

Greencross Limited

The Pet Company

2017 INTERIM RESULTS PRESENTATION

RESULTS FOR HALF YEAR PERIOD ENDING 31 DECEMBER
2016



Results overview



Results overview

Continued successful execution of our integrated petcare strategy is delivering excellent results

■ Integrated pet care model increasing customer engagement and cross shopping

- Group LFL sales growth 4.3% supported by a 23% increase in cross shoppers over the past 12 months
- In-store clinics performing well and represent a significant organic growth runway – 25 in-store clinics now open with a target of over 120
- Expansion of in-store services (74 grooming salons & 180 dogwashes) increasing retail foot traffic
- H1 online sales increased by 45% to \$4.8 million
- Australia wide roll out of click & collect completed in February 2017

■ Retail business performing well

- 4.0% Group Retail LFL sales growth driven by record dog & cat food sales and strong Christmas trading
- Opened 200th Australian retail store with a target of 350 stores in Australia and NZ
- 12% increase in store numbers over the past 12 months

■ Largest veterinary business in ANZ, growing strongly organically with a winning co-location strategy

- 5.3% Australian Vet LFL sales growth driven by ramp up in in-store clinic visits and cross referrals
- 134 GP clinics with over 240,000 active clients and 30 specialist centres and emergency hospitals
- 10% increase in clinic numbers over the past 12 months
- 48 new vets recruited into 2017 graduate training program

Results overview

	H1 FY2017 (\$m) ¹	H1 FY2016 (\$m)	Change (\$m)	Change %
Revenue	412.3	362.7	49.6	14%
Gross margin	229.4	201.6	27.8	14%
Gross margin (%)	55.6%	55.6%	-	-
EBITDA	51.4	45.1	6.3	14%
Exceptional items	2.5	3.4	(0.9)	(26%)
Underlying EBITDA ²	53.9	48.5	5.4	11%
NPAT post minorities	21.9	18.7	3.2	17%
Underlying NPAT post minorities ²	23.0	21.2	1.8	9%
EPS (cents)	19.0	16.5	2.5	15%
Underlying EPS (cents) ²	19.9	18.7	1.2	7%
Interim dividend (cents)	9.5	9.0	0.5	6%

1. H1 FY2017 result includes 27th week. Week 27 included 3 public holidays and contributed \$13.5 million in revenue, \$1.1 million in EBITDA and \$0.24 million in NPAT (post minorities). All LFL sales are shown on a 26 weeks versus 26 weeks basis.

2. Underlying results exclude exceptional items which are removed to facilitate year on year comparison. Refer to Appendix for further details. **Page 4**

Results overview

Double digit revenue and earnings growth driven by a strong performance from veterinary services and an uplift in retail sales over Christmas

■ Strong revenue and earnings growth

- Group Revenue up 14% to \$412.3 million
- Group LFL sales growth 4.3%
- Gross Margin up 14% to \$229.4 million
- Gross Margin % steady at 55.6%
- EBITDA up 14% to \$51.4 million
- Underlying EBITDA up 11% to \$53.9 million
- NPAT up 17% to \$21.9 million and underlying NPAT up 9% to \$23.0 million
- EPS up 15% to 19.0 cents and underlying EPS up 7% to 19.9 cents
- Interim dividend up 6% to 9.5 cents

■ Robust cashflow generation reducing leverage and providing expansionary funds

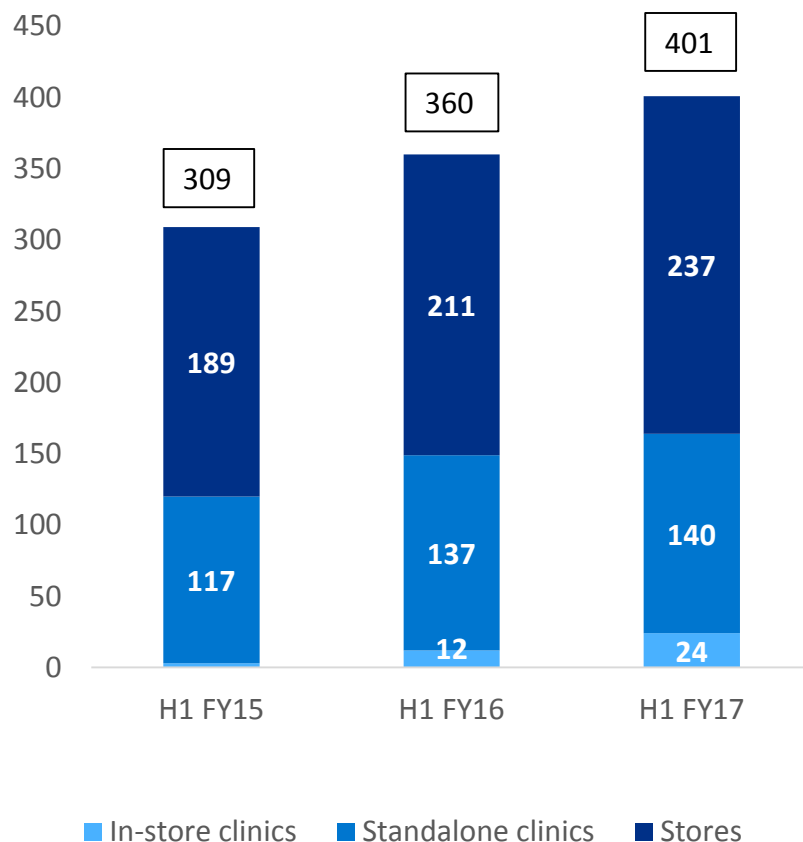
- H1 cash conversion of 95%
- Net debt decreased by \$5.1 million to \$222.8 million and leverage (ND/EBITDA) reduced to 2.1x
- Third consecutive half year period of self funded growth

1. H1 FY2017 result includes 27th week. Week 27 included 3 public holidays and contributed \$13.5 million in revenue, \$1.1 million in EBITDA and \$0.24 million in NPAT (post minorities). All LFL sales are shown on a 26 weeks versus 26 weeks basis.
2. Underlying results exclude exceptional items which are removed to facilitate year on year comparison. Refer to Appendix for further details.

