



Group Plc
Your pets, our priority

CVS Group plc
Interim results
for the 6 months ended
31 December 2016

Simon Innes – Chief Executive Officer
Nick Perrin – Finance Director



Agenda

- Highlights
- Industry update
- Business review
 - Practices
 - Laboratories
 - Animed Direct
 - Crematoria
- Financial results
- Outlook
- Appendices



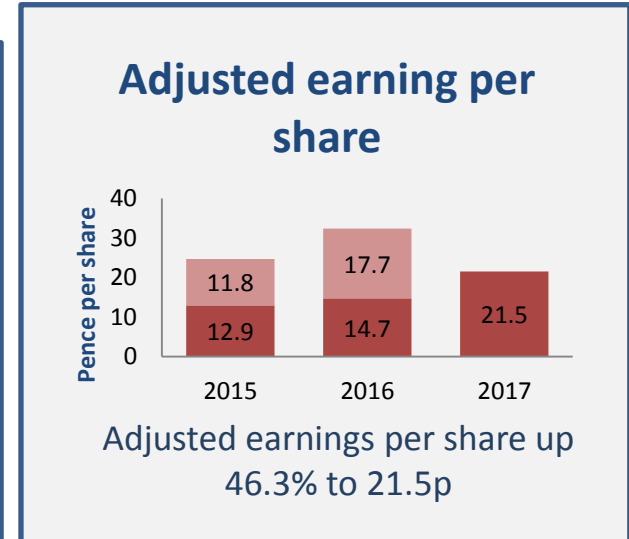
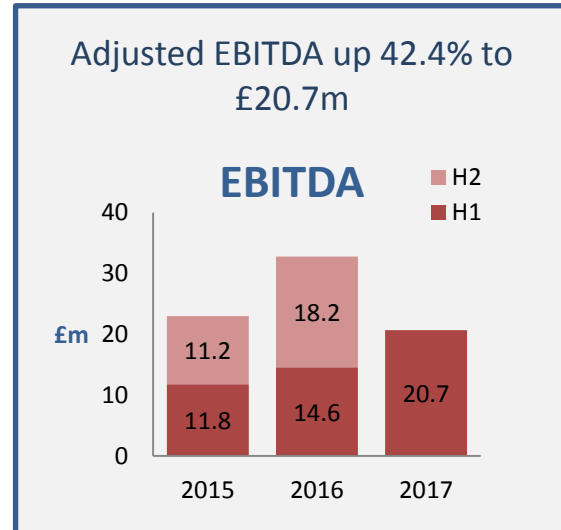
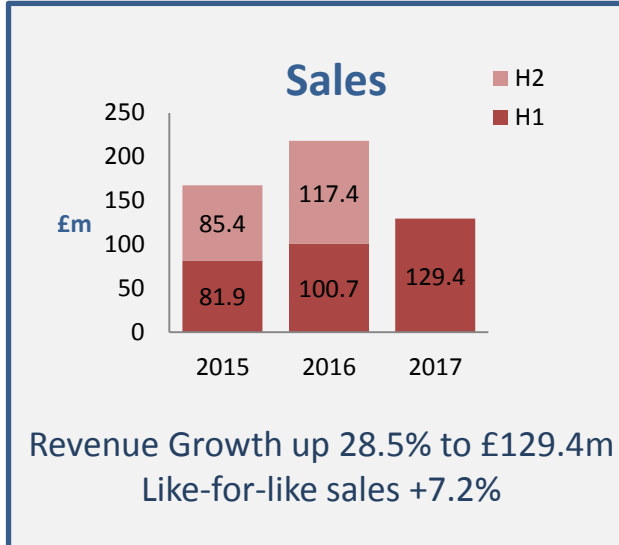
Highlights

	Six months ended 31 December 2016	Six months ended 31 December 2015	% change	Year ended 30 June 2016
Revenue (£m)	129.4	100.7	28.5%	218.1
Adjusted EBITDA (£m)	20.7	14.6	42.4%	32.8
Adjusted profit before income tax (£m)	16.5	11.2	47.1%	24.9
Adjusted earnings per share (pence)	21.5	14.7	46.3%	32.4
Operating profit (£m)	9.5	5.4	75.3%	11.8
Profit before income tax (£m)	8.0	4.3	86.4%	9.1
Basic earnings per share (pence)	10.4	5.6	85.7%	11.6

See appendix for definition of 'adjusted' items

Percentage increases have been calculated throughout this document based on the underlying values

Highlights



Acquisitions

Further significant acquisitions:

- 20 surgeries in H1
- 13 more in H2 to date
- 6 surgeries in The Netherlands

Referrals

Significant development of referrals business:

- Manchester Veterinary Specialists commenced Jan 2017
- Chestergates refurbishment

Other

- Greenfield site opened in Smethwick
- £29.6m raised through equity placing
- Healthy Pet Club (HPC) members up over 12% to 285,000

Industry update

CVS owns 394 surgeries and is the largest provider of integrated veterinary services to pet owners in the UK

	CVS	Vets4 Pets	IVC	Medivet	Goddards	Vets Now	August	Sovereign
Surgeries	394	419	312	150	49	3	122	23
Referral sites*	6	4	2			3		3
Laboratories	5			1	1		1	
Crematoria	7						1	
Dedicated out-of-hours*	14					54		
Buying group	2							
Instruments business	1							
On-line	1		1					

Most surgeries are small animal only, except for CVS and August.

