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## MARKET RELEASE

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### EBOS 2021 Full Year Results

#### EBOS' STRONG PERFORMANCE HAS CONTINUED WITH ANOTHER RECORD RESULT AND DOUBLE-DIGIT EARNINGS GROWTH

##### Full Year Highlights

- Revenue of \$9.2 billion, exceeding \$9 billion for the first time (up 5.0%)
- Statutory Audited Net Profit after Tax (NPAT) of \$185.3 million (up 14.0%)
- Underlying Net Profit after Tax (Underlying NPAT) of \$188.2 million (up 15.5%)
- Final dividend declared of NZ 46.0 cents per share, bringing total dividends declared for the year to NZ 88.5 cents per share (up 14.2%)
- Continued strong performances from both our Healthcare and Animal Care segments, with Healthcare's Underlying EBIT up 11.4% and Animal Care's EBIT up 26.4%
- Excellent operating cash flow (before capex) of \$298.3 million (up 30.1%)
- Inaugural Sustainability Report released today
- Consistent with our strategy of investing for growth, EBOS today announces:
  - a significant capital investment in a new state of the art pet food manufacturing facility to facilitate insourced manufacturing of Black Hawk and accelerate new product development opportunities
  - a number of acquisitions in a further expansion of our Institutional Healthcare division
- Strong balance sheet, with Net Debt : EBITDA of 0.85x (1.11x at June 2020)

*EBOS is pleased to release today its inaugural Sustainability Report outlining its Environmental, Social and Governance (ESG) activity over the financial year. As a market leading healthcare and animal care company, we know that our stakeholders and the communities we serve rely on us. Our ESG program sets out the actions we take to ensure we consistently and sustainably deliver on our responsibilities as a provider of critical network infrastructure, products and services.*

A\$ <sup>1</sup>	Statutory Results	Underlying Results
<b>Total Revenue</b>	\$9,202.9m up 5.0%	\$9,202.9m up 5.0%
<b>EBITDA</b>	\$363.3m up 8.9%	\$367.1m up 9.2%
<b>EBIT</b>	\$290.7m up 11.6%	\$294.5m up 11.9%
<b>Net Profit after Tax</b>	\$185.3m up 14.0%	\$188.2m up 15.5%
<b>Earnings per Share</b>	113.2 cents up 12.5%	114.9 cents up 14.0%
<b>Total Dividends per Share</b>	NZ 88.5cps up 14.2%	
<b>Operating Cash Flow</b>	\$298.3m up 30.1%	
<b>ROCE</b>		18.0% up 0.9%
<b>Net Debt : EBITDA<sup>2</sup></b>		0.85x down 0.26x

<sup>1</sup> All amounts included are denoted in Australian dollars unless otherwise stated.

<sup>2</sup> Calculated in accordance with banking covenants.

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EBOS Group Limited (“EBOS” or the “Group”) today announced another record result for the 2021 financial year, with key highlights including double-digit earnings growth and several growth investments. In today’s results announcement, EBOS Chief Executive Officer, John Cullity said:

“It is pleasing to report another record profit for EBOS for FY21. Our double-digit earnings growth reflects a continuation of the strong first half that we announced in February 2021. In addition, throughout the year we have made several exciting investments that position the Group for continued growth in the future.”

“The strength and diversity of our portfolio of businesses continues in the current difficult environment as both our Healthcare and Animal Care segments contributed strongly to the overall result.”

“Our Healthcare segment benefited from its leading market positions and had strong contributions from each of our Community Pharmacy, TerryWhite Chemmart (“TWC”), Institutional Healthcare and Contract Logistics divisions.”

“The Animal Care segment has continued its strong first half performance with each of our key brands and divisions – Black Hawk, Vitapet and Lyppard – recording robust sales growth. Pet market conditions continue to be strong and our leading brands and divisions have capitalised on these opportunities.”

