ASX Announcement No 11 NVL

29 February 2016

Media Release: 2016 Half-Year Results

- **Successful Initial Public Offering, raising $29.9 million**
- **$19m group revenue in H1 FY16 on target for Prospectus full year profit forecast**
- **EBITDA margin of 16.3% ahead of expectations**
- **Integration efficiencies to gain momentum in H2 FY16**
- **Growth strategy on target—three new clinics to join NVC**

Dear Shareholders,

On behalf of the board we are delighted to report on a sound first-half performance for National Veterinary Care Ltd (NVC; ASX: NVL) for the six months ended 31 December 2015.

It was a period of significant achievement: On 14 August 2015, the company raised $29.9 million in an Initial Public Offering (IPO) and was admitted to the Australian Securities Exchange (ASX); and between August and October 2015 the company successfully completed the acquisition of 35 veterinary clinics. We are pleased to announce today that Business Sale Agreements have been signed with an additional three veterinary clinics, which are expected to settle in the third quarter. Together with the organic growth being achieved through our integration program of existing clinics, our ongoing growth strategy continues to deliver results.

Acquisitions

National Veterinary Care Limited (NVL) is pleased to announce the acquisition of 3 veterinary clinics in Brisbane due to be settled before 30 April 2016. These acquisitions are contingent on final due diligence and lease assignments.

Total cash consideration to be paid for these acquisitions equals $1.54mill. Combined these clinics are expected to deliver annualised revenue and EBIT of $2.38mill and $0.39mill respectively. The acquisitions are expected to be earnings per share accretive in the 2015 fiscal year and will be funded through free cash.

Financial Performance

Our first half-year of trading saw solid financial performance in line with expectations. We are pleased to report that the company is on target to achieve the prospectus forecasts dated 23 July 2015 for the full-year ended 30 June 2016.

The company reported sales of $19.0 million for the six months ending 31 December 2015, and an underlying net profit after tax and non-controlling interests of $1.8 million (statutory loss of $0.3 million). This result reflects the short ownership period of the income-generating businesses coupled with the one-off costs associated with the IPO and the associated acquisitions.

National Veterinary Care
Excellence in Vet Care

$'000's	Statutory 1HFY16	Underlying 1HFY16 [1]
Revenue	19,048	19,048
Gross Profit	14,597	14,597
EBITDA [3]	488	3,113
EBIT [3]	290	2,915
NPBT [3]	(32)	2,593
Net Debt	12,429	12,429
Net Operating Cash Flows	5,389	7,639

1. Underlying results exclude $2.6m of one-off acquisition, restructuring and development costs
2. Pro Forma FY16 forecast result is prepared on the assumption that all clinics have been held for the full financial year adjusted for the inclusion of the acquisition made in October 2015 and for the removal of the clinic not settled from the initial portfolio
3. All EBITDA, EBIT and NPBT figures are exclusive of non-controlling interests

Integration

Significant progress has been made in integrating the back office functions of the group's 35 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 gain momentum in the second half of 2016.

Our Wellness Program was introduced into seven trial clinics in late October 2015 and has been well received, with more than 820 members joining the program for the period ended 31 December 2015.

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. The Practice Management System implementation is now forecast to be completed at the beginning of the fourth quarter. There are three clinics yet to be converted onto the integrated Practice Management System from the initial portfolio.

Strategy and Future Performance

NVL's key growth strategy is to expand the portfolio of clinics through acquisition and to drive organic growth at a clinic level. Organic revenue growth will be driven through the introduction of key initiatives, including:

- Expansion of the Wellness Program;
- Ensuring consistent standards of veterinary care;
- Targeted local marketing strategies;
- Professional development and training for all employees; and
- Providing broader services such as more complex procedures to retain work that otherwise may be referred outside of the NVC group.

We expect the second half of 2016 to continue the strong performance seen in the first half. Furthermore, with closing cash at bank at 31 December 2015 being $5.6m, and $9.3m still available in the current debt facility, the company is well positioned to continue its growth through further acquisition opportunities.

Dividend Policy

As noted in the Prospectus, no interim dividend has been declared, and nor do we expect to declare a final dividend in respect of FY16 as franking credits will not be available.

National Veterinary Care

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Our People

We wish to make special mention of all of our professional and committed team members and thank them for their commitment and tenacity during this intense period of integration.

We look forward to reporting our further progress to you during 2016.

Susan Forrester
Chairman

Tomas Steenackers
Managing Director

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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 35 practices 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.

<u>For further information please contact:</u>

Ms Katherine Baker
CFO & Company Secretary
National Veterinary Care Limited
1300 682 838