Sigma Pharmaceuticals Limited

Half Year Results to 31 July 2016

Important notice

The material provided is a presentation of general information about Sigma's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. No representation or warranty is made as to its completeness, accuracy or reliability. Any forward looking information in this presentation has been prepared on the basis of a number of assumptions which may prove to be incorrect. Known and unknown risks, uncertainties and other factors, many of which are beyond Sigma's control, may cause actual results to differ materially. Nothing in this presentation should be construed as a recommendation or forecast by Sigma or an offer to sell or a solicitation to buy or sell shares.

This presentation also contains certain non-IFRS measures that Sigma believe are relevant and appropriate for the understanding of the financial results.

Overview

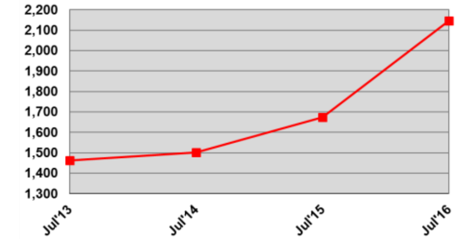
Mark Hooper, CEO and Managing Director

Sustained growth across all key financial indicators

1H17 Highlights

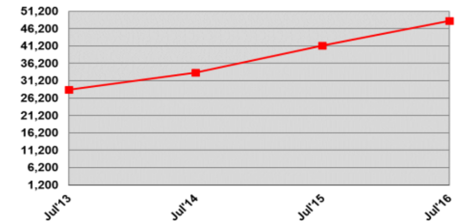
Revenue
✓ Up 28.1%

$2.15
billion



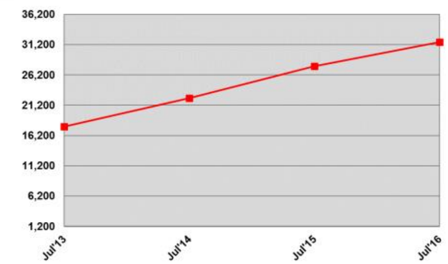
EBIT #
✓ Up 17.0%

$48.4
million



NPAT #
✓ Up 14.5% to

$31.7
million



ROIC #
✓ Up from 15.2%

15.9
percent

Underlying. Refer to Appendix 2 for a reconciliation of Reported to Underlying

Consistently delivering on our promises

Promise	Delivered	
Grow EBIT by at least 5% for the next two years	➢ 1H17 Underlying# EBIT up 17.0%	✓
Grow non PBS earnings	➢ Non-PBS earnings continue to grow ➢ Other revenue up 24.2% to $39.2m	✓
Maintain strong balance sheet	➢ Minimal net debt of $55.3m and still expect to be net cash by January 2017 ➢ Capacity to further invest and reward shareholders	✓
Improve CCC by 8 to 10 days by Jan 2017	➢ Cash Conversion Cycle improvements largely achieved in 1H17 – now at a record low	✓
Reward shareholders	➢ Interim Dividend increased to 2.5 cents ➢ Share price up approx 40% since 1 February	✓

Refer to Appendix 2 for a reconciliation of Reported to Underlying

Financial Performance

Jeff Sells, CFO

Strategy delivers continued double digit growth

	REPORTED	UNDERLYING			
$m	**1H 2017**	**1H 2017**	**1H 2016**	**Variance**	**% change**
Sales revenue	**2,146.0**	**2,146.0**	**1,675.0**	471.0	28.1%
Gross Profit	**141.8**	**141.8**	**126.2**	15.6	12.4%
Other revenue	**39.2**	**39.2**	**31.5**	7.7	24.2%
Operating costs	**(139.5)**	**(128.1)**	**(112.8)**	(15.3)	13.6%
Depreciation and Amortisation	**(4.2)**	**(4.2)**	**(3.9)**	(0.3)	7.7%
Share of profit of equity accounted investee	**-**	**-**	**0.3**	(0.3)	n/a
Non-controlling interests	**(0.3)**	**(0.3)**	**-**	**(0.3)**	n/a
EBIT (1)	**37.0**	**48.4**	**41.3**	7.1	**17.0%**
EBIT Margin	**1.74%**	**2.25%**	**2.46%**	0.21%	**n/a**
Net financial expense	**(2.3)**	**(2.3)**	**(1.5)**	(0.8)	53.3%
Tax expense	**(11.1)**	**(14.4)**	**(12.2)**	(2.2)	18.0%
NPAT (1)	**23.6**	**31.7**	**27.6**	**4.1**	**14.5%**

