# CVS Group PLC

## Interim Results

## Period ended 31 December 2019

## 27 March 2020

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# Agenda

# Headlines

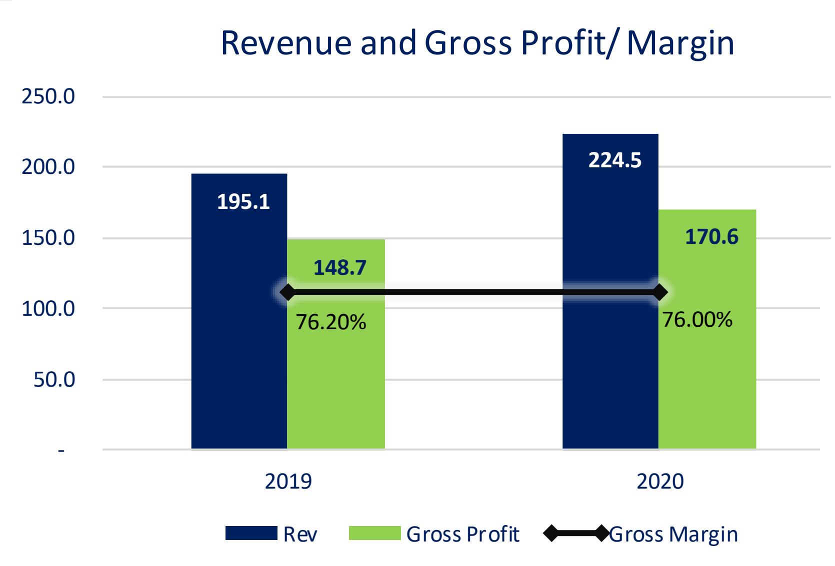
Successful H1 2020 and first two months of H2 2020 – impact from COVID-19 uncertain...

| | |
|---|---|
| Successful H1 2020 | Built on improved delivery in H2 2019<br>Strong start to current financial year as reported at AGM was maintained |
| Good start to H2 2020 | Strong performance in first two months of second half<br>Strong cash generation, adding to > £17m free cash flow in H1 |
| Strong balance sheet | Successful renewal and extension of non-amortising bank facilities to Jan 2024<br>Significant headroom at end of February 2020 vs bank covenants and in committed but undrawn debt |
| COVID-19 | Full impact from COVID-19 pandemic unknown – now effecting revenue significantly<br>Significant action being taken to preserve cash |

Note: IFRS 16 – 'Leases' adopted on 1 July 2019. To help comparisons financial data is shown as per previous accounting policies with a reconciliation to IFRS 16 later

# H1 Performance

Performance improvements continued through H1 2020…

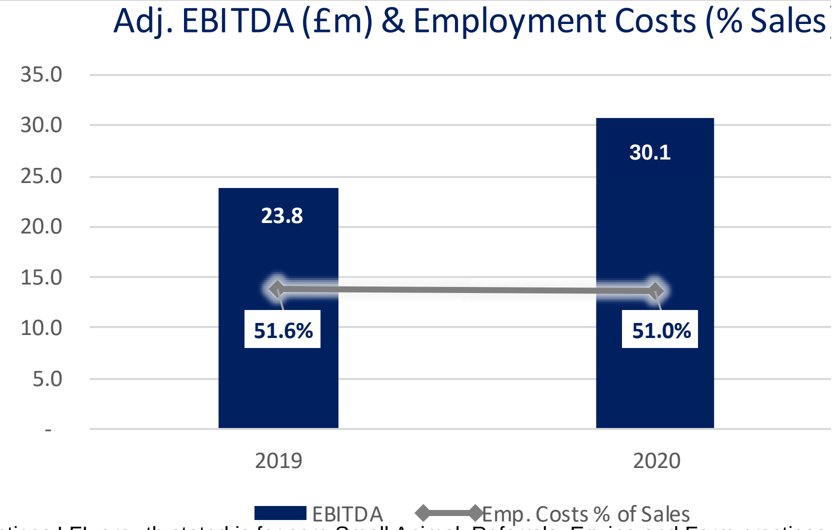



**Revenue**
**£224.5m**
**+15.1%**

- Group LFL revenue growth 8.4% (H1 2019: 4.0%)
- Practice LFL Growth[1] of 7.4% (H1 2019: 3.2%)

**Gross Profit[2]**
**£170.6m**
**+14.8%**

- Gross margin (GM) broadly stable at 76.0% (H1 2019: 76.2%)
- Practice division GM improved to 78.3% (H1 2019: 77.8%)
- GM excluding Slate Hall (Poultry acquisition) of 79.2% (H1 2019: 78.7%)




**Adj. EBITDA**
**£30.1m**
**+26.5%**

- Strong EBITDA growth vs. prior year (H1 2019: £23.8m)

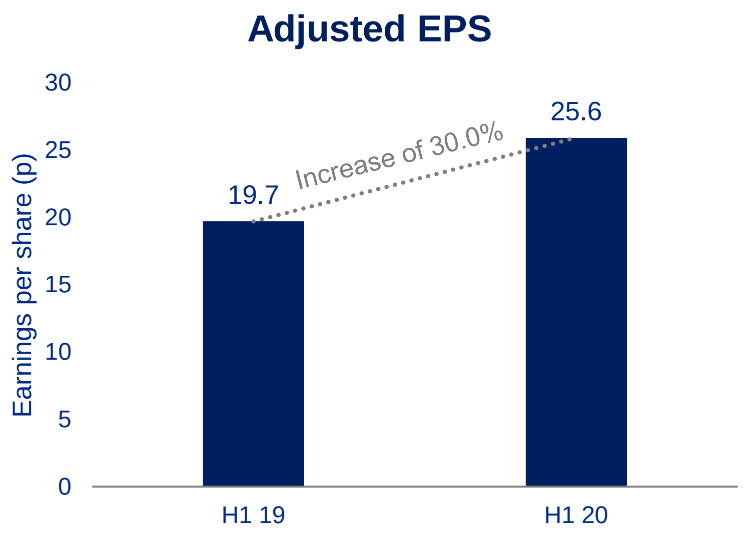
**Employment Costs**
**51.0%**

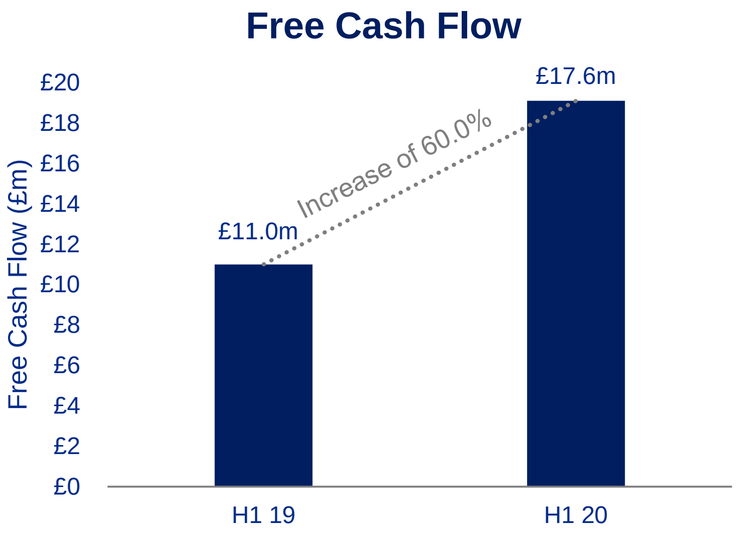
- Lower employment costs (% sales) (H1 2019: 51.6%)
- Core & continuing focus on clinical staff retention
- Vet vacancy rates of 7.8% (H1 2019: 8.8%)

