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1H 2017 Results Presentation

February 2017

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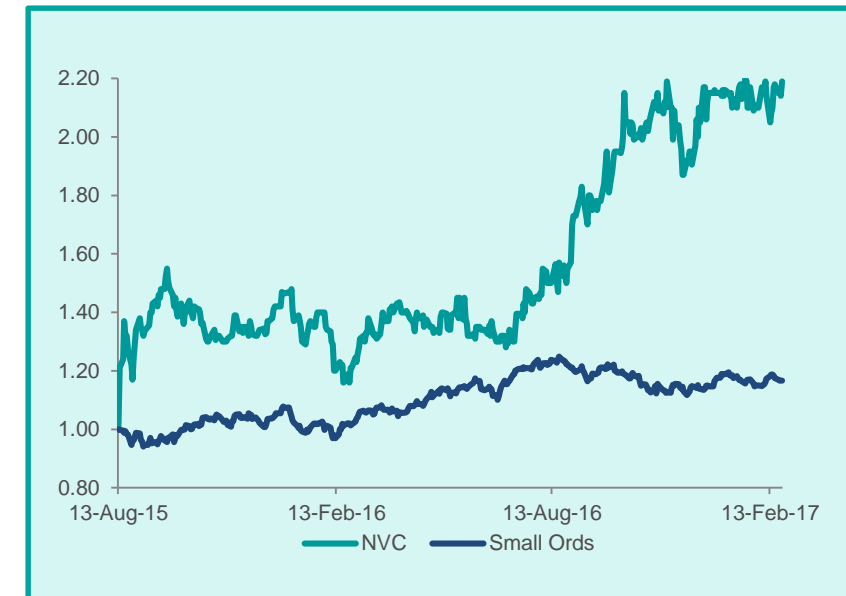
Highlights



1H2017 Operational Highlights

Operational Highlights	
Integration of portfolio	<ul style="list-style-type: none"> 11 acquisitions settled from Jul 1st 2016 to Feb 27th 2017. 2 new acquisitions under BSA subject to DD and board approval expected to settle before 30th April 2017. Total number of integrated veterinary services businesses to 54.
Implementation of initiative(s)	<ul style="list-style-type: none"> Wellness Program now implemented in 36 clinics with a total of 9,052 members. 105% growth since 1st July 2016. Current NPS Score of 77.04 with over 6,156 completed surveys since July 2016. The Training Centre now offers 54 workshops per annum, training 1000 veterinary professionals up 237% from 2016.

Share Price Performance





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Financial Performance



1H2017 Performance Highlights

	2017 H1	2016 H1	Growth
Revenue	\$32.6m	\$19.0m	↑ +71.1%
Underlying EBITDA	\$6.0m	\$3.6m	↑ +69.1%
EBITDA margin	18.6%	18.8%	↓ -20bps
NPAT	\$2.6m	(\$0.3m)	↑ +\$2.9m
EPS	4.96cps	(0.73cps)	↑ +5.69cps

- Business expansion with 9 veterinary services businesses acquired across AUD & NZ
- Organic revenue growth 3.75% (1H16: nil%) ¹

¹ Like for like sales growth reflects the period since each underlying clinic was acquired. For example, clinics in the initial portfolio were settled between September 1st and December 31st 2016.



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Profit and Loss Statement

	HY 2016 \$'000's	HY 2015 \$'000's
Revenue	32,588	19,048
Direct expenses of providing services	(8,244)	(4,451)
Gross Margin	24,344	14,597
Gross Margin (%)	74.7%	76.6%
Operating Expenses ¹	(18,296)	(11,020)
Underlying EBITDA	6,048	3,577
Underlying EBITDA Margin (%)	18.6%	18.8%
Acquisition, transaction and integration expenses	(657)	(2,625)
Statutory EBITDA	5,391	952
Statutory EBITDA Margin (%)	16.5%	5.0%
Depreciation	(443)	(210)
Finance Expense	(684)	(322)
Profit before tax	4,264	420
Income Tax Expense	(1,396)	(405)
Net profit after tax	2,868	15
Non-controlling Interest	(311)	(317)
Net profit after tax attributable to the owners of NVL	2,557	(303)
Earnings Per Share	4.96	(0.73)

¹ Excluding one-off acquisition, transaction and integration expenses

Revenue

Uplift from current and prior year acquisitions as well as growth in the portfolio.

Achieved growth in member numbers in the wellness program and the management services and procurement group.

Gross Margin %

Strong results but slightly down due to lower gross margin percentages in New Zealand practices.

Operating Expenses

Increase in operating expenses due to new acquisitions but a reduction in operating expenses as a percentage of revenue due to cost management and rationalisation.

Decrease in acquisition, transaction and integration expenses due to fewer acquisitions this period. IPO was also in prior period.

Underlying EBITDA Margin %

Underlying EBITDA margin percentage steady compared to prior year with similar EBITDA margin results achieved in Australia and New Zealand.

