



Future focused healthcare

Annual Review 2018/19





Our Vision

The preferred partner for connecting health solutions

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Our Strategy for the Future

Connecting Health Solutions for Customers

At Sigma, we aim to leverage our national footprint of Distribution Centres to supply products and services to over 5,500 community pharmacies, to public and private hospitals, and to institutional health providers. We offer 3PL and 4PL logistics services to support our manufacturing partners bring products to market.

We continue to invest in and expand our professional service offerings and support for our network of branded and independent pharmacies to help them become better businesses, including TGA approved medication management solutions to help better manage health outcomes for all Australians.

In all markets where we operate, we are customer-centric, benefits driven, and outcome focused. We look for opportunities to grow our core business, extend our reach into new markets, and enhance the efficiency and effectiveness of our business, and our customers' businesses.



+1.0m

Dose Administration Aids medication packettes packed each week



+\$250m

invested in an efficient and effective Distribution Centre network to enhance customer support



~20%

of consumer spend in pharmacy is at one of our branded stores

Chairman's Report



Prudent management of our capital remains a strong focus of the Board, with Return on Invested Capital continuing to be a critical factor in our investment criteria.

The past year has been an important period for Sigma. Whilst we have had our challenges, significant decisions and actions have been taken to pivot our business for future long-term success.

Financial Performance

The financial results we delivered this year slightly exceeded our updated guidance provided to the market July 2018 and confirmed in September. The results however did not meet our own expectations at the start of the year. This was due to several contributing factors, including softer retail sales conditions and the ongoing impact of PBS price reform, which was much larger than anticipated. As a result, Sigma has delivered:

- Revenue of \$3.97 billion, down 2.9%
- Underlying EBITDA of \$89.7 million, down 9.7%
- Underlying NPAT of \$46.3 million, down 13.7%

- Underlying Return on Invested Capital of 12.2%
- Earnings per share of 3.8 cents
- Total dividends per share of 3.5 cents
- A dividend payout ratio of 80.1% of underlying NPAT

Consistent with our strong emphasis on aligning senior management remuneration to shareholder value, performance incentives were not paid in respect of the current year (other than those relating to safety).

What has gone to plan this year is our attention to the initiatives that will sustain our future success. They are:

1. **Transformation program** – Setting a clear roadmap to pivot Sigma to a more efficient version of ourselves with strong and targeted growth aspirations;
2. **Investment focus** – Ongoing investment in critical infrastructure to support our growth and the growth of our customers;

3. **Capital management** – Ensuring an ongoing disciplined focus on return on capital employed; and
4. **People and Culture** – Ensuring we have the right organisational structure, alignment, and intellectual capital to take us forward.

Transformation Program

In October 2018, Sigma management commenced a broad and far reaching review of our business. The review was prompted by the decision not to renew the My Chemist/ Chemist Warehouse (MC/CW) contract, however we are also taking the opportunity to fundamentally transform and reposition the Sigma business. Whilst much of the findings from this review are commercially sensitive, it has given the Board tremendous confidence that:

- The core of our strategy remains appropriate but will be supported by more targeted implementation;



- We have the levers to achieve a step change in our operating costs to better reflect our future business operations. Indeed, the review has identified over \$100 million of efficiency gains to be captured from targeted improvement programs across the business;
- We can better leverage our existing capabilities and capacities to organically grow our core, and in particular to pursue new business opportunities; and
- We have the financial capacity, capability, willingness and opportunity to expand our operations including through targeted acquisitions.

This transformation program is fully supported by the Board and will be a major initiative over the coming 18-24 months.

Investment Focus

Over the past three years, Sigma has implemented a program to upgrade our network of Distribution Centres (DC) across the country. This investment has seen the successful opening of facilities at Berrinba in Queensland and Canning Vale in Western Australia. This program will continue over

the coming year, with construction well advanced on our new DC at Kemps Creek in New South Wales and Pooraka in South Australia.

On completion, this investment is an important component of our ability to drive step change in our operations, with the program providing strong payback on the automation, even with the loss of volume from the end of the MC/CW contract.

We are also embarking on an IT infrastructure upgrade that will see the implementation of an ERP system that enables the integration of core processes.

Importantly for our customers and shareholders, the DC and IT system investments enhance our operating efficiency and bolster our capacity to target new business opportunities, including organic growth and potential acquisitions.

Capital Management

Prudent management of our capital remains a strong focus of the Board, with Return on Invested Capital continuing to be a critical factor in our investment criteria.

Whilst our net debt position has increased to \$243 million at year end, this is the result of a deliberate strategy to leverage into our investment in physical DC infrastructure.

In December 2018 we agreed a new \$500 million debt facility which includes a three-year, \$250 million facility with the balance an overdraft facility and short-term debt with timing linked to the release of working capital at the end of the MC/CW contract.

Sigma also has a long history of paying a high percentage of profits as a dividend, and this year is no exception. We are pleased to reward shareholders with a final dividend of 2.0 cents per share, bringing the total in respect of the year to 3.5 cents per share, which represents a payout ratio of 80.1% of underlying NPAT.

Meanwhile, the step up in our investment cycle over the last 12-months has meant a more tempered approach to our share buy-back program. The share buy-back program does however remain an open option for the Board and management to consider.

People and Culture

Perhaps not surprisingly during this period of significant challenge and change, our engagement and culture surveys have highlighted the need for greater clarity of purpose and direction, to maintain efforts to build a climate of trust and respect, and enhancements to meaningful two-way communication. Management is actively responding. Several initiatives have been implemented, including the refinement of Sigma's strategy and future direction, which was rolled out across the business in February 2019, and structured and regular communications across the business.

Our Future

At the time of writing, Sigma had formally rejected a merger proposal put forward by Australian Pharmaceutical Industries (API). This decision was made after a thorough assessment, with Management, the Board and our advisors united that it was not in the best interests of shareholders.

More importantly, our recently completed business review has validated that Sigma has a very clear and strong future as a stand-alone business with growth opportunities providing further upside.

We remain focused on improving our business, driving operational efficiencies, and looking for opportunities to organically and acquisitively grow Sigma's business.

As we embark on a transformational year for Sigma, I would like to take this opportunity to thank our loyal shareholders. We understand it has at times been difficult to hold, however we are very focused on driving business improvement and sustainable shareholder value. I would also like to thank my fellow Directors and our wonderful team members at Sigma, who are collectively going through some challenging times but stand as one as we forge a path to truly becoming the preferred partner for connecting health solutions.



Brian Jamieson
Chairman

CEO and Managing Director's Report



Our focus is less on trying to replace the quantum of revenue, but very much on profitably growing sales, expanding our customer base and reach, and continuing to diversify our risk away from a reliance on PBS medicines.

The challenges we have faced and the decisions we have made during the 2018/19 year have set the platform for 2019/20 and beyond.

Our decision to not renew the contract with MC/CW for commercial reasons has been widely publicised. This became a catalyst to re-evaluate our business and identify opportunities to become more efficient but with a growth mindset.

Concurrently, we were also presented with an unsolicited merger offer from API which we have rejected as not being in the best interests of shareholders.

In February 2019, we released a market update following the finalisation of the first phase of our Project Pivot business

review, which identified the opportunity for a structural reduction in operating costs by over \$100 million. This is significant, with efficiencies to be achieved from reducing costs associated with servicing MC/CW, restructuring our DC network, better integration and leveraging of our recent acquisitions and a general improvement in our operating cost base.

With that backdrop, Sigma embarks on our transformational year with a sharpened focus on the opportunities and a resolve to execute.

Now I will address some of the more common questions that have been asked during the year.

Given what has happened to the share price, do you regret not renewing the Chemist Warehouse contract?

To decide to not renew an existing contract is not an easy decision, especially for a customer we have supported for over 40 years. What was critical in this decision were the questions “do the terms of the contract make commercial sense and does it provide adequate returns for shareholders for the capital invested?” The answer to these questions for Sigma was no and renewing on the terms required would have also impacted the share price. Whilst the decision to not renew was the more difficult of the choices, we are confident it is the right decision to free up capital and capacity to drive longer term sustainable shareholder returns. The completion of our recent business review has validated that decision.

What progress has been made to re-shape the Sigma business to be ready for the exit of Chemist Warehouse?

