

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Annual General Meeting 2023 Chair's Address

Bendigo, 23 November 2023

Good-morning ladies and gentlemen and thank-you for joining us this morning at the 2023 Annual General Meeting for Apiam Animal Health Limited.

As a Board, we acknowledge that Apiam's share price movement over the past twelve months has been disappointing.

Although it might be true to say that the share price is due to a multitude of factors, I will only talk today to those that are within our control.

While we had success across many parts of our business over the past year, unfortunately our 2023 earnings were disappointing and did not reflect the potential of the assets that Apiam owns. Increasing wage costs, rising interest rates and an inventory write-down ultimately offset the strong revenue and gross profit growth the Company delivered in FY23.

The disappointing 2023 earnings result is something we, the Apiam Board and Management team, take responsibility for and must rectify.

I want to use this address to outline what we are doing in response to the FY23 result, including a suite of changes, some of which I outline below.

Management is now working far more closely with every clinic and business unit to optimise performance and their contribution to Group earnings.

In June 2023, we finalised a \$2.6 million restructuring and redundancy program and this is having immediate cost benefits.

During the second half of FY2023, we identified three clinics that needed to be restructured to bring their earnings contribution in-line with both our Group targets, as well as the performance metrics being achieved by our high-performance clinics. Whilst this had a short-term negative impact on those clinics in FY23 and into H1 FY24, the actions were necessary to achieve our medium and long-term performance expectations. We are confident that these clinics have sound underlying business fundamentals and continue to have strong earnings potential.

More broadly, trading performance for the Company during July-October 2023 is encouraging, and our Managing Director Dr Chris Richards will take you through this in detail shortly.

Having a portfolio of high-performance clinics that meet our Group earnings margin targets remains our highest strategic priority in FY24 and this is a key performance metric for Management in the year ahead.

Let me now speak to our Accelerated Growth strategy that we initiated in 2022. I will remind you that at that time, Apiam's revenue base was \$126 million, 40% of which was generated by our pigs and feedlot segments, and the central systems and resources that we had invested in were broadly under-utilised.

The main objectives of the strategy were:

- 1) To improve the quality and consistency of Apiam's revenue by increasing the proportion of revenue generated from dairy, mixed and companion animal clinics; and
- 2) To scale our business to the point at which our systems and resources were fully utilised and thereby to substantially improve our earnings margin and our absolute earnings. That is where the target of growing Apiam's proforma revenue to \$300m by the end of FY24 arose.

How are we faring?

With regards to improving the quality and consistency of our revenue stream, we now sit with 79% of our revenue being derived from dairy and mixed animal clinics. We believe this positions us well to capitalise on future growth trends we have identified in these markets.

With regards to scale, our FY23 revenue was \$192 million, up 52% on our FY21 revenue of \$126 million, and we have made two further acquisitions this financial year. Rapid growth by any measure. Chris will speak to some of the benefits we are now seeing in FY24 YTD such as improved operating earnings margin, as a consequence of this increase in our Company's scale.

Having achieved these objectives, your Directors believe that now is the time to shift priority away from this accelerated growth path towards focussing on our organic growth initiatives, including improving clinic performance and sustainable earnings, as I discussed earlier.

As a result, our intention is not to acquire any further clinics this financial year.

Instead, our aim is to maximise our free cash flows and reduce debt.

Our goal is to get back to a position where we can re-commence paying dividends to shareholders.

Before I hand over to Chris, I would like to take this opportunity to reiterate that the Apiam Board believe the underlying business fundamentals of Apiam are strong. Veterinary markets in our core regional and rural markets offer significant growth options.

To close, I thank Apiam's staff for their continued commitment to delivering on our strategies, in what has been an often-challenging year. We have greater milestones to achieve in FY24, and I believe that our team are capable of delivering the improved

performance goals I have outlined today.

Chris will now provide his presentation which will take you through a more detailed review of the Company's performance including a trading update for the first four months of this new financial year.

--Ends--

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Authorisation

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

About Apiam Animal Health Limited

Apiam Animal Health Limited is one of Australia's leading rural veterinary businesses made up of more than 80 veterinary clinic sites and additional ancillary business sites. The Company is supported by a strong team of highly experienced veterinarians and other dedicated professionals, employing more than 1000 employees. Apiam's vet clinics, production animal and allied businesses are spread Australia-wide reaching into many regional towns and fast-growing peri-urban areas.

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 business operations from vet clinics 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.

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Annual General Meeting 2023 Managing Director's Address

Bendigo, 23 November 2023

Good morning everyone and thanks for joining us here today for our 2023 Annual General Meeting.

Today I will provide an overview of our performance over the past year, some updates on our strategic direction, before covering off on the outlook for the Group.

Apiam's Business Today

I wanted to start this morning with a reminder of where the Apiam business is positioned today.

The Company has evolved significantly since we listed in late 2015, where we were predominantly a veterinary business servicing intensive and other livestock with around 25 locations.

As at today we have 80 clinics around most states of Australia and employ 365 clinical veterinarians. Over 80% of our clinics derive more than half of their revenues from companion animals.

