

Greencross Limited

The Pet Company

2016 INTERIM RESULTS PRESENTATION

RESULTS FOR HALF YEAR PERIOD ENDING 31 DECEMBER
2015



Results overview



Results overview

Solid H1 result underpinned by 18% revenue growth and robust cashflow generation driving reduced net debt

■ **Core business performing well with strong sales and profit growth**

- Group Revenue up 18% to \$362.7 million; LFL sales 5.1%, >6% excluding WA
- Gross Margin % up 240 bps to 55.6%
- Statutory EBITDA doubled to \$45.1 million; Underlying EBITDA up 17% to \$48.5 million
- Underlying EPS up 9% to 18.7 cents and interim dividend up 13% to 9.0 cents

■ **Rapid network expansion continuing**

- 11 stores and 17 clinics added (including 9 co-located “in store” clinics)
- “In store” co-located clinics performing ahead of plan and roll out being accelerated
- Pipeline healthy and significant runway remains

■ **Robust cashflow generation reducing leverage and providing expansionary funds**

- Strong H1 cash conversion of 116% reflecting effective working capital management
- Net debt and leverage decreased

■ **Integrated pet care model successfully increasing customer engagement and cross shopping**

- 2.0 million active retail and vet customers
- 27% increase in cross shoppers over past 12 months

■ **Profitable online business growing at 70% per annum**

- Greencross is committed to be the leading online player in the ANZ pet care market

Results overview

Core business performing well in H1 with strong sales and profit growth

	H1 FY2016 (\$m)	H1 FY2015 (\$m)	Change (\$m)	Change %
Revenue	362.7	307.5	55.2	+18%
Gross margin	201.6	163.8	37.8	+23%
Gross margin (%)	55.6%	53.2%		+240bps
EBITDA	45.1	22.0	23.1	+105%
Exceptional items	3.4	19.5	(16.1)	-83%
Underlying EBITDA ¹	48.5	41.6	6.9	+17%
Underlying EBITDA (%)	13.4%	13.5%		-10bps
Underlying NPAT post minorities	21.2	19.0	2.2	+12%
Underlying EPS (cents)	18.7	17.2		+9%
Interim dividend (cents)	9.0	8.0		+13%

1. Exceptional items are removed to facilitate year on year comparison

Sales revenue - 18% growth

H1 FY2016 Group sales revenue up 18% to \$363 million driven by LFL sales and rapid network expansion

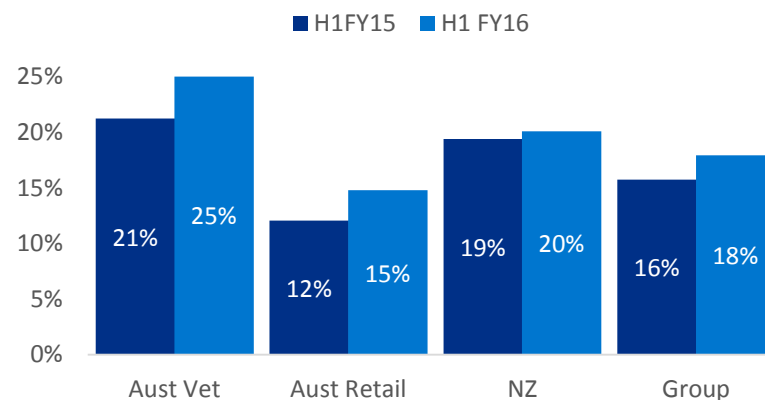
H1 FY2016 sales revenue by segment

- Strong sales growth across all segments and regions
- Australian Veterinary Services revenue up 25% to \$96.3 million driven by 2015 acquisitions, co-locations and organic growth increasingly supported by cross referrals
- Australian Retail revenue up 15% to \$228.0 million (+16% East Coast, +8% WA, +70% online) with strong performance in premium food)
- New Zealand revenue up 20% to \$38.4 million due to fleet expansion and excellent LFL sales

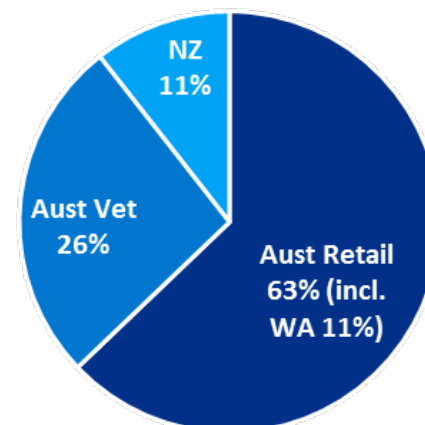
Commentary on LFL Sales

- Group LFL sales 5.1% reflecting softness in WA. Excluding WA, Group LFL sales are above 6%
- Australian Retail LFL of 4.3%, strong East Coast (>6%) and negative in WA LFL with soft economy, network expansion and re-ranging. WA is now delivering positive LFL sales
- Australian Vet General Practice ("GP") LFL sales of 4.1%² were flat on pcp and reflect a 4.6% increase in GP visits. Growth in cross referrals supporting LFL sales
- Excellent New Zealand LFL sales at 7.3% supported by strong sales in key dog (8.3%) and cat (6.3%) categories

Total Sales Growth¹ (%)



Sales by business segment (%)



