

# EBOS Group Ltd

## Results presentation for the Full Year ended 30 June 2015

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26 August 2015



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The information contained in this presentation should be considered in conjunction with the audited consolidated financial statements for the year ended 30 June 2015.

All currency amounts are in New Zealand dollars unless stated otherwise.



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# Group Financial Results

# FY15 Summary Results

## Total Revenue



**\$6.1b**

Up 5.4% (+7.2% Constant FX)

## Operating Cash Flow



**\$133.8m**

Up 17.2%

## Total EBITDA



**\$196.7m**

Up 12.1% (+14.2% Constant FX)

## Earnings per share



**70.8c**

Up 12.7% (+14.6% Constant FX)

## Total NPAT



**\$105.9m**

Up 15.1% (+16.9% Constant FX)

## Total Dividends per share



**47.0c**

Up 14.6%

# Key FY15 Highlights

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## Record Financial Results

- Revenue – \$6.1 billion
- EBITDA – \$196.7 million
- Operating cash flow – \$133.8 million
- EPS – 70.8c

## Continued Strategic Investment across the Business of \$79.3m

- Acquisition of BlackHawk premium pet food business.
- Strategic 25% equity investment in Good Price Pharmacy Warehouse (GPPW).
- Opening of new Keysborough distribution facility in Melbourne.

## Strong Capital Management

- Final dividend of 25.0 cps. Full year dividends of 47.0 cps, up 14.6% on prior year.
- Industry leading cash conversion cycle of 24 days.
- ROCE up 90bps to 13.7%.

# Strong Full Year financial performance

NZ\$m	FY15	FY14	Var	Constant FX Var
Revenue <sup>1</sup>	6,068.1	5,757.2	5.4%	7.2%
Gross Operating Revenue <sup>1</sup>	600.2	565.9	6.0%	7.8%
EBITDA <sup>1</sup>	196.7	175.4	12.1%	14.2%
EBIT <sup>1</sup>	172.6	152.8	12.9%	15.0%
Net Finance Costs <sup>1</sup>	21.9	27.1	(19.0%)	(17.7%)
Profit Before Tax	150.7	125.8	19.8%	22.0%
<b>Net Profit After Tax</b>	<b>105.9</b>	<b>92.1</b>	<b>15.1%</b>	<b>16.9%</b>
EBITDA%	3.24%	3.05%	19pts	
Operating Cash Flow	133.8	114.2	17.2%	
EPS - cps	70.8	62.8	12.7%	14.6%
Net Debt : EBITDA	1.6x	1.8x	0.2x	
ROCE	13.7%	12.8%	0.9%	

- Full Year Group Revenue increase of \$310.9m or 7.2% (constant FX):
  - Healthcare up 6.8%.
  - Animal Care up 12.7%.
- EBITDA increase of \$21.3m or 14.2% (constant FX):
  - Healthcare up 13.1%.
  - Animal Care up 27.9%.
- Net Finance Costs reduced by \$5.2m or 17.7% (constant FX).
- NPAT increase of \$13.8m or 16.9% (constant FX).
- EPS growth of 14.6% (constant FX).
- Appreciation of the NZD v AUD of 2.2c in FY15 compared to FY14, negatively impacted EBITDA by approximately \$3.9m.

(1) Interest revenue for FY15 is classified in Net finance costs. Comparative information has been restated. Interest revenue was \$2.3m in FY15 and \$2.8m in FY14.

