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Dear Apiam shareholders,

As we head into the important fourth quarter, I thought it would be an ideal time to provide shareholders with a business update.

We have previously highlighted the revenue phases across the Apiam business, driven by events in the production cycle of each animal species and the impact of environmental conditions on the timing of those events.

Apiam's 2nd & 4th quarters historically have generated more revenue than the 1st & 3rd quarters. We expect this to continue in FY2019. Also, our second-half revenue has trended higher than first-half revenues. A change in our business mix to lower-volume, higher-value services may reduce this phasing impact at the revenue level in the future, but the phasing pattern will continue at the gross profit level.

Revenue (unaudited) for Q3 2019 was \$26.9m, 5% higher than Q3 2018. March YTD 2019 revenue of \$82.9m was up 9% on the prior corresponding period. Gross Profit (unaudited) for Q3 2019 was \$13.3m, up 7% on Q3 2018. March YTD 2019 gross profit of \$41.9m rose 13% compared to a year earlier.

The last part of the financial year is very important for Apiam revenue and gross-profit generation because the period contains a number of our higher-revenue-generating activities across the dairy, feedlot and pig industries.

In the dairy industry an autumn break with higher rainfall can lead to increased disease in both lameness and mastitis. Autumn calving cows are more vulnerable to health problems which require treatment, this is exacerbated by exposure to wet and muddy conditions. If the autumn and winter periods are dry then it is expected that a reduction in treatments will be seen.

Many seasonal calving dairy herds dry off their cows in May and June to calve in the late winter and early spring. This period is an extremely busy period for our veterinary clinics and is a key revenue generating period for the year.

In the feedlot industry, changes in temperature during autumn can trigger an increase in respiratory disease, which may be exacerbated in poor-quality or drought-affected cattle. While we can't predict temperatures over the next few months, cattle quality in many regions has been poor, and we have seen some recent outbreaks of respiratory disease in some feedlots in south-east Australia.

In the pig industry, as winter comes, we have previously seen increases in respiratory conditions. However, unless extreme conditions prevail, most of these diseases can be controlled through effective vaccination programs, hygiene programs and environmental controls, which will continue to be a focus area for services provided during this period.

Message from the Managing Director – (continued)

In those rural and regional clinics that provide services to companion animals, we have undertaken a successful heartworm diagnosis and prevention program during the last quarter.

For the remainder of the financial year and as we go into winter, we are running a campaign to increase awareness of osteoarthritis and some new products to enhance the wellbeing of animals affected by this condition.

We are expecting the Chinese sheep genetics project to deliver further revenue in the last quarter of FY2019 through consultancy and semen sales, before scale-up of the project in the first half of FY2020 as the embryo transfer part of the project is deployed.

Apiam Solutions, our US joint venture, has started to generate revenue. With the recent appointment of our local sales support team, we are expecting this business to ramp up over the next few months and provide meaningful revenue contributions into FY2020.

I hope you find this update helpful and welcome your feedback or questions via investorrelations@apiam.com.au.

Yours sincerely,

Chris Richards
Managing Director
Apiam Animal Health Ltd

South West Equine opens new clinic

South West Equine Veterinary Group (SWE), an Apiam joint venture with Ballarat Vet Practice, recently opened a new purpose-built equine clinic on site at the Warrnambool racecourse.



The establishment of the clinic and hospital has enabled better access to diagnostics for local trainers and will enable the business to boost the standards of care available to the local equine industries.

The facility includes a number of treatment areas; hospital boxes for horses needing ongoing monitoring, treatment or recovery; and administration facilities.



SWE was established in 2017 and has expanded rapidly on the back of the growing racing and pleasure horse industries in south-west Victoria. After starting with the equivalent of 1.2 vets, SWE has quickly grown to five equine veterinarians.

SWE's alignment with Ballarat Vet Practice, one of the leading specialist equine veterinary groups, ensures that SWE has access to leading technologies and that specialist surgery and medicine support are always available.

China sheep genetics project set for scale-up in FY2020

Apiam's China sheep genetics project is set to enter an exciting phase in the first half of the 2020 financial year.

Consultancy and semen sales are expected to generate further revenue in the last quarter of FY19 ahead of the project's scale-up in the first half of FY20 as the embryo transfer part of the project is deployed.

Apiam has partnered with China's Gansu Charming Sheep Breeder Co Ltd to establish breeds of sheep suited to Chinese conditions and markets, aiming to boost China's production of sheep meat.

Under the consultancy and export agreement with Gansu Charming, the two parties are building a state-of-the-art sheep breeding centre in China's Gansu Province to help determine the optimal breed for the area.