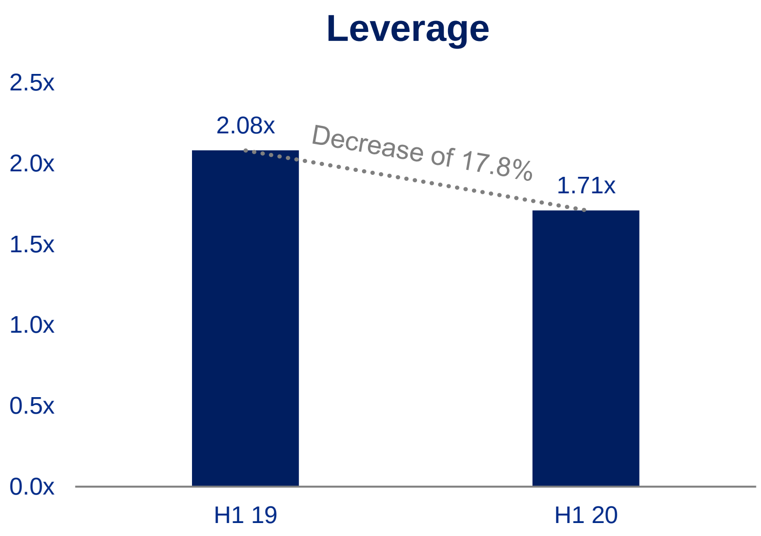
1. Practices LFL growth stated is for core Small Animal, Referrals, Equine and Farm practices and excludes Buying Groups & Other and intra-group elimination
2. Gross profit and Gross margin shown before clinical staff costs

# H1 Performance (continued)

## Performance improvements continued through H1 2020…




- Renewal of bank facility until 31 January 2024 of £175.0m comprising:
  - £85.0m Term Loan; £85.0m Revolving Credit Facility (RCF) and £5.0m overdraft
  - Non-amortising – bullet repayment in January 2024
  - Margin and covenants unchanged – covenants continued to be measured on accounting policies in place at 30 June 2019 (pre IFRS 16)

# H2 2020 – Period to 29 February 2020

…and this improvement continued for the first two months of H2…

| | |
|---|---|
| LFLs | Group LFL revenue growth and Practices LFL revenue growth[1] were trending above FY19 levels at 7.9% (FY 2019: 5.2%) and 7.1% respectively YTD (FY 2019: 4.3%) |
| Gross Margin | Was stable at just above 76.2% |
| Employment Costs | Remained under control at 51.1% of sales (partially impacted by shorter February trading month) |
| Vet Vacancy Rate | Vet vacancy rate was stable at 7.9% YTD 2020 (H1 2020: 7.8%)<br>Further improvement was seen from H2 2019 level of 8.4% |
| Debt | Bank Borrowings reduced to £96.0m as at 29 February 2020 (H1 2020: £104.0m)<br>Leverage[2] reduced to 1.61x as at 29 February 2020 (2.31x as at 28 February 2019) |

1. Practices LFL growth stated is for core Small Animal, Referrals, Equine and Farm practices and excludes Buying Groups & Other and intra-group elimination
2. Leverage on a bank test basis, calculated as Net bank borrowings divided by Adjusted EBITDA, prior to the adoption of IFRS 16, annualised for the effect of acquisitions and including costs relating to business combinations and exceptional items

# COVID-19 - Our people

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- The health and safety of our employees and our clients is our key priority in these unprecedented times
- CVS continues to apply guidance from health authorities in the UK, the Netherlands and Ireland
- We are liaising closely with our industry regulator, the Royal College of Veterinary Surgeons (‘RCVS’), the British Veterinary Association (‘BVA’) and other representative bodies to apply latest guidance – this changed significantly following the Government’s announcement on 23 March 2020
- **Actions implemented to minimise risks to our colleagues:**
  - Practices open for urgent / emergency care only (in line with guidance) – teleconsultations being used for non-urgent / non-emergency
  - Clinical guidance and updated protocols issued to all colleagues regarding working whilst minimising risks, infection control, hygiene and cleaning, and attending to urgent /emergency cases from isolating households
  - Separation of clinical teams and essential business operations wherever possible
  - Social distancing measures to minimise risk
  - Promotion of wellbeing and mental health
  - Effective leadership & communication including daily update from CEO to all colleagues
  - Home working implemented for those who are able
  - Additional protection for high risk colleagues
  - Furloughing being implemented with effect from 1 April 2020 for significant number of roles

# COVID-19 – Current Trading

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**Practices – provision of urgent and emergency care only in practice**

- Urgent and emergency care only in practice, in line with latest guidance at current time
- BVA and RCVS Major Employers Group (with CVS representation) have provided this guidance on what constitutes urgent and emergency cases
- Temporarily closing half of practices during Government lock down period (representing c. one third of practice capacity) – all clients will be able to access practices for urgent / emergency care within a 40 minute drive
- Teleconsultations will continue for clients with non-urgent / non-emergency patients – at normal charge rates
- Remote prescribing rules temporary relaxed by RCVS in support of teleconsultations
- All referral hospitals remain open for urgent / emergency specialist services
- Small Animal billable visits significantly reduced at present as a result of client travel restrictions
- Healthy Pet Club membership (40% of small animal client base) provides some degree of protection and revenue visibility
- Farm practices (e.g. Slate Hall) seeing increased demand for drugs
- Equine impacted by same rules on urgent / emergency cases and by suspension of racing and guidance for hobby riders to cease riding

# COVID-19 – Current Trading (continued)

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**Laboratories**

- All remain open as deemed essential for animal welfare
- Material reduction in caseload reflecting urgent / emergency cases only

**Crematoria**

- All remain open for both waste collection and cremations as deemed essential
- Reduced volumes in line with first opinion practices

**Animed Direct (online platform)**

- Record sales levels
- Drug sales slightly increased, food sales significantly increased

**Supplies**

- Uninterrupted medicines supply continues – assurance from manufacturers that three months' supply is available
- Medical equipment – continuing supply, potential future NHS requests for ventilators and monitoring equipment
- Food products – outages for some popular lines but substitute products available

