



Strategy | Efficiency | Growth

Sigma Investor Day

26 November 2019





Overview of the Day

Gary Woodford, Corporate Affairs Manager

1. Welcome
2. Safety, security, amenities
3. Agenda

Sigma Executive Team



Mark Hooper
CEO & Managing Director



Iona MacPherson
Chief Financial Officer



Jeff Sells
EGM Retail Pharmacy



Jackie Pearson
EGM Business Transformation



Richard Church
EGM Operations



Martin Hawkins
Chief Information Officer
(commences January 2020)



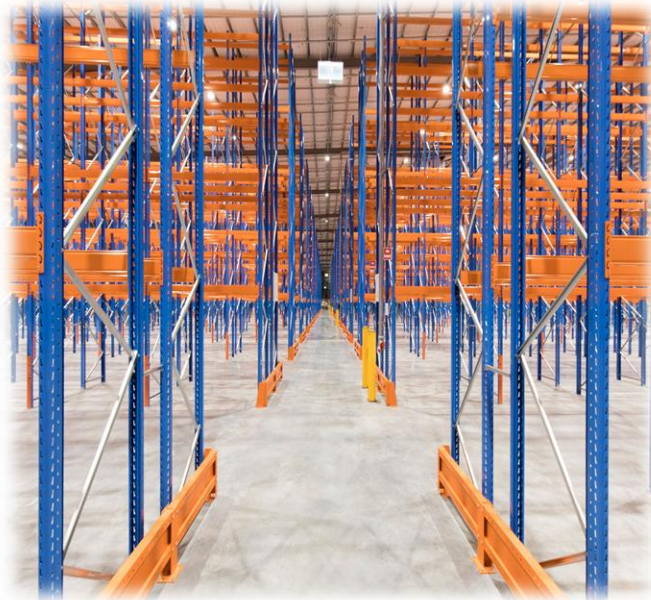
Strategy & Regulatory environment

Mark Hooper, CEO & Managing Director

Overview of our fundamental approach

Strategy

- Organic growth in our existing core
- Scaling our existing adjacent businesses
- Extending our reach into new opportunities



Efficiency

- Investment to establish a more efficient and effective platform for operations
- Includes infrastructure, technology and services

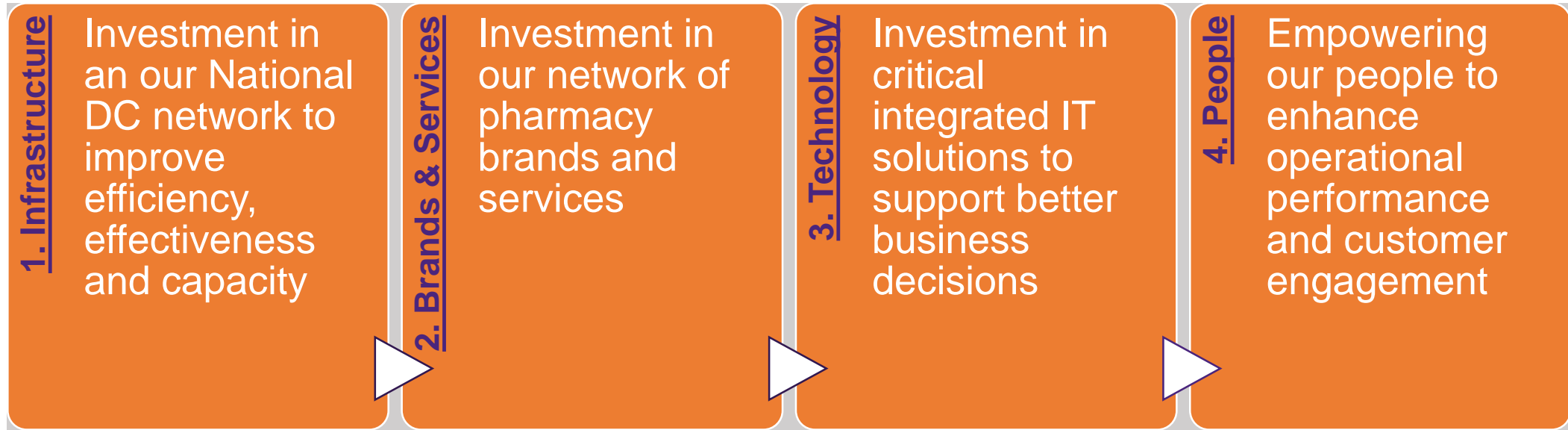


Growth

- Building a stronger outcome focused and accountable business with sustainable earnings growth



Investing in a strong and sustainable future



Organisational redesign that is supporting an engaged work force with a growth mindset

Measuring success through Voice of Customer surveys and Employee engagement

Sigma market positions today

Community Pharmacy

- Growing well above market
- Largest brand network
- Portfolio of over 600 branded pharmacies
- Approx. 20% of consumer spend in our branded pharmacies
- Strong and growing independent offer

Hospital Pharmacy

- 3rd largest service provider with market share approaching 10%
- Expanded to a national presence
- Growing at over 10%pa Ex Hep C

Medication Management

- Market leader through MPS acquisition
- TGA approved facilities (MPS)
- Approx. 30% share of corporate aged care market
- Growing community presence

3PL / 4PL Services

- Significant growth opportunity
- Infrastructure and people now in place to accelerate growth

Medical Devices and Consumables

- Small market presence since 2018
- Opportunities for organic and acquisitive growth

Healthcare services that leverage national retail and supply chain excellence

Chemist Warehouse contract update

- ❖ First-line agreement for FMCG products
- ❖ Second-line agreement for PBS products
- ❖ Expect full run rate from 1 July 2020 – annualised revenue expected to be \$700-\$800 million
- ❖ Acceptable return on invested capital
- ❖ Volume can be efficiently absorbed into DC network with no impact on existing customers or growth ambitions

ASX Release

Issued 25 November
2019

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.

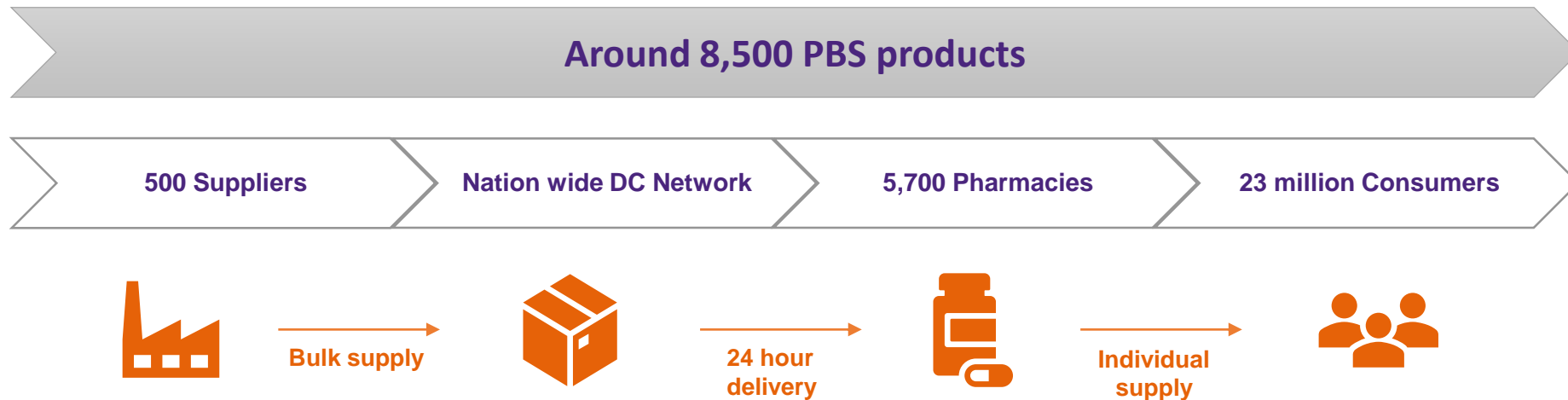
Other terms of the agreement remain commercial in confidence and follow an approach by MC/CW for Sigma to resume the supply of FMCG products, which had previously transitioned to another provider.

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.

