

Friday, 25 October 2024

AUSTRALIAN CLINICAL LABS LIMITED – ANNUAL GENERAL MEETING 2024

Australian Clinical Labs Limited (ASX:ACL) provides to the market a copy of the addresses to shareholders for its 2024 Annual General Meeting, which will be held today at 9am AEDT.

– ENDS –

This announcement was authorised for release to ASX by the Company Secretary of ACL.

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Governance

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About Australian Clinical Labs

ACL is a leading Australian private provider of pathology services. Our NATA accredited laboratories perform a diverse range of pathology tests each year for a range of clients including doctors, specialists, patients, hospitals and corporate clients. ACL is one of the largest private hospital pathology businesses nationally. ACL is focused on its mission of combining talented people, and medical and scientific leadership, with innovative thinking and technologies to empower decision making that saves and improves patients' lives.

2024 ANNUAL GENERAL MEETING OF ACL

CHAIR Address

Good morning everyone. This is ACL's fourth AGM, and it gives me great pleasure to welcome you all to the meeting today. My name is Michael Alscher and I have the privilege of being the Chair of your Board.

I would like to start by acknowledging the Traditional Custodians of the land on which we meet today, which for me in the City of Sydney is the Gadigal People of the Eora Nation. I also acknowledge the Traditional Custodians of country throughout Australia and the places from which our participants join us for this virtual AGM and their connections to land, sea and community. I pay my respects to their Elders past and present and extend that respect to Aboriginal and Torres Strait Islander peoples here today.

I have been informed by our Company Secretary that we have a quorum present, and I now declare the meeting open.

Before we begin with today's agenda, I would like to introduce my fellow Board members, who are present at the AGM today. Here in Sydney, I am joined by the Chair of our Remuneration and Nominations Committee, Mr Andrew Dutton, the Chair of our Audit and Risk Committee, Mr Mark Haberlin and also Ms Christine Bartlett and Mr Nathaniel Thomson. Our Company Secretary, Mrs Eleanor Padman, is also joining us virtually from Sydney.

Joining us virtually from Melbourne, is our Chief Executive Officer, and

Executive Director, Ms Melinda McGrath and fellow director Dr Leanne Rowe. They are joined by Ms Lana Hudson, our deputy CFO.

Also in Melbourne is ACL's auditor, Mr Stephen Whitchurch from Pitcher Partners. Stephen will be available to answer questions that shareholders may have in relation to the 2024 financial statements and the conduct of the 2024 audit.

I will now take a moment to explain the interactive features of the webcast platform that we are using today. A Virtual Meeting 'Online Guide' was sent to shareholders with the Notice of Meeting and I will now run through the key features.

To vote, you will need to register by clicking on the "Get a Voting Card" button and providing your security holder number and post code. If you are an appointed proxy, please enter the proxy number issued by Link in the proxy details section.

Once you have registered, your voting card will appear with the resolutions to be voted on by shareholders during today's meeting. You may need to use the scroll bar to view all resolutions. On your voting card, you will see an option to enter a full vote or partial vote. To vote, you can click "For", "Against" or "Abstain". If you wish to submit a partial vote, please enter the number of votes you wish to lodge from the total you see displayed for each resolution. Once you have finished voting on all resolutions, please click "Submit Vote".

At the end of the meeting, a countdown timer will appear and voting will end five minutes after the close of the meeting. Please ensure you get your votes in on time.

To ask questions, shareholders can simply click “Ask a Question”. Depending on the volume of questions, we will focus on answering the most frequently asked questions. I would also ask that you confine your questions and comments to the business of the AGM.

If there is a technical issue that impacts the webcast, we ask for your patience while we work to address it as quickly as we can. If a technical issue results in me being unable to continue to Chair today’s meeting for a period of time, Mr Mark Haberlin is appointed Chair in my place and will continue with the meeting until the technical issues are resolved.

The Notice of Meeting for the AGM was made available to all shareholders, and I propose that it be taken as read. The Notice of Meeting can be found on our website under the “Investor Centre” tab and there is also a link on the AGM platform if you wish to download it from there.

Today I will begin with my Chair’s Address, then I will invite our CEO and Executive Director, Ms Melinda McGrath, to provide an overview of the FY24 financial and operational achievements and FY25 trading to date.

We will then move to the formal part of the meeting. The notice of meeting that was sent to shareholders contained four resolutions. As well as the formal tabling of ACL’s 2024 financial statements and auditor’s report, we will now only be putting three resolutions to the meeting for shareholders to consider. Resolution 3, which concerned the grant of rights to our CEO Melinda McGrath, has been withdrawn. This is because ACL has recently entered into a new contractual

arrangement with Melinda which included a new remuneration package which we announced to the ASX on 14 October. As such, this resolution is no longer required.

