



FY19 Results Presentation

Dr Chris Richards
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ASX: AHX



Local knowhow.
Global knowledge.



FY2019 results snapshot

Revenue

\$111.7m

+ 4.8% vs FY18

Gross margin

50.3%

vs 48.4% in FY18



EBITDA (underlying)

\$10.0m

+2.2% vs FY18

**Gross margin
improvement
across all
operating segments**



NPAT (underlying)

\$4.0m

\$(0.4)M vs FY18

Dividend

0.8 cps


In-line with FY18



Notes

1 Underlying EBITDA and NPAT excludes impact of one-off integration, corporate, acquisition and other non-recurring expenses of \$1.2M in FY2019. Underlying NPAT tax effected where applicable

FY2019 highlights

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- ✓ Robust & diversified model underpinning revenue despite challenging industry conditions (FY19 revenue +4.8% vs pcp) – double digit revenue growth in feedlot segment
 - ✓ Strategic focus on improved business mix across AHX's animal footprint, delivering gross margin improvement (gross profit +9.0% in FY19 vs pcp)
 - ✓ High growth & complementary business initiatives introduced in areas of genetic exports, new services and product development
 - ✓ Delivery of synergies reducing underlying operating cost base. Year-on-year reported expense growth a direct result of new clinics and acquisitions
 - ✓ Expanded borrowing capacity and operating cash flow providing flexibility to fund Apiam's targeted growth strategy

Diversified veterinary business



Veterinary Services	Product sales	Genetics & Ancillary	International export
<ul style="list-style-type: none"> • Veterinary, animal well-being and production services • Service the whole animal spectrum – beef feedlot, pigs, dairy and companion animals (including equine) • 42 clinics strategically located across Victoria, Tasmania, Queensland, WA and NSW • JV with PETstock to roll out further veterinary locations • Employ over 150 veterinarians 	<ul style="list-style-type: none"> • Veterinary service programs supported by technical products • In-house warehousing and logistics services that deliver products to vet clinics and end-point customers • Several new product distribution agreements put in place in FY19 • Private label initiative to improve value proposition and supply reliability • Integrated online platform to support efficient growth 	<ul style="list-style-type: none"> • Genetics sourcing, sales and related consulting services • Expansion of embryo transfer and artificial insemination services into export markets including China • Four genetics centres located in key regions applying new technologies to improve fertility and productivity • Services to producers of quality systems including biosecurity and food safety plans 	<ul style="list-style-type: none"> • Veterinary consulting services provided in 10+ countries • Chinese sheep genetics, consultancy and export agreement • Development of new markets for year-round genetic services • US Joint Venture for distribution of specialised swine products
<p>Core veterinary business</p>		<p>High growth complementary business initiatives</p>	

FY2019 financial review



Profit and loss summary – underlying basis

Revenue growth and gross margin expansion

\$m	FY2019A	FY2018A	Variance	%
Total revenue	111.7	106.6	5.1	4.8%
Gross profit	56.2	51.6	4.6	9.0%
Operating expenses	(46.2)	(41.8)	(4.4)	10.6%
Underlying EBITDA ²	10.0	9.8	0.2	2.2%
Depreciation & amortisation	(3.1)	(2.4)	(0.7)	28.5%
Underlying EBIT ²	6.8	7.3	(0.5)	(6.6)%
Interest	(1.1)	(0.9)	(0.2)	24.7%
Tax	(1.8)	(2.0)	0.3	(12.9)%
Underlying NPAT ²	4.0	4.4	(0.4)	(10.2)%
GM	50.3%	48.4%		
Underlying EBITDA margin	8.9%	9.2%		

Revenue

- Reported revenue growth of 4.8% despite challenging industry conditions
- Ex-acquisition revenue fell 1.5% vs PCP ¹

Gross margins

- Uplift reflects change in business mix strategy to target higher value products and services across all animal segments

