Computershare 2017 Annual General Meeting

Chairman's speech

Simon Jones, Chairman

Welcome to the Computershare 2017 Annual General Meeting. My name is Simon Jones and I am your Chair. We have a quorum and I am pleased to declare the meeting open.

This year, as part of our ongoing commitment to making our meetings accessible to as many shareholders as possible, I am delighted to be able to welcome our shareholders who are participating through our online meeting platform.

I will now introduce my fellow directors. (Introductions)

Also attending here today are representatives of our auditors, PricewaterhouseCoopers. Bart Oude-Vrielink is also in attendance from our lawyers, Minter Ellison.

The Minutes of the 2016 Annual General Meeting are available for inspection by any shareholder by contacting the Company Secretary.

The Notice of Meeting was distributed to all shareholders and copies are also available at the back of the room. I will take the Notice of Meeting as read.

We will begin with a short presentation from me, followed by a presentation by your CEO Stuart Irving.

We will be happy to take any questions on these presentations at that point. We will then go through the formal proceedings which this year comprise five resolutions, as outlined in the Notice of Meeting. The resolutions will be decided by poll, based on votes received before the meeting as well as the votes cast in the room here today via your handsets and by shareholders using the online meeting platform. Questions will also be taken on each resolution.

Please note that voting on the resolutions is now open. For those attending here in person using handsets, the resolutions should appear on your screen. For those attending using the online meeting platform, the voting icon will appear on the navigation bar. Once you click on this, the resolutions will appear on your screen.
You can vote any time during the proceedings until I declare the voting closed after all resolutions have been considered and voted on. You can also change your vote at any time throughout the proceedings, until voting is closed. I will give you a clear prompt later in the meeting to warn of the close in voting.

I will talk in more detail about using the voting technology when we come to formal consideration of the resolutions later in the meeting.

We will also take the opportunity for general business questions and discussion, which incorporates questions from in the room and online. If you are attending online, you can start submitting questions now and we will address them later in the proceedings.

I should reiterate that due to time constraints we may not be able to address all questions today. Questions sent via the online meeting platform will also be moderated to avoid repetition, and if questions are particularly lengthy we may need to summarise them, for reasons of brevity.

In the event that we are unable to address your question in the time available today, we will send you an answer to your question after the meeting.

I will now move to my presentation.

Slide 3 - FY17: A year of solid growth

I am pleased to report that Computershare delivered solid earnings growth, strong free cash flow and an increased dividend for shareholders in FY17.

With our growth, profitability and capital management strategies improving returns, FY17 marked an important inflection point in the Company's earnings.

We delivered FY17 Management EPS in line with upgraded guidance, an increase of 3.5% on FY16 in constant currency terms. Management EBITDA was $557.2m, an increase of 4.6%; and pleasingly our Free Cash Flow was up nearly 8%.

We are optimistic that we are starting to deliver sustained earnings growth at Computershare.

These are solid results given the challenges we faced in 2017. These included cyclically depressed corporate actions revenues, the lowest margin income yield in the Company's history and a higher tax rate.

Given these challenges, our results show the strength of our underlying business performance. Stuart will talk in more detail about our strategies to build earnings potential and sustained growth in a short while.

Slide 4 - Key operational statistics

2017 was a busy and productive year at Computershare. Let me touch on some of the operational highlights during the year. Given our scale and breadth across multiple continents there are some staggering numbers here.

We have over 15,000 full time employees operating from 95 offices across 21 countries. We have a broad, strong client base with around 16,000 clients. We handled almost 14 million calls into our call centres last year.

We are trusted to administer $125 billion of share plan assets. We assist 125 million shareholders and participants. At June 30th we serviced $60 billion dollars of mortgages in the US with a further 64 billion pounds in the UK and we hold on average $16.7 billion dollars of client cash balances. As I said, Computershare is a strong, trusted and well established international company.

