Sigma Healthcare
Connecting health solutions

Annual Review 2021/22

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ABN 15 088 417 403

Sigma Healthcare

At our core, we are a leading pharmaceutical wholesaler focused on supporting Australian communities. We aim to build relationships that reward our partners, benefit consumers and optimise our core capabilities to maximise the value we create.

WE PARTNER WITH

Community Pharmacy

Supporting the healthcare needs of communities across Australia through daily delivery of medicines, and providing services and programs to support our pharmacy brands.

Hospitals

Delivering the full range of PBS, Section 100, Schedule 8 and Cold Chain medications as well as medical devices and equipment nationally.

Aged Care

Connecting pharmacists to aged care homes and community care customers through world-class, end-to-end medication management solutions that promote better health outcomes for our community.

Suppliers

National contract logistics services to pharmaceutical, medical consumable and FMCG sectors, backed by quality standards and certifications.

OVERVIEW

Sigma has navigated through an extended period of transformation and investment that has resulted in world-class infrastructure to sustain and support business growth over the long term. While our financial performance this year was impacted by costs incurred to strengthen the Sigma business, we are now preparing for the next phase by simplifying our business and leveraging our assets for growth.

Revenue

$3.45B

Net Profit (Loss) After Tax

($7.2M)

Dividends Per Share

2.0 CPS Fully Franked

9	220m	>11,300	>4,600
Distribution Centres	Units distributed per year	Over the counter products	Pharmaceutical products

Supporting the healthcare needs of the community

Almost 650,000 COVID-19 vaccines administered across our branded network of over 530 pharmacies

3.6m pills packed each week into dose medication packages

Over 18m Rapid Antigen Tests (RATs) sold by MIA across Australia up to 31January 2022

171% growth in Sigma's Corporate Flu vaccination program

CHAIRMAN'S REPORT

Welcome to my review of Sigma's financial year which ended on 31 January 2022. In reflecting on the last 12 months, it has been a year of two distinct and contrasting halves.

The first six months were strong, with good sales growth and momentum that overcame the operational disruptions from COVID-19. Revenue for the half was up 5.5%, with our wholesale and pharmacy business continuing to grow above average market growth.

Unfortunately, in the second half we encountered greater interruptions as we implemented our new Enterprise Resource Management (ERP) system, which is a significant and necessary system upgrade for the group to reduce risk and provide a strong contemporary backbone for the business to improve our service to customers over time. The switch to a go-live environment unearthed some unexpected process issues which had an impact on our operations, our customers and our suppliers, for which we sincerely apologise. The impact flowed through to Sigma's financial performance.

Following a government policy shift to endorse the adoption of Rapid Antigen Tests (RATs) for the detection of COVID-19, Sigma experienced extraordinary and rapid volume growth in the last month of the year that resulted in the achievement of a financial performance that was unforeseen only two months earlier.

With that context, I will now address:

1. Financial Performance
2. Operational Performance
3. Investment and Capital Management
4. Strategy
5. People and Culture

Financial Performance

For the full year, Sigma has delivered:

- Revenue up 1.3% to $3.4b
- Reported EBITDA was down 56.3% to $30.0m
- Reported NPAT was a loss of $7.2m
- Dividend Per Share of 2.0 cents fully franked
- Year End Net Debt of $149m

As outlined in my introduction, the drivers of our overall financial performance for the year have been varied in their source and timing.

Operational Performance

Our core community pharmacy and wholesale pharmacy distribution businesses have faced some challenges that have impacted customers. This is very disappointing; however these are transitory issues relating to the ERP implementation that are being addressed as quickly as possible. Our recent investments have delivered Sigma a world class network that provides significant scale, capability, and competitive advantage. Our opportunity now is to exceed our acknowledged high delivery standards that we had prior to the ERP replacement issues.

Our pharmacy brands – Amcal, Discount Drug Stores, Guardian, PharmaSave, and the newer addition WholeLife – are well recognised in the market and account for around 17% of consumer spend in community pharmacy settings. I would like to personally acknowledge and thank all pharmacists across the network for their outstanding work in supporting the community through the COVID-19 pandemic.

Our medical consumables business, Medical Industries Australia (MIA) had an outstanding finish to the FY22 year and start to the FY23 year. The adoption of RATs for the diagnosis and management of COVID-19, and the acceleration of the adoption of RAT kits in various settings across the country has exceeded expectations. With our existing supply agreement in place from mid-2021, the MIA

business was well placed to respond to these changes, asking the supplier to increase the manufacture and supply specifically available for Australia. This strong market growth continued into the early months of the 2022 calendar year before demand is expected to level out through the year.

MPS Connect, our business that provides leading medication management services, has had a disrupted year with COVID-19 restrictions in various capacities across the country limiting access to aged care facilities. In that context, the business has held ground, and has used the time effectively to develop and launch its new full end-to-end Electronic Medication Management (EMM) system, MediSphere, to aged care facilities, providing integrated solutions for patient care.

Sigma's Hospital Services business has also achieved continued growth over the last 12 months and has consolidated its position in the $3.0 billion market. With around 10% market share at present, our expanded national presence along with a return to more normalised operating conditions is anticipated to drive ongoing growth in this sector.

Sigma's Contract Logistics business continues to pursue new contract opportunities in providing warehousing and distribution solutions to the pharmaceutical industry across Australia. The completion of our DC investment program will provide increased capacity with high quality assurance standards.

Ray Gunston
Chairman

Capital Management

Return on Invested Capital (ROIC) has always been a focus for Sigma, and whilst it has been impacted as we moved through our re-build phase, we continue to focus on ROIC as we return to a more normal investment cycle and sustainable earnings growth.

As previously acknowledged, the business performance is not where any of us would like it to be, which has impacted shareholder returns. We thank our shareholders for your patience whilst we overcome our current challenges, and have declared a 1.0 cent per share fully franked final dividend, taking the total dividend for the year to 2.0 cents per share fully franked.

Our capital investment cycle is now nearing completion, with construction commenced on a new DC in Hobart and plans to double the size of Truganina DC in Victoria. A total of around $40 to $45 million investment during FY23 will conclude the program. Normal ongoing capital expenditure should now stabilise around $5m to $10m per annum.

Sigma's Net Debt at 31 January 2022 was $149 million.

Meanwhile, the share buy back program remains a consideration for effective capital management moving forward. Whilst we have not been active in acquiring shares under our Share buy-back program, we renewed the program in January this year to provide ongoing flexibility to be more active if we choose.

Strategy

Through the year, we continued to seek opportunities to grow Sigma through M&A activity that leverages our core skills and infrastructure, with the proposal to merge with Australian Pharmaceutical Industries (API) being the most public example. Whilst this proposal was not ultimately successful, it does demonstrate our preparedness to transact on a scale we have not previously.

