Positioned for sustainable growth

FY21 Results Announcement 23 March 2021

Sigma Healthcare
Connecting health solutions

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- an overview of the financial and operational highlights for the Sigma Group for the full year period ending 31 January 2021; and
- a high level overview of aspects of the operations of the Sigma Group, including comments about Sigma's expectations of the outlook for FY2022 and future years, as at 22 March 2021.

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Mark Hooper

CEO & Managing Director

1. Highlights and Strategy
2. Financial performance
3. Operational Performance
4. Outlook

Highlights

Sigma has delivered a strong financial performance and renewed its infrastructure and technology, supported by an engaged team

39.2% increase

Financial Performance

- Underlying EBITDA of $81.1m up 39.2%
- Underlying ROIC of 10.1%, up from 7.1%
- Managed through COVID-19 with no additional financial support

Strong organic growth

Operational Performance

- Total Sales up 4.8%
- Wholesale Sales ex-CW up 11.4%
- CW Sales in line with expectations
- Strong PPE sales achieved in CHS and MIA

Efficient platform

Business Transformation

- DC Automation investment program almost complete
- Project Pivot delivered over $100m of efficiencies and is now embedded in business as usual
- Technology upgrade (including ERP) well advanced

Dividend of 1cps

Capital Management

- Fully franked Dividend of 1cps declared
- Year End Net Debt of $50.3m following completion of Sale and Leaseback transaction completed
- New $250m debt facility secured until November 2023

Positive engagement

ESG People & Culture

- Standalone Sustainability Report released
- Positive team member engagement throughout COVID-19 disruption
- Voice of Customer – Net Promoter Score up 21%
- Supply chain support and engagement through COVID-19

Refer to Appendix 1 for a Reconciliation of Reported to Underlying

Clear and consistent Strategy to drive growth

A diversified healthcare company that leverages operational capability to drive better outcomes

Drive organic growth
from existing core and expansion businesses

Optimise an efficient operating cost base
from initiatives already implemented

leverage our investment
in automated DC network and upgraded technology platforms

Execute strategic opportunities
to further improve shareholder returns

Support an engaged team to deliver better outcomes for the customer and Sigma

Jackie Pearson
CFO

Financial Performance – Organic growth from an efficient base

		REPORTED	UNDERLYING*		
	$m	FY2021	FY2021	FY2020	Change
1	Sales Revenue	3,400.4	3,400.4	3,244.3	+4.8%
	Gross Profit	239.2	239.2	215.0	+11.2%
2	Other Revenue	138.4	109.0	98.1	+11.1%
3	Operating Costs	-283.4	-265.0	-253.5	-4.5%
	EBITDA	94.2	83.2	59.6	+39.6%
	EBITDA Margin	2.77%	2.45%	1.84%	N/A
4	Depreciation & Amortisation	-31.0	-31.0	-27.3	-13.6%
	EBIT	63.2	52.2	32.3	+61.6%
	EBIT Margin	1.86%	1.54%	1.00%	N/A
	Non-controlling interests	-2.1	-2.1	-1.4	-50.0%
5	Net Financial Expense	-11.5	-11.5	-12.7	+9.5%
	Tax Benefit / (expense)	9.5	(9.5)	(5.7)	-66.6%
	NPAT attributable to owners	59.8	29.1	12.5	+132.8%
	EBITDA attributable to owners	92.1	81.1	58.2	+39.3%

Refer to Appendix 1 for a Reconciliation of Reported to Underlying

1) **Sales Revenue**
   - Strong wholesale pharmacy growth:
     - Non-CW sales up 11.4% on LY and well ahead of the market
     - CW sales down 11.9% on LY which included 5 months of PBS
   - Retail brands LFL wholesale sales up 9.0% on top of 11.7% in FY20
   - Expansion businesses benefited from strong PPE sales and 15% growth in hospitals, partly offset by COVID-19 impact on MPS
2) **Other Revenue**
   - Increased supplier income as a result of large volume purchases and Pivot initiatives
   - Reported includes gain from sale and leaseback transaction
3) **Operating Costs**
   - Includes benefits from Project Pivot, offset by:
     - Increased volume including COVID-19 related spikes
     - Some reinvestment to absorb CW FMCG business
     - Additional COVID-19 related operating costs
     - Increased Doubtful Debts Provision raised during the year
     - Lower redundancy and dual operating costs incurred in FY21
4) **D&A** – reflects recent capital investment cycle and impacts of AASB16
5) **Interest** – reflects lower average debt, partly offset by continued capital investment cycle, and impacts of AASB16

