Seek Limited (ASX: SEK) (“Seek” or the “Company”) is an Australian-listed roll-up of online recruiting platforms. Even though its legacy platform in Australia (seek.com.au) is stagnating, Seek trades at 40x forward earnings because of the Company’s claims that its most important business, Chinese online recruiting platform Zhaopin, is China’s #1 player and growing rapidly. In FY 2020, Zhaopin accounted for 48% of the Company’s consolidated revenues, and was Seek’s only segment which reportedly grew revenues and profits.

However, our due diligence reveals that Zhaopin’s platform is inundated with fake postings by companies which were deregistered, in liquidation or flagged as “abnormal operations” by Chinese authorities. Companies we called about their job postings on the website even stated directly that the posts were fraudulent. Our due diligence also uncovered a whistleblower claim by a Chinese college student alleging that Zhaopin pays people to submit fake resumes.

We think Zhaopin’s platform is rotten, which is devastating for Seek’s prospects. Seek has historically paid a dividend, giving the false impression that its business produces healthy profits and cash flows. But these payments have been largely funded by debt. A serial acquirer, Seek has repeatedly tapped the capital markets to fund acquisitions, raising its Net Debt-to-reported EBITDA to 3.2x. By our calculation, Seek’s true leverage is much higher.

Rather than valuing Seek as a fast-growing online recruiting platform, we value Seek for what it is—a slow or no-growth platform whose core business is shrinking and which carries a dangerous amount of debt. Even if we value Seek’s Australian and non-China businesses at a generous 20.5x EV/adjusted EBITDA, we believe Zhaopin merits a substantial discount. We value Seek at AUD 7.20 per share, a 69% downside from its last traded price.

1. **Zhaopin’s High End Jobs Platform Lists Mostly Fake or Expired Posts.** Highpin is Zhaopin’s online recruiting platform for high-end jobs with an annual salary above RMB 100,000. Prominently featured on Zhaopin’s website, Seek has implied that the platform generates tens of millions of annual revenues and that Highpin will be a key driver of Zhaopin’s growth in China. Yet our due diligence revealed that the vast majority of the posts on Highpin appear to be either fake or expired. Of the 3,000 postings for high-end jobs, 44% were expired. Of the remaining posts, many were posted either by companies in liquidation, companies with minimal operations, or companies designated by Chinese authorities as in non-compliance with regulatory requirements or in “abnormal operations.” One prominently featured company denied posting on Highpin and stated explicitly that the posts attributed to them were fake. Another company, which accounted for 12% of the posts on the high-end job platform, was already in liquidation before supposedly posting for 360 openings. This indicates that Seek has been overstating Highpin’s revenues and misleading investors regarding Highpin’s contribution to the Company’s growth.

2. **Fake Resumes on Zhaopin.** In 2019, a college student made detailed whistleblower allegations that Zhaopin paid people pretending to be jobseekers to submit fake resumes to jobs on its platform. The student admitted that he submitted 11,400 fake resumes in a month. Zhaopin denied the allegations, but our due diligence found several recent allegations by employers complaining that Zhaopin is so riddled with fake resumes that the platform is essentially useless. Together with evidence of fake job postings, allegations of fake resumes paint a bleak picture of the recruiting site. This suggests Seek has misrepresented Zhaopin’s growth and performance; and corroborates independent traffic data indicating Zhaopin’s relative popularity is plummeting.
3. **Main Zhaopin Platform Inundated with Fake Posts.** To vet Zhaopin, we designed an algorithm to scrape the main platform to determine which companies posted the most job openings. We analyzed the results for three, randomly selected, major cities in China where Zhaopin claims to be strongest. We then conducted due diligence on the top 100 companies in each city, as they accounted for a disproportionate number of job posts in these places. Many of the postings from the top 100 in these three cities were from companies which were deregistered, or whose operations were labelled “abnormal” by China authorities. We also found hundreds of posts from companies with no website or WeChat account – many of these businesses were simply uncontactable. In another instance, when we called, the employer denied ever posting for positions on Zhaopin and told us that the posts were fake. In other instances, users identified posts as fake.

This has two implications for investors. First, since the fake posts are supposedly posted by Zhaopin’s customers, we question the authenticity of Zhaopin’s reported revenues. Second, our study suggests that Zhaopin’s popularity will only continue to plummet. After all, why would a job seeker bother with a platform with so many fake posts?

4. **Seek Misrepresents Zhaopin as the #1 Platform in China.** Seek claims that Zhaopin is the number one employment platform in China. Yet we reviewed the QuestMobile data and it shows otherwise—only Zhaopin’s popularity similar to 51job’s, but Zhaopin lost its leading position to BOSS Zhipin (“BOSS”) in August 2019. By August 2020, BOSS’s monthly active users were 60% greater than Zhaopin’s, indicating Zhaopin is nowhere near the #1 platform in China.

5. **Profits Inflated by Questionable Non-Cash Gains and Aggressive Accounting.** On paper, Seek appears profitable. But look closer and such paper profits were facilitated by dubious non-cash gains and questionable step-up transactions with related parties. From FY 2015-2018, Seek reported cumulative fair value gains of AUD 336 million. Except for FY 2016, non-cash gains made up 26-41% of Seek’s annual profits.

   a. **Maimai.** In FY 2018, Seek recognized a non-cash gain of AUD 59 million on its investment in Maimai, a China-based career and social-networking platform. This gain made up 34% of Seek’s reported profit that year. According to Seek, Maimai’s valuation increased 4x in 180 days from the time of its initial investment. Seek claimed Maimai was worth USD 250 million in November 2017, but worth USD 1 billion six months later when it completed a subsequent round of fund raising. Yet this valuation is directly contradicted by Maimai’s CEO, who stated unambiguously that Maimai was already worth nearly USD 1 billion at the time of Seek’s initial investment. Rather than quadruple in value, Maimai was already nearly a unicorn when Seek invested. In our opinion, Seek simply conjured 34% of its profit by inappropriately recognizing a non-cash gain on investment.

   b. **Step-Up Transactions.** Seek has also recognized non-cash gains from a particularly dubious accounting trick: step-up transactions; in which Seek marks up the value of its initial investment when it increases its stake in a portfolio company. Since Seek is the buyer, the Company has full discretion to inflate the price of its subsequent investments. This appears particularly questionable with respect to Seek’s step-up transaction in Online Education Services. Not only did OES’s profitability decline immediately after the transaction, but Seek’s current chairman was affiliated with the seller.

6. **Misleading EBITDA: apples-to-oranges.** Seek is usually compared to 51job, a US-listed operator of a Chinese online recruiting platform. But the comparisons mistakenly rely on Seek’s reported EBITDA, which excludes significant capitalized software development costs and fails to back out minority interest. For valuation, we believe investors must adjust Seek’s EBITDA for both. On an apples-to-apples basis, Seek is currently trading at 47x NTM EV/EBITDA and its net-debt-to-EBITDA ratio is a toxic 4.8x. This shows not only that the Company is significantly overvalued compared to other online recruiting platforms like 51job which do not capitalize such software costs, but also that Seek is dangerously over-levered.
VALUATION

Seek is a roll-up of flat-growth online recruiting platforms and a supposedly fast-growing Chinese platform, Zhaopin, which Seek claims is the #1 player in China. We think this picture is false. Rather, our investigation suggests that Seek is a flat-growth Australian platform rolled up with a fading Chinese online recruiting platform beset by fake resumes and fake job postings.

Rather than valuing Seek as a fast-growing online recruiting platform, we value Seek for what it is—a slow-growth platform whose core business is shrinking and that carries a dangerous amount of debt.

To value Seek, we use a sum-of-the-parts methodology. We assign Seek’s legacy Australian and non-China businesses a generous 20.5x EV/EBITDA multiple, the same multiple at which 51job is being taken private. However, we think Zhaopin is worth far less.

There is overwhelming evidence that Zhaopin is a fading platform inundated with fake job postings and fake resumes. This is likely to have a compounding effect on the already declining popularity of the platform. The more fake resumes on the site, the fewer employers will pay to post. The fewer real employers, the more fake posts will appear, further driving away job seekers. This will likely beget even more fake resumes, creating a vicious downward spiral.

Not only does our due diligence suggest that Zhaopin has been misrepresenting the activity on its platform to investors, we believe that the volume of fake resumes and posts requires at least a 30% discount on the valuation multiple of the Chinese platform.

Unlike 51job, Seek excludes development costs and minority interest in its reported EBITDA. To make the comparison flush, these two items should be deducted from EBITDA when valuing the Company. The two items contributed AUD 156 million to Seek’s reported EBITDA in FY2020 and an estimated AUD 134 million in FY2021.¹

![Adjusted EBITDA Table]

After adjusting for the estimated capitalized development costs and Zhaopin’s minority interest, we estimate that Seek’s NTM EBITDA will be AUD 196 million. We value Seek at AUD 7.20 per share, a 69% downside from its last traded price.

