

Annual Results Presentation

Year ended 30 June 2022
FY 2022

CEO
Richard Fairman

CFO
Robin Alfonso

COO
Ben Jacklin



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1 Introduction



We continue to deliver our strategy: FY 2022 highlights



+8.6%

Total Revenue Growth
(to £554.2m)



+8.0%

Like-for-Like
Sales Growth¹



+10.2%

Adjusted EBITDA¹
(to £107.4m)



↑ 19.4%

Adjusted EBITDA¹
Margin (2021: 19.1%)



+6.0%

Increase in Veterinary
Surgeons Employed



↓ 0.40x

Leverage¹
(2021: 0.68x)

¹ Financial measures are defined on slide 31

Favourable market dynamics driving demand for the best possible care

Increased
life expectancy

- Improvements in clinical diets for animals are driving increases in life expectancy
- Improved standards of preventative healthcare and access to a broader range of clinical treatments are also playing their part

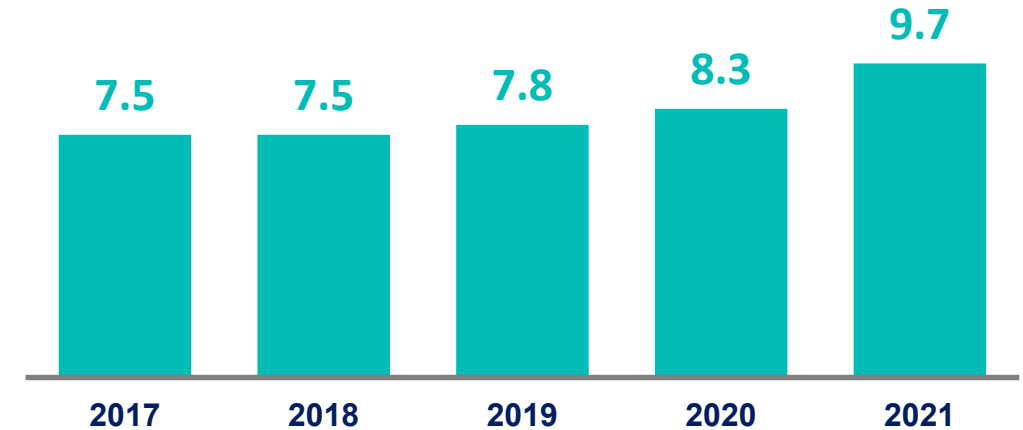
Changing
lifestyles

- The COVID-19 pandemic has had lasting effects on the way people live and work, with increased time spent at home facilitating pet ownership
- There has been an increase in the demand for high-quality healthcare in all stages of a pet's life cycle

Pet Population

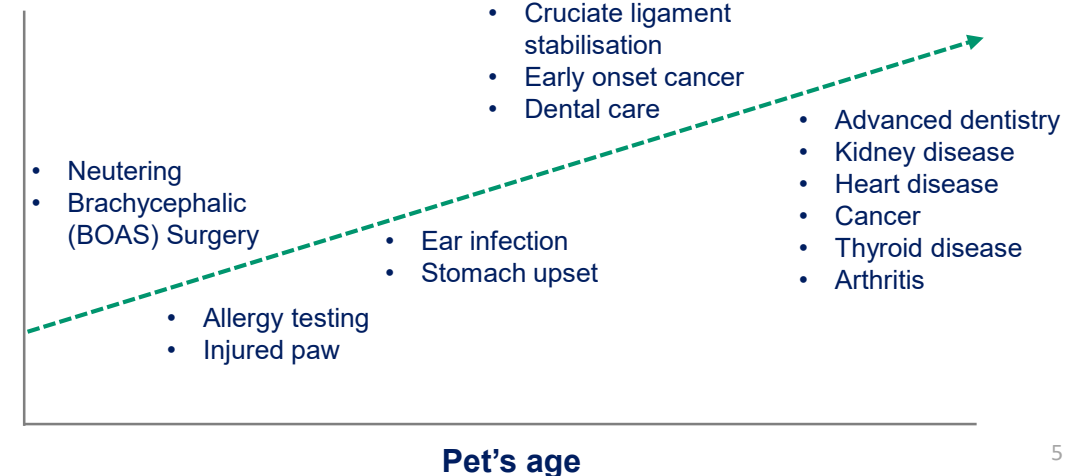
- Increases in the pet population in the past two years will drive future growth in revenues
- The average clinical spend per pet increases with age due to more procedures typically being required in later life stages

Market size (£bn)¹



¹ <https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/timeseries/uvjk/ct>

Lifetime value



We operate in a sector which has proven to be resilient



- Continued humanisation of pets – they are increasingly seen as part of the family and hence clients are less likely to cut back on their care
- We do not typically advertise for clients – they choose our practices as they wish to access high-quality clinical care
- We have a diversified business with farm and equine practices, and our laboratory, crematoria and our online retail business
- We have a strengthened balance sheet with low leverage and access to committed undrawn bank facilities
- We are confident in our ability to pass on inflationary increases

One area of spend which reduced in the last recession was preventative care. We have significantly grown our Healthy Pet Club membership – HPC clients show high levels of retention and spend more on average

We made three acquisitions in the second half of the year, and have competed two so far in FY 2023...



