1H24 Results Announcement

20 September 2023

Sigma Healthcare

Vikesh Ramsunder

CEO and Managing Director

We acknowledge the Wurundjeri people of the Kulin Nation and acknowledge them as the Traditional Custodians of the land on which we meet today. We pay our respects to their Elders past, present and emerging.

Agenda

1. Review of the Year
2. Financial Performance
3. Business Update
4. Strategy Update
5. Outlook

Overview - Accelerated improvement in operating performance

- IT systems stable and starting to deliver efficiencies
- Significant improvement in operational performance
- New Chemist Warehouse contract commencing 1 July 2024
- Operating costs down 21%
- 10% productivity improvement is being achieved through business simplification
- Completed disposal of Hospital business
- Like for like sales up 7.5%
- FY24 Interim Dividend declared of $0.005 per share

$1.7bn
Net Sales down 8.4% on 1H23

$36.7m
EBITDA up 77.6%

$22.4m
EBIT up 315% on 1H23

$11.2m
NPAT up from $1.5m 1H23 loss

Gary Woodford

Head of Corporate Affairs and Interim CFO

Financial Performance

P&L summary ($'m)

	1H24 $m	1H23 $m	% change
Net Sales	**1,681.8**	1,836.1	(8.4%)
Gross Profit	110.2	131.6	(16.2%)
Other Revenue	53.5	50.4	6.1%
Operating Costs	**(127.0)**	(161.3)	21.3%
EBITDA	**36.7**	**20.7**	**77.6%**
Depreciation and Amortisation	**(14.3)**	(15.3)	6.2%
EBIT	**22.4**	**5.4**	**314.9%**
Net Interest	(8.3)	(6.3)	(31.5%)
Tax	(2.4)	0.1	1837.5%
Non-controlling interests	**(0.5)**	(0.7)	31.8%
NPAT (attributable to owners of the company)	**11.2**	**(1.5)**	**n/a**

Comments

- Overall sales revenue down 8.4% to $1.7bn, mainly due to elevated sales of Rapid Antigen Tests (RATs) in pcp and impact of lower sales due to the disposal of the Hospitals business
- **Like for like sales in Wholesale up 7.5% on pcp**
- Gross profit down ($21.4m) mainly due to elevated RATs margin ($52m) in pcp not repeated, partly offset by lower stock adjustments ($25m) and underlying growth in current year wholesale sales
- Other revenue includes $9.2m gross gain on sale of Hospitals business, partly offset by discontinued revenue from Cura and WholeLife
- **Operating costs favourable by $34.3m**
- Increased net interest is mainly a consequence of higher interest rates

Total Operating Costs - down 21.3%

Warehousing and Logistics costs - $70.4m, down 12.7%

- People costs down $10.0m, due to increase in operational efficiencies in the DCs, and prior period includes $4.4m cost relating to the Cura business
- Warehouse productivity in the first half improved by 10%

Sales and Marketing costs - $18.6m, down 30.8%

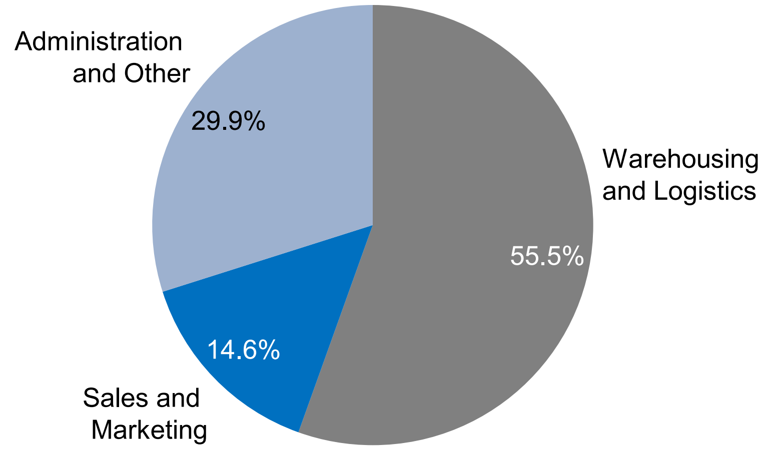
- People costs down $3.0m, due to the team restructure in the second half of the prior year
- Impairment on trade debtors were lower by $2.9m in the current period

