

EBOS Group Ltd

Results presentation for the Half Year ended 31 December 2015

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24 February 2016



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The information contained in this presentation should be considered in conjunction with the consolidated financial statements for the period ended 31 December 2015.

All currency amounts are in New Zealand dollars unless stated otherwise.



1

Group Financial Results

EBOS Healthcare warehouse
(Auckland, New Zealand)

H1 FY16 Summary Results

Total Revenue



\$3.4b

Up 8.3% (+9.0% Constant FX)

Total EBITDA



\$113.7m

Up 13.3% (+13.9% Constant FX)

Total NPAT



\$64.2m

Up 18.9% (+19.6% Constant FX)

Operating Cash Flow



\$46.6m

Up 52.6%

Earnings per share



42.5c

Up 17.5% (+18.1% Constant FX)

Interim Dividend per share



26.0c

Up 18.2%

Key First Half Highlights

Continued Strategic Investment across the Group of \$97.4 million in the first half

- Acquisition of Red Seal, a natural health products business.
- Acquisition of Zest, a healthcare strategies and communications business.
- Commencement of operations under Onelink Australia's NSW Health medical consumables warehousing and distribution contract.

Strong Capital Management

- Interim dividend of 26.0 cps, an increase of 18.2% on prior year.
- Industry leading cash conversion cycle of 23 days.
- ROCE of 14.3%, up 140bps on H1 FY15.

Strong First Half financial performance

NZ\$m	H1 FY16	H1 FY15	Var	Constant FX Var
Revenue	3,379.7	3,119.9	8.3%	9.0%
Gross Operating Revenue	333.7	305.4	9.3%	9.9%
EBITDA	113.7	100.3	13.3%	13.9%
EBIT	101.4	88.5	14.6%	15.2%
Net Finance Costs	9.7	11.5	15.6%	15.2%
Profit Before Tax	91.7	77.0	19.1%	19.7%
Net Profit After Tax	64.2	53.9	18.9%	19.6%
EBITDA%	3.36%	3.22%	14pts	
Operating Cash Flow	46.6	30.5	52.6%	
EPS - cps	42.5	36.2	17.5%	18.1%
Interim Dividend - cps	26.0	22.0	18.2%	
Net Debt : EBITDA	1.8x	2.0x	0.2x	
ROCE	14.3%	12.9%	1.4%	

- First Half Group Revenue increase of \$259.9m or 9.0% (constant FX):
 - Healthcare up 8.9%.
 - Animal Care up 10.8%.
- EBITDA increase of \$13.4m or 13.9% (constant FX):
 - Healthcare up 13.3%.
 - Animal Care up 16.5%.
- Net Finance Costs reduced by \$1.8m or 15.2% (constant FX).
- NPAT increase of \$10.2m or 19.6% (constant FX).
- EPS growth of 18.1% (constant FX).
- Operating cash flow increased by 52.6% to \$46.6m.

