



Greencross Limited (ASX: GXL) Announcement

23 February 2015

6.3% Group LFL Sales Growth Drives Record Result – Underlying Net Profit After Tax Up 81%

Highlights (vs. pcg)

- Group LFL sales¹ up by 6.3%
- Underlying revenue up by 43% to \$307.5 million
- Underlying EBITDA up by 62% to \$41.6 million
- Underlying NPAT up by 81% to \$19.0 million
- Underlying EPS up by 48% to 17.2 cents
- Half-year dividend up by 45% to 8.0 cents

Summary of Financial Performance

\$ million	H1 FY2015 Underlying ²	H1 FY2014 Proforma ³	Change %	H1 FY2015 Statutory ⁴
Revenue	307.5	214.5	+43%	307.5
Underlying EBITDA	41.6	25.7	+62%	41.6
Acquisition & integration costs				(19.5)
EBITDA	41.6	25.7	+62%	22.0
NPAT	19.0	10.5	+81%	2.6
EPS	17.2	11.6	+48%	2.4
DPS	8.0	5.5	+45%	

1. Group LFL sales comprising Retail – Australia 6.5%, Retail – New Zealand 6.1% and Veterinary Services 6.2%.
2. After adjusting for \$7.8 million of acquisition costs and \$11.7 million of integration costs relating to City Farmers. This compares to previous guidance provided at the time of the City Farmers acquisition of \$10 million and \$14 million respectively.
3. Assumes the merger with Mammoth was completed on 1 July 2013, excluding integration and acquisition costs and one off items. Includes pro forma synergies.
4. Includes \$7.8 million of acquisition costs and \$11.7 million of integration costs relating to City Farmers.



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Results Overview

Greencross Limited today announced a record first half performance which was driven by strong LFL sales growth across all of its businesses and geographic segments.

Underlying revenue increased by 43% to \$307.5 million, driven by Group LFL sales growth of 6.3%, the City Farmers acquisition, new store openings and vet acquisitions. Statutory EBITDA, which includes the impact of acquisition and integration costs relating to the acquisition of City Farmers (total costs of \$19.5 million compared to previous guidance of \$24 million) increased by 45% to \$22.0 million and underlying EBITDA, which excludes these one off costs, increased by 62% to \$41.6 million, reflecting economies of scale, improvement in gross margins and delivery of merger synergies. Underlying NPAT of \$19.0 million delivered EPS of 17.2 cents, an increase of 48% on H1 FY2014.

Greencross' CEO Jeffrey David said, "This is a very pleasing result for the half year. In a period where YTD we have strengthened our growth platform by increasing our location count by 30% or 75 locations to 321, our team has again delivered Group LFL sales growth of 6.3%, underpinning total sales growth of 43%. This translated into a 48% increase in EPS to 17.2 cents and represents 48% of our full year FY2015 underlying EPS guidance of 36 cents, which we again reconfirm."

LFL Sales

LFL sales accelerated throughout the first half and increased across all business and geographic segments as follows:

LFL sales as at	Week 13	Week 21	Week 26
Retail - Australia	5.7%	6.5%	6.5%
Retail – New Zealand	5.2%	5.9%	6.1%
Veterinary Services	4.8%	6.0%	6.2%

Network

Greencross has added 61 retail stores to its network in FY2015 YTD:

- acquired 42 City Farmers stores in H1
- added 14 new stores in H1 (WA 4, NSW 3, QLD 2, NZ 2, SA 2, VIC 1)
- closed 2 stores in H1 (QLD 1, SA 1)
- added 7 new stores in H2 (VIC 5, QLD 2)

Greencross has added 14 clinics to its network in FY2015 YTD:

- acquired 8 general practices (NSW 3, VIC 3, QLD 2) and 2 pet crematoria (NSW) in H1
- closed one general practice (NSW) in H1
- acquired 1 general practice (NSW) and invested in 4 veterinary clinics in H2

These vet acquisitions will deliver \$27 million in annualised revenue, which means Greencross has already achieved its previous target of \$25 million in acquired annualised vet revenue in FY2015.



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Stores and Clinics	H1 FY2014	H1 FY2015	Current
Retail - Australia	110	162	169
Retail – New Zealand	25	27	27
Veterinary Services	111	120	125
Total Group	246	311	321

Integration of Greencross and Mammoth

Cost savings from the merger with Mammoth through alignment of supplier terms, utilisation of shared services and leveraging Greencross' increased scale have now been delivered in line with expectations.

Greencross' existing co-located stores/clinics at Kawana and Brookvale are performing well. Development approvals have been received for three further co-located sites at Castle Hill, Chatswood and Campbelltown.

Retail remerchandising has been completed in 30 veterinary clinics and the results have been very encouraging in terms of the uplift in front of counter sales. The remerchandising of a further 50 clinics is expected to be completed by the end of FY2015.

CEO Jeffrey David said, "Our focus is to make it easier for our customers to enjoy their life with their pet. A key point of difference is our ability to enable this by leveraging our veterinary and retail expertise. A great example is our puppy preschool program where our vet and retail teams are able to work together to provide behavioural training to puppies and at the same advise the new pet parents on the products that they will need to make the puppy's entry into its new family happier. It's a win/win for our customers and us."

City Farmers

Greencross has completed the acquisition of City Farmers and integrated those 42 retail stores into the retail fleet. The rebranding of 16 City Farmers stores outside of Western Australia has been completed and City Farmers' former office premises in Perth and Melbourne have been closed. Product ranges are being harmonised across the group and margins are successfully converging to Petbarn levels.

The acquisition and integration of City Farmers has been substantially completed and is on time and on budget.

Overall, City Farmers performance in H1 FY2015 was satisfactory, having delivered revenue of \$55.3 million and EBITDA of \$9.5 million in 24 weeks of ownership since acquisition.



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Dividend

The Directors have declared a fully franked interim dividend of 8.0 cents per share, which is 45% higher than the dividend for the previous corresponding period.

The record date for the dividend will be 5 March 2015 and the dividend will be paid on 31 March 2015.

The Company will provide shareholders with the opportunity to reinvest their dividends through the dividend reinvestment plan ("DRP"). Shares subject to the DRP will be issued at a 2.5% discount to the volume weighted average price for Greencross shares traded over the DRP Pricing Period and will rank equally with all other shares. Greencross intends to have the DRP underwritten.

Trading Update and Future Outlook

Sales in the first 6 weeks of January and February have been encouraging, with LFL sales continuing to strengthen. As at week 32, LFL sales were as follows:

- Retail Australia – 6.8%
- Retail New Zealand – 6.7%
- Veterinary Services – 6.6%

Greencross remains on track to add 25 stores to the network in FY2015 (in addition to the 42 City Farmers stores acquired in July 2014) with 21 stores opened already and lease commitments having been entered into for a further 5 stores. Construction has also commenced on another 4 stores expected to open in early FY2016.

Greencross has completed vet acquisitions in FY2015 YTD representing \$27 million in annualised revenue and the pipeline remains robust.

Greencross reconfirms its full year FY2015 guidance of underlying EPS of 36 cents.

Results Briefing – Teleconference Details

The teleconference details for today's results briefing for analysts and institutional investors at 10.30am (AEST) are set out below:

Participant passcode: 220 634 97

	Direct	Toll Free
Australia	(02) 8029 4105	1800 036 268
New Zealand		0800 447 965
Hong Kong	852 3018 6851	
Singapore	65 6408 9900	
United Kingdom		0800 085 5171
USA		1 888 830 9551

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