

# ASX Announcement

28 August 2017

## NVL ANNOUNCES RESULTS FOR THE YEAR ENDED 30 JUNE 2017

National Veterinary Care Ltd (ASX: NVL) (NVL) today announces its trading results for the year ended 30 June 2017.

### Highlights

	FY2017	FY2016	Growth
Revenue	\$66.9m	\$44.3m	↑ +51.0%
Underlying EBITDA	\$12.1m	\$7.7m	↑ +57.0%
Underlying EBITDA margin	18.1%	17.4%	↑ +70bps
Underlying NPAT	\$5.91m	\$3.86m	↑ +52.8%
EPS (basic)	8.46cps	2.51cps	↑ +5.95cps

- 14 veterinary services businesses were acquired and integrated in FY2017.
- Entry into the New Zealand veterinary services market.
- General practice clinics organic revenue growth 4.2% (FY16: nil%) <sup>1</sup>.
- Initial portfolio organic revenue growth 1.4% (FY16: nil%) <sup>2</sup>.
- Operating ungeared, pre-tax cash flow conversion 121%.
- \$14.6 million share placement completed in June 2017.
- Significant progress in vet practice integration, in particular IT.
- Best for Pet wellness program rolled out to 43 new clinics, including in New Zealand.
- Fully franked dividend of 3.0 cents per share in respect of the year ended 30 June 2017.
- Investment in business platform and systems.
- 7 new clinic acquisitions announced for settlement by 30 September 2017, NVL has settled 3 of the clinics to date.

<sup>1</sup> Like for like sales growth reflects General Practice clinics' performance, excluding strategic divestment, held for 10 months (1 September 2016 to 30 June 2017 vs 1 September 2015 to 30 June 2016).

<sup>2</sup> Like for like sales growth reflects initial portfolio performance, excluding strategic divestment, held for 10 months (1 September 2016 to 30 June 2017 vs 1 September 2015 to 30 June 2016).

Managing Director Tomas Steenackers said, “This year, the first full financial year of operations, has been an exciting period for National Veterinary Care. The acquisition of fourteen veterinary services businesses during the period, including entry into the New Zealand market, has underpinned strong revenue and profit growth for the business.”

“At the same time, the size of NVL’s addressable market within Australia and New Zealand increased from A\$2.4 billion to over A\$3 billion. The new acquisitions, together with organic growth within the clinics, increasing member numbers for the wellness program and a focus on value initiatives through the Management Services and Procurement Group, have all contributed to this growth.”

“The completion of a share placement in June, significant investment in the business, and continued refinement of strategy, ensures that National Veterinary Care is well placed to continue to deliver shareholder value in FY2018 and beyond.”

### Results in Line with Previous Guidance

The results are in line with FY2017 guidance provided by NVL in its Business Update and Placement Presentation on 16 June 2017.

### Financial Performance

In the year ended 30 June 2017, NVL produced a \$4.40 million statutory Net Profit after Tax and a \$5.91 million underlying Net Profit after Tax.

Table 1: Key Performance Measures

	FY2017	FY2016
	\$'000's	\$'000's
<b>Statutory Performance</b>		
Revenue	66,841	44,265
EBITDA <sup>1 2</sup>	10,088	4,083
EBITDA margin % <sup>3</sup>	15.1%	9.2%
Net profit after tax <sup>5</sup>	4,395	1,155
EPS (basic)	8.46 cents	2.51 cents
<b>Underlying Performance</b>		
Revenue	66,841	44,265
EBITDA <sup>1 4</sup>	12,065	7,684
EBITDA margin %	18.1%	17.4%
Net profit after tax <sup>4 5</sup>	5,912	3,867
EPS (basic)	11.38 cents	8.41 cents

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

<sup>2</sup> Includes costs relating to acquisition, integration, restructuring and other one-off costs.

<sup>3</sup> EBITDA margin – EBITDA as a % of revenue.

<sup>4</sup> Before the impact of costs relating to acquisition, integration, restructuring and other one-off costs.

<sup>5</sup> Attributable to shareholders after deducting non-controlling interests.

