



Animalcare Group plc Preliminary Results Presentation

For the year ended 30th June 2014

Our Business

- **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 has a clear strategy for growth** to accelerate its progress over the next 3 to 5 years

Product Descriptions



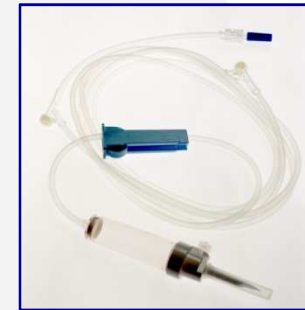
Licensed Veterinary Medicines

- Main driver of growth
- Focus on generic medicines
 - Undifferentiated
 - Differentiated
 - Enhanced
- Stocked NPD pipeline



Companion Animal Identification

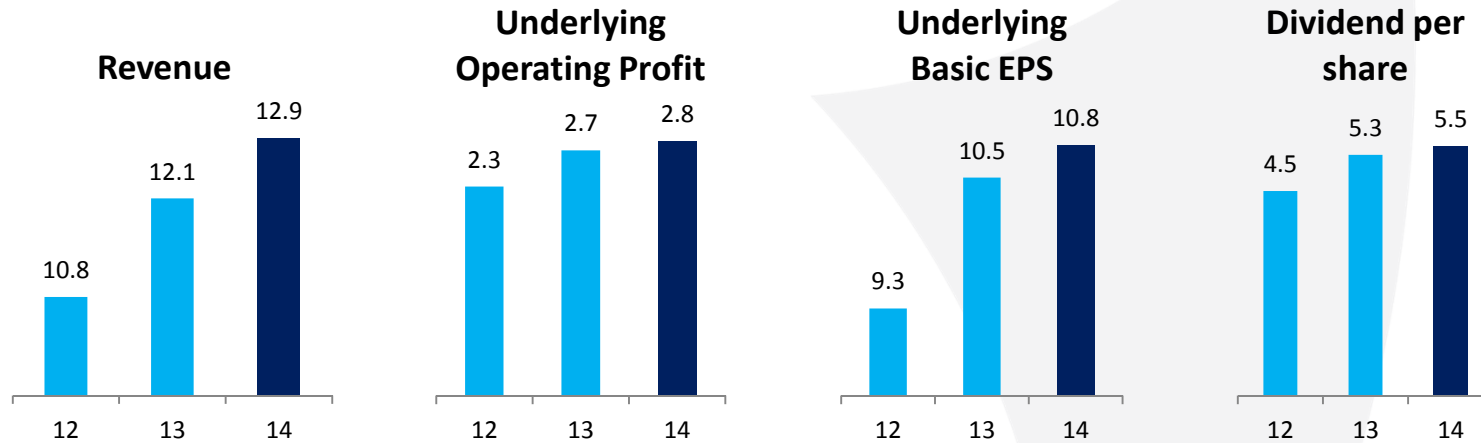
- Identichip microchips
- Anibase pet database
 - 4.0m registered pet owners
- Revenue from insurance, premium services and database admin fees



Animal Welfare Products

- Broad range of support products
- Intravenous infusion accessories ~50% of group
- Other unconnected products
 - Bandages, instruments, hygiene

FY14 Results – A Solid Performance



- **Revenue increased 6.3% to £12.9m (2013: £12.1m)**
 - Sales of Licensed Veterinary Medicines +9.5%, Companion Animal Identification +7.8%
- **Underlying* operating profit up 4.4% to £2.8m (2013: £2.7m)**
 - Reflects investment in our infrastructure and people
- **Underlying* basic earnings per share increased by 2.9% to 10.8p (2013: 10.5p)**
- **Recommended increasing full year dividend to 5.5p per share – in line with earnings**
- **Continue to operate a strong, debt-free balance sheet with cash balances at £3.8m (2013: £3.7m)**

*underlying measures are before the effect of exceptional costs and other items

Product Group Segmental Analysis

Licensed Veterinary Medicines

- FY14 revenues: £7.9m
- +9.5% vs FY13
- Growing market with increasing supply of generic medicines
- Main driver of growth
- Lfl +8.5% - strong contribution from our mature products e.g. Buprecare
- Phenyleptil, Thiafeline and Marbocare tablets launched in the year
- **Board committed to significant investment in our development pipeline – Project Sustain**

