

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Apiam to present at Coffee Microcaps Morning Meeting

Bendigo, April 7, 2022 – Apiam Animal Health Limited (**Apiam**) Managing Director, Dr Chris Richards will present this morning at the Coffee Microcaps Morning Meeting series.

Apiam's presentation for Coffee Microcaps is attached to this announcement.

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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 Chairman 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.



Apiam Animal Health Ltd

Coffee Microcaps Presentation

7 April 2022

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Apiam Animal Health snapshot



SCAN ME



➔ **Unique ASX-listed** veterinary group

➔ **Diversified business model** with a rural and regional focus

- servicing whole spectrum of production & companion animals
- clinics located in fast-growth regional locations

➔ **Attractive financial profile** with revenue growth, earnings margin expansion and dividends

➔ **Strong industry outlook** for regional veterinary markets

➔ **Accelerated growth strategy** via acquisitions, organic initiatives & greenfield clinic roll-out program

➔ **Strategy to double revenue base to \$300m by FY24**



73

CLINICS



250+

VETERINARIANS



70%

COMPANION &
MIXED ANIMAL
CLINIC
CONTRIBUTION

Diversified & resilient vet services portfolio

MIXED ANIMAL & DAIRY SEGMENT (COMPANION ANIMALS INCL. EQUINE)



70%
of H1 FY22
revenues

- Service regional cities and towns
- Veterinary clinical services
- Wellness programs
 - Best Mates program
 - ProDairy program
- Extensive range of product sales
 - prescription, private label, exclusive, retail
- Dairy-integrated product supply chain
- Diagnostics and Pathology
- Feed testing & Parasitology

BEEF FEEDLOT & PIG SEGMENTS (INTENSIVE LIVESTOCK ANIMALS)

