Dechra®
Pharmaceuticals PLC

Investor Presentation – November 2022

Celebrating **25 years** of Continuous Growth
and Improvement in Animal Health and Welfare

Dechra is a **global specialist veterinary pharmaceuticals** and related products business. Our expertise is in the **development, manufacture, marketing and sales** of high quality products **exclusively for veterinarians** worldwide.
Our **Purpose** is the sustainable improvement of global animal health and welfare.

Companion Animal Products (CAP)

Species: Dogs and cats.

Key therapeutic sectors: Endocrinology, dermatology, analgesia and anaesthesia, antibiotics, cardiovascular and critical care.

Food producing Animal Products (FAP)

Species: Poultry, pigs and an increasing presence in cattle.

Key therapeutic sectors: Water soluble antibiotics, poultry vaccines, locomotion (lameness) and pain management.

Equine

Species: Horses and ponies.

Key therapeutic sectors: Lameness, pain management and equine vaccines.

Nutrition

Species: Dogs and cats.

Key therapeutic sectors: Our pet diets are available to support the wellbeing of cats and dogs with numerous therapeutic conditions including allergies, obesity, heart and kidney disease.

For more information please visit www.dechra.com

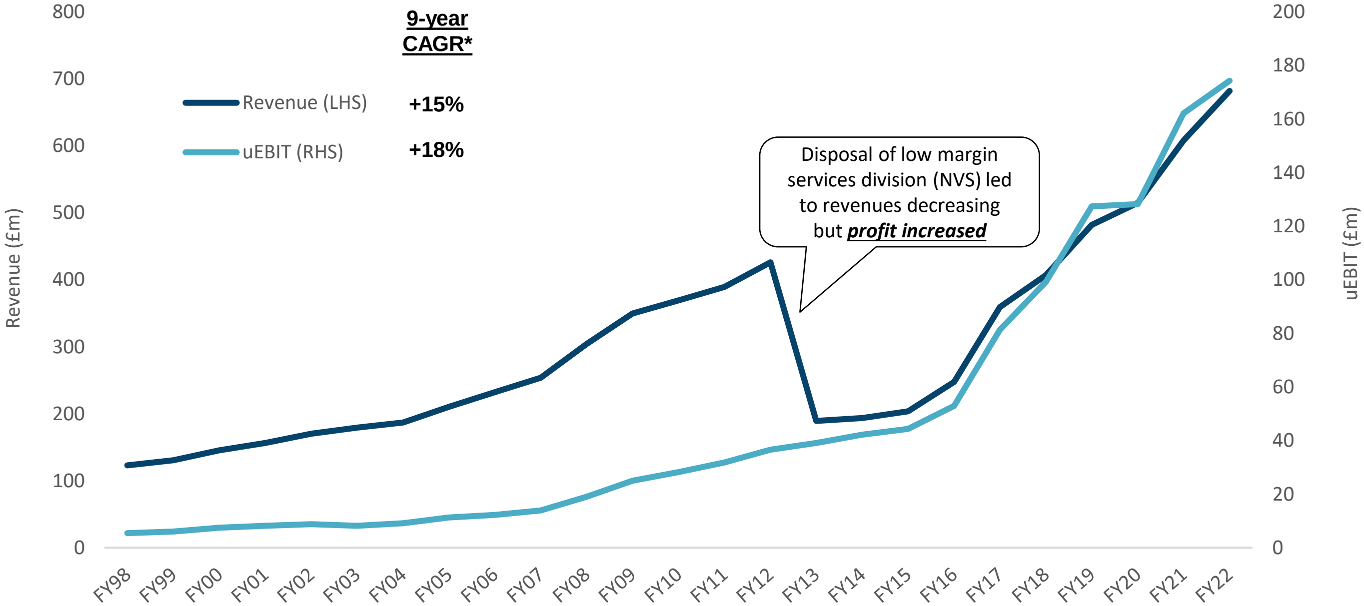
Dechra at a Glance

£682m FY22 Revenue	**75%** Revenue from CAP	**~90** Countries with market presence	**>2,300** Colleagues worldwide
£174m FY22 uEBIT		**8** Manufacturing sites	**~5,800** Product registrations
	12% Revenue from FAP		
25.6% FY22 uEBIT margin	**60/40** Revenue and uEBIT split EU*/NA		

* EU segment includes Rest of the World

Celebrating 25 Years of Growth

Consistent revenue and profit growth through organic growth and targeted M&A activity



