



Half Year Results

For period ended 31 July 2014

11 September 2014

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 Half Year Results

Overview

Mark Hooper

Financial Summary

Jeff Sells

Looking Forward

Mark Hooper



Overview

Mark Hooper
CEO & Managing Director





Delivering strategic success

- ✓ CHS business transition well progressed
- ✓ Discount Drug Stores (DDS) acquisition announced
- ✓ Extended strategic supply agreement with Pharmacy Alliance to 2024
- ✓ Continued investment in products and brands
- ✓ Brisbane DC – land acquired, business case complete, design and scoping underway
- ✓ Strong Balance Sheet supports future growth options and capital management initiatives



Strong first half with growing momentum

- ✓ Revenue up 2.6% to \$1.5bn, with volumes up 6.7%
- ✓ Impact of PBS reform continues to be countered
- ✓ EBIT up 34.5% to \$33.5m (\$24.9m pcp)
- ✓ NPAT up 37.5% to \$22.4m (\$16.3m pcp)
- ✓ Record low cash conversion cycle of 48 days
- ✓ Net cash of \$34.7m and no debt
- ✓ Underlying¹ ROIC of 14.9% (11.8% pcp)

¹ See Appendix 1



First Half Financial Summary

Jeff Sells
Chief Financial Officer





First Half – Financials

\$m	1H 2015*	1H 2014	Variance	% Change
Sales revenue	1,502.2	1,463.8	38.4	↑2.6%
Gross Profit	111.0	106.4	4.6	↑4.4%
Other revenue	21.2	18.3	2.9	↑15.5%
Operating costs	(95.1)	(92.9)	(2.2)	↓2.4%
Depreciation and Amortisation	(3.6)	(3.2)	(0.4)	↓12.4%
Net litigation settlement	0	(3.7)	3.7	-
EBIT	33.5	24.9	8.6	↑34.5%
EBIT Margin	2.23%	1.70%	-	↑31.1%
Net financial expense	(0.7)	(1.2)	0.5	↑42.8%
Tax expense	(10.4)	(7.4)	(3.0)	↓39.9%
NPAT	22.4	16.3	6.1	↑37.5%

* Includes 2 months contribution from CHS

Revenue

- Sales Revenue up 2.6% including CHS;
- Adjusting for PBS Price reform, like for like sales growth would have been 6.5%;
- Volumes delivered grew by 6.7%.

Gross Profit & Other Revenue

- Gross margin 7.4%, up from 7.3%;
- Includes CHS promotional and Pharmasave membership fees;
- Includes impact of PBS reform and discount offset.

Operating Costs

- Up \$2.2m after including over two months of CHS.

Depreciation and Amortisation

- Up \$0.4m with inclusion of CHS, and higher amortisation of software.

Interest & Tax Expense

- Interest down \$0.5m, reflecting lower average borrowing and lower average interest rate;
- Tax up \$3.0m, in line with higher profit
- Effective tax rate 31.7%

Warehouse & Delivery costs - Up \$3.2m to \$53.0m

- Includes CHS for 2 months, will add \$8-\$10m pa
- Volumes compared to the prior year grew by 6.7%
- Redundancy costs from Toowoomba closure of \$0.3m
- Wage increases from EBA



