

A smiling woman with long brown hair, wearing a dark grey blazer over a blue patterned scarf and a dark top. She has a blue name tag that says "Amcaj Emily". In the background, there is a blurred image of another person and a blue banner with text including "EMBER 20" and "+ Co".

Sustained momentum delivering results

Half Year Results
10 September 2020

Important notice

This presentation for Sigma Healthcare Limited and its subsidiaries (Sigma Group) is designed to provide:

- an overview of the financial and operational highlights for the Sigma Group for the half year period ending 31 July 2020; and
- a high level overview of aspects of the operations of the Sigma Group, including comments about Sigma's expectations of the outlook for FY2021 and future years, as at 10 September 2020.

This presentation contains forward-looking statements relating to operations of the Sigma Group that are based on management's own current expectations, estimates and projections about matters relevant to Sigma's future financial performance. Words such as "likely", "aims", "looking forward", "potential", "anticipates", "expects", "predicts", "plans", "targets", "believes" and "estimates" and similar expressions are intended to identify forward-looking statements.

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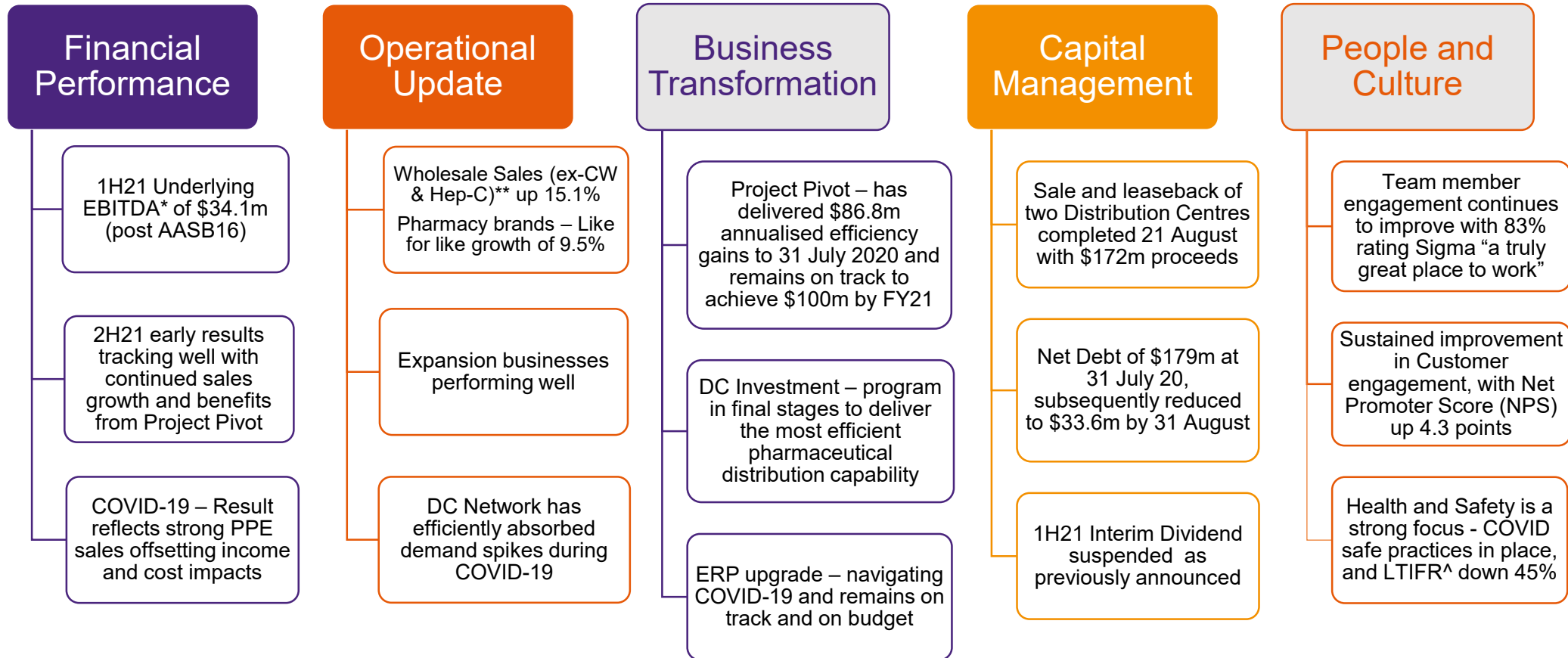


Mark Hooper

CEO & Managing Director

1. Overview
2. Financial Performance
3. Operational Update
4. Capital Management
5. Business Transformation and Investment
6. Outlook

