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MARKET ANNOUNCEMENT

Date:	14 August 2024
To:	Australian Securities Exchange
Subject:	**FY24 Results – CEO and CFO Conference call script**

Attached is a script of the presentations delivered by the CEO and CFO at Computershare's results conference call for the full year ended 30 June 2024 held on 14th August 2024.

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This announcement was authorised to be given to the ASX by the Group CFO.

For more information, visit www.computershare.com/corporate

MARKET ANNOUNCEMENT

FY24 Full Year Results – CEO and CFO Conference Call Script

Stuart Irving - Chief Executive Officer and President

Good morning everyone and thank you for joining us for the Computershare FY24 Results Conference Call.

Nick Oldfield our CFO is with me along with Michael Brown from our Investor Relations team.

As usual, we have released a presentation pack to the ASX. I won't subject you to a full page turn on this call. Instead, I'll focus my remarks on the highlights.

Nick will take you through the financials in more detail, then we'll open the lines for Q&A.

And just to remind you, we will be talking in US Dollars and Constant Currency unless we state otherwise.

Okay, let's get started. The headlines at Computershare for FY24 can be summarised quite succinctly: Strong Results. Reduced Complexity and Increased Returns.

So let me expand on that; Firstly, the Results.

Management EPS was up over 8%, slightly ahead of guidance. Management EBIT ex. MI up 21% and ROIC at 30%.

In the year we had growth in all revenue lines of core fees, events & transactions and margin income revenues.

So, looking at that across our three core business units.

Issuer Services revenues were up 11%. All revenue line segments within Issuer improved. Register Maintenance delivered positive growth in client paid fees and strong performance in shareholder paid fees in the US.

Corporate Action revenues were up over 23%. The result was driven by an increase in the average size of transactions rather than growth in volumes. That recovery is yet to come.

I'll call out our US Corporate Actions team, which had a strong year. Its revenues for the year were about 25% higher than the average over the past six years whereas other regions were below average, illustrating the uneven nature of the global market recovery, but also potential opportunity if non-US markets become more active. Elsewhere in Issuer Services, we saw good growth in Governance Services. Our Entity Management and Co Sec businesses are resonating in the market. We are making good progress leveraging our Issuer Services broader footprint to drive positive new client growth, although new clients from IPOs are at all-time lows.

Employee Share Plans is performing strongly. Client paid core fees were up nicely and as we flagged, the latent earnings power in this business is coming through. Transaction fees were up over 35% as we saw strong vesting activity in the period across our diverse client book. The volume of assets under administration is importantly continuing at a high level even with these high numbers of vestings. Equity is increasingly being used to attract, retain and reward employees. Our market leading technology, EquatePlus, continues to roll out and is helping drive new client wins.

In Corporate Trust, headline revenues modestly declined. A few things are happening here. We exited the GNMA REMIC business in June 23. Which was about $28m in Annual Trust Fee revenues and, outside of that, underlying trust fees were flat.

Market conditions were challenging. Higher interest rates did impact new deal volumes and mix. This affected balances and yields, particularly in the first half. However, in the second half of the year, new structured product issuance improved, and our book returned to overall growth. Encouragingly, this recovery in structured product securitisation is driving an improvement in trust fees, client balances and yields. We finished the year with an increase in CCT balances versus the prior year and we see scope for further recovery here in 25.

Moving on to Reduced Complexity.

We have delivered on our strategy to build a simpler Computershare with higher returns.

After waiting somewhat patiently for the right market conditions, we announced the sale of US Mortgage Services last October and subsequently completed in May. This was a significant milestone in reducing the complexity of our overall business, resulting in a more capital light Computershare with higher returns. It's been a multi-year strategy, so if anything, I am now expecting our investor meetings to be 60% shorter!

But to recap, our simplification strategy also encompassed the sale of KCC, our Bankruptcy and Claims business, in FY23 that had no recurring revenue and high levels of working capital.

We are not completely done. There are still some smaller businesses that we feel may be better owned by others, but these are not material to overall earnings or will significantly change our returns profile so just a light pruning here and there.

Now moving on to Increased Returns.

Our strengthening balance sheet supports growth, investments, and returns to shareholders. Net debt to EBITDA leverage was 0.36x at the end of the year and net debt itself more than halved including the sale proceeds from US Mortgage Services.

