



Positioned for growth post-COVID

FY21 RESULTS AUDIO WEBCAST
THURSDAY 28 OCTOBER 2021

RICHARD VINCENT, CEO & MANAGING DIRECTOR
PETER MENDO, CHIEF FINANCIAL OFFICER

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.



Update on Wesfarmers and Sigma proposals

RECAP OF EVENTS

- ❖ 12 July API announced it had received an unsolicited, conditional non-binding, indicative offer from Wesfarmers at \$1.38 cash per share (Original Offer)
- ❖ 29 July API announced it had rejected the Original Offer
- ❖ 16 September API announced it had received a revised non-binding indicative offer from Wesfarmers at \$1.55 cash per share (Revised Offer) and confirmatory due diligence would commence
- ❖ 27 September API announced it had received an unsolicited non-binding indicative offer from Sigma (Sigma Proposal) to acquire API for 2.05 Sigma shares and \$0.35 cash per API share
- ❖ 7 October Wesfarmers announced it had exercised its option with Washington H Soul Pattinson and acquired 19.3% of API's shares on issue

CURRENT STATUS AND NEXT STEPS

- ❖ We have not received and agreed a final offer from either Wesfarmers or Sigma
- ❖ Due diligence has concluded and negotiations are continuing
- ❖ We will continue to keep the market informed as required under the ASX Listing Rules

Strategic Direction

UNLOCKING THE VALUE OF SISTERCLUB LOYALTY PROGRAM

- ❖ Pharmacy Distribution generates the cash to invest in our two retail businesses as well as attracting pharmacists to our Brands
- ❖ Priceline Pharmacy utilises and builds on our unique pharmacy expertise. The focus is on growing through expanding the pharmacy store network, improving the online shopping experience and generating new income streams
- ❖ We have extracted the SisterClub loyalty program, our digital assets and data scientists to form a digital hub which will be the key connection point between our retail businesses. This will create one view of our customer and unlock the value of our loyalty program through separation and focus
- ❖ Clear Skincare operates in a high margin market with the same customers as Priceline Pharmacy. It is in aggregation phase and is expanding its clinic network alongside its product and in-clinic service offering
- ❖ A streamlined Consumer Brands business will continue to enhance margins and will generate increased returns after the exit of manufacturing and allow us to focus expertise on Retail and Distribution

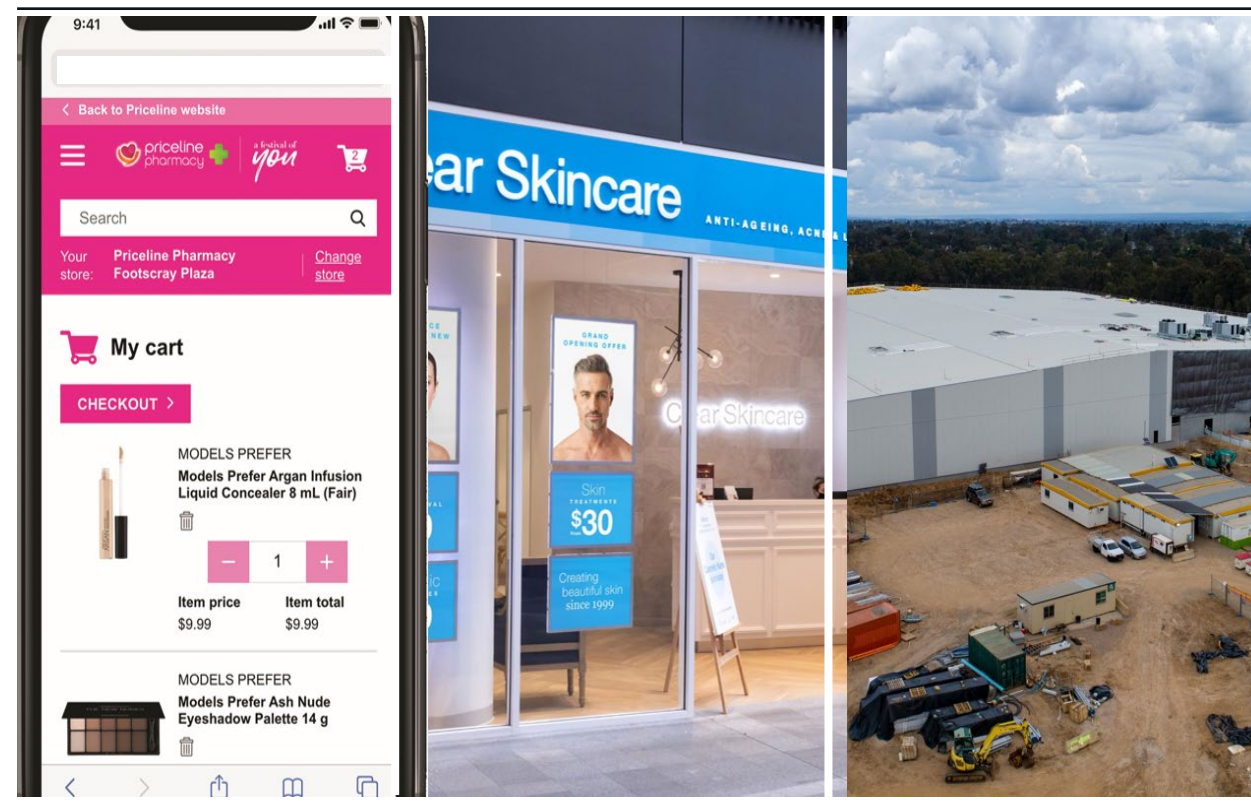


A COMPLEMENTARY SUITE OF ASSETS

Strategic Initiatives

EXTRACTING OVER \$20M VALUE FROM OUR SUITE OF BUSINESSES OVER THE NEXT TWO YEARS

- ❖ New Marsden Park Distribution Centre will result in FY23 savings across the network at least \$8 million EBIT¹ per annum
- ❖ Consumer Brands will generate \$5 million incremental EBIT¹ per annum mid-FY23 via its private label range whilst de-risking supply by exiting manufacturing - the pharmaceutical plant is subject to an unconditional contract of sale
- ❖ Forming strategic supplier partnerships resulting in a change in pharmaceutical generic supplier. This allowed our franchise partners to access the latest generic and biosimilar product range and better pricing, and provide API with savings from FY22
- ❖ We have recalibrated the Priceline company store network to be more profitable, with upside from stores closed in past two year of \$3.4 million per annum, and now opening further franchise stores in suburban and regional locations
- ❖ Clear Skincare is now 100% owned by API providing all of the upside from the maturing clinic network to API with an expansion plan for products and in-clinic services



