

Passionate about Pets



**Greencross Ltd**



## **FY2014 INTERIM RESULTS PRESENTATION**

RESULTS FOR HALF YEAR PERIOD ENDING 31 DECEMBER 2013

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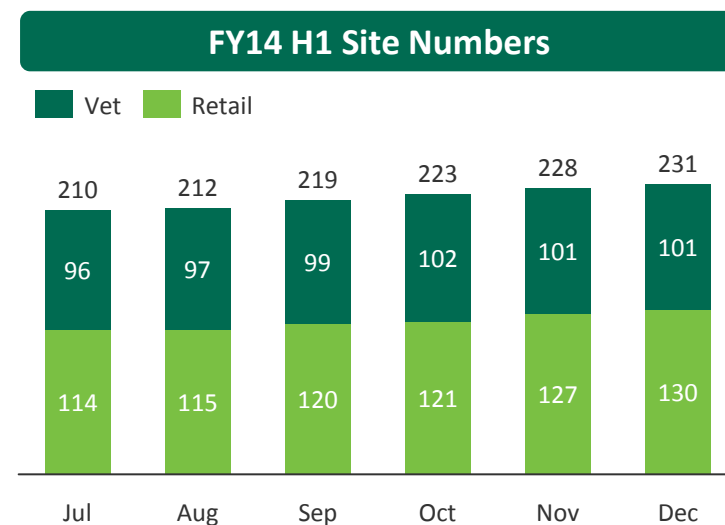
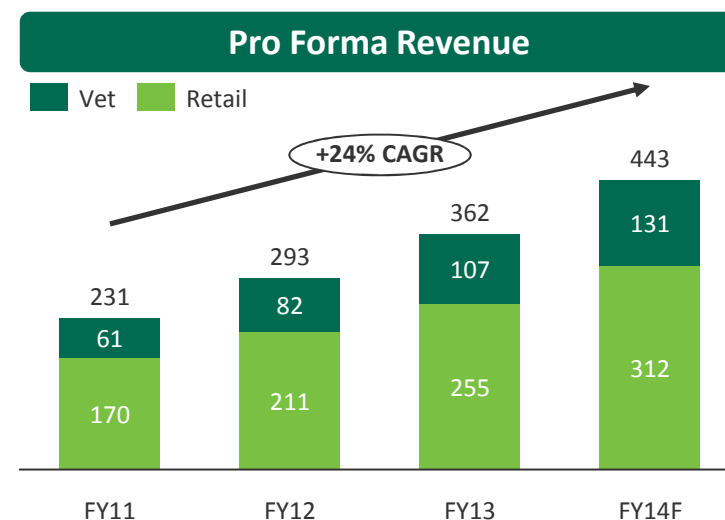
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# Greencross Ltd – Merger Update

- The merger with Mammoth (“Merger”) was approved at an Extraordinary General Meeting of Greencross shareholders on 22 January 2014 and completed on 31 January 2014
- In this presentation:
  - Greencross refers to the merged entity
  - Greencross’ veterinary business is called Greencross Vets
  - Mammoth’s retail business (which was acquired by Greencross pursuant to the Merger) is called Greencross Retail
- Integration is underway and tracking to plan
- As per previous guidance:
  - Greencross remains on track to achieve full year pro-forma NPAT of \$21.5 million (post minorities and transaction adjustments)
  - Merger is expected to be EPS accretive in FY2014 on a pro forma basis (i.e. assuming full 12 months of business combination)
  - Merger is expected to be double digit EPS accretive in FY2015 compared to consensus estimates of \$0.286 per share as at the date of announcement of the Merger







FY2014 H1 Pro Forma <sup>(1)</sup>	
Revenue	\$213.5 million
EBITDA	\$24.8 million
NPAT	\$9.5 million
New Sites	24

