23 August 2023

MARKET RELEASE

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EBOS 2023 Full Year Results

EBOS ACHIEVES RECORD RESULT THROUGH DIVERSIFED GROWTH STRATEGY

Full Year Highlights

- Results underpinned by organic growth and substantial contribution from prior year acquisitions reflecting the defensive and diversified nature of Group earnings
- Revenue of $12.2 billion (up 14.0%)
- Underlying EBITDA of $582.0 million (up 33.2%)
- Underlying NPAT of $281.8 million (up 23.0%)
- Underlying EPS of 147.9 cents (up 14.1%)
- Final dividend declared of NZ 57.0 cents per share, bringing total dividends declared for the year to NZ 110.0 cents per share (up 14.6%)
- Continued strong performances from both our Healthcare and Animal Care segments:
    - Healthcare Underlying EBITDA up 32.7% driven by organic growth and the contribution from acquisitions completed in FY22; LifeHealthcare performed in-line with expectations
    - Animal Care Underlying EBITDA up 24.0% reflecting strong organic growth in our key brands and the benefits from the investment in our new pet food manufacturing facility
- Underlying operating cash flow of $404.7 million (up 39.1%) reflecting strong earnings growth and disciplined net working capital management
- Consistent with our strategy of investing for growth we:
    - completed the acquisition of Superior Pet Food Co. (Superior) on 31 July 2023, a leading manufacturer and supplier of premium dog rolls based in New Zealand; and
    - continued to invest in our operational infrastructure to support our growth
- Net Debt : EBITDA of 1.52x (1.94x at June 2022); strong balance sheet to support growth[1]

A$[2,3]	Underlying Results[4]		Statutory Results	
Revenue	$12,237.4m	up 14.0%	$12,237.4m	up 14.0%
EBITDA	$582.0m	up 33.2%	$568.8m	up 40.2%
EBIT	$484.2m	up 35.8%	$444.0m	up 37.1%
Net Profit after Tax	$281.8m	up 23.0%	$253.4m	up 25.1%
Earnings per Share[5]	147.9 cents	up 14.1%	132.9 cents	up 16.1%
Total Dividends per Share			NZ 110.0cps	up 14.6%
Operating Cash Flow	$404.7m	up 39.1%	$391.4m	up 57.4%
ROCE	15.1%	down 350bps		
Net Debt : EBITDA[6]	1.52x	down 0.42x		

[1] Net debt excludes a put option liability of $165 million, representing the estimated consideration to acquire the remaining 49% equity ownership of the Transmedic business not currently owned by the Group.
[2] All amounts included are denoted in Australian dollars unless otherwise stated.
[3] Comparison shown to prior corresponding period.
[4] Underlying results exclude certain costs. Refer to Appendix 1 for details.
[5] Underlying EPS calculated as Underlying NPAT divided by the weighted average number of shares on issue during FY23.
[6] Calculated in accordance with banking covenants and excludes IFRS 16 lease impacts.

In commenting on today's results announcement, EBOS Chief Executive Officer, John Cullity said:

"We are pleased to report another record profit for EBOS for FY23 driven by continued strong organic growth across our Group businesses as well as substantial contribution from prior year acquisitions, reflecting the benefits of our strategy of investing for growth.

The defensive and diversified nature of our portfolio of businesses is reflected as both our Healthcare and Animal Care segments contributed strongly to the overall result and we successfully executed our strategy of pursuing both organic and inorganic growth.

Our Healthcare segment benefitted from its leading market positions and had strong contributions from each of our Community Pharmacy, TerryWhite Chemmart ("TWC"), Institutional Healthcare and Contract Logistics divisions and businesses. Each of our Healthcare divisions recorded double-digit Gross Operating Revenue ("GOR") growth with Institutional Healthcare recording particularly strong growth due to the performance from our recently acquired LifeHealthcare business.

The Animal Care segment benefitted from strong performances across each of our key brands and businesses – Black Hawk, Vitapet and Lyppard – and our new pet food manufacturing facility delivering improved product supply and margins.

Consistent with our strategy of investing for growth, on 31 July 2023 we completed the acquisition of Superior Pet Food Co. (Superior), which is a leading manufacturer and supplier of premium dog rolls based in New Zealand and is also a supplier of dog treats. This acquisition expands our portfolio of branded products in attractive categories, increases our in-house manufacturing capabilities and accelerates our new product development initiatives.

