

22 October 2015

## 2015 AGM – Chairman's Address

I am pleased to report that FY2015 was another solid year of growth for Greencross Limited. This year has been another productive year for the company. We have continued to build our leading market position in the fast growing \$9 billion Australasian pet care market and expanded our store and clinic network to over 350 locations across Australia and New Zealand.

We will continue to pursue our strategy to profitably expand our business by leveraging the benefits of our scale, expanding our reach and increasing our engagement with our customers through our unique integrated model.

We have made significant progress in FY2015 in combining our retail and veterinary services businesses, and the benefits of our integrated pet care platform are now starting to be delivered.

Our co-located vet clinics are performing well, cross referrals between our veterinary and retail businesses are growing strongly, and we recently have introduced a group loyalty scheme that will reward our customers for their purchases across all of our brands.

Greencross is well positioned to deliver another strong year of growth for our shareholders in FY2016.

### **Purpose and Vision**

Our vision for Greencross is to be the best pet care company in the world for our shareholders, our customers, our suppliers and our teams. We will achieve this by developing and growing a range of services and products that can best serve the needs of pet owners in Australia and New Zealand.

We have a clear purpose as a newly integrated business - to make our world a happier place through the love of pets. We believe that by making pet ownership more affordable, making our products and services more accessible, using our knowledge and expertise to provide pet owners with the best advice and bringing pet owners closer together, we can achieve this purpose.

### **Performance Highlights**

Our Chief Executive Officer, Martin Nicholas, will speak to our financial performance in detail, however I would like to briefly call out some of the highlights.

In FY2015, Greencross achieved a 45% increase in revenue driven by growth in same store sales, new store openings and vet clinic acquisitions.



Our EBITDA increased by 60%, reflecting economies of scale, gross margin improvements and the benefits of our integrated pet care platform.

Underlying EPS of 34.3 cents was delivered. While we were disappointed to miss our initial EPS target of 36 cents, we believe that we have the business platform and management team in place to deliver future shareholder value.

### **Network Expansion**

In FY2015 we added a total of 65 stores to our retail network, increasing our total retail network to 200 stores. Greencross acquired 42 City Farmers retail stores in July 2014 and the integration of these stores into our retail network has been completed on time and on budget.

We also added 21 clinics to our veterinary business in FY2015 increasing our total clinic numbers to 132.

### **Loyalty and Wellness Programs**

In FY2015, Greencross grew its Friends for Life retail loyalty program by over 25%. Over 80% of purchases in our retail stores are made on a customer loyalty card, which provides us with a high level of insight into our customers spending habits and allows us to target our offering to suit their individual needs.

In addition, our Healthy Pets Plus Program added approximately 13,000 members in FY2015 to reach over 43,000 members.

### **Staff**

Greencross employs over 5,000 skilled, passionate and dedicated team members. The results achieved by the Company over the past 12 months are a credit to the effort and engagement of all of our Greencross team members. On behalf of the Board, I would like to thank each of these team members for their contribution. The commitment of our team is essential to the ongoing success of our organisation and our ability to deliver returns to our shareholders.

### **Management**

As you are probably aware, Jeffrey David retired as Chief Executive Officer in August. Mr David was a founder of the Mammoth pet business and was appointed as CEO of Greencross in January 2014 following the merger of Greencross and Mammoth. During the past 18 months, Mr David was instrumental in the rapid geographic expansion of our store and clinic network, including the acquisition of the City Farmers business in Western Australia. He also implemented a key supply chain initiative and oversaw the post-merger integration of our retail and veterinary businesses.

I would like to thank Mr David for his contribution to Greencross during his tenure as CEO. His strategic vision was fundamental to the growth of the business and the development of our integrated pet care platform.

Mr David's successor, Martin Nicholas, who will address you shortly, is ideally placed to step into the role having been closely involved in the integration of the Greencross, Mammoth Pet and City Farmers businesses in his former role as Chief Financial Officer.

The Board is confident that Martin will be successful in implementing our strategy to expand our market leading position as the pre-eminent provider of pet care services in Australia and New Zealand.

### **Greencross Shareholders**

Finally, on behalf of the board of directors of Greencross, I would like to thank you, our shareholders, for your support.

I now call on our Chief Executive Officer, Martin Nicholas, to address the meeting.