Update on 7CPA

- ❖ Current 6CPA runs until 30 June 2020
- ❖ Negotiations with Department of Health and Minister are ongoing via NPSA*
- ❖ Our objective is to ensure
 - Sustainability of medicines supply
 - Affordability of medicines for consumers
 - Equitable access to medicines for patients, incl. rural and remote areas and low volume product



* NPSA = National Pharmaceutical Services Association



Project Pivot update

Jackie Pearson, EGM Business Transformation

Background to Project Pivot

**Program activity
launched:**
February 2019

Timing:
18 – 24 months

Project Pivot Transformation Underway

Announced to market on 21 March 2019

- ✦ Will transform Sigma by resetting the operating cost base to make Sigma more efficient and free up funds for growth
- ✦ This also incorporates the efficient transition of MC/CW
- ✦ \$100+ million efficiency gains identified by detailed Accenture review (completed in Dec 2018)
- benchmarked by separate internal analysis (completed in Jan 2019)
- ✦ Efficiency gains achievable by Sigma as a standalone business
- ✦ Implementation has commenced and will be completed in 18-24 months

ASX Release

Issued 11 February 2019

Sigma business review identifies a strong future underpinned by over \$100m cost savings

Highlights

- Business review identifies over \$100m per annum of cost savings
- FY19 Underlying EBIT guidance of around \$75m confirmed
- Expect to deliver FY20 Underlying EBITDA of \$55-\$60m
- The outlook incorporating the business review outcomes points to over 10% per annum Underlying EBITDA growth for FY21-FY23
- Expect minimal net debt from FY20 despite an extensive capital investment program and retention of a high dividend payout ratio

Financial Objective

Achieve \$100+m
efficiency gains

Operational Objective

Transform Sigma,
reset cost base &
free up capital for
growth

Structured Program to manage the process

MC/CW Transition 60% of efficiency gains

- DC network and logistics optimisation
- Labour reduction of approx. 500 (300 team members plus reduced pool of agency staff)

Operating efficiencies 30% of efficiency gains

- Range optimisation
- Organisational realignment
- Right sizing organisational functions
- Improved integration of acquired businesses

Smart spend programs 10% of efficiency gains

- Robust zero based budgeting and spend methodologies to be applied across all of Sigma's cost base
- Focus on addressable indirect procurement spend

Implementation will deliver

- Approx. 60% of annualised efficiency gains in Year 1 (FY20)
- Approx. 40% of annualised efficiency gain in Year 2 (FY21)

Project Pivot – MC/CW stream

MC/CW Transition 60% of efficiency gains

- DC network and logistics optimisation
- Labour reduction of approx. 500 (300 team members plus reduced pool of agency staff)

- ❖ Transition of PBS medicines occurred on 1 July 2019
- ❖ Transition of FMCG was in 5 tranches from Nov18 to Oct19
- ❖ Achieved labour reduction of \$31M - 315 team members and 200 agency labour
- ❖ Actions taken to optimise distribution routes
- ❖ Stock management was a key focus, with no write-off incurred
- ❖ Actions also taken to rationalise and streamline Sigma's Distribution Centre network

Project Pivot – Operating efficiencies stream

Operating efficiencies 30% of efficiency gains

- Range optimisation
- Organisational realignment
- Right sizing organisational functions
- Improved integration of acquired businesses

- ❖ Planning and design phase concluded
- ❖ Implementation delayed, pushing more benefit to be realised in to FY21
- ❖ Organisational realignment currently being rolled out
- ❖ Activities underway to improve ranging and product lifecycle management
- ❖ Confident of delivering the quantum anticipated

Project Pivot – Smart spend stream

Smart spend programs 10% of efficiency gains

- Robust zero based budgeting and spend methodologies to be applied across all of Sigma's cost base
- Focus on addressable indirect procurement spend

- ❖ Focusing on areas such as printing, travel, utilities, lease rental
- ❖ Initiatives are a combination of changing behaviours and improved indirect procurement practices
- ❖ Some quick wins identified and action taken to capture the benefits
- ❖ The timing of full implementation has been impacted by existing contractual arrangements

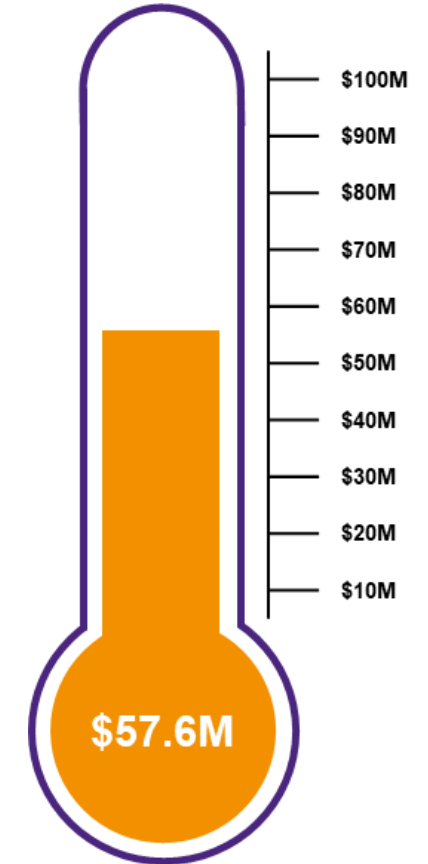
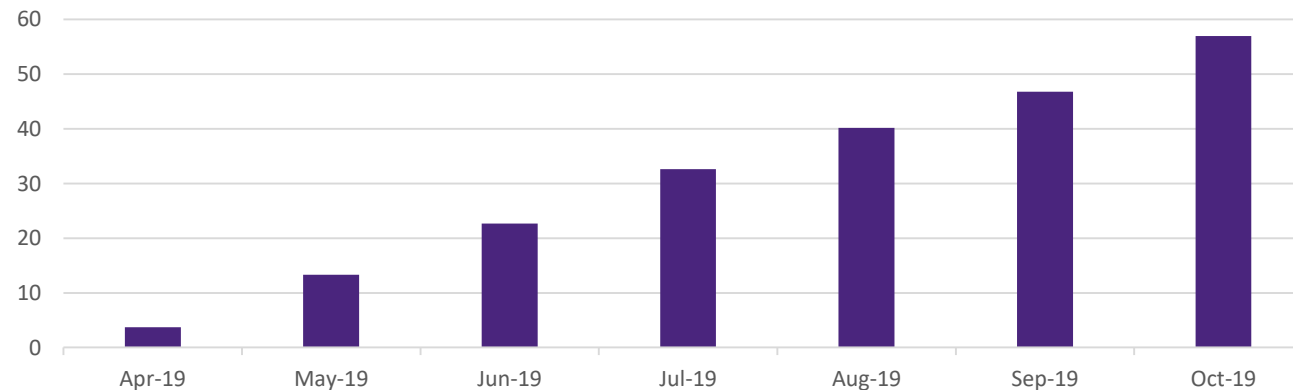
Project Pivot – Delivering on target

Implementation will deliver

- Approx. 60% of annualised efficiency gains in Year 1 (FY20)
- Approx. 40% of annualised efficiency gain in Year 2 (FY21)

- ❖ Action already taken on \$57.6 million of realizable benefits
- ❖ On target to deliver \$100+m of benefits
- ❖ Some timing delays will push more in to FY21
- ❖ Now anticipate realisation to be 55% in FY20 and 45% in FY21
- ❖ Reinvestment to occur to support the return of MC/CW FMCG, off set by increased earnings

Cumulative actions already implemented
(annualised benefits \$M)





Sales update

Jeff Sells, EGM Retail Pharmacy

Our value proposition

- ❖ Our role is to efficiently connect Suppliers and Customers
- ❖ We have over 600 brand members operating in one of our 6 brands
- ❖ Our brands are achieving well above market growth
- ❖ We have a strong pipeline of opportunities for both independent and branded customers
- ❖ A more efficient 'hub and spoke' resource model is now in place to support execution

We believe that healthy pharmacy partners support healthy communities



Who we represent



Three Key Pillars



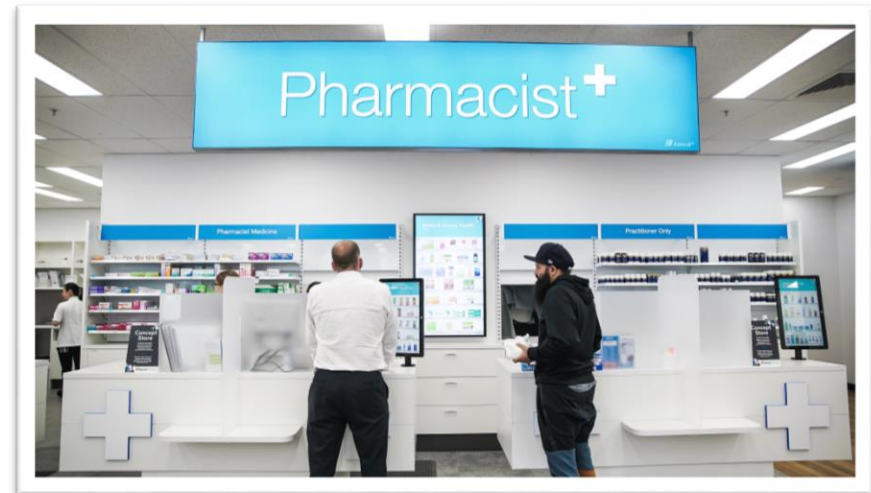
Sales Performance

- ❖ In 1H20 we grew non-CW sales at 6.9%
- ❖ Our brands and key partners such as Pharmacy Alliance are growing at a higher rate
- ❖ Our growth in 2H20 has accelerated as momentum has built
- ❖ Going into next year our pipeline for both independent wholesale customers and new branded opportunities in strong
- ❖ The market remains competitive, but our focus on the pharmacist as business owners has us well place