** Since disposal of NVS*

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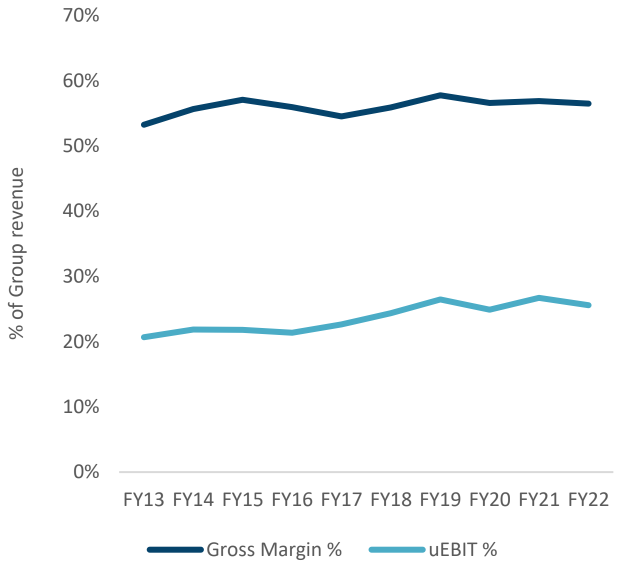
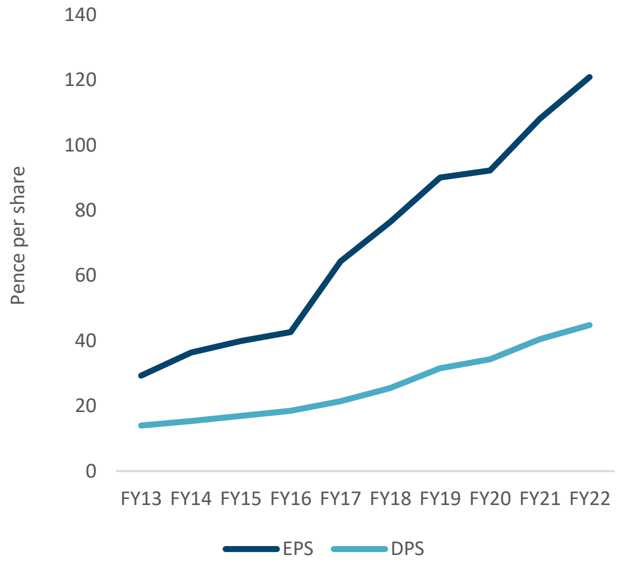
Strong Financial Track Record

Stable multi-year margin profile and attractive shareholder returns

Gross and operating margin

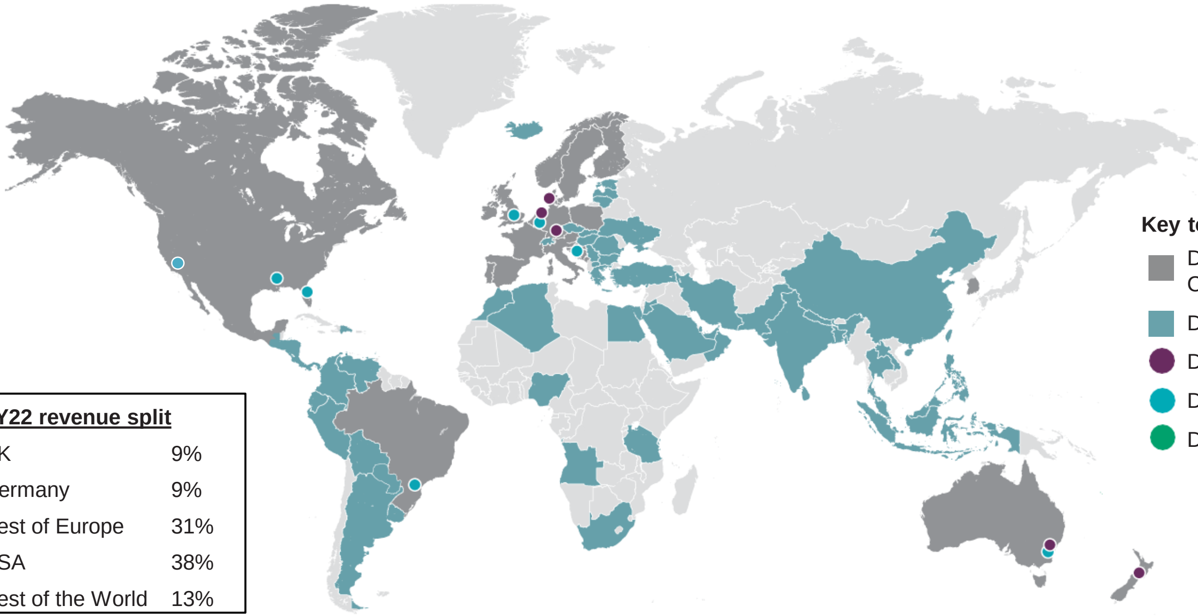


EPS and DPS



Our Global Footprint

We currently have sales and marketing organisations in 25 countries and market our products in 63 other countries worldwide through distributors or marketing partners*