## Business Initiatives

NVL has continued to make significant progress with integration of its clinics, with a focus on standardising practice management systems across the clinics. Refinement of the acquisition integration process during the past 12 months has resulted in the new acquisitions during the period, including the New Zealand clinics, being integrated more efficiently. Due to a focused acquisition strategy and refinement of the acquisition process, the businesses acquired in FY2017 have been larger and more profitable than the original portfolio.

There has been a focus on review and development of key operational and growth strategies for NVL, including the Centre of Excellence Training Academy, the management services and procurement business, market leading IT systems and Best for Pet marketing initiatives.

NVL has also invested significantly in its people and systems during the year to more efficiently integrate, expand and support our veterinary services business. Investment in operating infrastructure and systems will continue in FY2018 to support NVL's growth strategy.

## 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 platforms and drivers for each are as follows:

Growth Platform	Growth Drivers
Organic Growth	Grow Veterinary Services via: <ul style="list-style-type: none"><li>• Expansion of the Wellness Program – Best for Pet.</li><li>• Benchmarking of clinical standards across practices via the practice management system (leading to the identification of training opportunities to optimise product/service offer).</li><li>• Better pet care, leading to increased revenue streams through the upskilling of veterinary professionals through the Centre of Excellence – Training Academy.</li><li>• In-house provision of more complex services to reduce external referrals outside of NVC.</li></ul>
Acquisition Growth	Significant opportunity for further industry consolidation in the veterinary services sector due to: <ul style="list-style-type: none"><li>• the fragmented nature of the industry.</li><li>• the changing characteristics of the veterinary workforce.</li></ul>
Develop Management Services and Procurement Group	Significant opportunity to grow the management services and procurement business unit by leveraging: <ul style="list-style-type: none"><li>• NVL's stronger buying power</li><li>• NVL's Centre of Excellence- Training Academy.</li><li>• NVL's Systems</li><li>• Providing support to smaller independent clinics (approx. 1,506 clinics in Australia)</li></ul>

## **FY2018 Business Outlook and Trading Update**

NVL will continue its focus on its three-tiered growth strategy throughout FY2018, and expects to see continued growth through the following key initiatives:

- Continued growth via strategic acquisitions with NVL having announced a pipeline of seven clinics on 14 July 2017, to be settled by 30 September 2017, three of which have now settled and will leverage off the NSW cluster of NVL practices. Once the acquisitions are completed, the number of veterinary clinics owned by NVL will increase from 56 to 60.
- Targeted increase in the number of Best for Pet members, with approximately 20,000 members targeted by 30 June 2018.
- Growth in the number of independent 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.
- 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 in FY2018.

## **FY2018 Guidance**

Based on the current business outlook and initiatives, NVL expects to achieve in FY2018:

- Revenue growth expected to be greater than 25% above statutory FY2017 revenue of \$66.8 million
- Gross Margin and underlying EBITDA margin expected to be in line with FY2017
- Expect to pay a dividend in respect of half year 31 December 2017

## **Dividend Policy**

The Board was pleased to announce an inaugural fully franked final dividend of 3.0 cents per share in respect of the year ended 30 June 2017, to be paid on 04 October 2017.

NVL's Board has implemented a mandatory direct credit policy in relation to the payment of this dividend, and any future dividends. Dividend payments to shareholders with a registered address in Australia will be made exclusively by direct credit payment, into a shareholder's nominated bank or financial institution account (other than credit card accounts). No cheque payments will be made to shareholders with a registered address in Australia.

NVL encourages shareholders to ensure that their bank account details are up to date prior to record date for this dividend.

## **Our People:**

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

-END-

**About NVL:**

NVL aims to be a leading provider of veterinary services in Australia and New Zealand. NVL has acquired and integrated 56 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:

Tomas Steenackers  
CEO / Managing Director  
National Veterinary Care Ltd  
07 3063 0906

**IMPORTANT NOTICES**

This announcement may contain forward-looking statements, which include all matters that are not historical facts. Without limitation, indications of, and guidance on, future earnings and financial position and performance are examples of forward-looking statements.

Forward-looking statements, including projections or guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including NVL). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.