

Capital Markets Day

08 November 2022



Welcome and Agenda

FORMAL PRESENTATION

Strategy & Ambition 12.00 – 12.20

Investment to Drive Growth 12.20 – 12.50

Pause for Q&A 12.50 – 13.05

Strategic Pillars 13.05 – 13.45

Q&A 13.45 – 14.00

INTERACTIVE SESSIONS

Lunch and interactive demonstrations From 14.00

Practice Tours From 14.30



Richard Fairman, CEO



Ben Jacklin, COO



Robin Alfonso, CFO

We have set out a clear strategy for growth...



Our purpose

To give the best possible care to animals



Our vision

To be the veterinary company people most want to work for

Four strategic pillars...

1. We recommend and provide the best clinical care every time

2. We are a great place to work and have a career

3. We provide great facilities and equipment

4. We take our responsibilities seriously

Organic growth

- High-quality end-to-end care from our integrated business
- Recruitment, retention and development of our highly skilled clinicians



Supported by

- Investment in our practice facilities
- Investment in our clinical equipment
- Investment in technology



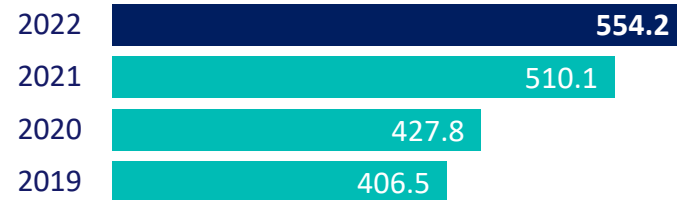
Augmented by inorganic growth

- Investment in acquisitions driving synergies
- Greenfield investment in areas where client demand is currently under-served

This strategy has delivered significant growth over the past three years...

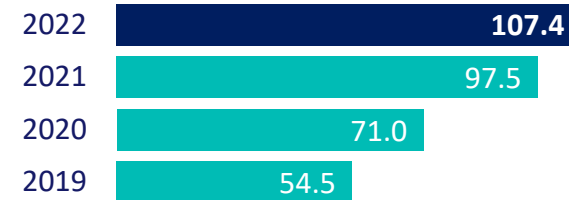
Revenue (£m)

+36%



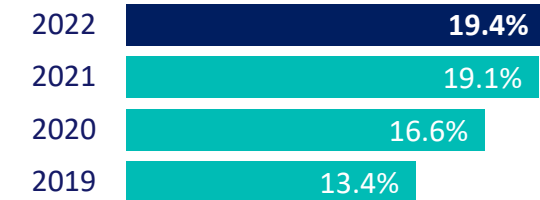
Adjusted EBITDA (£m)

+97%



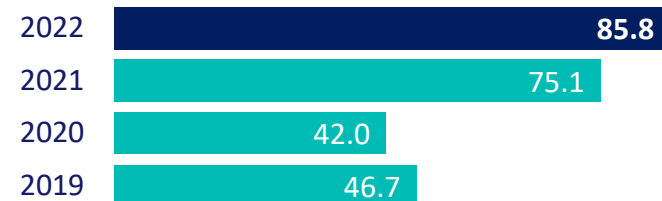
Adjusted EBITDA Margin (%)

+6ppts



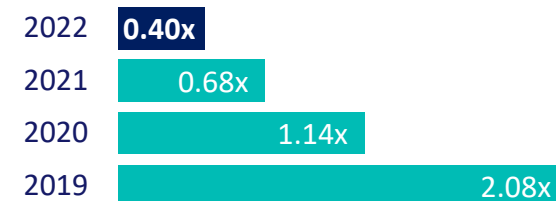
Adjusted EPS (p)

+84%



Leverage

-1.68x reduction



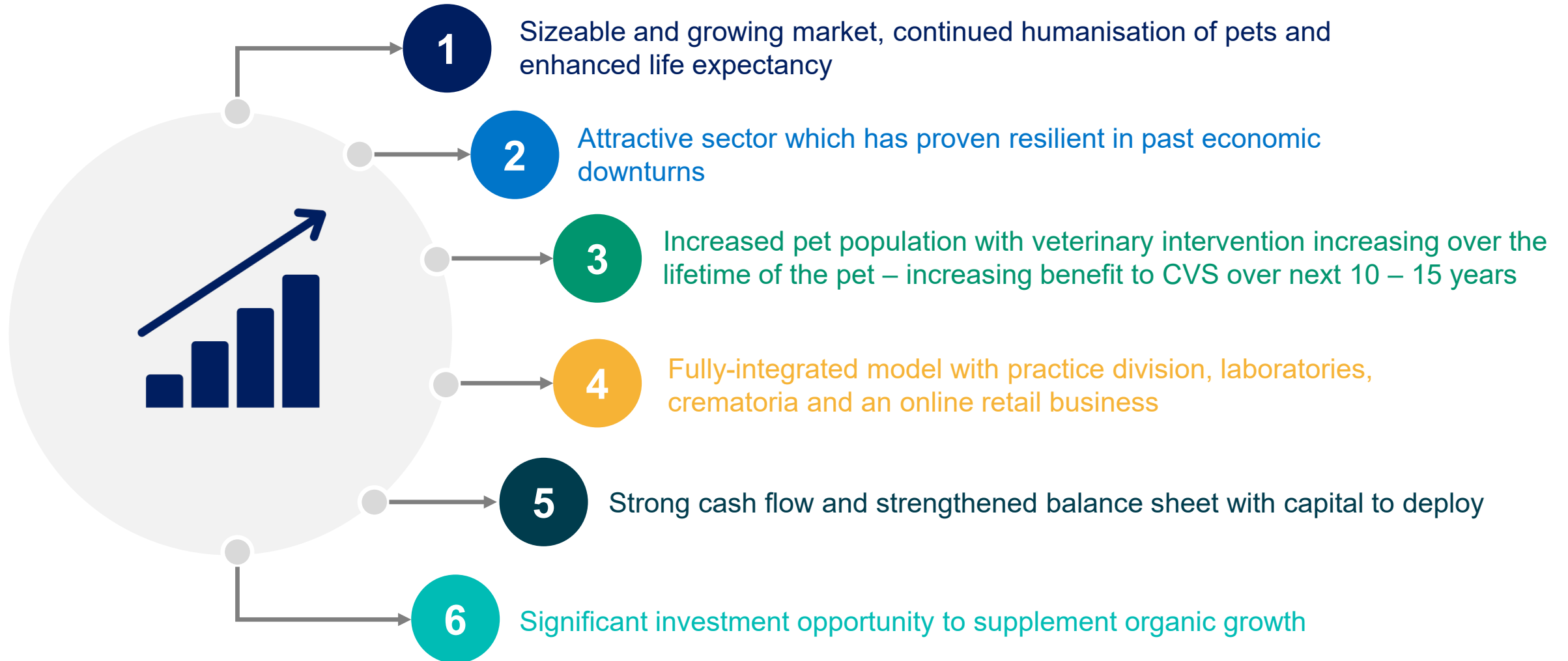
Veterinary surgeons (No.)

+27%



Financial measures are defined on slide 59

Strengthened financial performance, and continued favourable market trends, position us well for future growth...



Our strategy for growth remains as relevant now as it did three years ago...



Organic revenue growth of 4% - 8% per annum



Organic margin expansion – Adjusted EBITDA margins 19% to 23%



Investment to deliver additional organic growth in practice facilities and technology



Acquisitions subject to disciplined criteria for returns and earnings accretion



Organic operating cash conversion of > 70%



Leverage remaining < c.2.0x



Our ambition is to double Adjusted EBITDA over the next five years...

Agenda

1 Investment To Drive Growth

Investment opportunities, capital allocation and margin enhancement



Ben Jacklin
COO

Robin Alfonso
CFO

2 Best Clinical Care

Organic growth through being a great place to work and through best clinical care



Lizzie McLennan-Green
Small Animal
Veterinary Director

3 Advanced Clinical Care

Advanced care through our Peripatetic Advanced Practitioners and Specialist Referrals



Helen Baxter
Referral Director

4 Investment In Our People

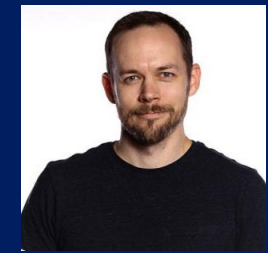
Ability to attract, retain and develop talent



Dr Martin Whiting
Director of Education

5 Taking Our Responsibilities Seriously

Our ESG focus



Graham Dodds
Director of Innovation &
Transformation

There continues to be significant opportunity for organic growth...

