



Apiam Animal Health Ltd

FY22 results presentation

29 August 2022

FY22 results highlights



Accelerated Growth strategy driving transformation

- Pro-forma revenue target of more than \$300M by end of FY24 to leverage earnings and deliver material increases to cash flows
- 11 high-growth dairy & mixed animal acquisitions executed in FY22¹;
- Dairy & mixed animal segment now accounts for 74% of Group revenues¹
 - highly resilient income stream, attractive margin opportunities, strong cash flows
- \$20.25M equity raising in May supporting continued execution of strategy



Excellent dairy & mixed animal performance in FY22

- Segment revenue growth of +45.1%, LFL revenue growth of +9.0% (vs FY21)²
- Underlying segment EBITDA growth of 44.5%³



Strong and resilient Group earnings and cash flows

- Gross profit +37.0%; underlying EBITDA⁴ +20.3% (vs FY21)
- Operating cash flow +9.9% (vs FY21)
- Strong performance in face of unprecedented macro-economic factors (COVID-19 impacts, closed borders, supply chain and labour shortages)



Leading innovation within the veterinary industry

- New business models, veterinary value recognition focus, flexible and agile workplaces

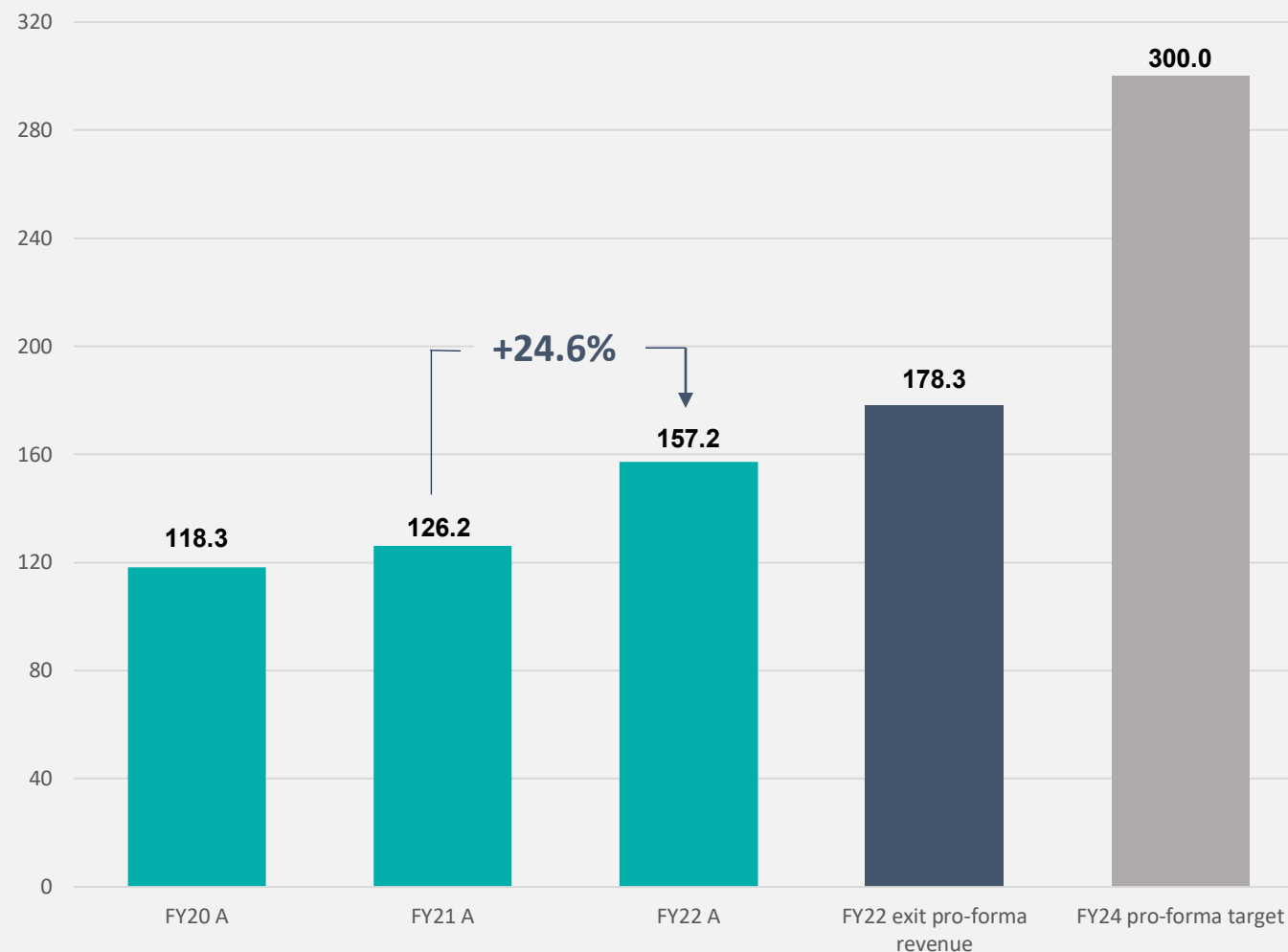
Notes:

(1) Including Victorian Equine Group and The Vet Practice announced during FY22, settled 1 July 2022 (2) Excludes contribution from acquisitions, Ear Tag business (divested during FY22) and one clinic consolidated during period (3) Segment EBITDA growth before corporate cost allocation and one-off expenses including \$1.4M stamp duty charge during FY22 (4) Underlying EBITDA is a non-IFRS measure and in FY22 excludes one-off expenses of \$2.0M (which includes \$1.4M of acquisition related stamp duty in Queensland)

Accelerated Growth strategy targeting \$300M revenue

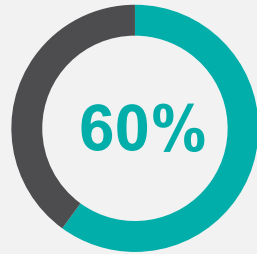
Driving resilient, high-growth earnings and cash flow streams

- FY22 reported revenue growth + 24.6%
- FY22 exit pro-forma revenue of \$178.3m
- 11 acquisitions executed in FY22 contributing:
 - \$39.8 million to FY22 exit pro-forma revenue
- Significant organic growth in dairy and mixed clinics (fastest growing segment)
- Well funded following \$20.25M capital raise + \$20M extension of acquisition finance facility

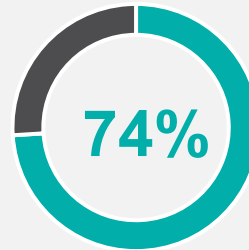


Rapidly expanding dairy & mixed animal segment driving growth

FY21 dairy & mixed animal revenue contribution (%)



FY22 pro-forma dairy & mixed animal revenue contribution¹ (%)



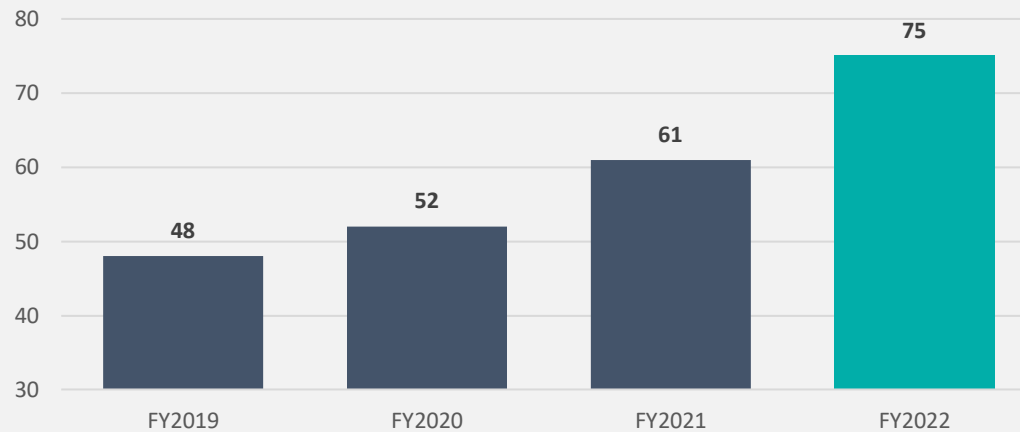
■ Dairy & mixed revenue

■ Pigs & feedlot revenue

■ Dairy & mixed revenue

■ Pigs & feedlot revenue

Vet clinics (as at period end)¹



+45.1%

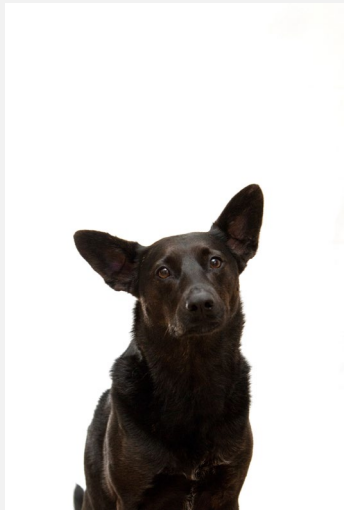
*dairy & mixed animal
revenue growth
(vs FY21)*

+44.5%

*dairy & mixed animal
underlying EBITDA growth
(vs FY21)²*

+9.0%

*dairy & mixed animal
LFL revenue growth
(vs FY21)³*



Notes

- ¹ Including Victorian Equine Group and The Vet Practice announced during FY22 but settled 1 July 2022
- ² Segment EBITDA growth before corporate cost allocation and one-off expenses including \$1.4M stamp duty charge during FY22
- ³ Excludes contribution from acquisitions, Ear Tag business (divested during FY22) and one clinic consolidated during period

