



INVESTOR PRESENTATION

Interim results 2023

Jenny Winter, Chief Executive Officer
Chris Brewster, Chief Financial Officer

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Dynamic, growing animal health market

Competitive sector with attractive long-term fundamentals



62%

of UK households owned a companion animal in 2021/2022¹

- Market growth returning to more pre-Covid levels
- Companion Animals the main driver of growth
- Continuing high levels of pet ownership¹
- Increased propensity to spend on pet wellbeing²
- Changing customer base with different demands
- Novel/innovative products driving growth and commanding higher margins
- Growing influence of veterinary corporates
- Increased appetite for M&A of all types

¹ <https://www.statista.com/statistics/308235/estimated-pet-ownership-in-the-united-kingdom-uk/>

² <https://www.euromonitor.com/article/humanisation-a-key-driver-of-pet-product-sales>

What is Animalcare?



Animalcare is a profitable, cash generative business with strong margins, low levels of debt and the financial means and ambition to invest in organic and M&A growth

A clear strategy guiding long-term value creation

Strong finances

Financial sustainability through revenue growth, cash conversion, EPS growth, EBITDA margin growth and reduced net debt



Growth portfolio

Focused portfolio in key therapy areas in growing market segments. Priority on larger selling, higher margin brands and services



Business development

Grow through M&A, licensing and partnerships. Strengthen R&D pipeline of novel products. Expand geographic footprint and scale. Build sustainable portfolio of market-ready products



Innovative pipeline

Launch new products and develop differentiated and innovative pipeline of products for the future



Organisation for growth

Sales and marketing capabilities, leadership strength and core skills. Develop culture and encourage supportive behaviours



Highlights from H1 2023

Expanding margins and increased cash conversion; strategy execution

FINANCES

- 1.5% expansion in gross margins to 57.5%
- Increased cash conversion drives further reduction in net debt to £3.8m as at 30 June 2023
- Strong finances support pursuit of growth opportunities

PORTFOLIO

- Positive market response to Plaqtiv+
- Identicare continues strong sales and profit momentum
- Daxocox gaining prescribers in direct sales markets
- Production Animals affected by phasing of orders and generic competition
- Equine benefits from return of Danilon to UK business

BUSINESS DEVELOPMENT

- Animalcare continues to be highly active in pursuit of M&A and partnering opportunities
- Group assessing opportunities for STEM following Kane Biotech's review of its majority equity interest in joint venture

PIPELINE

- Orthros Medical pre-clinical studies on track; showing positive results for VHH antibody technology
- Potential third candidate identified under research collaboration

ORGANISATION

- Resources re-aligned to support pursuit of M&A opportunities and supply chain focus

Robust H1 performance against strong comparator

Revenue

↓4.1%

£36.7m

Down 6.8% at CER



Underlying* EBITDA

↓10.8%

£7.2m

Underlying EBITDA margin **19.5%** (21.0% for prior year)



Gross margin

↑1.5%

57.5%

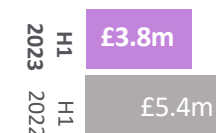


Net debt

↓£1.6m

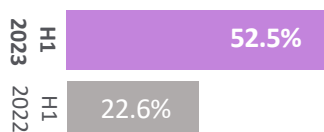
£3.8m

Materially below target range for underlying EBITDA leverage (0.3x)



Underlying cash conversion

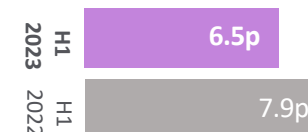
52.5%



Underlying EPS

↓17.7%

6.5p



Board declares interim dividend of **2.0 pence** per share, in line with 2022

* Alternative Performance Measures (APMs) are reconciled to statutory results in the Chief Financial Officer's review and within the notes to the unaudited consolidated financial statements.

