

Apiam Animal Health FY24 Results Presentation

23 August 2024





Earnings growth strategy executed to plan

- **Diversified veterinary business model supporting resilient revenue performance**
- **Operating leverage & further synergies extracted from acquisitions**
- **Earnings growth driven by improved operating model and clinic efficiencies**
- **Strong cashflows applied to debt management, resumption of dividend & organic growth initiatives**



FY24 FINANCIAL SNAPSHOT

Revenue¹
\$204.8m
+6.2% vs pcp

Gross profit
(underlying)¹
\$137.3m
+9.6% vs pcp

EBITDA
(underlying,
pre AASB 16)^{1,2,3}
\$20.3m
+22.3% vs pcp

EBITA
(underlying)^{1,3}
\$15.8m
+23.2% vs pcp

NPATA
(underlying)^{1,3}
\$7.2m
+12.3% vs pcp

Operating cash
flow
\$18.9m
+8.5% vs pcp

Final dividend
1.0 cps
in-line with
H1FY24

Notes:

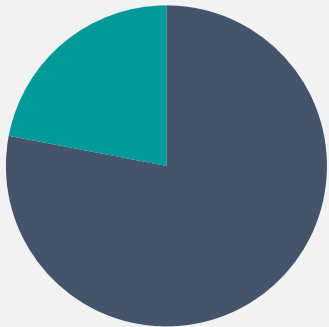
1. Underlying earnings are non-IFRS measures and exclude one-off acquisition, integration & restructuring costs (tax effected where applicable at NPAT level). Growth rates based on FY23 financials that exclude one-off revenue adjustment for deferred revenue relating to prior years +\$920K, reversal of income from earn-out no longer payable \$(190)K and inventory write-down expense of \$2.4M
2. EBITDA after adjusting for lease expense (pre AASB 16 lease adjustments)
3. Earnings are also presented on a pre-amortisation basis to provide a more accurate reflection of Apiam's operational performance by excluding the effects of acquired intangibles asset amortisation expense

