

Voting Intentions – Webjet 2021 AGM

ASX Code	WEB
Date	31 August 2021 @ 3pm
Meeting Time	3pm
Type of Meeting	Hybrid (Webjet - 509 St Kilda Rd Melbourne or via Lumi AGM Platform)
Monitor	Jason Cole assisted by Mike Robey
Pre-AGM Meeting?	Yes – with Roger Sharp (Chair), Brad Holman (Chair of Rem Committee) and Carolyn Mole (Investor Relations)

Proposed Voting Summary

1	Adoption of Remuneration Report	Against
2	Re-election of Director - Mr Roger Sharp	For
3	Re-election of Director – Ms Denise McComish	For
4	Ratification of prior issue of convertible notes	For

Key Financials

	2021 ¹	2020	2019	2018	2017
Statutory NPAT (\$m)	-156.6	-143.5	60.3	41.5	52.4
Underlying NPAT (\$m)	-141.5	-119.0	62.3	43.2	33.1
Statutory EPS (cents)	-46.2	-82.1	48	36	53.8
Dividend per Share (cents)	0.0	9.0 ²	22.0	20.0	17.5
Share Price at End of FY (\$)	5.58	3.32	13.62	13.45	12.18
Statutory CEO Remuneration (\$)	2.445 ³	1.508	3.437	1.441	1.601
Total Shareholder Return (%)	68.1	-75.0	2.9	12.1	76.8

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.

¹ Webjet changed to a 31 March year end and FY21 results reflect a 9-month reporting period.

² A 9c dividend was declared, due in April 2020, but deferred until April 2021, and now to be reviewed after 1H22 results.

³ For accounting purposes, the expense of the LTI (4.5m options) is weighted disproportionately to Year 1 (61%), with 28% in Year 2 and 11% in Year 3. This results in the total FY21 being higher than FY20, despite a voluntary pay cut resulting in a lower take-home pay during the period.

Summary of Historical ASA Issues with the Company

The ASA did not support the 2020 Remuneration Report due to issues with the Long-Term Incentive (LTI) plan for staff, particularly the LTI for the Managing Director.

A full explanation of the changes to the remuneration structure caused by COVID-19 are outlined in the ASA's 2020 voting intentions.

In summary, the ASA did not support the awarding of 4.5m options (Exercise Price - \$3.08), which are due to vest in tranches of 1.5m after 1, 2, and 3 years provided a share price appreciation target of \$3.39, \$3.73, and \$4.10, respectively, is met.

The ASA concerns related to the low targets for vesting of the options and the potential quantum on offer for each of the years. For example, since last year's AGM, the Webjet share price has traded above the required targets in a range of \$3.44 - \$6.33. This despite little improvement in COVID-19 related travel restrictions.

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

- The Board has an independent Non-Executive Chair and majority of independent directors.
- The Board has at least 30% female and at least 30% male directors. Webjet also disclose its proportion of female employees at each level, and this is showing a positive trend in the percentage of female employees at all levels over the last 3 financial years.
- Directors and other KMP have invested at least one year's worth of base cash fees in company shares, within 3 to 5 years. Denise McComish, appointed in March 2021, purchased approx. \$25,000 on June 1. However, this was not disclosed to the ASX until 30 June due to an administrative oversight. This issue has since been addressed by the company.
- The company meaningfully discloses ESG issues or risks facing the business and the processes to manage them. This year it has published its inaugural Sustainability Report, outlining the ESG topics identified as material to Webjet.
- The company discloses a meaningful skills matrix of the board easily accessible by shareholders.

Areas for Improvement

- A multi-year financial highlights chart was provided early in the 2018 and 2019 annual reports but has been absent from the past two years. Primarily this is due to the change in reporting dates making comparisons more complicated. The company has indicated that this chart will appear in future annual reports.

Items for Voting

Item 1	Adoption of Remuneration Report
ASA Vote	Against

CEO REM

A combination of COVID-19 related changes to the CEO remuneration framework and Webjet this year changing to a 31 March Financial year end, make multi-year comparisons for remuneration complicated. In summary, the following points are relevant to the current framework.

- At the onset of Covid-19 the Managing Director (MD) agreed to a 60% reduction in Fixed Annual Remuneration (FAR) until 1 December 2020.

- Actual FAR for FY20 was \$1,245,574. For the 9-months of FY21 it totalled \$719,800.
- FAR for a full year is now \$1.6M after a previous pay review in FY20.
- No Short-Term Incentive (STI) awards were granted in FY21.
- No LTI for the MD is intended to be granted in the next 3-years, except for the already approved grant of 4.5m options as earlier discussed.

Positives

- The quantum of Board fees do not reasonably exceed the Godfrey Group report benchmarks, with fees set below the median for companies with a similar market cap.
- Clear disclosure is provided for all KMP performance hurdles. However, these are only based on share price.
- Overall, the Remuneration report is readable, transparent, and understandable.