(1) After Non-controlling interests

- Organic growth and Other Revenue continue to drive Profit growth
- Reported Operating costs include $11.4m one off insurance settlement
- EBIT margin diluted by Hep C sales
- Tax expense variations due to tax deduction for litigation costs

Strong revenue growth

Sales Revenue – Up 28.1% to $2.15 bn

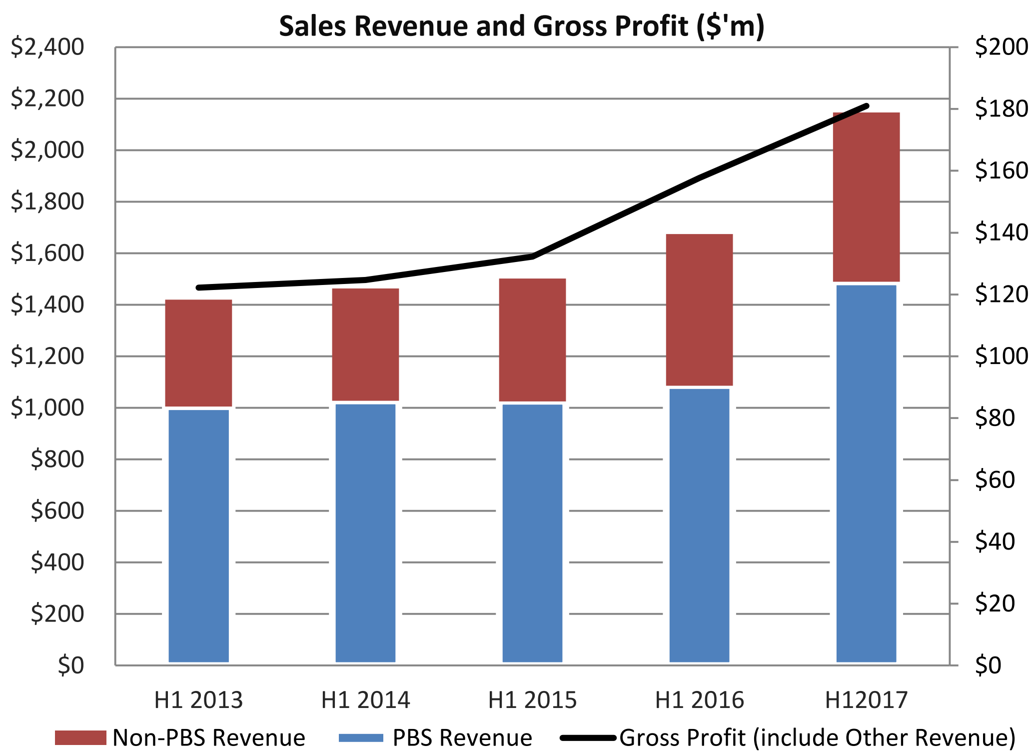
- Excluding Hep C, Sales up 7.8%
- 50% of growth from non PBS sales
- Sales to Sigma branded pharmacies up 7.2% (excluding Hep C)

Other Revenue – Up 24.2% to $39.2m

- Brand compliance driving growth in supplier rebates
- Merchandising income continues to improve
- Other services based income also contributing

Continued diversification drives improved performance

SIGMA



Non-PBS Revenue

- Up 11.5% on 1H16
- Up 58% since 1H13
- Diversification reduces earnings seasonality

Gross Profit (inc. Other Revenue)

- Up 14.5% on 1H16
- Up 48% since 1H13
- Gross Profit margin (excl Hep C) up from 7.5% to 7.8%

Investing for current and future growth

SIGMA

Warehouse and Delivery Expenses **+ $4.7m to $64.2m**

- Volume growth of 5.2%
- Labour costs/EBA, partly offset by productivity gains
- Expanded CHS operations, including new Eastern Creek DC
- Redundancy costs from closure of Rockhampton DC