Importantly, the M&A focus will remain consistent with our strategy and will continue to focus on core return metrics that are important for shareholders.

People and Culture

I would like to acknowledge and thank our dedicated team for their commitment throughout the 2022 financial year. COVID-19 has presented ongoing challenges for everyone, with our team also navigating the ERP implementation, merger discussions, and a change in CEO and CFO. I thank Mark Hooper for his leadership during his 11 years as CEO of Sigma, and Jeff Sells for stepping into the Interim CFO role, while continuing to lead his Retail Pharmacy team.

As we emerge from this period, I am incredibly grateful and proud of the way our team have united to support each other to work through the challenges collectively and position Sigma ready to embrace future opportunities.

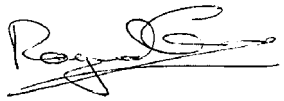
I would also like to acknowledge the frontline healthcare workers, which includes our community pharmacies, for their unwavering support for the community through trying times.

Our DC operations at Rowville have now ceased, with services switched to our new site in Truganina with a new team. I thank all our DC team members who have supported us at Rowville and wish them success in the future. In May this year we also move to a new business support office, providing a fresh beginning for our office-based team members in a more vibrant and collaborative environment.

We are aware that our transformation has impacted the businesses and staff of our customers. We enter the 2023 financial year intent on rebuilding their confidence and trust in our company and our ability to deliver.

We now have our new CEO, Vikesh Ramsunder, who brings extensive industry experience, a fresh perspective and a growth mindset as he leads Sigma and our teams into the next phase of Sigma's long and proud history.

It is an exciting period ahead for Sigma.



Ray Gunston
Chairman

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CEO AND MANAGING DIRECTOR'S REPORT

The 2021/22 financial year has been unique for Sigma, with a transition of leadership after 11 years under the one CEO. Our incoming CEO, Vikesh Ramsunder, commenced on 1 February 2022, at the beginning of our new financial year. Vikesh provides some insight into his experience, focus and early observations.

Can you give us some insight into your background and experience?

I moved to Australia with my family in January 2022 and commenced as Sigma CEO on 1 February 2022. Prior to that, I was the CEO of the Clicks Group in South Africa, which is the largest listed health and beauty retailer in Southern Africa. The Group with over 621 pharmacies has in its stable the country's largest pharmaceutical wholesaler 'UPD' of which I was Managing Director from 2010 until 2015. I was at the Clicks Group for 28 years, starting in retail stores and working across all facets of the business.

This grounding has given me great perspective of pharmaceutical wholesaling, distribution and retailing, experience that is transferable across borders. Serving the customer exceptionally well is always the starting point to prosperity and it will be the core around which we build everything at Sigma.

What have been your greatest achievements in your career to date?

I do not come from a position of privilege, so becoming CEO of the Clicks Group after starting on the retail shop floor was a moment of personal pride. I am however most proud of the work that we did as a group to increase access to healthcare of previously disadvantaged communities and improving the lives of our employees through investment in training and development and the employee share ownership scheme. Ultimately as CEO you are measured by performance, so I am also proud of the growth of the Group during my leadership, and the returns we were able to produce for shareholders.

What attracted you to Sigma?

I knew of the Sigma business and history long before the CEO role became an option. I had from a distance observed the Sigma story and was aware of the investments being made and the challenges being encountered. For me personally, the attraction to join and lead Sigma was in the opportunity to leverage the investment and build on the equity of what was once a market leading brand.

I have visited several distribution centres (DCs) around the world from various industries, and it is clear that Sigma has world class DCs and automation. From my experience, the opportunity we now have is to work these incredible assets harder. Retail is also part of my DNA, so I was attracted to the pharmacy brands within the Sigma network as well. Sigma has some pharmacy brands with long heritage and community connection. Again, I see opportunity to improve our performance in this space.

What have been your observations of Sigma and what are your objectives?

It has been less than three months since joining, but I have already formed some clear views about where Sigma is at now and where our work must begin.

Firstly, we have clearly had some ERP implementation issues that have impacted service delivery to our customers. We continue to make progress in overcoming these complex issues and I am very aware we need to rebuild the trust and confidence with our customers. Our team is focused on achieving this as quickly as possible with my full support.

Secondly, I think the Sigma business is more complex than it needs to be. In the short-term I am very focused on creating a simplified business model and eliminating the complexity within our structures and reporting to make Sigma easier to deal with and making our teams more accountable.

Thirdly, Sigma has world class infrastructure that is currently being under-utilised. My attention has already turned to the strategic opportunities that will better leverage these assets to drive improved customer service, strong growth and shareholder returns.

Any final comments?

