

# ASX Release

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## Chairman's address

Good afternoon. My name is Michael Sammells and as Chairman of the Board of Sigma Healthcare Limited, I would like to welcome you to today's AGM meeting, including those joining us online in this hybrid meeting.

I wish to begin by acknowledging the Wurundjeri people of the Kulin nation, the traditional custodians of the land on where we are gathered today. We pay our respects to their Elders: past, present and emerging.

I formally declare the 2024 Annual General Meeting of Sigma Healthcare open. All presentations and a recording of today's meeting will be available on our website for later viewing.

Voting in today's meeting will be conducted by a poll. All polls will remain open until the conclusion of today's meeting. As we move through the items of business, I will respond to questions from shareholders and proxies. As this is a hybrid meeting, we will provide opportunities for questions from those in the room and online. For those participating online, the instructions on how to ask a question are in the details provided in the online guide which was provided to shareholders and is on our website.

Before we proceed, I would like to introduce the members of the Sigma Board and management who are present today:

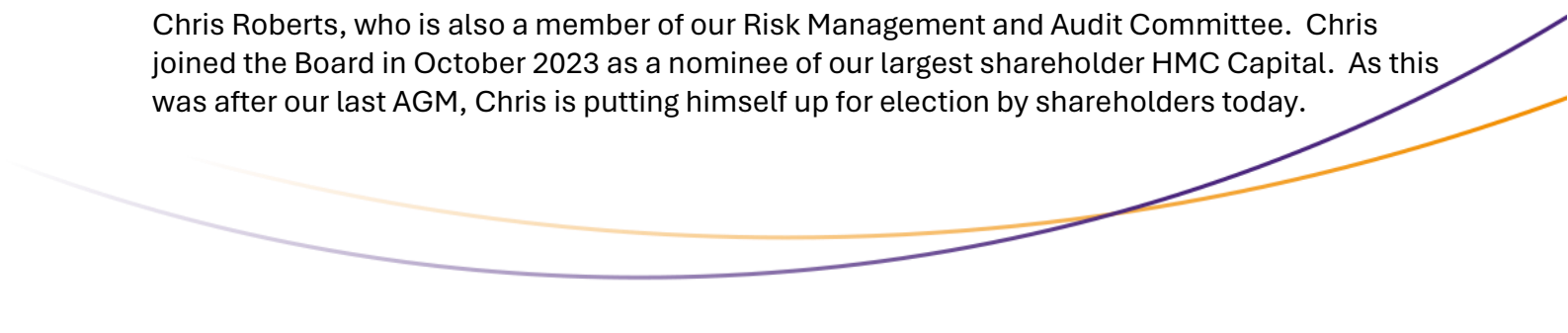
Starting from your left

Annette Carey, who joined the Board in April 2023 and is a member of the Nomination and Remuneration Committee.

Neville Mitchell, who joined the Board in February 2023 and became Chair of our Risk Management and Audit Committee in April 2023.

Kate Spargo, who is the Chair of the Nomination and Remuneration Committee and a member of the Risk Management and Audit Committee.

Chris Roberts, who is also a member of our Risk Management and Audit Committee. Chris joined the Board in October 2023 as a nominee of our largest shareholder HMC Capital. As this was after our last AGM, Chris is putting himself up for election by shareholders today.



Vikesh Ramsunder, our Managing Director and Chief Executive Officer who you will hear from shortly.

Kara McGowan, who is our General Counsel & Company Secretary.

We are also joined by our Senior Executives who will be available to chat with Shareholders at the conclusion of the meeting, as well as representatives from the company's auditors, Deloitte, and our share registrars Link Market services.

## **Order of Business**

Turning to the order of business. We have five items of business today as outlined in our Notice of Meeting, being:

- The Chairman and CEO addresses,
- The Financial Statements and Reports,
- The Remuneration Report,
- The Re-election of Directors, and
- The Remuneration Arrangements for the Managing Director and Chief Executive Officer.

