

Greencross Limited

The Pet Company

2017 ANNUAL GENERAL MEETING
CEO PRESENTATION



Our strategy

In FY2017 we continued to execute our integrated petcare strategy and extended our position as Australasia's leading specialist pet care company

■ Optimising the current business

- Strong cash conversion
- Expanding in-store service offering to provide a one-stop pet shop
- Store of the future project underway

■ Expanding our footprint

- Added 18 stores, 25 clinics (including 20 in-store clinics) and 13 grooming salons in FY2017
- Opened 5 stores, 4 in-store clinics and 4 grooming salons in FY2018 YTD
- Confident in network runway with strong pipeline for in-store clinics and continued roll out of retail stores

■ Investing in future growth

- In-store clinics performing well and targeting to add another 20 this year
- Expansion of service offering in retail stores
- Increased private label sales with near term opportunities in wet dog food and dry cat food
- Continued focus on online execution and delivery of a seamless omnichannel offering for our customers
- Leverage the successful relaunch of our Group Loyalty Program to increase customer engagement

Overview of FY2017 financial performance

Integrated petcare model has delivered double digit sales & EBITDA growth

■ Key Financials¹

- Group Revenue up 11% to \$817 million
- Group LFL sales growth 4.5%²
- Gross Margin up 11%
- EBITDA up 15% to \$100 million
- Exceptionals halved
- Underlying EBITDA up 9% to \$104 million
- NPAT up 21% to \$42 million
- Underlying NPAT up 7% to \$43 million

■ Utilising strong cashflow to reduce leverage

- EBITDA cash conversion of 96%
- Leverage (ND/EBITDA) decreased to 2.2x



1. FY2017 was 53 weeks vs 52 weeks in FY2016.

2. LFL sales measures same site sales growth for all stores and clinics that have been open for 53 weeks and makes no adjustment for cannibalisation or competition.

FY2017 highlights

Network

Continued rapid network expansion – added 43 stores and clinics

In-store clinics

Accelerated roll out strategy – opened 20 in-store clinics. Visit numbers are ramping up ahead of expectations

Private label

Private label sales reached 21% of Australian retail revenue and Leaps & Bounds achieved \$6 million in sales

Customer Engagement

Relaunched Group Loyalty Scheme and increased customers who shop across more than one format by 38%

Specialist & emergency

Opened 2 specialist and emergency hospitals in Brisbane and acquired 2 specialist and emergency practices in Adelaide

Omnichannel

Grew online sales by 55%. Launched click & collect in February. Commenced partnership with PetCloud.

Petbarn Foundation

Saved the lives of over 7,000 animals and raised more than \$2.8 million for the RSPCA, Seeing Eye Dogs Australia and our other charity partners

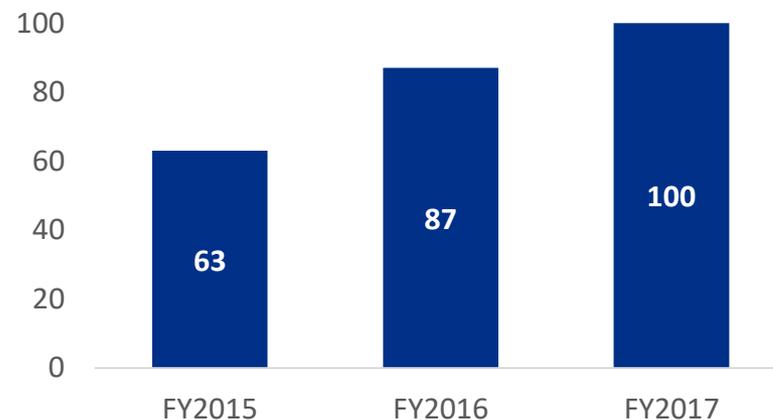
3 year revenue and earnings growth

Strong cash generation invested to profitably expand the business while reducing leverage