Areas of Concern

- The CEO's actual FAR is disclosed; however, the maximum opportunity is not quantifiable as LTI is based on share price appreciation and no windfall protection is present.
- It is stated in the annual report that the options were calculated as having a value of 66% of the MD's FAR for each of the next 3 years. By way of example, should the share price at the end of the 12-month holding period be similar to the current price (\$5.15), then a potential profit on the year 1 options would be approx. \$3.1m should the options be exercised, and shares sold after 12-months.
- The total quantum of the CEO remuneration package does not reasonably reflect the Godfrey Group report benchmarks. Webjet's market Cap is ~\$2B. and the \$1.6M FAR is above 75th percentile for companies with a similar market cap. Webjet advised that a significant portion of revenue is now received from outside Australia and as such CEO remuneration for comparable overseas companies is also considered when setting FAR for the MD. Additionally, the latest review occurred prior to the onset of COVID-19.

Conclusion on Remuneration

The onset of COVID-19 and subsequent travel restrictions imposed by governments nationally and internationally have meant the travel industry has been impacted as negatively as any sector in the economy. Webjet reacted to this and the remuneration framework for key executives is unlike that in place prior to the pandemic. As such, many of the ASA guidelines relating to remuneration are not relevant to the current framework.

Webjet provided a detailed explanation regarding the thinking that informed their decision to structure the MD's LTI and requested that context be considered when assessing this decision. Primarily this related to the uncertain nature of the travel industry, a desire to retain the MD to steer the company through the uncertainty and the subdued share price at the time the decision was made in August 2019.

It is difficult to imagine that trading conditions for a travel business could be any worse than they have been over the previous 12-months. Yet the current share price remains comfortably above the required targets for each of the 3 testing periods. Therefore, correlating the improved share price over this period with management performance remains a difficult exercise.

The ASA acknowledges that at the time decisions were made, Webjet were (and still are) operating in an uncertain and dynamic environment. Nonetheless, concerns raised by the ASA last year remain relevant, particularly the potential for a windfall gain.

Given this, it is considered that the current LTI structure is not sufficiently aligned with ASA guidelines and the ASA should vote AGAINST the adoption of the remuneration report.

Item 2	Re-election of Director - Roger Sharp
ASA Vote	For

Mr Sharp has been on the board for 8 years and was appointed as Chair in June 2017. He is considered independent by the ASA and has shareholdings equivalent to 5 times his total remuneration.

He was appointed as Chair of Iress Ltd (IRE) in May 2021. At this time, the ASA queried his capacity to fulfil both commitments, particularly given the current uncertain state of the travel industry.

He is also listed as chair of The New Zealand Lotteries Commission and Deputy Chair of Tourism New Zealand. Recently, he has given a commitment to resign as Chair of GEO Ltd (GEO on NZX) and to transition to a NED role. He will also resign from one of his public sector commitments by the end of 2021.

When queried about his high workload, the Chair advised that IRE had two days earlier announced that the board intends to recommend shareholders support a takeover proposal, subject to due diligence, the agreement of a Scheme Implementation Deed and the absence of a superior proposal.

Given the likelihood of a reduced workload, which falls within ASA guidelines, the ASA will support his re-election for a further term.

Item 3	Re-election of Director - Denise McComish
ASA Vote	For

Ms McComish was appointed to the board in March 2021, replacing Toni Korsanos who resigned to focus on other commitments. She was a partner with KPMG for 30 years, specialising in audit and advisory services. Currently, she is also a NED of ASX listed Macmahon Holdings (MAH) and on the boards of not-for-profit organisations Beyond Blue and Chief Executive Women. The ASA considers her workload to be manageable. The director appears on track to achieve the ASA's preferred shareholding targets, having purchased 5,000 shares in June.

For these reasons, the ASA proposes to support her election.

Item 4	Ratification of prior issue of convertible notes
ASA Vote	For

In April 2021, Webjet launched and completed a convertible note offering in which 1,250 convertible notes with a face value of \$200,000 were issued to institutional investors. The notes have a coupon of 0.75% per annum and are convertible into shares at an initial conversion price of \$6.35. The net proceeds were used to repay existing term debt, fund an incentive fee to convert previous year (2020) convertible notes to equity, and the balance was kept for capital management or general corporate purposes.

The notes were issued under the company's 15% annual limit. This resolution seeks to exclude the notes from the 15% limit, allowing the company to retain the flexibility to issue new securities up to the 15% limit following the meeting without shareholder approval.

ASA guidelines regarding capital raisings seek to protect retail shareholders from the dilution of their share value and the ASA will generally vote against resolutions to refresh the 15% placement capacity in any 12-month period unless they have been given an opportunity to participate on equal terms.

Travel related businesses are experiencing extraordinary circumstances with Webjet having cash burn averaging \$5.5m per month in the 9-months of their reporting period. Given this and the continuing uncertainty around the resumption of travel, it is considered that survival of the company should override retail shareholder dilution at present.

As such, the ASA supports this resolution, which allows the company the flexibility to raise additional capital via the issuing of new securities up to the 15% limit.

Monitor Shareholding

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

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