



Group Plc
Your pets, our priority

CVS Group plc
Annual results
for the year ended 30 June 2015

Simon Innes – Chief Executive Officer
Nick Perrin – Finance Director



Agenda

- Highlights
- Strategy
- Business review
 - Practices
 - Laboratories
 - Animed Direct
 - Crematoria
 - MiVetClub
- Financial review
- Appendices



Highlights

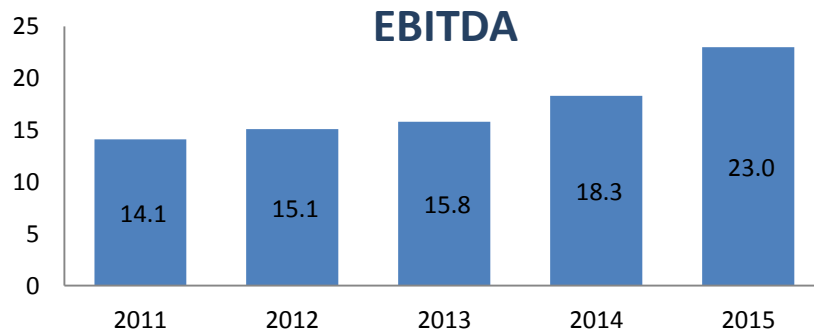
	Year ended 30 June 2015	Year ended 30 June 2014	Increase %
Revenue (£m)	167.3	142.9	17.0
Adjusted EBITDA (£m)	23.0	18.3	25.9
Adjusted profit before income tax (£m)	18.2	14.3	28.6
Adjusted earnings per share (pence)	24.7	19.0	30.0
Operating profit (£m)	9.8	7.5	29.8
Profit before income tax (£m)	8.5	6.3	34.8
Basic earnings per share (pence)	11.6	8.3	39.8
Proposed dividend (pence)	3.0	2.5	20.0