1. Assumes the Merger with Mammoth was completed on 30 June 2013. Excludes synergies.

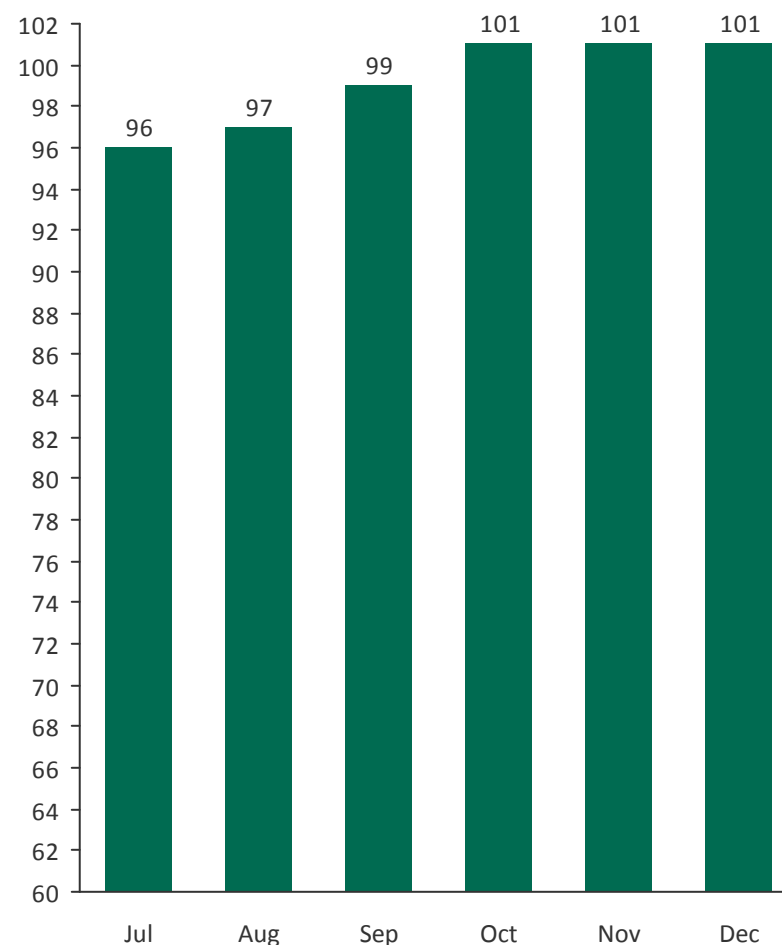


# Greencross Vets – FY2014 H1 Highlights



	FY2014 H1	Change
Sites	101	 5%
Revenue	\$63.5 million	 24%
Underlying EBITDA	\$8.8 million	 13%
Underlying NPAT	\$4.4 million	 28%
Underlying EPS <sup>(1)</sup>	11.9 cents	 10%
Dividend	5.5 cents	 10%

