CVS Group plc
Passionate about animal care

Interim Results Presentation

Six months ended 31 December 2022

H1 2023

CEO
Richard Fairman

CFO
Robin Alfonso

COO
Ben Jacklin

Agenda

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1 Introduction

We outlined six key components of our five year ambition at our recent CMD and we are making good progress…

Ambition	H1 2023 Performance
1 **Organic revenue growth** of 4% - 8% per annum	**7.5%** Like-for-like sales growth
2 **Margin expansion** – Adjusted EBITDA margins 19% to 23%	**19.5%** Adjusted EBITDA margin
3 **Investment** in practice facilities and technology to deliver additional organic growth	**£19.9m** Invested in Capex
4 **Acquisitions** subject to disciplined criteria for returns and earnings accretion	**5** Acquisitions completed in H1 2023 and **8** completed YTD
5 Organic **operating cash conversion** of > 70% for the full year	**58.9%** with expectation of 70% for the full year
6 **Leverage** remaining < 2.0x	**0.60x** Leverage

We have continued to deliver sustainable growth, with current trading in line with full year expectations

The veterinary market remains highly resilient with the continued humanisation of pets…

Preventative care remains important to owners[1]:

79% of dogs receive regular booster vaccinations

76% of cats have been microchipped

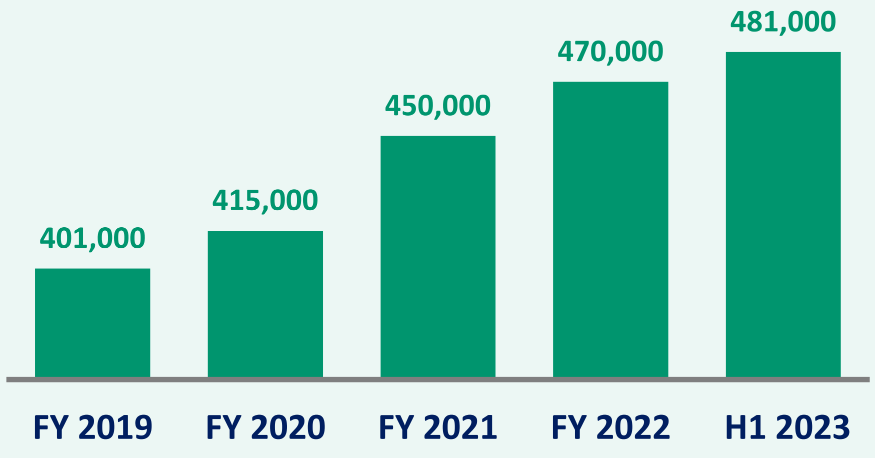
Prescription requests which can be fulfilled externally, as a percentage of active clients, remains minimal

New pet owners are more likely to[1]:

- Have a gross household income of > £50k
- Live in a household of 3+ people
- Live in urban environments
- Be aged between 18 - 44

1 PDSA PAW report 2022

We see sustainable growth in our Healthy Pet Club membership scheme (*c.*40% Active client base):



Healthy Pet Club clients show high levels of retention and provide:

- A client base seeking excellent care
- Robust monthly revenue stream
- Regular contact with our clinical teams

We made five acquisitions in the first half of the year and have completed three in H2 2023 to date…

H1 2023

WerringtonVets …a lifetime of pet care
- Small animal practice in Peterborough acquired Jul '22
- 3 consult rooms and 5 Vets

Woodlands Veterinary Clinic
- Small animal practice in Cheltenham acquired Sep '22
- 2 sites with 4 consult rooms between them and 8 Vets

MARKET CROSS VETERINARY CLINIC
- Small animal practice near Edinburgh acquired Oct '22
- 2 consult rooms and 4 Vets

THE HARROGATE Vet
- Small animal practice in Harrogate acquired Nov '22
- 2 consult rooms and 5 Vets

SEADOWN VETERINARY GROUP *
- Small animal and Equine practice in the Southampton area acquired Nov '22
- 3 sites with 8 consult rooms between them and 19 Vets

H2 2023

Stokewood Vets
- Small animal practice in Bournemouth acquired Jan '23
- 3 consult rooms and 3 Vets

Matt Smith Veterinary Surgery
- Small animal practice in Chesterfield acquired Jan '23
- 3 consult rooms and 5 Vets

Macqueen Veterinary Centre
- Small animal practice in Devizes, Wiltshire acquired Jan '23
- 8 Vets with multiple certificate holders