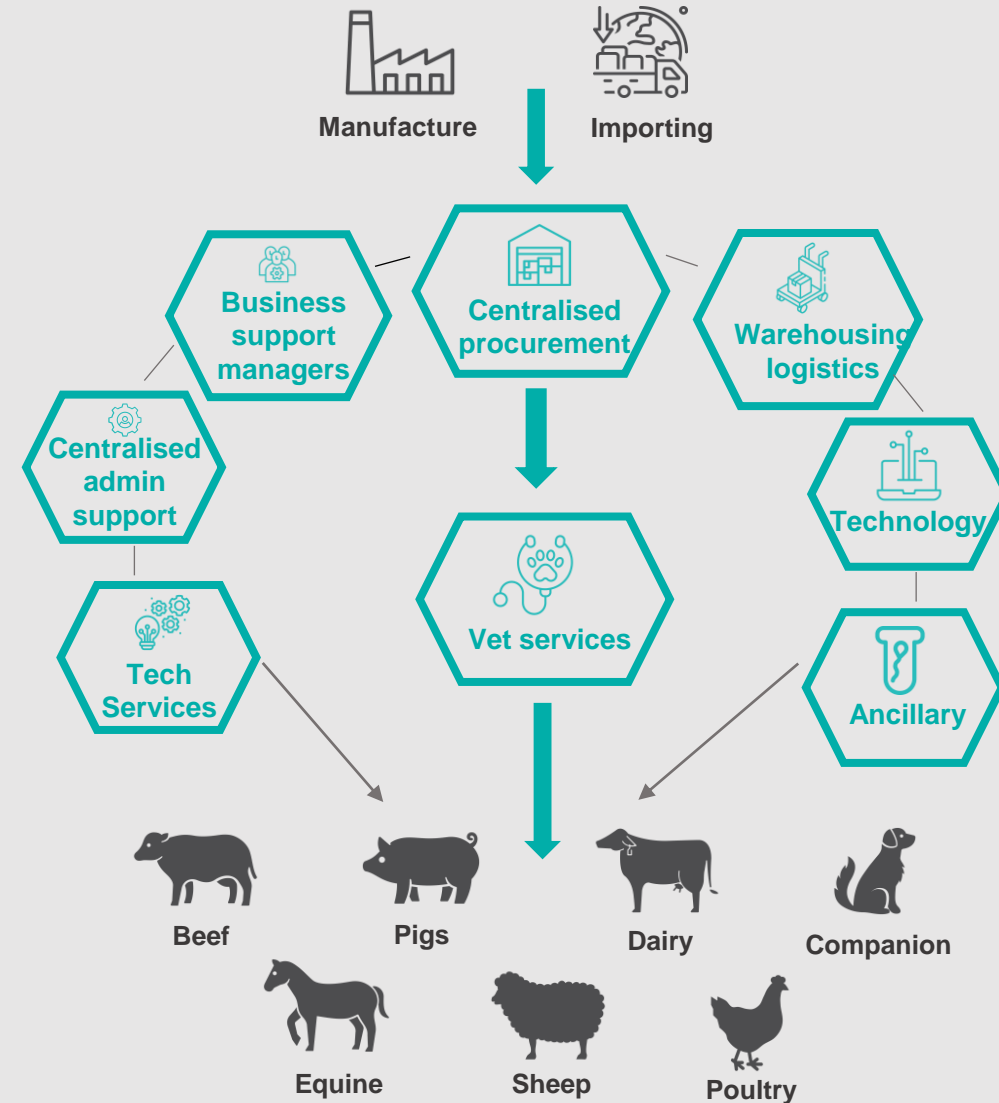


30%
of H1 FY22
revenues

- Service specialised industries across Australia
- Veterinary consulting services
- Extensive range of product sales
 - incl. vaccines, prescription, private label
- Integrated product supply chain
- Genetic services
- Diagnostic Laboratory
- Vaccine Laboratory
- Feed testing
- Data Analysis Platforms



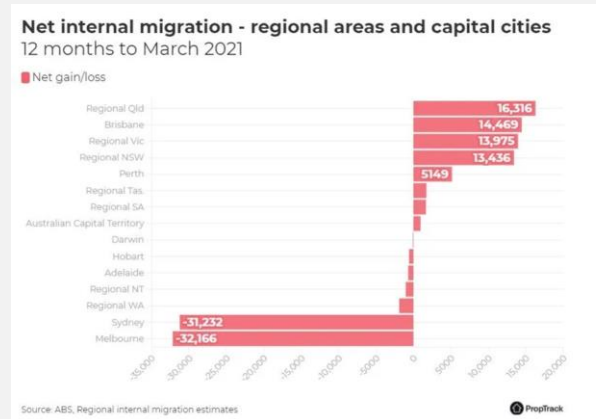
Aplam's vertically integrated model



Rapid regional veterinary market growth

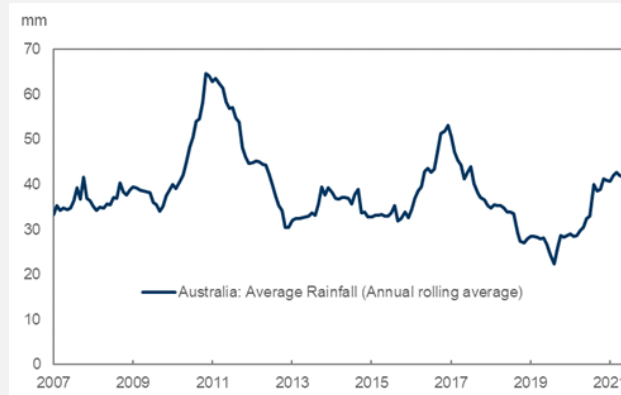
- ✓ Net migration to regional areas is the highest on record
- ✓ Significant increase in pet and livestock ownership continuing post COVID-19
- ✓ Increasing spend per household on vetcare
- ✓ Apiam's broad animal expertise aligned with regional vet offering – different to metro models
- ✓ La Niña & post-drought conditions supporting strong pasture-based livestock industries (dairy, beef, sheep, equine)
- ✓ Rapid regional growth and vet industry dynamics resulting in high quality acquisition pipeline

Net internal migration (cities to regions)

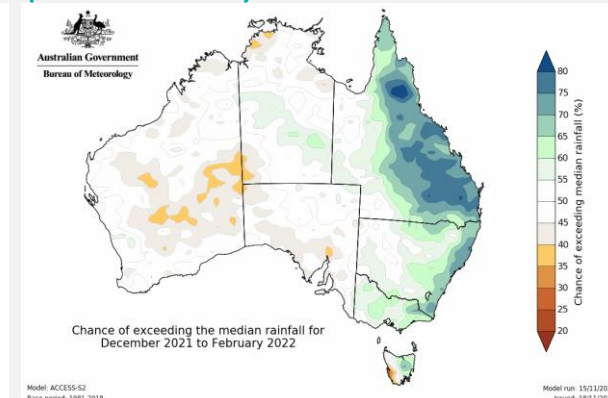


15%
growth in
household pet
ownership since
2019¹

Australian avg rainfall (rolling average)



Median rainfall forecast (Dec 21 – Feb 22)



Strategy to double revenue to \$300M by FY24

REVENUE GROWTH DRIVERS

Acquisition pipeline



Organic growth

- Extensive acquisition pipeline following vet industry restructure with many opportunities in due diligence
- Track record of M&A execution and integration with 20 acquisitions since IPO
- Investment in H1 FY22 to bolster acquisition support teams & resources within head office

