

FY21 RESULTS

Link Group delivers results in line with expectations

Link Administration Holdings Limited (ASX: LNK) (Link Group) the digitally enabled business connecting people with their assets, is pleased to announce its result for the 12 months to 30 June 2021 (FY21).

REVENUE

\$1,160 million

FY20 \$1,230 million

CHANGE (6%)

OPERATING EBIT¹

\$141 million

FY20 \$180 million

CHANGE (21%)

OPERATING NPATA¹

\$113 million

FY20 \$138 million

CHANGE (18%)

STATUTORY NPAT²

\$(163) million

FY20 \$(103) million

CHANGE -

NET OPERATING CASH FLOW

\$293 million

FY20 \$319 million

CHANGE (8%)

ON MARKET BUYBACK

UP TO \$150 million

Approximately 5% of issued capital

Executing on our strategy to Simplify, Deliver and Grow

- ✓ Successful IPO of PEXA, providing valuation transparency
- ✓ Business units re-aligned, providing clear performance visibility and accountability
- ✓ Global transformation program has delivered \$42 million of gross annual cost savings. Targeted gross annualised benefits of \$75 million by the end of FY22 affirmed³
- ✓ Secured all major RSS client renewals
- ✓ Continued investment in technology to cement market leadership positions
- ✓ Targeting net zero carbon emissions by FY30.

Strong balance sheet supports growth and capital management initiatives

- ✓ Net Operating Cash Flow conversion of 114%
- ✓ Net debt down \$296 million to \$455 million, and leverage ratio (Net Debt/EBITDA) down from 2.7x to 1.8x
- ✓ Final dividend of 5.5 cents per share (100% franked); total FY21 dividend of 10.0 cents per share (82% franked)
- ✓ On-market share buy-back program of up to \$150 million.

1. See Appendix 1 of FY21 Investor Presentation for a reconciliation of Non-IFRS measures and definitions for non-IFRS measures. Non-IFRS measures have not been audited or reviewed in accordance with Australian Accounting Standards. Operating EBITDA, Operating NPATA, Operating earnings per share and Net Operating Cash Flow exclude Significant Items.

2. Statutory NPAT includes a non-cash impairment charge of \$182.8 million related to the BCM business.

3. Based on gross annualised run-rate benefits.

Commenting on the Company's FY21 results, CEO & Managing Director Vivek Bhatia said:

"We have delivered a set of financial results in line with expectations, having successfully navigated FY21's headwinds. Our business is in good shape, with high quality technology platforms supporting industry leading market positions, a large recurring revenue base, and strong partnerships underpinning the growth of our client base.

"We have clear strategic intent and remain committed to *Simplify, Deliver and Grow*, having already delivered on several important milestones that will support the future performance of the business. Our strategic priorities for FY22 will centre around the completion of our transformation program to deliver \$75 million in gross annual savings, which has been a key feature of our strategic efforts in the last 12 months. We will be investing further in our technology to cement leadership positions in our core divisions of Retirement and Superannuation Solutions and Corporate Markets, resulting in improving revenue and profit growth in FY23 and beyond."

Strong balance sheet supports active capital management

Link Group's balance sheet is strong following a substantial reduction in the level of gearing over the past 12 months. Taking into account our strategic investment plans and visible growth opportunities, the Board has approved a final FY21 dividend of 5.5 cents per share fully franked for shareholders with record and payment dates of 1 September 2021 and 20 October 2021 respectively.

This takes the total dividend for FY21 to 10 cents per share, 82% franked.

Link Group's strong balance sheet has enabled the Board to announce an on-market buy back of up to \$150 million, reflecting the Company's commitment to support shareholder returns.

Operational and financial overview

Link Group reported total revenue of \$1,160 million, with positive revenue momentum from member growth in the Retirement and Superannuation Solutions (RSS) business a key contributor. Overall revenue was down 6% on FY20 due to the impact of COVID-19 on the European business and regulatory changes in RSS resulting in lower revenues following the transfer of many low balance, inactive accounts to the ATO.

Link Group reported Operating NPATA¹ of \$113 million for FY21, which included a \$32.7 million contribution from PEXA. FY21 Statutory NPAT² was \$(163) million due to a non-cash impairment charge of \$183 million related to the Banking & Credit Management business which continues to see low levels of new business activity as a result of COVID-19 and the associated high levels of government intervention reducing portfolio sales in this market.

Operating EBIT¹ of \$141 million and Operating cash flow of \$293 million were generated over FY21. The strong cash performance of the business, with 114% cash conversion, combined with \$180 million of net proceeds received from the PEXA IPO, reduced leverage (Net Debt/EBITDA) to 1.8x, below the bottom of the guidance leverage range.

Retirement and Superannuation Solutions (RSS)

RSS revenue decreased by 4.3% to \$507 million, accounting for 43% of total Group revenue. Revenue was impacted by regulatory changes which led to a reduction in members and the normalisation of non-recurring project revenue, partially offset by strong member and services growth. All major RSS client renewals have been secured with Cbus and HESTA renewals announced in FY21.

