

# INTERIM RESULTS

Investor Presentation

Half year ended 31 December 2016

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Bob Lawson  
Chairman

# Good strategic progress achieved



- > **Growing investment in R&D as planned**
  - Profit before tax up 5% (10% lower in constant currency)
  - Full year expectations on track
- > **Strategic progress continues**
  - Hermitage agreement and growing PIC royalties
  - GSS and growth in IVB
  - Gene editing progress
- > **Interim dividend increased 10% to 7.4p per share**

Stephen Wilson  
Finance Director

# Results



## Half year ended 31 December 2016

			% Change	
	2016 £m	2015 £m	Actual Currency	Constant Currency
<b>Revenue</b>	<b>222.1</b>	<b>188.3</b>	<b>18%</b>	<b>3%</b>
Adjusted operating profit	24.5	23.9	3%	(11)%
Adjusted JV profit / minority interest	2.3	2.4	(4)%	(23)%
Adjusted operating profit (inc JV)	26.8	26.3	2%	(12)%
Finance costs	(1.7)	(2.5)	32%	30%
<b>Adjusted profit before tax</b>	<b>25.1</b>	<b>23.8</b>	<b>5%</b>	<b>(10)%</b>
<b>Adjusted earnings per share (pence)</b>	<b>30.5</b>	<b>28.8</b>	<b>6%</b>	<b>(9)%</b>
<b>Dividend per share (pence)</b>	<b>7.4</b>	<b>6.7</b>	<b>10%</b>	

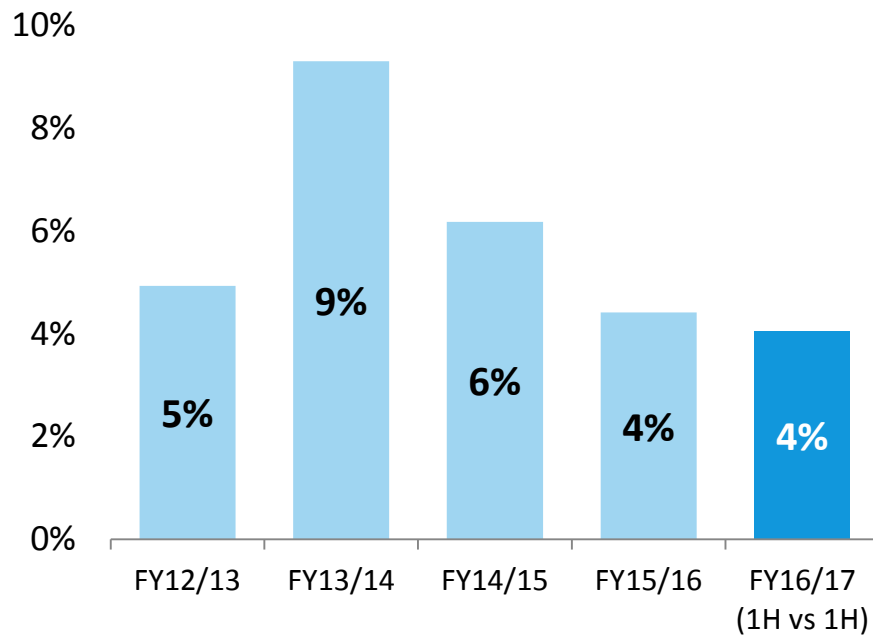
# Volume growth



Half year ended 31 December 2016

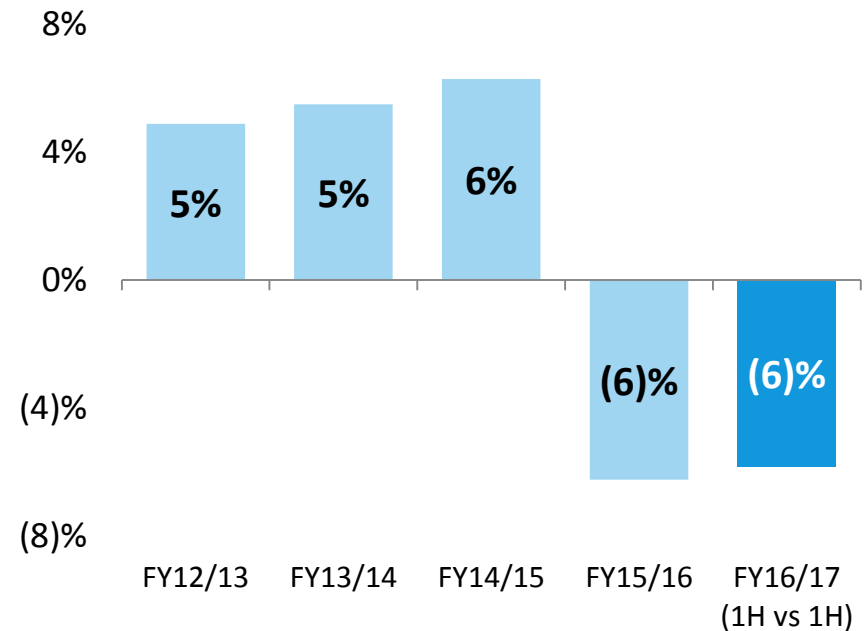
## Porcine

Volume growth (%)



## Dairy & Beef

Volume growth (%)



# Adjusted operating profit – by business unit



**Half year ended 31 December 2016**

	% Change			
	2016 £m	2015 £m	Actual Currency	Constant Currency
Genus PIC	46.1	36.0	28%	9%
Genus ABS	8.3	10.6	(22)%	(30)%
<b>Operating units</b>	<b>54.4</b>	<b>46.6</b>	<b>17%</b>	<b>1%</b>
Research and Development	(21.9)	(15.7)	(39)%	(21)%
Central costs	(5.7)	(4.6)	(24)%	(7)%
<b>Adjusted operating profit (inc JV)</b>	<b>26.8</b>	<b>26.3</b>	<b>2%</b>	<b>(12)%</b>

> Asia now included in global PIC and ABS business units



## Half year ended 31 December 2016

			% Change	
	2016 £m	2015 £m	Actual Currency	Constant Currency
Revenue	122.5	99.1	24%	7%
Adjusted operating profit exc JV	42.8	33.1	29%	11%
Adjusted operating profit inc JV	46.1	36.0	28%	9%
Adjusted operating margin exc JV	34.9%	33.4%	1.5pts	1.2pts

