

# **SIGMA PHARMACEUTICALS LIMITED**

ANNUAL GENERAL MEETING 3RD MAY 2017



# BRIAN JAMIESON

CHAIRMAN

# STRONG FINANCIAL PERFORMANCE REWARDS SHAREHOLDERS

## FY17 HIGHLIGHTS

Revenue

**\$4.37**

billion

Up 26.2%\*

(A\$million)



\*Up 6.3% excluding hepatitis C

NPAT<sup>#</sup>

**\$66.9**

million

Up 13.0%

(A\$million)



<sup>#</sup>Reported NPAT was \$53.2m, impacted by the one off insurance premium recovery and doubtful debt provision. <sup>#</sup>Underlying. Refer to Appendix 1 & 2 for a reconciliation of Reported to Underlying.

- Maintained High Dividend Payout Ratio – 89% of underlying earnings
- Total dividend for the year increased to 5.5 cents per share
- Invested in programs, products and services to support our customers
- Delivered Total Shareholder Returns for the year of 51%

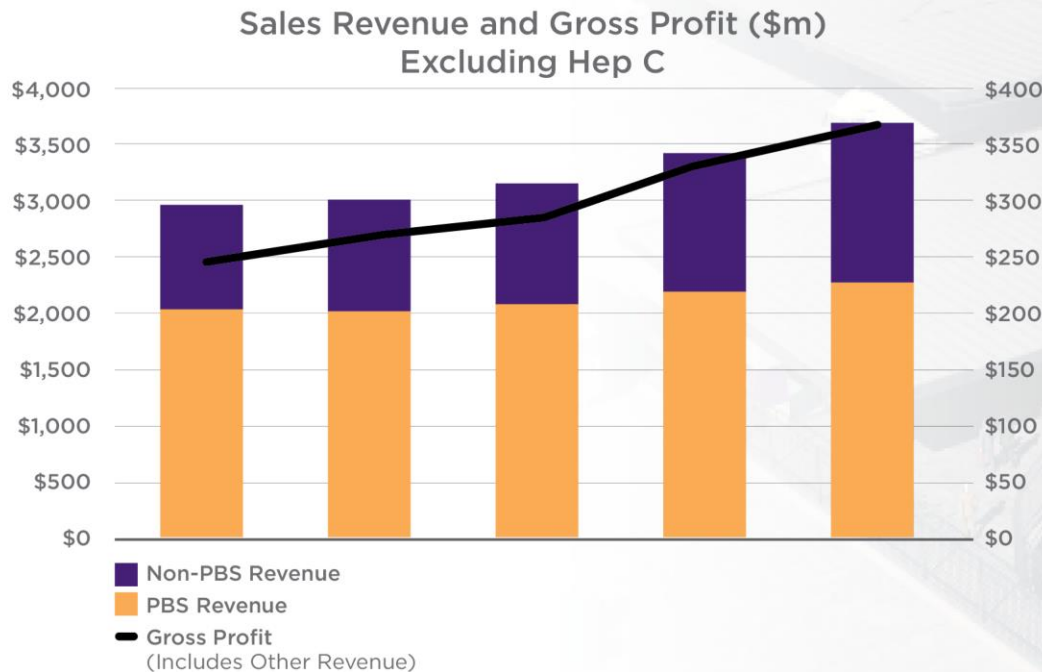
# STRATEGIC AREAS OF DISCUSSION

- Regulatory environment and our strategic direction
- Our commitment to investing in our business
- Our Capital Management strategy



# REGULATORY ENVIRONMENT AND STRATEGIC DIRECTION

- Government reviews continue
- Our strategy is about diversifying our business by growing non-PBS earnings
- We are investing to strengthen our business



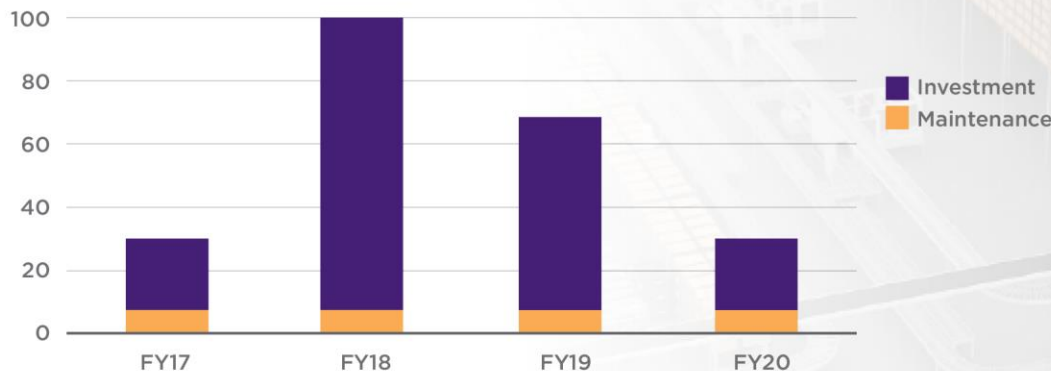
Strategy continues to target 50% of earnings from non-PBS activities



