

Greencross Limited

The Pet Company

FY2018 INTERIM RESULTS PRESENTATION

RESULTS FOR HALF YEAR PERIOD ENDING 31 DECEMBER 2017





Results Overview

H1 FY2018 overview

One stop shop driving growth

- **Integrated petcare model driving 9% growth in Group revenue**
 - Group LFL sales growth of 4.5%. 7.5% LFL sales growth at integrated sites vs 3.3% at standalone sites
 - 45 in-store clinics open in Australia and NZ. 18% stores have an in-store clinic with target of 60%
 - 34% increase in cross shoppers
 - 92% increase in Australian online sales driven by click & collect
- **Good performance from Australian Retail**
 - 6% revenue growth and 4.0% LFL sales growth supported by a strong Christmas trading period
 - 2% LFL increase in foot traffic in retail stores
 - 47.4% gross margin
 - Double digit growth in retail services revenue

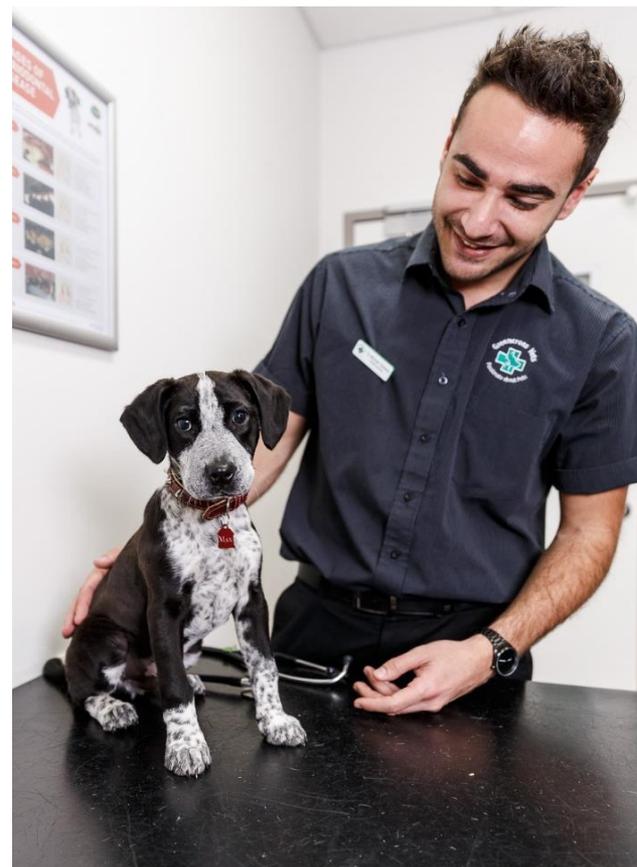


1. LFL sales measures same site sales growth for all sites that have been open for 53 weeks and makes no adjustment for cannibalisation or competition.

H1 FY2018 overview

One stop shop driving growth

- **Australian Veterinary Division growth drivers performing well.**
 - 14% revenue growth and 5.9% LFL sales growth
 - In-store clinics delivered over 40% revenue growth. Margins meeting expectations.
 - Specialist & emergency hospitals achieved 31% revenue growth, with continued network expansion
 - Lower visit numbers in standalone GP
- **New Zealand bouncing back after soft start to the year**
 - 11% revenue growth and 4.5% LFL sales growth



Key financials



Results summary

	H1 FY2018 (26 weeks)	H1 FY2017 Pro forma (26 weeks)	Change	Change
	(\$m)	(\$m) ¹	(\$m)	%
Revenue	433.3	398.3	34.9	9%
Gross margin	244.3	221.7	22.6	10%
Gross margin (%)	56.4%	55.7%	70bps	
EBITDA	54.4	50.0	4.4	9%
Exceptional items	1.6	2.1	0.4	(20)%
Underlying EBITDA ²	56.0	52.1	4.0	8%
NPAT post minorities	23.2	21.3	1.9	9%
Underlying NPAT post minorities ²	24.4	22.1	2.3	11%
EPS (cents)	19.7	18.4	1.3 cents	7%
Underlying EPS (cents) ²	20.7	19.1	1.6 cents	8%
EBITDA cash conversion	106%	95%		11%

1. H1 FY2017 Pro forma reflects the 26 week period ending 1 January 2017 to allow a 26 week versus 26 week comparison. For a comparison of H1 FY2018 with 27 week H1 FY2017 statutory results refer the to the Appendix.