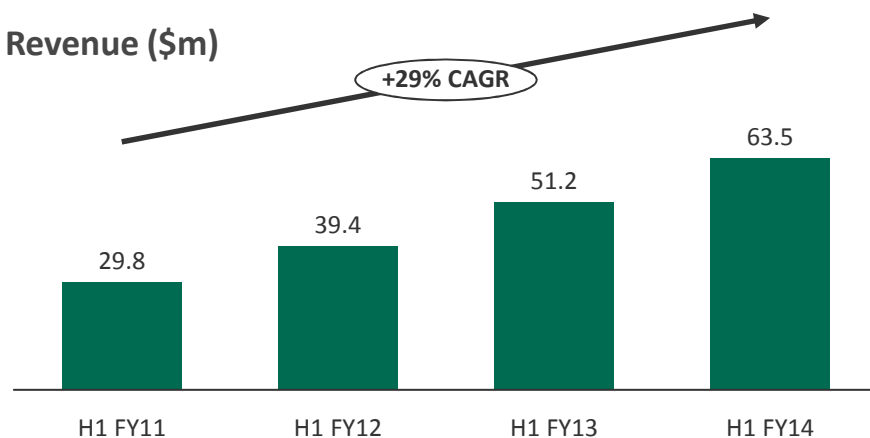
## Clinic Numbers



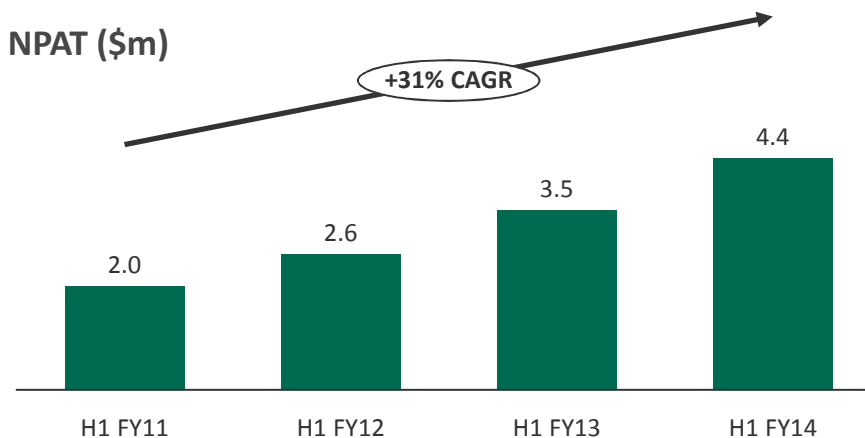
1. Based on weighted number of shares on issue of 37,484,603.

# Greencross Vets – Underlying Performance

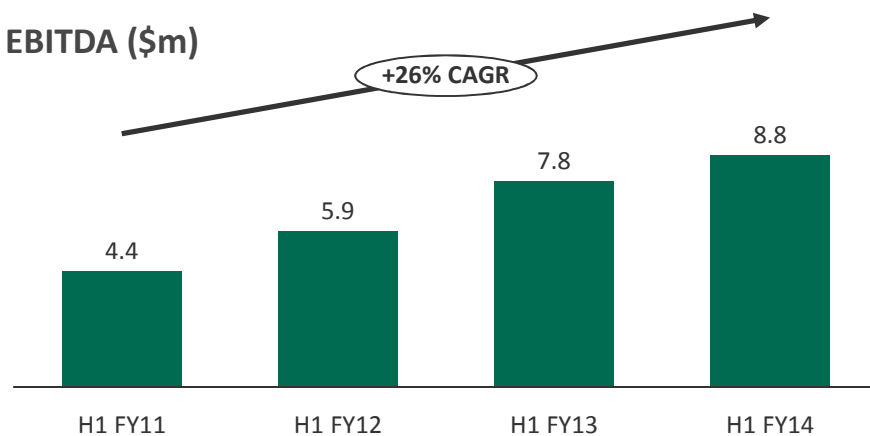
Revenue (\$m)



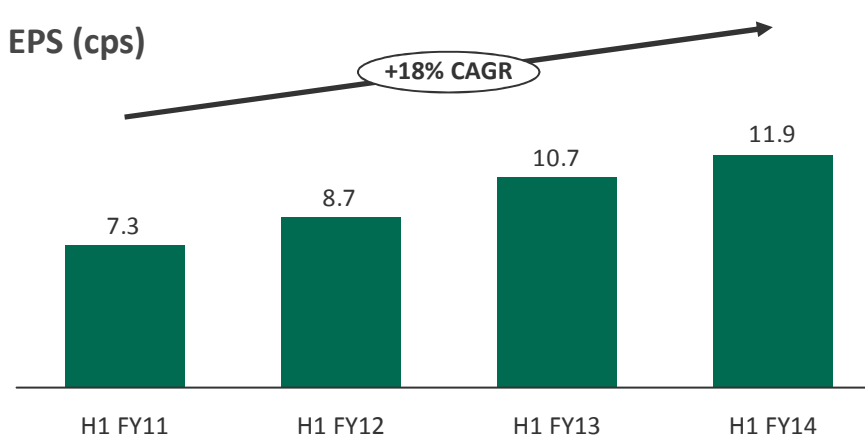
NPAT (\$m)



EBITDA (\$m)



EPS (cps)