![Adjusted EBITDA Table]

¹ Used the average capitalized development costs for the past three years in our estimate. Assuming each segment’s contribution to Seek’s guided FY 2021 EBITDA remains the same, we estimate that Zhaopin’s EBITDA would be AUD 98 million in FY 2021 and that only AUD 60 million would be attributable to the owners of Seek.
We consider this valuation to be very conservative. Seek’s guidance for net profit after tax is AUD 20 million in FY 2021. Even if we generously apply a 100x NTM P/E multiple to its guided EPS, Seek’s shares would be worth only AUD 5.67 per share.

<table>
<thead>
<tr>
<th>Guidance</th>
<th>AUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2021 NPAT (AUD M)</td>
<td>20</td>
</tr>
<tr>
<td># of shares outstanding (M)</td>
<td>353</td>
</tr>
<tr>
<td>FY2021 EPS (AUD)</td>
<td>0.06</td>
</tr>
<tr>
<td>NTM P/E Multiple</td>
<td>100 x</td>
</tr>
<tr>
<td>Valuation</td>
<td>5.67</td>
</tr>
</tbody>
</table>

*Source: Seek Public Filings, Blue Orca Calculation*

In our opinion, Seek’s shares are grossly mispriced. Nor should Covid-19 provide any cover. Seek’s Chinese business should have already emerged from the worst effects of the virus in its last fiscal year (ending June 2020), as the virus had retreated by then in China. We have no doubt that Seek will blame the virus for its terrible results. But investors should not be fooled: our examination of its primary Chinese platform shows the rot preceded the pandemic.
SEEK IS NOW A STORY OF ZHAOPIN

A roll-up of international online recruiting platforms headquartered in Melbourne, Seek’s core business used to be its Australian recruiting website, www.seek.com.au, launched in 1998. Today, Seek’s fortunes and the lofty multiple at which its stock trades, rest on the alleged popularity and growth of its Chinese recruiting platform, Zhaopin.

Zhaopin was previously listed on the New York Stock Exchange for three years but delisted in 2017 after struggling to gain traction in the U.S. markets. Today, Seek owns 61% of Zhaopin, allowing the Australian-listed company to fully consolidate the Chinese business in its financial statements.

Even before Covid-19, Zhaopin’s reported growth and profitability were increasingly important to Seek’s financials. In FY 2015, Zhaopin contributed 29% of Seek’s consolidated revenues. By FY 2020, Zhaopin accounted for 48% of Seek’s reported revenues, making the Chinese platform by far Seek’s largest and most important business.

As the growth of Seek’s legacy platforms in Australia and South East Asia have stalled, Zhaopin’s importance to the Company has only increased. In Seek’s latest financials, Zhaopin was the only major segment to report growth in both revenue and EBITDA.
Seek’s shares currently trade at 89x recurring LTM earnings and 404x forward earnings (based on the Company’s latest profit guidance). The stock trades at a multiple befitting a fast-growing tech platform because of Seek’s dual claims that Zhaopin is the #1 employment recruiting platform in China and that Zhaopin continues to grow rapidly. We think both are false.

QuestMobile data shows that Zhaopin is far behind the industry leader and falling. Rather than the thriving #1 online recruiting platform in China, we believe that Zhaopin’s platform is beset by fake resumes and fake posts. Zhaopin is the foundation of Seek’s share price and, going forward, its ability to service its increasingly toxic levels of debt. We think that Zhaopin has grossly exaggerated its performance, and that the platform is worth considerably less than investors realize.
ZHAOPIN’S HIGH-END JOB BOARD APPEARS TO BE MOSTLY FAKE OR EXPIRED POSTS

Zhaopin operates a suite of five online recruiting websites in China, consisting of its main platform, and specialized websites targeting discrete sections of the job market—government jobs, campus recruiting, overseas recruiting, and high-end jobs—for Chinese nationals.

Launched in 2013, Highpin targets the high-end employment market in China, and supposedly only permits posts for positions with an annual salary of RMB 100,000 or more.

Highpin is prominently featured on Zhaopin’s homepage, which directs applicants seeking high-end salary positions to Highpin’s website.

Although Seek does not break out Highpin’s performance in its financials, Seek has implied to investors that Highpin generates at least tens of millions of dollars in annual revenue.²

Highpin’s importance is also evident from Seek’s continued investment in the platform. In FY 2020, the Company claimed it invested AUD 20 million in Zhaopin, most of which went to Highpin’s recruiting platform.

Seek has also told investors for years that Highpin will be a key driver of Zhaopin’s growth in China.

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² In FY 2018 earnings call, Seek stated that Highpin’s revenue percentage contribution is in the “single digits” but growing faster than the overall growth rate. Excluding the new BPO revenue, Zhaopin generated AUD 558 million in FY2020. Assuming Highpin’s revenue contribution is mid-single digits (5%), then it would be AUD 28 million.
Such growth is critical to the financial health of the Company, given Seek’s tenuous leverage and high debt servicing costs.

Yet our due diligence reveals that Highpin is mostly populated with fake or expired job posts, suggesting that Seek has been overstating Highpin’s revenues and misleading investors regarding Highpin’s contribution to the Company’s growth.

Highpin lists 3,000 postings for high-paying jobs. Many of the posts appear to be conspicuous fakes. They were posted either by companies in liquidation or companies designated by Chinese authorities as in non-compliance with regulatory requirements or in “abnormal operations.” **One prominently featured company even denied posting on Highpin and stated explicitly that the posts attributed to them were fake.**

Take the most prominent example. Geng Ma Wei Hong Real Estate Development Co., Ltd. (“GMWH”) has the 4th highest number of postings on Highpin by any employer and claims to be recruiting for many positions.3

Yet when we contacted GMWH, the company denied posting on Highpin and **even stated that they had never heard of the platform.** This company was supposedly one of the most frequent posters to the online recruiting platform, yet it **stated point blank that the posts were fake.**

Another frequent poster on Highpin was Dongguan Huamai Management Consulting (“Huamai”). According to Highpin’s recruiting website, Huamai is a consulting firm in the metal manufacturing industry that employs 10,000 individuals and posted openings on Highpin’s platform for another 360 positions.

With 360 posts for high-paying jobs, Huamai accounts for 12% of the high-paying positions offered on Highpin’s platform.

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3 Based on the postings scraped on October 22, 2020.
Huamai posted multiple openings for engineers and other positions with annual salaries ranging from RMB 150,000 to RMB 350,000.

Yet according to Chinese corporate records, Huamai filed for liquidation of its business in August 2020. This means that the employer filed to dissolve its business before supposedly posting 360 high-paying positions on Highpin’s website.

We think it is highly unlikely that a company is legitimately hiring 360 new employees for high-paying jobs after filing to wind up its business.\(^4\)

This fits a pattern. Highpin’s largest customer by total job posts, the Harbin Institute of Technology Boyan Higher Education Training Center (“HIT Training Center”), claimed to be hiring for 389 positions.\(^5\) The HIT Training Center accounted for 13% of the total posts for high-paying jobs on Highpin’s platform. It even advertised for positions in Taiwan.

\(^4\) We contacted Huamai and while it claimed to be hiring, it admitted that its entity was already deregistered, and the number of open positions were far fewer than what it posted on the platform. It also admitted that contrary to Chinese law, it did not provide the mandatory employee benefits it advertised in its posts. We doubt these posts are authentic, and other Chinese job seekers commenting online also suspect that it is a scam.

\(^5\) On October 22, 2020
We doubt these posts are all real. First, the language center is tiny, making it unlikely that it could afford or hire for the hundreds of high-paying jobs it is advertising on Highpin. According to its disclosures, the HIT Training Center has 20 to 99 employees and provides Russian language courses. Since inception, the center has provided Russian training to only 1,000 people and study abroad service to 800+ students.

Second, we called the HIT Training Center. Although they claimed to be hiring, they admitted that some of the posts are fake, such as their posts advertising positions open in Taiwan. When we inquired about the positions, they refused to acknowledge that they even used Highpin as a recruiting platform and became highly defensive when we asked about the posts. Although they may be hiring, we doubt the authenticity of hundreds of supposed positions when HIT refuses to acknowledge that they even use the Highpin platform.

The more we looked, the more companies we found on Highpin’s platform which are flagged by Chinese regulators as in “abnormal operations,” an unusual designation by Chinese authorities meaning the businesses filed false or misleading disclosures, are uncontactable or are not in compliance with PRC requirements. We tried to contact them at their registered phone numbers, but these numbers were invalid or suspended.

Because of the volume of posts, we cannot verify the authenticity of each one. But even without reviewing them all, we believe that at least 71% of the posts are expired, obviously fake or of dubious authenticity.⁶

⁶ Postings were scraped on October 22, 2020
### Expired Posts

When we scraped the 3,000 postings on Highpin in mid-September, the results showed that 878 positions were posted in 2019. When we clicked on those posts, it showed that these positions were expired.

