

# Greencross Limited

## The Pet Company

2016 ANNUAL GENERAL MEETING  
CEO PRESENTATION





# Our strategy

**In FY2016 our strategy continued to deliver and we extended our position as Australasia's leading integrated pet care company**

- **Optimising the current business**

- Strong cash conversion and inventory efficiency
- Improved gross margin and expanded private label

- **Expanding our footprint**

- Added 21 stores, 23 clinics (including 14 in-store clinics) and 14 grooming salons
- Confident in network runway with strong pipeline for retail stores and especially in-store clinics
- Price discipline held in overheated vet acquisition market

- **Delivering integrated model**

- In-store clinics performing well ahead of plan and rollout being accelerated
- Group Loyalty rolled out nationally and loyalty card holders across ANZ represent >85% of retail sales
- Customers cross shopping across multi formats in Australia increased by over 35%
- Profitable online model working well – online revenue up 83%

# Overview of FY2016 financial performance

## ■ Revenue and earnings growth

- Group revenue up 14% to \$733.7 million
- Group LFL sales growth +4.4%
- Gross margin % up 130bps to 55.7%
- EBITDA up 38% to \$87.1 million
- Underlying EBITDA up 12% to \$97.5 million
- NPAT up 82% to \$34.6 million
- Underlying NPAT up 10% to \$42.1 million
- Underlying EPS up 8% to 37.0 cents
- Annual dividends up 9% to 18.5 cents

## ■ Continued strong cashflow generation

- Strong EBITDA cash conversion of 108%
- Net debt decreased by \$6.4 million to \$228.0 million

# FY2016 highlights

## Network

Continued rapid network expansion – added 44 stores and clinics

## In-store clinics

Accelerated roll out strategy – opened 14 in-store clinics in FY2016 and they are performing extremely well

## Private label

Launched Leaps & Bounds and increased private label sales to 20% of Australian retail revenue

## Customer Engagement

Introduced Group Loyalty and significantly grown the number of customers who shop at more than 1 of our formats

## Supply chain

Improved supply chain metrics and successfully transitioned Sydney DC to in house

## Omnichannel

Grew online sales by over 80% and expanded on-line range to over 4,000 products

## Pet Foundation

Saved the lives of over 6,000 animals and raised more than \$2.5 million for the RSPCA, Seeing Eye Dogs Australia and our other charity partners

# Store and clinic network

Greencross added 44 stores and clinics to its network in FY2016 bringing the total number of stores and clinics to 376

## ■ FY2016 network expansion

- Added 21 stores<sup>1</sup>
- Added 23 clinics
  - Opened 14 in-store clinics
  - Acquired 9 clinics

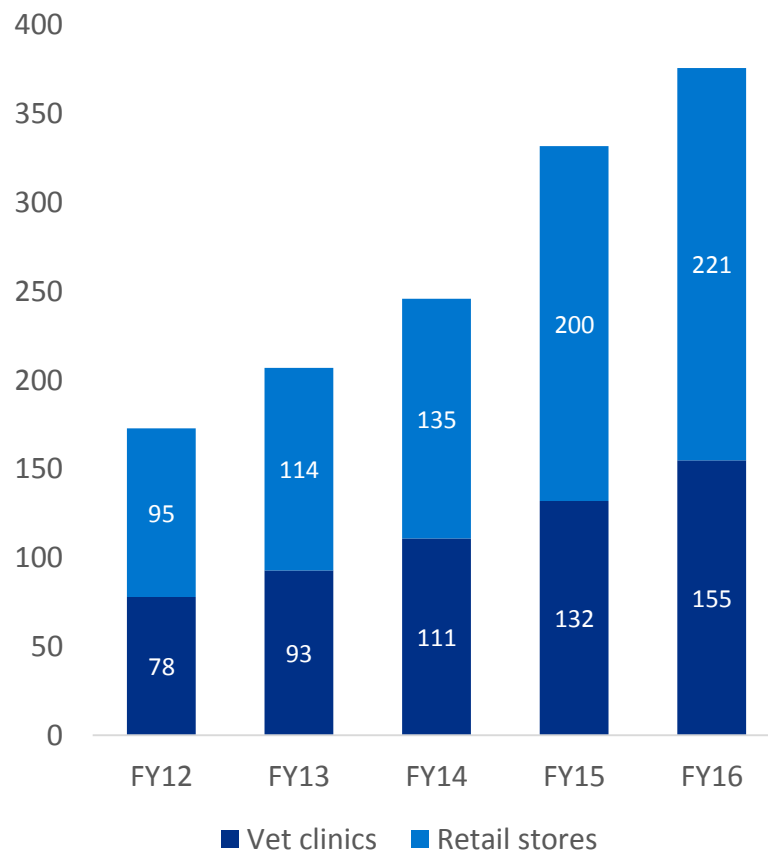
## ■ FY2017 YTD network expansion<sup>2</sup>

