24 July 2020

CVS Group plc

("CVS" or the "Company" and, together with its subsidiaries, the "Group")

Trading Update

CVS, one of the UK's leading providers of integrated veterinary services, provides the following update in relation to trading for the financial year ended 30 June 2020. The Group will announce its full results on Thursday 24 September 2020.

Introducing the trading update, Richard Connell, Chairman commented:
"On behalf of the Board I would like to take this opportunity to thank all CVS employees who have worked tirelessly throughout the COVID-19 pandemic, often in challenging circumstances and with less support than usual. I would also like to thank those employees who agreed to be placed on furlough. The continued dedication and professionalism of our employees has helped to protect the business whilst enabling us to provide urgent and emergency care to our clients and their patients during this very difficult period. Improved business planning and actions taken have enabled our continuing focus on customer service and patient care. These combined factors give the Group a greater resilience in the face of previously unseen challenges, and we look forward to providing further updates at the time of our full year results."

Period to February 2020

As previously highlighted in our Interim results issued on 27 March 2020, we were pleased to report a strong performance for the first eight months of the financial year. Like-for-like[1] growth in the eight-month period was 7.9% for the Group and 7.1% for the Practice Division[2]. Focus on improved retention of our clinical staff continued, with the veterinary surgeon vacancy rate maintained at 7.9% (H1 2019: 8.8%).

In January 2020, the Group successfully renewed and extended its non-amortising bank facilities to 31 January 2024 and as at 29 February 2020 had significant headroom in committed but undrawn bank facilities and covenants. As at 29 February 2020 the Group had borrowings of £96.0m and available headroom on facilities of £79.0m and cash on the balance sheet of £3.2m (as at 30 June 2019: borrowings £115.0m and cash on balance sheet £12.5m). Net debt at 29 February 2020 was £93.0m on a bank test basis[3] and leverage (net debt / adjusted annualised EBITDA) was 1.61x (28 February 2019: 2.31x), against a covenant test of 3.25x.

A total of four practices were acquired during the 8-month period, for a total consideration of £7.2m (net of cash acquired). All four practices performed in line with expectations.

Our strong balance sheet, coupled with the diversified and essential nature of our revenue streams, meant that the Group was well placed prior to the onset of COVID-19 and lockdown.

Period from March 2020: COVID-19 and lockdown

On 23 March 2020, the UK Government announced the introduction of strict lockdown measures. On the same date, the Royal College of Veterinary Surgeons ("RCVS") and the British Veterinary Association ("BVA") issued a joint statement restricting the work of veterinary surgeons to maintaining the food supply chain and carrying out urgent and emergency veterinary work only in practices. Similar restrictions on our activities were applied by local equivalent bodies in our non-UK territories.

The Group took swift and decisive action to maintain effective social distancing and safe working practices, with the primary focus on providing a safe environment for our people and our clients. In line with the

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[1] Like-for-like ("LFL") sales comprise the revenue compared to the prior year adjusted for working days. Revenue from prior year acquisitions is included in the LFL calculation with effect from the month in which it was acquired in the previous year

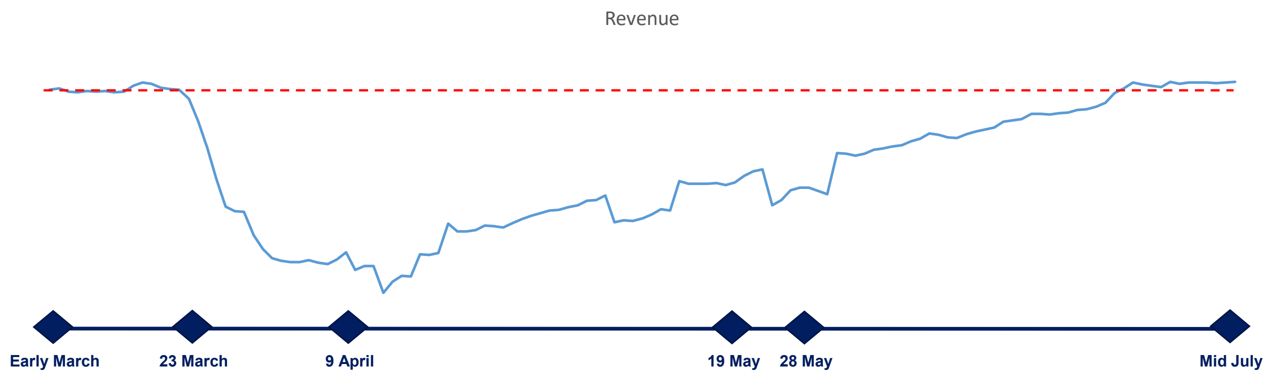
[2] Practices LFL sales comprises of revenue from our four key veterinary practice areas of Small Animal, Referrals, Equine and Farm and excludes revenue from our Buying-Groups and other and intra-group elimination

[3] Net bank debt is calculated as drawn debt and finance lease debt less gross cash

temporary relaxation by the RCVS of remote prescribing rules, CVS launched a new Teleconsultation service for clients with patients requiring non-urgent / non-emergency services. Operationally, action was taken to protect our people and the business, with teams split and shift patterns altered. Wherever possible we have promoted working from home. We enhanced the level of communication to all employees and maintained effective feedback mechanisms for all our staff. Individual risk assessments were carried out with local site employee consultation, appropriate measures implemented and "Staying COVID-19 Secure" posters displayed. In addition, appropriate PPE was made available. Throughout the crisis the health, safety and wellbeing of our employees has been our key priority and we continue to work collaboratively with our employees to ensure they have a safe environment to work in.

