



## Transforming strategy with implementation risks from target shareholders and regulators

<b>Company/ASX Code</b>	Seven West Media/SWM
<b>AGM date</b>	Wednesday 13 November 2019
<b>Time and location</b>	10am Presentation Studio, 8 Central Avenue, Eveleigh
<b>Registry</b>	Boardroom
<b>Webcast</b>	Yes – details posted on <a href="http://www.sevenwestmedia.com.au">www.sevenwestmedia.com.au</a>
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Ian Graves assisted by Sue Howes
<b>Pre AGM-Meeting</b>	Yes, Conference Call with John Alexander Chair Remuneration & Nomination Committee, Katie Hall Group Executive People, Warwick Lynch CFO and Warren Coatsworth Company Secretary

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

### Summary of ASA Position

Dividends continue to remain suspended after another difficult year. While ratings have been maintained, both underlying revenue and profit have again fallen.

Digital assets are expected to become an increasing revenue source for the company with a reduction in reliance on free to air advertising.

Again, we see the biennial pattern of asset write downs occur (Intangibles down \$469m to \$565m). Debt has continued to reduce, from \$770m to \$654m.

Share price has continued to fall, approximately halving over the financial year with the slide continuing post year end.

Over the previous four-year period \$65m has been spent on redundancy and restructuring compared to actual expense savings of \$182m over the same period.

Subsequent to the end of the financial year the CEO has changed with Tim Worner resigning on 16 August 2019 and James Warburton commencing on the same date. It has been noted that payment of notice is to be expected but final figures had not been determined at the time of the Annual Report. We note James Warburton has also commenced as a Director of Shopper Media on 31 July 2019.

The Board returned to ten people during the year, with the appointment of Colette Garnsey OAM during the year. The retirement of Peter Gammell and Jeff Kennett, at the AGM, and appointment of the new Managing Director after the end of the year reduces the number to ten.

Last year the Board appointed another female director, increasing representation to two or 20%. ASA encourages the Board to consider appointing another female Director if they wish to fill the available vacancy. This would bring the gender diversity ratio to 27%, more in line with current ASX company practice.

ASA again note that except for the new director, Collette Garnsey, who has already purchased one year's salary worth of shares, the independent directors have insufficient skin in the Game. ASA expects that Directors have the equivalent of 1 year's fees invested after 3 years.

ASA also requests that the Board give consideration as a matter of good Governance to appointing "A Lead Independent" to manage the potential conflicts of interest between the non-independent directors and shareholders is transparently managed.

Events post the end of financial year have included

- Sale of Redwave radio in WA
- Announced a friendly acquisition of Prime media. Still subject to shareholder & regulatory approval.
- Sale of Pacific Magazines

## **Financial**

Last financial year was the fifth year with declining profitability and is indicative of the extent of change impacting the industry. The recent announcements of the divestments and acquisition is a fundamental realignment of the business and if achieved should provide a more sustainable business.

## **Summary**

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	(444.0)	134.9	(745.0)	184.3	(1887.4)
UPAT (\$m)	129.3.	142.5	166.8	207.3	209.1
Share price (\$)	0.465	0.840	0.715	1.060	1.020
Dividend (cents)	0.0	0.0	6.0	8.0	12.0
TSR (%)	(44.64)	17.48	(32.55)	3.92	(43.79)
EPS (cents)	(29.5)	8.8	(49.4)	12.2	(181.1)
CEO total remuneration, actual (\$m)	2.863	2.709	2.741	3.195	2.635

For 2019, the CEO's total actual remuneration was 32.48 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>Election of Ms Colette Garnsey OAM as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Appointed during the year on 12 December 2018. 30 years' experience in senior management at David Jones (Group General Manager), Pacific Brands and Premier Investments. Selected to assist with maximising "the value and strategic positioning of the Company's consumer and advertiser-oriented brands and content."

Currently a non-executive Director of Flight Centre Travel Group and Chair of Australian Wool Innovation Limited.

Purchased 250,000 shares for \$149,365 at commencement, roughly equivalent to one year's remuneration.

The inclusion of Ms Garnsey doubles the Board's female representation.

<b>Item 3</b>	<b>Re-election of Mr John Alexander as a Director</b>
<b>ASA Vote</b>	<b>Undecided</b>

### Summary of ASA Position

Joined the Board 2 May 2013. Has career experience in media with PBL and NewsCorp as well as previous Board experience with a range of listed companies. Chair of Remuneration and Nominations Committee.

