CVS Group plc

Interim report for the six months ended 31 December 2023

For Immediate Release **29 February 2024**

CVS Group plc
(“CVS”, the “Company” or the “Group”)

Interim results for the six months ended 31 December 2023

Continued delivery on growth strategy, trading in line with full year expectations

CVS, the UK listed veterinary group and one of the leading providers of veterinary services, is pleased to announce its unaudited interim results for the six-month period ended 31 December 2023 (“H1 2024”) and provide an update on year-to-date trading. Comparative data is provided for the six months ended 31 December 2022 (“H1 2023”), unless otherwise stated.

Financial Highlights

£m except where stated	**H1 2024 (unaudited)**	H1 2023 (unaudited)	Change %[6]	FY 2023 (audited)
Revenue	**329.9**	296.3	11.4%	608.3
Group Like-for-like (“LFL”) sales growth (%)[1]	***6.0%***	*7.5%*	*(1.5ppts)*	*7.3%*
Adjusted EBITDA[2]	**63.0**	57.8	8.9%	121.4
Adjusted EBITDA[2] margin (%)	***19.1%***	*19.5%*	*(0.4ppts)*	*20.0%*
Adjusted profit before tax[3]	**42.7**	41.1	3.9%	85.4
Adjusted earnings per share[4] (“EPS”) (p)	**44.5**	45.6	(2.4%)	96.0
Operating profit	**28.6**	31.5	(9.2%)	62.3
Profit before tax	**23.4**	28.0	(16.4%)	53.9
Basic earnings per share (p)	**20.4**	29.6	(31.1%)	58.8
Net bank borrowings[5]	**129.2**	57.6	124.3%	74.0

Notes

1 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 2022, revenue is included from September 2023 in the like-for-like calculations.

2 Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is profit before tax adjusted for interest (net finance expense), depreciation, amortisation, costs relating to business combinations, and exceptional items. Adjusted EBITDA provides information on the Group’s underlying performance and this measure is aligned to our strategy and KPIs. Alternative performance measures are described in note 2.

3 Adjusted profit before tax is calculated as profit before amortisation, taxation, costs relating to business combinations, and exceptional items. Alternative performance measures are described in note 2.

4 Adjusted earnings per share is calculated as adjusted profit before tax less applicable taxation, divided by the weighted average number of Ordinary shares in issue in the period. Alternative performance measures are described in note 2.

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

6 Percentage increases and decreases are calculated based on the underlying values throughout this document.

7 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 acquisition fees and excluding share option costs, prior to the adoption of IFRS 16.

8 Operating cash conversion is cash generated from operations excluding acquisition fees and contingent consideration payments but including repayment of right-of-use liabilities and maintenance capital expenditure divided by adjusted EBITDA.

Financial Highlights

- Revenue increased 11.4% to £329.9m with like-for-like sales[1] growth of 6.0%, within the Group’s organic revenue growth ambition of between 4% and 8%

- Increase in Adjusted EBITDA[2] of 8.9% to £63.0m with Adjusted EBITDA[2] margin at 19.1%, in line with our stated ambition of full year margins between 19% and 23%
- Membership of our preventative healthcare scheme, The Healthy Pet Club (HPC), has increased to 500,000, up 4.0% vs. 31 December 2022 (+2.2% vs. 30 June 2023) reflecting continued underlying demand for companion pet veterinary care services in the UK
- Leverage[7] was 1.15x as at 31 December 2023 (31 December 2022: 0.60x; 30 June 2023: 0.73x) reflecting the Group's continued focus on driving growth through our M&A and capital investment strategy partly offset by strong EBITDA growth and operating cash conversion
- Bank facilities renewed in January 2024 to extend the term by one further year to 21 February 2028 on the same terms and £100m hedged in an interest rate swap over the same period

Operational & Strategic Highlights

- **Focus on growth through execution of M&A strategy**

  Australia
  - Entry into Australian veterinary services market with thirteen small animal acquisitions consisting of fifteen practice sites completed in H1 2024 for aggregate initial consideration of A$103.8m / £54.4m
  - Strong pipeline of further acquisition opportunities with a continued focus on major cities such as Sydney, Melbourne, Brisbane, and Perth
  - Local senior management team in place with senior Operations Director seconded from the UK, with appropriate governance through UK support functions

  UK
  - Completed a further four small animal practice acquisitions in H1 2024, all following successful submission of briefing papers to the Competition and Markets Authority (CMA)

- **Focus on capital expenditure to deliver high quality infrastructure**
  - Continued disciplined approach to investment in our facilities and equipment, with total capital expenditure of £17.2m (H1 2023: £19.9m, FY 2023: £45.7m)
  - A further four projects completed in H1 2024, with one further Greenfield small animal practice opened in Derby in January 2024
  - Bristol Vet Specialists (BVS), a state-of-the art flagship multi-disciplinary referral hospital, opened in October 2023 providing a range of services including cardiology, dermatology, diagnostic imaging, internal medicine, neurology/neurosurgery, oncology, orthopaedics, soft tissue surgery and anaesthesia & analgesia

- **Improved standards of veterinary care**
  - New Clinical Governance Framework launched by CVS, driving increased standards of care in the profession: first dedicated veterinary clinical governance framework for those involved in animal healthcare in the UK
  - 8.4% more vets employed on average in calendar year 2023 vs 2022 as we continue to position CVS as the employer of choice

Current trading and outlook: confident of continued growth and delivery of our strategic goals

- We are mindful of the wider macroeconomic backdrop and the potential impact on demand as well as ongoing inflationary pressures on margins over the near term. However, the Board remains confident that full year results will be in line with market expectations and the strategy remains appropriate to deliver longer term sustainable growth in value
- The board is pleased with the Group's entry into Australia with the practices acquired performing in line with business cases. We have a strong pipeline of opportunities and are building a meaningful platform
- Investment in our people, technology and clinical facilities remains a key focus in order to support further organic growth

- Our focus on profitable expansion through acquisition in the UK and Australia will continue, with at least ten further acquisitions in Australia expected in H2 2024. We look forward to welcoming new colleagues to CVS through small animal practice acquisitions in H2 2024
- Positive momentum towards our stated five-year plan to double Adjusted EBITDA
- We continue to support the Competition and Markets Authority (CMA) with their market review into the provision of veterinary services for household pets in the UK. The Group looks forward to an update from the CMA in due course.

Richard Fairman, Chief Executive Officer, commented:

"Our interim results reflect the continued resilience of our business despite the challenging macroeconomic backdrop affecting household incomes and inflationary pressures seen across UK and Europe.

We continue to execute on the growth strategy outlined at our Capital Markets Day in November 2022 and during the period entered the Australian veterinary market with thirteen practices acquired alongside a further four acquisitions in the UK. We extended our bank facilities in January 2024 so that, alongside our cash generative business model, we have committed funds in place for the next four years to help fund our investment plans.

Our purpose is to give the best possible care to animals and our highly skilled team of colleagues are essential to the delivery of this care. I would like to take this opportunity to thank all CVS colleagues for their continued professionalism and dedication in providing high-quality care to our clients and their animals.

With the continued commitment of our colleagues and our focused investment in their welfare and their working conditions, we look forward to reporting further growth in the future."

Results webcast

An audio webcast and presentation of these results will be available on https://stream.brrmedia.co.uk/broadcast/65c62a8da4115474d64b3987 from 07.00am on 29 February 2024. Management will host a Q&A conference call for analysts and investors at 09.00am GMT this morning. To join the call in listen-only mode, please click on the following link https://stream.brrmedia.co.uk/broadcast/65b8e5fc6371e5b884f62627. Those wishing to participate in the Q&A session should email CVSG@camarco.co.uk for call details.

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About CVS Group plc (www.cvsukltd.co.uk)

CVS Group is an AIM-listed provider of veterinary services with operations in the UK, Australia, the Netherlands and the Republic of Ireland. CVS is focused on providing high-quality clinical services to its clients and their animals, with outstanding and dedicated clinical teams and support colleagues at the core of its strategy.

The Group operates c.500 veterinary practices across its four territories, including nine specialist referral hospitals and 39 dedicated out-of-hours sites. Alongside the core Veterinary 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) and the Group's online retail business ("Animed Direct").

The Group employs c.9,100 personnel, including c.2,400 veterinary surgeons and c.3,400 nurses.

Introduction

The Board is pleased to report that the Group has delivered further growth in both revenue and adjusted EBITDA, as it continues to focus on providing high-quality care to its patients. This focus has delivered like-for-like sales[1] growth in H1 2024 of 6.0%, and Adjusted EBITDA margin of 19.1% which, whilst impacted by ongoing inflationary pressures on costs, remains within our stated ambition to maintain margins between 19% and 23%.

