

## ASX RELEASE

# Apiam Animal Health Limited (ASX : AHX)

## Revenue +24.7%, underlying EBITA +26.7% in H1 FY23- Capturing veterinary services growth off back of strategic investments and regional tailwinds

- **Revenue of \$93.7M (+24.7%) and gross profit of \$61.4M (+32.9%)** vs H1 FY22
- **Execution of growth strategy as dairy & mixed animal clinics grow to 77.2% of Apiam's business;** driving less cyclical revenue base and strong growth opportunities
- **Intensive animal segments remain integral to rural vet services,** however beef feedlot segment impacted by industry challenges in late H1 FY23. Attractive opportunities into FY23-FY24 with Apiam playing leading role in industry innovation and future growth
- **Underlying EBITA<sup>1</sup> growth of 26.7%** to \$6.9 million
- **Underlying NPAT<sup>2</sup> growth of 14.9%** to \$3.7 million
- **Strong cash flow performance with operating cash flow uplift of +24.2%** and operating cash to EBITDA conversion of 103.7%<sup>3</sup>
- **Acquisitions delivering growth synergies under Apiam's ownership;** 4 acquisitions completed in H1 FY23 following 9 acquisitions in FY22. FY22 acquisitions delivered 7.8% average revenue growth in H1 FY23 (vs H1 FY22)
- **Strong YTD trading (to January 2023)** delivering earnings leverage, with underlying EBITA margins increasing to 7.8% in FY23 Jan YTD, up from 6.9% (in FY22 Jan YTD)<sup>4</sup>
- **Outlook for FY23 strong as veterinary services remain non-discretionary & resilient.** Focus for H2 FY23 to leverage integration of recent acquisitions, continue to increase earnings margins and maximise free cash flow

**Bendigo, February 23, 2023** – Apiam Animal Health Limited (**Apiam, the Company, the Group**) is pleased to release its full year results for the 6-months to 31 December 2022 (H1 FY23).

Apiam has recorded strong growth across key Group profit metrics. Over the period Apiam also continued its accelerated acquisition program to capture opportunities in fast-growing regional locations. Apiam is the leading regional veterinary services provider in Australia and has implemented a strategy to deliver shareholders the benefits of its enhanced scale.

Total Apiam Group revenue in H1 FY23 increased 24.7% to \$93.7 million (H1 FY22: \$75.1 million) driven by continued growth in the dairy & mixed animal segment, which contributes a less cyclical revenue stream as well as higher gross margins to the Group. This segment accounted for 77.2% of Company revenues in H1 FY23 and is a key growth driver of Apiam's financial results.

<sup>1</sup> Underlying EBITA is a non-IFRS measure and is earnings before interest, tax, amortisation and one-off expenses.

<sup>2</sup> Underlying NPAT is a non-IFRS measure and is net profit after tax but before customer relationship amortisation and one-off expenses (tax effected where applicable)

<sup>3</sup> Operating cash flow to underlying EBITDA (pre AASB 16 lease adjustments)

<sup>4</sup> Figures for FY23 YTD (to January 2023) are unaudited & provisional (refer to H1 FY23 Investor Presentation for further details)

Revenue growth in the dairy & mixed animal segment for H1 FY23 was 36.5% vs the prior corresponding period (PCP) and was driven by a combination of acquisition growth as well as underlying organic growth. On a like-for-like basis (excluding acquisitions) segment revenue growth was 3.5% for H1 FY23 and for FY23 year-to-date (to 31 January 2023) was 5.7%, reflecting a strong January performance and the impact of some timing differences impacting December 2022 revenues.

In H1 FY23, Apiam completed 4 mixed animal acquisitions, following the settlement of 9 mixed animal acquisitions during FY22. A further two acquisitions have been settled on 1 February 2023. The number of clinics Apiam operates grew from 61 as at the end of FY21 to 79 currently. Acquisitions are performing well under Apiam's ownership, with the clinics acquired in FY22 delivering average revenue growth of 7.8% in H1 FY23 (vs H1 FY22).

The beef feedlot and pig segments also remain integral to Apiam's rural vet services. Market cycles however did continue to impact revenue growth in Apiam's beef feedlot segment, with overall revenue in the feedlot and pig segments down 3.7% in H1 FY23 vs PCP. Apiam expects to deliver further recovery in beef feedlot revenues in-line with industry forecasts. Recent events impacting H1 FY23 include an over-supply of beef in the US which adversely affected domestic export markets, as well as workforce shortages in local abattoirs. Pleasingly, revenues and gross profit have been stabilising in the pig segment.