Our overall Group revenue mix is now heavily weighted to the dairy & mixed animal segment, with these animals delivering 79% of FY24 YTD revenues. Our intensive animal business is still also very important to us, and as a rural veterinary provider remains integral to our service offering. It currently accounts for around 21% of our Group revenues.

Performance Update

Turning to some of our key performance trends this year. Our dairy & mixed animal segment has continued to drive solid and resilient business growth and was the key driver of our revenue performance in the twelve months to 30 June 2023. Underlying demographic drivers in regional and peri-urban locations continue to support growth in animal numbers and we target those key markets with strong growth profiles.

I am also pleased to report that our beef feedlot segment has performed very strongly over the past few months, as El Niño weather conditions are increasing animal numbers across Apiam's client base. I will touch on our segment performance further as we progress through the presentation.

Our acquisition program which has slowed in FY24, but which saw us announce 7 acquisitions last year is delivering above industry-average revenue growth in these clinics and I'll talk to this more later.

We advised in August 2023 that we had executed a cost saving redundancy & restructuring program and that Management are working closely with clinics to ensure they are meeting our Group targets. We are seeing the early results of this with improved operating margins in FY24 YTD trading and expect further improvements to come as we progress through the financial year.

Revenue for the four months July to October 2023 grew 14.2%, compared to the same period last year and Underlying EBITA grew 15.9%, as earnings margins improved.

FY23 Results Snapshot

I will now take you through a summary of our performance for the twelve months to 30 June 2023 before I take you through the Company's more recent trading performance.

Apiam's revenue remained resilient, in spite of what was a challenging economy for many businesses, growing 22.6% on a reported basis. This was driven by growth in the Company's dairy & mixed animal segment and the impact of our acquisition program. This segment delivered like-for-like (LFL) revenue growth of 4.9% in FY23.

Our earnings performance in FY23 while strong at the gross profit level, was impacted by growth in wage costs reflecting the recruitment of higher skill-set veterinarians in the first half, the broader inflationary environment as well as the full year impact of the business support required following the accelerated rate of acquisitions over the past three years. Apiam's business support network costs did however decline by 1.9% in H2 FY23 (vs the first half) as the scale of the acquisition program slowed and this has continued to fall into FY24.

Rising interest rates over the past 12 months, as well as increased borrowings to fund strategic acquisitions in H1 FY23, increased Apiam's finance costs to \$3.8 million, up from \$1.6 million in the prior year. This had a negative impact on the Company's underlying NPATA performance.

Additionally, Apiam's NPAT was impacted by a one-off provision for inventory, which was reflected as a \$1.7 million non-cash expense (post-tax basis). This was a one-off event and we do not expect this to reoccur in FY24.

The disappointing 2023 earnings results is something as a Management team we take responsibility for and are working hard to rectify, with a focus on cost control and working more closely with clinics to improve margins.

FY24 YTD Trading

Now I would like to take you through our more recent performance in the first four months of this financial year between July and October. Our reported revenue for this period grew 14.2% and gross profit was up 17.2%.

As previously mentioned, we focused on operating cost control to improve earnings leverage across the Company and are seeing early-stage results with underlying EBITA up 15.9%.

Our operating expenses grew minimally at 0.6% on a like-for-like basis compared to the PCP, a result we believe is very strong given the current inflationary environment.

The redundancy & restructuring program we undertook in June is playing a part here as well, as is Management's focus of working with individual clinics where required to increase their margin performance in-line with Group targets.

Further opportunities remain in this area and we expect to see further improvements as the year progresses.

Dairy & mixed animal segment

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

Following the significant acquisition activity over FY22 & FY23, this segment accounts for approximately 79% of Apiam's revenue, a significant increase from the 60% revenue contribution this segment made only two years ago.

The dairy & mixed animal segment is a segment that is characterised by lower cyclicalities and resilient revenue streams. It also has strong growth potential in the regional growth corridors that we target.

In FY24 YTD, Apiam's dairy & mixed animal revenue grew by 18.0% on a reported basis and 1.7% on a like-for-like basis excluding the three clinics in the midst of restructuring that Andrew referred to earlier. While this is not as high as some of our like-for-like growth in prior periods, this impact is not unexpected across the industry as new pet ownership returns to normalised levels following COVID-related highs, and the veterinary input across the life stages of these young pets hits the lowest part of the life stage cycle. So, these organic growth rates are coming off a very high base.

Our average transaction value continues to increase, and the graph on the right shows this trend across companion animals since 2021. As at the end of current period FY24 YTD, our average transaction value increased 11.2% compared to the same time last year.

The success of our Best Mates and ProDairy subscription programs have also supported revenue growth, with a 17.6% increase in Best Mates member subscriptions and a 20.7% uplift in ProDairy revenues in FY24 YTD compared to the same period last year.

Feedlot & pig segment

Turning to the more intensive animal segments of beef feedlot and pig veterinary services. These segments have faced underlying structural industry challenges over the past few years, however in the case of the beef feedlot segment we are now seeing conditions improve considerably. El Niño has led to increasing numbers of cattle going to feedlot as there is less availability of pastures, and feeder steer prices are offering favourable opportunities for clients. Export markets are also strengthening.