Key to map

- Dechra Sales and Marketing Countries
- Distribution Partners
- Dechra Distribution Centres
- Dechra Manufacturing Sites
- Dechra Pharmaceuticals PLC

FY22 revenue split	
UK	9%
Germany	9%
Rest of Europe	31%
USA	38%
Rest of the World	13%

**As of 30 June 2022*

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Structural Drivers of the Veterinary Pharmaceuticals Market

CAP

- Pets increasingly regarded as part of the family with owners having high levels of compassion
- Increasing pet ownership, particularly in developing countries where wealth of pet owners and status of pets themselves is growing
- Increased competence in managing complex conditions by veterinarians
- Advances in nutrition and increased demand for new premium medical treatments are extending pet lives
- Overall growth in expenditure on pets
- Little pricing pressure; generics do not de-value markets to the extent of human products

c75% of sales

FAP

- Increased global demand for high quality animal protein and diary products
- Although consumption of meat in some Western countries is declining, developing countries are continuing to grow
- Need for healthier and more productive animals as world population continues to grow
- Increased use of vaccines
- Growing awareness of the need for better animal welfare standards, particularly pain control

c12% of sales

Dechra's Strategic Growth Drivers

Portfolio Focus

- Aim to maximise revenue by increasing market penetration of existing portfolio through product registrations, education and market development
- Product portfolio is well positioned within targeted, growing therapeutic sectors
- Broad range with focused expertise and cross-selling opportunities

Pipeline Delivery

- New product pipeline is a key driver of organic growth: we invest in research & development to deliver a constant flow of new products in future years
- Greater focus on increasing the number of novel products in development and have a number of exciting candidates
- Own pipeline of 41 products bolstered by acquisition of 8 Piedmont candidates

Geographic Expansion

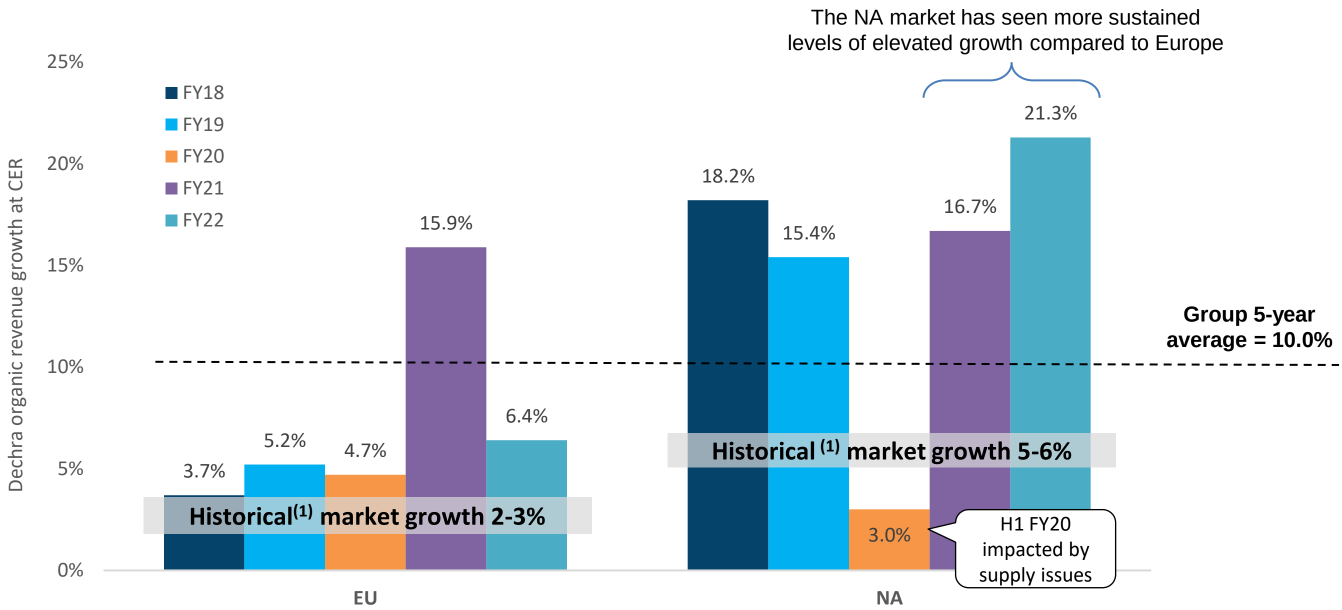
- Rapid growth of animal health market in emerging countries driven by increase in pet ownership (CAP market) and demand for high quality protein (FAP market)
- Aim to leverage our product portfolio into new geographic regions through distribution partners, in-country presence and new country product registrations

