



# Sigma Pharmaceuticals Limited

Merrill Lynch Emerging Companies Conference

18 June 2009

Elmo de Alwis CEO/MD

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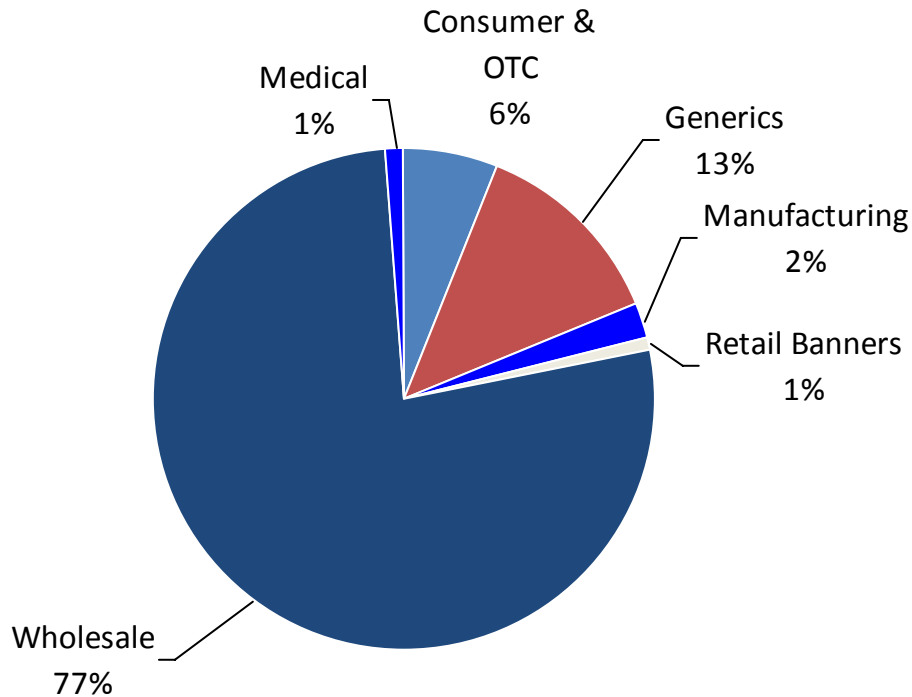
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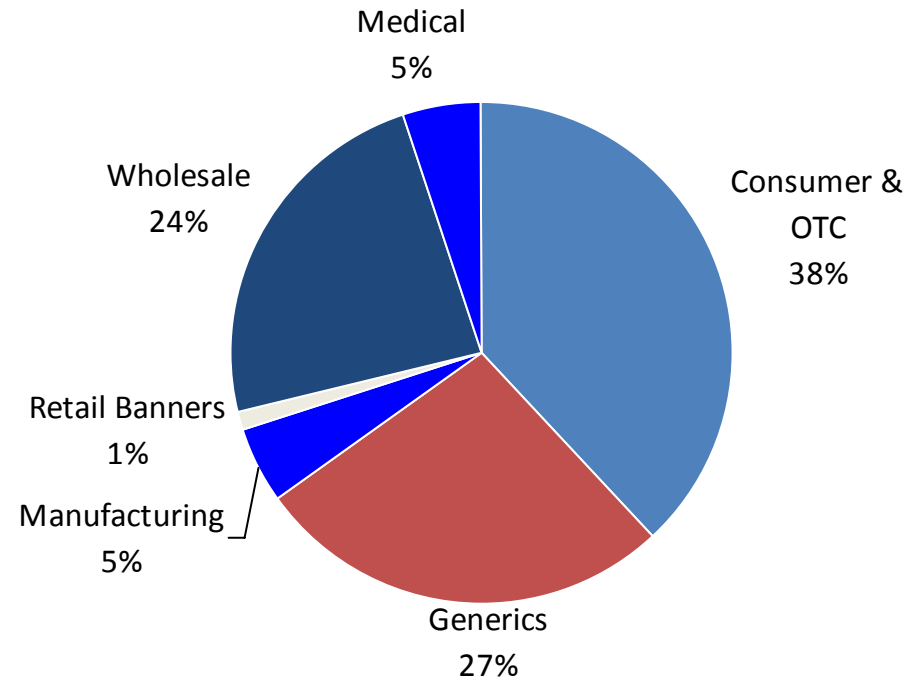
# Diversified earnings base 2009 - Divisional sales channel splits