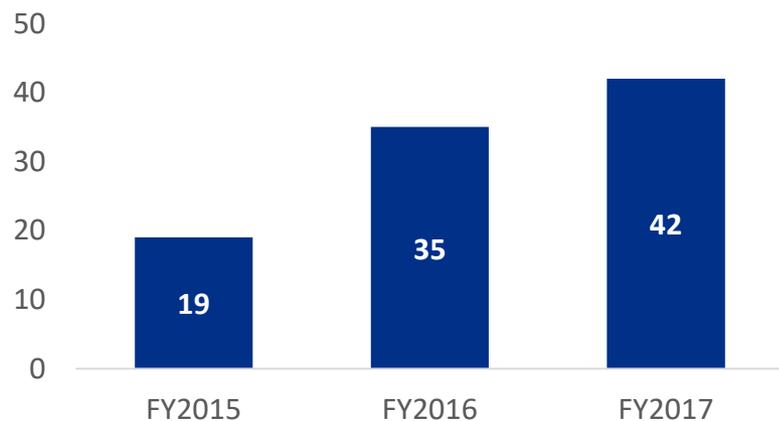
Revenue (\$m)



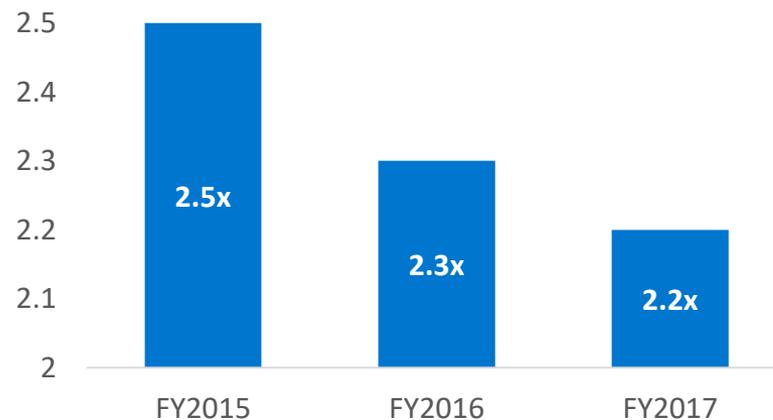
EBITDA (\$m)



NPAT (\$m)



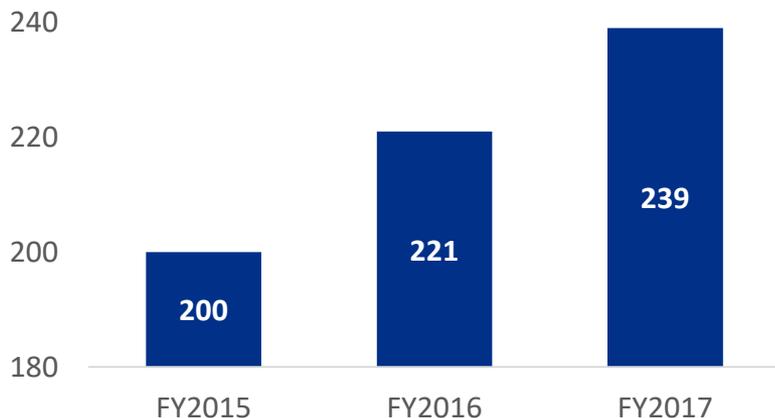
Leverage (Net Debt/EBITDA)



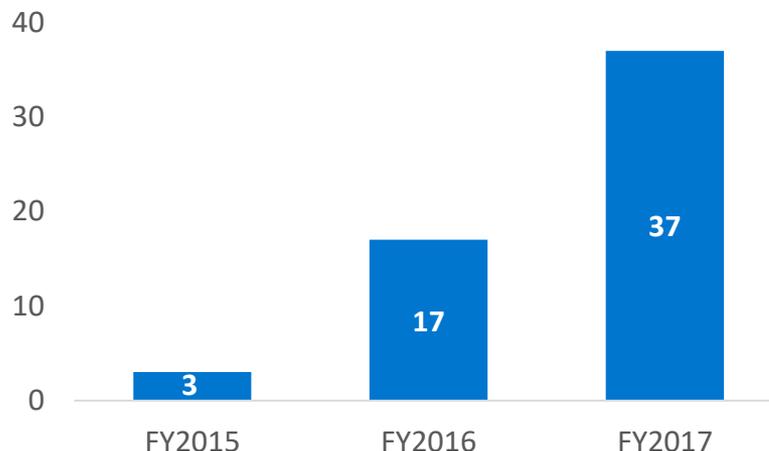
Network expansion

We have expanded our network footprint by 11% in FY2017, primarily through organic growth

