

Sigma Healthcare Limited

Annual General Meeting 16th May 2018





Brian Jamieson

CHAIRMAN



Overview

Our Strategic Direction

Status of our Investment Program

Our Capital Management Update

Strategic direction

1. Continued focus on diversifying our earnings

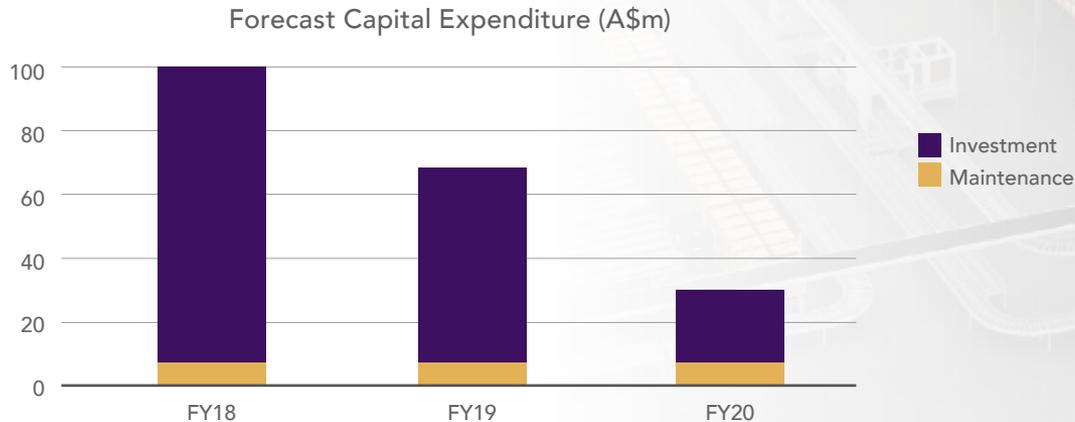
2. Two acquisitions completed in FY18

mps



Investing in Infrastructure

- Current network requires reinvestment to remain competitive
- Committed to an investment program of over \$200 million over 3 years
- Strong financial returns from investment
- Investment will significantly enhance capabilities



DC Investment Update - Berrinba, QLD

Construction and automation now complete

- Total cost of \$55m including land and buildings – under budget
- Transition from Mansfield to Berrinba commenced 26 February 2018
- Became fully operational April 2018 with full run rate benefits to flow in FY20
- Significantly enhances operational efficiency and service ability
- One-off redundancies and transition costs will be booked in FY19



DC Investment Update – Canning Vale, WA

Construction well advanced

- Approx \$55m investment (including land and buildings)
- 15,000 square metre facility
- Building works complete, internal fit-out progressing well
- Strong payback metrics from automation
- Anticipated completion late 2018



DC Investment Update - Kemps Creek, NSW

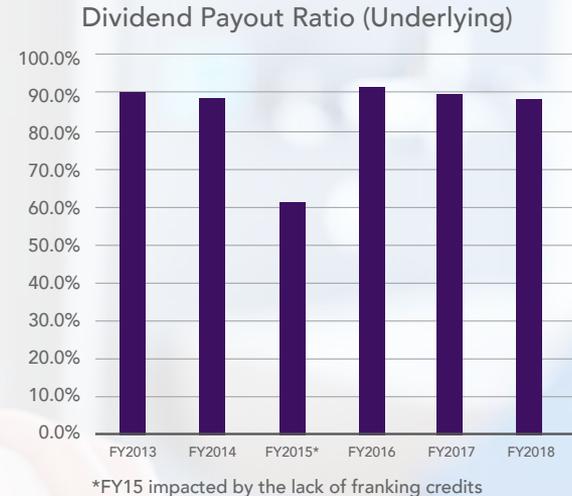
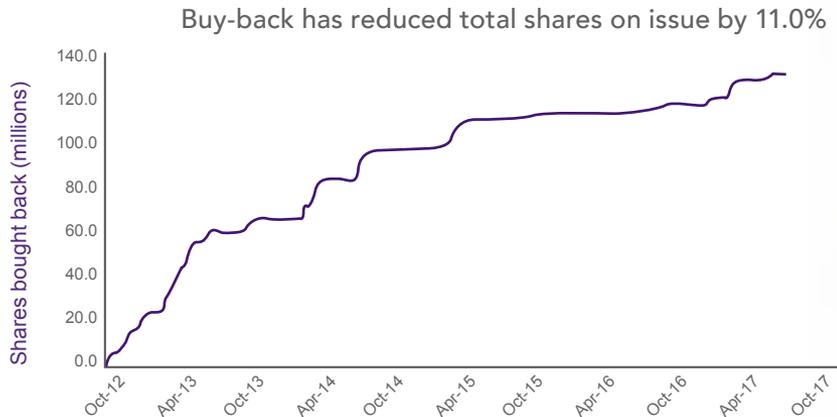
Construction ready to commence

- Approx \$110m investment (including land and buildings)
- 40,000 square metre facility
- DC construction commencing in May 2018
- Detailed design work well underway
- Anticipate becoming fully operational in Q1 2020



Capital management

- A further 15 million shares bought back in FY18 (131 million since program commenced)
- Balance sheet remains strong to support investment
- Net debt at year end of \$113.6 million
- High dividend payout ratio maintained - average 85% over last 6 years



Valuing our people

- Diversity is embraced across Sigma
- A more engaged team will better deliver Sigma's strategy and support our customers more effectively
- Health and Safety is embedded in our culture

Feedback from team members



Supporting the community

“Sigma Healthcare is committed to supporting the community to make a difference to people’s lives”



