ASX Release

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Revenue rises as strategic execution remains on track

Key Highlights

Sigma Healthcare Limited (Sigma) today announced its financial performance for the half year ended 31 July 2024 (1H25).

	Normalised(1)	Statutory
Net Revenue	\$1.84b, up 17.3%	\$1.84b, up 9.4%
EBITDA	\$31.1m, up 6.3%	\$20.0m, down 45.7%
EBIT	\$18.0m, up 20.6%	\$6.9m, down 69.4%
NPAT	\$13.7m, up 303.6%	\$3.7m down 66.9%

(1) Refer Note 1 reconciliation of Statutory to Normalised

Following a period of strong strategic execution, Sigma now has a pipeline of growth in what is a competitive but defensive market segment. Importantly, Sigma has begun to see the revenue benefits of securing a new 5-year Chemist Warehouse Group (CWG) supply contract, illustrating the company has the infrastructure to efficiently absorb volume growth while retaining capacity for expansion without major capital expenditure requirements.

Some of the key features of the result include:

- In July 2024 Sigma successfully commenced the new 5-year CWG supply contract that will contribute \$3.0 billion in annualised revenue, with approximately \$2.0 billion per annum in new revenue to Sigma as a result of the new PBS supply
- Demonstrated the ability to cost-efficiently absorb the expected 40% increase in volume (compared to the prior year) on an annualised basis
- Normalised group revenue increased 17.3% to \$1.84 billion as the benefits of the new supply contract began to flow through
- Like for like sales increased by an average of 13% across our brands, Amcal and Discount Drug Stores, as the execution of the retail brand strategy continued

> Sigma CEO and Managing Director Vikesh Ramsunder said: “This has been a strategically important period for Sigma. We have begun a large new supply contract that will underpin Sigma’s growth for the next 5-years and provide strong fixed cost absorption. Importantly, we continued to maintain high service standards to all our customers through the process.”

Operational and Financial Review

Group Revenue of $1.84 billion was up 9.4% on a statutory basis and 17.3% on a normalised basis, after adjusting for the discontinued hospitals revenue of $113.4 million in the prior comparative period. Growth was achieved in the existing core business, including one month's contribution from the new CWG supply contract.

> Mr Ramsunder commented: "Wholesaling to community pharmacies is core to Sigma. Volume and efficiency are critical in this business, and we have delivered excellent service levels, streamlined our operations, and built our growth pipeline."

Statutory EBIT of $6.9 million in 1H25 was impacted by $8.4 million in one-off costs incurred in relation to the CWG merger proposal and $2.8 million in upfront costs incurred in preparation for the commencement of the CWG supply contract.

Adjusting for these, Normalised EBIT for 1H25 was $18.0 million, up 20.6% on 1H24. Statutory NPAT for 1H25 was $3.7 million, with Normalised NPAT up 303.6% to $13.7 million.

Gross Profit was up 8.8% for 1H25, however GP margin as a percentage of revenue was down from 6.6% to 6.5%, largely a reflection of the shift in product mix during the period, with sales of lower margin PBS medicines growing stronger than front of shop products.

Statutory operating expenses for 1H25 of $140.2m were up 10.4% on 1H24, including the $8.4m merger costs and $2.8m upfront costs relating to the new supply contract. On a Normalised basis, operating expenditure for the half was up 2.4% relative to 1H24. Warehouse and logistics costs were a standout feature, down 0.1% despite an additional 9.8 million units distributed during the period.

> "Our distribution centre network was built to handle large scale volume, which we are now beginning to deliver. July proved our ability to efficiently absorb the volume and leverage our existing infrastructure, with a 57% increase in units delivered, yet costs to pick, pack and despatch were down for the half." Mr Ramsunder said

Sigma invested an additional $151 million in inventory through May and June 2024 in preparation for the commencement of the new supply contract.

Depreciation and amortisation were $13.1 million for the half, down $1.2m compared to 1H24, benefitting from Sigma now being largely ex-Capex.

Sigma's franchise brands, Amcal and Discount Drug Stores, have together achieved like for like sales growth of 13% for the first half. The performance reflects a strong core brand network that continues to consistently execute the brand values in support of their communities. This was recently recognised by consumers, with Amcal being awarded Canstar Blue's 2024 Most Satisfied Customer Award (Pharmacies), with Discount Drug Stores the runner up.

> Mr Ramsunder said: "The performance of our Amcal and Discount Drug Stores members is pleasing and provides a quality member base from which we can invest in and continue to grow our network as we pursue our target of achieving brand membership of 300 Amcal pharmacies and 150 Discount Drug Stores over the medium-term."

