained in FY14
- Product development activity levels very encouraging
  - Investing in personnel to maintain momentum
  - Pipeline well stocked with product opportunities
- Enhanced generic medicine strategy essential to deliver long-term growth and sustainability of the business



# Appendices

# Overview of Activities



# Profit and Loss

	6 months to 31 <sup>st</sup> December 2013			6 months to 31 <sup>st</sup> December 2012		
	Underlying	Exceptionals	Total	Underlying	Exceptionals	Total
Revenue	6,462	-	6,462	6,103	-	6,103
Cost of sales	(2,867)	-	(2,867)	(2,701)	-	(2,701)
<b>Gross Profit</b>	<b>3,595</b>	-	<b>3,595</b>	3,402	-	3,402
Distribution costs	(144)	-	(144)	(134)	-	(134)
Administrative costs	(2,016)	(59)	(2,075)	(1,800)	(139)	(1,939)
<b>Operating profit/(loss)</b>	<b>1,435</b>	<b>(59)</b>	<b>1,376</b>	1,468	(139)	1,329
Finance income	14	(14)	-	14	-	14
<b>Profit/(loss) before tax</b>	<b>1,449</b>	<b>(73)</b>	<b>1,376</b>	1,482	(139)	1,343
Income tax (expense)/credit	(305)	16	(289)	(288)	19	(269)
<b>Profit after tax</b>	<b>1,144</b>	<b>(57)</b>	<b>1,087</b>	1,194	(120)	1,074
<b>EPS</b>						
Basic	5.5 p		5.2 p	5.8 p		5.2 p
Fully diluted	5.5 p		5.2 p	5.8 p		5.2 p

# Group Balance Sheet (pro-forma)

£'000	31 <sup>st</sup> December 2013	30 <sup>th</sup> June 2013	31 <sup>st</sup> December 2012
Goodwill	12,711	12,711	12,711
Other intangible assets	1,379	1,538	1,633
Property, plant and equipment	403	412	98
<b>Non-current assets</b>	<b>14,493</b>	14,661	14,442
Inventories	1,800	1,418	1,430
Trade and other receivables	1,528	1,662	1,676
Cash and cash equivalents	3,640	3,745	2,956
<b>Current assets</b>	<b>6,968</b>	6,825	6,062
<b>Total assets</b>	<b>21,461</b>	21,486	20,504
Trade and other payables	(1,579)	(1,982)	(1,473)
Current tax liabilities	(475)	(362)	(464)
Deferred income	(231)	(231)	(205)
<b>Current liabilities</b>	<b>(2,285)</b>	(2,575)	(2,142)
Deferred income	(764)	(790)	(827)
Deferred tax liabilities	(71)	(159)	(180)
<b>Total liabilities</b>	<b>(3,120)</b>	(3,524)	(3,149)
<b>Net assets</b>	<b>18,341</b>	17,962	17,355

# Exceptional and other items

£'000	2013	2012
Executive and management severance	-	41
Amortisation of acquired intangibles	59	59
Head office relocation	-	35
Fair value movements on FX hedging	14	4
	<b>73</b>	139

# Product Development Pipeline - extract

Project	Sector	Expected launch	Target Markets	Years to Maturity
<b>Differentiated and undifferentiated generics</b>				
Stone 2	Companion Animal	FY14*	Limited EU	3
High	Companion Animal	FY16	Selected EU	3
Pavot	Companion Animal	FY16	Limited EU	2
Amicale	Companion Animal	FY16	Selected EU	3
Trowel	Companion Animal	FY16	Limited EU	2
Raleigh	Companion Animal	FY16	EU and others	3
Isle	Companion Animal	FY16	EU and others	3
Beat	Companion Animal	FY17	EU and others	3
<b>Sustain Projects – enhanced generics</b>				
Archipelago	Companion Animal	FY17	EU and others	2
Team	Companion Animal	FY17	EU and others	2

\*Launched as planned

- At maturity, UK sales from total pipeline are expected to be between £5 to £7 million per annum
- EU sales not included
- Distribution products not included



# 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.