EBOS GROUP LIMITED


INVESTOR PRESENTATION

FY19 FINANCIAL RESULTS

22 August 2019

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This presentation contains a number of non-GAAP financial measures, including Gross Profit, Gross Operating Revenue, EBIT, EBITA, EBITDA, Underlying EBITDA, NPAT, Underlying NPAT, Underlying Earnings per Share, Free Cash Flow, Interest cover, Net Debt and Return on Capital Employed. Because they are not defined by GAAP or IFRS, EBOS' calculation of these measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although EBOS believes they provide useful information in measuring the financial performance and condition of EBOS' business, readers are cautioned not to place undue reliance on these non-GAAP financial measures.

The information contained in this presentation should be considered in conjunction with the consolidated financial statements for the period ended 30 June 2019.

All currency amounts are in Australian dollars unless stated otherwise.

Group Financial Results

FY19 SUMMARY RESULTS[1]

Revenue

$6.9b

-0.8%

Underlying EBITDA[2]

$261.6m

+4.6%

Underlying NPAT[2]

$144.4m

+5.2%

ROCE

15.9%

-0.4%

Underlying EPS[2]

94.2c

+4.3%

Dividends per share

71.5c (NZ$)

+4.4%

Note 1: All currency amounts are in Australian dollars except for Dividends per share.
Note 2: Excludes one-off items for transaction costs incurred on M&A, warehouse transition and restructuring costs, net of the gain on sale from disposal of a surplus property. Refer to page 25 for further information.

STRATEGIC HIGHLIGHTS

FY19 investments prepare the business for the next wave of growth in FY20

Investments and New Business

Acquisitions of $93.6m made in FY19

- Acquisition of all the minority shares in TerryWhite Group Ltd for $46.7m in December 2018.
- Expansion of EBOS Healthcare's Australian business via the acquisition of Warner & Webster ("W&W") for $32.0m. W&W is a medical and surgical supplies wholesaler with operations in Victoria and South Australia.
- Expansion of Animal Care's Australian vet wholesaling business via the acquisition of Therapon for $6.5m. Therapon is a veterinary distribution business with operations predominantly in Victoria.
- Expansion of our Endeavour Consumer products business via the acquisition of the Quitnits head lice brand in December 2018.

Chemist Warehouse Group ('CWG') supply contract

- Chemist Warehouse Group ('CWG') contract was executed in November 2018. This five year supply agreement commenced on 1 July 2019.
- EBOS estimates that sales to the CWG stores will generate approximately $1 billion in revenue in FY20.

Infrastructure

Two new major facilities opened in Australia

- Brisbane - new highly automated wholesale distribution centre commenced operations in October 2018.
- Sydney - new 25,000m^2 Contract Logistics facility.

Equity Capital Raising

Successful completion of a NZ$175m capital raising

- The raising was strongly supported by a broad range of existing and new investors across New Zealand, Australia and offshore.
- The proceeds provide EBOS with enhanced financial capacity for further strategic acquisitions and organic growth initiatives to continue the long term growth of the Group.

FY19 FINANCIAL PERFORMANCE

A$m	FY19 Statutory	FY19 Underlying[2]	FY18	Underlying Var$	Underlying Var%
Revenue	6,930.4	6,930.4	6,986.7	(56.4)	(0.8%)
Gross Operating Revenue	806.3	806.3	786.6	19.7	2.5%
EBITDA	**250.4**	**261.6**	**250.1**	**11.6**	**4.6%**
Depreciation & Amortisation	(32.1)	(32.1)	(31.9)	(0.2)	(0.5%)
EBIT	218.3	229.6	218.2	11.4	5.2%
Net Finance Costs	(25.3)	(25.3)	(20.9)	(4.5)	(21.4%)
Profit Before Tax	193.0	204.2	197.3	6.9	3.5%
Net Profit After Tax [1]	**137.7**	**144.4**	**137.3**	**7.2**	**5.2%**
Earnings per share - cps	89.8c	94.2c	90.4c	3.8c	4.3%
Net Debt	365.8	365.8	432.5		
Net Debt : EBITDA		1.41x	1.74x		

- Revenue decrease of 0.8% was impacted by lower Hepatitis C medicine sales and the impact of PBS reforms in Australia (combined impact -$425m).
- Revenue excluding hepatitis C medicine sales and the impact of PBS reforms grew by $369m or 5.7%.
- Underlying EBITDA increase of $11.6m or 4.6%:
  - Healthcare up 4.6%.
  - Animal Care up 5.7%.
- Net Finance costs increase of $4.5m due to higher net debt associated with acquisitions (pre-equity raise).
- Underlying NPAT and EPS increases of 5.2% and 4.3%, respectively.

Note 1: Net profit after tax and non-controlling interests.
Note 2: Excludes one-off items for transaction costs incurred on M&A, warehouse transition and restructuring costs, net of the gain on sale from disposal of a surplus property. Refer to page 25 for further information.