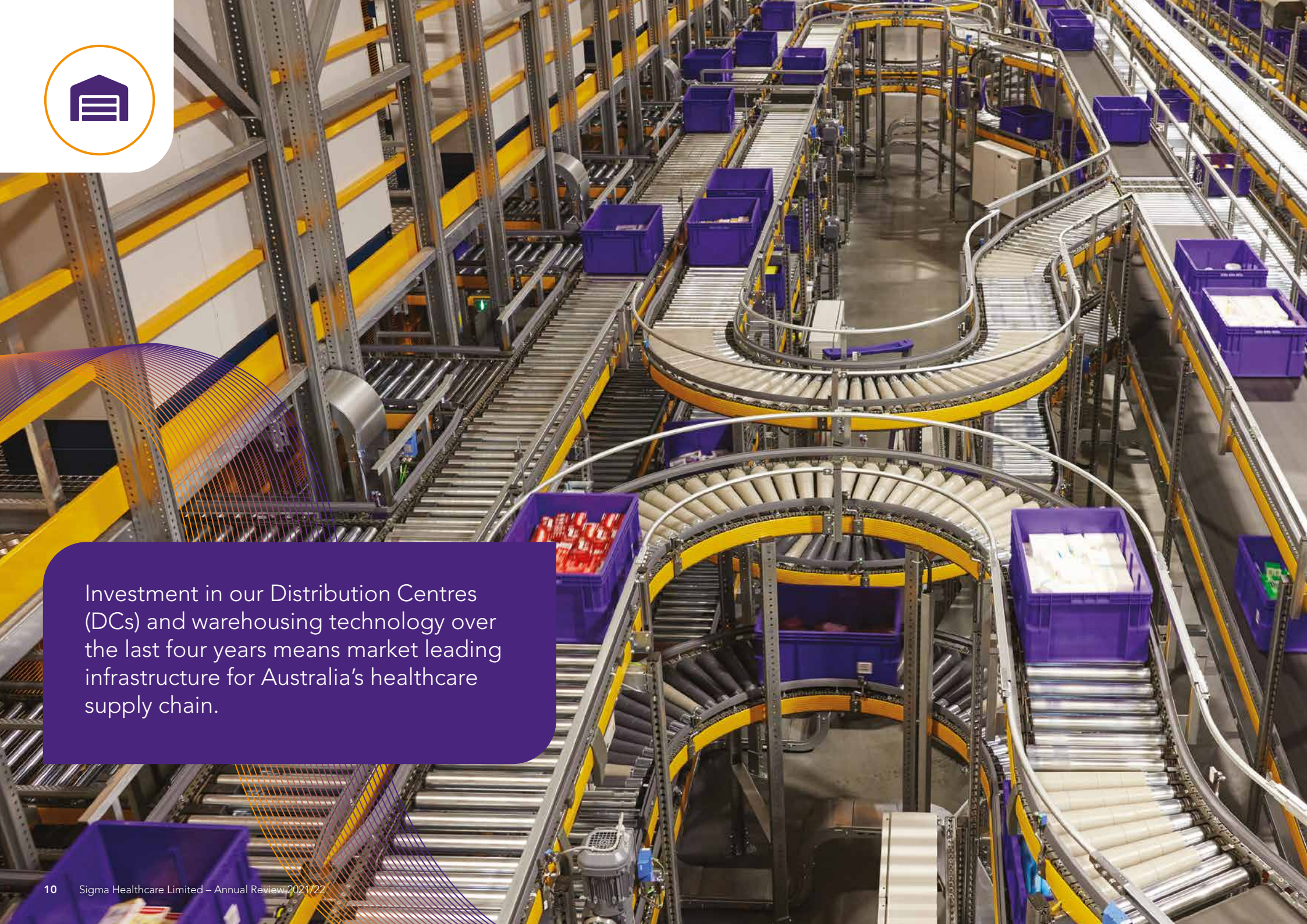
Whilst I am rapidly learning about the Australian market, from my extensive experience, I know what success looks like and it starts with providing great customer service. What truly matters to our customers and suppliers is for Sigma to reliably deliver on time and in full. This also truly matters to me and my team will take whatever action is required to continuously improve on this critical measure.

I am also committed to ensuring we have the right people in the right roles, that enhance our core values and support our people to collectively optimise performance and achieve outcomes.

Sigma has a long and proud history and now has world class capability. I am energised and driven to lead Sigma into a future that benefits society, our people and importantly our shareholders.

I look forward to reporting to you later in the year the board's strategy on how we will move the business forward.

Vikesh Ramsunder
CEO & Managing Director



Investment in our Distribution Centres (DCs) and warehousing technology over the last four years means market leading infrastructure for Australia's healthcare supply chain.

WHOLESALE

Units Delivered

+220M

National Network

9 DCs across Australia managing the End to End Life Cycle of

16,000 products

Sigma Wholesale

Sigma's wholesale business plays a vital role in Australia's healthcare supply chain. As a signatory to the Federal Government's Community Service Obligation (CSO), Sigma supports equity of access to medicines while helping to protect the quality, safety and efficiency of medicine supply for the community and the Government.

Sigma's national network of 9 Distribution Centres manages the end to end life cycle of more than 16,000 products and delivers over 220 million units per year to pharmacies, hospitals and healthcare facilities around the country.

The role of Sigma's Wholesale Team is to continually connect our suppliers with customers in a seamless way, promoting positive wholesale trade for all parties. Recent investment in our Distribution Centres, warehousing technology and sophisticated, state of the art automated picking systems means Sigma has market leading infrastructure supporting Australia's healthcare supply chain.

Many businesses around Australia have been impacted by the high number of COVID-19 cases which has affected supply chain and distribution across many industries, including our own. We have worked hard to navigate these challenges collaboratively with our supplier and delivery partners to minimise impact to our customers.

Our ERP Business Transformation project implemented in the last quarter of the 2021 calendar year has delivered some unexpected issues since going live. Our team has been working together to progressively resolve the issues in our operations and to support our customers.

In 2021 the Sigma Supplier Analytics Portal was launched. Positive feedback from our partners demonstrated that the system's innovative reporting tool has enabled our suppliers to access information, dashboards, graphs and charts relevant to their business performance to help build joint business plans for mutual growth.

The Sigma Connect portal also continues to bring ongoing value to customers and suppliers with the number of customers using the Connect platform up 112% on last year, providing Sigma and our suppliers the opportunity to promote to a greater audience.

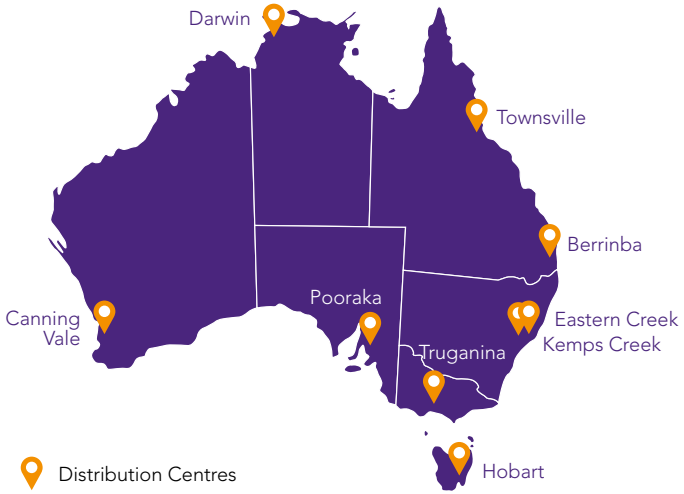
Truganina

The relocation of our Distribution operations from the Rowville Distribution Centre (DC) to our new Truganina DC took place during January 2022. It is an exciting shift to a facility that is world-class in terms of its infrastructure, equipment and operations. Once we stabilise and optimise our systems and processes, it will enhance our ability to better service our customers moving forward.

Late last year, the Sigma Board approved the expansion of the Truganina site. This will double the size of the DC, making it twice the size of the MCG playing surface, providing significant capacity to expand our services and grow our business. Construction commenced in March 2022.

In addition, Sigma is also investing in a new DC in Hobart that will service the Tasmanian market. This is expected to be operational by the end of the 2022 calendar year.

National Network



Sigma Hospital Services

Sigma continues to expand our footprint and market presence through our distribution services to public and private hospitals and health facilities across Australia.

Through our subsidiary business CHS, Sigma Hospital Services delivers more than 10,000 healthcare products, including the full range of PBS, Section 100, Schedule 8, and cold chain lines. We also distribute medical devices and consumables to hospitals, pharmacy and aged care facilities around the country through Medical Industries Australia (MIA).