£24.4m
Consideration for acquisitions **H1 2023**

£10.9m
Consideration for acquisitions **H2 2023 to date**

* CMA formal briefing paper submitted

Our clear strategy for growth remains unchanged…

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

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2 Financial Review

Financial performance in H1 was robust…

	H1 **2023**	H1 **2022**	Variance
Revenue	**£296.3m**	**£273.7m**	**+8.2%**
Like-for-like sales growth[1]	+7.5%	+9.6%	-2.1ppts
Adjusted EBITDA[1]	**£57.8m**	**£52.0m**	**+11.2%**
Adjusted EBITDA Margin[1]	19.5%	19.0%	+0.5ppts
Free cash flow	£23.5m	£19.4m	+£4.1m
Net bank borrowings	£57.6m	£63.2m	-£5.6m
Operating cash conversion	58.9%	54.0%	+4.9ppts
Leverage[1]	0.60x	0.76x	-0.16x
Adjusted EPS[1]	**45.6p**	**41.5p**	**+4.1p**
Capital expenditure	£19.9m	£10.6m	+£9.3m
Consideration for acquisitions[2]	£24.4m	£0.4m	+£24.0m

- **Strong +7.5% like-for-like sales** growth demonstrating sustained client demand
- **Adjusted EBITDA growth** of +11.2% despite inflationary pressures. Forecast full-year adjusted EBITDA margin of *c.*19%
- **Full-year cash conversion** forecasted to be in line with CMD ambition
- **Good operating cash generation** has enabled us to increase investment for future growth whilst maintaining leverage below 1.0x
- **Capital expenditure increase** reflects our stated ambition to invest for further growth
- **Five UK acquisitions** completed in the period for £24.4m consideration, with strengthened pipeline

[1] Financial measures are defined on slide 31
[2] Excludes the acquisition of Quality Pet Care Ltd in the prior year

Robust growth in top-line revenue demonstrates continued resilience of our high-quality joined-up care…

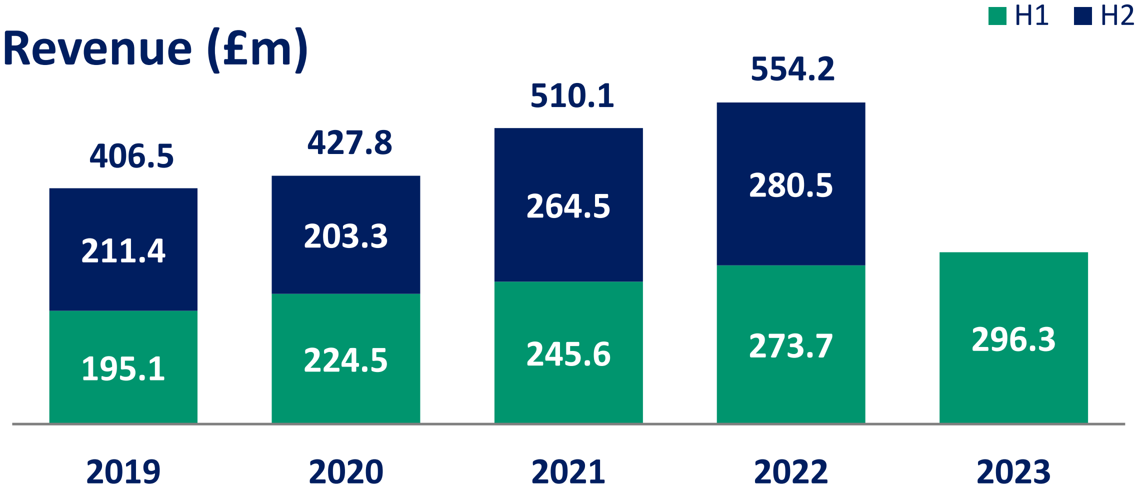
Continued revenue growth

- H1 2023 revenue of £296.3m up 8.2% from £273.7m
- Our strategy continues to deliver strong LFL sales growth of +7.5% (H1 2022: +9.6%) which is at the upper end of our ambition as set out at the Capital Markets Day

Underlying growth across all divisions

- **Veterinary practices** benefitting from:
  - Increased Vets and Nurses
  - Continued growth of Healthy Pet Club scheme
  - Continued focus on high-quality clinical care
- **Laboratories** increase as a result of increased volumes
- **Crematoria** reflecting continued growth from our Direct Pet Cremations project
- **Online Retail Business** benefitting from increasing transaction values

Revenue (£m)



