

ASX Announcement

26 August 2019

RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

National Veterinary Care Ltd (ASX: NVL) (NVL) today releases its Financial Report and trading results for the year ended 30 June 2019.

Financial Highlights

	FY2019	FY2018	Growth
Revenue	\$118.4m	\$82.5m	↑ +43.6%
NPAT	\$8.0m	\$6.2m	↑ +28.9%
Underlying EBITDA	\$18.0m	\$13.1m	↑ +37.7%
Underlying EBITDA margin	15.4%	16.2%	↓ -80bps
Underlying NPAT	\$8.89m	\$6.45m	↑ +37.9%
EPS (basic)	12.38cps	10.63cps	↑ +1.75cps

- Significant revenue growth, driven by 32 acquisitions (including Pet Doctors NZ Group).
- Operating ungeared, pre-tax cash flow conversion 107%.
- Net Debt/EBITDA leverage ratio¹ at 1.97 times.
- Fully franked dividend of 3.5 cents per share in respect of the year ended 30 June 2019.
- NVL represents approx. 20%² of the AUS & NZ small animal market through NVC owned and managed clinics.

¹ Calculated in accordance with the facility documents, equals (debt less cash)/EBITDA including pro forma annualised contribution from acquisitions made during the year.

² Based on NVC management estimate of number of small animal clinics in Australia and NZ

Managing Director Tomas Steenackers said, “We are pleased to report full year results that reflect continued solid revenue growth and underlying results that exceed our full year guidance. A particular highlight is achieving statutory revenue growth of 43% and underlying EBITDA growth of 37%.”

“The last 12 months has been a significant year for National Veterinary Care. In October, we welcomed milestone acquisition Pet Doctors into our New Zealand (NZ) portfolio. The Pet Doctors acquisition of 23 clinics and 2 nurse education centres was our largest acquisition since listing on the ASX in 2015 and increased our NZ footprint to 35 businesses. As a good strategic fit with NVL’s existing business, and with a number of business initiatives in progress across Pet Doctors, we expect to see strong performance and improved financial results from this business during the 2020 financial year.

“In addition to Pet Doctors group, we acquired 7 veterinary practices across Australia and New Zealand throughout the reporting period. Following investment in the business and systems in the previous reporting period, we were able to integrate all acquisitions (including Pet Doctors) faster and more effectively. Integration was a clear focus over the last 12 months given the scale of acquisitions during the reporting period.”

Mr Steenackers added, “We have also recently announced the acquisition of an Australian buying group/GPO. This exciting acquisition, expected to settle within the next month, will complement our existing United Vets Group management services and procurement business and will see an expansion of services and different membership levels offered to members in future. Following this acquisition, NVL estimates it will represent approximately 24% of the Australian and New Zealand small animal market, through its owned clinics and independent managed services members.”

Financial Performance

In the year ended 30 June 2019, NVL produced a \$8.04 million statutory net profit after tax and a \$8.89 million underlying net profit after tax, increases on prior year of 28% and 37% respectively.

Table 1: Key Performance Measures

	FY2019	FY2018
	\$'000's	\$'000's
Statutory Performance		
Revenue	118,439	82,476
EBITDA ^{1 2}	17,195	12,527
EBITDA margin % ³	14.5%	15.2%
Net profit after tax ⁵	8,041	6,237
EPS (basic)	12.38 cents	10.63 cents
Underlying Performance		
Revenue	117,191	80,542
EBITDA ^{1 4}	18,023	13,085
EBITDA margin %	15.4%	16.2%
Net profit after tax ^{4 5}	8,891	6,448
EPS (basic)	13.69 cents	10.99 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.

Business Highlights

NVL’s Best for Pet Wellness Program (Best for Pet) continues to be a key marketing and revenue generating initiative. Best for Pet has grown to more than 25,000 members across the NVL network in Australia and New Zealand, including introduction of new members through Pet Doctors clinics since early 2019, which is growth of 34% over the reporting period. Clients continued to be engaged with the program and marketing initiatives, including introduction of online sign ups and multiple digital touchpoints with clients during the life of the program, have been highly effective.

Following the success of the Melbourne and Brisbane facilities, a third NVL Veterinary Training Centre, located in Christchurch NZ, started offering workshops in March 2019. NVL's three facilities offer professional training courses to the entire veterinary industry, and are a unique industry offering and a key contributor to NVL employee engagement. This is an important initiative to support our growing NZ portfolio of clinics as well as providing professional training opportunities for NZ members of our managed services business. Complementing the three training facilities are two veterinary nurse education centres in Auckland, which were acquired with the Pet Doctors Group.

NVL's Management Services and Procurement business continued to perform well during the year, including expansion into NZ in August 2018, and servicing 426 independent veterinary clinics across Australia and NZ. A continued focus on securing best in industry supplier agreements for members, as well as ensuring the service offering continues to be relevant to members, has resulted in strong member retention.

Acquisitions and Divestments

Growth by acquisition is one of NVL's core growth strategies. In addition to Pet Doctors, NVL acquired 7 veterinary clinics across existing NVL clusters in Queensland, New South Wales, Victoria and NZ during the year. Four mergers of existing businesses across both Australia and NZ were also completed during the reporting period for greater business stability and improved financial performance.

In late 2018, NVL divested a NZ based online retail business Pet Post, which it acquired as part of the Pet Doctors Group.

Dividend

The Board was pleased to announce a fully franked final dividend of 3.5 cents per share in respect of the year ended 30 June 2019, to be paid on 2 October 2019.

NVL has a mandatory direct credit policy in relation to the payment of dividends to shareholders with a registered address in Australia. NVL encourages shareholders to ensure that their bank account details are up to date prior to record date for this dividend.

FY2020 Guidance

NVL's guidance based on current initiatives and businesses for the 30 June 2020 full financial year is:

Guidance Measure	FY2020 Guidance
Underlying Revenue	\$140 million (20% above FY2019 revenue of \$117.1 million)
Underlying EBITDA margin	15.5-16.0%

This guidance excludes the impact of accounting standard AASB 16 Leases.

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 30 June 2019 financial year results briefing for investors and analysts at 10.00am (Brisbane time) are set out below.

Conference ID: 10001642

	Direct	Toll-Free
Australia	+61 2 9007 3187	1800 870 643
New Zealand		0800 453 055
Canada/USA		1855 881 1339
Singapore		800 1012 785
Hong Kong		800 966 806
United Kingdom		0800 051 8245

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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 99 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:

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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.