Acquisition

- Acquisitions offer opportunities to accelerate our growth by providing entry into new geographies, enhancing our product portfolio and giving access to new technologies
- We have a strong track record of executing both transformational platform and smaller product acquisitions

Organic Growth Rates by Segment

A strong track record of out-performing the market

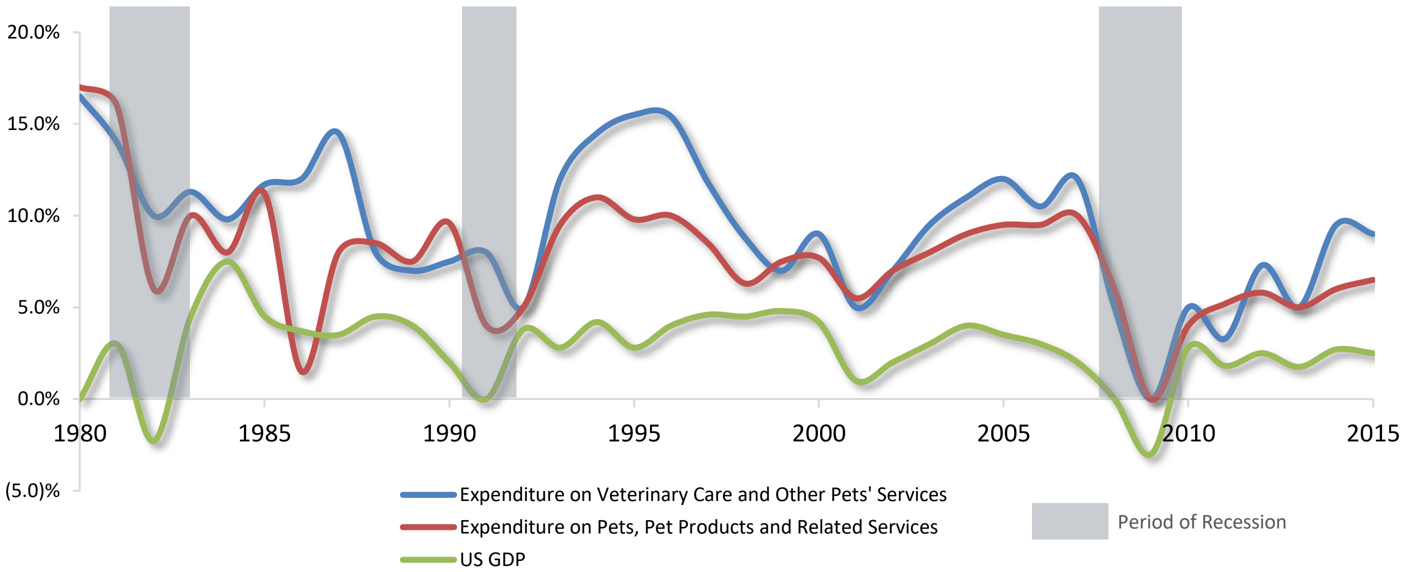


(1) Historical market growth rates are based on Management estimates and relate to pre-COVID

** EU segment includes Rest of the World*

Global Financial Crisis Provides a Precedent for Resilience

The animal healthcare market has remained in growth during previous recessions



Source: Bureau of Economic Analysis, WorldBank, BofA Global Research

The Novel vs Generic Spectrum of Products

Our CAP portfolio is evenly split between novel and generic/generic+ products

Increasing gross margin for Dechra

Novel

- New products that meet an unmet need or have improved efficacy, safety or application
- Emphasis on educating vets to improve diagnosis and treatment
- Marketing authorisations provide exclusive rights to manufacture and sell the product for 10 years in Europe and 7 years in US, even without patent protection
- Stated objective for Dechra to increase novelty over coming years e.g Piedmont

Generic+

- Marketing protection has expired, but product has a clear advantage versus the pioneer product such as a better formulation, dosage form or delivery system
  - Prevomax for the treatment of motion sickness
  - Cyclospray for treatment of superficial wound infections

Generic

- Marketing protection has expired, meaning competitors are able to market the same drug
- Proving bioequivalence to the pioneer drug can be highly challenging in some instances
- In particular, FDA typically issues <10 approvals for generic animal healthcare drugs each year

