

26 November 2020

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

**AGM Statement and Trading Update**

CVS, one of the UK's leading providers of integrated veterinary services, is holding its AGM at 11.00 a.m. today and provides the following update to shareholders ahead of the meeting. Financial data is stated in accordance with the adoption of IFRS 16, except where otherwise indicated.

**Summary**

- The positive start to the new financial year has continued into September and October
- Total sales grew by 6.3% in the four-month period to 31 October; like-for-like sales<sup>1</sup> increased by 5.1% despite the postponement of the annual July price review
- EBITDA margin for the four months improved to 18.7% or 15.4% on a pre IFRS 16 basis (2019: 18.2%; 14.7% pre IFRS 16)
- Positive trading performance, coupled with continued strong cash generation, has led to a further reduction in net debt to £40.9m, with leverage<sup>2</sup> reducing to less than 1.0x at 31 October 2020
- Three acquisitions have been completed in the current financial year (FY19: four), all in accordance with the Group's strict investment criteria
- All CVS practices remain open in current lockdown, offering the majority of services to clients

**Current Trading**

The Board is pleased to report that the previously announced positive performance for the first two months of the new financial year has continued through September and October, with current trading ahead of that in the prior year. Encouragingly, during the current COVID-19 lockdown restrictions, all our practices have remained open and are offering the majority of services to clients.

In the four-month period to 31 October 2020, the Group's total sales grew by 6.3% and like-for-like ("LFL") sales<sup>1</sup> increased by 5.1% compared to the same period last year, reflecting continued growth despite the postponement of price increases ordinarily scheduled to take effect from 1 July 2020. This was achieved through a combination of growth in the clinical work in our core Practices division and related services, and increased demand in Animed Direct, the Group's online pharmacy and retail business.

Within the Group's core Practices division<sup>3</sup>, LFL sales increased by 2.8% over the same period. This LFL growth rate is stated before the recognition of Healthy Pet Club ("HPC") income of circa £6m deferred from the prior year and primarily reflects a continued focus on high levels of clinical care coupled with increased new client registrations.

Our HPC preventative medicine scheme has seen a further increase in membership since the financial year end, up 3.1% to 428,000 (30 June 2020: 415,000).

Group EBITDA margin has improved to 18.7% (pre-IFRS 16: 15.4%), compared to 18.2% for the corresponding period in the previous year (pre-IFRS 16: 14.7%), largely reflecting the improvement in top line sales as the Group continues to benefit from its integrated veterinary platform.

The vet vacancy rate has remained stable in the four months to 31 October 2020 at 7.5% (prior year corresponding period: 8.1%), with the Group continuing to champion initiatives to recruit and retain staff as it strives to be the veterinary company that people most want to work for.

The Group has completed three acquisitions in the current financial year, in accordance with its strict investment criteria, and reflecting the Group's commitment to complement organic growth with acquisitions of carefully selected practices:

- Tremain Veterinary Group, a two site small animal practice in Oxfordshire, acquired on 4 November 2020;
- Astonlee Veterinary Group, a single site small animal practice in Milton Keynes, acquired on 17 November 2020; and
- White Lodge Vets, a single site small animal practice in Devon, acquired on 19 November 2020.

## **Net Debt**

Strong cash generation across our operations has continued since year end and has contributed to a further reduction in the Group's net debt, which stood at £40.9m as at 31 October 2020 (30 June 2020: £62.1m). Leverage on a bank test basis<sup>2</sup> has similarly reduced to less than 1.0x (30 June 2020: 1.14x). These metrics remain in line with management expectations and put the Group in a resilient position to mitigate any potential impact of more severe COVID-19 restrictions, whilst allowing the Group to continue to invest in its people, practices and platform, supplemented by selective acquisitions.

## **Management team**

The Group has further strengthened its management team with the appointment of Enrico Tizzano as its first Chief Technology Officer. Enrico will support the effective use of technology and data in delivery of the Group's strategic objectives and has a wealth of experience from previous CTO roles in large, consumer-facing organisations.

## **Outlook**

The veterinary services market continues to benefit from favourable consumer trends, with increasing pet ownership. Alongside our excellent clinical standards and preventative care offerings, and the breadth of our integrated model, this is providing a number of resilient revenue streams despite the continued macro uncertainty. The Board is pleased with the Group's performance across all operations, with the positive start to the new financial year continuing into September and October. The Board would like to acknowledge and thank all the members of the CVS team for their continuing dedication to the delivery of the best possible care to animals.

## **Notes**

- 1 Like-for-like sales are defined as revenue generated from like-for-like operations compared to the prior year, adjusted for the number of working days. For example, for a practice acquired in September 2019, revenue is included in the like-for-like calculations from September 2020.
- 2 Leverage on a bank test basis is net bank borrowings; divided by 'Adjusted EBITDA' annualised for the effect of acquisitions and including costs relating to business combinations and exceptional items. Adjusted EBITDA is profit before income tax, net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items.
- 3 Practices LFL growth stated is for core Small Animal, Referrals, Equine and Farm practices and excludes Buying Groups & Other and intra-group elimination.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014.

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**Notes to Editors**

CVS Group is one of the leading integrated veterinary service providers in the UK, the Netherlands and the Republic of Ireland. CVS is focused on providing a high quality, people-led service to its customers and their animals, with outstanding and dedicated clinical teams and support colleagues at the core of its strategy.

The Group operates an integrated model with over 480 veterinary practices across its three markets, including eight specialist referral hospitals and 29 dedicated out-of-hours sites. Alongside the core Practices division, CVS also owns and operates Laboratories (providing diagnostic services to CVS and third parties), Crematoria (providing pet cremation and clinical waste disposal for CVS and third party practices), Buying Groups and Animed Direct (the Group's online pharmacy and retail business).

The Group employs over 7,000 personnel, including over 1,900 veterinary surgeons and in excess of 2,300 nurses across its three territories.