



**SIGMA**





# **Sigma Pharmaceuticals Limited**

## **Annual General Meeting**

**11.00am 8 June 2011**

**ANZ Pavilion, Victorian Arts Centre, Melbourne**

# **Chairman's Address**

**Mr Brian Jamieson**

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# New Board/Management Scorecard

Objective	Result	Comment
Debt reduction	✓	Net Debt minimal after repayment of around \$680 million
Decrease Working Capital	✓	Days Sales Outstanding reduced by 15 days
Increase profitability	✓	Continuing business FY11 underlying divisional EBIT 12% increase year on year

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# **Managing Director and CEO's Address**

**Mr Mark Hooper**

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## Use of Pharma Sale Proceeds

<b>Net Proceeds from Sale</b>	<b>\$844m</b>
– Repayment Syndicated Debt	\$325m
– Repayment Sigma Rewards Debt	\$358m
– Payment Special Dividend	\$176m

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## FY11 Continuing Business Reported Profit

Reported		
A\$m	FY2011	FY2010*
Revenue	2914.3	2733.8
<b>Reported EBIT</b>	<b>-9.1</b>	<b>-178.9</b>
Net Financing Costs	-78.7	-72.1
Tax Benefit	14.8	3.8
<b>NPAT</b>	<b>-73.1</b>	<b>-247.3</b>

- Non recurring items amounted to \$80 million (pre tax) and included:
  - goodwill impairment
  - doubtful debts
  - restructuring
- Net financing charges reflect full year of debt pre the \$844m sale proceeds

- \* FY2010 figures have been adjusted to reflect:
- Reclassification of some revenue streams and Retail income previously shown as part of the Pharma results
  - Restatement of a number of inventory and promotional transactions

## Continuing Business Underlying Profit

All figures \$m	Healthcare	Corporate	Continuing Business
Reported EBIT	12.1	-21.2	-9.1
<b>Reclassified Items</b>	-9.0	-15.2	-24.2
<b>Non Recurring Items</b>			
Impairment - goodwill	38.3		38.3
Provision for doubtful debts	20.2		20.2
Rationalisation and restructuring	6.1	0.6	6.7
Professional fees		9.8	9.8
Other	3.6	1.4	5.0
<b>Total</b>	<b>68.2</b>	<b>11.8</b>	<b>80.0</b>
<b>Underlying for Continuing Businesses</b>	<b>71.3</b>	<b>-24.6</b>	<b>46.7</b>

- Adjust Reported Group EBIT of \$9.1 million for reclassified items and one-off expenses
- Underlying Group EBIT of \$46.7 million
- Corporate Costs include all Group IT charges
- Equates to a Group ROIC on underlying earnings of 7.3%

## Healthcare Division (pre Corporate Costs) Comparison vs FY10

Underlying Continuing Healthcare			
A\$m	FY2011	FY2010	change
Sales Revenue	<b>2914.3</b>	2733.8	6.6%
Reported EBIT	<b>12.1</b>	-169.5	
Impact Non Recurring / Reclassified Items	<b>59.2</b>	233.1	
<b>Underlying EBIT</b>	<b>71.3</b>	63.6	12.1%
<b>Divisional EBIT Margin</b>	<b>2.45%</b>	2.33%	⬆️12bp

- Revenue growth up 6.6% year on year
- Underlying EBIT up by 12.1%
- Margin expansion

Working Capital \$m	As at 31 Jan 2011	As at 31 Jan 2010
Receivables	641	752
Inventories	226	230
Payables	(251)	314
Total Working Capital	616	668
<b>Debtor Days</b>	<b>77</b>	<b>93</b>
Days Inventory Outstanding	31	33
Days Payable Outstanding	34	43

- Working capital is now the key component of Sigma's balance sheet
- Objective will be to improve all areas with main focus on customer payment terms
- Some improvements have already been agreed and will feed in gradually as extended payment terms unwind

