Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235

Richard White has a new role but has anything changed?

Company/ASX Code	WiseTech Global/WTC
AGM time and date	10.00am AEDT Friday, 22 November 2024
Location	Virtual
Registry	Link Market Services
Type of meeting	Virtual AGM
Monitor	Allan Goldin assisted by John Lin
Pre-AGM Meeting	Chair Richard Dammery, Fiona Pak-Poy Chair People & Remuneration and Pross Moffat Head of Investor Relations

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

1. How we intend to vote

No.	Resolution description	
2	Adoption of Remuneration Report	Against
3	Election of Lisa Brock	For
4	Election of Fiona Pak-Poy	For
5	Grant of share rights to Executive Director Maree Isaacs under the Equity Incentives Plan	Against
6	Grant of share rights to Non-Executive Directors under the Non-Executive Director Fee Sacrifice Share Acquisition Plan	For
7	Non-Executive Directors' remuneration	For

2. Summary of Issues and Voting Intentions for AGM/EGM

- What happens with a perceived change of CEO
- No Physical or Hybrid AGM is just arrogance
- What happens if EBITDA growth is "only" 10 percent
- When will remuneration structure be changed to be appropriate for an ASX50 company?

3. Matters Considered

Reputational events

The theoretical questions ASA posed two weeks ago, when the share price was over $130, were "What would be the impact if Richard White left the Company or if the EBITDA growth was "only" 10%. The first question has moved away from the theoretical into the possible.

We don't know whether this question will still be asked when the AGM is held in a few weeks, but for two weeks in October, WiseTech directors considered this question in almost continuous board meetings as the share price fell to less than $100. The media was captivated by the titillating tale of the Founder/CEO and owner of 34% of the share capital, Richard White, and the claimed multiple lovers and his habit of buying them lovely expensive houses along the way. However outside of making him the pin up boy for the real estate industry, the market and media was grappling with whether this was a purely personal matter or a professional matter at odds with his responsibilities as a CEO and Director?

Corporate governance and reputation very much incorporates the perceptions of a company's officers. The accusation that sex was traded for advice and favours was at odds with all the Company had talked and written about its culture, inclusiveness and transparency. Added to this, the allegation that at least one Director left the board because of the bullying atmosphere and poor governance, crystallised a reputational crisis.

ASA as representatives of retail shareholders met with the Chair and a key Director to see where the Company was in its internal investigations and be clear we were expecting the board to address the issues. We were told the investigation was ongoing. The next day, the board informed everyone of their solution.

WiseTech is seen as a one-person company by outsiders despite employing 3,500 people. When the Board was questioned about succession, it said the founder Richard White had surrounded himself with a 14-member senior management team, some of whom have been there for 20+ years. There has been an emergency succession plan in place for some years which is continually updated. So, the Board is confident that everything would continue moving forward, with the same team.

It is acknowledged that if Richard White were suddenly not involved at all with the Company, the share price would plunge. At the same time, the board could not allow the ongoing reputation harms to continue without responding. Therefore, the decision was made that Mr White would take a brief break before taking up a "full-time, long-term consulting role" reporting directly to the Chairman and focused on product and business development. In this role he will be paid the same $1 million annual salary that he received as Chief Executive until he is 80 with the option to extend it until he is 85.

The Interim CEO is CFO Andrew Cartledge. He previously announced that he would be retiring at the end of calendar year 2025, but has now indicated he will remain as long as the Company needs him. As the WTC CFO for the last 10 years, working closely with Richard White, we expect total continuity.

As removing Richard White completely from the Company would have caused a major collapse in the share price, the Board has managed to remove him, without really removing him. In the interim everything remains as it was. In due time, after a global search, a new CEO will be appointed who, Richard White, the largest shareholder approves of, then over time Mr. White will slowly move out of the Company when the transition will be hardly noticeable.

The Deputy CFO Caroline Pham becomes the interim CFO and there is a global search for a new CFO. The interim CEO and CFO and a number of the other senior managers will feature in a hybrid investor day to be held on 3 December. Which begs the question, why couldn't it have been 10 days earlier in combination with a hybrid AGM?

Because the AGM is held as a virtual only meeting, you as a shareholder will not be able to physically face the Board and Mr. White, look them in the eye when they speak or answer questions. We feel the Company's opting for a virtual meeting is somewhat arrogant. We are surprised that the respond to the current problems by finding a venue to move to a hybrid meeting, but will instead continue with a virtual only meeting.