High-quality acquisition program in FY22

11

Acquisitions

\$53.0M

Total acquisition
value¹

14

Acquired clinics

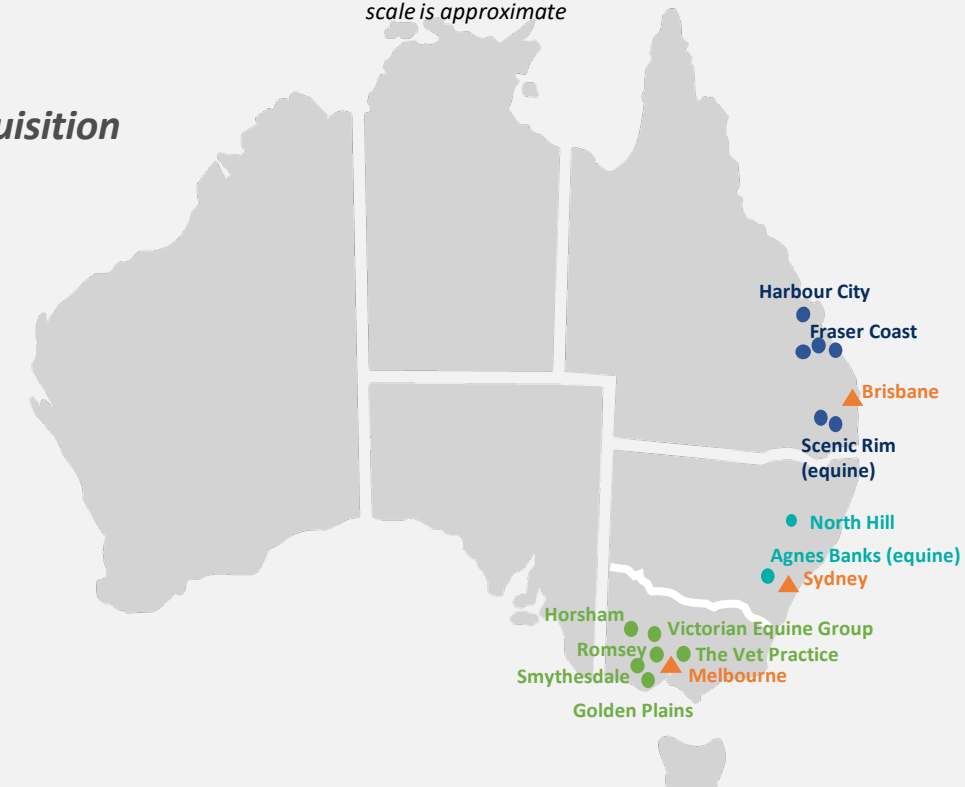
5.9x

Avg. EBITDA acquisition
multiple²

- Four veterinary businesses with revenue of more than \$4.5M acquired in FY22
- Significant investment in integration of systems & processes to capture efficiencies
- Businesses acquired in FY22 delivered **7.8% revenue outperformance** vs normalised revenue projections at time of acquisition
- Refer Appendices for detailed list of acquisitions made over FY22

Apiam acquisitions FY22

scale is approximate



APIAM's ACQUISITION CRITERIA

- ✓ Culture & management team
- ✓ Animal species
- ✓ Earnings margins
- ✓ Geographic exposure
- ✓ Ability to deliver strong organic growth under AHX ownership (synergies)

Notes:

1 Includes value of Victorian Equine Group and The Vet Practice settled 1 July 2022

2 Underlying basis before one-off costs

Leading innovation of veterinary industry

Apiam are leading the industry across people & culture, value recognition and new business models



FIRST MOVER INITIATIVES

Leading industry with new business models

- ✓ ProDairy – specialised subscription program focussed on Dairy famers
- ✓ Data Pig – electronic system for swine health & production data
- ✓ Vaccine development for emerging pathogens – first domestic producer in many areas



LEADING PEOPLE & CULTURE PRACTICES TO ATTRACT & RETAIN THE BEST TALENT

- Significant opportunity for flexible work practices
- Innovative maternity leave programs
- Strong culture of recognising female talent
- Flexible path to promotion
- Tele-Triage service to address work-life balance issues (estimated to have reduced after hours calls to vets by over 65%)
- Mental health support



VETERINARY VALUE RECOGNITION FOCUS

- ✓ Improving market recognition of the value of veterinary skills and service
- ✓ Upgrading facilities and equipment to provide more services and better outcomes for animals
- ✓ Upskilling our people to provide veterinary expertise and specialist standards of care



Sustainability Planning in FY22

“Enriching the lives of animals, people and communities”



Animals

- On track to launch Antimicrobial Stewardship Strategy in FY23.
- Introduced three new vaccines to promote sustainable agriculture.
- Research into enhanced biosecurity programs.
- Trial and adoption of technologies to enhance early disease surveillance.
- Industry leading learning and resource centre.
- Commitment to delivering the highest standards of care.



People

- Introduced WHS strategy – *Bee Well, Bee Safe*.
- 61 Mental Health First Aid Officers across our network.
- Renewed commitment to flexible work practices.
- Additional paid leave day to support wellbeing and work life balance, now policy.
- Diversity, Equity and Inclusion resources hub developed.
- Paid Parental Leave enhanced with gender equity principles applied.
- Priority focus on employee development in annual review process.
- Active professional development program including leadership training, Graduate retreats, nursing skills and technical training.



