Apiam Animal Health Ltd

H1 FY23 results presentation

23 February 2023

H1 FY23 HIGHLIGHTS

Execution of Accelerated Growth strategy

- creation of leading regional veterinary services provider, operating at scale

Dairy & mixed animal segment driving resilient growth

- delivering 80.2% of revenues in H1 FY23 (on pro-forma acquisition basis)[1]

Acquisitions performing well under Apiam ownership

- 6 acquisitions settled FY23 YTD, following 9 acquisitions in FY22

Operating expenses reflective of rate of acquisition program

- controlled LFL operating expense growth in high inflationary environment
- slowed half-on-half growth in Business Support Network in H1 FY23 (vs H2 FY22)

Focus on acquisition integration in H2 FY23 to drive improved leverage, growth synergies and free cash flows

- supported by strong FY23 YTD trading (to 31 Jan 2023)

Notes:

1 Assuming full period contribution from all acquisitions made in H1 FY23

H1 FY23 FINANCIAL SNAPSHOT

KEY GROUP METRICS DELIVERING GROWTH

Revenue	$93.7M	+24.7% vs H1 FY22
Gross profit	$61.4M	+32.9% vs H1 FY22
EBITA (underlying)[1]	$6.9M	+26.7% vs H1 FY22
NPAT (underlying)[1]	$3.7M	+14.9% vs H1 FY22
Operating cash flow	$7.4M	+24.2% vs H1 FY22
Cash conversion[2]	103.7%	vs 92% in H1 FY22

Notes:

1 *Underlying EBITA and NPAT are non IFRS measures and exclude one-off expenses. Underlying NPAT also excludes customer relationship amortisation (post tax basis). Refer slide 6 for further detail*

2 *Cash conversion of underlying EBITDA (pre AASB 16 lease adjustments)*

DAIRY & MIXED ANIMAL SEGMENT DRIVING RESILIENT GROWTH

H1 FY23 vs H1 FY22

+11
New vet clinics

+69
Veterinarians

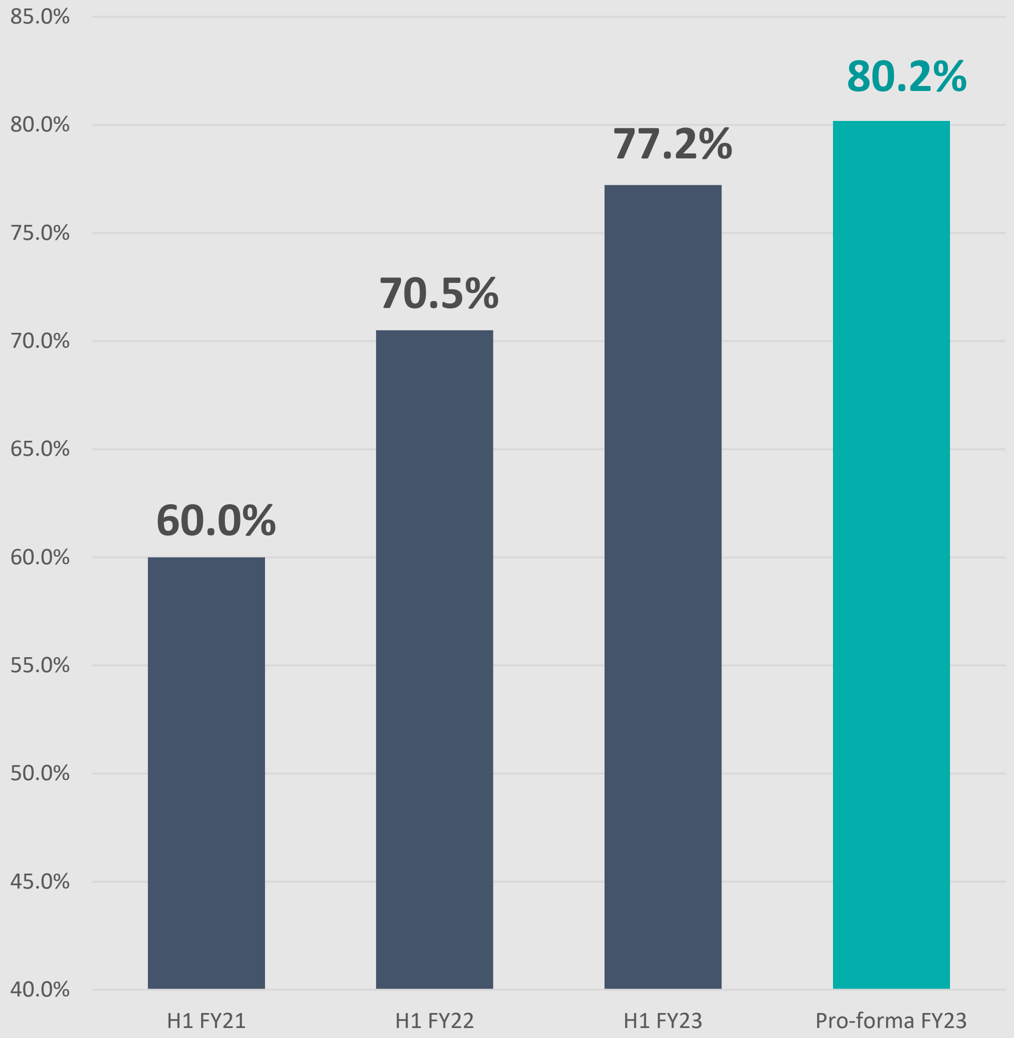
+17.3%
Avg. transaction value[1]