Administration/Other costs - $38.0m, down 7.3%

- $4.1m favourable SaaS expense v pcp

Remain focused on delivering operational improvement and efficiencies

Operating expenses by category



Balance Sheet

Statutory Balance Sheet extract ($'m)

	1H24 $m	FY23 $m	Change %
Cash and cash equivalents	**11.3**	16.7	(32.3%)
Trade and other receivables	**335.9**	333.8	0.6%
Inventories	**256.5**	324.9	(21.1%)
PPE	**191.9**	200.2	(4.1%)
Goodwill & other Intangible assets	**101.2**	118.2	(14.4%)
Right-of-use assets	**88.0**	90.7	(3.0%)
Other assets	**108.1**	89.6	20.6%
Total assets	**1,092.9**	1,174.1	(6.9%)
Bank overdraft	**13.6**	3.7	267.6%
Trade and other payables	**354.4**	449.7	(21.2%)
Borrowings	**80.0**	80.0	0.0%
Lease liability	**141.0**	143.3	(1.6%)
Other liabilities	**18.5**	19.6	(5.6%)
Total liabilities	**607.5**	696.3	(12.7%)
Net assets	**485.4**	477.8	1.6%
Net Debt / EBITDA[1]	1.3x	1.4x	

[1] Net Debt / EBITDA is based on LTM EBITDA

Comment

- Reduction in inventory in 1H24 mainly relates to CHS Hospitals business disposal, and stock holding reduction due to improved inventory management
- Decrease in trade payables mainly reflects lower purchases ahead of the disposal of CHS Hospitals business, in line with inventory reduction
- Net Debt / EBITDA leverage reduction to 1.3 x primarily due to improved earnings growth, productivity gains and disciplined cost management
- Strong liquidity maintained with $156.4m of undrawn bank facilities at 31 July 2023

Cash Flow

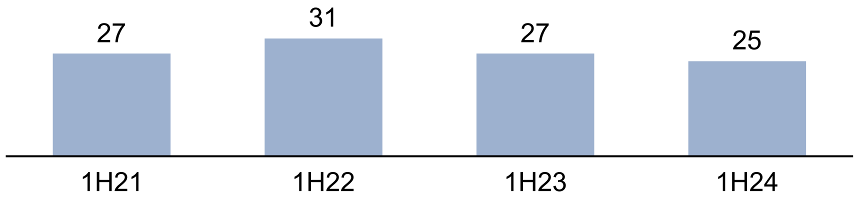
Statutory Cash Flow statement extract ($'m)

	1H24 $m	1H23 $m	Change $	Change %
Receipts from customers	1,924.5	2,083.7	*(159.2)*	*(7.6%)*
Payments to suppliers and employees	(1,918.3)	(1,976.2)	*57.9*	*(2.9%)*
Net Interest	(5.9)	(3.0)	*(2.9)*	*96.7%*
Income taxes (paid)	(2.0)	(6.5)	*4.5*	*(69.2%)*
Operating cash flow	**(1.7)**	**98.0**	*(99.7)*	*(101.7%)*
Investing cash flow	**(0.6)**	**(15.1)**	*14.5*	*(96.0%)*
Financing cash flow	**(12.9)**	**(89.3)**	*76.4*	*(85.6%)*
Net increase / (decrease) in cash	(15.2)	(6.4)	*(8.8)*	*137.5%*
Cash at the beginning of the period	13.0	15.8	*(2.8)*	*(17.7%)*
Net Cash and cash equivalents at the end of the period	(2.2)	9.3	*(11.5)*	*(123.7%)*

