



Shareholders Report 2020

31 December 2019

2020 Half Year Results

Dear Shareholder

The first half of the 2020 Financial Year saw EBOS continue its disciplined approach to executing our strategy of:

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

In reviewing the half year it is pleasing to report that our activity and results reflect the Board and management's adherence to this core business strategy that has consistently delivered for shareholders over time through disciplined investment decisions that have driven growth in both our Healthcare and Animal Care businesses.

Key Highlights

 **\$4.4b**
revenue



 **\$13.7m**
investment in net capital works

\$30.3m
acquisition investment

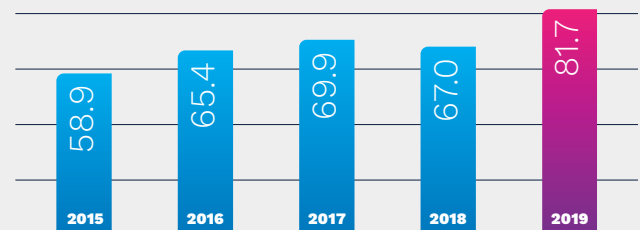
Financial Highlights

Reported Results

\$4.4 billion revenue

\$167.2 million EBITDA +36.4% increase

\$81.7 million NPAT +21.8% increase



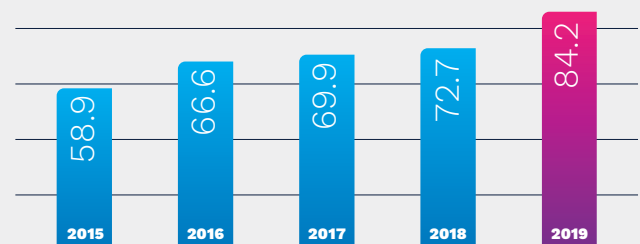
Reported net profit after tax
Six months to 31 December (\$millions)

Underlying Results¹

\$4.4 billion revenue

\$149.0 million EBITDA +13.4% increase

\$84.2 million NPAT +15.8% increase



Underlying net profit after tax
Six months to 31 December (\$millions)

¹ Excludes the impacts of IFRS 16 Leases and net one-off costs.

Key highlights of the first half included:

- Revenue \$4.4 billion (up 25.2%);
- Statutory Net Profit after Tax (NPAT) \$81.7 million (up 21.8%);
- Underlying Net Profit after Tax (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%;
- Strong growth in the TerryWhite Chemmart (TWC) network including 16 new stores and network sales growth of 5.7%;
- The launch of EBOS Medical Devices with the acquisition of LMT and National Surgical (LMT/NS) for \$34 million;
- The opening of our new Consumer Products distribution and manufacturing facility in Auckland;
- Continued market share gains in our Healthcare Logistics business across both Australia and New Zealand; and
- The appointment of new Chair Elizabeth Coutts following the retirement of Mark Waller.

In looking at our first half financial performance, the Group generated revenue of \$4.4 billion, up \$880 million or 25.2% on last year. This was primarily due to strong sales growth in our Healthcare business which was up 26.1% on last year, and Animal Care growth of 9.5% on the previous year's first half.

Healthcare

The Healthcare segment generated revenue of \$4.2 billion, a 26.1% increase for the period, underpinned by significantly higher Pharmacy sales volumes 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, Institutional Healthcare and Contract Logistics businesses and the commencement of the Chemist Warehouse Group (CWG) pharmaceutical wholesale contract. 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 increased by \$670 million (35.4%) due to significantly increased volumes in both Australia and New Zealand. The pharmacy business also benefitted from productivity improvements across our automated sites which provides our customers with industry leading service levels and solutions.

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.

Our Institutional Healthcare business also performed well 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 purchase of LMT/NS for \$34 million signalled the Group's entry into the A\$8 billion Australian and New Zealand medical devices sector. This acquisition represents an important development in the Group's growth trajectory as it is the first step in building another significant platform to our Healthcare portfolio. Consistent with our strategy, we will continue to pursue growth in this sector through further bolt-on acquisitions. We look forward to updating shareholders in future years as this business unit develops and makes an important profit contribution to the Group.

