

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Apiam to present at Morgans Investor Conference

Bendigo, March 23, 2022 – Apiam Animal Health Limited (**Apiam** or the **Company**) Managing Director, Dr Chris Richards will present at the Morgans Investor Conference today at 12.00PM.

Apiam's presentation for the investor conference is attached to this announcement.

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Authorisation

This announcement was authorised by the Chairman of Apiam Animal Health Limited.

About Apiam Animal Health Limited

Apiam Animal Health is positioned in the Australian market as a vertically integrated animal health business providing a range of products and services to Production and Mixed animals. Apiam Animal Health's strategy is to service Production and Mixed animals throughout their lifecycle, including the provision of veterinary services, ancillary services, genetics, wholesale and retail of related products, together with technical services related to food-chain security.



Apiam Animal Health Ltd

Morgans Investor Conference

23 March 2022

Apiam Animal Health snapshot



SCAN ME



➔ **Unique ASX-listed** veterinary group

➔ **Diversified business model** with a rural and regional focus

- servicing whole spectrum of production & companion animals
- clinics located in fast-growth regional locations

➔ **Attractive financial profile** with revenue growth, earnings margin expansion and dividends

➔ **Strong industry outlook** for regional veterinary markets

➔ **Accelerated growth strategy** via acquisitions, organic initiatives & greenfield clinic roll-out program

➔ **Strategy to double revenue base to \$300m by FY24**



73

CLINICS



250+

VETERINARIANS



70%

COMPANION &
MIXED ANIMAL
CLINIC
CONTRIBUTION

Diversified & resilient vet services portfolio

MIXED ANIMAL & DAIRY SEGMENT

(COMPANION ANIMALS INCL. EQUINE)



70%
of H1 FY22
revenues

Products & services offered

- Service regional cities and towns
- Veterinary clinical services
- Wellness programs
 - Best Mates program
 - ProDairy program
- Extensive range of product sales
 - prescription, private label, exclusive, retail
- Dairy-integrated product supply chain
- Diagnostics and Pathology
- Feed testing & Parasitology

FUR LIFE  Vet



BEEF FEEDLOT & PIG SEGMENTS

(INTENSIVE LIVESTOCK ANIMALS)



30%
of H1 FY22
revenues

Products & services offered

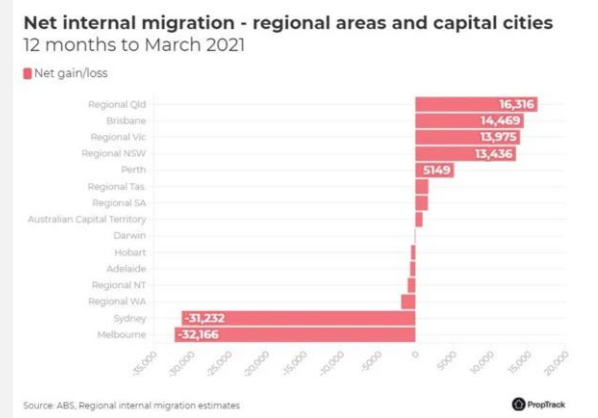
- Service specialized industries across Australia
- Veterinary consulting services
- Extensive range of product sales
 - including vaccines, prescription, private label
- Integrated product supply chain
- Genetic services
- Diagnostic Laboratory
- Vaccine Laboratory
- Feed testing
- Data Analysis Platforms



Rapid regional veterinary market growth

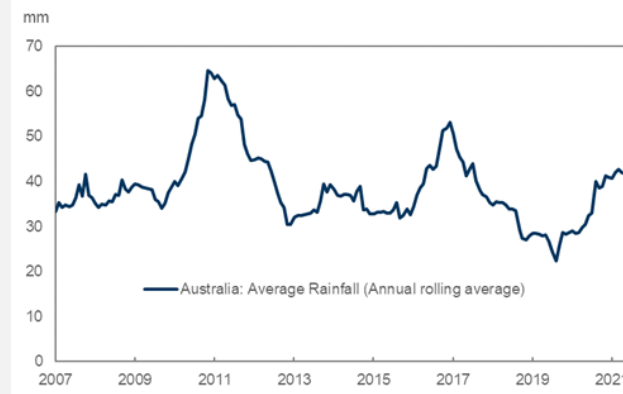
- ✓ Net migration to regional areas is the highest on record
- ✓ Significant increase in pet and livestock ownership continuing post COVID-19
- ✓ Increasing spend per household on vetcare
- ✓ Apiam's broad animal expertise aligned with regional vet offering – different to metro models
- ✓ La Niña & post-drought conditions supporting strong pasture-based livestock industries (dairy, beef, sheep, equine)
- ✓ Rapid regional growth and vet industry dynamics resulting in high quality acquisition pipeline

Net internal migration (cities to regions)