Communities

- Completed installation of a solar-based Virtual Energy Network pilot across key sites.
- Waste management program introduced including office waste and clothing (uniform) recycling.
- Enhanced our paid Volunteer Leave program by offering 5 days of paid leave per year to give back to our communities.
- Fur Life Foundation continues to raise funds to support regional communities.
- We give back by providing support and sponsorship to sporting clubs and community organisations total \$367K.



Governance

Anti-bribery and corruption policy, Modern Slavery policy

FY22 financial summary



FY22 financial snapshot

Revenue

\$157.2M

+24.6%
vs FY21

Gross profit

\$97.4M

+37.0%
vs FY21

EBITDA
(underlying) ¹

\$18.3M

+20.3%
vs FY21

NPAT
(underlying) ¹

\$6.7M

+15.0%
vs FY21

Cash flow
(operating)

\$15.0M

117%
conversion of EBITDA²

Notes

¹ Underlying EBITDA and NPAT are non-IFRS measures and in FY22 exclude one-off expenses of \$2.0M (which includes \$1.4M of acquisition related stamp duty in Queensland). Underlying NPAT excludes \$0.6m of customer relationship amortisation (post tax basis). Detailed P&L analysis is presented slide 10

² Based on underlying EBITDA (pre AASB 16 lease adjustments)

FY22 profit and loss summary

Strong gross margin and underlying earnings growth

\$m	FY22A	FY21A	Variance	%
Total revenue	157.2	126.2	31.0	24.6%
Gross profit	97.4	71.1	26.3	37.0%
Operating expenses	(79.2)	(55.9)	(23.2)	41.6%
Underlying EBITDA ¹	18.3	15.2	3.1	20.3%
Underlying NPAT ^{1,2}	6.7	5.8	0.9	15.0%
Amortisation (post tax) (customer relationships)	(0.6)	(0.3)	(0.5)	142.5%
One-off expenses (post tax) (incl. QLD stamp duty in H1 FY22)	(1.4)	(0.5)	(0.9)	178.6%
Reported NPAT	4.6	5.0	(0.4)	(7.9)%

Gross margin	62.0%	56.3%		
Underlying EBITDA margin	11.6%	12.0%		
Underlying EBITDA margin (pre greenfield impact) ³	12.3%	12.5%		

- Notes:
- Underlying earnings excludes one-off acquisition, integration & corporate costs (tax effected where applicable at NPAT level). FY22 one-off costs includes \$1.4 million stamp duty payable on Queensland acquisitions
 - Before amortisation of customer relationships (tax effected where applicable at NPAT level)
 - Greenfield EBITDA impact in FY22 was \$981K vs \$546K in FY21
 - Adjusted to exclude Scenic Rim Vet Services (Jul 21), Golden Plains Bannockburn (Aug 21), Harbour City Vet Surgery (Sep 21), Smythesdale Animal Hospital (Oct 21) Horsham Vet Hospital (Dec 21), Agnes Banks Equine Clinic (Dec 21), Fraser Coast Vet Services (Dec 21), North Hill Vet Clinic (Dec 21), Ear Tags Business (Divested Mar 2021), Romsey Veterinary Surgery (Jun 22)

- **Revenue growth 24.6%** : driven by dairy & mixed animal segment (organic growth & impact of acquisitions)
- **Gross profit growth 37.0%** : sustained gross margin uplift continuing given greater contribution of dairy & mixed animal segment and strategic changes in pig and feedlot segment to increase earnings
- **Underlying EBITDA growth 20.3%** : strong result despite increased operating expense investment required to capture rapid veterinary market growth opportunities
- **Operating expense increase 41.6% year-on-year** : due to
 - implementation of Accelerated Growth strategy and contribution of newly acquired dairy & mixed clinics
 - opening of three new greenfield sites past 18 months (with Year 1 negative earnings impact)
 - strategic recruitment strategy
 - see slide 13 for further analysis