EBOS Group Business Overview

Our Trans Tasman market channels continue to deliver strong growth

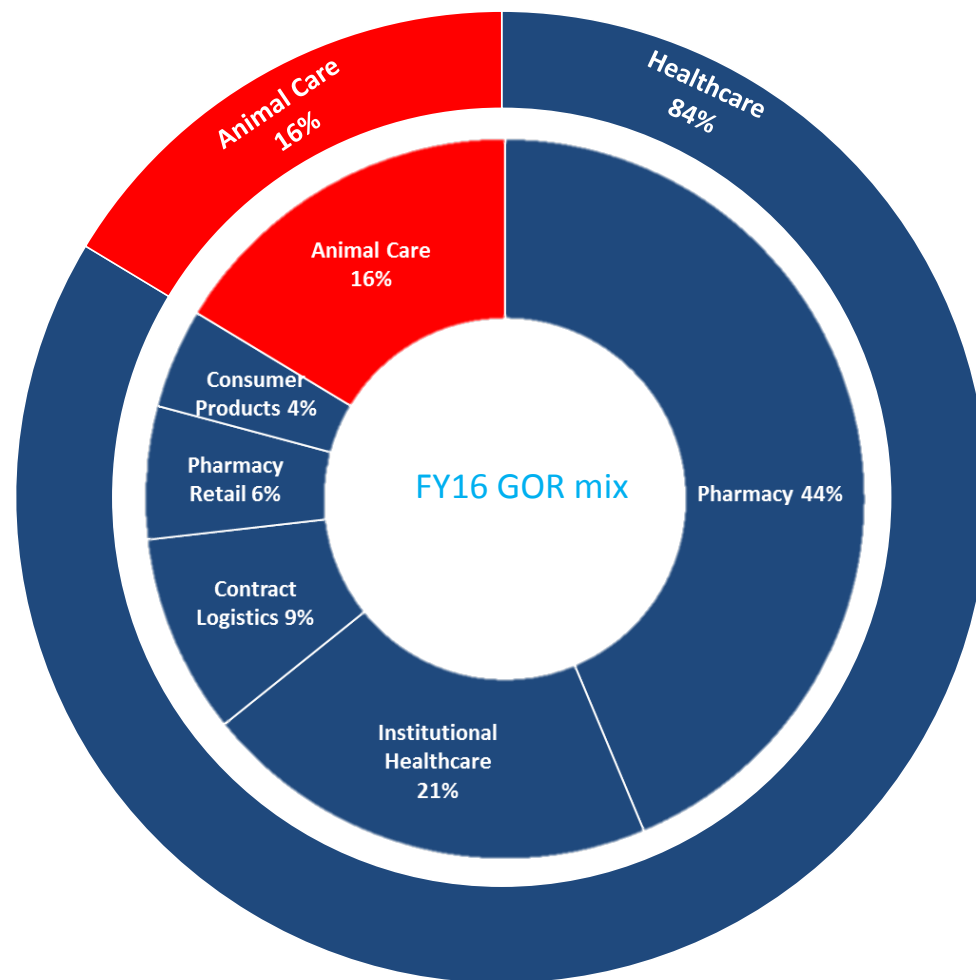
HEALTHCARE				ANIMAL CARE		EBOS GROUP
Community Pharmacy			Institutional Healthcare	Contract Logistics	Pet Care and Veterinary	
Pharmacy Wholesale	Pharmacy Retail	Consumer Products	     	  	    	
   PHARMACY WHOLESALERS RUSSELLS	   	  				
145.8m	19.9m	14.9m	68.6m	29.9m	54.6m	
135.3m	18.8m	13.4m	60.9m	26.9m	48.2m	
10.5m	1.1m	1.6m	7.7m	3.0m	6.4m	
+7.7%	+6.0%	+11.9%	+12.6%	+11.2%	+13.2%	

Segment earnings and GOR mix

EBITDA by segment

NZ\$m	H1 FY16	H1 FY15	Var	Constant FX Var
Healthcare	99.8	88.5	12.7%	13.3%
Animal Care	19.6	16.8	16.3%	16.5%
Corporate	(5.6)	(5.0)	(11.5%)	(11.8%)
Group	113.7	100.3	13.3%	13.9%

Gross Operating Revenue (GOR) H1 FY16





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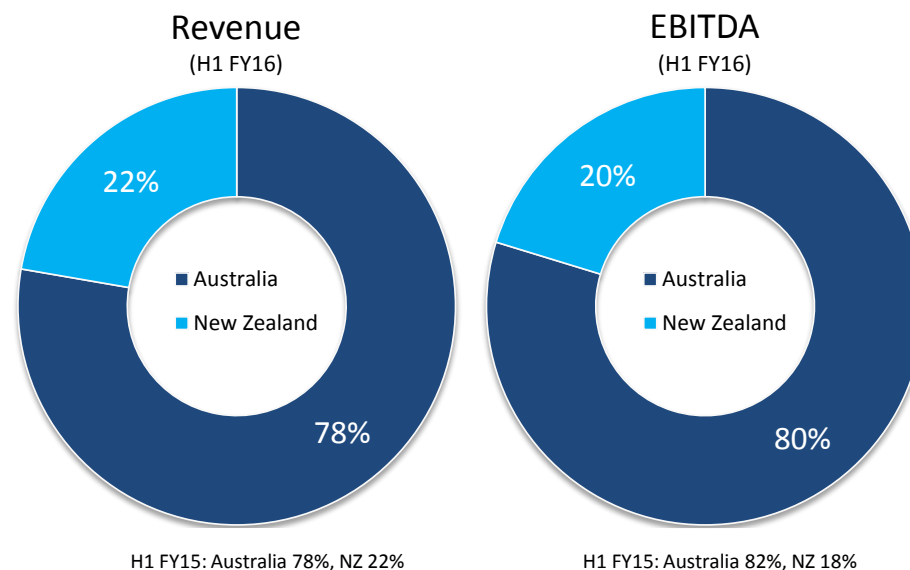
Healthcare Results

Healthcare segment

Significant increases in Revenue, EBITDA and margins

NZ\$m	H1 FY16	H1 FY15	Var	Constant FX Var
Healthcare segment				
Revenue	3,169.3	2,928.7	8.2%	8.9%
EBITDA	99.8	88.5	12.7%	13.3%
EBIT	89.3	78.5	13.7%	14.4%
EBITDA%	3.15%	3.02%	13pts	13pts
Australia				
Revenue	2,463.3	2,285.3	7.8%	8.7%
EBITDA	79.5	72.2	10.1%	10.8%
EBIT	70.2	63.4	10.6%	11.4%
EBITDA%	3.23%	3.16%	7pts	7pts
New Zealand				
Revenue	706.0	643.4	9.7%	
EBITDA	20.2	16.3	24.1%	
EBIT	19.1	15.1	26.7%	
EBITDA%	2.86%	2.53%	33pts	

- Revenue increase of \$240.5m or 8.9% (constant FX):
 - Australia up 8.7%.
 - New Zealand up 9.7%.
- EBITDA increase of \$11.2m or 13.3% (constant FX):
 - Australia up 10.8%.
 - New Zealand up 24.1%.



