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# Message from the Managing Director



Dear Apiam shareholders,

Welcome to the first edition of our shareholder newsletter for 2018. The first quarter of this year has been a productive time for Apiam as we delivered on several important business milestones and continued with our strategic acquisition program, announcing two transactions since the beginning of the year.

During the quarter, Apiam has:

- Entered into a Joint Venture alliance agreement with PETstock. Under the agreement, Apiam and PETstock will open a number of new veterinary clinics to be co-located at various PETstock retail outlets. The first co-located clinic, has already been opened as a General Practice, Emergency & Referral Centre at PETstock's superstore in Bendigo.
- Completed the acquisition of Passionate Vetcare, a regional veterinary clinic based in the North West of Bendigo for consideration of \$0.75 million. This is predominantly a companion animal veterinary practice, with some exposure to pigs and mixed animals. This acquisition supports Apiam's Bendigo growth strategy and provides highly experienced staff to support the recently opened General Practice, Emergency & Referral Centre.
- Announced an agreement to acquire the South-East Queensland based, Gympie and District Veterinary Services for \$4.9 million. This is a diversified veterinary practice servicing agricultural & companion animal and is comprised of two clinics in regional and rural Queensland.

This acquisition remains conditional on the completion of final due diligence which is expected to be completed by June.

In late February 2018, the Company released its financial results for the first half of FY2018 and reported both revenue and underlying EBITDA growth.

Revenue for the six months to 31 December 2018 (H1 FY2018) was \$50.8m, improving 10.1% on H1 FY2017 (or 5.6% excluding the impact of acquisitions).

Apiam's revenue growth was driven by strong performances across our pig, dairy and mixed animal businesses. Particularly strong were pig revenues which delivered growth over the period and continued to benefit from new service and training initiatives as well as new customers and products. Apiam's dairy & mixed animal businesses also delivered a strong performance.

Apiam's beef feedlot revenues were affected by varying industry conditions which were challenging in some regions, particularly Queensland and Northern NSW, due to higher input prices.

Underlying EBITDA growth (excluding one-off costs and income) increased 11.7% to \$4.5m in H1 FY2018, as Apiam's investment in its operating cost base normalised over the period.

While total operating expenses increased 7.7% in H1 FY2018 versus the prior comparable half, they declined by 1.8% compared to the second half of FY2017.

# Acquisition of SE Queensland based group

## GYMPIE VETERINARY SERVICES



### Message from the Managing Director - cont.

This was pleasing and reflective that the bulk of the "building the foundations" investment which occurred throughout FY2017 is now complete.

Our cost base has normalised, and in conjunction with new revenue streams, this should drive value for our shareholders in the period ahead.

I hope you find this communication a useful summary of our first quarter and welcome your feedback or questions via [investorrelations@apiam.com.au](mailto:investorrelations@apiam.com.au).

Yours sincerely,

Chris Richards  
Managing Director  
Apiam Animal Health Ltd



Apiam also announced in February 2018 that it had entered into an agreement to acquire Gympie & District Veterinary Services (GDVS) for total consideration of \$4.9 million.

GDVS is a very attractive business opportunity for Apiam given it has two clinics, one at Gympie and one at Tin Can Bay which service a full range of agricultural and companion animals over an extensive radius, often up to 100km. Their location is complementary to Apiam's two existing Queensland clinics in Bell and Jandowae.



GDVS employ more than 30 staff (including 12 FTE veterinarians) and in FY2017 the group generated revenue of approximately \$4.9 million. GDVS is recognised as a leading practice in the South East QLD region for large animal (dairy and beef) and companion animals.

Significant synergy opportunities are available by operating with a greater footprint in this important SE Queensland production and mixed animal region. The Company will deliver additional organic growth through cross-selling of Apiam's existing veterinary and genetic services expertise across a larger customer base. Additionally, it will enable us to develop smaller satellite clinics that leverage off existing clinics in to capture revenues in underserved peripheral regions.

GDVS services attractive regional areas. Gympie is an expanding Queensland city with a current population of approximately 25,000. The area is forecast to see continuation of rapid urban growth in the companion animal and hobby farm segments. The recently refurbished clinic at Tin Can Bay also services an expanding companion animal market and is an additional 50km North East of Gympie.

The acquisition also opens up the region located between Gympie and Apiam's existing Queensland clinics, the highly productive South Burnett agricultural area. The area has been identified as underserved in both production and companion animal areas.

The opportunity to consolidate GDVS and integrate it with Apiam's existing Queensland presence, will allow Apiam to operate on a regional basis and restructure its operating model for the region in line with its structure in other regions of Australia. Apiam believes it can drive significant efficiencies by operating in Queensland via its regional model, particularly in the areas of logistics, marketing and procurement.

The consideration for GDVS is to be funded with 70% cash & 30% scrip, in-line with Apiam's previous acquisitions.

Apiam will acquire 100% of the shares in the company operating GDVS and completion of the acquisition is conditional on final due diligence which is currently being completed. Settlement is expected to take place during June 2018 and the cash component of the acquisition will be funded using Apiam's Acquisition Facility.

## JV agreement with PETstock

Apiam announced on 21 February 2018 that it had executed a Joint Venture agreement with PETstock to open a number of new veterinary clinics to be co-located at various PETstock retail outlets, primarily in regional and rural Australia. This follows the Memorandum of Understanding the parties originally executed in November 2017.



Under the terms of this Joint Venture agreement, Apiam will have an 80% interest in co-located clinics located in regional areas and PETstock will hold a 20% interest.

