

27 August 2020

ASX ANNOUNCEMENT

Link Group's full year result demonstrates resilience in a challenging year

Key Financials

- Revenue of \$1.23 billion, down 3%ⁱ on prior corresponding period (pcp) (statutory down 12%ⁱⁱ)
- Operating EBITDAⁱⁱ of \$294 million, down 17%ⁱ (down 26% on pcp, as reported)
- Operating NPATAⁱⁱ of \$144 million, down 16%ⁱ (down 27% on pcp, as reported)
- Statutory net loss after tax (NPAT) of \$114 millionⁱⁱ largely driven by \$108 million impairment of Corporate Markets business in EMEA
- Recurring Revenueⁱⁱ of \$1,020 million, representing 83% of total revenue
- PEXA Operating NPATA \$53 million (contribution to Link Group's Operating NPATA of \$24 million), with more than 5 million transactions settled via PEXA to date
- Final dividend of 3.5 cents per share (50% franked)

i. Comparison to pcp excludes contribution from Corporate and Private Clients Services ("CPCS") business, which was sold in June 2019.

ii. See Appendix 7A of the Full Year Results Presentation for definitions for non-IFRS measures and a reconciliation of statutory net profit. Non-IFRS measures have not been audited or reviewed in accordance with Australian Accounting Standards.

Note: On a constant currency basis the Revenue, Operating EBITDA and Operating NPATA was \$1,211 million, \$291 million and \$143 million, respectively.

Executive Summary

Link Administration Holdings Limited (ASX: LNK) (**Link Group**) today announced its full year result for the 12 months to 30 June 2020.

Link Group reported revenue of \$1.23 billion with Operating EBITDA of \$294 million and Operating NPATA of \$144 million. Link Group's statutory net loss after tax totalled \$114 million, which includes an impairment charge relating to the Corporate Markets business as well as Significant items such as costs relating to business combinations, integration, client migrations and gains or losses on investments.

Link Group Managing Director, John McMurtrie, said: "Link Group continues to display resilience, with a satisfactory financial performance despite difficult trading conditions globally and previously announced regulatory changes and client losses in RSS. Against the backdrop of this challenging year, we have successfully delivered continuity of service for our clients, while also keeping our people safe during COVID-19. We continued our growth agenda and executed on a number of efficiencies and opportunities across the group.

"Our priority has been the safety and wellbeing of our people and the continued provision of service to our clients. I want to acknowledge the enormous efforts of the Link Group team globally, who have responded with adaptability and agility to keep our business running during COVID-19.

“Our technology, scale and expertise have enabled us to design and implement innovative solutions for our clients, often at very short notice. These include new systems and processes for the Early Release of Super scheme (ERS) and the provision of virtual meeting technology.

“Our transformation strategy of realigning into five global business units is now complete. Whilst the COVID-19 pandemic has delayed the benefit realisation expected, Link Group delivered \$14.7 million of savings this year and plans to deliver \$50 million of annualised savings by the end of FY2022.”

Delivering for our clients during COVID-19 and on our strategy

Continuing to deliver during unprecedented times

- ✓ Development of systems and operational processes in under 4 weeks, to facilitate payment of approx \$10 billion¹ in early release of superannuation payments in Australia
- ✓ Enablement of approximately 90% of staff to work remotely and securely during COVID-19
- ✓ Continued provision of business services for clients during this period
- ✓ Facilitated over 100 meetings for clients to continue to meet their reporting requirements in a safe, virtual and / or physically distanced manner, using our virtual meeting technology²

Delivering on our strategic plan

- ✓ Value of PEXA's digital network demonstrated
- ✓ European businesses are well placed to grow, with expansion into the UK pensions market and the announced acquisition of Pepper European Services (PES)³
- ✓ Global transformation program encountered some delays due to COVID-19 but remains broadly on track with Mumbai hub officially launched and \$14.7 million of in-year savings delivered to date

Medium to longer term outlook strong

- ✓ PEXA re-finance process on track for completion in 1HFY2021
- ✓ Economic shock from COVID-19 expected to drive increase in non-performing loan activity across Europe
- ✓ Australian superannuation market is evolving quickly, with Link Group well placed to support clients and industry consolidation
- ✓ Global transformation program on track to deliver \$50 million in annualised savings by end of FY2022

Retirement & Superannuation Solutions (RSS)

During FY2020, Link Group supported our clients in a number of ways. We successfully worked through various legislations including Protecting Your Super (PYS), Putting Members Interests First (PMIF) and the COVID-19 Early Release of Super scheme. All of these initiatives required a high level of investment of resources and time, in order to help our clients meet their legislative obligations. This has showcased the fundamental strengths of Link Group's RSS business, including our technology and operational capability to deliver for our clients. We anticipate that the current environment will also give rise to future opportunities as we work with our clients to deliver on further regulatory and legislative change.

Revenue for FY2020 was \$519 million, down 6% on the pcp. However, when adjusted for prior year client

¹ Phase 1 of early release as above completed 30 June 2020. A further \$6 billion in payments have been made as part of phase 2 as at 27 August 2020.

² During FY2020.

³ Subject to regulatory approval.

losses and impact of regulatory reforms, the strong underlying member growth helped the division deliver underlying revenue growth of 5%.

Operating EBITDA of \$78 million and Operating EBIT of \$65 million were down 36% and 40% respectively on the pcp, largely reflecting the flow on impact of lower revenue and the high level of operating leverage in this division.

Building on the strength of our superannuation administration platform in Australia, Link Group also entered the UK pension market in FY2020 through its strategic partnership with Smart Pension. The UK is the second largest pension market in the world and its retirement saving system increasingly exhibits similar characteristics to the superannuation system in Australia. As at 30 June 2020, Link Group administers around 700,000 members in the UK and see continued future growth for Link Group in this market.

