



Apiam Animal Health Limited

ASX: AHX

Appendix 4D and Financial Report for the half-year ended 31 December 2023

COMPANY DETAILS

Name of entity:	Apiam Animal Health Limited
ACN:	604 961 024
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET Statutory Results Summary

		CHANGES FROM PERIOD ENDED			
				31 December 2023	31 December 2022
				\$m	\$m
		%			
Revenue from ordinary activities	up	11	to	104.4	from 93.7
Net profit attributable to members	up	13	to	3.3	from 2.9
Profit from ordinary activities after tax attributable to members	up	13	to	3.3	from 2.9
Underlying EBITA (Incl. non-controlling interests)	up	33	to	9.2	from 6.9

Underlying EBITA (Earnings Before Interest, Tax, Amortisation and one-off expenses) is considered by Management to be a useful indicator of business profitability and excludes one-off corporate restructuring costs as well as integration and acquisition expenses.

Further commentary on the interim results can be found in the 'Operating and Financial Review' section within the Directors' report of the attached Interim Financial Statements.

Dividends

	Amount per security cents	Franked amount per security cents
2023 Final Dividend	0.0 cents	0.0 cents
2024 Interim Dividend (declared after balance date but not yet paid)	1.0 cents	1.0 cents
Record date for determining entitlements to the dividend	5 March 2024	
Date dividend payable	3 April 2024	

Dividend reinvestment plan

The Company initiated a Dividend Reinvestment Plan (DRP) on the 25 August 2017 which provides shareholders with the opportunity to utilise all or part of their dividend to purchase shares in the Company. Shareholders electing to participate in the FY24 interim DRP must nominate to do so by 6 March 2024.

Shareholders who elect to participate in the DRP for the FY24 interim dividend will be issued shares at a DRP issue price which will be the average of the daily market price of Apiam's shares over the period of five trading days between 13 March 2024 and 19 March 2024 ('Pricing Period'). The timetable in respect of the 2024 interim dividend and DRP is as follows:

Event / Action	Date
Record Date	5 March 2024
Election Date: Last date for shareholders to make an election to participate in the DRP	5.00 pm (Melbourne time) on 6 March 2024
Pricing Period Commencement Date	13 March 2024
Last Day of Pricing Period	19 March 2024
Announcement of DRP issue price	20 March 2024
Dividend Payment Date / Issue of DRP shares	3 April 2024

Details of the DRP can be downloaded from www.apiam.com.au. In order to participate in the DRP for the 2024 Interim dividend, shareholders should ensure that their DRP Election Form is received, or an online election is made, by no later than 5.00 pm (Melbourne time) on 6 March 2024. An online election can be made by visiting www.boardroomlimited.com.au.

Net Tangible Asset per Security

	31 December 2023	31 December 2022
Net Tangible assets per share	(\$0.27)	(\$0.21)

Return to shareholders

No dividends were paid during the period; no share buy backs were conducted during the year.

Basis of Preparation

This report is based on the consolidated financial statements which have been reviewed by Grant Thornton Audit Pty Ltd. The review report is included within the Company's Interim Report which accompanies this Appendix 4D.

Entities over which control has been gained or lost during the period

Refer to Note 4 of the attached Financial Statements for details of entities over which control has been gained. There were no entities over which control was lost.

Associates and Joint Venture Entities

The company has a 50% ownership interest in South West Equine. Apiam's share of net profit after tax was \$35,754 for the six-month period.

Dividend Reinvestment Plan

The company announced the establishment of a dividend reinvestment plan on 25 August 2017.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 31 December 2023 Interim Report (which includes the Directors' Report) which accompanies this Appendix 4D.

Accounting Standards

This Report has been compiled using Australian Accounting Standards and International Financial Reporting Standards.

Directors' Report

The Directors present their report together with the consolidated financial statements of Apiam Animal Health Limited (Apiam) for the half-year ended 31 December 2023.

Director details

The following persons were Directors of Apiam Animal Health Limited during the half-year and up to the date of this report:

- Professor Andrew Vizard
- Dr Christopher Irwin Richards
- Mr Richard John Dennis
- Dr Jan Tennent
- Ms Evonne Collier

Principal Activities

Apiam Animal Health Limited and Subsidiaries' ('the Group') principal activities include the provision of veterinary products and services for production and companion animals.