The number of expired job posts increased over time. In October, we scraped the posts on Highpin again and the number of expired posts jumped to 1,309. In other words, **44% of postings on Highpin were expired.**

### Recycled Posts

Our due diligence also suggests that Highpin is recycling its posts to mask its unpopularity. We scraped the job postings on Highpin on September 18, 2020 and October 7, 2020. Between these 19 days, the number of employers increased from 808 to 1,075. Curiously, the number of job postings remained at 3,000.
According to the web scrapes, 344 new companies were added to the platform since September 18, 2020. However, almost all of these posts from newly added companies were expired.⁷

<table>
<thead>
<tr>
<th># of Hirers</th>
</tr>
</thead>
<tbody>
<tr>
<td>On 9/18/2020</td>
</tr>
<tr>
<td>Hirers added to platform with all expired posts</td>
</tr>
<tr>
<td>Hirers added to platform with new posts</td>
</tr>
<tr>
<td>Hirers that left</td>
</tr>
<tr>
<td>On 10/7/2020</td>
</tr>
</tbody>
</table>

*Source: Highpin website scrapes*

Newly added employers would not submit expired posts. Yet almost all off the newly added companies were associated with expired posts from 2019. We think this is clear evidence that Highpin is recycling old posts. Based on our review, at least 18% of Highpin’s posts are recycled, we suspect either to drive fake web traffic or to mislead job seekers (or investors) about the popularity of Highpin platform.

- **Fake Revenues**

The number of fake and expired posts also suggests that Zhaopin may be overstating revenue from the Highpin platform.

We monitored Highpin for five weeks and scraped its postings four times. The results showed that after eliminating expired posts, there were an average of only 309 companies which were potentially paying to advertise openings on Highpin.

<table>
<thead>
<tr>
<th># of hirers with active posts</th>
<th>09/18/20</th>
<th>09/23/20</th>
<th>10/07/20</th>
<th>10/22/20</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported FY2020 average revenue per online customer (AUD)</td>
<td>334</td>
<td>329</td>
<td>294</td>
<td>278</td>
<td>309</td>
</tr>
<tr>
<td>Implied revenue contribution from Highpin (AUD)</td>
<td>170,523</td>
<td>167,970</td>
<td>150,101</td>
<td>141,932</td>
<td>157,632</td>
</tr>
</tbody>
</table>

*Source: Seek FY2020 Result Presentation, Highpin website scrapes*

*Note: 1. These numbers include all the suspicious hirers discussed above. 2. Exchange rate RMB to AUD: 4.83*

Seek has suggested to investors that Highpin generates at least tens of millions of AUD in annual revenues. But we believe this claim is false.

Seek claims that the average Zhaopin customer pays AUD 511 (RMB 2,466) per year. With only an average of 309 companies posting on the Highpin platform, this suggests that Highpin generates a paltry **AUD 157,632 per year**. This revenue is a tiny fraction of the tens of millions of revenues Seek claims to derive from the platform.

The high number of fake and expired posts are corroborated by Highpin’s declining website traffic. QuestMobile data shows that Highpin’s daily active users were only 23,250 in August 2020, and that the platform’s popularity is in steady decline.⁸

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⁷Specifically, 306 of the newly added companies in October 2020 had expired posts from 2019. Companies would be unlikely to join the platform to post expired listings from 2019, so we think it is obvious that Highpin is recycling old postings to fake its popularity.

⁸QuestMobile tracks the daily active users of Highpin’s mobile application.
QuestMobile data reveals that Highpin’s platform is unpopular. Whatever limited popularity it once briefly enjoyed is quickly declining. This makes sense. Why would candidates who qualify for a high paying job waste time with a platform consisting of mostly fake or expired posts?

This has three implications for investors.

First, we suspect that the large capital expenditures reportedly allocated to Highpin in the last few years are either inappropriately capitalized expenses or simply fabricated to conceal the platform’s limited usage and dwindling popularity. We believe Seek should be required to immediately write down a substantial portion of the intangible assets associated with its clearly failing platform.

Second, Highpin has been repeatedly mentioned by Seek in presentations to investors as an important platform driving Zhaopin’s growth and performance. If the platform consists of mostly fake and expired posts, it is fair to conclude that Zhaopin’s performance and prospects have been misrepresented to investors.

Third, Seek has implied that Highpin has generated at least tens of millions in revenues, which we think is highly unlikely considering we observed only an average of 309 customers in 5 weeks of scraping the platform. We think Seek has therefore misled investors about revenues from this business and therefore from Zhaopin.
FAKE RESUMES ON ZHAOPIN

Zhaopin’s importance to Seek’s stock price cannot be understated. It is by far Seek’s biggest segment, accounting for 48% of the Company’s consolidated revenues in FY 2020. It is also, on paper, the only part of its business that is not reporting declining revenues or EBITDA, a critical engine for future cash flows to service Seek’s alarming debt. Yet there is considerable evidence that Zhaopin’s core business is also declining, including allegations that the platform is inundated with fake resumes.

In 2019, a college student made detailed whistleblower allegations that Zhaopin paid people to submit fake resumes to jobs on its platform. The student stated that he was tasked by Zhaopin to find people pretending to be jobseekers and submit their fake resumes to job postings on Zhaopin.

In March (2019) Ma Hai, a current college student, posted a compliant that Zhaopin hired people to post resumes to boost resume submission rates. It is reported that since December 2018, through multiple layers of outsourcing, Ma Hai received the task of finding people to pretend to be job seekers for Zhaopin and submitting their resumes…Ma Hai said that sending fake resumes to third-party companies creates the illusion that Zhaopin is very popular so that these companies would continue to pay to use Zhaopin's platform.


The student admitted that he submitted 11,400 fake resumes in a month.

Before January 25, Ma Hai found someone to submit their resume every day and got paid daily. In the later stages, due to disputes between Ma Hai’s employer and Ms. Guo, an employee of Zhaopin, Ma Hai did not receive the payments. At that time, Ma Hai had completed 11,400 submissions and earned unpaid compensation of nearly RMB 40,000.


The scheme was exposed when the student had a dispute regarding payment for his work. For its part, Zhaopin denied the allegation and claimed it was only a marketing promotion.

But this was not an isolated incident. Our diligence found many complaints and negative reviews from employers complaining that Zhaopin’s platform is so inundated with fake resumes that the platform is essentially useless.

For example, in July 2020, one employer filed a complaint stating that there were simply too many fake resumes on the platform for it to be useful.

When signing up for membership, sales reps exaggerated the recruitment effect. The platform has too many fake resumes.

Source: https://tousu.sina.com.cn/complaint/view/17350298080/

9 The article stated that only 20% of the 11,400 submissions passed Zhaopin’s system. It was unclear how many submissions the student submitted the months prior.
Another employer filed a similar complaint in May 2020, complaining that **all the resumes they received were fake.** The phone number provided on the resumes were all fake and none of phone numbers could be reached.

The phone number provided on the resumes were all fake and none of phone numbers could be reached.


The same user followed up on their complaint, stating that of the 17 resumes they received, not one was from a real job seeker.


The same complaints can also be found on the company’s app, Zhilian Zhaopin Enterprise Edition, which serves as a platform for enterprise hirers. The app is ridden with reviews from users complaining about fake resumes on the platform.

**Additional complaint**


The same complaints can also be found on the company’s app, Zhilian Zhaopin Enterprise Edition, which serves as a platform for enterprise hirers. The app is ridden with reviews from users complaining about fake resumes on the platform.


In June 2020, one employer posted a review complaining that the platform was completely useless, as all the resumes sent to them were fake. The user went on to say that they could not even chat with the job seekers.

Source: [https://www.qimai.cn/app/comment/appid/1268483731/country/cn](https://www.qimai.cn/app/comment/appid/1268483731/country/cn)
In March 2020, another review considered Zhaopin to be the worst recruiting platform. The employer says that after using the platform for almost a year, they have not hired a single person because of all the zombie resumes on the site. The user even paid to contact the alleged job seekers but received no response.

These complaints corroborate the whistleblower allegations that Zhaopin’s platform is inundated with fake resumes, presumably paid for and orchestrated by Zhaopin.

Together with evidence of fake job postings, allegations of widespread fake resumes are likely to have a compounding effect on the already declining popularity of the platform. The more fake resumes on the site, the fewer employers will pay to post. The fewer real employers, the more fake posts will appear to lure candidates, further driving away job seekers. This will require even more fake resumes, creating a vicious downward spiral.

Not only does this suggest that Zhaopin has been misrepresenting the activity on its platform to investors, it also bodes ill for the future. Zhaopin is supposedly the Company’s growth engine that will enable Seek to continue to service its increasingly toxic levels of debt. Employers will likely become increasingly disenchanted with the platform as they encounter fewer and fewer real candidates. We highly doubt that employers will continue to pay for a service inundated with fake resumes, which directly undermines the already tenuous bull case for investing in Seek.
ZHAOPIN INUNDATED WITH FAKE POSTS

To vet the main Zhaopin platform, we designed an algorithm to scrape the website to determine which companies posted for the most job openings. We then analyzed the results for three, randomly selected, major cities in China. Zhaopin claims to be strongest in top tier cities, so we sampled cities from these categories.