+36.5%
Reported dairy & mixed segment revenue growth

+5.7%
LFL dairy & mixed segment revenue growth FY23 YTD (to Jan)[2]

+7.8%
FY22 acquisitions avg revenue growth[3]

DAIRY & MIXED ANIMAL PERCENTAGE OF APIAM REVENUE



Notes:
1. *Average transaction value for companion animals (excludes recently acquired clinics not yet on Apiam's Practice Management System)*
2. *LFL refers to like-for-like (or ex-acquisitions performance) and adjusted to exclude acquisitions executed in H1 FY23 and acquisitions executed in FY22*
3. *Average revenue growth in H1 FY23 (vs H1 FY22) for acquisitions settled in FY22*

Dairy & mixed animal segment – H1 FY23

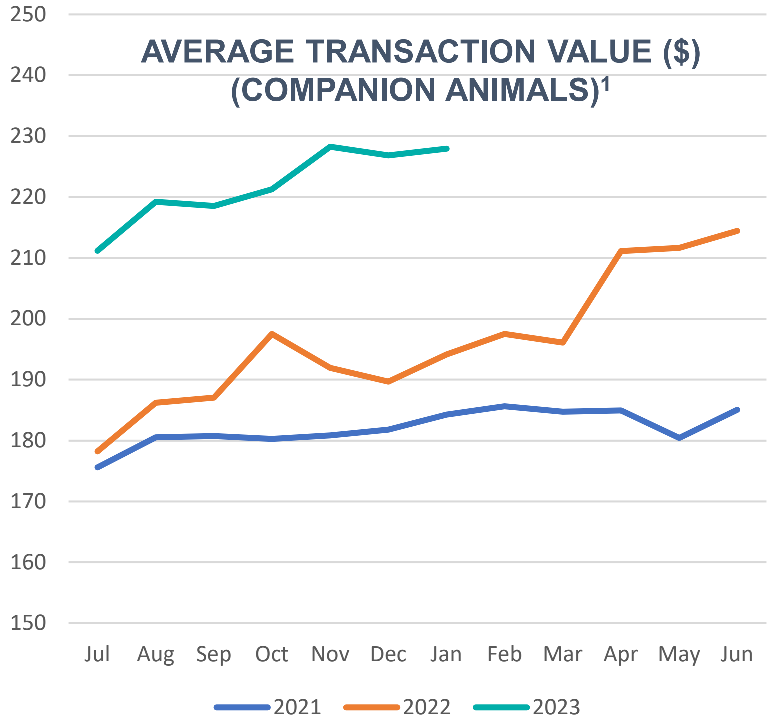
Organic growth supporting acquisition performance