Review of operations

In the six months to 31 December 2023 (H1 FY24) Apiam recorded a period of resilient revenue growth, accompanied by a strong uplift in earnings.

The Company's focus in H1 FY24 has been to generate operating cost leverage across its clinic portfolio. A key driver of this over the period has been the transition to a new vet-supported clinic management model. This model has allowed significant savings to be realised in Apiam's Business Support Network in H1 FY24 as well as greater achievement of synergies from acquisitions executed over recent years.

Further optimisation of clinic performance is expected in FY24 as the move to Apiam's new vet supported clinic management model is delivering encouraging early-stage results.

Financial review

Revenue in H1 FY24 grew 11.4% to \$104.4 million (H1 FY23: \$93.7 million) and was resilient across each of Apiam's veterinary segments as well as being supported by acquisitions over the period (two acquisitions were settled in the first quarter of FY24).

Gross profit continued to increase and grew 15.5% to \$70.9 million in H1 FY24 vs the prior comparable period (pcp) due to a focus on the provision of higher value products and services across the business as well as the growing contribution from Apiam's dairy & mixed animal segment. In H1 FY24 the Company derived 79.5% of its Group revenues from dairy & mixed animal veterinary products & services (H1 FY23: 77.2%).

Underlying EBITA increased to \$9.2 million, 32.7% above pcp as the Company's operating cost base was leveraged. Initiatives undertaken to realise greater cost savings in H1 FY24 included the move to a new vet-supported clinic management model, enabling savings across Apiam's business support network (BSN) and the dairy & mixed animal segment. A redundancy & restructuring program was completed in June 2023 and this is forecast to save \$2.6 million in FY24.

Underlying NPATA grew 19.9% to \$4.6 million in H1 FY24, a strong result despite increased finance costs across the period (H1 FY24: \$2.6 million vs \$1.5 million in H1 FY23).

Growth in reported NPAT for H1 FY24 was 13.3% vs pcp after accounting for an increase in one-off expenses related to the redundancy and restructuring program and amortisation of customer relationships.

The following tables are presented to assist in the interpretation of the underlying performance of Apiam during H1 FY24. This information is additional and presented using non-IFRS information and terminology.

Apiam H1 FY24 Financial Results Summary – Underlying Basis

P&L underlying	H1 FY24	H1 FY23	Variance	%
Total Revenue	104.4	93.7	10.6	11.4%
Cost of goods sold	(33.4)	(32.3)	(1.1)	3.5%
Gross Profit ¹	70.9	61.4	9.5	15.5%
Operating expenses	(57.1)	(50.7)	(6.4)	12.6%
Underlying EBITDA ²	13.9	10.7	3.1	29.1%
Underlying EBITA ²	9.2	6.9	2.3	32.7%
Underlying NPATA ^{2,3}	4.6	3.9	0.8	19.9%
Amortisation post tax	(0.8)	(0.7)	(0.1)	14.0%
One-off expenses post tax	(0.5)	(0.3)	(0.3)	109.4%
NPAT attributable to members	3.3	2.9	0.4	13.3%
Gross Margin (%)	68.0%	65.5%		
Underlying EBITDA margin (%)	13.3%	11.5%		
Underlying EBITA margin (%)	8.8%	7.4%		
Earnings per share (cents)	1.84	1.68	0.2	9.5%

Notes

- 1 Gross profit is a non-IFRS measure and only considers the cost of inventory associated with product revenue. It does not consider any cost of services associated with service revenue.
- 2 Underlying earnings are non-IFRS measures and exclude one-off acquisition, integration & restructuring costs (tax effected where applicable at NPAT level)
- 3 Before amortisation (tax effected)