Four strategic pillars...

1

We recommend and provide the best clinical care every time

2

We are a great place to work and have a career

3

We provide great facilities and equipment

4

We take our responsibilities seriously

Including but not limited to...



Reduced Attrition



Increase Patient Care Index



Improved Practice Management System



Increase eNPS



Growth in Vet Oracle



Reduce leakage



Increase Nurse Utilisation



Increase NPS



Increase Food sales



Increase Vets Employed



Increase Healthy Pet Club



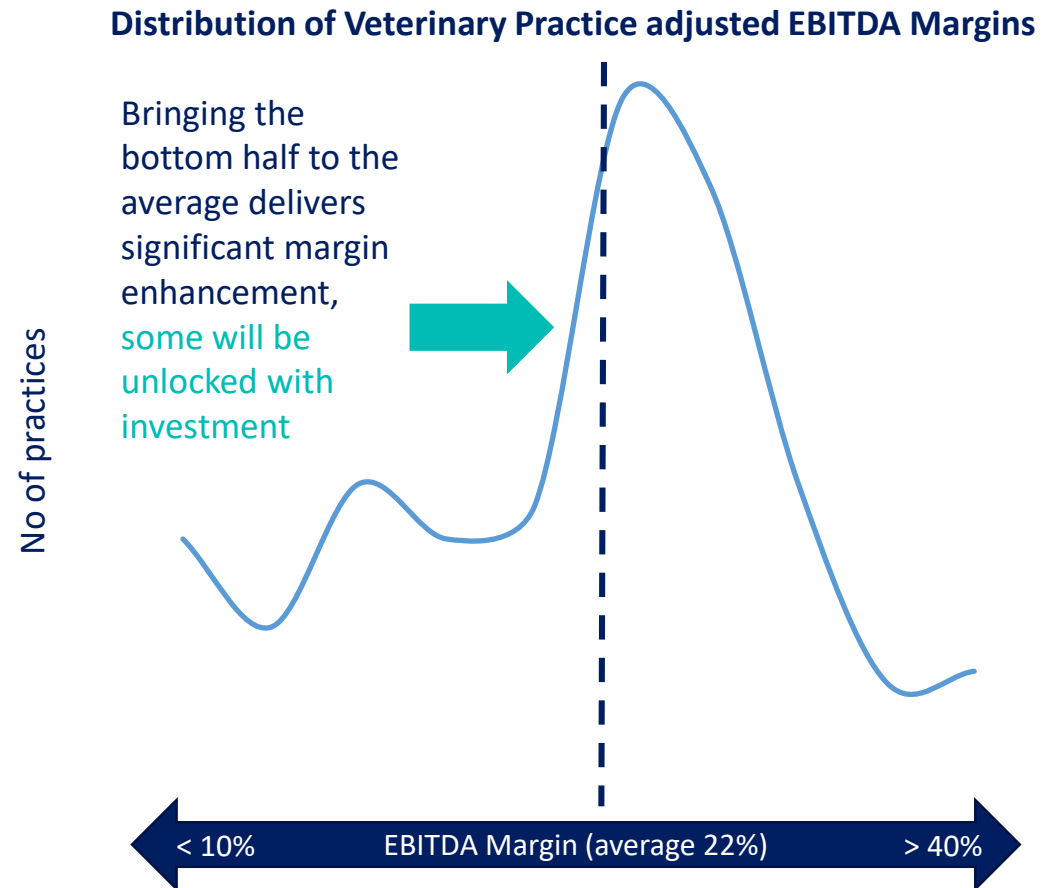
Increase Nurses Employed



Sustainable pricing

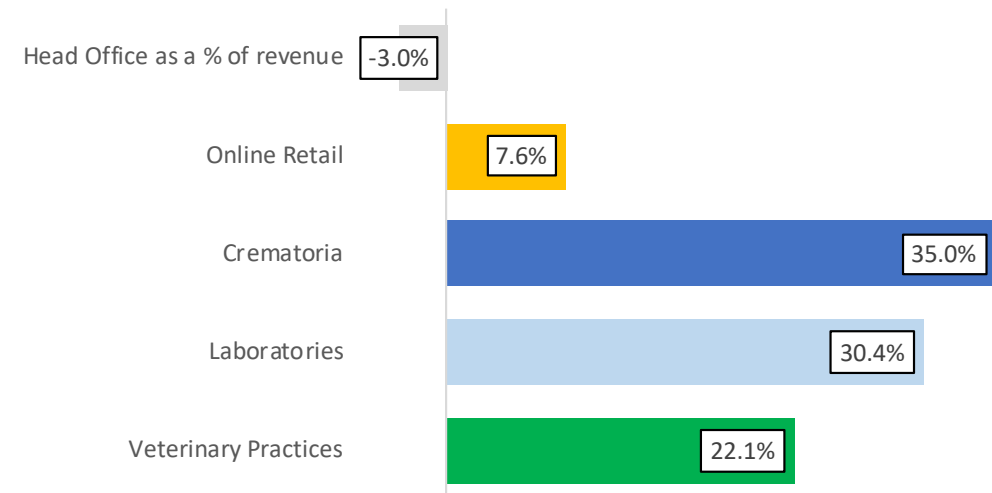
...and an opportunity to enhance underlying margins

There is an opportunity to improve Group margins by focusing on the bottom practices....



....this is subject to mix e.g. growth in food sales or online retail at low margins

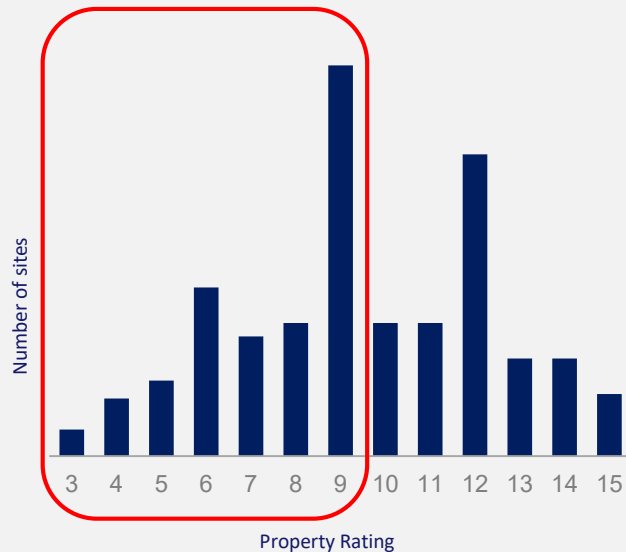
Divisional adjusted EBITDA Margins FY22



Our ambition is to deliver adjusted EBITDA margins of 19% to 23%

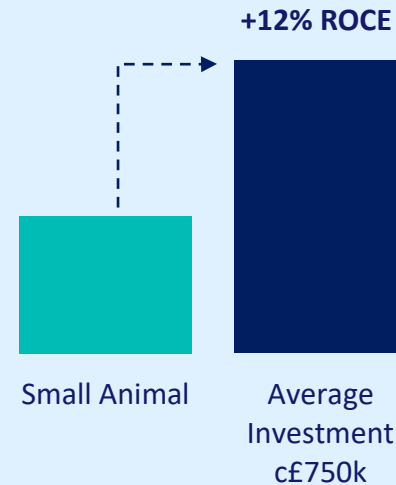
We have an opportunity to invest and improve returns in approximately half of our sites

We have a range of property quality across the Group....



....and an opportunity to invest in approximately half our sites

Of those refurbishments and relocations completed in 2021 calendar year....



