# COMPUTERSHARE LIMITED (ASX:CPU)

# FINANCIAL RESULTS
# FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## 12 FEBRUARY 2020

**NOTE: All figures (including comparatives) are presented in US Dollars (unless otherwise stated).**

The non-IFRS financial information contained within this document has not been reviewed or audited in accordance with Australian Auditing Standards.

This announcement was authorised to be given to the ASX by the Board.

Copies of the 1H20 Results Presentation are available for download at:
https://www.computershare.com/corporate

## 1H20 Results overview

| Revenue | EBITDA | EPS |
|---|---|---|
| $1,141.7m ↑ 1.2% | $338.7m ↑ 2.2% | 29.12 cents ↓ 16.7% |

Management results are expressed in constant currency unless otherwise stated. Constant currency equals 1H20 results translated to USD at 1H19 average exchange rates.

## CEO Overview

### Commentary

Stuart Irving CEO said, "This was a resilient result. We have seen our high quality operating businesses outperform, offsetting some challenges in our operating environment. Given the continued outperformance of our growth engines and careful cost control, we expect positive earnings growth in 2H. Full year guidance remains unchanged at around -5% Management EPS

In the 1H result we anticipated corporate action activity levels to be weaker, however we were negatively surprised by the timing of US interest rate cuts impacting margin income revenue and a higher effective tax rate. Management EPS was down 16.7%".

### Business Review

We continue to focus on executing our long-term growth strategies and strengthening our businesses' competitive positions. With revenue growing 1.2% in the period, recurring revenues now account for 78.3% of Computershare's total.

Put simply our EBIT was down $24.2m, this was predominantly due to the delayed UK Mortgage Services platform migration ($18m) and lower margin income ($8m). The underlying businesses are performing to plan.

We enjoyed strong contributions from our growth engines. Employee Share Plans and US Mortgage Services delivered revenue growth of 24% and 43% respectively. Equatex continues to outperform. Over 250 clients have now been upgraded to the market leading EquatePlus platform. In US Mortgage Services, we took advantage of buoyant market conditions to make disciplined investments to build scale and expand margin.

US Register Maintenance also outperformed industry trends, delivering another period of operating revenue growth and margin expansion. As we announced last week, the strategic acquisition of Corporate Creations accelerates our scale and extends our capability in the complementary, large and growing registered agent market.

Encouragingly, the growth in these businesses offset the reduced contributions from our higher margin event-based businesses, which were impacted by lower activity levels across most markets. Corporate Actions revenues were weak, down 17% and similarly, Stakeholder Relationship Management revenues fell by 49%.

Margin income revenue was impacted by lower interest rates and balances. Whilst we anticipated three rate cuts in the US, we did not expect all the cuts to occur so early in the first half. Margin income revenues declined by 7% to $117m with a lower achieved yield also expected in the second half of the year.

Tax is a disappointing feature of the results. In August, we assumed the group tax rate for FY20 would increase to be around 27%, whereas the tax rate in the first half result was 31.6%. We now expect the tax rate for the full year to be between 29-31%. This increase has been largely driven by Mortgage Services profit mix and the impact of the new Base Erosion Anti Abuse Tax in the US.

Computershare's capital position remains a positive feature of our results. We are able to self-fund our growth and capital management strategies and retain a strong balance sheet. Free cash flow increased by 69% to $207m. Including the acquisition of Corporate Creations, the group's net det to EBITDA leverage ratio is within the target range (1.75x – 2.25x). In the share buy-back program, we have acquired over 2m shares at an average price of AU$15.85 per share.

**Guidance and Outlook**

For the full year FY20, we continue to expect Management EPS to decline by around 5%. The momentum in Issuer Services, Employee Share Plans and US Mortgage Services should exceed the impact of lower interest rates and continued weak event-based activity.

We remain committed to executing our long-term growth strategies to build high quality, core businesses with growing recurring revenues, and driving efficiency gains across Computershare. We look forward to delivering improved results in the second half of the year.

**Key Business Summary**

- Issuer Services – leveraging core skills into complementary markets
  - Issuer Services new business stream includes Register Maintenance, Corporate Actions, Stakeholder Relationship Management and Corporate Governance software products
  - Revenues $430.5m, EBITDA $130.1m
  - Growth in US Registry, revenue $175.1m, further margin expansion
  - Event-based activity weak across major markets; Corporate Actions revenues -16.7%, Stakeholder Relationship Management revenues -48.5%
  - Corporate Creations acquisition accelerates Issuer Services growth strategy. Provides full suite of Registered Agent services to over 14,000 entities in the US
- Employee Share Plans – Equatex continues to outperform
  - Revenues +23.5% with recurring fee revenue +18.2% and transaction revenue +37.3% supported by positive equity markets.
  - Focus on expanding customer base and delivering to market full pipeline of technology and service enhancements.
  - Upgraded over 250 UK and European clients to market leading EquatePlus platform.
  - Integration synergy benefits being delivered to plan - $30m total benefits reaffirmed
- US Mortgage Services – robust US housing market conditions created MSR investment opportunities
  - Revenues +42.6%, UPB $111.6bn, +9.6%
  - Scale benefits, servicing mix and efficiency gains support ongoing margin expansion
  - Increase in capital employed $647.1m with strip sales to release capital in 2H. Future growth expected to be less capital intensive
  - EBITDA $75.5m, +27.5%, includes UK Mortgage Services reduced fixed fee and UKAR loan migration costs – project on track to be completed by May 2020
- UK Mortgage Services – Platform migration and cost out on track
  - Previously delayed migration of UKAR loans now on track to be completed by May 2020, with full customer support
  - Retail challenger banks decision to exit new lending market will impact long term origination volumes. Current servicing still intact
  - Restructure program underway as announced on Investor Day. Savings tracking in line with plan

**Interim Dividend**

The Board has declared an interim dividend of AU 23 cents per share, franked at 30%. The record date is 19 February 2020. The dividend will be paid to eligible shareholders on 19 March 2020.

Please refer to the 2020 Half Year Results Presentation for guidance assumptions, detailed financial data and the important notice on slide 90 regarding forward looking statements.

**For further information:**

Michael Brown - Investor Relations
Mobile: + 61 400 248 080 Email: Michael.Brown@computershare.com.au