



## Sigma Healthcare 2021 AGM Report

ASX Code	SIG
Meeting Time/Date	11am, Wednesday 12 May 2021
Type of Meeting	Virtual
Monitor	Frank Thompson assisted by Mike Robey
Pre-AGM Meeting?	Yes, with Chair Ray Gunston and Christine Bartlett

## Emotional end of the Hooper era

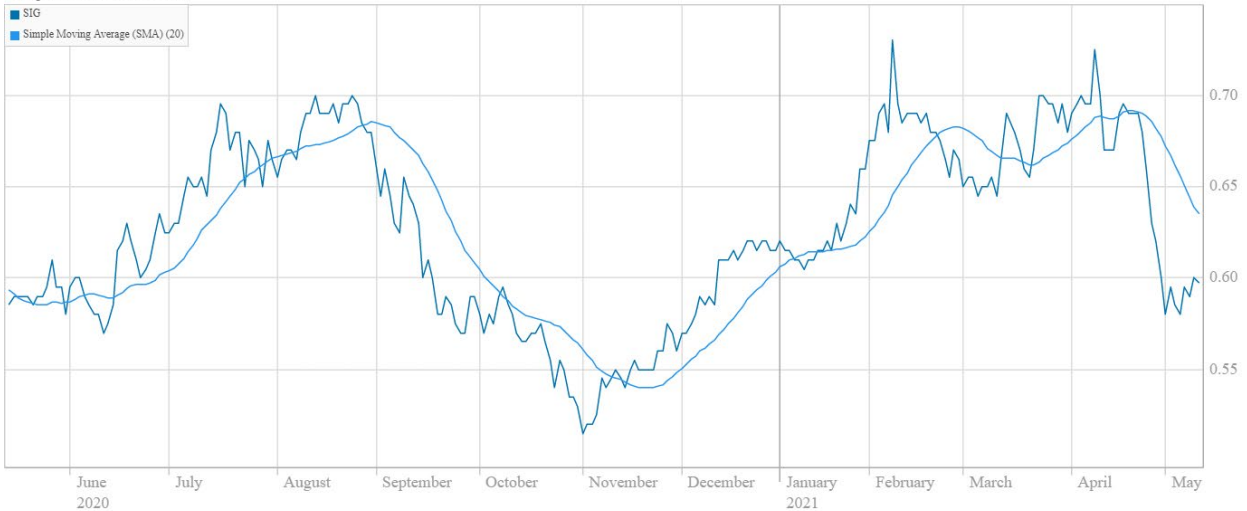
### What the Company Does

Sigma is in large part a distributor of pharmaceuticals throughout the country, mostly paid for by the Federal Pharmaceutical Benefits Scheme. In addition, due to squeezing of the legislated margins in this business, they are diversifying into adjacencies, such as packaging of daily drugs into pre-packaged doses, some healthcare daily needs such as masks, sanitiser etc and

### Developments in the Financial Year

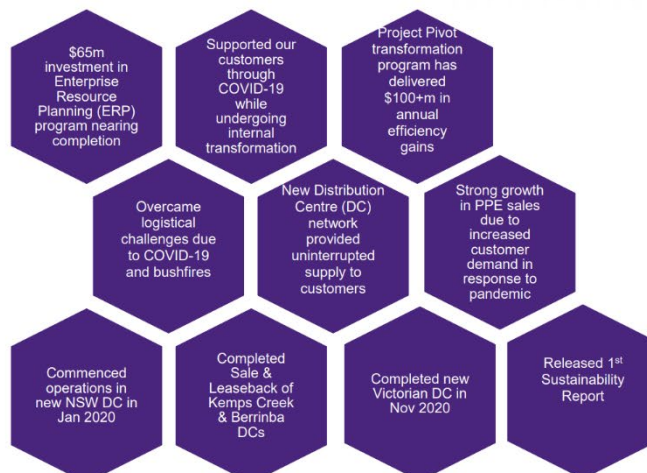
The chart shows the share price response to the resignation of the CEO Mr Hooper in late April and the graphic gives a snapshot of the year.

Chart generated on 12/5/2021 at 11:24 am



## FY 2021 At a Glance

Sigma has focused on transforming our business, upgrading our infrastructure, improving our operating performance, supporting our customers and the community, and enhancing our culture. We can now grow our business with confidence that we have the infrastructure to support it.