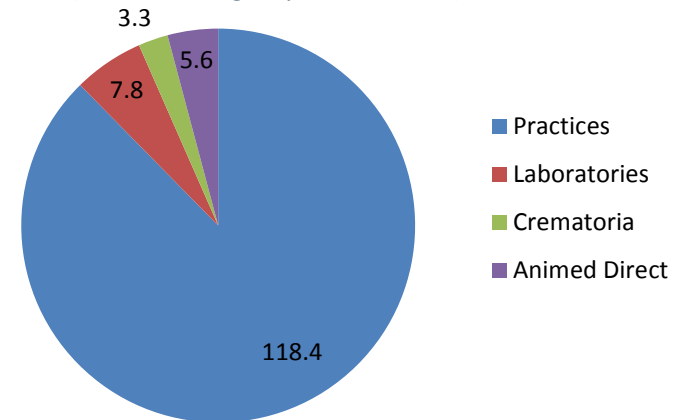
*Included within surgeries

Business review - Results by division

Four main business areas

- Veterinary practices
- Diagnostic laboratories
- Pet Crematoria
- Online dispensary

Turnover by business area £m
(before intra-group eliminations)



% of Turnover per Business Area

	Practices	Laboratories	Crematoria	Animed Direct
2017 - H1	87.6%	5.8%	2.4%	4.2%
2016 - H1	87.3%	6.9%	1.9%	3.9%
2015 - H1	84.9%	7.4%	1.4%	6.3%

The above reflects sales prior to the inter-company elimination between the practice division and other divisions

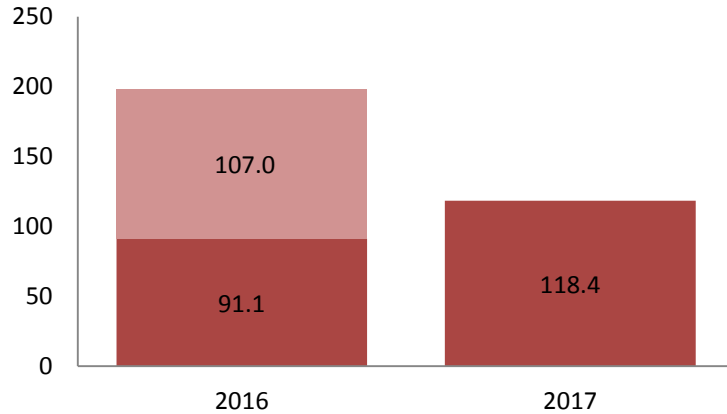
Results by division

Period ended 31 December 2016	Practices	Laboratories	Crematoria	Animed Direct	Head Office	Group
Revenue (£m)	118.4	7.8	3.3	5.6	(5.7)	129.4
EBITDA (£m)	22.2	1.7	1.1	0.2	(4.5)	20.7
Gross Margin after materials %	80.2	67.9	82.4	17.4	-	80.3
EBITDA %	18.7	21.3	34.5	4.5	-	16.1

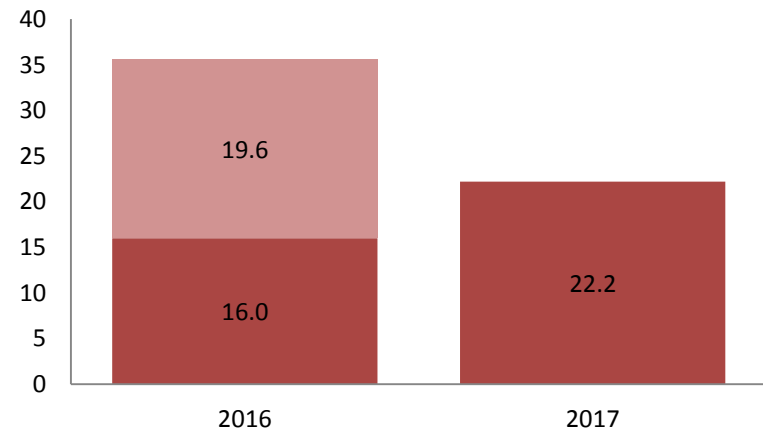
Period ended 31 December 2015	Practices	Laboratories	Crematoria	Animed Direct	Head Office	Group
Revenue (£m)	91.1	7.2	2.0	4.1	(3.7)	100.7
EBITDA (£m)	16.0	1.6	0.6	0.2	(3.8)	14.6
Gross Margin after materials %	79.1	69.2	80.3	21.1	-	79.0
EBITDA %	17.6	21.6	32.4	5.0	-	14.5

