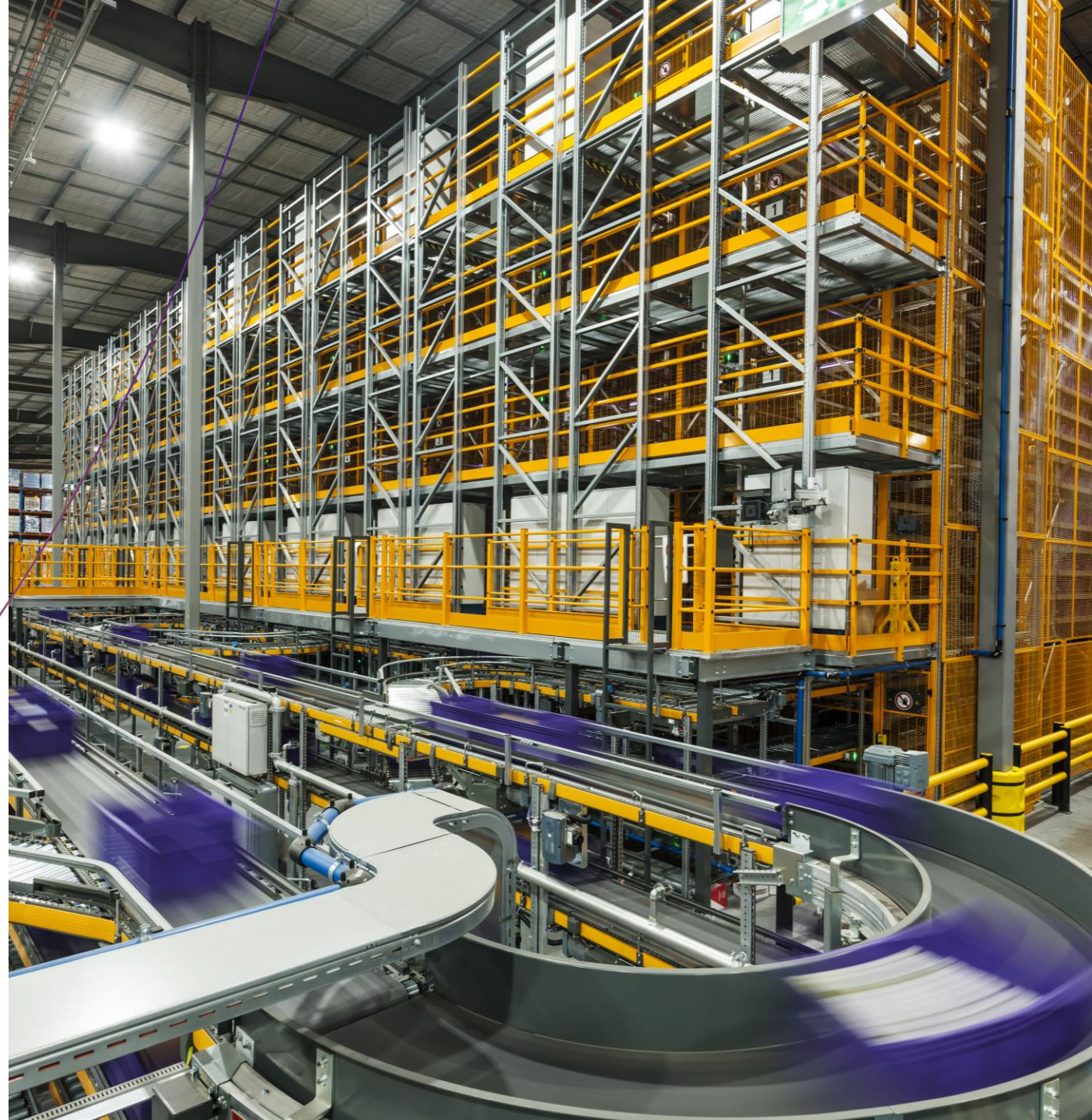


FY23 Results Announcement

23 March 2023



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 operating performance

- Business simplification is progressing well
- ERP - system stabilised with focus now on optimisation
- Logistics – metrics now at a level better than before ERP implementation
- Infrastructure – new Hobart DC opened and expansion of Truganina DC completed
- Retail brand strategy – consolidation of brands is progressing to plan
- A resilient and engaged team in place
- Reported EBIT up 733% with momentum skewed to the last quarter of FY23
- Net Debt down from \$149m to \$67m
- FY23 Final Dividend declared of \$0.005 per share