Our algorithm found 158,121 posts by 30,463 companies. Because the sheer volume makes it impossible to diligence all the posts, so we sorted the database and vetted the top 100 companies in each city with the most job postings.

These are the postings which job seekers are most likely to encounter, as the top 100 companies accounted for a disproportionate number of the job posts for these cities.

<table>
<thead>
<tr>
<th>City</th>
<th># of Posts from Top100</th>
<th>Total Posts Scraped</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dalian</td>
<td>8,534</td>
<td>29,536</td>
<td>29%</td>
</tr>
<tr>
<td>Xi’an</td>
<td>13,080</td>
<td>66,009</td>
<td>20%</td>
</tr>
<tr>
<td>Qingdao</td>
<td>8,849</td>
<td>62,576</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,463</strong></td>
<td><strong>158,121</strong></td>
<td><strong>19%</strong></td>
</tr>
</tbody>
</table>

*Source: Job Posts Scraped from Zhaopin*

Through our analytics, we found thousands of postings from many of the top companies which appear, in our view, to be clearly fake.

Many of the postings from the top 100 in these three cities were from companies which were deregistered or whose operations were labelled “abnormal” by China authorities. We also found hundreds posts from companies with no website or WeChat account – many of these businesses were simply uncontactable. In other instances, Zhaopin’s users identified the posts as fake. In another case, the employer denied ever posting for positions on Zhaopin and told us the posts were fraudulent.

The platform appears inundated with fake posts, which has two implications for investors. First, since the fake posts are supposedly posted by Zhaopin’s customers, we question the authenticity of Zhaopin’s reported revenues. Second, our study indicates a level of rot on the platform which explains not only Zhaopin’s declining popularity but suggests that the popularity of the platform will continue to plummet. After all, why would a job seeker bother with a platform with so many fake posts?

1. Dalian

Dalian is a Tier Two city, where Zhaopin claims to be well represented. Our algorithm found 29,536 unique posts from 5,117 companies. The top 100 companies accounted for 29% of the posts on Zhaopin for Dalian, meaning these are the posts that job seekers are most likely to encounter on the platform.

After close examination, we found many of the postings from the top 100 companies in Dalian appear to be simply fake. These posts were from companies which were deregistered, whose operations were labelled “abnormal” by Chinese authorities or had reviews on Zhaopin in which users alerted others that the positions were fake.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th># of posts in Dalian</th>
<th>Zhaopin Source</th>
<th>No. of Employees</th>
<th>Reason for Suspicion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Beijing Ronghui Tiancheng Investment Management Co., Ltd.</td>
<td>301</td>
<td>Link</td>
<td>3</td>
<td>Abnormal Operations on QCC since August 2020, multiple reviews said it is a scam</td>
</tr>
<tr>
<td>15</td>
<td>Dalian Hengfeng Guangyi Information Consulting Service Co., Ltd.</td>
<td>95</td>
<td>Link</td>
<td>0</td>
<td>Applied to deregister in October 2019, Reviews on Zhaopin say the positions are fake</td>
</tr>
</tbody>
</table>
### Source: Zhaopin, WeChat and QCC

**Note:** PRC entities are required by law to pay mandatory social insurance for each PRC employee. We use this as our basis for number of employees.

#### a. Deregistered Entities

Two of the most frequent job posters in the top 100 were deregistered or in the process of deregistration entities, which we believe is compelling evidence that such posts are fake. Live Like This (Dalian) Information Technology Co., Ltd. ("LLT Dalian"), has posts for 51 job openings in Dalian. ¹⁰

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¹⁰ The number of hiring positions listed on companies’ Zhaopin page is the total number of their postings across all cities, which fluctuates daily.
We tried to contact LLT Dalian at its registered phone number multiple times, but no one answered.\(^\text{11}\)

Another top 100 company, Dalian Hengfeng Guangyi Information Consulting Service Co., Ltd. ("Dalian Hengfeng") was ranked #15 in Dalian by number of postings and claimed to be recruiting for 99 positions.

However, according to Chinese company database, Dalian Hengfeng notified Chinese authorities that it applied for deregistration on October 22, 2019.

When we called the deregistered company to inquire about their job posts on Zhaopin, they seemed confused. Although Dalian Hengfeng admitted that they had posted an opening on Zhaopin a long time ago, they denied any current postings, let alone a post in October 2020.\(^\text{12}\)

Deregistered companies, or companies in the process of deregistration, are unlikely to be hiring. We think the obvious conclusion is that such postings are fake.

b. “Abnormal Operations”

From our survey of the platform, Beijing Ronghui Tiancheng Investment Management Co., Ltd. ("Beijing Ronghui") ranked 2\(^{nd}\) in terms of the largest number of job postings in the city, claiming to have 359 open positions.

\(^{11}\) We also tried the phone number listed on the website provided by QCC and got the same result.

\(^{12}\) Many of its posts were updated on October 22, 2020.
However, Beijing Ronghui has recently been flagged with abnormal operations by the local State Administration for Industry and Commerce. This is an unusual designation by Chinese authorities meaning the business filed false or misleading disclosures, is uncontactable or is not in compliance with PRC requirements.

Furthermore, like many other frequent job posters we identified, Beijing Ronghui has no website that we could find. Beijing Ronghui claims to be hiring for 359 positions on Zhaopin’s platform. But designation as “abnormal” by PRC regulators and online reviews of the company suggest that these posts are fake.

c. Users Identified Fake Posts

Another top 100 company, ranked by the number of postings, was Dalian Antai Yijia Real Estate Consulting Co., Ltd. (“Dalian Antai”), which claimed to have 70 job openings.

However, Dalian Antai’s registered capital is only RMB 30,000, which is far too small to realistically pay RMB 2,000 to RMB 15,000 per month across 70 open positions.

Users claim that these posts are fake. One Zhaopin user commented that Dalian Antai was not a real estate consulting company, rather an insurance company. Another user also suggested that the posts were misleading and
likely fake, surmising that Dalian Antai was just an insurance company trying to trick users into providing their personal information.

Source: Zhaopin User’s Review

d. No Online Presence and Uncontactable

There were over a dozen companies from the top 100 in Dalian that were highly suspicious as they had no website, no WeChat account, were hiring for non-related positions, or were restricted from high spending under Chinese law due to the high levels of indebtedness.

To verify the authenticity of these job posts, we called these companies and asked about the open position we saw on Zhaopin. **Of 13 companies, only three answered.** One company clearly stated that they had never been hiring and were baffled as to why they would appear on Zhaopin.

For example, one of the Dalian top 100 was Dalian Jiezhiheng Technology Development Co., Ltd. (“Dalian Jiezhiheng”), which had 36 job openings listed on Zhaopin.

When we asked Dalian Jiezhiheng about an opening on Zhaopin they replied, “we are not interested, and we are not hiring.” We then asked that if they were not hiring, why were there postings for open positions on Zhaopin? The person we spoke with replied, **“I have no idea! Probably somebody fraudulently using our information, we are not hiring and have never been interested in hiring.”** Dalian Jiezhiheng’s response unambiguously confirms that the job postings under its name are fake.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th># of posts in Dalian</th>
<th>Zhaopin Source</th>
<th>No. of Employees</th>
<th>Reason for Suspicion</th>
<th>Results of Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>大连晶和信科技有限公司</td>
<td>133</td>
<td>Link</td>
<td>0</td>
<td>No website or WeChat</td>
<td>Phone number provided on QCC is wrong</td>
</tr>
<tr>
<td>39</td>
<td>大连泰微科技有限公司</td>
<td>63</td>
<td>Link</td>
<td>0</td>
<td>Falsely claims to be a public company on Zhaopin, no website or WeChat</td>
<td>Called multiple times with no answer</td>
</tr>
<tr>
<td>42</td>
<td>大连菲尼科恩科技发展有限公司</td>
<td>61</td>
<td>Link</td>
<td>3</td>
<td>No website or WeChat, a chemical product wholesaler but hiring 5 security analysts</td>
<td>Number provided on QCC is wrong</td>
</tr>
<tr>
<td>43</td>
<td>大连明诚科技有限公司</td>
<td>60</td>
<td>Link</td>
<td>0</td>
<td>No website or WeChat, in IT industry but hiring 4 financial product managers</td>
<td>Called multiple times with no answer</td>
</tr>
<tr>
<td>48</td>
<td>大连星魅传媒有限公司</td>
<td>56</td>
<td>Link</td>
<td>N/A</td>
<td>No website or WeChat, hiring 3 electrical automation engineers</td>
<td>Called multiple times with no answer</td>
</tr>
<tr>
<td>50</td>
<td>大连凌波微联科技有限公司</td>
<td>53</td>
<td>Link</td>
<td>1</td>
<td>Only an outdated website</td>
<td>The number on its website is invalid</td>
</tr>
</tbody>
</table>
We would expect that every recruiting platform would have some job postings from disreputable employers. And we anticipate that Seek’s response will be that certain posters are a few bad apples who are unrepresentative of most companies posting on the platform.