Cash Flow Statement

HY 2016	Statutory Cash Flow \$'000's	Non-repeating Cash Flows \$'000's	Underlying Cash Flow \$'000's
EBITDA	5,391	657	6,048
Net cash flow from operating activities	6,465	173	6,638
Adjustments			
Net interest and finance costs paid	892		892
Income taxes paid	176		176
Ungeared, pre-tax operating cash flows	7,533	173	7,706
<i>Conversion</i>	<i>140%</i>		<i>127%</i>

Statutory Cash Flows	HY 2016 \$'000's	HY 2015 \$'000's
Ungeared, pre-tax operating cash flows	7,533	7,979
Net finance and finance costs paid	(892)	(442)
Income taxes paid	(176)	-
Net cash from operating activities	6,465	7,537
Payment for purchase of business, net of cash acquired	(13,566)	(45,272)
Payments for expenses relating to acquisitions	(484)	(1,418)
Net payments for property, plant and equipment	(624)	(817)
Net cash used in investing activities	(14,674)	(47,507)
Net proceeds from issues of shares	(5)	27,870
Net proceeds from borrowings	9,310	17,712
Related party loans	(71)	(122)
Dividends paid	(216)	-
Net cash used in financing activities	9,018	45,460
Net increase/(decrease) in cash and cash equivalents	809	5,490

Non-Repeating Cash Flows

EBITDA includes an adjustment for acquisition and integration costs.

Underlying Cash Flow

Conversion rate means there is head room in the debt facility to fund acquisitions.

Statutory Cash Flows

Payments for businesses includes 9 veterinary services businesses acquired to 31st December 2016.

Borrowings increased to fund acquisitions. Free cash was also used.

Balance Sheet

Balance Sheet	FY 2016 \$'000's
Assets	
Cash and cash equivalents	5,110
Trade and other receivables	2,091
Inventories	2,422
Property plant and equipment	4,512
Intangibles	76,818
Other	2,019
Total Assets	92,972
Liabilities	
Trade and other payables	6,084
Income tax	2,091
Employee benefits	2,176
Other	2,588
Borrowings	27,882
Total Liabilities	40,821
Net Assets	52,151
Shares on issue	52,282,740

Debt

Drawn \$27.9 mil of core debt facility (\$42.0 mil) with EBITDA leverage at 2.6x.

Combined with operating cash flows, adequate capacity to fund near term growth opportunities.

Other Liabilities

Includes deferred consideration payable to vendors of acquired businesses if performance hurdles are met.

Also includes revenue received in advance from Best for Pet members for their full year membership that will be attributed to revenue over the period of membership.



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Business Snapshot



National Veterinary Care



NVC Clinics



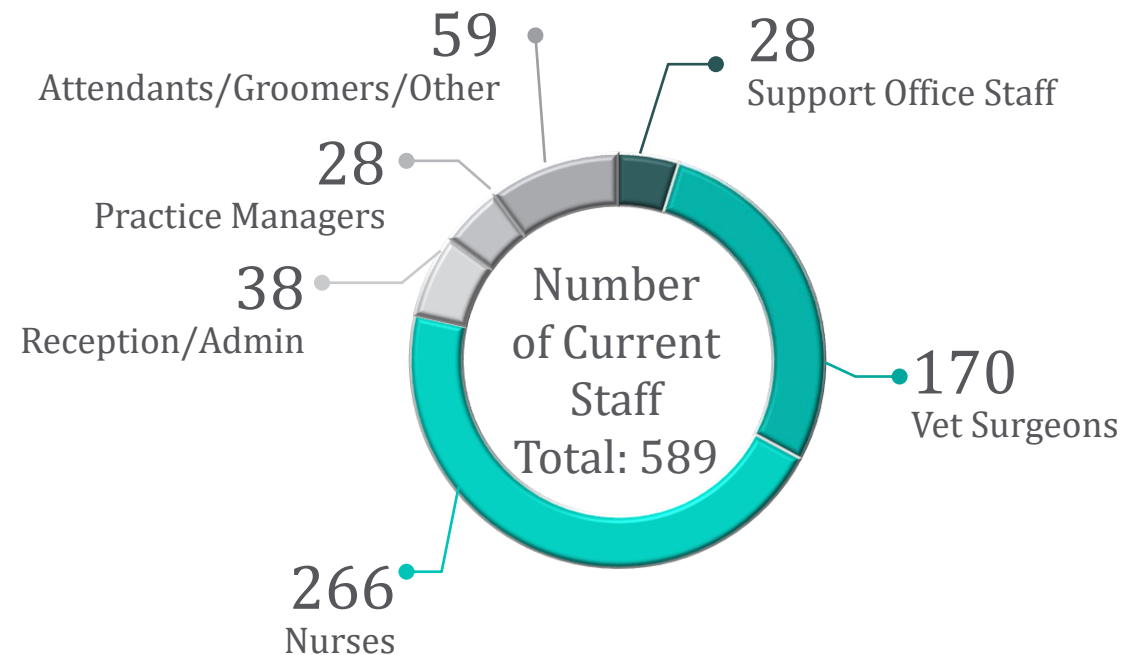
**Centre of Excellence
(Training Academy)**



