

ASX RELEASE

Apium Animal Health Limited (ASX: AHX)

Annual General Meeting 2022 Managing Director's Address

Bendigo, 24 November 2022

Thank-you Andrew.

I would like to start this morning by talking through the key highlights from our full year FY22 results which we reported in August, as well as our more recent Year-to-Date trading performance.

I'll also touch on our growth strategy and conclude with our priorities for the financial year ahead.

Year in review

Starting with a review of the year. We have embarked on an Accelerated Growth strategy which Andrew has just outlined. In addition to a \$300 million pro-forma revenue target this has many other business impacts and is already transforming the make-up of our business. We now derive approximately 75% of our revenues from the dairy & mixed animal segment, and the remaining revenues from the more intensive-based pigs and beef feedlot business.

A key driver of the accelerated transition in our business, is the extensive acquisition program we have executed. In FY22 alone we executed eleven acquisitions with a total acquisition value of \$53 million.

Our earnings and cash flow performance in the twelve months to 30 June 2022 remained strong and resilient, despite unprecedented factors such as COVID lock-downs, rising costs, closed borders and labour shortages throughout most industries.

In addition to financial performance, we also see one of our key achievements this year being the leading position we are taking within many facets of the industry. We believe we have introduced leading innovation across areas such as people and culture, new business models and value recognition for veterinary services.

Accelerated Growth strategy

I now want to turn to our FY22 performance in consideration of the Accelerated Growth strategy we have set out.

We reported 24.6% revenue growth in the financial year taking Company revenues to \$157.2 million on a reported basis – the reasons for which I'll talk to further shortly.

What I do want to also highlight here is the dark blue bar on the graph, a metric we have reported due to the significant volume of acquisitions executed during that period. This is the "FY22 exit pro-forma revenue" metric and for FY22 this was \$178.3 million. This is how we look at our revenues assuming that we had owned the businesses we acquired for the full twelve-month period. This is an important measure we keep track of to show how our revenue is

tracking toward our FY24 \$300 million pro-forma revenue target.

As Andrew said, a key component of meeting this revenue target is driving both organic growth opportunities in our existing business as well as acquisitions. This will allow us to be best placed to capture growing veterinary industry revenues in the coming years, a trend we do not see abating. The Accelerated Growth strategy also relies on delivering higher earnings margins, and we expect to deliver improvements in this area in the current financial year, which in turn will continue to flow through to our free cash flow generation.

We have also bolstered our capital position from both a debt and equity perspective throughout FY22 to allow us to continue to pursue our strategies.

FY22 performance snapshot

Now turning to a summary of our full year results for the 12-months to 30 June.

As I just outlined, reported revenue for FY22 increased 24.6% to \$157.2 million, driven by excellent growth in our dairy & mixed animal segment.

As in prior periods, our gross profit continued to increase at a faster rate than revenues, with gross profit up 37% which equated to a gross margin of 62.0% in FY22 versus 56.3% in FY21. As the contribution of the dairy & mixed animal segment grows, so does our gross margin.

Underlying EBITDA in FY22 grew 20.3% to \$18.3 million, a strong result despite the increased operating expenses we incurred during the year in areas such as business support, recruitment and early-stage greenfield clinics. We now have the operating infrastructure in place to integrate and more efficiently support the pace of our acquisition program as we move into FY23, so expect to see the pace of operating expense growth slow.

Underlying Net Profit After Tax increased 15.0% to \$6.7 million while at the reported level NPAT fell due largely to the impact of a one-off \$1.4 million stamp duty charge payable on acquisitions in Queensland in the first half of FY22.

From a segment perspective, dairy & mixed animal clinics contributed strongly at both a revenue and profit level. However, this was partially offset by challenging industry conditions in the pig and beef feedlot sectors which experienced a revenue fall of 6.5% over the year. It was pleasing to report that despite these revenue challenges, the gross profit contribution from this segment improved 1.5% year-on-year as Management implemented changes in this segment's business mix such as a greater focus on higher value consultancy services.

On a like-for-like basis, that is excluding the impact of the acquisitions we have made over FY21 and FY22, our Company revenue increased 2.2% and gross profit increased 5.3%.

Growing contribution from dairy & mixed animal segment

I'll now provide a little more context around the performance of the dairy & mixed animal segment which is now our largest business driver.

Following the significant acquisition activity over FY22, this segment accounted for approximately 74% of Apiam's revenue - when we include a full-year contribution from acquisitions made during the year. This is a significant increase from the 60% revenue contribution the segment made in FY21.