- Opened 12 stores
- Acquired 3 veterinary clinics which are expected to deliver annualised revenue of ~\$3.5 million
- Opened 3 in-store clinics bringing total to 20
- Targeting to open 15 in-store clinics in FY2017

## ■ Network runway

- Remain confident in network runway given strong performance of regional and smaller format stores

## Store and clinic network

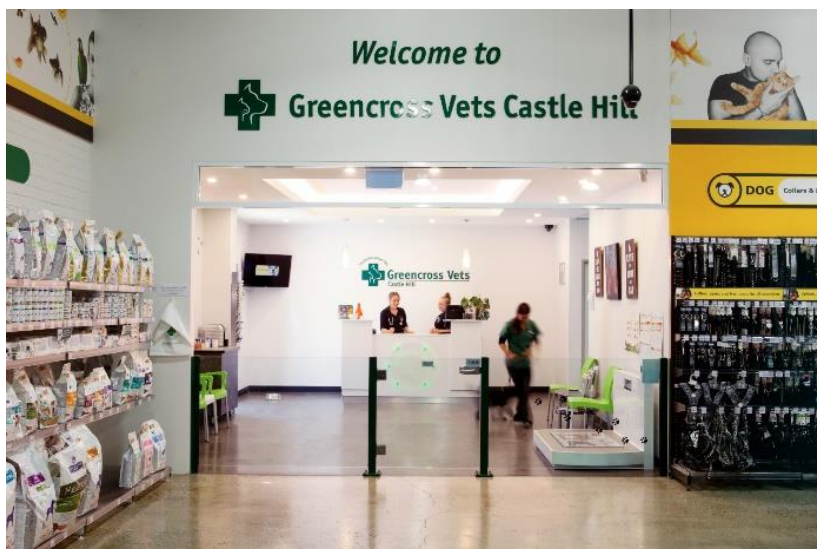


1. Net of store closures  
2. For further details of stores and clinics opened in FY2017 YTD refer to Appendix

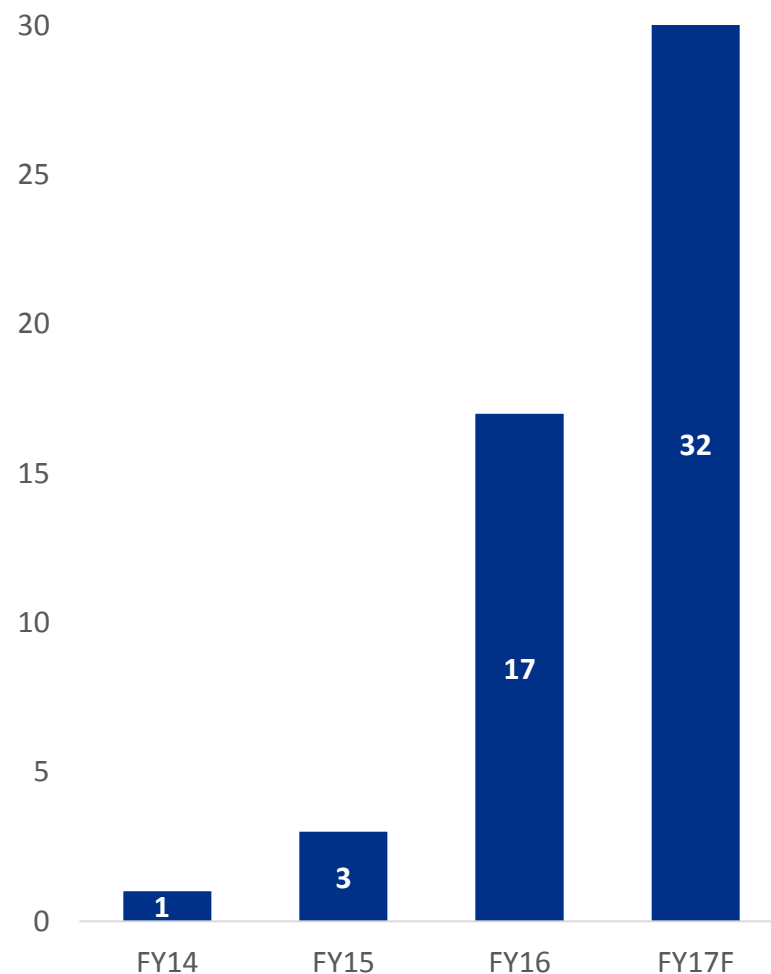
