

EBOS Group Ltd

Results presentation

Financial Year ended 30 June 2016

Patrick Davies Chief Executive Officer

John Cullity Chief Financial Officer

25 August 2016



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The information contained in this presentation should be considered in conjunction with the audited consolidated financial statements for the year ended 30 June 2016.

All currency amounts are in New Zealand dollars unless stated otherwise.



Group Financial Results

A-Frame automatic picking system,
Symbion Keysborough facility,
Melbourne, Australia

Record Revenue and Profit Performance for FY16

Total Revenue



\$7.1b

Up 17.0% (+16.5% Constant FX)

Return on Capital Employed



16.3%

Up 260bps

Total EBITDA



\$225.5m

Up 14.6% (+14.0% Constant FX)

Earnings per share



84.0c

Up 18.7% (+18.2% Constant FX)

Total NPAT



\$127.0m

Up 19.9% (+19.3% Constant FX)

Final Dividend per share

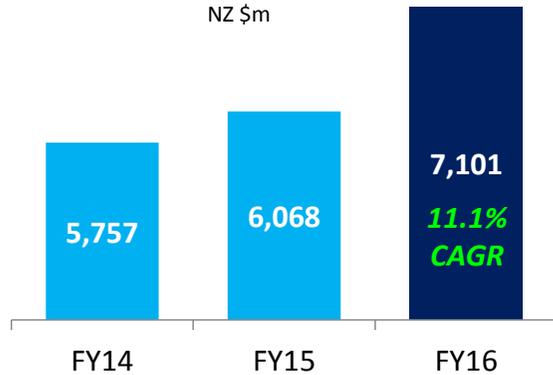


32.5c

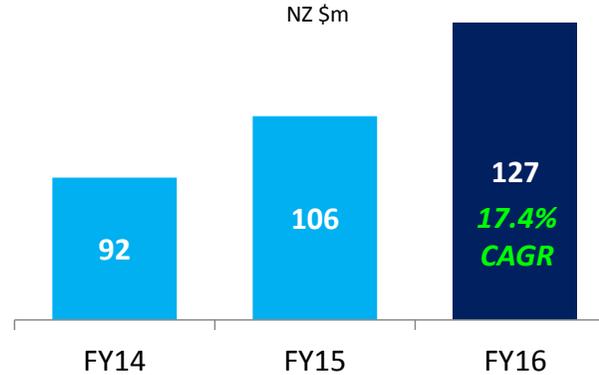
Up 30.0%

Strong growth continues

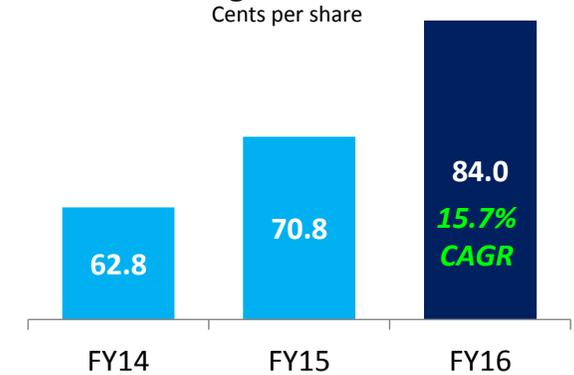
Revenue
NZ \$m



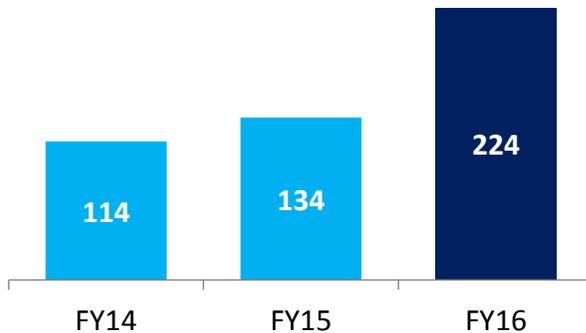
NPAT
NZ \$m



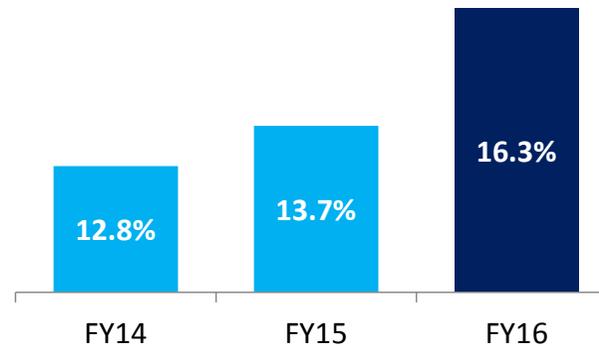
Earnings Per Share
Cents per share



Operating Cash Flow
NZ \$m



Return on Capital Employed



EBOS Approach



Our Healthcare and Animal Care strategic focus is centred on



Investing for Growth

Two types of investments:

- **External acquisitions** – we have a strong history of deal execution.



- **Internal Capex** – investment to lift productivity, manage cost and deliver better customer service.

Leading Market Positions

We aim to have positions of scale in the markets we operate in and maximise opportunities across our wide range of business segments wherever possible.