1. H1 FY2015 Australian Retail sales growth excludes the impact of the acquisition of City Farmers

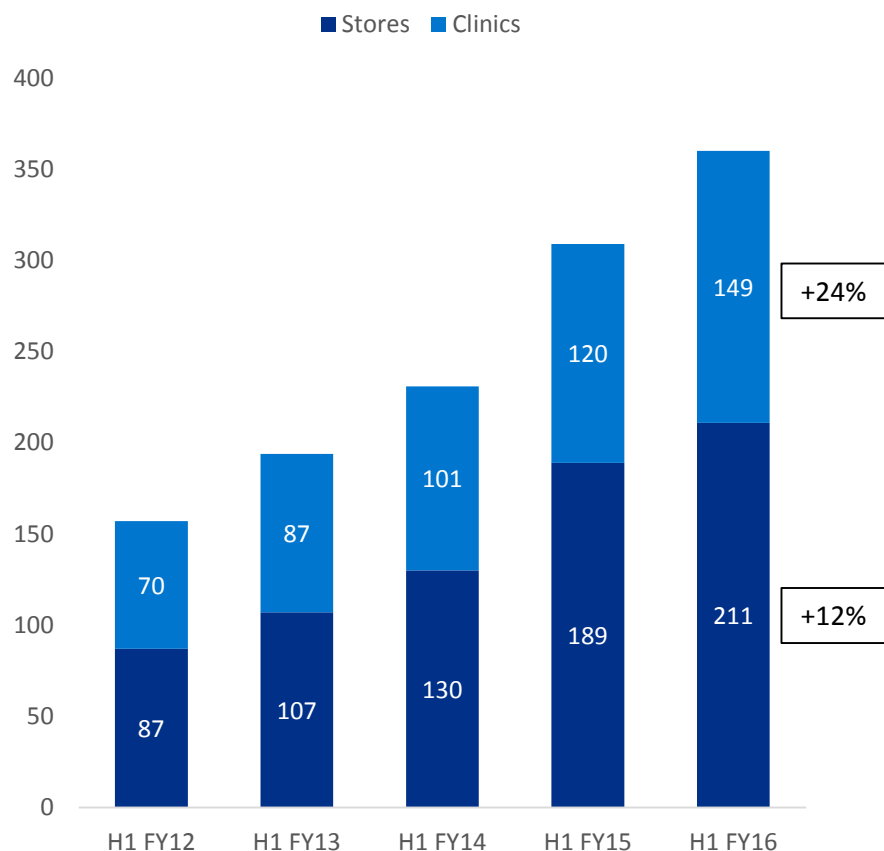
2. Excludes non consumer facing B2B business. FY2015 Vet GP LFL sales (excluding B2B) were 4.1%. Previously reported FY2015 Veterinary LFL sales included B2B.

Rapid network expansion driving availability and underpinning growth

Greencross added 28 stores and clinics in H1 FY2016 and continues to roll out services

Acceleration of co-located “in store” vet clinics

Store and Clinic Numbers



1. Net of store and clinic closures
2. Includes the acquisition of 42 City Farmers stores

Network summary

- Retail stores (+11 in H1)
 - Strong momentum. Pipeline remains healthy with multi format stores providing flexibility
- Co-located “in store” clinics (+9 in H1)
 - Accelerated following success of initial clinics and strong business model with attractive economics compared to vet acquisitions
 - Pipeline healthy with 50% of stores able to accommodate a full service clinic
- Vet acquisitions (+8 in H1, \$6.5m annualised revenue)
 - Price discipline maintained
- Grooming services (+7 in H1)
 - Rollout of “in store” services continues to increase customer engagement

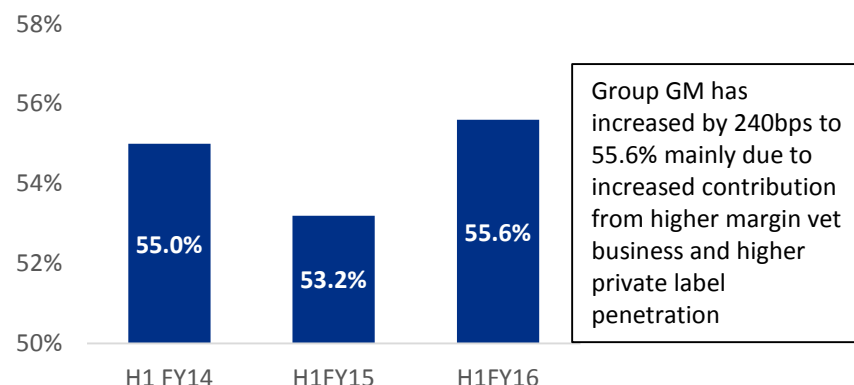
Expansion Funding

- Cashflow and debt facility (\$130m headroom) means Greencross has ample capacity to fund its network expansion, including acquisitions

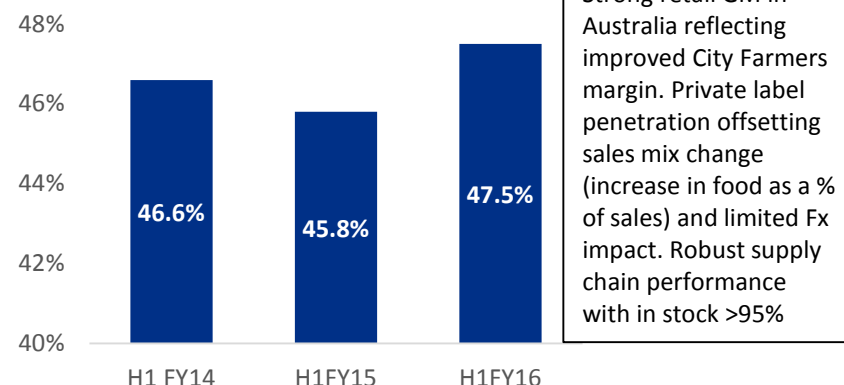
Improved gross margin %

Group gross margin increased by 240bps to 55.6%. Good performance across all divisions

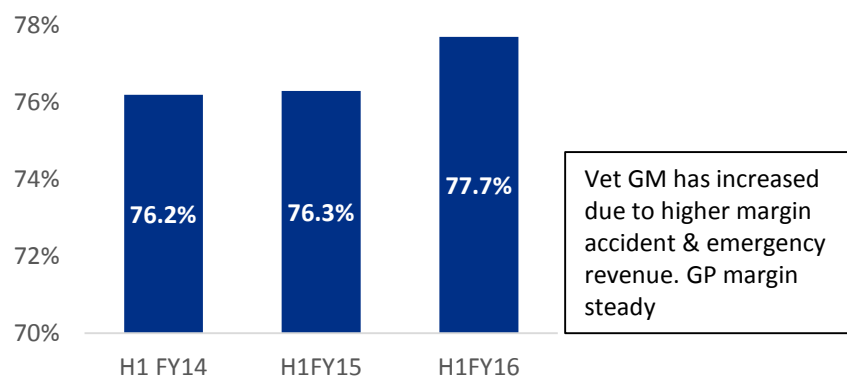
Group – Gross Margin %



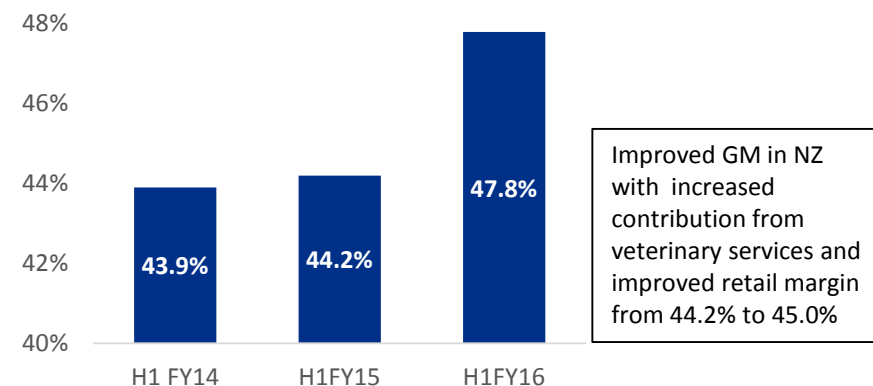
Australian Retail – Gross Margin %



Australian Vet – Gross Margin %



New Zealand – Gross Margin %



Cashflow

H1 delivered strong cashflow generation reducing leverage ahead of schedule and providing expansionary funds to support self funded growth

