



1H23 Results Announcement

26 September 2022



1H23 Results Announcement

Vikesh Ramsunder
CEO and
Managing Director



Overview

- Review of the half year
- Financial performance
- Business performance
- Strategy
- Outlook

Review of the Half Year

- ❖ ERP stabilised and functioning as designed
- ❖ Operating Performance enhanced
 - Picked, packed and dispatched 115 million units in 1H23
 - Delivery in Full (DIF) at 97%*
 - Despatch on Time (DOT) at 99%*
 - Stock availability average 87%*
- ❖ Renewal of Leadership team
- ❖ Implementing a rigorous whole of business review resulting in:
 - Net Debt - 43% reduction from \$149m at FY22 to \$86m at 31 July 2022
 - Inventory write-off of \$29 million
 - Asset impairment and write-off \$9.7 million
- ❖ Delivered a 1H23 Statutory NPAT loss of \$1.5m
- ❖ Declared an Interim Dividend of 0.5 cents per share



* Based on Sigma's current month to date as at 21 September 2022

Financial Performance

Nigel Simonsz
CFO



Financial Performance

Statutory Results (\$'m)	% Change	1H23	1H22
Net Sales	6.0%	1,836.1	1,732.6
Gross Profit	12.0%	126.7	113.1
Other Revenue	(3.0%)	55.2	56.9
Operating Costs	(5.9%)	(161.3)	(152.3)
EBITDA	16.7%	20.7	17.7
Depreciation and Amortisation	(14.5%)	(15.3)	(13.3)
EBIT	23.4%	5.4	4.4
Net Interest	(24.0%)	(6.3)	(5.1)
Tax benefit	n/a	0.1	(0.01)
Net controlling interests	33.6%	(0.7)	(0.5)
NPAT	(14.6%)	(1.5)	(1.3)

Sales Revenue up 6.0% to \$1.84bn

- High volume sales of Rapid Antigen Tests (RATs)
- Partly offset by lower pharmacy sales and CSO income

Gross Profit up 12.0% to \$126.7m

- Includes higher margin from RAT sales \$52m
- Partly offset by stock adjustment of \$29m

Operating costs up 5.9% to \$161.3m

Depreciation and Amortisation up 14.5%

- Reflects conclusion of investment cycle

Net Interest up 24.0% to \$6.3m

Total Operating Expenses – up 5.9%

Employment Costs: Up 13.2% to \$83.2m

- \$6.3m higher logistics costs due to current complex business processes, shortage of skilled staff as well as transition from Rowville DC to Truganina DC.
- \$3.3m increase in ongoing IT and support costs.

Freight Costs: Up 11.1% to \$23.5m

- Increased sales activity \$0.9m, higher fuel prices \$0.9m and contract rates \$0.5m.

Other Costs: Down 5.4% to \$54.6m

- Asset impairment and write-off \$9.7m related to Cura operations.
- Rowville/Mulgrave asset write-off \$4.9m (\$1.7m write-off in prior year).
- Lower professional service and advertising costs by \$4.9m.
- Lower SaaS expense of \$4.2m, \$13.7m lower than prior year.
- Increase in software licence costs of \$2.1m.



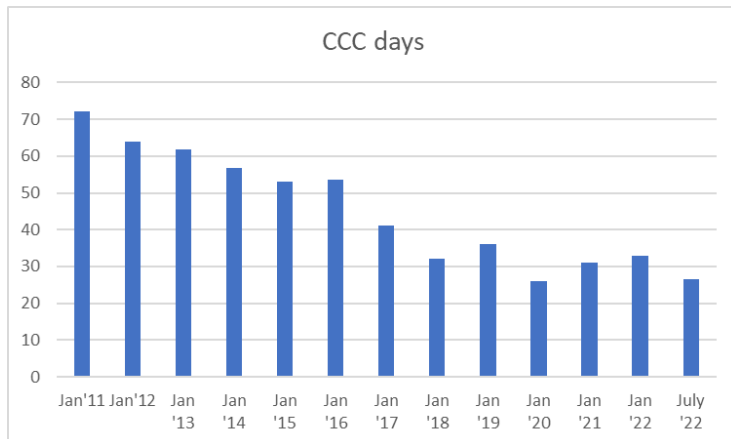
Cash Management and Debt

Net Debt

- Down 43% from FY22 to \$85.6m
- \$91 million improvement in working capital
- \$70m debt facility repaid in July and is in the process of being cancelled

Cash Conversion Cycle (CCC)

- CCC near best level for a decade
- CCC of 27 days, down from 31 days at HY22 and 33 days at FY22



Capital Expenditure and ROIC

Capex

- Infrastructure upgrade program near completion.
- 1H23 Capex of \$15m - largely Truganina expansion Hobart DC build and Head office relocation.
- 2H23 Capex expected to be \$25m, then return to normal capex of circa \$5m - \$10m from FY24.