We initially completed a diagnostic review in late 2018 to better understand what our future business will look like, and what is possible in terms of structurally realigning our way of operating. This was a critical piece of work, as it drove a new approach to thinking, particularly around the costs of doing business, which we are now implementing. The business review identified the opportunity for a structural improvement in our operating costs of over \$100 million. The outcome from this work has already commenced and will be progressively delivered over the next two years.

Does the decision to build these new Distribution Centres still make sense?

Absolutely. Our decision to invest in our DC network was always made cognisant of the possibility that the MC/CW contract may not be renewed. Our DC network is at the heart of what Sigma does, so is critical infrastructure in delivering our services and growing our business. What the investment program does is provide a step change improvement in operating costs, significantly improve efficiency and effectiveness in servicing our customers, and provides capacity to pursue our growth aspirations.

How will you recover the revenue and profits that you have now lost?

Our focus is less on trying to replace the quantum of revenue, but very much on profitably growing sales, expanding our customer base and reach, and continuing to diversify our risk away from a reliance on PBS medicines. We have made good progress to date but are targeting an acceleration of those opportunities while maintaining a focused approach to investment.

Why did Sigma sign a \$500 million debt facility when you will have around \$300 million returned from Chemist Warehouse?

Firstly, it was pleasing that Westpac, having done their due diligence on our business during this period of transformation, committed to supporting

Sigma. The new debt facility is structured to support our current investment cycle and short term operating needs, whilst taking into consideration the upcoming release of the working capital. The release of approximately \$300 million working capital at the end of the MC/CW contract will very quickly return Sigma to a position of minimal debt with capacity for growth.

Has your strategy changed, and are there acquisition opportunities you have in sight?

We re-launched our strategy to the broader business in February 2019. This is not a fundamental change in direction for the business, but a sharper focus, with a more targeted strategy to support diversification of our business away from a heavy reliance on income related to distribution of PBS medicines. We continue to actively assess several opportunities. What we are doing however is narrowing the field of what we will look at, and targeting the growth areas that are a strong fit with our business direction and will accelerate our diversification ambitions.

What is happening with regulation of your industry?

Obviously, this is a core part of our business, so we heavily engage with Government and the Department of Health both directly and through our membership of the National Pharmaceutical Services Association (NPSA). It's important to ensure we have a strong voice in the debate on the regulatory framework.

There have been numerous challenges, including consultation on the processes surrounding high cost drugs, and efforts to ensure the high standards currently required to be a CSO Wholesaler are retained, despite efforts of others to have these standards reduced potentially to the detriment of patients.

Why did Sigma decide to not pursue the proposed merger?

For us, this was always a question of what is in the best interests of our shareholders, team members, and our customers. Having recently completed the original diagnostic review as part of Project Pivot, we now have a great understanding and confidence how Sigma will look as a stand-alone business at the end of the MC/CW contract.

What gives you reason to be optimistic about the future of Sigma?

I see a very strong future for Sigma. We have actively decided to use the events of the past 12-months as a catalyst to re-engineer our business and drive a growth mindset. This is a critical piece of detailed work, sharpening our focus on our future strategy and direction, better targeting the opportunities for investment, and identifying the areas where we can significantly improve our operating efficiency.

The analysis work has proven particularly valuable, with over \$100 million of efficiency gains identified and externally benchmarked. Findings from this review are being implemented now, with the savings to ramp up as we move through the calendar year and beyond. This means we can approach the next stage of Sigma's history with renewed confidence that we control our own destiny.

It is not only the cost out opportunity that gives me optimism. We have a sharper focus on driving operational enhancements and expanding our business into targeted growth areas to accelerate our transformation.

Above all that, I am extremely pleased with how the teams within Sigma have embraced the changes we are implementing. Major change creates challenges and the need for some difficult decisions along the way. I sincerely thank our team members for their support, and the way they have embraced the challenges and opportunities with vigour and enthusiasm. It is this collective effort that gives me the greatest reason for optimism.



Mark Hooper
CEO & Managing Director

Retail Pharmacy Services

We believe that healthy pharmacy partnerships are vital for healthy communities. It's our mission to achieve this by helping pharmacists to run better businesses, and to provide solutions to the broader healthcare community.

Professional Services

Our professional services programs have again been far reaching, making it easier for many Australians at risk of health conditions to navigate the healthcare system, speed up diagnosis and once diagnosed effectively manage their conditions with their health professional.

One program going from strength to strength is the Sleep Health Check run in partnership with Australian Pharmacy Sleep Services (APSS). This partnership creates Australia's largest Pharmacy Sleep Network and for the 1.8 million undiagnosed Australians living with sleep deprivation and exhaustion, this risk assessment offers a fast and effective way to determine whether the individual is at risk of sleep apnoea. Tests can be completed overnight in the comfort of a patient's own home which also highlights the many ways we can offer high-quality health services that benefit the local community.

CarePro

Continuing to support our retail pharmacy offering is NostraData. NostraData enjoyed a solid year with a focus on "Better Before Bigger", which included cloud migration and database re-engineering to improve customer experience and enabling better system stability. Significant resources and new talent were allocated to boost the

Our new generation B2B engagement platform, Sigma Connect, has significantly improved customer ordering and day to day essential communication with Sigma.

integrity of data quality systems to allow improved benchmarking, standardisation and reporting for our pharmacy customers. This builds trust in the data and improves the quality of the information we provide to our clients and partners.

NostraData's focus on innovation also led to the successful launch of the CarePro pilot program into Amcal pharmacies. CarePro is a platform that leverages NostraData's collective intelligence and systems to support pharmacies in better identifying patients that may be at risk of health deterioration and intervening as early as possible to deliver better health outcomes. The program has been well received and initial results are promising with many trial sites reporting positive patient responses to pharmacy health intervention and improving patient relationships.

LEAPP Dispensary Excellence Program

With a focus on improving the health outcomes of patients, our LEAPP Dispensary Excellence Program is producing outstanding results. The program's 'Care Counselling' sees the pharmacist use specific questioning technique(s) and tools that encourage a pro-active and expanded holistic health conversation with patients. At this year's

PSA Refresher Conference, industry analyst Bruce Annabel stated "Amcal and Guardian are the only national banners that have developed and are implementing...a change management program that offers their pharmacists innovative practices that have the patient as the focus and not the process – this is LEAPP". This type of recognition is very humbling and confirms that the LEAPP Dispensary Excellence Program is setting a new industry standard in pharmacy training and support.

Not only has the LEAPP Dispensary Excellence Program demonstrated proven benefits to patient health outcomes, it has also increased profits and business outcomes. Currently a LEAPP vs non-LEAPP pharmacy generates on average \$77,840 higher in Gross Profit and 3x greater growth in script volume. This year alone, LEAPP pharmacies achieved a 3.8% script growth compared to 0.9% for non-LEAPP pharmacies. We are committed to rolling out this program to more of our network during the coming year.

Private Label

Sigma's private and exclusive label portfolio is a leading offering to pharmacy and consumers alike, and we are committed to the long term sustainable future.



3x Greater growth in script volume in LEAPP vs non-LEAPP pharmacies.

To achieve this, we have broadened our pharmacy distribution base by the introduction of the Pharmacy Care brand across our pharmacy network. Our Amcal private label range remains our flagship brand and will benefit first hand from key innovations in the market place in 2019. Additionally, and in line with a renewed focus on customer centricity we have designed a program for independent pharmacies that includes our private label offering.

Looking internationally, we have successfully registered Ferrosig in New Zealand and launched it in the market in December 2018. We are also working with our commercial partners on opportunities to distribute products in the Asia-Pacific region.

Sigma Connect

Our new generation B2B engagement platform, Sigma Connect, has significantly improved our pharmacy customer ordering and day to day essential communication with Sigma. This technology initiative has been embedded across our entire pharmacy customer base, with stage one now fully operational. During 2019, based on customer feedback gathered via our Voice Of Customer program and other channels, we will complete extensive development to further enhance Sigma Connect's functionality, ensuring Sigma becomes the wholesaler of choice for service and ease of doing business.