Comment

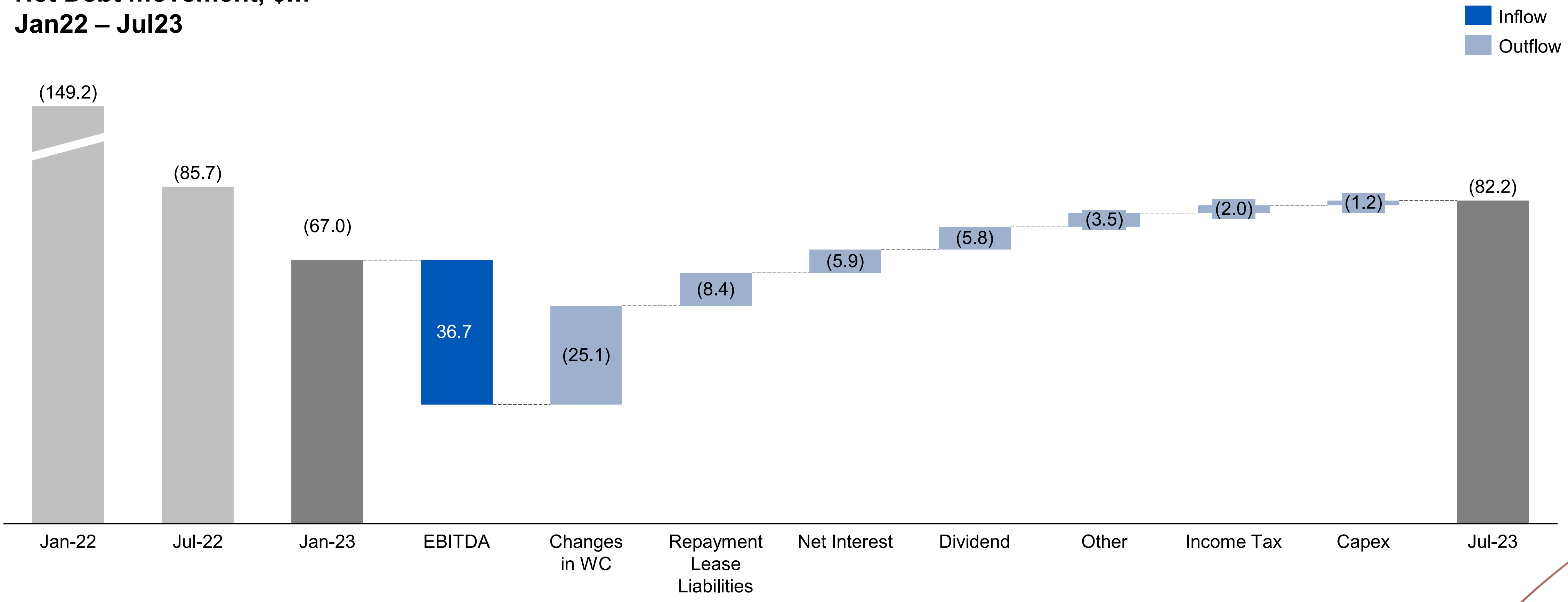
- Operating cash flow - 1H23 reflects strong cash inflow from RAT sales at the peak of the Omicron variant, and timing of supplier payments related to SAP implementation issues
- Investing cash flow - reduction reflects completion of Truganina Distribution Centre extension
- Financing cash flow - reduction relates to debt repayment of $70m Tranche C facility in 1H23
- Cash Conversion Cycle days decreased by 1.4 days from 1H23 to 1H24 as a result of improved working capital management

