



# Annual Results Presentation for the year ended 30 June 2020

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CVS Group plc

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# CVS Overview and Core Strengths

Strong fundamentals and a growth platform upon which to deliver sustainable returns

## Integrated Model

CVS is a leading integrated veterinary services provider in the UK with first opinion practices, referral hospitals, laboratories, crematoria, buying groups and Animed Direct, an online pharmaceutical retailer

## Resilient Sector

Highly attractive veterinary sector has proven resilient in past economic downturns and has also recovered strongly following the initial COVID-19 lockdown restrictions

## Robust Revenue Streams

Persistent income: over 40% of our small animal clients are members of our Healthy Pet Club, ensuing high levels of preventative medicine compliance and bonding customers to our practices

## 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 480 veterinary practices leading to buying synergies. Integrated model, scale and expertise provide significant competitive advantages

## Excellent Clinical Standards

CVS prides itself on delivering the highest clinical care and outcomes. The Group's clinical standards are under continuous development with 159 RCVS Practice Standard Outstanding Awards for clinical excellence

## Cash Generative

Highly cash generative with operating cash conversion of 95.6% of Adjusted EBITDA<sup>1</sup> and 'free cash flow' of over 59.6% of Adjusted EBITDA<sup>1</sup> in FY 2020

## Low Leverage

Significant headroom in bank covenants  
As at 30 June 2020, leverage at 1.14x (covenant: <3.25x) and interest cover at 19.3x (covenant: >4.5x)

<sup>1</sup> Adjusted EBITDA (pre IFRS 16)

# CVS Overview and Core Strengths (continued)

Operating in an attractive market with favourable and enduring medium term consumer trends

## Sizeable market

£5.0bn+ Estimated UK pet care market in 2019 with c10.0% estimated growth in the UK<sup>1</sup>. Encouraging signs of increased demand for pets as a result of the recent lockdown restrictions, with breeders increasing prices and rehoming centres reporting increased demand

## Humanisation of Pets

Pet owners on average spend a minimum of £70 per month<sup>2</sup> on their pets. Increasingly, pets are treated as family members with owners willing to spend more on premium care

## Medical Advancements

Advances in veterinary care resulting in more complex treatments, which, as seen in human health, leads to increased life expectancy. Improvements in technology have also advanced the offering of telemedicine and remote specialist diagnostics

## Insurance Cover

Insurance penetration remains strong in the UK, with market premiums of £1.2bn<sup>3</sup>

## Increased online food shopping

Demand for online food increased as a result of lockdown and this trend has continued – this helped drive further uplift in Animed Direct sales which increased by 37.8% over the prior year

<sup>1</sup> Euromonitor International, December 2019

<sup>2</sup> [www.pdsa.org.uk/media/7420/2019-paw-report\\_downloadable.pdf](http://www.pdsa.org.uk/media/7420/2019-paw-report_downloadable.pdf)

<sup>3</sup> ABI data



# Key Highlights

CVS is well placed for future success, notwithstanding COVID-19 disruption

## Strong first 8 months

- CVS Like-for-like revenue growth of 7.9%, driven by a focus on Patient Care Index
- CVS Increased Referrals revenue +23.6% YOY through increased number of specialists and higher referral volumes

## Actions in response to COVID-19

- CVS Timely action taken to minimise client disruption, limit the financial impact of COVID-19 and preserve cash
- CVS Outstanding commitment and sacrifices from our dedicated employees
- CVS Strong recovery post initial lockdown with revenues at or above pre-COVID-19 levels by year end

## Management and Control Enhancements

- CVS Reshaped Board with Richard Fairman as CEO, Robin Alfonso and Ben Jacklin as CFO and COO respectively
- CVS Richard Gray recruited as an additional non-executive director
- CVS Enhanced management controls, improved board reporting and suite of daily KPIs

## Successful Facilities Extension

- CVS Successful (Jan 2020) renewal and extension of £170m of non-amortising bank facilities to January 2024
- CVS Financial covenants unchanged and continue to be measured on pre-IFRS 16 GAAP

## Disciplined Acquisitions

- CVS Four small animal practice acquisitions completed in FY20, all for multiples below 10x
- CVS All acquisitions performed at or above business plan prior to COVID-19 lockdown

## Reduced Clinical Vacancies

- CVS Vet vacancy rate reduced to 6.9% (FY19: 9.1%)
- CVS Employment costs reduced to 49.9% of sales (FY19: 50.9%)

## Strong Balance Sheet

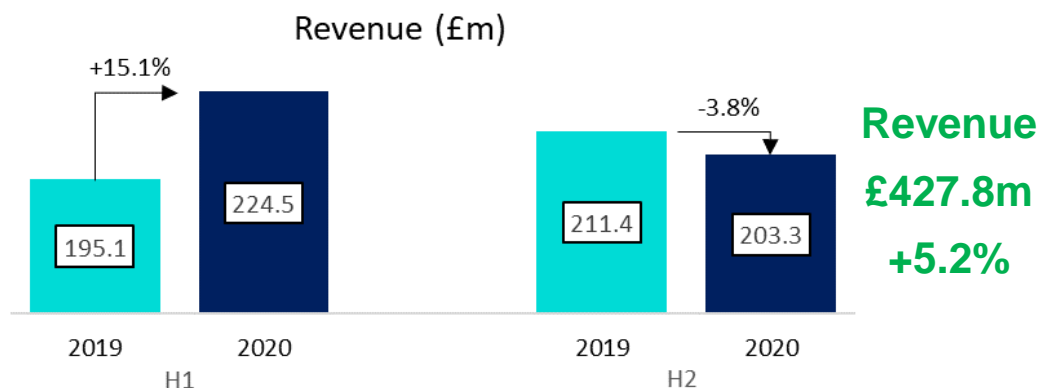
- CVS Strong cash generation, significant headroom in financial covenants and reduced leverage
- CVS Strong platform to provide protection from future COVID-19 disruption, and to fund investment in growth



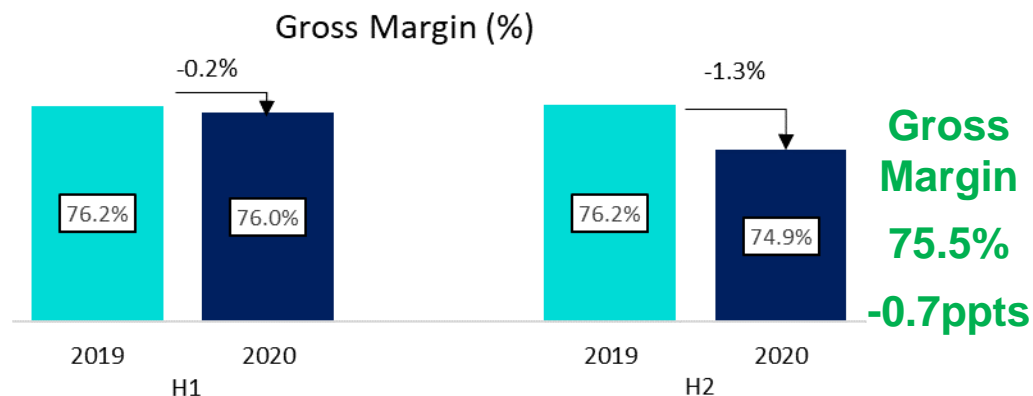
# Financial Update

# FY 2020 Financial Highlights: Revenue and Gross Margin

Year on year revenue growth despite impact of COVID-19 and lockdown due to strong performance in the first 8 months and faster than anticipated recovery of revenue to pre COVID-19 levels



- CVS H1 revenue +£29.4m versus prior year. Like-for-like\* (“LFL”) revenue growth of +8.4% (H119: +4.1%) driven by strong performance across all divisions. LFL revenue growth for the first 8 months was +7.9% (FY19 5.0%)
- CVS H2 revenue -£8.1m versus prior year. LFL revenue shrunk -6.9% (H219: +6.4%) impacted by COVID-19 and lockdown in the final quarter
- CVS Full year revenue of £427.8m (2019: £406.5m) was +£21.3m / +5.2% versus prior year. Full year LFL revenue growth was +0.7% (2019:+5.2%)

