



Norbrook[®]

Celebrating 50 Years

Business Review
2018/19

ENHANCING ANIMAL HEALTH



Contents

Page

03	2018 Highlights
04	Business Overview
05	Our Market
06	Our Strategy
07	Our Strategy in Action - Business Performance
08	Our Strategy in Action - Delivering for the Business
09	Investing for Growth
10	New Product Development
11	One Team



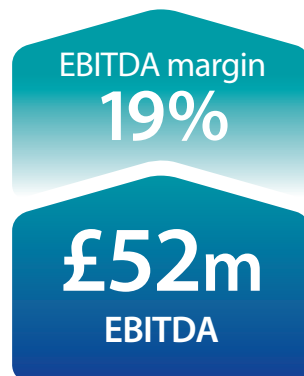
2018 Highlights

Financial Highlights:



Growth

US Sales up 15%.
Companion Animal Product (CAP) Sales up 12%.



Operational Highlights:

- ✓ **Continued growth** in North America (CER: +15%), following 17% growth in 2017.
- ✓ **3 New Product launches** including 2 dairy products in the US - Teat Sealant and Eprizero, and Fipronil Combo (EU).
- ✓ **Gross margin up to 43.8%**, 5th consecutive year of growth.
- ✓ **Continued investment in R&D** (up 12% on 2017), with a strong pipeline of products.
- ✓ **Strong cash generation** – Cash Conversion of 101% in 2018.
- ✓ **Significant Capital Investment of £13.9m** (or 5% of Revenue), bringing total investment in the last two years to more than £40m.
- ✓ **Operational efficiency programme** implemented. Growth excluding this impact c.4%.

Business Overview

- Our First 50 Years

Norbrook is a leading global provider of veterinary pharmaceuticals enhancing the health of farm and companion animals. Established in 1969 by the late Lord Ballyedmond in Newry, Northern Ireland, we are an award-winning Company and one of the largest privately owned, veterinary pharmaceutical manufacturers in the world. We are proud to recognise 50 years in business in 2019. Our focus is on developing veterinary products, being the first generic to market, and providing features and benefits that differentiate our product offering while building on our continued success since 1969.



By the year 1970 Norbrook had begun manufacturing veterinary pharmaceuticals and by 1978 we were selling products across Europe, Africa, the Middle East, Asia and Canada, while increasing market share in the United Kingdom and Ireland.

In 1987 the US FDA (Food and Drug Administration) granted approval to manufacture sterile injectables to import and sell in the United States. Norbrook invested heavily in new production facilities and research and development, building a healthy pipeline of innovative new products. As the portfolio of new products grew this supported our growth in the market.

By 1993 Norbrook had established a manufacturing presence in Kenya and began to produce animal health products for East Africa. Norbrook Kenya continues to deliver steady growth and we now also have a sales and marketing office in Uganda.

In 2001 Norbrook launched our first major global product for cats and dogs. By this year Norbrook had also established strong sales and distribution businesses in the USA, Australia, New Zealand and Brazil and saw increased revenue in these markets throughout the 2000s.

In 2015 the company strengthened its leadership team and board and continued to drive growth globally and expansion set by the late Lord Ballyedmond. In the last four years we have launched a number of new products and made significant investment to the Company with £49m CAPEX

invested to date. The Company's capital investment programme has included 2 state-of-the-art laboratories, to strengthen our scientific division and support our quality commitments across the business. Additionally, we have invested heavily in our manufacturing facilities, to upgrade and expand our manufacturing capability. We continue to make significant investment in our global IT infrastructure to drive enhanced productivity.

We have a strong history of product innovation and invest a significant portion of our revenue each year in Research and Development. In the past four years we have launched 11 new products, with plans to launch 9 additional new products in the next 2 years. Norbrook is increasingly bringing new products and innovation to vets and pet owners in the companion animal health sector, as part of our strategy to better balance our portfolio of farm to companion animal products in line with market needs. We deliver trusted, quality brands for our Customers, and we continue to drive the business forward through our multi-million pound capital investment programme and a strong new product development pipeline, consolidating the Company's position in the global animal health market.

