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MARKET RELEASE

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EBOS reports a record FY20 result and significant increase in earnings

Full Year Highlights

- Revenue $8.8 billion (up 26.5%).
- Underlying EBITDA $296.6 million (up 13.4%) and Underlying NPAT $168.3 million (up 16.5%).
- Very strong performances from both our Healthcare and Animal Care segments demonstrating the strength of their market leading positions. Healthcare underlying EBITDA grew by 14.8% and Animal Care underlying EBITDA improved by 8.3%.
- The net overall impact of COVID-19 on the Group's financial performance was broadly neutral for FY20, albeit there were both positive and negative trends in particular months as the pandemic evolved. Trading conditions improved towards the end of the financial year.
- Excellent operating cash flow of $229.2 million as a result of the increase in earnings combined with the Group's industry leading management of working capital.
- Capital investments (including acquisitions and capital expenditure) of $73.5 million, reflecting the Group's continued strategy of investing for both organic and inorganic growth.
- Strong balance sheet, with Net Debt / EBITDA of 1.11x, reinforced through recent refinancing initiatives which increased the weighted average maturity of our debt facilities to 2.5 years.
- Final dividend declared of NZ 40.0 cents per share, taking total dividends declared for FY20 to NZ 77.5 cents (up 8.4%).

Group Financial Summary

Australian Dollars[1]	Statutory Results		Underlying Results[2]	
Total Revenue	$8,765.5m	up 26.5%	$8,765.5m	up 26.5%
EBITDA	$333.6m	up 33.2%	$296.6m	up 13.4%
EBIT	$260.5m	up 19.3%	$260.8m	up 13.6%
Net Profit after Tax (NPAT)	$162.5m	up 18.0%	$168.3m	up 16.5%
Earnings per Share (EPS)	100.6 cents	up 12.0%	104.2 cents	up 10.6%
Operating cash flow[3]	$229.2m	up $110.6m	n/a	
ROCE	n/a		17.1%	up 1.2%
Net Debt / EBITDA[4]	n/a		1.11x	down 0.30x

[1] *All amounts included are denoted in Australian dollars unless otherwise stated.*
[2] *Excludes the impacts of IFRS 16 Leases and net one-off costs. Refer to Appendix 1 for details of underlying adjustments.*
[3] *Operating cash flow before capital expenditure.*
[4] *Calculated in accordance with bank covenants.*

EBOS Group Limited ("EBOS" or the "Group") today announced a record result for the 2020 financial year, including strong growth in revenue, earnings and operating cash flow.

In today's results announcement EBOS Chief Executive Officer, John Cullity said:

"It is pleasing to report on the 2020 financial year with a record financial result for EBOS. As a provider of essential healthcare and consumer products and part of the region's critical medical supply chain, we have remained operational throughout the COVID-19 pandemic and have continued to serve our customers and provide employment to our employees. EBOS has market leading positions in stable, defensive industries and has a strong balance sheet. These attributes have held us in good stead during these times."

"Each of our business segments contributed to the substantial growth in Group revenue and our record FY20 result. This again reinforces the strength of our diverse portfolio of businesses. Our Community Pharmacy business recorded a very strong performance reflecting the benefits from increased scale as we successfully commenced wholesale distribution of the Chemist Warehouse volumes. This was supported by further strong performances in our Institutional Healthcare, Contract Logistics and Animal Care businesses."

As previously announced to the market, EBOS' Healthcare segment experienced unprecedented demand during the third quarter ended 31 March 2020 in response to COVID-19 developments. The Group's significant investment over recent years in its distribution network positioned us well to meet the increased demand. During this same period, the Animal Care segment also continued to make a strong contribution to the Group's financial performance. Following this surge in demand, our businesses generally experienced lower levels of trading activity during the fourth quarter ended 30 June 2020, as a consequence of government COVID-19 measures. However, given the essential nature of our product offering, our sales volumes remained relatively resilient and trading conditions generally returned to normal levels in June. Overall, the net financial impact from COVID-19 conditions was broadly neutral to EBOS in FY20.

