Sigma Pharmaceuticals Limited

Full Year Results to 31 January 2016

Announced 23 March 2016

SIGMA

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Overview

Mark Hooper, CEO and Managing Director

SIGMA

Strong Earnings Growth Continues

Revenue up 10.2% to $3.5 billion

Underlying# EBIT up 13.7% to $89.1 m and NPAT up 11.6% to $59.2m

Strong Underlying# ROIC at 14.6% on broader earnings

Final Dividend increased to 3.0 cents per share

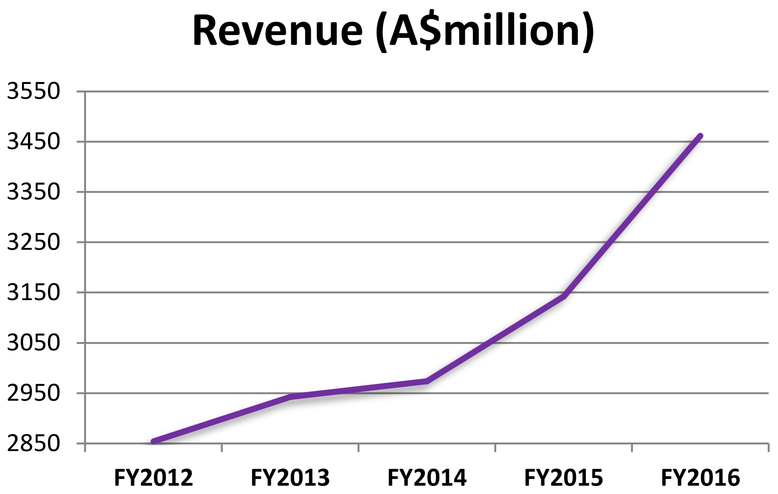
Refer to Appendix 2 for a reconciliation of Reported to Underlying

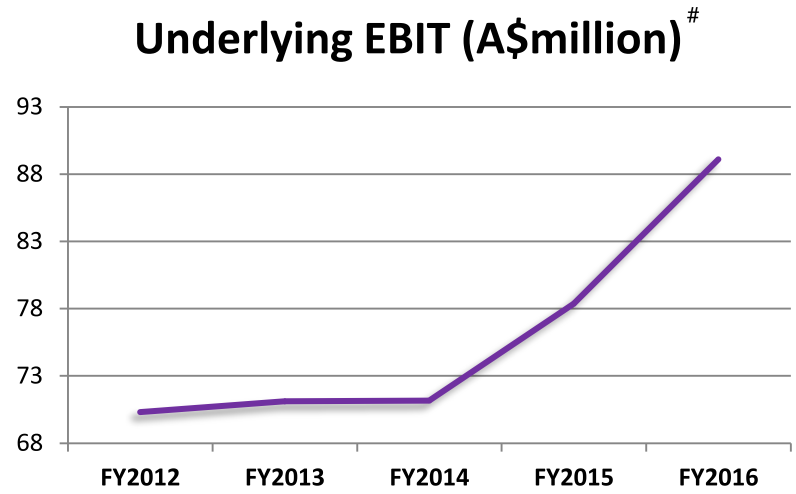
Consistently delivering on our promises

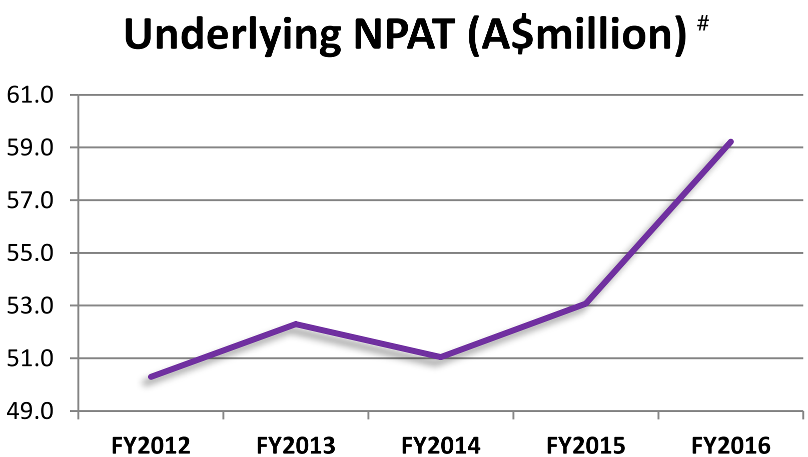
Promise	Delivered	
Grow EBIT by 10% - 11%	• Underlying# EBIT up by 13.7%	✓
Grow non PBS earnings	• Non-PBS sales revenue now approx. 35% of total revenue, up from 33% • Other revenue up 39.9% to $73.2m	✓
Maintain strong balance sheet	• Minimal net debt of $56.6m • 8-10 days improvement in CCC expected in 2016/17 • Capacity to support further investment and reward shareholders	✓
Reward shareholders	• Final Dividend increased to 3.0 cents • 14m shares bought back and cancelled	✓