In addition, we continued to invest in our distribution network to support the growth of our medical consumables distribution and contract logistics businesses."

In commenting on today's result, EBOS Chair, Elizabeth Coutts said:

"It is pleasing to see EBOS achieve another record result. The strong growth in our earnings reflects our focus on pursuing organic growth and investing for growth across both our Healthcare and Animal Care segments to deliver value to our stakeholders.

The success we have achieved as a business across the 2023 financial year is the result of the combined efforts of our more than 5,000 employees across New Zealand, Australia and Southeast Asia. We acknowledge their commitment to each other, our businesses and to the communities they serve."

Healthcare

Healthcare (A$m)	30 June 2023	30 June 2022	Growth
Revenue	$11,676.6m	$10,192.8m	14.6%
Underlying EBITDA[7]	$517.0m	$389.6m	32.7%
Underlying EBITDA margin	4.43%	3.82%	

Our Healthcare segment generated revenue of $11.7 billion and Underlying EBITDA of $517.0 million, an increase of 14.6% and 32.7%, respectively on the prior year. This growth was driven by our leading market positions and strong contributions from our Community Pharmacy, TWC, Institutional Healthcare and Contract Logistics divisions and businesses. Each of our divisions in the Healthcare segment recorded double digit GOR growth.

In Australia, Healthcare revenue increased to $9.4 billion and Underlying EBITDA increased to $416.0 million, an increase of 15.3% and 27.5%, respectively. In New Zealand and Southeast Asia, Healthcare revenue increased to $2.3 billion and Underlying EBITDA increased to $101.0 million, an increase of 11.6% and 59.7%, respectively.

Community Pharmacy revenue increased by $870.7 million (up 13.5%), driven by customer growth, strong performances from our community pharmacy retail brands including TWC, above market growth in ethical sales to our major wholesale customers, and sales growth of high value specialty medicines and OTC products. In addition, the result benefitted from COVID-19 related product sales including anti-viral medications and cold and flu OTC products. The majority of these COVID-19 related sales were recorded in H1 FY23.

Our TWC franchise continues its robust growth with an additional 40 net new pharmacies joining the network during the year. This builds on growth in prior years and further strengthens TWC's position as Australia's largest health-advice oriented community pharmacy network with over 550 trading stores. Network sales continued to grow strongly to more than $2 billion. TWC's growth was driven by our continued investment in media, the TWC catalogue and promotional program, the leading role of the TWC network in providing community pharmacy vaccinations, and industry leading pharmacist education programs.

Institutional Healthcare generated strong revenue growth of $520.9 million (up 17.0%) and GOR growth of $191.8 million (up 50.7%), driven by acquisitions, as well as strong growth in Symbion Hospitals. Symbion Hospitals revenue grew 11.4% driven by sales of high value specialty medicines and new customer wins. The completion of five acquisitions in FY22 significantly expanded our presence in medical consumables and medical technology (previously known as medical devices) distribution.

[7] Underlying EBITDA and Underlying EBITDA margin exclude certain costs. Refer to Appendix 1 for details.

The integration of LifeHealthcare into the Group's enlarged medical technology business is now well progressed. LifeHealthcare's financial performance for FY23, its first full financial year under EBOS' ownership, was in-line with expectations, with both the ANZ and Southeast Asia businesses achieving positive growth. As foreshadowed at the half year results announcement, $12.5 million of non-recurring costs have been incurred in the Statutory Results in H2 FY23 in relation to the integration activities, including rationalisation of operating sites and inventory lines, IT systems integration and associated stamp duty costs.

Contract Logistics increased GOR by $23.8 million (up 18.4%), attributable to growth in Australia from new and existing principals, including the benefit from Government initiatives to improve the depth of medicines inventory cover onshore. Growth has also been realised in New Zealand from the continued demand for storage and servicing of medicines, as well as some COVID-19 related products such as protective equipment.

The Healthcare segment continued to invest in its operational infrastructure to support its growth, including the recently completed contracts logistics distribution centre in Auckland. The construction of a new contract logistics distribution centre in Sydney is underway, as well as new pharmacy wholesaling and medical consumables distribution centres in Auckland. These facilities will create additional capacity for future growth.

