

Megaport 2023 AGM report

ASX code	MP1
Meeting date	Wednesday, 1 November 2023
Type of meeting	Hybrid
Monitor	Paul Donohue
Pre AGM-meeting	No

Meeting Statistics

Number of holdings represented by ASA	12
Number of shares represented by ASA	32,388
Value of shares represented by ASA	\$310 k
Total number attending meeting	Approximately 15 in person. Unknown online.
Market capitalisation	\$1.61 b
ASA open proxies voted	ASA voted in favour of all the resolutions.

The Megaport AGM was a game of two halves. In the first half, founder and Chairman Bevan Slattery seemed out of his comfort zone with the formal proceedings. In the second half when the conversation turned to technology, first mover advantage and business opportunity, he lit up. Bevan speaks passionately on these topics, and it is easy to see why he has been such a successful tech entrepreneur.

Remuneration has been a long running sore point with Megaport's shareholders. Looking at the last four AGMs, the rem report has consistently received significant negative votes. 9.8% against in FY20, 27.9% in FY21, 22.7% in FY22, and this year was no exception with 26.7% voting against. Digging a little deeper into the voting history shows that resolutions to issue equity to CEOs (current and former) are often punished.

So, what is going on here? According to Mr Slattery he competes on a global level for key talent. To lure people away from Silicon Valley he needs to offer remuneration in line with US tech practise and that means generous packages with lots of equity. Based on the voting record, a lot of shareholders disagree with him.

Assuming the new CEO, Michael Reid, meets his targets he will receive fixed remuneration each year of \$1m, STI is 100% of that in the first year and 50% in the next two years, LTI is 225% of one year's fixed remuneration but only paid at the end of the three years. Fixed remuneration is paid in cash with the other components paid in equity. That adds up to a total maximum opportunity over three years of \$7.25m with a strong skew to FY24 when the total remuneration is \$4.25m due to the LTI being fully recognised in that year. If you spread the LTI over the three-year term it's a more palatable \$2.41m each year. According to the FY22 notice of meeting the previous CEO's total package was \$3.27m.

Only time will tell if the new CEO is worth that much, but since he started on 15 May 2023 the share price is up more than 85% and they reported the first ever quarter with positive cash flow. In

a long chat after the AGM, he demonstrated a solid grasp on the company's technology and the issues it faces. More importantly he has a clear plan to raise the company's maturity and restore sales momentum.

This year, we did not have enough volunteers to fully monitor the company. We voted with the board in favour of all resolutions despite our reservations on the remuneration report.

The three resolutions related to remuneration all received significant no votes. The rem report was 27% against, and the two resolutions for the CEO's equity grants were 48% against (LTI) and 32% against (STI). The other resolutions all passed with comfortable margins.

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