Disciplined Capital Management

- Cash generation to drive scope for further investment which allows for dividends paid in the range of 60-70% of Net Profit After Tax.
- Acquisitions focus on improving Group returns on capital employed.

We focus on delivering profitable growth and superior returns

FY16 Highlights

Investments

Investments of \$108.4m made in FY16

-  Acquisition of Red Seal (November 2015)
-  Acquisition of Zest (October 2015)
-  Onelink's NSW Health contract commenced
-  Initial investment made in a new distribution centre in Brisbane, Queensland
-  BlackHawk like-for-like annual sales growth of 55%
-  Post balance date announcement to merge Chemmart with Terry White Group Limited to create one of Australia's largest retail pharmacy networks.

Capital Management

Record operating cashflow of \$224m

- Tight control over management of working capital
- Net debt reduction of \$69m to \$248m
- Return on capital employed (ROCE) of 16.3%, up 260bps on FY15
- Extended tenor of our core debt facilities
- Total dividends of 58.5cps, an increase of 24.5% on prior year

Strong Full Year financial performance

NZ\$m	FY16	FY15	Var	Constant FX Var
Revenue	7,101.5	6,068.1	17.0%	16.5%
Gross Operating Revenue	676.5	600.2	12.7%	12.2%
EBITDA	225.5	196.7	14.6%	14.0%
EBIT	200.8	172.6	16.3%	15.7%
Net Finance Costs	20.1	21.9	8.4%	8.9%
Profit Before Tax	180.7	150.7	19.9%	19.3%
Net Profit After Tax	127.0	105.9	19.9%	19.3%
EBITDA%	3.18%	3.24%	-6pts	
Operating Cash Flow	224.1	133.8	67.5%	
EPS - cps	84.0	70.8	18.7%	18.2%
Total Dividends - cps	58.5	47.0	24.5%	
Net Debt	247.6	316.9	21.9%	
Net Debt : EBITDA	1.1x	1.6x	0.5x	
ROCE	16.3%	13.7%	2.6%	

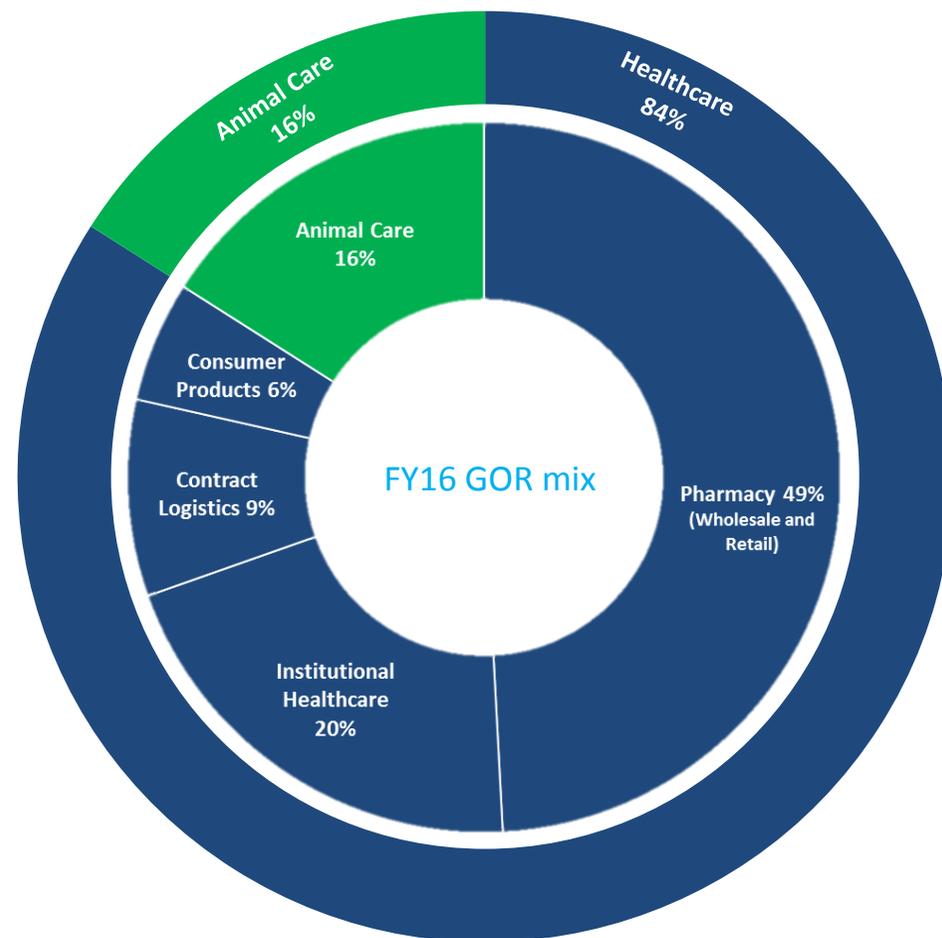
- Full Year Group Revenue increase of \$1,033.4m or 16.5% (constant FX):
 - Healthcare up 16.9%.
 - Animal Care up 10.0%.
- EBITDA increase of \$28.8m or 14.0% (constant FX):
 - Healthcare up 14.2%.
 - Animal Care up 13.0%.
- Net Finance Costs reduced by \$1.8m or 8.9% (constant FX).
- NPAT increase of \$21.1m or 19.3% (constant FX).
- EPS growth of 18.2% (constant FX).
- Operating cash flow increased by 67.5% to \$224.1m.