Financial results overview

Revenue growth of 9% delivering 11% growth in underlying NPAT

■ Key Financials¹

- Group Revenue up 9% to \$433 million
- Gross Margin % increased by 70bps
- EBITDA up 9% to \$54 million
- Underlying EBITDA up 8% to \$56 million
- NPAT up 9% to \$23 million
- Underlying NPAT up 11% to \$24 million
- EPS up 7% to 19.7 cents
- Underlying EPS up 8% to 20.7 cents
- EBITDA cash conversion of 106%
- Leverage (ND/EBITDA) steady at 2.2x



1. Growth compares H1 FY2018 result with H1 FY2017 Proforma results being the 26 weeks ending 1 January 2017 date to allow a 26 week versus 26 week comparison. For a comparison of H1 FY2018 with H1 FY2017 statutory results for 27 weeks refer the to the Appendix.

Sales revenue

Group sales revenue up 9% to \$433 million

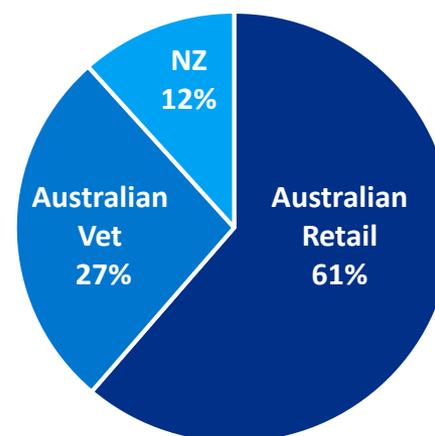
Sales revenue and LFL sales by segment^{1,2}

- Group revenue up 9% to \$433 million with Group LFL sales of 4.5%
- Australian Retail revenue up 6% to \$263 million supported by strong Christmas trading with LFL sales of 4.0%
- Australian Vet revenue up 14% to \$119 million. LFL sales of 5.9% reflecting ramp up in visit numbers at in-store GP clinics and specialist & emergency centres
- NZ revenue up 11% to \$51 million and LFL sales of 4.5% following strong Christmas trading and expansion of NZ vet business

Sales revenue growth by segment²

Revenue (\$m)	H1 FY2018	Pro Forma H1 FY2017	Change
Group	433	398	9%
Australian Retail	263	247	6%
Australian Vet	119	105	14%
New Zealand	51	46	11%

Sales revenue by segment (%)



1. H1 FY2017 Pro forma reflects the 26 week period ending 1 January 2017 to allow a 26 week versus 26 week comparison.
2. LFL sales are shown on a 26 weeks versus 26 weeks basis.

Omnichannel

A growing and important channel for our customers

- Online is a profitable and growing channel for our business
- H1 Australian online sales grew by 92% to \$9.0 million
- Online sales represent 3.4% of Australian retail sales
- Over 80% of our online customers also visited one of our stores or clinics
- Click and collect now represents over 40% of online sales
- ATV for click and collect of \$80 is >50% higher than for in-store purchases
- 24/7 online booking system in place for vet clinics & grooming salons



**BOOK YOUR PET'S
APPOINTMENT
ONLINE**
*Appointment scheduling made easy
for you and your pet*

**HOW TO BOOK YOUR PET'S
APPOINTMENT ONLINE:**

- 1** Select your state followed by your local Greencross Vets clinic
- 2** Identify the reason for your appointment
- 3** Select your preferred day and time
- 4** Complete the form with your details

Group Loyalty

Rewarding our customers and delivering higher promotional effectiveness through targeted offers

Refreshed with new benefits, membership tiers, and more...

