Citi Group Investor Conference

Gary Woodford
Corporate Affairs Manager

16 - 17 October 2019

Sigma Healthcare
Connecting health solutions

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Key Highlights for 1H20

Financial Performance

- Half Year Results are as expected
- Ongoing revenue* up 6.9% for the half
- Underlying EBITDA** $31.9m
- Underlying ROIC** of 12.2%

Business Transformation

- Project Pivot on target to deliver $100+ million efficiency gains
- Actions already implemented on over $33 million of annualised gains
- Seeing significant improvement in customer KPIs
- Expect to see material benefits in 2H20 and beyond

Investment and growth

- QLD and WA Distribution Centres operational and achieving targets
- SA and NSW new Distribution Centres near completion
- Our community pharmacy brands revenue up 7.8% like-for-like
- Hospitals, 3PL/4PL and MPS continue to be growth areas

Capital Management

- Net Debt fell from $243m at year end to $193m at 31 July 2019
- Net Debt will fall further post Chemist Warehouse Group (CW) exit
- Dividend payout ratio of 95% of Underlying NPAT**
- Interim dividend of 1.0c fully franked

People and culture

- Team member engagement positive through current challenges
- Implemented training and development to help our team manage through change and drive a growth mindset

* References to Ongoing Revenue relate to the Sigma business excluding Hep-C and sales to CW
** Refer Appendices 1 and 2 for a reconciliation of Reported to Underlying

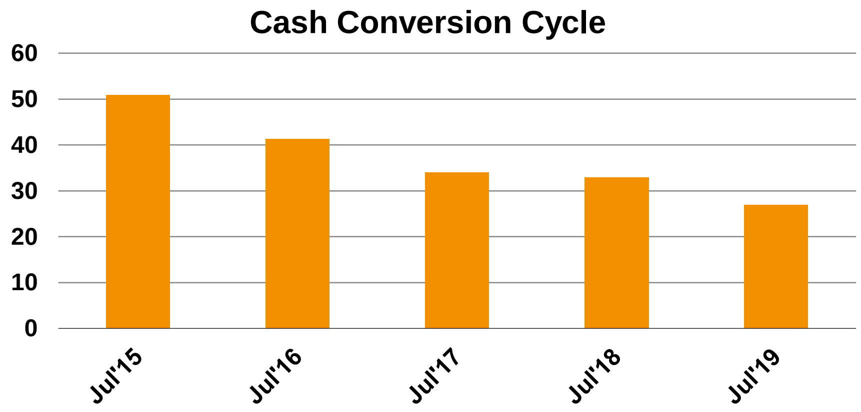
Re-basing our ongoing business

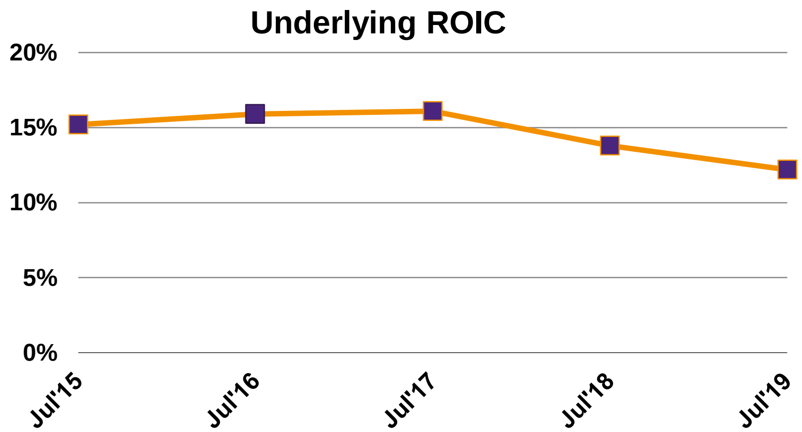
	What to expect in 2H20	What to expect in FY21
Total Sales Revenue	❖ Will only include 3 months sales of some FMCG products to CW ❖ Ongoing revenue* to continue growth at similar level to 1H20	❖ No material sales to CW ❖ Ongoing revenue* growth for remaining portfolio at similar level to FY20
Other Revenue	❖ Some impact from declining wholesale rebates (CW related) ❖ Partly offset by expected improvements in 3PL/4PL	❖ Further growth from business development initiatives including 3PL/4PL, Hospitals and Dose Administration Aid Services
Warehouse and Delivery	❖ 6 months of benefits from efficiencies already implemented in 1H20 ❖ Additional benefits from initiatives implemented in 2H20	❖ Full year of benefits consistent with Project Pivot estimates ❖ Full year of benefits from new Distribution Centres
Sales and Marketing	❖ Will benefit from organisational changes relating to Project Pivot	❖ Full year of benefits from Project Pivot
Administration	❖ Project Pivot initiatives being implemented but minimal change in FY20	❖ Reductions from implementation of Project Pivot efficiency initiatives