We will take questions as we address each item of business and will try to move at pace to ensure that we complete the agenda in our allocated time.

In FY24, ACL once again demonstrated the resilience, medical excellence and commitment required to meet the challenges of a financial year full of complex environmental demands and produce some fantastic results for our shareholders. On behalf of the Board, I would like to extend my gratitude to ACL's dedicated staff, whose expertise and commitment continue to positively impact our doctor and patient communities around Australia. I would also like to thank Melinda and the senior executive team for their experience, leadership and dedication to the continual improvement that is at the heart of ACL's success.

I would like to take this opportunity to also thank our retiring Board Members Mr Andrew Dutton and Mr Nathaniel Thomson, both have added their significant expertise to the ACL Board and will be missed. A recruitment process is in place to commence recruitment of new Board Members.

FY24 was a year in which the dust from the pandemic finally began to settle, and we began to see clear signs of recovery in the pathology sector. There were still many external challenges largely stemming from the pandemic, including ongoing inflation, a sluggish return to pre-pandemic routine pathology testing and lingering

healthcare availability issues. Despite this, the ACL team delivered some outstanding results as summarised below.

In FY24, ACL generated revenue of \$696.4m, which was in line with FY23, despite a 59% decline in Covid revenue. ACL achieved an underlying EBIT of \$62.6m, which was realised via a strong second half performance of \$39.1m in H2 at an 11% margin and an Underlying Net Profit After Tax of \$31.6M.

The Company announced a final fully franked dividend of 9 cents per share, which when combined with the interim dividend has delivered total fully franked dividends for the last financial year of 12 cents per share. This represents a 4.6% fully franked dividend yield, based on the share price on 27 August when our results were announced.

ACL has continued to focus on operational improvement, allowing profit margins to stay constant, despite the external pressures mentioned above.

We continue to evaluate potential acquisitions, but we will only progress with appropriately priced and accretive acquisitions. Key targets include domestic pathology, strategically aligned domestic adjacencies as well as international pathology. We expect to advance SunDoctors' acquisitions as well this year.

ACL is in its fourth year of the execution of our ESG strategy and it continues to deliver strong performance and positive change over time. ACL acknowledges the significance of Environmental, Social, and Governance (ESG) priorities as a strategic enabler – enhancing

our long-term resilience and sustainability but also actively contributing to the well-being of our society.

Key ESG highlights for FY24 include, implementation of cold chain logistics removing approximately 26 tonnes of packaging, increasing the number of hybrid cars across the group, and further optimisation of route planning software resulting in a 9% reduction in km/per episode.

ACL rolled out our Respect at Clinical Labs campaign to all staff with the aim of increasing awareness of respectful behaviour and prevention of sexual harassment, while improving personal safety, psychosocial health and wellbeing.

We have further improved gender diversity at both the Board and Executive level, with female Board representation at 43% female representation, and Female Executive representation at 33%.

ACL has continued its cyber security program and has continued to improve its NIST score. A Chief Information Security Officer was appointed, governing our cyber risk management processes.

The Board also endorsed ACL preparing a Reflection Reconciliation Action Plan for submission to Reconciliation Australia. A working group was established and a draft RAP was prepared and submitted to Reconciliation Australia during FY24. ACL intends to launch its RAP in FY25.

In FY24, the Federal Government announced indexation to approximately one third of the total pathology items. While the industry appreciates the indexation, unfortunately this change has

been largely offset by fee cuts on certain tests – meanwhile the remaining two thirds of items remain unindexed. Suffice to say this was not the outcome we were expecting.

ACL, along with other providers, will continue to build awareness through our strong patient community networks of more than 1.2 million people per week to engage, educate and ultimately create a more sustainable pathology sector.

The Board announced a 12-month on market, share buy-back program of up to 20 million ACL shares, which equates to approximately 10% of the Company's outstanding share capital. This decision was made possible due to the strong balance sheet position ACL has built in recent years, with net debt (excluding lease liabilities) of only \$28.9m as at the end of FY24.

We believe, based on this strong balance sheet and cash conversion, that a share buy-back program may provide an opportunity to enhance value for shareholders, without compromising the company's strong capital position and ability to execute on its growth strategy. The buyback is expected to reduce the shares on issue with a resulting improvement in earnings per share, dividends per share and return on equity. The Board and I strongly believe given ACL's outlook, this is a sensible use of our balance sheet capacity at this time.

