

EBOS Group Limited

**Interim Financial Results presentation for the
Half Year ended 31 December 2016**

Patrick Davies Chief Executive Officer

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22 February 2017



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The information contained in this presentation should be considered in conjunction with the consolidated financial statements for the period ended 31 December 2016.

All currency amounts are in New Zealand dollars unless stated otherwise.



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Group Financial Results

A-Frame automatic picking system,
Symbion Keysborough facility,
Melbourne, Australia

H1 FY17 Summary Results¹

Revenue

\$4.0b

▲ 17.2% (+20.6% Constant FX)

EBITDA

\$119.9m

▲ 5.4% (+9.0% Constant FX)

NPAT

\$68.8m

▲ 7.2% (+10.9% Constant FX)

ROCE

16.0%

▲ 170 basis points

Earnings per share

45.4c

▲ 6.7% (+10.4% Constant FX)

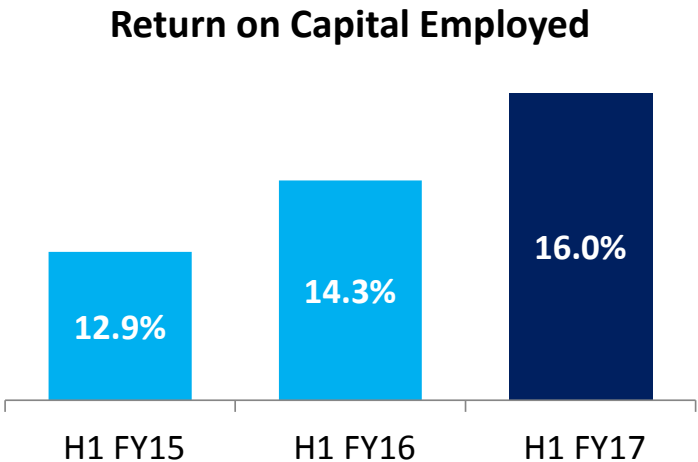
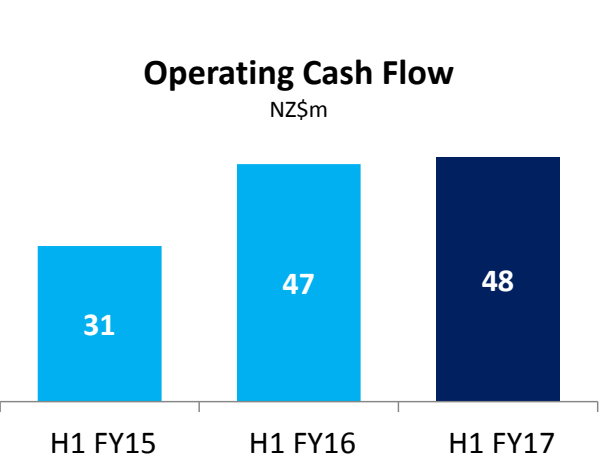
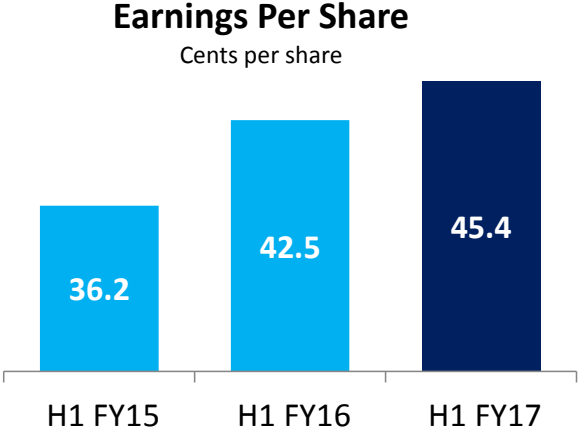
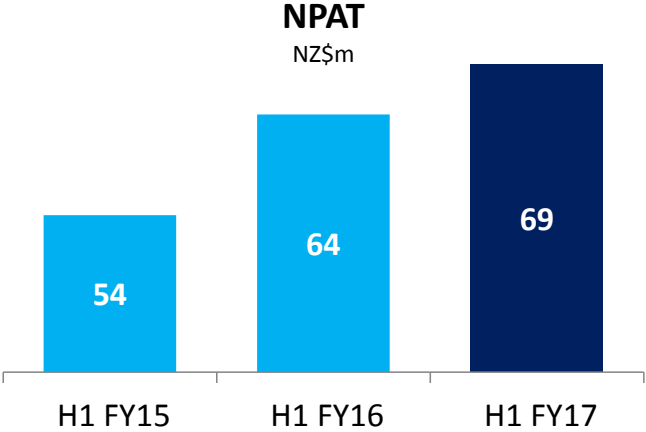
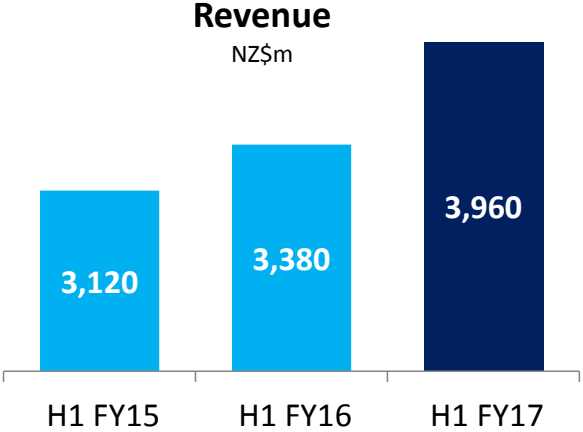
Dividend per share

30.0c

▲ 15.4%

¹ EBITDA, NPAT and Earnings per share include \$2.4m of transaction costs (\$1.4m after tax and after non-controlling interests) incurred on the Terry White Chemmart merger completed 31 October 2016.