¹ Refer to Appendix 1 for all definitions

FY21 Financial Snapshot

UNDERLYING PROFIT INCREASES 25% DURING LOCKDOWNS

- ❖ Revenue was driven by growth in underlying Pharmacy Distribution sales offset by the significant impacts of COVID lockdown restrictions on our retail businesses in our largest trading States, NSW and VIC
- ❖ Underlying EBITDA¹ up 7.7% and Underlying EBIT¹ up 15.3% on the pcg reflecting progress on strategic initiatives which are reflected in margin growth in Pharmacy Distribution, Priceline Pharmacy and Clear Skincare
- ❖ Underlying NPAT¹ increased by 25.0% on pcg which was above growth in Underlying EBIT due to reduced interest costs on the back of lower average debt throughout the year
- ❖ Cash Conversion Days of 17.3 and Net Debt of \$99.9 million reinforce our efficient usage of our Balance Sheet and particularly the benefits from our inventory optimisation program
- ❖ Final fully franked dividend of 2.0¢ for FY21, representing a payout of 44% of Underlying NPAT for the year

\$4.0bn

Revenue
(-0.4% vs PCP)

\$158.4m

Underlying EBITDA¹
(+7.7% vs PCP)

\$70.1m

Underlying EBIT¹
(+15.3% vs PCP)

\$39.3m

Underlying NPAT¹
(+25.0% vs PCP)

17.3 days

Cash Conversion
(-0.5 days vs PCP)

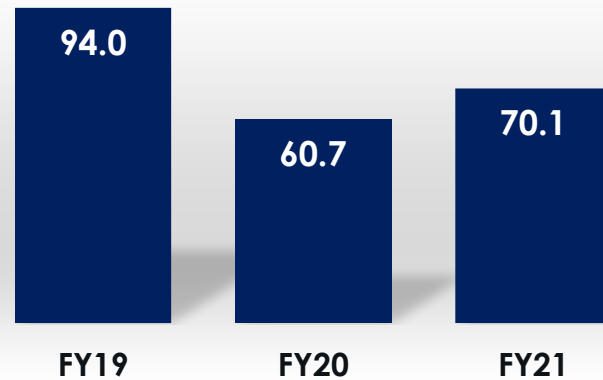
2.0¢

Fully franked final
dividend

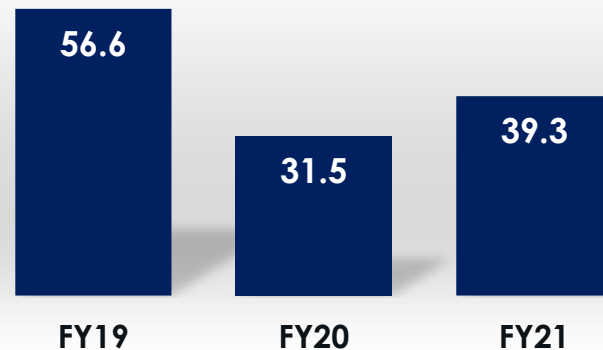
¹ Refer to Appendix 1 for all definitions

Financial Overview

Underlying EBIT (\$m)^{1,2}



Underlying NPAT (\$m)^{1,2}



GROWTH OUT OF COVID LOCKDOWNS

- ❖ FY21 and FY20 results reflect the COVID lockdown restrictions in Australia and New Zealand with the upside from cost saving initiatives evident in the FY21 result
- ❖ Underlying adjustments³ total \$42.2 million (pre-tax) and relate to ongoing business restructuring and long-term strategic business growth initiatives including \$32.0 million (pre-tax) relating to the closure of manufacturing in Consumer Brands New Zealand
- ❖ FY21 has an estimated COVID lockdown impact on underlying EBIT in excess of \$30 million based on FY19 trading levels
- ❖ We experienced significant growth in Priceline Pharmacy and Clear Skincare sales in States not impacted by COVID lockdown restrictions