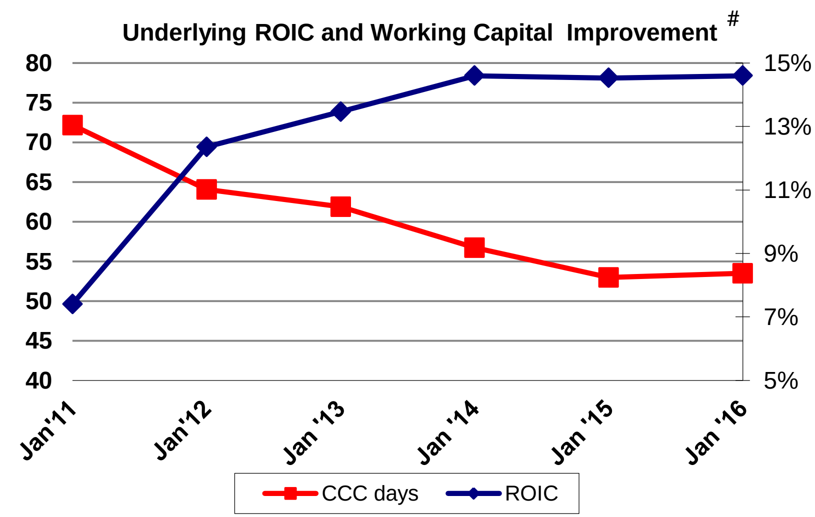
Refer to Appendix 2 for a reconciliation of Reported to Underlying

Consistent revenue and earnings growth









Refer to Appendix 2 for a reconciliation of Reported to Underlying

Strategy delivering improved results

- Stabilised the core
- Grown non PBS earnings
- Bedded down acquisitions – performing ahead of expectations
- Continued to invest to:
  - support core business
  - create base for future earnings outside PBS
- Rewarded shareholders

Financial Performance

Jeff Sells, CFO

Strong earnings growth continues

	REPORTED	UNDERLYING #			
$m	FY 2016	FY 2016	FY 2015	Variance	% change
Sales revenue	3,461.1	3,461.1	3,142.1	319.0	10.2
Gross Profit	260.5	260.5	234.8	25.6	10.9
Other revenue	73.2	73.2	52.4	20.9	39.9
Operating costs	235.9	235.9	201.6	34.3	17.0
Loss on recognition of contingent consideration	7.8	-	-	-	n/a
Amortisation of intangible relating to acquisition	0.9	-	-	-	n/a
Depreciation & Amortisation	9.0	9.0	7.6	1.4	19.4
Share of profit of equity accounted investee	0.3	0.3	-	0.3	n/a
Acquisition Expenses	-	-	0.3	0.3	n/a
EBIT	80.4	89.1	78.4	10.7	13.7
EBIT Margin	2.3%	2.6%	2.5%	n/a	n/a
Net financial expense	3.5	3.5	2.5	1.0	41.5
Tax expense	26.5	26.5	22.8	3.7	16.2
NPAT	50.4	59.1	53.1	6.0	11.4
Minority Interest	0.1	0.1	-	0.1	n/a
Profit attributable to owners of the Company	50.5	59.2	53.1	6.1	11.6