Strong growth continues



Strong first half financial performance

NZ\$m	H1 FY17	H1 FY16	Var	Constant FX Var
Statutory Results				
Revenue	3,960.2	3,379.7	17.2%	20.6%
Gross Operating Revenue	364.1	333.7	9.1%	12.4%
EBITDA	119.9	113.7	5.4%	9.0%
EBIT	107.5	101.4	6.0%	9.6%
Net Finance Costs	8.9	9.7	7.7%	5.0%
Profit Before Tax	98.6	91.7	7.5%	11.3%
Net Profit After Tax¹	68.8	64.2	7.2%	10.9%
Statutory EPS - cps	45.4	42.5	6.7%	10.4%
Underlying EBITDA²	122.3	113.7	7.5%	11.1%
Underlying NPAT²	70.2	64.2	9.5%	13.2%
Underlying EPS - cps²	46.3	42.5	9.0%	12.7%
Net Debt	288.1	379.3		
Net Debt : EBITDA	1.25x	1.80x		

- First Half Group Revenue increase of \$580m or 20.6% (constant FX):
 - Healthcare up 21.5%.
 - Animal Care up 5.9%.
- EBITDA increase of \$6.1m or 9.0% (constant FX):
 - Healthcare up 10.6%.
 - Animal Care up 10.7%.
- NPAT increase of \$4.6m or 10.9% (constant FX).
- Increased NZD:AUD cross rate negatively impacted NPAT by \$2.1m for H1 FY17.
- Underlying EPS growth of 12.7% (constant FX).
- Solid cash flow performance with Net Debt / EBITDA ratio now at 1.25x.

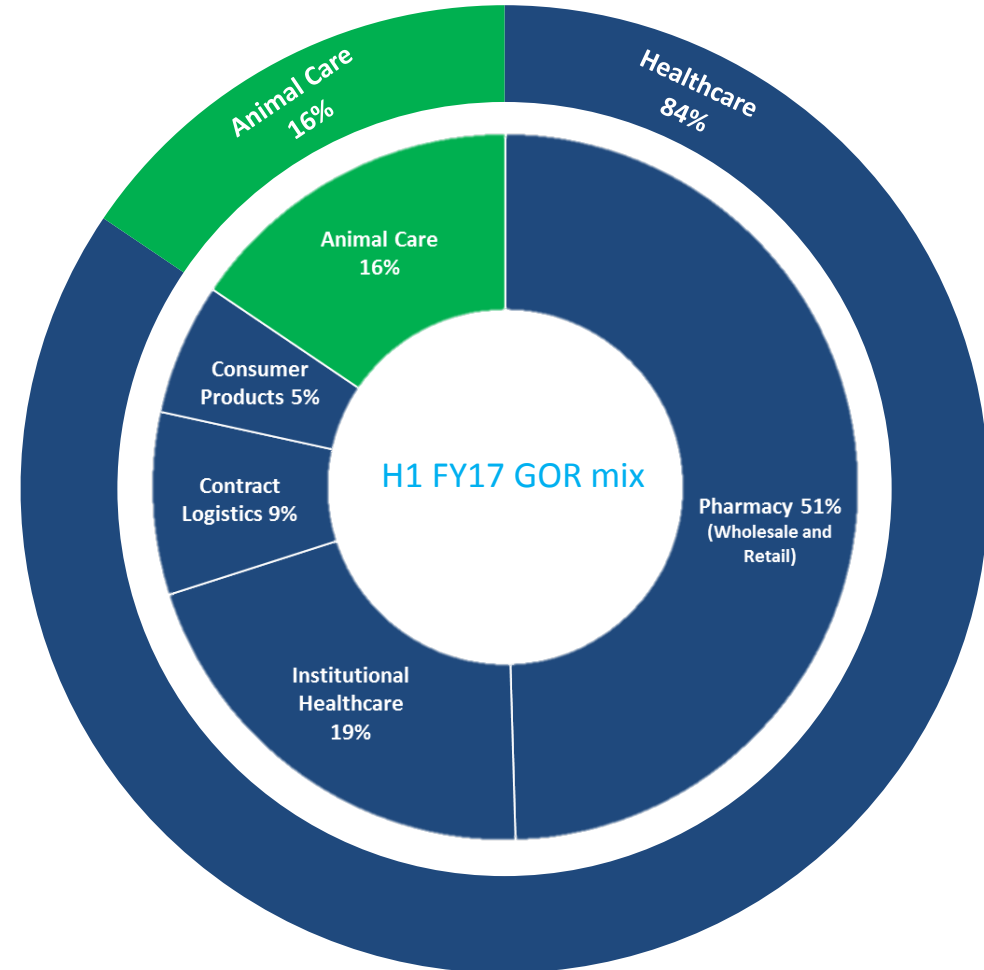
Segment earnings and GOR mix

EBITDA by segment

NZ\$m	H1 FY17	H1 FY16	Var	Constant FX Var
Healthcare	106.7	99.8	6.9%	10.6%
Animal Care	21.1	19.6	7.8%	10.7%
Corporate	(7.9)	(5.6)	(40.7%)	(42.9%)
Group	119.9	113.7	5.4%	9.0%

- Included in the H1 FY17 Corporate segment result is \$2.4m of transaction costs incurred on the Terry White Chemmart merger.