LEADING REGIONAL VETERINARY MARKET PRESENCE

80 clinics + 330 veterinarians

Clinic location summary¹

	#
Victoria	38
Queensland	19
NSW	16
Tasmania	3
Western Australia	4

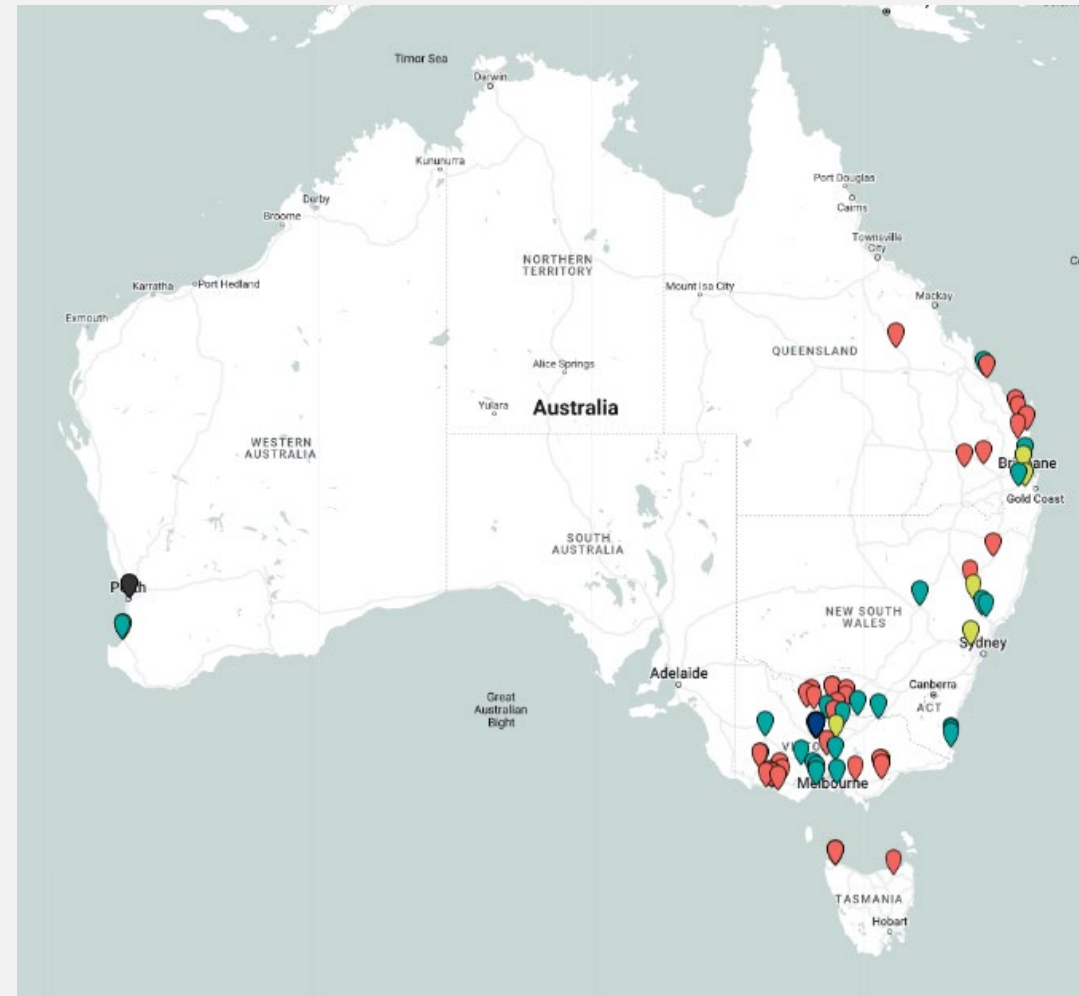


BUSINESS SEGMENT REVENUE SPLIT (FY24)

Clinical Vet Services: 78%
Intensive Animal Vet Services: 22%

■ Clinical Vet Services ■ Feedlot & pigs (Intensive)

📍 Companion Practice
 📍 Mixed Practice
 📍 Equine
 📍 Production Animal
 📍 Ancillary Services



Notes:

¹ Some locations have several clinics or businesses providing veterinary or ancillary services

DIVERSIFIED VETERINARY BUSINESS MODEL



CLINICAL VET SERVICES

B2C

- Formerly named Dairy & Mixed Animal segment
- Companion & mixed animal veterinary clinic services
- Business-to-Consumer model (B2C)
- 78% of FY24 Group revenue



INTENSIVE ANIMAL VET SERVICES

B2B

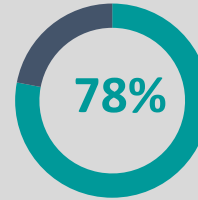
- Includes Beef Feedlot & Pigs segments
- Services commercial feedlot & piggery operators
- Business-to-Business model (B2B)
- 22% of FY24 Group revenue

CLINICAL VET SERVICES - BUSINESS OFFERING

COMPANION & MIXED ANIMAL VETERINARY CLINIC SERVICES

Companion animal / pet, equine & farm services clients

Clinical Vet Services
% of FY24 revenue



B2C
model

- Full-range of veterinary services & products required for animal health & well-being
- Most clinics providing emergency services and procedures typical of referral services
- Serviced via Apiam's extensive clinic network including flagship "Fur Life Vet" brand
- Several dedicated equine-only emergency and specialist referral hospitals
- Offer subscription-based Best Mates wellness program for routine and preventative health services
- Product sales - prescription products (pharmacy) & retail



- | | | | | |
|---------------------------|--------------------------|---------------------|------------------------|--------------|
| → MEDICINE | → SURGERY | → WELLNESS PROGRAMS | → REPRODUCTION | → TELEHEALTH |
| → DIAGNOSTIC LABORATORIES | → PET AND EQUINE DENTALS | → REHABILITATION | → HERD HEALTH PROGRAMS | → PHARMACY |



CLINICAL VET SERVICES - FY24

Resilient revenues with growth trends related to COVID pets in “healthy young adult” stage of life, and expansion of clinic livestock business