Since the announcement, the parties have opened their first co-located clinic as a General Practice, Emergency & Referral Centre at PETstock's recently opened retail superstore in Bendigo (Epsom).

This clinic contains state-of-the-art equipment, not available at most other veterinary clinics in Bendigo such as a digital dental x-ray, CT scanner and critical care monitors. It will form a key part of Apiam's planned growth strategy in the Bendigo and central Victorian region.

Additional co-located veterinary clinics are planned within existing and new PETstock stores in, or on the fringe of, existing Apiam operating regions, and are planned for opening in the coming months.

All co-located clinics will be operated by Apiam under a management agreement and PETstock will continue to independently operate the retail stores.

The Company is excited by the growth opportunities this joint venture alliance presents for both parties through the combination of synergistic veterinary and petcare expertise model.

## Passionate Vetcare acquisition

Apiam recently announced that it had completed the acquisition of Passionate Vetcare, a regional veterinary clinic based in Bendigo for a total consideration of \$0.75 million.



Consistent with previous acquisitions, the payment to the owners of Passionate Vetcare was 70% cash and 30% scrip. The share component will be held in escrow for between one to two years (50% for at least one year).

The acquisition of Passionate Vetcare is an important strategic acquisition that will support Apiam's Bendigo expansion strategy with an established and highly respected veterinary and support team. It will be very important in resourcing our newly opened General Practice, Emergency & Referral Centre at Bendigo (Epsom).

We look forward to working with the team from Passionate Vetcare as we integrate our businesses.



# Apiam leads the way with launch of first ever vet super clinic in Bendigo

If you're a regional or rural companion animal owner and ever been forced to travel four or six hours to the city and back to get specialist treatment for your pooch or furry feline, you'll know all too well how stressful (and costly) it can be. But there is now an alternative for country-based companion animal owners thanks to Apiam Animal Health and the launch of Bendigo's first ever vet super clinic, Fur Life Vet.



Dr Lisa Prestwood joined Apiam in September 2017, having previously worked in a large regional general practice clinic and a city emergency centre. With extensive veterinary experience and with a special interest in orthopedic surgery, Lisa is the Clinic Lead for the new Fur Life Vet clinic.

Dr Prestwood is understandably very excited, commenting "It's definitely the first in this area. Fur Life Vet is proud to offer Bendigo and surrounding residents a vet 'combo clinic' with general practice, emergency service, a referral facility as well as specialist services including surgery.

It's pretty close to the services you'd get in a city-based specialist vet hospital but on our doorstep instead" she says.

Situated in Epsom, Bendigo's high growth residential area, Fur Life Vet is equipped with world-class diagnostic equipment including digital x-ray, dental machine, ultrasound, endoscope, in-house laboratory and the region's first CT scanner. Staffed both day and night with nurses and a lead vet – not to mention the weekly visit from a small animal surgical specialist - it's highly attractive for people with companion animals in the surrounding rural areas.

"It was as part of the strategic planning for the Apiam Regional model that this concept of setting up such a clinic within a hub of other Apiam clinics was developed. We carefully looked at the region, population growth data and current services offered and identified a clear need for a super clinic in Bendigo. But we wanted to do more than just service clients directly; we also wanted to offer a value-added service for other veterinary clinics in the region too," Lisa says.

"We are collaborating with a number of surrounding Bendigo clinics that use our on-call referral and after hours service.

As for costs to regional and rural animal owners, Lisa believes Fur Life Vet is definitely 'more affordable' particularly when it comes to specialist and emergency treatment.

"As a general practice, we charge the same as other clinics in the area. But for emergency and out of hours work, we provide this at a more reasonable cost than when you factor in the cost and time of travelling to the city and back again," Lisa says.

Lisa is also adamant about providing customers with as much information up front about treatment cost so they don't get "bill shock" at the end. "From the start, we offer a cost estimate so our clients can make an informed decision about treatment. We also have a number of third party payment plans should they need that option, especially for emergency work," she says.



## Farm Medix

Farm Medix is a New Zealand based company that manufactures innovative products for the dairy industry. Initially supplying the local market, Farm Medix is establishing a global distribution network. Apiam has recently entered into an agreement as the exclusive distributor of Farm Medix products in Australia. Farm Medix has a number of new products to be launched into the Australian market.



**Farm Medix**  
More Milk. Sustainably

CHECK-UP® Mastitis diagnostic tests will be integrated into Apiam's mastitis preventative and management programs. This will enable producers a rapid diagnosis of mastitis pathogens and enable Apiam veterinarians to implement programs and protocols to deal more effectively with mastitis issues and improve milk quality.



IDERMASHIELD® leg bands are a new innovation designed for hoof infections. The nanocrystalline copper technology will assist farmers with hoof integrity related lameness issues. These leg bands are secured above the coronet (hoof line) and provide a flow of germicidal copper ions.

Currently, non-specific hoof baths or mats are used to achieve similar outcomes, which are costly and often ineffective due to contamination with organic matter. This technology, although not yet tested, has similar potential application to the pig industry, where hoof integrity issues can also occur. Apiam will be working with the pig industry to identify potential application of this technology.

## Apiam Animal Health

*Local knowhow. Global knowledge.*

Apiam Animal Health is comprised of Australia's leading rural veterinary practices. Apiam Animal Health incorporates over 140 highly experienced, industry leading veterinarians with expertise across the pig, dairy, feedlot, sheep, equine and companion animal sectors. Apiam Animal Health is fully vertically integrated, including having veterinary wholesale, warehousing, logistics, and other ancillary services.