



2016

Annual General Meeting

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Managing Director
24 November 2016

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Vertically integrated business model across the animal health value chain

Segment	Businesses	Activities and Geographic Locations
Veterinary Solutions		<ul style="list-style-type: none"> • 13 leading Production Animals and Regional Mixed Animal practices • 29 clinics strategically located across Victoria, Tasmania, Queensland, Western Australia and New South Wales • Over 110 veterinarians, including leading specialists in their fields of expertise. Over 350 employees in team • Veterinary, well-being, and production solutions
Procurement and Logistics		<ul style="list-style-type: none"> • Centralised procurement and wholesaling of animal pharmaceuticals, nutritional supplements and equipment • In-house warehousing and logistics services to deliver products to veterinary clinics and end-point customers • Warehouses in Bendigo, Toowoomba, Welshpool and Smithton
Ancillary & Support		<ul style="list-style-type: none"> • Genetics sourcing, sales and related services • Embryo transfer and artificial insemination services • Services to producers of industry quality assurance programs, including major national super market standards as third party (food chain) auditors

FY16 operational highlights

- ✓ Delivering prospectus statutory forecasts to achieve \$54.1m revenue and \$2.1m EBITDA (underlying EBITDA of \$5.8m)
- ✓ Executing our growth strategy through consolidation of the 12 acquired vet businesses, plus acquisition of QVG (effective 1 Sep)
- ✓ Integration process continuing on track - Finance, Human Resources, Communication platform, Business Growth and Procurement
- ✓ Economies of scale being achieved in product procurement and delivery
- ✓ Business model being applied through key account managers and veterinary program development support
- ✓ Initiating new services and product opportunities through establishment of Veterinary Services Advisory Committees



FY16 – P&L summary (underlying basis)

Apiam's FY16 results were in line with the prospectus forecasts

FY16 \$m	Actual	Prospectus	Chg (%)
Revenue	54.1	48.6	11.4%
Gross profit	25.3	23.9	5.8%
Statutory EBITDA	2.1	1.8	16.8%
Add back one-off Expenses:			
Other integration / IPO expenses	3.7	4.1	(9.8%)
Underlying EBITDA	5.8	5.9	(1.7%)
Depreciation	(0.6)	(0.7)	(15.5%)
Underlying EBIT	5.2	5.2	0.3%
Finance expense	(0.4)	(0.5)	(18.8%)
Underlying Net Profit Before Tax	4.8	4.7	2.5%
Income tax expense	(1.4)	(1.4)	2.5%
Underlying Net Profit After Tax	3.4	3.3	2.5%
Gross Margin	46.8%	49.3%	
EBITDA margin	10.8%	12.2%	
EBIT margin	9.6%	10.7%	

Comments: Revenue

- Significant growth in product sales for pig category (contributed ~ 60% of the favourability)
- Balance from earlier settlement of 9 acquired clinics