We are pleased with our continued growth, with our H1 2024 results demonstrating positive momentum towards our stated five-year plan to double Adjusted EBITDA by focusing on:

- Organic revenue growth of 4% - 8% per annum;
- Adjusted EBITDA margin between 19% to 23%;
- Investment in practice facilities and technology to deliver additional organic growth;
- Investment in selective acquisitions subject to disciplined criteria for returns and earnings accretion;
- Operating cash conversion greater than 70%; and
- Maintaining leverage (net debt to EBITDA ratio) below 2.0x.

CMA

We continue to support the Competition and Markets Authority (CMA) with their market review into the provision of veterinary services for household pets in the UK. The Group looks forward to an update from the CMA in due course.

M&A: delivering against our plan, with entry into Australia and building a sustainable platform

Australian Market Entry

In July 2023 CVS entered the Australian veterinary services market in accordance with its growth objectives, as outlined in the five-year plan, to execute on scalable international consolidation opportunities subject to maintaining its disciplined acquisition criteria.

CVS completed a total of thirteen small animal first opinion acquisitions in Australia (comprising 15 practice sites) in H1 2024 for aggregate initial consideration, inclusive of cash acquired, of A$103.8m / £54.4m with representation in the major cities of Sydney, Melbourne, Brisbane, and Perth. The combined historical multiples paid are lower than those in the UK and the internal rate of return within the relevant acquisition business cases is comfortably above our hurdle rate of 10%. The acquisitions made to date are performing well and in line with expectations. These acquisitions, together with our strong pipeline, provide a meaningful platform for our operations in Australia.

Our focus is on acquiring high-quality small animal practices with good facilities and strong practice management teams. Our local senior management team work closely with the practice management teams in supporting the growth of their practices and in generating value from our Australia presence. We have appropriate governance through our support functions in the UK. Whilst acquisition multiples in Australia are lower than in the UK, practice margins are similar. However, the internal rate of return is expected to be similar to the UK as synergies have not been included initially, and the rate of corporation tax is higher at 30% in Australia. The Group expects to benefit increasingly over time from additional advantages of scale as it further expands in Australia, including improved drug purchasing terms, revenue growth and margin enhancement with a focus on high-quality clinical care and developing a market leading employee experience.

Australia market trends

The Australian veterinary services market has relatively low levels of consolidation with two major established competitors, VetPartners and Greencross, collectively owning c.11% of the market. With c.3,500 practices across Australia, there is a significant potential opportunity for CVS. The Australian market has similar characteristics to the UK with an increasing pet population post the COVID-19 pandemic, humanisation of pets and consumers willing to invest in veterinary care for their animals. There is a history of UK and Australian vets spending time working in the two markets and the approach to clinical care is similar. CVS's purpose, to give the best possible care to animals, and its vision, to be the veterinary company people most want to work for, fit well with the Australian market and we are excited by the opportunity. Our expansion into Australia will also provide career progression opportunities for UK vets and nurses who may wish to gain experience in Australia and a formal exchange programme is soon to be launched, to attract and retain colleagues within the wider CVS Group.

Continued UK pipeline of acquisitions
CVS continues to augment its UK operations with targeted acquisitions with a further four acquisitions completed in the first half comprising four practice sites, for aggregate initial consideration, inclusive of cash acquired, of £10.1m. The acquisitions were completed following the submission of briefing papers to the CMA. These acquisitions are performing in line with expectations.

The Group anticipates to complete a number of additional first-opinion practice acquisitions in H2 2024 subject to appropriate appraisal and due diligence. Our leverage remains significantly below 2.0x, and there continues to be considerable headroom in our undrawn loan facility.

Driving clinical standards in the profession and delivering great clinical care
Clinical Governance Framework
In November 2023, CVS launched a new Clinical Governance Framework, a system through which CVS will hold itself accountable for improving the quality of its services and cultivating a culture in which clinical care will continue to improve. Unlike previous veterinary approaches to clinical governance this framework focuses on creating the environment in which high standards of care can thrive.

It represents the first dedicated veterinary Clinical Governance Framework for those involved in animal healthcare in the UK. Similar frameworks have been adopted by the NHS and others in human healthcare, but a different approach has been required for the veterinary profession.

The components of the CVS Clinical Governance Framework are:

- A definition of what is meant by the term "Quality of Care" within animal healthcare in a way that can be individualised to every situation;
- A description of the six pillars that represent the organisation's clinical priorities namely:
    1. Clinical Effectiveness;
    2. Research and Development;
    3. Ethical Integrity and Sustainability;
    4. Information Sharing and Collaboration;
    5. Education and Training; and
    6. Quality Improvement and Patient Safety.
- Five values central to a culture of clinical improvement that CVS colleagues will aspire to namely: a just culture, accountability; inclusive leadership; teamwork; and systems thinking.

Paul Higgs, Chief Veterinary Officer at CVS, said: *"We hope that this framework is useful for everybody in our profession. Understanding the real benefits of a fantastic Clinical Governance Framework and the psychological safety culture that must underpin it can have a hugely positive impact on the wellbeing of our profession, our clients and our patients. It provides a safe way for us to understand our current working practices and identify change where needed.*

Defining 'Quality of Care' is essential for us to understand what we are trying to achieve with that change. To cultivate the right environment we must also commit to behaviours that engage inclusively, challenge fairly and encourage sustainable accountability."

The Clinical Governance Framework will act as a guiding light to our clinicians as they give the best possible care to animals. Within three months of launching our framework, we have trained 164 Clinical Improvement advocates across small animal, farm and equine.

Investing in great facilities and equipment
As part of the Group's commitment to provide great clinical care, CVS continually reviews its facilities and equipment to ensure they meet the high standards our care requires. In H1 2024 we invested £17.2m in capital projects, completing four refurbishments and relocations. Where appropriate these refurbishments and relocations include advanced imaging equipment, enhancing the clinical offering and therefore patient care.

Alongside investment in improving and developing our existing practices, we opened a further greenfield site in Derby in January 2024. Greenfield practices support clinicians looking to establish new veterinary practices and hospitals in state-of-the-art facilities.

Our flagship multi-disciplinary referral centre, Bristol Vet Specialists, opened in October 2023 in Avonmouth. The new hospital, which covers over 30,000 square feet, was custom built with uniquely designed facilities for our clinical colleagues to accommodate the very best workflow and patient care. The facilities include:

- fourteen consultation rooms, set up to facilitate engagement with the patient and their owners;
- designated accident and emergency;
- five operating theatres including a dedicated interventional theatre;
- advanced imaging; and
- a linear accelerator capable of performing stereotactic treatments advancing cancer treatment available to pets.

Delphine Holopherne-Doran, Clinical Director at BVS, said: *"we are proud to open our new veterinary hospital in Bristol. Our advanced facilities and eminent colleagues will mean we can provide the best animal care to pets in the Southwest and further afield, and we have invested in cutting edge technology to bring cancer treatment in pets to the next level. This site will become a centre of excellence in the veterinary world."*

People: Our vision is to be the veterinary company people most want to work for
Our people remain at the core of our business, and we are pleased to see continued high levels of employee satisfaction, measured through our employee net promoter score stabilising at 11.9 at 31 December 2023. A simple but effective way we engage with our colleagues is through regular check ins, of which 87% of our colleagues report they have these regularly with their line managers; and interactive team meetings, of which 86% of our colleagues have regular interactive team meetings. We fundamentally believe these regular team touch points contribute to colleague satisfaction by creating an opportunity for feedback, development and also an opportunity to talk about wellbeing.

We continue to recruit more clinicians, and we now employ more vets and nurses than ever before. We have seen an increase in the average number of vets we employed in calendar year 2023 vs calendar year 2022 of 8.4% and nurses of 8.5%. Our well-understood, people focused strategy is delivering positive momentum in CVS becoming the veterinary company people most want to work for.

New Graduate Programme
Our industry leading New Graduate Programme continues to attract an increased share of the available new graduates to CVS each year with just over 200 graduates employed from the summer 2023 graduate pool. A strategic focus over the last year has been on new graduate induction, adopting a collaborative approach with practices and key stakeholders to deliver a structured and supported onboarding experience for our new graduates to help ease their transition into the profession. Graduates work closely with a dedicated mentor in practice who has undergone additional in-house training, and they are encouraged to develop their peer support networks via the introduction of regional tutor groups. By constantly monitoring and improving the experience of new graduates within CVS, we are better able to retain this talent within the business and deliver on our commitment to provide a great place to work and have a career.