Gross Operating Revenue (GOR) H1 FY17





Healthcare Results

Top left: TerryWhite Chemmart pharmacy in Melbourne.
Top right: Selection of Red Seal toothpaste and tea products.
Bottom left: EBOS Healthcare, Auckland.
Bottom right: ProPharma, Auckland

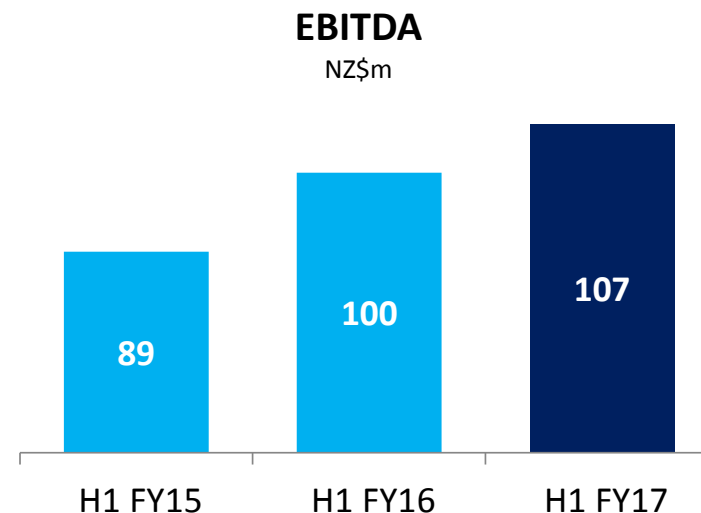
Healthcare segment

Strong trading performances across Australia and New Zealand



NZ\$m	H1 FY17	H1 FY16	Var	Constant FX Var
Healthcare segment				
Revenue	3,744.1	3,169.3	18.1%	21.5%
EBITDA	106.7	99.8	6.9%	10.6%
EBIT	96.1	89.3	7.6%	11.3%
EBITDA%	2.85%	3.15%	-30pts	-30pts
Australia				
Revenue	3,013.8	2,463.3	22.3%	26.8%
EBITDA	85.2	79.5	7.1%	11.0%
EBIT	75.7	70.2	7.8%	11.7%
EBITDA%	2.83%	3.23%	-40pts	-40pts
New Zealand				
Revenue	730.2	706.0	3.4%	
EBITDA	21.5	20.2	6.3%	
EBIT	20.4	19.1	6.9%	
EBITDA%	2.94%	2.86%	8pts	

- Revenue increase of \$575m or 21.5% (constant FX):
 - Australia up 26.8%.
 - New Zealand up 3.4%.
- EBITDA increase of \$6.9m or 10.6% (constant FX):
 - Australia up 11.0%.
 - New Zealand up 6.3%.



Healthcare segment – First Half Highlights

COMMUNITY PHARMACY

NZ\$m	H1 FY17	Constant FX	
		H1 FY16	Var%
Revenue	2,144.2	1,902.6	12.7%
GOR	180.4	164.7	9.5%
<i>GOR%</i>	<i>8.4%</i>	<i>8.7%</i>	



- Pharmacy revenue in Australia grew by 15.8% (constant FX), attributable to new Hepatitis C medicine sales, albeit at lower gross profit margins, and the inclusion of Terry White Group revenue from November 2016.
- Prescription medicine sales growth in Australia (excluding Hepatitis C medicines) was flat due to the impact of PBS reforms.
- First half OTC sales declined marginally due to a decline in export demand.
- Continued focus on our cost base resulted in cost savings and improved productivity across our operations.
- The merger of Chemmart with Terry White Group was completed in October 2016 to create one of Australia's largest retail pharmacy networks with approximately 500 stores.

CONSUMER PRODUCTS

NZ\$m	H1 FY17	Constant FX	
		H1 FY16	Var%
Revenue	54.5	34.5	58.1%
GOR	22.0	14.6	50.3%
<i>GOR%</i>	<i>40.3%</i>	<i>42.4%</i>	



- Consumer Products (excluding Red Seal) recorded revenue growth of 9.0%, mainly from a number of new agency agreements in New Zealand.
- Red Seal is performing in-line with expectations with like-for-like revenue growth of 8.4%. Strong revenue growth was recorded in teas, toothpaste and supplements in both domestic and international markets.
 - Sales to China increased by 24% on a like-for-like basis.
 - We are encouraged with revenue growth recorded in other Asian markets, such as South Korea which recorded first half revenue growth of 98% to last year.

Healthcare segment – First Half Highlights

INSTITUTIONAL HEALTHCARE

NZ\$m	H1 FY17	Constant FX	
		H1 FY16	Var%
Revenue	1,322.8	920.5	43.7%
GOR	74.8	62.0	20.5%
GOR%	5.7%	6.7%	



- Symbion Hospital Services business maintained its market leading position and recorded strong revenue growth driven by Hepatitis C drug sales.
- Included in last year's results was a strong contribution from the International division (additional \$2.5m GOR) primarily from capital equipment sales to PNG that did not repeat this year.