Healthcare Results

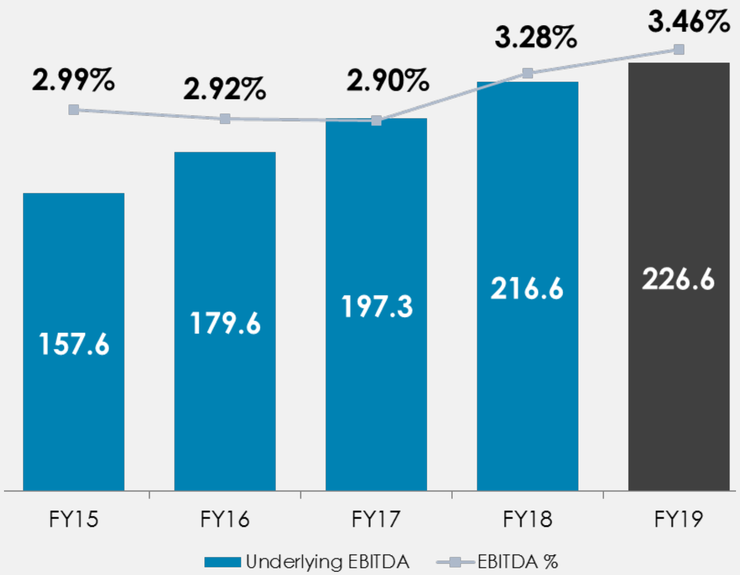
HEALTHCARE SEGMENT

Solid underlying trading performance

A$m	FY19	FY18	Var$	Var%
Revenue	6,548.3	6,608.6	(60.3)	(0.9%)
Underlying EBITDA[1]	226.6	216.6	10.0	4.6%
EBITDA%	3.46%	3.28%		
Australia				
Revenue	5,015.2	5,197.8	(182.6)	(3.5%)
Underlying EBITDA[1]	184.1	174.3	9.9	5.7%
EBITDA%	3.67%	3.35%		
New Zealand				
Revenue	1,533.1	1,410.7	122.4	8.7%
Underlying EBITDA[1]	42.4	42.3	0.1	0.3%
EBITDA%	2.77%	3.00%		

- Australia revenue down 3.5% (or up 5.2% excluding hepatitis C medicine sales and PBS price reforms[2]). Underlying EBITDA up 5.7% primarily from growth in Institutional Healthcare and Contract Logistics, partially offset by a subdued Wholesale Pharmacy result.
- New Zealand revenue up 8.7%, with solid growth from all business units. Earnings were impacted by cost increases in labour and freight in our wholesale businesses.

Underlying EBITDA and EBITDA %



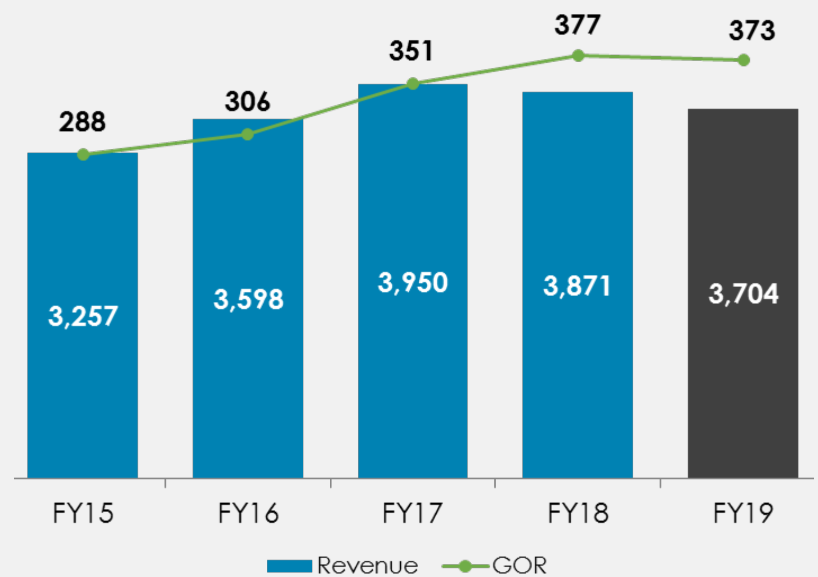
Note 1: Excludes one-off items for transaction costs incurred on M&A, warehouse transition and restructuring costs, net of gains on sale from disposal of a surplus property. Refer to page 25 for further information.
Note 2: Total hepatits C sales were $257m lower than last year & the impact of PBS reforms was -$168m.

COMMUNITY PHARMACY

- Total Pharmacy Revenue declined by $167m or 4.3%, attributable to lower hepatitis C medicine sales (-$130m) and PBS reforms (-$146m).
- Full year revenue growth (excluding hepatitis C and PBS reforms) was 3.0%, with the 2H growth rate above 1H of 1.8%.
- GOR decreased by 1.0%, primarily due to lower hepatitis C medicine and OTC sales, PBS price reforms and general market dynamics.
- Warehouse and productivity improvements throughout the year continued to deliver cost savings with further improvements anticipated to be realised from our new Brisbane facility.
- Trading with Chemist Warehouse commenced from 1 July 2019.
- Successfully negotiated an extension to our trading relationship with Blooms The Chemist, which operates 94 pharmacies in Australia, for a further five years.

A$m	FY19	FY18	Var$	Var%
Revenue	3,704.1	3,871.4	(167.3)	(4.3%)
GOR	372.8	376.7	(3.9)	(1.0%)
GOR%	10.06%	9.73%		

Revenue and GOR



FY15 to FY19 CAGR
- Revenue: 3.3%
- GOR: 6.7%

CHEMIST WAREHOUSE TRADING UPDATE

- On 1 July 2019, EBOS commenced servicing the CWG pharmaceutical wholesale contract. This was a “big-bang” start with all of CWG’s 450+ stores commencing trading with Symbion on 1 July 2019.

- This has been a very significant Supply Chain and Logistics exercise, with all of our Australian warehouses seeing a material increase in activity.

- The service levels to all of our customers (including CWG) has been at our normal high standards of excellence ensuring a very smooth transition to this significant volume and revenue increase. This is a credit to all of our dedicated staff involved in the daily provision of healthcare, medical and pharmaceutical products to the communities we serve.

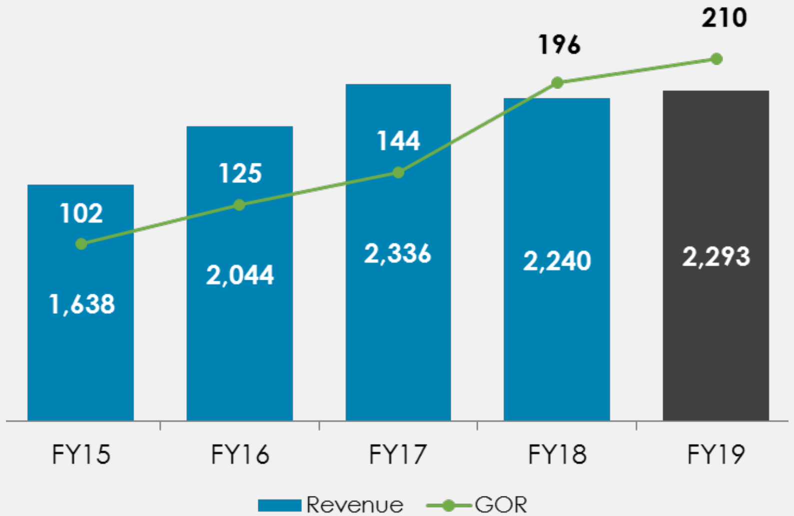
- A further business update will be provided at our Annual Meeting in October 2019.