The dairy & mixed animal segment is a segment that is characterised by low cyclicality and

resilient revenues with strong margins.

In FY22, Apiam's dairy & mixed animal revenue grew by 45.1% on a reported basis and 9.0% on a like-for-like basis.

Key drivers of this growth included the success of Apiam's Best Mates and ProDairy subscription programs, the capture of additional market share in various regional locations as well as strong underlying industry conditions with animal numbers continuing to grow in rural and regional Australia.

Gross margins from the segment also improved strongly and underlying EBITDA generated from the dairy & mixed animal segment increased 44.5% (before corporate cost allocations and one-off expenses).

The chart at the bottom of this slide is a simple way to demonstrate the scale of the growth in this segment as well as our business growth and transformation over several years. At the end of the 2019 financial year Apiam had 48 vet clinics mainly down the East Coast of Australia. Three years on this number has increased by over 50% to 75 clinics as at 30 June 2022.

High quality acquisition program

Let's now look at our acquisition program and how this has progressed over the past year.

Over FY22 we announced eleven acquisitions, and if you look to the map on the right this shows the diversity of the locations of the 14 additional clinics we added.

This acquisition program significantly increased our clinic presence in areas such as South-East Queensland and within the equine market, providing future avenues for strategic growth. Several of the acquisitions made over FY22 were of businesses with significant scale of operations and established track records, with four of the businesses having revenues of over \$4.5 million on acquisition.

In combination, the FY22 acquisitions had an acquisition value of \$53 million and an average acquisition multiple of 5.9x normalised EBITDA. We assess each acquisition and its value individually and the price we pay reflects the future strategic value to our Company, the geographic and animal exposure as well as their financial track record and quality of staff and management team. We now have the infrastructure to quickly integrate acquisitions and the ability to extract operating efficiencies is also a key factor.

Pleasingly, the businesses we acquired in FY22 delivered 7.8% revenue outperformance when we compare back to our normalised revenue projections at the time we made the acquisitions.

You may have seen in FY23 we have continued on our acquisition path, recently announcing the acquisition of Harradine & Associates in Western Australia in October. This is a large veterinary business located in the southwest region of the State and represents our first acquisition in the Western Australian market since the Company's IPO. We see it as an important market for us to expand into over the next few years especially with recent State Government regulation changes now allowing for corporate ownership of vet practices.

Leading innovation of vet industry

Innovation and leading the industry with new initiatives is a role we take seriously as one of the largest veterinary service providers in the Country.

This extends to many facets of our business such as responsible product development that has the potential to change the way our customers and communities manage their animals. I've talked about many of our industry-first programs before such as ProDairy and Data Pig. While Data Pig is at an earlier stage of development, ProDairy is in its third year of operation and delivering excellent results for our customers and helping us to significantly grow our animal numbers in this segment.

Earlier this year, we received Victorian State Government funding to develop a viral vaccine laboratory here in Bendigo. This laboratory will be designed to target emerging viral pathogens and will address demand from the domestic industry for locally produced animal vaccines. Completion of the overall laboratory project is expected by 2025, with construction being undertaken in a phased approach.

From a people & culture perspective, we also strive to lead the industry. We recognise that our staff are the key driver of the results we deliver and essential to our future growth. We have made great strides in the past few years, implementing market leading practices and ensuring we are amongst the best veterinary employers in the country. This includes initiatives such as our tele-triage program to improve work-life balance issues, a leading issue for regional vets.

Lastly over the past 18 months we are increasingly making efforts to improve market recognition of the value of veterinary skills and service, especially given the changes in the industry and increasing complexity of animal needs over the past decade.

ESG Focus Points – FY22

I would now like to turn to our Environment, Social and Governance performance and highlight some key metrics from FY22.

Our workforce is 89% female, much higher than many other professional services organisations. To appropriately support our workforce we offer excellent professional development opportunities which are well taken up as well as initiatives such as 6 weeks gender neutral paid parental leave.

We continue to invest in the wellbeing of our workforce with a network of 61 trained Mental Health First Aid Officers across our locations. We also offer an additional day of paid leave to support wellbeing, and this is now included in our Company policy.

We give back to the local communities in which we live and work. We have increased our paid volunteer leave program to 5 days per year and we support community organisations and sporting groups through commitment to various sponsorships and donations which in FY22 totaled \$367000.