ROIC

- At the low point of the cycle given investment program and the current capacity underutilisation
- ROIC is 0.6% adopting unadjusted Statutory EBIT

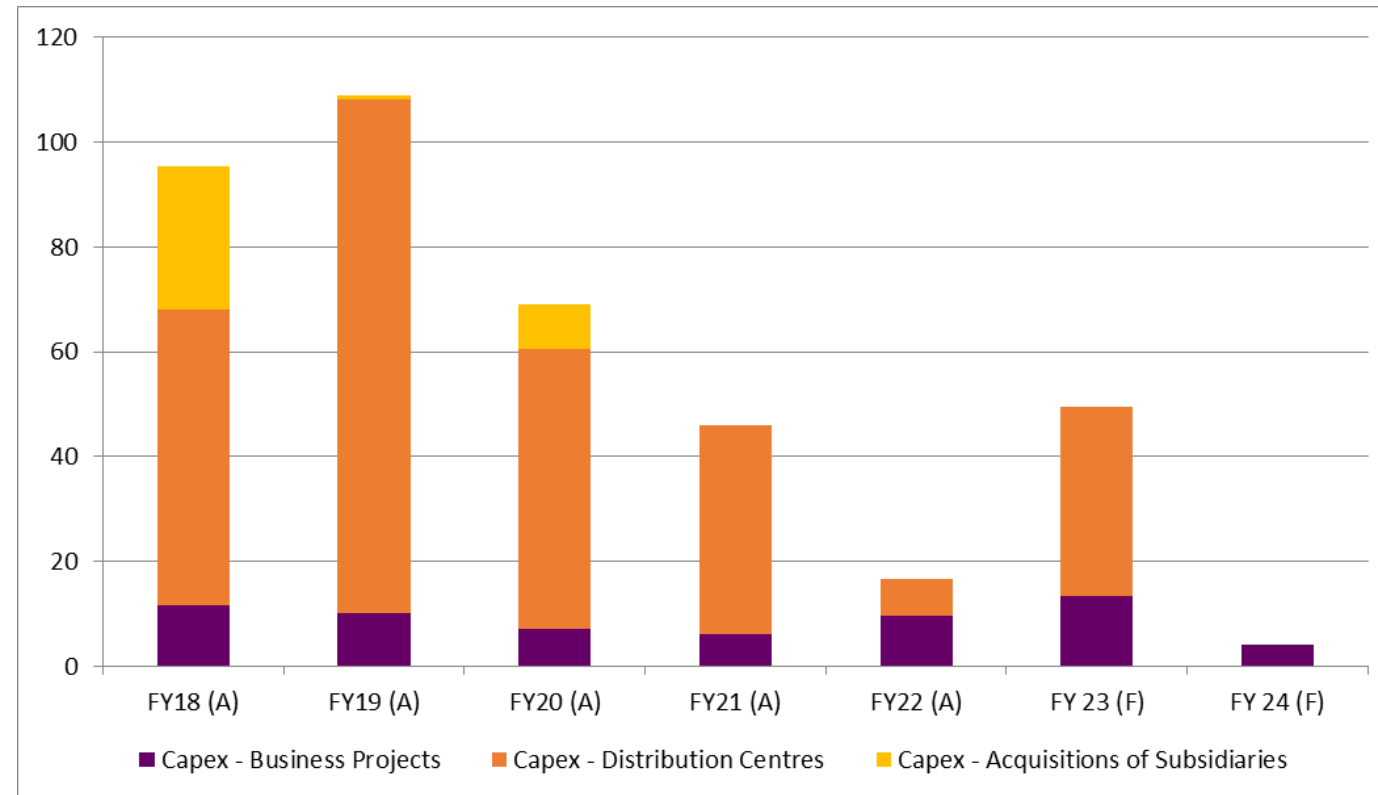


Table excludes SaaS expenditure which is fully expensed in the year incurred

Business Performance

Vikesh Ramsunder
CEO and
Managing Director



ERP Implementation

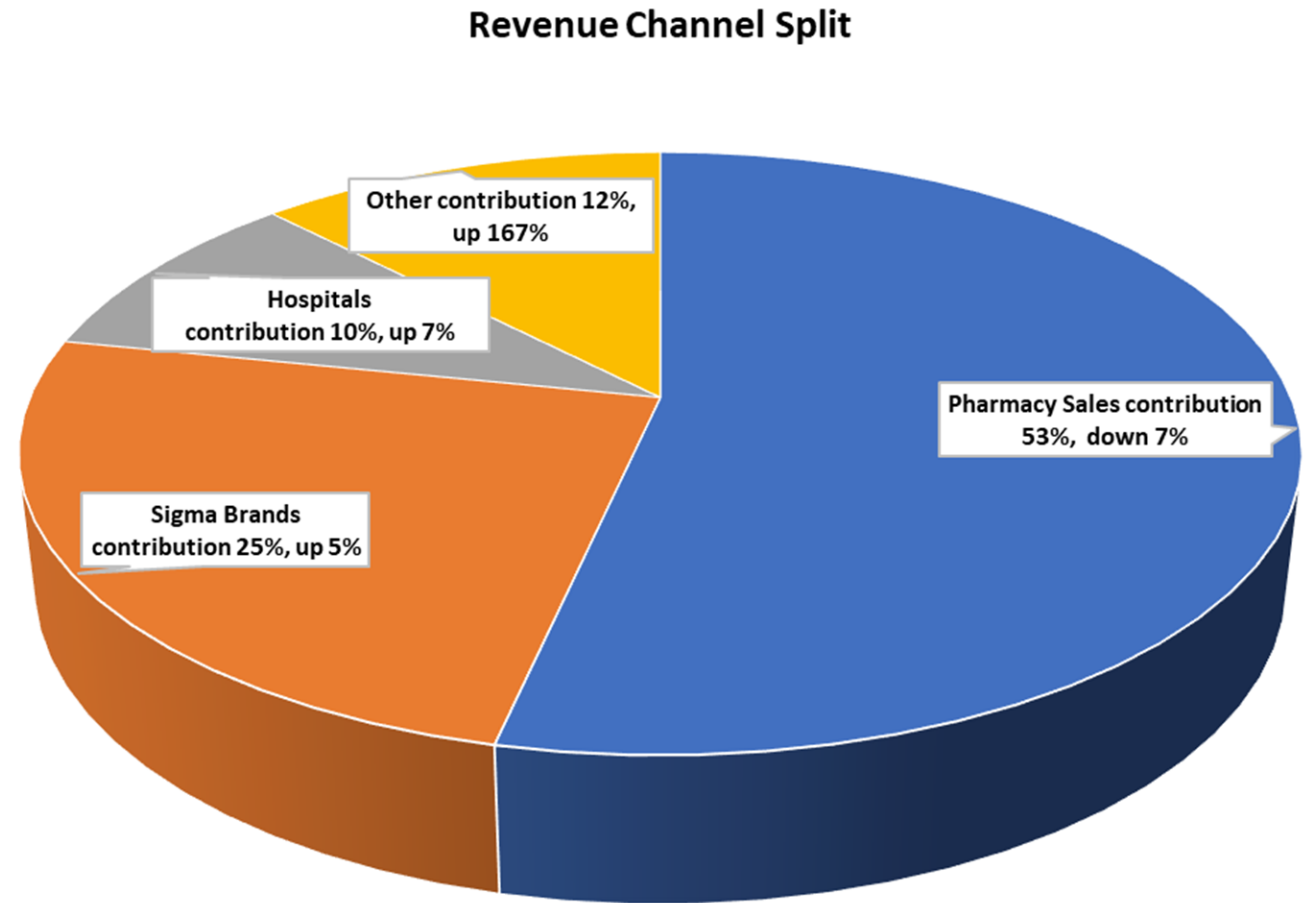
- ❖ Go-live had a significant adverse impact on the business
- ❖ ERP implementation issues were a major contributor to stock write-off
- ❖ ERP Platform has been stabilised and is now operating as designed
- ❖ Post implementation review completed - focus shifted to optimisation
- ❖ Implementing a fit for purpose demand planning tool to improve stock availability
- ❖ Full integration of key subsidiary businesses to occur over the next 12-18 months



Month	Feb	Mar	Apr	May	Jun	Jul
Hours of unplanned IT disruption	113	370	716	52	21	7