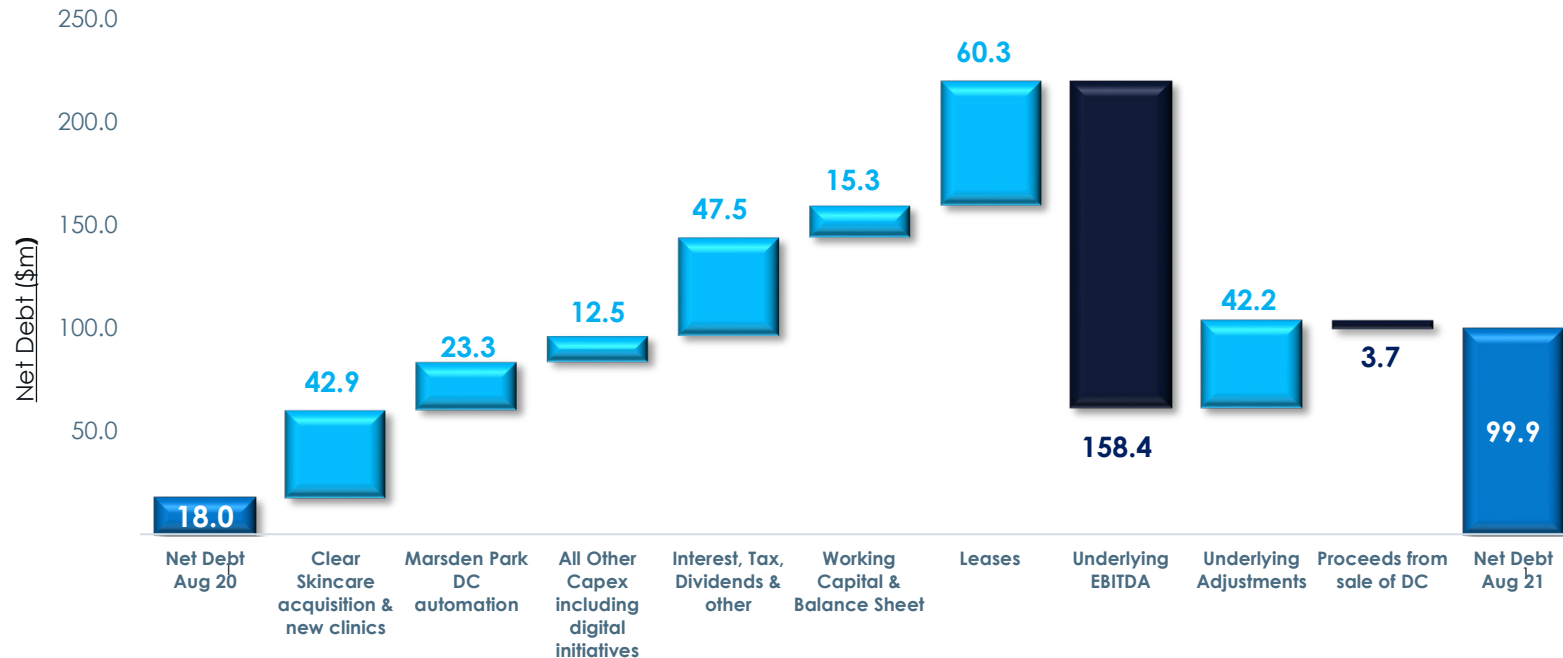
¹ Refer Appendix 1 for all definitions

² FY20 has been restated due to IFRS Interpretations Committee decision in relation to accounting for Software as a Service

³ Refer to Appendix 2 for details of underlying adjustments

Capital Management

CASH GENERATION STRONG AND INVESTMENT IN THE FUTURE



WORKING CAPITAL¹

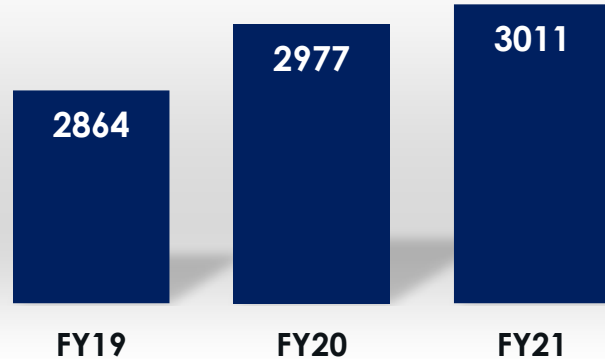
	FY20	HY21	FY21
Trade Debtor Days	39.0	37.3	42.6
Inventory Days	34.6	35.0	33.4
Trade Payable Days	56.8	54.5	58.7
Cash Conversion Days	16.8	17.8	17.3

- ❖ Reflects our ongoing disciplined approach to the management of cash, debt and working capital
- ❖ Underlying ROE¹ of 8.8% and Underlying ROCE¹ of 14.3% despite the impact of store and clinics closures. This is a result of significant cost saving initiatives in FY21 results
- ❖ Continue to invest in strategic initiatives with total spend on Clear Skincare acquisition and new clinics of \$42.9 million and Marsden Park DC of \$23.3 million
- ❖ Debtor days up due to a significant uplift in Pharmacy Distribution sales in August driving a \$51.2 million increase in current trade receivables

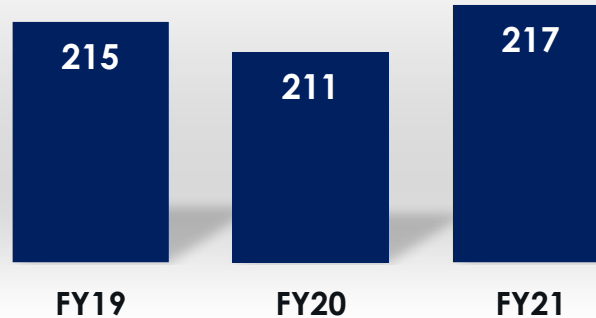
¹ Refer to Appendix 1 for all definitions

Pharmacy Distribution

Revenue (\$m)



Gross Profit (\$m)



COVID-19 Vaccine Information



Speak to our Pharmacist for more information

*Only available at participating stores. See in store for further details.



Pharmacy Distribution

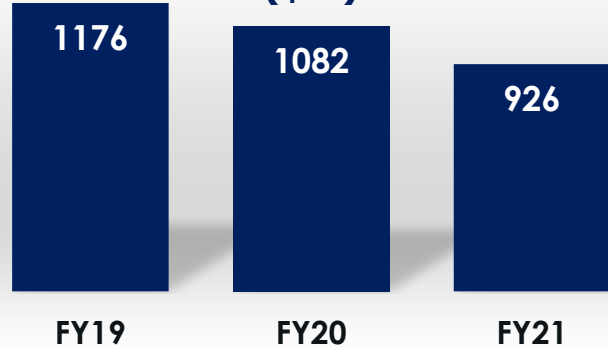
Deliver Stable ROCE and cash generation

CASH GENERATION REMAINS STRONG AND DRIVING EFFICIENCIES THROUGH THE NETWORK

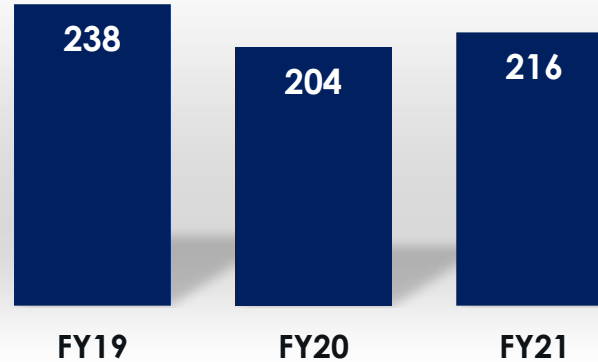
- ❖ Sales growth reflects prescription medicine growth of 3.6% on pcp
- ❖ Inventory optimisation program has resulted in improved in-stock positions of high volume lines driving sales growth
- ❖ COVID vaccine through pharmacies driving increased in-store sales late FY21 and into FY22
- ❖ Marsden Park Distribution Centre on time and under budget – fully operational at the start of FY23