Sustainability plan – FY23

In FY23, we have developed ESG goals for Apiam, following the completion of our first corporate sustainability report this year. Our goals are all developed with the overarching need to "Enrich the lives of Animals, People and Communities".

I won't go into all of these in detail now, but a key aspect of the Animal pillar is the launch of our Antimicrobial Stewardship Strategy which is on track to occur during FY23. We have already introduced three new vaccines, helping to promote sustainable disease prevention programs. We have invested in research into enhanced biosecurity programs and have trialed and adopted technologies to enhance early disease surveillance.

A diverse, safe and well workforce underpins the People pillar of the plan and we have achieved major milestones including the introduction of our work, health and safety program called *Bee Well, Bee Safe*.

Operating an environmentally sustainable business is also important to Apiam and our Communities. Our Sustainability initiatives include installation of a solar-based Virtual Energy Network pilot across key sites where we aim to reduce the use of external energy by 50% by FY25.

FY23 YTD performance update

Now turning to our more recent performance in the first four months of this financial year between July and October. Our reported revenue growth for this period was 28.6%, and on a like-for-like basis revenue was up 3.3% and gross profit up 5.4%. Improving gross margins continued, with gross profit up 37.9% in the four months.

Dairy & mixed animals contributed 77% of our revenues in this period, and we continued to make progress with operating cost control improving our earnings leverage across the company in the quarter. Our underlying EBITDA margin before one-off expenses was 11.6% up from 10.8% for the same period last year and similarly strong improvements in the EBITA margin was delivered as well.

From a segment perspective, strong like-for-like revenue growth in the dairy & mixed animals segment was partially offset by some challenges in beef feedlot markets over the past few months. Challenges with transport and logistics some of which was flood related, as well as grain and cattle prices, have impacted animal numbers. Gross profit growth in both the dairy & mixed animal, as well as the pigs and beef feedlot segment, was positive on a like-for-like basis for the four-month period.

Lastly, to give you an indication of how our recent acquisitions are tracking under Apiam's ownership we can report that the acquisitions we completed and settled in FY22 had average revenue growth of 10.3% for the period July – October 2022, an excellent result.

Strategic objectives in FY23

In the year ahead, Apiam's Accelerated Growth strategy will see the Company continue to focus on executing high value, strategic acquisitions as well as driving organic growth within the business. We expect to see additional organic growth through capturing further market share in the areas we operate within, as well as driving faster synergies in the acquisitions we make.

We will open several new greenfield clinics under a refined cost model, where the negative earnings impact in the first year of operation is reduced.

Our focus, in conjunction with delivering on our \$300 million future revenue target, is to continue to deliver greater earnings and free cash flow for shareholders as we head into FY23.

To close, I would like to thank my leadership team for their commitment in delivering these outcomes. Thank-you also to all of our Apiam team members for their drive and hard work in ensuring we continue to provide the highest standards of care, to both the animals to who we provide services, and to each other throughout our business. I look forward to updating you on further developments in the coming months.

--Ends--



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Authorisation

This announcement was authorised by the Board of Apiam Animal Health Limited.

About Apiam Animal Health Limited

Apiam Animal Health is one of Australia's leading rural veterinary businesses made up of 74 business sites including 59 Veterinary Clinics and 296 highly experienced veterinarians as part of a team of 1014 dedicated professionals. The majority of Apiam's vet clinics, production animal, and allied businesses have been around a long time, many of them decades and are spread Australia wide reaching into the heart of dairy, beef, sheep and pig country and the regional towns that are at their centre.

Apiam Animal Health is committed to providing best in class care for its clients, the animals in their care and the communities where people live and work. The Company's purpose, to enrich the lives of animals, people and communities, is applied across all businesses from vet clinic to production animal consultancy, logistics and laboratory with vets and allied staff sharing expertise and specialist knowledge. Apiam is focused on meeting the needs of its clients and shaping the future of the industry to deliver best practice animal health and welfare at a local level and nationally.