How we are innovating

Amcal+ Life Clinic

- ❖ A premium health services 'end to end' business model with a clear focus on delivering improved patient health outcomes and business profitability
- ❖ An expanded health services offer and allied health services with a proven track record of being sustainable and profitable
- ❖ Expanding on our existing technology capabilities by introducing world class touch screens and dispensary automation, allowing pharmacists to increase face-to-face patient care



How we are innovating continued

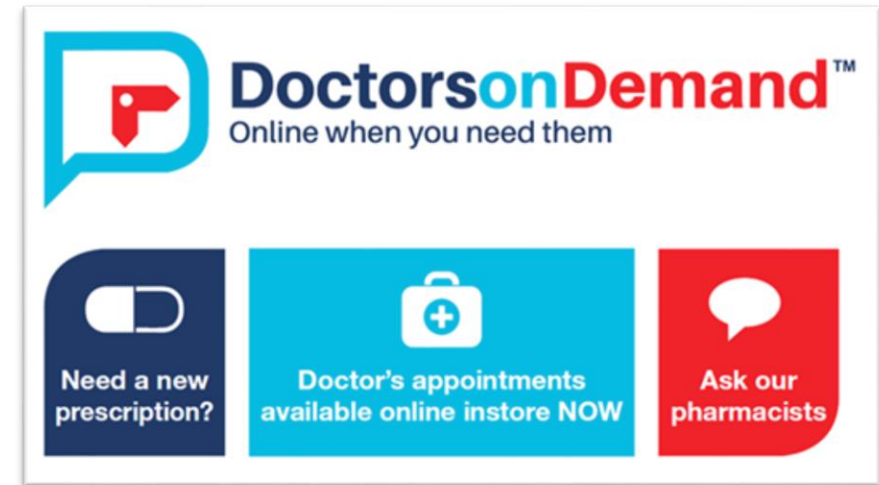
WholeLife Pharmacy & Health Foods

- ❖ Innovative model combining traditional retail pharmacy with an extensive range of health food
- ❖ Unique product and service offering focusing being a one stop destination for all things health



Doctors on Demand

- ❖ Amcal, Guardian and DDS partner with Doctors on Demand "InClinic" to provide virtual GP Consults in pharmacy, suited to common ailments with the ability to issue Quickscripts for up to 300 medications for 18 conditions





DC Optimisation Program & 3PL / 4PL Strategy

Richard Church, EGM Operations

Distribution Centre Optimisation Program

- ❖ The reinvestment in our logistics network enables us to drive operational efficiency and reduce our costs to better service our growing customer network
- ❖ All new DC business cases were developed considering the exclusion of the Chemist Warehouse business
- ❖ The program of work will be fully complete within the next 24 months, with no envisaged requirement for significant capital investment for the next 20+ years



Transforming our DC Network



#	Distribution Centres	State
1	Eastern Creek (CHS)	NSW
2	Erskin Park (CHS)	NSW
3	Newcastle	NSW
4	Seven Hills	NSW
5	Kemps Creek	NSW
6	Darwin	NT
7	Berrinba	QLD
8	Mansfield	QLD
9	Rockhampton	QLD
10	Toowoomba	QLD
11	Townsville	QLD
12	Yatala (CHS)	QLD
13	Pooraka	SA
14	Ridleyton	SA
15	Hobart	TAS
16	Launceston	TAS
17	Dandenong (CHS)	VIC
18	Rowville	VIC
19	Shepparton	VIC
20	Belmont	WA
21	Canning Vale	WA
22	Perth Airport (CHS) (1)	WA

Transforming our DC network

Berrinba QLD

- Fully operational in April 2018
- 15,000 square metres with further automation expansion capability
- Stocks our full range of Stock Keeping Units (SKU's)
- Goods to person (GTP) and automated storage and retrieval system (ASRS)
- Project delivered on time and under budget
- Exceeding business case productivity



Canning Vale WA

- Fully operational in February 2019
- 15,000 square metres with further expansion capability
- Stocks our full range of SKU's
- GTP and ASRS
- Project delivered on time and under budget
- Exceeding business case productivity



Pooraka SA

- Fully operational in October 2019
- 15,000 square metres with further expansion capability
- Stocks our full range of SKU's
- GTP and ASRS
- Project delivered on time and under budget
- Already exceeding business case productivity



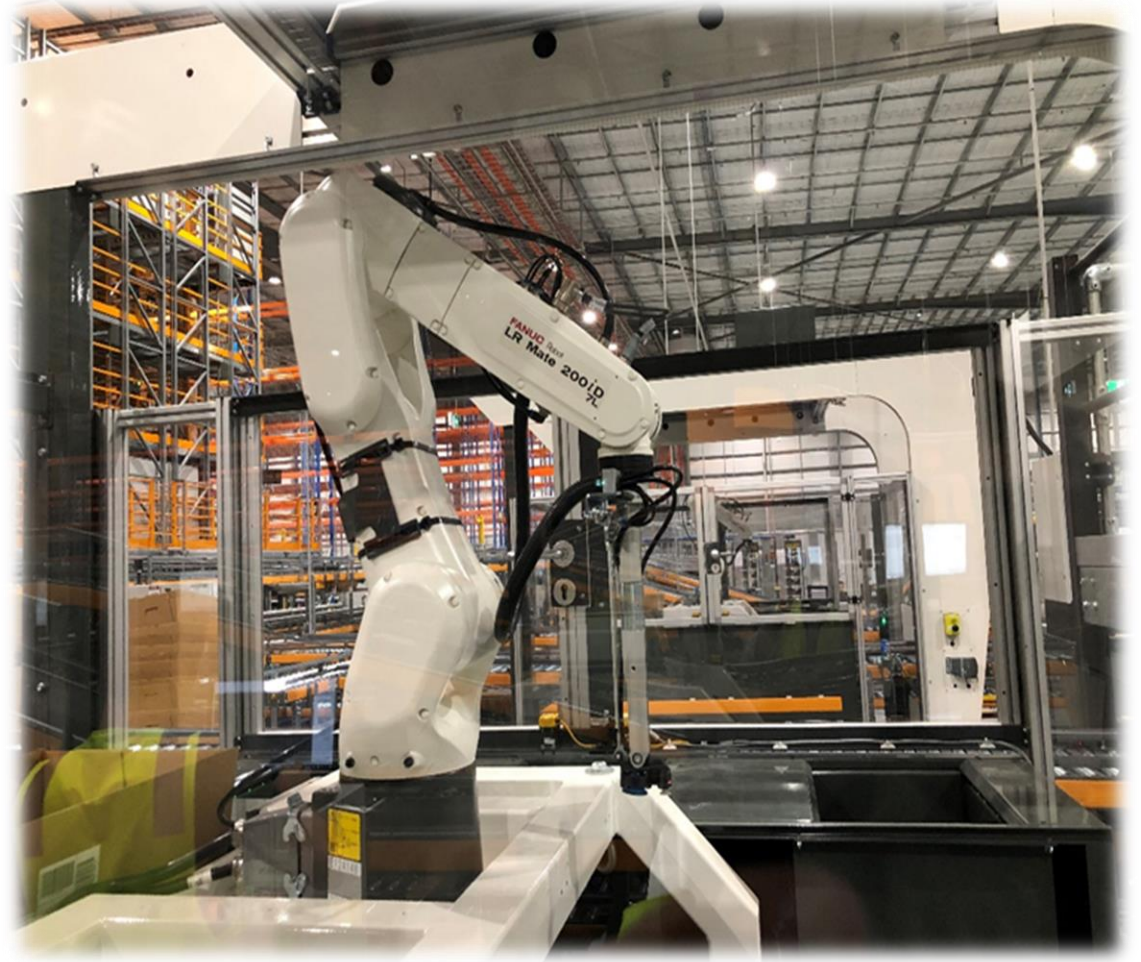
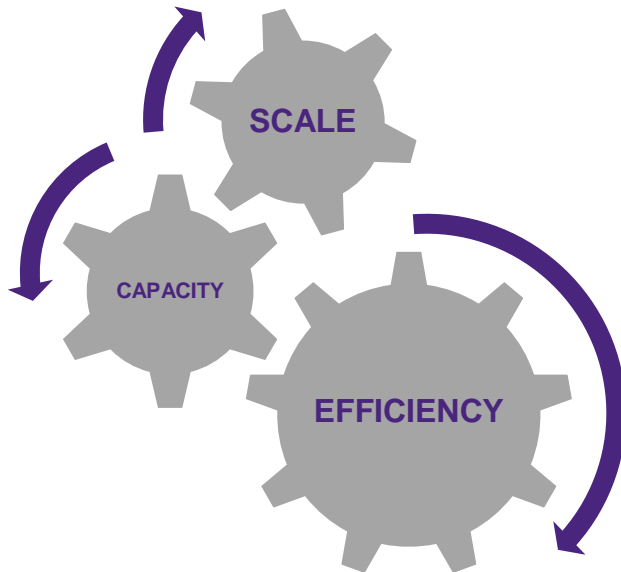
Kemps Creek DC, NSW

- ❖ Already operational with 3PL customers
- ❖ Fully operational in January 2020
- ❖ 40,000 square metres with further automation expansion capability
- ❖ Will stock our full range of SKU's
- ❖ Goods to person (GTP) and automated storage and retrieval system (ASRS)
- ❖ Project delivered on time and under budget



Automation

- ❖ Very high density automated storage and retrieval systems (ASRS)
- ❖ Goods to person (GTP) stations are 4+ times more efficient than manual warehouse operations
- ❖ Robots pick orders at 1000+ units per hour
- ❖ Automated box making, lidding and labelling



Summary

- ❖ Our DC Optimisation Program is well advanced
- ❖ Business Case Key Performance Indicators (KPI's) and productivities are already exceeding expectations and will improve further with additional new business
- ❖ Once complete, no significant capital investment is required for 20+ years
- ❖ We have successfully designed, built and operationalised the most efficient DC network with the lowest 'cost to serve' in the industry
- ❖ We have significant capacity for growth



3PL/4PL Strategy

What is 3PL/4PL?

