



## DCC Healthcare Event

### Live Discussion with Managing Director Conor Costigan

Tuesday, 28<sup>th</sup> September 2021

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#### Video

*DCC Health & Beauty Solutions provides outsourced product development, manufacturing, packing and related services principally in the areas of nutrition and beauty products for international health and beauty brand owners in Europe and the US. Eight high quality facilities producing softgels, tablets, capsules, effervescents, gummies, creams, liquids, powders and sprays across a range of packaging formats.*

*DCC Vital is involved in the sales, marketing and distribution of medical products, selling a broad range of own and third party products across all sectors of the healthcare market in Britain, Ireland, Germany and Switzerland.*

#### Welcome

**Eavan Gannon:** Good afternoon ladies and gentlemen. Thank you so much for joining myself and Conor here this afternoon. We welcome you on lots of different platforms, LinkedIn and a variety of different Zooms so we really appreciate you coming to listen to us. My name is Eavan Gannon. I am from Powerscourt and I am joined this afternoon by the man of the hour, Conor Costigan.

**Conor Costigan:** Hi, Eavan. Delighted to be here.

**Eavan Gannon:** Excellent. Looking forward to this. This is meant to be obviously a chat between myself and Conor but we will welcome all opportunities from the floor. You have got some details probably in front of you there [investorrelations@dcc.ie](mailto:investorrelations@dcc.ie) welcoming any questions throughout the course of the hour conversation that we are having here. For those of you who are social media savvy, please feel free #DCCHealthcare and #DCCEvent and we look forward to seeing your tags over the course of the afternoon.

Without further ado, I would like to introduce the man of the hour. Conor, thank you very much for taking the time. You joined DCC in 1997. You have had considerable experience. You have worked in a variety of different areas, starting out in Food & Beverage. I first got to know you at Investor Relations. We have worked alongside each other for many years. You joined the Healthcare division in 2003 before taking the helm in 2006. You have had a few busy years and, if I am not mistaken, 2006 when you took the helm revenues were approximately £100 million. Would you like to take us through the transformation that you have led the way on?

**Conor Costigan:** Yes, it has been a fantastic growth journey and, as you say, in 2006 we had revenues in euros obviously in those days of about €110 million and profits of about €12 million. I think we had about

700 people in two countries, Britain and Ireland, and in our latest fiscal year we had revenues of €655 million and profits of €82 million. We have got 2,800 colleagues now and operations in Britain and Ireland but also in Continental Europe and in the US. It has been a very exciting journey. I still feel like we are only getting going. We have got exciting growth platforms now in the DACH countries and in the US so lots to go for still in DCC Healthcare.

**Eavan Gannon:** Fantastic, an impressive journey so far. Thank you for taking us through that. You might give us a little bit of a deeper dive into the two divisions. We all know DCC Healthcare but it is made up of the DCC Vital and the DCC Health & Beauty Solutions. You might give the audience and myself a little bit of a further dive into those.

**Conor Costigan:** Yes, sure. The larger of the two businesses last year by just slightly was DCC Health & Beauty Solutions. That is a contract manufacturing business, a CMO business serving the health and beauty industry, focused on nutritional products and beauty products. We provide a range of outsourced services from product development, formulation, regulatory services through to obviously manufacturing and packing. Our customer base is leading brand owners in the health and beauty space, big consumer healthcare businesses.

**Eavan Gannon:** Any we know?

**Conor Costigan:** We have lots that you would know, a lot of household names, international and local champions as well. In the US, across Europe and Britain. Direct sales organisations are important and specialist retailers. We have eight manufacturing facilities, high quality facilities, five in Britain and three now in the US. I suppose one of the key features of the business is we really build long-term relationships with our customers. We try to lead out on product development and product innovation and through that create very sticky long-term relationships.

On the other side of the house DCC Vital is focused on medical products. It is involved in the manufacturing, marketing, sales and distribution of medical products in the British, Irish and now the DACH market. We are also selling through international distributors. We are selling into the acute care, the hospital sector which would have been the origins of the business. However, today we have a very broad reach and very strong presence in primary care, both in Britain and now in Germany. Leadership positions and into other fragmented healthcare settings as well. That is obviously a big growth area for us as well.