Sales and Marketing Expenses **+ $6.3m to $35.1m**

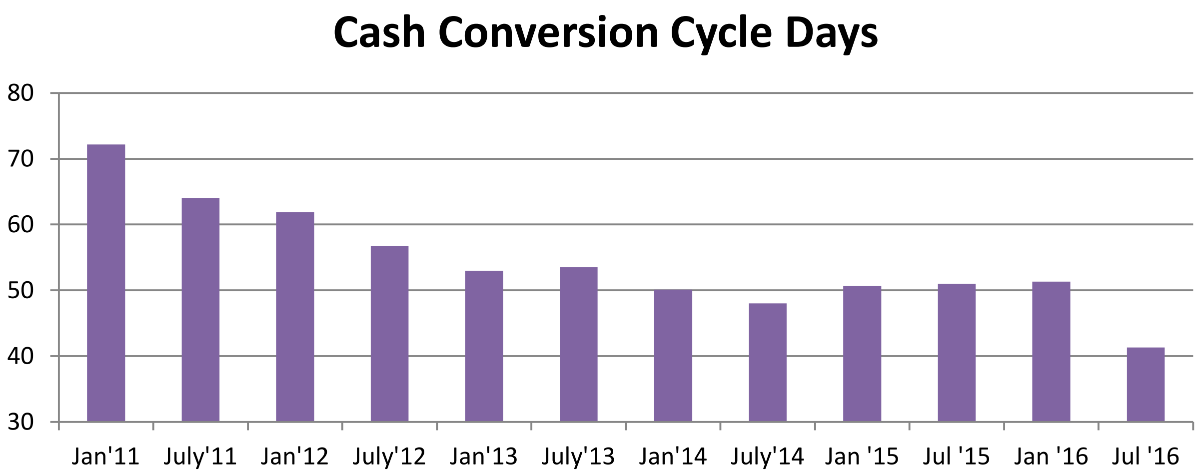
- Further investment to support Sigma retail brands
- Includes additional investment in data analytics
- Expanded Brand marketing program

Administration Expenses **+ $4.3m to $28.8m**

- Investment in business development activities
- Further investment in project support
- Initiated business simplification – Project Renew

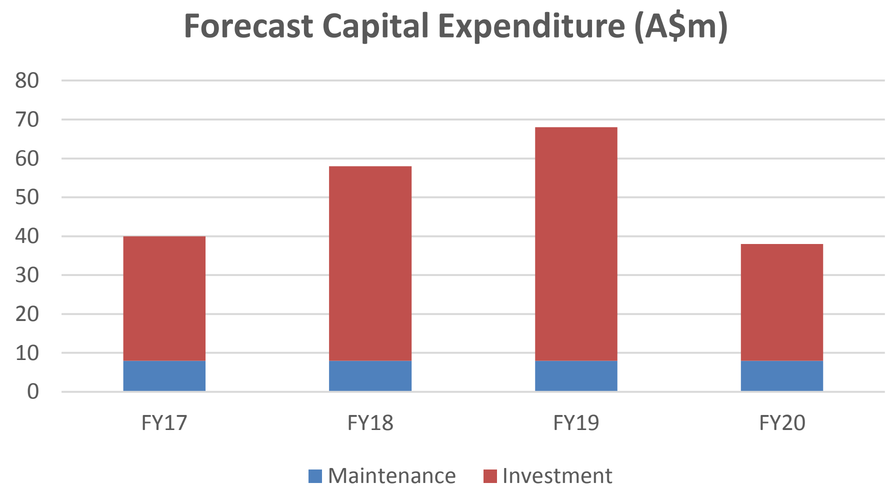
Record low Cash Conversion Cycle (CCC)

$'000	July'11	July'12	July'13	July'14	Jul'15	**Jul'16**
Trade Receivable	$580,902	$580,687	$549,418	$586,745	$622,595	**$694,271**
Inventories	$274,845	$224,081	$249,990	$283,751	$291,502	**$337,639**
Trade Creditors	-$334,199	-$344,503	-$353,312	-$437,303	-$438,031	**-$566,943**
Total working capital	$521,548	$460,265	$446,096	$433,193	$476,066	**$464,967**
DSO	71	73	67	67	69	**64**
DIO	38	31	33	35	35	**34**
DPO	45	47	47	55	53	**57**
CCC days	64	57	53	48	51	**41**



- CCC reduced by 10 days
- Reflects further reductions in extended credit and timing benefit from Hep C arrangements
- Increases in absolute dollars largely reflect the inclusion of Hep C

Investing for an efficient future



- Maintenance Capex broadly matches D&A
- Capex of $8.1m in 1H17, expect $32m in 2H17
- Land and buildings fully funded by Sigma
- DC technology - 4 to 5 year pay back period
- Will drive long term efficiency gains and enhance capacity and capabilities

Continued focus on capital management

Interim dividend

- increased to 2.5 cents per share (fully franked)
- payout ratio 85.2% of Underlying[#] NPAT
- equates to a fully franked yield of over 6.5%*

EPS accretive share buy-back

- since Oct 2012 - 9.6% achieved (113.4m shares)
- VWAP of $0.73 per share

Balance sheet strength

- net debt steady from January 2016
- net cash by year end despite dividend and capital payments
- low leverage supports capacity to further invest

