

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Acquisition of specialist production animal services provider - ACE Laboratory Services

- **Binding agreement to acquire Australia's largest full service autogenous (custom) vaccine and diagnostics laboratory services business**
- **Autogenous vaccines are bespoke vaccines that are only available through the prescribing veterinarian of the specific farming enterprise or system**
- **Consideration of \$16M - initial consideration \$12.375M & deferred consideration \$3.625M (subject to performance)**
- **Compelling acquisition rationale providing Apiam with highly specialised product & service extension to be sold across its large animal footprint**
- **Market leading position in attractive and high growth markets**
- **EPS accretive for Apiam shareholders in first full year of ownership**
- **In FY2019, ACE Laboratory Services generated revenue of \$6.5M**

Melbourne, September 3, 2019 – Apiam Animal Health Limited (**Apiam** or the **Company**) today announced it has entered into a binding agreement to acquire 100% of the shares in Animal Consulting Enterprises Pty Ltd (**ACE Laboratory Services**), (the **Acquisition**).

ACE Laboratory Services is a highly specialised autogenous (custom) vaccine and diagnostics laboratory service provider to large production animal producers, with Australia's market leading position in these segments.

Commenting on the Acquisition, Dr Chris Richards, Apiam's Managing Director said *"The acquisition of ACE Laboratory Services is highly compelling for Apiam, delivering an immediate and established position into a highly specialised and attractive business segment. The track record of ACE Laboratory Services in terms of performance and innovation is world class and we believe there are many growth opportunities as trends in farming evolve, especially with demand for alternatives to antimicrobials growing rapidly"*.

Key acquisition terms

Apiam has agreed to acquire 100% of the issued shares of ACE Laboratory services for total consideration of \$16 million, with initial consideration of \$12.375 million, and a further \$3.625 million payable in 12 months (subject to agreed performance thresholds).

The initial \$12 million consideration will be comprised of \$9.9 million of cash and \$2.475 million of Apiam shares. The cash consideration will be funded via Apiam's recently expanded acquisition facility, detailed in Apiam's announcement to the ASX in July 2019.

Apiam expects no changes to the personnel structure of ACE Laboratory Services and for all key management to remain with the business. Restraints and employment conditions of management shareholders will be on similar terms to Apiam's previous business acquisitions.

Overview of ACE Laboratories

ACE Laboratory Services was founded in 2005 by a group of scientists (including a veterinarian) and has a solid track record of profitable growth. It is Australia's largest autogenous (custom) vaccine and production animal diagnostic laboratory providing services to large pig, cattle, sheep and poultry producers in all states of Australia. It also services some Government clients.

Autogenous vaccines are bespoke vaccines that are only available through the prescribing veterinarian of the specific farming enterprise or system.

ACE Laboratory services have extensive industry credentials having a Victorian Government accredited diagnostics laboratory, export accreditation for vaccines to New Zealand and accreditation for specific diagnostic tests by NATA and AQIS and vaccine manufacturing by APVMA¹.

In FY2019, ACE Laboratory Services generated revenue of \$6.5 million.

The implied Acquisition valuation based on a multiple of earnings is considered attractive compared to recent similar business-type acquisitions.

Compelling strategic rationale

The acquisition of ACE Laboratory Services is underpinned by a compelling strategic rationale and is consistent with Apiam's long-term strategic plan. One of Apiam's core business growth drivers is expansion of the Company's product and services offering, to be leveraged across Apiam's large animal footprint. The acquisition of ACE Laboratory Services represents a highly specialised product and service extension that will be attractive to Apiam's core customers in the production animal sector.

The Acquisition also delivers an immediate and established position in an attractive high growth market, with strong future demand drivers. The autogenous (custom) vaccine market is highly specialised and fast growing, providing an alternative when commercial vaccines are not available or are not effective. Autogenous vaccines are also increasingly being used as a preventative herd health tools to reduce the usage of antimicrobials and potential antimicrobial resistance.

Similar factors are also supporting rapid growth in production animal diagnostics, where the trend to "precision farming" practices continues to be a driver for sustainable production practices. Both markets also offer attractive earnings margin profiles supported by the highly specialised nature of the services provided.

The Acquisition will be earnings per share accretive for Apiam shareholders in the first full year of acquisition and satisfies Apiam's financial returns criteria.

Additional information

The targeted completion date for the Acquisition is 30th September 2019.

The Acquisition agreement is binding subject to normal completion conditions. This follows an extensive and thorough due diligence process.

¹ NATA refers to National Association of Testing Authorities, AQIS refers to Australian Quarantine and Inspection Service and APVMA refers to Australian Pesticides and Veterinary Medicines Authority

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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.