# In-store clinics

**Greencross added 14 in store-clinics in FY2016 and is on track to have 32 by the end of FY2017**

- 20 in-store clinics currently open (3 opened FY2017 YTD)
- Outstanding consumer acceptance of format
- Clinics are ramping up ahead of expectations
- In-store clinics now represent 8% of Australian vet GP revenue
- Increase profitability per m<sup>2</sup> and deliver superior ROIC
- Driving cross shopping and ATV



## In-store clinics



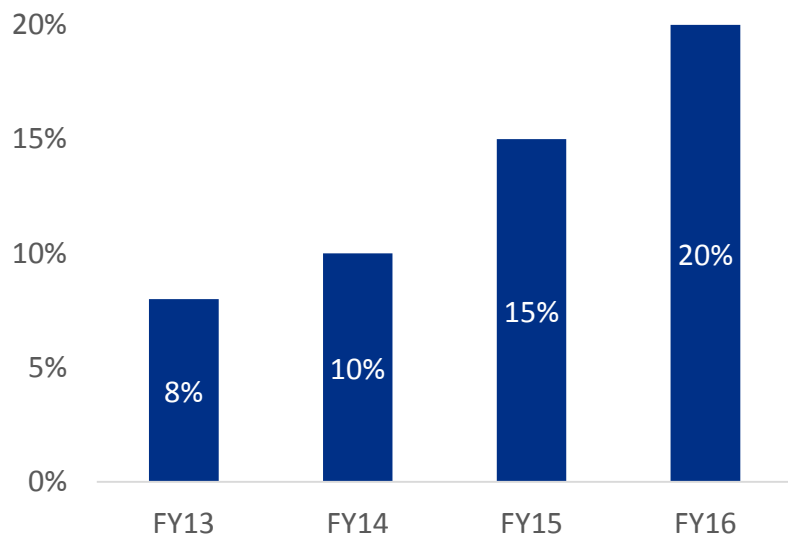
# Private label sales

Private label sales have reached 20% of Australian retail sales. Our medium term target for private label sales is 25%.