# COVID-19 – Actions being implemented

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**Immediate Actions**

- Rationalising number of open practices – two thirds of our capacity to remain open for urgent / emergency care – all clients can access within 40 minute drive
- All non-essential practice and support staff being furloughed
- New telephony solution - client calls can be handled by any other practice with full visibility of patient record
- Laboratory work transferred to other CVS labs if one closes
- Crematoria work transferred to other CVS crematoria if one closes
- Ambulatory work for Farm and Equine clients includes specific social distancing measures
- Split shifts for Animed Direct to increase capacity and to reduce risk for staff & support continuity

**Effective Leadership and Decision Making**

- Daily Board updates
- Executive Comm. meetings twice daily
- New suite of daily KPIs developed
- Clinical guidance reviewed daily, updated where required
- Regular contact with RCVS and BVA – Major Employers liaison
- Regular senior leadership business continuity meetings

**Cash Management**

- Managing the business to maximise revenues whilst minimising cash outflows
- Cash management plans already being implemented (see following slide)
- Other cash management plans being developed including deferral of drug supplier payments

# COVID-19 – Cash Management

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## Significant headroom at end of February 2020

- Renewal and extension of bank facilities in January 2020:
  - £175.0m committed facilities through to January 2024 – non amortising
  - Significant headroom in committed undrawn facilities and in covenant headroom
- Leverage reduced through improved operating cash conversion and limited acquisitions

## Cash management actions being taken

- Furloughing significant number of under-utilised employees
- Practice closures to reduce variable overheads and reduce risk to staff
- Discretionary spend halted:
  - No acquisitions / associated costs
  - Capital expenditure projects on hold (unless Health & Safety critical)
  - Recruitment on hold
  - Reduced other spend including marketing, locums and external advisor costs
  - Travel and training suspended

**Daily cash forecasts** maintained and tracked

**Tax management** - advantage being taken of HMRC / Netherlands support[1]:

- Deferral of VAT and Corporation Tax payments
- Business rates being deferred where criteria met

The impact of COVID-19 on our business is not yet fully known hence we are taking all possible steps to:

1. Reduce cash outflows

   whilst also

2. Maximising all available revenue streams

1. Subject to bank syndicate consent – not anticipating objections

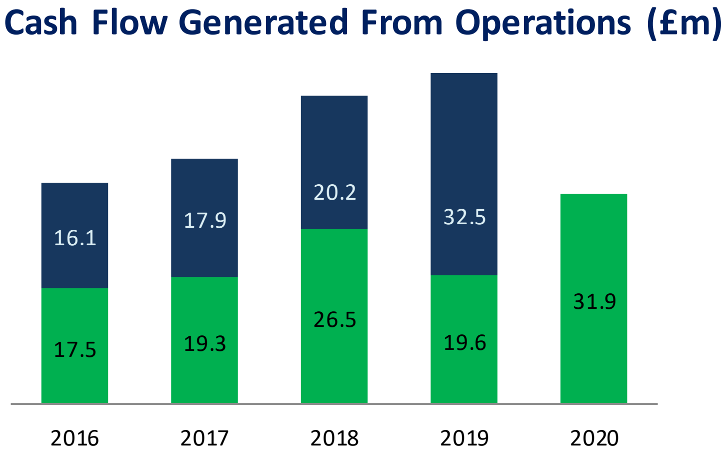
# Group Update – Bank Facilities

We have extended bank facilities through to January 2024…

- Reduced total facilities from £195.0m to £175.0m
- Reflects continued focus and greater emphasis on organic growth and strong operating cash generation
- Syndicate of four banks, Natwest, HSBC, BOI and AIB, providing:
  - Fixed term loan of £85.0m, repayable 31 January 2024 (single bullet repayment);
  - 4-year RCF of £85.0m, running to 31 January 2024; plus
  - £5.0m overdraft facility renewable annually
- Two main financial covenants associated with these facilities remain unchanged and are tested quarterly (on pre IFRS 16 measures):
  - Group Borrowings to EBITDA must not exceed 3.25x
  - Group EBITDA to Interest must be at least 4.5x
- EBITDA means last 12 months' performance, adjusted for the full year impact of acquisitions made during the period and including costs relating to business combinations and exceptional items
- UK GAAP frozen prior to IFRS 16 (i.e covenants tested under pre-existing accounting treatment)

# Group Update – Cash generation

## CVS remained highly cash generative in H1 2020…




**Free Cash Flow**

| | H1 2020 £m | H1 2019 £m | FY 2019 £m |
|---|---|---|---|
| **Adjusted EBITDA** | **30.1** | **23.8** | **54.5** |
| Working Capital Movements | 3.3 | (3.4) | 1.4 |
| Deferred Consideration on past acquisitions | (1.5) | (0.8) | (3.8) |
| **Cash Flow generated from Operations** | **31.9** | **19.6** | **52.1** |
| *Cash generated from Operations (%)* | 106% | 82% | 96% |
| Capital Expenditure - Maintenance | (5.2) | (4.0) | (8.9) |
| **Business Operating Cash Flow** | **26.7** | **15.6** | **43.2** |
| *Business Operating Cash Conversion (%)* | 89% | 66% | 79% |
| Taxation Paid | (7.3) | (3.1) | (7.3) |
| Net Interest Paid | (1.8) | (1.5) | (3.4) |
| **Free Cash Flow** | **17.6** | **11.0** | **32.5** |

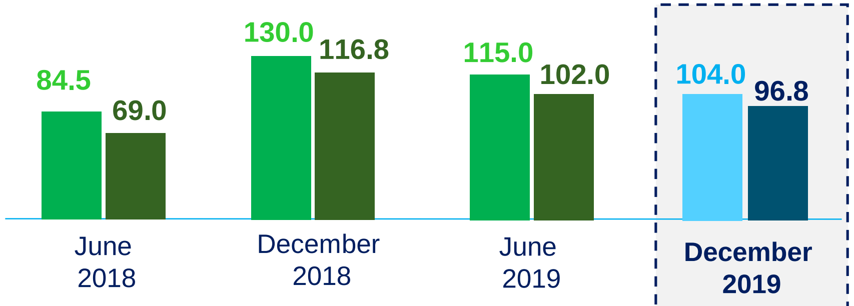
- Continued strong Cash Flow generated from Operations in H1 2020
- 2020 H1 Cash Flow generated from Operations of £31.9m was 62.8% above prior year
- Free Cash Flow increased to £17.6m, 60.0% above prior year
- Tax paid increased due to 4 payments made in period in line with HMRC payment of account reform

# Group Update – Balance sheet

## We maintained a strong balance sheet at 29 February 2020 with considerable headroom in bank facilities and covenants & Leverage reduced to 1.61x…