### Group Sales % Split



78% of Sales - Healthcare  
22% of Sales - Pharmaceuticals

### Group EBITDA % Split



25% of EBITDA - Healthcare  
75% of EBITDA - Pharmaceuticals

## Company Goals:

- Maximise LT return to shareholders at an acceptable level of risk
- Achieve a ROIC of 13-15% pa
- Achieve sustainable EPS growth of 5%-10% pa

## Strategic Objectives:

1. Developing profitable, embracing customer relationships
2. Growing our brands
3. Identifying and commercialising innovative new products
4. Achieving operational excellence
5. Being the leading pharmaceutical manufacturer in Australia
6. Recruiting and developing high calibre employees
7. Operating as One Company

- August 2008 reforms
  - FTA's and F2T's
- Price monitoring
- 2009 Federal budget
  - New statin group
  - No other changes
- Guild Government Agreement
  - CSO & wholesaler margin

# Viability of generics market: tough economic times

- Pie gets bigger; Generic market size

2004

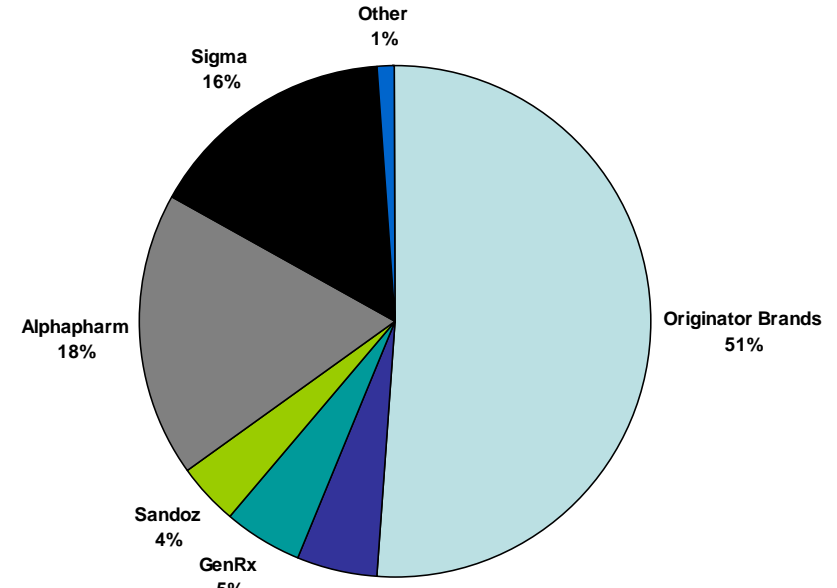
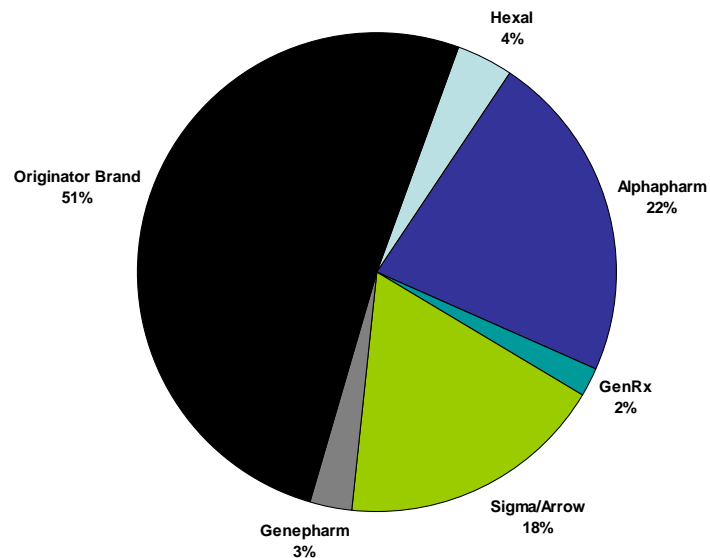
- PBS A\$6.5bn
- Generic market A\$0.9bn