# EBOS Group Business Overview

Our trans Tasman market channels are delivering strong organic growth

	HEALTHCARE			ANIMAL CARE			EBOS GROUP
	Community Pharmacy			Institutional Healthcare	Contract Logistics	Pet Care and Veterinary	
	Pharmacy Wholesale	Pharmacy Retail	Consumer Products				
	  	     	  	     	  	    	
FY15 GOR \$	265.6m	36.9m	25.8m	120.8m	54.2m	96.9m	600.2m
FY14 GOR \$ (Constant FX)	246.1m	34.0m	24.9m	114.3m	50.6m	86.6m	556.5m
Growth \$	19.5m	2.9m	0.9m	6.5m	3.6m	10.3m	43.7m
Growth %	<b>+7.9%</b>	<b>+8.4%</b>	<b>+3.8%</b>	<b>+5.7%</b>	<b>+7.1%</b>	<b>+12.0%</b>	<b>+7.8%</b>

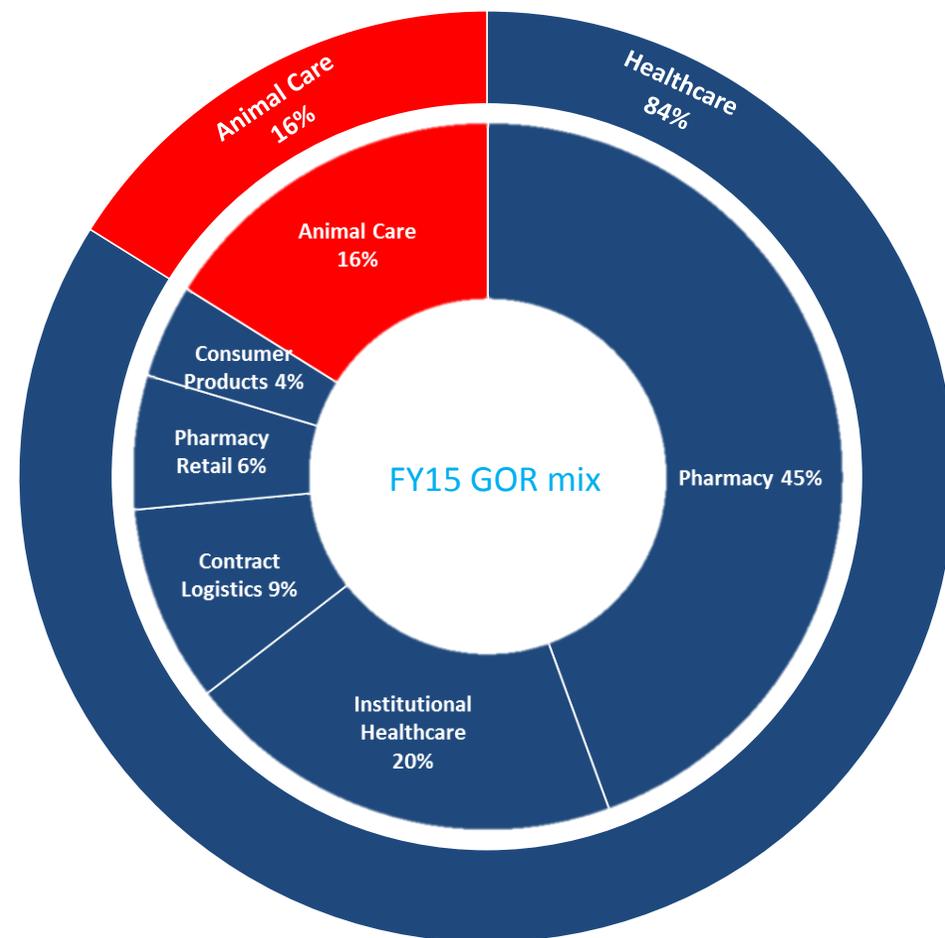
# Segment earnings and GOR mix

## EBITDA by segment

NZ\$m	FY15	FY14	Var	Constant FX Var
Healthcare	170.2	153.1	11.2%	13.1%
Animal Care	37.1	29.4	26.1%	27.9%
Corporate	(10.6)	(7.1)	(49.9%)	(47.6%)
<b>Group</b>	<b>196.7</b>	<b>175.4</b>	<b>12.1%</b>	<b>14.2%</b>

- Gross Operating Revenue mix by division has remained stable over the year.
- FY15 Corporate costs reflect the new management structure effective 1 July 2014.