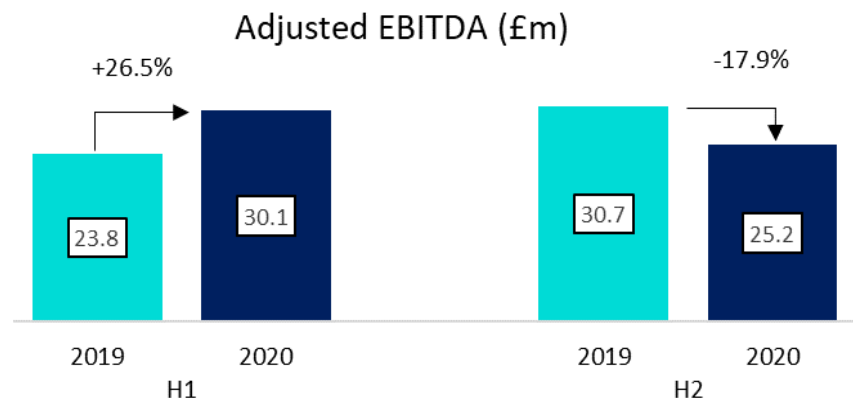


- CVS H1 gross margin -0.2ppts versus prior year impacted by increase in mix of lower margin Farm and Animal revenue, partially offset by improvement in Small Animal margin
- CVS H2 gross margin -1.3ppts versus prior year impacted by:
  - Change in mix with an increase in mix of lower margin Farm and Animal revenue (impacted less by COVID-19 and lockdown)
  - Healthy Pet Club (“HPC”) revenue deferral of c. £6m
- CVS Full year gross margin of 75.5% down -0.7ppts (2019: 76.2%)



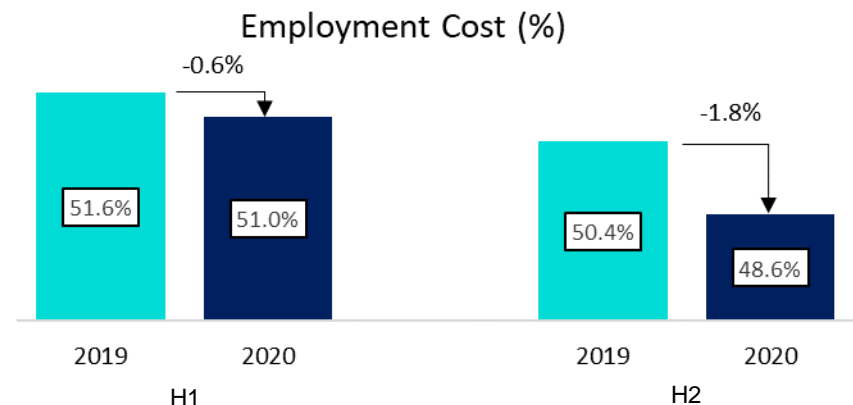
# FY 2020 Financial Highlights: Adjusted EBITDA & Employment cost (%)

Year on year EBITDA growth despite COVID-19 / lockdown due to strong first 8 months, faster than anticipated recovery of revenue and access to government support



Adjusted  
EBITDA  
£55.3m  
+1.5%

- CVS H1 EBITDA +£6.3m reflects growth in underlying revenue
- CVS H2 EBITDA -£5.5m:
  - Reduction in revenue due to COVID-19; partially offset by
  - Access to Coronavirus Job Retention Scheme ("CJRS") grant claim of £8.2m with no top up in salaries from 80%
- CVS Full year Adjusted EBITDA<sup>1</sup> of £55.3m (2019: £54.5m) was +£0.8m / +1.5% versus prior year

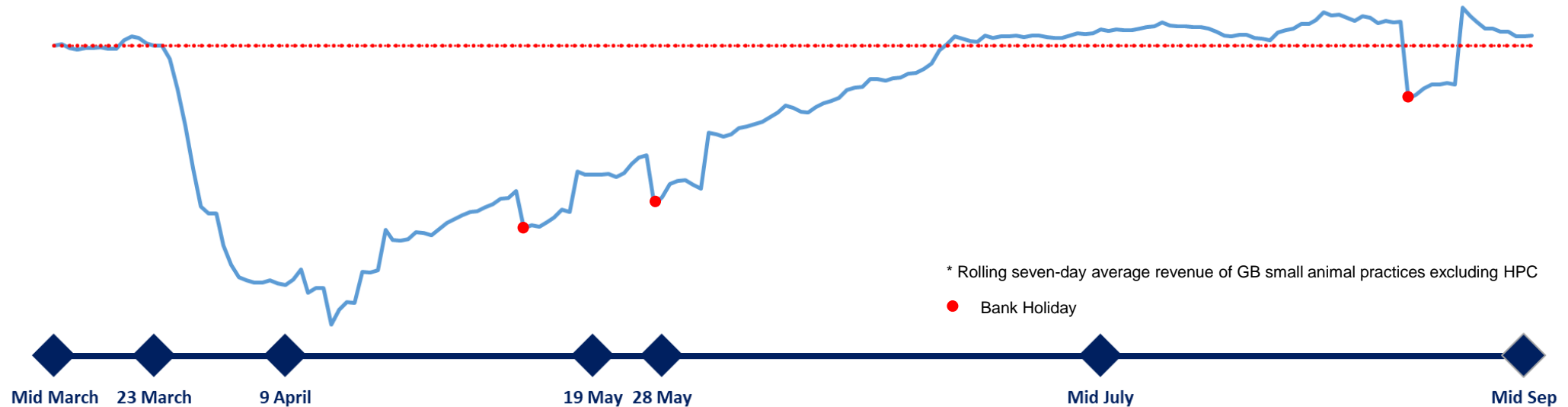


Employment  
Cost  
49.9%  
-1.0ppts

- CVS H1 employment cost (%) -0.6ppts reflects above inflation revenue growth with employment costs increasing in line with inflation
- CVS H2 employment cost (%) -1.8ppts reflects actions taken during COVID-19 and lockdown which include:
  - Access to CJRS with over half of all employees on furlough
  - Reduction in use of locums
  - Temporary salary reductions and non accrual of bonuses
- CVS Full year employment cost (%) of 49.9% (2019: 50.9%) -1.0ppts

# COVID-19: Revenue Impact

Revenue\* was initially severely impacted by initial lockdown prompting immediate action; revenue subsequently recovered faster than anticipated to above pre COVID-19 levels



- 1) Mid March 2020 saw the early stages of pandemic impacts in UK, Netherlands and Ireland
- 2) On 23 March 2020, RCVS and BVA issued guidance restricting small animal practices to the provision of urgent and emergency care only. RCVS temporarily relaxed remote prescribing rules
- 3) On 9 April 2020, RCVS issued new guidance allowing some vaccination and neutering procedures to be performed
- 4) On 19 May 2020, RCVS issued revised guidance, removing reference to consider whether treatment could wait for two months and not cause patient welfare issues
- 5) On 28 May 2020, BVA issued updated guidance in light of RCVS flowchart change with intention to “support veterinary practices to make the transition ..... to providing a more normal range of veterinary services...”
- 6) By Mid July, we were able to provide a full range of services, and take steps to get back to normal ways of working whilst maintaining social distancing and other measures to ensure the health and safety of our employees, clients and other visitors to our sites

# COVID-19: Actions taken and current operating environment

We took appropriate action in order to protect the company and our people

## ***Protect the business***

- Temporarily closed 50% of practice sites, one third by capacity
- Furloughed significant number of nurse and admin staff
- Launched teleconsultations under new regulatory guidelines
- Developed new suite of daily KPIs and provided regular updates to executive committee and board to ensure rapid decision making

