

## MARKET ANNOUNCEMENT

<b>Date:</b>	3 May 2017
<b>To:</b>	Australian Securities Exchange
<b>Subject:</b>	<b>Macquarie Australia Conference 2018</b>

Attached is the presentation to be delivered at today's investor conference in Sydney, Australia.

**For further information contact:**

Michael Brown  
Investor Relations  
Ph +61 (0) 400 24 8080  
[michael.brown@computershare.com.au](mailto:michael.brown@computershare.com.au)

**About Computershare Limited (CPU)**

Computershare (ASX: CPU) is a global market leader in transfer agency and share registration, employee equity plans, proxy solicitation and stakeholder communications. We also specialise in corporate trust, mortgage, bankruptcy, class action, utility and tax voucher administration, and a range of other diversified financial and governance services.

Founded in 1978, Computershare is renowned for its expertise in high integrity data management, high volume transaction processing and reconciliations, payments and stakeholder engagement. Many of the world's leading organisations use us to streamline and maximise the value of relationships with their investors, employees, creditors and customers.

Computershare is represented in all major financial markets and has over 15,000 employees worldwide. For more information, visit [www.computershare.com](http://www.computershare.com)

For personal use only

MARKET ANNOUNCEMENT

# Designing and delivering multi-year earnings growth

Macquarie Australia Conference 2018

**Mark Davis**

Chief Financial Officer – Computershare

3 May 2018

CERTAINTY | INGENUITY | ADVANTAGE



# Company overview

A leading global provider of administration services in our selected markets

## Who we are

- › Global market leader in transfer agency and share registration, employee equity plan administration, proxy solicitation and stakeholder communications
- › Also specialise in mortgage servicing, corporate trust, bankruptcy, class action administration and a range of other business services

## Our capabilities

- › Renowned for our expertise in high integrity data management, high volume transaction processing, reconciliation, payments and stakeholder communications
- › Many of the world's leading organisations use Computershare's services to streamline and maximise the value of relationships with their investors, employees, customers and other stakeholders