With the fallout and disruption of 20 years of pathology growth due to the global pandemic starting to ease, ACL has successfully weathered the storm and emerges in a position of resilience and strength. We have a strong balance sheet, a diverse customer base, and are poised to capitalise on a return to stronger growth levels.

ACL is an essential service at the forefront of an array of new technological advancements that enhance the health of our patients. I see ACL benefitting from these technological developments, population and demographic changes, and the aging population.

Once again, I would like to thank my fellow directors and the entire ACL Group for their truly commendable efforts and their steadfast commitment to our mission, and to you our shareholders for being an integral part of our journey.

I would like to now hand you over to Melinda McGrath for the group CEO presentation. Thank you.

CEO Address

Thank you, Michael, and good morning to you all.

FY24 has been a year of transition for the healthcare, and subsequently the pathology sector, as we move out of a COVID environment.

The ongoing lag in healthcare recruitment due a lack of immigration when borders were closed, workforce retirement through the pandemic, and billing practice changes leading to reduced GP hours nationally, continued to affect the entire industry throughout the first half of FY24.

I am pleased that this did improve in the second half. Returning medical and nursing practitioners helped remove hospital bottlenecks, GP availability improved greatly, and we are starting to

see a return to more normal ordering patterns – which is terrific news for the future health of Australians.

Consequently, our 2024 results are a tale of two halves, underpinned by the resilience and diversification of our business.

Shareholders should be proud that ACL teams have yet again successfully steered the company through an unpredictable and changing external environment, and produced a great set of results.

Our Key Financial Metrics include:

In the 12 months to 30 June 2024:

- Revenue of \$696.4m, in line with Financial Year 24 guidance and Financial Year 23 revenue, despite a 59% decline in COVID-19 revenue.
- Total Non-COVID Revenue of \$646.7M - up 5.4% on Financial Year 23 (with Half 2 up 6.9% on prior corresponding period).
- Underlying EBITDA of \$191m – up 1.3% on financial year 23, again noting the decreased COVID- revenue.
- Underlying EBIT of \$62.6m, in line with FY24 guidance (with Half 2 at an 11% margin vs Half 1 at 7% margin).
- Adjusting for the decline in COVID revenue, financial year 24 underlying EBIT grew by 24%.
- Underlying NPAT was \$31.6M.
- Free cash flow before interest tax and financing was \$54.4m – up 4% on financial year 23.

- And we Declared final fully franked dividend full year dividend of 12 cents per share – a dividend yield of 4.6%.

ACL's ability to drive continuous operational improvement through focused KPI improvement programs, has enabled us to hold margins constant – despite subdued volumes and industry cost pressures.

Culturally, we have a laser focus on performance and this cascades throughout the organisation, and is aligned with the requirements of our patients, referrers, and shareholders.

Our project management office has a range of operational improvement projects underway, which are rolled out nationally onto our unified laboratory information system (LIS). ACL is the only national laboratory in Australia with a single instance of its LIS interconnected across the country, allowing pathologists and scientists to work in a borderless manner. It enhances our agility, it negates size differential, and enhances our operational leverage. In FY24 we have completed several projects which we have been rolled out nationally: They include:

- Upgrades to blood banking and lifesaving emergency medicine;
- Machine learning and automation of our blood film production which improves haematologist productivity;
- Cybersecurity upgrades and additional specialised cyber staff;
- Upgrades to our electronic Results platform,
- Major networking upgrades for the Clayton laboratory;
- Deployment of a cloud-based dictation system for pathologists;
- Improvements to our telehealth platform for patient electronic requesting.

Onto our Growth Strategy

Which is centred around 6 pillars:

- A Disciplined Network Expansion
- Indexation Campaign
- Growth of Strategic New Business
- Accretive Acquisitions
- Billing Enhancements
- Operational Improvements.

FY24 illustrated our strategic focus on disciplined network expansion and profitable revenue to preserve margins. We chose not to drastically reduce our footprint, as we are consistent in our review of margin-producing revenue. We continued to replace lower performing collection centres with better performing sites, which resulted in an improvement in the mix.

Our Medlab investment has continued to grow revenue, which at the time of acquisition offered low routine pathology volumes due to it being situated in a key Covid outbreak area.

In FY24 we continued our focus on advanced genetic testing, with ACL capturing a dis-proportionate share of the genetic carrier screening market, and made further headway into the non-invasive prenatal testing market.

ACL and Geneseq are due to launch Melaseq - our melanoma tissue and blood test, with commercialisation to commence imminently. This test features world-first, cutting edge science and is aimed at

patients who are considered high-risk for melanoma, of which there are approximately 2 million in Australia alone. The launch of these tests fits strategically with our SunDoctors business, as well as our surgical referral processes.