Expanding our footprint through organic growth

Greencross network comprises over 400 retail stores and veterinary clinics - and significant organic runway remains

Store and Clinic Numbers^{1,2}



Network summary

- Retail stores (+16 in H1)
 - 2 stores already added in H2
 - Upgraded full year expansion target to 21 new stores
 - Long term target of 350 stores
- In-store clinics (+7 in H1)
 - Added 1 in-store clinic in H2 with a further 6 in-store clinics under construction
 - Upgraded full year expansion target to 16
 - ~60% of existing stores suitable to accommodate an in-store clinic
 - Targeting over 120 in-store clinics
- Vet acquisitions (+3 in H1, \$3.5m annualised revenue)
 - Price discipline maintained. Negotiating with a number of acquisition targets

1. Net of store and clinic closures.
2. Clinics include GP clinics, specialist and emergency centres and pet crematoria.



Key financials

Sales revenue

Group sales revenue up 14% to \$412 million

Sales revenue by segment¹

- Australian Retail revenue up 12% to \$256 million supported by successful Christmas ranging, store roll out and growth in services and online
- Australian Vet revenue up 12% to \$108 million, benefitting from strong performance from in-store clinics
- NZ revenue up 25% to \$48 million, reflecting sales ramp up in new and immature stores and expansion of NZ vet business

LFL sales²

- Group LFL sales growth of 4.3%
- Group Retail LFL sales growth of 4.0% driven by record sales of dog & cat food
- Australian Vet LFL sales growth of 5.3% driven by ramp up in visits to in-store clinics
- New Zealand LFL sales of 5.7% supported by fleet maturity and increase in items per basket

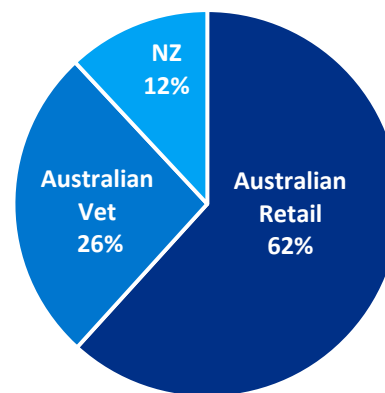
1. FY2017 H1 result includes 27th week contributing \$13.5 million in revenue comprising Australian Retail revenue of \$8.3 million, Australian Vet revenue of \$3.6 million and New Zealand revenue of \$1.6 million.

2. All LFL sales are shown on a 26 weeks versus 26 weeks basis.

Sales revenue growth by segment²

Revenue (\$m)	H1 FY2017	H1 FY2016	Change
Group	412	363	14%
Australian Retail	256	228	12%
Australian Vet	108	96	12%
New Zealand	48	38	25%

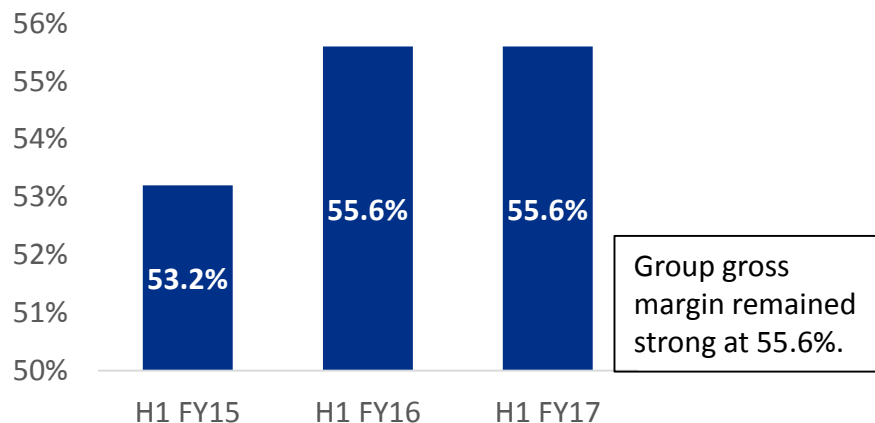
Sales revenue by segment (%)



