

ASX Announcement NVL

10 July 2018

National Veterinary Care FY2018 Results Update

National Veterinary Care Ltd (ASX: NVL) (NVL) provides an update on its expected results for the year ended 30 June 2018.

NVL has experienced strong revenue growth in FY2018 and expects underlying revenue for the year to be in the range of \$81.5m to \$82.3m, however weaker trading conditions in the final two months of the year have impacted underlying EBITDA margins.

Factors that have had a key influence on the 30 June 2018 results are:

1. Revenue across the general practice clinics was below expectations in May and June, which in turn impacted underlying EBITDA margin.
2. Good progress has been made on recruitment initiatives particularly over the last quarter. However, a targeted program to reduce employee expenses relative to revenue (primarily wages) has taken longer to implement than forecast.
3. The effect of three recent acquisitions settling later than initially forecast impacted on projected revenue in the last quarter. Two of these acquisitions settled late in the fourth quarter, with the third expected to settle by 31 July 2018.

Taking these three factors into account, NVL updates its guidance for FY2018, as set out below. The mid-point of the revised underlying EBITDA margin guidance represents less than 5% below the previous guidance range.

Guidance Measure	Prior FY2018 Guidance	Revised FY2018 Guidance
Statutory revenue ¹	>25% above FY2017	>25% above FY2017
Gross margin	In line with FY2017	In line with FY2017
Underlying EBITDA margin	16-17%	15-16% (\$12.4-\$13.0m)

NVL's current expectations for the 30 June 2019 financial year is another year of solid revenue growth and strong acquisition pipeline, with:

Guidance Measure	FY2019 Guidance
Underlying Revenue	25% above FY2018
Gross margin	In line with FY2018
Underlying EBITDA margin	16%

¹ Includes writeback of contingent consideration from acquisitions.

Managing Director Tomas Steenackers said, "FY2018 has been a year of focused consolidation and fast paced growth in terms of our acquisitions and our managed services businesses. To ensure we are building a business able to scale up significantly, we have continued planned strategic investment in the business, focusing on system efficiencies and enhanced support office resources. The business has continued to deliver good top line growth and we are optimistic about the range of opportunities for the business over the next 12 months."

NVL is maintaining its focus on operational efficiencies and growth across all areas of the business, with highlights as follows:

- Ability to accelerate the M&A strategy due to strong acquisition pipeline and \$19 million increase in debt facilities.
- Continued growth of the Best for Pet loyalty program across our clinic network, with over 18,500 current members, an increase of 72% since 1 July 2017.
- A refined and highly scalable management services offering with growth of 23% since 1 July 2017 and excellent member retention over that period.
- Positive industry response to more training opportunities with the opening of the new Melbourne Veterinary Training Centre.

NVL expects to release its 30 June 2018 financial year results by 27 August 2018.

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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 66 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 the NVL network of clinics through acquisition and driving organic growth at a clinic level.

For further information please contact:

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