RSS also delivered on a major regulatory change program for its clients. In particular, completing ~2.4 million payments representing ~\$18 billion paid to members following the Early Release initiative announced by the government during the pandemic. In the UK, operations are also strengthening, supporting ~800,000 members, with a healthy pipeline of growth opportunities flagged in the market.

Corporate Markets (CM)

CM generated \$365 million of revenue in FY21, representing 31% of Group revenue. The Australian and New Zealand business grew over FY21 as it benefited from higher shareholder numbers and increased demand for virtual AGMs. However, this growth was offset by the European business that was negatively impacted by historic low cash rates and decreased dividend activity.

Over FY21, CM successfully divested Link Market Services (South Africa), further simplifying its portfolio, as well as completing the consolidation of its premises in Beckenham (UK) and the Philippines. Good progress has been made with the launch of Orient Capital in India, and our Virtual AGM technology continues to be rolled out globally, with over 2,000 meetings orchestrated in FY21 across 7 countries.

Fund Solutions (FS)

FS saw positive growth in assets under administration in FY21, supported by a rebound in asset markets following the impact of COVID-19. The UK regulator (FCA) continues its review following the suspension and wind down of the ex-Woodford Equity Income Fund. The outcome of this investigation is expected to be known in FY22.

In August 2021, FS completed the acquisition of Casa4Funds in Luxembourg which further strengthens our capability and increases scale in this large and strategically important funds market in Europe.

Banking and Credit Management (BCM)

There was limited new business activity with COVID-19 inhibiting BCM's revenue growth and leading to a reduction in revenue to \$141 million. Whilst the business anticipates recovery in activity in the medium term, the near term outlook has resulted in a non-cash impairment charge of \$182.8 million against the goodwill and software assets of this business unit. In planning for the future, the business consolidated premises during FY21 and continued to build out a new lending offering in the Netherlands.

PEXA

The successful IPO of PEXA provides transparency of the value of this business to Link Group. Link Group has retained a 42.8% equity interest in PEXA and received \$180 million of cash proceeds from the IPO. PEXA continues to perform strongly, contributing \$32.7 million to Link Group's Operating NPATA¹ in FY21.

At the IPO issue price of \$17.13 per share, the market value of Link Group's equity interest in PEXA is approximately \$1.3 billion.

Supported by a favourable property market, PEXA recorded a 37% YoY increase in the number of transactions processed, which was 1% above Prospectus forecast. PEXA Exchange has been delivering exceptional operating leverage, lifting Operating EBITDA margin to 50% (up 17 percentage points on FY20).

Momentum continues to build in PEXA International, with the UK market entry strategy underway. Commitments to participate in product testing with the Bank of England have been secured with lender pilot-groups.

Commenting on the outlook for Link Group, Mr Bhatia said:

“With the repositioning and resetting of the business underway, Link Group is well placed to return to medium-term growth. The markets we operate in have attractive macro fundamentals and our proprietary technology platforms and experienced people capabilities are supporting an increasing number of large clients.

“Our focus for FY22 is to further our *Simplify, Deliver and Grow* strategy by progressing the Global Transformation program and enabling reinvestment in key technology and people initiatives. This investment, together with continued positive markets and the benefits of the Global Transformation Program, is expected to underpin an increased growth in revenues and a return to earnings growth in FY23 and beyond.”

The markets that Link Group operates in are now seeing favourable macro tailwinds. Strong growth in equities markets over the past 12 months have led to increased investment flows and higher shareholder numbers. Ongoing fund consolidation and demographic changes are fuelling growth in superannuation and pension funds. Increased regulatory oversight across various markets is further supporting outsourcing trends, and we are seeing an increased use of technology required by our clients to support their growing scale and volume.

Key strategic initiatives to be progressed in FY22 include:

- Completion of the Global Transformation program, which is on target to achieve \$75 million in gross annualised savings
- Conversion of the strong pipeline of opportunities in RSS following FY21's completion of all key contract renewals
- Executing capital management Initiatives, supported by a strong balance sheet and operating cash flow
- Additional investment in data/cyber security, front-line operations and risk and regulatory functions, to meet increasing business volumes and complexity.

Link Group expects low single digit revenue growth in FY22. The investment in technology and people to cement Link Group's industry position and drive growth is expected to result in FY22 Operating EBIT¹ being broadly in line with FY21.

With RSS and CM expected to benefit from their industry leadership positions, improving macro conditions in UK/Europe for FS and BCM, focused technology investment and positive underlying market fundamentals driving growth in FY23 and beyond, Link Group expects to deliver stronger revenue growth in FY23 relative to FY22.

Growth in Operating EBIT¹ is expected to resume in FY23 as the business captures the full benefits of these tailwinds, the global transformation program and the conversion of a strong pipeline of cross-sell and new business opportunities.

Investor & analyst briefing being held at 9:30am AEST today

Vivek Bhatia (CEO & Managing Director) and Andrew MacLachlan (CFO) will host an investor presentation and Q&A session on Link Group's FY21 results at 9:30am (AEST) today.

To participate in the briefing, please register via: <https://webcast.openbriefing.com/7537/>
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.

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