Segment earnings and GOR mix

EBITDA by segment

NZ\$m	FY16	FY15	Var	Constant FX Var
Healthcare	195.0	170.2	14.6%	14.2%
Animal Care	42.3	37.1	14.0%	13.0%
Corporate	(11.9)	(10.6)	(12.0%)	(13.3%)
Group	225.5	196.7	14.6%	14.0%

Gross Operating Revenue (GOR) FY16





Healthcare Results

Top left: Chemmart pharmacist and Minfos Business Development Manager.
Top right: Symbion, Keysborough, Melbourne.
Bottom left: EBOS Healthcare, Auckland.
Bottom right: ProPharma, Auckland

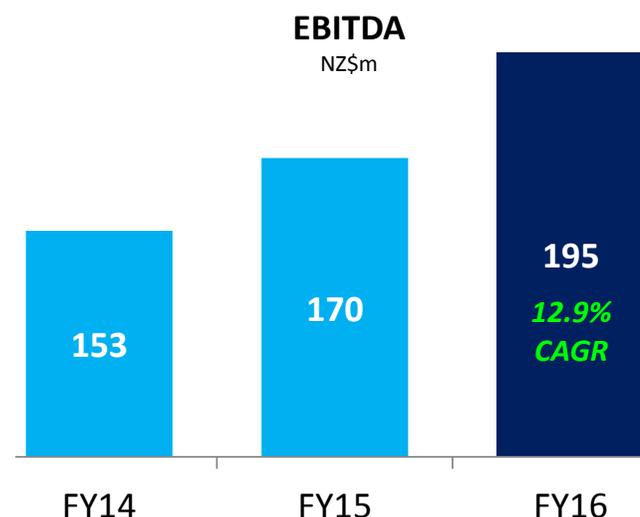
Healthcare segment

Strong trading performances across Australia and New Zealand



NZ\$m	FY16	FY15	Var	Constant FX Var
Healthcare segment				
Revenue	6,686.4	5,692.9	17.5%	16.9%
EBITDA	195.0	170.2	14.6%	14.2%
EBIT	174.1	149.7	16.3%	15.9%
EBITDA%	2.92%	2.99%	-7pts	-7pts
Australia				
Revenue	5,273.8	4,408.4	19.6%	18.9%
EBITDA	155.3	137.5	12.9%	12.3%
EBIT	136.5	119.3	14.4%	13.8%
EBITDA%	2.94%	3.12%	-18pts	-18pts
New Zealand				
Revenue	1,412.6	1,284.5	10.0%	
EBITDA	39.8	32.7	21.8%	
EBIT	37.6	30.4	23.6%	
EBITDA%	2.82%	2.54%	27pts	

- Revenue increase of \$993.5m or 16.9% (constant FX):
 - Australia up 18.9%.
 - New Zealand up 10.0%.
- EBITDA increase of \$24.8m or 14.2% (constant FX):
 - Australia up 12.3%.
 - New Zealand up 21.8%.



Healthcare segment

Pharmacy



- Pharmacy revenue in Australia grew by 12.2% (constant FX), attributable to:
 - new wholesale business;
 - OTC product category sales; and
 - new Hepatitis C drug sales of \$129m, albeit at lower gross profit margins.

Pharmacy NZ\$m	Constant FX		
	FY16	FY15	Var%
Revenue	3,907.8	3,531.9	10.6%
GOR	332.6	312.7	6.4%
GOR%	8.5%	8.9%	

Note: Revenue includes Net Sales and Other Income. Gross Operating Revenue (GOR) includes Gross Profit and Other Income and excludes operating expenses.

- To cater for our growth in the Queensland market and to further improve operational efficiencies, the EBOS Board has approved a new distribution facility in Brisbane which is expected to be completed by FY18. The total project is expected to cost A\$55m (including land and buildings) with A\$49m to be spent over FY17 and FY18.
- EBOS maintained its leading position in New Zealand with FY16 revenue growth of 4.8%.

Healthcare segment

Pharmacy

Proposed Investment in Terry White Group (including Chemmart)

- EBOS has entered into an agreement to merge Chemmart with Terry White Group Limited (TWG) to create one of Australia's largest retail pharmacy networks.
- EBOS Group will sell the Chemmart business assets and subscribe for shares in TWG, which will result in EBOS Group consolidating TWG in its financial statements from completion.
- The combination of Terry White and Chemmart franchise operations will result in a compelling industry offer focused on the delivery of front line health services and value for money.
- Store retail turnover is estimated to be approximately A\$2 billion.
- The transaction is expected to complete in October 2016.



Healthcare segment

Consumer Products



- Red Seal acquisition for \$80 million was completed on 30 November 2015.
- Red Seal is a leader in key NZ segments of the natural health products market including vitamins, minerals and supplements; herbal teas; non-fluoride toothpastes and functional foods including molasses and manuka honey.
- Red Seal is performing in line with expectations with strong like-for-like sales growth recorded in both domestic and international markets.
- Faulding sales growth of 9.1% to last year due to new product development and customer growth.