Sales of private and exclusive label products remained sub-scale in the first half, however, continues to be an important part of Sigma's ongoing strategy to deliver enhanced margin for Sigma and our branded pharmacies, and affordable quality for consumers. There were 32 products successfully launched in 1H25. More importantly, this was the start of our execution, with a further 220 products launching in 2H25 that will be in market and contribute to our FY26 results.

Third party logistics (3PL) also remains a key part of Sigma's strategy to diversify our earnings and grow our margin. Last year we completed the build of our 3PL storage capacity to 50,000 pallets across six states and affirmed our capability through ISO 9001 accreditation. On a like for like basis, our 3PL business increased its contribution to earnings by 17% in 1H25 as we moved over 65 million units. Whilst capacity utilisation is only around 45% currently, we have contracts in place to build momentum into FY26.

Outlook

Sigma operates in a competitive yet defensive market segment that is resilient to macro-economic downturns. Against that backdrop, we also have a strong growth profile that includes benefitting from the sales growth of the 5-year CWG supply contract, which only began on 1 July this year.

> Mr Ramsunder said: "Importantly, even after including the new supply contract volume, we will have approximately 35% available capacity in wholesale to absorb future growth ambitions without the need for major capital investment."
>
> "Whilst we are only eight weeks into the second half, momentum is positive and enables providing normalised EBIT guidance of $50 to $60 million for the full year."

Through the industry body, the National Pharmaceutical Service Association (NPSA), we are also well advanced in our negotiations with the Federal Health Minister and Department of Health for a new industry funding agreement. The agreement will help underpin the investment and role our company plays in supporting access to essential medicines for communities across Australia. We anticipate this being concluded in the coming months.

Meanwhile, the ACCC has indicated 24 October as the possible date for an announcement on the proposed merger with CWG, however this may be subject to change. We continue to cooperate closely with the ACCC to address the matters raised in the Statement of Issues.

> Mr Ramsunder concluded: "Over the last two years we have consistently delivered against each of our strategic objectives. The new volume growth will now underpin our core business model as we focus on growing our brands, diversifying our earnings and implementing transformational change for the long-term."

Consistent with the company's Dividend policy, Sigma has declared an interim unfranked dividend of $0.005 per share payable on 17 October 2024 with an Ex-Dividend Date of 1 October 2024 and Record Date of 2 October 2024.

A results briefing will be held at 10.00am AEST. For webcast details, please visit the Investor Centre located at [www.sigmahealthcare.com.au.](http://www.sigmahealthcare.com.au)

This announcement is authorised by order of the Board.

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Note 1 – Reconciliation of Statutory to Normalised

$m	1H25 RECONCILIATION				1H24 RECONCILIATION			
	Normalised 1H25	Merger costs	CW onboarding	Statutory 1H25	Normalised 1H24	CHS Hospital Gain on sale	CHS Hospital Discont. Ops	Statutory 1H24
Net Sales Revenue	1,840.3	-	-	1,840.3	1,568.4	-	113.4	1,681.8
Cost of goods sold	(1,720.4)	-	-	(1,720.4)	(1,459.4)	-	(112.2)	(1,571.5)
GROSS PROFIT	**119.9**	**-**	**-**	**119.9**	**109.1**	**-**	**1.2**	**110.2**
EBITDA	**31.1**	**(8.4)**	**(2.8)**	**20.0**	**29.3**	**8.8**	**(1.4)**	**36.7**
Depreciation & Amortisation	(13.1)	-	-	(13.1)	(14.3)	-	-	(14.3)
EBIT	**18.0**	**(8.4)**	**(2.8)**	**6.9**	**15.0**	**8.8**	**(1.4)**	**22.4**
Net finance income / (costs)	1.3	-	-	1.3	(8.3)	-	-	(8.3)
Profit/(loss) before income tax	**19.3**	**(8.4)**	**(2.8)**	**8.1**	**6.6**	**8.8**	**(1.4)**	**14.1**
Income tax (expense)/benefit	(5.1)	0.4	0.8	(3.9)	(2.8)	-	0.4	(2.4)
Non-controlling interest	(0.5)	-	-	(0.5)	(0.5)	-	-	(0.5)
NPAT attributable to owners	**13.7**	**(8.0)**	**(2.0)**	**3.7**	**3.4**	**8.8**	**(1.0)**	**11.2**
Basic EPS - cents[1]	0.9			0.2	0.3			1.1
GP%	6.5%			6.5%	7.0%			6.6%
EBITDA / Sales	1.7%			1.1%	1.9%			2.2%
EBIT / Sales	1.0%			0.4%	1.0%			1.3%
NPAT / Sales	0.7%			0.2%	0.2%			0.7%

[1] Calculated using weighted average shares of 1,571.0m (1H24: 993.0m)