Statutory cash flow	H1 FY2016 (\$m)	H1 FY2015 (\$m)
EBITDA	45.1	22.0
Working capital movement	7.3	(11.4)
Ungeared pre-tax operating cashflows	52.4	10.6
Cash conversion %	116%	48%
Net interest paid	(6.9)	(4.8)
Income taxes paid	2.8	(6.4)
Net cash from operating activities	48.2	(0.6)
Purchase of City Farmers	-	(155.3)
Expansionary capex	(19.2)	(19.5)
Underlying capex	(13.7)	(14.5)
Net cash used in investing activities	(32.8)	(189.3)
Free cash flow	15.4	(189.9)
Net cash used in financing activities	9.5	97.5
Net increase/(decrease) in cash	24.9	(92.4)

- Strong H1 cash conversion (+116%) with improved store inventory levels and receivable collections
- Strong supply chain performance – in stock improved and inventory reduced
- Expansionary capex in line with expectations and fully funded from cash
- Income tax reflects receipt of tax refund in H1
- \$15 million free cashflow generation exceeding expectations and boosting expansionary funds
- Net debt reduced by \$14 million and leverage decreased to 2.3x

	31-Dec 2015 (\$m)	30-Jun 2015 (\$m)
Debt metrics		
Net debt	220.1	234.4
Leverage - bank basis	2.3x	2.5x

Balance sheet

Key movements reflect effective working capital management and continued investment in growth. \$130m remaining headroom on debt facility

	31-Dec 2015	30-Jun 2015	Change
Balance sheet	(\$m)	(\$m)	(\$m)
Assets			
Cash and cash equivalents	54.5	29.6	24.9
Inventories	91.1	85.8	5.3
Other	13.5	19.2	(5.7)
Total current assets	159.1	134.7	24.4
Intangibles	538.5	527.8	10.7
Property, plant and equipment	144.7	131.4	13.3
Other	17.7	19.7	(2.0)
Total non-current assets	700.9	678.9	22.0
Total assets	860.0	813.6	46.4
Liabilities			
Trade and other payables	91.3	79.7	11.6
Borrowings	274.6	264.0	10.6
Tax and other provisions	54.1	50.7	3.4
Total liabilities	420.0	394.5	25.5
Net assets	440.0	419.1	20.9

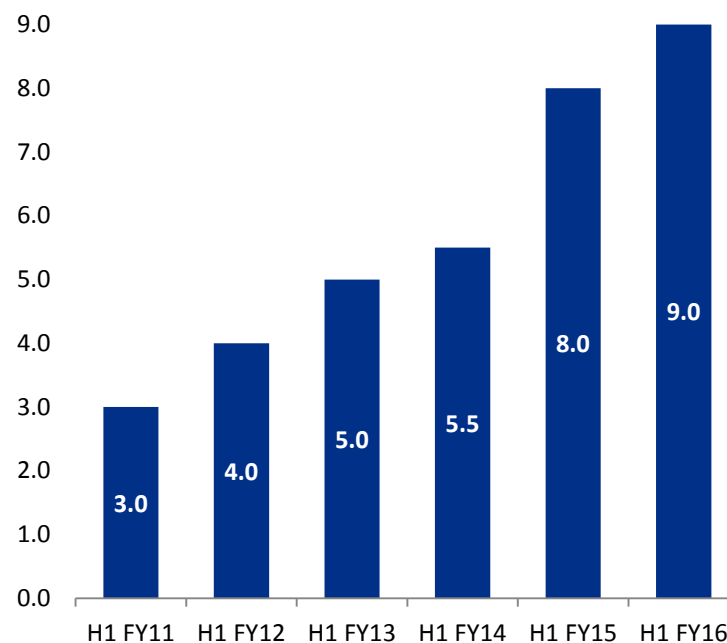
- Core inventory levels well controlled with existing instore stock reduced from \$340k per store to \$320k per store since 30 June 2015
- \$5 million increase in inventory reflects stock for 11 new store openings and impact of direct delivery
- Intangibles reflects continued investment in supply chain and online platform plus acquired goodwill
- Net debt reduced to \$220 million and leverage decreased to 2.3x
- Covenants comfortably met
- \$130m headroom on the Australian senior debt facilities providing ample capacity to fund growth opportunities including acquisitions

Dividend

Interim dividend increased to 9.0 cents per share

- The Directors have declared a fully franked interim dividend of 9.0 cents per share in line with target payout ratio of 50%
- Interim dividend is 13% higher than last year's interim dividend of 8.0 cents per share
- Greencross has suspended its dividend reinvestment plan (DRP) until further notice. Accordingly, the DRP will not apply to the interim dividend
- Key dates
 - Ex dividend date – 24 February 2016
 - Record date – 26 February 2016
 - Dividend payment date – 23 March 2016

Greencross dividend history (cents per share)



Australian Retail is performing well

■ Australian Retail

- Sales revenue increased by 15%. Discounting and promotional support at normal levels. LFL sales outside of WA remained strong at >6%
- Gross margin % improved. City Farmers margin increase offsetting impact of planned increase in super premium food. Private label sales increased to 18% of retail sales offsetting limited impact of weakening AUD
- Supply chain performing well with 95% in store availability and reduced inventory
- Customer engagement remains strong with record loyalty club members and 80% swipe rate

■ WA retail

- Revenue increased +8% driven by network expansion
- Gross margin and store profitability improved ; LFL sales declined with soft economy, network expansion and re-ranging. Positive LFL sales in Q3
- Focus on improved foot traffic through price competitive key grocery brands, private label offering and targeted customer communications.

