

Greencross Limited

The Pet Company

IN-STORE VETS – A SIGNIFICANT ORGANIC GROWTH OPPORTUNITY

UBS AUSTRALASIA CONFERENCE
NOVEMBER 2016



PETBARN

Everything for Pets

 **Greencross Vets**
Kedron



PETBARN
GROOMING



Everything for Pets



Welcome to Greencross Vets Castle Hill



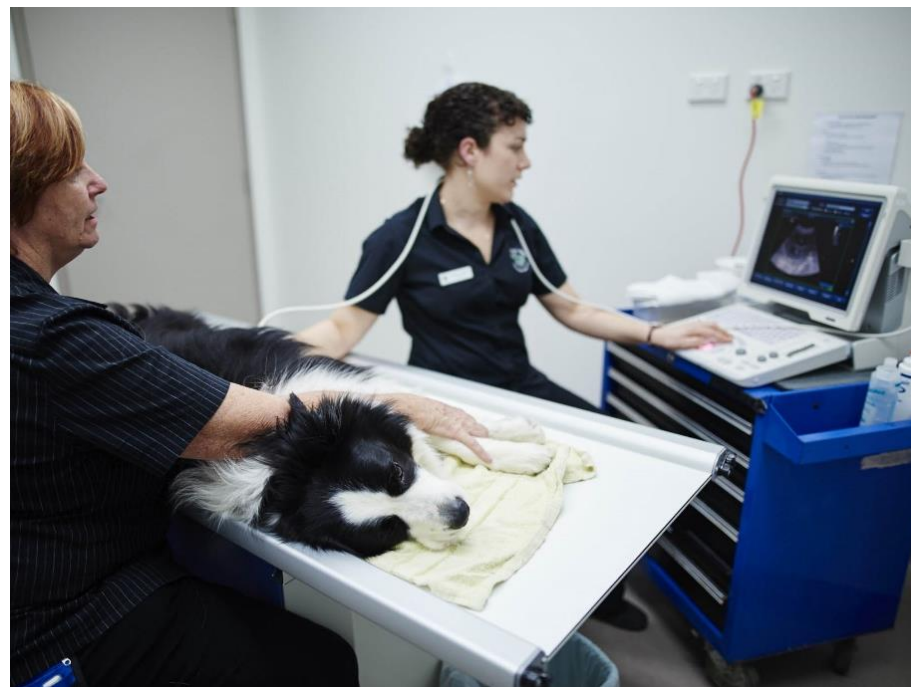
Opportunity to double the size of our vet fleet via high return organic growth

- Greencross is uniquely placed to drive significant growth via in-store clinics given the scale of our store network and our existing veterinary expertise
- Rolling out in-store services is a key part of Greencross' integrated petcare strategy and we are committed to a long term target of 60% of retail stores with an in-store clinic
 - Opportunity for > 120 in-store clinics
 - Potential to double existing vet clinic fleet via organic growth
- In-store clinics provide a number of benefits to our business:
 - Uplift in sales and EBITDA/sqm for our retail stores.
 - Better customer experience offering all of the products and services in one convenient location
 - Higher customer engagement, underpinned by Group loyalty program
 - Driving store foot traffic and visit frequency and enabling cross selling
 - Deliver a superior ROIC to standalone vet acquisitions
 - Offset retail store lease costs through rental charge to the vet practice for the space occupied
- Proving attractive to vets because of the opportunity to partner in the business and leverage the retail store customer base to increase vet patient numbers