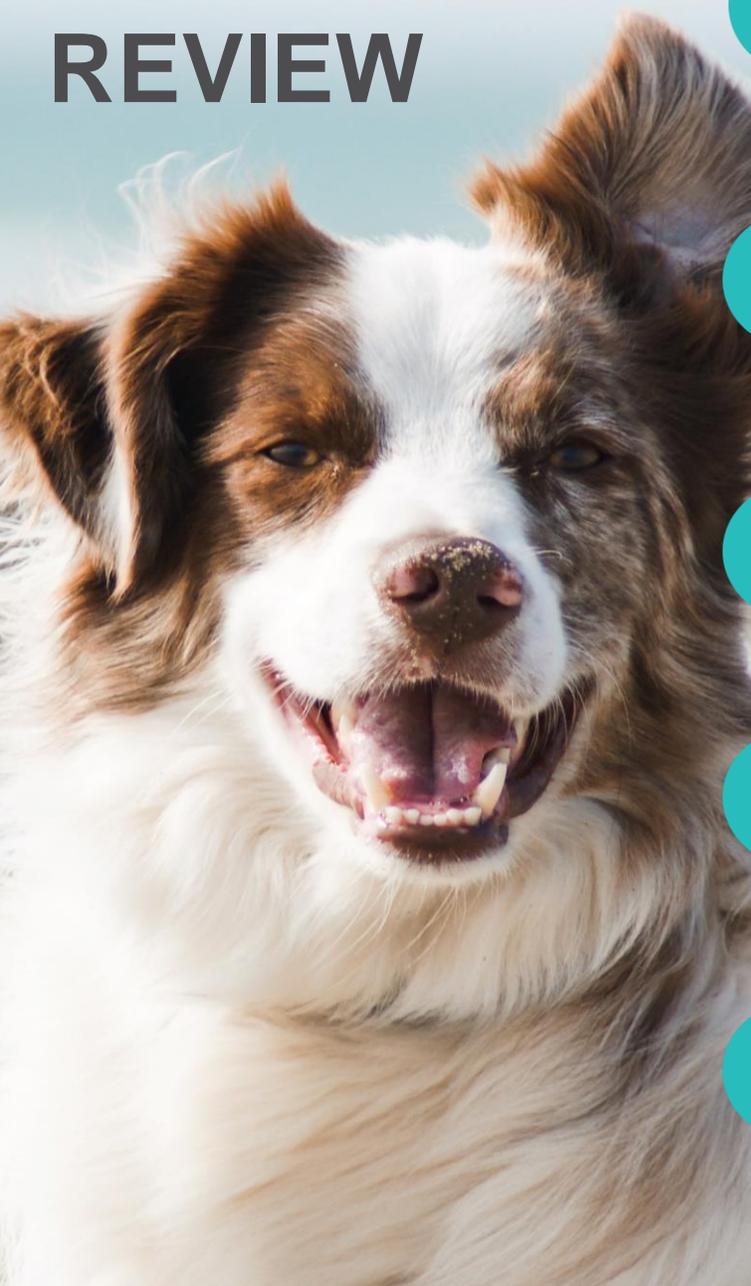


Apiam Animal Health Limited Annual General Meeting

24 November 2022



YEAR IN REVIEW



Accelerated Growth strategy driving transformation



Growing contribution from dairy & mixed animal segment driving strong results



Eleven acquisitions executed in FY22¹



Strong and resilient earnings and cash flow



Leading innovation within veterinary industry

Notes:

(1) Including Victorian Equine Group and The Vet Practice announced during FY22, settled 1 July 2022

Accelerated Growth strategy – \$300M pro-forma revenue by FY24

Capture growing industry revenues + drive earnings leverage + generate strong resilient cash flow streams

