



<b>Company</b>	Australian Pharmaceutical Industries
<b>Code</b>	API
<b>Meeting</b>	AGM
<b>Date</b>	23 January 2019
<b>Venue</b>	Rydges Parramatta
<b>Monitor</b>	Ian Currie (AGM attended by Pamela Murray-Jones and Roger Ashley)

<b>Number attendees at meeting</b>	39 shareholders, and 31 others
<b>Number of holdings represented by ASA</b>	30
<b>Value of proxies</b>	\$1,107,000
<b>Number of shares represented by ASA</b>	598,209
<b>Market capitalisation</b>	\$726.5m
<b>Were proxies voted?</b>	Yes, on a poll
<b>Pre AGM Meeting?</b>	Yes, with chair Mark Smith

## The Sigma question: will the whole be greater than the sum of the parts?

The API AGM was in many ways a bizarre affair mirroring the uneasy marriage between the old and new API.

Shareholders were treated to little pink cardboard handbags containing pink and silver Priceline gift cards, delighting the few women in the audience and leaving some of the older chaps bemused. And while Chair Mark Smith gave an upbeat presentation talking up the Clear Skincare Clinics acquisition and the Priceline Sisterhood loyalty program and foundation (“Help us help women”) director Robert Millner looked like the ghost of times past, harking back to the 1980s to support his re-election to board.

API is in desperate need of an injection to improve its cash flow. The pharmaceutical wholesaling business is not enough to keep it afloat; its beauty retail business is under pressure, and diversification is its only chance of growing the business. Consequently, shareholders queried whether merging with Sigma, an ailing pharmaceutical wholesaling business, will deliver the promised cure of \$60m savings in operations, and if the offer API is making is far too generous

given Sigma's fall in share price over the past months. The answer to all questions re the merger was, "We are yet to do the due diligence."

Nonetheless, overall discussions were cordial - even when one disgruntled shareholder gave Mark Smith a serve on the lack of solid information in the Annual Report – until it came to the vote for Millner's re-election. The question (from one old bloke to another) was whether Mr Millner was not only over-stretched in terms of work load but whether the board could do with some new blood. Millner's response was decidedly tetchy accusing both the shareholder and ASA of "not doing your homework," pointing out he had a far heavier work load in the 1980s and disregarding that duties and expectations of directors at that time were far less than they are now. (Not to mention he has been on this board for nearly 19 years and is on the Nominations Committee.)

Millner's outburst only served to cast doubt on his suitability for the board of a company striving to adapt to a changing market and the female economy. (The vote against his re-election was 36.79%.) After the meeting, I put the question of board renewal to Lee Ausburn, Chair of the Nominations Committee. She acknowledged that it was on the agenda to look for suitable women to take up vacancies, but that had been put on hold until after the Sigma merger.

It seems shareholders may need to take a chill pill while they watch and wait.

All resolutions were carried.

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