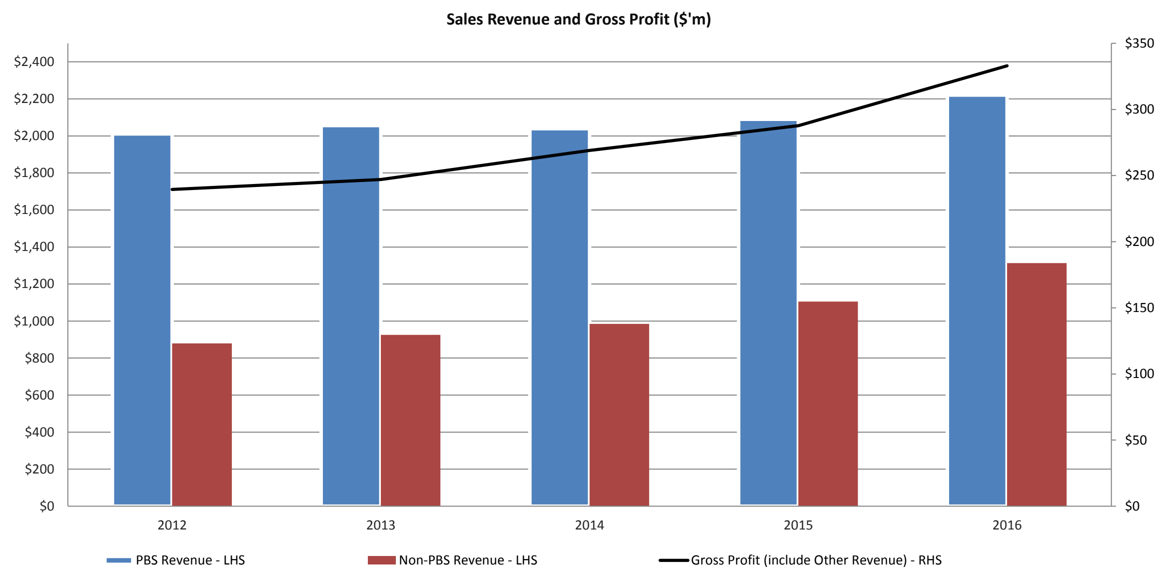
- Strong sales growth
- Improved Gross Profit margin
- Operating costs – investment in growth initiatives, and the impact of the run rate of acquisitions

- One-off adjustment to P&L of $8.7m - reflects the increased earn-out payment from the successful acquisition of CHS / DDS

Refer to Appendix 2 for a reconciliation of Reported to Underlying

Diversified revenue driving profit growth

- PBS revenue up through volume growth and CHS / DDS acquisition run rate
- OTC Revenue up 17.8%, and a growing proportion of total sales
- Other Revenue up 39.9% – from brand member fees, improved Merchandise income, commission revenue and other service fees
- Combination of OTC and other revenue is having a more meaningful profit impact
- Whilst operating costs have also risen, overall EBIT margin has improved

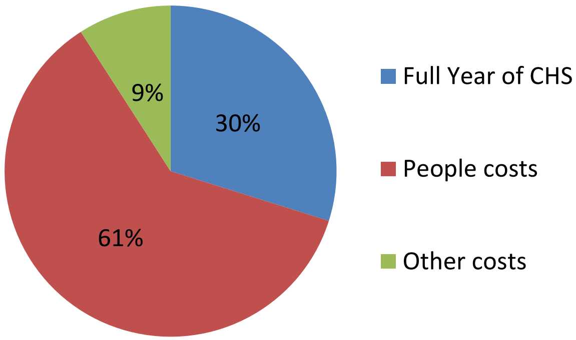


Investing in capability to drive growth

Drivers of Cost YOY

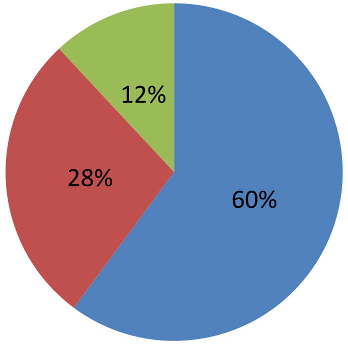
Warehouse and Delivery Expenses + $11.2m

- Sigma Logistics cost increases of 7.5% have been contained within volume growth of 9.9%
- Further productivity gains are still expected, to contain costs



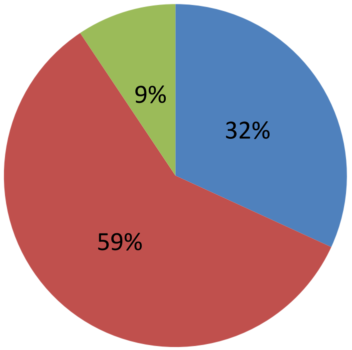
Sales and Marketing Expenses + $15.2m

- Full rate of CHS / DDS are the primary contributors to cost increases
- Some project costs to enhance service offerings to customers
- Additional people costs relate to a restructured sales & operations team to support the expanded business



