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ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Presentations to the 2024 Annual General Meeting

Bendigo, 21 November 2024 – Apiam Animal Health Limited provides the 2024 Annual General Meeting Chair's Presentation and Managing Director's Presentation.

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Authorisation

This announcement and attachments were authorised by the Chair 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

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Chairman's Address
Apiam Animal Health Annual General Meeting
21st November 2024

Good morning shareholders, staff and other attendees and thank-you for joining us this morning at Apiam Animal Health's 2024 Annual General Meeting.

I am Apiam's Chairman, Professor Andrew Vizard.

I will get started today with a review of our business performance over the last 12-months as well as highlight some changes to our Board that we announced to the market last month.

Our Managing Director, Dr Chris Richards will then take you through a more detailed operational and financial review and finish with some commentary around our business outlook for FY25.

Last year, you may recall that I spoke about a revised business focus following a challenging earnings period in FY23 particularly amid broader economic and inflationary pressures that affected our costs.

Ultimately, our cost base was too high and we needed to unlock the synergies and efficiencies from our prior acquisitions as well as ensure every clinic met Apiam's Group financial targets. To do this, the Board and Management team introduced a suite of changes to put the Company back onto a path of sustainable earnings growth.

Since this time, our team has been working very hard to implement these changes and achieve our strategic priorities of:

- Pursuing organic growth initiatives whilst slowing the pace of our acquisition program;
- Improving clinic performance in four under-performing clinics that required significant restructuring as well as ensuring all clinics are tracking in-line with Group targets;
- Unlocking further synergies from acquisitions; and
- Leveraging efficiencies and cost-savings in our business support network.

These priorities were designed with the overriding goal to strengthen our earnings, maximise free cash flows, and reduce debt.

We also set a target to reintroduce dividends for our shareholders.

I'm pleased to report that, while there is more work to do, we are starting to see positive results from these efforts.

Our FY24 results were strong and showed important improvements in our earnings margins.

Strong cash flow generation also allowed us to recommence our dividend program in March.

Three of the four under-performing clinics we identified have completed the restructuring process and are now returning to profitability. There remains one underperforming clinic that continues to be significantly restructured and Chris will speak to this in more detail during his address.

Whilst we are mindful of the current cost-of-living pressures on household incomes, we believe underlying veterinary market drivers remain strong.

Our trading results for the first few months of FY25 remain resilient, however specific areas of our Clinical Vet Services segment have been impacted by unique challenges especially the cessation of export dairy cattle to China which has significantly reduced diagnostic revenues from our ACE Laboratories business.

Overall however, what we can see is that our core Clinical Veterinary operations continue to perform well even in tougher economic times. Our bricks-and-mortar network of clinics, that derive a large share of revenues from pets and mixed animals, are continuing to provide a robust and resilient revenue stream for our Group. Chris will provide financial metrics around this shortly.

Our other business area, Intensive Animal Veterinary Services has commenced trading in FY25 very strongly. This is comprised of our beef feedlot and pig segments that service large commercial piggery and feedlot operators and has a different set of business drivers from Clinical Vet Services.

We have over the years increasingly focussed this side of our business to be technology driven through the provision of services such as data benchmarking, diagnostics and vaccines. This approach is driving stronger margins for these segments.

Chris will also take you through this segment performance in his address.

Board changes
Now turning to the Board changes we announced to the ASX in October.

Following today's AGM, Dr Jan Tennent will retire from the Board as an Independent Non-Executive Director.

Dr Tennent has served as a Non-Executive Director of Apiam since 2018 and has been Chair of the Remuneration and Nomination Committee since 2022. Jan has played an instrumental role in driving policy change and enhancing the Company's successful recruitment and retention outcomes.

I thank Jan for her extensive contribution to Apiam over the past 6-years and wish Jan all the best for her future endeavors.

Following Jan's retirement, Evonne Collier will commence as the Chair of the Remuneration and Nomination Committee.

The other change you will be aware of is the appointment of Mr Bruce Dixon as an Independent

Non-Executive Director to the Apiam Board on 7 October 2024. Bruce is standing for election at our AGM today.

Bruce has over 30 years of management, commercial and Board experience including as Non-Executive Director of Greencross Limited and Ruralco Limited.

Bruce was also formerly Chair of Australian Venue Co, prior to its sale to KKR in 2017, and was previously Chief Executive Officer of Spotless Group Holdings Ltd and Healthscope Limited. We look forward to working more closely with Bruce as the year progresses and he will bring a wealth of experience to our Company.

