

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Chairman's Address – Annual General Meeting

Bendigo, 25 November 2021

Good morning ladies and gentlemen, welcome and thank you for joining Apiam Animal Health's AGM for 2021

The past year was undoubtedly a challenging year for communities right across Australia. In our heartland of regional and rural Australia, our customers and our staff have pivoted quickly from managing the effects of drought and bushfires over prior years, to this year managing the impacts of a global pandemic.

Our Company's performance for the 2021 financial year continued to be strong and the Board believes this is testament to the success of our ongoing regional expansion strategy, with growth being driven by successful organic business initiatives developed by our management team, as well as our acquisition strategy.

Your Managing Director will provide details about Apiam's performance during the previous financial year during his address. Rather than pre-empt what Chris will say, I am taking this opportunity to stand back from the immediate, and to change focus to the issues that the Board and management team spend most of their time considering. In brief, this is how we seek to build a bigger, better, more resilient Apiam. A company with durable competitive advantages that enhance our long-term profitability, our ability to service our clients, and our ability to remain innovative.

We've asked ourselves questions such as: How will future veterinary workforces change? What future needs are our clients and their animals likely to have? What will the food production industry require?

And through that process, we've developed a strategy that involves four key strategic pathways:

1. Extending our footprint and strength in regional Australia.
2. Delivering best-in-class services, products and advice.
3. Providing leadership and innovation in disease prevention, monitoring and control to the Australian livestock industries.
4. Building a great workplace.

Let me now speak to, and provide examples of, our progress against these key strategies one at a time.

#1 - Extending our footprint and strength in regional Australia

This includes both growth through acquisitions and organic growth. But today I'd like to talk a little more about our acquisition strategy. There are three acquisition targets I will focus on today.

Firstly, acquisitions of further dairy and mixed animal vet clinics that can be rapidly integrated into our existing dairy and mixed regional structure. Our agreement to acquire Horsham Veterinary Hospital, announced in October of this year, is an example of this. This acquisition fits directly into our existing Western Victorian clinic network, and there are many immediate operating benefits and synergies identified.

A second type of acquisition target that we seek are clinics in the fast-growing, under-served corridors of regional Australia. These are often veterinary clinics which deal predominantly with companion animals - dogs, cats and horses. Our agreement to acquire the Golden Plains Group, announced in August this year, is an example of this. The Golden Plains Group has two high-performance veterinary clinics – one in Bannockburn, on the outskirts of Geelong, and one at Smythesdale, near Ballarat. These locations are currently among the fastest growing regions in Victoria. These, together with our nearby start-up clinics at Highton and Torquay North means that Apiam now has a significant presence in this peri-urban region. We are sharing staff and leveraging our cost base across our clinic network in the area and are in a very strong position to capture the long-term potential of this high-growth region.

The final acquisition target that I will speak to today is within the equine industry. The veterinary equine industry in Australia is currently highly fragmented, and we see considerable opportunities from expansion, and harnessing the scale, skill and assets that Apiam currently possesses. Our acquisition strategy is to acquire large high performance equine clinics in key regions for the Australian equine industry. The acquisition of Scenic Rim Veterinary Services in Queensland and Agnes Banks Equine Clinic in New South Wales are both examples of this. These are two high-performance equine cornerstone clinics that will form a base for continued expansion within the equine sector in each respective state, as well as offering feeder clinics access to specialist equine skills and knowledge from which to leverage revenue opportunities and industry leading resources in their local markets.

One last important point on our acquisition strategy. The peri-urban regions of Australia and the Australian equine market not only offer significant growth opportunities for Apiam but also offer stable revenue streams with low correlation to the revenue generated from our pig, feedlot and dairy businesses. Thus, through these acquisitions we expect not only to build a larger Apiam, but we also expect to build a more resilient Apiam.

#2 - Delivering best-in-class services, products and advice

While generic product lines can be commoditised, quality service and unique product lines are less likely to be. Apiam is committed to delivering best-in-class services, products and advice not only because it is in the clear interest of our clients to do so, but also because of the enduring competitive advantages that accrue to Apiam when clients know they are properly serviced.

We consider an appropriately skilled and committed workforce as a key element of this strategy, and this is also an area where we can use our scale to our advantage. Apiam is consistently reinforcing and maintaining our impressive team of expert staff who, together, hold the complete range of specialist skills and expertise that are required to fully service a client. This can be at an individual level or alternatively shared across the team, providing specialist and expert advice to other staff members regardless of location.

For example, in early 2021, Dr John Carr joined Apiam to reinforce our already strong swine team. John is Australia's only practicing registered specialist in swine medicine and has a wealth of experience across the globe. He has authored 25 books, published over 32 peer-reviewed scientific papers and has presented papers, or been invited as a key-note speaker, at veterinary and pig industry events on more than 500 occasions. Apiam has employed John not only to provide consultancy services to our pig clients, but also to train and upskill our own staff.

To help maintain our skill base, Apiam has developed strong links and partnerships with several of the veterinary schools in Australia and offer a range of internships and post-graduate training opportunities to new and recent graduates. In addition, all Apiam employees are required to undertake and record their development activities, and detailed development plans are an important commitment from the Company to ensure that we continue to develop our talent and future leaders.

We also consider provision of key resources as a required element to deliver best-in-class service, and once again, this is an element where we can use our scale to our advantage. For example, computerized tomography (CT) machines can significantly improve diagnostic capacity in small animal medicine but are rarely purchased by regional and rural veterinary clinics because of their expense.

