



2019 FULL YEAR RESULTS

THURSDAY 24 OCTOBER 2019

Important notice

The information provided is general in nature and is in summary form only. It is not complete and should be read in conjunction with the Group's financial report and market disclosures. This material is not intended to be relied upon as advice to investors or potential investors.

Non-IFRS information

- Other than as indicated, the financial information contained in this document is directly extracted or calculated from the Group's financial report. Throughout this document some non-IFRS financial information is stated, excluding certain specified income and expenses. Results excluding such items are considered by the Directors to provide a meaningful basis for comparison from period to period. We believe these non-statutory measures provide useful information to understand the financial performance of the Group, but should not be considered as an indication of, or substitution for, reported information.
- Earnings before interest, tax, depreciation and amortisation (EBITDA), a non-IFRS term, is considered by Directors to be a meaningful measure of the operating earnings and performance of the Group and this information may be useful for investors.
- The non-IFRS financial information has not been audited or reviewed by the Group's auditors.

Forward looking statements

- This presentation contains forward-looking statements that involve subjective judgement and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to the Group. These forward looking statements use words such as 'potential', 'expect', 'anticipate', 'intend', 'plan' and 'may' and other words of similar meaning. No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement by any person (including the Company). Actual future events may vary materially from the forward looking statements and the assumptions on which the forward looking statements are based. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements. Subject to the Company's continuing disclosure obligations at law and under the listing rules of the Australian Securities Exchange, the Group disclaims any obligation to update or revise any forward looking statements. The factors that may affect the Group's future performance include, among others: changes in economic conditions, changes in the legal and regulatory regimes in which the Group operates, litigation or government investigations, decisions by regulatory authorities, changes in behaviour of major customers, suppliers and competitors, interruptions to manufacturing or distribution, and the Group's ability to protect its intellectual property.

Refer to Appendix 1 for further information.



GROUP PERFORMANCE

RICHARD VINCENT
CEO & MANAGING DIRECTOR

Portfolio of complementary health and beauty assets delivering growth

LEVERAGE EXISTING INFRASTRUCTURE AND MARKET EXPERTISE

Pharmacy Distribution to deliver stable ROCE and cash generation

Evolve **Priceline Pharmacy** offer to address customer changes

Expand **Clear Skincare** network and grow profitability

Build **Consumer Brands** portfolio and earnings contribution

FINANCIAL STRENGTH AND STABILITY

FY19 Results snapshot

HIGHLIGHTS FOR FY19

- EBIT up 14.1% on prior year
- Balance sheet strong which provides flexibility
- Growth assets continue to perform well
- Priceline like-for-like sales +0.7%
- Total dividend payment of 7.75¢ for the year a 3.3% increase on prior period