We reaffirm our guidance of an underlying EBIT of \$65 to \$73m. Financial year 25 to date has seen day aligned volume growth of 6.0% to 23rd October 2024. Please note that while good growth, a trend has not been established as volumes dropped in Q2 financial year 24.

Like FY24, we expect the absolute volumes of the second half of FY25 to be stronger than the first.

I would like to finish by again thanking our Pathologists and scientists for their leadership, and Clinical Labs teams across the country for their unwavering focus on our vision, values and their customer centricity.

I would like to call out our executive and management teams and highlight again for their continued focus on performance of all types. I also thank our shareholders for their continued support. And finally I would like to warmly thank our retiring board members for their teamwork, service and expertise, it has been valued highly.

END



Welcome to our 2024 AGM

The meeting will begin shortly.



2024 Annual General Meeting

Acknowledgement of Country

I would like to start by acknowledging the traditional custodians of the land on which we meet today, which for me in the city of Sydney is the Gadigal people of the Eora Nation.

I also acknowledge the traditional custodians of country throughout Australia and the places from which our participants join us for this virtual AGM, and their connections to the land, sea and community.

I pay my respect to their elders past and present and extend that respect to Aboriginal and Torres Strait Islander peoples here today.

Shareholder Information

How to ask a question

- Click on the “Ask a Question” button
- Fill in the box and then click submit question

Ask a Question

We welcome any questions that you may have and will endeavour to answer all questions during the Meeting. To submit a question, please select what the question pertains to and type your question in the provided area. If you have multiple questions please submit each individually.

Regarding General Business

Question

Type your question here...

Submit Question

Agenda

1. Acknowledgement of Country
2. Chair's Address
3. CEO's Address
4. Formal business of the meeting including Q&A



Chair's Address

Michael Alscher
Non-Executive Director



CEO's Address

Melinda McGrath
Group CEO

Key Financial Metrics

In the 12 months to 30 June 2024, ACL achieved:

- Revenue of \$696.4M, in line with FY24 guidance and FY23 revenue, despite a 59% decline in COVID-19 revenue.
- Total Non-COVID Revenue of \$646.7M - up 5.4% on FY23 (with H2 up 6.9% on prior corresponding period).
- Underlying EBITDA¹ of \$191M – up 1.3% on FY23, again noting the decreased COVID-19 revenue.
- Underlying EBIT of \$62.6M, in line with FY24 guidance (with \$39.1M in H2 at 11% margin vs \$23.4M in H1 at 7% margin). Adjusting for the decline in COVID revenue, FY24 underlying EBIT grew by 24%.²
- Underlying NPAT¹ of \$31.6M.
- Free cash flow before interest tax and financing of \$54.4m – up 4% on FY23.
- And we declared final fully franked dividend of 12 cents per share – a dividend yield of 4.6%

1. Underlying figures are calculated ex HLS takeover costs as well as certain non-recurring revenue and expenses.

2. Based on 40% contribution margin on COVID-19 revenues.

Trading Update

- ACL reconfirms guidance of EBIT of **\$65m to \$73m**
- Expected underlying EBIT of **\$65m to \$73m** for FY25
 - FY25 to date has seen day-aligned volume growth of 6.0% YTD as at 23 October
 - Whilst a strong start, trend not established noting volumes dropped in Q2 FY24 after a similar strong start¹
 - H2 absolute volumes expected to be stronger than H1

1. Based on non-COVID volumes



Thank you

Formal business of the meeting including Q&A

Resolution 1

Adoption of the remuneration report

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report of the Company for the financial year ended 30 June 2024 as disclosed in the Directors’ Report be adopted.”

Proxy votes received	
For	54.63%
Open	0.12%
Against	45.25%

Resolution 2

Re-election of Michael Alscher

“That Mr Michael Alscher, retiring as a Director of the Company in accordance with rules 6.1(f)(i)(A) and 6.1(g) of the Company’s Constitution and who has consented to stand for re-election (and being eligible), be re-elected as a Director of the Company in accordance with rule 6.1(i) of the Company’s Constitution.”

Proxy votes received	
For	77.26%
Open	0.14%
Against	22.61%

Resolution 4

Renewal of approval of LTVR Plan

“That for the purpose of ASX Listing Rule 7.2 (Exception 13) and for all other purposes, approval is given to maintain the Company’s LTVR Plan on the terms and conditions described in the explanatory memorandum accompanying this Notice of Meeting and for the issue of securities pursuant to the LTVR Plan as an exception to ASX Listing Rule 7.1.”

Proxy votes received	
For	99.54%
Open	0.14%
Against	0.32%



Thank you and goodbye