CONTRACT LOGISTICS

NZ\$m	FY17	Constant FX	
		H1 FY16	Var%
Revenue	242.1	242.6	(0.2%)
GOR	30.4	29.4	3.4%



Note: GOR % not relevant as sales activity is predominantly done on consignment.

- Healthcare Logistics (NZ) maintained its leading market position and combined with cost management, delivered another period of increased GOR and earnings.
- The Group is expanding its Contract Logistics business in Australia with the development of a new facility in Sydney (NSW).



3 Animal Care Results

Selection of our Animal Care brands of BlackHawk and Vitapet and an Animates store in Auckland.

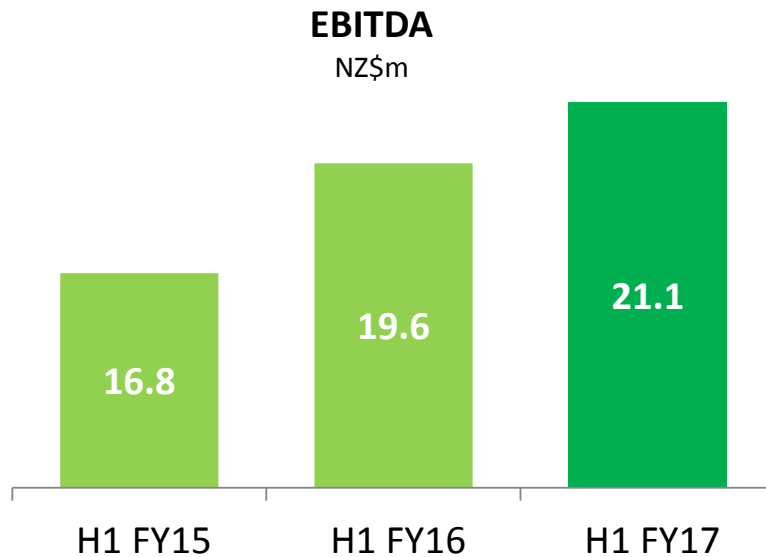
Animal Care segment

BlackHawk and Vitapet revenue growth key to H1 earnings performance



NZ\$m	H1 FY17	H1 FY16	Var	Constant FX Var
Animal Care segment				
Revenue	216.1	210.5	2.7%	5.9%
EBITDA	21.1	19.6	7.8%	10.7%
EBIT	19.3	17.7	9.1%	12.0%
EBITDA%	9.77%	9.31%	46pts	42pts

- Revenue increase of \$5.7m or 5.9% (Constant FX), primarily from growth of branded products (including BlackHawk and Vitapet).
- EBITDA increase of \$1.5m or 10.7% (constant FX) attributable to:
 - Revenue growth from our key branded products;
 - Improved Animates joint venture performance with EBOS' share of NPAT increasing \$0.4m (39%) to last year.



Animal Care segment

Half Year Performance Overview



PRODUCTS & BRANDS

 **BlackHawk**



- BlackHawk, our premium pet food brand, continues to receive very strong support and is outperforming the market. Revenue grew 48% in H1 FY17 on last year, driven by an investment in marketing, additional ranging in pet specialty stores and new product launches.
- Vitapet recorded revenue growth of 10.6% (constant FX) driven by new product development, range expansion and marketing investment.

RETAIL



- Increased Animates profit due to revenue growth of 15%. During the half year, Animates opened five new retail stores and two veterinary clinics. The business now operates 37 retail stores and 10 veterinary clinics in New Zealand.

VET WHOLESALE



- Lyppard recorded steady revenue growth from its major customers (vet groups and pet stores). This market remains competitive and continues to consolidate which is placing pressure on gross margins.



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Group Financial Information

Cash Flow

Another strong Operating Cash Flow performance

NZ\$m	H1 FY17	H1 FY16	Var\$
EBITDA	119.9	113.7	6.1
Net interest paid	(8.9)	(9.7)	0.7
Tax paid	(37.2)	(29.8)	(7.4)
Net working capital and other movements	(25.8)	(27.7)	1.9
Cash from Operating activities	47.9	46.6	1.4
Proceeds from disposal of assets	-	5.0	(5.0)
Capital expenditure	(16.0)	(6.8)	(9.1)
Free Cash Flow	32.0	44.8	(12.8)
Acquisition of subsidiaries and investments	(17.4)	(90.6)	73.2
Dividends paid (net of DRP)	(49.4)	(29.8)	(19.6)
Net Cash Flow	(34.8)	(75.6)	40.8
Net debt attributable to acquisitions	(9.4)	-	(9.4)
FX impact on net debt	3.6	13.2	(9.6)
Reduction/(Increase) in Net Debt	(40.5)	(62.3)	21.8

- Operating cash flow of \$47.9m assisted by effective working capital management.
- Capex spend in H1 FY17 includes payments for the new distribution centre in Brisbane of \$11.7m.
- Acquisition of subsidiaries in H1 FY17 represents the Group's investment in the Terry White Group.
- Hepatitis C sales are expected to moderate in the second half which may impact the Group's net working capital and full year FY17 cashflow.

