Apiam Animal Health

H1 FY24 results presentation

23 February 2024

Apiam
animal health

H1 FY24 Highlights

- **Solid and resilient revenue growth** (+11.4% vs PCP)
- **Focus on optimising clinic performance & leveraging synergies from acquisitions driving results**
- **Earnings margins significantly improved in H1 FY24**
- **Strong cash flow generation to be applied to organic growth initiatives, effective debt management and resumption of dividend**

80
Veterinary clinics

79.5%
Dairy & mixed clinic revenue contribution[1]

86%
Clinics with 50%+ pet revenue[2]

Notes:
1 Based on H1FY24 reported segment revenues
2 Excluding 100% equine dedicated clinics

H1 FY24 RESULTS SNAPSHOT

REVENUE	GROSS PROFIT	EBITA (underlying)[1]
$104.4M	$70.9M	$9.2M
↑ 11.4% vs H1 FY23	↑ 15.5% vs H1 FY23	↑ 32.7% vs H1 FY23

NPATA (underlying)[1,2]	CASH FLOW – CONVERSION[3]	INTERIM DIVIDEND
$4.6M	99.6%	1.0
↑ 19.9% vs H1 FY23	103.7% in H1 FY23	cent per share

Notes:
1. Underlying earnings are non-IFRS measures and exclude one-off acquisition, integration & restructuring costs (tax effected where applicable at NPAT level)
2. Before amortisation (tax effected)
3. Cash flow conversion of EBITDA pre AASB 16 adjustments

DAIRY & MIXED ANIMAL SEGMENT

H1 FY24 (VS PCP)

+14.8%

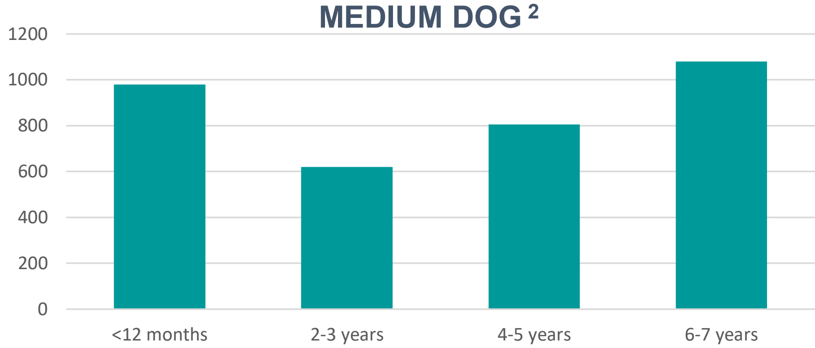
Reported revenue growth

+0.8%

LFL revenue growth

(excl. restructured clinics)[1]

INSURANCE COVER PREMIUMS – MEDIUM DOG [2]



For COVID-19 pets, veterinary costs currently in lowest phase of the pet life cycle (reflective of phasing of pet insurance premiums)

Dairy & Mixed animal segment trends remain resilient…..

- **Resilient LFL growth coming off COVID-related peaks in FY22 / H1 FY23**
  - **Pet age 2-3 years generally lowest vet spend in pet life cycle**
  - **Apiam's Best Mates program added 1578 new animals from September 2023 to January 2024 (19.3% growth)**
  - **Additional organic growth supported by higher standards of care and new greenfield clinics**

…with move to a new vet-supported clinic management model delivering encouraging results

- **Fostering agile and timely clinic decision making**
- **Improving margins at clinic-level and across the Group through Standards of Care and Workflow practices**
- **Delivering early-stage positive results**

Notes:

1 LFL refers to like-for-like (or ex-acquisition performance) and adjusted to exclude acquisitions executed in FY24 YTD and FY23. Excludes four clinics currently undergoing significant restructure