Up to **\$300** of annual membership benefits

...driving positive results

27%

purchase in a new category when redeeming a program benefit

+10% ATV

on rewards voucher transactions

...and high levels of customer engagement

87%

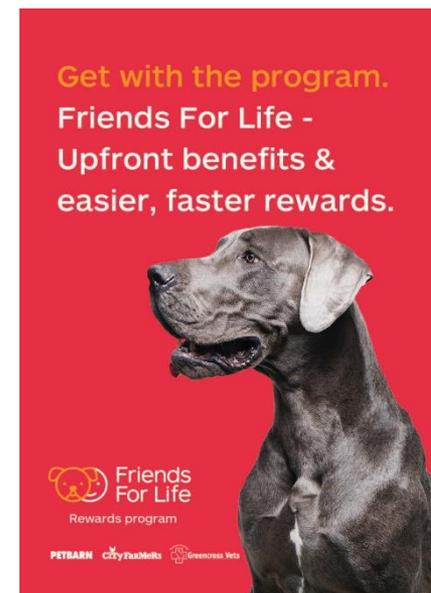
retail sales on a loyalty card

>1.8M

active members

1 in 5

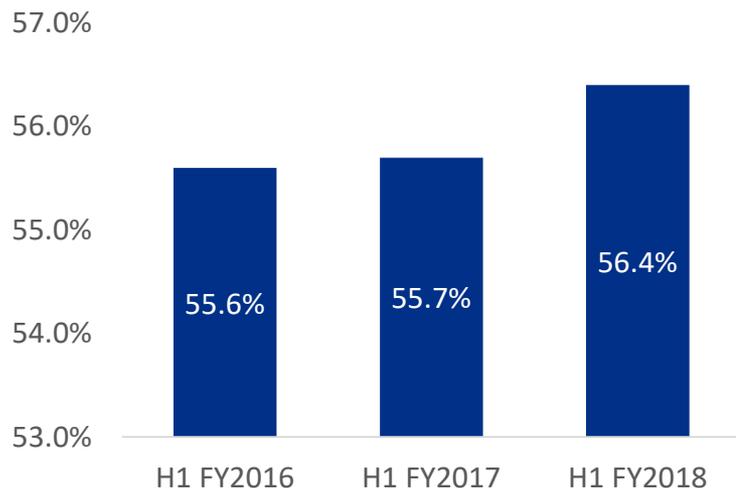
pet owning households are members



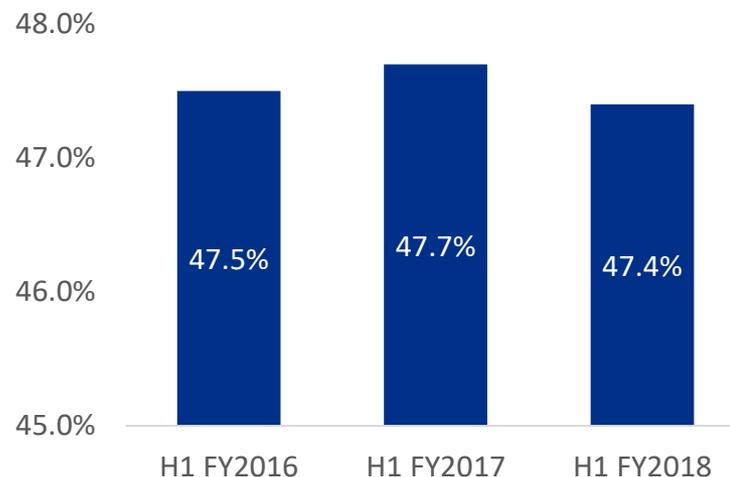
Gross margin

Group gross margin increased by 70 bps to 56.4%. Resilient retail gross margin.

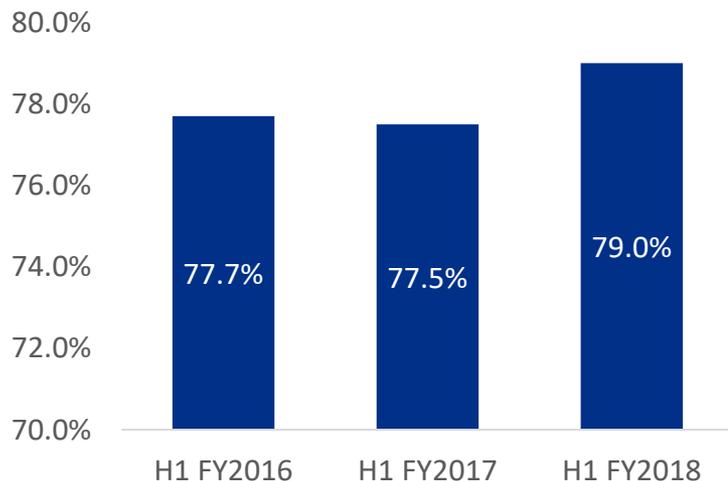
Group – Gross Margin %



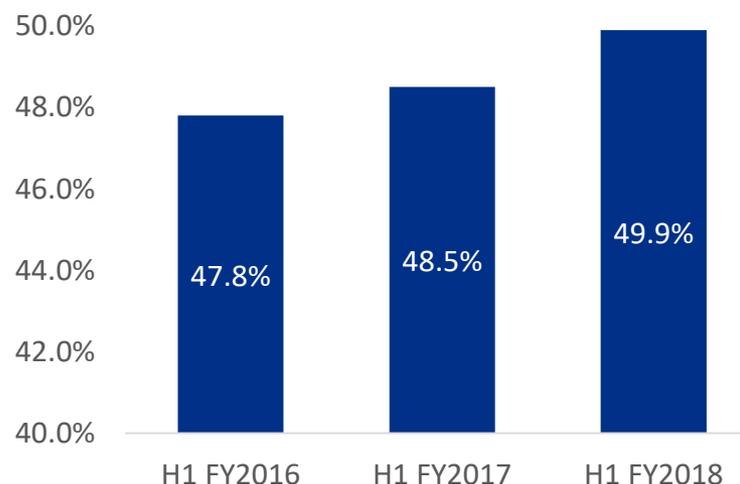
Australian Retail – Gross Margin %



Australian Vet – Gross Margin %



New Zealand – Gross Margin %



Private label

Continuing to expand our stable of private label products and exclusive brands

- H1 private label sales > \$50 million
- Private label represents 21% of Australian retail product sales
 - 30% of total Australian accessory sales
 - 10% of total Australian food sales (excluding treats)
- Recently launched Leaps & Bounds wet dog food range
- H1 sales of Leaps and Bounds grew by 40% to \$4 million making it #2 selling brand in the essential food category
- Leaps & Bounds dry cat food range will be launched in H2



