



ASX Announcement 23 February 2021

SEEK reduces its ownership interest in Zhaopin

Zhaopin Transaction Highlights

SEEK Limited ("SEEK") to reduce its ownership interest in Zhaopin

- SEEK's ownership to reduce from 61.1% (undiluted) to 23.5%¹ (fully diluted)
 - SEEK expects to receive gross proceeds of cA\$697m², which implies a Zhaopin valuation of cA\$2.2bn (cUS\$1.7bn) (100% equity valuation)
- Consortium of investors ("The Consortium") to acquire an ownership interest in Zhaopin
 - The Consortium is led by Primavera Capital Group ("Primavera"), a leading China-based global investment firm, which will become Zhaopin's largest shareholder
 - The Consortium is joined by Zhaopin management which will take a meaningful stake via the conversion of pre-existing employee options and investing for more shares

Rationale for the transaction

- Consortium with a strong track record in growing online businesses
- Change in ownership and a corporate restructure creates additional capital market opportunities
- SEEK to realise a strong financial return
 - IRR of c23%, represents a return of over 5x whilst still retaining 23.5% stake
- Rebalances SEEK's portfolio exposure

Intent to pay a future dividend

- In lieu of an interim H1 21 dividend, the Board intends to declare and pay a dividend of c20 cents following receipt of SEEK's proceeds from the Zhaopin transaction. Record and Payment dates for this dividend will be determined upon declaration of the dividend.

Transaction Overview

SEEK today announced that it has entered into an agreement to reduce its ownership interest in Zhaopin ("the Transaction"). The Transaction is a continuation of SEEK's strategy to manage its portfolio and create the right structure to support Zhaopin's long-term growth aspirations. At completion of all Transaction steps, Zhaopin's ownership structure (fully diluted unless otherwise stated) will be:

- SEEK will own 23.5%¹ (previously 61.1% undiluted)
- Consortium led by Primavera will own 76.5% (inclusive of a partial share rollover and additional investment from existing investors)

At completion, none of the shareholders will hold a controlling interest.

¹ Reduction in SEEK's ownership interest will occur as follows: (a) reduction from 61.1% (undiluted) to 55% (fully diluted) due to the conversion of pre-existing employee options; and (b) reduction from 55% to 23.5% (fully diluted) through the sale of c31.5% of SEEK's ownership interest to the Consortium. At Completion SEEK's ownership interest will be 23.5% (undiluted and fully diluted).

² SEEK's gross proceeds are expected to be cA\$697m. SEEK is expected to receive net proceeds of approximately A\$560m, having regard to transaction costs, tax and FX. Amounts disclosed are based on current FX of USD:AUD 0.77.

Rationale for the Transaction

Zhaopin: New ownership structure to support Zhaopin's growth strategy

Consortium to support Zhaopin's growth

- New lead shareholder: Primavera is a premier China-based global investment firm with proven experience and a distinguished track record. It has a long history of investing in successful online marketplaces in China and brings significant experience in learning and talent development, enterprise services, digital media, and AI technology
- Existing shareholder: In the last 3+ years, FountainVest Partners ("FountainVest") has supported Zhaopin across numerous strategic projects. FountainVest (inclusive of its affiliates) will rollover a portion of its ownership through a share restructuring and will acquire additional shares
- Zhaopin management's co-investment highlights their commitment and conviction in Zhaopin's long-term growth potential

Creating optionality for Zhaopin's longer term capital structure

SEEK's reduction in ownership interest alongside a corporate restructure opens capital market opportunities for Zhaopin. In the lead up to, and as part of the Transaction, Zhaopin will repay the majority of its loan facilities through a combination of dividends and other capital activities.

Well positioned for long-term growth

Zhaopin continues to deliver good earnings growth and its lead indicators are showing improving performance in FY21. Post-Transaction, Zhaopin will be well capitalised and has significant financial capacity. The key areas of strategic focus remain broadly unchanged:

- Increasing its market share in China's enormous online employment market
- Realising long-term monetisation opportunities
- Scaling up its adjacent services

SEEK: Strong financial return, portfolio re-balancing & future capital allocation

Realising a strong financial return

In 2006, SEEK invested cUS\$20m (cA\$27m) in Zhaopin, at an implied 100% equity value ("EQV") of cA\$110m. This compares to the implied Zhaopin valuation of cA\$2.2b (100% EQV). Based on expected proceeds of this Transaction and historic dividends/capital returns, Zhaopin has achieved strong returns:

- IRR of c23% (pre-tax and deal costs), represents a return of over 5x
- Total gross capital returned of cA\$944m³ compared to total capital invested of A\$239m
- Retaining a 23.5% interest provides ongoing exposure to Zhaopin's growth potential and the large market opportunity in China

SEEK's portfolio re-balancing

Zhaopin has become a significant proportion of SEEK's Group consolidated income statement.

