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MARKET RELEASE

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EBOS reports significant increase in first half earnings

First Half Highlights

- Revenue \$4.4 billion (up 25.2%).
- Statutory EBITDA \$167.2 million (up 36.4%).
- Statutory NPAT \$81.7 million (up 21.8%).
- Underlying EBITDA \$149.0 million (up 13.4%).
- Underlying NPAT \$84.2 million (up 15.8%).
- Very strong performance from our Community Pharmacy business demonstrating its leading position with revenues increasing by 35.4%.
- The launch of EBOS Medical Devices with the acquisition of LMT and National Surgical for \$34 million.
- The opening of our new Consumer Products distribution and manufacturing facility in Auckland.
- Strong growth in the TerryWhite Chemmart network including 16 new stores and network sales growth of 5.7%.
- Continued market share gains in our Healthcare Logistics business across both Australia and New Zealand.
- Strong balance sheet with Net Debt : EBITDA @1.41x.

Group Financial Summary

Australian Dollars ¹	Statutory Results	Underlying Results ²
Total Revenue	\$4.4b up 25.2%	\$4.4b up 25.2%
EBITDA	\$167.2m up 36.4%	\$149.0m up 13.4%
EBIT	\$131.4m up 22.4%	\$131.3m up 13.1%
Net Profit after Tax (NPAT)	\$81.7m up 21.8%	\$84.2m up 15.8%
Earnings per Share (EPS)	50.6 cents up 14.8%	52.2 cents up 9.1%
ROCE		15.9% consistent with June 2019
Net Debt : EBITDA		1.41x consistent with June 2019

¹ All amounts included are denoted in Australian dollars unless otherwise stated.

² Excludes the impacts of IFRS 16 Leases and net one-off costs.

EBOS today announced strong growth in revenue and earnings for the first half of FY 2020.

In today's results announcement EBOS Chief Executive Officer, John Cullity said:

"Our strong results are reflective of the commencement of the Chemist Warehouse Group (CWG) pharmaceutical wholesale contract, together with strong performances from our Institutional Healthcare, Contract Logistics and TerryWhite Chemmart (TWC) Group businesses reflecting the strength of the EBOS business model. Our extensive and diverse portfolio has again delivered a significant increase in both revenue and earnings as shown in today's results.

"The growth in our pharmacy wholesale and contract logistics businesses is testament to the Group's capital investment strategy over recent years which has enabled us to productively manage the significant uplift in volumes and revenues", Mr Cullity said.

"Our Community Pharmacy business grew revenues by 35.4% following the successful commencement of both the CWG contract and growth within our existing customer base, including the TWC Group", Mr Cullity said.

TWC welcomed 16 new pharmacies during the period and remains one of Australia's largest community pharmacy networks. TWC network sales grew by 5.7% and prescription sales, on a like-for-like basis, increased by 5.3%, driven by increased brand awareness, customer satisfaction and new programmes with Qantas Frequent Flyer, Bupa and Afterpay.

The half was also highlighted by EBOS entering the A\$8 billion Australian and New Zealand medical device sector with the acquisition of established distribution business LMT and National Surgical ("LMT/NS"). LMT/NS over many years have built a strong presence in providing product and services to the Orthopaedic, Spine, Neuro, Ear Nose and Throat, and most recently, the sports medicine markets.

"We are pleased with the progress we are making in developing this strategic new platform for the Group and the performance is in line with our internal expectations", Mr Cullity said.

Reinforcing its capital investment strategy the Group opened its new Consumer Products manufacturing and distribution facility in Auckland which saw the consolidation of six separate New Zealand locations into one new purpose built site. "Our new Auckland facility will streamline stock handling, deliver cost efficiencies and improve both quality and service delivery to our customers", Mr Cullity said.

Segment Overview

Healthcare

Healthcare A\$	31 December 2019	31 December 2018	Growth
Total Revenue	\$4.2b	\$3.3b	+26.1%
Statutory EBITDA	\$145.8m	\$104.3m	+39.9%
Underlying EBITDA¹	\$131.1m	\$112.7m	+16.3%

¹ Refer to Appendix 1 for details of Underlying EBITDA adjustments.

The Healthcare segment generated a 26.1% increase in revenue for the period, underpinned by significantly higher sales volumes through the addition of CWG stores, and continued growth in the Institutional Healthcare, Contract Logistics and TWC businesses.