Apiam H1 FY24 Financial Results Summary – Reported Basis

P&L stat	H1 FY24	H1 FY23	Variance	%
Total revenue	104.4	93.7	10.6	11.4%
Cost of goods sold	(33.4)	(32.3)	(1.1)	3.5%
Gross profit ¹	70.9	61.4	9.5	15.5%
Operating expenses	(57.9)	(51.1)	(6.8)	13.3%
EBITDA	13.1	10.4	2.7	26.2%
Depreciation ROU assets	(2.4)	(1.9)	(0.5)	27.4%
Depreciation & amortisation	(3.4)	(2.9)	(0.5)	16.6%
EBIT	7.3	5.5	1.7	30.9%
Interest	(2.6)	(1.5)	(1.1)	72.4%
Tax	(1.4)	(1.2)	(0.2)	14.1%
Other (including minorities)	0.1	0.1	(0.0)	(43.6)%
NPAT attributable to members	3.3	2.9	0.4	13.3%

Notes

- 1 Gross profit is a non-IFRS measure and only considers the cost of inventory associated with product revenue. It does not consider any cost of services associated with service revenue.

Segment performance

Dairy & mixed animal segment

This segment continued to deliver resilient revenue in the period, with reported revenue growth of 14.8% and like-for-like growth of 0.8%, excluding four clinics in the midst of restructuring. While this like-for-like growth was below prior period trends, this impact is in-line with Company expectations following COVID-related highs, and the fact that veterinary input across the life stages of COVID pets hits the lowest part of the life-stage cycle at 2-3 years.

The Company continues to deliver growth in many important areas with 19.3% reported growth in its Best Mates annual subscription members over September 2023 to January 2024, representing significant growth

in new pet ownership. Additional organic growth was generated in Apiam's dairy & mixed animal segment through the ramp-up of recently opened greenfield clinics and higher standards of animal care.

Pigs & beef feedlot segments

Improved underlying industry conditions, particularly in the beef feedlot segment, has driven stronger performance in Apiam's intensive animal veterinary segments in H1 FY24.

Overall, revenue for these segments increased 0.4% in H1 FY24 following a 4.5% decline in the pcp (H1 FY23). Improvements were also seen in the profit contribution from both the pig and feedlot veterinary segment, as the Company delivered on its strategy to focus on higher value veterinary services.

Business initiatives & cost-saving programs

As part of Apiam's FY24 strategy to optimise the performance of its dairy & mixed animal clinics and leverage cost savings, Apiam has transitioned to a new vet-supported clinic management model. This model has been designed to foster increasingly agile and timely clinic decision making with the goal of improving margins and organic growth performance. To date this is delivering encouraging early-stage results, with increasing financial benefits to be realised in the second half of FY24.

The move to a vet-supported clinic management model led to a redundancy and restructuring program to reduce non-veterinary positions. This was completed in June 2023. Savings from this program have been realised in H1 FY24, particularly in the Company's Business Support Network and are expected to total approximately \$2.6 million in FY24 (annualised basis).

Significant restructuring has been required in four veterinary clinics and this has resulted in short-term revenue reduction and some additional short-term costs being incurred. This is expected to recover in FY24, with three of these clinics now achieving, or nearing, break-even.

Overall, Apiam's operating expenses on a like-for-like basis fell 2.0% in H1 FY24 vs pcp, despite the broader inflationary environment.

Acquisitions

Apiam slowed the pace of its acquisition program in H1 FY24, with only two acquisitions completed in H1 FY24. The acquisitions of Boyne Tannum Vet Surgery and Macleay Valley Veterinary Services were settled in the first quarter of FY24, with both acquisitions performing strongly under Apiam's ownership since this time.

The total consideration for the acquisitions that were settled in H1 FY24 was \$6.3 million and was paid in cash.

While acquisitions continue to be a strategic focus for Apiam, no further acquisitions will be completed in FY24. In the second half of the financial year the focus will remain on extracting additional synergies from the existing clinic portfolio.

Balance sheet & cash flow

Apiam's balance sheet as at the end of H1 FY24 remains in a solid position and in-line with the prior period.

Closing net debt at 31 December 2023 was \$71.1 million¹ (vs \$68.7 million as at 30 June 2023) and reflects the Company's strong cash generation over H1 FY24 and the settlement of two acquisitions in H1 FY24 (\$6.3 million total cash consideration).