Rob Kelly, Head of Veterinary Clinical Education at CVS, said *"With 80% plus of UK veterinary professionals working in general practice, the aim of the programme is to develop new members of our profession to benefit* *their career, colleagues, and animals under their care. Our new graduate programme is designed to enable individuals to continually reflect on their own competencies in a supported learning environment to develop as capable clinicians."*

New veterinary nursing career pathway

We launched a new nursing career pathway in H1 to offer clear career progression for nurses across small animal first opinion, referral and equine practices. At each level of the pathway there is a tailored learning curriculum from newly qualified advancing into three clinical activity levels reflecting the direction of the nurse's careers and areas of interest. Beyond that, we have also introduced 3 new job titles clinical lead where you would be responsible for managing a clinical area of the practice, team lead where you are responsible for managing a subset of the nursing team, and nurse manager where you would be responsible for leading a large multi-tiered or multi practice team.

Tara Ryan, Chief Veterinary Nursing Officer at CVS, said: *"There are so many good reasons to provide structure and clarity around nursing careers. The nursing career pathway will enhance the role of the Veterinary Nurse in our practices and ensure we are utilising the skills of our nurses. The pathway will give confidence to vets when delegating to nurses and it will enable nurses to do more for our clients and patients, whether that be through advanced clinical care, surgery or consulting procedures.*

Most importantly it will support nurses in taking the direction in their career that they want to take. There are multiple different options for nurses to progress within CVS – whether it be in practice, procurement, client services or learning, education and development. It means nurses truly can have a life-long career within CVS."

Apprentice Scheme

In line with our strategy of building careers for the future, we also continue to grow our apprentice programme, supporting nearly 500 active apprentices across the business. Such is the strength of this programme we were winners of the Apprenticeship Employer of the Year Award in the East of England, for the macro employer category (over 5,000 employees). As such, we reached the national finals being the only veterinary and animal care employer represented.

Care at our Heart: embedding our Environmental, Social and Governance (ESG) strategy

We published our second annual sustainability report in September 2023 highlighting the progress we have made as well as setting our first public targets, included in the report, within our six workstreams: Energy and Carbon, Waste, One Health, Wellbeing, People Development, and Equity, Diversity and Inclusion (EDI).

We are targeting clear metrics which are ambitious and show our intent to become a more sustainable company.

We continue to support wellbeing across our business areas, and the continued work of our wellbeing working group supports over 60% of colleagues reporting we are providing relevant and helpful wellbeing resources, training, activities and support.

We continued to invest in a range of interventions to conserve energy, increase energy efficiency and reduce our carbon footprint and these have so far led to a 12% reduction in energy use and an 11% reduction in our carbon footprint since we started to target these improvements.

We have strengthened our Environmental Champion programme, and provided additional resources to practices to help improve waste segregation, thereby reducing our impact on the environment. This has contributed to a further reduction in medical waste in excess of 10% in H1 2024 vs H1 2023.

We use a data driven approach to balance the use of treatments that may have an impact on the environment and public health whilst maintaining our primary responsibility for animal welfare. This has led to elimination of the use of Nitrous Oxide.

In November 2023, we acquired Brimbank Vet Clinic, the first carbon neutral veterinary practice in Australia. We are looking forward to working with the team at Brimbank to learn from their sustainable initiatives and to consider how these can be applied elsewhere across the group.

Jeremy Watson, former owner and Clinical Director at Brimbank Vet clinic said *"We achieved our carbon neutral status in 2021, where we became Australia's first certified carbon neutral veterinary practice on the Australian Government Climate Active Register. I know some people get overwhelmed by where to start, but it is about understanding why it is important to be addressing climate change because of its escalating impact on animal health, and as veterinary teams, animal health is our responsibility. Management needs to engage your whole team in a culture of sustainability so it makes this a normal part of practice. We designed and built a practice that minimised its impact on the environment, creating a place that the team want to work in and clients want to visit. A sustainability program that includes net zero strategy has delivered increased team engagement, improved profitability and better client value."*

Financial review: investing to deliver future growth

CVS delivered a positive performance in H1 2024, making progress towards its five-year plan to double adjusted EBITDA (to FY 2028). CVS continues to focus on delivering the very best care to animals and is pleased with the continued growth.

In November 2022, CVS announced its intention of building a sustainable and meaningful business overseas, and in July 2023 entered the Australia veterinary market. In H1 2024 we acquired thirteen first-opinion small animal practices (15 practice sites), with a healthy pipeline of opportunities.

Revenue

Group revenue was £329.9m in the period, an increase of 11.4% over the prior period (H1 2023: £296.3m), with group like-for-like sales[1], growth of 6.0% (H1 2023: 7.5%) reflected growth across each of our four divisions notwithstanding a challenging economic climate and cost of living crisis.

Gross profit/gross profit margin

Gross profit of £141.1m increased by 11.4% (H1 2023: £126.7m) benefitting from revenue growth. During the period there was an improvement in gross margin before clinical staff costs to 78.1% (H1 2023: 77.5%); offset by an increase in employment costs where we continue to invest in clinicians and support roles. As a result, gross profit margin was flat overall vs H1 2023.

Adjusted EBITDA and adjusted EPS

Adjusted EBITDA for the half-year increased 8.9% to £63.0m (H1 2023: £57.8m) primarily due to growth in revenue and gross profit. Included is recognition of £6.0m Research and Development Tax Credits (H1 2023: £5.0m).

Adjusted EBITDA margin was 19.1% (H1 2023: 19.5%) impacted by conscious investment in support functions; inflationary pressures particularly in wages and establishment costs; the opening of BVS and a new greenfield site; and poorer performance across the Netherlands and the Republic of Ireland. BVS will continue to impact margin during the early months post opening as it establishes itself and builds a full caseload.

Adjusted earnings per share decreased 2.4% to 44.5p (H1 2023: 45.6p) following the increase in the rate of corporation tax in the UK to 25.0% from April 2023.

Operating profit, profit before tax and basic earnings per share

Operating profit decreased 9.2% to £28.6m (H1 2023: £31.5m). The increase in adjusted EBITDA was offset by an increase in depreciation as a result of increased capex spend and an increase in costs relating to business combinations.

Profit before tax decreased 16.4% to £23.4m (H1 2023: £28.0m). Finance expenses increased to £5.2m (H1 2023: £3.5m) following an increase in SONIA rates and increased bank borrowings to support investment.

Additionally, tax expense increased to £8.7m from £6.9m following the increase in UK corporation tax rate. Consequently, basic earnings per share for the period decreased to 20.4p (H1 2023: 29.6p).

A reconciliation between statutory operating profit and adjusted EBITDA is shown below:

	H1 2024 £m	**H1 2023 £m**
Operating profit	28.6	31.5
Adjustments for:		
Amortisation, depreciation, impairment and profit on disposal	26.8	24.5
Costs relating to business combinations	7.5	1.8
Exceptional items	0.1	-
Adjusted EBITDA	**63.0**	**57.8**

Cash generated from operations/net bank borrowings
Cash generated from operating activities was £39.4m (H1 2023: £35.0m) with the increase driven mainly from increased EBITDA. Operating cash conversion[8] of 63.7% (H1 2023: 62.1%) is in line with management expectations and the full year is expected to be in excess of 70%, with the first half structurally impacted by prior year bonus payments.

Net bank borrowings increased to £129.2m (H1 2023: £57.6m, 30 June 2023: £74.0m) after funding £63.1m of acquisitions (net of cash acquired), along with £17.2m of capital expenditure. This continued investment reflects the implementation of our capital allocation programme for future growth.

Operating segment performance
Veterinary Practices division
Our Veterinary Practices division comprises *c.*500 veterinary practices across four markets, including nine specialist referral hospitals and 39 dedicated out-of-hours sites, as well as our buying groups, Vet Direct and MiPet insurance. The Veterinary Practice division generated revenues of £294.8m in H1 2024, an increase of 11.9% on the £263.4m achieved in the prior period. Like-for-like sales growth, adjusted for the number of working days in the period, was 5.9% (H1 2023: 7.3%), demonstrating our continued ability to generate organic growth.

Gross margin before clinical staff costs in the Veterinary Practices Division improved to 80.5% (H1 2023: 80.3%).

Adjusted EBITDA for the Veterinary Practices division increased to £59.7m (H1 2023: £55.4m). Adjusted EBITDA margin was down slightly at 20.3% (H1 2023: 21.0%), reflecting increased investment in our people and inflationary costs increases.

Laboratories division
Our Laboratories division provides diagnostic services and in-practice laboratory analysers to CVS practices and third-party owned veterinary practices. Diagnostic services are offered via post and courier allowing complete coverage of the UK. Revenue of £16.3m was generated in the period, reflecting strong growth of 14.4% from the £14.2m generated in H1 2023 due to increased case volume and increased volume of analysers in practice.

Adjusted EBITDA increased to £5.3m (H1 2023: £4.4m) primarily due to the increased revenue.

