



INVEST IN GROWTH

HY21 RESULTS AUDIO WEBCAST
THURSDAY 22 APRIL 2021

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Important Notice

The material in this presentation is general information about API's activities and is current at the date of the presentation. It is information given in summary form and does not purport to be complete. Nothing in this presentation should be construed as a recommendation or forecast by API or an offer to sell or a solicitation to buy or sell shares. It does not take into account the investment objectives, financial situation or needs of a particular investor. These factors should be considered with or without professional advice when deciding if an investment is appropriate.

Strategic direction

A COMPLEMENTARY SUITE OF ASSETS

- ❖ Pharmacy Distribution remains a strong cash generator with a focus on lowering the cost to serve via a highly automated NSW DC which is being built on time and within budget
- ❖ Priceline Pharmacy is leveraging its digital strategy to strengthen health credentials and the Sisterclub relaunch to drive transactions with its loyal customer base
- ❖ Clear Skincare market share growing rapidly via our company owned clinic footprint and leveraging retail expertise to drive customer preference
- ❖ A growing private label Consumer Brands portfolio provides gross margin enhancement
- ❖ Balance Sheet and Net Debt that supports investment and growth opportunities



HY21 Financial Snapshot

HIGHLIGHTS

- ❖ Comparison is to a COVID-free HY20
- ❖ Revenue resilient in the face of COVID down 2.6% on the pcp
 - Pharmacy Distribution prescription medicine growth in line with market
 - Majority of Priceline stores reflecting like for like growth outside of the CBD stores
 - Clear Skincare growing customer value and bounced back post extensive lockdowns
- ❖ Underlying EBITDA¹ down 11.8% and Underlying EBIT¹ down 26.5% on the pcp reflecting lockdown restrictions and low foot traffic in CBD stores
- ❖ Annualised cost savings \$38 million
- ❖ CODB¹ reduced 20bps on pcp
- ❖ Significant improvement with cash conversion days of 17.8 and Net Debt of \$134.6m, with significant room for growth
- ❖ Dividend of 1.5¢ for H121, representing a payout of 47% of NPAT

Revenue

\$2.0bn

-2.6%

Underlying EBITDA¹

\$76.6m

-11.8%

Underlying EBIT¹

\$32.0m

-26.5%

CODB¹

10.6%

-20bps

Cash Conversion

17.8 days

-4.2 days

First Half

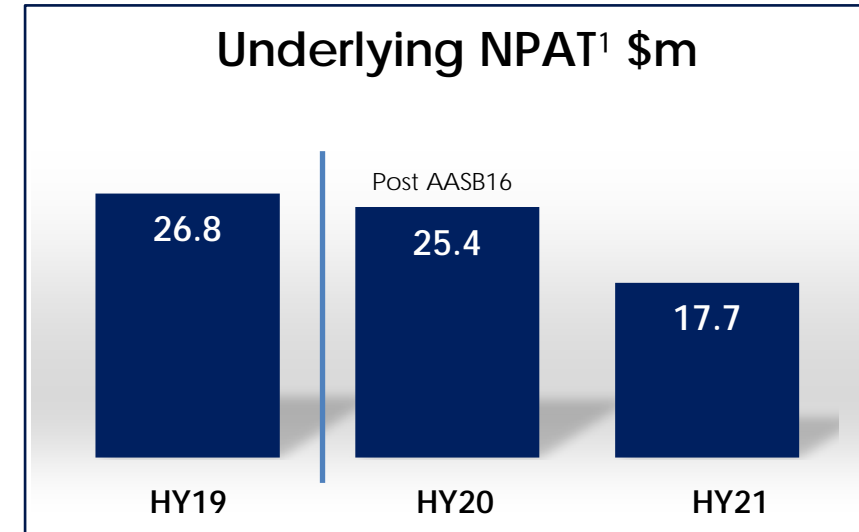
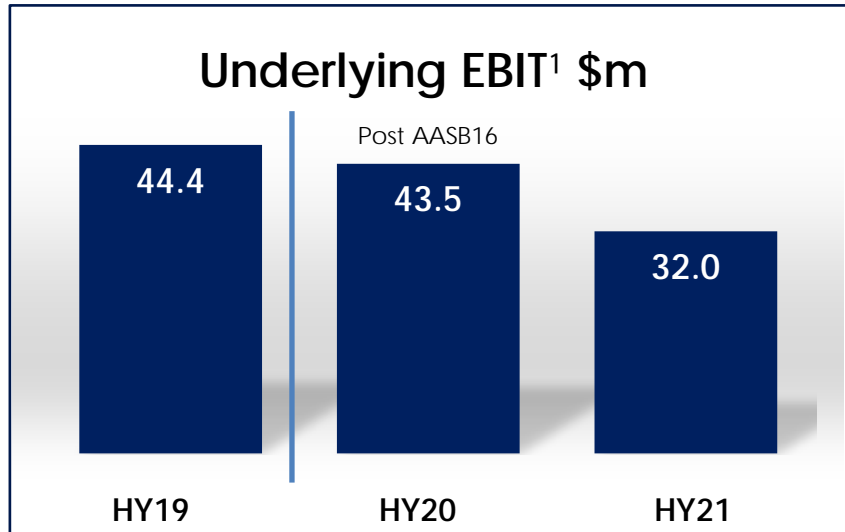
Dividend