Overview



* Refer to Appendices for a Reconciliation of Reported to Underlying

** Ex-CW & Hep-C – refers to Chemist Warehouse, and sales of Hepatitis-C products which are high value and low margin

^ LTIFR = Lost Time Injury Frequency Rate

Financial Performance



Resilient 1H21 through challenging environment

	NEW ACCOUNTING STANDARD				Impact of AASB16 1H21	OLD ACCOUNTING STANDARD	
	REPORTED 1H21	UNDERLYING				REPORTED 1H21	UNDERLYING 1H21
		1H21	1H20	% Change			
Sales Revenue	1,642,162	1,642,162	1,877,598	-12.5%		1,642,162	1,642,162
Gross Profit	121,423	121,423	127,297	-4.6%		121,423	121,423
Other Revenue	52,860	51,715	46,412	11.4%		52,860	51,715
Operating Costs	(147,883)	(137,792)	(136,018)	1.3%	(5,390)	(153,273)	(143,182)
EBITDA	26,400	35,346	37,691	-6.2%	(5,390)	21,010	29,956
EBITDA Margin	1.6%	2.2%	2.0%			1.3%	1.8%
Depreciation and Amortisation	(14,548)	(14,548)	(12,606)	15.4%	4,390	(10,158)	(10,158)
EBIT	11,852	20,798	25,085	-17.1%	(1,000)	10,852	19,798
EBIT Margin	0.7%	1.3%	1.3%			0.7%	1.2%
Non-Controlling Interests	(1,201)	(1,201)	(682)	76.1%		(1,201)	(1,201)
Net Financial Expense	(5,181)	(5,181)	(7,633)	-32.1%	1,133	(4,048)	(4,048)
NPAT attributable to owners	4,711	10,630	11,197	-5.1%	(93)	4,618	10,537
EBITDA attributable to owners	25,199	34,145	37,009	-7.7%	(5,390)	19,809	28,755

- Total Revenue down only 12.5% despite 1H20 including full CW contract
- Non-CW Sales (excl Hep-C)** up 15.1%
- Expansion businesses continue to grow as a proportion of total earnings, with some one-off benefits in 1H21
- This has helped absorb the negative impacts of COVID-19
- Impact of Sale and Leaseback transaction will be reflected in 2H21

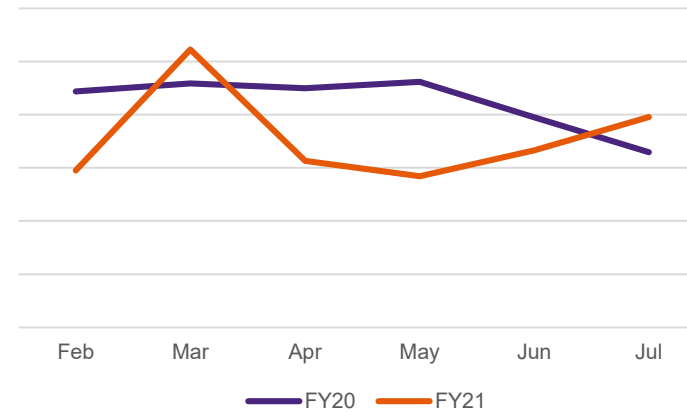
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Sustainable revenue growth across a more diversified business

- COVID-19 related volume spike in March of over 80%, which was largely offset in the period through to June
- Total wholesale sales up 15.1% (ex-CW & Hep C) on 1H20
- Strong pipeline with continued onboarding of new wholesale customers with minimal customer losses
- Reduced reliance on PBS – around 50% of Sales now non-PBS
- Non-pharmacy channel including strong PPE sales continues to grow as a proportion of business
- Continued improvement in Net Promoter Score

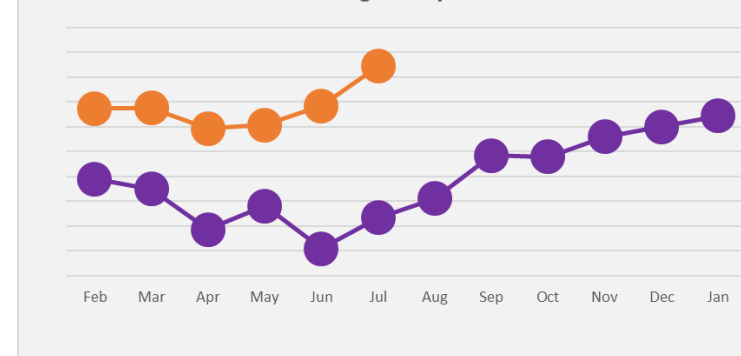
Monthly volume (incl-CW)



Volume growth from a broader customer base

Including CW in both years, volumes in July 2020 are now above the same month last year

Net Promoter Score: Rolling 90 day view



Customer-centric focus

Retail Pharmacy Team restructured to continue to drive better customer outcomes, with results seen through sustained improvements in our Net Promoter Score.

Chemist Warehouse FMCG contract

Transition complete



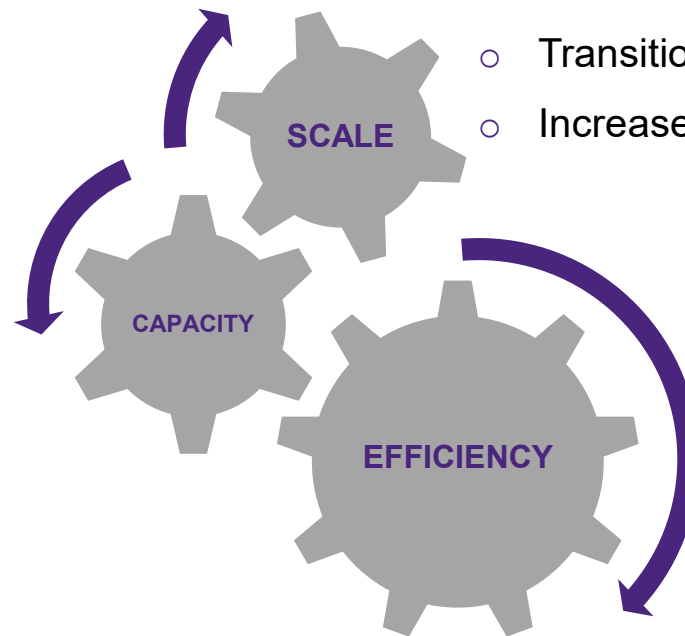
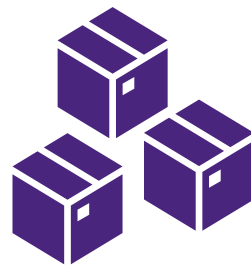
- FMCG portfolio fully transitioned back to Sigma from June 2020
- Sales run rate from June onwards is in line with expected \$800M annualised sales
- Further sales upside once COVID-19 restrictions are removed
- Strong and collaborative relationship established
- 4-year supply agreement to June 2024
- Commercially acceptable trading and credit terms