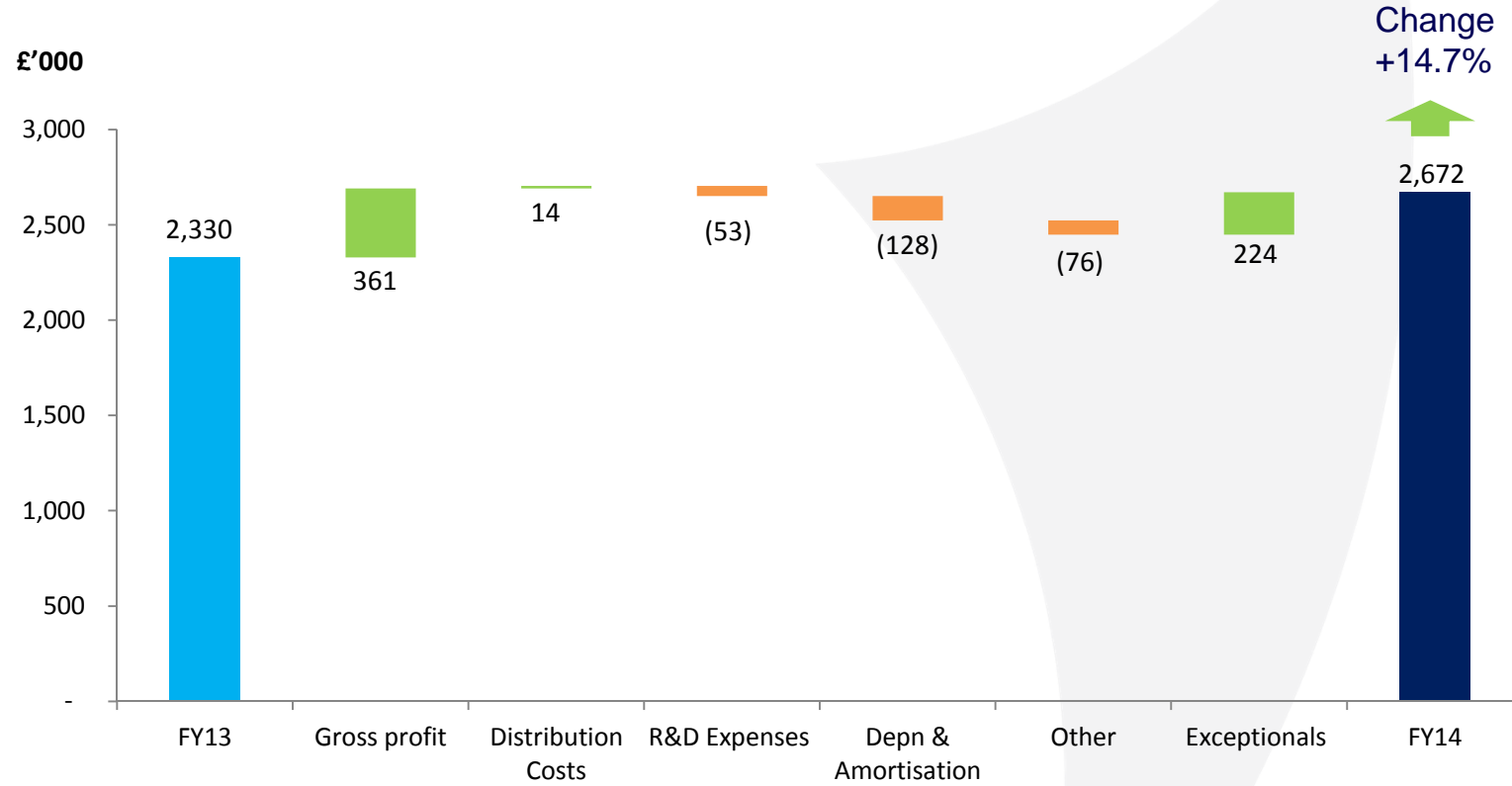
Companion Animal Identification

- FY14 revenues: £2.4m
- +7.8% vs FY13
- Mature market – 3 main players including Identichip
- Benefit from integrated offering of microchipping (+8.2%) and sale of follow on services (+7.1%):
- **Strong cash flow**
- Compulsory microchipping modest impact to date (see appendix)