% growth vs PCP	FY21	FY22	H1 FY23 (to Dec)	FY23 YTD (to Jan)
Revenue (reported)	+45.1%	+23.7%	+36.5%	+37.4%
Revenue (LFL)	+12.5%	+9.0%	+3.5%	+5.7%
Gross profit (reported)	+24.3%	+50.5%	+43.3%	+43.1%
Gross profit (LFL)	**+12.3%**	**+7.7%**	**+5.9%**	**+7.1%**

Revenue phasing impacts affecting LFL dairy & mixed animal segment in H1 FY23

Strong trends in operational metrics (H1 FY23 vs pcp):

- Average Transaction Value (ATV) **(+17.3%)**
  - *Price increases to meet CPI and increased vet remuneration*
  - *Higher Standards of Care driving revenue and gross margin*
- Best Mates members **(+16.0%)**
- ProDairy revenue growth **(+28.7%)**
- Easing of vet shortage being assisted by resumption of immigration



Notes:
1 *Excludes recently acquired clinics not yet on Apiam's Practice Management System*

GREENFIELDS CLINIC UPDATE

Revised model delivering +31% revenue growth and reduced costs

Greenfield clinic performance

(clinics opened FY21 – FY23 YTD)

	Revenue growth	Operating expense	EBITDA impact
H1 FY23 growth rate (vs PCP)	Up 31.0%	Down 7.3%	**H1 FY23: $(391)K** H1 FY22: $(660)K

JV formed Feb 2018

Apiam animal health | petstock

JV strategy to open co-located clinics & retail outlets in which Apiam have an 80% interest

- One PetStock JV clinic opened in H1 FY23 (Oct 2022)
- Three PetStock JV clinics to open next 12 months
- Carefully targeted regions with attractive demographics
- Efficient capex model & access to high growth population base and retail customer flow
- Three years to full financial maturity

Greenfield clinic locations (FY22-FY23)

Jan 2021
Torquay Nth (VIC) (JV)

Mar 2021
Shepparton (VIC)

Jul 2021
Highton (VIC)

Oct 2022
Hastings (VIC) (JV)

Planned 2023 openings

Mar 2023
Yarrawonga (VIC) (JV)

Apr 2023
Caboolture (QLD) (JV)

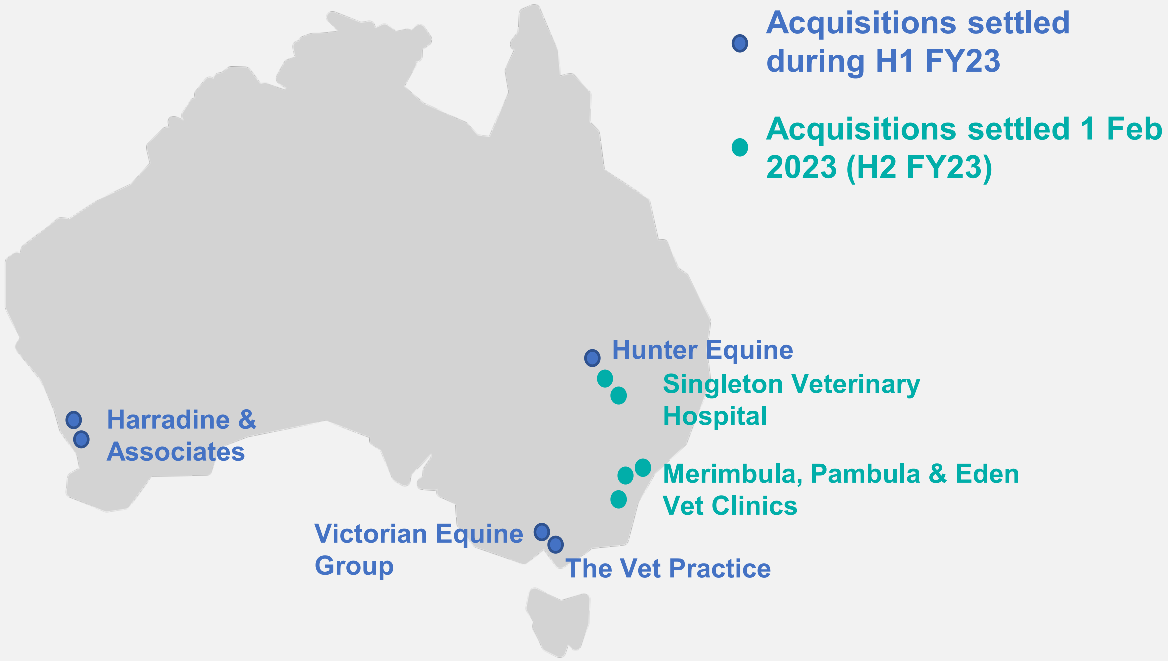
Oct 2023
Tarneit (VIC) (JV)

Take a tour!