Reported segment growth FY24

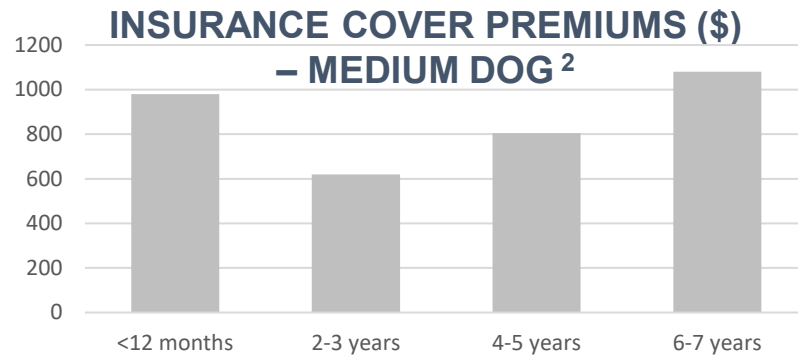
+7.4%

LFL segment growth FY24¹

(1.6)%

Acquisitions (FY23 / 24) revenue growth³

+4.5%



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



- ✓ Resilient revenue despite broader economic and cost-of-living issues
- ✓ Best Mates members +32.4% in FY24
- ✓ Vet-supported management model driving improved earnings margins
- ✓ Ramp-up of 4 greenfield clinics supporting additional organic growth
- ✓ Acquisitions performing strongly
- ✓ ProDairy model continues to expand market penetration

Notes:

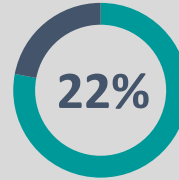
- 1 LFL refers to like-for-like (or ex-acquisition performance) and adjusted to exclude acquisitions that have not contributed a full 12-months of trading in FY24 or FY23. Excludes four clinics currently undergoing significant restructure
- 2 Vets Choice Elite Insurance Cover. <https://vetschoice.guildinsurance.com.au/compare-pet-insurance#compare-vc>
- 3 Average revenue growth n FY24 across seven acquisitions completed since 1 July 2022

INTENSIVE ANIMAL VET SERVICES - BUSINESS OFFERING

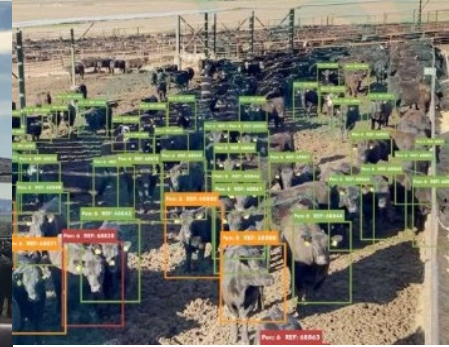
BEEF FEEDLOT & PIGS

Commercial feedlot & pig customers

Intensive Animal Vet Services
% of FY24 revenue

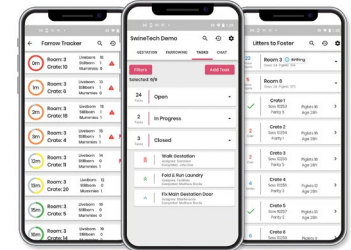
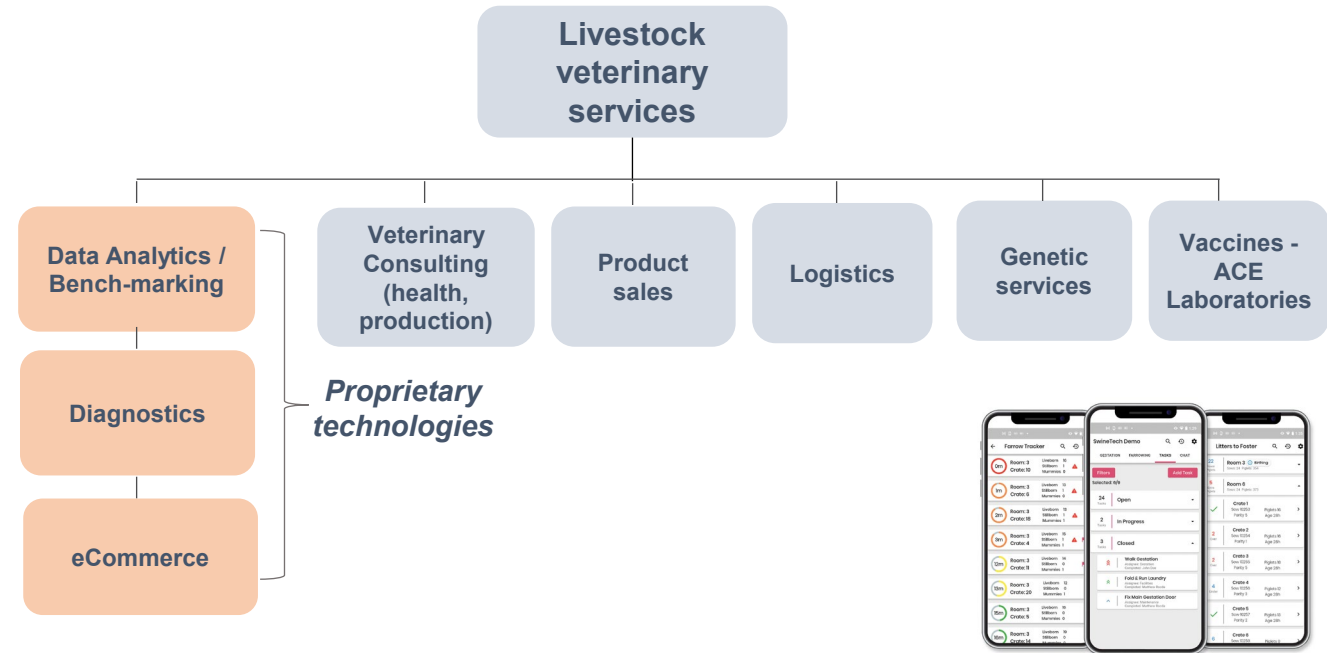


