

ASX Release

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Market Update – new MC/CW supply agreement

Sigma Healthcare Limited (Sigma) is pleased to announce that a new first-line agreement has been reached with the My Chemist/Chemist Warehouse Group (MC/CW Group) for the supply of FMCG products. The agreement is effective from 1 December 2019, with the progressive build-up of supply expected to reach a full run rate by July 2020.

The arrangements secure the first-line supply contract for 4.5 years, with sales in the first full year of operations of approximately \$700-800 million.

Other terms of the agreement remain commercial in confidence and follow an approach by MC/CW for Sigma to resume the supply of FMCG products, which had previously transitioned to another provider.

Mark Hooper, Sigma Managing Director and CEO said, “Sigma understands what is required to provide effective support on these product ranges, and the financial terms of the new agreement provide an acceptable return on capital employed for Sigma shareholders.”

“The investment we have already made in our distribution centres provides the efficient platform to absorb this volume, maintain our growth ambitions, and enhance our ability to better service our existing customer base which has achieved above market growth over the course of the year.” Mr Hooper said.

Impact on earnings

Initial work and costs will be required to transition in the volume associated with the MC/CW agreement. This will delay the timing of some of the Project Pivot savings and is likely to impact FY20 EBITDA guidance. A market update will be provided once this has been worked through.

“More importantly, we expect our growth to accelerate in FY21 and beyond as we benefit from contributions from Project Pivot, efficiencies from our distribution centre investments, and the progressive ramp up of the CW contract.” Mr Hooper said

Guidance for FY21 will be provided at our FY20 results announcement scheduled for 26 March 2020.

For more information, please contact:

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