See appendix for definition of 'adjusted' items

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

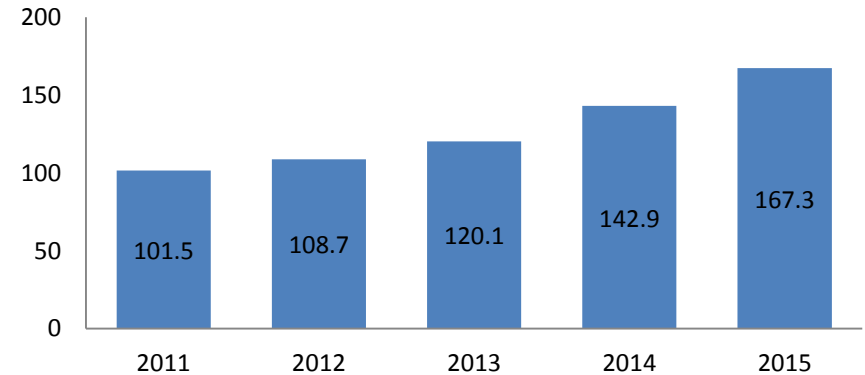
Highlights

Revenue Growth up 17.0% to £167.3m
Like-for-like sales +6.8%

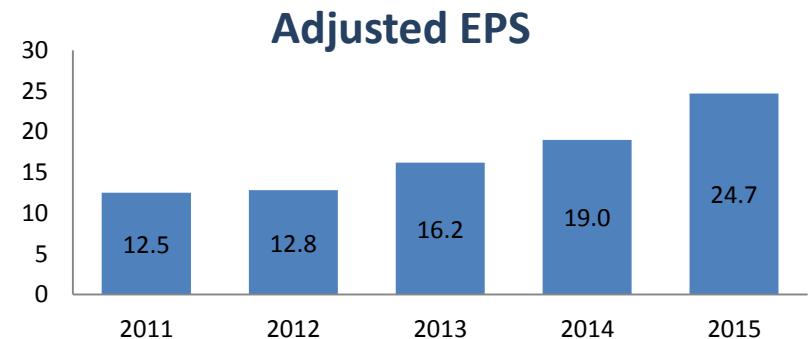


Adjusted earnings per share up 30.0% to 24.7p

Sales

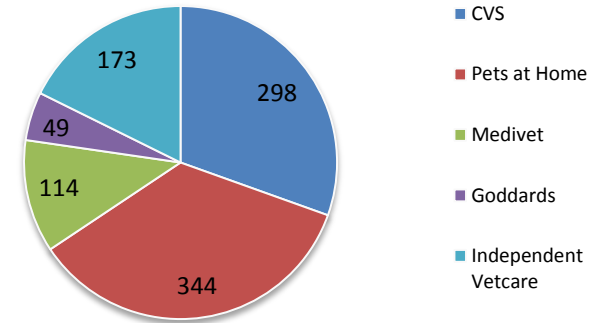


Adjusted EBITDA up 25.9% to £23.0m

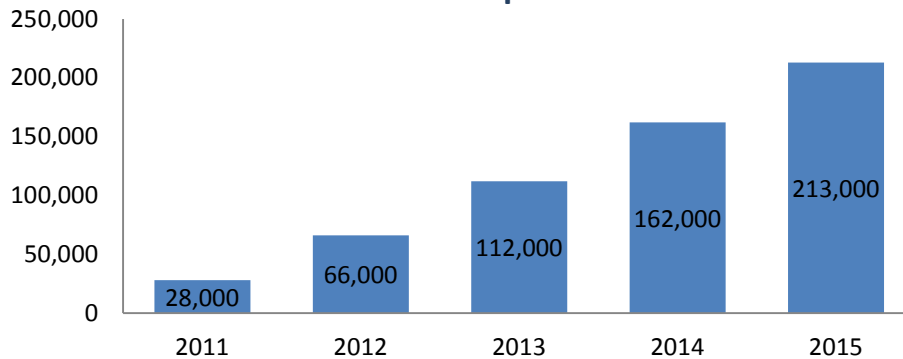


Highlights

CVS owns 298 surgeries and is the largest provider of veterinary services to Pet owners in the UK

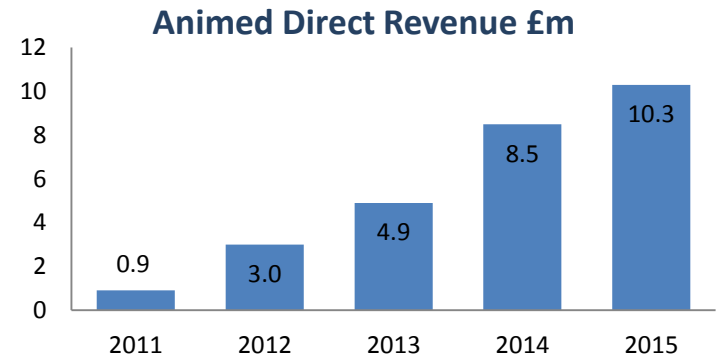


HPC Membership numbers



Healthy Pet Club members up over 31.5% to 213,000

Animed Direct revenue up 21.0% to £10.3m



Strategy

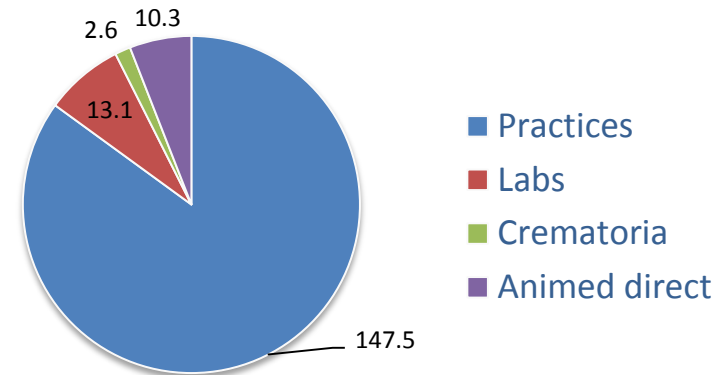
Our vision	Our strategy	Outcome
<p>To continue to be the largest & best provider of veterinary services to pet owners in the UK whilst providing a growing return to our shareholders</p>	<p>Meeting all our customers' needs</p>	<p>Growing the return to shareholders</p>
	<p>High quality clinical care and excellent customer service</p>	
	<p>Providing services to other veterinary practices</p>	
	<p>Expanding our business through acquisitions</p>	

Business review - Results by division

Turnover by business area £m

Four main business areas

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



% of Turnover per Business Area

	Practices	Laboratories	Crematoria	Animed Direct
2015	85.0%	7.6%	1.5%	5.9%
2014	85.9%	7.2%	1.1%	5.8%
2013	87.8%	7.4%	0.8%	4.0%

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

Results by division

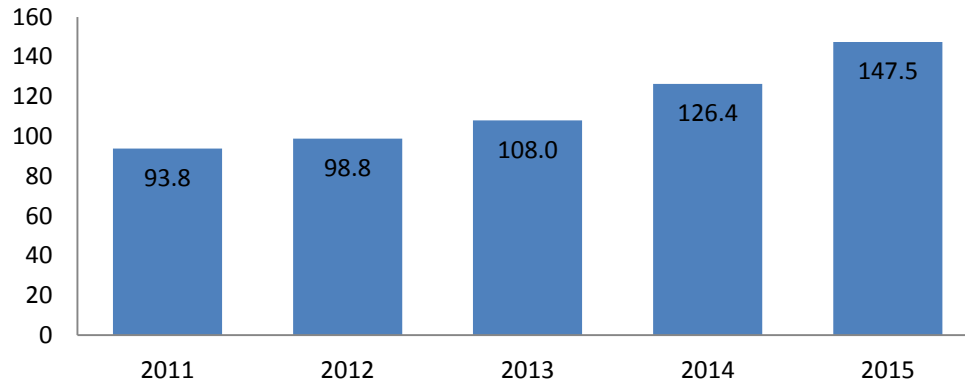
Year ended 30 June 2015	Practices	Laboratories	Crematoria	Animed Direct	Head Office	Group
Revenue (£m)	147.5	13.1	2.6	10.3	(6.2)	167.3
EBITDA (£m)	25.3	2.2	0.8	0.5	(5.8)	23.0
Gross Margin after materials %	83.8	80.6	79.3	17.9	-	82.7
EBITDA %	17.1	17.0	29.6	4.8	-	13.8