**Eavan Gannon:** Excellent, thank you very much for that. Talking of Healthcare and the last 18 months, maybe you could give us some further information as to how the divisions have coped? Both your staff, products and those relationships and how you have had to deal with everything that was thrown at you over the course of the last 18 months.

**Conor Costigan:** Yes, obviously for the whole world it has been a challenging 18 months and it has been a very successful period for DCC Healthcare. However, a very challenging period and we are hugely proud and grateful to all of our colleagues around the business for their commitment. I suppose we learnt a new phrase through the pandemic which is when people talked about essential products and services. What we do in DCC Healthcare and indeed in DCC generally is we provide essential products and services. Whether that is the medical products to keep hospitals and GPs running from PPE to ICU devices or on the

health and beauty side the nutrition products the consumption of which really shot up through Covid as people really proactively sought to keep themselves fit and well. It was not an option for us to ask people to work from home. We had to keep factories going. We had to keep warehouses going.

**Eavan Gannon:** Additional pressures obviously that you had to take on board.

**Conor Costigan:** Exactly. I suppose our number one priority, our number one value in DCC is safety and I suppose our number one priority was keeping our people safe. I suppose first and foremost we had to implement new procedures to make sure we kept people safe in the workplace. Then to operate under those new regimes while coping with increased demand, supply chain challenges and everything that has gone with the last 18 months. However, as people will have seen in our results last year when we grew our profits by 35%, we overcame all those challenges. All the 2,800 people around the business overcame those challenges and delivered a fantastic performance.

**Eavan Gannon:** Excellent. On behalf of all of us thank you because you were the ones who were helping to keep the healthcare systems going. Just a reminder to the audience, please do feel free to drop questions into [investorrelations@dcc.ie](mailto:investorrelations@dcc.ie) at any stage. We will take them over the course of the discussion or indeed at the end. Just coming back to you there, you mentioned the reporting structure. As you said, you were locked down in Dublin and your teams were all working. How is that relationship with you and the management teams and all of the different businesses? How does that work, particularly when you are locked away from each other?

**Conor Costigan:** The way we are set up in DCC Healthcare is the same as the DCC Group office team. We have are very lean corporate and divisional teams across the Group. DCC Healthcare is no different and although we are expanding our small Healthcare team from two to four over the next couple of months really reflecting the scale of the business today and also our ambition for international growth, we are very fortunate that we have very experienced leaders in both the Health & Beauty business and in Vital. Stephen O'Connor leads the Health & Beauty business. He has been with the Group almost as long as me and we have worked side-by-side to really build that business over the last 20-odd years. Then Harry Keenan leads the Vital business. Harry is a hugely experienced medical device and healthcare professional. He led he Baxter business in Britain and Ireland for many years and joined us about six years ago.

One of the features of DCC, as you will know Eavan is we're very stable teams throughout our business. I suppose the transition to operating virtually with those teams was relatively straightforward. We know each other well. We have a rhythm in terms of how we communicate. It was a little more challenging with our more recent colleagues in the US. In fact it is interesting, Amerilab, our most recent acquisition in the US, we completed on 25<sup>th</sup> March 2020 and then obviously headed into the pandemic. Unfortunately we have not been able to be physically in the business since but we have really built the relationships virtually since then. We had obviously had spent a lot of time in the business through the due diligence process and formed very strong relationships. That stood us in good stead through the virtual period.

**Eavan Gannon:** I was just going to say, are you looking forward to getting back out there? Are you rushing to jump on a plane?

**Conor Costigan:** Yeah, no, absolutely. I will be in the States next month and really looking forward to getting round the businesses. We have been spending money in all our facilities as well, investing to develop capacity and capability so looking forward to getting out and seeing our colleagues.

**Eavan Gannon:** Travel safely. You mentioned the relationships with your clients and sticky and how it is that you develop products and innovation. Could you take us through that process and how that has opened opportunities as the relationship has evolved over time?