## Gross Operating Revenue (GOR) FY15





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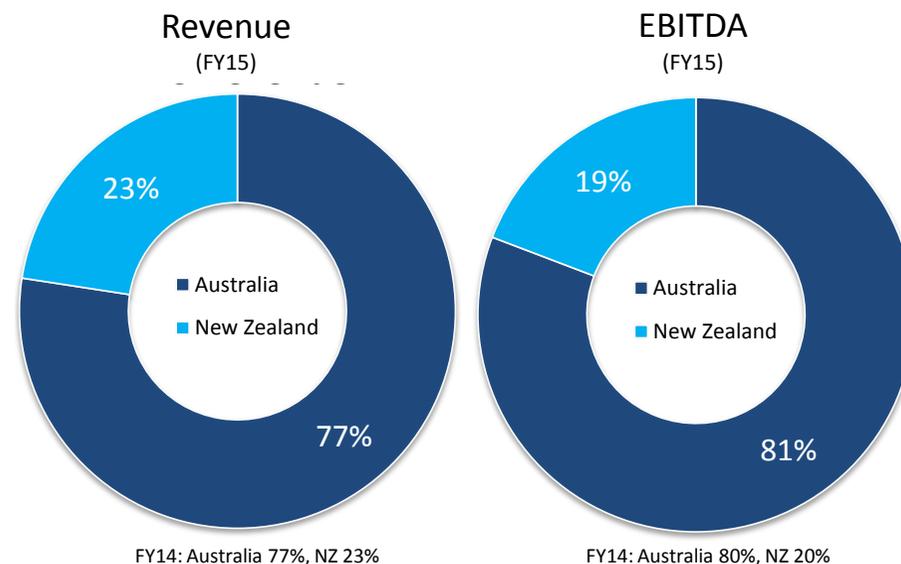
## Healthcare Results

# Healthcare segment

## Significant increases in Revenue, EBITDA and margins

NZ\$m	FY15	FY14	Var	Constant FX Var
<b>Healthcare segment</b>				
Revenue	5,692.9	5,418.4	5.1%	6.8%
EBITDA	170.2	153.1	11.2%	13.1%
EBIT	149.7	134.0	11.8%	13.7%
EBITDA%	2.99%	2.82%	17pts	17pts
<b>Australia</b>				
Revenue	4,408.4	4,195.9	5.1%	7.4%
EBITDA	137.5	122.9	11.9%	14.4%
EBIT	119.3	106.4	12.1%	14.5%
EBITDA%	3.12%	2.93%	19pts	19pts
<b>New Zealand</b>				
Revenue	1,284.5	1,222.4	5.1%	
EBITDA	32.7	30.2	8.1%	
EBIT	30.4	27.5	10.5%	
EBITDA%	2.54%	2.47%	7pts	

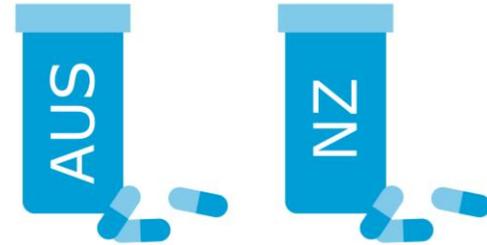
- Revenue increase of \$274.5m or 6.8% (constant FX):
  - Australia up 7.4%.
  - New Zealand up 5.1%.
- EBITDA increase of \$17.1m or 13.1% (constant FX):
  - Australia up 14.4%.
  - New Zealand up 8.1%.



# Healthcare segment

## Full Year Performance Overview

### Community Pharmacy - Pharmacy Wholesale



- Pharmacy sales in Australia grew 5.5% to LY (constant FX), attributable to customer growth and new wholesale business including GPPW.



- Our investment in GPPW has delivered sales and profit contribution above expectations.
- Successful go-live of new Keysborough distribution facility in Melbourne which is achieving productivity levels 40% higher than the average of other Australian sites.



