Growth through transformation

Full Year Results
25 March 2020

Sigma Healthcare
Connecting health solutions

Important notice

This presentation for Sigma Healthcare Limited and its subsidiaries (Sigma Group) is designed to provide:

- an overview of the financial and operational highlights for the Sigma Group for the 12-month period ended 31 January 2020; and
- a high level overview of aspects of the operations of the Sigma Group, including comments about Sigma's expectations of the outlook for FY2021 and future years, as at 25 March 2020.

This presentation contains forward-looking statements relating to operations of the Sigma Group that are based on management's own current expectations, estimates and projections about matters relevant to Sigma's future financial performance. Words such as "likely", "aims", "looking forward", "potential", "anticipates", "expects", "predicts", "plans", "targets", "believes" and "estimates" and similar expressions are intended to identify forward-looking statements.

References in the presentation to assumptions, estimates and outcomes and forward-looking statements about assumptions, estimates and outcomes, which are based on internal business data and external sources, are uncertain given the nature of the industry, business risks, and other factors. Also, they may be affected by internal and external factors that may have a material effect on future business performance and results. No assurance or guarantee is, or should be taken to be, given in relation to the future business performance or results of the Sigma Group or the likelihood that the assumptions, estimates or outcomes will be achieved.

While management has taken every effort to ensure the accuracy of the material in the presentation, the presentation is provided for information only. Sigma Healthcare Limited, its officers and management exclude and disclaim any liability in respect of anything done in reliance on the presentation.

All forward-looking statements made in this presentation are based on information presently available to management and Sigma Healthcare Limited assumes no obligation to update any forward-looking statements. Nothing in this presentation constitutes investment advice and this presentation shall not constitute an offer to sell or the solicitation of any offer to buy any securities or otherwise engage in any investment activity. You should make your own enquiries and take your own advice in Australia (including financial and legal advice) before making an investment in the Company's shares or in making a decision to hold or sell your shares.

Mark Hooper
CEO & Managing Director

1. Overview
2. Operational update
3. Business Transformation and Investment
4. Community Support
5. Outlook

Overview

Financial Performance

- FY20 Underlying EBITDA** of $46.7m is in line with guidance
- FY21 tracking well with a significant increase in sales year to date
- Trading conditions difficult to forecast beyond this due to uncertainty from COVID-19

Operational Update

- Wholesale - Ongoing Revenue* up 8.5% for the 12-months to 31 Jan 20
- Pharmacy brands - Like-for-like sales up 11.7% and member pipeline strong
- Sigma Hospitals - FY20 sales up 26%, and secured contract extensions

Business Transformation

- Project Pivot – delivered annualised efficiency gains of $62m to 31 Jan 20
- DC Investment - well advanced, and delivering expected efficiencies
- IT investment – ERP upgrade commenced, CRM now deployed

Capital Management

- Net Debt of $146 million at 31 Jan 20
- Sale and leaseback of new Distribution Centres is under review as we consider optimal capital structure
- FY20 Dividend suspended

People and Culture

- Team member engagement has remained strong, with an improvement of 7.5 percentage points
- Customer engagement again improved, with Net Promoter Score (NPS) up 39.3 points

* References to Ongoing Revenue relate to the Sigma business excluding Hep-C and sales to Chemist Warehouse

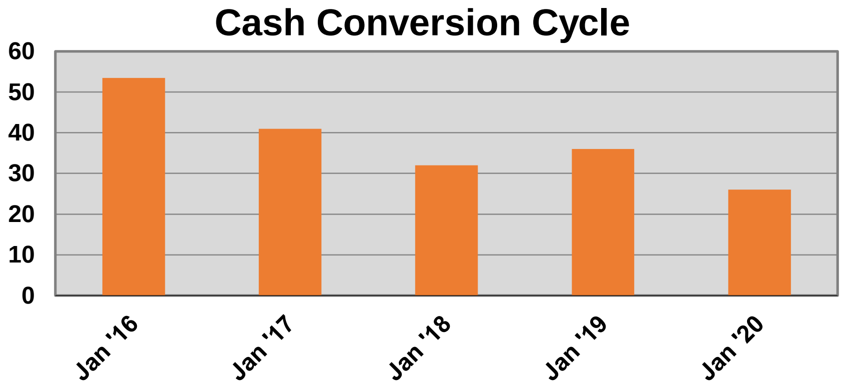
** Refer to Appendices for a Reconciliation of Reported to Underlying