Technology & Operations (T&O)

T&O revenue was \$372 million (pcp \$334 million), up 11% on the pcp. Operating EBITDA was \$91 million and Operating EBIT was \$34 million, a 4% increase and 24% decrease respectively on the pcp.

T&O played a critical role during COVID-19. Teams across the globe collaborated to deliver the technology required to accommodate new ways of working, and adjust and adapt business operations to provide continued service for our clients while keeping our people safe. Over a short period of time, around 90% of our people were equipped perform their roles remotely.

The T&O business continues to perform strongly with good external revenue growth, now representing 29% of total revenue, primarily from larger volumes for communications services. The benefits of the global transformation program also resulted in an expanded Operating EBITDA margin from 27% to 29%.

Corporate Markets (CM)

Our Corporate Markets division had a mixed year. The business responded strongly to COVID-19 supporting our clients through numerous capital raisings and facilitating over 100 meetings in FY2020, that were delivered either virtually, physically distanced or a combination of both. The division supported the largest employee share offering in Australia and won a number of new clients including Macquarie Group and Tyro Payments in Australia and PPHE Hotel Group in the UK.

The financial result was impacted by broader, subdued economic conditions including lower capital markets activity, especially in Europe. This, combined with lower interest rates and reduced transactional activity from shareholders, contributed to lower overall revenues in this division. This macro-economic environment was the key contributor to the \$108 million impairment of the division's intangible assets.

Revenue in the division was \$358 million (pcp \$369 million) down 3%. Operating EBITDA was \$83 million and Operating EBIT was \$62 million, both down by \$18 million on the pcp.

Fund Solutions (FS)

FS continued to grow, with revenue for FY2020 of \$173 million up 6% on the pcp. Operating EBITDA was \$30 million and Operating EBIT was \$22 million, down \$2 million and \$4 million respectively on the pcp.

FS reported stable revenue for FY2020, with an elevated level of costs largely associated with the former Woodford fund (now known as the LF Equity Income Fund). The LF Equity Income Fund has continued its orderly windup and has been making distributions to investors since January 2020. We continue to see further opportunities for the FS business particularly in the provision of Authorised Fund Manager (AFM / "ManCo") services in the broader European region.

The business recorded £6 billion increase in assets under management (AUM), including on-boarding of the local government pension schemes.

Banking & Credit Management (BCM)

Revenue in BCM was \$166 million (pcp \$169 million), down 2%. Operating EBITDA was \$22 million and Operating EBIT was \$8.2 million, down by \$1 million and \$4 million respectively on the pcp.

FY2020 performance has benefitted from our strategic decision to broaden our geographic footprint for BCM into Italy and the Netherlands. Growth in these jurisdictions helped to partially offset declining new business revenue during COVID-19. Although we anticipate subdued conditions to exist for this division over the next 12 months, we do expect new business activity to substantially increase in FY2022.

The purchase of the Pepper European Services business, which will build on our position as a leading independent loan servicer in Europe, remains subject to regulatory approval. We anticipate this acquisition to complete towards the end of this calendar year.

PEXA

Prior to COVID-19, PEXA had already connected over 150 financial institutions, over 8,000 conveyancers, multiple land registries, state revenue and other government offices across Australia, significantly reducing costs within the system and facilitating secure and efficient settlement of property transactions. The challenges of COVID-19 have further validated the benefits of PEXA as the property industry is able to safely and securely complete transactions digitally, using the proprietary network and technology developed by PEXA.

PEXA is the first national property settlement platform of its kind in the world and continues to work with its stakeholders to implement further innovations. PEXA delivered 264 enhancements over the course of FY2020, 88% of which were driven by member feedback. Today, over 75% of all property transactions nationally are processed through the PEXA platform.

As expected, the financial results of the business proved resilient with revenue for the full year being \$156 million, up 43% on the pcp. Operating NPATA was \$53 million, also up strongly from \$5 million in the pcp, highlighting the strong operational leverage underpinning the business.

Dividend

Link Group's Board has determined a final dividend of 3.5 cents per share for shareholders on record on 02 September 2020. The dividend will be 50% franked and will be paid on 25 September 2020. Link Group shares will trade ex-dividend on 01 September 2020. The Link Group DRP will continue for participating eligible shareholders with a 1.5% discount for participating shareholders.

Outlook

Link Group has demonstrated overall resilience during FY2020 in a period of change and multi-faceted challenges. However, as the future trajectory of the COVID-19 pandemic and its potential economic impacts remains unclear, we believe that additional financial guidance is not appropriate at this time.

Our focus remains on the safety and well-being of our people, continued service for our clients and their customers, and executing on key strategic elements that will deliver value for our shareholders. We are already well advanced on a number of initiatives that will deliver benefits in the near term, including our global transformation program and recapitalisation of PEXA. We are confident that we remain well placed to take advantage of new opportunities as and when they arise.

On 7 August 2020, Link Group announced that John McMurtrie, AM will retire as Managing Director of Link Group in early 2021 and will be succeeded by Vivek Bhatia as Managing Director and Chief Executive Officer. The Link Group Board determined Mr Bhatia was the standout candidate from an extensive international executive search as part of a planned succession process. The transition period ensures a smooth leadership handover for Link Group, positioning the business to continue its growth and shareholder value creation.

Investor & Analyst Briefing

An investor presentation and Q&A session to discuss the Link Group's financial results for the twelve months ended 30 June 2020 will be held at 9:30am (AEST) today.

A webcast of the presentation will be available on the Link Group website (www.linkgroup.com)

The release of this announcement was authorised by the Link Group Board.

ENDS

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