➤ FY22 reported revenue growth + 24.6%

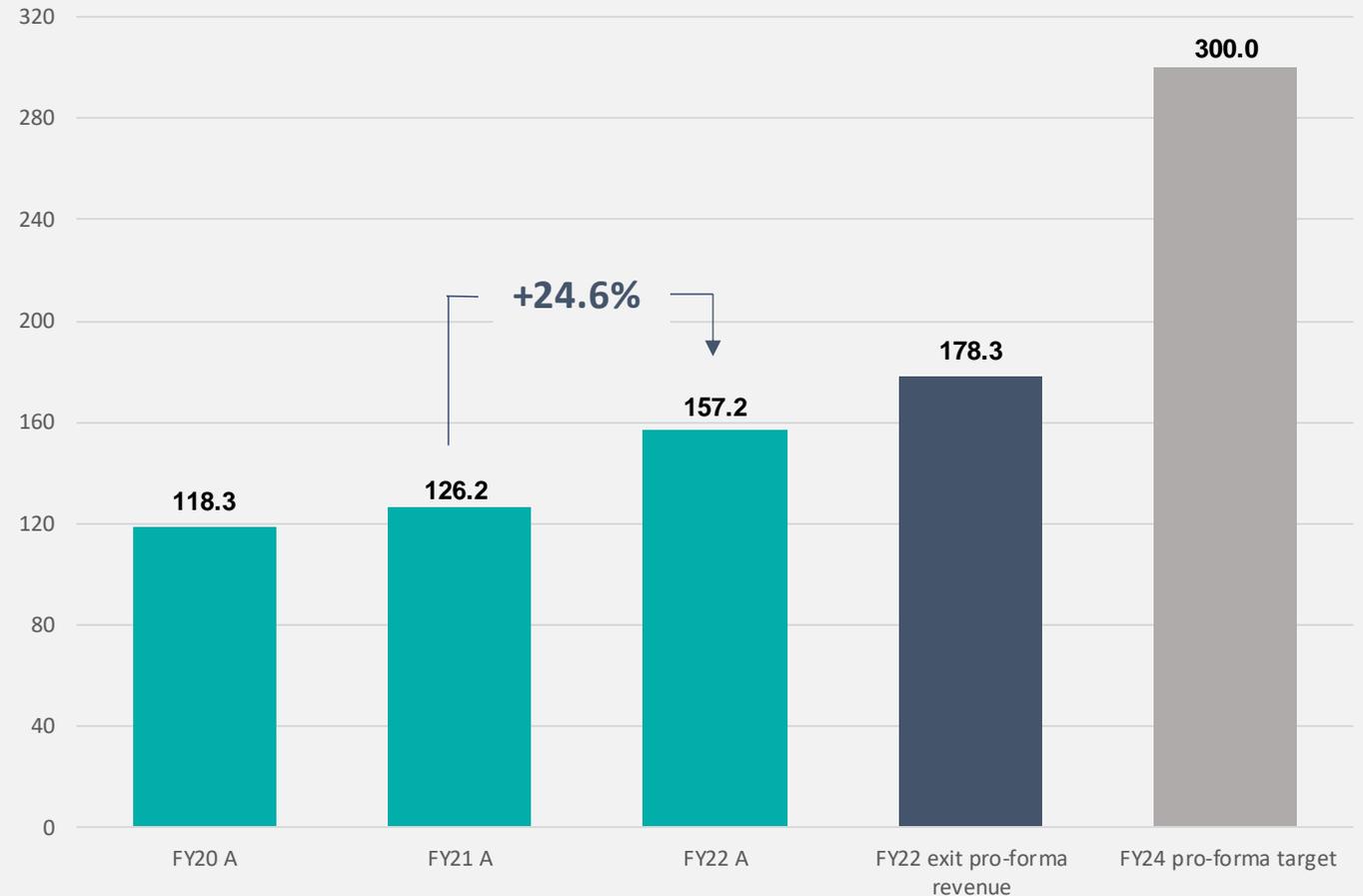
➤ FY22 “exit pro-forma” revenue of \$178.3m

➤ 11 acquisitions executed in FY22 contributing:

- \$39.8 million to FY22 exit pro-forma revenue

➤ Significant organic growth in dairy and mixed animal clinics (fastest growing segment)

➤ Well funded following \$20.25M capital raise (May 2022) + \$20M extension of NAB acquisition finance facility



FY22 performance snapshot

Revenue
\$157.2M
+24.6%
vs FY21

Gross profit
\$97.4M
+37.0%
vs FY21

EBITDA
(underlying)¹
\$18.3M
+20.3%
vs FY21

NPAT
(underlying)¹
\$6.7M
+15.0%
vs FY21

Cash flow
(operating)
\$15.0M
117%
conversion of EBITDA²

- Significant growth in dairy & mixed animal clinic contribution driving revenue performance
- Industry challenges impacted feedlot and pig segment, however gross margin improvement delivered
- Operating investment to support Accelerated Growth strategy into FY23 and beyond
- FY22 LFL results: revenue + 2.2% and gross profit +5.3% (vs FY21)

Notes:

¹ Underlying EBITDA and NPAT are non-IFRS measures and in FY22 exclude one-off expenses of \$2.0M (which includes \$1.4M of acquisition related stamp duty in QLD). Underlying NPAT excludes \$0.6m of customer relationship amortisation (post tax).

