



Acquisition of Animal Consulting Enterprises

September 2019



Local knowhow.
Global knowledge.

Acquisition highlights

Apiam has executed a binding agreement to purchase 100% of the shares in Animal Consulting Enterprises Pty Ltd (“ACE Laboratory Services”)

- ACE Laboratory Services is Australia’s largest full service autogenous (custom) vaccine and diagnostic laboratory services business
- Autogenous vaccines are bespoke vaccines that are only available through the prescribing veterinarian of the specific farming enterprise or system
- ACE Laboratory Services provide highly specialized services to veterinarians and large production animal producers, particularly in the pig, cattle, sheep and poultry segments
- Acquisition consideration of \$16M
 - Initial consideration of \$12.375M (\$9.9M cash & \$2.475M scrip)
 - Deferred consideration of \$3.675M (subject to earn-out)
- ACE Laboratory Services reported FY2019 revenue of \$6.5M
- Highly compelling acquisition rationale
- Consistent with Apiam’s long-term strategic plan



Compelling strategic rationale

✓ Specialised business with strong track record	<ul style="list-style-type: none">• Highly technical & specialised service offering with significant IP and high barriers to entry• Market leader in its field in Australia• Strong track record of operations, having been founded in 2005 with stable management team & operations since this time
✓ Attractive high growth & higher margin markets	<ul style="list-style-type: none">• Autogenous vaccines becoming more prevalent in preventative health programs as veterinary and animal industries reduce antimicrobial use• Strong growth forecast for production animal diagnostics as trend to “precision farming” expands• Higher margin products & services
✓ Significant opportunity to cross-sell products & services across Apiam’s entire animal footprint	<ul style="list-style-type: none">• Apiam have an extensive animal footprint and the largest share of Australian production animals under veterinary management• Expansion of the products and service offering, to be leveraged across AHX’s animal footprint, is a fundamental pillar of future growth strategy
✓ Shareholder value creation	<ul style="list-style-type: none">• Earnings Per Share (EPS) accretive for Apiam shareholders in first full year of ownership• Attractive valuation on multiple of earnings basis (compared to similar business-type acquisitions)• Additional revenue growth opportunities and enhanced revenue diversification• Cost synergies available as AHX reduces need to acquire from 3rd party providers