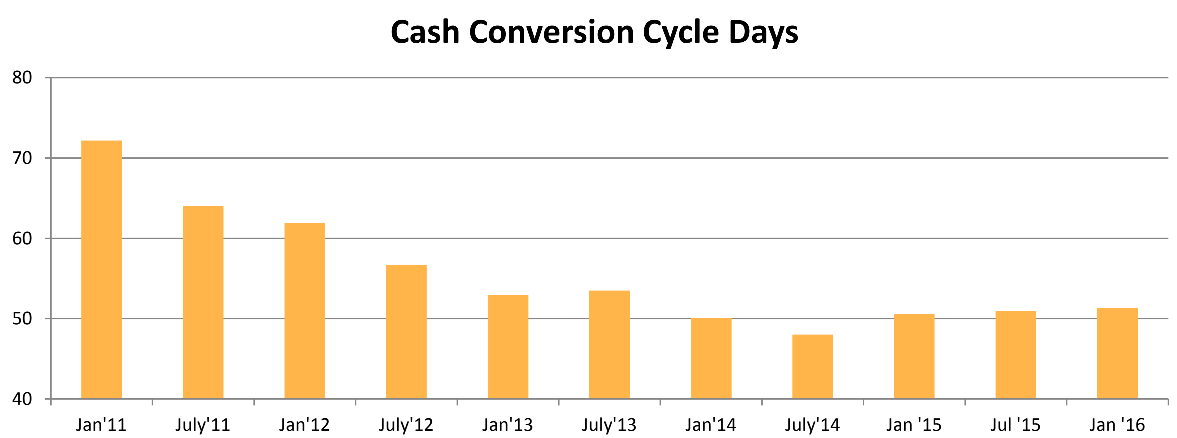
Administration Expenses + $7.9m

- Investment in support for an expanded business
- Expect costs to grow in line with inflation in future periods



Improvements secured for next 12 months

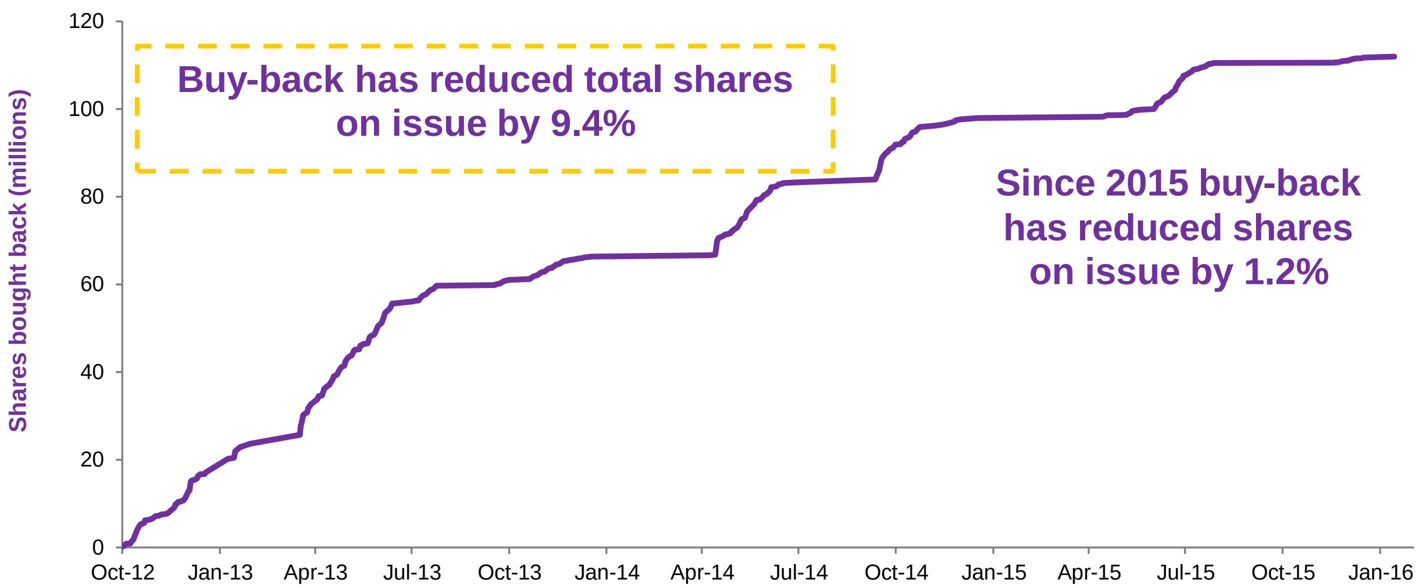
Working Capital $m * *Includes CHS & DDS in 2015 and 2016*	As at 31 Jan **2013**	As at 31 Jan **2014**	As at 31 Jan **2015 ***	As at 31 Jan **2016 ***
Trade Receivable	557	522	578	608
Inventories	255	222	252	289
Trade Creditors	-376	-327	-374	-407
Total working capital	**436**	**417**	**456**	**490**
Days Sales Outstanding	69	64	66	64
Days Inventory Outstanding	35	30	31	34
Days Payable Outstanding	51	44	46	47
Cash conversion cycle days	**53**	**50**	**51**	**51**