Slide 5 - Strong free cash flow drives shareholder returns

This business strength drives recurring revenues and strong free cash flow. Over 70% of the group's revenues recur. This provides us with some predictability and certainty. It provides the Board the privilege of being able to make long term plans, and strategies to drive shareholder value. Stuart will talk more about our "deliberate designs" later.

With our tight cost controls and good margins, we generate strong free cash flow. This chart shows we have generated around $3.2 billion of free cash flow over the last ten years. The consistency of these cash flows is also impressive. They self-fund our growth strategies, provide for good shareholder distributions and continue to strengthen our balance sheet.

The performance of the balance sheet is one of the stand-out features of our FY17 results and it continues to strengthen given our significant cash flow and our moves to simplify our business. In the pursuit of that simplicity, we sold both our Melbourne Headquarters and our investment in INVeSHARE this year. Our debt leverage ratio is now below our policy range. This enabled us to announce a share buy-back program. The buy-back is well underway with over 40 million Australian dollars of shares having been acquired and cancelled to date. Our philosophy with the buyback is to have regard to both earnings accretion and long term value. Put simply, it's another sign of our confidence in our future.

Slide 6 - Consistent dividend track record

Our improved operating performance and strengthened capital position have enabled us to declare one of the largest dividend increases in Computershare's history.

Our final FY17 dividend was 19 Australian cents, a rise of 11.8%. This brought the total dividend for the year to 36 Australian cents, an overall increase of 9% for the year.

Since our IPO on the 27th May 1994, Computershare has distributed $55.74 in dividends to shareholders, nearly four times the current share price.

Slide 7 - Delivering strong returns for shareholders

Talking more of strong shareholder returns, it was pleasing to see the Computershare share price increase nicely during the year. Our market capitalisation is now over $8 billion Aussie dollars. This shows the investment community recognises the value we are adding as we execute on our deliberate strategies.

As this chart shows, from the date we listed on the ASX in May '94, to 30th June 2017 our share price has risen by 12,409%. This compares to the ASX 200 which has increased by 181%. Not a bad return!

Slide 8 - Corporate responsibility

It is part of the special Computershare culture that we share our success with others less fortunate than ourselves. That culture has been embedded in our company from the beginning. This is a very important issue to all of us that work here.

Founded in 2005, Change a Life is our global community giving program that invests in projects that provide long term solutions to the communities involved. We focus on long term change that is felt on a global stage and provides an opportunity for people to build up their skills for a brighter and more sustainable future.

Over 8 million Australian dollars has been raised since the program was launched. Donations of nearly a million dollars supported projects in financial year 2017. Computershare matches all employee

payroll donations. We are pleased to be associated with such good causes and look forward to continuing to share the benefits of our success.
Before I hand over to Stuart, I would like to thank all of our people around the world for their dedicated efforts in delivering these good results. I know you are extremely capable and deeply committed to delivering the best outcomes for clients and that every day you live Computershare's special culture by "doing the right thing". I would like to thank all of our clients for their trust and support and also, of course, you our loyal shareholders. Thank you.

Finally, I would like to thank Stuart Irving, our CEO and President for his talented and dedicated leadership and the rest of my fellow board members for their expertise, skills and support. It is truly a team effort at Computershare.

Thank you. I will now ask Stuart to give his presentation.

CEO's speech

Stuart Irving, Chief Executive Officer and President

Thank you Simon.

I'd also like to add my welcome to our shareholders and guests, both those in the room and those attending online. It's nice to recognise so many familiar faces in the room and also see some new ones too. I hope you all know we always appreciate your support.

Today I will update you on our key strategic priorities which are to build growth engines, reduce costs to improve profitability and manage our capital to enhance returns for shareholders. FY17's results begin to show the benefits of the strategies coming through and there is more to come.

Slide 10 - Executive summary

Let me briefly recap on some key metrics for the 2017 year. Management Revenue was up a little over 10 and a half percent.

Our revenues benefited from the maiden contribution from the UKAR contract, our largest ever contract win.

Management EPS came in at 57.04 cents, an increase of 3.5%. Management EBITDA was $557.2m and it grew by 4.6%. And excluding margin income, underlying EBITDA was up by 9.6%.

