

EBOS Group Limited

NZX/ ASX Code: EBO

CEO's Address to the Annual Meeting

15th October 2019

Thank you Chairman and good afternoon ladies and gentlemen.

EBOS has delivered another year of increased momentum as the company positioned itself for the next wave of growth in 2020. Before I provide my address I'd like to share with you our latest corporate video that provides a visual overview of our Group and our progress and events over the last 12 months.

(A COPY OF THE VIDEO CAN BE VIEWED AT WWW.EBOSGROUP.COM)

Every year we show that video it really does highlight the amount of activity that there is across the Group and while its just a snapshot of our business I do hope it provides you with greater appreciation of the breadth of your company's operations.

So in reviewing the past financial year the result reflects the Board and management's adherence to the core business strategy that has consistently delivered for shareholders over time by growing the business through carefully calculated investment decisions that drive both our Healthcare and Animal Care businesses in New Zealand and Australia.

This consistency in our results shown on this slide shows how the Group strategies have grown both earnings and earnings per share of approximately 9% CAGR over the last 5 years. Underlying EBITDA for the Group for FY 19 was A\$261.6 million, an increase of 4.6% on the prior year. Earnings per share was 94.2 cents per share, up 4.2% year on year.

Our Healthcare division was particularly active throughout 2019 as we moved to 100% ownership of the Terry White Group (TWG) and retained our wholesale contract with Blooms The Chemist, one of Australia's largest independent pharmacy groups. We also commenced operations under the Chemist Warehouse Group (CWG) pharmaceutical distribution contract on 1 July 2019. This partnership will see EBOS deliver pharmaceutical products to more than 450 Chemist Warehouse and My Chemist stores in Australia generating approximately \$1 billion in additional revenue in FY20.

The decision by CWG to select EBOS as its exclusive pharmaceutical distributor was a great endorsement of the Group's wholesale pharmacy business and is a reflection of our high level of expertise and excellent service standards. Importantly, with the commencement of the CWG partnership, EBOS was focussed on ensuring that our normal high service standards would continue. It is therefore pleasing to report that in the first three months of operations under this contract we have been able to maintain our excellent service

standards for all of our loyal pharmacy customers and this is a great credit to the skills and commitment of our team.

As highlighted by the Chairman, we have over a number of years embarked on a significant capital investment programme within our Healthcare business. This investment has been made across both New Zealand and Australia. In FY19 we invested a further \$26.6 million on capital expenditure as part of this programme. In New Zealand we opened a new facility here in Christchurch servicing our Healthcare division, whilst in Auckland we opened a new Healthcare Logistics facility. I am also pleased to report that, last month, we opened our new Red Seal manufacturing and distribution facility which will see the consolidation of six separate New Zealand locations enabling more streamlined stock and delivery services to our customers.

In Australia, we commenced operations in two new significant facilities in Brisbane and Sydney. It was very pleasing to be able to host Australia's Federal Minister for Health, the Honourable Mr. Greg Hunt who officially opened Symbion's new highly automated Distribution Centre in Brisbane in late August. This facility is already generating significant improvements in productivity and efficiencies.

The year was also highlighted by several strategic acquisitions as we continued to build our Healthcare and Animal Care businesses. The total value of investments for the year was \$93.6 million and, in addition to acquiring the minority shares in TWG, we also undertook three small-to-medium sized bolt-on acquisitions.

The first of these acquisitions was Warner & Webster, a medical and surgical supplies wholesaler providing further opportunity to grow our share of the Australian medical consumables market. In our Animal Care division we acquired the veterinary wholesale distribution business Therapon, which will operate under our Lyppard business. Finally, our Endeavour Consumer Health business acquired Quitnits, a leading natural head lice product range which adds to our consumer health brands portfolio..

I am also very pleased to announce today that the Group has now entered the Australian and New Zealand medical device sector with the purchase of established distribution business LMT and National Surgical. This acquisition provides EBOS with an initial entry point and strong platform for growth into the A\$8 billion Australian and New Zealand medical devices sector.

LMT and National Surgical have over the last 24 years built a strong presence in providing products and services to the Orthopaedic, Spine, Neuro, ENT, Plastics and most recently the sports medicine community. The business has developed a niche in bringing innovative specialty products, produced by original equipment manufacturers (OEMs) into Australia, New Zealand and the Pacific region.

This acquisition represents an important development in the Group's growth trajectory as it is the first step in building another significant platform to our Healthcare portfolio.

Consistent with our proven strategy we will continue to pursue growth in this sector through further bolt-on acquisitions. As a truly independent partner we can provide long term growth opportunities to both existing and new OEMs as we bring experienced management, capital resources and strong hospital relationships to the Australian and Zealand markets.

I look forward to updating shareholders in future years as this business unit develops and makes an important profit contribution to the Group.

If we now look at our FY19 segment performance, Healthcare generated a 4.6% increase in Underlying EBITDA for the year, underpinned by solid growth from our Australian based businesses.

In Australia, Healthcare revenue declined by \$183 million or -3.5%, however excluding the impact of both the reduction in hepatitis C medicine sales and PBS price reforms, revenue growth was +5.2%. Underlying EBITDA increased 5.7% driven primarily by the performance of our Institutional Healthcare and Contract Logistics businesses, partially offset by a subdued Wholesale Pharmacy result.