In Australia, Healthcare revenue increased by \$786 million (30.9%). Underlying EBITDA increased 22.3% driven by the performance of our Pharmacy Wholesale, TWC, Institutional Healthcare and Contract Logistics businesses. New Zealand Healthcare revenue grew by 9.9%, however, Underlying EBITDA was affected by softer overseas demand for our consumer products, reflective of the changes which have impacted the daigou export channel.

Pharmacy revenue across Australia and New Zealand increased by \$670 million (35.4%) due to significantly increased volumes in both countries. The pharmacy business also benefitted from productivity improvements across our automated sites which provides our customers with industry leading service levels and solutions.

The Group's Institutional Healthcare business also performed strongly with first half revenue growth of 9.1% due to increased market growth within our hospitals business as well as the contribution from our recently acquired LMT/NS medical devices business.

The Contract Logistics division grew Gross Operating Revenue (GOR) by 21.5% as we attracted new customers to our recently opened facilities in Sydney and Auckland.

In relation to the Australian pharmacy regulatory environment, Mr Cullity said Symbion and its industry representative body (NPSA) were working diligently with all stakeholders on negotiating a favourable outcome to the 7th Community Pharmacy Agreement (7th CPA). It is critically important that the 7th CPA provides the industry with a framework for continued investment in the industry which represents a critical piece of infrastructure to Australia's health system.

"In support of the traditional wholesale distribution model it was pleasing to see major pharmaceutical supplier Upjohn, part of the Pfizer Group, announce in December 2019 that it would move away from exclusive direct distribution. This will see Upjohn products being

available via the Australian wholesale network which is a great outcome for patients ensuring they will receive medicines in a timely and efficient manner”, Mr Cullity said.

Animal Care

Animal Care A\$	31 December 2019	31 December 2018	Growth
Total Revenue	\$210.6m	\$192.3m	+9.5%
Statutory EBITDA	\$28.5m	\$24.3m	+17.2%
Underlying EBITDA¹	\$25.7m	\$24.3m	+5.7%

¹ Refer to Appendix 1 for details of Underlying EBITDA adjustments.

The Group’s Animal Care segment generated revenue of \$211 million, an increase of 9.5% for the period, primarily due to a combination of the continued excellent performance from our branded products portfolio and higher veterinary wholesale volumes.

Our key brands Black Hawk and Vitapet both recorded strong uplifts in revenue growing their market share. Pleasingly, our Vitapet brand made significant headway in the Australian grocery channel and recorded revenue growth above market.

Lyppard strengthened its market position during the period with revenue increasing by 9.4% due to both customer growth and the full six month contribution from Therapon that was acquired in December 2018.

Community

EBOS Group is committed to meeting community expectations with our behaviour and actions reflecting positively in the communities where we operate.

In late 2019 and early 2020, we supported several communities locally and abroad as they dealt with major crises.

In New Zealand, we worked to distribute more than 114,000 doses of the measles vaccine as the country dealt with a major outbreak of the disease in 2019, with more than 2,000 confirmed cases. Internationally, we supported Samoa as it dealt with a measles crisis of its own by donating a specialised air purifying system to local hospitals to minimise the potential spread of the highly infectious virus.

New Zealand and Australia were both impacted by the tragic incident on Whakaari/White Island in December. Onelink NZ operated as a key partner in the NZ health supply chain working with health agencies to supply products required to treat the injured.

In Australia, as the country dealt with an unprecedented bushfire emergency through the latter part of 2019 and early 2020, our teams went above and beyond to meet the heightened demand for medicines and emergency supplies created by the ongoing crisis.

Working around road closures, and challenging and dynamic conditions, our teams collaborated with federal, state and local authorities and support agencies to keep medicines and consumables moving into bushfire impacted communities to support our customers in these areas to assist their patients.

EBOS Group donated products from both its Healthcare and Animal Care businesses to affected communities and financially supported initiatives to assist members of the community as they recover from the impact of these fires.

Our business has also been assisting the Australian Government in its preparations to assess returning citizens for coronavirus. This involved quickly mobilising resources to provide infrared thermometers to officials for use at airports in Brisbane and Sydney. In New Zealand, Onelink has been engaging with the Ministry of Health and District Health Boards to support efforts to combat coronavirus by providing Personal Protective Equipment (PPE) to front-line responders.