Third Party Logistics (3PL)

Third party logistics in supply chain management is an organisation's use of a third-party business to outsource elements of its distribution, warehousing, and fulfillment services

Fourth Party Logistics (4PL)

Fourth party logistics represents a higher level of supply chain management for the customer. 4PL gives its clients a “control tower” view of their wider supply chains, overseeing warehousing, freight, etc and potentially managing 3PL's on the customers behalf

Background

- ❖ In line with our strategy to develop income streams alternate to the PBS, we have identified 3PL/4PL as a significant growth opportunity for the Sigma Group going forward
- ❖ Whilst Sigma Healthcare is a major player in the Pharmaceutical wholesaling market, our 3PL/4PL business is in its infancy
- ❖ We now have capacity in our new DC network, in particular at our new Kemps Creek DC which was specifically designed to accommodate storage of up to 20,000 pallets for 3PL/4PL activity



The size of the market

- ❖ The Australian Healthcare market requiring 3PL/4PL services is forecast for 2020 to be \$36.6 bn
- ❖ Over the last decade, spending on health has been growing
- ❖ Revenues for warehousing and logistics services to this market are estimated to be ~2.5% of sales revenue or over \$800 million
- ❖ In the first instance we are targeting the Pharmaceuticals, Consumables, and OTC Pharmacy sectors

Target Market	2018	2019	2020	2021	2022	2023	2024	2025	2026
→ Pharmaceuticals	14.7	15.4	16.1	16.8	17.6	18.4	19.4	20.3	21.4
Medical Devices	11.2	11.8	12.4	12.9	13.4	13.9	14.5	15.1	15.6
Pathology	3.1	3.1	3.2	3.3	3.3	3.4	3.5	3.6	3.6
Blood	1	1	1.1	1.1	1.1	1.1	1.1	1.1	1.2
→ OTC Pharmacy	1.7	1.8	1.8	1.8	1.8	1.9	1.9	1.9	2
→ Consumables	1.1	1.1	1.2	1.2	1.3	1.3	1.4	1.4	1.5
Clinical Trials	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Animal Health	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total	\$33.5	\$35.1	\$36.6	\$38.0	\$39.4	\$41.1	\$42.7	\$44.4	\$46.3

Current state and Outlook for 3PL/4PL

- ❖ We have recruited a dedicated Business Development team and Quality Assurance (QA) and Compliance team
- ❖ We now have ISO 9001 accreditation and are working on ISO 13485 and Good Manufacturing Practice (GMP)
- ❖ Implemented a dedicated 3PL Warehouse Management System (WMS) for enhanced customer visibility
- ❖ Currently have nine 3PL customers of varying sizes, from 5 to 5000 pallets each
- ❖ Participating in 3 large RFP's, all of which commence in 2020
- ❖ We plan to build the 3PL/4PL business to deliver \$5-10m contribution by 2022 (not included in previous market guidance)