Year ended 30 June 2014	Practices	Laboratories	Crematoria	Animed Direct	Head Office	Group
Revenue (£m)	126.4	10.6	1.6	8.5	(4.2)	142.9
EBITDA (£m)	21.9	1.1	0.4	0.3	(5.4)	18.3
Gross Margin after materials %	84.6	75.2	80.1	16.4	-	82.9
EBITDA %	17.4	10.5	24.0	3.6	-	12.8

A number of costs relating to the Veterinary Practice and Crematoria divisions were previously charged in central administration. These are now charged in the appropriate division and figures for comparative periods have been restated. Please refer to the appendix for costs allocated on the previous basis.

Business review - Veterinary practices

5 Year revenue £m

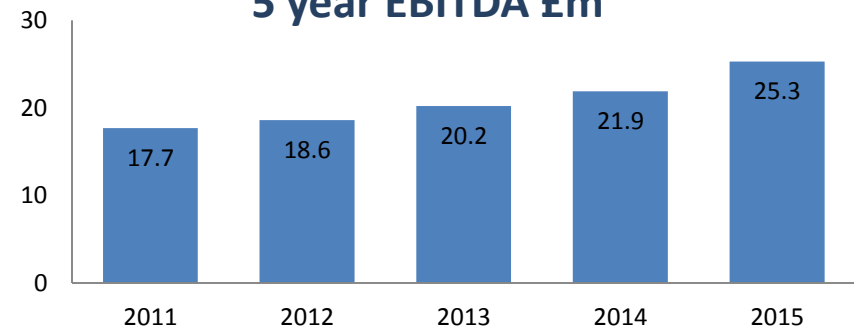


Practice revenue split

	2015 £m	2014 £m
Like-for-like revenue	126.5	119.9
2014 acquisitions	13.3	6.5
2015 acquisitions	7.7	-
Total revenue	147.5	126.4

Like-for-like sales 5.6%

5 year EBITDA £m



Business review – Veterinary practices

298 surgeries across the UK

During the year	Location	Business
Highcliffe Veterinary Practice	Ipswich	Small Animal
West End Veterinary Group	Edinburgh	Small Animal
Anrich Vets	Huddersfield	Small Animal
Batchelor, Davidson & Watson Ltd	Edinburgh	Small Animal
Westmoor Veterinary Hospital	Tavistock	Small Animal
Alysham Vets	Acle	Small Animal
Townsend Veterinary Practice	Rubery, Bromsgrove and Droitwich	Small Animal
Woodlands Veterinary Group	Plymouth	Small Animal
Yourvets	Birmingham, Coventry and Essex	Small Animal
Knox and Devlin	Whaley Bridge	Small Animal
A Crooks & Partners	Rotherham & Hackenthorpe	Small Animal
Petheron Veterinary Clinics	Barry and Cardiff	Small Animal
Marlborough Road Veterinary Centre	Cardiff	Small Animal

29 Surgeries acquired in the year

8 Surgeries acquired after the year end

After the year end	Location	Business
Dovecote Veterinary Hospital	Castle Donington	Referral Centre
Rosemullion Veterinary Practice	Helston, Penryn and Falmouth	Small Animal
Torbridge Veterinary Group	Bideford, South Molton and Torrington	Small Animal

Business review – Veterinary practices

Referrals

- 17 diploma holders now at CVS with a wide range of specialisms
- Lumbry Park in Alton, will be opening in October 2015 as our major multi-disciplinary referral centre
- Additional referral centre acquired in Castle Donington after the year end
- Large Equipment purchases
 - Lumbry Park MRI & CT scanner
 - Beechwood CT scanner
 - Chestergates MRI & CT scanner in 2016

Business review – veterinary practices

Own Brand

- High quality products
- Distributed via Animed Direct
- Three high volume products now launched including our own brand flea and worming treatments
- Lower prices and better margins
- Own brand pet food roll out to begin in October 2015
- Waiting room retail now in 133 practices with rollout to our other practices continuing into the new year



Out-of-hours

- We now have a number of established dedicated emergency out-of-hours centres
- More planned to be established in areas of CVS practice consolidation