....we have seen adjusted EBITDA % growth over and above the base

+c.12%

ROCE

e.g. for every £10m invested adjusted EBITDA improves by +£1.2m

+c.10%

IRR

There is potential for investment capex of between £30m to £50m per annum

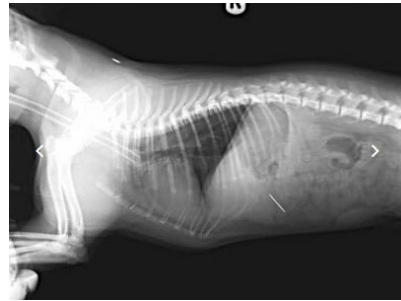
We have an opportunity to invest in facilities and equipment: Spotlight on Springfield Veterinary Group



2013
Refurbishment

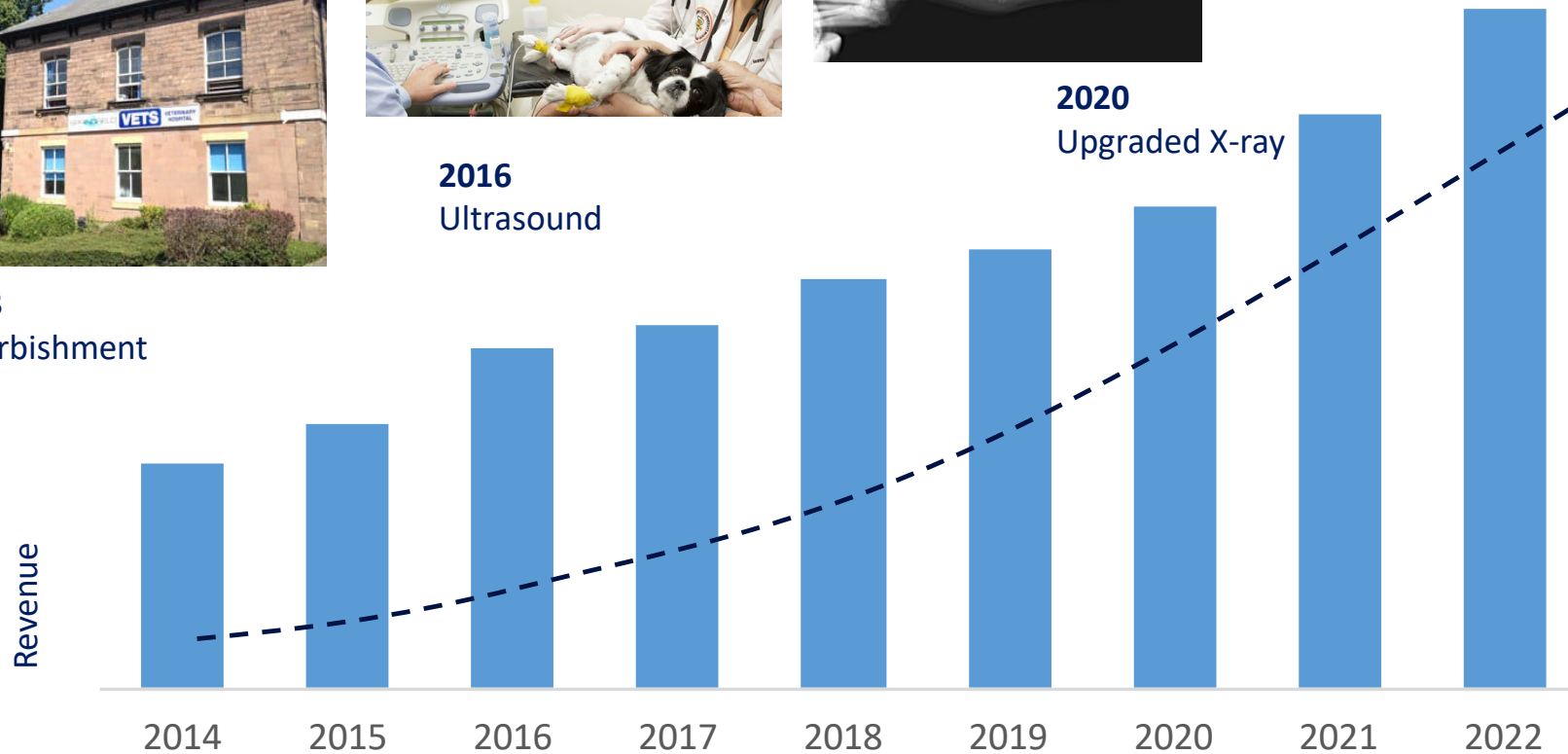


2016
Ultrasound



2020
Upgraded X-ray

2021
Extension /
CT scanner /
Dental suite



CAGR of revenue at Springfield was 15%, **outperforming** the rest of the Group over this period

Adjusted EBITDA has grown from <£200k to c.£1m

Key to delivering this growth is not only the capital investment but also the fantastic team of people under CD William Taylor's leadership

New sites / relocations opening soon

Bristol Vet Specialists 2023



Dovecote 2024



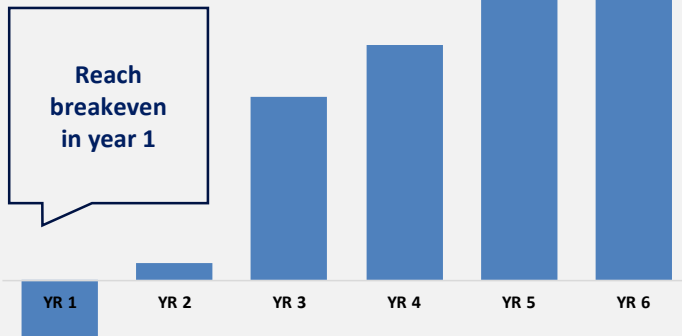
Greenfield Opportunity with a Proven Track Record

Case study Bracknell



- Small Animal First Opinion
- Opened 2017
- Future investment expected to be c.£1m on average

Adjusted EBITDA



+c.18%

**ROCE
Year 5**

e.g. for every £10m invested adjusted EBITDA improves by +£1.8m

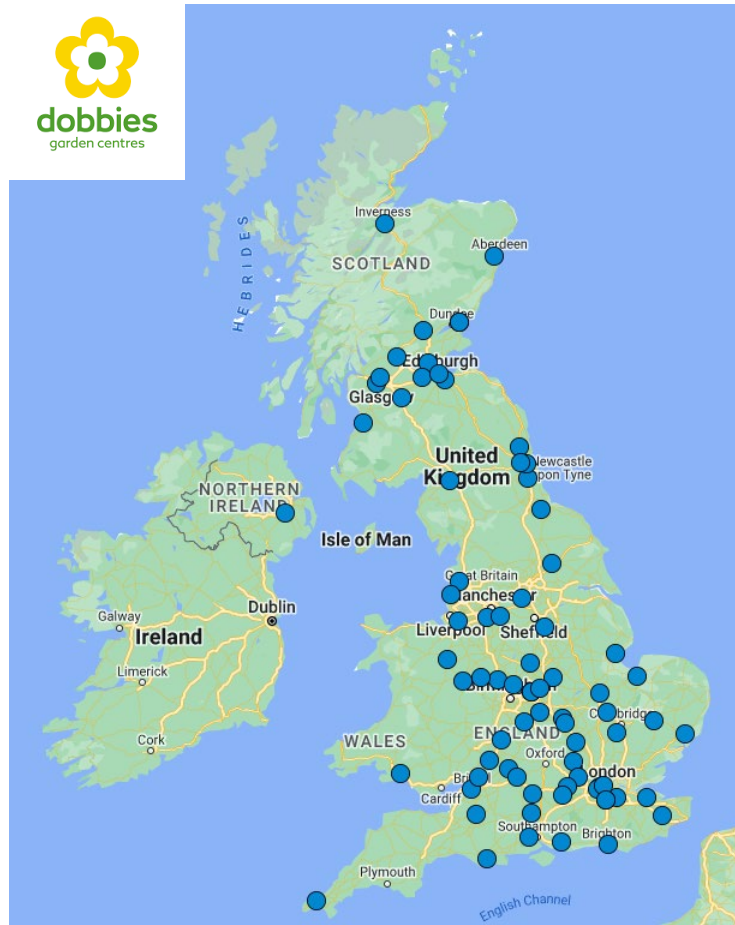
+c.10%

IRR



We plan to open 3 Greenfield sites in the next 12 months with the opportunity to open many more

Our strategic partnership with Dobbies will help to accelerate investment



- Opportunities to co-locate our practices such as our partnership with Dobbies garden centres
- There are 74 Dobbies sites across the UK
- High percentage of pet owners amongst garden centre users
- First site opened in Chesterfield – August 22
- A further 4 sites at Dobbies garden centres to open over the next 12 months
- Potential to expand network across further sites

Investment in our practice management system will unlock growth



Improved client service
through online appointment
booking and opportunity for a
dedicated client app



Improved usability for colleagues
through convenient remote access
and integration opportunities for
diaries and rotas, with digital
workflow and case management



Improved data
with immediate reporting capabilities
and more reportable data points



Improved infrastructure
utilising cloud-based technology

As previously shared, this will unlock:

- Client app
- Online booking
- Food sales
- Improved colleague experience
- Improved client experience
- Improved workflow
- Reduced leakage
- Richness and availability of data, including tracking clinical outcomes

**Full roll out expected to be
completed in FY24**

We will continue to deliver our organic growth strategy...