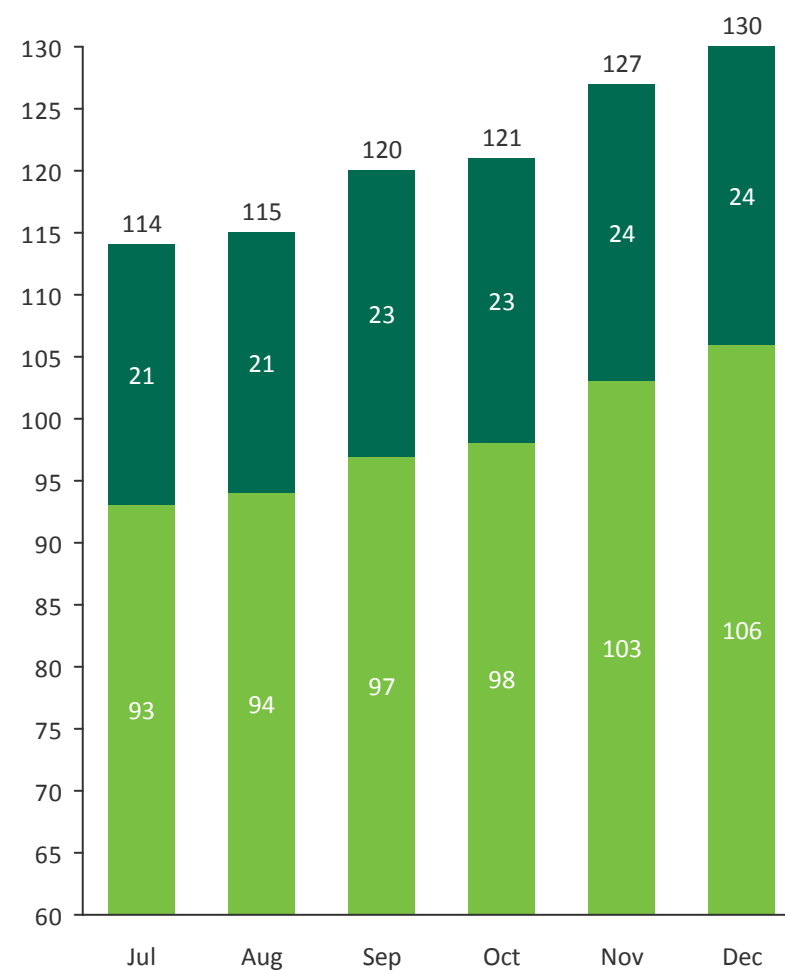
# Greencross Retail – FY2014 H1 Trading Update



	FY2014 H1	Change
Revenue	\$150.0 million	↑ 23%
Gross Margin	\$68.6 million	↑ 25%
EBITDA	\$16.0 million	↑ 23%
NPAT	\$5.1 million	↑ 47%
LFL Sales Growth	Petbarn 6.7% Animates 2.8%	
New Store Openings	16	

## Store Numbers

Animates Petbarn



# Greencross – Capital Management

- Fully franked interim dividend of 5.5 cents per share
  - Ex dividend date - 17 February 2014
  - Record date - 21 February 2014
  - Dividend payment date - 14 March 2014
  
- Interim dividend will be paid in respect of all shares on issue on the record date, including new shares issued to Mammoth shareholders under the Merger
  
- DRP remains activated for interim dividend at a discount of 2.5%
  - Greencross intends to have the DRP underwritten
  - DRP pricing period has been extended to 10 days and will commence on 24 February 2014
  
- Greencross intends to maintain its dividend payout ratio of 50%

## Shares on issue (as at 31 December 2013)

SOI prior to completion of Merger with Mammoth	37,682,334
Shares issued to Mammoth shareholders under the Merger	52,574,753
<b>SOI post completion of Merger with Mammoth</b>	<b>90,257,087</b>

## Cashflow, Gearing and Debt Metrics (as at 31 December 2013)

Greencross Vet Net Debt	\$27.4 million
Greencross Retail Net Debt	\$75.3 million
Pro forma Net Debt <sup>(1)</sup>	\$102.7 million
Pro forma Net Debt/FY2014 EBITDA <sup>(1)</sup>	1.9x

1. Assumes the Merger with Mammoth occurred on 30 June 2013. Excludes synergies.

# Greencross is Australasia's leading integrated consumer facing pet care company



## Strong competitive position

- Currently trading **130 stores and 103<sup>(1)</sup> vet clinics** across Australia and New Zealand
- **Integrated** pet care model provides point of differentiation for customers – established precedents in the US and UK markets
- **Combined retail and service offering** strengthens client and customer engagement, expands product and service offering and creates cross-selling opportunities

## Attractive category

- Combined **c.\$7bn** addressable market in Australia
- Demographic trends and **humanisation of pets** underpin expectation of growth
- **Highly fragmented** competitor landscape

## History of strong financial performance

- Greencross Vet and Greencross Retail have each delivered FY2011-FY2013 historical **EBITDA CAGRs of over 25%**
- Successful network expansion through new store / clinic openings and acquisitions

