

23 August 2016

FY2016 Full Year Result

Greencross delivers 82% increase in NPAT

Highlights

– Revenue	up 14% to \$733.7 million
– Gross margin (%)	up 130 bps to 55.7%
– EBITDA	up 38% to \$87.1 million
– Underlying EBITDA ¹	up 12% to \$97.5 million
– Cash Conversion	up 53% to 108%
– NPAT	up 82% to \$34.6 million
– Underlying NPAT ¹	up 10% to \$42.1 million
– Underlying EPS ¹	up 8% to 37.0 cents
– Annual Dividends	up 9% to 18.5 cents per share
– Net debt	down \$6.4 million to \$228.0 million
– Retail stores	up by 21 to 221
– In-store vet clinics	up by 14 to 17

Summary of Financial Performance

\$m unless otherwise stated	FY2016	FY2015	Increase
Revenue	733.7	644.5	+14%
Gross Margin	408.7	350.5	+17%
Gross Margin (%)	55.7%	54.4%	+130bps
EBITDA	87.1	63.3	+38%
Underlying EBITDA ¹	97.5	86.8	+12%
Cash conversion (%)	108%	55%	+53%
NPAT	34.6	19.1	+82%
Underlying NPAT ¹	42.1	38.2	+10%
Underlying EPS ¹ (cents)	37.0	34.3	+8%
Annual Dividends (cents)	18.5	17.0	+9%

1. Excludes exceptional and non-comparable items to facilitate year on year comparison

Greencross' Chief Executive Officer, Martin Nicholas said *"FY2016 has been another year of solid growth for Greencross with strong margins and cashflows. We have added 21 stores and 23 clinics, bringing the total size of the network to 376 stores and clinics. We have been delighted with the response of our customers to our 17 in-store vet clinics and the outstanding performance of these in-store clinics, which are efficiently utilising existing square metres to*

deliver incremental revenue. This reinforces our conviction that our unique integrated petcare model will continue to succeed in the Australasian petcare market”.

Results Overview

Revenue increased by 14% to \$733.7 million driven by growth in same store sales and network expansion.

Gross margin increased by 17% to \$408.7 million and gross margin (%) increased by 130bps to 55.7%. Australian retail gross margin (%), which increased by 60bps to 47.3%, reflected increased private label sales and was supported by the impact of more targeted discounting in the second half. Australian veterinary services gross margin (%) improved by 90bps to 77.6% aided by a full year contribution from the high margin ARH specialty and emergency business. New Zealand gross margin increased by 260bps from 46.0% to 48.6% as a result of an increased contribution from higher margin veterinary services and improved retail margin.

EBITDA increased by 38% to \$87.1 million and underlying EBITDA increased by 12% to \$97.5 million. Overall, EBITDA growth was impacted by a subdued level of vet acquisitions in the second half and challenging retail conditions in Western Australia.

EBITDA cashflow conversion was 108% reflecting well controlled inventory and cashflow management. Greencross' supply chain helped contribute to this outcome as in-store availability of the top 1,000 lines increased to over 96% while average inventory per store decreased. Off the back of this strong cashflow, net debt decreased by \$6.4 million to \$228.0 million.

Underlying NPAT of \$42.1 million delivered underlying EPS of 37.0 cents per share.

Revenue and LFL Sales Growth

	Sales Revenue (\$m)	Sales Revenue Growth	LFL Sales Growth
Australian Retail	458	11%	3.4%
Australian Vet	194	17%	3.6% ²
New Zealand	81	22%	7.5%
Group Total	734	14%	4.4%

2. Australian Vet GP clinic LFL sales growth

The Group delivered total sales revenue growth of 14% and LFL sales growth of 4.4%.

Australian Retail delivered sales revenue growth of 11%. LFL sales were 3.4%, with second half performance impacted by the late arrival of winter, which affected sales of bedding and coats, and more targeted promotions and discounting. Retail conditions in Western Australia

remain difficult. Online sales revenue increased by 83% to \$7.5 million, assisted by the expansion of the online range to over 4,000 products, including prescription food.

Australian Veterinary Services delivered 17% sales growth assisted by a full 12 month contribution from the ARH specialty & emergency business, which was acquired in February 2015, and a 5% increase in GP visit numbers. Revenue was impacted by a lower level of acquisitions in FY2016 as the business maintained its price discipline in a competitive market and instead focused more heavily on the roll out of in-store clinics. LFL sales growth in Australian Veterinary GP clinics was 3.6%, supported by growth in cross referrals and a 25% increase in membership of the Healthy Pets Plus program.

New Zealand achieved 22% sales growth driven by network expansion, with 5 stores and 5 clinics opened over the past 12 months and excellent LFL sales growth of 7.5%. Smaller format regional stores performed particularly strongly.

Network

Stores and Clinics	FY2016	FY2015	Increase
Retail stores	221	200	11%
Vet clinics	155	132	17%
Total	376	332	13%

Greencross added 21 stores in FY2016, bringing the network to 221 stores.