Gross margin

- Increased lower margin pig sales
- Delayed phasing in of procurement savings

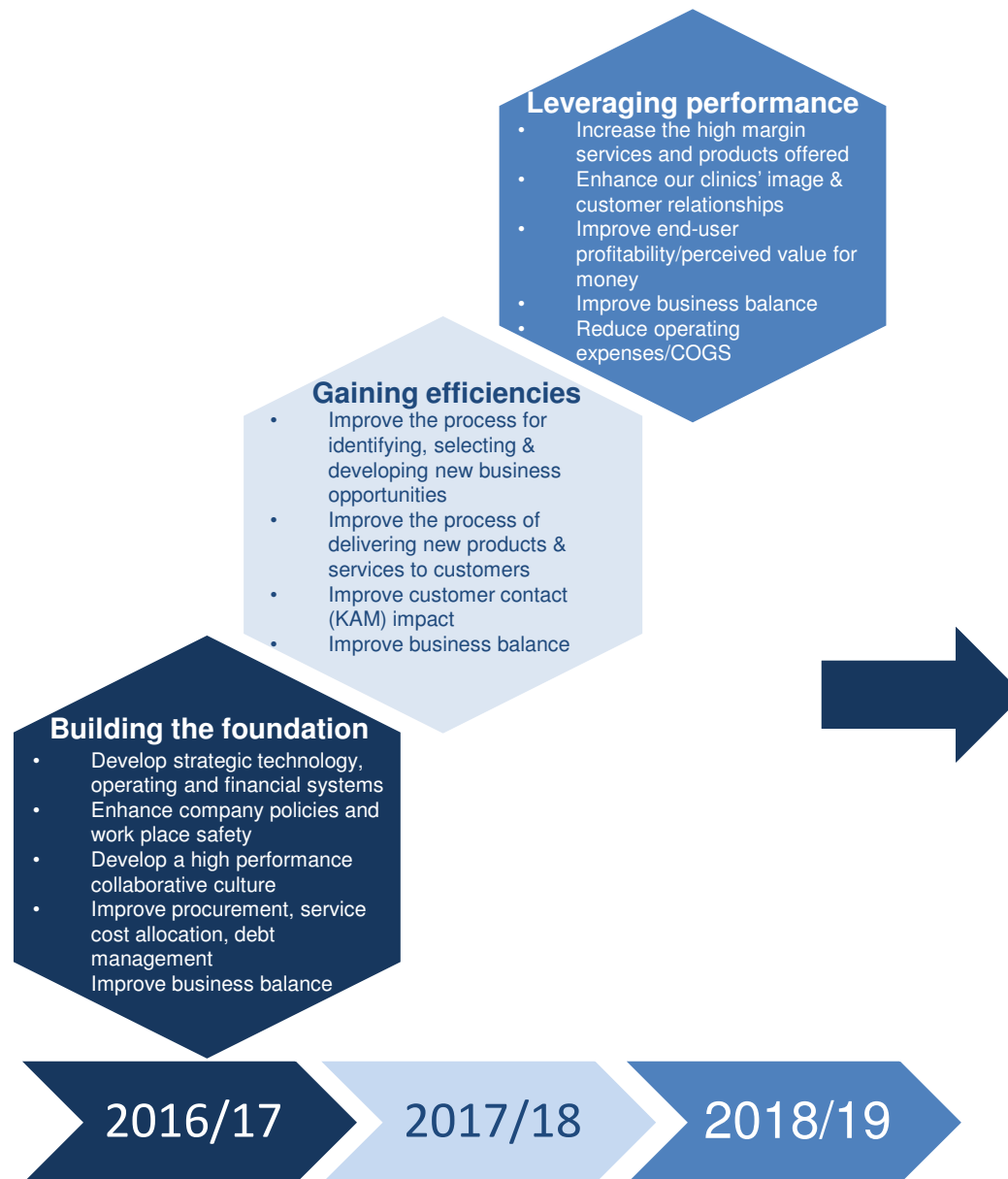
Employment

- Higher costs due mainly to early settlement of the clinics but also includes additional resources in HR, Finance & IT to support the integration

Trading period

The FY16 actual results include; from 1 November 2015, the trading of Chris Richards Group businesses and 3 clinics in which Chris Richards Group had a majority equity interest; and from 10 December 2015, the trading of the nine (9) other clinics acquired.

Strategic roadmap: three year plan



Apiam's three year plan is based on four key themes that will be the underlying drivers of growth for the company:

- **High performance team**
- **Clinical leadership and operational excellence**
- **Customer focus**
- **Innovation**



Strategic plan initiatives

Strategic theme	Initiatives FY17 YTD
High performance team	<ul style="list-style-type: none"> Accelerated graduate program in place Employee Assistance Program rolled out Intranet development and deployment enabling expert knowledge exchange & collaboration across the company
Clinical leadership & operational excellence	<ul style="list-style-type: none"> Knowledge exchange and upskilling of employees on new services underway Integrated systems and processes that improve efficiencies, reduce risk and provide a safe working environment being implemented (refer business integration progress)
Customer focus	<ul style="list-style-type: none"> Key Account Managers being phased in to support acquisition clinics Expanded equine services for Northern Victoria Overall focus on improving end-user profitability
Innovation	<ul style="list-style-type: none"> 'Be Sure' initiative implemented – Apiam's platform to provide consistency, scalability and recognition of high quality, professional approaches



Business integration progress

The integration process has been well planned and is on schedule

Integration update FY17 Q1:

- Recruitment of key personnel underway:
 - 2 of 3 planned Key Account Managers (KAM) have been appointed in Q1 FY17
 - New KAM's have completed sales training & already adding value in servicing corporate and mid-tier accounts & identifying growth opportunities
 - VSAC's have developed new services and products for FY17 H2 roll-out
- ERP, HR & practice management systems
 - New ERP and PMS has been scoped and providers appointed
 - The Hive HR platform update has been introduced to align Apiam and employee strategic objectives and KPI's
- Synergies being achieved in procurement & delivery
- Apiam logistics now deliver direct to clinics and many new customers



**Up to \$3.5m to be
invested in people
and systems in FY17**

Outlook – Industry conditions

Despite recent beef & dairy industry challenges, the long term fundamentals for the animal production industry remain strong.

