



Future focused healthcare

Annual General Meeting 15 May 2019





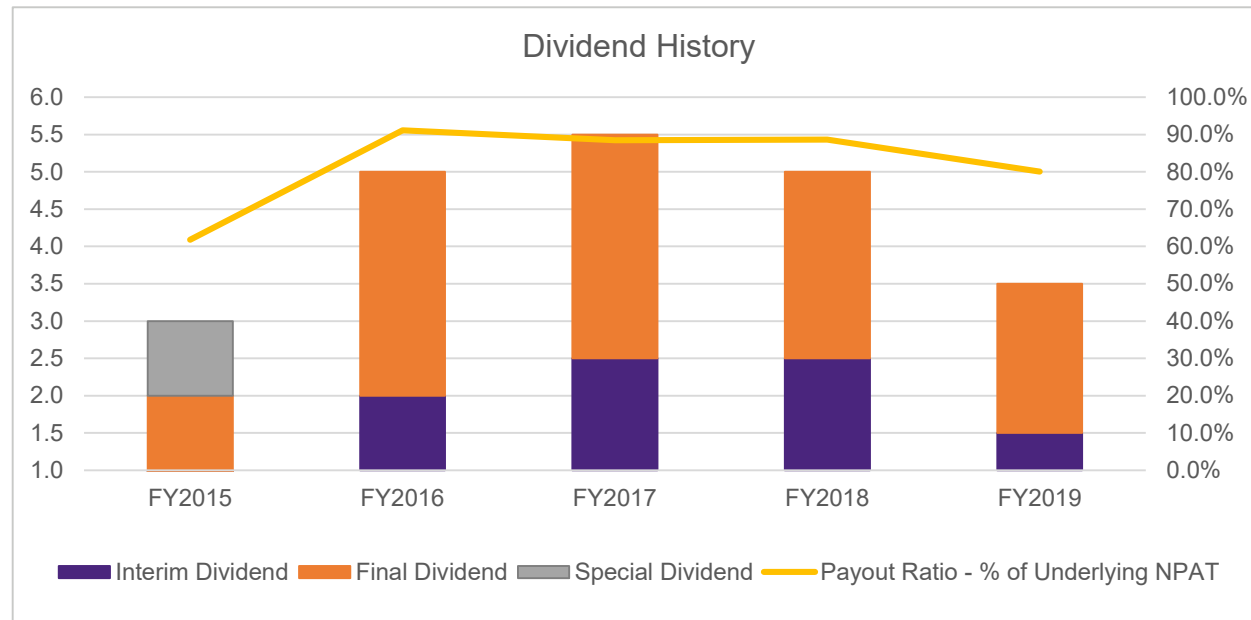
Brian Jamieson
Chairman

Overview

- ❖ Annual Financial Results
- ❖ Business Transformation Program
- ❖ Merger Proposal
- ❖ Strategy and Direction
- ❖ Corporate Social Responsibility

Annual Financial Results

- ❖ Total Revenue \$3.97 billion
- ❖ Underlying Net Profit After Tax \$46.3 million
- ❖ High Dividend Payout Ratio maintained



Business Transformation

- ❖ Commercial decision to not renew Chemist Warehouse contract
 - Terms of proposed contract were not in Sigma's best commercial interest
 - Would have significantly diminished shareholder returns
 - Capital commitments would have constrained our future flexibility
 - Around \$300 million working capital to be released
- ❖ Strong future as a standalone business
 - Unanimous support of Board, management, and advisors

