

## Bassat looks to Seek shareholders to keep the faith

<b>Company/ASX Code</b>	Seek Ltd/SEK
<b>AGM date</b>	Tuesday 26 November 2019
<b>Time and location</b>	Park Hyatt, 1 Parliament Place Melbourne
<b>Registry</b>	Computershare
<b>Webcast</b>	No
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Claudio Esposito
<b>Pre AGM Meeting?</b>	Yes, with Chair Graham Goldsmith, Company Secretary Lynne Jensen & Business Analyst Steve Moran

<b>Item 1</b>	<b>Financial statements and reports</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

#### Financial performance

Andrew Bassat has always maintained optimism for SEK and this year is no exception. The company's earning power continues to move ahead with revenues growing to \$1.5 billion, up 18% from \$1.3 billion in Financial Year 2018 (FY18). In the last five years, SEK revenues have averaged a compound annual growth rate (CAGR) of 16% and the gains are significant. This doesn't always translate to significant gains in profit as a large percentage of revenue earned goes into the cost of generation. Net Profit After Tax (NPAT) has increased to \$198 million (m) up from \$90m in the previous year but the rise was off the back of 2018 write off expenses.

In terms of investments, SEK invested \$301.3m this year, primarily in Intellectual Property (IP), plant, equipment and equity investments. This was 12% up on the \$269.1m for FY18. Net borrowings have risen and now stand at \$1.45 billion, up from \$1.22 billion in FY18.

Australia and New Zealand (ANZ), Asia and investment business Zhaopin contribute to the vast majority of earnings for FY19. Higher capital spend will also see potentially greater returns as SEK moves to increase revenues coming from 'Premium' products. Premium ads generate larger margins but account for only a small portion of ad sales.

The product's popularity is growing and with premium representing a growing fraction of ad sales, the potential is there. This will also be accompanied by a change in the pricing structure where recruiters will no longer have the freedom of broad-based discount but will pay more where the value is greater. ANZ's margins are the largest of these businesses and with full integration into the Asian businesses this may close the gap on costs and improve the lower margin-generating Asian counterparts, which are in the landgrab phase of building the network

Mr Bassat stated in an presentation to analysts that he had an ‘aspirational’ goal of \$5 billion in revenues over the next five years, a target that would require a CAGR of at least 25%. SEK's past performance has already had such growth rates in revenues from 2010 to 2015 and from 2005 to 2010. The business is of course now much bigger but with emerging markets and some serious entrepreneurial zeal, who knows?

### Key events

This year SEK announced the purchase of a stake in two developing global businesses that currently provide online education. A 50% stake in FutureLearn was purchased for \$92.2m, a stake that will allow Seek to tap into markets in UK, Europe as well as Australia. In addition, \$50m was spent on acquiring a minority stake in the US based on-line course provider Coursera. Both companies provide online education to a large pool of students through partnerships with leading universities across the globe. Coursera has a strong presence in the US and with SEK's current footprint in Latin America, this will widen their network across the US. Both newly purchased businesses have already invested significantly in their own infrastructure and capabilities and SEK will assist imparting its expertise in online education platforms, accelerating their growth. The company recognise that a current trend in education is to move toward areas that are more industry/job specific as people are seeking highly specialised reskilling in ways that mainstream university courses don't necessarily provide.

The transactions have reduced SEK's net profit after tax.

### Key Board or senior management changes

The SEK board will undergo renewal at this year's AGM with the re-election of Denise Bradley who has served as a non-executive director (NED) since 2010 and the election of Leigh Jasper, a new NED and the founder of software company Aconex Ltd. SEK has also appointed Ian Narev (replacing Michael Ilcynski) who will be managing the company's Asia-Pacific (APAC) and Latin American (LatAm) operations as well as assisting the group CEO with strategic direction. His job title is CEO APAC & LatAm.

### ASA focus issues

With Denise Bradley up for re-election, SEK indicated at the Pre AGM discussions that Ms Bradley won't be expected to complete her term due to retirement. The company understands the need for a balanced diverse board and a search for the right candidate is in progress.

### Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	198.4	91.0	240.8	399.4	315.2
UPAT (\$m)	258.2	229.5	362.0	198.1	193.0
Share price (\$)	21.16	21.81	16.91	15.21	14.06
Dividend (cents)	46	46	42	40	36
TSR (%)	-3.0	27	11.6	8.3	-10.7
Basic EPS (cents)	50.7	15.2	97.9	103.7	82.1
CEO total remuneration, actual (\$m)	8.0	3.56	14.2	2.85	17.9

For the 2019 financial year, the CEO's total actual remuneration was **96 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

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

CEO remuneration framework	Max. Opportunity \$m	% of Total
Fixed Remuneration (\$m)	2.51	50%
STI - Equity (\$m)	1.25	25%
LTI (\$m)	1.25	25%
Total	5.01	100.0%

This financial year CEO Andrew Bassat will not receive an increase in salary, after the increase of 7% he received last financial year. The increase last year was justified due to 'structural changes' taking place within the business. The remuneration mix at maximum opportunity sees 50% being paid as salary and superannuation and two grants of 25% each. Since these are share-based grants, the later vesting dates of the award could mean a higher actual take-home pay than the amounts declared.

The structure of SEK's remuneration remains unchanged and while executives get a choice between options and rights in their LTI scheme, both Mr Bassat and newly appointed CEO of APAC & LatAm, Ian Narev, have chosen a 50/50 split between options and rights. Interestingly, options have not been selected since 2013 which may reflect the faith both have for the direction in which SEK is headed.

The company has introduced a minimum shareholding policy. CEO needs to hold a minimum of two years base salary whilst Key Management Personnel need to accumulate one year's worth within a three-year period. Non-executive directors require one year's worth of fees in equity over a five-year period. ASA prefers this five-year period be reduced to three. All executives and NEDs meet the minimum requirements.

SEK's remuneration remains unchanged from FY18. 50% of remuneration is fixed salary, 25% is paid as equity rights plus a 12 month holding period. The remaining 25% is an LTI and can be a choice between rights or options which vest after three years also with a 12 month holding period. The option/rights values are calculated using Fair Value, and the allocation is set as the VWAP for 60 days prior to the end of the FY.

SEK provide comparative face value figures for transparency purposes. The hurdle rate is calculated using the average growth rate of the ASX200 over a 15-year period and therefore if SEK's growth doesn't exceed this growth rate, executives forfeit the right to their LTI. This is in contrast to a relative hurdle where executives can still be rewarded for poor performance. The ASX has grown by 5.10% CAGR over the last 15 years. Compounding the starting share price of \$19.85 by 5.10% over three years gives a target of \$23.18 which will also serve as the exercise price for the options.

For this financial year as part of Mr Bassat's wealth sharing plan, approval will be sought for a grant of 243,520 options at a market value of \$4.83m. If the target share price for which the shares will vest is achieved, he will receive the total number of shares indicated in Item 5.

<b>Item 3a</b>	<b>Re-election of Denise Bradley as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Denise Bradley was appointed to the board in 2010. She has extensive experience in education at senior levels in policy and in several education related boards both at private and government level. Denise wishes to resume another term and has indicated she may step down at some stage during her 3 year term.

<b>Item 3b</b>	<b>Election of Leigh Jasper as a Director</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Leigh Jasper was appointed in April and was the co-founder of Aconex Ltd, an ASX200 company that provided web-based and mobile technology for different sectors such as oil, mining, gas and infrastructure. The company was later sold to Oracle. Leigh took part in all facets of the company's development until it was sold. Leigh appears to be a good fit given his entrepreneurial background and experience in the aforementioned technologies.

<b>Item 4</b>	<b>Grant of an Equity Right to the Managing Director and Chief Executive Officer Mr Andrew Bassat for the financial year ending 30 June 2019</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The board seeks approval by shareholders to issue Mr Bassat with one Equity Right under the terms of Seeks executive remuneration plan for FY19. The maximum rights which can be issued under this resolution are 63,303 representing that part of Mr Bassat's fixed remuneration which is paid in equity or 25% of total remuneration. The terms of the grant are consistent with those outlined in the remuneration report.

<b>Item 5</b>	<b>Grant of Wealth Sharing Plan options and Rights (WSP) to the Managing Director and Chief Executive Officer Mr Andrew Bassat for the financial year ending 30 June 2020</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The board seeks approval by shareholders to issue Mr Bassat with 243,520 WSP options and 70,593 WSP rights under the terms of Seeks executive remuneration plan for FY19. The terms of the grant are consistent with those outlined in the remuneration report.

The individual involved in the preparation of this voting intention has no shareholding in this company.

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