These factors have led to the combined pig and feedlot segment revenue growing 1.5% in FY24 YTD, driven by the beef feedlot performance. The blue graph in the middle gives some context around this and shows the feedlot month-to-month revenue growth compared to the same month last year. September and October show significant increases in revenue and this trend is expected to continue into H2 FY24.

The pig segment whilst recovering from the impacts of Japanese Encephalitis continues to be impacted by broader industry forces. Our focus in this segment is to improve margins through unique products and trend to higher value veterinary and production consulting services.

Acquisition program update

I would now like to provide an update on our acquisition program.

We announced 5 acquisitions in FY23 and completed a further two this financial year since July. These are shown on the map on the right – as you can see, they are located in a variety of states including WA and along various fast-growth East Coast regional hubs.

Pleasingly, these acquisitions are all tracking well under Apiam's ownership and have delivered an average revenue growth rate of 7.0% over July-October 2023 compared to the same period last year.

It is evident that with many of our recent acquisitions, revenue synergies are being quickly generated by aligning prices for services and products to our Company standards as well as rolling-out our Best Mates subscription offering to a new client base.

Our focus in FY24 is to now extract further synergies from acquisitions and ensure they are

tracking in-line with our Group earnings margin targets.

We are also now slowing down the rate of our acquisition program in order to maximise our free cash flows and as a result it is our intention not to acquire any further clinics this financial year.

Apiam attracting regional vets

As with all healthcare providers, workforce retention and quality is at the core of our business performance. Over FY23 we have made great strides in attracting veterinarians to the regions and have led the industry with some innovative employment focused programs to attract and retain talent.

We are now also seeing changing labour market dynamics, influencing the availability of vets. This is leading to a greater pool of candidates to choose from which helps us maintain a high-calibre workforce.

In FY23 we introduced the “Your Vet Career, Your Way” program, which focusses on employee driven flexibility around career pathways, flexible workplace practices and locations to meet lifestyle preferences. We continued our Vetriage™ program which has reduced after-hours calls to veterinarians by >70%, with non-critical care being handled by our virtual team of experienced veterinary nurses. We also introduced a student debt (HECS) reduction program which has seen very high interest since its launch in May. Despite the program closing at the end of this month, we have already awarded several places to high quality applicants.

Overall, we believe our innovative employee-focused offerings have resulted in Apiam having a much greater share of our veterinarian workforce in full-time employment (66%), versus the industry average of 50%, as reported at the recent Australian Veterinary Association conference.

We believe that this is being achieved because of our ability to offer flexible workplace practices where approximately 80% of our veterinarians are opting into our flexible workplace programs

Our growth strategy

Despite some of the cost and inflationary challenges faced in FY23, our commitment to building out our growth strategy framework remains ongoing.

Providing best-practice and high-quality animal care for our clients, communities and their animals remain the cornerstone of our business.

I won't talk to all of these initiatives rather just a few highlights.

I'll start with the base pillar – our People. This is the foundation of our business and is the driver for many of the initiatives I outlined on the previous slide and that ensure Apiam remains an employer of choice.

We continue to lead the veterinary market in fostering gender diversity and family friendly workplace programs and employ in excess of 72% female veterinarians across our business, with 62% of senior management & clinic leadership positions also being held by women. We have implemented a “Bee Well, Bee Safe” program dedicated to workplace safety and mental health.

Our ability to offer and fund ongoing learning & development through specialised training courses and sharing of knowledge across our Company, in our view, is unmatched in the rural and regional veterinary workplace.

From a community perspective we are a big believer in supporting grass-roots community organisations, which are very important in the regional towns in which we operate. This year we have also been focused on reducing our environmental footprint and during the year have implemented several initiatives including a Precision Waste Management Program to reduce

landfill waste by 75% at head office and we are in the process of replacing polystyrene with wool insulated boxes. These are just two of many sustainability initiatives that are ongoing.

For our customers, we seek to expand services, offer best-practice standards of care and support the provision of these through team-based consulting, innovative use of technologies including customer centric apps, and other initiatives.

Outlook

To finish and looking ahead for FY24.

We remain confident in the resilient nature of our non-discretionary vet business, supported by the essential nature of the animal healthcare services we provide.

The strengths and benefits of our business model, particularly our expansion over the past three years into the resilient dairy & mixed animal segment places us well to continue to deliver strong revenue outcomes in the year ahead. We continue to lead the market in attracting high-calibre vets given what we can offer in terms of development and training opportunities, flexibility and support.

From an earnings perspective, we are making progress but still have work to do. Management are working with clinics on an individual basis to drive revenue growth, better extract cost savings and enhance workflow synergies to meet our individual clinic earnings margin targets.

It is our intention not to acquire any further clinics this financial year as we focus on maximising free cash flows and reducing debt over FY24.

Apiam has strong fundamentals and I thank you for your continued support as we continue to strive towards delivering our shareholders improved financial results.