* References to Ongoing Revenue relate to the Sigma business excluding Hep-C and sales to CW

Working Capital Management

- Reduction in CCC includes the release of around $150 million of working capital from CW to 31 July 2019, partly offset by other BAU working capital movements
- Balance of working capital release from CW will flow in 2H20 (subject to full exit)
- Underlying ROIC** continues to be a strong focus through our investment cycle



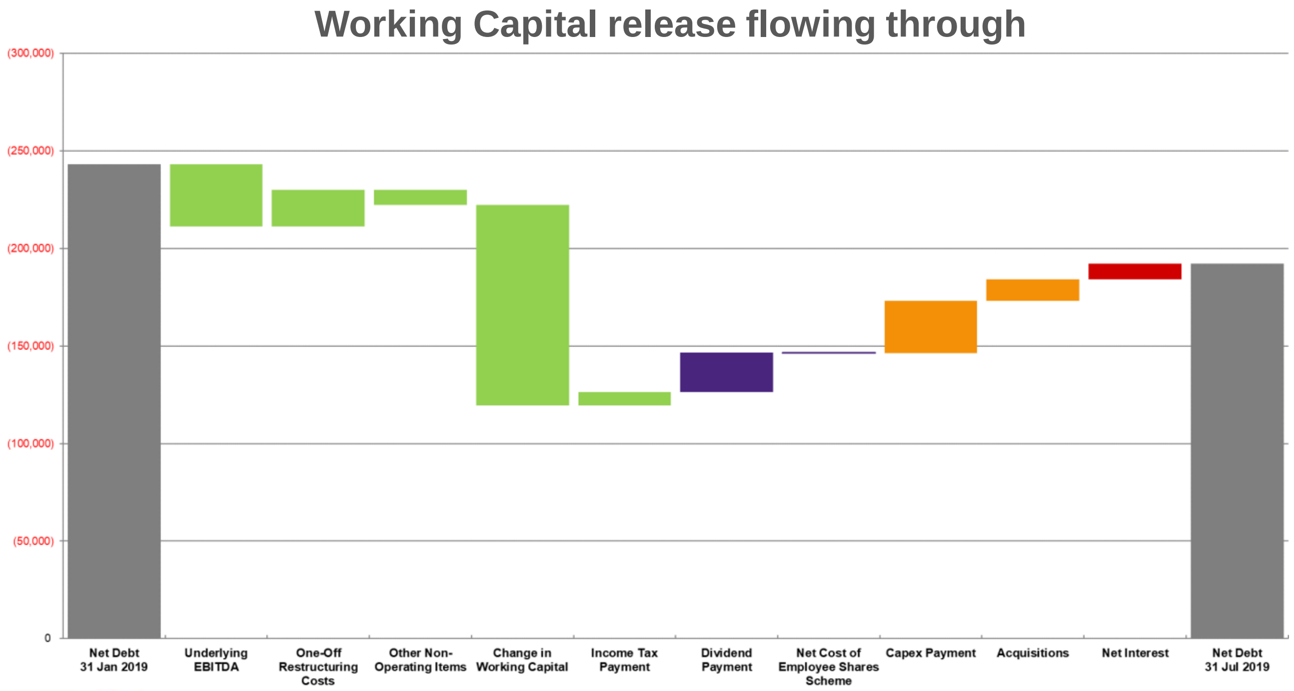


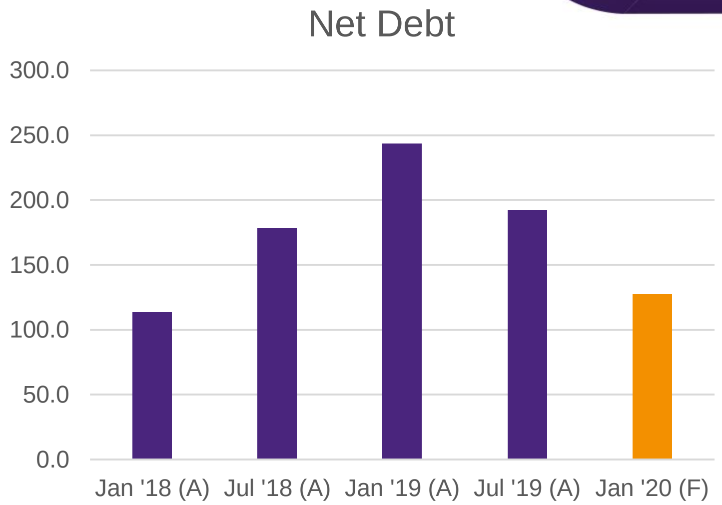
	H1 FY20	FY19
Trade Debtors (excl. Hep C)	427,742	553,426
Inventory (excl. Hep C)	271,990	336,018
Trade Creditors (excl. Hep C)	(385,814)	(466,214)
Working Cap $'000	313,919	423,230
