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MARKET RELEASE

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EBOS reports solid growth in Underlying earnings as the business prepares for the next wave of growth in FY20

Full Year Highlights

- Underlying EBITDA $261.6 million (up 4.6%) & Underlying NPAT $144.4 million (up 5.2%)
- Strong operating cash flow before capital expenditure of $118.5m
- Final dividend declared of NZ 37 cents per share (up 4.2%)
- Completed several strategic acquisitions during the period for a total investment of $93.6 million
- Signed agreement with Chemist Warehouse Group (CWG) for the exclusive wholesale distribution of pharmaceutical products which commenced 1 July 2019
- Commissioned operations at our new world-class, highly automated, pharmaceutical Distribution Centre in Brisbane and opened our new Contract Logistics facility in Sydney
- Raised equity of NZ$175million in May 2019 in support of future acquisitions and organic growth opportunities

Group Financial Summary

Australian Dollars[1]	Statutory Results	Underlying Results[2]
Total Revenue	$ 6.9 billion	$ 6.9 billion, down 0.8%
EBITDA	$250.4 million	$261.6m, up 4.6%
EBIT	$218.3 million	$229.6m, up 5.2%
Net Profit after Tax (NPAT)	$137.7 million	$144.4m, up 5.2%
Earnings per Share (EPS)	89.8 cents	94.2 cents, up 4.3%

EBOS Group Limited (EBOS) today announced solid growth in underlying earnings for the 2019 financial year.

Commenting on the year, Chief Executive Officer John Cullity said that “2019 has been a year of high activity and strategically important for the Group as it has set the foundation for the next wave of growth. We commenced operations in two brand new facilities in Brisbane and Sydney providing further warehouse capacity. We also moved to 100% ownership of TerryWhite Chemmart, signed the Chemist Warehouse Group pharmaceutical contract and retained Blooms The Chemist, one of our largest independent pharmacy group customers. These were all great outcomes for our Community Pharmacy division.”

[1] *All amounts included are denoted in Australian dollars unless otherwise stated.*
[2] *Underlying results are non-IFRS measures that EBOS believes are appropriate to understanding its business and financial performance and exclude one-off items. Refer to Appendix 1 for more detail of these items.*

"The Group continues to operate in highly competitive markets and this year was no exception. We have withstood the changing market dynamics and competitive pressures and delivered both solid underlying earnings growth and another strong cash result."

"The year saw us complete several strategic acquisitions building out both our Healthcare and Animal Care businesses. The total value of investments for the year was $93.6m and included a move to 100% ownership of Terry White Group (TWG) along with another three small-to-medium sized bolt on acquisitions." Mr Cullity said.

Segment Overview

Healthcare

Healthcare A$	30 June 2019	Growth
Total Revenue	$6.5 billion	-0.9%
Underlying EBITDA	$226.6 million	+4.6%

The Healthcare segment generated a 4.6% increase in Underlying EBITDA for the year, underpinned by solid growth from our Australian business unit.

In Australia, Healthcare revenue declined by $183 million (-3.5%), however excluding the impact of the reduction in hepatitis C sales and the impact of PBS price reforms, revenue growth was +5.2%. Underlying EBITDA increased 5.7% driven primarily by the performance of our Institutional Healthcare and Contract Logistics businesses.

The New Zealand Healthcare business delivered earnings in line with last year, with revenue growth of 8.7% largely offset by higher labour and freight costs in our wholesale businesses.

Revenue growth in Community Pharmacy, excluding the impact of lower Hepatitis C sales and PBS reforms, was +3.0%.

Commenting on the Australian pharmacy regulatory environment, Mr Cullity said that he was pleased the Government via its recent review into the CSO had recognised the importance of the wholesale industry in providing Australians with equal access to medicines in accordance with the National Medicines Policy. However, if the wholesale industry is to maintain its service standards then it requires additional financial support through increased CSO funding and a sustainable wholesale margin. The financial stability of the industry is at a critical juncture with wholesalers being significantly impacted by PBS reforms. Approximately 80% of distribution volumes now generate a margin of less than $1 given there has been no effective increase in wholesaler remuneration since 2010.

EBOS, together with other members of the National Pharmaceutical Services Association (NPSA), continues to actively engage with the Federal Government and Minister for Health with respect to successfully resolving these matters as part of the negotiation of the upcoming 7th Community Pharmacy Agreement.

EBOS maintained its market leading positions in both the Australian and New Zealand Institutional Healthcare markets, delivering further earnings growth. Underlying revenue growth (excluding hepatitis C medicines and the acquisition of Warner & Webster) was particularly strong at +7.3% which was assisted by revenue growth in specialty medicine sales.

The Group's acquisition of Warner & Webster, which has operations in both Victoria and South Australia, has grown our share of the medical consumables market.

Our Contract Logistics division has seen strong growth, with a new facility in Sydney and the NZ business expanding its operations providing well needed capacity for growth. The business recorded strong growth in FY19 from both new and existing customers with Gross Operating Revenue (GOR) increasing 9.9% to last year.

The Group's Consumer Products division recorded revenue growth of 4.9%, principally driven by growth in both domestic and international markets and the acquisition of Quitnits, a leading brand in Australian grocery for the treatment of head lice. The business recently commenced operating as the exclusive specialist distribution partner for the Philips Avent product portfolio in Australia.