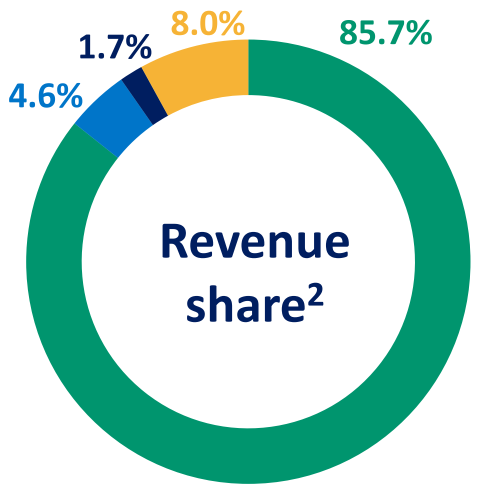
Revenue Growth[1]

+8.2% Veterinary Practices

+7.2% Laboratories

+11.0% Crematoria

+7.8% Online Retail Business



Note:
[1] Versus H1 2022
[2] Revenue percentages stated gross of intercompany elimination

Adjusted EBITDA growth continues, notwithstanding inflationary headwinds…

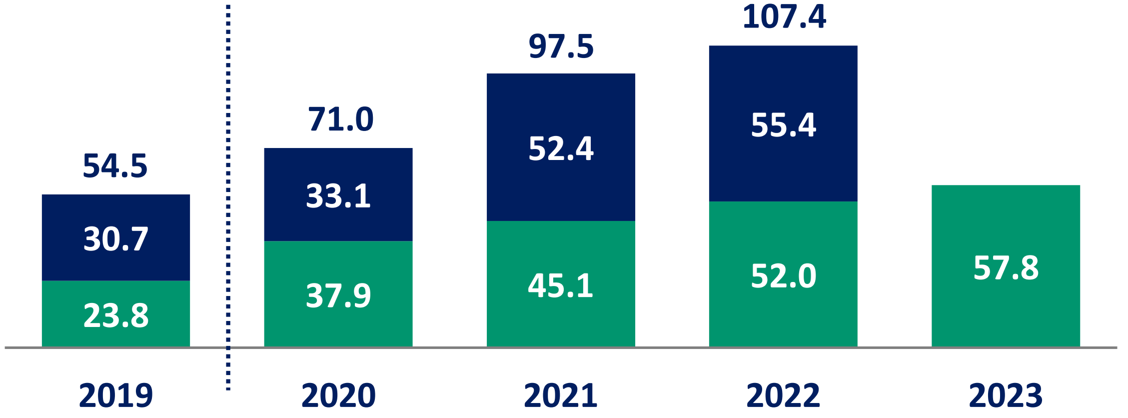
Double-digit adjusted EBITDA growth

- H1 2023 revenue +8.2% to £296.3m
- Adjusted EBITDA margin improvement of +0.5ppts to 19.5% (H1 2022: 19.0%)
- H1 2023 adjusted EBITDA +11.2% to £57.8m (H1 2022: £52.0m)
- Fuel costs impacting Crematoria division
- Investment in marketing impacting Online Retail

Adjusted EBITDA margin improvement

- Gross margin stated before clinical staff costs improved to 77.5% (H1 2022: 77.1%)
- Employment cost as a percentage of revenue increased to 51.9% (H1 2022: 50.4%)
  - additional investment to support our colleagues in the delivery of revenue growth, including in our support functions
  - the Group employed on average 5.0% more veterinary surgeons vs. December 2021
- Other costs as a percentage of revenue flat at 7.9% (H1 2022: 8.0%)

Adjusted EBITDA (£m)[1]



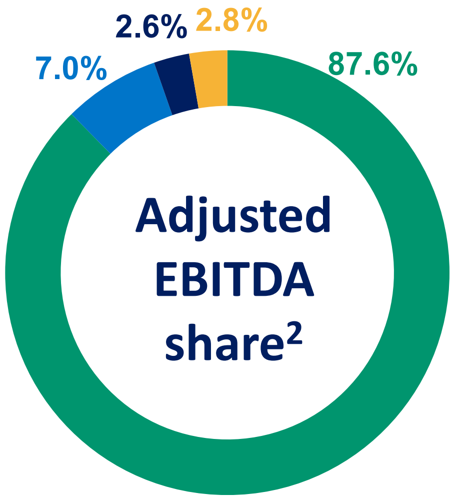
Adjusted EBITDA Growth (£m)

+6.3% Veterinary Practices

+9.1% Laboratories

-6.3% Crematoria

+0.0% Online Retail Business



Note:
[1] 2019 based on pre IFRS 16 numbers
[2] Divisional EBITDA growth before head office costs