Mr Alexander is the Executive Chairman of listed company Crown Resorts Limited; he is also Chair of Crown Melbourne Limited and Burswood limited Boards.

Although Mr Alexander has had a successful career as a Senior Media Executive and has the support of both SWM and Crown Boards we are concerned about his workload particularly, as both the industry and company are undergoing significant change, which requires a heavy involvement by directors.

ASA is also concerned that although he has served for total of 6 years. Holds 55,768 shares (at year end price of \$0.465 = \$25,932) while drawing a total annual salary in 2019 of \$155,000, to retail shareholders this does not indicate a strong commitment to the company.

ASA will be asking Mr Alexander for his explanation on both matters and depending on his responses will vote all undirected proxies accordingly.

<b>Item 4</b>	<b>Re-election of Mr Ryan Stokes as a Director</b>
<b>ASA Vote</b>	<b>For</b>

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

Appointed 21 August 2012. MD and CEO of Seven Group Holdings (SGH), which owns approximately 41% of SWM via Australian Capital Equity Pty Ltd . He is listed as 1 of 4 Non-Independent directors. As there are 5 independent Directors, he is still within ASA guidelines.

He is Director of Westrac, Chair of Coates Hire and Director of Beach Energy. He is also CEO of Australian Equity Pty Ltd, a private investment company with its primary investment being SGH.

He is Chair of the National Library of Australia. A member of the Prime Ministers advisory Council on Veterans Mental Health. A member of innovationXchange (within Department of Foreign Affairs and Trade) on innovation in aid programs and a member of the IOC Olympic Education Commission.

ASA intends to Vote all undirected proxies in favour of the resolution.

<b>Item 5</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>Against</b>

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

In the 2019 financial year (FY19) the long-term incentive (LTI) outcomes for 2016 were tested and the total shareholder return, (TSR) did not meet the benchmark, although the diluted earnings per share did, this resulted in a slight increase in the actual pay notwithstanding that the fixed remuneration was unchanged.

Subsequent to the end of the financial year Mr Worner left the company and the new MD & CEO Mr James Warburton commenced on 16 August.

MD & CEO Remuneration Framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.350	33%	1.350	29%
STI - Cash	0.675	17%	1.013	21%
STI - Equity	0.675	17%	1.013	21%
LTI	1.350	33%	1.350	29%
Total	4.050	100.0%	4.725	100%

Last year ASA voted against the remuneration plan, because of the structure. This year the remuneration structure as shown although having 77% at risk is heavily weighted towards short term incentives for the Target opportunity, this increases to 42% at the maximum opportunity. The financial component comprising 40% of the performance measures is based on earnings before interest and tax (EBIT). Which is normally delivered in 50% cash and 50% restricted shares, although for 2019 will all be in restricted shares which will be allocated after 1 year and deferred for 12 months.

The surprising outcome of this plan is that contrary to what ASA has been advocating, the structure of the Plan rewards more for the short-term performance 34% compared with 33% for target opportunity which increases to 42% of the structure at the maximum opportunity. This is because the multiple is 150% of Fixed Annual Remuneration (FAR) whilst the Long-term Incentive, which shareholders want is limited to 100% FAR.

ASA advocates that the maximum potential STI should not exceed FAR.

Also, 50% of the long-term incentive vests after 3 years with a one year holding lock and the remaining amount vests after 4 years with another one-year holding lock. Whilst ASA prefers the minimum vesting period to be at least 4 years and prefers 5 years, the holding lock does go to some length in satisfying ASA guidelines if only partially.

Overall, ASA still believes that the current remuneration structure promotes short termism as opposed to a more sustained, long term perspective that maintains concerns. It is for these reasons that ASA wishes to vote all undirected proxies against this resolution.

<b>Item 6</b>	<b>Approval of LTI grant to CEO/Managing Director James Warburton</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Mr Warburton joined the company in August 2019. As part of this package he was awarded 10,945,945 performance rights under the company's LTI Plan. While ASA guidelines prefer executives earn their awards after the hurdles have been met, it is a common practice to issue the awards and have a portion lapse if hurdles are not met. The grant is to be made under the company's LTI incentive Plan, and closely aligns with the Company's business strategy and performance over the period. The value of the grant is \$4.05m.

ASA intends to vote all undirected proxies in favour of the resolution

The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

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