1.5¢



¹ Refer to Appendix 1 for all definitions

Financial overview



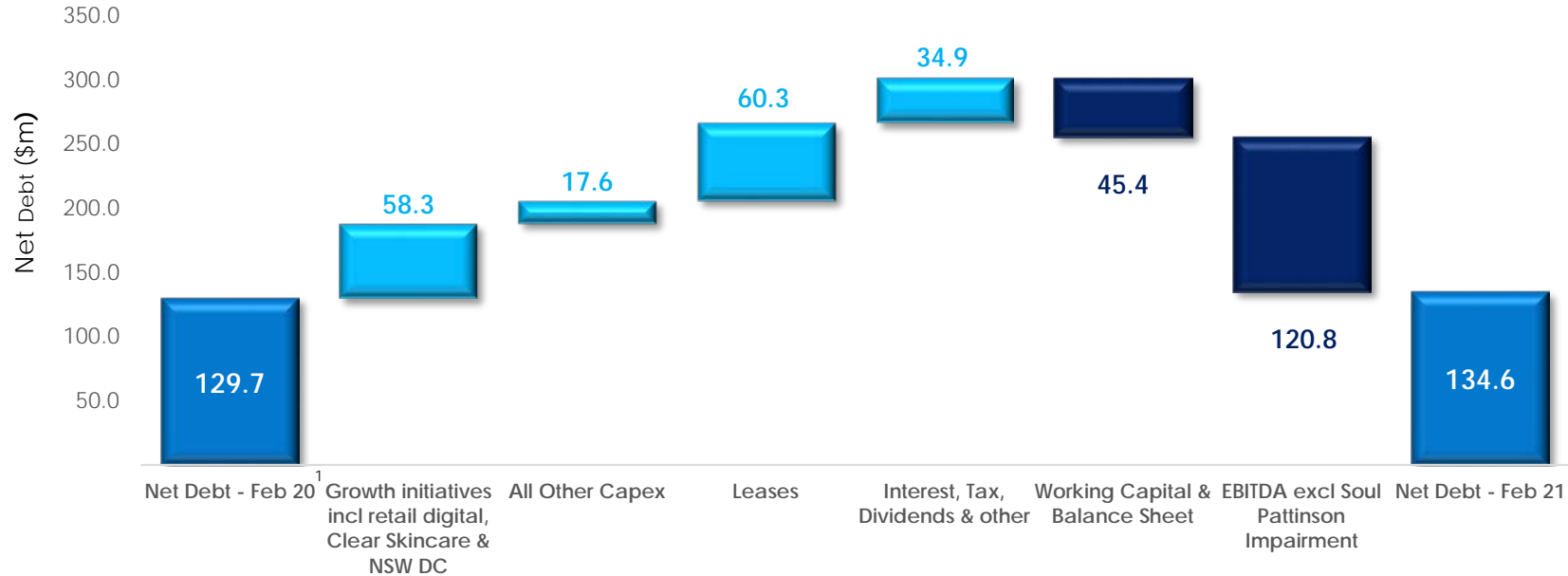
REFLECTS IMPACT OF COVID LOCKDOWNS ON RETAIL BUSINESSES