Business review – veterinary practices

Healthy Pet Club

- Over 31.5% increase in membership to 213,000
- HPC revenue 11.2% of total revenue (2014: 9.7%)
- Direct mailing trial to be launched



MiGroomers

- 13 MiGroomer sites have now opened
- Minimal capex
- Incremental sales from Grooming and veterinary work
- Training offered to staff who wish to train in this area



Business review – *veterinary practices*

Mi Vet Club

- Launched August 2013 – slow start
- Five customers across ten surgeries
- Offering:
 - Buying power through NVS
 - Health and Safety
 - Crematoria
 - Laboratories
 - Pet Medic Recruitment



www.mivetclub.co.uk

Pet Medic Recruitment

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



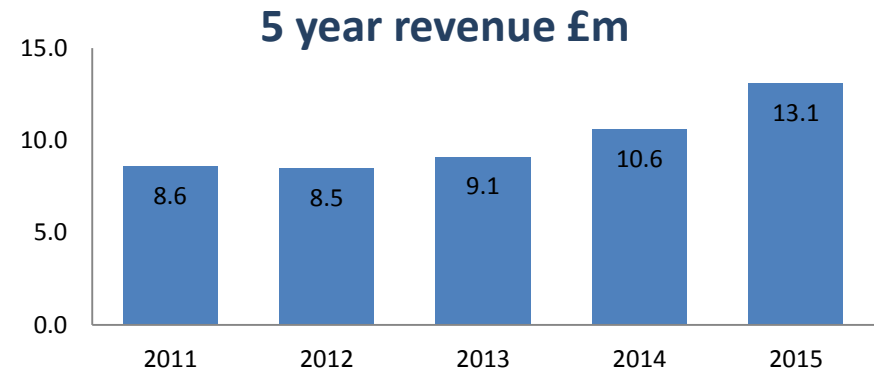
Business review – veterinary practices

People

- Significant investment and continued focus on training and professional development for all staff
- 106 graduate vets recruited and trained in the last two years
- We launched our MiNurse academy in January 2015