2 Vets Choice Elite Insurance Cover. https://vetschoice.guildinsurance.com.au/compare-pet-insurance#compare-vc

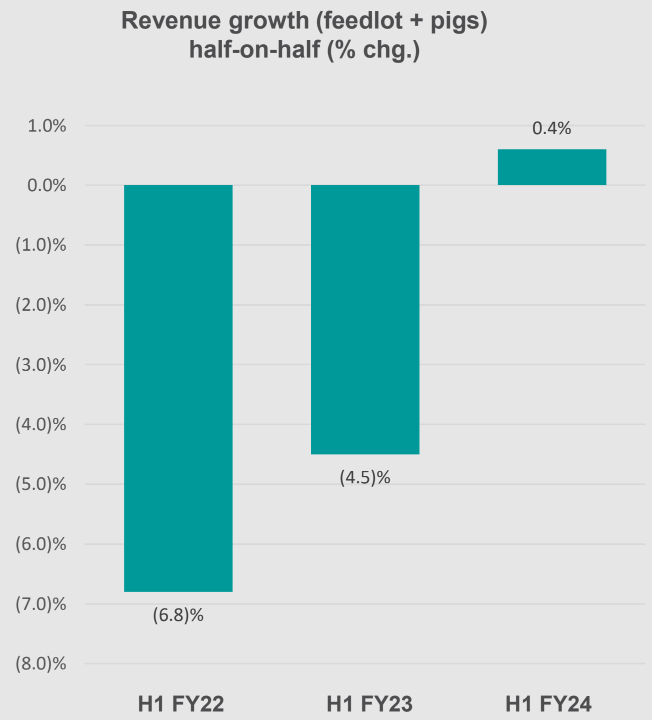
FEEDLOT & PIG VETERINARY SEGMENTS

Improved growth as industry conditions strengthen

+0.4%
H1 FY24 revenue growth (vs pcp)

+11.8%
H1 FY24 gross profit growth (vs pcp)

- **Improved underlying industry conditions in H1 FY24**
- **Revenues in beef feedlot have strengthened (vs pcp) since September 2023**
- **Strategy to focus on higher-value veterinary services delivering profit growth across both segments**
- **Focus on bringing new vaccine and unique pharmacological products to market in these segments**



H1 FY24 financial summary

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H1 FY24 P&L SUMMARY

Profit growth and operating expense leverage

Underlying

$m	H1 FY24A	H1 FY23A	Variance	%
Total revenue	104.4	93.7	10.6	11.4%
Cost of goods sold	(33.4)	(32.3)	(1.1)	3.5%
Gross profit[1]	**70.9**	**61.4**	**9.5**	**15.5%**
Operating expenses	(57.1)	(50.7)	(6.4)	12.6%
Underlying EBITDA[2]	**13.9**	**10.7**	**3.1**	**29.1%**
Underlying EBITA[2]	**9.2**	**6.9**	**2.3**	**32.7%**
Underlying NPATA[2,3]	**4.6**	**3.9**	**0.8**	**19.9%**
Amortisation (post tax)	(0.8)	(0.7)	(0.1)	14.0%
One-off expenses (post tax)	(0.5)	(0.3)	(0.3)	109.4%
Reported NPAT	**3.3**	**2.9**	**0.4**	**13.3%**
Gross margin	68.0%	65.5%		
Underlying EBITDA margin	13.3%	11.5%		
Underlying EBITA margin[3]	8.8%	7.4%		
Earnings Per Share (cents)	1.84	1.68	0.16	9.5%

- **Revenue +11.4%:** resilient across all segments supported by contribution from acquisitions; **LFL Group revenue (3.8)%** affected by restructured clinics in dairy & mixed segment
- **Gross profit +15.5%:** gross margin continues to increase (68.0% in H1 FY24), due to focus on higher value products and services across business and business mix
- **Operating expenses +12.6%:** predominantly due to impact of acquisitions; **LFL Group opex (2.0)%** despite inflationary environment

  Cost savings across business support network (BSN) and dairy & mixed animal segment

  - Redundancy & restructuring program completed in June 2023, forecast to save $2.6M in FY24
  - Management continue to work with several clinics to achieve greater efficiencies & meet target margins
  - Additional cost savings continue to be realised into H2 FY24
- **Underlying EBITA +32.7%** due to operating cost leverage
- **Underlying NPATA +19.9%** strong operating earnings growth despite increase in finance costs ($2.6M in H1 FY24 vs $1.5M in H1 FY23)
- **Reported NPAT +13.3%** increase in one-off expenses related to cost-saving restructuring & redundancy program implemented across period. Amortisation of customer relationships ($0.8m)

