



Investor Presentation



Interim Financial Results
Half Year ended 31 December 2017



21 February 2018

Disclaimer

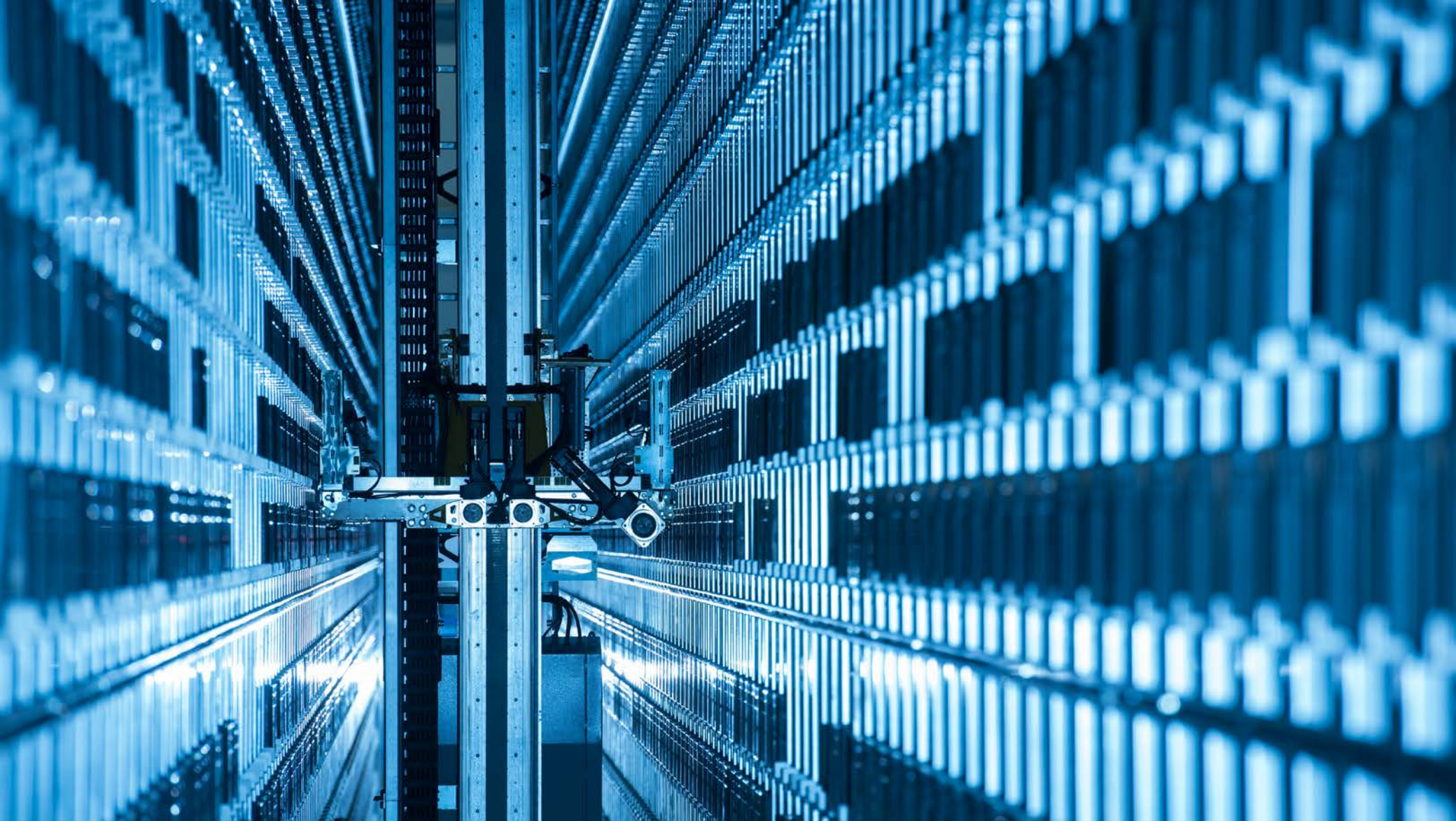
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The information contained in this presentation should be considered in conjunction with the consolidated financial statements for the period ended 31 December 2017.

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



1

Group Financial Results

Symbion Keysborough facility,
Melbourne, Australia

H1 FY18 Strategic Highlights

HPS acquired June 2017 and transition program completed

M&A ACTIVITY

INFRASTRUCTURE

Significant progress made on two major capex projects (Brisbane and Sydney)

Black Hawk is the fastest growing premium pet food brand in Australia and was successfully launched into NZ market

BRAND DEVELOPMENT

CASH MANAGEMENT

Record H1 cash flow before capex of +\$100m achieved

14% shareholding in MedAdvisor Ltd – Australia's leading digital medication management company

STRATEGIC INVESTMENT

LEADERSHIP TRANSITION

CEO change announced with John Cullity (current CFO) to take over from Patrick Davies effective 31 March 2018

H1 FY18 Summary Results

Revenue

\$3.9b

▼ -0.4% (-3.8% Constant FX)

EBITDA

\$138.5m

▲ 15.6% (+11.7% Constant FX)

NPAT

\$76.7m

▲ 11.5% (+7.8% Constant FX)¹

ROCE

16.1%

▼ -0.1%

EPS

50.4c

▲ 11.0% (+7.4% Constant FX)