**Conor Costigan:** Yes, maybe starting with Health & Beauty, our focus really in this area is to build long-term partnership relationships with brand owners. As I said earlier, we lead out on product development. We have about 170 scientists around the Health & Beauty group involved in our new product development and our quality teams. That is very important to our customers and our prospective customers. We are constantly scanning the market for trends. We are constantly looking for new ingredients coming through, new uses of ingredients and then we are coming back proactively to our customers, to potential customers with ideas for new products. That part of our operation is very important. Clearly, we are operating at the upper end of the quality spectrum with very well invested facilities. Being part of the DCC Group and having access to the balance sheet is important to keep that investment going in the facilities. Our customers really, really value that. Then obviously you have got to provide very good service levels and flexibility to be able to respond to customers because demand patterns are not always uniform. We work very hard to try and keep that flexibility in our operations, being able to be responsive. The combination of those things really drives these long-term sticky partnership relationships.

**Eavan Gannon:** Has that been tested in any way in the last 18 months or is that just a little bit more of the same? Just having to be a little bit more front and centre on a Teams or a Zoom call.

**Conor Costigan:** Certainly it has been tested. For all manufacturers it has been a challenging period. The demand for nutrition products was particularly strong.

**Eavan Gannon:** Probably everybody on the call here has boxes of tablets that they all take every morning now that we might never have been looking at before. It is definitely an increasing space.

**Conor Costigan:** It is. Historically the market over the last ten years or so has grown maybe 7-8% per annum. It grew in the US last year by 14%.

**Eavan Gannon:** So it is not just me.

**Conor Costigan:** Consumer penetration has increased. More people are taking it and that bodes very well for the long-term prospects for the market. I think going back to your question, we coped with that demand pressure better than others. We had capacity and we were able to turn on capacity. The stability and the commitment of our labour forces and the robustness of our supply chain really helped us to maintain service levels at a very good level through that difficult period.

**Eavan Gannon:** Excellent, well done. We might take a little bit of time to talk about the platform from here. You have spoken about lots of opportunities, your relationships and talking about the process of what seems to be a good platform for organic growth. You have the relationships so you are able to build things out. Could you take us through how you see that, how you see the opportunities there?

**Conor Costigan:** Yes, the starting point and really the great thing for DCC Healthcare is we are operating in growth markets. Whether it is the nutrition market, the beauty market or the medical products market demand is growing for our products and that is driven by really long-term macro factors. There is obviously demographic factors with an aging population and higher incidence of illness which are driving people to look for more cost-effective health solutions. It is driving them to look for more preventative self-care and through Covid some of those things have really been accelerated or underpinned as well. There are some very nice underlying trends that benefit us right across our nutrition and medical products. We are also seeing increasing regulation and increasing regulatory oversight. That is good news for well-set up, well-invested, well-resourced businesses like ours and again we are benefitting from that. In the nutrition space there are some interesting trends that are beneficial as well. There is increasing scientific support for the use of nutritional supplements and I suppose that has probably been a key factor in some of the large consumer healthcare and consumer product businesses getting involved in the nutrition space. There has been some significant investment by the likes of Nestle and Proctor & Gamble in the space. I think Nestle alone has deployed about \$10 billion over the last five years in buying nutritional brands. That is shifting standards in the sector. It is shifting consumer penetration as well. I think all of those trends will also feed into more opportunity for better resourced bigger players like DCC Health & Beauty Solutions.

**Eavan Gannon:** Fantastic, excellent. Again just reminding you, if anybody wants to drop some questions in as we go along, otherwise we can take them at the end of the session. You mentioned there capex. Are there any examples of monies being put to work within the business and how it has been fruitful?

**Conor Costigan:** The biggest project we have done from a capital investment point of view over the last couple of years is an almost doubling of our softgel capacity in our British softgel plant that came on stream last year. That has been fantastic in terms of we have had some very interesting technological developments in that business. We have really developed our expertise in vegetarian softgel capsules which is quite a growth trend, the whole vegan piece. We have also produced the world's first we believe organic vegetarian capsule with a number of other technological developments. Having that additional capacity allows us now to really go and exploit those opportunities.

