Interim Results Presentation

Delivering our growth strategy

Period ended 31 December 2023

H1 2024

CEO
Richard Fairman

Deputy CEO
Ben Jacklin

CFO
Robin Alfonso

CVS Group

Agenda

1 Introduction

2 Financial Review

3 Strategic and Operational Update

4 Outlook

CVS Group

1
Introduction

On track to deliver our Capital Markets Day ambitions

Revenue £329.9m **+11.4%** | Adjusted EBITDA £63.0m **+8.9%**

	Ambition	H1 2024 Performance
1	**Organic revenue growth** of 4% - 8% per annum	**6.0%** Like-for-like sales growth
2	**Margin expansion through investment** – Adjusted EBITDA margins 19% to 23%	**19.1%** Adjusted EBITDA margin
3	**Investment** in practice facilities, clinical equipment and technology to deliver organic growth	**£17.2m** Invested in Capex to improve practice and clinical facilities, improve technology, support the retention and recruitment of vets and ultimately to deliver great clinical care
4	**Acquisitions** subject to disciplined criteria for returns and earnings accretion	**17** Acquisitions completed in the financial year for combined consideration of **£63.1m**
5	Organic **operating cash conversion** of > 70% for the full year	On track for **70.0%** for the full year
6	**Leverage** remaining < 2.0x	**1.15x** Leverage as at 31 December 2023

Our well-defined strategy for growth remains unchanged…

Our purpose

To give the best possible care to animals

Our vision

To be the veterinary company people most want to work for

Supported by four strategic pillars:

1.	2.	3.	4.
We recommend and provide the best care every time	We are a great place to work and have a career	We provide great facilities and equipment	We take our responsibilities seriously

Underpinned by our ESG strategy, "Care at Our Heart"

Organic growth

- High-quality end-to-end care
- Recruitment, retention and development of our highly skilled clinicians
- Supported by:
  - Investment in training and career development
  - Investment in our practice facilities
  - Investment in our clinical equipment
  - Investment in technology

Augmented by inorganic growth

- Investment in accretive acquisitions in the UK and Australia
- Greenfield investment in areas where client demand is currently under-served

We have a strong pipeline of acquisition opportunities and are building a meaningful growth platform in Australia

- **Strong momentum** post entry into the Australian Veterinary Services Market in July 2023 with **13 completed acquisitions** in H1 2024
- **Four small animal acquisitions in the UK** completed in H1 post submission of briefing papers to the CMA
- Total consideration for acquisitions in H1 of £63.1m
- Further UK small animal acquisition completed in H2 to date
- Strong pipeline of opportunity with 10+ acquisitions in Australia expected to complete in H2

- McDowall Vets
- Queensland acquired July '23

- Warner Vets
- Queensland acquired July '23

- Brunker Road Vets
- New South Wales acquired Aug '23

- North Road Vets
- Melbourne acquired Aug '23

- Happy Pets Vets
- Queensland acquired Aug '23

- Northgate Veterinary Surgery and St Vincents Vets
- Queensland acquired Oct '23

- Parkinson Veterinary Surgery
- Queensland acquired Oct '23

- Southside Animal Hospital
- New South Wales acquired Nov '23

- Brimbank Veterinary Clinic
- Victoria acquired Nov '23

- Toowoomba Family Vets
- Queensland acquired Dec '23

- Wattle Grove Vets
- Western Australia acquired Dec '23

- Bayside Animal Medical Centre
- Victoria acquired Dec '23

- Weston Creek Vets
- Australian Capital Territory acquired Dec '23

- Bridge Vets
- Wroxham acquired Sep '23

- Masefield Vets
- Malvern acquired Sep '23

- The Liverpool Vet
- Liverpool acquired Oct '23

- Fernside Veterinary Centre
- Hertfordshire acquired Nov '23

Alongside our financial performance and entry into Australia, there are a number of other key developments…

- **CMA –** We continue to support the CMA with their market review. We look forward to an update soon.
- **Chair search –** We have a shortlist of preferred candidates and expect to make an appointment in H2
- **Bank facility extension** – facilities extended by a further year to 21 February 2028, with an interest rate swap in place to hedge £100m of debt
- **People –** Further increase in the number of vets and nurses employed including +200 graduate vets recruited
- **Clinical Governance Framework** – new framework launched in November 2023, a first in the UK veterinary profession
- **Sustainability & ESG** – second standalone ESG report published in September 2023