Animal Welfare

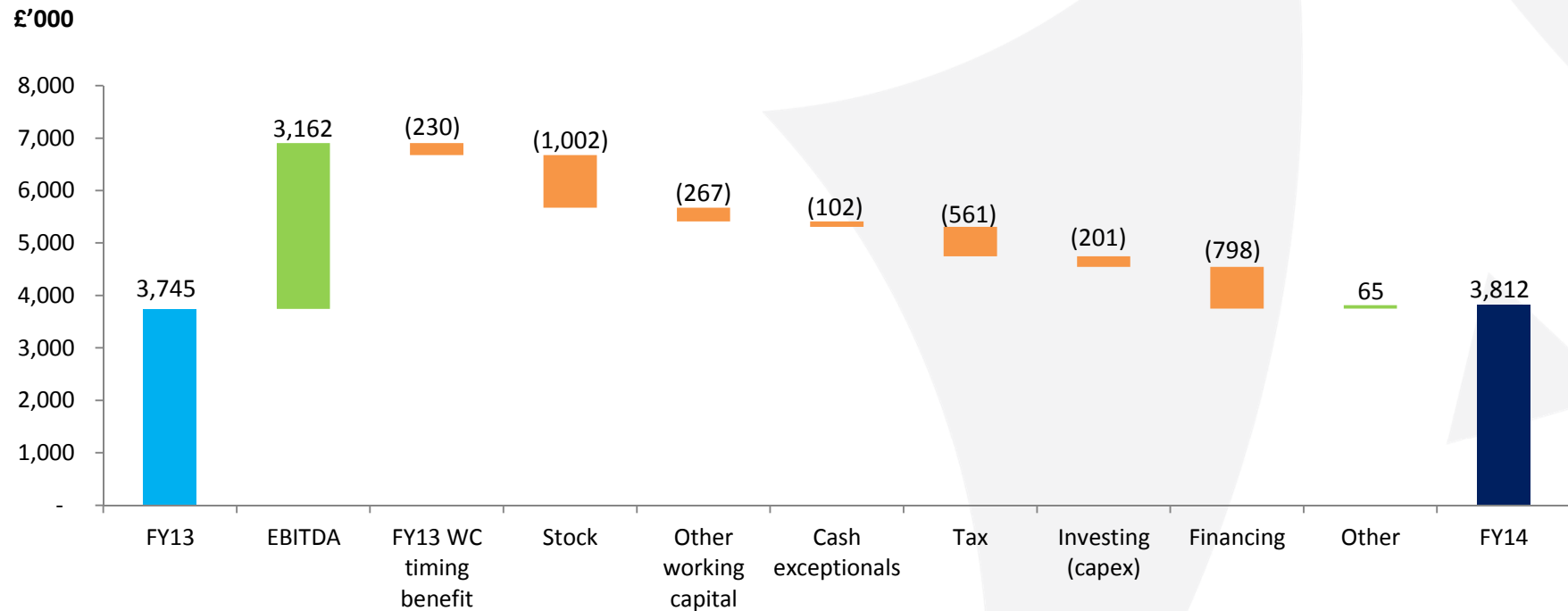
- FY14 revenues: £2.6m
- -3.6% vs FY13
- Broad range of lower margin products
- Undergone planned rationalisation during the year resulting in 170bps margin benefit
- Infusion Accessories represents circa 50% of product group – good strategic fit with IV Fluid range
- Selective focus on key products that complement sales and marketing strengths including telesales FY15

Profit before tax



- **Strong gross profit contribution from Licensed Veterinary Medicines – 72% of increase**
- **Overheads excluding R&D expenses controlled at around 32% of sales**
- **One-off exceptionals in 2013 reflecting Board changes and relocation of premises**

Cash flow – debt free balance sheet



- Stock levels increased by £1.0m, albeit from low base, to improve surety of supply of key products and to support certain projects – expect reduction of around £0.3m in FY15 in relation to microchips
- Cash tax increased as a result of reduced prior year R&D tax credits
- Financing cash flows relate to dividends paid of £1.1m offset by £0.3m issued share capital