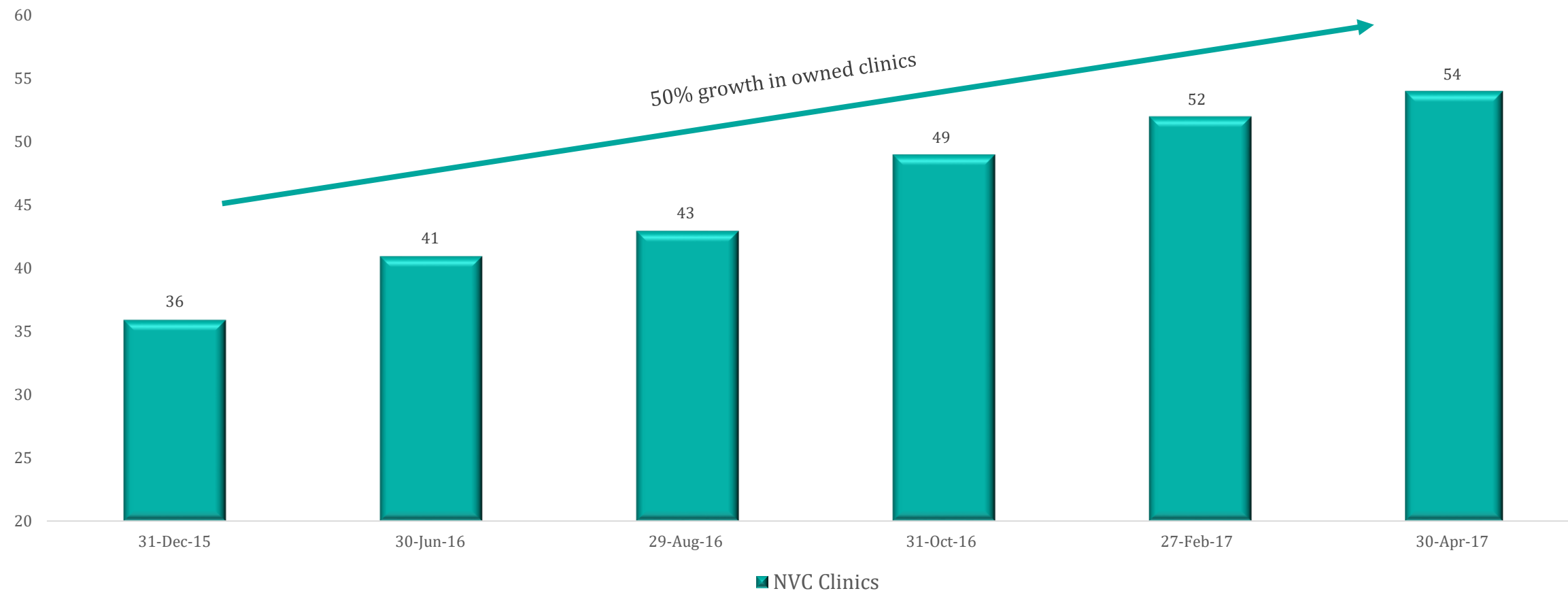
**Management Services
& Procurement Group**

