

Wednesday, 19 October 2022

AUSTRALIAN CLINICAL LABS LIMITED – ANNUAL GENERAL MEETING 2022

Australian Clinical Labs Limited (ASX:ACL) provides to the market a copy of the addresses to shareholders for its 2022 Annual General Meeting, which will be held today at 10am.

– ENDS –

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

For further information regarding this announcement, please contact:

Governance

Eleanor Padman

Company Secretary

Email: epadman@padmanadvisory.com.au

Phone: +61 (0) 422 002 918

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.

Welcome to our 2022 AGM

The meeting will begin shortly.



Welcome to 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.

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

Question

Type your question here...

Submit Question

1. Welcome to Country
2. Chair's address
3. CEO's address
4. Formal business of meeting including Q&A



Chair's Address

Michael Alscher
Non-Executive Director

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Welcome to Country

I would also like to start by acknowledging the traditional owners of the lands on which we meet, which for me here today in Melbourne is the Wurundjeri and Bunurong people of the Kulin Nation. I play my respects to their elders, past and present, and extend that respect to Aboriginal and Torres Strait Islander people here today.



In the 12 months to 30 June 2022, ACL has achieved:

- Revenue increase of 48% to \$995.6m;
- NPAT increase of 101% to \$178.2m;
- Non-COVID revenue increase of 8% to \$556.4m;
- EBIT margins increase to 26.8% (up from 20.8% in FY21) demonstrating strong operational management in an environment of fee cuts and increased consumables costs;
- Cash flow prior to financing activities increase of 76% to \$171.2m. Cash EBITDA to operating cash flow conversion of 96%;
- Net debt excluding lease liabilities improvement of \$90.5m from a net debt position of \$64.1m to a net cash position of \$26.4m; and
- A full year fully franked dividends of 53 cps: 12 cps interim dividend and 41 cps final fully franked dividend.
- Pro-forma net debt as at 30th June 2022 post payment of dividend of \$56m remains lower than the \$93m of net debt at time of IPO.

Trading Update Q1 FY23

FY23 remains a transition year with a return to BAU as COVID testing normalises.

- In Q1, ACL generated \$190m of revenue. 17% of this revenue related to COVID testing. In Sept, COVID testing dropped quickly and represented ~10% of revenue.
- In Q1 ACL non-COVID Medicare revenue, excluding acquisitions, grew at >5% vs PCP, which the company believes is faster than market growth.
- COVID volume continued its decline, with the Sept quarterly COVID revenue down 40% on the prior quarter. Over the past 6 months, COVID revenue has fallen by 63% over the proceeding 6 months and ACL has been rapidly transitioning to a post COVID-19 revenue environment.
- The integration of Medlab Pathology is progressing ahead of plan, with labs now fully integrated into ACL's existing infrastructure. The company's current expectation is that Medlab will generate in the region of \$20m of EBIT on a run rate basis as we exit CY22. Some duplicated processes and systems remain in place to enable revenue retention through H1FY22.
- ACL continues to manage its capex appropriately and does not capitalise any COVID, IT and digital development costs. Further, ACL expects historical cash conversion rates to continue through FY23 and FY24.
- The expectation is that FY23 capex will be a normal level of capex and be consistent with FY21 capex (in the region of \$10m, excluding growth capex).
- ACL believes that the BAU market recovery process will occur over FY23 as doctor availability improves, hospitals work through their backlog and nursing shortages and patients recommence their normal general practice visits. The company expects BAU to improve progressively into CY23 with FY24 representing a stronger growth year than FY23 for BAU as the pathology sector moves to a more normalised environment free of COVID restrictions both for clinicians and patients

*Formal business of the meeting including
Q&A*

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Resolution 1

“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 2022 as disclosed in the Directors’ Report be adopted”

Proxy votes received	
For	99.78%
Open	0.14%
Against	0.08%

Resolution 2

“That Mr Andrew Dutton, 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	97.64%
Open	0.14%
Against	2.22%

Resolution 3

“That approval be given for the purposes of ASX Listing Rule 10.14, and for all other purposes, for the grant and issue of 286,624 Performance Rights to Ms Melinda McGrath, Chief Executive Officer and Executive Director of the Company, in relation to her LTVR for FY23, in accordance with the LTVR Plan and on the terms and conditions described in the explanatory memorandum accompanying this Notice of Meeting”

Proxy votes received	
For	98.21%
Against	0.14%
Abstain	1.65%

Thank you and goodbye

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2022 ANNUAL GENERAL MEETING OF ACL

Chair Michael Alscher

Good morning everyone.

