

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Apiam releases FY20 results - Diversified business model delivering 32% NPAT growth year-on-year

- Revenue of \$118.4M (+6.0% on FY19) in the face of COVID-19 challenges and varying industry conditions;
- Continued gross margin expansion with gross profit increase of 13.8% to \$64.0M;
- Business strategy delivering results – acquisition program, product & service expansion and operating cost leverage;
- EBIT (pre one-off expenses)¹ of \$8.4M (+23.3% vs FY19);
- Reported NPAT of \$4.2M (+31.8% vs FY19);
- 50% increase in FY20 final dividend to 1.2 cps (fully franked) vs FY19 final dividend;
- Early trading for FY21 (6 weeks YTD) showing solid revenue and earnings growth on FY20; and
- Annual General Meeting to be held on 26 November 2020.

Bendigo, August 24, 2020 – Apiam Animal Health Limited (**Apiam** or the **Company**) today released its financial results for the 12 months to 30 June 2020 (FY20).

Revenue in FY20 increased 6.0% to \$118.4 million (FY19: \$111.7 million) underpinned by Apiam's diversified customer segments, new business initiatives and the acquisitions made over the period.

Apiam's dairy and companion animal segment revenues performed strongly, particularly as underlying industry conditions in many regional dairy areas recovered in the second half due to higher rainfall. Companion animal revenues also grew strongly with double digit growth recorded in most of Apiam's companion animal clinics, supported by on-going growth in pet ownership as COVID-19 restrictions occurred. Apiam also increased market share in some clinics in regional areas.

Revenues from the Company's beef feedlot segment were solid but came off the back of a record FY19 performance, while revenues from pigs continued to be affected by challenging industry conditions.

New business initiatives introduced by management in FY20 as well as efficiencies at the clinic-level from Apiam's Practice Management System roll-out over FY19 have driven a 13.8% increase in gross profit to \$64.0 million. Gross margin for FY20 was 54.1%, a strong uplift from 50.3% in FY19.

In FY20, Apiam's EBIT (pre one-off expenses)¹ increased 23.3% to \$8.4 million and its reported NPAT increased 31.8% to \$4.2 million vs FY19. The Company's strong profit growth over FY20 reflects the impact of improved gross margins as well as cost efficiencies and operating leverage. Apiam has made significant investments in its corporate infrastructure, operations and systems in recent years and these benefits are being increasingly realised. This corporate infrastructure has

¹ Excluding one-off corporate, acquisition and integration expenses

also enabled Apiam to successfully pursue its bolt-on acquisition strategy (three acquisitions in FY20) and enhance the earnings of acquired businesses.

New business initiatives & acquisitions

Apiam's management implemented several new business initiatives over FY20 to deliver greater revenue and earnings opportunities. The Company launched its Best Mates companion animal program in July 2019 and have worked on expanding this program across the clinic footprint throughout FY20. Since launching Best Mates, member growth has been very strong, with members growing from 501 as at the 30 June 2019 to 3,155 as at 30 June 2020. Growth on a quarterly basis was particularly strong through Q3 & Q4, despite broader economic COVID-19 challenges.

The ProDairy consultancy was another initiative launched in early FY20. This is a service model offering dairy farmers an end-to-end service that extends across areas such as staff training, direct ordering capability and risk management & planning. A full marketing program to support growth of this program was launched in April 2020 and Apiam has had significant success in Victoria to date, with an estimated 10% of Victoria's dairy cows subscribed to the program. Further growth in other regional areas is expected in FY21.

In November 2019, Apiam executed an agreement with Zoono Animal Health to distribute Zoono Group's (ASX:ZNO) proprietary sanitiser and protectant technology for use in livestock facilities in Australia and to US-based swine customers. Since this time, Apiam has experienced strong growth in customer demand, including for use against COVID-19 following its listing on the Australian Register of Therapeutic Goods as an effective disinfectant for hard surfaces against bacteria, germs and COVID-19.

Apiam completed the strategic acquisitions of ACE Laboratory Services, Grampians Animal Health and Devoted Vets in Warragul in FY20. Each of these businesses featured a compelling acquisition rationale – either the addition of a specialist service offering that was attractive to Apiam's customer base, or a new high-growth regional exposure. All three acquisitions made during the past year have performed extremely well and are making a strong financial contribution to Apiam's business.

Outlook

Apiam's business remains well placed in FY21 despite COVID-19 challenges and market cycles. The Management team are committed to the ongoing execution of Apiam's strategic plan and will maintain a focus on expanding revenue opportunities and delivering further cost efficiencies as the business grows.

Early trading in FY21 (6 weeks YTD) has delivered solid revenue and earnings growth on the same period in FY20.

Annual General Meeting

Apiam advises that its Annual General Meeting will be held on Thursday, 26 November 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after despatch.

In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEST) Thursday, 7 October 2020.

FY20 conference call details

Investors are invited to join a conference call hosted by Managing Director Chris Richards and CFO Matt White at 11:00am AEDT on Monday 24th August, 2020.

To access the call please use the zoom link below:

https://apiam.zoom.us/webinar/register/WN_6tdmfu-wSIWFUGvM0dukqw

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Authorisation

This announcement was authorised by the Board of Directors 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.