Growth through challenging times

HY22 Results Announcement 21 September 2021

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 2021; and
- a high level overview of aspects of the operations of the Sigma Group, including comments about Sigma's expectations of the outlook for FY2022 and future years, as at 21 September 2021.

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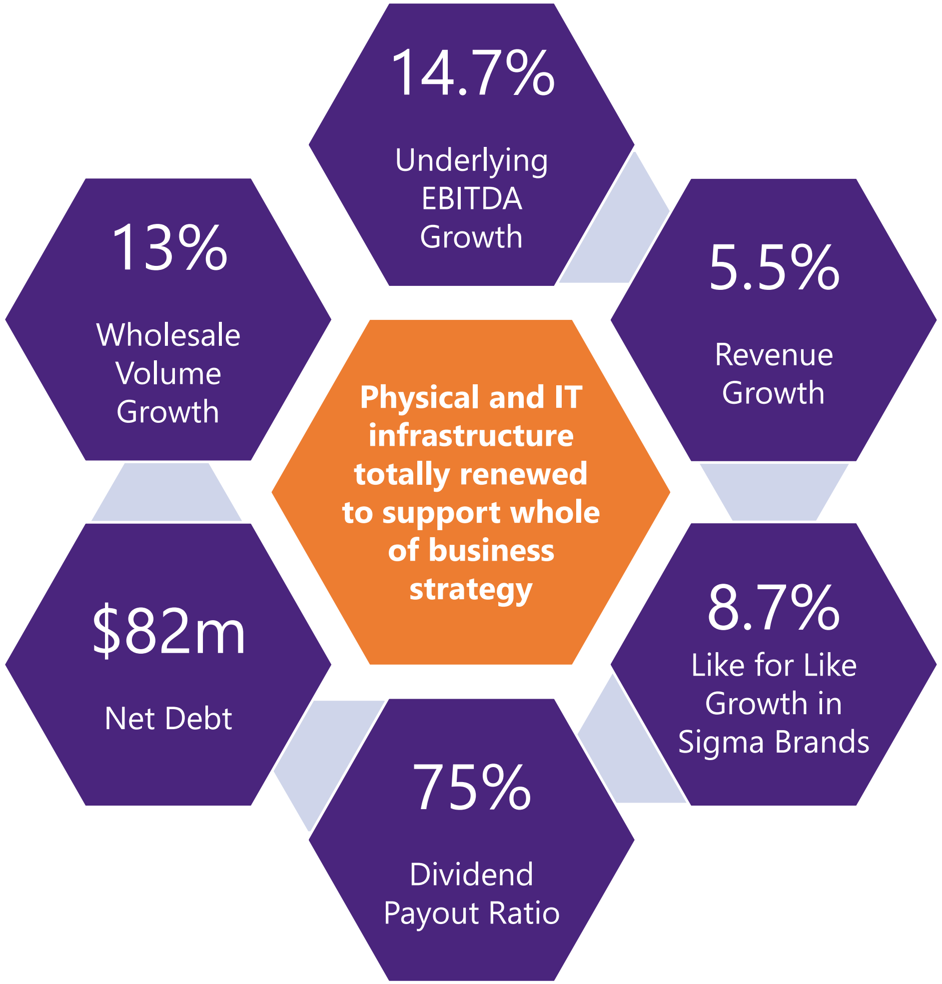
Mark Hooper
CEO & Managing Director

1H22 Overview – continued growth in challenging times

- Underlying EBITDA up 14.7% to $39.2m
  (no reliance on COVID-19 related funding)
- Overall COVID-19 had a slight negative impact on the first half, mainly in relation to sales and promotional income
- Fully franked dividend of 1.0 cent per share declared
- Net Debt of $82m – maintained a strong balance sheet to support growth
- Infrastructure investment phase now largely complete
  – SAP S/4HANA now live for Sigma
- Team and customer engagement scores continue to improve