B2B
model



TECHNOLOGY & DATA ANALYTICS DRIVE APIAM'S SERVICE AND PRODUCT OFFERING:

- Veterinary consulting services
- Advanced diagnostics
- Genetics
- Specialised product sales
- Logistics
- Custom vaccines
- Biosecurity





INTENSIVE ANIMAL VET SERVICES - FY24




Transition to data-lead veterinary and production consultancy services driving improved earnings margins

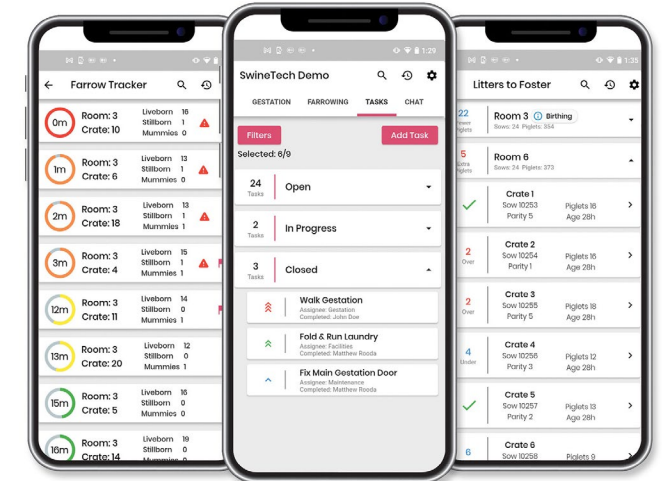
Feedlot + Pigs segment performance % growth vs PCP	FY22	FY23	FY24
Revenue (reported & LFL)	(6.5)%	(4.1)%	+2.3%
Gross profit ¹ (reported & LFL)	1.5%	(5.4)%	+10.1%

Drivers of improved segment revenue in FY24:

-  Improved industry conditions across livestock sectors
-  Beef feedlot segment has experienced strong revenue growth since Q2 FY24

Drivers of improved segment earnings in FY24:

-  Transition to higher value veterinary services in FY24
-  Increased use of data analytics to enhance & grow consulting services
-  New vaccines & product technologies deployed



Notes:

¹ Excludes impact of FY23 inventory write-down expense of \$2.4 million

ACE LABORATORIES DRIVING INNOVATION & GROWTH

Acquisition of ACE Laboratories in FY20 and subsequent investment is driving strong growth opportunities across both Clinical Vet Services and Intensive Animal businesses



Vaccines

- Permit approval of four new vaccines - *Histophilus somni*, *Moraxella sp.*, *Mycoplasma bovis*, *Japanese Encephalitis virus*
- Development of the *Japanese Encephalitis* vaccine in collaboration with La Trobe University
- Next Generation Gene Sequencing technology adopted to enhance vaccine efficacy



Enhanced Intensive Animal Vet business offering

- Antimicrobial Resistance monitoring
- Development and commercialisation of unique diagnostic testing to enhance pathogen detection, epidemiology and vaccine candidates



Integration into Clinical Vet Services

- Clinics leverage offering for disease testing & surveillance
- Expansion of the pasture and grain feed testing services



Current vaccine expansion project underway:

- Victorian State Government *Regional Jobs Fund* awarded Apiam a grant of \$700K to build new vaccine laboratory
- Locally produced autogenous (custom) vaccines to fill a critical gap in Australia's animal health market
- Laboratory planning and construction plans approved
- Adoption of new production technologies
- Modular construction to align with sales growth
- Project expected to complete Jan 2027

FY24 financial summary



FY24 P&L SUMMARY

Underlying

\$m	FY24A	FY23A	Variance	%
Total revenue ¹	204.8	192.8	12.0	6.2%
Cost of goods sold ²	(67.5)	(67.5)	(0.0)	0.0%
Gross profit³	137.3	125.3	12.0	9.6%
Operating expenses	(111.7)	(104.3)	(7.4)	7.1%
Underlying EBITDA⁴	25.6	21.0	4.6	22.0%
Underlying EBITA⁴	15.8	12.8	3.0	23.2%
Underlying NPATA^{4,5}	7.2	6.4	0.8	12.3%
Amortisation (post tax)	(1.5)	(1.5)	(0.1)	5.7%
One-off expenses (post tax)	(0.8)	(0.5)	(0.2)	44.6%
One-off revenue & write-down adjustment in FY23 (post tax)		(2.2)		
Reported NPAT	4.9	2.3	2.7	116.5%
Underlying EBITDA (pre AASB 16)	20.3	16.6	3.7	22.3%
Gross margin	67.0%	65.0%		
Underlying EBITA margin	7.7%	6.7%		
Earnings Per Share (cents)	2.76	1.30	1.5	112.3%

Profit growth and operating expense leverage

- **Revenue +6.2%:** supported by diversified business model and acquisitions in H1 FY24; strong LFL growth in beef feedlot.
LFL Group revenue (0.5)% excluding four restructured clinics in Clinical Vet Services segment
- **Gross profit +9.6%:** Gross margin increase to 67.0% vs 65.0% in FY23; strategic focus on provision of higher value services across business.
- **Underlying EBITA + 23.2%:** margin expansion and operating cost savings
- **Operating expenses +7.1%** reflecting impact of acquisitions; **LFL Group opex (2.5)%:** despite inflationary environment.
 - Cost savings across business support network (BSN) and Clinical Vet Services
 - Redundancy program undertaken in June & December 2023
 - Further efficiencies to be realised into FY25
- **Underlying NPATA + 12.3%:** earnings growth offset by increased finance costs (\$5.5m in FY24 vs \$3.8m in FY23)
- **Reported NPAT + 116.5%:** growth trend reflects impact of \$2.4m inventory write-down expense in FY23 (\$1.7m on post-tax basis)

Notes:

1. FY23 excludes one-off revenue adjustments for deferred revenue relating to prior years +\$920K and reversal of earn-out no longer payable \$(190)K
2. FY23 Cost of goods sold excludes inventory write-down expense of \$2.4M
3. Gross profit is a non-IFRS measure and only considers the cost of inventory associated with product revenue. It does not consider any cost of services associated with service revenue.
4. Underlying earnings are non-IFRS measures and exclude one-off acquisition, integration & restructuring costs (tax effected where applicable at NPATA level)
5. Before amortisation (tax effected)

BALANCE SHEET

Surplus cash flow applied to debt reduction and organic growth initiatives in H2 FY24

\$m	30 Jun 2024A	30 Jun 2023A
Cash	1.8	3.2
Trade & receivables	13.4	14.0
Inventories	15.1	15.5
Property, plant & equipment	18.7	18.3
Intangibles	167.6	163.6
Other assets	39.2	31.5
TOTAL ASSETS	255.8	246.0
Borrowings	64.3	69.0
Trade & other payables	12.9	12.4
Lease liability	37.5	29.0
Other liabilities	19.1	17.7
TOTAL LIABILITIES	133.7	128.1
NET ASSETS	122.0	117.9

Notes:

1. Borrowings include \$4.3M of equipment bank finance (Reported under Lease liability) for purposes of net debt calculation as at 30 June 2023 (FY23: \$2.9M)
2. EBITDA meaning earnings before interest, tax, depreciation and amortisation, excluding any one-off acquisition and integration/system expenses

Key movements:

- Working capital managed to optimise cash flow
- Inventory levels reduced as supply chain normalises
- Small increase in intangibles relating to two acquisitions settled early in H1 FY24
- No current exposure to earn-outs
- Other assets reflect the AASB16 recognition of property leases for new clinics and acceptance of further terms on existing property leases