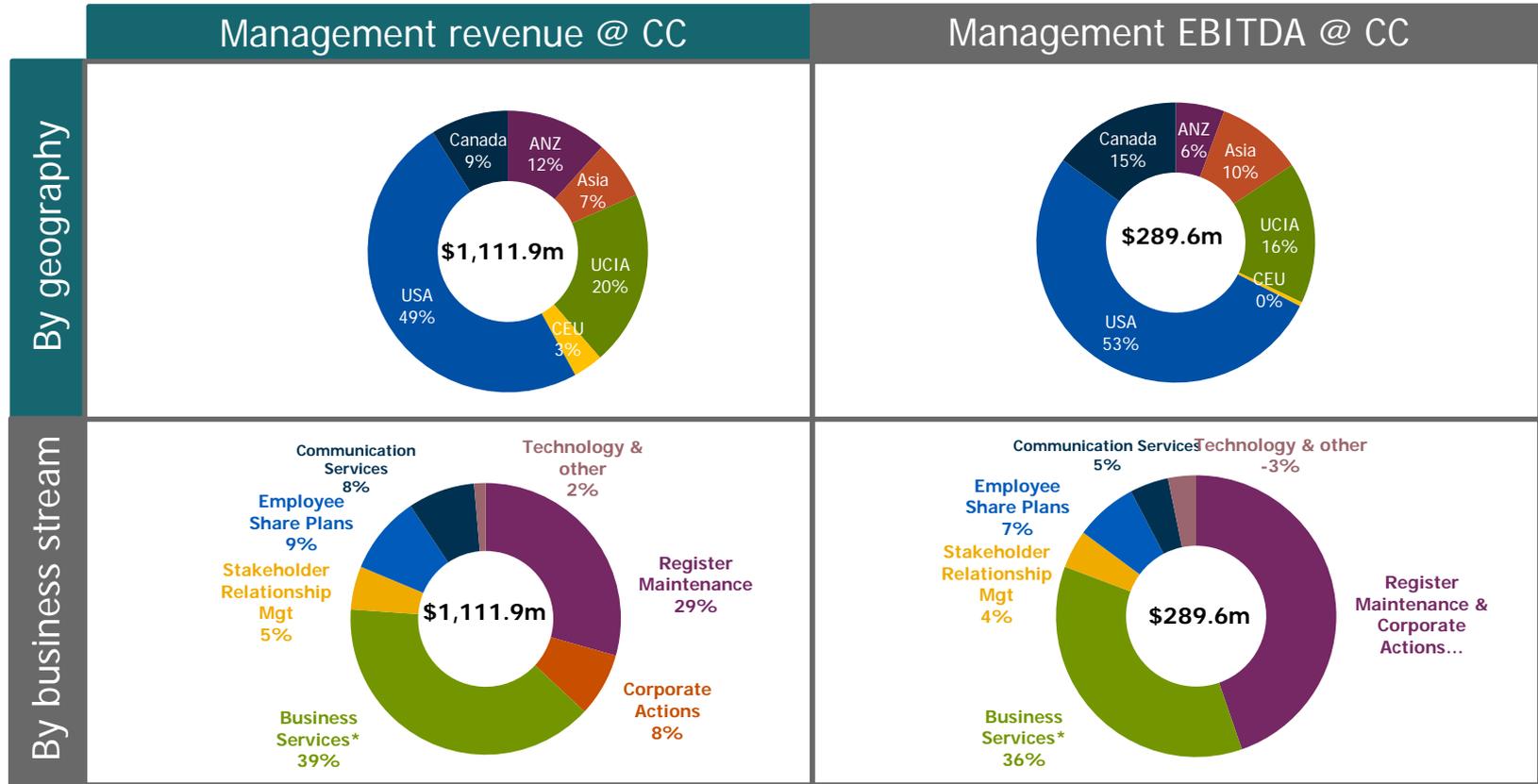
## Our strategy and model

- › Our strategy is to be the leading provider of services in our selected markets by leveraging our core competencies to deliver outstanding client outcomes from engaged staff
- › We focus on new products and services to reinforce market leadership in established markets and invest in technology and innovation to deliver productivity gains and improve cost outcomes
- › We have a combination of annuity and activity based revenue streams, strong free cash flow and high ROE

## Growth drivers

- › Organic: Investment in mortgage servicing and employee share plans and enterprise wide cost out program coupled with property rationalisation benefits to drive growth and improved returns
- › Macro: Leverage to rising interest rates on client balances, corporate action and equity market activity
- › Inorganic: Disciplined approach to building our core to drive scale and operating leverage.

# 1H18 Computershare at a glance



3 \* Mortgage Services (included in Business Services) revenue is \$262.4m and Management EBITDA \$56.1m in constant currency

# Good progress on executing strategic priorities

## Growth

- › Mortgage Services EBITDA up 72.1%, now making a significant contribution to Group EBITDA (19.4%)
- › US Mortgage Services continuing to drive scale, UPB up 19.1% since 30 June, revenue and margin expansion
- › US sub-servicing UPB up 107.1% with improved market penetration
- › UK Mortgage Services intensive integration workload underway and on track
- › Share Plans increased earnings potential: \$131.9bn of assets under administration, over half in the money

## Profitability

- › Corporate Actions revenue strengthening from FY17 cyclical lows, up 31.0%
- › Margin income accelerating, up \$11.8m
- › \$17.3bn of 1H18 average client balances – yield up to 0.92%
- › Stakeholder Relationship Management EBITDA up \$16.5m, driven by a large event for a US Fund
- › Stage 1 and 2 cost out program delivering benefits. Stage 3 details in April
- › Group EBITDA margin up 190bps to 26.0% with further expansion in US Registry margin

## Capital Management

- › Strong free cash flow \$166.3m, up 10.9%
- › Net debt to EBITDA continues to reduce - 1.58x – after self funding growth engines, strategic investments, share buy-back and increased dividends
- › AUD49.7m of CPU shares acquired at an average price of \$14.74
- › AU 19 cents interim dividend +11.8%
- › Karvy sale now expected to complete in 2018 - \$90m sale proceeds.

