

# Investor Presentation

November 2015

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# Presenting Today

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## **Tomas Steenackers**

*Managing Director and Chief Executive Officer*

- Tomas is the Managing Director of NVC. Tomas has over 10 years of experience as an executive in the veterinary and healthcare sector including Senior Management roles with Mayne Pharma, Hospira, Covidien, and Terry White Management.
- Prior to joining NVC, Tomas was General Manager Specialty, Emergency & Pathology at Greencross Limited.



## **Katherine Baker**

*Chief Financial Officer and Company Secretary*

- Katherine is the CFO and Company Secretary of NVC. Katherine is an experienced Chartered Accountant with over 12 years' experience in finance. Katherine spent 7 years in Chartered Accounting advising small and medium enterprises in tax and financial matters before moving into the veterinary sector.
- Prior to NVC, Katherine spent 5 years as Financial Controller at Greencross Limited.

# Agenda



- 1) Introduction
- 2) Market Overview
- 3) Current Portfolio
- 4) Integration Strategy
- 5) Growth Strategy
- 6) Operational Update
- 7) Board and Management

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# Introduction

## Company overview

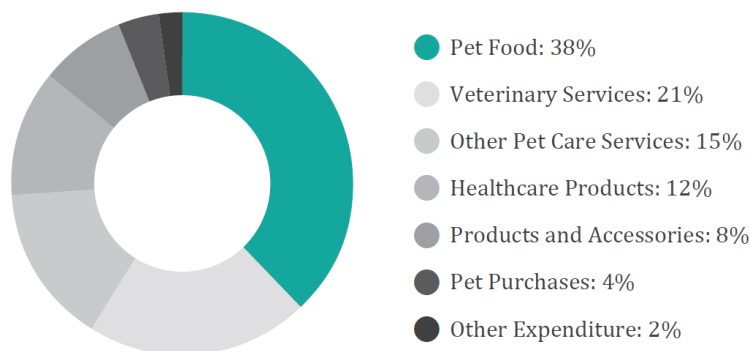
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<b>Objective</b>	<ul style="list-style-type: none"> <li>To be a leading provider of <b>veterinary services</b> in the Australian market</li> </ul>
<b>Current Portfolio</b>	<ul style="list-style-type: none"> <li><b>34 Clinics</b> settled from the Initial Portfolio between 05/08/2015 – 30/09/2015</li> <li>On 18<sup>th</sup> September 2015, the Company announced that it did not proceed with the acquisition of one Clinic from the Initial Portfolio. The Clinic was forecasted to deliver annualised revenue and EBIT of \$2.15m and \$0.3m respectively.</li> <li>An additional Clinic was settled on October 8<sup>th</sup>. The new Clinic is expected to deliver annualised revenue and EBIT of \$0.95m and \$0.19m respectively</li> </ul>
<b>Adjusted Revenue</b>	<ul style="list-style-type: none"> <li>Adjusted Revenue <b>\$52.0 million</b> (Prospectus forecast - \$53.2m)</li> </ul>
<b>Adjusted EBITDA</b>	<ul style="list-style-type: none"> <li>Adjusted Total annual EBITDA of <b>\$9.49 million</b> (before minority interests) (Prospectus forecast - \$9.6m)</li> </ul>
<b>First acquisition</b>	<ul style="list-style-type: none"> <li>Settled 8<sup>th</sup> October 2015 - Total cash consideration paid for this acquisition equals \$0.87m. The clinic is expected to deliver annualized revenue and EBIT of \$0.95mill and \$0.19mill respectively</li> </ul>
<b>Growth Drivers</b>	<ul style="list-style-type: none"> <li><b>Organic growth</b> driven by Wellness Program, professional development and targeted marketing</li> <li><b>Acquisition growth</b> driven by the fragmented nature of the industry and the changing characteristics of the veterinary workforce</li> </ul>
<b>Experienced Team</b>	<ul style="list-style-type: none"> <li>Board and Management team experienced across both the veterinary sector, mergers and acquisitions, strategic HR and corporate governance</li> </ul>

