

## ASX RELEASE

# Apiam Animal Health Limited (ASX: AHX)

## Apiam to present at FNN Investor Conference

**Melbourne, March 27, 2019** – Apiam Animal Health Limited (**Apiam** or the **Company**) today announced its Managing Director, Dr Chris Richards will present at the Finance News Network investor conference in Sydney.

Finance News Network is Australia's largest provider of online business and finance news and the conference will be attended by private equity investors, traders and brokers.

The conference will include a recorded interview with Dr Richards, covering Apiam's first half FY2019 results highlights as well as new business initiatives and company outlook. This interview will be available for viewing on Apiam's corporate website as well as the Finance News Network website ([www.finnewsnetwork.com.au](http://www.finnewsnetwork.com.au)) within several business days of the conference.

Apiam's presentation for the investor conference is attached to this announcement and is also available on the Company's website.

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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.



**Apium**  
animal health

Local knowhow.  
Global knowledge.

# FNN Investor Conference

Dr Chris Richards  
Wednesday 27 March 2019  
ASX: AHX



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The Materials contain certain 'forward looking statements'. These statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievement of the Company to be materially different from future results, performance or achievements expressed or implied by those statements.

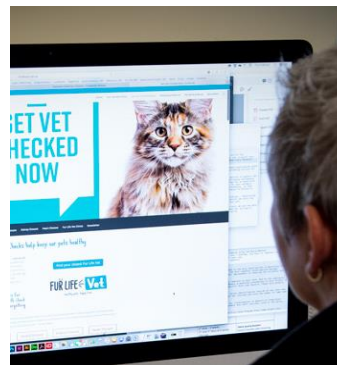
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While the Company believes that the expectations reflected in the forward looking statements in the Materials are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in the Materials will actually occur and you are cautioned not to place undue reliance on any forward looking statements.

# APIAM — COMPANY SNAPSHOT













- ✓ Unique established veterinary group that listed in December 2015 to fund acquisition of some of Australia's largest rural veterinary practices
- ✓ Diversified & robust business model with a rural and regional focus
  - vertically integrated model across entire animal health value chain
  - 42 locations across large production animal areas of Australia
  - servicing whole spectrum of production & companion animals
  - new market opportunities such as genetic exports and product distribution on-track to provide complementary revenue streams
- ✓ Successfully executing 3-year plan to build process & capacity, grow animal numbers and leverage products and services across footprint
- ✓ Strong long-term industry outlook for production & companion animal sectors
- ✓ Attractive financial profile with strong cash conversion and increasing earnings leverage

AHX : SNAPSHOT	AS
SHARE PRICE (19/3/19)	\$0.47
MARKET CAP (19/3/19)	49.5M
REVENUE (FY18)	106.6M
EBITDA UNDERLYING (FY18)	9.8M
NPAT UNDERLYING (FY18)	4.4M
NET DEBT (AS AT 31 DEC 2018)	26.3M
OWNERSHIP BY BOARD & MGT	28%



