

SeaLink returns to profit

Company/ASX Code	SeaLink Travel Group/SLK
AGM date	Tuesday 26 October 2021
Time and location	Virtual AGM @ 11am
Registry	Boardroom
Webcast	Yes
Poll or show of hands	Poll
Monitor	Ken Wakeman assisted by Cynthia Loh
Pre AGM Meeting?	Yes with Chairman Jeff Ellison & Company Secretary Joanne McDonald

Please note any potential conflict as follows: The individuals or their associates involved in the preparation of this voting intention have no shareholding in this company.

Item 1	Consideration of Financial Statements
ASA Vote	No vote required

Summary of ASA Position

Financial performance

It was a much better year for the company with a full year's performance from the acquired Transit Systems helping to produce a profit after last year's loss. The lack of international tourists continued to make the marine and tourism business struggle although some businesses performed well as locals spent their holiday at home. The Government JobKeeper Program aid (\$8.6 million) helped fund wage costs and ensure key staff were retained. Other international Government aid (\$6.3 million) was also received.

Once again, the Australian and international bus divisions performed above expectations, extending existing contracts and winning new ones.

The net result was that FY2021 revenue increased by over 87% and the statutory Net Profit After Tax (NPAT) was 37.8m after a loss of \$13.5m in the previous year

Underlying basic EPS was 19.7c and fully franked dividends of 16c were paid during the year.

Dividends were up by 45% from last year but roughly back to the FY2019 levels. The payout ratio was not specified in the annual report but we calculated it to be 81%. We requested that this figure be included in the 5-year summary.

Interest bearing debt remained the same at 31%.

Total shareholder return (TSR) was up by an impressive 118% largely due to +100% increase in share price.

Key events

- Produced Underlying Net Profit after Tax and before Amortisation (NPATA) of \$74.7m, up 152.6% on prior year with total revenue of \$1.17bn.
- Delivered strong gross operating cashflow.
- Delivery by Transit Systems Group of synergies and benefits ahead of estimates at time of acquisition.
- Retention of Singapore Bulim bus contract and award of an additional contract (Sembawang-Yishun), both 5+2-year terms commencing in May 2021 and September 2021 respectively.
- Commencement of the (up to) 15-year contract as operator of Brisbane City Council's iconic CityCat, CityHopper and Cross River Ferry network in November 2020.
- Renewal of three significant bus contracts in Adelaide from July 2020, as well as adding the Outer North bus services contract. Also commenced operations in joint venture to operate the newly franchised Adelaide tram contract. All contracts have a term of 8+2 years.
- Renewal of key strategic marine contracts in Townsville and Northern Territory.
- Securing and commencing the passenger ferry services from the Queensland mainland to Hayman Island.
- Award of the Katherine school bus contract which commenced operations in February 2021.
- Launch of the new MV Coolgaree Cat vessel in Townsville, Queensland and MV Parrabah vessel oil Bruny Island, Tasmania
- Expansion of electric bus fleet in NSW and UK and the electrification of depots in both NSW and London. In total 77 fully electric buses were ordered during the period.
- Acquisition of Go West Tours business in Western Australia subsequent to year end opening up opportunities in the resources sector.

Key Board or senior management changes

- KMP appointments include:
 - Greg Balkin. - Chief Development Officer - 1 September 2020
 - Rick Carpenter – Group Chief People and Culture Officer – 12 April 2021
- KMP retirements
 - Charlie Beaumont – Chief Operating Officer, International Bus – 30 June 2021

ASA focus issues

Board composition

- The board of seven comprises 5 male and 2 female directors (29%). It has a non-independent chairman and in the ASA view three other non-independent directors, making the board majority non-independent.
- In FY2020, the board reclassified 2 non-independent directors (Messrs Dodd & Smerdon) as independent on the basis that they are no longer substantial shareholders in the company after the acquisition of Transit Systems Group. We raised our concern with the chairman last year about the composition of the board and stated we would like to see more independence on the board especially as in total the board members hold a substantial percentage of the shares on issue.
- In this year's corporate governance statement, the board went into great length to explain the processes used to mitigate the issue of majority non-independence, including directors and the Chair selling down their shareholdings in the company to ensure that they are not majority shareholders.

Remuneration disclosure

- See Item 2, vote on remuneration report

Risk management:

- SeaLink's risk management policy continued to work well during the Covid 19 pandemic.
- SeaLink's approach to corporate responsibility in sustainability is commendable. Supported by practical experience gained in operating a fleet of hydrogen-fuelled buses in London, it saw the expansion of electric bus fleet in NSW and UK and the electrification of depots in both NSW and London.