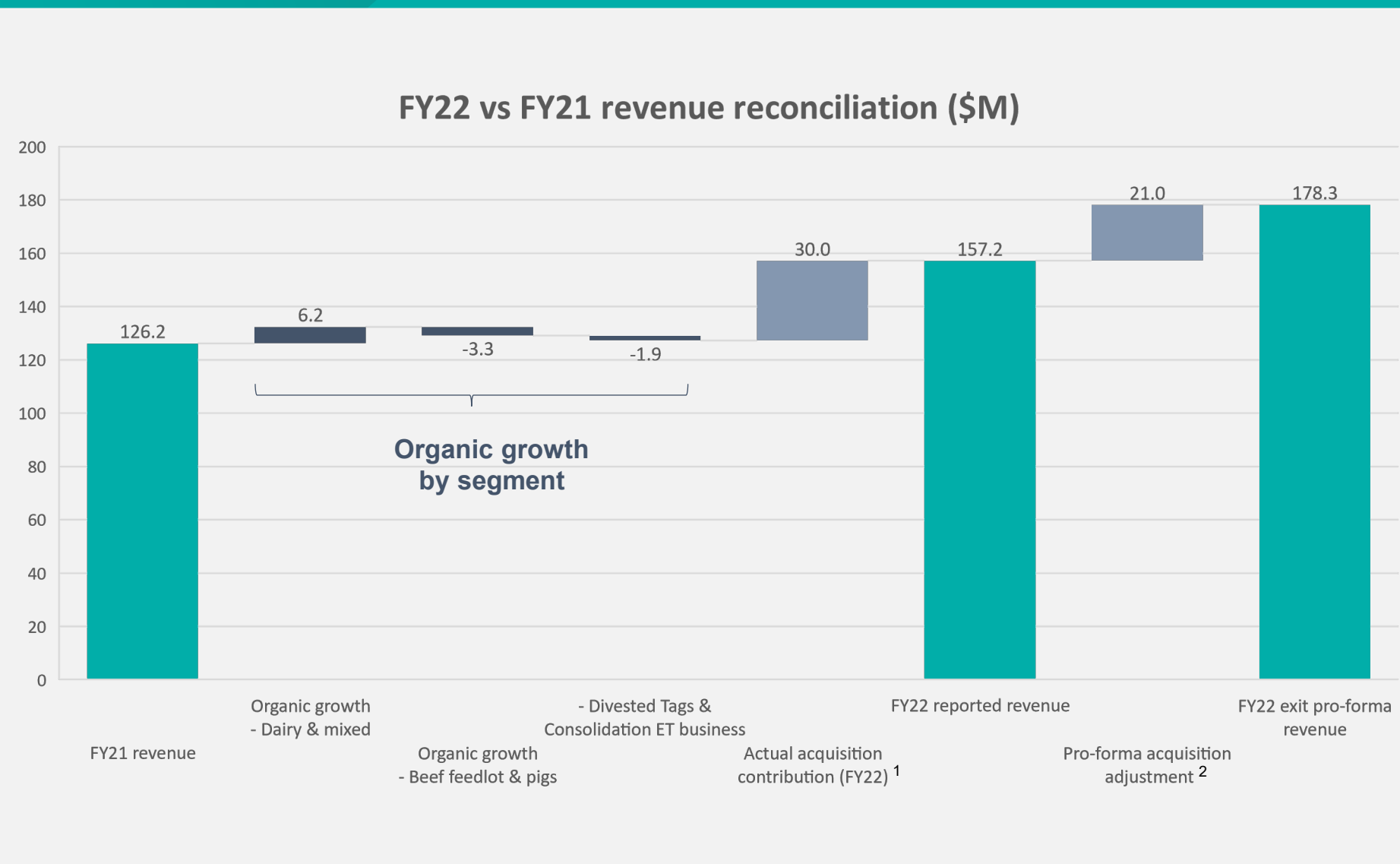
LFL (excluding acquisitions) data & analysis ⁴

Revenue growth: +2.2% vs H1 FY21

Gross profit growth: +5.3% vs H1 FY21

- Strong organic revenue growth in dairy & mixed animal segment
- Feedlot and pig segment revenue impacted by industry challenges
 - **Gross margin growth across all segments on LFL basis**

Pro-forma revenue reconciliation vs PCP



Notes:

¹ Includes contribution from acquisitions made during FY21 (first full year contribution) and FY22 acquisitions

² Includes the balance of the full year contribution from acquisitions made in FY22 as well as Victorian Equine Group and The Vet Practice, settled 1 July 2022

Segment performance analysis

Gross margin improvement across all segments in FY22

DAIRY & MIXED ANIMALS



	Revenue % growth (reported)	Revenue % growth (LFL)	Gross profit % growth (reported)	Gross profit % growth (LFL)
FY22¹	+45.1%	+9.0%	+50.5%	+7.7%
FY21	+23.7%	+12.5%	+24.3%	+12.3%

- Strong organic and reported growth off the back of a previously strong period
- Acquisition pipeline in FY22 increasing leverage to high growth dairy & mixed animal segment
- Rapid ProDairy revenue growth (lower margin) having impact on gross profit % growth in FY22

BEEF FEEDLOT & PIGS



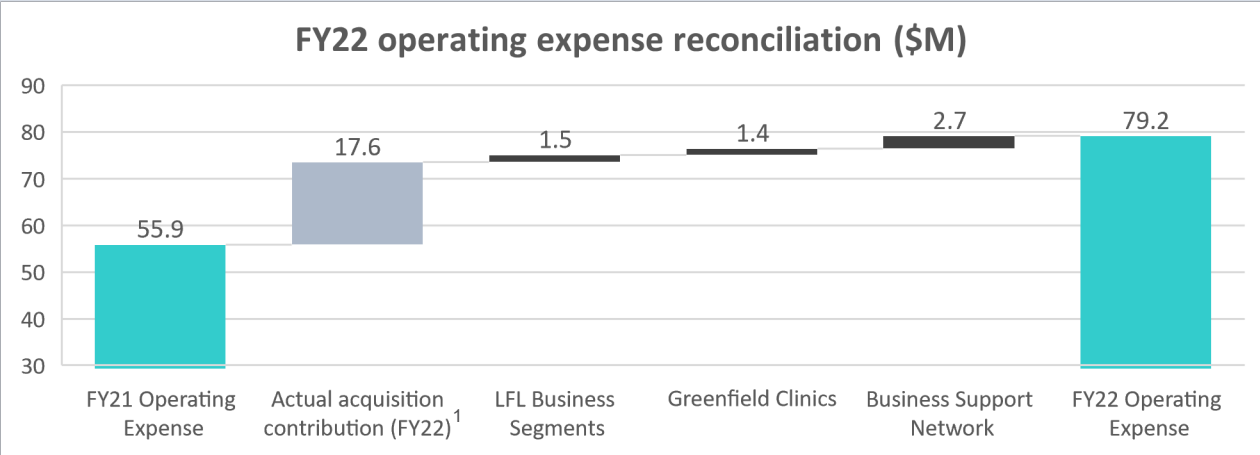
	Revenue % growth (reported)	Revenue % growth (LFL)	Gross profit % growth (reported)	Gross profit % growth (LFL)
FY22	(6.5)%	(6.5)%	+1.5%	+1.5%
FY21	(11.4)%	(12.3)%	(11.8)%	(17.0)%