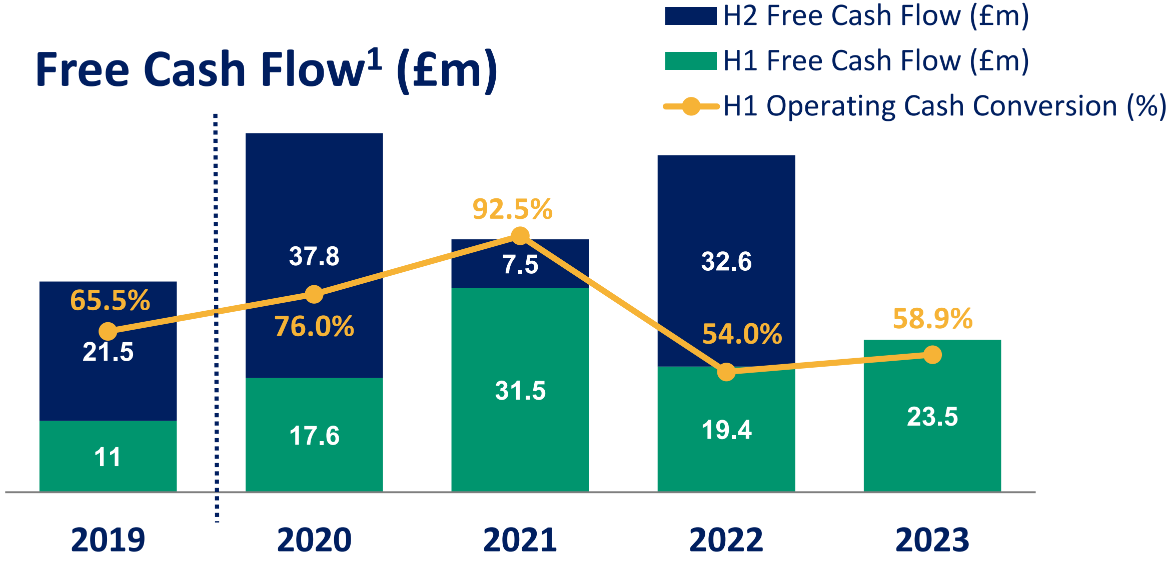
High cash generation continues with increased free cash flow…

Free Cash Flow Generation

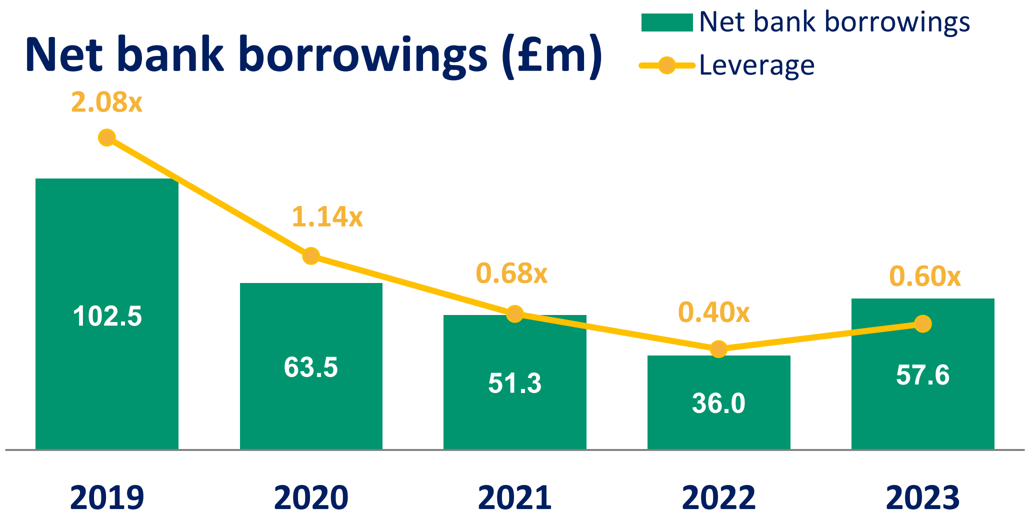
- Free cash flow increased to £23.5m benefitting from:
  - Adjusted EBITDA increase of £5.8m
  - Increase in operating cash conversion to 58.9%
- Operating cash conversion in H1 impacted by bonus payments and a stock increase
- Full-year operating cash conversion forecasted to be >70%, in line with capital markets day ambition

Net cash flow

- Net cash outflow of £21.6m (H1 2022: £11.9m) includes:
  - £14.9m (H1 2022: £6.9m) of investment capital expenditure
  - £24.4m (H1 2022: £0.4m) consideration for acquisitions
  - £5.0m (H1 2022 : £4.6m) dividend payment
- Net bank borrowings increased to £57.6m from £36.0m at FY22
- Leverage increased to 0.60x from 0.40x at FY22