Establishing a more efficient operating cost base

Total Reported Operating Costs \$147.9m

A number of activities undertaken to improve ongoing efficiency:

- Four new DC's now operating with automation providing a significantly more efficient distribution model and scalability
- Improved service model through restructured retail operations
- Delivering ongoing Project Pivot initiatives



1H21 also impacted by a number of one-off elements including

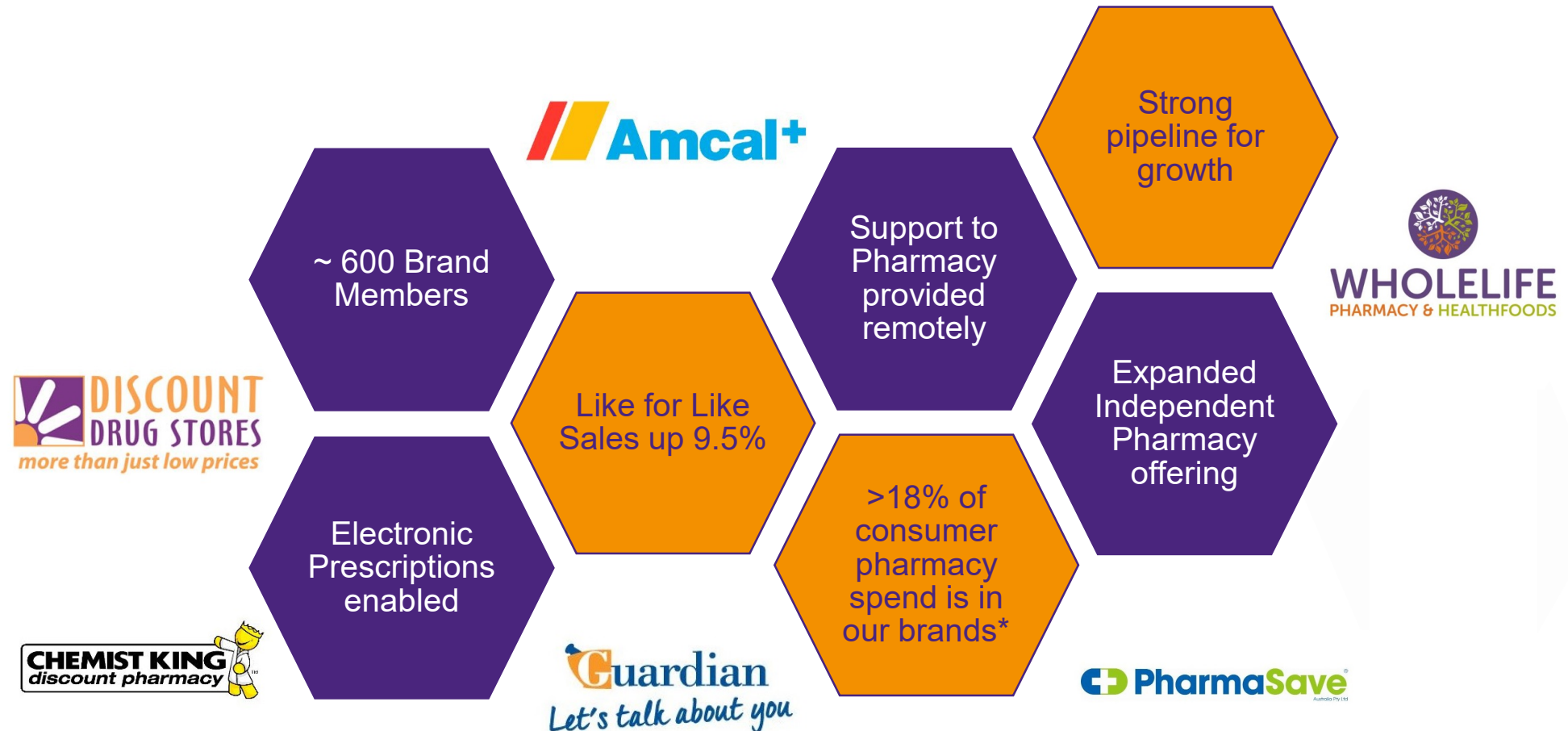
- Reduction in costs relating to CW PBS volume
- Redundancies related to warehouse closures and other Project Pivot actions
- Transitional costs in moving to new DC's
- Increase in Provision for Doubtful Debts

Operational Update



Sigma Retail

Momentum continues



Expansion Businesses

Diversified growth

Hospitals

22% Sales growth* - well above market

- Sigma national market share circa 10% and growing, with operational progress in all States and expansion plans being implemented
- COVID-19 impact – significant increase in demand in March/April
- Elective surgery and Tender activity largely suspended



Contract Logistics (3PL)

New market

- A number of new service contracts agreed and commenced over the past 6-months
- 19,000 pallets of storage, with capacity for growth
- Kemps Creek DC - GMP certification and ISO accreditation processes underway