Consumer Products		Constant FX	
NZ\$m	FY16	FY15	Var%
Revenue	86.4	61.8	39.8%
GOR	37.2	25.9	43.3%
GOR%	43.1%	42.0%	

Note: Revenue includes Net Sales and Other Income. Gross Operating Revenue (GOR) includes Gross Profit and Other Income and excludes operating expenses.



Healthcare Results



Healthcare segment

Institutional Healthcare



- EBOS continues to expand its position as a specialised, unique and essential partner across a number of areas of Institutional Healthcare in Australia and New Zealand, primarily in hospitals, aged care and primary care.
- Symbion Hospital Services business maintained its market leading position and recorded strong sales growth driven by Hepatitis C drug sales of \$336m.
- The EBOS Healthcare business across Australia and New Zealand delivered strong sales growth on the prior year, assisted by an improved performance from our International business.
- Onelink Australia commenced operations in November 2015 and all NSW Government Health warehouses have now transitioned to our special purpose logistics facility (effective March 2016). This contract operates on a cost-plus recovery model and the GOR recorded in FY16 was \$13.1m (FY15: \$0.3m).
- Acquisition of Zest was completed on 30 October 2015, to expand our presence in the delivery and administration of specialty pharmaceutical products and services.

Institutional Healthcare NZ\$m	Constant FX		
	FY16	FY15	Var%
Revenue	2,233.4	1,787.8	24.9%
GOR	138.2	112.5	22.8%
GOR%	6.2%	6.3%	

Note: Revenue includes Net Sales and Other Income. Gross Operating Revenue (GOR) includes Gross Profit and Other Income and excludes operating expenses.

Healthcare segment

Contract Logistics

- Healthcare Logistics (NZ) maintained its leading market position and combined with cost management, delivered strong earnings growth.
- Symbion Contract Logistics (Australia) continues to grow its customer base which includes a number of leading pharmaceutical and OTC suppliers.
- The Group will invest in a new Sydney facility with construction scheduled to commence later this year.



Contract Logistics NZ\$m	FY16	Constant FX FY15	Var%
Revenue	495.0	373.7	32.5%
GOR	60.5	54.4	11.3%

Note: GOR % not relevant as sales activity is predominantly done on consignment.



3

Animal Care Results

Selection of our Animal Care brands of BlackHawk and Vitapet and an Animates store in Auckland.

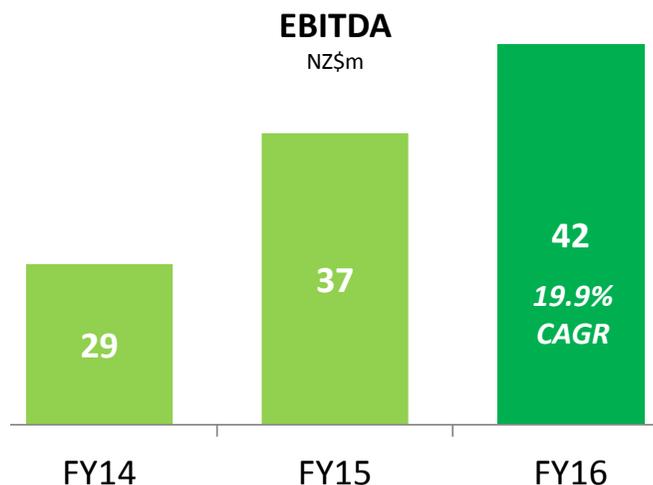
Animal Care segment

BlackHawk drives the significant increase in Revenue and Earnings



NZ\$m	FY16	FY15	Var	Constant FX Var
Animal Care segment				
Revenue	415.0	375.2	10.6%	10.0%
EBITDA	42.3	37.1	14.0%	13.0%
EBIT	38.6	33.5	15.3%	14.3%
EBITDA%	10.19%	9.89%	30pts	28pts

- Revenue increase of \$39.8m or 10.0% primarily from growth of branded products (including BlackHawk, Vitapet) and wholesale operations (Lyppard).
- EBITDA increase of \$5.2m or 13.0% attributable to:
 - revenue growth;
 - full financial year of BlackHawk contribution (acquired 31 October 2014); and
 - higher contribution from our 50% share in Animates.



Animal Care segment

Full Year Performance Overview



- Our premium pet food brand continues to receive very strong support and is performing above expectations. Sales grew 55% in FY16 on a like-for-like 12 month basis.



- Vitapet recorded sales growth of 7.0% (constant FX) driven by new product development and investment in the brand.



- Lyppard revenues increased by 5.4% primarily from growth in major vet groups.



- EBOS' 50% share of Animates net profit increased \$0.5m (23.6%) on last year from annual sales growth above 20%, the opening of five new retail stores and five veterinary clinics.



