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MARKET RELEASE

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EBOS reports solid first half growth in Underlying earnings

First half Highlights

- Underlying EBITDA A$131.4 million (up 4.0%)
- Underlying NPAT A$72.7 million (up 4.0%)
- Underlying Earnings per Share growth of A47.8 cents (up 4.0%)
- Interim dividend declared of NZ34.5 cents per share (up 4.5%)
- Signed contract with Chemist Warehouse Group (CWG) for the exclusive wholesale distribution of pharmaceutical products to more than 450 Chemist Warehouse and My Chemist stores in Australia from 1 July 2019.
- Opened our new world-class, highly automated pharmaceutical Distribution Centre in Brisbane and commenced operations at our new Contract Logistics facility in Sydney.
- Completed several strategic acquisitions during the period for a total investment of $92.5 million including:
    - The acquisition of all minority shares in Terry White Group (TWG).
    - The acquisition of Warner & Webster, a medical & surgical supplies wholesaler servicing Victoria and South Australia.
    - The acquisition of Therapon, a Victorian based Veterinary distribution business.
    - The acquisition of Quitnits, a leading, trusted head lice products business in Australia.

Group Financial Summary

Australian Dollars[1]	Statutory Results	Underlying Results[2]
Total Revenue	$ 3.5b	$ 3.5b, down 2.7%
EBITDA	$122.6m	$131.4m, up 4.0%
EBIT	$107.3m	$116.1m, up 5.1%
Net Profit after Tax (NPAT)	$67.0m	$72.7m, up 4.0%
Earnings per Share (EPS)	44.1 cents	47.8 cents, up 4.0%

[1] *All amounts included are denoted in Australian dollars unless otherwise stated.*
[2] *Underlying results are non-GAAP measures that EBOS believes are appropriate to understanding its business and financial performance and exclude one-off items. Refer to Appendix 1 for more detail of these items.*

EBOS Group Limited (EBOS) today announced solid growth in underlying earnings for the first half of FY19.

Chief Executive Officer, John Cullity said that the Animal Care segment had proven to be the Group's lead performer during the half.

"Our Animal Care segment had another strong trading period which reflects the strength of our key brands Black Hawk and Vitapet.

"Black Hawk recorded double digit revenue growth in both Australia and New Zealand and is now well established as one of the region's leading premium pet food brands.

"Our Healthcare business also performed well notwithstanding the softer trading performance in our Australian pharmacy wholesale business due to the combined impact of PBS reforms and general market dynamics.

"These dynamics make our investment in the new Brisbane facility all the more important. This investment will lead to further gains in productivity and position the business to benefit from the extra volumes generated by the CWG contract, which will materially add to earnings from FY20.

"The half was also highlighted by several strategic acquisitions as we continue to build our Healthcare and Animal Care businesses. The total value of first half investments was $92.5 million and included a move to 100% ownership of Terry White Group (TWG) along with another three small-to-medium sized bolt on acquisitions", Mr Cullity said.

Segment Overview

Healthcare

Healthcare A$	31 December 2018	Growth
Total Revenue	$3.3 billion	-3.0%
Underlying EBITDA[1]	$112.7 million	+3.0%

[1] *Refer to Appendix 1 for details of one-off items incurred*

The Healthcare segment generated a 3.0% increase in Underlying EBITDA for the period, underpinned by solid growth from both our Australian and New Zealand business units.

In Australia, Healthcare revenue declined by $161m (-5.9%), however excluding the impact of the reduction in hepatitis C sales and the impact of PBS price reforms, revenue growth was +3.8%. Underlying EBITDA increased 3.0% driven by the performance of our Institutional Healthcare, Retail Pharmacy and Contract Logistics businesses.

New Zealand Healthcare operations delivered a solid performance over the period with revenue increasing 8.4% and underlying EBITDA increasing 2.9% with revenue growth across all NZ business units. This was partially offset by higher labour and freight cost inflation which impacted earnings.

Revenue growth in Community Pharmacy excluding the impact of lower Hepatitis C sales and PBS reforms was +1.8%.

Commenting on the regulatory environment; Mr Cullity said "We are pleased with the Australian Government's recent decision to maintain the Community Service Obligations (CSO) strict service standards and reporting obligations as these were essential in providing the community with access to medicines in accordance with the National Medicines Policy. Importantly, the updated CSO Deeds prevent distributors from undertaking new exclusive-direct distribution arrangements and participating in the CSO.

However, falling medicine prices, rising operational costs across the industry and a failure to fully resolve the issue of equal access for the distribution of PBS medicines have had an impact on our performance".

