

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Apiam releases H1 FY24 results - Strong uplift in earnings as margins increase and cost savings realised

- Revenue growth +11.4% (vs pcp), resilient across all business segments
- Underlying EBITA growth +32.7% (vs pcp) with significant improvement in earnings margins
- Cost savings extracted across Business Support Network and dairy & mixed animal segment
- Underlying NPATA growth +19.9% (vs pcp) despite +\$1.1 million finance cost impact
- Focus for H2 FY24 to extract further earnings + free cash flow from existing portfolio
- While acquisitions continue to be a strategic focus, no further acquisitions are expected to be completed in FY24
- Strong cash flow generation to be applied to organic growth initiatives, effective debt management and resumption of dividend (Interim dividend of 1.0cps)

Bendigo February 23, 2023 – Apiam Animal Health Limited (**Apiam** or the **Company**) today released its financial results for the six-months ended 31 December 2023 (H1 FY24).

In 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 (BSN) in the period 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 has delivered encouraging early-stage results.

A summary of the Company's H1 FY24 audited financial results are provided below.

Reported financial results¹

\$M	H1 FY24A	H1 FY23A	% chg.
Revenue	104.4	93.7	+11.4%
Gross profit	70.9	61.4	+15.5%
EBITDA (underlying)	13.9	10.7	+29.1%
EBITA (underlying)	9.2	6.9	+32.7%
NPATA (underlying)	4.6	3.9	+19.9%
NPAT (reported)	3.3	2.9	+13.3%

Notes

¹ Underlying EBITDA, EBITA and NPATA are non IFRS measures and exclude one-off expenses and amortisation.

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

Gross profit continued to increase and grew 15.5% vs pcp to \$70.9 million 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 vet-supported clinic management model, enabling savings across Apiam's Business Support Network 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 in 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.

Segment performance

Dairy & mixed animal segment

Apiam's dairy & mixed animal 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 this 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 also 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 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, despite the broader inflationary environment.

Acquisitions

Apiam slowed the pace of its acquisition program in H1 FY24, with only two acquisitions settled in the period. The acquisitions of Boyne Tannum Vet Surgery and Macleay Valley Vet 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.

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 1.0 cent per share. This is supported by Apiam's strong cash generation and the slower pace of the acquisition program.

The record date for the interim dividend will be March 5, 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.

H1 FY24 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 Friday 23rd February 2024.

To access the call please use the zoom link below:

https://apiam.zoom.us/webinar/register/WN_uuukM7_xQ6GVjbb1gVnyvA

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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 Limited is one of Australia's leading rural veterinary businesses made up of more than 80 veterinary clinic sites and additional ancillary business sites. The Company is supported by a strong team of highly experienced veterinarians and other dedicated professionals, employing more than 1000 staff. Apiam's vet clinics, production animal and allied businesses are spread Australia-wide reaching into many regional towns and fast-growing peri-urban areas.

Apiam Animal Health is committed to providing best in class care for its clients, the animals in their care and the communities where people live and work. The Company's purpose, to enrich the lives of animals, people and communities, is applied across all business operations from vet clinics to production animal consultancy, logistics and laboratory with vets and allied staff sharing expertise and specialist knowledge.

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