

ASX Release

18 March 2020

Market Update - Securing our longer-term future

Pharmacy Alliance (PAL) Supply Agreement renewed

Sigma Healthcare (Sigma) is pleased to announce the renewal of a first-line agreement with the Pharmacy Alliance (PAL) Group for the supply of all pharmaceutical and over the counter products.

The 5-year agreement, with a 5-year option to extend, is expected to continue to contribute over \$500 million per annum of ongoing revenue.

PAL is Sigma's largest independent wholesale customer group with a national network of over 700 independent and co-branded member pharmacies.

"Sigma has had a long-term relationship with PAL, so it is pleasing to see this partnership continue. The investment we have already made in our distribution network and pharmacy services provides an industry leading platform to continue to service and support the PAL group, and all our customers" Mr Hooper said.

Simon Reynolds, the Managing Director of Pharmacy Alliance said "Pharmacy Alliance has had a very productive relationship with Sigma and we are pleased to continue that partnership going forward on behalf of our members".

Long-term debt structuring

Over the past four years Sigma has invested approximately \$250 million in a major capital investment program to upgrade its Distribution Centre (DC) network. This investment included around \$165 million on acquiring land and construction of the physical DC buildings, with the balance spent on the acquisition and implementation of highly efficient automation equipment.

With the DC investment program nearing completion and business transformation well advanced, it is the appropriate time to review Sigma's balance sheet to ensure the core debt structure matches the longer-term business requirements.

Sigma has therefore commenced a process to review a sale and leaseback of its Distribution Centre (DC) network to release unrecognised value in land and buildings.

Early indications are that the land and buildings now have a significantly increased market value.

Connecting health solutions

Mark Hooper commented, "Our intention was to own and construct the DCs to control the build phase, and to subsequently review optimal financing options. This approach has created a significant uplift in market value which is not currently recognised on our balance sheet. A partial or full sale and leaseback transaction would help unlock some of that value and create opportunities to strengthen our balance sheet to facilitate pursuit of our growth ambitions."

Further details will be provided at Sigma's FY20 results announcement which is scheduled for 25 March 2020.

Coronavirus (COVID-19) update

As part of Sigma's response to the COVID-19 pandemic, key business risks have been evaluated and Business Continuity Plans (BCPs) reviewed and updated as required. Business policies and procedures have been reviewed and action taken to help minimise risk to our team members, customers, suppliers, and the community.

Mark Hooper commented, "We are dealing with a significant increase in volume as community pharmacy and their customers react. This is putting considerable strain on the supply chain. We are working closely with suppliers, pharmacy, government and agencies to help ensure that medicines can be fairly distributed in accordance with government medicines policy."

"Separately, Sigma continues to provide ongoing support to our community pharmacy, hospital pharmacy and aged care customers who are all facing significant demands as front line healthcare professionals."

For more information, please contact:

Gary Woodford
Corporate Affairs Manager
gary.woodford@sigmahealthcare.com.au
0417 399 204 | 03 9215 9632

Steve Dabkowski
Blue Dot Media
steve@bluedot.net.au
0419 880 486

This announcement has been authorised for release by the Board of Directors.