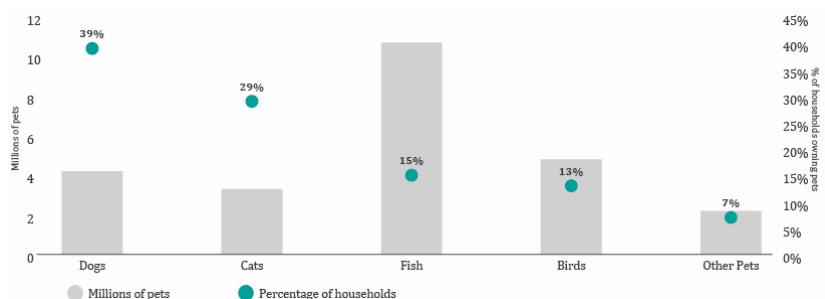
# Market Overview

## Industry snapshot

### Australian Pet Industry (\$8.0bn)



### Australian Pet Ownership

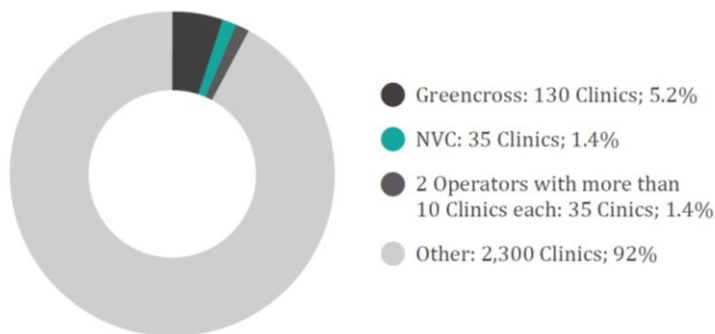


- The overall pet industry in Australia was estimated to be worth \$8bn in 2013, with NVC's addressable market estimated at \$2.9bn
- Approximately 69% of veterinary services relates to dogs, 27% relates to cats
- Key reason for owning a pet is companionship
- 'Humanisation trend' means demand for veterinary services tends to be steady from year to year
- Management estimates the pet industry to grow at low single digit percentages over the next five years
- Growth opportunities exist in advanced surgical and diagnostic procedures

# Market Overview (cont'd)

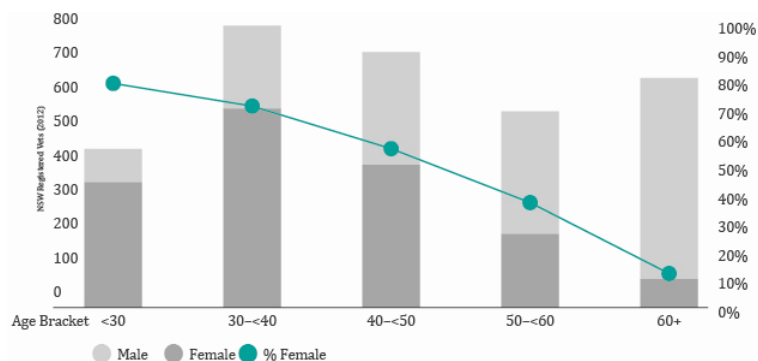
## Industry participants and veterinarians

### Estimated Market Share (number of practices)



- Highly fragmented market
- Note market share by revenue likely to be higher than market share by number of practices
- Increasing female veterinary graduates, was 65% ten years ago, now as high as 85%
- Supply of veterinarians driven by increasing graduate numbers, from average of 229 per year between 1995 and 1999 to 463 per year between 2008 and 2011
- Increasing enrolments at existing schools, as well as four new university courses (up from four previously) with first students graduating from these new courses between 2010 and 2013

### Registered Veterinarians in NSW



# Current Portfolio

## Overview

- NVC has acquired 35 Clinics including:
  - 32 general practices
  - 3 business-to-business operations
- Key characteristics of the Clinics:
  - Average revenue of \$1.5 million
  - Profitable operating history
  - Focus on companion animals
  - Likelihood of achieving or exceeding appropriate clinical standards
  - Approximately half currently operate in a geographical cluster