In-store clinics – full service offering

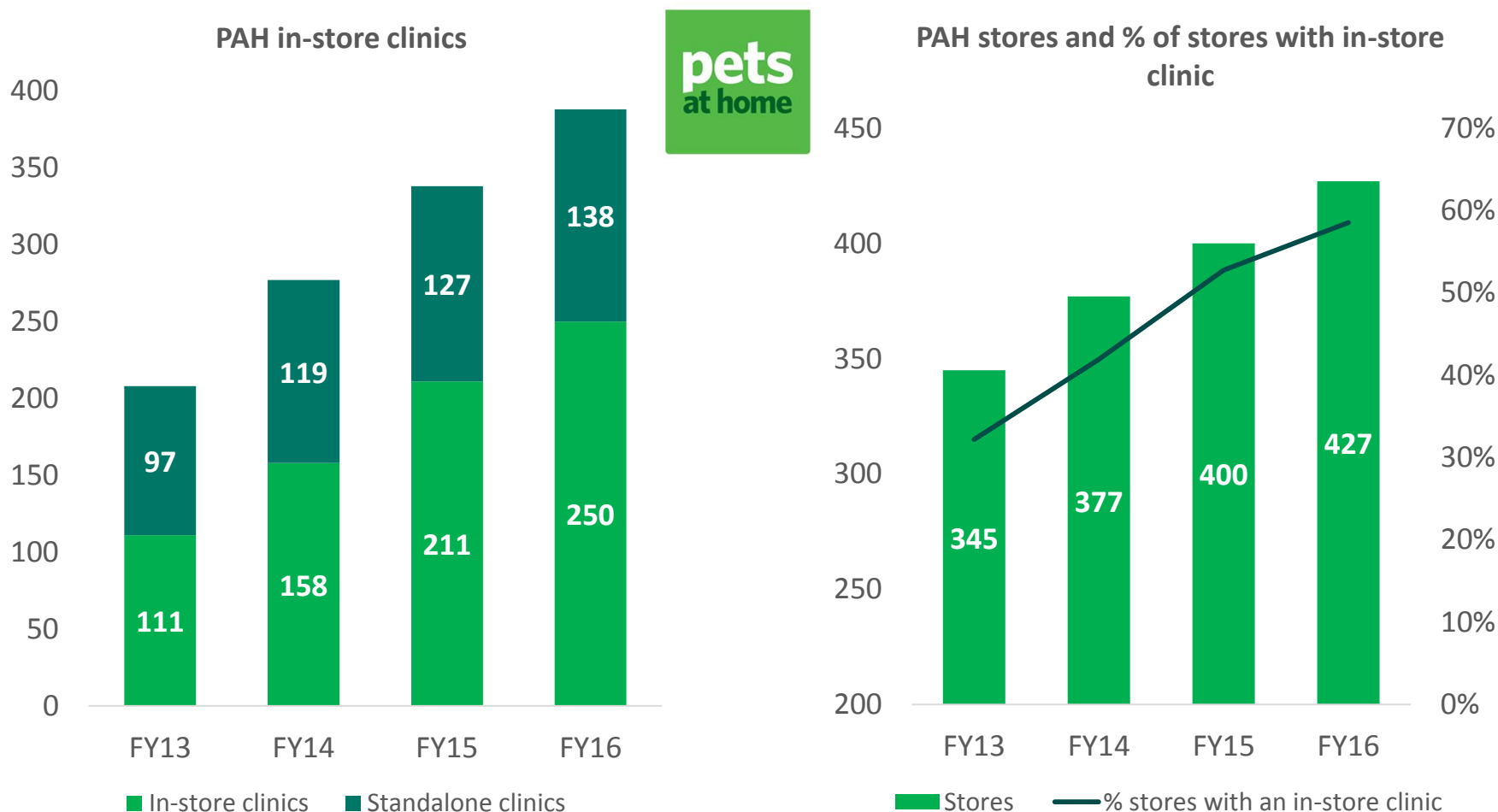
In-store clinics are fully equipped vet surgeries

- Greencross currently has 20 veterinary clinics located inside retail stores (in-store clinics)
- Our in-store clinics are fully equipped, state of the art surgical facilities where we can provide a full range of veterinary services including:
 - Digital radiology
 - General anaesthesia
 - Ultrasound
 - Dental
 - Castration
 - Ovariohysterectomy
 - Exploratory laparotomy
 - Orthopaedic repairs
 - In house laboratory
 - Fluid therapy and medical management
 - Full pharmacy facilities
 - Vaccinations & preventative healthcare