■ Network Expansion

- 7 new stores opened in H1 FY2016 at Holden Hill (SA), Box Hill (VIC), Bundaberg (QLD), Mentone (VIC), Busselton (WA), Albury (WA) and Woden (ACT). 1 store closed (NSW)

Australian Retail	H1 FY2016	H1 FY2015
Revenue (\$m)	228.0	198.6
Revenue Growth(%) ¹	15%	12%
Stores	179	162
Gross Margin (\$m)	108.3	\$90.9m
Gross Margin (%)	47.5%	45.8%
Loyalty card members	2.0m	1.4m
% of sales on a loyalty card	80%	80%



1. H1 FY2015 revenue growth excludes one off impact of City Farmers acquisition
 2. Top 1,000 lines representing >75% of sales

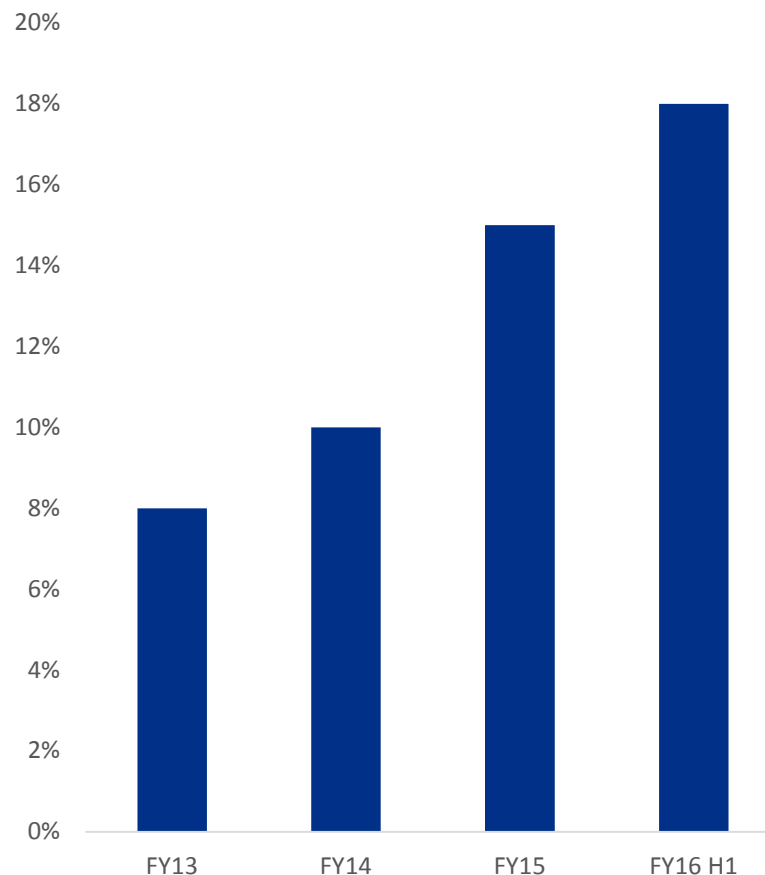
Growth in private label and exclusive products

Private label sales now represent ~18% of Australian retail sales revenue¹. Our long term target is 25%.

Private label and exclusive ranges deliver

- Innovative, high quality offerings
- Great value proposition for our customers
- Increase customer loyalty and stickiness to exclusive products
- Increased gross margin in key categories
- Enhanced range and customer choice

Private label sales as a % of Australian retail sales



1. 12 months ending 31 December 2015

Australian veterinary services is performing well

■ Sales and margin

- Sales revenue increased by 25% driven by network expansion including specialty & emergency and “in store” clinics
- Vet GP LFL sales growth of 4.1% (supported by increased GP visits +4.6% and cross referrals) well above industry growth rate of 2.7%¹
- Gross margin increased by 140bps due to higher margin specialty and emergency and outsourcing of pathology
- Customer engagement remains strong with record membership in our Healthy Pets Plus (“HPP”) wellness program

■ Network expansion

- 8 “in store” co-located clinics added in Australia in H1 at Chatswood (NSW), Box Hill (VIC), Bundaberg (QLD), Campbelltown (NSW), Browns Plains (QLD), Noosa (QLD), Mitchelton (QLD) and Parramatta (NSW)
- 4 clinics acquired in Australia in H1 at Maroochydore (QLD), Adelaide (SA), Townsville (QLD) and Five Dock (NSW) representing \$3.5 million of annualised revenue

■ Vet graduate program

- 31 graduates employed

Vet Services	H1 FY2016	H1 FY2015
Revenue (\$m)	96.3	77.0
Revenue Growth (%)	25%	21%
Clinics	141	120
Gross Margin (\$m)	74.9	58.7
Gross Margin (%)	77.7%	76.3%
HPP members	50,000	39,000



1. Management estimates based on industry reports including IBIS World Industry Report Veterinary Services in Australia (January 2016)

Roll out of co-located “in-store” clinics being accelerated

“In store” co-located vet clinics have more attractive economics than standalone vet acquisitions

Accessible, affordable veterinary care

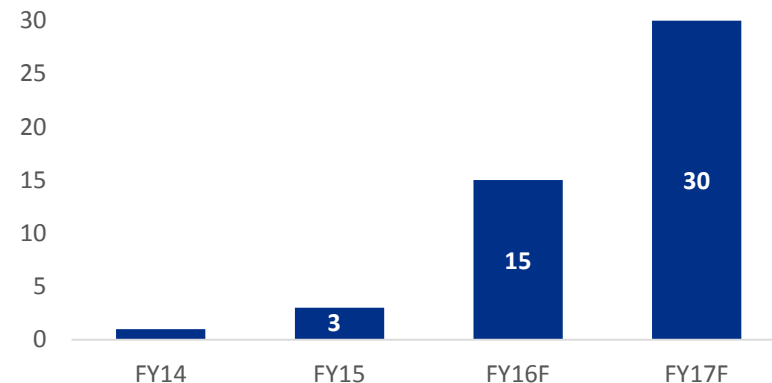
- Modern, *fully equipped veterinary clinics* conveniently located staffed by engaged and incentivised vet partner
- Strong customer acceptance with strong cross referral accelerating revenue build and return
- Internationally proven model (in UK > 50% of Pets At Home stores have an “in-store” clinic)
- Efficient use of existing store m² increasing profitability and return on capital. Payback in 3.5 years compared to 4 to 5 years for acquisitions. Higher forecast ROIC.
- *Our retail store network represents a unique strategic advantage for veterinary network expansion*



Strong results support accelerated roll out

- **Greencross is now targeting 30 “in store” clinics by the end of FY2017**
- FY2015 “in store” clinics are performing *ahead of business case*, reaching profitability in year 1 and delivering \$0.6m pa per clinic i.e. 75% of projected year 4 revenue. Payback <3.5 years. Revenue is pure, high margin, clinical income
- 9 co-located “in store” vets added in H1 FY2016 bringing total to 12
- ~50% of existing retail stores can accommodate a vet clinic