Jackie Pearson
CFO

Financial Performance

	REPORTED	UNDERLYING*		
$m	HY2022	HY2022	HY2021	Change
1 Sales Revenue	1,732.6	1,732.6	1,642.2	+5.5%
2 Gross Profit	113.1	113.1	121.4	-6.8%
3 Other Revenue	55.2	56.9	51.8	+9.9%
4 Operating Costs	-150.6	-130.2	-137.8	-5.5%
EBITDA	**17.7**	**39.8**	**35.3**	**+12.6%**
EBITDA Margin	1.0%	2.3%	2.2%	n/a
Depreciation & Amortisation	-13.3	-13.3	-13.4	-0.5%
EBIT	**4.4**	**26.5**	**21.9**	**20.6%**
EBIT Margin	0.3%	1.5%	1.3%	n/a
Non-controlling interests	-0.6	-0.6	-1.2	-53.3%
5 Net Financial Expense	-5.1	-5.1	-5.2	-1.8%
Tax Benefit / (expense)	-0.1	-6.7	-4.3	+56.9%
NPAT attributable to owners	**-1.3**	**14.1**	**11.4**	**+24.4%**
EBITDA attributable to owners	**17.1**	**39.2**	**34.1**	**+14.7%**

1 Sales Revenue

- Total wholesale pharmacy sales grew 13.6%:
  - Non-CW^ sales up by 3% on LY
  - CW sales up 46.8% on LY – reflecting full run rate
  - Retail brands like-for-like wholesale sales up 8.7%
- Hospital sales up 8.9%
- Sales Revenue growth partly offset by lower PPE and export sales
- COVID lockdowns have impacted revenue more than last year

2 Gross Profit / Margin

- Reflects a return to a more normal product sales mix following a spike in higher margin PPE sales in 1H21

3 Other Revenue

- Increase in merchandise income
- Offset by decrease in supplier income for PPE sales and loss on disposal of assets (excluded from Underlying)

4 Operating Costs

- Warehouse and delivery expenses down 3.4%
- Sales and Marketing expenses down 24.5%
- Administration expenses up 1.4%
- Reported includes $17.8m in SaaS# expenses and $4.3m one-offs

5 Interest

- Includes $3.3m for lease liabilities
- Debt interest was $1.9M – down 55.8% on LY

* Refer to Appendix 2 for a Reconciliation of Reported to Underlying
^ CW refers to the Chemist Warehouse Group
\# SaaS – Accounting policy change under AASB 138 Intangible Assets

Capital Management

Dividends

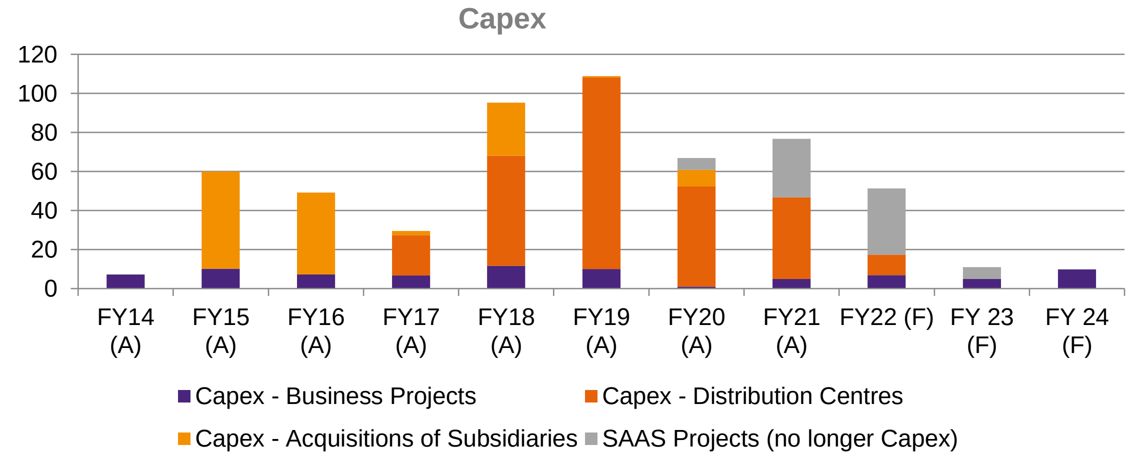
- Fully Franked Dividend of 1.0 cent per share:
  - Ex-Dividend Date – 26 September 2021
  - Record Date – 27 September 2021
  - Payment Date – 8 October 2021
- Dividend Payout Ratio of 75% (consistent with Board target of at least 70% of Underlying NPAT)

