

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Managing Director's Address – Annual General Meeting

Bendigo, 25 November 2021

Thank-you Andrew, and welcome everyone this morning to our AGM.

Despite the uncertain environment for many businesses in 2021, Apiam has delivered another strong performance as we continued to execute our core business strategies. We made significant progress in executing our acquisition pipeline, we captured growth in attractive regional markets and further diversified our revenue streams.

Today, I will provide additional detail on our FY21 performance and further context on our growth strategy, via both organic business initiatives and acquisitions. I will also provide an update on Apiam's current trading for the year to date, and our outlook for FY22.

Progress against strategic priorities in FY21

I want to start by reviewing our key business priorities in FY21 and the progress we made in each area.

As Andrew has mentioned, we developed and implemented a number of organic business initiatives, many of which were market leading and innovative within the animal health segment. In our intensive animal businesses, we have strategically transitioned our business focus to new antimicrobial products and services, while at the same time reducing our reliance on wholesale sales of lower-margin traditional products. We have invested in new vaccine development and continued to successfully grow our customer centric service programs which I will talk to later in the presentation.

In terms of acquisitions, this has been a highly productive year, having completed 7 acquisitions in the past 12-months and announcing a further 4 which will complete in December. We have targeted our acquisitions to capture growth in regions where populations and animal ownership is growing rapidly. In addition, the changing nature of veterinary markets in terms of the complexities of running large business operations with staff challenges and so on, has meant our acquisition pipeline is strong, with many opportunities presented to us to assess. We continue to execute only the most attractive opportunities and once the terms are agreed, we are very experienced at quickly and efficiently integrating these regional businesses into the broader Apiam group.

I will cover the financial highlights of our FY21 performance on the next slide, which delivered operating leverage and increasing profit margins as the result of successful execution of our business model. We have delivered strong trends in this area over the past financial year and the fast-growing contribution of our dairy and mixed animal clinics, as a result of our service and operating model, has resulted in very strong bottom line profit growth. This part of our business accounted for 60% of our total revenue in FY21.

In terms of the operating profile of the business, we added 10 new clinic locations during FY21 via our acquisition program and two new greenfield locations, as well as around 50 additional veterinarians.

FY21 performance snapshot

Now, turning to a summary of our full year results for the 12-months to 30 June.

Firstly, our revenue for the period increased 6.6% to \$126.2 million with 24% revenue growth in our dairy & mixed animal clinics segment. Market cycles continued to impact the performance of Apiam's beef feedlot and pig segments due to several factors. The feedlot segment saw a reduction in the number of cattle on feed during the year as a result of the rebuilding of the national cattle herd, and in the pig segment we continued to reduce our reliance on wholesale sales of lower-margin traditional antibiotic products in-line with Apiam's strategic transition to sustainable antimicrobial products and services.

Our gross margin momentum was strong, delivering an 11.2% uplift in gross profit to \$71.1 million. The growing contribution of higher margin dairy & mixed animal clinics, improved revenue capture as well as organic business initiatives have driven this performance.

Control of operating expenses, and the excellent 44.5% EBIT growth in the companion animal and dairy segment in FY21 drove a reported NPAT increase of 24.1% to \$5.1 million.

We were also very pleased with our cash flow performance, with net cash flow from operating activities up 82.5% in FY21 due to efficient working capital management and the strong growth in earnings. This supported the Board to increase Apiam's dividend payment for the year.

On a LFL basis, that is excluding the part-year impacts of acquisitions made in this and the previous period, revenue grew 0.5% and gross profit grew 1.5%.

Resilient growth & sustained gross margin expansion

This slide provides a brief summary of our performance over the past 4 years – on two key metrics revenue and gross profit.

The reason that this is important is that it highlights the benefits of our diversified business model and shows the resilience of our business in the face of the industry challenges – the bushfires of early 2020, the drought for many years before that and the COVID-19 pandemic for the past two years.