--Ends--

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Authorisation

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



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Managing Director's Address

Annual General Meeting

23 November 2023



APIAM'S BUSINESS TODAY

80

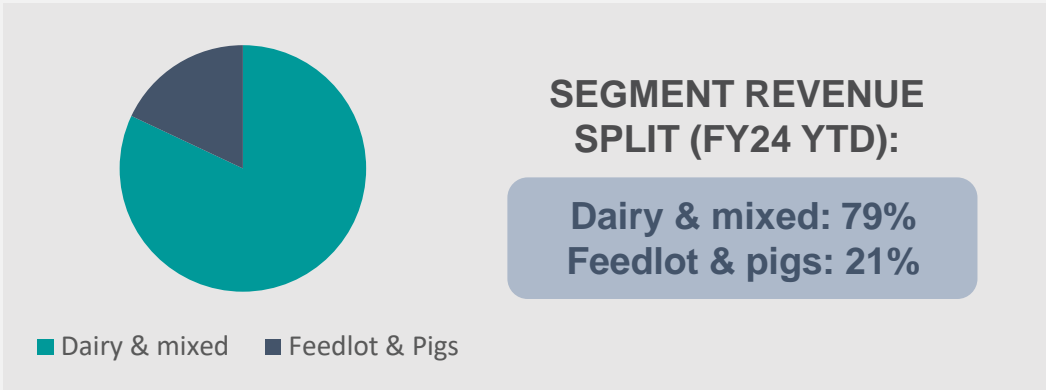
Veterinary clinics

365

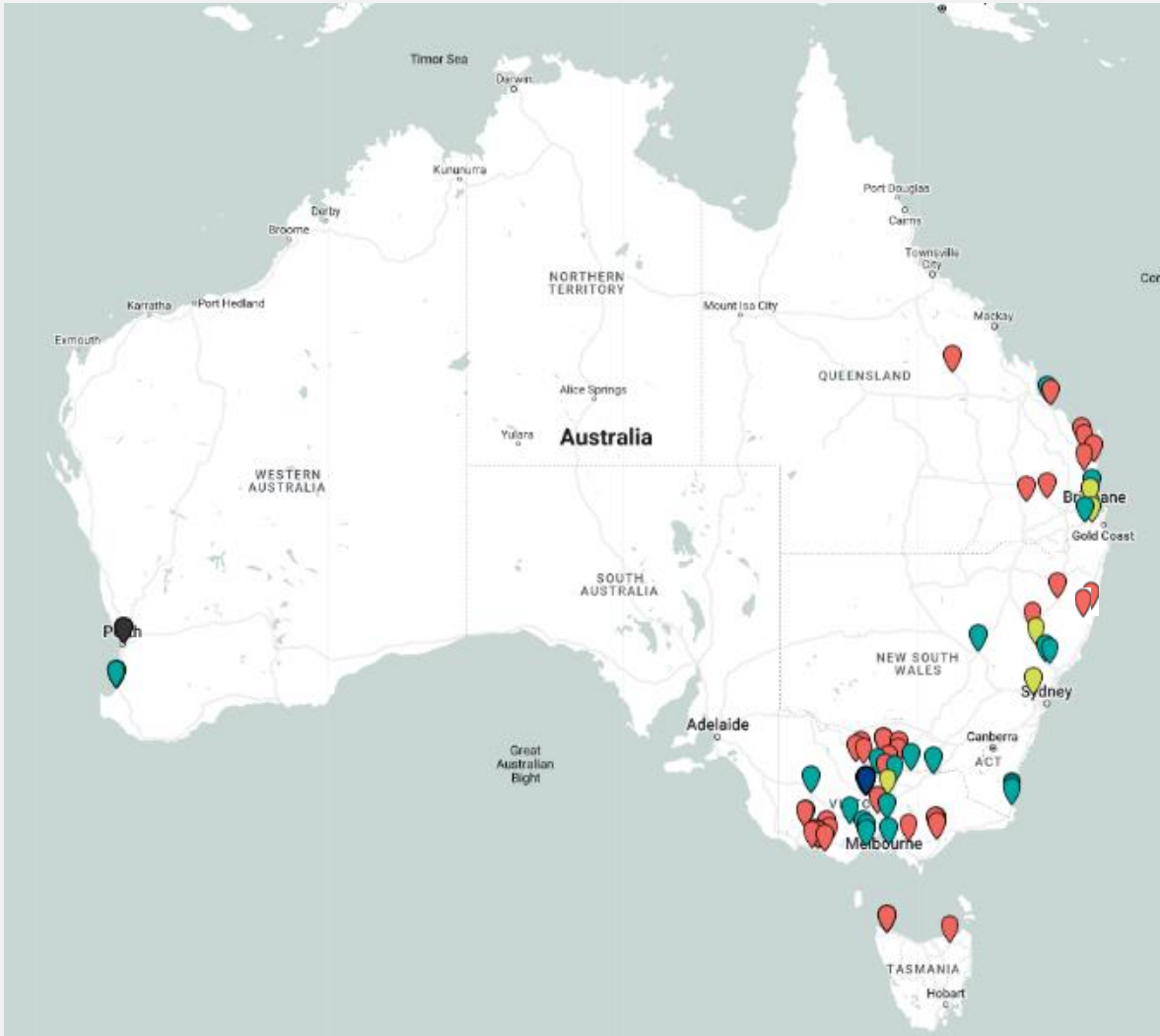
Clinical veterinarians

~83%

Clinics with 50%+ pet revenue¹



| Clinic location summary ^{1,2} | # |
|--|----|
| Victoria | 38 |
| Queensland | 19 |
| NSW | 16 |
| Tasmania | 3 |
| Western Australia | 4 |