Sales and Marketing costs - Down \$3.8m to \$20.3m

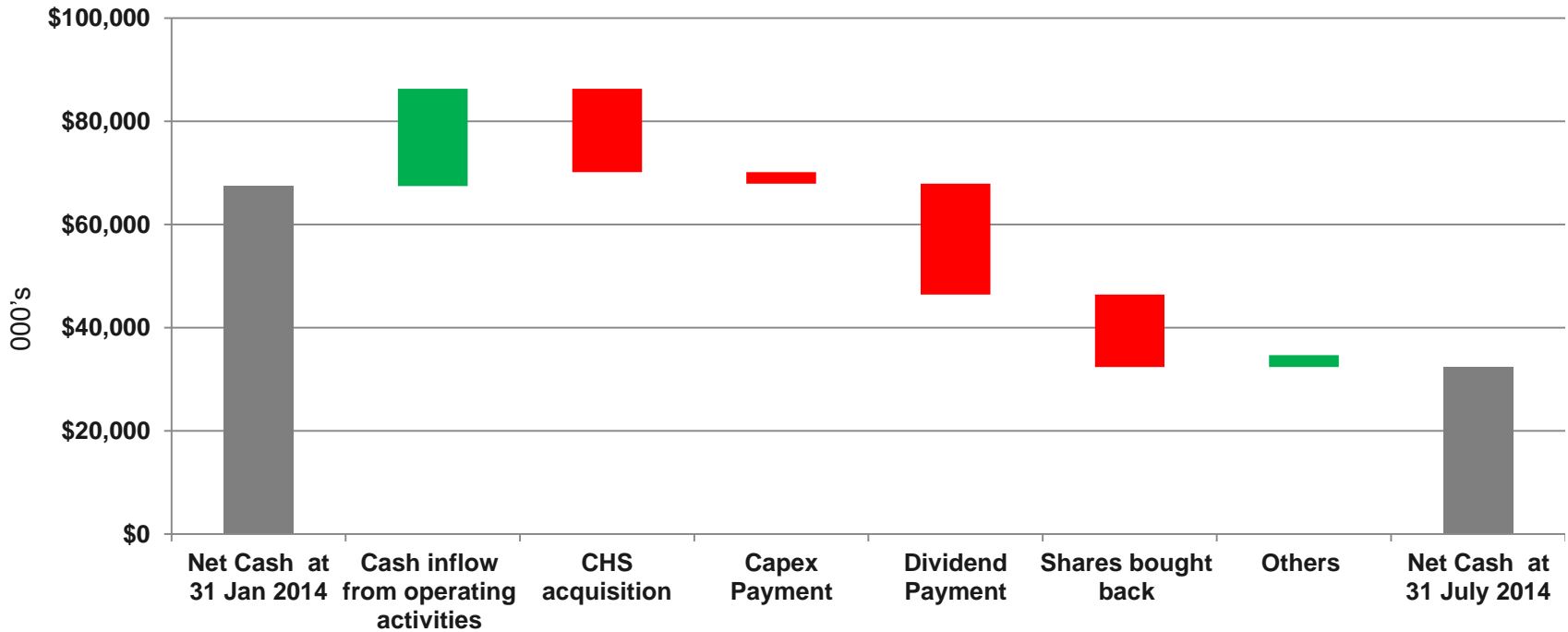
- No repeat of Harrisons bad debt from last year
- Includes Pharmasave promotional and marketing costs
- Likely to increase spend by \$2-3m pa

Administration costs - Up \$2.8m to \$21.8m

- Includes 2 months CHS costs, will add \$2.5-3.5m p.a.
- Incorporates additional IT costs
- Also includes project and acquisition costs of \$0.5m



Cash returned to shareholders and invested in growth



Inclusive of capital management, capex spend, and DDS acquisition, Sigma still expects to be in a net cash position at year end.



