

ASX Announcement

25 February 2019

NVL ANNOUNCES RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

National Veterinary Care Ltd (ASX: NVL) (NVL) today releases its Interim Financial Report and trading results for the half year ended 31 December 2018.

Highlights

	1H FY2019	1H FY2018	Growth
Revenue	\$54.1m	\$41.6m	↑ +30.0%
Underlying EBITDA	\$8.2m	\$6.3m	↑ +29.9%
Underlying EBITDA margin	15.0%	15.7%	↓ -70bps
Underlying NPAT	\$3.9m	\$3.1m	↑ +25.4%
NPAT	\$2.6m	\$3.3m	↓ -19.9%
EPS (basic)	4.17cps	5.57cps	↓ -1.4cps
<ul style="list-style-type: none"> • Pet Doctors Group (25 clinics/businesses) was acquired and integrated in 1H FY2019 primarily funded by equity raised (\$18.0M share placement completed in Sept 2018) • 6 Australian veterinary clinics joined the network during the half year • Group LFL organic revenue growth of 2.91%¹ on rolling 12-month basis • Underlying EBITDA margin of 15.0% at upper end of FY2019 full year guidance range • Best for Pet wellness program now implemented in 81 clinics across Aust & NZ (including Pet Doctors) 			
<p>¹ Like for like sales growth reflects 12 months performance to reporting date, excluding strategic divestment and clinic renovation periods, for sites held for a minimum of 12 months</p>			

Managing Director Tomas Steenackers said, “We are pleased to report half year results that reflect continued solid revenue growth and underlying results in line with our full year guidance.”

“It has been a busy and exciting six months for National Veterinary Care. In October, we welcomed milestone acquisition Pet Doctors into our NVL stable. The Pet Doctors acquisition of 23 clinics and 2 nurse training centres in New Zealand (NZ) was our largest acquisition since listing on the ASX in 2015 and is an excellent strategic fit with NVL’s existing business, in particular expanding our NZ footprint to 35 businesses.”

“Following our significant investment in the business, systems and people during FY2018, our experienced team was able to achieve all key integration plans for Pet Doctors ahead of the original 120 day schedule. As a result of fully integrating Pet Doctors quickly, synergies will also start to flow quickly in the second half. NVL has become a market leader in the companion animal sector in NZ which will enable us to leverage supplier deals and other procurement benefits to also achieve growth in the managed services division which launched in NZ in August.”

“The Pet Doctors acquisition was partially funded by proceeds from an institutional placement that was completed in September. The placement, which raised approximately \$18.0 million before costs, was NVL’s second capital raise in the last two years to fund acquisitions and I am delighted to say was well supported by both existing and new investors.”

Mr Steenackers added in relation to the half year, “Our commitment to long term business growth and investment in the business in FY2018 has already delivered significant benefits to the business. The underlying EBITDA margin percentage of the NVL business (excluding Pet Doctors) for the half year of 16.1% has improved from 15.7% in the prior half year. We expect to see the benefit of Pet Doctors synergies and the impact of other margin improvement initiatives coming through in the second half of the year.”

Financial Performance

In the half year ended 31 December 2018, NVL produced a \$2.62 million statutory Net Profit after Tax and a \$3.76 million underlying Net Profit after Tax.

Statutory Net Profit after Tax in the previous half year of \$3.3 million includes \$1.64 million of writeback of contingent consideration, which is \$nil in the reported half year.

Table 1: Key Performance Measures

	1H FY2019	1H FY2018
	\$'000's	\$'000's
Statutory Performance		
Revenue	54,131	41,642
EBITDA ^{1 2}	6,548	6,081
EBITDA margin % ³	12.1%	14.6%
Net profit after tax ⁵	2,616	3,266
EPS (basic)	4.17 cents	5.57 cents
Underlying Performance		
Revenue	54,243	40,003
EBITDA ^{1 4}	8,153	6,276
EBITDA margin %	15.0%	15.7%
Net profit after tax ^{4 5}	3,872	3,086
EPS (basic)	6.17 cents	5.26 cents

¹ EBITDA - Earnings before interest, tax, depreciation and amortisation (non-IFRS information). Includes non-controlling interest.