INSTITUTIONAL HEALTHCARE

- FY19 revenue was impacted by reduced hepatitis C sales (-$127m) and PBS reforms (-$22m), partly offset by the contribution from Warner & Webster ('W&W').
- Underlying revenue growth (excluding hepatitis C and W&W) was strong at 7.3% driven largely from an increase in new specialty medicines, albeit at lower gross profit margins.
- Strong GOR growth achieved from Symbion Hospitals (excluding hepatitis C), Onelink (ANZ) and the acquisition of W&W.
- HPS continues to perform well with FY19 operating revenue growth of 4.7% to last year.
- Symbion Hospitals had another year of strong growth and our excellent service levels and relationships with both the Private and Public markets saw us maintain our market leading position.
- The acquisition of W&W, a medical and surgical supplies wholesaler with operations in Victoria and South Australia, expands our share of the medical consumables market in Australia.

A$m	FY19	FY18	Var$	Var%
Revenue	2,292.7	2,239.6	53.1	2.4%
GOR	209.7	195.5	14.2	7.2%
GOR%	9.15%	8.73%		

Revenue and GOR



FY15 to FY19 CAGR
- Revenue: 8.6%
- GOR: 19.2%

CONTRACT LOGISTICS

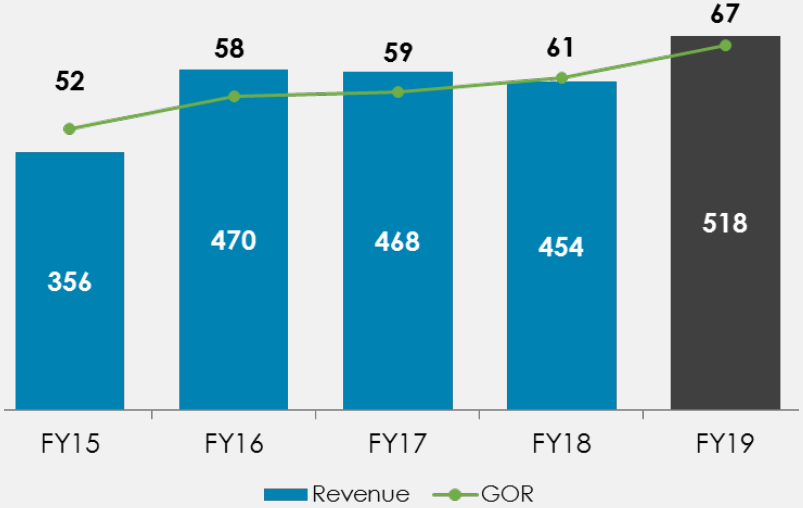
- In FY19 Contract Logistics expanded its footprint in Australia, commencing operations in a new 25,000m² facility in Sydney. We also expanded our NZ operations with an additional new site in Auckland to support future growth.
- GOR growth was achieved in both New Zealand and Australia from key principals.
- An active business development focus saw 2H growth rates increase as the business continues to drive growth and profitability. This is expected to continue in FY20.

Photo of the new Sydney Contract Logistics facility.

A$m	FY19	FY18	Var$	Var%
Revenue	518.0	454.2	63.8	14.0%
GOR	67.2	61.2	6.1	9.9%

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

Revenue and GOR



FY15 to FY19 CAGR
- Revenue: 10.6%
- GOR: 7.5%

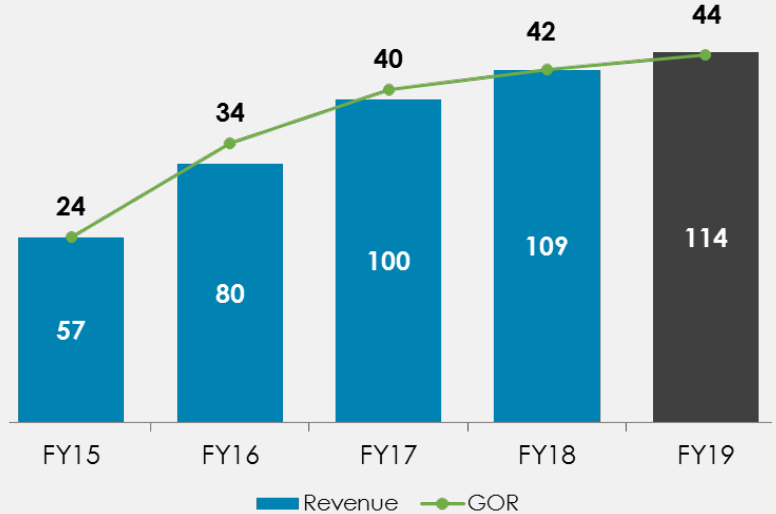
CONSUMER PRODUCTS

Endeavour CONSUMER HEALTH

- Revenue and GOR improvements were driven by growth in both domestic and international markets and the acquisition of Quitnits, a leading brand in Australian grocery for treatment of head lice.
- We increased our investment in marketing and advertising in FY19 to drive Red Seal's growth into the International and Australian grocery channel.