4

Group Financial Information

Cash Flow

Another year of strong Operating Cash Flow

NZ\$m	FY16	FY15	Var\$	Var%
EBITDA	225.5	196.7	28.8	14.6%
Net interest paid	(20.1)	(21.9)	1.8	
Tax paid	(54.5)	(53.0)	(1.5)	
Net working capital and other movements	73.2	12.0	61.2	
Cash from Operating activities	224.1	133.8	90.3	67.5%
Proceeds from disposal of assets	5.2	0.5	4.7	
Capital expenditure	(17.6)	(15.4)	(2.2)	
Free Cash Flow	211.7	118.8	92.9	78.2%
Acquisition of subsidiaries and investments	(92.1)	(64.1)	(28.0)	
Dividends paid (net of DRP)	(69.1)	(44.4)	(24.8)	
Net Cash Flow	50.5	10.3	40.2	
FX impact on net debt	18.8	(10.9)	29.7	
Reduction/(Increase) in Net Debt	69.3	(0.6)	70.0	

- Operating cash flow of \$224.1m assisted by effective working capital management.
- Reduction in net interest payments of \$1.8m or 8.4%.
- Proceeds from asset disposals primarily relates to the sale of the previous Melbourne distribution centre (\$4.9m).
- Capex in FY16 includes payments for the new distribution centre in Brisbane (\$6.5m) and completion of Onelink Australia's new facility (\$3.9m).

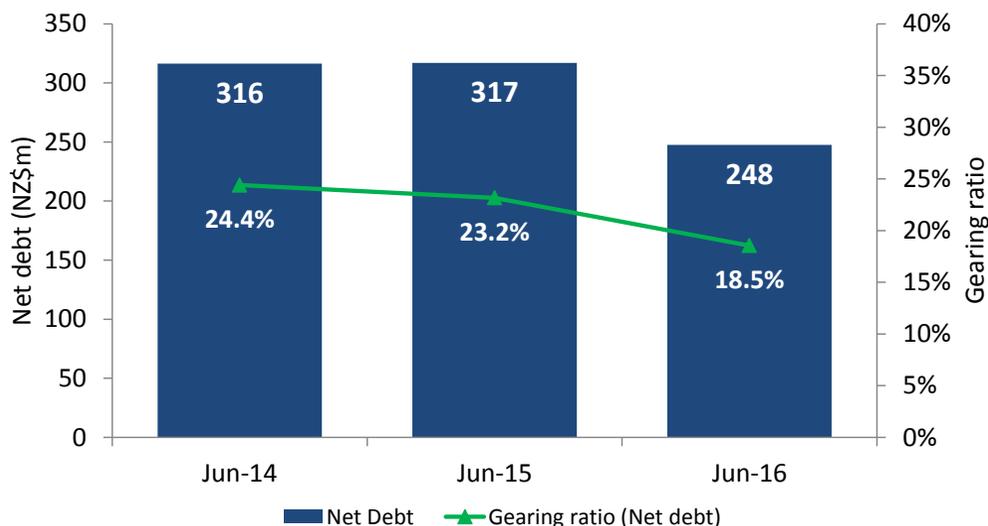
Working Capital and Cash Conversion

NZ\$m	June 2016	June 2015
Net Working Capital		
Trade receivables	1,302.8	787.9
Inventory	578.5	518.3
Trade payables	(1,539.9)	(865.5)
Other	(98.9)	(110.9)
Total	242.6	329.8
Cash conversion days^{1,2}		
Debtor days	42	45
Inventory days	29	33
Creditor days	58	56
Cash conversion days	13	22

- Working capital management discipline is a key focus of the Group.
- Cash conversion cycle improved to 13 days.
- Lower investment in Net Working Capital is providing improved cash returns for the Group.
- Cash conversion days excludes the Group's 3PL Hepatitis C business as stock is held on consignment.

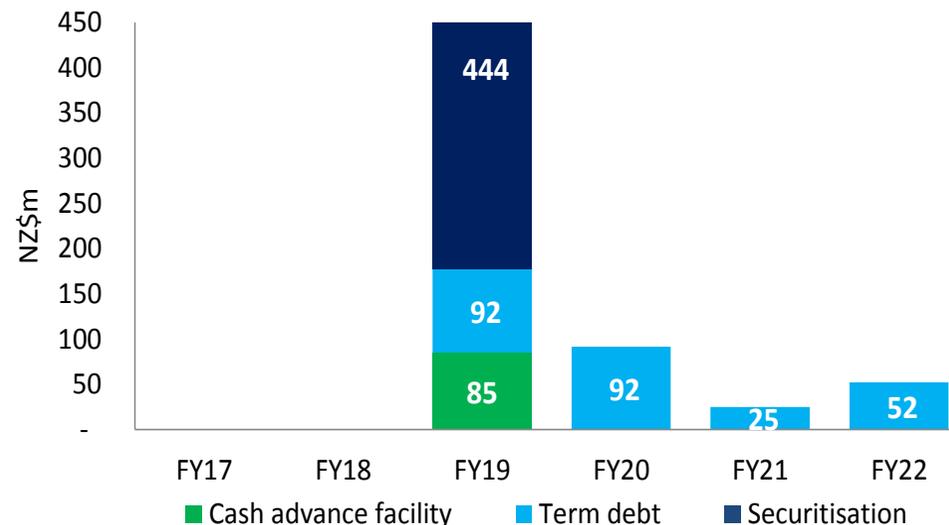
Net Debt, Gearing and Debt Maturity

Net Debt and Gearing



- Net Debt of \$248m at June 2016.
- Net Debt : EBITDA of 1.1x at June 2016 (1.6x at June 2015).
- Reduction in the Gearing ratio from 23.2% at June 2015 to 18.5% at June 2016 – reflecting the strong earnings and cash flow results.