Days sales outstanding (DSO)	42	54
Days inventory outstanding (DIO)	30	35
Days payables outstanding (DPO)	(42)	(49)
CCC Days (excl. Hep C)	29	40
CCC days (incl Hep C)	27	36

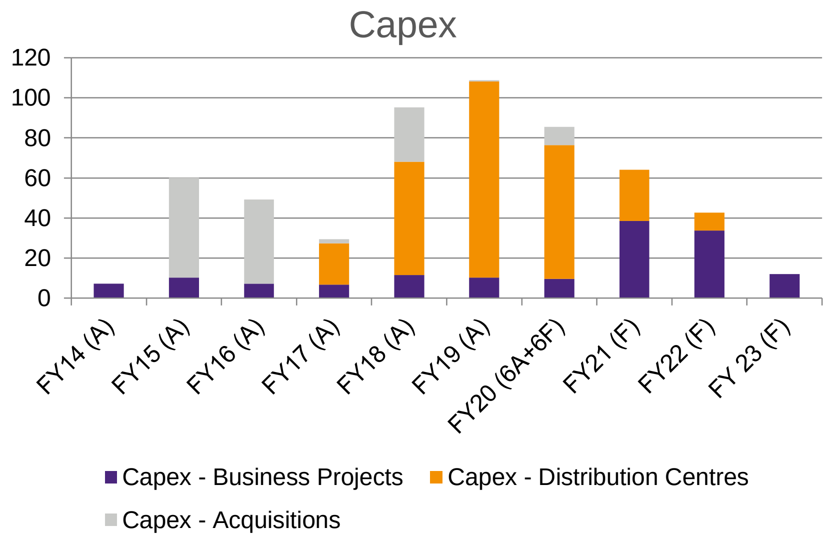
** Refer Appendices 1 and 2 for a reconciliation of Reported to Underlying

Capex and Debt Profile

- ❖ Capex Program largely completed by end of FY22 – including ERP
- ❖ 1H20 Net Debt of $192.3m – circa $180m at 30 Sep, expect circa $130 million by end of FY20
- ❖ Assumes continuation of high dividend payout ratio







Critical infrastructure
Ahead of schedule & below budget

Berrinba DC
Queensland

- Fully operational from April 2018
- Significantly improved efficiency and effectiveness