In addition, Greencross opened 23 veterinary clinics, increasing the size of the network to 155 clinics. This included 9 vet clinic acquisitions which are expected to deliver \$7 million in annualised revenue.

CEO Martin Nicholas said *"FY2016 was another strong year for network expansion and we have made a strong start to FY2017. In FY2017 YTD we have already opened 7 retail stores and acquired 2 large vet clinics which are expected to deliver \$2.5 million in annualised revenue. We remain confident in our network runway and the continued growth of the ANZ petcare market"*.

In-store clinics

Greencross successfully accelerated the roll out of in-store clinics in FY2016 through the addition of 14 veterinary clinics inside retail stores.

We have been delighted with the performance of our in-store clinics, both in terms of client acceptance and financial performance. The clinics are exceeding sales targets, reaching break even ahead of expectations and, by retrofitting clinics within our existing store footprint, we are positively impacting our total sales per square metre. In the current market conditions,

these in-store clinics represent an attractive growth avenue with superior investment returns. They are also proving attractive to young entrepreneurial vets who are grasping the chance to jointly invest with Greencross in fully equipped, start up veterinary clinics with all the support of the Greencross Group.

The retrofitting of vet clinics into existing stores and the inclusion of in-store clinics in new stores comprises a key platform of Greencross' future network expansion strategy. In light of competitive conditions in the vet acquisition market and the superior return on capital delivered by in-store clinics compared to acquisitions, Greencross now intends to further accelerate its roll out of in-store clinics. Greencross is on track to have 32 in-store clinics by the end of FY2017. While this will have a short term impact on top line growth during ramp up phase, management believes this strategy will maximise shareholder value in the medium to long term.

One stop shop

Greencross customer data for FY2016 shows that shoppers who use our retail, veterinary and grooming services spend, on average, over five times as much as customers who shop in store only. As a result of the introduction of Group Loyalty and targeted cross referral programs, the number of customers in Australia who shop at more than one format (retail, online, veterinary services, grooming and dogwash) has increased by 36% to over 136,000 customers over the past 12 months. Cross shoppers now represent 9% of Greencross' active customer base, but account for 21% of total revenue and 23% of total margin.

Group Loyalty

Greencross' loyalty club membership has now reached over 3 million customers.

Over 80% of purchases in Petbarn, City Farmers and Animates retail stores are made on a loyalty card, and these customers represent more than 85% of retail sales revenue.

In FY2016, our Friends for Life loyalty program was expanded to cover all of Greencross' veterinary services and retail formats and this has led to a significant increase in the number of customers who both use our veterinary clinics and shop at our retail stores. In addition, the Healthy Pets Plus proactive pet wellness program added more than 11,000 members in FY2016 to reach a total of over 54,000 members.

Services

Greencross has continued the rapid expansion of grooming and dog wash services in stores to enhance the breadth of the customer proposition, drive foot traffic and increase cross shopping activity. Greencross is the single largest provider of grooming services in Australia, with over 100,000 grooms completed in the past 12 months. We now operate 63 grooming salons across Australia and New Zealand and 29% of our retail stores have a grooming salon.

Private Label Sales

Sales of private label and exclusive brand products continue to grow and now represent 20% of total Australian retail product sales. In June 2016, Greencross successfully launched its own private label “Leaps & Bounds” dog food. Results to date have been extremely pleasing with over \$1 million of sales in the first 10 weeks.

Dividend

The Directors have declared a fully franked final dividend of 9.5 cents per share, which represents a dividend payout ratio of approximately 50%. The record date for the final dividend will be 31 August 2016 and the final dividend will be paid on 23 September 2016. The Company will provide shareholders with the opportunity to reinvest their dividends through the dividend reinvestment plan (“DRP”) which has been re-activated. Shares subject to the DRP will be issued to participating shareholders at a 2.5% discount to the volume weighted average price of Greencross shares traded over the DRP Pricing Period and will rank equally with all other shares. Greencross intends to have the DRP underwritten.

Greencross has declared fully franked dividends for the full year totalling 18.5 cents per share, a 9% increase over the prior year. The Directors intend to maintain Greencross’ dividend payout ratio at 50%.

FY2017 Outlook and Trading Update

Greencross expects continued strong cashflow conversion in FY2017 with underlying EBITDA and NPAT growth at similar levels to FY2016. We have started the year in line with these expectations. Group Retail LFL sales growth for the month of July was 2% and improved to 4% in August. Vet GP clinic visits have increased by 5%, in line with FY2016 growth levels. Gross margins remain strong.

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:

Conference ID: 5427 3314

	Direct	Toll Free
Australia	(02) 8038 5221	1800 123 296
New Zealand		0800 452 782
Canada		1855 5616 766
Hong Kong		800 908 865
Singapore		800 616 2288
United Kingdom		0808 234 0757
USA		1855 293 1544

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