Total Dividends per share

33.0c

▲ 10.0%

Strong first half financial performance

NZ\$m	H1 FY18	H1 FY17	Var	Constant FX Var
Statutory Results				
Revenue	3,942.7	3,960.2	(0.4%)	(3.8%)
Gross Operating Revenue	434.8	364.1	19.4%	15.5%
EBITDA	138.5	119.9	15.6%	11.7%
EBIT	121.2	107.5	12.7%	9.0%
Net Finance Costs	10.7	8.9	(20.2%)	(16.3%)
Profit Before Tax	110.5	98.6	12.1%	8.4%
Net Profit After Tax ¹	76.7	68.8	11.5%	7.8%
Statutory EPS - cps	50.4	45.4	11.0%	7.4%
Underlying EBITDA ²	138.5	122.3	13.3%	9.5%
Underlying NPAT ²	76.7	70.2	9.1%	5.5%
Adjusted EPS - cps ³	51.4	46.4	10.8%	7.1%
Net Debt	447.5	288.1		
Net Debt : EBITDA	1.76x	1.25x		

- Revenue decrease is driven by lower hepatitis C medicine sales (which were \$250m lower than H1 FY17, constant FX).
 - Revenue excluding hepatitis C medicine sales grew by \$76m or 2.7% (constant FX).
- Underlying EBITDA increase of \$16.3m or 9.5% (constant FX):
 - Healthcare up 8.7%.
 - Animal Care up 11.7%.
- Underlying NPAT increase of \$6.5m or 5.5% (constant FX).
- Adjusted EPS growth of 7.1% (constant FX).
- Lower NZD:AUD cross rate positively impacted NPAT by \$2.3m in H1 FY18.

Note 1: Net profit after tax and non-controlling interests.

Note 2: Calculated on an underlying basis that excludes transaction costs incurred on prior year acquisitions.

Note 3: Adjusted EPS reflects the Underlying EPS adjusted for amortisation charges incurred on the TerryWhite Chemmart and HPS acquisitions undertaken in FY17.



Healthcare Results

Healthcare segment

Strong trading performances across Australia and New Zealand



NZ\$m	H1 FY18	H1 FY17	Var	Constant FX Var
Healthcare segment				
Revenue	3,734.7	3,744.1	(0.2%)	(3.5%)
EBITDA	120.0	106.7	12.5%	8.7%
EBIT	104.8	96.1	9.0%	5.4%
EBITDA%	3.21%	2.85%	36pts	36pts
Australia				
Revenue	2,967.2	3,013.8	(1.5%)	(5.6%)
EBITDA	96.9	85.2	13.8%	9.0%
EBIT	82.8	75.7	9.4%	4.8%
EBITDA%	3.27%	2.83%	44pts	44pts
New Zealand				
Revenue	767.5	730.2	5.1%	
EBITDA	23.1	21.5	7.5%	
EBIT	22.0	20.4	7.7%	
EBITDA%	3.01%	2.94%	7pts	

- EBITDA increase of \$13.3m or 8.7% (constant FX):
 - Australia up 9.0% assisted by the 6 month contribution of HPS which was acquired in June 2017.
 - New Zealand up 7.5%.
- Revenue decrease of \$9.3m or 3.5% (constant FX):
 - Australia down 5.6% (although up \$76m or 2.9% excluding hepatitis C medicine sales, constant FX).
 - First half hepatitis C revenue was \$250m lower than last year (constant currency) and monthly sales are in line with the trend seen in H2 FY17.
 - New Zealand revenue up 5.1%, with growth from all business units.

Community Pharmacy



- Total Pharmacy Revenue to last year declined marginally (-0.6%, constant FX), attributable to lower hepatitis C medicine sales (-\$82m) and PBS reforms, partially offset by a full six months contribution from TerryWhite Chemmart (TWC) and growth in underlying business.
- Underlying Revenue growth (excluding hepatitis C and TWC) was 2.0%, with growth in Australia of 1.9% and New Zealand of 2.7%.
- Total OTC sales were in line with last year.
- GOR (excluding TWC) increased by 2.7%, primarily due to underlying wholesale pharmacy growth in Australia and New Zealand, partly offset by lower hepatitis C medicine sales.
- TWC store rebranding project is largely complete.

NZ\$m	Reported		Constant FX	
	H1 FY18	H1 FY17	H1 FY17	Var%
Revenue	2,213.0	2,144.2	2,225.8	(0.6%)
- Revenue ex. acquisitions	2,148.6	2,110.9	2,190.8	(1.9%)
GOR	211.7	180.4	187.6	12.8%
- GOR ex. acquisitions	166.8	156.3	162.4	2.7%
GOR%	9.6%	8.4%	8.4%	
- GOR% ex. acquisitions	7.8%	7.4%	7.4%	



Construction progress: new Brisbane wholesale facility

Institutional Healthcare



- With the acquisition of HPS in June 2017, EBOS continues to expand its position as a specialised and essential partner across a number of areas, primarily in hospitals, aged care and primary care.
- First half revenue was impacted by a significant reduction in hepatitis C sales (-\$168m), partially offset by the contribution from HPS.
- Underlying revenue growth (excluding hepatitis C and HPS) was 2.2%.
- HPS is performing well and is achieving EBITDA in-line with expectations.