- Initial stages of national beef herd rebuild occurring following low-point in industry cycle during FY20-FY21
- Industry challenges in pig segment, with impacts of Japanese Encephalitis
- Higher value consultancy services driving improved gross profits

Notes:

1 Excludes contribution from Ear Tag business (divested during FY22) and one clinic consolidated during period

Operating expenses & greenfield analysis



LFL business segments

- **Wage increases:** Higher skillset costs for vets post COVID-19 industry restructure (vets account for ~30% of AHX staff by number)
- **COVID-19 related:** additional vet staff required onsite in periods of regional lockdowns in H1 FY22
- **Other:** fuel, training and recruitment of experienced vets (international recruitment fees in H1 FY22)

Greenfield clinics

- Greenfield clinics: 3 x newly opened greenfield clinics (higher employment costs during the first 12 months of operations)

Business support network (Head office)

- Addition of support staff in BSN (business support network) in areas of P&C, IT, WHS, payroll to facilitate accelerated growth. Increase also associated with training, conferences and travel that were delayed due to Covid-19

Notes:

¹ Includes expenses associated with acquisitions made in FY21 (given FY22 represents first full year contribution) as well as expenses associated with FY22 acquisitions

Greenfield clinic financial profile – refined model in H2 FY22 to reduce year 1 earnings impacts

	Investment phase		Profit phase
	Year 1	Year 2	Year 3
# of Apiam clinics (currently in phase)	1	2	-
Sales revenue (per clinic)	\$0.5 – \$1.0m	\$1.0 – \$1.5m	\$1.5 - 2.5m
EBIT (per clinic)	\$(0.3) – (0.5)m	break-even	\$0.23 - 0.5m
Underling EBIT margin (per clinic)	-	break-even	~15%-20%

- Apiam refined its greenfield clinic model in H2 FY22, to better align the cost base of new clinics to the scale up of customer demand
- EBIT losses associated with greenfield clinic roll-outs reduced significantly in H2 FY22 (\$562K) vs H1 FY22 (\$909K)
- Two clinics opened in H2 FY21 are forecast to break even in H1 FY23
- 3 greenfield clinics to open in FY23 under PetStock JV (Apiam 80% interest), under the revised cost model described above
- A further 1-2 clinic locations being considered

Balance sheet

Capital position reflects impact of Accelerated Growth strategy and efficient working capital management

\$m	30 Jun 2022A	30 Jun 2021A ¹
Cash	2.8	2.2
Trade & receivables	13.6	13.5
Inventories	17.8	16.0
Property, plant & equipment	31.6	25.0
Intangibles	126.8	95.3
Other	6.3	5.3
TOTAL ASSETS	199.0	157.3
Borrowings	42.1	37.7
Trade & other payables	11.0	9.7
Lease liability	21.3	17.3
Other liabilities	16.0	11.7
TOTAL LIABILITIES	90.4	76.5
NET ASSETS	108.7	80.8

Notes:

1. Balance sheet as at 30 June 2021 restated for intangibles & PPE for clinic acquisitions which had been provisionally accounted for in the prior period
2. Deferred tax liabilities related to customer relationship intangible assets recognised on acquisitions
3. Includes \$1.8M of bank finance lease liability for purposes of net debt calculation in FY22 (FY21: \$1.6M)
4. Excludes \$14.1m of cash consideration payable for Victorian Equine Group and The Vet Practice on 1 July 2022

- **Stable and efficient working capital position:**

- Inventory continues to be well managed to optimise cash flow as the business continues to grow
- Payables and receivables in line with prior periods

- **Impact of Accelerated Growth strategy:**

- Property, plant & equipment inclusive of property leases for acquired clinics
- Increased intangibles reflect 9 acquisitions settled during FY22
- Growth in employee benefit and deferred tax liabilities² from acquisitions have increased “Other Liabilities”

- **Borrowings & net debt:**

- Net borrowings of \$41.0M (vs \$37.2M as at end of FY21)³ with:
 - Total cash component for acquisitions settled in FY22 \$28.2M⁴
 - Net cash proceeds from equity raise in May 2022 of \$19.2M
- **Operating leverage ratio 1.9x** vs covenant of 3.5x (net debt / EBITDA basis adjusted for working capital facility)
- **Current headroom of \$44.4M** following \$20M increase to NAB acquisition facility and completion of Victorian Equine Group and The Vet Practice on 1 July.

