

## Our Marketplace

# \$23bn

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### The Global Market

The global animal health market was valued at \$23 billion in 2013, a growth of 3.6% over 2012 (at constant currency). The market is made up of two distinct segments, Food producing Animal Products (FAP) (i.e. livestock) and Companion Animal Products (CAP) (i.e. pets), which have different financial profiles.

The FAP market is generally based on large volumes with pressure on margins due to high levels of competition, whereas the CAP market delivers higher added value especially with specialist or niche products. Animal health customers' needs vary across the world due to factors such as standards of living, disposable income, cultural differences (including dietary preferences for animal protein), pet ownership, pet care standards and veterinarians' capabilities.

### Food Producing Animal Products Market

#### Market Size

This segment covers products or services targeted at reducing the incidence and spread of disease in livestock. The global medicines and vaccines market for FAP grew by an estimated 3.7% to \$13.6 billion in 2013, representing 59% of the overall market.

### Growth Opportunities

The growth in this segment has been driven by the rising demand for animal protein due to the increase in the global population and the need for greater farming productivity to maximise the use of limited agricultural resources.

There is, however, downward pressure in this sector in recent years as regulators have increasingly focused on the use of antibiotics due to the potential risk of cross-over resistance in humans. In particular, the EU has taken actions to reduce the intensive use of broad spectrum antibiotics in farm animals. The US also issued guidance in April 2012 to phase out the use of antibiotics as growth promoters. In the rest of the world, the focus remains on increasing food safety, meat quality and improving farming efficiency.

### Customers

The primary customers are veterinarians, farmers and other major livestock integrators. Products are sold either directly to large integrators or through wholesalers and distributors.

### Dechra in the Marketplace

FAP represented 18% of our turnover with sales only in EU and emerging markets. Our range of anti-infectives and water soluble powders, targeted mainly for swine and poultry, supports the prudent use of antibiotics.



Our key account managers have a strong knowledge of the market and our customers. Our existing business is small but represents a good base from which we can either increase market share or enter into new territories.

### Companion Animal Products Market

#### Market Size

The global medicines and vaccines market for CAP was estimated at \$9.4 billion in 2013, a growth of 3.5%. CAP represents 41% of the overall market. Product categories in this market are anti-parasiticides (i.e. products against ticks, fleas, worms), vaccines, anti-microbials and other pharmaceuticals.

#### Growth Opportunities

Spending on companion animals is growing globally and pet ownership is increasing in both developed and emerging markets. Advances in diagnostics, greater emphasis on prevention and wellness by veterinarians, improved nutrition and the increase in treatment of chronic diseases contribute to an ageing pet population which consumes more medication and veterinary services.

#### Customers

Veterinarians prescribe and generally dispense drugs themselves. In the US alone, approximately two-thirds of companion animal health prescriptions are fulfilled by veterinarians in their practices. Products are sold to veterinarians through wholesalers and distributors.

### Dechra in the Marketplace

We offer a broad range of specialised pharmaceutical products and do not compete in the anti-parasiticides and vaccines markets which are dominated by big pharma. We continue to grow our established brands through frequent interaction with our customers, up-to-date marketing campaigns and technical support. We are also positioning ourselves to capture the growth opportunities in emerging markets where pet ownership is increasing.

### Geographical Split

North America and Western Europe account for 60% of global animal health sales. However, other regions are growing rapidly, notably:

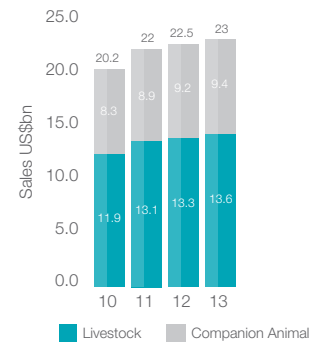
- growth in Eastern Europe is fuelled by the increase in demand for meat, in particular poultry; and
- sales in the rest of the world continue to increase due to economic growth and the increased use of vaccines.

### Dechra's International Footprint

Dechra competes in the two largest animal health markets: over 83% of our sales are in Europe, 11% in the US with 6% being in the Rest of the World.

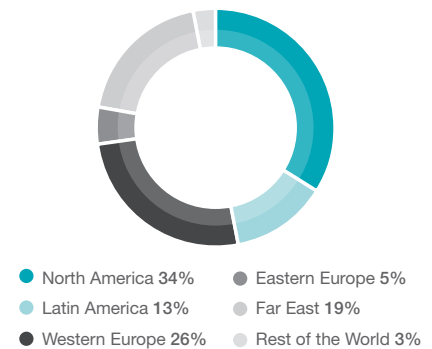
We have a clear strategy to expand our geographical footprint either organically or through acquisitions.

### Sales



Source: Vetnosis, Company Reports

### Regional Analysis



Source: Vetnosis, Company Reports

# \$9.4bn

The global medicines and vaccines market for CAP was estimated at \$9.4 billion in 2013.

# 60%

North America and Western Europe account for 60% of total animal health sales.