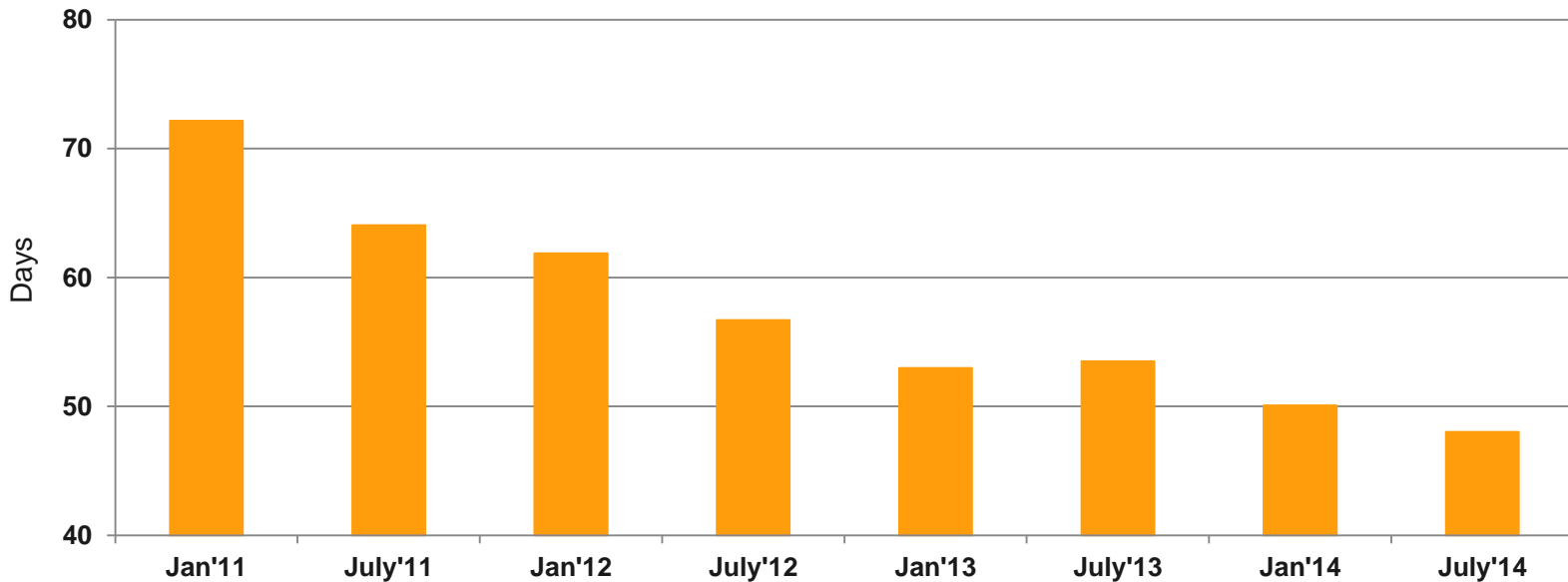
Working Capital continues to improve

Working Capital \$m	As at 31 July 2011	As at 31 July 2012	As at 31 July 2013	As at 31 July 2014*
Trade Receivables	581	581	549	586
Inventories	275	224	250	284
Trade Creditors	-334	-345	-353	-437
Total Working Capital	522	460	446	433
Days Sales Outstanding	71	73	67	67
Days Inventory Outstanding	38	31	33	36
Days Payable Outstanding	45	47	47	55
Cash conversion cycle days	64	57	53	48