Strong cashflow conversion sustained

	H1 FY2018	H1 FY2017	Change
Statutory cash flow	(\$m)	(\$m)	(\$m)
EBITDA	54	51	3
Net working capital movement	3	(3)	6
Ungearred, pre-tax operating cash flows	58	49	9
Cash conversion %	106%	95%	+11%
Net interest and finance costs paid	(6)	(5)	(1)
Income taxes paid	(4)	(2)	(2)
Net cash from operating activities	48	42	6
Expansionary capex	(29)	(26)	(3)
Underlying capex	(10)	(9)	(1)
Net cash used in investing activities	(39)	(35)	(4)
Free cash flow	8	7	1
Net cash used in financing activities	(12)	(2)	(10)
Net increase/(decrease) in cash	(4)	5	(9)

- 106% cash conversion in H1 reflects ongoing focus on effective working capital management
- Supply chain performing well with 95% on-shelf availability for top 1000 items
- Minimal debt draw down
- Leverage steady at 2.2x

	31 Dec 2017	30 Jun 2017
Debt metrics	(\$m)	(\$m)
Net debt	239	236
Leverage - bank basis	2.2x	2.2x

Balance sheet

Leverage unchanged

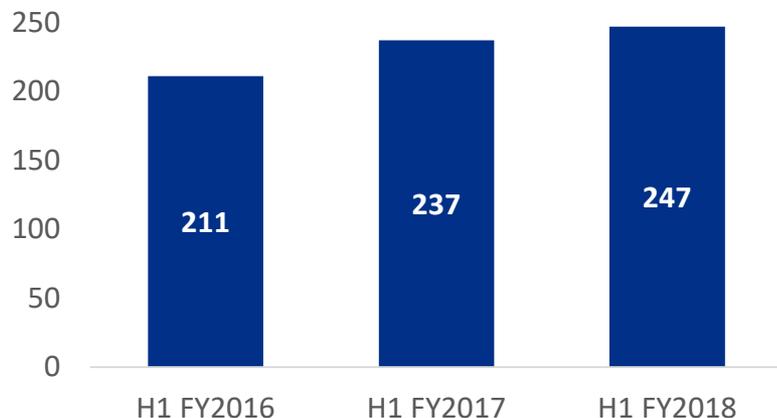
	31 Dec 2017 (\$m)	2 Jul 2017 (\$m)	Change (\$m)
Assets			
Cash and cash equivalents	54	58	(4)
Inventories	99	98	1
Other	16	14	2
Total current assets	169	169	-
Intangibles	592	578	14
Property, plant and equipment	201	188	13
Other	7	8	(1)
Total non-current assets	800	774	26
Total assets	969	943	26
Liabilities			
Trade and other payables	110	101	10
Borrowings	293	293	-
Tax and other provisions	53	50	2
Total liabilities	456	444	12
Net assets	513	499	14

- Core inventory levels well controlled with average in-store stock decreasing
- Inventory only increased by \$1 million despite fleet expansion reflecting efficient in-store and warehouse inventory management
- Increase in PP&E primarily reflects ongoing capital expenditure in new stores and clinics
- Leverage steady at 2.2x
- Lending covenants comfortably met

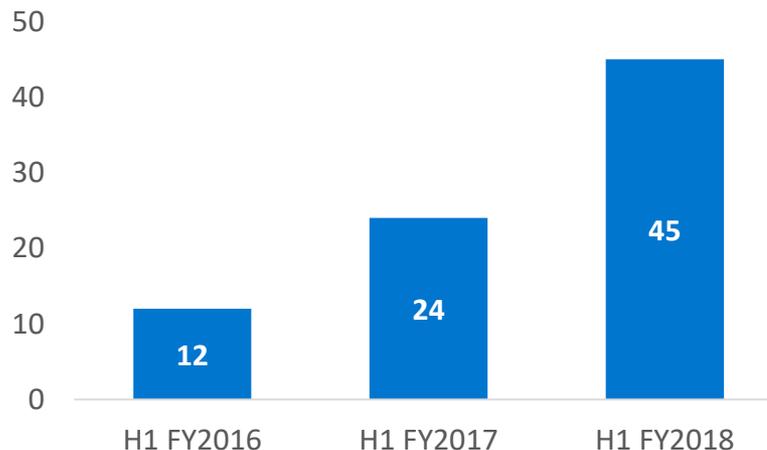
Store and clinic network

Our network expansion is increasingly focused on in-store GP clinics and specialist vet