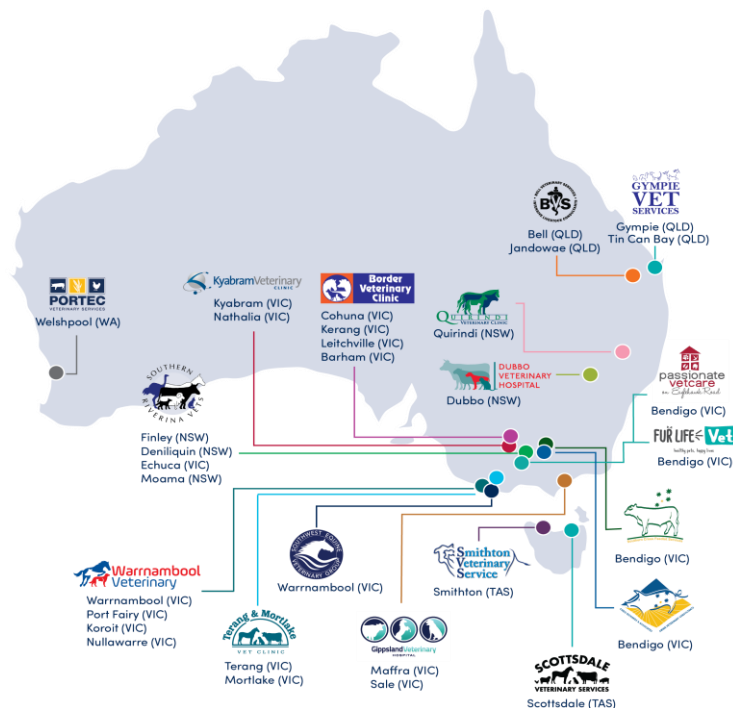


# VERTICALLY INTEGRATED BUSINESS MODEL

Segment	Activities and Geographic Locations	Key brands
Veterinary Consulting	<ul style="list-style-type: none"> <li>Veterinary, well-being and production solutions</li> <li>42 clinics strategically located across Victoria, Tasmania, Queensland, Western Australia and New South Wales</li> <li>Over 150 veterinarians, including many leading specialists in their fields of expertise</li> </ul>	<p><i>MOST NETWORK CLINICS OPERATE UNDER REGIONAL BASED BRANDING WITH:</i></p>  
Products	<ul style="list-style-type: none"> <li>Centralised procurement and wholesaling of animal pharmaceuticals, nutritional supplements and equipment</li> <li>In-house warehousing and logistics services to deliver products to veterinary clinics and end-point customers</li> <li>Warehouses in Bendigo, Toowoomba, Welshpool and Smithton</li> <li>Specialised vehicle fleet with an estimated 65% of goods delivered via in-house capabilities</li> <li>Several new product distribution agreements put in place in 2018</li> </ul>	    
Ancillary & Support	<ul style="list-style-type: none"> <li>Genetics sourcing, sales and related consulting services</li> <li>Embryo transfer and artificial insemination services</li> <li>Services to producers of quality assurance auditing programs</li> </ul>	    

# DIVERSIFIED GEOGRAPHICAL EXPOSURE

## VETERINARY SERVICES ACROSS AUSTRALIA



- 42 locations across Australia
- Over 150 veterinarians
- Clinics generally located in regional areas with high concentrations of production animals and agricultural operations
- Diversified services and products spread across various species, geographies, commodities and markets
- JV alliance with PETstock will increase penetration in the regional companion animal segment (under Apiam's "FurLife" branding)
- Acquisition strategy focused on businesses with a new attractive regional exposure (or specialist expertise) with group growth synergies, subject to Apiam's strict financial returns criteria

# EXTENSIVE RURAL AND REGIONAL VET SERVICES MODEL



42

regional & rural clinics  
(served by 150+ vets)



