



ASX Announcement

22 June 2020

FY20 Trading Update, Impairment and Capital Management Update

Key Highlights

Trading Update: Improving billing trends observed across SEEK ANZ, SEEK Asia & Zhaopin

- SEEK ANZ & SEEK Asia: Consistent improvement in weekly billing results since early May 2020
- Zhaopin: Sustained improvements in billing results since March 2020
- OES and ESVs in our key themes continue to perform well

Impairment of assets in FY20: Non-cash impairment charge of A\$190m to A\$230m

- Aggregate non-cash impairment charge in the range of A\$190m to A\$230m expected to be recognised against the carrying value of Brasil Online, OCC Mundial and four minority early stage investments

Capital Management Update: Increasing funding flexibility

- Key covenant limits increased in our senior syndicated debt facility through to June 2021
- Announcing a tender and consent solicitation offer to existing holders of SEEK's A\$175m April 2022 Senior Guaranteed Floating Rate Notes

Trading Update

SEEK ANZ & SEEK Asia

As phased government restrictions were enacted in response to COVID-19 ("the Virus"), SEEK ANZ and SEEK Asia experienced sharp billing declines through the last two weeks of March 2020.

In April 2020, we saw a stabilisation of the rate in billing declines for these businesses in the range of -65% to -70% vs the prior corresponding period (pcp). Since early May 2020, there has been a consistent trend of improving weekly billings and in June 2020 we are now observing weekly billing declines that are in the range of -40% to -50% across SEEK ANZ and SEEK Asia vs pcp.

Zhaopin

As we disclosed in our 6 April 2020 ASX Announcement, for the month of February 2020, billings were around -60% lower than Zhaopin's pre-Virus expectations. Since early March 2020 we have observed improvement in billings as China emerged from Virus restrictions and returned to more normal conditions. The improvement in billing trends has continued throughout April and May 2020 where:

- Billing declines have improved to around -10% vs pcp in May 2020
- Since the outbreak of the Virus, Zhaopin's prudent cost management and efficiency programs have mitigated the impact to EBITDA

Other businesses

- LatAm: Billing trends have been significantly impacted by the Virus
- OES: Continues to perform well and has not been negatively impacted by the Virus
- ESVs: Our investments across Online Education, HR SaaS and Contingent Labour are performing well and the overall portfolio is achieving strong revenue growth vs pcp

Best estimate of FY20

Our best estimate for FY20 results is:

- Revenue: approximately A\$1,575m
- EBITDA: approximately A\$410m

SEEK's best estimate is broadly in line with the illustrative example that was disclosed in SEEK's ASX announcement on 6 April 2020.

This is a best estimate only to keep the market as well informed as possible, is subject to audit, and may vary to the above based on a range of factors including FX, second wave impacts of the Virus in key markets, macro conditions and business performance.

Impairment of assets

As highlighted in the Trading Update, SEEK's larger businesses are recovering well and the majority of our ESVs are performing well despite challenging conditions. However, the Virus has had a devastating economic impact across Brazil and Mexico. We have also seen a deterioration in the financial outlook for four minority investments that operate outside our core themes.

As a result, in SEEK's FY20 results we expect to recognise an aggregate non-cash impairment charge of A\$190m to A\$230m relating to Brasil Online, OCC Mundial and four non-core minority investments

- **Brasil Online and OCC Mundial:** For several reporting periods, SEEK's half year and full year financial statements have disclosed for both Brasil Online and OCC Mundial that any adverse movements in key assumptions may lead to a further impairment. The macroeconomic impact the Virus is having, and is expected to continue to have, a negative impact on the cash flows for these businesses. As a result, SEEK expects to recognise an aggregate impairment in the range of A\$130m to A\$170m
- **Minority investments:** SEEK expects to recognise an impairment charge of approximately A\$60m against four early stage minority investments. The impaired minority investments are all outside SEEK's core focus areas of Online Education, HR SaaS or Contingent Labour

SEEK will recognise a Reported NPAT loss in FY20 as a result of the expected non-cash impairment charge. These impairments are unaudited and will not have any material impact on SEEK's debt covenants.

Capital Management Update

Increased balance sheet flexibility

Through to 30 June 2021, SEEK has obtained a temporary increase to key covenant limits in its senior syndicated debt facility.