- The 6<sup>th</sup> Community Pharmacy Agreement is effective 1 July 2015. Funding and industry regulation is largely unchanged, including the maintenance of the CSO funding pool for eligible wholesalers.



PHARMACY WHOLESALERS RUSSELLS

- Pharmacy sales in New Zealand grew by 5.3% and the division maintained it's leading market share.

# Healthcare segment

## Full Year Performance Overview (continued)



### Community Pharmacy – Pharmacy Retail



- Chemmart opened 37 new stores in FY15 with membership now at 337 stores.



- Pharmacy Choice, our independent offer to Australian Pharmacies, increased membership to 778 stores.



- In FY15, Symbion launched Healthsave, a new banner designed for community pharmacy. There are 25 Healthsave stores trading today.



- In FY15, Minfos strengthened its position as a leading all-in-one management software company to the Australian Pharmacy market and now has over 850 customers.

### Community Pharmacy – Consumer Products: Endeavour Consumer Health



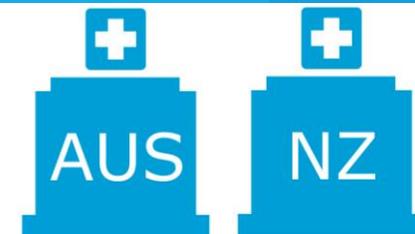
- Sales growth was achieved across our brands including Faulding (+29%), Pharmacy Choice (+9.8%) and Chemmart (+6.8%).



- Faulding launched a number of new SKU's throughout FY15 and has recently expanded into New Zealand.

# Healthcare segment

## Full Year Performance Overview (continued)



### Institutional Healthcare

- EBOS continues to expand its position as a specialised, unique and essential partner across a number of areas of Institutional Healthcare in Australia and New Zealand, primarily in hospitals, aged care and primary care.



- Symbion Hospital Services business maintained its market leading position and recorded very strong full year sales growth of 8.9%.



- The EBOS Healthcare business across Australia and New Zealand delivered strong sales growth on the prior year, assisted by improved International sales performance.



- In FY15, Onelink was awarded the NSW Health medical consumables warehousing and distribution contract, reinforcing our position as a proven and trusted partner for Government. Operations are on track to commence in November 2015.



- The Australian personalised medication management business, DoseAid, significantly improved its operational performance and profitability in FY15. With additional funding to Pharmacists for Dose Administration Aids (DAA's) in the 6<sup>th</sup> CPA, DoseAid is well positioned for further growth.



# Healthcare segment

## Full Year Performance Overview (continued)



### Healthcare Contract Logistics

- Strong performance across both New Zealand and Australia, with GOR increasing 7.1% from increased activity with pharmaceutical manufacturers.
- Healthcare Logistics (NZ) maintained its leading market share position and combined with cost management, grew earnings over the period.
- Our NSW (Australia) facility was awarded the GMP level TGA licence in February 2015 and is steadily building its revenue base. This will result in further opportunities for customer growth.





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## Animal Care Results

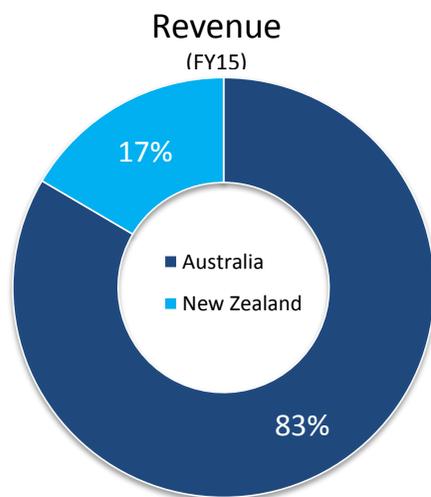
Left: Monash Veterinary Clinic, a customer of Lyppard (Victoria, Australia)  
Right: Selection of Animal Care products.