**Eavan Gannon:** That innovation and technology, is there opportunities to roll it out elsewhere?

**Conor Costigan:** Yes, we have parallel projects now going in gummies. We are about to commission a new gummy line actually in our softgel plant in Britain which will allow us to enter the gummy market in Europe. Gummies has been one of the fastest-growing sectors in the US over the last ten years and it really started off as a kids product. Those kids became adults and continued to take gummy vitamins. That has obviously grown the market substantially. All the forecasts would suggest that is going to continue. It is less developed in Europe so we are putting in the investment now and getting going as that market begins to evolve. We already have customers lined up for that. We are producing gummies in a modest way in the US today but we are developing out a much more substantial investment project to increase our gummy capacity and that should come online over the next 12 months. There is a range. It is one of the features of the business in Health & Beauty that we are constantly investing in capacity, capability and then obviously the key thing is really cross-selling that across our customer base.

**Eavan Gannon:** Great, excellent. You obviously have lots going on to scale the platform. That is great. Maybe you might give us a bit of colour and flavour to some of the acquisitions that you have done in the past and how they have bedded in and given you opportunities to move forward? Then how you see that space at the moment. What is out there and where are you looking? Where are the next steps?

**Conor Costigan:** We created by acquisition over the last five years two really interesting growth platforms. Obviously we have made three acquisitions in the nutritional contract manufacturing space in the US. That has really put us on the map and given us a strong position. The US nutritional supplements market at retail is about \$56 billion. We estimate the contract manufacturing addressable market for us is about \$8 billion. Even though we have made good progress we are really still only scratching the surface. In terms of mirroring the capability that we have in Europe, we have still got plenty to go for there. It is a very fragmented market so we feel very optimistic about what we can do there. We also obviously within Health & Beauty have a beauty products business. We have a lot of expertise in that business. When we look at the US beauty products contract manufacturing sector it is a growing sector and a fragmented sector. A lot of the same dynamics that we have seen over the last five years in nutrition. That is another opportunity that we will be tackling over the next little while. Then obviously on the Vital side we made a very important acquisition earlier this year of Wörner which is one of the leaders in the supply of products into the primary care sector in Germany. That is a sector we know well because we are the market leader in supplying products into primary care in the British market through our Williams Medical business that we have owned for the last seven years. That is a business we have invested in to really develop our technology capability. We operate an omni-channel sales and marketing approach. We are selling across digital platforms. We are selling across contact centres, e-commerce platforms and the market in Britain has obviously been adopting those digital ways of interacting over recent years. When we look at the German market it is less developed actually from a digital point of view so I think there is a big opportunity for us to enhance what we have bought, taking the learnings from Britain and then really push on. It is very fragmented in Germany with lots and lots of privately-owned businesses, some of whom face succession challenges with the aging population. We think there is a lot of bolt-on acquisition activity in Germany that we can leverage. As we have seen in the US putting the flag down and getting senior executives on the ground in these businesses leads to other opportunities. We have got broader ambitions beyond just the primary care sector. We think Wörner and developing that business can be a good stepping stone to a much broader development for DCC Vital in the German and Continental European market generally.

**Eavan Gannon:** Great. Well, you have given us a very upbeat picture of organic growth and scaling the platform. Talk to me a little bit about being part of the DCC Group and being able to access the cash in the business. How is the process when you are looking to get some money to be able to put investment into the Healthcare business?

**Conor Costigan:** I feel very confident that we have got the absolute full support of the Group and the Board to go and deploy significant capital in the healthcare market. It is a very attractive market. It is growing at higher rates than other sectors. We have got a very strong track record of growth over the last ten years. DCC Healthcare has grown its profits by 16% compound and half of that has been organic. As I say, we have invested in our management infrastructure. One of the things actually we have done over

recent months is we have put in place a divisional team in the US to support the businesses that we own today in the US in a better way and obviously also to be in the market more consistently driving the acquisition activity. I think we have got the management infrastructure and capacity. We have got the balance sheet obviously in DCC. We have got the Board support. We have got a nice opportunity set in fragmented markets so I think we are very well set up to accelerate the deployment of capital in DCC Healthcare.