Supported by CHS
Infrastructure



* Sales growth ex-Hep C

Expansion Businesses continued

Diversified growth

Medication Packaging Services (MPS)

- Three TGA approved facilities
- Process under way to upgrade integrated software solutions
- Growth impacted by restricted access to aged care facilities during COVID-19



mps



Medical Industries Australia (MIA)

- Business acquired by Sigma in early 2018
- Strong sales growth across all PPE categories, with a combination of one-off COVID-19 related demand and sustainable and repeatable business
- Operations integrated into Kemps Creek DC during 1H21



Regulatory update

Agreements finalised

7th Community Pharmacy Agreement (7CPA)

- New five year agreement that runs until June 2025
- The introduction of a pricing floor, combined with increased CSO funding will help offset the impact of ongoing PBS Price Disclosure reform
- Also provides funding certainty for pharmacy customers

Community Service Obligation Deeds (CSO)

- New four year agreement running to June 2024
- Provides increased funding to help sustain the industry over the term of the agreement
- Recognition of the important role CSO Wholesalers played in supporting the community during drought, bushfires and COVID-19



COVID-19 Impact Assessment

Overall, the net effect of higher sales of medical consumables via CHS and MIA, outweighed the reduced merchandise and marketing income, higher doubtful debts provision and other operational impacts.

Positive

- Self sustained: No requirement for financial support or concessions
- CHS, MIA and Hospitals: PPE sales increased and volume up in general

Neutral

- Wholesale volume: Spike in demand during March that levelled out over the balance of the half.
- Sales impacted by decreased foot traffic in specific locations.

Negative

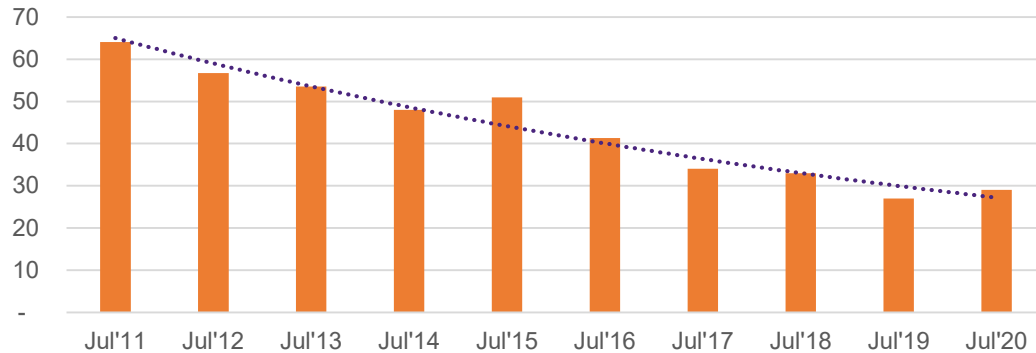
- Retail Merchandise and Marketing income impacted due to lower promotional activity
- Increased provision for Doubtful Debts to reflect economic uncertainty
- MPS growth impacted by restricted access to Residential Aged Care Facilities
- Costs of doing business: COVID-19 safe cleaning and additional labour costs

Capital Management



Working Capital Management

Cash Conversion Cycle (Days)



	31-Jul-20	31-Jan-20
Trade Debtors	332,340	279,894
Inventory	304,014	315,493
Trade Creditors	(391,585)	(359,988)
Working Cap \$'000	244,771	235,399
Days sales outstanding (DSO)	40	31
Days inventory outstanding (DIO)	40	38
Days payables outstanding (DPO)	(51)	(43)
CCC Days	29	26

Cash Conversion Cycle (CCC)

- Anticipate CCC to stabilise just below 30 days
- Has been a sustained focus on efficient working capital management

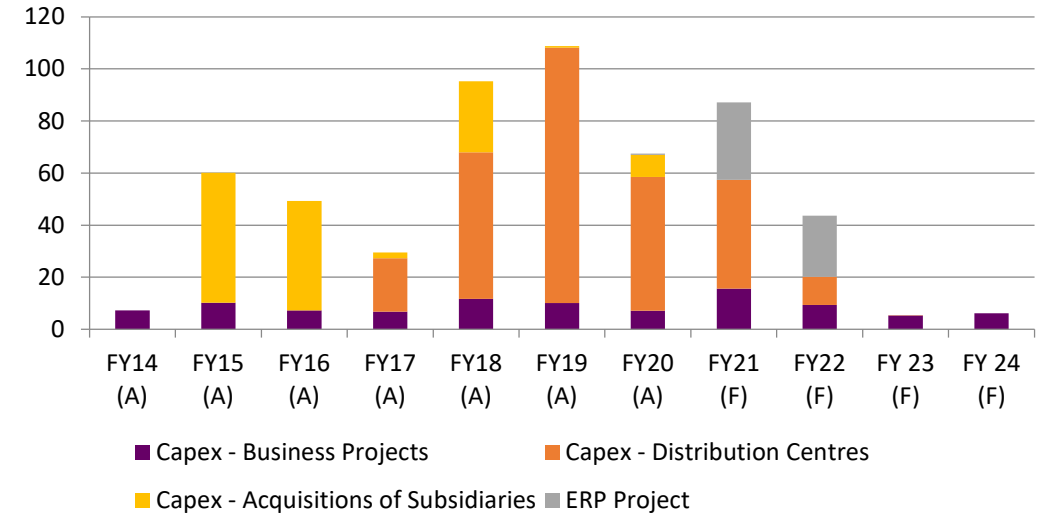
Return on Invested Capital (ROIC)