Healthcare's Underlying EBITDA margin increased by 61 basis points as a result of the contribution from acquisitions of higher margin businesses and our ability to manage and offset increasing costs.

Animal Care

Animal Care (A$m)	30 June 2023	30 June 2022	Growth
Revenue	$560.8m	$541.3m	3.6%
Underlying EBITDA[8]	$99.1m	$80.0m	24.0%
Underlying EBITDA margin	17.7%	14.8%	

Our Animal Care segment generated revenue of $560.8 million and Underlying EBITDA of $99.1 million, an increase of 3.6% and 24.0%, respectively on the prior year. This growth was driven by strong performances from our leading brands and businesses (Black Hawk, Vitapet and Lyppard), the benefits of our new pet food manufacturing facility and growth in Animates, our New Zealand pet retail joint venture.

Each of Animal Care's key brands and businesses – Black Hawk, Vitapet and Lyppard – performed strongly. Black Hawk and Vitapet increased sales by 14.9% and 4.3% respectively on the prior corresponding period and continued to maintain share leadership in their respective segments. Second half performance reflected continued resilience in the premium pet food category, which represents the largest contributor to Animal Care's earnings, whilst growth slowed in the pet treats and accessories categories, as consumer spending impacted demand for discretionary products.

[8] Underlying EBITDA and Underlying EBITDA margin exclude certain costs. Refer to Appendix 1 for details.

Our pet food manufacturing facility has been operational for approximately one year and is successfully operating with commercial production rates meeting demand.

In-line with our Animal Care growth strategy, several new product development launches are planned for FY24, including the Black Hawk Healthy Benefits® range which is the first specific benefits line from Black Hawk. These specially formulated diets are focused on supporting the health of dogs with specific needs. Manufacturing of the range commenced at Parkes, NSW in July 2023 and the new products are expected to start appearing on shelves in leading pet specialty retailers and vet clinics in September 2023.

The Underlying EBITDA margin improved by approximately 300 basis points reflecting relative performance of higher margin businesses, benefits of the pet food manufacturing facility and successful mitigation of cost inflation.

Consistent with our strategy of investing for growth, EBOS completed the acquisition of Superior on 31 July 2023. Superior is a leading manufacturer and supplier of premium dog rolls based in New Zealand and is also a supplier of dog treats. Superior's portfolio of branded products – including the Chunky, Possyum, Ranchmans, Field & Forest and Superior brands – are sold through major grocery and rural retailers throughout New Zealand. The acquisition is consistent with Animal Care's strategy of expanding our portfolio of branded products in attractive categories, increasing our in-house manufacturing capabilities and accelerating our new product development initiatives. The Superior product offering is complementary to Animal Care's existing portfolio of products marketed under the Black Hawk and Vitapet brands. The acquisition was fully funded through existing debt facilities and cash on hand and is expected to be marginally EPS accretive in the first year of ownership.

Cash Flow, Net Debt and Return on Capital Employed

The Group generated underlying operating cash flow of $404.7 million, a 39.1% increase on the prior year. The cash performance reflects strong earnings growth and disciplined net working capital management, partially offset by higher finance costs and tax payments. Total capital expenditure was $97.8 million.

Return on Capital Employed ("ROCE") of 15.1% was below FY22 by 350 basis points and is in-line with target. The reduction in ROCE was due to the long-term investment in building our position in the medical technology distribution sector through the acquisition of LifeHealthcare.

Net Debt : EBITDA ratio at 30 June 2023 was 1.52x, reflecting strong cash flow and earnings growth.

Macroeconomic Environment

EBOS' earnings have remained resilient in the current macroeconomic environment.

Demand for our products and services continues to demonstrate resilience to economic conditions, with H2 FY23 Underlying EBITDA exceeding H1 FY23, reflecting the defensive and diverse nature of our portfolio of businesses.

EBOS' key cost items within the Group are cost of goods sold, labour and freight. With the current inflationary environment, we have experienced increases in these key cost items to varying degrees across our businesses. Each business has various strategies to mitigate the impact of these increases and preserve margins.

As a result of these strategies we were able to preserve our margins, with H2 FY23 Underlying EBITDA margin slightly above H1 FY23 Underlying EBITDA margin. Our Group FY23 Underlying EBITDA margin increased by 69 bps compared to FY22 reflecting the benefits from acquisitions of higher margin businesses.