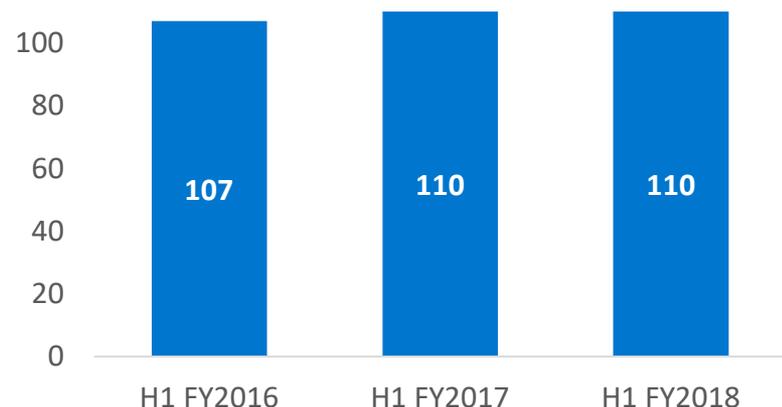
Retail stores



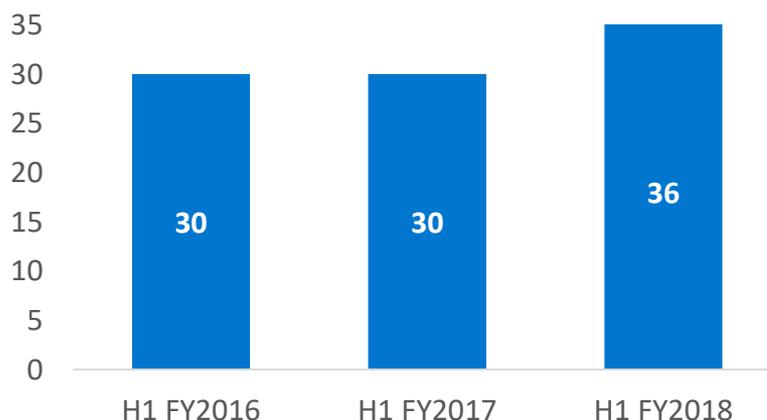
In-store GP vet clinics¹



Standalone vet clinics^{2,3}



Specialist & emergency vet practices



1. Includes two in-store clinic openings in H2 FY2018 YTD

2. In H1 FY2018 two vet clinics were acquired and three standalone clinics were relocated as in-store clinics in Petbarn retail stores.

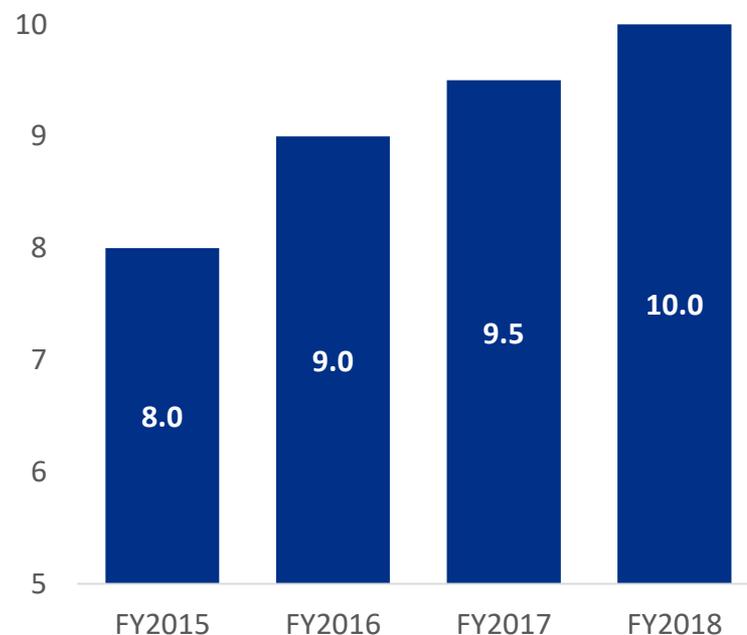
3. Includes one vet acquisition in H2 FY2018 YTD

Dividend

Fully franked interim dividend of 10 cents per share

- The Directors have declared a fully franked interim dividend of 10 cents per share, representing a payout ratio of approximately 50%
- Interim dividend is 5% higher than previous interim dividend of 9.5 cents per share
- Key dates
 - Ex dividend date – 27 February
 - Record date – 28 February
 - Dividend payment – 23 March
- DRP activated for the interim dividend with a discount of 2.5%. Greencross intends to have the DRP underwritten

Greencross dividend history (cents per share)



Outlook & Trading Update



Outlook & trading update

- **Trading update as at week 32**
 - Total sales growth 9%
 - Group LFL sales growth 4.2%
 - Australian Retail LFL sales growth 3.7%
 - Australian Vet LFL sales growth 5.2%
 - New Zealand LFL sales growth 4.8%
- **Network expansion**
 - 2 in-store clinics opened in H2
 - 1 vet acquisition completed in H2, expected to contribute annualised EBITDA of \$1 million
- **FY2018 full year outlook**
 - The business continues to perform in line with plan in FY2018 YTD and the Company remains comfortable with market consensus for the full year result
 - The Company expects its effective tax rate for the full year FY2018 will be ~28%