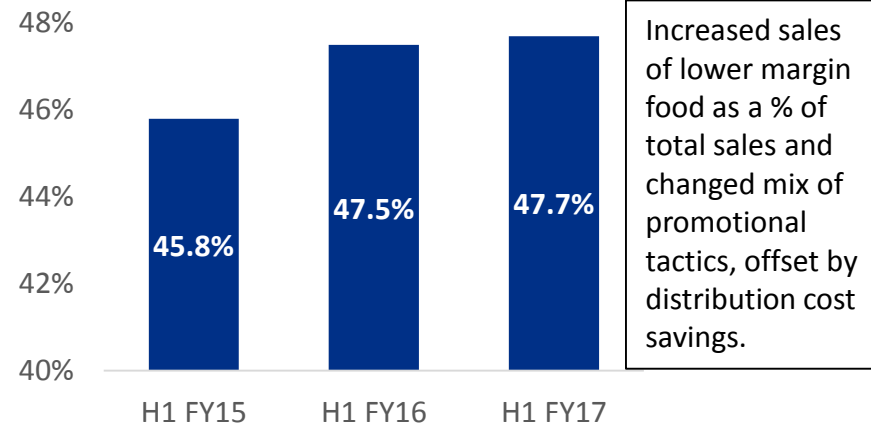
Gross margin

Group gross margin remained strong at 55.6%

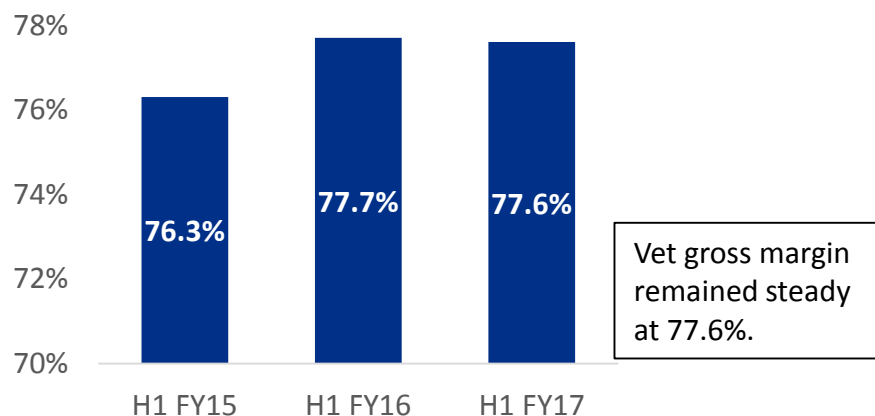
Group – Gross Margin %



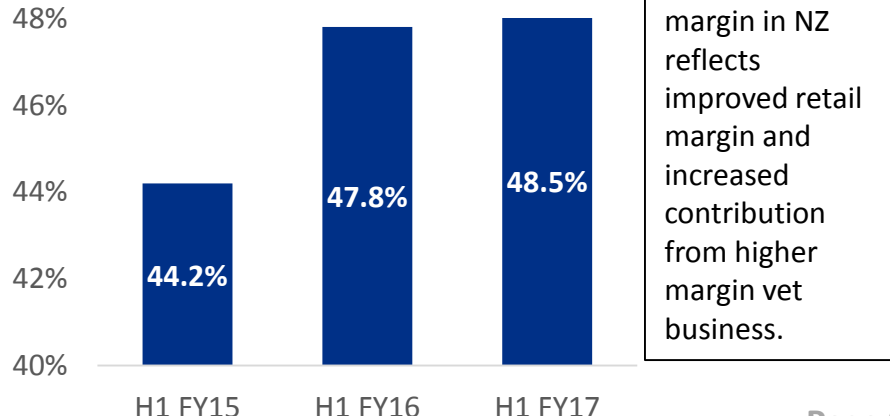
Australian Retail – Gross Margin %



Australian Vet – Gross Margin %



New Zealand – Gross Margin %



Strong cashflow result resulting in lower net debt and reduced leverage

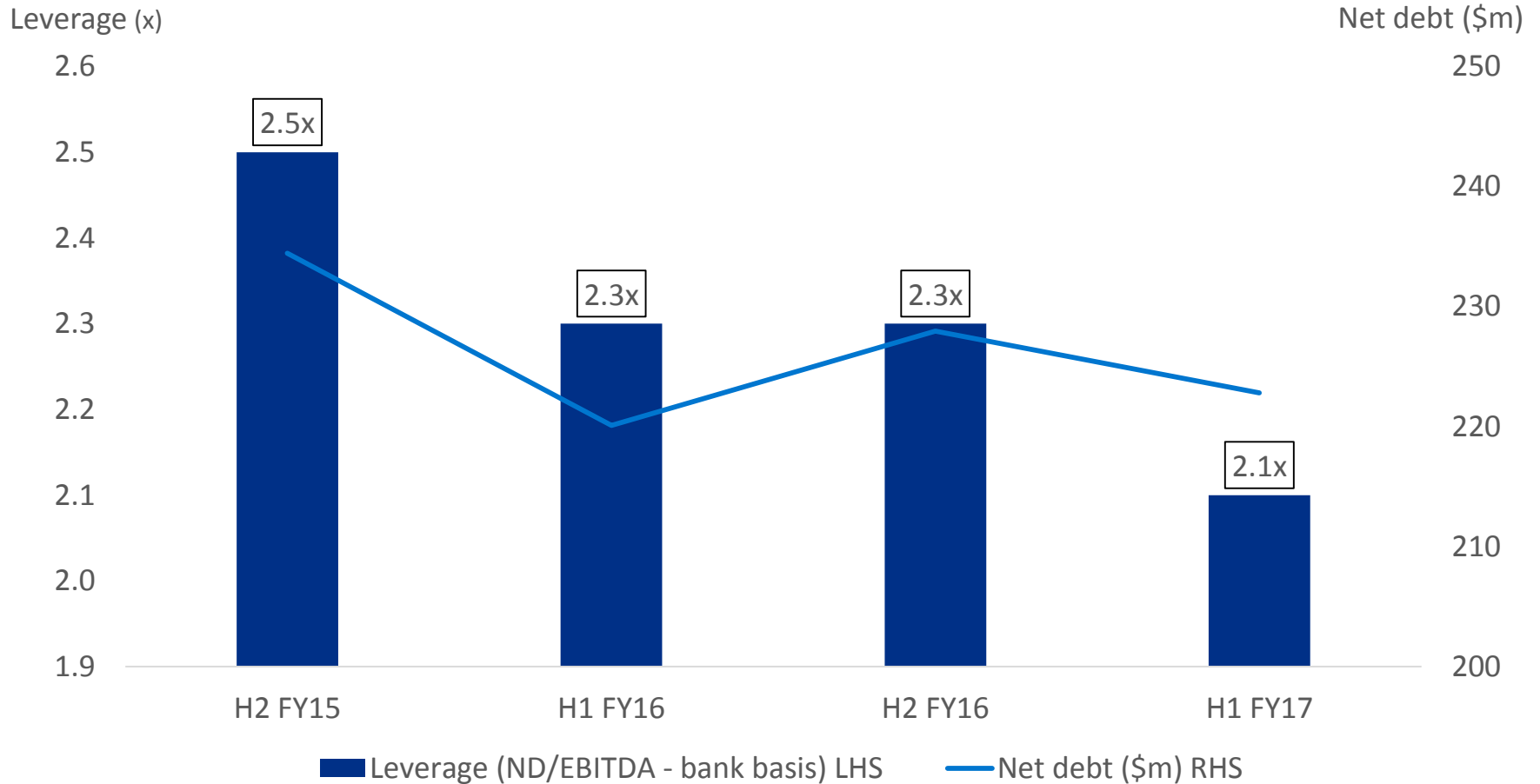
	H1 FY2017	H1 FY2016	Change
Statutory cash flow	(\$m)	(\$m)	(\$m)
EBITDA	51.4	45.1	6.3
Net working capital movement	(2.8)	7.3	(10.0)
Ungeared, pre-tax operating cash flows	48.6	52.4	(3.7)
Cash conversion %	95%	116%	(21%)
Net interest and finance costs paid	(5.0)	(6.9)	1.9
Income taxes paid	(1.7)	2.8	(4.5)
Net cash from operating activities	42.0	48.2	(6.3)
Expansionary capex	(25.7)	(19.2)	(6.5)
Underlying capex	(9.4)	(13.7)	4.3
Net cash used in investing activities	(35.1)	(32.8)	(2.2)
Free cash flow	6.9	15.4	(8.5)
Net proceeds from share issues	-	-	-
Net proceeds from borrowings	(0.8)	9.9	(10.7)
Dividends paid	(1.0)	(0.4)	(0.6)
Net cash used in financing activities	(1.9)	9.5	(11.4)
Net increase/(decrease) in cash	5.0	24.9	(19.8)