Threat of Genericisation Exists But is Nothing New

Multiple factors help to mitigate the risk posed by new generic products

- Existing Dechra **portfolio is very broad**, without any “blockbuster” products
- Most of our products are **prescription-only medicines (POMs)**, many administered by the vets themselves
- Typically operate in smaller, niche sectors that **cannot support multiple generic entrants**, making the economics of trying to take a small share of a small market unattractive given the risk of sunk development costs
- Generics are **sensibly priced** and don’t devalue the market to the same extent as in human health
- All our generics are **‘Dechra’ branded**, helping to drive loyalty with vets who are naturally conservative in terms of tendency to switch products
- Vets are more focused on achieving the **best possible clinical outcome** rather than purely the cost of drugs, given they typically apply a simple mark-up on pharmaceuticals when charging the client

Overview of Recent US Acquisitions

	Piedmont	Med-Pharmex
Acquisition price and date	£175m in Jul-22	£222m in Aug-22
Business type	Product development company	Established platform business
Location	Greensboro, North Carolina	Pomona, California
Acquisition rationale	• Secures a pipeline of future high quality novel products in key therapeutic areas • Two near-term candidates expected to be top 10 products (>$40m sales combined) • Other six candidates likely to be top 20 products for Dechra (if successful)	• Opportunity to deliver material margin synergies through disintermediation of distributors and leveraging existing sales & marketing channels • Adds new products complementary to existing portfolio, increasing our scale in the worlds largest CAP market • Provides entry to US FAP market • Improves manufacturing footprint
Similar to previous acquisitions?	No – represents a one-off opportunity	Yes – AST Farma and LeVet
Revenue	Nil – first pipeline candidate expected to launch in FY24	$43.0m (calendar 2021)
Adjusted EBITDA	n/a	$15.3m (calendar 2021)
Animal type	100% CAP	75% CAP / 25% FAP
Product types	All novel	All generic
# of current products	Nil	24
# of pipeline products	8 (at various stages of development)	2
# of employees	19	c130
PDRA capabilities	Yes	Yes
Manufacturing capabilities	No	Yes, but currently under-utilised
Own sales & marketing team	No	No
Impact to Group EPS in FY23	Dilutive due to increase in R&D spend	Accretive
Impact to Group EPS in FY26	Materially accretive	

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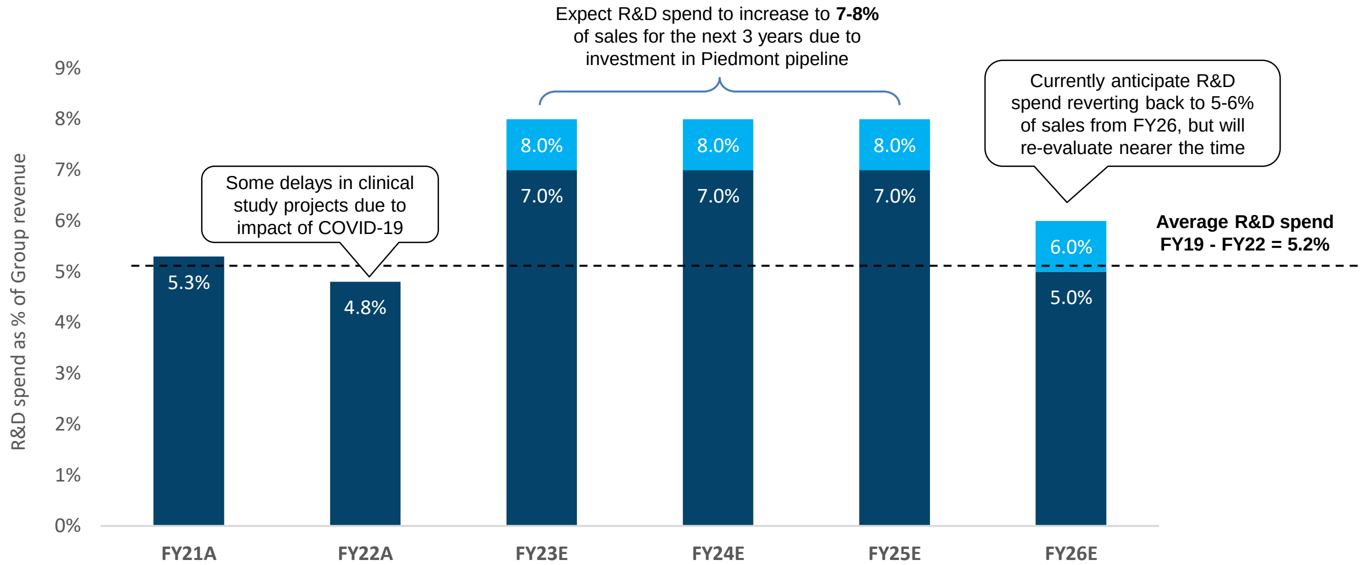
Strong Track Record of Pipeline Delivery