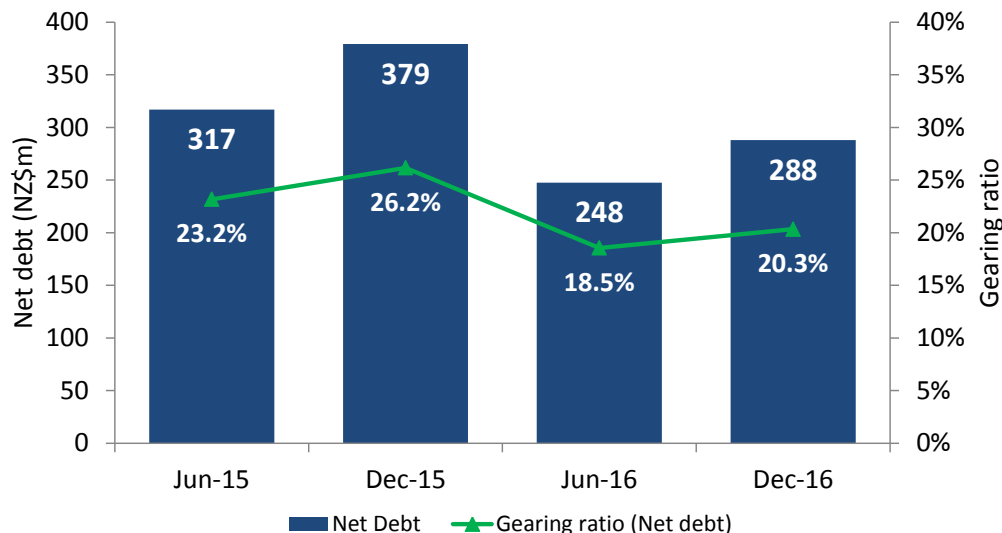
Working Capital and Cash Conversion

NZ\$m	Dec 2016	June 2016	Dec 2015
Net Working Capital			
Trade receivables	1,112.5	1,302.8	853.9
Inventory	596.2	578.5	548.8
Trade payables	(1,318.2)	(1,539.9)	(941.1)
Other	(128.0)	(98.9)	(109.2)
Total	262.5	242.6	352.3
Cash conversion days^{1,2}			
Debtor days	41	43	47
Inventory days	31	29	33
Creditor days	55	59	58
Cash conversion days	17	13	22

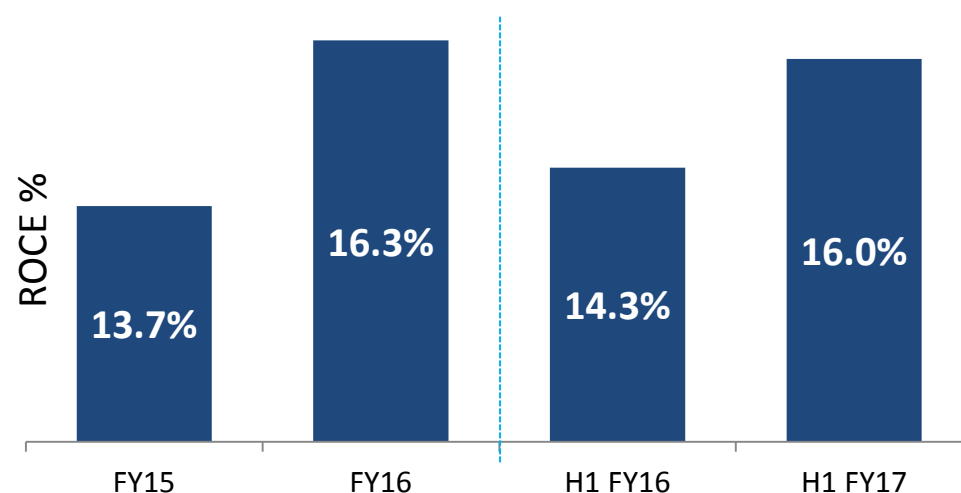
- Working capital management discipline is a key focus of the Group.
- Cash conversion cycle of 17 days.
- Lower investment in Net Working Capital than December 2015 is predominantly due to the Group's Hepatitis C medicine sales activity.
- Cash conversion days excludes the Group's 3PL Hepatitis C business as stock is held on consignment.

Net Debt, Gearing and ROCE

Net Debt and Gearing



Return on Capital Employed

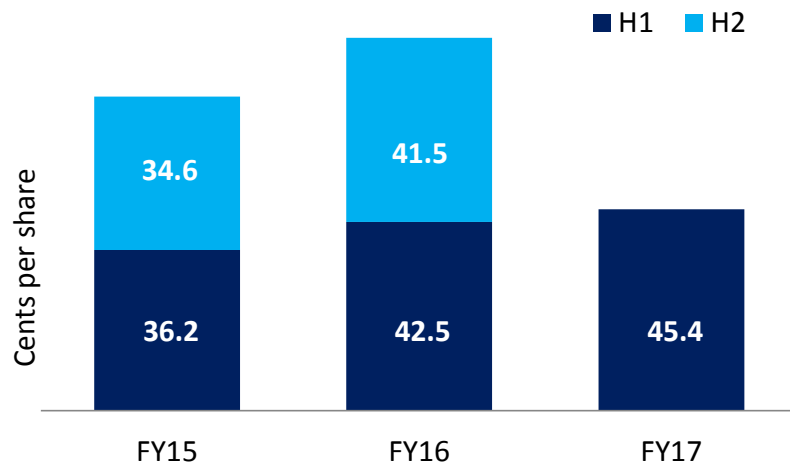


- Net Debt of \$288m at December 2016.
- Net Debt : EBITDA of 1.25x at December 2016 (1.1x at June 2016, 1.8x at December 2015).
- Significant balance sheet capacity for further M&A.

