

Our Strategy in Action

Orthros Medical – Delivering on our strategy

In March 2022 we took a major step forward in the development of our longer-term pipeline through a collaboration and licensing deal with Orthros Medical, a Netherlands-based company focused on novel VHH antibody technology.

VHH antibodies have been shown to possess a number of clinical uses that are relevant in animal health. Indeed, VHH antibody products have received regulatory approval for use in human medicine.

Under the terms of our agreement, Animalcare is working in a research partnership with Orthros Medical to develop VHH antibodies in animal health indications. This collaboration provides Animalcare with access to the excellent scientists at Orthros Medical and the project is run through a joint steering committee. Animalcare will have the opportunity to license and commercialise animal health products that result from this partnership. While there is much to do to bring any new product from early stage to launch, we see significant opportunities to develop our longer-term growth portfolio through this agreement.

The licensing deal with Orthros Medical focuses on the development and launch of specific products that have already been identified.

In recognition of the inherent risks associated with new product development, we have built in milestones and “stage gates” to ensure that the level of investment is aligned to the phase of development. Consequently, investment is designed to step up as we approach and pass through regulatory approval and launch.

This is an exciting advance for Animalcare. We are delighted with how the relationship with Orthros Medical is working and the progress made in the initial phase of the collaboration. One year into our agreement, it’s clear that supporting earlier stage research in tandem with experts in the field fits our model well and provides an opportunity to develop innovative products that can deliver sustainable future growth.



Derived from llamas, VHH antibodies have been shown to possess a number of clinical uses.

Our Key Performance Indicators

Financial KPIs

REVENUE GROWTH



Definition

Organic revenue growth including: new products versus prior year, excluding the impact of acquisitions and disposals

Why we measure this

Revenue growth is an important barometer of the Group's success in delivering its strategy and is a key component of growing our profits and cash flow

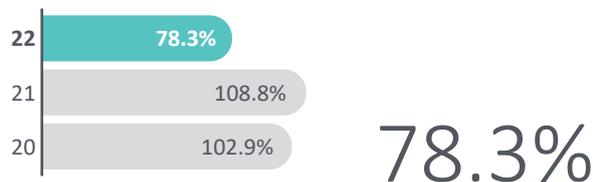
Commentary on performance

Revenue for the year was £71.6m (2021: £74.0m), a decrease of 3.3% at AER (2.5% at CER)

LINKS TO STRATEGY



UNDERLYING CASH CONVERSION



Definition

Cash generated from operations as a percentage of underlying EBITDA

Why we measure this

Our quality of earnings is reflected in our ability to turn underlying EBITDA into cash, an important enabler of investment in our innovative pipeline and people

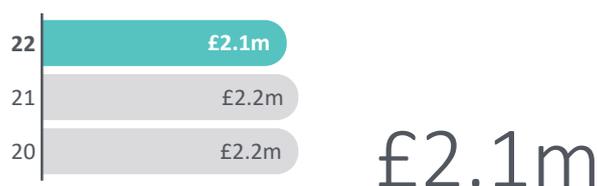
Commentary on performance

Underlying cash conversion has averaged more than 90% over the last three financial years demonstrating our ability to generate strong and sustained levels of cash

LINKS TO STRATEGY



NEW PRODUCT REVENUE



Definition

Revenue from new products launched in the last two financial years

Why we measure this

New product revenues are a key driver of growth in Companion Animals and support our strong presence in Production Animals

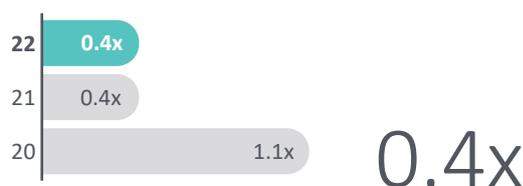
Commentary on performance

Growth from newly introduced products contributed £2.1m of sales principally driven by Daxocox and Plaqtiv+

LINKS TO STRATEGY



NET DEBT TO UNDERLYING EBITDA LEVERAGE



Definition

Leverage is net debt (total debt less cash balances) divided by underlying EBITDA

Why we measure this

We seek to maintain a strong balance sheet with EBITDA leverage in the range of one to two times to allow capacity for investment in future growth

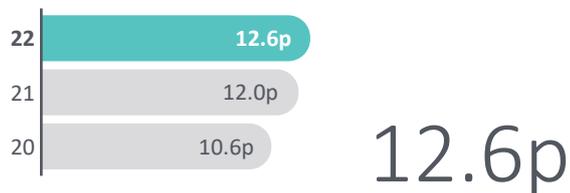
Commentary on performance

Net debt to underlying EBITDA leverage ratio maintained at 0.4 times

LINKS TO STRATEGY



BASIC UNDERLYING EARNINGS PER SHARE



12.6p

Definition

Underlying profit after tax divided by the weighted average number of shares

Why we measure this

Underlying EPS is a key indicator of our performance and the return we generate for our stakeholders

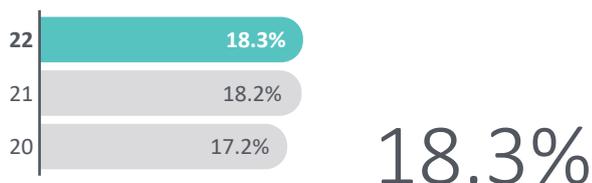
Commentary on performance

Underlying EPS 5.0% ahead of 2021 at 12.6p benefiting from a lower effective tax rate

LINKS TO STRATEGY



UNDERLYING EBITDA MARGIN



18.3%

Definition

Underlying EBITDA as a percentage of sales

Why we measure this

This is a measure of the operating efficiency of the Group with focus on translation of sales growth to profit

Commentary on performance

Underlying EBITDA margin is approximately in line with prior year at 18.3% reflecting improved gross margins and managing investment in our cost base

LINKS TO STRATEGY



Non-financial KPIs

EMPLOYEE ENGAGEMENT



3.88

Definition

Measure of employee engagement based on well established Gallup Q12 process

Why we measure this

Employee engagement surveys enable comparison between the Group and other companies. The primary purpose of the survey is to guide leadership about how best to improve employee engagement

Commentary on performance

The Group's 2022 engagement score declined by 2% on the prior year. The survey highlighted a positive view among employees about their ability to deliver high quality work as well as opportunities to further develop and progress in their roles

*Gallup Q12 engagement score

LINKS TO STRATEGY



STRATEGIC PRIORITIES

Strong Finances

Key Leadership

Growth Portfolio

Business Development

Innovative Pipeline