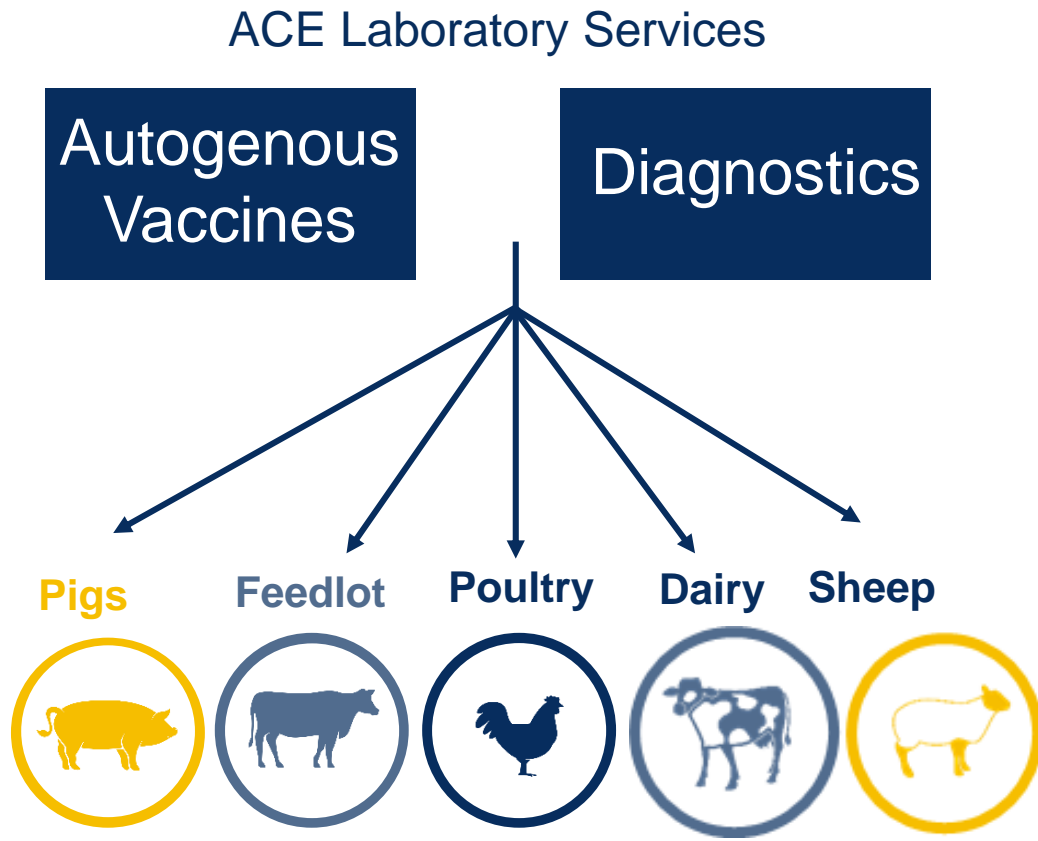


Key acquisition terms

- Binding share sale agreement executed with no outstanding conditions precedent (following extensive period of due diligence)
- Acquisition consideration of \$16M
 - Initial consideration of \$12.375M (\$9.9M cash & \$2.475M Apiam shares)
 - Cash consideration to be funded via recently expanded NAB acquisition facility
 - Deferred consideration \$3.625M subject to earn-out and payable after 12-mths
 - Escrow on initial consideration shares issued of 12 months (50%) and 24 months (50%)
- Key management are remaining with the business
 - Restraints and employment conditions of management shareholders on similar terms to previous acquisitions
- Completion expected by 30th September 2019

Business overview - ACE Laboratory Services

Australia's largest autogenous (custom) vaccine and production animal diagnostic laboratory servicing all states of Australia



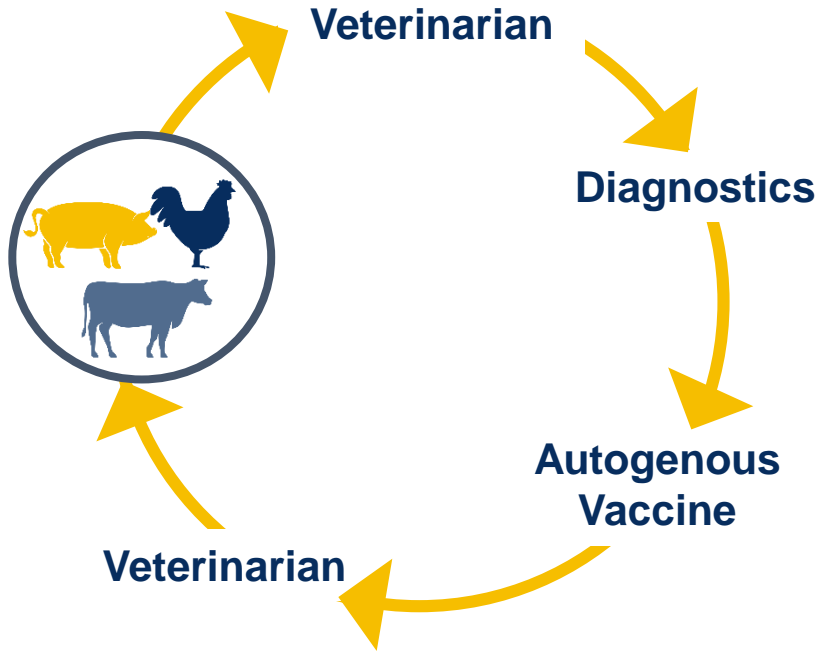
- Established in 2005 by group of scientists & veterinarian
- Leading provider of services to pig, cattle, sheep and poultry segments
- Customers across private and public sector – majority private sector
- Export accredited facility and has recently exported vaccines to New Zealand
- Victorian Government accredited diagnostic laboratory
- GMP¹ facility with accreditation for specific diagnostic tests by NATA and AQIS and autogenous and contract vaccine manufacturing by APVMA

Notes:

1 Good manufacturing practices are the practices required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of food and beverages, cosmetics, pharmaceutical products, dietary supplements, and medical devices

Autogenous vaccines

Autogenous vaccines are developed specifically for a farming system where the pathogen has been isolated