Sigma Rewards Program

This year we relaunched our B2B loyalty program – Sigma Rewards. This exclusive program is designed to reward and recognise our pharmacy customers and now has three tiers including a free option which is open to all customers. Pharmacy customers have access to exclusive membership benefits across many categories including automotive, travel, utilities and services.

The Gold Elite tier allows pharmacies to earn reward points for Sigma and CHS spend. Sigma Rewards points can be redeemed on an incredible suite of products, services and experiences. Pharmacy customers even have the ability to redeem reward points on whatever they want with My Choice. Redeeming points has been made easier and pharmacy owners can now divide points amongst individual owners within a pharmacy.

Roy Morgan Customer Satisfaction Award for 2018

We congratulate the members of our Discount Drug Stores network on winning the Roy Morgan Customer Satisfaction Award for 2018 for the Chemist/Pharmacy category. Across the year, Discount Drug Stores won seven monthly awards, six months consecutively! The Customer Satisfaction ratings are collected from Roy Morgan's Single Source survey of approximately 50,000 Australians annually and we are very proud to see this brand rating so well with customers.

This is great recognition for our DDS brand members and the consistently outstanding level of service and support they provide to their customers.



WholeLife

In further evidence of Sigma's commitment to driving innovation in pharmacy and enhancing the customer experience, we have recently launched the new format – WholeLife.

The WholeLife brand is a new approach to pharmacy that combines the full traditional pharmacy offering and holistic, whole-health solutions to help customers improve, maintain and sustain better health outcomes. This Sigma pharmacy model is responding to a new way of thinking and is aligned to the wellness trend in Australian culture. By design, it casts the net wide, attracting those who seek the comfort and trust of a pharmacy, and have a need for healthy living and nutritional support.

We have trialled the new format in Queensland over the past two years and are now ready for a broader roll-out across the country.



 PharmaSave

First Aid

Initiatives

Project Pivot

Project Pivot is Sigma's major business transformation program. With the decision to not renew the MC/CW contract, we identified the opportunity to accelerate growth whilst also reviewing our operations to ensure our cost base is as efficient as possible moving into 2019 and beyond. Our contract with MC/CW ends 30 June 2019. Given the size and scale of MC/CW and our 40-year history servicing them, we have been actively planning for a smooth transition since announcing our decision to not renew the contract.

In late 2018, we appointed Accenture to assist with an initial diagnostic review of our entire operations. Accenture is one of the leading global management consulting firms and has significant experience in business re-engineering. This work is now progressing via 'Project Pivot'.

Our goal for Project Pivot is to transform our business by developing a vibrant culture focused on delivering healthcare solutions in partnership with suppliers and customers through:

- Creating a more efficient and effective core business while profitably growing volume and margin; and
- Building additional revenue streams that align with our core.

Our vision and strategy have also been fine-tuned as part of the Project Pivot work. While our core strategy is not new, it has been refined to bring it to life in a way that

is more meaningful for our team members and other key partners. We began rolling this out to the broader team in February 2019 to provide a clear direction for all team members.

We commenced implementation of the overall recommendations identified through Project Pivot early in 2019, with the total program expected to be phased in over the next couple of years and deliver efficiency gains in excess of \$100 million, freeing up capacity to invest in growth initiatives.

Voice Of Customer Program

During 2018 we invested in the implementation of an enterprise wide Voice Of Customer (VOC) program measuring our pharmacy customer relationship health, the value we provide, and our execution on the promises we make.

Our VOC program provides measurement in how well we are doing in meeting our customers' expectations and allows early intervention where required.

The VOC program plays an important part in developing a customer-centric culture with every team member having a line of sight to how they influence the customer experience. The insights we receive help us to identify innovative programs that benefit our pharmacy customers and the community. By listening to the challenges pharmacy owners and their staff face, we will develop tools to support outcomes for their business which reinforce our focus to help pharmacy owners run better businesses.

We measure our performance against three customer KPIs:

- Net Promoter Score (NPS) – this score is a trusted methodology used to predict customer loyalty or allegiance to the company by asking if they would recommend us to a friend or colleague;
- Overall Satisfaction (OSAT) – the OSAT is an indication of the customers' overall satisfaction, rating us on a 10 point scale and expressed as an average; and
- Net Easy Score (NES) – the NES is an indicator of how easy it is to do business with us and helps to identify areas that are high effort for the customer.

From the insights we receive, the organisation is adding a 'customer dimension' to strategic planning and decision making by:

- Thinking in terms of impact to the customer experiences – effort, emotion, benefits and outcomes;
- Collaborating and acting as single team supporting end to end process;
- Positioning our capabilities in terms of benefits and solutions to solve challenges faced by our customers;
- Holding ourselves accountable for delivering on the promises we make; and
- Measuring 'success' from the customer point of view.

Technology

Our Microsoft Office (MOE10) project saw Sigma migrate to the Microsoft Windows 10 platform, enabling team members to take advantage of the latest features available via this platform. Following the initial Sigma migration our IT team then concentrated on the successful integration of Discount Drug Stores, Pharmasave, Chemist King and CHS within Sigma's technology environment.

Now operating on the same modern and supportive End User Compute (EUC) infrastructure, all team members across these businesses can collaborate and work closely with each other.

Another major initiative launched in the 2019 financial year is our Enterprise Resource Planning (ERP) Replacement Project. The key focus of this project is to replace multiple legacy ERP systems across our entire business with a single platform to support and drive Sigma's growth strategy and in turn, better service our customers' needs.

Implementing a standardised ERP system will enable the integration and standardisation of core processes required to manage our warehouses, supply chain, sales, and financial activities across the group. A preferred product will be selected in the first half of 2019, along with a Systems Integrator, who will partner with Sigma to implement the solution.

This is a great example of our commitment to investing in critical projects that drive future business performance and enable our growth aspirations.

Distribution Centres Infrastructure Build

We are committed to reinvesting in our logistics network, to enable us to drive operational efficiencies to better service our growing customer network.

The 2018/19 financial year saw the successful opening of our Berrinba Distribution Centre in Queensland. The project was commissioned on time and under budget with the site now performing ahead of expectations. The facility delivers over 200,000 units daily and is efficiently servicing the Queensland and northern New South Wales markets.

The completion of our new Canning Vale Distribution Centre in Western Australia was also delivered on time and under budget. This is the second of our new automated Distribution Centres and will see the consolidation of the Western Australian Sigma and CHS operations into the one facility. The operational efficiencies and synergies created by this expansion will be beneficial with over 100,000 units to be delivered daily across the West Coast of Australia.

With the delivery of these two projects, our focus is now on investment in South Australia and New South Wales. Development of our Pooraka Distribution Centre in South Australia is currently running to time and under budget. This facility will be our third automated Distribution Centre delivering over 60,000 units daily to the South Australian and Northern Territory markets. We expect this facility to be operational in the last quarter of 2019.

Meanwhile, construction of our largest facility in Kempas Creek, New South Wales is well advanced and is on target to go live with our 3PL / 4PL operations in the third quarter of 2019, and to be fully operational in the first quarter of 2020. Development of this 40,000 square metre site will bring an even greater capacity for future growth in Australia's highest populated state.

Importantly, Sigma is just as committed to reducing its environmental footprint and every new site includes a number of environmentally friendly design initiatives including solar power, an environmental monitoring system, LED lighting, water retention and a waste management program.

<p>Berrinba – QLD</p> <ul style="list-style-type: none"> • 15,000 square metre footprint • Stocks our full range of 14,000 stock keeping units (skus) • Semi-automated, goods to person (GTP) system • Site fully operational from April 2018 	<p>Canning Vale – WA</p> <ul style="list-style-type: none"> • 15,000 square metre footprint • Will stock our full range of 14,000 skus • Semi-automated, goods to person (GTP) system • Site fully operational from February 2019
<p>Pooraka – SA</p> <ul style="list-style-type: none"> • 10,000 square metre footprint • Commenced construction in September 2018 • Construction on time and under budget • Semi-automated, goods to person (GTP) system • Site is planned to be operational in Q4 2019 	<p>Kempas Creek – NSW</p> <ul style="list-style-type: none"> • 40,000 square metre footprint • Construction on time and under budget • Semi-automated, goods to person (GTP) system • Site is planned to be operational with 3PL / 4PL activities in Q3 2019

The 2018/19 financial year saw the successful opening of our Berrinba Distribution Centre in Queensland. The project was commissioned on time and under budget with the site now performing ahead of expectations.