BALANCE SHEET

Stable and in-line with prior period. Reflective of strong cash conversion and settlement of acquisitions

$m	31 Dec 2023A	30 Jun 2023A
Cash	2.6	3.2
Trade & receivables	15.7	14.0
Inventories	17.4	15.5
Property, plant & equipment	49.5	43.8
Intangibles	168.7	163.6
Other assets	7.5	6.0
TOTAL ASSETS	**261.4**	**246.0**
Borrowings	70.3	69.0
Trade & other payables	15.8	12.4
Lease liability	35.4	29.0
Other liabilities	18.6	17.7
TOTAL LIABILITIES	**140.0**	**128.1**
NET ASSETS	**121.4**	**117.9**

Notes:
1. *Borrowings include $3.4M of equipment bank finance (Reported under Lease liability) for purposes of net debt calculation as at 31 Dec 2023 (FY23: $2.9M)*

Key movements:

- Intangibles, PP&E reflective of two acquisitions settled in H1 FY2024
- Working capital well managed with a focus on operating cash flow
- No current exposure to earn-outs

Borrowings & net debt:

- Net debt of $71.1M vs $68.7M[1] as at end of FY23 after $6.3 million cash consideration paid for acquisitions settled in H1 FY2024
- Operating leverage ratio 2.9x vs covenant of 3.5x (net debt/EBITDA)
- While acquisitions continue to be a strategic focus for Apiam, no further acquisitions to be completed in FY24

CASH FLOW

Strong cash conversion in line with Management target of 100%

Statutory cashflows $m	H1 FY24A	H1 FY23A
Net cash provided by operating activities	**8.2**	**7.4**
Acquisition of subsidiary, net of cash	(6.3)	(22.1)
Payments for property, plant and equipment	(2.1)	(2.6)
Payments for Intangible assets	(0.1)	(0.2)
Other	0.1	0.2
Net cash used in investing activities	**(8.4)**	**(24.8)**
Net changes in financing	2.4	20.8
Dividends paid to shareholders	0.0	(0.7)
Repayment of lease liabilities	(2.8)	(2.1)
Proceeds from share issue	0.0	0.0
Other	0.0	0.0
Net cash inflow from financing activities	**(0.4)**	**18.0**
Net change in cash and cash equivalents	**(0.6)**	**0.6**

Cashflow Conversion $m	H1 FY24A	H1 FY23A
Underlying EBITDA (pre AASB 16 lease adjustment)	**11.3**	**8.7**
Net cash inflow from operating activities (less AASB 16 lease reclassification impact)	5.8	5.6
Add back:		
One-off expense paid	0.8	0.3
Interest paid	2.6	1.5
Income tax paid	2.0	1.7
Underlying cashflow before tax & interest:	**11.2**	**9.1**
Conversion	**99.6%**	**103.7%**

- Operating cash flow +10.0% in H1 FY24 (vs PCP)
- Strong working capital management
- Property, plant & equipment spend in-line with annual capex program
- Cash component for acquisition consideration of $6.3M

DIVIDEND

Interim dividend reinstated, supported by strong cash flow

	FY24 interim dividend
Dividend	1.0 cps
Payout ratio on reported NPAT	54.9%
Franking	100%
Record date	5 March 2024
Payment date	3 April 2024

- Board declares an interim dividend of 1.0 cps, fully franked, payable on 3 April 2024
- Supported by ongoing strong cash generation and slower pace of acquisition program
- Dividend reinvestment plan in place
  - Last day to elect to participate in DRP: 6 March 2024
  - DRP pricing period: 5 day AHX VWAP between 13 March 2024 and 19 March 2024

