

23 August 2018

MARKET RELEASE

NZX/ASX Code: EBO

EBOS delivers record 2018 earnings

EBOS Group today announced a record financial performance for the 2018 financial year delivering net profit after tax of \$149.6 million. The results reflect a year of strong organic growth combined with the added benefit of a number of strategic acquisitions.

Financial Highlights

- Group revenue stable at \$7.6 billion
- EBITDA growth of 16.2% (+10.3% underlying, constant currency basis)
- Net Profit after Tax up 12.2% (+5.5% underlying, constant currency basis)
- Strong Operating Cashflow before capital expenditure of \$176.2 million (+\$32.2 million)
- Earnings per Share growth of 12.1% (+5.4% underlying, constant currency basis)
- Net Debt to EBITDA of 1.74x (last year 1.79x)

Summary of Results

New Zealand Dollars ¹	30 June 2018 (audited)	Growth (actual FX)	Growth (constant FX)
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Statutory Results

Total Revenue	\$7.6 billion	-0.2%	-2.5%
EBITDA	\$272.4 million	+16.2%	+13.6%
Net Profit after Tax (NPAT)²	\$149.6 million	+12.2%	+9.7%
Earnings per Share (EPS)	98.5 cents	+12.1%	+9.6%

Underlying Results³

Underlying EBITDA³	\$272.4 million	+12.8%	+10.3%
Underlying NPAT³	\$149.6 million	+7.9%	+5.5%
Underlying EPS³	98.5 cents	+7.8%	+5.4%

¹ All amounts are denoted in New Zealand dollars unless otherwise stated.

² Net Profit after tax and after non-controlling interests

³ Underlying results in FY17 exclude \$7.0 million (\$5.3 million after tax and non-controlling interests) of transaction costs incurred on acquisitions undertaken in FY17.

“We are pleased to once again report strong financial results. We have delivered underlying, constant currency EBITDA growth slightly ahead of our guidance to the market. The financial results, combined with strong free cash flow reflect a consistent positive momentum across both our Healthcare and Animal Care businesses”, said CEO, John Cullity.

“During the 2018 financial year we have fully transitioned HPS into the Group, further expanding our position in the Institutional Healthcare market. In October 2017, we acquired a strategic 14.1% shareholding in MedAdvisor Ltd, an Australian digital medication management company and in March 2018, we acquired one of New Zealand’s leading footcare consumer brands, Gran’s Remedy.

“Of equal importance to our M&A activity is the organic growth we are seeing across our diversified portfolio. FY18 has been a strong year for our Animal Care business. In July 2017, we exited a long-standing agency contract to focus on launching our own brand, Black Hawk, into New Zealand. The brand is performing ahead of expectations and receiving strong support from our New Zealand retail partners and customers.

“In Healthcare, Red Seal continues to perform well in New Zealand and is recording strong growth rates in international markets. The rebranding of approximately 400 Terry White Chemmart retail pharmacies has also now been completed.”, Mr Cullity said.

“Our major capital projects in both Australia and New Zealand have all seen excellent progress over the period. The new Christchurch and Sydney Contract Logistics facilities are now operational and our new Brisbane distribution facility is progressing on time and on budget. These investments are a key part of our strategy to provide the most efficient warehousing and distribution facilities for our expanding portfolio of businesses.”

Segment overview

Healthcare

Healthcare	30 June 2018 (audited)	Growth (actual FX)	Growth (constant FX)
Total Revenue	\$7.2 billion	-0.1%	-2.3%
EBITDA	\$235.9 million	+13.0%	+10.4%

In Australia, revenues declined 4.4% (\$260 million) although EBITDA grew 11.9% (constant currency basis). The revenue decline was driven by a \$364m reduction in hepatitis C medicine sales. Excluding this impact, sales revenue increased by \$103.8 million or +2.1%. EBITDA growth was assisted by the full year contribution of HPS which is performing solidly and in-line with expectations.

In the Community Pharmacy business, revenue growth (excluding hepatitis C medicines and acquisitions) of 1.4% was moderate due to the on-going impact of PBS reforms. Sales in the non-prescription over-the-counter (OTC) channel were marginally above last year which reflects challenging retail environments. The business continues to generate efficiency savings from its previous capital

investments and has a renewed focus on reducing operating costs in the current deflationary price environment.