In-store clinics have proven successful offshore

LSE listed Pets at Home Group plc has added ~140 in-store clinics in the past 3 years. Nearly 60% of Pets at Home retail stores have an in-store clinic and their target is 90%¹



1. Source: PAH Investor Presentation, February 2016

GXL in-store clinic runway confirmed

Following a detailed review, Greencross remains confident that 60% of its existing Australian retail stores can accommodate an in-store vet clinic

- Given the success of our initial in-store clinics and our growing confidence in the integrated model, Greencross recently conducted a detailed review of all of its Australian stores to determine suitability for an in-store clinic
- Each store was screened against a number of criteria, including:
 - Physical size (ground floor and, where practicable, mezzanine)
 - Size and profile of customer base
 - Permissible use under council planning regulations
 - Lease tenure
 - Proximity of nearest Greencross vet clinic
 - Ability to secure a vet (regional locations)
- A large scale runway opportunity has been confirmed
 - Currently 20 stores have an in-store clinic
 - A further 96 stores in the existing fleet have been identified as suitable for an in-store clinic
 - In addition, we are targeting ~20 new stores per year in the medium term and all new stores will, where practical, include a vet clinic and other services

In-store clinics are proving an attractive business opportunity for mid career vets

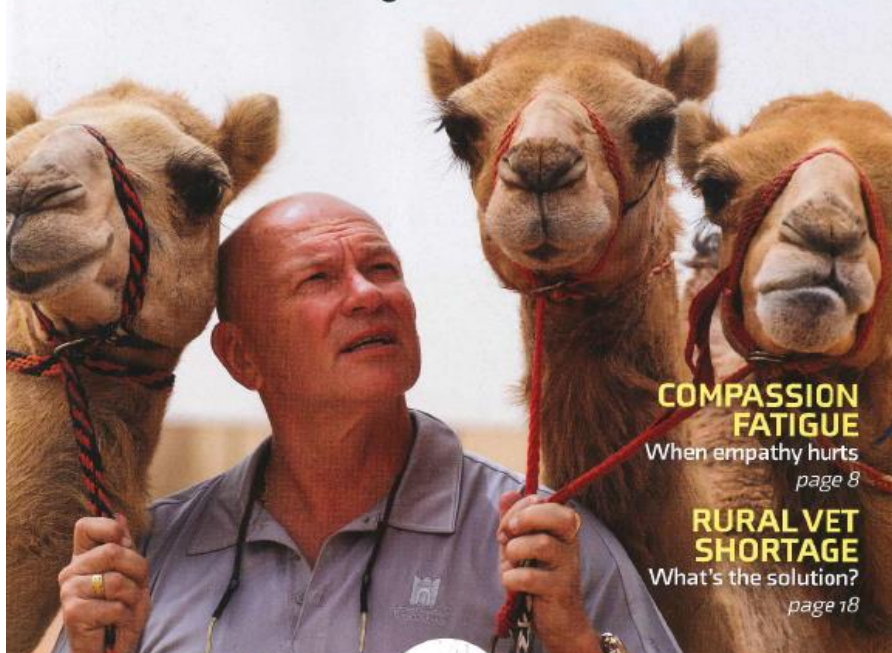
OCTOBER 2016 \$6.95 GST INCL.

v^{et}

PRACTICE

Camel man


How Sydney-born Dr Alex Tinson made the President of the UAE's flock of racing camels the best in all of Arabia



COMPASSION FATIGUE
When empathy hurts
page 8

RURAL VET SHORTAGE
What's the solution?
page 18

For a chance to **WIN** an iPad Air 2, Apple Watch Sport or iPad Mini 2, take our **Vet Practice** and **CH2** industry survey on page 32 or online



CREATE YOUR OWN SUCCESS



Business partnership opportunities with Greencross Vets

Greencross Vets is passionate about developing and supporting great talent. We're here to help veterinarians looking to take the next step in their career.