In 2019 Apiam purchased a CT scanner, located in Bendigo, that is accessible to our Northern Victoria clinics. We are now installing another CT scanner in our clinic in Maffra that will provide regional access to our Gippsland clinics, thereby enhancing our capacity to deliver best-in-class services for our dog and cat clients in that region.

#3 - Providing leadership and innovation in disease control to the Australian Livestock Industries

Farming trends and consumer expectations in relation to animal health, food safety and product integrity are continually evolving. Apiam has positioned itself to be at the forefront, offering innovative products and services that meet those evolving needs.

One such example is that the livestock industries need to reduce reliance on traditional antibiotic solutions to disease problems.

Our decision to acquire ACE Laboratories in 2019 was strongly influenced by their skill and experience in producing autogenous, or bespoke, vaccines which can be used as alternatives to antimicrobials in livestock production.

Through ACE, we recently received the necessary Australian regulatory approvals to produce a unique and innovative vaccine to protect against the *Histophilus somni* pathogen, a widespread but misunderstood disease that can cause high levels of morbidity in intensively raised cattle, sheep and goats. We will now commence production of this vaccine locally at ACE in Bendigo and we plan for this type of innovation to be an important driver of our future business growth.

You may have also seen that last week we announced we have entered into an exciting distribution agreement with Aurora Pharmaceuticals, a large US company headquartered in Minnesota. This distribution agreement is in respect of Zoono's unique antimicrobial surface protectant technology, for which we have the exclusive US distribution rights for the veterinary, agriculture and livestock industry.

The technology is a first of its kind to show enhanced duration of efficacy in animal housing, where independent university studies have demonstrated continued surface protection for 21 days against economically important animal viral pathogens.

One final innovation I will mention is Data Pig, which we just released for the pig industries. Data Pig is an electronic swine health recording program used by piggery workers, managers and veterinarians. It is a simple intuitive pen-side tablet application complemented by cloud data storage that synchronises with veterinary prescribed medication lists, provides accurate treatment and vaccination dosage instructions. It also includes additional features such as performance monitoring.

Data Pig has several unique attributes. We see it as having the potential for significant penetration within the pig industry, both nationally and internationally. As well as contributing positively towards National Antimicrobial Resistance Strategies, Data Pig ensures compliance with quality assurance systems through comprehensive recording, replacing unreliable & inconsistent paper records and allows critical decisions to be made with whole team input, including owner, manager, and veterinarian.

#4 - Building a great workplace

Apiam's employees are our greatest asset, and we maintain a strong focus in improving the well-being and development of our people. Simply, we aim to be the employer of choice in our industry. Flexible workplace practices, market leading remuneration policies and enabling our staff the room to manage and drive their own careers are increasingly important in the veterinary industry to attract and retain the best talent.

And through our work in this area, we have identified a few grim industry statistics relating to employment of veterinarians in Australia that Apiam is committed to turning around. One of them is mental health. Apiam has been at the forefront of implementing a mental health strategy to address the underlying issues. We have trained 51 mental health first aid officers that support our locations and we have also put in place an employee assistance program where our team can access professional counselling sessions with a qualified psychologist or social worker. Apiam has also introduced an additional paid leave day to support mental wellbeing and has joined forces with Smiling Mind to help promote mindfulness across our 700+ person workforce.

Another of the Company's major initiatives to address work-life balance issues, often associated with rural and regional practices that are expected to service their communities 24/7, is the implementation of Apiam's proprietary software-based triage service. This is a service run by experienced veterinary nurses who manage after hour calls and triage cases, giving busy veterinarians the ability to remain focused on emergency cases. Since its launch in late 2020, Apiam's triage service has reduced the number of after-hours calls going to our vets by around 60%.

We have also successfully used technology over the past year to improve the safety and wellbeing of our workforce and have taken a leadership role in the Australian cattle industry through our innovative approach to reduce the risk of injuries when handling cattle in yards and in crushes.

As the business grows, your Board will continue to pursue excellence in environmental, social and governance standards and we have made significant progress in these areas in 2021. Respect for the environment, sustainable farming practices and antimicrobial stewardship are fundamental to the day to day lives of our rural and regional customers and we are acutely aware of the need to continuously improve and innovate in these areas. We are on track to launch our Corporate Sustainability Strategy in the current financial year and expect to report our progress in this area on a periodic basis moving forward.

To close, I am confident that we have the right strategies to build a bigger, better, more resilient Apiam with durable competitive advantages that enhance our long-term profitability, our ability to service our clients, and our ability to remain innovative. And, although it is work in progress, I am also confident that management is executing these strategies in a timely and proper fashion, as I hope the examples I have just provided demonstrate.

Before I hand over to Chris for his operational update, I would like to acknowledge our management team and the entire Apiam workforce for their commitment and drive over the past twelve months, particularly as we have all continued to navigate the impacts of COVID-19 on our personal and professional lives.

In particular, I am impressed by the resilience our team has shown in continuing to fulfill their roles as essential service providers during this unprecedented period. Our staff have not compromised their high standards of animal care right across the wide range of species that we service – from livestock to small companion animals. Thank you to all of them.

I also thank my fellow Board members for their ongoing guidance. Finally, thank-you to our shareholders who continue to support our Company in its growth journey.

--Ends--

For further information, please contact:

Dr Chris Richards
Managing Director
Apiam Animal Health Limited
chris@apiam.com.au

Catherine Ross
Investor Relations
catherine.ross@apiam.com.au
0421 997 481

Authorisation

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

Investors are invited to keep up to date with Apiam news and industry research by subscribing at: <https://www.apiam.com.au/investor-subscribe>

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.