As you can see, it was a solid set of results.

Slide 11 - Strategies driving performance and earnings potential

Let me expand on our three strategic priorities to enhance returns to shareholders.

1. Driving growth
2. Enhancing profitability, especially with our efficiency programs and automation and
3. Complementing these operational improvements with capital management

These strategies are driving our performance and importantly, our earnings potential. This is important because it gives us the confidence to call out that we are beginning a multi-year earnings growth phase.

So let's start with our growth engines which have performed strongly in the last year.

Slide 12 - Growth: Mortgage Services performing to plan

Mortgage services increased revenues by 71% last year. In the US and the UK, this business on a combined basis now accounts for almost 25% of Group revenues. It's a sizeable business with rising profitability. EBITDA effectively doubled to $78 million.

In our US mortgage services business we are effectively two to three years into a five year plan and we are executing well. We continue to build towards scale and the anticipated returns we affirmed at our Investor Strategy Day back in April.

Over in the UK the UKAR contract is a good news story. We service 64 billion pounds worth of mortgages over there. The integration of UKAR is ahead of plan. The synergy benefits are being delivered again with more to come. We also won a number of new originating challenger bank clients in the period. These originators will grow their mortgages over the medium term helping build a sustainable growth business.

Slide 13 - US mortgage services: UPB and number of loans

The two main lead indicators to track in this business are the value of loans under service (unpaid principal balances); as well as service quality.

Let me now update you on our progress in 2018. At the end of October the UPB we serviced in our US business was $67 billion dollars, an increase of around $7.3 billion from the $59 billion we reported as at June 30th. This is a new piece of disclosure for our investors. This business is designed for considered and disciplined growth. We are executing the plan well.

Our reputation for service quality also continues to grow. Pleasingly, we continue to be rated as one of the world's best mortgage servicers by the rating agencies. In this sensitive market, where service quality can determine regulatory risk, our reputation for quality is creating new servicing opportunities for us with the major banks and mortgage bond holders.

Slide 14 - Growth: Employee Share Plans performing well

We now move to employee share plans which is another one of our growth businesses. This business enjoys a combination of structural growth and in 2017 cyclical recovery as equity markets are strong. Excluding margin income, where low rates affected our yield, especially in the key UK market, revenues increased by 13% and EBITDA increased by 58%.

The fundamental earnings driver in this business is the number of units we administer – typically share options and rights. We administer over 125 billion dollars of these around the world. Assuming these units which have been granted become "in the money" as equity markets rise, they are likely to be exercised at some point. At the time of exercise this most likely creates a sell or transfer order.

These orders generate transactional revenues for us.

In FY17 we saw strong growth in transactional volumes and fees paid by shareholders. This was partly due to Brexit in the UK and the fall in Sterling. We are unlikely to see this benefit in FY18 although issuer paid fees, the recurring revenues, should continue to grow nicely.

Our Asian Plans business is growing particularly well. More employers are shifting to equity based incentives and compensation in the region. With our data and analytics capabilities we are able to design new plans for clients that achieve their desired outcomes. This capability is unique within that marketplace. I'm pleased to report we won some major new clients last year and we confidently expect more growth going forward.

Slide 15 - Profitability: Structural cost out program on track

Let's move to our profitability strategy. Our cost management program is on track and beginning to deliver the expected benefits. Almost 14 million dollars of savings were realised in FY17. That's slightly ahead of schedule. Our target of $85 - $100million dollars' worth of savings, which we have published for Stages 1 and 2, is also on track.

We often get asked by investors about the next stage in the program, stage 3. While we are clearly busy on implementing stages one and two, the analysis that will drive stage 3 is underway. We will detail and quantify Stage 3 at our next Investor Day in April 2018.

Slide 16 - Profitability: Register Maintenance – margin expansion

We can see these cost savings initiatives of stages 1 and 2 driving margin improvement in our mature registry business, specifically, in US registry, the largest business in the Group.
US registry is a great business.