NZ\$m	Reported		Constant FX	
	H1 FY18	H1 FY17	H1 FY17	Var%
Revenue	1,259.4	1,322.8	1,369.9	(8.1%)
- Revenue ex. acquisitions	1,224.2	1,322.8	1,369.9	(10.6%)
GOR	108.0	74.8	77.2	39.9%
- GOR ex. acquisitions	77.6	74.8	77.2	0.4%
GOR%	8.6%	5.7%	5.6%	
- GOR% ex. acquisitions	6.3%	5.7%	5.6%	

Consumer Products



live your best life

- Consumer products recorded a solid first half result with revenue growing 7.7% (constant currency).
- Revenue growth was predominantly driven by strong Red Seal domestic sales growth in toothpaste, teas and supplements.
- Red Seal international sales were mixed with lower sales in China that were impacted by a change in distributor in the period. Solid growth was achieved in other Asian countries including South Korea, Taiwan and Japan.
- GOR margins were impacted in part by the decision in Australia to reschedule codeine products to prescription only.

NZ\$m	Reported		Constant FX	
	H1 FY18	H1 FY17	H1 FY17	Var%
Revenue	59.6	54.5	55.4	7.7%
GOR	22.4	22.0	22.3	0.7%
GOR%	37.6%	40.3%	40.2%	



Contract Logistics



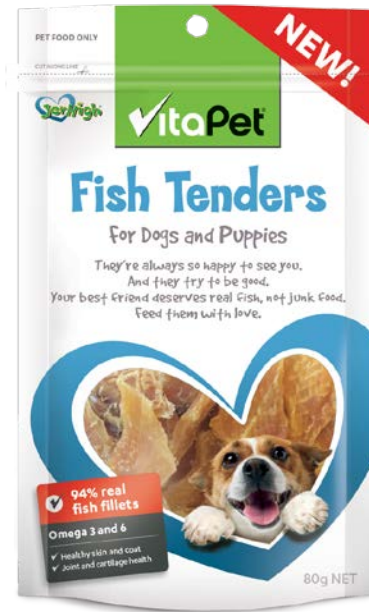
- Healthcare Logistics (NZ) maintained its leading market position and combined with cost management, delivered another period of increased earnings.
- The Group is expanding its Contract Logistics business in Australia with the development of a new 25,000m² facility in Sydney (NSW).
- The Australian business has recently been rebranded as Healthcare Logistics to further align the ANZ operations.

NZ\$m	Reported		Constant FX	
	H1 FY18	H1 FY17	H1 FY17	Var%
Revenue	238.0	242.1	244.6	(2.7%)
GOR	32.4	30.4	31.0	4.4%

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



Construction progress: new Sydney Contract Logistics facility.



3

Animal Care Results

Animal Care segment

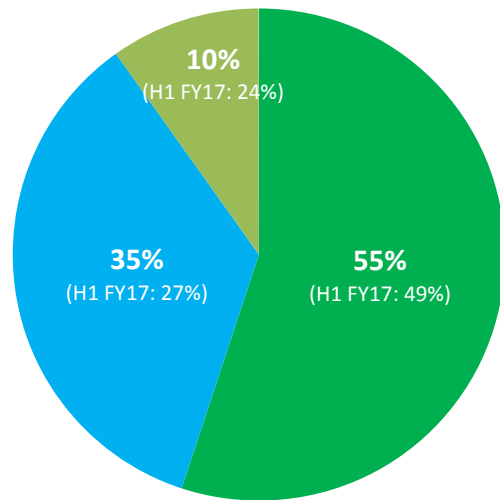
Improving EBITDA and margins from growth in key brands



NZ\$m	H1 FY18	H1 FY17	Var	Constant FX Var
Animal Care				
Revenue	207.9	216.1	(3.8%)	(7.2%)
EBITDA	24.3	21.1	15.3%	11.7%
EBIT	22.5	19.3	16.3%	12.7%
EBITDA%	11.71%	9.77%	194pts	194pts

- EBITDA increase of \$3.2m or 11.7% (constant currency):
 - Black Hawk sales growth in Australia (+26%).
 - Earnings were negatively impacted by \$2.2m due to costs associated with the launch of Black Hawk in New Zealand and exiting the Mars agency business.
 - EBITDA margin% increase reflects our strategic focus on developing our brands.