Operating expenses

- Increase in reported operating expenses of 10.6% vs pcp – with growth directly due to acquisitions and opening of new clinics (Epsom & Golden Square)
- Underlying operating expenses reflected synergy benefits with operating costs reducing 0.6% vs pcp when acquisitions and new clinic openings are excluded
- Further expense analysis slide 8

Depreciation & Amortisation

- Increase related to capital investment in systems over FY2018
- Depreciation & amortisation expense growth slowed in H2 FY19 reflecting the completion of the corporate infrastructure upgrade

Notes:
 1. Adjusted to exclude contributions from Passionate Vetcare (Mar 18), Gympie (Jun 18), TMVC (Nov 17)
 2. Underlying earnings excludes one-off acquisition, integration, restructuring and other non-recurring costs (tax effected where applicable at NPAT level)

Revenue analysis

Industry challenges and dry conditions adversely impacted second half revenues

Reported FY19 revenue growth : + 4.8%

Ex-acquisition FY19 revenue growth : (1.5)%

Dairy & companion animals

- Companion animals segment continued to deliver like-for-like revenue growth
- New companion animal Best Mates wellness program launched and being rolled out in 1H FY2020
- Drier conditions and water price challenges led to dairy segment revenue being down on prior year with clinics in irrigation areas most severely affected in 2H FY2019
- Recent acquisition – Gympie - performing well, delivering synergies and has exceeded expectations

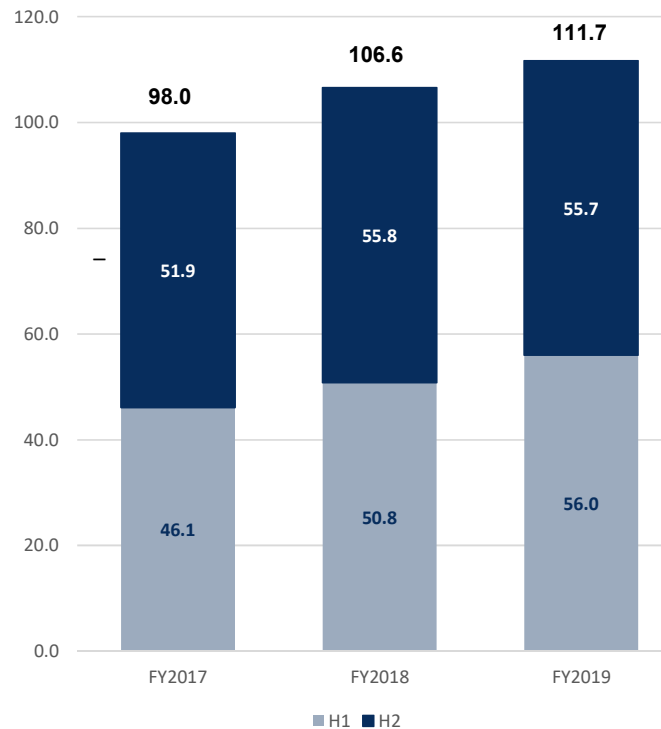
Pigs

- Higher grain prices & lower pork prices adversely impacted revenue
- Improving industry conditions occurred over second half of FY2019 but revenue softer than expected

Feedlot

- Very strong FY19 performance – double digit revenue growth
- Focused service expansion over period – training programs and assessment of potential international expansion opportunities