Financial Performance – expectations underpinning FY22 EBITDA growth

1) **Sales Revenue**
   - Organic growth to continue despite potential weakness in OTC
   - Full Year run rate of CW FMCG sales of $800 million
   - Expansion businesses normalising post COVID-19 impact

2) **Other Revenue**
   - Recovery of merchandise and marketing income
   - Gain on sale and leaseback transaction will not repeat

3) **Operating Costs**
   - Ongoing benefit from reduced operating cost base following completion of Project Pivot
   - Ongoing benefits from investment in DC and automation
     - Ability to absorb volume growth without significant increase in costs
   - IT costs to increase with SAP management, partly offset by operational improvements

4) **D&A** – expect a moderate increase

5) **Interest on debt to reduce to <$5m following sale and leaseback transaction**

Capital Management

Dividends

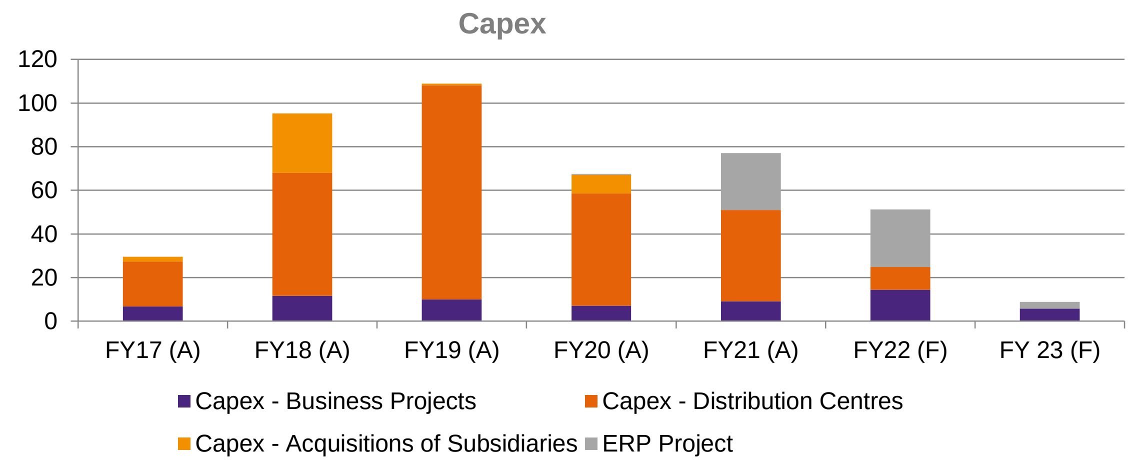
- Fully Franked Dividend of 1.0 cents per share:
  - › Ex-Dividend Date – 6 April 2021
  - › Record Date – 7 April 2021
  - › Payment Date – 21 April 2021
- Board targeting a Dividend Payout Ratio of at least 70% of Underlying NPAT

Share Buy-Back

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

Capex

- Expect $55m capital expenditure during FY22 to finalise infrastructure and IT investment cycle
- Ongoing business as usual capex expected to be around $10m



Capital Management - continued

Return on Invested Capital (ROIC)

- Underlying ROIC rebounded quicker than previously outlined – 10.1% up from 7.1% at 31 Jan 2020
- Low point reflected the combination of the business transformation and investment cycle
- Underlying ROIC remains a focus - expected to remain above 10%

Net Debt

- Net Debt $50.3m at 31 January 2021
- Month end debt peaks around $140m in October 2021 with the completion of our DC and ERP investment cycle
- Free-cash flow will reduce debt
- New $250m Westpac facility finalised in December 2020, maturing November 2023

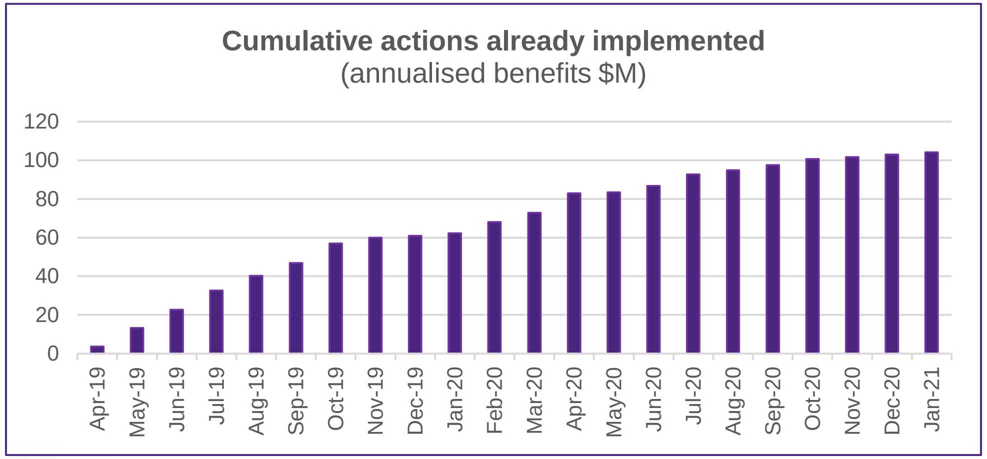
Cash flow and Cash Conversion Cycle (CCC)