Our business revenues have continued to increase in the face of these factors, and I believe we have structured our business very solidly to ensure diversification and resilience, limiting downside risk, and providing a platform to provide exceptional growth.

As you know, we also invested for many years in optimising our business model, our company infrastructure and our business mix with a focus on driving long-term sustainable increases in our margins.

If you look to the chart on the right, you can see that the green bars which represent our gross profit have increased 38% since FY18, but this isn't simply just because of the growing size of our revenue base. The grey line denotes our gross margin performance and shows significant improvement has been achieved since FY18 where the margin was around 48%, to today where it is roughly 8 percentage points higher.

Strategic acquisition program

I would now like to turn to the growth strategy section of our presentation today and highlight some key areas of focus over the past 12 months.

In FY21 we have executed a significant acquisition program to drive clinic growth in targeted regional locations. Veterinary markets continue to benefit from rapid changes in regional population demographics and animal ownership following the emergence of COVID-19 in Australia and the lifestyle changes many of us have made as a consequence. For Apiam this has had many positive impacts as significant opportunities have arisen for the Company to capture market share and the strong veterinary industry growth.

During FY21 and in FY22 YTD Apiam completed seven strategic acquisitions and these are set out on the table on the right-hand side of the page.

These acquisitions have delivered a material increase in the scale of the Company's Queensland operations which you can see also from the map and have more than doubled Apiam's clinic presence in the state.

We also strategically identified attractive opportunities in the equine veterinary segment and in July acquired Scenic Rim Vets, a leading equine market player in Southern Queensland. Last week we also announced an agreement to acquire Agnes Banks Equine Clinic, a specialised equine practice in New South Wales. We see significant growth opportunities in equine veterinary services as the industry continues to grow rapidly and customers are increasingly demanding more specialised levels of veterinary care.

You will note in the bottom highlighted section of the table we have four acquisitions including two announced this morning, which will settle in December, further increasing our presence in important regional hub locations and increasing our exposure to attractive companion animal services.

Customer centric service program update

Turning to organic growth initiatives, I want to provide a quick update on the performance of the Best Mates and ProDairy subscription programs which were developed in-house and launched in FY20, before turning to some newer initiatives on the following slides.

Best Mates, our annual subscription companion animal wellness program grew 76% in FY21 in terms of member numbers, and we expect further growth in the year ahead. At the end of Q1 FY22, 7.3% of active Apiam customers are members so we still plenty of potential for this program, with immediate strong conversions often seen in our new acquisition and greenfield clinics.

The ProDairy program which is a specialised care program to support our dairy farm customer base also continues to grow exceptionally well, and in this most recent quarter grew its membership base 27.3%. In the year ahead we are looking to expand this program further into NSW and Tasmania.

Regulatory approval to launch Xtend21® in US market

Over the past year we have also been working hard to deliver innovative solutions and products with significant market potential.

Our distribution partner, Aurora Pharmaceutical was provided US EPA notice to market Xtend 21® Antimicrobial Surface Protectant in the US market. This product is based on Zoono's Microbe Shield technology for which we have the exclusive rights for livestock use in the North American markets.

Iowa State University, who is one the most highly regarded independent global research institutions in the area of agriculture and animal health have demonstrated that the Xtend 21® surface protectant continued to show enhanced surface protection 21 days after application. This is a first of its kind for the animal sector and we see this as very attractive for customers that face antimicrobial surface challenges across their animal facilities. This product is now in the process of receiving final state approvals where required, and Aurora Pharmaceutical is expected to commence a full market launch in January 2022.

The other exciting aspect of this initiative is that it extends our working relationship with Aurora Pharmaceutical who is an important market player in the veterinary pharmaceutical development and manufacturing industry. They are headquartered in Northfield, Minnesota and have over 10,000 veterinary clients. Importantly they also have a highly specialised technical and sales team and we look forward to working collaboratively with them, sharing ideas and learning, as we progress the product roll-out next year.

Innovation in products & services

There are two other new product and service innovations I would like to now comment on.