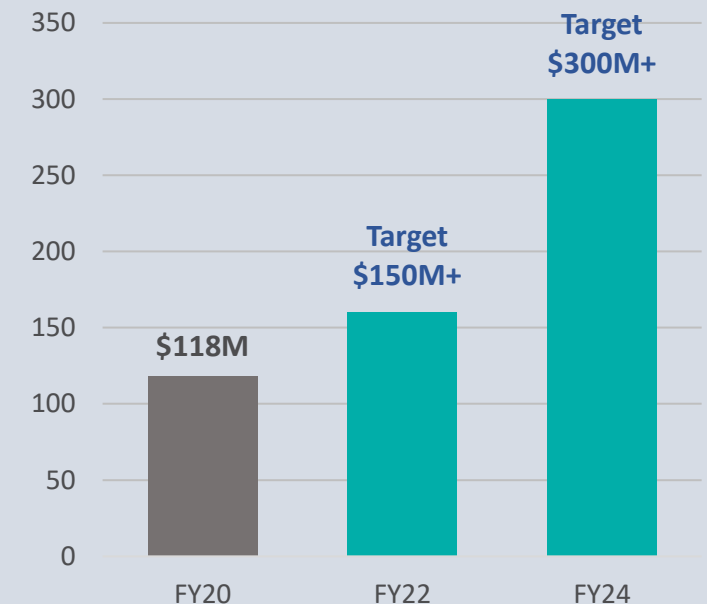


Greenfield sites

- Greenfield sites to reach financial maturity
- \$3M revenue target per greenfield site within 3 years of opening

Revenue target of \$300M+ in FY24

Planned revenue growth trajectory



Operating earnings uplift strategy

PLANNED OPERATING EARNINGS UPLIFT : FY22-FY24

- Further operational leverage from acquisitions executed in FY21 & H1 FY22
- Enhanced business support network resources now in place to support future M&A activity and integration; IT, marketing, people & culture, safety
- Optimisation of business mix to drive sustained gross margin / EBITDA margin uplift (growing contribution of less-cyclical & higher margin dairy & mixed animal segment)
- Further maturity of greenfield sites opened last 12 months
- Higher-margin product & service innovation in intensive animal segment



H1 FY22 Financial summary



H1 FY22 financial highlights

Revenue

\$75.1M

+22.7% vs H1 FY21

Gross profit

\$46.2M

+32.5% vs H1 FY21

EBITDA
(underlying)¹

\$8.7M

+15.1% vs H1 FY21

NPAT
(underlying)¹

\$3.2M

+13.0% vs H1 FY21

Operating cash conversion 92%
(of underlying EBITDA)¹

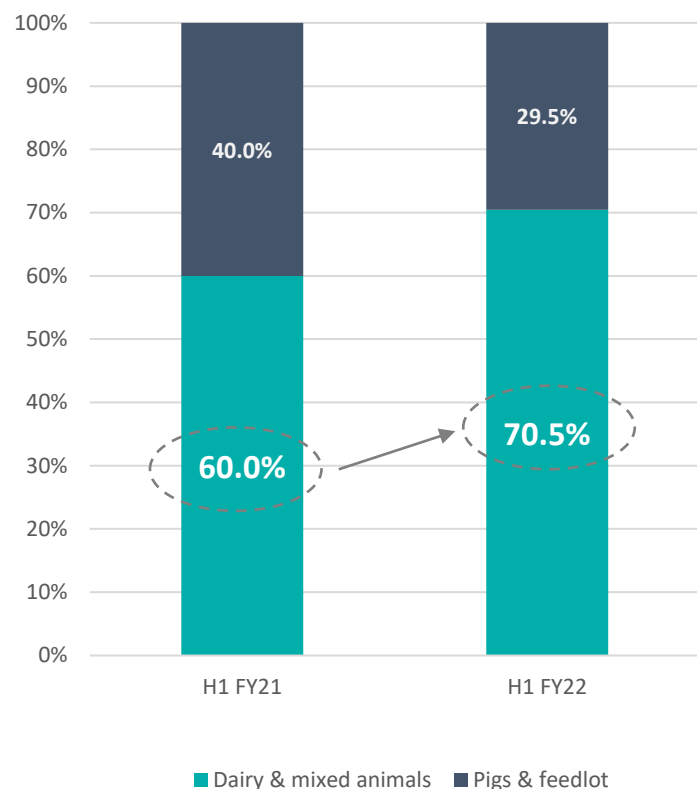
1.2 cps interim dividend

Notes:

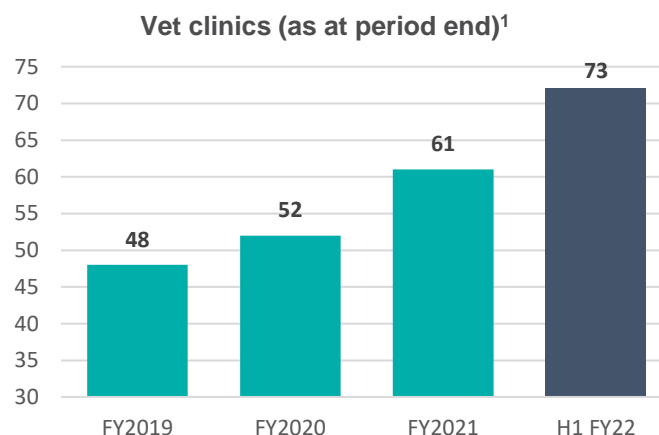
¹ Underlying EBITDA and NPAT are non-IFRS measures and in H1 FY22 exclude one-off expenses of \$1.7M (which includes \$1.4M of acquisition related stamp duty in Queensland). Underlying NPAT excludes \$0.3m of customer relationship amortisation (post-tax basis).

Dairy & mixed animal clinics growing in line with strategy

Contribution of dairy & mixed animal segment now over 70%



Supported by execution of regional expansion strategy...



- **8** acquisitions completed in H1 FY22 (adding 11 clinics)
- **3** new greenfields clinics opened in last 12 months
- **58** additional veterinarians joined Apiam in H1 FY22

Strong segment performance and future growth trajectory



+44.9%
*dairy & mixed animal
revenue growth
(vs H1 FY21)*



+36.5%
*dairy & mixed animal
underlying EBITDA growth
(vs H1 FY21)*



+9.3%
*dairy & mixed animal
LFL revenue growth
(vs H1 FY21)*

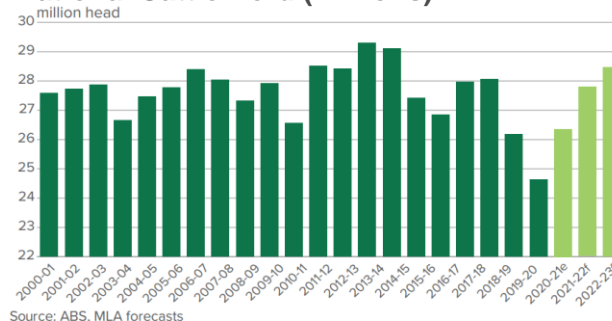
Intensive animal segment in early stages of market cycle rebound

| \$M REVENUE | H1 FY22 reported | H1 FY21 reported | % chg reported | % chg (LFL) |
|---------------------------|------------------|------------------|----------------|-------------|
| Dairy & mixed (companion) | 52.9 | 36.5 | 44.9% | 9.3% |
| Beef feedlot & pigs | 22.2 | 24.6 | (9.6)% | (9.6)% |

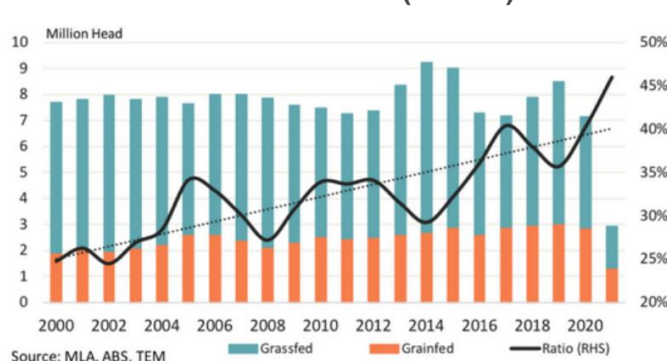
Feedlot & pig commentary

- As at end of FY21 1.17M cattle on feed, while industry capacity has increased to 1.45M head in anticipation of future growth ²
- MLA predict cattle herd rebuild to continue in 2022, increasing by 1.1M and becoming more pronounced compared with 2021 ²
- Slaughter numbers forecast to rise by 11% in 2022, driven by increased supply ²
- Strategic transition to new & innovative antimicrobial and vaccine products in intensive animals
- Private label products, autogenous vaccines and new services developed to support industry growth

