



EBOS Group Limited Chairman's Address to the Annual Meeting 27 October 2015

Introduction

It is hard to believe that today is the last time I will address you at the EBOS Annual Meeting. The last 12 years have passed very quickly, and so much has happened and so much has changed, but more of that shortly.

2015 has been an interesting year for Australasian corporates, of which we are well and truly one, along with Fletcher Building, Chorus, Spark and others:

- the economy of NZ and Australia's largest trading partner, China, coming off the boil;
- in Australia the fourth Prime Minister in 5 years;
- the Trans-Pacific Partnership being successfully negotiated if not yet signed; and
- England, host of the World Cup, being knocked out by Australia...irrelevant but I just had to mention it!

2014 marked the first year of big changes for EBOS at Management level with Mark stepping aside in favour of Patrick; this year the changes are with the Board, as the Board have now elected Mark to take over from me as Chairman after this meeting.

Discussion on 2015

As your Chairman for the last 12 years, I have had a fair bit to say at these meetings, and as both Patrick and Mark have yet to speak, I will restrain myself to some headlines on another great performance in 2015, and a brief retrospective on my time on the Board and as Chairman.

First, we can safely say that the addition of Symbion to the EBOS Group of companies has been an unqualified success, with another year of increased earnings and dividends, a share price which touched \$14.00 just a few days ago, and a smoothly functioning management team on both sides of the Tasman.

2015 saw revenue reach \$6.1billion, and Net Profit after Tax of \$106million, with the bonus of an increase in earnings per share of 12.7% to 70.8 cents, and a 17.2% increase in operating cash flow to \$133.8million.

These results enabled us to increase our dividend for the year to 47 cents per share, and acquire BlackHawk.

2000 -2015 A Retrospective

As you all know EBOS has been around a long time, since 1922 in fact, and was listed on the NZX in 1960, becoming EBOS Group in 1986.

My first encounter with EBOS and Mark, came about in 2000, ironically as a result of EBOS acquiring Medic Corporation, a subsidiary of an investment company of which I was Chief Executive. Part of the settlement was in EBOS shares, and as a result I became a director, and subsequently took over from Philip Burdon as Chairman in 2003.

In 2000, total revenues were only \$81million and NPAT \$4.3million, which was the starting point of what has been 15 years of relentless growth, largely by acquisition.

Some of the highlights were:

- Health Support Ltd., completed in 2002 which was the forerunner of Onelink;
- Vernun Carus in 2004;
- Global Science in NZ, and Quantum Scientific in Australia in 2005, which, with Medic, put us squarely in the Scientific business;
- Vital Healthcare and Tasmad in Australia in 2006;
- Propharma in 2007 propelling revenues to \$1bn in 2008; and
- 2010 – 2011 saw big changes, with the divestment of our Scientific businesses to a major multinational at a very healthy profit, paving the way for the acquisition of Masterpet Corporation in 2012 for \$105million. This was our largest ever investment, but was small change compared with what followed in 2013 with the \$1.1billion purchase of Symbion Ltd from the Zuellig Group, increasing revenues to over \$5billion and making EBOS the leading player in the Healthcare wholesale and distribution business in Australasia.

Sometimes, like now, I look back and ask myself, “how did we do that?”

The rest is recent history, with our latest purchase of Blackhawk already making a healthy contribution to our bottom line.

15 years is a fair old time to be on a Board, but Mark’s 27 years as Managing Director dwarfs that. Suffice to say that longevity in office is something of a hallmark for EBOS, in contrast to the conventional wisdoms, and most other companies.

But then EBOS is not a conventional company, and never has been. How many other NZX, let alone ASX, companies have grown from \$80million to over \$6billion in just one and a half decades?

Our approach to mergers and acquisitions is also unconventional; and as a reminder, and as I detailed at last year’s Annual Meeting, we follow a structured approach as a Board:

- we work strategically and relentlessly on an extensive opportunity pipeline which we review at every meeting;

- we are non-confrontational, and this pays dividends, as, more often than not, we continue with the management team we acquire, along with the business;
- we only buy good companies at sensible multiples;
- we always aim to be Number 1 or Number 2 in the sectors in which we operate; and
- we put huge emphasis on the post-deal integration of the businesses we acquire.

The main job of any Board is first to pick the right CEO, and then support them. It is then up to the Chairman to manage the Board.

I think the EBOS Board has got the first of these things right. I will leave it to others to judge me on the second.

With our track record of acquisitions over that time you can imagine that the Board was pretty busy with evaluating and approving them, not to mention governance of the ongoing business, or “business as usual” as it is often described.

For the record I have worked with 13 directors over the time I have had on the Board, three of whom, Peter Kraus, Mark and Barry, are still with us here today. Liz and Sarah are not far behind having been with us for 12 and 9 years respectively.

As you can imagine, Chairmen have an interesting relationship with their directors. They have to know their individual strengths, be able to read their body language, know how to prise them out when they are reluctant to comment and how to quietly hose them down when they overdo it! Sometimes this is not easy, especially when they represent very significant shareholdings in the company.

My comments would not be complete without a huge thanks to your former CEO and incoming Chairman, Mark Waller, who has done most of the heavy lifting along the way over the last 15 years. Mark it has truly been an inspiration to work with you and your team, in putting together the portfolio of companies which now comprise the EBOS Group today.

It is now time for me to hand over to our CEO, Patrick Davies to present the 2015 results in more detail, and give you a glimpse of where we are heading in 2016. Suffice to say, from me, that we are not slowing down, and that I will be leaving the company and the Board in good shape, and in good hands, with Patrick and Mark on the bridge.

I have already gone on too long, and it’s not over yet, as I still need to guide us through the rest of the meeting.