## Robust growth profile

- Ongoing **roll out of new stores / clinics, acquisition program** and **co-location of clinics and retail stores**
- Management believe that **pro forma FY2014 annualised cost synergies of \$1.5m** are achievable, with future upside
- Pet specialty retail sector (prepared pet food and pet product) has outperformed most other retail categories over the last decade <sup>(2)</sup>

## Experienced board and management

- Extensive **industry expertise** and proven performance
- Board and senior management have **significant shareholdings** in Greencross

1. Includes two clinics acquired in January 2014 at Calwell (ACT) and Beaudesert (QLD).

2. Based on the compound annual growth rate of sector sales between 2003 and 2012.



# Overview of Greencross

As Australasia's leading pet care business, Greencross' purpose is to enrich the lives of pets and their families, via its vision to be:

## Australasia's pet specialist of choice

### GREENCROSS LIMITED

#### Greencross Vet - Veterinary Services



*Largest and only listed veterinary services provider in Australia*

**103 clinics<sup>(1)</sup> with 500k clients**

*Clinics comprise 88 general practices, 7 emergency centres, 4 specialty centres, 2 vet pathology labs and 2 vet crematoria*



**FY2011 – FY2014F CAGR**

Revenue +29.0%, EBITDA +29.8%, clinics +23.8%

**Healthy Pets Plus**

*Having a healthy, happy pet just got easier.*

**Loyalty program: ~24,000 Greencross members**

**Addressable market: ~\$2bn in Australia**

#### Greencross Retail - Specialty Pet Retailing

*Largest speciality pet care retailer in Australasia*



**106 stores<sup>(1)</sup>**



**24 stores<sup>(1)</sup>**

**FY2011 – FY2014F CAGR**

Revenue +22.4%, EBITDA +25.7%, stores +23.1%



**Loyalty program: ~1.2m Petbarn members**

**Addressable market: ~\$5bn in Australia**

1. As at 10 February 2014.

# Company transforming transaction

The Merger adds significant scale to Greencross which provides financial, strategic and capital markets benefits

	Greencross Vet	Greencross Ltd Pro Forma <sup>(1)</sup>		
FY2014F revenue	\$131m	\$443m	↑	238%
FY2014F EBITDA	\$18m	\$54m	↑	196%
FY2014F EBIT	\$16m	\$42m	↑	160%
FY2014F NPAT <sup>(2)</sup>	\$9m	\$21m	↑	142%
Addressable market <sup>(3)</sup>	c.\$2b	c.\$7b	↑	250%

1. Assumes the Merger with Mammoth occurred on 30 June 2013. Includes cost synergies.

2. Post minorities.

3. Management estimates. Addressable market refers to the annual revenue opportunity available for the products and services offered by each of Greencross Vet and Greencross Retail.

# Greencross – pro forma income statement

## Forecast pro forma income for the 12 months ending 30 June 2014

\$m	Greencross Vet	Greencross Retail <sup>(1)</sup>	Transaction adjustments	Greencross
<b>Revenue</b>	<b>131.2</b>	<b>311.6</b>	<b>-</b>	<b>442.8</b>
<b>EBITDA</b>	<b>18.4</b>	<b>33.8</b>	<b>2.2</b>	<b>54.3</b>
Less D&A	(2.3)	(9.7)	-	(12.0)
<b>EBIT</b>	<b>16.0</b>	<b>24.2</b>	<b>2.2</b>	<b>42.3</b>
Less Interest	(2.7)	(6.9)	-	(9.5)
<b>PBT</b>	<b>13.3</b>	<b>17.3</b>	<b>2.2</b>	<b>32.8</b>
Less Tax	(4.0)	(5.4)	(0.5)	(9.9)
<b>NPAT (pre minorities)</b>	<b>9.3</b>	<b>11.9</b>	<b>1.7</b>	<b>22.9</b>
Less minorities	(0.5)	(1.0)	-	(1.5)
<b>NPAT (post minorities)</b>	<b>8.9</b>	<b>10.9</b>	<b>1.7</b>	<b>21.5</b>
<b>EPS</b>	<b>0.235</b>	<b>-</b>	<b>-</b>	<b>0.238</b>

