

CVS Group plc

Final Results
Year to 30 June 2009

September 2009

- Revenue growth + 23%
- EBITDA (adjusted) growth + 30%
- PBT (adjusted) growth + 53%
- EPS (adjusted) growth + 44%
- £12.4m of cash generated from operations + 90%
- Acquisition growth, 17 surgeries and first pet crematorium and cemetery added in year

Revenue	£76.6m	£62.2m	+23%
EBITDA (adjusted)	£12.5m	£9.6m	+30%
PBT (adjusted)	£8.4m	£5.5m	+53%
PBT	£4.4m	£0.1m	-
Cashflow from operations	£12.4m	£6.5m	+90%
EPS (adjusted)	11.5p	8.0p	+44%
EPS (Basic)	5.9p	(0.7p)	-

- UK's largest national operator and consolidator of veterinary practices
- Market leading position and reputation makes CVS the acquirer of choice
- Funding firepower positions the Group for future growth by acquisition
- Complementary businesses build on growing network of practices to internalise margin and maximise revenues

Acquisitions

- Large opportunity with still only 7-8% market share in small animal sector
- Demographic change in the profession continues to drive acquisition model
- Willing vendors see CVS as acquirer of choice
- First mover advantage – increasing daylight between CVS and competitors

Existing Business

- Existing portfolio of practices and supporting businesses is well positioned to contribute to Group growth
- Highly cash generative, with low working capital requirement
- Accounts for 93% of 2009 revenues

- 42 surgeries, 4 laboratories and one pet crematorium acquired since IPO in Oct 2007
- Multiples paid remain stable and earnings enhancing
- Consistent margin improvement of acquired practices:
 - Provision of lower cost central services
 - Significant group purchasing power
 - Considerable EBITDA margin uplift post acquisition
- Funded from bank facilities and now internally generated cash flow
- Cash generated from operations £12.4m, £10.7m available to fund acquisitions
- Strong pipeline of acquisitions under evaluation or in negotiation
- Complementary businesses are an attractive path for maximising group ROIC

- Surgeries contributed £67.9m of revenue (88.6% of total) and £14.4m of EBITDA in FY to 30 Jun 09
- The 167 small animal and 1 equine surgery offer a full range of veterinary services including referral expertise from a number of sites
- Enhanced margin rates of return driven by improved productivity and better buying terms
- Core element of the business from which complementary services have and can be developed (laboratories, crematorium, internet pharmacy...)

- Laboratories contributed £8.3m of revenue (10.8% of total) and £1.4m of EBITDA in FY to 30 Jun 09
- The laboratories offer a wide range of diagnostic services including histopathology, microbiology and clinical chemistry
- 20% of business done by labs is intra-group and 80% is for outside customers
- Strong visibility on intra-group earnings due to guaranteed referrals
- Internalisation of margin and improvement of service offering to end customer

- Crematorium acquired in October 2008
- Internalisation of margin and increased range of service offering
- Contributed £0.4m of revenue (0.6% of total) and £0.2m of EBITDA in FY 09
- Proportion of referred business within CVS Group increasing – 23% in July 2009
- High ROIC and substantial group synergies

- £44m bank facilities now fully drawn down
- £2m unutilised working capital facility
- Cash balance at 30 June 2009 - £2.8m
- Cash balance at 31 August 2009 - £4.8m, having funded the acquisition of Falkland, Newbury for £0.3m since year end
- Significant headroom on financial covenants

- Debt repayments are as follows:

2009/10	1.9	-	1.9
2010/11	2.6	2.5	5.1
2011/12	2.6	1.5	4.1
2012/13	2.6	0.4	3.0
Sep 2013	22.3	7.6	29.9
Total	32.0	12.0	44.0

- CVS has delivered on goals set at IPO:
 - Identification and completion of acquisitions
 - Integration of acquired businesses with significant margin uplift
 - Strict management of cashflow and available finance
 - High ROIC

Revenue	60.5	74.3	62.2	76.6	76.6
EBITDA (adjusted)	8.5	11.6	9.6	12.5	12.3
PBT (adjusted)	5.0	7.7	5.5	8.4	8.2
PAT (adjusted)	2.5	5.0	3.9	5.9	6.5
PAT (as reported)	(1.8)	1.5	(0.6)	3.0	2.6
EPS (GBp, adjusted)	4.9	9.6	7.5	11.5	12.6
EPS (GBp, as reported)	(3.5)	2.9	(1.2)	5.9	5.0
Net Debt	34.5	36.1	40.1	40.8	40.9

Notes

Sources: Panmure Gordon IPO research forecasts, consensus forecasts from research notes

Adjusted PBT before exceptional items and amortisation

Adjusted PAT before exceptional items and amortisation, normalised tax rate of 28%

