

27 February 2020

ASX ANNOUNCEMENT**A transitional year as headwinds start to clear and buoyed by strong contribution by PEXA****Key Financials**

- Revenue of \$624 million, down 4%ⁱ on prior corresponding period (pcp) (statutory down 13%ⁱⁱ)
- Operating EBITDAⁱⁱ of \$163 million, down 11%ⁱ (statutory down 20%)
- Operating EBITⁱⁱ of \$109 million, down 20%ⁱ (statutory down 30%)
- Operating NPATAⁱⁱ of \$81 million, down 11%ⁱ (statutory down 24%)
- Statutory net profit after tax (NPAT) of \$29 million, down 85%ⁱⁱⁱ
- Recurring Revenueⁱⁱ of \$522 million, representing 84% of total revenue
- PEXA Operating NPATA \$26 million (contribution to Link Group's Operating NPATA of \$11 million), with more than 3.9 million transactions settled via PEXA to date
- Interim dividend of 6.5 cents per share declared (100% franked)

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

ii. See Appendix 6A of the Half 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.

iii. NPAT for the pcp was \$185.5 million, which included a \$124.3 million revaluation of PEXA and \$11.2 million contribution from CPCS, a business that was sold in June 2019.

Executive Summary

Link Administration Holdings Limited (ASX: LNK) (**Link Group**) today reported its financial results for the six months to 31 December 2019, Link Group Managing Director, John McMurtrie, said: "This is a transitional year for Link Group, which is reflected in our results. However, we are making good progress on delivering on our strategic plan and our medium to long term outlook remains strong. This result demonstrates the benefits of geographic and business diversification, helping to offset the current headwinds in our Corporate Markets business in the UK and RSS.

"We have executed on a number of key strategic initiatives including the expansion of our BCM business through the acquisition of Pepper European Servicing (subject to regulatory approval) and our entry into the US\$2.9 trillion¹ UK pension market via our investment in Smart Pension. In addition, the future potential of PEXA as a growth pillar for Link Group is becoming evident, given its strong contribution to our first half results.

"Link Group's business units also continue to display resilience and deliver sound underlying performance.

¹ Based on Towers Watson Global Pension Assets Study 2019. Presents 2018 data.

We remain committed to driving further efficiency in our existing operations, delivering on excellence in service for our clients and growth through new opportunities.

“We affirm the anticipated benefits from our simplification and transformation strategy, with the realignment of Link Group into five global business units now complete and our global transformation program well underway. To date, \$11.5 million of in-year savings have been delivered by this program, with a total of \$50 million of annualised savings to be delivered over the next 2.5 years.”

Business and performance resilience despite short term headwinds

Delivering on our strategic plan

- ✓ Strategic investments in Europe and in PEXA have diversified and strengthened earnings
- ✓ Growth of European businesses continues, including expansion into UK pensions market and acquisition of Pepper European Services (PES)²
- ✓ Simplification and integration through global reorganisation of business units on track
- ✓ To date, global transformation program has delivered \$11.5 million of in-year savings

Medium to longer term outlook strong

- ✓ PEXA growth outlook remains strong
- ✓ Revenue, geographical and business diversification expected to further contribute to performance
- ✓ RSS earnings guidance confirmed, with active pipeline of new business opportunities in train
- ✓ Global transformation program on track to deliver \$50m of annualised savings by end FY2022

Retirement & Superannuation Solutions (RSS)

Business drivers and fundamentals remain strong in the Australian business, with underlying member growth of 5.2%. Revenue for 1H 2020 of \$259.6 million is \$16.3 million down on the pcp, however when adjusted for prior year client losses and the impact of regulatory reforms, strong underlying member growth and improved fee for service revenues within the division helped deliver underlying revenue growth of 5.0%.

Operating EBITDA of \$37.1 million and Operating EBIT of \$30.6 million were down 41.3% and 45.9% respectively on the pcp, largely reflecting the flow on impact of lower revenue and the high level of operating leverage in this division.

The strategic partnership with Smart Pension provides Link Group an established entry point into the US\$2.9 trillion³ UK pensions market.

For FY 2020, we reaffirm our guidance for RSS with revenue in the range of \$480 million to \$500 million and Operating EBITDA of \$75 million to \$85 million (adjusted only for the impact of AASB 16 Leases).