### Pro forma adjustments

- Assumes Merger with Mammoth occurred on 1 July 2013
- Pro forma annualised cost synergy benefits of \$1.5m
  - For conservatism, potential revenue synergies have been excluded from FY2014
- Reduction in Mammoth Long Term Incentive Plan (“LTIP”) expense to reflect the expected post Merger scheme for Greencross
- Net nil change in interest expense after adjusting for:
  - Estimated increase in interest expenses of due to the debt drawdown to fund transaction costs;
  - Estimated reduction in interest expense due to improved terms for Greencross Vet debt; and
  - Reduction in amortisation charges reflecting lower capitalised borrowing costs
- Tax impact of adjustments
  - Reduction of LTIP not deductible for tax purposes

1. Animates revenue and EBITDA 100% consolidated and converted at A\$1:NZ\$1.25.

2. No amortisation of intangibles assumed. To be determined by acquisition accounting.

# Realising value – synergies

## Significant upside potential

Type	Synergy driver	Detail	Key initiatives	Timing
Cost	Increased scale	<ul style="list-style-type: none"> <li>Significantly greater size will enable the business to reduce scalable costs</li> <li>Currently ~20% of Greencross Vet revenue is generated by product sales</li> </ul>	<ol style="list-style-type: none"> <li>1. Equalise procurement terms</li> <li>2. Drive margin improvement from increased scale and private label</li> <li>3. Leverage shared services</li> </ol>	<p>Near-term</p> <p>Near-term</p> <p>Longer term</p>
	Strong customer franchises in each business <sup>(2)</sup>	<ul style="list-style-type: none"> <li>Leverage large <b>customer base of each business</b> (Greencross Retail “Friends for Life” loyalty program has ~1.1m members and Greencross Vet “Healthy Pets Plus” program has ~24k members)</li> <li>Currently limited overlap –only ~20% of Greencross Vet customers shop at Petbarn, and only ~6% of Petbarn customers visit Greencross Vet<sup>(1)</sup></li> </ul>	<ol style="list-style-type: none"> <li>4. Targeted marketing to encourage FFL customers to Greencross Vet</li> <li>5. Targeted marketing to encourage Greencross Vet clients (incl. HPP) to Greencross Retail</li> </ol>	<p>Immediate</p> <p>Immediate</p>
Revenue <sup>(1)</sup>	Retail store footprint	<ul style="list-style-type: none"> <li>Accelerate growth of Greencross Vet network through co-location model</li> </ul>	<ol style="list-style-type: none"> <li>6. Co-locate Greencross Vet clinics in existing and new Petbarn stores</li> </ol>	<p>Longer term</p>
	Complementary capabilities in each business	<ul style="list-style-type: none"> <li>Utilise retailing competency in Greencross Retail to enhance Greencross merchandise offering</li> <li>Utilise Greencross Vet capabilities and brand to extend Petbarn’s offering</li> </ul>	<ol style="list-style-type: none"> <li>7. Enhance Greencross Vet product merchandising</li> <li>8. Offer Greencross Vet products and services in Petbarn</li> </ol>	<p>Near-term</p> <p>Near-term</p>

1. Management estimates.

2. Majority of benefits commence 6-12 months from Merger.

Near-term = benefits commence 6 – 12 months from merger <sup>(2)</sup>

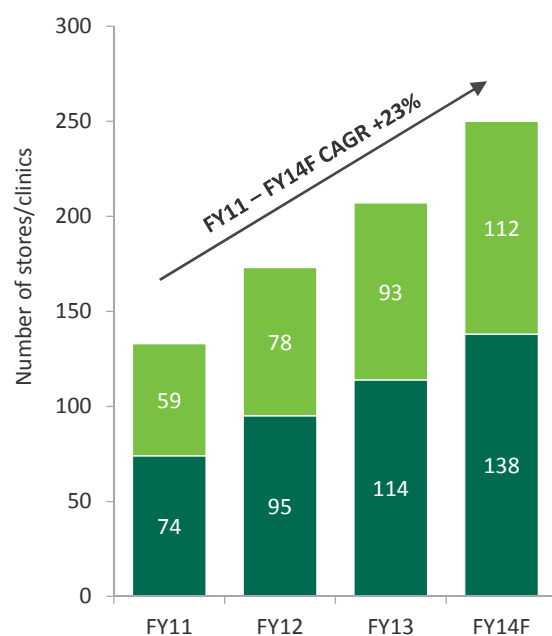
Longer term = benefits commence 12+ months from merger