Improved margins as demand normalises

Underlying financial results

Revenue £36.7m, decline of 4.1% (AER) compared to strong prior year

- Affected by normalisation in veterinary demand

Gross margin progress versus H1 2022

- Reflects product mix and pricing action to help offset input cost inflation

Underlying EBITDA of £7.2m (FY 2022: £8.0m)

- SG&A costs held broadly in line with prior period. People investment remains largest component

Drivers helping underpin gross margin growth

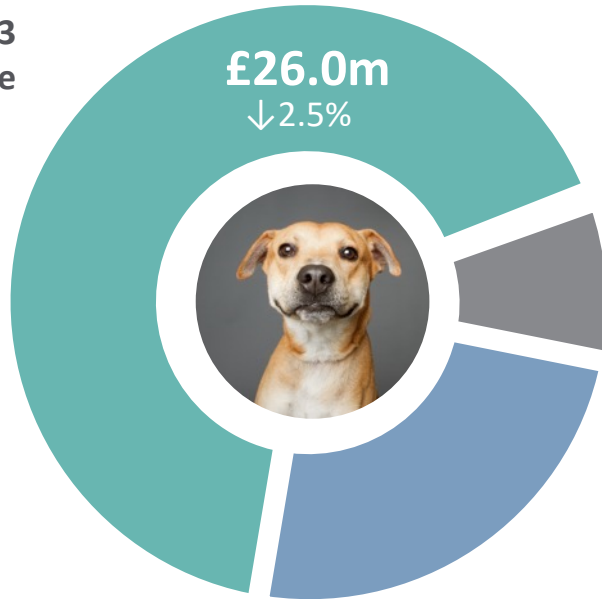
- Concentration of investment in growing Companion Animals segment
- Rationalisation of portfolio from >300 to c150 brands since 2019
- Sales and marketing investment in larger selling, higher margin products
- Refocus of Identicare business delivering high margin growth
- Pipeline re-engineered to focus on novel, higher margin products (eg Plaqtiv+ and Daxocox)
- Management of supply chain and increased COGs in inflationary climate

	6 months ended 30 June		Change at
	2023	2022	AER
Revenue	£36.7m	£38.3m	(4.1%)
Gross profit	£21.1m	£21.4m	(1.8%)
<i>Gross margin %</i>	57.5%	56.0%	1.5%
Underlying EBITDA	£7.2m	£8.0m	(10.8%)
Underlying EBITDA margin %	19.5%	21.0%	(1.5%)



Companion Animals: main driver of growth

H1 2023
revenue

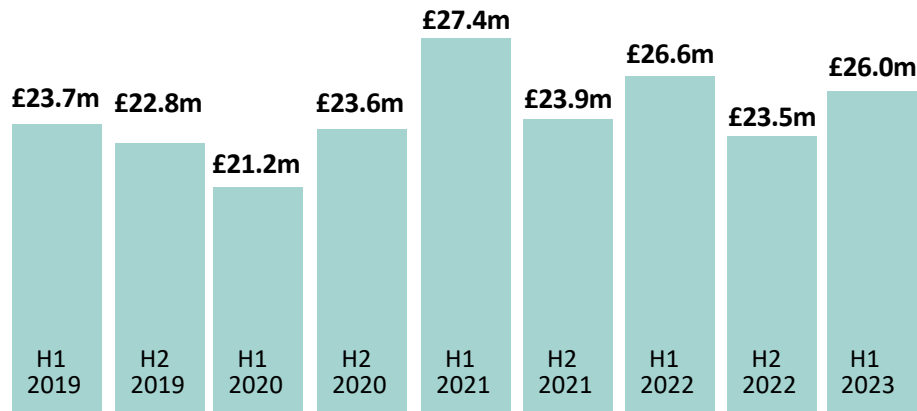


Companion Animals: H1 2023 performance summary

- Strong Plaqtiv+ demand helps partially offset wholesaler destocking in certain territories and normalisation of demand growth in post-pandemic period
- Identicare continues to build revenue and profit momentum
- Continued investment in sales and marketing activities to drive Daxocox uptake; gaining prescribers in direct sales markets
- Largest selling brands in the product range remained broadly flat versus the prior period