# INVESTING IN OUR BUSINESS

- Continued implementation of our strategy
- Includes the drive to invest in adjacent opportunities
- Investing in our distribution network and enhanced capabilities

Forecast Capital Expenditure (A\$m)

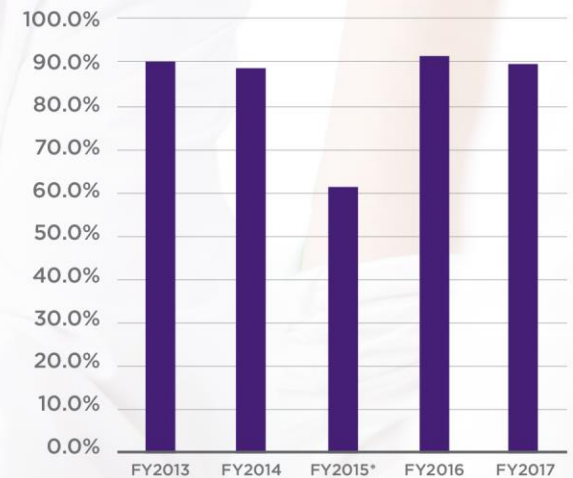


# CAPITAL MANAGEMENT

- Strong balance sheet to support investment
- Only \$8.7 million net debt at year end
- High dividend payout ratio maintained
- Share buy-back program refreshed up to another 10%



Dividend Payout Ratio (Underlying)

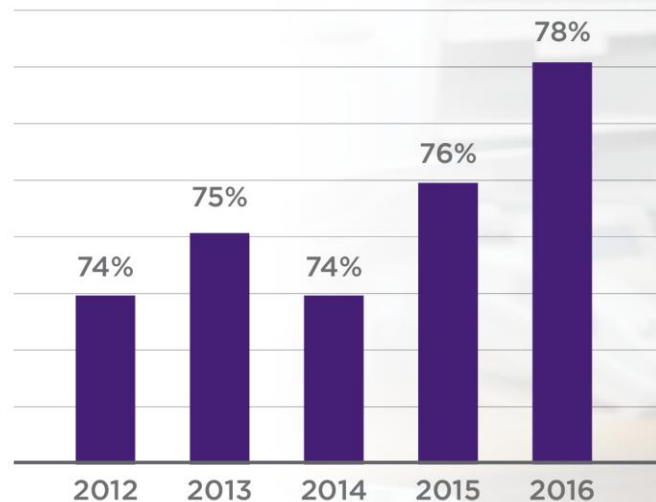


\*FY15 impacted by the lack of franking credits

# VALUING OUR TEAM

- Diversity is embraced across Sigma
- Health and Safety in the workplace is embedded in our culture
- Around 63% of our workforce are Sigma shareholders

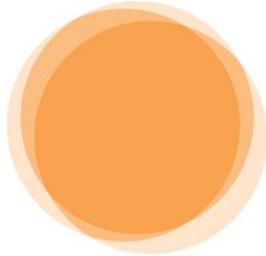
Team Member  
Satisfaction Rating





# SUPPORTING THE COMMUNITY

SUMMER  
FOUNDATION



Supporting young people with  
acquired disability that are forced  
to live in aged care.

[www.summerfoundation.org.au](http://www.summerfoundation.org.au)



Supporting the carers in the  
community that support those in  
need.

[www.carersaustralia.com.au](http://www.carersaustralia.com.au)

# MARK HOOPER

MANAGING DIRECTOR AND CEO



# UNDERLYING EBIT EXCEEDS \$100M / ROIC STRONG

## FY17 HIGHLIGHTS

**EBIT#**  
**\$100.2**  
million

Up 12.4%

(A\$million)



- ROIC remains a strong focus
- Working Capital improved, and cash conversion cycle at a record level of 31 days
- Investment program is now well advanced

**ROIC#**  
**16.8**  
percent

Up from  
14.6%

(Percentage)



Reported EBIT was \$80.9m, impacted by the one off insurance premium recovery and doubtful debt provision.