The reason for this the Company said the reason for this is "We believe a virtual meeting provides a more global, scalable and effective way of communicating with shareholders and affords all shareholders the same opportunity to participate without being physically present in the same place."

We responded that a hybrid allows the same. The Company disagreed, which seems at odds with the decision to introduce the new team to the world, 10 days later, by a hybrid meeting.

Accounts and reports

Turning to company performance, for the 12 months to 30 June 2024, total revenue increased by 28% to $1.04 billion, with CargoWise revenue increasing 33% to $880.3 million. The result benefited from the full and part-year effect of acquisitions during FY23 and FY24, as well as customer growth, including new large global freight forwarder rollouts.

WiseTech's operating profit (EBITDA) grew by 28% to $495.6 million, underlying net profit increased by 15% to $283.5 million, and statutory net profit grew by 24% to $262.8 million.

WTC has been working on a company-wide cost efficiency program, which has achieved its goal and delivered $40 million annual run-rate savings with a $14 million annual cost cut in FY24. The program has been expanded with an updated target of $50 million annual run-rate savings.

Excitingly, the business also revealed expectations of further strong revenue growth in FY25, when the company expects revenue to rise by between 25% and 30% to between $1.3 billion and $1.35 billion.

It also predicted that profit margins will increase in FY25. Operating profit (EBITDA) is expected to rise by between 33% and 41% to $660 million to $700 million, with the EBITDA margin forecast to reach between 51% and 52%.

The CargoWise suite of applications is expensive, but it helps customers attack four layers of cost by removing legacy IT costs, reducing labour costs through digital and automated process, slashing fines and penalties common in the logistics industry by giving freight forwarders a better picture of their business, and optimising general freight costs.

Although 97% of WTC revenue is recurring, in the past the company has achieved substantial growth through M&A and that is expected to continue. It will now focus more on smaller acquisitions (up to $100M). The new acquisitions will either be for staff, knowledge and technology that can be absorbed into CargoWise product, teams and development processes, or for strategically significant acquisitions that provide step-out areas aligned with product development priorities.

Uniquely among IT companies, WTC software is designed to be in operation for a 10-year period during which time there are continual upgrades and improvements. In FY24 it delivered 1,135 new product enhancements on the CargoWise application suite, bringing total enhancements delivered to more than 5,600 over the last five years. This is why over 2,000 of the employees are focused on product development and this year 35% of revenue ($368.2M) was spent on research and development

In August, WTCF announced three breakthrough products CargoWiseNext, Container Transport Optimization and ComplianceWise.

This is why WiseTech software has become the industry standard. 4 out of the world's top 5 freight forwarders and over half of the world's top 25 global freight forwarders are under contract or have already implemented CargoWise.

Freight forwarding is a commoditised industry focused entirely on lowering costs. CargoWise clients save more money and therefore win more market share. As CargoWise charges on a usage basis, more business for CargoWise clients means more revenue for CargoWise - and it also compels other freight forwarders to join, out of fear of being left behind.

Implementing CargoWise requires so much groundwork that even if a company is already under contract, it can take several years for them to reach full revenue capacity. For example, a freight forwarder may roll out CargoWise in a small number of countries at a time. In that sense, WiseTech's growth runway within existing client accounts is likely to be just as big as the one with unsigned major forwarders.

Replacement of in-house legacy systems is a large-scale digital transformation process that takes time. The complexity of implementing CargoWise also makes WiseTech customers very reluctant to switch providers after the software has been setup and staff have been trained. These sunk costs and the business disruption risk of choosing another vendor makes the product very sticky.

WiseTech's Earn & Learn program, launched in 2023, is one way the company tackles the challenge of a shortage of qualified people. It combines university recognized coursework, real-world experience and university fees. Currently the total number of students in the program is 78, with women making up 31% of program.

WTC employs 3,500 people across 60 countries, maintaining an unbelievably low turnover rate of 6% compared to the industry average of 12.5%. Remarkably, over 90% of the WTC workforce holds equity through the remuneration equity program boosted by the Invest as You Earn (IAYE) program.