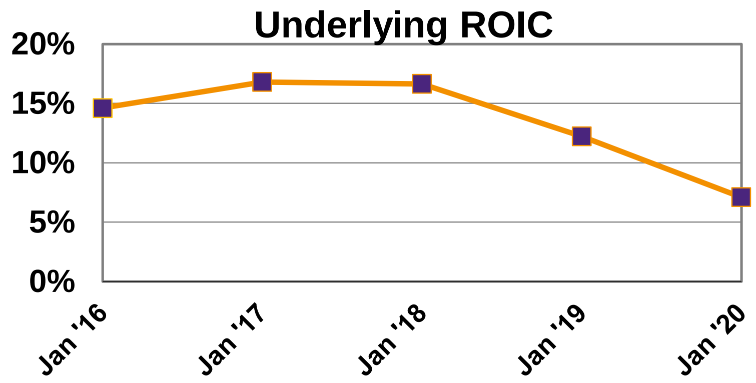
Re-basing our ongoing business

	What we said to expect in 2H20	What we delivered in FY20
Total Sales Revenue	○ Will only include 3 months sales of some FMCG products to CW ○ Ongoing revenue* to continue growth at similar level to 1H20	○ Exit successfully managed. Subsequent return of CW FMCG progressing well. ○ Ongoing revenue* growth of 8.5% exceeded the level achieved in 1H20
Other Revenue	○ Some impact from declining wholesale rebates (CW related) ○ Partly offset by expected improvements in 3PL/4PL	○ Other Revenue down 1.5%, in line with expectations ○ 3PL/4PL revenue up 4% with $2.5m
Warehouse and Delivery	○ 6 months of benefits from efficiencies already implemented in 1H20 ○ Additional benefits from initiatives implemented in 2H20	○ Full 6 months efficiency gains realised ○ The new CW contract has meant some reinvestment of benefit to support $700 - $800m pa of new revenue
Sales and Marketing	○ Will benefit from organisational changes relating to Project Pivot	○ Partially realised but some delayed until FY21 and FY22
Administration	○ Project Pivot initiatives being implemented but minimal change in FY20	○ Partially realised, however some timing delays until FY21 and FY22 due to operational requirements for CW FMCG return

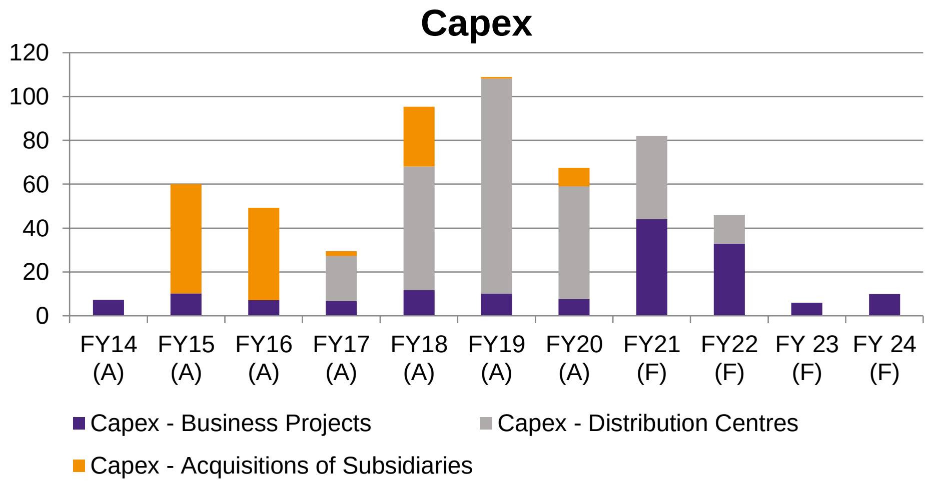
* References to Ongoing Revenue relate to the Sigma business excluding Hep-C and sales to Chemist Warehouse