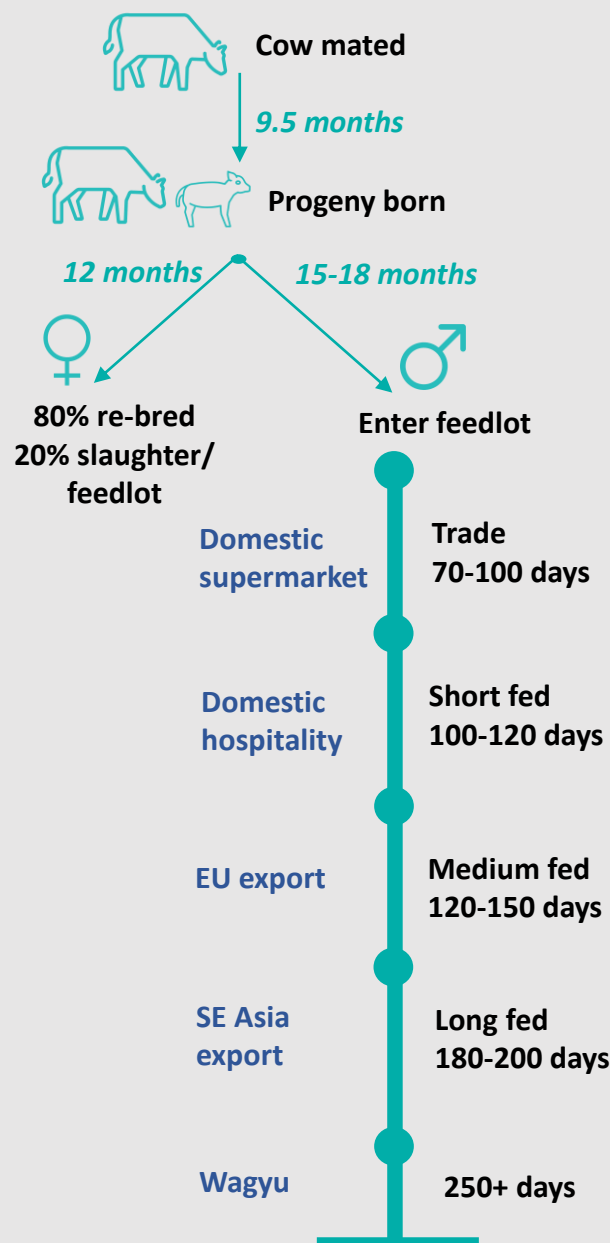
National Cattle Herd (millions)



Grainfed vs Grassfed cattle (million)