* Includes CHS



Cash conversion cycle at record low



Working capital reduced by \$182m since Jan 2011

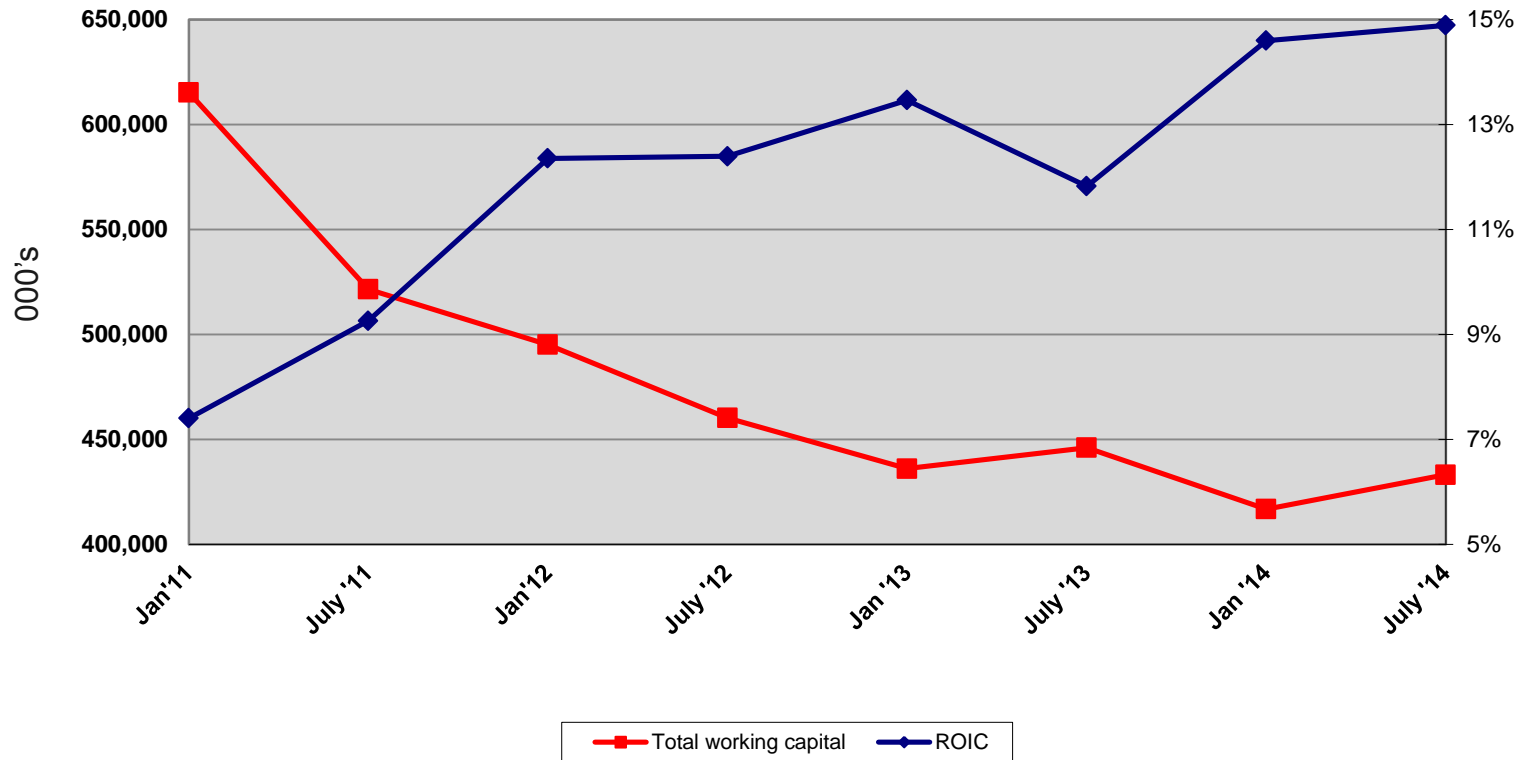
Record low cash conversion cycle

Still targeting some improvement in the coming year



Continuing to drive ROIC

Record ROIC and Working Capital Improvement



Dividends

- As forecast, no interim dividend due to insufficient franking credits
- Cash saved to be allocated to ongoing share buy-back
- Total fully franked dividends since 2011 – 28 cents
- Semi-annual fully franked dividends expected to return for FY15 final dividend in May 2015

Share Buy-back

- Share buy-back continuing
- In 6-months to 31 July 2014, 16.9m shares (1.4% of issued capital) purchased at a cost of \$12.0m
- Since Oct 2012 - 83.3 million shares (7.0% of issued capital) purchased at a total cost of \$59.1 (VWAP \$0.69cps)

Capex

- Capex of \$2.2m in 1H15;
- 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
- \$25m sales proceeds from Clayton site received in August



Looking forward

Mark Hooper
CEO & Managing Director





Largest Pharmacy Led Network in place

Strategy:

- Pharmacy First
- Leverage capability and resources
- Strength in numbers, common goals
- Differentiate to address PBS reform



- ❑ Amcal and Guardian OTC sales up over 5% yoy
- ❑ Strong in store offers
- ❑ New front of store categories – Beauty
- ❑ High service model – Pharmacist engagement
- ❑ Improved membership compliance

Most recognised brands



2014	Amcal	Winner Canstar
2013	Guardian	Winner Canstar & Roy Morgan
2012	Guardian	Winner Canstar

Brand	Overall satisfaction*	Value for money	Service	Health product range	Beauty product range	Pharmacist availability	Health programs	Advice provided
Amcal	★★★★★	★★★★	★★★★★	★★★★	★★★★	★★★★★	★★★★★	★★★★★
Chemist Warehouse	★★★★	★★★★★	★★★	★★★★★	★★★★	★★★	★★★	★★★
Chemmart	★★★★	★★★★	★★★★	★★★	★★★	★★★★	★★★★	★★★★
Guardian Pharmacies	★★★★	★★★	★★★★★	★★★	★★★★	★★★★	★★★★	★★★★★
Terry White Chemists	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★★	★★★★
Priceline	★★★	★★★★	★★★	★★★★	★★★★★	★★★	★★★	★★★

* Overall satisfaction is an individual rating and not a combined total of all ratings



CHS and DDS strengthen our pharmacy network

CHS and DDS combined add 300 branded pharmacy members, over \$400m Revenue, and are expected to deliver \$8-10m in EBITDA in the first full year.



