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Mark Hooper, CEO & Managing Director
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Thankyou Brian, and can I also extend my thanks to shareholders for joining us online today. This is a new experience for everyone as we all adapt to the challenges of Covid-19.

Brian has already provided a high-level review of our this year's financial results, so I'm not going to address that further today. Long term financial performance is important, and we have made significant progress over the past few years towards building a stronger future for the business.

Today I want to briefly outline the key business drivers that I am confident will lead Sigma back to a position of sustainable growth.

First to Project Pivot. To refresh people's memory, it was just over a year ago, in February 2019, that we announced this major business transformation program. Following detailed analysis of our business, supported by Accenture and EY, we identified in excess of $100 million in efficiency gains that could be extracted over two years. This was a challenging and ambitious program to fundamentally re-engineer our business to become a more efficient and effective version of ourselves.

At our full year results announcement in March this year, we reported great progress on Project Pivot with actions taken to realise over $62 million in annualised efficiencies to the end of January. Whilst the bush fires and COVID-19 pandemic has seen some delay in timing it has not derailed our program and we remain on track to realise the full $100 million of targeted benefits. We will provide a further update at our half year results announcement in September.

One pleasing complication to the program was the FMCG supply contract with Chemist Warehouse. As we announced in November, we reached agreement to re-commence the supply of FMCG products on commercially acceptable terms to both parties. At full run rate, this will see approximately $700 - $800 million in revenue. This has resulted in our team effectively reinvesting some of the earlier gains under Project Pivot which is obviously more than offset by the margins we earn.

Pleasingly progress has been well managed, with 80% of the work complete to date, and we expect to be operating at full run rate under this agreement by 30 June this year.

On the investment front, as Brian stated, the past four years have seen Sigma undertake the most significant capital expenditure program in our long and proud history, operationalising four new Distribution Centres and decommissioning old less efficient DCs.

We have installed the latest automation capabilities to provide an efficient and effective platform to continue to improve our service standards for existing and new customers and provide operational and physical capacity for growth. This was clearly demonstrated with our DCs very effective in absorbing the recent spike in demand from Covid-19.

The decision for Sigma to initially own and fund the land and buildings has also created significant incremental financial value for shareholders that is not currently recognised by the market.

As flagged at our results announcement in March, we are investigating a potential Sale and Leaseback of the DCs to realise the uplift in value created through the process and create balance sheet flexibility to pursue further growth options. An Information Memorandum was released in April, and we received 13 expressions of interest from which we have selected a shortlist to assess and progress discussions. We will provide an update once a transaction is finalised, which we anticipate being in the third quarter of this year.

Turning to industry regulation, the regulated part of our remuneration is determined by the terms of the Community Pharmacy Agreement or CPA, and the Community Service Obligation, or CSO. These are typically five-year agreements, with the current agreements running until June 2020.

Current negotiations are ongoing. Engagement with the Health Minister and the Department of Health has been positive. Whilst I cannot comment specifically due to confidentiality constraints, I am encouraged that there is a broad understanding that after years of declining returns, investment in this critical sector is needed to ensure it can continue to service the community needs for equitable access.

And whilst the bush fire crisis and Covid-19 pandemics are tragic in every sense of the word, they have highlighted the important work that we do in ensuring essential medicines reach every corner of Australia when needed, and the critical role played by the infrastructure that we have built to make it happen.

The Covid-19 pandemic has presented unique challenges, and I am incredibly proud of the way that our team members adapted, the support they have shown for each other, and the way they have ensured that we continue to deliver the essential medicines the community rely on.

From Sigma's perspective, we moved quickly to implement practices across the business to help protect the health and safety of our teams, including social distancing, enhanced cleaning practices, working from home, and rostering. We put in place a resource hub to support the physical and mental wellbeing of our teams both now and in preparation for coming out of the isolation period. We also increased our support and communication for our retail pharmacy partners, undertaking new initiatives to help them better support Australian patients.

From an operational perspective, at its peak in March, volume excluding Chemist Warehouse was up an average of 70% for the month, and over 80% in some weeks.

We bought in additional labour to deal with demand to ensure we could not only fulfil customer orders but also could replenish with new stock as it became available. We worked closely with government, the TGA, the CSO agency and various industry bodies to ensure the effectiveness of managing the supply chain.

This period has provided an unprecedented test of our team members and new DC infrastructure, and both have absorbed everything that was thrown at them.

Finally, I will now make some closing comments on the outlook for Sigma.

We entered FY21 with great momentum.

Wholesale sales has had an extraordinary start to the year, accelerated by the Covid-19 volume growth. Excluding the Chemist Warehouse transition in each year, underlying volume for the first three months of this year is up over 30%, with revenue also up around 30%. This is likely to be a combination of new revenue and pulled forward demand, and where that balance sits will play out over the remainder of the year.

Our retail pharmacy brands delivered like-for-like growth of 11.7% in FY20 and appears on track to remain above market growth for the current year. The strength of our pipeline of potential new customers is also pleasing.

Full credit to our retail and sales team, who continue to support the network, especially through this challenging period.

Our hospital pharmacy services business achieved growth of 26% in FY20, and again, shows signs of maintaining that growth in the current year. We have recently signed two-year extensions on some existing service contracts and are actively participating in tenders for new business.

A lower profile business within our group is Medical Industries Australia, or MIA. MIA provides medical consumables and devices to hospitals, aged care facilities, medical clinics and pharmacies. It is operating in a sweet spot right now. We have previously flagged our intentions to diversify into this space and MIA is our vehicle for doing that. While coming off a low base, it is seeing a significant uplift in volumes and revenue, and we continue to seek avenues for this business to accelerate its growth through FY21.

Whilst we are experiencing strong growth and momentum year to date, consistent with most companies, we are not providing FY21 earnings guidance.

What I can say is that the combination of the actions we have taken, such as the efficiencies from Project Pivot, our DC investments, our various sales programs, and our expanding 3PL and medical consumables businesses has already produced a strong platform for earnings growth. The return of some of the Chemist Warehouse contract and the opportunities created as we emerge from the Covid-19 pandemic will further enhance this.

Finally, I extend my thanks to all the front-line healthcare workers across the country who are working tirelessly to keep us all safe and healthy, and to all our team at Sigma who are working hard to support the community. I would also like to personally acknowledge and thank Brian for his support, leadership and guidance over the past 10-years as Chairman.

Thank you for your online attendance today, and I will now hand back to Brian.

Mark Hooper
CEO & Managing Director