“Consistent with our strategy of investing for growth, EBOS is pleased to announce a significant capital investment in our Animal Care segment and a number of strategic acquisitions in our Healthcare segment that further expand and diversify our earnings. EBOS is investing approximately \$80 million in a new state of the art pet food manufacturing facility in NSW, Australia that will facilitate insource manufacturing of Black Hawk as well as accelerate new product development opportunities. The initiative is expected to generate returns over the medium term in line with the Group’s Return on Capital Employed (“ROCE”). In addition, subsequent to 30 June 2021, EBOS has acquired another medical devices distribution business and has a high degree of certainty of executing a further acquisition in the near term that will expand our Institutional Healthcare division. These two acquisitions will have aggregate consideration of approximately \$80 million and each will be EPS accretive to shareholders.”

“EBOS is pleased to have also released today its inaugural Sustainability Report which reports on its Environmental, Social and Governance (ESG) activity over the financial year. This is a key initiative that will serve as the framework for responsible governance and organisational practices to ensure we continue to meet the expectations of our stakeholders and maintain our social license to operate.”

In commenting on today’s result, EBOS Chair, Elizabeth Coutts said:

“Once again, the success we have achieved as a business in the 2021 financial year is largely due to the efforts of all our people across New Zealand and Australia. As we have continued to respond to challenges in our society, it is our people who have stood tall in a time of need, going above and beyond to ensure that EBOS fulfils its commitment to providing essential healthcare and animal care services across our key markets.”

“Our commitment is supported by our proven business strategy, which has seen EBOS focus on long-term investments in our operations and being an employer of choice, ensuring we attract and retain the best talent to support our business objectives.”

“It is thanks to this approach that EBOS has further reinforced its reputation as the leading healthcare and animal care company in New Zealand and Australia, which is reflected in our continued financial strength as we deliver another year of growth and increased returns for our valued shareholders.”

## Healthcare

Healthcare (A\$m)	30 June 2021	30 June 2020	Growth
Revenue	\$8,705.4m	\$8,340.4m	4.4%
Statutory EBIT	\$251.1m	\$226.3m	11.0%
Underlying EBIT <sup>1</sup>	\$254.9m	\$228.9m	11.4%

<sup>1</sup> Underlying EBIT excludes the impact of one-off adjustments.

Our Healthcare segment generated revenue of \$8.7 billion and Underlying EBIT of \$254.9 million, an increase of 4.4% and 11.4% respectively on the prior year. This growth was driven by the performances of our Community Pharmacy, TWC, Institutional Healthcare and Contract Logistics divisions.

In Australia, Healthcare revenue increased to \$6.9 billion and Underlying EBIT increased to \$216.0 million, an increase of 3.7% and 12.4% respectively. In New Zealand, Healthcare revenue increased to \$1.8 billion and Underlying EBIT increased to \$38.9 million, an increase of 7.3% and 6.0% respectively.

Community Pharmacy revenue increased by \$199.2 million (up 3.9%) due to wholesale volume growth. Sales of Ethical products increased by 6.4% whilst OTC sales declined by 7.6%, primarily reflecting the negative impacts of COVID-19 on certain categories including cough, cold and flu.

Our TWC franchise continues its impressive growth with an additional 36 net new pharmacies joining the network during the year. This builds on prior years growth and further strengthens TWC’s position as Australia’s largest health services community pharmacy network with over 465 trading stores. TWC network sales demonstrated above-market growth at 5.3% and on a like-for-like basis increased by 3.6%. This performance was driven by continued above-market increases in media spend and ongoing industry leading pharmacist education programs. Over 400 TWC pharmacies across the country are supporting COVID-19 vaccinations in their communities with 300 already delivering the service.

Institutional Healthcare generated steady revenue growth of \$120.9 million (up 4.7%), driven by further increases in demand for new specialty medicines and medical consumables products, as well as the continued positive contribution from our Medical Devices distribution division.

EBOS is pleased to announce the acquisition of Pioneer Medical, a New Zealand based importer and distributor of spine and major joint implants and associated surgical technologies for orthopaedic and neurosurgery. This represents our third acquisition for our growing medical devices distribution business since entering the market in 2019 and will result in the combined business generating aggregate annualised revenue of more than \$70 million. We continue to pursue further bolt-on acquisitions focusing on those therapeutic areas that offer solid underlying rates of organic growth. As a truly independent partner we can provide long term growth opportunities to medical device OEMs as we bring our experienced management, capital resources and strong hospital relationships to the Australian and New Zealand markets.