Business review - Veterinary Practices

Revenue £m



EBITDA £m



Practice revenue up 30.2% to £118.4m

EBITDA growth of 38.7% to £22.2m

Like-for-like sales growth of 7.0%

Business review - Veterinary Practices

Acquisitions in the half year

During the year	No of sites	Location	Business
Davidson Veterinary Care	3	Nottingham	Small animal
Buttercross Veterinary Care	3	Nottingham	Small animal
Church Walk Vets	2	Ulverston, Barrow-In-Furness	Small animal
Batheaston Veterinary Clinic	1	Bath	Small animal
Deveron Veterinary Surgeons	2	Turriff & Macduff	Small animal, large animal & equine
Haven Veterinary Surgeons	1	Great Yarmouth	Small animal
Forrest House Vets	3	Bedale, Northallerton, Masham	Small animal, large animal & equine
Kliniek voor Gezelschapsdieren Dieren	3	Dieren, Brummer, Velp (The Netherlands)	Small animal
Dierenziekenhuis Drachten BV	1	Drachten (The Netherlands)	Small animal
O'Reilly & Fee Veterinary Surgery	1	Armagh, Northern Ireland	Small animal, large animal & equine

394 surgeries across the UK

20 acquired in the first half of the year

13 acquired after the half year

Business review - Veterinary Practices

Acquisitions since the half year

During the year	No of sites	Location	Business
Zuid-West Friesland BV	2	Lemmer, Emmelord, (The Netherlands)	Small animal, large animal & equine
Bell Equine Veterinary Clinic	1	Mereworth	Equine
Valley Veterinary Group	2	Kilmarnock	Small animal
Pennine Vets	2	Bolton, Bury	Small animal
Ambivet Veterinary Group	5	Aspley, Heanor, Ilkeston Ripley Woollaton,	Small animal
Willow Veterinary Clinic	1	Norwich, Norfolk	Small animal



Business Review - Veterinary practices

Referrals

- Manchester Veterinary Specialists opened January 2017
- Chestergates refit in progress incl. CT scanner and replacement MRI scanner
- Lumbry Park has been challenging. New manager in place
- 29 diploma holders now at CVS with a wide range of specialisms
- National coverage
 - ‘Hub and spoke’
 - Blend of secondary and tertiary centres



Business Review - Veterinary practices

Own Brand

- High quality products
- Distributed via Animed Direct
- Now have 15 own brand medicines
- Lower prices and better margins
- Own brand pet food roll out & waiting room retail roll out complete



Out-of-hours

- 14 established dedicated emergency out-of-hours centres
- Planning to open another out-of-hours centre in Spring 2017

Healthy Pet Club

- Over 12% increase in membership to 285,000
- At end February 2017 membership just over 291,000
- HPC revenue
 - All practices – 13.4% of total revenue (2016 – H1: 12.6%)
 - Like-for-like practices – 16.4% (2016 – H1: 15.2%)



Veterinary practices – Buying Group



www.mivetclub.co.uk



www.vetshare.co.uk

	MiVetClub	VetShare
Member sites	10	440+
Restricted to CVS dedicated & preferred goods	Y	N
Wholesaler	NVS and Henry Schein	Any
CVS own brand products available	Y	Y
Use of Labs offered	CVS	CVS, Idexx, NWL
Use of Crems offered	CVS	CVS, PCS
Other services from CVS	Training, H&S, MiHealthyPet, Discount from VETisco	MiHealthyPet, Discount from VETisco

Generated over £0.6m of rebates p.a. from manufacturers for VetShare members.

Business review – Veterinary Practices

Pet Medic Recruitment

- Provides 70% of locum requirements
- Saving costs & delivering better quality
- Some permanent hires and third party work