[1] 2019 based on pre IFRS 16 numbers



Funding in place to support our 5 year growth ambition, as set our in our Capital Markets Day…

- Debt facilities re-financed, increasing available funds to **£350m** from £170m
  - £87.5m term loan
  - £262.5m revolving credit facility
- **4 year term** to February 2027, with **optional 1 year extension**
- Same margin and improved commercial terms with increased flexibility to **support our growth ambitions**
- **Covenants remain unchanged** with maximum leverage of 3.25x and interest cover no less than 4.5x
- We continue to target **longer-term leverage below 2.0x** as set out at our CMD

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£350 Million

Revolving Credit Facility & Term Loan

Syndicated

February 2023

NatWest, HSBC, AIB, Barclays, J.P.Morgan, Lloyds Bank, Virgin Money, Danske Bank

We will continue to be disciplined in the use of available cash and in the deployment of capital...

EBITDA growth and Operating Cash Conversion > 70%

Growing Free Cash Flow

Investment Capex / Greenfield
***c.*£30m - £50m pa**

UK and International M&A
> £50m pa subject to timing

Shareholder returns:
Progressive Dividend policy

Leverage < 2.0x

Disciplined Investment
IRR of > c.10%

Adjusted EBITDA multiple
circa. 10x

3 Strategic and Operational Update

We continue to find ways to support our colleagues…

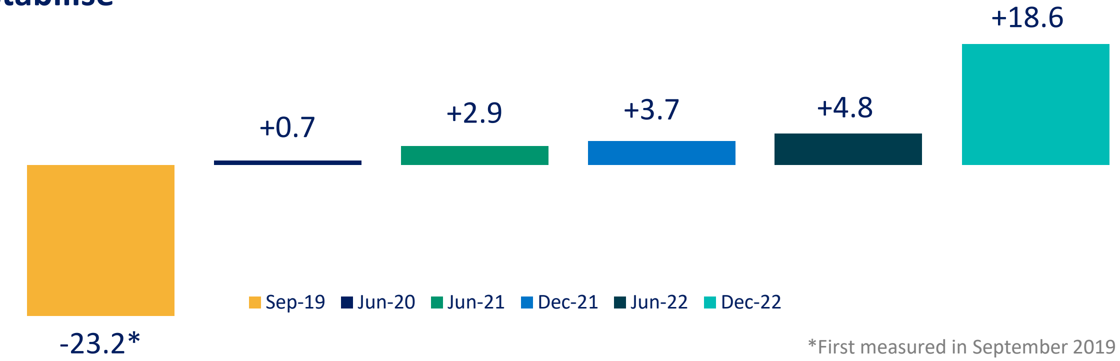
STRATEGIC PILLAR 2 - **We are a great place to work and have a career**

- Significant improvement in our colleague satisfaction measured by our Employee Net Promoter Score
- The number of clinicians we employ has continued to grow
- We have introduced a range of new benefits:
  - Private medical insurance
  - Healthcare cash plan
  - Life insurance
  - Critical illness insurance
  - International Save-As-You-Earn, at 20% discount to share price
  - New policies for health-related events and experiences, gender transition, fertility, pregnancy loss and support for next of kin