Cash flow

Operating cash conversion remains strong above 100%

Statutory cashflows \$m	FY22A	FY21A
Net cash provided by operating activities	15.0	13.7
Acquisition of subsidiary, net of cash	(28.2)	(11.7)
Net Purchases of property, plant and equipment	(4.2)	(4.6)
Net Purchases of Intangible assets	(0.1)	(0.2)
Other	0.0	0.0
Net cash used in investing activities	(32.5)	(16.6)
Net changes in financing	4.8	1.6
Dividends paid to shareholders	(2.4)	(1.9)
Repayment of lease liabilities	(3.5)	(2.9)
Proceeds from share issue	19.2	5.7
Other	0.0	0.1
Net cash inflow from financing activities	18.1	2.6
Net change in cash and cash equivalents	0.7	(0.4)

Cashflow Conversion \$m	FY22A	FY21A
Underlying EBITDA (pre AASB 16 lease adjustment)	14.7	12.4
Net cash inflow from operating activities (less AASB 16 lease reclassification impact)	11.5	10.9
Add back:		
One-off expense paid	2.0	0.7
Interest paid	1.6	1.2
Income tax paid	2.1	1.8
Underlying cashflow before tax & interest:	17.1	14.6
Conversion	117%	118%

- Operating cash flow +9.9% in FY22 (vs PCP)
- Controlled underlying capex spend
- Cash component for acquisition consideration of \$28.2M¹
- Capital raise \$20.25M (before costs) in May 2022

Notes

¹ Excludes \$14.1m of cash consideration payable for Victorian Equine Group and The Vet Practice on 1 July 2022

Dividends

Final dividend of 0.4 cps

	FY22 final dividend
Dividend	0.4 cps
Payout ratio on reported NPAT	50%
Franking	100%
Record date	23 September 2022
Payment date	21 October 2022

- Board declares a final dividend of 0.4 cps, fully franked, payable on 21 October 2022
- Total dividends declared for FY22 of 1.6 cps down 33.3% vs FY21 dividends declared of 2.4 cps
- Dividend reinvestment plan in place
 - Last day to elect to participate in DRP : 30 September 2022
 - DRP pricing period : 5 day AHX VWAP between 3 October and 7 October

As the Company trends towards its target to deliver pro-forma revenue of \$300m by FY24, earnings margins and free cash flow are also expected to increase considerably.

This compelling growth opportunity, which includes an accelerated acquisition program, is expected to deliver significant intrinsic value for shareholders.

The Board of Directors therefore intend to invest all capital during this rapid growth period towards funding the accelerated acquisition strategy rather than returning funds to shareholders via dividends.



Strategic objectives & outlook



Key strategic objectives in FY23

Organic growth

- Capture additional market share in existing locations
- Leverage products & services across clinic footprint
- Revenue opportunities through system integration
- Underlying veterinary industry growth continuing

Acquisition Pipeline

- Execute strategic acquisition opportunities
- Pipeline is extensive
- Leverage enhanced acquisition integration capacity to drive faster synergies

Greenfield sites

- 3-5 new greenfield sites to open in FY23
- Refined strategy to reduce negative earnings impacts Year 1 for newly opened sites
- \$1.5M - \$2.5M revenue target per site within 3 years of opening

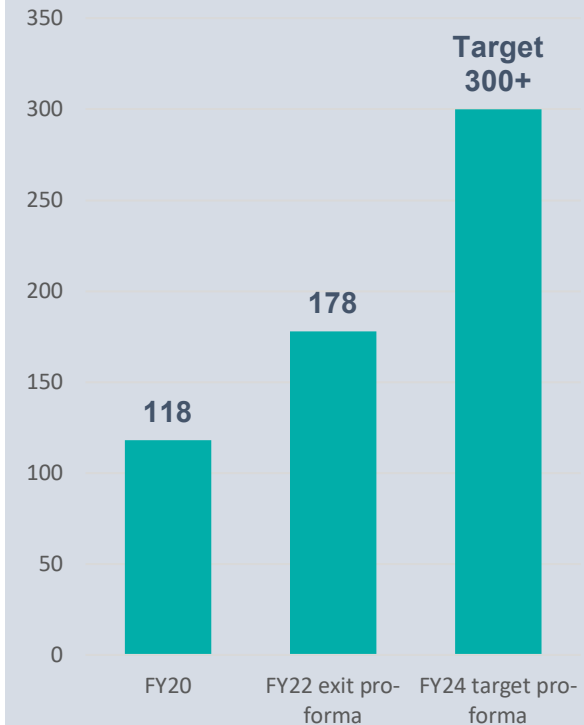


Shareholder value

- Reinvesting strong cashflows and capital to deliver on Accelerated Growth strategy
- Increase intrinsic value of the company through leveraged earnings and resilient free cashflow
- Well funded to execute growth pipeline following successful \$20.25M capital raise & extension of NAB acquisition finance facility by \$20M