We have a significant market share and an unparalleled reputation with customers. While contract lengths are typically for three years, the average customer relationship is over eighteen years. Churn is less than 2% per year. With our main competitor currently going through a sale process, we see a more positive industry landscape. That's an important change.

The business also has low capital employed and high returns and is highly cash generative. These cash flows self-fund our growth engines and support our shareholder distributions as I mentioned earlier. The group is stronger for having this complementary mix of businesses.

Slide 17 - Client balances and margin income

Margin income is another potential profit driver and part of our earnings potential. With over $16 billion of FY17 average daily client balances in FY17 and over $10billion which were exposed to interest rates, we have significant leverage to a rising rate cycle. That's part of our earnings potential. Yields are slowly recovering from the lowest level in CPU history and we hope for more rate rises to come.

Slide 18 - Capital management: enhancing shareholder returns

Let's talk next about capital management, the third leg of our strategy. Capital management is our strategy to complement our operating earnings and importantly enhance shareholder returns.

It starts with our cash generation. Over the last three years we have generated over $1.2 billion in net operating cash flow. With the proceeds from asset sales we are simplifying the business and recycling capital for higher growth and returns. We are a self-funding growth story that can afford good distributions too.
In FY17 we were also able to reduce our net debt by over 260 million dollars, a decrease of 23%.
As part of capital management, in August we announced a $200 million Aussie dollar share buyback. To date we have purchased around 40 million dollars' worth at an average purchase price of 14.42 dollars.

We are unlikely to undertake the buyback in the first quarter of next year. Under the Australian franking rules, there may be adverse franking impacts to Computershare if shares are bought during that time.

As we have said previously, while the interim dividend will be unfranked this year, after the buyback has been completed Computershare intends to frank future dividends to the full extent possible.

Going forward, we have the flexibility to either increase the size of the program or announce further buy backs on a consistent basis.

As you would expect, we also continue to be presented with inorganic growth opportunities. Although we remain very disciplined we are not closed to making strategically complementary and financially accretive acquisitions. These additions would supplement our organic growth, not be instead of. I want to be very clear about that.

Slide 19 - FY18 outlook

Moving on, let me comment on the outlook for FY18 and how the year has begun for us at Computershare.

In August we said that we expected Management EPS for FY18 to increase by around 7.5% on FY17 in constant currency terms.

Trading performance for the first four months of FY18 has been encouraging with stronger contributions than originally anticipated in Corporate Actions and our growing Mortgage Services business. We now expect Management EPS for FY18 to increase by around 10% on FY17, in constant currency terms; an upgrade. There are some important assumptions on this slide that you can read at your leisure.

Slide 20 - Conclusions

As we have demonstrated with our FY17 results, the execution of our growth, profitability and capital management strategies are under way and on track. Our underlying business performance is robust and we are building significant earnings potential to drive future performance too.

We will continue to grow mortgage services as per our plan, maintain our profitability in registries around the world, invest for growth in employee share plans and support these initiatives with rigorous and ongoing cost management programs. And we look forward to margin income continuing to recover.

We will continue to manage and recycle capital to self-fund our growth and improve returns for you, our shareholders. In conclusion, I would like to re-visit and re-affirm a commitment we gave to shareholders back in February 2016 when we began this journey to the "new CPU". We said then a simpler, more transparent, disciplined and profitable Computershare is emerging.

This is as true and relevant today as it was then.

In FY16 we made some meaningful progress defining and setting out these deliberate strategies for the Group.

In FY17 we started executing against these strategies in a disciplined way and doing what we said we would do. We have demonstrated more progress. We have started to deliver positive earnings growth.

In FY18 and beyond we will continue our relentless pursuit of this goal. Quite simply, there is more to come.

Of course in delivering these strategies it would be remiss of me not to thank all the Computershare staff globally who have worked so diligently and in challenging markets to deliver these results.

We are always innovating and delivering exceptional service to our clients. You can see that coming through in the results and we look forward to further progress in the year ahead.