STRATEGIC ACQUISITIONS

ADDITION OF TEN NEW CLINICS IN FY23 YTD

Clinics acquired in FY23 YTD
(scale is approximate)



- **Four** veterinary business acquisitions settled in H1 FY23[1] (*adding 5 clinics & $23.8m in FY22 pro-forma revenue*)
- **Two** acquisitions settled 1 Feb 2023 – Singleton Veterinary Hospital + Merimbula, Pambula & Eden Vet Clinics (*adding 5 clinics & $8.3m in FY22 pro-forma revenue*)
- **Significant investment in integration resources in FY22 enabling effective integration of accelerated acquisition program**
- Businesses acquired in FY22 delivered +**7.8%** average revenue growth in H1 FY23

ACQUISITION PIPELINE in H2 FY23:

- **H2 FY23 focus on integration and synergy realisation of recent acquisitions to optimise free cashflow opportunities**
- **Acquisition pipeline remains strong with phasing to take into account capital resources and free cash flow**
- **Less reliance on AHX scrip as part of acquisition consideration moving forward**

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

Feedlot & pig veterinary segments – H1 FY23

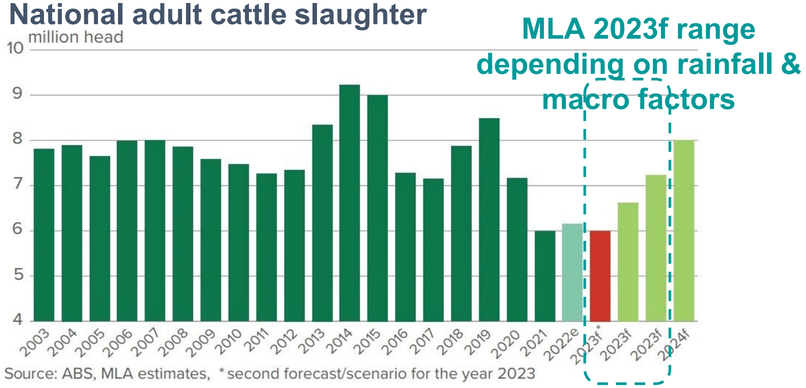
Intensive animal segments remain integral to our rural vet services - contributing ~20% of revenues

Apiam continues to provide leading role in industry innovation and growth

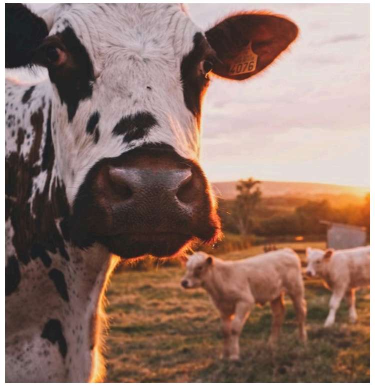
- Introduction of emerging technologies to industry
- Commercialisation of autogenous cattle vaccines to address economic diseases
- Development of a Japanese Encephalitis vaccine to address new risk
- Investment in client-centric platforms to improve supply chain efficiencies
- Industry leading data analysis platforms to shape sustainable animal production

Segment performance % growth vs PCP	FY21	FY22	H1 FY23
Revenue (reported & LFL)	(11.4)%	(6.5)%	(3.7)%
Gross profit (reported & LFL)	(11.8)%	+1.5%	(5.5)%

National adult cattle slaughter



Source: ABS, MLA estimates, *second forecast/scenario for the year 2023



Beef feedlot industry

Challenges (H1 FY23)[2]

- Feeder cattle inputs reduced over Oct -Dec 2022 period
- Workforce shortages in abattoirs[2]
- Oversupply of beef in US market affecting domestic export markets[2]