Cash Conversion Cycle



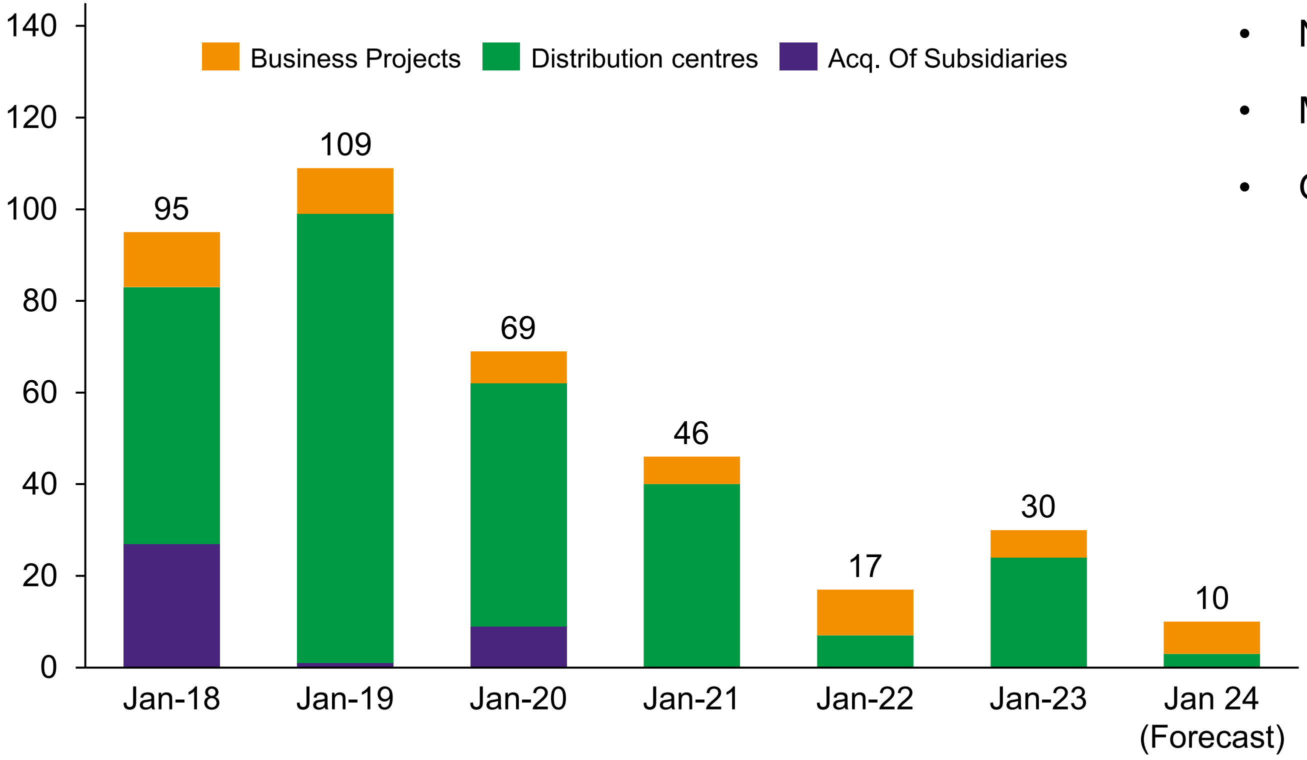
Net Debt significantly reduced over the last 18 months

Net Debt movement, $m
Jan22 – Jul23



Capital Expenditure

Capital Expenditure $'m



Excludes SaaS expenditure which is fully expensed in the year incurred

Capex

- Now largely ex-Capex
- Minimal capex spend in the first half
- Go forward maintenance capex levels c. $5m - $10m pa

Vikesh Ramsunder
Business Update

Information Technology – a key business improvement enabler

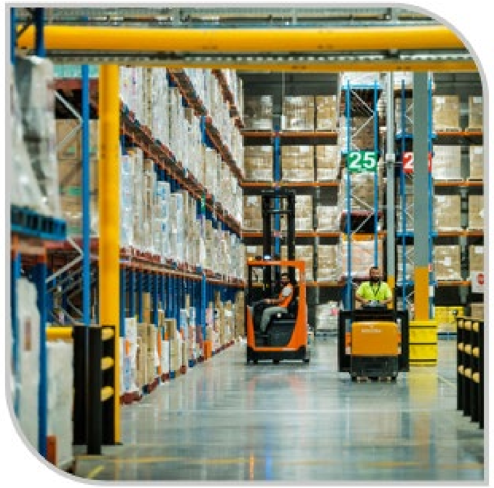
- **Continuous improvement** of our IT systems has taken place over 1H24
- ERP has been **100% stable** and is standardising many of our processes, helping implement the ISO 9001 quality standards accreditation, which we expect to achieve in October 2023
- System uptime is now better than pre-ERP implementation, running above **99.9%**
- Implemented an **enhanced Supply Planning** solution seamlessly helping to reduce our inventory levels
- We **upgraded our B2B commerce solution** (Sigma Connect) providing a better retail experience for our wholesale customers
- Preparing to launch our **hyper local omni-channel delivery** service via Amcal and DDS stores this month
- Technology team are now focused on **delivering cost reductions** and further streamlining our technology platforms

Core business streams

Wholesale operations

Retail

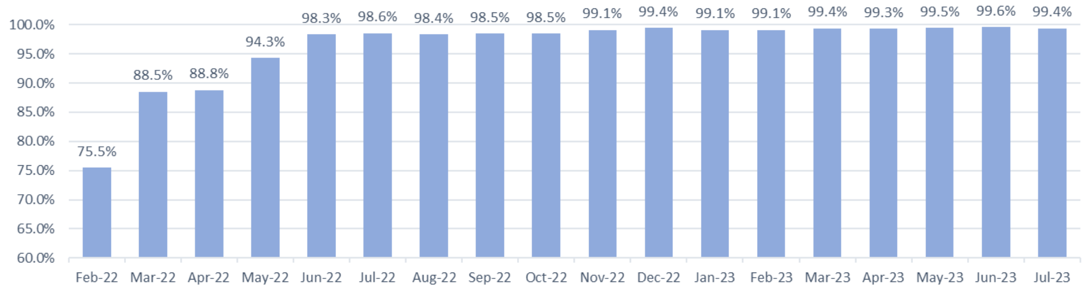
Third Party Logistics (3PL)



We are currently building capabilities to pursue our growth ambitions.