### > **Royalty business and China continue PIC's strong profit growth**

- Royalty revenue up 7% in constant currency
- Volumes up 4%, with 77% under royalty (+1 pt, +3 pts excluding China)
- Strong product performance in buoyant market helps China to 150%+ growth

### > **Solid volumes growth in North America (+2%) and Latin America (+3%)**

- Supply chain investment in North America
- Latin America; strong performance in Mexico (+21%) offsets weak market in Brazil (-16%)

### > **Europe profit up 22% from continued focus on royalty growth and business transformation**

### > **Asia volumes up 17% and profit up 109% with growth in all countries**

## Half year ended 31 December 2016

			% Change	
	2016 £m	2015 £m	Actual Currency	Constant Currency
Revenue	93.4	85.1	10%	(4)%
Adjusted operating profit	9.0	11.1	(19)%	(28)%
Adjusted operating profit less NCI*	8.3	10.6	(22)%	(30)%
Adjusted operating margin	9.6%	13.0%	(3.4)pts	(3.3)pts

- > **ABS volumes down 6% in challenging dairy markets, particularly North America and Asia**
  - North America volumes down 9%, with profits down 27%, though sorted semen volumes up 17%
  - Asia volumes down 9%, profit down 70%, partially due to shipment phasing
  - New Dairy COO appointed to sharpen execution and accelerate implementation of strategic initiatives
- > **Europe volumes up 3% and profit up 5% helped by cost reductions and strong beef volumes (up 13%)**
- > **Latin America profit up 26% as price increases (up 15%) more than offset 7% lower volumes**
- > **Double digit volume, revenue and profit growth in IVB**
  - Mexico laboratory launch and additional US enterprise dairy customer signed

## Half year ended 31 December 2016

			% Change	
	2016 £m	2015 £m	Actual Currency	Constant Currency
Research	6.1	2.7	126%	96%
Porcine product development	8.2	6.4	28%	9%
Bovine product development	7.3	6.6	11%	(3)%
<b>Total Research and Development</b>	<b>21.6</b>	<b>15.7</b>	<b>38%</b>	<b>19%</b>
<b>Total Research and Development less NCI*</b>	<b>21.9</b>	<b>15.7</b>	<b>39%</b>	<b>21%</b>

### > Research investments up 96%

- Increased PRRSv programme investment in collaboration with Caribou Biosciences
- GSS commercialisation readiness and investments in genomic selection technologies

### > Porcine product development up 9%

- Impacted by lower market prices for by-product pigs and increased animal volumes in nucleus herds

### > Bovine product development down 3%

- Successful integration of DeNovo completed

# Statutory income statement



Half year ended 31 December 2016	2016 £m	2015 £m	Variance £m
<b>Adjusted operating profit (exc JV)</b>	<b>24.5</b>	<b>23.9</b>	<b>0.6</b>
Net IAS 41 valuation movement	(5.0)	(7.6)	2.6
Amortisation of intangibles	(3.6)	(3.0)	(0.6)
Share-based payments	(1.7)	(0.8)	(0.9)
Exceptional items			
- Pension related	-	0.3	(0.3)
- Litigation	(2.9)	(2.5)	(0.4)
- Acquisition and integration	(0.3)	(0.1)	(0.2)
- Other (including restructuring)	(1.0)	(0.2)	(0.8)
<b>Operating profit</b>	<b>10.0</b>	<b>10.0</b>	<b>-</b>
- Share of post-tax profit of JVs	3.1	5.4	(2.3)
- Net finance costs	(1.7)	(2.5)	0.8
<b>Profit before tax</b>	<b>11.4</b>	<b>12.9</b>	<b>(1.5)</b>

# Cashflow



Half year ended 31 December 2016	2016 £m	2015 £m	Variance £m
<b>Adjusted operating profit (exc JV)</b>	<b>24.5</b>	<b>23.9</b>	<b>0.6</b>
Depreciation & amortisation	5.3	4.4	0.9
<b>Adjusted EBITDA</b>	<b>29.8</b>	<b>28.3</b>	<b>1.5</b>
Working capital	(6.1)	(7.5)	1.4
Biological assets	(3.0)	(1.4)	(1.6)
Pension deficit repair, exceptionals and other	(7.2)	(5.5)	(1.7)
<b>Net cash inflow from operating activities</b>	<b>13.5</b>	<b>13.9</b>	<b>(0.4)</b>
<b>Cash conversion %</b>	<b>55%</b>	<b>58%</b>	<b>(3)Pts</b>
Capital expenditure	(10.2)	(7.6)	(2.6)
Acquisitions and joint ventures	(3.2)	(0.2)	(3.0)
Interest & tax	(5.2)	(8.3)	3.1
Dividends	(9.0)	(8.1)	(0.9)
Other	2.8	0.8	2.0
<b>Net cash flow</b>	<b>(11.3)</b>	<b>(9.5)</b>	<b>(1.8)</b>
<b>Net Debt</b>	<b>109.0</b>	<b>88.2</b>	<b>20.8*</b>

\* - Includes adverse foreign exchange impact on net debt of £15.0m

# Strong financial position



## Half year ended 31 December 2016

	2016 £m	2015 £m
<b>Owners' equity</b>	<b>399.5</b>	<b>318.0</b>
<b>Net Debt</b>	<b>109.0</b>	<b>88.2</b>
Key Financial ratios:		
- Gearing	27%	28%
- Net debt to EBITDA *	1.6x	1.5x
- Interest cover *	38x	30x
- Dividend cover *	2.8x	2.7x