Canning Vale DC
Western Australia

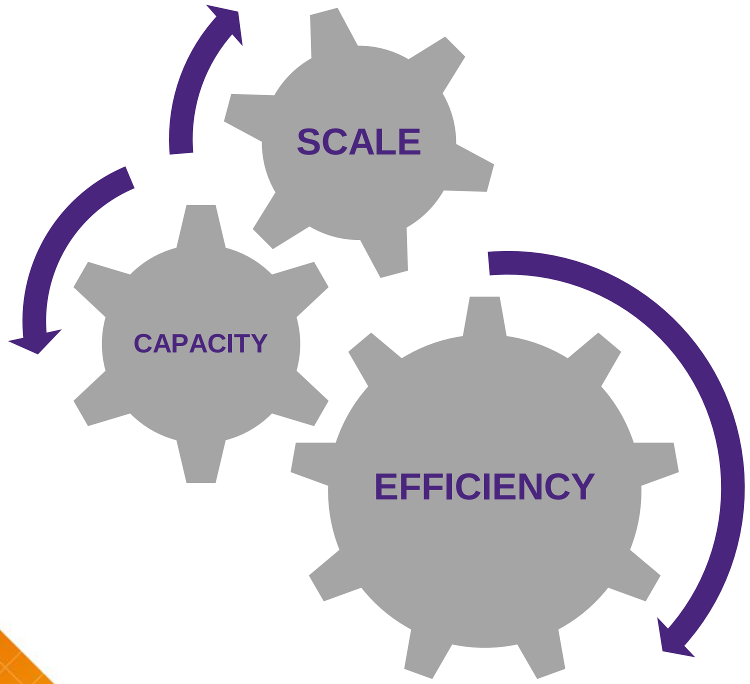
- Fully operational from February 2019
- Smooth transition in first six months

Pooraka DC – in final testing
South Australia

- Build, fit out and automation complete and tested
- Stocking of DC this month
- Commence full operations mid-October

Kemps Creek DC - On Track
New South Wales

- Build and fit out is complete
- Automation being tested from October
- 3PL is now live and operating at the site
- On track for full operations from January 2020
- Within budget and on time



3PL/4PL – new business opportunity

- In excess of $30bn addressable market requiring warehouse and logistics services
- Existing 3PL presence
- Management and QA team in place
- Infrastructure investment near completion
- Significant capacity for growth

Our Pharmacy Network

- Strong retail presence – approx. 20% of consumer spend in pharmacy is in one of our brands
- Our community pharmacy brands revenue up 7.8% like-for-like for 1H20
- Invested in professional services programs and support services to grow pharmacy
- Suite of brands and independent offers to suit pharmacy and consumer demands
- Launched Whole Life during the year, and Amcal+ Life Clinic launching in November