Wholesale

- ❖ Community pharmacies sales down 7%
- ❖ Hospital sales up 7.0%
- ❖ Other category up 167%, benefitting from strong RATs sales
- ❖ Market share 18% of community pharmacy market
- ❖ Significant available capacity in existing infrastructure to absorb growth ambitions - 30% to 40% available capacity



Sigma franchise brands performance

- ❖ Over 520 franchise brand members
- ❖ Sales growth of 5.0% achieved across our franchise brands
- ❖ Over 560,000 flu and Covid-19 vaccinations administered across our network in 1H23, a fourfold increase on 1H22
- ❖ Award winning brands -
 - ❖ Amcal won the Finder Award 2021/2022 for best rated brand in pharmacy
 - ❖ Discount Drug Store won the Roy Morgan Customer Satisfaction Award 2021
 - ❖ Pharmasave - Canstar Blue Most Satisfied Customer Award 2022



Contract Logistics

- ❖ Revenue growth of 15.9%
- ❖ Currently managing 33,000 pallets of medicines for customers (nationally)
- ❖ Servicing 12 clients
- ❖ Additional 20,000 pallet spaces being added in Truganina from December 2022



MPS CONNECT

Medication Management made simple, safe and **COMPLETE.**

The newest EMM for home care and residential aged care with a single medication record providing safe, person centric, reliable and intelligent medication management - **plus it includes many other options that the others don't.**



- ❖ Patients packed increased by 20.8%
- ❖ MPS continues to achieve world class standard medication packaging accuracy rates - 1 error in 1 million medication dose packaging*.
- ❖ MediSphere eNRMC software has over 3,000 residents subscribed to the solution since launch in February 2022
- ❖ New blister machine in NSW has enabled entry to a new market segment

* Calculated based on total incidents reported by pharmacy and from internal Quality Control program

Strategy

Vikesh Ramsunder
CEO and
Managing Director



Group Strategy

Create long term shareholder value, through a diversified health, beauty and wellness offering.



Strategic Objectives - Overview



1. Grow profitable wholesale market share



2. Consolidate and build our franchise brand network



3. Diversify our streams of income through expanded product offerings via health, beauty and wellness categories



4. Divest non-core assets and continue to simplify the business



1 - Grow profitable wholesale market share

- ❖ Rebuild customer confidence and trust
- ❖ Process improvements to enhance service levels
- ❖ Target profitable sales volume - capture greater market share:
 - ❖ Wholesale Pharmacy - \$15.5 billion market*
 - ❖ Wholesale Hospital Pharmacy - \$3.2 billion market*
- ❖ Leverage existing infrastructure investment to accelerate growth and drive efficiencies



* Source IBIS Medical and Scientific Wholesaling in Australia April 2022



2 - Consolidate and build our franchise brand network

- ❖ Consolidate our brand portfolio into Amcal and DDS and expand our footprint
- ❖ Execute an assortment strategy that focuses on preventative and curative healthcare
- ❖ Build a private label and exclusive portfolio to 20% of sales
- ❖ Enhance the consumer facing loyalty programs
- ❖ Improve compliance from franchisees to protect brand equity





3 - Diversify streams of income

- ❖ Expand our medical consumables product category and broaden the sales channel
- ❖ Build and develop pipeline of exclusive products in the health, beauty and wellness categories
- ❖ Evaluate opportunities to expand into the A\$4+ billion beauty retail category*



* Source IBIS Cosmetic and Toiletry Retailing in Australia February 2022

4 - Divest non-core assets and simplify the business

- ❖ Evaluation of non-core assets
 - Cura - impairment executed in 1H23
 - Divest other non-core financial investments
- ❖ Simplifying the business - we are making Sigma easier to do business with
- ❖ Business integration to drive collaboration and better leverage capabilities and infrastructure
- ❖ Expected release of cash of \$30 - \$40m over the next 12-18 months



Outlook

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CEO and
Managing Director



Outlook

- ❖ Restore customer confidence and trust, particularly in Victoria
- ❖ Continue business simplification and cost reduction
- ❖ Implement franchise brand strategy
- ❖ Finalise Truganina DC expansion and Hobart DC build
- ❖ No formal guidance but confident of continuous improvement in operational performance



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The information contained in this presentation about Sigma Healthcare Limited and its subsidiaries (Sigma) is designed to provide:

- an overview of the financial and operational highlights for Sigma for the half year period ending 31 July 2022; and
- a high level overview of aspects of the operations of Sigma, including comments about Sigma's expectations of the outlook for FY2023 and future years, as at 22 September 2022.

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