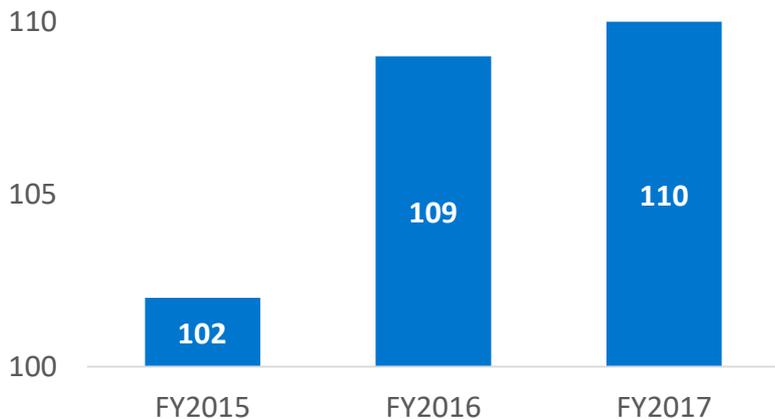
Retail stores (+18 to 239)



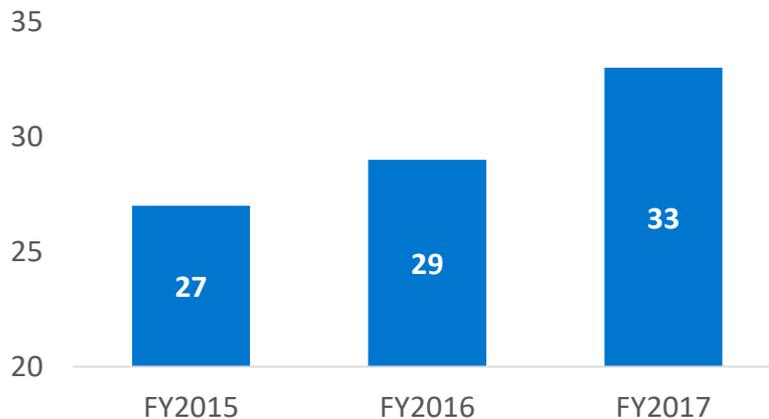
In-store vet clinics (+20 to 37)



Standalone vet clinics (+1 to 110)



Specialist & emergency vet practices (+4 to 33)