Healthcare segment

Half Year Performance Overview

Community Pharmacy – Pharmacy Wholesale



- First half Pharmacy sales in Australia grew 9.1% to last year (constant FX), attributable to new wholesale business including GPPW and customer growth particularly in OTC products.
- The Keysborough distribution facility in Melbourne opened in October 2014 and is now achieving productivity levels significantly higher than the average of other Australian sites.



- The 6th Community Pharmacy Agreement was effective from 1 July 2015. Funding and industry regulation is largely unchanged, including the maintenance of the CSO funding pool for eligible wholesalers.



- Pharmacy sales in New Zealand grew by 5.9% to last year and the division maintained its leading market share.



PHARMACY WHOLESALERS RUSSELLS

Healthcare segment

Half Year Performance Overview (continued)

Community Pharmacy – Consumer Products – Red Seal

- Acquisition of Red Seal for \$80 million on 30 November 2015. Funded from the Group's existing debt facilities and is earnings per share (EPS) accretive in Year 1.
- Red Seal is a leader in key NZ segments of the natural health products market including vitamins, minerals and supplements; herbal teas; non-fluoride toothpastes and functional foods including molasses and manuka honey.
- The business prior to acquisition experienced significant growth in both domestic and export markets and will further benefit from expansion via EBOS Group's wider distribution network.
- The acquisition of Red Seal is expected to double the size of our Consumer Products division today.



live your best life



Healthcare segment

Half Year Performance Overview (continued)

Community Pharmacy – Consumer Products – Endeavour



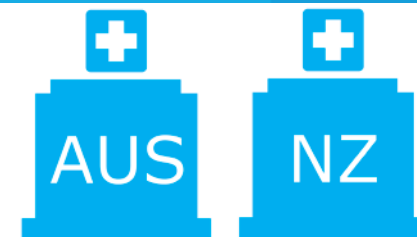
- From the existing Endeavour Consumer Health business, strong sales growth to last year was achieved across our brands including Faulding, Pharmacy Choice and Chemmart. Recent evidence of gross margins being impacted in the current highly competitive OTC market.
- Faulding growth is being driven by both the introduction of new products and expansion into the New Zealand market.



Healthcare segment

Half Year Performance Overview (continued)

Institutional Healthcare



- EBOS continues to expand its position as a specialised, unique and essential partner across a number of areas of Institutional Healthcare in Australia and New Zealand, primarily in hospitals, aged care and primary care.



- Symbion Hospital Services business maintained its market leading position.



- The EBOS Healthcare business across Australia and New Zealand delivered strong sales growth on the prior year, assisted by an improved performance from our International business.



- Onelink Australia commenced operations in November 2015 and three NSW Health warehouses have transitioned to our facility. This contract reinforces our position as a proven and trusted partner for Government.



- Acquisition of Zest on 30 October 2015, as part of our expanding presence in the delivery and administration of specialty pharmaceutical products and services.

Healthcare segment

Half Year Performance Overview (continued)

Healthcare Contract Logistics



- Strong performance across both New Zealand and Australia, with GOR increasing 11.2% from increased activity with pharmaceutical manufacturers.
- Healthcare Logistics (NZ) maintained its leading market share position and combined with cost management, grew earnings over the period. The growth in OTC products assisted the strong performance in the first half.
- Symbion Contract Logistics (Australia) continues to grow its customer base which includes a number of leading pharmaceutical and OTC suppliers.





Animal Care Results

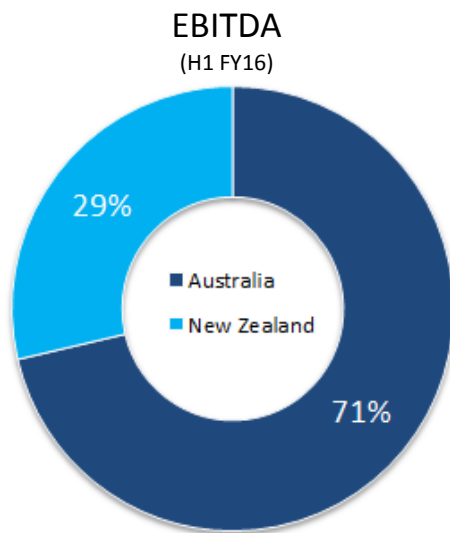
Left: Lyppard sales representative at Monash Veterinary Clinic, a customer of Lyppard (Victoria, Australia)
Right: Selection of Animal Care products and an Animates store.