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.

This is ACL's second 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 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 Committee, Mr Mark Haberlin and also Mr Nathaniel Thomson. Our Company Secretary, Mrs Eleanor Padman, is also joining us virtually from Sydney as is the Company's legal adviser, Mr John Williamson-Noble from Gilbert and Tobin.

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

Executive Director, Ms Melinda McGrath and fellow director Dr Leanne Rowe, as well as Dr Michael Stanford, the Chair of our Risk Committee. They are joined by Mr James Davison, our 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 2022 financial statements and the conduct of the 2022 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 securityholder 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 FY22 financial and operational achievements and FY23 trading to date.

We will then move to the formal part of the meeting. As well as the formal tabling of ACL’s 2022 financial statements and auditor’s report, there are three items of ordinary business.

We will take questions as we address each item of business.

Before I begin, I would like to acknowledge our recent announcement

to the ASX that Dr Michael Stanford intends to retire from the Board, with his retirement to take effect just prior to the conclusion of today's meeting. Michael had a close association with ACL prior to its IPO, having been the group CEO of St John of God Health Care for 16 years and then a non-executive director of Clinical Labs Pty Ltd from 2016 to 2019, following its acquisition of St John of God Health Care's pathology business. Since joining the Board of ACL in April 2021, Michael has acted as Chair of the Risk Committee and has played a significant role in overseeing ACL's risk management framework. Michael's medical background as a former specialist in public health medicine has made him a most valuable member of the Board and I would like to take this opportunity to thank Michael for his meaningful contribution to the Board over the last 18 months. We wish him all the very best as he continues to pursue his non-executive career.

FY22 marks the first full financial year of ACL being a publicly listed company, and I'm pleased to say it represents the strongest year in its history – despite a backdrop of market and sector volatility. It has also been an incredibly challenging year, and I'd like to emphasise the efforts of all staff who have delivered this outstanding performance. Pathology services are an essential component of ensuring that all Australians receive timely diagnosis and treatment, as well as improved health outcomes. On behalf of the Board, we are proud of the important and critical role ACL continues to play in healthcare.

I am pleased to report that in FY22, ACL delivered more than 12.6 million pathology episodes – generating \$996 million of revenue. ACL also continued its continuous improvement program which led to Earnings Before Interest and Tax, reaching an impressive 27%. Other notable achievements during FY22 include the successful execution

of the Medlab acquisition, which has delivered financial synergies greater than originally anticipated and will be fully integrated into the ACL business by the end of the calendar year.

The strong metrics achieved for FY22 were only possible due to the enormous effort right across the entire organisation – often under very challenging circumstances – to meet the needs of our communities, often with a personal impact on our people. Providing outstanding patient care is one of ACL's core values and it has been inspiring to see our teams across the country striving to achieve this every day.

Whilst our focus on operational performance remains strong, so too does ACL's commitment to delivering on our ESG targets – to ensure that we deliver sustainable value to shareholders, patients and the wider health community.

In 2021, ACL published its first ESG report that set out a number of objectives connected to 19 key areas over a multi-year horizon. In the past 12 months ACL has focussed on its scope 1 and scope 2 emissions – generating a baseline measurement so it can introduce appropriate targets and process changes to meaningfully reduce these emissions. Changes have already commenced, with hybrid courier vehicles being introduced as a pilot programme in Victoria, along with specially-developed route planning software to plot efficient travel and reduce emissions resulting from our logistics systems. This program will be rolled out across the country in FY23. We have also been working with landlords to have solar panels and LED lighting installed at laboratories.

ACL's employees are some of the most talented and committed in the

industry, and the Company has invested in additional training, communication and education to improve safety performance and engagement. Importantly, as ACL acquires and integrates new businesses it has been able to create a safer workplace for its employees and patients, with a LTIFR (meaning lost time injury frequency rate) of 3.91 per million work hours, down from 7.5 at the same time last year, representing a significant improvement. We note that as we acquire other businesses this measure improves, as we apply our systems in the newly acquired business.