We are very proud of our staff, who have worked tirelessly during this period, further highlighting the critical role we play as part of the healthcare systems in both New Zealand and Australia.

Operating Cash Flow, Net Debt and Return on Capital Employed

First half operating cash flow before capital expenditure was strong at \$74.2 million. The first half cash performance reflects the seasonality of the Group's investment in net working capital at 31 December, the investment in working capital for servicing significantly higher pharmacy wholesale volumes from 1 July 2019 and the adoption of IFRS 16 Leases.

Capital expenditure for the period was \$13.7 million and primarily comprised spend on the new Consumer Products facility in Auckland and other smaller projects.

During the period, the Group purchased LMT/NS for \$34 million.

Return on Capital Employed (ROCE) of 15.9% was consistent with June 2019 with the strong earnings growth partially offset by the seasonality of the Group's working capital cycle.

The Group's Net Debt/EBITDA ratio at 31 December 2019 was consistent with 30 June 2019 at 1.41 times.

Impact of IFRS 16 Leases

EBOS Group adopted IFRS 16 Leases from 1 July 2019. Refer to Appendix 1 for a reconciliation of statutory to underlying earnings.

Interim Dividend

The Directors declared an interim dividend of NZ 37.5 cents per share, an increase of 8.7% on the prior corresponding period.

The Group's Dividend Reinvestment Plan (DRP) will be operational for the dividend payment in April 2020. 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).

The record date for the dividend is 13 March 2020 and the dividend will be paid on 3 April 2020. The interim dividend will again be imputed to 25% for New Zealand tax resident shareholders and will be fully franked for Australian tax resident shareholders.

Board Composition

As communicated at the Annual Meeting last year, the Board intends to increase the number of Directors on the Board. As part of this process Mr Nick Dowling, who resides in Sydney, has been appointed to the EBOS Group Board effective 1 February 2020.

Mr Dowling is Chief Operating Officer at Balmoral Australia and prior to Balmoral was Managing Director and CEO, Australia and New Zealand at New Hope Group Co. Ltd, a private Beijing based corporation engaged in agribusiness and food, real estate and infrastructure, chemicals, finance and investment.

EBOS Chair Liz Coutts said that Mr Dowling brings a wealth of experience in growing businesses across a broad range of industries. "Nick's experience as well as his deep M&A experience will be of great benefit to the Group's broad business portfolio and strategic growth objectives", Ms Coutts said. "Nick will become the Groups second Australian based Director which is particularly important with the Australian operations representing the majority of the Group's earnings", Ms Coutts added.

Outlook

Trading for the first half of FY20 was in line with our internal expectations and we reconfirm the Group is confident of a significant increase in earnings in the current financial year.

We have not seen any significant impact to the Group as a result of the coronavirus (COVID-19). We continue to closely monitor this issue and will take all necessary actions to ensure we are well placed to respond to any challenges that arise as the situation unfolds.

This media release, the half-year results and related materials were authorised for lodgement with NZX and ASX by the Board of EBOS Group Limited.

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Financial Results Presentation webcast link:

<https://edge.media-server.com/mmc/p/jmih5kk6>

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 brand owner, product marketer and distributor.

Appendix 1 – Reconciliation of Statutory and Underlying Earnings

A\$m	H1 FY20				H1 FY19			
	EBITDA	EBIT	PBT	NPAT	EBITDA	EBIT	PBT	NPAT
Statutory result	167.2	131.4	115.9	81.7	122.6	107.3	95.0	67.0
<i>Adjusted for</i>								
IFRS 16 Lease Accounting	(19.4)	(1.3)	2.6	1.5	-	-	-	-
Profit on sale of surplus property	-	-	-	-	(2.9)	(2.9)	(2.9)	(2.4)
Transition costs for major new warehouses and Restructuring costs	-	-	-	-	6.9	6.9	6.9	4.7
Transaction costs incurred on M&A	1.2	1.2	1.2	1.0	4.9	4.9	4.9	3.3
Net of One-off items	(18.2)	(0.1)	3.9	2.5	8.8	8.8	8.8	5.6
Underlying result	149.0	131.3	119.8	84.2	131.4	116.1	103.8	72.7