Our business is most directly affected by animal numbers rather than commodity fluctuations.

Beef Feedlot



- Intake rate declined in Q1 13% from June 16 quarter¹
- National adult cattle herd at 20 year low following long period of high beef prices²
- Recent unusually high rain pattern in FY17 Q1 enabling producers to keep stock on grass
- Anticipated softening in feedlot throughput in FY17 but capacity being built for future growth expectations
- Turnaround in capacity not expected until 2018²

Notes:

- ¹ ALFA Media Release, ALFA/MLA quarterly survey, 8 November 2016
- ² Meat and Livestock Australia, October 2016
- ³ Dairy Australia, Production Inputs Monitor, Issue 134 (7 October 2016)
- ⁴ Abs, Livestock slaughtered and meat produced, Australia, June 2016
- ⁵ Dairy Australia, Dairy Situation and Outlook, October 2016
- ⁶ Australian pork, pigs and ears issue #697



Outlook – Industry conditions

Dairy



- Number of dairy cattle negatively impacted by:
 - Industry reduction in farm gate milk price in 2016
 - Increased cull rates (particularly in July and August of FY17Q1) ³.
 - Opportunity to cull poor performing/sick animals
 - Beef prices high - Eastern Young Cattle Indicator highest level ever since its 1996 inception
- Momentum is changing & positive indicators going forward for dairy industry
 - Global milk prices in recovery phase ⁴
 - Increased heifer retention occurring on client farms to re-establish herd numbers (Dairy cattle exports down 7% on LY ⁵)

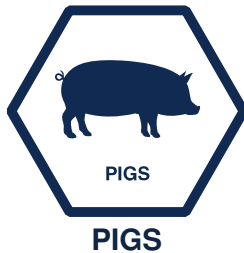
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Outlook – Industry conditions

Pigs



- Industry conditions remain good
- Pig meat production growth in line with expectations
- continued to grow at 4% since June 15⁴
- Grain feed prices - 2 year low⁶
- Baconer & Pork prices – 6 year high⁶
- Robust industry expansion to meet future pork demand



Notes:

- ¹ ALFA Media Release, ALFA/MLA quarterly survey, 8 November 2016
- ² Meat and Livestock Australia, October 2016
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Outlook - Trading update

July – October 2016

- Revenue of \$19.8m in Q1 was below expectations due to a **short term combination** of factors:
 - challenging feedlot and dairy industry specific factors (outlined in the industry update)
 - abnormal customer purchasing patterns in pigs and dairy (expected patterns have now resumed)
 - October revenue of \$8.35m was at expectations due to:
 - Resumption of more normal servicing and purchasing patterns in dairy and pig industries
 - Company revenue growth initiatives
- July to October revenue \$28.15m
- November trading to date meeting revenue expectations

Apiam's management team has, over many years, proven its ability to drive business growth despite varying industry conditions



Outlook – FY17 Trading Update H1 and H2

- FY17 Q2 data to date is showing a significantly improved revenue trajectory
 - Revenue in October and November to date as expected
- The reduced revenue against expectation appears to be restricted to Q1
- FY17 Q1 reduced revenue will affect FY17 H1 revenue and consequently EBITDA
- Apiam has responded quickly to the challenges experienced in FY17 Q1
 - Company has introduced specific initiatives to drive organic sales across all business segments to deliver a strong FY17 H2
 - Company also reviewing costs but remains committed to delivering on strategy
- H2 revenue expected to be greater than H1 revenue in FY17



Delivering to strategy

Building a firm foundation for future strong growth

- Three year strategic roadmap delivered & underway
 - focus for FY17 is building the platform that will deliver benefits for 5-10 years
- Delivering on organic growth strategy
 - key account managers
 - new service offerings in clinics
 - greenfield branch clinics
- Delivering on acquisition strategy
 - part year contribution from Quirindi Vet Group in FY17
 - Strong acquisition pathway in fragmented industry (subject to Apiam's strict acquisition criteria)
- Favourable economic outlook for production animal sector – domestic & global
- New initiatives to drive strong sales performance in FY17 H2 implemented



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