Revenue Mix by category



- Wholesale (Lyppard)
- EBOS brands (Black Hawk and Vitapet)
- Other products



Animal Care segment

H1 Summary of Results

Strong sales growth from Black Hawk in Australia of +26%

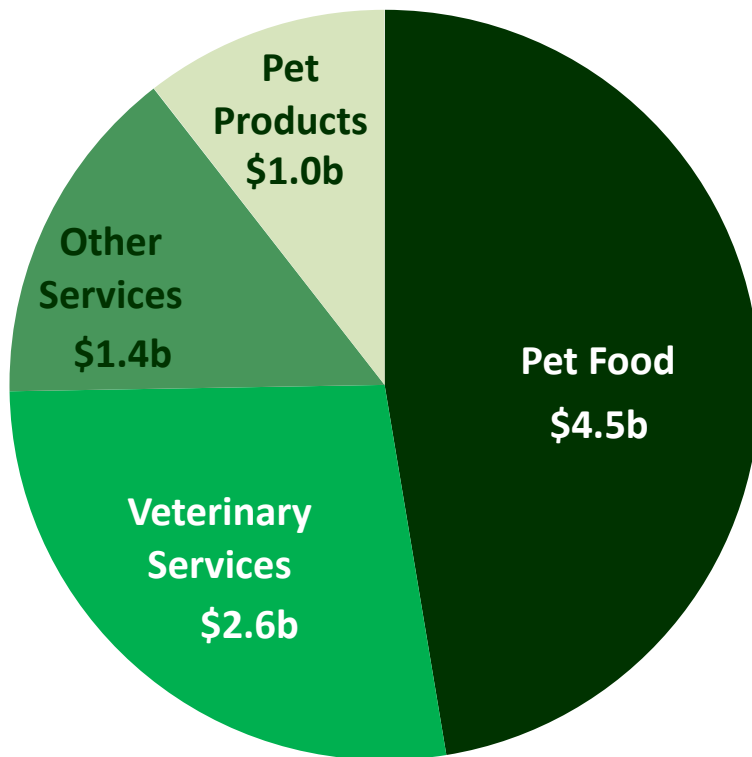


- Revenue declined principally due to two factors:
 - From March 2017, ceasing low margin wholesale sales to a major Australian retail chain. Revenue in H1 FY18 was impacted by \$20m.
 - In July 2017, EBOS launched Black Hawk into New Zealand and consequently ceased the sales, marketing and distribution of Mars products in NZ (IAMS and Eukanuba brands).
- Continued revenue growth in the existing business:
 - High sales growth of Black Hawk in Australia of +26% (following growth of +48% in FY17 and +55% in FY16). New product development included new packaging and the relaunch of core cat and grain free cat.
 - Black Hawk has been very well received into the New Zealand market with strong acceptance from specialty retailers and veterinary clinics.
 - Lyppard recorded solid revenue growth of 4.2% in a competitive market.

Pet Industry Overview

The ANZ Pet sector is worth ~\$9.5 billion and is growing at ~2% to 3% per annum¹

ANZ Pet Market by segment



- Market growth is being driven by trends towards humanisation of pets, premiumisation of pet food and products, and outsourcing of services like grooming, training & obedience and dog washing.
- Pet Food sales have achieved a 5 year CAGR of 2.7%² with Premium Food growing at faster rates of ~4-5% per annum.
- Management estimate the retail Premium food category in Australia is ~A\$700-800m. Black Hawk today is Australia's fastest growing premium pet food brand with a leading market position in the pet specialty retail channel. The New Zealand retail premium pet food market is estimated at ~\$200-250m.
- Our pet treats brand, Vitapet, continues to perform well. In New Zealand, Vitapet has ~60% market share and H1 FY18 sales grew 3.5% to LY. In Australia, Vitapet is the number two brand with ~23% market share, with Mars being the market leader.



4

Group Financial Information

EBOS Healthcare warehouse,
Auckland, New Zealand

Cash Flow

Record first half Operating Cash Flow performance

NZ\$m	H1 FY18	H1 FY17	Var\$
EBITDA	138.5	119.9	18.6
Net interest paid	(10.7)	(8.9)	(1.8)
Tax paid	(30.6)	(37.2)	6.6
Net working capital and other movements	4.5	(25.8)	30.3
Cash from Operating activities	101.7	47.9	53.8
Capital expenditure (net)	(31.5)	(16.0)	(15.6)
Free Cash Flow	70.2	32.0	38.2
Acquisition of subsidiaries and investments	(13.2)	(17.4)	4.1
Dividends paid	(50.3)	(49.4)	(1.0)
Net Cash Flow	6.6	(34.8)	41.3
Net debt attributable to acquisitions	-	(9.4)	9.4
FX impact on net debt	(19.3)	3.6	(22.9)
Reduction/(Increase) in Net Debt	(12.8)	(40.5)	27.8

- Record first half operating cash flow (\$101.7m) demonstrating the Group's disciplined focus on cash flow management.
- H1 FY18 Capex spend primarily comprises the new distribution centre in Brisbane (\$17.0m) and the new contract logistics facility in Sydney (\$4.5m).
- Additional Capex will be incurred in H2 FY18 on the new warehouses in Brisbane and Sydney, with total spend on these projects alone in FY18 of approximately \$43m.