* Based on a share price of $1.20

Operational Performance

Mark Hooper, CEO and Managing Director

The largest Retail Pharmacy footprint

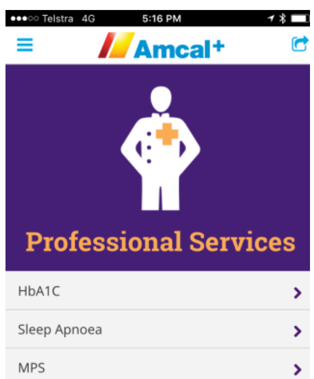
- Sigma leads market consolidation –
  - Over 700 branded pharmacies
  - More than 500 independent pharmacies
- Sigma has almost 20%# pharmacy retail market share
  - equates to $3bn of retail sales
  - five percentage points ahead of the next largest player
- Like for like sales up 7.2% across Sigma branded pharmacies (Amcal, Guardian, Discount Drug Stores, Pharmasave and Chemist King)
- Building capability to leverage our scale and capacity

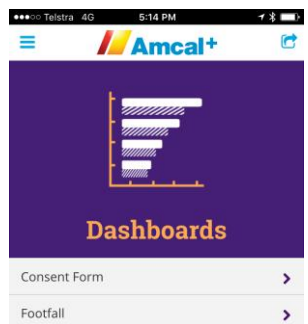
Per IBISWorld market research

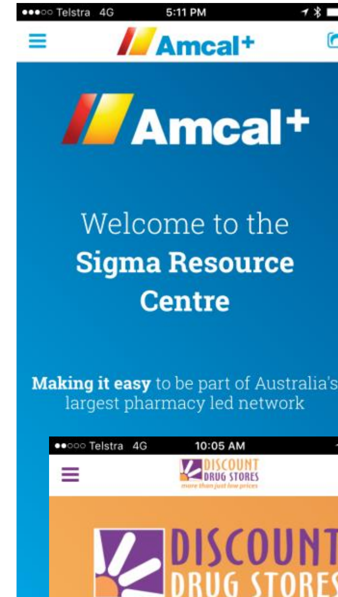
Sigma brand member support

Sigma offers more than 30 structured programs to support its unique retail footprint of more than 700 branded pharmacies

- Deliver improved buying for Sigma customers
- Financial support services for pharmacy, leveraging banking relationships
- Largest range of Private and Exclusive Label products
- Dispensing and Professional Services programs
- Comprehensive range of marketing programs







Continued investment in Distribution Centres

- Queensland DC –
  - Construction commenced in April 2016
  - Expected to be operational in last quarter of CY2017
  - $65m capital expenditure

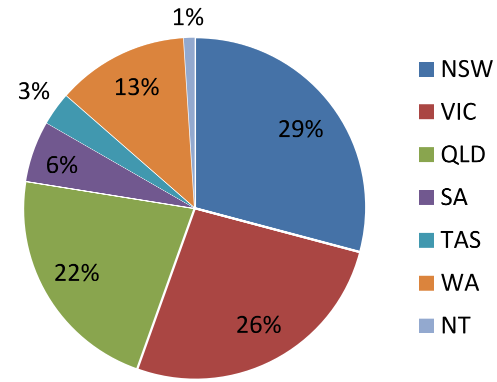
- Network optimization review continues

- Key outcomes
  - Expanded capacity and capability
  - Step change in productivity

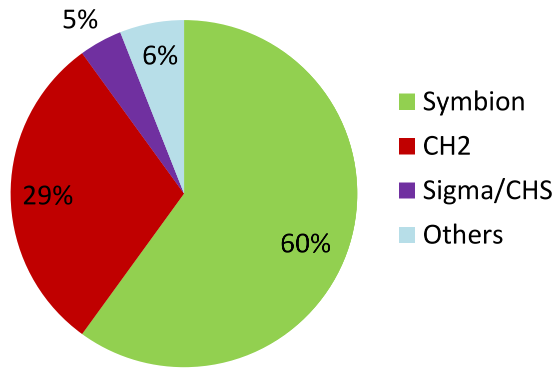
Hospital Pharmacy – the opportunity

- Pharmaceutical hospital wholesaling market exceeds $3.0bn*
  - Mkt growth +34%*, with Hep C drugs having a significant impact on market
- Sigma / CHS presence continues to show strong growth
  - up 75% (inc. Hep C) for 1H17
- Key drivers are Hep C, further growth in Victoria and entry into NSW market (Sigma / CHS now listed on NSW Hospitals tender)
- Expect annual run rate to be $200+ million of revenue by year end

Market Size by State



Market Shares



*Source: IMS MAT July 2016

Our entry into China

- ➢Launched 6 June 2016;
- ➢Operational partnership with Azoya, driving strong visitation numbers;
- ➢Over 7,000 SKU's available, leading to strong breadth of products being sourced;
- ➢No fulfilment or FX risk to Sigma;
- ➢First half sales double expectations