Financial performance

(As at FYE)	**2024**	**2023**	**2022**	**2021**	**2020**
NPAT ($m)	262.8	212.2	194.6	108.1	160.8
UPAT ($m)	283.5	247.60	189.80	114.20	69.40
Share price ($)	100.30	79.81	37.85	31.93	19.35
Dividend (cents)	16.9	15.0	11.5	6.55	3.30
Simple TSR (%)	46.84	111.30	18.70	65.0	(30.10)
EPS (cents)	79.4	64.8	59.7	33.3	50.3
CEO total remuneration, actual ($m)	1.00	1.00	1.00	1.00	1.00

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.

Key board or senior management changes

WiseTech is starting to tackle their lack of independent Directors with a refreshing of the Board commencing with Lisa Brock and Fiona Pak-Poy being appointed on 1 February 2024. Andrew Harrison retired on 31 March 2024 and Teresa Engelhard retired on 8 April 2024.

Charles Gibbon holds approximately 5.2% of WiseTech Global's issued share capital as of 30 June 2024 and joined the Board in 2006. By any objective measurement Charles Gibbon is not independent. Thus, the Board has 2 non-independent directors after Richard White's stepping down as director on 24 October 2024.

The Directors are offered the opportunity to sacrifice salary in order to purchase shares so there is alignment with shareholders.

WTC is asking for an increase in payment (the cap to the total aggregate amount of directors' fees payment) to the non-executive Directors. This is to allow them to further diversify the Board as the Company expands and grows their global reach. The increase will allow flexibility for market increases in the future to provide the Board with the capacity to appoint additional Non-Executive Directors to support their business objectives and long-term growth strategy.

Sustainability/ESG

This year, WTC offset 100% of its Scope 1 and 2 market-based emissions from their global operations using offsets aligned to verified carbon standards. The FY24 sustainability reporting has been informed by the internationally recognized Global Reporting Initiative (GRI) Framework and the SASB (Sustainability Accounting Standards Board) Software and IT services Sector Standard. Over time, WiseTech has undertaken to develop and build on their ESG (Environmental, Social, and Governance) disclosures in alignment with new sustainability accounting standards. You can read more about WTC FY24 sustainability performance in their Sustainability Report on pages 26 to 49 and on the WiseTech Global investor centre website.

Rationale for Voting Intentions

Resolution 2 Adoption of Remuneration Report AGAINST

Last year, we voted for the Remuneration report, despite seeing the absence of an LTI plan as a substantial weakness. Our rationale was that the remuneration payments seemed well aligned with the Company's financial results, and there was no claim that the incentives were long-term. We considered that the remuneration practices supported the success of the Company.

But in the face of the recent blows to the reputation of the company, we are increasing our emphasis on improving the Remuneration structure to a level of maturity which is expected by large, listed companies.

The Good

The good points are alignment with shareholders with a minimum holding requirement of 100% of fixed remuneration for Executive KMP, in the form of shares or share rights, within five years of appointment, and 100% of base fees for Non-Executive Directors, in the form of shares, within three years of their appointment to the Board.

There is a great employee plan, that many more companies should adopt, called Invest As You Earn (IAYE). Employees can invest up to 20% of post-tax salary on a monthly basis, during a calendar year to acquire shares, receiving one extra bonus share for every five shares acquired – available to all employees (subject to local regulations).

WiseTech Directors are remunerated slightly below other non-executive directors of companies with a similar market capitalisation. However, Executive KMPs appear to be among the lowest paid in the ASX20 notwithstanding their large equity holdings.

Then there is what WTC sees as their secret sauce. Providing remuneration equity, which is not subject to performance conditions, as a core element of their remuneration structure aligns employees' interests with those of shareholders, encouraging behaviours that are value-creating for the long term, as well as supporting staff retention within the Group.

This means that 90% of the 3,500 employees in addition to their Fixed Annual Remuneration (FAR) every year receive an equity grant that is the equivalent of up to 10% of their FAR. This is paid equally over 4 years. It should be noted this is also a retention mechanism as it is only paid while the employee remains with the Company.

The Bad

Firstly, the Remuneration structure is 100% short-term. The shot-term incentive (STI) is called performance equity and is awarded to key management people. 70% of the hurdles appear to be based on financial items such as revenue growth, growth in EBITDA, recurring revenue and operational efficiency. Then 30% is based on specific job function. This incentive is all equity with 25% paid at grant and then 25% per year for the next three years.

There is no structured Long-Term Incentive.

Despite being an ASX20 company thanks to its success, the remuneration structure is more common to that found in a startup.