Animal Care segment

BlackHawk drives the significant increase in Revenue and earnings

NZ\$m	H1 FY16	H1 FY15	Var	Constant FX Var
Animal Care segment				
Revenue	210.5	191.1	10.1%	10.8%
EBITDA	19.6	16.8	16.3%	16.5%
EBIT	17.7	15.0	18.3%	18.4%
EBITDA%	9.31%	8.81%	50pts	46pts

- Revenue increase of \$19.3m or 10.8% (constant FX) primarily from growth of branded products (including BlackHawk, Vitapet) and wholesale operations (Lyppard).
- EBITDA increase of \$2.7m or 16.5% (constant FX) attributable to:
 - revenue growth;
 - BlackHawk contribution (acquired 31 October 2014); and
 - higher contribution from our 50% share in Animates.



H1 FY15: Australia 66%, NZ 34%

Animal Care segment

Half Year Performance Overview



- The acquisition of BlackHawk has been a successful entry into the premium food market in Australia and complements our strategy of developing and growing our own brands. There continues to be very strong support for the brand in the pet specialty and retail market and sales continue to grow and track above expectation. Under EBOS ownership, BlackHawk sales have grown by ~50% on a like-for-like basis in the first half.



- Masterpet Australia and NZ sales growth of 6.2%, however profit contribution diminished over the period predominantly due to the impact of lower exchange rates negatively impacting on gross margins.



- Vitapet recorded sales growth of 5.1% (constant FX) driven by new product development and investment in the brand.



- Lyppard revenues increased by 5.3% primarily from growth in major vet groups.



- EBOS' 50% share of Animates net profit increased \$0.3m (34%) on last year from like-for-like store sales growth of 7.3%, the opening of three new stores and the acquisition of three Wellington based vet clinics.



Group Financial Information

A-Frame automatic picking system,
Symbion Keysborough facility
(Melbourne, Australia)

Cash Flow

EBOS has an excellent portfolio of strong cash generating businesses

NZ\$m	H1 FY16	H1 FY15	Var\$	Var%
EBITDA	113.7	100.3	13.4	13.3%
Net interest paid	(9.7)	(11.5)	1.8	15.6%
Tax paid	(29.8)	(27.5)	(2.3)	(8.4%)
Net working capital and other movements	(27.7)	(30.8)	3.1	10.1%
Cash from Operating activities	46.6	30.5	16.1	52.6%
Proceeds from disposal of assets	5.0	0.6	4.4	692.2%
Capital expenditure	(5.9)	(9.9)	4.1	41.0%
Free Cash Flow	45.7	21.2	24.5	115.6%

- Continued focus on working capital management led to Operating cash flow of \$46.6m being generated in the first half.
- Net interest payments reduced in the first half to last year by \$1.8m or 15.6%.
- Cash investment in net working capital of \$27.7m reflective of strong revenue growth and seasonality associated with period end date of 31 December.
- Capex in H1 FY16 includes the cost of Onelink Australia's new facility (\$3.0m). Last year's Capex included \$5.3m for the new Melbourne distribution centre.
- Proceeds from asset disposals relates to the sale of the previous Melbourne warehouse (\$4.9m).

Working Capital and Cash Conversion

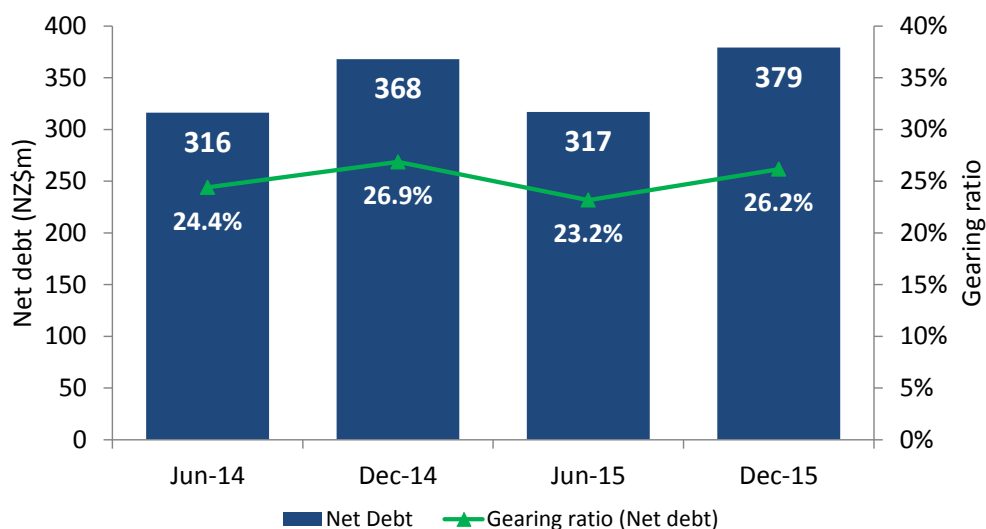
Industry leading cash conversion cycle of 23 days