### Gross and Net Bank Debt (£m) [1]

LTM




| | June 2018 | December 2018 | June 2019 | December 2019 |
|---|---|---|---|---|
| **Leverage[2]** | **1.44x** | **2.40x** | **2.08x** | **1.71x** |
| **Interest Cover[3]** | **15.34x** | **15.60x** | **14.55x** | **16.16x** |

- New committed facilities signed in January to January 2024 totalling £175.0 million:
  - Term Loan £85.0m
  - RCF £85.0m
  - Overdraft £5.0m
  - Facility is GAAP Frozen prior to IFRS 16
- Leverage of 1.71x at 31 December 2019 (30 June 2019: 2.08x)
- Leverage improved further in H2 2020 to c. 1.61x at 29 February 2020

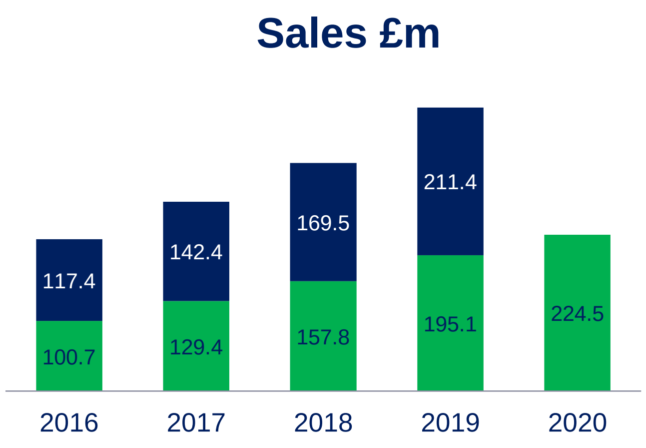
**No change in Covenants**

- Group borrowings to EBITDA ratio must not exceed 3.25x
- Group EBITDA to interest ratio must not be less than 4.5x

[1] Left and right hand bars respectively
[2] Net Debt / Adjusted annualised EBITDA
[3] Adjusted annualised EBITDA / Net Interest

# Group Update – Revenue

## Continued positive performance in H1 2020 from H2 2019




- Strong organic growth of £28.1m
- Additional growth from acquisitions in the period of £1.3m (and which performed in line with plan)
- Group LFL revenue growth of 8.4% and Practice LFL revenue growth of 7.4%
- Practice Division continued to generate c.88% of Group revenue

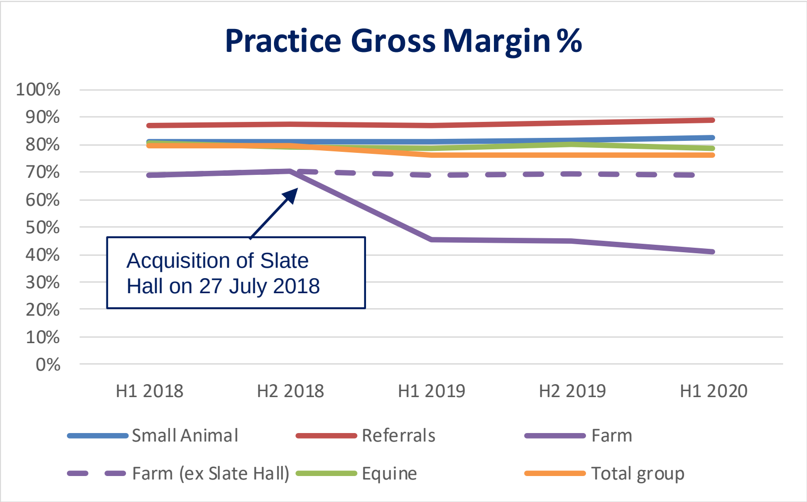
- Group LFL revenue growth at 7.9% for the 8 months year to date (FY 2019: 5.2%)
- Practices Division Growth[1.] of 7.1% for the 8 months year to date (FY 2019: 4.3%)

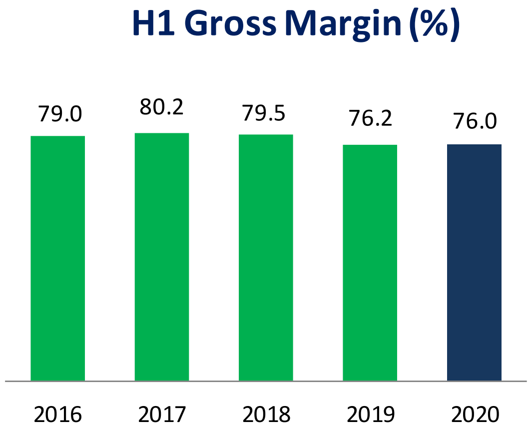


1. Practices LFL growth stated is for core Small Animal, Referrals, Equine and Farm practices and excludes Buying Groups & Other and intra-group elimination

# Group Update – Gross margin

Gross margin increased in majority of business areas – farm mix driving slight reduction overall

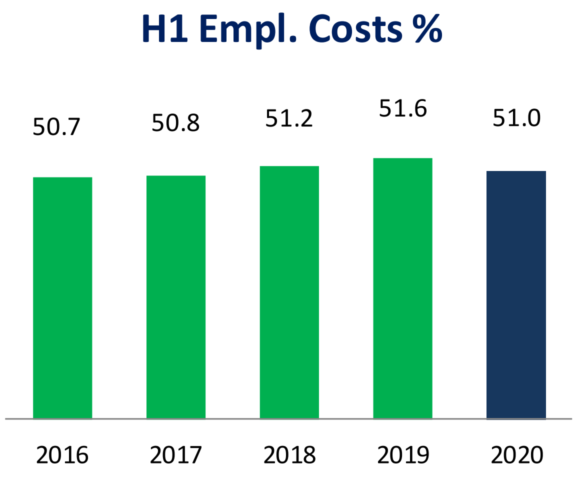



- Gross Margins for the group broadly flat from 2019 to 76.0% for H1 2020
- Further improvement in H1 2020 in the practice division to 78.3%

# Group Update – Employment costs

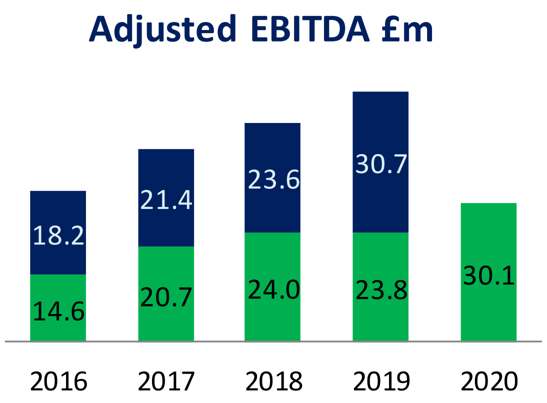
Employment costs were stable at 51.0% for H1 2020, with further reduced clinical vacancy rates also contributing to improved profitability in that period…