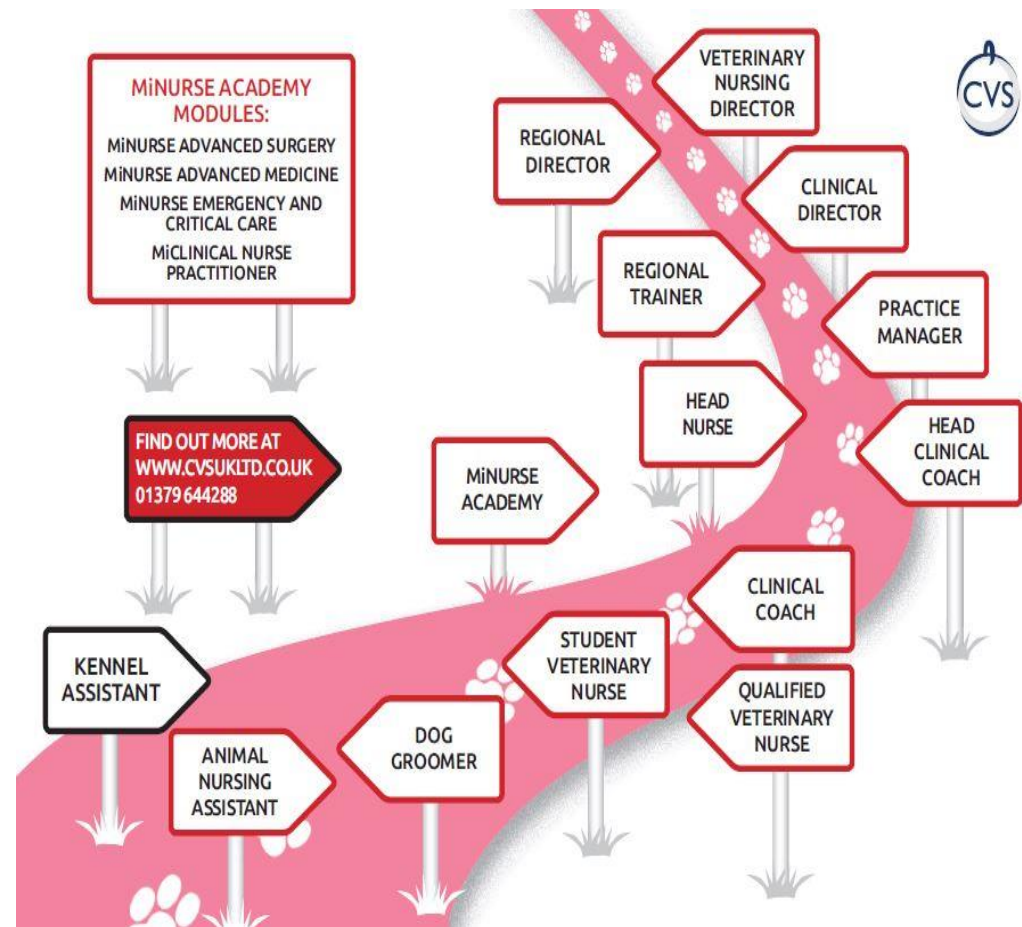
Veterinary practices - Training

- **New Graduate Program**
 - 324 graduate vets in last 3 years
- **Advanced Practitioner Program**
 - 60-70 vets at any one time
- **MiNurse Academy**
 - 92 enrolled in 2016
 - Modular courses, day courses, practical courses
- **Leadership program**
 - 8 day program for 12 candidates
- **Roadshows**
 - Clinical Director Roadshow with 295 Vets and practice managers
 - Head Nurse Roadshow with 138 Senior nurses



Veterinary practices - careers

- Larger group gives enhanced opportunities
- Careers that are new to the whole veterinary industry
- Careers suitable for part-time workers
- Roles for small animal, large animal and equine