Business Overview

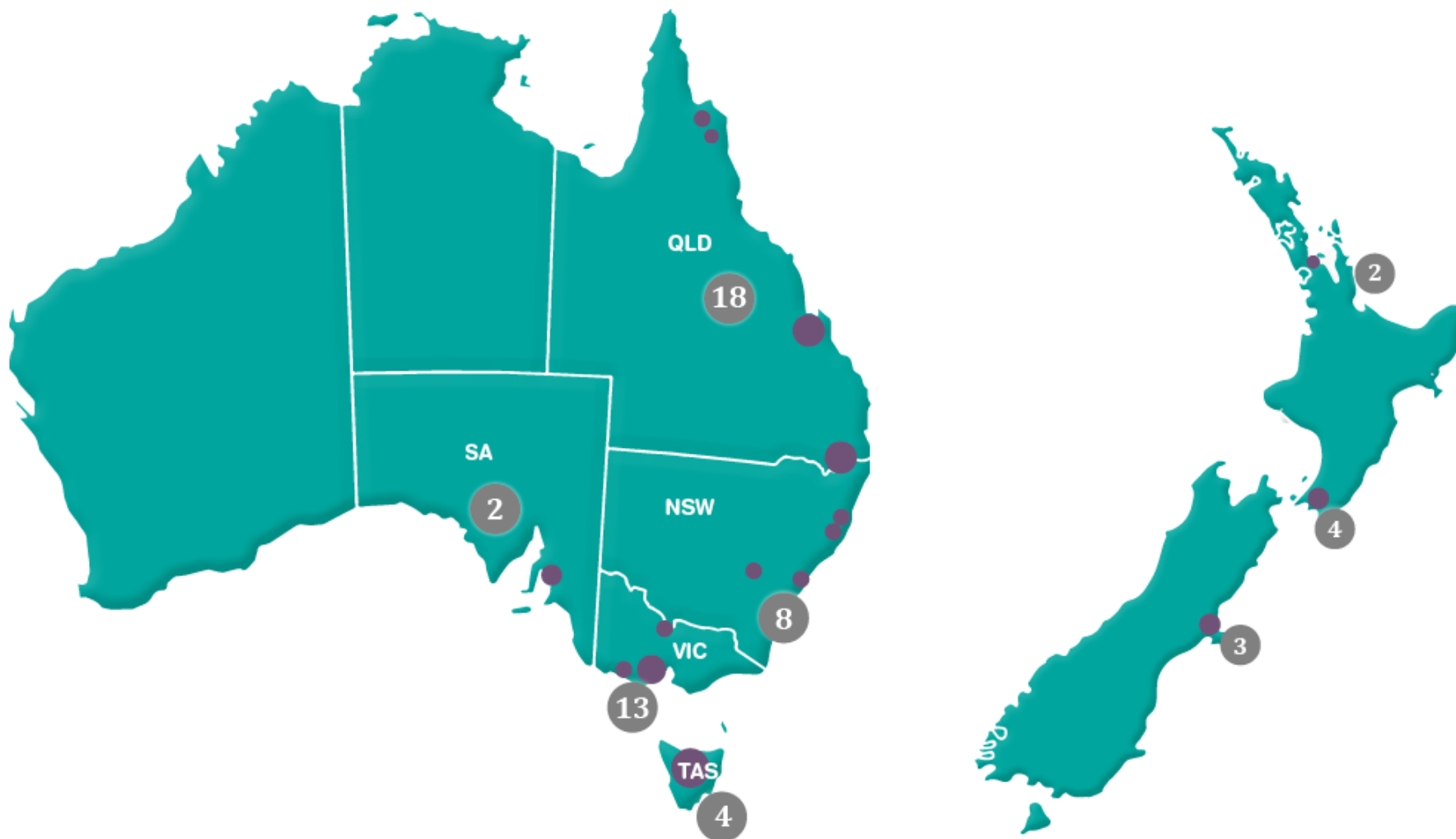
- NVL is a provider of veterinary services to companion animals in Australia and New Zealand
- 52 owned businesses, with 2 under BSA (total 54):
 - 49 general practice clinics
 - 5 business-to-business operations
- Management Services and Procurement Group covers over 326 independent clinics
- Group proudly employs 170 Veterinary Surgeons
- Number of current staff is 589



Growth Achieved since IPO



Australia and New Zealand Portfolio





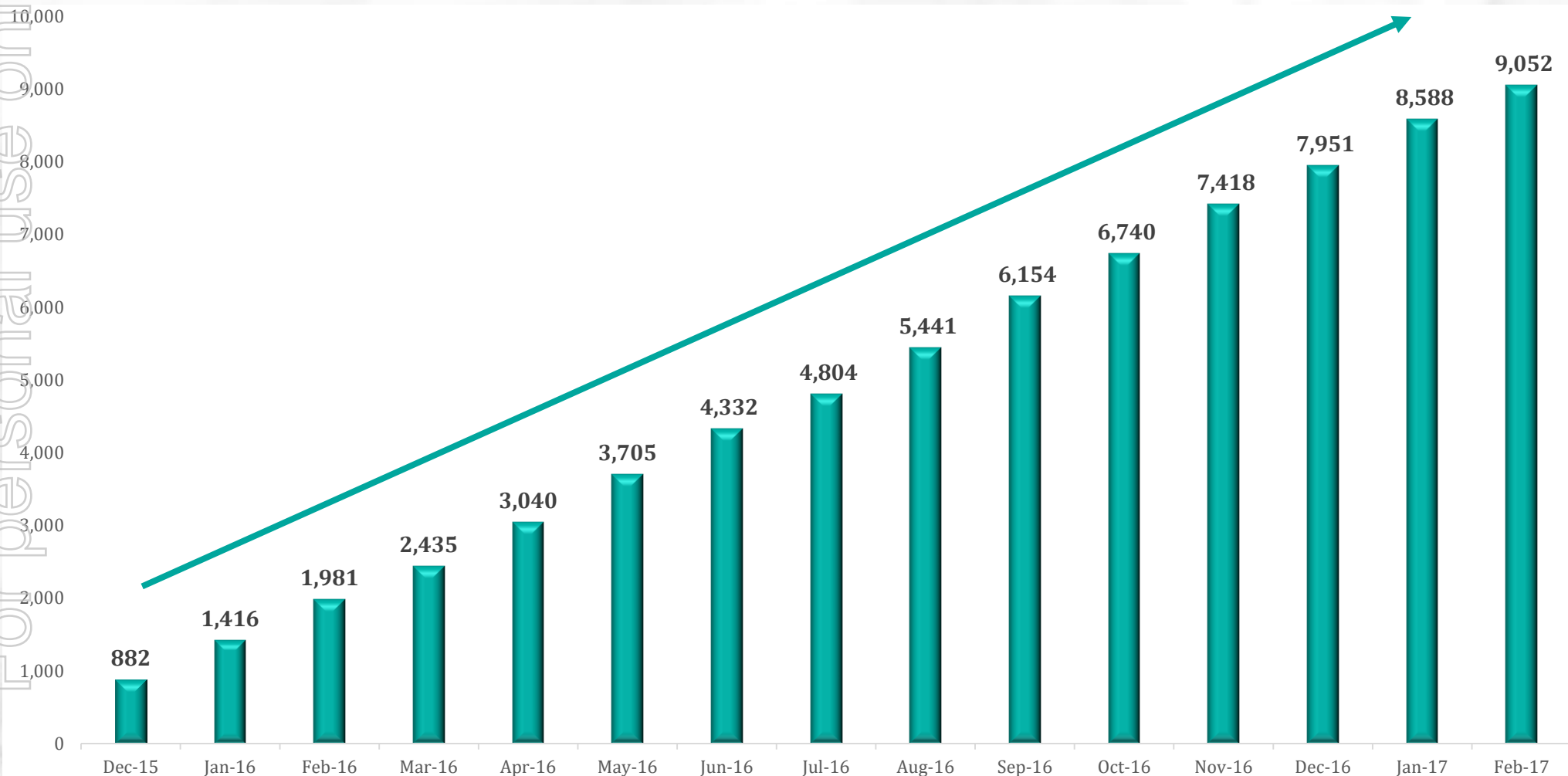
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Clinics & Centre of Excellence