- > **Interim dividend up 10%**
- > **£45m headroom on bank facilities**

\* - calculated on a 12 month rolling basis

Karim Bitar  
Chief Executive

## > **PIC continued to perform well**

- Growing royalties
- Hermitage acquisition - strategic partnership

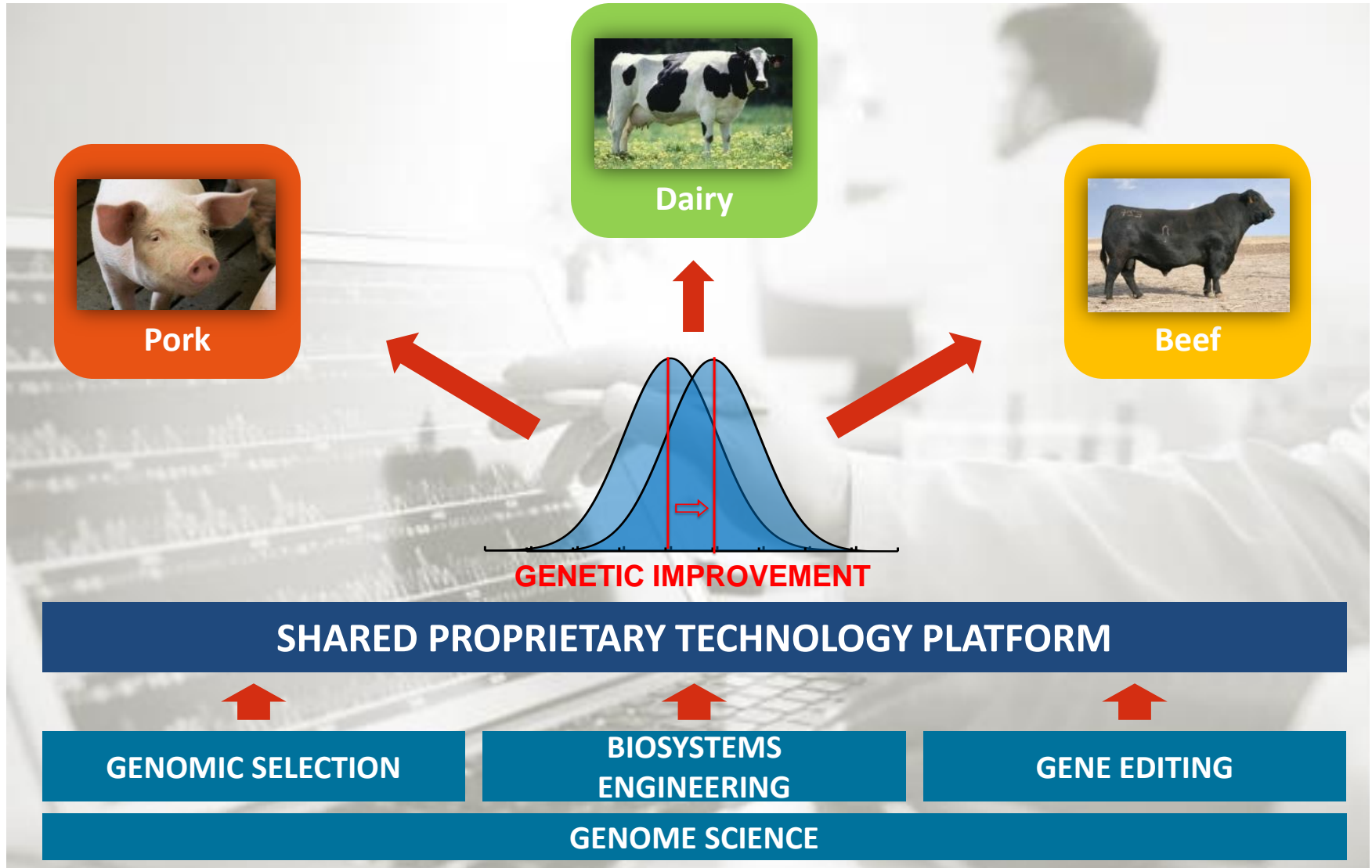
## > **ABS**

- Addressing challenging conditions and performance
- Strengthening strategic competitive position

