



AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED

INVESTOR DAY/PRICELINE STORE TOUR

19 JUNE 2014



STEPHEN ROCHE
CEO & MANAGING DIRECTOR



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|--------------------------|---|
| 1. Welcome/Overview | Stephen Roche, CEO & Managing Director |
| 2. Retail Operations | Lynne Gallucci, GM – Retail Operations |
| 3. Merchandise Strategy | Allison Smith, GM – Merchandise |
| 4. Marketing Strategy | Mark O’Keefe, GM - Marketing |
| 5. Priceline Store Visit | Westfield and World Square |
| 6. Questions | All |

2014 Headlines

Half Year Results strong with underlying net profit after tax up 29%

Priceline same store growth at 5.4% with GP up 6.5%

Priceline third quarter same store growth at 6.6% with YTD 5.7%

Pharmacy Distribution underlying sales growth up 8% and GP up 6.3%

Operating Costs flat following productivity improvements in Distribution and One Enterprise cost structure.

Solid cash flow generation with improved debt metrics

LYNNE GALLUCCI
GENERAL MANAGER, RETAIL OPERATIONS



Priceline Pharmacy Brand

- We are a loved brand established for over 30 years with **a dominant position in Health and Beauty**
- National network of **373 Priceline and Priceline Pharmacy stores** across Australia
- Priceline Pharmacy **annual network sales of \$1.65b**



Priceline Pharmacy Brand

- Top tier customer loyalty program with **4.6m members**
- Franchise structure allows for scaled growth
- Comprehensive head office support structure driven by fully integrated systems including full inventory management

Sister Club

One little card, so many benefits

1 SISTERS GET POINTS

Spend a dollar, earn a point, it's that simple and you'll be amazed how quickly your points add up.



2 SISTERS GET PAYBACKS

No tricky redemption process, we send you a voucher in the mail at the end of each quarter



3 SISTERS GET PRIVILEGES

Like double points days, secret sales, three for two deals and more.



4 SISTERS GET PERKS

Like VIP invitations to FAB shows and Sisterhood events.



Priceline Pharmacy Offer

- **Leading market share** in Cosmetics, Cosmetic Accessories, Skincare and Fragrance in an environment in Australia's biggest beauty playground
- **Leading in store health advice and programs**
- **Sister Club Health Plus** - compliance and counselling programs



Growing ahead of market

Dominant position in Health & Beauty

R_x Pharmacy



Grocery

TOTAL

MAT	Quarter
+3.7%	+4.8%
+7.6%	+7%
+1.1%	-0.3%
+2.9%	+2.6%

Priceline Pharmacy Proposition

- Priceline is a **compelling proposition for pharmacists**
 - Greater earnings potential **to offset PBS Reform**
 - Deep Business, Pharmacy and Retail expertise
 - **Sister Club Health Plus** will drive further growth directly from integrated dispensary programs
- **Script growth strong at circa 4%** comparable store growth



Franchisee Satisfaction



Source – Franchise Relationships Institute – Franchisee Satisfaction Survey 2013

Priceline Half Year Scorecard

Key performance indicators	Status
Retail network sales (excluding dispensary)	+8.0%
Retail network sales (including dispensary)	+6.9%
Comparable store growth	+5.3%
Online sales at \$2.2m	+281%
Register margin variance (inc scan and markdown)	(0.12)%
Transactions	+5.0%
Basket size	+1.8%
Store network at 373	+10
Sister Club membership	4.6m
Dispensary volume	+4.0%

Priceline “In Store” experience

- Store Layout
- Multi media screens
- Category precincts
- Health Heroes
- Beauty Advisors
- Flexible footprint



ALLISON SMITH
GENERAL MANAGER, MERCHANDISE



Merchandise Strategy

- **Pharmaceuticals** – superior delivery performance through supplier collaboration and rigorous data analytics, partnered deals on originator or generics
- **Beauty - First to market**, exclusive product and dominant range.
- **Health** – a range that supports our Pharmacist and Health Heroes deliver an enhanced health outcomes for our customers whilst delivering great value to the customer
- **Personal Care** – relevant range of everyday needs
- **Pharmacist, Health Hero & Beauty Advisors** in Priceline at the Heart of our Offer
- **Value** – differentiated promotional strategy
- **House of Brands** leveraging International and National



Why we dominate in Beauty

- **Range:** No other competitor comes close on range of mass cosmetics and skincare brands
- **Exclusives:** Our buying power allows us to negotiate exclusive ranges or launch periods. Marketing then drives customers to us as only retailer
- **New:** We are famous for new
- **Fragrance international sourcing:** delivers value local distributors cannot match
- **Promotional activity:** Value that is offered is competitive and tactical activity cannot be matched by others
- **Beauty Advisors:** Experts in “how to get the look” “what’s new” “what’s right for you”
- **Cosmetic Accessories range:** No real competitor



Key Category market share

- Dominant in Beauty
- Leveraging Health to Beauty

Category	Market Share
Cosmetics	19.8%
Skincare	8.4%
Hair care	9.0%
Suncare	15.4%
Natural Health	3.7%
Weight Management	3.9%
Fragrances	23.5%
Medicinal Health OTC	5.2%

Source – Euromonitor Jan to Dec 2013

What we are doing in Health

Health Business Builder program for Franchisees. The elements of the program include:

- Leveraging the Sister Club to drive loyalty in the dispensary, the **Sister Club Health Plus** program was launched. Providing customers with rewards for leaving their scripts on file and signing up to a reminder service. Driving front of store sales from script traffic
- An extensive suit of dispensary service programs to leverage and differentiate on our service proposition
- Focusing on our **Health Heroes and pharmacists** to drive service, basket size and health outcomes
- Highlight and support **private brand growth** – particularly in OTC and vitamins and supplements

GOOD HEALTH

Priceline Pharmacy now offers prescription medications starting from \$6*, with hundreds of medications on the list.