PETBARN

Everything for Pets

NOW OPEN



Appendix

Network summary as at 31 December

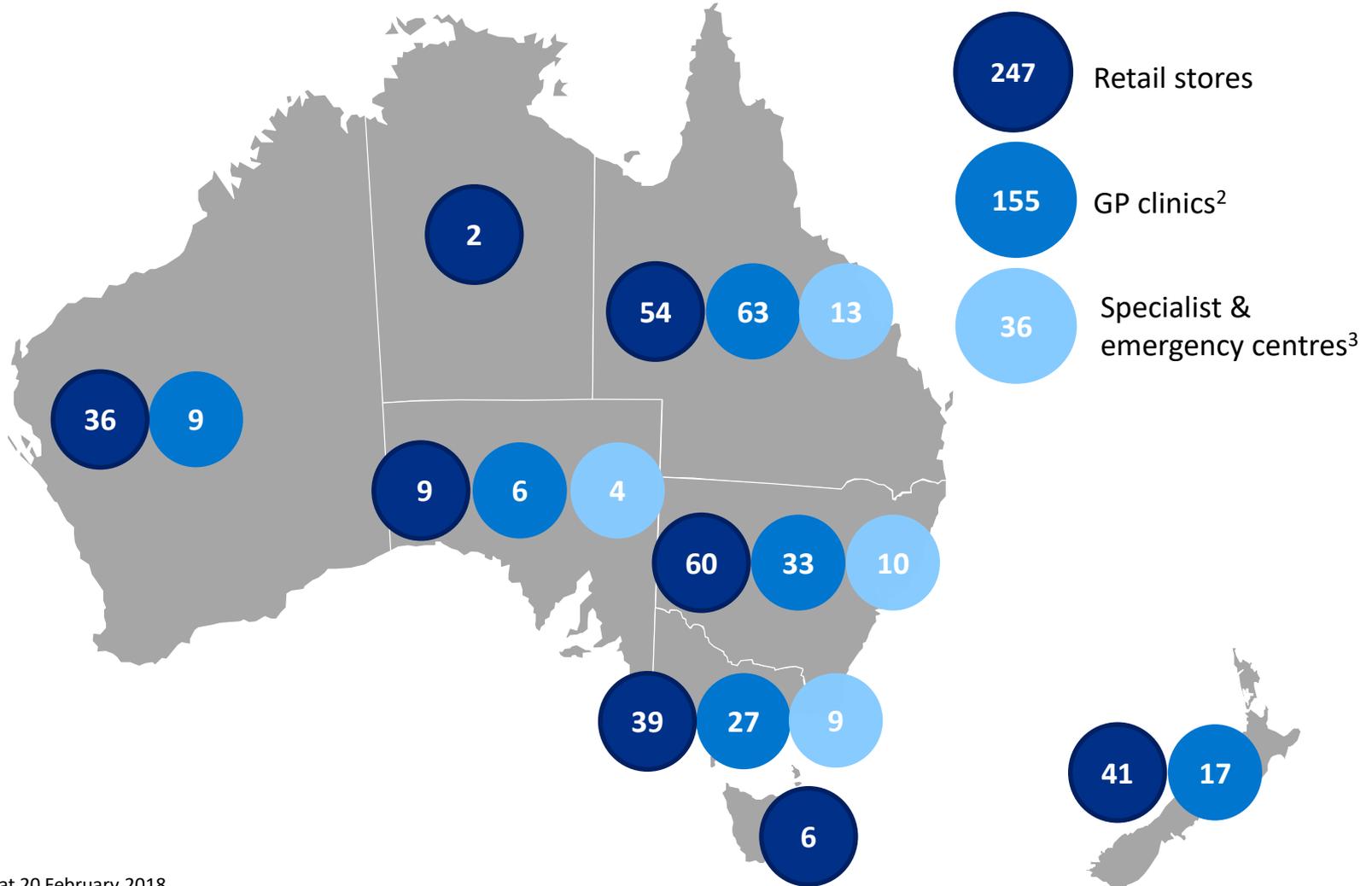
Retail stores	H1 FY18	H1 FY17
Stores at beginning of period	239	221
New stores	8	16
Stores at end of period ²	247	237
% of stores with an in-store vet clinic at end of period	17%	10%
Veterinary practices	H1 FY18	H1 FY17
Total practices at beginning of period ¹	180	155
New standalone GP vet clinics	2	3
New in-store GP vet clinics	6	7
New specialist & emergency	3	0
Total practices at end of period ¹	188	164
In-store clinics at end of period	43	24
Grooming salons	H1 FY18	H1 FY17
Grooming salons at beginning of period	80	63
New grooming salons	16	11
Grooming salons at end of period	96	74
% of stores with a grooming salon at end of period	39%	31%

1. Includes standalone GP vet clinics, in-store GP clinics, specialist and emergency centres and pet crematoria. Net of closures including relocations.

