



Monday, 27 September 2021

UNSOLICITED, NON-BINDING, CONDITIONAL PROPOSAL FROM SIGMA

Australian Pharmaceutical Industries (ASX:API) ("API") today announced that it has received an unsolicited, indicative, non-binding and conditional proposal from Sigma Healthcare Limited (ASX:SIG) ("Sigma") to acquire 100% of the shares in API for a combination of cash and scrip ("Sigma Indicative Proposal").

Under the terms of the Sigma Indicative Proposal API shareholders would receive \$0.35 in cash and 2.05 Sigma shares for each API share, which implies a value of \$1.57 per API share based on Sigma's closing price of \$0.595 per share on 24 September 2021. The cash component will be reduced by up to 5 cents in respect of any fully franked dividends, including any final dividend for the financial year ended 31 August 2021, paid after the date of the Sigma Indicative Proposal.

Sigma also intends to offer a mix-and-match alternative to API shareholders, where each API shareholder will be able to choose to maximise cash or Sigma scrip, subject to aggregate caps on each of the two components with a pro-rata mechanism applied for over-subscription.

Under the Sigma Indicative Proposal, API shareholders will own approximately 48.8% of the shares in the combined company. The Indicative Proposal advises that as a result, API shareholders would retain a material exposure to:

- The upside associated with the medium-and-longer term growth prospects of the combined company;
- The value created from \$45 million in potential annual synergies (as estimated by Sigma); and
- Value from API's existing franking credit balance which is not paid out prior to the transaction.

The implied value of the Sigma Indicative Proposal of \$1.57 per API share represents a premium to API's undisturbed share price (as at 9 July 2021) of:

- 37.1% to the closing price of \$1.145 per share on 9 July 2021; and
- 38.6% to the one-month volume weighted average price to 9 July 2021 ("VWAP") of \$1.133 per share.



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The Sigma Indicative Proposal is subject to a number of conditions including:

- Completion of satisfactory confirmatory due diligence by Sigma;
- Receipt of required regulatory approvals, including from the Australian Competition and Consumer Commission or the Australian Competition Tribunal;
- The Sigma and API Boards approving entry into the transaction, and the execution of a Merger Implementation Deed (MID) in mutually acceptable form;
- Unanimous recommendation of the API Board and a commitment from all API Directors to vote any API shares they respectively hold or control in favour of the transaction; and
- API shareholder and Court approval.

Following careful consideration and consultation with its advisers, the API Board (the "Board") has determined that the Sigma Indicative Proposal is reasonably capable of being valued and completed and would reasonably be likely to be, if completed substantially in accordance with its terms, more favourable to the shareholders of API as a whole than the latest proposal provided by Wesfarmers to API, notwithstanding that it would likely take an overall longer period of time to implement.

On this basis, the Board believes it is in the interests of API's shareholders to progress the Sigma Indicative Proposal and allow Sigma to undertake confirmatory due diligence to facilitate a binding offer in parallel with the confirmatory due diligence being offered to Wesfarmers.

At this stage API shareholders do not need to take any action in relation to the Sigma Indicative Proposal.

The Board notes that there is no certainty that the engagement between API and Sigma will result in a change of control transaction or an offer capable of acceptance by API shareholders.

API will continue to keep the market informed in accordance with its continuous disclosure obligations.

This announcement is authorised for release by the Board of Directors of API.

For further information:

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