



# Apiam Animal Health H1 FY25 Results

26 February 2025

# H1 FY25 RESULTS SUMMARY

Revenue

**\$106.2m**

+1.7% vs pcp

Gross profit

**\$71.0m**

+0.1% vs pcp

EBITDA<sup>1</sup>

(underlying, pre AASB 16)

**\$10.8m**

(3.6)% vs pcp

NPATA<sup>1</sup> (underlying)

**\$3.9m**

(15.5)% vs pcp

NPAT (reported)

**\$(1.5)m**

(145.9)% vs pcp

Interim dividend

**1.0 cps**

in-line with pcp

Notes:

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

# H1 FY25 PERFORMANCE UPDATE

## » Resilient Group revenues +1.7% in H1 FY25 through diversified portfolio

- Clinical Vet Services segment revenue (1.7)% vs PCP
  - General Vet Clinics<sup>1</sup> +3.2% +\$2.1m
  - ACE Labs Diagnostics -60.5% (\$1.8m)
  - Referral equine clinics -11.5% (\$1.7m)
- Intensive Animal Vet Services revenue +15.0% (+\$3.2M) vs PCP

## » Operating expenses tracking in-line with prior period; cost leverage across clinic network continues to be realised

## » Managing portfolio through strategic acquisitions & divestment of underperforming assets in H2 FY25. Divestment process underway for three businesses

- Agreement in place to divest underperforming NSW-based equine clinic. Impairment loss of \$4.5 million (pretax) reported in H1 FY25
- Following divestments, it is expected that revenue will reduce by \$2.3M and EBIT will increase by ~\$1M (H1 FY25 annualised basis)



### Notes:

1. Inclusive of \$0.9M growth contribution from acquisition made in Oct 2023

# CLINICAL VET SERVICES

- General Vet Clinics (Companion & Mixed Animal Clinics)
- Referral Equine Clinic Services
- Diagnostic Services – via ACE Laboratories

Clinical Vet Services  
% of H1 FY25 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 & 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

FUR LIFE **Vet**  
**BEST MATES**  
*Total Care for your pet*

# CLINICAL VET SERVICES SEGMENT - H1 FY25

Segment impacted in H1 FY25 by specific industry challenges, despite solid result in core operations

(1.7%)

Reported segment revenue growth H1 FY25



- Companion & mixed animal clinic revenues withstanding cost-of-living and COVID-19 animal life-stage challenges with reported revenue growth +3.2% in H1 FY25
  - Investment in marketing program (+\$0.4M in H1 FY25) driving strong early-stage results in profitable areas
  - Best Mates members +5.8% (December 31 vs June 30, 2024)
- ACE Laboratories diagnostic revenues significantly reduced given Chinese market demand for dairy heifers has paused (↓60.5% vs H1 FY24)
- Equine clinic revenues impacted by softening in equine markets with reduced horse breeding numbers (↓11.5% vs H1 FY24)
- Cost efficiencies at clinic level being realised throughout period – LFL Clinical Vet Services opex (3.1)% vs H1 FY24
- Divestment agreement in place for NSW-based equine clinic (refer slide 8 for further info)

Clinical Vet Services – Quarterly Revenue (\$M)