Technology & Operations (T&O)

T&O revenue was \$188.7 million (pcp \$167.4 million), up 12.8%. Operating EBITDA was \$54.1 million and Operating EBIT was \$26.1 million, a 40.5% increase and 55.4% increase respectively on the pcp.

The T&O business continues to perform strongly with good external revenue growth, now representing 31% of total revenue, primarily from larger volumes for communications services. This was tempered slightly by increased operational expenditure required to support client migrations and staff costs from the

² Subject to regulatory approval

³ Based on Towers Watson Global Pension Assets Study 2019. Presents 2018 data.

restructure of RSS and T&O functions completed in 1H 2019. The benefits of the global transformation program also resulted in an expanded Operating EBIT margin from 10% to 14%.

Corporate Markets (CM)

CM had a number of client wins, including Tyro Limited and Home Consortium as well as Legend Holdings Corporation in Hong Kong. With Brexit now underway in the UK, provided levels of business confidence improve, we expect to see a return to more normalised levels of corporate activity in the region.

Revenue in the division was \$183.0 million (pcp \$191.9 million) down 4.6%. Operating EBITDA was \$45.1 million and Operating EBIT was \$34.9 million, down by \$9.3 million and \$9.2 million respectively on the pcp, driven largely by subdued capital markets related activity in the UK during the Brexit deadlock.

Fund Solutions (FS)

FS continues to grow, with revenue for the 1H 2020 of \$86.1 million up 8.1%. Operating EBITDA was \$17.8 million and Operating EBIT was \$14.7 million, up 7.3% and 5.0% respectively on the pcp.

The former Woodford fund, LF Equity Income Fund, continued its orderly windup, with the first distribution to investors occurring in January 2020. We continue to work and act at all times in the best interests of investors. However, the additional effort required has resulted in an elevated level of costs in FS for 1H 2020, which we expect to continue into 2H 2020.

We continue to grow our business with a £6 billion increase in new AUM, including on-boarding of the local government pension schemes.

Banking & Credit Management (BCM)

Revenue in BCM was \$83.8 million (pcp \$88.6 million), down 5.4%. Operating EBITDA was \$14.4 million and Operating EBIT was \$8.3 million, down by \$1.2 million and \$3.2 million respectively on the pcp.

Non-Recurring Revenue decreased by \$4 million on the pcp. Recurring Revenue was down \$1.0 million compared to the pcp, and representing approximately 91% of the total BCM revenue in 1H 2020. Growth in the Netherlands and Italy were key contributors to Recurring Revenue and we see further opportunities to expand our footprint in these regions.

In January 2020, we announced the purchase of Pepper European Services, which, subject to regulatory approval, is anticipated to complete in FY 2021.

PEXA

The growth trajectory for PEXA is strong, with revenue for the first half of the year of \$79 million, up 54% on the pcp. Operating NPATA was \$26 million, also up strongly from a loss of \$6 million on the pcp.

After almost a decade of co-ordinated effort and dedication from the industry, including over \$300 million invested by PEXA, the platform has now connected over 150 financial institutions, over 8,000 conveyancers, multiple land registries, state revenue and other government offices.

Today, more than 70% of all property settlements nationally are completed online via PEXA with \$382 billion settled on the platform in 2019 alone, making this a key platform for the industry.

Over 95% of property transactions in New South Wales and Victoria are settled on the PEXA platform, with the acceleration of penetration into Queensland, Western Australia and South Australia on track. The recovery in property market sentiment is evident in the higher industry volumes compared to the pcp.

Dividend

Link Group's Board has declared an interim dividend of 6.5 cents per share for those shareholders on record on 5 March 2020. The dividend will be 100% franked and will be paid on 9 April 2020. Link Group shares will trade ex-dividend on 4 March 2020. The Link Group DRP will continue for participating eligible shareholders on a cash neutral basis.

Outlook

Balancing the positive contribution from PEXA, trading to date and expectations for the second half, Link Group expects Operating NPATA to be at least \$160 million for the full year ended 30 June 2020. Whilst medium term growth potential remains strong, the FY 2020 Operating EBITDA for the continuing business is expected to be approximately 10% lower than the prior year. Capital management continues to be a focus, including potential capital returns from PEXA.

Analyst Briefing

An investor presentation and Q&A session to discuss the Link Group's financial results for the six months ended 31 December 2019 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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The release of this announcement was authorised by the Board.