

ASX Release

Apiam Animal Health Limited

(ASX: AHX)

Apiam to enter into alliance with leading specialist petcare provider, PETstock

Bendigo, November 1, 2017 - Apiam Animal Health (**Apiam** or the **Company**) (ASX: AHX) today announced it has signed a Memorandum of Understanding to work towards a joint venture alliance with PETstock Pty Ltd (**PETstock**) to open a number of new veterinary clinics to be co-located at various PETstock retail outlets, in regional and rural Australia.

Under the proposed joint-venture alliance, Apiam and PETstock intend to open the first co-located clinic as a 24-hour Veterinary Emergency & Referral Centre, equipped with best-in-class technology, at PETstock's recently opened retail superstore in Bendigo (Epsom).

This would be followed by the opening of a number of veterinary clinics within existing PETstock stores in, or on the fringe of, existing Apiam operating regions, anticipated to commence in Q4 FY2018. The co-located clinics would be owned jointly by Apiam (as majority shareholder) and PETstock and operated by Apiam under a management agreement.

PETstock is a privately-owned, family-operated specialist retailer of animal products, services and accessories (mostly companion animals and equine). PETstock have experienced rapid growth since their transition to become a specialist pet retailer in 2002. The Company now has more than 135 retail stores across Australia and 12 stores in New Zealand. PETstock was one of the first pet care companies in Australia to successfully integrate veterinary clinics into their retail stores, commencing in 2007 under the PETstock Vet brand. There are approximately 20 PETstock Vet clinics currently in operation, mostly in capital city or city fringe locations.

Apiam's Managing Director, Dr Chris Richards said "We are very excited to be entering into an alliance with a leading retail player such as PETstock, who similar to Apiam have their origins in regional and rural Australia. The alliance would immediately open up a new market demographic for Apiam as we could leverage our broad service offering across PETstock's large customer base. It is also consistent with our strategy of increasing our presence in the high growth and under-served regional and rural companion animal market. We believe this alliance represents exciting synergistic opportunities for both parties and look forward to a strong working relationship with PETstock".

PETstock CEO, Shane Young said "Entering into an alliance with Apiam will further strengthen our veterinary services and allow us to leverage Apiam's technical expertise and systems to further support our retail operations in regional and rural locations, and expand our 'best in class' service offerings to our loyal customer base".

Bendigo 24-Hour Veterinary Emergency & Referral centre

Under the joint-venture alliance, Apiam and PETstock will open a Veterinary Emergency and Referral centre within PETstock's new Bendigo store (located in Epsom, opened in October 2017). Apiam currently has a very strong presence in the region, with 11 veterinary clinics in operation to the north, in addition to the Company headquarters being located in Bendigo. Apiam have identified a strong need for an Emergency and Referral centre in this large regional area, with many current cases for specialist surgery and medicine currently requiring transfer to Melbourne.

Apiam intends that this 24-hour Emergency and Referral centre will be equipped with 'best in class' diagnostic equipment, including the regions first CT machine. The centre would engage a combination of specialist veterinarians and consultants experienced in surgery and medicine, as well as general and emergency veterinary practitioners.

Under the MOU, the 24-hour Emergency and Referral centre will be jointly-owned by Apiam and PETstock and managed by Apiam under a management agreement. PETstock would continue to independently operate the Epsom retail store and other co-located retail stores.

Strategic rationale & timing

The Apiam – PETstock alliance is consistent with Apiam's planned growth strategy and in particular accelerates the Company's strategy of regional expansion in the underserved companion and mixed animal market.

Delivering new revenue streams through the provision of Apiam's broad portfolio of veterinary services to a client base as large as PETstock's represents a significant opportunity for Apiam to deliver value for its shareholders. The proposed PETstock co-location model complements our acquisition and satellite clinic growth strategy as well as providing an efficient way for Apiam to expand into new geographic locations.

Under the alliance, Apiam and PETstock will jointly investigate the potential for synergies in backend support services, procurement and IT solutions. Joint growth opportunities that benefit both parties will also be explored. PETstock would also assist Apiam with its retail operations in its stand-alone clinics.

The companies are working towards executing a definitive Shareholders Agreement for the first co-located clinic within the next two months. Apiam will notify shareholders via an ASX announcement once a definitive agreement is executed.

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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.