Apiam expects the China sheep genetics project to be a significant growth opportunity. Under the agreement with Gansu, Apiam receives consulting revenues from providing advice on the sheep breeding centre design and set-up, and revenue from sheep breed selection. Apiam also receives ongoing product and service revenues from the sale of sheep embryos and semen, and the provision of specialist veterinary services and training.

China is the world's largest sheep meat producer, with a national flock of 130 million sheep. Nonetheless, China still needs to import sheep meat. Demand is expected to grow as China's rapidly growing middle and upper classes search for alternative forms of protein beyond traditional sources. Per capita sheep meat consumption is forecast to rise 14 per cent by 2027.

Australia has about 68 million sheep. Apiam will introduce multiple breeds of Australian sheep to China and determine which can produce more meat under Chinese conditions.



Apiam managing director Chris Richards says lamb is a relatively new and attractive product in China. "We see this as a significant growth opportunity for Apiam, particularly given our skills and expertise in sheep genetics and reproduction," he says.

Apiam Genetic Services, which has specialist genetic facilities at Dubbo and Deniliquin, has experience in more than 30 breeds of sheep and goats in over 12 countries.

Investor news & media

FINANCE
NEWS NETWORK

FNN Investor Conference



Dr Chris Richards presented at the Finance News Network investor conference in Sydney on March 27 2019.

Finance News Network is Australia's largest provider of online business and finance news and the conference was well attended by private equity investors, traders and brokers.

The conference included a recorded interview with Dr Richards, covering Apiam's first half FY2019 results highlights as well as new business initiatives and company outlook. A recording of the interview can be found on the Finance News Network's website (<https://www.finnewsnetwork.com.au>)

Bendigo Advertiser

Bendigo-based Apiam Animal Health records higher profit in latest financial report

Dr Chris Richard spoke with the Bendigo Advertiser and discussed how the company is on track to deliver revenue and earnings growth in the 2019 financial year. The full story can be found on the Bendigo Advertiser's website (<https://www.bendigoadvertiser.com.au>),



Apiam Animal Health revenue rises almost 10.5%

Australia's largest rural news publication covered Apiam's revenue growth. The full story can be found on the Weekly Time's Website (<https://www.weeklytimesnow.com.au>).

Q&A with Jan Tennent (Apiam Non-Executive Director)



Tell us about your professional career to date.

Following a PhD on the molecular biology of antibiotic resistance and a 3-year post-doc in the medical school at Umeå University, Sweden, I worked at CSIRO Animal Health for over 11 years.

My move to industry came in late 2000 when I started at CSL Animal Health where I was responsible for new product opportunity evaluations and leadership of product development teams.

Having had a hands-on role in the sale of CSL's animal health business to Pfizer in 2004 I then accepted the job of Director of Business Development and Global Alliances (APAC) for Pfizer Animal Health.

Today I'm the founder of ConnectBio consulting and the CEO and Company Secretary of Biomedical Research Victoria (BioMedVic), the industry peak body that links health and medical research to clinical care in Victoria.

I'm passionate about science, particularly biomedical and vet research and about the translation of research outcomes into new treatments, products and practices for the benefit of humans and animals.

What attracted you to the Board of Apiam?

Apiam has an interesting business model focused on rural and regional Australia. The strong reputation and track record of the Chair, MD and Directors; and the opportunity to contribute my sector knowledge and experience to the governance, management and strategic direction of Apiam were also attractions. The values of the company also resonate with me.

How do you think your skills and experience will benefit Apiam?

My skills in new product innovation coupled with my animal health industry experience will benefit Apiam as it addresses the opportunities in Phase 3 of the organisation's strategic plan. I also congratulate Apiam on its proactivity in starting to increase the gender diversity on the Board.

What are your views on the rural & regional veterinary sector in Australia?

This sector has, and always will be an essential element in the protection of one of Australia's key economic drivers.

Where do you see the biggest growth opportunities for Apiam?

Apiam is built on strong and diversified foundations. Growth will come from leveraging the company's vertical integration service model, realizing the synergies from the integration of operations and capacity across the 42 regional & rural clinics, and from the expansion of services & product range.



What do you like to do in your spare time?

Read, play and watch sport, garden, travel and spend time with my family.

I have a strong sense of community - both professional and personal - and try to lead by example. I have been actively involved in school councils; been a brekky mum and fundraiser at the rowing club; have organised two national microbiology conferences; and have mentored many students and work colleagues over the years.

As a life-long supporter of the Western Bulldogs I know the meaning of the words 'patience' and 'exhilaration'.