Business Review - Laboratories

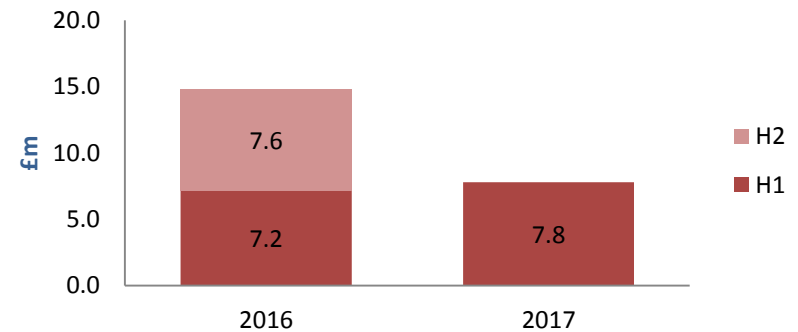


Revenue growth of 8.3% to £7.8m

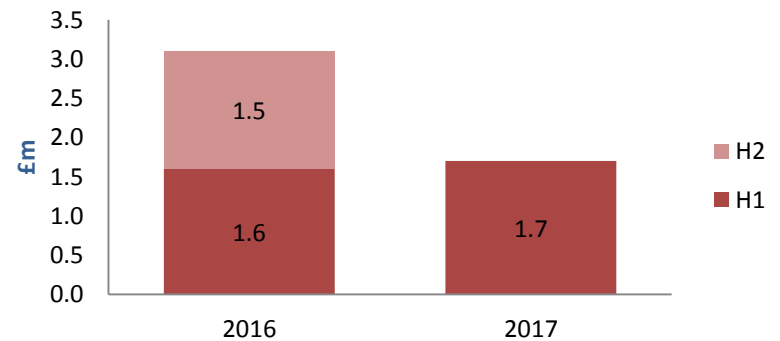
Like-for-like sales +8.3%

EBITDA increased to £1.7m

Revenue £m



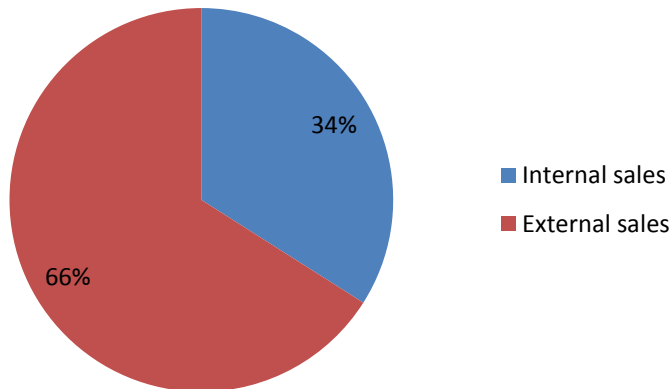
EBITDA £m



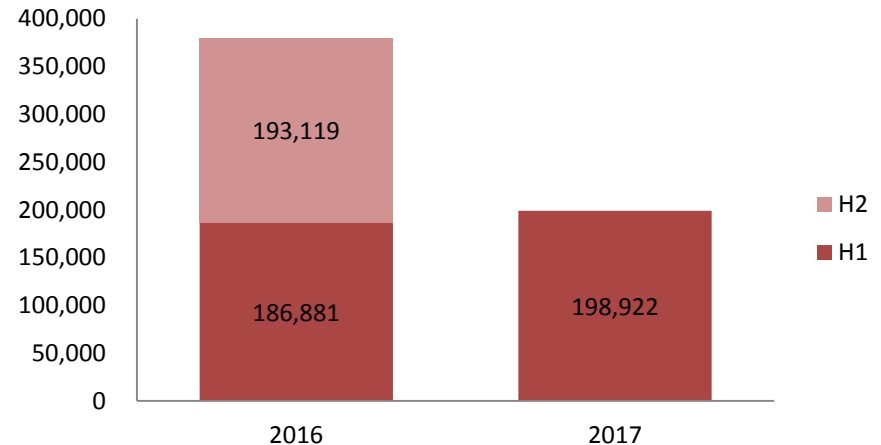
Business Review - Laboratories

- Sales increased by 8.3% to £7.8m
- Analyser business growing steadily
- Some increase in price pressures on diagnostics business
- Accreditations being sought to expand large animal testing
- PCR testing now profitable

Internal vs external sales

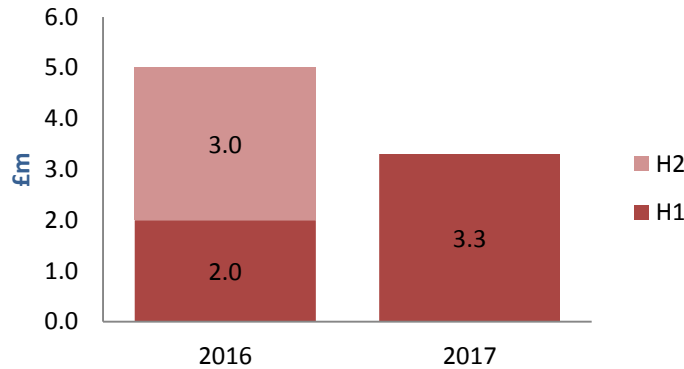


Number of Laboratory tests performed

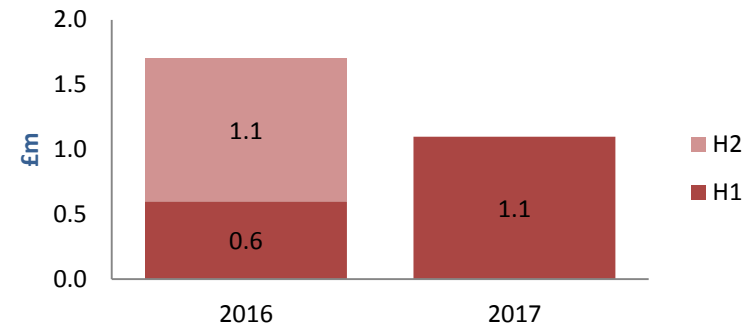


Business Review - Crematoria

Revenue £m



EBITDA £m



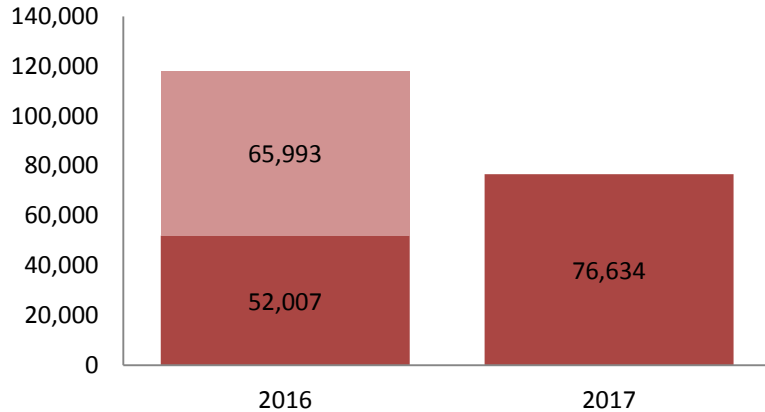
Like-for-like sales +21.5%
Crematoria revenue split