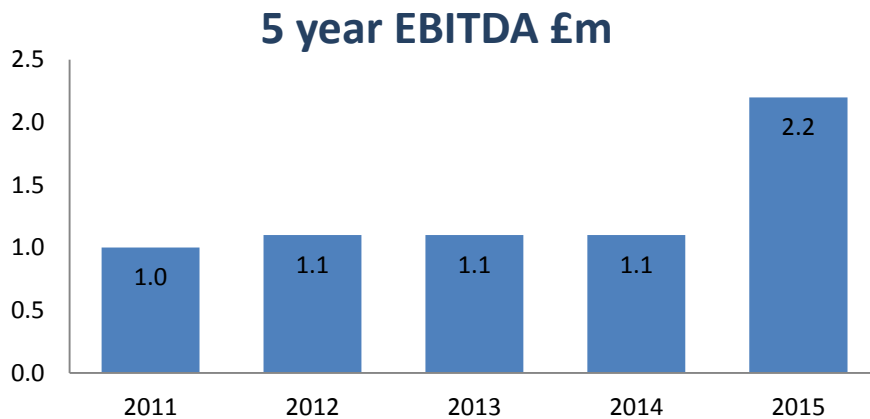


Business review - Laboratories



Laboratory revenue split

	2015 £m	2014 £m
Total revenue	13.1	10.6



Revenue growth of 23.2% to £13.1m

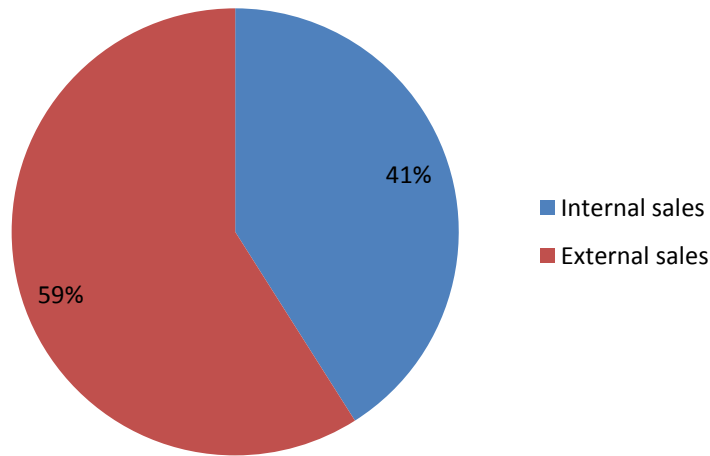
Like-for-like sales 10.7%

EBITDA improved to £2.2m

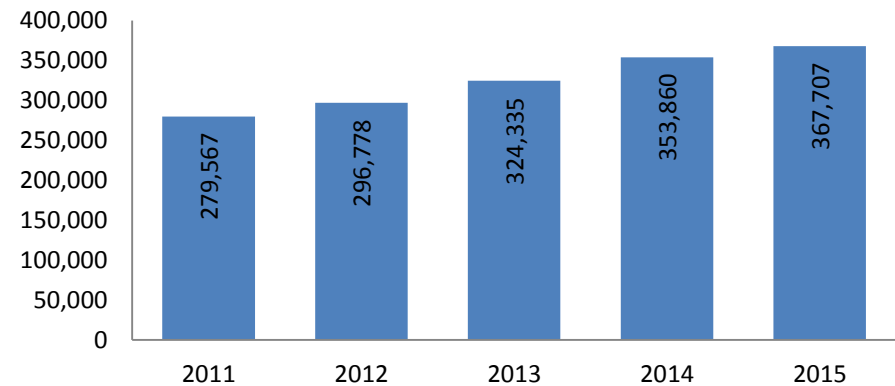
Business review – Laboratories

- Sales increased by 23.2% to £13.1m
- Increased focus on external analysers
- Accreditations being sought to expand large animal testing
- PCR testing being introduced in January 2016

Internal vs External sales

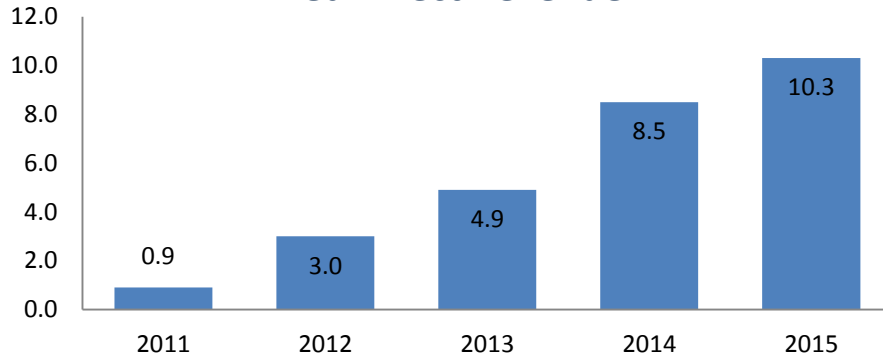


Number of laboratory tests performed

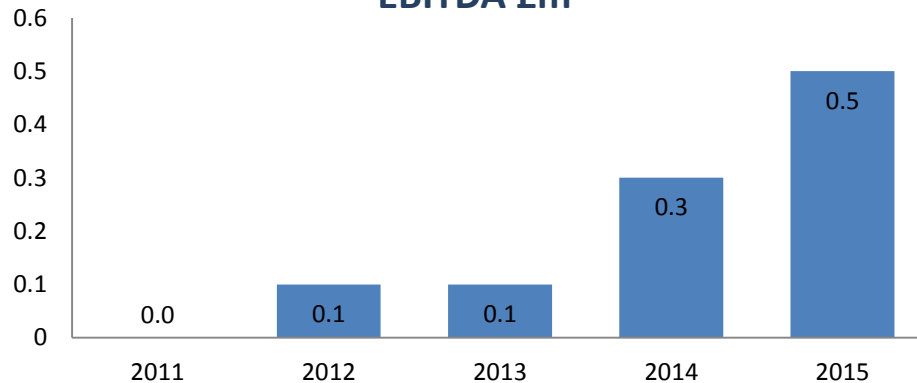


Business review - Animed Direct

Animed Direct Revenue £m



EBITDA £m



Revenue growth of 21.0% to £10.3m

Adjusted EBITDA increase of 97.5% to £0.5m

www.animeddirect.co.uk

Business review – *Animed Direct*

- Good sales growth and positive cash contribution

	2011	2012	2013	2014	2015
Number of product lines	2,700	3,900	4,200	4,200	4,200
Average order value	£27.14	£27.78	£28.34	£29.91	£28.94
Orders placed per day	120	410	650	777	972
No of customers	19,000	56,000	130,000	210,000	322,000