**Eavan Gannon:** Excellent. I see a question has just come in so you are not going to have to listen to me for too long. A question coming in from Rowan Smith in Setanta. Demand robust, outlook good, risk of new competitors entering the business or existing competitors increasing capacity. Is this a concern?

**Conor Costigan:** All of those things are correct, Rowan. The demand growth has been very good consistently in our markets and we do see competitors increasing capacity. However, if you take the contract manufacturing business it is difficult to come in and enter the business in a really credible way. Particularly to be credible with the serious players. You cannot replicate decades of investment like we have or the depth of technical resources and the product development resources. It is difficult to replicate that very, very quickly. Certainly competitors are investing to increase capacity but the market is growing and that is not a particular concern for us.

**Eavan Gannon:** Good, glad to hear it. I have one or two more questions. I am very conscious that we are going to open it up to the floor. It would be remiss from where I sit in the financial media space not to bring up supply chain. Can you talk to us about where the supply chain issues sit? Are you seeing any? Is it a growing concern, something that you worry about? Obviously I do not doubt that you are constantly keeping a check on this. This is your day job but is there additional pressures that you are seeing out there at the moment?

**Conor Costigan:** I think all through the Covid period supply chain has been more challenging than heretofore. Part of the reason why we were able to deliver the performance we did last year and continue to expect very good growth this year is because we have those long-term supplier relationships, very robust supplier relationships. That has been very helpful to us. We are not immune to the challenges that people are facing generally at the minute but it is not holding our business back. There are pockets of challenges here and there but it is certainly not having a material impact on our business. We are managing our way through it in a good way.

**Eavan Gannon:** Excellent. We talked a little bit about the regulatory environment. Another area of particular interest close to my own heart is sustainability. What can you tell us? What have you been doing?

**Conor Costigan:** Yeah, no, sustainability obviously in DCC is very close to our heart as well. As a Group we have set out our objective of being net zero by 2050 by reducing footprint by 20% by 2025 and I am pleased to say in DCC Healthcare we absolutely embrace that wholeheartedly. We have made a lot of progress even before we came out with those published targets. We were well on track against those measures. Approximately 65% of our electricity today is coming from renewable sources and again we are on a path to 100% over the next little while. Maybe just to give one example of EuroCaps, our softgel facility in Wales, we have two wind turbines at that site. We have almost 2,000 solar panels or we will

when we finish the latest round of installations. We are self-generating a significant proportion of the electricity that we require for that manufacturing business. There are a lot of initiatives going on around the Group.

**Eavan Gannon:** Excellent. Great, well keep up the hard work. I am going to open the floor to Annelies from Morgan Stanley who is going to join us on camera. Good afternoon Annelies.

## Q&A

**Annelies Vermeulen (Morgan Stanley):** Good afternoon, hi Conor, nice to see you. Thank you for taking my question. I have a couple, if that is okay but I will do them one-by-one. Firstly, you talked a little bit about supply chain issues and shortages but you seem to be managing that quite well. I am wondering on input cost inflation, particularly for things like ingredients or certain products that you distribute, to what extent you are seeing that in your geographies. Also perhaps you could comment on your ability to pass that on to customers, how those discussions are going and whether you are seeing any issues with that.

**Eavan Gannon:** Excellent. Just to recap there, input cost inflation and if you are able to pass it on to your customers.

**Conor Costigan:** Yes, that is a feature both in terms of labour costs and raw material costs. Yes, we have to and have been passing that on. We are passing it on in a good environment in terms of the demand for the products so we have not had material push back in terms of implementing those price increases.

**Eavan Gannon:** Yes, I think it is safe to say that cost are increasing across the board. The next question we have Allan Smylie from Davy.

**Allan Smylie (Davy):** Thanks for taking for my question. I have a growth question from my side. Conor, you said that growth in the US market really accelerated last year. I think you mentioned 14%. How should we think about the ability of the business to grow organically off this higher base both this year and in the medium-term?