Crematoria division
Our Crematoria division provides pet cremation and clinical waste disposal for CVS and third-party practices. Revenue was £6.0m in the period (H1 2023: £5.3m) reflecting the success of the Direct Pet Cremation project, offering a more compassionate aftercare service and increased options for pet owners. Adjusted EBITDA was £2.1m (H1 2023: £1.6m) primarily due to the increase in top line revenue.

Online retail business

We have continued to improve our Online retail business, Animed Direct, with revenue increasing to £25.0m (H1 2023: £24.5m), benefitting from increased basket spend. Adjusted EBITDA was flat at £1.7m (H1 2023: £1.7m).

Central administration
Central administration costs were £5.8m (H1 2023: £5.3m). Expressed as a percentage of Group revenue, excluding RDEC and associated costs, these costs remained broadly consistent at 3.6% (H1 2023: 3.5%).

Cash flow and funding position
CVS had borrowings of £161.5m at 31 December 2023 with cash and cash equivalents of £32.3m, resulting in net bank borrowings of £129.2m (H1 2023: £57.6m). The Group had leverage (net debt / bank test EBITDA) of 1.15x as of 31 December 2023 (30 June 2023: 0.73x).

The Group has total facilities of £350.0m committed through to 21 February 2028 and provided by a syndicate of eight banks: AIB, Barclays, Danske, HSBC, JP Morgan, Lloyds, NatWest and Virgin Money. The facilities comprise the following elements:

- a fixed term loan of £87.5m, repayable on 21 February 2028 via a single bullet repayment; and
- a four-year Revolving Credit Facility of £262.5m, available to 21 February 2028; and
- a £5.0m overdraft facility, renewable annually.

The Group is subject to two financial covenants associated with these facilities which are based on the ratios of net debt to EBITDA (no more than 3.25x) and EBITDA to interest (no lower than 4.5x). EBITDA for this purpose is based on adjusted EBITDA annualised for the effect of acquisitions, including acquisition fees and excluding share option costs, prior to the adoption of IFRS 16. Interest cover was 25.7 at 31 December 2023 (30 June 2023: 34.3).

Dividends
A dividend of 7.5p (December 2022: 7.0p) per share was paid in December 2023 in respect of the financial year ended 30 June 2023. The Board will continue to review its dividend policy and anticipates the payment of a final dividend in respect of the current financial year, which will be payable in December 2024. In line with our customary practice, the amount of this dividend will be dependent on the outcome of the full year results and the growth capital needs of the business.

Current trading & Outlook
We remain confident of delivering sustainable long-term growth and delivery of our strategic goals.

We continue to execute on the strategy outlined at our Capital Markets Day in November 2022 and we extended our bank facilities in January 2024 so that we have committed bank facilities through to February 2028.

We continue to be mindful of the wider macroeconomic backdrop and the potential impact on demand as well as continued inflationary pressures on margins over the near term. However, the Board remains confident that full year results will be in line with market expectations and the strategy remains appropriate to deliver longer term sustainable growth in value.

We will continue our investment in our people, technology and our clinical facilities in order to support further organic growth. This will be augmented by investment in our exciting pipeline of selective acquisitions and development of exceptional Greenfield sites. In H2 2024 to date, we have completed a further small animal practice acquisition in the UK for initial consideration of £5.2m.

The Board would like to acknowledge and thank all members of the CVS team for their efforts to provide the very best care for animals, and with their support, we look forward to sharing continued success in the future.

Deborah Kemp
Interim Chair
29 February 2024

Condensed consolidated income statement for the six-month period ended 31 December 2023 (unaudited)

	Note	**Six months ended 31 December 2023 (Unaudited) £m**	Six months ended 31 December 2022 (Unaudited) £m	Year ended 30 June 2023 (Audited) £m
Revenue		**329.9**	296.3	608.3
Cost of sales		**(188.8)**	(169.6)	(346.0)
Gross profit		**141.1**	126.7	262.3
Administrative expenses		**(112.5)**	(95.2)	(200.0)
Operating profit		**28.6**	31.5	62.3
Finance expense	5	**(5.2)**	(3.5)	(8.4)
Profit before tax		**23.4**	28.0	53.9
Tax expense	8	**(8.7)**	(6.9)	(12.0)
Profit for the period		**14.7**	21.1	41.9
Profit for the period attributable to:				
Owners of the parent		**14.6**	21.1	41.9
Non-controlling interests		**0.1**	-	-
Profit for the period		**14.7**	21.1	41.9
Earnings per Ordinary share (EPS)				
Basic	6	**20.4p**	29.6p	58.8p
Diluted	6	**20.4p**	29.4p	58.5p

All activities derive from continuing operations.

Reconciliation of alternative performance measures

The Directors believe that adjusted measures, being adjusted EBITDA, adjusted PBT and adjusted EPS provide additional useful information for shareholders. These measures are used by the Board and management for planning, internal reporting and setting Director and management remuneration. In addition, they are used by the investor analyst community and are aligned to our strategy and KPIs. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' adjusted measures.

Adjusted EBITDA is calculated by reference to profit before tax, adjusted for interest (net finance expense), depreciation, amortisation, costs relating to business combinations and exceptional items. The following table provides the calculation of adjusted EBITDA.

Alternative performance measure: adjusted EBITDA	Note	**Six months ended 31 December 2023 (Unaudited) £m**	Six months ended 31 December 2022 (Unaudited) £m	Year ended 30 June 2023 (Audited) £m
Profit before tax		**23.4**	28.0	53.9
Adjustments for:				
Finance expense	5	**5.2**	3.5	8.4
Amortisation of intangible assets	9	**11.7**	11.3	22.6
Depreciation of property, plant and equipment	9	**7.7**	6.1	12.6
Depreciation of right-of-use assets	10	**7.5**	7.1	15.2
Profit on disposal of property, plant and equipment and right-of-use assets		**(0.1)**	-	(0.2)
Costs relating to business combinations[1]		**7.5**	1.8	6.6
Exceptional items[2]		**0.1**	-	2.3
Adjusted EBITDA		**63.0**	57.8	121.4
Adjusted earnings per share (EPS):				
Adjusted EPS	6	**44.5p**	45.6p	96.0p
Diluted adjusted EPS	6	**44.4p**	45.2p	95.5p

[1] Includes amounts paid in respect of acquisitions in prior years expensed to the income statement.

[2] Exceptional items in the current and prior year relate to impairment in respect of the Gilabbey Veterinary.

Condensed consolidated statement of comprehensive income for the six-month period ended 31 December 2023 (unaudited)

	Six months ended 31 December 2023 (Unaudited) £m	Six months ended 31 December 2022 (Unaudited) £m	Year ended 30 June 2023 (Audited) £m
Profit for the period	**14.7**	21.1	41.9
Other comprehensive income – items that will or may be reclassified to profit or loss in future periods			
Cash flow hedges:			
Net movement on cash flow hedge	**(1.8)**	0.5	(0.2)
Cost of hedging reserve	**-**	-	-
Deferred tax on cash flow hedge and available-for-sale financial assets	**0.5**	(0.1)	-
Exchange differences on translation of foreign operations	**1.6**	-	(0.2)
Other comprehensive income / (expense) for the period, net of tax	**0.3**	0.4	(0.4)
Total comprehensive income for the period	**15.0**	21.5	41.5
Total comprehensive income for the period attributable to:			
Owners of the parent	**14.9**	21.5	41.5
Non-controlling interests	**0.1**	-	-
Total comprehensive income for the period	**15.0**	21.5	41.5

Condensed consolidated statement of financial position as at 31 December 2023 (unaudited)

	Note	**31 December 2023 (Unaudited) £m**	31 December 2022 (Unaudited) £m	30 June 2023 (Audited) £m
Non-current assets				
Intangible assets	9	**321.7**	234.4	256.1
Property, plant and equipment	9	**111.3**	82.7	101.5
Right-of-use assets	10	**105.7**	99.4	102.9
Investments		**-**	0.1	-
Derivative financial instruments		**-**	2.8	-
		538.7	419.4	460.5
Current assets				
Inventories		**28.5**	28.7	28.4
Trade and other receivables		**58.2**	49.4	58.1
Derivative financial instruments		**0.3**	-	2.1
Current tax receivable	8	**2.8**	2.8	1.7
Cash and cash equivalents		**32.3**	27.4	21.5
		122.1	108.3	111.8
Total assets		**660.8**	527.7	572.3
Current liabilities				
Trade and other payables	12	**(91.2)**	(83.3)	(91.1)
Provisions	13	**(0.8)**	(0.9)	(0.7)
Lease liabilities	14	**(14.0)**	(9.5)	(13.3)
		(106.0)	(93.7)	(105.1)
Non-current liabilities				
Borrowings	16	**(158.6)**	(84.5)	(92.2)
Lease liabilities	14	**(95.7)**	(93.4)	(93.6)
Deferred tax liabilities		**(34.2)**	(22.2)	(24.8)
		(288.5)	(200.1)	(210.6)
Total liabilities		**(394.5)**	(293.8)	(315.7)
Net assets		**266.3**	233.9	256.6

Condensed consolidated statement of financial position as at 31 December 2023 (unaudited)

	31 December 2023 (Unaudited) £m	31 December 2022 (Unaudited) £m	30 June 2023 (Audited) £m
Shareholders' equity			
Share capital	**0.1**	0.1	0.1
Share premium	**107.1**	105.7	107.0
Capital redemption reserve	**0.6**	0.6	0.6
Treasury reserve	**(0.9)**	(1.2)	-
Cash flow hedge reserve	**0.1**	2.0	1.4
Merger reserve	**(61.4)**	(61.4)	(61.4)
Foreign exchange translation reserve	**1.4**	-	(0.2)
Retained earnings	**219.2**	188.1	209.1
	266.2	233.9	256.6
Non-controlling interest	**0.1**	-	-
Total equity	**266.3**	233.9	256.6

The interim financial information above is reproduced from that on pages 11 to 32 of the Group's Interim Report which was approved by the Board of Directors on 29 February 2024.