Apiam's operating leverage ratio at the end of H1 FY24 was 2.9x, within the Company's covenant requirement of 3.5x.

Apiam's operating cash flow increased 10.0% in H1 FY24 vs pcp, due to strong working capital management and controlled capital expenditure.

Operating cash conversion to underlying EBITDA (before AASB 16 lease adjustments) was 99.6%, tracking in-line with Management's long-term target of 100%.

¹ Includes \$3.4 million of equipment bank finance (reported under lease liability) for purposes of net debt calculation

Statutory cashflows \$m	H1 FY24	H1 FY23
Net cash provided by operating activities	8.2	7.4
Acquisition of subsidiary, net of cash	(6.3)	(22.1)
Purchases of property, plant and equipment	(2.1)	(2.6)
Purchases of Intangible assets	(0.1)	(0.2)
Other	0.1	0.2
Net cash used in investing activities	(8.4)	(24.8)
Net changes in financing	2.4	20.8
Dividends paid to shareholders	0.0	(0.7)
Repayment of lease liabilities	(2.8)	(2.1)
Proceeds from share issue	0.0	0.0
Other	0.0	0.0
Net cash inflow from financing activities	(0.4)	18.0
Net change in cash and cash equivalents	(0.6)	0.6

Dividend

In-line with shareholder communication at the time of Apiam's Annual General Meeting in November 2023, the Board has reinstated its dividend program and declared an interim dividend of 1 cent per share. This is supported by Apiam's strong cash generation and the slower pace of the acquisition program, with no further acquisitions expected to be completed in H2 FY24.

The record date for the interim dividend is 5 March 2024. Apiam's dividend reinvestment program will also be reinstated.

Outlook

Revenue opportunities for Apiam remain strong as demand for non-discretionary veterinary services are supported by the essential nature of animal healthcare the Company provides.

The primary focus for FY24 is to extract further earnings and cash flows from the existing clinic portfolio, while at the same time maximising organic revenue growth across the business.

Apiam is expected to generate strong cash flows in FY24 and these are to be applied to organic growth initiatives, effective debt management and the resumption of Apiam's dividend program.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 10 of this financial report and forms part of this Directors' Report.

Rounding of amounts

Apiam Animal Health Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read "C. Irwin Richards".

Dr Christopher Irwin Richards
Managing Director

Melbourne
23 February 2024

A handwritten signature in black ink, appearing to read "Andrew Vizard".

Professor Andrew Vizard
Chairman

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Auditor's Independence Declaration

To the Directors of Apiam Animal Health Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Apiam Animal Health Limited for the half year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants



A C Pitts
Partner – Audit & Assurance

Melbourne, 23 February 2024

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

	Notes	31 December 2023 \$'000	31 December 2022 \$'000
Revenue		104,364	93,719
Changes in inventories		1,920	2,076
Cost of materials		(35,349)	(34,370)
Employee benefit expenses		(46,621)	(39,973)
Depreciation and amortisation of non-financial assets		(5,824)	(4,818)
Other expenses		(11,237)	(11,090)
Share of profit from equity accounted investments		36	56
Finance costs		(2,639)	(1,531)
Profit/(loss) before income tax		4,650	4,069
Income tax expense		(1,393)	(1,220)
Profit for the period from continuing operations		3,257	2,849
Profit for the period attributable to:			
Owners of Apiam Animal Health Limited		3,281	2,898
Non-controlling interests		(24)	(49)
Total comprehensive income for the period		3,257	2,849
Earnings per share		Cents	Cents
Basic earnings per share	8	1.84	1.68
Diluted earnings per share	8	1.82	1.66