We are leading the way in developing new, well-appointed veterinary clinics co-located within retail stores around Australia, offering pet parents access to a one-stop shop for their pet lifestyle and health needs.

- ✓ Over 30 sites with local council approval or approval pending in highly successful existing retail locations or high potential new locations in all mainland states across Australia.
- ✓ Many more locations in the pipeline.

No matter where you are located, we work with you to explore options to create your own success.

Greencross Vets
Passionate about Pets

If you're ready to take the next step in your veterinary business career, contact:
Dr Tony Goldstone BSc (Hons) BVSc (Hons)
General Manager Colocations and Vet Partnerships
Phone: 0408 298 011
Email: tgoldstone@gxlt.com.au

"I was surprised at how quickly the clinic grew. It felt like it went from being a start-up clinic with only a few customers, to a thriving normal clinic overnight. Greencross really have ways to get clinics off the ground quickly and without stress."

— Erin Kefford, Vet Director & Business Associate, Greencross Vets Castle Hill.

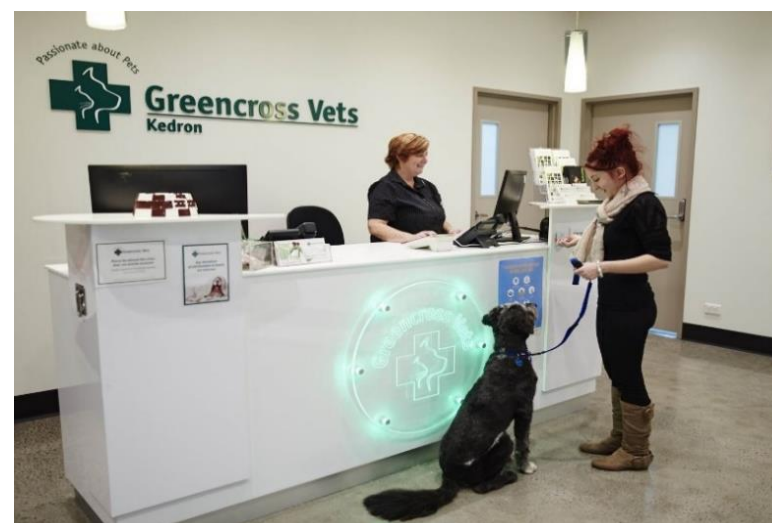
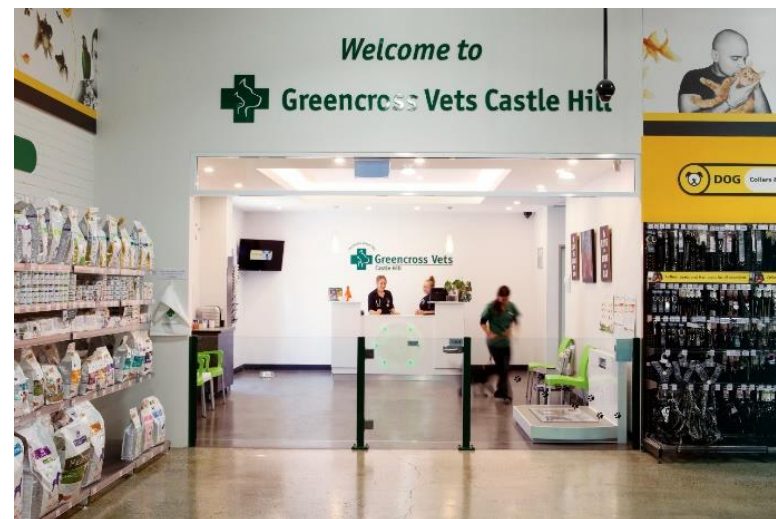


greencrossvets.com.au YouTube G+ f

In-store clinic – economic profile

Our in-store clinics are set to deliver superior returns to standalone vet acquisitions