Half on half revenue analysis



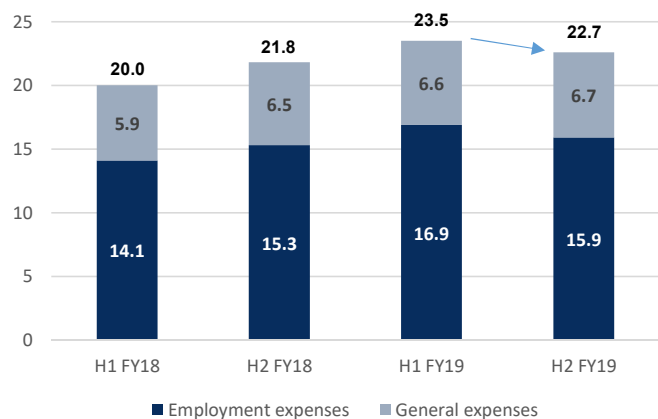
Apiam
animal health

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Expense analysis

Reported operating expenses impacted by acquisitions and new clinic costs

Operating expense analysis – half on half



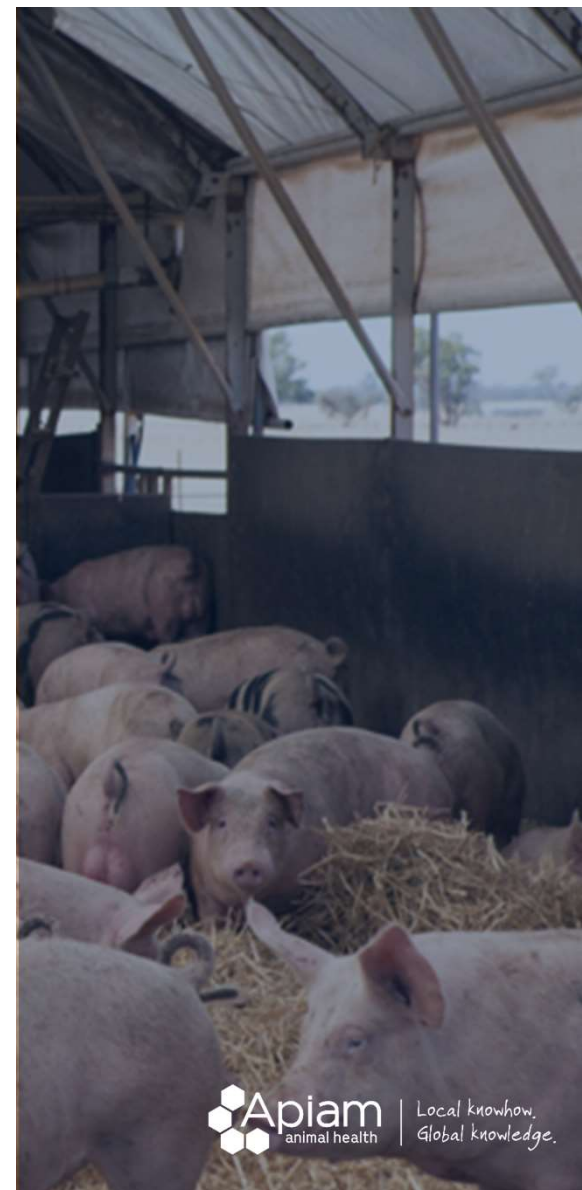
Operating expenses

- Limited increase in general expenses delivered as a result of strict cost management focus
- Synergies delivering savings over 2HFY19 – with total operating expenses reducing compared to 1HFY19

\$m	FY19A	FY18A	Chg.	%
Integration & IT	(0.6)	(0.6)	-	0%
Acquisition & advisory	(0.4)	(0.4)	-	0%
Restructure & non-recurring costs	(0.2)	(0.6)	(0.4)	(67)%

One-off expenses

- Integration and IT expense relating to the Practice Management System (PMS). This is now complete with the final acquisition clinic integrated onto company platform in August 2019
- The company has completed on going due diligence work in relation to assessing potential acquisitions during FY19



Balance sheet

Banking facilities expanded to enable execution of growth strategy

\$m	30 Jun 2019A	30 Jun 2018A
Cash	1.9	1.4
Trade & receivables	13.9	14.7
Inventories	10.9	11.3
Property, plant & equipment	8.4	9.4
Intangibles	65.2	64.5
Other	4.1	4.0
TOTAL ASSETS	104.4	105.4
Borrowings	26.7	27.3
Trade & other payables	9.6	12.3
Provisions & other	6.8	7.1
TOTAL LIABILITIES	43.1	46.7
NET ASSETS	61.3	58.7