RUN 224
307 36
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772459
01 A1
SINGLE

Gross Weight
NET WEIGHT

Supply and Logistics Services

Sigma is committed to future focused healthcare backed by an optimised supply and logistics network.

Sigma's wholesaling network continues to support over 4,000 community pharmacies in addition to hospital pharmacy and third-party logistics customers.

Our Supply Chain team has maintained their focus throughout the year on continuous performance improvement, cost reduction initiatives and improving overall service for our customers. Year on year there has been sustained improvement in a number of key performance areas, notably advancements in customer order fulfilment across all product categories, with Generics being the standout, as well as a reduction in overall inventory/working capital investment requirements. These improvements have been achieved in conjunction with two major Distribution Centre transitions completed during the year. With the relocation of our Queensland and Western Australian Distribution Centres, the Sigma Supply Chain team successfully maintained optimal inventory balances whilst minimising any impact on existing customer service levels.

Our strong national supply and logistics footprint offers tailored solutions to a variety of different customer segments. In addition to our ongoing investment in the Distribution Centre Infrastructure Build program, Sigma continues to invest in systems and tools that underpin core functions across all sites.

These initiatives will further drive safety improvements, overall operational efficiencies, and improved customer outcomes within the network.

In the second half of the 2018/19 financial year, CHS commenced servicing several major contracts as part of our expanding logistics capability. As the exclusive distributor of pharmaceuticals and medical and dental consumables to the Australian Department of Defence, CHS has extended Sigma's logistical reach to include a specialised service model for the Australian Navy. CHS now provides logistics services to supply products directly to Navy sites and vessels. Additionally, CHS implemented storage and distribution of Department of Defence contingency inventory at its Dandenong South Distribution Centre.

CHS has also commenced managing Trividea Health's products to its customers under an exclusive 3-year 3PL agreement. Trividea Health is a global consumer health and wellness company based in Fort Lauderdale, Florida. It is also a leading developer, manufacturer and marketer of advanced performance products for people with diabetes, including a broad portfolio of blood glucose monitoring supplies and technologies.

Sigma is continuing to invest in infrastructure to enhance our capacity and capability in the 3PL/4PL services area.

Our Supply Chain team has maintained their focus throughout the year on continuous performance improvement, cost reduction initiatives and improving overall service for our customers.



280m

units distributed per annum from our Sigma and CHS Distribution Centres.



4,000

pharmacy customers supported across Australia.



Sigma Hospital Services

Sigma Hospital Services has continued to achieve market share growth across the country, especially in Western Australia and New South Wales.

We were pleased to implement the continuation of the unique clinical pharmacy service with Peter MacCallum Institute Victoria. This service supports post discharge chemotherapy patients on oral glucocorticoids at risk of glucose disturbance. Following an initial trial period, the program has been expanded to now include additional enrolled patients who can benefit from this service. A milestone of 100 enrolled patients was recently reached, with 72 undertaking continuity of care in a community pharmacy setting.

The findings of the program were presented at the November 2018 Society of Hospital Pharmacists of Australia (SHPA) Conference. SHPA is the national professional organisation for more than 5,200 pharmacists, pharmacist interns, students, technicians and associates working across Australia's health system. We are proud to work with the public health institutions on these initiatives and to have the opportunity to share our findings with their strong member base practising in the public and private hospitals sector.

The 2018/19 financial year saw revenue and market share growth across Australia, with revenue up by over 20% this year, against a backdrop of declining Hepatitis C sales, which dropped by around 35%. Pleasingly when this is taken into consideration, our base business excluding Hepatitis C has grown by over 50%.

Looking to the immediate future, the opportunities include continued geographic expansion, with a focus on South Australia and Queensland. Discussions are underway with key government and hospital stakeholders to establish a comprehensive market entry strategy that will support customers and create further competition in the market place.

We are also actively pursuing strategic partnerships with national private hospital groups, expanding our direct to ward imprest service to customers in New South Wales and further developing innovative supply chain solutions that leverage technology to enhance service levels for our customer network.

Discussions are underway with key government and hospital stakeholders to establish a comprehensive market entry strategy that will support customers and create further competition in the market place.

In addition, our medical device and consumable business, Medical Industries Australia (MIA), has also made a positive contribution to the health care sector this year. Proximate, our falls and wandering monitor, alerts staff when an at-risk patient is attempting to move unsupervised. This wholly owned product is the adopted system of choice in a number of major hospitals, including The Alfred, St Vincent's and Eastern Health. The latest innovation in Proximate is the development of a sophisticated annunciator that improves the identification of a moving patient.

MIA has also expanded its extensive range of products with additions to their Women's Health, Platinum Surgical and Paper Products lines. These developments have led to an increase in customer sales and offers into our community pharmacy network.

Sigma Hospital Services and MIA will continue to leverage the Sigma and CHS supply chain to expand and create further market opportunities.

20%

Revenue increase

50%

Business growth
(excluding Hepatitis C)







mps

mps continues to grow and complement the broader Sigma Healthcare business.

mps is a leading provider of dose administration aid service, systems and support to aged care residents, community pharmacy and patients in the home.

mps operates three TGA approved packing facilities with advanced risk management systems and processes to deliver the highest industry standards to our customers.

In the 2018/19 financial year, mps continued their upward trend with growth in community pharmacy and a number of key contract wins including Uniting Care QLD to their Blue Care residential aged care facilities and residents, AnglicareSA and TriCare QLD for the provision of Medication Management and Accredited Pharmacy Services to residential aged care and community patients throughout Queensland and South Australia.

Throughout the year, mps also focused on growing their strategic initiatives including forming a partnership with Stockland Benefits Plus Program in December 2018, to provide Stockland Retirement Village residents education and access to the mps Medication System. This partnership will support better health outcomes through improved medication adherence, making it easier to take the right medication, at the right time, regardless of lifestyle and care needs.

We were excited to see the development of the mps app, MyMedLink during 2018 which will be launched to the market in 2019 to support aged care residents and their carers. The MyMedLink app enables aged care residents and their families to access their medication profile and order directly from their pharmacy. It also provides other useful information such as the patient's medication history, including medication changes and any changes to the brand of medication supplied.

Other key developments this year included:

- Connecting Pharmacy to Patient Strategy which will integrate mps' software suite with all major pharmacy dispensing systems to provide the pharmacy and their patients with multiple dose administration aid options through the one system.
- Developing e-scripts on file, reducing the time spent managing prescription administration in community pharmacy by enabling access to our mps Quantum dispensary efficiencies.
- Revising the mps Accreditation Program to meet the new Aged Care Quality Standards and continue providing care providers quality assurance for service delivery.

Medication compliance and management is a critical issue for Australia's health care system. The high quality and compliance standards that MPS provides represents a unique opportunity for growth through delivering positive health outcomes to the community and aged care providers to help reduce medication related hospital readmissions.

The MyMedLink app enables aged care residents and their families to access their medication profile and order directly from their pharmacy.

1,010,562

mps packettes packed per week

99.9973%

Industry leading product accuracy

mps

Supporting our Team

At Sigma we believe success is a team effort, and that our people are our greatest asset.

We are committed to creating a safe and rewarding place to work and to attracting and retaining a team that is passionate about performing and delivering on our promises to customers and shareholders.

Our focus for the 2019 financial year has been in preparing and supporting our team to lead and manage change and deliver business transformation. We've also invested significantly in developing event-driven people processes to make working here easy, and free up our team to focus on what's important – our customers.

Culture and Engagement

A number of initiatives were implemented over the year to support a culture of transformation. A key area of importance for our team following a year of change and uncertainty was to have clarity on purpose and direction for the company and to understand the contribution they can make. In response, we refreshed Sigma's vision and invested in senior leadership workshops and associated communications tools to upskill them in communicating the vision consistently to their teams and aligning their priorities to it.

Other initiatives included:

- Recognising our frontline leaders are paramount to our team's experience and engagement with the workplace, we made a significant investment in a

new Sigma Frontline Leadership Program in 2018. A total of 43 frontline managers have already completed the program. Complementing this, a series of Leadership Labs was developed, designed to upskill managers and provide them with tools and confidence to lead their teams through change and to be their best.

