



Full Year Results

For period ended 31 January 2015

19 March 2015

Mark Hooper – CEO & Managing Director
Jeff Sells – Chief Financial Officer

Australia's Partner of Choice for Health, Beauty and Wellbeing

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2015 Full Year Results



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Full Year Overview

Mark Hooper

Financial Performance

Jeff Sells

Business Update

Mark Hooper



Full Year Overview

Mark Hooper
CEO & Managing Director



Delivering on our strategy



Growing the core –

- ✓ CHS and DDS acquisitions
- ✓ Like for like growth in Amcal and Guardian around 7% in 2H15
- ✓ Sigma brands moving to fully compliant model – brand standards up 33%

Reducing PBS reliance –

- ✓ Private and Exclusive product range exceeds 800 SKU's
- ✓ Other Income – up 28% excluding 2014 one-off gain

Leveraging Partnerships –

- ✓ Launch of Sigma Generics Program (SGP)
- ✓ Launch of fully integrated pharmacy dashboards and reporting (Signal)
- ✓ Launch of Sigma Financial Services (SFS)

Achieving results



- ✓ **Growing Revenue** – up 5.7% to \$3.1bn, driven by organic growth and growth from acquisitions
- ✓ **Reported EBIT** – up 11.0% to \$78.0m, on a broader revenue base
- ✓ **Fully Franked Dividends** – two cent Final and one cent Special
- ✓ **Working Capital** – cash conversion cycle of 51 days
- ✓ **Net cash** of \$33.6m and **ROIC** of 14.5%

Strong Balance Sheet supporting continued investment and capital management initiatives



Financial Summary

Jeff Sells
Chief Financial Officer



EBIT up 11%



| \$m | FY 2015* | FY 2014 | % Change |
|-----------------------------|-------------|-------------------|-------------|
| Sales revenue | 3,142.1 | 2,973.5 | 5.7 |
| Gross Profit | 234.8 | 216.9 | 8.3 |
| Other revenue | 52.4 | 51.7 [#] | 1.3 |
| Operating costs | -201.3 | -187.7 | 7.2 |
| Depreciation & Amortisation | -7.6 | -6.3 | 20.0 |
| Other | -0.3 | -4.3 | (93.0) |
| EBIT | 78.0 | 70.3 | 11.0 |
| Net financial expense | -2.5 | -2.0 | 24.1 |
| Tax expense | -22.8 | -14.8 | 54.2 |
| NPAT | 52.7 | 53.5 | (1.4) |
| Gross Profit margin | 7.5% | 7.3% | |
| EBIT Margin | 2.5% | 2.4% | |

BROADENING THE BASE

Increased revenue and EBIT delivered from organic growth (including expanded private label range and disciplined logistics focus) and acquisitions

* Includes contributions from CHS since May 2014 and DDS since September 2014

2014 Other Income includes \$10.9m one-off tax free gain on sale of Clayton property

Revenue & margin drivers



Organic Growth

- ✓ Volumes up 5.3% on prior year (excluding CHS/DDS)
- ✓ Amcal and Guardian like for like sales up around 7% in 2H15, driven by 33% improvement in compliance to brand standards and global sourcing
- ✓ Improved gross margin supported by expanded Private & Exclusive label range, and growth in non-PBS sales to 33% of revenue

Acquisition Growth – CHS and DDS

- ✓ Pharmasave wholesale migration largely complete at year end
- ✓ DDS wholesale migration on track with 60% complete
- ✓ Additional 250 branded pharmacies brings Sigma's network to over 700 pharmacies
- ✓ Other Income up 28% generated by member fees and Merchandise & Marketing income

FUTURE DRIVERS IN FY16

- ✓ Full Year benefit from acquisitions
- ✓ Continued growth in non-PBS revenue – Private and Exclusive label product, brand member income, Merchandise & Marketing income
- ✓ Partially offset by ongoing PBS reform impact

Continued cost focus*



Warehouse & Delivery costs – remain steady at 3.6% of sales (\$111.7m)