3,500,000+

pigs provided vet  
services and products



2,700,000+

cattle on feed provided  
vet services and products



480,000+

dairy cows provided  
vet services and products



Double digit revenue  
growth in companion in-  
clinic diagnostics & dentals



50+

expert presentations at  
industry conferences



10+

countries where  
AHX provided vet services



9

peer reviewed  
scientific papers published



7

major contracted  
research trials



700,000+

semen doses collected at  
5 genetic centres



9

countries that AHX  
exported sheep embryos



360,000+

Apiam lifestyle  
magazines distributed

Statistics as reported for FY2018

# FINANCIAL SUMMARY - H1 FY2019 RESULTS

	H1 FY19	H1 FY18	% chg	Commentary
Total revenue	56.0	50.8	+10.4%	• Robust growth given market volatility. Ex acquisition growth of 2.0% <sup>2</sup>
<b>Gross profit</b>	<b>28.5</b>	<b>24.5</b>	<b>+16.4%</b>	• Change in business mix to higher value transactions. Ex acquisition growth of 3.8% <sup>2</sup>
Operating expenses	(23.5)	(20.0)	+17.6%	• Impacted by acquisitions & start-up clinic costs – if excluded growth of 0.9% vs pcp
<b>Underlying EBITDA <sup>1</sup></b>	<b>5.0</b>	<b>4.5</b>	<b>+11.0%</b>	• In-line with revenue growth
Depreciation & amortisation	(1.5)	(1.1)	+31.9%	• Capital investment in systems in FY18 with investment now mostly complete
<b>Underlying EBIT <sup>1</sup></b>	<b>3.5</b>	<b>3.3</b>	<b>+3.9%</b>	• Impacted by increased D&A charge
<b>Underlying NPAT <sup>1</sup></b>	<b>2.0</b>	<b>2.0</b>	-	
Gross margin	50.8%	48.2%	-	• Strong sustainable uplift
Underlying EBITDA margin	8.9%	8.8%	-	• Further leverage expected to be realised
Net debt	26.3	25.9	+\$0.4m	• In-line with prior period despite continued investment & well within covenants
Operating cash inflow	1.9	4.5	\$(2.6)m	• H1 FY2018 included one-off positive impact of improved working capital processes
Cash conversion of EBITDA	83%	147%	-	• Expect conversion ratio to trend towards 100% over remainder of FY2019

*Notes:*

1. Underlying earnings excl. one-off acquisition, integration & restructuring costs (tax effected where applicable at NPAT level) of \$0.5M in H1 FY2019
2. Ex acquisition growth vs pcp excludes impact of TMVC, Gympie & District and Passionate Vetcare



# REVENUE ANALYSIS - H1 FY2019

**REPORTED H1 FY19 REVENUE GROWTH: +10.4%**

**EX-ACQUISITION H1 FY19 REVENUE GROWTH: +2.0%**

## Dairy & mixed animals

- Drier conditions continued to impact some operating regions of dairy segment
- Focused expansion of dairy services assisted clients to improve efficiency
- Companion animal segment delivered growth, driven by strong industry fundamentals in regional and rural areas

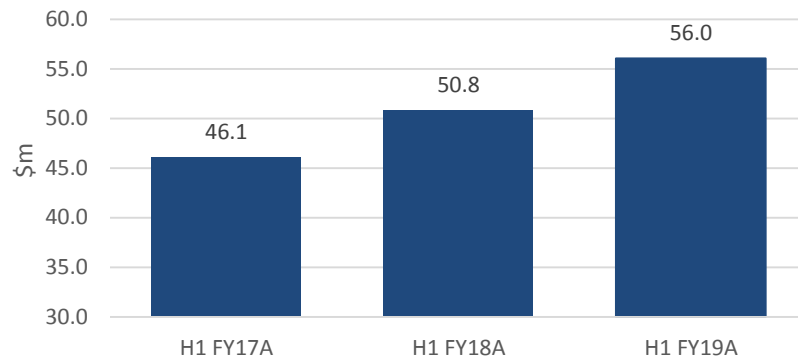
## Pigs

- Higher grain prices impacted profitability of some segments of industry
- Introduction of higher value-add services in H1 FY19 offset challenges and continued to drive growth

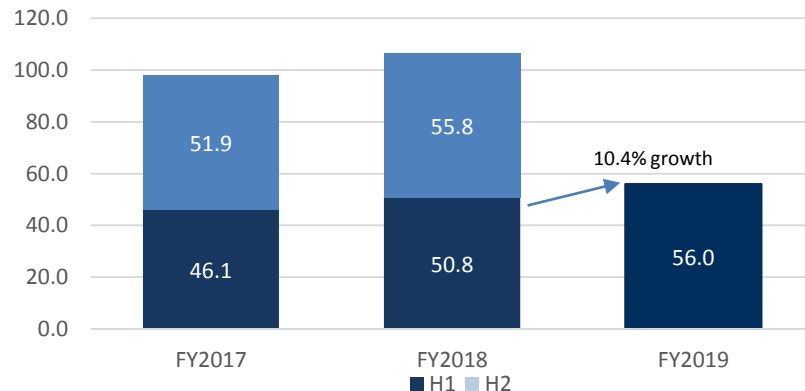
## Feedlot

- Drier conditions had a positive impact on feedlot sector – with beef producers finishing off cattle on feed to meet market specifications
- Service expansion over period – training programs, further integration of product logistics and assessment of potential international expansion opportunities