SUMMER
FOUNDATION





Brian Jamieson

CHAIRMAN





Mark Hooper

MANAGING DIRECTOR AND CEO



Overview

Update on financial results

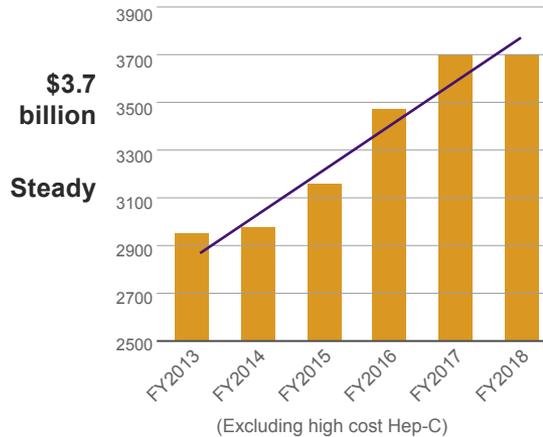
Current industry issues

Our priorities and outlook

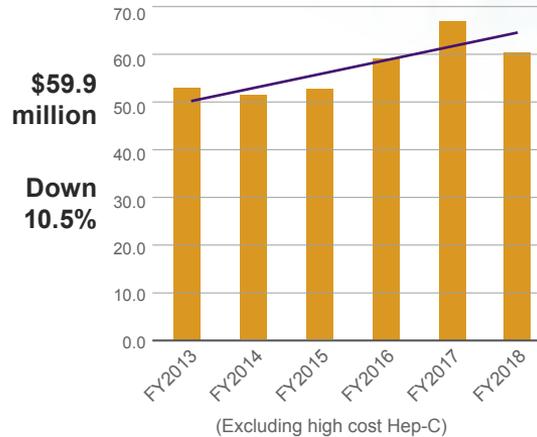
FY18 Performance

FY18 Highlights

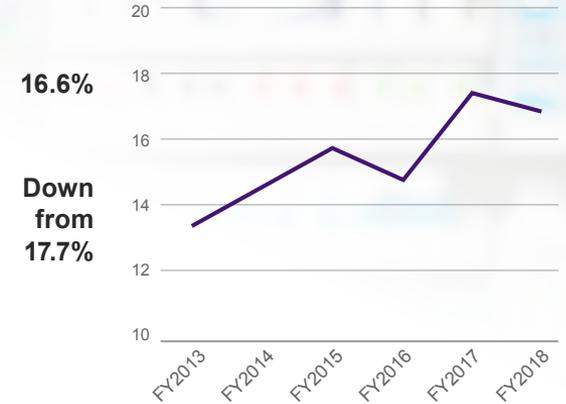
Revenue (A\$m) - CAGR 5.8%



Underlying# - NPAT (A\$m) - CAGR 3.5%



Underlying# ROIC - remains a core focus



- Return on Invested Capital (ROIC) remains a strong focus
- Revenue largely flat (adjusting for Hepatitis C medication)
- NPAT impacted by a number of factors

Investing for sustainable growth

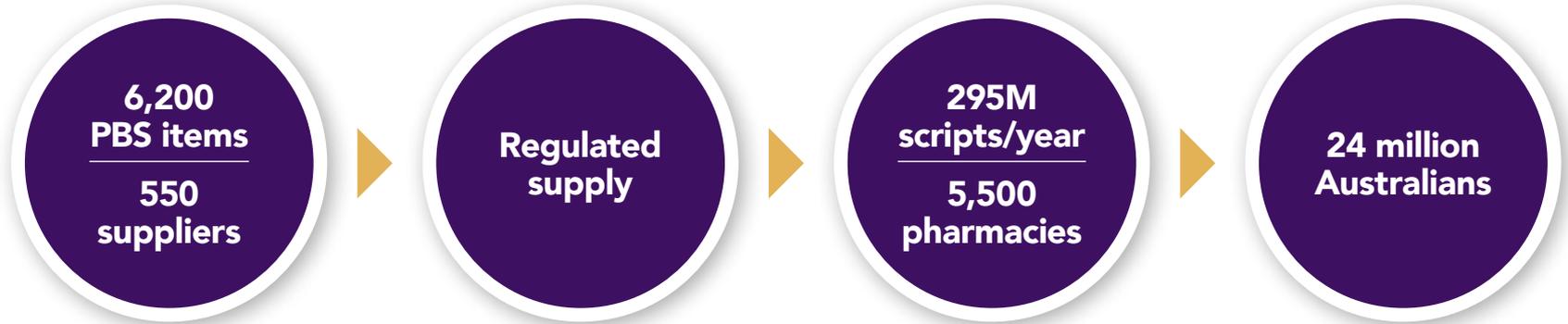
- Investing in technology solutions and programs to support our customers
- Sigma Hospital pharmacy business gaining momentum
- Investing in DC network to underpin improved customer service
- Maintaining a disciplined approach to investment opportunities



Regulatory Environment

- Continued engagement with Government and other relevant stakeholders
- National Medicines Policy (NMP) objectives of timely and efficient access are paramount
- Key issues that need to be addressed
 - Exclusive direct distribution
 - Margin floor to help offset the impact of pricing reforms

The CSO delivers the National Medicines Policy



What do CSO wholesalers do?

- Deliver all PBS products
- Usually 24 hour delivery
- Australia wide guarantee
- System redundancy
- Provide significant working capital
- Stock availability & back-up
- Choice of wholesaler
- Reduce complexity
- Efficient & effective (cross subsidised) model

Major Risks

- Unregulated exclusive distribution including select high-value products
- Unsustainable model eroded year after year by PBS reform without a pricing floor

Supply chain sustainability is critical to Community Pharmacy

Outlook

- General trading conditions remain challenging
- Objective is to deliver previous EBIT guidance of \$90 million for FY19
- Focus is on long-term sustainable growth
- Continued commitment to existing strategy and investment cycle



Thank you