Focus on providing high-quality clinical care



We have an opportunity to invest and improve returns in approximately half of our sites



We plan to open 3 Greenfield sites in the next 12 months with the opportunity to open many more



Investment in our practice management system will unlock growth



Our ambition is to deliver 4% - 8% organic revenue growth per annum

There is an additional opportunity to augment this with investment capex of c.£30m to £50m per annum

We have a clear runway for UK acquisitions...

CMA review has resulted in a clear roadmap of UK acquisition opportunities and significant whitespace exists with no competition concerns

RCVS registered practices today, continues to grow

5,352

Practices estimated not in corporate ownership

2,408

Practice coming to market assuming
80% consolidation

1,338

A significant majority of which are addressable



For example 100 practices is c.£375m
and year one adjusted EBITDA of
£37.5m

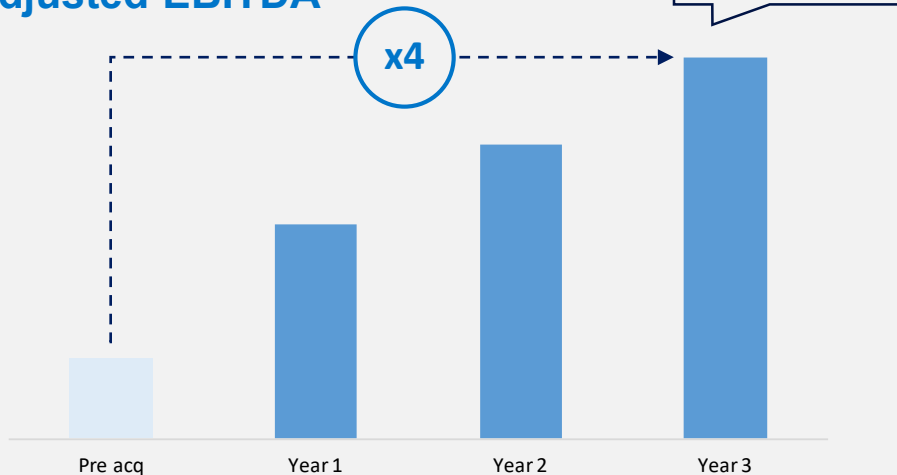
...and a track record of delivering strong returns

Spotlight Newnham Court



- Small Animal First Opinion
- Acquired in FY 2020

Adjusted EBITDA



- Improved revenue from focus on clinical care
- Improved revenue from focus on people
- Improved gross margin from purchasing synergy
- Additional synergies
 - Laboratory
 - Crematoria
 - Referral
 - Out of hours

Indicative targets for UK acquisitions

c.10x

Multiple

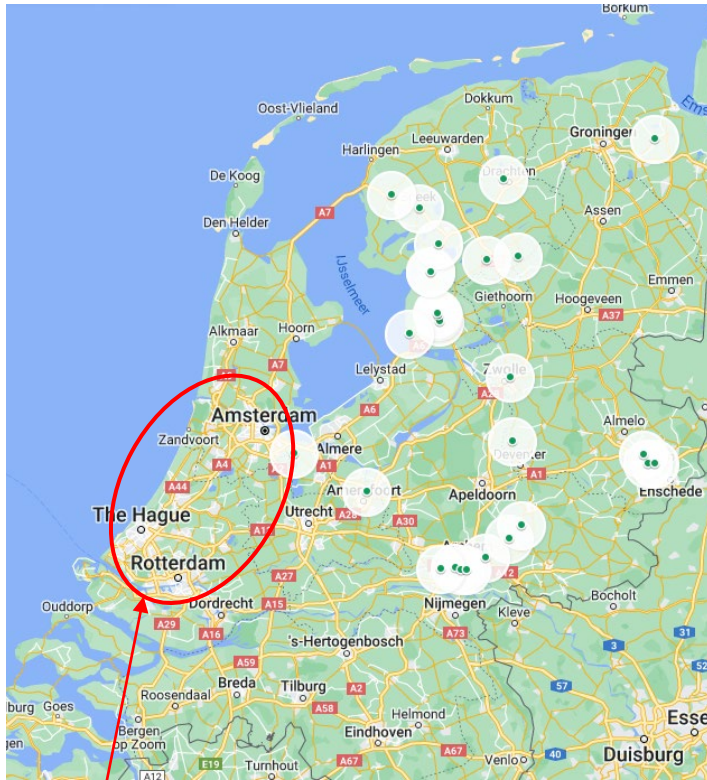
>10%

IRR

+c.10%

ROCE

We have operations in the Netherlands with an opportunity to expand



Major conurbations

Market Size c.€0.9bn

No. of practices 1.2k

Consolidation c.40%

Veterinary labour market Similar to UK

Regulation Moderate

Multiples Moderate

- We acquired our first practice in the Netherlands in 2016, growing to currently 27 practices
- There continues to be an opportunity to add bolt-on strategic acquisitions
- Key major cities where we are not present are an opportunity

Lessons learnt

- New territories should be supported by strong local management team
- Entry preferred via platform acquisition with rapid scale and penetration

We also have the opportunity for further International Expansion



Spain



France



Germany



Example: Australia

Other markets e.g.



