



## Hansen Technologies (HSN) 2018 Voting Intentions

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| <b>Company/ASX Code</b>      | Hansen Technologies (HSN)  |
| <b>AGM date</b>              | 22 November 2018   |
| <b>Time and location</b>     | 11 am Manningham Civic Centre, 699 Doncaster Road, Doncaster, Victoria |
| <b>Registry</b>              | Link Market Services   |
| <b>Webcast</b>               | No   |
| <b>Poll or show of hands</b> | Show of Hands  |
| <b>Monitor</b>               | Hans Ha  |
| <b>Pre AGM Meeting?</b>      | Yes, with Chair, David Trude   |

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| <b>Item 1</b>   | <b>Consideration of accounts and reports</b> |
| <b>ASA Vote</b> | No vote required                             |

### Summary of ASA Position

This will be the company's first year to issue performance rights instead of options for key management personnel (KMP) for long-term incentive (LTI) awards. The performance rights are issued at a fair value of \$3.851, which is higher than the current market value.

### Financial performance including dividends and shareholder returns

Operating Revenue grew by 32%, earnings before interest tax depreciation and amortisation (EBITDA) was up by 31%, net profit after tax (NPAT) was up 21% and earnings per share (EPS) was up by 12%. Much of this is due to the acquisition of Enoro, favourable foreign exchange rates and a higher than expected demand for services and upgrades.

Dividends were declared at 7 cents per share, compared to 6 cents per share last year, fully franked.

Yet despite the favourable news, total shareholder return (TSR) has decreased by 20% as at 30 June 2018 due to an earnings downgrade. Hansen revised its FY18 revenue forecast to \$230 million with EBITDA of \$58 million, which resulted in a lower EBITDA margin than its previous forecast.

### Key events such as restructures, acquisitions, buy backs and capital raisings

Hansen Technologies has created a unifying brand under HansenCX and all global products will move and operate under this brand.

## Key Board or senior management changes

Mr David Howell has joined the board this year and will be seeking election at the AGM.

## ASA focus issues

Two directors (one of them seeking re-election) have been in the role for 12 years or more. The ASA questions directors after 12 years of service and always encourages companies to maintain a majority of independent directors (which in this case, Hansen still has for now).

Hansen does not include a table of an actual remuneration on their annual report.

## Summary

| (As at FYE)                             | 2018 | 2017  | 2016  | 2015 |
|---|------|-------|-------|------|
| NPAT (\$m)                              | 28.8 | 23.89 | 26.08 | 16.9 |
| UPAT (\$m)                              | 28.8 | 23.89 | 26.08 | 16.9 |
| Share price (\$)                        | 3.15 | 4.04  | 3.39  | 2.62 |
| Dividend (cents)                        | 7    | 6     | 7     | 6    |
| TSR (%)                                 | -20  | 21    | 32    | 114  |
| EPS (cents)                             | 14.8 | 13    | 14.4  | 10.3 |
| CEO total remuneration, statutory (\$m) | 1.66 | 1.58  | 1.36  | 1.09 |

For 2018, the CEO's total statutory remuneration was **19.38 times** the Australian Full time Adult Average Weekly Total Earnings on a statutory basis (based on May 2018 data from the Australian Bureau of Statistics).

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| <b>Item 2</b>   | <b>Adoption of Remuneration Report</b> |
| <b>ASA Vote</b> | <b>For</b>                             |

## **Summary of ASA Position**

The Remuneration of the KMP consists of 3 components, total fixed remuneration (TFR), short-term incentives (STI) and LTI.

For the CEO, the target STI is 40% of TFR with a maximum opportunity of 1.5 times Target STI (maximum opportunity only applies to financial STIs; in total to approximately 54% of TFR) for overachievement. 70% of the STI is linked to financial metrics with a target set at 93% budgeted revenue and EBITDA. 30% of STIs are linked to non-financial metrics. STIs are paid in cash and for this year, the performance gateway is now only applicable to the financial metrics compared to last year where both financial and non-financial metrics were applied.

For the CEO, 100% of financial metrics have been met and 75% of non-financial metrics have been met. STIs are still paid in cash with no holding periods.

For LTIs, this will be the first year where options will be replaced with performance rights. Rights allow KMPs to receive shares without financial burden, encouraging them to hold an ongoing equity stake in the company, better aligning their interests with the long-term value of shareholders. Rights are also less dilutive to shareholders as a smaller number are issued.

LTIs will be measured with a 3-year period with 2 performance hurdles, relative TSR and compound earnings per share growth (EPSG). Both hurdles will be equally weighed for LTIs.

The Target LTI is 50% of TFR and the maximum opportunity of 1.5 times the Target LTI award (approximately 75% of TFR).

LTI awards aligned to TSR hurdles start vesting when the company achieves greater than the 50<sup>th</sup> percentile among its peers, fully vesting at the 75<sup>th</sup> percentile. TSR must be positive during the performance period before performance rights vest.