Companion Practice

Mixed Practice

Equine

Production Animal

Ancillary Services

Notes:

1 Excluding 100% equine dedicated clinics

2 Some locations have several clinics or businesses providing veterinary or ancillary services

PERFORMANCE UPDATE

- » **Dairy & mixed animal segment** continues to drive resilient business growth; accounts for 79% of Group revenues¹
- » **Beef feedlot performance** significantly improved from prior years as benefits from El Niño weather conditions increase animal numbers
- » **Acquisitions executed in FY23** performing strongly under Apiam's ownership
- » **Cost-savings programs** implemented across the business delivering improved earnings margins
- » **FY24 YTD trading (Jul – Oct 2023)** : +14.2% revenue growth, +15.9% EBITA² growth vs PCP



Notes:

¹ Based on FY24 YTD financial estimates (unaudited & preliminary)

² Underlying EBITA is a non-IFRS measure and excludes one-off acquisition, integration & restructuring costs

FY23 RESULTS SNAPSHOT



Revenue

\$192.8M

+22.6% vs FY22



Gross profit

\$125.3M

+28.6% vs FY22



EBITA (underlying)¹

\$12.8M

+11.6% VS FY22



NPATA^{1,2}
(underlying)

\$6.4M

(9.6)% vs FY22

Operating
cash flow

\$17.4M

+15.7% vs FY22

- Dairy & mixed animal segment delivered 4.9% LFL growth in FY23
- NPATA impacted by increased wage & finance costs as well as one-off non-cash inventory write down (\$1.7 million post-tax impact)
- Redundancy & restructuring program executed in June 2023 (expected to save \$2.6 million in FY24)

Notes:

1. Underlying earnings are non-IFRS measures and exclude one-off acquisition, integration & restructuring costs (tax effected where applicable at NPAT level)

2. Before amortisation (tax effected)

FY24 YTD TRADING

| \$M ¹ | FY24 YTD (Jul-Oct) | FY23 YTD (Jul-Oct) | % chg |
|---------------------|-----------------------|-----------------------|-------|
| Revenue | 69.8 | 61.1 | 14.2% |
| Gross profit | 46.9 | 40.0 | 17.2% |
| Gross margin | 67.2% | 65.5% | |
| EBITDA (underlying) | 8.5 | 7.1 | 19.6% |
| EBITA (underlying) | 5.5 | 4.7 | 15.9% |

- Revenue growth being driven by **dairy & mixed animal** and **beef feedlot** segments
- Actions have been implemented to reduce operating expense growth and to increase earnings margins
 - strong containment of operating expense growth; +0.6% on LFL basis² (despite inflationary environment)
 - savings from restructuring & redundancy program in June 2023 flowing through
 - additional opportunities remain to increase margin performance of clinics in FY24



Notes

- ¹ Preliminary and unaudited estimates. Underlying is before one-off costs
- ² LFL includes adjustment for acquired clinics that have not been owned for a full 12-months in the current period or PCP period

DAIRY & MIXED ANIMAL SEGMENT

FY24 YTD (VS PCP)