Condensed consolidated statement of changes in equity for the six-month period ended 31 December 2023 (unaudited)

	Share capital	Share premium	Capital redemption reserve	Treasury reserve	Cash flow hedge reserve	Cost of hedging reserve	Merger reserve	Foreign exchange transaction reserve	Non-controlling interest	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 July 2023	0.1	107.0	0.6	-	1.4	-	(61.4)	(0.2)	-	209.1	256.6
Profit for the period	-	-	-	-	-	-	-	-	0.1	14.6	14.7
Other comprehensive income and losses											
Cash flow hedges: Fair value income	-	-	-	-	(1.8)	-	-	-	-	-	(1.8)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1.6	-	-	1.6
Deferred tax on cash flow hedge and available-for-sale financial assets	-	-	-	-	0.5	-	-	-	-	-	0.5
Total other comprehensive income	-	-	-	-	(1.3)	-	-	1.6	-	-	0.3
Total comprehensive income	-	-	-	-	(1.3)	-	-	1.6	0.1	14.6	15.0
Transactions with owners:											
Issue of Ordinary shares	-	0.1	-	-	-	-	-	-	-	-	0.1
Credit to reserves for share-based payments	-	-	-	-	-	-	-	-	-	1.4	1.4
Deferred tax relating to share-based payments	-	-	-	-	-	-	-	-	-	(0.5)	(0.5)
Purchase of Treasury shares	-	-	-	(0.9)	-	-	-	-	-	-	(0.9)
Dividends to equity holders of the Company	-	-	-	-	-	-	-	-	-	(5.4)	(5.4)
Transactions with owners	-	0.1	-	(0.9)	-	-	-	-	-	(4.5)	(5.3)
At 31 December 2023	0.1	107.1	0.6	(0.9)	0.1	-	(61.4)	1.4	0.1	219.2	266.3

Condensed consolidated statement of changes in equity for the six-month period ended 31 December 2022 (unaudited)

	Share capital	Share premium	Capital redemption reserve	Treasury reserve	Cash flow hedge reserve	Cost of hedging reserve	Merger reserve	Foreign exchange transaction reserve	Non-controlling interest	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 July 2022	0.1	105.4	0.6	-	1.6	-	(61.4)	-	-	171.1	217.4
Profit for the period	-	-	-	-	-	-	-	-	-	21.1	21.1
Other comprehensive income and losses											
Cash flow hedges: Fair value income	-	-	-	-	0.5	-	-	-	-	-	0.5
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-
Deferred tax on cash flow hedge and available-for-sale financial assets	-	-	-	-	(0.1)	-	-	-	-	-	(0.1)
Total other comprehensive income	-	-	-	-	0.4	-	-	-	-	-	0.4
Total comprehensive income	-	-	-	-	0.4	-	-	-	-	21.1	21.5
Transactions with owners:											
Issue of Ordinary shares	-	0.3	-	-	-	-	-	-	-	-	0.3
Credit to reserves for share-based payments	-	-	-	-	-	-	-	-	-	1.2	1.2
Deferred tax relating to share-based payments	-	-	-	-	-	-	-	-	-	(0.3)	(0.3)
Purchase of Treasury shares	-	-	-	(1.2)	-	-	-	-	-	-	(1.2)
Dividends to equity holders of the Company	-	-	-	-	-	-	-	-	-	(5.0)	(5.0)
Transactions with owners	-	0.3	-	(1.2)	-	-	-	-	-	(4.1)	(5.0)
At 31 December 2022	0.1	105.7	0.6	(1.2)	2.0	-	(61.4)	-	-	188.1	233.9

Condensed consolidated statement of cash flows for the six-month period ended 31 December 2023 (unaudited)

	Note	**Six months ended 31 December 2023 (Unaudited) £m**	Six months ended 31 December 2022 (Unaudited) £m	Year ended 30 June 2023 (Audited) £m
Cash flows from operating activities				
Cash generated from operations	15	**47.8**	45.5	107.9
Taxation paid		**(3.5)**	(7.2)	(14.9)
Interest paid		**(4.8)**	(3.3)	(7.2)
Exceptional items		**(0.1)**	-	(1.3)
Net cash generated from operating activities		**39.4**	35.0	84.5
Cash flows from investing activities				
Business combinations (net of cash acquired)		**(63.1)**	(24.4)	(54.6)
Purchase of property, plant and equipment	9	**(15.7)**	(18.0)	(42.3)
Proceeds from sale of property, plant and equipment		**0.1**	0.1	0.3
Purchase of intangible assets	9	**(1.5)**	(1.9)	(3.4)
Proceeds from sale of other investments		**-**	-	0.1
Net cash used in investing activities		**(80.2)**	(44.2)	(99.9)
Cash flows from financing activities				
Dividends paid	17	**(5.4)**	(5.0)	(5.0)
Proceeds from issue of Ordinary shares		**0.1**	0.3	1.6
Proceeds from sale of Treasury shares		**-**	-	0.5
Purchase of Treasury shares		**(0.9)**	(1.2)	(1.2)
Repayment of obligation under right-of-use asset		**(7.9)**	(6.5)	(14.1)
Debt issuance costs		**-**	-	(3.6)
Repayment of borrowings	16	**(0.3)**	-	(0.8)
Increase of borrowings	16	**66.0**	-	10.5
Net cash generated from/(used in) financing activities		**51.6**	(12.4)	(12.1)
Net increase/(decrease) in cash and cash equivalents		**10.8**	(21.6)	(27.5)
Cash and cash equivalents at the beginning of period		**21.5**	49.0	49.0
Cash and cash equivalents at end of the period		**32.3**	27.4	21.5

Notes to the interim consolidated financial information

1. General information

The principal activity of CVS Group plc, together with its subsidiaries ("the Group") is to operate veterinary practices, complementary veterinary diagnostic businesses, pet crematoria and an online pharmacy and retail business.

CVS Group plc is a public limited company incorporated under the Companies Act 2006 and domiciled in England and Wales and its shares are quoted on the AIM Market of the London Stock Exchange ("CVSG"). Its company registration number is 06312831 and registered office is CVS House, Owen Road, Diss, IP22 4ER.

This interim consolidated financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts of CVS Group plc in respect of the year ended 30 June 2023 have been delivered to the Registrar of Companies, upon which the Company's auditors have given a report which was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

Forward looking statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. Save as required by regulation or law, we undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

2. Basis of preparation

The interim consolidated financial information of CVS Group plc is for the six months ended 31 December 2023. It is unaudited and has been prepared in accordance with the AIM Rules for Companies and with IAS 34, 'Interim Financial Reporting'. The interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2023, which have been prepared in accordance with international accounting standards and in conformity with the requirements of the Companies Act 2006.

The interim consolidated financial information has been prepared on a going concern basis.

Use of alternative performance measures

Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), adjusted profit before tax (adjusted PBT) and adjusted earnings per share (adjusted EPS)

The Directors believe that adjusted measures, being adjusted EBITDA, adjusted PBT and adjusted EPS, provide additional useful information for shareholders. These measures are used by the Board and management for planning, internal reporting and setting Director and management remuneration. In addition, they are used by the investor analyst community and are aligned to our strategy and KPIs. These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' adjusted measures. They are not intended to be a substitute for, or superior to, IFRS measurements of profit or earnings per share.

Adjusted EBITDA is calculated by reference to profit before tax, adjusted for interest (net finance expense), depreciation, amortisation, costs relating to business combinations and exceptional items.