Platform for Growth

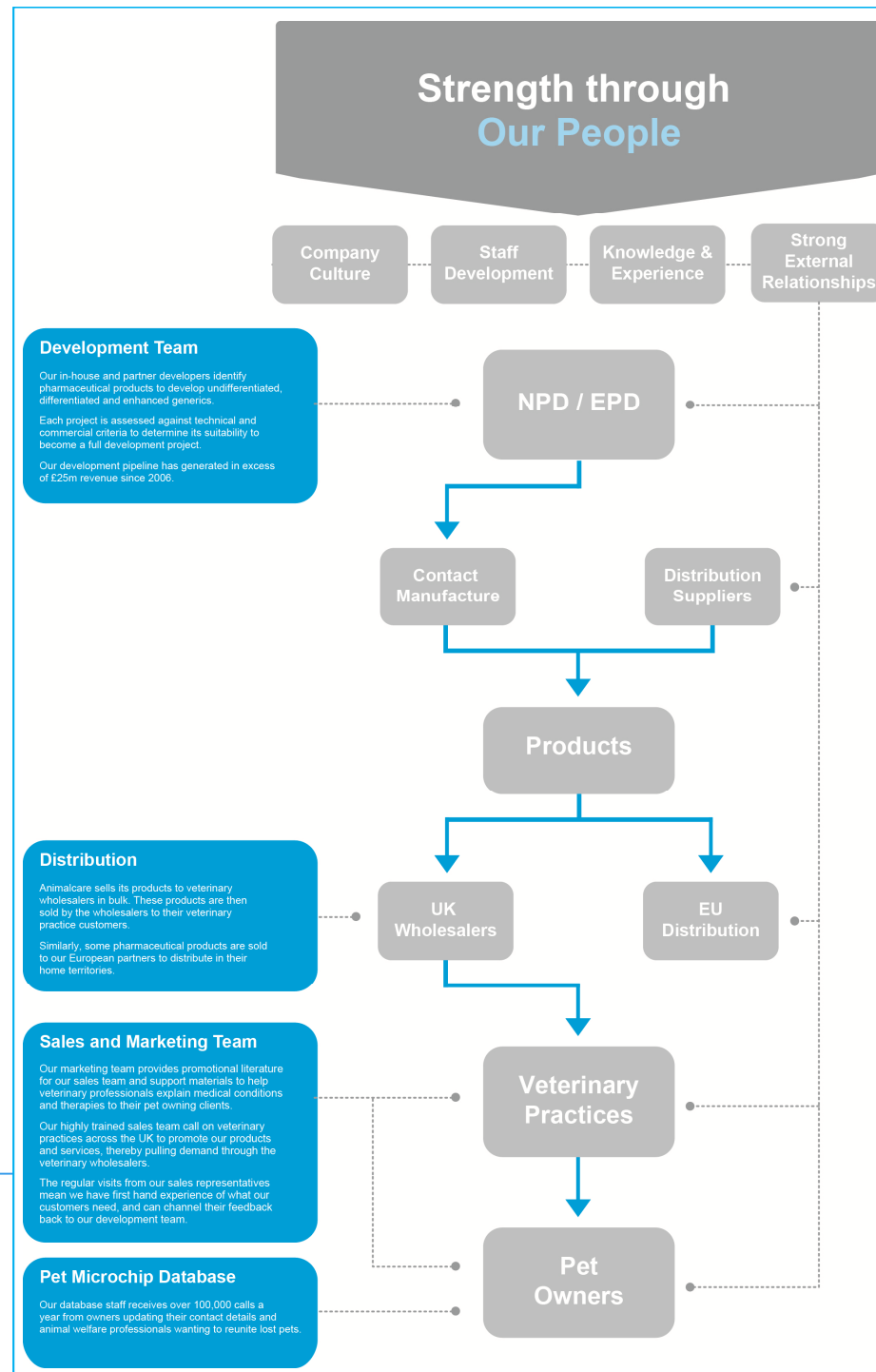
- Investment in Senior Management Team
- Sales Team
 - Restructured
 - New Customer Relationship Management (CRM) system
 - Telesales starting Q2 FY15
- Technical and Product Development
 - Additional staff recruited to give greater capacity
 - Process improvements to further manage and monitor investment
- IT Investment
 - More robust infrastructure for core business and Identichip database
- Personnel Systems Upgraded

Market Review

- Pet medicines market +10.7% MAT to Dec 2013 (NOAH)
- One third of UK veterinary practices believe outlook improving (CM Research)
- Consolidation of customer base (buying groups, corporates and charities)
 - Margin attrition is low
 - Product launch program protects margins
- Unprecedented merger and acquisition activity in 2014
 - Novartis AH → Elanco (Ely Lilly)
 - Alstoe AH → Sogeval → Ceva Santé
 - Unlikely to be any product opportunities as a result
 - Distractions will present opportunities

Business Model

- Revenues from sales to UK wholesaling channel & EU partners
- Pull through generated from sales & marketing activity at practice level
- Strong company values impact through whole business model