- Like for like costs up 3.5% despite volumes increasing 5.3%, driven by:
 - Unit labour productivity improvement of 3.4%
 - Efficiencies achieved by improved national freight contracts
- Further productivity gains planned to keep cost growth below volume growth



Sales and Marketing costs – 1.5% of sales (\$45.9m)

- Like for like down 2.9% by improving the effectiveness of marketing spend
- Prior year includes one-off Harrison's provision of \$7.4m

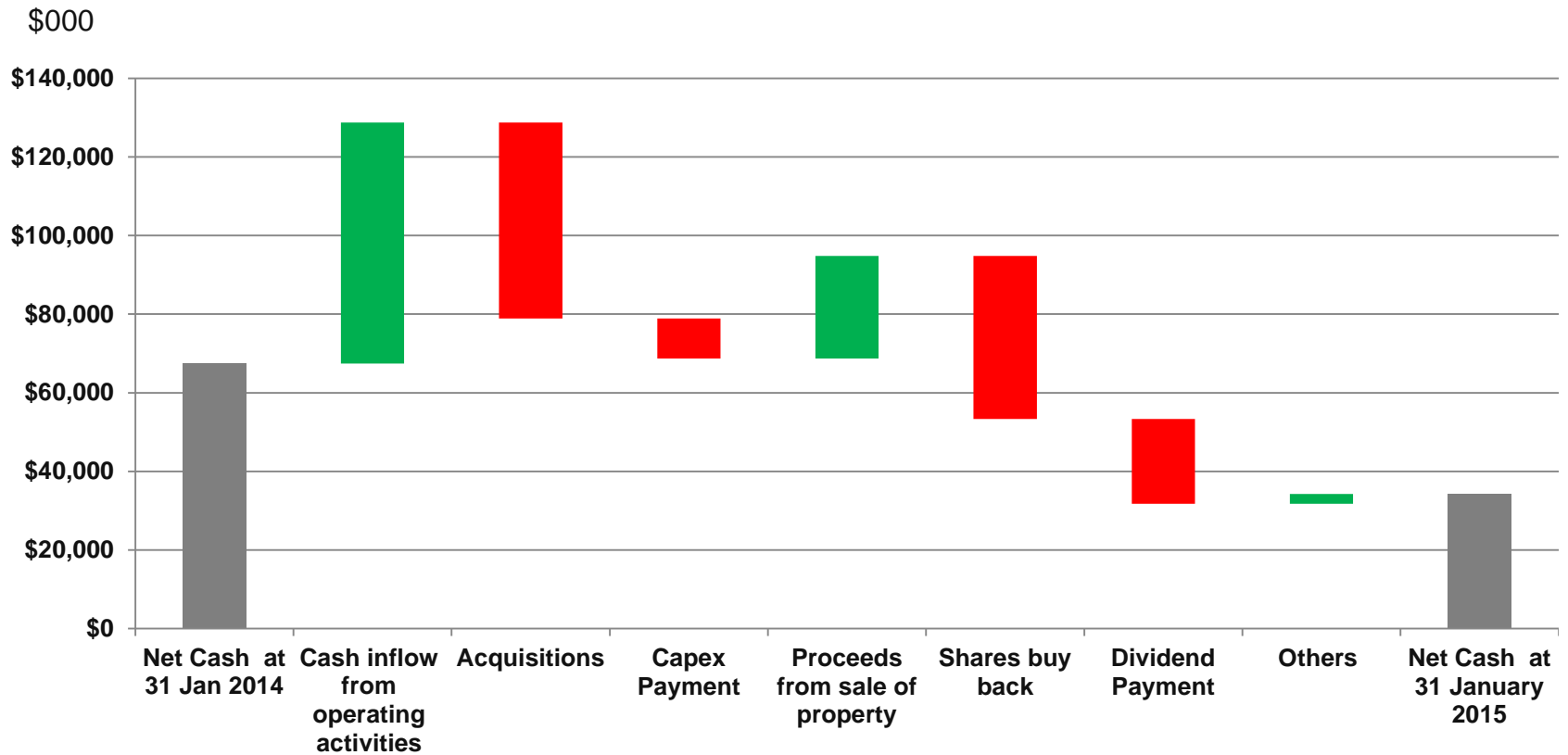


Administration costs – 1.4% of sales (\$43.6m)