## H1 FY25 revenue changes vs PCP (\$m)

+\$2.1M companion & mixed animal vet clinics

\$(1.8M) ACE Laboratories diagnostics

\$(1.7M) Equine clinics

# INTENSIVE ANIMAL VET SERVICES

**BEEF FEEDLOT & PIGS**  
Commercial feedlot & pig customers

Intensive Animal Vet Services  
% of H1 FY25 revenue

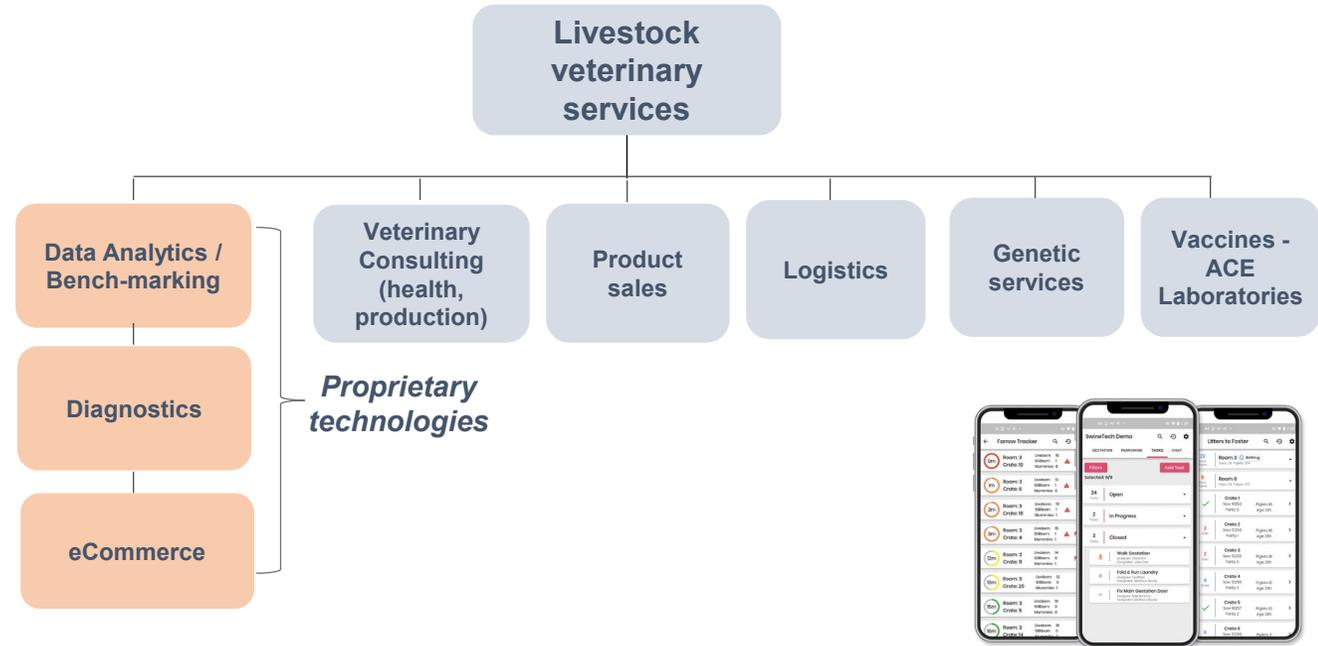


**B2B**  
model



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

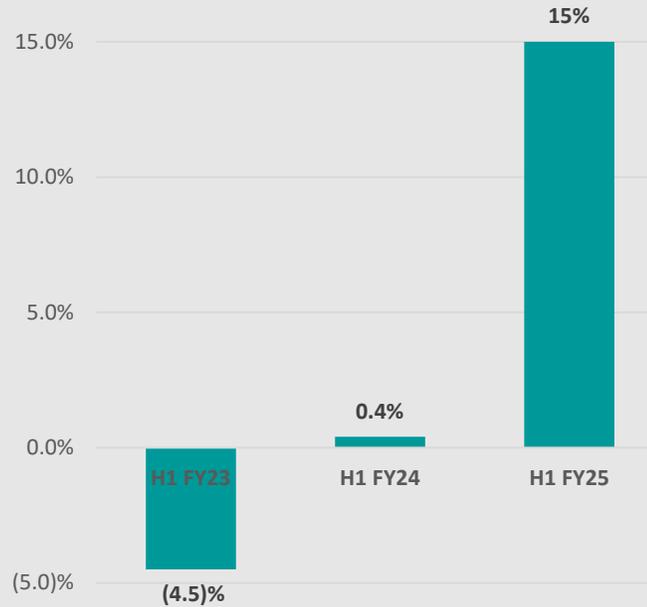
- Veterinary consulting services
- Advanced diagnostics
- Genetics
- Specialised product sales
- Logistics
- Custom vaccines
- Biosecurity



# INTENSIVE ANIMAL VET SERVICES – H1 FY25



## INTENSIVE ANIMAL VET SERVICES REVENUE PERFORMANCE – HALF ON HALF (% GROWTH)



- Improved industry conditions across intensive livestock sectors
  - Beef feedlot revenue +28.2% vs H1 FY24
  - Pigs revenue +7.0% vs H1 FY24