## > **Increasing R&D investment as planned**



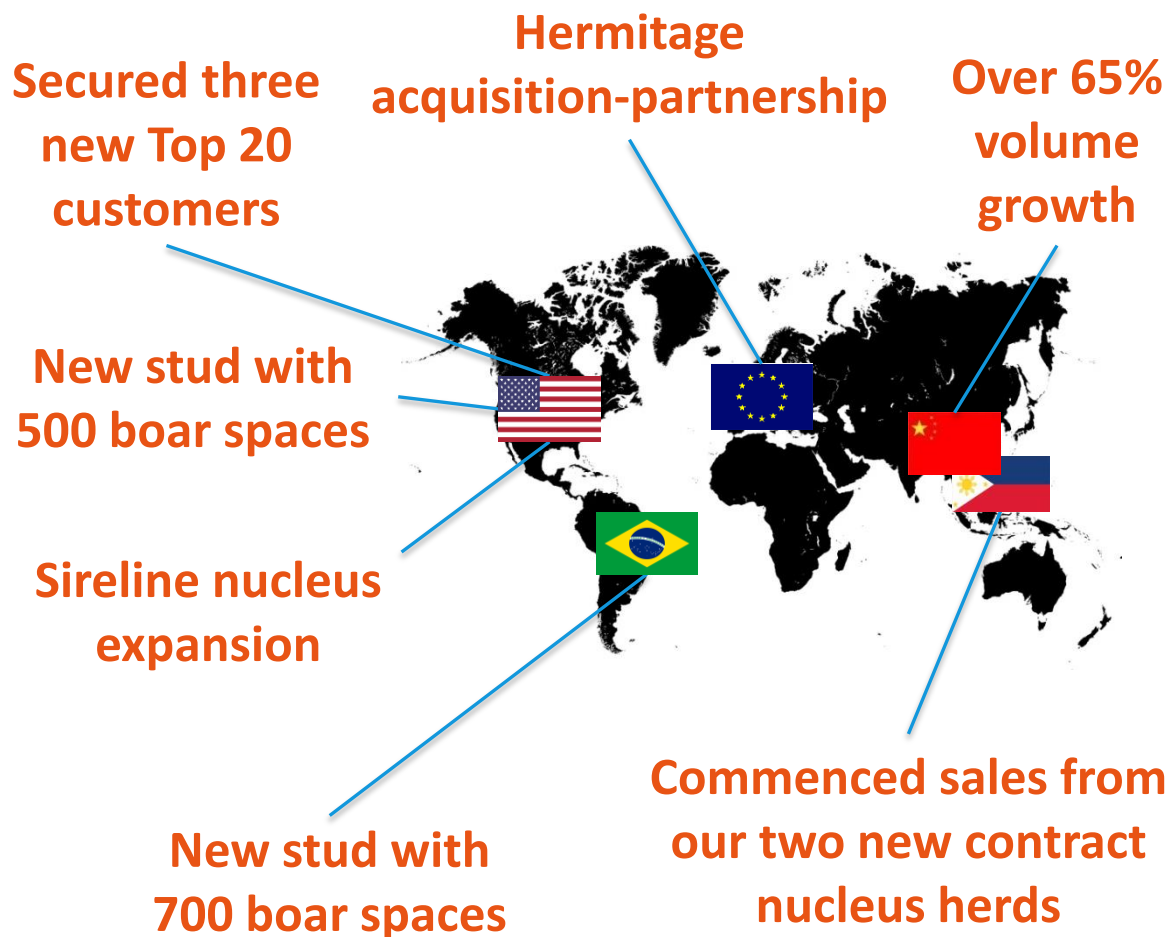
# Our business



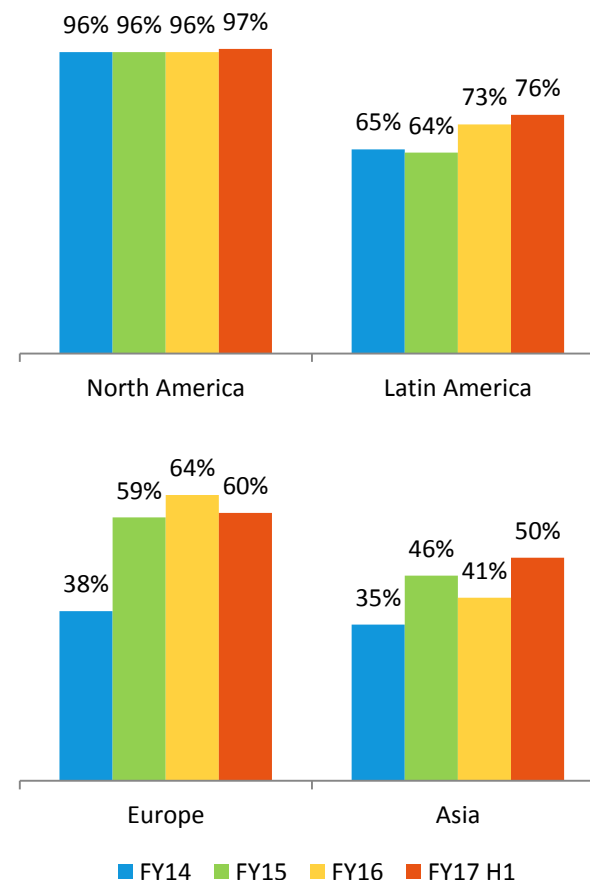
# Strategic developments in our porcine business



## Supply chain and customer developments



## % volumes under royalty





## > Hermitage

- Leading European porcine genetics company
- Nucleus and R&D facility in Ireland
- World class operator

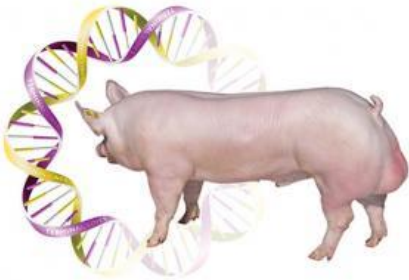
## > Acquisition

- All genetic rights and IP
- Selected customers and partners

## > Strategic partnership

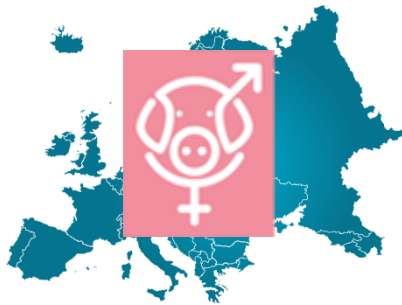
- Producing and distributing exclusively PIC genetics
- Management of selected boar studs

# Impact of Hermitage genetics acquisition and partnership



**GERMPLASM**

Customers will be offered the best of both companies' **combined genetics**



**GROWTH**

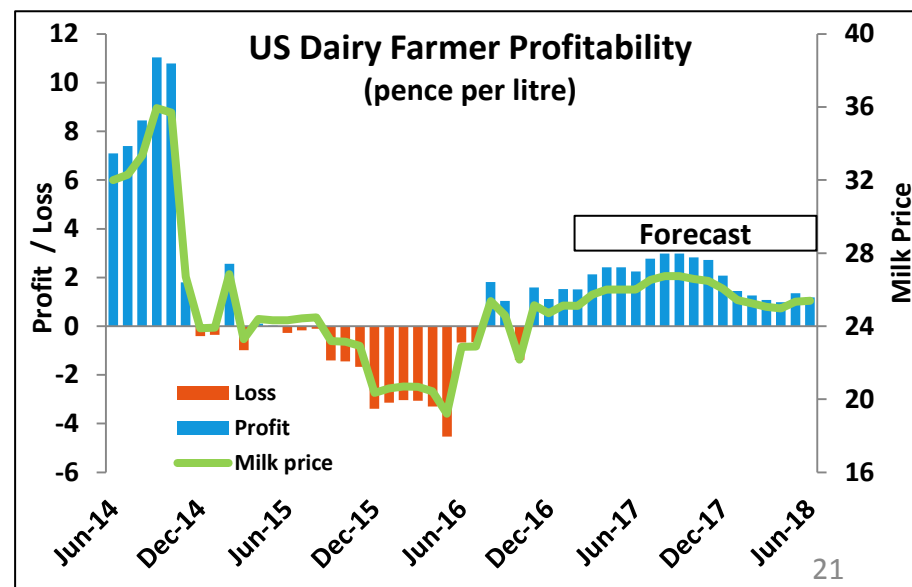
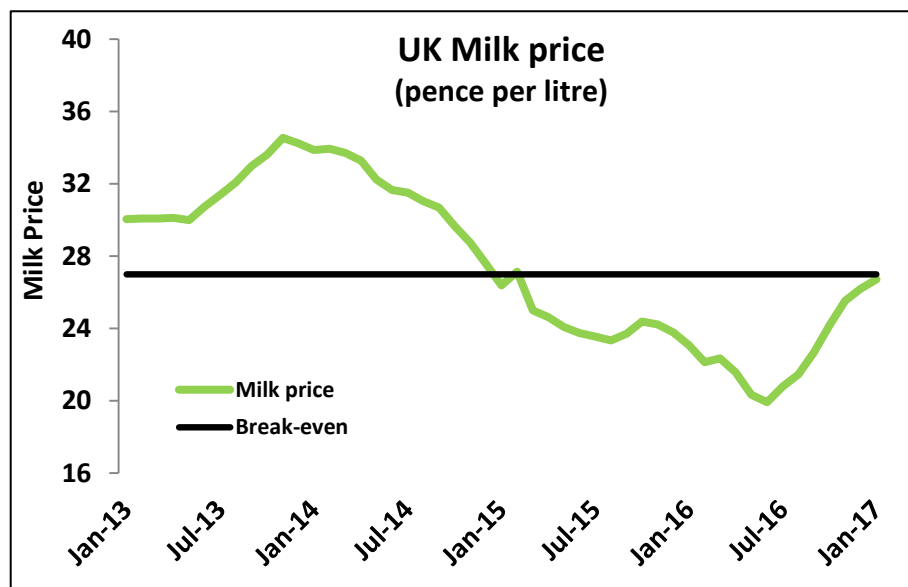
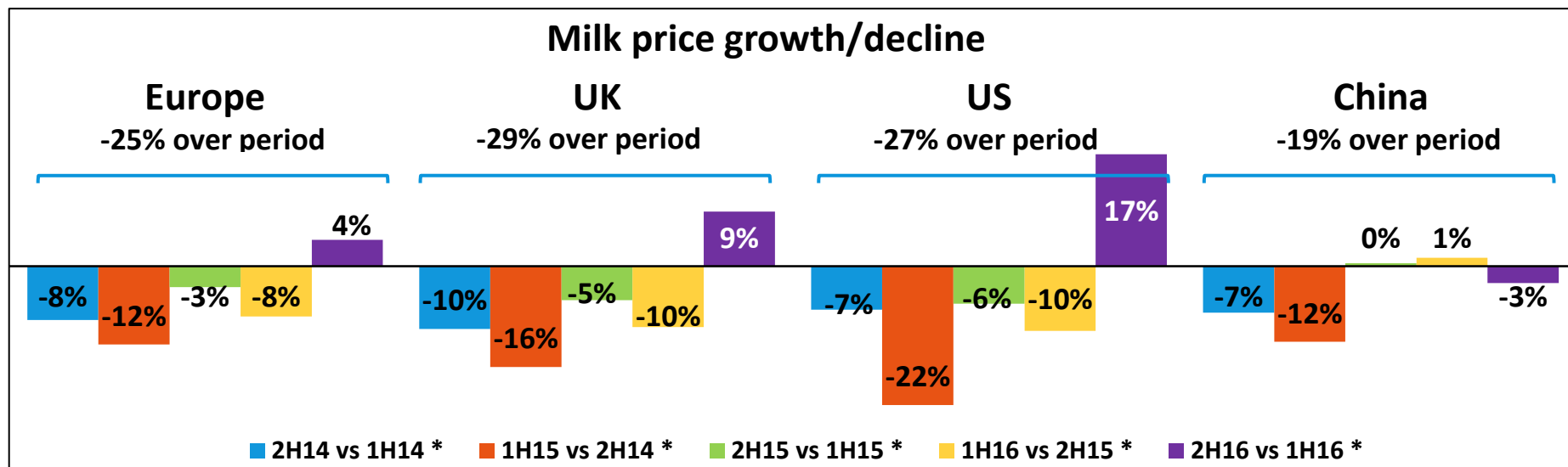
**Growth in key territories** from selected acquired contracts and distribution partnership