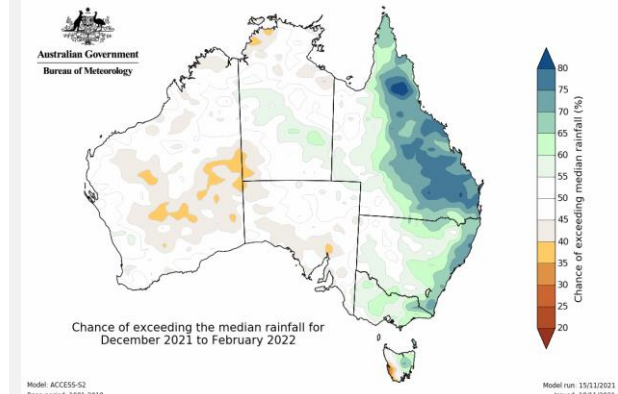


15%
growth in
household pet
ownership since
2019¹

Australian avg rainfall (rolling average)



Median rainfall forecast (Dec 21 – Feb 22)



Strategy to double revenue base by FY24

REVENUE GROWTH DRIVERS

Acquisition pipeline



Organic growth

- Extensive acquisition pipeline following vet industry restructure with many opportunities in due diligence
- Track record of M&A execution and integration with 20 acquisitions since IPO
- Investment in H1 FY22 to bolster acquisition support teams & resources within head office



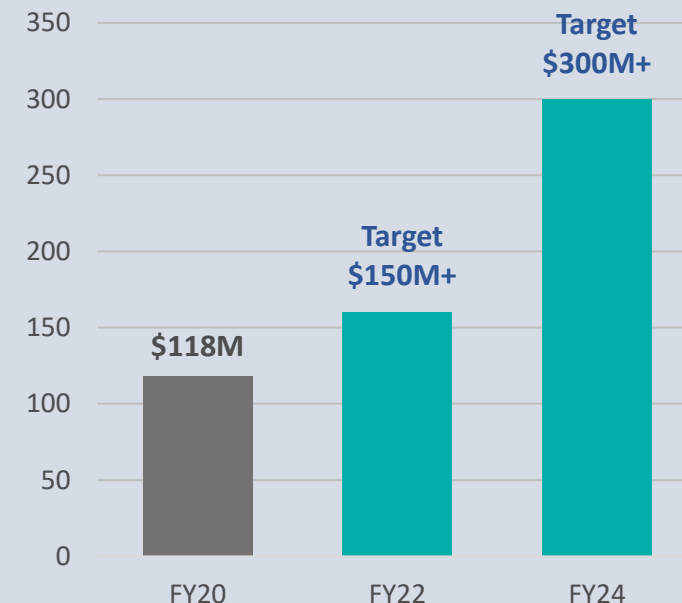
Greenfield sites

- Greenfield sites to reach financial maturity
- \$3M revenue target per greenfield site within 3 years of opening

- Regional veterinary industry growing rapidly
- Industry outlook for intensive animals improving
- Capture further dairy & mixed animal market share
- Track-record of product & service development
- Product innovation opportunities underway with significant market potential

