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ASX ANNOUNCEMENT

ASX Market Announcements Office
ASX Limited
20 Bridge Street
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Link Group full year result demonstrates resilience in a challenging year

- Statutory net profit after tax (NPAT) of \$320 million, up 123% on the prior corresponding periodⁱ (pcp)
- Operating EBITDAⁱⁱ of \$356 million, up 6%ⁱ
- Operating NPATAⁱⁱ of \$202 million, down 3%ⁱ
- Revenue of \$1.403 billion, up 17%ⁱ
- Recurring Revenueⁱⁱ of \$1.123 billion, representing 80% of total revenueⁱ
- Net operating cash flow of \$339 million, up 6%ⁱ
- Increased stake in PEXA to 44.2%
- Sale of Corporate & Private Client Services (**CPCS**) delivering £240 million of cash consideration
- Announced an on-market share buy-back of up to 10% of equity
- Final dividend of 12.5 cents per share declared (100% franked), taking the full year dividend to 20.5 cents, in line with the prior year

i. See Appendix 6A of the Full Year Results Presentation for a reconciliation of statutory net profit. No pro forma adjustments have been made to statutory revenue. All comparisons are with the pcp unless indicated otherwise.

ii. See Appendix 6A of the Full Year Results Presentation for definitions for non-IFRS measures. Non-IFRS measures have not been audited or reviewed in accordance with Australian Accounting Standards.

Link Administration Holdings Limited (ASX: LNK) (**Link Group**), a leading administrator of financial ownership data, today reported its financial results for the financial year ended 30 June 2019. The results include the first full 12 months of operations for Link Asset Services (**LAS**), following an 8 month contribution from LAS in the pcp.

Link Group reported revenue of \$1.403 billion and statutory NPAT of \$320 million. Operating NPATA of \$202 million (down 3% on the pcp) was in line with revised guidance issued on 31 May 2019. Statutory NPAT includes Significant items such as costs relating to business combinations, integration, client migrations, and gains realised on acquisition of PEXA and the divestment of CPCS.

Link Group Chair, Michael Carapiet, said: “FY 2019 was a challenging year for Link Group, but the company’s operations have demonstrated resilience in the face of significant regulatory and market uncertainty. We remain strongly committed to both driving further efficiency in our existing operations and building on Link Group’s attractive platforms for future growth.”

Link Group Managing Director, John McMurtrie, said: “While operational performance has been impacted by a number of external factors, Link Group has achieved a number of its strategic objectives including contract renewals for two of our largest clients AustralianSuper and Rest, increasing our investment in PEXA to 44.2% and the sale of CPCS delivering £240 million of cash consideration and providing balance sheet flexibility.

“These are important milestones to set Link Group up for the future.

“Across the group we are focused on driving improved performance and unlocking future opportunities across five key areas; growing our client and member base, technological innovation, driving integration and efficiency, market and geographic expansion and identifying strategic adjacencies, such as PEXA.

“Link Group’s commitment to investing in people and technology, combined with a streamlined global business structure will drive consistency and coordination and deliver stronger business performance.

“Link Group’s global transformation program will deliver at least \$50 million of annualised savings over the next three years and further reinforces Link Group’s commitment to become an integrated global company, focused on partnering with clients to efficiently deliver innovative service and solutions.”

“The separation of LAS from Capita plc is now complete. Notwithstanding political uncertainty in the UK, we are pleased with the performance and integration of LAS that also delivered Recurring Revenue and earnings growth in this challenging operating environment.”

Retirement & Superannuation Solutions (formerly Fund Administration)

Link Group is well positioned in the medium term to grow through local and global opportunities. Client losses and fund consolidations, together with legislative changes are dampening financial performance in the near term.

Revenue for FY 2019 of \$550.8 million is marginally down on FY 2018, however strong underlying member growth and improved fee for service within the division partially mitigated the impact of client losses.

Operating EBITDA of \$107.7 million was down 12.5%, largely reflecting the flow on impact of decreased revenue from client losses.

Mr McMurtrie said: “Underlying business drivers remain strong in the Retirement & Superannuation Solutions business, with strong underlying member growth of 3.9%. Link Group is well placed to capitalise on future opportunities.”

Link Group announced today guidance for Retirement & Superannuation Solutions for FY 2020 of \$480 million to \$500 million of revenue and \$60 million to \$70 million of Operating EBITDA.