In addition, EBOS has a high degree of certainty of executing a further acquisition in the near term that will further contribute to growth in the Institutional Healthcare division.

These two acquisitions will comprise aggregate consideration of approximately \$80 million and each transaction will be EPS accretive.

Contract Logistics increased Gross Operating Revenue (“GOR”) by \$14.6 million (up 18.7%), attributable to growth in Australia due to an increased number of principals and increasing volumes, as well as growth in New Zealand with increased demand for protective equipment, testing kits and COVID-19 vaccines assisting our performance.

## Animal Care

Animal Care (A\$m)	30 June 2021	30 June 2020	Growth
Revenue	\$497.5m	\$425.1m	17.0%
EBIT	\$62.9m	\$49.8m	26.4%

Our Animal Care segment generated revenue of \$497.5 million and EBIT of \$62.9 million, an increase of 17.0% and 26.4% respectively on the prior year.

Each of Animal Care’s key brands and divisions – Black Hawk, Vitapet and Lyppard – maintained robust sales growth. The strong pet care market conditions observed in the first half have continued and our divisions have capitalised on these opportunities due to their strong market positions and leading brands. The pet care market is supported by well established trends including the humanisation of pets and has been accelerated by COVID-19, which has resulted in an increase in the number of pets and consumers spending more time at home with their pets.

EBOS is pleased to announce an \$80 million investment in a new state of the art pet food manufacturing facility located in NSW, Australia. This new facility will facilitate insource manufacturing of Black Hawk and accelerate new product development initiatives through the latest manufacturing technologies, allowing EBOS to capitalise on attractive market opportunities. Black Hawk has grown sales by over 4 times under EBOS’ ownership and has reached significant scale. It is

the leading premium dog food brand in the pet speciality channel in both Australia and New Zealand. This scale and brand awareness opens a range of strategic opportunities. Key benefits of this investment include capturing the manufacturer margin, flexibility and speed to market in new product development, enhancing the control of our product quality and safety and reducing third party supply chain risk. Construction is well progressed and production is expected to commence in H2 FY22. EBOS expects to generate returns on this project over the medium term consistent with the Group's overall Return on Capital Employed.

## **ESG**

During the financial year, EBOS invested significantly in the development of our Environmental, Social and Governance (ESG) program. As first reported last year, this program is a key initiative for the future of EBOS that will serve as the framework for responsible governance and organisational practices to ensure we continue to meet the expectations of our stakeholders and maintain our social license to operate. Many of the initiatives that fall within the remit of our ESG program have been established for some time; however, the intention of the program is to formalise this activity in a way that is measurable and can be accurately reported on. Importantly, we also seek to highlight areas where we can continue to improve, thereby enabling more structured governance, evaluation and disclosure as part of our comprehensive management approach to responsible corporate leadership.

It is therefore pleasing that, in tandem with the release of this year's Annual Report, we are also releasing EBOS' first Sustainability Report, which reports on our ESG activity over the financial year.

Through our ESG program, EBOS will embrace the full range of responsibilities that come with our role as a provider of essential health and animal care products and services. The program comprises five pillars being Health & Animal Care Partners; Consumers & Patients; Community & Environment; Our People; and Responsible Business. Within these pillars are 20 material ESG topics that are significant for the sustainability of our business and the interests of our stakeholders. The Sustainability Report, presented annually, will report on EBOS' ESG program and initiatives over the financial year.

## **COVID-19 Update**

The unpredictable nature of COVID-19 has required EBOS to be flexible in managing individual situations across our New Zealand and Australian operations. Our businesses continue to stringently follow COVID-19 protocols and the advice of the local authorities relevant to our locations and operations, as applicable to the circumstances at the time. Throughout the pandemic we have implemented strict controls with the objective of keeping both our people safe and our primary distribution facilities open to ensure the uninterrupted supply of medicines across the community.

The impacts of lockdowns and other restrictions have put extra demands on the business and our people. We are very conscious of the wellbeing and safety of our people and have invested in extra resources to assist us through the pandemic.

The EBOS Pandemic Response Team consisting of the CEO and direct reports, continues to oversee all COVID-19 related matters impacting our employees and businesses.