Revenue target of \$300M+ in FY24

Planned revenue growth trajectory



Operating earnings uplift strategy

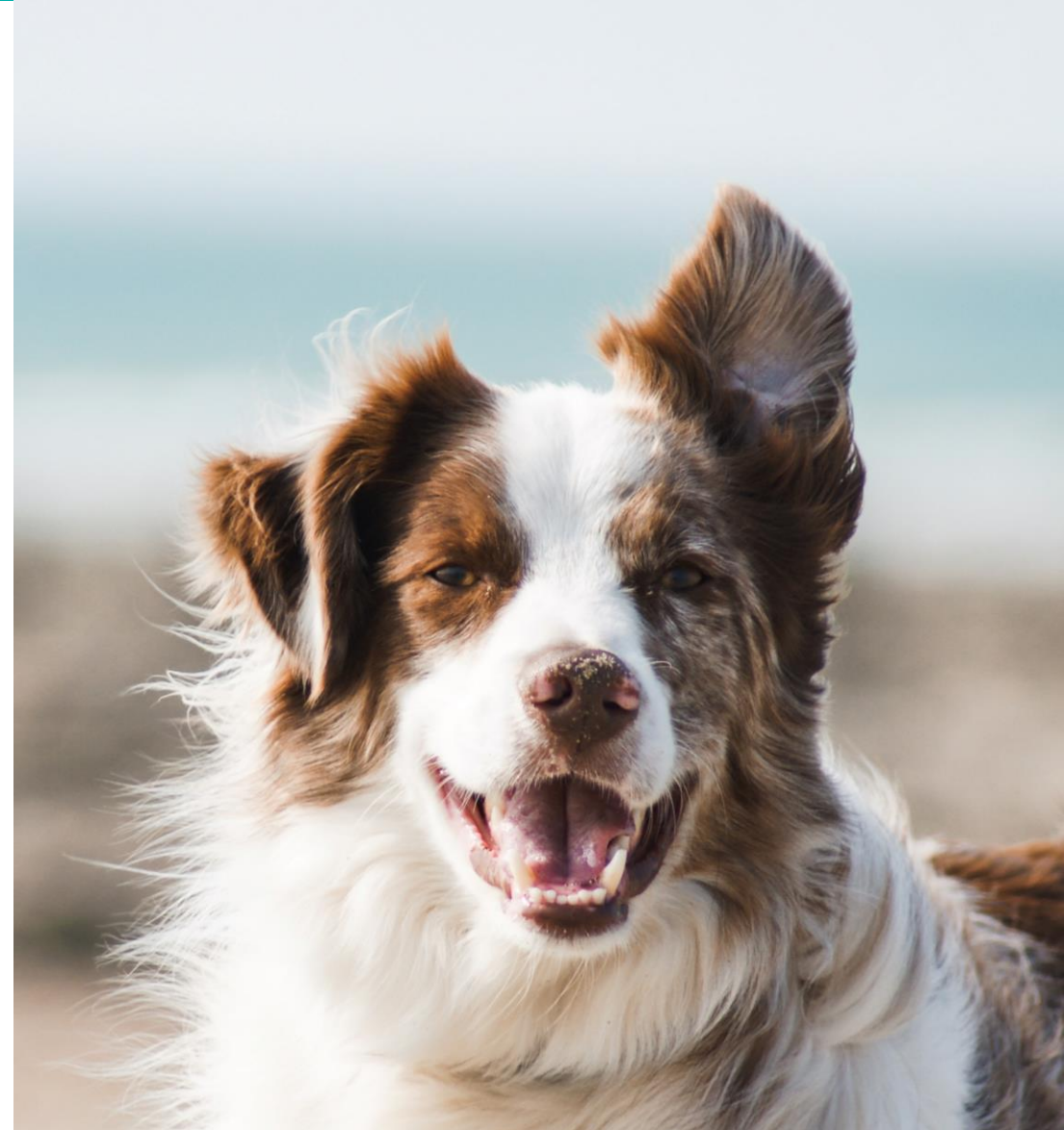
PLANNED OPERATING EARNINGS UPLIFT : FY22-FY24

- Further operational leverage from acquisitions executed in FY21 & H1 FY22
- Enhanced business support network resources now in place to support future M&A activity and integration; IT, marketing, people & culture, safety
- Optimisation of business mix to drive sustained gross margin / EBITDA margin uplift (growing contribution of less-cyclical & higher margin dairy & mixed animal segment)
- Further maturity of greenfield sites opened last 12 months
- Higher-margin product & service innovation in intensive animal segment



Key catalysts for growth – FY22/FY23

- ↗ **Execution of accelerated acquisition pipeline** adding strategic market share in high growth locations. Many opportunities currently in due diligence phase
- ↗ **Further integration and leverage of 11 acquisitions** made during FY21 & H1 FY22 to drive uplift in revenue + operating margins
- ↗ **Leverage of innovation in intensive animal segment** to optimise revenue and margin capture as industry segments (pigs & beef feedlot) rebound



H1 FY22 Financial summary



H1 FY22 financial highlights

Revenue

\$75.1M

+22.7% vs H1 FY21

Gross profit

\$46.2M

+32.5% vs H1 FY21

EBITDA
(underlying)¹

\$8.7M

+15.1% vs H1 FY21

NPAT
(underlying)¹

\$3.2M

+13.0% vs H1 FY21

Operating cash conversion 92%
(of underlying EBITDA)¹

1.2 cps interim dividend

Notes:

¹ Underlying EBITDA and NPAT are non-IFRS measures and in H1 FY22 exclude one-off expenses of \$1.7M (which includes \$1.4M of acquisition related stamp duty in Queensland). Underlying NPAT excludes \$0.3m of customer relationship amortisation (post-tax basis).

H1 FY22 profit and loss summary

Excellent revenue and gross profit growth, with operating earnings growth temporarily impacted due to growth investments

\$m	H1 FY22A	H1 FY21A	Variance	%
Total revenue	75.1	61.2	13.9	22.7%
Gross profit	46.2	34.9	11.3	32.5%
Operating expenses	(37.5)	(27.3)	(10.2)	37.4%
Underlying EBITDA ¹	8.7	7.5	1.1	15.1%
Underlying NPAT ^{1,2}	3.2	2.8	0.4	13.0%
Amortisation (post tax) (customer relationships)	(0.3)	(0.1)	(0.3)	135.9%
One-off expenses (post tax) (incl. QLD stamp duty in H1 FY22)	(1.2)	(0.2)	(1.0)	624.1%
Reported NPAT	1.8	2.6	(0.8)	(31.5)%

Gross margin	61.5%	57.0%		
Underlying EBITDA margin	11.6%	12.3%		
Underlying EBITDA margin (pre Year 1 greenfield impact) ³	12.4%	12.4%		