Over the past year, Sigma has further consolidated its position as a key partner for many hospitals. We now have around 10% market share of the $3.0 billion national hospital market. We have a strong and growing presence in New South Wales, Victoria, Western Australia, Queensland and most recently South Australia – all supported by distribution centres providing efficient, integrated solutions for customers.

During the last 12 months, the COVID-19 pandemic presented continued challenges with hospitals adapting to the needs of patients, changing operating environments, and times of supply disruptions due to fluctuating demand of COVID related drugs. We worked closely with our customers and state governments during this time, ensuring any disruptions were minimised.

We'd like to thank our customers and the government for their ongoing support. With the resources and hard work of our dedicated Hospital team, tailored solutions and an efficient network, we look forward with confidence in our ability to continue to deliver exceptional levels of service to our customers.

Medical Industries Australia (MIA)

For more than 20 years, MIA has been a trusted supplier of TGA accredited, specialty healthcare consumables and devices to government and private sector hospitals, medical practitioners, clinics and pharmacies. Our comprehensive range of products includes diagnostic test kits, protective clothing, incontinence care, respiratory care, medical devices, medical and surgical consumables along with other specialty items for women's health and aged care.

Despite COVID-19 continuing to present challenges, we are well placed to support the needs of government and the community, resulting in a significant increase in sales volume and profitability. We have been a major supplier of COVID related PPE to Australian consumers and businesses including face shields, face masks and protective gowns and have concurrently expanded our PPE offering with a strong emphasis on the gloves market.

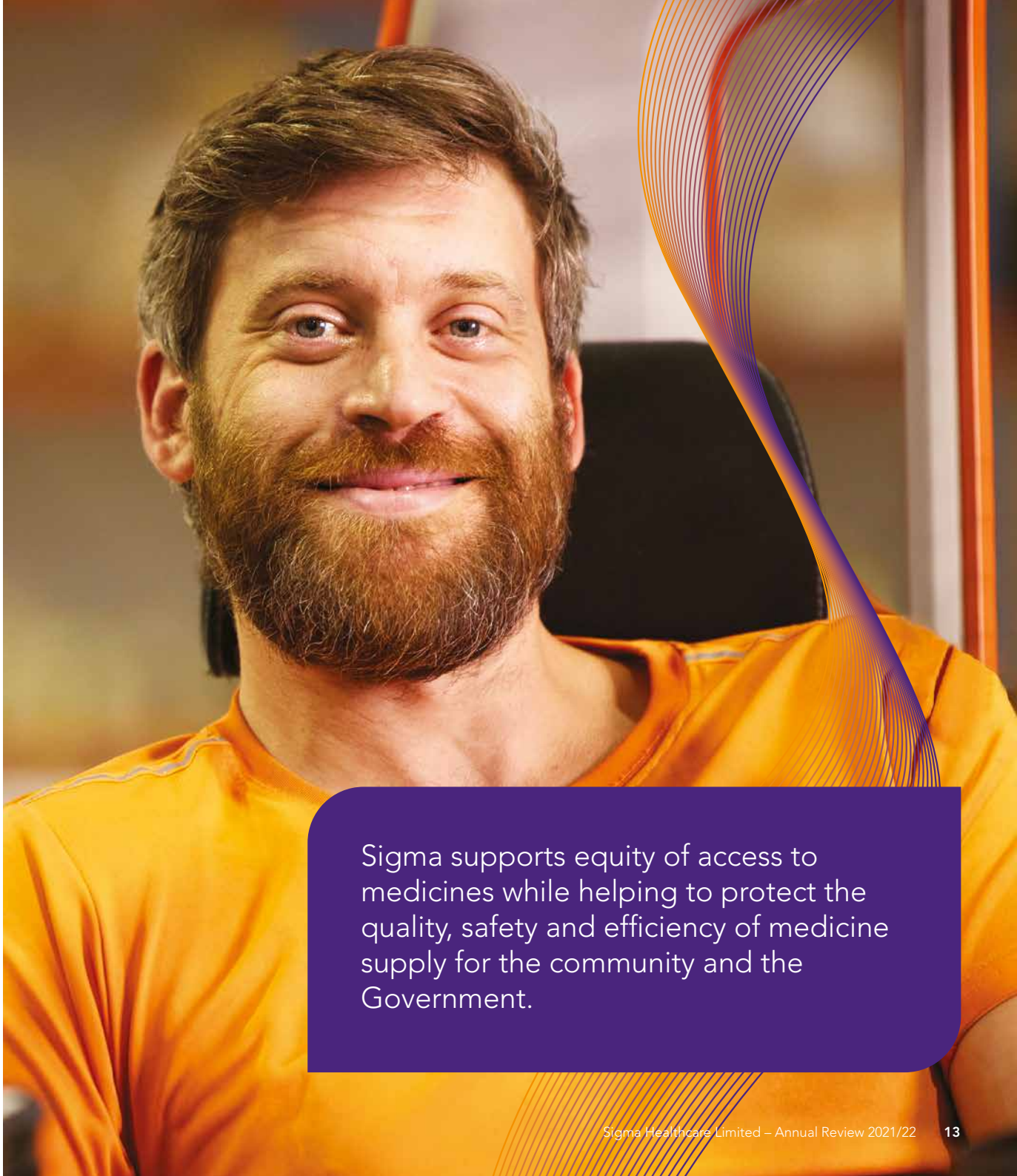
In addition, the sudden demand for Rapid Antigen Tests (RATs) was a key driver of sales and profit growth going into the 2022 calendar year as RATs were increasingly adopted as a COVID diagnostic tool in conjunction with, or instead of, PCR testing. MIA has an exclusive supply agreement for the RightSign Rapid Antigen (Nasal) Test for the Australian Market. MIA also secured a dedicated line to manufacture RATs for the Australian market to ensure continuous supply going forward. As demand for RATs began to surge in late December 2021, the MIA team focused on product sourcing and distribution to the market including to several government agencies, Chemist Warehouse and Sigma's network of pharmacies.

From a customer perspective, MIA partnered with some large corporate accounts that we aim to develop broader business relationships with in 2022 to help support revenue growth. Substantial synergistic sales and profit opportunities also exist for further leverage within the existing pharmacy, hospitals and aged care settings.

MIA excels in reliably supplying a comprehensive range of medical products from both Australian and international manufacturers. To further support our commercial arrangements and quality assurance, Sigma recently appointed its first international employee/contractor in Asia, providing MIA's customers with transparency of the supply chain. From a procurement perspective, this has been an important step in giving customers confidence about our sourcing capability, quality and capacity, specifically in Asia.

