Citi Group Annual Investor conference

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Sigma Healthcare

Connecting health solutions

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- an overview of the financial and operational highlights for the Sigma Group for the half year period ending 31 July 2020; and
- a high level overview of aspects of the operations of the Sigma Group, including comments about Sigma's expectations of the outlook for FY2021 and future years, as at 13 October 2020.

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Overview of 1H21

Financial Performance

- 1H21 Underlying EBITDA* of $34.1m (post AASB16)
- 2H21 early results tracking well with continued sales growth and benefits from Project Pivot
- COVID-19 – Result reflects strong PPE sales offsetting income and cost impacts

Operational Update

- Wholesale Sales (ex-CW & Hep-C)** up 15.1%
  Pharmacy brands – Like for like growth of 9.5%
- Expansion businesses performing well
- DC Network has efficiently absorbed demand spikes during COVID-19

Business Transformation

- Project Pivot – has delivered $86.8m annualised efficiency gains to 31 July 2020 and remains on track to achieve $100m by FY21
- DC Investment – program in final stages to deliver the most efficient pharmaceutical distribution capability
- ERP upgrade – navigating COVID-19 and remains on track and on budget

Capital Management

- Sale and leaseback of two Distribution Centres completed 21 August with $172m proceeds
- Net Debt of $179m at 31 July 20, subsequently reduced to $33.6m by 31 August
- 1H21 Interim Dividend suspended as previously announced

People and Culture

- Team member engagement continues to improve with 83% rating Sigma "a truly great place to work"
- Sustained improvement in Customer engagement, with Net Promoter Score (NPS) up 4.3 points
- Health and Safety is a strong focus - COVID safe practices in place, and LTIFR^ down 45%

* Refer to Appendices for a Reconciliation of Reported to Underlying
** Ex-CW & Hep-C – refers to Chemist Warehouse, and sales of Hepatitis-C products which are high value and low margin
^ LTIFR = Lost Time Injury Frequency Rate

Sigma Retail
Momentum continues

~ 600 Brand Members

Like for Like Sales up 9.5%

Electronic Prescriptions enabled

Support to Pharmacy provided remotely

>18% of consumer pharmacy spend is in our brands*

Strong pipeline for growth

Expanded Independent Pharmacy offering

* IBIS World Industry Report

Expansion Businesses
Diversified growth

Hospitals
22% Sales growth* - well above market

- Sigma national market share circa 10% and growing, with operational progress in all States and expansion plans being implemented
- COVID-19 impact – significant increase in demand in March/April
- Elective surgery and Tender activity largely suspended

Contract Logistics (3PL)
New market

- A number of new service contracts agreed and commenced over the past 6-months
- 19,000 pallets of storage, with capacity for growth
- Kemps Creek DC - GMP certification and ISO accreditation processes underway

Sigma Hospital Services ← Supported by CHS Infrastructure → Sigma Logistics Services

* Sales growth ex-Hep C

Expansion Businesses continued
Diversified growth

Medication Packaging Services (MPS)

- Three TGA approved facilities
- Process under way to upgrade integrated software solutions
- Growth impacted by restricted access to aged care facilities during COVID-19

Medical Industries Australia (MIA)

- Business acquired by Sigma in early 2018
- Strong sales growth across all PPE categories, with a combination of one-off COVID-19 related demand and sustainable and repeatable business
- Operations integrated into Kemps Creek DC during 1H21

mps

medical industries

Regulatory update
Agreements finalised

7th Community Pharmacy Agreement (7CPA)