Corporate Markets

Revenue in the Corporate Markets division was \$223.9 million (pcp \$214.8 million) up 4.2%. Operating EBITDA was \$49.2 million, down by \$5.7 million on the pcp.

Recurring Revenue increased by \$8.0 million compared to the pcp, representing approximately 81% of the total Corporate Markets revenue in FY 2019, whilst Non-recurring Revenue also increased by \$1.1 million on the pcp. The growth in Recurring Revenue is largely attributable to new client wins, Sharex and TSR Darashaw acquisitions in India and the consolidation of the Investor Relations business in UK.

In the ANZ market, Corporate Markets had a number of client wins, including Regal Funds Management,

Napier Port and Ausdrill Limited, while significant wins offshore include the demerged businesses of Old Mutual & Nedbank.

Corporate Markets operates in a highly competitive environment and the business continues to face pricing pressure and a higher cost base, compressing margins.

Technology & Innovation (T&I)

T&I revenue was \$258.8 million (pcp \$230.7 million), up 12.2%. Operating EBITDA was \$79.4 million, a 9.0% increase on the pcp.

The T&I business continues to perform well with good external revenue growth although the overall result was tempered by increased operational expenditure. Higher operating costs reflect costs required to support client migrations and staff costs from the restructure of RSS and T&I functions that were completed in 1H 2019. Pleasingly the restructure resulted in operational efficiencies for the group through the consolidation of duplicated functions and activities.

External revenue grew by 21% on the pcp, primarily on larger volumes for communications services generated from insourcing of activity under a broader efficiency program, higher volumes from a number of new client wins and an expanded portfolio of digital products and services.

LAS

LAS' performance has been resilient under difficult political and economic conditions. On a pro-forma basis (excluding CPCS), revenue has increased by £9.5m (3.8%) which was driven by new business conversion, the flow of on-boarding benefits from those recent wins and Link Group's continued European expansion, notably through Link Funds Solutions (**LFS**) entering Luxembourg and expanding operations in Ireland as well as Banking & Credit Management (**B&CM**) strengthening its presence in Italy and the Netherlands.

Mr McMurtrie said: "LFS continued to provide strong Recurring Revenue growth. The business has continued to win new mandates following the Woodford matter and pleasingly, have had no client losses in 2H 2019."

PEXA

Link Group increased its equity holding in PEXA to 44.2% on 16 January 2019. PEXA is accelerating ahead of forecast with volumes continuing to grow. PEXA remains focused on supporting participants in the market and encouraging the transformation to electronic settlement, which will be further supported by the electronic mandates in New South Wales, Victoria, South Australia and Western Australia.

Dividend

Link Group's Board has declared a final dividend of 12.5 cents per share for those shareholders on record on 5 September 2019. The dividend will be 100% franked and will be paid on 10 October 2019. Link Group shares will trade ex-dividend on 4 September 2019. The Link Group DRP will continue for participating eligible shareholders, however due to the announced on market buy-back, it will be cash neutral and the discount will be removed.

Share buy-back

As part of a series of shareholder value initiatives, Link Group announced an on market share buy-back of up to 10% of issued capital. Link Group intends to conduct the buy-back having regard to prevailing share price, market conditions, and any new capital requirements that may arise during the buy-back period. Accordingly, Link Group reserves the right to vary, suspend or terminate the buy-back at any time and to buy back less than the shares announced.

Outlook

On the outlook for FY 2020 and beyond, Mr McMurtrie said: “Link Group’s FY 2020 focus is on driving efficiency through cost and margin control and ensuring that our business operations are set up to navigate regulatory headwinds. Link Group remains a disciplined investor and will continue to monitor future growth opportunities in the markets it currently operates in and adjacent markets that provide a strategic advantage.

“Link Group is committed to maintaining its leadership position in the markets it operates by investing in its businesses and people and ensuring that its clients are receiving excellence in service, technology and innovation. 2H 2019 has seen operating cash flow improve, as well as some significant client renewals in the Retirement & Superannuation Solutions business and we are looking forward to carrying that momentum into the medium term.”

Analyst briefing

An investor presentation and Q&A session to discuss the Link Group’s financial results for the twelve months ended 30 June 2019 will be held at 10:00am (AEST) today.

A webcast of the presentation and presentation audio will be available at www.linkgroup.com

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