



EBOS Group Limited
Chairman's Address to the Annual Meeting
19 October 2016

I am very pleased to report that EBOS Group recorded a very strong financial performance in 2016 which has resulted in both an increase in dividends as well as a stronger share price. Our financial results reflect the positive impact of ongoing investment in our core businesses, execution of strategic acquisitions and the steadfast commitment by each of our employees to deliver on the expectations of our customers.

In 2016 EBOS delivered the following record financial results:

- an increase in Group revenues of 17% to \$7.1 billion;
- EBITDA grew by 14.6% to \$225.5 million, reflecting our ongoing focus on revenue growth and effective cost control;
- Net Profit after Tax was \$127.0 million, representing an increase of 19.9% on last year;
- Operating cash flow increased by 67.5% to \$224.1 million; and
- Full year dividends increased by 24.5% to 58.5 cents per share.

By any measure I think you would agree with me that we had a very successful 2016.

Over the last 5 years the Group has embarked on a deliberate strategy of growing its Healthcare and Animal care businesses so that today we are uniquely positioned as the largest and most diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products. We are also a leading Australasian animal care products marketer and distributor.

Whilst our record would show that we have been successful to this point we see further growth available to the Group and as such we will continue to invest in these segments as we have confidence in not only the underlying economic and demographic fundamentals these markets offer but also our ability to successfully generate acceptable returns for shareholders.

The Group has a very long heritage of operating healthcare businesses in both New Zealand and Australia and it is this heritage combined with our operational expertise which has delivered consistently strong financial returns.

Our Group operates in competitive and highly regulated markets, across both New Zealand and Australia. We continue to see both national governments extract ongoing cost savings through reforms to their healthcare budgets. We don't shirk from the challenges this presents to the Group and in fact it validates our strategy of continuing to invest in our business to be the most efficient distribution partner for our customers and to acquire value accretive assets which complement our existing businesses.

Governments recognise the vital benefits which private enterprise provides in the delivery of their healthcare objectives. So whilst we will always face regulatory challenges we do so knowing that we are an integral part of the healthcare system throughout Australasia and this provides us with the confidence

to continue our strategy of expansion across the many markets we operate in today.

The Australian Government recently commissioned an independent review of pharmacy remuneration and regulation and EBOS has been active in making submissions to the review panel via the Australian wholesaler industry association of which we are a foundation member. We believe there are some relatively minor changes to the funding model that could be implemented by the Australian Government to make the remuneration of wholesalers more relevant for the industry as we know it today.

You can see from this slide the major segments of the Group's operations within Healthcare and Animal care.

This slide clearly demonstrates how we have grown our business beyond the traditional pharmacy wholesale operations.

As a result of our strategic investments, Pharmacy now represents just under 50% of the Group's gross operating revenue.

We will continue to invest in the principal business divisions that make up our Healthcare and Animal care businesses. Patrick will provide you with more information on our most recent investments undertaken in 2016.

I would like to thank Patrick, the management team and all employees of EBOS Group for their efforts in this past year for such an excellent result. And finally, on behalf of the Board I would also like to thank you, our shareholders, for your continued support.

I will now hand over to your Chief Executive, Patrick Davies for a more in depth review of the operational performance of the business, and give you a glimpse of where we are heading in 2017.



EBOS Group Limited
Chief Executive Officer's Address to the Annual Meeting
19 October 2016

Introduction

Thanks Mark and good afternoon ladies and gentlemen. As Mark has described, your company had another very good year and the results reflect the excellent work of our staff across our businesses here in New Zealand and in Australia. We now employ over 2,700 people across more than 42 locations and I want to acknowledge their ability and hard work, without which we would not be able to deliver these results.

The benefits of executing our strategy over many years is clear to see and our approach to running our businesses has remained consistent. In summary we:

- invest for growth through external acquisitions and also commit to internal capital expenditure projects to lift productivity, manage costs and deliver better customer service;
- protect and build market leading positions in a range of healthcare and animal care sectors with a view to maximize opportunities across our wide range of businesses; and
- focus on managing our working capital keenly to generate good cash flows and maximize our returns.

A number of important new activities over the last year are worth highlighting.

In October last year we acquired a business in Sydney called Zest and this forms a key part of our long term plans for the establishment of new business from specialty pharmaceutical products which are becoming increasingly important globally and in our region. We are ideally placed to build a valuable new business in this area with our spread of existing operations across multiple healthcare segments giving us a strong platform for this new activity.

We acquired the Red Seal business in November last year and we are delighted to have this iconic New Zealand brand now part of our Endeavour Consumer Health business unit. Red Seal is a very important step up for our Endeavour team as we look to grow this part of our business with high quality healthcare brands. Red Seal expands our geographic reach with export sales in various Asian markets that we are confident can be expanded nicely in the years ahead.

Our Onelink Australian operations are now at full speed and we are pleased to be supporting all public hospitals in the state of New South Wales via our exclusive contract with the NSW Government.

We are also progressing with a new pharmaceutical distribution centre in Brisbane and some initial expenditure on this project was incurred in the late stages of FY16. Once this project is complete we will have invested in advanced distribution facilities in Sydney, Melbourne and Brisbane, which are the key population centres for Australia. The new Brisbane site will be another highly automated facility with the benefits and learnings from Sydney and Melbourne being factored into our plans for this site together with the adoption of the latest picking and storage technologies.

In August this year we announced plans to merge our Australian retail pharmacy franchise business, Chemmart, with the Terry White Group. This merged entity will be one of Australia's leading retail pharmacy businesses and is well positioned for future growth in the Australian market. This proposal is subject to a number of conditions including Terry White Group shareholder approval. Subject to the satisfaction or waiver of those conditions the transaction is expected to complete at the end of October.

With the Group continuing to expand and with so many different components now part of EBOS we thought it would be a good idea to share with you a short video that provides a visual perspective of our Group. This video is available on our website and was filmed only a few months ago.

<VIDEO AVAILABLE AT WWW.EBOSGROUP.COM>

As the video demonstrates there are many components of our business today servicing many customers and consumers, but if we look at the two main operating divisions being Healthcare and Animal care you can see that both performed very well in 2016.

In 2016, Healthcare grew revenues by almost \$1 billion, which was assisted by the Australian PBS listing of specialist Hepatitis C drugs in March 2016. Through our strong presence in both the Pharmacy and Hospital wholesale channel, we were able to service a large number of patients taking these medicines and we recorded sales of \$465 million in the four months of the drug being listed to June 2016. Strong revenue growth was also recorded in the over the counter product sales category which included a number of products that were ultimately exported to overseas markets.

Animal care also recorded strong growth with sales revenue growing 10.6%, EBITDA increasing 14% from last year and our EBITDA margin increased 30 basis points. The result was driven largely from the strong growth of our own brands (primarily BlackHawk and Vitapet) and also the strong performance of Animates in New Zealand, our joint venture with Australia's Greencross Limited.

In closing I'd like to make a couple of comments about our current trading and near-term profit expectations.

We have made a positive start to the first quarter of FY17, notwithstanding the higher NZD:AUD exchange rate which has been evident. On the basis of our current trading performance we expect constant currency, underlying net profit after tax for the 2017 financial year to grow by 7%-10% on the prior year.

Thank you for your attention ladies and gentlemen. I'll hand back to Mark to continue with the other matters of this meeting.