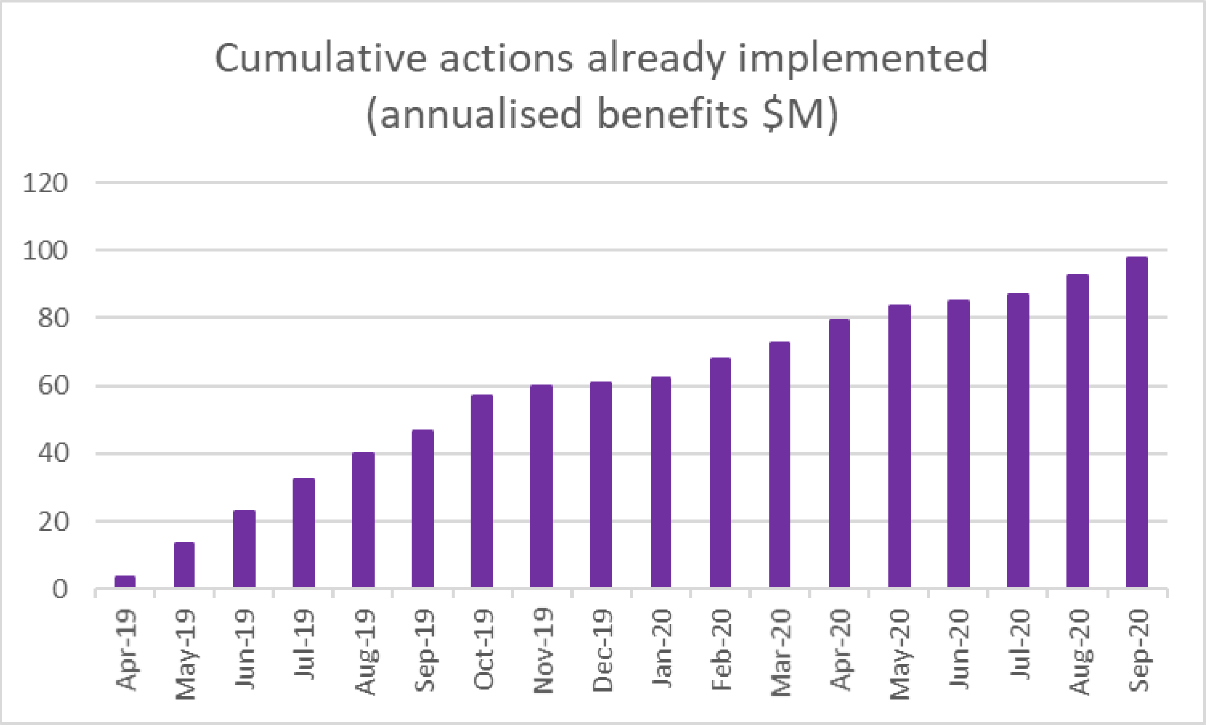
- New five year agreement that runs until June 2025
- The introduction of a pricing floor, combined with increased CSO funding will help offset the impact of ongoing PBS Price Disclosure reform
- Also provides funding certainty for pharmacy customers

Community Service Obligation Deeds (CSO)

- New four year agreement running to June 2024
- Provides increased funding to help sustain the industry over the term of the agreement
- Recognition of the important role CSO Wholesalers played in supporting the community during drought, bushfires and COVID-19

Project Pivot - on target

- Actions taken to achieve $97.5 of targeted benefits to 30 September 2020, up from $86.8m at 31 July 2020
- On track to deliver $100m annualised benefits by the end of FY21 as originally announced
- Around 60% of this was the efficient removal of costs related to CW contract that help offset loss of margin
- The balance is to deliver a further uplift in earnings and a fundamental improvement in ongoing business efficiency and effectiveness



Transformation delivering a stronger business

Our last 12-months

Delivered organic growth well above market

Remained on target to deliver Project Pivot $100+m

Regulatory certainty delivered through new 7CPA & CSO agreements

Sale and Leaseback completed.
$172m proceeds has reduced debt to $33m at 31 July 2020

Opened two new DC's and fifth in construction

ERP implementation approx. 40% complete.
On time and budget

Transitioned annualised CW OTC revenue of $800m

The next 12-months

- Emerge with a ***strong Balance Sheet*** with net debt peaking around $80 - $100m in mid-2021 and investment program largely complete
- Business and infrastructure is substantially enhanced, more efficient, and provides capacity for new business growth
- Above market organic growth and ability to consider M&A opportunities
- Strong cash generation from operations
- Continue on our path back to ***Underlying EBITDA*** of approx. $100m (post-AASB16) by the original FY23 target*
- Return to double digit ***ROIC*** within 2-years

* FY23 Underlying EBITDA target (pre-AASB16) was provided at FY2019 results announcement on 21 March 2019

EBITDA Target - How do we get there?

No acquisitions are assumed in reaching the target and realistic growth targets have been set

1H21

Underlying EBITDA $34.1m (post AASB16)

2H21

- Incremental Project Pivot gains
- Wholesale and Retail sales growth above market
- CW OTC sales at full run rate
- Benefit from Kemps Creek and Pooraka DC investment
- New 7CPA/CSO

FY22

- Full year benefit of Project Pivot
- Full year of CW OTC sales
- Full year of organic growth from FY21
- Ongoing benefit from leveraging DC investment
- Full year of new 7CPA/CSO

FY23

- Organic sales growth
- Ongoing benefit from leveraging DC investment
- Benefit from Truganina DC investment

FY23 Original EBITDA target* of approx. $100m post-AASB16

First two months of 2H21 are tracking in line with expectations

* FY23 Underlying EBITDA target (pre-AASB16) was provided at FY2019 results announcement on 21 March 2019