Working Capital

- Working capital management remains a key focus
- Inventory and receivables reduced by over \$1.2m
- Phasing of procurement contributed to reduction in payables at 30 June 2019 vs pcp

Borrowings

- Net debt reduced by ~\$1.0 m versus prior year
- Operating leverage ratio of 2.7x as at 30 Jun 2019 versus covenant of 4.0x
- NAB acquisition facility increased from \$25m to \$39m in July – current headroom of \$25.9m for acquisitions
- Several other covenants amended and/or removed to allow additional acquisition funding flexibility

Cash flow

Cash flow conversion of EBITDA remains strong. Capex levels reduced significantly in FY2019 vs FY2018

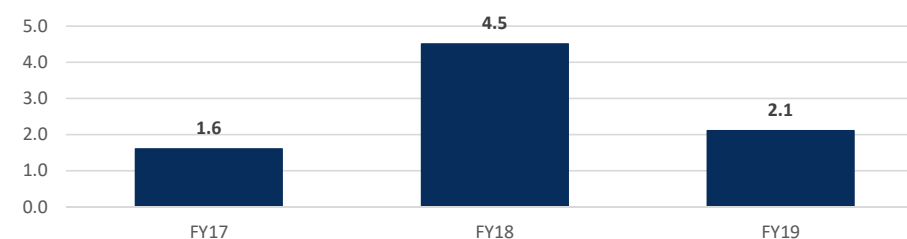
Statutory cashflows \$m	FY19A	FY18A
Net cash provided by operating activities	4.9	9.2
Acquisition of subsidiary, net of cash	(0.3)	(4.7)
Purchases of property, plant and equipment	(2.1)	(4.5)
Purchases of Intangible assets & other	(0.7)	(0.3)
Net cash used in investing activities	(3.1)	(9.5)
Net changes in financing	0.2	2.5
Dividends paid to shareholders	(1.0)	(1.0)
Other	(0.6)	(0.7)
Net cash inflow from financing activities	(1.4)	0.8
Net change in cash and cash equivalents	0.4	0.5

Cashflow conversion \$m	FY19A	FY18A
Underlying EBITDA	10.0	9.8
Net cash inflow from operating activities	4.9	9.2
Add back:		
One-off expense	1.2	1.2
Interest paid	1.1	0.9
Income tax paid	1.6	1.9
Underlying ungeared pre-tax cashflows:	8.7	13.3
Conversion	87%	136%

Cash flow and capex

- Operating cash flow impacted by changes to procurement phasing which reduced payables at end of June vs pcp
- Capex (investment in PP&E) slowing as major corporate infrastructure investment now complete

Capex (\$M) - YOY



Cash flow conversion

- Cash flow conversion in FY19 remains strong however below FY2018 levels due to reduced operating cash flows
- FY2018 cash conversion benefited from introduction of revised working capital strategies which had a one-off beneficial impact in H1 FY2018
- Expect to trend towards 100% in FY2020



Capital management

Final FY2019 dividend of 0.8cps

Full year dividends in respect of FY2019 of 1.6cps

	FY2019 final dividend
Dividend	0.8 cps
Payout ratio on NPAT	53.6%
Franking	100%
Record date	20 Sep 2019
Payment date	24 Oct 2019

- Board declares a final dividend of 0.8 cps, fully franked, payable on 24 October 2019
- In conjunction with interim FY2019 dividend of 0.8cps, brings total FY19 dividend to 1.6 cps
- Dividend reinvestment plan in place
 - Last day to participate in DRP for final FY19 dividend : 5pm Monday 30 September 2019
 - DRP pricing period : 5 day AHX VWAP between 1 October 2019 & 7 Oct 2019



