



## ASX Announcement

6 April 2020

### **Trading Update, Capital Management (including Deferral of Interim Dividend Payment) & Hirer Support Measures**

#### **Overview**

Over the past eight weeks, we have experienced the growing impact of the COVID-19 pandemic (“the Virus”) across the world. A key priority has been to ensure the well-being and safety of our people. Except for China, where our teams have returned to the office, our people are working from home and we have implemented numerous programs and measures focused on their safety, and physical and mental well-being.

SEEK’s FY20 Half Year Results Presentation on 25 February 2020 included an early assessment of the potential impact of the outbreak of the Virus on its business performance.

At that time, the outbreak was largely confined to China, and the business impact related primarily to Zhaopin and the JobsDB business in Hong Kong. Since then the Virus has become a global pandemic. The steps that governments have taken in response to the pandemic have had a material economic impact in all markets in which SEEK operates, and on all SEEK’s businesses.

In the interests of keeping the market informed, SEEK provides this ASX update which supersedes our previous update on 25 February 2020.

#### **Today’s update includes:**

- 1. Trading Update:** A high level summary of business performance for the three months ended 31 March 2020. This includes an example of how a continuation of current lower billing trends could flow through to FY20 revenue and EBITDA, noting that SEEK is unable to give guidance due to high levels of economic volatility caused by the Virus
- 2. Capital Management update:** The announcement of our decision to defer payment of the FY20 interim dividend until 23 July 2020 in order to prudently manage cashflows. SEEK is operating within its debt covenants, has strong liquidity and no near-term debt maturities
- 3. Hirer support measures in ANZ:** An overview as to how SEEK is supporting its hirers in this challenging environment.

SEEK CEO and Co-Founder Andrew Bassat said,

*“Since inception, SEEK’s focus has always been on its Purpose and long-term value creation for shareholders. Despite the crisis, our focus has not changed. Our immediate priority has been on the safety and well-being of our people. After this, we have been working hard to ensure that our long-term business fundamentals remain strong so that SEEK can play a central role in facilitating an economic recovery in the markets in which we operate and resume growing our business.”*

#### **Trading Update**

On 25 February 2020, we announced our results for the six months ended 31 December 2019. This announcement highlighted that, at the time, outside of China and Hong Kong, the direct impact of the Virus had not been material and performance was broadly aligned with our original FY20 guidance<sup>1</sup>.

In the period after 25 February 2020, the direct impact of the Virus has now been felt in all markets in which SEEK operates. As a result, we withdraw our previous comments on expectations for SEEK’s employment businesses (excluding Zhaopin). We also provide an update on Zhaopin, noting that if

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<sup>1</sup> Refers to SEEK’s original FY20 outlook on slide 31 of the SEEK Limited H1 20 Results Presentation

recent trends continue there may be outperformance from our previous example provided in SEEK's FY20 Half Year Results Presentation on 25 February 2020<sup>2</sup>.

Short-term forecasting remains extremely challenging given the material uncertainties in the operating environment. Therefore, we cannot reliably provide guidance. However, to keep the market informed we are providing this trading update on our largest businesses, along with an example of how recent billing trends could flow into SEEK's Group revenue and EBITDA in FY20.

### **SEEK Group (excluding Zhaopin)**

- For the first 8 months of FY20 (up to the end of February 2020), SEEK's unaudited financial results were in line with its original FY20 outlook<sup>3</sup>
- During March 2020, we experienced an increasing rate of billing declines as the month progressed which coincided with phased government restrictions in response to the Virus
- In SEEK ANZ and SEEK Asia, we experienced the following billing results (vs pcp):
  - In the week ended 22 March 2020: Billings were down -40%+
  - In the week ended 29 March 2020: Billings were down -60%+
  - Billing declines have since stabilised
- OES: Performing well and has not been negatively impacted as a result of the Virus in the period to 31 March 2020
- ESVs: SEEK Investments ESVs have adapted quickly to the challenging conditions and reduced their cash flow burn

### **Zhaopin**

- For the month of February 2020, billings were -60% lower than originally anticipated which was broadly in line with the high-level assumptions in SEEK's FY20 Half Year Results Presentation on 25 February 2020<sup>2</sup>
- Despite this sharp decline in billing, Zhaopin delivered an EBITDA result ahead of pre-Virus expectations due to prudent cost management
- For the month of March 2020, as China has started to return to more normal conditions, Zhaopin's billings have improved and performed ahead of the -30% billing decline included in the example presented in SEEK's FY20 Half Year Results Presentation on 25 February 2020<sup>2</sup>.

### **SEEK Group – Example of an FY20 outcome based on high-level assumptions**

The following outlines an illustrative outcome for FY20 based on the following high-level assumptions:

- Excluding SEEK ANZ, SEEK Asia and Zhaopin, the performance of our other businesses remains broadly in line with their recent performance
- SEEK ANZ & SEEK Asia: Billings remain at -60% lower (vs pcp) for the remainder of FY20, and include the impact of customer support measures (detailed later in this announcement)
- Zhaopin: Billing results perform ahead of the high-level assumptions provided to the market in SEEK's FY20 Half Year Results Presentation on 25 February 2020<sup>2</sup>
- Appropriate cost management across the Group
  - SEEK ANZ & SEEK Asia: Cost management only partially mitigates the decline in Revenue
  - Zhaopin: Higher degree of cost management initiatives than the original assumptions provided in our example in SEEK's FY20 Half Year Results Presentation on 25 February 2020<sup>2</sup>

Under this illustrative example, SEEK Group FY20 results would be lower than SEEK's original FY20 outlook, and could be:

- Revenue: approximately A\$1,600m
- EBITDA: approximately A\$410m

This is an example only and is not intended as guidance and not a guarantee of future performance.

