

## ASX Release

### Apiam Animal Health Limited

(ASX: AHX)

28 November 2019

## 2019 Annual General Meeting, Chairman's Address

Good morning and welcome to Apiam Animal Health's 2019 Annual General Meeting.

This morning I will provide a high level review of Apiam's performance over the past year as well as an update on some recent business initiatives. Chris Richards, Apiam's Managing Director, will then provide further detail on the past year and on our growth strategy for the year ahead.

Let me begin with Apiam's financial performance in the 2019 fiscal year. Apiam reported revenue of \$112m in FY2019, an increase of 4.8% on the previous year. This was achieved despite dry and challenging industry conditions which negatively affected some of Apiam's operating segments, particularly pigs and dairy. Revenues in beef feedlot and companion animals performed strongly with the feedlot segment recording double-digit revenue growth in FY2019 compared to the previous year. Underlying EBITDA increased 2.2% on FY2018 but was below Apiam's budget expectations, adversely impacted by the challenging conditions affecting the pig and dairy segments, particularly in the second half of the year.

It was these mixed industry conditions across our segments that clearly demonstrated, to myself and the Board, the importance of Apiam's business diversification strategy – a strategy we have been executing since our formation in 2015. When compared to many other agricultural services companies, Apiam has maintained a stable revenue base rather than the volatile or declining revenues faced by many other players as a result of the extremely dry conditions experienced in parts of rural Australia over the past few years.

The combination of a variety of business in different locations around Australia, across a range of animal species and operations and other complementary areas such as consulting and product distribution has created a business model with an in-built portfolio effect and, importantly, resilience to fluctuations in underlying industry conditions. This diversification provides support to our revenue base, even in the face of the challenging external conditions.

During 2019 we remained firmly committed to our three core business drivers: Firstly, to leverage our operation process & capacity; secondly, to increase our animal numbers under management and thirdly, to enhance our services and product range. It is this third driver I would like to elaborate on a little further.

Apiam is the largest single veterinary provider to production animals across Australia and that creates valuable opportunities. The extent to which we can offer innovative, differentiated and high-value products and services across this extensive animal footprint is a key economic driver for our business. Complementary offerings to traditional vet products & services such as next generation animal health products, specialised diagnostic services and genetic exports are examples that we are, or intend, to roll out.

To that end, we very recently completed the \$16 million acquisition of ACE Laboratory Services – an autogenous, or bespoke, vaccine and diagnostics laboratory services business that operates in highly specialised markets and can provide an innovative product offering to our production animal customers.

The ACE Laboratories acquisition is highly compelling for Apium. ACE Laboratories offers high value product and service extensions to traditional production animal veterinary services and the track record of the business in terms of performance and innovation is world class. As farming trends continue to evolve, and demand for alternatives to antimicrobials continue to grow we see this being a highly attractive product suite for our customers.

Yesterday we also announced the acquisition of Grampians Animal Health - a large regional mixed animal veterinary practice and a production animal consultancy business located in Western District of Victoria. This was another highly compelling acquisition. In addition to the regional diversification benefits, this business offers attractive specialist skills that complement and adds to our existing skill base.

Now turning briefly to the operations & process side of our strategy.

Last year I reported that after a delay we were rolling out a new, uniform Practice Management System to help our clinics enhance client and patient management, streamline work flow and deliver correct and consistent fee structures. I am pleased to report that this process was completed company-wide in August and we are already seeing financial benefits from this investment, with positive impacts on our gross profits as revenue items are being increasingly captured and recorded. We expect to see further financial benefits into 2020 and beyond.

Two new veterinary initiatives – Best Mates and ProDairy – were recently launched and both programs will deliver high quality services to our clients whilst providing significant growth opportunities to the company. Chris will speak to these initiatives in more detail during his address.

As we turn to the outlook for the year ahead, I am confident of what can be achieved. We are still a young company. There is clearly more work to do to unlock some of the synergies that Apium uniquely provides. But we have a clear path forward. Our business model is strategically designed to provide resilient revenues in the face of varying industry conditions, and the business initiatives that you will hear about this morning will strategically expand our product and service lines into complementary and growing markets.

Ultimately our goal is to deliver sustainable and increasing returns for our shareholders whilst at the same time looking for ways to stand alongside and support our agricultural customers, particularly as the sector faces its current challenges and looks to recover.

To close, I would like to take this opportunity to thank my fellow directors as well as Apium's committed team of management and employees for their valuable contribution and dedication to Apium's future. I also thank all of our shareholders for their continued support.

I will now hand over to Chris Richards for his address.

Thank-you.

**-Ends-**

**For further information, please contact:**

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**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.