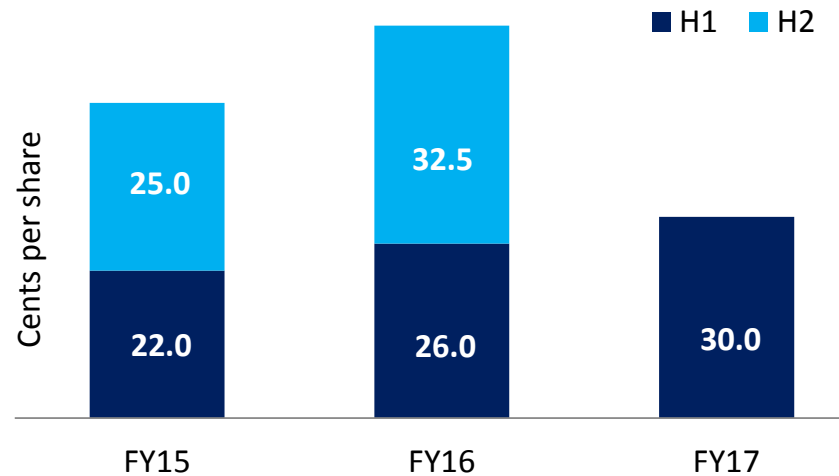
- Return on Capital Employed of 16.0% at December 2016, an increase of 170bps from December 2015.
- Decline in ROCE from June 2016 represents a combination of seasonal factors (higher net working capital) and capital expenditure on the Brisbane distribution facility (under construction).