Outlook

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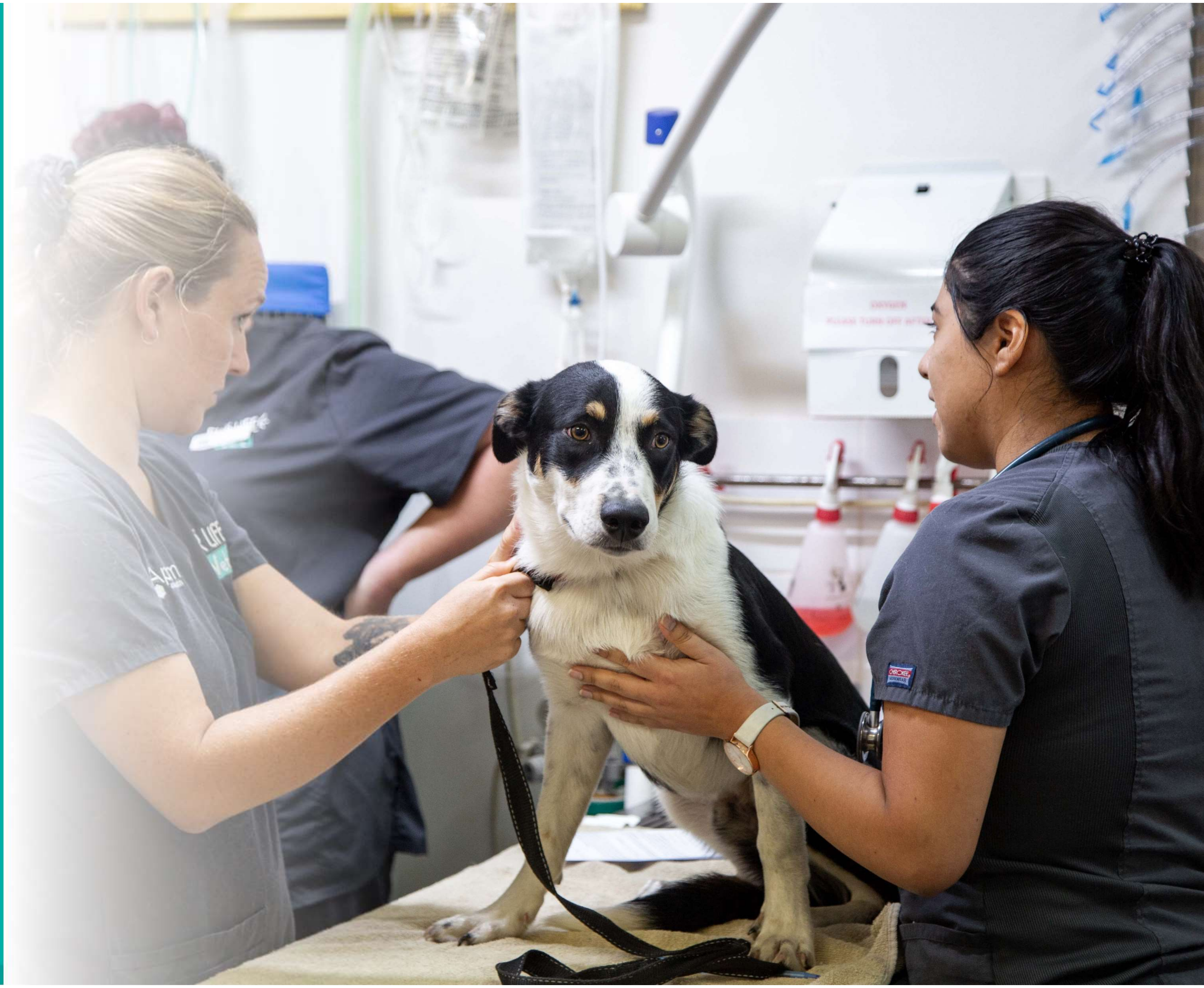

OUTLOOK

LOOKING AHEAD IN FY24

- **Revenue opportunities remain strong as demand for non-discretionary veterinary services remains resilient and growing in rural and regional locations**

- **Primary focus for H2 FY24 to extract further earnings and free cash flow from existing clinic portfolio**
  - $2.6M annualised cost savings in FY24 from redundancy & restructuring program already executed
  - Move to vet-supported clinic management model delivering encouraging results
  - Further cost savings continue to be realised across various clinic locations + business support network
  - Leveraging of synergies from integration of acquisitions

- **While acquisitions continue to be a strategic focus for Apiam, no further acquisitions are expected to be completed in FY24**

Delivering leading market position for regional animal healthcare

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Questions

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