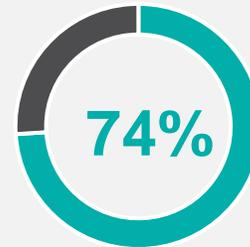


Growing contribution from dairy & mixed animal segment

FY21 dairy & mixed animal revenue contribution (%)

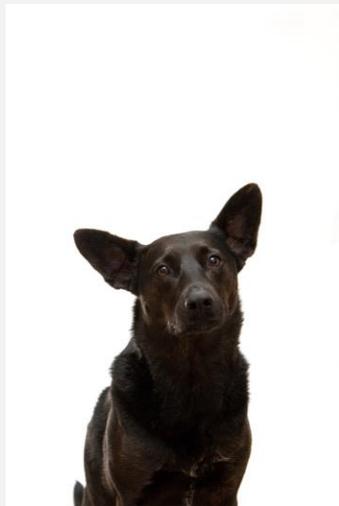


FY22 pro-forma dairy & mixed animal revenue contribution¹ (%)



■ Dairy & mixed revenue ■ Pigs & feedlot revenue

■ Dairy & mixed revenue ■ Pigs & feedlot revenue



Vet clinics (as at period end)¹



+45.1%

dairy & mixed animal revenue growth (vs FY21)

+44.5%

dairy & mixed animal underlying EBITDA growth (vs FY21)²

+9.0%

dairy & mixed animal LFL revenue growth (vs FY21)³

Notes

- 1 Including Victorian Equine Group and The Vet Practice announced during FY22 but settled 1 July 2022
- 2 Segment EBITDA growth before corporate cost allocation and one-off expenses including \$1.4M stamp duty charge during FY22
- 3 Excludes contribution from acquisitions, Ear Tag business (divested during FY22) and one clinic consolidated during period

High-quality acquisition program

FY22 acquisition program metrics

11

Acquisitions

\$53.0M

Total acquisition value ¹

14

Acquired clinics

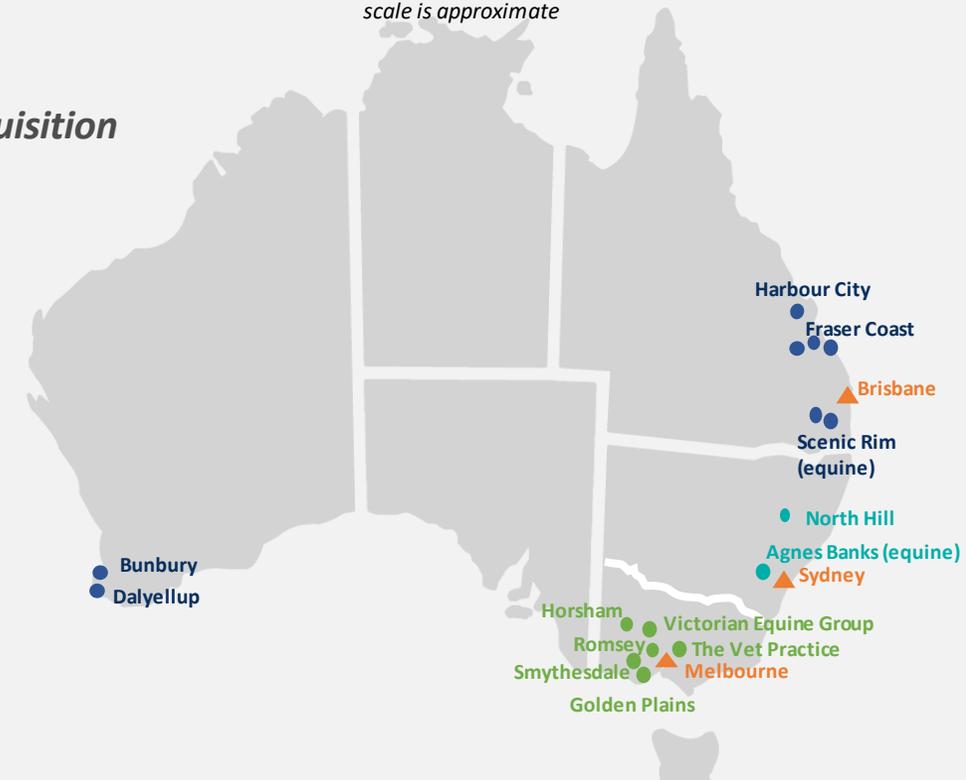
5.9x

Avg. EBITDA acquisition multiple ²

- Four veterinary businesses with revenue of more than \$4.5M acquired in FY22
- Significant investment in integration of systems & processes to capture efficiencies
- Businesses acquired in FY22 delivered **7.8% revenue outperformance** vs normalised revenue projections at time of acquisition
- In FY23 YTD announced acquisition of Harradine & Associates (settled 1 November 2022); first acquisition in WA market since IPO