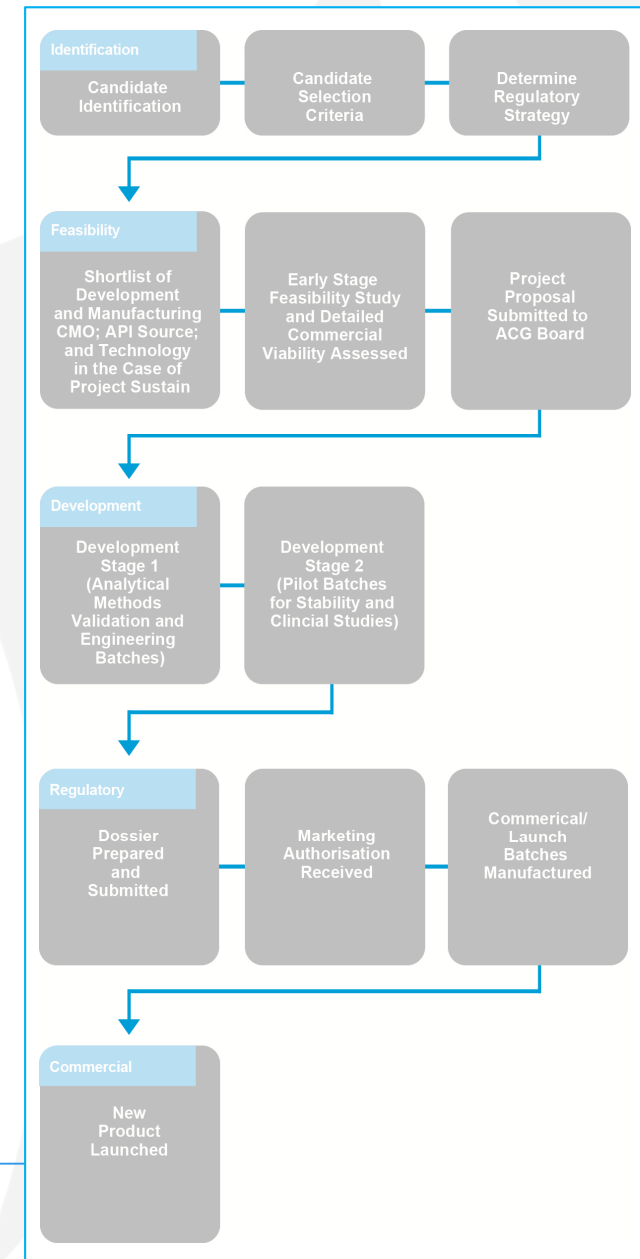


Strategy: 2015 to 2018

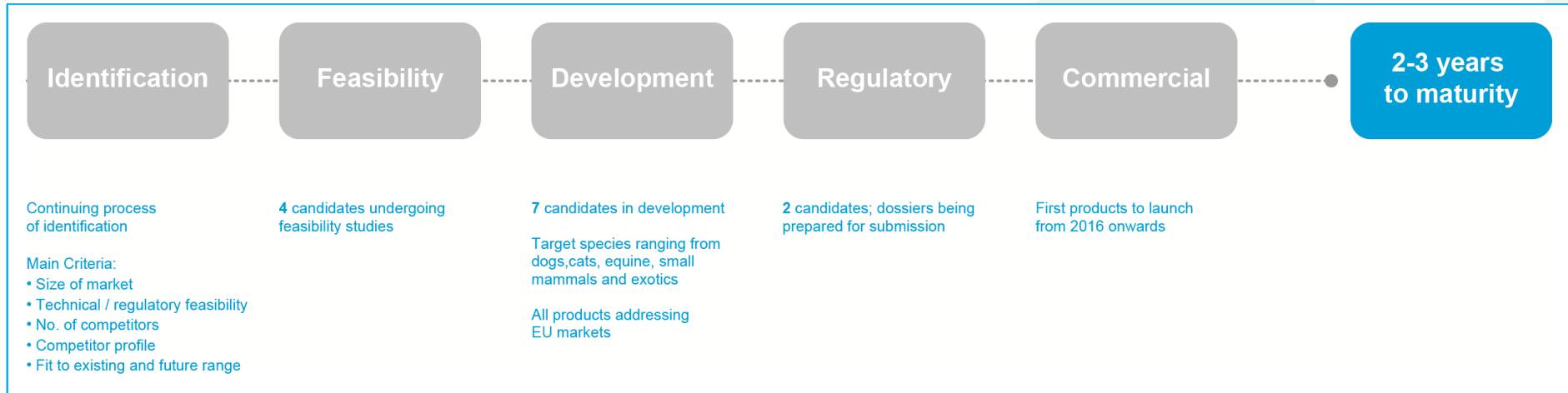
- Identify candidates to maintain flow into the development pipeline
- Continue development of differentiated generic medicines
- Advance enhanced generic medicines into product development pipeline (Project Sustain)
- Assess opportunities to innovate and strengthen Companion Animal Identification products and services
- Strengthen value creating products in the Animal Welfare Products range
- Appraise opportunities to increase sales of our current products outside the UK