**EFFICIENCY**

**Certain studs will be managed by Hermitage**, a world-class operator

# Market conditions in dairy



# ABS execution focus



- New Global Dairy COO to sharpen execution focus



Nate Zwald

## NORTH AMERICA

- Cutting cost: sales and supply chain
- Strengthening focus on large commercial dairies
- Growing IVB - Embryos

## LATIN AMERICA

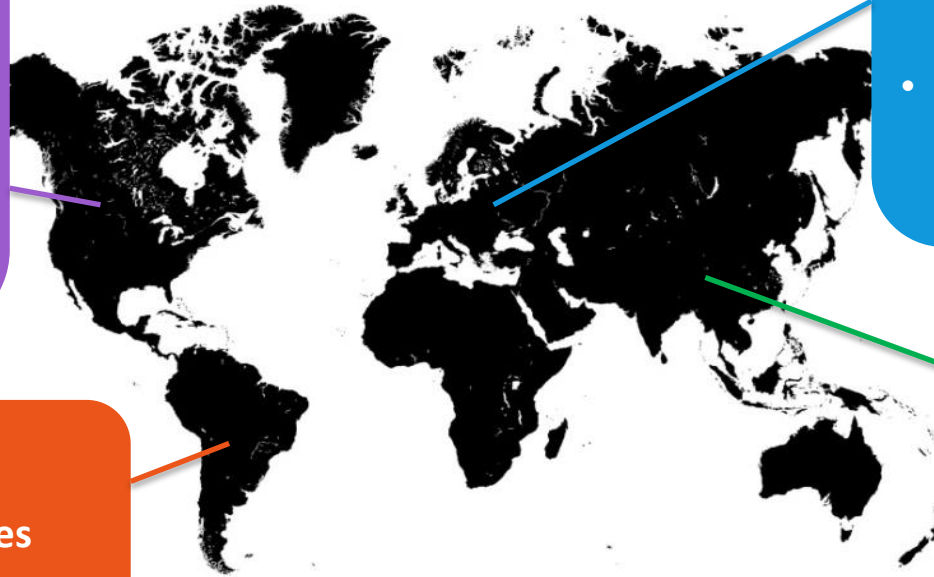
- Continuing to raise prices
- Growing IVB - Embryos

## EUROPE

- Benefiting from cost reduction efforts
- Driving adoption of genetic management services (GMS)

## ASIA

- Growing direct customers in China and indirect in India





# Strengthening strategic competitive position



Producing our own genetics

## De Novo

- Integration complete
- Rapidly growing pregnancies
- Expected to supply 75% of ABS Holstein bulls within 3-5 years

Sexing genetics with our own technology

## GSS

- Launch expected no later than Q4 2017
- Could be earlier pending court decision on injunction
- Building inventory for launch

World leading embryo capability

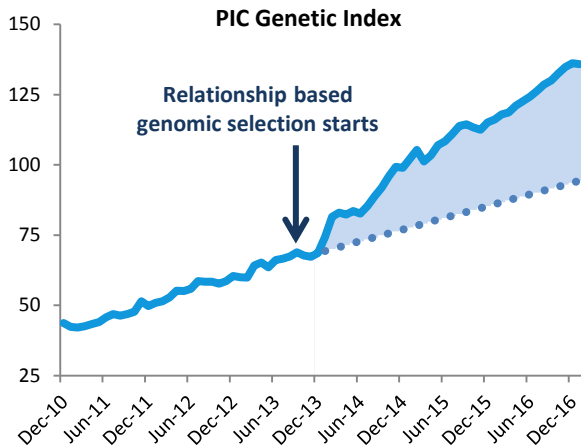
## IVB

- Additional US dairy enterprise customer
- Expanding IVB US team
- Embryo production in new Mexico lab growing rapidly

