

Atlas Arteria 2023 AGM report

ASX code	ALX
Meeting date	30 May 2023
Type of meeting	Hybrid
Monitor	Nick Bury and Elizabeth Fish
Pre AGM-meeting	With Chair Debbie Goodin, Director of Investor Relations Tess Palmer, and Chair of the Remuneration Committee David Bartholomew.

Meeting Statistics

Number of holdings represented by ASA	38
Number of shares represented by ASA	183,000
Value of shares represented by ASA	\$1.2m
Total number attending meeting	Approx 30 attendees
Market capitalisation	\$9.3 billion
ASA open proxies voted	On a poll. ASA voted in favour of all resolutions except those related to remuneration for which we voted against.

The curious relationship between Atlas Arteria and its major shareholder IFM.

The main message that Atlas Arteria Chair, Debbie Goodin, wanted to express in her AGM address was that 2022 was an 'exceptional' year that had made the company into a larger, stronger, and more diverse business. The highlight was the acquisition of a major interest in the Chicago Skyway toll road concession. She said this achieved three things: a return greater than the risk-adjusted cost of equity at the time, doubling the average weighted concession period in the portfolio, and the cash flow generated underpinning distributions for decades to come.

The CEO confirmed guidance for the current year distribution of 40c per security. He also highlighted the significant lift in toll rates, which were linked to inflation. On the Chicago Skyway this was of the order of 11% this year, and expecting around 9% in 2024.

The Chair made a point of mentioning the company's relationship with 20%-shareholder IFM. She explained how IFM had become a major investor in the company in 2022, and how subsequently IFM declined to progress a full bid for the company. Nevertheless, IFM requested a nominee director for the Board, Mr Ken Daley, a highly experienced toll road developer and manager, which was agreed upon. His nomination was put to the shareholders at the AGM and was overwhelmingly supported with a 98% 'for' vote, including from the ASA representative who made comments at the meeting strongly supporting his election.

However, one of the most intriguing revelations at the meeting was that IFM had not yet cast their votes on the AGM resolutions prior to the meeting and that the Board had no idea which way IFM was going to vote.

This meant, unusually, that the proxy numbers displayed during the meeting could be meaningfully affected by IFM's vote.

On the remuneration report, the ASA voted 'against' because of the positive discretion applied to short-term incentive award, and the use of only a single performance measure for the long-term incentive.

The proxy voting numbers for the remuneration report displayed at the meeting showed a 35% 'against' vote and the chair alluded to a possible first strike (when there is >25% against) commenting that the Board was committed to "take on board that feedback". A quick calculation showed that even if IFM voted in favour, there would still be a first strike. As it turned out, IFM voted against the remuneration report, resulting in a massive 51% 'against' vote.

By studying the final voting results it was also possible to determine that IFM 'abstained' in the votes to re-elect chair Debbie Goodin, and Director John Wigglesworth, who were both comfortably re-elected.

When questioned about his role on the board, IFM-nominated director-elect Ken Daley said that he would be working for the interests of all security holders, and that he too was unaware of how IFM was going to vote at the meeting.

The ASA asked the only questions at the physical meeting. Most of these were largely dealt with by the AGM addresses. <https://www.listcorp.com/asx/alx/atlas-arteria/news/2023-agm-speeches-2879864.html>

The ASA queried when the audit function would be next tendered out, noting the auditor was PWC. The answer was that the audit had not been tendered for more than ten years (under previous management) and that PWC was the auditor of all the company's subsidiaries around the world, which made a change in auditor complicated. Nevertheless, the Board would consider the need to tender in the years ahead.

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