Anton Vets

- Small animal practice in Andover, acquired May '22
- 6 Consult rooms and 12 Vets
- Great clinical equipment
- Excellent reputation and existing partnership with Lumbry Park



Werrington Vets

- Small animal practice in Peterborough acquired July '22
- 3 Consult rooms and 5 Vets
- Grows CVS presence in the area
- Fitted out to a high spec with excellent equipment



Dierenkliniek Leloup

- Small animal practice in the Netherlands acquired February '22
- 2 Consult rooms and 1 Vets
- Branch practice for local Zwolle site
- Referral opportunity for Dieren site



Woodlands Veterinary Clinic

- Small animal practice in Cheltenham acquired Sept '22
- 4 Consult rooms and 8 Vets
- Good local reputation
- Referral opportunity for our Bristol Veterinary Specialists



Old Court Vets

- Small animal practice in Lincolnshire, acquired Jun '22
- 4 Consult rooms and 5 Vets
- Grows CVS presence in the area
- Referral opportunity with Beechwood site



£8.4m

Consideration for acquisitions – FY 2022



£7.8m

Consideration for acquisitions – FY 2023 YTD

Care at the heart of our business



- In August 2022, we published our first annual Sustainability Report, including reporting sustainability data under the Sustainability Accounting Standards Board (SASB) standards
- Our goal is to build a more sustainable business:
 - driving increased clinical standards;
 - creating a better working environment for our colleagues;
 - Reducing our carbon footprint; and
 - improving shareholder returns
- We launched clinical research awards in the year available to CVS colleagues and academics who wish to collaborate with us in improving the evidence base to drive further improvements in clinical standards
- We have introduced non-financial sustainability targets for Executive bonuses, with each target worth 4% of their bonus target (20% in total)

Our FY 2023 ESG targets

5%

reduction in gross tonnage of clinical waste incinerated or sent to landfill

5%

improvement in client Net Promoter Score

10%

reduction in colleague attrition

1pp

increase in Patient Care Index (our measure of clinical care)

50%

improvement in employee Net Promoter Score

We have a clear strategy for growth



Our purpose

To give the best possible care to animals



Our vision

To be the veterinary company people most want to work for

Four strategic pillars...

1. We recommend and provide the best clinical care every time

2. We are a great place to work and have a career

3. We provide great facilities and equipment

4. We take our responsibilities seriously

Organic growth

- High-quality end-to-end care from our integrated business
- Recruitment, retention and development of our highly skilled clinicians



Supported by

- Investment in our practice facilities
- Investment in our clinical equipment
- Investment in technology



Augmented by inorganic growth

- Investment in acquisitions driving synergies
- Greenfield investment in areas where client demand is currently under-served



2 Financial Review

Financial summary

	FY 2022	FY 2021	Variance
Revenue	£554.2m	£510.1m	+8.6%
Like-for-like sales growth ^{1,2}	+8.0%	+17.4%	-9.4ppts
Adjusted EBITDA¹	£107.4m	£97.5m	+10.2%
EBITDA Margin ¹	19.4%	19.1%	+0.3ppts
Free cash flow	£52.0m	£39.0m	+33.3%
Net bank borrowings	£36.0m	£51.3m	-£15.3m
Operating cash conversion	64.8%	60.6%	+4.2ppts
Leverage ¹	0.40x	0.68x	-0.28x
Adjusted EPS¹	85.8p	75.1p	+14.2%
Capital expenditure	£24.5m	£16.6m	+£7.9m
Consideration for acquisitions in year	£8.4m	£19.4m	-£11.0m
Final dividend	7.0p	6.5p	+0.5p

- Strong 8.0% like-for-like sales growth
- Prior year like-for-like sales growth of +17.4% against a comparative including the first COVID-19 lockdown
- Adjusted EBITDA growth of 10.2% through strong management of costs
- Good operating cash generation has further strengthened our balance sheet to position us well to capitalise on a strong pipeline of investment opportunities
- Capital expenditure increase reflects our stated opportunity to invest for further growth

Revenue growth

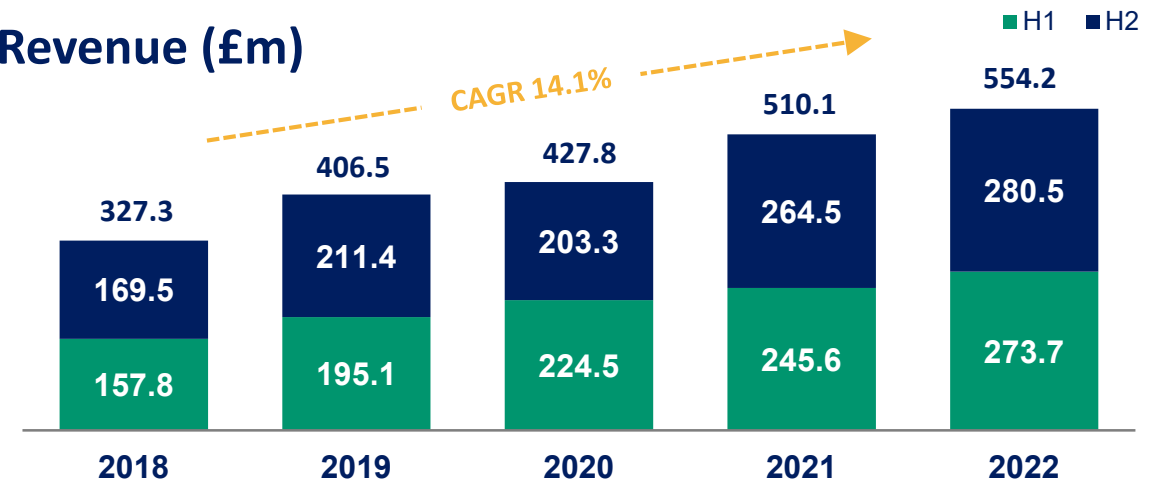
Strong revenue performance

- FY 2022 revenue of £554.2m up from £510.1m
- LFL sales growth of +8.0% (FY 2021: +17.4%)
- Resilient performance despite slower revenue growth in March, April and May 2022 due to COVID-19 isolations