We manufacture sterile and non-sterile products in a variety of dosage forms, including injectables, drenches, tablets, pour-ons, spot-ons, pastes,

sprays and intramammaries. Our portfolio of more than 300 trusted products includes antibiotics, anti-inflammatories, parasiticides, metabolites and vitamins, which are distributed in more than 100 countries through our Regional Sales Teams and a network of long standing distribution partners.

Norbrook is proud to support farmers, pet owners and the veterinary industry with innovative products and trusted brands over the past 50 years. We continue to work closely in partnership with our Customers across the Regions to meet their requirements in both farm animal and companion animal sectors.

As we recognise 50 years in business, we would like to take this opportunity to thank our loyal Customers for their continued partnership, the local community, and our dedicated employees who have helped the Company to grow into a successful business.

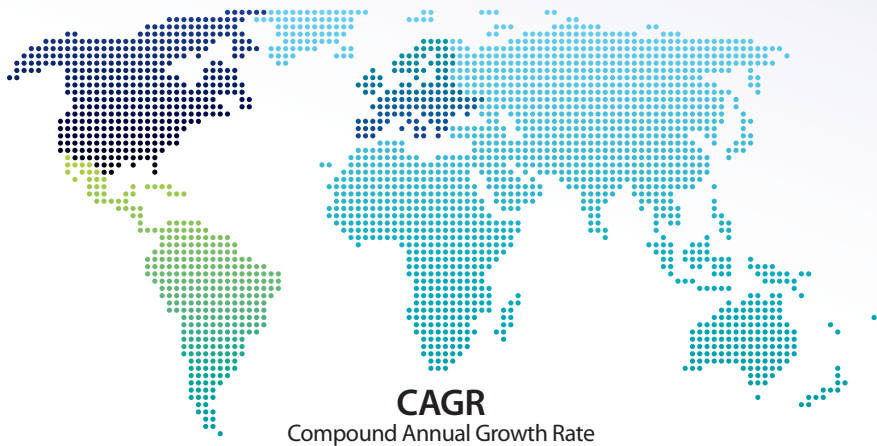


Our Market



Animal Health is a **\$28 billion** global market and is projected to grow at c. **5-6% annually** over the next 5 years.

Sector is dominated by US/EU, but emerging markets and new products are expected to drive growth.



Farm Animal



Companion Animal

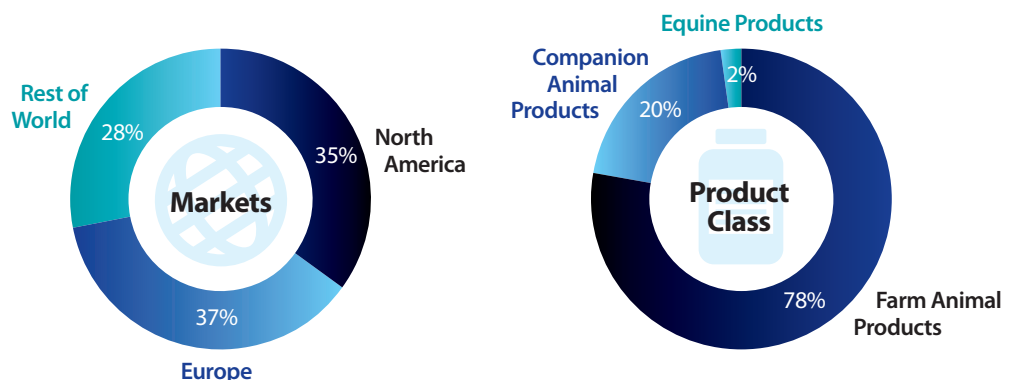


Strong Market Fundamentals

- Growing middle class
- Increasing pet ownership
- Advancements in pet healthcare
- Growing global population
- Higher incomes driving increased demand for protein
- Drive for improved productivity

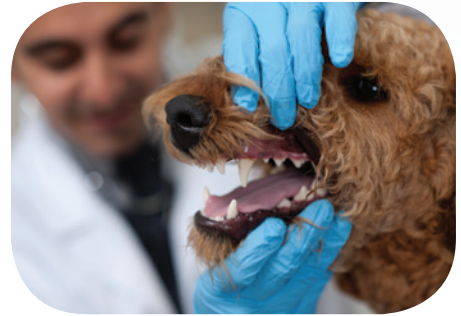
Our Business:

Regionally balanced, with an historic bias to farm animal products



Our Strategy

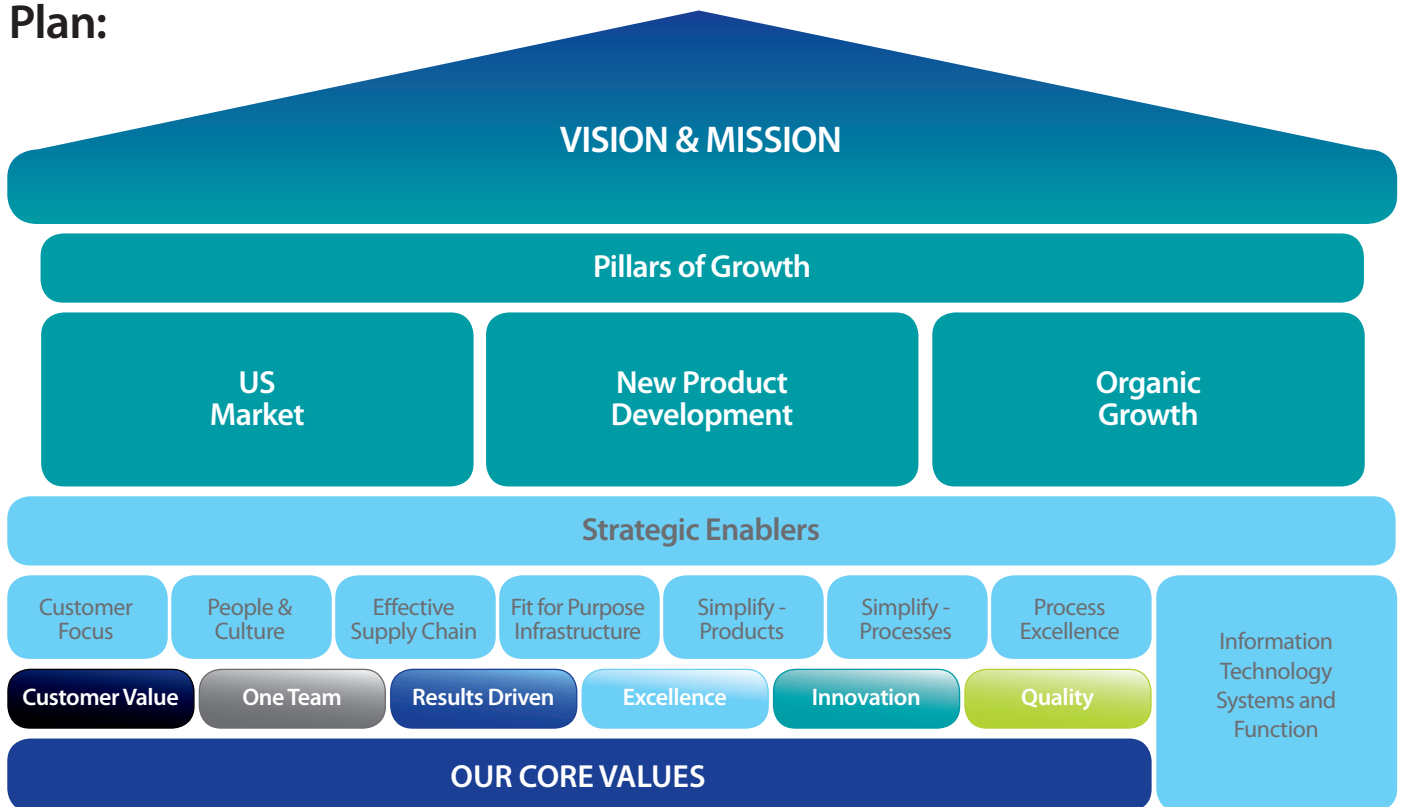
Our Vision: Be a world class global provider of veterinary pharmaceuticals enhancing the health of farm & companion animals



Approach:

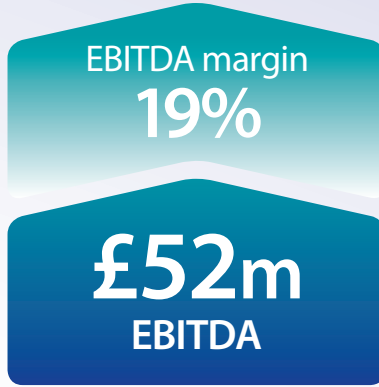
- To be the first to market with generic veterinary pharmaceutical products with Customer-focused unique selling points
- To balance the portfolio of farm to companion animal products in line with the market
- To drive significant growth in all markets and sectors particularly through new product development
- To drive organic growth through sales excellence and investment in long-term sustainable business partnerships

Plan:

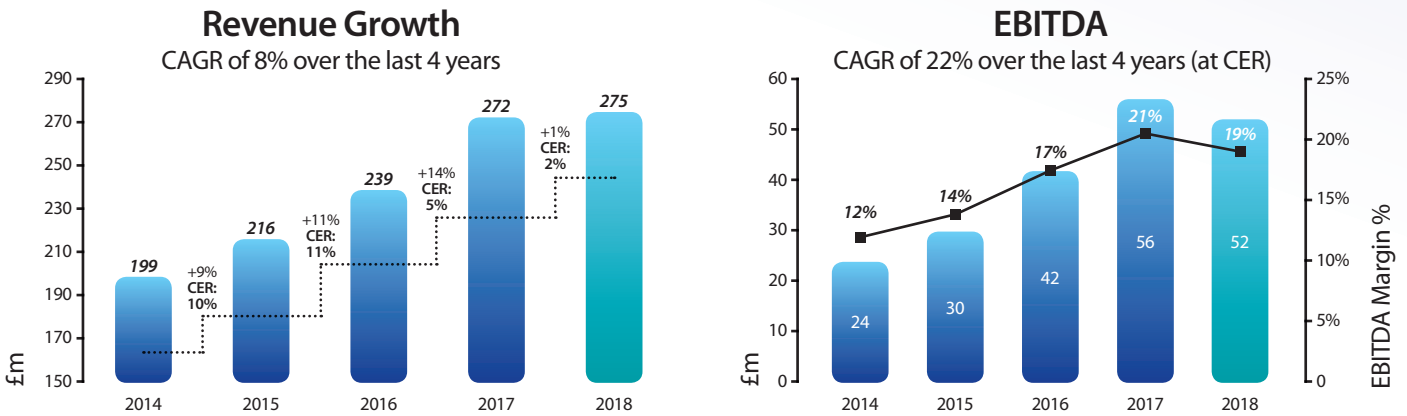


Our Strategy is underpinned by our **Core Values** which shape our culture and behaviours

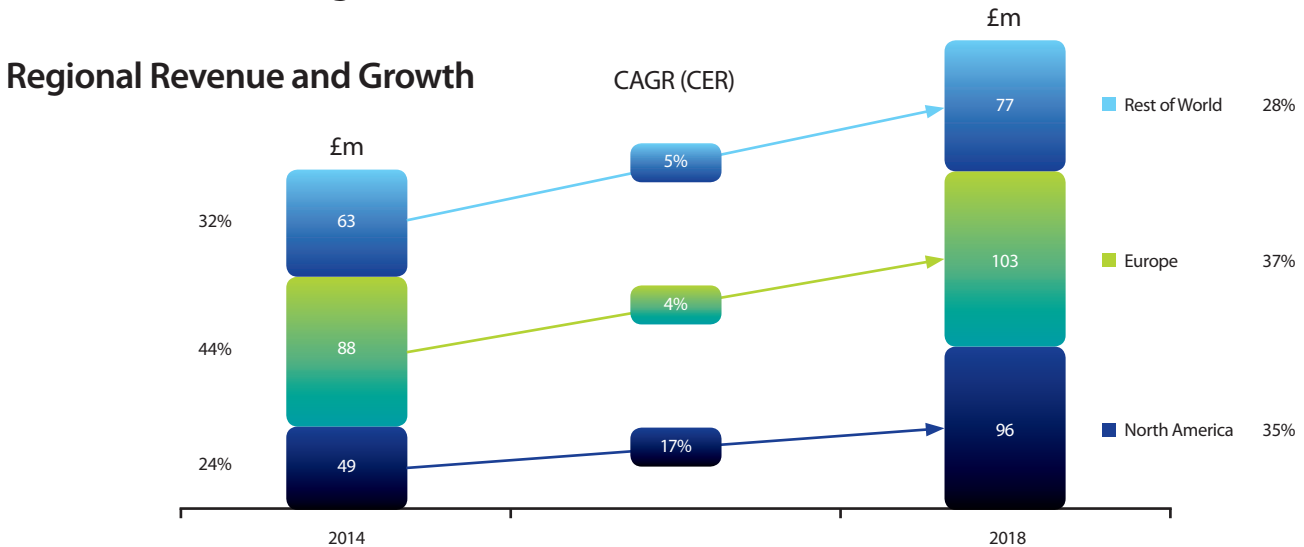
Our Strategy in Action - 2018 Business Performance