- Continued strong cash conversion in H1 (95%) reflects ongoing focus on effective working capital management
- Supply chain performing well with 95% on-shelf availability for top 1000 items
- Expansionary capex of \$26 million in line with expectations
- Key underlying capex item was store maintenance
- No debt draw down – third consecutive period of self funding
- Net debt reduced by \$5.1 million and leverage decreased to 2.1x

	31-Dec 2016	30-Jun 2016
Debt metrics	(\$m)	(\$m)
Net debt	222.8	227.9
Leverage - bank basis	2.1x	2.3x

Strong cashflow continuing deleveraging

Greencross has utilised its strong cashflow generation to continue reducing leverage



Balance sheet

Key movements reflect effective supply chain and continued investment in growth. \$120 million remaining headroom on debt facilities

Balance sheet	31-Dec 2016 (\$m)	30-Jun 2016 (\$m)	Change (\$m)
Assets			
Cash and cash equivalents	67.6	62.6	5.0
Inventories	96.4	92.0	4.4
Other	13.5	10.2	3.3
Total current assets	177.5	164.8	12.7
Intangibles	565.2	553.2	10.5
Property, plant and equipment	168.0	156.9	12.6
Other	14.3	16.3	(2.0)
Total non-current assets	747.5	726.4	21.1
Total assets	925.0	891.2	33.8
Liabilities			
Trade and other payables	96.2	92.7	3.5
Borrowings	290.4	290.5	(0.1)
Tax and other provisions	59.3	55.0	4.3
Total liabilities	445.8	438.2	7.7
Net assets	479.2	453.0	26.1

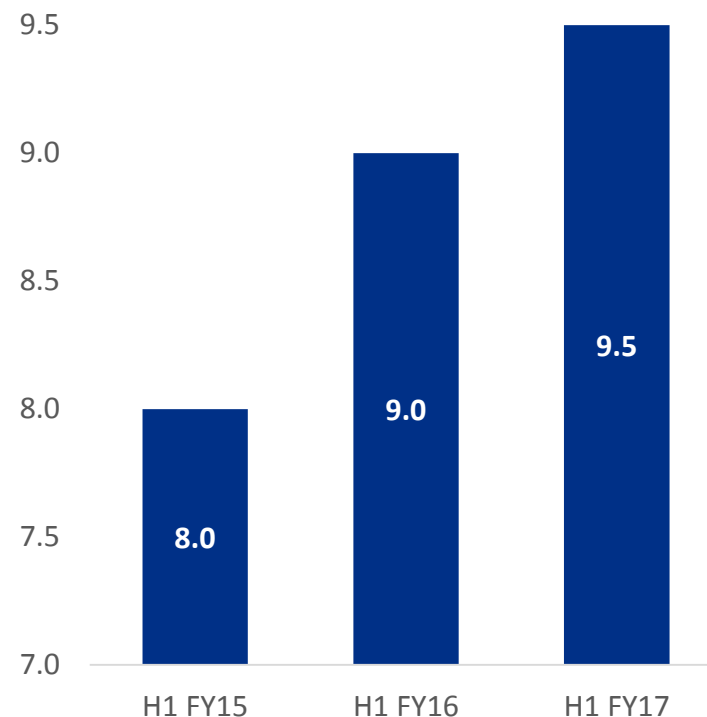
- Core inventory levels well controlled with average in-store stock decreasing to \$312k per store
- \$4.4 million increase in total inventory reflects additional stock for 16 new store openings partly offset by better in-store and warehouse inventory management as a result of bringing supply chain in-house
- Increase in PP&E primarily reflects ongoing capital expenditure in new stores and clinics
- Net debt reduced to \$222.8 million and leverage decreased to 2.1x
- Gross debt unchanged
- Lending covenants comfortably met
- \$120 million headroom on the Australian senior debt facilities providing ample capacity to fund growth opportunities including acquisitions