## Year on year Financials were healthy:

	31 January 2021	31 January 2020
	\$'000	\$'000
<b>Reported EBIT</b>	<b>63,210</b>	(3,058)
Add: Reported depreciation and amortisation	30,988	27,258
<b>Reported EBITDA</b>	<b>94,198</b>	24,200
<i>Add back:</i>		
Restructuring, transformation and dual operating costs before tax	14,716	39,662
Due diligence, integration and litigation costs/(benefit) before tax	3,687	(4,261)
(Gain)/loss on sale of assets before tax	(29,444)	-
<b>Underlying EBITDA</b>	<b>83,157</b>	59,601
Less: Reported depreciation and amortisation	(30,988)	(27,258)
<b>Underlying EBIT</b>	<b>52,169</b>	32,343
Less: Non-controlling interests before interest and tax	(2,096)	(1,372)
<b>Underlying EBIT attributable to owners of the Company</b>	<b>50,073</b>	30,971
<b>Reported NPAT attributable to owners of the Company</b>	<b>59,761</b>	(12,330)
<i>Add back:</i>		
Restructuring, transformation and dual operating costs after tax	10,301	27,763
Due diligence, integration and litigation costs/(benefit) after tax	2,581	(2,983)
(Gain)/loss on sale of assets after tax	(43,558)	-
<b>Underlying NPAT attributable to owners of the Company</b>	<b>29,085</b>	12,450

## Summary of Historical ASA Issues with the Company

The ASA voted against the remuneration report last year on three grounds. There was a generous retention bonus paid to the CEO, a cliff vesting structure (all or nothing) for the use of the quantum of return on capital (ROCI) in assessing the Long-Term Incentive. In addition, the pay level of the CEO had not been re-benchmarked for two years, in which time the market value of Sigma had tumbled. These were all addressed in the revised remuneration structure.

## Debate and Voting at the AGM

The AGM was a quiet affair which was made extraordinary in that in his resignation speech, the CEO Mr Hooper became quite emotional when recounting his 11 years with Sigma, underlining his commitment to and love of the business. Even over the virtual platform with no visuals it was an authentic touching moment. Questions were largely from the ASA, concerning the remuneration of Mr Hooper's replacement (currently well above the peer group levels) and the plan for payment of the deferred portion of his Short-term Incentive (deferred for 12 months, but not fully served).

All the resolutions in the Notice of Meeting were passed with 95% + votes. Two resolutions were withdrawn, one being the potential spill motion in the event of a second remuneration strike and the second dealing with the CEO's performance share issue in 2021, now redundant due to his resignation. The changes to the remuneration structure followed the advice from both us and the large Proxy advisors and led to 95%+ vote in favour, easily avoiding a second strike.

## Outlook Statements from the Company

Sigma is in the final stages of its major infrastructure investment program across its distribution network. Early in the year operations commenced at the new distribution centre at Kemps Creek (NSW), and at year end the new site in Truganina (VIC) is well advanced, already servicing hospitals and contract logistics customers. This investment provides the Group with the most modern automated picking systems available in the healthcare industry.

To support the network infrastructure, people and emerging businesses, the group is investing in its IT systems across the business to be completed in the fourth quarter of calendar 2021. This will improve efficiency and productivity through standardised business processes, reduced operating costs, enhance customer satisfaction through improved accuracy and task speed, and improved team member satisfaction.

Finally, a new Customer Relationship Management (CRM) system was deployed in March 2020 following a six-month project to consolidate the Group's various existing CRM platforms into one enterprise-wide instance of Salesforce. This provides a single, shared view of our customers, which create opportunities for us to build better relationships, improving loyalty and customer retention.

In summary this will improve customer retention and acquisition, improve profitability, and provide opportunities for business expansion.

## Meeting Statistics

Number of Holdings Represented by ASA	58
Number of Shares represented by ASA	2.259m
Value of Shares represented by ASA	\$1.34 m
Number Attending Meeting	unknown
Market capitalisation	\$636m
Were proxies voted?	Yes, on a poll

## Monitor Shareholding

*The individuals involved in the preparation of this report have a shareholding in this company.*

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