# Animal Care segment

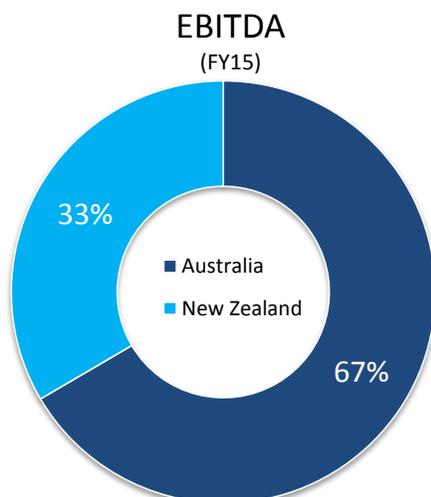
## BlackHawk drives the significant increase in Revenue and earnings

NZ\$m	FY15	FY14	Var	Constant FX Var
<b>Animal Care segment</b>				
Revenue	375.2	338.9	10.7%	12.7%
EBITDA	37.1	29.4	26.1%	27.9%
EBIT	33.5	25.9	29.0%	30.7%
EBITDA%	9.89%	8.68%	121pts	118pts

- Revenue increase of \$36.3m or 12.7% (constant FX) primarily from growth of branded products (including BlackHawk) and wholesale operations (Lyppard).
- EBITDA increase of \$7.7m or 27.9% (constant FX) attributable to:
  - revenue growth;
  - BlackHawk contribution (8 months); and
  - higher contribution from our Animates NZ joint venture.



FY14: Australia 82%, NZ 18%



FY14: Australia 62%, NZ 38%

# Animal Care segment

## Full Year Performance Overview



- The acquisition of BlackHawk has been a successful entry into the premium food market in Australia and compliments our strategy of developing and growing our own brands. There continues to be very strong support for the brand in the pet specialty and retail market and sales continue to grow and track above expectation.



- Masterpet delivered strong revenue growth in FY15 with Vitapet sales increasing by 8.2% (constant FX).



- Lyppard revenue increased 5.7% primarily from growth in major vet groups.



- EBOS' JV share of Animates net profit increased \$0.6m (44%) on LY from like-for-like store sales growth, the opening of three new stores and the acquisition of three Wellington based vet clinics.





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## Group Financial Information

A-Frame automatic picking system  
Symbion Keysborough facility  
(Victoria, Australia)

# Cash Flow

EBOS has an excellent portfolio of strong cash generating businesses

NZ\$m	FY15	FY14	Var\$	Var%
<b>EBITDA</b>	<b>196.7</b>	<b>175.4</b>	<b>21.3</b>	<b>12.1%</b>
Interest paid	(21.9)	(27.1)	5.2	19.2%
Tax paid	(53.0)	(29.6)	(23.4)	(78.8%)
Net working capital and other movements	12.0	(4.6)	16.6	360.9%
<b>Cash from Operating activities</b>	<b>133.8</b>	<b>114.2</b>	<b>19.6</b>	<b>17.2%</b>
Capital expenditure (net)	(14.5)	(30.5)	16.0	52.4%
<b>Free Cash Flow</b>	<b>119.3</b>	<b>83.7</b>	<b>35.6</b>	<b>42.5%</b>

- Focus on tight working capital management led to record Operating cash flow of \$133.8m being generated in FY15.
- Tax paid of \$53.0m is \$23.4m higher than last year due to the prior year being unusually low as a result of the Symbion acquisition.
- Capex in FY15 includes \$7.8m for the new Melbourne distribution centre (FY14: \$20.6m).