2008

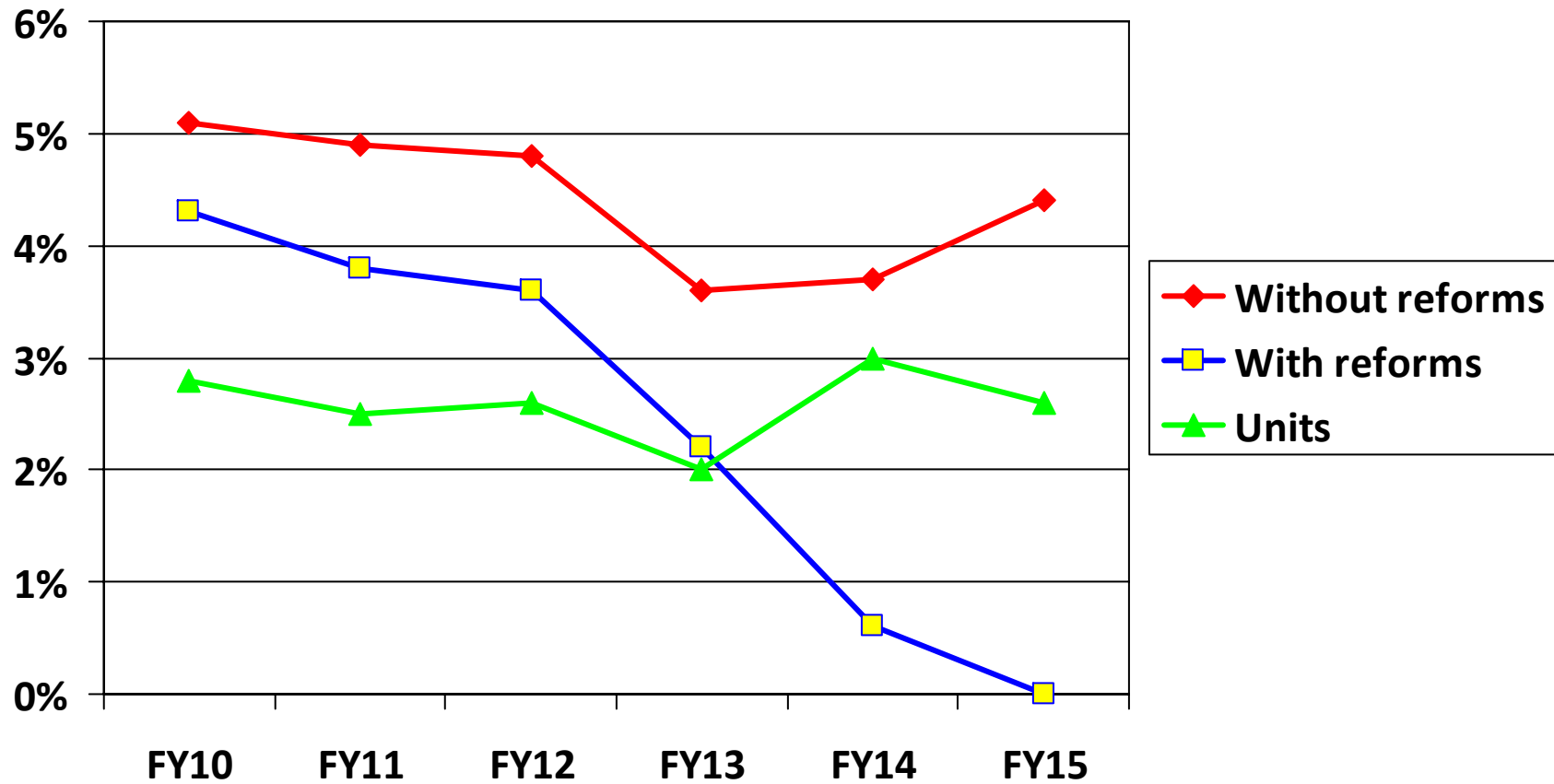
- PBS A\$7.1bn + 7% CAGR
- Generic market A\$2.0bn + 22% CAGR

# Viability of generics market: tough economic times

- Carving up a much bigger pie; but need more substitution
- Market share data – comparing 2006 to 2008