NZ\$m	Dec-15	Jun-15	Dec-14
Net Working Capital			
Trade receivables	853.9	787.9	773.4
Inventory	548.8	518.3	515.4
Trade payables	(941.1)	(871.2)	(855.0)
Other	(109.2)	(105.3)	(87.6)
Total	352.3	329.8	346.2
Cash conversion days			
Debtor days	47	47	46
Inventory days	33	35	34
Creditor days	57	58	56
Cash conversion days	23	24	24

- Strong working capital management disciplines are a key focus of the Group.
- Cash conversion cycle improved to 23 days and remains industry leading.
- Key ratios are consistent with prior periods.

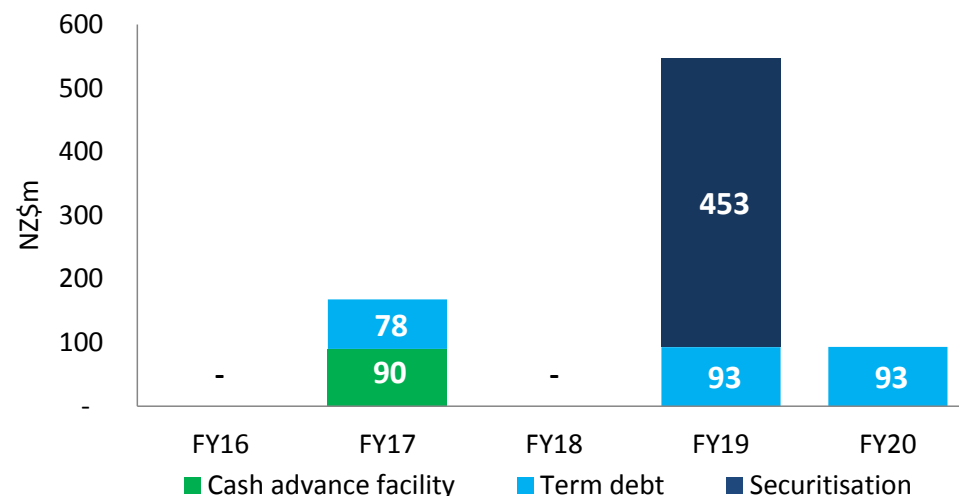
Net Debt, Gearing and Debt Maturity

Net Debt and Gearing



- Net Debt of \$379m at December 2015.
- Net Debt : EBITDA of 1.8x at December 2015 (1.6x at June 2015, 2.0x at December 2014).
- Increase in the Gearing ratio from 23.3% at June 2015 to 26.2% at December 2015 – primarily due to the 100% debt financing of the Red Seal acquisition.

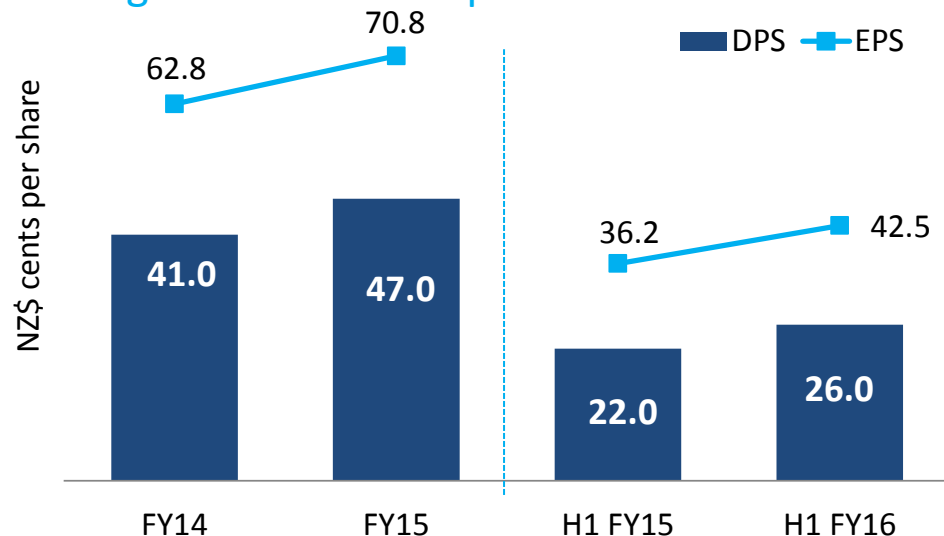
Debt Maturity Profile – current facility limits



- Post 31 December, EBOS extended the maturity date of the Securitisation program by an additional year to September 2018 and increased the facility limit by A\$40m to A\$425m.

