

25 August 2016

## MARKET RELEASE

NZX/ASX Code: EBO

### EBOS REPORTS RECORD EARNINGS FOR 2016

- Group Revenues up 17% to \$7.1 Billion
- EBIT exceeds \$200 Million for the first time, +16.3% growth to last year
- Net Profit after Tax up 19.9% to \$127 Million
- Record Operating Cashflow of \$224.1 Million
- Earnings per Share growth of 18.7%
- 30% increase in Final Dividend to 32.5 cents per share

#### Financial Highlights

New Zealand Dollars <sup>1</sup>	30 June 2016 (audited)	Growth (actual FX)	Growth (constant FX)
<b>Total Revenues</b>	\$ 7.1 billion	+17.0%	+16.5%
<b>EBITDA</b>	\$225.5 million	+14.6%	+14.0%
<b>EBIT</b>	\$200.8 million	+16.3%	+15.7%
<b>Profit before Tax</b>	\$180.7 million	+19.9%	+19.3%
<b>Net Profit after Tax</b>	\$127.0 million	+19.9%	+19.3%
<b>Earnings per Share</b>	84.0 cents	+18.7%	+18.2%
<b>Operating Cash Flow</b>	\$224.1 million	+67.5%	
<b>Final Dividend per Share</b>	32.5 cents	+30.0%	

#### Group overview

EBOS Group Limited is pleased to announce strong results for the financial year ended 30 June 2016, as a result of continued growth across its Healthcare and Animal Care businesses.

EBOS Group Chief Executive Officer, Patrick Davies, said the result reflected the strength of the Group's diversified Healthcare and Animal Care businesses. Both segments benefited from robust underlying economic and demographic fundamentals driving increased demand for products and services.

"The result reflects our ability to capture the growth opportunities that continue to emerge within our prime business segments," Mr Davies said.

<sup>1</sup> All amounts included are denoted in New Zealand dollars unless otherwise stated.

The Group continued to invest in areas of strategic importance with the acquisitions of Red Seal and Zest in the 2016 financial year.

"Red Seal is a continuation of our strategy of investing in quality consumer brands in both New Zealand and Australia. Red Seal also provides EBOS with new revenue opportunities in overseas markets," Mr. Davies said.

Zest delivers valuable support to manufacturers in the delivery and administration of specialty pharmaceutical products and services.

## **Segment overview**

### **Healthcare**

The Healthcare business generated a 14.6% increase in EBITDA, underpinned by an increase in revenues of 17.5%.

In Australia, revenues climbed 19.6% resulting in EBITDA growth of 12.9%. Revenue accelerated in March 2016, with the Australian Government's PBS listing of specialty Hepatitis C medicines.

"The integrated nature of our business combined with our substantial market position in both the pharmacy and hospital channels resulted in EBOS being contracted to provide the 3PL contract logistics services as well as wholesale services for these important medicines." Mr Davies said,

"EBOS today continues to expand the breadth and depth of services it offers multinational suppliers, well beyond that of the traditional wholesale model. We are actively working on further opportunities to expand our unique trans-Tasman business solutions model by partnering with manufacturers to provide a wide range of valued services."

In the Australian pharmacy market, solid wholesale revenue growth was also assisted by increased levels of activity particularly in the non-prescription over-the-counter (OTC) channel.

In the Institutional market, EBOS maintained its market leading positions in both Australia and New Zealand and delivered further revenue and earnings growth. Importantly, the Group's Onelink Australia business commenced full operations under the NSW Health medical consumables contract, demonstrating its operational capacity and expertise to governments and other principals.

The New Zealand operations (including the International healthcare business) delivered a strong performance over the year with revenue increasing 10.0% and EBITDA increasing 21.8%. The performance reflected seven month's profit contribution from Red Seal, higher levels of activity for the Contract Logistics, Pharmacy Wholesale and International divisions.

### **Animal Care**

The Animal Care business recorded 14% EBITDA growth for the year. Revenue and profit improvement included a 12 month contribution from the BlackHawk business.

"The excellent growth of BlackHawk highlights the quality of this brand and our on-going confidence in the fundamentals of the Animal Care market," Mr Davies said.

EBOS Group's 50% owned Animates business reinforced its position as the pre-eminent pet retailer in New Zealand with annual sales growth above 20%. This has been assisted by the recent acquisition of veterinary clinics in New Zealand, with the business now operating 8 vet clinics and 32 retail stores.

### **Operating Cash Flow and Net Debt**

Operating cash flow for the year was a record \$224.1 million, up 67.5% on last year. This resulted in a significant reduction in Net Debt by \$69 million to \$248 million. The Group's Net Debt/EBITDA ratio reduced from 1.6x to 1.1x at 30 June 2016.

The Group also recently refinanced \$162.3 million of its term debt and working capital facilities taking the opportunity to further extend the maturity dates on its bank debt facilities.

**Return on Capital Employed** increased significantly to 16.3% reflecting the benefits of the Group's recent investments and approach to managing capital.

### **Investment in Operational Capability**

EBOS is committed to investing in its operational capability to further improve customer service levels and productivity.

Capital expenditure for the year was \$17.6 million with \$3.9 million spent on a new Sydney warehouse specifically commissioned to undertake the NSW Government's medical consumables contract.

EBOS Group recently approved the construction of a new state of the art distribution facility in Brisbane, Queensland, at an estimated cost of \$58 million. This facility is expected to be operational by June 2018.

The Group has also approved the commissioning of a new warehouse in Sydney, New South Wales to cater for the growth in its Australian contract logistics business. This new facility will require capital expenditure of approximately \$15.5 million with construction scheduled to commence later this year.

### **Final Dividend**

The Directors are pleased to reward shareholders with another increase in dividends and have declared a final dividend of 32.5 cents per share representing an increase of 30.0% on the prior corresponding period. This takes full year dividends to 58.5 cents per share, which is an increase of 24.5% on the prior year and represents a dividend payout ratio of 70%.

The record date for the dividend will be 30 September 2016 and the dividend will be paid on 14 October 2016. The final dividend will be imputed to 25% for New Zealand tax resident shareholders and will be fully franked for Australian tax resident shareholders.

The Group's dividend reinvestment plan (DRP) remains suspended and, accordingly, will not apply in respect of the final dividend.

**Post balance date announcement**

EBOS Group recently announced an agreement to merge its Chemmart assets with the Terry White Group (TWG) which, upon completion will be one of Australia's leading retail pharmacy groups.

Completion of the transaction is subject to a number of conditions, including TWG shareholder approval.

"We are excited by the opportunity this investment will provide EBOS Group as it strategically positions our Chemmart assets in a vehicle best positioned to grow in an ever changing market place" Mr. Davies said.

**Outlook**

EBOS Group has recorded a strong financial performance in 2016 and the Company is confident of further profit growth into FY17 on a constant currency basis.

A performance update will be provided at the Annual Meeting on 19 October 2016.

---

**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:**

Phil Martin, Michels Warren PR  
+61 418 817 876

**Full Year Results Presentation webcast link:**

<http://edge.media-server.com/m/p/2gc5zr4v>

**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 products marketer and distributor.