

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Focus on operating leverage drives 23.2% earnings growth

- Strong underlying EBITA growth +23.2% (vs PCP)
- Veterinary business model supporting resilient revenue +6.2% in FY24
- Operating leverage & synergies extracted across Business Support Network and Clinical Vet Services
- Underlying NPATA +12.3% (vs PCP) despite +\$1.7M finance cost impact
- Strong cash flows applied to debt management & organic growth initiatives (net debt as at 30 Jun 2024 of \$66.8 million vs \$71.1 million as at 31 Dec 2023)
- Strong outlook for earnings growth in FY25 as strategic changes implemented in FY24 have a full annualised impact
- Final FY24 dividend of 1.0 cps

Bendigo August 23, 2024— Apiam Animal Health Limited (**Apiam** or the **Company**) today released its financial results for the twelve-months ended 30 June 2024 (FY24).

Apiam delivered resilient revenue growth and improved earnings margins through a strategic plan to focus on delivering improved outcomes from the existing business portfolio, cost savings as well as pursuing organic growth opportunities.

A summary of the Company's FY24 audited financial results are provided below.

FY24 financial summary¹

\$M	FY24A	FY23A ²	% chg.
Revenue	204.8	192.8	+6.2%
Gross profit	137.3	125.3	+9.6%
EBITDA (underlying) (pre AASB 16 adjustments)	20.3	16.6	+22.3%
EBITA (underlying)	15.8	12.8	+23.2%
NPATA (underlying)	7.2	6.4	+12.3%
NPAT (reported)	4.9	2.3	+116.5%

Notes

1. Underlying earnings are non-IFRS measures and exclude one-off acquisition & integration expenses comprised of restructuring costs - employee benefit expenses (FY24: \$666K vs FY23: \$315K) and other operating expenses (FY24: \$428K vs FY23: \$442K). These costs have been tax effected where applicable at the NPATA level
2. FY23 underlying figures excludes one-off revenue adjustment for deferred revenue relating to prior years +\$920K, reversal of income from earn-out no longer payable \$(190)K and inventory write-down expense of \$2.4M

The Company's revenue in FY24 grew 6.2% to \$204.8 million (FY23: \$192.8 million) supported by a strong revenue performance in Apiam's beef feedlot business as well as acquisitions executed early in the first half of FY24.

Gross profit increased 9.6% to \$137.3 million in FY24 vs the prior comparable period (pcp), with the Company's gross margins increasing to 67.0% in FY24 from 65.0% over this time. The focus on the provision of higher value products and consulting services across all segments of the Group drove this result.

Operating earnings also grew strongly in FY24 with underlying EBITA increasing to \$15.8 million, an increase of 23.2% on pcp. Underlying EBITA margins increased to 7.7% (FY23: 6.7%) as cost synergies were extracted across Apiam's business support network and Clinical Vet Services segment.

Underlying NPATA grew 12.3% in FY24, after accounting for the impact of higher finance costs (\$5.5 million in FY24 vs \$3.8 million in FY23). Reported NPAT grew 116.5% to \$4.9 million (FY23: \$2.3 million) with this growth trend reflective of the impact of \$2.4 million of inventory write-down expense incurred in FY23 associated with sanitiser and surface protectant products.

Segment performance

- *Clinical Vet Services segment (formerly Dairy & Mixed Animal segment)*

This segment is made up of a network of 66 veterinary clinics and operates under a business-to-consumer (B2C) model.

Reported revenue growth for the Clinical Vet Services segment was 7.4% in FY24 and on a like-for-like¹ basis was (1.6)% vs pcp (with like-for-like results excluding four clinics which have been restructured over FY24). While this like-for-like growth was below prior period trends, this impact is in-line with Company expectations following COVID-related peaks in new pet ownership, and the fact that veterinary input across the life stages of COVID pets hits the lowest part of the life-stage cycle at 2-3 years.