Capital Management





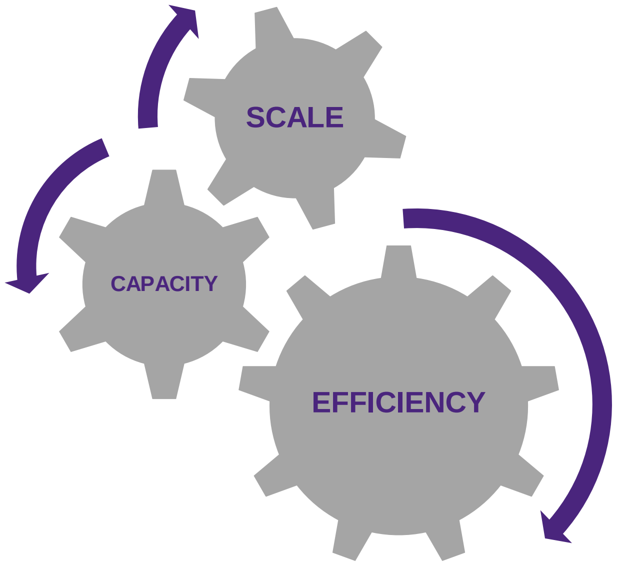
	FY20	FY19
Trade Debtors (excl. Hep C)	276,786	553,426
Inventory (excl. Hep C)	309,343	336,018
Trade Creditors (excl. Hep C)	(343,838)	(466,214)
Working Cap $'000	242,291	423,230
Days sales outstanding (DSO)	32	54
Days inventory outstanding (DIO)	39	35
Days payables outstanding (DPO)	(43)	(49)
CCC Days (excl. Hep C)	28	40
CCC days (incl Hep C)	26	36



- ROIC impacted by the timing and nature of business investments ahead of the financial returns and lower earnings
- Anticipate CCC to stabilise just below 30 days
- Capex program largely complete by FY22

Announced Sale and Leaseback

- Sigma invested approximately $160 million in land and building (excluding automation) over the last 4 years
- Provided control over the design and build
- Actively assessing options - Indicative valuations show a significant uplift in value (>$100m)
- Part or full sale and leaseback would unlock latent value at a time of market uncertainty
- Will further strengthen balance sheet to create capacity to pursue growth opportunities
- Bank facilities extended to March 2021 (with some minor amortisation) to support this process



Operational Update

Sigma Wholesale – strong sales pipeline

Onboarded new customers who represent **over $180m** annualised sales, with minimal customer losses.

Strong sales pipeline heading into FY21, including new **CW Agreement (approx. $800m)** and extended **Pharmacy Alliance Agreement (approx. $500m).**

Diversified sales growth coming from individual and small groups choosing to partner with Sigma.

Customer engagement measures continue to improve, supported by an energized team with a strong value proposition. **NPS up 39.3 points.**

Chemist Warehouse FMCG contract – on track

- Approximately $800 m annual sales (including second line PBS)
- 4-year supply agreement to June 2024
- Commercially acceptable trading and credit terms to both parties
- On boarding commenced Nov 2019 with over 60% of FMCG volume now being supplied
- Expect full run rate from June 2020
- Diversifies earnings away from regulated PBS – now circa 50%

Sigma Retail – customer focused brands

- Like for like sales in our brands up 11.7% for FY20, with strong buying compliance from members
- Pipeline of prospective members is strong
- Launched Amcal + Life clinic and WholeLife Pharmacy and Healthfoods brand
- Guardian won the 2019 Roy Morgan Customer Satisfaction award for Pharmacy
- Over 600 members across our pharmacy brands

Expanding our market presence

Sigma Hospitals

- FY20 Sales up 26%, with National Monthly Annual Turnover (MAT) growth of 13.95%, above total market growth of 5.03%
- Now approaching 10% national market share - Approx 20% market share in Vic and WA, and expanding presence in NSW, Qld and SA

Third/Fourth Party Logistics (3PL / 4PL)