Adjusted PBT is calculated as profit before tax, amortisation, costs relating to business combinations and exceptional items.

Adjusted EPS is calculated as adjusted profit before tax, less applicable tax, divided by the weighted average number of Ordinary shares in issue during the period.

The following table provides the calculation of adjusted EBITDA as defined above:

Alternative performance measure: adjusted EBITDA	Note	**Six months ended 31 December 2023 (Unaudited) £m**	Six months ended 31 December 2022 (Unaudited) £m	Year ended 30 June 2023 (Audited) £m
Profit before tax		**23.4**	28.0	53.9
Adjustments for:				
Finance expense	5	**5.2**	3.5	8.4
Amortisation of intangible assets	9	**11.7**	11.3	22.6
Depreciation of property, plant and equipment	9	**7.7**	6.1	12.6
Depreciation of right-of-use assets	10	**7.5**	7.1	15.2
Profit on disposal of property, plant and equipment and right-of-use assets		**(0.1)**	-	(0.2)
Costs relating to business combinations[1]		**7.5**	1.8	6.6
Exceptional items[2]		**0.1**	-	2.3
Adjusted EBITDA		**63.0**	57.8	121.4
Adjusted earnings per share (EPS):				
Adjusted EPS	6	**44.5p**	45.6p	96.0p
Diluted adjusted EPS	6	**44.4p**	45.2p	95.5p

[1] Includes amounts paid in respect of acquisitions in prior years expensed to the income statement.

[2] Exceptional items in the current and prior year relate to impairment in respect of the Gilabbey Veterinary practice closure.

Net debt
Net debt is calculated as bank borrowings less gross cash and cash equivalents and unamortised borrowing costs.

	Six months ended 31 December 2023 (Unaudited) £m	Six months ended 31 December 2022 (Unaudited) £m	Year ended 30 June 2023 (Audited) £m
Borrowings repayable after more than one year			
Loan facility	**161.5**	85.0	95.5
Unamortised borrowing costs	**(2.9)**	(0.5)	(3.3)
Total borrowings	**158.6**	84.5	92.2
Cash and cash equivalents	**(32.3)**	(27.4)	(21.5)
Net debt	**126.3**	57.1	70.7

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

Like-for-like sales
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 2022, revenue is included from September 2023 in the like-for-like sales calculation.

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those set out on pages 116 to 124 of the consolidated financial statements of CVS Group plc for the year ended 30 June 2023 (which are available upon request from the Company's registered office or on the Company's website).

The policy for recognising and measuring taxation in the interim period is described in note 8.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty, were the same as those described in the last annual financial statements.

4. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, operating segments, is based on the Group's management and internal reporting structure and monitored by the Group's Chief Operating Decision Maker.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing borrowings and associated costs, tax-related assets and liabilities, costs relating to business combinations, and central administration salary and premises costs.

Revenue comprises £241.2m of fees and £88.7m of goods (31 December 2022: £214.4m and £81.9m respectively).

Operating segments
The Group is split into four operating segments (Veterinary Practices, Laboratories, Crematoria and Online Retail Business) and a centralised support function (Central Administration) for business segment analysis. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services.

Each of these operating segments is managed separately as each segment requires different specialisms, marketing approaches and resources. Intra-group sales eliminations are included within the central administration segment. Central Administration includes costs relating to the employees, property and other overhead costs associated with the centralised support function, together with finance costs arising on the Group's borrowings.

Six-months ended 31 December 2023	**Veterinary Practices £m**	**Laboratories £m**	**Crematoria £m**	**Online Retail Business £m**	**Central Administration £m**	**Group £m**
Revenue	**294.8**	**16.3**	**6.0**	**25.0**	**(12.2)**	**329.9**
Adjusted EBITDA	**59.7**	**5.3**	**2.1**	**1.7**	**(5.8)**	**63.0**
Profit/(loss) before tax	**33.0**	**4.8**	**1.7**	**1.7**	**(17.8)**	**23.4**
Total assets	**544.9**	**46.4**	**24.5**	**24.3**	**20.7**	**660.8**
Total liabilities	**(179.2)**	**(1.5)**	**(1.7)**	**(19.3)**	**(192.8)**	**(394.5)**
Reconciliation of adjusted EBITDA						
Profit/(loss) before tax	**33.0**	**4.8**	**1.7**	**1.7**	**(17.8)**	**23.4**
Finance expense	**2.2**	**-**	**-**	**-**	**3.0**	**5.2**
Depreciation of property, plant and equipment	**6.6**	**0.5**	**0.4**	**-**	**0.2**	**7.7**
Depreciation of right-of-use assets	**7.2**	**-**	**-**	**-**	**0.3**	**7.5**
Profit on disposal of property, plant and equipment and right-of-use assets	**(0.1)**	**-**	**-**	**-**	**-**	**(0.1)**
Amortisation of intangible assets	**8.4**	**-**	**-**	**-**	**3.3**	**11.7**
Costs relating to business combinations	**2.3**	**-**	**-**	**-**	**5.2**	**7.5**
Exceptional items	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Adjusted EBITDA	**59.7**	**5.3**	**2.1**	**1.7**	**(5.8)**	**63.0**

Six-months ended 31 December 2022	**Veterinary Practices £m**	**Laboratories £m**	**Crematoria £m**	**Online Retail Business £m**	**Central Administration £m**	**Group £m**
Revenue	263.4	14.2	5.3	24.5	(11.1)	296.3
Adjusted EBITDA	55.4	4.4	1.6	1.7	(5.3)	57.8
Profit/(loss) before tax	32.5	4.0	1.4	1.6	(11.5)	28.0
Total assets	436.2	39.4	21.6	27.6	2.9	527.7
Total liabilities	(166.8)	(1.7)	(1.6)	(17.0)	(106.7)	(293.8)
Reconciliation of adjusted EBITDA						
Profit/(loss) before tax	32.5	4.0	1.4	1.6	(11.5)	28.0
Finance expense	2.0	-	-	-	1.5	3.5
Depreciation of property, plant and equipment	5.4	0.4	0.2	-	0.1	6.1
Depreciation of right-of-use assets	6.8	-	-	-	0.3	7.1

Amortisation of intangible assets	7.8	-	-	0.1	3.4	11.3
Costs relating to business combinations	0.9	-	-	-	0.9	1.8
Adjusted EBITDA	55.4	4.4	1.6	1.7	(5.3)	57.8

Year ended 30 June 2023	**Veterinary Practices £m**	**Laboratories £m**	**Crematoria £m**	**Online Retail Business £m**	**Central Administration £m**	**Group £m**
Revenue	541.6	29.3	10.9	49.1	(22.6)	608.3
Adjusted EBITDA	116.6	9.2	3.6	3.9	(11.9)	121.4
Profit/(loss) before tax	59.7	8.2	3.1	3.8	(20.9)	53.9
Total assets	471.9	44.0	23.9	19.4	13.1	572.3
Total liabilities	(171.3)	(5.3)	(3.2)	(15.5)	(120.4)	(315.7)
Reconciliation of adjusted EBITDA						
Profit/(loss) before tax	59.7	8.2	3.1	3.8	(20.9)	53.9
Finance expense	4.2	-	-	-	4.2	8.4
Amortisation of intangible assets	22.5	-	-	0.1	-	22.6
Depreciation of property, plant and equipment	10.9	0.9	0.5	-	0.3	12.6
Depreciation of right-of-use assets	14.7	0.1	-	-	0.4	15.2
Profit on disposal of property, plant and equipment and right-of-use assets	(0.2)	-	-	-	-	(0.2)
Costs relating to business combinations	2.5	-	-	-	4.1	6.6
Exceptional items	2.3	-	-	-	-	2.3
Adjusted EBITDA	116.6	9.2	3.6	3.9	(11.9)	121.4

Geographical segments

The business operates predominantly in the UK. As at 31 December 2023, it has 15 veterinary practices in Australia, 24 in the Netherlands and 3 in the Republic of Ireland. It performs a small amount of laboratory work and teleradiology work for Europe-based clients, and a small amount of teleradiology work for clients based in the rest of the world. In accordance with IFRS 8, 'Operating segments', no segment results are presented for trade with clients in Europe or the rest of the world as these are not reported separately for management reporting purposes, and are not considered material for separate disclosure.

5. Finance expense

	Six months ended 31 December 2023 (Unaudited) £m	Six months ended 31 December 2022 (Unaudited) £m	Year ended 30 June 2023 (Audited) £m

Interest expense on bank loans and overdraft	**2.6**	1.2	3.1
Interest expense on lease liabilities	**2.2**	2.1	4.3
Amortisation of debt arrangement fees	**0.4**	0.2	1.0
Net finance expense	**5.2**	3.5	8.4

6. Earnings per Ordinary share

(a) Basic

Basic earnings per share is calculated by dividing the profit after taxation by the weighted average number of shares in issue during the period.