With respect to financial performance, COVID-19 continues to have both positive and negative impacts across our Group businesses. The estimated net overall financial impact from COVID-19 on the Group in FY21 was slightly positive.

### **Cash Flow, Net Debt and Return on Capital Employed**

The Group generated operating cash flow (before capital expenditures) of \$298.3 million, a 30.1% increase on the prior year. The cash performance reflects our strong earnings growth and continued disciplined working capital management.

Total capital expenditure was \$82 million comprising net business-as-usual capex of \$31.1 million and \$50.9 million on construction of the new pet care manufacturing facility. A further approximately \$29 million of capital expenditure for the pet care manufacturing facility is expected in FY22 for a total cost of approximately \$80 million, with production expected to commence in the second half of FY22.

Within FY21, EBOS completed two acquisitions for \$30.4 million, being Cryomed and CH2's vet distribution division.

The Group generated ROCE of 18.0%, which was a new record and up 0.9% compared to 30 June 2020. This performance reflects our strong earnings growth and efficient capital management.

The Net Debt : EBITDA ratio at 30 June 2021 was 0.85x reflecting further strengthening of our balance sheet (1.11x as at 30 June 2020). Current gearing ensures the Group retains significant capacity to fund future growth opportunities. EBOS has no debt maturities until H2 FY23.

### **Final Dividend**

The Directors declared a final dividend of NZ 46.0 cents per share, an increase of 15.0% on the prior year. In combination with the interim dividend, this brings total dividends declared for FY21 to NZ 88.5 cents (up 14.2%), representing a 72% pay-out ratio<sup>3</sup>.

Reflecting EBOS' strong operating performance, cash flow and balance sheet, the Dividend Reinvestment Plan ("DRP") will not be available for the final dividend.

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<sup>3</sup> Dividend payout ratio calculated on an underlying basis based on a NZD:AUD exchange rate of 0.932

The record date for the dividend is 10 September 2021 and the dividend will be paid on 24 September 2021. The final dividend will be imputed to 25% for New Zealand tax resident shareholders and fully franked for Australian tax resident shareholders.

EBOS is pleased to advise shareholders that it has revised its dividend policy to declare dividends representing between 60% to 80% of NPAT (reflecting an improvement compared to the previous policy of declaring dividends not less than 60% of NPAT). The average payout ratio over the last five years has been approximately 72%.

### **Outlook**

EBOS is pleased with the strong earnings growth in FY21 and expects to be able to generate further growth in FY22. The Group's portfolio of businesses has proven to be very resilient throughout the COVID-19 pandemic, however lockdowns in New Zealand and Australia are evidence of the material uncertainties that exist and that may impact upon the Group's future trading performance. As noted above, capital expenditure for FY22 is expected to remain elevated as a result of the completion of the new pet care manufacturing facility, which will result in additional expenditure of approximately \$30 million over and above business-as-usual capex. EBOS has a strong balance sheet and is well positioned to pursue growth opportunities. A performance update will be provided to shareholders at the Annual Meeting on 19 October 2021.

This media release, the full-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/2mh3wsk5>

**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 to Underlying Result

A\$m	FY21				FY20			
	EBITDA	EBIT	PBT	NPAT	EBITDA	EBIT	PBT	NPAT
<b>Statutory result</b>	<b>363.3</b>	<b>290.7</b>	<b>263.0</b>	<b>185.3</b>	<b>333.6</b>	<b>260.5</b>	<b>230.1</b>	<b>162.5</b>
Transaction costs incurred on M&A	3.8	3.8	3.8	2.9	2.6	2.6	2.6	2.1
Tax credit for NZ depreciation charge	-	-	-	-	-	-	-	(1.7)
Net of one-off items	3.8	3.8	3.8	2.9	2.6	2.6	2.6	0.3
<b>Underlying result<sup>1</sup></b>	<b>367.1</b>	<b>294.5</b>	<b>266.8</b>	<b>188.2</b>	<b>336.2</b>	<b>263.1</b>	<b>232.7</b>	<b>162.9</b>

Note 1: Underlying result is a Non-GAAP measure which adjusts for the effects of one-off items.