

**ASX ANNOUNCEMENT****LINK GROUP TO ACQUIRE PEPPER GROUP'S EUROPEAN LOAN SERVICING,  
ADVISORY AND ASSET MANAGEMENT BUSINESS**

- Link Group to acquire 100% of Pepper European Servicing for an upfront cash payment of €165 million (~A\$266 million) and contingent cash payments of up to €35 million (~A\$56 million) over three years linked to the protection of existing AUM and achieving growth targets in Spain, Greece and Cyprus
- Highly complementary fit for Link Group's Banking & Credit Management (BCM) division, increasing scale, revenue diversity and growth opportunities
- Implied acquisition multiple of 8.2x normalised CY19 EBITDA (upfront) and 6.0x including efficiency benefits and the deferred payment for existing AUM protection
- Transaction expected to be double digit accretive to Link Group earnings, with a further 5%-6% accretion anticipated from efficiency benefits over the medium term
- On a proforma basis, the combined BCM division will have revenues of €198 million (~A\$319 million) and Operating EBITDA of €34 million (~A\$54 million)<sup>1</sup>
- Acquisition to be funded from existing cash and bank facilities

**Sydney 31 January 2020:** Link Administration Holdings (**ASX:LNK**) has entered into a binding agreement to acquire Pepper European Servicing (PES) from Pepper Group for an upfront consideration of €165 million (~A\$266 million) and up to a further €35 million (~A\$56 million) if certain total Assets Under Management (AUM) thresholds and growth milestones are met.

PES provides end-to-end loan servicing, advisory and asset management across both residential and commercial segments. The business has well established operations in the UK and Ireland underpinned by longstanding customer relationships as well as a growing presence in the emerging markets of Spain, Greece and Cyprus.

At 31 December 2019, PES had total AUM of circa €40billion (~A\$65 billion) and generated revenue of €92.9 million (~A\$149.9 million) and achieved a normalised EBITDA of €20.1 million (~A\$32.4 million) for the year ending 31 December 2019. The upfront acquisition price implies an Enterprise Value (EV) to EBITDA multiple of 8.2x or 6.0x after taking into account anticipated efficiency benefits and deferred payments for existing AUM protection.

The transaction accretion to Link Group's Operating EPS<sup>2</sup> is expected to be greater than 10% from year one (pre-efficiencies and one-offs) with anticipated synergies expected to deliver 5%-6% further earnings accretion upside.

<sup>1</sup> BCM contribution for the year ended 30 June 2019, PES contribution for the year ended 31 December 2019.

<sup>2</sup> See Appendix 6A of Link Group's FY19 Full Year Results Presentation lodged with the ASX on 29 August 2019 for definitions of non-IFRS measures. Non-IFRS measures have not been audited or reviewed in accordance with Australian Accounting Standards.

The acquisition is subject to relevant regulatory approvals and is expected to complete in the second half of calendar 2020. On completion, the business will be integrated with Link Group's BCM business.

Link Group's Managing Director, John McMurtrie, said: "This is an attractive transaction for Link Group. It provides an opportunity to integrate two high-quality businesses to create a leading pan-European asset servicer and manager, that is well positioned to capture growth opportunities across the region.

"PES is highly aligned to Link Group's existing BCM business in the UK and Ireland with strong annuity style earning characteristics. The combined business will also be strategically positioned to capture further growth opportunities in other European markets with PES' established operations in Spain, Greece and Cyprus complementing Link Group's established operations in the Netherlands and Italy," Mr McMurtrie said.

Mike Culhane, Pepper Group's Global CEO, added: "This transaction brings together two of the most highly regarded businesses in the sector and allows Link Group to benefit from increased scale in future years."

#### **Strategic rationale**

The combination of BCM and PES creates a leading loan and asset servicer of scale with high quality management, a deep talent pool, and the necessary experience and expertise to deliver a compelling client proposition across Europe.

PES is an established primary and special servicer of performing and non-performing loans in the UK and Ireland. This acquisition will strengthen the revenue resilience of the BCM division and is a highly complementary fit with its existing primary servicing activities in the UK, Ireland, the Netherlands and Italy. PES also has established operations in Spain and Cyprus as well as a real estate advisory and asset management business in Greece. This expands the current product suite and establishes a stronger platform to support our approach to the loan servicing opportunity in the region, given the large non-performing loan (NPL) market and the active de-leveraging activities by the local banks.

Mr McMurtrie said: "PES operates predominately in markets which Link Group understands well, and this acquisition aligns with our strategic growth initiatives, which include expanding our footprint in the UK and Europe, as well as providing Link Group with further diversification in one of our key business divisions.

"The acquisition of PES is consistent with our BCM division's strategic ambition to be a best-in-class asset servicer and accelerates its growth trajectory to become a scale player in Europe through a mix of organic and acquisition-led entry into new markets. This acquisition also supports revenue and client base diversification across the region."

#### **Acquisition funding**

The acquisition of PES will be financed from Link Group's existing cash and bank facilities. The transaction is expected to be double digit accretive to Link Group's Operating EPS in FY21 following completion, with further synergy and efficiency benefits to be realised over the medium-term.

Whilst Link Group's balance sheet remains robust post acquisition, further share buy-back activity will take into account increased leverage and Link Group will remain prudent in its capital management.

For further detail see the Investor Presentation lodged today with the ASX.

Citi are supporting the transaction as financial advisers, DLA Piper as legal advisers and PwC as financial and tax advisers.

PES is advised by Houlihan Lokey as financial advisers, Jones Day as legal advisers and KPMG as financial and tax advisers.

#### **Teleconference details**

Link Group will be holding a teleconference for analysts and investors today at 9:30am (Sydney time). Details for the teleconference are set out below:

Conference ID: 10003970

Australia	02 9007 3187
Canada/United States	1855 881 1339
China Wide	4001 200 659
Hong Kong	800 966 806
India	000 8001 008 443
Japan	005 3116 1281
New Zealand	0800 453 055
Singapore	800 1012 785
United Kingdom	0800 051 8245

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The release of this announcement was authorised by John McMurtrie, Managing Director.

## **Forward looking statements**

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward-looking words such as “believe”, “expect”, “estimate”, “will”, “may”, “target” and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of Link Group and cannot be predicted by Link Group and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which Link Group operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of Link Group or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statements. Statements about past performance are not necessarily indicative of future performance.