



Market Release

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ASX Market Announcements Office
Australian Securities Exchange Limited
Level 4, Stock Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

**CORUM GROUP LIMITED (COO)
Chairman's and CEO's Address to 2018 Annual General Meeting**

Attached is the address of our Chairman, Bill Paterson, and Chief Executive Officer, David Clarke, presented at today's Annual General Meeting.

For further information please contact:

David Clarke
Company Secretary



Address of Chairman

Ladies and gentlemen, thank you for coming to Corum's AGM.

I want now to give some detail on how management, assisted by the board, are strengthening a revitalised company dedicated to supporting the success of our customers and a business which delivers over the long term for our shareholders.

Corum commenced the financial year with three key targets:

- to strengthen service to the customer,
- to achieve sustainable cost savings, and
- to identify and pursue organic or inorganic growth opportunities.

Within each of these three themes a program of initiatives was identified.

Management has progressed these initiatives over the course of the year with board support and, in some cases, with the direct involvement of directors.

Corum has made progress in service delivery and reducing cost to date. The board appreciates the efforts of the entire team. As a result the Company is in a stronger position to build its future.

David Clarke, our CEO, will expand on this work shortly. Before he does, I would like to take a moment to indicate how Corum is considering moving forward.

Revenue declines over recent years were driven by tender losses of groups in 2015 and 2016 and by a major group writing its own software. Within the community pharmacy sector, opportunities for the sustainable, profitable growth sought by Corum may continue to be challenging. The market is regulation constrained and tender losses in past years have so far, restricted Corum from widening its contestable market. The recent completion of Corum Clear means this software can be marketed to a wider market.

Corum's new best-of-breed dispense system, whilst key to remaining attractive within the sector, must also be complemented by Corum improving its extensive offering in retail business systems, including the point of sale, inventory and head office management applications.

Corum believes that, in order for it to offer these existing systems to new customers, it will need to reshape these offerings either by itself or by partnering with third parties. All such options are currently being evaluated including assessing the suitability of possible partners.

Corum has also been actively engaged in efforts to encourage health industry software provider consolidation and will continue to do so. At the time of writing, an opportunity which will be value accretive to Corum has been elusive. The Company's attention therefore, remains on inorganic growth opportunities, both within and outside of the community pharmacy arena. Corum's endeavour is to re-establish a sustainable and profitable business that delivers over the long term for our investors.

Shareholders in the past have raised the question as to whether the chairman's and director's fees are set at the right level. This year, the remuneration committee has consulted with an independent remuneration consultant on this matter. The board also volunteered that directors take part of their base fee in equity, which will clearly align directors with the interests of the Company and reduce cash costs to Corum. Before any such re-allocation, the fair market fees recommended for the Chairman would be \$120,000 with no additional committee fees applying for committee memberships. For a non-executive director (eg. Matthew Bottrell), the recommended fees would be \$60,000, plus \$15,000 for each committee chair.

A 30% component of base directors fees taken in equity would be intended by these directors should such intention be approved by shareholders.

It is intended that equity based payments also be made to key staff members as part of an incentive scheme, however, the plans for such a scheme are not complete at this point in time.

I now invite David to address the meeting.

Bill Paterson

Chairman

Address of Chief Executive Officer

Thank you Bill and good morning everyone.

The results of the operations for the 2018 financial year are clearly described in the annual report.

What I am going to do today is expand on Bill's comments regarding the work we are undertaking to secure the future for Corum and its investors.

Our intent is that Corum sustains a competitive position in community pharmacy software solutions, with good positions in selected attractive adjacencies where we can win.

We have previously spoken about the three strategic priorities for Corum, which remain largely unchanged from early last year. These are:

1. strengthen performance for customers
2. enact sustainable cost savings, and
3. identify organic or inorganic growth opportunities.

Together they are driven by our goals of supporting our customers' success and delivering long-term sustainable growth for our shareholders.

I want to give you an update on the progress we have made toward this:

Our first priority is to continue building a customer-first culture to strengthen our performance. We framed all our actions on the core premise that for customers to be successful, their business applications must work well and be strongly supported, and that disruption was not acceptable.

This approach has led to a range of initiatives that include changing quality processes, investing in a series of updates to our core software platforms, improving tools for support, minimising hardware related activities, and simplifying and reworking approaches to installation and software update.