- ❖ HY21 results reflects the COVID lockdown restrictions in Australia and New Zealand in the six months to end February 2021, the prior period contains no lockdown restrictions
- ❖ We experienced significant growth in Priceline Pharmacy and Clear Skincare sales in States not impacted by COVID lockdown restrictions
- ❖ Pharmacy Distribution prescription medicine growth in line with the market
- ❖ Underlying adjustments relate to business restructuring as part of our ongoing cost out program and to strategic initiatives

¹ Refer to Appendix 1 for all definitions

Capital Management

CASH GENERATION STRONG AND BALANCE SHEET CAPACITY REMAINS SIGNIFICANT



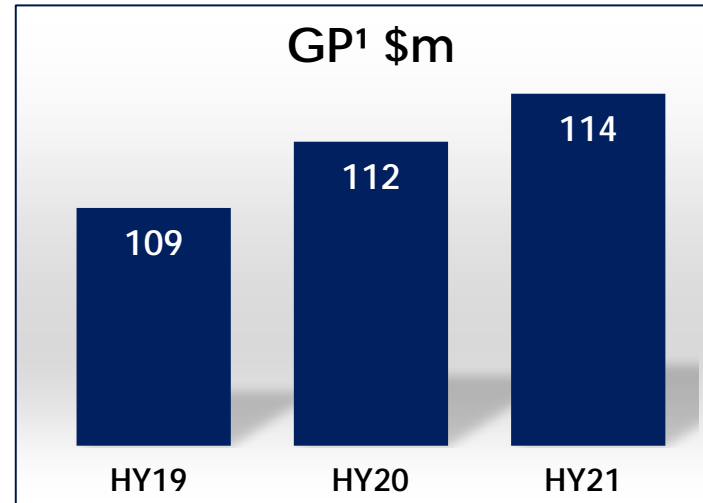
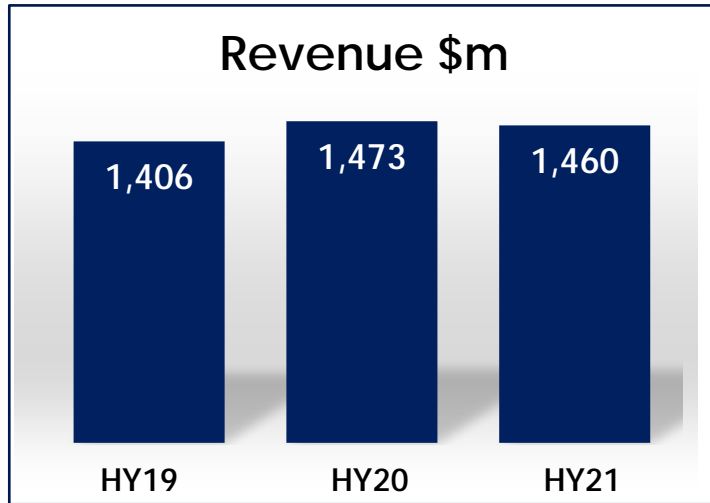
Working Capital days ¹	HY20	FY20	HY21
Trade Debtor Days	37.2	39.0	37.3
Inventory Days	38.3	34.6	35.0
Trade Payable Days	53.5	56.8	54.5
Cash Conversion Days	22.0	16.8	17.8

- ❖ Disciplined approach to cash, debt and working capital management reflected in results
- ❖ Our working capital improvement over the 12 months has been reinvested to drive future growth. Total spend on Clear Skincare acquisition tranche and new clinics, NSW DC automation, and digital projects totalling \$58.3 million for 12 months, \$50.5 million of which was in the half to 28 February 2021