In line with EBOS' strategy, our businesses have generated another year of strong cash flows, which has again enabled us to continue investing for growth whilst also increasing dividends to shareholders. During the last 12 months we announced the acquisition of LMT, which provided our beachhead entry into the high growth medical devices sector. In addition, we invested to support the growth of our Consumer Products business with a new distribution and manufacturing facility in Auckland. This new facility will allow for further capacity for the manufacture of Red Seal toothpaste to supply both domestic and international sales channels. Due to prudent capital management and our focus on generating operating cash flow, EBOS has a strong balance sheet with significant gearing headroom of approximately $400–$450 million. EBOS intends to continue to pursue value accretive acquisitions and investments that are aligned to our growth strategy while also satisfying our disciplined investment criteria.

In commenting on EBOS' FY20 result in the context of the COVID-19 situation, EBOS Chair Elizabeth Coutts said:

"After what has been an extremely challenging year, it is pleasing to report a record financial result for EBOS. The challenges of 2020 have brought out the very best in all of our people across the Group. The Board and executive could not be prouder of our employees, who have worked tirelessly to continue to deliver for our customers and serve our communities in the face of exceptional circumstances. Importantly, the work of our employees over the past 12 months has further highlighted the critical role we play as part of the healthcare systems in both New Zealand and Australia. Throughout this unprecedented period we have also been very thankful for the support of our customers, suppliers and government partners".

Segment Overview

Healthcare

Healthcare A$	30 June 2020	30 June 2019	Growth
Total Revenue	$8,340.4m	$6,548.3m	+27.4%
Statutory EBITDA	$290.4m	$215.9m	+34.5%
Underlying EBITDA[1]	$260.0m	$226.6m	+14.8%

[1] *Refer to Appendix 1 for details of Underlying EBITDA adjustments.*

The Healthcare segment generated a 27.4% increase in revenue for the period, underpinned by significantly higher sales volumes in Community Pharmacy and continued growth in our Institutional Healthcare and Contract Logistics businesses.

In Australia, Healthcare revenue increased by $1.7 billion (+33.1%). Underlying EBITDA increased 19.6% driven by the performance of our Community Pharmacy, Institutional Healthcare and Contract Logistics businesses. New Zealand Healthcare revenue grew by 8.5%, however, underlying EBITDA was affected by cost increases in labour and freight as well as softer overseas demand for our consumer products, reflecting the regulatory changes which have impacted the daigou export channel.

Community Pharmacy revenue across both Australia and New Zealand increased by $1.4 billion (+37.4%) due to significantly increased volumes. The business benefitted from commencement of the wholesale distribution of the Chemist Warehouse volumes from 1 July 2019 in Australia, as well as the improved performance from our TerryWhite Chemmart (TWC) franchise network partners. The significant scaling of our operations provided further productivity improvements across our automated distribution sites, which provide our customers with industry leading service levels and solutions.

TWC and its network partners responded to the challenges presented through COVID-19 with a robust plan including personalised care for vulnerable and isolated patients, and safety protocols and daily guidance for pharmacy teams. Initiatives to support patients included launching an integrated delivery system, working with local medical centres to enable prescriptions resulting from telehealth consultations and launching e-commerce solutions to support remote shopping and click and collect services. During these challenging months for teams and patients, TWC pharmacists administered over half-a-million influenza vaccinations. TWC grew its network by 26 pharmacies during FY20 and increased pharmacy sales on a like-for-like basis by 4.1% and prescription sales by 6.0%. These improvements were driven by continued investment in brand differentiation and awareness as well as increasing levels of customer satisfaction.

Community Pharmacy benefitted from unprecedented demand during March 2020 as consumers stockpiled ethical and over-the-counter (OTC) products. However, sales were impacted by generally lower foot traffic during April and May, as well as consumers running down supplies built up during earlier stockpiling.