Wholesale operational performance

- 113m units delivered in 1H24
- **Over 99% Delivery in Full (DIF)** every month
- Improved inventory management
- 12.7% **reduction in logistics costs** versus 1H23
- 1.7m fewer kilometres travelled on an annualised basis through **route optimisation**
- **10% productivity improvement** achieved versus 1H23
- Maintained strong safety focus



Delivery In Full (DIF)

Retail

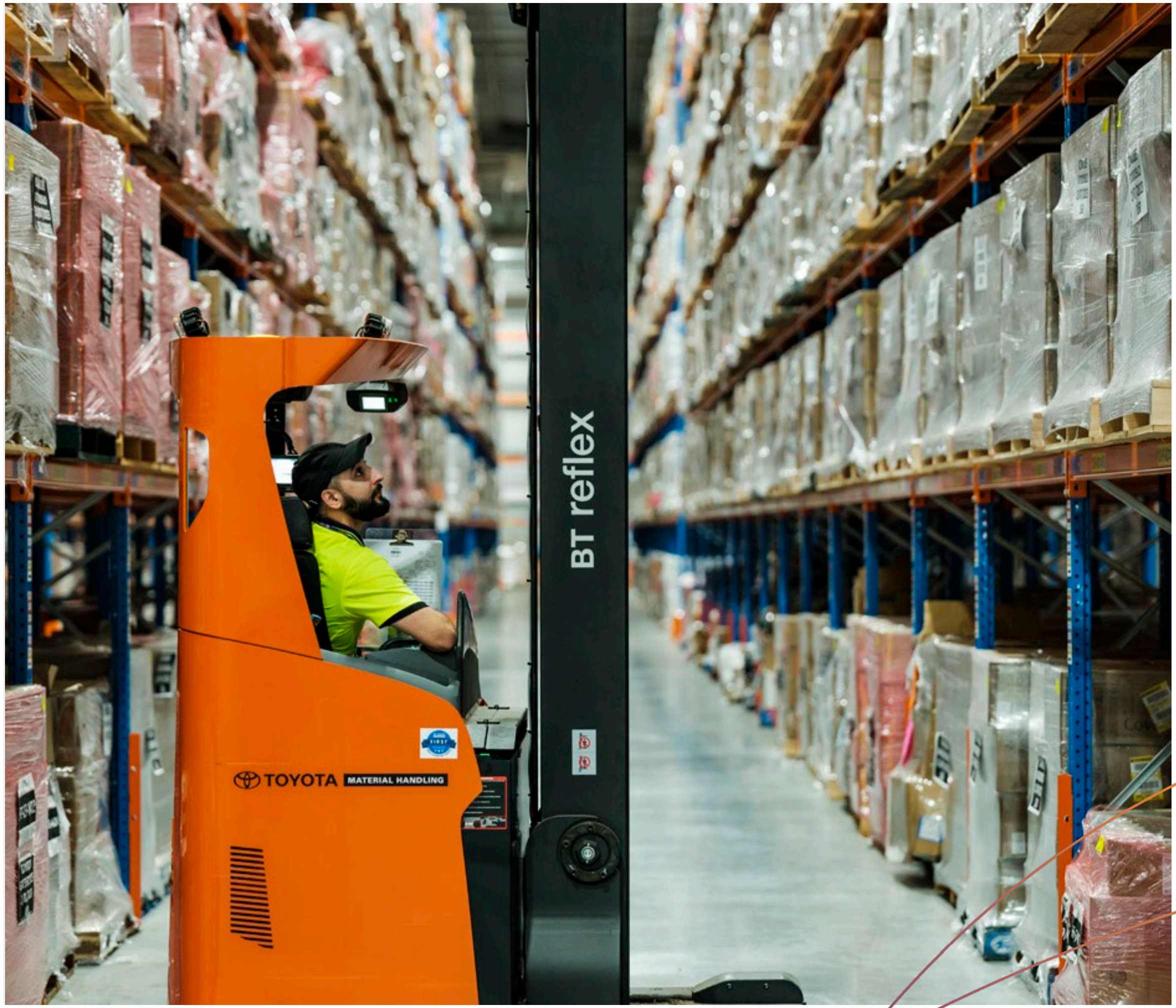
- Focused on supporting and growing brand membership of Amcal and Discount Drug Stores (DDS)
- **DDS** awarded **2nd overall for customer satisfaction** among Australian pharmacies by Canstar Blue
- Implementing foundational best in class retail management practices:
  - ❑ **Embedding category management** retail structure
  - ❑ Optimising space management through **improved planograms**
  - ❑ **Simplifying pricing** structures
  - ❑ Improving and expanding **private and exclusive label range**