## ***Preserve cash***

- Accessed government VAT deferral of c. £15m
- Accessed the Coronavirus Job Retention Scheme
- Reduction in locum usage and temporary suspension of recruitment
- Cessation of non-essential capex, travel and other discretionary spend

## ***Promote Health, Safety and wellbeing***

- Mental health and wellbeing promoted
- Evolving health & safety advice monitored and applied
- Use of PPE including perspex screens, masks and hand sanitisers
- Handover of animals undertaken outside of practice, reducing contact
- Home working implemented where possible

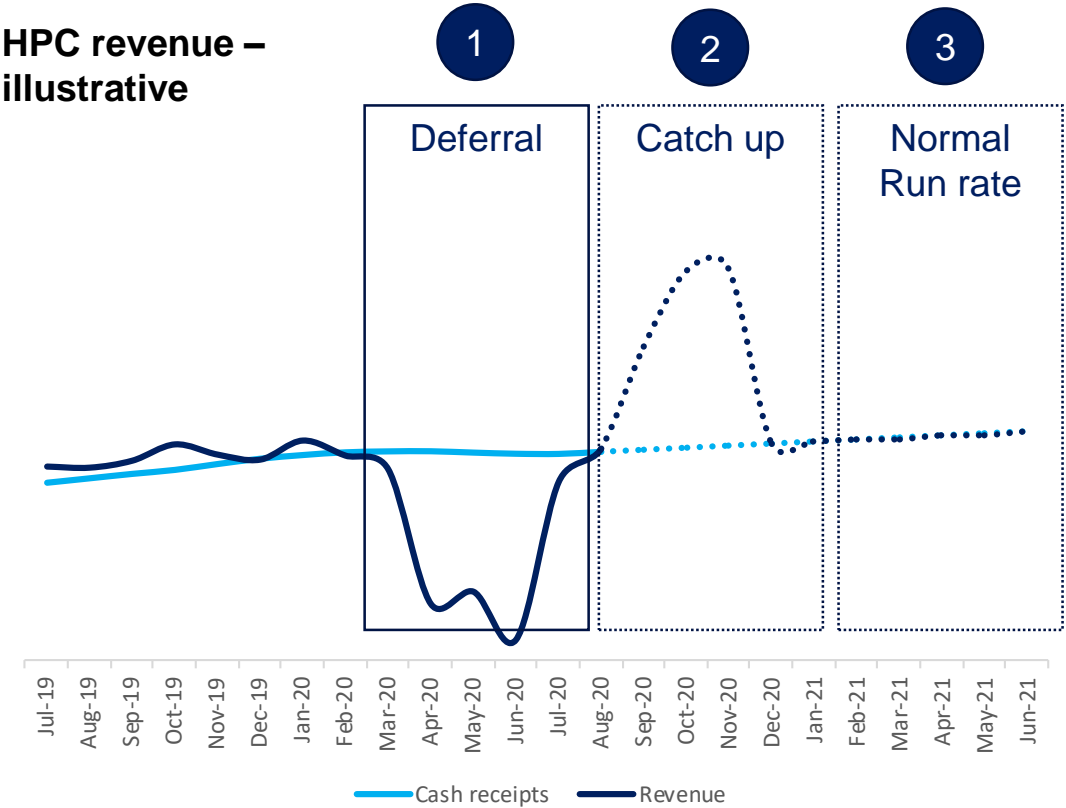
## ***Current operating Environment***

- All employees un-furloughed and returned to work with Health, Safety and wellbeing a priority
- Trialling clients returning into practices with appropriate PPE
- Revenue returned to Pre-COVID lockdown levels

# COVID-19: HPC revenue deferral

Due to COVID-19 restrictions we were unable to fully service performance obligations under HPC contracts. Although there was no cash flow impact it did result in a deferral of revenue recognition from FY20 into FY21

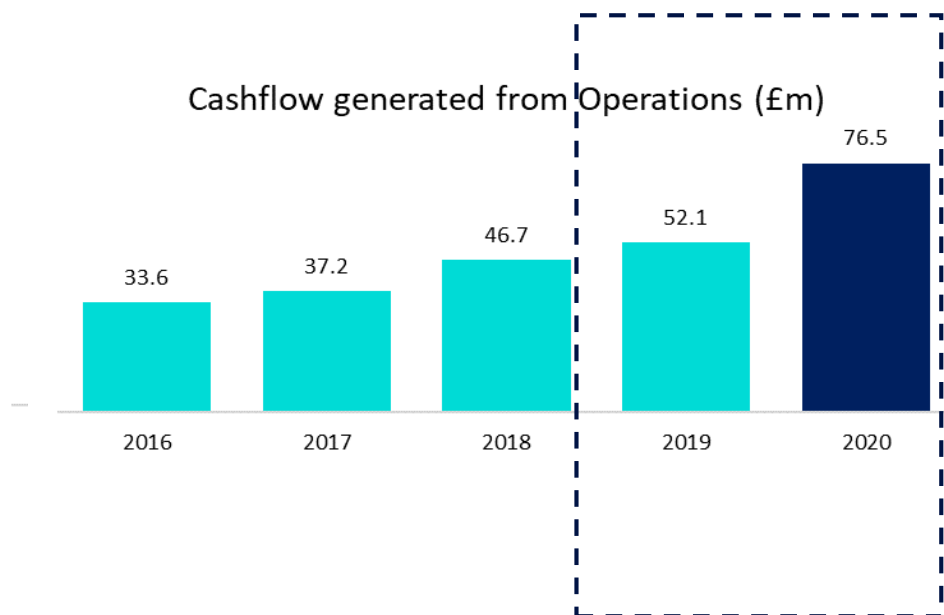
## HPC revenue – illustrative



- 1** Following COVID-19 lockdown and guidance from RCVS and BVA restricting what services could be provided we were unable to service the performance obligations as outlined within HPC contracts  
Although there was no impact on cash flows the recognition of the associated revenue was deferred in line with our policy and accepted accounting principles
- 2** Post year end we are catching up on the delayed performance obligations. Over time the impact on revenue is nil. However, the impact on the 2020 financial year is an overall reduction in revenue of c. £6m and the impact on the 2021 financial year will be a corresponding increase of up to c. £6m in revenue
- 3** Once the delayed performance obligations have been completed revenue is expected to return to the normal run rate broadly in line with cash flows

# Group Update: Cash generation

We remained cash generative despite COVID-19 lockdown with free cash flow increasing by +70.5% versus prior year due to actions taken



Free Cash Flow (£m)	FY 2019	FY 2020	MVT
<b>Adjusted EBITDA</b>	<b>54.5</b>	<b>55.3</b>	<b>0.8</b>
Working Capital Movements	1.4	23.2	21.8
Deferred consideration payments	(3.8)	(2.0)	1.8
<b>Cashflow generated from Operations</b>	<b>52.1</b>	<b>76.5</b>	<b>24.4</b>
<i>Cash generated from Operations (%)</i>	95.6%	138.3%	42.7%
Capital Expenditure - Maintenance	(8.9)	(8.7)	0.2
<b>Business Operating Cash Flow</b>	<b>43.2</b>	<b>67.8</b>	<b>24.6</b>
<i>Business Operating Cash Conversion (%)</i>	79.3%	122.6%	43.3%
Taxation paid	(7.3)	(9.5)	(2.2)
Net Interest paid	(3.4)	(2.9)	0.5
<b>Free Cash flow</b>	<b>32.5</b>	<b>55.4</b>	<b>22.9</b>