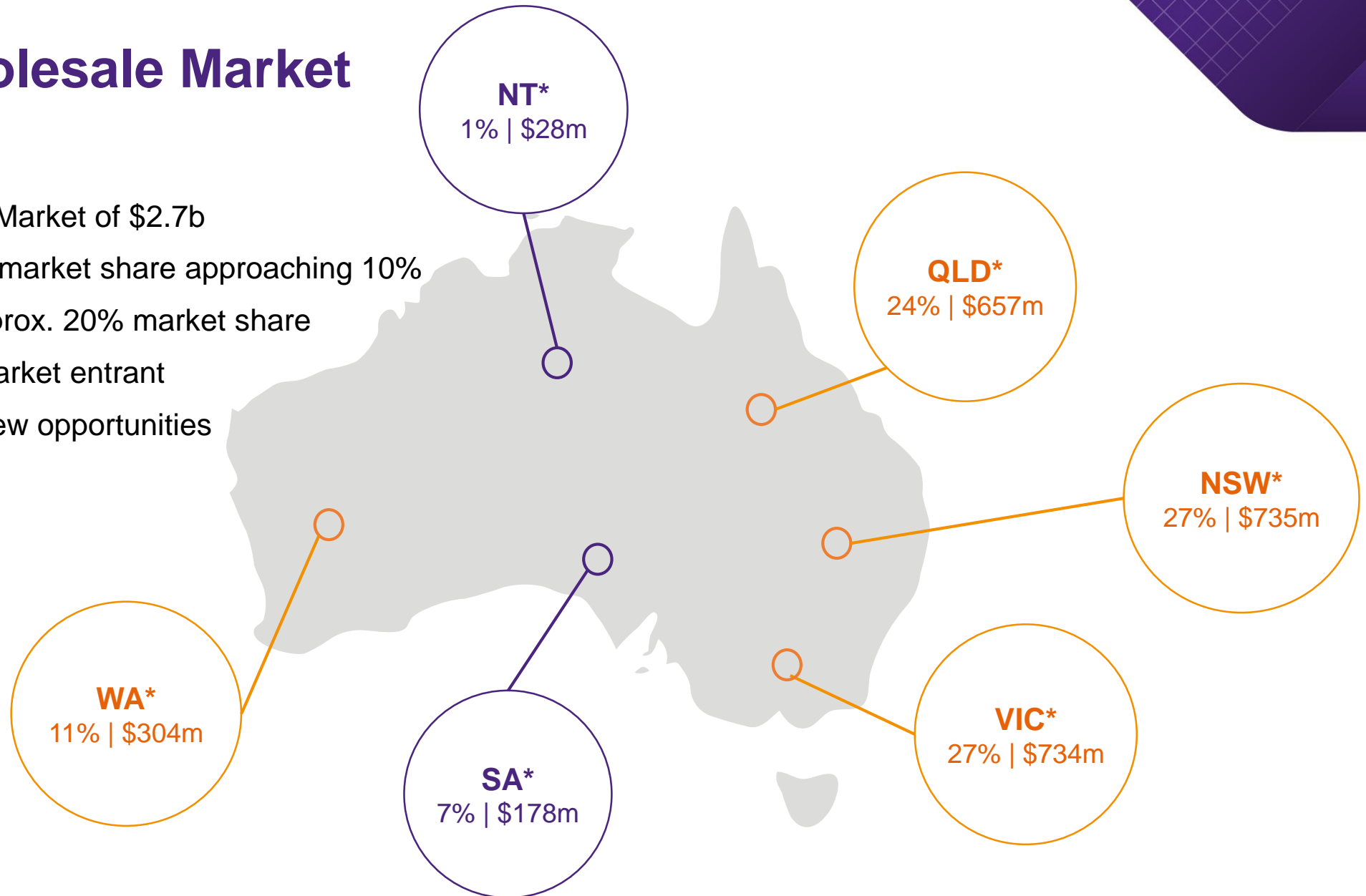


Sigma Hospitals & MPS update

Peter Nolan, General Manager Hospitals

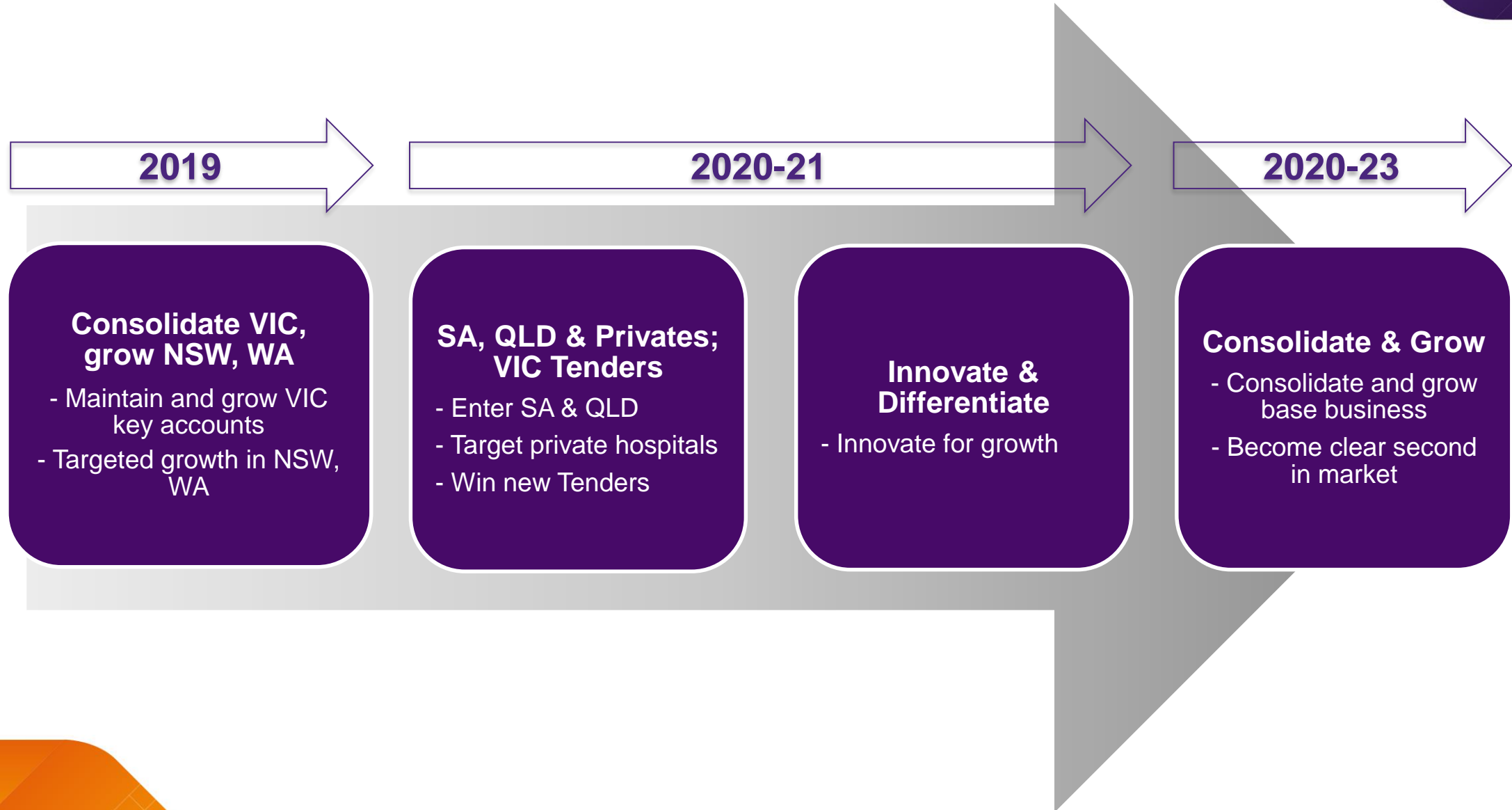
Target Wholesale Market by State

- ❖ Total Wholesale Market of \$2.7b
- ❖ Sigma Hospitals market share approaching 10%
- ❖ Vic and WA - approx. 20% market share
- ❖ NSW – recent market entrant
- ❖ SA and QLD – new opportunities



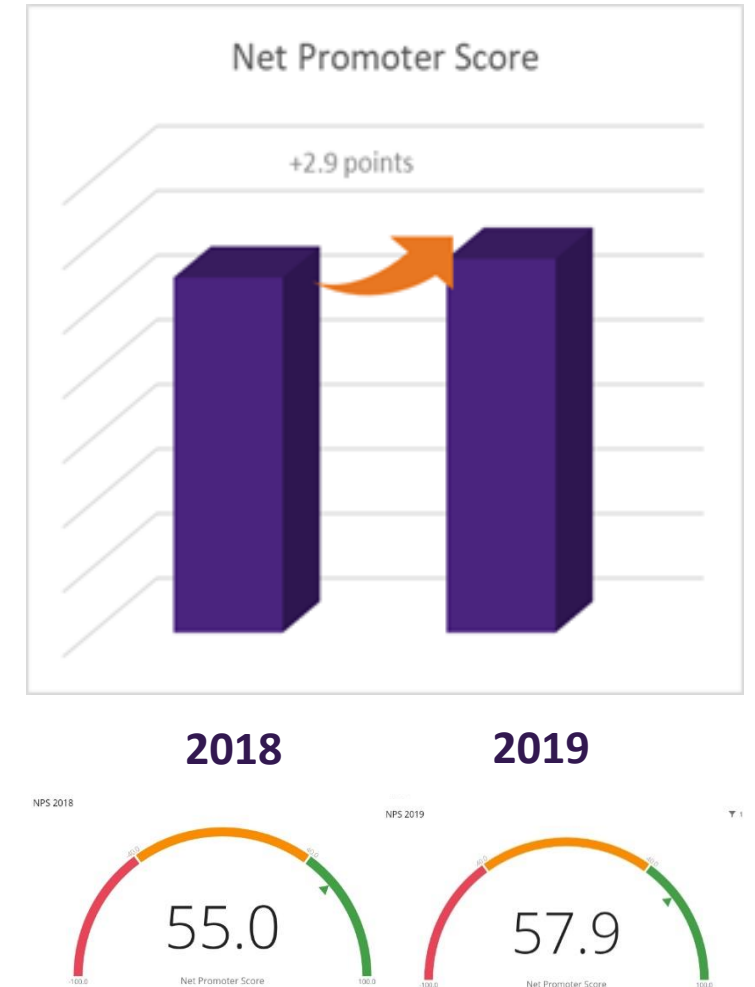
* Represents the Total Wholesale Market by State

Strategy Moving Forward



Our commitment to a customer-centric culture

- ❖ Our Voice Of Customer (VOC) program measures our performance against customer expectation. A mix of relationship and transaction based surveys provides us insights in terms of the customer experience relating to:
 - Partnership health
 - Value we provided
 - Our execution in delivering our promise
- ❖ Customer surveys conducted in September 2018 and 2019. Very strong results achieved in 2018, with further improvement in 2019
- ❖ Feedback from the survey demonstrates improvement across all customer relationship categories:
 - Customer Service and communications
 - Product range and availability
 - Order fulfillment
 - In-Field support and services
 - Reliability
- ❖ Important differentiator in winning market share



How do you win Hospitals market share?

The hospital pharmacy market is a tender based business predominantly serviced by Ebos, CH2 and Sigma

State governments issue pharmaceutical tenders for the supply of products into hospitals

Wholesalers seek to be nominated by suppliers as an approved distributor of those tender listed products

As tender listed products are the same price, irrespective of who supplies them, service and stock levels are key in securing the custom of hospitals

For products not listed on tenders, typically non generic and more expensive items, wholesalers may use price to compete to win business

Individual hospitals or health districts can issue tenders for the wholesale supply of pharmaceuticals, where a wholesaler can achieve preferred supplier status through a tender

QLD is an exception where it has government owned logistics that supply into public hospitals.

Current state and outlook

- ❖ Through a well considered strategy and customer-centric culture, Sigma Hospitals has experienced strong growth, which is already being rewarded by customer loyalty.
- ❖ With continued geographic expansion and consolidation of existing market share, this growth will continue well into the future.
- ❖ Alongside Sigma's investment in robust and flexible infrastructure, Sigma is well placed to be a dominant player in the hospital wholesale market in the years ahead.



MPS

What does MPS do?

- ❖ The leading Dose Administration Aid (DAA) business in Australia
- ❖ Three TGA approved facilities providing the highest quality assurance standards available in the market
- ❖ Supports community and aged care facility patients to better manage their multiple medication requirements
- ❖ Integrated software solutions to enhance pharmacy workflows and reduce risk of medication incidents
- ❖ Revenues currently circa \$65 million

MPS Pharmacies near you

Type the Suburb name into the field below and Click the Search icon.



MPS services

The numbers speak for themselves

MPS Packettes are the most trusted way to manage medication.