MIA also has exclusive distribution agreements with French, German and US suppliers that were re-signed in 2021, for family planning and women's sexual health products. Notably, this includes a distribution agreement for the only type of Diaphragm available in Australia.

In May 2021, MIA passed our ISO accreditation. Partnering with MIA will give clinicians confidence they are operating with a reliable supply of TGA accredited speciality healthcare consumables and devices, delivered on time and tailored to their needs.



Sigma supports equity of access to medicines while helping to protect the quality, safety and efficiency of medicine supply for the community and the Government.

Over 530 branded pharmacies operate under Sigma's network, accounting for 17% of consumer spend in pharmacies across Australia.

COMMUNITY PHARMACY

With the ongoing restrictions from COVID-19 over the past 2 years, Sigma has remained focused on supporting our community pharmacy network who continue to play a vital role in supporting their local communities. With over 530 branded pharmacies under Sigma's network, accounting for around 17% of consumer spend in pharmacy across Australia, we aim to build relationships that reward partners, benefit consumers and support healthy communities.

Health Services

Our Sigma Health Services team assist pharmacists to deliver a range of in-pharmacy, patient-centric programs such as vaccinations, sleep apnoea screenings, and diabetes risk assessments (to name a few) to help Australians manage their health conditions.

Over the past year, our pharmacy partners have experienced an average of 141% growth in revenue from our exclusive in-pharmacy health services programs.

One program that has gone from strength to strength is our in-pharmacy vaccination program which includes COVID-19 and influenza vaccinations. The Sigma Healthcare network has played a vital role in vaccinating Australia, especially during 2021.

COVID-19 Vaccinations

Powered by Sigma's experience, planning, policies and procedures, our pharmacy partners worked tirelessly to vaccinate their customers, families, and the community during the ongoing COVID pandemic. Almost 650,000 COVID-19 vaccines were administered at one of Sigma's pharmacy brands over the last year, demonstrating the valuable contribution pharmacies make to healthcare in the community.

With a solid foundation of expertise through our network's experience in mass-scale flu vaccinations, the Sigma team has relied on its proven process for effectiveness and patient reach.

In early 2021, Sigma established a COVID-19 Vaccine Working Group. This team has since provided regular updates to participating pharmacies in our network, and delivered support including:

- Timely regulatory updates
- Impactful educational marketing materials
- Policies and procedures
- Technical support, including simplified online bookings

Sigma Corporate Flu Program

Over the past 12 months, we have achieved 171% growth in the uptake of the Sigma Corporate Flu program, despite reports of an overall decrease in Australian influenza vaccination rates in 2021. The success of last year's Corporate Flu Program is leading to an expansion of broader health programs in the coming year.

COMMUNITY PHARMACY CONTINUED

Team Training

Our dedicated training and learning specialists provide pharmacy team members with a comprehensive suite of up-skill education opportunities.

The Sigma Academy Online Training Platform was launched mid 2021 for Amcal and Guardian Retail Franchise Partners and pharmacy teams. The training platform provides CPD, Brand, and Supplier training modules to over 2500 individual pharmacy team members across 300+ pharmacies.

Dispensary Excellence Programs

Sigma offers leading dispensary support programs to help optimise pharmacy profitability and drive efficiencies in dispensary processes allowing more time with customers.

Sigma's Ethical Partnership Program is a total dispensary solution that provides a genuine point of difference for Sigma's retail brands. It offers a Generic Program, Ethical Patient Support Programs, Branded Pharma Product Deals on over 200 products and access to biologics and biosimilars at market discounts.

The program was launched in November 2021 and by February 2022 more than 300 pharmacy partners had enrolled in the program, representing 60% of our branded pharmacy network.

The Sigma Ethical Partnership program is underpinned by:

- Program Integrity
- Stock Availability
- Competitive Pricing
- Program Marketing
- Contractual Commitment
- Dose Administration Aid Program.

Private and Exclusive Label

Sigma offers pharmacy partners a range of high margin private and exclusive label products. Over the last 18 months, Private Label products included more than 500 items across 27 categories resulting in strong outcomes for our pharmacy partners and underpin Sigma's Retail Pharmacy 5-year strategy. This offering continues to be a major focus as part of our value proposition to pharmacies.

ERP

Our ERP implementation has been disruptive for Sigma and for our pharmacy partners since its launch in August 2021. We are now making progress with the new system and are working hard to improve our service. Our primary focus is to return to reliably delivering on time and in full to our network of pharmacies. At this point, our main challenges are process and change management related which have been slower and more complicated to resolve, as people learn and adjust at different rates. We are working to win back trust and confidence with a focus on achieving a standard of customer service that is industry leading and reflective of our long history, our people and infrastructure.

Guardian Wins Canstar Blue's Most Satisfied Customer Award for 2021

Guardian was once again awarded Canstar Blue's Most Satisfied Customer Award for 2021! This is the fourth time Guardian has been awarded the title of best pharmacy for overall satisfaction (2012, 2013, 2017, and 2021).

The Canstar Blue review reported results from more than 4,100 respondents who visited pharmacies (physical and online) in the prior six months. Guardian was ranked against 14 pharmacy banner groups and topped the categories with five-star reviews for service and advice, pharmacist availability, prescription availability and spend, and value for money.

Congratulations to all our Guardian Pharmacy stores who work hard every day to support their local communities and provide exceptional customer service and care.

Discount Drug Stores celebrated 20 years!

The past 20 years has seen DDS evolve from humble beginnings, with just 14 stores in rural Queensland, to become one of the most sought-after discount pharmacy brands in Australia.

The growth of DDS can be attributed to its agility, customer focus and innovative healthcare and retail solutions including in-store health clinics, e-commerce, and their DiscountPlus™ loyalty program.

Pharmacy Guild of Australia's 2022 Pharmacy of the Year Finalist

Amcal Life Clinic Donnybrook Pharmacy, WA qualified as one of the Pharmacy Guild of Australia's 2022 Pharmacy of the Year finalists (winners will be announced at APP 2022).

Amcal Donnybrook embraced the Amcal Life Clinic 'health hub' format as they "realised that what holds people back is availability and access"– getting an appointment, travel, and navigating the health system. Amcal Life Clinic Donnybrook Owner Rowan Lowe spoke about the competitive advantage the profitable business model offers and how they're adapting to meet recent industry changes.

Congratulations to Rowan and his team!

Driving Innovation

Over the past 12 months, the number of WholeLife Pharmacy and Healthfoods stores has grown along the east coast of Australia. With increasing consumer demand for health, wellness and wellbeing products and services, WholeLife is proud to drive innovation in our stores with monthly launches of new and exciting products and brands.