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	31 December 2023 \$'000	30 June 2023 \$'000
ASSETS			
Current			
Cash and cash equivalents		2,598	3,172
Trade and other receivables		15,659	13,958
Inventories		17,392	15,472
Other current assets		2,965	2,130
Current assets		38,614	34,732
Non-current			
Intangible assets	6	168,714	163,614
Property, plant and equipment	7	49,532	43,812
Investments		259	273
Deferred tax assets		4,254	3,605
Non-current assets		222,759	211,304
Total assets		261,373	246,036
LIABILITIES			
Current liabilities			
Trade and other payables		15,847	12,435
Lease liabilities		5,272	4,984
Other current liabilities		1,544	1,346
Current tax liabilities		1,630	889
Borrowings	10	-	2,934
Employee benefit obligations		10,899	10,677
Current liabilities		35,192	33,265
Non-current liabilities			
Borrowings	10	70,258	66,066
Lease liabilities		30,089	24,043
Employee benefit obligations		587	543
Deferred tax liabilities		3,389	3,718
Other liabilities		505	505
Non-current liabilities		104,828	94,875
Total liabilities		140,020	128,140
Net assets		121,353	117,896
EQUITY			
Share capital	9	135,011	134,840
Corporate re-organisation reserve		(26,692)	(26,692)
Non-controlling interest acquisition reserve		(6,615)	(6,615)
Share based payment reserve		1,039	993
Foreign currency translation reserve		(11)	6
Retained earnings		18,617	15,336
Equity attributable to the owners of Apiam Animal Health Limited		121,349	117,868
Non-controlling interests		4	28
Total equity		121,353	117,896

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital	Corporate reorganisation reserve	Non-controlling interest acquisition reserve	Share based payment reserve	Foreign Currency Translation Reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	127,249	(26,692)	(6,615)	871	(19)	13,756	108,550	134	108,684
Issue of new share capital	42	-	-	-	-	-	42	-	42
Issue of shares to vendors of business acquired	4,656	-	-	-	-	-	4,656	-	4,656
Employee share plan, transfer on exercise of rights	309	-	-	(309)	-	-	-	-	-
Employee share plan, share based payments	-	-	-	300	-	-	300	-	300
Foreign currency translation adjustment	-	-	-	-	7	-	7	-	7
Dividends paid	-	-	-	-	-	(697)	(697)	-	(697)
Transactions with owners	5,007	-	-	(9)	7	(697)	4,308	-	4,308
Profit for the period	-	-	-	-	-	2,898	2,898	(49)	2,849
Total comprehensive income for the period	-	-	-	-	-	2,898	2,898	(49)	2,849
Balance at 31 December 2022	132,256	(26,692)	(6,615)	862	(12)	15,957	115,756	85	115,841

	Share capital	Corporate reorganisation reserve	Non-controlling interest acquisition reserve	Share based payment reserve	Foreign Currency Translation Reserve	Retained earnings	Total attributable to owners of parent	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2023	134,840	(26,692)	(6,615)	993	6	15,336	117,868	28	117,896
Issue of new share capital	-	-	-	-	-	-	-	-	-
Employee share plan, transfer on exercise of rights	171	-	-	(171)	-	-	-	-	-
Employee share plan, share based payments	-	-	-	217	-	-	217	-	217
Foreign currency translation adjustment	-	-	-	-	(17)	-	(17)	-	(17)
Transactions with owners	171	-	-	46	(17)	-	200	-	200
Profit for the period	-	-	-	-	-	3,281	3,281	(24)	3,257
Total comprehensive income for the period	-	-	-	-	-	3,281	3,281	(24)	3,257
Balance at 31 December 2023	135,011	(26,692)	(6,615)	1,039	(11)	18,617	121,349	4	121,353

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2023

	Notes	31 December 2023 \$'000	31 December 2022 \$'000
Cash flows from operating activities			
Receipts from customers		113,031	102,873
Payments to suppliers and employees		(100,088)	(91,962)
		12,943	10,911
Acquisition costs relating to acquisition of business		(176)	(321)
Interest paid		(2,639)	(1,531)
Income taxes paid		(1,956)	(1,629)
Net cash inflow from operating activities		8,172	7,430
Cash flows from investing activities			
Payment for acquisition of businesses, net of cash acquired	4	(6,263)	(22,106)
Payments for property, plant and equipment		(2,078)	(2,627)
Proceeds from disposals of property, plant & equipment		32	127
Payments for intangible assets	6	(93)	(258)
Dividends received		50	50
Net cash outflow from investing activities		(8,352)	(24,814)
Cash flows from financing activities			
Proceeds from borrowings		18,336	25,881
Repayment of borrowings		(15,945)	(5,129)
Lease payments		(2,785)	(2,115)
Dividends paid to company shareholders		-	(673)
Net cash inflow from financing activities		(394)	17,964
Net (decrease)/increase in cash and cash equivalents		(574)	580
Cash and cash equivalents at the beginning of the half-year		3,172	2,845
Cash and cash equivalents at end of the half year		2,598	3,425