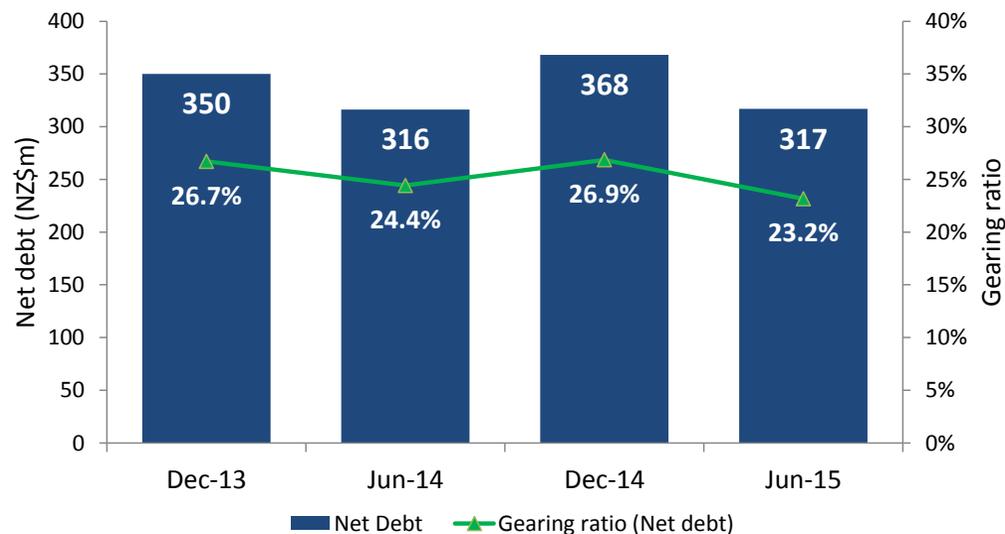
# Working Capital and Cash Conversion

Industry leading cash conversion cycle of 24 days

	Jun-15	Dec-14	Jun-14
<b>Net Working Capital (NZ\$m)</b>			
Trade receivables	787.9	773.4	687.3
Inventories	518.3	515.4	491.6
Trade creditors	(871.1)	(855.0)	(775.8)
Other	(105.3)	(87.6)	(69.7)
<b>Net Working Capital</b>	<b>329.8</b>	<b>346.2</b>	<b>333.4</b>
<b>Cash conversion days</b>			
Debtor days	47	46	45
Inventory days	35	34	35
Creditor days	58	56	55
<b>Cash conversion days</b>	<b>24</b>	<b>24</b>	<b>25</b>

- Strong working capital management disciplines are a key focus of the group.
- Cash conversion cycle of 24 days remains industry leading.
- Key ratios are consistent with prior periods.
- Compared to June 2014, the closing FX rate negatively impacted cash conversion days by 1 day at June 2015.

