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ASX ANNOUNCEMENT

ASX Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

LINK GROUP 2017 RESULT UNDERPINNED BY STRONG EARNINGS MOMENTUM

- Statutory net profit after tax (NPAT) of \$85.2 million, up 101% on the prior yearⁱ (PY)
- Operating EBITDAⁱⁱ of \$219.0 million, up 15% on the PYⁱ
- Operating EBITDAⁱⁱ margin of 28%, improving from 25% on the PYⁱ
- Operating NPATAⁱⁱ of \$123.8 million, up 21% on the PYⁱ
- Revenue of \$780.0 million, up 1% on the PYⁱ
- Recurring Revenueⁱⁱ of \$700 million, representing 90% of total revenue, consistent with PYⁱ
- Net operating cash flow of \$216.5 million, up 12% on the PYⁱ
- Acquisition of Capita Asset Services (CAS) funded by successful \$883 million capital raise
- Final dividend of 8.0 cents per share declared (100% franked), approximately \$39 million
- Dividend Reinvestment Plan (DRP) introduced

i. FY2016 has been presented on a pro forma basis. The pro forma presentation is consistent with the disclosure in the Link Group Prospectus dated 30 September 2015. See Appendix 5A of the Full Year Results Presentation for a full reconciliation of statutory net profit. No pro forma adjustments have been made to statutory revenue.

ii. See Appendix 5A 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 2017.

Highlighting strong earnings momentum, Link Group reported revenue of \$780.0 million and statutory NPAT of \$85.2 million. Statutory NPAT includes significant items such as costs relating to business combinations, integration and client migrations.

Link Group Managing Director, John McMurtrie, said: "Link Group continues to make good progress. This is reflected in the solid financial and operating result Link is reporting for the full year and is demonstrated by the earnings momentum which underpins the business.

"The business has delivered significant year on year increases in Operating EBITDA and Operating EBITDA margins demonstrating the continued disciplined execution of our growth strategy."

Operating EBITDA was \$219.0 million, up 15% on the PY while Operating NPATA was \$123.8 million, up 21% on the PY. Both Operating EBITDA and Operating NPATA benefited significantly from strong margin expansion underpinned by the successful execution of the Superpartners integration, a solid operating performance in IDDS and good growth within the Corporate Markets business.

The Link Board has declared a final dividend of 8.0 cents per share. The dividend will be 100% franked and will be paid on 18 October 2017. Link Group shares will trade ex-dividend on 20 September 2017. The Link Board is also pleased to announce the introduction of a DRP with a 1.5% discount for participating eligible shareholders.

Mr McMurtrie said: "We are investing across all lines of our business to deepen relationships with our clients and continue to see great opportunity through organic growth. This includes additional penetration into existing markets and the development of innovative product and services as well as those bolt-on and adjacent market opportunities that both complement and add value to our existing business.

"Consistent with Link Group's growth strategy, we also deepened our investment in two key areas during the year. In Australia, we lifted Link Group's investment in PEXA to 19.7%. We also entered into a binding agreement to acquire Capita Asset Services (CAS) in UK and Europe. Both investments provide Link Group with an expanded array of growth opportunities going forward.

"The FY2017 financial results reflect the continuing benefits being delivered from the integration of our Australian Fund Administration business and demonstrates that the business continues to enjoy good earnings momentum. Together with the expanded European platform, each of Link Group's businesses remains well placed to pursue further opportunities in the markets in which they operate."

Fund Administration

The integration program in Link Group's Australian Fund Administration business achieved significant milestones during FY2017 including the completion of the client migration program, premises consolidation and the substantial advancement of the archiving of historical data together with associated retirement of legacy systems. The delivery of program synergies remains on track.

Revenue for FY2017 of \$562.3 million was in line with the PY. The increase in non-Recurring Revenue, as a result of the increased project related income coinciding with the completion of the migration activity, more than offset the reduction in Recurring Revenue.

Operating EBITDA of \$118.1 million was up 23% on PY, driven by the integration synergies. This strong earnings result improved the Operating EBITDA margin to 21%, well ahead of the 17% margin in the PY.

All Fund Administration clients are now enjoying the benefits from Link Group's investment in innovation and technology.

Corporate Markets

Revenue in the Corporate Markets segment was \$198.4 million (PY \$197.5 million). Operating EBITDA was \$50.7 million, down by \$6.2 million.

Total revenues were up marginally on the PY, with Recurring Revenue increasing by 8% to \$170.8 million. Growth in core contracted revenues in the Corporate Markets division was offset by a drop in non-Recurring Revenue, principally capital markets related activity. Non-Recurring Revenue decreased by 30% following an exceptionally strong FY2016 for capital markets activity. Non-Recurring Revenues contributed \$27.6 million in FY2017 (\$39.7 million in FY2016). Capital markets related revenue achieved in this financial year is more consistent with historical levels.

Increased Recurring Revenue was attributed to new business won in Australian and New Zealand as well as a number of overseas jurisdictions – most notably India. Overall, Corporate Markets increased its client base by approximately 240 new clients during the last 12 months.

The Operating EBITDA margin was 26%, decreasing from 29% in the PY as a result of a reduction in higher margin revenue, as well as an increase in IT and Occupancy expenses. Some of this expenditure is a function of increased volume. IT expenses also included some one off spend migrating German platforms to new technology, which will provide cost benefits in future periods. The focus on costs highlighted earlier in the year has improved the Operating EBITDA margin from 23% in 1H 2017.

Information, Digital and Data Services (IDDS)

IDDS revenue was \$215.9 million (PY \$206.5 million). Operating EBITDA was \$55.0 million, a 25.3% increase on the PY.

The underlying IDDS business continues to perform well with good revenue growth from the core products and good progress being made on integration milestones, including the retirement of legacy systems, following the completion of the Superpartners migration program. As a result, the Operating EBITDA margin expanded from 21% to 25%.

External revenue (now 32% of total IDDS revenue) continued to improve with revenue growth being enhanced by the steady rollout of market leading digital products such as membership cards and mobile apps for members and employers as part of a strategy to facilitate and enhance member and employer engagement.

CAS Regulatory Approval Update

Both Capita plc and Link Group continue to work collaboratively post the announcement of the CAS transaction. Regulatory approvals were lodged shortly after the transaction was signed and we have had good engagement with the relevant UK and European regulators as these applications progress.

Protocols have been established to facilitate communication and we have established a good level of engagement with the CAS management team. Transition activities are also well advanced, with a number of work streams being progressed during and post the due diligence phase.

Mr McMurtrie said: "The CAS business is a strong strategic fit for Link Group with its defensive earnings profile and leading market positions in Europe. We are very appreciative of the support our shareholders provided in the recent capital raising to help fund the acquisition of CAS and we are confident that this transaction will have a positive impact on Link Group in the future."

Outlook

Commenting on the outlook for 2018 and beyond, Mr McMurtrie said: "We are pleased with the progress of our existing business and look forward to the opportunities that will evolve in the coming years. We are carrying good earnings momentum into FY2018.

"Link Group enjoys leadership positions in each of the markets in which it operates. We will continue to reinvest in our existing businesses to expand our pipeline of opportunities as well as retaining a disciplined approach to cost management."

Analyst briefing

An investor presentation and Q&A session to discuss the Link Group's financial results for the financial year ended 30 June 2017 will be held at 10:00am (AEST) today.

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

ENDS

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