As would be expected, the result of the restrictions was a significant reduction in our revenue streams in our small animal first opinion practices, our specialist referral centres, our associated integrated services and in our equine division. Farm practices were less impacted due both to the requirement to protect the food chain and the ambulatory nature of the veterinary work. Reflecting the reduced activity levels, we took swift action to temporarily close half of our small animal practices by number, representing approximately a third of our capacity by caseload. The Group was eligible for, and successfully accessed, the Coronavirus Job Retention Scheme ("CJRS") and placed over half of all employees on furlough. CVS also accessed support from taxation authorities in the UK and Netherlands, in the form of VAT payment deferrals with the majority of VAT due to be paid in the quarter to 30 June 2020 deferred until 31 March 2021. Furthermore, the Group took action to preserve cash including, but not limited to, the reduction of non-essential spend, agreements with major suppliers to defer payments and voluntary temporary reductions in Director and Senior Manager salaries.

The PDF linked chart below shows the rolling seven-day average revenue in our GB small animal practices relative to the level seen in early March 2020, prior to the UK lockdown and the guidance from RCVS and BVA. The data excludes recurring Healthy Pet Club ("HPC") revenue. Clearly, the initial impact of COVID-19 on the Group's revenue was swift and sharp. However, from the low point in the early part of April, the gradual easing of lockdown and amended RCVS / BVA guidance, together with the adaptations we have made to our working regime, have resulted in a steady increase in revenues which have now recovered to pre COVID-19 levels.



Timeline:

- On 9 April 2020, the RCVS issued new guidance to allow more work to be undertaken whilst continuing to minimise contact and reduce the spread of COVID-19.

- On 19 May 2020, the RCVS issued further revised guidance removing reference to consider whether treatment could be delayed for two months without causing patient welfare issues. In light of this, on the 28 May 2020 the BVA issued updated guidance with the intention to "support veterinary practices to make the transition to providing a more normal range of veterinary services".

Whilst we are now able to provide a full range of services in our small practices, we have not yet returned to pre COVID-19 working practices. For example, clients are currently only allowed to accompany their animals into practices where the animal is being euthanased.

Nevertheless, this recovery and a strong first eight months mean that the Board is able to report full year revenue which is comfortably ahead of the prior year.

People

We continue to invest in our people, and have recently announced the appointment of Richard Gray, who brings significant additional experience to the Board, as an additional non-executive director. We have also recently appointed a new HR Director, Helen Finney, who has broad experience in people focused professional services businesses and who joins CVS in October this year.

Final dividend

Having taken advantage of government support, and in line with the approach taken by many other companies, the Board does not intend to recommend the payment of a final dividend.

Outlook: post COVID-19 lockdown

Since April 2020 CVS have, where possible, reopened practices and un-furloughed employees. We are pleased that by the financial year end the majority of our practices were open and the majority of employees have returned to work. The Board is confident that the actions taken have been in the best interest of both our employees and our clients and have not had a detrimental impact on the number of active clients that the Group services. Alongside the re-opening of our practices, we have taken the decision to permanently close 33 sites in the Group, the majority of which are small branches of larger practice groups which were either marginal or loss-making. The Board is confident that the majority of clients formerly served by these sites will continue to be served by our larger and better equipped CVS veterinary sites close by.

CVS is a diversified business with strong coverage in the UK and an established platform in the Republic of Ireland and the Netherlands. The Group provides an essential service to companion animals and supports the maintenance of the food supply chain. We continue to maintain 415,000 Healthy Pet Club subscription memberships which provide recurring revenue and which continue to be a resilient source of cashflow.

Animed Direct, our online pharmacy and retail business, has performed well throughout the financial year and has benefitted from an increase in demand during the lockdown period.

Leverage has materially reduced from the 1.61x reported at the end of February 2020 due to the actions taken by the Board to both protect the business and preserve cash (30 June 2019: 2.08x).

The Company continues to refrain from giving guidance to analysts. Whilst there is ongoing COVID-19 uncertainty with the potential risk of further future lockdowns, the Board is confident that the business is robustly managed and well positioned to drive further increases in shareholder value.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014. The persons responsible for releasing this announcement on behalf of the Company are Richard Fairman, Robin Alfonso and Ben Jacklin.

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