Apiam also continues to play a leading role in industry innovation within these segments, making strong progress in H1 FY23 in the areas of vaccine development, client-centric technologies and sustainable production.

From an earnings perspective, the Company's gross margin continued to increase strongly in H1 FY23 to 65.5% up from 61.5% in the PCP. This is a direct result of the strategic changes in Apiam's business over the past 18 months and the growth in the dairy & mixed animal segment.

Underlying EBITA grew 26.7% in H1 FY23 to \$6.9 million (H1 FY22: \$5.4 million), despite the planned (and previously reported) uplift in operating expenses associated with the accelerated acquisition program and Apiam's investment in employing higher skill-set veterinarians to increase Average Transaction Values. The investment in Apiam's business support network required for the Company's enlarged scale did slow considerably in H1 FY23, with growth contained to 5.8% half-on-half (vs H2 FY22) despite a high inflationary environment.

Underlying NPAT was \$3.7 million in H1 FY23, up 14.9% on PCP. Reported NPAT increased 65.6% in H1 FY23 given a return in one-off expenses to normalised levels (following a \$1.4 million one-off stamp duty charge related to acquisitions in Queensland in H1 FY22).

Apiam's operating cash flow in H1 FY23 increased 24.2% to \$7.4 million, with operating cash conversion to underlying EBITDA (pre AASB 16 lease adjustments) of 103.7%, in-line with Management's long-term target.

### **Accelerated growth program**

The focus of Apiam's acquisition strategy has been to capture growth in attractive regional growth centres and in animal segments with fast-growth profiles.

In H1 FY23 Apiam completed four mixed animal acquisitions that are expected to add \$23.8 million in pro-forma annualised revenue to the Company (FY22 normalised basis).

Apiam also completed two further veterinary business acquisitions on 1 February 2023, being Singleton Veterinary Hospital as well as the Merimbula, Pambula & Eden vet clinics (three clinics operated together by joint founders). All clinics are mixed animal clinics, with most of their revenues derived from rapidly expanding companion animal services. These acquisitions are expected to add \$8.3 million in pro-forma annualised revenue to Apiam.

Apiam's revised greenfields program, with a greater focus on the scale-up of costs, also delivered strong outcomes for the Company. In H1 FY23 revenue growth in greenfields clinics (opened across FY21 - FY23 YTD) was 31% vs PCP, with operating costs reduced by 7.3% for these clinics in the same period.

In H2 FY23, Apiam plans to focus on the delivery of integration benefits and growth synergies from recent acquisitions in order to maximise free cash flow generation. The Company's acquisition pipeline remains strong with phasing of future acquisitions to reflect optimisation of capital resources and cash flow.

### **FY23 YTD trading (to 31 January 2023)**

Veterinary services revenues continue to grow into early H2 FY23 as demand for pet care continued to be resilient and non-discretionary.

Following revenue phasing impacts that affected the dairy & mixed animal segment in H1 FY23, Apiam delivered strong earnings leverage in January with double-digit like-for-like Group revenue growth recorded for January 2023 (vs January 2022).

Average Transaction Values also continued to increase driven by consumer demand for high standards of animal care.

Underlying EBITA for FY23 Jan YTD (being the seven months to 31 January 2023) increased 42.0% compared to PCP, with underlying EBITA margins growing to 7.8% (up from 6.9% in FY22 Jan YTD).

### **Outlook & strategy**

Apiam's financial and operational progress during H1 FY23 provides strong momentum for FY23 and beyond.

Revenues and earnings from the Company's dairy & mixed animal segment are expected to continue to perform strongly as they have over recent periods. The financial performance of Apiam's beef feedlot and pig segments is expected to rebound in-line with industry forecasts.

Dr Chris Richards, Apiam's Managing Director said "our operational focus for FY23 is now the integration of recent acquisitions made over the past 12-months and to leverage additional opportunities for synergies. We see opportunities to deliver greater organic growth across the business and strong early trading in H2 FY23 is supportive of this trend".

Delivering greater improvements in operating earnings margins and maximising free cash flow generation remains a key priority for Apiam's Management team.

### **H1 FY23 results investor webinar**

Investors are invited to join a conference call hosted by Managing Director, Dr Chris Richards and CFO Matt White at 9.00am AEDT on Friday 24<sup>th</sup> February 2023.

To access the call please use the zoom link below:

[https://apiam.zoom.us/webinar/register/WN\\_xuKELktmQra1Bv40ARHIJQ](https://apiam.zoom.us/webinar/register/WN_xuKELktmQra1Bv40ARHIJQ)

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**Authorisation**

This announcement was authorised by the Board of Directors 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 73 veterinary clinic sites and 6 ancillary business sites consisting of 314 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.