Companion Animals: how we see the segment

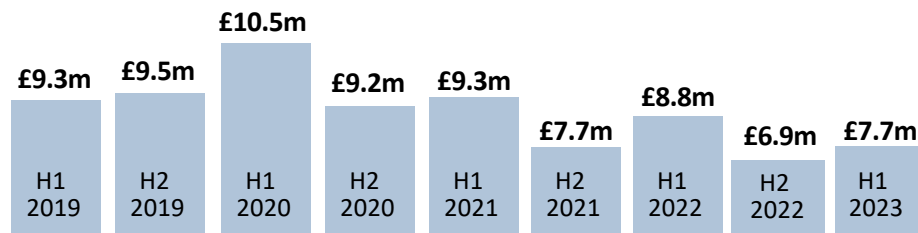
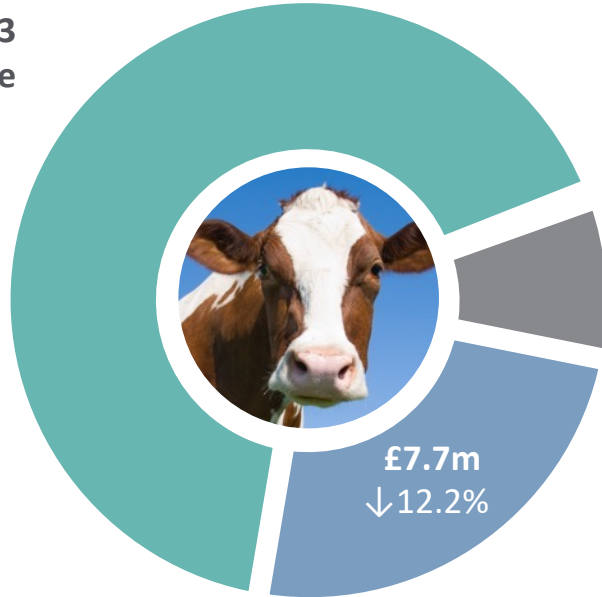
- Competitive and dynamic market
- Expected to be main source of future growth in animal health sector as pet ownership rates remain high
- Novel products driving revenue growth and demanding higher margins
- Animalcare investment in R&D, M&A, sales and marketing, etc, primarily focused on Companion Animals



Evolution of revenue growth

Production Animals: continuing demand for protein

H1 2023
revenue



Evolution of revenue growth

Production Animals: H1 2023 performance summary

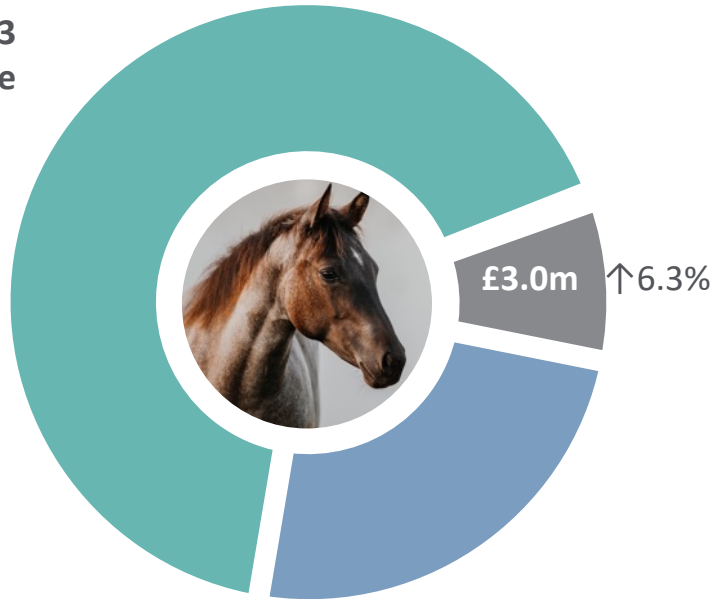
- Production Animal revenues, which are chiefly generated by our Southern European and International Partners operations, declined by 12.2% versus the prior period to £7.7m, predominantly driven by phasing of orders and generic competition

Production Animals: how we see the segment

- Globally, a growing market, driven by increased demand for animal protein
- European markets growing more slowly than Companion sector as regulation to limit widespread use of antibiotics enforced
- Largely price sensitive, generic markets
- Group's Production Animal expertise focused in Southern Europe markets (Spain, Portugal and Italy)
- Investment in sales and marketing excellence and distribution opportunities rather than M&A or R&D

Equine and others: attractive specialist market

H1 2023
revenue



£3.1m	£2.7m	£2.8m	£3.2m	£2.5m	£3.2m	£2.8m	£2.9m	£3.0m
H1 2019	H2 2019	H1 2020	H2 2020	H1 2021	H2 2021	H1 2022	H2 2022	H1 2023

Evolution of revenue growth

Equine: H1 2023 performance summary

- Equine and other sales increased by 6.3% to £3.0m, benefiting from bringing Danilon, one of our largest brands, back into the UK business in the second half of 2022
- Expect Danilon growth to accelerate during the second half due to stock in channel placed by our previous distributor at the end of FY 2022