- To demonstrate we live by our values, we overhauled our performance review framework, introduced a balanced scorecard approach, and a rating system with equal emphasis on outcomes achieved and behaviours demonstrated.
- To improve consistency and quality of communication, we introduced a new approach to communicating with our team, through videoed messages from leaders across the business on key issues of importance, screened at team events across the country on a regular basis.
- Introduction of a CEO Blog, Message from Mark, to improve communication to team members by delivering timely, targeted and relevant content about our organisational direction, key initiatives and projects and other pertinent news items to help team members stay informed.

We once again partnered with external partner, Best Practice Australia in November to conduct a pulse check survey to measure our progress on engagement and culture since our inaugural survey in 2017. Pleasingly, in the context of a disruptive and challenging year, 68% of our team participated in the survey, which saw our engagement score rise slightly by 2.9% taking us into a Culture of Consolidation, which is a typical

Our focus for the 2019 financial year has been in preparing and supporting our team to lead and manage change and deliver business transformation.

place for teams who are working at a fast pace to transform the business. Despite the challenges we've faced over the 2019 financial year, 68% of our team said that "On Balance, Sigma is a Truly Great Place to Work", up 17% from previous year. This is testament to our culture of a team that rallies and unifies under pressure.

Health and Safety Performance

Sigma continues to build on our commitment to creating and maintaining a robust operational safety culture and environment for all team members. We believe that providing a safe and healthy workplace empowers team members to be their best, creating a win for the company, team members, and our customers.

As in previous years, safety focus, culture and performance were linked to incentives. Our Board receives monthly activity and metrics reporting for our key performance areas, programs, training and campaigns, including both physical and mental health and wellbeing outcomes.

Our three predominant incident types throughout the 2019 financial year were falls from height-items, impact with objects – mobile plant against fixed items, and cuts/lacerations. Regular analysis of these incident types identified key themes and opportunities for reduction, which were implemented and are ongoing. They include:

- redesigned forklift operating induction for new team members;
- trialling of projected blue light safe operating distance indicators for forklifts; and
- a focus on housekeeping and hazard reporting, specifically sharp edge identification on fixtures, fittings, containers and plant/equipment.

Other key programs for the year, building on our physical and mental health and wellbeing approach, included:

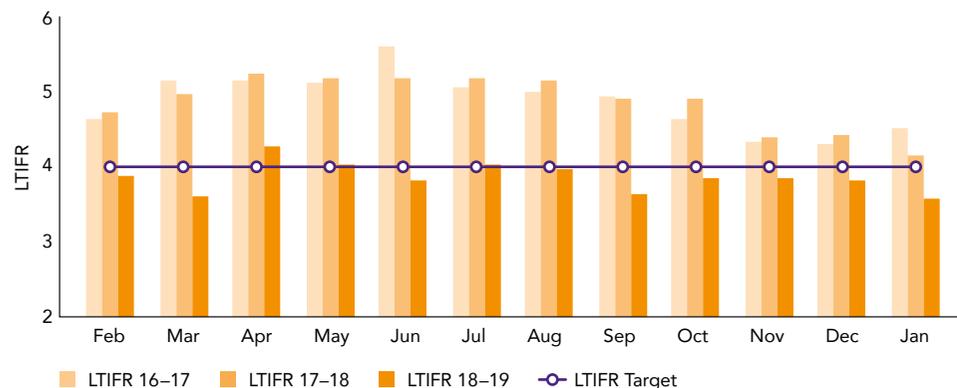
- the continued delivery of our Mentally Healthy Workplaces program, in conjunction with Medibank Health;
- extending our drug and alcohol awareness and testing program to all our subsidiary groups; and
- continuing our delivery of free workplace influenza vaccinations.

This year, Sigma also transitioned to a completely smoke free workplace environment. The change program included an awareness and consultation period, quit smoking information sessions, free quit programs, one on one consults with our professional services pharmacists, and nicotine replacement products for participants. Post implementation, our previous designated outdoor smoking areas were redeveloped as outdoor areas in line with feedback surveys undertaken across the Group.

Health and Safety Management System Audits

Each year we undertake management system compliance auditing at each of our sites, as part of our reporting and governance activity. The internal audits are undertaken by accredited auditors within our Health and Safety team.

This year's results were lower than the previous year, with a result of 86.56%, down from the 2018 results of 93.09%.



Whilst a disappointing outcome, the results include newly added facilities and sites and the removal of closed locations. Our comparative audit result for the year, against the previous year, is 90.25%. With a renewed focus across the Group for management system compliance, we are confident of seeing improvement throughout the 2020 financial year.

LTI/LTIFR

The Group recorded 14 lost time injuries (LTIs) for the year, four more than the previous year. (LTI = one or more lost shifts/days following the incident). Of these, two injuries resulted in greater than five lost days.

Our lost time injury frequency rate for the year was 5.07, a slight increase on the FY2018 result of 4.91 and commensurate with the increase in LTIs. It is however on average a decrease in LTIs per million hours against our FY2017 result.

Each LTI is investigated and used as a learning opportunity for both the related site and the Group as a whole.



Supporting our Team continued

Shine at Sigma

We believe it is important to recognise the efforts of our team members who demonstrate Sigma's values in an outstanding way. This year saw 57 team members nominated by peers for Shine Awards. 16 of those nominees were selected as Shine at Sigma winners during the year.

This year our overall Shine at Sigma winner was Sandra Jones (Customer Service Operations Manager). Sandra won the award due to her outstanding commitment to ensuring our customers are receiving the highest possible service and strong demonstration of our value of being a united team.

Sandra was nominated as a result of a supply issue of a specialty baby formula in Tasmania. A customer with 6-week-old twins was trying to purchase the formula but was told it was not in stock. Sandra worked closely with the pharmacist and our supply chain to obtain the formula and ensure it was delivered to the pharmacy as soon as possible so the twins were not without their specialty formula.

General Manager of Wholesale Operations, David Bennett commented "Sandra's commitment to customer service demonstrates just how important teamwork is to our success. Sandra simply took the responsibility herself to achieve a positive outcome on behalf of the entire team".



Sandra won the award due to her outstanding commitment to ensuring our customers are receiving the highest possible service and strong demonstration of our value of being a united team.

Due to such deserving nominees, a runner up award was also presented to Geoff Law (Financial Controller) for his demonstration of our value of accountability. Throughout the year, Geoff absorbed a significant amount of work, including the rebuilding of the financial report model functions, supporting the business transformation program, and providing analytical analysis to the business. Group Financial Controller, Nathan Caldwell commented that "not only has Geoff done a fantastic job, but his enthusiasm and positivity has shone through and he has demonstrated just how capable and important he is to our team".

We congratulate both Sandra and Geoff on receiving these awards and in line with Sigma's philosophy of supporting the communities in which we operate both were eligible as part of their awards to select a charity of their choice to which Sigma would make a donation.

Sandra chose to donate her \$3,000 allocation to **Dolly's Dream**, which was set up in memory of Amy 'Dolly' Everett, aged 14, who took her own life after an extended period of bullying and cyberbullying. Dolly left behind her parents Tick and Kate and her sister Meg, who are now focused on using the money that has been kindly donated by the community to help prevent other families going through the same devastating experience. The money donated will be used to continue to act as a voice for those who cannot speak for themselves and create change by:

1. Raising awareness about the seriousness of bullying and its devastating effects,
2. Working to address bullying and cyberbullying issues in regional Australia,
3. Delivering advice on mitigation to schools, and
4. Changing culture to help prevent bullying from happening.

Geoff's chosen charity was **Fight MND**, which was established in 2014 with the purpose of finding effective treatments and ultimately a cure for Motor Neurone Disease. Motor Neurone Disease (MND) is the name given to a group of diseases in which the nerve cells (neurones) controlling the muscles that enable us to move, speak, swallow and breathe fail to work normally. With no nerves to activate them the muscles gradually weaken and waste. There is currently no truly effective treatment and no known cure.



Supporting the Community

Sigma is committed to managing our business in a socially responsible and ethical manner and contributing towards building healthy and sustainable communities.