+18.0%

Reported dairy & mixed
segment revenue
growth

+1.7%

LFL segment revenue
growth (excl.
restructured clinics)¹

+11.2%

Avg. transaction
value²

+17.6%

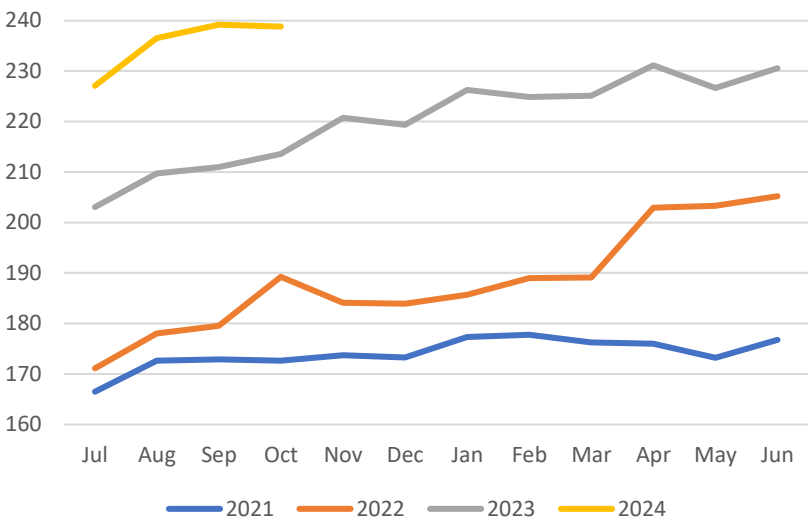
Best Mates member
growth

+20.7%

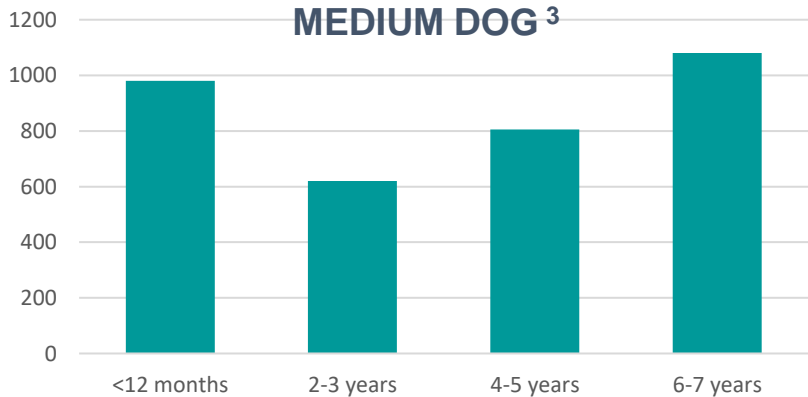
ProDairy revenue
growth

Focus on extracting
further growth and
margins on the
clinics

AVERAGE TRANSACTION VALUE (\$) (COMPANION ANIMALS)¹



INSURANCE COVER PREMIUMS – MEDIUM DOG³



For COVID-19 pets, veterinary costs currently in lowest phase of the pet life cycle (reflective of phasing of pet insurance premiums)

Notes:

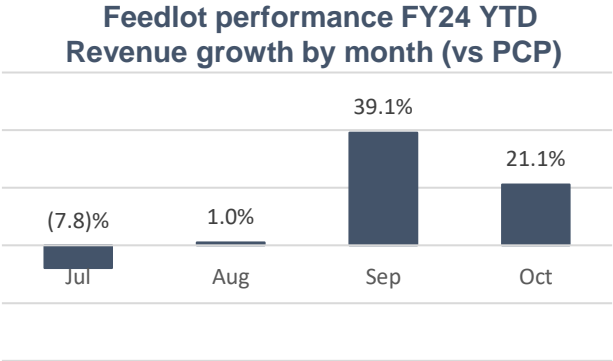
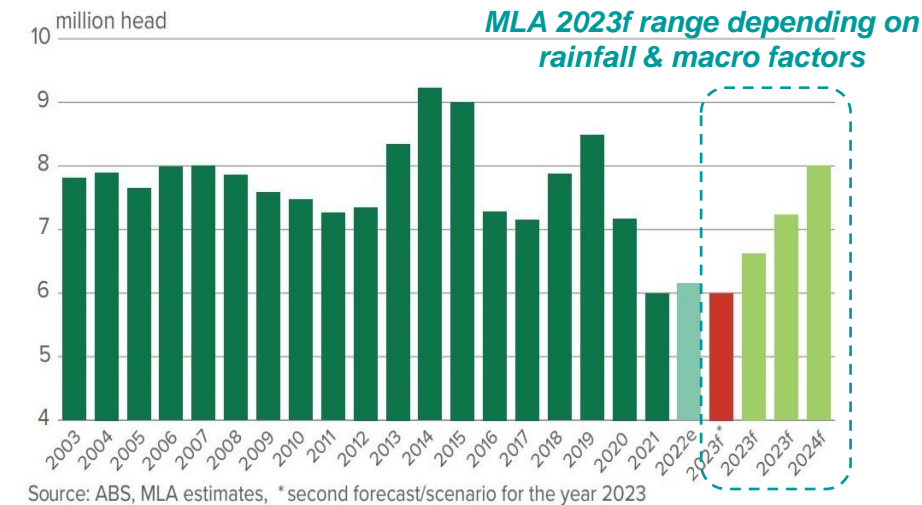
- 1 LFL refers to like-for-like (or ex-acquisition performance) and adjusted to exclude acquisitions executed in FY24 YTD and FY23. Excludes three clinics currently undergoing significant restructure
- 2 Average transaction value for companion animals (excludes recently acquired clinics not yet on Apiam's Practice Management System)
- 3 Vets Choice Elite Insurance Cover. <https://vetschoice.guildinsurance.com.au/compare-pet-insurance#compare-vc>