I reiterate that I believe Apiam is well positioned to capture further growth opportunities in the regional and rural veterinary markets. We continue to see significant opportunities in our network of bricks-and-mortar clinics throughout Australia to capture additional veterinary spend.

I thank our shareholders for their continuing support through this year of transition.

I also thank my fellow directors as well as Apiam employees for their hard work in delivering best-practice and high-quality animal care.

I will now hand over to Chris to take you through the Company's operational and financial performance in more detail.

Managing Director's Address
Apiam Animal Health Annual General Meeting
21st November 2024

Good morning everyone and thanks for attending our Annual General Meeting.
I will start by taking you through a brief overview of our business as it sits today, followed by an update on our recent performance as well as our strategies and outlook for the year ahead.

Apiam's Business Today
Apiam has evolved significantly from where we were when we first listed on the ASX in 2015. Today we have far greater scale and diversity in our operations and have a much larger Clinical Vet Services business as a result of the acquisitions we made in this segment over many years.
As a reminder, Clinical Vet Services now accounts for 78% of our Group revenues, and we previously referred to this segment as the Dairy & Mixed Animal segment. This segment derives a majority share of its revenues from providing veterinary products and services to companion animals and operates under a business-to-consumer model via our network of 80 clinics.
Our Intensive Animal Vet Services business comprises our pig and beef feedlot businesses and our customers in these segments are generally corporate customers. These business areas contributed 22% of our Group revenues in FY24.
You can see on the right of this slide we have clinics located around most states of Australia, with all of our clinics located in regional Australia including peri-urban growth corridors.

Clinical Vet Services
I'll touch on this slide very quickly, however wanted to drill down a little further into the services we offer within our Clinical Vet Services business.
This segment operates our network of bricks-and-mortar veterinary clinics that offer a full-range of veterinary services & products required for animal health & well-being – this is the side of the business most people typically know and understand.
Our clinics provide services to large catchment areas in some cases up to 400 kilometres away. Most of our clinics are equipped with high-end quality equipment enabling them to provide emergency services and procedures typical of city referral hospitals. We also operate several dedicated equine-only emergency and specialist referral hospitals.
Across the bottom of the slide you can see the range of typical products and services our veterinary clinics offer – all the way from our subscription-based Best Mates wellness program for routine & preventative health services through to product sales including prescription vet-only products.

Intensive Animal Vet Services
Turning to the other part of our business, Intensive Animal Services. FY24 has been a transformational year for these businesses, and we are now seeing technology and data analytics really driving the product and service offering.
Proprietary and third-party software technologies, diagnostics, vaccines and our e-commerce platforms are enhancing our services and enhancing a buffer around a business that is subject to cyclicality and agricultural cycles.
Our client base is now seeing the benefits of the prior investments that we've made, and we will continue to expand our services into these industries which are expected to continue to have ongoing positive tailwinds in FY25.

FY24 performance update

Now, I would like to turn to our performance for the last financial year, FY24.

As Andrew said, our focus was to leverage our cost base and Group infrastructure to deliver better earnings.

We also continued to identify opportunities to grow our revenue right across the business, and supported by our diversified model were able to weather fluctuations in some areas caused by broader economic challenges and cost-of-living issues.

With regards to delivering improved earnings margins, we took a number of actions.

We transitioned to a veterinary-supported clinic management model. This transition enhanced margins at a lot of our veterinary clinics where it was introduced and also reduced costs across many non-veterinary functions.

We also had a strong focus on extracting synergies from the previous accelerated acquisition program and have undertaken two significant redundancy and restructuring programs over the past 18-months mostly focussed on non-veterinary functions in our business support network.

The combination of these actions enhanced our earnings margins, by around 1% at the EBITA level in FY24 and delivered strong cash flows. This allowed the Board to reinstate the dividend program and also for our net debt position to be reduced between December 2023 and June 2024.

FY24 results snapshot

We'll now turn to a financial snapshot of our performance from July 2023 to June 2024.

For the twelve months, Apiam delivered revenue of $204.8M, which was up 6.2% compared to the prior comparative period. On a like-for-like basis, that is excluding the impact of acquisitions, Group revenue declined slightly by 0.5% excluding the impact of four clinics that were being significantly restructured over the period.

We continued to achieve gross margin expansion with underlying gross profit of $137.3M being 9.6% up on the prior year. This, in combination with strong operating cost control, flowed through to Underlying EBITDA, which was up 22.3% on the same period last year.

Underlying NPATA was also up 12.3% to $7.2M despite an additional $1.7M impact of higher interest costs associated with higher average interest rates over the period.

