Chief Executive Officer’s Statement

Dechra has continued to outperform a robust market throughout the COVID-19 pandemic affected financial year. As we start the new financial year trading remains strong with the momentum and market penetration seen in the second half of the prior financial year continuing.”

Introduction
I am pleased to report that Dechra has continued to outperform a robust market throughout the COVID-19 pandemic affected financial year. All product groups; Companion Animal Products (CAP), Food producing Animal Products (FAP), Equine and Nutrition have delivered solid growth and the recent acquisitions of Osurnia® and Mirataz have delivered good additional growth.

COVID-19
We have benefited from above average market growth in the majority of our key CAP markets. The reasons for this market growth are not yet fully defined. In the UK there have been reports of an increased number of dogs; however, recent information from the United States indicates that veterinary practice visits by pet owners have marginally declined. What is clear is that people have been spending more time with their pets and have therefore been more cognitive of their welfare, and with disposable income being higher than normal due to lockdown, expenditure per pet has increased.

Dechra has operated exceptionally well throughout the pandemic; all manufacturing sites and laboratories have remained operational and communication with customers through digital media by our highly motivated commercial teams has been excellent.

Operational Review
EU Pharmaceuticals Segment
In the year our European (EU) Pharmaceuticals Segment reported net revenues increased by 20.2% at CER (20.1% at AER). This Segment includes our International business, which is detailed below. It also includes non-core business, such as third party contract manufacturing, which we continue to exit as strategically planned. Existing revenues, excluding third party contract manufacturing and including the like-for-like impact of recent acquisitions, increased by 16.7% at CER (16.6% at AER).

This growth is due to improved supply combined with very successful digital sales and marketing interaction with our customers, supported by professional key account management. We have delivered high double digit revenue growth in nearly all areas of the business, and almost all countries in Europe delivered high single or double digit growth.

International Pharmaceuticals
Our International team continues to perform strongly, especially in the territories where we have our Dechra branded sales and marketing organisations; Australia, New Zealand and Brazil. Our geographical expansion in other territories through distribution partners has also delivered growth which has been enhanced with Osurnia which is now sold into 15 international markets with exceptionally high sales in Japan. Most of our key brands are now registered in Australia where we are now also able to market our leading endocrine products in Dechra livery as the previous distribution agreement with a third party has come to term. In Brazil the growth from our core vaccines has been enhanced with the successful registration of a number of our leading CAP products.
NA Pharmaceuticals Segment
Our North America (NA) Pharmaceuticals Segment net revenues increased by 22.2% at CER (14.6% at AER), driven primarily by strong organic growth on existing products (16.7% at CER, 9.4% at AER) and incremental sales performance on recently acquired products, Mirataz and Osumin. Strong growth from Canada and Mexico also contributed to North America’s success.

Organic growth can be attributed to an improved supply chain, increased volumes from market growth as a result of higher pet spend during the pandemic, and market share gains as we continue to execute strategic marketing initiatives.

Due to the strong growth in the US, we have continued to expand our commercial organisation. The CAP team has expanded to 88 field sales representatives and 18 tele-sales representatives divided amongst nine US regions.

Product Category Performance
CAP
Companion Animal Products (CAP), which represent 72.8% of Group turnover, grew by 25.9% at CER (19.2% organically) in the Period. Organic growth was driven by increased market shares in our key therapy areas of Endocrinology, Anaesthesia/Analgesia, and Internal Medicine in the EU and across all categories in the USA. Additionally, we successfully launched our two key new products, Mirataz and Osumin, in several markets during the period. Marboquin, launched in the USA, exceeded sales expectations.

FAP
The strong performance in Food Producing Animal Products (FAP) during recent years, which represents 12.7% of Group turnover, has slowed to 4.7% at CER (4.7% organically) this year due to a number of factors. In certain key FAP markets we have seen a reduction in meat consumption as restaurants closed as a result of COVID-19. Additionally meat production in several markets has been negatively impacted by outbreaks of African Swine Fever and Avian Influenza.

Equine
Equine, which represents 7.3% of Group turnover, grew by 25.5% at CER (25.5% organically). This growth was driven partly by the life cycle improvement to a key product, Equipalazone®, where we added an additional flavouring, and by the launch of a number of Le Vet pipeline products, which have strengthened our overall Equine portfolio.

Nutrition
Nutrition represents 5.2% of Group turnover and grew by 9.4% at CER (9.4% organically). After several years of decline, it is very pleasing to report that our Nutrition business has delivered strong growth in the year. This can be attributed to the recently formed Business Unit which has worked closely with key markets and key customers, to rebuild confidence in the range and to attract new customers to the Specific brand.