2

Financial Review

CVS Group

Financial Summary

	H1 2024	H1 2023	Variance
Revenue	**£329.9m**	**£296.3m**	**+11.4%**
Like-for-like sales growth*	+6.0%	+7.5%	-1.5ppts
Adjusted EBITDA*	**£63.0m**	**£57.8m**	**+8.9%**
Adjusted EBITDA Margin*	19.1%	19.5%	-0.4ppts
Free cash flow	£31.8m	£25.4m	+£6.4m
Operating cash conversion	63.7%	62.1%	+1.6ppts
Net bank borrowings	£129.2m	£57.6m	+£71.6m
Leverage*	1.15x	0.60x	+0.55x
Adjusted EPS*	**44.5p**	**45.6p**	**-1.1p**
Capital expenditure	£17.2m	£19.9m	-£2.7m
Consideration for acquisitions	£63.1m	£24.4m	+£38.7m

* Financial measures are defined on slide 28

- **Resilient +6.0% like-for-like sales growth** from our focus on high-quality clinical care, within our 4% - 8% ambition
- **Adjusted EBITDA growth of +8.9%** despite margin pressure from conscious investment in support functions and continued inflationary cost pressures (people, utilities & other)
- **Good operating cash generation** and free cash flow has enabled us to increase investment for future growth whilst maintaining **leverage considerably below 2.0x**
- **Full year operating cash conversion** expected to be 70%, in line with our stated ambition
- **Capital expenditure** in line with commitment to invest between £30m - £50m per annum
- **13 Australian and four UK acquisitions completed** in the period for consideration of £63.1m in line with ambition to spend >£50m per annum

Revenue growth from Australian entry and continued delivery of high-quality care…

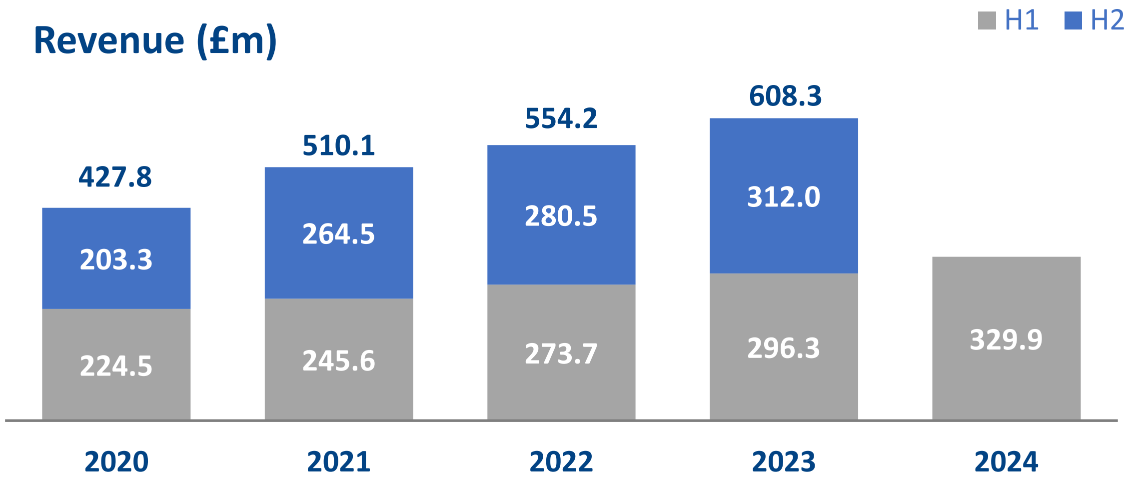
Continued revenue growth

- H1 2024 revenue of £329.9m up 11.4% from £296.3m
- Resilient LFL sales growth of +6.0% (H1 2023: +7.5%) within our 4% - 8% ambition
- Good performance from acquisitions in the current and prior year

Underlying growth across all divisions

- Veterinary practice benefitting from:
  - Continued focus on high-quality clinical care
  - Increased number of Vets and Nurses within the Group
  - Continued growth of Healthy Pet Club scheme to 500,000 members (H1 2023 481,000, FY 2023: 489,000)
  - Investment in acquisitions including entry into Australia
- Laboratories have increased volume of in-house analysers and diagnostic testing further supporting clinical care
- Crematoria continues its growth of the Direct Pet Cremation service
- Online Retail Business benefitted from increased basket value with volume growth expected in FY25 post the launch of the new website