## Leaps & Bounds

- Greencross launched its own private label Leaps & Bounds dog food in June 2016
- 100% natural essential dog food
- Australian made
- Customer response has been extremely positive, with over \$2.2 million of sales in the first 20 weeks

## Private label sales as a % of Australian retail sales

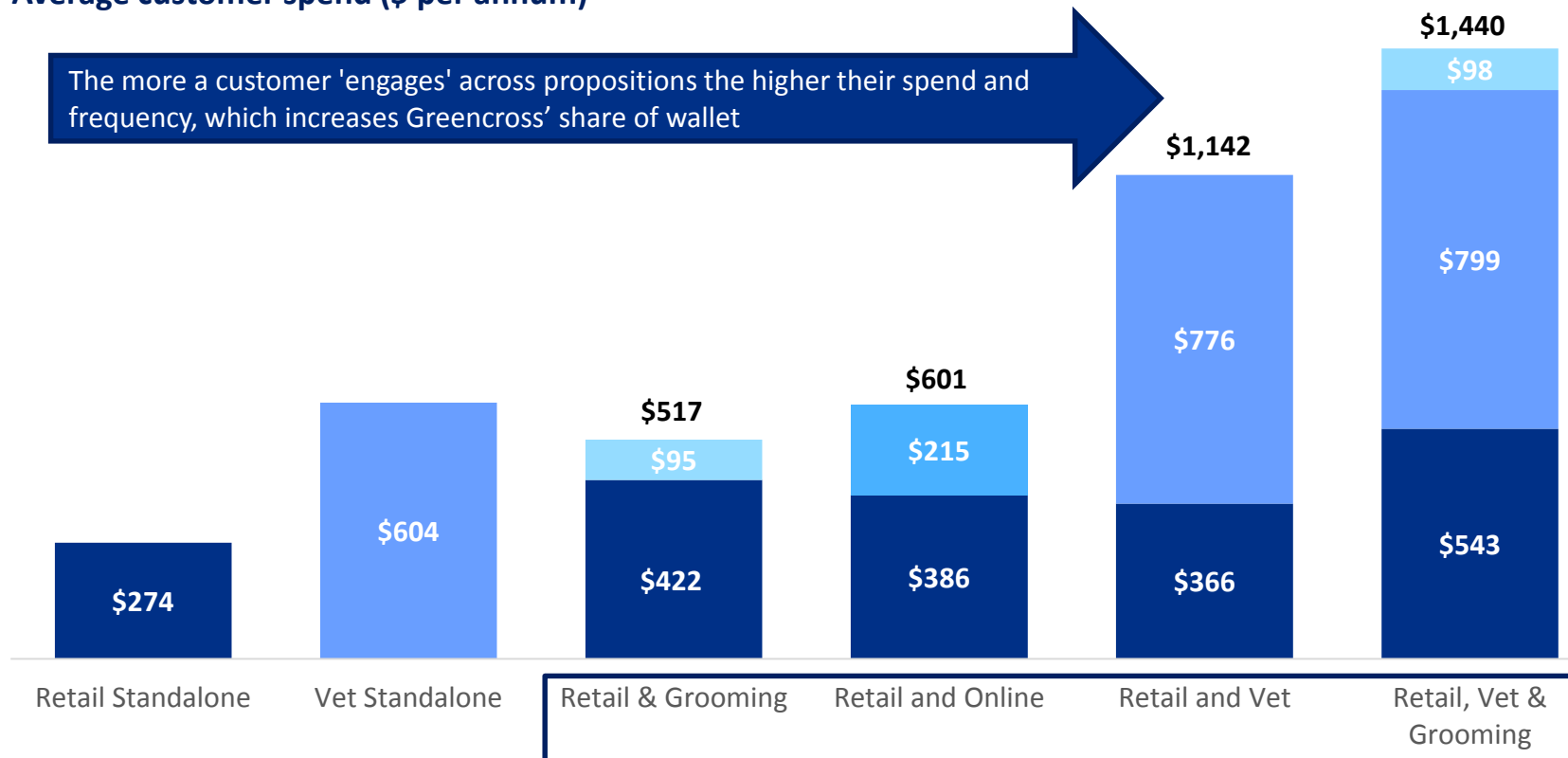


# Increased customer engagement

The number of customers who shop at more than 1 format has increased by 37% during the past 12 months to over 146,000. These customers represent 22% of sales revenue and 25% of gross margin.

## Average customer spend (\$ per annum)<sup>1</sup>

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 9% of active customers, 22% of total revenue and 25% of total gross margin<sup>1</sup>

1. Actual Greencross customer data for Australia for the 12 months ending 30 September 2016. Active customers are customers who have shopped at Greencross in the last 12 months.