Underlying growth across all divisions

- **Veterinary practices** benefitting from:
 - Continued focus on delivering high-quality clinical care
 - More Vets and Nurses employed
 - Continued growth of Healthy Pet Club scheme
- **Laboratories** underlying growth of +1.1% excludes the impact of loss of COVID-19 travel testing
- **Crematoria** reflecting continued growth from our Direct Pet Crematoria project resulting in a 5.5% increase in individual cremations and stronger demand for pet memorabilia
- **Online Retail business** benefitting from increasing order volumes and transaction value

Revenue (£m)



YOY Revenue Growth (£m)¹

+8.5%

Veterinary Practices

-2.9%

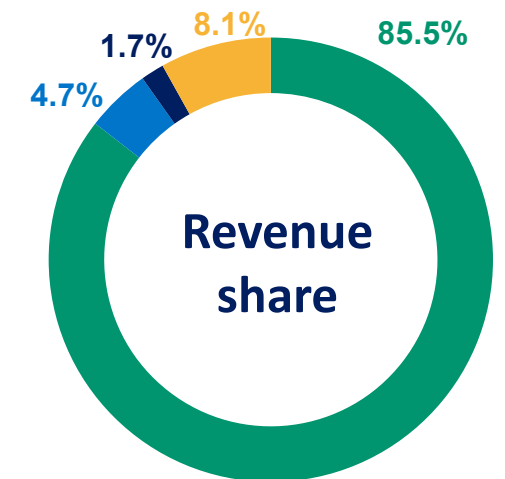
Laboratories

+18.8%

Crematoria

+11.8%

Online Retail business



Note:

¹ Revenue percentages stated gross of intercompany elimination

COVID-19 isolations have impacted our revenue performance

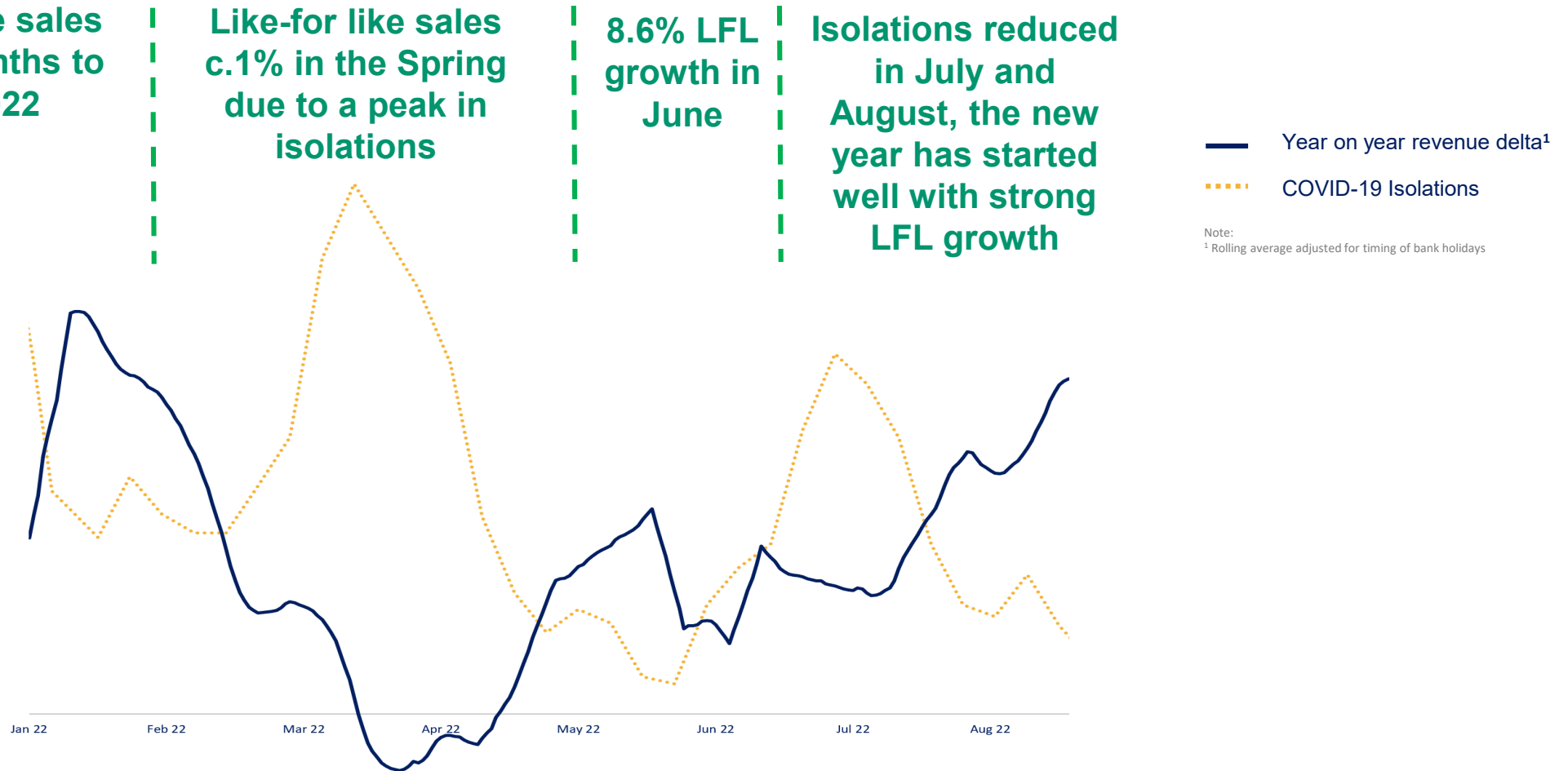
There is a clear correlation between our colleagues isolating and our revenue performance...