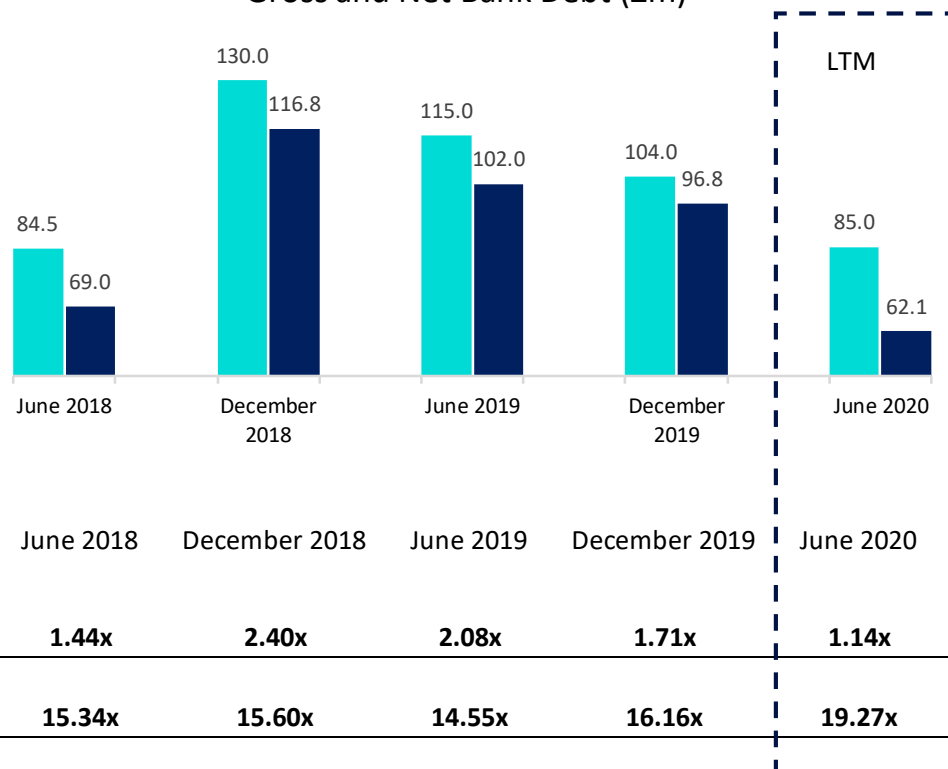
- Continued strong Cash Flow generated from Operations in 2020 +£24.4m versus prior year benefitting from working capital improvements and:
  - Government support VAT and taxes deferral
  - Deferral in recognising cash received from HPC customers in revenue
- Tax paid increased due to 6 payments made in FY20 in line with HMRC payment on account reform
- Free Cash Flow increased to £55.4m, +70.5% versus prior year



# Group Update: Balance sheet

Actions taken and faster than anticipated revenue recovery have resulted in the balance sheet strengthening, with leverage reducing to 1.14x at 30 June 2020

Gross and Net Bank Debt (£m)<sup>1</sup>



Leverage<sup>2</sup>

1.44x      2.40x      2.08x      1.71x      1.14x

Interest Cover<sup>3</sup>

15.34x      15.60x      14.55x      16.16x      19.27x



Facilities renewal in January extending non-amortising bank facilities through to January 2024, totalling £175.0m:

- Term Loan £85.0m
- RCF £85.0m (currently undrawn)
- Overdraft £5.0m
- Facility is GAAP Frozen (i.e. prior to IFRS 16)



Leverage of 1.14x at 30 June 2020 (30 June 2019: 2.08x)



The covenants remained unchanged:

- EBITDA ratio must not exceed 3.25x
- Interest ratio must not be less than 4.5x

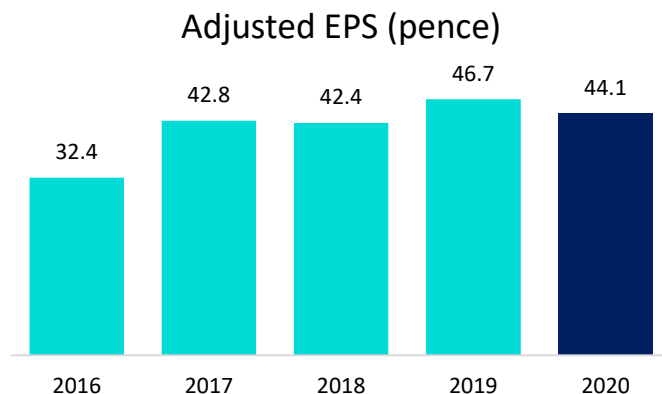
<sup>1</sup> Left and right hand bars respectively

<sup>2</sup> Net Debt / Adjusted annualised EBITDA

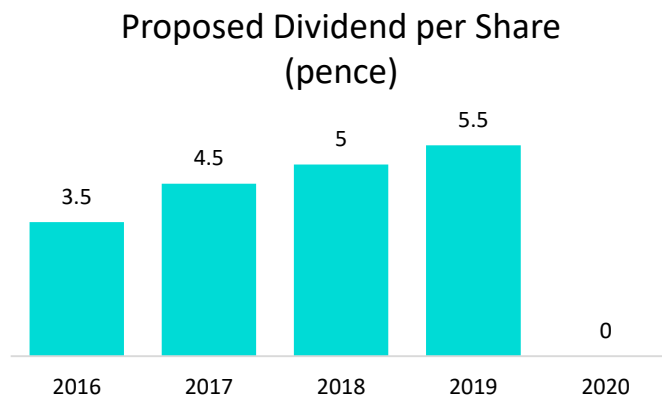
<sup>3</sup> Adjusted annualised EBITDA / Net Interest

# Group Update: Shareholder Returns

Having utilised available government support, no final dividend is proposed



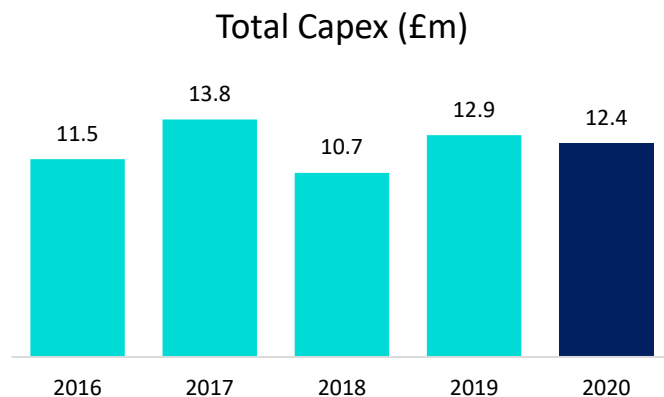
- CVS Adjusted EPS has decreased on the prior year by -5.6% to 44.1p due to:
- EBITDA growth (albeit severely impacted by COVID-19 and lockdown); offset by
  - Increase in depreciation reflecting our ongoing investment in our facilities; and
  - Increase in finance costs from a one-off write off following the refinancing in January



- CVS Having utilised available government support, and in line with the approach taken by many other companies, the Board is not proposing the payment of a final dividend
- CVS Our long term intention is to return to a progressive dividend commensurate with the cash generation by, and investment needs of, the business

# Group Update: Capital Expenditure

Continuing investment in our sites to underpin business performance and to deliver future growth. One of our strategic aims is to “provide great facilities and equipment”




- CVS Total Capex of £12.4m in 2020 (2019: £12.9m)
- CVS Capital expenditure was restricted during the height of the pandemic in order to preserve cash and liquidity
- CVS Maintenance Capex of £8.7m (2019: £8.9m):
  - c.£5.2m was spent on replacement / new equipment e.g. cremator, CT scanners and ultrasound scanners. Where equipment is new or upgraded we would expect it to help us deliver increased clinical procedures
  - The remaining c.£3.5m was spent on IT hardware and software including new warehouse management system, vehicles and routine building maintenance
- CVS Investment Capex of £3.7m (2019: £4.0m) including but not limited to:
  - Rosemullion Falmouth Hospital relocation
  - Greenfield site, Northern Ireland Veterinary Services
  - Wetherby contact centre
  - Buttercross relocation
- CVS Ongoing plans - Since the year-end we have committed to a number of projects to improve our facilities to support further revenue and margin growth