Share Buy-Back

- Remains an option but not currently actively buying
- Focus of Board and Management is franked dividends and strategic acquisitions that are aligned with our business model, leverage our capability, and further accelerate our growth

Capex

- Still expecting $55m-$60m capital expenditure during FY22 to finalise infrastructure and IT investment cycle (inclusive of SaaS projects)
- Ongoing business as usual capex expected to be around $10m



Capital Management (continued)

Return on Invested Capital (ROIC)

- Underlying ROIC* of 9.8%
- Underlying ROIC remains a focus – expected to be above 10% at year end

Cash flow and Cash Conversion Cycle (CCC)

- CCC remains consistent at 31 days
- Reflects an increase in wholesale volumes and timing of payments and receipts
- Expect CCC to return to high 20's in FY23

Net Debt

- Net Debt $82.0m at 31 July 2021
- Month end debt peaks around $130m in December 2021 with the completion of our investment cycle
- Free-cash flow will reduce debt beyond this

Cash conversion cycle	Jul-21	Jul-20
Trade Debtors	341,032	326,121
Inventory	353,684	299,819
Trade Creditors	(390,152)	(380,328)
Working Cap $'000	304,564	245,613
Days sales outstanding (DSO)	35	41
Days inventory outstanding (DIO)	40	42
Days payables outstanding (DPO)	(44)	(53)
CCC Days	31	30

* Underlying ROIC excludes Capital work in progress

SAP implementation – cut over on 29 August

- Largest SAP S/4HANA implementation in Australia
- Implementation cut over occurred on 29 August
- 18-month implementation complicated by COVID operating restrictions
- A complex project delivered within budget and broadly on time
- Some operational issues on switching to the live environment that we continue to identify, manage and resolve
- Generational upgrade to systems that will support ongoing business growth

Mark Hooper
CEO & Managing Director

Organic growth in Pharmacy continues

Wholesale Sales

- Overall sales up 13.6% which includes the positive impact from CW
- Sales (ex-CW) up 3.0% – in line with market
- PBS growth is around 6% with OTC growth down 3%-4%
- Includes some ongoing impact from lower diagou activity and export sales

Pharmacy Brands

- Like-for-like sales up 8.7% after delivering 9% in FY21
- Pipeline of new members is strong across the brands
- WholeLife and Amcal⁺ Life Clinic driving strong customer interest

Expansion businesses
Diversified growth

Hospitals
8.9% Sales growth* (market growth circa 5%)

- Above market but impacted by COVID restrictions and some price erosion on key high-cost drugs
- Achieving strong market growth in NSW following launch last year, and commenced supply to SA in July 2021

Contract Logistics

- Includes both 3PL and 4PL
- Over 20,000 pallets now under contract management
- Installing an additional 10,000 pallet storage capacity to support strong pipeline
- Kemps Creek now ISO accredited / finalising GMP accreditation

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

CHS

* Sales growth ex-Hep C

Expansion businesses (continued)
Diversified growth

Medication Packaging Services (MPS)

- Business performance flat given access to Residential Aged Care remains a challenge
- Significant reinvestment in business and system improvements to drive growth into FY23
- Includes upgraded software suite with eNRMC functionality which is driving strong interest from Aged Care