Revenue (£m)



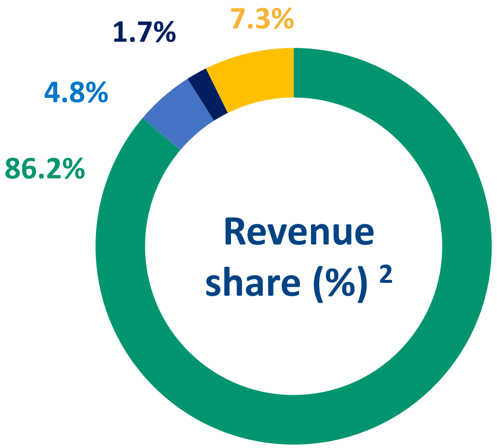
Revenue Growth (%) [1]

+11.9%
Veterinary Practices

+14.4%
Laboratories

+12.8%
Crematoria

+2.0%
Online Retail Business

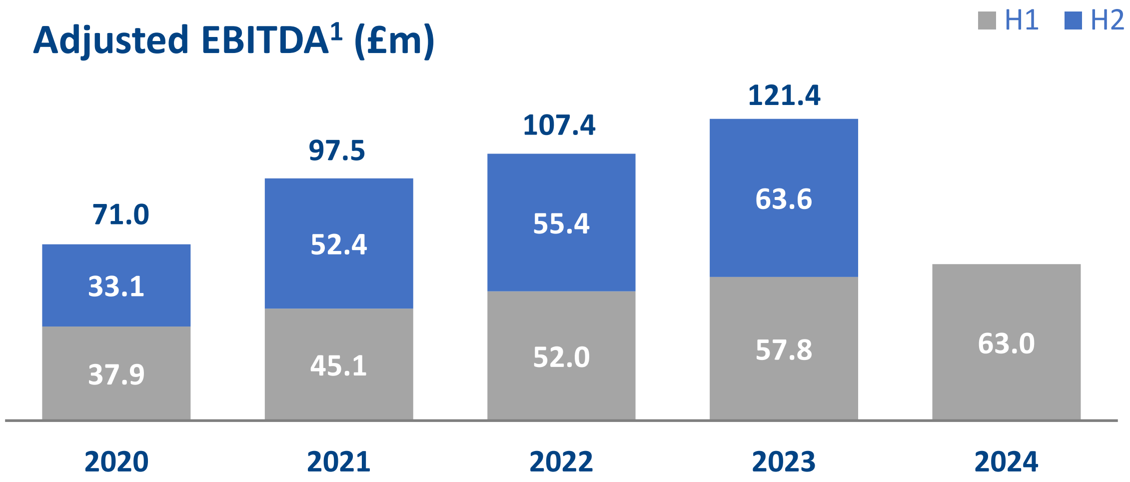


Note:
[1] Versus H1 2023
[2] Revenue percentages stated gross of intercompany elimination

Resilient EBITDA growth enhanced further from investment in acquisitions…

- H1 2024 revenue +11.4% to £329.9m main driver for EBITDA growth
- Adjusted EBITDA margin reduced 0.4ppts to 19.1% (H1 2023: 19.5%) impacted by:
  - Gross margin improvement to 78.1% (H1 2023: 77.5%); offset by inflation with
  - Employment cost as a percentage of revenue increasing to 52.3% (H1 2023: 51.7%) from salary inflation and investment in support colleagues
  - Other costs as a percentage of revenue at 6.7% (H1 2023: 6.4%). Other costs included £6.0m (H1 2023: £5.0m) net Research and Development Expenditure Credit (RDEC) income
- In addition to inflationary pressures, Bristol Vet Specialists and investment in greenfield sites and performance in ROI and the Netherlands have put pressure on margins in H1
- EBITDA margins are expected to improve as we continue with our programme of investment in capex and acquisition, and as wider inflationary pressures start to ease

Adjusted EBITDA[1] (£m)