Our operating cash flow increased to $18.9M, up 8.5%.

Our net debt position as at 30 June 2024 reduced to $66.8 million, down from $71.1 million as at 31 December 2023.

Segment summary – FY24

I'll now provide a little bit more context around the key segment drivers of this result.

Starting on the left side of the slide, Clinical Vet Services reported segment revenue was up 7.4% compared to FY23, while on a like-for-like basis revenue slightly declined by 1.6%.

This was in-line with our expectations given lower industry growth trends related to covid pet spend now that these pets have entered the healthy young adult stage of life between 2-4 years of life.

Our Best Mates membership program increased its enrolled members by 32.4% in FY24, which is a good result, considering that this program had an upfront $745 fee at the time. Our membership base now has about 11,000 dogs and cats.

Our vet supported management model also provided the ability for our clinics to make rapid decisions to meet local market opportunities. This also drove a culture at clinic level of empowerment and accountability and we saw strong results at the clinics that implemented this new structure.

During the year we also saw the ramp up of 4 Greenfield clinics which are supporting additional organic growth, and the full benefits of these new clinics will be reflected more fully in future periods.

The performance of the seven businesses we have acquired since FY23 was strong, delivering average revenue growth of 4.5% as we were able to roll-out our Apiam Group offerings across a new client base in these regions.
And finally, our ProDairy program continues to expand in both existing and new regions. This is a good example of being able to take a platform and leverage it, through taking advantage of the benefits of scale, to apply it rapidly across industry.
On the right side of the slide our Intensive Animal Vet Services business performance for FY24 is summarised.

Our revenue in these segments rebounded from the prior year and grew 2.3% as a result of improved industry conditions, particularly in the feedlot sector, which has experienced strong revenue growth since Q2 of FY24.
You can also see the impact in FY24 of the transition I talked about earlier that we've made to data led veterinary and production consultancy services. This has really driven improved earnings margins and our gross margin in these segments was up 10.1% on the prior year.

FY25 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 Group revenue for this period has increased 0.5%, and while our core businesses held up well, our performance was offset by some specific factors in two speciality markets.
Our core companion animal, mixed animal and dairy clinics continued to perform solidly and beef feedlot revenues continue to make a strong contribution.
The offsetting factors were firstly, one of our NSW equine clinics continues to be in the midst of a major restructure and is yet to return to profitability. Its performance is a key focus for management right now. More broadly we have also seen a softening equine market & reduction in horse breeding numbers across the segment.
Secondly, our diagnostic revenues from ACE Laboratories have abruptly reduced over the first four months given Chinese market demand for dairy heifers has paused due to oversupply in local Chinese milk markets. We are yet to understand when this situation may resolve, however are pivoting our ACE operations at the moment to focus on some other opportunities and I will talk to this further shortly.

Our Group revenue if we exclude these two factors grew at 3.7% in FY25 YTD and we believe this is a better representation of how our core business operations are performing.
In regards to the subdued earnings growth over the first few months of FY25, there are a few factors I would like to mention here.

Our Intensive Animal segments have made a strong start to the year, and their contribution to Group revenue was higher than for the same period last year. They contributed 22.1% of Group revenue in FY25 YTD vs 20.2% last year. This is having a dampening effect on margins as they traditionally operate at lower margin to the Clinical Vet Services segment.

Operating expenses are still being maintained well, and wage costs were in-line with last year. Lease expense growth has impacted EBITDA (pre AASB 16) growth, reflecting the ramp-up of four greenfield clinics as well as general price rises in this area. We expect as we move into

November and December some of these trends are likely to be offset by the stronger revenue growth we have seen in many areas since the start of October.

FY25 YTD Trading (Jul-Oct) (continued)
If we now turn to our more recent trading performance in the segments, you can see that in our core businesses trading remains resilient.
In Clinical Vet Services segment growth was 1.9% adjusted to exclude the NSW equine clinic I mentioned earlier that is being restructured. This also excludes the impact of the reduction in ACE Laboratories diagnostic revenues due to the pause on the export of dairy cattle to China. The core bricks-and-mortar companion animal, mixed animal and dairy clinics that account for more than 80% of the Clinical Vet Services segment revenues grew at 3.3% compared to the first four months of last year. This is a solid and resilient result given the cost-of-living challenges affecting household and small business incomes at the moment. There is no doubt these head-winds have contributed to the softening we are seeing in equine veterinary spend. Momentum with cats and dog spend and the growth of our Best Mates product offering remains strong, and vet spend on cats and dogs across our business is up 7.1% in the first four months, helped by the ramp-up of our new greenfield clinics as well.