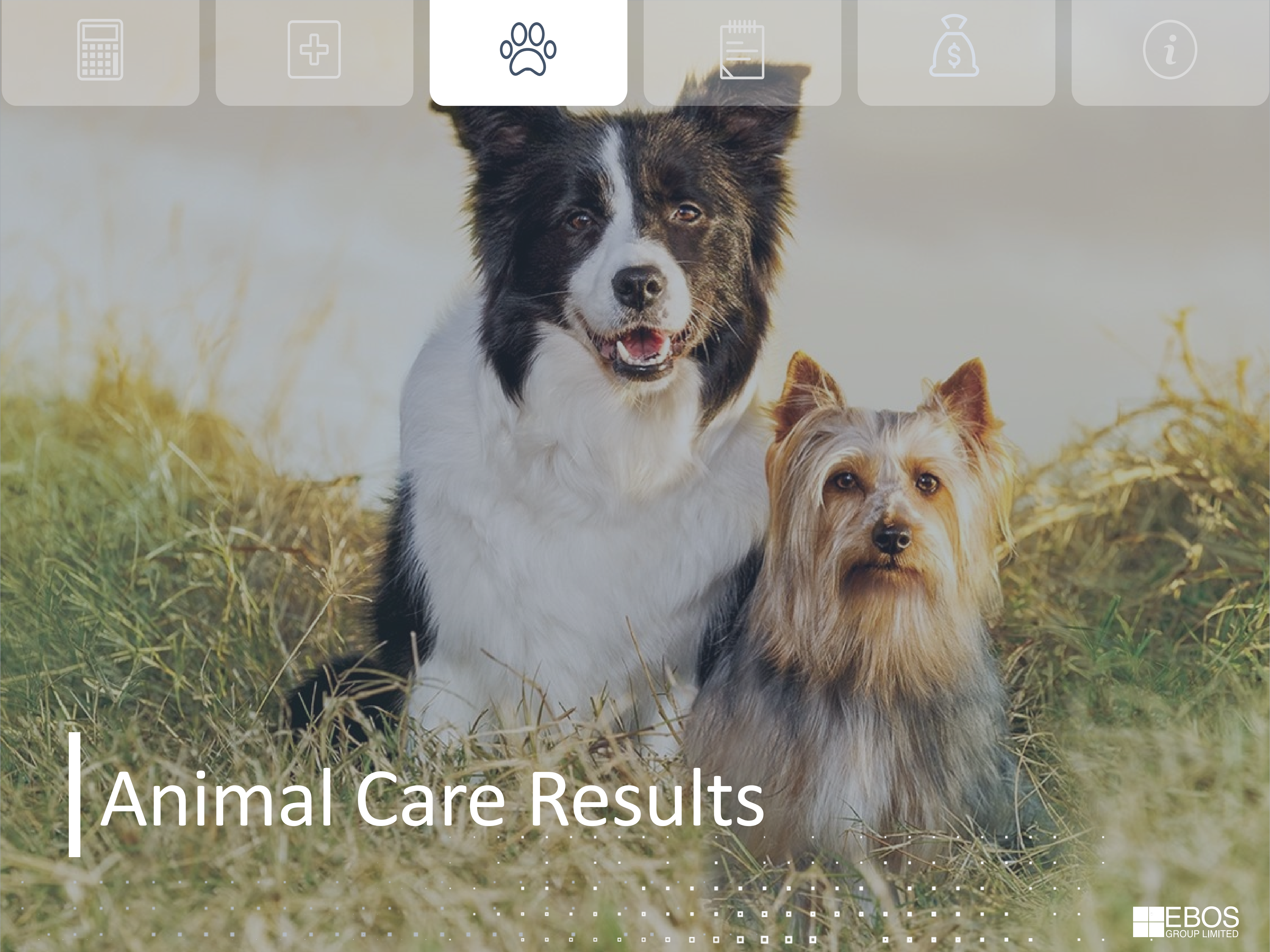
A$m	FY19	FY18	Var$	Var%
Revenue	113.9	108.6	5.3	4.9%
GOR	44.0	42.4	1.6	3.8%
GOR%	38.66%	39.07%		

Revenue and GOR



FY15 to FY19 CAGR

- Revenue: 18.9%
- GOR: 16.5%



Animal Care Results

ANIMAL CARE SEGMENT

Strong EBITDA performance reflecting continued growth in our key brands

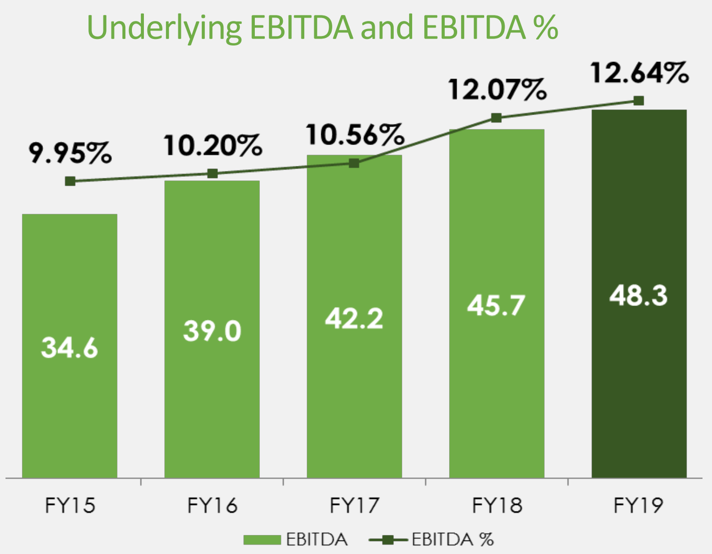
A$m	FY19	FY18	Var$	Var%
Revenue	382.0	378.2	3.9	1.0%
EBITDA	48.3	45.7	2.6	5.7%
EBITDA%	12.64%	12.07%		

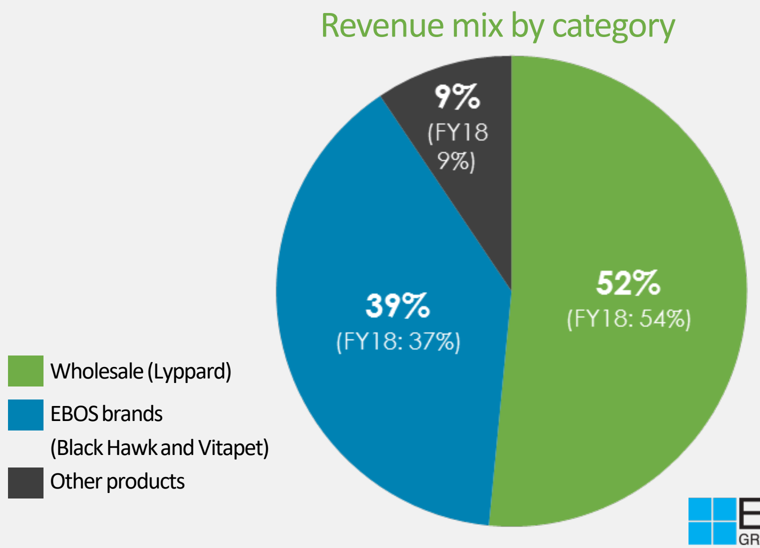
EBITDA increase of $2.6m or 5.7%:

- Earnings improvement is primarily from Black Hawk sales revenue growth of 11.4%.
- Total EBITDA margin improvement again reflects a growing proportion of earnings from our branded products portfolio.