Growth strategy & outlook



LEVERAGING PERFORMANCE

Strategic Focus



Operation process & capacity

- ✓ Integrated systems
- ✓ Roll-out of practice management systems



Animal numbers

- ✓ Business unit synergies
- ✓ Acquisition pipeline
- ✓ Satellite clinic program



Services, product range & margins

- ✓ Private label strategy
- ✓ New products
- ✓ New service programs

Building the foundations

Gaining efficiencies

Leveraging performance

FY2019 strategic scorecard

	Initiative	FY19 action	FY20 + strategy
Animal numbers	Satellite clinic program	<ul style="list-style-type: none"> 2 new clinics via PETstock JV (Golden Square & Epsom) 	<ul style="list-style-type: none"> To continue in selected rural and regional locations
	Acquisition pipeline	<ul style="list-style-type: none"> On-going identification and assessment of selected acquisition opportunities. Integration of Gympie extremely successful and strong synergies being realised 	<ul style="list-style-type: none"> Opportunities currently being assessed
	Business unit synergies	<ul style="list-style-type: none"> Regional model delivering synergies Collaboration projects 	<ul style="list-style-type: none"> Revenue growth and leverage of fixed costs
Services, product range & margins	Apiam private label strategy	<ul style="list-style-type: none"> Next generation private label products program on track 	<ul style="list-style-type: none"> Commercialization of first product delivered
	New products & services	<ul style="list-style-type: none"> Development of ProDairy and Best Mates service programs Clinical trials for exclusive distribution partner Plumblin in progress Set-up US JV "Apiam Solutions Inc." and conducted collaboration research trials 	<ul style="list-style-type: none"> Product & service expansion continues to form a key component of strategy Pro Dairy and Best Mates to be launched in FY2020
	Applied diagnostics	<ul style="list-style-type: none"> Investment in specialised diagnostic equipment, particularly in the companion animal segment 	<ul style="list-style-type: none"> Revenue growth in diagnostics across entire animal footprint
Operations, process & capacity	Integrated systems	<ul style="list-style-type: none"> Operating systems, back office functions and supply chain infrastructure investment now complete Roll-out of PMS system completed in August 2019 Systems now in place to support future business growth and potential new acquisitions 	<ul style="list-style-type: none"> Realisation of Practice Management System benefits of optimizing revenue opportunities Further synergies expected in FY2020



Products & services expansion

New programs based on recurring revenue models in dairy and companion animals

ProDAIRY

- Innovative new platform for dairy farmers
- Based on previously successful preventative health programs across pig and feedlot segments
- Online ordering to support business model and business growth
- Successful FY19 focus launch program being expanded in FY20 across Company footprint

Best Mates

- Wellness program to drive growth in companion animal services
- Whole of life health and wellness program drives loyalty
- Successful FY19 focus clinic launch program being expanded in FY20 across Company footprint

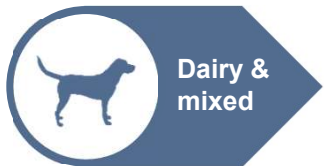


Industry conditions outlook

Apiam has a diversified animal species exposure



- Feedlot sector has performed strongly in FY2019 – with drier conditions positively impacting feedlot numbers
- Cattle on feed has consistently been above 1 million head for the last 18 months reflecting the important role feedlots play in managing climate variability and delivering high-quality beef to global customers ¹
- Despite ongoing challenging conditions combined with high supplementary feed costs, demand for high quality Australian grain fed cattle in export numbers has remained robust ¹