	2017 – H1 £m	2016 – H1 £m
Like-for-like revenue	2.3	1.8
Acquisitions	1.0	0.2
Total revenue	3.3	2.1

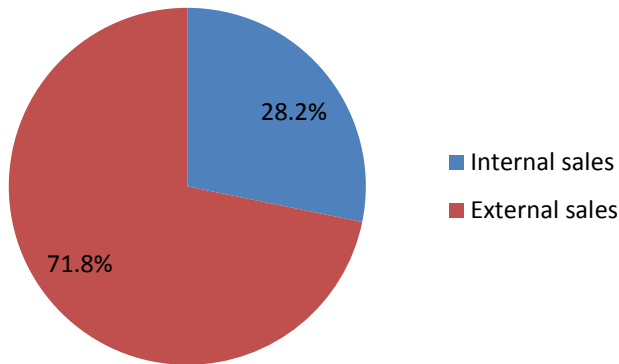


Business Review - Crematoria

Number of cremations



Sales - internal v external



- All CVS work now performed internally
- Expansions and improvements planned for several sites

The Crematoria Division Coverage Map (June 2016)

- Rossendale Pet Crematorium & Memorial Gardens
- Valley Pet Crematorium
- Silvermere Haven Pet Cemetery and Crematorium
- Whitley Brook Pet and Equine Crematorium
- The Pet Crematorium (Durham)
- The Pet Crematorium (Larkhall)
- Greenacres Pet Crematorium

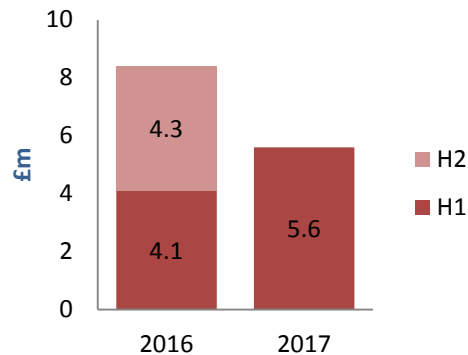
This map is a guide only, and actual coverage may vary.



Business Review - Animed Direct

Revenues increased by 36.6% to £5.6m

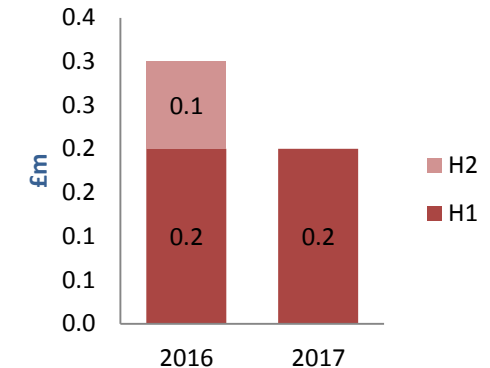
Revenue £m



Adjusted EBITDA same at £0.2m



EBITDA £m



	2017 – H1	2016 – H1
Number of product lines	3,900	4,200
Average order value	£32.57	£32.53
Orders placed per day	1,003	819
Active unique customers in the period	90,586	77,575

- New management in place
- Significant recovery of sales
- Further development of website planned
- Moved to larger warehouse

www.animeddirect.co.uk

Business review – Central administration

- Costs reduced from 3.8% of sales to 3.5% in the year
- General increase in staffing levels:
 - Reflecting business growth
 - To maintain control of acquisitions
- Internal Audit function commenced
- CVS Insurance project progressing steadily



Financial results - Profit & loss

	6 months ended 31 December 2016 £'m	6 months ended 31 December 2015 £'m	Year ended 30 June 2016 £'m
Revenue	129.4	100.7	218.1
Cost of sales	(68.3)	(55.4)	(111.8)
Gross profit	61.1	45.3	106.3
Administrative expenses	(51.6)	(39.9)	(94.5)
Operating profit	9.5	5.4	11.8
Net finance expenses	(1.5)	(1.1)	(2.7)
Profit before income tax	8.0	4.3	9.1
Income tax expense	(1.7)	(0.9)	(2.1)
Profit after income tax	6.3	3.4	7.0
Earnings per ordinary share			
- Basic	10.4p	5.6p	11.6p
- Adjusted	21.5p	14.7p	32.4p

