

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Apiam releases H1 FY25 results - Diversified model supports resilient results despite industry challenges

- Resilient revenues in H1 FY25 amid industry challenges
- Clinical Vet Services segment impacted by reduction in equine clinic revenues & diagnostic revenues (related to pause on export of dairy heifers to China)
- Intensive Animal Veterinary services performing strongly
- Cost leverage across clinic network continuing to be realised
- Review of portfolio resulting in decision to divest three underperforming businesses. Following divestments, expected revenue will reduce by \$2.3M and EBIT will increase by \$1M (H1 FY25 annualised basis)
- Impairment loss of \$4.5M (pre-tax) related to decision to divest underperforming NSW equine business in H1 FY25
- Interim dividend 1.0 cps
- Focus for H2 FY25 to extract further earnings & free cash flow from clinic portfolio

Bendigo February 26, 2025 – Apiam Animal Health Limited (**Apiam** or the **Company**) today released its financial results for the six-months ended 31 December 2024 (H1 FY25).

The Company's revenue performance was resilient, due to the diversified nature of the Company's business portfolio and a strong growth performance from Apiam's Intensive Animal Veterinary Services (beef feedlot and pigs) segment.

Apiam's Clinical Vet Services segment however faced challenging conditions in some areas and its overall H1 FY25 performance was below H1 FY24. Despite a solid performance in its companion & mixed animal clinics, this segment was substantially impacted by reduced diagnostic revenues from its ACE Laboratories subsidiary following a pause in Chinese market demand for dairy heifers early in H1 FY25 as well as reduced revenues from its referral equine clinics.

Following a full strategic review of underperforming businesses and assets, Apiam's Board of Directors have undertaken to divest the underperforming NSW-based equine business that was the subject of a significant restructure in FY24 and a sale agreement has recently been entered into (see *Managing Apiam's business portfolio* section below for further information). The impairment loss associated with this business divestment is \$4.5 million (pre-tax) and this has been recorded in the Company's H1 FY25 accounts.

H1 FY25 financial summary¹

\$M	H1 FY25A	H1 FY24A	% chg.
Revenue	106.2	104.4	1.7%
Gross profit	71.0	70.9	0.1%
EBITDA (underlying) <i>(pre AASB 16 adj.)</i>	10.8	11.3	(3.6)%
EBITA (underlying)	8.6	9.2	(6.5)%
NPATA (underlying)	3.9	4.6	(15.5)%
NPAT (reported)	(1.5)	3.3	(145.9)%

Notes

1. Underlying earnings are non-IFRS measures and exclude one-off acquisition & integration expenses. These costs have been tax effected where applicable at the NPATA level

Financial review

Group revenue in H1 FY25 grew 1.7% to \$106.2 million (H1 FY24: \$104.4 million), with Apiam's diversified operations delivering a resilient result in the face of continuing cost-of-living pressures, the reduction in diagnostics revenues (associated with a pause in dairy heifer exports to China) as well as reduced equine animal numbers.

Gross profit growth of 0.1% to \$71.0 million in H1 FY25, was lower than in previous periods and reflects the impact of Apiam's Intensive Animal Veterinary Services segments accounting for 23.1% of Group revenue in the period compared to 20.5% in H1 FY24.

Operating costs were tightly controlled and leverage in operating expenses across the clinic network continued to be realised. A \$0.4 million investment in marketing for companion & mixed animal clinics in H1 FY25 helped generate revenue growth and was achieved with Group operating expenses remaining in-line with the prior period.

Underlying EBITA fell 6.5% to \$8.6 million (H1 FY25: \$9.2 million) as the impact of increased lease costs associated with new or upgraded leases affected Apiam's right-of-use depreciation charges (pursuant to AASB 16).

Underlying NPATA also fell 15.5% to \$3.9 million in H1 FY25, primarily due to higher right-of-use interest expense associated with the maturity profile of the Company's leases (in accordance with AASB 16). Bank interest charges of \$2.4 million in H1 FY25 remained in line with H1 FY24.

Following the impact of the \$4.2 million impairment loss charge (post-tax basis) Apiam's reported NPAT was \$(1.5) million, down from \$3.3 million in H1 FY24.

Closing net debt at 31 December 2024 was \$65.7 million¹ (vs \$66.8 million as at 30 June 2024). Surplus cash flow in H1 FY25 was used to pay the final FY24 dividend as well as reinvest in organic growth initiatives including \$1.3 million which was spent on the ACE Laboratories vaccine laboratory expansion.

Apiam's operating leverage ratio at the end of H1 FY25 was 2.6x, within the Company's covenant requirement of 3.5x.

Segment performance

Clinical Vet Services segment

Apiam's Clinical Vet Services segment delivered solid results in H1 FY25, however was impacted by some industry challenges in specific areas leading to overall segment revenue falling 1.7% in H1 FY25 (-\$1.4 million).

