

ASX Release

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Chairman's address

Good morning Ladies and Gentlemen. My name is Michael Sammells and as Chairman of the Board of Sigma Healthcare Limited, I would like to welcome you to today's AGM meeting.

I wish to begin by acknowledging the Wurundjeri people of the Kulin nations, the traditional custodians of the land on where we are gathered today. We pay our respects to their Elders: past, present and emerging.

I formally declare the 2023 Annual General Meeting of Sigma Healthcare open. All presentations and a recording of today's event will be available on our website for later viewing.

I will just start by saying that it is nice to be able to again hold an in-person meeting.

Voting in today's meeting will be conducted by a poll. All polls will remain open until the conclusion of today's meeting. As we move through the items of business, I will respond to questions from shareholders and proxies.

Before we proceed, I would like to introduce the members of the Sigma Board and management who are present today:

Starting from your left

David Manuel, who is also a member of our People and Remuneration Committee and a member of the Risk Management and Audit Committee. David has advised that he will retire from the Sigma Board at the conclusion of today's meeting. On behalf of the entire Board and Management, I thank David for his 13 years of commitment and dedication to Sigma

Annette Carey who joined the Board in April and is a member of the Nomination and Remuneration Committee.

Neville Mitchell, who joined the Board in February this year and became Chair of our Risk Management and Audit Committee.

Kate Spargo, who is a member of the Risk Management and Audit Committee and a Member of the People and Remuneration Committee.

Christine Bartlett, who is the Chair of the Nomination and Remuneration Committee.



Vikesh Ramsunder, our Managing Director and Chief Executive Officer who joined us in February last year.

Kara McGowan, who is our General Counsel & Company Secretary.

We are also joined by our Senior Executives who will be available to chat with Shareholders at the conclusion of the meeting, as well as representatives from the company's auditors, Deloitte, and our share registrars Link Market services.

Order of Business

Turning to the order of business. We have six items of business today as outlined in our Notice of Meeting, being

- The Chairman and CEO addresses,
- The Financial Statements and Reports,
- The Remuneration Report,
- The Re-election of Directors,
- The Remuneration Arrangements for the Managing Director and Chief Executive Officer, and
- Amendment of Rule 3.6 of Company's Constitution regarding the re-election of Directors

The first item of business is effectively an overview of the past twelve months and a general business update, which I will cover now before introducing Vikesh.

Acknowledgement

I would like to start by first acknowledging our former Chairman Ray Gunston, who suddenly passed away in July last year.

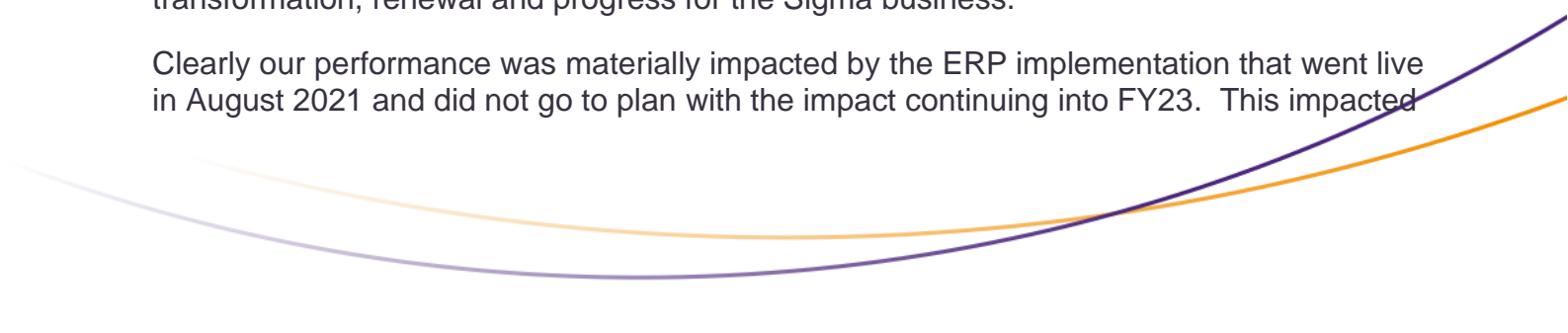
Ray was a significant contributor to Sigma since joining the Board in July 2010. He was a mentor to many people, he had an incredible work ethic, strong values and genuinely cared for people. Ray has left a strong legacy and is truly missed.

I want to thank my fellow Board members and Management for the way we collectively navigated our way through this tragedy. A special mention to Kate Spargo for stepping in as Interim Chair of the Risk Management and Audit Committee.

FY2023 at a glance

Let me now turn to the last 12 months, which has been one of significant challenge, transformation, renewal and progress for the Sigma business.

Clearly our performance was materially impacted by the ERP implementation that went live in August 2021 and did not go to plan with the impact continuing into FY23. This impacted



the trust of our customers in Sigma which ultimately impacted our own people and financial performance.