Product Development and Regulatory Affairs (PDRA)
Overview
Our Regulatory and Development teams have continued to be effective throughout the COVID-19 pandemic as our clinical trials group was able to work remotely with veterinarians and laboratories that were participating in clinical and non-clinical studies.

In preparation for full implementation of new regulations for the authorisation and supervision of veterinary medicinal products (EU Reg 2019/6), which comes into effect in January 2022, an internal working group has been formed to ensure Dechra remains in compliance.

The pharmaceutical development laboratories in the UK, Croatia and Netherlands remained operational during the pandemic by adopting staggered schedules. The laboratories increased formulation capacity with additional people and new equipment, including a new chromatography modelling system.

The vaccine development laboratory in Zagreb received Good Laboratory Practice (GLP) certification and has expanded their capacity for studies.

Pipeline Progress
Good progress continues to be made on the pipeline; the final sections of a dossier for a new canine sedative for the USA have been submitted. It is also pleasing to report that we are still delivering favourable results on the dog and cat proof of concept studies for the diabetes drugs being developed in partnership with Akston Biosciences. Following our right to evaluate the cat product, we subsequently signed a licensing and supply agreement on 4 February 2021.

Product Approvals
Numerous marketing authorisations have been achieved throughout the year: Although none is material in its own right, they all strengthen the existing portfolio in Dechra territories and enhance our International portfolio, an increasing area of strategic importance. Major approvals in Dechra territories are:

- in Europe and the UK they included Apovomin Injection, Clindacutin Ointment, Lodipred Tablets, Metromotyl Flavoured Tablets, and Rexxolide® Injection. Apovomin is a gastrointestinal product for dogs; Clindacutin is a topical dermatological product; Lodipred is a treatment for hypertension in cats; Metromotyl is a gastrointestinal product for dogs; Rexxolide is an antimicrobial for cattle, pigs and sheep;
- the first approval in Europe for a product included in our agreement with Medical Ethics was Equi-Solfen®, a topical anaesthetic for horses. This is an equine version of Tri-Solfen® which was approved in Portugal;
- Carprofen Flavoured Tablets, an anti-inflammatory for dogs, were approved in the USA;
- Mirataz Transdermal Gel was registered in Canada;
- three new products and one line extension were registered in Australia and New Zealand, two new approvals in Mexico and four new approvals in Brazil;
- a 5 mg strength for Vetoryl® Capsules was registered in Europe, and a number of established products already registered in the EU, have now received approval in new territories, including Avishield® IB GI-13, Avishield IBD Plus, Comfortan®, Myodine and Phenoleptil; and
- Internationally we have received 38 approvals across our key brands in countries including Albania, Bolivia, Costa Rica, Israel, Jordan, Kenya, Puerto Rico, South Africa, Tanzania, Ukraine, United Arab Emirates and Venezuela.
Chief Executive Officer Statement continued

Acquisitions
The recent product acquisitions of Mirataz and Osurnia are both performing strongly. Osurnia is performing above our expectations in the EU, despite the launch of a competitor product, and has also exceeded our expectations in Japan and Australia. In the USA we are gaining market share having reduced the price to compete better with the market leading product. We continue to pursue registrations in new territories.

Mirataz continues to perform exceptionally well within the USA market following a successful marketing campaign for this clinically necessary unique product. It has now also been launched in all our major European territories and initial sales are strong. We expect to receive approval to market the product in other countries imminently.

We were pleased to announce on 8 February 2021 the acquisition of the Australian and New Zealand marketing rights for Tri-Solfen™ from Animal Ethics Pty Ltd, a related party. Tri-Solfen™ has already been successfully introduced to the Australian market for pain relief in lambs since 2008 and was approved and launched for use in cattle in 2019, achieving cumulative annualised sales of AUD9.1 million (£5.1 million). This acquisition allows us to create a meaningful FAP presence in the Australian and New Zealand markets as we build a new sales infrastructure. Additionally, we have acquired a further 1.5% of the issued share capital, taking our holding in Animal Ethics Pty Ltd’s parent company, Medical Ethics Pty Ltd, to 49.5%. We are in the process of recruiting a FAP sales team and have commenced marketing the product in Dechra livery post the end of the 2021 financial year.

Manufacturing and Supply
We have made huge progress with improvements to the supply chain. Backorders have been materially reduced and quality systems and processes enhanced. The upcoming implementation of a recently approved new quality management system will further enhance our manufacturing capabilities. We continue to make good progress on the technical transfer of Dechra products, predominantly into our Zagreb facility, where we have just been awarded Croatian Employer of the Year for people with disabilities. Our Bladel, Netherlands, facility continues to operate and we have now formally had accreditation for this status in the UK. We conducted the Great Place to Work survey in the year to operate and we have now formally had accreditation for this status in the UK. We conducted the Great Place to Work survey in the year to

Technology
I am pleased to report that an external research survey in the UK has voted Dechra’s online Academy for veterinarians and veterinary nurses as the best in class in the industry. This is an amazing achievement given the scale of Dechra compared to the market leading companies in animal health.