Earnings and Dividends per share

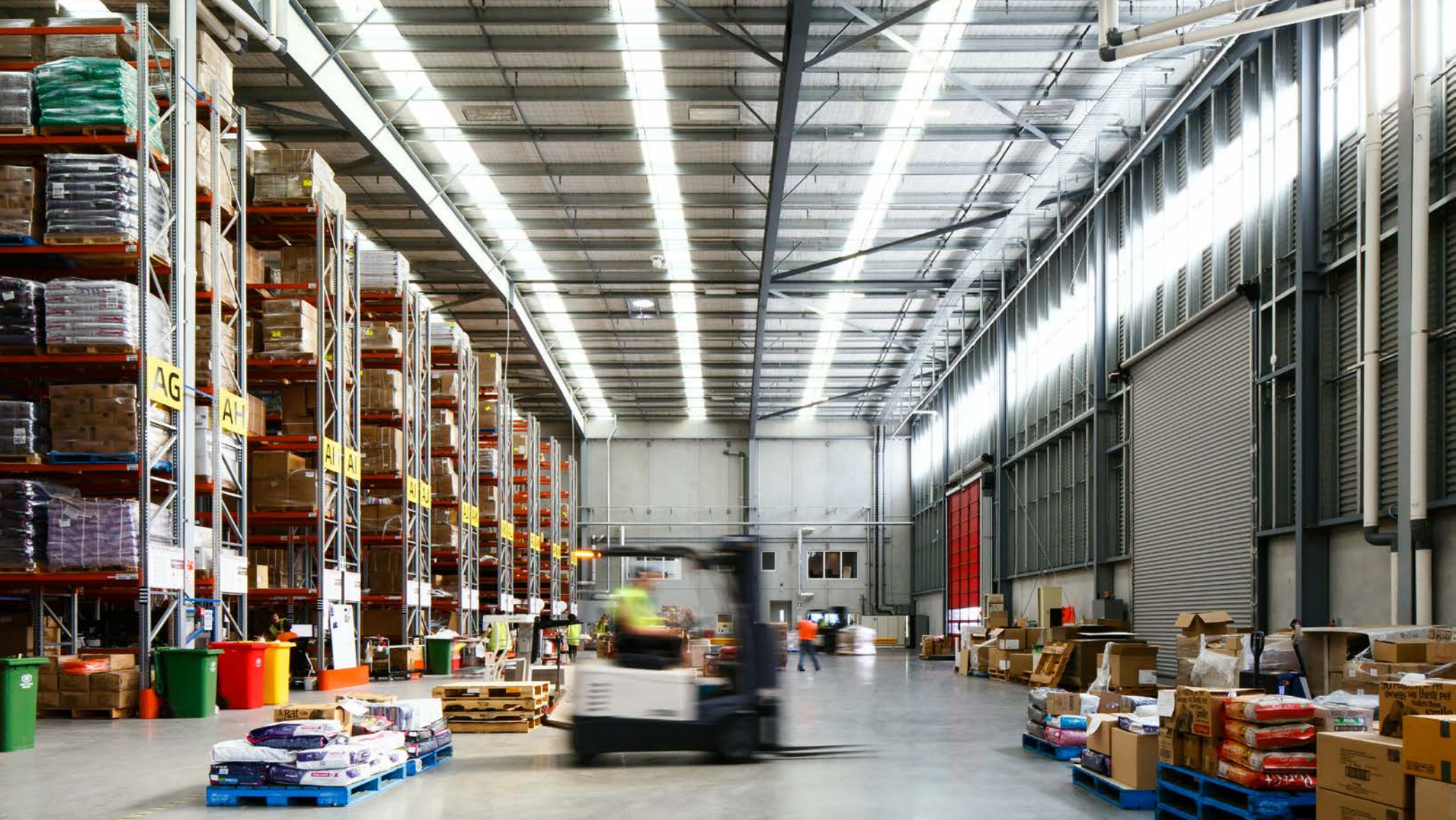
Statutory Earnings per share



Dividends per share



- Statutory EPS growth of 6.7% (10.4% constant FX) in H1 FY17 following a 18.7% increase in FY16.
- Interim dividend of 30.0 cents (imputed to 25%), an increase of 4.0 cents or 15.4% from last year.
- Dividend payout ratio of 66%.
- Interim dividend is 100% franked for Australian resident shareholders.
- DRP remains suspended and will not apply for this dividend.



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Summary and Outlook

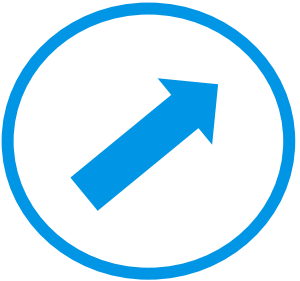
Summary



Consistent EPS and dividend growth performance



Diversified earnings streams and customer base



Increasing return on capital employed



Investing in infrastructure to allow for sustainable future growth



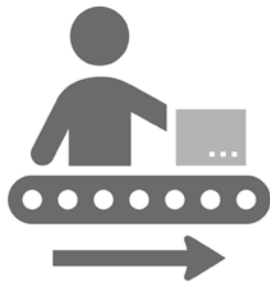
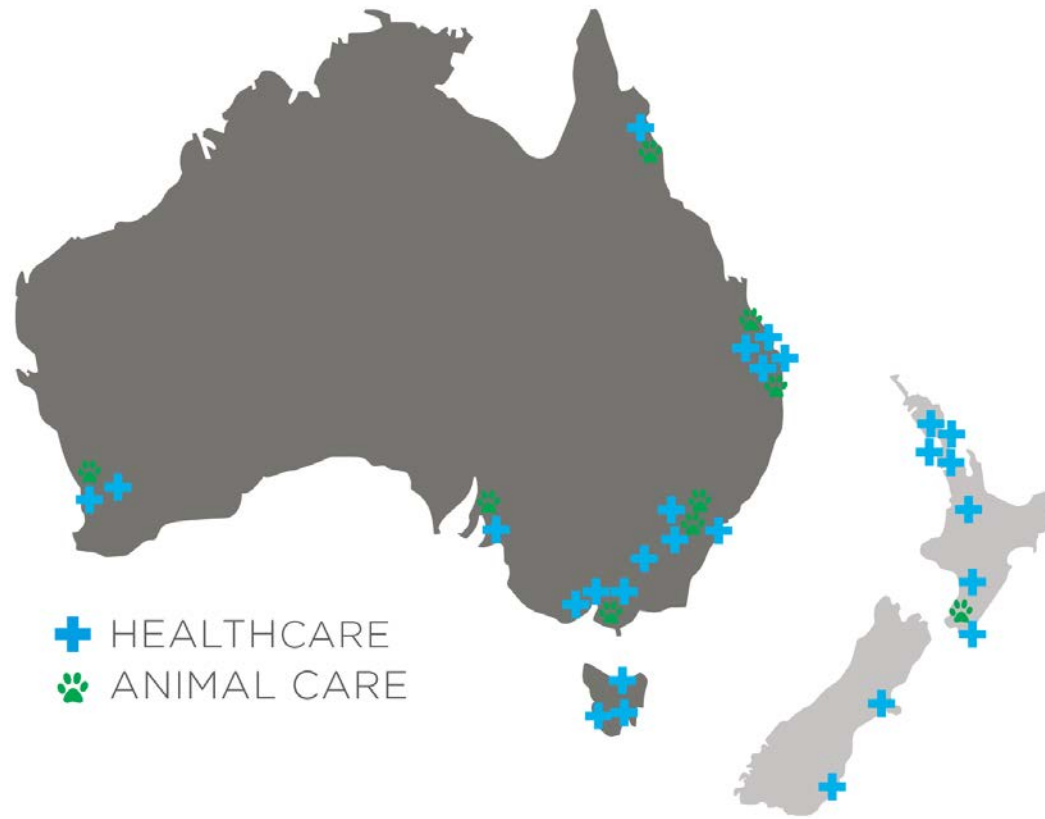
Underlying market dynamics remain positive across the business



Underpinned by a strong balance sheet, cash generation and successful history of M&A execution

Outlook

- EBOS Group has recorded a positive start for the first half of the financial year across both its Healthcare and Animal Care divisions.
- In October 2016, we provided guidance of underlying, constant currency, net profit after tax growth in FY17 of between 7% to 10% compared to the prior year.
- EBOS Group now expects full year FY17 earnings to be at the upper end of this range.