Shareholder participation

- SeaLink provides information to shareholders via announcements to the ASX when there are significant events.
- Investors can raise queries or provide feedback at any time via the company secretary or chief financial officer at any time and queries/feedback are summarised for the board as a standing item at board meetings.
- There were no capital raisings during the year.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	37.8	(13.5)	21.5	19.5	23.8
UPAT (\$m)	43.0	16.4	23.4	22.1	23.8
Share price (\$)	9.48	4.42	3.73	4.43	4.07
Dividend (cents)	16	11	15	14.5	14
TSR (%)	118.4	21.4	-10.6	12.6	3.2
Underlying EPS (cents)	19.7	5.3	23.1	21.8	23.5
CEO total remuneration, actual (\$m)	1.57	1.85	.64	.65	.65

For 2021, the CEO's total actual remuneration was **17.38 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

Item 2	Remuneration Report
ASA Vote	For

Summary of ASA Position

We voted against the remuneration report in FY2020 due to the STI hurdles being unclear, discretionary payments to executives which we found excessive and a lack of details on some payments. There was an 11.5% vote against the remuneration report and this provoked a review of remuneration by the remuneration committee.

The result of the review was a much-improved report with the STIs more clearly defined and no further discretionary payments

There is an increase in directors' fees of 2% for FY2022.

STI payments are 100% in cash. The ASA prefers 50% of STI to be paid in shares. Despite this and in view of the much-improved remuneration report we will support the motion.

Item 3	Re-Election of director – Ms. Fiona Hele
ASA Vote	For

Summary of ASA Position

Ms. Hele joined the board in 2016. She is a chartered accountant with over 25 years' experience in both private and corporate sector specialising in strategic and business planning, risk management and corporate governance. Her previous experience as a director of the South Australian Tourism Commission plus her accounting skills make her a good fit with the rest of the board.

She is an independent director and chairs the Audit and Risk Committee.

She has no other ASX listed company director responsibilities but holds 4 other directorships.

Ms. Hele meets our requirement for shares held by a director.

Item 4	Re-Election of director – Mr Terry Dodd
ASA Vote	For

Summary of ASA Position

Mr Dodd has experience in business management and the marine industry. He was formally managing director and owner of Sunferries, a ferry transport business which was acquired by Sealink in 2011 when Mr Dodd joined the Sealink Board.

Mr Dodd is a member of the company's People, Culture and Remuneration Committee. The board considers that Mr Dodd's business skills, marine based experience and asset management knowledge are an important part of the overall Board skills composition mix.

As a result of the Transit Systems acquisition, Mr. Dodd is no longer a substantial shareholder of SeaLink.

As Mr. Dodd was managing director of a business (Sunferries) acquired by SeaLink, ASA considers him non-independent and due to the current composition of the board, we would normally recommend an against vote. However, the Sunferries acquisition was over 10 years ago and is now a minor relevance to SeaLink. In addition, the chairman has emphasised how important he has found Mr. Dodd's input to the business. We will therefore vote in favour although we are still concerned about the independence of the current board.

Item 5	Approval of Financial Assistance
ASA Vote	For

Summary of ASA Position

This is a special resolution requiring a 75% majority to pass.

It is a normal arrangement, providing for a newly acquired wholly owned subsidiary to provide security to a financier in its own right.

Item 6	Change of Company Name
ASA Vote	For

Summary of ASA Position

This is a special resolution requiring a 75% majority to pass.

Shareholder approval is sought to change the company's name from SeaLink Travel Group Limited to Kelsian Group Limited.

The change of company name responds to its transformational growth and diversification with the company now delivering a much wider range of service offerings across a portfolio of brands. The change in company name will only impact the parent company: local and customer-facing brands will not change in any way.

As the name SeaLink clearly does not reflect the total business of the company, we support the change.

Item 6	Modification to Constitution
ASA Vote	Against

This is a special resolution requiring a 75% majority to pass.

In light of recent temporary legislative changes and proposed permanent changes to the Corporations Act to facilitate the conduct of general meetings by virtual meeting technology, the board considers that it is appropriate to update the company's constitution to:

- clarify references to the use of technology in conjunction with general meetings; and
- incorporate features to allow for direct voting.

Four new clauses have been proposed to be added:

- clauses 34.5 and 34.6, which provide that the Chair may either adjourn or continue to hold any meeting impacted by a technical difficulty, glitch or failure in technology, and the inability of one or more shareholders to access or continue to access a virtual meeting facility does not impact the validity of the meeting provided that shareholders who were able to access the virtual meeting facility constituted a quorum; and
- clause 34.2A, which provides that documents can be tabled at a general meeting by giving a copy of the document to shareholders before or at the general meeting, or by screen casting the document in a way that is reasonable to shareholders as a whole during the general meeting.
- clause 54A is proposed to be inserted into the Constitution to enable the Company to permit shareholders to vote directly on resolutions considered at a shareholder meeting without attending the meeting in person or appointing a proxy.

These clauses have been proposed in regard to the proposed changes to the Corporation Act.

The company hopes in future to hold shareholder general meetings in person if that is in the best interests of its shareholders and the community. At our pre-AGM meeting the chairman assured us it was his strong preference to hold in-person meetings. Whilst we have confidence that the current chairman will maintain this view, in future the company might rely on section 32.4(c) and only hold virtual meetings. With the current limitations of technology with virtual meetings we find this change to the constitution undesirable.

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