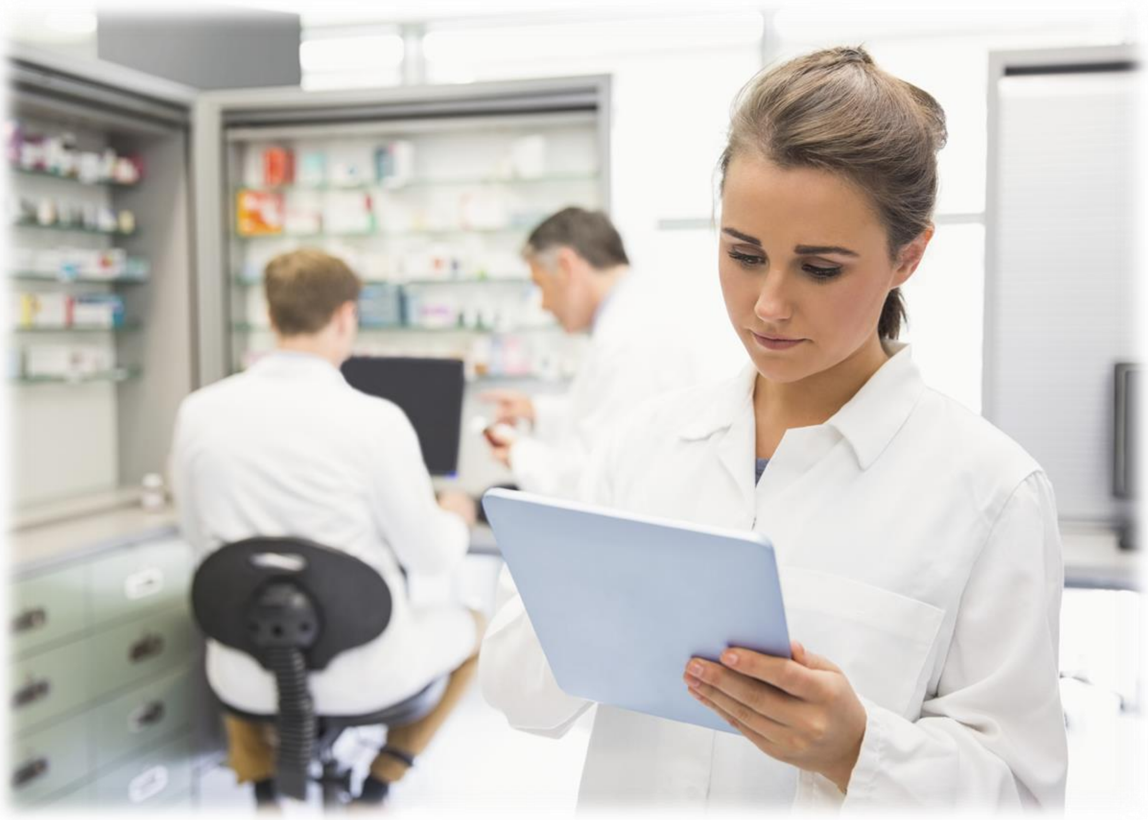
Our retail pharmacy brands:

Amcal+ | CHEMIST KING discount pharmacy | DISCOUNT DRUG STORES

Guardian | PharmaSave | WHOLELIFE PHARMACY & HEALTHFOODS

Sigma Hospitals

- $2.7 billion addressable market (incl Hep-C)
- Currently 9% national market share, with circa 20% market share in Victoria and WA
- National MAT growth over 15% (above average market growth of 4%)
- Strong growth pipeline including market entry into other States
- Experienced management team and business development teams in place



Investment in the future of health care

mps

100% ownership

- Acquired the Cura packing business
- MPS supporting 50,000 aged care beds
- TGA approved facilities with the highest industry standards

NostraData

51% ownership

- Digital intelligence to support pharmacy
- Programs to support better patient care

MEMBER BENEFITS AUSTRALIA

51% ownership

- Recognition and Rewards program
- Structured program to reward members

DoctorsonDemand™ Online when you need them

15% stake with option to increase

- Telehealth solutions
- Supporting accessible care
- Inclinic Service rolled out

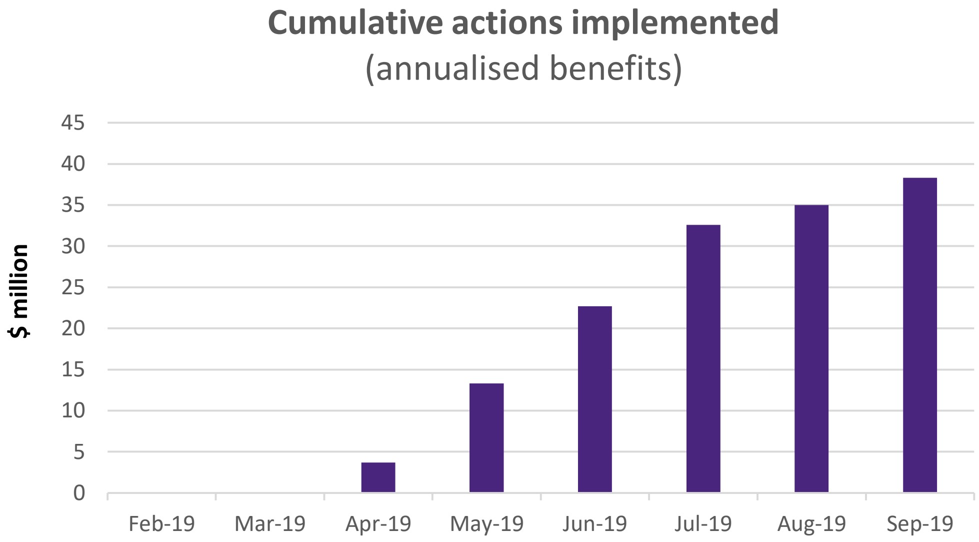
BTC health.