60 Day Dispensing Policy

EBOS notes the Australian Government policy under which 60 days' supply of certain PBS medicines may be dispensed by pharmacists, compared to current limits of 30 days' supply. This policy will apply to approximately 300 common PBS medicines (out of >900 listed PBS medicines) and will be implemented in three stages over a 12 month period, starting from 1 September 2023. The Government has advised that it will increase the Community Service Obligation (CSO) funding pool and introduce other initiatives in support of Community Pharmacy, which will largely offset the earnings impact of this policy change.

Chemist Warehouse Australia Contract

As announced on 6 June 2023, the Australian Chemist Warehouse contract will not be renewed beyond its expiry date of 30 June 2024. EBOS generated approximately $2 billion in revenue from sales to Chemist Warehouse's Australian stores in FY23. We always recognised that the contract renewal was a risk and we are confident in the Group's alternate growth strategies that are well established and diverse.

From FY20 to FY23, Group earnings excluding the Chemist Warehouse Australia contract grew at a CAGR of approximately 20%, reflecting strong alternative sources of growth. In addition, we have continued to diversify the Group towards higher growth, higher margin segments. Across all our divisions, we have multiple well established organic and inorganic growth strategies that position us strongly for the future.

EBOS GROUP LIMITED

Sustainability and Community

In FY23, we achieved net zero for our Scope 1 emissions in New Zealand and Australia. We did this by investing in operational improvements and procuring offsets. This included Australian Carbon Credit Units (ACCUs) generated from the Darling River Eco-Corridor project which help to offset emissions where growing forests capture carbon dioxide from the atmosphere and carbon is stored in vegetation and soil. The next milestone in our journey is to become carbon neutral for our buildings in New Zealand and Australia.

For the last 16 years we have supported Greenfleet by offsetting the estimated greenhouse gas emissions from transport associated with customer deliveries in the Healthcare segment (excluding Medical Technology and Contract Logistics). This year we increased our contribution and offset 16,600 tonnes of CO_2e.

At our pet food manufacturing facility at Parkes, NSW we have completed the first phase of our solar array project at the facility with the installation of a 500kW roof-mounted array. We are now progressing the engineering work and managing the regulatory approvals for the next phase of the project which is a significantly larger ground-mounted array. The entire 18.8MW solar array is forecast to meet all of the Group's Australian electricity requirements by FY27.

From FY24, EBOS is required to make certain climate related disclosures. The standards for these compulsory disclosures were published by the New Zealand External Reporting Board (XRB) in December 2022. We have selected an international professional services firm to assist us to ensure we are well placed to respond to the New Zealand Government's mandatory climate related reporting requirements.

EBOS has again built strong connections with communities in New Zealand and Australia through partnerships with organisations aligned with our purpose 'Advance opportunities to enrich lives'.

The Group and our employees supported organisations including Ovarian Cancer Australia, BackTrack, LandSAR, FightMND, Cerebral Palsy Alliance and STREAT as well as donating sanitary, personal care and first-aid products to victims of the Turkey earthquake.

Following the weather events in New Zealand in early 2023 our teams ensured that supply channels remained open to continue to serve local communities. Our Onelink, Healthcare Logistics and ProPharma businesses joined forces with Te Whatu Ora Health NZ and the New Zealand Defence Force, overcoming roadblocks and other obstacles, to supply emergency oncology and pharmaceutical inventory to Te Tai Tokerau Northland and Te Matau-a-Māui Hawkes Bay. This is another example of the critical importance of our healthcare businesses to the supply of medicines and related products across New Zealand and Australia and underlines the commitment of our people in times of crisis.

Further detail on our ESG Program is contained in our 2023 Sustainability Report.

Board update

Consistent with EBOS' Board renewal process, independent directors Sarah Ottrey and Stuart McGregor will retire as directors effective from this year's Annual Meeting, on 24 October 2023. The retirements are part of a carefully considered succession process that has included the appointment of Mark Bloom and Julie Tay as independent directors during the last 12 months. Ms Ottrey and Mr McGregor have been directors since 2006 and 2013 respectively.

In commenting, EBOS Chair, Liz Coutts said "Sarah and Stuart have made valuable contributions to EBOS during their tenure as directors, a period in which EBOS has generated significant growth and shareholder value. On behalf of the Board I wish to thank each of them and wish them well in their future endeavours." Following their retirement from the Board, it is expected that both Ms Ottrey and Mr McGregor will be retained on a consultancy basis until the end of the calendar year.