Medical Industries Australia (MIA)

- Sales and earnings well down on 1H21 given high demand experienced last year
- Focused on building sustainable and repeatable business
- Additional sourcing and selling opportunities for MIA and across the Sigma portfolio
- Medical consumables / devices an ongoing business development opportunity

Ongoing impact of COVID-19

Community Pharmacy, Hospital Pharmacy & Aged Care

- Covax working group supporting pharmacists in COVID-19 vaccine rollout across the network
- Support for hospitals with COVID related critical drugs shortages and supply for new wards/ICUs

Supplier & Government

- High engagement with the Department of Health, TGA and various industry bodies to help ensure equitable access to medication for all Australians
- Contributed to TGA medicines shortages working group to manage critical drugs supply
- No reliance on Government support (JobKeeper)

Team Members

- Constant communications to our teams
- Regular reviews of protocols in line with latest Department of Health advice
- On-site vaccinations provided to our NSW based team members during the latest outbreak

Operations

- Slightly lower sales and supplier income due to lockdowns.
- Significant impact on major CBD and airport pharmacies, especially in Melbourne and Sydney
- No repeat of 'panic buying' seen in March/April 2020 to offset impact of disruptions, especially higher margin PPE
- Increase in operating costs to comply with COVID-19 regulations

Clear and consistent strategy

Optimise an efficient operating cost base from initiatives already implemented

Leverage our investment in automated DC network and upgraded technology platforms

Drive growth from existing core business

Drive organic and acquisitive growth from expansion businesses

Together with an engaged team, this underpins our growth ambitions and our ability to execute strategy