# US Mortgage Services: Executive summary

Executing to plan, building a sustainable, high return growth business



## SCALE

- › Servicing portfolio \$81bn at Mar 31 2018, +35% since Jun 30 2017
- › Loans serviced 488k at 31 Mar 2018, +31% since Jun 30 2017



## MIX

- › Sub-servicing 41% at Mar 31 2018, +219% in UPB since Jun 30 2017
- › Non-performing 62% at Mar 31 2018, +19% in UPB since Jun 30 2017



## DEVELOPING THE OPERATING MODEL

- › Non-servicing, ancillary revenues 24% with strong growth potential
- › Revenues across the lifecycle, through the economic cycle
- › Technology and process investments driving improved margins

# US Mortgage Services: Execution priorities for the next 12 months

Delivering on the next stage of the plan

**ADD SERVICING SCALE** – through a range of opportunities, including expanding our co-issue programme and executing on the new business opportunities we see

**GROW OUR THIRD PARTY FEE FOR SERVICE BUSINESS (FULFILMENT AND PROPERTY SOLUTIONS)** – increase revenue contribution from current 24% to closer to 30%

**ENHANCE OUR RECAPTURE MODEL** – adding lending partners and product / geographical coverage to better position us to capture returns

**FURTHER IMPROVE CUSTOMER EXPERIENCE** – enabling us to further differentiate ourselves in the sub-servicing market, make our loan onboarding process more efficient and our business more compliant

**DELIVER ON OPERATIONAL EFFICIENCIES** – capture the benefits from the new loss mitigation system and from our ongoing process automation and productivity improvement initiatives

**MANAGE OUR CAPITAL** – we plan to execute excess deals over the next 12 months to free up capital to re-cycle / re-invest, and helping create reciprocal business opportunities with capital partners

# UK Mortgage Services: Key areas of strategic focus

We continue to focus on four key strategic pillars

## Grow organically by FY20 / 21

- > Continue to focus on Challenger Banks, Asset Traders and Retail Banks
- > Focused on delivering two further new lending clients and one significant retail bank opportunity in the next 12-18 months

## Retain servicing as assets are sold

- > Continued focus on retaining servicing as UKAR sells assets
- > Circa £12bn UPB remains in UKAR

## Drive out cost

- > Deliver Integration programme on time and on budget
- > Deliver significant improvement in operational activity over the next five years through a programme of activity