# Summary full year results & Impact of IFRS 16 Adoption

IFRS 16 adopted without restating comparatives. Resulting impact of (1) an increase in adjusted EBITDA as operating lease costs are removed, and (2) a decrease in PBT as the finance charge on lease liabilities is higher in early years than in later years (see appendix 2)

Summary	Pre- IFRS 16			Post- IFRS 16	
	2019	2020	Change	2020	Change
Revenue (£m)	406.5	427.8	+21.3	<b>427.8</b>	-
Adjusted EBITDA (£m)*	54.5	55.3	+0.8	<b>71.0</b>	+15.7
Adjusted profit before tax (£m)*	41.4	40.1	-1.3	<b>38.2</b>	-1.9
Adjusted earnings per share (p)*	46.7	44.1	-2.6	<b>42</b>	-2.1
Operating profit (£m)	15.6	16.2	+0.6	<b>18.5</b>	+2.3
Profit before tax (£m)	11.7	11.7	-	<b>9.9</b>	-1.8
Basic earnings per share (p)	11.6	10.0	-1.6	<b>8.1</b>	-1.9

 On 1 July 2019 the Group adopted IFRS 16 'Leases' which replaced IAS 17 'Leases' and became effective for annual periods beginning on or after 1 January 2019

IFRS 16 effectively removes the distinction between finance and operating leases for lessees putting all lease arrangements onto the statement of financial position

On adoption the Group recognised right of use assets and lease liabilities of £107.8m in respect of leased properties, vehicles and equipment

In the income statement the charge for lease rentals, previously included within adjusted EBITDA, is replaced by a finance charge on the lease liability and a depreciation charge in respect of the right-of-use asset

Profit before tax is adversely impacted from the finance charge on lease liabilities being higher in earlier years than in later years

 No impact on bank covenants which are GAAP frozen

\* Adjusted financial measures are defined on page X of the Annual Report and reconciled to the financial measures defined by International Financial Reporting Standards ("IFRS") below and on page X (adjusted profit before tax and adjusted earnings per share).

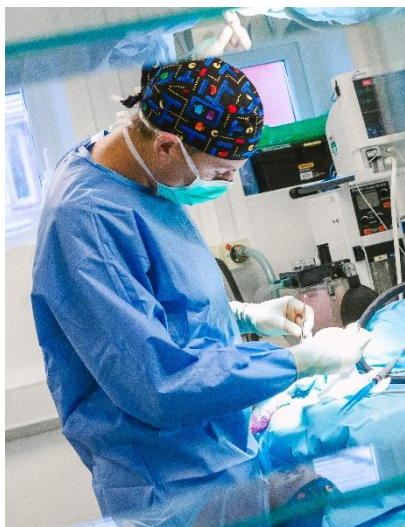


# Divisional updates



# Divisional Updates – Practices

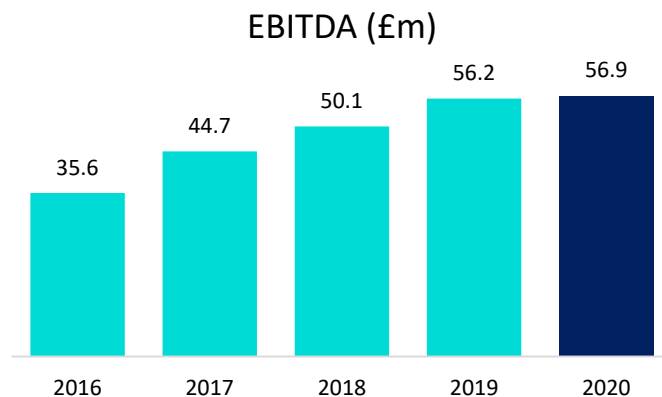
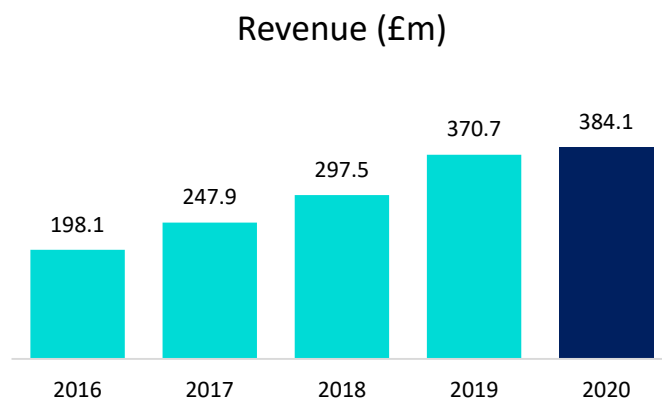
Veterinary practices remain the core of our business



- CVS 480 Surgeries currently, including eight referral hospitals:
  - 449 in the UK
  - 25 in Netherlands
  - 6 in the Republic of Ireland
- CVS We have 1,859 veterinary surgeons including 90 veterinary diploma holders
- CVS We have 2,367 veterinary nurses
- CVS We continue to ensure robust clinical governance standards:
  - We have added quality improvement measures to our existing suite of KPIs to continue our focus on clinical outcomes and to facilitate clinical audits
  - We have created a national team of experienced clinical leaders ('hub clinical leads') to drive best practice, quality improvement, and to mentor and upskill our first opinion vets
  - During COVID-19 lockdown, our veterinary specialists delivered over 50 educational webinars to our first opinion veterinary surgeons to provide continuing professional development – a number of these webinars were also accessed by private practice first opinion veterinary surgeons to build contacts and encourage increased referrals to our specialists

# Divisional Updates – Practices (continued)

Revenue of £384.1m +3.6% vs. prior year

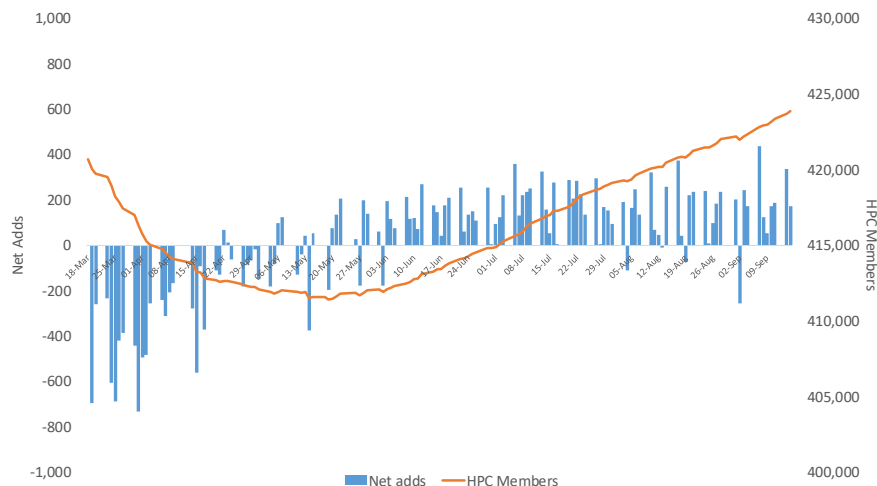
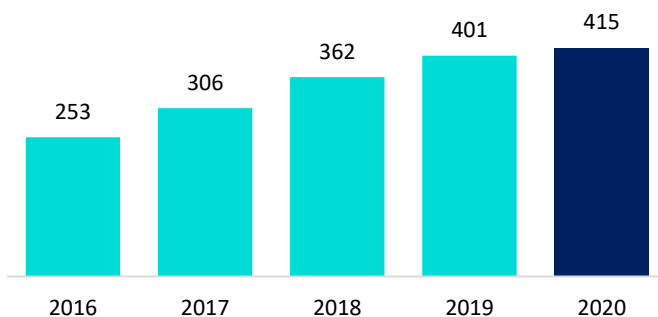