Market Size

c.€1.1bn

c.€2.8bn

c.€3.0bn

c.€3.6bn

No. of practices

6k

8k

10k

4k

Consolidation

c.4%

c.5%

c.2%

c.9%

Veterinary labour market

No Shortage

Similar to UK

Similar to UK

Similar to UK

Regulation

Some

Moderate

Moderate

Similar to UK

Multiples

Moderate

Higher for Platform

Moderate

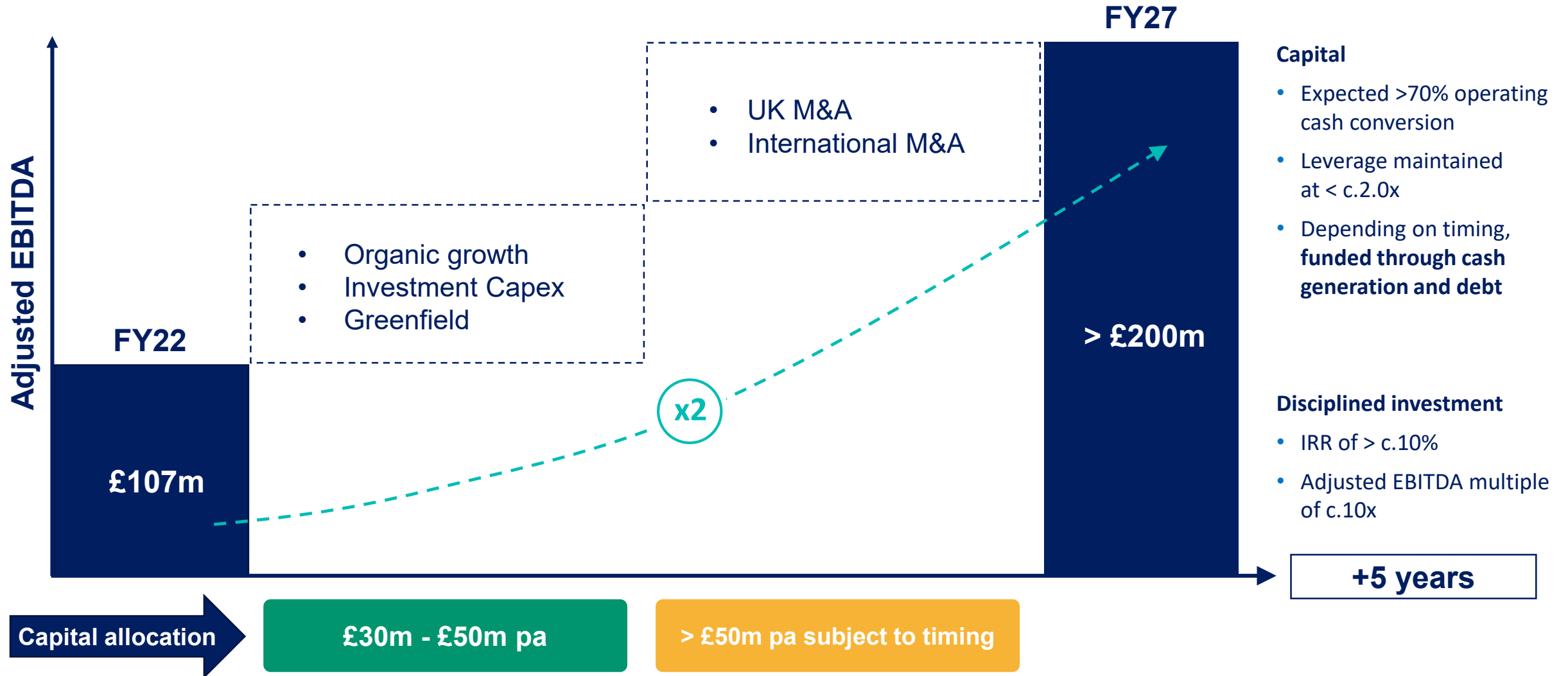
Low

- We are assessing opportunities in Europe and other territories
- We will enter with a model that achieves rapid scale and penetration
- Multiples in Europe have been higher for platforms with expectation that future M&A will be at reduced multiples

Our ambition is to expand into new territories

* Source: Internal estimates


We have a clear strategy for growth with an ambition to double adjusted EBITDA over the next 5 years




Key takeaways

 Organic revenue growth of 4% - 8% per annum

 Organic margin expansion – Adjusted EBITDA margins 19% to 23%

 Investment to deliver additional organic growth in practice facilities and technology

 Acquisitions subject to disciplined criteria for returns and earnings accretion

 Organic operating cash conversion of > 70%

 Leverage remaining < c.2.0x



Our ambition is to double Adjusted EBITDA over the next five years...

Any
Questions?



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2 Best Clinical Care

Organic growth through being a great place to work and through best clinical care



Lizzie Mclennan-Green
Small Animal
Veterinary Director

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4 Investment In Our People

Ability to attract, retain and develop talent

5 Taking Our Responsibilities Seriously

Our ESG focus

I selected CVS after qualifying as a veterinary surgeon...



The Royal (Dick)
School of Veterinary
Medicine.
Summerhall Campus



Graduation –
22nd June 2007

I've had opportunities to develop my career...



Springfield Veterinary
Hospital, Rotherham



Laparoscopic surgery
set up

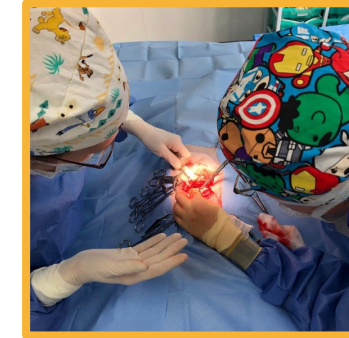


Dental Radiography

...whilst also balancing my family commitments



The Duke of Wellington
Merchant City, Glasgow



One to one surgical
support and training



My other job!

Careers at CVS – the competitive edge

- New graduate program
- Nurse Apprenticeships
- Emergency Critical Care Academy



- Check in culture
- Clinical support resources
- Calibration
- Mentoring
- Learning, Education and Development

- Psychological safety
- Flexible working
- Dedicated Out-of-hours

- First opinion
- Specialist
- Leadership
- Wider Industry

CVS offers a varied career with the opportunity for highly diverse progression which sets it apart from other corporate groups, enabling a modern era career for life.



Patient Care Index (PCI) and Organic Growth

Patient care index is a measure of the quality of care we are giving our patients in our small animal first opinion sites



PCI correlates strongly with ATV



Increased domestic pet population in the UK



A growing aged pet population with increased clinical care requirements



Recommendation culture



Continuous Clinical Quality Improvement

Fig. 1 Patient Care Index v ATV (Small Animal GBR) *

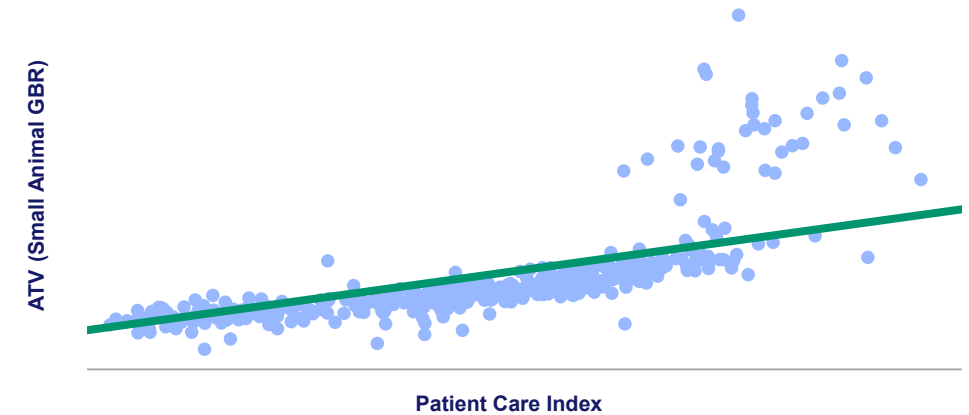
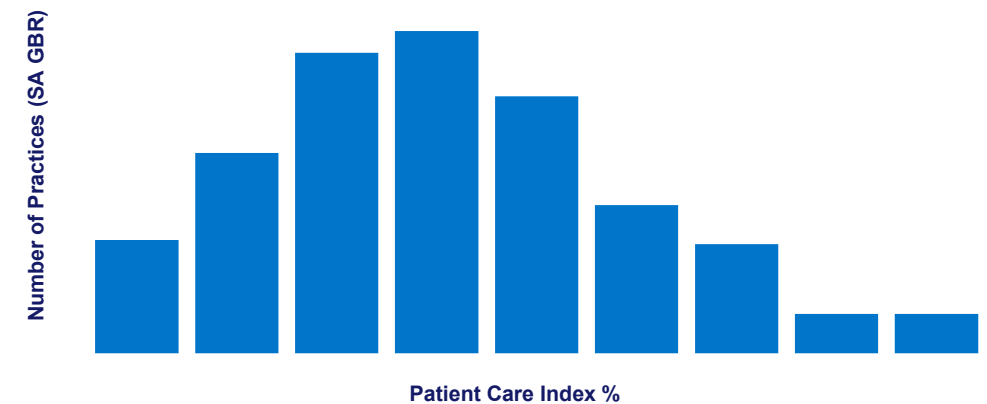