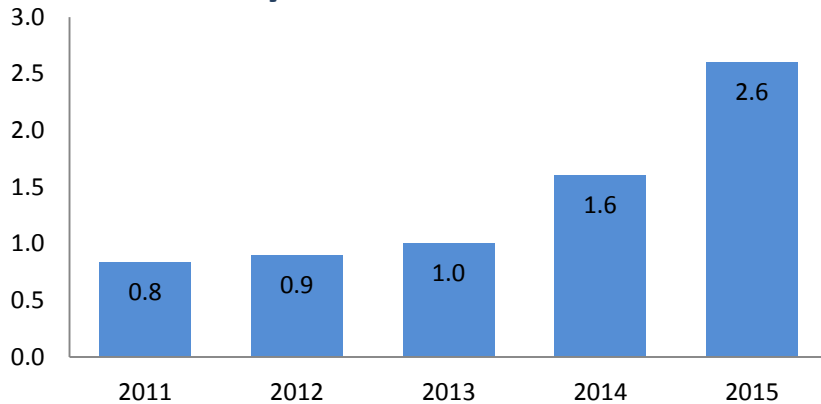


Conversion rate 13%

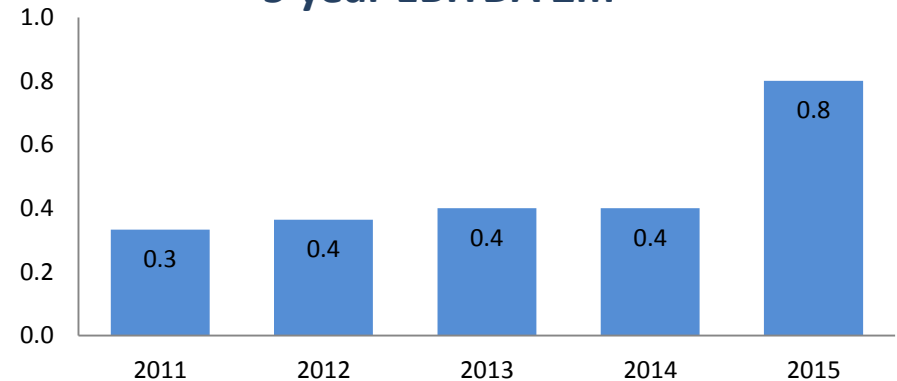
First local language website launched in France in April 2015

Business review - Crematoria

5 year revenue £m



5 year EBITDA £m



Crematoria revenue split

	2015 £m	2014 £m
Like-for-like revenue	1.6	1.4
Acquisitions	1.0	0.2
Total revenue	2.6	1.6

Like-for-like sales 11.8%

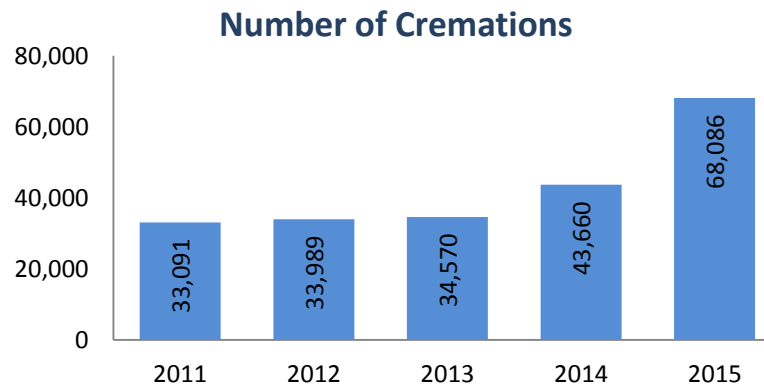


Business review – Crematoria

Whitley Brook Crematorium for Pets Limited

- Acquired in April 2015
- Improved geographical coverage

All CVS work now performed internally (except for Yourvets which is contracted until mid 2016)



Business review – Central administration

- Costs include only central functions. Practice divisional management are now included within the Practice division
- Costs decreased from 3.8% of sales to 3.5% in the year
- Investment during the year in:
 - New Group website and intranet
 - Additional acquisition team member
 - Field based HR staff
 - IT team
- Head office move in October 2015

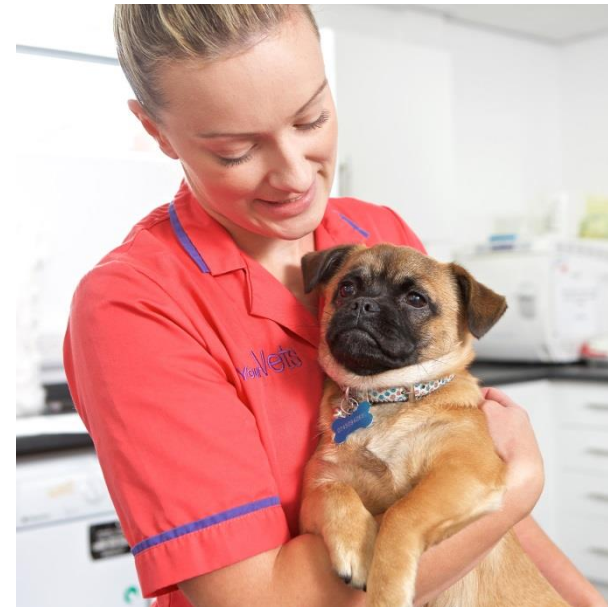


Financial results - Profit & Loss

	Year ended 30 June 2015	Year ended 30 June 2014
	£'m	£'m
Revenue	167.3	142.9
Cost of sales	(88.2)	(77.7)
Gross profit	79.1	65.2
Administrative expenses	(69.3)	(57.7)
Operating profit	9.8	7.5
Net finance expenses	(1.3)	(1.2)
Profit before income tax	8.5	6.3
Income tax expense	(1.7)	(1.5)
Profit after income tax	6.8	4.8
Earnings per ordinary share		
- Basic	11.6p	8.3p
- Adjusted	24.7p	19.0p
Dividend	3.0p	2.5p