- Employment costs remained stable in H1 2020 at 51.0% of sales, a decrease from prior year of 0.6ppts
- Previously upward trend was driven by a shortage of veterinary surgeons and nurses, leading to salary inflation and increased use of locums. This stabilised in H1 2020
- Veterinary surgeon vacancy rate successfully managed down:
  - Average of 7.8% in H1 2020 vs 8.4% in H2 2019
- Locum spend remained under control

# Group Update – Improved profitability in H1 2020

## Adjusted EBITDA of £30.1m representing 26.5% growth on prior year H1…




- Continued growth in Adjusted EBITDA
- 2020 H1 Adjusted EBITDA pre IFRS 16 of £30.1m, 26.5% above prior year
- EBITDA margin of 13.4% H1 2020, a reduction of 1.1ppts from the H2 2019 of 14.5%. This is due to a release of bonus accruals and share option costs in the prior period
- Limited acquisitions in the year but all performing favourably to plan

# Group Update – Increase in Shareholder Returns

30.0% increase in Adjusted Earnings Per Share in H1 2020 (vs. H1 2019)

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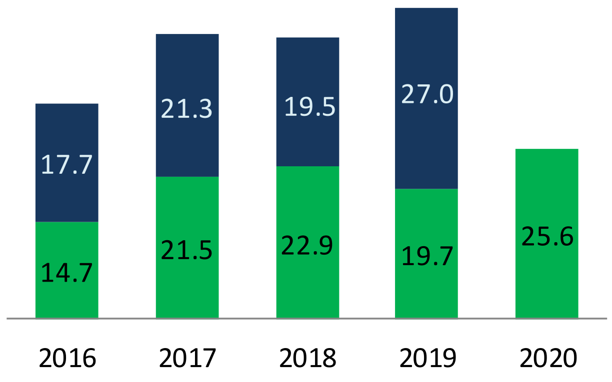
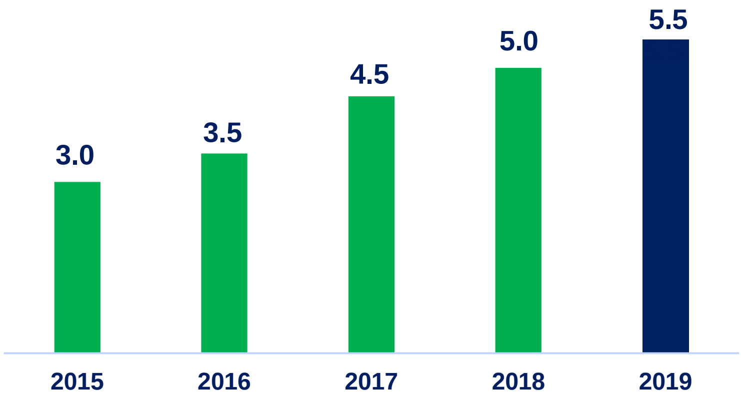
**Adjusted EPS (Pence)**




- Continued growth in Adjusted EPS in H1 2020
- Reflects actions taken to grow revenue and control costs

**Dividend per Share (pence)**




- Full year 2019 Dividend per share growth stable at 10% reflecting improved operating and financial performance in H2 2019
- As in previous years, no decision to be made on a final divided for 2020 until full year results are known and until such time as we have more understanding of the long term impact of COVID-19

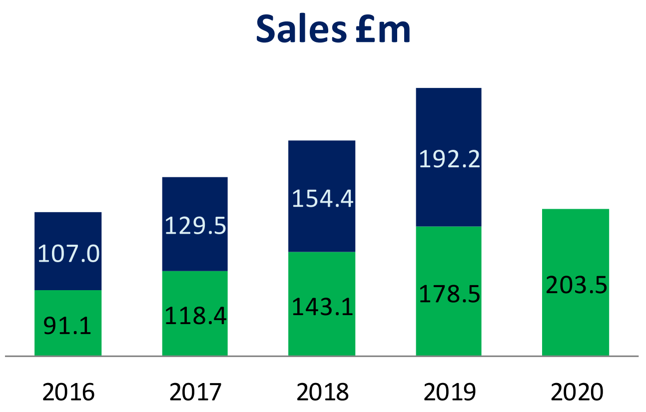
# Divisional Updates – Practices

Veterinary practices remained at the core of our business, focusing on high quality clinical work

- 513 Surgeries currently, of which 8 are referral hospitals:
  - 482 in The UK
  - 25 in the Netherlands
  - 6 in the Republic of Ireland
- Over 1,800 veterinary surgeons currently, including 57 veterinary diploma holders
- Over 2,300 nurses currently
- Small Animal, Referrals, Equine and Farm
- Robust clinical governance standards
  - All practices participate in the RCVS Practice Standards Scheme (152 ‘Outstanding’ awards)
  - Developed the first Practice Standards Scheme in the Netherlands with practices self-certifying in 2020, being assessed by self-certification and spot checks in 2021 and full certification inspections in 2022
  - Irish practices are all Veterinary Council of Ireland COS certified

# Divisional Updates – Practices (continued)

## Revenue of £203.5m in H1 2020, +14.0% vs. prior year, LFL growth of 7.4%[1]

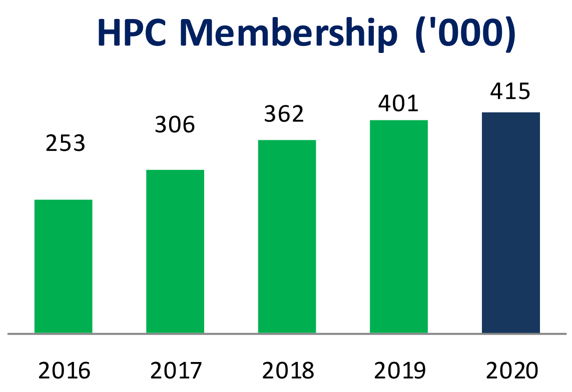



- Continued strong growth in H1 2020, LFL sales in H1 +7.4%
- Referral revenue increased by 24.0% compared to H2 2019, following an increase in-house referrals and more referral specialists
- Farm Revenue increased by 21.5%, largely driven by the acquisition of Slate Hall in July 2018
- Pre IFRS 16 Adjusted EBITDA for H1 increased by 20.8% to £30.5m compared to H1 2019
- Adjusted EBITDA margin increased from 14.1% in H1 2019 to 15.0%

1. Practices LFL growth stated is for core Small Animal, Referrals, Equine and Farm practices and excludes Buying Groups & Other and intra-group elimination