## Financial model

- ROIC and profitable growth are drivers

## Investment

- IT and business systems
- Warehouses

## Retail Pharmacy Brands

- Opportunity in Private Label products
- Introduce Health Management support services
- Develop supplier relationships

## Staff

- Key to 're-invigorating' Sigma and creating culture of innovation and high performance



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# **Remuneration Report**

**Mr David Bayes**

**Chairman of Remuneration and**

**Nomination Committee**

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- Aggregate fee maximum to remain at \$1.1m as set at the 2007 AGM
- No increase to fees during 2010/11 - no increase for 3<sup>rd</sup> consecutive year

### **Non-Executive Fee Structure - effective 1<sup>st</sup> July 2011:**

Chairman - \$265,000

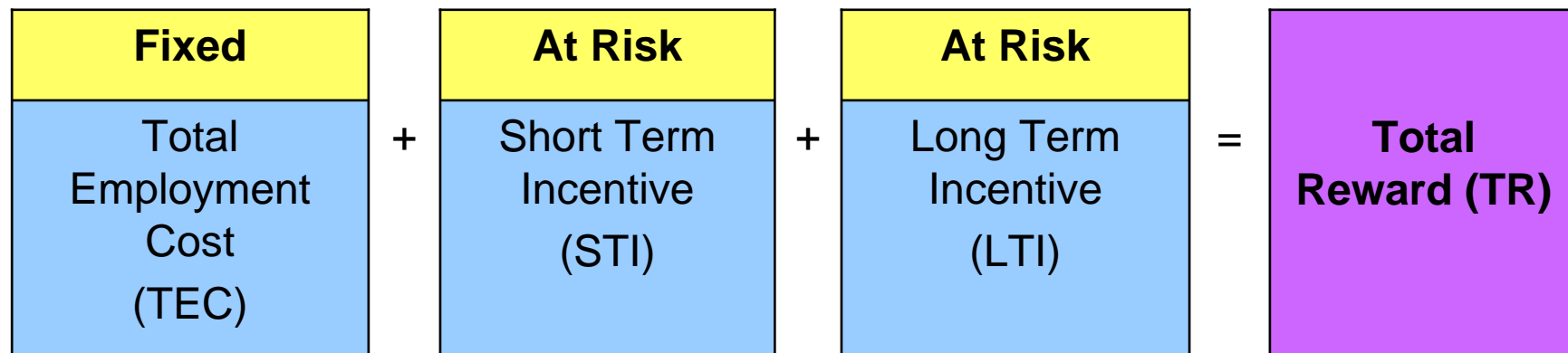
Non-Executive Director - \$100,000

Chairman Risk Management & Audit Committee - \$56,000

Member Risk Management & Audit Committee - \$28,000

Chairman Remuneration & Nomination Committee - \$34,000

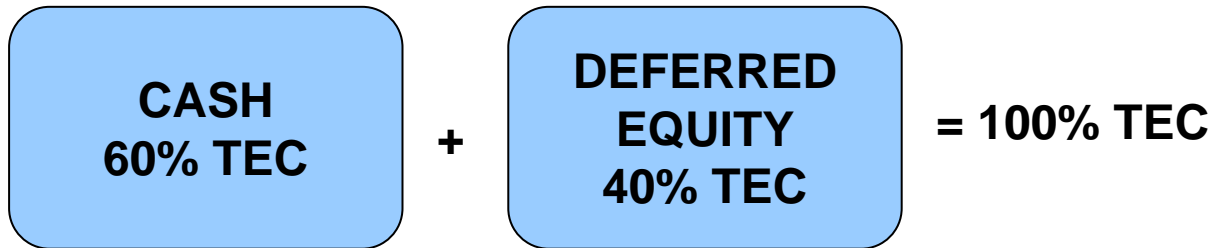
Member Remuneration & Nomination Committee - \$17,000