- **Revenue growth of 22.7%** driven by strong growth in dairy & mixed animal segment and acquisitions
- **LFL revenue growth 1.9%** affected by industry cycle in pig and beef feedlot segments
- **Gross profit growth continued - up 32.5%** as dairy & mixed animal segments continues to deliver a growing revenue share overall as well as continued reduction in low margin wholesale operations within pig segment
- **Operating expense growth** reflects impact of investment to capture rapid market growth:
 - recruitment strategy on back of COVID-19 industry restructure (with a focus on experienced vets)
 - integration & support of accelerated acquisition program
 - three new greenfield sites (not breakeven until Year 2 of operations)



LFL (excluding acquisitions) data⁴

Revenue growth: +1.9% vs H1 FY21

Gross profit growth: +4.3% vs H1 FY21

Notes:

¹ Underlying earnings excludes one-off acquisition, integration & corporate costs (tax effected where applicable at NPAT level). H1 FY22 one-off costs includes \$1.4 million stamp duty payable on Queensland acquisitions

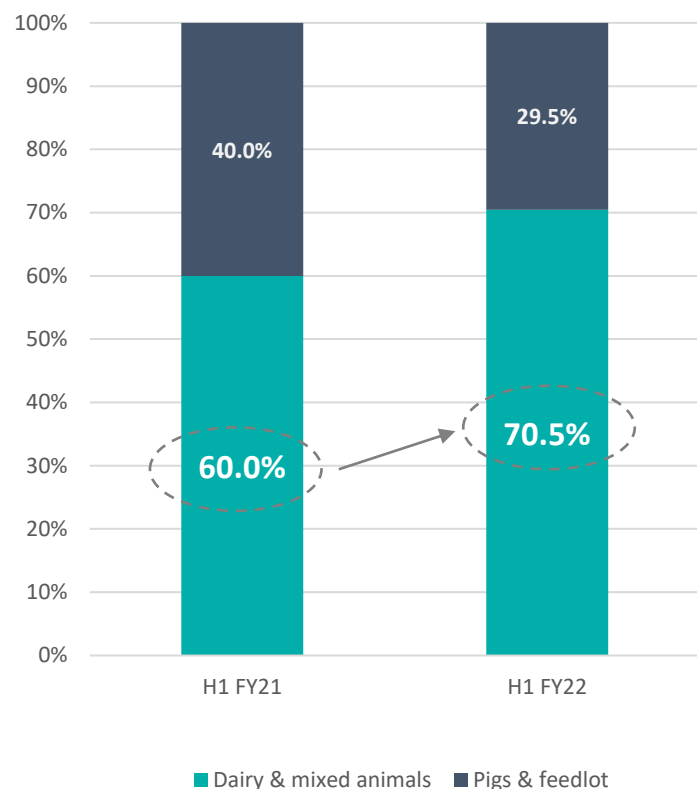
² Before amortisation of customer relationships (tax effected where applicable at NPAT level)

³ Greenfield Year 1 EBITDA impact in H1 FY22 was \$658K vs \$31K in H1 FY21

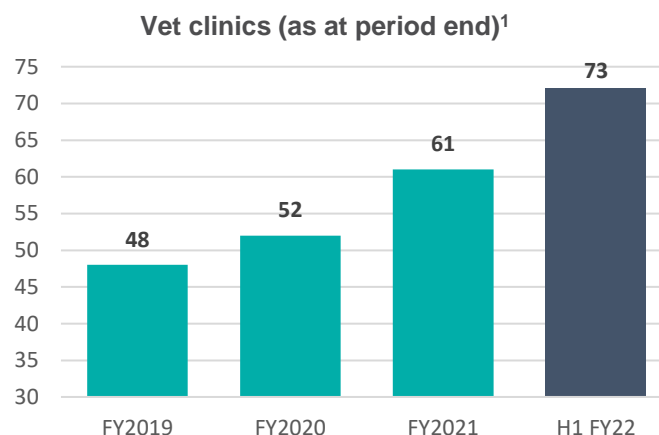
⁴ Adjusted to exclude Scenic Rim Vet Services (Jul 21), Golden Plains Bannockburn (Aug 21), Harbour City Vet Surgery (Sep 21), Smythesdale Animal Hospital (Oct 21) Horsham Vet Hospital (Dec 21), Agnes Banks Equine Clinic (Dec 21), Fraser Coast Vet Services (Dec 21), North Hill Vet Clinic (Dec 21), Ear Tags Business (Divested Mar 2021)

Dairy & mixed animal clinics growing in line with strategy

Contribution of dairy & mixed animal segment now over 70%



Supported by execution of regional expansion strategy...



