

ASX Release

Apiam Animal Health Limited

(ASX: AHX)

2020 Annual General Meeting, Chairman's Address

Bendigo, 26 November 2020

Good morning ladies and gentlemen. My name is Andrew Vizard and I am Chairman of the Company. I welcome you all to Apiam's 2020 Annual General Meeting - our first virtual AGM.

The past financial year was extraordinary. It began with much of Australia in the midst of extreme drought. Devastating bushfires followed. And the year ended with the world in the midst of an unprecedented pandemic.

In the face of such extraordinary headwinds, it is pleasing to report that Apiam delivered substantial growth for our shareholders. Our revenue in FY20 increased 6.0% to \$118 million. Our Net Profit After Tax was \$4.2 million, up 32% on the previous year. Our final dividend was 50% higher than the FY19 final year dividend.

How did we achieve strong growth during such extraordinary times? Let me highlight five contributing factors.

Firstly, Apiam's business diversification strategy – a strategy we have been executing since our formation in 2015. The combination of a variety of businesses in different locations around Australia, across a range of animal species and operations and other complementary areas such as consulting and product distribution has created a business model with an in-built portfolio effect. It is a strategy that expects, as the old saying goes, that every dog has its day; and in 2020, that is literally the case for Apiam. An unexpected outcome of COVID has been generally strong growth in the companion animal markets, and through our purposefully significant exposure to that market, we are able to reap rewards.

A second factor contributing to Apiam's strong growth are our new initiatives, such as our ProDairy consultancy program, the exclusive distribution agreement with Zoono Animal Health and the launch of the Best Mates companion animal program. These are all new business initiatives developed and implemented by Apiam's management team during FY20 and they are all producing strong revenue streams and good earnings opportunities. Our Managing Director, Chris Richards will talk to these in further detail during his presentation.

The third factor is our investment during the previous three years in modern, scalable management systems for the Company, particularly our Enterprise Planning Software and our Practice Management System Software systems. I thank all investors for the patience showed whilst these systems were being implemented; although it did take longer than we initially planned, the rewards are now being realised. These systems are helping to deliver revenue growth and significant cost savings as we operate more efficiently, whilst also allowing us to grow efficiently and fully leverage the benefits of our scale.

Fourthly, I highlight the success of our acquisition strategy. Since listing we have made 9 acquisitions to grow our business or add specialized skills and expertise to our offering. These acquisitions have also been very successful in diversifying our revenue streams, and protecting us from industry volatility that is often a feature of regional businesses.

In the FY20 financial year we completed three strategic acquisitions, being ACE Laboratory Services, Grampians Animal Health and Devoted Vets in Warragul. Each of these businesses featured a compelling rationale – either the addition of a specialist service offering that was attractive to our customer base, or a new regional exposure. All three acquisitions made during the past year have performed extremely well and are making a strong financial contribution to our business.

You may have also seen that last week we announced the acquisition of Don Crosby Veterinary Surgeons, a leading Dubbo based companion and mixed animal veterinary practice. This was identified by management as having an attractive acquisition rationale for Apiam, given its exposure to the strongly growing companion animal segment. It also provides a meaningful market presence in a fast growth regional population centre. Chris will provide you with more details about this acquisition during his address.

The fifth and final factor that I wish to highlight as contributing to our growth during such difficult times is probably the most important. It is our people. I thank the entire Apiam staff who, without exception, faced these extraordinary times with a degree of professionalism, flexibility and teamwork that made me, and my fellow Board members, proud to be a part of the Apiam team. Their commitment to delivering sustainable and increasing returns for our shareholders whilst at the same time looking for ways to stand alongside and support our diverse regional and rural customer base is the foundation stone on which we are building an ever-stronger, bigger and better Apiam.

Looking ahead, while COVID-19 may well present ongoing challenges into 2021, I want to reassure shareholders that Apiam's business model, as a provider of essential animal health services is robust and well placed. For veterinarians, hygiene and safety have always been at the forefront of what we do. Our safety protocols are well established and our teams are experienced in managing risks presented by infectious agents. Importantly, the fundamentals of our business remain unchanged. Our scale and geographically dispersed business model across rural Australia provides Apiam with the capacity to remain resilient in the face of changing conditions.

We therefore enter FY21 with confidence and our most recent year to date results support that confidence. From July to October, the first four months of this new financial year, we have performed strongly. Again, Chris will provide the details around this shortly.

In the year ahead we will continue to execute on our core business strategy. Our investment in our infrastructure will continue to pay off and is expected to deliver greater efficiencies and earnings growth as the scale of the business continues to grow. Expect to see further strategic acquisitions.

It is also important to note we also have a very solid balance sheet and are supported by stable cash flows – this has allowed us to continue to pay dividends at a time when many others cannot.

Before closing I just want to touch on what we are doing to support the communities we operate in. We feel strongly about supporting them through their recovery from the challenges they have faced over the past year. To assist with this, Apiam donated \$135,000 to our Fur Life Charitable

Foundation. This, together with other donations raised by the Foundation, was donated to Rural Aid to support its Mental Health Assistance Program as well as to three regional wildlife organisations working to improve native animal wellbeing in the areas most affected by last summer's bushfires.

To close, I take this opportunity to thank my fellow directors and to reiterate my thanks to Apiam's committed team of management and employees for their contribution and dedication to Apiam's future. I also thank our shareholders for their continued support and commitment to our business strategy – this has allowed us the opportunity to begin delivering the earnings growth we knew the Apiam business was capable of.

I will now hand over to our Managing Director, Chris Richards, to make a presentation on Apiam's activities and financial results for the FY20 year, as well as an update on FY21 trading to date.

Thank-you.

--Ends--

This announcement is authorised for release by the Board of Directors.

For further information, please contact:

Dr Chris Richards
Managing Director
Apiam Animal Health Limited
chris@apiam.com.au

Todd Richards
Company Secretary
03 9492 9206
todd.richards@boardroomlimited.com.au

About Apiam Animal Health Limited

Apiam Animal Health is positioned in the Australian market as a vertically integrated animal health business providing a range of products and services to Production and Mixed animals. Apiam Animal Health's strategy is to service Production and Mixed animals throughout their lifecycle, including the provision of veterinary services, ancillary services, genetics, wholesale and retail of related products, together with technical services related to food-chain security.