Revenue
excluding Hep C & PBS

\$4.0bn
+4.1%



EBIT

\$94.0m
+14.1%



NPAT

\$56.6m
+17.4%



Basic EPS

11.2¢
+14.3%



Final dividend

4.0¢/share

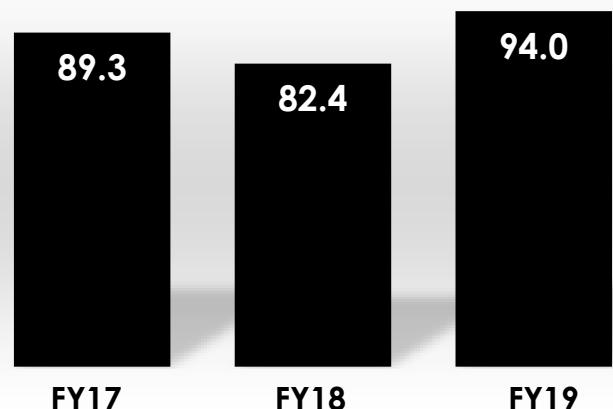


FINANCIAL RESULTS

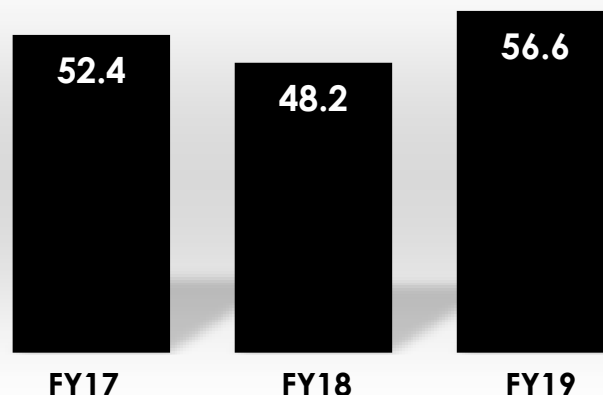
PETER MENDO
CHIEF FINANCIAL OFFICER

Financial overview

EBIT \$m



NPAT \$m



STRONG OPERATIONAL RESULT

- EBIT up 14.1% on prior year; Underlying EBIT up 3.9% on prior year
- NPAT up 17.4% on prior year; Underlying NPAT up 3.2% on prior year
- Growth in market share and contribution from each of Priceline Pharmacy, Consumer Brands and Clear Skincare businesses and solid result from the pharmaceutical wholesaling business
- Excluding Clear Skincare, cost of doing business steady



Debt and working capital

WORKING CAPITAL NORMALISED

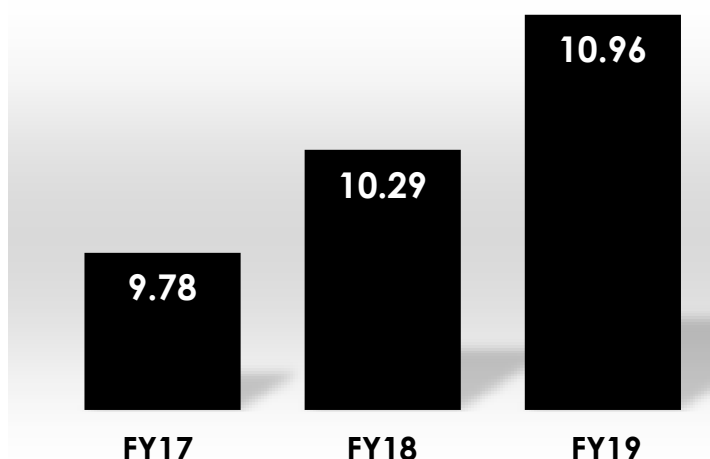
- Working capital cash conversion days have normalised post the half year result and in line with prior periods
- Cash performance was strong in 2H reflecting the focus on working capital
- Reported net debt moved from \$55.9m in August 2018 to \$199.1m in August 2019, reflecting:
 - \$85.9m debt associated with the Sigma Healthcare shareholding
 - \$21.9m Consumer Brands inventory at year end supporting growth
 - \$10.0m additional capex relating largely to Clear Skincare clinic spend
- Net finance costs were \$20.3m; when excluding the interest costs from the Clear Skincare acquisition and the Sigma Healthcare share acquisition net finance costs would have been \$14.5m

Working Capital ¹	FY18	HY19	FY19
Trade Debtor Days	39.6	37.2	39.2
Inventory Days	37.2	38.8	39.3
Trade Payable Days	56.4	46.7	57.4
Cash Conversion Days	20.4	29.3	21.1

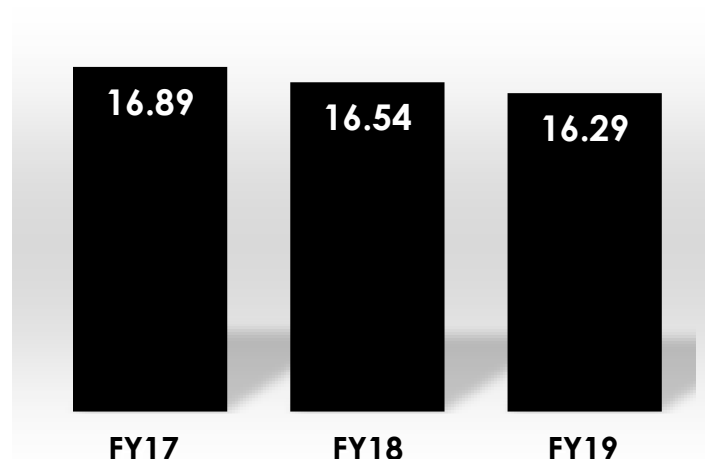
¹ Refer to Appendix 1 for all definitions

