Annual General Meetings
Thoughts on Why You Should Attend

Public companies that are listed on the Australian stock market are required by the Corporations law to hold an annual meeting of shareholders. The primary purpose of Annual General Meetings is to:

- Elect Directors
- Adopt the Remuneration Report
- Vote on any other motions of which notice has been given
- Hear reports by the Chairman and Chief Executive on past and future activities
- Answer questions from shareholders

Order of Business

The typical order of business at a company Annual General Meeting is:

- The Chairman's address
- The Chief Executive's address
- The re-election of retiring directors and election of any new directors
- Adoption of the remuneration report, which is often a contentious issue
- Any formal motions, which also may be contentious
- Questions from shareholders and answers by the Chairman or management, usually, but not exclusively, the Chief Executive. This is often a valuable part of the meeting, but is also a platform for agitation from special interest groups
- Refreshments and networking with board, management and shareholders. This is often the most valuable part of the meeting for small shareholders who otherwise have little opportunity to speak with management.

Who May Attend?

Any current shareholder of the company may attend and may vote on any motion put at the meeting.

A non-shareholder may also attend as a proxy for a shareholder who appoints them as their representative. The proxy may or may not have been given the power to vote at the meeting, depending on whether the shareholder has already voted online.

An accredited member of the media may attend the meeting, but may not vote and generally does not have the power to ask questions during the meeting unless they also hold a proxy.

In theory anyone else may attend. I have attended AGMs of a company I used to work for and also some companies I was considering investing in. However, entry to the meeting as a non-shareholder is not an automatic right. From experience, it is best to seek permission to attend beforehand with the company or more likely you will be directed to the company's registry which controls entry on the day. You will not have the right to vote and may not be allowed to ask questions during the meeting. However, you have the opportunity to talk to shareholders and management after the formal meeting.

What it means to be a Shareholder

A shareholder is a person or organisation who owns shares in the company and is therefore a part-owner of the business. Some shareholders will be simply trading changes in the price of the company's shares – "traders". They are unlikely to attend an Annual General Meeting. This is because they are solely concerned with the share price and will not have the mindset of an owner. A true part-owner of the business is far more concerned with the performance of the management and of the business as a whole because that is what generates dividends, franking credits and capital growth from the reinvestment of retained earnings. Since you own the business, why would you pass up the opportunity to meet with the managers once each year?

Attending interstate Annual General Meetings can be expensive, but don't forget that the travel and accommodation to do so is generally tax deductible. I have in the past scheduled other business interstate to coincide with Annual General Meetings that I particularly want to attend. For example, the Dulux Annual General Meeting and the Opera Australia Annual General Meeting both coincided with and Australian Shareholders Association annual conference in Melbourne in 2015.

Large and Small Company Meetings

Not all companies are the same as far as Annual General Meetings are concerned, so I find that it is useful to regard them slightly differently.

Meetings of large companies that have many shareholders are generally less attractive for two reasons.

First, they may have thousands of owners and hundreds of them may attend the meeting, which can be very crowded. This is especially the case where the company has not been performing well or where very contentious matters are live issues. Disruptors are common, taking up valuable time and making things unpleasant.

Second, the formal parts of the meetings tend to be tightly scripted and often webcast anyway. It is often difficult to get to ask questions during these meetings because there are so many wanting to do so and it is more difficult to make contact with directors and management afterwards for the same reason.

However, it is best not to be too discouraged by these disadvantages, because there are advantages to attending even the very big company meetings:

It is not impossible to get to speak to management after the meeting if you are patient.

It is not impossible to ask questions during the meeting. Many large companies invite questions to be sent in advance. They may answer them directly before or after the meeting, but most likely they will answer them at the meeting, often before they take questions without notice from the floor of the meeting. These answers are likely to be more considered than those dealt with off the cuff. Just remember that, as always, the quality of the answer will generally be in proportion to the quality of the question itself, so do your homework first.

Seeing and hearing how questions are answered can be very revealing of the quality, style and personality of the Chairman and Chief Executive.

Networking with other shareholders can also provide useful insights. Be on the lookout for long-standing shareholders; they often have a lot of company history in their heads. At after-meeting refreshments, I often start a conversation with: have you been a shareholder for long?

Meetings of small companies can also present problems.

Small companies are very tightly held and not much information is willingly disclosed to small shareholders. Some may not release anything other than statutory half-year and annual reports. Those reports may contain only the bare minimum of information. Their meetings can be very perfunctory, especially where there is effective control by a few shareholders working in concert. While they may go through the motions of answering questions, they may also avoid really addressing the substance of the issue.

Meetings of smaller companies may also be difficult to get to, being held in company offices in industrial suburbs or in smaller towns interstate.

However, there can also be substantial upsides to attending Annual General Meetings of smaller companies:

First, and most important, there are generally fewer shareholders there in proportion to the number of management, so there is more opportunity to meet and talk to directors and management. You may be able to make valuable contacts if they invite you to call with any further questions.

There may not be many other shareholders there but those who are will often know a lot about the business and can provide valuable insights in conversation before and after the meeting.

Smaller meetings also obviously provide more opportunity to ask questions during and after the meeting.

Even if you just listen and observe the way questions by others are received and answered can be very revealing about the quality, style and personality of the Chairman and Chief Executive.

In general, as already noted smaller companies are often not reported or researched and do not post investor briefings, so attending Annual General Meetings is one of the few ways to find out what is happening.

How to Maximise Your Attendance

The first step is well before you go to the meeting. Do your research on the history of the company, its scope of operations, competitors, suppliers and the industry generally. Much of this will involve research of past annual reports and any investor presentations the company has made. You do not want to be asking about something you could have read up on beforehand. I read all investor briefings and announcements in at last the two previous years. I will also have done my ratio analysis for the last ten years.

It is a good idea to have thought out what you want to know in advance and if possible send your question to the company a week or more before the meeting. Your question may be answered in advance, but at least the Chairman, Secretary and Chief Executive will know who you are which is useful to open a conversation after the meeting.

This means that it is also important to know the names of directors and management from their Curriculum Vitae in the annual reports and elsewhere in announcements. If possible know what they look like if there are photos in the annual reports. Their photos may also have appeared in The Australian Financial Review; subscribers can search back issues.

The Overriding Reason to Attend

Being an engaged shareholder makes the directors and management more responsible to the owners, which includes you. Once a year the owners get an opportunity to hear and speak with the people who run the company they are part owners of.

This is compared to absentee owners who do not seem to care…

Which will you be?

This is an updated version of the text of a talk I gave to a private group in 2015

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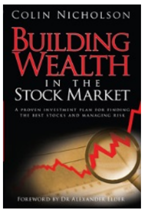

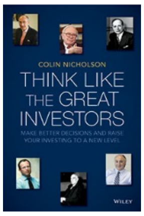

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