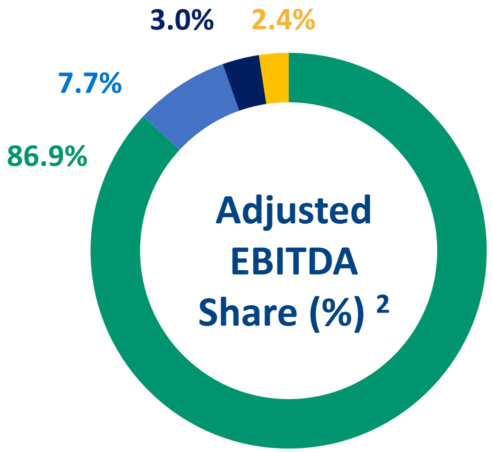
Adjusted EBITDA Growth (%) [2]

+7.8%
Veterinary Practices

+19.5%
Laboratories

+25.2%
Crematoria

+0.0%
Online Retail Business



Note:
[1] Versus H1 2023
[2] Divisional EBITDA growth before head office costs

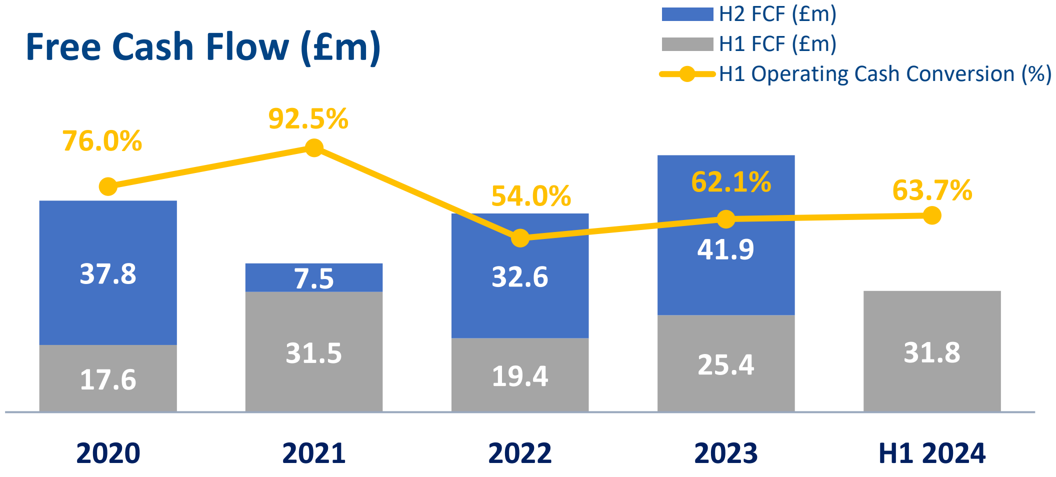
Continued improvement in free cash flow underpins investment ambition...

Free Cash Generation

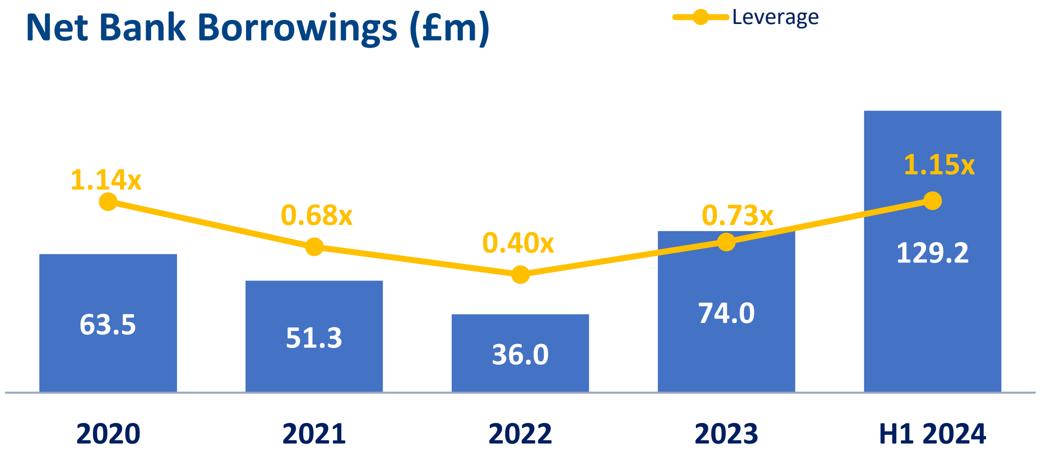
- Free cash flow increased to £31.8m benefitting from:
  - Adjusted EBITDA increase of £5.2m; partially offset by
  - Increased interest payments due to increased borrowing and SONIA rates
  - Increased lease payments as we grow our business
- Operating cash conversion 63.7% with full year expectation of 70%, in line with capital markets day ambition