Capital management

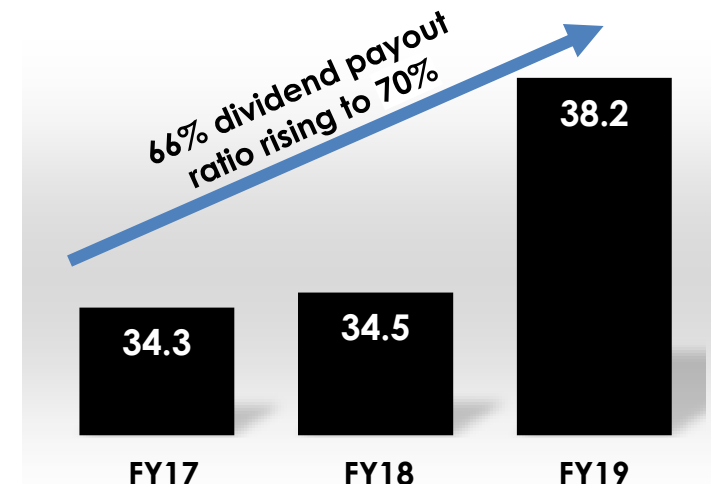
Underlying ROE¹%



Underlying ROCE¹%



Dividends paid \$m



RETURNS TO SHAREHOLDERS CONSISTENTLY STRONG

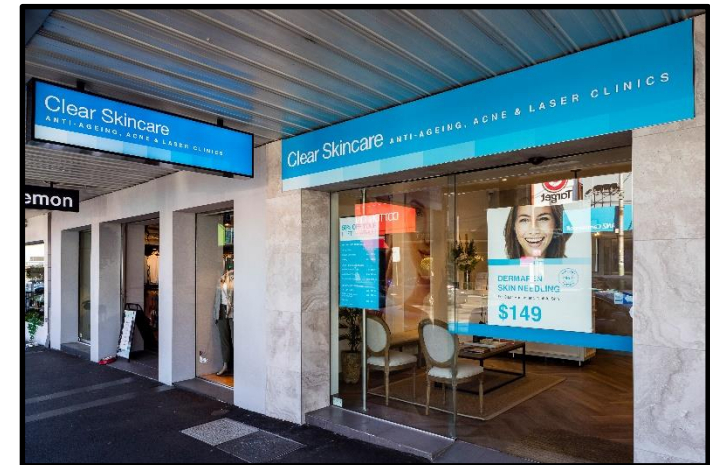
- ROE reflects primarily the addition of Clear Skincare and the growth in Consumer Brands
- ROCE reflects the additional inventory held during the year which is now broadly normalised noting an increase in Consumer Brands inventory at year end
- Total dividend for the year and payout ratio increased on prior year

¹ Refer to Appendix 1 for all definitions

Capital management

CAPITAL MANAGEMENT OUTLOOK

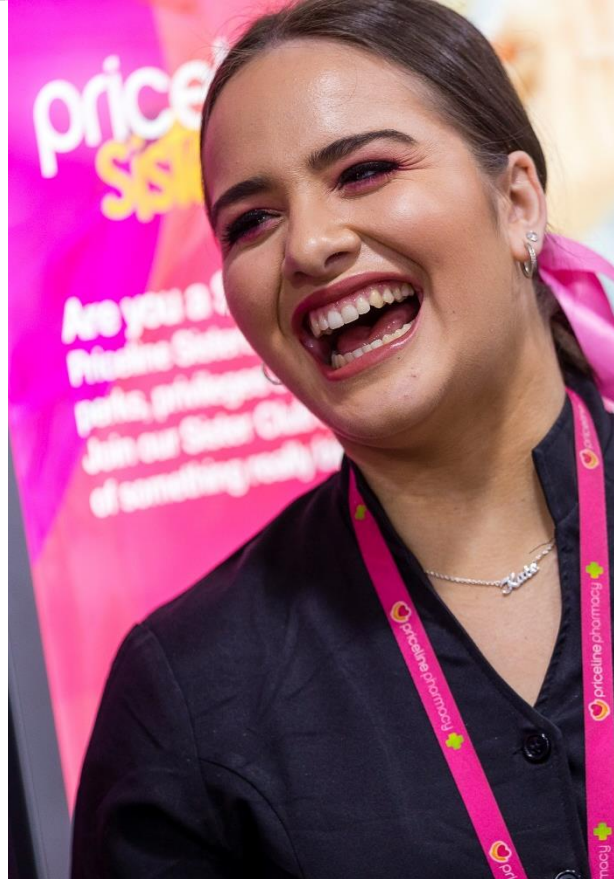
- Capex to remain at current levels excluding the Sydney DC - plans are in the early stages
- Continue to review our strategic holding in Sigma
- Clear Skincare acquisition put and call payments due in September 2020 and 2021