As at 31 May 2020, SEEK:

- Is operating within its debt covenants
- Had Group net debt of cA\$932m
- Had Borrower Group net debt of cA\$1,147m¹, and strong liquidity with cash of cA\$246m and cA\$363m of its senior syndicated debt facility undrawn (cUS\$152m & cA\$145m undrawn)
- Has no near-term debt maturities in its Borrower Group²

¹ Borrower Group includes SEEK Limited and all subsidiaries in which its ownership is at least 90%. SEEK Borrower Group net debt comprises: April 2022 Senior Notes (A\$175m) + Senior syndicated debt facility (A\$1,068m) + June 2026 Subordinated Notes (A\$150m) offset by A\$246m of cash = A\$1,147m

² After the April 2022 Senior Notes, the next maturities are the SEEK's senior syndicated debt facility, with maturities as follows: A\$362.5m Revolving due November 2022, A\$250m Revolving due November 2023, US\$252.5m Revolving due November 2024, US\$100m Term due November 2023 & US\$200m Term due November 2024

No decision has been made on our full year dividend but expect SEEK to remain prudent in managing its balance sheet.

Capital management to create additional funding flexibility

Today SEEK is pleased to announce a debt capital markets transaction, to improve funding flexibility.

SEEK is making an offer to the holders of the A\$175,000,000 Floating Rate Senior Notes issued on 28 April 2017 (ISIN: AU3FN0035481) and due April 2022 (“Senior Notes”) to tender their Senior Notes for SEEK to purchase for cash (“the Offer”). In conjunction with the Offer, SEEK intends to give notice of Extraordinary Resolutions to solicit consents of the holders of the Senior Notes to the adoption of certain proposed amendments to the Conditions of the Senior Notes.

SEEK will fund the Offer via a combination of SEEK’s existing senior syndicated debt facility (A\$363m undrawn as at 31 May 2020) and available cash balances.

SEEK is also contemplating raising additional funds through subordinated debt (subject to market conditions) which will create further senior debt headroom and increase operating flexibility.

SEEK will update the market upon the conclusion of this exercise.

Impact of SEEK’s Capital Management Strategy

In summary, the activities above will achieve the following:

- Increased key covenant headroom to 30 June 2021 which creates additional flexibility
- Potential to issue subordinated debt (subject to market conditions) which will create further senior debt headroom
- Extension of SEEK’s debt maturity profile

SEEK’s Group CFO Geoff Roberts said,

“We have received strong support from SEEK’s syndicated lenders to increase our covenant limits and we are also pleased to announce an important debt capital market transaction. The combined impact of both activities will provide SEEK with increased funding flexibility to support SEEK’s medium to long-term growth strategy.”

Summary

In conclusion, SEEK CEO and Co-Founder Andrew Bassat said,

“Despite the challenging conditions recently, SEEK has remained focused on ensuring the long-term health of the business as well as continuing to invest and execute against the key drivers that underpin our long-term aspirations.

We are appreciative of the ongoing support from SEEK’s lending group and are pleased to announce today’s debt capital market transaction which will create funding flexibility to support our long-term growth strategy.

In recent weeks, we have begun to see improving momentum across our three largest businesses in SEEK ANZ, SEEK Asia, Zhaopin and the continuation of good results from OES and the ESV portfolio. However, not all businesses have fared as well in these challenging times and we will need to recognise a reduction in the carrying values of Brasil Online, OCC Mundial and four other small investments.

Whilst our near-term profitability has been impacted by the Virus, our largest businesses remain highly defensible and well placed to capitalise on our large opportunity set. Job creation will be at the core of any economic recovery and SEEK is well placed to play a meaningful role in connecting the most relevant candidates to hirers across our major markets. Provided we continue to invest and execute well, we remain confident that SEEK can create significant long-term shareholder value.”

Authorised for release by SEEK's Board of Directors.

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Appendices - ASX Release

SEEK's results are reported under International Financial Reporting Standards (IFRS). This document also makes reference to the non-IFRS measure "EBITDA". This measure is used internally by management to assess the performance of our business, our associates and Joint Ventures, make decisions on the allocation of our resources and assess operational management.

EBITDA

"EBITDA" is earnings before interest, tax, depreciation and amortisation and excluding share of net profits of associates and jointly controlled entities accounted for using the equity method, dividend income and amortisation of share-based payments and other long-term incentive schemes.

Review of information

Non-IFRS financial information is calculated based on underlying IFRS financial information extracted from SEEK's financial statements. Non-IFRS measures have not been subject to audit or review.