Feedlot cattle - illustrative timeline

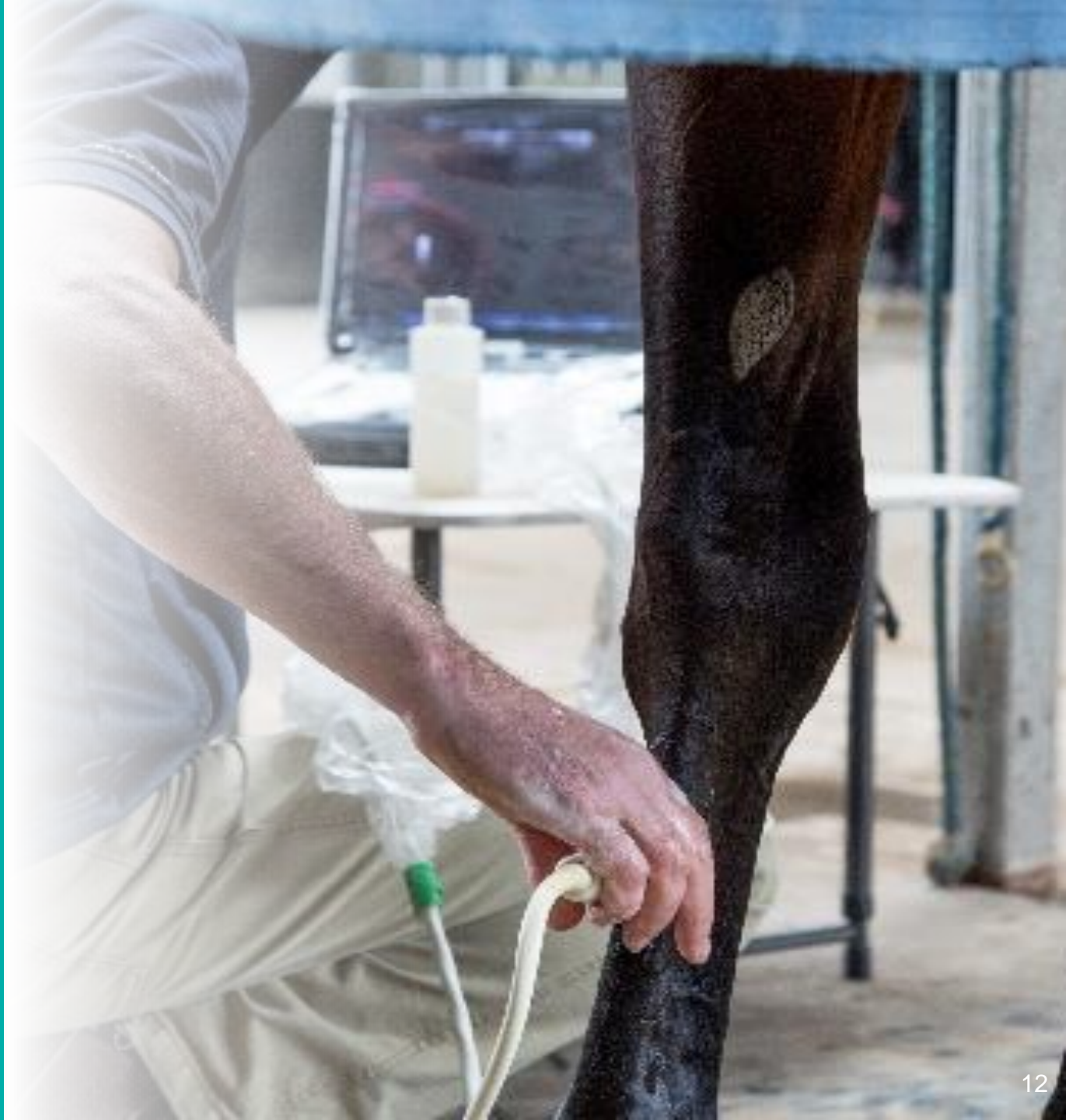


Note

¹ Growth in segment EBITDA measured before the allocation of corporate costs. Before one-off expenses

² Meat and Livestock Association (www.mla.com.au)