Net Cash Flow

- Net cash outflow of £55.2m (H1 2023: £21.6m) is after:
  - £63.1m (H1 2023: £24.4m) consideration for acquisitions
  - £11.5m (H1 2023: £14.9m) investment capex
  - £5.4m (H1 2023: £5.0m) dividend payment
- Net bank borrowings increased to £129.2m from £74.0m at FY23
- Leverage increased to 1.15x from 0.73x at FY23 following increased investment
- Banking facilities extended to February 2028 on same terms and £100m interest rate swap in place



2023 onwards exclude acquisition fees and contingent consideration payments



We continue to invest in the long-term growth of the business

Strong balance sheet

- £350m of committed facilities through to February 2028
- Low leverage of 1.15x

Investment criteria

- Each of our investment decisions is appraised against our strict investment criteria:
  - IRR[2] > 10% internal hurdle rate
- Since July 2022, we have invested:
  - £45.8m in Investment capex on 25 capital projects, and;
  - £117.7m in Acquisitions on 28 practices (35 practice sites)
  - Investments performing in line with management expectations

Returns

- Returns are above our incremental borrowing rate[1] (currently between 6-7%)
- IRR[2] is > 10%
- ROCE[3] delivered between 9% - 15%

CVS Acorn Vets moves to new larger premises in Studley

CVS opens brand new Ambivet practice in Derby

CVS Stewart Vets opens after £700,000 refurbishment

CVS Harbour Vets Southsea opens new £1m practice

1 – Incremental borrowing rate is the interest rate applied to investment funded through debt
2 – IRR (Internal rate of return) is calculated by discounting expected future cash flows, after tax, to present value
3 – ROCE (return on capital employed) is calculated by adjusted EBITA divided by investment

3

Strategic and Operational Update

CVS Group

Strategic pillar 1 – Driving standards in the profession with CVS's new Clinical Governance Framework

- We recently launched a new Clinical Governance Framework:
    - Leading the veterinary profession in improving quality care and helping to drive further improvements in clinical standards
    - Our colleagues are fully engaged in this and it will act as a point of differentiation for CVS
    - Within 3 months of launching our framework, we have **trained 164 Clinical Improvement advocates** across small animal, farm and equine

- Using the structure of our Clinical Governance Framework, our latest annual Quality Improvement report demonstrates our approach to clinical improvement across a number of programmes and projects, including:
    - The development of colleague subject matter working groups to help us evaluate new clinical knowledge and help us develop clear and structured assessment of the most appropriate clinical equipment and products
    - Creation and issue of detailed guidance on ethical issues for our colleagues
    - Further increasing focus of our antibiotic stewardship programme on reducing the risk of antimicrobial resistance

CVS Clinical Governance Framework

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Strategic pillar 2 - We are a great place to work and have a career

+8.4%
More Vets Employed

+8.5%
More Nurses Employed

This focus on our people is helping us to continue to recruit more clinical colleagues:

- We employed +8.4% more vets on average compared to calendar year 2022
- We employed +8.5% more nurses on average compared to calendar year 2022

Our colleague satisfaction remains strong:

- Our employee net promoter score remains strong at +11.9, down from +14.6 at FY23
- 87% of colleagues have a regular check in with their line manager
- 86% of colleagues have interactive team meetings

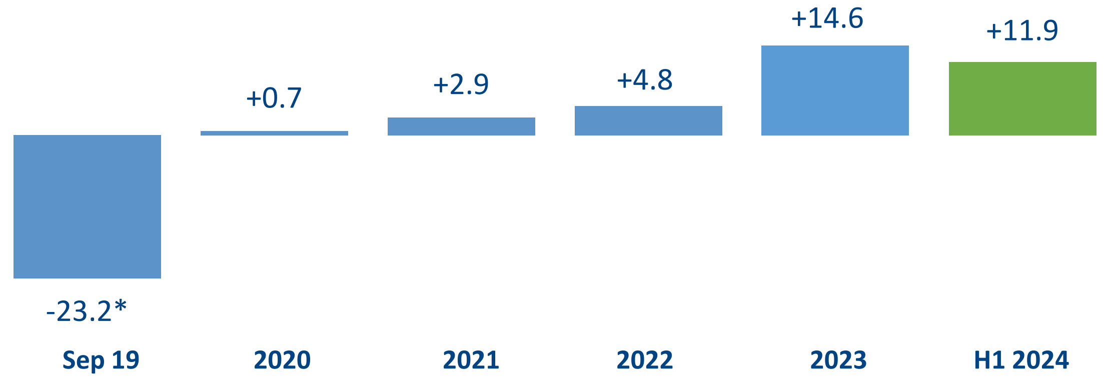
We continue to focus on developing our clinicians:

- New Graduate Programme continues to attract more than our market share of new graduates, with 200+ placed in Summer 2023
- Supporting nearly 500 active apprentices across the business
- Launched new nursing career pathway

Our attrition is falling:

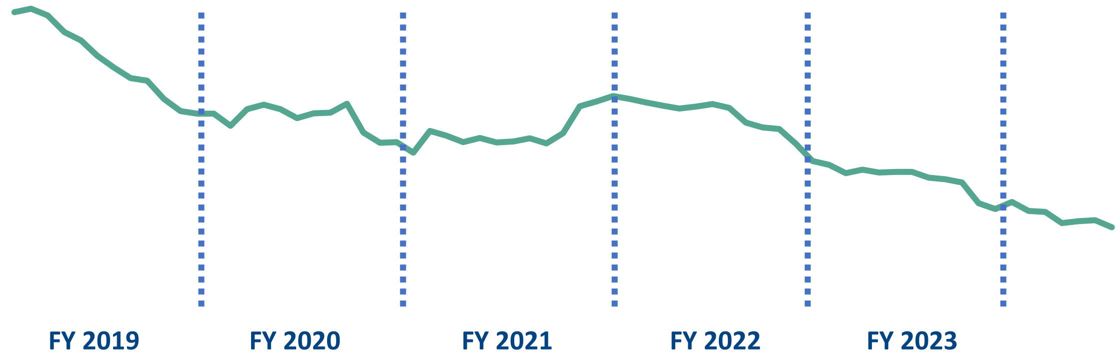
- Our vet attrition has fallen a further 3.3ppts in the 2023 calendar year to its lowest level since being recorded reflecting the continued focus in our people

Employee Net Promoter Score – remaining strong



*First measured in September 2019

Attrition continues to improve



Strategic pillar 3 – We provide great facilities and equipment

We continue to invest in great facilities and equipment to drive organic growth

- £17.2m invested in H1 2024 (H1 2023: £19.9m)
- New greenfield in Derby opened January 2024
- Investment in technology including pilot of new practice management system Provet
- Returns remain in line with forecast

We opened Bristol Vet Specialists in October 2023

- Flagship, state-of-the-art, multi-disciplinary referral hospital in the South West
- Custom built, uniquely designed facilities
- 30,000 sq. ft, 14 consultation rooms, 5 operating theatres, advanced imagery
- Fully digital 'Infinity' linear accelerator from Elekta is one of the only ones of its kind for pets in England
- Employs over 120 colleagues, including 33 specialists