- In FY14, Zhaopin's contribution was c25% of Revenue and c29% of Opex
- In FY20, Zhaopin's contribution was c48% of Revenue and c54% of Opex

This has led to a high valuation concentration in Zhaopin. The Transaction will allow SEEK shareholders to retain a significant exposure to Zhaopin but at a more measured portfolio weighting relative to the rest of the SEEK Group.

Future capital allocation

The Transaction increases SEEK's flexibility to deploy capital into high return initiatives across the Group.

³ Total gross capital returned includes: (a) dividends and capital prior to Transaction of A\$247m; and (b) gross proceeds from Transaction of cA\$697m.

Commenting on the Transaction, SEEK CEO and Co-Founder Andrew Bassat said,
"We are very proud of our journey with Zhaopin. When we first invested 15 years ago Zhaopin was a loss-making and distant number three player. Our long-term approach combined with the strong management team led by Evan Guo has transformed Zhaopin into a market leader across many key metrics and it now generates strong cash flows. The Consortium will play an important role in helping Zhaopin to deliver on its long-term growth strategy."

"Through this transaction, SEEK has achieved a strong return of over 5x and we have rebalanced our portfolio weightings. This transaction also creates significant balance sheet flexibility to re-deploy capital into high returning initiatives across SEEK."

Financial impacts of the transaction

Impact to A\$5b revenue aspirations

Our long-term strategic drivers and substantial revenue opportunity remains intact. However, the Transaction reduces SEEK's ownership and results in the de-consolidation of Zhaopin which has a consequential impact on SEEK's ability to meet its A\$5b aspirational revenue opportunity by FY25.

Use of funds

The majority of the proceeds from the Transaction are expected to be received prior to 30 June 2021. Certain members of the Consortium will settle part of the transaction in RMB, the timing of the receipt of which will depend on customary administrative processes with the State Administration for Foreign Exchange in the People's Republic of China ("PRC").

The net proceeds (expected to be A\$560m, post-tax and transaction costs⁴) will initially be applied against SEEK's revolving debt facilities, which include USD. SEEK's Borrower Group⁵ pro-forma net debt (at 31 December 2020) adjusted for the Transaction would be A\$656m.

In lieu of an interim H1 21 dividend, the Board intends to declare and pay a dividend of c20 cents following receipt of SEEK's proceeds from the Zhaopin transaction. Record and Payment dates for this dividend will be determined upon declaration of the dividend.

Impact on FY21 Outlook

The Transaction is expected to complete in H2 21, with the date subject to satisfaction of certain conditions precedent (refer below for further detail). SEEK's FY21 Outlook assumes consolidation of Zhaopin at SEEK's 61.1% ownership interest for H2 21. We will update the market upon completion of this transaction.

Other Transaction details

The changes in ownership have been facilitated via a reduction in ownership interest by SEEK and another existing investor. Zhaopin management's ownership interest is a result of the conversion of pre-existing employee options and investing for more shares.

Completion is subject to the satisfaction of customary conditions precedent for a transaction of this nature in the PRC, including the registration of ownership changes with the PRC's State Administration for Market Regulation.

Upon completion:

- SEEK will de-consolidate Zhaopin from its Group financial statements and start to equity account for its 23.5% minority interest
- SEEK will record an accounting post-tax profit on sale as a non-recurring "significant item" in the income statement and we will provide an update at completion

⁴SEEK's gross proceeds are expected to be cA\$697m. SEEK is expected to receive net proceeds of approximately A\$560m, having regard to transaction costs, tax and FX. Amounts disclosed are based on current FX of USD:AUD 0.77.

⁵Borrower Group includes SEEK Limited and all subsidiaries in which its ownership is at least 90%. SEEK Borrower Group net debt at 31 Dec-20 was A\$1,216m before making the A\$560m pro-forma adjustment to reflect the proceeds from the Transaction.

- SEEK will no longer hold majority shareholder rights, and Board representation will align to relative ownership interest. Accordingly, SEEK will now hold 1 out of 6 board seats on the Zhaopin Board

Any future dividends received from Zhaopin will continue to be accounted for as EBITDA for the purposes of the SEEK Borrower Group covenant calculations.

Authorised for release by SEEK's Board of Directors.

For further information or to arrange an interview please contact:

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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.