- Costs steady as a percentage of sales, with increase primarily due to the inclusion of CHS/DDS, acquisition, employee and IT costs
- Costs in this area will stabilise in FY16

* Current year includes CHS, Pharmasave, Chemist King and DDS

Net cash remains strong



Strong cash position supports further investment and capital management initiatives

Working Capital focus maintained



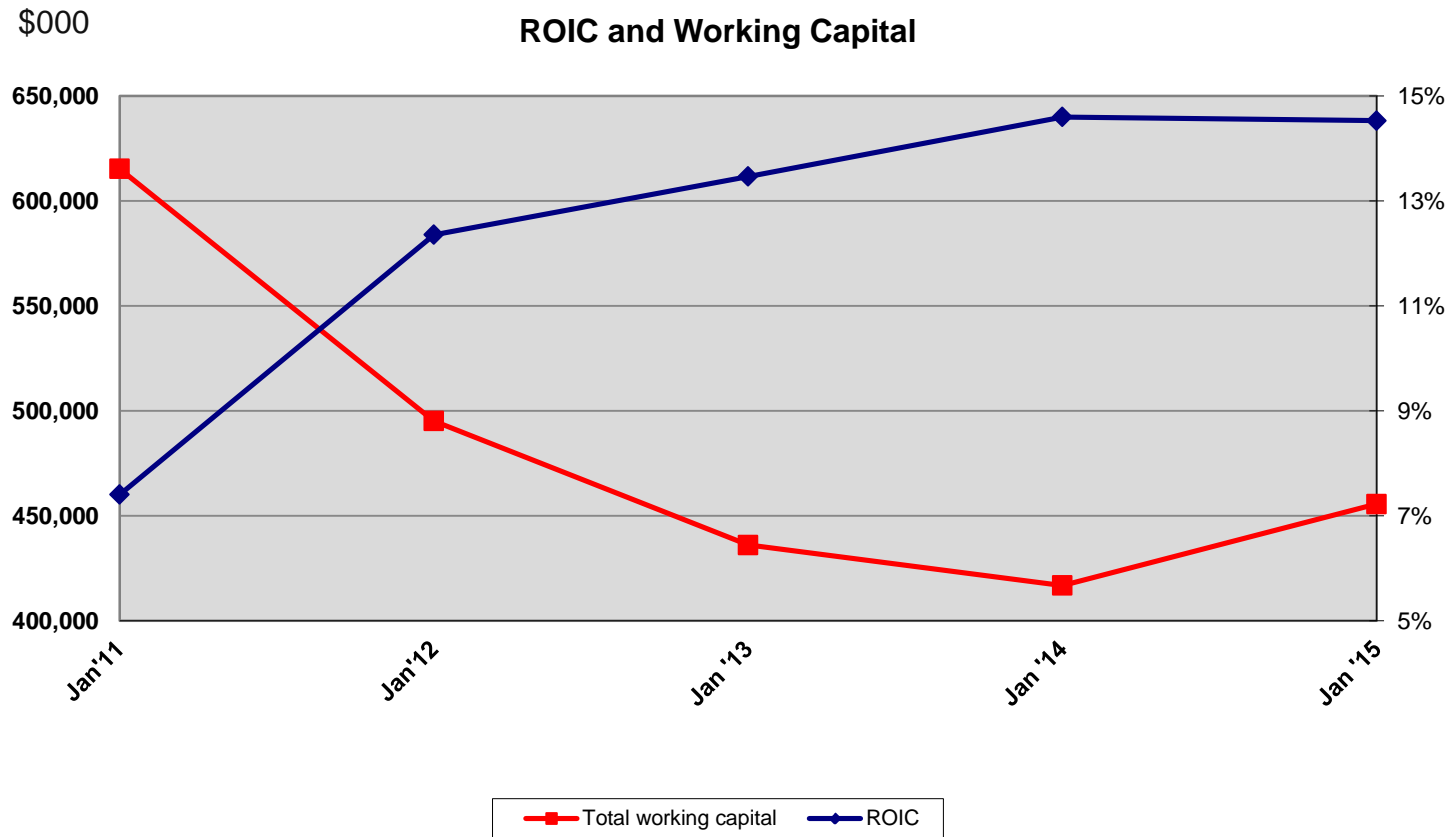
| Working Capital \$m | As at 31 Jan 2012 | As at 31 Jan 2013 | As at 31 Jan 2014 | As at 31 Jan 2015* |
|-----------------------------------|-------------------|-------------------|-------------------|--------------------|
| Trade Receivables | 593 | 557 | 522 | 578 |
| Inventories | 214 | 255 | 222 | 252 |
| Trade Creditors | -312 | -376 | -327 | -374 |
| Total Working Capital | 495 | 436 | 417 | 456 |
| Days Sales Outstanding | 76 | 69 | 64 | 66 |
| Days Inventory Outstanding | 29 | 35 | 30 | 31 |
| Days Payable Outstanding | 43 | 51 | 44 | 46 |
| Cash conversion cycle days | 62 | 53 | 50 | 51 |