Actual and target “in store” clinic numbers



NZ is delivering outstanding growth

■ Sales and Margin

- Sales revenue increased by 20% to \$38.4 million driven by store network expansion and outstanding LFL sales
- LFL sales growth of 7.3% with strong performance in core dog (8.3%) and cat (6.3%) categories. Auckland is the best performing region
- Gross margin increased by 360bps to 47.8% due to increased contribution from veterinary services and improved retail margin supported by increased sales of exclusive brand products

■ Network Expansion

- 5 new stores opened in H1 FY2016 at Glen Innes, Poirua, Dunedin, Coastlands and Christchurch
- 4 clinics acquired in H1 FY2016 at Palmerston North (2) and Wellington (2) representing \$3 million in annualised revenue
- 1 co-located clinic added in Wellington

New Zealand	H1 FY2016	H1 FY2015
Revenue (\$m)	38.4	31.9
Revenue Growth (%)	20%	19%
Gross Margin (\$m)	18.4	14.1
Gross Margin (%)	47.8%	44.2%
Stores	32	27
Clinics	8	0
Loyalty card members	539,000	479,000
% of sales on a loyalty card	94%	94%



Team – promoting a culture of excellence

The foundation stone of our vision to be “*the best pet care company in the world*” is our people. Our passion for our people centres on:

- Developing our leaders, at every level:
 - We invested 11,600 hours into leadership development in H1
 - Our 3 year leadership program develops internal talent and fills our pipeline for network expansion
- Investing in enhancing knowledge, experience and skill for our team:
 - Over 120,000 hours of training was delivered in H1
 - Using comprehensive engagement strategies to attract, retain and develop talent
 - Exposure to “Best in Class” Retail / Veterinarian strategies to maintain expertise and reputation
- Advancing our veterinary professionals through world class continuing education including:
 - Continuous improvement in our standards of patient care
 - Providing access to further professional education in speciality areas
 - Working towards our goal to be the ‘employer of choice’ for the veterinary industry – 31 new graduates in 2016
- Ensure our talent profile by building our own
 - Expanding the breadth of internal talent through involvement in group wide strategic projects
 - Optimised our succession plan to leverage talent across the organisation



Leverage our integrated
pet care offering



Deepening customer engagement

Greencross is the #1 player in the ANZ pet market with significant growth runway remaining

Greencross has <10% market share in the \$8.5 billion ANZ pet market¹

- ✓ Multi store formats provide flexibility and strong pipeline of available, suitable retail sites
- ✓ Co-located “in store” clinics offer attractive alternative to vet acquisitions - being accelerated
- ✓ Target to be #1 in online – a true omni channel pet care company
- ✓ Integrated, one stop shop model proving the winning strategy

Market	Market Size	Our position	Current	Target
Pet Retail	\$4.5 B	#1	211 stores	>350 stores
Vet	\$2.5 B	#1	149 clinics (including 12 “in store”)	>350 clinics (including >150 “in store”)
Online ²	\$150M	#3	\$10 million turnover	\$100 million turnover
Grooming	\$100M	#1	56 grooming salons	>100 salons

1. Management estimates

2. Pet specialty (excludes supermarkets)

Integrated pet care - a winning strategy

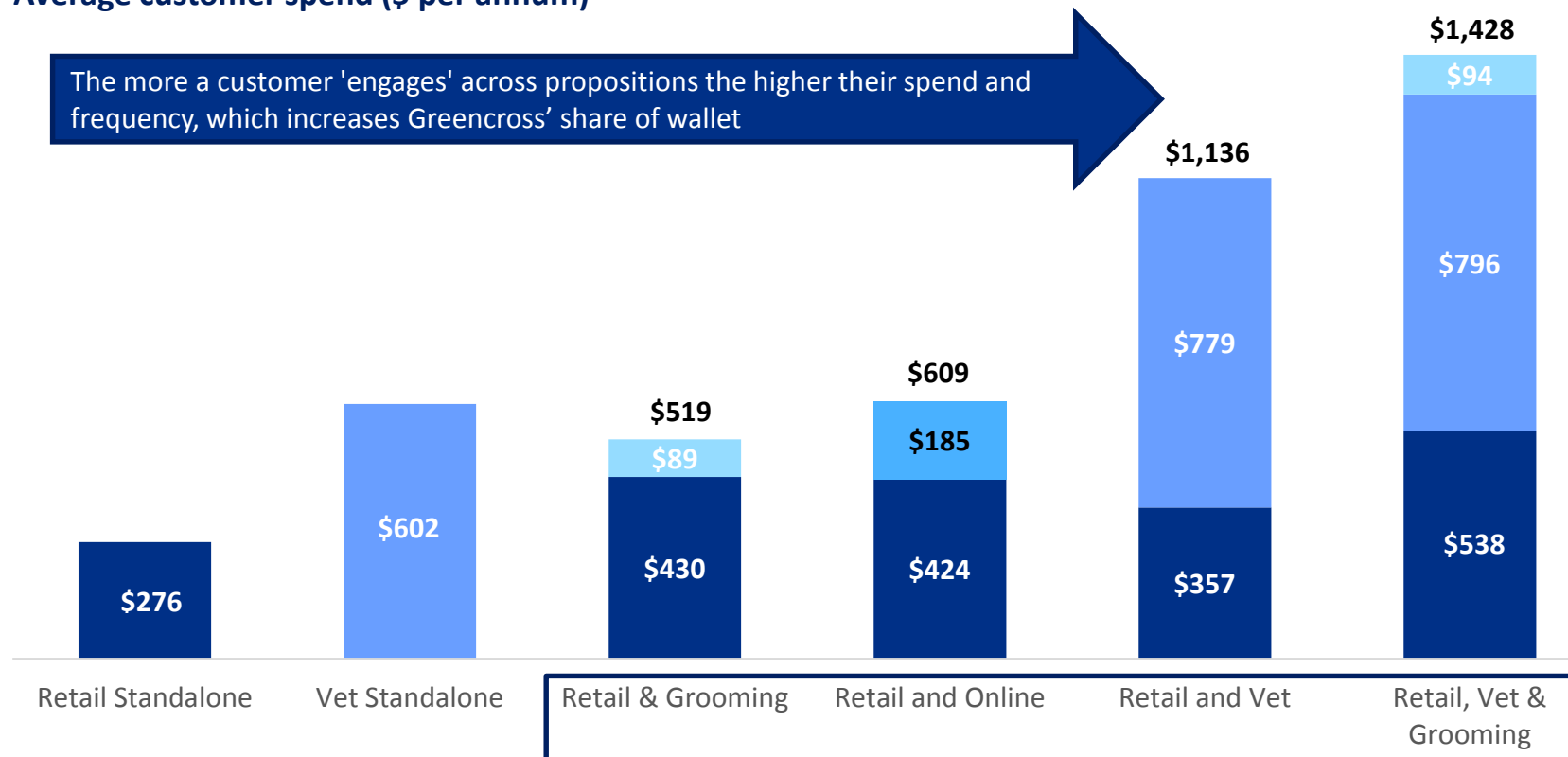
- Humanisation of pets is increasing the need for excellent, affordable and accessible pet care offerings
- Our unique integrated petcare model delivers on this need
- We are increasingly offering pet owners ALL they need, where they need it, in a convenient, engaged, accessible and affordable way
- Pets and their owners are at the centre of all we do
- Integrated model has been proven offshore



