



# CHIEF EXECUTIVE OFFICER'S REVIEW



**“2018 was a major milestone in our journey to be one of the leading European veterinary pharmaceutical businesses. We have delivered growth versus 2017 and we have agreed our five year goals and the strategies to achieve them.”**

**Jenny Winter**  
Chief Executive Officer

Since joining Animalcare in October 2018, I have been impressed by the competitive strengths of the business and the quality of the growth opportunity. Since joining and following the disposal of our wholesale business in September 2018, a thorough review has been undertaken. Following this review and detailed discussions with the Board, I have set out a strategy to enable us to build on the existing portfolio, experience and capabilities to become an important player in the European animal health market and beyond. I have also reviewed our pipeline and established the principles we will use to build a sustainable future.

The strategy is built around five pillars:

- Strong finances
- Growth portfolio
- Customer relationships
- Focused business development
- The organisation for success

In the seven European markets where we have commercial operations we market and sell our own products. We also market and sell products from other companies through our established sales teams. In countries where we do not have sales teams, we work with our network partners to commercialise our own products. With this footprint we are active in 32 countries in Europe and a further 16 in the rest of the world.

We employ over 110 fully trained sales representative and technical experts who are working closely with our customers including dedicated Key Account Managers who work with our larger Corporate Partners

We have a broad portfolio of licensed drugs, vaccines and care products including nutraceuticals in the companion animal, equine and production animal segments of the market. In the UK we are also one of the leading providers of pet microchips and have a successful pet reunification service.

## 2018 Operational performance:

### Financials

On a proforma basis, sales in 2018 increased by 2.7% to £72.5m versus the prior year and were in line with the market growth for the countries and segments in which we operate. This increase is driven by organic growth in companion animals (+6.0%) offset by a decline in production animal sales of 3.6%.

Growth in Companion Animals was driven by the launch of new products including Cosequin (Spain) and the annualised impact of products launched in 2017. Equine sales were flat and the decline in sales in production animals is driven by the reduction in the use of antibiotics and our antibiotics sales versus 2017 declined at 15%. Belgium and Italy saw the largest decline.

Our top three selling products in 2018 were Dinalgen Injection for the treatment of pain, Conofite, an antifungal treatment and Orozyme, an established oro-dental product and accounted for 12% of sales.

The top 20 products accounted for 47% of our total sales. Filavac (+38%), Aquapharm fluids (+27%) and Cosequin (joint supplement) (+230%) were the most significant growth drivers in the portfolio. Our microchip business in the UK continued to perform well with growth of 31%. Whilst overall sales in farm animal declined, Dinalgen Injection performed strongly with revenue up 31%.

Our operating overheads increased by +0.7% with a mix of increases in employee costs and decreases in other operational expenses.

Underlying EBITDA increased by 2.8% driven by growth in Germany and the UK, offset by a decline in Belgium and Spain. Overall growth was impacted by some out of stocks due to supply chain challenges, some delays in approvals for new products and the pace of the decline in antibiotic prescribing.

**New product launches and regulatory filings.**

We have been building our product portfolio and technical efficiencies in 2018. We have made 17 submissions for products that are either new to our portfolio, or new in a specific country both within Europe and Globally. We have made over 50 submissions including extensions to the life cycle of existing products that will increase efficiency and decrease costs.

We launched ten new products in 2018 and will see the full year impact of these launches in 2019.

In 2018 we completed a strategic review of our development pipeline and re focused our activities to drive growth in the next five years.

We have accelerated the development programme for our novel pain treatment by four months and we terminated the development of two products, either due to commercial or technical reasons.

Six projects were submitted to the regulatory authorities in 2018 including extensions to our “Care” range across multiple countries that will strengthen our portfolio in the key therapeutic areas. Launches are planned for these products throughout 2019 and into early 2020.

**People**

We have continued the work that was done in 2017 to strengthen our Leadership Team and have established a core team to drive simplicity and avoid duplication. We have appointed Martin Gore as our Group Head of Commercial, to drive excellence within our Sales and Marketing teams. Stephen Pearson has been appointed Group Head of Supply Chain and will be focussed on improving customer service and on time in full delivery to our customers as well as managing inventory. Karolyn Tapper continues to lead our Technical team and Chris Cardon has taken the role of Chief Strategy Officer with responsibility for identifying new opportunities for the Group.

The newly created Leadership Team consists of the Group functions and Country Managers to ensure that we remain close to our customers through the leaders in each country. Post year end, we have further strengthened our Country Manager team with the appointment of Sara Maddens to lead the team in Benelux.

Having the right people in place is critical to our long-term success. I am determined that Animalcare will develop a positive and unified culture, with a rewards system and career development path to attract and retain the best talent in our industry. We plan to introduce a Long Term Incentive Plan in May 2019 to reward senior employees for sustained performance.

**The Group has been strengthened by a focus on placing the right people in the right place.**

