

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Apiam releases H1 FY21 results - Strong growth in dairy & mixed animal clinic revenue driving 30.8% uplift in underlying EBIT

- Revenue of \$61.2M in H1 FY21, an increase of 8.9% vs H1 FY20 (pcp);
- Strong growth in dairy & mixed animal clinic revenue as Apiam capitalises on the acceleration in pet ownership and population dynamics in regional growth corridors;
- Continued gross margin expansion with gross profit increase of 13.4% in H1 FY21;
- Operating cost containment driving EBIT growth (pre one-off expenses)¹ of 30.8%;
- Reported NPAT of \$2.6M (+53.8% vs H1 FY20);
- Acquisition strategy delivering against priorities with acquisition of Don Crosby Vets increasing companion animal presence in important regional location;
- Key priority in H2 FY21 to drive clinic growth in targeted regional locations;
- Strong earnings outlook for FY21; and
- 50% increase in FY21 interim dividend to 1.2 cps (vs FY20 interim).

Bendigo, February 24, 2021 – Apiam Animal Health Limited (**Apiam** or the **Company**) today released its financial results for the 6 months to 31 December 2020 (H1 FY21).

Revenue in H1 FY21 increased 8.9% to \$61.2 million (H1 FY20: \$56.2 million) driven by strong growth in dairy & mixed animal segment revenue. Greater clinic market share in many of Apiam's operating regions as well as favourable industry growth factors, particularly the rapid acceleration in regional pet ownership, contributed to this segment performance.

Apiam's ongoing acquisition strategy was also an important contributor to the Company's dairy & mixed animal segment revenue growth in H1 FY21. This included the acquisition of Don Crosby Veterinary Surgeons in December 2020 as well as the acquisition of ACE Laboratories in October 2019, which has performed strongly under Apiam's ownership.

Apiam delivered a resilient revenue result in its pig segment due to its strategic move toward higher-value consultancy services. This acted to offset some of the underlying challenges in the broader pig sector. Beef feedlot revenues continued to be impacted by reduced animal numbers following record highs in FY19 and early FY20.

¹ Excluding one-off corporate, acquisition and integration expenses

Other new business initiatives, particularly product and service extensions such as the Company's Best Mates and ProDairy programs, introduced during FY20, have also been important drivers of growth in the period.

Gross margin in H1 FY21 was 56.3%, reflecting continued growth on prior periods (H1 FY20: 54.1%). Since FY18, Apiam has consistently delivered material improvements in gross margins due to increased revenue capture at the clinic-level, targeted changes in business mix and the impact of strategic acquisitions.

In H1 FY21, Apiam's EBIT (pre one-off expenses)¹ increased 30.8% to \$4.4 million and its reported NPAT increased 53.8% to \$2.6 million (vs pcp), reflective of ongoing operating cost leverage.

Regional clinic strategy in FY21

Apiam is capitalising on the significant market opportunity presented by the rapid acceleration of pet ownership in regional areas. This trend has accelerated in H1 FY21 following various levels of COVID-19 restrictions around Australia. Many regional hubs are also now experiencing rapid population growth, further supporting this strategy.

Due to this large revenue and earnings opportunity, Apiam strategically invested in greenfield sites in H1 FY21 to increase its market presence in targeted regional locations. The Company's solid capital position allows for investment in these attractive growth opportunities, and for the roll-out of additional clinics or services where return thresholds are met.

Apiam recently opened a state-of-the-art greenfield clinic in Torquay North (VIC) under its "Fur Life Vet" clinic branding. This was constructed and opened under the Company's Joint Venture agreement with PetStock, under which the parties agree to operate co-located clinics and retail outlets and in which Apiam has an 80% interest. Further "Fur Life Vet" greenfield clinics are in the planning stage and are expected to roll out over the next 12 months, including a new clinic scheduled to open in Shepparton in Q3 FY21.

During H1 FY21, Apiam also acquired Don Crosby Veterinary Surgeons (CROSVET Pty Ltd), a high performing mixed animal vet practice operating in an attractive regional location. The business is comprised of two clinics in Dubbo and Narromine (NSW), both being fast growing regional hubs. The acquisition of Don Crosby Veterinary Surgeons has also enabled the operations of an existing smaller Apiam Clinic in the region to be consolidated with the Dubbo and Narromine Clinics.

Outlook

Apiam's Managing Director, Dr Chris Richards said: "Our business remains well placed in FY21 despite any external COVID-19 challenges or market cycles. In H2 FY21, the Management team will be focused on expanding revenue opportunities and driving clinic growth off the back of the rapid acceleration in pet ownership in regional growth corridors. We also remain focussed on delivering further margin growth and cost efficiencies".

The Company has a strong earnings outlook for the remainder of FY21.

H1 FY21 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 Wednesday 24th February 2021.

To access the call please use the zoom link below:

https://apiam.zoom.us/webinar/register/WN_husqMOZZSR20NXM7qOTO3A

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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 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.