

ASX Release

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Sigma business review identifies a strong future underpinned by over \$100m cost savings

Sigma Healthcare Limited (Sigma) today announced a strong outlook following completion of an extensive review of its operations which was announced previously. This review was initiated following the decision not to renew the supply contract with MyChemist/Chemist Warehouse (MC/CW) which expires in June 2019.

Highlights

- Business review identifies over \$100m per annum of cost savings
- FY19 Underlying EBIT guidance of around \$75m confirmed
- Expect to deliver FY20 Underlying EBITDA of \$55-\$60m
- The outlook incorporating the business review outcomes points to over 10% per annum Underlying EBITDA growth for FY21-FY23
- Expect minimal net debt from FY20 despite an extensive capital investment program and retention of a high dividend payout ratio

Sigma CEO and Managing Director Mark Hooper today announced the outcomes of a four-month business review that has identified significant cost savings.

Mr Hooper commented: "We are very encouraged by the outcomes of the review. As we announced in December, initial conclusions from Accenture suggested a material opportunity could be realised from restructuring the business. The program of work has now identified cost efficiencies over \$100 million per annum, which will be progressively be delivered over the next 18-24 months."

This was a far-reaching and structured review of all aspects of the business, from operating and fixed costs through to business re-engineering and expansion opportunities.

"FY20 will have its challenges given the uncertainty of the exact timing for the MC/CW business to fully exit and as we begin to implement the changes identified in the review. However, capturing the identified benefits from this program will see FY23 EBITDA return to a similar level as in FY19. Importantly, Sigma will be a more robust business that is fit for purpose, will have completed the investment in our Distribution network and IT systems, and will have minimal debt."

"Pleasingly, this outcome is achievable without assuming any upside from acquisitions," Mr Hooper said.

Sigma is in the process of appointing specialists to support management in executing the business plan to achieve the identified benefits.

API Proposal

In December 2018 Australian Pharmaceuticals Industries (API) announced it had acquired a substantial shareholding in Sigma and was proposing a merger transaction. Since that date, reciprocal high level due diligence has commenced, with further engagement pending the outcome of Sigma's transformation review.

Sigma Chairman, Mr Brian Jamieson, commented "We are open to continuing discussions on identifying potential merger opportunities, but this needs to be assessed in the context of what is in the best interests of Sigma shareholders."

"Importantly, independent of API's proposal, we have a clear vision of where we are heading as a standalone business and are committed to implementing the transformation program to capture the benefits for our shareholders."

Further Updates

Sigma will announce its FY2019 results on 21 March 2019 and will provide a further update at that time.

Contact:

Gary Woodford
Corporate Affairs Manager
Sigma Healthcare Limited
gary.woodford@sigmahealthcare.com.au
0417 399 204 | 03 9215 9632

Steve Dabkowski
Blue Dot Media
steve@bluedot.net.au
0419 880 486