- CVS Like-for-like growth deterioration of 1.2%, due to the temporary closure of a number of practices during the height of the COVID-19 pandemic and the RCVS / BVA guidance restricting procedures in practice to urgent and emergency cases only
- CVS Revenue recovered strongly as restrictions eased and we re-opened practices and un-furloughed colleagues
- CVS Alongside the re-opening of our practices, we took the decision to permanently close 33 sites, the majority of which are small branches of larger practice groups which were either marginal or loss-making
- CVS Expansion of Equicall, Vet Oracle (teleservices) and Ophthalmology services
- CVS New educational partnership now live with Bristol Vet School for equine clinical rotation teaching from this academic year
- CVS Notwithstanding the COVID-19 impact, EBITDA increased by £0.7m (+1.2%)
- CVS EBITDA margin of 14.8% (2019: 15.2%)

# Divisional Updates – Practices (continued)

Continued growth in HPC, our preventative medicine loyalty scheme

Healthy Pet Club members ('000)



- CVS Membership growth of 3.5% in the year
- CVS Preventative medicine scheme promotes wellbeing in our patients and which leads to a stable (predictable) recurring revenue stream
- CVS The Healthy Pet Club remains the leading scheme in the industry, with circa 40% of our small animal active patients as members, and continues to offer the very best in preventative care at great value to our clients and patients.
- CVS During the pandemic, the number of members fell briefly driven by reduced sign-ups in practices as around half the practices were closed. We had returned to growth by 30 June 2020

# Divisional Updates – Practices (continued)

We continue to drive organic growth from a number of initiatives



- CVS 29 out of hours specialist centres providing support services to CVS and third party independent practices
- CVS Seven new sites opened since June 2019



- CVS Opportunity to expand MiPet products:
  - Currently 28% of small animal practice sales
  - Launched two further MiPet products, post year end
  - Equine and Farm product lines launched
- CVS New website for Vet Direct, enhancing user accessibility including live stock availability, live chat and easier re-ordering of favourite items

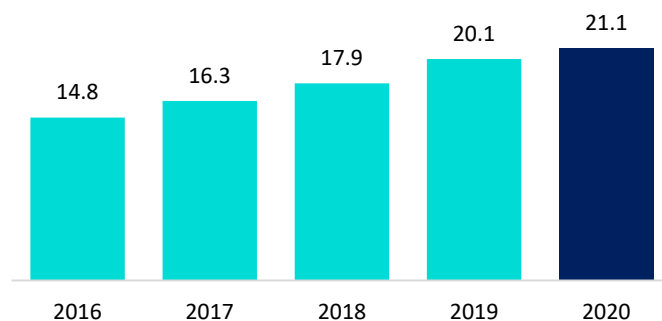


- CVS Increased Referral offering:
  - New Northern Ireland Veterinary Service launched
  - Expansion opportunity planned for Bristol Referrals
- CVS Advanced Clinical Services Network team launched offering Peripatetic Referrals
- CVS Further growth in Vet Oracle, offering teleneurology and teleradiology – integrated image reporting and case management advice service

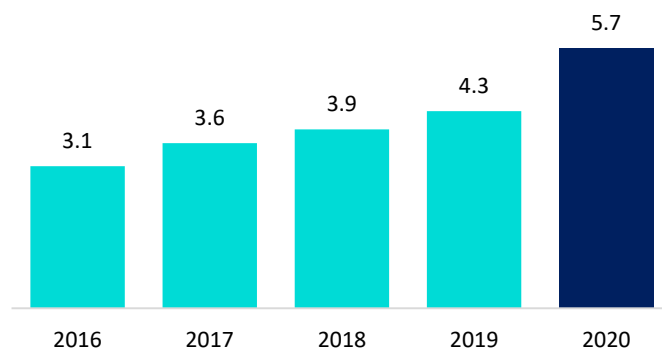
# Divisional Updates – Laboratories

Steady growth in Laboratory Revenue and EBITDA

Revenue (£m)



EBITDA (£m)

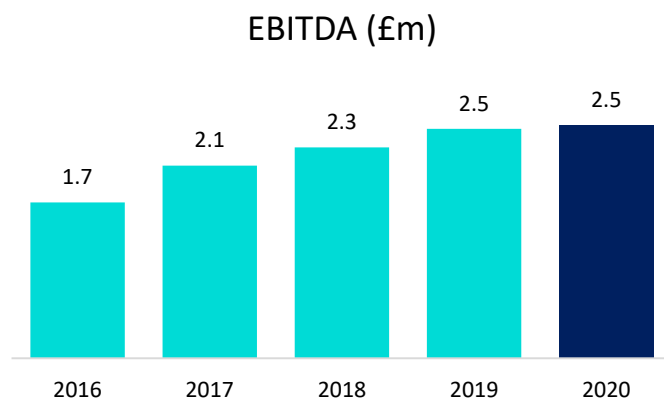
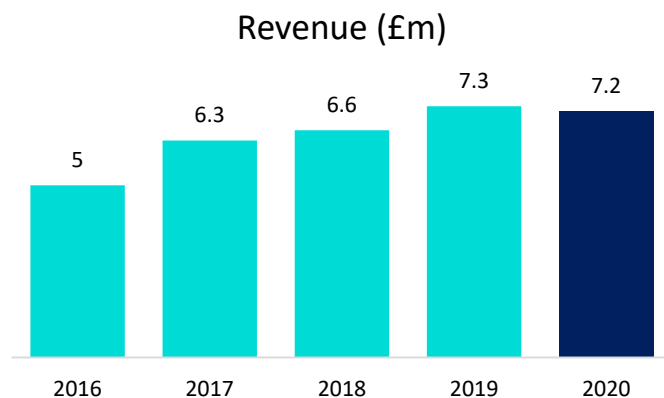


- CVS Revenue growth of 4.5% to £21.1m FY20
- CVS Greendale laboratory closed with work consolidated into our existing network of laboratories. Access to the very best in equipment and expertise continues, whilst enabling operational efficiency improvements
- CVS Post year-end, we have introduced COVID-19 human antigen testing at our Axiom laboratory
- CVS EBITDA growth of 31.4% in the year to £5.7m, driven by improved revenue and marginal improvement in gross margin
- CVS The number of analysers in practices increased
- CVS The number of test samples remained strong despite the impact of COVID-19



# Divisional Updates – Crematoria

Comparable performance with the prior year

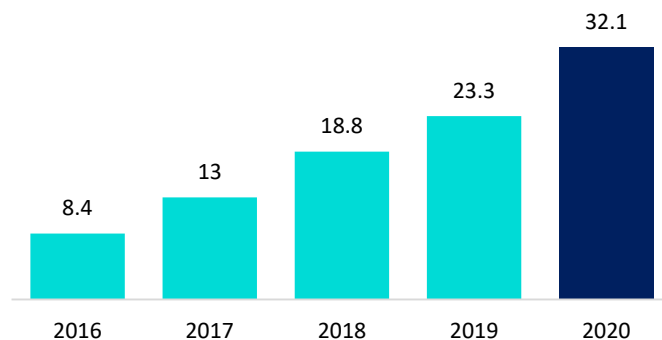


- CVS Revenue declined by £0.1m during the year, principally due to the reduction in clinical waste revenue during COVID-19 and through the planned loss of single key account
- CVS Online shops introduced to drive continued growth in our higher margin individual cremation offering which includes more bespoke client services
- CVS Sales capacity increased with investment and expansion across both small animal and equine
- CVS EBITDA remained stable at £2.5m despite reduction in revenue due to effective cost control

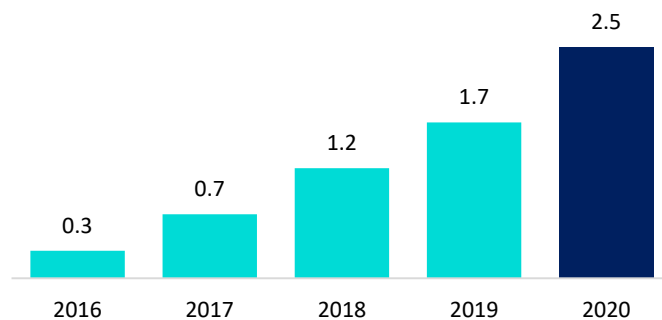
# Divisional Updates – Animed Direct

Revenue growth of 37.8%, EBITDA growth of 47.1%

Revenue (£m)