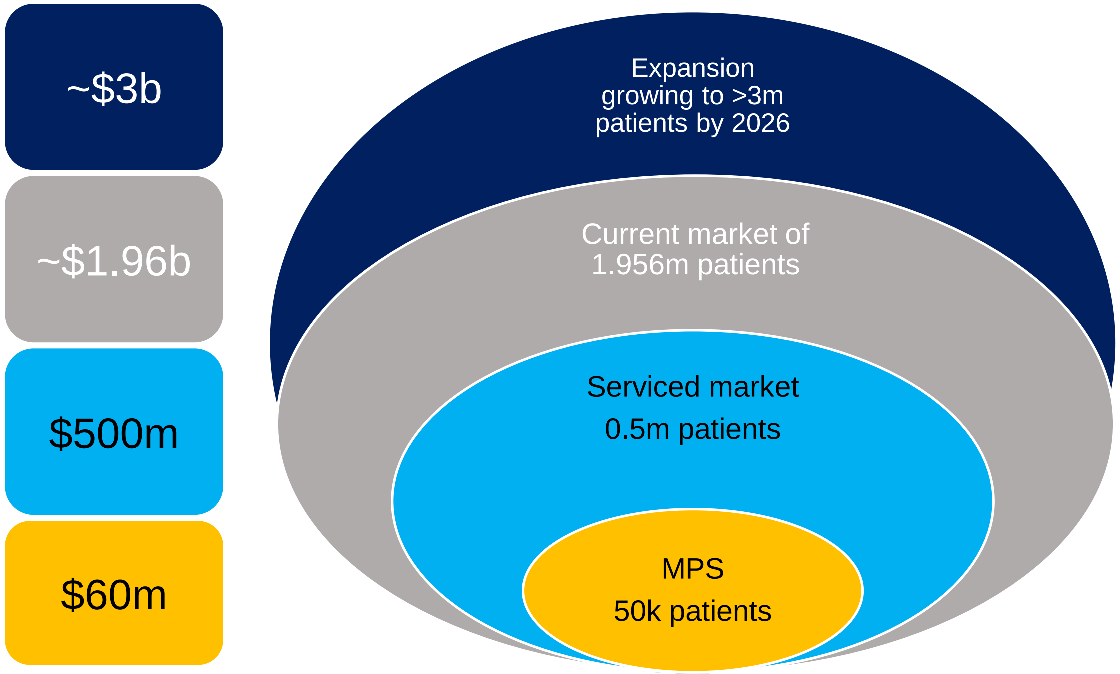
- Main focus is on improving operating platform to accelerate growth including TGA / GMP accreditation (2021)
- Some additional growth, but not material in 2H20
- Currently participating in a number of more significant tenders
- Circa $37 billion of pharmaceutical product sales requiring 3PL/4PL

MPS – leading national presence

- MPS is the leading Dose Administration Aid (DAA) business in Australia
- Three TGA approved facilities providing the highest quality assurance standards available in the market – accuracy rate above 99.999%
- Supports community and residential aged care facility patients
- Integrated software solutions to enhance pharmacy workflows and reduce risk of medication incidents
- Revenues up 13% to circa $60 million
- Active health and safety and business continuity strategies in place to mitigate operational risk from coronavirus

Total current market size $1.9bn

Only 25% of potential customers use DAA's.