Digital communication with our customers has been enhanced with upgraded video conferencing systems, improved security of key servers and additional support for home workers’ queries.

We have relaunched both the Dechra Pharmaceuticals PLC and Dechra Veterinary Products web sites on new, improved platforms and have also developed and launched a new internal, advanced intranet site branded OneDechra.

In the year we successfully launched a global payroll system, partnering with ADP Celero, which is live in 16 countries with the roll out across the entire Group expected to be completed within the 2022 financial year.

Our sales and marketing database on the Salesforce software platform, which we have used successfully for a number of years in the US, has now gone live across Europe. This will improve our knowledge of, and relationship with, our customers and will allow us to better measure sales team performance and activity.

We have recently approved the implementation of a new quality and document management system which will operate across Manufacturing, Product Development and Regulatory Affairs. Implementation has commenced in this new financial year.

People
The main factor behind Dechra’s success is its people. I would like to thank all our employees for their hard work, dedication and innovation throughout the year.

In a world affected by COVID-19 it is a great achievement for the Group to be paying the minimum of a living wage in every country in which we operate and we have now formally had accreditation for this status in the UK. We conducted the Great Place to Work survey in the year to which over 90% of all our global employees responded. We achieved an excellent engagement and trust rating of 77%, far higher than the vast majority of companies of our scale and ten points higher than the previous time we ran the survey three years ago. We have launched a Dechra Leadership Development Programme, incorporating diversity and inclusion modules and we have also updated the global talent review process. We have invested in our first in-house recruitment team who are proving a great success in bringing talent to the Group, delivering us considerable savings on recruitment costs.

After five years of successfully chairing the Group, Tony Rice has indicated that he has decided to step down to devote more time to his family and his other business and charitable activities. We will commence the search for his replacement; at this time no specific date has been set for his departure. He will continue as Chairman of the Group until a successor has been appointed.

The Board was strengthened with the appointment of Denise Goode as a Non-Executive Director in April 2021. It is the intention that Denise will be appointed as Chairman of the Audit Committee upon Julian Heslop’s retirement from the role following the 2021 Annual General Meeting.
Following the appointment of Milton McCann as Group Manufacturing and Supply Director, we have increased the strength and depth of his management team, most notably in the Quality function with a Group Quality Director, an Internal Manufacturing Quality Director and a Third Party Quality Director to monitor and manage the processes of our outsourced products.

Environmental, Social and Governance (ESG)
Last year we refined our ESG strategy which is based on four pillars: Our People, Our Environment, Our Business and Our Communities. The world is facing significant global challenges such as climate change and inequality and we strongly believe that a sustainable and purposeful business in line with these pillars will drive superior long term performance.

During the year, we appointed Carina Kjellberg as our first Group Sustainability Director. Subsequently we have executed a ‘Making a Difference’ plan which involves setting targets and the launch of some major projects. In particular, we have delivered, ahead of plan, on our ambition to be a living wage employer and have committed to setting verifiable targets across the entire value chain through the Science Based Target initiative (SBTi). We have set out how we plan to use our available resources to benefit the local communities in which we operate. This includes the provision of 100,000 community hours by 30 June 2030, roughly equivalent to one full day per year per employee. We have also established Regional Giving Committees, which will allow our employees to decide what matters most in their local communities and which organisations will receive our annual charity donations.

Dividend
The Board is proposing a final dividend of 29.39 pence per share (2020: 24.00 pence per share). Added to the interim dividend of 11.11 pence per share (2020: 10.29 pence per share), this brings the total dividend for the financial year ended 30 June 2021 to 40.50 pence per share (2020: 34.29 pence per share), representing 18.1% growth over the previous year.

Subject to shareholder approval at the Annual General Meeting to be held on 21 October 2021, the final dividend will be paid on 19 November 2021 to shareholders on the Register at 29 October 2021. The shares will become ex-dividend on 28 October 2021.

Outlook
As we start the new financial year trading remains strong with the momentum and market penetration seen in the second half of the prior financial year continuing. We have made significant operational improvements by strengthening our infrastructure and by investment in our greatest resource, our people. Although COVID-19 related travel restrictions have limited acquisition activity, we have still been able to identify and progress numerous strategic opportunities to strengthen our product portfolio and development pipeline. We therefore remain confident in our ability to successfully execute our strategy and in our future prospects.

Ian Page
Chief Executive Officer
6 September 2021