- ROIC at a low point of 6.1% driven by the business transformation and investment cycle
- ROIC remains a core focus of management as we now seek opportunities to leverage the investment already made
- ROIC expected to return to double digits within two years

Investment program nearing completion

- Fundamental business transformation – drives operational efficiency, adds capacity and reduces our costs to serve
- The new DC's provided the infrastructure to efficiently absorb the spike in demand due to COVID-19
- \$48 million capex already invested in 1H21
- Program nearing completion, with no further significant capital investment currently planned

Capex



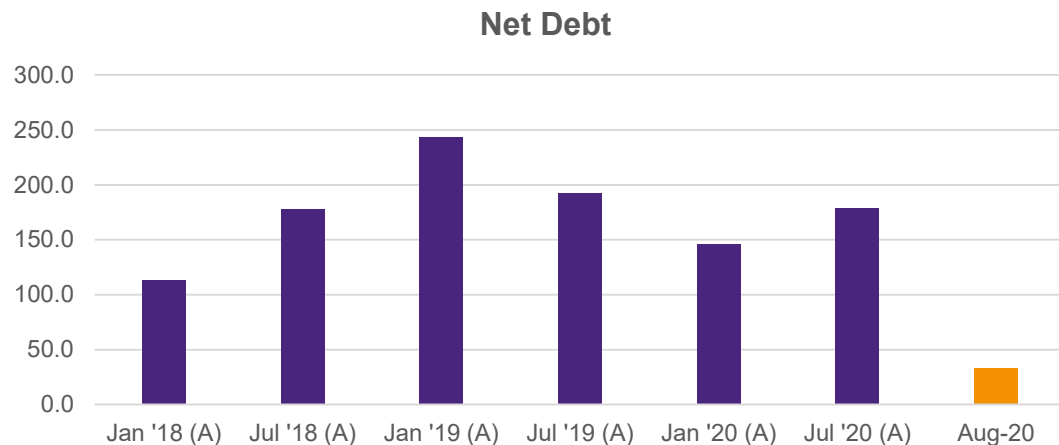
Sale and Leaseback

Generating shareholder value

- Transaction announced on 10 August 2020
- Realised \$80 million above original investment cost (7.5 cents per share value created through the development process)
- \$172 million cash received 21 August 2020
- Initial annual lease cost of \$8.0 million
- Retained ownership of new DC's in Canning Vale WA and Truganina VIC (currently under construction) and automation assets at all sites

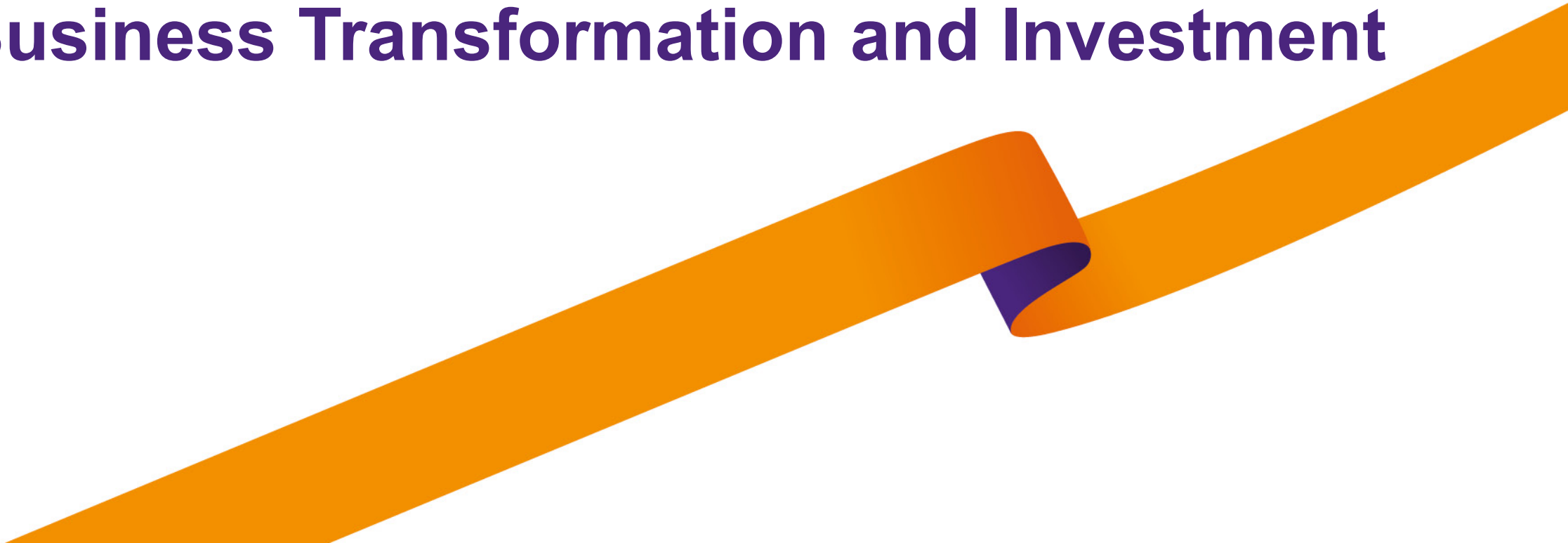


Net debt reduced as investment program nears completion



- Net Debt \$179 million at 31 July 2020
- Proceeds from the Sale and Leaseback received on 20 August 2020, reducing Net Debt to \$33.6 million at 31 August 2020
- Anticipate Net Debt at 31 January 2021 of approximately \$70-80 million reflecting ongoing investment in Truganina and ERP
- \$6.2 million Net Interest in 1H21 (post-AASB16)
- Total FY21 Net Interest anticipated to be around \$10 million (post-AASB16)

