

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Apiam releases H1 FY2020 results - Resilient revenue & earnings despite industry conditions

- **Resilient revenue with growth from feedlot, companion animals and acquisitions offsetting the impact of challenges in dairy and pig segments which are recovering from animal reductions;**
- **Revenue of \$56.2 million in H1 FY20, an increase of 0.3% on H1 FY19 (pcp);**
- **Strong gross margin improvement delivering 6.7% increase in gross profit to \$30.4 million in H1 FY20;**
- **Underlying NPAT (excluding one-off acquisition & integration costs) of \$2.0 million, 3.6% above pcp;**
- **New business initiatives and acquisitions in attractive markets – ACE Laboratories & Grampians Animal Health; and**
- **Interim dividend of 0.8 cents per share, fully franked.**

Melbourne, February 24, 2020 – Apiam Animal Health Limited (**Apiam** or the **Company**) today released its financial results for the 6 months to 31 December 2019 (H1 FY2020).

Apiam reported resilient revenue for H1 FY20 despite challenging and dry industry conditions in the pig and dairy segment, where reduction in animal numbers occurred. This was offset by strong industry fundamentals in the beef feedlot and companion animal segments as well as the commencement of contributions from acquisitions and new business initiatives.

Revenue for H1 FY2020 was \$56.2 million, a 0.3% increase from H1 FY19, the prior comparable period (pcp), where revenue was \$56.0 million. Revenue in H1 FY2020 (excluding the impact of acquisitions) fell 6.5% compared to the pcp as a result of the challenging industry conditions and a targeted change in business mix which resulted in a reduction in lower margin sales.

Apiam's management have implemented a number of business initiatives to address the challenging industry conditions including the launch of the ProDairy and Best Mates programs as well as an exclusive distribution agreement with Zoono Animal Health for the use of Zoono Limited's proprietary protection disinfectant technology in livestock. These new business initiatives and the efficiencies at the clinic level from the Company's investment in its Practice Management System (PMS) have driven a 6.7% improvement in gross profit in H1 FY2020 to \$30.4 million. Gross margin for H1 FY2020 was 54.1% (H1 FY2019: 50.8%).

Underlying EBIT in H1 FY20 (excluding one-off acquisition, integration & restructuring expenses) was \$3.4 million, compared to \$3.5 million in H1 FY19. While a strong focus on operating cost control occurred during H1 FY20, there were additional costs incurred in the period associated with new product registrations, marketing, new license fees of the recently implemented PMS and additional staff training.

Underlying Net Profit After Tax (NPAT) was \$2.0 million in H1 FY2020, 3.6% above underlying NPAT in the pcp. Apiam's NPAT in H1 FY2020 was negatively impacted by \$70K as a result of the first-time adoption of AASB 16 Leases on 1 July 2019. Prior period comparatives have not been adjusted.

Acquisitions

Acquisitions continue to form a core part of Apiam's growth strategy and in H1 FY20 the Company completed two significant acquisitions – ACE Laboratory Services and Grampians Animal Health.

The acquisition of ACE Laboratory Services (ACE) was completed in October 2019 with a purchase price of \$16 million (inclusive of \$3.625 million of deferred earn-out consideration). ACE is a highly specialised business that offers autogenous vaccines, as well as diagnostic services for large production animal producers. It is the market leader in both these segments. ACE offers Apiam an attractive product & service extension that can then be leveraged across the Company's large production animal footprint.

Apiam also completed the acquisition of Grampians Animal Health in December 2019 for total consideration of \$4.65 million (inclusive of \$0.3 million of deferred earn-out consideration). This business is located in Hamilton, Victoria - one of Australia's largest & most productive sheep farming regions. The business is comprised of two key operating units being a companion and mixed animal vet clinic and a large animal veterinary consulting business with expertise in sheep and beef, as well as providing pasture and grain analysis and parasitology diagnostics.

Outlook

Apiam's Managing Director, Dr Chris Richards, said: "Apiam has delivered another period of resilient revenue and earnings. Recent rainfall and favourable commodity prices across all segments is positive for the business outlook in the second half of the financial year. In addition, the global shortage of meat protein is supporting growth in animal numbers".

"Our diversified business model, new complementary revenue streams and focus on cost efficiencies continue to be the key strategic focus for management in order to deliver earnings growth for our shareholders. Apiam expects to deliver growth in EBIT in H2 FY20 compared to the preceding half, H1 FY20".

H1 2020 conference call details

Investors are invited to join a conference call hosted by Managing Director Chris Richards and CFO Matt White at 11:00am AEDT on Monday 24th February, 2020.

To access the call please use the dial in details below:

Conference ID: **10004082**

Australia:	1800 908 299
Australia (local):	02 9007 8048
New Zealand:	0800 452 795
China:	10800 140 1776
Hong Kong:	800 968 273

Singapore: 800 101 2702
United Kingdom: 0800 051 1453
United States: 1 855 624 0077

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Authorisation

This announcement was authorised by the Board of Directors of Apiam Animal Health Ltd.

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.