

CHAIRMAN'S REPORT

I am pleased to present to you Sigma's Annual Report for 2016/17.

The 2016/17 financial year was another successful period for Sigma. We continued to deliver strong financial results, achieved from committed and sustained efforts to drive improved operational performance. We also invested in our business to provide an improved platform to drive shareholder returns into the future.

Financial Performance

The current year financial results have been achieved from a combination of improved underlying business performance and our ongoing focus on diversifying our earnings.

Particular highlights include:

- Revenue of \$4.366 billion, up 26.2%.
- Underlying NPAT of \$66.9 million, up 13.0%.
- Underlying Return on Invested Capital of 16.8%.
- Earnings per share of 5.4 cents.
- Dividend per share of 5.5 cents.

Whilst it was disappointing to have a \$20 million impact on reported earnings from what are largely remnants of historical

issues, these are one-off impacts that do not detract from the strength of the underlying business.

Strategic Direction

Your management and Board have a clear strategic intent to continue to grow our business and diversify our earnings to be less reliant on PBS-related income.

To support this, we have expanded our business presence around three healthcare streams – retail pharmacy services, supply and logistics services, and hospital services, supported by a unified Board and management team.

The acquisition of Discount Drug Stores, PharmaSave and Chemist King have exceeded their original acquisition business case and, combined with our Amcal+ and Guardian brands, have ensured Sigma has the largest branded pharmacy network in Australia. This creates great opportunities to work with our pharmacy members to continue to shape the future of pharmacy.

Our acquisition of Central Healthcare Services (CHS) provided a differentiated community pharmacy distribution model, but also fast-tracked our push into third party logistics and the hospital pharmacy

market. From a Victoria-only presence, we have invested in expanding to a national presence servicing hospital pharmacies across Australia. Early progress is encouraging and will continue to be a major focus in the years ahead.

We have embarked on a major infrastructure investment program designed to enhance our ability to service our customers across our network, drive operational efficiencies and ultimately deliver strong return on capital for our shareholders. This is a multi-year commitment to more efficiently and effectively support the healthcare needs of Australia.

Our strategy and business development team is also actively pursuing opportunities that add to our strategic direction and provide long term growth and sustainable returns for shareholders. This is an exciting phase in Sigma's long and proud history.

Regulatory Environment

Sigma is actively involved in working with government, industry bodies and other interested parties to help shape the industry and ensure it remains robust and sustainable.

The current Review of Pharmacy Remuneration and Regulation (PRRR) is a case in point. The PRRR is a critical review aimed at shaping the future operating and structural environment for the entire pharmacy supply chain. Sigma directly, and through our representative body National Pharmaceutical Services Association (NPSA), has made significant contributions to the PRRR and continues to engage with the review panel and government.



Whilst regulated PBS revenue remains core, we continue our efforts to diversify our business to be less reliant on growth from regulated earnings.

Capital Management

Your management and Board have maintained a disciplined approach to utilising what is a very strong balance sheet. At financial year end, our net debt of \$8.7 million and interest cover of over 20 times is very pleasing. This strong balance sheet puts Sigma in the position to be able to fund our capital investment program scheduled for the next three years.

Importantly, we do not expect this investment program to curtail our ability to fund expansion opportunities nor impact dividends paid to shareholders. What is more critical is our focus on disciplined capital management to ensure we drive an adequate return on capital employed.

Pleasingly, our continued improvement in operating performance was recognised by the financial markets, with Sigma's share price increasing by 49% compared to the ASX200 growing by 7% over the 2016 calendar year.

During the year Sigma also bought back and cancelled 4.2 million shares at a cost of \$4.99 million. Since commencement in October 2012, we have bought back 116.1 million shares at a total cost of \$86.6 million. Whilst we are approaching our initial program cap of 10% of shares on issue, your Board has unanimously agreed to refresh the program enabling up to an additional 10% of shares on issue to be bought back and cancelled.

Our Future

Sigma is well placed to continue our growth. We have a very long and proud history in the Australian pharmaceutical industry. Healthcare is core to what we do. We have built our business to now have the largest network of branded pharmacies nationwide. We have the largest market share in pharmacy wholesaling in Australia, and are expanding our presence in the hospital pharmacy market nationally. This puts Sigma in a unique position to continue to provide our customers, suppliers, service providers, consumers and the government with the best pathway to connecting healthcare solutions into the future.



Brian Jamieson
Chairman



Sales Revenue
\$4.37b

Underlying EBIT
\$100.2m

Underlying NPAT
\$66.9m

Underlying ROIC
16.8%

Net Debt at Year-end
\$8.7m