**Target of \$300M+
pro-forma revenue
in FY24**

Planned revenue growth trajectory





APPENDICES



Service program performance in FY22

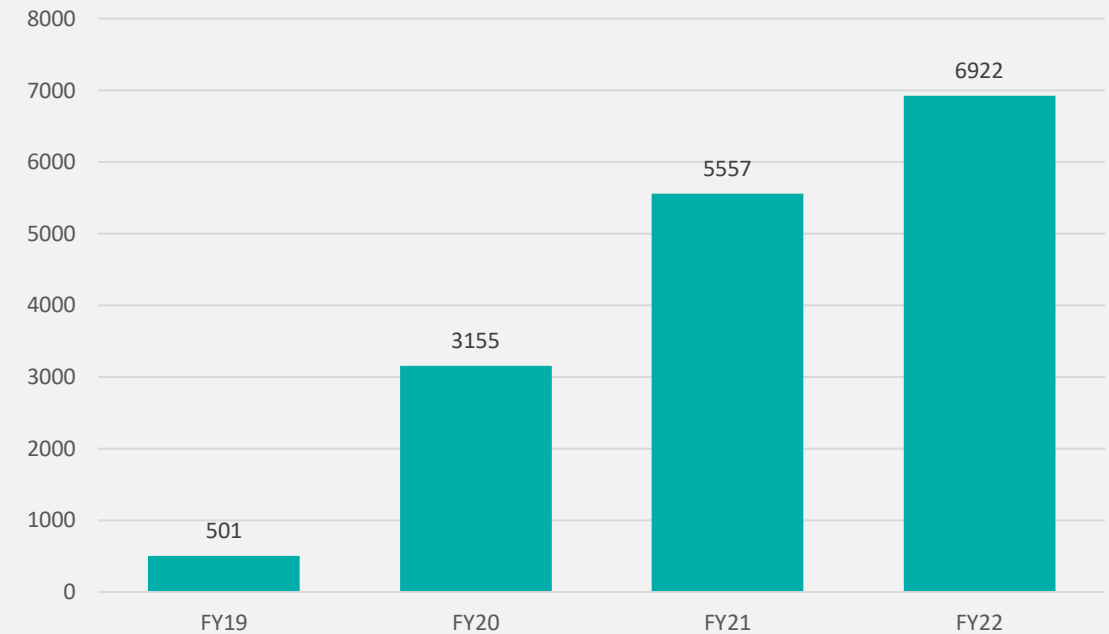


- 64% growth in subscription revenues in FY22 (as at end of period)
- ~15% of AU's dairy cows are enrolled in the program (compared to ~11% in FY21)
- Expansion opportunities identified in several new regions for FY23



Growth in Best Mates members (#)

24.6% growth in FY22



Product innovation

Leading the veterinary market through innovative product development



New viral vaccine laboratory

- Initiated new state-of-the-art viral vaccine laboratory for livestock industries
- Backed by Vic Government – contributed \$700K of funding
- Priority development of Japanese Encephalitis vaccine in conjunction with La Trobe University in progress



Development of third unique vaccine

- Development of unique *Histophilus somni* vaccine for use in feedlot cattle, sheep & goats
- Manufacturing commenced at ACE Laboratories in FY22
- Reduces need for antibiotic usage in line with antimicrobial stewardship strategy



Strategic distribution partnerships in offshore markets

- Exclusive distribution partnership with US based Aurora Pharmaceutical Inc.
- Regulatory approval received to launch Xtend 21® in US market (Zoono Microbe Shield)
- Early stage market launch occurred in US market in FY22



Leading equine veterinary market position

Addition of three additional “high-performance” cornerstone equine clinic acquisitions in FY22

- Consolidated specialist equine position down east-coast of Australia with 6 specialist and referral hospitals
- Forms a basis for continued expansion within each state
- General practice clinics have access to specialist equine skills and industry leading knowledge in their local markets
- Reduced need to refer to third party equine specialists

Equine market growth drivers

✓ Fragmented veterinary services

✓ Higher level of specialisation demanded by market

✓ Racing industry dynamics + decentralisation of major training locations

Favourable demographic + environmental factors



Acquisitions executed in FY22

Acquisition	Clinic services	Settlement
Scenic Rim Veterinary Service (Beaudesert & Boonah -2 clinics)	Equine, 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 Clinic	Equine	1 Dec 2021
Fraser Coast Veterinary Services (3 clinics)	Companion, equine & cattle	1 Dec 2021
North Hill Veterinary Clinic (Armidale)	Companion, Livestock	1 Dec 2021
Romsey Veterinary Surgery	Companion, Livestock	1 June 2022
Victorian Equine Group ¹	Equine	1 July 2022
The Vet Practice ¹	Companion	1 July 2022

Notes:
¹ Apiam entered into agreements to purchase Victorian Equine Group and The Vet Practice in FY22, but they were settled on 1 July 2022

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