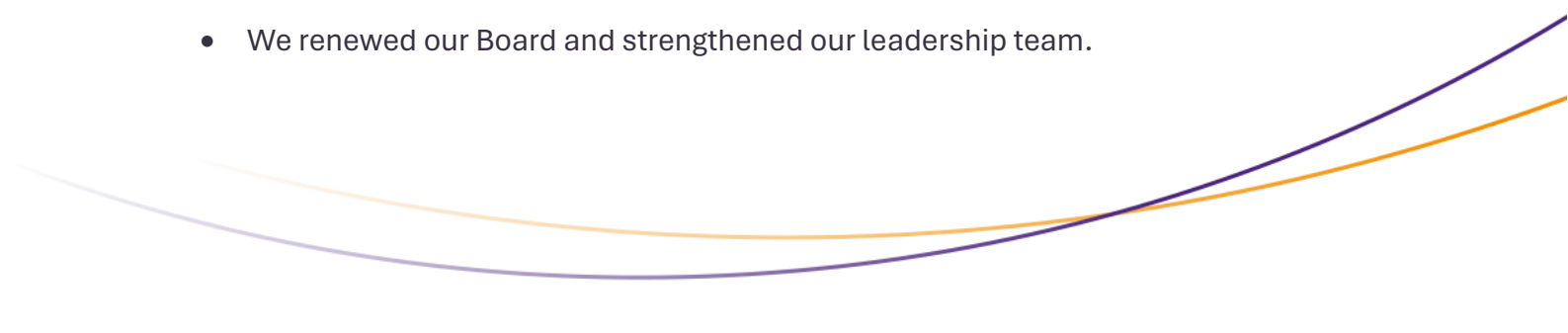
The first item of business is effectively an overview of the past twelve months and a general business update, which I will cover now before introducing Vikesh.

## **FY2024 at a glance**

Let me start with some high-level remarks regarding where we are at with executing our strategy.

For some time now Sigma has voiced our strategic objective of building a more sustainable and robust business with diversified earnings. We have completed our major infrastructure build and replaced our systems to provide the foundations for the business. And now, subject to approvals, we are on the cusp of delivering the most transformational transaction in our proud history that will deliver against each of our strategic objectives. We have never been more advanced.

Focusing on the last 12 months, we have delivered sustained improvement and significant strategic achievements that can fundamentally transform Sigma for the long term. Most notably:

- We strengthened our core operating business, improved our efficiencies and expanded our growth opportunities. Vikesh will talk to this shortly.
  - We renewed our Board and strengthened our leadership team.
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- We secured the 5-year supply agreement with Chemist Warehouse which will commence from 1 July this year.
- On December 11 2023 we announced the Chemist Warehouse merger proposal.
- And in January we completed the \$400m equity raising which was well supported by the market.

Securing the Chemist Warehouse supply contract was an important achievement in securing volume that will help improve utilization and returns from our technology and distribution centre investments.

Clearly the proposed merger with Chemist Warehouse, which is subject to ACCC approval, provides the biggest transformational opportunity in the long and proud history of Sigma.

If the merger is completed, it will create a full-service wholesaler, distributor and retail pharmacy franchisor. Whilst this model already exists in Australia and internationally, it has the potential to accelerate our strategic direction by bringing together two complementary businesses with complementary core strengths.

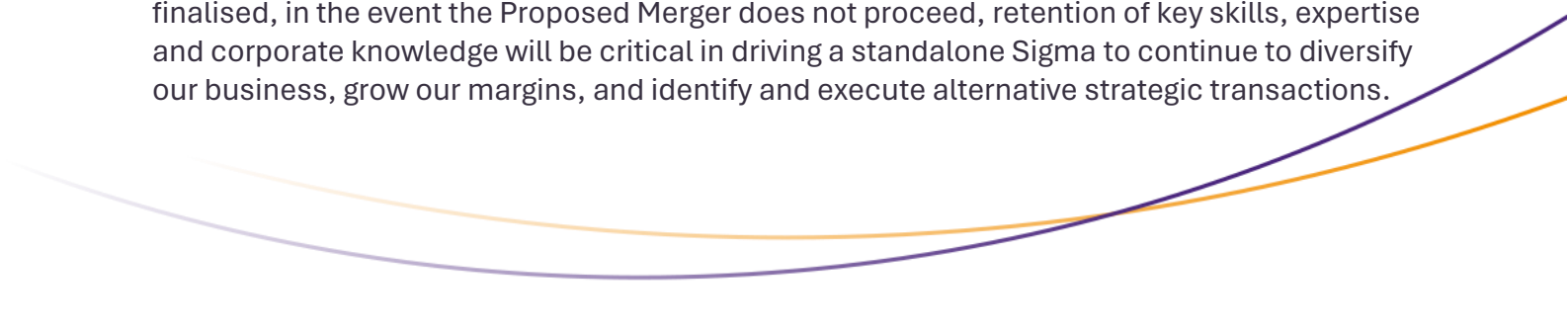
Sigma has world-class distribution infrastructure and capability that is delivering best in class service to pharmacies across Australia every day. Chemist Warehouse meanwhile has unparalleled pharmacy franchise and marketing know-how and expertise.