Merger Proposal

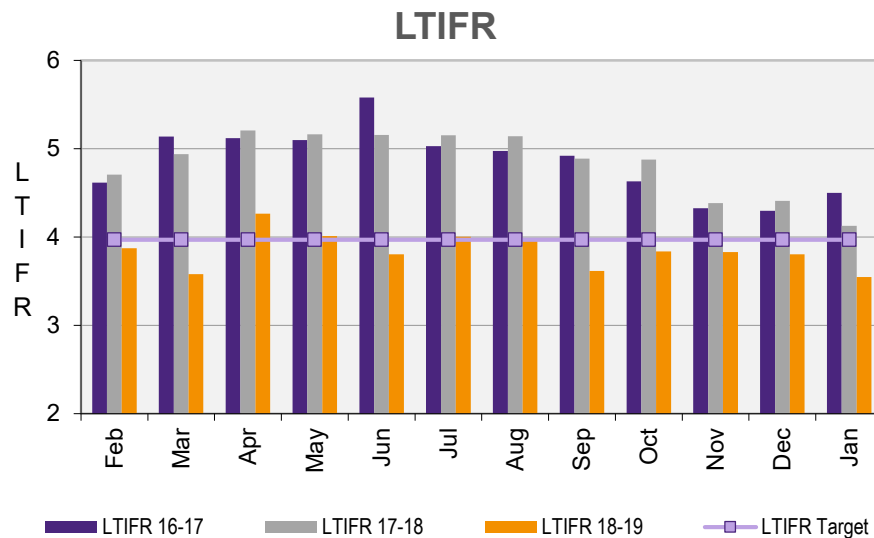
- ❖ API offer was opportunistic when Sigma was most vulnerable
- ❖ API held just under 5% of Sigma shares in October 2018 and moved to 12.95% in December 2018
- ❖ Our considered view was that it was not the right decision for mid to long-term shareholder value
 - Sigma's stand alone value was well above API's implied offer price
 - Merger synergy benefits weren't sufficient to outweigh the gap but added execution risk, including a significant ACCC risk
 - Sigma would have effectively funded a large proportion of the purchase price, including through the release of around \$300 million in working capital from CW
 - Sigma has a strong profit outlook and minimal debt moving forward

Strategy and Direction

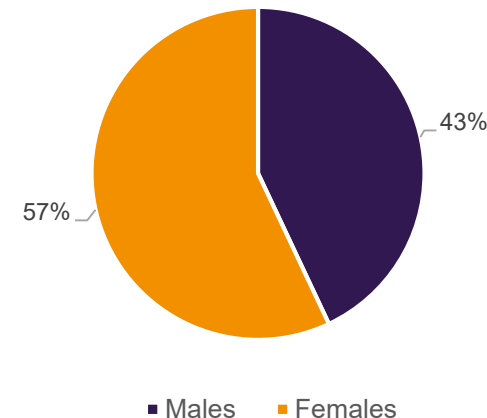
- ❖ Sharpened focus on the execution of our Strategy
 - Organic growth in our core and improved operating efficiency
 - Leveraging our core infrastructure
 - Continued diversification of our earnings base
- ❖ Capital Expenditure program well advanced
- ❖ Business Transformation program underway (Project Pivot)

Corporate Social Responsibility – Our People

- ❖ Females make up 57% of the Sigma workforce
- ❖ Safety is a major focus – LTIFR improved from last year
- ❖ Employee engagement survey – 68% say Sigma is truly a great place to work
- ❖ 60% of our team members are Sigma shareholders



Sigma gender diversity



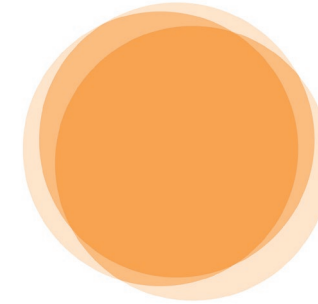
Corporate Social Responsibility

Our Community

- ❖ 2018 marked 20 years of our Guardian Angel Knitting Program
- ❖ Our support for the community remains strong
 - ❖ \$55K donated to Summer Foundation
 - ❖ \$30K donated to Carers Australia
 - ❖ \$40K donated to Free2Be and Assistance Dogs Australia
- ❖ Amcal is the Gold sponsor of the Mother's Day classic supporting breast cancer research