¹ Refer to Appendix 1 for all definitions

PHARMACY DISTRIBUTION

Pharmacy Distribution results



Pharmacy Distribution

Deliver Stable
ROCE and Cash
Generation

CASH GENERATION, 7CPA AND COST SAVINGS

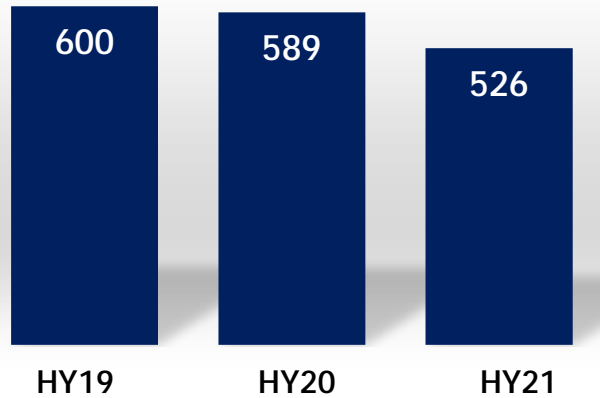
- ❖ Prescription medicine growth in line with the market
- ❖ Revenue broadly consistent with the prior period, Gross Profit increase reflects business mix and 7CPA funding
- ❖ Independent community pharmacy share grew offsetting the conclusion of an arrangement to provide OTC volume to CW
- ❖ 7CPA certainty of funding enabled high tech NSW DC investment which will lower the cost per unit

¹ Refer to Appendix 1 for all definitions

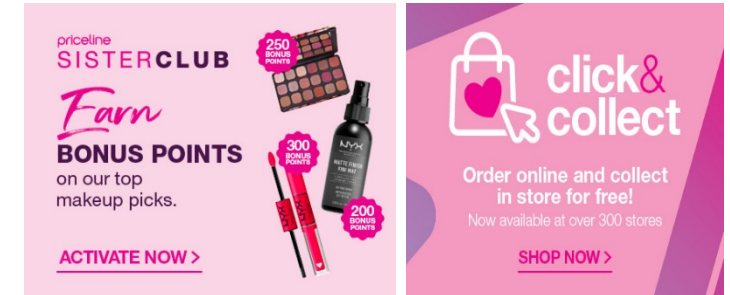
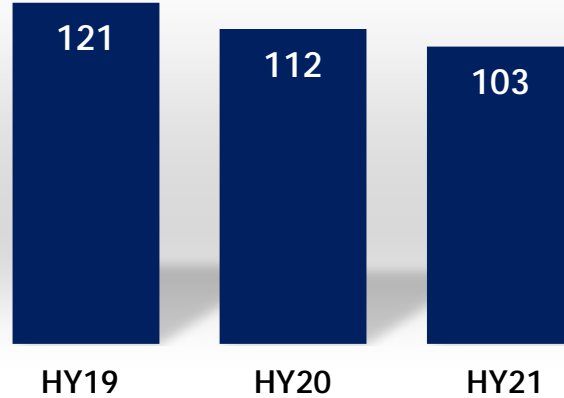
PRICELINE PHARMACY

Priceline Pharmacy results

Retail Register Revenue¹ \$m



GP¹ \$m



Priceline Pharmacy

Evolve Offer to Address Customer Changes

COVID IMPACTED RESULTS COMPARED TO COVID-FREE HALF

- ❖ Retail Network Revenue¹ of \$1.0 billion, down 4.1% reflecting the loss of sales due to lockdown restrictions and CBD slowdown
- ❖ Retail Register Revenue¹ down 10.7%, Retail GP down 8.0%
- ❖ LFL's¹ of -1% when CBDs are excluded and reflects impact of lockdowns in our two largest trading states
- ❖ Overall market share held despite decline in market demand for cosmetics
- ❖ Online sales up 52% on pcp reflecting results from digital strategy

¹ Refer to Appendix 1 for all definitions

Priceline accelerating growth

- ❖ Priceline digital strategy well underway
 - Invested in digital over the half, with more to come
 - Focusing on speed of fulfilment and the last mile, to match rising customer expectations
- ❖ Our Healthcare offering is building further credibility
 - Priceline Pharmacy in COVID vaccine phase 2b rollout driving foot traffic
 - eScripts and online tele-doctoring via Scripts Now are in store with promising take up
 - MediMate dose administration aid solution launched
- ❖ New and exclusive brands are driving traffic in store and online
 - 13 new and exclusive brands
 - Boots No 7, the most popular cosmetics range in the UK, to launch in Priceline Pharmacy mid-year
- ❖ Store growth will be focused on pharmacies in high traffic locations

Managing
multiple *meds?*

It's time to meet a new mate – **MediMate**



Scripts made E-asy!