+5.0%
More Vets Employed

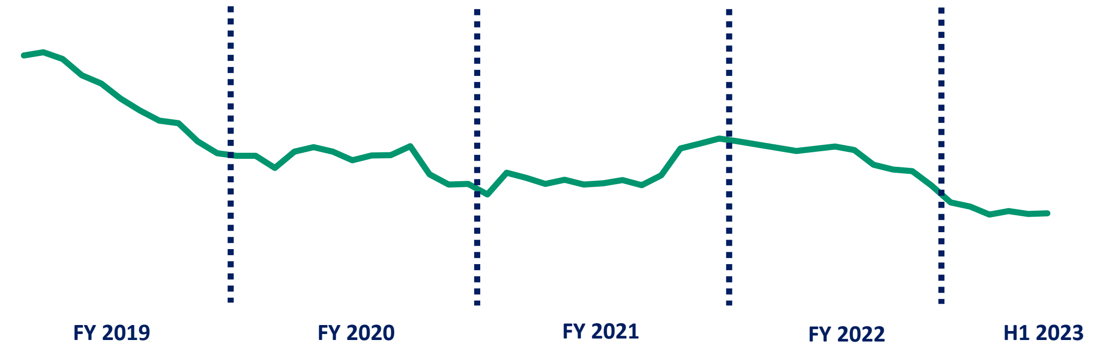
+10.5%
More Nurses Employed

Employee Net Promoter Score significant improvement and expected to stabilise



*First measured in September 2019

Attrition continues to fall



We are investing positively in our existing sites and in new Greenfield…

STRATEGIC PILLAR 3 - **We provide great facilities and equipment**

Strategic Opportunity in Refurbishments and Relocations

- Greenfield companion animal veterinary practice in Southport opened December 2022 with two further sites in the pipeline for FY 2023
- Greenfield sites provide the opportunity to create exceptional spaces designed around our colleagues' and clients' needs
- Bristol Vet Specialists set to open in Spring 2023
- Potential to expand network across further sites

£19.9m

H1 2023 Capex

1

Greenfield
opened in H1 2023, and **two planned for H2 2023**

13

Completed refurbishments and relocations in H1 2023

We continue to expand through selective acquisitions…

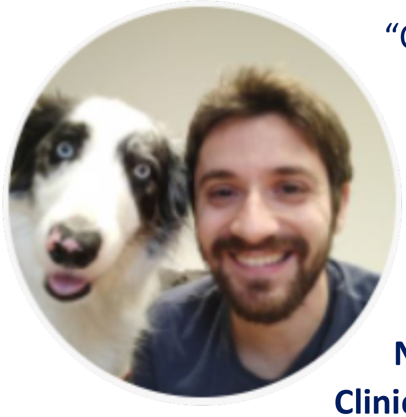
STRATEGIC PILLAR 3 - **We provide great facilities and equipment**

Our accelerated acquisition focus

- The CMA review has provided a helpful roadmap to UK acquisitions.
- Our proactive approach with the CMA provides reassurance of no local competition issues
- Well-equipped practices conducive to great clinical care
- Eight acquisitions completed YTD with a strengthened pipeline

Werrington Vets

- Modern, purpose-built veterinary practice
- Four consulting rooms, separate cat and dog wards and walk-in kennels
- Gold standard cat friendly clinic
- 19 colleagues



"CVS are highly experienced in the acquisition process and promised there would be minimal disruption to the running of the practice, and they were true to their word."

Nikos Pallas, former owner and Clinical Director

WerringtonVets
...a lifetime of pet care

Our ambition is to enter a new territory in the next 12 months….

STRATEGIC PILLAR 3 - **We provide great facilities and equipment**

Source: Internal estimates

	Market Size	No. of practices	Consolidation	Veterinary labour market	Regulation	Multiples
Spain	*c.*€1.1bn	6k	*c.*4%	No shortage	Some	Moderate
France	*c.*€2.8bn	8k	*c.*5%	Similar to UK	Moderate	Higher for platform
Germany	*c.*€3.0bn	10k	*c.*2%	Similar to UK	Moderate	Moderate
Australia	*c.*€3.6bn	4k	*c.*9%	Similar to UK	Similar to UK	Lower / moderate

- Targets identified and due diligence in progress
- Preference to enter through individual selective acquisitions at appropriate valuations to achieve scale and penetration
- Existing management exploring new territories and where appropriate on the ground expertise appointed

We continue to find ways to support our colleagues…

STRATEGIC PILLAR 4 – **We take our responsibilities seriously**

Improve Veterinary Practice
In partnership with VetNurse.co.uk and VetSurgeon.org

Membership | CPD | InFocus | News | Official Vet | Community

News

CVS launches new ECC training programme

The new ECCelerate course by CVS aims to help deliver the best possible outcomes for every emergency case whether the present during the day or night

CVS Group @CVSGroupPlc · Oct 11, 2022
Our glittering CVS Awards ceremony took place on Friday night. Congratulations to all of our stars for the outstanding contributions they have made to caring for animals across our small animal, farm, equine, referral, laboratory and crematoria company. #cvsgroup

CVS staff split £2.3m windfall from share option scheme

Hundreds of staff set to receive payout after company's share price more than doubled during the programme.

Allister Webb | February 01, 2023 — vet times

"We are thrilled that so many colleagues will benefit from their efforts in delivering growth in CVS. Our success is driven by our outstanding team of vets, veterinary nurses and receptionists doing exceptional work across the UK, and joining SAYE gives them the opportunity to share in the company's success."
Helen Finney, HR Director

Vetlife + Follow
625 followers
1mo • Edited

We're delighted that CVS Group Plc has kindly donated £20k to #Vetlife. Thank you for your generous contribution which will help to fund our three vital support services 💚

CVS Inspire

CVS to increase company sick pay for staff

The group will offer up to eight weeks' full pay in exceptional health event circumstances, and changes will also apply to major surgery as part of a gender transition in "veterinary industry first".