- **8** acquisitions completed in H1 FY22 (adding 11 clinics)
- **3** new greenfields clinics opened in last 12 months
- **58** additional veterinarians joined Apiam in H1 FY22

Strong segment performance and future growth trajectory



+44.9%
*dairy & mixed animal
revenue growth
(vs H1 FY21)*



+36.5%
*dairy & mixed animal
underlying EBITDA growth
(vs H1 FY21)*



+9.3%
*dairy & mixed animal
LFL revenue growth
(vs H1 FY21)*

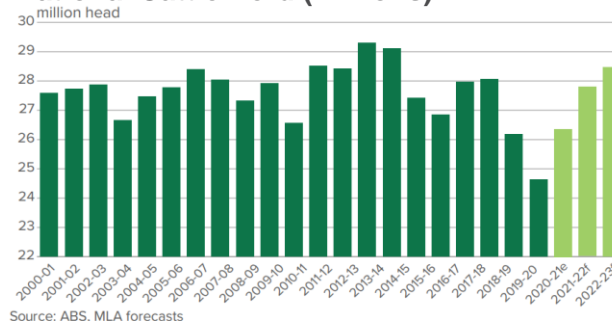
Intensive animal segment in early stages of market cycle rebound

\$M REVENUE	H1 FY22 reported	H1 FY21 reported	% chg reported	% chg (LFL)
Dairy & mixed (companion)	52.9	36.5	44.9%	9.3%
Beef feedlot & pigs	22.2	24.6	(9.6)%	(9.6)%

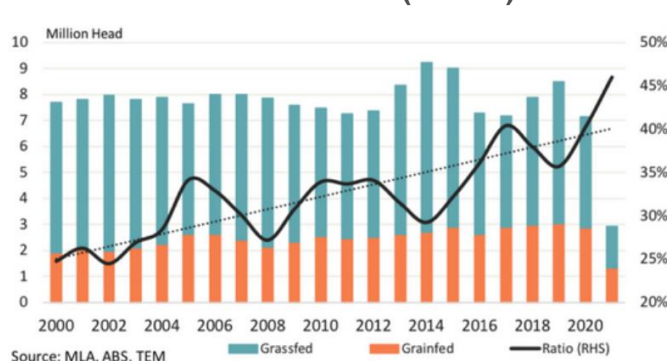
Feedlot & pig commentary

- As at end of FY21 1.17M cattle on feed, while industry capacity has increased to 1.45M head in anticipation of future growth ²
- MLA predict cattle herd rebuild to continue in 2022, increasing by 1.1M and becoming more pronounced compared with 2021 ²
- Slaughter numbers forecast to rise by 11% in 2022, driven by increased supply ²
- Strategic transition to new & innovative antimicrobial and vaccine products in intensive animals
- Private label products, autogenous vaccines and new services developed to support industry growth

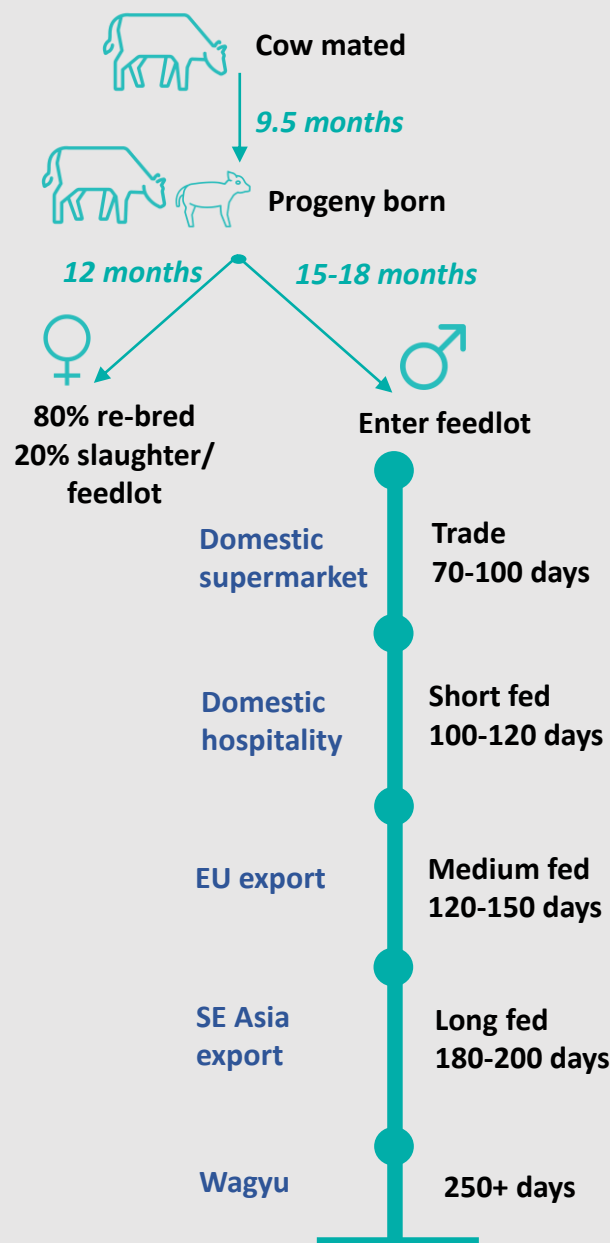
National Cattle Herd (millions)