We have a global team of scientists with an entrepreneurial, agile approach

- Dechra's own **in-house R&D team** have continuously brought new products to market in a number of key therapeutic areas
- Increasing **focus on novelty** e.g launch of Zenalpha (canine sedative) in FY22
- Recent appointment of **Patrick Meeus** as Chief Scientific Officer brings new expertise and experience
- Investment generally involves **development of small molecules** already created for use in human health, rather than research in biologics which is costlier and has a lower success rate
- Current pipeline of **41 products*** at various stages of development; 25 in CAP/Equine and 16 in FAP

** Refers to the Group's pipeline as at June 2022 and therefore excludes the post year-end acquisitions of Piedmont and Med-Pharmex*

Increasing Investment in R&D to Deliver Greater Novelty



Key pipeline delivery milestones	Zenalpha (canine sedative)		1st Piedmont candidate (cat antibiotic)	2nd Piedmont candidate (dermatology)	Approval of Akston dog diabetes weekly treatment	**All novel products therefore margin accretive**
Impact on Group EPS vs FY22		Modestly dilutive	Modestly dilutive	Accretive	Materially accretive	

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FY22 Highlights

Strategic highlights

- **Strong organic growth** across product category and territories
- International portfolio strengthened through numerous **product approvals**
- Number of **bolt-on product acquisitions** to complement existing CAP and equine portfolios
- **Product pipeline significantly strengthened** through own innovation and acquisition
- **Two material company acquisitions** post year-end: Piedmont and Med-Pharmex
- Consistently high levels of **stock availability** and continued migration of manufacturing production **in-house**
- Publication of inaugural standalone **Sustainability Report** with ESG well embedded across the Group

Financial highlights

- Total revenue growth of **13.8%** driven by strong performance in **all key markets and therapeutic areas**
- **Organic revenue growth of 11.8%**, with North America particularly strong at **21.3%**
- uEBIT growth of 9.4% to £174.3 million with **25.6% operating margin remaining higher than pre-pandemic** levels
- Strong cash generation of £163.3 million, representing **cash conversion of 93.7%**
- Underlying diluted **EPS increased 14.0%** to 120.84p and DPS up 10.8% to 44.89p

FY22 Underlying Financial Results

Strong trading performance despite post-COVID normalisation

	Year ended 30 June **2022** **£m[1]**	2021 £m[1]	Growth at AER[1] %	**Growth at CER[2] %**
Revenue	**681.8**	608.0	12.1%	**13.8%**
Underlying gross profit	**385.3**	345.9	11.4%	**13.1%**
Underlying gross profit %	**56.5%**	56.9%	(40 bps)	**(40 bps)**
Underlying operating profit[3]	**174.3**	162.2	7.5%	**9.4%**
Underlying EBIT %	**25.6%**	26.7%	(110 bps)	**(110 bps)**
Underlying profit before tax	**170.0**	150.1	13.3%	**15.5%**
Cash conversion[4]	**93.7%**	87.1%		
Underlying diluted EPS (pence)	**120.84**	108.14	11.7%	**14.0%**
Dividend per share (pence)	**44.89**	40.50	10.8%	

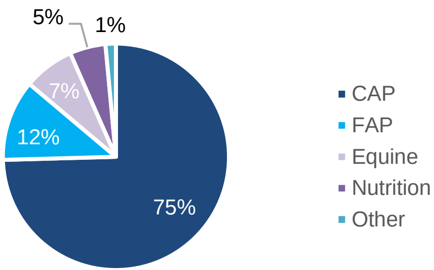
(1) Actual Exchange Rate
(2) Constant Exchange Rate
(3) Includes £1.5 million of costs relating to cloud computing arrangements which have been expensed through the income statement
(4) Cash conversion is calculated as cash generated from operations before tax and interest payments as a percentage of underlying operating profit

Underlying results exclude amortisation and impairment of acquired intangibles, acquisition expenses and subsequent integration costs, impairment of assets, transformational cloud computing costs, loss on extinguishment of debt, and fair value and other movements on contingent consideration.