- CCC increased to 31 days
- Reflects increased inventory holdings to support growth and customers in response to COVID-19
- Expect CCC to return to high 20's in FY22

Cash conversion cycle*	Jan-21	Jan-20
Trade Debtors	310,526	278,298
Inventory	349,138	315,493
Trade Creditors	(365,469)	(359,988)
Working Cap $'000	292,193	233,804
Days sales outstanding (DSO)	33	31
Days inventory outstanding (DIO)	40	38
Days payables outstanding (DPO)	(42)	(43)
CCC Days	31	26

Project Pivot – $100+ million target achieved

- Implemented actions to achieve $100+ million efficiency gains – will incrementally benefit results in FY22 and ongoing
  - 60% - efficient removal of costs to serve CW under original contract
  - 40% - step change in operational efficiency through structural changes, smart spend program and procurement initiatives
- Actions were taken over two years (FY20 and FY21), with the P&L benefits realised over three years (FY20 to FY22)
- Program now closed and part of business as usual activities



Digital Transformation well advanced

- Progressing our Digital Transformation and creating efficiency in how we do business across the group
- Salesforce CRM was fully implemented in 2020
- SAP S/4HANA ERP implementation will conclude in Q4 CY21
  - On track & on budget despite COVID-19 restrictions
- Migrating data, analytics & insights capabilities to Data Cloud technologies (Microsoft Azure and Snowflake)
  - On track to complete migration by Q4 CY21
- Significantly increased Cyber security.

SAP S/4HANA

Microsoft Azure

snowflake

Mark Hooper
CEO & Managing Director

Organic growth in Pharmacy well above market

Wholesale Sales

- Sales (ex-CW) up 11.4% - average market growth of 3.1%[#]
- Ethical sales (ex-CW) up 12.4% - average market growth of 5.5%[#]
- OTC sales (ex-CW) up 4.9% - average market decline of 2.8%[#]
- On-boarded CW to reach full year run rate by June 2020
- Diagou activity and export sales declined during the year but has minimal impact on Sigma. Growth not dependent on this rebounding

Pharmacy Brands:

- Like-for-like sales up 9.0% after delivering 11.7% in FY20 (ex-Hepatitis C medicines)
- Pipeline of new members is strong across the brands
- 17%* of consumer spend is in our network of branded pharmacies (second largest)

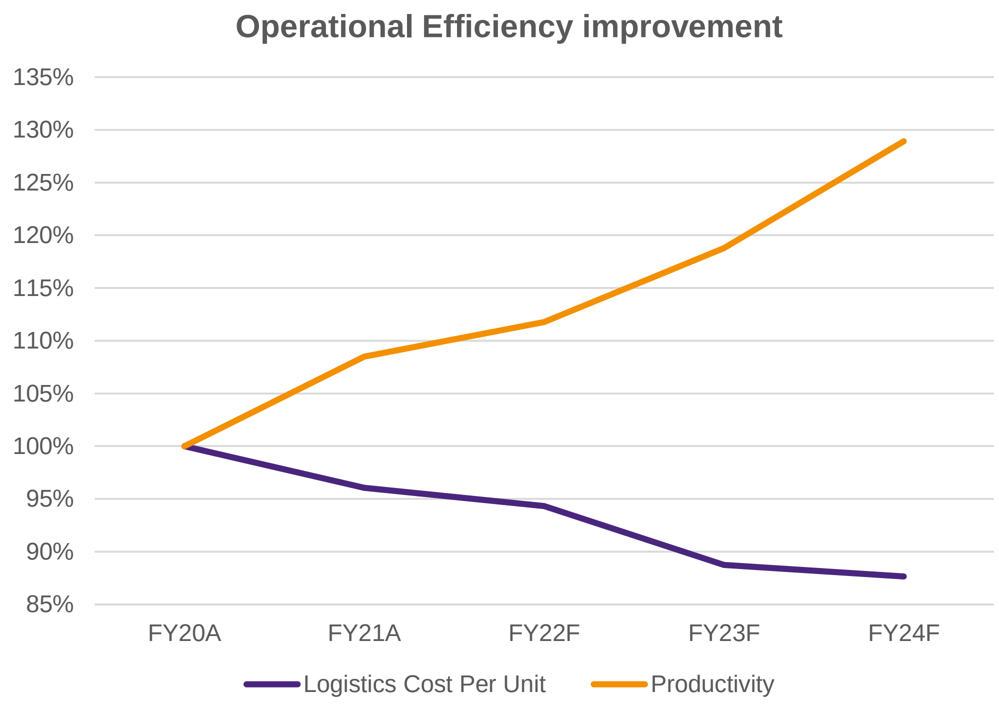
Voice of Customer:

- Continued improvement to finish the year above target:
  - Net Promoter Score improved by 21%
  - Overall Satisfaction improved by 4%
  - Net Easy Score improved by 15%

IQVIA data
* IBIS World Report December 2020

Leveraging an efficient DC network with capacity

- Investment in an efficient DC network is delivering significant and ongoing productivity improvements:
  - +30% from FY20 to FY24
- Competitive advantage from leveraging infrastructure investment to drive a lower per unit cost to serve (labour and freight) despite EBA increases:
  - -12% from FY20 to FY24
- Average payback on automation of approximately 5-years
- Investment has also created capacity to efficiently absorb pharmacy wholesale volume growth



Expansion businesses – capturing opportunities

- CHS / MIA saw strong sales of PPE in FY21.
    - High service levels has created opportunities to accelerate our business expansion
- CHS 3PL/4PL – continues to show good growth
- Hospitals and MPS were the most impacted by COVID-19
    - Hospital sales up 15% following 26% growth in FY20, despite reduced elective surgeries due to COVID-19
    - Access to Residential Aged Care Facilities and their residents impacted heavily by COVID-19, especially in Victoria

Proactive COVID-19 Response and Support

Team Members

- Cross-functional COVID-19 Working Group quickly set up to monitor and advise
- Identified potential risks and implemented mitigations
- National roll out of Sigma's COVID Safe Response Plan

Community Pharmacy

- PPE, hand sanitizer, perspex screens and effective cleaning products available
- Ongoing financial guidance and support to access federal government assistance
- Specific Mental Health advice and guidance for frontline healthcare workers
- Proactively supporting COVID-19 vaccine roll out across the network

Hospital Pharmacy and Aged Care

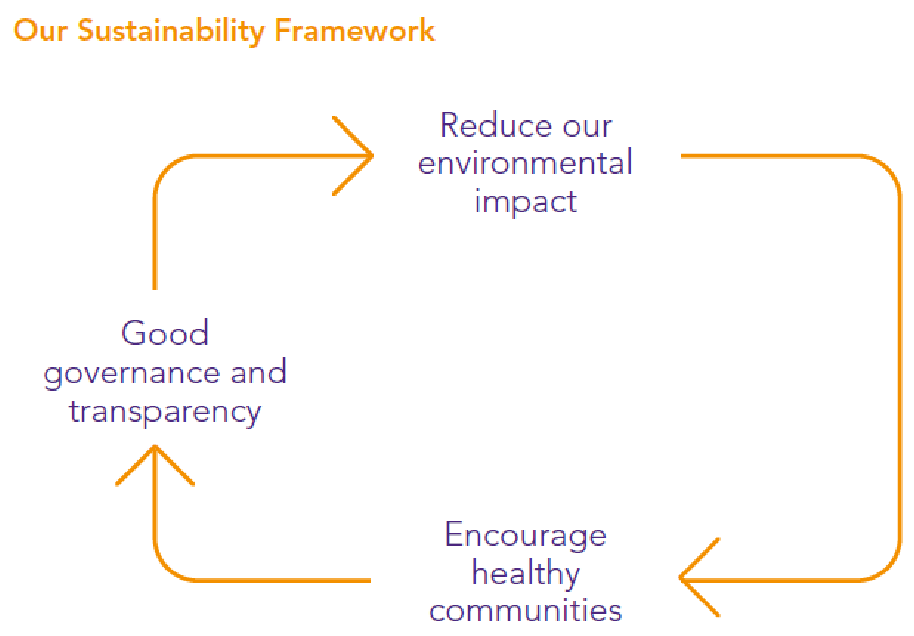
- Access to essential medicines during shortage periods
- High level customer service support including continual communication
- Support for relocated Aged Care Residences