- Establishment capex \$500,000 to \$600,000 - compared to > \$1 million for vet acquisitions
- Typically GXL contributes 90% of establishment capex and vet contributes balance in exchange for profit participation
- Vet receives market salary, annual profit share (subject to performance targets) and exit payment based on year 5 EBITDA
- Vet clinic reaches maturity by year 5
- Target revenue of ~\$400,000 in year 1 increasing to ~\$800,000 by year 5. Our in-store clinics are meeting their revenue targets.
- Start up losses in year 1, positive EBITDA contribution in year 2 and target EBITDA margin of > 20% at maturity
- GXL benefits from rent saving as vet clinic takes a sub-lease within existing store footprint
- Target payback period of ~4 years
- ROIC > 20%

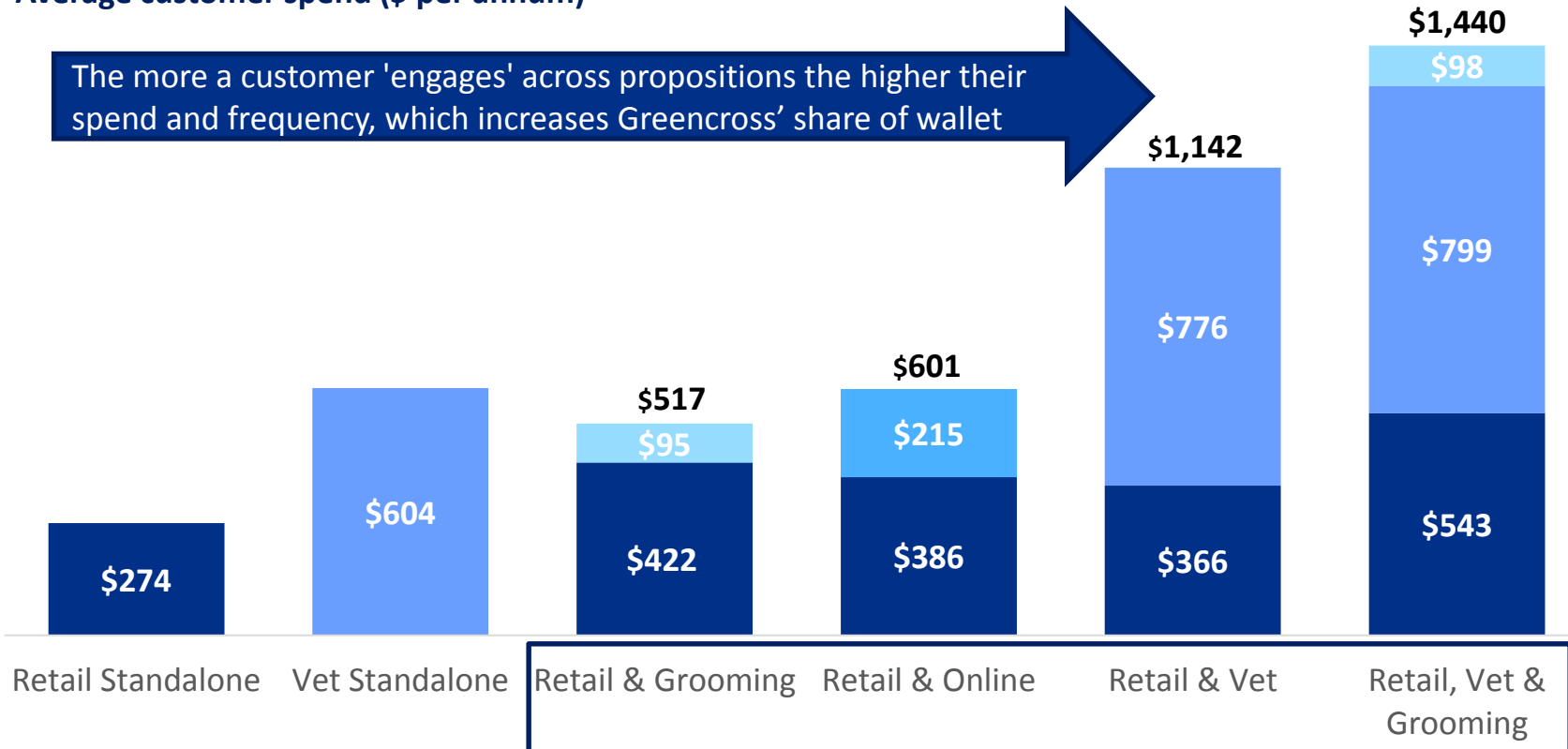


Our data confirms that cross shopping brings benefits to our retail business

Share of wallet increases

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

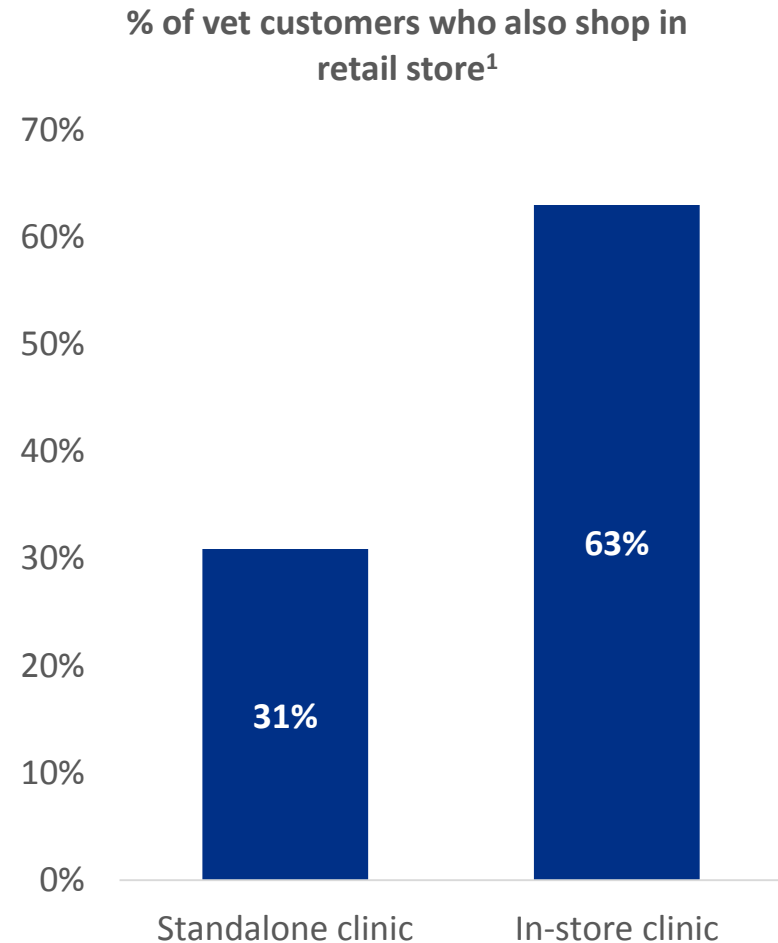


These cross shopping customers currently represent 9% of active customers, 22% of total revenue and 25% of total gross margin¹

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.