Strong Profitable Growth - 4 year Performance



Growth across all regions with North America a key growth driver (now 35% of our global revenue)



Our Strategy in Action -

Delivering for the Business

Over the Last 4 Years



Underlying business significantly enhanced through delivery of **focused Strategic Initiatives** targeting areas of the business for investment, simplification and process improvement.

Key Strategic Enablers

Customer Focus

Initiatives launched during the year helped improve our Customer delivery performance (OTIF - On Time, In Full) by 15%.

Fit for Purpose Infrastructure

Increasing investment in our facilities, including automation projects, are driving improved efficiency in our operations. Further details on Page 09.

Effective Supply Chain

Supply chain innovations and process improvements in the last year have allowed us to reduce our investment in working capital (inventory). Our dual sourcing strategy (including in-house API manufacturing) has helped de-risk our supply chain ensuring continuity of supply, as well as supporting ongoing competitiveness.

Process Excellence

Focus on Right First Time across our manufacturing process has helped reduce waste and improve product lead times. Lead time reduction has also been supported by process improvements implemented in our Quality laboratories (Lean Laboratory project).

People & Culture

Significant focus and investment in training and developing our People in the last year. We have begun to embed a performance culture across the organisation and have made progress on simplifying the organisational structure. We continue to invest in ensuring a safe working environment and our accident rate has reduced by >50% in the last twelve months.

Simplification – What we make

In the last three years we have streamlined more than 150 low volume/margin products, and closed 3 production suites, allowing the business to focus our resources on value creating activities as well as creating capacity for growth.

Simplification – What we do

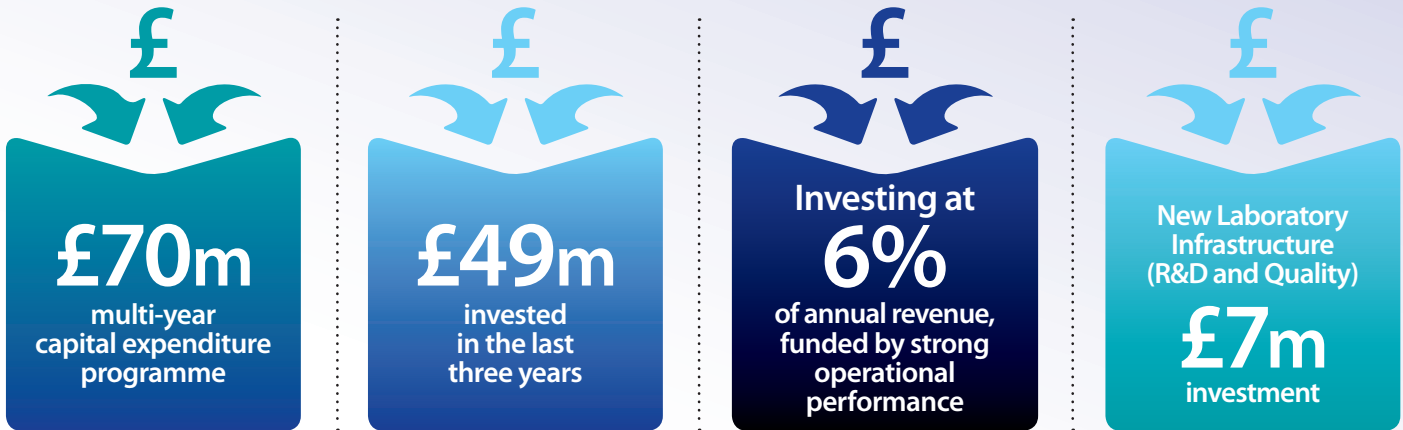
Over the next 12 to 24 months we will re-engineer our key business processes to ensure we are efficient, responsive and ERP ready.

