



8 November 2017

## **Executive KMP - Long Term Incentive Performance Rights Plan**

For the current financial year and beyond, the Board of Webjet Limited (**Webjet** or **Company**), on the recommendation of the Remuneration Committee, has resolved to change the long-term incentive (LTI) component of the remuneration arrangements applicable to its Executive KMP team (other than the Managing Director).

Under the existing LTI arrangements, if continued in FY18, the Executive KMP participants would have been offered shares of a value equal to 15% of their fixed annual remuneration (FAR), which shares would vest in three equal tranches over three years (2019, 2020 and 2021). Vesting was subject to one condition only – the Company's TSR for each 24-month period ending on 30 June 2019, 2020 and 2021 exceeding the median TSR of the designated peer group of listed companies.

Under the new plan, in FY18, each member of the Executive KMP team (other than the Managing Director) will be offered a number of performance rights (calculated on a fixed price basis) of a value equal to 55% of their FAR. The performance rights will vest in 3 years subject to the Company's performance against two hurdles – an EBITDA Growth and a TSR Growth condition, with performance measured at the end of the third year against a comparator group of companies within the S&P/ASX 200 Index.

The major change made to the LTI is to introduce a material reward to the Executive KMP for out-performance against the agreed benchmark hurdles. Whereas previously the LTI featured one benchmark hurdle which, if achieved, resulted in a fixed reward, the Executive KMP participants will now be able to acquire a greater number of Webjet shares (of a value of up to 55% of their FAR), but with the majority of the increased reward only available if the Company material out-performs (between 100% and 150%) the agreed EBITDA and TSR benchmark hurdles.

The Managing Director is not part of the Executive KMP LTI. The Company intends to implement a separate option arrangement for the Managing Director (if approved at the forthcoming AGM).

### **Outline of LTI**

The LTI is intended to provide the KMP of the Company with an additional reward for achieving the Company's key financial, operational and strategic objectives, by adding a long-term, performance-based element to their overall remuneration package measured over a three (3) year period. The LTI is designed to align the participants' interests with the Company's key strategies and share price performance.

Vesting of Performance Rights will be subject to continued employment and the Company's TSR and EBITDA growth out performing a peer group of S&P/ASX 200 companies over a 3-year period from FY18 to FY20. Vesting under the TSR and EBITDA growth hurdles will be assessed independently and will take place in or about August 2020. For further details, refer below.

### **Number of Performance Rights to be granted**

Each member of the Executive KMP (other than the Managing Director) will be granted Performance Rights for FY18 by reference to the following formula:

$$N = \frac{(55\% \times \text{FAR})}{\text{SP}}$$

Where: N = the number of Performance Rights granted;

FAR = the fixed annual remuneration to be paid to the Executive KMP for FY18; and

SP = the 30-day VWAP for the Company's shares in the period to and including 30 June 2017 (which price is \$12.21). [Note: The use of the 30-day VWAP price results in the number of Performance Rights being calculated by reference to a fixed value.]

The Performance Rights granted to each Executive KMP will be split between the EBITDA and TSR Growth conditions as follows:

- 45.45% of the Performance Rights will be allocated to the EBITDA Growth condition; and
- 54.55% of the Performance Rights will be allocated to the TSR Growth condition.

### **Benchmark hurdles**

Vesting of the Performance Rights for the TSR and EBITDA Growth conditions will be assessed against the following benchmark hurdles:

- For the Performance Rights allocated to the EBITDA Growth condition – the benchmark hurdle is the greater of growth of 4% and 120% of the average EBITDA and TSR growth rates of the comparator peer group across the 3-year vesting period; and
- For the Performance Rights allocated to the TSR Growth condition – the benchmark hurdle is 120% of the average EBITDA and TSR Growth rates of the comparator peer group across the 3-year vesting period.

[Note: The respective average EBITDA and TSR Growth rates will be determined by calculating the EBITDA and TSR Growth rates for the designated peer group (refer below) for each of FY18, FY19 and FY20, aggregating the three annual results and then dividing the aggregate number by three.]

For each of FY18, FY19 and FY20, the peer group of companies will comprise the ASX 200 companies (as ranked by market capitalisation), excluding resource companies, banks and listed property trusts. The actual companies forming the peer group will be determined as at 1 July of each year during the 3-year performance period, with an average EBITDA and TSR growth rate calculated for each year by reference to the actual performance of those companies in that year.

### **Vesting**

For each of the EBITDA and TSR Growth conditions, the Performance Rights will vest as follows:

- if the Company's EBITDA or TSR Growth rate (as the case may be) over the 3 year performance period is less than 90% of the applicable benchmark hurdle – no performance rights attributable to the relevant performance condition will vest;
- if the Company's EBITDA or TSR Growth rate (as the case may be) over the 3 year performance period is equal to or greater than 90% but less than 150% of the benchmark hurdle – the performance rights attributable to the relevant performance condition will vest on a sliding scale from a minimum of 33.3% (for the TSR condition) / 40% (for the EBITDA condition) to a maximum of 99.99% of the Performance Rights; and

- if the Company's EBITDA or TSR Growth rate (as the case may be) over the 3-year performance period equals or exceeds 150% of the applicable benchmark hurdle – all performance rights attributable to the relevant performance condition will vest.

In determining the Company's actual EBITDA Growth across the performance period, the Company reserves the right to adjust the outcome where appropriate for acquisitions and/or disposals or other events / circumstances which may unreasonably skew the outcome or may result in a flawed comparison.

Further, if the Company's actual EBITDA or TSR Growth is negative for the 3-year performance period, all of the Performance Rights allocated to the relevant performance condition will lapse.

For each Performance Right which vests, the relevant member of the Executive KMP team will be issued one ordinary Webjet share (at no cost).

#### **Other conditions**

The Company notes the following conditions also apply to the LTI:

- the Performance Rights granted to each Executive KMP are not transferable;
- where an Executive KMP ceases to be employed by the Company prior to the end of the performance period by reason of death, total and permanent disablement, retirement, redundancy or other reason agreed by the Board, the Board may, in its absolute discretion, agree to the vesting of some or all of that person's unvested Performance Rights and/or allow continued holding of some or all unvested Performance Rights on such conditions (if any) as it may be determine (in its absolute discretion);
- once Webjet shares have been issued to an Executive KMP team member (on vesting of a Performance Right), he or she may deal with the resulting Webjet shares as he or she wishes.
- if, in the opinion of the Board, vesting has occurred as a result of fraud, dishonesty, gross misconduct or manifest error, the Board may require an Executive KMP team member to forfeit (or account to the Company) for any benefit received as a consequence, directly or indirectly, of that fraud, dishonesty, gross misconduct or manifest error. Similarly, if an Executive KMP team member acts in a manner which may adversely impact on the standing or reputation of Webjet or his / her employment with the Webjet Group, ceases to be employed as a result of either a breach of his/ her employment agreement or the occurrence of any act which would entitle the Webjet Group to terminate that employment with immediate effect, all Performance Rights (or Shares resulting from the conversion of Performance Rights) then held by the Executive KMP team member will lapse and/or be forfeited immediately.
- The Board has the discretion to determine that any unvested Performance Rights will vest upon the occurrence of certain events, such as in the event of a takeover offer, scheme of arrangement or other control transaction that results in a change of control of Webjet



Michael Sheehy  
Company Secretary