Supporting Information

Foreign exchange

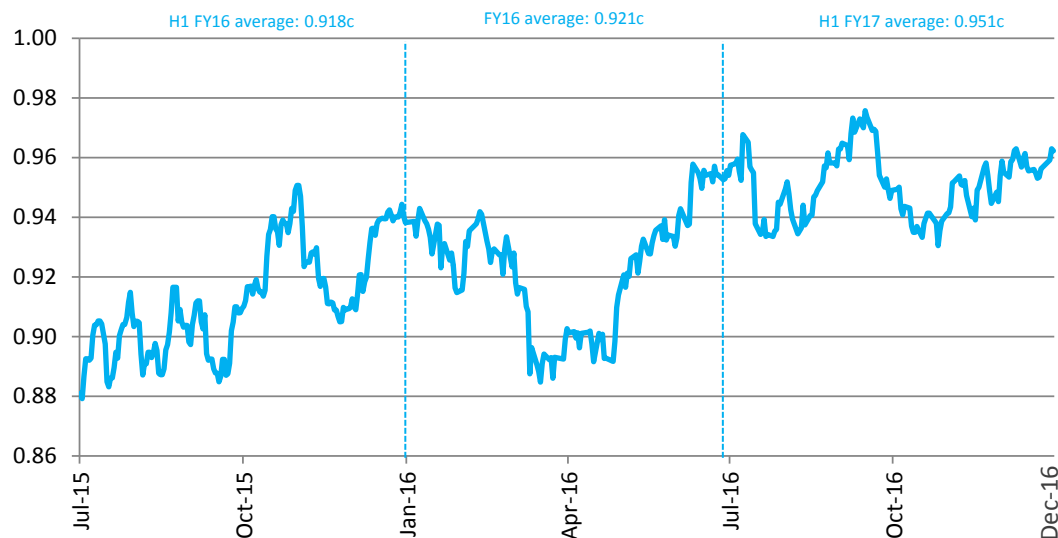
Appreciation of the average NZD:AUD cross-rate by 3.3c to 0.951 negatively impacted EBITDA by \$3.7m in H1 FY17

Revenue and EBITDA by currency

\$m	AUD Operations AUD	Average NZD:AUD translation	AUD Operations NZD	NZ Operations NZD	Group Consolidated NZD
FY17					
Revenue	3,046.2	0.95	3,199.0	761.2	3,960.2
EBITDA	91.2	0.95	95.9	24.0	119.9
EBITDA%	2.99%		3.00%	3.15%	3.03%

- 80% of the Group's earnings (EBITDA) are generated in AUD.
- The average NZD:AUD FX rate for H1 FY17 increased by 3.3 cents from H1 FY16, negatively impacting the Group's H1 FY17 EBITDA by approximately \$3.7m.

NZD:AUD exchange rate – July 2015 to December 2016



- EBITDA sensitivity to a 1 cent movement in NZD:AUD exchange rate is approximately \$2.0m per annum.

Reconciliation of statutory and underlying results

NZ\$m	H1 FY17		H1 FY16	
	EBITDA	NPAT	EBITDA	NPAT
Statutory result	119.9	68.8	113.7	64.2
<i>Add back</i>				
EBOS costs of the TWC/Chemmart merger	1.8	1.2	-	-
Terry White costs of the TWC/Chemmart merger	0.6	0.2	-	-
	2.4	1.4	-	-
Underlying result ¹	122.3	70.2	113.7	64.2

¹ Underlying EBITDA and Net Profit After Tax (attributable to the owners of the company) are both Non-GAAP measures which adjust for the effects of non-recurring items.

Glossary of terms and measures

Except where noted, common terms and measures used in this document are based upon the following definitions:

Term	Definition
Actual results	Results translated into NZ dollars at the applicable actual monthly exchange rates ruling in each period.
Debtor days	Trade debtors at the end of period divided by Revenue for the period, multiplied by number of days in the period.
Inventory days	Inventory at the end of period divided by Cost of Sales for the period, multiplied by number of days in the period.
Creditor days	Trade creditors at the end of period divided by Cost of Sales for the period, multiplied by number of days in the period.
Constant FX/currency	Calculated by translating the prior period results into NZ dollars at the actual monthly exchange rates applicable in the current period.
Revenue	Revenue from the sale of goods and the rendering of services.
Gross Operating Revenue (GOR)	Revenue less cost of sales and the write-down of inventory.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Underlying EBITDA	Earnings before interest, tax, depreciation, amortisation and transaction costs relating to the Terry White Chemmart merger.
NPAT	Net Profit After Tax attributable to the owners of the company.
Underlying NPAT	Net Profit After Tax attributable to the owners of the company and before transaction costs relating to the Terry White Chemmart merger.
Free Cash Flow	Cash from operations less capital expenditure net of proceeds from disposals.
Earnings per share (EPS)	Net Profit after tax divided by the weighted average number of shares on issue during the period.
Underlying EPS	Underlying NPAT divided by the weighted average number of shares on issue during the period.
Net Debt : EBITDA	Ratio of net debt at period end to the last 12 months EBITDA.
Return on Capital Employed (ROCE)	Measured as underlying earnings before interest, tax and amortisation of finite life intangibles for 12 months divided by closing capital employed (including a pro-rata adjustment for entities acquired).

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