Private and Exclusive Label

- We have built a team of product specialists
- Significantly **increased the pipeline of new product**
- Packaging and design work underway
- Supplier partnerships strengthened
- Expect to **launch over 250** products **in FY25**, with development across major categories:
  - ❑ Medicines
  - ❑ Health and wellbeing
  - ❑ Beauty, fragrances and gifting

Third Party Logistics (3PL)

- Increase in number of 3PL customers serviced
- 3PL profit contribution **growth of 27%** driven by capacity utilisation
- **More than 33,000 pallets** under management
- 60m units shipped in 1H24
- **Utilising increased capacity** to support 3PL customers **in six states**



Chemist Warehouse supply agreement

- Announced in June and long form agreements signed and announced to ASX on 31 August 2023
- Supply contract **commences 1 July 2024** – for supply of PBS medicines and FMCG
- **$3 billion revenue in the first full year of the contract**
- Secures significant annual minimum volume growth and leverages Sigma's existing DC infrastructure with minimal additional capex requirement
- Chemist Warehouse will acquire 127m ordinary shares in Sigma from 1 July
- Focused on operational execution and assessing financing requirements

Strategy execution on track

STRATEGY

Grow scale and profitable market share in the wholesale business	Divest non-core assets and continue to simplify the business	Build our retail network	Diversify our streams of income through expanded product offerings via health, beauty and wellness categories
• CW contract to commence 1 July 2024 • Driving cost efficiencies • Spare capacity post CW implementation	• Completed sale of Hospital assets • Currently in due diligence on disposal of additional assets	• Targeting 300 Amcal pharmacy members and 150 DDS pharmacy members	• Enhancing Private and Exclusive Label products to improve margin mix • Over 300 products currently in the pipeline

EXECUTION

Continuous improvement across all areas of the business focused on delivering an EBIT target of 1.5% to 2.5%

FY24 Outlook

1. Confident our strong operational performance will continue
2. Focused on delivering value to our Amcal and DDS brand members through improved retail and product offers
3. 60-day dispensing implemented 1 September 2023, and we are engaged with Government through the National Pharmaceutical Services Association (NPSA)
4. Preparing for the implementation of the Chemist Warehouse contract
5. Maintaining EBIT guidance of between $26m to $31m for FY24 inclusive of one-off costs anticipated in 2H24

Thank you

Sigma Healthcare

Appendix 1 – Reconciliation of Reported to Like for Like

($'m)	**1H24 $m**	**1H23 $m**
Reported EBIT	**22.4**	**5.4**
Add back:		
Contribution loss from discontinued business (Cura/Wholelife and Hospital)	0.8	10.7
Stock adjustments	1.5	22.8
Rowville and Mulgrave assets write-off	-	4.9
Less:		
Gain on sale of Hospital Assets	(8.7)	-
Gross profit on RATs	(0.1)	(52.3)
Like for Like EBIT	**15.9**	**(8.5)**

Reported NPAT	**11.2**	**(1.5)**
Add back:		
Contribution loss from discontinued business (Cura/Wholelife and Hospital)	0.6	9.7
Stock adjustments	1.0	15.9
Rowville and Mulgrave assets write-off	-	3.4
Less:		
Gain on sale of Hospital assets	(8.8)	-
Gross profit on RATs	(0.1)	(36.6)
Like for Like NPAT	**3.9**	**(9.1)**

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