Strategic update



Strategy to double revenue base by FY24

GROWTH DRIVERS

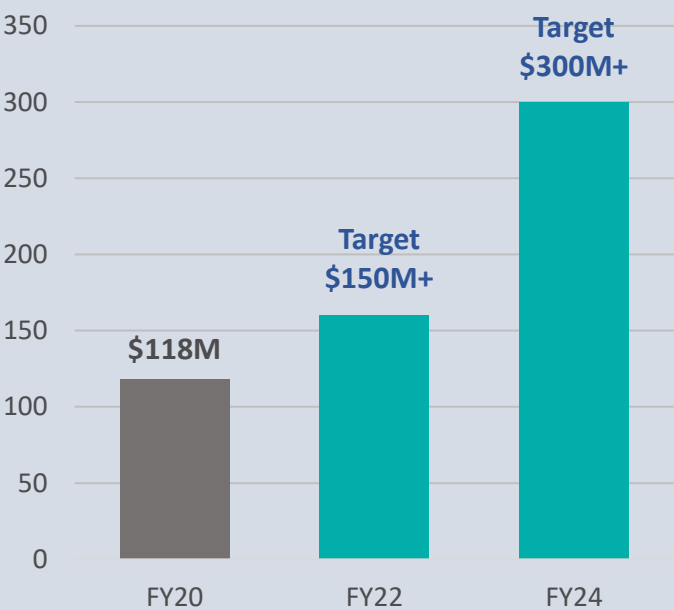
Organic growth

Acquisition pipeline

Greenfield sites

Revenue target of \$300M+
in FY24

Planned revenue growth trajectory



Development of new viral vaccine laboratory

GOVERNMENT GRANT SECURED TO BUILD NEW LEADING VIRAL VACCINE LABORATORY FOR ANIMAL HEALTH

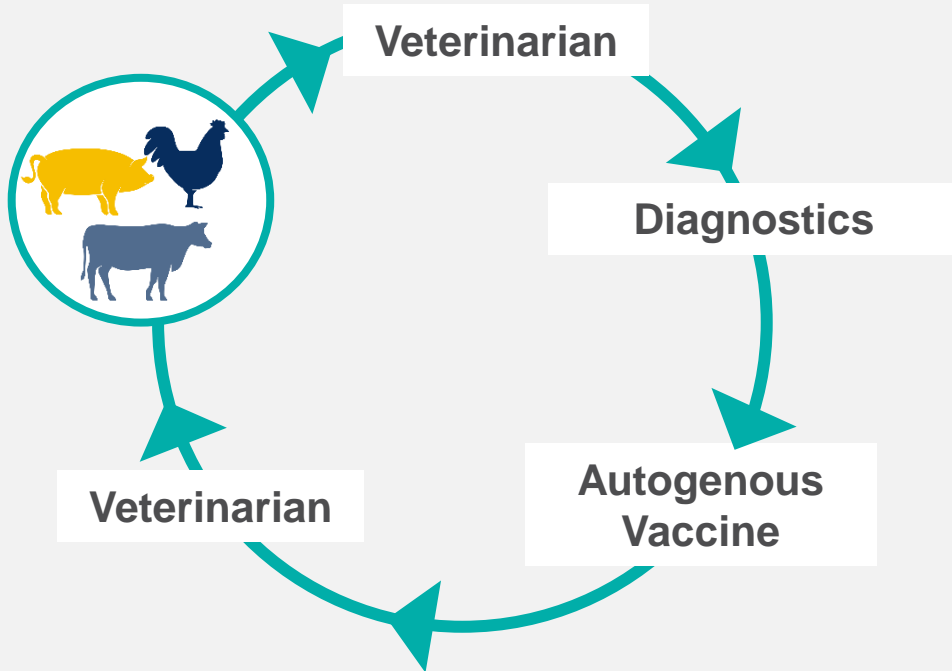


- Apiam awarded \$700K through Victorian Government *Regional Jobs Fund*
- Funding will enable Apiam to fast-track development of new state-of-the-art **viral** vaccine facility in Bendigo to complement our existing **bacterial** vaccine laboratory
- Locally-produced autogenous viral vaccines will fill a critical gap in Australia's animal health market
- New pathogens continue to evolve and are predicted to be an ongoing issue for livestock
- Future export market potential in New Zealand (already supply bacterial vaccines)
- Work underway towards priority vaccine to target Japanese Encephalitis (in conjunction with University research partners)



Autogenous (custom) vaccines

STRONG UNMET MARKET DEMAND FOR AUTOGENOUS VACCINES AS PATHOGENS CONTINUE TO EVOLVE



- Used when commercial vaccines are not available or not effective
- Available under veterinary prescription & manufactured under a permit
- Apiam (via its wholly owned subsidiary ACE Laboratories) have 10 existing permits for bacterial vaccines targeting pathogens that affect pigs, poultry, sheep and cattle
- Apiam's production process enables rapid ability to produce vaccine at scale
- Enables an effective solution to manage diseases while extended commercial vaccine registration process undertaken
- Valuable tool that has been successfully used in preventative health programs to reduce usage of antimicrobials



Commercial launch of Xtend 21® in US market



- Distribution partnership with Aurora Pharmaceutical for Xtend21®
- 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
- First commercial sales in March 2022



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®



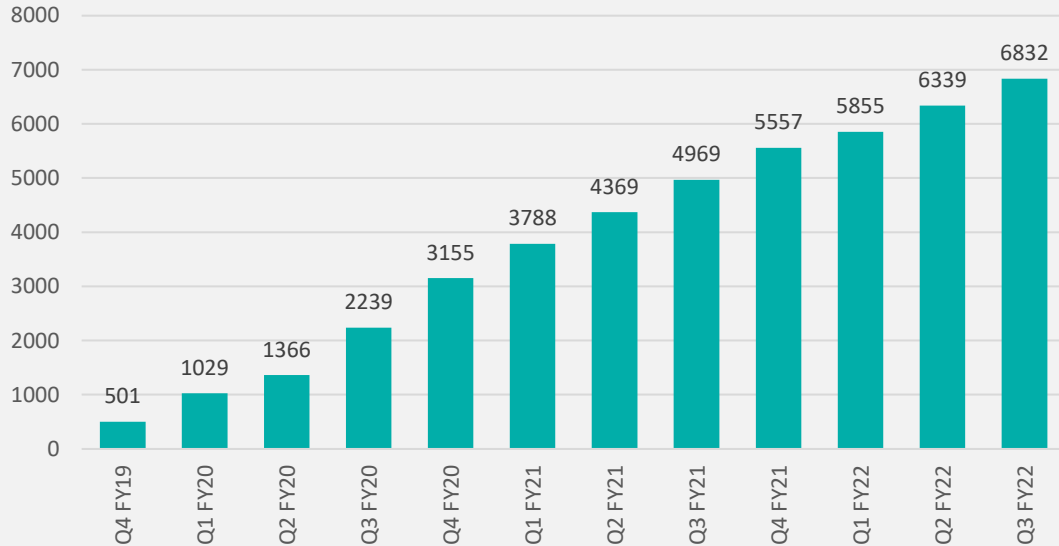
Mar 2022

Market launch of Xtend
21® at American Swine
Flu conference

Service programs



- Member growth of 37.5% as at end Q3 FY22 (vs pcp)
- ~7.6% of active patients were Best Mates members as at end of Q3 FY22
- Immediate synergies in acquisition and greenfield clinics



- 75% growth in dairy farm enrollments in H1 FY22 (vs pcp)
- ~15.0% of AU's dairy cows are enrolled in the program (compared to ~8% in PCP)
- Rapid expansion occurring into new regions
- Services supporting a buoyant industry with increasing milk prices