<sup>2</sup> Refer to slide 32 of the SEEK Limited H1 20 Results Presentation

<sup>3</sup> Refers to SEEK's original FY20 outlook on slide 31 of the SEEK Limited H1 20 Results Presentation

## Capital Management (including deferral of Interim Dividend payment)

We are highly conscious of the importance of the dividend to shareholders, however we believe deferring payment of the H1 20 interim dividend is appropriate at this uncertain time.

As at 31 December 2019, SEEK's Group Net Debt was A\$895m and SEEK Borrower Group level was A\$1,115m<sup>4</sup>. SEEK recently refinanced its syndicated loan facility (January 2020) and issued a Floating Rate Subordinated Note in December 2019 (raising A\$150m). SEEK is operating within its debt covenants, has strong liquidity (A\$395m of undrawn facilities at 6 April 2020) and no near-term debt maturities in our Borrower Group. After the January 2020 refinancing our earliest maturity in the SEEK syndicated loan facility is the 30 November 2022 tranche.

We are implementing a series of measures to prudently manage our cash flow and balance sheet which do not compromise our long-term fundamentals, including:

- Operational measures – substantially reducing discretionary costs including appropriate labour management
- Capital allocation – substantially reducing capital outflows (M&A) and bringing forward dividends from outside the SEEK Borrower Group
- Liquidity measures – where necessary, drawing down some undrawn debt facilities to manage our liquidity needs
- Dividends – deferring payment of the H1 FY20 interim dividend until 23 July 2020

SEEK CEO and Co-Founder Andrew Bassat said,

*“Deferring the dividend was a decision that we did not make lightly. The level of uncertainty arising from the Virus has prompted us to take a prudent approach to managing our cashflow and balance sheet.”*

## Hirer support measures in ANZ

SEEK is aware that all businesses are struggling and is working to support our customers in their time of need. We have launched a series of hirer support measures during this challenging period reflecting our commitment to our customers and our long-term focus. These measures include:

- From 1 April 2020 until end of May 2020, under existing 12-month agreements SEEK has relieved hirers of their minimum monthly ad spend obligations and will only charge them for ads used
- We have extended the expiry date for all pre-purchased ad packs (mostly bought by corporates and small businesses) allowing clients a longer period to use the ads

SEEK ANZ's hirer support measures will have a negative short-term impact on revenue but will be partially offset by cost management. SEEK is implementing similar measures across SEEK Asia, Brasil Online and OCC Mundial. The effect of these measures is included in the illustrative example provided above.

Our current plan is to continue rolling out our new contractual structure in ANZ (outlined in our ASX announcement on 21 October 2019) which includes variable pricing of ads and more flexible usage terms to create a more efficient and equitable marketplace.

## Summary

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

*“When the pandemic subsides, as it will, job creation will be at the core of economic recovery. This aligns directly with SEEK's Purpose and we are determined to ensure we have the capabilities to help facilitate the economic recovery process in all of our markets. Despite working from home, our people are working hard and in the last few weeks have continued to roll out new functionality across AP&A. Our ESVs have also adapted quickly with a dual focus on cash preservation and evolving their business models to meet customer needs in this challenging environment.*

*“The near-term economic challenges will impact SEEK's short-term profitability. They will delay, but not fundamentally change our long-term aspirations. Our focus remains on executing against our*

<sup>4</sup> As disclosed in SEEK's FY20 Half Year Report and Appendix 4D, page 21 note 5(b)

existing long-term growth strategies and developing new employment and education solutions to meet the needs of our customers in the months and years ahead. We expect our long-term focus to unlock large new revenue pools and create significant long-term shareholder value.”

**Authorised for release by SEEK’s Board of Directors.**

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*This announcement contains certain “forward-looking statements”. Forward looking words such as, “expect”, “should”, “could”, “may”, “predict”, “plan”, “will”, “believe”, “forecast”, “estimate”, “target” and other similar expressions are intended to identify forward-looking statements within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Such forward-looking statements, opinions and estimates are not guarantees of future performance. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. This announcement contains such statements that are subject to risk factors associated with the markets in which SEEK operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially. Such forward-looking statements only speak as to the date of this announcement and SEEK assumes no obligation to update such information. No representation or warranty is or will be made by any legal or natural person in relation to the accuracy or completeness of all or part of this document, or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in, or implied by, the information or any part of it. To the full extent permitted by law, SEEK disclaims any obligation or undertaking to release any updates or revisions to the information contained in this document to reflect any change in expectations or assumptions. Nothing contained in this document constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action taken on the basis of the information.*

**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.