FY22 Revenue and Operating Profit

Broad based organic growth across all product categories and key markets

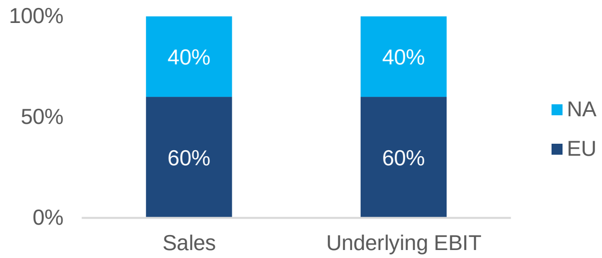
Revenue by product category



Revenue	FY22 (£m)	YoY growth*
CAP	508.4	16.0%
FAP	78.8	6.0%
Equine	49.5	12.1%
Subtotal Pharmaceuticals	636.7	14.3%
Nutrition	35.0	15.1%
Other	10.1	(12.6%)
Total	681.8	13.8%

** All growth rates are at CER*

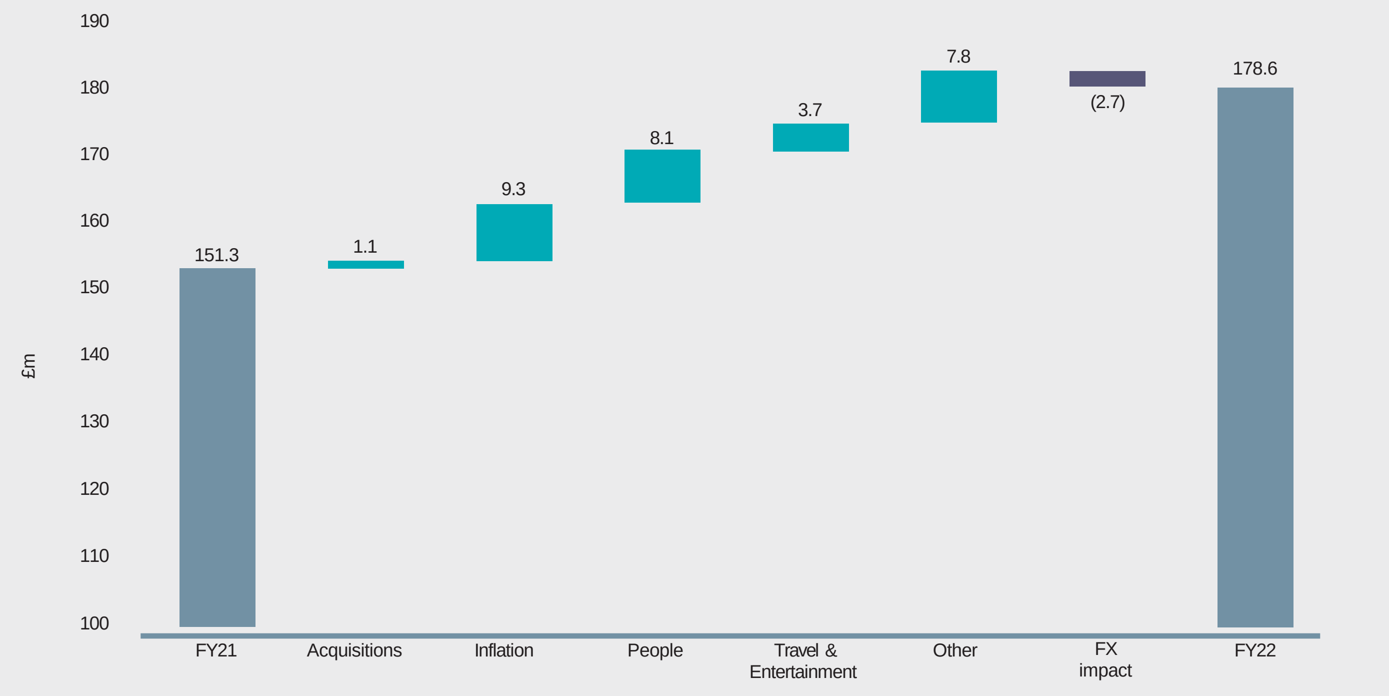
Performance by segment



	FY22	Total growth*	Organic growth*
EU Revenue (£m)	406.7	8.2%	6.4%
NA Revenue (£m)	275.1	23.8%	21.3%
EU underlying EBIT (£m)	131.5	6.9%	3.8%
NA underlying EBIT £(m)	87.7	13.6%	9.7%
EU underlying EBIT (%)	32.3%	(60) bps	(100) bps
NA underlying EBIT (%)	31.9%	(270) bps	(310) bps

Underlying Selling, General & Admin Expenses

Cost base normalised in FY22 but SG&A to sales ratio remains lower than pre-COVID



Investment Case

1. Exposure **weighted towards CAP** market, proven to be resilient with spending on pets one of the last areas to be cut back on even during a recession