Group Loyalty and customer focus

We have a growing customer base and are committed to rewarding their loyalty

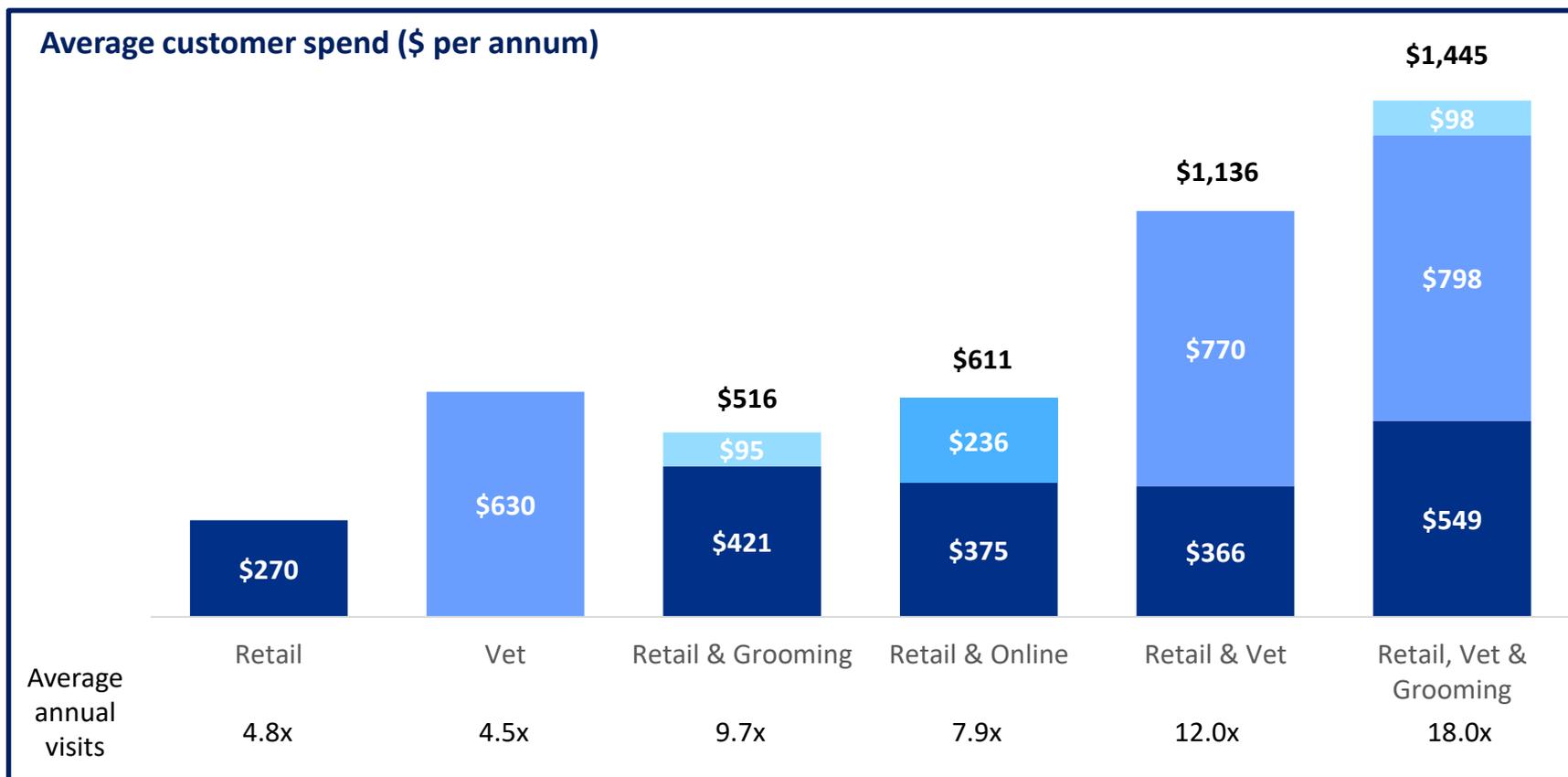
- We have **1.8 million** active customers.
- **Over 87%** of purchases were made on our **Group Loyalty Program**
- Gives us great insights into spending habits enabling **tailored marketing** and promotional activity
- **Rewards customers** for loyalty and spending more **frequently** across our entire network
- Our Loyalty program was **relaunched in April 2017**
- Revitalised program now includes:
 - **3 membership tiers**
 - a range of **complimentary upfront benefits** including services like grooming, dogwash and upgraded pet hotel bookings
 - **premium food** rewards



Cross shopping & loyalty

Customers who shop across retail, vet and grooming visit us 18.0x per year and spend \$1,445

- In FY2017, the number of customers who cross shop across more than one of our formats increased by 38% to over 188,000¹
- Cross shoppers represent 11% of our active customers, 26% of revenue and 30% of gross margin¹



1. Actual Greencross customer data for Australia for the 12 months ending 30 June 2017. Active customers are customers who have shopped at Greencross in the last 12 months.

Australian Retail

Continued network expansion and LFL sales growth

Operational highlights

- 11% sales growth and **4.3% LFL sales growth strengthening in H2** following investment in Group Loyalty
- Opened **13 new stores** in FY2017¹
- Added **12 in-store clinics** into retail utilising 2200 sqm of floor space
- **Private label** reaching **>21% of sales**. Important margin and loyalty driver
- Steady **online progress** including click and collect launch
- Continued success with **services**
- Invested over 165,000 hours into **training and education** with customer excellence focus



1. Australia only. A further 7 stores were opened in NZ.

Online reaches 3.4% of retail sales. Online growth remains a key priority.