Financial results – Balance sheet

	30 June 2015 £'m	30 June 2014 £'m
Non-current assets		
Intangible assets	79.0	58.8
Property, plant and equipment	20.0	14.5
Investments	0.1	0.1
Deferred income tax assets	1.8	1.1
	101.1	74.5
Current assets		
Inventories	5.8	4.6
Trade and other receivables	17.1	13.8
Cash and cash equivalents	3.0	2.2
	25.9	20.6
Total assets	127.0	95.1
Current liabilities		
Trade and other payables	(30.4)	(25.7)
Current income tax liabilities	(1.7)	(1.0)
Borrowings	(14.1)	(3.6)
	(46.2)	(30.3)
Non-current liabilities		
Borrowings	(35.1)	(29.9)
Deferred income tax liabilities	(6.5)	(3.7)
Derivative financial instruments	(0.1)	-
	(41.7)	(33.6)
Total liabilities	(87.9)	(63.9)
Net assets	39.1	31.2

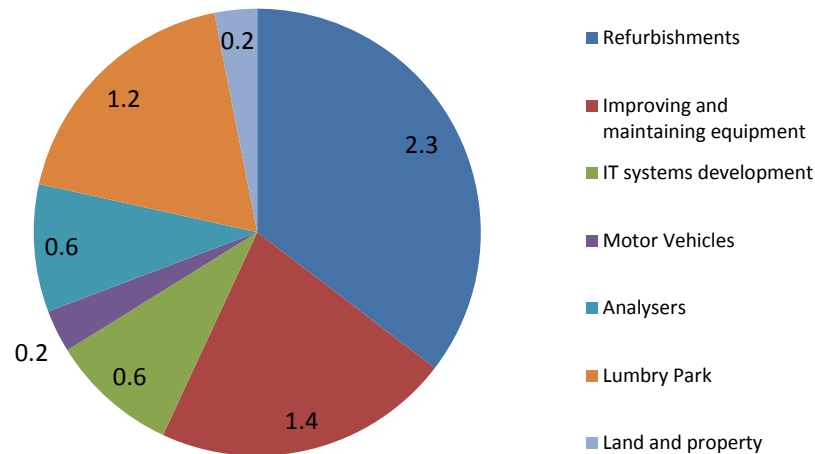


Financial results – change in debt

	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Cash flows from operating activities		
Cash generated from operations	22.2	20.7
Taxation paid	(2.3)	(2.5)
Net interest paid	(1.3)	(1.2)
Capital expenditure	(6.5)	(5.3)
Free cash flow	12.1	11.7
Acquisitions	(25.3)	(12.4)
Dividend paid	(1.5)	(1.1)
Proceeds from issue of Ordinary shares	0.3	0.5
Debt issuance costs	(0.5)	-
Increase in net debt	(14.9)	(1.3)

Financial results – Capital expenditure

Capital expenditure



Total capital expenditure in the year amounted to £6.5m

- Practice refurbishments at Beaumont in Kidlington, Nine Mile in Wokingham and the extension of our Twyford practice