With no real remuneration structure that builds in future planning and behaviours culture, we consider that despite a lot of good, the bad outweighs it and we will vote against the remuneration report.

Resolution 3 Election of Lisa Brock - FOR

Lisa Brock was appointed as an Independent Non-Executive Director in February 2024 and as Chair of the Audit & Risk Committee from 1 September 2024. Lisa is an independent Non-Executive Director at Macquarie Technology Group Limited and Adelaide Airport Limited. Her previous directorships include Star Track Express and Australian Air Express. Prior to commencing her non-executive career, Lisa held a number of senior executive positions at the Qantas Group, including as CEO of Qantas Freight Enterprises. Lisa is a Chartered Accountant and holds an honours Degree majoring in Mathematics from the University of Birmingham, UK, and a Master of Applied Finance from Macquarie University.

Lisa has 570 shares but is not taking part in the NED Share Plan

The Board considers that Lisa's over 20 years' experience in the transportation, infrastructure, technology and finance sectors is a valuable addition to WiseTech.

ASA agrees with the Board recommendation and will vote its open proxies in favour of Lisa Brock

Resolution 4 Election of Fiona Pak-Poy - FOR

Fiona Pak-Poy was appointed as an Independent Non-Executive Director in February 2024 and Chair of the People & Remuneration Committee from 1 April 2024. Ms. Pak-Poy has more than 25 years' experience across a wide range of industries including technology and SaaS businesses, fintech, eCommerce and healthcare as a venture capitalist, strategy consultant, advisor and director.

Fiona is currently the Chair at Tyro Payments Limited, Non-executive Director at Silicon Quantum Computing and Kain Lawyers. Her previous listed company directorships include iSentia Group Limited, Booktopia Group Limited and MYOB.

Fiona has 1,000 shares but is not taking part in the NED Share Plan.

The Board considers that Fiona's over 25 years' experience across technology and SaaS businesses, fintech, eCommerce and healthcare is a valuable addition to WiseTech

ASA agrees with the Board recommendation and will vote its open proxies in favour of Fiona Pak-Poy.

Resolution 5 Grant of share rights to Executive Director Maree Isaacs under the Equity Incentives Plan AGAINST

This resolution is for the granting of 2,589 performance rights that were calculated by dividing $250,000 by $96.57 which was the 5-day VWAP to June 30, 2024.

In terms of most Incentives that have to be voted on by shareholders this is a modest amount. However this incentive is payment for the short-term incentive, which forms part of the remuneration structure that ASA has voted against. Thus, ASA will be voting its open proxies against this resolution.

Resolution 6 Grant of share rights to Non-Executive Directors under the Non-Executive Director Fee Sacrifice Share Acquisition Plan - FOR

The NED Plan provides a mechanism for the Directors to invest and build their equity holding in the Company using their pre-tax Director fees. Under the NED Plan, NEDs can elect to voluntarily sacrifice a portion of their pre-tax Director fees (including any Committee fees) over the relevant financial year to receive a grant of Rights. Each Right is a conditional entitlement to acquire one fully paid ordinary share in the Company (Share) at no cost. The period over which NEDs sacrifice their fees (Participation Period) will generally be the relevant financial year in which the NED Plan operates.

ASA believes this is a great idea and one that more companies should adopt and will vote its open proxies in favour of it

Resolution 7 Non-Executive Directors' remuneration FOR

This is a resolution asking for the Non-Executive Directors (NED) fee cap to be increased from $1,800,00 to $3,000,000. For FY24 the total amount paid to NEDs was $1,350,000. The Board has already announced in the Annual Report details of the plan to increase remuneration to catch up to peers. With no increase in the number of Directors we estimate at FY25 this would bring their total payments to just below their existing fee cap, and they are actively seeking new directors

Even with the proposed increases compared to companies of a similar market capitalization the Chairs remuneration is low and the other Directors are slightly under the average. ASA will vote its open proxies in favour of this resolution.

Appendix 1
CFO Andrew Cartledge remuneration prior to change of role

CFO rem. Framework for FY25	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	0.79	48.5%	0.79	40.1%
STI - Equity	0.66	40.5%	1.0	50.7%
Fixed Remuneration Equity	0.182	11 %	0.182	9.2%
LTI	nil	0%	nil	0%
Total	1.63	100.0%	1.97	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. Some remuneration frameworks set a maximum opportunity amount, but not all.