The accompanying notes form part of these financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

1. Nature of operations

Apiam Animal Health Limited and subsidiaries' ('the Group') principal activities include the provision of veterinary products and services to production animals, companion animals and equine. The Group is vertically integrated with strategic sourcing of products, custom manufacture of vaccines, in-house laboratory services and on farm delivery with its own logistics service.

There have been no significant changes in the nature of these activities during the half year.

2. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2023 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of Apiam Animal Health Ltd for the period ended 30 June 2023 and the detailed accounting policies at Note 3 below and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 23 February 2024.

3. Significant accounting policies

The Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 30 June 2023.

4. Business combinations

The Group applies the acquisition method in accounting for business combinations.

During the reporting period the Group acquired 100% of the business assets of Boyne Tannum Vet Surgery (BTVS) and acquired 100% of the issued share capital and voting rights of Macleay Valley Veterinary Services (MVVS). The acquisition of these veterinary businesses expands Apiam's presence in dairy and mixed clinics in regional New South Wales and Queensland.

The following detailed table highlights the fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition for each of the business combinations undertaken in the period.

	BTVS	MVVS	Total
	\$'000	\$'000	\$'000
Fair value of consideration transferred			
Amounts settled in cash	2,661	3,603	6,264
Total fair value of consideration transferred	2,661	3,603	6,264
Recognised amounts of identifiable net assets			
Cash and equivalents	-	1	1
Trade and other receivables	16	107	123
Inventories	68	92	160
Other assets	-	11	11
Total current assets	84	211	295
Customer relationships	574	711	1,285
Property, plant & equipment	302	884	1,186
Total non-current assets	876	1,595	2,471
Employee benefit obligations	39	129	168
Lease liabilities	-	122	122
Total current liabilities	39	251	290
Lease liabilities	174	502	676
Employee benefit obligations	8	16	24
Deferred tax liabilities	157	168	325
Total non-current liabilities	339	686	1,025
Identifiable net assets	582	869	1,451
Goodwill on acquisition	2,079	2,734	4,813
Net cash outflow on acquisition	2,661	3,602	6,263

4.1 Consideration transferred

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

Acquisition costs amounting to \$175,736 are not included as part of the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss. Acquisition related costs were made up of state government transfer duties, legal, accounting and other miscellaneous expenses.

4.2 Identifiable net assets

The accounting for all business combinations has been finalised as at 31 December 2023.

The fair value of the trade and other receivables acquired as part of the business combinations amounted to \$123,000 with a gross contractual amount of \$130,000. As at the acquisition date, the Group's best estimate of the contractual cash flows not expected to be collected amounted to \$7,000.

There were no contingent liabilities assumed from the acquisitions and no separate transactions.

4.3 Goodwill

The goodwill that arose on the combinations can be attributed to the synergies expected to be derived from the combination including implementation of the Groups programs, software systems, support networks, supply and employment contracts. Goodwill has been allocated to CGUs at 31 December 2023 and is attributable to the Dairy & mixed segment. The goodwill that arose from these business combinations is not expected to be deductible for tax purposes.

5. Segment reporting

Identification of reportable operating segments

Management identifies its operating segments based on the species to which the Group provide veterinary services and supply animal health products. The Group's three (3) main operating segments are:

- Dairy and mixed;
- Feedlot;
- Pigs;

Each of these operating segments is managed separately as each species group requires specific veterinary expertise and resources, as well as marketing approaches. These operating segments are monitored and strategic decisions are made based on adjusted segment operating results.

The operating segments are aggregated for reporting purposes on the basis that each business segment has sales consisting predominantly of S4 products, over the counter products and service revenue and that these products and services exhibit similar economic characteristics across each business. Corporate overheads that cannot be allocated to a specific segment are disclosed separately.