Immediate = benefits commence 0 – 6 months from merger

# Greencross key financials

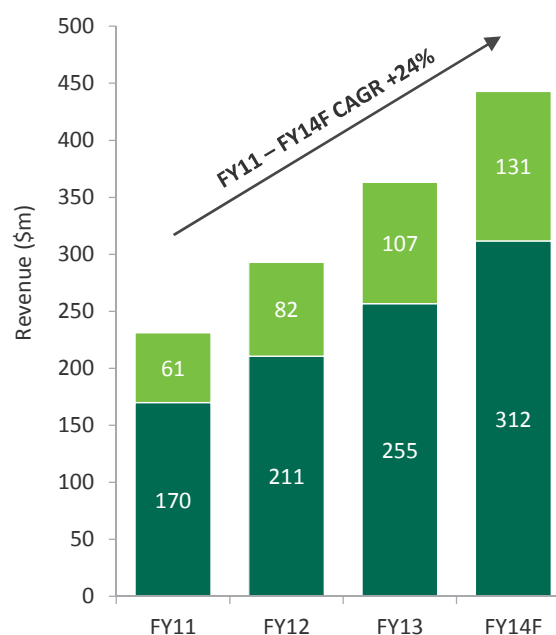
Greencross is expected to generate pro forma FY2014F revenue of \$443m and FY2014F EBITDA of \$54m

Pro forma number of stores



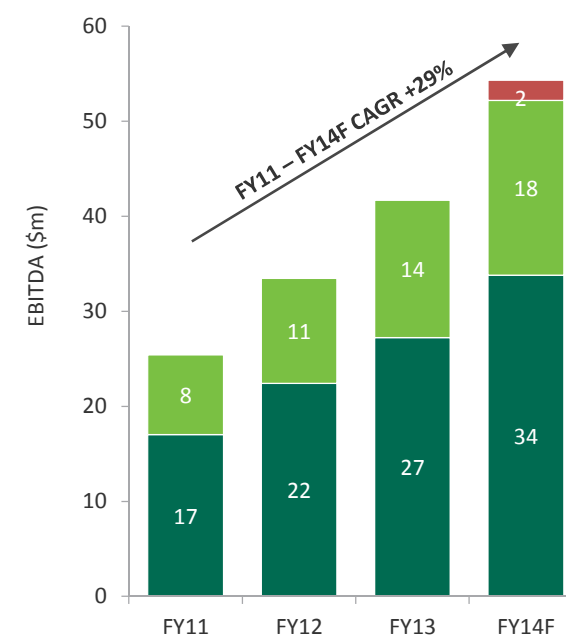
- Greencross Vet
- Greencross Retail

Pro forma revenue (\$m)<sup>(1)</sup>



- Greencross Vet
- Greencross Retail

Pro forma EBITDA (\$m)<sup>(1)(2)</sup>



- Greencross Vet
- Greencross Retail
- Synergies

Source: Statutory audited financials, adjusted for one-off and non-recurring items; management forecasts.

1. Animates revenue and EBITDA 100% consolidated and converted at A\$1:NZ\$1.25.

2. Pro forma cost synergies of \$1.5m in FY2014F plus other adjustments (assumes 12 months of business combination).

# Greencross – Outlook

## Market Overview

- Pet care market remains highly fragmented and open for consolidation
- Greencross estimates it currently has 5% market share in Australia and is targeting 20% market share
- Australasian pet care sector continues to exhibit annual growth rates of ~5%

## Greencross Vets

- Strong acquisitions pipeline
- Acquisitions continue as a key driver of growth with a target of at least 1 to 2 acquisitions per month on multiples of 3.0 to 4.5x EBIT
- Targeting acquisitions representing \$10 million of annualised revenue in second half of FY2014 (with acquisitions representing \$4 million of annualised revenue already completed)
- Healthy Pets Plus targeted to grow by 25% to 30,000 members over the next six months

## Greencross Retail

- Targeting 138 stores by end of FY2014
- Continued focus on private label and supply chain improvements

## Integration

- Initial planning phase has been completed and execution of near term opportunities has commenced
- Management still believe annualised short term cost synergies of \$1.5 million are achievable from the Merger and additional upside can be delivered from revenue synergies over time