As Australia's largest pharmacy-led network, we have extensive reach across the nation which puts us in a unique position to support the broader community.

SUMMER
FOUNDATION



The Summer Foundation

On a corporate level, Sigma continued to support the Summer Foundation. The Summer Foundation aims to create, lead and demonstrate long-term sustainable changes that stop young people with acquired brain injury from being forced to live in nursing homes because there is nowhere else for them. Today in Australia, more than 6,000 younger people (under 65) with disability are forced to live in nursing homes. The majority of these young people acquired their disability as adults. Almost half are in partner relationships and more than one in four are parents of school-aged children at the time they move to aged care. We are pleased to be in the position to assist the Foundation continue their amazing work in the community through the donation of \$55,600 which was presented at our annual Supplier Gala Dinner held in July 2018.

"Summer Foundation value the relationship, support and opportunities of our partnership. We're just about to sign off on our next strategic plan, and this being my tenth year at Summer Foundation, it's a great opportunity to reflect on how far we've come in addressing the issue of young people in nursing homes. I'm really excited about our next three year phase, and look forward to sharing that journey with Sigma. We thoroughly enjoyed the opportunity to share the work of the Summer Foundation with your suppliers, thank you so much for nominating Summer Foundation as beneficiaries of this fabulous event." – Carolyn Finis, Chief of Staff



Carers Australia

We also pleased to continue to support Carers Australia, the national peak body representing Australia's unpaid carers. Carers Australia works collaboratively with partner and member organisations, the network of state and territory Carers Associations to deliver a range of essential national carer services. In December we donated \$30,000 to this worthy organisation.

The money donated was put to good use in supporting our nation's young carers who are under the age of 25 and care for a parent, partner, sibling, their own child, relative or friend. The Young Carers Network is a program that was established to assist those young carers engage with each other and help support them to stay in school. Whilst many young carers emphasise that caring is a positive experience, research clearly indicates that when inadequately supported, their own health, mental health, wellbeing and education can be seriously affected.



Assistance Dogs Australia

Discount Drug Stores have again been very active in supporting the community with the donation and sponsorship of over \$40,000 this year to its charity partners Free2Be and Assistance Dogs Australia. Discount Drug Stores sponsored two new assistance dogs during the 2019 financial year and was excited to receive the news that assistance dog, Coco had fully qualified and been placed with a very deserving recipient, Linda.

Linda, a former GP requires a wheelchair as a result of an autoimmune disease. Coco is excellent company and is a wonderful help to Linda but most of all has given the gift of confidence which makes Linda feel much less vulnerable in public.

"Having an Assistance Dog is life-changing. Each day I wake up to Coco by my side, giving me the courage and a reason to bounce into another day. I would like to thank you for your generosity and inspiration in sponsoring an Assistance Dog." – Linda



Guardian Angels

2018 marked 20 years of the Guardian Angel Knitting Program, an initiative of Guardian Pharmacy which in its lifetime has provided over two million garments for those facing hardship each winter.

This year, Guardian Pharmacy partnered with St Vincent de Paul Society for the second consecutive year. The program donated more than 50,000 garments in a bid to provide the 116,000 Australians experiencing homelessness and the three million living in poverty with warm winter wear.

Beaconsfield Guardian Pharmacist, Chris Warne has been passionately leading his team of Guardian Angels since the program began 20 years ago and has watched the campaign evolve into what it is today. "I've watched the Guardian Angels program help so many different people in need over the last 20 years but its core has always stayed the same – it's about our community helping each other – our knitters don't favour who they can help as long as it goes to someone that needs it," Mr Warne said.

St Vincent de Paul Society Western Australia Chief Executive Officer Susan Rooney said they were grateful to continue the partnership with Guardian Pharmacy and were proud to be part of an initiative that has helped Australians in need. "Homelessness has risen by almost 14 per cent in the last five years and it doesn't discriminate – it affects people of all ages and backgrounds," Ms Rooney said. "While homelessness can look different for many Australians, winter can be a tough time no matter the circumstance, and the Guardian Angels program helps us support those who need it most."



Supporting the Environment

Sigma Healthcare is committed to reducing our environmental footprint.

We are pleased to report that this year we have continued to improve our waste diversion program. With the appointment of a new waste management provider, Sigma has embarked on a new national program for waste management aimed at further increasing our diversion from landfill and delivering better overall sustainability and cost outcomes.

Our national program for waste management initiatives included:

- Energy
- Waste
- Packaging

70%

Projected reduction in lighting energy use at our Rowville site

17,000

Lineal metres of plastic bubble wrap per year eliminated via the introduction of alternative solutions

Energy

At our Rowville site, an LED lighting upgrade is forecast to save 983MWh of electricity per year, providing at least a 70% reduction in lighting energy use, equating to over a 1,000 tonne reduction in CO₂.

Our new distribution centres also include a number of energy saving features such as LED lighting, solar hot water and solar power which will contribute to the sustainability of the communities in which we operate. In Canning Vale, we have also incorporated 100% redundancy for power so if there is a power outage in the local area, our DC will continue to operate with no impact to our customers.

Waste

We diverted 1,074 tonne from landfill and eight tonnes were recovered out of a total waste amount of 1,680 tonne through a network wide Waste Diversion and Recovery program this year.

In addition, as part of our major IT equipment and systems upgrade project, we diverted large quantities of redundant electronic devices such as desk top computers, laptops, monitors, printers, televisions, servers, mobile phones and other sundry items to industry best-practice disposal channels to maximise recycling and material recovery according to ISO14001 standards.

Packaging

One of our packaging improvements included implementing changes to our first aid range packaging. The change reduced the number of plastic seals required by 231,000 per annum.

Furthermore, we eliminated the usage of traditional plastic bubble wrap by over 17,000 lineal metres per year by introducing a paper based, earth friendly alternative to plastic bubble wrap and air pouches for outbound product dispatch.

Sigma has embarked on a new national program for waste management aimed at further increasing our diversion from landfill and delivering better overall sustainability and cost outcomes.



Board of Directors



Mr Brian Jamieson
(Chairman)

FCA, MAICD

Non-Executive Chairman and Director

Appointed a Director of Sigma Healthcare Limited in May 2003, and Chairman of Sigma Healthcare Limited in June 2010. Mr Jamieson is also a Director of Highfield Resources Limited and the Bionics Institute. He is a former Managing Partner of Minter Ellison Lawyers Melbourne, former Chief Executive of KPMG Australia, former Chairman of Mesoblast Limited and former Director of Bank of Western Australia Limited, HBOS Australia Limited, Tigers Realm Coal Limited, Oz Minerals Limited, Tatts Group Limited and CareAustralia. Mr Jamieson has over 30 years' experience in providing advice and audit services to a diverse range of public and large private companies. He has not held any directorships of listed entities in addition to those set out above during the last three years.



Mr Mark Hooper
(CEO & Managing Director)

BBus (Acc), CPA, FFTP, MAICD

Executive Director

Appointed Managing Director of Sigma Healthcare Limited in August 2010. Mr Hooper has a broad range of experience in finance, commercial and operational matters primarily in the mining and pharmaceutical industries. Mr Hooper is a former Chief Financial Officer and Executive Director of PaperlinX Limited. From 2006 to 2008 Mr Hooper was the Chief Financial Officer and Chief Operating Officer for the Pharmacy and Consumer business for Symbion Health Limited. Prior to that Mark was Chief Financial Officer of Sigma from 2001 to 2006. Mr Hooper has not held a directorship of any other listed entity during the last three years.



Mr David Bayes

FAICD

Non-Executive Director, Chairman of the People and Remuneration Committee, Member of the Risk Management and Audit Committee

Appointed a Director of Sigma Healthcare Limited in June 2007. Mr Bayes has held a variety of board and executive positions including former Chief Executive Officer of Choice Hotels Australasia, Chief Operating Officer of Mortgage Choice, Chief Executive Officer and Director of Bakers Delight, former Non-Executive Director of Chiquita Brands South Pacific Ltd, former Non-Executive Director of North Western Healthcare Network and former Vice President and Director of McDonald's Australia. Mr Bayes is a Non-Executive Director of the Australian Institute of Company Directors and is the current President of the Victoria Council, Australian Institute of Company Directors. Mr Bayes has over 35 years' experience in multi-outlet retail business. Mr Bayes has not held any directorships of listed entities in addition to those set out above during the last three years.