In our Intensive Animal Vet Services segment revenue is significantly up on this time last year, being predominately driven by the strength of our beef feedlot veterinary operations. They have been growing steadily since Q2 of last financial year and we expect this trend to continue for the time being.

ACE Laboratories driving innovation and growth
Before I move onto the outlook, I wanted to give you an update about our ACE Laboratories business that we acquired back in FY20. I mentioned earlier that ACE's diagnostic revenues have been affected in FY25 YTD because of a pause in demand for Australia's dairy cattle in Chinese markets. We provide diagnostic services to Australian suppliers that export their cattle to this market.

In order to offset this and grow our other ACE revenue streams we are now putting a higher focus on the development of new vaccines for the domestic market, not only in the Intensive Animal Vet business, but across the Clinical Vet Services segment as well.
Over the past 4-years, we have achieved permit approval for 4 new vaccines and developed a Japanese encephalitis vaccine in partnership with La Trobe University. We are also expecting a second project to deliver another unique vaccine in FY25.
We have invested in next generation gene sequencing technology to enhance our vaccine efficacy as well as to provide new services, including antimicrobial resistance monitoring for our commercial customers.

We have also developed and commercialised unique diagnostic testing to enhance pathogen detection and to identify new vaccine candidates. While this laboratory has traditionally worked very closely with our Intensive Animal Vet services, a recent advancement in the last few months has been the integration of new tests provided by ACE Laboratories to our Clinical Vet Services customers. This is expanding some of the existing services and developing new revenue opportunities

As a result of the growth of our vaccine business as well as market demand we are currently undertaking an expansion of our vaccine facilities. This project, which has been awarded a

$700,000 grant, under the Victorian State Government Regional Jobs Fund, is being built on a modular basis to align with sales growth.

Organic growth strategy initiatives

Now, as we look to the rest of the year ahead, I'd like to take you through organic growth strategy initiatives for FY25 across our two business areas.

In the Clinical Vet Services segment we will continue our focus on the existing network of clinics to ensure that all clinics continue to work towards meeting our Group target margins. We are continuing to work on improving clinic efficiencies so that we can prepare for the expected increase in companion animal visits as Covid pets enter midlife stage in FY26.

Our NSW equine clinic that still requires significant restructuring is a key management focus and we are considering all strategic options to reduce the impact that this clinic has on Group earnings.

We have recently relaunched the Best Mates program and have extended it to a whole of life program rather than where it is was previously targeted at mainly puppies and kittens and senior animals. We are doing this to increase the uptake of the program across the whole life cycle of a pet, and this roll out has been very successful so far.

This initiative and the rollout of a new “vet-only” once a year, paralysis tick and flea prevention product across our companion animal base are key focus areas for our clinics to drive further traffic volumes in FY25. We are seeing strong month-to-month growth across our clinic network both in south-east Australia where its being advised for flea prevention, or up the central and northern seaboard where paralysis ticks are also an issue.

We will also continue the ramp up of our recent Greenfield clinics to ensure the targets Management have set for their performance are met.

Our farm services clients also remain a strong growth opportunity and we aim to further expand our service programs Pro Dairy as well as launch a Pro Livestock program.

For the Intensive Animal Vet services business we will continue our transition to a technology and data led veterinary and production service business to continue the successful momentum and financial performance we have seen in these segments in FY24.

We are in the process of commercialising a new third-party software program called “Pig Flow” as well as rolling out other new products, including recently developed vaccines from ACE Laboratories to offset our lost diagnostic revenues we have discussed.

Outlook

To close, as we look ahead to the remainder of FY25, despite volatility and challenges in specific areas of our veterinary operations in the early period of this financial year, veterinary services remain resilient in our rural and regional locations.

Our diversified model helps to reduce the impact of cyclicality in speciality business areas.
Our customers are located in varied regions right around Australia and extend from single pet owners all the way through to commercial agricultural clients.

Management are continuing to focus on delivering further efficiencies and synergies from the clinic portfolio as they successfully did in FY24, and this work hasn't finished. We believe there are still many areas and opportunities to deliver improvement.

Cash flows will continue to be applied to ongoing organic growth initiatives, the dividend program and debt reduction as the year progresses.

While we do continue to monitor the market for strategic acquisitions, these are subject to return on capital thresholds and our acquisition program remains at a slower pace to the accelerated program over FY22 and FY23.

I'll now hand back to Andrew to continue with the business of the meeting.