NVC Wellness Program



- An average of 10% of active clients are members.
- The strongest performing clinic has 31.74% of active clients as members.
- The current membership retention rate is 90%.
- Membership growth of 108% since July 2016.

Centre of Excellence - Training Academy

- The Centre of Excellence – Training Academy opened in March 2016 in Ormeau, Queensland.
- The Training Academy is being used to deliver practical training to both NVC and non NVC veterinary professionals centred around the topics of dental, behaviour, nutrition, pathology, orthopaedic surgery, radiology, soft tissue surgery, ultrasound retail, merchandising and customer service.
- The Academy is now being hired by external parties to facilitate their independent training programs.
- A second facility for Melbourne is operating out of Animal Accident and Emergency in Point Cook.



Retail Demonstration Area.



Seminar Room.



Wet Lab.

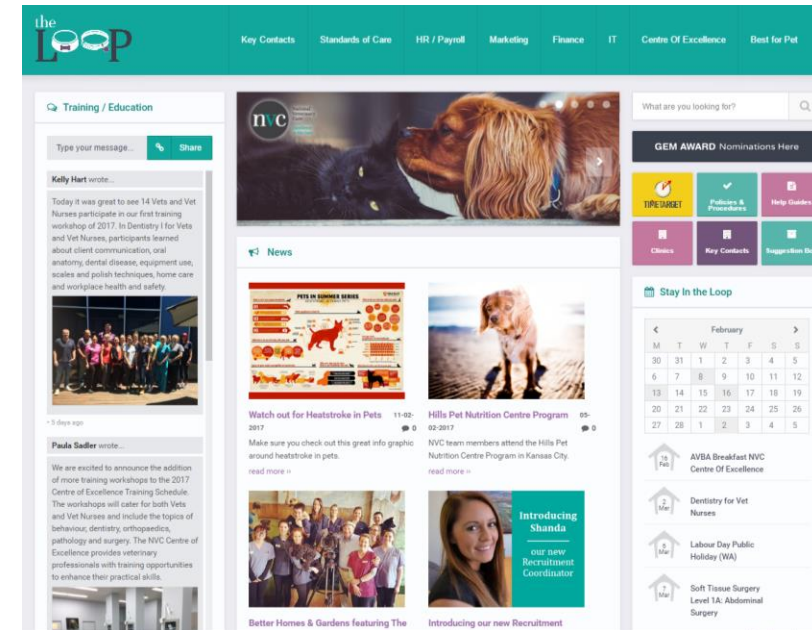
Workshop Topics and Participation

Workshop Topics		No. of Workshops	No. of Participants
Dental	Understand malocclusions, radiology, client compliance and dental extractions in one day	21	354
Pathology	Practical skills in taking and preparing all standard cytology samples including fine needle aspirates	4	120
Behaviour	An ongoing series of seminars on diagnosis and treatment of behavioural issues in small animals	2	60
Imaging	Ultrasonography imaging techniques as well as reading and interpretation	4	76
Surgery	Surgical wound management, abdominal surgery, stifle joint surgery, feline surgery	12	126
Nutrition, Retail & Merchandising	Nurse consultations, merchandising nutrition in clinic effectively, nutrition and the effect on clinic profitability	6	144
Other	HR Staff Engagement, Effective use of Social Media, How to improve your customer service and customer loyalty, Critical KPIs and benchmarking, Critical Financial KPIs and how to analyse your monthly P&L	5	150
TOTAL		54	1000

The objective is to grow non NVC veterinary professional participation to 50% per workshop.

Adopting contemporary technology to enhance the training experience and drive best standards in pet healthcare

Introducing a virtual reality environment as part of our training methodology will allow our workforce and the veterinary community to experience contemporary training experiences that are cost effective, engaging and educational.



The introduction of the NVC Intranet provides our clinic network with access to industry leading veterinary standards, procedures and resources to deliver first class pet healthcare.



