

# CVS Group plc

**Final Results**  
**Year to 30 June 2009**



September 2009

# Highlights

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



# Financial Highlights

|                          | Year Ended   |              | % change |
|--------------------------|--------------|--------------|----------|
|                          | 30 June 2009 | 30 June 2008 |          |
| Revenue                  | £76.6m       | £62.2m       | +23%     |
| EBITDA (adjusted)        | £12.5m       | £9.6m        | +30%     |
| PBT (adjusted)           | £8.4m        | £5.5m        | +53%     |
| PBT                      | £4.4m        | £0.1m        | -        |
| Cashflow from operations | £12.4m       | £6.5m        | +90%     |
| EPS (adjusted)           | 11.5p        | 8.0p         | +44%     |
| EPS (Basic)              | 5.9p         | (0.7p)       | -        |



# Market Leading Position

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

**1,750** employees

**393** vets

**168** surgeries nationwide

**60** practice groups

**6** diagnostic laboratories

**1** crematorium & cemetery



# High Growth Opportunity

## Acquisitions

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

## Existing Business

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



# Successful Growth by Acquisition

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



# Veterinary Surgeries



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



# Veterinary Laboratories



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





# Rossendale Animal Crematorium/Cemetery



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



# Debt Financing

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

- **Debt repayments are as follows:**

| <i>£m</i>    | Term Loan   | Acquisition Facility | Total       |
|--------------|-------------|----------------------|-------------|
| 2009/10      | 1.9         | -                    | 1.9         |
| 2010/11      | 2.6         | 2.5                  | 5.1         |
| 2011/12      | 2.6         | 1.5                  | 4.1         |
| 2012/13      | 2.6         | 0.4                  | 3.0         |
| Sep 2013     | 22.3        | 7.6                  | 29.9        |
| <b>Total</b> | <b>32.0</b> | <b>12.0</b>          | <b>44.0</b> |



# Delivery on Stated Strategy

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

| Year to 30 June, £m    | IPO forecast |      | Actual Performance |        |      |         | FY 2009 Consensus forecast 15 Sep 09 |
|------------------------|--------------|------|--------------------|--------|------|---------|--------------------------------------|
|                        | 2008         | 2009 | 2008               | +/-    | 2009 | +/-     |                                      |
| Revenue                | 60.5         | 74.3 | 62.2               | +2.7%  | 76.6 | +3.1%   | 76.6                                 |
| EBITDA (adjusted)      | 8.5          | 11.6 | 9.6                | +13.1% | 12.5 | +7.8%   | 12.3                                 |
| PBT (adjusted)         | 5.0          | 7.7  | 5.5                | +10.4% | 8.4  | +9.1%   | 8.2                                  |
| PAT (adjusted)         | 2.5          | 5.0  | 3.9                | +53.7% | 5.9  | +19.6%  | 6.5                                  |
| PAT (as reported)      | (1.8)        | 1.5  | (0.6)              |        | 3.0  | +102.8% | 2.6                                  |
| EPS (GBp, adjusted)    | 4.9          | 9.6  | 7.5                | +53.7% | 11.5 | +19.6%  | 12.6                                 |
| EPS (GBp, as reported) | (3.5)        | 2.9  | (1.2)              |        | 5.9  | +102.8% | 5.0                                  |
| Net Debt               | 34.5         | 36.1 | 40.1               | +16.1% | 40.8 | +14.1%  | 40.9                                 |

## Notes

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

Adjusted PBT before exceptional items and amortisation

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



# Profit & Loss

| <i>£000s</i>   | <i>% change</i> | Year Ended    |               |
|--|-----------------|---------------|---------------|
|  |                 | 30 June 2009  | 30 June 2008  |
| <b>Revenue</b>   | +23.3%          | <b>76,605</b> | <b>62,150</b> |
| Cost of Sales  |                 | (45,657)      | (38,121)      |
| Administrative Expenses                                |                 | (18,452)      | (14,416)      |
| <b>EBITDA</b>  | +30.0%          | <b>12,496</b> | <b>9,613</b>  |
| <i>EBITDA margin</i>                                   |                 | 16.3%         | 15.5%         |
| Depreciation & Amortisation                            |                 | (5,368)       | (3,976)       |
| Exceptional costs / share option expense / other gains |                 | (117)         | (2,114)       |
| Finance expenses                                       |                 | (2,567)       | (3,399)       |
| <b>Profit before tax</b>                               |                 | <b>4,444</b>  | <b>124</b>    |
| Income tax   |                 | (1,406)       | (463)         |
| <b>Profit / (Loss) after tax</b>                       |                 | <b>3,038</b>  | <b>(339)</b>  |