The revenues and profit generated by the Group's operating segments are summarized as follows:

	Six (6) months to 31 December 2023 \$'000	Six (6) months to 31 December 2022 \$'000
Revenue from external customers	104,364	93,719
Segment operating costs	(95,151)	(86,531)
Segment operating profit	9,213	7,188

The Group's segment operating profit reconciles to the Group's profit after tax as presented in its financial statements as follows:

	Six (6) months to 31 December 2023 \$'000	Six (6) months to 31 December 2022 \$'000
Total reporting segment operating profit	9,213	7,188
Corporate overheads	(1,177)	(1,182)
Acquisition and integration costs	(176)	(321)
Restructure costs	(607)	(141)
Finance costs	(2,639)	(1,531)
Share of profit from equity accounted investments	36	56
Net profit before tax	4,650	4,069
Income tax	(1,393)	(1,220)
Net profit after tax	3,257	2,849

6. Intangible assets

The following table shows the movements in intangible assets:

	Goodwill \$'000	Customer Relation- ships \$'000	Trademar ks & Trade Names \$'000	Capitalised develop- ment costs \$'000	Total \$'000
At 30 June 2023					
Cost	145,311	17,659	3,182	3,313	169,465
Accumulated amortisation and impairment	-	(3,995)	-	(1,856)	(5,851)
Net book value	145,311	13,664	3,182	1,457	163,614
Half-year ended 31 December 2023					
Opening net book value	145,311	13,664	3,182	1,457	163,614
Additions	-	-	-	93	93
Acquisition of subsidiaries (a)	4,813	1,285	-	-	6,098
Amortisation	-	(893)	-	(198)	(1,091)
Closing net book value	150,124	14,056	3,182	1,352	168,714
At 31 December 2023					
Cost	150,124	18,944	3,182	3,405	175,655
Accumulated amortisation and impairment	-	(4,888)	-	(2,053)	(6,941)
Net book value	150,124	14,056	3,182	1,352	168,714

- (a) The goodwill of the Company increased during the period ending 31 December 2023 due to the acquisitions detailed in Note 4.

7. Property, plant and equipment

The following tables show the movements in property, plant and equipment:

	Leased Buildings (i)	Leasehold improve- ments	Plant and equipment	Motor vehicles (ii)	Assets under construct- ion	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2023						
At cost	36,110	6,635	19,957	10,044	84	72,830
Accumulated depreciation	(10,707)	(1,502)	(10,799)	(6,010)	-	(29,018)
Net book value	25,403	5,133	9,158	4,034	84	43,812
Half year ended 31 December 2023						
Opening net book value	25,403	5,133	9,158	4,034	84	43,812
Additions	7,189	151	936	979	12	9,267
Acquisition of subsidiaries	860	0	145	181	-	1,186
Depreciation charge	(2,410)	(371)	(1,294)	(658)	-	(4,733)
Closing net book value	31,042	4,913	8,945	4,536	96	49,532
At 31 December 2023						
Cost	44,017	6,658	20,882	11,147	96	82,800
Accumulated depreciation	(12,975)	(1,745)	(11,937)	(6,611)	-	(33,268)
Net book amount	31,042	4,913	8,945	4,536	96	49,532

i) Right of use Assets

ii) Includes leased and owned motor vehicles

8. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (Apiam Animal Health Limited) as the numerator.

	2023	2022
	\$'000	\$'000
Profit attributable to Owners of Apiam Animal Health Limited	3,281	2,898
	3,281	2,898

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Six (6) months to 31 December 2023	Six (6) months to 31 December 2022
Weighted average number of shares used in basic earnings per share	178,091,853	172,366,708
weighted average number of performance rights	2,567,185	2,570,475
Weighted average number of shares used in diluted earnings per share	180,659,038	174,937,183
Basic earnings per share (cents)	1.84	1.68
Diluted earnings per share (cents)	1.82	1.66

9. Share capital

Each share has the same right to receive dividends and the repayment of capital and represents one vote at the shareholders' meeting of Apiam Animal Health Ltd. Shares issued and authorised are summarised as follows:

	Six (6) months to 31 December 2023	Year ended 30 June 2023	Six (6) months to 31 December 2023	Year ended 30 June 2023
	No.	No.	\$'000	\$'000
Shares issued and fully paid				
• beginning of the period	177,959,623	166,388,823	134,840	127,249
• shares issued as consideration for business acquisitions	-	11,021,249	-	7,119
• issued under dividend reinvestment plan	-	33,475	-	25
• employee shares issued	196,556	516,076	171	447
Shares issues and fully paid	178,156,179	177,959,623	135,011	134,840
Total shares authorised at the end of the period	178,156,179	177,959,623	135,011	134,840

Each share has the same right to receive dividend and the repayment of capital and represents one vote at the shareholders' meeting of Apiam.

10. Borrowings

As at 31 December 2023, the contractual maturities of the Group's non-derivative financial liabilities were:

	31 December 2023	30 June 2023
	\$'000	\$'000
Current		
Bank loans (a)	-	2,955
less capitalised costs	-	(21)
Total current borrowings	-	2,934
Non-current		
Bank loans (a)	70,280	66,066
less capitalised costs	(22)	-
Total non-current borrowings	70,258	66,066

Assets pledged as security

- (a) Bank loans are secured by first ranking general security agreements in relation to the current and future assets of Apiam and each wholly-owned subsidiary.

Banking covenants

The financial covenants that must be complied with applicable to bank facilities are:

- Maximum gearing ratio, defined as the ratio of Net Debt divided by Net Debt plus Equity, is to be no greater than 45% as of the 30th June each financial year, with
 - Net Debt meaning the amount owing (excluding AASB16 leases) less cash and cash equivalent: and
 - Equity meaning total assets minus total liabilities.
- Maximum operating leverage ratio, defined as the ratio of Net Debt divided by EBITDA, is to be no greater than 3.5x as of the 30th June each financial year, with
 - EBITDA meaning earnings before interest, tax, depreciation and amortisation, excluding any one-off acquisition and integration/system expenses

The Group complied with all bank covenants during the period.

10. Borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

Total facilities	31 December 2023	30 June 2023
	\$'000	\$'000
Bank - term loan facilities	100,000	100,000
Bank - master asset finance agreement for equipment finance	4,500	4,500
Bank - overdraft facility	500	500
Bank - credit card facility	500	500
	105,500	105,500
Used at reporting date		
Bank - term loan facilities	70,280	69,021
Bank - master asset finance agreement for equipment finance	3,439	2,875
	73,719	71,896
Unused at reporting date		
Bank - term loan facilities	29,720	30,979
Bank - master asset finance agreement for equipment finance	1,061	1,625
Bank - overdraft facility	500	500
Bank - credit card facility	500	500
	31,781	33,604

11. Contingent assets and liabilities

In the Directors' view, there are no contingent assets or liabilities that will have a material effect on the Group.

12. Dividends

No dividends were paid during the six month period ended 31 December 2023.

13. Events after the reporting date

The Apiam Board of Directors declared an interim dividend on the 23 February 2024. The interim dividend of \$1,781,562 is 1.0 cps, fully franked and will be paid on 3 April 2024.

There are no matters or circumstances that have arisen since the end of the period that have significantly affected or may significantly affect either:

- The entities operations in future financial years;
- The results of those operations in future financial years;
- The entities state of affairs in future financial years.

14. Company details

The registered office of the business of the Company is:
27-33 Piper Lane
East Bendigo, VIC, 3350

The principal place of business of the Company is:
27-33 Piper Lane
East Bendigo VIC 3550

Directors' Declaration

- 1 In the opinion of the Directors of Apium Animal Health Limited:
 - a the consolidated financial statements and notes of Apium Animal Health Limited are in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of its financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
 - ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read "C. Irwin Richards", written over a horizontal line.

Dr Christopher Irwin Richards
Managing Director

Melbourne
23 February 2024

Grant Thornton Audit Pty Ltd

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Independent Auditor's Review Report

To the Members of Apiam Animal Health Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Apiam Animal Health Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Apiam Animal Health Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Directors' responsibility for the half-year financial report

The Directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants



A C Pitts
Partner – Audit & Assurance

Melbourne, 23 February 2024