

ASX RELEASE

Apiam Animal Health Limited (ASX: AHX)

Apiam doubles Queensland presence with three strategic acquisitions

- **Three strategic acquisitions in rural & regional Queensland, expected to add ~\$10 million in revenue (on FY21 pro-forma basis), before synergies**
- **Total consideration of \$6.7 million based on similar multiple to previous acquisitions**
- **Doubles Apiam's Queensland clinic footprint (from 4 clinics to 8 clinics)**
- **Provides Apiam greater companion and mixed animal exposure (equine & cattle) in fast growth regional and peri-urban locations**

Bendigo, May 27, 2021 – Apiam Animal Health Limited (**Apiam** or the **Company**) is pleased to announce the strategic acquisition of three Queensland-based veterinary businesses (the **Acquisitions**), for a total combined consideration of \$6.7 million.

The Acquisitions are comprised of Samford Valley Veterinary Hospital (Samford Valley), Clermont Veterinary Surgery (Clermont) and Knox Veterinary Clinic (Dalby). Each of these acquisitions are geographically strategic for Apiam and present attractive opportunities to grow the Company's revenue base in the region. The Acquisitions will double the number of Apiam veterinary clinics in Queensland from four to eight as well as add 31 veterinarians to its operations (~21 FTE).

Apiam's Managing Director, Dr Chris Richards said "these acquisitions significantly increase our presence in the important southern Queensland region, adding four new clinics in very attractive locations. We are seeing strong growth potential in rural and regional Queensland, as populations grow rapidly, companion animal ownership accelerates and mixed animal opportunities increase. There are also many adjacent areas that are underserved by veterinarians, providing further growth options."

"Our regional expansion strategy remains a key focus and as an established player, we are well placed to scale up and leverage our market position in fast-growing regional veterinary markets, which we are carefully targeting."

The Acquisitions are expected to add approximately \$10 million revenue to Apiam (on a FY21 pro-forma basis), before any synergies, with an expected completion date of 1 June 2021 for the Samford Valley acquisition. Apiam completed the settlement of Knox Veterinary Clinic (Dalby) on 1 April 2021 and Clermont Veterinary Surgery on 21 May 2021.

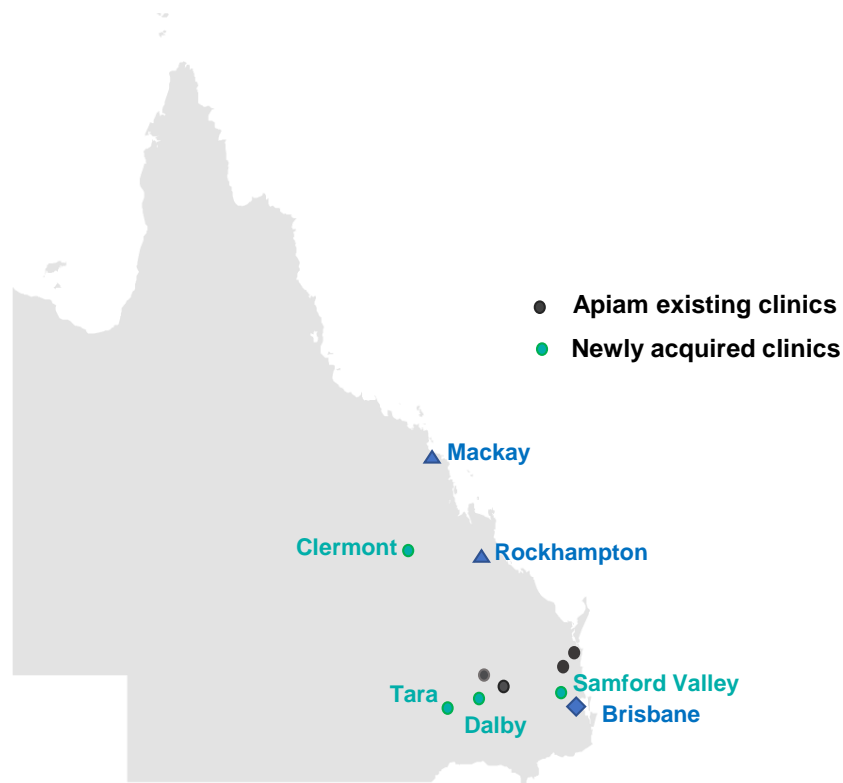
Overview of acquired businesses

Samford Valley Veterinary Hospital (Samford Valley) is located approximately 25km north-west of Brisbane, and with a population of approximately 12,000, is a strong peri-urban growth location. Samford Valley generates most of its revenue from companion animal and equine exposure with an experienced veterinary and support team.

Clermont Veterinary Surgery (Clermont) is located in Central Queensland, with a population of approximately 3,000. It services the Clermont region and surrounding districts, including large agriculture holdings in the region. Clermont's revenues are split equally between companion animals, equine and cattle, with significant revenue growth across all animal segments. There has recently been strong cattle growth in the region.

Knox Veterinary Clinic (Knox) is located in Dalby with a branch clinic at Tara, providing veterinary services to both companion and production animals in the town and surrounding regions. The acquisition of Knox represents an important step in the expansion of Apiam's services in the Darling Downs region with existing Apiam clinics already being located at Bell and Jandowae.

Apiam's Queensland operations – Newly acquired clinics and Apiam's existing clinics (scale is approximate)



Notes:

1 Apiam's existing clinics are located in Gympie, Tin Can Bay, Bell and Jandowae

Strategic rationale

The Acquisitions are consistent with Apiam's regional expansion strategy and accelerate the Company's presence in the attractive and fast growth southern Queensland region. This area has experienced a significant demographic shift over recent years with populations growing rapidly as people migrate from larger cities to regional areas. There has also been the broader trend of increased companion animal ownership, similar to the trends across Australia, particularly following COVID-19 restrictions.

The opportunity to develop synergies between the new Acquisition clinics and Apiam's existing clinics is also significant and will enable Apiam to leverage service programs, and support costs across the region. Savings in the areas of logistics, marketing and procurement are expected to have benefits within the first year of ownership.

Additional revenue opportunities can also be derived by establishing certain clinics as key regional referral centres, and offering several of Apiam's service programs, such as Best Mates and ProDairy across a larger customer base.

Funding, terms & conditions

Consideration for the Acquisitions is as follows:

- Clermont Veterinary Surgery & Knox Veterinary Clinic: 80% cash and 20% scrip; and
- Samford Valley Veterinary Hospital: 90% cash and 10% scrip.

The total combined cash consideration payable for the Acquisitions is \$5.7 million and will be funded using existing funds, as a result of Apiam's strong cash flow and the Company's recent \$6 million capital raise. The Company still has \$19.9 million in headroom available for future acquisitions through its existing debt facility with NAB.

Key employees will enter into new employment contracts with Apiam, with similar terms and restraint conditions to Apiam's previous acquisitions. New shares issued as consideration for the Acquisitions will be subject to a minimum escrow period of 12-months, with 50% subject to an escrow period of 24-months.

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Authorisation

This announcement was authorised by the Board of Directors of Apiam Animal Health Limited.

About Apiam Animal Health Limited

Apiam Animal Health is positioned in the Australian market as a vertically integrated animal health business providing a range of products and services to Production and Mixed animals. Apiam Animal Health's strategy is to service Production and Mixed animals throughout their lifecycle, including the provision of veterinary services, ancillary services, genetics, wholesale and retail of related products, together with technical services related to food-chain security.