As I have stated in previous presentations, we operate in highly competitive and regulated markets and it was therefore pleasing that the Australian Government recognised, at the conclusion of its recent review into the Community Service Obligation (CSO), the importance of the wholesale industry in providing Australians with equal access to all medicines in accordance with the National Medicines Policy. However, if the wholesale industry is to maintain its service standards then it requires additional financial support through increased CSO funding and a sustainable wholesale margin. The financial stability of the industry is at a critical juncture with wholesalers being significantly impacted by PBS reforms, which has led to approximately 80% of distribution volumes now generating a margin of less than \$1, given there has been no effective increase in wholesaler remuneration for the past 5 years.

EBOS, together with other members of the National Pharmaceutical Services Association (NPSA), continues to actively engage with the Federal Government and Minister for Health with respect to successfully resolving these matters and to that end we are actively involved in dialogue with the various stakeholders on the forthcoming 7th Community Pharmacy Agreement.

The Animal Care segment recorded EBITDA growth of 5.7% for the year as the business continues to benefit from the excellent performance of our branded products. Full year Black Hawk sales increased 11.4% with strong growth achieved across both Australia and New Zealand. Black Hawk remains one of Australia and New Zealand's fastest growing premium pet food brands with leading market positions in the pet specialty retail channel.

Total Animal Care revenue growth of 1.0% was impacted by a decline in our Lyppard wholesale business as a result of the decision of one animal health manufacturer to bypass the wholesale channel which impacted revenue by approximately \$21 million.

Overall 2019 has been a most positive and productive year for EBOS Group as we maintained our upward momentum, while at the same time positioning ourselves for future growth through increased investment in our distribution network, acquiring new businesses and brands, securing new customers and importantly renewing and maintaining existing customer relationships.

Our shared success reflects the effort and commitment across EBOS and I am incredibly grateful to all our staff in New Zealand and Australia for their daily contribution to our business and the communities we serve. We respect and understand our responsibilities to our employees, trading partners, the community and the environment and whilst I know we can always look at ways to improve, I am very proud of the many initiatives and programmes, big and small that take place across the Group.

In May 2019, we conducted a Group wide employee engagement survey which provided staff with an opportunity to provide confidential feedback on many areas of the organisation. Against the external benchmark average of 71% the overall score at EBOS indicates a most encouraging level of engagement with 79% of respondents stating they were proud to work for the company.

The health, safety and wellbeing of our staff is another matter we take with the upmost seriousness and again the survey results showed that 88% of respondents felt that the company is committed to employee safety. The results from our engagement survey are strong and we are committed to continue to find ways to improve and this will be an area of focus over the next 12 months.

It is times such as the tragic events here in Christchurch in March, the Townsville floods, the Tasmanian bushfires or maybe a personal issue being experienced by a staff member where as a company we must have resources available to assist our staff in need. An example of one such resource is our Employee Assistance Programme which is a professional, confidential counselling, coaching and support service aimed at assisting staff with personal or work related issues and underlines the importance of ensuring our staff have access to readily available professional support when needed.

Under the Group's ECHO program, which stands for Environment, Community and Helping Others, we run a number of programs annually including 'Be Well at Work Day', 'Safety Awareness Month' and 'Clean up EBOS Day'. We also have a match funding programme in place which sees the company match the donations and funds raised by staff for charity based events and activities. I would like to make special mention here of the \$1.4 million raised over the last 13 years by TerryWhite Chemmart for Ovarian Cancer Australia, through its morning tea fundraising initiative.

I am also pleased to advise that the Group is in the final stages of the development of our first Reconciliation Action Plan (RAP). A RAP is a formal statement of commitment to reconciliation in Australia and provides the framework for organisations to build

relationships, trust and employment opportunities for Aboriginal and Torres Strait Islander peoples within the wider Australian community, and emphasising social change, diversity and mutual respect in the workplace. I look forward to reporting on the progress of the EBOS RAP in the future.

From an environmental perspective the Group has taken measures to offset its environmental impact through the investment and installation of over 2,300 square metres of solar panels at our new Sydney and Brisbane facilities. The Group has also offset 100% of the carbon emissions associated with its fleet of vehicles across New Zealand and Australia. This was achieved through our continued partnership with the Trans-Tasman not-for-profit organisation, Greenfleet and sees the Group contribute to planting approximately 41,000 trees annually to offset almost 11,000 tonnes of carbon emissions. You may have also noticed here today a LandSAR rescue dog named Enzo with handler David from New Zealand Land Search and Rescue. Our Black Hawk brand is proud to be the official feeding partner for the organisation's search and rescue dogs which with their volunteers provide a wonderful service here in New Zealand.

In closing I'd like to provide some brief commentary on our current trading and near term profit expectations. Trading for the first quarter of FY20 is in line with our internal expectations and we reconfirm the Group is confident of a significant increase in earnings in the current financial year.

As we heard from Mark he will retire as Chair at the conclusion of today's meeting. May I take this opportunity to personally thank you Mark for your invaluable guidance, counsel and support during my time with the Group – particularly over the last 17 months in my role as CEO.

Thank you for your attention ladies and gentleman and for your ongoing support as shareholders. I'll now hand back to Mark to continue with the formal matters of this meeting.

Thank you.