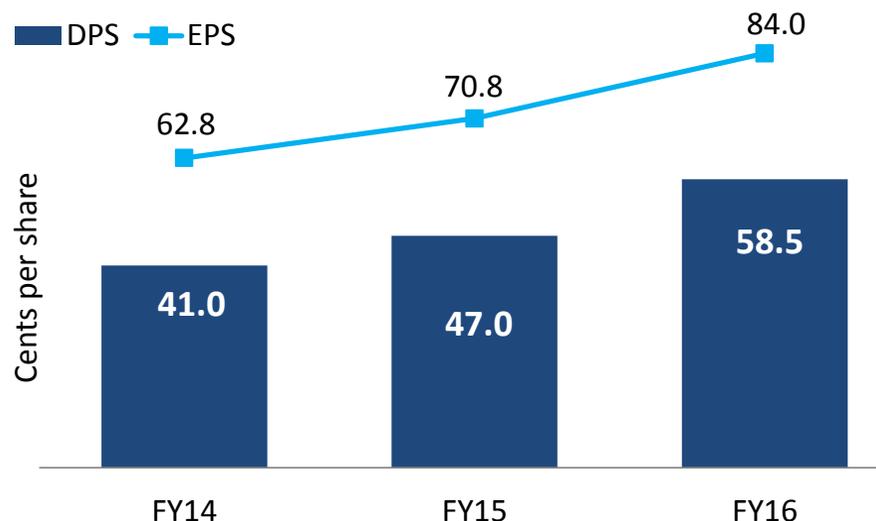
Debt Maturity Profile – facility limits and term



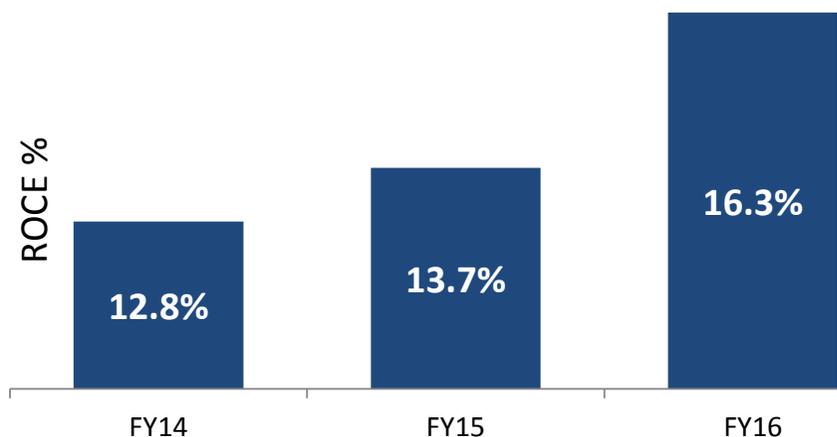
- In 2016, EBOS extended the tenor of its core securitisation and term debt facilities. As at 30 June 2016, the weighted average maturity of our debt facilities is 32 months.