- CCC days to reduce by a further 8-10 days in the year ahead
- Will further improve ROIC
- Outlook for a strong balance sheet continues
- Expect to be net cash by 31 Jan 2017

Continuing to reward shareholders

- EPS accretive share buy-back – close to 10% achieved
- Final dividend increased to 3.0 cents per share (fully franked)
- Full Year Dividend of 5.0 cents per share (fully franked)
- Current year dividend payout ratio 91% of Underlying# NPAT
- Board expects to maintain a high dividend payout ratio

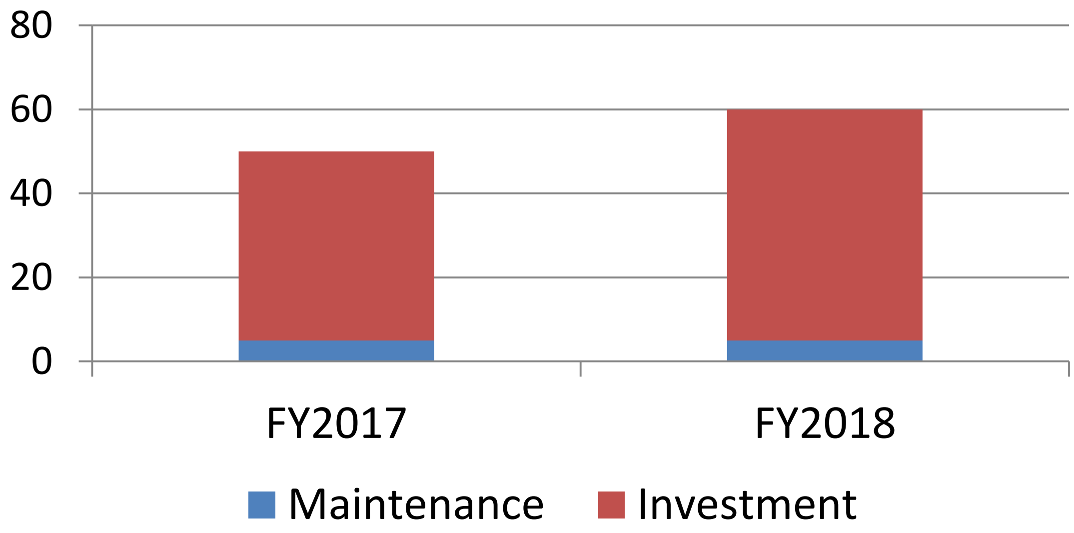


Investment in Distribution Centres

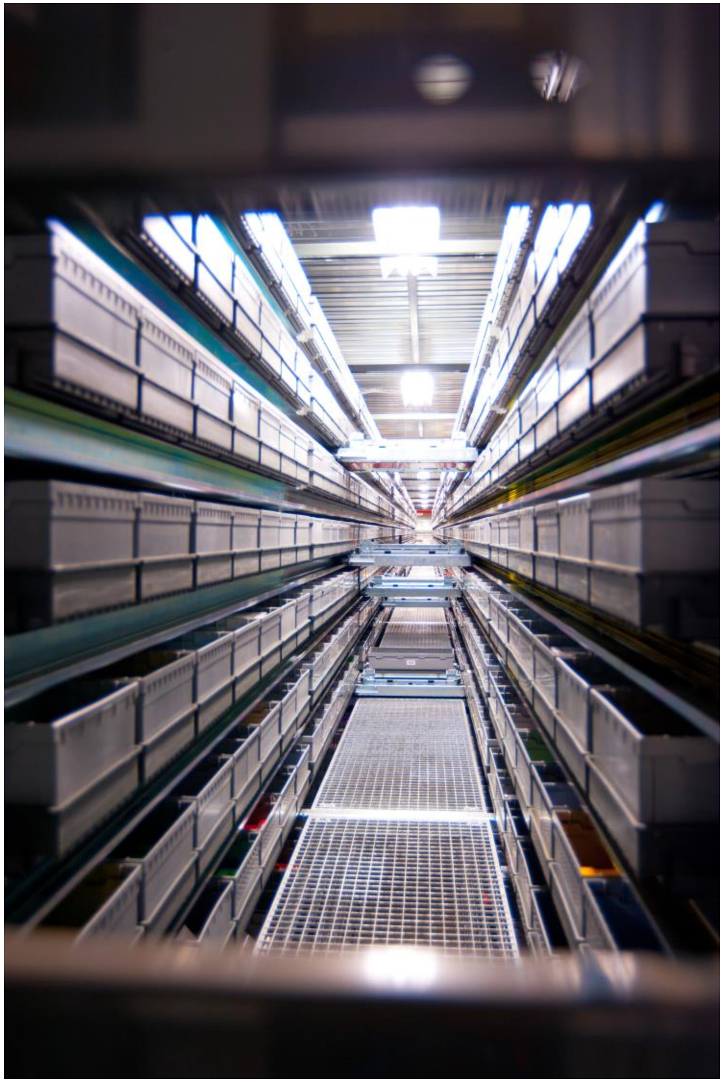
- Productivity gains continue to be achieved, with Sigma volumes up 9.9%, costs up 7.5%
- New freight contracts also awarded during the year to drive operational efficiencies
- Investment in key sites is required to continue productivity improvements
- New NSW DC for CHS now operational from October 2015
- Construction of $60m Queensland DC commencing in April 2016, and expected to be operational in last quarter of CY2017
- Accelerating our evaluation of other major sites
- This will increase the capex profile for the next two years

Investing for an efficient future

Capital Expenditure (A$m)



- Investment in DC network will drive future efficiency gains, with a payback on technology spend of 4-5 years