But fake posts do not appear to be isolated problem. Rather, they appear to be endemic. Our review of the Dalian posts indicates that many of the top 100 most frequent job posters appear to be fake. Recall that posts from these top 100 companies account for 29% of the job posts for Dalian on Zhaopin, meaning that job seekers are much more likely to encounter the fake posts from these companies.

2. Xi’an

We also analyzed Xi’an, a new Tier One city. Our algorithm found 66,009 posts from 12,838 companies. Here, posts from the top 100 companies accounted for 20% of the posts on Zhaopin for this city.

Similar to Dalian, many postings from the top 100 in Xi’an appear to be fabricated. These companies were in the process of deregistration, operations were labelled “abnormal” by Chinese authorities, or were recently registered companies with no website, WeChat account or telephone number.

Other than the one company which Zhaopin users already flagged as a scam, we tried to contact 19 companies by calling the phone number listed on their regulatory filings or website, if any. Yet, 12 companies were uncontactable as they either did not provide a correct phone number or any phone number at all. Of the remaining seven companies, only five answered. Three companies immediately hung up after inquiry about the company. One immediately hung up after inquiry about job openings. One company said it was not hiring and quickly hung up.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th># of posts in Xi’an</th>
<th>Zhaopin Source</th>
<th>No. of Employees</th>
<th>Reason for Suspicion</th>
<th>Results of Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>成都叁瑜科技有限公司 Chengdu Sanyu Technology Co., Ltd.</td>
<td>100</td>
<td>Link</td>
<td>N/A</td>
<td>Incorporated in April 2020, no website or WeChat</td>
<td>Uncontactable, no website, WeChat or telephone number</td>
</tr>
<tr>
<td>No.</td>
<td>Company Name</td>
<td>Link</td>
<td>Status</td>
<td>Details</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------------------------------</td>
<td>------</td>
<td>--------------------</td>
<td>------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Shaanxi Kiwi Catering Management Co., Ltd.</td>
<td>Link</td>
<td>0</td>
<td>No website or WeChat, mentions another company in its description on Zhaopin that does not exist</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Shaanxi Fanghe Security Service Co., Ltd.</td>
<td>Link</td>
<td>0</td>
<td>No website or WeChat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Xianyang Jiiju Six Trading Company</td>
<td>Link</td>
<td>N/A</td>
<td>Incorporated in April 2020, no website or WeChat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Sichuan 21 Degree Technology Co., Ltd.</td>
<td>Link</td>
<td>0</td>
<td>No website, hiring Hotel front desk customer service butler</td>
<td></td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>Beijing Ming Chen Culture Media Co., Ltd.</td>
<td>Link</td>
<td>3</td>
<td>Hung up after inquiry about the company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Shaanxi Boshengde Information Technology Development Co., Ltd.</td>
<td>Link</td>
<td>N/A</td>
<td>Incorporate in April 2020, in process of deregistration, website listed on QCC does not work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>52</td>
<td>Jieyi Trading Company</td>
<td>Link</td>
<td>N/A</td>
<td>Uncontactable, no website, WeChat or telephone number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>55</td>
<td>Shaanxi Sukang Yingrong Internet Technology Co., Ltd.</td>
<td>Link</td>
<td>N/A</td>
<td>Uncontactable, no website, WeChat or telephone number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>56</td>
<td>Shengshi International Commercial Factoring Co., Ltd.</td>
<td>Link</td>
<td>N/A</td>
<td>Uncontactable, no website, WeChat or telephone number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>57</td>
<td>Luanchuan County Fisher Trading Company</td>
<td>Link</td>
<td>0</td>
<td>Hung up after inquiry about job openings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>59</td>
<td>Pingyao Zhongpeng Network Technology Co., Ltd.</td>
<td>Link</td>
<td>N/A</td>
<td>When asked about its job posts on Zhaopin, it said it is not hiring</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60</td>
<td>Dazhou City Phoenix Cloud Trading Company</td>
<td>Link</td>
<td>N/A</td>
<td>Uncontactable, no website, WeChat or telephone number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>61</td>
<td>Luliang Jiuyi Trading Company</td>
<td>Link</td>
<td>0</td>
<td>Calls could not be completed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>67</td>
<td>Wuhan Yiming Feiren Culture Media Co., Ltd.</td>
<td>Link</td>
<td>0</td>
<td>Called multiple times with no answer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>73</td>
<td>Xi’an Quankun Education Technology Co., Ltd.</td>
<td>Link</td>
<td>0</td>
<td>When asked about its job posts on Zhaopin, it said it is not hiring</td>
<td></td>
<td></td>
</tr>
<tr>
<td>76</td>
<td>Wuhan Xinducheng Trading Company</td>
<td>Link</td>
<td>0</td>
<td>Reviews on Zhaopin say the company is a scam</td>
<td></td>
<td></td>
</tr>
<tr>
<td>83</td>
<td>Jinhe Culture Media Co., Ltd.</td>
<td>Link</td>
<td>N/A</td>
<td>Uncontactable, no website, WeChat or telephone number</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3. **Qingdao**

We also analyzed Qingdao, a new Tier One city. Our algorithm found 62,576 posts from 12,278 companies.

Similar to Dalian, many postings from the top 100 in Qingdao appear to be fabricated or highly suspicious. These companies were either deregistered or recently registered companies with no website, WeChat account or telephone number.

In the Qingdao top 100, we also found a number of tiny companies with 1 or 2 employees which posted for hundreds of open positions unrelated to their core business. For example, Qingdao Zhongsong Culture Communication Co., Ltd. was the 35th largest employer by postings in the city. Even though it has only 2 employees, it had 76 posts for hundreds of positions, including an opening for an electrician in Shanxi, a province hundreds of miles away.

We called these highly suspicious companies in Qingdao to verify whether they were hiring. We contacted these 13 companies by calling the phone number listed on their regulatory filings or website, if any. Yet, eight companies were uncontactable as they either did not provide a correct phone number or any phone number at all. Of the remaining 5 companies, only two answered. One immediately hung up after inquiry about job openings. Another company immediately hung up after inquiry about the company. It is highly unlikely that a business looking to expand its operations would just hang up on job seekers without any response.

### Source: Zhaopin, WeChat and QCC

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th># of posts in Qingdao</th>
<th>Zhaopin Source</th>
<th>No. of Employees</th>
<th>Reason for Suspicion</th>
<th>Results of Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>青岛创易共享信息服务有限公司 Qingdao Chuangyi Sharing Information Service Co., Ltd.</td>
<td>81</td>
<td>Link</td>
<td>3</td>
<td>Registered capital too small to hire 81 people. Website can’t be reached. Strange opening: a HR consulting firm hiring calligraphy teacher</td>
<td>Called multiple times with no answer</td>
</tr>
<tr>
<td>30</td>
<td>青岛讯博网络技术有限公司 Qingdao Xunbo Network Technology Co., Ltd.</td>
<td>80</td>
<td>Link</td>
<td>N/A</td>
<td>Incorporated in May 2020, no website or WeChat</td>
<td>Uncontactable, no website, WeChat or telephone number</td>
</tr>
<tr>
<td>34</td>
<td>青岛才库企业管理咨询有限公司 Qingdao Caiku Enterprise Management Consulting Co., Ltd.</td>
<td>78</td>
<td>Link</td>
<td>10</td>
<td>No website or WeChat</td>
<td>Phone number provided on QCC belongs to former employee</td>
</tr>
<tr>
<td>35</td>
<td>青岛中颂文化传播有限公司 Qingdao Zhongsong Culture Communication Co., Ltd.</td>
<td>76</td>
<td>Link</td>
<td>2</td>
<td>Registered capital too small to hire 76 people. Strange openings: an advertising company hiring electricians in Shanxi</td>
<td>Number provided on QCC is wrong</td>
</tr>
<tr>
<td>36</td>
<td>青岛润合兴业信息技术有限公司 Qingdao Runhe Industrial Information Technology Co., Ltd.</td>
<td>76</td>
<td>Link</td>
<td>1</td>
<td>False claims to be 2019 National Cultural Export Key Enterprise and an AI company</td>
<td>Hung up after inquiry about the company</td>
</tr>
<tr>
<td>41</td>
<td>山东众鑫财税服务有限公司 Shandong Zhongxin Finance and Taxation Service Co., Ltd.</td>
<td>71</td>
<td>Link</td>
<td>N/A</td>
<td>Strange openings: a financial services company hiring multiple AC technicians in a different province</td>
<td>Uncontactable, no website, WeChat or telephone number</td>
</tr>
</tbody>
</table>
The sheer volume of posts makes examining each one impossible, so our review focused on the top 100 employers in each city we analyzed. These companies accounted for a disproportionate number of posts in these cities and were the ones that job seekers would be most likely to encounter.

In our opinion, the main Zhaopin platform is inundated with fake posts.

This has two implication for investors. First, we doubt that companies are paying for fake posts. Given the volume of fake posts, we posit that Zhaopin has been overstating its metrics and financial performance.