Financial results – Balance sheet

	31 December 2016	31 December 2015	30 June 2016
	£m	£m	£m
Non-current assets			
Intangible assets	137.4	118.1	131.5
Property, plant and equipment	36.3	33.0	32.8
Investments	0.1	0.1	0.1
Deferred income tax assets	1.6	1.8	1.8
	175.4	153.0	166.2
Current assets			
Inventories	11.1	7.8	9.7
Trade and other receivables	24.6	22.7	23.8
Cash and cash equivalents	6.5	9.6	6.7
	42.2	40.1	40.2
Total assets	217.6	193.1	206.4
Current liabilities			
Trade and other payables	(43.3)	(41.8)	(43.0)
Current income tax liabilities	(2.8)	(2.3)	(2.3)
Borrowings	(4.9)	(25.4)	(30.4)
	(51.0)	(69.5)	(75.7)
Non-current liabilities			
Borrowings	(69.6)	(69.0)	(69.4)
Deferred income tax liabilities	(15.3)	(12.9)	(14.6)
Derivative financial instruments	-	(0.1)	(0.1)
	(84.9)	(82.0)	(84.1)
Total liabilities	(135.9)	(151.5)	(159.8)
Net assets	81.7	41.6	46.6

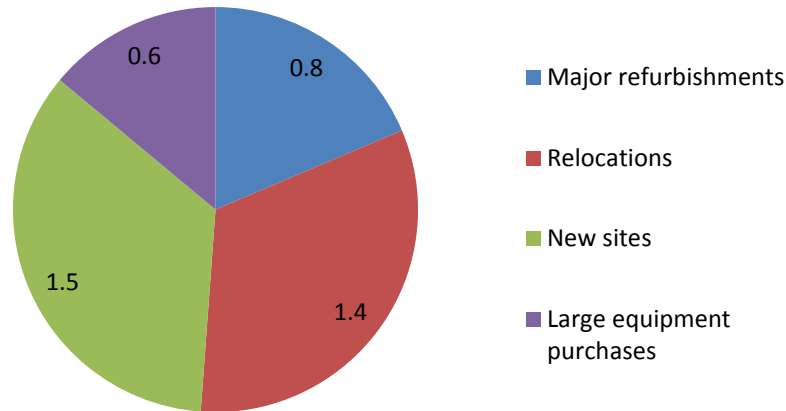


Financial results – change in debt

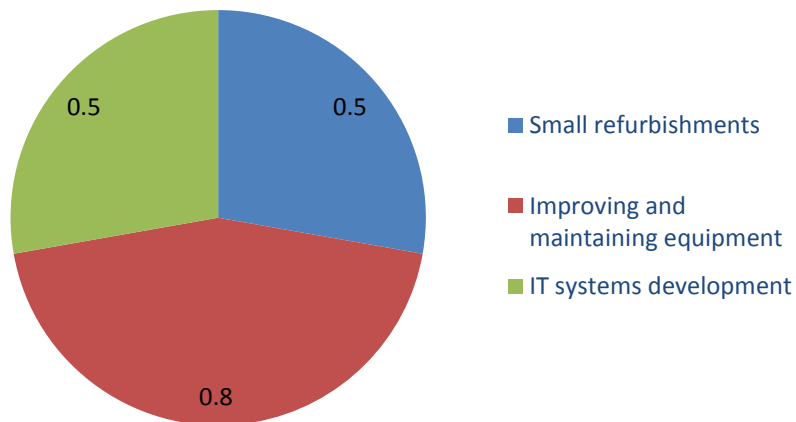
	6 months ended 31 December 2016 £'m	6 months ended 31 December 2015 £'m	Year ended 30 June 2016 £'m
Cash generated from operations	19.3	17.5	33.6
Taxation paid	(2.2)	(1.6)	(3.3)
Net interest paid	(1.2)	(1.0)	(2.4)
Capital expenditure – maintenance	(6.1)	(8.0)	(5.1)
Free cash flow	9.8	6.9	22.8
Capital expenditure – development			(6.4)
Acquisitions	(12.0)	(42.4)	(61.3)
Dividend paid	(2.1)	(1.8)	(1.8)
Proceeds from issue of Ordinary shares	29.6	-	0.2
Debt issuance costs movement	(0.2)	(1.3)	(0.4)
Decrease/(Increase) in net debt	25.1	(38.6)	(46.9)

Financial results – Capital expenditure

Fixed assets - Development expenditure £4.3m



Fixed assets - Maintenance expenditure £1.8m



Total capital expenditure in the year amounted to £6.1m

New sites :

- Smethwick
- Norwich

Relocations:

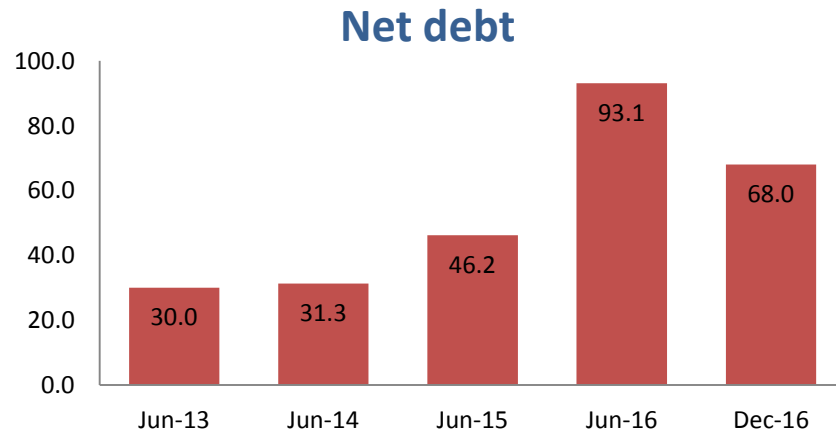
- Stechford/Sheldon
- Gorleston
- West Vale
- Holywell House