# R&D - genomic selection and proprietary herds



## Porcine



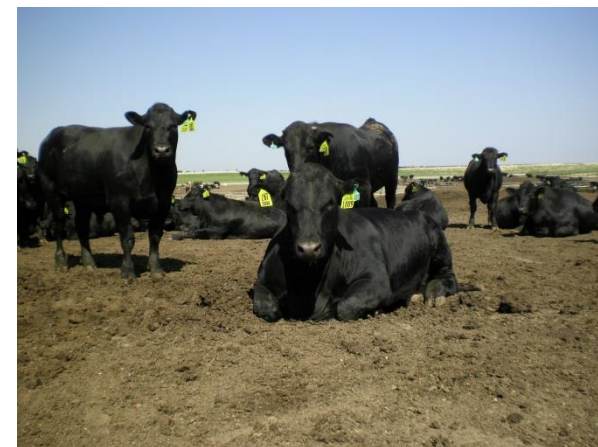
- > Continue delivering genetic improvement
- > Hermitage acquisition to improve genetic diversity

## Dairy



- > Early signs of success from integrated breeding program
- > De Novo produced 7 top 100 bulls since September\*

## Beef

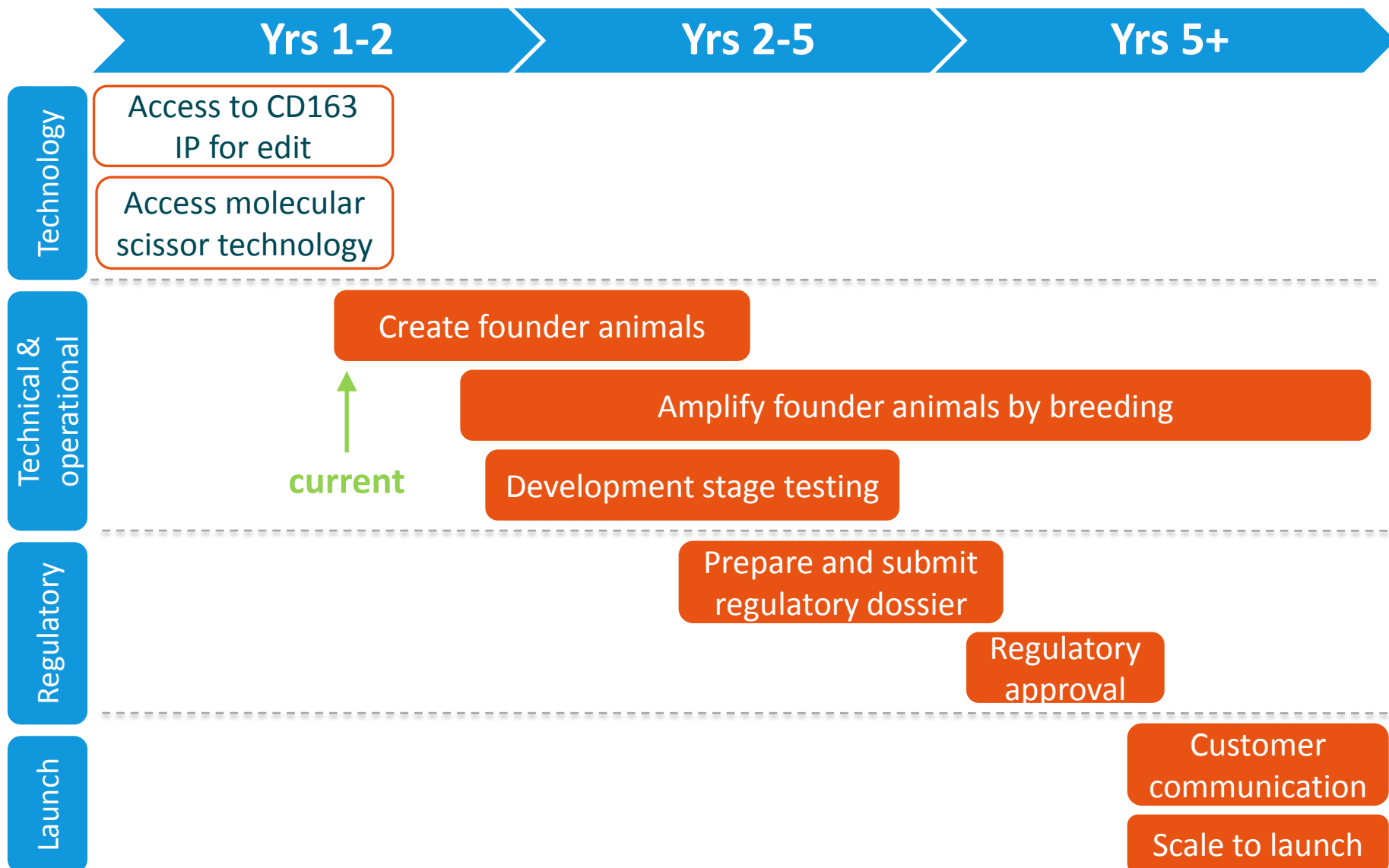


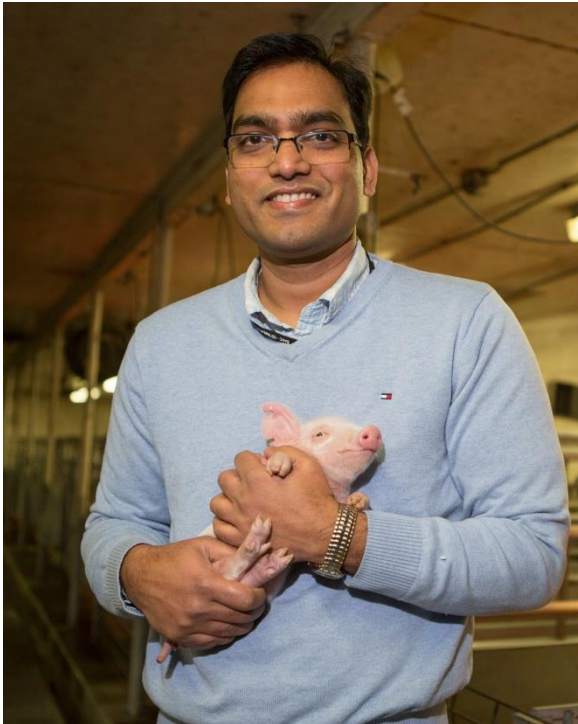
- > First elite nucleus bulls sampled with progeny test results expected soon
- > Proprietary indices for key target segments in FY18