Second, our study indicates a level of rot on the platform which explains not only Zhaopin’s declining popularity but suggests that the popularity of the platform will continue to plummet. After all, why would a job seeker bother with a platform with so many fake posts? It is therefore no surprise that evidence has emerged that Zhaopin needs to pay for fake resumes to populate the platform.
SEEK MISREPRESENTS ZHAOPIN AS THE #1 PLATFORM IN CHINA

Seek claims Zhaopin is the number one employment platform in China and that its traffic is much higher than its closest US-listed peer, 51job. Yet we reviewed the QuestMobile data quoted by Seek and it shows otherwise—not only is Zhaopin’s popularity roughly the same as 51job’s, but Zhaopin has been losing its leading position to BOSS Zhipin (“BOSS”) since August 2019. By August 2020, BOSS had 60% more monthly active users than Zhaopin.

Seek claims, based on independent data from QuestMobile, that Zhaopin is the “#1 player” in China and that the platform is substantially more popular across many key metrics than 51job. For example, Seek claimed that Zhaopin had 30% more monthly active users than 51job in FY 2019, and that Zhaopin had 60% more monthly active users than 51job during the quarter ended June 2020.

SEEK FY 2019 and FY 2020 Annual Presentation

To verify Seek’s claims, we reviewed monthly and daily active user data from QuestMobile, the independent data provider in China cited by Seek. The data shows that this claim is bogus.

First, rather than showing a clear lead, the QuestMobile data showed that Zhaopin had a similar number of monthly active users as 51job over the last three years. The data also indicated that rather than having a 60% lead in monthly active users over 51job in Q4, Zhaopin’s edge was much more modest.

Source: QuestMobile Data

More importantly, the QuestMobile data shows that Zhaopin is not the leading recruiting platform in China. BOSS, another employment service provider, has replaced Zhaopin as the most popular recruiting app in China, and BOSS’s relative lead over Zhaopin has only widened since August 2019.
Zhaopin and 51job are far behind BOSS when comparing monthly active users.

Website traffic also shows Zhaopin behind. SimilarWeb data indicates that, in the past seven months, Zhaopin’s total visits are 39% less than 51job’s. In fact, Zhaopin’s traffic statistics are consistently worse than 51job.

The traffic data from independent service providers suggests that Seek’s portrayal of Zhaopin as the industry leader is highly misleading.

The data shows that Zhaopin is far behind the leading platform (BOSS). Rather than showing a clear lead over 51job, the data shows both are struggling with falling popularity. Given that 51job announced that it laid off 127 employees and closed 11 offices in 2020, we would expect Zhaopin to be similarly struggling.
1 in 4 of China’s Workforce on Zhaopin?

This is not the only claim regarding Zhaopin’s platform which deserves scrutiny. In its FY 2020 results presentation, the Company claimed that Zhaopin had 139 million completed resumes and 218 million registered candidate users.

The Company claimed that both user metrics experienced impressive growth, with registered candidates up 18% YoY and completed resumes up 13% YoY. Such growth is particularly important to investors when Seek’s other businesses are reporting declining revenues.

Yet a basic back of the envelope calculation suggests that such metrics are highly questionable. Out of a population of 1.4 billion, China reported a total labor force of only 806 million in 2018, which refers to the population aged 16 and over capable of working.

Out of a labor force of 806 million, Zhaopin claimed 218 million registered users. For Zhaopin’s reported user metrics to be true, 1 in 4 Chinese workers must be a registered user of Zhaopin.

But this market share is absurd. The notion that 1 in 4 workers aged 16 and over is either looking for a job or registered for an online recruiting platform, in any market, is simply not credible. Especially in China, where the World Bank reports that 25% of the labor force is still employed in agriculture.

In our view, such reported user metrics do not pass the smell test. Notably, there are whistleblower allegations, supported by the complaints of employers, suggesting that Zhaopin is paying for fake resumes. This would not be necessary if 1 in 4 Chinese labor force participants used the platform.

Rather, our due diligence shows that in contradiction to Seek’s claims, Zhaopin is a struggling platform.
PROFITS INFLATED BY QUESTIONABLE NON-CASH GAINS AND AGGRESSIVE ACCOUNTING

Seek has historically paid a dividend, giving the false impression that its business produces healthy profits and cash flows. However, if investors look closer, Seek’s dividend payments have been largely financed by the Company’s rising indebtedness. Today, Seek’s Net Debt-to-EBITDA has reached an alarming 3.2x. But the reality is far worse.

An examination of the quality of Seek’s past earnings shows why such borrowings were necessary. Although the Company reported profits on paper, they were aided by dubious non-cash gains and questionable step-up transactions with related parties.

From FY 2015 to FY 2018, Seek reported cumulative fair value gains of AUD 336 million. Except for FY 2016, non-cash gains on investments made up 26-41% of Seek’s annual profits.

<table>
<thead>
<tr>
<th>AUD M</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value gain</td>
<td>100</td>
<td>0</td>
<td>177</td>
<td>59</td>
</tr>
<tr>
<td>Profit before taxes</td>
<td>384</td>
<td>557</td>
<td>437</td>
<td>173</td>
</tr>
<tr>
<td>% of non-cash gain</td>
<td>26%</td>
<td>0%</td>
<td>41%</td>
<td>34%</td>
</tr>
</tbody>
</table>

*Source: Seek Annual Reports*

1) Maimai: Suspicious Fair Value Gain in FY 2018

In FY 2018, Seek recognized AUD 59 million of fair value gain on financial assets, which was 34% of its reported profit before tax (AUD 173 million).

According to Seek’s [announcement](https://www.asx.com.au/asxpdf/20180806/pdf/43x32f69416vfd.pdf), this gain was derived from its investment in Maimai, a China-based career and social-networking platform.

Seek claimed that Zhaopin invested AUD 20 million (USD 15 million) in Maimai’s series C round in November 2017 at a valuation of USD 250 million. Seek also claimed that it was able to recognize a fair value gain of AUD 59 million on this investment because Maimai’s valuation purportedly increased 4x in 180 days.

The basis for this revised valuation is Seek’s contention that in April 2018, Maimai completed a series D round of financing which valued the startup at USD 1 billion, supposedly making Maimai a newly minted unicorn.

3. Other income

<table>
<thead>
<tr>
<th></th>
<th>2018 $m</th>
<th>2017 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value gain on step acquisitions</td>
<td>-</td>
<td>177.2</td>
</tr>
<tr>
<td>Gain on disposal of equity-accounted investments</td>
<td>1.9</td>
<td>-</td>
</tr>
<tr>
<td>Fair value gain on financial asset</td>
<td>11(lvi)</td>
<td>58.6</td>
</tr>
<tr>
<td>Government grants *</td>
<td>2.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Total other income</td>
<td>62.9</td>
<td>178.5</td>
</tr>
</tbody>
</table>

*Source: FY 2018 Annual Report*

13 Seek categorized payments for step up acquisition under cash flows from financing activities. Over the past six years, cash paid for step up acquisitions and the Zhaopin privatization adds up to AUD 700 million.
Yet Seek’s valuation timeline contradicts the statements of Maimai’s CEO. In an interview conducted by Tencent Tech at the time of Seek’s initial investment (November 2017), Maimai’s CEO stated unequivocally that Maimai was already valued at almost USD 1 billion, meaning Seek’s massive upward revaluation of the investment was likely inappropriate.

According to Maimai’s CEO, its valuation was already close to USD 1 billion in November 2017 when Zhaopin invested in the startup. This directly contradicts Seek’s claim that the startup was only valued at USD 250 million at the time and subsequently quadrupled in value to unicorn status. It was already there. In our opinion, Seek simply conjured 34% of its profit by inappropriately recognizing a non-cash gain on investment.

Further, we question why Seek did not impair the investment when Maimai’s popularity appears to have plummeted. QuestMobile data shows that Maimai’s monthly active users have crashed and are now below the level where Seek recognized fair value gain on this investment.

Not only do we believe that Seek inappropriately recognized a non-cash gain which constituted 34% of its net profits in FY 2018, but we believe Seek should now impair its investment given the plummeting popularity of the platform.

2) Step-up Acquisitions to Create Non-Cash Gains

Seek has also recognized non-cash gains from a particularly dubious accounting trick: step-up transactions.

Step-up transactions occur when a company owns a small fraction of a target’s shares. The company then acquires more shares of the target at a higher price and recognizes a large non-cash gain on its initial investment. For example, when a company takes its ownership in an entity from 20% to 60%, it engages in a step-up transaction.

The problem is that a company acquiring the additional interest often has an incentive to overpay for the second round of equity. The reason is twofold. First, the company is often purchasing shares from related parties. Second,
the higher the price the company pays for the additional equity, the larger the non-cash gain the company can recognize on its initial investment.

Many of Seek’s non-cash gains, which in two of the past six years accounted for between 26-41% of its earnings, came from step-up transactions. Since Seek is the buyer, the Company has full discretion to inflate the price of its subsequent investments.

i. Online Education Services

For example, in FY 2017, Seek recognized an AUD 174 million gain on a step-up transaction when it acquired an additional 30% equity interest in Online Education Service (“OES”). This transaction is highly questionable and bears many of the hallmarks of aggressive accounting and dubious profits inherent in step-up transactions.