# Divisional Updates – Practices (continued)

## Continued growth in H1 2020 in HPC (preventative medicine loyalty scheme)




- Membership growth of 3.5% in H1 2020
- Preventative medicine scheme promotes wellbeing in our patients and which has led to a stable (predictable) recurring revenue stream
- Price increases (c.12%) applied from February 2019 to reflect growing package of benefits
  - rolled through the book over period to February 2020
- HPC launched in the Netherlands in Autumn 2019 and currently has c. 1,000 members
- Healthy Horse Programme launched in January 2018
  - growth to 8,000 members at period end (FY 2019: 7,000)

# Divisional Updates – Practices (continued)

## We had identified organic opportunities from a number of initiatives

- 27 out of hours specialist centres providing support services to CVS and third party independent practices
- Five new sites opened since June 2019

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- Opportunity to expand MiPet products
  - currently 25% of small animal practice sales
  - first Equine product launched
- New warehouse management system launched in January 2020 – scope to facilitate further growth and margin enhancement

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- Increased Referral offering
  - New Northern Ireland Veterinary Service launched
- New Peripatetic Referral service launched
- Vet Oracle
  - Teleneurology unique-imaging and case management service

# Capital Expenditure

## Requirements remain modest – non Health & Safety critical spend now ceased

- Total Capex of £6.5m* in H1 2020 (2019: £6.0m)
- Maintenance Capex of £5.2m (2019: £4.0m)
- Investment Capex of £1.3m (2019: £2.0m)
- Given the current uncertainty due to COVID-19, only essential Health & Safety Capex is being undertaken from now to preserve cash balances
- Decision made to withdraw from the previously planned collaboration with Keele University

* Excludes Capitalised amounts arising from acquisitions

# Interim Results Summary

| | Six months ended 31 December 2019 Post IFRS 16 (Unaudited) | Six months ended 31 December 2019 Pre IFRS 16 (Unaudited) | Six months ended 31 December 2018 Pre IFRS 16 (Unaudited) | Change % Pre IFRS 16 | Year ended 30 June 2019 |
|---|---|---|---|---|---|
| Revenue (£m) | 224.5 | 224.5 | 195.1 | 15.1% | 406.5 |
| Adjusted EBITDA (£m) | 37.5 | 30.1 | 23.8 | 26.5% | 54.5 |
| Adjusted profit before income tax (£m) | 20.5 | 22.4 | 17.4 | 28.7% | 41.4 |
| Adjusted earnings per share (pence) | 23.4 | 25.6 | 19.7 | 30.0% | 46.7 |
| Operating profit (£m) | 11.1 | 10.7 | 3.4 | 214.7% | 15.6 |
| Profit before income tax (£m) | 6.7 | 8.7 | 1.6 | 443.8% | 11.7 |
| Basic earnings per share (pence) | 7.0 | 9.1 | 1.2 | 658.3% | 11.6 |

# Interim Results Summary – Impact of IFRS 16

## Adopted from 1 July 2020 - significant impact on financial statements

- IFRS 16 Leases came in to effect on 1 January 2019 and was adopted by CVS on 1 July 2019
- The standard introduces significant changes in lease accounting and therefore has had a material impact on amounts recognised in our income statement and statement of financial position
- A reconciliation for our results for the 6 months ended 31 December 2019 pre and post IFRS 16 can be found in the appendix
- No impact on bank covenants which are GAAP frozen

# Management and Control Enhancements

## Personnel additions, empowerment, better reporting, more internal KPIs and controls

- Strengthened management team:
  - Promotion of Richard Fairman to Chief Executive Officer, Ben Jacklin to Chief Operating Officer and Robin Alfonso to Finance Director
  - Executive Committee streamlined and strengthened to better support the business with more regular meetings (in both Diss and across sites)
  - New Senior Leadership Group established comprising other senior managers
- Conscious change in management style empowering and holding accountable local practices
- Continued enhancements to Exec and Board reporting
- Enhanced approach to acquisition appraisal and assessment delivering stable results
- New process to oversee and monitor Locum use
- Improved Cash Flow forecasting
- Increased engagement with RCVS, BVA and other industry bodies

Clearly, these enhancements were not made in anticipation of COVID-19, but are proving essential in managing the impact on the business from the unfolding pandemic

These will stand the Group in good stead on resumption of growth in due course post COVID-19

# CVS Group Fundamental Strengths

## CVS has strong fundamentals and, post COVID-19, a platform upon which to grow and deliver sustainable shareholder returns

| | |
|---|---|
| **Scale Benefits** | CVS has good coverage across the UK, with an established operational platform in the Republic of Ireland and the Netherlands across all species, with over 500 veterinary practices |
| **Integrated Model** | CVS is the leading provider of integrated veterinary services in the UK with first opinion practices covering companion animal, equine and farm specialisms, referral hospitals, laboratories, crematoria, buying groups and Animed Direct, an online pharmaceutical retailer |
| **Referral Expertise** | CVS has significant referral expertise, with nine referral hospitals covering all specialities and led by a highly qualified team of specialists |
| **Barriers to Entry** | The Group's integrated model, scale, expertise and UK nationwide coverage provide significant competitive advantage. HPC also makes up c.40% of our small animal client base bonding customers to our practices |
| **Excellent Clinical Standards** | CVS prides itself on delivering the highest clinical care and outcomes. The Group's clinical standards are under continuous development with 152 RCVS Practice Standard Outstanding Awards for clinical excellence |
| **Experienced Leadership Team** | The senior leadership team has considerable industry experience and clinical experience with a track record of success |
| **Resilient Sector** | The veterinary sector is highly attractive having proven resilient in past economic downturns |

# Any Questions?

# Appendices

# Adjusted EBITDA, Adjusted PBT and Adjusted EPS

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## Reconciliations of key adjusted numbers are set out below…

### Adjusted EBITDA

| | 31-Dec-19 | 31-Dec-18 | Year ended 30-Jun-19 |
|---|---|---|---|
| | **(Unaudited) £m** | (Unaudited) £m | (Audited) £m |
| | **Post IFRS 16** | Pre IFRS 16 | Pre IFRS 16 |
| **Non-GAAP measure: Adjusted EBITDA** | **£m** | £m | £m |
| Profit before income tax | **6.7** | 1.6 | 11.7 |
| Adjustments for: | | | |
| Net finance expense | **4.4** | 1.8 | 3.9 |
| Depreciation | **5.5** | 4.6 | 9.2 |
| Depreciation – right-of-use asset | **7.1** | - | - |
| Amortisation | **11.0** | 11.3 | 22.2 |
| Costs relating to business combinations* | **2.1** | 4.2 | 7.2 |
| Exceptional items | **0.7** | 0.3 | 0.3 |
| **Adjusted EBITDA** | **37.5** | 23.8 | 54.5 |

* Includes amounts paid in respect of acquisitions in prior year expensed to the income statement