Grainfed vs Grassfed cattle (million)



Feedlot cattle - illustrative timeline

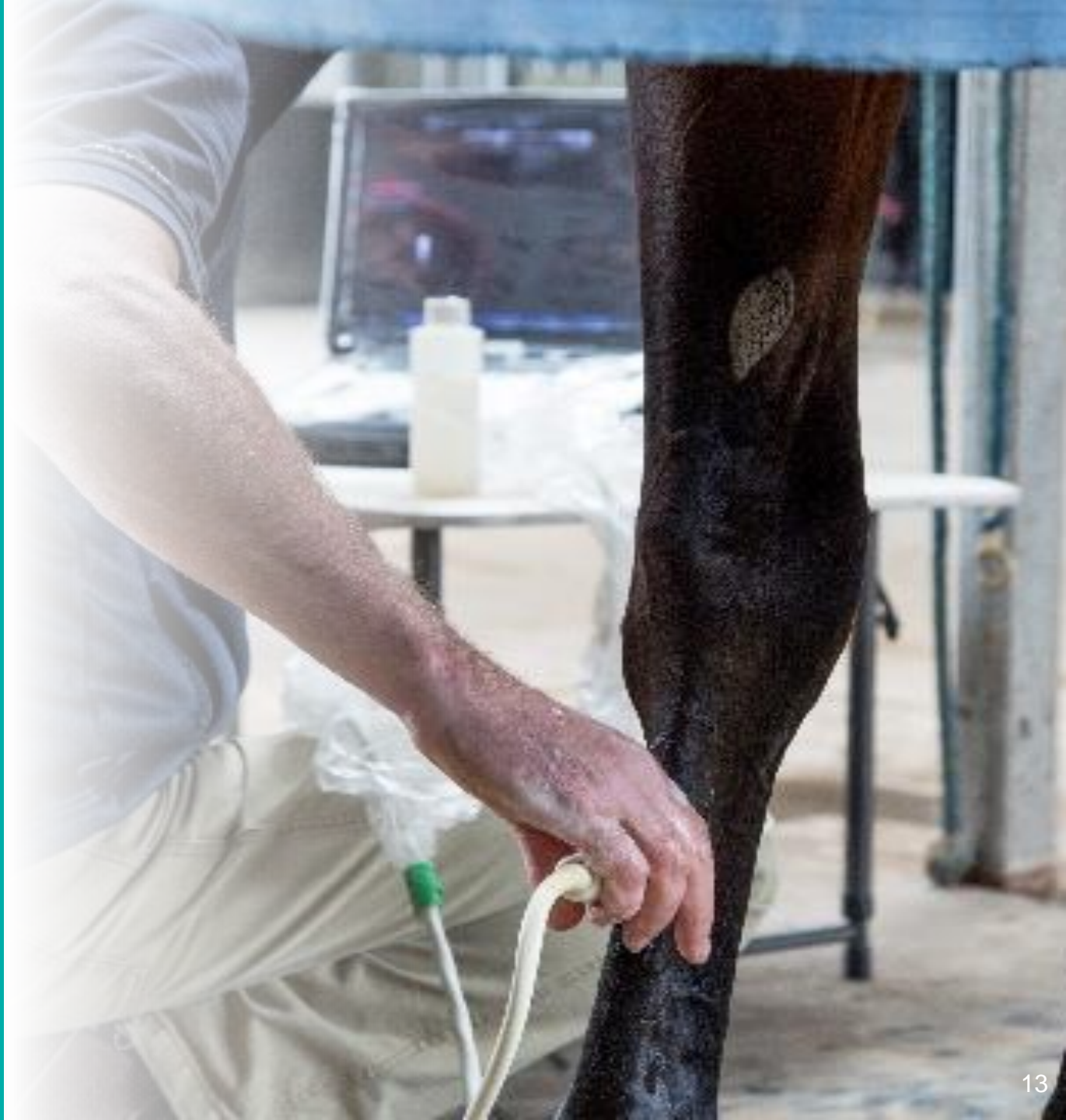


Note

¹ Growth in segment EBITDA measured before the allocation of corporate costs. Before one-off expenses

² Meat and Livestock Association (www.mla.com.au)