Initially, Seek invested only AUD 5 million for 50% of the shares of OES.

In March 2017, shortly before the end of Seek’s fiscal year, it acquired an additional 30% of OES’s equity, taking its interest in the startup to 80%. Because of the price it paid for the additional shares, Seek was able to recognize an AUD 174 million gain on its initial AUD 5 million investment, a 35x return.

At the time of this step-up transaction, Seek chose to value OES at AUD 399 million. This valuation was mostly goodwill, as OES only had net identifiable assets of AUD 70.6 million at the time.
Prior to this step-up transaction, Seek treated OES as an associate under the equity method of accounting, meaning it only consolidated OES’s profits in its financial statements. However, the step-up permitted Seek to fully consolidate OES, making it appear as though Seek grew revenues by AUD 100+ million that year.

The higher the valuation for OES in Seek’s step-up investment, the larger the non-cash gain Seek could recognize in its financial statements on its initial investment.

Seek will likely argue that its valuation is justified given the performance of OES. But we question this argument, given that immediately following the step-up transaction, OES’s financial performance started to decline significantly. Following the step-up transaction, OES’s net margins began falling, bottoming out at 11% in FY 2020.

We question whether it was simply a coincidence that OES’s performance appears to have peaked right at the time Seek executed a step-up transaction, allowing it to recognize a dubious non-cash gain before fiscal year end. This deal enabled Seek to meet earnings and accounted for 40% of Seek’s consolidated profits that year.

It is also notable that Seek acquired the shares in this step-up from Swinburn University of Technology, whose chancellor at the time of the transaction, Graham Goldsmith, is also Seek’s current chairman.  

Although Seek disclosed the conflict, it claimed that Graham Goldsmith could still be considered an independent non-executive director of the Company.

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14 Graham Goldsmith was Seek’s non-executive director at the time of the step-up acquisition.
Given the underperformance and declining profits of OES since the transaction, we question Seek’s decision to recognize a major non-cash gain on its initial investment at the moment that OES performance seemed to peak. That Seek’s chairman was on both sides of the deal further undermines the credibility of Seek’s reported gain.

Source: Seek 2018 Corporate Governance Statement, p. 6
MISLEADING EBITDA: APPLES-TO-ORANGES

Seek is usually compared to 51job, a US-listed operator of a Chinese online recruiting platform. But the comparisons mistakenly rely on Seek’s reported EBITDA, which excludes significant capitalized software development costs and fails to back out minority interest.

For valuation, we believe it is appropriate to adjust Seek’s EBITDA for both. This shows not only that the Company is significantly overvalued compared to other online recruiting platforms but also that it is dangerously over-levered.

a. Capitalized Software Development Costs

In FY 2020, Seek reported EBITDA of AUD 415 million, after adding back AUD 134 million of depreciation and amortization expenses. The Company incurred an average of AUD 95 million of annual software development costs over the past three years. Yet instead of expensing these costs in the current period, Seek capitalized them and is amortizing the costs over a 3 to 5-year period.

By comparison, 51job does not capitalize its R&D expenditures, despite supposedly having similar development costs. To operate and maintain its online recruiting platform, 51job has over 900 designers and software developers.

C. Research and Development, Patents and Licenses, Etc.

We employ a staff of over 900 website designers and software developers to design, update and create our websites, mobile applications and proprietary software. We intend to continue to upgrade our proprietary management systems, search engine methodology and information technology as we grow our business operations and keep up with evolving user needs and behavior. For more information on our

Source: 51job 2019 Annual Report

51job did not capitalize these costs, as the book value of its intangible assets stayed largely the same from 2018 to 2019.

8. INTANGIBLE ASSETS

Intangible assets and its related accumulated amortization as of December 31, 2018 and 2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software</td>
<td>29,156</td>
<td>30,321</td>
</tr>
<tr>
<td>Acquired technology</td>
<td>60,251</td>
<td>60,251</td>
</tr>
<tr>
<td>Trade names</td>
<td>95,783</td>
<td>95,783</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>12,270</td>
<td>12,270</td>
</tr>
<tr>
<td>Acquired program transmission license</td>
<td>119,728</td>
<td>119,728</td>
</tr>
<tr>
<td>Acquired training and other licenses</td>
<td>4,151</td>
<td>4,151</td>
</tr>
<tr>
<td>Less: Accumulated amortization</td>
<td>(76,893)</td>
<td>(119,342)</td>
</tr>
<tr>
<td>Net book value</td>
<td>244,446</td>
<td>203,162</td>
</tr>
</tbody>
</table>

Source: 51job 2019 Annual Report

Compare this to Seek, which capitalizes almost AUD 95 million of development costs per year. This is not the only example.

When Zhaopin was separately listed in the US, it did not capitalize development costs. Just like 51job, Zhaopin employed hundreds of developers to maintain and improve its platform.

C. Research and Development

As of August 31, 2016, our services were supported and enhanced by a team of 523 experienced and dedicated product development employees, including many with in-depth knowledge of information technologies and online recruitment. Our product development team is responsible for product innovation, user experience improvements, search engine optimization, recruitment website or web page design for customers and display advertisements. We have been able to develop innovative and effective products and services to meet the evolving needs of customers and users, and we plan to continue to strengthen our product development function.

Source: Zhaopin FY 2016 20-F
Yet its balance of intangible assets barely changed from FY 2015 to FY 2016.\textsuperscript{15}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|}
\hline
\textbf{ZHAOPIN LIMITED} & \textbf{As of June 30, 2015} & \textbf{As of June 30, 2016} \\
\hline
\multicolumn{3}{|l|}{\textbf{Gross Carrying Value}} & \textbf{Accumulated Amortization} & \textbf{Net Carrying Value} & \textbf{Gross Carrying Value} & \textbf{Accumulated Amortization} & \textbf{Net Carrying Value} \\
\hline
\textbf{Computer software} & 16,714 & (13,816) & 2,897 & 19,107 & (16,354) & 2,813 \\
Acquired Internet Content Provider License & 568 & (568) & - & 568 & (568) & - \\
Trademarks & 256 & (196) & 60 & 256 & (221) & 35 \\
Customer relationship & 1,000 & (1,000) & - & 1,000 & (1,000) & - \\
Brand name & 16,500 & - & 16,500 & 16,500 & - & 16,500 \\
\hline
\end{tabular}
\caption{Source: Zhaopin FY 2016 20-F}
\end{table}

It is notable that Seek is capitalizing software costs for Zhaopin whereas Zhaopin expensed those costs when it was a public company.

Seek will likely argue that capitalizing software costs is permitted under IFRS and therefore it is playing by the governing accounting rules. But that is not the point. Seek is commonly valued by comparing it to its peers, mainly US-listed 51job. Any discussion of Seek’s stock price must therefore add back such expenses to Seek’s income statement to make a proper apples-to-apples comparison.

By capitalizing software development costs that its peers expense, Seek appears more profitable on paper as such costs do not flow directly through the income statement. This allows Seek to paint an overly charitable picture of its financial health.

On paper, Seek claims to have grown reported EBITDA over the past five years. Yet after deducting the capitalized development costs, \textit{Seek’s EBITDA fell over the last five years}.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|}
\hline
\hline
\textbf{Reported EBITDA} & 367 & 362 & 431 & 455 & 415 \\
\hline
\textbf{Less: Capitalized Development Costs} & (39) & (55) & (82) & (97) & (107) \\
\hline
\textbf{Adjusted EBITDA} & 327 & 308 & 350 & 358 & 308 \\
\hline
\textbf{Adjusted EBITDA Growth} & -6\% & 14\% & 2\% & -14\% \\
\hline
\end{tabular}
\caption{Source: Seek Annual Reports}
\end{table}

We think two conclusions are appropriate. First, Seek should be valued by adjusting its income statement to reflect such software costs as expenses. Second, Seek’s capitalized software costs should be deducted from EBITDA and should be considered when measuring Seek’s debt levels.

\textbf{b. Minority Interests}

A big portion of Seek’s revenue comes from its non-wholly owned businesses, principally Zhaopin. Yet when calculating its reported EBITDA, the Company includes 100\% of the EBITDA from these investments as if they were wholly owned.

\textsuperscript{15} FY 2016 20-F is the last 20-F Zhaopin filed. The RMB 2 million increase in computer software is not enough to account for 523 developers’ salaries.
In FY2020, Seek reported that its EBITDA was AUD 415 million, of which Zhaopin contributed AUD 124 million.\(^{16}\) As Seek only owns 61% of Zhaopin, only AUD 76 million of Zhaopin is attributable to Seek. In other words, AUD 48 million should be deducted from Seek’s reported EBITDA.