Dividend

Interim dividend increased by 6% to 9.5 cents per share

- The Directors have declared a fully franked interim dividend of 9.5 cents per share, representing a payout ratio of ~50%
- Interim dividend is 6% higher than previous interim dividend of 9.0 cents per share
- Key dates
 - Ex dividend date – 28 February 2017
 - Record date – 1 March 2017
 - Dividend payment date – 24 March 2017
- DRP remains activated for the interim dividend with a discount of 2.5%
- Greencross intends to have the DRP underwritten

Greencross dividend history (cents per share)



Operational highlights



Australian Retail

Operational highlights

- 3.7% LFL sales growth despite subdued consumer sentiment (WA) and increased promotional activity by retail competitors
- Successful Christmas ranging delivered strong December sales
- Added 11 new stores in H1 with 1 further store opened in H2 YTD
- Record loyalty club membership representing 87% of sales revenue
- Invested over 120,000 hours into training and education
- \$2.9 million in sales of Leaps & Bounds private label dog food
- Celebrated milestone of 20,000 adoptions and raised over \$1.5 million for animal charities– a fabulous effort from our team!

Australian Retail	H1 FY2017	H1 FY2016
Revenue (\$m)	256	228
Stores	200	179
Grooming salons	52	44
% sales revenue on a loyalty card	87%	85%
ATV	\$52.93	\$50.81



Operational highlights

- We are leveraging our unmatched database of pet owners and habits, to profitably build our online platform as a key part of Greencross' omnichannel growth strategy
- The Australian online pet sector is worth >\$200 million and is growing strongly. Our online business model is both scalable and profitable
- Online sales increased by 45% to \$4.8 million in H1 and average online basket size increased by 8%
- Our Group Loyalty program and data analytics capability means we can tailor our marketing to meet the needs of individual customers and their pets
- We have enhanced our website to optimise responsiveness to mobiles and tablets and expanded our online range to over 4,100 product lines
- We also completed an Australia wide roll out of click & collect in February 2017





**CLICK &
COLLECT**

ORDER ONLINE, PICK UP IN-STORE.

- ✓ Free collection
- ✓ Place Order by 7am pick up after 11am*
- ✓ Place Order by Noon pick up after 3pm*

*Please note that occasionally during periods of high demand this may not be possible, please ensure you have received an email confirming your order is ready to be collected before proceeding to store.

Australian Veterinary Services

Operational highlights

- Market leading 5.3% LFL sales growth driven by strong performance from in-store clinics and cross referrals
- Opened 5 in-store clinics in H1 with a further 4 now under construction
- In-store clinics contributed \$6 million of revenue in H1 (8% of total GP revenue)
- Completed 3 clinic acquisitions representing \$3.5 million in annualised revenue
- Recruited 48 vets into 2017 graduate training program
- Invested over 19,000 hours into professional training and education in H1
- ~55,000 HPP members
- Expect to open new specialty & emergency centres in West Brisbane and Gosford in H2

Vet Services ¹	H1 FY2017	H1 FY2016
GP clinic revenue (\$m)	75	67
Specialist & emergency revenue (\$m)	33	29
Total revenue (\$m)	108	96
In-store GP clinics	21	11
Standalone GP clinics	103	100
Specialist & emergency centres	30	30
Total vet practices	154	141
HPP members (000's)	55	50



1. Australia only. Excludes New Zealand. Net of clinic closures.

Operational highlights

Retail

- Delivered outstanding 25% revenue growth and 5.7% LFL sales growth
- Opened 5 new stores and 2 in-store clinics in H1
- Added 1 store and 1 in-store clinic in H2 YTD with a further 2 in-store clinics under construction
- Expanded retail footprint in key cities of Wellington and Auckland with store openings in New Lynn and Kilbirnie
- Continued successful regional expansion with new stores opened in Blenheim, Masterton and Napier
- Retail ATV has increased by 2% versus pcp
- Improved retail gross margin to over 46%
- Excellent customer engagement with loyalty card purchases representing 91% of sales
- On going discussions to expand vet network

New Zealand	H1 FY2017	H1 FY2016
Revenue (\$m)	48	38
Stores	37	32
Grooming salons	22	12
% retail sales revenue on a loyalty card	91%	94%
In-store GP clinics	3	1
Standalone GP clinics	7	7
Total vet practices	10	8



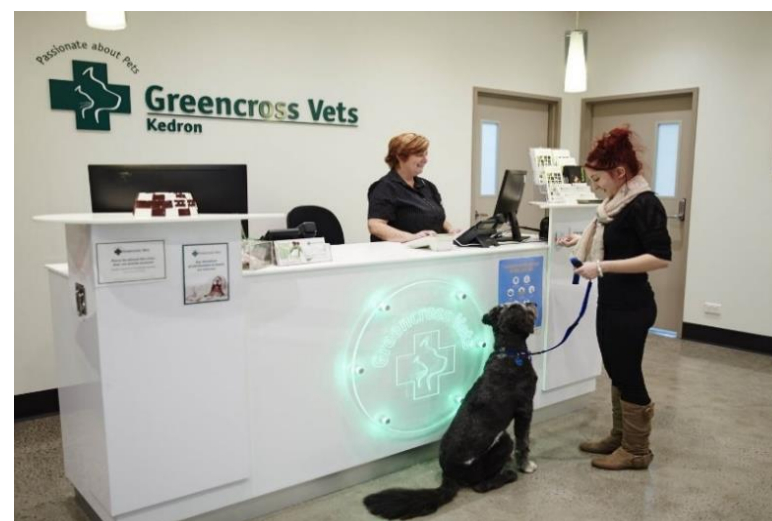
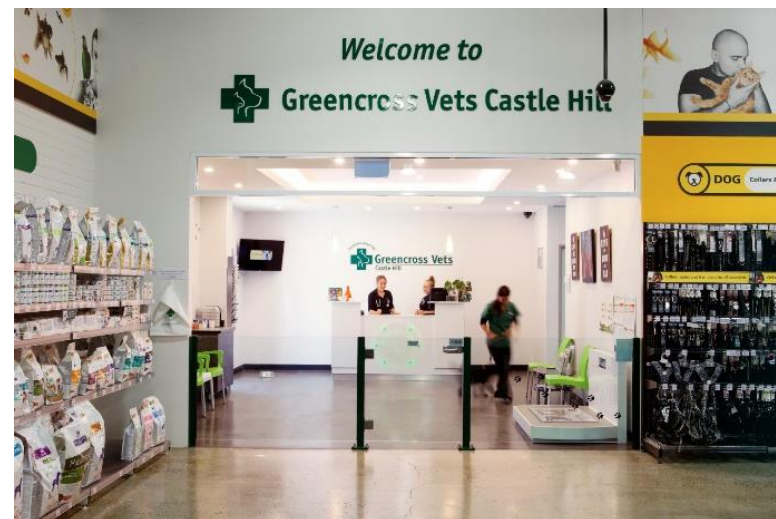
Growth runway

