

Our Business

Your Questions Answered by Ian Page

**Q How has the Group strategy developed since you became Chief Executive?**

A Prior to my appointment as Chief Executive in November 2001, I was asked by the Non-Executive Directors to outline my growth strategy. Although I was Managing Director of *NVS* at the time, it was evident to me that the biggest opportunity for the Group was to develop our pharmaceutical business. The strategy was therefore to utilise *NVS*'s strong cash generation to invest in product development of specialist companion animal pharmaceuticals. This predominantly focused on Prescription Only Medicines ("POMs") in therapeutic areas for which there were inadequate products at the time. In reality the strategy has changed little since my appointment, although our product pipeline is now considerably stronger and Dechra's Pharmaceutical segments are now self-funding and do not rely on *NVS*'s cash generation.

Q What significant changes have you seen in Dechra in the last ten years?

A Historically the Group's turnover and profitability was driven by *NVS*, our Services business. With the successful delivery of our strategy, Group profits are now predominantly derived from our international pharmaceuticals business, *DVP*. We have therefore successfully transformed the business from being a low margin distribution business into a high margin specialist veterinary pharmaceuticals company. There has clearly been enormous change throughout the period as we have also grown from being a UK centric business to an international pharmaceutical company with sales and marketing teams in North America and the majority of Western European countries. We also have marketing partners in over 40 other countries around the globe. From a management perspective we have developed considerably and have attracted some highly qualified people from the veterinary industry to strengthen our capabilities and accelerate our development.

Q Why did you acquire Eurovet and what does it bring to the Group?

A There are very few companies that operate within the veterinary pharmaceutical market; the majority of the world's veterinary pharmaceuticals are marketed by big pharma. *Eurovet* was a company which had complementary competencies and products, and was of a scale suitable to be acquired by Dechra. We first approached *Eurovet* over six years ago as it was very clear to me that in terms of geography, products, manufacturing capabilities and management, it was strategically complementary to Dechra. The acquisition has extended the Group's capabilities into farm animal products; it has added significant scale in Germany and Benelux; brought sterile manufacturing capabilities to the Group and further strengthened our management capabilities.

Q How has the recession affected Dechra and the veterinary market?

A The recession has had limited effect on Dechra as the majority of our products are used to treat sick animals which continue to be treated by veterinary practices. Additionally, we have delivered new products and generated good geographical expansion; therefore, we have been able to deliver solid growth throughout the recession. However, historic high growth rates within the veterinary markets in the majority of our key territories have slowed down. This slow down in growth rates is predominantly due to reduced consumer spend in semi-discretionary items, such as specialist pet diets (like our Specific® branded diets) and flea products, where there is either a cheaper retail alternative or there is a consumer choice not to treat.

Q What does the future hold for the Group?

A I remain very positive about the Group's prospects. The integration of *Eurovet* has delivered the expected immediate synergies and significant additional synergies will be realised throughout the remainder of the integration process. The enlarged Group's product range has also created sufficient critical mass for us to trade through our own subsidiaries in more geographies. Our product range will continue to be enhanced from our robust product pipeline and with major significant novel products on the horizon, our portfolio will go from strength to strength. We have delivered good growth against a background of global recession; as the economy improves, footfall increases in veterinary practices and world demand for farm animal produce continues to increase, we expect this growth to continue.



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Ian Page
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