Equine: how we see the segment

- Equine accounts for just under 3% of the European animal health market
- Owners demand increasingly specialised services
- Increasing demand for medical care for horses
- Attractive marketplace requires experienced sales and marketing employees
- Inflation impacting traditionally high costs of ownership
- Reviewing R&D opportunities in equine

Identicare builds revenue and profit momentum

Refocus and specialist leadership is unlocking potential of pet reunification business



Repositioning of pet reunification business as a scalable, high margin, recurring-revenue subscription platform helps drive growth

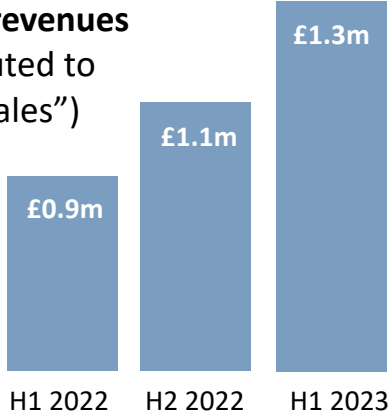
- Identicare continues to deliver strong revenue and profit momentum following carve-out under specialist leadership at end of 2021
- Sales increased in H1 2023 by 28% to around £1.5m versus prior year period
- Anticipate growth rate to accelerate in second half 2023

Robert Diamond
Specialist leadership for specialist business

- Proven entrepreneur
- Recognised expert in retail data space
- Oversaw data assets of RAC Motoring Services' 8.2 million members and ran six digital businesses



Growing revenues
(as attributed to "service sales")



Cash conversion strengthens financial firepower

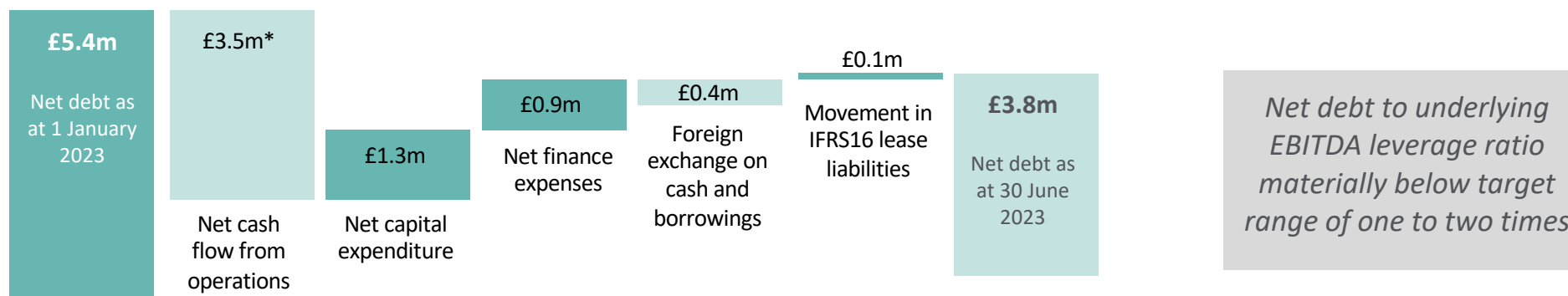
Cash conversion

	6 months ended 30 June	
	2023	2022
Underlying EBITDA	£7.2m	£8.0m
Working capital	(£3.4m)	(£5.7m)
Other/non-underlying cash items	-	(£0.5m)
Underlying net cashflow from operations	£3.8m	£1.8m
Underlying cash conversion %	52.5%	22.6%

Increased leverage capacity supports pursuit of business development opportunities

- Cash conversion improved to 52.5%; expect cash conversion to be ahead of FY2022 subject to H2 trading patterns
- £0.9m in R&D investment and milestone payments
- Leverage of 0.3 times underlying EBITDA provides financial strength to pursue value creating opportunities through M&A, licensing and partnerships

