

# Q&A with Anne-Francoise Nesmes

## Q What has driven the strong financial performance in the year?

A We are very pleased with our performance in 2015. You may recall that last year our sales growth was a little disappointing, but we highlighted that the momentum in the second half of 2014 had picked up. This has continued and we are reporting a double digit sales growth at CER for the 2015 financial year. Our gross margin has also improved by about two percentage points due to a favourable product mix and if you take our sales growth, our sales performance combined with the improved gross margin, that has given us the flexibility to invest behind our strategy. Finally, we are also realising financial efficiencies which we talked about last year, in particular we are realising the savings from the tax optimisation project which we started last year.

## Q The exchange rate volatility has had an impact on the results; can you explain what is happening?

A We are a global organisation and we trade in many currencies. Exchange rate volatility is a risk the business will continue to face and it impacts our P&L and our balance sheet. One of the major currencies in which we trade is the Euro, which we all know has been very volatile again this year given the political and economic environment in Europe. The Euro has weakened by 9% against the pound compared to last year's average rate.

We have a conservative treasury policy and, as a Board, we have decided to use hedging instruments very carefully. So, for instance, we will only hedge specific transaction risk exposure. Additionally, this year we have also been able to implement a so-called netting system which allows us to settle inter-company transactions and, as a result, we have been able to reduce the cost of foreign transactions in different currencies.

## Q You mentioned earlier that you were investing for growth, can you expand a little on this point?

A We have seen a significant increase in our selling and admin costs as we invest to support our strategy and our growth. In particular, we have invested to establish our new subsidiaries and fund their infrastructures. We have also

financed the launch of new products, in particular *Osphos*, where we spent on marketing campaigns and recruited new sales representatives. Additionally, as reported in the first half, we are investing in the US infrastructure in the US organisation; the pay-back of which is very clear given the success of this organisation during the financial year.

## Q Can you outline the changes in your Product Development team and pipeline?

A To progress the number of projects we have in the pipeline and to face the increasing regulatory demands, we realised we had to change the way the team was organised. So, we have now split the Product Development and Regulatory Affairs team into two. One team, led by Joe Rosentel, is now responsible for managing the projects through the pipeline and delivering our pipeline. The second team, led by Susan Longhofer, is responsible for business development and in-licensing to bring new ideas and is also responsible for managing our regulatory affairs.

Setting aside this reorganisation, we are pleased to report progress in our short term pipeline, as we have had a number of new products approved, in particular *Osphos*; we have had *TAF Spray* approved in Europe, *Vetoryl* 5mg in the US and a number of smaller registrations in other emerging markets.

## Q Can you outline a few highlights for the year?

A This is a tricky question as we have achieved key milestones in all parts of the Group which demonstrates our ability to execute our strategy. But I am particularly pleased to see the positive impact that we are making through being agile. So, for instance, we have been able to capitalise when competitors have been out of stock in the US and in Europe. We have also been able to open our subsidiary in Poland sooner than expected and I am sure there are many more examples of this across Dechra. But what it demonstrates is our ability to succeed when all parts of the organisation work together and become One Dechra.



Watch the **Q&A with Anne-Francoise Nesmes** at: [dechra.annualreport2015.com](http://dechra.annualreport2015.com)