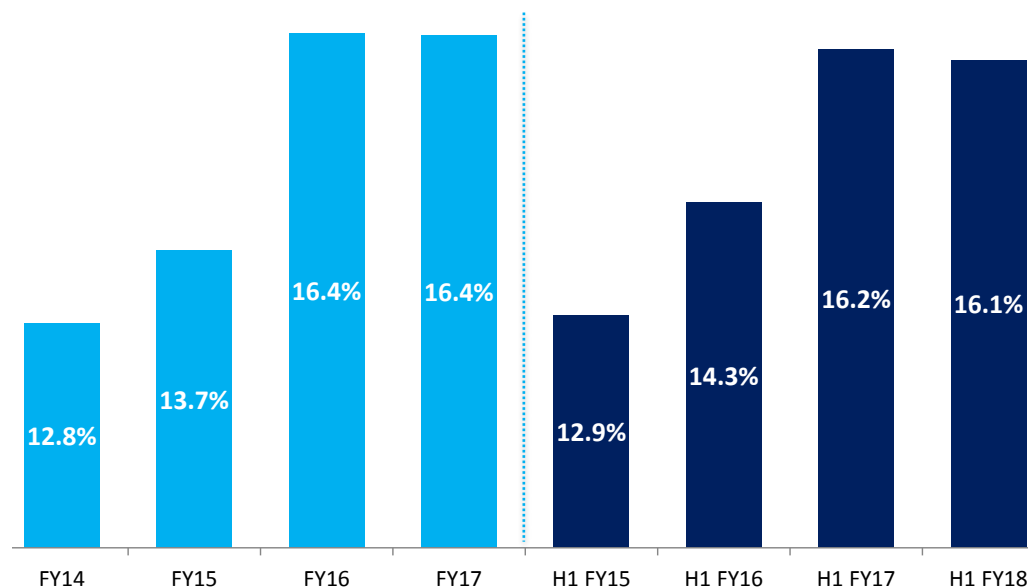
Working Capital and ROCE

Working Capital

NZ\$m	Dec 2017	June 2017	Dec 2016
Net Working Capital			
Trade receivables	1,027.6	1,015.1	1,112.5
Inventory	621.3	572.0	596.2
Trade payables/other	(1,408.0)	(1,353.7)	(1,446.2)
Total	240.9	233.4	262.5
Cash conversion days¹			
Debtor days	41	41	41
Inventory days	33	30	31
Creditor days	59	57	55
Cash conversion days	15	14	17

- Working capital management discipline is a key focus of the Group.
- Industry leading cash conversion cycle of 15 days.

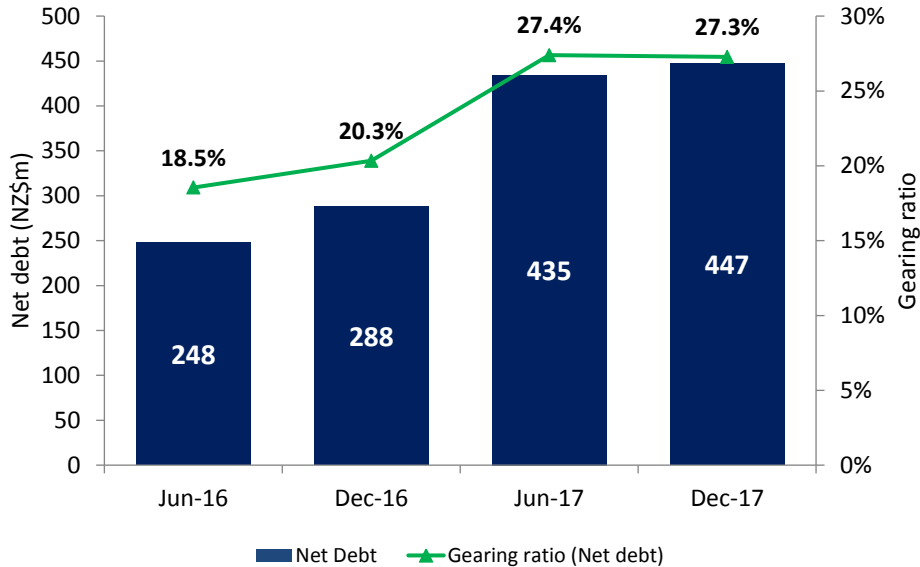
Return on Capital Employed



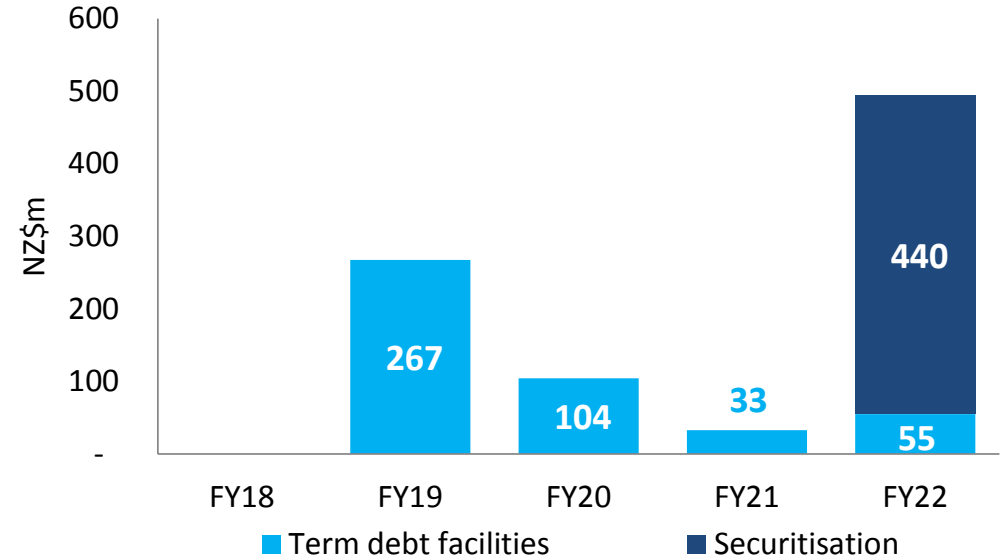
- Return on Capital Employed of 16.1% at December 2017, lower than June 2017 (-0.3%) and December 2016 (-0.1%) primarily due to a lower NZD/AUD exchange rate which increased the Group's capital base.