# Growth projections with/without Generic reforms



## Strong EBIT margin growth from pipeline

- Pipeline value creation
  - 10 new ethical generic products delivered in 2008/09
    - Dilasig (Carvedilol) and Felidol (Foledipine XR)
  - 12 scheduled for 2009/10
    - \$413m current PBS spend
- COGS reduction
  - Renegotiated or replaced supplier on 9 major molecules in 2008/09
  - 5 targeted for 2009/10
- PBS reforms
  - Approx one week lower inventory holdings post customer de-stocking
  - Statutory price reductions impact



- Restructured to incorporate Herron, Chemist Own, Private Label and other brands
- Accounts for 20% of pharmaceuticals market
- Strong consumer equity
- Innovative product launches
  - 8 new products in 2008/09



- Generics
  - Level of discounting remains high
  - Steady market share on existing portfolio
- Wholesale
  - No material change in market shares of participants post Zeullig
- OTC
  - Impact of GFC on discretionary expenditure being felt

- Litigation
  - Venlafaxine (Effexor) decision
  - Impact on pipeline of new products and 2009/10 profitability

- Plant rationalisation
  - Tennyson closure over next two years
  - Additional capex in Dandenong of \$9.6m
- Compliant retail model roll-out update



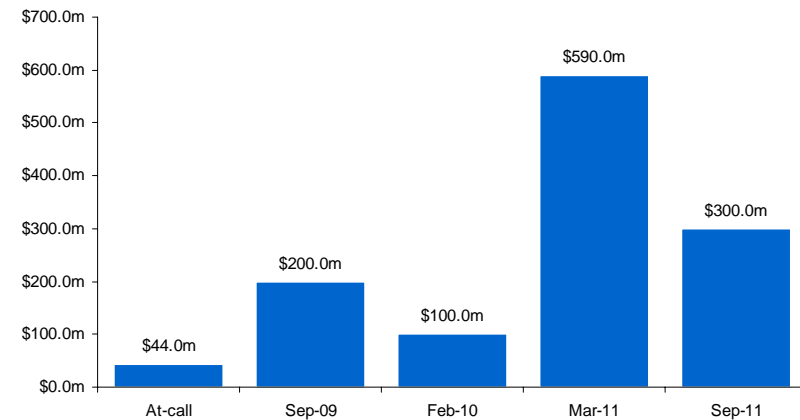
## Working capital optimisation - Debtor days update

- Forward charge wind-back
  - \$10m agreed with customers YTD
  - \$20m target for full year
- Partnership with Diners Card Australia
  - Non-recourse, co-branded card
  - Cash acceleration of \$100m+
  - Cost of funding in line with existing debt facilities
  - Go-live of August 2009
- In negotiations with another Card provider

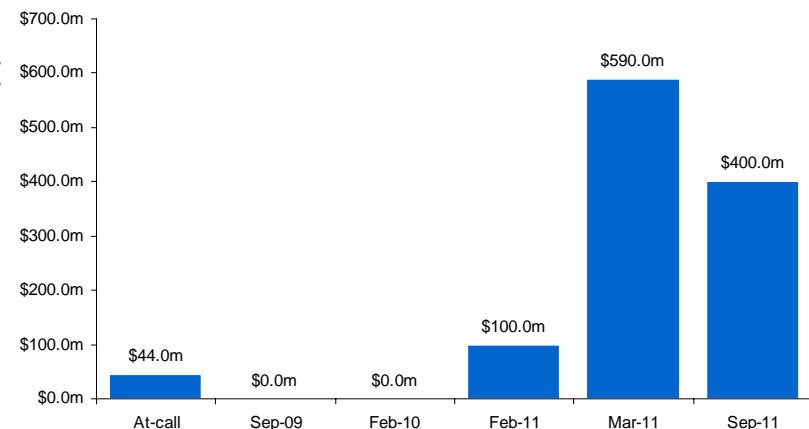
# Debt refinance risk mitigated

- Credit & pricing approval for refinance of Syndicated and Westpac (Waratah) programs
  - \$100m ▼ reflects WC improvements
  - \$100m of Sep 2009 Syndicated debt extended 24 months - pricing BBB
  - Ongoing support demonstrated by pro-rata hold levels
  - Westpac extended 12 months
  - Some tightening on Gearing covenant reflecting \$100m pay-down
  - Headroom on covenants
- \$150m+ headroom maintained on peak intra-month usage

## Pre-refinance \$1,234m



## Post-refinance \$1,134m



Questions?  
Thank you

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**SIGMA**

