



Company/ASX Code	Aristocrat Leisure Limited (ALL)
AGM date	Thursday 21 February 2019
Time and location	11am at Radisson Blu Hotel, O'Connell Street SYDNEY NSW
Registry	Boardroom Ltd
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Carol Limmer with assistance from Sue Erbag
Pre AGM Meeting?	Yes, with Ms Kathleen Conlon, Chair of Human Resources and Remuneration Committee and The Secretariat

Record profit, strong growth in digital and investment for longer-term success

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

ALL's principal activities during the year were the design, development and distribution of gaming content, platforms and systems, including electronic gaming machines, casino management systems and digital social games. Their objective is to be the leading global provider of gaming solutions. In October 2017 ALL acquired 100% of Plarium Global Ltd (free-to-play, social and web based game developer) and in January 2018 acquired 100% of Big Fish Games Inc (global publisher of free-to-play games focussed on specific game segments). These acquisitions have added significantly to their Digital Segment. Geographically, the main part of their revenue is sourced from the Americas.

ALL operates in 317 licensed jurisdictions, in 99 countries and has over 6,100 employees.

The annual report contains commentaries by Chair and CEO.

Financials

Market capitalisation is \$18.3bn.

Financial performance is well covered in annual report. In summary, performance was overall very sound. Revenue was up 48% to \$3.62bn and share price, dividends (unfranked) and earnings per share (EPS) have also risen. ALL had a record profit result. Further gains were made in the Americas and Australian markets as well as transformational growth in Digital segment. Their

sustained growth was well supported by performance of relatively recent acquisitions of Plarium and Big Fish. There has been significant investment in Design and Development spend.

Whilst all geographic areas fared well, the USA is still their largest contributor to revenue and profit and currently represents best geographic area for growth. ALL is looking forward to continued growth, both organic and inorganic, in 2019.

For the time being ALL will continue with their ASX Listing. However, due to the USA focus could consider a move to functional US currency.

There were non-monetary benefits of \$23,680 and 220,500 disclosed in CEO remuneration in 2017 and 2018 respectively – these amount relate to relocation costs eg tax structuring.

Governance and Culture

Relatively user friendly annual report given the constraints within which companies operate. There is a 5 year Summary of Performance in Annual Report.

Once Dr Blackburne leaves, 3 of the 6 NEDs will be female and the CFO is female (CEO is male).

Most directors have reasonable 'skin in the game' in terms of shareholdings. Non-executive directors (NEDs) would all be regarded as independent directors. ALL has guidelines but not a specific policy regarding minimum ALL shareholdings for directors, CEO and senior executives.

Directors are based in a variety of locations, both in Australia and USA. Board meetings are held in Australia and overseas when opportunities are taken to meet with customers, staff, suppliers etc.

Key Board or senior management changes

Board renewal continues with director, Mr N Chatfield, to fill the Board Chair role with Dr I Blackburne stepping down at the AGM.

Summary

(As at FYE)	2018	2017	2016	2015
NPAT (\$m)	542.6	495.1	350.5	191.5
NPATA (\$m)	655.3	543.7	398.2	N/A
Share price (\$)	28.44	21	15.81	17
Dividend (cents)	46	34	25	187
TSR (%)	38	35	87	-50
EPS (cents)	96.5	77.5	55.1	30.1
CEO total remuneration, actual (\$m)	4.3	3.2	6.8	N/A

CEO total remuneration figures (actual) for 2016, 2017 and 2018 include the impact of share price growth on incentives. For example, the CEO's remuneration outcome in 2018 included \$1.18m attributable to share price growth over the relevant performance period.

2016 remuneration figure relates to previous CEO. 2017 figure reflects CEO role for 7 months for role of Exec VP – Global Products & Insights for 5 months. 2017 and 2018 include \$23,686 and \$220,526 relocation costs respectively.

100% of Performance Share Rights (PSRs) have vested in years 2016 to 2018.