Fig. 2 Patient Care Index *



* From December 2021 interim results presentation

PCI Growth

Case study – Champion Vet

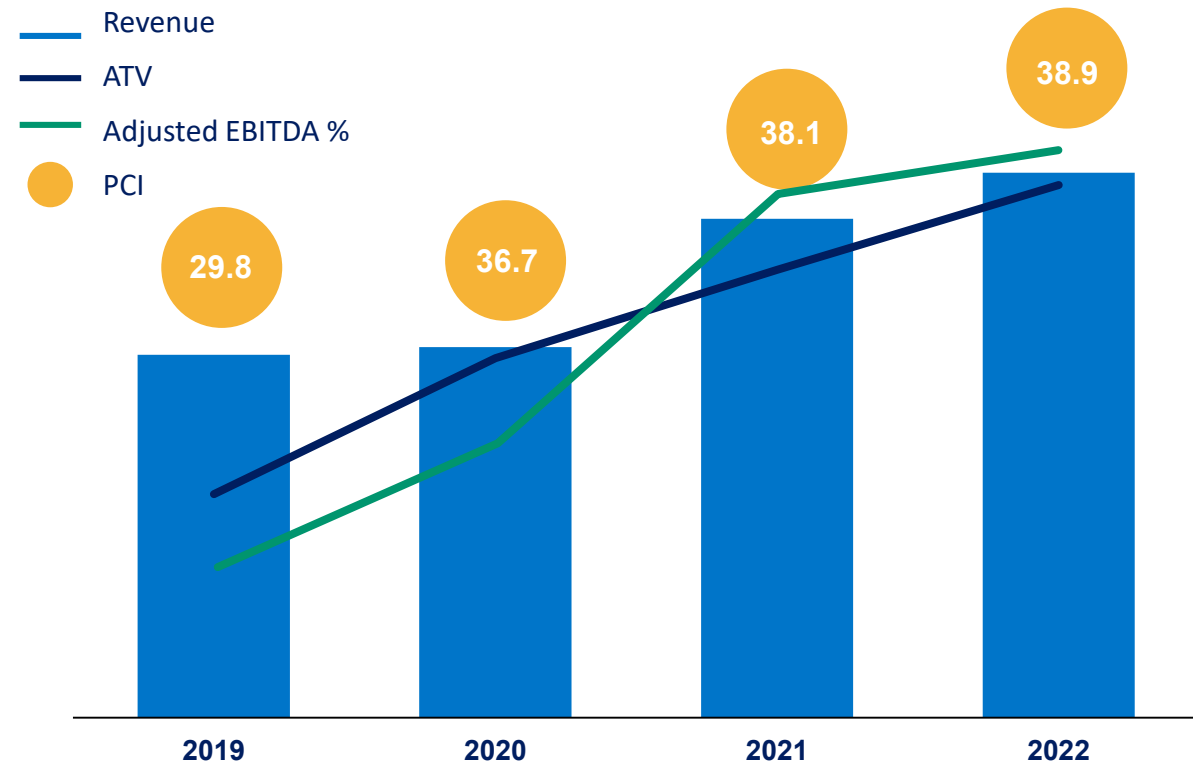


Revenue £1.6m → £2.4m

PCI 29.8% → 38.9%

Adjusted EBITDA 10.7% → 32.3%

Improved Employee NPS



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Helen Baxter
Referral Director

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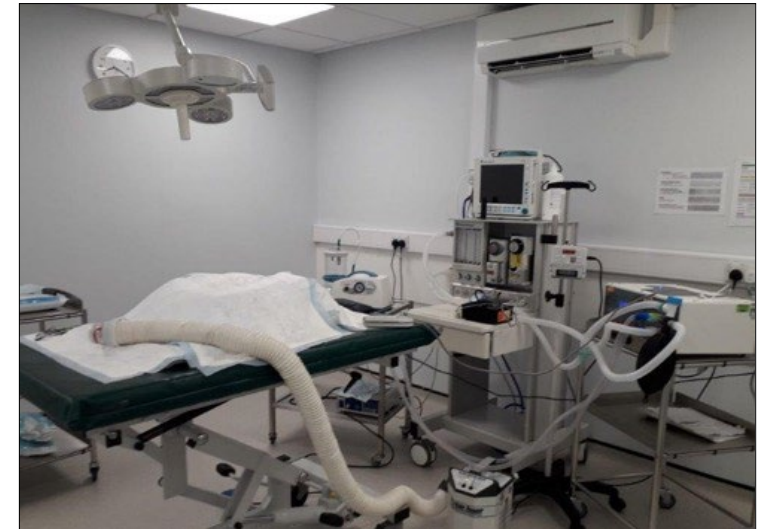
5 Taking Our Responsibilities Seriously

Our ESG focus

Delivering great Clinical Care

Case Study - Petmedics

- Adjusted EBITDA margin of 26.8%
- Colleague Attrition decreased
- Net Promoter Score increased
- Employee Net Promoter Score increased

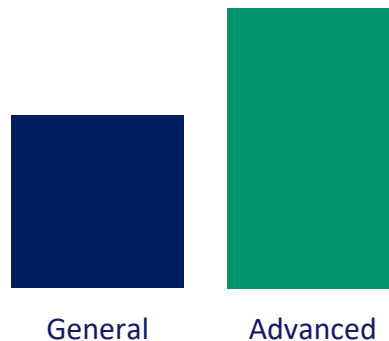


How our Advanced Clinical Service Network (ACSN) can support Patient Care Index (PCI)

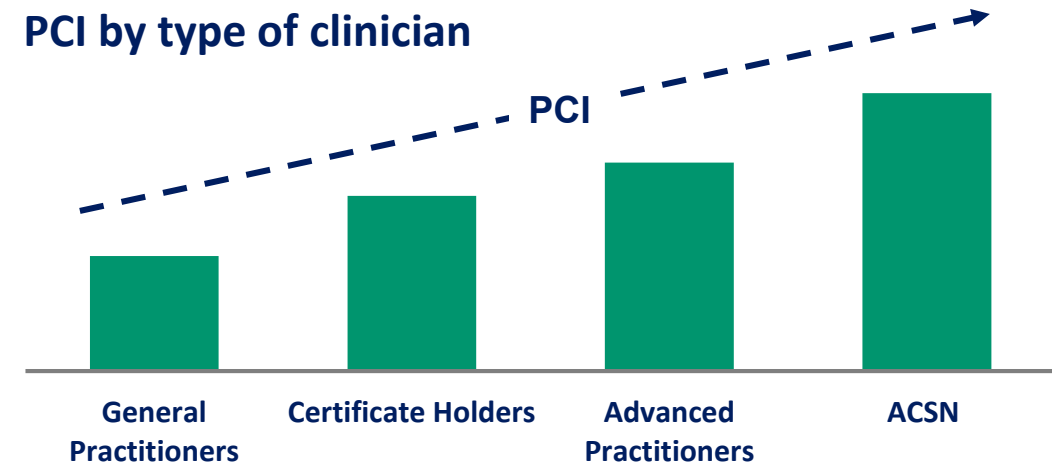
Advanced Practitioners (AP) vs General Practitioners (GP)



Advanced Practitioners generate circa. 60% more revenue than General Practitioners



PCI by type of clinician

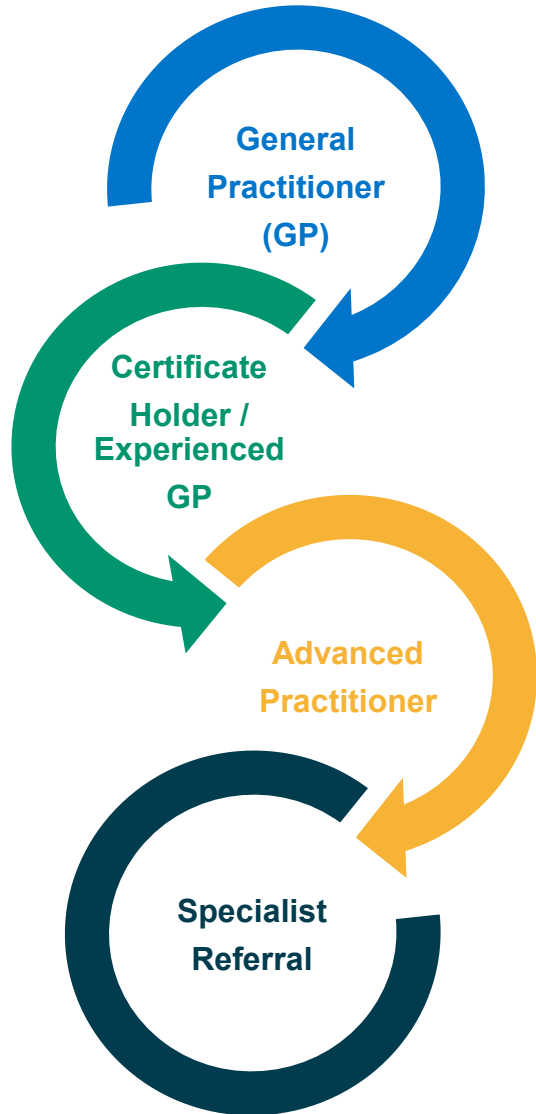


We have supported PCI by expanding our ACSN network:

- To offer a unique clinical career pathway for vets and nurses, being advocates of excellent patient care
- Doubled the size our peripatetic team
- Recruited our first RVN into the team
- Hybrid roles offering true flexibility



Local practices benefit from our ACSN



Our purpose

To give the best possible care to animals



Our vision

To be the veterinary company people most want to work for

- Inspiring and supporting less experienced vets through great clinical care
- Local service offering flexibility and convenience for clients
- Utilisation and promoting existing skill sets
- Training and development need to reach potential
- Increasing clinical knowledge
- Improving our patient care and outcomes
- Drives PCI