We were delighted to have opened three WholeLife Healthfoods Market stores this year in Cairns, Townsville and Tweed Heads. WholeLife Healthfoods Market stores are our latest concept providing shoppers with a wide range of health foods, vitamins, natural beauty, sports nutrition, ready meals and sustainable living products all in one convenient location.

Following Sigma's investment in its national Distribution Centre infrastructure and technology over the last few years, Contract Logistics have significantly increased capacity to pursue new 3PL and 4PL opportunities across Australia.

Logistics Business Growth

15.8%

Pallets of Medicines Managed for Customers

30,000

LOGISTICS

Sigma Healthcare Logistics has been providing Third Party and Fourth Party (3PL and 4PL) Contract Logistics services for over 10 years offering customers bespoke and flexible solutions backed by quality standards and certifications.

Utilising Sigma's national distribution network and state of the art facilities, we provide warehousing and distribution solutions across the pharmaceutical, medical consumables and fast-moving consumer goods sectors. Services include, but are not limited to:

- Inventory management for Ambient, Cold Chain and Schedule 8 storage
- Centralised and decentralised warehousing
- System integration
- Dedicated Customer Service Support
- Debtor Management
- Integration with third party software that supports our partners in areas such as reporting, sales orders, invoices, payments, invoice adjustments, and customer contacts.

Sigma Healthcare Logistics has recently been awarded the Servier Laboratories' (Aust) 3PL business. Servier is an international pharmaceutical company that operates in 149 countries with headquarters in France. Their medicines fall into 4 therapeutic areas: cardiovascular, oncology, diabetes and neuropsychiatric disorders. Sigma Healthcare Logistics will provide the storage of their cold chain and controlled ambient products, pick, pack and national distribution to wholesalers, pharmacies, hospitals and clinics. This will be serviced at Sigma's Kemps Creek, NSW Distribution Centre.

Sigma Healthcare Logistics' existing client base has also increased its medical stock holdings to support increased demand for pharmaceutical and consumable products especially during the COVID-19 pandemic. To support this growth, our Kemps Creek Distribution Centre storage capacity has been increased.

Our Kemp's Creek facility currently holds 30,000 pallets of customers' inventory, with significant available capacity for growth.

Our new Truganina DC offers improved efficiencies and streamlined operations through:

- Goods to person picking and automated storage and retrieval systems.
- Environmentally friendly design including solar power, LED lighting with motion sensors, solar hot water, roof water retention system and waste management for cardboard and plastics.

In January 2022, we transitioned our Victorian warehousing to our new purpose-built 20,000 sqm facility at Truganina. This new DC supports our growing community and hospital pharmacy, 3PL and other contract businesses. Work has begun on doubling the size of Truganina to add additional capacity.

Sigma Healthcare Logistics has a strong focus and culture of continuous improvement and we look forward to developing and growing our client base through experience and our operational excellence.

OUR FOCUS

The preferred partner for connecting health solutions

As Sigma moves forward under new leadership, our focus is:

- To deliver exceptional customer service
- Provide greater clarity in our operations and reporting
- Optimise our operations to leverage our world-class infrastructure
- Support the communities and environment in which we operate
- Deliver sustainable shareholder returns

TEAM MEM

MPS Connect numbers lead by example

With over 20 years of experience, MPS Connect offers the most trusted way to manage medication.

Pills packed per week

3,600,000

Medication packing accuracy

99.99%*

Customers enjoying better health outcomes

52,000+

Number of Aged Care Facilities joining MPS' new software MediSphere in 2022

100+

* Source: Internal Quality System Reports.

MPS CONNECT

MPS Connect raises the bar in medication management with easy to use, industry leading software that seamlessly integrates with innovative packing solutions, enabling pharmacies and aged care facilities to focus on and connect with their customers and residents.

MPS believe in providing the safest delivery of medication with quality assurance, reduced risk of medication errors, increased efficiencies, productivity and profitability. Pharmacies can grow their business without heavy investment and move from packing, for example, 60 Dose Administration Aids (DAAs) per day to 400 DAAs per day.

During the 2021 calendar year, the COVID-19 pandemic continued to create obstacles for the MPS business with restrictions affecting the rollout of planned Aged Care implementations. Despite this, MPS continued to increase its number of patients packed by 3% compared to the previous year thanks to the release of the new MPS Aged Care Principle Portal.

This Portal has elevated and strengthened communication between pharmacy and facility, providing transparency and total visibility over the performance of pharmacies using the new system. Providing governance and support to pharmacies so they can provide a 5-star standard in medication management, the Portal allows facility staff more time with their residents.

In addition, MPS have rolled out two new ground-breaking products in 2022. The first being an automated TGA Blister Card packing machine which has been installed at our NSW Pendle Hill site. MPS conducted an extensive search for an accurate, cost effective and quality machine to service their customers. MPS has been pre-selling this opportunity and expects the blister machine to be at capacity by July 2022.

The other product recently launched is MPS's Electronic Medication Management (EMM) software tool called MediSphere. This new software enables MPS to be truly an end to end medication management company. MPS now provides the ability for doctors to send a prescription electronically to a pharmacy who can fill it for an aged care facility to dispense to a resident, all without using paper.

Our eNRMC (electronic National Residential Medication Charts), used by over 30 facilities, 150 doctors and 2,400 residents, will expand with this new software. The new MediSphere™ provides aged care facilities with a software program that is focused on the resident. It provides market leading reporting capability, integrates with PainChek® (the first EMM to do so), and provides an avatar to record placement of patches to make it easier for the resident and staff to administer. The integration of the PainChek digital pain assessment app into the MediSphere medication management system ensures patients and consumers receive best-practice pain and medication management. MPS showcased the new product to the market in 2021, with over 100 facilities already signed up.

Finally, MPS' continuous improvement culture saw its best ever quality reports, with medication management packing accuracy rates continuing to improve month on month with a number of months in 2021 better than an error rate of 1 in 1,000,000. The average for the year was 1 in 760,000. This is gold standard accuracy in the industry and something that MPS has been building towards for many years.

BOARD OF DIRECTORS

Mr Raymond M Gunston
Non-Executive Chairman and Director

BCom (Hons), DipEd, FCPA, FTA, GAICD

Appointed a Director of Sigma Healthcare Limited in July 2010, and Chairman of Sigma Healthcare Limited in May 2020. Mr Gunston is Chairman of Hotel Property Investments Limited, and a member of that Company's Board Audit and Risk Committee and the Human Resources and Nominations Committee. He has over 40 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 a Consultant to 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 Vikesh Ramsunder
Managing Director and CEO

(B.COM) Logistics, (MBL) Corporate Strategy

Vikesh Ramsunder commenced as the Managing Director and CEO of Sigma Healthcare Limited on 1 February 2022. From January 2019 to December 2021, Vikesh was Group CEO of the Clicks Group in South Africa, the culmination of a 28 year career with the Clicks Group which included 18 years as part of the executive team. Before becoming Clicks CEO in January 2019, Vikesh held a number of roles within the Group, including Chief Operating Officer from 2015 and Managing Director of the pharmaceutical wholesaler business, United Pharmaceutical Distributors. Vikesh brings to his new role at Sigma Healthcare a valuable blend of operational leadership, strategic focus, industry and financial acumen. He has extensive experience in wholesaling, logistics, pharmacy and retail, and was integral to the growth of the Clicks Group which is now one of the largest pharmacy and retail operations in Africa.