Priceline Pharmacy Results

Retail Register Revenue¹
(\$m)



Gross Profit (\$m)



Priceline Pharmacy

Evolve Offer to
Address Customer
Changes

RECALIBRATED NETWORK READY TO REBOUND OUT OF COVID

- ❖ Retail Network Revenue¹ of \$2.0 billion, down 3.3% on pcp, reflects lockdowns in our two largest trading States, NSW and VIC, and resultant CBD slowdown
- ❖ Retail Register Revenue down 14.4% on pcp also reflects company store exits, plus COVID related restrictions which were more significant in FY21 when 149 trading days were impacted by store closures compared to FY20 with 80 trading days impacted
- ❖ LFL's¹ of +0.8% when CBD stores are excluded and adjusted for lockdowns reflecting the appeal of the new and exclusive brands, including Boots No7, launched through the network
- ❖ Total basket size up 3.9%, SisterClub basket size up 6.0% and 35% higher than basket size of non-members

¹ Refer to Appendix 1 for all definitions

Digital and Health investments to accelerate growth

❖ Priceline digital strategy driving sales

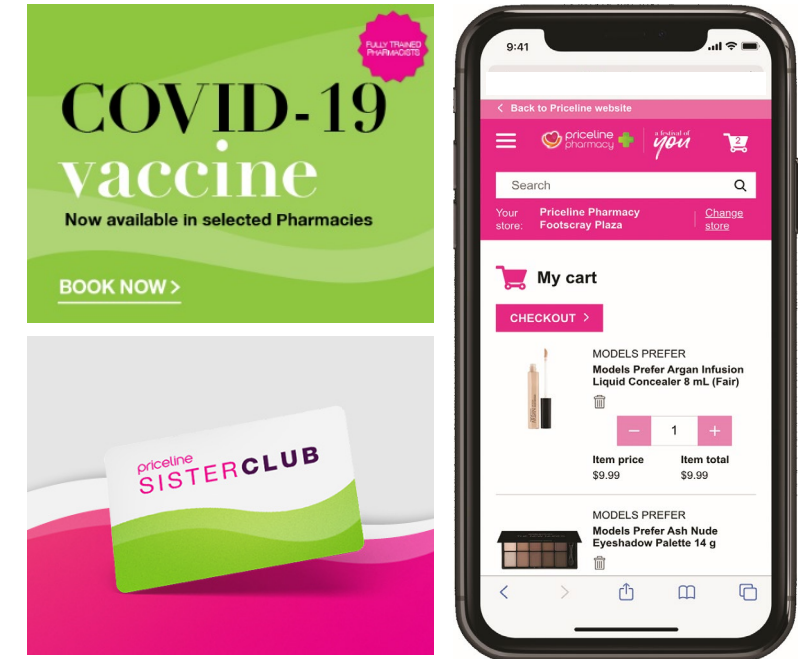
- Partnering with Roy Morgan to use their customer analytics tool, Helix Personas, to further develop customer insights, and with Google analytics to broaden our digital capability
- Best in breed customer analytics tools using SisterClub data allows deep customer insights to drive business initiatives and sales growth

❖ Our Healthcare offering is delivering benefits to our customers

- Changed generics supplier to Arrotex supplying market leading products and delivering significant savings to API and our franchise partners
- Launched Priceline App, backed by MedAdvisor, which supports easy use of eScripts and enables improved connection with SisterClub members
- Scripts Now is available on the Priceline website - customers book a telehealth appointment, obtain a script and have it home delivered providing an end-to-end convenient service

❖ Priceline online

- Priceline online sales remain in line with the pcp and at levels well above pre COVID restrictions – up 62% on FY19 and new eComm platform to be complete by end FY22
- Our last mile fulfillment is impressive with Click & Collect processed within two hours and Click & Deliver four hours on average from our store network which delights our regional customers in particular



Famous for products and services, differentiate on in-store experience

❖ New and exclusive brands are driving traffic in store and online

- 59 new and exclusive brands successfully launched over the year combined with a rationalisation of brands means we have a market leading offering in store and online
- Boots No7, the most popular skincare range in the UK, was launched through the Priceline Pharmacy network during the half – 42 products and 72% of No7 sales are deemed as incremental, data² shows that No7 has had more sales than any other Skincare brand for customers aged 45+

❖ Store network will gather pace post COVID

- A total of 464 stores across the network of which 95 are company-owned
- Targeting new franchise stores in areas of high foot traffic as a result of behavioural changes post-COVID lockdown restrictions

❖ Customer satisfaction momentum continues

- Our customer net promoter score¹ increased to 74%, up 10% on the pcp
- Customer net promoter score in store grew 3% over the year reflecting the development of our culture of real classic care and commitment of our franchise partners to the Brand



