20 July 2021

CVS Group plc
("CVS", the "Company" or the "Group")

Trading Update

CVS, one of the UK's leading providers of integrated veterinary services, is pleased to announce the following update in relation to trading for the financial year ended 30 June 2021 ("FY21").

Summary

- Continued trading momentum has delivered strong revenue growth
- FY21 adjusted EBITDA expected to be marginally ahead of recently upgraded market expectations
- EBITDA margin for FY21 has remained strong and is expected to be ahead of H1 FY21 of 18.4%, a significant improvement over FY20 (16.6%)
- Easing of restrictions allows a return of clients into our practices as we enter the new financial year

FY21 Performance

The Board is pleased to report that the trading momentum announced in our update on 30 April 2021 has continued, delivering strong revenue growth in the final two months and overall double digit growth for the whole year. Like-for-like[1] sales growth for the full year was 17.4% (FY20: 0.7%), accelerating, as expected, in the final quarter given that the comparative period in FY20 was severely impacted by COVID-19 restrictions.

As a result, the Group expects to report adjusted EBITDA[2] for FY21 which is marginally ahead of market expectations as upgraded following the 30 April 2021 update.

Adjusted EBITDA margin has remained strong and is expected to be ahead of H1 FY21 of 18.4% (FY20: 16.6%), benefiting from operational gearing as a result of ongoing customer demand and the effective delivery of comprehensive patient care across our practices.

The Group continues to benefit from favourable cash dynamics, despite one off outflows in H2 FY21 relating to acquisitions and the repayment of prior year COVID-19 VAT deferrals of £15m in Q4 FY21. Net bank borrowings[3] as at 30 June 2021 totalled £51.3m (31 December 2020: £44.4m, 30 June 2020: £63.5m). The Group expects to report leverage[4] significantly below 1.0x as at 30 June 2021.

Reflecting the growth in the business and our objective to provide the best clinical care, the Group employed c.10.0% more veterinary surgeons at 30 June 2021 compared to the previous financial year end and continues to advertise new positions. In light of the expansion in the number of new roles created to service the increase in demand, the vet vacancy rate (calculated as the number of live vet vacancies / total number of vet roles) has increased, averaging 8.3% for the full year (FY20: 6.9%). The Group continues to develop further initiatives to attract and retain the very best talent in the industry.

Outlook

Following the gradual easing of lockdown restrictions, we are pleased to be able to welcome clients back into practice reception areas from the start of the new financial year. In light of the UK Government announcing an end to substantive restrictions from 19 July 2021, clients will also now be welcomed back into practice consulting rooms, improving the overall customer experience.

We look forward to continuing our growth trajectory as we head into the new financial year and have further plans to improve our level of clinical care through investment in our people and our specialist facilities. We are also well placed to pursue further targeted acquisitions.

We continue to focus on maintaining appropriate levels of health, safety and wellbeing across our operations in order to protect both our colleagues and clients. The Board would like to acknowledge and thank all members of the CVS team for their continued dedication to delivering the best possible care to animals.

The Group expects to announce its preliminary results on Thursday 23 September, 2021.

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 Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is profit before income tax, net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items. Adjusted EBITDA is used as a financial metric that removes the cost of debt, costs relating to depreciation and amortisation and one-off costs to get a normalised number that is not distorted by irregular items or structural investment.

3 Net bank borrowings is drawn bank debt less cash at bank.

4 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, prior to the adoption of IFRS 16.

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Notes to Editors

CVS Group is a fully integrated provider of veterinary services in the UK, with practices in the Netherlands and the Republic of Ireland. CVS is focused on providing high quality clinical services to its customers and their animals, with outstanding and dedicated clinical teams and support colleagues at the core of its strategy.

The Group has circa 500 veterinary practices across its three markets, including eight specialist referral hospitals and 34 dedicated out-of-hours sites. Alongside the core Practices division, CVS 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 retail business).

The Group employs circa 7,400 personnel, including circa 2,000 veterinary surgeons and circa 2,500 nurses.