The Company continues to deliver growth in many important areas with 32.4% reported growth in its Best Mates annual subscription members over FY24.

This segment accounted for 78% of the Company's revenues in FY24.

- *Beef Feedlot & Pigs segments – Intensive Animal Vet Services*

Apiam's Beef Feedlot & Pigs segments service commercial feedlot & piggeries around Australia via a business-to-business (B2B) model.

Apiam's technology and data analytics offering are a key driver of the veterinary consulting, product & services offering provided to commercial Intensive Animal Vet clients. In FY24, revenues in these segments grew 2.3% vs pcp as industry conditions improved after a challenging few years. The beef feedlot segment has experienced strong revenue growth since Q2 FY24.

Apiam's Beef Feedlot & Pigs segments made a strong profit contribution to the Group in FY24 as the Company's increasing use of data-lead veterinary & production consultancy services have driven improved margins.

These segments accounted for 22% of the Company's revenues in FY24.

¹Like-for-like refers to ex-acquisition performance and adjusted to exclude acquisitions that have not contributed a full 12-months of trading in FY24 or FY23.

Business initiatives - cost-saving programs

As part of Apiam's FY24 strategy to optimise the performance of its veterinary clinics and leverage cost savings, Apiam transitioned to a new vet-supported clinic management model. This model has been designed to foster increasingly agile and timely clinic decision making and has helped to improve Apiam's margins and profit growth performance in FY24.

The move to a vet-supported clinic management model led to a redundancy and restructuring program to reduce non-veterinary positions. This process was undertaken in June 2023 and December 2023. Savings from this program have been realised in the Company's Business Support Network and within the Clinical Vet Services segment with further annualised benefits to be realised in FY25.

Significant restructuring has been required in four veterinary clinics and this has resulted in a short-term reduction to revenue and negatively impacted Clinical Vet Services profits in FY24. Changes to the leadership and senior veterinary teams in these clinics are now complete and the clinics are focussed on streamlining operations and ensuring sufficient capacity to meet historical revenue demands in their local markets.

Overall, Apiam's operating expenses on a like-for-like basis fell 2.5% in FY24 vs pcp, a strong result given the inflationary environment over the period.

Acquisitions

Apiam slowed the pace of its acquisition program in FY24, with two acquisitions completed – Boyne Tannum Vet Surgery and Macleay Valley Veterinary Services – both settled in the first quarter of FY24. The total cash consideration for acquisitions completed in FY24 was \$6.3 million, down from \$32.5 million in FY23.

Acquisitions made since 1 July 2022 have performed strongly under Apiam's ownership, delivering average revenue growth of 4.5% in FY24.

Dividend

Apiam's Board of Directors reinstated its dividend program in February 2024 in light of the Company's strong cash flow generation and the slower pace of the acquisition program.

The Board has declared a final dividend of 1.0 cent per share. The record date for the final dividend is 29th August 2024. Apiam's dividend reinvestment policy will be in place in respect of the final dividend.

Outlook

The outlook for veterinary services in rural and regional Australia remains resilient.

Exposure to a diversified customer base through Apiam's Clinical Vet Services and Intensive Animal Vet services model delivers many opportunities for growth. In the year ahead, the Company plans to leverage its investment in new product technologies to drive growth across its commercial pig & beef feedlot customer base.

Further synergies are expected to be extracted from the Company's clinic portfolio in FY25. The ramp-up of greenfield clinics as well as the four clinic locations where significant business restructuring has been undertaken, will add further growth opportunities in the year ahead.

In FY25, Apiam plans to apply surplus cash flows to a combination of debt management and growth initiatives. The Company continues to monitor the market for strategic acquisitions, subject to return on capital thresholds.

FY24 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 AEST on Friday 23rd August 2024.

To access the call please use the zoom link below:

https://apiam.zoom.us/webinar/register/WN_cXBp3WqcS0-d7EZ04kskjQ

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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 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 staff. 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.