Cross shopping with in-store clinics is easier and more accessible

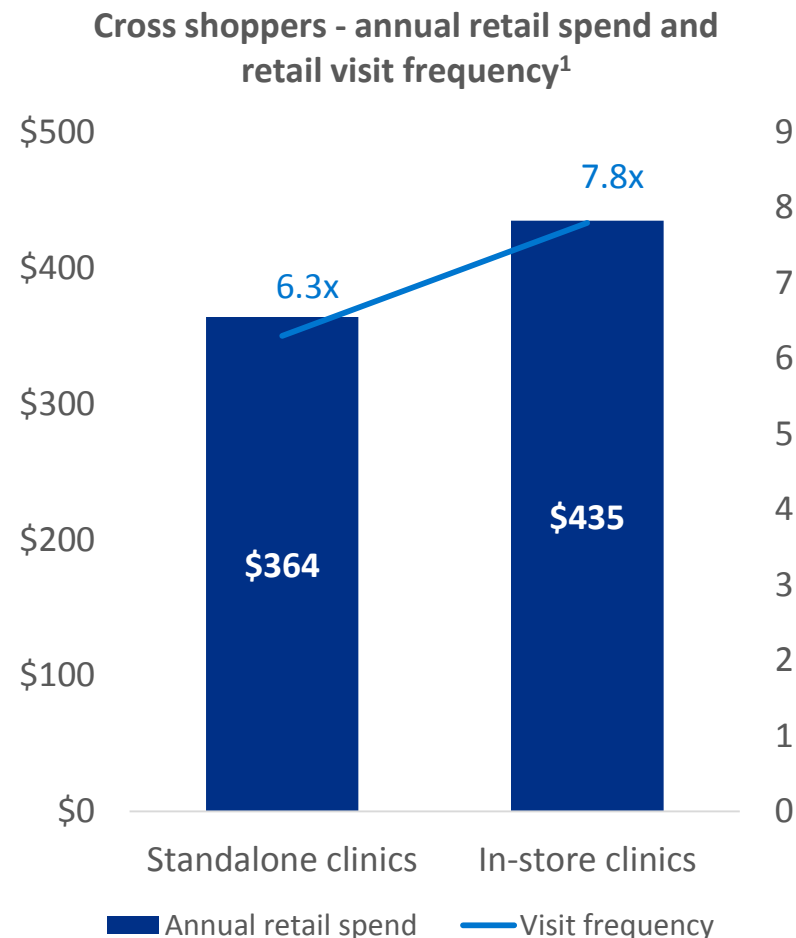
- In-store clinics have more than double the number of clients who also shop in retail compared to standalone clinics



1. Shows average retail spend for customers who shopped at both Greencross vet clinics and retail stores over the past 12 months.

Cross shoppers who visit in-store clinic clients spend more on *retail* and visit more often

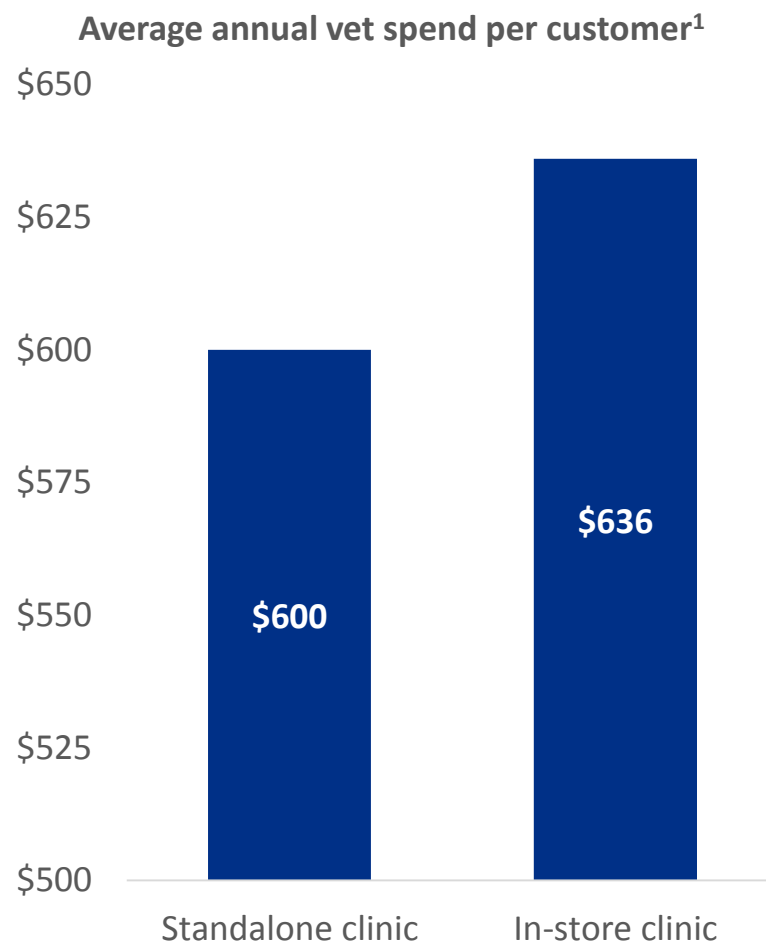
- In-store clinics have more than double the number of clients who shop in retail compared to standalone clinics
- **Frequency of retail visit and annual retail spend for cross shoppers is higher for in-store clinics than standalone clinics**
 - Annual spend increases from \$364 to \$435
 - Visit frequency increases from 6.3x to 7.8x