Cross shoppers are more engaged, loyal and increase their spend across all categories

Average customer spend (\$ per annum)¹

The more a customer 'engages' across propositions the higher their spend and frequency, which increases Greencross' share of wallet

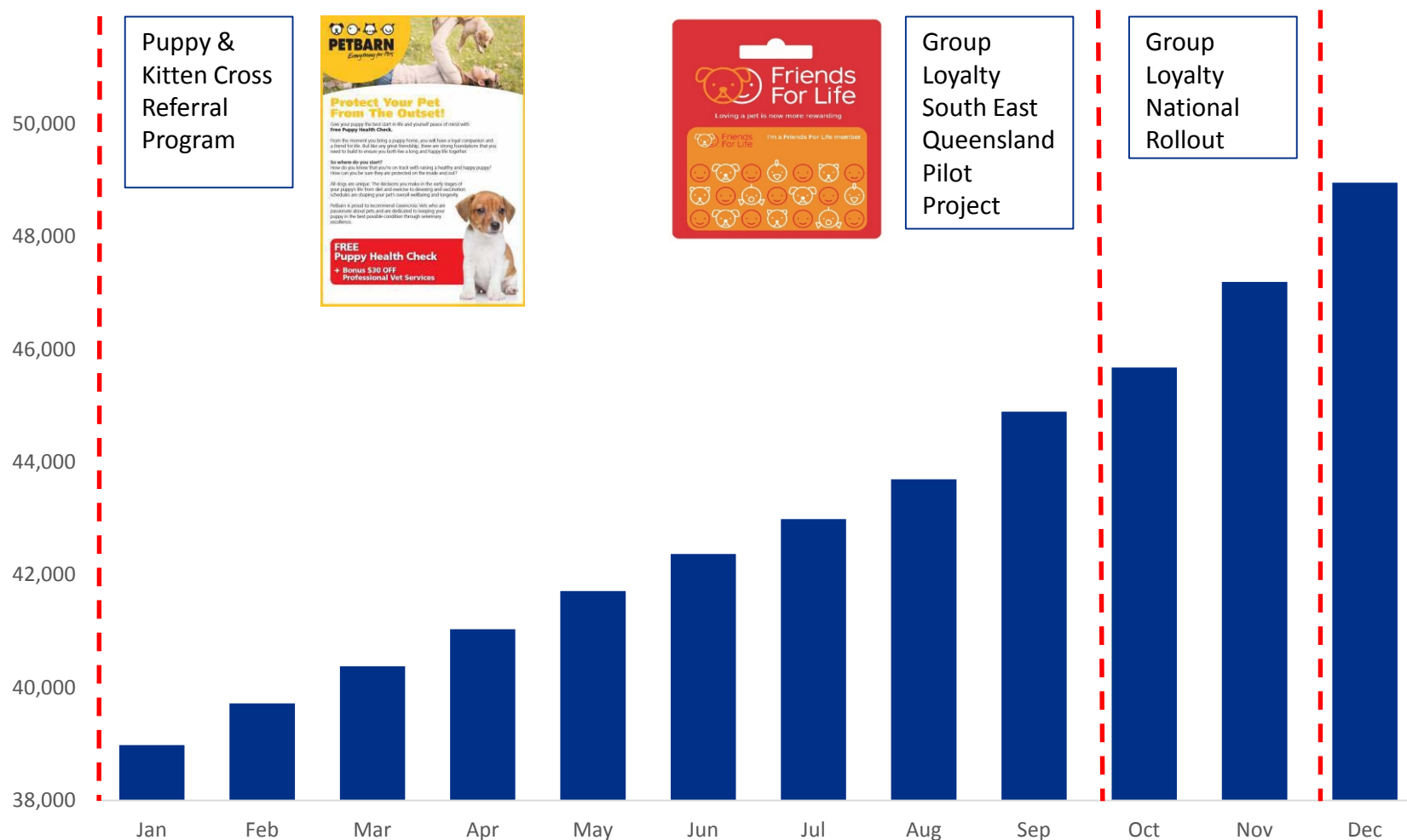


These cross shopping customers currently represent 7% of active customers but 17% of total revenue and 19% of total gross margin¹

1. Actual Greencross Australian customer data for the 12 months ending 31 December 2015. Active customers are customers who have shopped at Greencross in the last 12 months.

The number of cross shoppers is rapidly increasing

Customers who cross shop across retail and vet services has increased by 27% over the past 12 months to nearly 50,000. Including all services, Greencross has over 100,000 cross shoppers



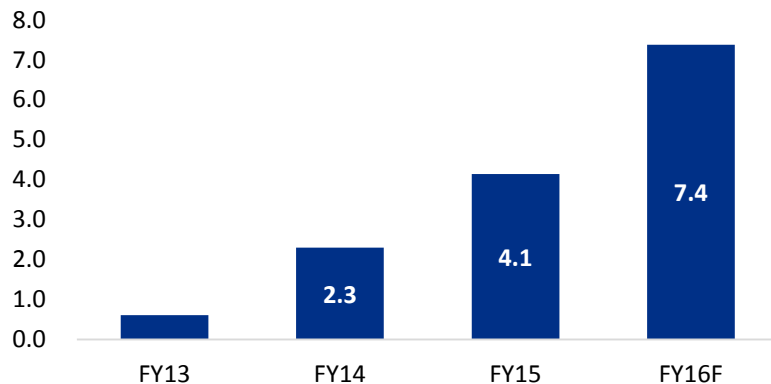
Australian online pet sector – a key growth priority for Greencross

Greencross' online business is already profitable, scalable and growing rapidly +70%