As Andrew mentioned, we recently received APVMA approval for a new vaccine developed through our ACE Laboratories business that we acquired in late 2019. This approval relates to a vaccine targeting *Histophilus somni* and we expect it to improve the health of beef feedlot cattle as well as sheep and goats. *Histophilus somni* is a misunderstood pathogen, which can cause high levels of mortality and morbidity in intensively raised cattle. Despite being commonly found in the nasal cavity of cattle it can invade blood vessels and organs causing vascular damage.

Our goal when we acquired ACE Laboratories was to develop and manufacture new vaccines, filling gaps in the market to improve the health of farm animals, and this is the third new vaccine we have commercialised since we took ownership of this business. Vaccine development forms part of our antimicrobial leadership strategy particularly as the market is increasingly demanding alternatives to traditional antibiotic solutions in production animals.

This type of vaccine is also a first for the Australian livestock industry and we think it will be well received by the market.

In FY21 we also launched Data Pig, a proprietary data platform designed for our pig customers. A pilot program undertaken in WA piggeries has now been successfully completed and this technology is in the early stages of being commercialised across our broader pig client base.

Building a sustainable future

I would now like to talk about some of the ESG initiatives we have been working on at Apiam this year. We released our first Modern Slavery Statement in March and are on track to launch our Corporate Sustainability Strategy this financial year.

I won't go through each of the ESG initiatives listed here in detail other than to say from an environmental perspective, we are focused on implementing more sustainable solutions in our day-to-day operations, and to ensure our business does its bit in this area. At a Board and Management level we also continue our focus on ensuring we meet market best-practice governance standards.

Our ESG efforts will continue to progress over the next 12-24 months, and we recognise the importance of these initiatives for our shareholders, staff, customers, and our communities.

The most important part of our business is our people. This last 12 months is a period where this has become a major focus, and we are committed to ensuring that we execute on our strategy.

Safety is our utmost priority and in addition to a highly successful COVID-safe workplace, we have implemented other safety initiatives such as our mental health strategy (including an additional leave day), a tele-triage platform to reduce the after-hours workload on our vets, and we are about to re-launch an advanced Hendra policy to enhance the safety for our veterinarians that provide services to the equine industry.

We have also continued to invest in both personal and professional development of our team and will be engaging in further initiatives over the coming year to further develop an innovative and agile customer-centric business.

FY22 performance & outlook

To conclude, I would like to turn to the outlook for the year ahead.

The Management team and I remain committed to the execution of our regional expansion strategy and capturing further market share in the rural and regional veterinary markets. We see significant room for growth, innovation and enhanced services in many areas and intend to pursue this to deliver results for our shareholders, and better outcomes for our customers and their animals.

Due to the changing nature of veterinary markets we expect to continue to see attractive acquisition opportunities, and we will continue to assess each on their merits. The excellent growth momentum we have been seeing in our dairy and companion animal clinics shows no signs of slowing, and as we head closer to the end of the first half period, we expect this side of our business to contribute close to 70% of total Apiam revenues.

We have had a solid start to FY22 and set out on the right-hand side of the slide is our trading performance for the first four months of FY22. Our revenue over July-October is 19.8% higher than in the same period last financial year. Gross margins continue to trend higher as well driving a gross profit improvement of 28.6% for the FY22 YTD period.

Our pigs and feedlot business has continued to be challenged by market cycles that have affected these segments in FY20 and FY21. We expect to see improved performance from these businesses in the second half of the year and have implemented initiatives to capture market share as these sectors rebound.

To close, I would like to thank my leadership team for their commitment in delivering these outcomes. Thank-you also to all of our Apiam team members for their drive and hard work in ensuring we continue to provide the highest standards of care, to both the animals to who we provide services, and to each other throughout our business.

I look forward to updating you on further developments in the coming months.

--Ends--

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Authorisation

This announcement was authorised by the Board of Directors of Apiam Animal Health Limited.

