

## ASX Announcement

26 February 2018

### NVL ANNOUNCES RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

National Veterinary Care Ltd (ASX: NVL) (NVL) today announces its trading results for the half year ended 31 December 2017.

#### Highlights

	1H FY2018	1H FY2017	Growth
Revenue	\$41.6m	\$32.6m	↑ +27.6%
Underlying EBITDA	\$6.3m	\$6.0m	↑ +5.0%
Underlying EBITDA margin	15.7%	18.6%	↓ -290bps
NPAT	\$3.3m	\$2.6m	↑ +27.7%
EPS (basic)	5.57cps	4.96cps	↑ +12.3%

- 7 veterinary clinics were acquired and integrated in 1H FY2018 primarily funded by equity raised (share placement completed in June 2017)
- 4 veterinary clinics joined the network in January 2018
- Organic revenue growth for general practice clinics of 3.11% (1H FY2017: 3.03%)<sup>1 2</sup>
- Significant planned investment in resourcing and systems for future synergies
- Underlying EBITDA margin improvement expected in 2H FY2018 due to investment
- Best for Pet wellness program implemented in 48 clinics across Aust & NZ

<sup>1</sup> Like for like sales growth in 1H FY2018 reflects General Practice clinics' performance, excluding strategic divestment, held for 6 months (1 July 2017 to 31 December 2017 vs 1 July 2016 to 31 December 2016).

<sup>2</sup> Like for like sales growth in 1H FY2017 reflects General Practice clinics' performance held for 4 months (1 September 2016 to 31 December 2016 vs 1 September 2015 to 31 December 2015).

Managing Director Tomas Steenackers said, “The last six months has been a period of consolidation and investment for National Veterinary Care. We have delivered solid revenue and portfolio growth during the period. Due to our strategic investment and higher operational costs specifically staff wages, the underlying EBITDA margin in the half year is lower than previous periods. As a result of this first half investment in the business, as well as the effect of timing of acquisitions, NVL’s FY2018 full year result will be weighted towards the second half of the financial year.”

“We are pleased to report that for the half year we have achieved organic growth within the general practice clinics, strong growth in the wellness program and a solid increase in managed services members. In addition, we have secured our first corporate clients in the Management Services Division. We are committed to ensuring the business has strong foundations for the future, and our current focus on initiatives to achieve that will ensure NVL can continue to deliver shareholder value well into the future.”

**Financial Performance**

In the half year ended 31 December 2017, NVL produced a \$3.27 million statutory Net Profit after Tax and a \$3.09 million underlying Net Profit after Tax.

Table 1: Key Performance Measures

	1H FY2018 \$'000's	1H FY2017 \$'000's
<b>Statutory Performance</b>		
Revenue	41,642	32,588
EBITDA <sup>1 2</sup>	6,081	5,391
EBITDA margin % <sup>3</sup>	14.6%	16.5%
Net profit after tax <sup>5</sup>	3,266	2,557
EPS (basic)	5.57 cents	4.96 cents
<b>Underlying Performance</b>		
Revenue	40,003	32,588
EBITDA <sup>1 4</sup>	6,276	6,048
EBITDA margin %	15.7%	18.6%
Net profit after tax <sup>4 5</sup>	3,086	3,052
EPS (basic)	5.26 cents	5.92 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.

**Strategic Investment**

As part of its commitment to long term business growth, and as previously announced, NVL has invested significantly over the last 6 months in its people and systems so it is positioned to capitalise on synergies as its portfolio continues to grow.

Key areas of investment during the half year have been:

- additional expertise and resources in support office across areas such as finance, integrations and HR, as well as the operations structure;
- new state-based vet manager roles to support the clinics and ensure high professional standards of care are maintained;
- expansion of the Managed Services and Procurement division team and system, including CRM, to cater for the strong growth in member numbers (currently 400 members); and
- new systems to streamline high volume or onerous processing, such as a HR onboarding system, a market leading integrated accounts payable and expense management platform and a centralised database for clinic data.

NVL has invested approximately \$0.55m over the last 6 months on these and other key initiatives and expects to see operating margin improvements during the second half of the financial year.

### **Acquisitions and Integration**

Growth by acquisition is one of NVL's core growth strategies. NVL acquired 7 veterinary clinics across New South Wales and Queensland during the half year.

One of NVL's current technology initiatives is the development of a centralised PMS database for clinic consistency and practice scalability. NVL also continues to refine its acquisition and integration process and has invested in additional integration and operational resources during the half year. Effective integration of processes and technology is key to sustainable productivity, employee engagement and high standards of care.

### **Other Business Initiatives**

NVL's Best for Pet Wellness Program (Best for Pet), introduced two years ago, continues to grow. It is now promoted by 52 clinics and currently servicing more than 15,000 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.

In 2018, NVL plans to expand its veterinary training services across two new facilities in Melbourne and New Zealand. This will provide opportunities for additional training sessions, expansion of the training program and training of an increased number of external veterinary professionals and health sector corporates.

The Managed Services and Procurement Division is a key focus in FY2018, as increased patronage from, and engagement with, external members drives improved supplier terms for members and NVL clinics as well as external demand for veterinary support services.

### **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 by: <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 Veterinary Training Centre.</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 Division	Significant opportunity to grow the management services and procurement division by leveraging: <ul style="list-style-type: none"> <li>• NVL’s stronger buying power.</li> <li>• NVL’s Veterinary Training Centre.</li> <li>• NVL’s systems.</li> <li>• Providing bespoke service offerings and support to corporate groups in the health sector.</li> <li>• Providing support to smaller independent clinics (approx. 2,600 clinics in Australia and New Zealand).</li> </ul>

**FY2018 Outlook**

Based on NVL’s results for the first half of the financial year, its ongoing strategic investment in the business and the forecast for the business in the second half, NVL updates its outlook for the financial year ended 30 June 2018 to be:

- Statutory revenue growth expected to be greater than 25% above the statutory FY2017 revenue of \$66.8. million;
- Gross margin expected to be in line with FY2017; and
- Underlying EBITDA margin expected to be in the range of 16%-17%.

**Dividend**

Due to an expected strong acquisition pipeline, no interim dividend has been declared to the shareholders of NVL in relation to the 31 December 2017 half year. The Directors expect to pay a dividend after the release of the full year results for FY2018.

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## **Our People and Clients**

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.

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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 64 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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### **IMPORTANT NOTICE**

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.