\* For all bulls tested, either Net Merit \$ or TPI rankings



# Development programme for PRRSv-resistance





**Assistant Professor Bhanu Telugu**  
Dept. of Animal and Avian Sciences  
University of Maryland

## > Caribou

- Reagents screened and optimised for PRRSv programme
- Molecular scissors ready for use

## > RenOVate Biosciences Inc.

- New company co-founded by Genus and Bhanu Telugu focused on gene editing
- Collaboration to produce gene edited animals, initially for PRRSv programme
- Facilities for PRRSv programme ready

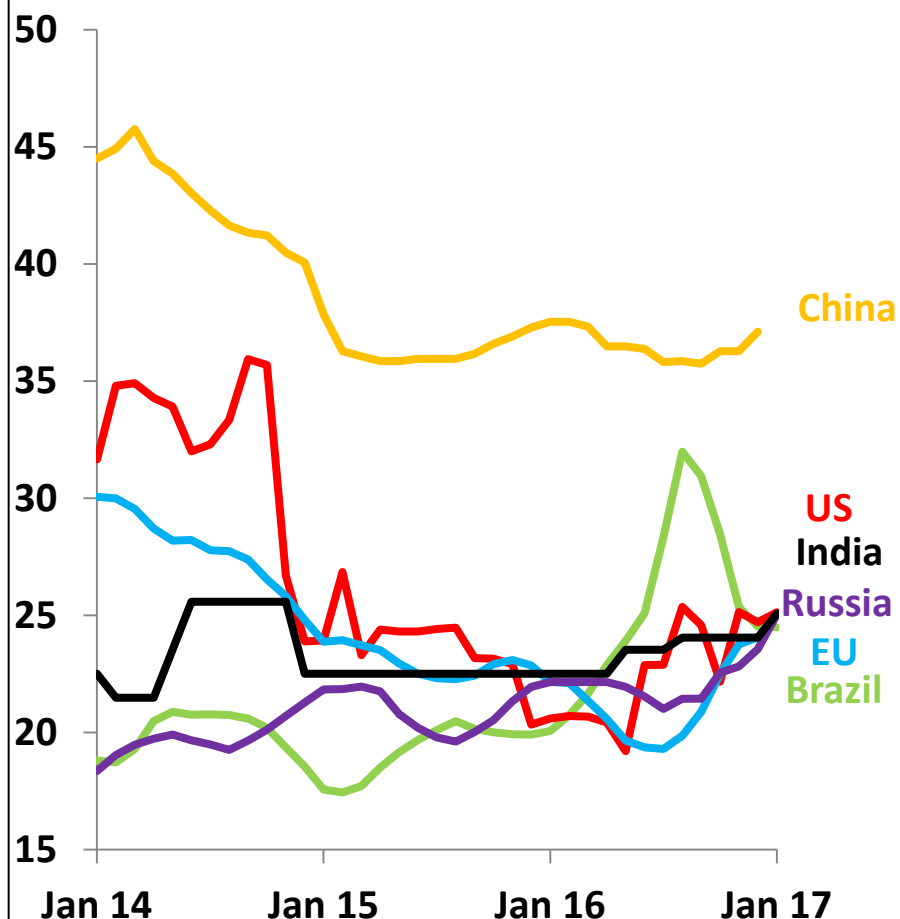
- > **PIC continued to perform well**
  - Growing royalties
  - Hermitage acquisition - strategic partnership
- > **ABS**
  - Addressing challenging conditions and performance
  - Strengthening strategic competitive position
- > **Increasing R&D investment as planned**
- > **Full year outlook in line with expectations**