Opportunities (FY23-FY24)

- National beef herd at 28.8m head, largest size since 2014[2]
- Feeder steer price has dropped ~25% since 30 Nov 2022[1]
- Expected El Niño (from June 2023)[2]
- Potential China market dynamics[4]
- Feedlots currently at 75% of national capacity of 1.532 million head[3] with scope for utilisation rates to increase as input costs improve

Pig industry

Challenges (H1 FY23)

- Japanese Encephalitis caused significant reduction in pig numbers in 2022
- Supplier product disruptions affected sales opportunities

Opportunities (FY23-FY24)

- Trend to higher value veterinary services
- New vaccine products to market
- Pig numbers recovering from 2022 JEV effects

1. https://www.mla.com.au/prices-markets/cattle/feedersteer/
2. https://www.mla.com.au/prices-markets/Trends-analysis/cattle-projections/
3. Australian Lot Feeders Association and MLA, National Feedlot Survey February 20, 2023
4. Beefcentral.com February 13, 2023

H1 FY23 financial summary

Apiam
animal health

H1 FY23 P&L SUMMARY

GROWTH ACROSS ALL KEY GROUP P&L METRICS

Underlying

$m	H1 FY23A	H1 FY22A	Variance	%
Total revenue	93.7	75.1	18.6	24.7%
Gross profit	**61.4**	**46.2**	**15.2**	**32.9%**
Operating expenses	(50.7)	(37.5)	(13.2)	35.0%
Underlying EBITDA[1]	**10.7**	**8.7**	**2.1**	**23.7%**
Underlying EBITA[1]	**6.9**	**5.4**	**1.5**	**26.7%**
Underlying NPAT[1,2]	**3.7**	**3.2**	**0.5**	**14.9%**
Amortisation (post tax) (customer relationships)	(0.5)	(0.3)	(0.3)	72.6%
One-off expenses (post tax) [3]	(0.3)	(1.2)	0.9	(77.3)%
Reported NPAT	**2.9**	**1.7**	**1.1**	**65.6%**

Gross margin	65.5%	61.5%		
Underlying EBITDA margin	11.5%	11.6%		
Underlying EBITA margin[3]	7.3%	7.2%		

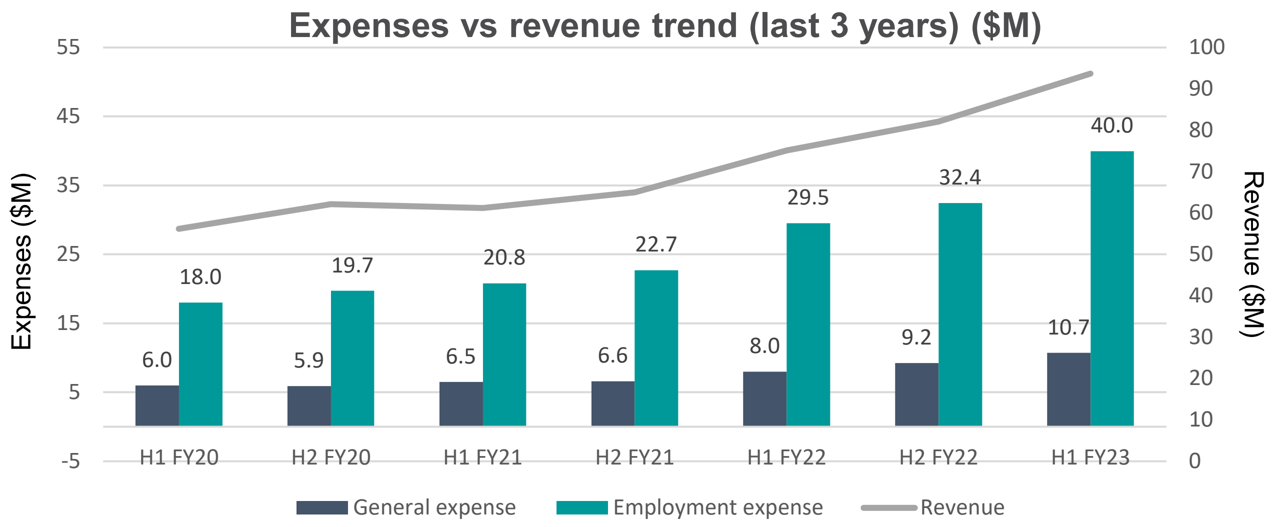
- **Revenue growth 24.7%:** driven by dairy & mixed animal segment (organic growth & impact of acquisitions)
- **Gross profit growth 32.9%:** strong continuing uplift in gross margin to 65.5% as business segment mix changes
- **Underlying EBITA growth 26.7%**: strong growth despite operating expense investment and impact of feedlot segment market cycle. Depreciation from IT systems investment in prior years rolling off
- **Operating expense increase 35.0%**: mostly due to impact of accelerated acquisition program and increased wages (aligned with higher skillset workforce and inflation impacts).