### Adjusted profit before income tax

| | 31-Dec-19 | 31-Dec-18 | Year ended 30-Jun-19 |
|---|---|---|---|
| | **(Unaudited) £m** | (Unaudited) £m | (Audited) £m |
| | **Post IFRS 16** | Pre IFRS 16 | Pre IFRS 16 |
| Earnings attributable to Ordinary shareholders | **4.9** | 0.8 | 8.2 |
| Add back taxation | **1.8** | 0.8 | 3.5 |
| **Profit before taxation** | **6.7** | 1.6 | 11.7 |
| Adjustments for: | | | |
| Amortisation | **11.0** | 11.3 | 22.2 |
| Costs relating to business combinations | **2.1** | 4.2 | 7.2 |
| Exceptional items | **0.7** | 0.3 | 0.3 |
| **Adjusted profit before income tax** | **20.5** | 17.4 | 41.4 |
| Tax on adjusted profit | **(4.0)** | (3.5) | (8.5) |
| **Adjusted profit after income tax and earnings attributable to ordinary shareholders** | **16.5** | 13.9 | 32.9 |
| Weighted average number of shares in issue | **70,654,009** | 70,478,222 | 70,506,476 |
| Adjusted earnings per share | 23.4p | 19.7p | 46.7p |

**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 taxation, amortisation, costs relating to business combinations and exceptional items

**Adjusted earnings per share** is calculated as adjusted profit before income taxation less an appropriate tax charge to derive adjusted profit after taxation divided by the weighted average number of ordinary shares in issue in the year

# Interim Results Summary

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| Statement of Financial Position | 31-Dec-19 (Unaudited) £m | 31-Dec-18 (Unaudited) £m | 30-Jun-19 (Audited) £m |
|---|---|---|---|
| | Post IFRS 16 | Pre IFRS 16 | Pre IFRS 16 |
| **Non-current assets** | | | |
| Intangible assets | **240.1** | 251.2 | 244.5 |
| Property, plant and equipment | **52.6** | 49.9 | 51.4 |
| Right-of-use asset | **111.7** | - | - |
| Investments | **0.1** | 0.1 | 0.1 |
| Deferred income tax assets | - | 0.6 | 0.2 |
| Derivative Financial Instrument | - | 0.2 | 0.1 |
| | **404.5** | 302.0 | 296.3 |
| **Current assets** | | | |
| Inventories | **19.1** | 15.9 | 17.0 |
| Trade and other receivables | **42.8** | 45.5 | 51.6 |
| Cash and cash equivalents | **6.9** | 12.7 | 12.5 |
| | **68.8** | 74.1 | 81.1 |
| **Total assets** | **473.3** | 376.1 | 377.4 |
| **Current liabilities** | | | |
| Trade and other payables | **(79.7)** | (63.0) | (73.7) |
| Current income tax liabilities | **(2.1)** | (2.0) | (4.9) |
| Borrowings | **(0.2)** | (0.4) | (0.3) |
| | **(82.0)** | (65.4) | (78.9) |
| **Non-current liabilities** | | | |
| Trade and other payables | **(103.3)** | - | - |
| Borrowings | **(103.5)** | (129.1) | (114.2) |
| Deferred income tax liabilities | **(19.3)** | (26.3) | (21.2) |
| | **(226.1)** | (155.4) | (135.4) |
| **Total liabilities** | **(308.1)** | (220.8) | (214.3) |
| **Net assets** | **165.2** | 155.3 | 163.1 |
| **Shareholders' equity** | | | |
| Share capital | **0.1** | 0.1 | 0.1 |
| Share premium | **100.1** | 99.2 | 99.7 |
| Capital redemption reserve | **0.6** | 0.6 | 0.6 |
| Revaluation reserve | **0.1** | 0.1 | 0.1 |
| Merger reserve | **(61.4)** | (61.4) | (61.4) |
| Retained earnings | **125.7** | 116.7 | 124.0 |
| **Total equity** | **165.2** | 155.3 | 163.1 |

| Income Statement | 31-Dec-19 (Unaudited) £m | 31-Dec-18 (Unaudited) £m | Year ended 30-Jun-19 (Audited) £m |
|---|---|---|---|
| | Post IFRS 16 | Pre IFRS 16 | Pre IFRS 16 |
| **Revenue** | **224.5** | 195.1 | 406.5 |
| Cost of sales | **(142.5)** | (113.2) | (237.6) |
| **Gross profit** | **82.0** | 81.9 | 168.9 |
| Administrative expenses | **(70.9)** | (78.5) | (153.3) |
| **Operating profit** | **11.1** | 3.4 | 15.6 |
| Other finance expense | **(4.4)** | (1.8) | (3.9) |
| **Profit before income tax** | **6.7** | 1.6 | 11.7 |
| Income tax expense | **(1.8)** | (0.8) | (3.5) |
| **Profit for the period attributable to owners of the Parent Company** | **4.9** | 0.8 | 8.2 |
| Basic | **7.0p** | 1.2p | 11.6p |
| Diluted | **7.0p** | 1.2p | 11.6p |

# IFRS 16 – Key changes

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**Impact on Condensed Consolidated Income Statement**

| | **Pre adoption of IFRS 16** | Impact of adopting IFRS 16 | As reported at 31 December 2019 |
|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | (Unaudited) |
| | **£m** | £m | £m |
| Profit after tax | **6.5** | (1.6) | 4.9 |
| Income tax expense | **2.2** | (0.4) | 1.8 |
| Profit before income tax | **8.7** | (2.0) | 6.7 |
| Adjustments for: | | | |
| Net finance expense | **2.1** | 2.3 | 4.4 |
| Depreciation | **5.5** | - | 5.5 |
| Depreciation – right-of-use asset | **-** | 7.1 | 7.1 |
| Amortisation | **11.0** | - | 11.0 |
| Costs relating to business combinations | **2.1** | - | 2.1 |
| Exceptional items | **0.7** | - | 0.7 |
| **Adjusted EBITDA** | **30.1** | 7.4 | 37.5 |

Improvement in EBITDA but deterioration in PBT due to timing of cash flows vs amortisation of right-of-use asset

**Impact on Condensed Consolidated Statement of Financial Position**

| | **Pre adoption of IFRS 16** | Impact of adopting IFRS 16 | As reported at 31 December 2019 |
|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | (Unaudited) |
| | **£m** | £m | £m |
| Non-current assets | **292.8** | 111.7 | 404.5 |
| Current assets | **68.8** | - | 68.8 |
| Current liabilities | **(72.1)** | (9.9) | (82.0) |
| Non-current liabilities | **(122.8)** | (103.3) | (226.1) |
| **Net assets** | **166.7** | (1.5) | 165.2 |
| **Foreign currency translation reserve** | | (0.1) | |
| **Retained earnings** | | (1.6) | |