2. In H2 FY2018 YTD, Greencross has opened 2 in-store clinics and made 1 vet clinic acquisition

Greencross store and clinic network

Greencross' network comprises over 430 stores and clinics across Australia and New Zealand¹



1. As at 20 February 2018
2. Includes standalone clinics and in-store clinics.
3. Includes specialist centres, accident and emergency hospitals and pet crematoria.

Australian Retail

Operational highlights

- 6% revenue growth and 4.0% LFL sales growth
- WA retail stores have delivered positive LFL sales growth for 5 consecutive months
- Strong Christmas trading
- 47.4% gross margin with favourable sales mix, private label and supplier co-operation balancing an increasing level of promotional intensity across the industry
- 87% of sales on a Group Loyalty card

Australian Retail	H1 FY2018	H1 FY2017
Revenue (\$m)	263	247 ¹
Stores	206	200
Grooming salons	71	52
% sales revenue on a loyalty card	87%	87%
ATV	\$53.96	\$52.93



1. Revenue based on H1 FY2017 Proforma results being the 26 weeks ending 1 January to allow a 26 week versus 26 week comparison.

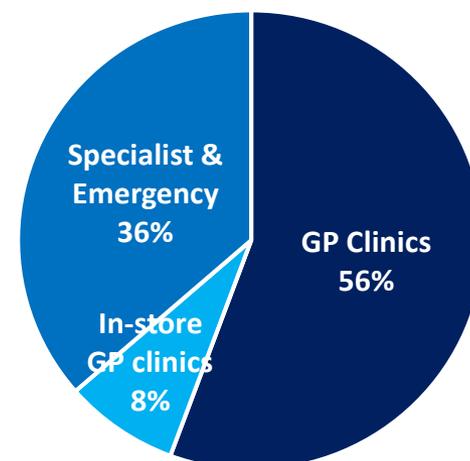
Australian Veterinary Services

Operational highlights

- 14% revenue growth and 5.9 % LFL sales growth driven by strong performance from in-store GP clinics and specialty and emergency
- Opened 4 in-store GP clinics in H1 with a further 2 opened in H2 YTD
- Acquired 2 vet clinics in H1 representing \$1.0 million in annualised EBITDA
- Australian in-store GP clinics contributed \$9.5 million of revenue in H1 (13% of GP revenue)
- Recruited 45 vets into 2018 graduate training program
- Opened new accident & emergency centres in Melbourne, Brisbane and Noosa

Vet Services ¹	H1 FY2018	H1 FY2017
GP clinic revenue (\$m)	76	73 ³
Specialist & emergency revenue (\$m)	43	32 ³
Total revenue (\$m)	119	105 ³
In-store GP clinics	33	21
Standalone GP clinics	102 ²	103
Specialist & emergency centres	36	30
Total vet practices	171	154

Australian Veterinary – H1 FY2018 revenue split



1. Australia only. Excludes New Zealand. Net of clinic closures.
 2. Three standalone GP clinics were relocated into Petbarn stores as in-store clinics
 3. Revenue based on H1 FY2017 Proforma results being the 26 weeks ending on 1 January 2017 to allow a 26 week versus 26 week comparison.

New Zealand

Operational highlights

Retail

- Delivered 11% revenue growth and 4.5% LFL sales growth with strong Christmas trading
- Opened 2 new stores and 2 in-store clinics in H1
- 87% of sales on a Group Loyalty card