Net Debt, Gearing and Debt Maturity Profile

Net Debt and Gearing



Debt Maturity Profile – current facility limits

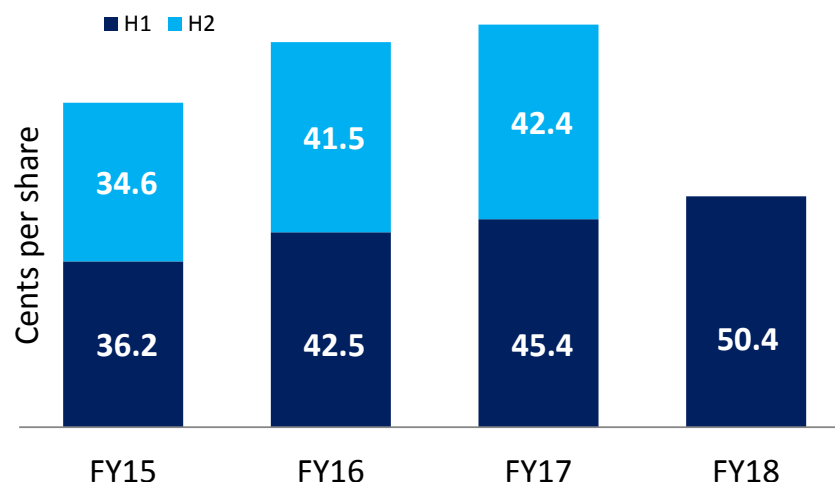


- Net Debt of \$447m at December 2017, an increase of \$12m from June 2017.
- Net Debt : EBITDA of 1.76x at December 2017 (1.79x at June 2017).

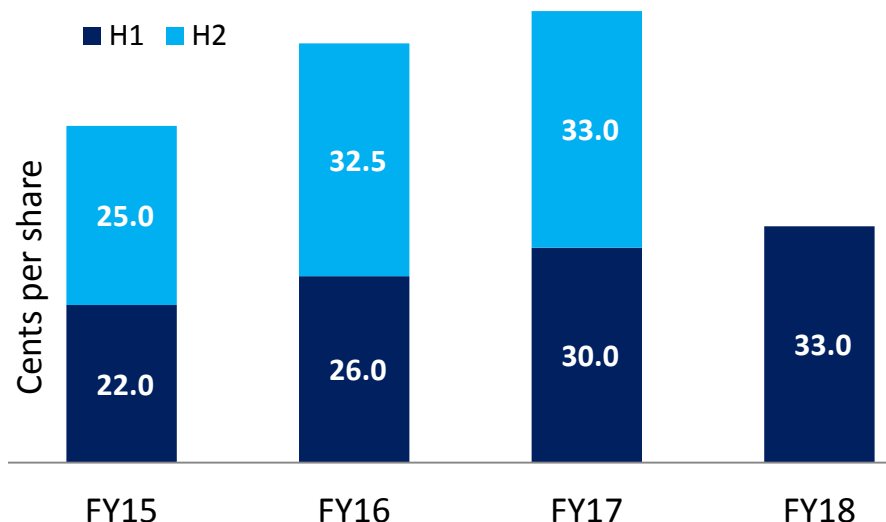
- Post 31 December, EBOS entered into a new three year securitisation facility (A\$400m) which expires in January 2021.

Earnings and Dividends per share

Earnings per share



Dividends per share



- Statutory 1H EPS growth of 11.0% (7.4% constant currency).
- Adjusted EPS¹ of 51.4c represents a 10.8% increase on last year (7.1% constant currency).
- Interim dividend of 33.0 cents, an increase of 10.0% on last year. Imputed to 25% and franked to 100% for Australian resident shareholders.
- Dividend payout ratio of 66%.

