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ASX Announouncement : 2 May 2012

CEO on Additional Debt Funding and Outlook

Open Briefing interview with Greencross Limited CEO and MD, Dr Glen Richards

Greencross Limited
5/28 Balaclava Street
Wooloongabba QLD 4102

Greencross Limited (ASX: GXL) is focused on consolidating the fragmented veterinary services industry in Australia. Earnings growth is expected to be generated via improved efficiencies at individual practices and via further active acquisition of established practices.

In this Open Briefing®, CEO and MD Dr Glen Richards discusses

- Fully funded for another 12 months of acquisitions
- Average cost of debt to reduce with new debt facility
- Longer term plans to pay debt off and strengthen balance sheet

Record of interview:

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Greencross Limited (ASX: GXL) recently secured a $12 million increase in its standby debt funding facility with the Commonwealth Bank of Australia (CBA). The additional funds will assist your stated growth strategy of acquiring, on average, at least one new clinic per month. Total debt stood at $26.4 million as at 31 December. Why was an increase of this scale necessary? To what extent are you now fully funded for planned growth over the next six to 12 months?

CEO Glen Richards

Traditionally we've always had a $5 million standby facility. With acquisitions continuing at a regular pace, we thought it sensible to take at least a 12 month view and requested an increase in our standby facility to $12 million. We are now fully funded for at least the next 12 months of acquisitions.

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What are the terms of the new funding and what is the expected impact on your average cost of debt?

CEO Glen Richards

The terms and conditions of the new standby facility are no different to the current debt facility with the CBA. The new facility is just an extension of our current debt facility and it is in place until 30 September 2014. The standby facility will be drawn down as acquisitions are settled by the Company. Our average cost of debt is currently 7.49 per cent but once the standby facility is fully utilised, it will decrease to around 7.3 per cent.

We have a strong relationship with the CBA. The bank is very supportive and we are happy with the current terms of our debt facility with them. Our debt facility is reviewed every September and at this time we will continue to negotiate favourable terms for Greencross.

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Greencross's gearing (net debt/shareholders' equity) stood at 67.8 percent as at 31 December 2011. What is the expected level of gearing at the end of June and when do you expect to fund acquisitions more through free cash and less through debt?

CEO Glen Richards

Gearing is expected to trend up as we head towards the end of the 2012 financial year. During financial year 2013 we expect our funding mix to change, with less debt and more free cash utilised in settling our acquisitions. Currently we debt fund acquisitions at 3 times EBITDA but during financial year 2013 we will aim to reduce debt funding to 2 times EBITDA. This will see gearing start to come down as we enter financial year 2014.

We have a short term focus of gearing below 65 percent and a long term gearing target of less than 50 percent. Our main focus remains on our ability to service debt with the most important ratio being debt to EBITDA. Debt to EBITDA currently sits at 2.35 times but as we roll through financial year 2013 we will see that going below 2.2 times. In the long term we want to see debt to EBITDA reduce to below 2 times.

The additional standby debt facility gives us our next 12 months of acquisitions. Furthermore, in the medium to longer term, we'll start strengthening our balance sheet by using more free cash flow to fund acquisitions and less bank debt.

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Thank you Glen.

For more information about Greencross, visit www.greencrossvet.com.au or call Glen Richards on (+61 7) 3435 3535

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