² Includes costs relating to acquisition, integration, restructuring and other one-off costs.

³ EBITDA margin – EBITDA as a % of revenue.

⁴ Before the impact of costs relating to acquisition, integration, restructuring and other one-off costs or revenues.

⁵ Attributable to shareholders after deducting non-controlling interests.

Other Business Initiatives

NVL's Best for Pet Wellness Program (Best for Pet) continues to be a key business initiative and driver of organic growth that has grown to more than 23,500 members across the NVL network in Australia and New Zealand. The program is now offered in 81 clinics, including across the Pet Doctors group. Since mid January, Pet Doctors clinics have signed up 675 Best For Pet members, with a 12 month target of 8,000 members.

Following the success of the Melbourne and Brisbane facilities, a third NVL Veterinary Training Centre, located in Christchurch NZ, will start offering workshops from March 2019. NVL's three facilities offer professional training courses to the entire veterinary industry. The Veterinary Training Centre is a unique industry offering and a key contributor to NVL employee engagement.

The Managed Services and Procurement Division was once again a key focus in the last 6 months and now a highly scalable model, saw the business expand into NZ during the period, with positive initial engagement from the veterinary industry.

NVL has an ongoing strategic objective of reviewing, and rationalising where appropriate, its assets and non-core businesses. In line with this process, during the half year NVL divested a New Zealand based online retail business Pet Post, which it acquired as part of the Pet Doctors Group. Two business rationalisations were also completed during the half year for greater business stability and improved financial performance.

Acquisitions and Integration

Growth by acquisition is one of NVL's core growth strategies. In addition to Pet Doctors, NVL acquired 6 veterinary clinics across existing NVL clusters in Queensland, New South Wales and Victoria during the half year.

FY2019 Guidance

As previously announced, NVL's guidance based on current initiatives and businesses for the 30 June 2019 full financial year is:

Guidance Measure	FY2019 Guidance
Underlying Revenue	40% above FY2018
Underlying EBITDA margin	14.5-15%

Dividend

Due to significant acquisition growth during the half year and an expected strong acquisition pipeline, no interim dividend has been declared to the shareholders of NVL in relation to the 31 December 2018 half year. The Directors expect to pay a dividend after the release of the full year results for FY2019.

Our People and Clients

NVL thanks the dedicated people who work in our clinics and every day strive to deliver the best possible service to our clients, and the pet owners of Australia and New Zealand, who entrust the care and health of their beloved animals to our professional staff.

Results Briefing – Teleconference Details

The teleconference details for today's 31 December half year results briefing for investors and analysts at 11.00am (Brisbane time) are set out below.

Conference ID: 8979065

	Direct	Toll-Free
Australia	+61 2 8038 5221	1800 123 296
New Zealand		0800 452 782
Canada		1855 5616 766
Singapore		800 616 2288
Hong Kong		800 908 865
United Kingdom		0808 234 0757
USA		1855 293 1544

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About NVL:

NVL aims to be a leading provider of veterinary services in Australia and New Zealand. NVL has acquired and integrated 97 veterinary services businesses across Australia and New Zealand. NVL strives to achieve excellence in clinical care for pets, and to build a platform for loyal, long term relationships with their owners. The key growth strategies for NVL are expanding its network of clinics through acquisition, and driving organic growth at a clinic level.

For further information please contact:

Tomas Steenackers
CEO / Managing Director
National Veterinary Care Ltd
07 3063 0906

IMPORTANT NOTICES

This announcement may contain forward-looking statements, which include all matters that are not historical facts. Without limitation, indications of, and guidance on, future earnings and financial position and performance are examples of forward-looking statements.

Forward-looking statements, including projections or guidance on future earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including NVL). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based.