OPERATIONAL UPDATES

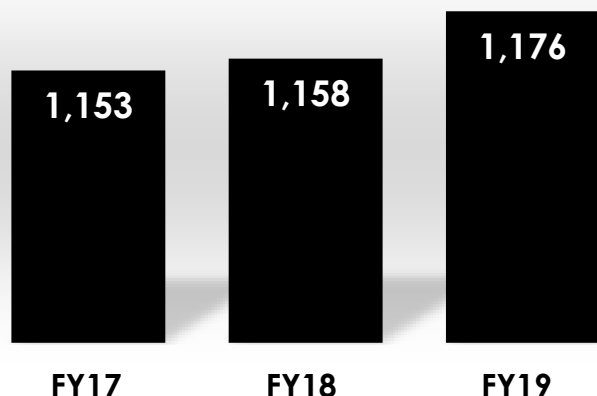
RICHARD VINCENT
CEO & MANAGING DIRECTOR



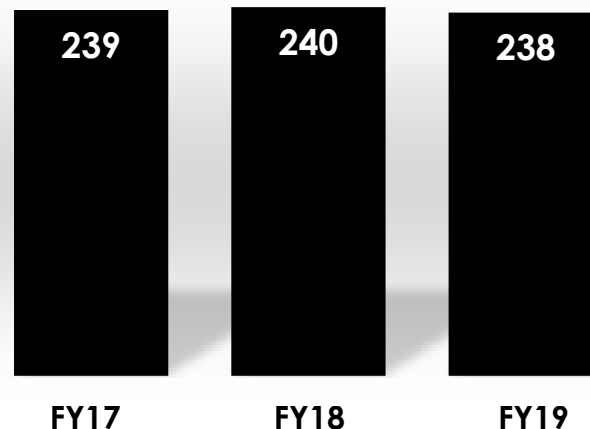
Priceline Pharmacy

Priceline Pharmacy results

Retail Register Revenue¹ \$m



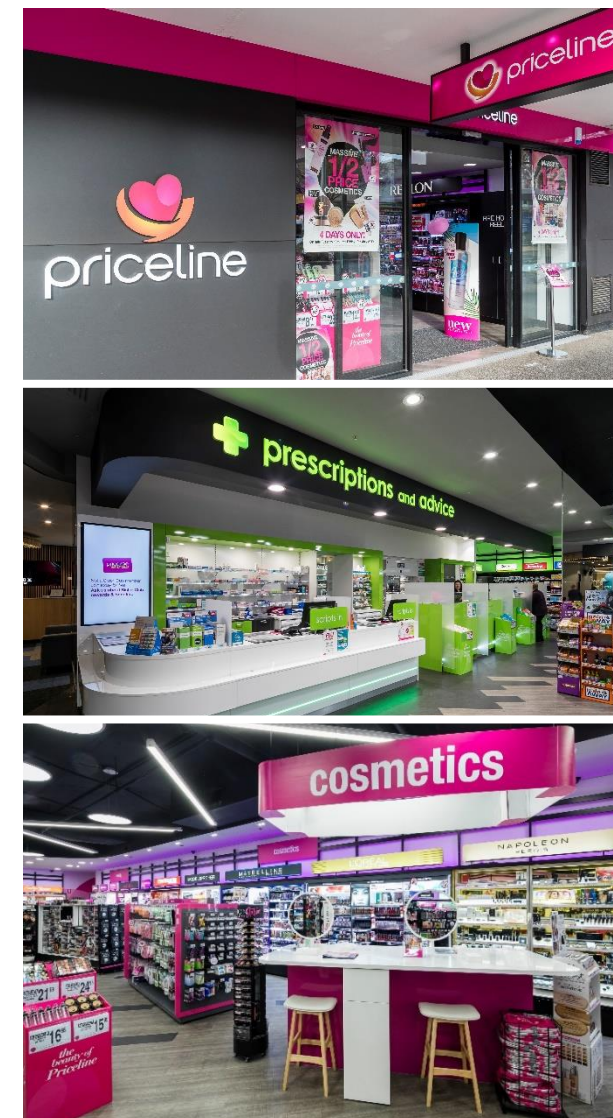
Retail GP \$m



GROWTH IN REVENUE AND LIKE-FOR-LIKE SALES

- Retail Network Revenue totalled \$2.2 billion, up 2.4%
- Retail Register Revenue totalled \$1.2 billion, up 1.5%
- 0.7% like for like sales for the full year
- Gross Profit reflects 7 company store closures
- Increase in store numbers to 488 from 475 at the end of FY18