SUMMER
FOUNDATION



Corporate Social Responsibility

Our Environment

- ❖ Reduction in energy consumption at Rowville DC by 70%
- ❖ Solar power and water recycling installed at new DC's
- ❖ Reduced plastic seals by over 231,000 units
- ❖ Eliminated 17,000 lineal metres of plastic bubble wrap
- ❖ Signatory to the Australian Packaging Covenant





Brian Jamieson
Chairman



Mark Hooper
CEO & Managing Director

Overview

- ❖ Project Pivot transformation program
- ❖ Investment program and funding outlook
- ❖ Regulatory environment
- ❖ Business update

Business Transformation – Project Pivot

Project Pivot – a structured program to transform our business

❖ Enabling an efficient and effective core business

- \$100+ million **annualised** efficiency gains

❖ Activity to date reinforces confidence in delivering this outcome

MC/CW Transition 60% of efficiency gains

- DC network and logistics optimisation
- Labour reduction of 500 (300 team members plus reduced pool of agency staff)

Operating efficiencies 25% of efficiency gains

- Range optimisation
- Organisational realignment
- Right sizing organisational functions
- Improved integration of acquired businesses

Smart spend program 15% of efficiency gains

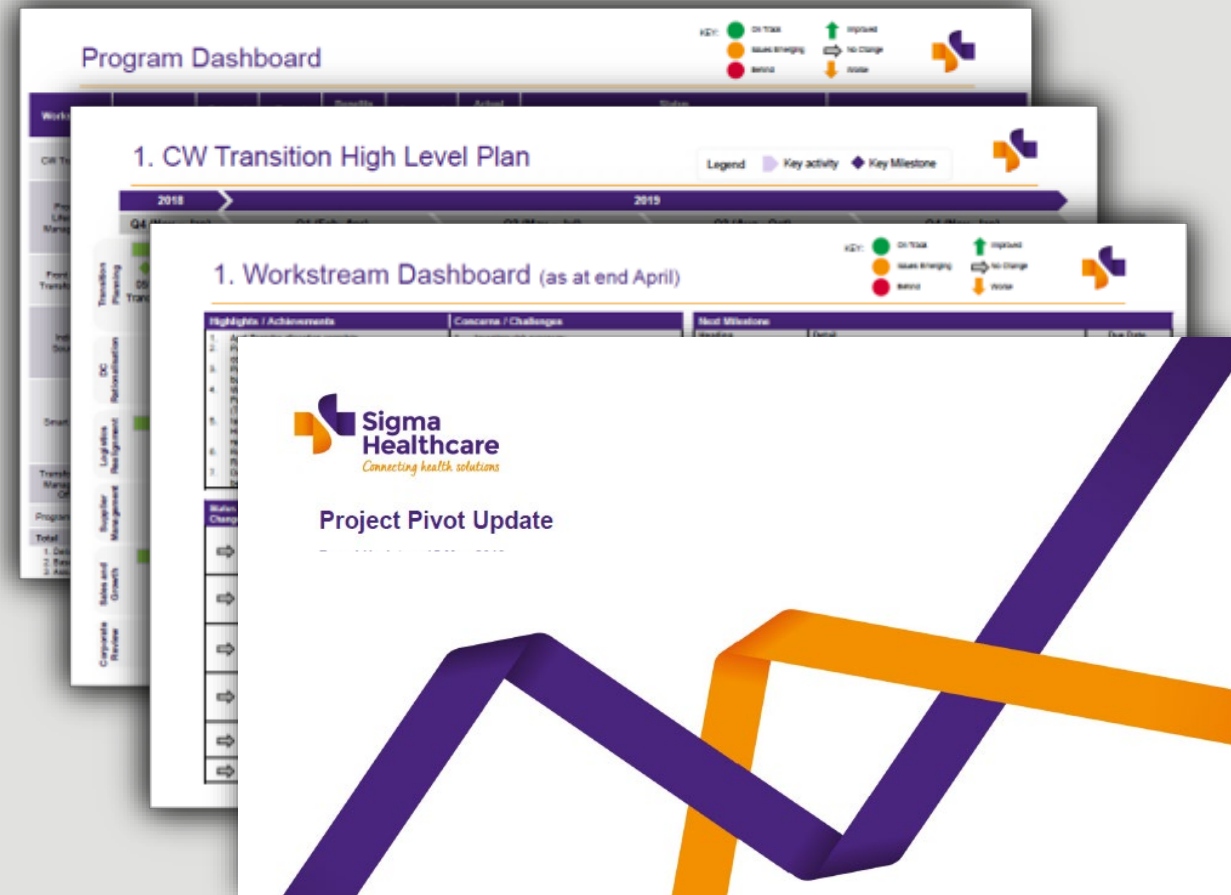
- Robust zero based budgeting and spend methodologies to be applied across all of Sigma's cost base
- Focus on addressable indirect procurement spend