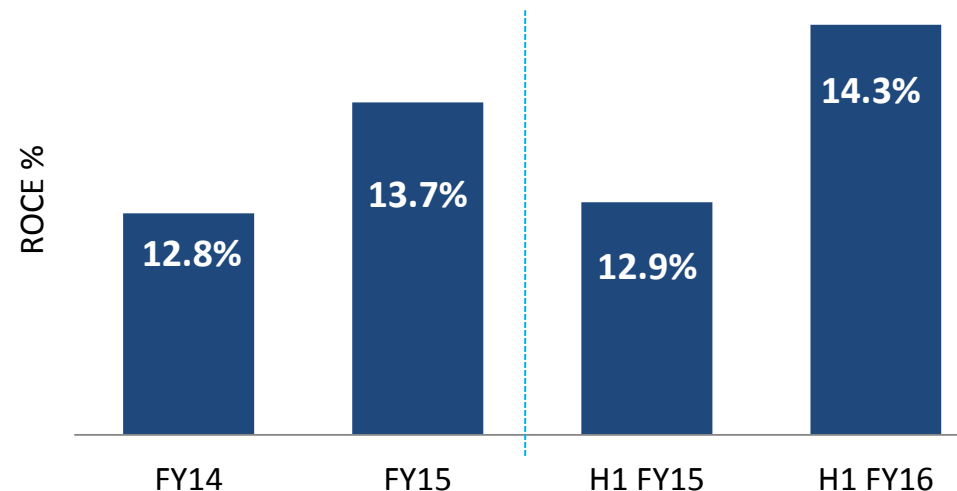
Earnings and Dividends per Share, ROCE

Earnings and Dividends per share

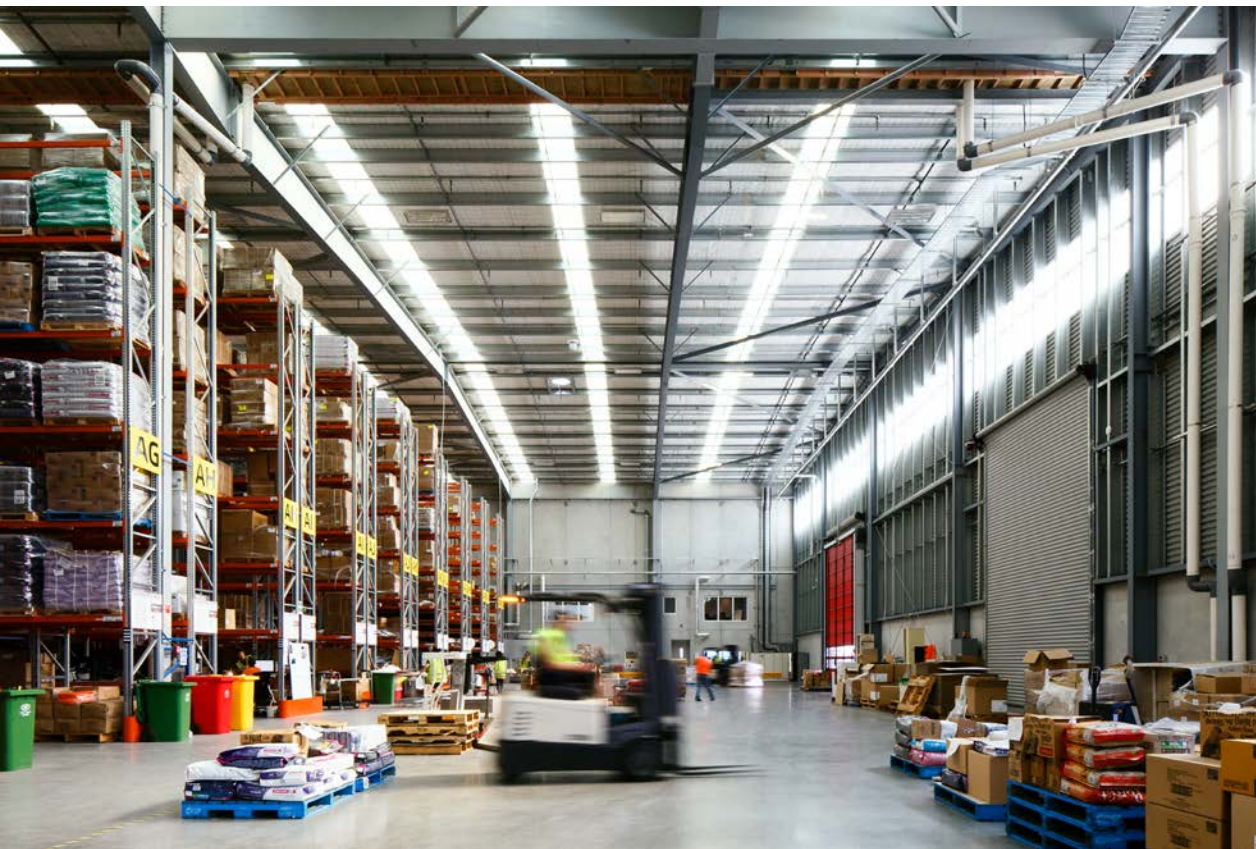


- EPS growth of 17.5% (18.1% constant FX) in H1 FY16 following a 12.7% increase in FY15.
- Interim dividend of 26.0 cents (imputed to 25%), an increase of 4.0 cents or 18.2 % from last year.
- Dividend payout ratio of 61%.
- Interim dividend is 100% franked for Australian resident shareholders.
- DRP is being suspended for the interim dividend.

Return on Capital Employed



- Return on Capital Employed of 14.3% at December 2015, an increase of 60bps from June 2015 and 140bps from December 2014.

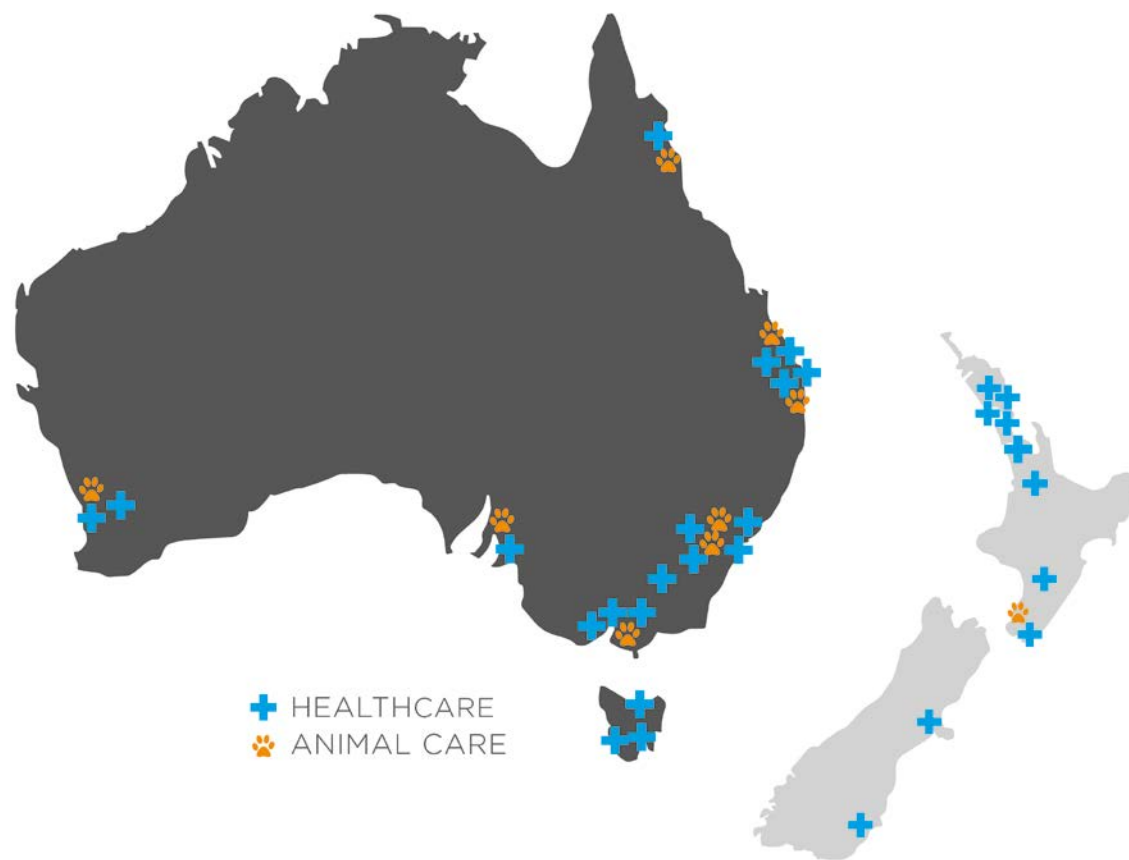


Summary and Outlook

Left: Masterpet New Zealand warehouse, Wellington
Right: Rhonda Colley at Symbion, Keysborough, Victoria.
In 2015, Rhonda celebrated 30 years services with Symbion

Summary & Outlook

- In the first half of FY16, EBOS has further strengthened its position as the largest diversified Australasian marketer, wholesaler and distributor of healthcare, medical, pharmaceutical and animal care products.
- EBOS continues to derive the benefits from its diversified portfolio of businesses as well as the underlying demand supporting our Healthcare and Animal care markets.
- Prudent management of our cash flow allows us to continue to actively pursue M&A opportunities and thereby derive improved shareholder returns.
- We remain confident of delivering another year of double digit, constant currency, profit growth for our shareholders in FY16.



