

ALS Limited 2024 AGM report

ASX code	ALQ
Meeting date	Wednesday, 31 July 2024
Type of meeting	Hybrid
Monitor	Paul Donohue
Pre AGM-meeting	With ALS Global Chair Bruce Phillips

Meeting Statistics

Number of holdings represented by ASA	45
Number of shares represented by ASA	1,297,754 equivalent to 18th in Top 20 list
Value of shares represented by ASA	\$19.70m
Total number attending meeting	113 in person and 44 online
Market capitalisation	\$7.3bn
ASA open proxies voted	ASA voted in favour of the resolutions except the conditional resolution, i.e. the spill motion.

Bruce Phillips, ALS's retiring Chairman, started his address with "FY24 represented a challenging year for global economies and multinational businesses, including ALS. The company continued to demonstrate its resilience, operating globally in a high interest-rate and inflationary environment, interrupted international trade, and with heightened geopolitical tensions and wars".

In this context, he was satisfied with a small decline in underlying profit to \$316.5m and was disappointed by the \$248.8m noncash impairment of Nuvisan, which wiped out the statutory profit.

He acknowledged last year's "first strike" on remuneration and outlined the steps the board had taken to address shareholder concerns. He also noted that the CEO's fixed remuneration had increased 9.8% to US\$1m in recognition of the strong performance in his first year.

Malcolm Deane, ALS's CEO, gave a concise overview of FY24 performance and progress towards the 2027 strategy. He reiterated the challenging market and the slowdown in mining exploration and pharmaceutical activity but gave an upbeat assessment of the company's two business units.

The minerals business continues to enjoy margins of 32% and is seeing a welcome reduction in cyclicality due to a change in the mix of services and customers. Malcolm noted that global electrification would provide a significant opportunity for this part of ALS.

Highlights from the life sciences business included the acquisition of two companies (York in the US and Wessling in Europe) and an 8.6% organic growth rate in the environmental division, which outpaced the market. The CEO noted that ALS was very proactive and gave an example of new tests for an emerging contaminant (PFAS), which has been dubbed a "forever chemical".

Malcolm briefly mentioned Nuvisan noting that ALS had acquired the remaining 51% at no cost and the integration and cost transformation initiatives were on track.

Both Chair and CEO highlighted that ALS will no longer issue NPAT guidance. Instead, they will provide forward looking commentary on “building blocks”, which are estimates of key metrics that financial analysts feed into their valuation models. As the Chair pointed out, this may not be as useful to retail investors as simple forecasts for profit, dividends, etc.

ASA asked about Erica Mann’s workload given that she is on three overseas boards. Apparently, she recently reduced this to two and noted that her career as an executive involved a lot more travel and time zone disruption. She enjoys operating in a global environment and finds it stimulating.

We asked the Chair why ALS uses underlying metrics when assessing the hurdles for long-term incentives. He explained that this was the norm among ASX-listed companies and using statutory profit can give a distorted view. The board used its discretion to take the Nuvisan impairment into account, so it wasn’t as if this negative event had no impact on remuneration. He also pointed out that positive events, such as the sale of an asset, are also removed from the statutory results so the effect goes both ways.

Our final question related to the Nuvisan impairment. How did this investment go from being worth half a billion dollars to nothing in such a short space of time? The Chair gave some welcome background to the acquisition. The initial investment had been a competitive process with multiple bidders and ALS believe they paid a fair price. However, the Russian invasion of Ukraine caused a collapse in European business confidence, particularly in the high-risk drug discovery field where Nuvisan operates. The majority shareholder was unable to implement effective cost cutting due, in part, to constraints in German employment law. And a major customer (Bayer) found itself in financial difficulties. These factors led to a sharp drop in Nuvisan’s value. Bruce said ALS’s CEO did a fantastic job renegotiating the remaining 51% down to \$0 and that if someone said four years ago you could acquire 100% of Nuvisan for \$250m Australia, every competitor on the planet would have jumped at the chance.

There were also questions from other shareholders on the dividend reinvestment plan, the company’s leverage, potential takeover offers and legal issues with Korea Midland Power. All of these were well handled by the Chair.

ASA voted in favour of the normal resolutions, which were all easily carried. The re-election of Erica Mann was a standout with 99.97% in favour. Even though the remuneration report did not receive a second strike, the meeting voted on the conditional resolution. ASA opposed this and it was easily defeated with only 1.34% of votes cast in favour of a board spill.

Bruce Phillips retired after nine years on the ALS board, eight as Chairman. He thanked shareholders, board members, management and employees for their ongoing support and commitment.

The new Chair, Nigel Garrard, wrapped up the meeting with reflections on his first year and hints on his future focus areas such as acquisition discipline and recognition that “cash is king”. He also called out that more board meetings will be held overseas to give directors exposure to ALS’s global operations.

After the formal proceedings, ASA had constructive conversations with directors and executives, which reinforced the information given in the meeting. Some shareholders told us they have held shares since the days of Cambell Brothers Soap and had attended the AGM religiously to keep tabs on their investment and pick up a sample bag full of cleaning products. A shareholder perk that was discontinued many years ago but is still remembered fondly. These long-term investors have done very well as the company morphed into a global enterprise.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.