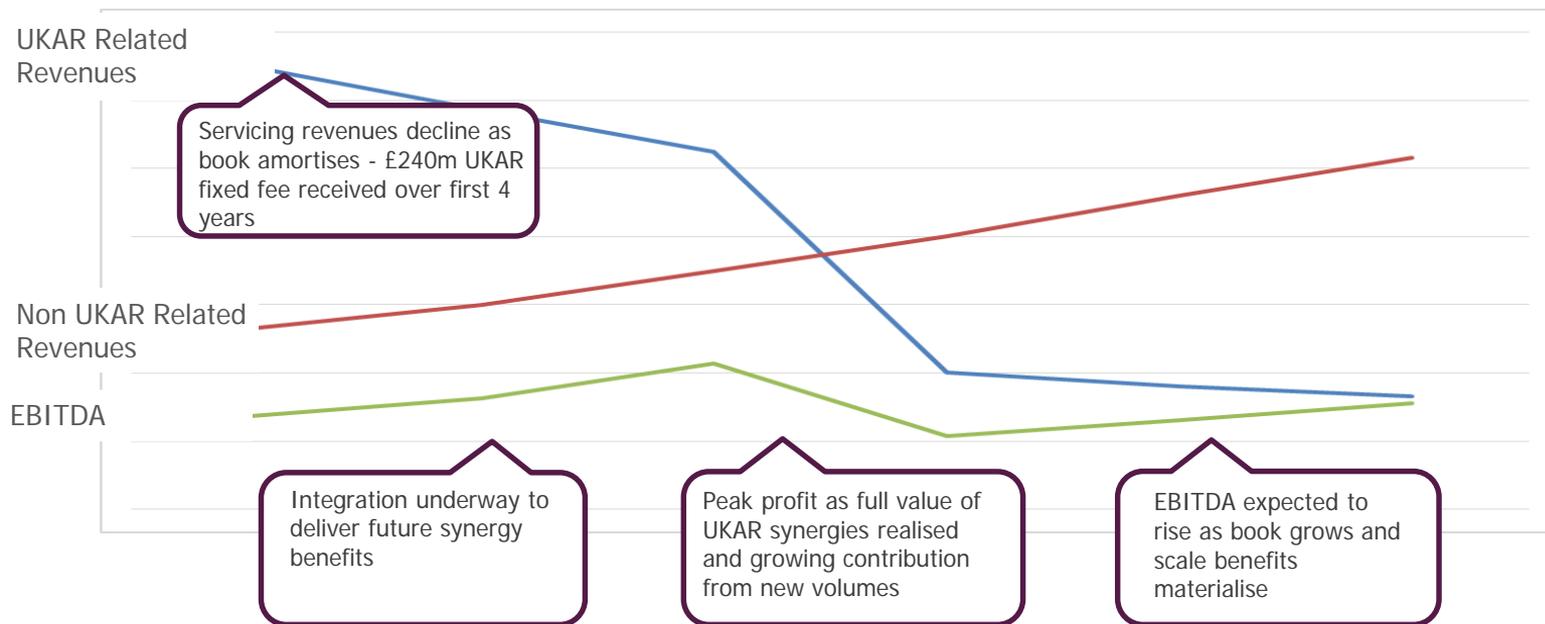
## Geographic and product expansion

- > Continue to grow Topaz
- > Look to drive greater alignment with US Mortgage Services
- > Evaluate geographic expansion opportunities as and when they arise

# UK Mortgage Services: Future revenue and profit expectations

Book expected to turn to positive organic growth by FY20 / FY21

UK Mortgage Services Revenue & EBITDA FY18 – FY23



Note - Chart not to scale

# Global Employee Share Plans

## Building a global growth engine

Global plans market remains attractive, with positive growth drivers:

- › large addressable market which has grown faster than GDP
- › market is expected to deliver structural growth
- › increasing penetration and popularity of plans within companies

› Our strategic focus is to combine best-in-class service, technology and regulatory know-how in order to grow our client base and drive revenue from the assets under management to create earnings growth

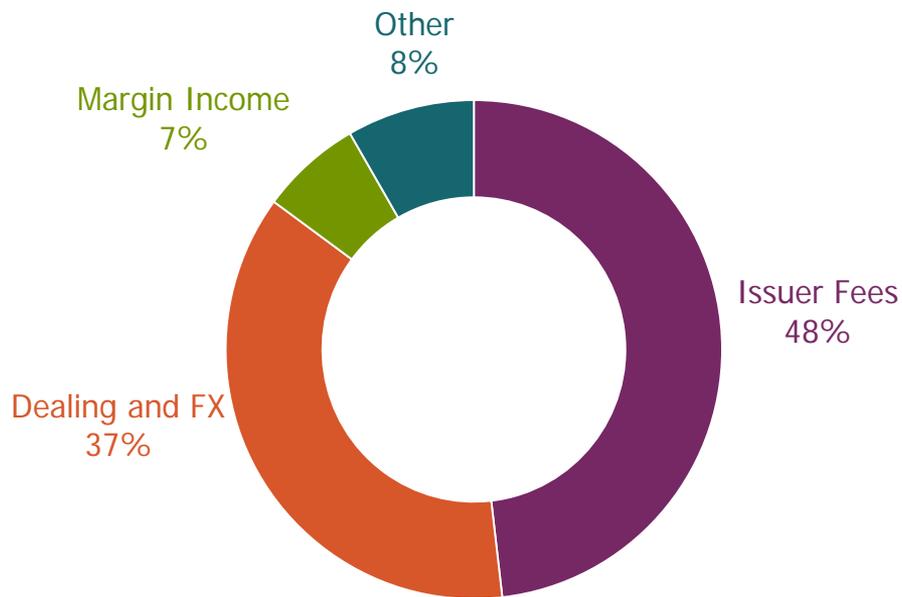
› Well placed to benefit from positive structural trends; equity as a growing part of compensation and continuing propensity for the outsourcing of plan administration and cyclical trends; equity market volumes, rising interest rates

› Additional revenue streams and competitive differentiation with the increasing number of ancillary services provided as part of the Plans offering

