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ASX Release

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Strong earnings growth continues

- Revenue up 10.2% to $3.5 billion
- Underlying EBIT up 13.7% to $89.1m with Underlying NPAT up 11.6% to $59.2m
- Reported EBIT of $80.4m and reported NPAT of $50.5m reflect the impact of the one off accounting adjustment arising from the outperformance of the CHS/DDS acquisition
- EBIT growth of at least 5% per annum expected for the next two years
- Shareholders rewarded with the final dividend increased to 3.0 cents per share (fully franked)
- Sigma expects to maintain a high dividend payout ratio

Overview

Sigma Pharmaceuticals is pleased to announce a 13.7% rise in Underlying EBIT to $89.1m. This primarily reflects the continued benefits of growing non-PBS earnings.

Sales revenue grew by 10.2% to $3.46 billion, with growth in non-PBS revenues the stand out, up 17.8%. Non-PBS revenue now accounts for more than 35% of total revenue.

Shareholders will benefit from the strong year, with Sigma increasing the fully franked final dividend to 3.0 cents per share. This brings the total dividend paid in respect of FY16 to 5.0 cents per share fully franked. The final dividend is payable on 21 April, with an ex-dividend date of 6 April and a record date of 7 April.

“We’ve invested strongly in the past few years to support our strategy of broadening our earnings base and the benefits are now starting to materialise in the form of improved performance for our pharmacy brand members and shareholders,” said Sigma’s CEO and Managing Director Mark Hooper.

“We have continued to develop comprehensive service programs clearly aimed at supporting the future of our pharmacy brand members by helping them transition to a more service oriented model. These programs help drive growth for our members and Sigma, as well as better leveraging our capabilities to improve operating margins.”

“We are now confident that we have a pipeline of growth in place to produce at least 5 per cent per annum EBIT growth for the next two years, showing the outlook remains very positive for Sigma,'' he said.

Improvements in services and standards across our network are driving enhanced customer interaction. This year we have seen each of our branded pharmacies, Amcal, Guardian, Discount Drug Store, Pharmasave and Chemist King, achieve growth in member numbers.

The Chairman of Sigma, Brian Jamieson, welcomed today’s result, saying the company is demonstrating pharmacy sector leadership in dealing with declining industry PBS revenue and earnings.

“The past couple of years have been an important turning point for Sigma. We’re now seeing a flow through of our strategy to the bottom line. We have recently welcomed a new Board member, Kate Spargo, and also some important new members of the senior management team, and are well placed to take advantage of further opportunities into the future,'' Mr Jamieson said.

Infrastructure Investment

We have also continued with our infrastructure renewal program. In the past year the investment in CHS has enabled Sigma’s expansion into providing pre-wholesaling services to manufacturing customers, and also facilitating our broader entry into the hospital pharmacy sector. The company recently opened a new distribution centre in Sydney dedicated to servicing the hospital market, providing growth potential from new business.

“The hospital pharmacy market alone is a $2.5 billion industry, and we currently hold around 5% market share. There is potential for significant upside for Sigma, and we now have an enhanced capacity to pursue it”, said Mark Hooper.

“In April we will also commence construction of our new Queensland distribution centre. This is an investment of over $60m that will deliver a state of the art facility to more efficiently and effectively service the growing Queensland market. Our investment in other markets will follow shortly after to continue to drive operational efficiency gains”, he said.

Importantly, the capital investment program will be largely funded through existing cash flow and working capital improvements.

Capital Management

Sigma continues to maintain a very strong balance sheet which enables business investment in growth opportunities.

“Our focus on working capital management will see a further 8-10 day improvement over the coming year. This will go a long way to funding our investment requirements over the next two years, and subject to any value accretive acquisitions, will see Sigma in a net cash position at next year end”, said Mark Hooper.

Underlying Return on Invested Capital (ROIC) continues to be a focus, reaching 14.6%, on a broader earnings base.

The share buy-back also continued during the year, and remains under review going forward.

Sigma Chairman Brian Jamieson commented "We were pleased to invest $11.1m to buy back and cancel 14 million shares during the year. Since the program commenced in October 2012, we have invested $81.6m to remove 111.9m shares from the market. This has been accretive to underlying earnings for all shareholders."

"I am particularly pleased that we could enhance the reward for shareholders by lifting our final dividend to 3.0 cents per share, bringing total dividend for the year to 5.0 cents per share".