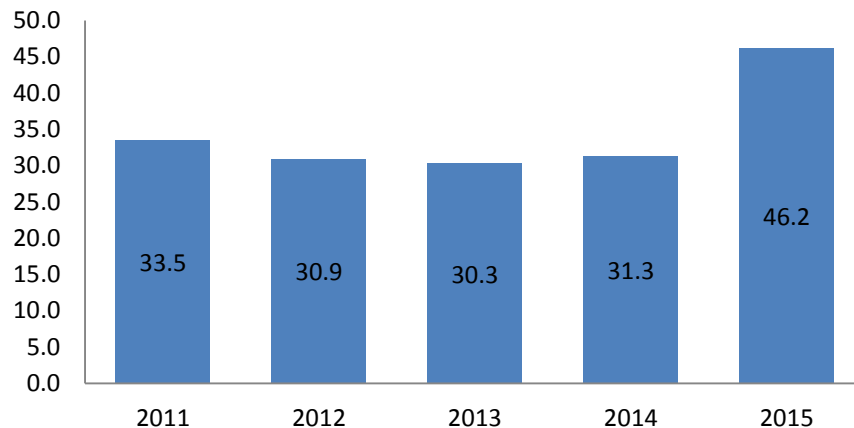
Financial results – Net debt

£33.0m of £48.0m Revolving Credit Facility un-utilised at year end

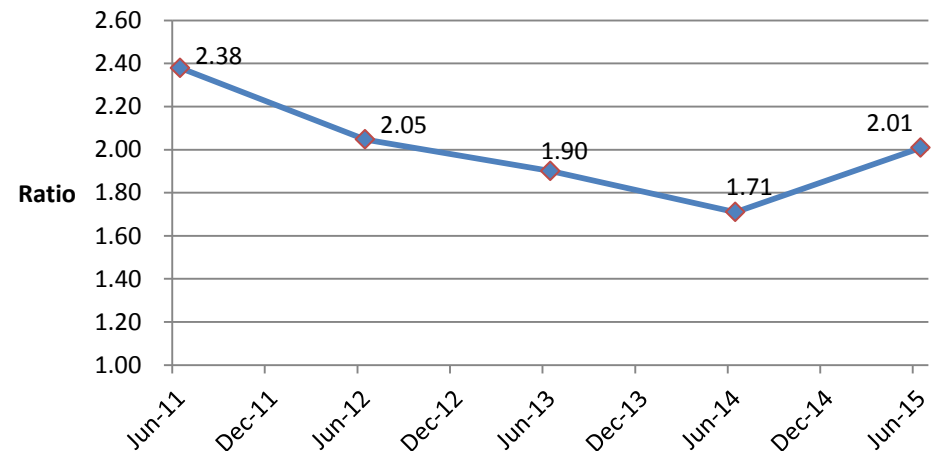
Net debt increased by £14.9m in the year after significant investment in acquisitions and capital expenditure

Net debt:EBITDA ratio remains low at 2.01

Net debt



Net debt: EBITDA



Outlook

Existing Business

- Development of referral services
- Introduction of more own brand products
- Growth and development of customer loyalty schemes
- Expansion of E-Commerce in the UK and overseas

Growth through selective acquisitions

- Acquisition pipeline is strong
- Continue to acquire practices, laboratories and crematoria to further strengthen geographical coverage
- Large opportunity with only 12% market share in small animal sector
- Further growth opportunities in large animal and equine sector

Finance

- Continuing to maintain strong cash flow and healthy balance sheet
- Further investment in core business activities

Appendices

Overview

- UK's largest National operator and consolidator of veterinary practices
- Market leader, making CVS the acquirer of choice
- Consistent growth in a more challenging environment
- Complementary businesses to build on internalise margins and maximising revenues

3,400	employees
822	vets
298	Surgeries nationwide
5	Diagnostics laboratories
4	crematoria
1	On-line dispensary

Results by division - old basis

Year ended 30 June 2015	Practices	Laboratories	Crematoria	Animed Direct	Head Office	Group
Revenue (£m)	147.5	13.1	2.6	10.3	(6.2)	167.3
EBITDA (£m)	28.7	2.4	0.9	0.6	(8.4)	24.2
Gross Margin after materials %	83.8	80.6	79.3	17.9	-	82.7
EBITDA %	19.5	18.3	34.6	5.8	-	14.6

Year ended 30 June 2014	Practices	Laboratories	Crematoria	Animed Direct	Head Office	Group
Revenue (£m)	126.4	10.6	1.6	8.5	(4.2)	142.9
EBITDA (£m)	24.7	1.3	0.5	0.3	(7.1)	19.7
Gross Margin after materials %	84.6	75.2	80.1	16.4	-	82.9
EBITDA %	19.6	12.3	31.2	3.6	-	13.8

EBITDA & Gross Margin trends

	Year ended 30 June				
	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Revenue	101.5	108.7	120.1	142.9	167.3
EBITDA	14.1	15.1	15.8	18.3	23.0
<hr/>					
<u>% of sales</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Gross margin					
- Group	36.1	36.0	34.9	45.6	47.3
-Practices	84.8	85.0	84.9	84.6	83.8
-Animed Direct	27.2	18.8	18.8	16.4	17.9
-Laboratories	79.6	79.3	77.7	75.2	80.6
-Crematorium	81.7	80.1	82.0	80.1	79.3
Central administration	4.4	4.8	5.2	3.8	3.5
<hr/>					
EBITDA margin (%)	14.3	13.9	13.0	12.8	13.8

Cash generated from operations

	Year ended 30 June 2015 £'m	Year ended 30 June 2014 £'m
Profit for the year	6.8	4.8
Taxation	1.7	1.5
Total finance costs	1.3	1.2
Amortisation of intangible assets	8.5	7.3
Depreciation of property, plant and equipment	3.5	2.8
(Increase) in inventories	(0.6)	(0.9)
(Increase) in trade and other receivables	(1.9)	(0.5)
Increase in trade and other payables	1.7	3.1
Share option expense	1.2	1.4
Total cash flows from operating activities	22.2	20.7

Bank covenants

- The key financial banking covenants are:

Covenant	Details	Ratio required	30 June 2015 (unaudited)
Senior debt/EBITDA		Must not exceed 3.0:1	2.01
Senior interest cover	EBITDA / Senior interest paid	At least 4.5:1	21.41

- Banking covenants are tested on a 12 month rolling basis

Our locations



- 298 Surgeries across the UK
- 5 Laboratories
- 4 Crematoria

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.