No7

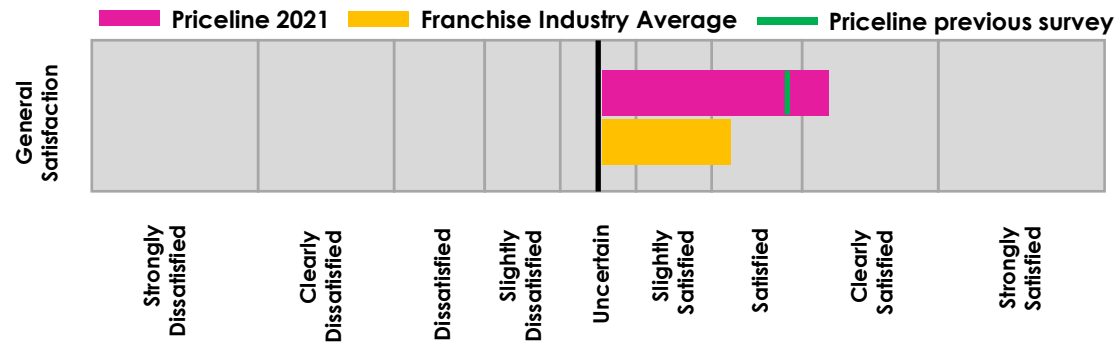


¹ Refer to Appendix 1 for all definitions

² Priceline SisterClub data

Priceline Franchisee satisfaction increases

- ❖ Our franchise partners are committed to the Priceline brand and the support they receive from API to make their business a success
- ❖ The most recent franchise partner survey supports this commitment to the Priceline brand with franchise partners clearly satisfied with Priceline



Franchise Relationships Institute
ACE satisfaction survey, March 2021

- ❖ Our brand offering to franchise partners:
 - Priceline SisterClub loyalty program brings the customers into store. Members receive valuable points per spend and access to exclusive gifts and sample boxes
 - Access to the results from our data analytics that tell the franchise partner about their target customer, when they shop, what they buy and how to assist them with their selections
 - A highly valued customer experience with trained and talented beauty advisors assisting customers. We provide that training and support
 - A consistent range backed by new and exclusive brands
 - The benefits of scale from our combined buying power