Apiam acquisitions since 30 June 2021

scale is approximate



APIAM's ACQUISITION CRITERIA

✓ Culture & management team

✓ Animal species

✓ Earnings margins

✓ Geographic exposure

✓ Ability to deliver strong organic growth under AHX ownership (synergies)

Notes:

¹ Includes value of Victorian Equine Group and The Vet Practice settled 1 July 2022

² Underlying basis before one-off costs

Leading innovation of veterinary industry

Apiam are leading the industry across people & culture, value recognition and new business models



FIRST MOVER INITIATIVES

Leading industry with new business models

- ProDairy – specialised subscription program focussed on Dairy famers
- Data Pig – electronic system for swine health & production data
- Vaccine development for emerging pathogens – first domestic producer in many areas



LEADING PEOPLE & CULTURE PRACTICES TO ATTRACT & RETAIN THE BEST TALENT

- Significant opportunity for flexible work practices
- Innovative maternity leave programs
- Strong culture of recognising female talent
- Flexible path to promotion
- Tele-Triage service to address work-life balance issues (estimated to have reduced after hours calls to vets by over 65%)
- Mental health support



VETERINARY VALUE RECOGNITION FOCUS

- Improving market recognition of the value of veterinary skills and service
- Upgrading facilities and equipment to provide more services and better outcomes for animals
- Upskilling our people to provide veterinary expertise and specialist standards of care



ESG Focus Points – FY22

“Enriching the lives of animals, people and communities”



296

Veterinarians



89%

Female workforce



61

Mental health
first aid officers



8200

Professional
development hours



6 weeks

Gender neutral paid
parental leave



\$367K

donations &
sponsorships

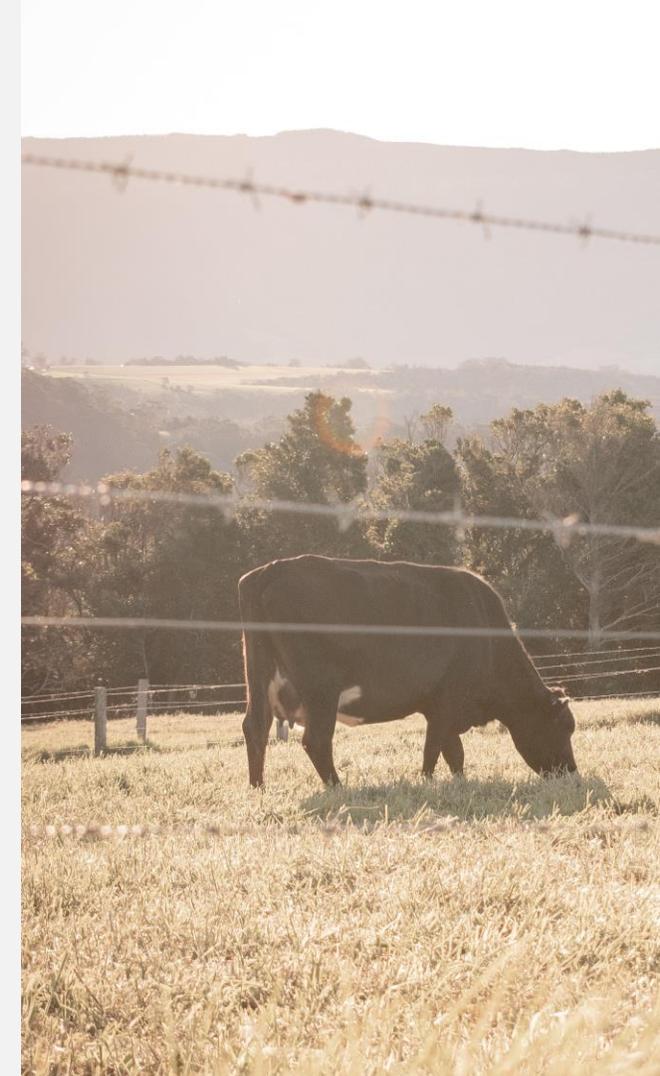
 **SUSTAINABLE DEVELOPMENT GOALS**



Sustainability Plan FY23

“Enriching the lives of animals, people and communities”