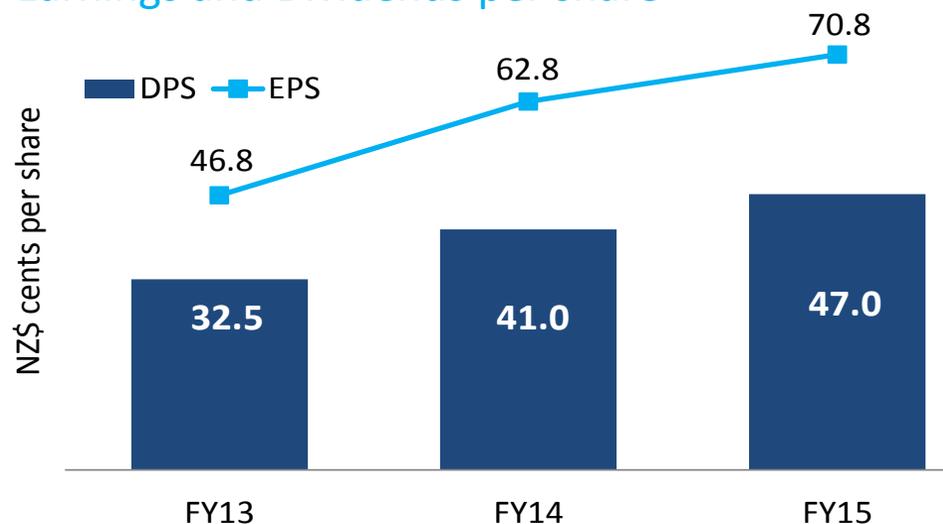
# Net Debt and Gearing



- Net Debt of \$316.9m at June 2015.
- Net Debt : EBITDA reduced to 1.6x at June 2015 (1.8x at June 2014).
- Reduction in the Gearing ratio from 24.4% at June 2014 to 23.2% at June 2015.
- Interest cover increased to 9.0x at Jun-15 (6.5x at June 2014).
- Net finance costs reduced by \$5.2m or 17.7% (constant FX).
- Ample headroom available in debt facilities to undertake further acquisitions.

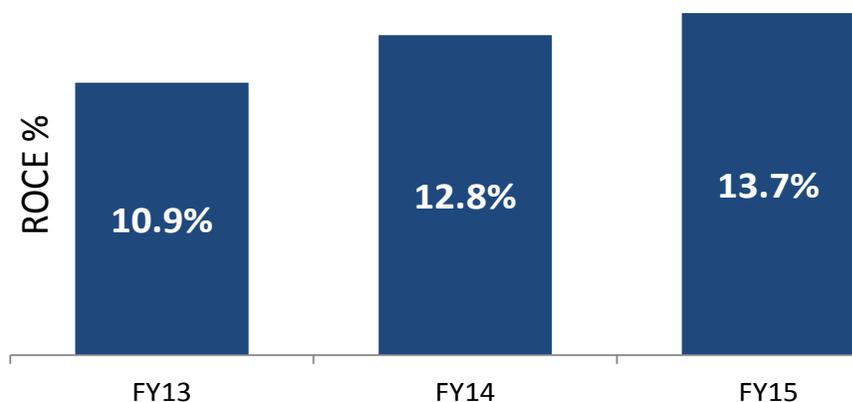
# Earnings and Dividends per Share, ROCE

## Earnings and Dividends per share



- EPS growth of 12.7% (14.6% constant FX) in FY15 following a 34% increase in FY14.
- Final dividend of 25.0 cents (imputed to 25%), an increase of 4.5 cents or 22% from FY14.
- Full year dividends of 47.0 cents, up 14.6% on LY.
- Dividend payout ratio of 67%.
- Board's intention for subsequent dividends for Australian shareholders to be fully franked.

## Return on Capital Employed



- Return on Capital Employed of 13.7% at June 2015, an increase of 90bps from June 2014.

# Foreign exchange

Appreciation of the NZD negatively impacted NZD EBITDA by \$3.9m

## Revenue and EBITDA by currency

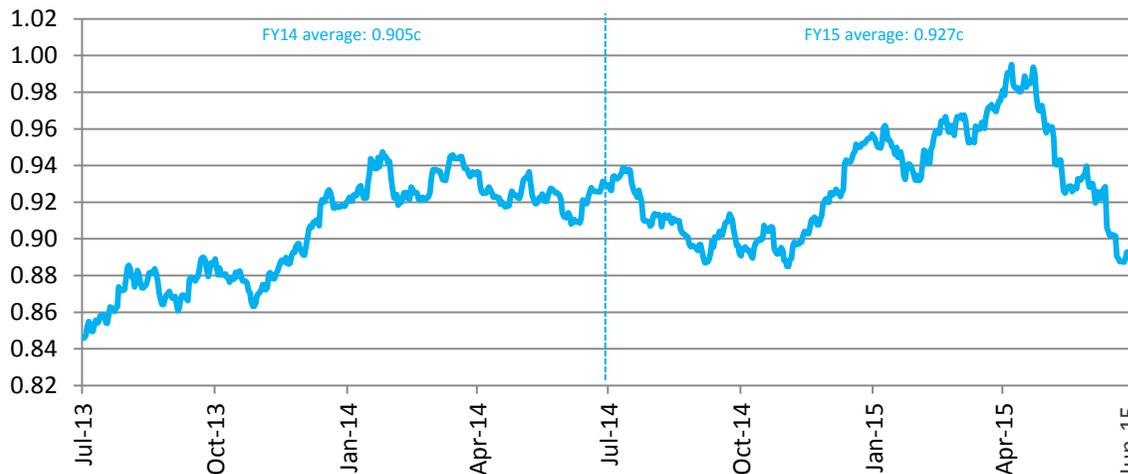
\$m	AUD Operations AUD	Average NZD: AUD translation	AUD Operations NZD	NZ Operations NZD	Group Consolidated NZD
<b>FY15</b>					
Revenue	4,378.5	0.927	4,721.6	1,346.5	<b>6,068.1</b>
EBITDA	147.0	0.927	158.5	38.2	<b>196.7</b>
EBITDA%	3.36%		3.36%	2.83%	<b>3.24%</b>

