

APIAM ANIMAL HEALTH – ANNUAL GENERAL MEETING

Chairman's Address – Professor Andrew Vizard

24th November 2016

This time a year ago, Apiam had only just commenced trading as an unlisted entity. Much has been achieved since then. The subsequent listing of Apiam brought together some of Australia's most respected, successful and long-standing dairy, beef feedlot, pig and mixed rural veterinary practices to create the unique business that you see today:

- a vertically integrated animal health business, providing products and services for the production and companion animal sectors;
- with vet clinics in 29 locations, we are the leading production and mixed animal veterinary company in Australia;
- alongside our vet services, Apiam has a wholly owned procurement, wholesaling and logistics operation to service our clinics and clients across the various regions we operate in.

In FY16 Apiam delivered a very solid financial result during the short period in which it traded: we exceeded statutory forecasts to achieve \$54.1m in revenue and \$2.1m EBITDA. This result was also very closely aligned to the pro-forma forecast.

But what this result does not convey, is the work that has – and is - being undertaken in executing a strategy that will enable this company to harness the strong growth opportunities ahead of it. It is this work which, rightfully, has occupied much of the time of both the board and management and it is this work which I will focus on during my address.

In our prospectus document and again in our annual report, Apiam presented the following three-year plan for growth:

- in 2016-17 Build the foundations;
- in 2017-18 Gain efficiencies; and
- in 2018-19 Leverage performance.

Building the foundations. 2016 was a year in which we stated we would build solid foundations to support the future growth potential of the company by:

- developing strategic technology and services, operating and financial systems;
- enhancing company policies and work place safety;
- developing a high performance, collaborative culture;
- improving procurement, service cost allocation, debt management; and
- improving business balance.

Looking at these one at a time.

Developing strategic technology and services, operating and financial systems

To properly capture the potential benefits of scale and skill that Apiam offers requires operational excellence and efficient information flow. Apiam has completed scoping of financial and practice management systems for the entire business. We have selected a preferred financial system that will be completely integrated with the practice management system, thereby creating a single platform that will be used by all business units. These systems will be integral to creating value, enabling management to run the entire business in a much more coordinated manner, and enabling operational improvements across many aspects of the business.

Aligning the individual performance objectives of our staff with the overall strategy of our company is also essential to ensure that Apiam's goals will be realised. We have completed the implementation of our Human Resources platform, Hive, that will be critical to facilitating that process.

Developing systems and processes suitable for the growth potential that we see in a fully integrated Apiam requires a significant investment, but should also deliver substantial return. As previously advised to the market we expect to spend up to \$3.5 million dollars in our integration plan, of which up to \$3 million may be expensed within this financial year.

Enhancing company policies and work place safety

During the last year, Apiam has developed, ratified and is now operating within our body of company policies, but in this address, I will focus on our work place safety.

The safety and well-being of all people associated with Apiam is the highest priority of the board. And there are specific risks we face. We work with animals, we sometimes work in difficult situations, some of us drive long miles. Our goal is to have zero injuries in the workplace. Improving workplace safety is a journey that never ceases, and in 2016 we began by laying down our roadmap. We have established a company-wide work and health safety framework, have completed our first round of training, are monitoring lead and lag indicators of safety and have begun driving the necessary cultural behaviours through the organisation.

Developing a high performance, collaborative culture

Apiam employs about 110 veterinarians, including many of Australia's most experienced and respected production and companion animal professionals. This is a tremendous asset for the company, which we intend to harness. Apiam has created six VSACs - veterinary service advisory committees - in which our leading vets from around the country develop new ideas and programs to benefit clients across the country, as well as increasing the level of service to all employees. Benefits are already flowing, but given the quality of the professional staff we have, I expect these committees will drive innovation in the Australian animal health sector and place Apiam firmly at the forefront of improved delivery of animal health services and products to the animal industries we service.

Another key part of Apiam's plan is its team of Key Account Managers - who are being phased into the company now. These managers are dedicated to working alongside vets to assist in the sales of service based programs and the technology solutions associated with these innovations. It is early days, but we believe the relationship between veterinarians, Key Account Managers and their clients will enable Apiam to deliver improved services and products to a more stable and secure client base.

Improving procurement, service cost allocation, debt management

I will speak briefly to one of these points – improving procurement. Procurement efficiencies is an advantage Apiam's scale offers. Following numerous negotiations, we now have in place supply agreements with our major suppliers of products, equipment and services - agreements that have brought immediate as well as long-term benefits.

Improving business balance

In August, you saw us strengthen our production animal and rural vet services, with the acquisition of Quirindi Veterinary Group, one of Australia's leading rural veterinary groups, located in the Liverpool Plains in NSW. This earnings accretive acquisition, was in line with our strategy, to collaborate with innovative businesses where there are clear synergies and opportunities to enhance our services to clients. The acquisition of QVG strengthens our position in the beef industry and also adds a specialised, custom-built equine reproduction facility.

Apiam has a robust acquisition pipeline, and you can expect to see further – very targeted – acquisitions; acquisitions that align with our strategic objectives and meet our financial hurdles. Acquisitions that deliver real synergies.

I will now say a little about the future.

The industry fundamentals for our business are favourable. The consumption of protein in our diets continues to increase both domestically, and in overseas markets – particularly amongst some of our key regional trading partners. Australia has a strong competitive advantage in the food production, particularly considering the shift in consumer preferences for safe and socially responsible production.

In the long run, as a business, we are well placed to benefit from the impending growth in Australia's animal production industries.

Having said that, we have been witness to some immediate challenges facing beef and dairy producers. Chris will provide more detail on this in his presentation, but I would like to make a few points in relation to the generally unfavourable feedlot and dairy industry conditions we saw in the first quarter of this year.

It was pleasing to see that the company was able to respond and minimise the impact of these conditions to our business. Because of this action, and the improvement in conditions in dairy, the impact to our revenue appears to have been contained to the first quarter.

I also note that short-term challenges may also bring long-term opportunities, particularly in respect of our acquisition and growth strategies.

Although Apiam has a short history on the ASX, Apiam's team of about 110 veterinarians and more than 260 animal health professionals and support staff have a great deal of experience servicing the animal industries of Australia and have demonstrated ability to swiftly respond to both challenges and opportunities that arise in this industry.

In this, our first year, we have been building the foundations. Foundations that will allow the experience and skill of our staff to be fully harnessed. Foundations that will support the future strong growth potential of Apiam. Building those foundations has, at times, fully occupied both board and management; we have done this knowing that the benefits from our work will accumulate over years, rather than in weeks. We remain committed to that

strategy, we believe it is on track, and we will continue to lay the foundation that will drive Apium's future prosperity.

I acknowledge the hard work, drive and vision of my fellow board members, and of the entire management team – their commitment, passion and ability is critical to our success.

And finally – thank you to our shareholders for their support of their company – we look forward to sharing the successes of the coming year.