



Kogan Limited – A year of two halves

Company/ASX Code	Kogan.com Limited / KGN
AGM date	Thursday 25 November 2021
Time and location	2:00 pm virtual meeting
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Brett Morris assisted by John Whittington
Pre-AGM Meeting?	Yes with Chair Greg Ridder

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

Summary of issues for meeting

Kogan is a portfolio of retail and services businesses that includes Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Travel, Kogan Money, Kogan Cars, Kogan Energy, Dick Smith, Matt Blatt and Mighty Ape.

Kogan.com is a leading Australian consumer brand renowned for price leadership through digital efficiency. The Company is focused on making in-demand products and services more affordable and accessible.

The ASA first monitored Kogan.com in 2020.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

Kogan has six directors having appointed two additional directors this year. The company's skills matrix is not part of the Annual Report but is available online. The skills matrix illustrates the broad skills of the directors who are appropriate for the company's requirements.

Financial performance

Kogan reported a profit of \$203.7 million for the year. The company almost doubled gross sale to \$1.18 billion. The company has a pipeline of sellers ready to onboard and has achieved 3.9 million active customers being an increase of 49% on the previous year.

Key Board or senior management changes

The board is generally constituted by broadly and appropriately skilled directors. The board appointed two new directors during the year. The appointment of Ms Janine Allis means that the board are 1/6 female which falls below the 30% quota.

Ms Janine Allis – Appointed in April 2021 as a non-executive director and is a member of the Remuneration and Nomination Committee and the Audit and Risk Management Committee. Ms Allis was appointed as a director of Australian Pharmaceuticals Industries in October 2020.

Mr James Spenceley – Appointed in March 2021 as a non-executive director and is a member of the Remuneration and Nomination Committee and the Audit and Risk Management Committee. Mr Spenceley was appointed as the Chairperson of Airtasker Limited in December 2015, Chairperson of Swoop Telecom in February 2019 and Non-Executive Director of Think Childcare Group in May 2020.

ASA focus issue

Last year the ASA raised the issue of fund raising and the need to be fair with retail shareholders. There was no capital raising this year.

The ASA also raised the issue of independent board directors given that the board had been reduced to four directors. This is in circumstances where the board sought a significant grant of options being for options at a strike price of \$5.29 for 3.6 million shares as a long term incentive.

The appointment of Ms Janine Allis and Mr James Spenceley brings independence to the board. These appointments are supported by the ASA.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	3.5	26.8	17.2	14.1.	3.7
Share price (\$)	\$11.58	\$14.72	\$4.75	\$6.82	\$1.67
Dividend (cents)	16	21	14	13	8
Simple TSR (%)	-20	214	-28	316	-3
EPS (cents)	3	29	18	15	4
CEO total remuneration, <u>statutory</u> (\$m)	8.993	0.594	0.439	0.542	0.470

For 2020/2021, the CEO's total statutory remuneration was **96 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking) by the share price at the start of the year.

Item 2	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

Kogan received its first strike against remuneration last year.

Remuneration comprises a low fixed salary, plus a short-term incentive (STI) and long-term incentive (LTI, called the Equity Incentive Plan, EIP).

The STI will be drawn from a “bonus pool” which is created from 25% of the outperformance of the company’s earnings before interest, tax, depreciation, and amortisation (EBITDA) over the undisclosed management forecast. This bonus pool will be shared among a number of undisclosed employees.

The LTIs are in the form of options, with no performance hurdle other than to remain employed. The strike price is \$5.29 compared with the actual share price at the grant date of \$16.40. The CEO was awarded 3.6 million rights and the CFO/COO 2.4 million rights. They are valued in the Annual Report at \$41.325m for the CEO and \$27.551m for the CFO/COO.

The annual Independent Non-Executive Directors’ fees paid or payable to Greg Ridder (as Chairman), Harry Debney, Janine Allis, and James Spenceley for FY21 are \$185,000, \$110,000, \$95,000 and \$95,000 respectively.

Given the egregious size of the LTI award which has no performance criteria other than staying employed, no disclosure of management performance against metrics, no disclosure of how the STI bonus pool is shared, the STI being all cash, and the generally poor transparency of the report, we cannot support this item.