Earnings and Dividends per share, ROCE

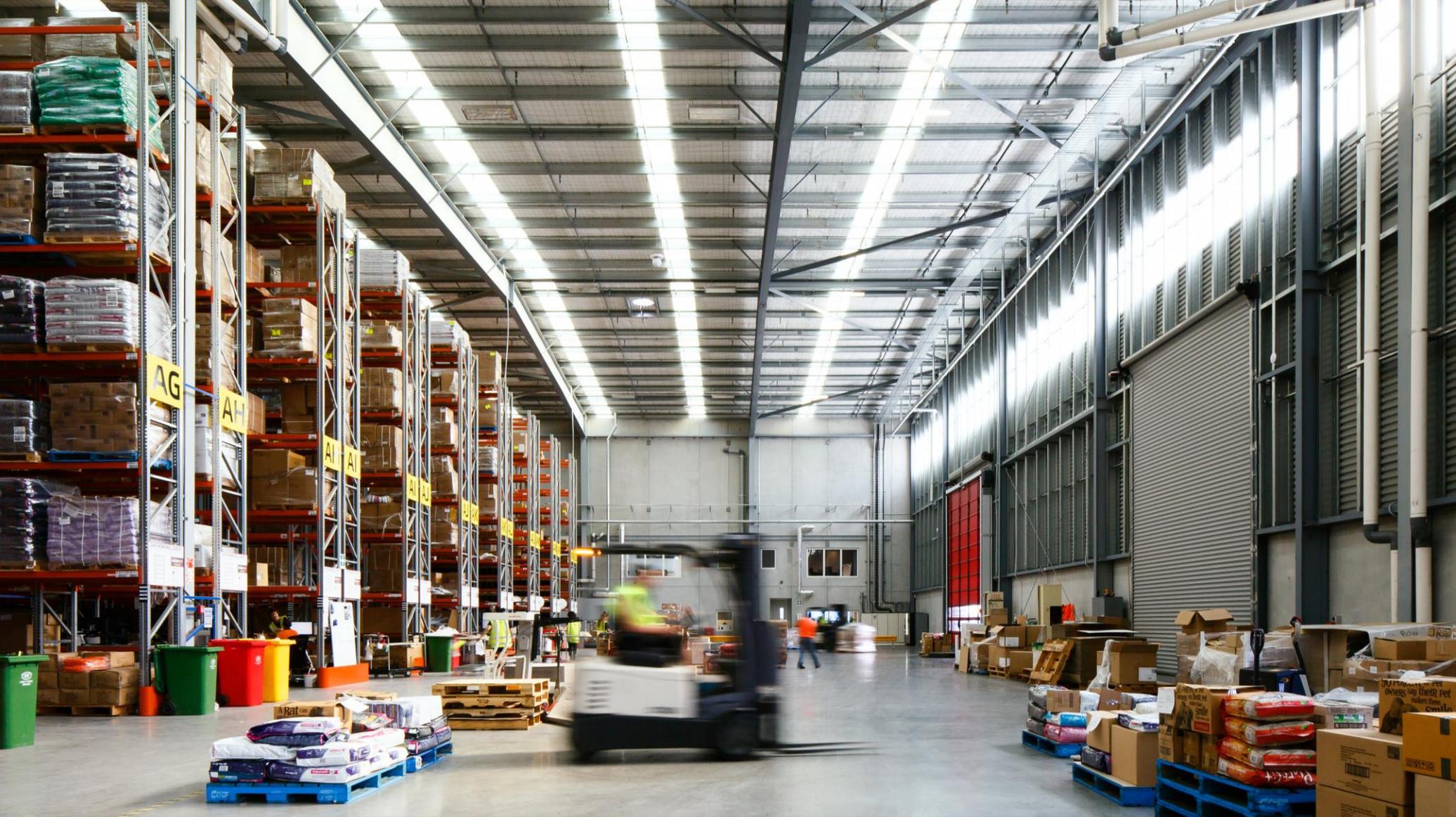
Earnings and Dividends per share



Return on Capital Employed



- EPS growth of 18.7% (18.2% constant FX) in FY16 following a 12.7% increase in FY15.
 - Final dividend of 32.5 cents (imputed to 25%), an increase of 7.5 cents or 30.0% from last year.
 - Dividend payout ratio of 70%.
 - Final dividend is 100% franked for Australian resident shareholders.
 - DRP remains suspended for the final dividend.
- Return on Capital Employed of 16.3% at June 2016, an increase of 260bps from June 2015 and 350bps from June 2014.

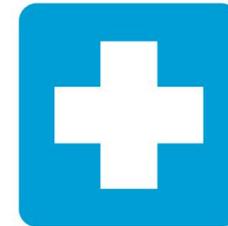
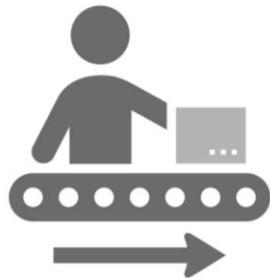
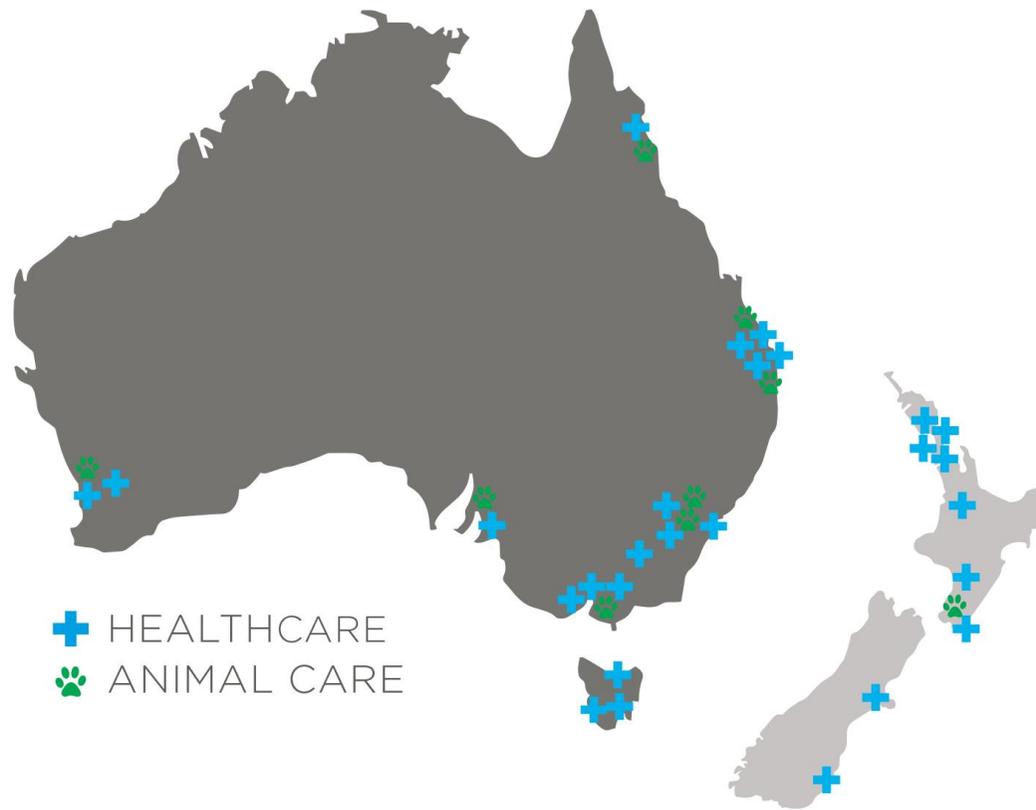


