

25 October 2017

## 2017 AGM – Chairman's Address

2017 has been a year of substantial progress for the Company. Our staff and management team have continued to successfully execute our integrated pet care strategy and this has translated into another year of strong financial and operating performance.

In a downbeat consumer environment, the business delivered solid revenue and earnings growth. All three of our business divisions achieved top line growth of over 10.0% with Group LFL sales growth of 4.5%. We have continued to expand our network to almost 420 locations across Australia and New Zealand further cementing our position as the leading player in the \$10 billion ANZ pet care market. Pleasingly, we have again been able to fund this expansion while still reducing our leverage.

### **Our competitive advantages**

A lot has been made recently of the potential impact of Amazon on the Australian retail landscape. In response to this discussion, it is worth pointing out that our business has many unique features which differentiate us from both online and bricks and mortar competitors.

Our Group is the largest employer of vets in Australasia, with over 650 vets. In a world where pet consumers are increasingly seeking professional advice on medical and nutritional issues for their pets, our unparalleled veterinary expertise is an asset which sets us apart from others. We truly provide a one-stop shop for pet owners with veterinary services, grooming salons, dog wash, pet insurance, pet hotel booking, dog walking and sitting, and obedience training all increasingly available in a single location

Our unique, private label products now make up 21% of Australian product sales and we believe there are several near-term opportunities to grow this number even further.

Our business also has an advantage in terms of our large and loyal retail customer base. Over 87% of our sales in our stores are made on our Group Loyalty card which provides us with invaluable data on the shopping habits of pet owners. This year we re-invested in our loyal customers through refreshing our Group Loyalty program with very pleasing results to date.

Looking forward not only will we continue to focus on excellent customer service in our stores, we are now taking preliminary steps to upgrade and refurbish our store formats, with an increased emphasis on services, in-store theatre and pet interaction.

Finally, while there is more work to be done, we have continued the rapid expansion of our own on line offering yielding 55% growth in FY2017. In February we launched click and collect which enables customers to order online and then pick up in-store at their convenience. This has grown to over 40% of online transactions and cannot be replicated by pure online players.

Reflecting on all of the above, I firmly believe Greencross has the right platform and business strategy in place to enhance our position as the leading specialist player in the Australian pet care market, deliver value and convenience for our customers and generate future growth and profitability for our shareholders.

### **Board changes**

Today Andrew Geddes is stepping down as a director of Greencross Limited. On behalf of the entire Board I would like to thank Andrew for the outstanding contribution he has made to the Company over the past 10 years. Andrew's extensive experience in providing strategic advice to professional services firms meant he has been able to provide the Board with valuable insights into best management practice in the Australian veterinary sector.

### **Diversity**

I am also pleased to confirm our commitment to gender diversity across the Group and to provide a workplace environment that embraces diversity across both gender and age. Women represent 76% of all Greencross employees and the representation of women in senior management positions has increased to 40% this year. In addition, women will now represent 33% of non -executive directors on our Board.

### **Conclusion**

Finally, I would like to take the opportunity to thank our management and staff for their contribution this year. Their dedication and professionalism were critical to our success.

I would also like to thank you, our shareholders, for your support and I now call on our Chief Executive Officer, Martin Nicholas, to speak to our financial and operating performance in further detail.