Revenue increase of $3.9m or 1.0%:

- Total revenue growth was impacted by a decline in Lyppard sales due to one manufacturer bypassing the wholesale channel and supplying direct into veterinary clinics. Total Animal Care Revenue growth excluding this impact ($21m) was +7.2%.





ANIMAL CARE SEGMENT

Black Hawk continues to perform strongly

- Black Hawk sales grew 11% (following Australian growth of 23% in FY18 and 48% in FY17). Continued growth well above market due to:
  - Continued investment in marketing driving increased brand awareness and strong retail support.
  - Maintaining the price value proposition against other premium foods.
  - Continued strong momentum in NZ following the brands' introduction to that market in July 2017.

Vitapet recorded sales growth above the market and maintained leading positions in the grocery channel across AU & NZ.

Acquisition of Therapon

- Acquired Therapon in November 2018, a veterinary wholesale business with operations based in Victoria which has been integrated into Lyppard.

Animates' FY19 Performance

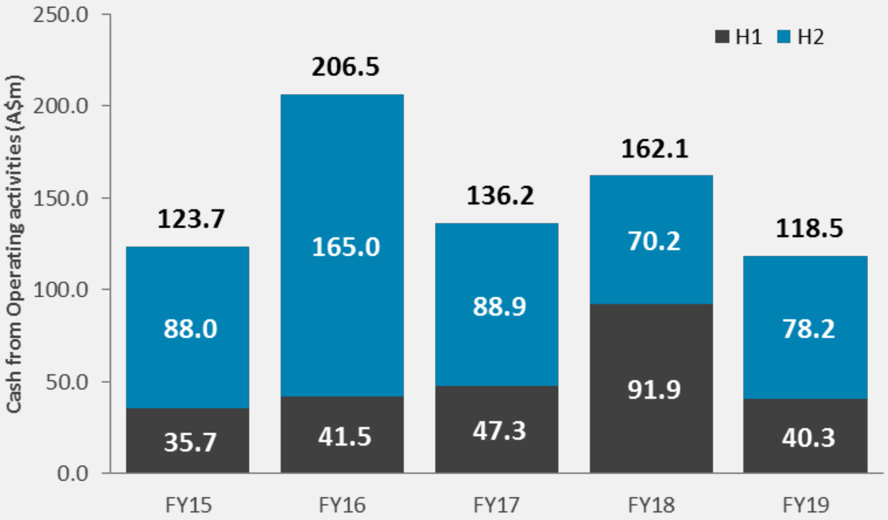
- Animates continues to perform well and expanded its store footprint by two stores.

Group Financial Information & Outlook

CASH FLOW

A$m	FY19	FY18	Var$	Var%
Statutory EBITDA	**250.4**	**250.1**	**0.4**	**0.1%**
Net interest paid	(25.3)	(20.9)	(4.5)	
Tax paid	(55.3)	(60.0)	4.8	
Net working capital and other movements	(51.3)	(7.1)	(44.2)	
Cash from Operating activities	**118.5**	**162.1**	**(43.6)**	**(26.9%)**
Capital expenditure (net)	(26.6)	(58.0)	31.4	
Free Cash Flow	**92.0**	**104.1**	**(12.2)**	**(11.7%)**
Acquisitions and investments	(93.6)	(30.8)	(62.8)	
Shares issued	162.4	-	162.4	
Dividends paid (net of DRP)	(94.2)	(92.0)	(2.2)	
Net Cash Flow	**66.6**	**(18.7)**	**85.3**	
FX impact on net debt	0.1	(0.5)	0.6	
Reduction/(Increase) in Net Debt	**66.7**	**(19.2)**	**85.8**	

Cash Flow from Operating Activities



- Operating cash flow of $118.5m reflects a further unwinding of the Hepatitis C working capital benefit and a $15m net investment in working capital in preparation for servicing Chemist Warehouse Group from 1 July 2019.
- FY19 Capex spend primarily comprised the new Brisbane warehouse and improvements across the Symbion warehouse network in advance of increased volumes from Chemist Warehouse Group.
- $93.6m spent on acquisitions in FY19 includes TerryWhite Group, Warner & Webster, Therapon and Quitnits.