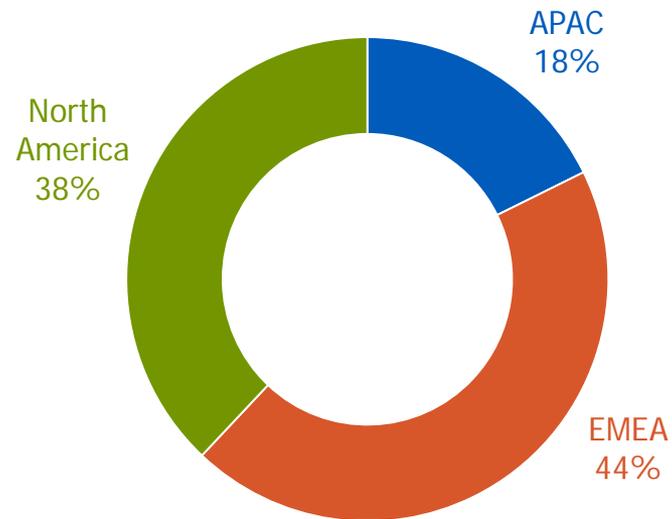
# Global Employee Share Plans

Revenue analysis – multiple revenue streams across sources and regions

### Revenue by source



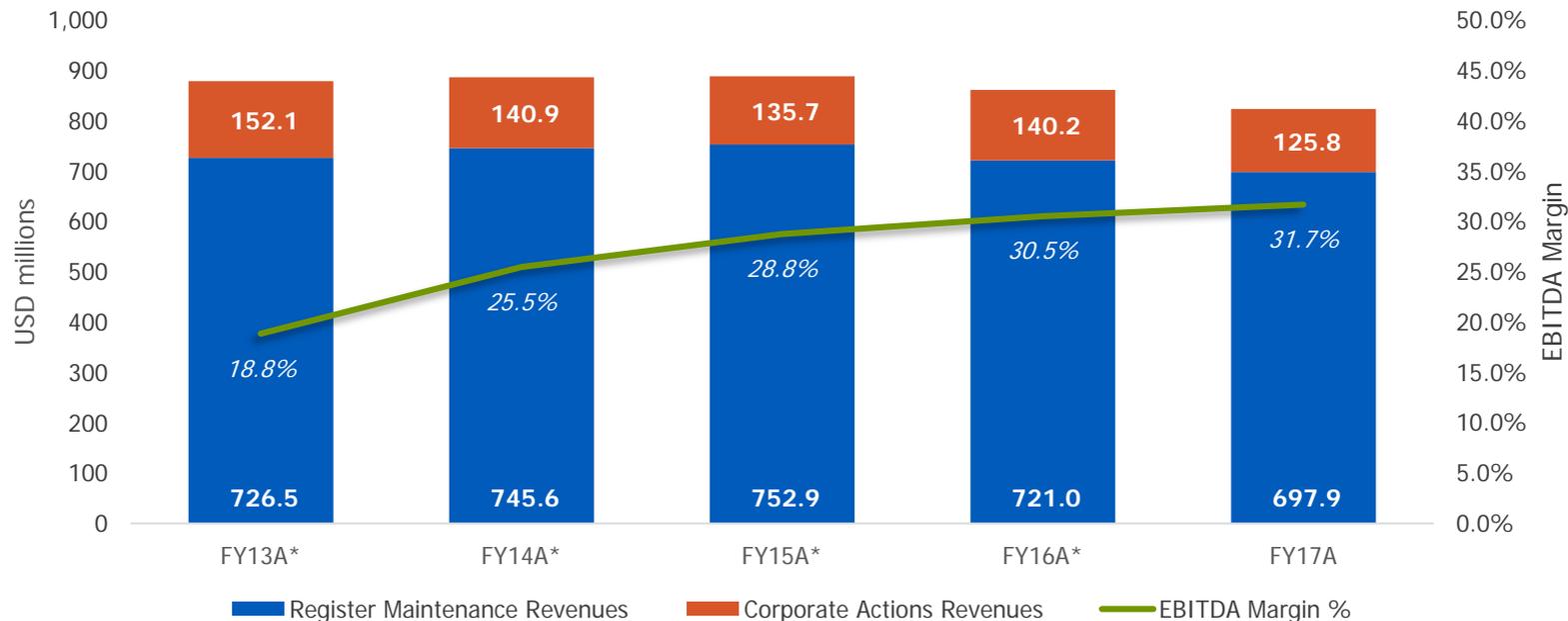
### Revenue by region



For personal use only

# Global Registry - High quality revenues and margin expansion

EBITDA margins have increased by 12.9% to 31.7% over last five years



\*Translated at FY17 avg fx rates

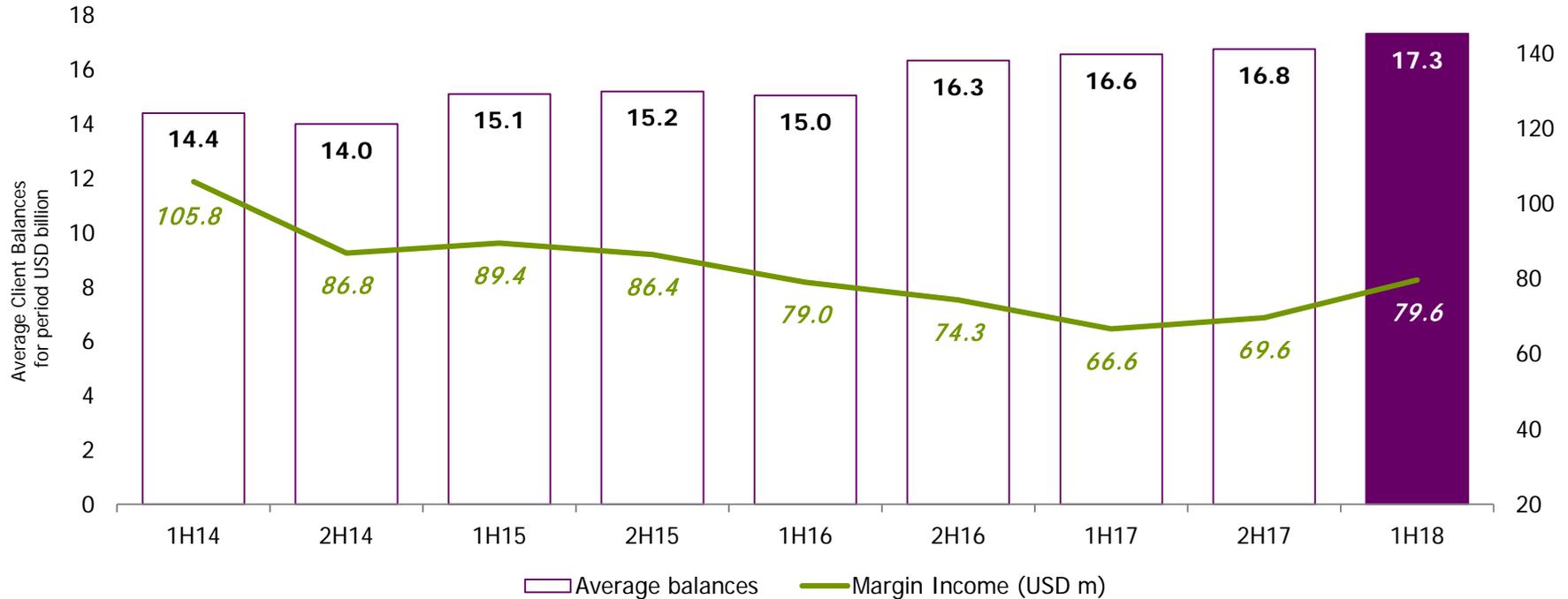
## Profitability: Structural cost out program update

Activity	Total cost savings estimates \$m	Benefit realisation (cumulative)						
		FY17A	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E
<b>Stages 1 &amp; 2</b>								
	85 - 100	13.7	49.4	72.1	90.7	92.5	92.5	92.5
<b>Stage 3</b>								
Shared services	7 - 10			20%	70%	100%		
Technology & Process Automation	17 - 20					25%	80%	100%
Employee Share Plans	6 - 10				40%	90%	100%	
Other	10 - 15			10%	30%	70%	100%	
<b>Stage 3 total</b>	<b>40 - 55</b>			<b>3.0</b>	<b>12.9</b>	<b>29.1</b>	<b>43.8</b>	<b>47.5</b>
<b>Stages 1, 2 and 3 total</b>	<b>125 - 155</b>	<b>13.7</b>	<b>49.4</b>	<b>75.1</b>	<b>103.6</b>	<b>121.6</b>	<b>136.3</b>	<b>140.0</b>

- › Estimates of stage 3 cash costs to deliver benefits are \$55-65m (90% opex.) All opex costs to be expensed and included in Management Adjustments.
- › No change to expected FY18 post tax management adjustment of \$15-20m for all stages.