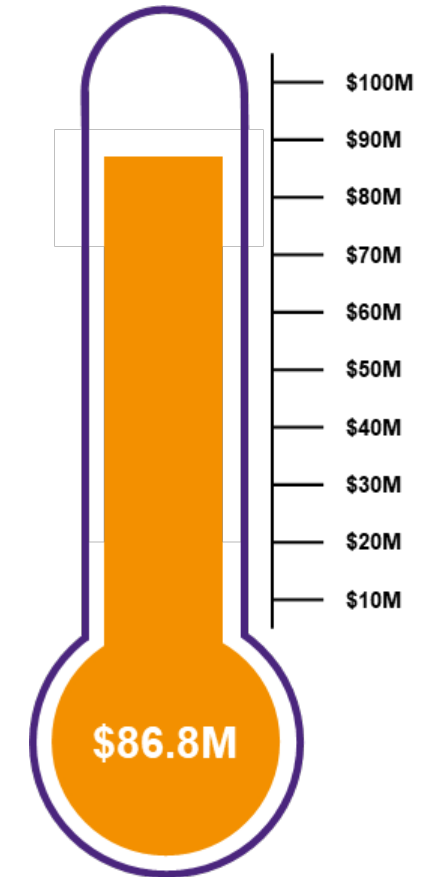
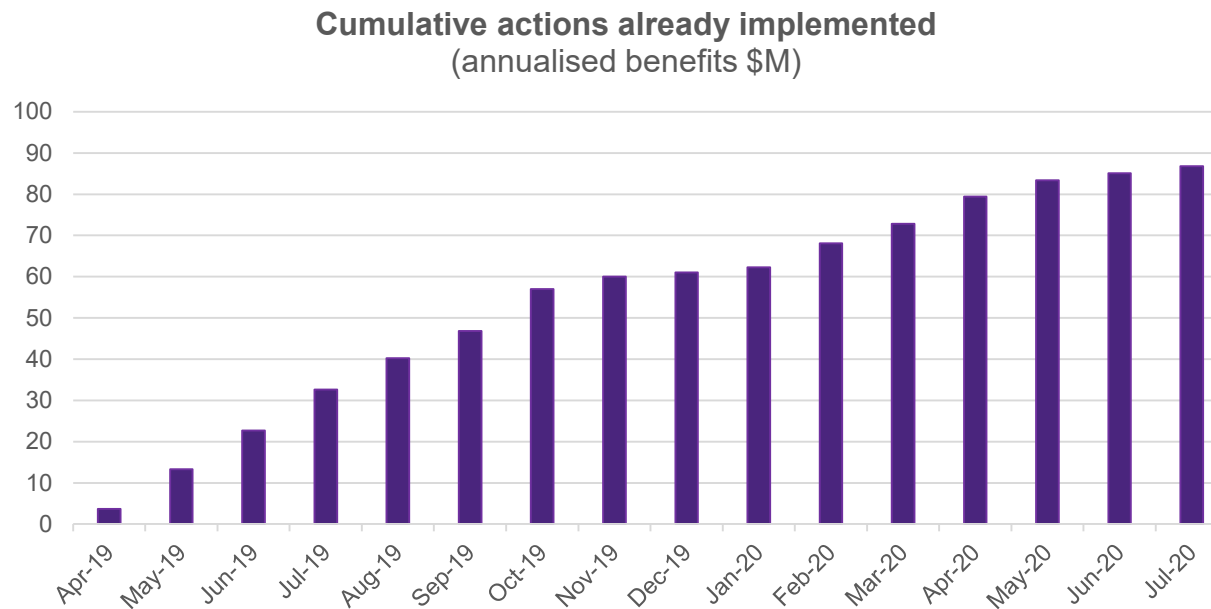
Business Transformation and Investment



Project Pivot

Delivering on target

- Actions taken to achieve \$86.8m of targeted annualised benefit at 31 July 2020
- On track to deliver \$100m annualised benefits by the end of FY21 as originally announced
- Has delivered a fundamental improvement in ongoing business efficiency and effectiveness



Completing a generational upgrade of our DC Network

- New Distribution Centre (DC) at Truganina in Victoria - \$80m investment
- Well advanced, on track and on budget - \$60m spent to date on Truganina
- Minimal impact from COVID-19, with COVID-19 work safe plans in place
- Will commence Hospitals and 3PL services from November 2020
- This follows the completion of new DC's in QLD, WA, SA, and NSW