¹ Refer to Appendix 1 for all definitions



Priceline Pharmacy results

RETAIL CONTINUES SOLID RESULTS

- Activity has resulted in continued **growth in basket size**
- **Total market share up** with skincare, OTC health and vitamins growing
- Focus remains on the **in store experience** and broader buying options - **click and collect to commence this year**
- Continue to expand the colour cosmetics category with new **exclusive brands** adding to sales growth
- **Sister Club** program continues to perform with more exclusive rewards on offer
- Franchise partner **sentiment** remains very strong



CLUB  PREMIUM

Our exclusive
club for
independent
pharmacies



Professional Services Program

NEW



Pain Management



Diabetes Check/
Diabetes Management



Personalised Medication
Packing



Vaccination Services



Soul Pattinson Chemist

Our health
and wellbeing
pharmacy
model



[Catalogue](#) [Products](#) [Health Info](#) [Free Health Check](#) [soul + rewards](#) [Store Locator](#) [About Us](#)



Pharmacist Advice



Our professional
services
pharmacy
model



+ PHARMACY
BESTBUYS

Pharmacy Best Buys

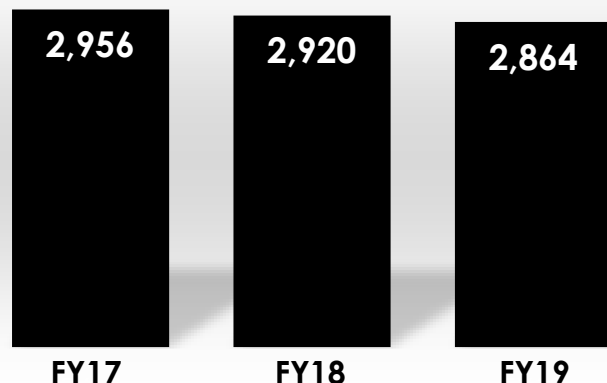
is a catalogue program to
keep you up to date on
valuable products and
great specials at your local
pharmacy.



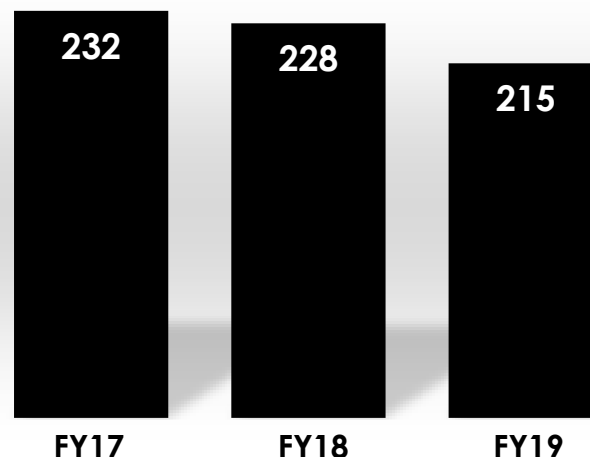
Pharmacy Distribution

Pharmacy Distribution results

Revenue \$m



GP \$m



STABLE MARKET SHARE

- Adjusted Pharmacy Revenue¹ up 4.2%
- Very competitive market and we continue to hold our market share
- Margin pressure reflects structural industry issues
- Strong support for CSO model with Astra Zeneca exiting direct distribution