# Client balances and margin income

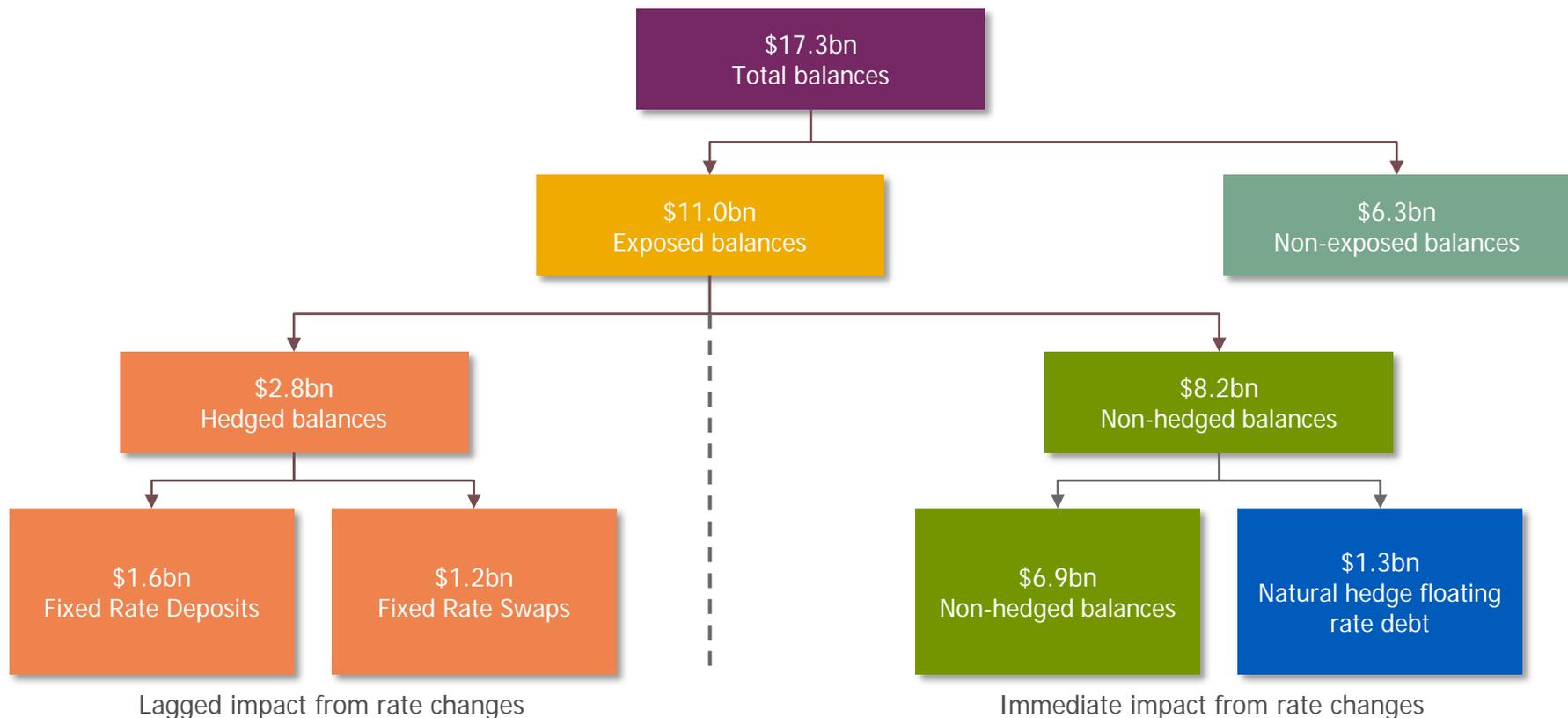
Stronger balances and increased yield drive accelerated margin income



Note: Margin income and balances translated at actual FX rates for the period

# Breakdown of client balances

Significant leverage to rising interest rate cycle – \$11bn of average exposed balances in 1H18



# Capital management: enhancing shareholder returns

## Cash generative business model

- › Strong free cash flow\* \$166.3m, up 10.9%. Recurring revenues, high margins and low maintenance capex, funds strategic investments and shareholder returns

## Strategic investments

- › Self funding growth engines with investments in US MSR purchases \$67.4m, up 9.4%
- › Invested a further GBP7.5m in SETL with Board representation

## Acquisitions

- › Ongoing exploration of acquisition opportunities to leverage core strengths and alignment with CPU core competencies and financially accretive

## Share buy-back

- › AUD49.7m of CPU shares acquired at an average price of \$14.74
- › Share buy back remains open, ongoing disciplined evaluation of best way to reward shareholders having regard to EPS accretion from share buy-back, inorganic growth opportunities, debt elimination and dividends.