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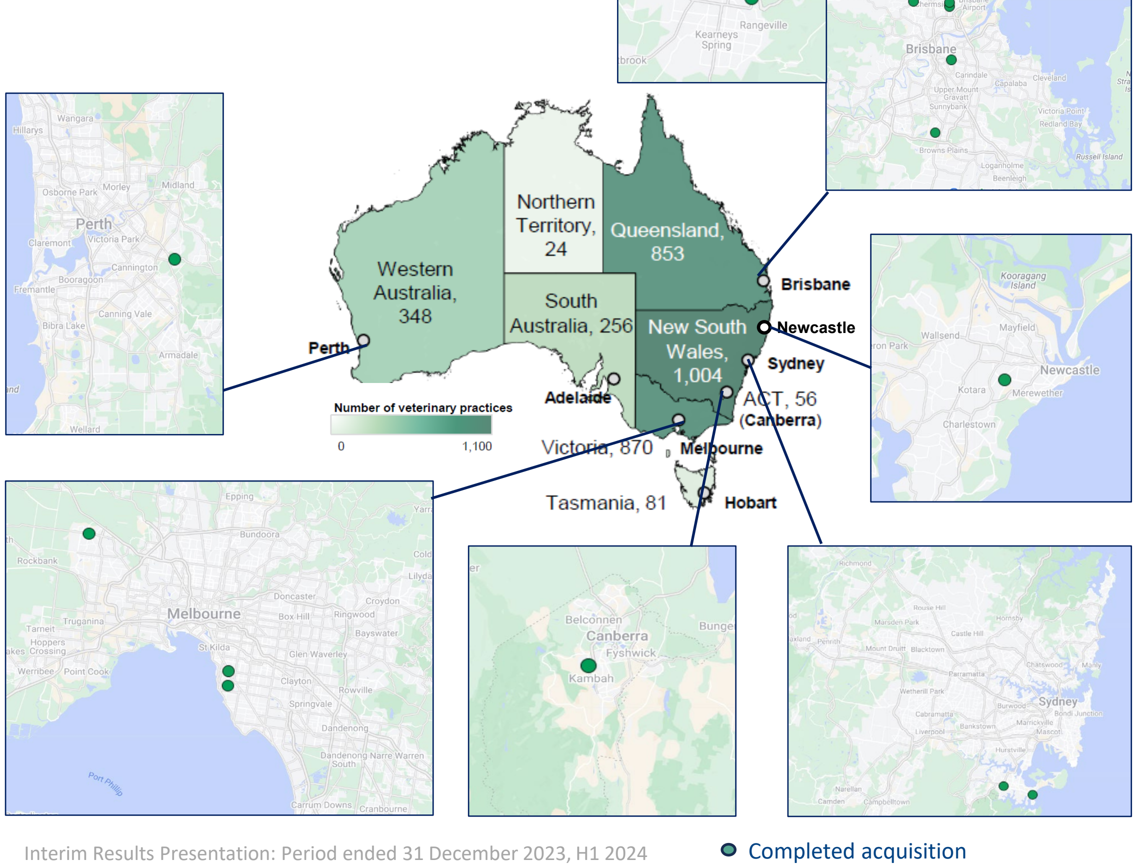
The Australian market is attractive

with relatively low levels of corporate consolidation, favourable market dynamics and strong similarities with the UK

Market Recap



c.£3bn

Market size, veterinary services

c.3,500

Practices

15%

Corporate Consolidation

Thirteen completed to date with opportunity to create meaningful platform

- Representation in major cities of Sydney, Melbourne, Brisbane and Perth
- Combined historic multiple paid is lower than the UK
- IRR comfortably above hurdle rate of 10%
- Acquisitions made to date preforming in line with expectations

Current pipeline to date

- Completed thirteen
- Exchanged / signed one
- Strong pipeline of opportunity with 10+ acquisitions in Australia expected to complete in H2

Good Governance, Oversight and Control

- Local management team with experience of CVS operations
- Further local support being recruited
- Integrated into UK finance team
- Regular reporting and oversight

4
Outlook

CVS Group

CVS is in a strong position to deliver further growth

- Delivering on well-defined strategy for growth
- Attracting talent: continued growth in vets employed
- Enhancing quality of care: focus on providing great care to our clients and their pets
- Growth through execution of M&A strategy: strong pipeline of opportunities, particularly in Australia
- Continued investment in infrastructure
- Disciplined approach to managing investment: leverage below 2.0x target
- Full year results expected to be in line with market expectations
- Positive momentum towards stated 5 year plan to double adjusted EBITDA

✓ Growing market

✓ High-quality veterinary care

✓ Dedicated and passionate team of colleagues

✓ Cash generative with strengthened balance sheet

✓ Strong management team

Appendices

Care at our Heart

- Our Environmental, Social and Governance (ESG) strategy, “Care at our Heart”, is based on our care for animals, people and the environment

- Second stand-alone sustainability and ESG report published September 2023

- Six working groups focused on:

  - Energy and carbon
  - Waste
  - One Health
  - People development
  - Wellbeing
  - Equity, Diversity and Inclusion

Care at our Heart

Growing free cash flow underpins opportunity for disciplined investment in growth

Strong balance sheet + growing free cash flow	Committed facilities of **£350m** to Feb 2028 Leverage **1.15x**	Operating cash conversion **c70%**	**Growing Free Cash Flow**
Investment opportunities + dividends	Investment Capex **c.£30m - £50m pa**	UK and International M&A **> £50m pa** subject to timing	Shareholder returns **Progressive Dividend policy**
Disciplined approach	Leverage **< 2.0x**	Disciplined Investment **IRR of > 10%**	Shareholder returns **Progressive Dividend policy**