### The Current Portfolio

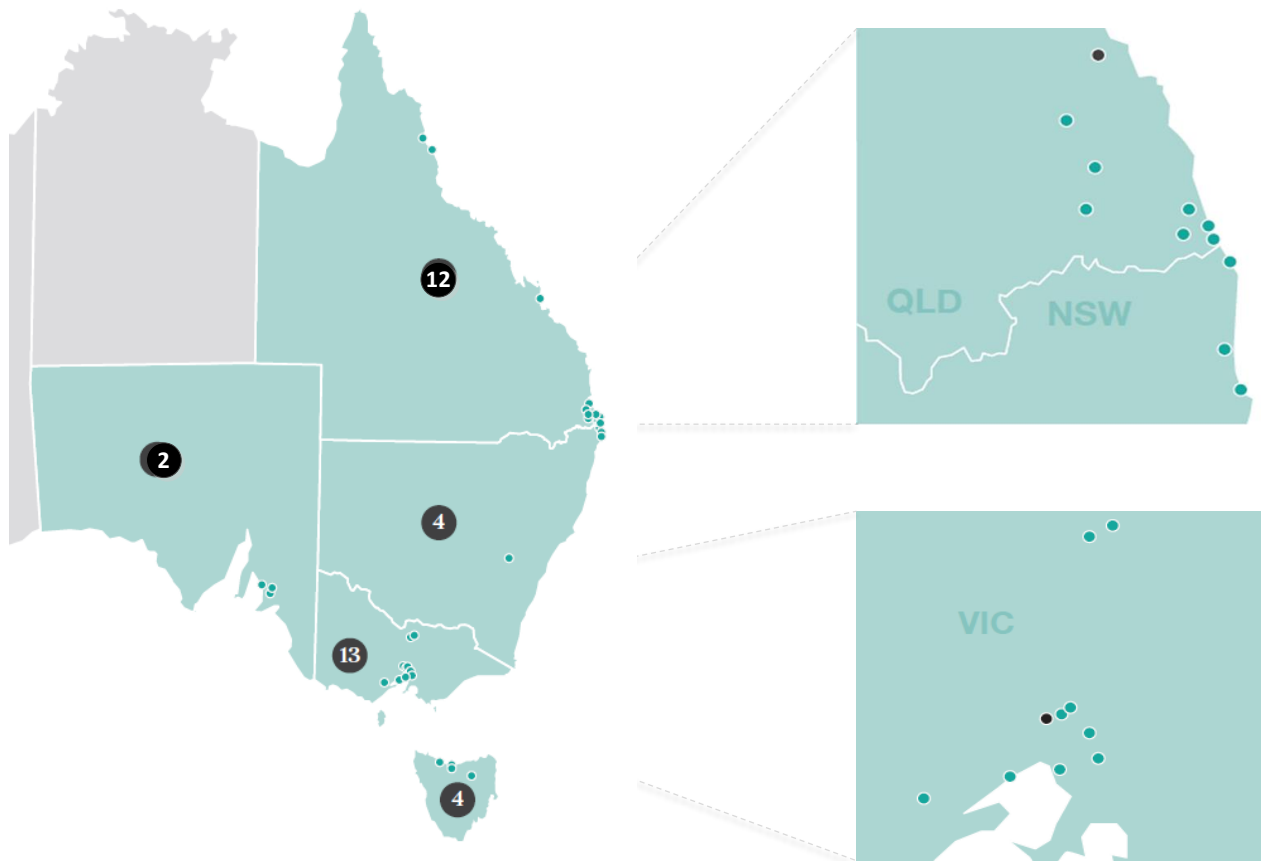
	General Practices	Business to Business
<b>Description</b>	<p>General veterinary practices provide a comprehensive range of veterinary services and associated products including food, pharmaceuticals and merchandise.</p> <p>General practices also provide ancillary services such as pet grooming, behavioural training and boarding.</p>	<p>These operations provide services where the client is generally referred by NVC or non NVC veterinarians.</p> <p>Emergency centers provide after hours and critical care to sick and injured pets.</p> <p>The pet crematorium provides pet cremation and veterinary waste collection.</p>
<b>Number of Clinics</b>	32	3
<b>FY16 Revenue</b>	83.0%	17.0%