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Summary and Outlook

Summary and Outlook

- In FY16, EBOS has further strengthened its position as the largest diversified Australasian marketer, wholesaler and distributor of healthcare, medical, pharmaceutical and animal care products.
- EBOS continues to derive the benefits of its diversified portfolio of businesses as well as the underlying demand supporting our Healthcare and Animal Care markets.
- Prudent capital and cash flow management has allowed us to significantly improve our returns on capital and reduce our debt levels.
- We see continued growth in our business across both Healthcare and Animal Care into FY17 on a constant currency basis. A performance update will be provided at the Annual Meeting on 19 October 2016.



Supporting Information

Foreign exchange

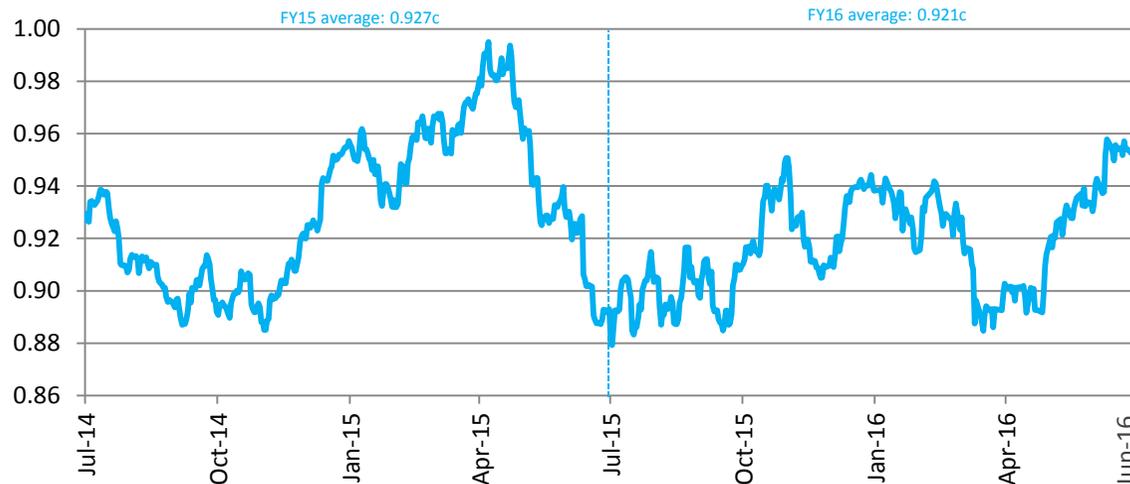
Movement in the NZD:AUD cross-rate positively impacted EBITDA by \$1.1m in FY16

Revenue and EBITDA by currency

\$m	AUD Operations AUD	Average NZD:AUD translation	AUD Operations NZD	NZ Operations NZD	Group Consolidated NZD
FY16					
Net Revenue	5,184.9	0.92	5,628.7	1,472.8	7,101.5
EBITDA	165.3	0.92	179.4	46.0	225.5
EBITDA%	3.19%		3.19%	3.13%	3.18%

- 80% of the Group's earnings (EBITDA) are generated in AUD.
- The average NZD:AUD FX rate for FY16 decreased by 0.6 cents from FY15, positively impacting the Group's FY16 EBITDA by approximately \$1.1m.
- EBITDA sensitivity to a 1 cent movement in NZD:AUD exchange rate is approximately \$1.9m per annum.

NZD:AUD exchange rate – July 2014 to June 2016



Glossary of terms and measures

Except where noted, common terms and measures used in this document are based upon the following definitions:

Term	Definition
Actual results	Results translated into NZ dollars at the applicable actual monthly exchange rates ruling in each period.
CAGR	Compound annual growth rate calculated from FY14 to FY16.
Debtor days	Trade debtors at the end of period divided by Revenue for the period, multiplied by number of days in the period.
Inventory days	Inventory at the end of period divided by Cost of Sales for the period, multiplied by number of days in the period.
Creditor days	Trade creditors at the end of period divided by Cost of Sales for the period, multiplied by number of days in the period.
Constant FX/currency	Calculated by translating the prior period results into NZ dollars at the actual monthly exchange rates applicable in the current period.
Revenue	Revenue from the sale of goods and the rendering of services.
Gross Operating Revenue (GOR)	Revenue less cost of sales and the write-down of inventory
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Free Cash Flow	Cash from operations less capital expenditure net of proceeds from disposals.
Earnings per share (EPS)	Net Profit after tax divided by the weighted average number of shares on issue during the period.
Net Debt : EBITDA	Ratio of net debt at period end to the last 12 months EBITDA.
Return on Capital Employed (ROCE)	Measured as earnings before interest, tax and amortisation of finite life intangibles for 12 months divided by closing capital employed (including a pro-rata adjustment for entities acquired).

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