

ASX RELEASE

Apiam Animal Health Limited (ASX : AHX)

H1 FY22 results in-line with growth strategy to double Company revenue by FY24 as regional expansion continues

- **Revenue of \$75.1M, (+22.7%) and gross profit of \$46.2M (+32.5%)** vs H1 FY21;
- **Underlying EBITDA growth of 15.1%** in H1 FY22 with significant business re-investment in-line with accelerated growth strategy (greenfield sites and acquisition support);
- **Underlying NPAT¹ growth of 13.0%** to \$3.2 million;
- **Reported NPAT of \$1.8M vs \$2.6M in PCP** due to significant uplift in one-off expenses associated with accelerated acquisition program (\$1.4M stamp duty payment for Queensland acquisitions in H1 FY22);
- **Execution of growth strategy as dairy & mixed animal clinics grow to 70% of Apiam's business;** driving less cyclical revenue and significant uplift in gross margins;
- **Accelerated acquisition program in H1 FY22** with 8 acquisitions completed;
- **Market cycles impacted beef feedlot and pig segments** with early stages of recovery being seen across industries in H2 FY22 in-line with industry forecasts;
- **Interim dividend of 1.2 cents** per share;
- **Outlook for FY22 strong** with continued revenue growth and uplift in operating earnings expected in H2 FY22; and
- **Growth strategy to double Company revenue by FY24** to in excess of \$300 million based on organic growth initiatives, greenfield clinics and planned acquisition runway.

Bendigo, February 25, 2022 – Apiam Animal Health Limited (**Apiam** or the **Company**) is pleased to release its full year results for the 6-months to 31 December 2021 (H1 FY22).

Revenue in H1 FY22 increased 22.7% to \$75.1 million (H1 FY21: \$61.2 million) with excellent reported revenue growth in Apiam's dairy & mixed animal clinics (+44.9% vs H1 FY21) including strong organic growth (+9.3% vs H1 FY21 on a like-for-like basis). These clinics are now the largest revenue and earnings contributors to the Group, accounting for 70% of Apiam's revenue in H1 FY22, and delivering +36.5% underlying EBITDA² growth over the period.

Market cycles continued to impact revenue growth in Apiam's beef feedlot and pig segments, with revenue in these segments down 9.6% vs PCP. Early-stage recovery in the national cattle herd is expected to become more pronounced during 2022 according to *Meat & Livestock Australia*, with a forecast increase to the national herd of 1.1M³. Apiam continues to invest in product and service development to commercialise offerings that will leverage the Company's performance as these industries rebound.

¹ Underlying NPAT is a non-IFRS measure and is net profit after tax but before customer relationship amortisation and one-off expenses (tax effected where applicable)

² Underlying EBITDA is a non-IFRS measure and is earnings before interest, tax, depreciation, amortisation and one-off expenses. Segment EBITDA is before a corporate cost allocation

³ Meat and Livestock Association, February 2022 (www.mla.com.au)

The strategic changes in Apiam's business over the past financial year, and the rapid growth in the dairy & mixed animal segment has resulted in less cyclicalities in Apiam's revenues and continued gross profit improvement, increasing 32.5% to \$46.2 million in H1 FY22. Gross margin in the period was 61.5%, up from 57.0% in the PCP.

Apiam's underlying EBITDA grew 15.1% to \$8.7 million (H1 FY21: \$7.5 million), with growth in operating earnings reflecting re-investment in new greenfield sites as well as integration and support of the accelerated acquisition program undertaken over the past six months.

Additionally, there have been strategic recruitment opportunities for highly skilled veterinarians because of industry-wide restructuring, particularly following the COVID-19 pandemic. This has seen Apiam pursue international recruitment opportunities as well as the recruitment of more highly skilled vets to support faster future business growth.

Reported NPAT of \$1.8 million in H1 FY22 was below NPAT of \$2.6 million in the PCP, due to the impact of a \$1.4 million uplift in one-off expenses in H1 FY22. This was the result of a \$1.4 million stamp duty charge payable on Apiam's Queensland acquisitions.

Accelerated acquisition program

During H1 FY22, Apiam completed eight acquisitions, adding eleven new veterinary clinics to its network. This follows three Queensland acquisitions made in H2 FY21. The focus of Apiam's regional expansion strategy has been to capture growth in attractive regional growth centres and in animal segments with fast-growth profiles. Recent acquisitions have significantly expanded Apiam's market presence in South East Queensland as well as the equine segment.

Apiam has bolstered its head office support in H1 FY22 in the areas of people & culture, IT, safety and marketing to efficiently integrate the acquired businesses and provide an enhanced platform for future acquisition integration.

Outlook

Apiam's financial and operational progress during H1 FY22 provides strong momentum for FY22 and beyond.

Managing Director, Dr Chris Richards said *"We are highly confident that our regional expansion strategy puts us on track to double our revenue base by FY24 to more than \$300 million. This is based on ongoing organic initiatives, our greenfield clinic roll-out program as well as our future acquisition runway."*

During H1 FY22, Apiam has invested in upgrading relevant areas of its business support and infrastructure, to support the accelerated pace of the acquisition program and the greater scale of the operations. This investment is now mostly complete and therefore Apiam expects to deliver an uplift in operating earnings in H2 FY22.

Dr Richards added *"The pipeline of future acquisition opportunities remains very strong in the current climate and given the attractive veterinary industry fundamentals we will continue to assess opportunities based on their strategic and financial merit."*

H1 FY22 results investor webinar

Investors are invited to join a conference call hosted by Managing Director, Dr Chris Richards and CFO Matt White at 9.00am AEDT on Friday 25th February 2022.

To access the call please use the zoom link below:

https://apiam.zoom.us/webinar/register/WN_C5nIFtDqQkCIHjLEVdDVIQ

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For further information, please contact:

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

Catherine Ross
Investor Relations
catherine.ross@apiam.com.au
0421 997 481

Authorisation

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

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.