* Includes CHS and DDS in 2015

ROIC maintained on broader earnings



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ROIC calculation – refer to Appendix 2

Capital management update



Dividends

- Final Dividend of 2 cents per share and Special of 1 cent per share, both fully franked
- Total fully franked dividends since 2011 – 31 cents
- Anticipate fully franked dividends into foreseeable future
- High payout ratio expected to be maintained

Share Buy-back

- Share buy-back program remains open
- In 12 months to 31 January 2015, 31.6m shares (2.7% of issued capital) purchased at a cost of \$23.4m
- Since Oct 2012 – 97.9 million shares (8.3% of issued capital) purchased at a total cost of \$70.5m (VWAP \$0.72cps)

Capex

- Capex of \$10.2m for FY15
- Includes Brisbane land acquired for \$6.7m in August 2014. Project scoping has commenced. Sydney DC in early planning stages
- Investment in Brisbane of \$30-\$40m expected to start in FY16
- CHS/DDS earn-out payment due July – will trigger final accounting adjustment



Business Update

Mark Hooper
CEO & Managing Director



Strategy overview



**Turnaround
Horizon 1**
2011 – 2014

Fix the Business

- Went back to basics
- Invest in the things that matter
- Gained control of business

**Partner of Choice
Horizon 2**
2014 – 2017

Play to Win

- Grow core business
- Pick the right partners
- Integrate our investments
- Differentiate to create competitive advantage
- Enter new adjacent markets

**Aggregate and Leverage
Horizon 3**
2017 – 2020

Change the Game

- Pre-empt change and leverage aggregated platforms
- Differentiate through innovation
- Grow adjacent markets

Yesterday...

...tomorrow

Our collective strength



Increased scale
Improved brand standards

Better Buying
Data Analytics
Financial Services



Better buying and insights



Launched Sigma Generics Program to improve margins for Sigma and customers:

- Leverages collective buying strength of Amcal, Guardian and Pharmacy Alliance
- Benefits to commence accruing 2H16



Launched unique pharmacy dashboards and reporting tools:

- Underpinned by industry leading data analytics – Signal
- Unparalleled insights used to improve key metrics and decision making to drive pharmacy performance
- Benefits to members and Sigma through enhanced brand compliance

Sigma Financial Services launched



**Payment
Options**

Payment options for pharmacists

**Pharmacy
Finance
Referral**

Financing assistance

**Facilitating
Fit out
Finance**

Business and fit outs – quick, low cost fit out finance

**Sigma
Rewards**

Enhanced Sigma Rewards Loyalty program

**Transaction
Support**

Financial analysis reviews



Health Services Australia launched



- Umbrella for Professional Services campaigns

- “In pharmacy” Sleep Apnoea program launched



HEALTH SERVICES AUSTRALIA
POWERED BY SIGMA

Core Services:

We have identified that certain Services are delivered by all pharmacies – these have been labelled as Core Services. Core Services are Professional Services that all pharmacies are able to deliver at a consistently high level. These Core Services were identified in consultation with the Members Advisory Committee.



