MARKET ANNOUNCEMENT

Date: 11 March 2020

To: Australian Securities Exchange

Subject: FY20 Guidance Update – CEO Conference call script

Attached is a script of the call delivered by the CEO for the FY20 Guidance Update held on 11th March 2020.

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This announcement was authorised to be given to the ASX by the Company Secretary

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FY2020 Guidance Update

CEO conference call script

Stuart Irving, Chief Executive Officer and President

Good morning everyone and thank you for joining us today.

I am here with Nick Oldfield, our CFO, and Michael Brown from Investor Relations.

Over the past week or so, we have seen some significant changes in interest rate markets, and financial markets have become volatile.

Whilst we can’t predict what may happen from here, we have been assessing the impact of a number of interest rate cuts and changes to the forward yield curves.

These changes will have a bearing on our margin income revenues, and earnings guidance for FY20.

I will talk through the ASX announcement we released this morning about the revision to FY20 Guidance.

I will also give some high-level comments on margin income revenues in FY21 and FY22. Then we will open up for questions:

On the 12th February, when Computershare released its first half FY20 results, we reiterated guidance for Management EPS to be down around 5% for the full year. At that time we assumed further rate cuts in both Australia and the UK during the second half. We expected margin income revenue for the full year FY20 to be down around 8-10% versus FY19.

We had a strong operational performance in January and February with Management EPS growth of 8% versus the PCP, and that outperformance was in a lower rate environment. So up until last week, our confidence levels were high on meeting guidance. We were doing what we needed to do. Our businesses were performing.

But since then a lot has changed.

As we expected, rates in Australia have fallen. However, the 50bps cut in the US and Canada were not anticipated.

Interest rate expectations for the remainder of FY20 have also fallen beyond what we had in our plan. Yield curves have shifted lower.

We are applying the recent cuts and these new yield curves to guidance for FY20. We are not applying different assumptions on the extent or timing of rate cuts, but simply applying the yield curves as they are today.

Margin income revenue is now expected to be down by around 25% for FY20 versus FY19. We have assumed average daily balances of around $15-16 billion for the full year. This implies margin income revenues will be around $185 million for this year down from $245 million in FY19.

Other assumptions around corporate actions and trading revenues remain largely unchanged but will be a watching brief in the coming months.

As a result, we now anticipate FY20 Management EPS to be down around 15%.
Inevitably the bigger questions will be about FY21 and beyond.

We estimate FY21 margin income revenue to be around $115 million with the full impact of interest rate changes.

As more term deposits roll off, we expect margin income revenues to be modestly lower in FY22.

And we will, of course, get some kind of a benefit from the lower cost of our own floating-rate debt through these years. Most of our debt is floating and includes bank debt and some of our US Private Placement debt that we swapped into floating rate. It also includes our Mortgage Servicing Advance facilities. In total, we have around $1.9 billion of gross debt.

The benefit of this natural hedge is modest in FY20, but we will get a full year benefit in FY21, so depending on where rates land this can be around $15 million pre-tax.

Whilst these changes are disappointing, I can re-assure you we remain focused on strengthening our core business lines and continuing to deliver great outcomes for customers in challenging conditions.

Now, on to questions.

POST Q&A

WRAP UP

Thank you for joining us on the call today, as ever we appreciate your interest and support.

While we are downgrading FY20 Earnings, I am sure many of you will be positively surprised by our margin income outlook for FY21 and 22. Even at these low rates, we still expect to generate significant margin income revenues.

We have the benefit of long term term deposits and around $5 billion that are not exposed to interest rates.

Thanks again and we are always available for follow up questions.