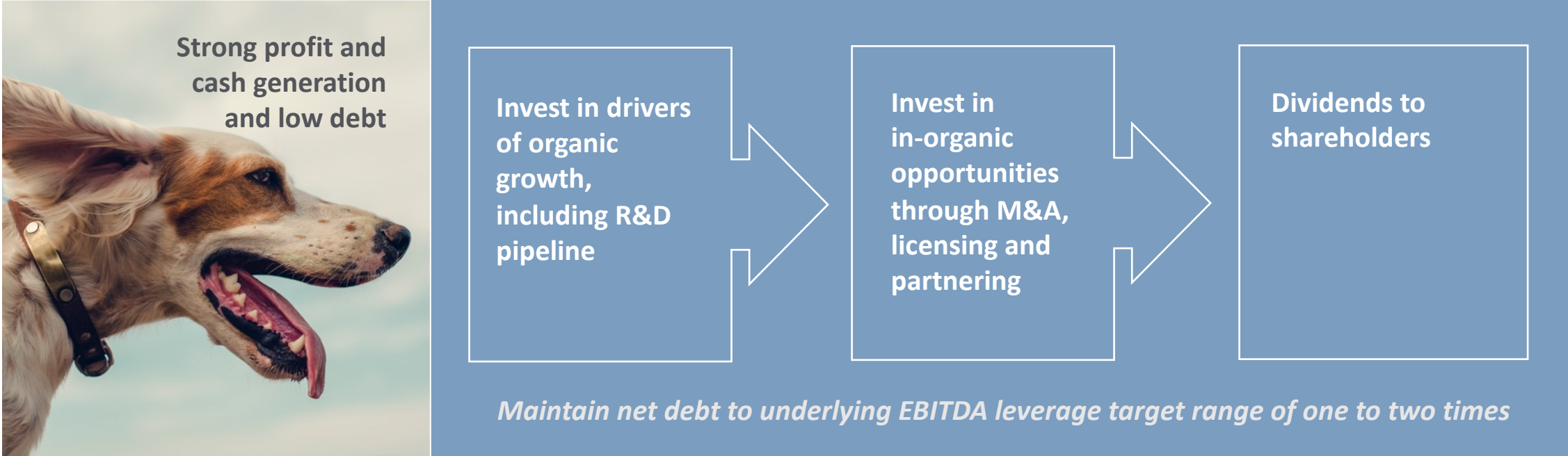
Further reduction in net debt



* Including non-underlying items

Capital allocation supports growth ambitions

Investing in organic and inorganic opportunities



Business development: ambitious, active and disciplined

Inorganic growth central to strategy

- Seeing increasingly openness to explore dealmaking options
- Reallocation of internal resources further strengthens focus on identification and pursuit of M&A opportunities
- Animalcare continues to be highly active in pursuit of M&A and partnering opportunities
- Ambitious and disciplined in what we aim to bring into the Group
- Targeting value-creating deals that will:
 - strengthen **pipeline** (eg Orthros Medical)
 - optimise **geographic** footprint
 - generate sustainable **portfolio** growth
- Group exploring opportunities presented by Kane Biotech's decision to review its majority equity interest in STEM joint venture

