

2 November 2018

## **2018 AGM – Chairman’s Address**

2018 has been a challenging year for the Company and our shareholders. This year we expanded our integrated pet care platform, achieved strong like for like sales growth and customer metrics in our retail business and invested in our veterinary network through both new in-store clinics and vet acquisitions.

However, while the Group delivered strong revenue growth, our earnings decreased as a result of disappointing results in our veterinary business and our decision to impair the value of some of our assets. We took decisive action to address the operating performance of the Company by appointing a new leadership team and resetting the cost base of the Company.

### **New leadership team**

In February we announced the appointment of Simon Hickey as our new Managing Director and Chief Executive Officer. We have also appointed a new Chief Financial Officer, Lucas Barry, and streamlined our senior management structure. The Board is confident the new leadership team has the skills, experience and capability to successfully execute our integrated pet care strategy.

### **Operating performance**

In 2018 we continued to invest in our integrated pet care platform and today we have a portfolio of 56 in-store clinics across Australia and New Zealand. The strong LFL sales being delivered by these co-located sites gives us confidence that the decision to grow organically and invest in our integrated platform will deliver long term value for our shareholders.

Our retail business, which comprises over 70% of Group revenue, performed well in FY2018. Our Australian and New Zealand retail stores delivered strong top line growth and our private label sales increased, supported by strong sales of our private label Leaps & Bounds pet food. Our investment in omnichannel is delivering successful results with click and collect proving very popular. And customer engagement remains strong, with over 90% of retail sales linked to our Friends for Life loyalty program.

The performance of our veterinary services business in 2018 was below our expectations but initiatives are in place to drive visitation and improve profitability in FY2019. Pleasingly, our Healthy Pets Plus wellness program has reached record membership levels, with over 60,000 customers. We have continued to invest in greenfield in-store clinics and added capacity in our specialist and emergency hospitals. These new facilities are delivering strong revenue growth and we expect operating leverage will improve as these businesses begin to mature.

### **Third party interest in Greencross**

I think it would be remiss of me not to make some reference today to our market announcement of 10 October.

In that announcement, the Company confirmed that we have received and are engaging with a number of parties regarding credible proposals. The proposals are subject to a number of conditions and are expressed as being non-binding and incomplete. The proposals are required to be kept confidential, and there is no certainty that any proposal will result in a transaction involving Greencross, what the terms of any such offer would be, or whether there will be a recommendation by the Board of Greencross.

I am not in a position to provide any further update to this announcement. However, I would like to assure our shareholders that in responding to any proposals the Board will at all times comply with its fiduciary duty to act in the best interest of our shareholders.

### **Diversity**

Each year we provide an update on our commitment to gender diversity. This year I am pleased to report that four of the most senior management positions in the Company, namely Chief Operating Officer, Chief Veterinary Officer, Chief Customer Officer and Chief Information Officer, are all occupied by women. Importantly, the number of women occupying senior management positions has increased to 46% and women comprise 33% of non-executive directors on the Board.

### **Conclusion**

Greencross is the leading specialist player in the growing Australia and New Zealand pet care sector. We are not just a retailer or a vet care provider – we offer pet owners the full suite of pet products, veterinary care, grooming and other services they need to look after their pet. Our unique combination of high quality assets and professional expertise represents a significant competitive advantage given the growing focus of pet consumers on the health and nutrition of their pets.

I would like to take the opportunity to thank our management and staff for their contribution this year. It has been a challenging year for the Company, but I believe Greencross has a bright future and I am confident we have the right senior leadership team and strategy to deliver future success.

I would also like to thank our customers, suppliers and our shareholders for their continued support. I now call on our Chief Executive Officer, Simon Hickey, to speak to our financial and operating performance and corporate strategy in further detail.