Rigorous Product Development Process

- Product candidate identification
- Structured development process
 - Feasibility
 - Development
 - Regulatory
 - Commercial
- Projects monitored against timetable and budget
- Top to bottom visibility of progress



In-house New Product Development



- Extensive list of NPD candidates identified
- 4 candidates in Feasibility
- 7 candidates in Development
- 2 candidates in Regulatory

Outlook

- Core business has further growth potential
 - New distribution products for FY15 and 16
 - Improved sales team structure
 - Investment in infrastructure across business creating value
- Capacity to invest significantly in product development whilst maintaining dividend through this phase
- High calibre new product candidates currently moving into development pipeline
 - differentiated and enhanced generics

Debt-free and cash generative business that is very well positioned for future growth

Appendices

Appendix 1: Profit and Loss

	2014			2013		
	Underlying	Exceptionals	Total	Underlying	Exceptionals	Total
Revenue	12,881	-	12,881	12,118	-	12,118
Cost of sales	(5,739)	-	(5,739)	(5,337)	-	(5,337)
Gross Profit	7,142	-	7,142	6,781	-	6,781
Distribution costs	(257)	-	(257)	(271)	-	(271)
Research & development expenses	(260)	-	(260)	(207)	-	(207)
SG&A expenses	(3,823)	(119)	(3,942)	(3,619)	(392)	(4,011)
Operating profit/(loss)	2,802	(119)	2,683	2,684	(392)	2,292
Finance income/(expense)	27	(38)	(11)	27	11	38
Profit/(loss) before tax	2,829	(157)	2,672	2,711	(381)	2,330
Income tax (expense)/credit	(570)	35	(535)	(535)	90	(445)
Profit after tax	2,259	(122)	2,137	2,176	(291)	1,885
EPS						
Basic	10.8 p		10.3 p	10.5p		9.1p
Fully diluted	10.8 p		10.2 p	10.4p		9.0p

Appendix 2: Summary Balance Sheet

£'000	2014	2013
Goodwill	12,711	12,711
Other intangible assets	1,327	1,538
Property, plant and equipment	372	412
Non-current assets	14,410	14,661
Inventories	2,420	1,418
Trade and other receivables	1,883	1,662
Cash and cash equivalents	3,812	3,745
Current assets	8,115	6,824
Total assets	22,525	21,486
Trade and other payables	(1,606)	(1,982)
Current tax liabilities	(385)	(362)
Deferred income	(242)	(231)
Current liabilities	(2,233)	(2,575)
Deferred income	(730)	(790)
Deferred tax liabilities	(109)	(159)
Total liabilities	(3,072)	(3,524)
Net assets	19,453	17,962

Appendix 3: Cash flow

£'000	2014	2013
Profit before tax	2,672	2,330
Depreciation & amortisation	479	351
Other non-cash movements	76	113
Operating cash flows before w/c movements	3,227	2,794
Movement in inventories	(1,002)	2
Movement in receivables	(221)	(365)
Movement in payables	(376)	665
Cash generated by operations	1,628	3,096
Income taxes paid	(561)	(265)
Net cash flow from operating activities	1,067	2,831
Investing activities	(202)	(483)
Dividends	(1,103)	(932)
Issue of share capital	305	24
Net increase in cash	67	1,440
Cash balances at 30th June	3,812	3,745

Appendix 4: Exceptional and other items

£'000	2014	2013
Executive and management severance	-	152
Amortisation of acquired intangibles	119	119
Head office relocation	-	121
Fair value movements on FX hedging	38	(11)
	157	381

Appendix 5: Compulsory Microchipping Update

- Compulsory for dogs to be microchipped
 - In Wales from March 2015
 - In England from April 2016
- UK canine charity, Dogs Trust, have clarified their 'Free Microchip' campaign in February 2014
 - Veterinary practices register as a partner
 - £5 reimbursed for each dog microchipped in England
 - No further charges are permitted for the consultation
- Animalcare microchips are supplied under DT campaign
- Modest uptake by veterinary practices experienced to date

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.