**Conor Costigan:** The market in the US, as I say, was growing at 7% or 8% consistently over the last ten years or so. It had this spike last year to 14% and the projections are for continued growth, albeit more in the mid-single-digit level over the coming years. Certainly the market projections are for continued growth. Our own expectation is to continue to outperform the market. We have particular strengths in some of the higher growth segments so we are very strong in effervescent both in the UK and in the US we are actually the leading contract manufacturer of effervescent products. We have got a strength in premium skincare products which again is a growth area. We are developing nicely in probiotics. We have got strength in nutritional liquids which is a growth area. Complex formulations and we mentioned already organic and natural materials. Those kinds of materials are not the easiest to work with. We have got a lot of expertise in those areas. We have always tried to position the business where we have the best margin opportunity, the best long-term sustainable profit growth opportunity, more than chasing top line. We still feel very positive about the growth prospects for the business off this higher base.

**Eavan Gannon:** Great. Excellent. We have got a few more questions here. Kate Somerville is going to jump on the screen now. Hi Kate, how are you doing?



**Kate Somerville (UBS):** Hi there, how are you doing? I have a question on the Vital business. I wanted to understand about last year how Covid really impacted it. I imagine there was some Covid-related orders. I am trying to understand what offset that and how we should think about the recovery into 2021 in those other parts of the business. How should we think about growth within that business going forward? Thanks.

**Eavan Gannon:** Excellent, thank you.

**Conor Costigan:** Yes, it was an unusual year in Vital. Our product mix changed a lot in that business and it just shows the agility of the business commercially and again the robustness of the supply chain. Clearly normal activity in hospitals, GP surgeries and healthcare systems generally was down. Normal procedures were not happening. People were not going to their GP in person. On the other hand then obviously the demand for things like PPE, products that are used in intensive care, which intensive care units were under a huge stress, all of those demand was up. We had to react to that and adjust. Obviously we did that very successfully and I think our goodwill with our customers with the healthcare systems has increased on the back of that because we did not let people down. I suppose as we move into this year and beyond the systems obviously are trying to ramp back up to normal activity. I would not say they are at those levels yet and we have been supporting them in every way we can to do that. It is critical obviously for society that they do. There is a huge backlog now. People have probably read some of the statistics about the waiting lists and the backlog of treatment in Britain in particular. People have been talking about it. We are working hard with the system to give them all the support we can as they ramp back up. What we are seeing obviously is somewhat reduced demand for some of those Covid-type products although we do not believe that is going to go away. It is going to be at an elevated level because we are going to be living with something forever. Then obviously ramping back up on normal activity. Yes, it has been an unusual period but again the agility and the robustness of our businesses has really come through.

**Eavan Gannon:** Excellent. We have another question from Exane. George, good afternoon.

**George Gregory (Exane BNP Paribas):** Sorry, I just had to unmute my mic. Thank you. Afternoon, Conor. Following up on both Allan and Kate's questions there, I wanted to understand how you see the margin trajectory of your business. Perhaps if you could maybe segregate the Health & Beauty and Vital businesses. I am guessing you saw a decent lift in both segments last year. Is that a path that could continue in to the future?

**Conor Costigan:** To comment a little bit generally on that, I suppose one of the things we constantly work at in fact is really to optimise our sales mix. As I say, we do not chase top line anywhere. We are focused on sustainable business that gives us the best margin and return on capital characteristics. Whether that is in the beauty area where we have really invested and focused in on premium skincare or in the nutritional products area where I have talked about the more specialist areas that we have focused on. Again, in Vital people will know we exited the generic pharma business which was a lower margin business. We have also downsized some of our logistics activity. It is a constant feature of how we have been managing the business over recent years. You will have seen our margins nudging up over those years and that is something we stay focused on. I do not think we can promise that that trajectory continues forever but it is certainly something we put a lot of effort into.

**Eavan Gannon:** Excellent. We have another question come in from the audience. Thank you very much Marie Gillespie from Davy. So much UK production. Any Brexit impact? The Brexit question.