Mr Michael Sammells
Non-Executive Director and Chairman of the Risk Management and Audit Committee

BBus (Acc), FCPA, GAICD

Appointed a Director of Sigma Healthcare Limited in February 2020. Mr Sammells is currently a Non-Executive Director at AMP. Mr Sammells has 35 years of broad experience in finance, corporate services and has held operational roles with expertise in finance, accounting, treasury, investor relations, capital developments, mergers and acquisitions and IPOs. Mr Sammells is a former Chief Financial Officer of Healthscope Limited and Medibank Private. Mr Sammells has not held any other directorships in listed entities over the past three years.

Ms Christine Bartlett
Non-Executive Director and Chair of the People and Remuneration Committee

BSc, MAICD

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 Reliance Worldwide Corporation Ltd. Ms Bartlett resigned as a director of GBST Ltd in November 2019. 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 TAL. Ms Bartlett is a member of Chief Executive Women, and the Australian Institute of Company Directors.

Mr David G Manuel
Non-Executive Director, Member of the Risk Management and Audit Committee, Member of the People and Remuneration Committee

BPharm, MPS, MAICD

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

Ms Kathryn (Kate) D Spargo
Non-Executive Director, Member of the Risk Management and Audit Committee, Member of the People and Remuneration Committee

LLB (Honours), BA, FAICD

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, and CIMIC Ltd. Over the last three years, Ms Spargo has held directorships in listed entities as Non-Executive Director in Xenith IP Ltd and Fletcher Building Limited. In September 2021 Ms Spargo retired from her position as Chairman of CoInvest and at the same time joined the board of the unlisted company Jellis Craig. Ms Spargo is also Director at the Geelong Football Club and Future Fuels Cooperative Research Centre.

KEY CORPORATE CONTACTS

Ms Kara McGowan
General Counsel and Company Secretary

LL.B (Hons), BCom, BBusEc, ACIS, GAICD

Appointed Sigma Healthcare's General Counsel and Company Secretary in October 2021. Ms McGowan has been a Company Secretary for over 10 years for a broad range of corporate structures and businesses. Prior to joining Sigma, Ms McGowan was General Counsel and Company Secretary at Transdev, an international public transport operator where she was responsible for the provision of legal advice for all operations in Australia and New Zealand. Over the years she has held a variety of legal and commercial roles including Company Solicitor at Kmart and Head of Joint Ventures for Australian Unity Investments. She began her legal career at Clayton Utz as a competition lawyer. Ms McGowan is admitted as a Barrister & Solicitor of the Supreme Court of Victoria, holds a Graduate Diploma of Applied Corporate Governance and is a Graduate and Member of the Australian Institute of Company Directors.

Mr Gary Woodford
Corporate Affairs Manager

BBus (Acc), CPA

Appointed Sigma Healthcare's Corporate Affairs Manager in 2014. Mr Woodford is a senior finance executive with over 30 years commercial experience having worked at Sigma from 2001 to 2006 as General Manager Tax and Investor Relations, and from 2006 to 2013 as General Manager Investor Relations at Tatts Group Limited. Mr Woodford has also held roles at Elders IXL, Fosters Brewing Group and Ansett Airlines and is currently a Director of the industry body National Pharmaceutical Services Association (NPSA), and a Director of Telehealth service provider Doctors on Demand.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2022

	2022 $'000	2021[1] $'000
Sales revenue	3,446,164	3,400,379
Cost of goods sold	(3,219,056)	(3,161,189)
Gross profit	227,108	239,190
Other revenue	112,495	138,407
Warehousing and delivery expenses	(154,915)	(147,182)
Sales and marketing expenses	(61,668)	(67,425)
Administration expenses	(93,016)	(94,391)
Depreciation and amortisation	(27,691)	(28,577)
Profit/(loss) before financing costs and tax expense (EBIT)	2,313	40,022
Finance income	221	362
Finance costs	(10,841)	(11,825)
Net finance costs	(10,620)	(11,463)
Profit/(loss) before income tax	(8,307)	28,559
Income tax benefit/(expense)	1,971	16,460
Profit/(loss) for the year	(6,336)	45,019
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(4)	(50)
Income tax relating to components of other comprehensive income	1	15
Items that will not be reclassified to profit or loss:		
Net change in fair value of equity instruments	718	(3,950)
Income tax relating to components of other comprehensive income	(215)	1,185
Other comprehensive income/(loss) for the year (net of tax)	500	(2,800)
Total comprehensive income/(loss) for the year	(5,836)	42,219
Profit/(loss) attributable to:		
Owners of the Company	(7,239)	43,529
Non-controlling interest	903	1,490
Profit/(loss) for the year	(6,336)	45,019
Total comprehensive income/(loss) attributable to:		
Owners of the Company	(6,739)	40,729
Non-controlling interest	903	1,490
Total comprehensive income/(loss) for the year	(5,836)	42,219
Earnings/(loss) per share (cents) attributable to owners of the Company		
Basic earnings/(loss) per share	(0.7)	4.4
Diluted earnings/(loss) per share	(0.7)	4.3

1. The comparatives have been restated to reflect the change in accounting policy as a result of implementing the IFRIC agenda decision on configuration or customisation costs in a cloud computing arrangement. Refer to 'About this report' for a description of the change in accounting policy and the impact.