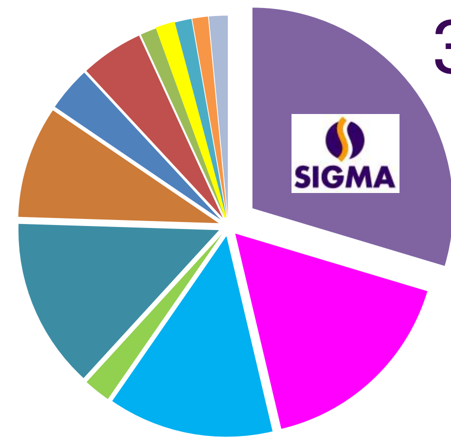


Operational Performance

Mark Hooper, CEO and Managing Director

Australia's largest branded pharmacy footprint

- Sigma leads market consolidation – over 700 branded pharmacies
- Branded pharmacy sales through Sigma up 17.9%, including Amcal, Guardian, Discount Drug Stores, Pharmasave and Chemist King
- Growing compliance – Amcal and Guardian now sit at 76%
- Leveraging scale and capacity



Branded groups of 30 or more pharmacies

Amcal+ : a strong and consistent brand

Guardian : brand reinvigorated

Bringing it all together – Programs supporting pharmacy and Sigma profitability

- Sigma Generics Program – delivering improved buying for Sigma's customers
- Financial support services for pharmacy, leveraging banking relationships

- Over 800 private and exclusive label SKU's delivering strong growth and margin

KIDNEY HEALTH SLEEP APNOEA COELIAC DISEASE

- Professional Service programs to drive customer support
- Partnership between Nostra Data and Sigma – over 3,500 pharmacies connected

CHS - Extending our market presence

- Continues to perform ahead of investment case
- Eastern Creek DC opened for business in October 2015 – over 8,000 square metres, CSO compliant
- Provides new growth opportunities in NSW – wholesaling, hospital pharmacy, pre-wholesaling
- Arrow pre-wholesaling commenced in March