## FY2016 was another year of outstanding growth for our online business

- Key achievements in FY2016:
  - Grew online sales by 83%
  - Expanded our online range to over 4,000 products
  - Commenced online sales of prescription food
  - Launched a mobile optimised version of our website.
  - Received over 5.5 million website hits
  - Commenced click and collect pilot program
- Targeting launch and click of collect in early 2017



# Supply chain

## Supply chain performing well with >96% in stock for top 1000 items

- Top 1000 (80% sales) in-stocks are being maintained at > 96%, whilst improving inventory turns
- Greencross has engaged in direct supply arrangements with all major suppliers and exited wholesale food supply arrangements
- Extended DC operations from Sydney, Melbourne and Perth to Brisbane (March) to enable regional distribution capability of our fastest lines
- Greencross has taken direct control of its supply chain operations at Eastern Creek in Sydney and transition has been seamless



## Greencross sponsored over 6,000 pet adoptions in FY2016 (that's over 6,000 lives saved!)

- 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 to raise much needed funds for our charity partners
- We have facilitated over 6,000 adoptions in FY2016 and over 17,000 adoptions since our program was first introduced
- Over 100 Petbarn, Animates and City Farmers stores now have pet adoption centres
- This year's donations have funded the training of 14 seeing eye dogs
- We have also raised over \$2.5 million in FY2016 for our charity partners



Pets Haven  
Foundation



SEEING EYE DOGS  
australia

# Trading update

- **On track to deliver FY2017 network targets**

- 20 new stores – 12 opened YTD
- 15 new in-store clinics – 3 opened and 3 under construction YTD
- Price disciplined vet acquisitions – 3 completed YTD

- **FY2017 trading update**

- Stronger trading performance in September and October
- As at 23 October:
  - Group LFL sales growth is 3.9%
  - Group Retail LFL sales growth is 3.7%
  - Group Vet GP LFL sales growth is 4.2%
- Greencross expects continued strong cashflow conversion in FY2017 with underlying EBITDA and NPAT growth at similar levels to FY2016

# Appendix



# FY2016 summary financials

	FY2016 (\$m)	FY2015 (\$m)	Change (\$m)	Change %
Revenue	733.7	644.5	89.2	+14%
Gross margin	408.7	350.5	58.2	+17%
Gross margin (%)	55.7%	54.4%		+130bps
EBITDA	87.1	63.3	23.8	+38%
Underlying EBITDA <sup>1</sup>	97.5	86.8	10.7	+12%
Underlying EBITDA margin (%) <sup>1</sup>	13.3%	13.5%		-20bps
EBITDA cash conversion (%)	108%	55%		+53%
NPAT	34.6	19.1	15.5	+82%
Underlying NPAT <sup>1</sup>	42.1	38.2	3.9	+10%
Underlying EPS (cents) <sup>1</sup>	37.0	34.3		+8%
Annual Dividends (cents)	18.5	17.0		+9%

1. Excludes exceptional and non comparable items. See appendix for further details

# Stores and clinics opened in FY2017 YTD

## Australian Retail

### + 9 stores

- Opened 9 new stores
  - Hawthorn (VIC)
  - Indooroopilly (QLD)
  - Deeragun (QLD)
  - Mackay (QLD)
  - Goulburn (NSW)
  - Eltham (VIC)
  - Preston (VIC)
  - Melrose Park (SA)
  - East Victoria Park (WA)

## Australian Veterinary Services

### + 5 clinics

- Acquired 3 clinics
  - Canberra (ACT)
  - Para Vista (SA)
  - Ocean Reef (WA)
- Opened 2 in-store clinics
  - Preston (VIC)
  - Kangaroo Flat (VIC)

## New Zealand

### +3 stores + 1 clinic

- Opened 3 new stores
  - Masterton
  - Kilbirnie
  - New Lynn
- Opened 1 in-store clinic in Hamilton