#Underlying. Refer to Appendix 1 & 2 for a reconciliation of Reported to Underlying

# WE DELIVER ON OUR PROMISES

PROMISE	DELIVERED	
Grow EBIT by at least 5% for the next two years	<ul style="list-style-type: none"> <li>FY17 Underlying<sup>#</sup> EBIT up 12.4%</li> </ul>	✓
Grow non PBS earnings	<ul style="list-style-type: none"> <li>Non-PBS revenue up 10.2%</li> <li>Other revenue up 9.7% to \$77.2m</li> </ul>	✓
Maintain strong balance sheet	<ul style="list-style-type: none"> <li>Net debt of \$8.7m</li> <li>Continued capacity to invest to support pharmacy customers and reward shareholders</li> </ul>	✓
Improve capital management	<ul style="list-style-type: none"> <li>Cash Conversion Cycle improved by 20 days (15 days excluding Hep C) – now at a record low</li> <li>Underlying ROIC<sup>#</sup> improved to 16.8%</li> </ul>	✓
Reward shareholders	<ul style="list-style-type: none"> <li>Final Dividend of 3.0 cents brings total for the year to 5.5 cents per share, up from 5.0 cents</li> <li>Share price up 44% from 1 Feb 16 to 31 Jan 17</li> </ul>	✓

<sup>#</sup>Underlying. Refer to Appendix 1 & 2 for a reconciliation of Reported to Underlying



# EXTENDING OUR REACH IN ASIA

- Launched 6 June 2016, partnering with Azoya
- Sales to China have more than doubled initial expectations
- Ready to launch into Hong Kong



# INVESTING FOR SUSTAINABLE GROWTH

- Project Renew - to drive operational efficiency and effectiveness
- Strategy and Business Development - to more actively seek opportunities to expand
- Established a national hospital pharmacy footprint
- Investing in business solutions to improve capability across out network



Making it easy to be part of  
Australia's largest pharmacy  
led network.



# GOVERNMENT REGULATION

- Continued engagement with Government and other relevant stakeholders
- Seeking policy that will deliver long term sustainability to the industry
- Critical for the Government's own National Medicines Policy
- Seeking a model that partially de-links remuneration from the price of what is distributed



## OUR NEW IDENTITY

- Changing to better reflect our business and our strategy as a more holistic healthcare company
- Connecting health solutions encapsulates our business today and our aspirations
- Will also change ASX code from SIP to **SIG** on 4 May 2017
- New website address - [sigmahealthcare.com.au](http://sigmahealthcare.com.au)





**THANK YOU**

# APPENDIX 1 – ROIC RECONCILIATION

\$m	31/01/15	31/07/15	31/01/16	31/07/16	31/01/17
Net Assets (as per Balance Sheet)	573.0	550.1	553.7	551.0	538.6
Less:					
Cash and cash equivalents	-34.3	-45.6	-17.4	-40.8	-24.4
Add back:					
Interest bearing liabilities <sup>1</sup>	0.6	60.5	74.1	96.0	33.2
Capital employed	539.3	564.9	610.3	606.2	547.3
Rolling 12 months EBIT	78.4 <sup>1</sup>	86.1 <sup>1,2</sup>	89.1 <sup>1,2</sup>	96.4 <sup>1,2</sup>	92.0
Underlying ROIC <sup>3</sup>	14.5%	15.2%	14.6%	15.9%	16.8%

<sup>1</sup> EBIT excludes acquisition expenses

<sup>2</sup> EBIT excludes acquisition expenses, loss on recognition of contingent consideration, amortisation of other intangibles associated with prior year acquisition and includes share of EBIT of equity accounted investees

<sup>3</sup> Underlying pre-tax ROIC is based on the last 12 months of earnings (EBIT) excluding one off litigation settlement expenses before tax and earnings from non-controlling interest.



## APPENDIX 2 – REPORTED TO UNDERLYING RECONCILIATION

### Financial performance

The Group consolidated net profit after tax (NPAT) for the year ended 31 January 2017 of \$53,184,000 was up 5.3% from the prior year (\$50,502,000).

	31/01/17 \$'000	31/01/16 \$'000
<b>Reported NPAT attributable to owners of the company</b>	<b>53,184</b>	50,502
Add back:		
Litigation settlement expense after tax	7,958	-
Provision for doubtful debtors - single pharmacy group	5,783	-
Additional contingent consideration from prior year acquisitions	-	7,784
Amortisation of other intangibles acquired	-	940
<b>Underlying NPAT</b>	<b>66,925</b>	59,226

## APPENDIX 2 – REPORTED TO UNDERLYING RECONCILIATION

	31/01/17 \$'000	31/01/16 \$'000
<b>Reported EBIT</b>	<b>80,955</b>	80,071
Add back:		
Litigation settlement expense after tax	11,368	-
Provision for doubtful debtors - single pharmacy group	8,262	-
Additional contingent consideration from prior year acquisitions	-	7,784
Amortisation of other intangibles acquired	-	940
Share of EBIT of equity accounted investees before tax	-	300
<b>Underlying EBIT</b>	<b>100,585</b>	89,095
Less: Non-controlling interests	(357)	79
<b>Underlying EBIT attributable to owners of the company</b>	<b>100,228</b>	89,174