

MEDIA RELEASE



1 October 2024

ACCC consults on Sigma's proposed remedy for Chemist Warehouse acquisition

The ACCC is seeking views on a proposed court-enforceable undertaking offered by Sigma Healthcare Limited (ASX: SIG) in relation to its proposed acquisition of Chemist Warehouse Group Holdings.

Sigma is one of the largest wholesalers of prescription medicines, over the counter and front of store products. Sigma is also a franchisor of pharmacies under banners including 'Amcal +' and 'Discount Drug Store'.

Chemist Warehouse is a franchisor, wholesaler and distributor to pharmacies and retail stores under its brands 'Chemist Warehouse', 'MyChemist', 'Ultra Beauty', 'My Beauty Spot' and 'Optometrist Warehouse'.

The ACCC published a [statement of issues](#) in June 2024 which identified a range of preliminary competition concerns with the proposed acquisition, including at the retail level and the impact of the proposed integration that would result across the wholesale and retail level.

These concerns included the potential harm to pharmacies currently supplied by Sigma and the potential for Chemist Warehouse to access these pharmacies' data in ways that damage competition.

In response to these preliminary concerns, Sigma has offered a court-enforceable undertaking that would require Sigma to:

1. not prevent or hinder franchisees who entered into their franchising arrangements prior to 1 January 2024 from terminating their franchise agreements with Sigma, for a period of three years. Sigma will waive its right to recover contributions Sigma has made under its franchise agreements and future fees payable to Sigma if these franchisees choose to terminate their agreements.
2. place restrictions on the collection, use and disclosure of confidential data and information from Sigma wholesale customers and franchisees for a period of three years.
3. remain a participating pharmaceutical wholesaler under the Commonwealth Government's Community Service Obligation (CSO) arrangements for at least five years. The CSO arrangements contain service standards and compliance requirements for wholesaling of prescription medicines to all pharmacies.

"We are now seeking feedback from stakeholders on whether the draft undertaking offered by Sigma may be capable of addressing the competition concerns arising from its proposed acquisition of Chemist Warehouse," ACCC Chair Gina Cass-Gottlieb said.

The ACCC is continuing to investigate the impact of the proposed acquisition.

"While the ACCC is publicly consulting on this undertaking, this should not be interpreted to mean that this or any other form of undertaking will ultimately be accepted by the ACCC," Ms Cass-Gottlieb said.

The ACCC invites submissions on the proposed undertaking by 14 October 2024. Parties can contact the ACCC via SigmaCWG@accc.gov.au.

The draft undertaking incorporating the proposed remedy can be found here: [Sigma Healthcare Limited – Chemist Warehouse Group Holdings](#)

Background

While the application to the ACCC is a transaction where Sigma is acquiring Chemist Warehouse, this transaction is in effect a 'reverse acquisition' of Sigma by Chemist Warehouse, resulting in ASX listing of Chemist Warehouse.

Sigma is set to acquire all the shares in Chemist Warehouse in exchange for Sigma shares and a \$700 million cash consideration.

Upon completion of the proposed merger, Chemist Warehouse shareholders will hold 85.75 per cent of the ASX listed merged entity while Sigma shareholders will hold 14.25 per cent.

Sigma

Sigma is an ASX-listed wholesaler and distributor of prescription medicines (including Pharmaceutical Benefits Scheme (PBS) prescriptions), over the counter (OTC) and front of store (FOS) products to over 4,000 community pharmacies nationally.

Sigma's core business activities include:

- full-line wholesale and distribution of prescription medicines, OTC products and FOS products to both its franchisees and independent pharmacies
- providing brand and support services to almost 400 community pharmacies operating as franchisees under Sigma banners:
- operating a buying group – the PriceSave program – for approximately 445 independent pharmacies
- supplying private label products under the brands 'Pharmacy Care', 'Beauty Theory' and 'Amcal Plus'.

Sigma also owns and operates MPS Connect Pty Ltd which offers medication packing services and management solutions to pharmacies and aged care providers. Sigma holds 51 per cent of the shares in NostraData Pty Ltd which supplies technology and data analytics solutions to pharmacies, wholesalers and manufacturers.

Chemist Warehouse

Chemist Warehouse is an unlisted Australian public company. It is a franchisor to approximately 600 pharmacies and retail stores under the following banners: Chemist Warehouse, MyChemist, Ultra Beauty, My Beauty Spot, and Optometrist Warehouse. Approximately 550 of these are Chemist Warehouse and MyChemist pharmacies.

Chemist Warehouse executives also have direct ownership interests in a large number of Chemist Warehouse pharmacy stores.

Chemist Warehouse provides brand and support services to its franchisee pharmacies, including but not limited to:

- media, advertising, marketing, licensing and financial support services

- supply of FOS and OTC products including Chemist Warehouse Group owned, private label and exclusive consumer brands
- support services such as negotiating supply terms on behalf of franchisees with suppliers and manufacturers to distribute FOS and OTC products.

Chemist Warehouse also owns private label product brands which it sells online and supplies to its franchisees. These include Wagner, Bambi Mini, Barely, Bondi Protein Co, Inc, and Goat.

Chemist Warehouse operates six distribution centres to support the distribution of FOS and OTC products to its franchisees. Chemist Warehouse currently obtains wholesale supply of certain FOS products from Sigma.

Commonwealth Government's Community Service Obligations (CSO)

Some pharmaceutical wholesalers have entered into agreements with the Commonwealth Government to distribute PBS medicines. To receive funding under these agreements, wholesalers must meet a set of obligations including service standards and compliance requirements. These obligations are directed to ensuring that Australians have timely access to PBS medicines regardless of where they live. They include requiring wholesalers to ensure PBS listed medicines are supplied to any pharmacy nationally generally within 24 hours (including rural and remote communities) and guarantee supply of low volume PBS listed medicines.

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