EBOS, together with other members of the National Pharmaceutical Services Association (NPSA), continues to actively engage with the Federal Government and Minister for Health with respect to addressing these matters.

EBOS maintained its position in both the Australian and New Zealand Institutional Healthcare markets, delivering further earnings growth. The Group's recent acquisition of Warner & Webster further improves our position in the medical consumables market.

The Group's Consumer Products division recorded revenue growth of 9.6%, principally driven by Red Seal's continued strong performance in both domestic and international markets, and sales from our recently acquired Gran's Remedy brand. We continued our portfolio expansion with the recent acquisition of Quitnits, a leading and trusted head lice brand principally sold into the Australian grocery market.

Animal Care

Animal Care A$	31 December 2018	Growth
Total Revenue	$192.3 million	+1.4%
EBITDA	$24.3 million	+9.6%

The Animal Care segment recorded very strong EBITDA growth of 9.6% for the period as the business continues to benefit from the excellent performance of our branded products. First-half Black Hawk sales increased 23% with strong growth achieved across both Australia and New Zealand. Black Hawk remains one of Australia and New Zealand's fastest growing premium pet food brands with a leading market position in the pet specialty retail channel.

Total Animal Care revenue growth of 1.4% was impacted by a decline in our Lyppard wholesale business as a result of one manufacturer's decision to bypass the wholesale channel. Lyppard strengthened its market position during the period with the acquisition of Therapon, a Victorian based veterinary wholesale business.

One off Costs

The Group's statutory results were negatively impacted by $8.8 million relating to costs associated with M&A, rationalising warehousing facilities and employee redundancy costs, partially offset by the gain on sale of surplus property.

Operating Cash Flow, Net Debt and Return on Capital Employed

First half operating cash flow before capital expenditure was solid at $40.3 million. The first half cash performance reflects the seasonality of the Group's investment in net working capital at 31 December and a further reduction in the cash benefit of the Group's hepatitis C business.

Capital expenditure for the period was $16.9 million and primarily comprised final payments on the new distribution facility in Brisbane.

During the period, the Group outlaid $92.5 million on the acquisitions of TWG, Warner & Webster, Therapon and Quitnits. As a result of these investments the Group's Net Debt/EBITDA ratio at 31 December 2018 increased to 2.16x.

Return on Capital Employed (ROCE) of 16.1% declined marginally from June 2018 (-0.2%) due to the higher investment in net working capital.

Interim Dividend

The Directors are pleased to announce an interim dividend of NZ34.5 cents per share. This represents an increase of 4.5% on the prior corresponding period.

The Directors are also pleased to announce that the Dividend Reinvestment Plan (DRP) will be reinstated for the upcoming interim dividend. Shareholders can elect to take shares in lieu of a dividend at a discount of 2.5% to the volume weighted average price (VWAP).

The record date for the dividend will be 15 March 2019 and the dividend will be paid on 5 April 2019. The interim dividend will again be imputed to 25% for New Zealand tax resident shareholders and will be fully franked for Australian tax resident shareholders.

Outlook

EBOS Group has recorded a positive start for the first half of the financial year, with strong growth in Animal care and subdued growth in Healthcare attributable to the general market environment and the impact of PBS reforms.

On the basis of our current trading performance, we expect the Group to generate full year underlying earnings growth in FY19 with further growth forecast into FY20 as we commence servicing the Chemist Warehouse contract volumes.

For further information, please contact:

Media:
New Zealand
Geoff Senescall, Senescall Akers
+64 21 481 234

Investor Relations:
Mark Connell
Investor Relations Manager, EBOS Group Ltd
+61 402 995 519

Australia:
James Aanensen
PRX
+61 410 518 590

Financial Results Presentation webcast link:

https://edge.media-server.com/m6/p/k9zcd52j

About EBOS Group

EBOS Group Limited NZBN 9429031998840 (NZX/ASX Code: EBO) is the largest and most diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products. It is also a leading Australasian animal care brand owner, product marketer and distributor.

EBOS GROUP LIMITED

Appendix 1 – Reconciliation of Statutory and Underlying results

	H1 FY19		H1 FY18	
A$m	EBITDA	NPAT	EBITDA	NPAT
Statutory result	**122.6**	**67.0**	**126.3**	**69.9**
Deduct				
Profit on sale of surplus property	(2.9)	(2.4)	-	-
Add back				
Transition costs for major new warehouses and Restructuring costs	6.9	4.7	-	-
Transaction costs incurred on M&A	4.9	3.3	-	-
Net of One-off items	8.8	5.6	-	-
Underlying result [1]	**131.4**	**72.7**	**126.3**	**69.9**