The LTI award from EPS growth is measured on a compounding basis over the term where an approved threshold must be met.

LTIs are also currently priced at a fair value of \$3.815 using a Black Scholes and Monte Carlo Simulation model. While the ASA is opposed to the use of fair value in valuing LTIs, the fair value price is higher than the actual share price to date and the company will be looking to grant performance rights based on market value for next year.

This year's remuneration report was easier to read compared to last year with the help of additional graphs and visuals. However, a directors skill set matrix is still not in the annual report.

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| <b>Item 3</b>   | <b>Re-election of David Osborne as Director</b> |
| <b>ASA Vote</b> | <b>For</b>                                      |

### Summary of ASA Position

Mr David Osborne has been a director with the company since 2006 and is a member of the Audit and Risk Committee. Mr Osborne has over 40 years of financial management, taxation and accounting experience in public practice.

Currently, Mr Osborne does not sit on any other company boards.

With his re-election, his tenure with the company will be over 12 years, and the ASA will not consider Mr Osborne to be an independent director anymore.

Mr Osborne has sufficient skin in the game as his shareholdings with the company sufficiently exceeds what the ASA requires.

Although Mr Osborne will be a non-independent director, the majority of the board consists of independent directors, and Mr Osborne's expertise, experience and commitment towards Hansen Technologies has also been taken into consideration in determining our position in his re-election.

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| <b>Item 4</b>   | <b>Re-election of Sarah Morgan as a Director</b> |
| <b>ASA Vote</b> | <b>For</b>                                       |

### Summary of ASA Position

Ms Sarah Morgan was appointed at the Board since 2014 and is the Chair of the Audit and Risk committee and a member of the Remuneration Committee.

Ms Morgan has extensive experience in the finance industry, predominantly in Mergers & Acquisitions (M&A) and Capital Raisings.

Ms Morgan is also a Non-Executive Director (NED) of Adslot Ltd, Future Generation Global Investment Company Ltd, and the National Gallery of Victoria Foundation.

Ms Morgan is an independent director that holds over one years fees worth in the company's shares, a sufficient amount viewed by the ASA in determining the NEDs holdings and interests are genuinely at risk.

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| <b>Item 5</b>   | <b>Election of David Howell as Director</b> |
| <b>ASA Vote</b> | <b>For</b>                                  |

### Summary of ASA Position

Mr David Howell has been appointed as a director this year and will be up for election. Mr Howell will be a member of the Audit and Risk Committee.

Mr Howell is a highly accomplished individual having worked across many industries including financial services, retail, oil, marketing and social media. He is currently a Non-Executive Chair of Littlepay (fintech) and a Non-Executive Director of Tiger Pistol Pty Ltd (social media advertising technology).

Mr Howell's experience in the IT and technical space seems to be an excellent fit with the company and we will look forward to his contribution and expertise.

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| <b>Item 6</b>   | <b>Grant of Performance Rights to CEO/MD Andrew Hansen for financial year ending 30 June 2019</b> |
| <b>ASA Vote</b> | <b>For</b>  |

### Summary of ASA Position

This resolution seeks Shareholder Approval to grant CEO/MD Mr Andrew Hansen 222,689 (148,459 rights granted at target, 74,230 rights at maximum) performance rights for financial year ending 30 June 2019 at market value.

These rights will vest if the targeted performance measures are achieved.

If Shareholder approval is not obtained for this resolution, the Board intends to grant Mr Andrew Hansen additional cash remuneration in lieu of the Performance Rights, subject to the same vesting conditions being achieved.

The ASA is opposed to the use of fair value in valuing LTIs and supports the company's transition from using fair value to valuing shares at market value.

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| <b>Item 7</b>   | <b>Appointment of Auditor</b> |
| <b>ASA Vote</b> | <b>For</b>                    |

### Summary of ASA Position

This resolution will seek Shareholder Approval to appoint *RSM Australian Partners* as the Auditor of the company. Should the resolution pass, *RSM Australian Partners* will hold office until the next AGM of the company.

Prior to *RSM Australian Partners*, Pitcher Partners has been the company's external Auditor since 2003.

The ASA favours auditor rotation via competitive tender, as we believe that it helps to create good corporate governance, and ideally should be rotated every 10 years or sooner.

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| <b>Item 8</b> | <b>Non-Executive Directors Remuneration</b> |
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| <b>ASA Vote</b> | <b>For</b> |
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### Summary of ASA Position

This resolution will seek Shareholders approval to increase the director fee cap from \$430,000 per annum to \$520,000 per annum (an increase by \$90,000).

The reason for the proposed increase is to ensure that the total remuneration reflects market remuneration and maintain the threshold in line with inflation.

This will be the first proposed increase since 2013.

The individual(s) (or their associates) involved in the preparation of this voting intention does not have a shareholding in this company.

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