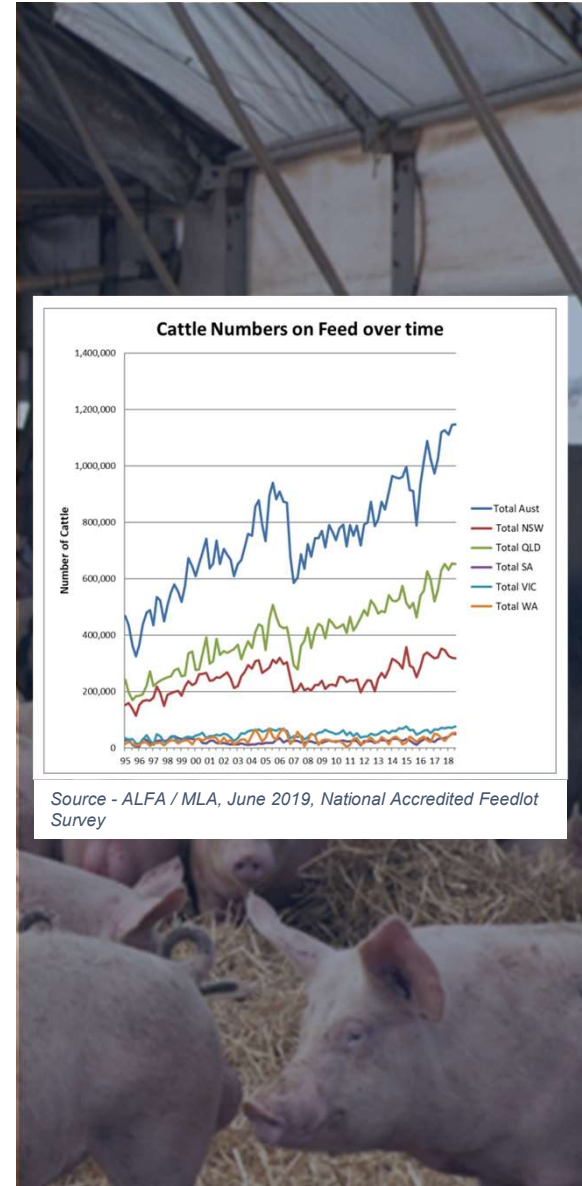
- 'Well-balanced global markets, exchange rates, competition among processors and autumn rainfall are all in dairy farmers' favour' (Dairy Australia, June 2019)
- 'As dairy farmers look to take advantage of some of the highest farm-gate prices in recent years, grain, hay and water prices will be the key to profit' (Dairy Australia, June 2019)
- Companion animal health and wellbeing attitudes in regional areas continue to align with metropolitan attitudes - provides strong support for industry in the medium term



- Recovery in pork price over FY2019 expected to increase into H1FY2020
- Recent rainfall encouraging for grain availability in most regions
- Improving industry conditions into FY2020 expected to increase herd size in the medium term.

Notes:

¹ ALFA / MLA, June 2019, National Accredited Feedlot Survey



Summary & FY2020 Outlook

- Apiam's diversified and resilient business model underpinning revenue growth across different market cycles
- New high-growth and complementary business initiatives to contribute a growing share of revenue
- Capital deployed on strategic initiatives over the last 3 years has established the platform for future growth and provides basis for increasing cost leverage as revenue base increases
- Strong acquisition pipeline with attractive opportunities being assessed
- Apiam's financial strategy is expected to deliver material EBITDA and NPAT enhancement going forward



Appendices

Profit and loss summary - statutory

Statutory results including one-off expenses

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Underlying EBITDA ¹	10.0	9.8	0.2	2.2%
One-off expenses	(1.2)	(1.6)	0.4	(28.0)%
EBITDA	8.8	8.2	0.7	8.1%
Depreciation & amortisation	(3.1)	(2.4)	(0.7)	28.5%
EBIT	5.7	5.7	(0.0)	(0.6)%
Interest	(1.1)	(0.9)	(0.2)	24.6%
Tax	(1.4)	(1.5)	0.1	(8.1)%
Other (including minorities)	0.0	0.0	0.0	-
NPAT attributable to members	3.2	3.3	(0.1)	(3.4)%

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