Growth

In the last 4 years we have strengthened our commercial organisation across our regional business units, including structural reorganisation, Key Account focus, and a Global Sales Force Excellence programme. We continue to engage with key opinion leaders to ensure we meet the needs of an ever changing industry both today and tomorrow.

Investing for Growth

Investment and Infrastructure



Highlights in the last 3 years include:



Quality /Scientific - New Laboratory Infrastructure

New laboratory blocks at both our Station Works and Armagh Road campuses were completed in 2017/2018, and will be home to our R&D and Quality departments. Over the last two years we have transformed our Laboratory infrastructure across our Northern Ireland sites with an investment of c£7m.



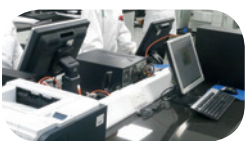
Operations – Capacity Expansion and Maintenance

We have invested significantly in the upgrade and expansion of our manufacturing facilities in the last year. We have put in place additional tableting/caplet capacity in the last twelve months to meet our pipeline. We continue to invest in our manufacturing facilities and we are increasingly investing in automation to drive further efficiency.



Supply Chain

We have invested in our systems and processes (including Demand Planning System and S&OP processes) to facilitate more effective planning. We have expanded our warehousing capacity in line with our growth plans. Upgrades to our utility infrastructure in the last two years have enabled the business to run a 50 week operation, creating significant additional capacity to support growth.



IT

We have invested in a new Quality Management System, and completed the upgrade of our Global IT Infrastructure. We are simplifying our processes across the business in advance of an ERP implementation.



EH&S

We continue to invest in making our facilities a safe place to work, including investment in improved lighting and access across the sites. We have created an Emergency Response Team and have upgraded our effluent treatment plants in the last year.

New Product Development

Norbrook aims to provide a balanced portfolio of veterinary pharmaceutical products to our customers and end users; vets, farmers and pet owners. Our focus is on developing significant veterinary products, being the first generic to market where possible, and providing features and benefits that differentiate our product offering.

We have a strong pipeline of new products over the next four years which will support the achievement of our strategic objectives.

Highlights

3 new products in FY18

1 in the EU  **2** in the US 

1 in the CA sector  **2** in the FA sector 

10 in the next 2 years **25** in planning for launch in the next 4 years

>20% Freshness Index



Fipronil combo (EU)



Teat sealant (US)



Eprizero (US)

Strong Product Pipeline aligned to our Strategic Objectives

	FY19	FY20	FY21	FY22	Total
US	0	3	5	5	13
ROW	4	3	4	1	12
# of Launches	4	6	9	6	25
FAP	1	3	7	1	12
CAP	3	3	2	5	13

One Team



Norbrook's Leadership Team is headed up by **Liam Nagle, CEO**. Each Leadership Team member has responsibility for a different function and its people, within the company.

Leadership Team



Liam Nagle
CEO



Denise Collins
HR Director



Cathy Coulter
Director of Quality



Lillian Cromie
Director of Science



Kieran Hayes
Director, Strategy
Delivery & Performance



JP McGrath
Finance Director



Martin Murdock
Company Secretary and
Director of Legal Affairs



Richard Palmer
Global Head of Sales
and Marketing



Paschal Phelan
Director of Operations

Regional Sales and Marketing Leadership



We have a global sales team who strive to create **winning partnerships** with our Customers and who are responsive to their needs and requirements.

All our employees are part of one global team. We seek to attract and retain employees who aspire to our Vision, share the company Values and feel part of the **One Team** culture.



At a Glance



- ✓ **Privately owned** Veterinary Pharmaceutical company with a history of strong profitable growth
- ✓ **Recognised Brand** – Global Presence
- ✓ **World Class manufacturing facilities** approved by the world's leading Regulatory Authorities
- ✓ Clear Strategy in place focused on **Growth and Business Improvement**
- ✓ Focused on **growing strategic market position** in the US
- ✓ **Strong NPD pipeline** aligned to our Strategy
- ✓ **Investing for Growth** - significant investment programme
- ✓ Well positioned to take advantage of a **buoyant sector** (that is growing at 5-6% pa)

Contact

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