With much of these changes bedded down in the first half of the year, the focus has moved to supporting our customers' success. Key initiatives have included a

reinvigorated and expanded product offering, a new dispense system, and changes in our sales approach and structure.

Value-added products introduced during the year have been detailed in the annual report, and include tools for cloud archiving of paper scripts, a dedicated master computer that provides robust business continuity and recovery features, streamlined and expanded features within the core point of sale and dispense systems, and more integrations with third party providers.

Our LOTS point of sale and dispense systems remain at the core of our installed pharmacy base. We have invested to ensure that the product performance is optimised and new feature introductions can be made quickly and seamlessly.

The company has also been required to make changes to accommodate state and federal government initiatives. These include important work such as the SafeScript medications monitoring software focused on identifying and supporting members of the community caught up in opioid abuse, substantial work to integrate with the much discussed My Health Record, and preliminary work on the introduction of electronic prescribing. An example of our focus to engage with Government and industry is my chairing of the industry taskforce on ePrescribing, while other Corum team members are engaged in working groups on issues affecting the industry.

Our support and sales teams have been refocused and restructured to play a greater role in supporting our customers' ongoing success in running their businesses. One-off hardware transactions and subsequent support requirements are a lesser part of the business going forward. Whilst we have made good progress on these programs there is more to be done.

Our second priority is delivering sustainable cost savings across the Group. We have been very clear that we believe such savings can only come from improving our end-to-end processes and using technology to support and automate internal activity.

We have made good progress on productivity improvements throughout the year, with annualised savings of \$1.1 million expected as a result. Many of the initiatives to support the customer described above, have been accompanied by savings in the cost of delivery. The program to automate the customer quoting processes and integrate with backend systems has been completed. We have put in place the selective use of offshore resources and intend to further expand this initiative to resource future investment activity. The simplification of hardware-related activity

is 80% complete, including the adoption of customised pre-imaged shipment of product from Dell factories. Automation and greater use of monitoring tools across a range of business activity has improved productivity and product performance. The discipline of productivity improvement and constant renewal is now a core value of the organisation.

Other costs have been scrutinised, and in particular we have reset our property requirements. By December 2018, we will have relocated or reconfigured all of our property assets for an expected annual saving of \$320,000.

Our third and most important priority is to achieve organic and inorganic growth.

Organic growth is being supported by continued investment in core and value-added products, the launch of Corum Clear Dispense, the restructured sales and field support teams, and continued focus on retaining the customer base through our “strengthen performance for customers” program.

Corum Clear Dispense is now in the test-pilot phase installed in pharmacies across Australia. Its commercial launch is expected in January 2019. The product has been well received and we believe its simplicity, intelligent design and layout will make it successful in the market.

However, as Bill outlined, within the current community pharmacy contestable market it is difficult for us to build sustainable, profitable growth in the short term. The competitive landscape includes a vigorous leader backed by the Pharmacy Guild and Telstra Health, several other vendors backed by industry wholesalers or pharmaceutical companies, and a number of small independents.

As an independent vendor, Corum believes its long-term future in pharmacy requires it to have a strong technology stack anchored on health-focused dispensing and integrated, centralised retail management solutions. To achieve this we are best to partner with others in the industry and beyond to improve sector capability and returns.

With the other programs within our key priorities either completed or well underway, the adjacencies are where we are turning our attention. Over the past year we have been working to bring about industry consolidation but as yet we have not identified an acquisition or partnering opportunity that is sufficiently value accretive. We are now actively pursuing wider and adjacent opportunities for

investment and growth. This focus will be maintained over the remainder of the year.

To reiterate, our intent is that Corum sustains a competitive position in community pharmacy software solutions, with good positions in selected attractive adjacencies where we can win.

In closing I would like to thank my team for their hard work and commitment during the year. They have responded stoically to what has been asked of them and shown a determination to work toward an improved Corum. Their commitment and loyalty is second to none.

I would also like to thank the chairman and the board for their support and robust debate. The business is experiencing challenging circumstances and this impacts all facets of the organisation.

Finally to investors, I know and respect that many of you have been with Corum for a long time and it has been an extremely challenging journey.

We are committed to improving the business and welcome your support and input toward our future.

David Clarke

Chief Executive Officer