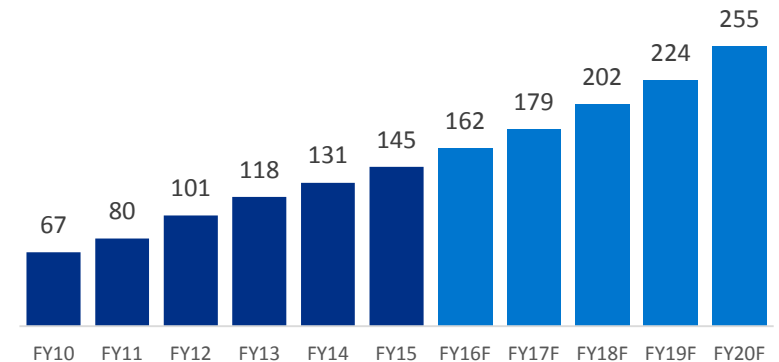
Greencross is a profitable player in the online pet retail market

- The Australian online pet retail market is estimated to be worth at least \$150m¹ and is projected to grow by 12% p.a. to \$255m¹ by 2020
- Greencross online sales grew by **70%** in H1 and are expected to reach an annualised run rate of \$10 million by the end of FY2016
- Profitable, scalable store fulfilment model
- Online currently represents less than 2% of retail sales
- Strong engagement with Petbarn website

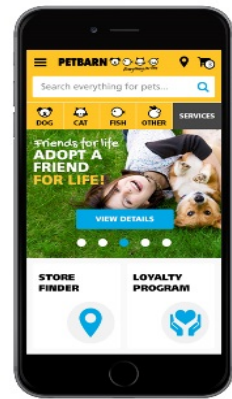
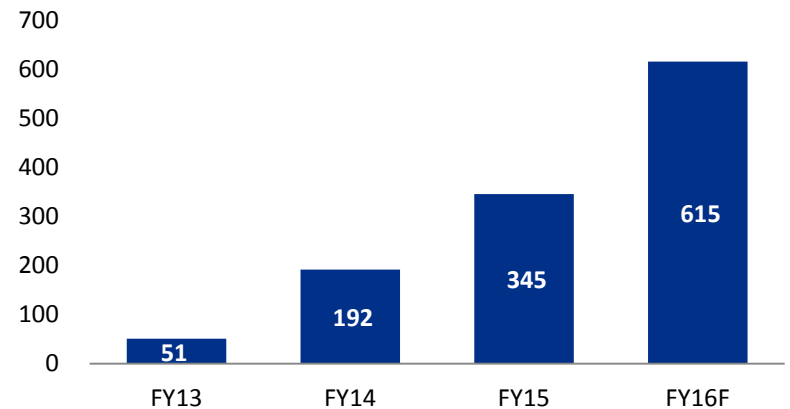
Greencross online sales revenue (\$m)



Australian online pet sector (\$m)



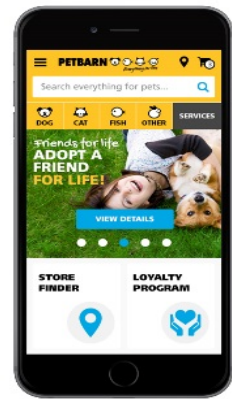
Petbarn average monthly website visits (thousands)



1. Management estimates based on industry reports including IBIS World Industry Report - Australia Online Pet Food & Pet Supplies (June 2015)

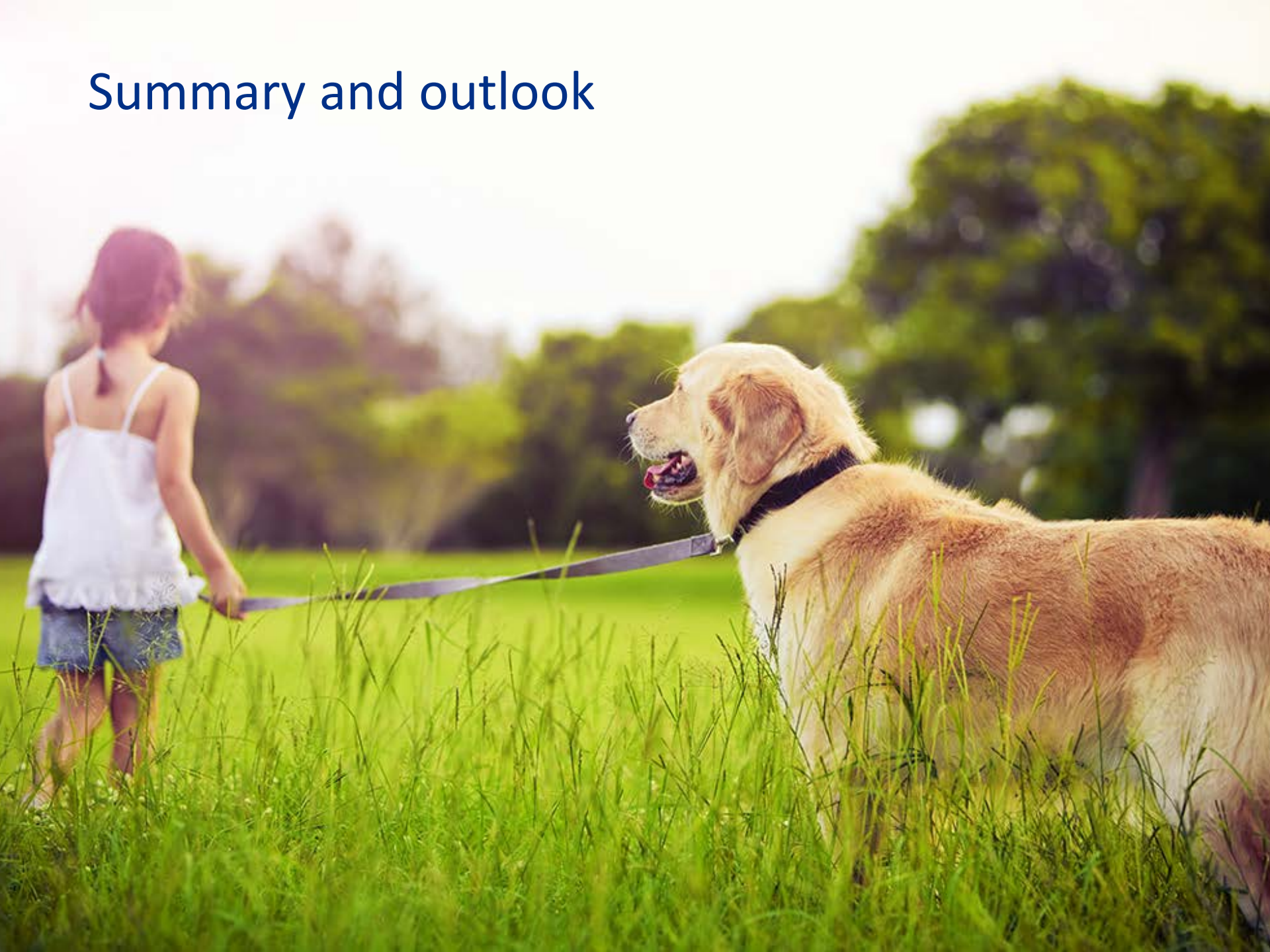
We are investing to further accelerate our online presence to be #1

