

CEO Address

Mark Hooper, CEO & Managing Director
Sigma Healthcare Limited, Annual General Meeting
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Thank you Ray, and can I also extend my thanks to those shareholders joining us online today.

Ray has provided you with the overview of the important investment and transformation program we have been focused on over the last few years. This has been an incredibly demanding phase but one that is transformational for the business. It genuinely establishes Sigma with a great platform to now accelerate our growth.

In today's presentation I will provide an overview of:

1. Sigma's financial performance this year, including some insights into business unit performance
2. Our management through Covid-19
3. The current regulatory environment, and finally
4. A high-level update on year to date performance for FY22

Financial Performance

Firstly, to the Financial Performance for the year ended 31 January 2021.

Revenue for the year was up 4.8% to \$3.4 billion. The underlying performance is even stronger given the prior year included sales of both FMCG and PBS medicines to Chemist Warehouse compared to just FMCG products this year.

The strong result achieved was due to a number of factors:

1. Our pharmacy sales growth, (excluding Chemist Warehouse), was up 11.4% for the year, significantly ahead of average market growth. This reflects an engaged sales team who remain focused on supporting our customers to build better businesses.
2. Our sales to Chemist Warehouse were down 11.9%, reflecting the cessation of supply of PBS medicines.
3. Sigma's own retail brands have also continued to outperform average market growth. Like for like sales, which reflect sales to the same stores in each year, were up 9.0% for the year, which follows 11.7% growth in the prior year.
4. Lastly, our expansion businesses collectively performed well despite some challenges during the pandemic. Medical Consumables business MIA benefitted from an uplift in sales of Personal Protective Equipment such as gloves, masks, gowns and hand sanitiser. Our Hospital supply business grew 15% notwithstanding the long period where elective surgeries

were deferred. Understandably, our medication management business, MPS, which mainly supplies medication dose packages to Aged Care, was negatively impacted by the effects of Covid-19 on many facilities and their residents.

Underlying EBITDA for the year came in at \$81.1m, up 39.2% on the prior year. This reflects the stronger sales performance during the year, plus incremental gains from the implementation of Project Pivot and the Distribution Centre optimisation program. Net Profit After Tax was up 132.8% to \$29.1 million, with no receipt of Government assistance such as Job Keeper.

We also wrapped up Project Pivot at year end, having achieved \$100+ million in annualised efficiency gains over the two years of the program. The benefits are being realised on an incremental basis and we have embedded the learnings and better ways of working into our day to day activity.

A continuous focus for management has been on Return on Invested Capital. Pleasingly, Underlying ROIC returned to 10.1% this year from a low point of 7.1% last year as we near the end of an intensive capital investment program. As that continues to abate and we grow our revenue and earnings base, we anticipate ROIC will continue to grow in the low to mid-teens.

Covid-19 management

I'll turn now to the impact of Covid-19 and how we have navigated our way through the challenges of this pandemic.

Sigma is classified as an essential service business, so it is critical we are able to fully maintain our operations to support the health needs of the community, and at the same time protect the health and wellbeing of our team members and our pharmacy customers who were at the front line.

We quickly established a cross-functional Covid-19 working group to identify the risk areas and implement the actions required to mitigate risk and continue safe operations. This included the updating of all business continuity plans to ensure we were prepared for any eventuality. Like most businesses, we moved a large proportion of our office-based teams to a working from home model, and significantly enhanced the cleaning and sanitisation practices at our workplaces to protect the health of our teams who could not work from home.

Pleasingly, our team understood and complied with the significantly increased demands for their own safety, and to date no Covid-19 cases have been reported at any of our operating sites.

We have subsequently introduced a working from home policy across our business, offering flexible working arrangements for those who are able to perform their roles from home one or two days per week.

Through our pharmacy network, we moved to offer extended support, including provision of PPE, constant communication on medicines and Covid-19 practices, implementation of home delivery support services, and continuous training and advice.

More recently, we have supported those members in our pharmacy network wanting to be involved in administering Covid-19 vaccines, to register an expression of interest, and to establish Covid-safe practices in delivering this service.

Regulatory environment

Sigma operates in a highly regulated industry with high standards of service delivery and obligations to the community. It is a role we fulfil with pride across our business – effectively delivering the

Federal Government's national medicines policy by helping to ensure the community has equitable and affordable access to medicines anywhere in Australia.

During the year, the industry reached agreement with the Commonwealth and Department of Health on the new remuneration environment under which we would operate for the period to June 2025.

The agreement resulted in revisions to the structure of our wholesaler remuneration, including the delivery of the increasing volume of low-cost medicines.

Importantly, it has provided some remuneration certainty for the next four years.

Year to Date Update

I'll move now to an update on current year trading performance.

We delivered a strong financial performance in the 2021 year driven by strong momentum in our core and expansion businesses. Pleasingly, this momentum has carried through into the current year.

Wholesale sales continue to perform ahead of the market, with overall sales for the first three months of this year slightly ahead of our expectations

There is some general market weakness being experienced in FMCG products, which has been impacted by lower sales of cold and flu category, and less export and Diagon buying. We anticipate this gradually improving in the second half.

At our Full Year results announcement, we indicated we are targeting at least 10% growth for the next two years as we progress towards delivering \$100 million underlying EBITDA in FY23. While there have been some challenges in the OTC space, with three months of the year now behind us, this target remains on track.

Conclusion

In conclusion I would like to make some personal remarks.

It was announced on 26 April that I had formally resigned as CEO of Sigma and would step down from the role at the end of October this year. This was an incredibly difficult decision for me to make. I joined Sigma at a challenging period in its long history and have committed 11 years to making Sigma a better business.

The best long-term interests for shareholders, team members and customers have always guided my decisions, decisions I have made both as CEO and a significant shareholder.

There have been a lot of challenges and tough decisions over this time however I feel confident to hand over leadership of a business much stronger than it was ten years ago and with a terrific team who have been instrumental in delivering the strong business you see today.

I'd like to finish by thanking the Board, our team members, customers and shareholders for your support throughout my time at Sigma.

Mark Hooper
CEO & Managing Director