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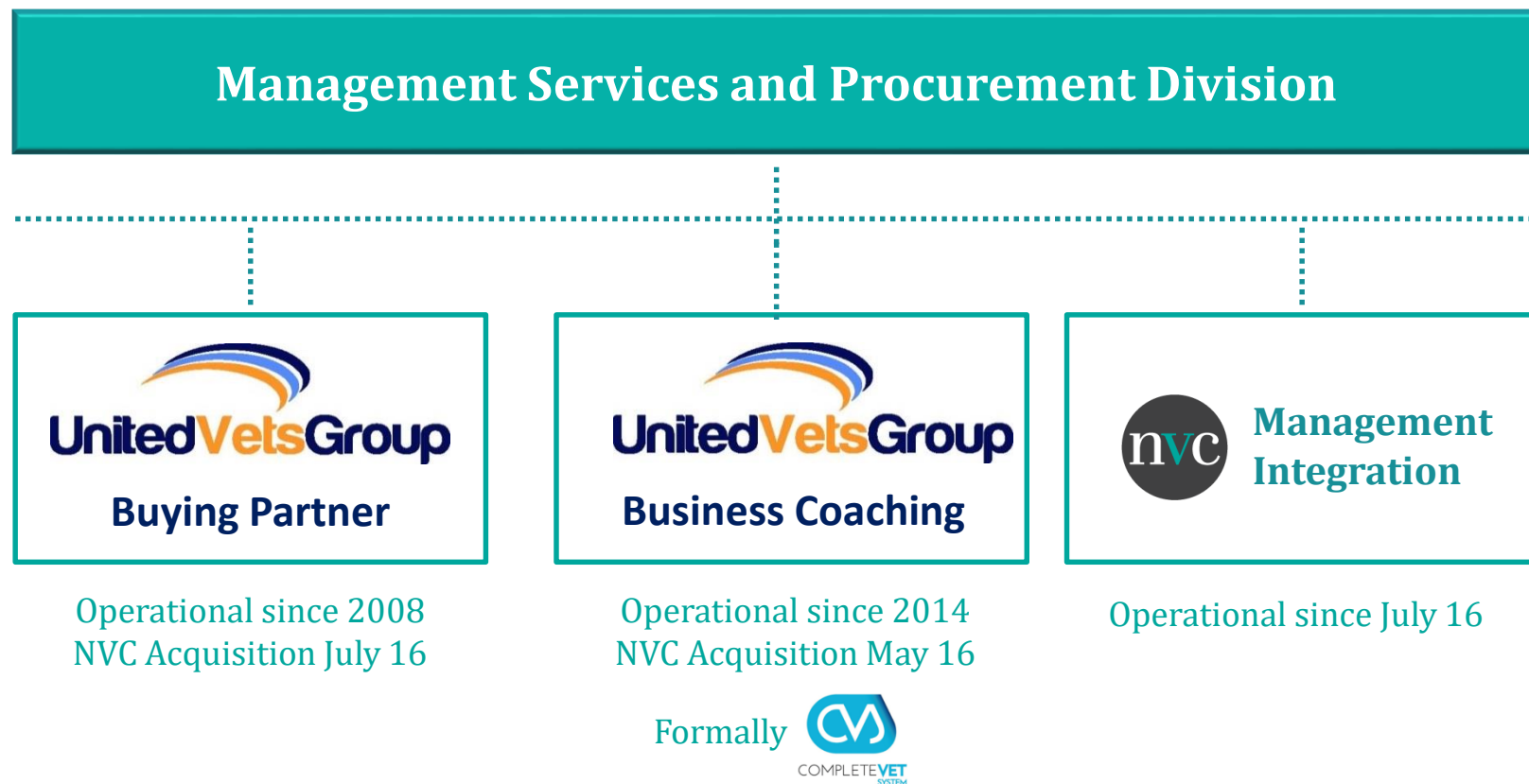
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Management Services