**Conor Costigan:** There had to be a Brexit question. Yes, the biggest impact of Brexit for us has been additional admin associated with exporting product to Europe from our British manufacturing base. We have not lost any business. No customers have said, 'Well, you are in Britain, our market is Europe so we are going to find a new manufacturer.' In fact we have just won quite a significant piece of business in one of our facilities where an international brand was producing the product for Britain in a Continental European site and wants it produced in Britain. Perversely actually that is probably the only piece of business moving in or out that I can attribute to Brexit. Otherwise it has really been a little bit of additional admin burden and most of that has been learning curve actually, teething issues. Lack of clarity maybe from the government, from the system on procedures. A lot of that has flushed through and people have got used to the new protocols. We have managed our way through it and it has been okay.

**Eavan Gannon:** Excellent. It is not going away. We have got another question in from Maxine in TD Securities. Looking to add capabilities in the US? Gaps and acquisitions? I think we covered a little bit about the US but if there is anything else you want to add there?

**Conor Costigan:** If you line up our capabilities for the European market in Health & Beauty against what we have today, in the US probably the biggest gap is softgels. That was actually our first contract manufacturing acquisition in the UK way back when. That is certainly something we would like to have in the US and we are active on that front in terms of developing relationships with potential acquisitions. The beauty area is the other one that I touched on. Again, we have focused on nutrition to really get going on that and make sure we're laser-focused on building our position. However, with the additional resources we have in the States and having established a good position in nutrition, albeit with lots to go for still, I think we can afford now to start looking at the beauty market. As I say, it is fragmented, it is dynamic and it is higher growth.

**Eavan Gannon:** And it is huge.

**Conor Costigan:** It is huge so lots of opportunities for us there.

**Eavan Gannon:** Excellent. Very conscious of time but if people have any more questions please do feel free to send them on in. We have got another question in here from Rajesh in HSBC. Average duration of products that you manufacture. I have put you under pressure.

**Conor Costigan:** I am going to have to interpret that but I presume you are thinking maybe about the consumer products, how quickly the brands cycle them. It varies from format to format. I am guessing but probably 20% or maybe a little bit more of everything we produce each year in our facilities is new.

**Eavan Gannon:** It is a natural turnover.

**Conor Costigan:** To be able to cope with that, to develop those products, go through formulation, go through testing and quality, that speaks to the kind of resources and capabilities that we have. There are certain products, certain markets that products have a much longer lifespan but typically it is a very dynamic market. It is a market that likes innovation. We see a lot of the development of the e-commerce channel, the development of digital brands who are virtual companies who are coming to contract

manufacturers looking for everything. Probably that pace of innovation and dynamism is only going in one direction and we are very well equipped to manage that.

**Eavan Gannon:** Fantastic. I do not believe we have any more questions and I am very conscious of time. I found that hugely informative. Is there any passing comments or anything you would like to leave the audience with? I personally took away that there is great confidence, ability and capability within the division. You have lots to play for and lots of ambition. Hopefully you will be around for the next 14 or 15 years but is there anything you would like to leave the audience with as a general closing?

**Conor Costigan:** Yes, DCC Healthcare is probably in the best shape it has ever been in. As I said, it feels like we are only getting going. Among the team I know there is huge excitement and enthusiasm for the opportunities we have. Lots of organic opportunities and lots of organic investment opportunities. Obviously we have the balance sheet to support that. Then a very interesting opportunity set from an acquisition point of view operating in fragmented markets. We have got additional management capacity now to be able to absorb those acquisitions. We have got very nice growth platforms set up in the US and in Germany that we can build on. We think we can be a much bigger part of the DCC Group over the coming years. I certainly speak for all the Healthcare team when I say that is our target and our expectation.

**Eavan Gannon:** Fantastic. Thank you very much. It has been an absolute pleasure from my perspective. I hope you all found that informative. I know that the IR team, Rossa and Hollie, are available to take any further questions if anybody has them. Please feel free to direct them into the Group and we look forward to seeing you in November at results. Thanks all very much.

**Conor Costigan:** Thank you.

**Eavan Gannon:** Thank you.

[END OF TRANSCRIPT]