Item 3	Re-election of Mr David Shafer
ASA Vote	For

Summary of ASA Position

Mr Shafer is the Chief Financial Officer, Chief Operating Officer and Executive Director of Kogan. Mr Shafer has worked with Kogan. since 2006, moving to a full-time role as Chief Financial Officer, Chief Operating Officer and Executive Director in November 2010.

Mr Shafer holds a Bachelor of Law and Bachelor of Commerce.

Mr Schafer holds more than 5 million shares in Kogan.

The ASA observes that Kogan has achieved excellent results for shareholders during Mr Shafer’s tenure, that Mr Shafer has “skin in the game”, is not over worked and is appropriately skilled for the role. The ASA supports the re-election of Mr Schafer.

Item 4	Election of Ms Janine Allis
ASA Vote	For

Summary of ASA Position

Ms Allis was appointed to the Board of Kogan in April 2021 as a Non-Executive Director and also serves as a member of the Remuneration and Nomination Committee and Audit and Risk Management Committee. Ms Allis is a director of Australian Pharmaceuticals Industries having been appointed in 2020.

Ms Allis is the founder of Boost Juice and the Retail Zoo group of food retail brands.

Ms Allis holds more than almost 5,000 shares in Kogan. Despite her recent appointment as a director Ms Allis has “skin in the game” that exceeds her annual salary. This is an excellent commitment from Ms Allis.

The ASA supports the election of Ms Allis.

Item 5	Election of Mr James Spenceley
ASA Vote	Against

Summary of ASA Position

Mr Spenceley was appointed to the Board of Kogan in March 2021, as a Non-Executive Director and also serves as a member of the Remuneration and Nomination Committee and Audit and Risk Management Committee.

Mr Spenceley is Chairman of local services provider Airtasker, Chairman at Swoop Telecom and Non-Executive Director at Think Childcare (ASX:TNK).

Mr Spenceley founded Vocus Communications (ASX:VOC) in 2007.

The ASA considers that Mr Spenceley is suitably skilled and able to perform the role for which he seeks election. The ASA has concerns regarding Mr Spenceley’s workload noting that he is chairman of Airtasker and Swoop Telecom which carry a heavier workload than a standard directorship. The ASA’s concern regarding workload is most relevant when unexpected matters arise in a company in which they are a director or in the broader economy which requires the director to spend a considerable time on one appointment to the detriment of another.

The ASA considers that directors should have one years salary invested in shares in the company within 5 years of their appointment. Mr Spenceley does not have a shareholding in Kogan at this point in time but has several years in which to do so.

The ASA does not support the election of Mr Spenceley on the basis of excessive workload.

Item 6	Increase in Non-executive Director’s Fee Pool
ASA Vote	For

Summary of ASA Position

Kogan appointed two additional directors in 2021 and have achieved an excellent return for shareholders since listing.

Commensurate with a higher capital value, the achievements of the company and the appointment of two additional directors, the ASA considers that it is appropriate to increase the pool of funds available for Non-Executive Directors from \$500,000 to \$800,000 per financial year.

In supporting the increase in the pool of funds, the ASA notes that shareholders will continue to be able to vote on the remuneration report. The purpose of the increase in the pool is to facilitate the payment of directors in a successful company.

Item 7	Renewal of Equity Incentive Plan
ASA Vote	For

Summary of ASA Position

The Company operates an employee incentive scheme called the Kogan.com Equity Incentive Plan (the EIP). The EIP was first adopted in June 2016 and was subsequently approved for renewal by Shareholders at the Annual General Meeting held in November 2018.

The ASA considers that the EIP is a positive way of aligning the interests of shareholders and the company by allowing employees to have skin in the game. The ASA supports the resolution.

Item 8	Board spill Meeting (Conditional Item)
ASA Vote	Against

Summary of ASA Position

The ASA generally opposes board spill motions in the event of a second strike against the remuneration report.

Given this, it is proposed that the ASA vote Against the spill motion should it be required.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY21	Target*\$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.497	1%	0.497	1%
STI - Cash	Unknown	?%	Unknown	?%
STI - Equity	0	0%	0	0%
LTI	41.326	99%	41.326	99%
Total	41.823	100.0%	41.823	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.