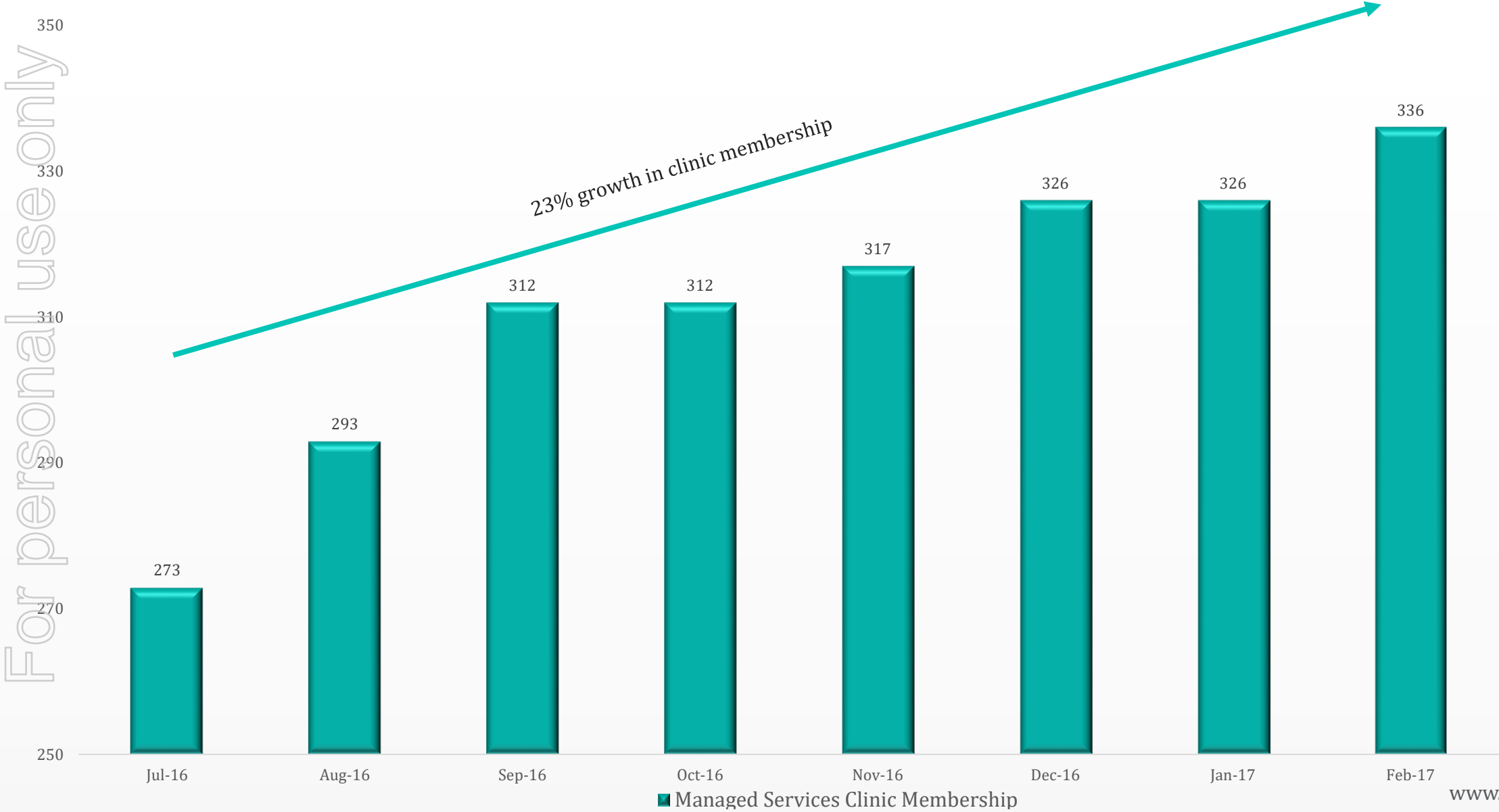
Overview of Management Services and Procurement Division

- The Management Services and Procurement Division has 3 different engagement levels to interact with clinics in the veterinary community.
- 2 of the engagement levels are driven from established businesses acquired by NVC.
- The clinics benefit from NVC's procurement arrangements and industry leading management and coaching programs and support.
- NVC benefits by building relationships and engaging with the wider veterinary community in Australia and New Zealand.



Engagement Level 1		<ul style="list-style-type: none"> Members benefit primarily from procurement agreements (wholesaler, supplier and service providers), group buying power and rebates. Members will now be able to leverage, at a cost, NVCs systems and benchmarking. Members will also be offered preferential access and pricing to the NVC Centre of Excellence – Training Academy.
Engagement Level 2	 	<p>The United Vets Group Business Coaching offers whole of clinic management consultancy. It combines technology, business processes and training to deliver regular, structured and growth focussed:</p> <ul style="list-style-type: none"> Management Meetings Practice Performance Reviews Team Meetings Training Workshops (including customer service, HR, marketing, standards of care and more) Supplier Training Monthly performance and financial analysis reviews
Engagement Level 3	 Management Integration	<p>NVC manages or provide support to the clinic including;</p> <ul style="list-style-type: none"> Complete System Integration Marketing, HR and IT Support NVC Wellness Program – Best for Pet NPS Client Surveys Clinical Benchmarking Preferential access to the NVC Centre of Excellence – Training Academy

Growth Achieved since Acquisition





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Growth Strategy and Outlook



Growth Strategy

NVC has three core growth platforms, each with attractive returns and significant runway remaining as it strives to increase it's market share.

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.

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.