Implementation will deliver

- Approx. 60% of annualised efficiency gains in Year 1 (FY20)
- Approx. 40% of annualised efficiency gain in Year 2 (FY21)

Business Transformation

- ❖ Managed wind down of services to CW
 - Scheduled medicines shift on 1 July 2019
 - FMCG products shift in tranches up to September 2019
- ❖ Enables efficient wind down of associated costs and staged reduction of work force



Capital Investment Program

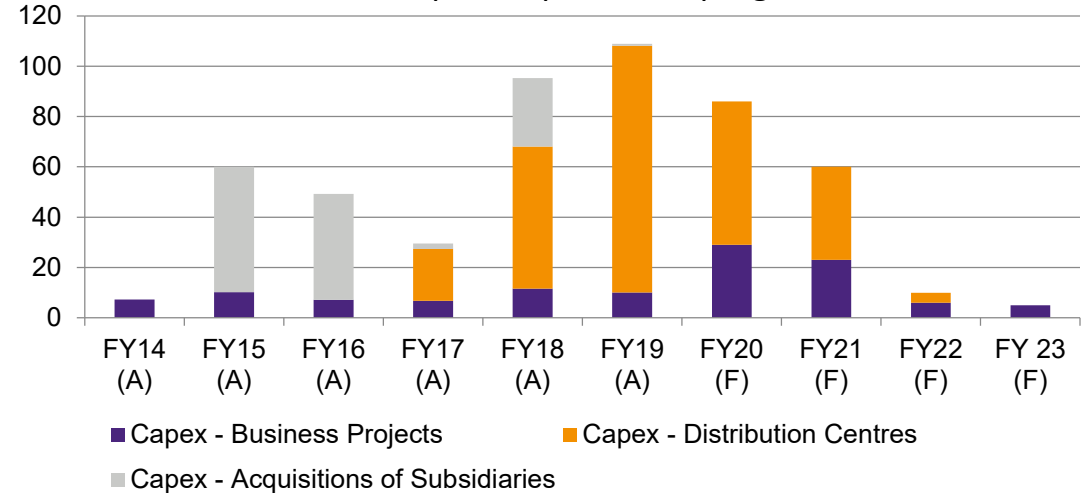
- ❖ DC investment well advanced
 - Over \$220 million
- ❖ Queensland and Western Australia
 - DC's are operational
- ❖ New South Wales and South Australia
 - DC's are nearing completion