3,600,000

Pills packed per week

1,010,562

Packettes packed per week

50,000

More than 50K MPS Customers

820

Aged Care Facilities and
Community Pharmacy using MPS
Packettes

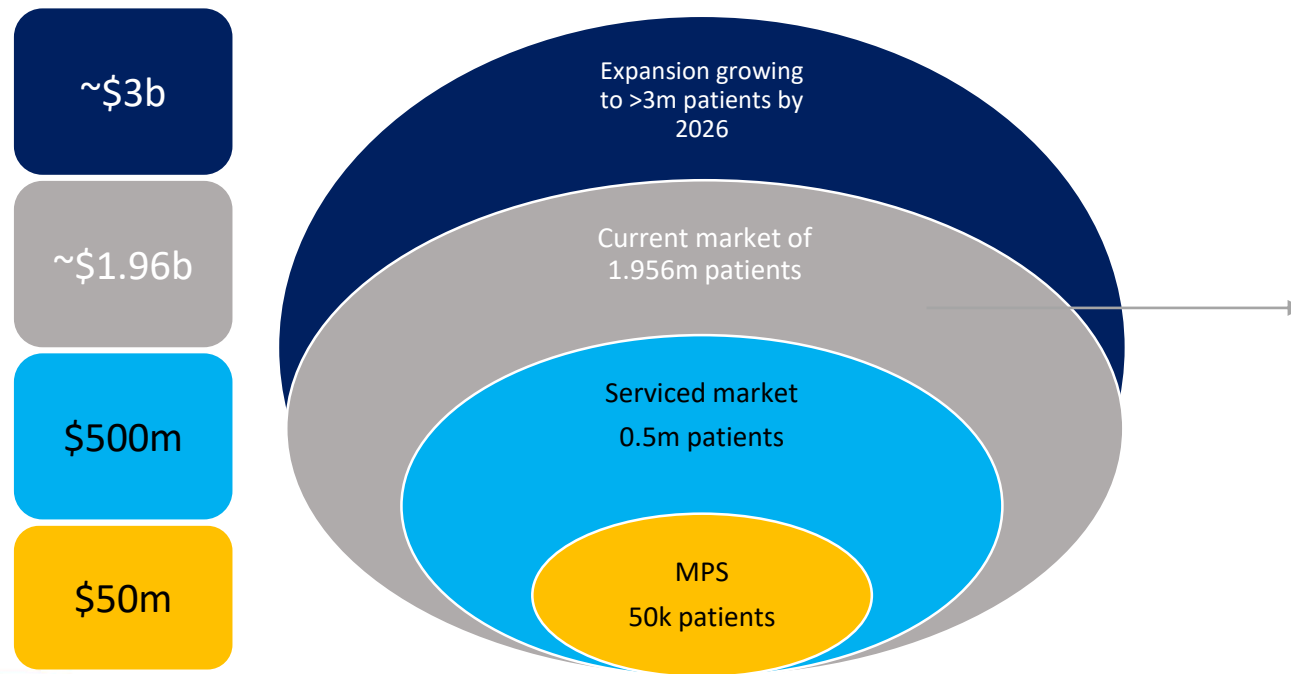
Simple, Safe, Secure

DAA market and growth opportunities

- ❖ Significant market opportunity exists to grow the MPS business.
- ❖ Government estimates have the number of patients receiving DAA's from pharmacies to more than triple in the next 8 years.

Total current market size \$1.9bn*

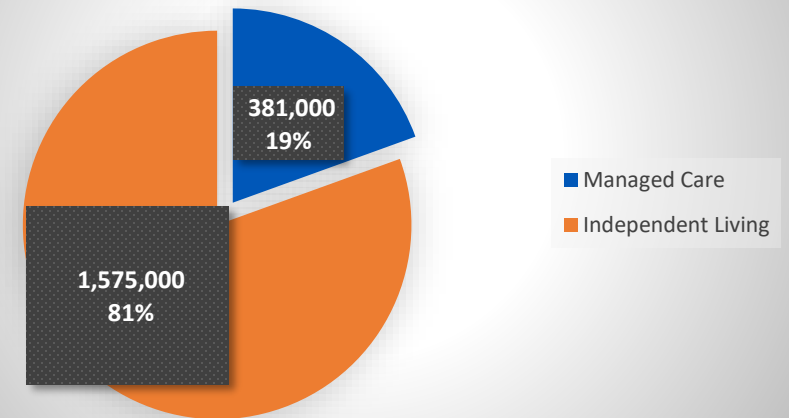
Only 25% of potential customers use DAA's.



Managed Care

- Patients receiving formal managed care services in Aged Care facilities, Home Care programs and Prisons

Current patient numbers on 5 or more medications (population)



Independent Living

- Patients looking after themselves and/or supported by informal carers in Residential Villages or their own homes

*Market value based on management estimates

MPS strategy in the DAA market

Connecting People to Achieve Better Health Outcomes

Managed Care			Independent Living		
Care Provider	Pharmacy	Resident	Health Partner	Pharmacy	Patient
1.Reduce risk of Medication errors 2.Good reports 3.Pharmacy network 4.Corporate-ready	1.Reduce risk of Medication errors 2.Script volume 3.OTC/6CPA income 4.GP margin	1.Reduce risk of Medication errors 2.Medication mgt 3.Convenience 4.Easy billing	1.Pharmacy network 2.Marketing channels 3.Education content 4.Partner-ready	1.Script volume 2.Wholesale deals 3.OTC/6CPA income 4.GP margin	1.Pharmacy location 2.Medication mgt 3.Easy billing 4.Other services

Supported by:

Accreditation Program

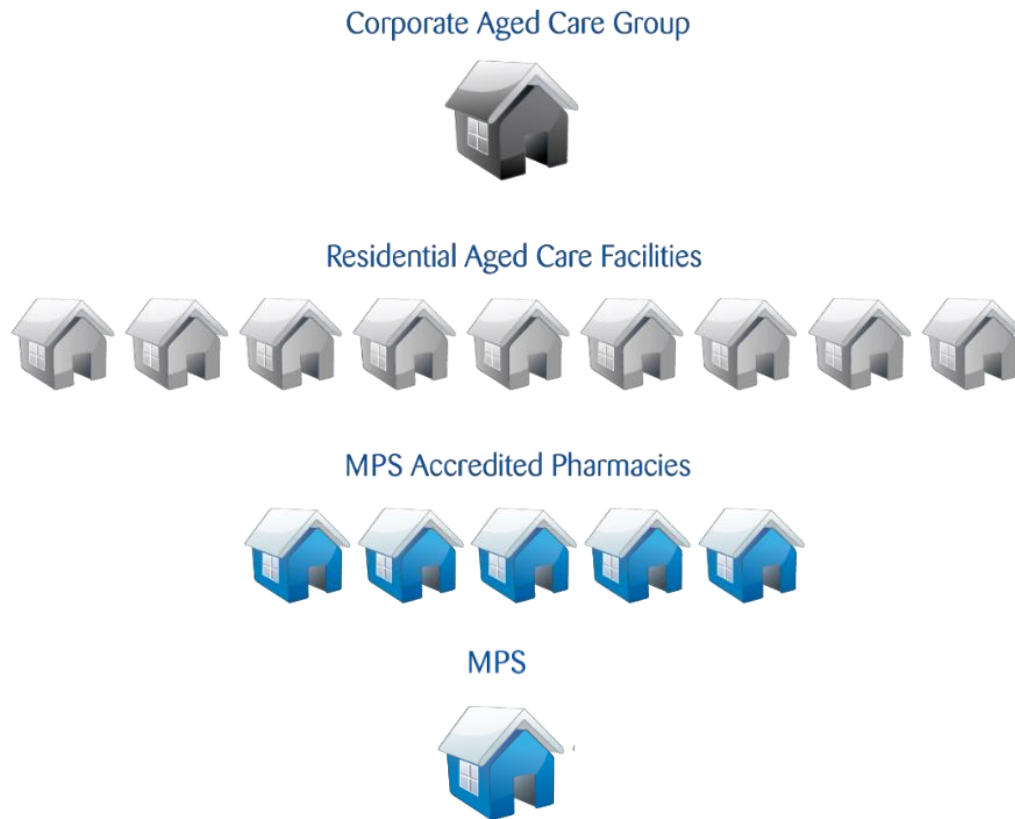
TGA Quality Standards

Customer Software Suite

Continuous Improvement Culture

Differentiator #1: MPS Accreditation Program

Accreditation provides Care Providers quality assurance for service delivery and helps them mitigate compliance risks.
Accreditation provides the MPS-Approved Pharmacy a way to stay ahead of their competitors.



Policies, procedures, templates, tools



Key Benefits

- Standardized repeatable processes.
- Easy to implement in facility.
- Increasing efficiency and productivity.
- A well-established program that is continuously being updated with industry knowledge and customer feedback.

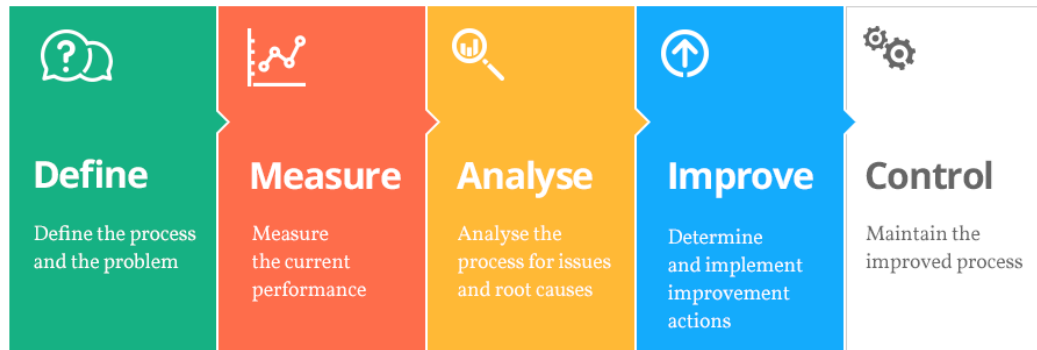
Differentiator #2: TGA Quality Standards

As part of the Department of Health, the TGA safeguards and enhances the health of the Australian community through effective and timely regulation of therapeutic goods.