The above consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 January 2022

	2022 $'000	2021[1] $'000
Current assets		
Cash and cash equivalents	**31,145**	16,128
Trade and other receivables	**358,683**	327,304
Inventories	**321,640**	349,138
Income tax receivable	**66**	-
Prepayments	**50,087**	9,626
Other financial assets	**14**	-
Total current assets	**761, 635**	702,196
Non-current assets		
Trade and other receivables	**783**	1,430
Property, plant and equipment	**193,237**	193,628
Goodwill and other intangible assets	**128,050**	128,707
Right-of-use assets	**88,327**	94,661
Other financial assets	**17,632**	15,303
Net deferred tax assets	**58,617**	49,148
Total non-current assets	**486,646**	482,877
Total assets	**1,248,281**	1,185,073
Current liabilities		
Bank overdraft	**15,375**	66,379
Trade and other payables	**407,008**	426,439
Borrowings	**-**	-
Lease liabilities	**10,318**	9,034
Provisions	**23,027**	16,827
Deferred income	**1,886**	456
Income tax payable	**-**	4,504
Other financial liabilities	**-**	18
Total current liabilities	**457,614**	523,657
Non-current liabilities		
Borrowings	**165,000**	-
Lease liabilities	**132,739**	139,818
Provisions	**4,150**	7,239
Total non-current liabilities	**301,889**	147,057
Total liabilities	**759,503**	670,714
Net assets	**488,778**	514,359
Equity		
Contributed equity	**1,225,455**	1,219,913
Reserves	**2,867**	5,228
Accumulated losses	**(741,134)**	(711,469)
Non-controlling interest	**1,590**	687
Total equity	**488,778**	514,359

1. The comparatives have been restated to reflect the change in accounting policy as a result of implementing the IFRIC agenda decision on configuration or customisation costs in a cloud computing arrangement. Refer to 'About this report' for a description of the change in accounting policy and the impact.

The above consolidated balance sheet is to be read in conjunction with the accompanying notes to the financial statements.

FIVE YEAR SUMMARY

	2022 $'m	2021 $'m	2020 $'m	2019 $'m	2018 $'m
Operating results					
Sales revenue	**3,446.2**	3,400.4	3,244.3	3,976.8	4,094.4
EBITDA	**30.0**	68.6	24.2	76.5	92.8
EBIT	**2.3**	40.0	(3.1)	63.0	83.7
Profit/(loss) before tax	**(8.3)**	28.6	(15.8)	52.0	78.7
Profit/(loss) after tax	**(6.3)**	45.0	(11.5)	37.0	55.4
Financial position					
Working capital	**313.3**	294.2	233.8	406.2	378.8
Fixed assets (including intangibles)[5]	**409.6**	417.0	434.7	349.6	253.9
Lease liabilities	**143.1**	148.9	50.1	-	-
Other assets/(liabilities)	**58.2**	2.4	4.0	1.7	(3.8)
Capital employed[1]	**638.0**	564.6	622.4	757.5	628.9
Net debt/(net cash)	**149.2**	50.3	146.0	243.2	113.6
Net assets	**488.8**	514.4	476.4	514.3	515.3
Shareholder related					
Dividend					
– ordinary per share	**2.0c**	-	3.0c	4.0c	5.5c
– total dividends	**21.2**	-	31.8	42.4	58.8
Earnings/(loss) per share	**(0.7c)**	4.4c	(1.3c)	3.8c	5.6c
Dividend payout ratio	**n/a**	-	n/a	116%	106%
Net tangible asset backing per share	**34c**	36c	32c	37c	37c
Market capitalisation (balance date)	**477**	699	636	572	949
Ratio and returns					
EBIT margin[2]	**0.1%**	1.2%	-0.1%	1.5%	2.0%
Gearing[3]	**23.4%**	8.9%	23.5%	32.1%	18.1%
Interest cover[4]	**2.8x**	6.0x	1.9x	6.9x	18.5x

1. Net assets plus borrowings less cash and cash equivalents.
2. EBIT/sales revenue.
3. Net debt/capital employed (year-end).
4. Reported EBITDA/Net financing costs (times).
5. Includes right-of-use assets.

The 2021 result has restated to reflect the change in accounting policy as a result of implementing the IFRIC agenda decision on configuration or customisation costs in a cloud computing arrangement.

Recent Dividends

Dividend	Date Paid	Cents Per Share
2022 Final	22 April 2022	1.00
2022 Interim	8 October 2021	1.00
2021 Final	21 April 2021	1.00
2021 Interim	-	-#
2020 Final	-	-#
2020 Interim	4 October 2019	1.00
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

Due to insufficient franking credits, no 2020 final or 2021 interim dividends were paid.

Shareholder Calendar*

2021/22 AGM	12 May 2022
Half-Year results	22 September 2022
Ex-dividend date	26 September 2022
Record date	27 September 2022
Interim dividend payment	10 October 2022
Full-Year results	29 March 2023
Ex-dividend date	6 April 2023
Record date	7 April 2023
Payment date	21 April 2023
2022/23 AGM	10 May 2023

* Dates may be subject to change.

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CONTACT

Company Details

Sigma Healthcare Limited

Business Support Centres

Registered Office*

3 Myer Place
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Tel +61 (0)3 9215 9215
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Tel +61 (0)7 3720 5500

www.sigmahealthcare.com.au

Directors

Refer to pages 24 to 25 of this review or visit **www.sigmahealthcare.com.au**

Company Secretary

Kara McGowan
General Counsel and Company Secretary

Registered Office*

3 Myer Place
Rowville VIC 3178 Australia

Auditors

Deloitte Touche Tohmatsu

Share Registry Details

Link Market Services
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Sydney South
NSW 1235 Australia
Tel (within Australia) 1300 554 474
Email: **registrars@linkmarketservices.com.au**

www.linkmarketservices.com.au

Sigma Healthcare Sites

580-610 Dohertys Road
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2 Imperata Close
Kemps Creek NSW 2178

12 William Dean Street
Eastern Creek NSW 2766 Australia

53–101 Wayne Goss Drive
Berrinba QLD 4117 Australia

16–20 Bell Street
Townsville QLD 4810 Australia

35 Burma Road
Pooraka SA 5095

3/2205 Coonawarra Road
Winnellie NT 0820 Australia

10 Craft Street
Canning Vale WA 6155 Australia

McKay Avenue Grove Estate
Glenorchy TAS 7010 Australia

MPS Sites

www.mpsconnect.com.au

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

11 Spireton Place
Pendle Hill NSW 2145 Australia
Tel 1800 003 938 (within Australia)

29 Connell Road
Oakleigh VIC 3166 Australia
Tel 1800 003 938 (within Australia)

For investor, media or government enquiries in relation to Sigma Healthcare

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Corporate Affairs Manager

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Email **investor.relations@sigmahealthcare.com.au**

* From 1 June 2022 Sigma Healthcare's new registered address and Business Support Centre is:
Level 4-6 M-City Office Building and Business District 2107-2125 Dandenong Road Clayton VIC 3168.

Sigma
Healthcare

Sigma Healthcare
Connecting health solutions

Amcal+ PharmaSave Discount Drug Stores
Guardian WHOLELIFE PHARMACY & HEALTHFOODS

Sigma Healthcare Limited

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3 Myer Place
Rowville VIC 3178 Australia

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Level 4-6 M-City Office Building
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