# Balance Sheet

| £000s                             | 30 June 2009    | 30 June 2008    | 30 June 2007    |
|-----------------------------------|-----------------|-----------------|-----------------|
| Intangible assets                 | 41,886          | 37,272          | 26,283          |
| Property, plant and equipment     | 7,467           | 6,757           | 4,245           |
| Financial instruments/Investments | 67              | 1,012           | 396             |
| Current assets (excl. cash)       | 7,403           | 6,937           | 4,130           |
| Cash                              | 2,792           | 392             | 2,622           |
| <b>Total assets</b>               | <b>59,615</b>   | <b>52,370</b>   | <b>37,676</b>   |
| Current liabilities (excl. debt)  | (9,621)         | (8,326)         | (7,496)         |
| Borrowings                        | (43,568)        | (40,460)        | (31,147)        |
| Net deferred tax                  | (4,487)         | (4,779)         | (577)           |
| Financial instruments             | (1,463)         | -               | -               |
| <b>Total liabilities</b>          | <b>(59,139)</b> | <b>(53,565)</b> | <b>(39,220)</b> |
| <b>Net assets/( liabilities)</b>  | <b>476</b>      | <b>(1,195)</b>  | <b>(1,544)</b>  |



# Cashflow

| £000s  | % change      | Year Ended    |                |
|--|---------------|---------------|----------------|
|  |               | 30 June 2009  | 30 June 2008   |
| EBITDA   | <b>+59.2%</b> | 12,496        | 7,849          |
| Net working capital movement                             |               | (116)         | (1,345)        |
| <b>Cash generated from operations</b>                    | <b>+90.3%</b> | <b>12,380</b> | <b>6,504</b>   |
| Proceeds from sale of investment                         |               | 316           | -              |
| Interest   |               | (2,597)       | (3,286)        |
| Taxation   |               | (828)         | (95)           |
| Capex  |               | (1,581)       | (2,105)        |
| Repayment of bank loan, loan stock and preference shares |               | (56)          | (32,182)       |
| Bank funding   |               | 3,069         | 40,929         |
| <b>Cash available to fund acquisitions</b>               |               | <b>10,703</b> | <b>9,765</b>   |
| Acquisitions   |               | (8,303)       | (11,995)       |
| <b>Net Cash Movement</b>                                 |               | <b>2,400</b>  | <b>(2,230)</b> |



# Summary

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



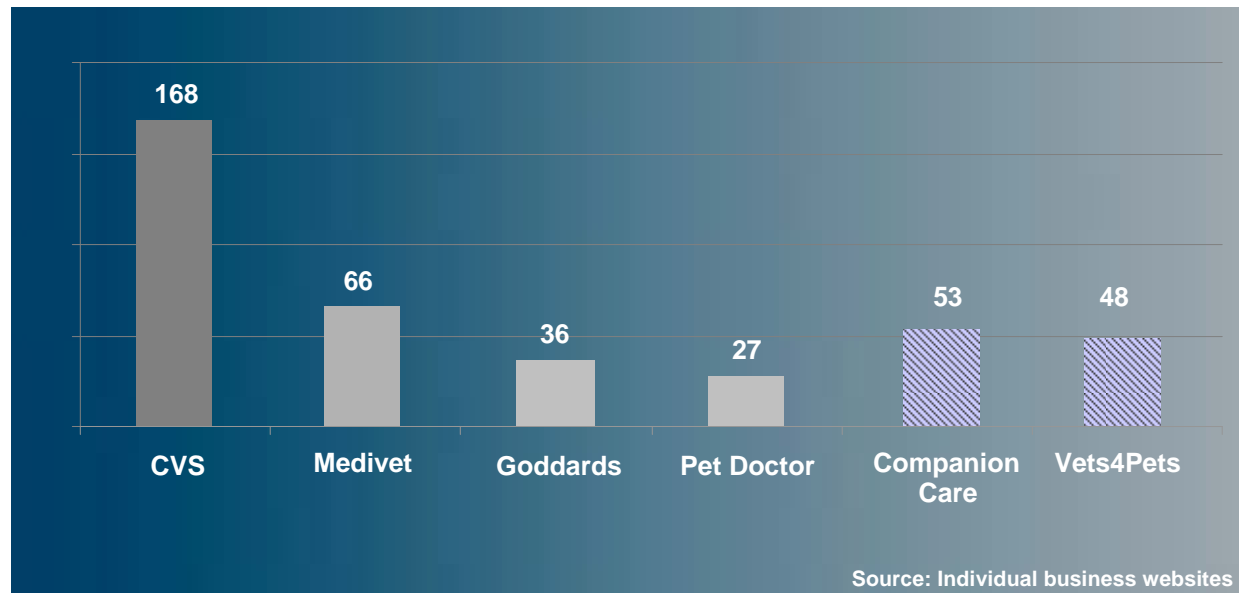
# Appendices





# Corporate Owned Surgeries

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



**CVS is the recognised national consolidator in the market**



# Margin Analysis

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