2. **Higher installed base of pets** following COVID-19, with market expected to remain in growth given structural trends such as humanisation

3. Highly diversified product portfolio covering novel, generic and generic+ products that are typically **non-discretionary prescription only medicines**

4. **Global footprint** with a presence in high growth emerging markets and increasing scale in the US, the world's largest CAP market

5. Market is **relatively price inelastic** and resilient to inflation given drugs represent a small proportion of the overall cost of a visit to the vet

6. **Strong pipeline of novel products** to further enhance our portfolio, bolstered by recent Piedmont acquisition and ongoing Akston trials

7. **Experienced Management team** with a track record of successful acquisitions, both platform businesses and product additions

8. Dedicated sales & marketing teams, **c40% of whom are qualified vets** themselves, foster brand loyalty through education & technical support services

9. Well invested, flexible and regulatory approved **manufacturing capabilities** with production continuing to migrate in-house from outside CMOs

10. **High barriers to entry** given small, niche markets, requirement for small batch production runs and highly regulated nature of the industry

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Appendices

Our Structure

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Key Support Functions		
Corporate	Dechra Pharmaceutical Manufacturing and Supply (DPMS)	Product Development and Regulatory Affairs (PDRA)

Key Revenue Generating Segments		
Dechra Veterinary Products (DVP EU)	Dechra Veterinary Products North America (DVP NA)	Dechra Veterinary Products International (DVP International)

Our Structure

	Europe	North America	International
Group revenue participation	49%	40%	11%
Species	CAP, FAP and Equine	CAP, FAP and Equine	CAP, FAP and Equine (but not in every market)
Specialist nutrition	Yes	No	No
Market positioning	Leading brands in both niche and generic markets		Increased regulatory focus to accelerate product approvals
Infrastructure	Mature	Ongoing investment	Recently established structure
Geographical footprint[1]	39 European countries	10 countries including US, Canada, Mexico	39 countries globally
Manufacturing sites	UK, Croatia & Netherlands	Florida, Texas & California	Australia & Brazil
PDRA team	UK, Croatia & Netherlands	US, Canada, Mexico	Australia & Brazil
Number of employees[2]	561	275	360

(1) Dechra products marketed and sold either via own sales and marketing organisations or via distributors
(2) As of 30 June 2022

Key Support Functions

Manufacturing & Supply

- Following the acquisition of Med-Pharmex in August 2022, now have a total of eight sites located globally
  - Main sites located in Skipton (UK), Pomona (US) Bladel (Netherlands), Zagreb (Croatia) and Londrina (Brazil)
  - Smaller sites in Melbourne (US), Fort Worth (US) and Sydney (Australia)
- Approximately 48% of volume is now manufactured internally, with the remaining 52% supplied via a network of Contract Manufacturing Organisations (CMOs)
- Internally manufacture a wide range of dosage forms
- Infrastructure supplemented by own distribution centres in five sites across EU and ANZ plus third party logistics providers in North America and Brazil
- Generates approximately £10 million of revenue through contract manufacturing other human and animal health products
- 710 employees across all sites at FY22

PDRA

- Provides expertise in product innovation, formulation, clinical trials and regulatory affairs for the Dechra Group
- Laboratories located in UK, Netherlands and Croatia with teams also located in US, Australia and Brazil
- Proven track record of pipeline delivery
- Main activities centre around
  - Developing and licensing new novel and generic products
  - Maintaining existing licences across all products already sold
- R&D spend (£32.4 million in 2022) is predominantly oriented towards development rather than research
- Global team of 190 employees at FY22

Five Year Summary of Financials

Consolidated Income Statement (£m)	**2022**	2021	2020	2019	2018
Revenue	**681.8**	608.0	515.1	481.8	407.1
Underlying operating profit	**174.3**	162.2	128.3	127.4	99.2
Operating margin %	**25.6%**	26.7%	24.9%	26.4%	24.4%
Underlying profit after taxation	**131.7**	117.6	95.4	92.5	74.5
Underlying earnings per share					
– basic (pence)	**121.57**	108.77	92.50	90.24	76.85
– diluted (pence)	**120.84**	108.14	92.19	90.01	76.45
Reported operating profit	**95.5**	84.0	52.2	39.0	34.1
Reported profit after taxation	**58.2**	55.5	33.9	30.9	36.1
Reported earnings per share					
– basic (pence)	**53.72**	51.33	32.87	30.15	37.24
– diluted (pence)	**53.40**	51.03	32.76	30.07	37.04
Dividend per share (pence)	**44.89**	40.50	34.29	31.60	25.50

Forward-Looking Statements

This document contains certain forward-looking statements which reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future and thereby involve a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

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