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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.

Apiam Animal Health Ltd Annual General Meeting

25 November 2021



Agenda



» **YEAR IN REVIEW**

» **CAPTURING GROWTH –
ACQUISITIONS & BUSINESS INITIATIVES**

» **FY22 PERFORMANCE (YTD)
AND OUTLOOK**

Progress against strategic priorities in FY21



Innovation & organic growth

- Strategic transition to innovative antimicrobial initiatives in intensive animals
- Reduced reliance on wholesale sales of lower-margin traditional products
- Investments in new vaccines and products
- Continued roll-out of subscription programs across customer base



Acquisitions

- 7 completed acquisitions in past 12 months
- Targeted expansion into attractive fast-growing regional locations
- Changing veterinary market dynamics providing large acquisition pipeline
- Strong track record of M&A integration



Operational leverage & profit growth

- Sustained gross margin improvement due to revenue capture strategies and business mix
- LFL operating expenses strongly managed
- Operating leverage in dairy & mixed clinics driving 44.9% EBIT growth in segment
- Greenfield clinics start-up costs impacted EBIT in 2H FY21 but expected to deliver strong future returns on capital

FY2021 progress (vs FY20)



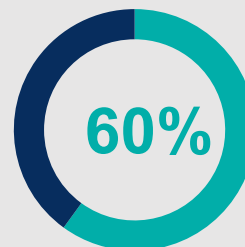
10 new

CLINICS OPENED
(ACQ + GREENFIELD)



+ 50

VETERINARIANS



COMPANION ANIMAL &
MIXED CLINIC
REVENUE
FY21 CONTRIBUTION

Establishing
leading footprint for
regional pet care
and livestock

FY21 performance snapshot

Revenue

\$126.2M

+6.6% vs FY20

Gross profit

\$71.1M

+11.2% vs FY20

NPAT (reported)