For the 2018 financial year, the CEO’s total actual remuneration was 50 times the Australian Full Time Adult Average Weekly Total Earnings of \$85,831, based on May 2018 data from the Australian Bureau of Statistics.

Item 2	Re- election of Director – Mr SW Morro
ASA Vote	For

Summary of ASA Position

Mr Morrow is the Lead US Director. He was appointed to the Board in December 2010 and is a member of the Regulatory & Compliance and Human Resources & Remuneration Committees.

He was formerly Chief Operating Officer and President, IGT gaming Division.

Mr Morrow holds 40,000 ALL shares.

Item 3	Re-election of Director – Ms AM Tansey
ASA Vote	For

Summary of ASA Position

Ms Tansey was appointed to the Board in July 2016, chairs the Audit Committee and is a member of the Strategic Risk Committee.

She is a Director of Adelaide Brighton Ltd, Primary Health Care Ltd and Lend Lease Investment Management Ltd.

Ms Tansey holds 1,570 ALL shares. We understand that there is a possibility that she has purchased/intends purchasing further shares. At the AGM we shall confirm. (Due to a lot of activities eg acquisitions ALL do have quite a number of blackout periods).

Item 4	Approval for grant of Performance Share Rights to CEO and MD under LTIP
ASA Vote	Against

Summary of ASA Position

Mr Croker commenced in CEO role in March 2017 (as an internal appointment). Following that appointment and his move to USA his remuneration increased – Fixed US\$1.1m, short-term incentives (STI) US\$1.1m (maximum US\$2.2m) and long-term incentives (LTI) US\$2.2m. That is US\$4.4m at Target (about A\$5.5m) and Maximum Total potential of US\$5.5m (about A\$7m).

In 2017 his remuneration comprised pay for part of the year as CEO and part year for his former role.

In 2018 he was awarded 136,385 performance share rights (PSRs). Allocation was based on a Face Value of A\$20.57.

For 2019 the proposed allocation is 116,390 PSRs with his Fixed Remuneration being US\$ 1.15m, STI at target of US\$ 1.15m and LTI US\$ 2.5m ie Target US\$ 4.8m which ALL state aligns with US market practice and is comparative to ASX market and industry peers. ALL has used conversion rate of 0.7573 which leads to an A\$ Total Target Remuneration of about A\$6.3m.

ALL states that there is a particular focus on USA remuneration arrangements. The CEO and CFO are both based in USA which is also the area from which large part of revenue and profit is sourced. ALL uses Face Value for calculation of LTI allocation which aligns with ASA guidelines. There are 3 ‘performance’ hurdles – 30% total shareholder return (TSR), 30% adjusted EPS (EPSA) and 40% Individual Performance Based. The performance period is 3 years only with ASA’s preferred approach being at least 4 years, a criterion to which ASX listed companies are progressively moving. Have suggested that if their outcomes from strategies have a short term focus (said to be 1 to 2 years) then they could consider having a trading lock on shares following vesting. This should also assist with retention. With TSR hurdle 50% award applies at the median with ASA preferring a more rigorous vesting scale. The ‘Individual Performance Based’ hurdle of 40% is dependent on meeting or exceeding against objective balanced scorecard key performance objectives (KPOs) which are said to include a long term focus – a holistic approach is taken on this by the Board. Whilst this may be OK by US standards it is quite a doubtful one for ASA.

CEO’s STI has a total potential of 200% (Total at Target is 100%) – this is quite a high potential. In 2018 his STI was paid at 109%. They do have deferral on STI – 50% with half vesting after 1 year and the other half after 2 years.

Overall, do not consider we can support the PSR proposal.

Item 5	Remuneration Report
ASA Vote	Against

Summary of ASA Position

Whilst some people could work out the actual remuneration paid it is not set out clearly in a table.

Please refer to comments above in Item 4. For the reasons set out there would also vote against the Remuneration Report.

The individuals involved in the preparation of this voting intention have no shareholding in this company.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.