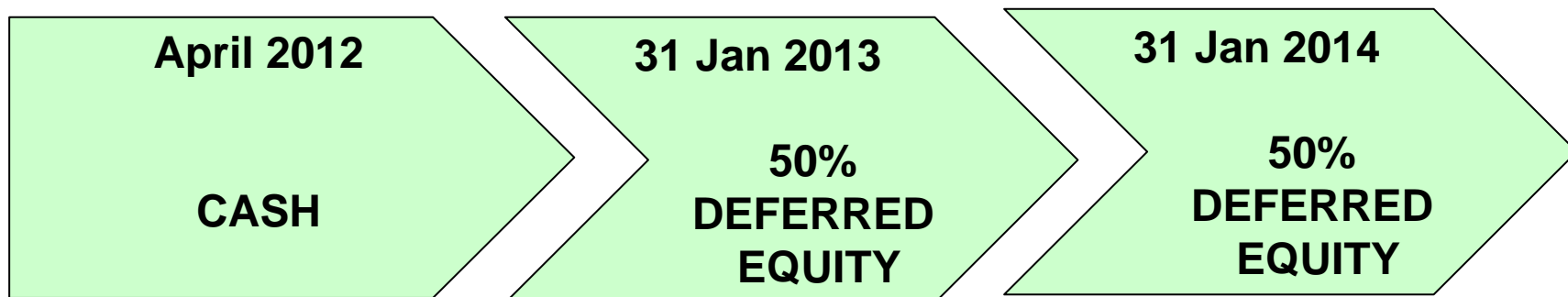
- TEC = Cash Salary
- STI = Annual Incentive
- LTI = 3 Year Equity Incentive

# 2011/12 CEO Short Term Incentive

## CEO Maximum STI Reward:



## Payment Schedule for 2011/12 Plan



# 2011/12 Long Term Incentive

- Loan Funded Share Plan - enhanced Management focus on increasing share price via improved TSR & ROIC
- Participants only benefit if the share price grows
- 3 year vesting period
- 2 performance conditions:
  - 1. TSR - 50% or more over the 3 years
  - 2. ROIC - average of 11% or more over the 3 years

# Group Remuneration Strategy

- Executives are motivated to reinvigorate our Company and deliver outstanding performance for Shareholders
- Performance hurdles used in both the Long Term and Short Term Incentive Plans are consistent with our approach of delivering Shareholder value
- Designed to Attract and Retain high calibre Executives to drive our strategic objectives

## Resolution 3

To adopt the Remuneration Report

590,453,234 valid available proxies received comprising:

For:	564,224,304
Open:	8,924,118
Against:	17,304,812

## Resolution 4.1

To elect Mr Raymond Gunston as a Director

590,663,942 valid available proxies received comprising:

For:	564,529,029
Open:	8,442,315
Against:	17,692,598

## Resolution 4.2

To re-elect Mr David Bayes as a Director

590,507,494 valid available proxies received comprising:

For:	562,513,007
Open:	8,389,807
Against:	19,604,680

## Resolution 5.1

Approve the Executive LTIP

590,173,624 valid available proxies received comprising:

For:	537,959,540
Open:	8,715,763
Against:	43,498,321

## Resolution 6.1

Approve the issue of Sign On Incentive Rights

591,457,014 valid available proxies received comprising:

For:	556,769,784
Open:	7,881,625
Against:	28,805,605

## Resolution 6.2

Approve the issue of STIP Performance Rights

591,674,719 available proxies received comprising:

For:	556,371,022
Open:	7,911,418
Against:	27,392,279

## Resolution 6.3

Approve the issue of LTIP Shares

590,348,687 available proxies received comprising:

For:	535,976,704
Open:	7,917,384
Against:	46,454,599

## Resolution 6.4

Approve the issue of STIP Performance Rights on Accelerated Event

591,527,205 available proxies received comprising:

For:	555,537,788
Open:	7,867,084
Against:	28,122,333



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