\$3.7bn

Net Sales up 6.2% on FY22

\$19.3m

EBIT up 733.2% on FY22

\$1.8m

NPAT up from \$7.2m loss in FY22

\$67m

Net Debt down from \$149m in FY22

Nigel Simonsz

Chief Financial Officer



Financial Performance

P&L summary (\$'m)

	FY23 \$m	FY22 \$m	% change
Net Sales	3,660.2	3,446.2	6.2%
Gross Profit	254.4	237.9	6.9%
Other Revenue	101.7	103.3	(1.6%)
Operating Costs	(306.5)	(311.2)	1.5%
EBITDA	49.6	30.0	65.3%
Depreciation and Amortisation	(30.3)	(27.7)	(9.6%)
EBIT	19.3	2.3	733.2%
Net Interest	(13.8)	(10.6)	(30.0%)
Tax	(2.5)	2.0	n/a
Non-controlling Interests	(1.2)	(0.9)	(34.7%)
NPAT (attributable to owners of the company)	1.8	(7.2)	n/a

Comments:

- **Sales revenue** up 6.2% to \$3.7bn, mainly reflecting growth in sales to key customers and through Rapid Antigen Tests (RATs)
 - **Gross Profit** increase mainly reflects volume growth and material one-off items:
 - contribution of higher margin RATs sales (+\$29m GP increase v pcp)
 - partly offset by adverse stock adjustments in FY23 (\$23m unfavourable to pcp)
 - **Operating Costs** favourable by \$4.7m mainly due to:
 - Employment costs up 8.7% (\$13.3m) mainly in Logistics due to higher volumes and additional stock-takes / cycle-counts as well as bonus provision in FY23
 - Freight costs up 16.1% (\$6.9m) also due to increased volumes and higher fuel prices
 - Higher IT costs (\$5.1m) excl additional employment costs
 - Lower marketing spend \$3.5m
- Key one-off items included in Operating Costs:
- \$24.1m favourable SaaS expense v pcp and \$7.8m favourable due to debt written off in pcp,
 - Asset impairment and write-off - Cura (\$10.2m), Rowville/Mulgrave asset write off (\$4.9m), and loss on disposal of WholeLife (\$1.6m)
- Net interest is higher reflecting the increased cost of borrowing following the RBA's consecutive interest rate hikes since May

Balance Sheet

Statutory Balance Sheet extract (\$'m)

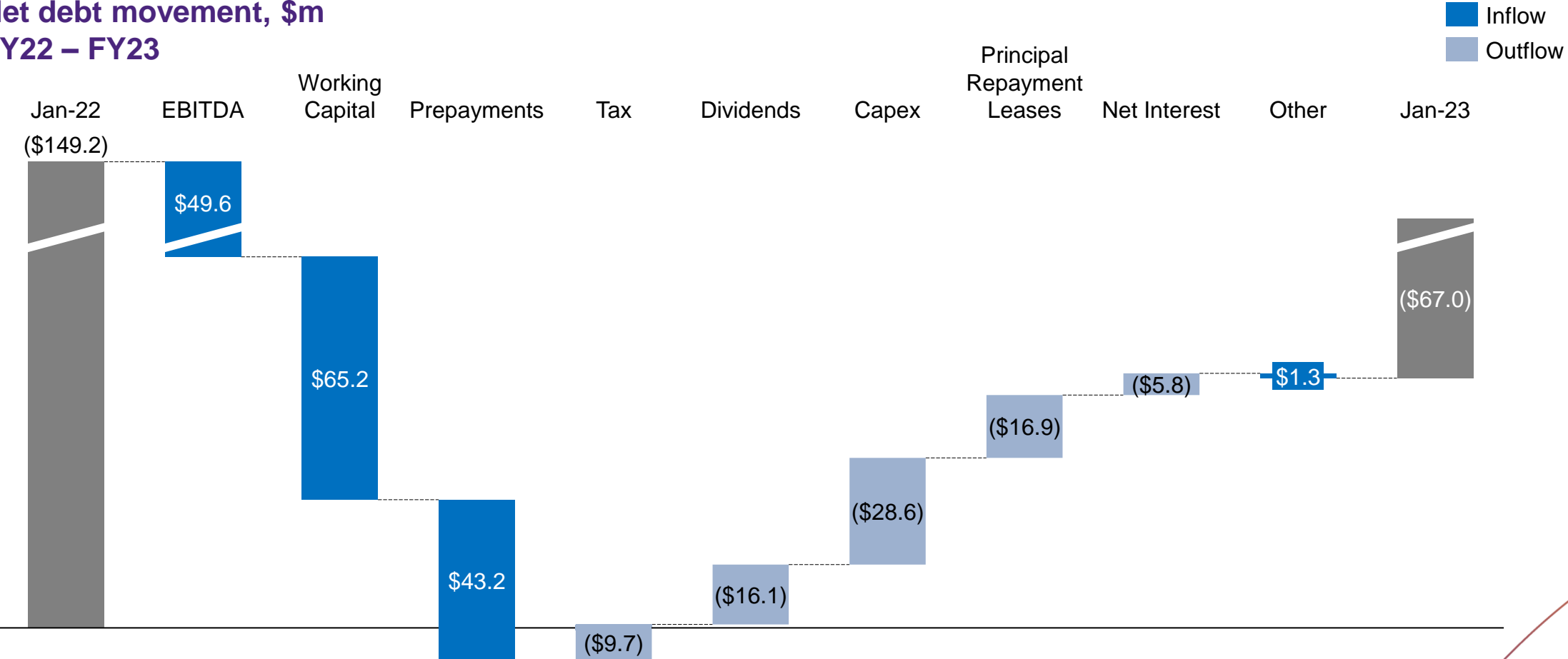
	FY23 \$m	FY22 \$m
Cash and cash equivalents	16.7	31.1
Trade and other receivables	333.8	359.6
Inventories	324.9	321.7
Prepayments	6.9	50.1
PPE	200.2	193.2
Intangible Assets	118.2	128.0
Right-of-use assets	90.7	88.3
Other Assets	82.7	76.3
Total assets	1,174.1	1,248.3
Bank Overdraft	3.7	15.4
Trade and other payables	449.7	406.9
Borrowings	80.0	165.0
Lease liability	143.3	143.1
Other Liabilities	19.6	29.1
Total liabilities	696.3	759.5
Total Net Assets	477.8	488.8