"With Sigma in good shape, our desire to reward shareholders continues as a priority, with the Board expecting to continue to pay a high dividend payout ratio for the foreseeable future", he said.

Outlook

"We have seen strong growth in underlying earnings for the past two years and we are very confident we can deliver EBIT growth of at least 5% per annum for the next two years, said Mark Hooper.

We have a very strong balance sheet that is enabling our investment for future growth. Our capital management and cash flow will support our investments as we continue to diversify our business base and drive operational improvements. This will also allow us to continue to reward shareholders from expected improved performance.

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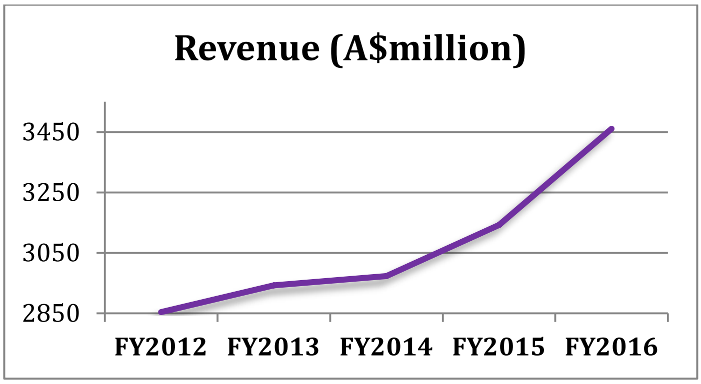
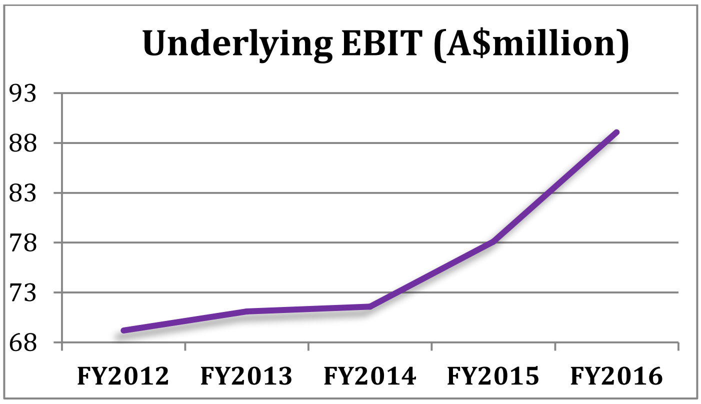
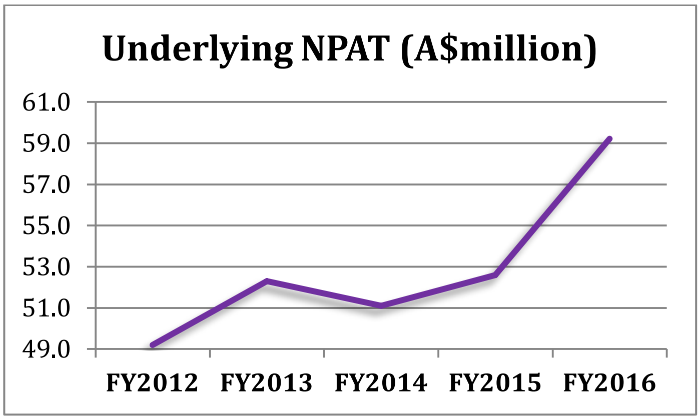
To view the briefing via webcast live please go to the Sigma website www.sigmaco.com.au and on the Investor Relations page, click on "Events and Presentations" then click on the link to Sigma's 2015/16 Full Year Results Briefing. Please note that this link will not be operational until the morning of the briefing.







	FY16 Reported	FY16 Underlying (Note 1)	FY15	% Change Underlying (Note 1)
	$000	$000	$000	%
Revenue	3,461.1	3,461.1	3,142.1	10.2
EBIT (1)	80.4	89.1	78.4	13.7
NPAT	50.5	59.2	53.1	11.6
	cents	cents	cents	%
Dividends Per Share (2)	5.0	5.0	3.0	66.7
Earnings Per Share	5.0	5.9	5.1	15.7

Notes to table

(1) EBIT includes share of profit/(loss) of equity accounted investee before tax of $0.3m.

(2) FY15 Dividend Per Share includes 2.0 cents per share final dividend and 1.0 cent per share special dividend.