

How to get the most out of an AGM

By Michael Kemp

That time of year is upon us again – the Annual General Meeting (AGM) season. Have you ever attended one?

If you have I bet you just sat there helpless – right? You didn't utter a word for the entire 60 minutes, except of course, for the polite chitchat that you had with the stranger sitting next to you. The whole meeting pretty much whirled past in a sea of pomp and ceremony.

If you were lucky then a highlight was when that angry shareholder grabbed the roving microphone and started firing awkward questions at the Chief Executive Officer. That was until you realized that the guy screaming into the mike was more than a little unhinged. So what then? Maybe you turned your mind to the post-meeting refreshments. Will the coffee be brewed or instant? Will the biscuits be Tim Tams or rock hard Anzacs?

So that was it for another year was it? I'd suggest you ask yourself - did your attendance really make a difference? It's a question that I want to explore in this article. And, if you decide that it's still worth the effort to front up in person, we'll also be covering how to prepare for your next AGM well in advance of boarding the train for the journey into your nearest capital city.

Have AGMs lost their relevance?

Remember the analogue era? It's when shareholders accessed news about their shareholdings either from the daily newspapers or by watching the 30-second grab on the 7 o'clock news each night (complicated by trying to balance their plate of meat and three veg on their knees). But how useful were those two sources anyway?

I can hear the cries of the typical TV viewer: "I don't care that the All Ordinaries is down half a percent. I just want to know how the share price of Blunt Drill Mining Exploration Ltd. is travelling!" And the newspapers proved little better. Chances are that, unless the news story was really spicy, your small and mid-cap holdings got ignored. They were usually of little interest to the average business reporter.

It basically meant back then that attending an AGM was a special event. It got you close to the company in a way that wasn't otherwise possible.

Today it's different. We live in the digital age. Up-to-date information is never more than one keystroke or "screen swipe" away. Which, for investors, means it's never been easier to keep an eye on what's going on with their shareholdings.

Take for example the ASX website or broker's sites like Commsec. One feature that gets plenty of use on my Commsec web page is the "watch list" facility. It allows you to plug in the ASX codes of all the companies that you own. Once set up you simply hit the announcements option to receive an update on their current news.

Does it all mean that the AGM has lost its relevance?

What purpose does the AGM now serve?

Let's face it. Listed companies are forced to hold AGMs. But, unlike the changing of the guard at Buckingham Palace, it doesn't mean that they have become an unnecessary formality. I still reckon they serve a useful purpose. I could provide you with a list of all the formal stuff that has to happen in an AGM (like the election of directors, appointment of the auditor and the transaction of key items of company business, to name but a few) but I won't bother with that stuff. I'd rather talk in broad-brush terms.

The fact is that, as a shareholder, you are a part owner of the business. And the line of men and women sitting behind the long fancy trestle table up the front of the auditorium (the management) are effectively your staff. Never forget that. They are accountable to you for their actions. And there is nothing like owners and staff staring at each other eyeball to eyeball to keep a lid on the rhetoric.

Consider also that AGMs are legislated to follow certain protocols. Those protocols are important. They help protect against omissions of fact; that is the ducking and dodging by management of those annoying and unpleasant truths that crop up every now and then. Don't be afraid to use the AGM as a platform to ask your staff sitting up the front why certain actions were taken (or not). You'll get your chance after the roving mike has been wrestled from that guy the security staff is now trying to remove from the building.

You have a voice, so use it even if you feel that your meagre shareholding doesn't carry much weight. The point that you make, if well considered, could sway the thinking of other shareholders who hadn't considered it before. You might be nailing a very important issue.

How is technology changing AGMs?

I believe that there's a powerful difference between humans talking face-to-face and the cold impersonal form of communication that the digital world is moving us towards. That's why I support the idea of hanging onto the traditional form of AGM. But not everyone agrees with me. Increasingly convenience is trumping old world values. And it could change how AGMs are held in the future.

Two facts lead us to ask the question: should the format of the AGM be changed? First of all let me provide you with a statistic. Only 5 percent of the top 200 companies draw more than 500 shareholders to their AGM. Combine this with the capabilities of modern digital interconnection. It could mean that "attendance" in the future will be from the convenience of your own living room.

In fact it's with us already. Take for example Warren Buffett's Berkshire Hathaway. Berkshire live streamed its AGM on the internet for the first time last April. Interestingly Buffett didn't request it for reasons of shareholder convenience or dwindling attendance numbers; quite the opposite. He did it because Omaha's Century Link stadium, where the AGM is held each year, couldn't accommodate the 40,000 people he knew were planning to front up to get in the door.

If AGMs became exclusively live streamed it would have its positives and negatives. On the positive side it will open up access to time-poor shareholders. But on the negative side it would kill personal

interaction. So, if things do progress in that direction, I feel that it's important for meeting formats to at least accommodate 'on-line' participation.

How can you prepare for an AGM?

One of the biggest gripes from Chairmen, CEOs and senior management is that many shareholders who get up and ask questions at AGMs are poorly prepared. So if you're going to rise from your seat to ask a question or vent your spleen then make sure that you know your stuff.

If it's a financial question then you need to be well versed with the company's financial statements. If it's an environmental question then you need to sound like you are Sir David Attenborough's key technical advisor. If it's a question on ethics, think Mother Theresa. Don't step up onto your soapbox. Don't be aggressive. This is not a time to get emotional. It's a time to be cool, informed and factual. That way you'll get your best shot at receiving the right answers from the top brass.

So, having said that, all I need to add is: Happy AGM season!

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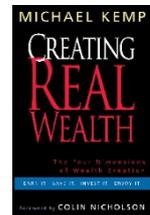
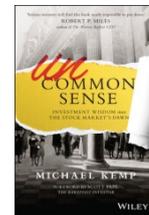
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