Comment

- Prepayment of RATs in FY22
- Net reduction in borrowings mainly reflects the cancellation of Tranche C debt facility of \$70m through improved working capital management.
- Intangible decrease reflects impairment of goodwill of \$6.9m relating to discontinuation of Cura operations, and derecognition of goodwill of \$0.8m relating to WholeLife.

Net Debt reduction from \$149m to \$67m

Net debt movement, \$m
FY22 – FY23



Cash Flow

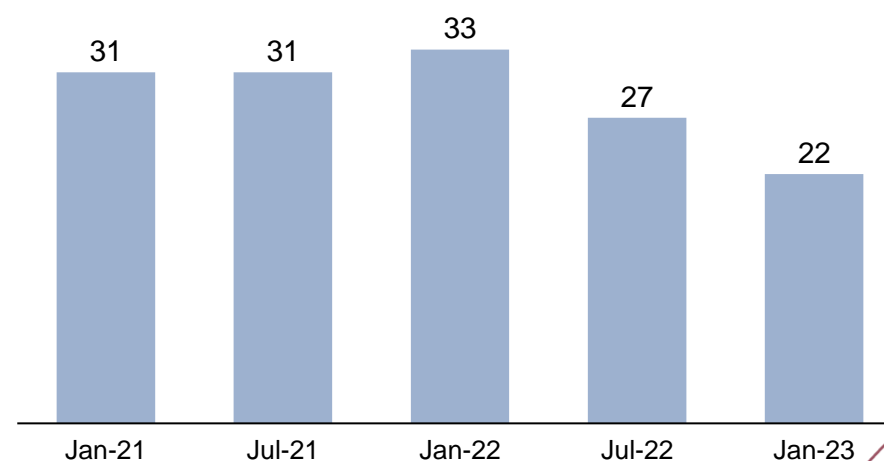
Statutory Cash Flow extract (\$'m)

	FY23 \$m	FY22 \$m
Receipts from customers	4,167.8	3,906.9
Payments to suppliers and employees	(4,009.6)	(3,937.0)
Net Interest	(5.8)	(3.9)
Income taxes refunded/(paid)	(9.7)	(12.3)
Net cash flows (used)/from operating activities	142.7	(46.3)
Net cash flows used in investing activities	(28.6)	(16.6)
Net cash flows (used)/from financing activities	(116.9)	128.9
Net increase / (decrease) in cash	(2.8)	66.0
Cash at the beginning of the year	15.8	(50.2)
Net Cash and cash equivalents at the end of the year	13.0	15.8

