

## ASX Announcement

24 August 2018

### NVL ANNOUNCES RESULTS FOR THE YEAR ENDED 30 JUNE 2018

National Veterinary Care Ltd (ASX: NVL) (NVL) today announces its trading results for the year ended 30 June 2018.

#### Highlights

	FY2018	FY2017	Growth
Revenue	\$84.2m	\$66.9m	↑ +26.0%
Underlying EBITDA	\$13.1m	\$12.1m	↑ +8.5%
Underlying EBITDA margin	15.9%	18.1%	↓ -220bps
Underlying NPAT	\$6.29m	\$5.91m	↑ +6.5%
EPS (basic)	10.63cps	8.46cps	↑ +2.17cps

- 13 veterinary services businesses were acquired and integrated in FY2018.
- General practice clinics organic revenue growth 2.51% <sup>1</sup>.
- Operating ungeared, pre-tax cash flow conversion 111%.
- Net Debt/EBITDA leverage ratio <sup>2</sup> at 1.82 times.
- Fully franked dividend of 3.0 cents per share in respect of the year ended 30 June 2018.
- NVL represents 18% of the AUS veterinary industry through NVC owned and managed clinics.

<sup>1</sup> Like for like sales growth reflects general practice clinics' performance, excluding strategic divestment and clinic renovation periods, held for minimum of 12 months at 30 June 2018.

<sup>2</sup> Calculated in accordance with the facility documents, equals (debt less cash)/EBITDA including pro forma annualised contribution from acquisitions made during the year.

Managing Director Tomas Steenackers said, "We are pleased to report results that are at the top end of the FY2018 guidance range announced on 11 July 2018."

“This year, National Veterinary Care’s second full financial year of operations, has been a year of continued business growth as well as consolidation for the Group. Our commitment to long term business growth, and desire to realise synergies as we grow, has seen us invest heavily in our people and systems over the past 12 months. At the same time, we have delivered solid revenue and portfolio growth consistently throughout the year. The acquisition of thirteen veterinary services businesses during the period, and the first full year contribution of our New Zealand portfolio, has underpinned this growth.”

“The size of NVL’s addressable market within Australia and New Zealand has increased and is now more than A\$3 billion. The new acquisitions, together with organic growth within the clinics, strong growth in member numbers for the wellness program and a focus on value initiatives and refining our offering through the Management Services and Procurement Group, have all contributed to National Veterinary Care’s FY2018 results. With our clear growth strategy and impact of the recent strategic investment in the business, we are well placed to deliver sustainable value to our clients and our shareholders in the years ahead.”

### Financial Performance

In the year ended 30 June 2018, NVL produced a \$6.23 million statutory Net Profit after Tax and a \$6.29 million underlying Net Profit after Tax.

Table 1: Key Performance Measures

	FY2018	FY2017
	\$'000's	\$'000's
<b>Statutory Performance</b>		
Revenue	84,221	66,841
EBITDA <sup>1 2</sup>	12,527	10,088
EBITDA margin % <sup>3</sup>	14.9%	15.1%
Net profit after tax <sup>5</sup>	6,237	4,395
EPS (basic)	10.63 cents	8.46 cents
<b>Underlying Performance</b>		
Revenue	82,287	66,841
EBITDA <sup>1 4</sup>	13,085	12,065
EBITDA margin %	15.9%	18.1%
Net profit after tax <sup>4 5</sup>	6,295	5,912
EPS (basic)	10.73 cents	11.38 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**

NVL committed to significant investment in its people and systems in FY2018. This was part of the long term growth strategy for the business to ensure NVL is positioned to capitalise on synergies as its portfolio continues to grow.

The investment has been focused on integration of systems across the business, greater support office capabilities and an operational structure that will see NVL more efficiently integrate, expand and support our veterinary services business.

Key outcomes of investment during the year include:

- Increased operational support for regional managers and practice managers, as well as greater resources to provide clinical and technical support for vets and nurses;
- Ongoing integration of finance systems (accounts payable, expense management, data warehouse) and practice management systems (application processing interface); and
- Enhancement of NVL's practice management systems – transition to a centralised database and a new module to support the Best for Pet program.

## **Other Business Initiatives**

NVL's Best for Pet Wellness Program (Best for Pet) continues to be a key business initiative and driver of organic growth that has quickly grown to more than 20,000 members across the NVL network in Australia and New Zealand. The program is now offered in 56 clinics.

A major highlight for the year was the development of a second NVL Veterinary Training Centre, located in Melbourne. NVL's two facilities offer professional training courses to the entire veterinary industry. The Veterinary Training Centre is a unique industry offering and a key contributor to NVL employee engagement.

The Managed Services and Procurement Division was a key focus in FY2018 and membership grew significantly following a review of the business strategy, improvement of the operating systems and servicing of veterinary corporate groups.

## **Acquisitions and Integration**

Growth by acquisition is one of NVL's core growth strategies. Through a focused acquisition strategy, NVL acquired 13 veterinary clinics along the Australian eastern seaboard during the year. The clinics were located within existing NVL clusters in Queensland, New South Wales and Victoria.

NVL has a continuous improvement approach to its acquisition and integration process which is refined with each acquisition to achieve best practice systems and processes.

## **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	<p>Grow veterinary services by:</p> <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	<p>Significant opportunity for further industry consolidation in the veterinary services sector due to:</p> <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	<p>Significant opportunity to grow the management services and procurement division by leveraging:</p> <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>

NVL will continue to focus on its three-tiered growth strategy throughout FY2019 and also expects to see continued growth through the key business initiatives outlined above.

### FY2019 Trading Update

General practice organic growth for July 2018 (4 weeks of trading, like for like) is 2.50%.

### FY2019 Guidance

As previously announced, 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%

### Dividend Policy

The Board was pleased to announce a fully franked final dividend of 3.0 cents per share in respect of the year ended 30 June 2018, to be paid on 27 September 2018.

NVL's Board has a mandatory direct credit policy in relation to the payment of dividends 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 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.

### **Results Briefing - Teleconference Details**

The teleconference details for today's FY2018 full year results briefing for investors and analysts at 11.00am (Brisbane time) are set out below.

#### ***Conference ID: 5096967***

	Direct	Toll-Free
Australia	+61 2 8038 5221	1800 123 296
New Zealand		0800 452 782
Canada		1855 5616 766
Singapore		800 616 2288
United Kingdom		0808 234 0757
USA		1855 293 1544

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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 67 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 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.