

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Accelerated Growth strategy driving business transformation in FY22 – revenue +24.6%; underlying EBITDA +20.3%

- **Accelerated Growth strategy driving business transformation:** pro-forma revenue target of \$300 million by end of FY24, to leverage earnings and deliver material increases to cash flows;
- **Execution of high-quality acquisition pipeline in FY22:** eleven acquisitions in high-growth segments, adding \$39.8 million of FY22 pro-forma revenue¹;
- **Dairy & mixed animal segment grows to 74% of Apiam's business¹:** with segment revenue growth of +45.1% and like-for-like revenue growth of 9.0%²;
- **Pro-forma FY22 revenue of \$178.3 million:** reported revenue of \$157.2 million (+24.6% vs FY21);
- **Strong and resilient earnings and cash flow performance:** gross profit +37.0% (\$97.4 million), underlying EBITDA +20.3% (\$18.3 million) and operating cash flow +9.9% (\$15.0 million) vs FY21, in face of many broader macro-economic challenges;
- **Final dividend of 0.4 cents per share:** with future surplus cash flows to be reinvested in Accelerated Growth program, expected to deliver intrinsic value for all shareholders; and
- **Strong outlook for FY23:** growth expected to occur via further acquisition execution, earnings leverage and organic initiatives.

Bendigo, 29 August 2022 – Apiam Animal Health Limited (**Apiam** or the **Company**) is pleased to release its full year results for the 12-months to 30 June 2022 (FY22).

Apiam embarked on its Accelerated Growth strategy in early 2022, with a target to increase the Company's pro-forma revenues to more than \$300 million by the end of FY24 and deliver greater earnings leverage across the business. In FY22, Apiam progressed this strategy executing 11 acquisitions, pursuing organic growth initiatives and ramping up operations of three early-stage greenfield clinics.

Revenue in FY22 increased 24.6% to \$157.2 million driven by excellent revenue growth in Apiam's dairy and mixed animal segment (+45.1% vs FY21 on a reported basis and +9.0% on a like-for-like basis). This segment was the focus of Apiam's acquisition program over the year, and on a FY22 pro-forma basis delivered 74% of the Group's revenues (vs 60% in FY21). Underlying EBITDA from the segment grew 44.5% year-on-year³.

Dr Chris Richards, Apiam's Managing Director said "The strategic changes in Apiam's business mix over the past twelve months, significantly growing our dairy & mixed animal exposure is driving important business transformation for our Company. We are increasingly generating more resilient

¹ FY22 pro-forma revenue includes Victorian Equine Group and The Vet Practice which were announced during FY22 but settled 1 July 2022

² Excludes contribution from acquisitions, Ear Tag business (divested during FY22) and one clinic consolidated during period

³ Segment EBITDA before corporate cost allocation and one-off expenses including \$1.4M stamp duty charge in FY22

and less cyclical revenues streams with attractive earnings margins and growing free cash flows for our shareholders.”

“Our strong results in FY22 demonstrate the advantages of this business model, particularly as we have faced COVID-19 impacts as well as economy-wide labor market and supply chain challenges over the period. I am pleased with the ability of our team to respond flexibly and innovatively to ensure we delivered continued growth.”

Gross profit margins continued to increase in FY22, increasing to 62.0% up from 56.3% in the prior comparable period (PCP). Overall gross profit growth was 37.0% in FY22.

The beef feedlot and pig segments continue to be impacted by industry challenges with revenue in FY22 declining 6.5% (an improvement from FY21 where revenues fell in these segments by 11.4%, following the low-point in the beef feedlot industry cycle). The outbreak of Japanese Encephalitis has been a further challenge within the pig segment in FY22.

Importantly, despite these revenue challenges, gross profit for the beef feedlot and pig segments improved 1.5% vs PCP as Apiam management continued to focus on the provision of higher value consultancy services across this customer base.

Underlying EBITDA in FY22 increased 20.3%, a strong and resilient result despite the increased operating expense investment required to execute Apiam’s Accelerated Growth strategy and in the context of the economy-wide challenges referred to above.

Operating investment over FY22 was required to support the integration of the eleven acquisitions executed and this saw additional personnel required in the Company’s business support network (people & culture, IT, marketing, payroll and WHS). Following this investment, Apiam is better positioned to efficiently and more quickly integrate the planned acquisitions that will take place over FY23-FY24.

The opening of three new greenfield clinics in the past 18 months and Apiam’s veterinary recruitment strategy (focusing on experienced vets) also added to the operating expense growth. Additional COVID-19 lockdown costs were also incurred in the first half where additional staff were required to assist vets given animal owners were not permitted in-clinic.

Underlying NPAT increased 15.0% in FY22 to \$6.7 million, while reported NPAT of \$4.6 million was impacted by a significant uplift in one-off expenses during the period (mostly the result of a \$1.4 million stamp duty charges payable on Apiam’s Queensland acquisitions in H1 FY22).

The Company’s operating cash flow grew by 9.9% in FY22, and cash conversion of underlying EBITDA (pre AASB16 adjustments) remains above Management’s target of 100%; at 117% for FY22.

Accelerated Growth strategy

Apiam embarked on its Accelerated Growth strategy in early FY22. Changes in demographics and lifestyles are continuing to drive strong growth in animal numbers in regional and peri-urban locations, and this presents a significant opportunity for Apiam.

The three main drivers of Apiam’s Accelerated Growth strategy over FY22 were the execution of Apiam’s extensive acquisition pipeline, organic growth initiatives across all business segments as well as the opening of new greenfield clinics.

In FY22, Apiam completed the acquisition of nine businesses and executed acquisition agreements to complete a further two acquisitions on 1 July 2022. This acquisition program increased Apiam’s presence in important fast-growth markets such as South East Queensland and the equine segment.

Apiam’s acquisition pipeline is extensive, and only high-quality acquisition targets are pursued. Essential acquisition criteria include the ability for Apiam to generate strong organic growth and

synergies from the business, the culture & management team, animal species exposure, earnings margins and geographic exposure.

Dividend

The Board of Apiam have declared a 0.4 cents per share final dividend, which, together with the interim dividend, represents a payout ratio of reported NPAT of 50% for FY22.

Apiam's Board continually assess the best use of capital in the context of the Company's growth plans. As the Company trends towards its target to deliver pro-forma revenue of \$300 million by FY24, earnings margins and free cash flow are expected to increase considerably. This compelling opportunity is expected to deliver substantial intrinsic value to shareholders. The Board therefore intends to invest all capital, during this rapid growth period, towards funding the Accelerated Growth strategy.

Outlook

Significant growth in the year ahead is expected to occur via acquisition opportunities, supported by organic growth in the underlying business. Additional greenfield sites are also expected to be opened in FY23.

Delivering greater improvements in operating earnings margins and driving uplifts in free cash flow remains a key management goal for the year ahead.

FY22 results investor webinar

Investors are invited to join a conference call hosted by Managing Director, Dr Chris Richards and CFO Matt White at 9.00AM AEST on Monday 29th August 2022.

To access the call please use the zoom link below:

https://apiam.zoom.us/webinar/register/WN_QUEQ1MIQQJ-m_XAt2hsGHg

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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.