Priceline powered by SisterClub



7.5m
Members



464
Stores

Australia-wide and online store



56%

Of transacted retail sales
made up by SisterClub
members



93%
Female
members

Female-to-male
SisterClub members



78%
Pink Diamond
Basket Size

Larger than non-member, Pink
Diamond is top tier member



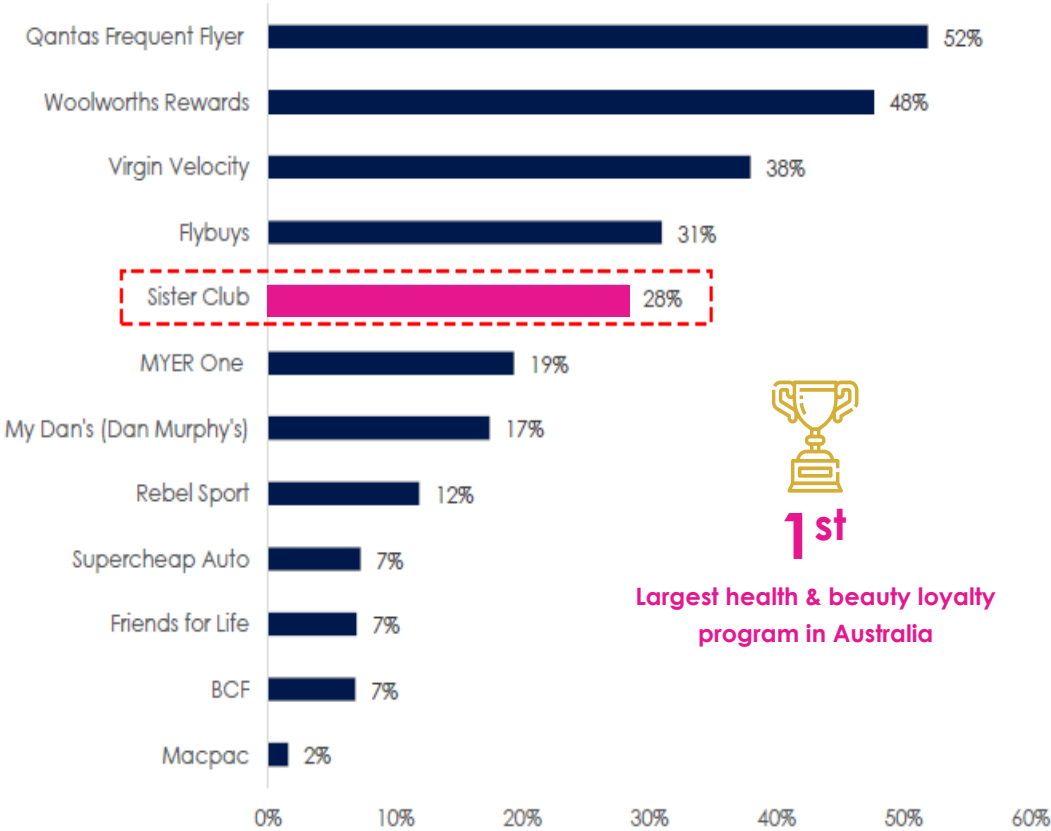
35%

Average member
Basket Size

Larger than non-member

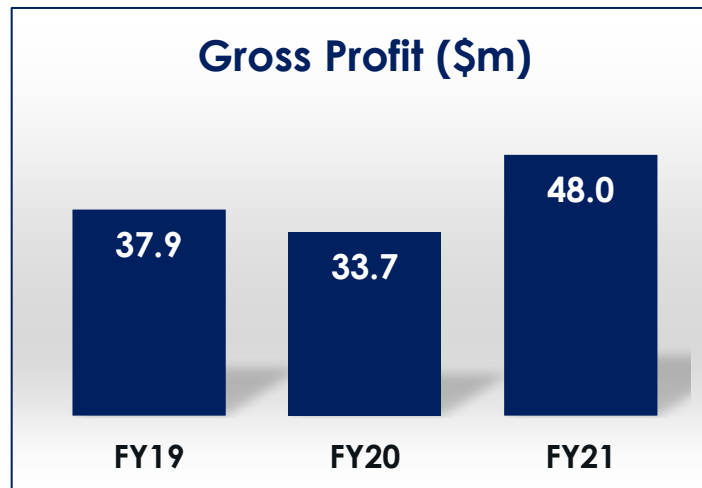
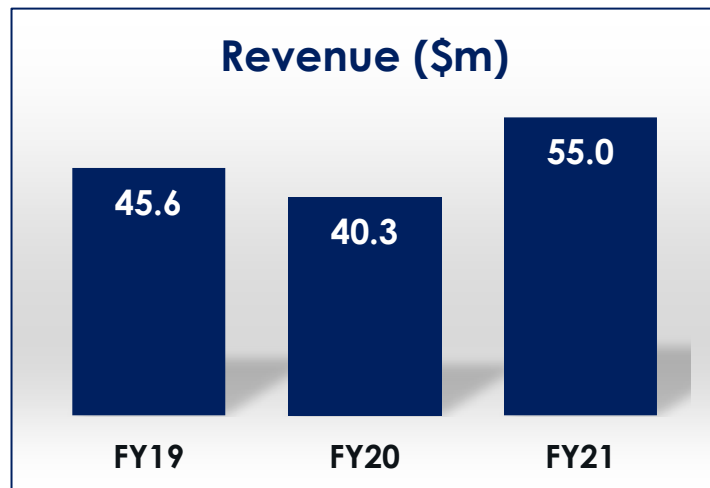
MARKET STANDING

Australian loyalty program penetration (% of population)



Source: Company data, ABS

Clear Skincare Results



CLINIC GROWTH TO DRIVE LONG TERM RETURNS

Clear Skincare Clinics

Expand Network
and Grow
Customer Value

- ❖ Growth in Revenue of 36% and Gross Profit of 43% driven by store maturity and high margin Cosmetic Injectable growth of 48% on pcp
- ❖ 86 clinics, up 19 on the pcp, network has grown 96% since acquisition
- ❖ Average value per customer¹ up 57% since acquisition, a CAGR of 16.2%, reflecting the value of API's retailing skills and the valued range of services on offer
- ❖ From 1 September API owns 100% of the business and 100% of the upside from maturing clinic profile



¹ Refer to Appendix 1 for all definitions

A Unique Offer – advanced clinical solutions

- ❖ Highly trained teams focused on customer satisfaction and outcomes
- ❖ Clear Skincare is a high trust business requiring strong clinical credentials with a focus on skin. Our highly trained nurses and therapists are on a skincare journey with our clients and we are building out our treatment suite and product range to cater to our clients
- ❖ We continue to build valuable growth
 - Customer numbers up 104%, more than doubled since acquisition
 - LFL cash sales growth of 24%
 - Strong brand awareness with the 2nd highest number of social media followers in the non-surgical aesthetics market
 - We are merging customer databases and leveraging the SisterClub offering with targeted promotions to increase customer visits into Clear Skincare clinics
- ❖ Customer Satisfaction Score = 4.8 out of 5.0