Our best prices on prescriptions.

\$6*

Make the switch today

ITA BUTTROSE
Priceline Sister

What we are doing in Health

Further to this we continue to drive market share growth in scripts and health products through:

- Market competitive pricing in scripts, amplifying communication to the customer on the value we offer
- Delivering disruptive tactical activity on key items or category wide
- Focusing on exclusive range or sizes
- Delivering GP growth in excess of sales rates
- Offering range extensions in growth categories such as super foods
- Delivering technical and service training to our teams



Priceline Pharmacy dominates New

- Priceline launches dominate in the beauty market
- Launch volume is typically 60% of market in first 4 weeks
- Customer shops us for new, exclusives and first to market

Scholl – Velvet Smooth

September – February 2014

75,083 Units

\$2.7m in Sales



Curl Secret

September – February 2014

6,755 Units

\$1m in Sales



One Direction

September – March 2014

42,888 Units

\$1.5m in Sales



Essie

September – February 2014

153,000 Units

\$1.7m in Sales



Private Brand

Role of Private Brands

- Quality at an exceptional price
- Deliver above category average Margin %
- Provide a Unique Point of Difference in range
- Eliminate cross shopping on price by virtue of exclusivity
- Utilise as appropriate our NZ manufacturing capability

MODELSPREFER

Strategy

- Accelerate growth in appropriate segments to drive profitability
- Support with marketing investment to increase customer awareness
- Actively promote in store as quality value alternative for the customer

Our Brands grew 15.8% in H1 and cover Health, Beauty and Personal Care. They include the following brands

- **Biosource** – Vitamin & Supplements – Growth H1 397%
- **Models Prefer** – Cosmetics, Skincare, Cosmetics Accessories & Electrical – Growth H1 7.4%
- **Priceline Pharmacy OTC** – Over the Counter Medicines – Growth H1 14.1%



MARK O'KEEFE
GENERAL MANAGER, MARKETING



Marketing Communication Strategy



Our campaign
Amplify our differences






Our audience
Surround her



Our competitors
Differentiate

Priceline leads brand preference

January/March 2014				
Prompted Awareness	90%	89%	89%	85%
Consideration	83%	75%	75%	76%
Visitation (Last 12M)	58%	56%	59%	52%
Last Purchased	23%	16%	18%	19%
Preference	10%	1%	3%	3%
Advocacy	5%	1%	1%	2%

Priceline ASSETS

IN STORE

- Over 373 stores nationally
- Strong reach Australia wide
- A woman's playground
- Offers and promotions
- Strong POS linkage
- Local Area Marketing
- Dedicated Beauty Advisors & Pharmacists services

MULTIMEDIA SCREENS (TELSTRA)

ONLINE

- Reach: Average monthly page views 5.1m
- Unique visits 691,262
- Targeted Ready to Buy audience
- Every communication leads back to shopping online
- E-commerce Store
- New look website launching in 2014

CATALOGUES

- All the famous brands
- Over 7m catalogues per month reaching 75% of Australian households
- E-commerce integration and specialised packages/offers
- Strong value
- Event theming

MEDIA - TELEVISION

- Dedicated National TV campaign
- Integration with catalogue offers
- Airing throughout the campaign period

SISTER CLUB

- 4.65m profile Sister Club customers
- Reach 1.6m email addresses
- Sister Club customers represent 40% of sales and spend 34% more
- Won ADMA awards
- Launch of BEAUTY CLUB in 2012

SISTERHOOD

- Priceline's cause related marketing for women
- Sisterhood supports six charities
- More than \$800k raised to date
- Media value of \$3m

SOCIAL MEDIA

- 142,575 Facebook likes
- 9,321 Twitter followers
- 25,550 Instagram followers
- 3,244 Pinterest followers
- Over 1m posted views per month
- Positive posts from Priceline fan base
- Double digit growth since launch

Highly successful loyalty program

- The **Priceline SisterClub** is the strongest customer loyalty program in pharmacy today
- Over **4.6 million** members
- **Award winning** loyalty program for effectiveness
- Sister Club card members **generate 40% of sales and spend 34% more** per visit than non members



ARE YOU A SISTER?

Priceline sisters enjoy great perks, privileges and paybacks. Join our Sister Club and be part of something really big!

api

Leading in digital engagement

Priceline website

- Online Sales growing at +140% YOY
- 1 million visits per month +100% YOY
- 6 million page views per month +90% YOY
- eCommerce ranks in top 25 stores

Social media

- Engagement level of 5.5% top tier performance
- Facebook fans +47% YOY
- Instagram followers +525% YOY
- Twitter followers +49% YOY



A woman is shown from the chest up, wearing a blue tank top. Her hands are wrapped in pink boxing hand wraps and are clenched into fists in a fighting stance. The background is plain white.

**The power of the
Priceline Brand**



AUSTRALIAN PHARMACEUTICAL INDUSTRIES LIMITED

Store Visit