Final Dividend

The Directors declared a final dividend of NZ 57.0 cents per share. In combination with the interim dividend, this brings total dividends declared for FY23 to NZ 110.0 cents per share (up 14.6%), representing a 68.5% pay-out ratio[9].

Reflecting the Group's strong operating performance, cash flow and balance sheet, the DRP will not be available for the final dividend.

The record date for the dividend is 8 September 2023 and the dividend will be paid on 29 September 2023. The final dividend will be imputed to 25% for New Zealand tax resident shareholders and fully franked for Australian tax resident shareholders.

Outlook

EBOS is pleased with the strong earnings growth in FY23 driven by both organic growth and acquisitions.

July 2023 trading conditions were positive with continued organic growth compared to the prior corresponding period and we expect another year of profitable growth in FY24.

The macroeconomic outlook continues to be uncertain however our earnings have shown resilience in this environment, reflecting the defensive and diverse nature of our Group.

We will continue to service the Chemist Warehouse Australia contract until the expiry date of 30 June 2024. Thereafter, we do not expect to generate revenue from this contract.

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[9] Dividend payout ratio calculated on an underlying basis based on a NZD:AUD average FY23 exchange rate of 0.920.

The Group expects to have capital expenditure in FY24 at levels similar to FY23 as we continue to invest for growth and modernise our facilities, particularly in our New Zealand healthcare operations. We expect capital expenditure to reduce from FY25 onwards.

A trading update will be provided to shareholders at the Annual Meeting on 24 October 2023.

This media release, the full-year results and related materials were authorised for lodgement with NZX and ASX by the Board of EBOS Group Limited.

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Financial Results Presentation webcast link:
https://edge.media-server.com/mmc/p/ccfsmnqf

About EBOS Group

EBOS Group Limited NZBN 9429031998840 (NZX/ASX Code: EBO) is the largest and most diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products. It is also a leading Australasian animal care brand owner, product marketer and distributor.

Appendix 1 – Reconciliation of Statutory to Underlying Result

	FY23				FY22			
$m	EBITDA	EBIT	PBT	NPAT	EBITDA	EBIT	PBT	NPAT
Statutory result	**568.8**	**444.0**	**373.4**	**253.4**	**405.8**	**323.9**	**295.3**	**202.6**
LifeHealthcare PPA amortisation (non-cash)	-	26.9	26.9	18.9	-	1.5	1.5	1.0
Medical Technology division integration costs	12.5	12.5	12.5	8.9	-	-	-	-
Net transaction costs incurred on M&A	0.7	0.7	0.7	0.7	31.0	31.0	29.8	25.6
Total underlying earnings adjustments	13.2	40.2	40.2	28.5	31.0	32.5	31.3	26.6
Underlying result	**582.0**	**484.2**	**413.6**	**281.8**	**436.8**	**356.4**	**326.5**	**229.2**

- FY23 Underlying earnings exclude the amortisation (non-cash) expense attributable to the LifeHealthcare acquisition purchase price accounting (PPA) of finite life intangible assets ($26.9m pre tax, $18.9m post tax), Medical Technology division integration costs ($12.5m pre tax, $8.9m post tax) and one-off M&A costs ($0.7m pre tax, $0.7m post tax).
    - The Medical Technology business integration costs include the rationalisation of operating sites and inventory lines, IT systems integration and stamp duty.
- FY22 Underlying earnings exclude transaction costs incurred on M&A ($31.0m pre tax, $25.6m post tax) and the amortisation (non-cash) expense attributable to the LifeHealthcare acquisition purchase price accounting (PPA) of finite life intangible assets ($1.5m pre tax, $1.0m post tax).
- The PPA exercise has been undertaken in accordance with IFRS, requiring the identification and recognition of intangible assets acquired separate from goodwill. As a result, exclusive supply contracts held by LifeHealthcare have been recognised ($341m) as a finite life intangible asset and are required to be amortised over a period of 13 years, with an annual amortisation charge of $26.9m over that time. There is no cash impact to the Group from the $26.9m amortisation charge recognised for FY23. Please refer to Note B2 of the 30 June 2023 Financial Statements for further details.