Comment

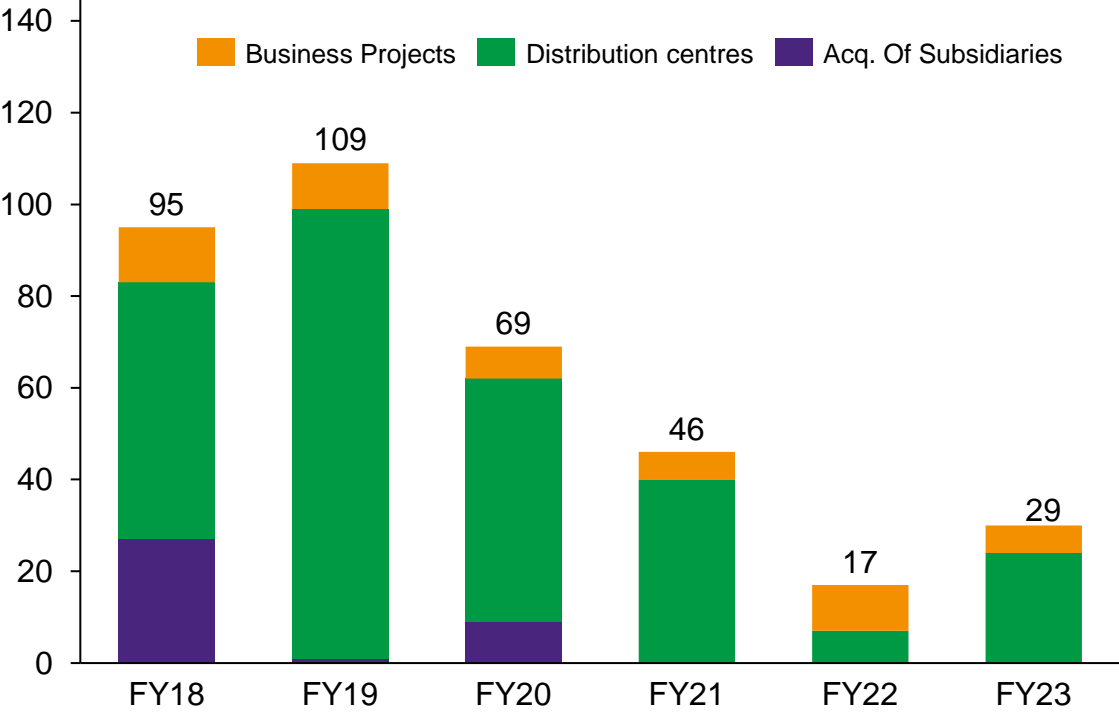
- Improvement in net cash flow from operating activities mainly reflects improved working capital management and EBITDA performance
- FY23 financing cashflow includes repayment of \$70m Tranche C debt

Improvement in cash conversion cycle (days)



Capital Expenditure

Capital Expenditure \$'m



Excludes SaaS expenditure which is fully expensed in the year incurred

- Distribution centres and IT infrastructure investment program is complete
- FY23 spending largely on Truganina expansion, Hobart DC build and Head Office relocation
- Go forward maintenance capex levels c. \$5m - \$10m pa