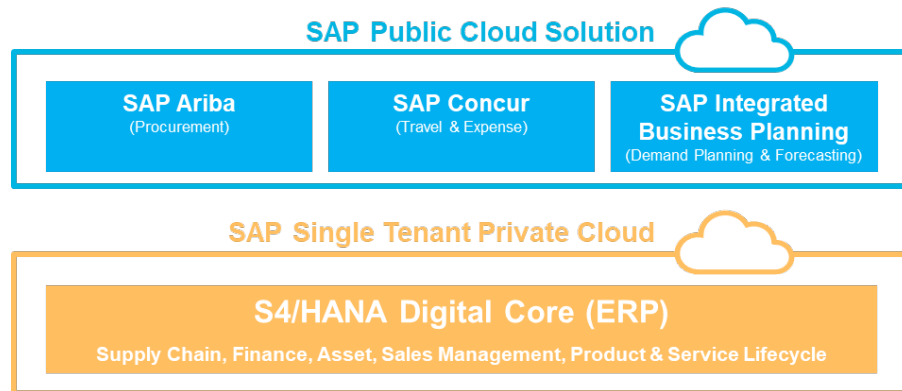


Investment in critical IT Infrastructure

Complements DC investment to drive business efficiencies, customer engagement, and growth

ERP

- Project kicked off in February 2020, and is expected to conclude in FY22
- Project is running to schedule and within budget
- In response to COVID-19, the project has switched to a remote delivery model
- Partnered with experienced System Integrators Accenture and Infosys
- Selected SAP S/4 HANA and SAP Next Generation product suite



Enterprise CRM

- Salesforce solution deployed to the Community Pharmacy business units (80% of customers) in March 2020
- Second stage of the project commenced in July 2020 to extend the Salesforce solution to the rest of the enterprise
- Project is tracking in line with schedule and within budget
- Staggered deployment to the broader business is expected from September – November 2020



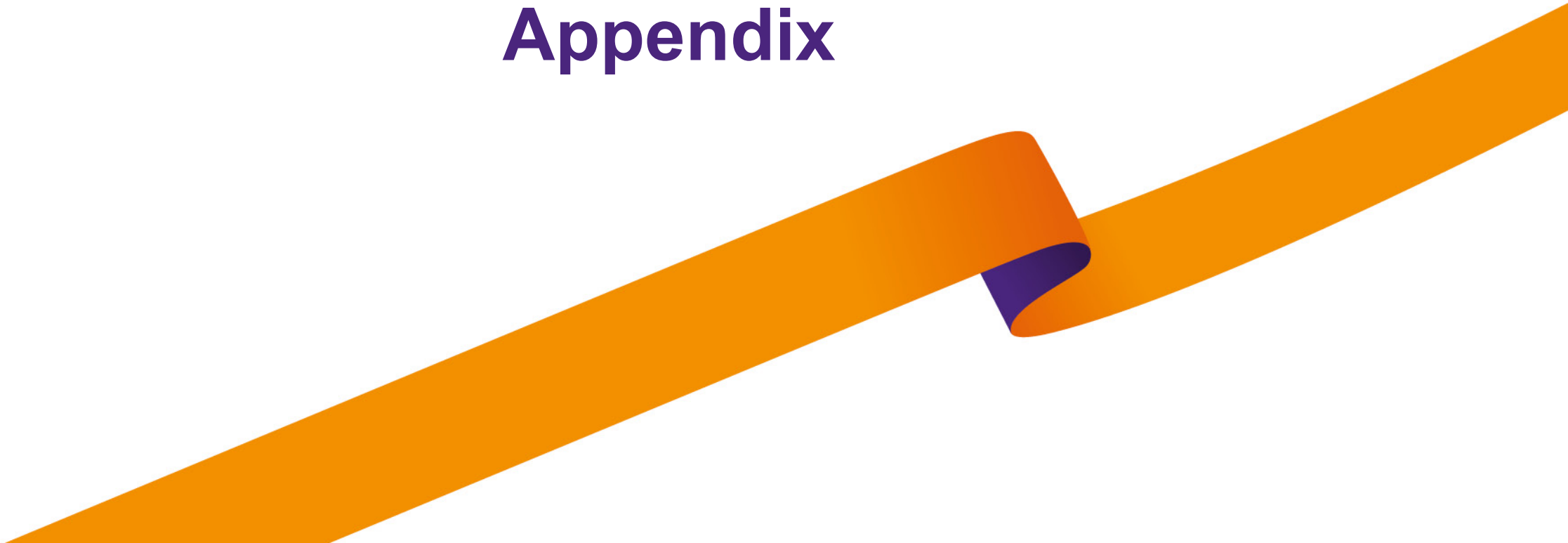
Outlook



Outlook

- 1H21 momentum has carried forward into the start of the second half
- Underlying business remains strong and CW volume now fully transitioned
- Project Pivot benefits to reach \$100 million annualised by the end of FY21
- We continue to work with and support our pharmacy brands, customers, suppliers and the government during the COVID-19 pandemic
- Investment program nearing completion with our Balance Sheet strong
- Given COVID-19 influences, no formal guidance is being provided for FY21, but we remain confident we have a good platform for growth
- No Interim Dividend and future dividends will be reviewed depending on conditions including franking credit availability

Appendix



Appendix 1

Reported to Underlying Reconciliation (EBITDA/EBIT)

	31 July 2020	31 July 2019
	\$000	\$000
Reported EBIT	11,852	12,688
Add: Reported depreciation and amortisation	14,548	12,606
Reported EBITDA*	26,400	25,294
Add back:		
Restructuring, transformation and dual operating costs before tax	7,788	18,635
Due diligence, integration and litigation costs / (benefits) before tax	2,302	(6,238)
(Gain) / loss on sale of assets before tax	(1,144)	-
Underlying EBITDA**	35,346	37,691
Less: Reported depreciation and amortisation	(14,548)	(12,606)
Underlying EBIT	20,798	25,085
Less: Non-controlling interests before interest and tax	(1,201)	(682)
Underlying EBIT attributable to owners of the company	19,597	24,403