	Six months ended 31 December 2023 (Unaudited)	Six months ended 31 December 2022 (Unaudited)	Year ended 30 June 2023 (Audited)
Profit for the period (£m)	**14.6**	21.1	41.9
Weighted average number of Ordinary shares in issue	**71,508,834**	71,215,385	71,272,880
Basic earnings per share (pence)	**20.4**	29.6	58.8

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. The Company has potentially dilutive Ordinary shares, being the contingently issuable shares under the Group's Long-Term Incentive Plan (LTIP) schemes and Save-As-You-Earn (SAYE) schemes. For share options, a calculation is undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 31 December 2023 (Unaudited)	Six months ended 31 December 2022 (Unaudited)	Year ended 30 June 2023 (Audited)
Profit for the period (£m)	**14.6**	21.1	41.9
Weighted average number of Ordinary shares in issue	**71,508,834**	71,215,385	71,272,880
Adjustment for contingently issuable shares – LTIP schemes	**113,803**	277,538	173,688
Adjustment for contingently issuable shares – SAYE schemes	**27,594**	232,314	205,853
Weighted average number of Ordinary shares for diluted earnings per share	**71,650,231**	71,725,237	71,652,421
Diluted earnings per share (pence)	**20.4**	29.4	58.5

Alternative performance measure: adjusted earnings per share

	Six months ended 31 December 2023 (Unaudited) £m	Six months ended 31 December 2022 (Unaudited) £m	Year ended 30 June 2023 (Audited) £m
Profit before tax	**23.4**	28.0	53.9
Adjustments for:			
Amortisation of intangible assets	**11.7**	11.3	22.6
Costs relating to business combinations	**7.5**	1.8	6.6
Exceptional items	**0.1**	-	2.3
Adjusted profit before tax	**42.7**	41.1	85.4
Tax expense amended for the above adjustments	**(10.7)**	(8.6)	(17.0)
Adjusted profit after tax	**32.0**	32.5	68.4
Adjusted profit after tax attributable to:			
Non-controlling interest	**0.1**	-	-
Adjusted profit after tax attributable to the parent	**31.9**	32.5	68.4
Weighted average number of Ordinary shares in issue	**71,508,834**	71,215,385	71,272,880
Weighted average number of Ordinary shares for diluted earnings per share	**71,650,231**	71,725,237	71,652,421
Adjusted earnings per share (pence)	**44.5**	45.6	96.0
Diluted adjusted earnings per share (pence)	**44.4**	45.2	95.5

7. Share-based payments

Long-Term Incentive Plans

The Group operates incentive schemes for certain senior executives and others, the CVS Group Long-Term Incentive Plan (LTIP).

Under the LTIP schemes, awards are made at an effective nil cost. Executive schemes vest over a three-year performance period conditional upon the Group's adjusted earnings per share growth and Total Shareholder Return (TSR). Schemes for others vest over a three-year period but are not conditional on performance. The LTIP scheme arrangements are a mixture of equity-settled and cash-settled. Cash-settled LTIP schemes are linked to a number of shares, the value of which is settled in cash upon exercise.

The following LTIP schemes were issued in H1 2024:

	LTIP 17
Issue date	29 September 2023
Option life	3 years
Number of shares	140,648
Share price at grant date	£16.30
Exercise price	0.2p

Settlement	Equity-settled

During the six months to 31 December 2023, Directors and employees exercised 107,903 share options (31 December 2022: 115,280) with a weighted average share price at the date of exercise of £16.17 (31 December 2022: £20.01) in respect of the LTIP 14 (31 December 2022: LTIP 13) scheme.

Options are valued using the Monte-Carlo option pricing model and Black-Scholes option pricing models. The share-based payment charge for the period in respect of the options issued under the LTIP schemes amounted to £0.6m (31 December 2022: £0.6m), which has been charged to administrative expenses. National Insurance contributions amounting to £0.1m (31 December 2022: £0.1m) have been accrued in respect of the LTIP scheme transactions and are treated as cash-settled transactions.

Save As You Earn (SAYE)
The Group operates an incentive scheme for all employees, the CVS Group SAYE plan, an HM Revenue & Customs-approved scheme. Under the new SAYE16 scheme, awards were made at a 20.0% discount (SAYE15, SAYE14 and SAYE13 were made at a 20.0% discount and SAYE12 scheme awards were made at a 10.0% discount) of the closing mid-market price on date of invitation, vesting over a three-year period. There are no performance conditions attached to the SAYE schemes.

SAYE16 was opened for subscription in November 2023 with 568,989 options granted and a contract start date of 1 January 2024. The exercise price was £11.46, a 20.0% discount to the closing mid-market price on the date of invitation.

Options were valued using the Black–Scholes option pricing model and the share-based payment charge for the period in respect of the options issued under the SAYE schemes amounted to £0.8m (31 December 2022: £0.6m), which has been charged to administrative expenses.

8. Tax expense

The tax charge for the six months ended 31 December 2023 is recognised based on management's estimate of the weighted average annual effective tax rate expected for the full financial year, adjusted for the tax impact of any discrete items arising in the period. The estimated average annual tax rate used for the six months ended 31 December 2023 is 31.8% (31 December 2022: 22.8%).

The reported effective tax rate for the six months ended 31 December 2023 is 36.8% (31 December 2022: 24.6%). The reported effective tax rate has increased from the previous period by 12.2ppts. This is predominantly due to an increase in the standard rate of UK corporation tax rate to 25.0% from April 2023, effect of profits of Australian subsidiaries being taxable at the standard rate of corporation tax of 30.0% in Australia and an increase in expenses not deductible for tax purposes, mainly in respect of business acquisitions.

9. Intangible assets and property, plant and equipment

	Intangible assets £m	Property, plant and equipment £m
Six months ended 31 December 2023		
Opening net book value at 1 July 2023	**256.1**	**101.5**
Foreign currency translation	**1.6**	**-**
Additions	**1.5**	**15.7**
Other additions	**-**	**-**
Additions arising through business combinations	**74.2**	**1.8**

Disposals	**-**	**-**
Amortisation and depreciation	**(11.7)**	**(7.7)**
Closing net book value at 31 December 2023	**321.7**	**111.3**
Six months ended 31 December 2022		
Opening net book value at 1 July 2022	216.5	69.7
Foreign currency translation	0.5	-
Additions	1.9	18.0
Other additions	0.2	-
Additions arising through business combinations	26.6	1.1
Disposals	-	-
Amortisation and depreciation	(11.3)	(6.1)
Closing net book value at 31 December 2022	234.4	82.7

10. Right-of-use assets

	Right-of-use assets £m
Six months ended 31 December 2023	
At 1 July 2023	**102.9**
Foreign currency translation	**-**
Remeasurement of lease term	**3.1**
Additions	**2.0**
Acquired through business combinations	**5.8**
Disposals	**(0.6)**
Depreciation	**(7.5)**
Closing net book value at 31 December 2023	**105.7**
Six months ended 31 December 2022	
At 1 July 2022	101.7
Foreign currency translation	0.2
Remeasurement of lease term	0.7
Additions	2.2
Acquired through business combinations	2.5
Disposals	(0.8)
Depreciation	(7.1)
Closing net book value at 31 December 2022	99.4

11. Business Combinations

Details of business combinations in the six months ended 31 December 2023 are set out below. The reason for each acquisition was to expand the CVS Group business through acquisitions aligned to our strategic goals.

Name of business combination	% Share capital acquired	Date of acquisition	Country of incorporation
Vetright Pty Ltd t/a McDowall Veterinary Practice*	75%	26 July 2023	Australia
McDowall Veterinary Hospital Pty. Ltd t/a Warner Vet	100%	26 July 2023	Australia
Brunker Road Veterinary Centre Pty Limited	100%	17 August 2023	Australia
Cattle Dog Health Pty Ltd t/a Happy Pets Family Vet	100%	23 August 2023	Australia
North Road Veterinary Centre	Trade and asset	23 August 2023	Australia
3Tab Holdings Limited and Bridge Veterinary Practice Limited collectively trading as Bridge Veterinary Practice	100%	15 September 2023	United Kingdom
Masefield Veterinary Services Ltd	100%	18 September 2023	United Kingdom
The Liverpool Vets Limited	100%	3 October 2023	United Kingdom
Northgate Veterinary Surgery and St Vincents Vets	Trade and asset	25 October 2023	Australia
Parkinson Veterinary Surgery	Trade and asset	25 October 2023	Australia
Fernside Veterinary Centre Limited	100%	9 November 2023	United Kingdom
Southside Animal Hospital Pty Ltd	100%	10 November 2023	Australia
Brimbank Veterinary Clinic	Trade and asset	28 November 2023	Australia
Vet Referral Pty Ltd t/a ‘Red Vets Toowoomba & ‘Veterinary Emergency & Referral Toowoomba	100%	1 December 2023	Australia
Wattle Grove Vet	Trade and asset	12 December 2023	Australia
Bayside Animal Medical Centre	Trade and asset	14 December 2023	Australia
Biome Vet Pty Ltd t/a Weston Creek Veterinary Hospital	100%	15 December 2023	Australia

Given the nature of the veterinary practices acquired and the records maintained by such practices, it is not practicable to disclose the revenue or profit or loss of the combined entity for the period as though the acquisition date for all business combinations during the year had been at the beginning of that period.