Vikesh Ramsunder

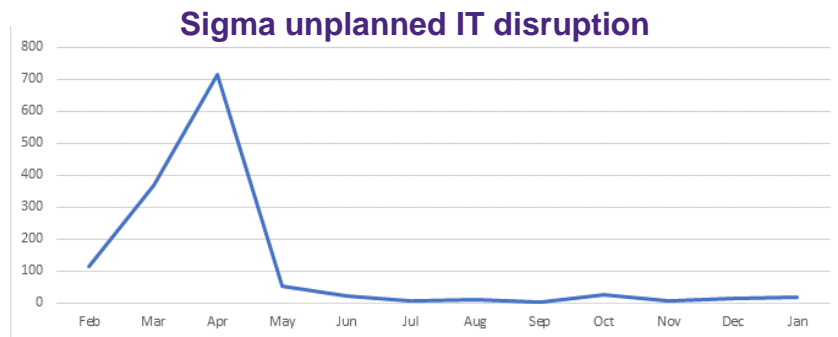
Business update



ERP status

Building capability to execute our plans

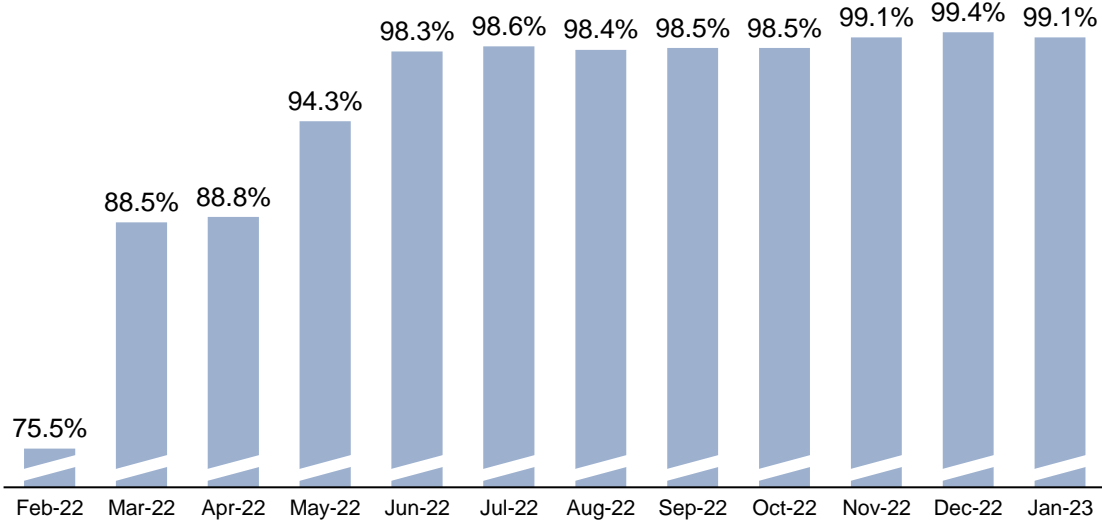
- System now stable
- Introduced new Data and Analytics platform and capability
- Completed total migration of all Data Centre Infrastructure to the cloud
- Concluded the upgrade of our inventory planning system
- System optimisation is ongoing to drive efficiencies



Wholesale

- Pharmacy wholesale sales were up 2.2%, benefiting from RAT sales in 1H23 and COVID anti-virals in 2H23, but impacted by operational challenges
- Hospital sales were up 11.3% to \$363.7 million
- Over 230 million units delivered to community pharmacy, with Delivery in Full reaching 99%
- Renewed infrastructure across Australia with available capacity, and significantly improved operational performance
- Upgraded customer ordering platform and improved stock availability
- Strengthened our team

Delivery in full (DIF)



Franchise Brands

- 4.2% Sales growth achieved across our franchise network
- Merger of Guardian and Amcal: 50% of our identified members have already committed, and we are on track to achieve our conversion targets
- Discount Drug Stores: brand proposition being reinvigorated under new leadership
- Rebuilding the merchandise and franchise brand team with stronger retail skills



Third Party Logistics (3PL)

- Business has been steady, providing warehousing and logistics services across pharmaceutical, medical consumables and fast-moving consumer goods sectors
- Currently has ~30,000 pallets of inventory under management for suppliers
- Expansion of Truganina DC in Victoria has created a further 20,000 pallet capacity of secure temperature controlled DCs
- Secured a new contract extension with important business partner, and in discussions on other new opportunities
- We have built capacity to actively pursue new 3PL business



MPS Connect

Delivering service excellence in medication management

- Achieved 18% growth in packed patient numbers
- 45% growth in corporate aged care facility business
- MediSphere# subscriber numbers grew from 5 to 350, with over 127,000 prescriptions generated
- Medisphere# awarded Silver at the Better Futures award program - Australian Design Awards 2023

Medisphere is proprietary medication management software solution and Electronic National Residential Medication Charts (eNRMC) medication management software solution



**AUSTRALIAN
DESIGN AWARDS 2023**

 **BETTER FUTURE**

SILVER

Divesting non-core assets

- Cessation of Cura operations, a loss making arm of the MPS Connect operations
- Disposal of interest in WholeLife pharmacy brand
- Sale agreement signed for the disposal of Hospital operations and inventory for approx. \$44 million, effective 31 March 2023, subject to regulatory approval:
 - Simplifies operations
 - Releases \$35 to \$40 million of cash
 - Earnings accretive



Update on Strategy execution

Our Strategy

- 1 Grow scale and profitable market share in the wholesale business**
- 2 Divest non-core assets and continue to simplify the business**
- 3 Consolidate and build our franchise brand network**
- 4 Diversify our streams of income through expanded product offerings via health, beauty and wellness categories**

The benefits from the execution of our strategy will begin to be realised over the next two years

- Capacity and capability has been created
- Divestment of non-core assets has begun
- Merger of Amcal and Guardian has commenced
- Evaluation of diversification opportunities is beginning



FY24 Outlook

1. Confident our strong operational performance will continue, with the focus now on winning back the trust and confidence of our customers
2. Implementing a sustainable Amcal and DDS brand strategy
3. Strengthen the Balance Sheet by improving working capital management and divestment of non-core assets
4. Board has approved a sustainable Dividend Payout Ratio of 50% - 60% of Reported NPAT moving forward
5. We are half way through our turnaround objectives
6. EBIT anticipated to be between \$26m to \$31m for FY24

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Thank you