<table>
<thead>
<tr>
<th>AUD M</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported Zhaopin EBITDA</td>
<td>80</td>
<td>80</td>
<td>84</td>
<td>99</td>
<td>124</td>
<td>467</td>
</tr>
<tr>
<td>Seek’s ownership of Zhaopin</td>
<td>62%</td>
<td>61%</td>
<td>61%</td>
<td>61%</td>
<td>61%</td>
<td>61%</td>
</tr>
<tr>
<td>Zhaopin’s EBITDA belonging to minority interests</td>
<td>31</td>
<td>31</td>
<td>33</td>
<td>39</td>
<td>48</td>
<td>181</td>
</tr>
</tbody>
</table>

*Source: Seek Annual Reports*

After removing the impact of capitalized development costs and minority interest, Seek’s EBITDA should be AUD 259 million in FY 2020, 37% less than reported.

<table>
<thead>
<tr>
<th>AUD M</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported EBITDA</td>
<td>367</td>
<td>362</td>
<td>431</td>
<td>455</td>
<td>415</td>
<td>2,030</td>
</tr>
<tr>
<td>Less: Capitalized Development Costs</td>
<td>(39)</td>
<td>(55)</td>
<td>(82)</td>
<td>(97)</td>
<td>(107)</td>
<td>(380)</td>
</tr>
<tr>
<td>Zhaopin’s EBITDA belonging to minority interests</td>
<td>(31)</td>
<td>(31)</td>
<td>(33)</td>
<td>(39)</td>
<td>(48)</td>
<td>(181)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>297</td>
<td>276</td>
<td>317</td>
<td>319</td>
<td>259</td>
<td>1,469</td>
</tr>
<tr>
<td>Difference %</td>
<td>-19%</td>
<td>-24%</td>
<td>-26%</td>
<td>-30%</td>
<td>-37%</td>
<td>-28%</td>
</tr>
</tbody>
</table>

*Source: Seek Annual Reports, Blue Orca Calculation*

The adjusted EBITDA also raises serious concerns about Seek’s leverage.

<table>
<thead>
<tr>
<th>AUD M</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported Net Debt</td>
<td>229</td>
<td>241</td>
<td>937</td>
<td>1,217</td>
<td>1,336</td>
</tr>
<tr>
<td>Reported EBITDA</td>
<td>367</td>
<td>362</td>
<td>431</td>
<td>455</td>
<td>415</td>
</tr>
<tr>
<td>Reported net debt to EBITDA</td>
<td>0.6 x</td>
<td>0.7 x</td>
<td>2.2 x</td>
<td>2.7 x</td>
<td>3.2 x</td>
</tr>
<tr>
<td>Adjusted Net Debt</td>
<td>377</td>
<td>425</td>
<td>859</td>
<td>1,105</td>
<td>1,250</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>297</td>
<td>276</td>
<td>317</td>
<td>319</td>
<td>259</td>
</tr>
<tr>
<td>Adjusted net debt to EBITDA</td>
<td>1.3 x</td>
<td>1.5 x</td>
<td>2.7 x</td>
<td>3.5 x</td>
<td>4.8 x</td>
</tr>
</tbody>
</table>

*Source: Seek Annual Reports, Blue Orca Calculation*

Note: Excluded Zhaopin minority interest portion of net debt

This calculation drives home how overvalued Seek is compared to peers, even before any of the evidence presented in this report is considered. 51 job is being taken private at 20.5x EV/EBITDA. After adjusting for capitalized software costs and minority interest, Seek’s NTM EV/EBITDA multiple is actually 47x, and its real debt-to-EBITDA ratio is 4.8x. Without considering any other evidence, this shows that Seek’s shares are grossly overvalued and that the Company is drowning in debt.

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\(^{16}\) Besides Zhaopin, Seek’s other non-wholly owned investments includes OES and early stage ventures. The aggregate EBITDA of these investments is immaterial.
VALUATION

Seek is a roll-up of flat-growth online recruiting platforms and a supposedly fast-growing Chinese platform, Zhaopin, which Seek claims is the #1 player in China. We think this picture is false. Rather, our investigation suggests that Seek is a flat-growth Australian platform rolled up with a fading Chinese online recruiting platform beset by fake resumes and fake job postings.

Rather than valuing Seek as a fast-growing online recruiting platform, we value Seek for what it is—a slow-growth platform whose core business is shrinking and that carries a dangerous amount of debt.

To value Seek, we use a sum-of-the-parts methodology. We assign Seek’s legacy Australian and non-China businesses a generous 20.5x EV/EBITDA multiple, the same multiple at which 51job is being taken private. However, we think Zhaopin is worth far less.

There is overwhelming evidence that Zhaopin is a fading platform inundated with fake job postings and fake resumes. This is likely to have a compounding effect on the already declining popularity of the platform. The more fake resumes on the site, the fewer employers will pay to post. The fewer real employers, the more fake posts will appear, further driving away job seekers. This will likely beget even more fake resumes, creating a vicious downward spiral.

Not only does our due diligence suggest that Zhaopin has been misrepresenting the activity on its platform to investors, we believe that the volume of fake resumes and posts requires at least a 30% discount on the valuation multiple of the Chinese platform.

Unlike 51job, Seek excludes development costs and minority interest in its reported EBITDA. To make the comparison flush, these two items should be deducted from EBITDA when valuing the Company. The two items contributed AUD 156 million to Seek’s reported EBITDA in FY2020 and an estimated AUD 134 million in FY2021.

<table>
<thead>
<tr>
<th>AUD M</th>
<th>FY 2020</th>
<th>FY 2021E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported/Guided EBITDA</td>
<td>414.9</td>
<td>330.0</td>
</tr>
<tr>
<td>Capitalized Development Costs</td>
<td>(107.4)</td>
<td>(95.3)</td>
</tr>
<tr>
<td>Zhaopin’s EBITDA belonging to minority interest</td>
<td>(48.1)</td>
<td>(38.3)</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td><strong>259.4</strong></td>
<td><strong>196.4</strong></td>
</tr>
</tbody>
</table>

*Source: Seek Public Filings, Blue Orca Calculation*

After adjusting for the estimated capitalized development costs and Zhaopin’s minority interest, we estimate that Seek’s NTM EBITDA will be AUD 196 million. We value Seek at AUD 7.20 per share, a 69% downside from its last traded price.

<table>
<thead>
<tr>
<th>AUD M</th>
<th>AP&amp;A, others</th>
<th>Zhaopin (61%)</th>
<th>Seek</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted NTM EBITDA</td>
<td>136</td>
<td>60</td>
<td>196</td>
</tr>
<tr>
<td>EV/EBITDA Multiple</td>
<td>20.5 x</td>
<td>14.4 x</td>
<td>18.6 x</td>
</tr>
<tr>
<td>EV</td>
<td>2,798</td>
<td>864</td>
<td>3,662</td>
</tr>
<tr>
<td>Forecasted Net Debt FY2021</td>
<td>999</td>
<td>121</td>
<td>1,120</td>
</tr>
<tr>
<td>Adjusted Seek equity value</td>
<td>1,799</td>
<td>743</td>
<td>2,542</td>
</tr>
<tr>
<td># of shares outstanding (M)</td>
<td>353</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue Orca Valuation (AUD)</td>
<td></td>
<td>7.20</td>
<td></td>
</tr>
<tr>
<td>Last Traded Price (AUD)</td>
<td></td>
<td>22.86</td>
<td></td>
</tr>
<tr>
<td><strong>Downside %</strong></td>
<td></td>
<td><strong>-69%</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Blue Orca Calculation*

*Note: Applied 30% of platform Obsolescence due to Fake Posts Discount to Zhaopin*

17 Used the average capitalized development costs for the past three years in our estimate. Assuming each segment’s contribution to Seek’s guided FY 2021 EBITDA remains the same, we estimate that Zhaopin’s EBITDA would be AUD 98 million in FY 2021 and that only AUD 60 million would be attributable to the owners of Seek.
We consider this valuation to be very conservative. Seek’s guidance for net profit after tax is AUD 20 million in FY 2021. Even if we generously apply a 100x NTM P/E multiple to its guided EPS, Seek’s shares would be worth only AUD 5.67 per share.

<table>
<thead>
<tr>
<th>Guidance</th>
<th>AUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2021 NPAT (AUD M)</td>
<td>20</td>
</tr>
<tr>
<td># of shares outstanding (M)</td>
<td>353</td>
</tr>
<tr>
<td>FY2021 EPS (AUD)</td>
<td>0.06</td>
</tr>
<tr>
<td>NTM P/E Multiple</td>
<td>100x</td>
</tr>
<tr>
<td>Valuation</td>
<td>5.67</td>
</tr>
</tbody>
</table>

*Source: Seek Public Filings, Blue Orca Calculation*

In our opinion, Seek’s shares are grossly mispriced. Nor should Covid-19 provide any cover. Seek’s Chinese business should have already emerged from the worst effects of the virus in its last fiscal year (ending June 2020), as the virus had retreated by then in China. We have no doubt that Seek will blame the virus for its terrible results. But investors should not be fooled: our examination of its primary Chinese platform shows the rot preceded the pandemic.
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