The table below summarises the total assets acquired through business combinations in the six months ended 31 December 2023:

	Note	Book value of acquired assets £m	Fair value adjustments £m	Fair value £m
Property, plant and equipment	9	1.8	-	**1.8**
Patient data records	9	-	34.4	**34.4**
Right-of-use assets	10	5.8	-	**5.8**
Inventories		0.5	-	**0.5**
Deferred tax liability		0.1	(10.3)	**(10.2)**
Trade and other receivables		2.0	-	**2.0**
Trade and other payables		(2.8)	-	**(2.8)**
Loans		(0.3)	-	**(0.3)**
Right-of-use liabilities		(5.8)	-	**(5.8)**
Total identifiable assets		1.3	24.1	**25.4**
Goodwill	9			**39.8**
Total consideration (net of cash acquired of £1.9m)				**65.2**
Initial consideration paid (net of cash acquired of £1.9m)				**62.6**
Deferred consideration payable				**2.6**
Contingent consideration payable				**-**
Total consideration (net of cash acquired of £1.9m)				**65.2**

**On 26 July 2023, the Group acquired a 75% interest in Vetright Ptd Ltd (included above) in Australia for total consideration of £9.2m. The identifiable net assets at acquisition were valued at £5.8m, of which 25% will be attributed to Non-Controlling Interest (NCI). NCI are measured at the proportionate share of the identifiable net assets at the date of acquisition. The acquisition comprised net assets (being principally patient data records) with a fair value of £5.2m, resulting in goodwill of £5.3m.*

The total consideration of £65.2m, net of the cash acquired, is prior to the agreement of the completion accounts. The amounts recognised are subject to adjustment in line with IFRS 3 for up to twelve months from acquisition, with goodwill being adjusted accordingly. The Group has also paid £0.5m in settling amounts now agreed by completion accounts. Adjustments have been recognised in accordance with IFRS 3 and where Goodwill impacted, this is shown within other additions in note 9.

Goodwill recognised represents the excess of purchase consideration over the fair value of the identifiable net assets. Goodwill reflects the synergies arising from the combination of the businesses; this includes cost synergies arising from shared support functions and buying power synergies. Goodwill includes the recognition of an amount equal to the deferred tax that arises on non-qualifying fixed assets acquired under a business combination.

Post-acquisition revenue and post-acquisition adjusted EBITDA were £7.1m and £2.2m respectively. The post-acquisition period is from the date of acquisition to 31 December 2023. Post-acquisition EBITDA represents the direct operating result of practices from the date of acquisition to 31 December 2023 prior to the allocation of central overheads, on the basis that it is not practicable to allocate these.

Goodwill and intangible assets recognised in the year relating to business combinations are not expected to be deductible for tax purposes.

Acquisition costs of £4.5m (H1 2023: £0.9m) are included within cost relating to business combinations in note 4 of the financial statements.

The Directors do not consider any individual in-year acquisition to be material to the Group and therefore have not separately disclosed these.

Subsequent to the period end, the Group has made a further acquisition:

- 100% of the share capital of Ark Animal Services Limited, a two site companion animal veterinary practice in Cheshire on 12 February 2024 for initial consideration of £5.2m.

12. Trade and other payables

	31 December 2023 (Unaudited) £m	31 December 2022 (Unaudited) £m	30 June 2023 (Audited) £m
Trade payables	**39.7**	35.7	41.5
Social security and other taxes	**22.7**	19.9	21.8
Other payables	**4.2**	5.4	5.8
Deferred income[1]	**2.3**	2.2	2.2
Accruals	**22.3**	20.1	19.8
Total	**91.2**	83.3	91.1

[1] Deferred income relates to the contract liability relating to the Healthy Pet Club (HPC) contract.

13. Provisions

	31 December 2023 (Unaudited) £m	31 December 2022 (Unaudited) £m	30 June 2023 (Audited) £m
At the beginning of the period	**0.7**	2.1	2.1
Charged to the income statement within administration expenses	**0.1**	-	0.3
Utilised in the period	**-**	(1.2)	(1.7)
At the end of the period	**0.8**	0.9	0.7

Provisions relate to costs set aside for properties including site closures and other property maintenance obligations. It is anticipated these will be utilised in the next twelve months.

14. Lease liabilities

	31 December 2023 (Unaudited) £m	31 December 2022 (Unaudited) £m	30 June 2023 (Audited) £m
Current	**14.0**	**9.5**	13.3
Non-current	**95.7**	**93.4**	93.6
Total discounted lease liabilities	**109.7**	**102.9**	106.9
Maturity analysis – contractual undiscounted cash flows			
Less than one year	**18.5**	**13.4**	17.3
Between one and five years	**61.7**	**56.1**	58.3
More than five years	**49.5**	**53.3**	51.7
Total	**129.7**	**122.8**	127.3

15. Cash flow generated from operations

	Six months ended 31 December 2023 (Unaudited) £m	Six months ended 31 December 2022 (Unaudited) £m	Year ended 30 June 2023 (Audited) £m
Profit for the period	**14.7**	21.1	41.9
Tax expense	**8.7**	6.9	12.0
Finance expense	**5.2**	3.5	8.4
Amortisation of intangible assets	**11.7**	11.3	22.6
Depreciation of property, plant and equipment	**7.7**	6.1	12.6
Depreciation and impairment of right-of-use assets	**7.5**	7.1	15.2
Profit on sale of property, plant and equipment and right-of-use assets	**(0.1)**	-	(0.2)
Decrease/(increase) in inventories	**0.4**	(2.3)	(1.8)
Increase in trade and other receivables	**(5.5)**	(1.2)	(4.6)
Decrease in trade and other payables	**(4.1)**	(7.0)	(0.8)
Increase/(decrease) in provisions	**0.1**	(1.2)	(1.4)
Share option expense	**1.4**	1.2	1.7
Exceptional items	**0.1**	-	2.3
Total net cash flow generated from operations	**47.8**	45.5	107.9

16. Analysis of movement in liabilities from financing activities

	At 1 July 2023 £m	Cash flow £m	New leases £m	Liabilities on disposed leases £m	Non-cash movement £m	**At 31 December 2023 £m**
Lease liabilities	(106.9)	10.1	(10.9)	0.6	(2.6)	**(109.7)**
Bank loans	(92.2)	(65.7)	-	-	(0.7)	**(158.6)**
Total liabilities from financing activities	(199.1)	(55.6)	(10.9)	0.6	(3.3)	**(268.3)**

	At 1 July 2022 £m	Cash flow £m	New leases £m	Liabilities on disposed leases £m	Non-cash movement £m	At 31 December 2022 £m
Lease liabilities	(104.5)	8.6	(5.4)	0.8	(2.4)	(102.9)
Bank loans	(84.3)	-	-	-	(0.2)	(84.5)

Total liabilities from financing activities	(188.8)	8.6	(5.4)	0.8	(2.6)	(187.4)

Non-cash movements on right-of-use lease liabilities mainly comprise interest. Non-cash movements on borrowings and bank loans mainly include amortisation of issue costs on bank loans and bank debt acquired.

17. Dividends

The dividends paid in December 2023, representing the final dividend payable for the year ended 30 June 2023, amounted to £5.4m (7.5 pence per share) (31 December 2022: £5.0m (7.0 pence per share)).

18. Events after the reporting period

On 12 February 2024. The Group completed the purchase of 100% of the share capital of Ark Animal Services Limited, a company registered in England and Wales. The business comprise two companion animal veterinary practice sites in the UK, aligned with the Group's strategic goals. Initial cash consideration for this acquisition was £5.2m.

Directors and advisers

Directors	D Kemp (Interim Chair) R Gray (Non-Executive Director) D Wilton (Non-Executive Director) J Shaw (Non-Executive Director) (*Appointed 1 July 2023*) R Connell (Chairman) *(Resigned 26 October 2023)* R Fairman (Chief Executive Officer) B Jacklin (Deputy CEO) R Alfonso (Chief Financial Officer)
Company Secretary	S Morrison
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