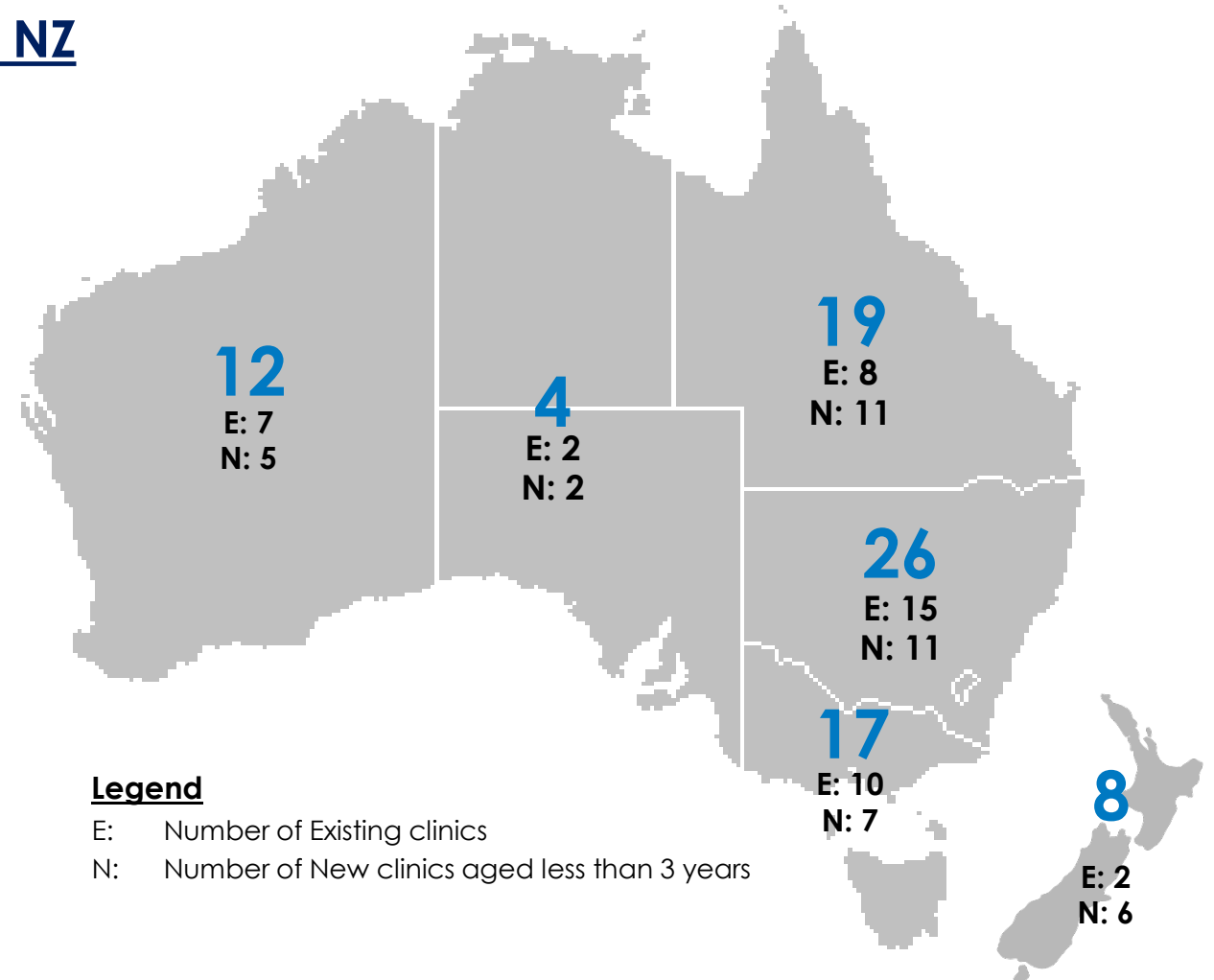


¹ Refer to Appendix 1 for all definitions

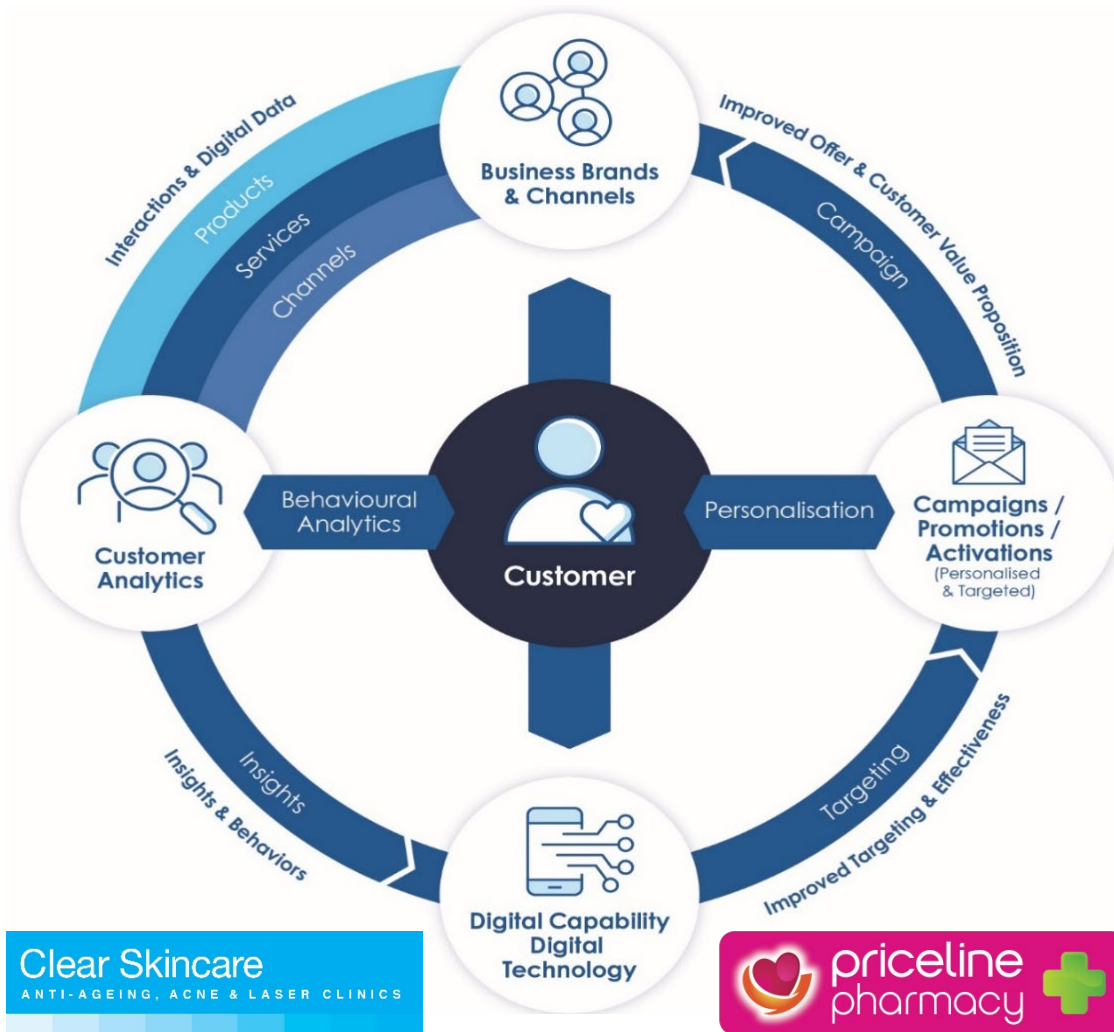
Clear Skincare – new clinics will drive profitability

CLINIC CONTINUES TO GROW ACROSS AUSTRALIA & NZ

- ❖ 19 new company-owned clinics in FY21
- ❖ As a result of the COVID-19 restrictions implemented across several states, 211 trading days (58%) were impacted across all Clear Skincare clinics
- ❖ Our clinics re-opened strongly post-lockdown with cash sales up over 80% upon opening compared to pre-COVID levels
- ❖ Clear Skincare is an investment in future earnings and we are continuing to invest in new clinics where quality locations are available
 - We purchased 44 existing clinics and have opened 42 clinics. The existing clinics are on average 9.0 years old and driving profit
 - The new clinics are on average 1.2 years old and developing their customer base to generate future profit. In line with industry benchmark our clinics take 2.5 years to become profitable
 - We continue to review inorganic opportunities