Supporting Information

Foreign exchange

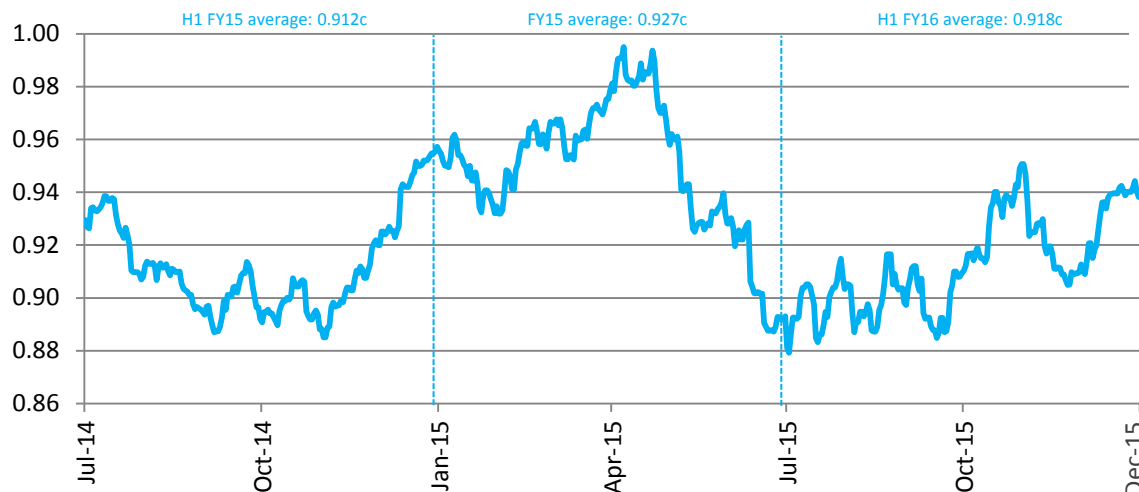
Appreciation of the NZD negatively impacted NZD EBITDA by \$0.6m in the first half

Revenue and EBITDA by currency

\$m	AUD Operations AUD	Average NZD: AUD translation	AUD Operations NZD	NZ Operations NZD	Group Consolidated NZD
H1 FY16					
Net Revenue	2,425.4	0.92	2,643.7	736.0	3,379.7
EBITDA	83.6	0.92	91.1	22.6	113.7
EBITDA%	3.45%		3.45%	3.07%	3.36%

- 80% of the Group's earnings (EBITDA) are generated in AUD.
- The average NZD:AUD FX rate for H1 FY16 increased by 0.6 cents from H1 FY15, negatively impacting the Group's H1 FY16 EBITDA by approximately \$0.6m.
- EBITDA sensitivity to a 1 cent movement in NZD:AUD exchange rate is approximately \$1.9m per annum.

NZD:AUD exchange rate – July 2014 to December 2015



Glossary of terms and measures

Except where noted, common terms and measures used in this document are based upon the following definitions:

Term	Definition
Actual results	Results translated into NZ dollars at the applicable actual monthly exchange rates ruling in each period.
Constant FX/currency	Calculated by translating the prior period results into NZ dollars at the actual monthly exchange rates applicable in the current period.
Debtor days	Trade debtors at the end of period divided by Revenue for the period, multiplied by number of days in the period.
Inventory days	Inventory at the end of period divided by Cost of Sales for the period, multiplied by number of days in the period.
Creditor days	Trade creditors at the end of period divided by Cost of Sales for the period, multiplied by number of days in the period.
Cash conversion cycle	Net working capital days, being Debtor days plus Inventory days less Creditor days.
Revenue	Revenue from the sale of goods and the rendering of services.
Gross Operating Revenue (GOR)	Revenue less cost of sales and the write-down of inventory
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Free Cash Flow	Cash from operations less capital expenditure net of proceeds from disposals.
Earnings per share (EPS)	Net Profit after tax divided by the weighted average number of shares on issue during the period.
Net Debt : EBITDA	Ratio of net debt at period end to the last 12 months EBITDA.
Return on Capital Employed (ROCE)	Measured as earnings before interest, tax and amortisation of finite life intangibles for 12 months divided by closing capital employed (including a pro-rata adjustment for entities acquired).

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