Australian Government
Department of Health
Therapeutic Goods Administration

Lean Six Sigma Model

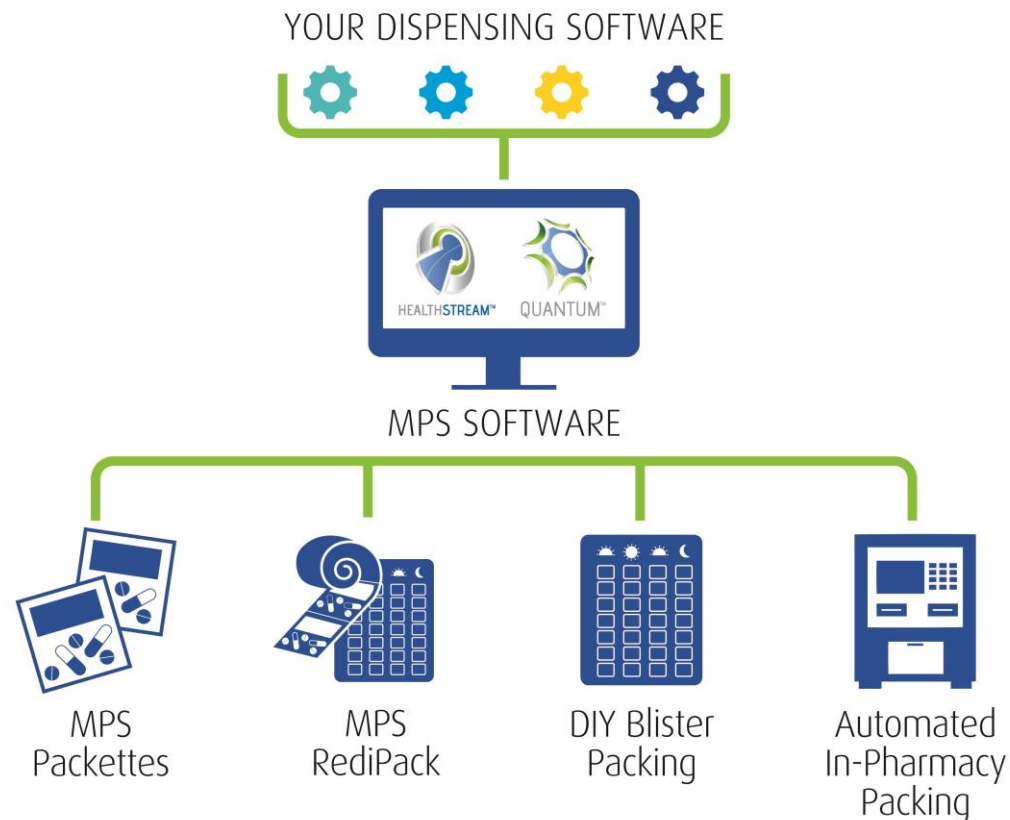


Key Benefits

- Establishes a quality **safety net** – goods produced by MPS comply with stringent quality standards.
- Provides a quality **benchmark** – MPS stays relevant and compliant to regulation updates by the Department of Health.
- Drives a **continuous improvement culture** to achieve better outcomes.

Differentiator #3: Customer Software Suite

The MPS Software Suite provides an integrated approach to managing Dose Administration Aids (DAA) workflows. The MPS system has multiple solutions supporting business growth.

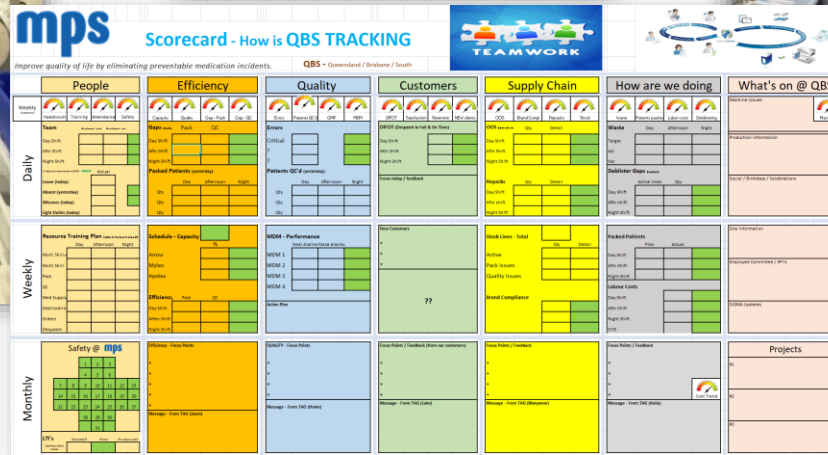


Key Benefits

- Integrates with all major pharmacy dispensing systems.
- For Managed Care segment, **connects Care Provider, to Pharmacy, to Resident.**
- For Independent Living segment, **connects Pharmacy to Patient.**
- Provides more choice to pharmacy and patient
- Drives innovation and efficiencies in DAA workflows

Differentiator #4: Continuous Improvement Culture

TGA quality standards drive a culture of continuous improvement, which is unique to MPS in the DAA market. The MPS team takes pride in our 'can-do' attitude. We continuously improve our processes and systems to Achieve Better Business Outcomes



Key Outcomes

- A strong management team
- Energised workforce
- Responsive to customer needs and feedback
- A 'can-do' attitude in all levels of the organisation
- A problem-solving mindset
- Inclusive teams with great teamwork

Current state and outlook

- ❖ With industry leading quality standards and service offering, MPS is uniquely placed to service the needs of an ageing population
- ❖ Whilst being an established business, there are multiple market segments yet to be explored, which will open up further opportunities
- ❖ This value proposition combined with the support that Sigma brings, presents MPS with an exciting opportunity to accelerate it's growth and maintain a market leading position in the years ahead



ERP Replacement Project

Jackie Pearson, EGM Business Transformation

Project Background

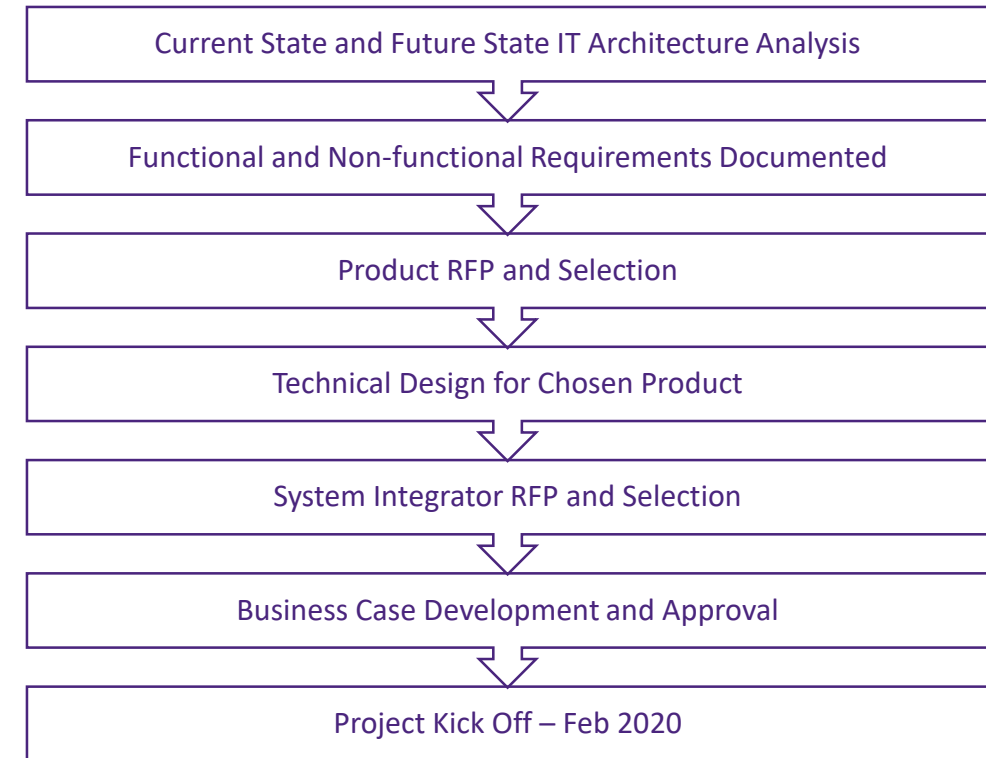
Rationale

- ❖ Sigma's current application landscape is cluttered
- ❖ 4 existing ERPs* that are highly customized and not integrated
- ❖ Current environment increases operational risk and impinges upon growth aspirations
- ❖ Opportunity to move to a single modern cloud-based ERP to support efficiencies and growth
- ❖ Enable the sharing of customers, suppliers and inventory across the enterprise - maximising efficiencies and enhancing our customer and supplier value proposition