Greencross has three core expansionary growth platforms, each with attractive returns and significant runway remaining

		Annual target	Revenue at maturity	Required investment	Target payback	EBITDA margin at maturity	Network target
Organic	Retail stores	~20 stores	>\$2.5m plus services	\$1.2m including inventory and services	3.5 years	~20%	350
	In-store clinics	~20 clinics	\$0.8m	\$0.7m	4.0 years	~30%	>120
Acquisitive	Vet acquisitions	~\$5m to \$10m annualised revenue	\$1.2m	\$1.2m	5.0 years	~19%	Fragmented market

In-store clinics – a key platform for our integrated petcare strategy

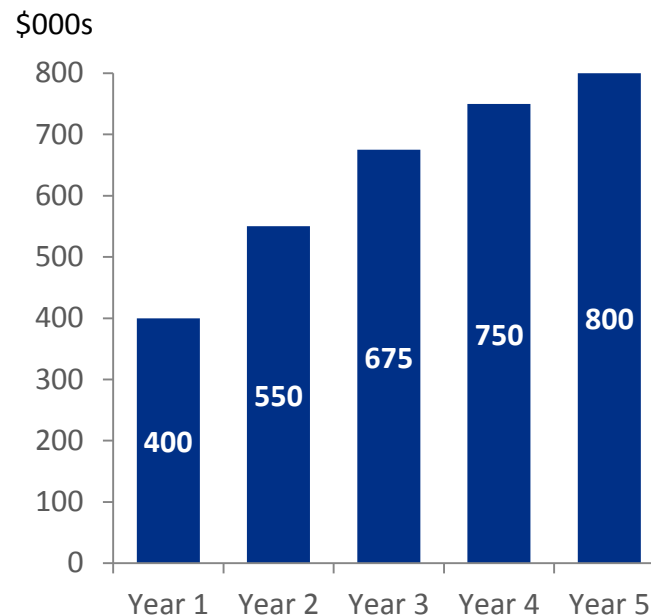
- Establishment capex \$0.5 - \$0.7 million compared to > \$1.2 million for vet acquisitions
- Modern state of the art clinics
- Typically GXL contributes 90% of establishment capex and vet contributes balance in exchange for profit participation
- Vet receives market salary, annual profit share (subject 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.
- Start up losses in year 1, positive EBITDA contribution in year 2 and target EBITDA margin of ~ 30% 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 > 25%



In-store clinics – performing strongly

- Australian in-store clinics contributed \$6 million of revenue in H1 FY2016
- EBITDA margins are strong and in line with management expectations
- In store clinics have double the number of clients who also shop in retail compared to standalone clinics
- Average annual vet spend is more than 10% higher for clients at in-store clinics than for standalone clinics
- Frequency of retail visit and annual retail spend for cross shoppers is higher for in-store clinics than standalone clinics