## Dividend

- › Interim dividend of AU 19 cents unfranked, +11.8% on pcp. At the conclusion of the share buy-back, CPU intends to distribute the full value of available franking credits

## Leverage ratio

- › Net debt to EBITDA ratio down to 1.58x from 1.60x
- › The sale of Computershare's interest in Karvy now expected to close in 2H18, ~\$90m expected.

\* Excluding SLS advances

## Common themes across our businesses

For personal use only

Careful, considered and detailed planning

Focus on execution to deliver right outcomes for our customers

Learn quickly, fix problems and move forward successfully

Build scale to drive operating leverage and margin expansion

Invest in technology to drive efficiency and better customer experience

Identify and grow ancillary revenues

Strong free cash flow and disciplined capital management drive shareholder returns

Do the right thing

# Summary

## Designing and delivering multi-year earnings growth

Executing our strategic priorities, complemented by cyclical recovery and increased event activity, driving strong earnings growth

Purposefully designed Growth, Profitability and Capital Management strategies delivering results

Optionality converting into profitability; margin income, corporate actions and other event-based activity across CPU

Strong free cash flow self-funds growth engines, strategic investments and enhanced shareholder returns

FY18 Management EPS to increase by +12.5% on FY17 with positive bias

Transformation to a simpler, transparent and disciplined CPU driving multi-year sustained earnings growth

# Important notice

## Summary information

- This announcement contains summary information about Computershare and its activities current as at the date of this announcement.
- This announcement is for information purposes only and is not a prospectus or product disclosure statement, financial product or investment advice or a recommendation to acquire Computershare's shares or other securities. It has been prepared without taking into account the objectives, financial situation or needs of a particular investor or a potential investor. Before making an investment decision, a prospective investor should consider the appropriateness of this information having regard to his or her own objectives, financial situation and needs and seek specialist professional advice.

## Financial data

- Management results are used, along with other measures, to assess operating business performance. The company believes that exclusion of certain items permits better analysis of the Group's performance on a comparative basis and provides a better measure of underlying operating performance.
- Management adjustments are made on the same basis as in prior years.
- The non-IFRS financial information contained within this document has not been reviewed or audited in accordance with Australian Auditing Standards.
- All amounts are in United States dollars, unless otherwise stated.

## Past performance

- Computershare's past performance, including past share price performance and financial information given in this announcement is given for illustrative purposes only and does not give an indication or guarantee of future performance.

## Future performance and forward-looking statements

- This announcement may contain forward-looking statements regarding Computershare's intent, belief or current expectations with respect to Computershare's business and operations, market conditions, results of operations and financial condition, specific provisions and risk management practices.
- When used in this announcement, the words 'may', 'will', 'expect', 'intend', 'plan', 'estimate', 'anticipate', 'believe', 'continue', 'should', 'could', 'objectives', 'outlook', 'guidance' and similar expressions, are intended to identify forward-looking statements. Indications of, and guidance on, plans, strategies, management objectives, sales, future earnings and financial performance are also forward-looking statements.
- Forward-looking statements are provided as a general guide only and should not be relied upon as a guarantee of future performance. They involve known and unknown risks, uncertainties, contingencies, assumptions and other important factors that are outside the control of Computershare.
- Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. Computershare makes no representation or undertaking that it will update or revise such statements.

## Disclaimer

- No representation or warranty, expressed or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement. To the maximum extent permitted by law, none of Computershare or its related bodies corporate, or their respective directors, employees or agents, nor any other person accepts liability for any loss arising from the use of this announcement or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence.

## Not intended for foreign recipients

- No part of this announcement is intended for recipients outside Australia. Accordingly, recipients represent and warrant that they are able to receive this announcement without contravention of any applicable legal or regulatory restrictions in the jurisdiction in which they reside or conduct business.