Strategic update



Strategy to double revenue base by FY24

GROWTH DRIVERS

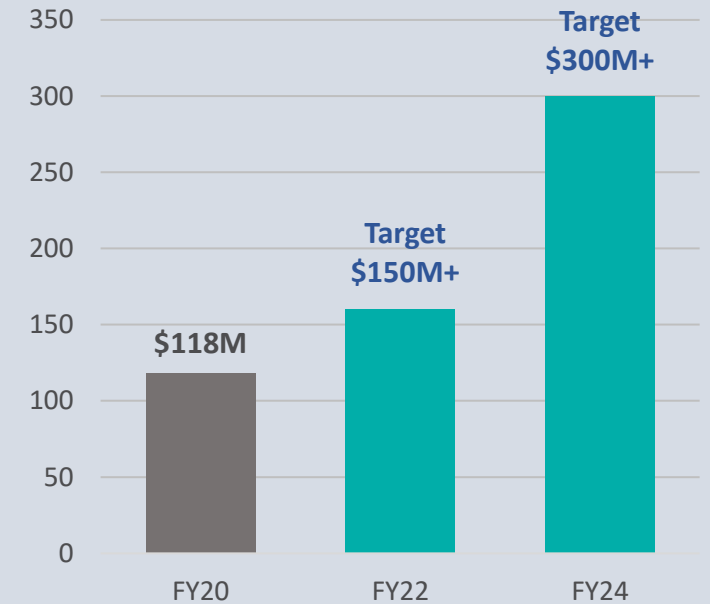
Organic growth

Acquisition pipeline

Greenfield sites

Revenue target of \$300M+
in FY24

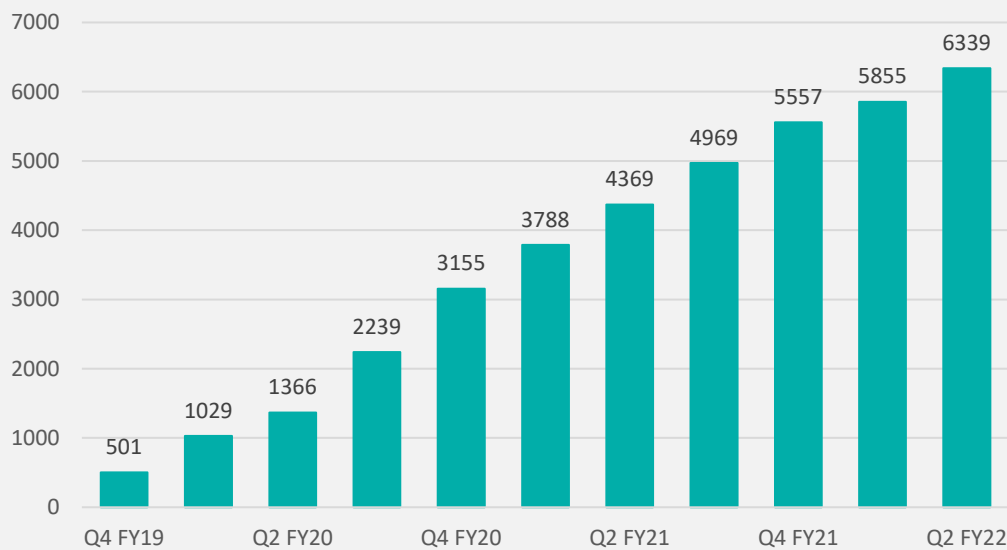
Planned revenue growth trajectory



Service programs



- Member growth of 45.1% as at end H1 FY22 (vs pcg)
- ~7.5% of active patients were Best Mates members as at end of H1 FY22
- Immediate synergies in acquisition and greenfield clinics



- 75% growth in dairy farm enrollments in H1 FY22 (vs pcg)
- ~15.0% of AU's dairy cows are enrolled in the program (compared to ~8% in PCP)
- Rapid expansion occurring into new regions
- Services supporting a buoyant industry with increasing milk prices



Product innovation



UNIQUE VACCINE FOR FEEDLOT CATTLE

- APVMA approval received to manufacture *Histophilus somni* vaccine for cattle, sheep & goats
- To be manufactured locally at Apiam's ACE Laboratories facility
- First for Australian livestock industry
- Misunderstood pathogen – can cause high levels of mortality & morbidity in intensively raised cattle
- Currently treated with antibiotics
- Third new vaccine since ACE acquisition in Dec 2019
- New technologies employed can be applied across entire Apiam autogenous vaccine portfolio

REGULATORY APPROVAL TO LAUNCH XTEND 21® IN US

- Distribution partnership with Aurora Pharmaceutical
- Aurora Pharmaceutical has US EPA notice to market Xtend 21® Antimicrobial Surface Protectant (Zoono Microbe Shield technology)
- Extensive trials in global markets demonstrate efficacy against economically significant livestock pathogens
- Iowa State University demonstrated 21 days enhanced surface protection
- Antimicrobial stewardship innovation within animal health segment
- Aurora is a leading US veterinary pharmaceutical player
 - 10K veterinary customers
 - Supplies 20 specialist products
 - Extensive technical sales network



March 2020

License agreement with Zoono Animal Health



Distribution agreement with Aurora Pharmaceutical



2HFY20 & FY21

Extensive third-party trials of Zoono Microbe Shield technology (Xtend 21®)