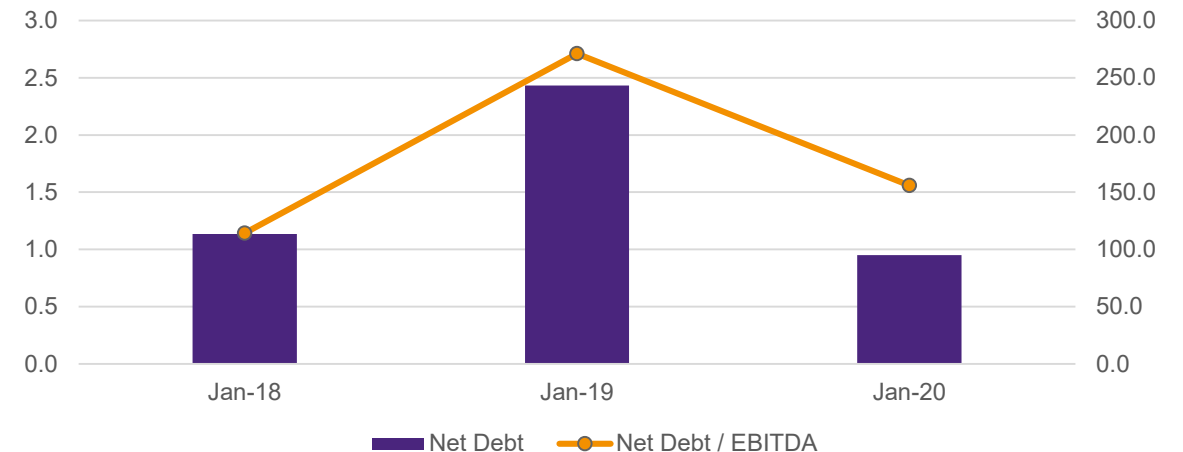
Capital Investment Program

- ❖ IT systems upgrade currently being scoped including new ERP system implementation - SAP 4 HANA selected as the preferred solution
- ❖ Capex program largely completed by the end of FY21
- ❖ Debt facilities extended during the year
- ❖ Net Debt expected to be below \$100 million by end FY20

Capital expenditure program



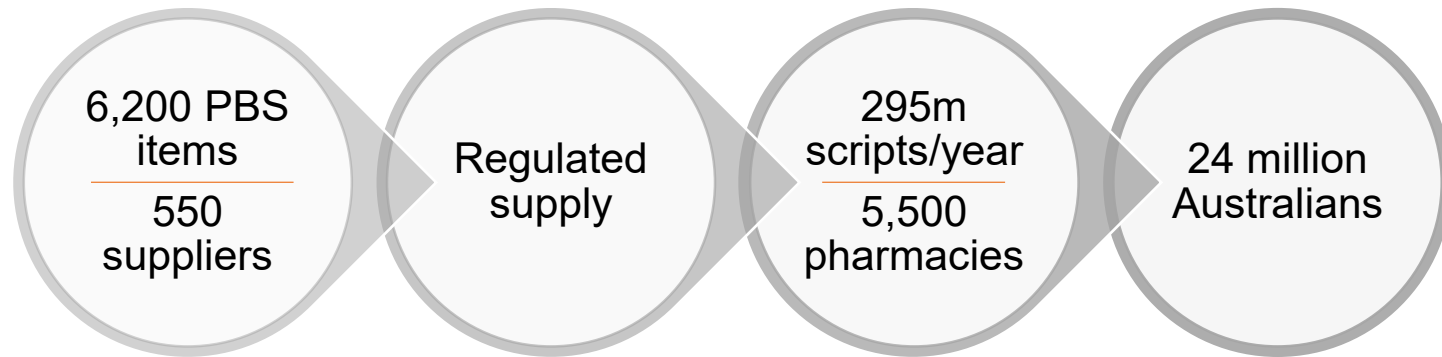
Net Debt / Net Debt to EBITDA ratio



Regulatory environment

- ❖ Sigma signed a new CSO Deed in March 2019
- ❖ CSO standards maintained under the Deed to support the government's National Medicines Policy
- ❖ Ongoing issues to be addressed with the government post the Federal election

The CSO delivers the National Medicines Policy



Supply chain sustainability is critical to Community Pharmacy

Business Update

- ❖ Sigma pharmacy brands performing ahead of market
- ❖ DDS recognized with Roy Morgan award
- ❖ Sigma Hospitals – continuing momentum
- ❖ 3PL/4PL – actively pursuing opportunities



Business update

- ❖ First 3 months in line with expectations
- ❖ Like for like sales in our brands – up over 4% (Ex Hep-C)
- ❖ On track to deliver FY20 underlying EBITDA of \$55-\$60m
- ❖ Debt expected to return to below \$100m by year end
- ❖ Confident that Project Pivot will deliver **annualised** efficiency gains of over \$100m



Thank you