**NEW
&
EXCLUSIVE**

N°7



Priceline Sisterclub

Re-launched Australia's largest Health and Beauty Loyalty Program

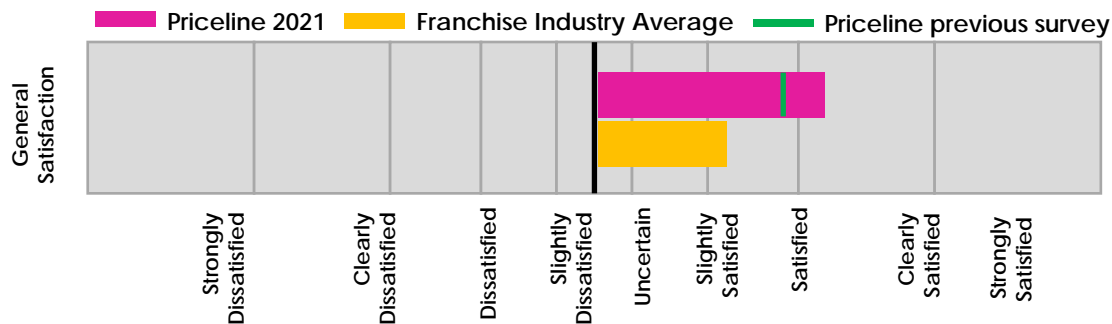
Customer Journey & Email templates



- ❖ Relunched with tiered member levels and a new platform, now able to add external partner offers which broaden the value of Sisterclub points
- ❖ Sisterclub generated c. \$300 million in sales for the half – 56% of Retail Register Revenue is from members, up from 54%
- ❖ Customer insights from the Sisterclub allow us to target our marketing to individual high value customers and increase engagement

Priceline satisfaction levels – a dual focus

- ❖ Franchisee satisfaction has increased significantly to 'clearly satisfied', all categories measured have increased since last survey, and well above the franchise industry average



Franchise Relationships Institute
ACE satisfaction survey, March 2021

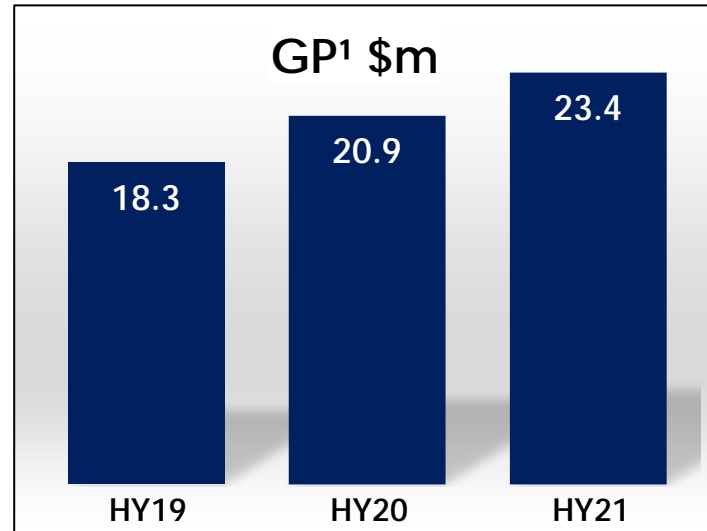
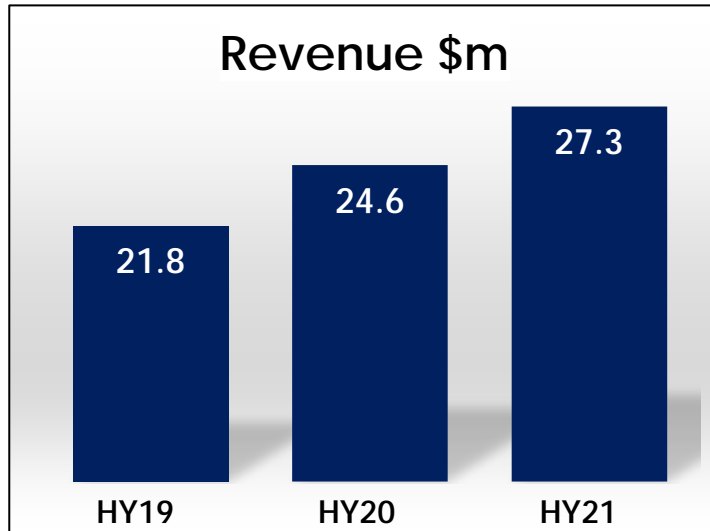
- ❖ Customer net promoter score¹ increased