- 81% of the Group's earnings (EBITDA) are generated in AUD.

- The average NZD:AUD FX rate for FY15 increased by 2.2 cents from last year, impacting the Group's FY15 EBITDA by approximately \$3.9m.

- EBITDA sensitivity to a 1 cent movement in NZD:AUD exchange rate is approximately \$1.8m per annum.

## NZD:AUD exchange rate – July 2013 to June 2015





# Summary and Outlook

DoseAid automated technology and medication management solutions (Queensland, Australia)

# Summary

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- In FY15, EBOS has strengthened its position as the largest diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products. EBOS is also a leading Australasian animal care products distributor which was further strengthened by the acquisition of BlackHawk.
- EBOS continues to be best in class with a truly diversified earnings profile, higher margins, superior working capital management and cash flow.
- EBOS has the experience in successfully adapting to changing regulatory backdrops in both Australia and New Zealand and also has numerous growth opportunities across its portfolio, both organic and via acquisition.

# Looking Forward

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## Investment for Growth

- Many organic growth opportunities still exist to strengthen existing business units today.
- We remain active in assessing a number of M&A opportunities that will add to the strength of our business and improve shareholder returns.
- The reliability and strength of our cash flows provides us with the capital to undertake our M&A strategy.

## Deliver Improving Shareholder Returns

- Continue to improve earnings and drive EPS growth.
- Dividend policy, including DRP to continue for the final June 2015 dividend. Operation of the DRP is under review for future dividends.

## FY16 Outlook

- We see continued growth in our business across both Healthcare and Animal Care into FY16 on a constant currency basis. A performance update will be provided at the Annual Meeting on 27 October 2015.



# Supporting Information

# Glossary of terms and measures

Except where noted, common terms and measures used in this document are based upon the following definitions:

Term	Definition
Actual results	Results translated into NZ dollars at the applicable actual monthly exchange rates ruling in each period.
Constant FX/currency	Calculated by translating the prior period results into NZ dollars at the actual monthly exchange rates applicable in the current period.
Debtor days	Trade debtors at the end of period divided by Revenue for the period, multiplied by number of days in the period.
Inventory days	Inventory at the end of period divided by Cost of Sales for the period, multiplied by number of days in the period.
Creditor days	Trade creditors at the end of period divided by Cost of Sales for the period, multiplied by number of days in the period.
Cash conversion cycle	Net working capital days, being Debtor days plus Inventory days less Creditor days.
Revenue	Revenue from the sale of goods and the rendering of services.
Gross Operating Revenue (GOR)	Revenue less cost of sales and the write-down of inventory
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Free Cash Flow	Cash from operations less capital expenditure net of proceeds from disposals.
Earnings per share (EPS)	Profit after tax divided by the weighted average number of shares on issue during the period.
Net Debt : EBITDA	Ratio of net debt at period end to EBITDA.
Return on Capital Employed (ROCE)	Measured as earnings before interest, tax and amortisation of finite life intangibles for the period divided by closing capital employed (including a pro-rata adjustment for entities acquired).

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