The work completed to date has identified \$60 million of potential cost synergies once the transaction is executed, creating further value for shareholders.

The proposed merger remains subject to ACCC approval, a process that we are fully supporting and co-operating with. The ACCC have undertaken their market enquiries phase, and on their website have identified June 13 this year as the provisional date for the announcement of their findings, which may be a final decision or a statement of issues. Whilst timing remains unclear, we are hopeful of a positive decision in the second half of this calendar year, which will then be followed by a shareholder approval process that is expected to take around 3 months.

It is this timing and completion uncertainty, combined with the unique nature of the merger transaction, that led the Board to implement certain remuneration arrangements that are being voted on today. Given the size of the Chemist Warehouse Group, the Proposed Merger is essentially without precedent on the ASX and hence when we came to a range of issues to address, including remuneration, market norms, while considered, don't necessarily deal with the unique nature of the merger proposal.

The merger requires the skills and expertise of Sigma's key executives to unlock its potential shareholder value. Further, while the Board remains hopeful that the Proposed Merger will be finalised, in the event the Proposed Merger does not proceed, retention of key skills, expertise and corporate knowledge will be critical in driving a standalone Sigma to continue to diversify our business, grow our margins, and identify and execute alternative strategic transactions.



Having reflected on comments received from Proxy Advisors, I remain confident that the Board has acted in the best interest of shareholders.

More details surrounding the proposed transaction, governance and reporting will be provided in Prospectus documentation to be released ahead of the shareholder approval process.

Importantly for shareholders, if the merger is not approved, Sigma remains a more attractive standalone investment thesis than it was prior to the completion of our two-year turnaround.

We have a state-of-the-art distribution centre network with capacity for growth, strong heritage brands, a pipeline of private and exclusive label products to grow margin, sales growth through the Chemist Warehouse volume under the new 5-year supply contract, and other strategic options to diversify our earnings. This is all underpinned by a stronger balance sheet following our equity raise completed in January. The progress we have made and the strategic opportunities ahead have been recognized by investors, with Sigma's share price opening today at \$1.25, up 100% over the last 12-months.

And finally, notwithstanding everything happening in the business, we have not lost sight of our ESG obligations. We have released our fourth Sustainability Report where we outlined some of the achievements through the year, including facilitating the donation of \$2.2 million of health products to Food Bank, reaching over 23% of solar energy consumption, diverting over 71% of our waste away from landfill, maintaining a strong health and safety focus and continuing to support diversity and inclusion within our work force. Our attention now turns to preparing our business for the next phase of ESG maturity, including the upcoming regulatory reporting changes.

Before I hand over to Vikesh I would just like to thank my fellow board members for their hard work, skills, experience, diligence and support as we navigated successfully through the transformational set of decisions in relation to both the Chemist Warehouse supply agreement and Merger proposal. I also wish to thank Vikesh for his exceptional leadership and his executive team for the outstanding progress and achievements made during the year.


With those comments, I thank our shareholders for your support of Sigma and will now hand over to Vikesh.

## CEO address

Thank you, Michael, and I would also like to extend my welcome to everyone in the room and those joining online.

Before I provide more specific details, I would like to start by acknowledging our team members who have shown incredible resilience through an intense period of change. Executing our strategy has been a two-year turnaround that has enhanced our capabilities, strengthened our core operations, and solidified our balance sheet.