¹ Refer to Appendix 1 for all definitions

CLEAR SKINCARE

Clear Skincare results



Clear Skincare Clinics

Expand Network and Grow Lifetime Customer Value

FOCUS ON CLINIC GROWTH TO DRIVE LONG TERM RETURNS

- ❖ Growth in Revenue of 11.0% and Gross Profit of 12.0% driven largely by Cosmetic Injectable growth of 46% for the half
- ❖ 75 clinics, up 16 on the pcp and network has grown 70% since acquisition
- ❖ Average value per customer up 54% since acquisition reflecting the value of API's retailing skills
- ❖ The second largest player in the market by clinic numbers – we own our new clinics

¹ Refer to Appendix 1 for all definitions

Clear Skincare – a differentiated offer

- ❖ Clear Skincare is a high trust business with strong clinical credentials that has a focus on skin. We are on a skincare journey with our clients as distinct from the high volume/low margin focus of some of our competitors
 - We own our new clinics and they are in high traffic locations built on unique skin care treatments
 - Clear Skincare uses industry leading equipment and continues to evolve its treatment mix in line with industry trends
 - Our therapists are highly trained professionals
 - The Clear Skincare product range is developed in house containing single active ingredient formulae and is unique in the market
 - Strong brand awareness with the 2nd highest number of social media followers in the non-surgical aesthetics market
 - Our digital investment and API retailing expertise has increased customer engagement
- ❖ **Customer numbers have grown 45%¹ since acquisition**



¹ Refer to Appendix 1 for all definitions

Clear Skincare building scale

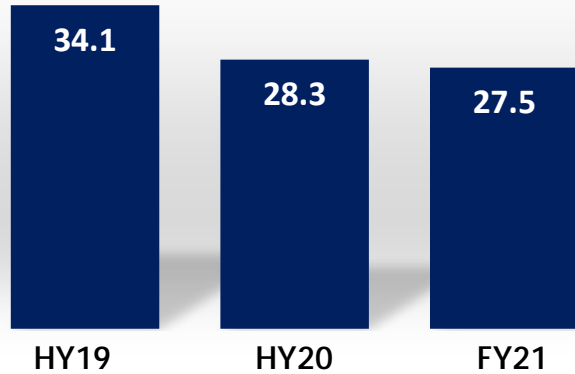
- ❖ We continue to invest to grow clinics at a time when quality locations are available
 - Clear Skincare clinics are on average 5.4 years old and 34 clinics are less than 2.5 years, we have a younger and newer network than our competitors
 - In line with industry benchmark our clinics take 2.5 years to be profitable
 - We have made the decision to invest now to achieve sustainable earnings growth in the medium to long term
- ❖ We are experiencing growth in areas that generate value
 - Our company owned clinic network grew by 27% over the half and we continue to invest significantly in new clinic growth
 - We experienced LFL cash sales growth of 63% for new clinics last year
 - The tail of the industry is fragmented and we continue to review inorganic growth opportunities
- ❖ Clear Skincare is a core strategic pillar for API, we are building a long term, sustainable and valuable business