10% stake

- Specialty medicines
- Hospital connections
- Wholesaling

Project Pivot – Delivering on target

- On track to deliver $100+ million in efficiency gains, and to deliver 60% of annualised benefits by FY20
- Actions taken to 30 Sep 19 will result in over $38 million of annualised efficiency gains, up $5m since 1H19
- Minimal financial benefit in 1H20, with benefits to flow in 2H20 and ongoing
- CW transition effectively complete by 31 October
- Organisational realignment underway



MC/CW Transition 60% of efficiency gains

- DC network and logistics optimisation
- Labour reduction of approx. 500 (300 team members plus reduced pool of agency staff)

Operating efficiencies 30% of efficiency gains

- Range optimisation
- Organisational realignment
- Right sizing organisational functions
- Improved integration of acquired businesses

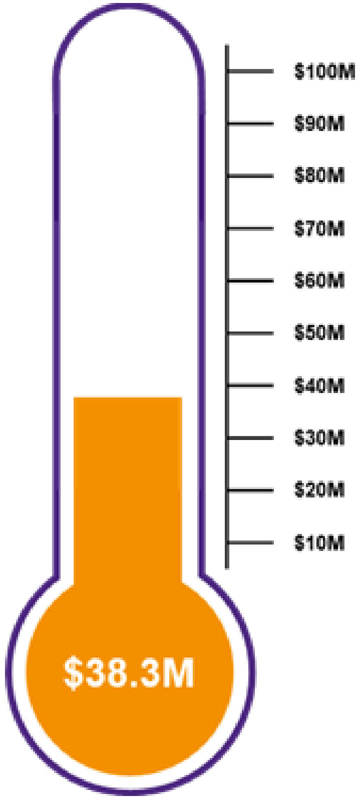
Smart spend programs 10% of efficiency gains

- Robust zero based budgeting and spend methodologies to be applied across all of Sigma's cost base
- Focus on addressable indirect procurement spend

Implementation will deliver

- Approx. 60% of annualised efficiency gains in Year 1 (FY20)
- Approx. 40% of annualised efficiency gain in Year 2 (FY21)

Project Pivot – Delivering on target continued

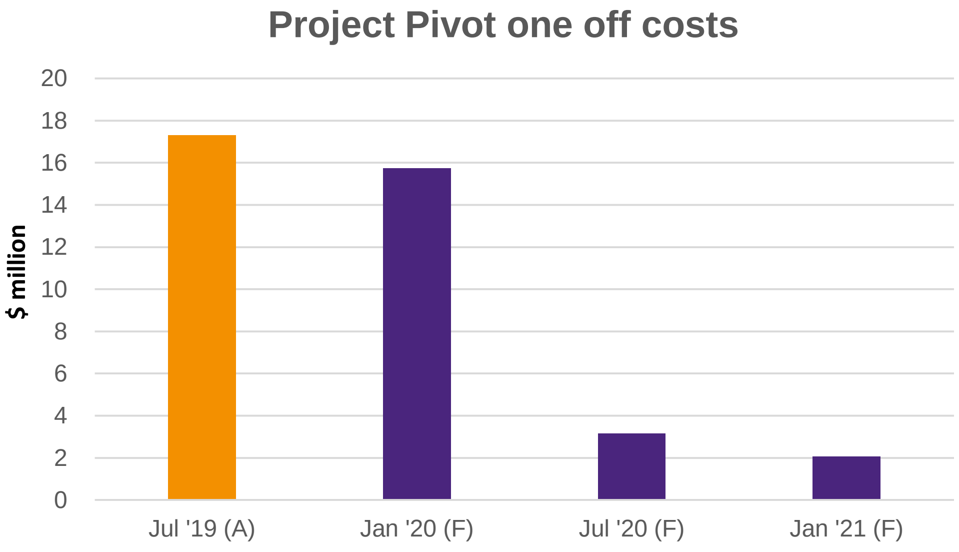


CW Transition to date:

- ***Scheduled medicine*** (circa $1.1bn net sales) - transitioned on 1 July 2019
- ***FMCG products*** (circa $0.7bn net sales) - transitioned in 5 tranches - April, May, July and September complete, with final tranche in October
- ***Inventory risk management*** - Robust processes established, including good collaboration with CW and suppliers
- ***Three regional DCs*** closed 31 August – Newcastle, Shepparton and Launceston
- ***Permanent and agency headcount*** in the DCs – year to date, around 85% of the 300 full time and 200 agency roles previously identified have been removed

Project Management support provided by EY to ensure transition risks are well managed and costs are efficiently and effectively removed.

One off Costs of Business Transformation



Project Pivot:

- One-off costs of $17.3 million incurred in 1H20
- Total one-off costs for Project Pivot now expected to be up to $40 million (previously $35 million) mainly reflecting higher redundancy costs and outplacement support services

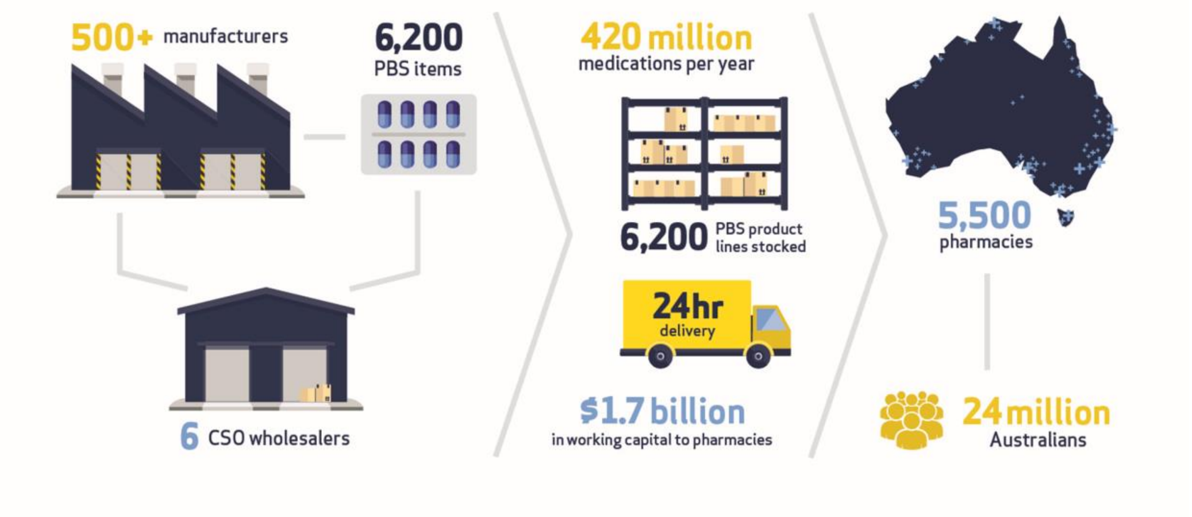
Other:

- Additional one off costs of up to $10 million likely to be incurred relating to the opening of new DCs