Paul Imrie | February 02, 2023 — vet times

4 Outlook

CVS is in a strong position to deliver further growth…

- ✓ Favourable market with clients seeking high-quality veterinary care
- ✓ Fully-integrated veterinary model focused on joined up veterinary care
- ✓ Dedicated and passionate team of colleagues
- ✓ Cash generative with strengthened balance sheet
- ✓ Strong management team

We have made a positive start to FY23

- LFL revenue growth of **7.5%** (5 year ambition 4% - 8%)
- Adjusted EBITDA margin of **19.5%** (5 year ambition 19% - 23%)
- Increased investment in support of organic growth, with **£19.9m** of capital expenditure
- Eight acquisitions YTD with combined consideration of £35.3m
- One new greenfield site
- Investment in our people, with improved colleague engagement and reduced attrition
- Successful refinancing and extension of bank facilities
- Trading YTD remains in line with full-year expectations

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Any Questions?

5 Appendix

Our Integrated Model is Key to Delivery of High Standards of Care…

- First-opinion practices provide first class primary care to our clients and their animals
- We adopt an evidenced-based clinically-driven approach to the provision of high-quality care
- We focus on preventative care through our HPC scheme – this ensures issues are identified and addressed early
- MiNight Vet out-of-hours practices ensure 24/7 joined up care
- Laboratories provide diagnostic tests and desk-top analysers in support of our primary care teams
- Our referral specialists provide multi-disciplinary care for the more complex and urgent cases
- Crematoria provide clinical waste disposal services and a compassionate end of life cremation service

Clients benefit from this high quality, joined-up care

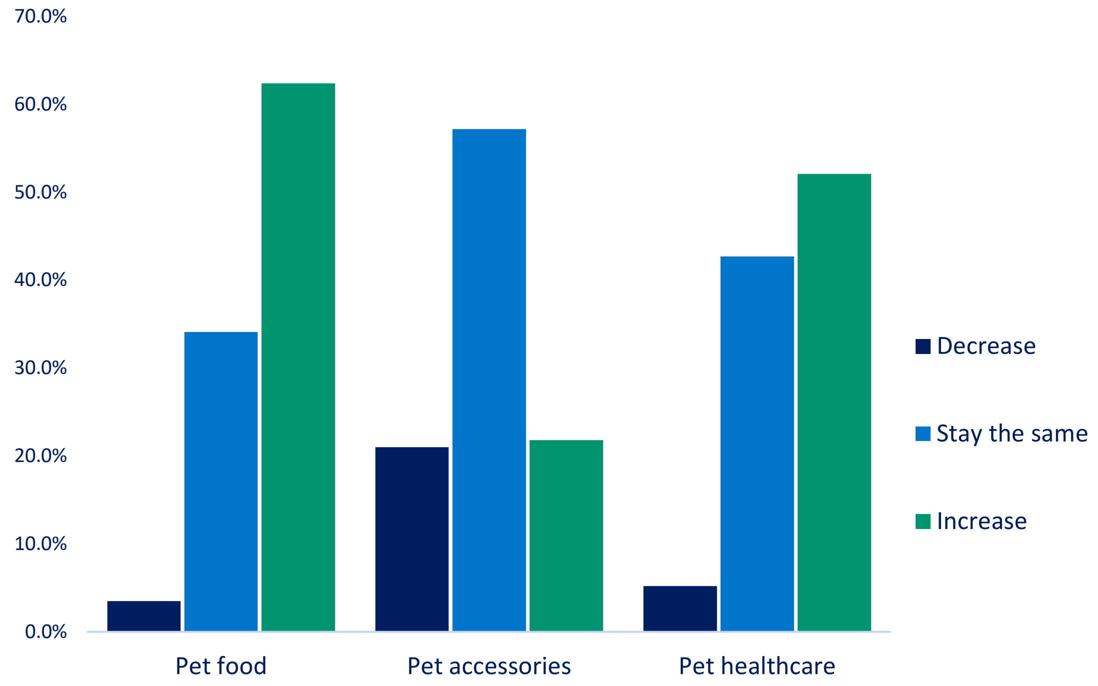
Our clients value our high-quality care

Our Purpose - To provide the best possible care to animals

Our Vision - To be the veterinary company people most want to work for

Only 5.8% of pet owners said veterinary care was an area they would consider reducing spend in the event of a recession

The vast majority of clients expect their spend on veterinary care to stay the same or increase over the next two years



*CVS client survey, August 2022.
Electronic survey submitted to CVS registered clients, sent to 2000 clients in total with a 23% response rate

Doing the right thing, in the right way

Our ESG strategy is aligned with our four strategic pillars, and the UN's Sustainability Development Goals

Reducing our carbon emissions

- Developing consumption management policies and user awareness.
- Targeted capital expenditure with a focus on energy-saving measures.
- Enhancement of construction, maintenance and property leasing activities.

