

ASX Release

Issued 6 December 2021

Trading Update

Sigma Healthcare Limited (Sigma) has today updated its earnings guidance for the financial year ending 31 January 2022 (FY22). With 10 months of FY22 complete, Sigma now anticipates FY22 Underlying EBITDA to be down around 10% versus FY21. This follows the most recent update provided in September this year of 5% growth.

This update reflects a challenging second half of the financial year, which has been impacted by shorter-term operational issues resulting from the roll-out of our Enterprise Resource Planning (ERP), with Sigma switching to the live SAP environment on 29 August 2021. These issues were compounded further by the protracted COVID-19 impacts.

Interim Chief Financial Officer Jeff Sells commented: "A total ERP upgrade is a significant change management program for any company, and whilst we reached go-live on this project broadly on budget and on time through a pandemic, we have faced additional challenges in the context of completing implementation through the height of COVID-19 restrictions. Unfortunately, this has had some significant impacts on our customers, and we are rectifying these issues as quickly as possible."

The combination of these factors in the second half of FY22 have materially impacted sales and resulted in an unexpected increase in operating costs through the transition. One-off and non-operating costs are likely to be higher at around \$25-\$30 million. As a result of all these outcomes the peak net debt will be commensurately impacted.

Mr Sells commented: "We are confident the actions already taken and in progress will see the technical challenges with our ERP implementation largely confined to FY22. However, these issues have affected sales in FY22 which will flow through to FY23 sales, with the impact expected to abate as we progress through FY23."

Chairman Ray Gunston commented: "Notwithstanding this set-back, we remain confident in the future growth profile for Sigma, which was further underlined with the Sigma Board recently approving the extension to our new Victorian Distribution Centre in Truganina. This will see \$20m invested to double existing capacity to 40,000 square metres to accommodate the growth pipeline ahead. The extension is expected to be completed over the next 18-months."

"Sigma has undertaken an extensive transformation program over the past four years that puts the company on a strong footing for our incoming CEO Vikesh Ramsunder to execute our strategy, focussing on actions to accelerate our long-term growth and improve margins."

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“We remain focused on growing our core business, whilst continuing to build on business expansion opportunities across areas such as Hospital Services, Contract Logistics and medical devices and consumables, to leverage our strategic advantage across our automated DC network.” Mr Gunston concluded.

Sigma has also updated it’s reporting date and is now is expected to announce its FY22 results on Tuesday 29 March 2022.

This announcement is authorised by order of the Board.

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