- ✓ Acquisition completed 26 May 2014, with integration progressing as expected
- ✓ Existing management retained to run CHS
- ✓ Over 50% of wholesale sales not previously with Sigma/CHS have transitioned
- ✓ Hospitals business at early stages of growth potential (more 2015/16)

- ✓ Acquisition announced 8 September 2014
- ✓ Investment of \$26.7m
- ✓ DDS management retained to run DDS
- ✓ Working with DDS to transition wholesale sales to Sigma



Pharmacy Alliance agreement secures long term partnership



- ✓ Announced 3 September 2014
- ✓ 10-year wholesale and services agreement
- ✓ Secures over \$400m in revenue to 2024
- ✓ PA supports over 460 pharmacies across Australia
- ✓ Provides greater opportunity to work strategically together on a range of key initiatives
- ✓ New channel for private and exclusive label



Tailored pharmacy solutions supporting 1,200 pharmacies



Providing pharmacists with a choice of strong branded pharmacies



Strong support for independent pharmacies





Strong growth in private and exclusive label

- ❑ Growing pipeline of new products continues
 - Portfolio expected to reach 680 products over the next 12-months
- ❑ Double digit sales growth
- ❑ Strong wholesale margins
- ❑ Attractive to Pharmacy
 - Strong margins, builds customer loyalty, growing non-PBS income stream
- ❑ Leverages global sourcing relationships





Professional Services rollout continues

- ✓ Sigma is providing accessible healthcare solutions to Australians suffering from the biggest diseases globally and many others that matter
- ✓ Builds a structured point of difference that can be used to:
 - Improve customer loyalty
 - Drive brand recognition
 - Access alternate income streams
 - Prepare for a changing co-pay landscape



Clinical Priorities



Diabetes



Cardiovascular



Respiratory



Renal

- Accessible Healthcare
- 400 participating stores
- Suppliers engaged
- 3000 Kidney check in 2 weeks
- 10,000 Flu shots
- Coeliac program to start in September



Improved Loyalty Platform

- ❑ Improved platform to grow existing and new customers
- ❑ Loyalty Customers are the most profitable
- ❑ Improves communication capability
- ❑ Provides market insights for Sigma customers and suppliers



Loyalty members	2.96m
In store spend	\$24
In store spend by loyalty members	\$45 (+87%)
Online spend by loyalty members	\$103 (+229%)





Outlook

- ✓ CHS integration well progressed
- ✓ Further expanding our branded network with DDS acquisition
- ✓ Extended strategic supply agreement with PA
- ✓ Continued investment in operations
 - Supporting our private and exclusive brands and professional services;
 - Acquired land for Brisbane DC, planning underway
- ✓ Strong Balance Sheet
- ✓ Managing capital with discipline and ROIC focus



Thank you

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





Appendix 1 - ROIC

\$m	As at 31 Jan 2012	As at 31 Jul 2012	As at 31 Jan 2013	As at 31 Jul 2013	As at 31 Jan 2014	As at 31 Jul 2014
Net assets	682.5	669.0	610.8	572.9	578.8	568.8
Less: Cash and cash equivalents	-148.6	-145.8	-112.7	-151.9	-67.5	-34.7
Add: Interest bearing liabilities	35.0	20.0	30.0	125.0	0	0.6
Capital employed	568.9	543.3	528.1	546.0	511.3	534.7
Rolling 12-month EBIT	70.3	67.3	71.1 ¹	64.5 ¹	74.7 ²	79.6 ³
ROIC	12.4%	12.4%	13.5%	11.8%	14.6%	14.9%

¹ EBIT excludes net litigation settlement expense

² EBIT excludes net litigation settlement expense and acquisition expenses

³ EBIT excludes acquisition expenses