Borrowings & net debt:

- Net debt¹ of \$66.8M vs \$71.1M as at 31 Dec 2023
- Operating leverage ratio (net debt/EBITDA²) of 2.6x vs 2.9x (as at 31 Dec 2023)
- \$6.3M of cash consideration paid for acquisitions in H1 FY24
- Lease liabilities reflect the AASB16 recognition of new clinic leases and acceptance of further terms on existing property leases

CASH FLOW

Strong cash conversion in line with Management target of 100%

Statutory cashflows \$m	FY24A	FY23A
Net cash provided by operating activities	18.9	17.4
Acquisition of subsidiary, net of cash	(6.3)	(32.5)
Payments for property, plant and equipment	(4.8)	(7.9)
Payments for Intangible assets	(0.1)	(0.3)
Other	0.2	0.2
Net cash used in investing activities	(10.9)	(40.6)
Net changes in financing	(2.0)	28.9
Dividends paid to shareholders	(1.3)	(0.7)
Repayment of lease liabilities	(6.0)	(4.8)
Proceeds from share issue	0.0	0.0
Other	0.0	0.0
Net cash inflow from financing activities	(9.4)	23.5
Net change in cash and cash equivalents	(1.4)	0.3

Cashflow Conversion \$m	FY24A	FY23A
Underlying EBITDA (pre AASB 16 lease adjustment)	20.3	16.6
Net cash inflow from operating activities (less AASB 16 lease reclassification impact)	13.9	13.4
Add back:		
One-off expense paid	1.1	0.8
Interest paid	5.5	3.8
Income tax paid	3.5	3.0
Underlying cashflow before tax & interest:	24.0	20.9
Conversion	118.1%	125.9%

- Operating cash flow +8.5% vs FY23
- Slower phasing of acquisition program in FY24
- Reduction in capex in FY24 reflects one greenfield site opening (vs 3 in FY23)
- Dividend re-introduced in H1 FY24

DIVIDEND

Final dividend of 1.0 cent per share

	FY24 final dividend
Dividend	1.0 cps
Payout ratio on reported NPAT	36.8%
Franking	100%
Record date	29 August 2024
Payment date	30 September 2024

- Board declares a final dividend of 1.0 cps
- Total dividends declared for the FY24 financial year of 2.0 cps
- Supported by strong cash flow generation and slower pace of acquisition program
- Dividend reinvestment plan in place
 - Last day to elect to participate in DRP: 30th August 2024
 - DRP pricing period: 5 day AHX VWAP between 6th – 12th September



Outlook



ORGANIC GROWTH STRATEGY INITIATIVES - FY25



CLINICAL VET SERVICES GROWTH DRIVERS IN FY25

- Ensure all clinics in network working to meet Group target margins
- Preparing clinics for expected increase in companion animal visits as COVID-pets enter mid-life in FY26
- Relaunch of successful Best Mates program to extend to 'whole-of-life' program and provide monthly payment plans
- Further ramp-up of greenfield sites & four restructured clinics
- Roll-out of new (prescription only) 'once yearly' paralysis tick & flea prevention product across companion animal base
- Launch of ProLivestock program and further expansion of ProDairy program into existing and new regions



INTENSIVE ANIMAL VET SERVICES GROWTH DRIVERS IN FY25

- Leverage investment made in software technology across livestock customer base
- Extend use of data analysis to enhance disease surveillance
- Continue the commercialisation of third-party software technologies to improve client production and profitability
- Roll out a unique third-party pharmaceutical technology to enhance reproduction performance in the pig industry
- Focus on further growth of vaccine business

OUTLOOK

LOOKING AHEAD

- **Veterinary services remains resilient in rural and regional locations**
 - Supported by Apiam's diversified Clinical Vet Services (B2C) and Intensive Animal Vet Services (B2B) model
- **Additional earnings growth expected in FY25**
 - Leverage investment in new product technologies across Intensive Animal Vet Services
 - Further efficiencies & synergies expected from existing clinic portfolio in FY25
 - Restructuring of clinics and greenfield clinic ramp-up expected to have positive full year impact in FY25
- **Surplus cash flows to be applied to debt management and growth initiatives**
- **Company continues to monitor the market for strategic acquisitions subject to return on capital thresholds**

Questions



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