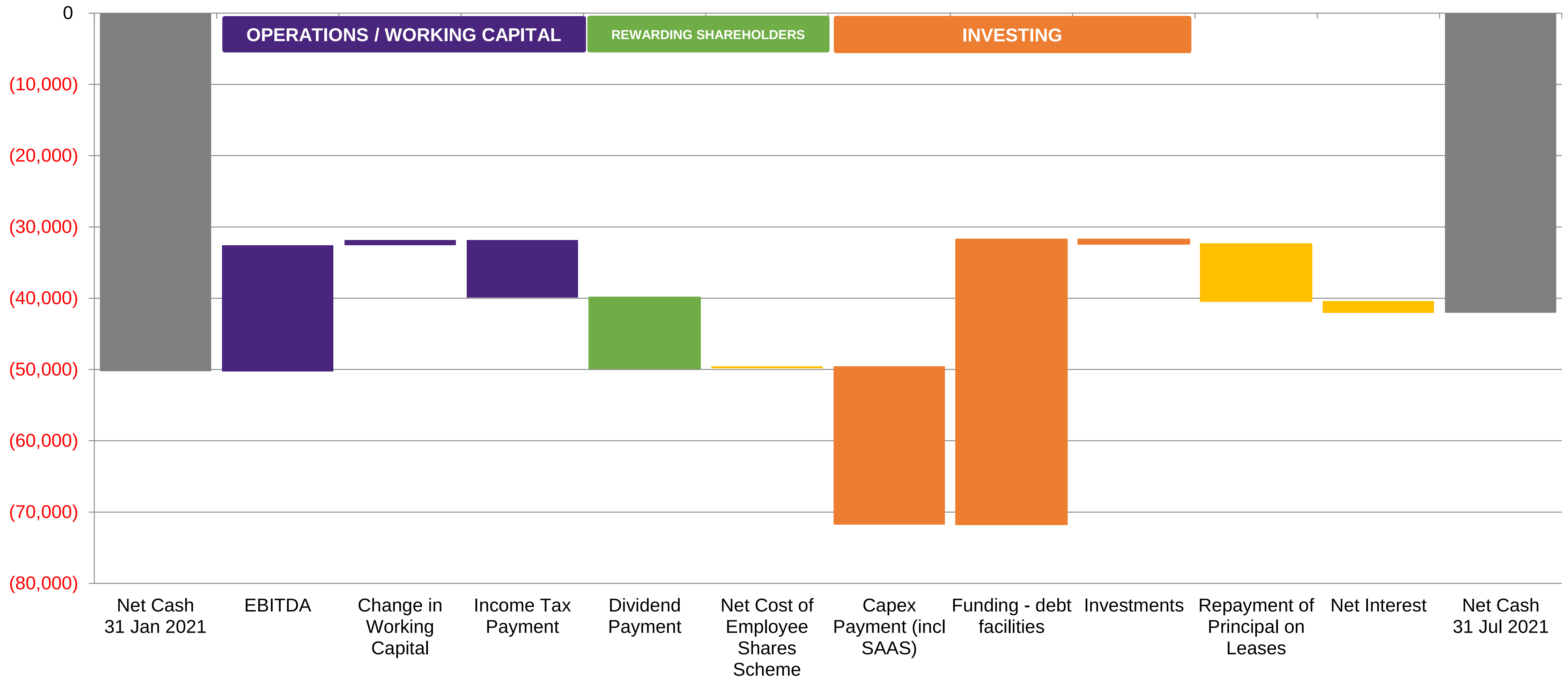
Outlook

	Outlook provided at FY21	Updated Outlook
Target: **CAGR >10%** **~$100m by FY23**	Targeting Underlying EBITDA CAGR* of 10% for the next two years On target to meet $100m Underlying EBITDA by FY23	**FY22 –** now expecting closer to 5% Underlying EBITDA growth, reflecting the increased impact and uncertainty from COVID-19 restrictions in 2H22 **FY23 –** continue to target $95-$100m Underlying EBITDA. Further updates at FY22 results
ROIC > 10%	Underlying ROIC to remain above 10%	On target for FY22 Underlying ROIC to be above 10%
DPR > 70%	Targeting a Dividend Payout Ratio of at least 70% of Underlying NPAT	Delivered 75% in 1H22
Business Development Growth	Pursuing M&A opportunities to accelerate our expansion businesses	In active discussions on a number of opportunities

*Cumulative Annual Growth Rate

Appendices

Appendix 1 – Cash flow



Appendix 2 – Reconciliations

Reconciliation of Reported (IFRS) and Underlying EBIT and EBITDA

	31 July 2021 $000	31 July 2020 (1) $000
Reported EBIT	**4,373**	(1,061)
Add: Reported depreciation and amortisation	**13,338**	13,452
Reported EBITDA	**17,711**	12,391
Add back:		
Restructuring, transformation and dual operating costs before tax	**1,642**	7,788
Due diligence, integration and legal costs before tax	**903**	2,302
(Gain) / loss on sale of assets before tax	**1,710**	(1,144)
SAAS – accounting policy change before tax	**17,837**	14,010
Underlying EBITDA	**39,803**	35,347
Less: Reported depreciation and amortisation	**(13,338)**	(13,452)
Underlying EBIT	**26,465**	21,895
Less: Non-controlling interests before interest and tax	**(643)**	(1,201)
Underlying EBIT attributable to owners of the Company	**25,822**	20,694

Reconciliation of Reported (IFRS) and Underlying NPAT

	31 July 2021 $000	31 July 2020 (1) $000
Reported NPAT attributable to owners of the Company	**(1,300)**	(4,328)
Add back:		
Restructuring, transformation and dual operating costs after tax	**1,150**	5,452
Due diligence, integration and legal costs after tax	**632**	1,611
(Gain) / loss on sale of assets after tax	**1,129**	(1,144)
SAAS – accounting policy change after tax	**12,486**	9,807
Underlying NPAT attributable to owners of the Company	**14,097**	11,398

•The comparatives have been restated to reflect the change in accounting policy as a result of implementing the IFRIC agenda decision on configuration or customisation costs in a cloud computing arrangement. Refer to the financial statements for further detail.

Thank you