\$5.1M

+24.1% vs FY20

Operating cash
flow

\$13.7M

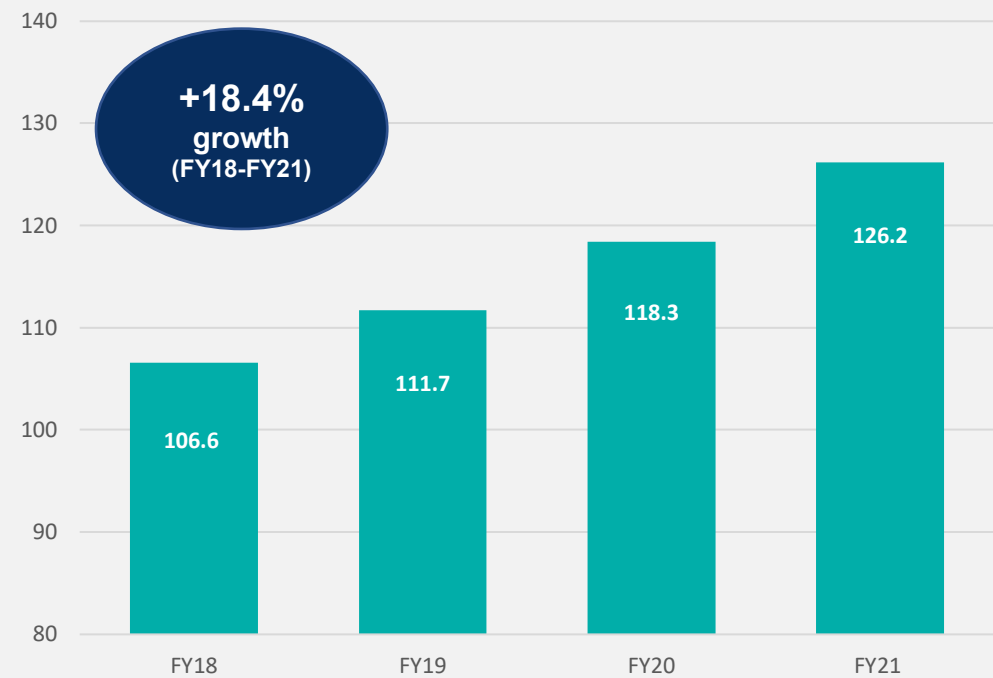
+82.5% vs FY20

- Excellent growth performance in dairy & mixed animal clinics (+24% revenue, +45% EBIT vs FY20)
- Market cycles impacting feedlot and pig segments
- Regional expansion strategy adding 10 new clinics in FY21 (acquired & greenfield)
- FY21 LFL results: revenue + 0.5% and gross profit +1.5% (vs FY20)

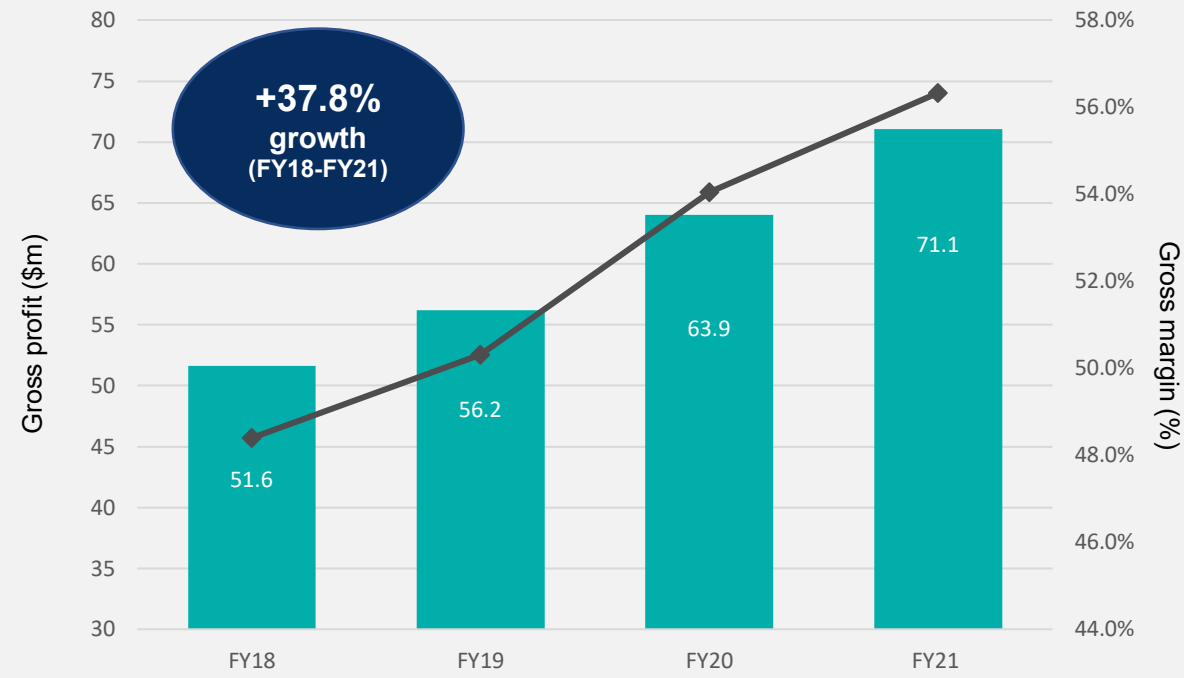


Resilient growth & sustained gross margin expansion

Revenue (\$m) - (FY18 –FY21)



Gross profit & margin - (FY18 – FY21)



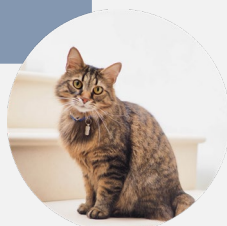
- **Resilient revenue growth** over past 4 years despite challenging industry conditions in many agricultural areas
- Investment in systems & targeted change in Apiam business mix to focus on higher value products & services driving **strong gross margin improvement**