The Group's Institutional Healthcare business also performed strongly with revenue growth of 11.9% due to increased volumes within our hospitals business as well as the contribution from our recently acquired LMT medical devices business. Institutional Healthcare benefitted from elevated demand from hospital customers in preparedness for COVID-19 patients, partially offset by reduced hospital admissions due to the temporary reduction in elective surgeries.

The Contract Logistics business grew Gross Operating Revenue (GOR) by 15.6% as we attracted new customers to our recently opened facilities in Sydney and Auckland. This business has also recently consolidated its operating ERP platform onto SAP and now provides a complete solution to our manufacturing customers across both Australia and New Zealand.

The Consumer Products business grew revenue by 1.3% however, due to shifting sales mix towards lower margin products, GOR declined by 4.6%. Growth in the second half was driven by improved international sales and operational improvements in our new Auckland facility.

In June, the 7th Community Pharmacy Agreement (CPA) was finalised, which is expected to provide regulatory certainty for our Community Pharmacy business in Australia for the next five years. EBOS' subsidiary, Symbion, is the largest Community Service Obligation (CSO) wholesale distributor. The new arrangements provide additional investment into the CSO funding pool and introduce a restructured wholesale mark-up for PBS medicines, albeit this is expected to be largely offset through ongoing PBS pricing reforms. In commenting on the 7th CPA, John Cullity said "We are pleased that, through this Agreement, the Government has recognised both the vital role of retail pharmacy in meeting the community's health needs as well as the critical role all CSO wholesalers play in ensuring the timely distribution of medicines across Australia."

Animal Care

Animal Care A$	30 June 2020	30 June 2019	Growth
Total Revenue	$425.1m	$382.0m	+11.3%
Statutory EBITDA	$57.7m	$48.3m	+19.4%
Underlying EBITDA[1]	$52.3m	$48.3m	+8.3%

[1] *Refer to Appendix 1 for details of Underlying EBITDA adjustments.*

The Group's Animal Care segment increased revenue by 11.3%, primarily due to a combination of the continued excellent performance from our branded products portfolio and higher veterinary wholesale volumes.

Our key brands Black Hawk and Vitapet both recorded strong uplifts in revenue. Pleasingly, our Vitapet brand made significant headway in the Australian grocery channel with revenue growth above market.

Lyppard strengthened its market position during the period with revenue increasing by 12.0% due to both customer growth and the full 12 month contribution from our recently acquired Therapon business.

Community

EBOS is committed to ensuring its behaviour and actions have a positive impact on the communities where it operates. In 2020 with the significant challenges facing New Zealand and Australia, EBOS has been active in supporting communities locally and abroad as they dealt with major crises.

In late 2019 both New Zealand and Samoa faced a major measles outbreak with EBOS working closely with government and health agencies in battling the disease including distributing more than 114,000 doses of the measles vaccine. EBOS, via our hospital distribution business Onelink, was also called upon following the tragic Whakaari (White Island) volcanic eruption to provide emergency specialised burns dressings and theatre supplies required to treat the injured.

The unprecedented bushfire emergency seen in Australia, through the latter part of 2019 and early 2020, saw EBOS work to again meet the heightened demand for medicines and emergency supplies created by the ongoing crisis. In challenging and dynamic conditions, our teams worked with federal, state and local authorities and support agencies to keep medicines and consumables moving into bushfire-impacted communities.

EBOS' support throughout this time extended to the donation of products from both its Healthcare and Animal Care businesses to affected communities and included providing financial support to initiatives assisting members of the community as they commenced the recovery process.

In 2020 EBOS also commenced work on an Environmental, Social and Governance (ESG) program. The ESG program will serve as a framework for responsible organisational practices that ensure EBOS maintains its social licence to operate. This program will formalise many of the measures already in place enabling more structured activity that can be accurately reported on to ensure that we continue to meet our organisational objectives to be a responsible corporate leader.