10% like-for like sales growth in 8 months to February 2022

Like-for like sales c.1% in the Spring due to a peak in isolations

8.6% LFL growth in June

Isolations reduced in July and August, the new year has started well with strong LFL growth



Adjusted EBITDA growth

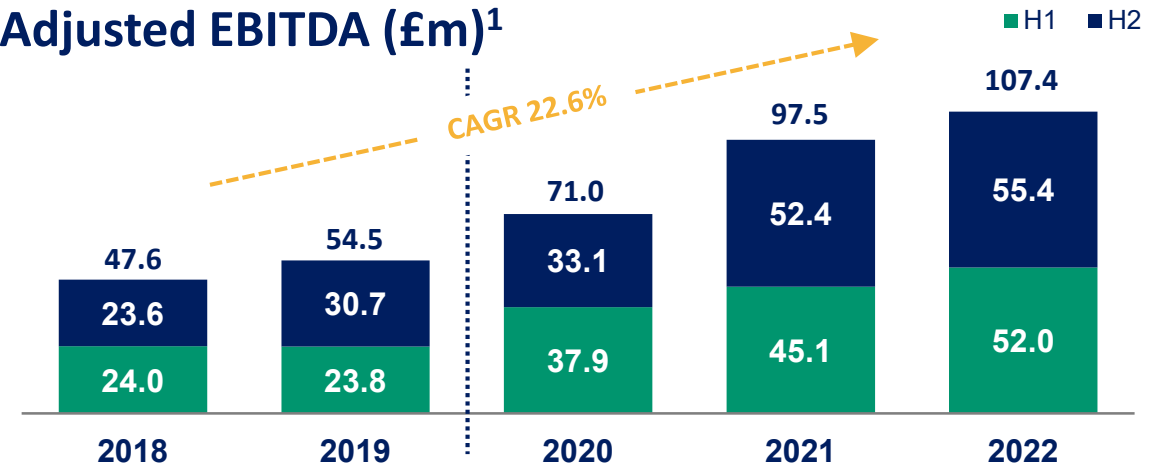
Double-digit adjusted EBITDA growth

- FY 2022 revenue +8.6% to £554.2m
- Adjusted EBITDA margin improvement of +0.3ppts to 19.4% (FY 2021: 19.1%)
- FY 2022 adjusted EBITDA +10.2% to £107.4m (FY 2021: £97.5m)
- Includes £2.0m RDEC claim which is the Group's second claim under this scheme

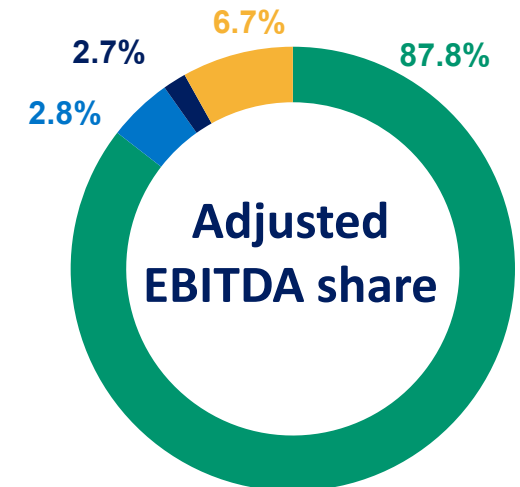
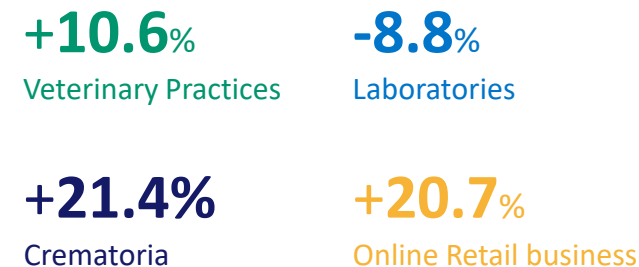
Adjusted EBITDA margin improvement

- Gross margin stated before clinical staff costs stable at 76.9% (FY 2021: 76.1%)
- Employment cost as a percentage of revenue increased marginally to 50.4% (FY 2021: 48.8%)
 - additional investment to support revenue growth and wellbeing of our teams, with the Group employing on average 6.0% more veterinary surgeons
- Other costs as a percentage of revenue decreased marginally to 7.1% (FY 2021: 8.3%)

Adjusted EBITDA (£m)¹



YOY adjusted EBITDA Growth (£m)



Note:
¹ 2018 – 2019 years based on pre IFRS 16 numbers
² Divisional EBITDA growth before head office costs

Highly cash generative

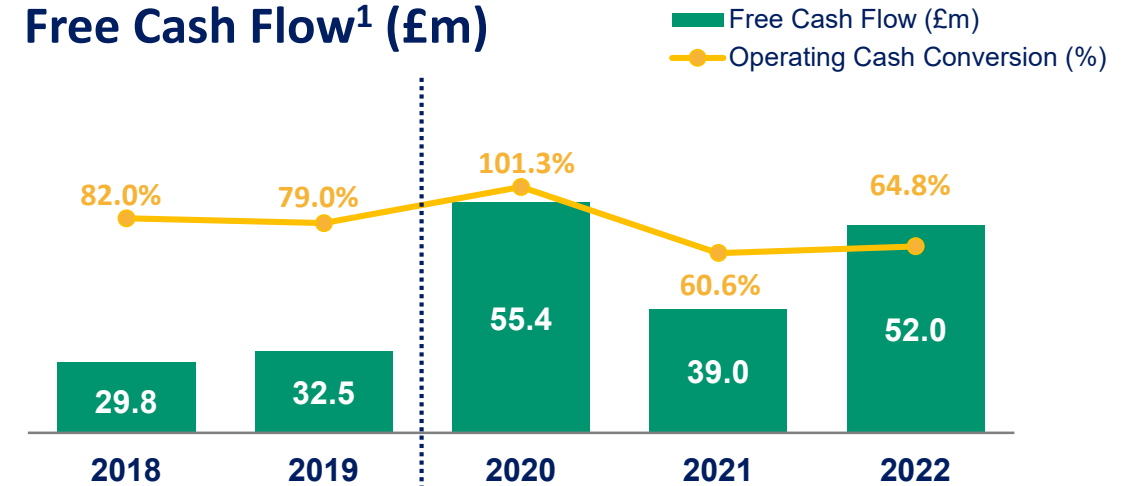
Free Cash Flow Generation

- Free cash flow of £52.0m
 - Adjusted EBITDA increase of £9.9m
- Operating cash conversion at 64.8%