Accelerated acquisition program

Apiam's acquisition track record

- ✓ 8 acquisitions completed in H1 FY22 - adding 11 new clinics
- ✓ Significant expansion into fast-growth QLD regions
- ✓ Building strong presence and expertise in equine segment
- ✓ Significant acquisition pipeline with Apiam considered a leading industry partner for vendors

REVENUE FROM ACQUISITIONS COMPLETED IN H1 FY22:

- H1 FY22 : \$7.2m
- H2 FY22 Pro-forma: \$11.8m
- Annualised Pro-forma: \$24.5m

Apiam acquisitions FY21 & H1 FY22

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 (referral), companion | 30 Jul 2021 |
| Golden Plains Bannockburn | Companion. Livestock | 1 Aug 2021 |
| Harbour City Vet Surgery | Companion | 2 Sep 2021 |
| Smythesdale Animal Hospital | Companion. Livestock | 1 Oct 2021 |
| Horsham Veterinary Hospital | Companion | 1 Dec 2021 |
| Agnes Banks Equine Centre | Equine (referral) | 1 Dec 2021 |
| Fraser Coast Veterinary Services (3 clinics) | Companion, equine & cattle | 1 Dec 2021 |
| North Hill Veterinary Clinic (Armidale) | Companion | 1 Dec 2021 |

Greenfield clinic roll-out program

A focus on expansion in high population & peri-urban growth corridors




Greenfield clinics opened (last 18 months)

- Torquay North, VIC (opened January 2021)
- Shepparton, VIC (opened March 2021)
- Highton (Geelong) VIC (opened July 2021)
- Three new greenfield clinics planned to open in FY23

Apiam’s location criteria

- Peri-urban locations with track record of strong population growth
- Within daily commute of capital city
- Species mix in region
- Ability to leverage existing Apiam staff, services and infrastructure
- Large regional city growth plans

Greenfield clinic financial profile

|  |  Investment phase | |  Profit phase |
|---|---|-----------------------|---|
| | Year 1 | Year 2 | Year 3 |
| # of Apiam clinics (currently in phase) | 3 | - | - |
| Sales revenue (per clinic) | \$0.5 – \$1.0 million | \$1.0 – \$1.5 million | \$2.5 -3.0 million |
| EBIT (per clinic) | \$(0.3) – (0.5) million | break-even | \$0.4 - 0.6 million |
| Underling EBIT margin (per clinic) | - | break-even | ~15%-20% |

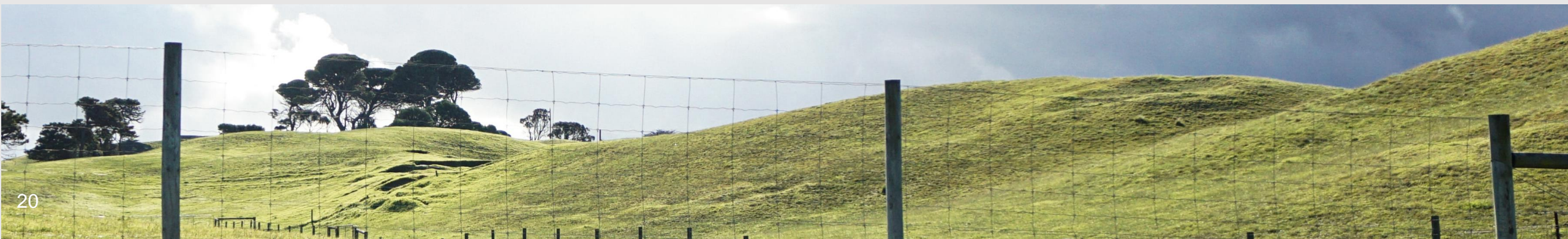
- EBIT losses associated with Apiam’s greenfield clinic roll-outs increased in H1 FY22 to \$909K (vs \$696K in H2 FY21)
- Reflects the cumulative impact of 3 new greenfield sites in first year of operations
- New client acquisition in greenfield clinics partly delayed due to regional lockdowns in VIC in H2 FY21 (ie. delayed clinic marketing, community activations and opening events)

Outlook

➔ **Apiam business strategy aims to double revenue to \$300M by FY24;**
organic growth initiatives, greenfield clinics and future acquisition runway

➔ **Business infrastructure now in place to support accelerated acquisition program & greater scale of business**

➔ **Uplift in operating earnings expected in H2 FY22;**
as increasing benefit of accelerated acquisition program and growth investments flow through





QUESTIONS & FURTHER INFORMATION:

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

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catherine.ross@apiam.com.au
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