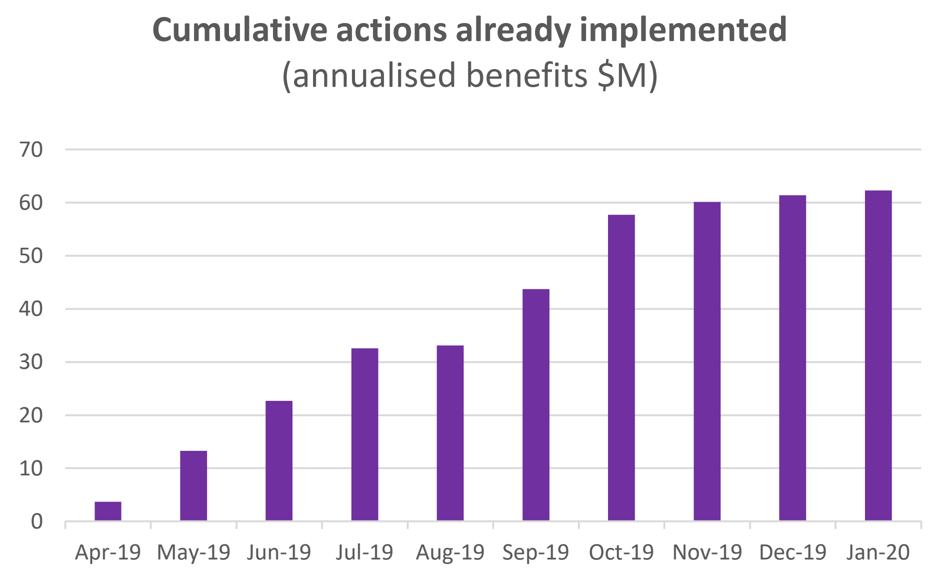


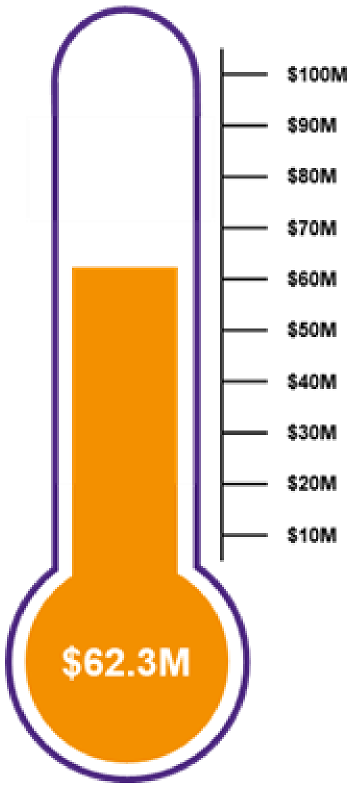
For more about MPS, visit www.mpsconnect.com.au

Business Transformation and Investment

Project Pivot – Delivering on target

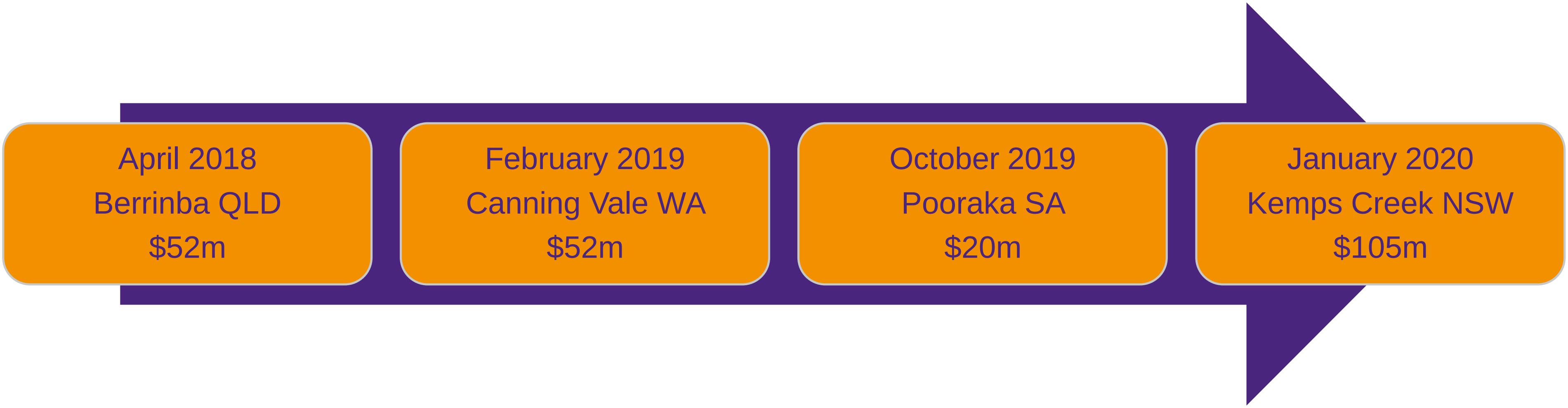
- Action taken to achieve $62.3m of targeted annualised benefit at 31 Jan 2020, in line with initial Year 1 expectations
- Now anticipate some delays in realisation in Year 2 due to reinvestment to support the return of MC/CW FMCG, impacts from bushfires and COVID-19
- Remain on target to deliver $100+m of benefits, however some realisation will now be in Year 3 (FY22)