Net cash flow

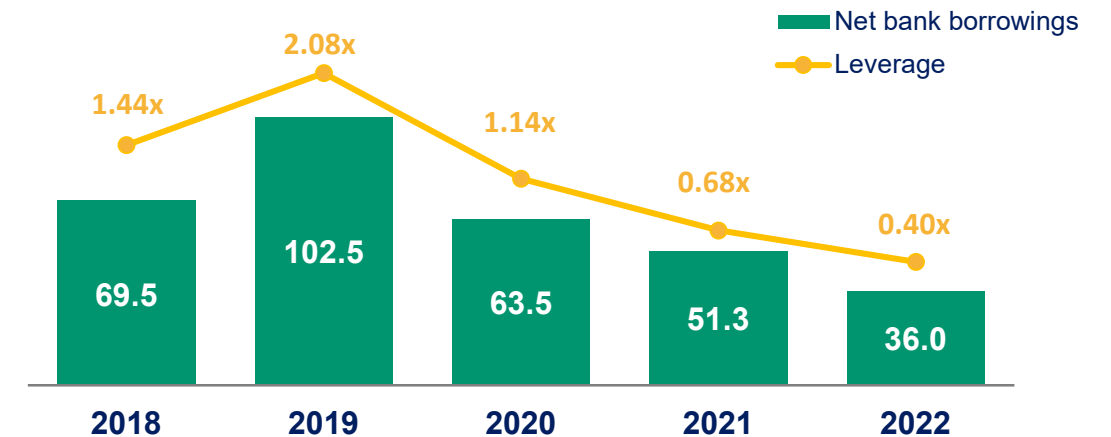
- Net cash inflow of £15.3m (FY 2021: £12.2m) includes:
 - £13.7m (FY 2021: £8.4m) of investment capital expenditure
 - £8.4m (FY 2021: £19.4m) consideration for acquisitions
 - £12.4m (FY 2021: £nil) exceptional item
 - £4.6m (FY 2021: £nil) dividend payment
- Net bank borrowings decreased to £36.0m from £51.3m
- Leverage reduced to 0.40x from 0.68x

Free Cash Flow¹ (£m)

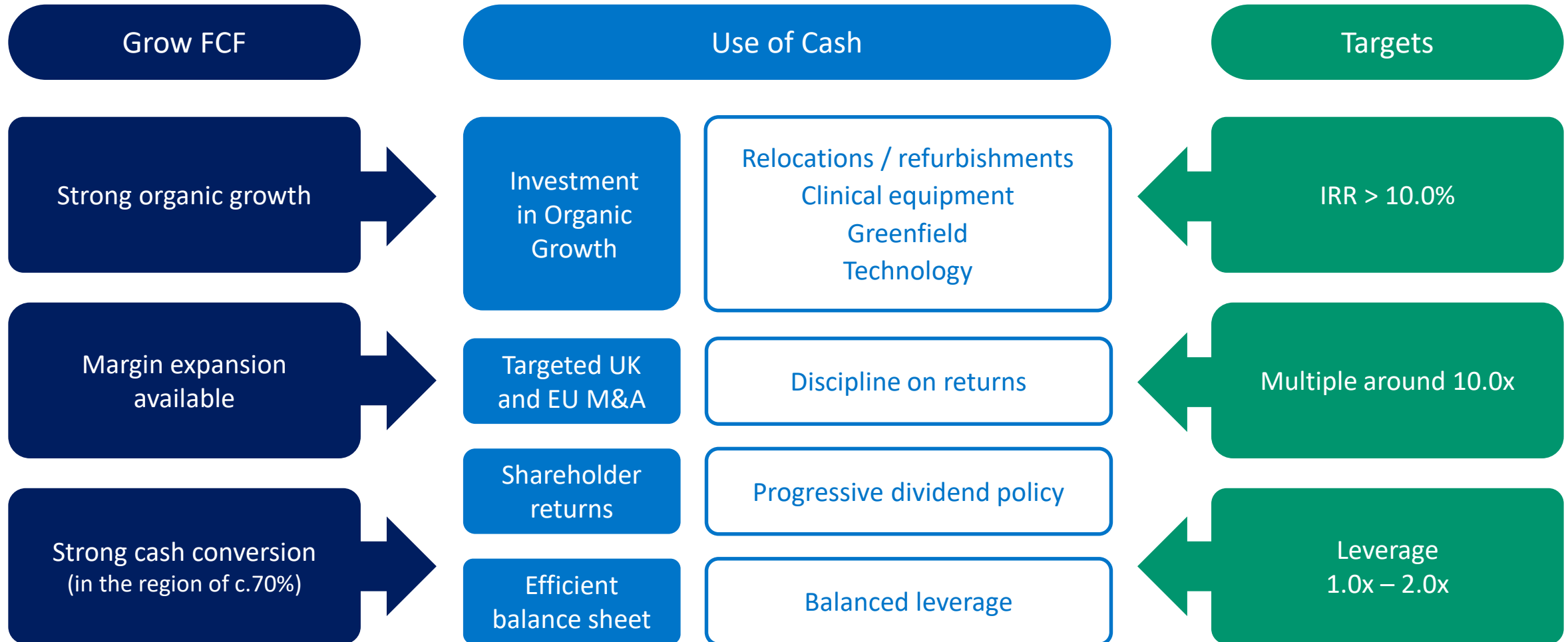


¹ 2018 – 2019 years based on pre IFRS 16 numbers

Net bank borrowings (£m)