VetOracle supports our clinicians in providing great Clinical Care

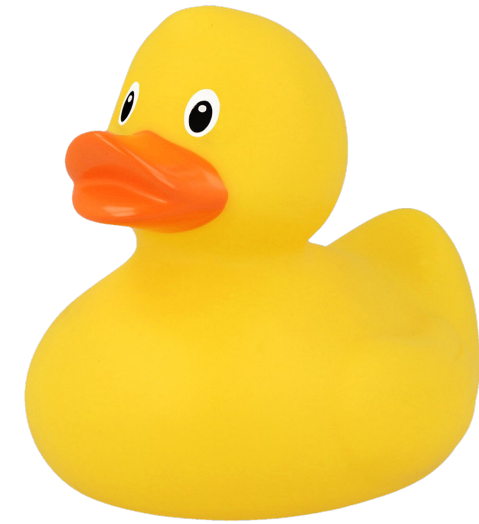
VetOracle is a unique, bespoke service that provides fast, high-quality, clinically-orientated general imaging and neuroimaging reports to support our colleagues in practice



Key features

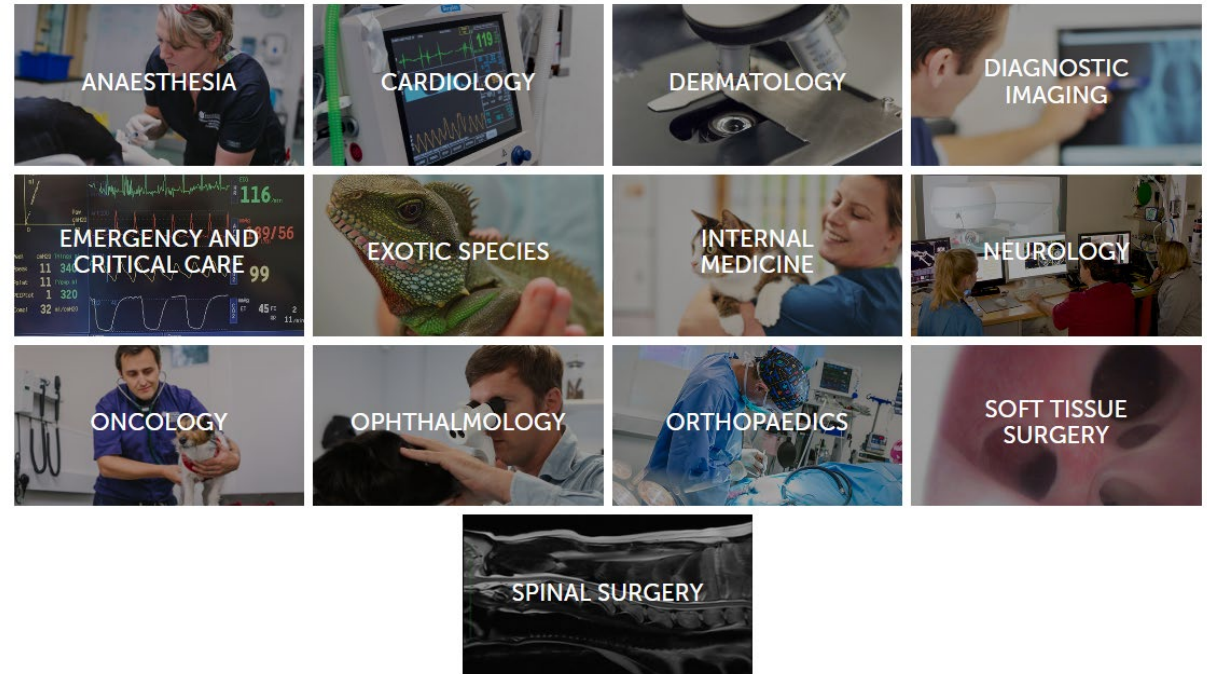
- Global outreach
- Specialist advice at the touch of your finger tips
- Quick turnaround with a personal service
- Image quality advice
- Continued clinical development
- Practical virtual assistance
- Increased PCI achieved as a direct result of interaction between practices and VetOracle
- Best patient care in our practices
- Further scope for development

There is always something new to learn...



Specialist Referrals

- We have 8 small animal referral centres across the UK
- We continue to invest in our specialist-led flagship hospitals
- Cutting-edge clinical advances
- Training the specialists of the future
- Continuous research and development
- Completing that internalised referral route



New sites / relocations opening soon

- Bristol Vet Specialists 2023
- Dovecote 2024



Summary



Our purpose

is to give the best possible care to animals



Our vision

is to be the veterinary company people most want to work for

1

We recommend and provide the best clinical care every time

2

We are a great place to work and have a career

3

We provide great facilities and equipment

4

We take our responsibilities seriously



Unique career pathway



Industry leaders in promoting our Advanced Clinical Services



Improved quality of patient care

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Our ESG focus



Dr Martin Whiting
Director of Education

Development is central to being a great place to work



We deliver industry leading clinical training



We offer the best learning, education and development in the profession



We have the best leaders in our business



We engage with the profession and support its interest



We have great clinical training facilities and an online education platform



Our focus is on leadership, coaching and client care

- Leadership Academy include CMI accredited Level 7 qualification
- Tailored internal coaching and mentoring in conjunction with Insights Discovery
- Available to all roles: including Level 2 & 4 Client Care for front of house teams
- Highly attractive to our VetShare partners



We have strong links across all universities

- We deliver formal training at 5 of the 8 established veterinary universities
- We host over 6,000 student placements each year
- Sponsor student activities and graduation



We have a market leading graduate programme



10th year



Residential &
remote training



Pastoral support
vets for our
mentors



Small cohorts
for team
building



Industry leading Veterinary Nurse training...

- 1** Nurse utilisation in consultation or in surgical procedures
- 2** Brings greater reward to the role
- 3** Generation of unique knowledge to lead the profession
- 4** 5 Advanced Diplomas in Vet Nursing