Supplier and Government

- Increased staffing levels to quickly respond to in-bound and out-bound volume spikes
- Regular communication with suppliers on stock levels, changes in demand and supply challenges
- High engagement with the Department of Health, TGA and various industry bodies to help ensure equitable access to medication for all Australians
- No reliance on Government support (JobKeeper)

Sustainability focus – inaugural standalone report released

- In FY21 we completed a materiality review to formalise our sustainability framework, building on our community foundations
- We released our inaugural Sustainability Report, which is aligned to the Global Reporting Initiative (GRI)
- The pillars that underpin our Sustainability framework include:
  - Reducing our environmental impact through operating an efficient network, and reducing waste as a signatory to the Australian Packaging Covenant
  - Investing in the health and wellbeing of our team and the communities
  - Operating our business in an ethical and transparent way
- Sustainability Report available at: https://investorcentre.sigmahealthcare.com.au/



Our investment proposition

We have built a stronger and more sustainable business which is driving improved shareholder returns

Infrastructure
Market leading DC network - has been re-built to provide safe, efficient and effective scale to leverage in to growth opportunities
✓

Technology
Generational upgrade is well advanced - includes Salesforce CRM, implementation of SAP S/4Hana, data analytics and intelligence, cloud storage and security
✓

Cost to serve
Operating cost base has been re-set through infrastructure investment and through Project Pivot, delivering an efficient cost to serve model
✓

Balance Sheet
Strong balance sheet and improved ability to support tangible growth ambitions
✓

FY18 to FY21

Profitable Growth
Core organic growth is strong, with opportunities to now accelerate our expansion businesses, leverage our investments, and drive shareholder returns

FY22 onwards

EBITDA Target – How do we get there?

FY23 - EBITDA target of approx. $100m post - AASB16

FY22

- Organic sales growth
- Full year of CW FMCG sales
- Full year benefit of Project Pivot
- Ongoing benefit from leveraging DC investment

Targeting 10% CAGR for next two years, delivered from organic growth and benefits from actions already taken

FY23

- Organic sales growth
- Ongoing benefit from leveraging DC investment
- Growth from existing expansion businesses

Pursuing M&A opportunities to further accelerate growth and deliver beyond this target

FY21 - $81.1 m Underlying EBITDA

*FY23 Underlying EBITDA target (pre-AASB16) was provided at FY2019 results announcement on 21 March 2019

Outlook

Entering FY22 positioned for sustained growth and reward for shareholders

CAGR> 10%	Targeting Underlying EBITDA CAGR* of 10% for the next two years
~$100m	On target to meet $100m Underlying EBITDA by FY23
ROIC > 10%	Underlying ROIC to remain above 10%
DPR > 70%	Targeting a Dividend Payout Ratio of at least 70% of Underlying NPAT
Business Development Growth	Pursuing M&A opportunities to accelerate our growth

*Cumulative Annual Growth Rate

Thank you

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Appendix 1 – Reconciliation of reported to Underlying

Reconciliation of reported (IFRS) vs underlying EBIT and EBITDA	31 January 2021 $000	31 January 2020 $000
Reported EBIT	63,211	(3,058)
Add: Reported depreciation and amortisation	30,988	27,258
Reported EBITDA	94,198	24,200
Add back:		
Restructuring, transformation and dual operating costs before tax	14,716	39,662
Due diligence, integration and litigation costs / (benefits) before tax	3,687	(4,261)
(Gain) / loss on sale of assets before tax	(29,444)	-
Underlying EBITDA	83,157	59,601
Less: Reported depreciation and amortisation	(30,988)	(27,258)
Underlying EBIT	52,169	32,343
Less: Non-controlling interests before interest and tax	(2,096)	(1,372)
Underlying EBIT attributable to owners of the company	50,073	30,971

Reconciliation of reported (IFRS) and underlying NPAT	31 January 2021 $000	31 January 2020 $000
Reported NPAT attributable to owners of the Company	59,761	(12,330)
Add back:		
Restructuring, transformation and dual operating costs after tax	10,301	27,763
Due diligence, integration and litigation costs / (benefits) after tax	2,581	(2,983)
(Gain) / loss on sale of assets after tax	(43,558)	-
Underlying NPAT attributable to owners of the Company	29,085	12,450

Appendix 2 – Cash flow