



<b>Company</b>	Sigma Healthcare
<b>Code</b>	SIG
<b>Meeting</b>	AGM
<b>Date</b>	15 May 2019
<b>Venue</b>	The Event Centre 727 Collins St Melbourne
<b>Monitor</b>	Mike Robey

<b>Number attendees at meeting</b>	108 of which 78 were shareholders
<b>Number of holdings represented by ASA</b>	78
<b>Value of proxies</b>	\$1.24m
<b>Number of shares represented by ASA</b>	2.3m (equivalent to 16th largest holder)
<b>Market capitalisation</b>	\$572m
<b>Were proxies voted?</b>	Yes, on a poll
<b>Pre AGM Meeting?</b>	Yes, with chair Brian Jamieson, Director David Bayes and IR Executive Gary Woodford

### New premises, new start

The tone for the AGM was set by a noisy National Union of Workers (NUW) demonstration outside The Event Centre at which it was held. This was in large part due to the layoffs in the older distribution centres, in particular in WA. The presentations from [the Chair](#) and [CEO](#) are available on the Sigma website.

The main thrust of the meeting is that Sigma has now faced down some significant business threats and is now on the way to rebuilding the business. These threats were: the loss of their major customer (45% of sales), the failed takeover bid by a competitor as well as the continued downward pressure on margins for distribution of pharmaceuticals on the Government sponsored PBS scheme. Their response was that they would continue to focus on the consolidation of warehousing for greater efficiency under the banner of the Project Pivot, which is about building new state-of-the-art warehouses with the latest automation and scale advantages to drive down costs. This drew a number of questions from the Union representing the displaced workers, the NUW, on the matters of redundancy and casualisation of the workforce. The Chair and CEO responses were that reduction in staff numbers was an inevitable consequence of the loss of their

major customer and the need to improve costs. In addition, in the more turbulent periods it was not appropriate to employ permanent staff, when they may face redundancy shortly after. The meeting was held up for a short while by one protestor filming the NUW questioner on his mobile and he was eventually forcibly evicted. Other non-ASA questions were directed to the relatively poor financial results and ranged from demands to sack the Executive, to open questions about what the future held for Sigma (Response: when Project Pivot delivers on its cost savings it will put Sigma in a better position to go forward, which should be reflected in a better share price).

Our contribution was to point out that our members had retained Sigma shares (the proxies were virtually unchanged year-on-year) on the expectation in part that Project Pivot would deliver the \$100m in savings, that the Executive had shown some backbone by rejecting the predatory takeover by API, and the ruinous contract conditions demanded by the Chemist Warehouse when acceding to these would have personally financially benefited them. We commented that this was the reason we like Executives and Boards to have skin in the game, so they make decisions in the interests of all shareholders. We did however expect the bad news to end here and that Pivot would deliver a lower cost base and improvement in shareholder outcomes. Other questions were about the quantum of remuneration for both Executive and Board, which we would expect to drop, now that Sigma is a smaller business (response: we will review every year as we normally do), what plans for the extra warehouse shelf capacity when the Chemist Warehouse contract finishes in July (response: Sigma is actively investigating third party warehousing opportunities, some of which include value adds, such as billing, picking and packing etc).

The remuneration report received a high negative vote of 18% largely driven by one proxy collector, Ownership Matters. This was a little surprising since no short-term incentives have been paid for two years since the benchmarks for total shareholder return were not met, so Sigma has followed its plan guidelines carefully.

The Chair, Mr Jamieson, who was seeking re-election, declared that he intended to step down within a year and was staying on that long only in order to maintain business stability. Both he and the other director seeking re-election, Mr David Manuel, were re-elected with 98% plus in favour.

[The remuneration report and the re-election of the two directors were the only resolutions on the notice of meeting for a vote](#) the Sigma share price was up about 2% on the day but retreated in the following day.