Deterioration in net assets

**Impact on Condensed Consolidated Statement of Cash Flows**

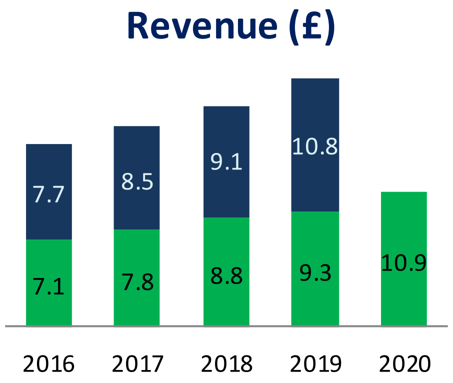
| | **Pre adoption of IFRS 16** | Impact of adopting IFRS 16 | As reported at 31 December 2019 |
|---|---|---|---|
| | **(Unaudited)** | (Unaudited) | (Unaudited) |
| | **£m** | £m | £m |
| Net cash flows generated from operating activities | **22.8** | 7.4 | 30.2 |
| Net cash flows used in investing activities | **(13.8)** | - | (13.8) |
| Net cash flows used in financing activities | **(14.6)** | (7.4) | (22.0) |
| **Net decrease in cash and cash equivalents** | **(5.6)** | - | (5.6) |

Net impact on cash unchanged but the cash outflows now included in financing activities, not operating activities

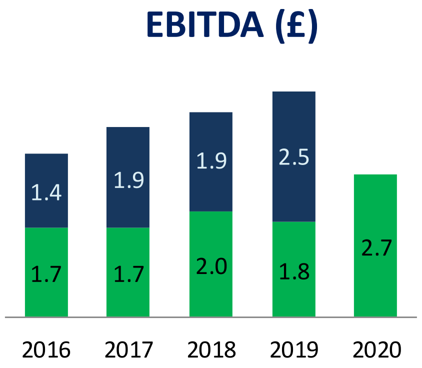
# Divisional Updates – Laboratories

## Laboratory Revenue and EBITDA increased in H1 2020

- In-house Laboratories support better clinical outcomes with overnight testing across an increasing range of laboratory tests




- Revenue growth in H1 2020 of 17.5% compared to H1 2019
- Reagent revenue increased by 20.2% vs H1 2019
- Further diagnostic tests available

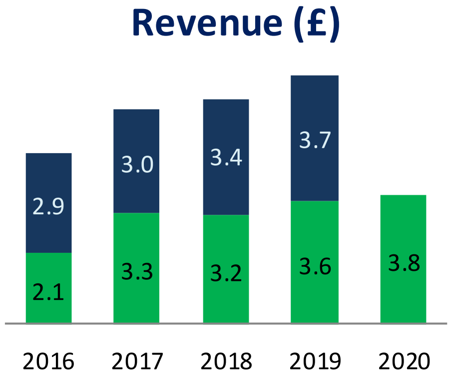



- EBITDA growth of 39.9% compared to H1 2019
- EBITDA margin of 23.5% (2019: 19.7%)

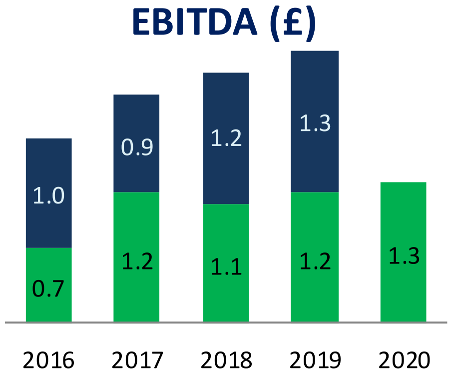
# Divisional Updates – Crematoria

## Generated Revenue and EBITDA growth in H1 2020

- Crematoria business continued to provide a premium offer, responding to the demand for higher value individual cremations




- Revenue growth of 4.6% compared to H1 2019




- EBITDA growth to £1.3m, +6.4% vs prior year
- EBITDA margin improving at 34.2%

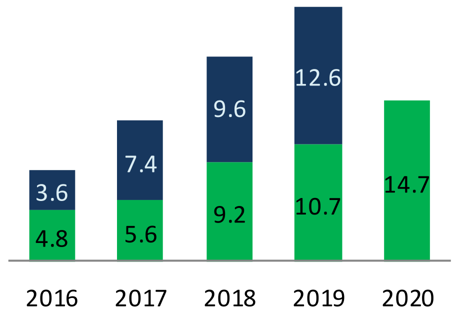
# Divisional Updates – Animed Direct

## Revenue growth of 37.4%, EBITDA growth of 100%

Animed
Cutting the cost of pet care

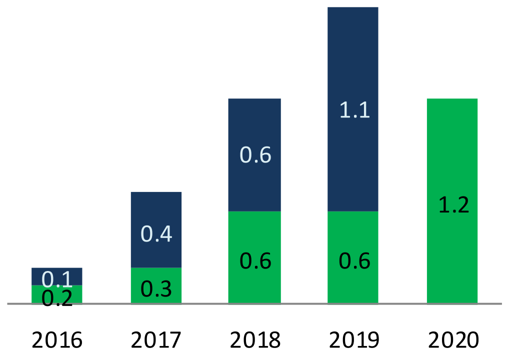
- Online retail business complements our first opinion practices

**Revenue (£)**




- Revenue growth of 37.4% compared to H1 2019
- Driven by a continued increase in
  - Unique customer numbers (+33.8% vs prior year)

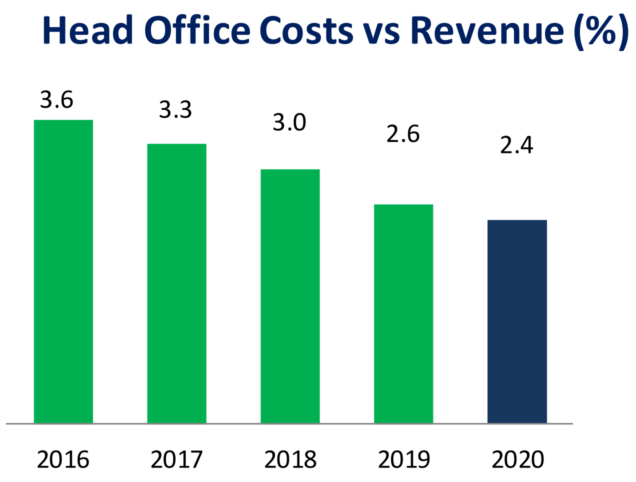
**EBITDA (£)**




- EBITDA increased to £1.2m, 100% above prior year from higher average transaction values
- EBITDA margin increased to 8.5% (2019: 5.5%)

# Head Office Costs

## Continued to obtain efficiencies in Head Office costs in H1 2020, down to 2.4% of Revenue




- Head office costs continue to be closely managed and reduced to 2.4% of revenue in 2020
- Reflects both efficiency improvements and cost savings delivered in H2 2019 followed into H1 2020
- Head Office support to Ireland and Netherlands based practices may evolve in the future with increased scale
  - Towards localised support and away from current reliance on third parties

# Thank You

CVS Group

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