COVID-19 Response

The Group's response to the COVID-19 pandemic has been extensive. Whilst continuing to operate and serve the community and our customers as effectively as possible, under at times extremely restrictive conditions, our primary objective has been the safety and wellbeing of our employees.

EBOS' Pandemic Response Team (PRT), consisting of the CEO and senior management from across the business, was established in the early days of the emerging pandemic. The PRT has the structures in place to rapidly identify and evaluate issues, the authority to make any decision needed to minimise the risks related to COVID-19 within our operations and provide guidance and support to our employees.

Following the advice and direction of the local health authorities relevant to our New Zealand and Australian locations, and with specific consideration to each individual operational site and office, the PRT approved the implementation of a range of measures as the situation developed.

Operating Cash Flow, Net Debt and Return on Capital Employed

Full year operating cash flow before capital expenditure was strong at $229.2 million (up +$110.6 million). The cash flow performance principally reflects the Group's increased earnings, improved working capital management and a $32.0 million favourable impact from the adoption of IFRS 16 '*Leases*'.

Net capital expenditure for the period was $28.9 million and primarily comprised spend on the new Consumer Products facility in Auckland and continued investment across the Group's IT solutions and warehouse operations. During the period, the Group also acquired LMT for $34 million.

Return on Capital Employed (ROCE) was 17.1% at June 2020, an increase of 1.2% on June 2019 reflecting strong earnings growth and improved working capital management.

The Group's Net Debt/EBITDA ratio at 30 June 2020 of 1.11x represents a reduction on the prior year. The improvement in these key ratios is reflective of both strong earnings growth and excellent cash flows generated for the year.

Debt refinancing, liquidity and balance sheet

In March 2020, EBOS refinanced approximately $200 million of bank debt facilities for a further three years. At the same time the Group also increased the facility limit to $250 million, allowing for further funding capacity as we continue to seek investment opportunities as part of our growth strategy. In August 2020, the Group extended the tenor of its $400m securitisation facility by a further three years, with a maturity date of August 2023. Together, these refinancing activities have extended the weighted average maturity of the Group's total debt facilities to approximately 2.5 years and provide the Group with significant balance sheet certainty.

The Group has received strong support from its banking partners, notwithstanding volatility in credit market conditions over the last half, evidencing the scale, diversity and resilience of the Group's operations as well as its leading market positions. The Group has a strong balance sheet and liquidity position to meet its ongoing business needs and growth strategy.

Impact of IFRS 16 Leases

EBOS adopted IFRS 16 Leases from 1 July 2019. Refer to Appendix 1 for a reconciliation of statutory to underlying earnings.

Final Dividend

The Directors declared a final FY20 dividend of NZ 40.0 cents per share, an increase of 8.1% on the prior corresponding period. In combination with the interim dividend, this brings total dividends declared for FY20 to NZ 77.5 cents (up 8.4%), representing a 71% pay-out ratio, on an underlying basis, excluding the impact of the Group's Dividend Reinvestment Plan (DRP).

The DRP will again be operational for the FY20 final dividend payment on 9 October 2020. Shareholders can elect to take shares in lieu of a cash dividend at a discount of 2.5% to the 5 day volume weighted average share price (VWAP).

The record date for the dividend is 25 September 2020 and the dividend will be paid on 9 October 2020. The final dividend will again be imputed to 25% for New Zealand tax resident shareholders and will be fully franked for Australian tax resident shareholders.

Current trading conditions

EBOS has recorded a strong financial performance in FY20 across both its Healthcare and Animal Care segments and, in line with our strategy of both organic and inorganic growth, we continue to actively explore investment opportunities that will contribute to the ongoing development of the Group.

Notwithstanding the overall broadly neutral impact of COVID-19 on our financial performance to date, as well as our strong growth in FY20, the impact on customer demand for our products and services from further and ongoing potential COVID-19 developments is uncertain.