* Reported EBITDA Attributable to Owners is \$25,199 (Reported EBITDA minus Non-controlling Interests before Interest and tax)

** Underlying EBITDA Attributable to Owners is \$34,145 (Underlying EBITDA minus Non-controlling Interests before interest and tax)

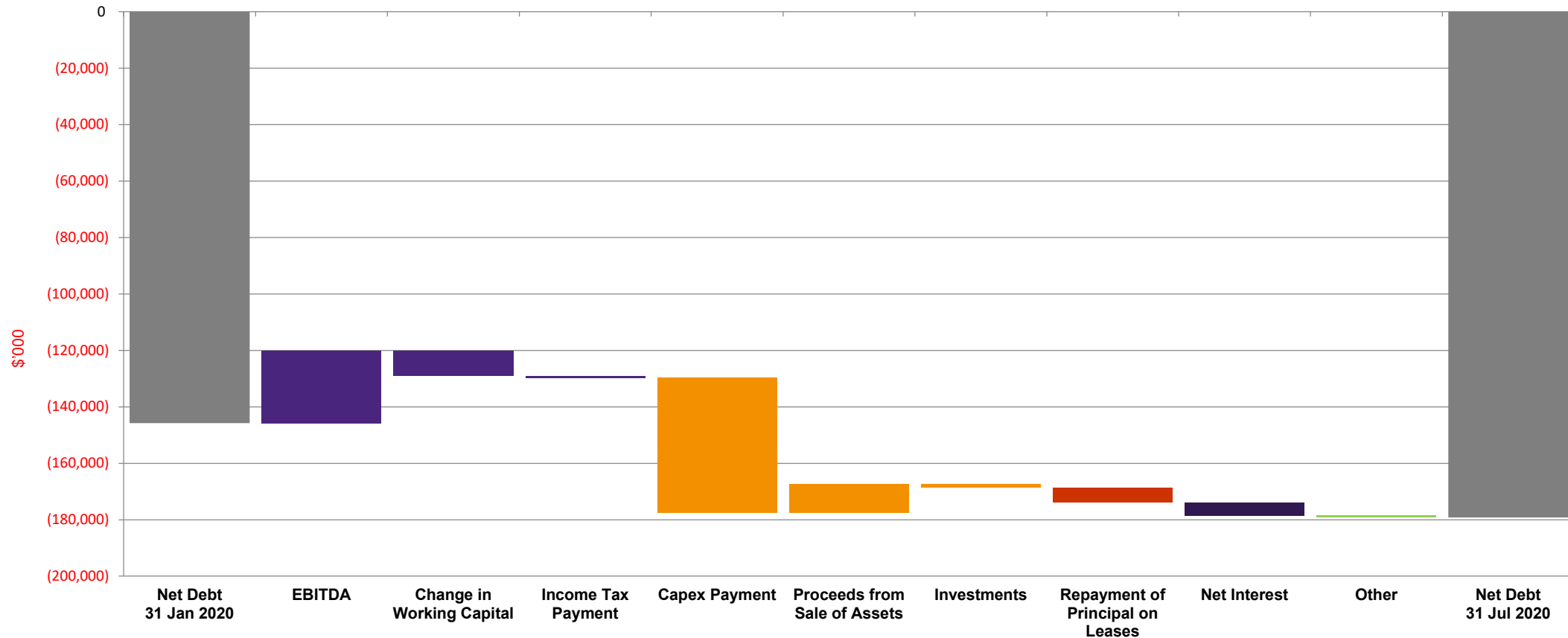
Appendix 2

Reported to Underlying Reconciliation (NPAT)

	31 July 2020	31 July 2019
	\$000	\$000
Reported NPAT attributable to owners of the company	4,711	2,519
Add back:		
Restructuring, transformation and dual operating costs after tax	5,452	13,045
Due diligence, integration and litigation costs / (benefits) after tax	1,611	(4,367)
(Gain) / loss on sale of assets after tax	(1,144)	-
Underlying NPAT attributable to owners of the company	10,630	11,197

Appendix 3 Cashflow

Cash from the Sale and Leaseback transaction was received post balance date on 21 August and is not included in this cash flow graph.
Net Debt subsequently reduced to \$33.6m at 31 August.



Appendix 4

COVID-19: Sigma self sustained with robust plans



- Business recognised as an Essential Service
- Sigma's new DC network managing increased volumes well through automation and additional labour hours
- Replenishment of stock was challenged during the spike in demand
- Working closely with industry and Government to secure medicine supply



- No material impact on business plans, projects or initiatives
- Truganina DC construction and ERP implementation remain on track and budget



- COVID-19 Working Group introduced in March to implement policies, programs and changes to pro-actively manage the risk
- COVID-19 safe workplace plans implemented, and Business Continuity Plans updated
- Work from home initiatives in place since March, with communications and tools put in place to support the physical and mental wellbeing of all team members
- Cyber Security management increased
- COVID-19 specific Team member training introduced
- Sales teams redeployed to assist other functions in the business during COVID-19 lockdowns



- No Covid-19 related financial support required to maintain operations – no Job Keeper, No Rent Relief, No other concessions received
- No requirement to raise capital to fund operations



- Extensive Customer support programs and communications rolled out
- COVID-19 Rapid Response Plans put in place to assist pharmacy partners
- Accelerated E-Script and home delivery support to our pharmacy network and their customers

Thank you

