

ASX Release

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Sigma at the last phase of investment cycle

Overview

Sigma Healthcare (Sigma) today announced an increase in Revenue for the year ending 31 January 2022 of 1.3% to \$3.4 billion, and a statutory net loss after tax of \$7.2 million.

The financial performance was impacted by costs incurred to strengthen the Sigma business for sustained growth and operational efficiency in the years ahead, including the commencement of operations at Sigma's new Truganina Distribution Centre (DC) in January 2022 and the new ERP system implemented in the second half of 2022. The result is in line with updated guidance provided on 3 March 2022.

	Statutory
Revenue	\$3.4b, up 1.3%
EBITDA	\$30.0m, down 56.3%
NPAT	(\$7.2m), down from \$43.5m profit in FY21

Incoming Sigma CEO and Managing Director Vikesh Ramsunder commented: "Sigma has navigated an extended period of transformation and investment that has resulted in world-class infrastructure to sustain and support business growth over the long-term. These investments have however disrupted our business and customers short-term. Our focus now is to overcome these challenges quickly, and to be obsessed with servicing our customers and winning back their trust, to simplify our business and to leverage our assets for growth."

Sigma has declared a final fully franked dividend of 1.0 cent per share, bringing the total dividend for the year to 2.0 cents per share fully franked.

Operational review

Sigma's wholesale operations experienced a contrasting period of two halves. Whilst revenue was up 5.5% in the first half, the second half bore the brunt of lost sales from our core customer base due to the challenges experienced during the ERP implementation and move to the new Truganina DC in Victoria.

The negative sales impact was cushioned by high volume growth in sales of Covid-19 Rapid Antigen Test kits in January 2022. This volume growth has extended into the early months of the new financial year, but current demand has slowed in line with lower rates of infection.

Mr Ramsunder said, "Our performance in Victoria, where we have a larger market presence, has been impacted the most resulting from the commencement of operations at our new Truganina DC and closure of our Rowville DC, as well as our people adjusting to a new IT system. The challenges were further exacerbated by Covid-19 interruptions. We have a dedicated team focused on fast-tracking our progress towards stabilising the operations by April and progressively optimising operations over the remainder of the year."

Following previous periods of sustained growth, including 1.9% growth in the first half, wholesale sales to our pharmacy brands were down 2.0% for the year, reflecting the second half disruption.

Sigma's Hospital business grew stronger than the market, with revenue up 5.6% during the year, overcoming headwinds from Covid-19 restrictions and the price impact of some high cost drugs coming off patent. Sigma currently has a 10% share of the hospital pharmacy distribution market.

"We have established a national presence in hospitals and 3PL contract logistics which moving forward will leverage Sigma's DC network across the country. This is a key enabler in pursuing opportunities to capture market share growth," Mr Ramsunder said.

The capital investment cycle over the last four years is ending with the expansion of the Truganina DC and building of a new DC to support our Tasmanian customers. This will collectively see around \$40 - \$45m invested in FY23, with capital expenditure to then return to more normal operating levels of \$5m to \$10m per annum.

Outlook

Against a backdrop of entering the final stage of our investment cycle, progressively stabilising and optimising our operations, and a strategic review of the business, Sigma is not providing specific guidance for FY23 at this stage, but expects to return to profit.

Mr Ramsunder concluded: "We are entering a year where the disruption will progressively wane, and the investments already made in world-class infrastructure can begin to be optimised. With eight weeks at Sigma now behind me, I will work with my team to sharpen our strategic focus and operational execution to prepare the business for growth that is built on a platform of delivering exceptional customer service, ultimately leading to strong shareholder returns. I look forward to updating the market on our strategy at the next results presentation."

The final dividend is payable on 21 April 2022, with an ex-dividend date of 6 April 2022 and a record date of 7 April 2022.

A results briefing will be held at 10.00am AEDT. For webcast details, please visit the Investor Centre located at www.sigmahealthcare.com.au.

This announcement is authorised by order of the Board.

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