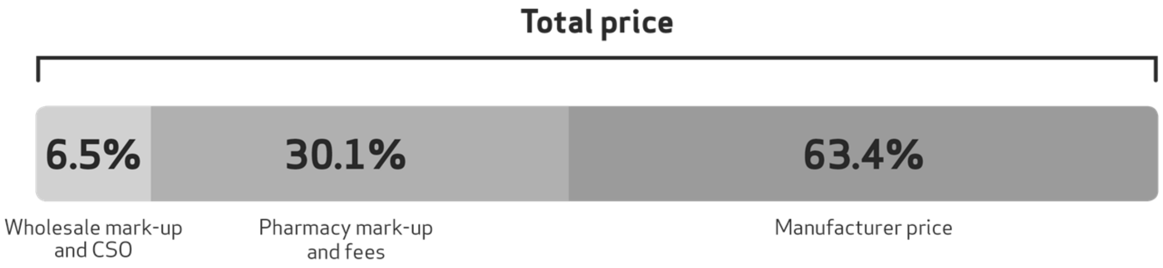
Regulatory environment

7CPA process

- Detailed financial modelling undertaken by LEK for the Industry body - NPSA *
- NPSA engaged with the Pharmacy Guild and Medicines Australia
- Separate voice at the negotiations with Department of Health
- Seeking sustainable funding model
- Government looking to finalise agreements by end CY19



CSO Wholesalers perform a critical and complex function, for just 6.5% of total PBS spend



* NPSA – National Pharmaceuticals Services Association, is the industry body representing full line CSO Wholesalers

Outlook

- Confident the total $100+ million annualised efficiency gains will be delivered from Project Pivot
- A slight lag in realising some benefits mainly due to ongoing support provided to CW through delayed transition
- As a result FY20 underlying EBITDA will be towards the low end of previous guidance ($55-$60m)
- Significant capacity for growth from an efficient DC network (including Hospitals and 3PL/4PL)
- Sales and brand member pipelines remain strong, with growth continuing YTD
- Expecting at least 10% pa Underlying EBITDA growth for the next 3 years

Thank you

Appendix 1

Reconciliation of reported and Underlying EBIT and EBITDA	31 July 2019 $000	31 July 2018 $000
Reported EBIT	**12,688**	25,320
Add: Reported depreciation and amortisation	**12,606**	6,199
Reported EBITDA	**25,294**	31,519
Add back:		
Restructuring and dual operating costs before tax	**18,635**	8,700
Litigation and due diligence costs / (benefits) before tax[1]	**(6,238)**	552
Impact of adoption of AASB 16 *Leases* before tax	**(5,767)**	-
Underlying EBITDA	**31,924**	40,771
Less: Reported depreciation and amortisation	**(12,606)**	(6,199)
Add: Depreciation of right-of-use assets (impact of adoption of AASB 16 *Leases*)	**4,658**	-
Underlying EBIT	**23,976**	34,572
Less: Non-controlling interests before interest and tax	**(682)**	(473)
Underlying EBIT attributable to owners of the company	**23,294**	34,099

Reconciliation of reported and Underlying NPAT	31 July 2019 $000	31 July 2018 $000
Reported NPAT attributable to owners of the company	**2,519**	13,397
Add back:		
Restructuring and dual operating costs after tax	**13,045**	6,090
Litigation and due diligence costs / (benefits) after tax[1]	**4,367**	386
Impact of adoption of AASB 16 *Leases* after tax	**12**	-
Underlying NPAT attributable to owners of the company	**11,209**	19,873

[1] This balance includes the receipt of a confidential legal settlement relating to a historical matter with a third party.

Appendix 2

ROIC Reconciliation - $'m	As at 31-Jul-15	As at 31-Jul-16	As at 31-Jul-17	As at 31-Jul-18	As at 31-Jul-19
Net Assets	550.1	551.0	532.9	501.2	494.6
Less Cash and cash equivalents	-45.6	-40.8	-23.2	-21.6	-123.5
Add back interest bearing liabilities	60.5	96.0	96.0	200.8	315.8
Adjusted for one off items including Capital Work in Progress	0.0	0.0	-61.8	-90.0	-158.3
Add Net Lease Liabilities (Recognised on adoption of AASB 16)	0.0	0.0	0.0	0.0	7.0
Capital employed	564.9	606.2	543.9	590.4	535.7
Rolling 12 months Underlying EBIT	86.1	96.2	87.7	80.2	65.3
Underlying ROIC	**15.2%**	**15.9%**	**16.1%**	**13.6%**	**12.2%**