Strategic acquisition program

Apiam's acquisition track record

- ✓ 7 acquisitions completed in FY21 & FY22 (YTD)
- ✓ 4 additional acquisitions announced and to be settled 1 Dec 2021
- ✓ Significant expansion into fast-growth QLD regions
- ✓ Building strong equine presence in key regions

FY21 acquisitions expected to add \$20.5M in proforma revenue¹



Apiam acquisitions FY21 & FY22 YTD

scale is approximate



Acquisitions expanding dairy, mixed animal & equine segment

Acquisition	Clinic services	Settlement
FY21 acquisitions		
Don Crosby Vet Surgeons (Dubbo & Narromine - 2 clinics)	Companion & equine	1 Dec 2020
Knox Veterinary Clinic (Dalby & Tara- 2 clinics)	Companion, equine & cattle	1 Apr 2021
Clermont Veterinary Surgery	Companion, equine & cattle	1 Jun 2021
Samford Valley Veterinary Hospital	Companion & equine	1 Jun 2021
FY22 acquisitions		
Scenic Rim Veterinary Service (Beaudesert & Boonah -2 clinics)	Equine (specialist), companion	30 Jul 2021
Golden Plains Group (Bannockburn & Smythesdale - 2 clinics)	Companion. Livestock	30 Jul 2021
Harbour City Vet Surgery	Companion	2 Sep 2021
Horsham Veterinary Hospital	Companion	1 Dec 2021
Agnes Banks Equine Centre	Equine	1 Dec 2021
Fraser Coast Veterinary Services (3 clinics)	Companion, equine & cattle	1 Dec 2021
North Hill Veterinary Clinic (Armidale)	Companion	1 Dec 2021

Notes:

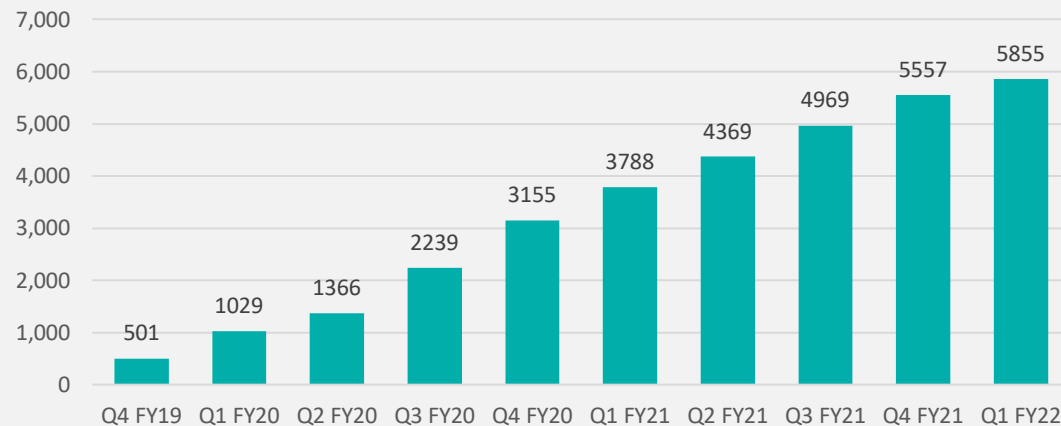
¹ Includes acquisitions settled in FY21 as well as Scenic Rim Veterinary Service (announced on 30 June 2021)

Customer centric service programs



- Member growth of 76% as at end FY21 (vs pcp)
- Q1 FY22 member growth 5.4%
- ~7.3% of active patients were Best Mates members as at end of Q1 FY22
- Immediate synergies in acquisition and greenfield clinics

Best Mate members (quarterly)



- 108% growth in dairy farm enrollments in FY21 (vs pcp)
- Q1 FY22 member growth 27.3%
- ~13.5% of AU's dairy cows are enrolled in the program
- Further opportunities for expansion into Tasmania and NSW
- Two new ProDairy satellite clinic locations opened in FY21



Regulatory approval to launch Xtend 21[®] in US market



- Apiam has a distribution partnership with Aurora Pharmaceutical
- Aurora Pharmaceutical has US EPA notice to market Xtend 21[®] Antimicrobial Surface Protectant (Zoono Microbe Shield technology)
- Extensive research and trials in various global markets demonstrate efficacy against economically significant livestock pathogens
- Iowa State University demonstrated 21 days enhanced surface protection
- Antimicrobial stewardship innovation within animal health segment



Aurora Pharmaceutical Inc.