Customer service performance metrics sit at world class levels and combined with the execution of our simplification strategy, has delivered an improvement in both productivity



and cash flow. The overall impact is starting to be seen through improvements in our financial performance and in the strategic growth opportunities that lie ahead.

Today, I will provide you with:

1. an overview of our financial performance for the year,
2. an update on our operational performance,
3. outline progress with our retail brand strategy,
4. discuss the Regulatory environment, and
5. provide a brief current year update.

Whilst we understand you may have questions relating to the Chemist Warehouse business performance; we are not in a position to provide an update today, but will seek to do so at our half year results announcement in September.

In late March we announced our financial performance for the previous year.

In summary, Net Sales came in at \$3.3 billion and excluding the merger proposal costs, we achieved Earnings Before Interest and Tax of \$31.4 million and Net Profit After Tax of \$12.7 million. Including merger proposal costs, EBIT was \$23.2 million and NPAT was \$4.5 million, an increase of 150% on the prior year. The improvement was supported by a 11% reduction in total operating costs.

Considering the improvements to the business, the Board agreed to pay a final partly franked dividend of half a cent per share.

### **Turning now to Operational Performance**

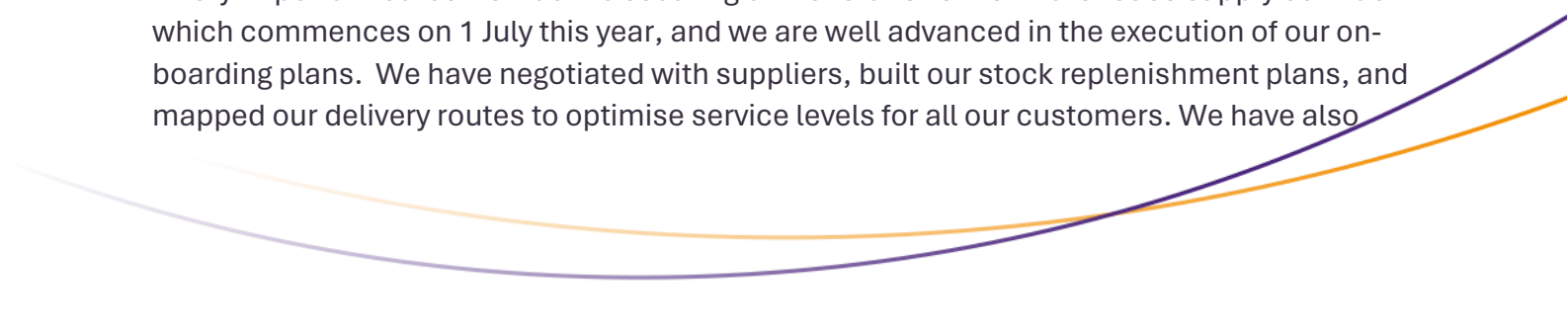
Pleasingly, the reliability of our systems and operational performance has continued to be a highlight.

Sigma delivered 230 million units during the year and our Delivery in Full metric has been sustained above 99%, which is a world class standard, along with stock availability which has improved to 93%.

At the same time as increasing availability, we reduced our stock on hand by \$103 million through better demand planning, stock management and divestment of non-core assets.

We also achieved the ISO9001 quality accreditation during the year - a key milestone that validates the progress made in enhancing and standardizing our processes across the entire network.

A very important outcome was the securing of the total Chemist Warehouse supply contract which commences on 1 July this year, and we are well advanced in the execution of our on-boarding plans. We have negotiated with suppliers, built our stock replenishment plans, and mapped our delivery routes to optimise service levels for all our customers. We have also

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recruited additional team members required to deal with the anticipated 40% growth in volume.

### **On Brand Strategy**

In 2023 we announced plans to discontinue the Guardian pharmacy brand. This process is now complete, and I'd like to thank our Guardian members for their commitment to the brand and their communities over the years.

Simplifying our retail strategy from 5 to 2 brands has enabled us to provide more support to the Amcal and Discount Drug Stores members.

