



Sigma Healthcare 2022 AGM Report

ASX Code	SIG
Meeting Time/Date	11am, Thursday 17 May 2022
Type of Meeting	Virtual
Monitor	Frank Thompson
Pre AGM Meeting?	Yes, with Chair Raymond Gunston, Beth Knight (HR) and Gary Woodford (Corporate Affairs)

World Class Systems In – Positive Outlook

What the Company Does

Sigma is mainly a distributor of pharmaceuticals throughout the country, mostly paid for under 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 warehousing for other companies

Developments in the Financial Year

During the year the company largely finished a 5-year development of its warehousing and distribution system with some expansion in Melbourne to be finalised and a final development in Tasmania to be implemented. It also saw the troubled installation of a new computer system which impacted customers with some resultant loss of business. Additionally, a new CEO was appointed to steer the business into the future. The chair now feels that all the levers are in place to turn around the last 5 years of serious lows, and reductions in total shareholder return, as demonstrated by the following chart.

Item	Financial Year ending 31 January				
	FY22	FY21	FY20	FY19	FY18
12 months ended 31 January					
Share Price \$	0.468	0.624	0.586	0.577	0.904
Div. paid (cps)	2.00	n/a	3.00	4.00	5.50
TSR (%)	-20.40	6.50	9.10	-29.90	-21.22
Pre-Tax ROIC (%)	0.40	10.10	7.10	12.20	16.30
EBIT (\$m)	2.30	50.10	29.10	76.20	83.70
NPAT (\$m)	-6.30	29.10	13.50	45.70	55.00

This has resulted in a near low historical share price.

Debate and Voting at the AGM

The AGM was a relatively quiet meeting and firmly controlled by the chair. Few questions were asked. Two questions were raised by the ASA:

1. The past 5 years has seen significant negative TSR. The share price is near a 5-year low. Sigma is almost certainly facing a strong competitor with the acquisition of API by Wesfarmers. Please explain how Sigma will now deal with this new competitive environment and turn around, in the short and long term, this extremely poor performance.
2. There were problems with the implementation of the new computer system with a flow through to customer service with loss of some business. Please quantify this loss, has the loss how it has been recovered and what is the ongoing effect of what must have been a loss of customer confidence in Sigma.

To one the chair responded that the warehousing upgrades and the recent employment of the new CEO with the appropriate skills and experience placed Sigma in a very competitive position and would result in significant improvements in financial performance.

To two he responded that that whilst there were serious implementation problems these had now been rectified and customers had remained loyal. Whilst there had been a short-term loss of business this would not affect the longer term.

Again, this year there were significant improvements in the remuneration report with clear and quantifiable STI and LTI targets. There was evidence of incentives not being paid when targets were not met. All non-executive directors (except the chair) also took remuneration reductions.

All motions were passed with strong majorities. The ASA voted against the re appointment of Mr Michael Sammells on the basis that as chair of the Risk Management and Audit Committee he did not ensure the necessary steps were taken for the smooth implementation of the new computer system.

Outlook Statements from the Company

With the near completion of warehousing, distribution and computer system upgrades the chair now feels that Sigma has world class systems in place which now place it in a very competitive position. It was indicated that with these 5 years of development behind them and the appointment of a new highly skilled and experienced CEO they are able to grow the business, meet and exceed customer expectations and deliver far better shareholder returns.

Meeting Statistics

Number of Holdings Represented by ASA	48
Number of Shares represented by ASA	1,845,800
Value of Shares represented by ASA	\$0.87 m
Number Attending Meeting	Unknown, virtual
Market capitalisation	\$500m
Were proxies voted?	Yes, on a poll

Monitor Shareholding

The individual involved in the preparation of this report has a shareholding in this company.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.