Oct 2021

US EPA notice provided to enable launch of Xtend 21®

March 2022

Market launch of Xtend 21® at American Swine Flu conference

Accelerated acquisition program

Apiam's acquisition track record

- ✓ 8 acquisitions completed in H1 FY22 - adding 11 new clinics
- ✓ Significant expansion into fast-growth QLD regions
- ✓ Building strong presence and expertise in equine segment
- ✓ Significant acquisition pipeline with Apiam considered a leading industry partner for vendors

REVENUE FROM ACQUISITIONS COMPLETED IN H1 FY22:

- H1 FY22 : \$7.2m
- H2 FY22 Pro-forma: \$11.8m
- Annualised Pro-forma: \$24.5m

Apiam acquisitions FY21 & H1 FY22

scale is approximate



Acquisitions expanding dairy, mixed animal & equine segment

Acquisition	Clinic services	Settlement
FY21 acquisitions		
Don Crosby Vet Surgeons (Dubbo & Narromine - 2 clinics)	Companion & equine	1 Dec 2020
Knox Veterinary Clinic (Dalby & Tara- 2 clinics)	Companion, equine & cattle	1 Apr 2021
Clermont Veterinary Surgery	Companion, equine & cattle	1 Jun 2021
Samford Valley Veterinary Hospital	Companion & equine	1 Jun 2021
FY22 acquisitions		
Scenic Rim Veterinary Service (Beaudesert & Boonah -2 clinics)	Equine (referral), companion	30 Jul 2021
Golden Plains Bannockburn	Companion. Livestock	1 Aug 2021
Harbour City Vet Surgery	Companion	2 Sep 2021
Smythesdale Animal Hospital	Companion. Livestock	1 Oct 2021
Horsham Veterinary Hospital	Companion	1 Dec 2021
Agnes Banks Equine Centre	Equine (referral)	1 Dec 2021
Fraser Coast Veterinary Services (3 clinics)	Companion, equine & cattle	1 Dec 2021
North Hill Veterinary Clinic (Armidale)	Companion	1 Dec 2021

Greenfield clinic roll-out program

A focus on expansion in high population & peri-urban growth corridors




Greenfield clinics opened (last 18 months)

- Torquay North, VIC (opened January 2021)
- Shepparton, VIC (opened March 2021)
- Highton (Geelong) VIC (opened July 2021)
- Three new greenfield clinics planned to open in FY23

Apiam’s location criteria

- Peri-urban locations with track record of strong population growth
- Within daily commute of capital city
- Species mix in region
- Ability to leverage existing Apiam staff, services and infrastructure
- Large regional city growth plans

Greenfield clinic financial profile

	 Investment phase		 Profit phase
	Year 1	Year 2	Year 3
# of Apiam clinics (currently in phase)	3	-	-
Sales revenue (per clinic)	\$0.5 – \$1.0 million	\$1.0 – \$1.5 million	\$2.5 -3.0 million
EBIT (per clinic)	\$(0.3) – (0.5) million	break-even	\$0.4 - 0.6 million
Underling EBIT margin (per clinic)	-	break-even	~15%-20%

- EBIT losses associated with Apiam’s greenfield clinic roll-outs increased in H1 FY22 to \$909K (vs \$696K in H2 FY21)
- Reflects the cumulative impact of 3 new greenfield sites in first year of operations
- New client acquisition in greenfield clinics partly delayed due to regional lockdowns in VIC in H2 FY21 (ie. delayed clinic marketing, community activations and opening events)

Outlook



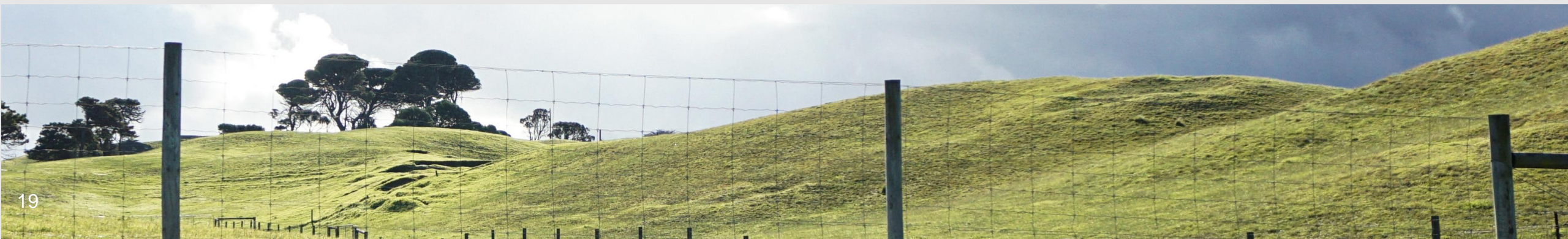
Apiam business strategy aims to double revenue by FY24;
organic growth initiatives, greenfield clinics and future acquisition runway



Business infrastructure now in place to support accelerated acquisition program & greater scale of business



Uplift in operating earnings expected in H2 FY22;
as increasing benefit of accelerated acquisition program and growth investments flow through





QUESTIONS & FURTHER INFORMATION:

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