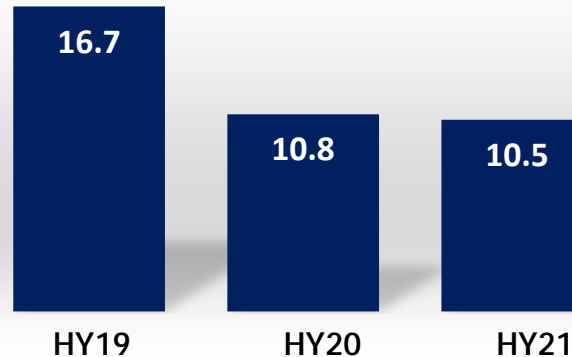
CONSUMER BRANDS

Consumer Brands results

Revenue \$m



GP¹ \$m



Consumer Brands

Build Portfolio and Earnings Contribution

BUSINESS CHALLENGED BY COVID CONDITIONS

- ❖ Cold and flu product demand dropped as a result of social distancing and lockdown restrictions
- ❖ COVID related delays with sourcing product from China and India continue to work through this business, in addition to COVID interrupting new sales contracts into China
- ❖ Private label and OTC ranges remains a profit generator with 115 new products added over the half



¹ Refer to Appendix 1 for all definitions

Outlook

FY21 Outlook

- ❖ Pharmacy Distribution will continue to generate significant cash to support continued growth
- ❖ NSW DC is on time and budget - it will result in a highly automated industry leading Distribution Centre with a significantly lower cost base
- ❖ Priceline Pharmacy is accelerating its digital strategy, building its health credentials and optimising our Sisterclub loyalty program
- ❖ Clear Skincare is number two in a growing market, and we will continue our focus on quality of service and invest in new clinics
- ❖ Further digital investments in Priceline Pharmacy and Clear Skincare
- ❖ Our full year result is forecast to be broadly in line with market expectations



Appendices

Appendix 1a ASIC

ASIC Regulatory Guide 230 Disclosing non-IFRS financial information

In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Australian Pharmaceutical Industries Limited is required to make a clear statement about the non-IFRS information included in the Profit announcement and Half Year presentation for the period ending 28 February 2021.

In addition to statutory report amounts, the following non-IFRS measures are used by management and the Directors as the primary measures of assessing financial performance of the Group and individual segments:

- Underlying Earnings before Interest and Tax (EBIT)
- Retail register revenue
- Retail network revenue
- Underlying Net Profit After Tax (NPAT)

The Directors consider that these performance measures are appropriate for the purpose of presenting meaningful information on the underlying drivers of the continuing business.

Many of the measures used are common practice in the industry within which Australian Pharmaceutical Industries Limited operates. The Profit Announcement and Half Year presentation has not been audited or reviewed in accordance with Australian Auditing Standards.

Appendix 1b definitions

- CODB – cost of doing business excluding the impact of Hepatitis C and AASB16
- Customer Net Promoter Score – results from post shopper visit email surveys checking satisfaction with experience
- Clear Skincare customer numbers – guest count increase from acquisition to 28 February 2021, after adjusting for COVID
- EBITDA - Result from operating activities before interest, tax, depreciation and amortisation
- EBIT – Result from operating activities before interest and tax
- GP – gross profit
- LFLs – like for like sales comparing the same store sales between periods including dispensary, excluding CBD stores
- Net Debt – Borrowings less cash and cash equivalents
- Net Debt Feb 20 – adjusted for a bank error as reported in API HY20 results presentation
- NPAT - Result from operating activities after interest and tax
- Underlying NPAT – NPAT calculated excluding the underlying adjustments outlined in the Appendix 4D
- Underlying EBIT – EBIT calculated excluding the underlying adjustments outlined in the Appendix 4D
- Underlying EBITDA - EBITDA calculated excluding the underlying adjustments outlined in the Appendix 4D
- pcp – prior corresponding period
- Retail network revenue – all register sales by franchise and company stores in the Priceline/Priceline Pharmacy brand, including dispensary sales. Register sales made by franchisees do not form part of the results of the consolidated entity
- Retail register revenue – sales recorded at the register of all network stores which excludes dispensary sales. Register sales made by franchisees do not form part of the results of the consolidated entity
- Underlying results – calculated excluding the underlying adjustments outlined in the Appendix 4D
- Working Capital days - calculated excluding the impact of API Rewards on Trade Debtor and Trade Creditor balances