## H1 REVENUE TREND (REPORTED) (\$M)



## REVENUE (HALF ON HALF, REPORTED) (\$M)



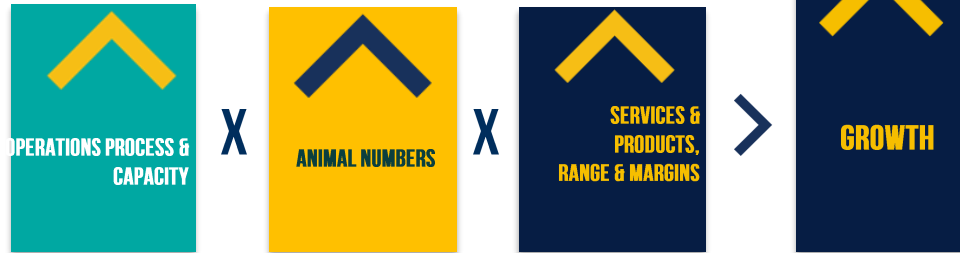
# PHASE 3 OF STRATEGIC PLAN — LEVERAGING PERFORMANCE

## Three year strategic Objectives

Phase 1: Building the Foundation

Phase 2: Gaining Efficiencies

Phase 3: Leveraging Performance



## FY19 Initiatives

SERVICES & PRODUCTS RANGE & MARGINS	Apiam private label strategy
	New Services & Products
	Applied Diagnostics
ANIMAL NUMBERS	Business unit synergies
	Acquisition pipeline
	Satellite clinic program
OPERATIONS PROCESS & CAPACITY	Integrated Systems

# LEVERAGING PERFORMANCE — H1 FY2019 UPDATE

## STRONG PROGRESS ACROSS EACH GROWTH DRIVER IN THE CURRENT PERIOD

### ✓ Operations process & capacity

- Bulk of investment complete
- Operating systems, back office functions & supply chain delivering efficiencies
- ~ 70% of company wide Practice Management System (PMS) roll-out complete
- PMS expected to deliver meaningful financial benefits in FY2020

### ✓ Animal numbers

- Growth in animal numbers on-going through both organic and acquisition
- Acquisitions boosting production and companion animal numbers in targeted regional areas (subject to strict financial performance criteria)
- PETstock JV and “Fur Life Vet” branding successfully supporting growth in companion animal numbers

### ✓ Services, product range & margins

- Expansion of production animal services on-track
- Chinese consultancy & export agreement delivered first revenues
- Plumblin clinical trials on track to complete end FY2019
- Next generation private label products continue to be developed
- US JV revenues commenced; expected to ramp-up after completion of research trials with KSU



# OUTLOOK IN FY2019

## APIAM IS WELL POSITIONED TO DELIVER CONTINUED GROWTH

- Diversified operating model supporting revenue growth across different cycles
- New market opportunities now in place and expected to provide further complementary and counter-seasonal revenue streams
  - Expansion of product distribution – private label, new products and USA JV
  - Genetic exports via Chinese consultancy and export agreement
  - Companion animal growth
- H2 FY19 revenue expected to be greater than H1 FY19 and consistent with the trend in H1 / H2 phasing
- Full year gross profit margin expected to be in line with improved H1FY19 result, showing benefits of targeted shift in business mix
- Capital deployed on strategic initiatives over the last 3 years has established the platform for future growth – with that now in place, Apiam's focus is on delivering material EBITDA and NPAT enhancement going forward



## AHX INVESTMENT HIGHLIGHTS

- ✓ Robust and diversified business model underpinning growth across market cycles
- ✓ Significant investment in extensive corporate infrastructure almost complete – expected to drive margin improvement in future periods
- ✓ New market opportunities and business initiatives executed to provide complementary & counter-seasonal revenue streams
- ✓ Highly experienced Board & Management team
- ✓ Favourable long-term industry outlook for Australian production and companion animal sectors
- ✓ Revenue and earnings growth expected to be delivered in FY2019





A photograph of a large pig and three piglets in a field. The large pig is in the center-right, looking towards the camera. It has a white body with dark patches on its face and legs. Three smaller piglets are in the foreground, also looking towards the camera. They are in a grassy field with a white fence in the background.

**THANK YOU**