  Previously reported Investment in Business Support Network to support acquisition program has now normalised **(+5.8% in H1 FY23 vs H2 FY22).**

  See slide 11 for further analysis

Notes:
1. *Underlying earnings excludes one-off expenses including acquisition, integration & restructuring costs (tax effected where applicable at NPAT level)*
2. *Before amortisation of customer relationships (tax effected where applicable at NPAT level)*
3. *In H1 FY23 one-off expenses are comprised of $0.3 million in other expenses and $0.1 million in employee benefit expenses (vs H1 FY22 one-off expenses which were comprised of $1.7 million in other expenses mostly related to stamp duty on QLD acquisitions)*

Operating expenses analysis

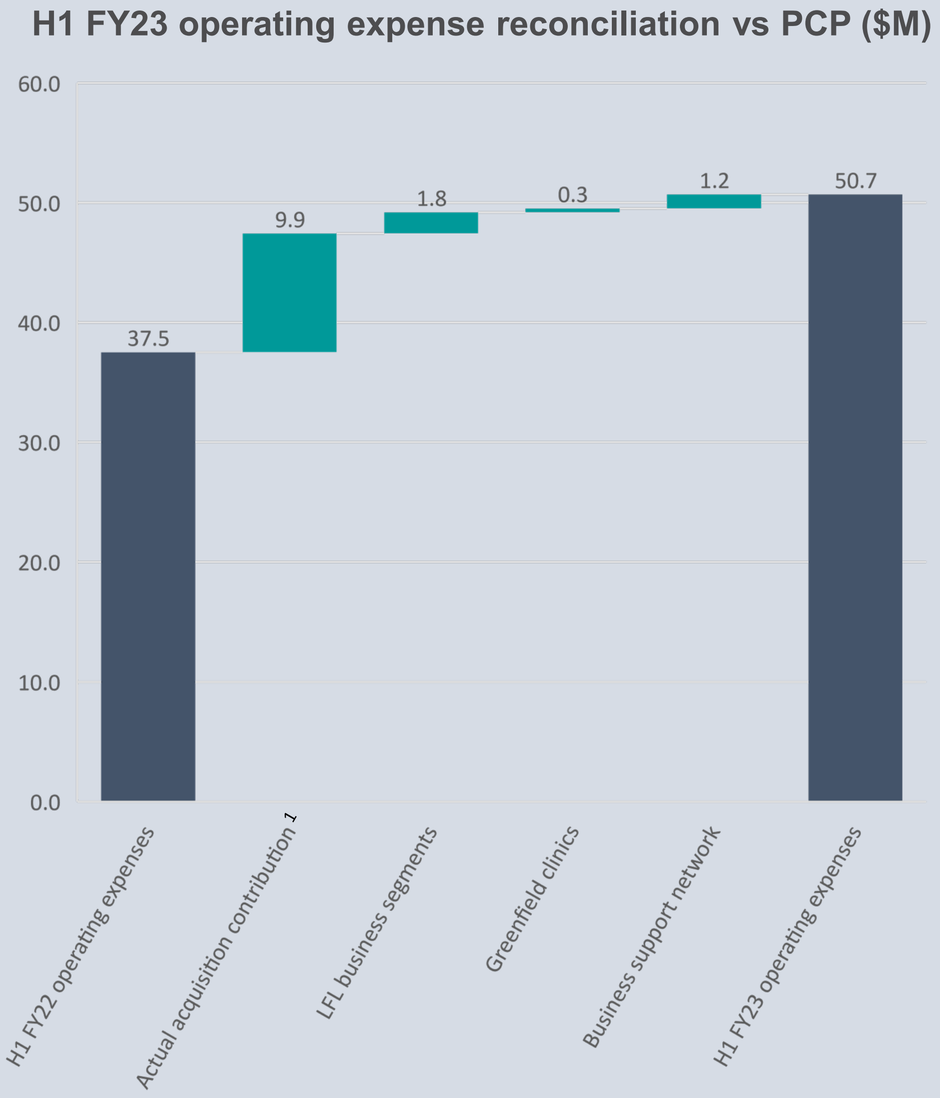


Employment expense:

- H1 FY23 employment costs (LFL basis) increased 7.1% vs PCP (in-line with inflation) reflecting increased vet skillsets driving strong ATV growth.
- Reported increase of 35.0% (vs gross profit growth of 32.9%) reflecting impact of:
  - accelerated acquisition program ($9.9M)
  - full half contribution of additional support staff in business support network in areas of P&C, IT, WHS, payroll ($1.2M) that were added in H1 FY22. Increase has now normalised **(+5.8% in H1 FY23 vs H2 FY22**)
  - wage increases post-COVID industry restructure, vet shortages and strategy around higher skillsets to drive ATV ($1.8M)

General operating expense:

- Impact of acquisitions & enlarged BSN
- Resumption of normalised travel, conferences, training etc (vs H1 FY22 significantly impacted by COVID lockdowns)



Notes:

1 Includes expenses associated with acquisitions made during H2 FY22 and H1 FY23 and part period contribution from H1 FY22 acquisitions

BALANCE SHEET

Reflective of acquisition program

$m	31 Dec 2022A	30 Jun 2022A
Cash	**3.4**	**2.8**
Trade & receivables	16.8	13.6