Achievements

- Online **revenue grew by 55%** in FY2017
- **Click & collect** launched in February 2017 and now represents over 40% of online sales
- Online **basket size 50%** higher than in-store and has increased by 7% in FY2017
- **Online** vet appointment and services booking
- Upgraded **advice and content**
- **Profitable** model

Opportunities

- **Delivery speed** including same day delivery leveraging store based fulfilment
- Online **customer experience** to match store based customer service. Redesigned, simpler online shopping experience
- Leverage **customer data** to better target shoppers including subscription opportunity



Private label sales

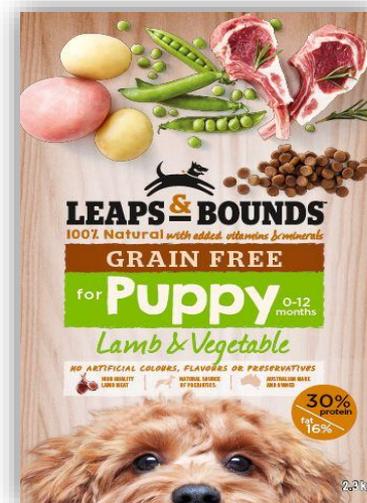
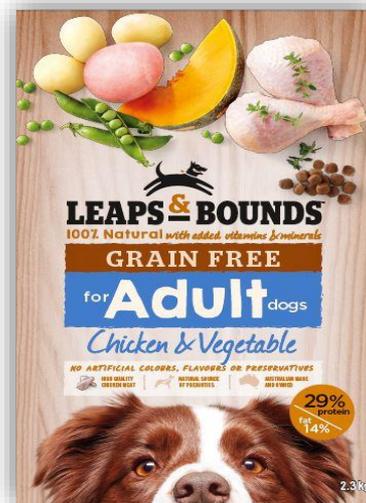
Private label sales have now reached 21% of Australian retail product sales

Accessories

- **Joint buying office with Petco** (US Retailer) in China provides economies of scale and access to innovation
- Private label **accessory sales** are **30%** of total Australian accessory sales

Food

- Private label **food sales** (excluding treats) are **10%** of total Australian food sales
- Launched **Leaps and Bounds** in June 2016
 - overwhelming customer response with \$6 million of sales
 - Number two selling brand in the essential dog food category
 - Grain free launched in Q4, doubling the size of the range, with wet range to be launched this year
- **Significant opportunity** for further private and partner brand food extensions



In-store & online services

One stop shop driving foot traffic and cross shopping

- **In-store clinics** in 17% of stores with target of > 60%
- **Largest pet groomer in ANZ** with 83 grooming salons (34% of stores)
- **Petbarn pet insurance** recognised by Canstar as a winner for outstanding value pet insurance
- **Petbarn adoptions** rehomed 7,000 pets in FY2017 with our charity partners
- Other services we offer in-store include **dogwash, pet hotel bookings** and **puppy school**
- Petbarn now gives pet owners the opportunity to access **sitting, walking** and other pet care services online through its trusted partner **Petcloud**



Australian Veterinary

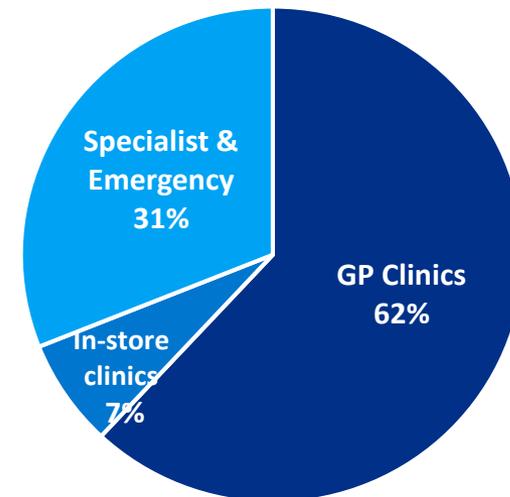
Focused on organic growth

Operational highlights

- 10% sales growth with **4.8% LFL sales growth**
- Outstanding **clinical and customer care** underpinned by our Veterinary Advisory Board chaired by our Chief Veterinary Officer, Dr Rachel Chay
- Opened **12 in-store clinics** with 5 under construction
- Completed 3 GP clinic acquisitions. Disciplined approach
- **4 new specialist & emergency centres** in Brisbane and Adelaide
- Recruited **50 vets** into **graduate** program and reinforced focus on **vet retention, recognition and reward**
- Largest employer of vets in Australasia with 650 vets
- Invested over 40,000 hours into **professional training & education**