Our Contract Logistics division grew Gross Operating Revenue (GOR) by 21.5% as we attracted new customers to our recently completed industry leading facility in Sydney.

In Auckland, we opened our new Consumer Products distribution and manufacturing facility which involved a significant amount of complex planning and logistics management and saw the consolidation of six separate New Zealand locations into one new site. Again, in line with our strategy, this facility will ultimately enable more streamlined and cost efficient stock handling and delivery services to our customers, as well as the benefit of having the Red Seal toothpaste manufacturing facility located in a modern purpose built facility.

In Australia, it was very pleasing to be able to host Australia's Federal Minister for Health, the Honourable Mr. Greg Hunt to officially open Symbion's new highly automated Distribution Centre in Brisbane in late August 2019. This world class healthcare distribution facility is already generating significant improvements in productivity and efficiencies.

Animal Care

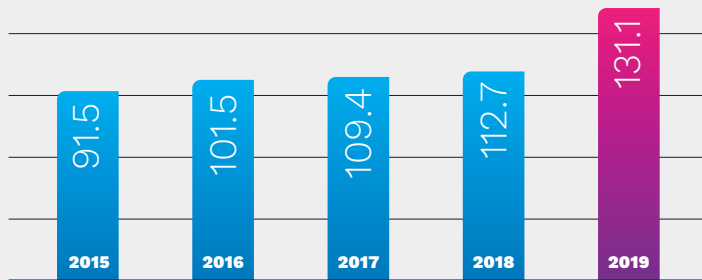
Our Animal Care segment generated revenue of \$211 million, an increase of 9.5% for the period, primarily due to a combination of the continued excellent performance from our branded products portfolio and higher wholesale volumes.

Our key brands Black Hawk and Vitapet both recorded strong uplifts in revenue both growing their market share. Pleasingly, our Vitapet treats 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 customer growth and the benefits of its recently acquired Therapon business.

Segment Overview

Healthcare

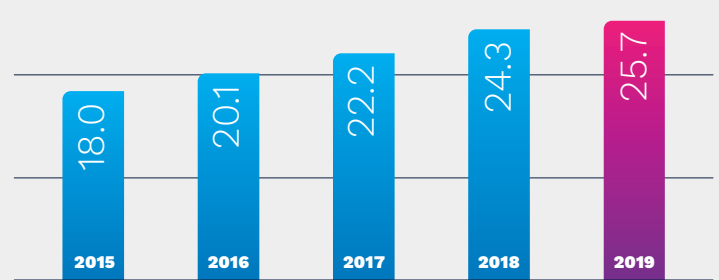


Underlying EBITDA¹

Six months to 31 December (\$millions)

¹Excludes the impacts of IFRS 16 Leases and net one-off costs.

Animal Care



Underlying EBITDA¹

Six months to 31 December (\$millions)

¹Excludes the impacts of IFRS 16 Leases and net one-off costs.

Regulatory Environment

Our Symbion business, together with its industry representative body (NPSA), is looking forward to a favourable outcome from the current negotiations of the 7th Community Pharmacy Agreement (7th CPA). It is critically important that the 7th CPA provides the industry with a framework for continued investment as it represents a critical piece of infrastructure to Australia's health system.

As further evidence of the benefits to the community of Australia's wholesale distribution model, pharmaceutical supplier Upjohn, part of the Pfizer Group, announced in December 2019 that it would move away from exclusive direct distribution. The decision by Upjohn will see Upjohn products now being available via the Australian wholesale channel ensuring patients receive medicines in a timely and efficient manner.

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 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.

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.

Mr Dowling brings a wealth of experience in growing businesses across a broad range of industries including deep M&A experience which will be of great benefit to the Group's broad business portfolio and strategic growth objectives. He will become the Group's second Australian based Director which is particularly important given the Australian operations represent the majority of the Group's earnings.

Interim Dividend Increase

Your 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 again 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 be imputed to 25% for New Zealand tax resident shareholders and will be fully franked for Australian tax resident shareholders.

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.

Thank you again for your ongoing support.



Liz Coutts
Chair of the Board



John Cullity
Chief Executive Officer