¹ Refer to Appendix 1 for all definitions

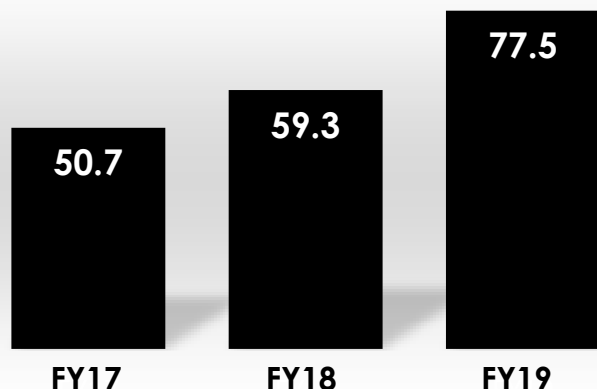




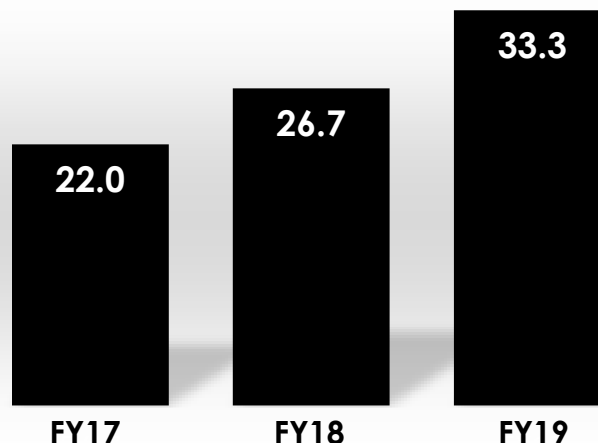
Consumer Brands

Consumer Brands results

Revenue \$m



GP \$m



MARKET SHARE AND MARGIN GROWTH CONTINUE

- Consumer Brands gross profit up 24.7%
- Healthcare growth reflecting broader range – 370 SKUs with significant growth in cough and cold, decongestants, eye drops
- Further growth expected with upcoming new product launches





Clear Skincare

Clear Skincare results

FIRST FULL YEAR REFLECTS STRONG GROWTH

- Revenue \$45.6m¹ and 20% increase on pcp prior to full year of ownership
- Gross Profit \$37.9m¹ for the full year
- 52 clinics at year end up from 44 at prior year, with further recent openings
- Product sales across Priceline network strong and growing
- Strong last quarter sales and clinic growth providing a good launchpad for FY20
- Gaining further benefits from the API group and extracting synergies
- Growth opportunities remain strong from new clinics, new offerings, customers in existing clinics and broadening distribution of the product range

¹ API share



FY20 Outlook

- Strategy will continue to deliver growth
- We continue to leverage our expertise across complementary businesses
- Solid working capital management resulting in a Balance Sheet that supports our strategy



Appendix 1a ASIC

ASIC Regulatory Guide 230 Disclosing non-IFRS financial information

In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Australian Pharmaceutical Industries Limited is required to make a clear statement about the non-IFRS information included in the Profit announcement and Full Year presentation for the period ending 31 August 2019.

In addition to statutory report amounts, the following non-IFRS measures are used by management and the directors as the primary measures of assessing financial performance of the Group and Individual Segments:

- Underlying Return on Capital Employed (ROCE)
- Underlying Return on Equity (ROE)
- Underlying Pharmacy Revenue Growth
- Retail register revenue
- Retail network revenue
- Underlying NPAT

The Directors consider that these performance measures are appropriate for the purpose of presenting meaningful information on the underlying drivers of the continuing business.

Many of the measures used are common practice in the industry within which Australian Pharmaceutical Industries Limited operates. The Profit Announcement and Full Year presentation has not been audited or reviewed in accordance with Australian Auditing Standards.

Appendix 1b definitions

- EBITDA - Result from operating activities before depreciation and amortisation
- EBIT – Result from operating activities
- Underlying NPAT – Net Profit after Tax calculated with the adjustments as outlined in Appendix 1c
- Underlying EBIT – EBIT calculated with the adjustments as outlined in Appendix 1c
- Net Debt – Borrowings less cash and cash equivalents
- Underlying Return on Capital Employed (ROCE) – Underlying EBIT/Average Total Capital Employed excluding the impact of the Sigma shareholding
- Underlying Return on Equity (ROE) – Underlying NPAT/Average Equity excluding the after tax impact of the Sigma shareholding
- Retail network revenue – all register sales in franchise and company stores in the Priceline/Priceline Pharmacy brand, including dispensary sales. Register sales 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 by franchisees do not form part of the results of the consolidated entity
- Retail revenue – revenue generated by the Retail business of API and included in the Segment Note to the Statutory Accounts
- Adjusted Pharmacy Revenue – revenue calculated on sales before any PBS price changes that occur as directed by the Federal Department of Health, and excluding Hepatitis C medicine sales
- Working Capital days are calculated excluding the impact of API Rewards on Trade Debtor and Trade Creditor balances

Appendix 1c 2019 income statement

\$M AUD	FY19	FY18	Change
Revenue	4,010.7	4,026.3	-0.4%
Gross Profit	518.3	496.7	4.3%
Less Operating Costs net of other income	424.3	414.3	2.4%
EBIT	94.0	82.4	14.1%
Less Financing Costs	20.3	12.4	63.7%
Less Tax Expense	17.2	21.8	-21.1%
NPAT pre adjustment	56.6	48.2	17.4%
Add back business acquisition & restructure costs	-	6.6•	
Underlying NPAT	56.6	54.8	3.2%

- The equivalent pre-tax adjustment to EBIT is \$8.1m



2019 FULL YEAR RESULTS