



ALS Limited 2023 AGM report

ASX code	ALQ
Meeting date	Wednesday, 26 July 2023
Type of meeting	Hybrid
Monitor	Derek Miller (Monitor) and Paul Donohue (Assistant)
Pre AGM-meeting	A meeting with the Chair, Bruce Phillips, was requested but could not be arranged.

Meeting Statistics

Number of holdings represented by ASA	59
Number of shares represented by ASA	1,695,694
Value of shares represented by ASA	\$19,161,342
Total number attending meeting	101 (in person and online)
Market capitalisation	\$5.70 billion
ASA open proxies voted	ASA voted in favour of all the resolutions

Even though ALS is a Queensland-based company, this year it was monitored remotely from Western Australia by Derek Miller with Paul Donohue representing ASA at the AGM.

ALS provides testing, inspection, and certification (TIC) services. Basically, this means testing the purity of air, water, food, minerals, and pharmaceuticals and inspecting/certifying sites and equipment. They operate in 70 countries with more than 19,000 staff worldwide.

The Chair (Bruce Phillips) and CEO (Malcolm Deane) both spoke of how the company was well aligned with megatrends, such as increased regulation, outsourcing, and the transition to renewable energy.

The former CEO, Raj Naran, resigned in March 2023, and was replaced by an internal candidate (Mr Deane). To mitigate any flight risk, the Board awarded retention bonuses to two executives who had been unsuccessful in securing the top job. The awards had no performance hurdles, which upset some proxy advisors and the remuneration report received a 28% vote against.

Normally ASA would not support “golden handcuffs” that are only subject to continuing service but given the circumstances, we agreed that the risk of losing two well respected executives in such a niche industry was not in the interest of shareholders. ASA voted in favour of the remuneration report and all the other resolutions.

ASA asked some questions and was impressed with the clarity of the answers.

- With the resignation of Mr Sartain does the board have enough experience in commodities? Yes, the Board has an appropriately broad mix of skills, and two members have direct experience with minerals.
- Are the commodity division's 30% margins sustainable? Yes, there isn't much competition and high barriers to entry exist. Additionally, ALS has an ongoing interest in other sectors with high margins, such as pharmaceuticals.
- Why is there such a high level of intangible assets on the books? ALS has grown by acquisition for many years. When they take over a company, they are paying for the customers more than the laboratories. The intangibles are externally valued, and the Board is comfortable with the valuation.

Outlook for the first half of FY24 is for underlying net profit after tax from continuing operations of between \$150m and \$155 million.

After the meeting, I took the opportunity to chat with the Chair, some Directors and Executives. I found all of them to be very approachable and generous with their time.

I also learned a new word that I hope will come up in a pub quiz one day. "Tribology" is the study of friction, lubrication, and wear. For ALS, this means testing fuel, oil, and other fluids for early detection of problems caused by wear.

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