In-store clinic indicative target revenue profile



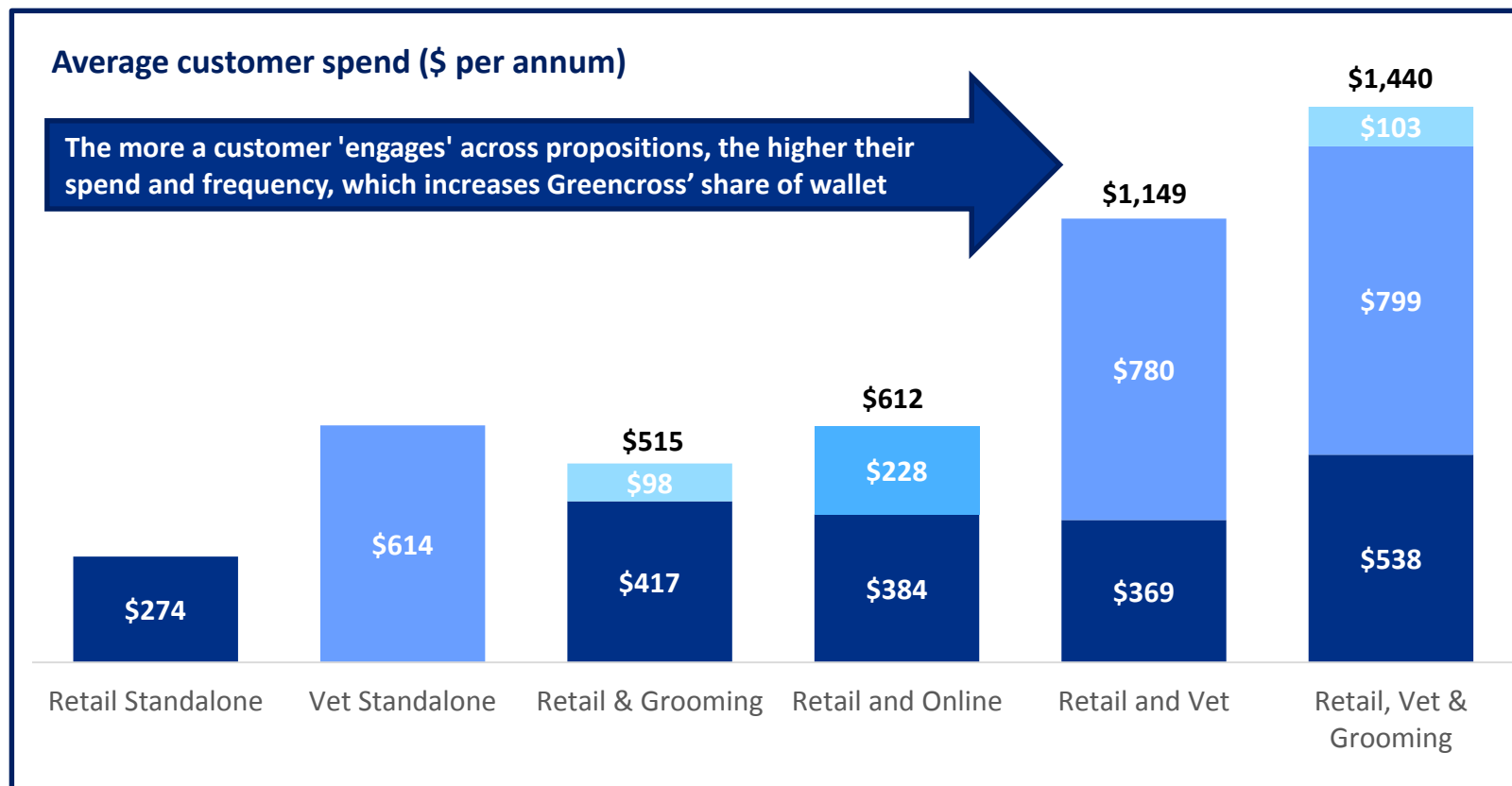
Australian in-store clinics – performance summary

Cohort (year of opening)	Number of of clinics	Average annualised revenue per clinic based on H1 revenue (\$000)	Average site EBITDA margin per clinic (%)
FY2017	5	nm ¹	negative
FY2016	13	637	>15%
FY2015 & earlier	3	1,027	>30%

1. Extrapolated data not considered meaningful as majority of FY2017 cohort have been open for less than 3 months.

Benefits of cross shopping

The number of customers who shop at more than one of our formats has increased by 23% over the past 12 months to over 158,000. These customers now represent 10% of our active customers, 23% of revenue and 27% of gross margin.



1. Actual Greencross customer data for Australia for the 12 months ending 31 December 2016. Active customers are customers who have shopped at Greencross in the last 12 months.

Positive pet trends in Australia¹

Growing dog population

- Since 2013, the number of dogs in Australia has increased by 3% to 4.8 million
- 3.6 million Australian households in Australia have a dog
- 66% of all dogs are kept indoors and outdoors

Growing cat population

- Since 2013, the number of cats in Australia has increased by 7% to 3.8 million
- 2.7 million Australian households in Australia have a cat
- 59% of all cats are kept indoors and outdoors

Increased expenditure on pets

- Australians spent more than \$10 billion on dogs and cats in the past year
- Since 2013, annual spend per dog has increased by 33% to \$1,475 and annual spend per cat has increased by 35% to \$1,029

Pet specialty is increasing its market share

- Australians are increasingly choosing to shop at pet specialty rather than supermarkets
- Approximately 25% of dog and cat owners now make the majority of their food purchases at specialty stores

Growing demand for services

- Last year, Australians spent \$2.2 billion per annum on veterinary services, \$580 million on grooming and \$490 million on pet insurance

Trading update and outlook



Trading update and outlook

■ Trading update

- As at week 32:
 - Group LFL sales growth 4.3%
 - Australian Vet LFL sales growth 5.7%
 - Group Retail LFL sales growth 3.8%

■ Network expansion

- Opened 1 store and 2 in-store clinics in H2 FY2017 YTD
- 6 in-store clinics currently under construction
- Upgraded full year network expansion targets. Greencross now expects to add 21 stores and to open 16 in-store clinics in FY2017

■ Outlook

- Greencross expects continued strong cash conversion in FY2017 with underlying EBITDA and NPAT growth at similar levels to FY2016

Appendix



Network summary

Stores	H1 FY2017	H1 FY2016
Stores at beginning of period	221	200
New stores	16	11
Stores at end of period	237	211
% of stores with an in-store vet at end of period	10%	6%
Vet practices	H1 FY2017	H1 FY2016
Vet practices at beginning of period ¹	155	132
Acquired standalone vet clinics	3	8
New in-store vet clinics	7	9
Vet practices at end of period ^{1,2}	164	149
In-store clinics at end of period	24	12
Grooming salons	H1 FY2017	H1 FY2016
Grooming salons at beginning of period	63	49
New grooming salons	11	7
Grooming salons at end of period	74	56
% of stores with a grooming salon at end of period	31%	27%

1. Includes standalone GP vet clinics, in-store GP clinics, specialist and emergency centres and pet crematoria.

2. Net of clinic closures. Greencross closed 1 clinic at Beaudesert (QLD) in H1 FY2017.

Stores and clinics opened in FY2017 YTD

Australian Retail

+ 12 stores

- Opened 12 new stores
 - Hawthorn (VIC)
 - Indooroopilly (QLD)
 - Deeragun (QLD)
 - Mackay (QLD)
 - Goulburn (NSW)
 - Eltham (VIC)
 - Preston (VIC)
 - Melrose Park (SA)
 - East Victoria Park (WA)
 - Baldivis (WA)
 - Neutral Bay (NSW)
 - Woolloongabba (QLD)¹