EBITDA (£m)



- CVS Revenue increased significantly during the year by £8.8m (+37.8%)
  - CVS Increased website visits throughout the year and over the COVID-19 period
  - CVS Website improvements were made during the year
  - CVS New customer service management system introduced which supports our five star Trustpilot rating
- 
- CVS EBITDA increased by £0.8m (+47.1%) driven by increase in revenue and increased EBITDA margin of 0.5ppts to 7.8%



# Platform for future growth

# CVS Business Summary

A resilient business, operating in an attractive market with favourable consumer trends

- CVS Integrated model which brings scale benefits across first opinion, specialist referrals, laboratories and crematoria supported by robust procurement
- CVS New management team with enhanced controls and improved KPIs and internal reporting
- CVS Resilient sector, with strong recovery post initial COVID-19 lockdown driven by robust underlying client demand
- CVS Sizeable market, with strong growth estimates
- CVS Favourable consumer trends with humanisation of pets and increasing customer willingness to spend
- CVS Excellent CVS clinical standards and a commitment to highest levels of clinical care
- CVS Cash generative business with committed non-amortising facilities through to January 2024 and significant headroom in financial covenants
- CVS Strong balance sheet to protect from future COVID-19 disruption and to invest in future growth
- CVS Outstanding team of highly skilled and dedicated employees

# A clear strategy to deliver future growth

We have redefined our purpose, vision and strategy

Our **purpose** is to give the best possible care to animals

Our **vision** is to be the veterinary company people most want to work for

Our **strategy** is set out via the four strategic pillars

**1**

**We recommend and provide the best clinical care every time**

**Strategic objectives**

- > We have a culture of recommending the best possible treatments to our clients
- > We deliver industry-leading clinical training
- > We are committed to evidence-based medicine and have a robust quality improvement framework
- > We ensure our clinicians have access to the right medicines at the right time

**2**

**We are a great place to work and have a career**

**Strategic objectives**

- > We create opportunities for our people to have a diverse and rewarding career
- > We are as flexible as possible in all our roles
- > We have the best leaders in our businesses
- > We offer the best learning, education and development in the profession

**3**

**We provide great facilities and equipment**

**Strategic objectives**

- > We ensure all our practices meet PSS accreditation standards and aspire to achieve RCVS awards
- > We invest in our estate to ensure all our facilities meet an excellent standard
- > We are expanding our network with high quality facilities
- > We develop new ways to serve our clients and our patients

**4**

**We take our responsibilities seriously**

**Strategic objectives**

- > We are making our Company as environmentally sustainable as possible
- > We implement the best levels of health and safety in the profession
- > We prioritise the wellbeing of our people
- > We engage with the veterinary profession and support its interests



# A clear strategy to deliver future growth (continued)

CVS is well positioned to deliver further growth through a focus on clinical care, with investment to support

Organic growth through the provision of best clinical care

- CVS Focus on Patient Care Index to drive clinical care
- CVS Continued development of VetOracle telemedicine
- CVS Ongoing commitment to RCVS practice standards
- CVS Quality Improvement to ensure continuous development

Continued investment in our committed employees

- CVS Industry leading Learning, Education and Development
- CVS Hub Clinical Leads delivering local clinical training
- CVS Recruitment underway for a record number of new graduates

Investment to drive future growth

- CVS Further investment in clinical and practice facilities
- CVS Investment in new specialist referral hospital in Bristol
- CVS New Careline client contact facility opened in Wetherby
- CVS Further acquisitions at sensible multiples

Taking our responsibilities seriously

- CVS Wellbeing and positive mental health support
- CVS Improved liaison with the RCVS and BVA
- CVS Reduced waste and improved recycling
- CVS Enhanced health & safety team and improved monitoring and controls

# FY21 Period to 31 August 2020 YTD

Continuing strong recovery from close of FY20 with trading for the first two months ahead of budget and Adjusted EBITDA ahead of prior year

- CVS Trading post year end continues to build on the faster than anticipated recovery of revenue to pre COVID-19 levels with Revenue YTD £2.7m (3.5%) above prior year – this reflects continued work up of clinical cases and increased referrals
- CVS LFL sales growth in the first 2 months of the year at +3.9% YTD – due to COVID-19 we have deferred our annual price increase so this growth entirely reflects volume and Patient Care Index benefits
- CVS Gross margins improved to 76.4% YTD
- CVS Vet vacancy rate of 7.5% remaining below the prior year level
- CVS EBITDA margin improved to 15.4% YTD
- CVS EBITDA £0.7m (+6.4% vs. prior year) - the HPC revenue deferred from FY20 is yet to be recognised, so this reflects underlying growth
- CVS Continued further cash generation with Leverage further reduced to 0.8x as at 31 August 2020
- CVS This positions us well to withstand the impact of any further COVID-19 disruption and to invest in future growth
- CVS We have an increased pipeline of acquisition opportunities at acceptable multiples



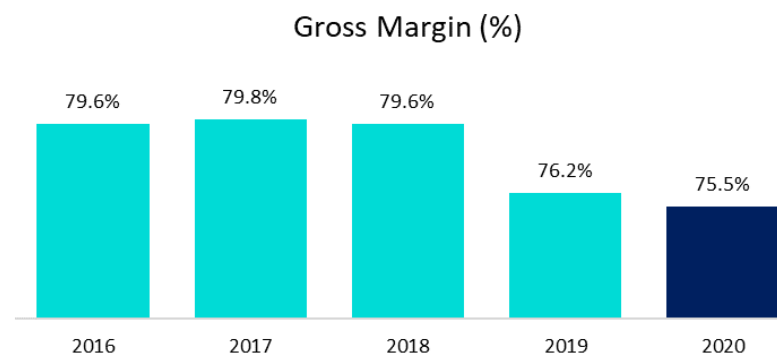
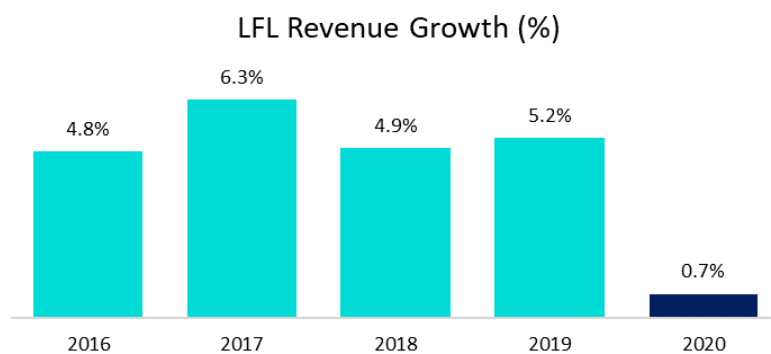
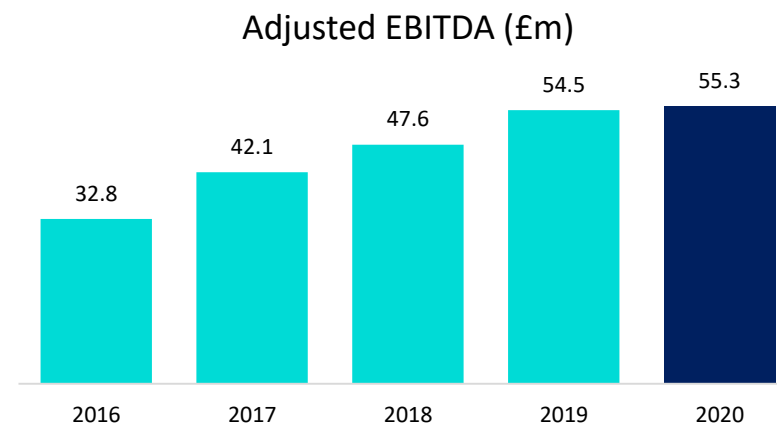
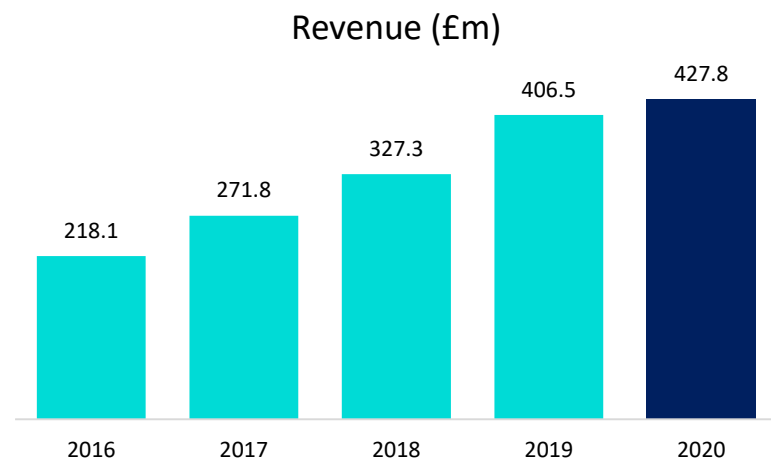
**Any Questions?**