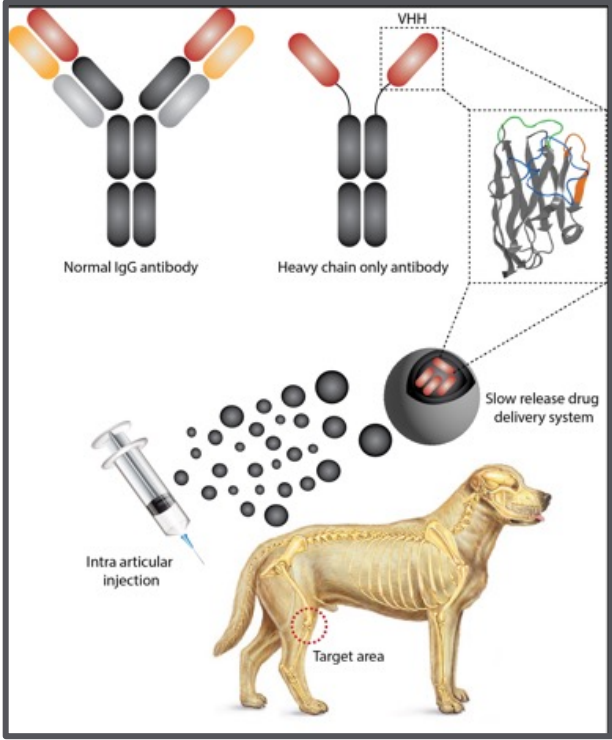
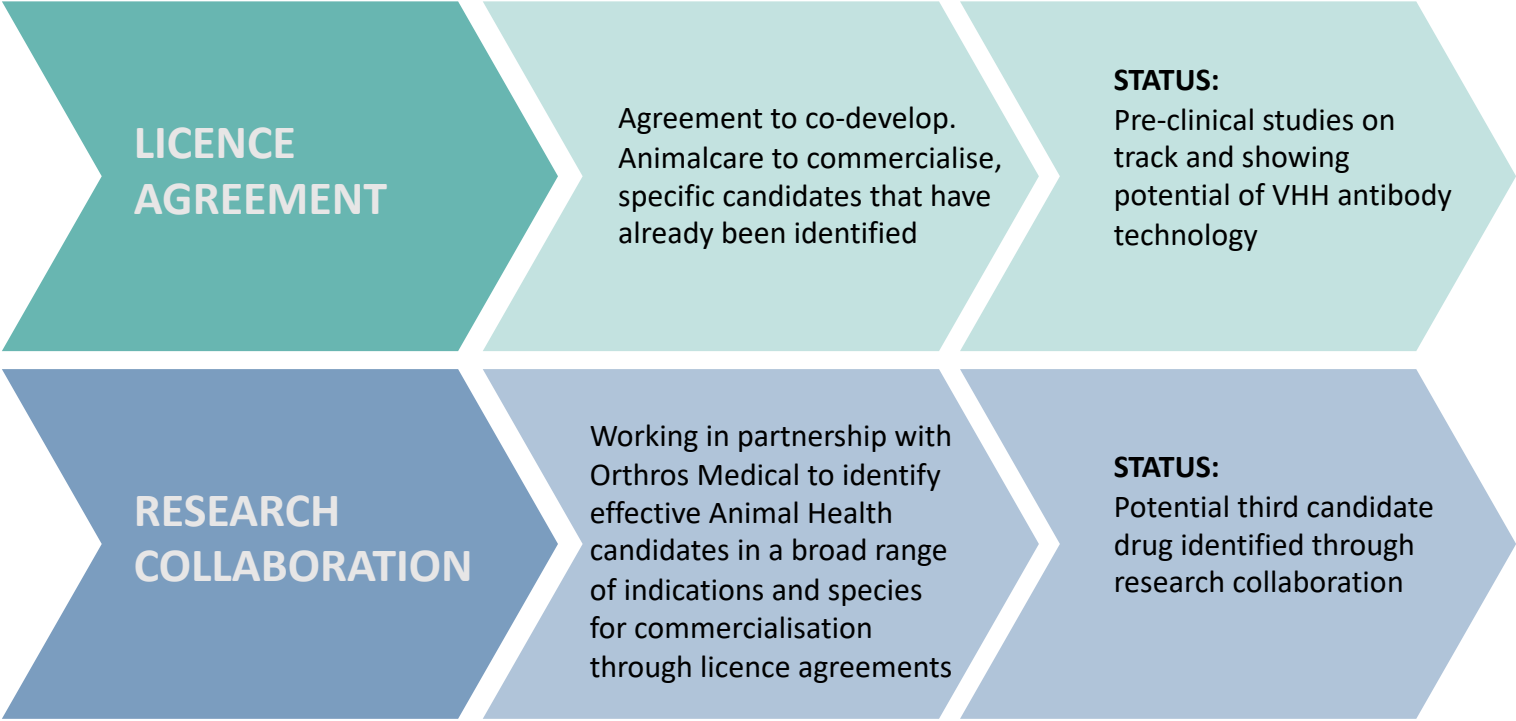
Financial flexibility and firepower to execute M&A and other deals.

Net debt materially below leverage target of 1 to 2 times underlying EBITDA



Orthros agreement progressing as planned

Partnership model yielding results; opening pathways to options for novel therapies



Summary and outlook



- Group delivers expansion in gross margins and improved cash conversion despite easing in rate of demand growth across markets
- Strong financial position supports ongoing investment in value-creating growth opportunities; business development top priority for the Group
- Animalcare's progress underpinned by focus on strategic growth opportunities, including Orthros R&D, STEM and Identicare
- **We anticipate an improvement in our second half performance versus FY 2022 and with it, a return to revenue growth for the full year and EBITDA to be also in line with market expectations**