

29 November 2018

CVS Group plc  
(‘CVS’ or the ‘Group’)

Annual General Meeting Trading Update

CVS, the veterinary services group, provides the following update ahead of its Annual General Meeting being held at 11.00am today.

**Performance update**

"The Board is pleased to announce that in the four-month period ended 31 October 2018, the Group's total sales increased by 24.7% and like-for-like sales ("LFL")<sup>1</sup> increased by 4.7% compared to the same period last year.

All divisions have delivered growth in revenue. Within the Practices Division, sales have increased by 24.7% and like-for-like sales have increased by 3.8% compared to the same four month period last year. Laboratory Division sales increased by 7.8%, Crematoria Division sales increased by 12.4% and Animed Direct sales increased by 14.9% compared to the same four month period last year.

Within our Practices Division, 37% of our active client base are now members of our Healthy Pet Club (31 October 2017: c. 35%), thereby benefitting from loyalty benefits, regular health checks and discounts on pharmaceutical costs.

Acquisitions made in the previous financial year, whilst improving, remain a focus. Financial performance from acquisitions made this year is fully in line with our business plans and gearing remains comfortable.

CVS continues to diversify and recent acquisitions include specialist equine and farm animal practices. Gross profit margins in our small animal practices in the four months to 31 October 2018 are in line with the same period in the prior year. Within the farm division, gross margins are naturally lower than in small animal and the increasing mix of farm animal revenues will have a moderately dilutive effect on the Group's overall gross margin for the current financial year compared to last year.

Following the acquisition of 26 surgeries in the current financial year to date, the total number of practice sites has increased to 498.

Clinical vacancy rates have improved slightly, as a result of a number of proactive actions taken by management to address the industry wide shortage of veterinary surgeons and nurses. As stated previously, salaries for nurses and for certain cohorts of veterinary surgeons increased above inflation from 1 January 2018 and CVS continues to reward staff at or above industry averages. As at 31 October 2018, we have seen reductions in vacancy rates for both nurse and veterinary surgeon positions, as compared to the beginning of the calendar year. However, the Group, and the industry in general, continues to rely on locums to provide cover and flexibility. Market rates for locums have increased significantly with day veterinary locum rates currently c. 14% above the same period last year. These factors have resulted in increased employment costs which, together with certain other costs, are resulting in lower EBITDA<sup>2</sup> margins for the Group in the current financial year compared to the prior year.

The Group continues to have a strong pipeline of acquisition opportunities and we expect to complete a number of further acquisitions in the remainder of the current financial year and beyond. CVS will continue to be selective and will seek acquisitions where they complement the existing business and where acquisition multiples are acceptable, as well as pursuing growth from organic initiatives including selected greenfield sites over time.

**Acquisitions**

In the current financial year to date, the Group has completed the acquisition of 19 practices (26 surgeries) including Slate Hall, a specialist poultry practice, Endell, a mixed farm, equine and small animal practice and Bond Street, a small animal practice. The Group has also acquired a veterinary consumables, instrument and equipment supply business, Vet Direct. Total consideration for these 20 acquisitions is £48.4m, net of cash acquired. These acquisitions are set out in the table below.

Practice Name	No of Sites	Main Locations	Region & Country	Business
Gilabbey Veterinary Hospital	1	Cork	Republic of Ireland	Referral
Slate Hall	4	Cambridge, Hereford & Metheringham	East, England	Poultry
Corner House Equine	2	Warwickshire & Romsley	West, England	Equine
Endell Veterinary Group	4	Wiltshire, Salisbury & Hampshire	West, England	Small Animal, Farm Animal & Equine
Beechwood Vets	1	East Sussex	South, England	Small Animal
Vet Direct	1	Newcastle-Upon-Tyne	North, England	Instruments

Towy Vets	1	Carmarthen	Wales	Small Animal
Fischer	1	Bolsward	The Netherlands	Small Animal
Arbury Road Vets	1	Cambridge	East, England	Small Animal
Briar Dawn Veterinary Centre	1	Oldham	North, England	Small Animal
Kirkby Vets	1	Liverpool	North, England	Small Animal
Camlas Pet Care Vets	1	Welshpool	Wales	Small Animal
Campsie Vet Centre	1	Omagh	Northern Ireland	Small Animal & Farm Animal
Spires Vet Clinic	1	Omagh	Northern Ireland	Small Animal
Harrier Vets	1	Southampton	South, England	Small Animal
St Elmo	1	Londonderry	Northern Ireland	Small Animal
Pinfold House	1	Doncaster	North, England	Small Animal
Bond Street	1	Macclesfield	North, England	Small Animal
Boundary Veterinary Clinic	1	Manchester	North, England	Small Animal
Ashfield Veterinary Surgery	1	Durham	North, England	Small Animal & Farm Animal

### Recruitment

In September 2018, we welcomed a record 130 new graduate vets into our two year graduate induction programme, an increase of 19% over the previous year's intake. This reflects the work of our referral centres in building long term relationships with established veterinary schools in the UK and our investment in recruiting from overseas. In conjunction, CVS recently announced an innovative partnership with Harper Adams and Keele University to open a brand new veterinary school. This new state of the art facility will represent an investment in the future of the profession, supporting the teaching of student veterinary surgeons, whilst also providing CVS with high calibre graduates in years to come and a new referral hospital.

The Group recognises the need for greater flexibility given the evolving demands of the modern clinical workforce and our clients. New flexible working initiatives have been introduced including the ability for colleagues to work condensed weeks and for certain clinical and leadership roles to be undertaken through job sharing. We are delighted to welcome Professor Renate Weller, a leading academic, as our Director of Veterinary Education. Renate has recently joined the Group to develop our clinical training. Attrition from veterinary practice is a significant issue for the profession as a whole and we believe that our investment in education and training will lead to increased engagement in the clinical workplace. Renate will launch a return-to-work programme to support veterinary surgeons and nurses who wish to return to the profession. CVS has also launched a "women in leadership" programme to ensure equal opportunities for career progression."

### Notes

- 1 Like-for-like sales reflects revenue generated from all operations compared to the prior year excluding revenue from acquisitions made in the previous financial year
- 2 Earnings before interest, tax, depreciation and amortisation

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