EBOS maintained its market leading positions in both the Australian and New Zealand Institutional markets delivering further earnings growth. Total revenue declined 3.7% (constant currency basis) driven by lower hepatitis C medicines sales. Excluding hepatitis C medicines and acquisitions, underlying sales growth was +2.9%.

The New Zealand Healthcare operations again delivered a solid performance over the period with revenue increasing 6.2% and EBITDA increasing 4.6%.

The Group's Consumer Products division recorded solid revenue growth of 11.1%, principally driven by Red Seal's strong New Zealand performance in toothpastes, teas and supplements and the acquisition of Gran's Remedy in March 2018.

Animal Care

Animal Care	30 June 2018 (audited)	Growth (actual FX)	Growth (constant FX)
Total Revenue	\$411.9 million	-2.7%	-5.1%
EBITDA	\$49.8 million	+11.3%	+9.0%

The Animal Care segment recorded 11.3% EBITDA growth (+9.0% constant currency basis) for the year as the business continues to benefit from excellent growth in our branded products, with annual Black Hawk sales in Australia up 23%. Black Hawk continues to be one of Australia's fastest growing premium pet food brands with a leading market position in the pet specialty retail channel.

Total Animal Care revenue declined for the year principally due to the business ceasing sales of low-margin wholesale products to a major Australian retail chain and discontinuing sales of other products upon the introduction of Black Hawk into New Zealand. The business has strategically realigned its focus on developing its own brands to drive greater margin and shareholder value.

Operating Cash Flow, Net Debt and Return on Capital Employed

Very strong annual operating cash flow (before capex) of \$176.2 million was achieved representing an increase of \$32.2 million on the prior year. As a result, the Group's Net Debt/EBITDA ratio at 30 June 2018 improved to 1.74x.

Return on Capital Employed of 15.8% was down slightly on the prior year (16.4%) due to a higher investment in net working capital and the cost of the recently acquired HPS business. The Group's strategy continues to include a strong focus on M&A for both its Healthcare and Animal care businesses and recognises that the initial returns from acquisitions may not exceed the Group's threshold ROCE target in the first year post acquisition.

Capital expenditure for the period was \$63.2 million, with \$24.6 million spent on the new highly automated distribution facility in Brisbane, Queensland and \$14.6 million on the new contract logistics facility in Sydney, New South Wales. The contract logistics facility became operational in June 2018 and the new Brisbane distribution facility is expected to commence operations in the first half of FY2019.

During the year, EBOS undertook a number of initiatives to strengthen its debt arrangements including the commencement of a three-year A\$400m securitisation facility which expires in January 2021. The Group also refinanced a number of its term debt facilities (~\$350 million) to extend their tenor. The weighted average maturity of our term debt facilities is 4.1 years and the weighted average maturity for all debt facilities is 3.4 years.

Change in presentation currency for 2019

With ~82% of the Group's earnings now generated in Australia, the statutory results continue to be significantly impacted by movements in the NZD/AUD exchange rate. In order to reduce this volatility for future periods, the Board has decided to change the Group's presentation currency from New Zealand dollars to Australian dollars, effective 1 July 2018.

Final Dividend

The Directors are pleased to announce a final dividend of 35.5 cents per share which takes full year dividends to 68.5 cents per share, an increase of 8.7% on the prior year.

The record date for the final dividend will be 28 September 2018 and the dividend will be paid on 12 October 2018. The final dividend will again be imputed to 25% for New Zealand tax resident shareholders and fully franked for Australian tax resident shareholders.

Outlook

EBOS Group has recorded a strong financial performance in FY18 and the Group is confident of further profit growth into FY19 on an underlying, constant currency basis.

A performance update will be provided to shareholders at the Annual Meeting on 16 October 2018.

For further information, please contact:

Media:

New Zealand

Geoff Senescall, Senescall Akers
+64 21 481 234

Investor Relations:

Mark Connell
Investor Relations Manager, EBOS Group Ltd
+61 402 995 519

Australia:

James Aanensen
PRX
+61 410 518 590

Final Financial Results Presentation webcast link:

<https://edge.media-server.com/m6/p/mgiqok72>

About EBOS Group

EBOS Group Limited NZBN 9429031998840 (NZX/ASX Code: EBO) is the largest and most diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products. It is also a leading Australasian animal care brand owner, product marketer and distributor.