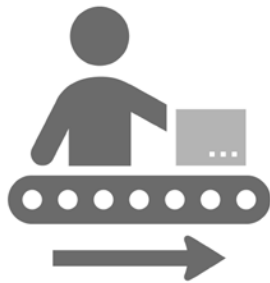
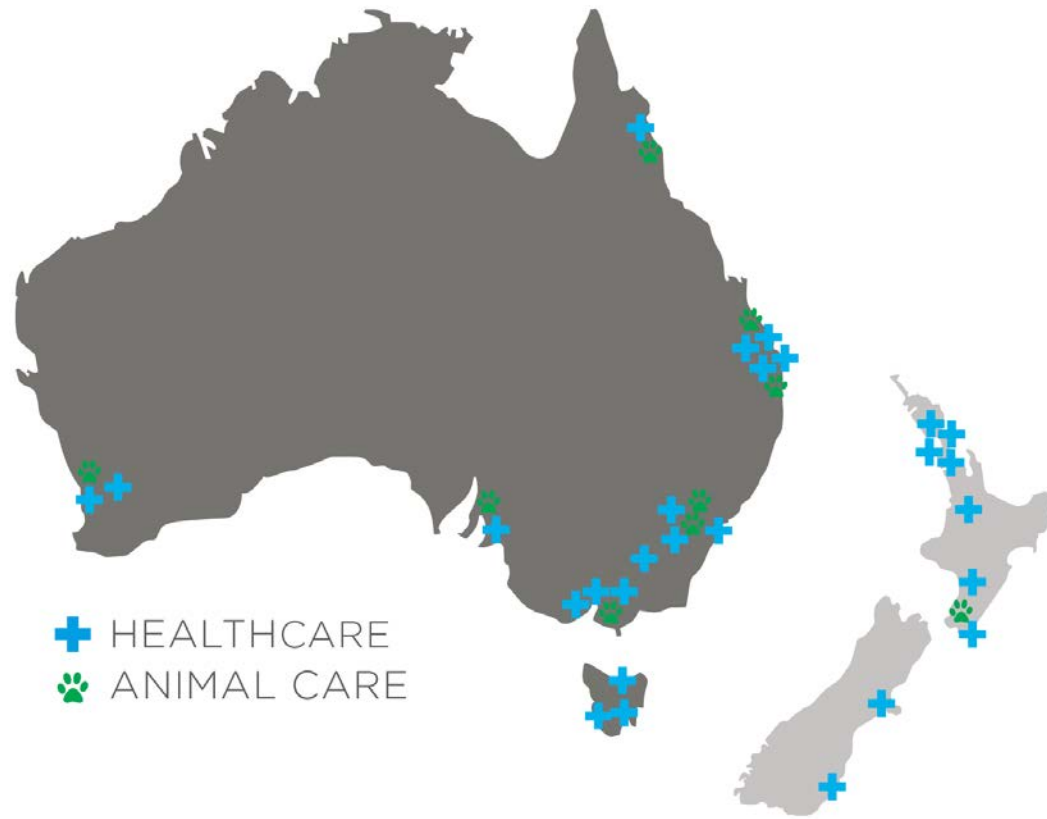


Outlook

Top: EBOS, Auckland. Symbion, Melbourne
Bottom: ProPharma warehouse, Auckland. Black Hawk display at Rangiora veterinary clinic (Christchurch).

Outlook

- EBOS Group has recorded a strong start for the first half of the financial year across both our Healthcare and Animal Care segments.
- We expect constant currency, underlying EBITDA for the 2018 financial year to grow by approximately 10% on the prior year.



6

Supporting Information

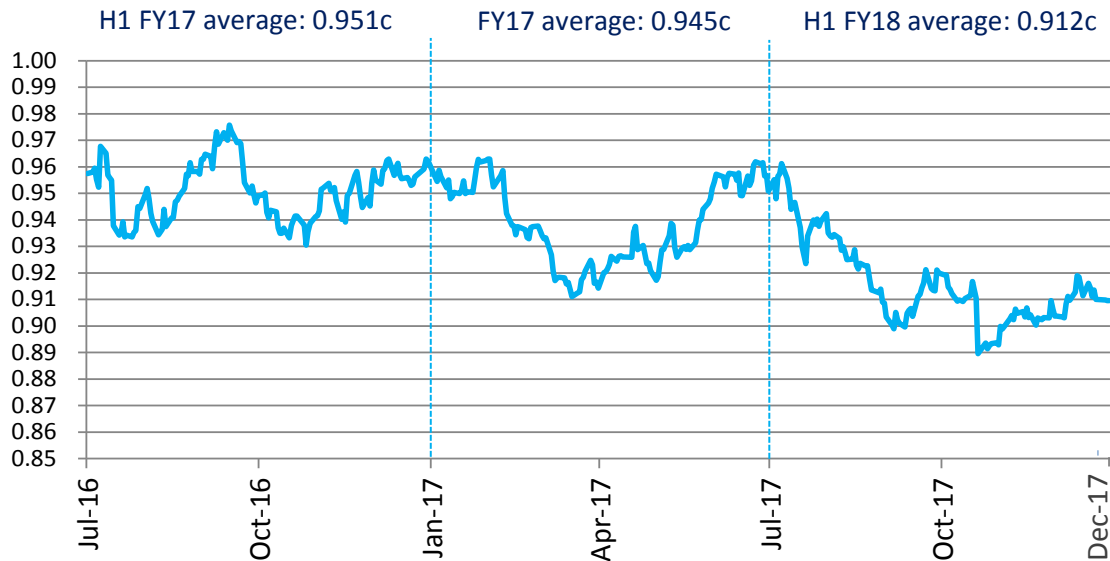
Foreign exchange

Depreciation of the average NZD:AUD cross-rate by 4.0c to 0.912 positively impacted EBITDA by \$4.1m in H1 FY18

Revenue and EBITDA by currency

\$m	AUD Operations	Average NZD:AUD translation	AUD Operations NZD	NZ Operations NZD	Group Consolidated NZD
	AUD		NZD	NZD	NZD
H1 FY18					
Revenue	2,873.8	0.91	3,150.8	791.9	3,942.7
EBITDA	104.9	0.91	114.8	23.7	138.5
EBITDA%	3.65%		3.64%	3.00%	3.51%

NZD:AUD exchange rate – July 2016 to December 2017



- 83% of the Group's earnings (EBITDA) are generated in AUD.
- The average NZD:AUD FX rate for H1 FY18 decreased by 4.0 cents from H1 FY17, positively impacting the Group's H1 FY18 EBITDA by approximately \$4.1m.
- EBITDA sensitivity to a 1 cent movement in NZD:AUD exchange rate is approximately \$2.1m per annum.