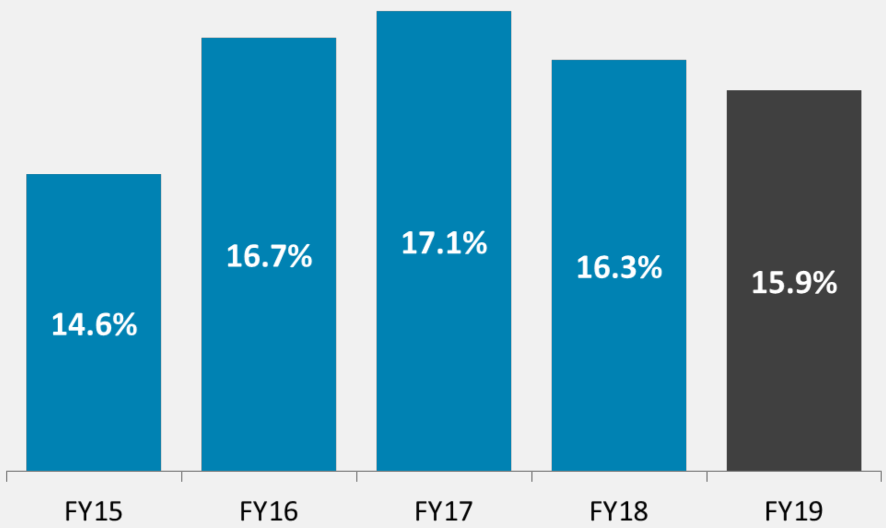
WORKING CAPITAL AND ROCE

Working Capital

A$m	June 2019	June 2018
Net Working Capital		
Trade receivables	865.7	892.2
Inventory	723.5	535.1
Trade payables/other	(1,307.3)	(1,196.4)
Total	**281.9**	**230.8**
Cash conversion days[1]		
Debtor days	43	41
Inventory days	43	32
Creditor days	68	58
Cash conversion days	**18**	**15**

- Working capital management discipline is a key focus of the Group and maintaining the industry leading cash conversion cycle of 18 days is reflective of this.

Return on Capital Employed[2]

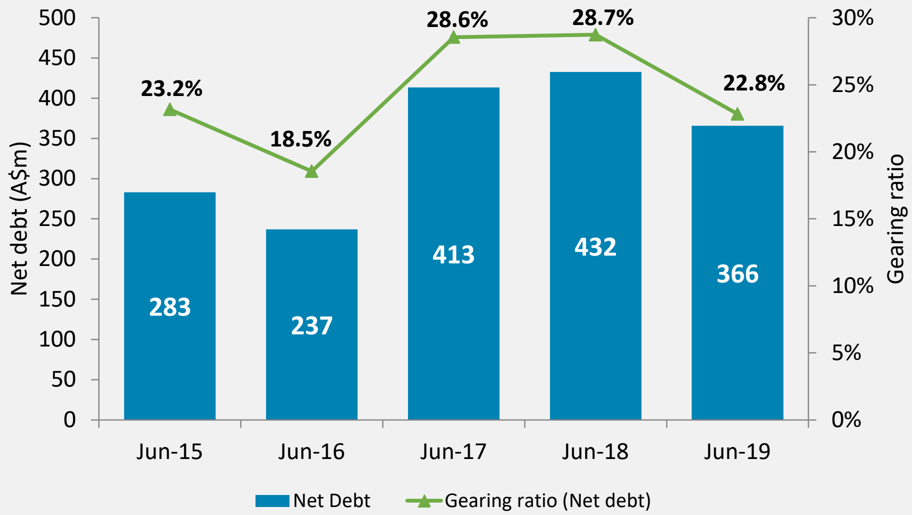


- Return on Capital Employed of 15.9% at June 2019, lower than June 2018 due to the higher investment in net working capital.

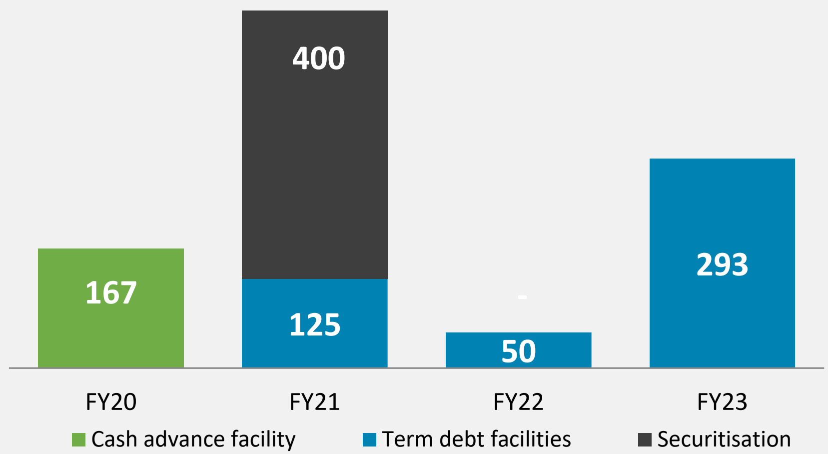
Note 1: Cash conversion days are adjusted for the Group's 3PL debtors and creditors arising from its hepatitis C business.
Note 2: Prior period ROCE figures have been updated from previous results presentations due to the change in presentation currency to AUD.

NET DEBT, GEARING AND MATURITY PROFILE

Net Debt and Gearing



Debt Maturity Profile – facility limits (A$)

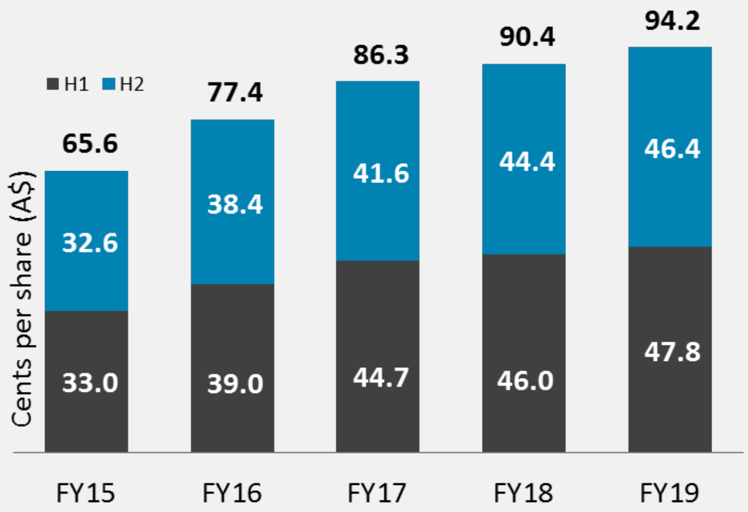


- Net Debt of $366m at June 2019, a decrease of $67m from June 2018 due to the Operating cash flow after Capex ($92m) and proceeds from the capital raise in May 2019 ($162m), partly offset by acquisitions and investments ($94m) and dividends ($92m).
- Net Debt : EBITDA of 1.41x at June 2019 (1.74x at June 2018).