Reconciliation of adjusted EBITDA (£m)	H1 2024	H1 2023	MVT	FY 2023
Adjusted EBITDA*	**63.0**	**57.8**	**5.2**	**121.4**
Adjusted for:				
Finance expense	(5.2)	(3.5)	(1.7)	(8.4)
Depreciation and profit on disposal	(15.1)	(13.2)	(1.9)	(27.6)
Amortisation of intangible assets	(11.7)	(11.3)	(0.4)	(22.6)
Costs relating to business combinations	(7.5)	(1.8)	(5.7)	(6.6)
Exceptional items	(0.1)	-	(0.1)	(2.3)
Profit before tax	**23.4**	**28.0**	**(4.6)**	**53.9**
Amortisation of intangible assets	11.7	11.3	0.4	22.6
Costs relating to business combinations	7.5	1.8	5.7	6.6
Exceptional items	0.1	-	0.1	2.3
Adjusted profit before tax*	**42.7**	**41.1**	**1.6**	**85.4**
Tax on adjusted profit	(10.7)	(8.6)	(2.1)	(17.0)
Adjusted profit after tax	32.0	32.5	(0.5)	68.4
Adjusted profit after tax – attributable to the parent	**31.9**	**32.5**	**(0.6)**	**68.4**
Weighted average number of shares (No.)	71,508,834	71,215,385	293,449	71,272,880
Adjusted earnings per share* (p)	**44.5**	**45.6**	**1.1**	**96.0**

* Financial measures defined on page 28

Summary	**H1 2024**	H1 2023	MVT	FY 2023
Adjusted EBITDA*	63.0	57.8	5.2	121.4
Working Capital Movements	(9.3)	(10.4)	1.1	(6.5)
Capital Expenditure – Maintenance	(5.7)	(5.0)	(0.7)	(11.4)
Repayment of Right-of-use Liabilities	(7.9)	(6.5)	(1.4)	(14.1)
Operating Cash Flow	**40.1**	**35.9**	**4.2**	**89.4**
Operating Cash Conversion (%)	63.7%	62.1%	-1.6ppts	73.6%
Taxation Paid	(3.5)	(7.2)	3.7	(14.9)
Net Interest Paid	(4.8)	(3.3)	(1.5)	(7.2)
Free Cash Flow	**31.8**	**25.4**	**6.4**	**67.3**
Capital Expenditure – Investment	(11.5)	(14.9)	3.4	(34.3)
Acquisitions	(63.1)	(24.4)	(38.7)	(54.6)
Acquisition fees and contingent Consideration Payments[1]	(5.9)	(1.9)	(4.0)	(7.0)
Dividend	(5.4)	(5.0)	(0.4)	(5.0)
Other financing activities	(1.1)	(0.8)	(0.3)	(4.4)
Net (Outflow) / Inflow	**(55.2)**	**(21.6)**	**(33.6)**	**(38.0)**
Net Bank Borrowings*	(129.2)	(57.6)	(71.6)	(74.0)

1. Acquisition fees and Contingent consideration has been included outside free cash flow and prior period has been restated

* Financial measures defined on page 28

Definitions

Like-for-like sales shows revenue generated from like-for-like operations compared to the prior year, adjusted for the number of working days. For example, for a practice acquired in September 2022, revenue is included from September 2023 in the like-for-like calculations.

Adjusted EBITDA is profit before tax adjusted for net finance expense, depreciation, amortisation, costs relating to business combinations, and exceptional items.

Adjusted EBITA is profit before tax adjusted for net finance expense, amortisation, costs relating to business combinations, and exceptional items.

Adjusted profit before tax is calculated as profit before amortisation, taxation, costs relating to business combinations, and exceptional items.

Adjusted earnings per share is calculated as adjusted profit before tax less applicable taxation divided by the weighted average number of Ordinary shares in issue in the year.

Leverage on a bank test basis is drawn bank debt less cash and cash equivalents, divided by adjusted EBITDA annualised for the effect of acquisitions, including costs relating to acquisition fees and excluding share option costs, prior to the adoption of IFRS 16.

Net bank borrowings is drawn bank debt less cash and cash equivalents.

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Thank You

CVS Group plc

Owen Road, Diss, IP22 4ER

01379 644288 Company No. 06312831