

ASX Announcement No 22 NVL

29 August 2016

2016 Full Year Results Media Release

Highlights FY2016

- **Pro forma* Net Profit After Tax attributable to the owners of NVL of \$5.3m, 13.02% ahead of prospectus forecast**
- **Pro forma* Revenue of \$53.9m, 1.33% ahead of prospectus forecast**
- **Pro forma* EBITDA of \$10.05m, 4.63% ahead of prospectus forecast**
- **Pro forma* EBITDA Margin of 18.67%, 0.59% ahead of prospectus forecast**
- **Pro forma* Earnings Per Share of 0.103 cents, 11.95% ahead of prospectus forecast**
- **Pro forma* operating ungeared, pre-tax cash flow conversion 129%**
- **Significant progress in vet practice integration**
- **Best for Pet wellness program rolled out across NVL**
- **41 Veterinary Services business acquired and integrated between August 2015 and June 2016**

*Pro forma results give a better indication of the underlying performance of the business assuming all acquisitions were completed on 1 July 2015 not throughout the financial year. They adjust for IPO costs and other one-off expenses associated with acquisitions, integration and restructuring. Refer to Appendix 4E for more detailed information and reconciliation between the statutory and pro forma results.

National Veterinary Care Limited (ASX:NVL) today announces its trading results for the year ended 30 June 2016.

Managing director Tomas Steenackers said, "This has been a transformational year for NVL: a period of significant achievement that has set the foundation for the Company's ongoing growth and a promising future.

“At the reporting date we had been listed for just 10 months. But in that time, thanks to the unflagging efforts and goodwill of our team of professionals across Australia, we have established in quick time a fresh business model that we are confident will drive the next phase of growth of the veterinary industry in this country.”

Financial Performance

In this, the Company’s first year of reporting, NVL produced a \$5.27m underlying pro forma Net Profit After Tax, exceeding the pro forma prospectus forecast Net Profit After Tax of \$4.67m.

Table 1: Pro Forma Underlying Performance

| | Pro Forma Underlying FY 2016 ^{1,2} | Prospectus Pro Forma | Change | % |
|--|---|----------------------|----------|---------|
| | \$'000's | \$'000's | \$'000's | |
| Revenue from continuing operations | 53,884 | 53,174 | 710 | 1.33% |
| Direct expenses of providing services | (13,374) | (13,313) | (61) | 0.46% |
| Gross Margin | 40,509 | 39,861 | 648 | 1.63% |
| Gross Margin (%) | 75.18% | 74.96% | 0.22% | |
| Operating Expenses | (30,451) | (30,249) | (202) | 0.67% |
| EBITDA ³ | 10,058 | 9,613 | 445 | 4.63% |
| EBITDA Margin (%) | 18.67% | 18.08% | 0.59% | |
| Depreciation | (655) | (576) | (79) | 13.73% |
| Profit before finance costs and income tax expense | 9,403 | 9,037 | 366 | 4.05% |
| Net Finance Expense | (1,000) | (1,273) | 273 | -21.43% |
| Profit before income tax expense | 8,403 | 7,764 | 639 | 8.23% |
| Income Tax Expense | (2,521) | (2,329) | (192) | 8.24% |
| Profit after income tax expense | 5,882 | 5,435 | 447 | 8.22% |
| Non-controlling Interest | (606) | (767) | 161 | -20.96% |
| Net profit after income tax expense attributable to the owners of NVL | 5,276 | 4,668 | 608 | 13.02% |
| Earnings Per Share | 0.103 | 0.092 | 0.011 | 11.95% |

1 After excluding the impact of acquisition, integration and restructuring costs

2 Pro forma basis as if the acquisitions were completed on 1 July 2015 not throughout the financial year

3 Non-IFRS Information: EBITDA - Earnings before interest, tax, depreciation and amortisation

NVL achieved underlying pro forma results ahead of Prospectus pro forma expectations due to completing the settlement of 34 of the 35 clinics as listed in the prospectus. On 18 September 2015 NVL announced the decision not to complete one of the settlements from the initial portfolio, as mutually agreed between NVL and the vendor. This clinic was forecast to contribute annualised revenue of \$2.15 million. NVL acquired an additional 7 veterinary

services businesses outside the initial portfolio as listed in the prospectus settling between October and June 2016.

NVL has invested in the support office structure to enable a platform for continued growth through organic growth initiatives and acquisition targets.

Integration

Significant progress has been made in integrating the back office functions of the Company's 41 clinics, including the upgrade of a mixture of legacy systems to a single standardised Practice Management System. Benefits in improved productivity and levels of customer care are expected to flow into FY2017.

The Company's Best for Pet wellness program (Best for Pet) was introduced in late 2015 and has quickly grown to more than 4,000 members across the NVL network, and continues to show excellent growth. 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.

The wellness program roll-out was dependent on the implementation of the Practice Management System, which was deferred to ensure that the roll-out was successful and clinical teams had ample support through the process.

Growth Strategy

NVL has a three-tiered growth strategy, each with attractive returns and unrealised 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 NVC

2. Growth by acquisition

Significant opportunity for further industry consolidation in the veterinary services sector due to:

- the fragmented nature of the industry
- the changing characteristics of the veterinary workforce

3. Growth of Management Services and Procurement Group

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
- Providing support to smaller independent clinics (approx. 1500 clinics in Australia)

FY2017 Outlook and Trading Update

NVL to 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 Pets members, with approximately 8,000 members targeted by 31 December 2016.
- Continued growth via strategic acquisitions with NVL announcing last week the acquisition of 7 veterinary clinics in New Zealand and 1 veterinary clinic in Australia, with the completion of all acquisition expected to occur on or before 31 October 2016. This expansion into New Zealand takes NVL's addressable market, within both Australia and New Zealand, from \$2.4 billion to over \$3 billion. Note: once all acquisitions are completed, the number of veterinary clinics owned by NVL will increase from 42 to 50. This is an increase in veterinary clinic numbers of approximately 19.04%.
- Continued growth in the number of external veterinary professionals attending training in the Centre of Excellence Training Academy

Dividend Policy

As noted in the annual report, no final dividend has been declared to the shareholders of NVL. The Directors expect to provide an update in relation to the dividend policy of the company before 31 October 2016.

Our People

NVL thanks the pet owners of Australia, 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 42 veterinary services businesses across Australia. 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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