Australian Veterinary Services

+ 8 clinics

- Acquired 3 clinics
 - Canberra (ACT)
 - Para Vista (SA)
 - Ocean Reef (WA)
- Opened 5 in-store clinics
 - Preston (VIC)
 - Kangaroo Flat (VIC)
 - Ferntree Gully (VIC)
 - Lawnton (QLD)
 - Baldivis (WA)

New Zealand

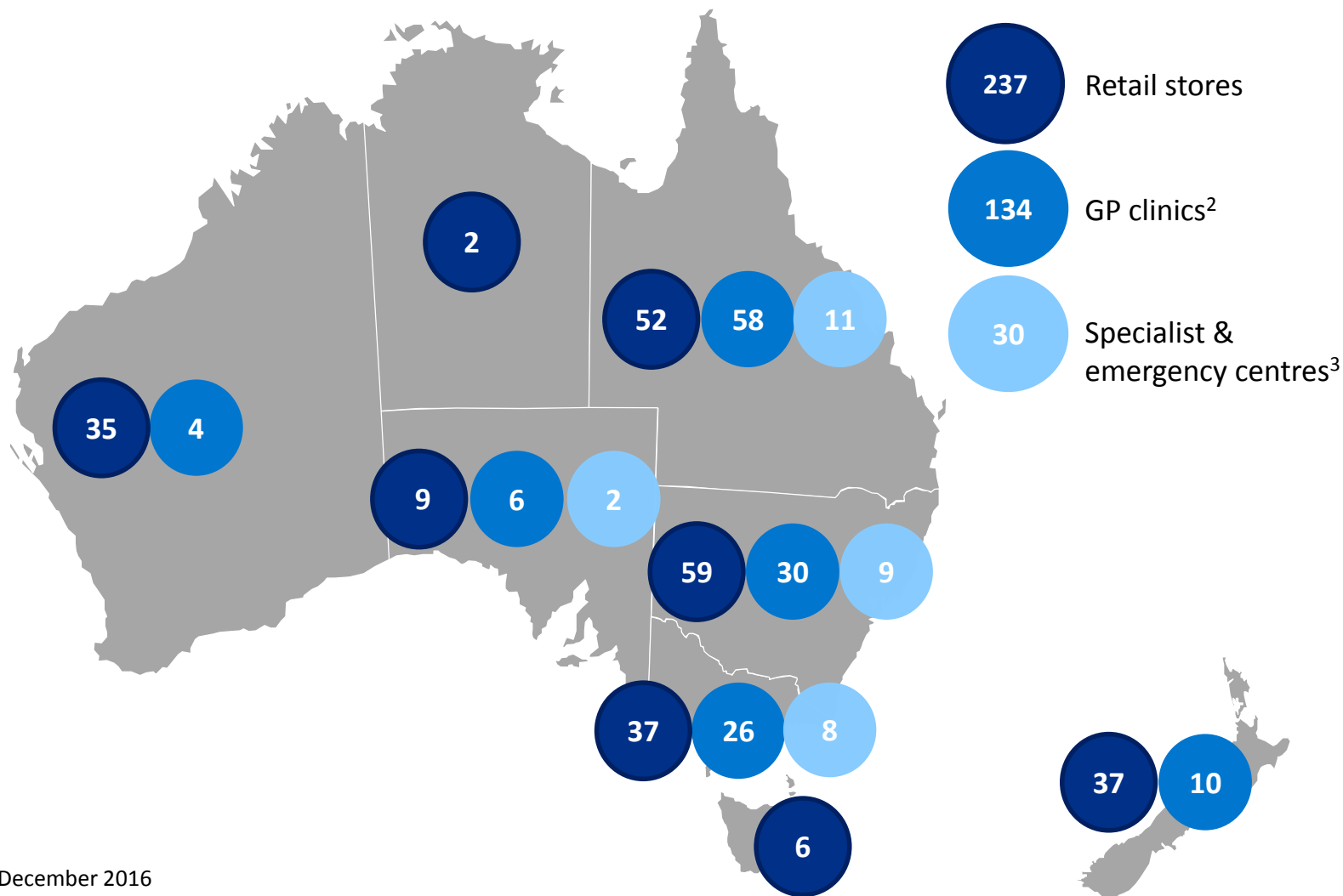
+6 stores + 3 clinics

- Opened 6 new stores
 - Masterton
 - Kilbirnie
 - New Lynn
 - Blenheim
 - Napier
 - Invercargill¹
- Opened 3 in-store clinics
 - Hamilton
 - Glen Innes
 - Invercargill¹

1. Opened in H2 FY2017.

Greencross store and clinic network

Greencross' network comprises over 400 stores and clinics across Australia and New Zealand¹



1. As at 31 December 2016

2. Includes standalone clinics and in-store clinics

3. Includes specialist centres, accident and emergency hospitals and pet crematoria

Reconciliation of statutory and underlying results

H1 FY2017	Revenue	EBITDA	NPAT
	(\$m)	(\$m)	(\$m)
Statutory	412.3	51.4	21.9
Acquisition & due diligence costs	-	0.9	0.6
Share-based payments (for comparability)	-	0.5	0.3
Site rationalisation costs	-	0.1	0.1
Redundancy and restructuring (including Brisbane Support Office)	-	1.1	0.8
Recognition of tax losses		-	(0.8)
Total adjustments	-	2.5	1.1
Underlying	412.3	53.9	23.0
H1 FY2016	Revenue	EBITDA	NPAT
	(\$m)	(\$m)	(\$m)
Total adjustments	-	3.4	2.5

End