Thank you

Appendix

Resilient 1H21 through challenging environment

	NEW ACCOUNTING STANDARD				Impact of AASB16	OLD ACCOUNTING STANDARD	
	REPORTED	UNDERLYING				REPORTED	UNDERLYING
	1H21	1H21	1H20	% Change	1H21	1H21	1H21
Sales Revenue	1,642,162	1,642,162	1,877,598	-12.5%		1,642,162	1,642,162
Gross Profit	121,423	121,423	127,297	-4.6%		121,423	121,423
Other Revenue	52,860	51,715	46,412	11.4%		52,860	51,715
Operating Costs	(147,883)	(137,792)	(136,018)	1.3%	(5,390)	(153,273)	(143,182)
EBITDA	26,400	35,346	37,691	-6.2%	(5,390)	21,010	29,956
EBITDA Margin	1.6%	2.2%	2.0%			1.3%	1.8%
Depreciation and Amortisation	(14,548)	(14,548)	(12,606)	15.4%	4,390	(10,158)	(10,158)
EBIT	11,852	20,798	25,085	-17.1%	(1,000)	10,852	19,798
EBIT Margin	0.7%	1.3%	1.3%			0.7%	1.2%
Non-Controlling Interests	(1,201)	(1,201)	(682)	76.1%		(1,201)	(1,201)
Net Financial Expense	(5,181)	(5,181)	(7,633)	-32.1%	1,133	(4,048)	(4,048)
NPAT attributable to owners	4,711	10,630	11,197	-5.1%	(93)	4,618	10,537
EBITDA attributable to owners	25,199	34,145	37,009	-7.7%	(5,390)	19,809	28,755

- Total Revenue down only 12.5% despite 1H20 including full CW contract
- Non-CW Sales (excl Hep-C)** up 15.1%
- Expansion businesses continue to grow as a proportion of total earnings, with some one-off benefits in 1H21
- This has helped absorb the negative impacts of COVID-19
- Impact of Sale and Leaseback transaction will be reflected in 2H21

* Refer to Appendices for a Reconciliation of Reported to Underlying
** Ex-CW & Hep-C – refers to Chemist Warehouse, and sales of Hepatitis-C products which are high value and low margin

Appendix 1
Reported to Underlying Reconciliation

	31 July 2020 $000	31 July 2019 $000
Reported EBIT	11,852	12,688
Add: Reported depreciation and amortisation	14,548	12,606
Reported EBITDA*	26,400	25,294
Add back:		
Restructuring, transformation and dual operating costs before tax	7,788	18,635
Due diligence, integration and litigation costs / (benefits) before tax	2,302	(6,238)
(Gain) / loss on sale of assets before tax	(1,144)	-
Underlying EBITDA**	35,346	37,691
Less: Reported depreciation and amortisation	(14,548)	(12,606)
Underlying EBIT	20,798	25,085
Less: Non-controlling interests before interest and tax	(1,201)	(682)
Underlying EBIT attributable to owners of the company	19,597	24,403

	31 July 2020 $000	31 July 2019 $000
Reported NPAT attributable to owners of the company	4,711	2,519
Add back:		
Restructuring, transformation and dual operating costs after tax	5,452	13,045
Due diligence, integration and litigation costs / (benefits) after tax	1,611	(4,367)
(Gain) / loss on sale of assets after tax	(1,144)	-
Underlying NPAT attributable to owners of the company	10,630	11,197

- Reported EBITDA Attributable to Owners Is $25,199 (Reported EBITDA minus Non-controlling Interests before Interest and tax)

** Underlying EBITDA Attributable to Owners is $34,145 (Underlying EBITDA minus Non-controlling Interests before interest and tax)

Appendix 2
COVID-19: Sigma self sustained with robust plans

- Business recognised as an Essential Service
- Sigma's new DC network managing increased volumes well through automation and additional labour hours
- Replenishment of stock was challenged during the spike in demand
- Working closely with industry and Government to secure medicine supply

- No material impact on business plans, projects or initiatives
- Truganina DC construction and ERP implementation remain on track and budget

- COVID-19 Working Group introduced in March to implement policies, programs and changes to pro-actively manage the risk
- COVID-19 safe workplace plans implemented, and Business Continuity Plans updated
- Work from home initiatives in place since March, with communications and tools put in place to support the physical and mental wellbeing of all team members
- Cyber Security management increased
- COVID-19 specific Team member training introduced
- Sales teams redeployed to assist other functions in the business during COVID-19 lockdowns

- No Covid-19 related financial support required to maintain operations – no Job Keeper, No Rent Relief, No other concessions received
- No requirement to raise capital to fund operations

- Extensive Customer support programs and communications rolled out
- COVID-19 Rapid Response Plans put in place to assist pharmacy partners
- Accelerated E-Script and home delivery support to our pharmacy network and their customers