Outlook

Mark Hooper, CEO and Managing Director

SIGMA

Sustained pipeline of growth

	Performance Drivers	FY17	FY18	FY19	FY20
Core business	Organic Growth	✓	✓	✓	✓
BAU improvements	DC optimisation program			✓	✓
	Project Renew		✓	✓	✓
	Improved retail compliance and buying programs	✓	✓	✓	✓
New business	Hospitals/3PL growth	✓	✓	✓	✓
	Acquisitions and expansion into adjacencies		💡	💡	💡

Deliver at least 5% per annum EBIT growth

Continued momentum drives strong outlook

- FY17 - Upgrading forecast Underlying EBIT growth to 10%
- FY18 - Maintaining Underlying EBIT growth expectation of at least 5%
- Non-PBS revenue / earnings will continue to be the driver
- Stronger ROIC driven by higher earnings and reduction in CCC
- Strong Balance Sheet and expect net cash by January 2017
- High Dividend Payout Ratio expected to be maintained

Thank you

SIGMA

Appendix 1 – ROIC Reconciliation

SIGMA

$'m	As at 31-Jan-11	As at 31-Jul-11	As at 31-Jan-12	As at 31-Jul-12	As at 31-Jan-13	As at 31-Jul-13	As at 31-Jan-14	As at 31-Jul-14	As at 31-Jan-15	As at 31-Jul-15	As at 31-Jan-16	As at 31-Jul-16
Net Assets (as per Balance Sheet)	832.9	676.8	682.5	669.0	610.8	572.9	578.8	568.8	573.0	550.1	553.7	551.0
Less:												
Cash and cash equivalents	-556.9	-135.8	-148.6	-145.8	-112.7	-151.9	-67.5	-34.7	-34.3	-45.6	-17.4	-40.8
Add back												
Interest bearing liabilities [1]	354.8	47.3	35.0	20.0	30.0	125.0	-	0.6	0.6	60.5	74.1	96.0
Capital employed	630.8	588.3	568.9	543.3	528.1	546.0	511.3	534.7	539.3	564.9	610.3	606.2
Rolling 12 months EBIT	$46.7 [2]	54.47 [2]	70.3	67.3	71.1 [3]	64.5 [3]	74.7 [4]	79.6 [5]	78.4 [5]	86.1 [56]	89.1 [56]	96.4
Underlying ROIC	7.3%	9.3%	12.4%	12.4%	13.5%	11.8%	14.6%	14.9%	14.5%	15.2%	14.6%	15.9%

[1] excludes Gateway liability

[2] EBIT is calculated on an underlying basis for the continuing business

[3] EBIT excludes Net Litigation settlement expense

[4] EBIT excludes Net Litigation settlement expense and acquisition expenses

[5] EBIT excludes acquisition expenses

[6] EBIT excludes acquisition expenses, loss on recognition of contingent consideration from prior year acquisitions, amortisation of other intangibles associated with prior year acquisition and includes share of EBIT of equity accounted investees

[8] EBIT excludes litigation settlement expense before tax

Appendix 2 – Reported to Underlying Reconciliation

Financial Performance

The Group consolidated net profit after tax (NPAT) for the half year ended 31 July 2016 of $23,881,000 was up 26.4% from the prior period ($18,886,000).

^ includes share of profit/(loss) of equity accounted investees after tax of $198,000.

	31 July 2016 $'000	31 July 2015 $'000
Reported NPAT	**23,881**	18,886^
Add back:		
Litigation settlement expense after tax	**7,958**	-
Loss on recognition of contingent consideration from prior year	**-**	7,784
Amortisation of other intangibles acquired in acquisition	**-**	940
Underlying NPAT	**31,839**	27,610
Less: Non-controlling interests	**188**	(42)
Underlying NPAT attributable to owners of the company	**31,651**	27,652

	31 July 2016 $'000	31 July 2015 $'000
Reported EBIT	**37,297**	32,295
Add back:		
Litigation settlement expense before tax	**11,368**	-
Loss on recognition of contingent consideration from prior year	**-**	7,784
Amortisation of other intangibles acquired in acquisition	**-**	940
Share of profit/loss of equity accounted investees before tax	**-**	294
Underlying EBIT	**48,665**	41,313
Less: Non-controlling interests before interest and tax	**285**	(40)
Underlying EBIT attributable to owners of the company	**48,380**	**41,353**

^ includes share of profit/(loss) of equity accounted investees after tax of $198,000.