FEEDLOT & PIG SEGMENT

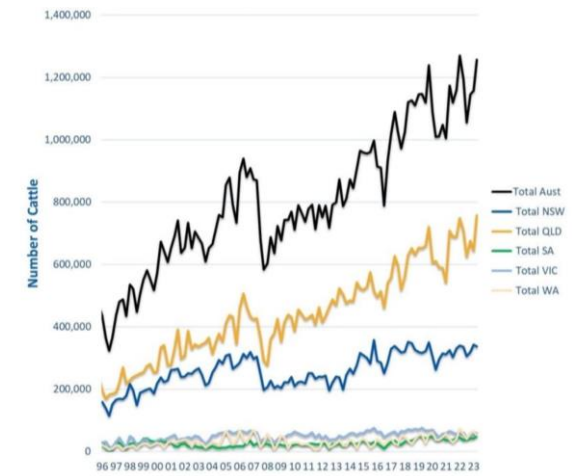
Beef feedlot has been delivering improved growth since H2 FY23 as industry conditions strengthen

| Pig + Feedlot revenue performance (year-on-year) | % chg. |
|--|--------|
| FY22 | (6.5)% |
| FY23 | (4.1)% |
| FY24 YTD | +1.5% |

National adult cattle slaughter



Cattle numbers on feed



INDUSTRY COMMENTARY



Beef feedlot

- El Niño conditions now underway in Australia
- National beef herd at 28.7m head, largest size since 2014¹
- Number of cattle on feed increased 8.5% in June 2023 quarter (vs March quarter) and remained stable in the September quarter^{2,3}
- Grain fed beef exports increasing across all major overseas markets³

Pigs

- Pig numbers recovered in H2 FY23 from 2022 Japanese Encephalitis effects
- Trend to higher value veterinary services
- Focus on bringing new vaccine and unique pharmacological products to market

1. <https://www.mla.com.au/prices-markets/Trends-analysis/cattle-projections/>
2. https://www.feedlots.com.au/files/ugd/5bcc7b_fef17fd516d54ebfab5823cd334a277d.pdf
3. <https://www.feedlots.com.au/post/numbers-on-feed-remain-steady-1>

ACQUISITION PROGRAM UPDATE

- Recent acquisitions performing strongly
- Immediate revenue synergies being achieved:
 - Alignment of pricing for services and products
 - Implementation of Best Mates program across new clinics
- Extracting further cost synergies to improve clinic earnings contributions is key Management focus for FY24
- No further clinic acquisitions expected in FY24

FY23 & FY24 YTD acquisitions¹ (scale is approximate)



+7.0% Average revenue growth
FY24 YTD (Jul-Oct)

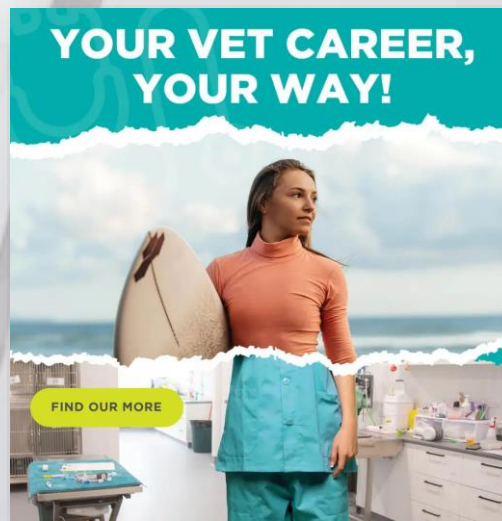
Notes:

1 Acquisitions announced in this period

APIAM ATTRACTING REGIONAL VETS

Supported through strong value proposition

- Veterinary workforce continues to expand to meet a growing market – AHX value proposition attracting vets to the regions (FY23 +15% net on departs)
- Further favourable changes in labour market conditions in first 4 months FY24
- Compressed working weeks – ~80% of Apiam vets on flexible workplace programs
- Your Vet Career, Your Way!
 - recruitment program focussed on flexibility around career and lifestyle choices
- Tele-triage (Vetriage™) to prioritise emergencies (reduces after-hours and weekend calls to veterinarians by >70%)
- Student debt (HECS) reduction program – very strong interest since launch



Apiam Rural Veterinary Support

Student Debt Reduction Program

- ✓ Experienced and recent grad vets apply!
In rural locations across VIC, NSW, QLD and TAS.
- ✓ Our aim is to support employment and retention of vets across our network of clinics.
- ✓ Total of 10 placements on offer at specific Apiam locations!
- ✓ Eligible participants receive up to a total of \$68,800.
Over 4 years, paid in instalments at the end of each 12-month period at participating clinics.

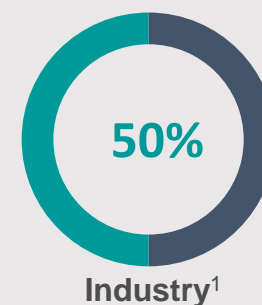
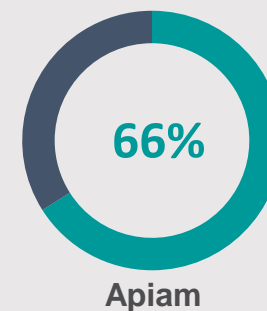
Applications open now and close 30 November 2023 unless filled prior! We recommend early application as places are limited.

Attending the AVA conference in Adelaide? Meet our team at stand 14 for a chat!