The consolidation allows us to focus on brand positioning and consumer messaging to increase footfall through our stores and provides scale to deliver the economics of both our private and exclusive label strategies, which is currently sub-scale.

We have over 250 private and exclusive label products launching this year, with approximately 80% of these expected to launch in the second half of the year. This is an important vector for growth as it delivers differentiation and margin for our franchise brand members and Sigma.

In the medium term we have set targets of growing the Amcal network to 300 stores and DDS to 150.

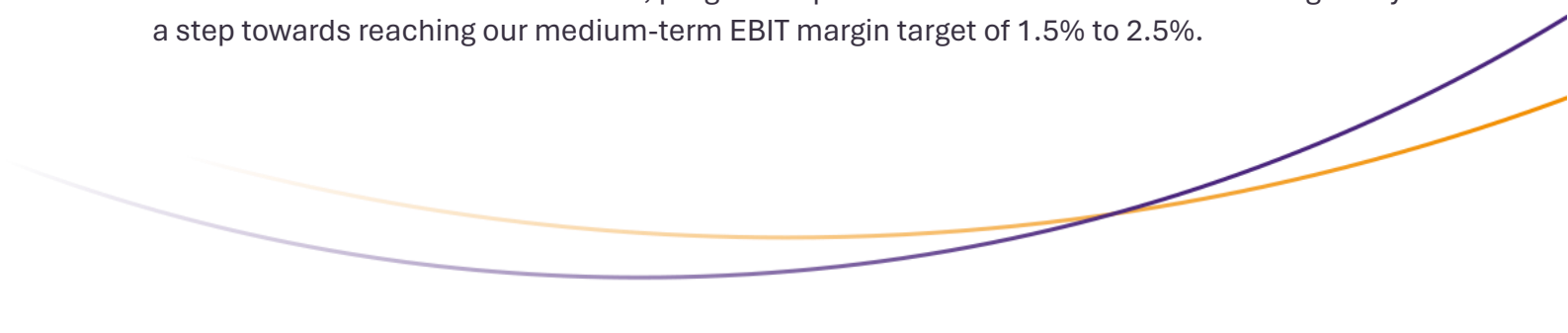
As you are aware, Sigma operates in a highly regulated industry with agreements in place that govern our wholesale distribution margin and is supported by a funding pool to deliver services in the CSO Deeds with Government. Whilst we are currently bound by a non-disclosure agreement, I can say that we are in advanced negotiations with the Government and the Department of Health on the next funding agreement. Critical for Sigma in this high inflationary environment is that we achieve an increase in funding to fairly remunerate our industry for the services we provide to Government and to patients.

Before I hand back to Michael, I would like to provide some remarks on our progress year to date.

The macro-economic environment remains challenging and intensely competitive. Sigma however operates in a more defensive market segment that is less susceptible to fluctuations. Sales for the first quarter of our financial year support this, with sales up 4.9%.

However, in such a highly competitive and regulated market, we are restricted in our ability to pass on cost increases, intensifying our focus on driving operational efficiencies and on securing a sustainable funding model with Government. We anticipate this will be agreed to commence in the 2024 Calander year.

Whilst we still have much work to do, progress is positive and the actions we are taking today are a step towards reaching our medium-term EBIT margin target of 1.5% to 2.5%.



Through the second half of this year, we will continue to navigate our way through the ACCC process for our proposed merger with the Chemist Warehouse Group, whilst continuing to focus on business performance improvement and service excellence. This includes the seamless transitioning of the Chemist Warehouse PBS volume from 1 July, whilst maintaining high service standards for all existing customers.

For our stakeholders, it was pleasing to see Sigma's inclusion in the ASX200 Index this month.

With the proposed merger in front of us, this is an exciting and truly transformational opportunity that - if approved - will help diversify our income streams and provide further opportunities for growth.

Finally, I would like to personally thank the Board for their unwavering support, with special thanks to Michael and Neville who both made significant contributions through the Chemist Warehouse merger proposal. I would also like to thank our customers who have continued to support us, and we remain committed to supporting community pharmacy.

Thank you and I will now hand back to Michael.

*This announcement is authorised by order of the Board.*

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