EBOS Group Limited

NZX/ ASX Code: EBO

Chairman's Address to the Annual Meeting

15th October 2019

I have pleasure in reporting on the 2019 financial year at this the 97th Annual Meeting of EBOS Group Limited but before doing so, as many of you would be aware, after more than 35 years with the company I have made the decision to retire as Chairman of EBOS Group effective as of the closing of this Meeting.

I am immensely proud of the time I have spent with this company having joined EBOS in March 1984 and then becoming CEO in 1987. We were very much a small player in the New Zealand healthcare industry at that time with annual revenue of approximately NZ$8 million. It would be fair to say we embarked on an ambitious growth strategy over the subsequent years and it is with a great deal of personal satisfaction that EBOS Group is now positioned as the largest trans-Tasman healthcare and animal care company.

I've enjoyed the challenge and opportunity tremendously and I feel it is now the right time to retire. I confirm your Board has elected Elizabeth (Liz) Coutts as Chair. Liz has been a Director of EBOS Group since 2003 and is currently Chair of the Audit and Risk Management Committee and also a member of the Remuneration Committee.

Liz brings an enormous amount of corporate experience through her directorships of a number of New Zealand companies and in 2016 was appointed an Officer of the New Zealand Order of Merit acknowledging her significant contribution across the public and private sectors, working across the fields of health, primary industries and investment.

Liz will be the first female Chair of EBOS and along with Sarah Ottrey will make up a 40% female representation on our Board.

Now to the business at hand. 2019 has again been a year of much activity for the Group as we positioned the business for future growth in 2020 and beyond. From a financial perspective the highlights were:

- Revenue of $6.9 billion;
- Underlying net profit after tax of $144.4 million, up 5.2%.
- Full year dividends of NZ 71.5 cents per share, an increase of 4.4% on the prior year.

Our core long term strategy is to continue to invest in both our Healthcare and Animal Care businesses whether via acquisitions or other organic growth initiatives.

Over recent years we have completed a major capital expenditure programme and in FY19 this continued as we worked towards commissioning a number of new important facilities which will further underpin the capabilities of our Healthcare and Animal Care businesses. We have confidence that these new facilities will provide us with the capabilities, efficiency and productivity that is demanded by our customers while positioning us well to capture new opportunities and adapt to the ever changing needs of local and global health and animal care markets.

Further to these investments the Group completed several strategic acquisitions during the year for a total investment of $93.6 million, the detail of which will be covered in the CEO's address.

In May 2019, the Group successfully raised NZ$175 million in new equity capital and it is important to view this raising in the context of the Group's disciplined approach to our strategy of:

1. Investing for growth through external acquisitions and committing internal capital expenditure to lift productivity, manage costs and deliver better customer service
2. Protecting, building or acquiring market leading positions in a range of healthcare and animal care sectors so as to maximise growth opportunities; and
3. Focusing on generating strong operating cash flow to allow for further investment and improved returns to shareholders

The funds received from the equity raise will in time be deployed on strategic acquisitions and organic growth opportunities and our CEO, John Cullity will provide an update on our most recent acquisition in his address.

Your Board was very mindful of the interests of all shareholders when considering how best to raise capital. In deciding the form of capital raising, EBOS took into account a number of considerations, including:

- A desire to ensure the raising was completed in a timely manner, without significant risk and with the lowest discount to the share price as possible
- Balancing the Group's requirement for capital in an uncertain macro environment with certainty of funding for the Group's strategic plans
- Ensuring the Group could meet its enhanced NZX and ASX disclosure requirements over the time period required to raise capital without jeopardising its strategic growth initiatives.

The Board, after much consideration, came to the decision that it was in the interests of all shareholders to raise the capital required via an institutional placement. Importantly this decision was made at a point in time to cater for the Group's circumstances at that moment and if EBOS determines it needs to conduct any equity raisings in the future, it will carefully consider the most appropriate form of raising in the circumstances, and as always having regard to the interests of all shareholders. That said, all things being equal, we would normally, and it would be a preference to, undertake a rights issue or SPP and include all shareholders.

Ultimately the capital raising was several times oversubscribed and in particular, the demand from new large Australian institutions is important to further diversify the share register and improve liquidity for the Group. Since the capital raising our share price has continued to strengthen and our liquidity has increased by over 50% which we believe shows the strong support from capital markets for the Group's strategy.

We pride ourselves on looking after all shareholders and in managing and growing company profitability in a highly competitive market place. In fact, we have delivered an annualised TSR of 18.1% for over 34 years and a share price increase of 1,016% since 2001 as shown in the graph on screen, substantially more that the ASX200 and NZX50 benchmarks.

We have been fortunate to have a very stable Board with a combined tenure of 46 years across the current EBOS Directors. During the year ended 30 June 2019, the Board appointed Stuart McLauchlan as a new Director with his appointment taking effect from 1 July 2019.

We are also very fortunate to have an equally stable management team and I would like to thank John Cullity and his executive team and all employees of EBOS Group for their contribution to the business over the last year. The hard work that has been done in 2019 sets our company up well for 2020 and beyond.

In conclusion, above anything else, my greatest enjoyment over the past 35 years with EBOS has been gained through the people I have worked with and also the many Shareholders I have got to know over the years. I wish the Chair elect and Board, Executive, Staff and you, our Shareholders, all the very best and I look forward to seeing the company continue to grow from strength to strength in the coming years.

I will now hand over to John for a more in depth review of the operational performance of the business.

Thank you.

A further statement to be made by the Chairman regarding Resolution 3 follows.

Chairman's statement regarding Resolution 3

Ladies and gentlemen, before we open the floor to questions I'd like to make a few remarks regarding this resolution.

EBOS has sought an increase in the non-executive director fee pool for a number of reasons as set out in our notice of meeting.

Firstly, the size and complexity of the Group's business continues to increase. The last time approval for an increase in the fee pool was sought was October 2015. Since that time the Group has completed many acquisitions and investments and multiple large capital projects. Revenues have increased from approximately A$5.6 billion in FY15 to A$6.9 billion in FY19. This has resulted in a solid and diversified Group which continues to provide a strong platform for growth into the future.

In addition, approval is sought in order to accommodate a further expansion of the Board. As you know, I am retiring at the end of the meeting today. Your Board has been considering its composition and what shape it should take in the future in order to best serve the Company and its shareholders having regard to the size and diversity of the Group.

We recently appointed Stuart McLauchlan who joined the Board on 1 July 2019. The Board is now actively looking to add two independent directors. That is, in the near term the Board is looking to expand to seven directors. The existing fee pool does not allow for seven directors. Clearly, if the fee pool resolution was not passed the Board would need to reconsider plans for its expansion.

In order to attract new, high quality talent to the Board, and retain our existing Board members, the reality is in today's environment that we must offer competitive fees. In our announcement on 23 September 2019 we set out our current fees by role – Chair, committee fees and director fees – and the expected fee structure should the fee pool be increased. In considering what those fees should be – and the proposed fee pool to be put to shareholders – we engaged Mercer to conduct a benchmarking exercise. That is to check the proposed fee pool and fees against both the Australian and NZ peer groups.

Your Board considers that it is appropriate to look at both NZ and Australian peer groups. Approximately 80% of the Group's operations are in Australia. In considering candidates for appointment to the Board, and ultimately for election by shareholders, one factor will be whether those candidates have strong experience in Australia.

The benchmarking exercise showed that the proposed fees were at or around the median of the ASX peer group.

So in summary your Board has carefully considered the proposed fee pool increase and fee structures and has proposed this resolution having regard to the benchmarking exercise and expected Board composition.