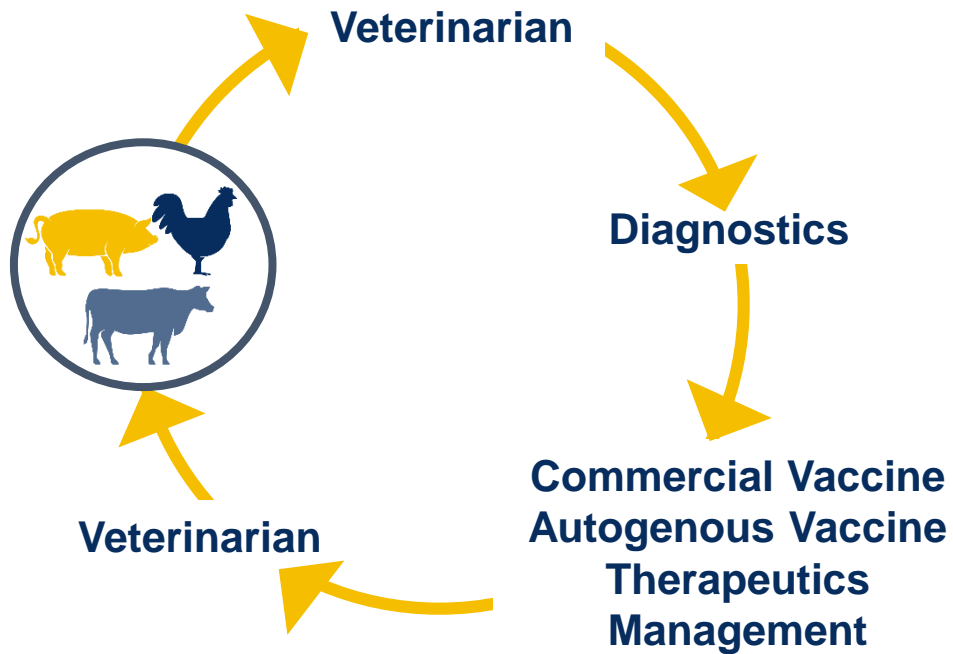


- Permitted to be used when commercial vaccines are not available or not effective
- Only available under veterinary prescription with the veterinarian responsible to establish the need and ensure efficacious and safe
- They are manufactured under a permit with ACE already having 9 permits for pathogens that affect pigs, poultry, sheep and cattle
- Production process enables rapid ability to produce a vaccine when commercial unavailable or ineffective or when new diseases occur
- Enables an effective solution to manage diseases while extended commercial vaccine registration process undertaken.
- A valuable tool that can be used in preventative health programs to reduce usage of antimicrobials and potential antimicrobial resistance



Diagnostic services

Diagnostics are essential to veterinarians for diagnosis of disease and for the establishment and monitoring of preventative herd health programs



- Diagnostic tests and use of services are growing rapidly in production animals due to 'precision farming' practices and to aid in the reduction in use of antimicrobials
- ACE Laboratory Services is the leading provider of production animal diagnostics services that provide veterinarians and production systems the ability to:
 - Identify the cause of disease
 - Establish prevalence of pathogen within a herd
 - Identify isolates as autogenous vaccine candidates
 - Monitor the effectiveness of vaccination and other health programs
 - Measure and monitor Anti-Microbial Resistance (AMR)
 - Undertake feed analysis for nutrition programs
 - Analyse blood and semen to improve reproductive performance
 - Undertake toxin testing on feed

Apiam's diversified & resilient 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 ACE Laboratory Services – diagnostic lab services & autogenous vaccines 	<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 ACE Laboratory Services – autogenous vaccine export opportunities

Core veterinary business

High growth complementary business initiatives

Apiam FY2020 outlook

- Apiam's diversified and resilient business model to underpin revenue across different market cycles
- New high-growth and complementary business initiatives to contribute a growing share of revenue
 - Genetic export, new services and product development to be a focus in FY2020
 - Acquisition of ACE Laboratory Services to significantly expand product and service offering, contribute meaningful and immediate revenue and earnings as well as deliver future growth opportunities
- 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 to be assessed
- Apiam's financial strategy is expected to deliver material EBITDA and NPAT enhancement going forward



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