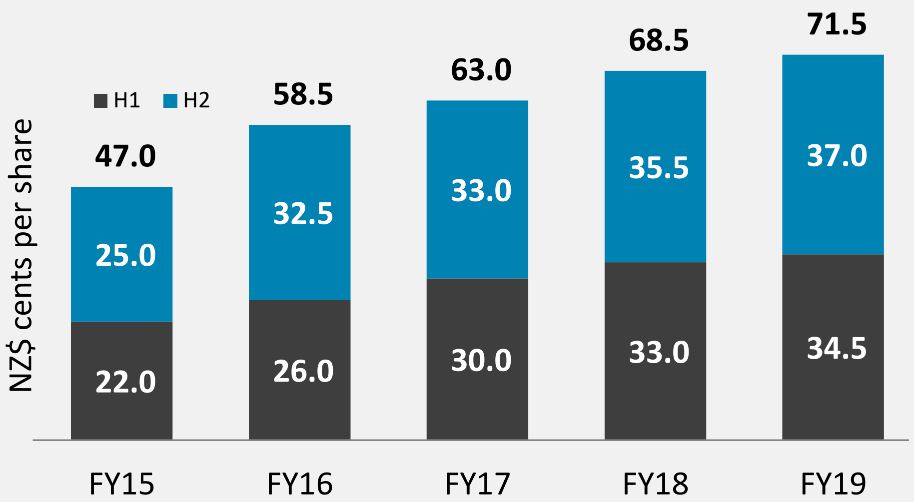
- At 30 June 2019, gross drawn debt was $532m or 51% of total facility limits.
- At 30 June 2019, the weighted average maturity of our combined term debt and securitisation facilities is 2.4 years.

EARNINGS AND DIVIDENDS PER SHARE

Underlying Earnings Per Share (A$ cents)



Dividends Per Share (NZ$ cents)



- Underlying EPS growth of 4.3% in FY19.
- Final dividend of NZD 37.0 cents (imputed to 25% and franked to 100% for Australian resident shareholders), brings total dividends for FY19 to NZD 71.5 cents, +4.4% to last year.
- Final dividend payout ratio of 73.2%, or 64.8% on an underlying cash basis, adjusted for the expected take up of the DRP.
- The Group's Dividend Reinvestment Plan (DRP) will be operational for the upcoming final dividend. Shareholders can elect to take shares in lieu of a cash dividend at a discount of 2.5% to the volume weighted average share price (VWAP).

CAPITAL RAISE AND M&A UPDATE

The proceeds from the placement in May 2019 have initially been used to pay down bank debt and reduce gearing. It is expected the funds will be used for strategic acquisitions, organic growth initiatives and general corporate purposes as they arise

Strategic acquisition opportunities

EBOS' potential acquisition pipeline is strong with the group actively considering a number of bolt-on M&A opportunities across both our Healthcare and Animal Care segments, which include:

1. Opportunities to acquire Healthcare consumer brands to take advantage of our existing infrastructure
2. Opportunities in the medical devices and consumables sectors
3. Pharmacy segment expansion opportunities across Australia and New Zealand
4. Opportunities for expansion in the Animal Care sector

Organic growth initiatives

There are a wide range of organic growth opportunities within the Group, including some that may require investment of capital, as we:

- Invest and drive continued growth in the existing portfolio of Healthcare and Animal Care businesses
- Fund the development of our existing brands into new growth markets (e.g. Asia)

EBOS estimates that it currently has ~$300-350 million capacity for M&A within our target gearing of 1.7 – 2.3x Net Debt / EBITDA.

FY20 OUTLOOK

- EBOS Group has recorded a strong underlying financial performance in FY19 and the Group is confident of a significant increase in earnings in FY20.
- A performance update will be provided to shareholders at the Annual Meeting on 15 October 2019.

Supporting Information

RECONCILIATION OF STATUTORY AND UNDERLYING RESULTS

	FY19		FY18	
A$m	EBITDA	NPAT	EBITDA	NPAT
Statutory result	**250.4**	**137.7**	**250.1**	**137.3**
Deduct				
Profit on sale of surplus property	(2.9)	(2.2)	-	-
Add back				
Transition costs for major new warehouses and Restructuring costs	8.9	5.5	-	-
Transaction costs incurred on M&A	5.2	3.4	-	-
Net of One-off items	11.2	6.7	-	-
Underlying result [1]	**261.6**	**144.4**	**250.1**	**137.3**

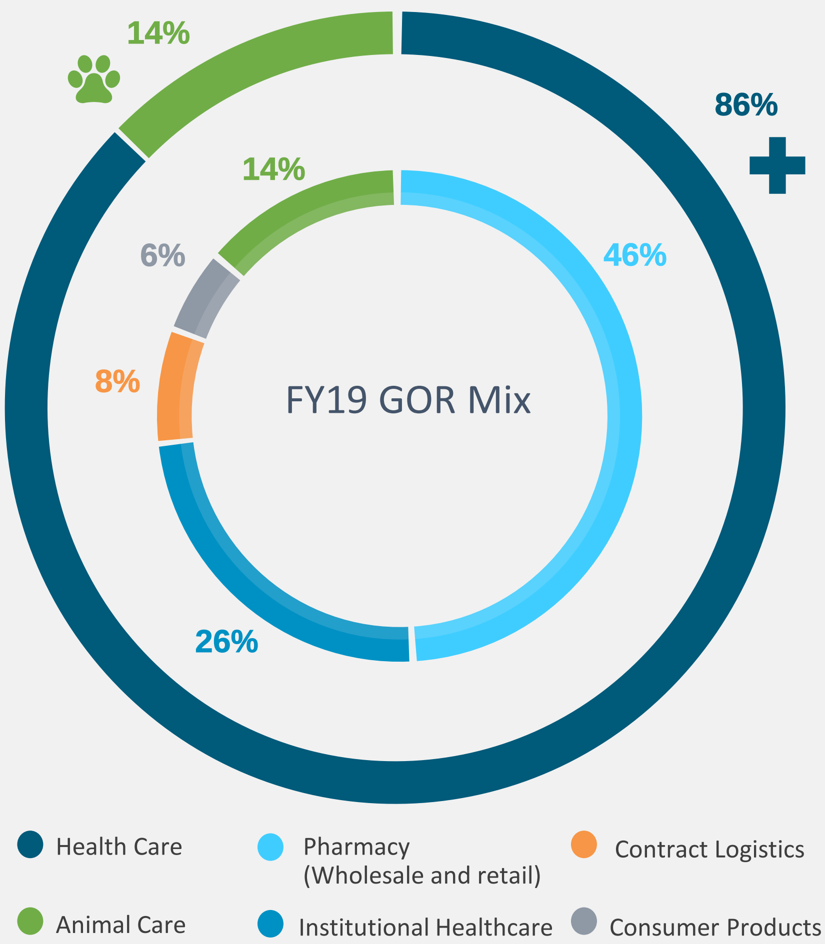
Note 1: Underlying EBITDA and Underlying Net Profit After Tax (attributable to the owners of the company) are both Non-GAAP measures which adjust for the effects of one-off items.