As a Board, we have continued to mature our corporate governance framework to ensure alignment with the ASX Principles. We held our first Board performance evaluation this year and have made some changes to our committee structure. We will also use the vacancy left by Michael Stanford's retirement to improve the diversity of the Board. Now that ACL has been admitted into the ASX 300, it is interesting to note that not only do we have an incredibly capable and dynamic CEO, Melinda is only one of 19 female CEOs in the ASX 300. At ACL, we have a very diverse workforce the majority of whom are female. As a Board we acknowledge that we have an important role to play in removing structural barriers to progress and gender equity and we will continue to address this in FY23 and beyond. Our leadership team is focussed on this as well with specifically tailored mentoring and development programs.

The past 12 months have been a testament to the more than 5,400 people who work at ACL. As the COVID-19 pandemic continued – creating significant waves of infection, including over another Christmas period – ACL's employees rose to the occasion yet again, and responded with care and diligence in very challenging

circumstances as well as sacrificing their own family time. Our staff always maintained professionalism and ensured safe practices were followed – for the benefit of patients and each other. They did this to support their communities with world class turnaround times, so patients could get the results they needed to return to work, to travel, and to protect others from getting sick. Pathologists, scientists, collectors, lab staff, service support staff and management each made sacrifices to allow Australians to be healthy and safe. The pressure over this period was immense and our team handled the situation with a level of care, kindness and professionalism at all times, even when some of our patients expressed a level of personal frustration that amplified this difficult period.

Accordingly, I would like to take this opportunity to acknowledge and thank ACL's dedicated staff, led by Melinda and her management team. To shareholders I say, your company is managed strongly and effectively with experience, empathy, enthusiasm and skill. Our staff's commitment to each other and patient care has been outstanding. I would also like to acknowledge the excellent cooperation between ACL and State governments, State health systems and other industry leaders to service the Australian community.

Finally, on behalf of the Board and ACL, I would also like to thank you – our shareholders, for your valued ongoing support.

I would now like to hand over to Melinda McGrath for the CEO's Year in Review. Thank you.

CEO Address

Thank you, Michael, and good morning to you all. I would also like to start by acknowledging the traditional owners of the lands on which we meet, which for me here today in Melbourne is the Wurundjeri and Bunurung people of the Kulin nation. I pay my respects to their Elders past and present and extend that respect to Aboriginal and Torres Strait Islander peoples here today.

The last 12 months have been both challenging and rewarding and I would firstly like to thank the 5400 Australian Clinical Labs staff who have worked tirelessly throughout the year with passion and enthusiasm.

Like every year before, FY22 has seen both our service and our financial performance improve and we are in a stronger position in terms of employees, management, operating position and value creation for shareholders.

As a brief overview, I would quickly like to share with you the following key metrics which serve to illustrate our FY 22 performance:

In FY22, we saw

- a revenue increase of 48% to \$995.6m;
- an increase to NPAT of 101% to \$178.2m;
- Non-COVID revenue increase of 8% to \$556.4m;
- EBIT margins increase to 26.8% (up from 20.8% in FY21) demonstrating strong operational management in an environment of fee cuts and increased consumables costs;

- Cash flow prior to financing activities increase of 76% to \$171.2m. Cash EBITDA to operating cash flow conversion of 96%;
- Net debt excluding lease liabilities improvement of \$90.5m, moving from a net debt position of \$64.1m to a net cash position of \$26.4m;
- a full year fully franked full year dividend of 53 cents per share.

The highlights of our ESG program are outlined in our updated ESG statement - we have measured our Scope 1 and 2 emissions, pushed further on addressing our electricity usage and use of hybrid cars, improved staff safety outcomes as measured by our lost time injury frequency rate and reviewed our Board's performance and committee structures.

One of our key strategic projects in FY22 was the acquisition and subsequent integration of Medlab Pathology – a large private pathology business based in NSW and QLD.

The Medlab acquisition has allowed Clinical Labs to increase its scale and footprint in these two key states – the first and third largest markets - meaning we now have a national footprint on the Australian mainland , allowing us to access larger, nationally-focussed tenders and allowing us to grow our market-share.

Operationally, Medlab is now substantially integrated into ACL, which has occurred well ahead of schedule. The synergies from the integration are already starting to flow through, with run rate EBIT

synergies of \$20m p.a. expected to be achieved by the end of this calendar year.

The project has also enabled strategic benefits for our recent entry into QLD via consolidation of the Medlab, Clinical Labs and Sun Doctors labs in Queensland and investment in the automated laboratory in Murrarie.

Overall, the acquisition has added just under 300 new collection centres and approximately \$80m of non-COVID revenue.