Re-investing strong cash flow for further growth





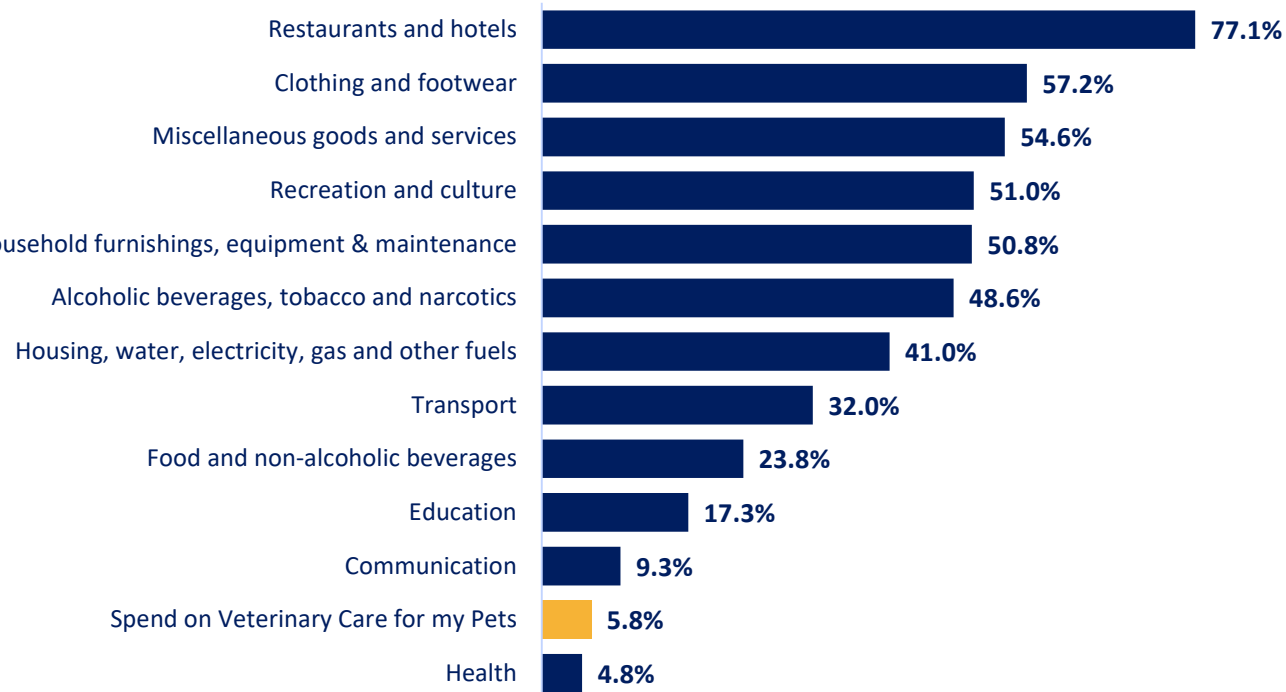
3 Strategic and Operational Update

Our clients value our high-quality care

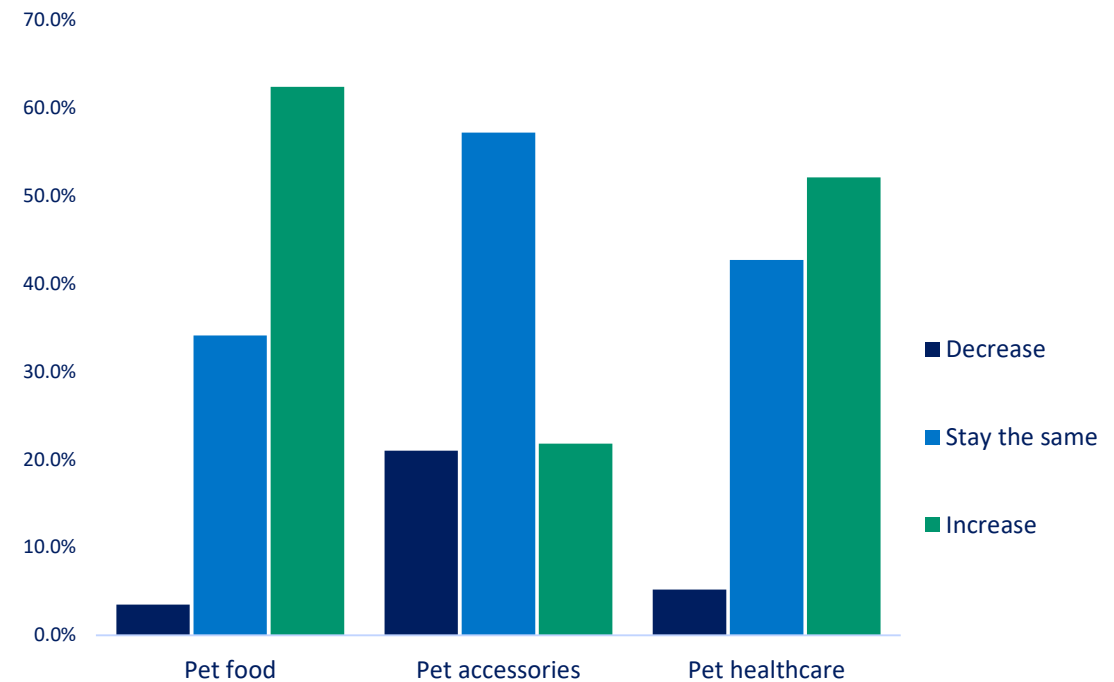
Our Purpose - To provide the best possible care to animals