Ms Kathryn (Kate) D Spargo

LLB (Honours), BA, FAICD

Non-Executive Director, Member of the Risk Management and Audit Committee

Appointed a Director of Sigma Healthcare Limited in December 2015. Ms Spargo holds a Bachelor of Law with Honours, an Arts degree from the University of Adelaide and is a fellow of the Australian Institute of Company Directors. She has gained broad business experience as both an advisor, having worked in private practice and government, and as a director of listed and unlisted companies. Ms Spargo is currently Non-Executive Director at Sonic Healthcare Limited, Adairs Limited, CIMIC Ltd and Xenith IP Ltd. Ms Spargo has held a Directorship in a listed entity over the past three years as Chairman in UGL Limited and Non-Executive Director in Fletcher Building Limited. In addition, Ms Spargo's current directorships in unlisted companies include Director of ColInvest Limited, the Geelong Football Club and Future Fuels Cooperative Research Centre.



Mr Raymond M Gunston

B.Comm (Hons), DipEd, FCPA, FTA, GAICD

Non-Executive Director, Chairman of the Risk Management and Audit Committee, Member of the People and Remuneration Committee

Appointed a Director of Sigma Healthcare Limited in July 2010. Mr Gunston is a Non-Executive Director and Chairman of the Board Audit and Risk Committee of Hotel Property Investments Limited. He has over 35 years of extensive corporate and financial services experience in the public and private sectors, specialising in finance, treasury, mergers and acquisitions, and accounting. He is a former Chief Financial Officer of Tatts Group Limited, and a former director of many of the Tatts Group's subsidiary and associate companies, and the former Interim CEO for the Essendon AFL Football Club. Mr Gunston is currently General Manager – Infrastructure, Major Projects and Investment of the Australian Football League. Mr Gunston has not held any directorships of listed entities in addition to those set out above during the last three years.



Mr David G Manuel

BPharm, MPS, MAICD

Non-Executive Director, Member of the People and Remuneration Committee

Appointed a Director of Sigma Healthcare Limited in October 2009. Mr Manuel is a community pharmacist and an active participant in industry affairs with a special interest in cognitive services such as Opiate Dependency treatments, Compounding, and Aged Care pharmacy services. Mr Manuel is a Director of Black Swan Healthcare Ltd (formerly Perth North Metro Medicare Local Ltd). He is the current Western Australian representative on the Amcal Guardian National Council (AGNC). He is a current Branch Committee Member of The Pharmacy Guild of Australia (WA Branch). Mr Manuel has not held a directorship of any other listed entity during the last three years.



Ms Christine Bartlett

BSc, MAICD

Non-Executive Director, Member of the People and Remuneration Committee

Appointed a Director of Sigma Healthcare Limited in March 2016. Ms Bartlett holds a Bachelor of Science (Pharmacology and Physiology) from the University of Sydney and has completed the Harvard University Advanced Management Training and Global Executive Program. As an experienced CEO and senior executive, Ms Bartlett has broad commercial expertise, with a particular focus in areas of financial discipline, risk management, innovation, technology, and strategy execution. Ms Bartlett's current directorships in listed entities include Non-Executive Director at Mirvac Group and GBST Ltd. Ms Bartlett has not held any other directorships in listed entities over the past three years. In addition, Ms Bartlett's current directorships in unlisted companies include Non-Executive Director of Clayton Utz, iCare and TAL, and Chairman of The Smith Family. Ms Bartlett is a member of UNSW Australian School of Business Advisory Board, Chief Executive Women, and the Australian Institute of Company Directors.

Executive Leadership Team



Mr Mark Hooper
(CEO & Managing Director)
BBus (Acc), CPA, FFTP, MAICD
Executive Director

Appointed Managing Director of Sigma Healthcare Limited in August 2010. Mr Hooper has a broad range of experience in finance, commercial and operational matters primarily in the mining and pharmaceutical industries. Mr Hooper is a former Chief Financial Officer and Executive Director of PaperlinX Limited. From 2006 to 2008 Mr Hooper was the Chief Financial Officer and Chief Operating Officer for the Pharmacy and Consumer business for Symbion Health Limited. Prior to that Mark was Chief Financial Officer of Sigma from 2001 to 2006. Mr Hooper has not held a directorship of any other listed entity during the last three years.



Ms Iona MacPherson
BAdmin (Acc), CA, GAICD
Chief Financial Officer

Ms MacPherson was appointed Chief Financial Officer of Sigma Healthcare Limited in November 2016 and also assumed responsibility for business development and strategy from March 2018. In August 2017, she joined the Board of NostraData Pty Ltd, a data & analytics company, and became their Chairman in October 2017. Before joining Sigma, Ms MacPherson held CFO & Company Secretarial roles at UXC Limited (2015-2016), Boom Logistics Limited (2007-2014) and Australian Air Express (2003-2007). Prior to this she worked with KPMG for 13 years in their Edinburgh, Hong Kong and Melbourne offices. Ms MacPherson is a highly experienced executive with the combination of financial, commercial and operational acumen and a demonstrated ability to execute transformational change.



Mr Jeff Sells
BBus (Acc), CA, MAICD, Harvard Business School – Advanced Management program
Executive General Manager Retail Pharmacy

Mr Sells rejoined Sigma Healthcare Limited as CFO in August 2010 having previously worked for Sigma as Group Treasurer from 2001 to 2004. In 2016 he moved into the new role of Executive General Manager Strategy and Business Development where he had responsibility for strategy development activities, as well as the strategic and operational leadership for the CHS business. Mr Sells was appointed Executive General Manager Retail Pharmacy in March 2018. From September 2008 to August 2010 Mr Sells was CFO of Citadel Resources Group Ltd, and for a four-year period from 2004 to 2008 he was the CFO for Oxiana Limited.



Mrs Jackie Pearson
BAppSc (Psych) (Hons), MBA
Executive General Manager Business Transformation

Mrs Pearson commenced with Sigma Healthcare Limited in August 2005, spending much of her time as Executive General Manager Human Resources. In May 2016 she was appointed Executive General Manager Business Transformation and is responsible for delivering complex cross-functional business transformation solutions from concept and design through to deployment and benefit measurement. Mrs Pearson holds a Bachelor of Applied Science – Psychology (Honours) and a Master of Business Administration.

Key Corporate Contacts



Mr Richard Church

FCILTA
Executive General Manager Operations

Mr Church joined Sigma Healthcare Limited as General Manager Logistics in November 2012, and was subsequently appointed Executive General Manager Operations in March 2018, responsible for future network design, development and implementation, and day to day supply chain, logistics and inventory. Prior to joining Sigma, Mr Church held a number of roles with Wesfarmers, including General Manager Logistics Operations Vic/Tas/SA/WA and Programme Manager DC Network Optimisation. Prior to this Mr Church held Senior Supply Chain and Retail roles with Sainsbury's Supermarkets, in the UK.



Ms Paula Jeffs

BA (Psych & Media), Grad Dip Business (HR/IR), GAICD
Executive General Manager Human Resources

Ms Jeffs was appointed Executive General Manager Human Resources of Sigma Healthcare Limited in February 2017. Prior to joining Sigma, Ms Jeffs was Executive Director HR at Austin Health (2011-2017) and spent the previous 15 years with ANZ Banking Group Ltd in various human resource roles including with Retail and Commercial Banking, and leading ANZ's Group Talent and Succession portfolio. Ms Jeffs brings to Sigma strong experience as a HR Executive Leader including aligning cultures to business strategy, building organisational capability and driving transformational change.



Mr Sam Lawson

BCom, LLB (Hons – 1st Class) Barrister and Solicitor (VIC), High Court
General Counsel and Company Secretary

Mr Lawson commenced with Sigma Healthcare Limited in January 2016. Before joining Sigma, he was a Senior Associate at Minter Ellison for over six years, specialising in mergers and acquisitions, corporate, securities transactions and contracts. Mr Lawson has also worked for Slaughter and May in London and Freehills (now Herbert Smith Freehills) in Melbourne.