- Leading veterinary pharmaceutical company
- Headquartered in Minnesota (US)
- More than 10,000 veterinary customers
- Supplies ~20 specialist veterinary products
- Extensive technical sales network

March 2020

ZOONO[®]

License agreement with
Zoono Animal Health



Distribution agreement
with Aurora
Pharmaceutical

2H FY20

FY21

- **Extensive third-party trials of Zoono Microbe Shield technology (Xtend 21[®])**
 - Trials conducted across animal premises including pig, poultry & vet facilities
 - Iowa State University research trials showed enhanced surface protection 21 days after application.
 - Potential to be applied to air filters, cool cells, loadout chutes, cabins and on trailers of livestock vehicles, enhancing antimicrobial surface protection

Oct 2021

US EPA notice
provided to enable
launch of Xtend 21[®]



Jan 2022

Commencement of
market launch of
Xtend 21[®]

Innovation in products & services



UNIQUE VACCINE FOR FEEDLOT CATTLE (*Histophilus somni*)

- APVMA approval received to manufacture *Histophilus somni* vaccine for cattle, sheep & goats
- To be manufactured locally at Apiam's ACE Laboratories facility (in Bendigo)
- First for Australian livestock industry
- Misunderstood pathogen – can cause high levels of mortality & morbidity in intensively raised cattle
- Currently treated with antibiotics
- Third new vaccine for cattle industry since ACE acquisition in Dec 2019
- New technologies employed in the development of these vaccines can be applied across entire Apiam autogenous vaccine portfolio

NOVEL DATA SYSTEM FOR SWINE HEALTH & PRODUCTION



- Enhances antimicrobial stewardship
- Improves quality assurance
- Pilot program completed
- Currently being commercialized across Australian pig industry

Building a sustainable future

Environmental

- On track to launch our Corporate Sustainability Strategy in FY22
- Developing polystyrene replacement initiative
- Implementing a solar-based Virtual Power Network across key sites
- On track to launch Antimicrobial Stewardship Strategy in FY22
- Introduced three new vaccines to promote sustainable agriculture

Social

- Embracing flexible workplace arrangements
- Implemented Mental Health strategy with 51 Mental Health First Aid Officers across clinic network
- Additional employee leave day to support mental health
- Partnership with Smiling Mind to support wellbeing
- Introduced Tele-triage platform to reduce vet after hours
- Fur Life Foundation provided over \$150,000 to Rural Aid and wildlife shelters
- Australian HR Awards ‘Excellence Award’ for Best Use of Technology for Tele-triage program
- Implemented VetFlix online training platform

Governance

- Introduced Remuneration Policy to enhance gender pay equity
- Reviewed Diversity Policy and set measurable diversity objectives
- Developed Nurse Skills Matrix to enhance professional development
- Modern Slavery Statement released in March 2021



FY22 performance & outlook

Outlook FY22

- Execution of regional expansion strategy to continue
- Acquisition pipeline remains strong
- Companion animal & dairy clinic revenue expected to trend towards 70% of total revenue in H1 FY22
- Market cycles impacting feedlot and pig segments, with expected improvement in H2 FY22
- Revenue and gross profit momentum to continue for remainder of H1 FY22

YTD Trading FY22 (July – October)

- Revenue + 19.8% vs Jul-Oct FY21 (PCP)
- Gross profit + 28.4% vs Jul-Oct FY21 (PCP)



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