# Appendices

# Appendix 1 – Five year trend

Continued trend of growth in Revenue and EBITDA, notwithstanding COVID-19 disruption



# Appendix 2 – Adjusted EBITDA, Adjusted PBT and Adjusted EPS

Reconciliations of key adjusted numbers are set out below

Reconciliation of adjusted EBITDA (£m)	Pre-IFRS 16 FY 2019	Pre-IFRS 16 FY 2020	Post-IFRS 16 FY 2020	Pre-IFRS 16 MVT
<b>Adjusted EBITDA</b>	<b>54.5</b>	<b>55.3</b>	<b>71.0</b>	<b>0.8</b>
<i>Adjusted for:</i>				
Finance expense	(3.9)	(4.5)	(8.6)	(0.6)
Depreciation	(9.2)	(10.7)	(10.7)	(1.5)
Depreciation of right-of-use assets	-	-	(13.5)	-
Amortisation of intangible assets	(22.2)	(22.2)	(22.2)	-
Costs relating to business combinations	(7.2)	(0.7)	(0.7)	6.5
Exceptional items	(0.3)	(5.5)	(5.4)	(5.2)
<b>Profit before income tax</b>	<b>11.7</b>	<b>11.7</b>	<b>9.9</b>	<b>-</b>
<b>Profit before income tax</b>	<b>11.7</b>	<b>11.7</b>	<b>9.9</b>	<b>-</b>
Amortisation of intangible assets	22.2	22.2	22.2	-
Costs relating to business combinations	7.2	0.7	0.7	(6.5)
Exceptional items	0.3	5.5	5.4	5.2
<b>Adjusted profit before income tax</b>	<b>41.4</b>	<b>40.1</b>	<b>38.2</b>	<b>(1.3)</b>
Tax on adjusted profit	(8.5)	(8.9)	(8.5)	(0.4)
Adjusted profit after income tax	32.9	31.2	29.7	(1.7)
Weighted average number of shares (No.)	70,506,476	70,654,009	70,654,009	147,533
<b>Adjusted earnings per share (p)</b>	<b>46.7</b>	<b>44.1</b>	<b>42.0</b>	<b>(2.6)</b>

## Definitions

**Adjusted EBITDA** is profit before income tax, net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items

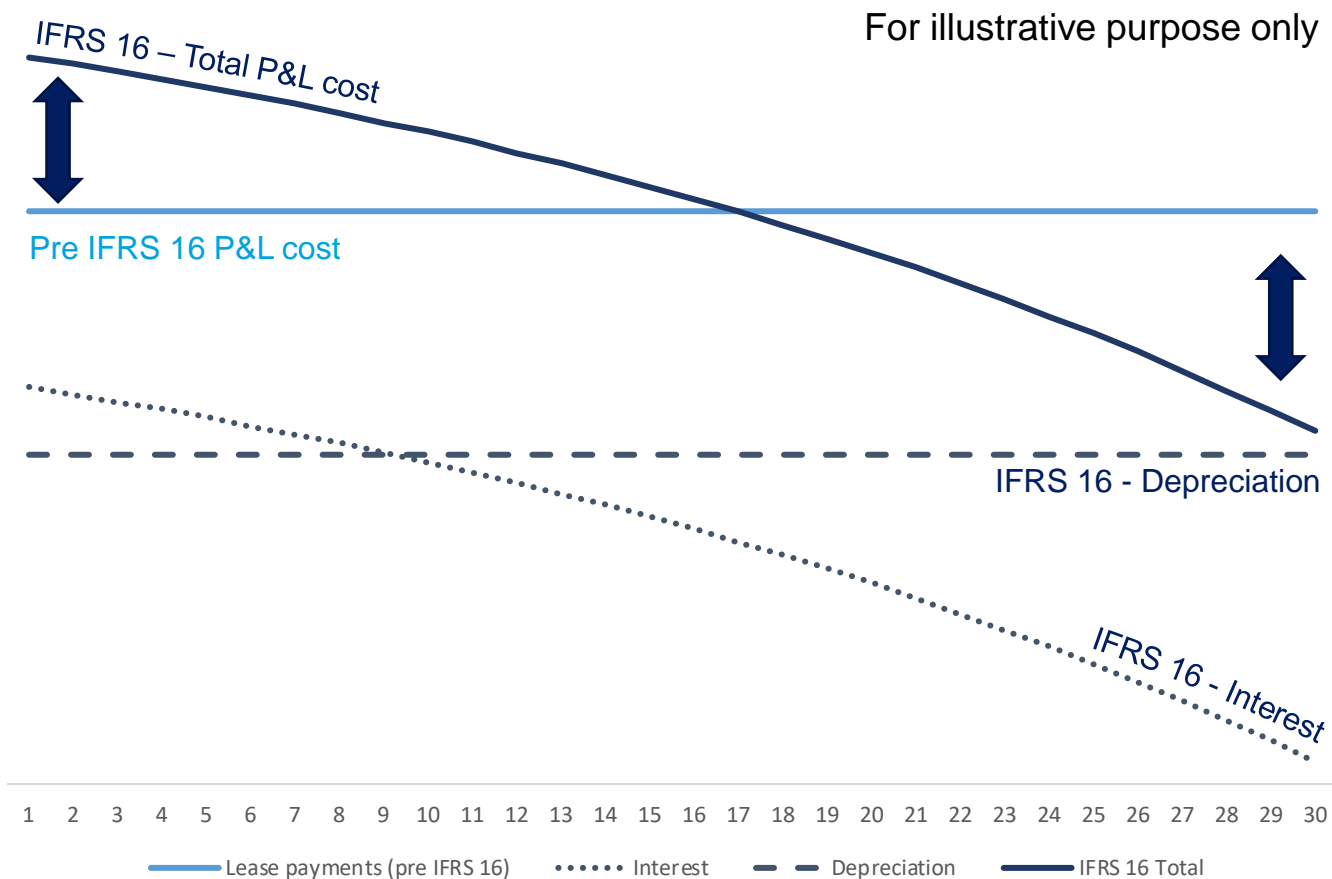
**Adjusted profit before income tax** is calculated as profit on ordinary activities before taxation, amortisation, costs relating to business combinations and exceptional items

**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

# Appendix 3 – IFRS 16 impact

In the year, we adopted IFRS 16 without restating comparatives. The impact of IFRS 16 is an increase in adjusted EBITDA as operating lease costs are removed, and a decrease in PBT as the finance charge on lease liabilities is higher in early years than in later years

- IFRS 16 Adverse impact in early years



- IFRS 16 Favourable impact in later years
- Net P&L cost the same over the life of the lease





**Thank You**