SEGMENT EARNINGS AND GOR MIX

EBITDA by segment

A$m	FY19	FY18	Var$	Var%
Underlying EBITDA				
Healthcare	226.6	216.6	10.0	4.6%
Animal Care	48.3	45.7	2.6	5.7%
Corporate	(13.2)	(12.2)	(1.0)	(8.4%)
Group	**261.6**	**250.1**	**11.6**	**4.6%**
Statutory EBITDA				
Healthcare	215.9	216.6	(0.6)	(0.3%)
Animal Care	48.3	45.7	2.6	5.7%
Corporate	(13.8)	(12.2)	(1.6)	(13.4%)
Group	**250.4**	**250.1**	**0.4**	**0.1%**
One-off items				
Healthcare	(10.6)	-	(10.6)	
Animal Care	-	-	-	
Corporate	(0.6)	-	(0.6)	
Group	**(11.2)**	**-**	**(11.2)**	

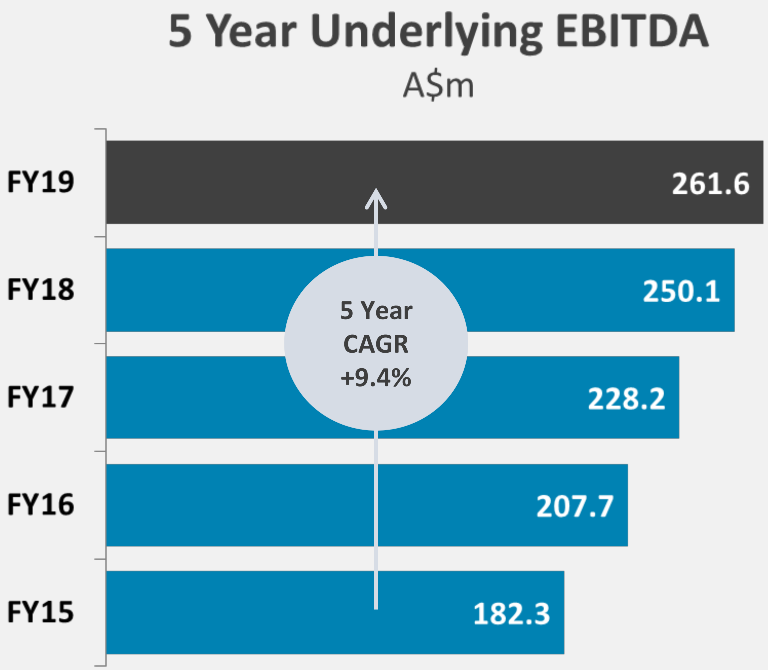
Gross Operating Revenue (GOR) FY19

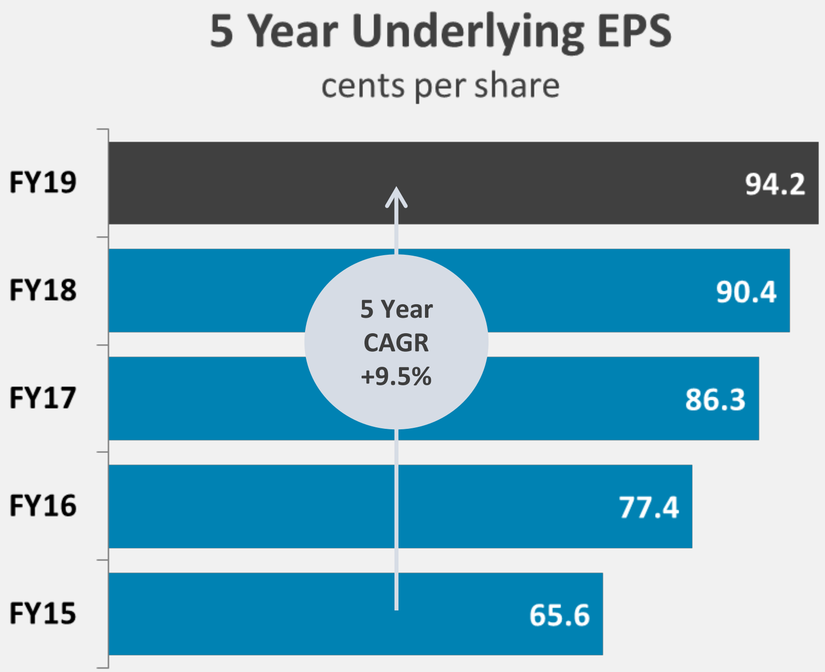


5 YEARS RESULTS SUMMARY

We continue to deliver results whilst reinvesting for growth

Results achieved





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 Australian 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.
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 before one-off items.
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 one-off items.
One-off items	The net of material transaction costs incurred on M&A, transition costs for major new warehouses, restructuring costs and a gain on sale of surplus property.
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 in accordance with IAS 33 ‘Earnings per share’.
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 Underlying EBITDA, adjusting for pre acquisition earnings of acquisitions for the period.
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 and excluding amounts for significant capital projects yet to complete and strategic investments).

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