



14 November 2013

GREENCROSS LIMITED (ASX: GXL) Announcement

CHAIRMAN'S ADDRESS AGM 2013

PERFORMANCE HIGHLIGHTS

The Board and Management Team of Greencross Limited ('Greencross' or 'the company') are delighted to report a strong result for the financial year ending 30 June 2013. Some of the highlights of the financial results are as follows:

- Revenue for the group was \$106.704 million, up 29.59% on the prior reported period;
- Underlying earnings before interest and tax ('EBIT') was \$12.427 million, up 27.90% on the prior reported period;
- Underlying net profit after tax ('NPAT') was \$6.385 million, up 34.82% on the prior reported period;
- Underlying earnings per share ('EPS') was \$0.1871 per share, up 21.60% on the prior reported period;
- Operating Cash Flows was \$10.863 million, up 31.75% on the prior reported period;
- Same clinic revenue and EBIT growth for the year of 5.38% and 10.32% respectively; and
- Healthy Pets Plus members had reached 14,000 members within its first full 12 months.

The Board is happy with the results achieved for the year and believe the company is well positioned to continue to deliver these kinds of financial results going forward.

ACQUISITION HIGHLIGHTS

Greencross made the following acquisition during the year and since the year-end:

1. Kilsyth Veterinary Clinic
2. Eastwood House Veterinary Surgery
3. Clifford Park Veterinary Surgery
4. Silkstone Veterinary Hospital
5. Anvet Coomera Surgery
6. The Vets Australia – Helensvale
7. The Vets Australia – Nerang
8. The Vets Australia – Robina
9. Paradise Veterinary Hospital
10. Ku-Ring-Gai Veterinary Hospital
11. Roseville Veterinary Hospital
12. Strathalbyn Veterinary Clinic
13. The Pet Cemetery and Crematorium Greenbank
14. Armidale Veterinary Hospital
15. Uralla Veterinary Clinic
16. Glen Eira Veterinary Hospital (Settled 23 July 2013)
17. Warringal Veterinary Hospital (Settled 23 July 2013)
18. Tanilba Bay Veterinary Clinic (Settled 30 July 2013)
19. Pets Eternal Crematorium (Settled 1 August 2013)

Furthermore, Greencross opened a new state of the art veterinary hospital at Morayfield in Queensland in April 2013. This new clinic has outperformed Directors expectations and is now expected to deliver revenue for FY2014 of approximately \$1.3 million. The Board is pleased with the progress of this clinic and four further

sites have been identified in which new veterinary clinics will be established over the next 6 months. This includes the scheduled opening of a new veterinary hospital at Strathfield in Sydney in September 2013.

The company also established veterinary pathology laboratories in both Melbourne and Brisbane during the year.

The combination of the new acquisitions and start-ups are expected to deliver annualised revenue and EBIT for the group of approximately \$30.4m and \$4.2m respectively.

ACQUISITION FUNDING

On 28 February 2013 the company raised \$11.2 million through a share placement to institutional and sophisticated investors. \$5.1 million was deployed for the Ku-Ring-Gai acquisition on 28 February 2013, with the remaining funds raised yet to be fully utilised to assist future acquisition growth.

At year end the company had cash on hand of approximately \$8.8m with an unutilised acquisition funding facility with the Commonwealth Bank of Australia of approximately \$10.2m. The funds will be utilised as the company continues to target, as a minimum, twelve new acquisitions per year.

The company will continue to fund new acquisitions through a mix of debt, free cash and vendor deferred payments.

The company is now utilising less debt, and more free cash, when funding its stated acquisition growth strategy. This will see gearing (Net Debt/Equity) remain around the 55% - 65% in the short to medium term. Moreover, the company is rapidly moving towards 'self-funding' future acquisitions which will see the stated acquisition growth rate funding completely through free cash and vendor deferred payments. Once this occurs, gearing is expected to reduce to the company's long term target of less than 50%.

DEDICATED STAFF

Greencross currently employs over 1,200 highly skilled, talented and dedicated vets, nurse and support staff. The exemplarily results achieved by the company over the last couple of years are a credit to all the hard work and levels of engagement of all staff within the Greencross.

On behalf of the Board, I would like to thank all team members for their hard work and dedication. The commitment and passion shown by all staff ensures Greencross can continue to deliver per stakeholders expectations and ensures the continued success of Greencross.

SHAREHOLDERS RETURN

This financial year shareholders have already received a fully franked interim dividend of 5 cents per share.

Furthermore, a final dividend of 5 cents per share has been recommended by the Board and was paid in September 2013. This represents a total fully franked dividend of 10 cents per share and a dividend payout ratio of approximately 54% for the year, based on underlying NPAT. This is up 20% on the previous year's dividend of 8 cents per share.

The company has in place a Dividend Reinvestment Plan ('DRP') which will balance the need for shareholders to receive a return via a dividend and the company's need for cash to fund future acquisitions.

The Board continues to monitor the company's strategic plan to ensure solid operational management continues to be achieved, acquisitions execution and integration occurs in a timely manner and the best use of the shareholders' funds occurs.

We look forward to an exciting and profitable 2013/14.

Thank you.



Andrew Geddes
Chairman



MANAGING DIRECTOR'S ADDRESS AGM 2013

Innovative Greencross Outperforms the Veterinary Industry

On the back of our announcement this morning for plans to merge with Petbarn and Animates Pet Stores our vision for a network of exceptional veterinary businesses just go a whole lot bigger and a whole lot wider in view. More about this later.