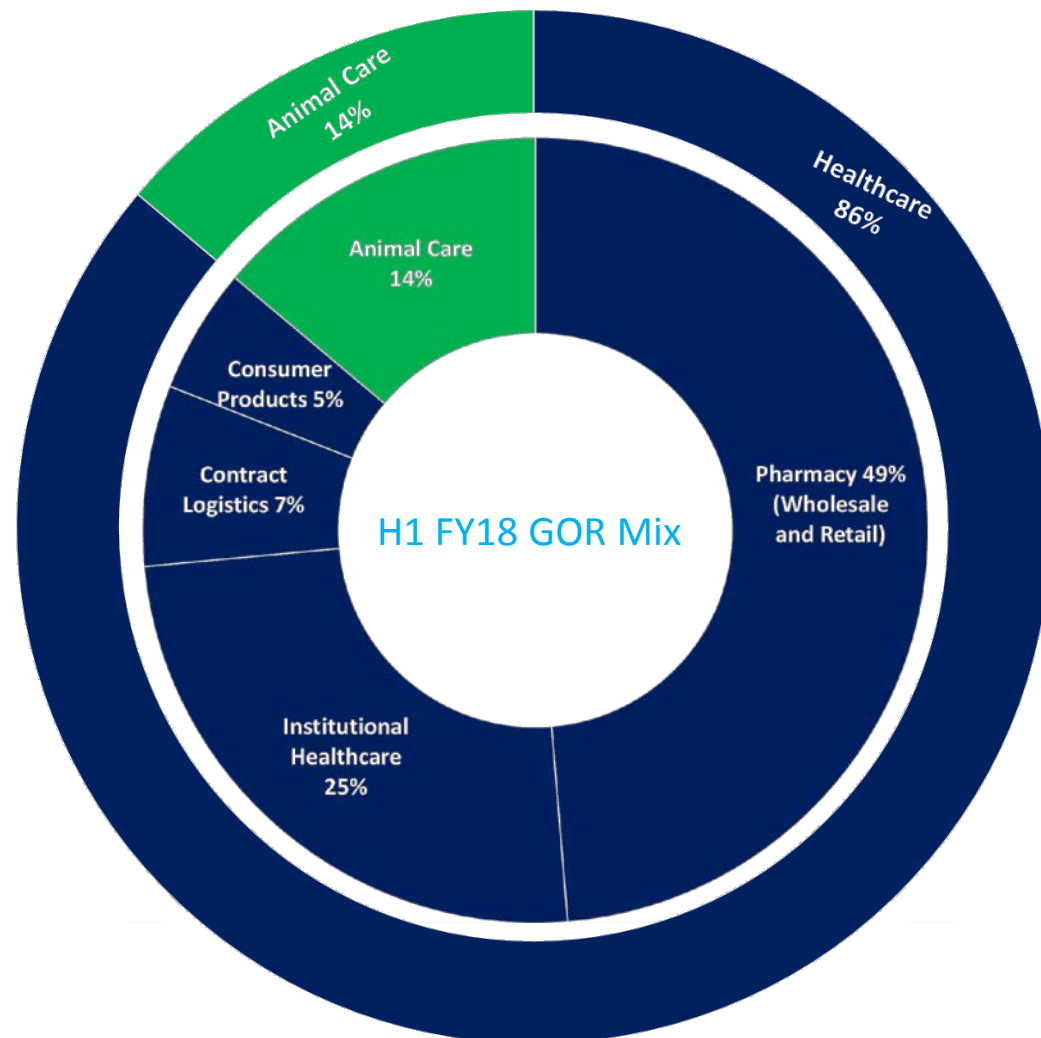
Segment earnings and GOR mix

EBITDA by segment

NZ\$m	H1 FY18	H1 FY17	Var	Constant FX Var
Healthcare	120.0	106.7	12.5%	8.7%
Animal Care	24.3	21.1	15.3%	11.7%
Corporate	(5.8)	(7.9)	26.3%	28.6%
Group	138.5	119.9	15.6%	11.7%
Transaction costs	-	2.4		
Group - underlying	138.5	122.3	13.3%	9.5%

- H1 FY17 Corporate segment result includes \$2.4m of transaction costs incurred on the Terry White Chemmart merger.

Gross Operating Revenue (GOR) H1 FY18



Reconciliation of statutory and underlying results

NZ\$m	H1 FY18		H1 FY17	
	EBITDA	NPAT	EBITDA	NPAT
Statutory result	138.5	76.7	119.9	68.8
<i>Add back</i>				
Transaction costs incurred on acquisitions undertaken during the period	-	-	2.4	1.4
Underlying result ¹	138.5	76.7	122.3	70.2

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.
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.
Underlying EBITDA	Earnings before interest, tax, depreciation, amortisation and transaction costs relating to acquisitions.
NPAT	Net Profit After Tax attributable to the owners of the company.
Underlying NPAT	Net Profit After Tax attributable to the owners of the company and before transaction costs relating to acquisitions.
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.
Adjusted EPS	NPAT excluding transaction costs and amortisation charges incurred on recent acquisitions, 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 underlying 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 and excluding amounts for significant capital projects yet to complete and strategic investments).

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