Our waste strategy: reduce, reuse, recycle

- Improving waste segregation.
- Developing accurate reporting and benchmarking of key waste streams.
- Trialling reusable and recyclable products in our practices.

One Health: our wider impact

- Researching and developing procedures to reduce the impact of:
  - Parasiticides
  - Antimicrobial resistance
  - Nitrous oxide use in anaesthesia
- Preparing for the launch of RCVS Sustainability Awards in June 2023.

Care at our Heart

People development

- Creating industry-leading apprenticeship training.
- Supporting our nurses to have great careers.
- Developing our miniCVS work experience and engagement outreach package.

Wellbeing

- Empowering our teams to improve wellbeing through effective leadership.
- Training leaders to promote wellbeing and manage stress.
- Provide, promote and engage colleagues with wellbeing resources, support and training.

EDI

- Gathering workforce diversity data.
- Implementing training to promote psychological safety and inclusion.
- Developing diverse talent through candidate monitoring, social mobility and schools outreach.

Adjusted EBITDA, Adjusted PBT and Adjusted EPS

Reconciliation of adjusted EBITDA (£m)	H1 2023	H1 2022	MVT	FY 2022
Adjusted EBITDA*	**57.8**	**52.0**	**5.8**	**107.4**
Adjusted for:				
Finance expense	(3.5)	(3.4)	(0.1)	(6.8)
Depreciation	(13.2)	(12.4)	(0.8)	(25.1)
Amortisation of intangible assets	(11.3)	(11.3)	-	(22.2)
Costs relating to business combinations	(1.8)	(2.0)	0.2	(4.9)
Exceptional items	-	-	-	(12.4)
Profit before tax	**28.0**	**22.9**	**5.1**	**36.0**
Amortisation of intangible assets	11.3	11.3	-	22.2
Costs relating to business combinations	1.8	2.0	(0.2)	4.9
Exceptional items	-	-	-	12.4
Adjusted profit before tax*	**41.1**	**36.2**	**4.9**	**75.5**
Tax on adjusted profit	(8.6)	(6.8)	(1.8)	(14.6)
Adjusted profit after tax	32.5	29.4	3.1	60.9
Weighted average number of shares (No.)	71,215,385	70,839,356	376,029	70,926,977
Adjusted earnings per share* (p)	**45.6**	**41.5**	**4.1**	**85.8**

* Financial measures are defined on slide 31

Cash Generation

Summary	H1 2023	H1 2022	MVT	FY 2022
Adjusted EBITDA*	57.8	52.0	5.8	107.4
Working Capital Movements	(12.2)	(13.8)	1.6	(14.0)
Deferred Consideration Payments	(0.1)	(0.3)	0.2	(0.3)
Capital Expenditure – Maintenance	(5.0)	(3.7)	(1.3)	(10.8)
Repayment of Right-of-use Liabilities	(6.5)	(6.1)	(0.4)	(12.7)
Operating Cash Flow	**34.0**	**28.1**	**5.9**	**69.6**
Operating Cash Conversion (%)	58.9%	54.0%	+4.9ppts	64.8%
Taxation Paid	(7.2)	(5.5)	(1.7)	(11.2)
Net Interest Paid	(3.3)	(3.2)	(0.1)	(6.4)
Free Cash Flow	**23.5**	**19.4**	**4.1**	**52.0**
Capital Expenditure – Investment	(14.9)	(6.9)	(8.0)	(13.7)
Acquisitions/Other Investments – Investment	(24.4)	(20.1)	(4.3)	(20.8)
Dividend	(5.0)	(4.6)	(0.4)	(4.6)
Other financing activities	(0.8)	0.3	(1.1)	2.4
Net (Outflow) / Inflow	**(21.6)**	**(11.9)**	**(9.7)**	**15.3**
Net Bank Borrowings*	(57.6)	(63.2)	5.6	(36.0)

* Financial measures are defined on slide 31

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 income tax is calculated as profit before amortisation, taxation, costs relating to business combinations, and exceptional items.

Adjusted earnings per share is calculated as adjusted profit before tax less applicable taxation divided by the weighted average number of Ordinary shares in issue 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.

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Thank You

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