Growth of Management Services and Procurement Group



Significant opportunity to grow the management services and procurement business unit by leveraging

- NVC's stronger buying power
- NVC's Centre of Excellence- Training Academy.
- NVC's Systems
- Providing support to smaller independent clinics (approx. 1,506 clinics in Australia)

FY2017 Outlook

Based on the initiatives and businesses currently in place, NVL well positioned for growth into FY2017:

- Revenue growth of greater than 20% above the pro-forma FY2016 revenue of \$53.8million
- Gross Margin and EBITDA margin expected to be in line with FY2016
- Expect to pay first dividend in respect of FY2017 for the full year post FY2017 results (allowing sufficient franking credits)

	Growth Initiatives
Initiatives gaining traction	<ul style="list-style-type: none"> ▪ Wellness Program gaining traction with 36 of the clinics offering the program. ▪ Roll out of KPIs for benchmarking across the group ensuring high performance standards maintained through growth
IT and new infrastructure in place	<ul style="list-style-type: none"> ▪ Centralised financial systems and practice management systems in place to ensure scalability of the business model
Pipeline of potential acquisitions	<ul style="list-style-type: none"> ▪ Strong pipeline of potential clinics to acquire to secure growth ▪ Sector remains highly fragmented approximately 2,216 veterinary clinics
Supplier Agreements in place	<ul style="list-style-type: none"> ▪ Agreements with suppliers finalised to ensure clinics receive favourable purchasing terms
Alignment of management, vendors and shareholders	<ul style="list-style-type: none"> ▪ Both Management and Vendors have significant financial interest in NVC which aligns their interests with shareholders



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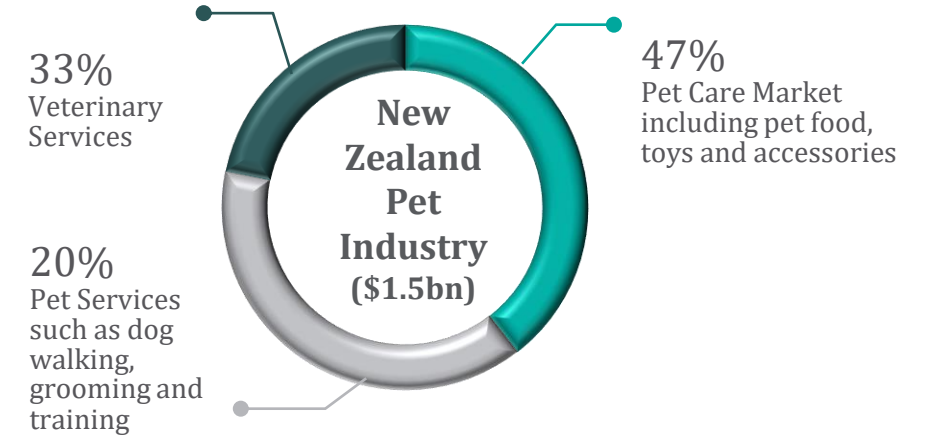
Market Overview



Pet Ownership – Australia and New Zealand



- The overall pet industry in Australia is estimated to be worth \$12bn. An increase of 42% since 2013.
- 4.8 million dogs in Australia and 3.8 million cats with total household pet ownership of 62%.
- Australia - 79% of dogs go to the vet at least once a year compared to 65% of cats.



- The overall pet industry in New Zealand is estimated to be worth 1.5bn.
- 683,000 dogs in New Zealand and 1.13 million cats with total household pet ownership of 64%.
- New Zealand - 82% of dogs go to the vet at least once a year compared to 64% of cats.

- Highly fragmented markets
- 'Humanisation trend' and the emergence of the 'fur baby' means demand for veterinary services tends to be steady from year to year
- Growth opportunities exist in advanced surgical and diagnostic procedures



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Board of Directors



Board of Directors



Susan Forrester, Chair and Non-Executive Director

Susan is a professional independent non-executive director with over 25 years of commercial, financial and legal management experience. She is currently Director of listed entities G8 Education Ltd (ASX:GEM), Xenith IP Ltd (ASX:XIP) and Over the Wire Ltd (ASX:OTW) and is a member of the UnitingCare Qld Board.



Tomas Steenackers, Managing Director and Chief Executive Officer

Tomas is National Veterinary Care's founding Chief Executive and has many years of executive experience in the veterinary services, pharmaceutical, retail and pathology sectors, including Senior Management roles with Mayne Pharma, Hospira, Covidien, and Terry White Management.



Wesley Coote, Non-Executive Director

Wesley is an experienced CFO and Executive Manager. He previously worked in Chartered Accounting providing businesses advice to health, property & financial service industries. (Resignation from 1 March 2017)



Kaylene Gaffney, Non-Executive Director

Kaylene has significant experience in senior financial management roles and is currently chair of the Audit and Risk Committee for the Queensland Department of Tourism, Major Events, Small Business and the Commonwealth Games. She served on the board of online travel company Wotif.com Holdings Ltd from 2010-2014. Kaylene will chair the Audit and Risk Committee. (Appointed 27th February 2017)



Stephen Coles, Non-Executive Director

Dr Coles has been a Veterinary Specialist for over 35 years and brings a wealth of industry and commercial experience. He has owned and operated multiple practices in Melbourne. Dr Coles was a Founding Executive Director of Greencross Ltd from June 2007 to January 2011.



Alison Sherry, Non-Executive Director

Alison is currently the Executive General Manager of People Operations at Ranbury and a Board Director RSPCA Qld. She is a Fellow of the Australian Human Resources Institute (FAHRI) and a Member of the Australian Institute of Company Directors. Alison is the Chair of the Remuneration and Nominations Committee.



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Thank you