- ✓ Strong, trusted brands in Petbarn, City Farmers, Animates and Greencross Vets
- ✓ High levels of existing traffic to online site
 - Currently over 550,000 total visitors per month and growing strongly (market leading visits)
 - Opportunity to engage and transact
- ✓ Network of retail stores and vet clinics
 - 300+ locations for *click and collect* (Pets at Home report 50% of online orders are collected in store)
 - Store fulfilment model to efficiently service *home delivery* minimising delivery cost
 - Endless aisle and extended virtual range in stores / clinics
- ✓ Integrated model (cross shopping)
 - engagement across multiple platforms offering services and products (pet app & online booking)
- ✓ Accelerated investment in systems architecture and capability



Greencross is committed to be the leading online player in ANZ pet care, meeting all our customer needs whenever and wherever they choose to shop

Summary and outlook



The Greencross business

Greencross is a unique integrated pet care growth company in the attractive ANZ pet sector

Strong brands and extensive store and clinic network

- Market leading brands
- 211 stores, 149 clinics, 56 grooming salons and 150 dog washes

Standout leader in the attractive ANZ pet care sector

- More stores and clinics than nearest 4 competitors combined
- Single largest provider of pet services, number one in vet practices and grooming services
- Australia's largest employer of vets (over 400)
- Extensive reach - over half of ANZ pet owners have convenient access to one of our stores or clinics
- Passionate team committed to excellent service

Strong financial performance and cash generation

- Track record of revenue, EBITDA and earnings growth
- Consistent LFL sales growth boosted by cross shop
- Cash generative business model

Strong growth opportunities

- Strong network pipeline with target portfolio of >350 stores and > 350 vet clinics
- Significant opportunity for "in store" co-located vet practices and grooming salons
- Targeting online #1
- Cross shop deepening engagement
- Margin opportunities from scale and increased sales of high margin private label and exclusive products

Unique integrated offering driving engagement and customer loyalty

- Over 2.5 million loyalty club members with > 80% swipe rate
- One stop shop – products, veterinary care, grooming, DIY dogwash and specialty medical
- Cross selling opportunities increasing engagement
- Multi channel offer, with growing online and digital presence

Greencross is a unique integrated pet care growth company in the attractive ANZ pet sector

■ Trading update as at Week 32

- Total sales growth 17.7%
- Group LFL sales growth 5.1%
- WA is now delivering positive LFL sales
- Gross margin remains strong

■ Network expansion

- Greencross expects to add 20 stores and to open 12 “in store” co-located clinics in FY2016
- Roll out of “in store” co-located clinics has been accelerated and Greencross now expects to have 30 co-located clinics by the end of FY2017
- Level of vet acquisition activity in H2 expected to be similar to H1

■ FY2016 H2 outlook

- Greencross remains confident of delivering strong revenue and earnings growth supported by improving LFL sales growth, including WA, and continued network expansion. Robust cash flow conversion will further strengthen the balance sheet

Appendix



Network summary

Stores	H1 FY2016	H1 FY2015
Stores at beginning of period	200	135
New stores ¹	11	54 ¹
Stores at end of period	211	189
Clinics	H1 FY2016	H1 FY2015
Vet clinics at beginning of period (including co-located clinics)	132	111
Acquired standalone vet clinics ¹	8	8
New co-located vet clinics	9	1
Vet clinics at end of period (including co-located clinics)	149	120
Co-located clinics at end of period	12	1
% of stores with a vet at end of period	6%	<1%
Groomers	H1 FY2016	H1 FY2015
Groomers at beginning of period	49	40
New groomers	7	6
Groomers at end of period	56	46
% of stores with a groomer at end of period	27%	23%

1. Net of store and clinic closures

2. Including acquisition of 42 City Farmers stores

Reconciliation of statutory and underlying results

H1 FY2016	Revenue	EBITDA	NPAT attributable to shareholders
Reconciliation of underlying to statutory results	(\$m)	(\$m)	(\$m)
Statutory	362.7	45.1	18.7
Add back: acquisition costs	-	0.9	0.7
Site rationalisation costs	-	0.7	0.5
Share-based payments expense (non-comparable)	-	0.4	0.4
Leadership Team - redundancy and restructuring costs	-	1.4	1.0
Effective tax rate adjustment	-	-	(0.2)
Total adjustments	-	3.4	2.5
Underlying	362.7	48.5	21.2

H1 FY2015	Revenue	EBITDA	NPAT attributable to shareholders
Reconciliation of underlying to statutory results	(\$m)	(\$m)	(\$m)
Statutory	307.5	22.0	2.6
Add back: acquisition costs	-	7.8	7.8
Integration - range, brand and store harmonisation	-	5.8	4.0
Integration - redundancy and labour costs	-	6.0	4.2
Effective tax rate adjustment	-	-	0.4
Total adjustments	-	19.5	16.4
Underlying	307.5	41.6	19.0

The Pet Foundation

Over \$1.25 million raised for charity in H1



- The Pet Foundation was established in 2012 with a purpose of providing support for charity organisations that dedicate their time and effort into caring for animals in need
- The Pet Foundation's mission is 'to enrich the lives of pets and people who love and need them' and with the help of the community to raise funds for our charity partners
- The Pet Foundation aims to fulfil this mission through the Five R's Philosophy; by reducing the number of animal euthanized, rescuing animals in crisis, rehabilitating behavioural issues in pets, providing relief by supporting activities which help pets and people and creating responsible pet owners
- Adoptions
 - We have 96 Adoption Centres in our Petbarn & City Farmers stores
 - 14,200 lives have been saved to date
 - Over \$360,000 in adoption fees provided to our adoption partners in H1
- Raised an additional \$900,000 in H1 across successful fundraising initiatives including:
 - Hedgehog plush toy
 - Advent calendars
 - Christmas giving tree appeal



End