* ERP – Enterprise Resource Planning

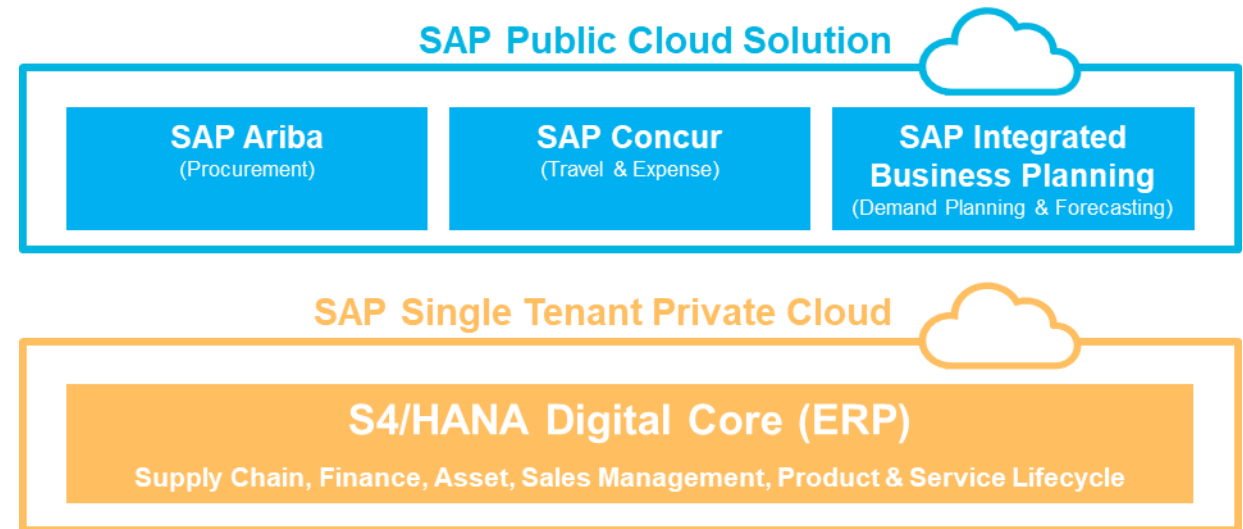
Progress

12+ months of detailed planning has culminated in the Board approved Business Case



Product Selection

- ❖ Following a comprehensive market scan three ERP Products were shortlisted for RFP:
 - SAP S/4 HANA
 - Oracle ERP Cloud
 - Microsoft Dynamics 365
- ❖ Each RFP response was assessed across multiple dimensions:
 - Compliance to functional requirements
 - Compliance to non-functional requirements
 - Commercial proposition
 - Legal engagement model
- ❖ The SAP S/4 HANA ERP and SAP Next Generation product suite was selected as the preferred product
- ❖ SAP offered the highest degree of fit to Sigma's functional requirements



System Integrator (SI) Selection

Procurement Process

- ❖ Market scan to form a shortlist of three SI's (Accenture, EY and Tata Consulting Services)
- ❖ Formal RFP process including workshops, presentations and written submissions
- ❖ Best and Final Offer (BAFO) process with final two SI's
- ❖ Final evaluation and reference checks
- ❖ Selection of Accenture as the preferred SI partner
- ❖ Completion of Inception Phase to finalise scope and remove any price uncertainty

Rationale for Selecting Accenture

- ❖ Market leader - SAP's number one strategic and global implementation partner
- ❖ Competitive fixed price
- ❖ Commercial model includes milestone payments, holdbacks and fees-at-risk to encourage delivery performance
- ❖ Proven experience working with Sigma to implement SAP Hybris
- ❖ Access to one of the world's largest teams of SAP practitioners
- ❖ Relevant experience in the Pharmaceutical industry and the Retail-Distribution vertical

Business Case

Investment

- ❖ Total capex costs are expected to be around \$65M including contingency and capitalized labour
- ❖ 60% of the budget is fixed, main variable cost is project labour
- ❖ Contingency is calculated at item level based on the degree of cost certainty for each item
- ❖ Expected payback of 7-10 years
- ❖ Capex costs are already included in existing total capex guidance

Benefits

Financial:

- ❖ Cost avoidance by decommissioning 19 legacy applications
- ❖ Reduced lost sales
- ❖ Improved DIO and DPO
- ❖ Consolidation of duplicated operations

Non-financial:

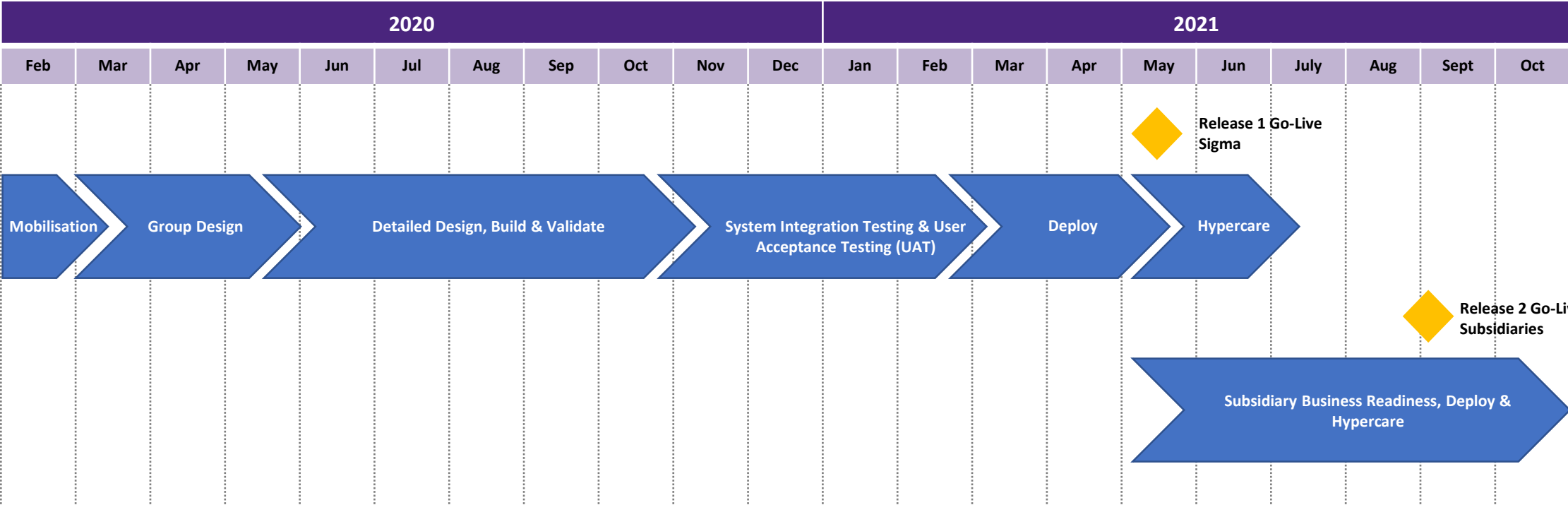
- ❖ Manages legacy system risk
- ❖ Improved risk management controls
- ❖ Improved team member engagement
- ❖ Improved customer satisfaction

Key Risks & Mitigants

Budget Overruns	<ul style="list-style-type: none">▪ Detailed planning and analysis has led to 60% of costs being fixed▪ Contingency calculated at item level, enabling more contingency for items with higher risk profile▪ Robust Governance processes, including rigorous Change Control protocols to manage scope creep
Business Disruption	<ul style="list-style-type: none">▪ Dedicated Project Team, including backfill resource for seconded team members▪ Hybrid Agile delivery methodology is iterative, enabling continual business validation▪ Extensive testing and dress rehearsals before controlled deployment across two releases
Change Management	<ul style="list-style-type: none">▪ Early business engagement to define the functional requirements and select SAP▪ Blended team of Accenture and Sigma experts to lead the Change stream▪ Identified Change Champions within each functional area of the business
Data Migration	<ul style="list-style-type: none">▪ Commenced preliminary data remediation activities early (August 2019)▪ Engaged a specialised firm to lead the data migration activities▪ Data resources with expertise in SAP are included in the project team

Business Case was reviewed and validated by PwC

Next Steps – Implementation Plan



- ❖ Development of the Group ERP template upfront, with controlled releases to minimize business disruption and manage operational risk
- ❖ Hybrid Agile delivery methodology to enhance delivery quality, speed to value realization, and business satisfaction



Mark Hooper
CEO & Managing Director

Overview

- ❖ Project Pivot on track to deliver \$100+ million efficiency gains, with some realization delayed in to FY21
- ❖ Some reinvestment to support return of CW FMCG contract
- ❖ Sales and Pharmacy brands have continued to grow stronger than market through 2H20
- ❖ Strong pipeline of 3PL/4PL business with capacity to absorb it
- ❖ Continue to evaluate other opportunities
- ❖ FY20 guidance will be updated once a full evaluation of the impact of CW returning is complete
- ❖ Growth will accelerate in FY21 – Guidance to be provided at FY20 results

Strategy | Efficiency | Growth



Thank you