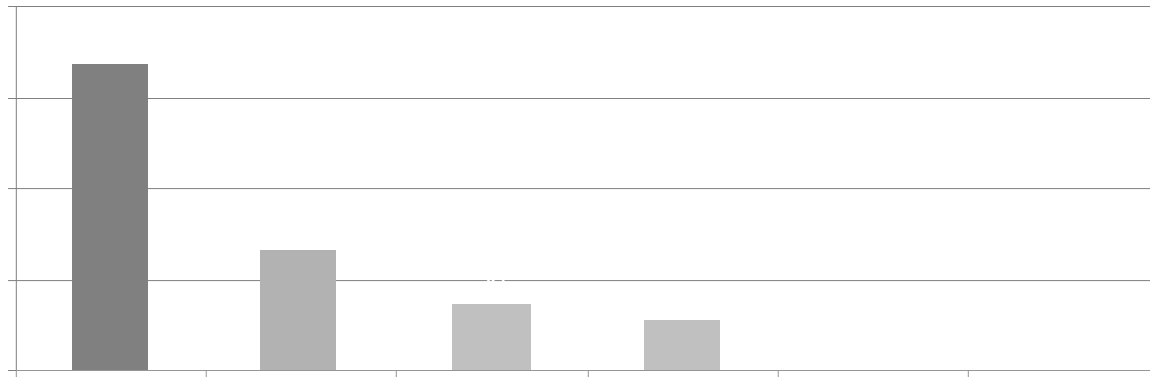
Revenue	+23.3%	76,605	62,150
Cost of Sales		(45,657)	(38,121)
Administrative Expenses		(18,452)	(14,416)
EBITDA	+30.0%	12,496	9,613
<i>EBITDA margin</i>		16.3%	15.5%
Depreciation & Amortisation		(5,368)	(3,976)
Exceptional costs / share option expense / other gains		(117)	(2,114)
Finance expenses		(2,567)	(3,399)
Profit before tax		4,444	124
Income tax		(1,406)	(463)
Profit / (Loss) after tax		3,038	(339)

Intangible assets	41,886	37,272	26,283
Property, plant and equipment	7,467	6,757	4,245
Financial instruments/Investments	67	1,012	396
Current assets (excl. cash)	7,403	6,937	4,130
Cash	2,792	392	2,622
	<hr/>	<hr/>	<hr/>
Total assets	59,615	52,370	37,676
Current liabilities (excl. debt)	(9,621)	(8,326)	(7,496)
Borrowings	(43,568)	(40,460)	(31,147)
Net deferred tax	(4,487)	(4,779)	(577)
Financial instruments	(1,463)	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	(59,139)	(53,565)	(39,220)
	<hr/>	<hr/>	<hr/>
Net assets/(liabilities)	476	(1,195)	(1,544)
	<hr/>	<hr/>	<hr/>

EBITDA	+59.2%	12,496	7,849
Net working capital movement		(116)	(1,345)
Cash generated from operations	+90.3%	<u>12,380</u>	<u>6,504</u>
Proceeds from sale of investment		316	-
Interest		(2,597)	(3,286)
Taxation		(828)	(95)
Capex		(1,581)	(2,105)
Repayment of bank loan, loan stock and preference shares		(56)	(32,182)
Bank funding		3,069	40,929
Cash available to fund acquisitions		<u>10,703</u>	<u>9,765</u>
Acquisitions		<u>(8,303)</u>	<u>(11,995)</u>
Net Cash Movement		<u>2,400</u>	<u>(2,230)</u>

- Ideally positioned to benefit from changing demographics in profession
- Largest operator and consolidator, highly respected within profession
- Well managed with a proven track record in financial performance delivery
- High historic ROIC, strong gross and net margins, resilient like for like sales growth
- Both recession resistant and high growth buy-and-build strategy
- Cost efficiencies and continually improving buying power
- Significant growth potential – limited competition and strong acquisition pipeline

- Corporate ownership currently represents just 19% of small animal surgeries
- CVS is the only corporate with a strong nationwide presence



CVS is the recognised national consolidator in the market

	Years ended 30 June					
	2004	2005	2006	2007	2008	2009
<i>Margin (%)</i>						
- Practices	78.1	78.7	79.7	80.4	82.2	83.7
- Laboratories	88.0	89.1	87.8	87.2	74.0	68.6
Employment costs	48.9	47.3	45.1	43.8	43.2	42.9
Other costs (incl depreciation)	19.0	18.6	19.1	20.1	20.1	20.9
Head Office	7.5	6.6	6.3	5.4	4.5	4.3
EBITDA margin (%)	7.6	10.3	12.1	13.1	15.5	16.3