...and we are growing our nurses future



Ranked top 7 School in England

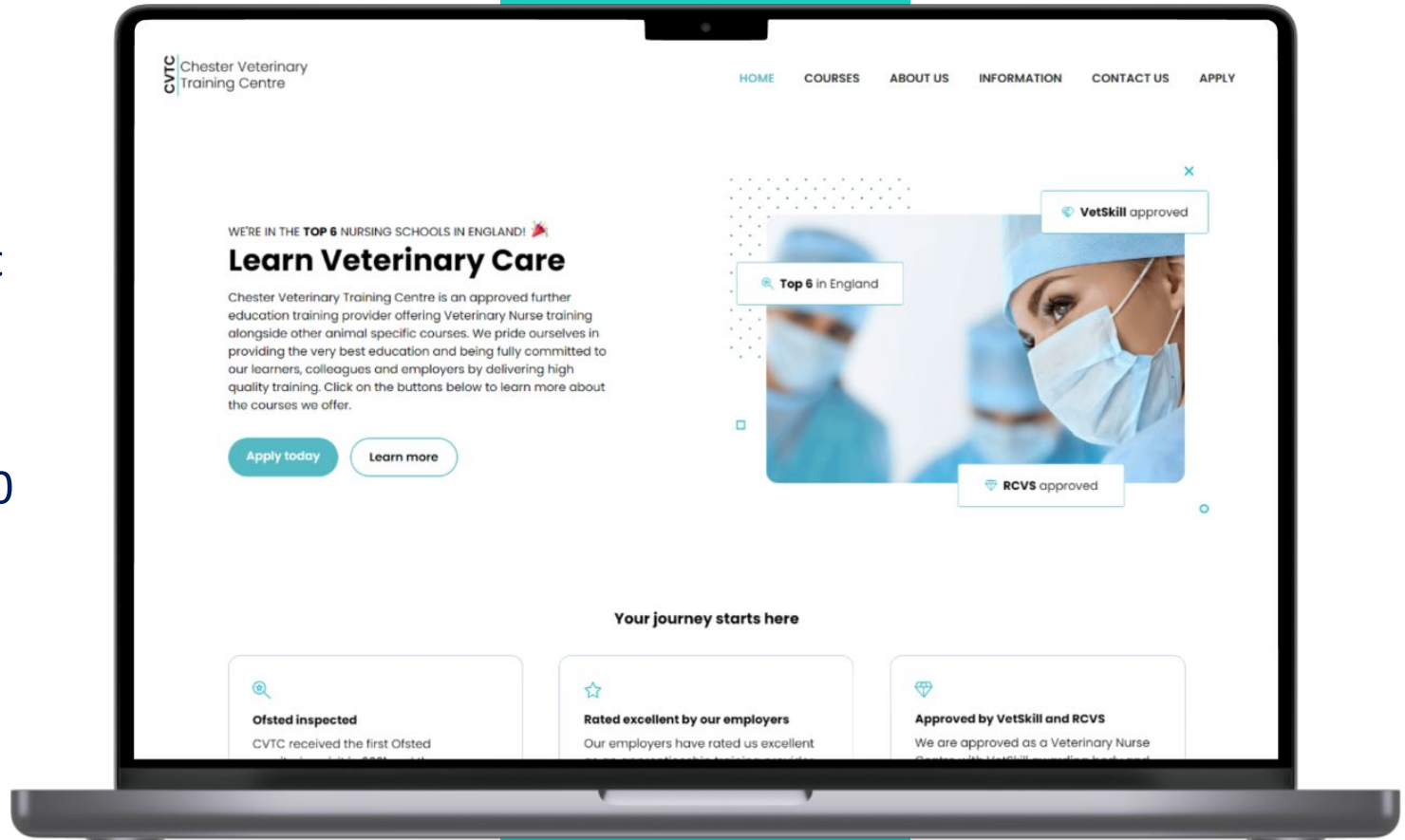


Unique online level 2 for patient care assistants



Over 300 alumni, growing to 100 students a year

CVTC | Chester Veterinary Training Centre



We have an outstanding apprenticeship programme

- 1** 20 different apprentice types including MSc Laboratory Science
- 2** Sequential apprenticeships funded through Levy
- 3** 1,000 staff started apprenticeships since 2017
- 4** Mini-CVS school outreach



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Graham Dodds
Director of Innovation & Transformation

Our ESG Strategy – Care at our Heart

Sustainability and ESG is embedded within CVS and is at the heart of our strategy, culture and values.



Our purpose is to give the best possible care to animals



Our vision is to be the veterinary company people most want to work for

Our ESG Strategy – Materiality Assessment

The key areas identified by our materiality assessment determined the UN Sustainable Development Goals we are focused on.



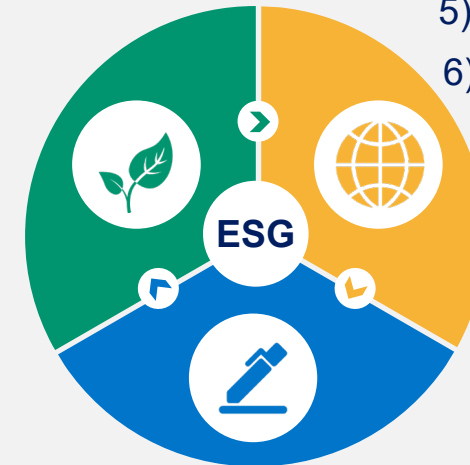
Focused on largest areas of impact

Environment

- 1) Energy and Carbon
- 2) Waste
- 3) "One Health"

Social

- 4) Wellbeing
- 5) People Development
- 6) Equity, Diversity and Inclusion (EDI)
- 7) Community

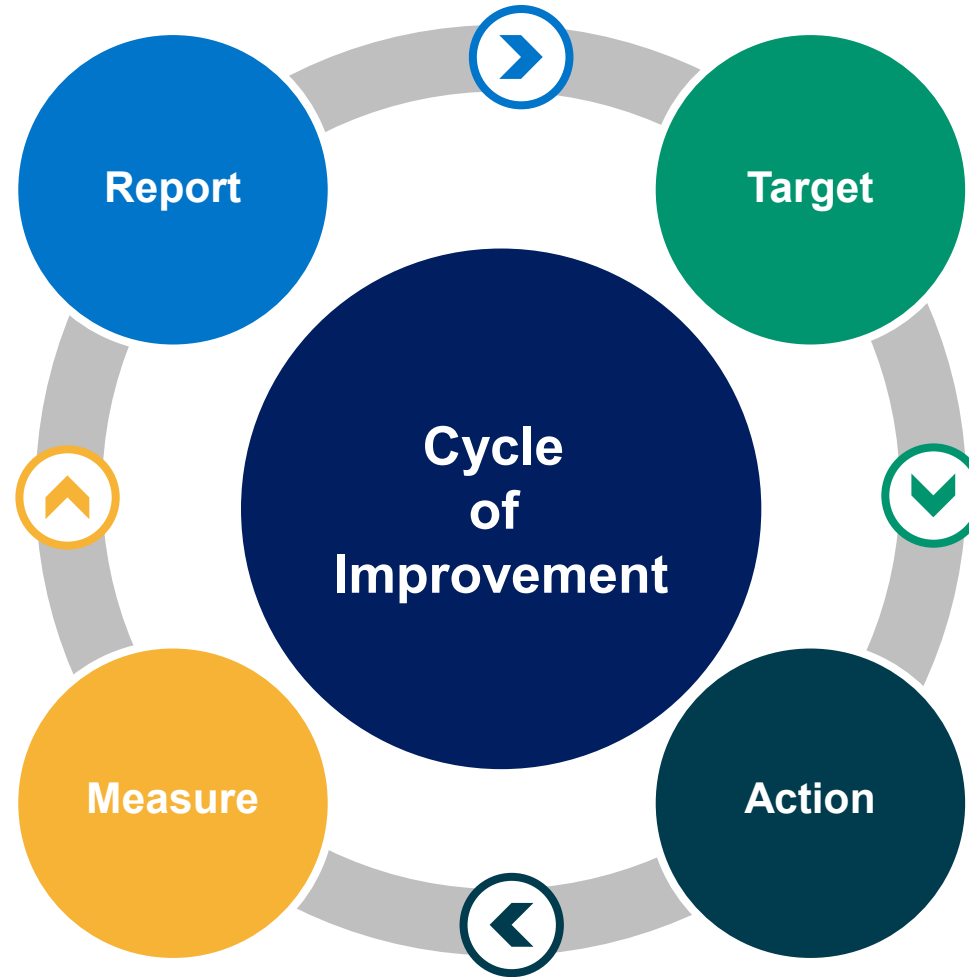


Governance

Financial resilience
Compliance with Full UK Corporate Governance Code

Our ESG Strategy – Cycle of Improvement

- Annual ESG Report
- Regular updates on progress to internal and external stakeholders
- Provide current status and form basis for target setting



- Quantitative where possible
- Standardised where achievable (e.g. SECR)
- KPIs linked to Executive Directors' Remuneration

- SMART goals
- Engage teams and achieve results
- Aligned to UN SDGs
- Short and long term goals
- Ownership at Board Level
- Senior Leadership Group (SLG) led working groups in each key area
- Responsible for setting targets, coordinating actions and reporting success
- Involving colleagues across the business



Case Study - Waste

Reduce:

Partner with Wholesaler to reduce and return packaging in deliveries



Reuse:

Trialling reusable sharps bins in clinical setting



Recycle:

Dry matter, batteries and printer cartridges schemes now in place



Our Standalone Sustainability report



- In August 2022, we published our first annual Sustainability Report, including reporting sustainability data under the Sustainability Accounting Standards Board (SASB) standards
- We were the first veterinary group to publish a stand alone Quality Improvement Report
- We have introduced non-financial sustainability targets for Executive bonuses, with each target worth 4% of their bonus target (20% in total)



Our FY 2023 ESG targets

5%

reduction in gross tonnage of clinical waste incinerated or sent to landfill

5%

improvement in client Net Promoter Score

10%

reduction in colleague attrition

1pp

increase in Patient Care Index (our measure of clinical care)

50%

improvement in employee Net Promoter Score

Summary





Key takeaways

Clear strategy and well positioned for further growth

 Organic revenue growth of 4% - 8% per annum

 Organic margin expansion – Adjusted EBITDA margins 19% to 23%

 Investment to deliver additional organic growth in practice facilities and technology

 Acquisitions subject to disciplined criteria for returns and earnings accretion

 Organic operating cash conversion of > 70%

 Leverage remaining < c.2.0x



Our ambition is to double Adjusted EBITDA over the next five years...

Any
Questions?



Thank You

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 2021, revenue is included from September 2022 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 profit before tax is calculated as profit on ordinary activities before taxation, amortisation, costs relating to business combinations and exceptional items.

Adjusted earnings per share is calculated as adjusted profit before taxation less an appropriate tax charge to derive adjusted profit after tax 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 business combinations and excluding share option costs, prior to the adoption of IFRS 16.

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

ROCE (“Return on Capital Employed”) is adjusted EBITDA over investment capital

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