Our Vision - To be the veterinary company people most want to work for

Only 5.8% of pet owners said veterinary care was an area they would consider reducing spend in the event of a recession



The vast majority of clients expect their spend on veterinary care to stay the same or increase over the next two years



Our culture attracts clinical talent

STRATEGIC PILLAR 2 - We are a great place to work and have a career

- Continued growth in our colleague satisfaction with further improvement in our employee net promoter score
- We have continued to grow the number of clinicians we employ
- Our attrition continues to decline in line with increased employee engagement



+6.0%

More Vets Employed



+11.4%

More Nurses Employed



374

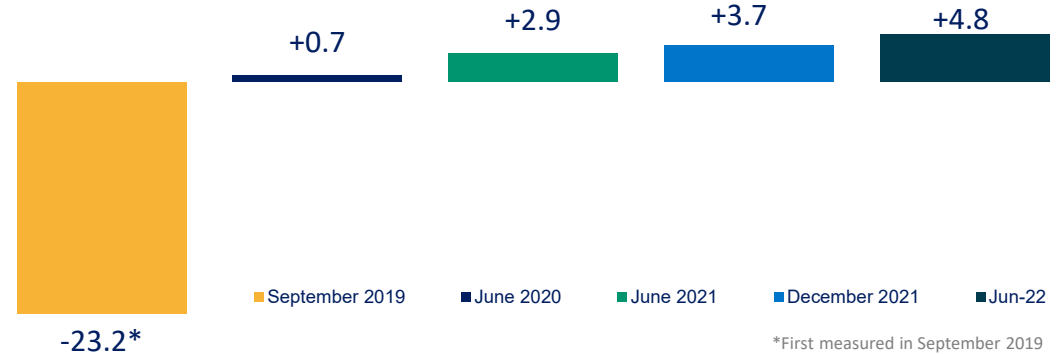
Managers trained in "Supporting the Wellbeing of Your Team"



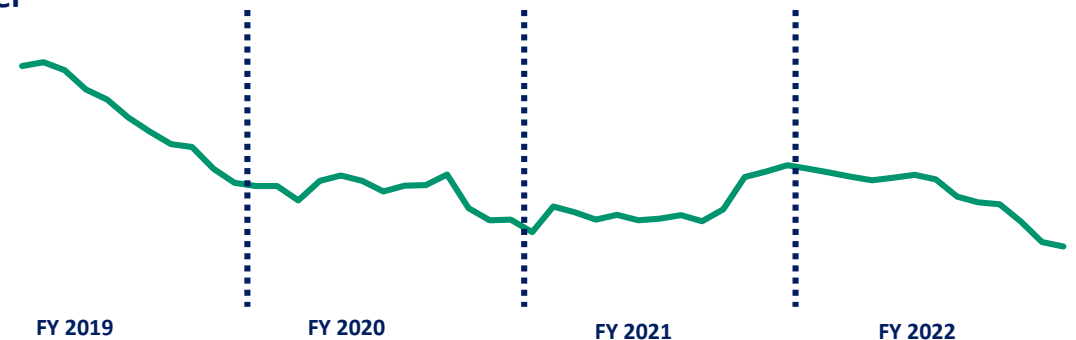
280

Active Wellbeing Champions

Employee Net Promoter Score



Attrition fell consistently through the year, to the lowest point in the last quarter



We continue to invest in our refurbishment and relocation strategy

STRATEGIC PILLAR 3 - We provide great facilities and equipment

Strategic Opportunity in Refurbishments and Relocations

- Three greenfield locations in progress with the first to open December 2022
- Opportunities to co-locate our practices such as a partnership with Dobbies garden centres
- High percentage of pet owners amongst garden centre users
- First site opened in Chesterfield – August 22
- A further 4 sites at Dobbies garden centres to open over the next 12 months
- Potential to expand network across further sites.

23

Refurbishments and relocations

£24.5m

Capex

3

Greenfields planned for FY23



Technology will drive further growth

STRATEGIC PILLAR 3 - We provide great facilities and equipment

We are launching a new practice management system during FY 2023

Provet Cloud, provided by Nordhealth, is a modern intuitive system fitting with our ambition to provide the best facilities and equipment to retain vets and nurses.



Improved client service through online appointment booking and opportunity for dedicated client app



Improved usability for colleagues through convenient remote access and integration opportunities for diaries and rotas, with digital workflow and case management



Improved data with immediate reporting capabilities and more reportable data points



Improved infrastructure utilising cloud based technology



Significant increase in nurse utilisation

STRATEGIC PILLAR 4 - We take our responsibilities seriously

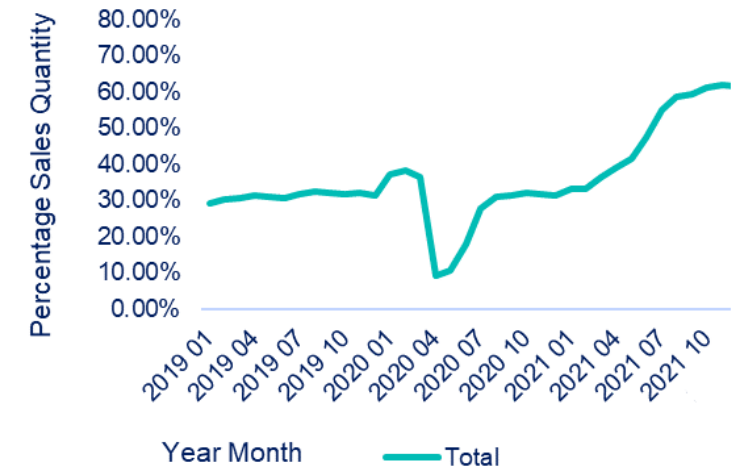


Significant increase in Nurse utilisation

Promoting and enabling our nurses to develop and use their skills as professionals within our vet-led teams has never been more vital.