# Current Portfolio

## Geographic clusters

- Approximately half of the current portfolio of Clinics are located in geographic clusters



# Integration Strategy

## Priorities FY15-2016

- Key integration priorities:
  - Implement centralised financial systems
  - Implement centralised practice management systems
  - Centralise supplier relationships
  - Implement Wellness Programs
  - The Veterinary Advisory Committee provides leadership in relation to NVC clinical standards of care
  - Introduce training program and facility to upskill veterinarians and support staff
  - Implementation and roll out of 60 key clinical performance indicators for benchmarking across the group
- NVC will retain individual Clinic branding to minimise disruption to the clinic and maintain local identity and customer goodwill

# Growth Strategy

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## Organic growth

- Introduction and expansion of the Wellness Programs
- Benchmarking of clinical standards across practices via the practice management system (leading to the identification of training opportunities to optimise product/service offer)
- 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

# Operational Update

## Introduction and expansion of the Wellness Program

- Introduction and expansion of the Wellness Program.
- The Wellness Program was launched in October 2015 in 7 Clinics across the group. The program has been well received by existing customers.
- The other Clinics in the network will start offering the Wellness Program in November and December 2015.

	Annual Membership Price	Initial Payment	11 Monthly Direct Debit Payments
First Pet	\$430	\$100	\$30
10% Discount for all Additional Pets	\$387	\$100	\$26



# Operational Update

## *System Integrations*

- 19 Clinics are currently utilising the NVC practice management system (PMS). An additional 10 Clinics will be integrated with the same PMS before the end of January
- 50% of the Clinics have been integrated with our time and attendance system. The balance of the network will be utilising the same system before the end of January
- The benchmarking and KPI system is currently being tested and will be implemented in Clinics at the end of December
- All Clinics have been fully integrated with NVC's financial, HR, payroll and accounts payable systems

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# Operational Update

## *Training facility and supplier agreements*

- ***Training facility:***

- The management office is now located within the training facility (Centre of Excellence) located in QLD.
- The centre of excellence is expected to be operational by Feb 2016 and training will commence for NVC and non NVC staff members.

- ***Supplier agreements:***

- In August and September the Management Team met with over 25 suppliers to finalise agreements.
- All agreements have been signed in October and will be retrospective from August 2015.
- The majority of the suppliers have also committed to invest funds to help develop the Centre of Excellence.

# Operational Update

## *Clinic acquisition*

- ***Current portfolio:***

- 32 Clinics part of the Initial Portfolio were settled before September 1<sup>st</sup> (from August 5<sup>th</sup> to August 18<sup>th</sup> )
- One clinic was settled on September 4<sup>th</sup>
- The last clinic of the Initial Portfolio was settled on September 30<sup>th</sup>
- One clinic from the Initial Portfolio was not settled

- ***New acquisitions:***

- 1 new clinic was settled on October 8<sup>th</sup>. The new clinic is expected to deliver annualised revenue and EBIT of \$0.95m and \$0.19m respectively
- Several other sites are currently under valuation and negotiation

# NVC Management

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## Tomas Steenackers, Managing Director and Chief Executive Officer

- Tomas was previously the General Manager Specialty, Emergency & Pathology of Greencross Ltd.
- Tomas has strong pharmaceutical, retail and pathology sector experience including Senior Management roles with Mayne Pharma, Hospira, Covidien, and Terry White Management.



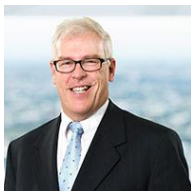
## Katherine Baker, Chief Financial Officer and Company Secretary

- Katherine is the CFO and Company Secretary of NVC.
- Prior to NVC, Katherine spent 5 years as Financial Controller at Greencross Limited, following a 7 year career in Chartered Accounting.