# Appendices

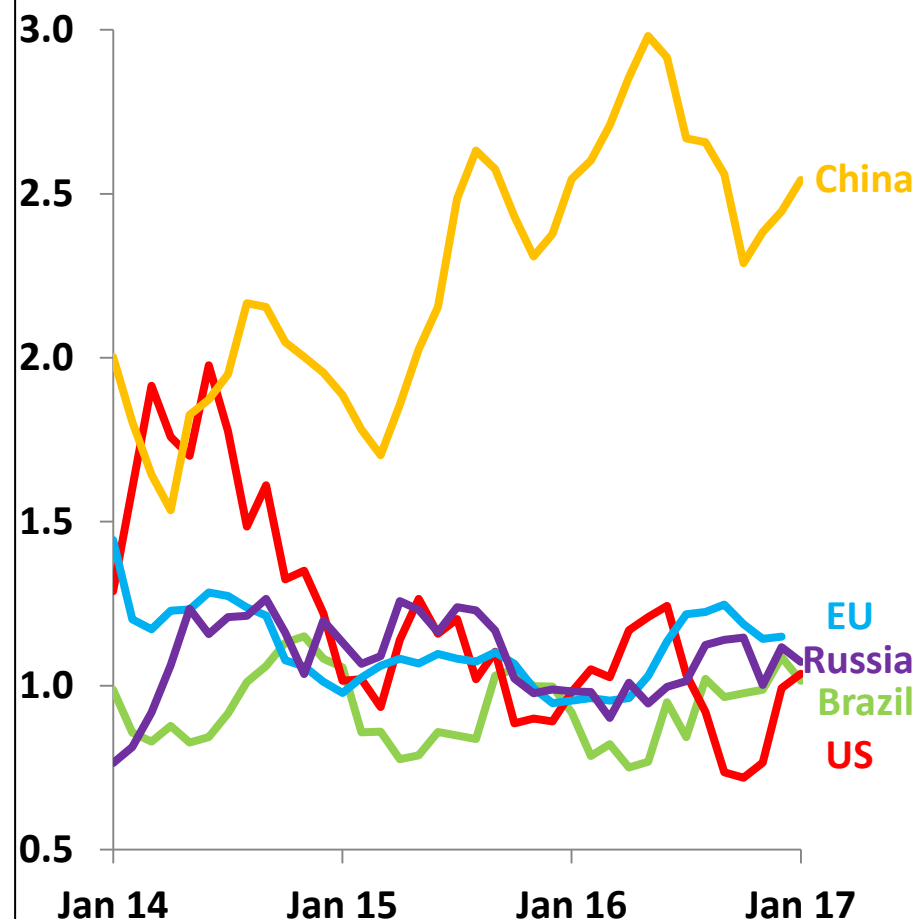
# Market dynamics – output prices



**Dairy - Key Markets  
(Pence per litre)**



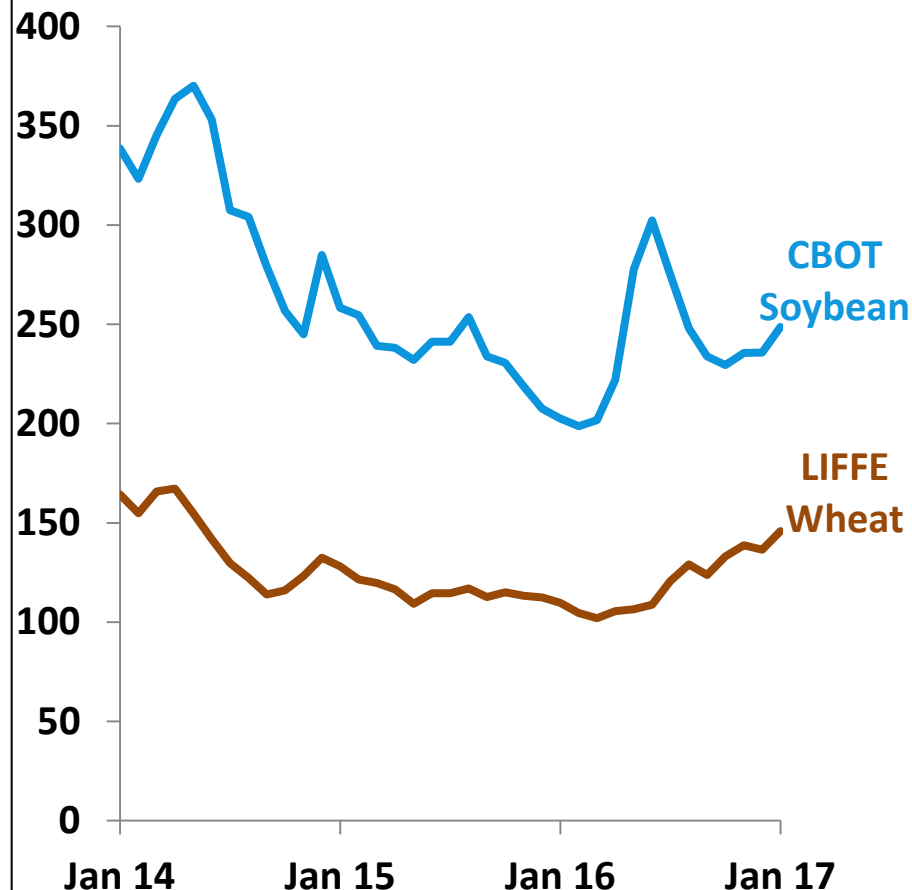
**Pork - Key Markets  
(£ per kg)**



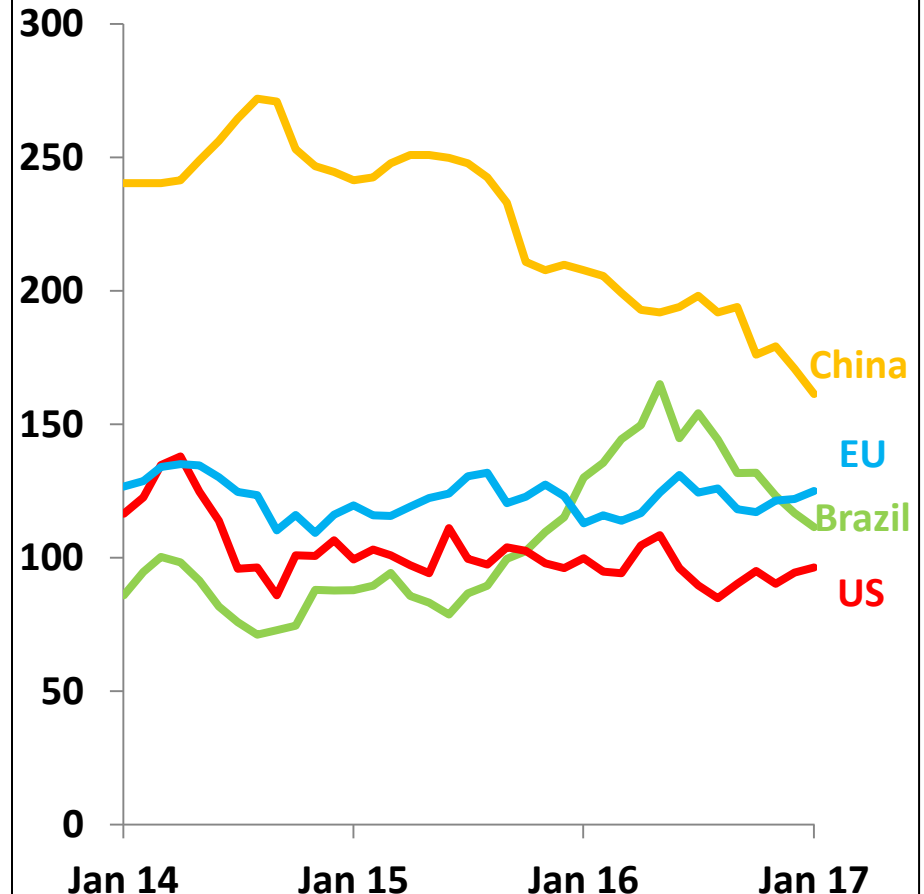
# Market dynamics - input costs



**LIFFE Wheat and CBOT Soybean  
(£ per tonne)**



**Corn - Key Markets  
(£ per tonne)**



# Exchange rate sensitivity



- > Genus' geographic profile can lead to translational currency impacts
- > We monitor key rates against GBP
- > Latest spot rates would indicate a £6-7m gain for FY17 compared with average FY16 rates

	FY16 Average	FY17 1H Average	Spot @ 21 Feb 17	Profit Sensitivity £m*
US Dollar	1.47	1.27	1.24	3.1
Euro	1.33	1.16	1.17	0.6
Brazilian Real	5.47	4.14	3.86	0.7
Mexican Peso	25.4	24.8	25.5	1.0
Chinese Yuan	9.48	8.62	8.58	0.3
Russian Rouble	98.9	81.5	71.9	0.2

\* - 12 month operating profit impact given a +/- 10% movement in exchange rate, based on FY16 results

# Exchange rate evolution