Pleasingly, we made great progress during the year in some critical areas that are key for our sustained success moving forward, including:

- Our new CEO commenced in February to bring a new lens to our operations. You will hear from Vikesh shortly
- Our ERP challenges were addressed as a priority with the system stabilized in the first half of the year
- With ERP stabilised, our core operational performance reached previously unattained levels on key customer metrics such as Delivery in Full and Delivery on Time
- We announced our renewed strategy, which I will discuss in more detail shortly
- We renewed our leadership team and recruited new team members with the skillset required to execute our strategy
- We reviewed and updated our governance practices, and renewed our Board adding two new Directors who you will hear from shortly
- We concluded our Distribution Centre infrastructure renewal program with the opening of our new Hobart DC and the doubling of the size of our Truganina DC in Victoria
- We materially reduced net debt and improved operating cash flow, and
- We returned to profit as promised, after cleaning up legacy issues, disposing of some non-core assets and simplifying our business model to provide a clean runway for the years ahead.

Whilst we have come so far, we recognize that we have much ground to make up.

With our operational performance now on track, this enables us to consistently deliver improved service that our customers can trust and rely upon. In turn, this enables us to start the process of winning back the trust and confidence of our customers, which is a major focus for the year ahead.

Strategy

Turning now to our strategy.

At our half year results announcement in September 2022, Vikesh announced the key pillars of our revised strategy, which were endorsed by the Board. This included:

- Grow scale and profitable market share in the wholesale business where significant capital has been invested.
- Divest non-core assets and continue to simplify the business
- Consolidate and build our franchise brand network



- Diversify our streams of income through expanded product offerings via health, beauty and wellness categories

Clearly, pharmaceutical wholesaling is a core operation and currently contributes over 90% of our Group revenue. It is however a high-volume low margin business but is one that we have invested around \$400 million over the last 6 years to renew our distribution centre network, automation and capacity. As a result, we now have a tremendous opportunity to leverage this investment by delivering enhanced customer service, growing profitable volume and achieving sustainable returns for shareholders.

Divesting non-core assets is an important step in simplifying our business, sharpening our focus on our core, and releasing under-utilized cash. We announced in March that we have sold our interests in Wholelife and ceased our Cura business, and we are in the process of selling our hospitals distribution business, which is still pending ACCC approval. These collectively free up cash without negatively impacting profitability.

Consolidating and building our franchise brand network is a foundational step that comes with some disruption but will ultimately support our wholesale business as well as our strategy of diversifying our streams of income.

As we methodically work our way through these strategic drivers, each contributes to our ability to enhance our business model, improve our balance sheet, support the pursuit of other vectors for growth, and ultimately enhance shareholder returns.

Sustainability

Turning now to sustainability.

We are very cognizant of the important role that businesses such as Sigma's play in contributing to a sustainable society.

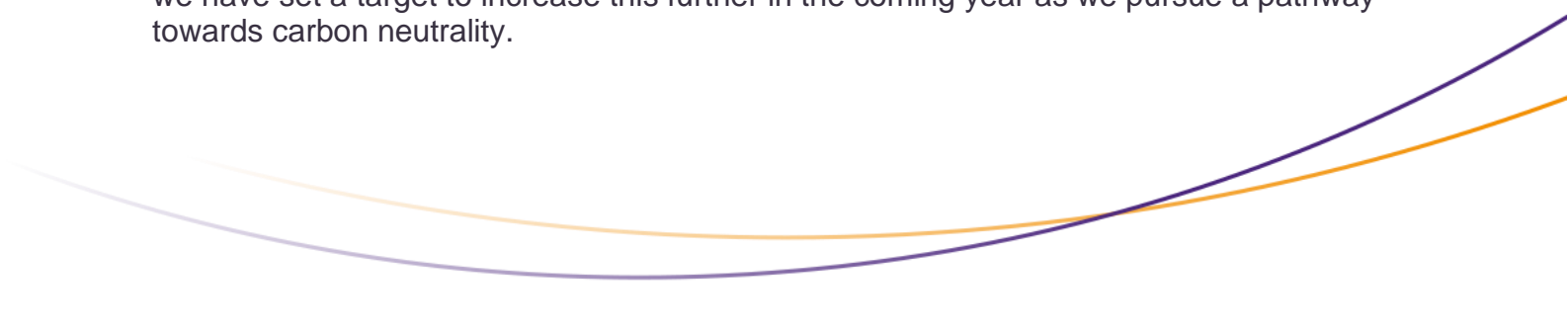
We have this year released our third sustainability report which you can access via our website.

For Sigma, our focus is on the specific areas where we can make a meaningful contribution to society.

The core of Sigma's business actually underpins the Government's National Medicines Policy – ensuring equitable, affordable and timely medicines all across Australia. In fact, we delivered over 120 million PBS medicines, and over 230 million units overall across the year, and our own people are critical to delivering this.

The health and safety of our team members is critical to ensure we can continue to support the community. Pleasingly, our safety focus has resulted in our Lost Time Injury Frequency Rate declining 31% to 1.83 for the year.

We have also made progress in ensuring our distribution centre network operates sustainably. For the year, solar generation powered 19% of our energy consumption, and we have set a target to increase this further in the coming year as we pursue a pathway towards carbon neutrality.