 Focus area	Metrics and Targets for FY2023
Antimicrobial Stewardship Strategy	On track to launch Antimicrobial Stewardship Strategy in FY23
Professional Development	Ongoing commitment to developing our leaders with a target of 60 additional leadership program graduates. Commitment to provide over 10,000 hours of professional development
WHS Strategy: <i>Bee Well, Bee Safe</i>	Key project milestones to be achieved in FY2023 including the development of industry leading policies and approaches to wellbeing and safety
Flexible Work Practices	Flexible work policy introduced by end Q2 with rollout complete in all Apiam locations by end FY23
Mental Health First Aid	Minimum of one trained mental health first aid officer in all Apiam locations by end FY23
Fur Life Foundation	Giving back to our communities through achieving our fundraising targets
Sponsorships and Donations	Continuing our support for the communities in which we live and work by committing to ongoing sponsorships and donations.
Waste Management	To implement a precision waste management program across all sites by end of FY25
Virtual Energy Network	For key sites in FY22 pilot to be using 50% reduction in external energy by FY25



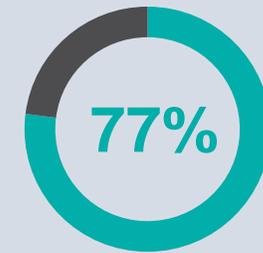
FY23 YTD performance update (Jul-Oct)

Strong start to FY23 with YTD revenue growth of 28.6% vs PCP

\$M	FY23 (Jul-Oct)	FY22 (Jul-Oct)	% chg	% chg (LFL basis ¹)
Revenue	61.1	47.5	+28.6%	+3.3%
Gross profit	40.0	29.0	+37.9%	+5.4%
Gross margin	65.5%	61.1%		
EBITDA (underlying) margin ²	11.6%	10.8%		

- » **Improved earnings leverage** performance in FY23 YTD with strong uplift in EBITDA and EBITA margins
- » **Growing contribution from dairy & mixed animal** segment providing a less cyclical and higher margin revenue stream
- » **Strong like-for-like revenue performance in dairy & mixed animal** segment partially offset by challenging feedlot markets (transport, logistics, grain and cattle prices³)

FY23 YTD dairy & mixed animal revenue contribution (%)



■ Dairy & mixed animal revenue ■ Pig & feedlot revenue

+10.3%

Average revenue growth (Jul-Oct) from business acquisitions settled in FY22



Notes

- ¹ LFL refers to like-for-like (before the contribution from acquisitions during the period or PCP)
- ² Preliminary and unaudited estimates. Underlying is before one-off costs
- ³ ALFA – Around the Pens Newsletter, 21 November 2022

Strategic objectives in FY23

Organic growth

- Capture additional market share in existing locations
- Leverage products & services
- Revenue opportunities through system integration
- Underlying industry growth

Acquisition Pipeline

- Execute strategic opportunities
- Pipeline is extensive
- Leverage enhanced acquisition integration
- Drive faster synergies

Greenfield sites

- 3-5 new greenfield sites to open in FY23
- Refined strategy to reduce negative earnings impacts Year 1
- \$1.5M - \$2.5M revenue target per site within 3 years of opening

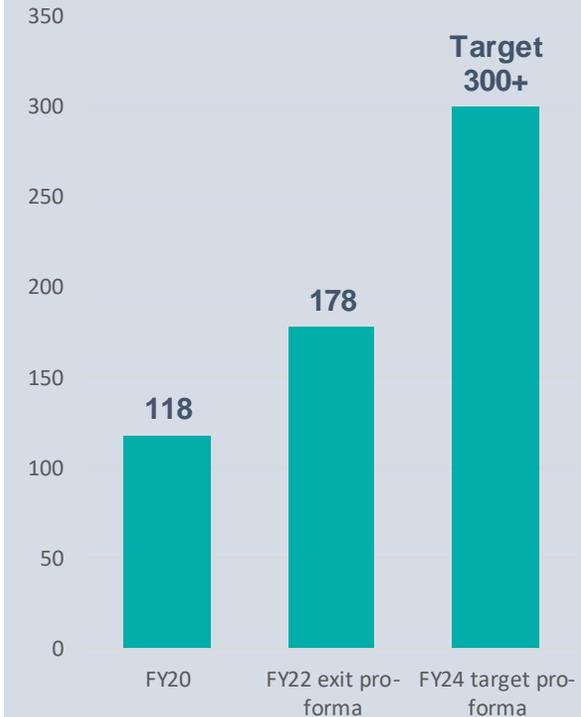


Shareholder value

- Reinvesting strong cashflows and capital to deliver on Accelerated Growth strategy
- Increase intrinsic value of the company through leveraged earnings + resilient free cashflow
- Well funded to execute growth pipeline

**Target of \$300M+
pro-forma revenue
in FY24**

Planned revenue growth trajectory



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