Distribution Centre investment program

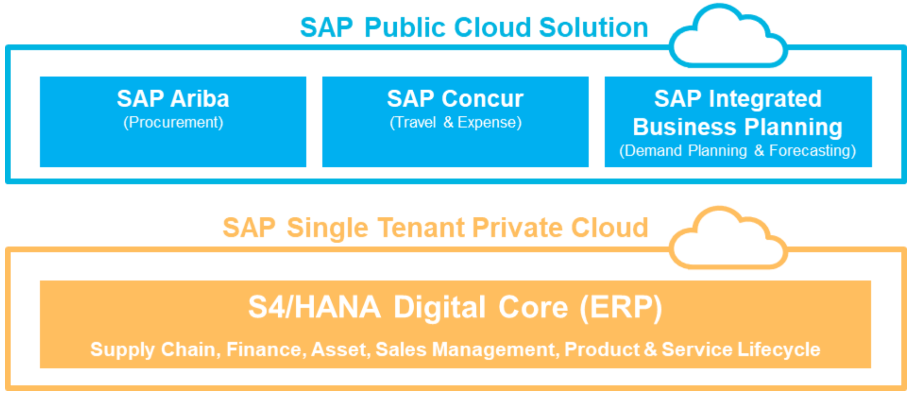
- Drives operational efficiency, adds capacity and reduces our costs to serve
- All new DC business cases were developed and approved having assessed the impacts of different Chemist Warehouse contract outcomes
- Has provided the infrastructure to deal with the current high COVID-19 demand
- Program complete within the next 18 months, with no further significant capital investment currently planned



Investment in critical IT Infrastructure

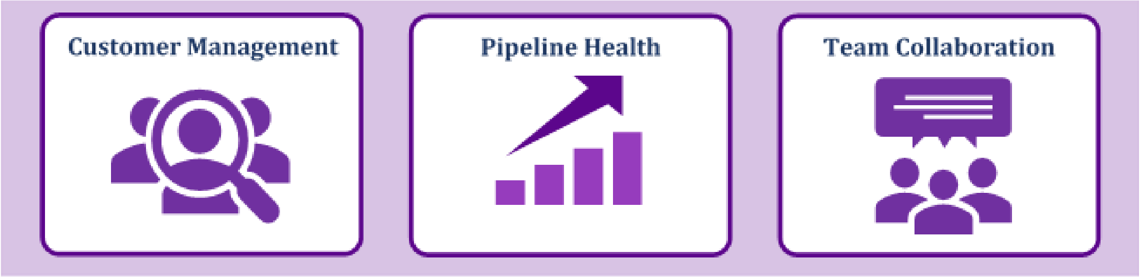
ERP

- Project kicked off in Feb 20, and is expected to conclude in Q4 2021
- Partnered with experienced System Integrators Accenture and Infosys
- Specialist team members recruited
- Selected SAP S/4 HANA and SAP Next Generation product suite
- 7-10 year expected payback



Enterprise CRM

- Project commenced in Oct 19
- Rolling out the leading Salesforce solution to replace multiple disparate legacy systems
- Training of sales team complete and solution was deployed in March 2020
- 5 year expected payback



Community support

Drought and Bush fires

- Significant logistical effort from our team in partnership with Essential Services to overcome challenges and ensure medicines were delivered to isolated areas
- Approx. $85,000 donated to support affected communities
- Partnered with suppliers to donate approximately $60,000 of stock to impacted regions
- Employee giving program implemented with company matching
- Offered financial hardship support to members as required

We have been blown away with the generosity of all the Sigma team in regard to the time spent and emotional support given to Stanthorpe and Tenterfield through this tough time.
Michael Lane, Stanthorpe Pharmacy Group