Inventories	19.9	17.8
Property, plant & equipment	39.8	31.6
Intangibles	152.0	126.9
Other assets	6.8	6.4
TOTAL ASSETS	**238.7**	**199.2**
Borrowings	62.4	42.1
Trade & other payables	14.5	11.0
Lease liability	27.9	21.3
Other liabilities	18.1	16.1
TOTAL LIABILITIES	**122.9**	**90.5**
NET ASSETS	**115.8**	**108.7**

Notes:
1. *Includes $1.9M of equipment bank finance for purposes of net debt calculation in H1 FY23 (FY22: $1.8M)*

Key movements:

- Intangibles, PP&E reflective of 4 acquisitions settled during H1 FY23
- Working capital (receivables, payables, inventory) in-line with business growth and continues to be well managed to optimise cash flow

Borrowings & net debt:

- Net debt of $60.9M vs $41.0M[2] as at end of FY22 due to cash consideration of $22.1M paid for 4 acquisitions settled in period:
  - The Vet Practice (Jul 2022)
  - Victorian Equine Group (Jul 2022)
  - Harradine & Associates (Nov 2022)
  - Hunter Equine Centre (Dec 2022)
- Operating leverage ratio 2.5x vs covenant of 3.5x (net debt/EBITDA basis adjusted for working capital facility)
- $38.2M available in bank acquisition facility (prior to $8.7M cash consideration for settlement of acquisitions on 1 Feb 2023)

CASH FLOW

Cash conversion tracking to management target of 100%

Statutory cashflows $m	H1 FY23A	H1 FY22A
Net cash provided by operating activities	**7.4**	**6.0**
Acquisition of subsidiary, net of cash	(22.1)	(25.0)
Net Purchases of property, plant and equipment	(2.6)	(2.3)
Net Purchases of Intangible assets	(0.2)	(0.2)
Other	0.2	0.0
Net cash used in investing activities	**(24.8)**	**(27.5)**
Net changes in financing	20.8	25.2
Dividends paid to shareholders	(0.7)	(1.2)
Repayment of lease liabilities	(2.1)	(1.9)
Proceeds from share issue	0.0	0.0
Other	0.0	0.0
Net cash inflow from financing activities	**18.0**	**22.2**
Net change in cash and cash equivalents	**0.6**	**0.6**