- Routine consultations undertaken by Nurses where possible
- New toolkit for nurses to offer support and address development needs
- New nurse consult leadership course launched by our Learning, Education and Development team
- Benefit of improved workload distribution and caseload across clinical teams

Total % by nurse consultations performed by RVN's



“In quality improvement, the work is never done, but celebrating what we achieve keeps us going. This report is a celebration of CVS teams, whose care and passion for what they do never ceases to be inspiring. I am grateful to all the wonderful colleagues at CVS for making this report possible.”
Angela Rayner, CVS Director of Quality Improvement



4 Outlook

New financial year to date

Good start to the new financial year...

- Strong sales and like-for-like growth in the first ten weeks versus the same period in the previous financial year
- We are pleased with the momentum in the business and trade in line with market expectations
- Continued growth in our Healthy Pet Club
- Record number of new graduate vets recruited
- Strong acquisition pipeline

Well positioned for further growth



Any
Questions?





5 Appendix

Our Integrated Model is Key to Delivery of High Standards of Care...

- First opinion practices provide first class primary care to our clients and their animals
- We adopt an evidenced-based clinically driven approach to the provision of high-quality care
- We focus on preventative care through our HPC scheme – this ensures issues are identified and addressed early
- MiNight Vet out-of-hours practices ensure 24/7 joined up care
- Laboratories provide diagnostic tests and desk-top analysers in support of our primary care teams
- Our referral specialists provide multi-disciplinary care for the more complex and urgent cases
- Crematoria provide clinical waste disposal services and a compassionate end of life cremation service

Clients benefit from this high quality, joined-up care



Adjusted EBITDA, Adjusted PBT and Adjusted EPS

Reconciliation of adjusted EBITDA (£m)	FY 2022	FY 2021	MVT	H1 2022
Adjusted EBITDA*	107.4	97.5	9.9	52.0
Adjusted for:				
Finance expense	(6.8)	(7.0)	0.2	(3.4)
Depreciation	(25.1)	(24.3)	(0.8)	(12.4)
Amortisation of intangible assets	(22.2)	(23.8)	1.6	(11.3)
Costs relating to business combinations	(4.9)	(9.3)	4.4	(2.0)
Exceptional items	(12.4)	-	(12.4)	-
Profit before income tax	36.0	33.1	2.9	22.9
Amortisation of intangible assets	22.2	23.8	(1.6)	11.3
Costs relating to business combinations	4.9	9.3	(4.4)	2.0
Exceptional items	12.4	-	12.4	-
Adjusted profit before income tax*	75.5	66.2	9.3	36.2
Tax on adjusted profit	(14.6)	(13.1)	(1.5)	(6.8)
Adjusted profit after income tax	60.9	53.1	7.8	29.4
Weighted average number of shares (No.)	70,926,977	70,685,939	241,038	70,839,356
Adjusted earnings per share* (p)	85.8	75.1	10.7	41.5

* Financial measures are defined on slide 31

Cash Generation

Summary	FY 2022	FY 2021	MVT	H1 2022
Adjusted EBITDA*	107.4	97.5	9.9	52.0
Working Capital Movements	(14.0)	(7.5)	(6.5)	(13.8)
Deferred consideration payments	(0.3)	(9.7)	9.4	(0.3)
Capital Expenditure – Maintenance	(10.8)	(8.2)	(2.6)	(3.7)
Repayment of right-of-use liabilities	(12.7)	(13.0)	0.3	(6.1)
Operating Cash Flow	69.6	59.1	10.5	28.1
Operating Cash Conversion (%)	64.8%	60.6%	+4.2ppts	54.0%
Taxation paid	(11.2)	(13.0)	1.8	(5.5)
Net Interest paid	(6.4)	(7.1)	0.7	(3.2)
Free Cash Flow	52.0	39.0	13.0	19.4
Capital Expenditure – Investment	(13.7)	(8.4)	(5.3)	(6.9)
Acquisitions/Other Investments – Investment	(20.8)	(19.4)	(1.4)	(20.1)
Dividend	(4.6)	-	(4.6)	(4.6)
Other financing activities	2.4	1.0	1.4	0.3
Net Inflow / (Outflow)	15.3	12.2	(3.1)	(11.9)
Net Bank Borrowings*	(36.0)	(51.3)	15.3	(63.2)

* Financial measures are defined on slide 31

Definitions

Like-for-like sales shows 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 2020, revenue is included from September 2021 in the like-for-like calculations.

Adjusted EBITDA is profit before income tax adjusted for net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items.

Adjusted profit before income tax is calculated as profit on ordinary activities before taxation, amortisation, costs relating to business combinations and exceptional items.

Adjusted earnings per share is calculated as adjusted profit before income taxation less an appropriate tax charge to derive adjusted profit after taxation divided by the weighted average number of ordinary shares in issue in the year.

Leverage on a bank test basis is drawn bank debt less cash and cash equivalents, divided by adjusted EBITDA annualised for the effect of acquisitions, including costs relating to business combinations and excluding share option costs, prior to the adoption of IFRS 16.

Net bank borrowings is drawn bank debt less cash and cash equivalents.

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