COVID-19 update

Risk management

- As a CSO approved medicines supplier, we are an essential service to support the health of Australian patients
- Risk assessment completed and action taken across the business to minimise risk, including Business Continuity Plans and team member working arrangements
- Actively working with the NPSA*, Government and Department of Health to ensure medicine supply chain is supported through these logistical challenges

Operational impact

- Significant increase in volumes – ongoing revenue** for March to date up 50% on last year
- Volumes up approximately 80% on March expectations
- Additional costs being incurred to manage the increased demands on the business
- We have implemented some ordering restrictions to help ensure that medicine supplies reach those who need them
- Sigma's new DC network is managing increased volumes well – the main challenges are replenishing supplies and the workload for team members in the DC, procurement and Customer Service

* NPSA is the National Pharmaceutical Services Association, the representative body for CSO wholesaler members.
** References to Ongoing Revenue relate to the Sigma business excluding Hep-C and sales to Chemist Warehouse

Outlook

Outlook

- Strong start to the year, with COVID-19 influencing volumes
- Underlying business continues to have a positive growth outlook, but timing and quantum will continue to be impacted by COVID-19
- Formal guidance for FY21 is not being provided at this time
- Will provide an update on sales and leaseback transaction when finalised and approved
- We will continue to work with and support our pharmacy brands, customers, suppliers and the government during the COVID-19 crisis

Appendix

Group Financial Performance

	REPORTED	UNDERLYING*			
$m	FY2020	FY2020	FY2019	Variance	Change
Sales Revenue	3,244.3	3,244.3	3,976.8	-732.5	-18.4%
Gross Profit	215.0	215.0	273.2	-58.2	-21.3%
Other Revenue	98.1	98.1	99.5	-1.4	-0.01%
Operating Costs	-288.9	-255.4	-282.2	16.0	5.7%
EBITDA	24.2	48.1	90.5	-43.6	-48.2%
EBITDA Margin	0.01%	0.01%	2.28%	-2.27%	N/A
Depreciation and Amortisation	-27.3	-17.6	-13.5	-4.1	-30.4%
Non-controlling interests	0.0	-1.4	-0.9	-0.7	-77.8%
EBIT	-3.1	29.1	76.2	-47.1	-61.84%
EBIT Margin	-0.0%	0.01%	1.91%	-1.9%	N/A
Net Financial Expense	-12.7	-12.7	-11.1	-1.6	-14.4%
Tax Expense	4.3	-3.8	-18.8	15.0	79.8%
NPAT	-11.5	12.6	46.3	-33.7	-72.8%