Group revenue and underlying EBITDA in July 2020 was up 6.9% and 6.5% respectively on the prior corresponding period (July 2019)[5]. This was driven by growth in both our Healthcare and Animal Care segments, reflecting an improvement in recent trading conditions and the defensive characteristics of the Group's core products and services. Animal Care growth was particularly encouraging with growth exceeding that of the total Group revenue for the month.

Since the end of July, the Victorian Government and New Zealand Government have both announced heightened restrictions with respect to COVID-19. These announcements continue to highlight that the COVID-19 situation remains evolving and unpredictable across New Zealand and Australia and will be with us for some time.

Given the Group's scale and market leading positions in stable industries, as well as our strong balance sheet, we are well placed to respond to the challenges and opportunities ahead. We continue to closely monitor developments associated with COVID-19 and will take all necessary actions as the situation evolves.

EBOS reiterates its dividend policy of declaring dividends of not less than 60% of NPAT. EBOS has a history of paying dividends that are 25% imputed for NZ tax resident investors and 100% franked for Australian tax resident investors.

This media release, the full-year results and related materials were authorised for lodgement with NZX and ASX by the Board of EBOS Group Limited.

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[5] *July 2020 revenue and underlying EBITDA is unaudited. July 2020 and July 2019 had an equivalent number of trading days.*

Financial Results Presentation webcast link:

https://edge.media-server.com/mmc/p/2h6x9zcs

About EBOS Group

EBOS Group Limited NZBN 9429031998840 (NZX/ASX Code: EBO) is the largest and most diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products. It is also a leading Australasian animal care brand owner, product marketer and distributor.

EBOS GROUP LIMITED

Appendix 1 – Reconciliation of Statutory and Underlying Earnings

Group Earnings Reconciliation

	FY20				FY19			
A$m	EBITDA	EBIT	PBT	NPAT	EBITDA	EBIT	PBT	NPAT
Statutory result	**333.6**	**260.5**	**230.1**	**162.5**	**250.4**	**218.3**	**193.0**	**137.7**
Adjusted for								
IFRS 16 Leases	(39.6)	(2.3)	5.8	5.5	-	-	-	-
Profit on sale of surplus property	-	-	-	-	(2.9)	(2.9)	(2.9)	(2.2)
Transition costs for major new warehouses and Restructuring costs	-	-	-	-	8.9	8.9	8.9	5.5
Transaction costs incurred on M&A	2.6	2.6	2.6	2.1	5.2	5.2	5.2	3.4
Tax credit for NZ depreciation change	-	-	-	(1.7)	-	-	-	-
Net of One-off items	(37.0)	0.3	8.4	5.8	11.2	11.2	11.2	6.7
Underlying result	**296.6**	**260.8**	**238.5**	**168.3**	**261.6**	**229.6**	**204.2**	**144.4**

Segment EBITDA Reconciliation

A$m	FY20	FY19	Var$	Var%
Healthcare				
Statutory EBITDA	290.4	215.9	74.5	34.5%
less IFRS16 Leases	(33.0)	-	(33.0)	
add One-off Costs	2.6	10.6	(8.0)	
Underlying EBITDA	**260.0**	**226.6**	**33.5**	**14.8%**
Animal Care				
Statutory EBITDA	57.7	48.3	9.4	19.4%
less IFRS16 Leases	(5.4)	-	(5.4)	
Underlying EBITDA	**52.3**	**48.3**	**4.0**	**8.3%**
Corporate				
Statutory EBITDA	(14.5)	(13.8)	(0.7)	4.8%
less IFRS16 Leases	(1.3)	-	(1.3)	
add One-off Costs	-	0.6	(0.6)	
Underlying EBITDA	**(15.8)**	**(13.2)**	**(2.5)**	**19.3%**
EBOS Group				
Statutory EBITDA	333.6	250.4	83.2	33.2%
less IFRS16 Leases	(39.6)	-	(39.6)	
add One-off Costs	2.6	11.2	(8.6)	
Underlying EBITDA	**296.6**	**261.6**	**34.9**	**13.4%**