This is a service that every Pharmacist can provide to improve customer loyalty and compliance.



All customers have come to expect that Pharmacies will provide this Service.



Pharmacists' core role is in helping customers use their medication correctly. Services offered may vary from basic counselling and answering of enquiries to Diabetes MedsChecks and Home Medication Reviews.



All Pharmacists offer advice and products to support customers who wish to quit smoking.



All Pharmacists have specific expertise around respiratory illnesses. This icon is in place to encourage customers to talk to their Pharmacist about inhaler techniques, use of spacers and getting the most out of their respiratory medication.



All Pharmacists provide expert advice on medicines and medical conditions.



All Pharmacies can provide this service to help customers improve their compliance. Solutions may include the purchase of a basic medicine pack through to a full packing service.

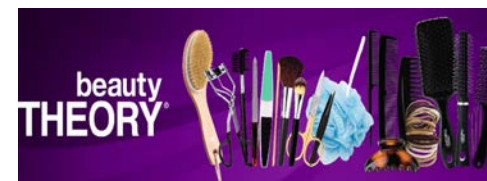


All Pharmacies can provide this service to help ensure the safe disposal of unwanted medicines.

Private and Exclusive Label expansion



- ✓ Portfolio now exceeds 800 SKU's
- ✓ Double digit sales growth
- ✓ Strong margins
- ✓ Broadens non-PBS income stream
- ✓ Exclusive to pharmacy



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6CPA update



- Sets the funding envelope for the industry including wholesalers and pharmacists.
- Sigma's approach is co-ordinated through the NPSA as it is an industry based issue
- Need to ensure adequate funding is available to support the current system into the future
- Focus on:
 - maintaining 5CPA funding levels for wholesalers
 - increasing the CSO to more adequately reflect the cost of the services provided
- Working collaboratively with the Guild but will approach separately if required

Outlook



Revenue and EBIT growth expected to continue from a broader base:

- ✓ Organic growth in existing business (Amcal/Guardian like for like growth around 7% in 2H 2015)
- ✓ Enhanced margins due to full year of expanded Private and Exclusive product range
- ✓ Cost management through continued efficiency improvement
- ✓ Full year contributions from CHS and DDS
- ✓ Leveraging existing and new partnerships and programs

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Thank you

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Appendices

Appendix 1

Non IFRS measures



ASIC Regulatory Guide 230 Disclosing non-IFRS information

In December 2011, ASIC issued Regulatory Guide 230. To comply with this Guide, Sigma Pharmaceuticals Limited is required to make a clear statement about the non-IFRS information included in the market announcement and Full Year presentation for the period ending 31 January 2015.

The following non-IFRS measures are used by management and directors to assess the underlying performance of the Group

- Underlying Earnings before interest and tax (EBIT)
- Underlying Return on invested capital (ROIC)

The directors consider that these performance measures are appropriate for their purposes and present meaningful information on the underlying drivers of the business after considering the impact of Net litigation settlement expense, and other significant items.

Appendix 2

ROIC performance remains strong



| \$m | As at 31 Jan 2011 | As at 31 Jan 2012 | As at 31 Jan 2013 | As at 31 Jan 2014 | As at 31 Jan 2015 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Net assets | 832.9 | 682.5 | 610.8 | 578.8 | 573.0 |
| Less: Cash and cash equivalents | (556.9) | (148.6) | (112.7) | (67.5) | (34.3) |
| Add: Interest bearing liabilities ¹ | 354.8 | 35.0 | 30.0 | - | 0.6 |
| Capital employed | 630.8 | 568.9 | 528.1 | 511.3 | 539.3 |
| 12 month EBIT | 46.7 ² | 70.3 | 71.1 ³ | 74.7 ⁴ | 78.4 ⁵ |
| Underlying ROIC | 7.3% | 12.4% | 13.5% | 14.6% | 14.5% |

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