* Refer Appendices for a reconciliation of Reported to Underlying

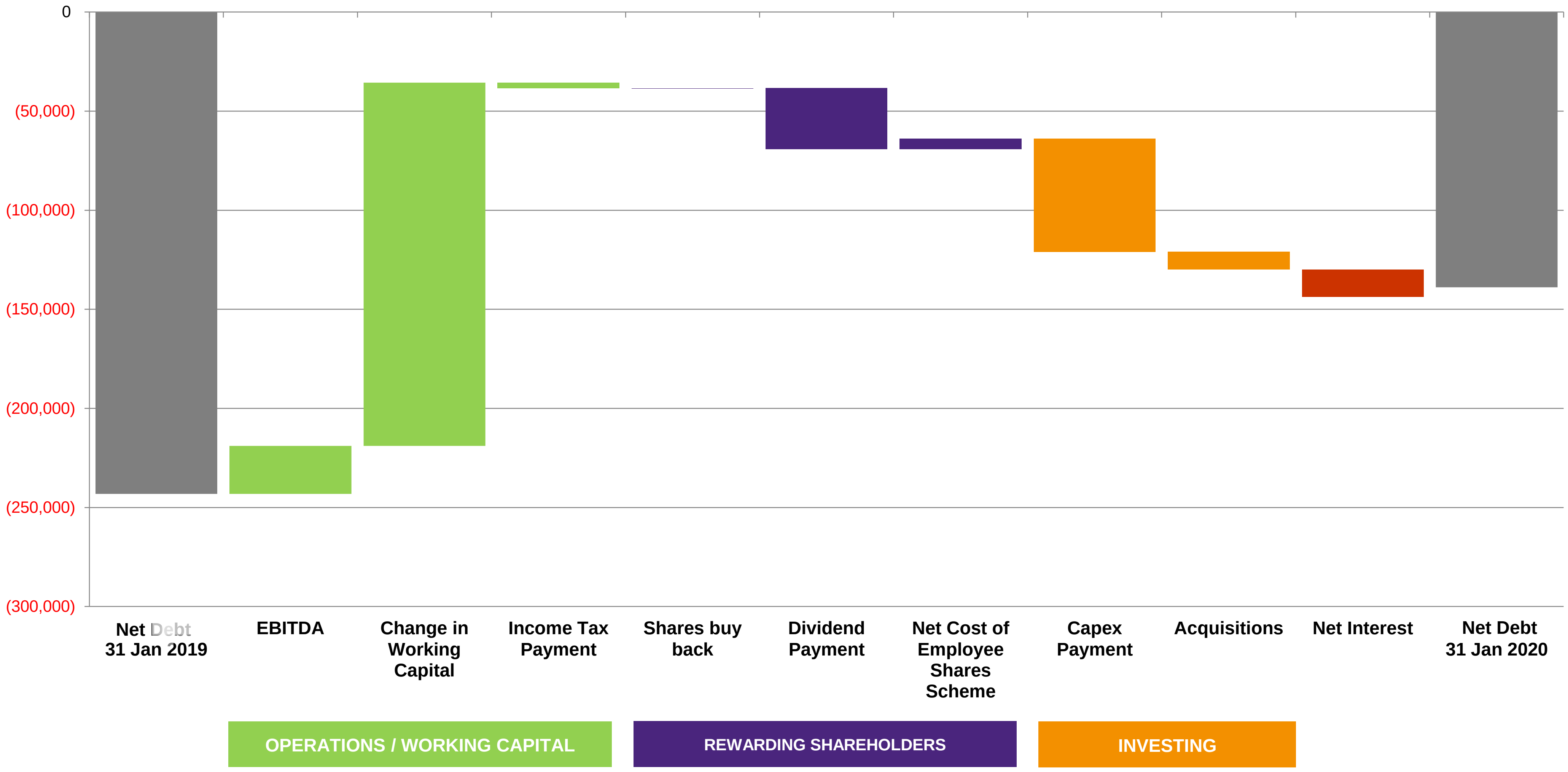
Reported to Underlying Reconciliation

$m	FY20	FY19
Reported EBITDA	**24,200**	**76,550**
Add Back (before tax)		
Restructuring and dual operating costs	39,662	13,115
Due Diligence and Legal Costs	(4,261)	863
Impact of Adoption of AASB 16	(11,517)	-
Underlying EBITDA	**48,084**	**90,528**
Less Reported Depreciation and Amortisation	(27,258)	(13,522)
Add Depreciation and right of use assets under AASB 16	9,611	-
Underlying EBIT	**30,437**	**77,005**
Less Non-controlling interests before interest and tax	(1,372)	(855)
Underlying EBIT attributable to owners of the company	**29,065**	**76,150**

Reported to Underlying Reconciliation

$m	FY20	FY19
Reported NPAT	**(12,330)**	**36,520**
Add Back (after tax)		
Restructuring and dual operating costs	27,763	9,180
Due Diligence and Legal Costs	(2,983)	604
Impact of Adoption of AASB 16	157	-
Underlying NPAT	**12,607**	**46,304**

Cash Flow



0
(50,000)
(100,000)
(150,000)
(200,000)
(250,000)
(300,000)
Net Debt
31 Jan 2019
EBITDA
Change in Working Capital
Income Tax Payment
Shares buy back
Dividend Payment
Net Cost of Employee Shares Scheme
Capex Payment
Acquisitions
Net Interest
Net Debt
31 Jan 2020
OPERATIONS / WORKING CAPITAL
REWARDING SHAREHOLDERS
INVESTING

Thank you