Mr Gary Woodford

BBus (Acc), CPA
Corporate Affairs Manager

Mr Woodford rejoined Sigma Healthcare Limited in February 2014 as Corporate Affairs Manager having previously worked for Sigma from 2001 to 2006 as General Manager Tax and Investor Relations. From September 2006 to May 2013, Mr Woodford was the General Manager Investor Relations at Tatts Group Limited. Mr Woodford is a senior finance executive with over 30 years commercial experience which also included Fosters Brewing Group and Ansett Airlines.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2019

	2019 \$'000	2018 \$'000
Sales revenue	3,976,774	4,094,440
Cost of goods sold	(3,703,580)	(3,810,077)
Gross profit	273,194	284,363
Other revenue	99,454	83,478
Warehousing and delivery expenses	(167,696)	(145,055)
Sales and marketing expenses	(64,799)	(64,343)
Administration expenses	(63,603)	(65,609)
Depreciation and amortisation	(13,522)	(9,087)
Profit before financing costs and tax expense (EBIT)	63,028	83,747
Finance income	776	1,462
Finance costs	(11,846)	(6,474)
Net finance costs	(11,070)	(5,012)
Profit before income tax	51,958	78,735
Income tax expense	(14,917)	(23,349)
Profit for the year	37,041	55,386
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net change in fair value of financial asset	(750)	833
Exchange differences on translation of foreign operations	83	(139)
Income tax relating to components of other comprehensive income	200	(208)
Other comprehensive income/(loss) for the year (net of tax)	(467)	486
Total comprehensive income for the year	36,574	55,872
<i>Profit attributable to:</i>		
Owners of the Company	36,520	55,059
Non-controlling interest	521	327
Profit for the year	37,041	55,386
<i>Total comprehensive income attributable to:</i>		
Owners of the Company	36,053	55,545
Non-controlling interest	521	327
Total comprehensive income for the year	36,574	55,872
Earnings per share (cents) attributable to owners of the Company		
Basic earnings per share	3.8	5.6
Diluted earnings per share	3.6	5.2

Consolidated Balance Sheet

As at 31 January 2019

	2019 \$'000	2018 \$'000
Current assets		
Cash and cash equivalents	72,610	82,249
Trade and other receivables	577,367	577,870
Inventories	343,272	350,469
Income tax receivable	3,034	3,819
Prepayments	7,926	6,376
Assets classified as held for sale	-	9,123
Total current assets	1,004,209	1,029,906
Non-current assets		
Trade and other receivables	6,306	868
Property, plant and equipment	224,141	128,515
Goodwill and other intangible assets	125,514	125,371
Investments	3,025	-
Other financial assets	1,542	2,292
Net deferred tax assets	19,117	17,775
Total non-current assets	379,645	274,821
Total assets	1,383,854	1,304,727
Current liabilities		
Trade and other payables	528,252	565,292
Borrowings	115,003	195,014
Provisions	17,573	17,530
Deferred income	2,487	3,159
Total current liabilities	663,315	780,995
Non-current liabilities		
Other payables	183	344
Borrowings	200,787	788
Provisions	4,468	4,777
Deferred income	821	2,564
Total non-current liabilities	206,259	8,473
Total liabilities	869,574	789,468
Net assets	514,280	515,259
Equity		
Contributed equity	1,207,794	1,200,755
Reserves	13,832	14,272
Accumulated losses	(708,372)	(701,919)
Non-controlling interest	1,026	2,151
Total equity	514,280	515,259

Five Year Summary

	2019 \$m	2018 \$m	2017 \$m	2016 \$m	2015 \$m
Operating results					
Sales revenue	3,976.8	4,094.4	4,366.2	3,461.1	3,142.1
EBITDA	76.5	92.8	89.2	90.3	85.6
EBIT	63.0	83.7	81.0	80.4	78.0
Profit/(loss) before tax	52.0	78.7	76.7	76.8	75.6
Profit/(loss) after tax	37.0	55.4	53.5	50.5	52.8
Financial position					
Working capital	406.2	378.8	387.1	490.4	455.6
Fixed assets (including intangibles)	349.6	253.9	180.6	160.1	156.0
Other assets/(liabilities)	1.7	(3.8)	(20.4)	(40.2)	(72.2)
Capital employed ¹	757.5	628.9	547.3	610.3	539.4
Net debt/(net cash)	243.2	113.6	8.7	56.6	(33.7)
Net assets	514.3	515.3	538.6	553.7	573.1
Shareholder related					
Dividend					
– ordinary per share	4.0c	5.5c	5.5c	5.0c	2.0c
– special per share	-	-	-	-	1.0c
– total dividends (\$ million)	42.4	58.8	59.2	54.0	32.8
Earnings/(loss) per share	3.8c	5.6c	5.4c	5.0c	5.1c
Dividend payout ratio	116%	106%	111%	107%	62%
Net tangible asset backing per share	37c	37c	41c	42c	43c
Market capitalisation (balance date) (\$ million)	572	949	1,302	885	875
Ratio and returns					
EBIT margin ²	1.5%	2.0%	1.9%	2.3%	2.5%
Gearing ³	32.1%	18.1%	1.6%	9.3%	n/a
Interest cover ⁴	6.9x	18.5x	20.8x	26.0x	34.8x

1. Net assets plus borrowings less cash and cash equivalents.

2. EBIT / sales revenue.

3. Net debt / capital employed (year-end). In 2015 the Group had cash and cash equivalents over and above total debt.

4. Reported EBITDA / Net financing costs (times).

Contacts

Company Details

Sigma Healthcare Limited

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www.sigmahealthcare.com.au

Corporate Head Office

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Fax +61 (0)3 9215 9188

Directors and Senior Management

Refer to pages 26 to 29
of this review or visit
www.sigmahealthcare.com.au

Company Secretary

Sam Lawson
General Counsel and
Company Secretary
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Auditors

Deloitte Touche Tohmatsu

Share Registry Details

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Sigma Healthcare Sites

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McKay Avenue Grove Estate
Glenorchy TAS 7010 Australia
Tel +61 (0)3 6272 3211
Fax +61 (0)3 6272 3232

17–19 Windsor Street
Invermay TAS 7248 Australia
Tel +61 (0)3 6331 2011
Fax +61 (0)3 6331 6470

CHS Sites

8–12 Ordish Road
Dandenong South VIC 3175 Australia
Tel +61 (0)3 9545 9100

12 William Dean Street
Eastern Creek NSW 2766 Australia
Tel +61 (0)2 9435 0625

14 Access Avenue
Yatala QLD 4207 Australia
Tel +61 (0)7 3330 2401

10 Hugh Edwards Drive
Perth Airport WA 6105 Australia

10 Craft Street
Canning Vale WA 6155 Australia

Discount Pharmacy Retail Group

56–58 Jephson Street
Toowong QLD 4066 Australia
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Level 7 Chadstone Tower One
1341 Dandenong Road
Chadstone VIC 3148 Australia

mps Sites

8 Clunies Ross Court
Eight Mile Plains QLD 4113 Australia
Tel (within Australia) 1800 003 938

29 Connell Road
Oakleigh VIC 3166 Australia

11 Spireton Place
Pendle Hill NSW 2145 Australia

Medical Industries Australia Sites

87 Mars Road
Lane Cove West NSW 2066 Australia
Tel +61 (0)2 9490 6200
Fax +61 (0)2 9490 6298

Recent Dividends

Dividend	Date Paid	Cents Per Share
2019 Final	29 April 2019	2.00
2019 Interim	29 October 2018	1.50
2018 Final	20 April 2018	2.50
2018 Interim	5 October 2017	2.50
2017 Final	21 April 2017	3.00
2017 Interim	3 October 2016	2.50
2016 Final	21 April 2016	3.00
2016 Interim	7 October 2015	2.00

Shareholder Calendar*

2018/19 AGM	15 May 2019
Half-Year results	5 September 2019
Ex-dividend date	19 September 2019
Record date	20 September 2019
Interim dividend payment	4 October 2019
Full-Year results	26 March 2020
Ex-dividend date	9 April 2020
Record date	10 April 2020
Final dividend payment	24 April 2020
2019/20 AGM	13 May 2020

* Dates may be subject to change.

For investor, media or government
enquiries in relation to Sigma

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 DISCOUNT DRUG STORES