Australian Veterinary – FY2017 revenue split



New Zealand

We expanded our New Zealand store and clinic network by over 35% this year

Operational highlights

- Delivered **21% revenue growth** and 4.9% LFL sales growth
- Opened **7 new stores** with 1 store opened in FY2018
- Made **4 in-store vet** acquisitions (Pet Doctors) and opened 4 in-store vet clinics
- Added **7 grooming salons** and groomed over 20,000 dogs
- Increased **private label sales** to 13% of retail product sales
- Increased retail gross margin to 47%
- **Excellent customer engagement** with loyalty card purchases representing 91% of sales
- Raised in excess of \$300,000 for our charity partners Mobility Dogs and the SPCA



The Petbarn Foundation

Greencross sponsored over 7,000 pet adoptions this year (that's over 7,000 lives saved!)

- The Petbarn 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 7,000 adoptions in FY2017 and over 24,000 adoptions since our program was first introduced
- Over 120 Petbarn, Animates and City Farmers stores have pet adoption centres
- This year's donations have funded training for 13 seeing eye dogs (SEDA) and 10 K9 Support Dogs (Soldier On)
- We have raised over \$2.8 million this year for our charity partners below



SEEING EYE DOGS
australia



Pets Haven
Foundation



Management changes

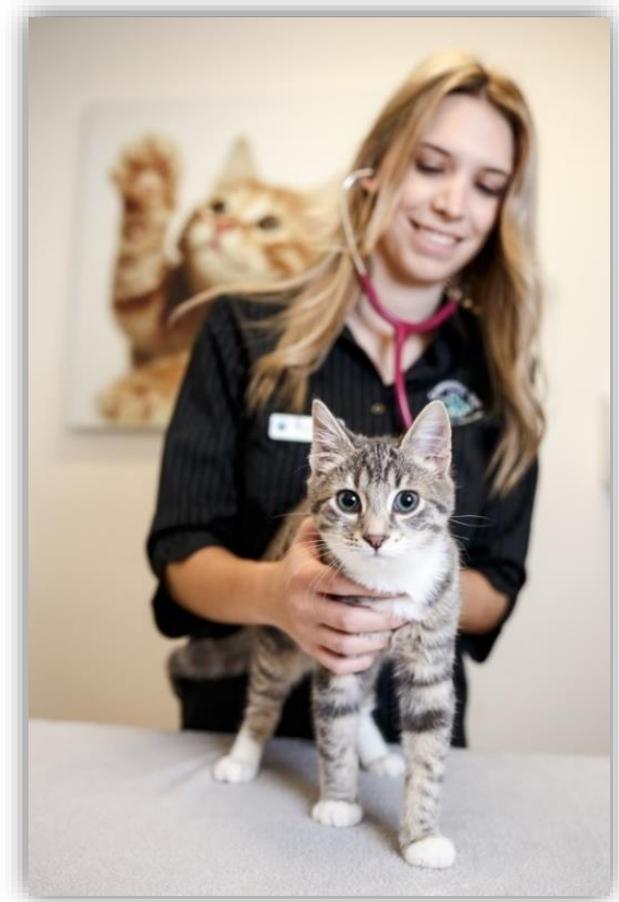
CFO transition

- Chief Financial Officer, Warwick Thresher, will leave the Company in first half of CY2018
- Mr Thresher has decided to relocate with his family to the United Kingdom
- Mr Thresher has agreed to remain with the Company into CY2018 to ensure a smooth transition of his responsibilities
- An executive search for a new Chief Financial Officer is underway



Trading Update

- **Trading update as at week 16**
 - The Group is trading in line with management expectations
 - Greencross' integrated petcare business proving resilient in a downbeat consumer environment
 - 8.5% Group total sales growth and 4.4% Group LFL sales growth
 - Group Retail LFL sales growth 4.1% with WA retail stores delivering positive LFL sales
 - Australian Veterinary LFL sales growth 5.4%
- **Network expansion**
 - Opened 5 stores, 4 in-store clinics and 4 grooming salons in FY2018 YTD
 - Expecting to add 15 stores and 20 in-store clinics to the network in FY2018



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