We have continued to invest in our core unified pathology information system by upgrading the underlying database to Oracle. This will support Clinical Lab's focus on digitisation and scalability into the future. This project involved a team of more than 130 employees over a period of 18 months and was delivered seamlessly, without any disruption or downtime to our end users. This was a significant achievement which speaks to our internal digital capabilities. I should note that this project was undertaken at the same time as our Medlab integration. And in addition the majority of the subject matter experts were concurrently managing the Omicron outbreak.

Clinical Lab's response to the COVID-19 pandemic during FY22 has once again been significant. We continued to play a critical role in Australia's testing process for the Australian community.

Our front-line pathologists, scientists, phlebotomists, couriers, call centre and lab employees provided professional service, often in incredibly challenging and complex environments – including

multiple flood events where samples needed to be retrieved in boats and on bicycles.

Despite being impacted by staff illness, lockdowns and travel restrictions, we continued to move work around our national lab network to try and manage the demand – particularly over the December 21 and January 22 Omicron outbreak, where many of our staff gave up their summer breaks for the second year in a row.

The outlook for the next 12 months remains complex due to the inherent volatility of COVID-19 testing, and the uncertainty related to the timing of a rebound in non-COVID testing.

Prior to the pandemic, non-COVID outlays grew at a consistent rate of about 5.6% p.a from long term demographic drivers. Due to frequent lockdowns, difficulties in accessing doctors for face to face appointments and increased seasonal respiratory illnesses as borders re-opened, we have seen static growth in non-COVID testing revenue.

With underlying demographic drivers unchanged, we expect a rebound in non-COVID testing revenue as the impact of the pandemic decreases, however this is difficult to forecast in the short term. In the long term, we expect that non-COVID-19 volumes will return to historic trends and that COVID-19 testing will start to follow the seasonal flu.

In FY23 we will focus on targeted growth, at an effective margin, while ensuring that capital is employed well – as it has been this year

with our investments in Medlab Pathology, the expansion of our Bella Vista lab and our clinical trials laboratories in Queensland.

We will focus on meeting the testing needs of our communities for all testing – ensuring our response is efficient, effective, and in line with clinical best practice.

We will focus on flexibility and our operational efficiency program– in an environment with lowered COVID revenues.

And we will continue to focus on creating sustainable value by meeting our ESG targets. This year we target amongst other goals as outlined in our ESG update, further improving our emissions, growing our pipeline of female executives through our leadership program and increasing the diversity and number of female directors on our Board. We also look forward to developing a Reconciliation Action Plan.

In conclusion, I would like to thank all our stakeholders, our 5,400 employees, our many supportive medical professionals for their support, and our excellent management team. I would also like to thank the Federal and State governments and State Health systems with whom we have worked extremely effectively and of course our shareholders.

I would now like to provide an update on our performance for the first quarter of FY23.

FY23 remains a transition year with a return to BAU as COVID testing normalises. In this first quarter of FY22, ACL generated \$190 million

in revenue. 17% of this revenue related to COVID testing. In September, COVID testing dropped quickly and represented approximately 10% of revenue.

In the first quarter, ACL non-COVID revenue, excluding acquisitions, has grown at more than 5% to the prior comparative period, which ACL believes is faster than market growth.

COVID volume continues to decline, with Q1 revenue down 40% on the prior quarter. Over the past 6 months, COVID revenue has fallen by 63% over the proceeding 6 months and ACL has been rapidly transitioning to a post-COVID revenue environment.

The integration of Medlab Pathology is progressing ahead of plan, with labs now fully integrated into ACL's existing infrastructure. The company's current expectation is that Medlab will generate in the region of \$20m of Earnings Before Interest and Tax on a run rate basis as we exit the 2022 calendar year. Some duplicated processes and systems will remain in place to enable revenue retention through H1FY22.

ACL continues to manage its capex appropriately and does not capitalise any COVID, IT and digital development costs. Further, ACL expects historical cash conversion rates to continue through FY23 and FY24.

The expectation is that FY23 capex will be a normal level of capex and be consistent with FY21 capex (in the region of \$10m, excluding growth capex).

ACL believes that the BAU market recovery process will occur over FY23 as doctor availability improves, hospitals work through their backlog and nursing shortages, and patients recommence their normal general practice visits. The company expects BAU to improve progressively into the 2023 calendar year with FY24 representing a stronger growth year than FY23 for BAU as the pathology sector moves to a more normalised environment free of COVID restrictions both for clinicians and patients.

Thank you for your time. I would now like to hand you back to our Chair, Michael Alscher, for the formal part of today's meeting.