Major refurbishments:

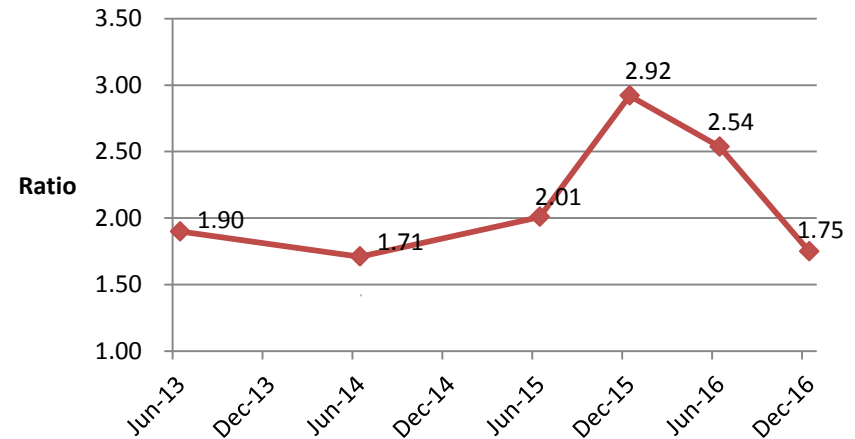
- Chestergates
- Pet Medics & MVS

Financial results – Net debt

- £29.6m raised through equity placing (strongly over subscribed)
- £12.0m spent on acquisitions



Net debt: EBITDA



- Available facilities:
 - £67.5m term loan to Nov 2021
 - £47.5m RCF to Nov 2021
 - £5.0m overdraft
- Leverage covenant (Net debt / EBITDA *):
 - 3.5 to Dec 2017
 - 3.0 thereafter
- EBITDA : Interest covenant – 4.5

*Trailing 12-month EBITDA, annualised for impact of acquisitions

Outlook

Existing Business

- Like-for-like sales returned to more normal levels since the half year
- Referral services: development of MVS, Lumby Park
- Development of new sites – Smethwick, Norwich
- Own brand products: further drugs to be added
- Out-of-hours centres development
- Animed Direct: further website improvements
- CVS Insurance

Growth through selective acquisitions

- Acquisition pipeline remains strong
- Large opportunity in small animal sector, large animal and equine sector – in UK & The Netherlands

Finance

- Strong cash flow and healthy balance sheet
- Further investment in core business activities



Appendices



Overview

- UK's largest integrated provider and consolidator of veterinary practices
- Market leader, making CVS the acquirer of choice
- Consistent growth in a more challenging environment
- Complementary businesses to internalise margins and maximise revenues

4,749	employees
1,105	vets
394	Surgeries nationwide
4	Diagnostics laboratories
7	crematoria
1	On-line dispensary

Cash generated from operations

	31 December 2016 £m	31 December 2015 £m	30 June 2016 £m
Profit for the year	6.3	3.4	7.0
Taxation	1.7	0.9	2.1
Total finance costs	1.5	1.1	2.7
Amortisation of intangible assets	7.6	5.7	13.7
Depreciation of property, plant and equipment	2.7	2.3	5.2
(Increase) in inventories	(0.9)	(0.2)	(1.6)
(Increase) / decrease in trade and other receivables	(0.5)	0.7	5.2
Increase / (decrease) in trade and other payables	0.1	3.0	(2.0)
Share option expense	0.8	0.6	1.3
Total cash flows from operating activities	19.3	17.5	33.6

Bank covenants

- The key financial banking covenants are:

Covenant	Ratio required	31 Dec 2016 (unaudited)
Net debt/EBITDA	Must not exceed <ul style="list-style-type: none"> 3.5:1 prior to 31/12/17 3.0:1 after 31/12/2017 	1.7
EBITDA / interest paid	At least 4.5:1	12.9

- Banking covenants are tested on a 12 month rolling basis
- EBITDA adjusted for annualised impact of acquisitions

Adjusted items definitions

- **Adjusted EBITDA** is profit before income tax, net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items.
- **Adjusted profit before income tax** is calculated as profit on ordinary activities before amortisation, taxation, costs relating to business combinations and exceptional items.
- **Adjusted earnings per share** is calculated as adjusted profit before income taxation divided by the weighted average number of ordinary shares in issue in the year.