1. Shows average retail spend and visit frequency for customers who shopped at both Greencross vet clinics and retail stores over the past 12 months.

Clients at in-store clinics spend more with their *vet* than clients at standalone clinics

- In-store clinics have more than double the number of clients who shop in retail compared to standalone clinics
- Frequency of retail visit and annual retail spend for cross shoppers is higher for in-store clinics than standalone clinics
 - Annual spend increases from \$364 to \$435
 - Visit frequency increases from 6.3x to 7.8x
- **Average annual vet spend is 6% higher for in-store clinics than for standalone clinics**



1. Shows average annual vet spend for customers who shopped at Greencross vet clinics over the past 12 months.

Conclusion

In-store clinics represent a rewarding opportunity for Greencross to double the size of our vet network through organic growth

- In-store clinics are a key part of our integrated petcare strategy and are positive for our business because they:
 - Provide a convenient full service offering for our retail customers which helps drive foot traffic and visit frequency
 - Facilitate lucrative cross selling
 - Offer an attractive business partnership opportunity for mid career vets
 - Generate increased sales & EBITDA from existing assets by improving retail sales per sqm
 - Deliver superior returns to standalone clinics
- Greencross is uniquely placed to drive significant growth via in-store clinics given the scale of our store network and our existing veterinary expertise
- We are on-track to have 32 in-store clinics by the end of FY2017
- We are committed to a long term target of 60% of retail stores with an in-store clinic
 - Supported by our own analysis and international comparators

Appendix



Welcome to
Greencross Vets Kedron

PETBARN
Everything for Pets

WELCOME TO YOUR KEDRON STORE
We look forward to providing you and your
pets with an awesome experience

PETBARN

Trading Hours

Mon	8:30am - 6:00pm
Tue	8:30am - 6:00pm
Wed	8:30am - 6:00pm
Thur	8:30am - 7:00pm
Fri	8:30am - 6:00pm
Sat	8:30am - 5:00pm
Sun	9:00am - 5:00pm

Public Holidays 9:00am - 5:00pm

PETBARN

Everything for Pets



**DOG
REFRESHING
STATION**

Greencross store and clinic network

Greencross has 20 in-store clinics. Less than 10% of retail stores currently have an in-store clinic.

In-store clinics

Brookvale (NSW)
 Kawana (QLD)
 Chatswood (NSW)
 Castle Hill (NSW)
 Box Hill (VIC)
 Bundaberg (QLD)
 Campbelltown (NSW)
 Browns Plains (QLD)
 Noosa (QLD)
 Parramatta (NSW)
 Mitchelton (QLD)
 Holden Hill (SA)
 Subiaco (WA)
 Kenmore (QLD)
 Townsville (QLD)
 Kedron (QLD)
 Preston (VIC)
 Kangaroo Flat (VIC)
 Wellington (NZ)
 Hamilton (NZ)