We have been a signatory to the Australian Packaging Covenant for 8 years to influence packaging and have diverted 71% of our waste from landfill across our 10 major sites. Through our subscription to PrintReleaf, we have also reforested over 1,700 standard trees to offset our paper consumption.

And from a Governance perspective, we are committed to operating our business in an ethical and transparent way, which is guiding our operations and reporting.

Before I hand over to Vikesh, I would like to acknowledge the contribution from our team members. It has been an extremely demanding year on our people, and I am incredibly proud of their resilience and tenacity. I also need to call out the leadership of Vikesh who commenced whilst the ERP issues were impacting the business. By year end the business is stable, routinely delivering service to our customers at levels not seen before at Sigma, whilst simplifying the business, delivering operational efficiency and returning the business to profit.

I extend the thanks to our loyal customers. We are aware our challenges have tested your patients and loyalty, but because of the work completed, we now have in place the network, systems and people needed to deliver the service standards you expect.

We are now focused on growing our business.

CEO address

Thank you Michael and I would also like to extend my welcome to everyone here today.

I will take this opportunity to speak to you about the following topics:

1. An overview of our financial performance for the year
2. Provide an update on our operational performance
3. Outline our retail brand strategy.
4. And provide a brief current year update.


Financial Performance

Starting with our Financial Performance.

Net Sales for the year were \$3.7 billion, which was up 6.2% on the prior year. The growth mainly reflected increased sales to key customers and sales of Rapid Antigen Tests after overcoming the impact of our ERP disruption.

Pleasingly the business returned to profit this year, and we achieved Earnings Before Interest and Tax of \$19.3 million and Net Profit After Tax of \$1.8 million, up from a net loss of \$7.2 million in the prior year. The profit was achieved after absorbing costs relating to inventory write downs and disposing of non-core assets.

Clearly a \$1.8 million profit is not satisfactory, and I have set very clear direction and plans on how we can continue to improve this profit position.



The Balance sheet has also been strengthened with net debt ending the year at \$67 million down from the \$149 million in the previous year.

And for shareholders, the Board agreed to pay a final dividend of half a cent per share. We also took the opportunity to outline a clear dividend policy moving forward.

Operational Performance

The improvement in our operational performance has been one of the highlights for the year.

Our operations were beset by many challenges from the start of the year, and Michael has already discussed the ERP challenges which drove much of this.

So to see Sigma's Delivery in Full metric, which is a critical measure for customer satisfaction, rebound from 75% in February last year, to a sustained 98% and above since June, was a strong turnaround considering we still delivered over 230 million units in the year to pharmacies.

We also finalised the business renewal program by completing the extension of our Victorian DC and moving into a new facility in Tasmania.

I now have great confidence in the sustained ability of our operations to meet high levels of customer service and absorb growth opportunities.

Brand Strategy

At our half year results in September we outlined a revised strategy to focus on supporting two brands moving forward – Amcal and Discount Drug Stores.

The first step in this strategy is to merge Guardian with the Amcal brand. The rationale for moving to two brands is the following:

Firstly, it removes the complexity of managing promotional and marketing strategies for five brands.

Secondly, consolidation provides scale to deliver the economics of a private and exclusive label strategy.

Thirdly, it allows us to focus on our brand positioning and consumer messaging to increase footfall through our stores.

There are also pharmacists who do not want to belong to a brand and for these stores we have launched our PriceSave offer to grow our wholesale volume.



Year to date update

At a broader economic level, there continues to be inflationary pressures on costs of operating.

Sigma operates in a highly regulated market with low margins and a restrictive ability to pass on cost increases. With that said, we also operate in more defensive categories less impacted by swings in spending patterns of consumers. In line with this, our sales into pharmacies YTD is up 5.3% benefitting from the improvement in operational performance. I also reaffirm our EBIT guidance of \$26m to \$31m for the full year.

In the recent May Federal Budget, the Government announced a policy change to facilitate 60-day dispensing on over 300 medicines.

This is a significant change in policy that will impact the funding for pharmacies and most likely decrease foot traffic into stores. The Knock-on effect on Sigma is too early to assess but we will continue to support our customers and work on initiatives to drive efficiency across the supply chain. This policy will be phased in over the next year starting from September allowing us time to manage the potential impact.

Before handing back to Michael, I would just like to leave you with some thoughts from my 15-months with Sigma.

Firstly, I am really pleased with the progress achieved, but not satisfied as I can see the opportunities that lie ahead for us. I am very grateful and proud of the efforts by our team members this year, considering the very challenging circumstances.

Secondly, having attended industry forums early last year and again this year, I have experienced a positive momentum swing in attitudes towards Sigma. It is now up to us to keep delivering and winning back the trust and confidence of customers and suppliers.

Finally, Sigma has a long and proud history that spans over 110 years supporting community pharmacy in Australia.

Amcal is also one of the oldest, most trusted and recognized pharmacy brands in the country.

We have spare capacity in world-class distribution facilities and in a changing retail landscape where logistics and supply chain capability are becoming even more important, we are well positioned to leverage our assets and focus on growing the business.

This announcement is authorised by order of the Board.

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