## Gross profit + earnings uplift in H1 FY25



Transition to higher value veterinary services



Increased use of data analytics to enhance & grow consulting services



New vaccines & product technologies deployed

# MANAGING THE PORTFOLIO

## DIVESTMENTS OF UNDERPERFORMING ASSETS & STRATEGIC ACQUISITIONS IN H2 FY25

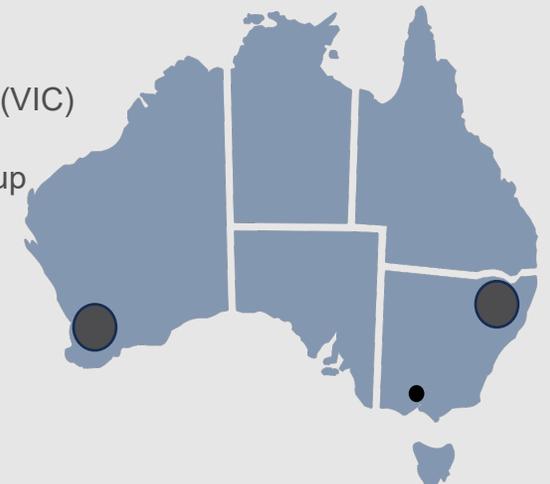
### Divestments in H2 FY25

- Divestment processes underway to exit three businesses in H2 FY25
  - underperforming equine clinic in NSW (sale agreement executed, with completion expected in H2 FY25)
  - greenfield companion clinic in Hastings (VIC)
  - US Joint Venture
- Impairment charge of \$4.5M (pre-tax) related to NSW equine clinic
- Equine veterinary services remain a core strategic service
  - NSW equine clinic being divested due to specific location challenges and changes to local equine demographics leading to underperformance
  - Apiam's three other large referral equine clinics performed strongly over past 3 years providing resilient revenue growth & strong margin contributions. New VEG satellite clinic recently opened in Lancefield (VIC)
- Estimated financial impacts from the divestment of NSW equine clinic and VIC greenfield companion clinic (H1 FY25 annualised basis)
  - reduced revenue of \$2.3M; additional EBIT of ~\$1M (removal of loss-making equine business)



### Acquisitions and New Clinics in H2 FY25

- Executed non-binding term sheets in place to acquire several mixed animal veterinary clinics:
  - Expansion of WA and NSW regional networks
  - Each business **strategically located** to derive synergies with existing Apiam clinics operating in nearby regions
  - Expected to settle in Q3 FY25
- Estimated financial impacts (full year basis)
  - +\$8.9M revenue, +\$1.1M EBITDA
- Expected total consideration ~\$6.3M
- New equine clinic opened at Lancefield (VIC)
  - Satellite of Victorian Equine Group



# H1 FY25 financial summary



# H1 FY25 P&L SUMMARY

\$m	H1 FY25A	H1 FY24A	Variance	%
Total revenue	106.2	104.4	1.8	1.7%
Cost of goods sold	(35.1)	(33.4)	(1.7)	5.1%
<b>Gross profit<sup>1</sup></b>	<b>71.0</b>	<b>70.9</b>	<b>0.1</b>	<b>0.1%</b>
Operating expenses	(57.2)	(57.1)	(0.1)	0.2%
<b>Underlying EBITDA<sup>2</sup></b>	<b>13.9</b>	<b>13.9</b>	<b>0.0</b>	<b>0.0%</b>
<b>Underlying EBITDA (pre AASB 16)<sup>2</sup></b>	<b>10.8</b>	<b>11.3</b>	<b>(0.4)</b>	<b>(3.6)%</b>
<b>Underlying NPATA<sup>2,3</sup></b>	<b>3.9</b>	<b>4.6</b>	<b>(0.7)</b>	<b>(15.5)%</b>
Amortisation (post tax)	(0.8)	(0.8)	0.0	(2.4)%
One-off expenses (post tax)	(0.4)	(0.5)	0.1	(25.6)%
Impairment loss (post tax)	(4.2)			
<b>Reported NPAT</b>	<b>(1.5)</b>	<b>3.3</b>	<b>(4.7)</b>	<b>(145.9)%</b>

Gross margin	66.9%	68.0%		
Underlying EBITDA margin	13.1%	13.3%		
Underlying EBITDA <i>pre AASB 16</i> margin	10.2%	10.8%		
Earnings Per Share (cents)	(0.84)	1.84	(2.7)	(145.7)%