Customer experience powered by digital hub

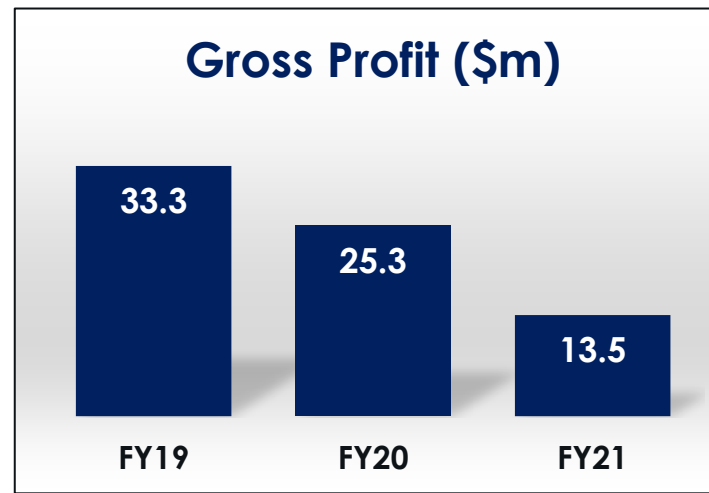
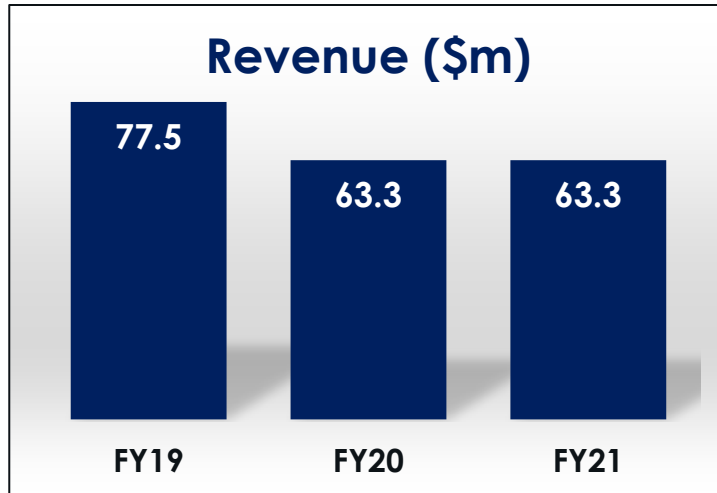


THE CUSTOMER AT THE CENTRE OF EVERYTHING WE DO

- ❖ We have established a digital hub that will be for the benefit of all of our businesses
- ❖ The primary focus is the customer
 - We will analyse customer behaviours
 - Use the insights to develop our products, services and channels
 - Personalise offers for the customer
 - Target those to the right customer

Resulting in a valuable offering, more effective marketing, and businesses that have a deep understanding of, and connection with, our customer
- ❖ We are partnering with the best in breed customer analytics partners to ensure we have the tools to enable this deep customer understanding

Consumer Brands Results



Consumer Brands
Build Portfolio and Earnings Contribution

BUSINESS MODEL TO CHANGE POST-COVID

- ❖ Revenue flat to the pcp and Gross Profit down reflecting one off items relating to the closure of manufacturing in New Zealand
- ❖ Anticipated incremental EBIT per annum of \$5 million post closure of NZ manufacturing plant by second half of FY23
- ❖ Pharmaceutical plant subject to an unconditional sale contract with settlement due on 3 December and cash proceeds of approximately \$11.5 million to be reflected in 1H22 results
- ❖ Personal Care business also in the process of being sold

Confidence in FY22 Outlook

- ❖ Pharmacy Distribution will continue to grow through PBS and generate significant cash
 - the new DC in Marsden Park will result in savings in excess of \$8 million EBIT per annum from the start of FY23
 - Pfizer returning to distribution via the CSO¹ pool will add in the order of \$4 million EBIT for FY22
- ❖ Priceline Pharmacy store pipeline strongest in three years, LFLs are positive, company store network recalibrated with upside of \$3.4 million, and we are seeing recovery post lockdown in NSW and VIC
- ❖ Clear Skincare cash sales up 80% post lockdown with re-booking rates at record levels, and will benefit from the maturing of its clinic network
- ❖ Consumer Brands exit of manufacturing and switching to contract manufacturing to result in \$5 million incremental EBIT per annum post closure
- ❖ Given COVID restrictions have recently eased we will provide a trading update at the AGM



¹ Refer to Appendix 1 for all definitions

Appendices

Appendix 1 - definitions

- Average value per customer - average revenue value that each customer brings to your business during a defined timeframe
- CSO – Community Service Obligation (CSO) Funding Pool
- 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 August 2021, after adjusting for impact of COVID
- EBITDA - Result from operating activities before interest, tax, depreciation and amortisation
- EBIT – Result from operating activities before interest and tax
- LFLs – like for like sales comparing the same store sales between periods including dispensary, excluding CBD stores after adjustment for stores impacted by COVID
- Net Debt – Borrowings less cash and cash equivalents
- NPAT - Result from operating activities after interest and tax
- Underlying NPAT – NPAT calculated excluding the underlying adjustments outlined in the Appendix 2
- Underlying EBIT – EBIT calculated excluding the underlying adjustments outlined in Appendix 2
- Underlying EBITDA - EBITDA calculated excluding the underlying adjustments outlined in Appendix 2
- Underlying Return on Equity (ROE) – Underlying NPAT/Average Equity
- Underlying Return on Capital Employed (ROCE) – Underlying EBIT/Average Total Capital Employed
- 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 Appendix 2
- Working Capital days - calculated excluding the impact of API Rewards on Trade Debtor and Trade Creditor balances

Appendix 2 - income statement reconciliation

In \$000	FY21 Reported	Add Back: Restructure & Reorganisation	Add Back: Strategic Business Initiatives	Add Back: Consumer Brands New Zealand	FY21 Underlying
EBITDA	\$116,179	\$8,378	\$1,796	\$32,035	\$158,388
EBIT	\$27,841	\$8,378	\$1,796	\$32,035	\$70,050
PBT	\$12,463	\$8,378	\$1,796	\$32,035	\$54,672
Tax Expense	(\$11,317)	(\$4,013)			(\$15,330)
NPAT	\$1,146	\$38,196			\$39,342