During FY2013 and into FY2014 we continued our veterinary business expansion program with the addition of 17 general practices, and recently we were delighted to have the Melbourne Veterinary Specialist Centres (located at Mt Waverly and Essendon) join the Greencross Group. We have opened three new state of the art Veterinary Hospitals around the country with two in Brisbane and one in Sydney. We continued our expansion into vertical businesses with the opening of pathology laboratories in Melbourne and Brisbane, and joint ventured with a pathology laboratory in Sydney and recently we moved into the pet funeral business with locations on the Gold Coast and in Brisbane.

Our day job is to continually work on team and client engagement across all our businesses. We have industry-leading innovative programs and strategies such as our Healthy Pets Plus proactive health care plans, benchmarking and coaching programs, the use of social media and electronic direct mail, client and team surveys and Net Promoter Score programs, remuneration and reward programs, supply chain partnerships and education programs that have helped to deliver exceptional like for like growth in FY13. (5.38% revenue and 10.32% EBIT like for like growth). This is double the organic growth rate compared with the rest of the industry, and as we are now four months into a new financial year, I am pleased to confirm like for like revenue growth continues to be similar as last financial year.

Local Team of professionals supported by a dedicated corporate team

I wish to express my sincere appreciation and admiration for all our frontline teams across Australia that go to work every day to live our common purpose of sharing our love and passion for animals through veterinary excellence. I applaud their professionalism and friendliness in delivering exceptional patient and client care every day for our pet owners and veterinary clinic partners across our network.

Our management team remains disciplined and focused on providing support for our network of veterinary businesses. Using a “franchise-like” approach, our practice managers, group area managers, and corporate support team are challenged with the day to day job of supporting our veterinarians, receptionists, nurses, pathologists, laboratory technicians, courier drivers, and pet funeral teams to be the best they can be, and deliver the best possible service and advice for our pet owners and business partners.

Our third companywide *Best Practice Australia* survey delivered another humbling result with our teams confirming that we are a “truly great place to work” and we remain at the highest level of cultural engagement possible for a company operating in Australia. Our retention rates remain high with excellent employee retention rates of 81% for veterinarians and 79% for receptionist, practice managers and nurses for FY2013.

After two years of subtle decline due to conservative economic times, our active client base on a like for like basis is back in growth phase. As well as new pet parent numbers now outpacing exiting pet owners, our weekly Net Promoter Scores as an indicator of client happiness and engagement remain at record levels above positive 64. Our teams are simply doing an excellent job of delivering friendly, professional, high quality veterinary services for our pet owners.

Excellence in Integrations and Support targeted in the year ahead

Our teams have made it clear that we have created a world class company that is a truly great place to work. We responded to their previous call to create world class education programs with the education team delivering 41 events across five regions with 565 team members participating and awarding over 7000 hours of continuing education, as well, we trained 50 school based trainees and mentored 65 Cert IV nurses in the last 12 months.

Healthy Pets Plus (HPP) has been well received by our clients, with 20,000 members now embracing proactive health care but more importantly the members have evolved to being exceptional pet owners. HPP enables pet owners' ease of access to our clinics so their pets receive the highest standards of veterinary medicine in an affordable and cost effective program. Pet owners are coming earlier and more frequently for disease presentations, feeding the best quality pet foods, keeping up to date with vaccinations and parasite preventatives and utilising screening tests for early detection of disease conditions.

Integrity of the business model grows shareholder wealth

FY 2013 was the year we truly embraced our clustering and vertical integrations model. We continued to expand our general practice footprint across Australia but importantly we invested in businesses that receive referrals and maximise the loyal and intimate relationships cultivated by our general practice veterinary teams. We have opened three VEPA pathology laboratories, expanded our specialty and emergency services, acquired two pet funeral businesses and developed a more professional merchandise and retail offer for our clients.

The future for Greencross is exciting. The planned merger with Petbarn is a transformational event for our company and expands the size of our addressable market in the Australian Pet Industry. We will discuss this in detail shortly and expand on the opportunity for our shareholders.

I would like to state categorically that the Petbarn merger is NOT because we have run out of options for Greencross in the Veterinary industry. The Veterinary Industry remains relatively inhibited by small scale cottage industry business models. Through our size, scale and dedicated people we constantly strive to improve the service offerings for our clients and the workplaces for our employees.

Greencross has 3.5% of the locations and 5.7% of the veterinary revenue in Australia. With only 100 veterinary businesses, our seasoned corporate team are excited about the many years of acquisitive growth ahead. As well as continuing with our core acquisitions program we will be launching a highly innovative Partnership Program that will expand our network further and faster around Australia.

In the next twelve months we will continue our support for our people, we will deliver excellence in pet health and veterinary care for our clients and patients and with the support of our bankers and investors, we will continue to drive shareholder value through our acquisitive and organic initiatives. In the year ahead we expect to exceed our results for FY2013.

Dr Glen Richards

Managing Director

**Glen Richards**

Managing Director



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ABOUT GREENCROSS

Greencross was established in 2003 and has grown to become Australia's leading veterinary services company through the acquisition and integration of 100 practices around Australia.

Greencross's strategy is to continue to consolidate the fragmented veterinary services industry in Australia and is focused on delivering exceptional veterinary medicine and levels of care to its patients. The company's vision is to be the practice of choice for employees, clients, patients and shareholders.

For further information please contact:

Glen Richards

Managing Director, Greencross Limited

Phone: (07) 3435 3535