

Chairman's Report



Sigma has taken significant strides to transform our business, upgrade our infrastructure, improve operating performance, and enhance our culture. Collectively, it means we are now well positioned for sustainable growth.

The past 12-months will undoubtedly go down as one of the most challenging periods in recent history.

In Australia, the year started with a nation under siege from extreme drought and raging bush fires, and very quickly became a country grappling with an international pandemic.

I speak for the entire Board and management team by expressing our sincerest wishes for everyone impacted over this year – from those who fell ill or lost loved ones, to communities enduring lock downs, the government leaders guiding through these unprecedented challenges, and to the frontline healthcare workers who have worked tirelessly to support us all the way through. I would particularly like to call out our pharmacy customers who remained stoic in their sustained efforts to support the community.

As Chairman of Sigma, I am incredibly proud of the role our team has played over these last 12 months. Although undergoing a major internal transformation, our team remained resilient to maintain their empathy and work ethic in supporting our customers through the challenges, and directed their energy on what we are here to do – support

the medication needs of the community all across Australia. We did this without any direct reliance on JobKeeper or other COVID-19 related payments or incentives.

We overcame logistical challenges early in the year to support access to medicines for isolated communities through the bush fires, and in March we absorbed unprecedented demand for product as communities prepared for the unknown of COVID-19.

Through all this, what has shone through is the investment Sigma has made in critical infrastructure. Having only commenced operations from our new Kemps Creek NSW Distribution Centre (DC) in January 2020, by March it absorbed an 80% spike in volume without a hitch. The same can be said for the rest of our new DC network, which was a key enabler in ensuring Sigma could continue to service the community in their highest time of need.

This investment program is now nearing completion. We managed our way through COVID-19 restrictions to complete construction of the new DC at Truganina in Victoria in November 2020.

Meanwhile, we also navigated through COVID-19 restrictions to remain on track with the implementation of the SAP S/4 Hana Enterprise Resource Planning (ERP) program. This is a \$65 million investment that provides a much-needed step change in capability and data intelligence and is expected to be operational in the third quarter of the 2021 calendar year. The Project Management Team have done a terrific job managing this critical project under such challenging circumstances.

As our investment program moves to its final stages, capital investment for FY22 is likely to be around \$55 million before reverting to a business as usual level under \$10 million per annum in FY23.

During the year, we also successfully completed the Sale and Leaseback of our Kemps Creek NSW and Berrinba QLD DC's. This transaction resulted in \$172 million cash being received, significantly above investment cost, with Sigma securing a long-term lease agreement on good commercial rental. The capital released has reduced Net Debt at 31 January 2021 year end to \$50.3 million, further strengthening our Balance Sheet to underpin our pursuit

of growth opportunities. Sigma also entered into a new three-year debt facility with Westpac to meet our ongoing operational funding requirements. I thank Westpac for their continued support.

I am also proud to say that Sigma has this year released its first formal Sustainability Report. Over the last few years, we have actively sought to implement initiatives to improve our environmental, social and governance policies, processes and reporting. We have now made a step change in our reporting of those efforts, with detailed analysis, identification of opportunities, setting of targets, and publishing our first Sustainability Report. This demonstrates Sigma's ongoing commitment to continuously improving our ways of working and commitment to society.

At our 2020 Annual General Meeting we announced a number of changes within your Board. As part of this, Brian Jamieson stepped down as Chairman, and on behalf of the Board and management, I thank him for his significant and valuable contribution to Sigma. I also thank my fellow Directors for their contribution to Sigma, and personally for their support as I moved into the Chairman role. We have a unified Board with the skills, energy and direction to support management achieve our vision and growth ambitions.

I would also like to take the opportunity to thank our team members for their commitment to Sigma and our customers through an incredibly challenging year.

Finally, I thank our shareholders for your ongoing support. We understand the frustrations experienced through the challenges of the last few years. Importantly, the decisions the Board and Management have made are instrumental in transforming and strengthening the Sigma business and creating a more agile business ready to capture a range of business opportunities to grow shareholder returns.

In this context and reflecting the outlook for Sigma, with our franking credit balance replenished, we have declared a 1.0 cent per share fully franked dividend in respect of the 2021 financial year. We also commit to returning to a policy of paying a high dividend payout ratio beyond this.

In closing, much of the heavy lifting on our transformation and investment program is now behind us. This has been instrumental in setting the framework for a more adaptable, efficient and effective business that supports organic and acquisitive opportunities. It means Sigma is now well positioned for sustainable growth.



Ray Gunston
Chairman