## Robert Skoda, Operations Manager (Queensland, New South Wales)

- Robert has experience in both the private and public sector in dynamic and difficult environments.
- Prior to NVC, Robert held the position of Group Area Manager for Greencross Ltd, which followed a project management and operations career with the Royal Australian Air Force.



## Darryl Cox, Operations Manager (Victoria, South Australia, Tasmania)

- Darryl is an accomplished professional with over 20 years' experience in achieving quality outcomes in a range of operating environments.
- Prior to NVC, Darryl was Operations Manager for Animal Hospitals Australia. Prior roles also include Practice Group Leader for Slater & Gordon Lawyers.



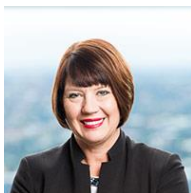
## Charles Foster, Chairman of Veterinary Advisory Committee

- Charles is a veterinarian with 30 years' experience. He is a Senior Fellow of the University of Melbourne, Chairman of the University of Melbourne Veterinary Clinical Hospital Board and has lectured at Massey University and University of Melbourne Veterinary Schools.
- He was previously the general manager of Animal Hospitals of Australia.



# NVC Board of Directors

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## Susan Forrester, Chair and Independent Non-Executive Director

- Susan has a significant blend of commercial, financial and legal management experience gained across public and private organisations.
- She is currently a Director of G8 Education Ltd (ASX:GEM), Xenith IP Ltd (ASX:XIP) and Over the Wire Ltd (ASX:OTW).



## Tomas Steenackers, Managing Director and Chief Executive Officer

- Tomas's profile is set out in the previous slide.



## Wesley Coote, Non-Executive Director

- Wesley is the former CFO of Greencross Ltd and played an integral role in growing the Company from a market cap of c.\$30m to over \$750m.
- Wesley previously worked in Chartered Accounting providing businesses advice to health, property & financial service industries.



## Stephen Coles, Independent Non-Executive Director

- Dr Coles was a Founding Executive Director of Greencross Ltd from June 2007 to January 2011.
- Dr Coles has been a Veterinary Specialist for over 35 years.
- He has owned and operated multiple practices in Melbourne before joining Greencross Ltd as one of the founding members.



## Alison Sherry, Independent Non-Executive Director

- Alison holds an MBA from University of Queensland, is a Fellow of the Australian Human Resources Institute (FAHRI) and a Member of the Australian Institute of Company Directors.
- Alison is currently an Executive team member at Ranbury as the General Manager of People Operations and a Board Director RSPCA Qld.

Term	Definition
<b>Adjusted EBITDA</b>	Pro-forma EBITDA in accordance with the replacement prospectus dated 23 July 2015 adjusted for the removal of one clinic from the Initial Portfolio that where settlement was not completed and for the clinic acquisition announced on 18 <sup>th</sup> of September and 8 <sup>th</sup> October respectively.
<b>Adjusted Revenue</b>	Pro-forma revenue in accordance with the replacement prospectus dated 23 July 2015 adjusted for the removal of one clinic from the Initial Portfolio that where settlement was not completed and for the clinic acquisition announced on 18 <sup>th</sup> of September and 8 <sup>th</sup> October respectively.
<b>Clinics</b>	General practice veterinary Clinics and businesses involved in veterinary services (including pet crematoria and emergency centres).
<b>Company or NVC</b>	National Veterinary Care Ltd ACN 009 027 178.
<b>EBITDA</b>	Earnings before interest, income tax, depreciation and amortisation.
<b>Initial Portfolio</b>	The portfolio of Clinics which NVC had entered into contracts to acquire, in accordance with the replacement prospectus dated 23 July 2015.
<b>Management</b>	the management team of National Veterinary Care.
<b>Wellness Program</b>	A client loyalty program providing discounted goods and services for an annual membership fee.