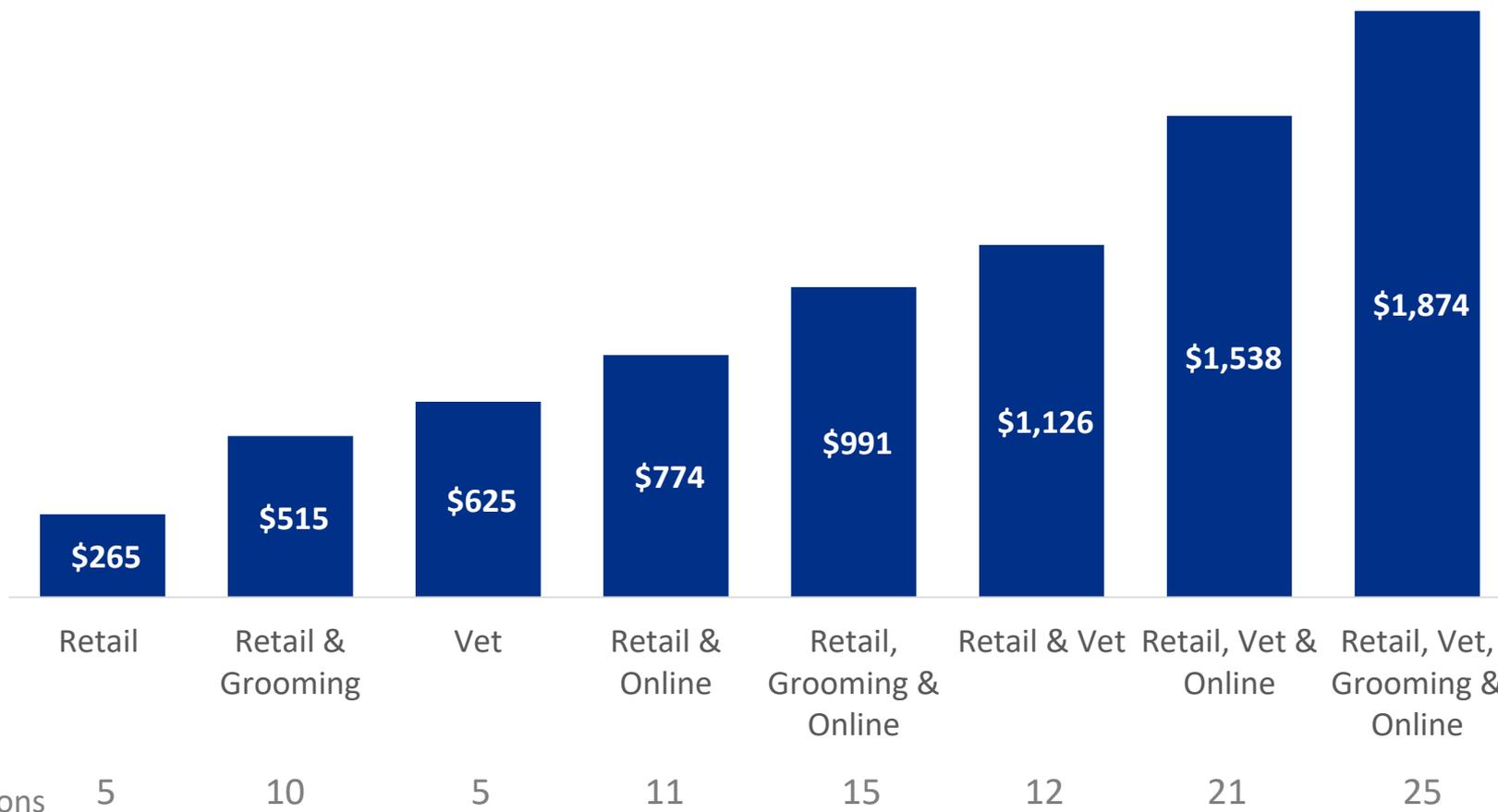
New Zealand	H1 FY2018	H1 FY2017
Revenue (\$m)	51	46 ¹
Stores	41	37
Grooming salons	25	22
% retail sales revenue on a loyalty card	87%	91%
In-store GP clinics	10	3
Standalone GP clinics	7	7
Total vet practices	17	10



Cross shopping & customer spend

On average, customers who shop only in retail transact with us 5 times per year and spend \$265. Customers who shop across retail, vet, grooming & online transact with us 25 times per year and spend \$1,874

Average annual spend per year – by customer type



Comparison of H1 FY2018 (26 weeks) statutory H1 FY2017 (27 weeks)

	H1 FY2018 (26 weeks)	H1 FY2017 (27 weeks)	Change	Change
	(\$m)	(\$m) ¹	(\$m)	%
Revenue	433.3	412.3	21.0	5%
Gross margin	244.3	229.4	14.9	6%
Gross margin (%)	56.4%	55.6%		+80 bps
EBITDA	54.4	51.4	3.0	6%
Exceptional items	1.6	2.1	(0.4)	(21)%
Underlying EBITDA ²	56.0	53.5	2.6	5%
NPAT post minorities	23.2	21.9	1.3	6%
Underlying NPAT post minorities ²	24.4	22.7	1.7	8%
EPS (cents)	19.7	19.0		4%
Underlying EPS (cents) ²	20.7	19.5		5%
Interim Dividend (cents)	10.0	9.5		5%

1. Includes standalone GP vet clinics, in-store GP clinics, specialist and emergency centres and pet crematoria. Net of closures including relocations.

Reconciliation of statutory and underlying results

H1 FY2018	EBITDA	NPAT
	(\$m)	(\$m)
Statutory	54.4	23.2
Acquisition & due diligence costs	0.6	0.4
Redundancy and restructuring (including Brisbane Support Office)	1.1	0.8
Total adjustments	1.6	1.2
Underlying	56.0	24.4
H1 FY2017	EBITDA	NPAT
	(\$m)	(\$m)
Total adjustments	2.1	0.7

End