Hospital Pharmacy – The size of the prize

- $2.5 billion hospital pharmacy market across Australia
- Currently focused in Victoria via CHS (5% national market share)
- Leverage existing infrastructure
- Invested in infrastructure and people during 2015/16
- Initial opportunities around Hepatitis C drug distribution in NSW
- Queensland market entry in 2017

Outlook

Mark Hooper, CEO and Managing Director

Diverse earnings drivers

Run Rate enhancement

- Continued run rate gains from recent acquisitions
- Improved distribution margins post expiration of Aspen agreement
- Continued growth in brand membership

Optimise Trading Platforms

- Enhanced generics buying program – SGP
- Leveraging brand member compliance via improved merch and marketing income
- Commission revenue, other service fees

Expansion into adjacencies

- Additional 3PL/pre-wholesaling opportunities
- Expanded Hospital pharmacy footprint
- Other opportunities being evaluated

Will deliver EBIT growth of at least 5% pa for the next two years

Outlook remains strong

- Forecast EBIT growth of at least 5% pa for next two years
- Non-PBS revenue / earnings will continue to be the driver
- Stronger ROIC driven by higher earnings and 8-10 day reduction in CCC by January 2017
- High Dividend Payout Ratio expected to be maintained
- Strong Balance Sheet with net cash by January 2017

Thank you

Appendix 1 – ROIC Reconciliation

$'m	As at 31-Jan-11	As at 31-Jul-11	As at 31-Jan-12	As at 31-Jul-12	As at 31-Jan-13	As at 31-Jul-13	As at 31-Jan-14	As at 31-Jul-14	As at 31-Jan-15	As at 31-Jul-15	As at 31-Jan-16
Net Assets (as per Balance Sheet)	832.9	676.8	682.5	669.0	610.8	572.9	578.8	568.8	573.0	550.1	553.7
Less:											
Cash and cash equivalents	-556.9	-135.8	-148.6	-145.8	-112.7	-151.9	-67.5	-34.7	-34.3	-45.6	-17.4
Add back											
Interest bearing liabilities [1]	354.8	47.3	35.0	20.0	30.0	125.0	-	0.6	0.6	60.5	74.1
Capital employed	630.8	588.3	568.9	543.3	528.1	546.0	511.3	534.7	539.3	564.9	610.3
Rolling 12 months EBIT	$46.7 [2]	54.47 [2]	70.3	67.3	71.1 [3]	64.5 [3]	74.7 [4]	79.6 [5]	78.4 [5]	86.1 [5,6]	89.1 [6]
Underlying ROIC	7.3%	9.3%	12.4%	12.4%	13.5%	11.8%	14.6%	14.9%	14.5%	15.2%	14.6%

[1] excludes Gateway liability

[2] EBIT is calculated on an underlying basis for the continuing business

[3] EBIT excludes Net Litigation settlement expense

[4] EBIT excludes Net Litigation settlement expense and acquisition expenses

[5] EBIT excludes acquisition expenses

[6] EBIT excludes acquisition expenses, loss on recognition of contingent consideration from prior year acquisitions, amortisation of other intangibles associated with prior year acquisition and includes share of EBIT of equity accounted investees

Appendix 2 – Reported to Underlying Reconciliation

Financial Performance

The consolidated profit attributable to shareholders was $50,502,000 compared to $52,773,000 for the prior year. The reported profit for the current year was impacted by a significant one-off item. The underlying profit before financing costs and tax (or EBIT), and profit after income tax (NPAT) is reconciled as follows:

$'000	**2016**	**2015**
Reported EBIT	**80,071**	**78,055**
Add back		
Share of profit/(loss) of equity accounted investee, before tax	300	(6)
Acquisition expenses	-	307
Loss on recognition of contingent consideration from prior year	7,784	-
Amortisation of other intangibles acquired in acquisition	940	-
Underlying EBIT	**89,095**	**78,356**

$'000	**2016**	**2015**
Reported NPAT[1]	**50,502**	**52,773**
Add back		
Acquisition expenses	-	307
Loss on recognition of contingent consideration from prior year	7,784	-
Amortisation of other intangibles acquired in acquisition	940	-
Underlying NPAT	**59,226**	**53,080**

[1] Profit attributable to the owners of the company