- **Revenue +1.7%:** resilient amid industry challenges.  
Performance impacted by challenges in Clinical Vet Services segment (ACE Laboratories and equine clinics – refer slide 5 for further information)
- **Gross profit +0.1%:** gross margin impacted as Intensive Animal Veterinary Services accounted for larger share of revenue vs pcp
- **Operating expenses +0.3%:** strong cost control. LFL operating expenses in Clinical Vet Services (3.1)% Growing investment in marketing program (+\$0.4M in H1 FY25) to support Best Mates and other organic initiatives
- **Cost savings** continue across Clinical Vet Services segment
  - Additional redundancies & restructuring undertaken in December 2024
  - Management continue to work with several clinics to achieve greater efficiencies & meet target margins
- **Underlying EBITDA pre AASB 16 (3.6)%** due to impact of increased lease charges in the period
- **Underlying NPATA (15.5)%** affected by AASB-16 lease (non-cash) impacts
  - ROU depreciation charges +10.9%
  - ROU interest charges +64.6%
  - Interest expense in line-with H1 FY24
- **Reported NPAT (145.9)%** affected by \$4.2M (post tax) impairment loss associated with divestment of underperforming NSW equine business

## Notes:

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

# BALANCE SHEET

## Stable and in-line with prior period

\$m	31 Dec 2024A	30 Jun 2024A
Cash	3.2	1.8
Trade & receivables	15.4	13.4
Inventories	15.9	15.1
Property, plant & equipment	51.5	51.0
Intangibles	163.2	167.6
Other assets	8.3	6.9
<b>TOTAL ASSETS</b>	<b>257.5</b>	<b>255.8</b>
Borrowings	64.8	64.3
Trade & other payables	15.5	12.9
Lease liability	37.9	37.5
Provision & other liabilities	19.6	19.1
<b>TOTAL LIABILITIES</b>	<b>137.9</b>	<b>133.7</b>
<b>NET ASSETS</b>	<b>119.6</b>	<b>122.0</b>

Notes:

- Borrowings include \$4.1M of equipment bank finance (reported under lease liability) for purposes of net debt calculation as at 31 Dec 2024 (FY24: \$4.3M)

### Key movements:

- Working capital well managed with a focus on operating cash flow
- No current exposure to earn-outs
- Intangibles impairment reflects divestment of NSW-based equine clinic

### Borrowings & net debt:

- Net debt of \$65.7M<sup>1</sup> as at 31 December 2024 (vs \$66.8M<sup>1</sup> as at 30 June 2024)
- Operating leverage ratio 2.6x vs covenant of 3.5x (net debt/EBITDA)
- Acquisition pipeline strong with emphasis on strategic opportunities – non-binding term sheets in place for \$6.3m in capital deployment in H2 FY25

# CASH FLOW

## Cash conversion in line with Management target of 100%

Statutory cashflows \$m	H1 FY25A	H1 FY24A
<b>Net cash provided by operating activities</b>	<b>8.5</b>	<b>8.2</b>
Acquisition of subsidiary, net of cash	(0.3)	(6.3)
Payments for property, plant and equipment	(3.2)	(2.1)
Payments for Intangible assets	(0.3)	(0.1)
Other	0.2	0.1
<b>Net cash used in investing activities</b>	<b>(3.6)</b>	<b>(8.4)</b>
Net changes in financing	1.0	2.4
Dividends paid to shareholders	(1.3)	0.0
Repayment of lease liabilities	(3.1)	(2.8)
Proceeds from share issue	0.0	0.0
Other	0.0	0.0
<b>Net cash inflow from financing activities</b>	<b>(3.4)</b>	<b>(0.4)</b>
<b>Net change in cash and cash equivalents</b>	<b>1.4</b>	<b>(0.6)</b>

Cashflow Conversion \$m	H1 FY25A	H1 FY24A
<b>Underlying EBITDA (pre AASB 16 lease adjustment)</b>	<b>10.8</b>	<b>11.3</b>
<b>Net cash inflow from operating activities (less AASB 16 lease reclassification impact)</b>	<b>6.0</b>	<b>5.8</b>
Add back:		
One-off expense paid	0.6	0.8
Interest paid	2.9	2.6
Income tax paid	1.3	2.0
<b>Underlying cashflow before tax &amp; interest:</b>	<b>10.8</b>	<b>11.2</b>
<b>Conversion</b>	<b>99.2%</b>	<b>99.6%</b>