The Company's network of companion & mixed animal veterinary clinics withstood current cost-of-living pressures on household incomes and delivered revenue growth of 3.2% in H1 FY25 vs PCP (+\$2.1 million²).

Offsetting this growth was \$1.8 million in reduced diagnostic revenues from ACE Laboratories due to the pause of export dairy heifers to China early in H1 FY25. Softening in equine markets with reduced horse breeding numbers also meant Apiam's referral equine clinics revenues were reduced by \$1.7 million in H1 FY25 (vs H1 FY24).

From an earnings perspective, cost efficiencies were successfully realised in clinics in H1 FY25 with operating expenses in the Clinical Vet Services segment down 3.1% on a like-for-like (LFL) basis compared to PCP.

Additional redundancies of some clinic support roles were undertaken in December 2024, with the benefits to be realised in the remainder of FY25 and beyond.

¹ Borrowings include \$4.1M of equipment finance (reported under lease liability) for purposes of net debt calculation as at 31 Dec 2024 (FY24: \$4.3M)

² Inclusive of \$0.9M growth contribution from acquisition made in October 2023

Intensive Animal Veterinary Services (pig & beef feedlot segments)

Robust underlying industry conditions, particularly in the beef feedlot and pig segments, has driven strong revenue growth in Apiam's Intensive Animal Veterinary segments in H1 FY25. Overall, revenue for these segments increased 15.0% (+\$3.2M) in H1 FY25 following a 0.4% increase in the PCP (H1 FY24).

Earnings growth from the beef feedlot segment was also strong in H1 FY25 as the Company delivered on its strategy to focus on higher value veterinary services.

Managing Apiam's business portfolio

Apiam seeks to optimise future earnings growth through the divestment and exit of underperforming assets as well as the acquisition of strategic businesses where synergies can be realised.

Following a review in H1 FY25 of underperforming assets, the decision was made to divest a NSW equine clinic that was acquired by Apiam in 2021 but that has not performed in line with Group targets in recent years. Due to location challenges and changes in local market conditions it was decided the best course of action for shareholders was to divest this business. The Company has recently entered an agreement to divest the clinic and settlement is expected to take place in H2 FY25. A \$4.5 million (pre-tax) impairment charge relating to this divestment process has been realised in H1 FY25.

Equine veterinary services remain a core veterinary service for Apiam, with Apiam's remaining three dedicated equine referral clinics delivering resilient growth over the last 2-3 years as well as strong profit contributions.

During the period, Apiam's Board also made the decision to divest an underperforming greenfield clinic in Hastings (VIC) and exit the Company's US Joint Venture. There are minimal financial impacts relating to the exit from the US Joint Venture and the Hastings clinic is being sold for a small profit.

Consequently, it is estimated that the divestment of the NSW-based equine clinic and the Hastings clinic will reduce Group revenue by approximately \$2.3 million and EBIT will increase by approximately \$1 million (based on annualised H1 FY25 estimates).

In H1 FY25, Apiam also assessed several strategic acquisition opportunities and in accordance with the Company's acquisition criteria, have agreed on terms, subject to due diligence, to acquire several clinics in regional NSW and WA. These new clinics are expected to provide synergies with existing clinics within these regions.

Dividend

The Board has declared an interim dividend of 1.0 cent per share. This is supported by Apiam's cash generation and the slower pace of the acquisition program.

The record date for the interim dividend is 4 March 2025. Apiam's dividend reinvestment program will also be continued.

Outlook

Despite volatility and challenges in specific areas of Apiam's veterinary operations in H1 FY25, veterinary services remain resilient in rural and regional locations.

The Company's diversified model helps to reduce the impact of cyclicity in speciality business areas.

Management are continuing to focus on delivering further efficiencies and synergies from the clinic portfolio and to continue to deliver leverage in the Company's cost base as was demonstrated in FY24. Further cost savings are expected to be realised in FY25.

Cash flows will continue to be applied to ongoing growth initiatives as well as the dividend program.

H1 FY25 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 AEST on Wednesday February 26 2025.

To access the call please use the zoom link below:

https://apiam.zoom.us/webinar/register/WN_IYT6wlsnTEmh0tLI2ESkzQ

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Authorisation

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

About Apiam Animal Health Limited

Apiam Animal Health is committed to providing best in class care for its clients, the animals in their care and the communities where people live and work. The Company's purpose, to enrich the lives of animals, people and communities, is applied across all business operations from vet clinics to production animal consultancy, logistics and laboratory with vets and allied staff sharing expertise and specialist knowledge. Apiam is focused on meeting the needs of its clients and shaping the future of the industry to deliver best practice animal health and welfare at a local level and nationally.