Animal Care

Animal Care A$	30 June 2019	Growth
Total Revenue	$382.0 million	+1.0%
EBITDA	$48.3 million	+5.7%

The Animal Care segment recorded EBITDA growth of 5.7% for the year as the business continues to benefit from the excellent performance of our branded products. Full year Black Hawk sales increased 11.4% with strong growth achieved across both Australia and New Zealand. Black Hawk remains one of Australia and New Zealand's fastest growing premium pet food brands with leading market positions in the pet specialty retail channel.

Total Animal Care revenue growth of 1.0% was impacted by a decline in our Lyppard wholesale business as a result of the decision of an animal health manufacturer to bypass the wholesale channel which impacted revenue by approximately $21 million. Notwithstanding this impact, Lyppard strengthened its market presence with the acquisition of Therapon in November 2018, a Victorian based veterinary wholesale business.

One off Costs

The Group's statutory results were negatively impacted by net non-recurring charges of $11.2 million that included M&A transaction costs and costs incurred on rationalising and restructuring the Group's operations.

Operating Cash Flow and Return on Capital Employed

Operating cash flow before capital expenditure was solid at $118.5 million. The investment in net working capital of $51 million for the year primarily reflects the further reduction in the cash benefit of the Group's hepatitis C business and investment in inventory required ahead of commencement of trading with CWG on 1 July 2019.

Capital expenditure (net) for the year was $26.6 million and primarily comprised final payments on the new distribution facility in Brisbane and other improvements across Symbion's warehouse network in preparation for the increased volumes from CWG stores.

During the year, the Group outlaid $93.6m on the acquisitions of TWG, Warner & Webster, Therapon and Quitnits which were all acquired in the first half of the year.

Return on Capital Employed (ROCE) of 15.9% declined marginally from June 2018 (-0.4%) reflecting the Group's higher investment in net working capital.

Capital Raise, Net Debt and M&A Update

In May 2019, the Group successfully raised NZ$175m in new equity capital. Funds received from the equity raise have initially been used to repay bank debt, and are expected to be deployed from FY20 on strategic acquisitions and organic growth opportunities. As a result of the debt repayment, the Group's Net Debt/EBITDA ratio at 30 June 2019 decreased to 1.41x.

EBOS continues to assess a number of strategic acquisition opportunities. We estimate we currently have ~$300-350 million capacity for M&A within our target gearing range of 1.7 – 2.3x Net Debt / EBITDA.

Final Dividend

The Directors are pleased to announce a final dividend of NZ 37 cents per share which takes full year dividends to NZ 71.5 cents per share, an increase of 4.4% on the prior year.

The record date for the final dividend will be 27 September 2019 and the dividend will be paid on 11 October 2019. 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. The Board confirms that the Dividend Reinvestment Plan (DRP) will be operational for the final dividend, and shareholders can elect to take shares in lieu of a dividend at a discount of 2.5% to the volume weighted average price (VWAP).

Outlook

EBOS Group has recorded a strong underlying financial performance in FY19 and the Group is confident of a significant increase in earnings in FY20.

A performance update will be provided to shareholders at the Annual Meeting on 15 October 2019.

Chairman Announces Retirement

As announced on 21 August 2019 EBOS Group Limited Chairman Mr Mark Waller has advised the Board that he will retire as a Director and Chairman of EBOS Group Limited at the conclusion of the Annual Meeting scheduled for 15 October 2019.

Mr Waller joined EBOS in March 1984 as Chief Financial Officer before assuming the position of Chief Executive Officer in 1987. Over the next 27 years, he led the Group on an ambitious yet disciplined growth strategy, overseeing many successful mergers and acquisitions, including the purchase of Symbion in 2013 for $1.1 billion. Under his leadership, EBOS Group grew to become the largest trans-Tasman healthcare and animal care company with revenues in excess of NZ$6 billion.

After handing over the reins as CEO in 2014, Mr Waller remained on the Board before assuming the position of Chairman in 2015. In August 2019 Mr Waller received recognition for his significant contribution to New Zealand business with his induction into the New Zealand Business Hall of Fame.

The Board has elected Liz Coutts as Chair with effect from Mr Waller's retirement. Ms Coutts has been a director of EBOS Group Limited since 2003 and is currently the Chair of the Audit & Risk Management Committee and a member of the Remuneration Committee. She is also Chair of Ports of Auckland Ltd, Oceania Healthcare Ltd and Skellerup Holdings Limited, Director of Tennis Auckland Region Incorporated and Member, Marsh New Zealand Advisory Board.

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Financial Results Presentation webcast link:
https://edge.media-server.com/mmc/p/ef7jb3qb

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.

Appendix 1 – Reconciliation of Statutory and Underlying results

	FY19		FY18	
A$m	EBITDA	NPAT	EBITDA	NPAT
Statutory result	**250.4**	**137.7**	**250.1**	**137.3**
Deduct				
Profit on sale of surplus property	(2.9)	(2.2)	-	-
Add back				
Transition costs for major new warehouses and Restructuring costs	8.9	5.5	-	-
Transaction costs incurred on M&A	5.2	3.4	-	-
Net of One-off items	11.2	6.7	-	-
Underlying result	**261.6**	**144.4**	**250.1**	**137.3**