

## ASX Announcement

27 February 2017

### NVL ANNOUNCES RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

#### Highlights

	2017 H1	2016 H1	Growth
Revenue	\$32.6m	\$19.0m	↑ +71.1%
Underlying EBITDA	\$6.0m	\$3.6m	↑ +69.1%
EBITDA margin	18.6%	18.8%	-20bps
NPAT	\$2.6m	(\$0.3m)	↑ +\$2.9m
EPS	4.96cps	(0.73cps)	↑ +5.69cps

- 9 veterinary services businesses were acquired and integrated in H1FY2017 and 2 veterinary clinics have joined the network in February 2017
- Organic revenue growth<sup>1</sup> up 3.75% (1H16: nil%)
- Operating ungeared, pre-tax cash flow conversion 127%
- Significant progress in vet practice integration
- Best for Pet wellness program rolled out across New Zealand network
- Update FY17 forecasts to revenue growth of greater than 20%

<sup>1</sup> Like for like sales growth reflects the period since each underlying clinic was acquired. For example, clinics in the initial portfolio were settled between 1 September 2016 and 31 December 2016.

National Veterinary Care Limited (ASX:NVL) today announces its trading results for the half year ended 31 December 2016.

Managing director Tomas Steenackers said, "It has been another period of continued improvement across the Group. National Veterinary Care has continued to build on its strong foundations and continues to deliver growth in revenue and profitability. This has been achieved by the acquisition of nine veterinary services businesses in the six month period, organic growth within the initial portfolio of clinics, an uplift in the members in the wellness program and the focus on delivering growth through the Management Services and Procurement Group.

“We are delighted to report that for the half year ended 31 December 2016, the Group performed strongly in terms of revenue, profitability and cash flow. NVL is well placed to deliver shareholder value in H2FY2017 and beyond.”

### Financial Performance

In the period ended 31 December 2016, NVL produced a \$3.05 million underlying Net Profit after Tax.

Table 1: Summary Performance

	HY 2016	HY 2015
	\$'000's	\$'000's
<b>Statutory Performance</b>		
Revenue	32,588	19,048
EBITDA <sup>1</sup>	5,391	952
EBITDA margin %	16.5%	5.0%
Net profit/(loss) after tax <sup>2</sup>	2,557	(302)
EPS (basic)	4.96 cents	(0.73) cents
<b>Underlying Performance <sup>3</sup></b>		
Revenue	32,588	19,048
EBITDA <sup>1</sup>	6,049	3,577
EBITDA margin %	18.6%	18.8%
Net profit after tax <sup>2</sup>	3,052	1,807
EPS (basic)	5.92 cents	4.39 cents

<sup>1</sup> EBITDA - Earnings before interest, tax, depreciation and amortisation (non-IFRS information).

<sup>2</sup> Attributable to NVL shareholders.

<sup>3</sup> To assist readers in interpreting the underlying performance of the Group, underlying results are presented as well as statutory results. Underlying results are unaudited and exclude one off acquisition, integration and restructuring costs, adjusted for income tax as appropriate.

### Integration

Significant progress has been made in integrating the back office functions of NVL's 50 clinics, including the upgrade of a mixture of legacy systems to a single standardised Practice Management System. Due to the platforms established in FY2016 the New Zealand networks were integrated efficiently and are currently operating under the NVL integrated back office functions. Benefits in improved productivity and levels of customer care are expected to continue to flow into H2FY2017.

NVL's Best for Pet Wellness Program (Best for Pet) which was introduced on 1 November 2015 continues to grow and currently there are more than 9,000 members across the NVL network. The annual membership program offers significant incentives for pet owners to undertake preventative healthcare for their animals, which in turn increases engagement with their local vet practice and improves patronage levels.

### Growth Strategy

NVL has a three-tiered growth strategy, each with attractive returns and strategic benefits as the Group strives to increase its market share. The three growth strategies are as follows:

## 1. Organic growth of veterinary services

- Expansion of the wellness program – Best for Pet
- Benchmarking of clinical standards across practices via the Practice Management System (leading to the identification of training opportunities to optimise product/service offer)
- Better pet care, leading to increased revenue streams through the upskilling of veterinary professionals through the Centre of Excellence – Training Academy
- In-house provision of more complex services to reduce external referrals outside of NVL

## 2. Growth by acquisition

There is significant opportunity for further industry consolidation in the veterinary services sector due to:

- the fragmented nature of the industry; and
- the changing characteristics of the veterinary workforce.

## 3. Growth of Management Services and Procurement Group

There is also significant opportunity to grow the management services and procurement business unit by leveraging:

- NVC's buying power;
- NVC's Centre of Excellence – Training Academy;
- NVC's systems; and
- Providing support to smaller independent clinics (approx. 1500 clinics in Australia).

### **H2FY2017 Outlook and Trading Update**

NVL will continue its focus on its three tiered growth strategy throughout FY2017, and expects to see continued growth through the following key initiatives:

- Growth in the number of external veterinary clinics taking up the Management Services and Procurement Group offering allowing for greater buying synergies for all its members, and for all of the NVL veterinary clinics.
- Targeted increase in the number of Best for Pet members, with approximately 10,000 members targeted by 30 June 2017.
- Continued growth via strategic acquisitions with NVL announcing last week the acquisition of 2 veterinary clinics in New South Wales. These acquisitions seek to leverage off the NSW cluster of NVL practices. NVL has also announced a further 2 clinics to be acquired in New Zealand by 30 April 2017. Once these acquisitions are completed, the number of veterinary clinics owned by NVL will increase from 41 to 54.
- Continued growth in the number of external veterinary professionals attending training in the Centre of Excellence Training Academy. NVL has targeted 500 external clinic staff to be trained through the Centre of Excellence Training Academy by 31 December 2017.

## **FY2017 Guidance**

Based on the initiatives and business currently in place, NVL is well positioned for growth into H2FY2017 with:

- Statutory revenue growth expected to be greater than 20% above the pro-forma FY2016 revenue of \$53.8 million; and
- Underlying EBITDA margin expected to be in line with FY2016.

## **Dividend Policy**

As noted in the financial report, no interim dividend has been declared to the shareholders of NVL. The Directors expect to pay a dividend after the release of the full year results for FY2017.

## **Our People**

NVL thanks the pet owners of Australia and New Zealand, who entrust the care and health of their beloved animals to our professional staff, for their ongoing support and their loyalty. The Company also thanks the dedicated people who work in our clinics and every day strive to deliver the best possible service to our clients.

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## **About NVL:**

NVL aims to be a leading provider of veterinary services in Australia and New Zealand. NVL has acquired and integrated 52 veterinary services businesses across Australia and New Zealand. NVL strives to achieve excellence in clinical care for pets, and to build a platform for loyal, long term relationships with their owners. The key growth strategies for NVL are expanding its network of clinics through acquisition, and driving organic growth at a clinic level.

## **For further information please contact:**

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