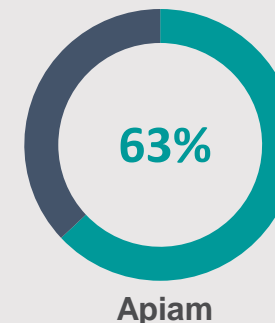
Apiam animal health

UNIQUE VETERINARIAN WORKFORCE DYNAMICS LEVERAGING SKILLSETS

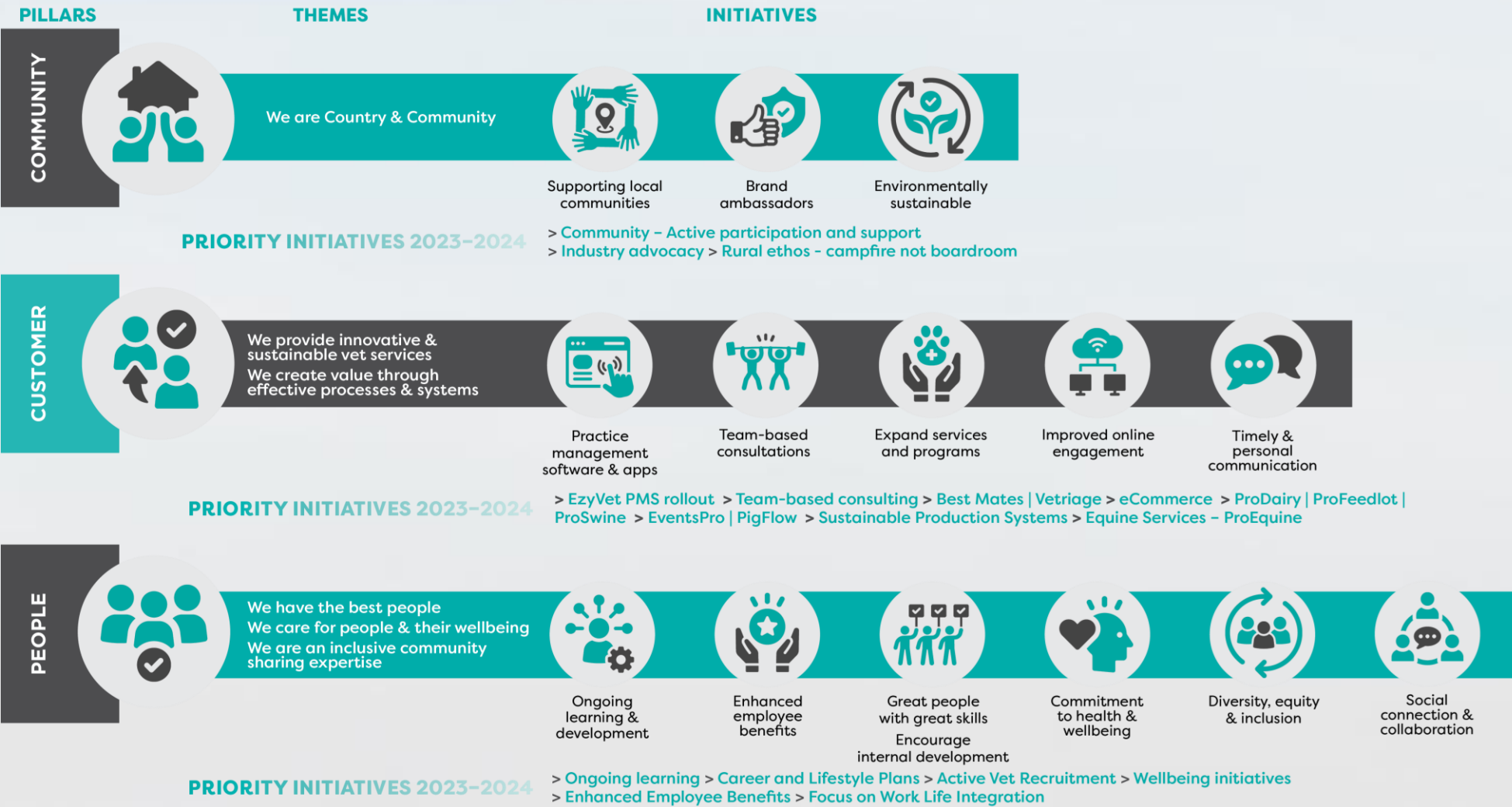
Full-time veterinarians as % of total vet workforce



Female full-time veterinarians as % of total female vet workforce



OUR GROWTH STRATEGY





OUTLOOK

Looking ahead in FY24

- Revenue opportunities remain strong as demand for non-discretionary veterinary services remains resilient and growing in rural and regional locations
- Changes in labour market dynamics & Apiam's Flexible Workplace Offering delivering higher levels of recruitment of veterinarians to regional and rural areas
- Operating earnings margins expected to continue to improve into FY24
 - High Standards of Care continues to drive up Average Transaction Values
 - Additional cost savings from redundancy & restructuring program to flow through
 - Further efficiencies being identified at clinic level to increase margins
 - Leveraging of synergies from integration of previous acquisitions
- No further clinics expected to be acquired in FY24 in order to prioritise free cash flow generation and reduce debt

Disclaimer

DISCLAIMER

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Board Authorisation

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