- Operating cash flow +24.2% in H1 FY23 (vs PCP)
- Controlled underlying capex spend
- Strong working capital management
- Reduced final FY22 dividend in-line with revised dividend policy
- Cash component for acquisition consideration of $22.1M

Cashflow Conversion $m	H1 FY23A	H1 FY22A
Underlying EBITDA (pre AASB 16 lease adjustment)	**8.7**	**6.9**
Net cash inflow from operating activities (less AASB 16 lease reclassification impact)	5.6	4.2
Add back:		
One-off expense paid	0.3	0.3
Interest paid	1.5	0.7
Income tax paid	1.7	1.2
Underlying cashflow before tax & interest:	**9.1**	**6.4**
Conversion	**103.7%**	**92.3%**

Revised dividend policy

- **Revised dividend policy communicated at time of FY22 results (August 2022)**
- **Apiam is pursuing an accelerated growth strategy including an accelerated acquisition program**
- **Company's growth plans are expected to deliver significant intrinsic value for shareholders**
- **Board of Directors plan to invest all capital during this growth period towards funding the accelerated growth strategy (rather than returning funds to shareholders via dividends)**

ESG snapshot – H1 FY23

"Enriching the lives of animals, people and communities"

314
Veterinarians

81%
Female workforce

61
Mental health first aid officers

22,834
Tele-triage calls (work-life balance)

6 weeks
Gender neutral paid parental leave

SUSTAINABLE DEVELOPMENT GOALS

2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

FY23 YTD summary & outlook

FY23 YTD TRADING (TO JANUARY 31)

STRONG GROWTH JANUARY YTD DELIVERING EARNINGS LEVERAGE

$m	FY23 YTD (to Jan)[1]	FY22 YTD (to Jan)[1]	% vs PCP (to Jan 23)	H1 FY23A	H1 FY22A	% vs PCP (to Dec 22)
Total revenue	109.8	87.3	**25.74%**	93.7	75.1	24.70%
Gross profit	71.7	53.7	**33.38%**	**61.4**	**46.2**	**32.90%**
Operating expenses	58.6	43.9	**33.58%**	(50.7)	(37.5)	35.00%
Underlying EBITA [2,3]	8.6	6.1	**42.04%**	**6.9**	**5.4**	**26.70%**
Underlying NPAT [2,4]	4.6	3.5	**31.25%**	**3.7**	**3.2**	**14.90%**
Gross margin	**65.29%**	**61.55%**		65.50%	61.50%	
Underlying EBITA margin [2.3]	**7.84%**	**6.94%**		7.30%	7.20%	

Notes:
1 Unaudited & provisional figures
2 Underlying earnings excludes one-off acquisition, integration & restructuring costs (tax effected where applicable at NPAT level).
3 Before amortisation
4 Before amortisation of customer relationships (tax effected)

VETERINARY SERVICES REMAIN NON-DISCRETIONARY & RESILIENT

- **Veterinary Services remaining strong into early H2 FY23 as pet care remains a non-discretionary service**
- **Improved January YTD earnings leverage**
  - *double-digit Group LFL revenue growth in January 2023 (vs January 2022)*
  - *phasing of seasonal revenue*
  - *return to normalisation of use of employee leave provision*
- **Average Transaction Values for companion animals continue to remain strong with high standards of care and value recognition**
- **Industry trends in regional animal vet care expected to continue**
  - *trend to humanise pets is now widespread and ongoing*
  - *demographic changes in regional and peri-urban areas has driven rapid growth in animal numbers*

Outlook & strategy

Veterinary services outlook remains strong despite macro-economic uncertainty….

- Dairy & mixed animal segment is resilient and forecast to continue to perform strongly
- Beef feedlot segment expected to rebound in-line with industry forecasts. Pig segment stabilising
- Group double-digit LFL revenue growth in January 2023 (vs January 2022)

Execution of growth strategy on-track with integration focus in H2 FY23….

- Continue to capitalise on regional organic & acquisition growth opportunities
- Operational focus in H2 FY23 to deliver integration benefits and synergies on recent acquisitions
- Acquisition pipeline remains strong with phasing to reflect optimisation of capital resources and cash flow
- Targeting further improvement in earnings margins to maximise free cash flows for AHX shareholders in FY23

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