- Operating cash flow +3.7% in H1 FY25 (vs PCP)
- Strong working capital management
- Property, plant & equipment spend inclusive of ACE Laboratories vaccine lab expansion (\$1.3M) – refer slide 17 for further details
- Slower acquisition program in FY24 and H1FY25

# DIVIDEND

## Interim dividend declared

	FY25 interim dividend
Dividend	1.0 cps
Payout ratio on NPATA (excluding impairment expense) <sup>1</sup>	52.4%
Franking	100%
Record date	4 March 2025
Payment date	28 March 2025

- Board declares an interim dividend of 1.0 cps, fully franked, payable on 28 March 2025
- Supported by ongoing strong cash generation and slower pace of acquisition program
- Dividend reinvestment plan in place
  - Last day to elect to participate in DRP: 5 March 2025
  - DRP pricing period: 5 day AHX VWAP between 12 March 2025 and 18 March 2025



### Notes

<sup>1</sup> Reported NPAT plus amortization expense (post-tax) & impairment expense (post-tax) associated with divestment of a NSW equine clinic

# Strategy & outlook

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# ORGANIC GROWTH STRATEGY - FY25



## CLINICAL VET SERVICES GROWTH DRIVERS IN FY25

- Targeting group margin thresholds for all clinics
  - driving volumes through enhanced marketing
  - optimising standards of care
  - active management of clinic resources
- Preparing clinics for COVID-pets commencing mid-life stage in FY26 through onboarding AI systems to enhance efficiencies
- Expanding successful Best Mates 'whole-of-life' program
- Maturation of greenfield sites
- Growing new (prescription only) product opportunities
- 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
- Extend use of data analysis to enhance disease surveillance
- Third-party software technologies to improve client production and profitability
- Roll out unique third-party pharmaceutical technology to enhance reproduction performance in pig industry
- Further growth of vaccine business

# INTEGRATION OF AI TO ENHANCE REVENUE GROWTH AND CLINIC EFFICIENCIES

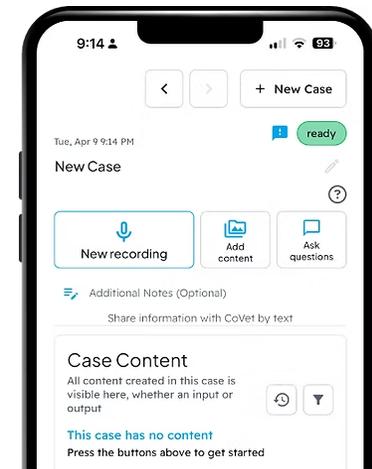


## AI-ASSISTED CX PLATFORMS BEING DEPLOYED TO ENHANCE CUSTOMER EXPERIENCE, STANDARDS OF CARE AND OPERATIONAL EFFICIENCIES

- Opportunities identified to improve customer experience, increase volumes and achieve workflow efficiencies
- Implementation of AI customer engagement + geometric social media to drive volumes
- Early-stage trial has resulted in increased uptake of Best Mates in targeted areas
- AI-assisted diagnostics to enhance Standards of Care being implemented in H2FY25

## PARTNERSHIP WITH CO-VET

- Co-Vet is a US-based technology company
- Apiam and Co-Vet are partnering to deploy the Co-Vet AI offering which will enhance efficiencies across Apiam clinic network
- Co-Vet AI scribe app automates medical records, client communications, discharge instructions, resulting to reduced non-chargeable time for veterinary teams



# ACE LABORATORIES DRIVING INNOVATION & GROWTH

## Growth opportunities, with further integration into Clinical Vet Services segment



### Vaccines

- Permit approval of four new vaccines
- Development of *Japanese Encephalitis* vaccine in collaboration with La Trobe Uni
- Next Generation Gene Sequencing technology



### Enhanced Intensive Animal Vet business offering

- Antimicrobial Resistance monitoring
- Development and commercialisation of unique diagnostic testing



### Integration into Clinical Vet Services

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



### Current vaccine expansion project underway:

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



# OUTLOOK

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## 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
  - Expected increase for veterinary demand as COVID-19 pets head into "mid-life" stages from FY26
- **Management remain focused on driving both revenue opportunities + further efficiencies at clinic level**
- **Further cost savings in Clinical Vet Services segment expected to be realised in H2 FY25**
- **Surplus cash flows to be applied to growth initiatives and dividend**
- **Company continues to monitor the market for strategic acquisitions subject to return on capital thresholds**

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