The strength of the balance sheet enables us to pursue a range of opportunities. We are investing in our core business, making selective and disciplined acquisitions and increasing our returns to shareholders.

Let me explain how we are investing in technology to strengthen our core businesses. It is my favourite topic as we continue to build out an enduring future for Computershare.

We have multiple technology projects running across the group. These increase the value and integration of our offerings to customers, and improve the efficiency of our processes. New technologies coming on stream in the next 6-18 months will replace many of our existing customer facing products within Issuer Services. We have rolled out natural language search products to improve our servicing and continue to assess other capabilities to help in the fight against costs yet still providing great service.

We will also continue to selectively acquire to strengthen our businesses. We announced a couple of smaller acquisitions in Employee Share Plans and Corporate Trust throughout the year that will strengthen our market positions and expand our customer bases.

As I have said before, we are patient when it comes to acquisitions and are comfortable maintaining a strong balance sheet while we wait for the right assets at the right prices.

Our capital policy is to balance investments with returns to shareholders.

We are around halfway through our buy-back program and expect to resume purchases after these results. We will renew the program for another twelve months when it comes up for expiry in September. In the absence of franking, it's a sensible way to reward all shareholders.

We have also determined to pay a 42 Aussie cents per share final dividend. That's an increase of 5% on last year's final, making 82 cents per share in total.

So let me summarise, FY24 was an important year for CPU. We delivered strong earnings which was a direct result of the integrated model we have assembled with a portfolio of recurring core fees, event and transaction revenue and margin income. We recycled capital out of non-core businesses and also strengthened our core. We reduced the complexity of our business and deleveraged the balance sheet. We also developed new cost out initiatives, including a new stage 5, and laid the foundations for future growth. We have multiple earnings drivers. I will talk more about that after Nick takes you through the financials in more detail.

We enter FY25 with a positive outlook. Management EPS in is expected to increase by around 7.5% to 126 cps.

While forecasting risk is elevated given global market volatility, we are confident in this guidance. We assume lower interest rates but this is exceeded by our other earnings levers.

Our initial margin income assumptions are based on rate curves as at July 22nd to match this year's budget and board process and rate expectations have come down a little since then and no doubt the curves will change many times between now and when we report. Ultimately it's not that material and we have other levers and Nick will take you through that.

Guidance does not include additional share purchases from the buy-back nor any contribution from BNYM Canada Corporate Trust business in initial guidance, but with the momentum in our core businesses, the benefits of recent investments, these counter benefits of a lower rate environment such as improved client balances and events revenues, and new cost out programs, we can deliver another year of positive earnings growth.

Nick over to you.

Nick Oldfield, Chief Financial Officer

Thank you, Stuart. And good morning, everyone.

I'll start with our financial results on slide 10.

Total Revenue for the group increased 2.1% over the pcp, ex. Margin Income, revenue was broadly flat. Remember however - these comparisons include KCC in the pcp. Adjusting for this, revenue for the group was up 8.6% and revenue ex. MI up 7.8%. As you've heard, this revenue growth was largely driven by an increase in Event and Transaction fees, particularly in the Employee Plans business.

Margin income was up 7.3% to $832m due to higher rates, supported by improved balances in the second half.

Total costs were flat. I'll talk a bit more to costs later.

EBIT increased 10.7% to $1.143bn and the EBIT margin improved 270 bps to 34.8%, both largely attributable to the higher MI and transactional revenue growth.

Excluding MI, EBIT was up 21% and the EBIT ex. MI margin improved 210 bps to 12.7%.

As well as the transactional revenue growth, EBIT ex. MI benefitted from lower amortization expense because of the sale of US Mortgage Services.

On a proforma basis, excluding US Mortgage Services, FY24 EBIT ex. MI would have been higher by around $38.7m at $349.6m.

Interest expense was up 22% to $163m. The average cost of debt was almost 7%. Net debt at year end was $461m as we repaid $220m in USPP debt in February and some of our syndicated debt post the sale of US MS in May. All our debt is at floating rates so it's a natural hedge to margin income as rates fall.

Tax expense was also higher, up by almost 12% at $275.7m, whilst the ETR was higher for the year too - by 68 bps at 28.1% due to more Canadian withholding tax payments than anticipated during the second half.

Post the sale of US Mortgage Services, we expect ETR to be a little lower going forward.

Management NPAT was up 8% to $704.2m. Management EPS was also up 8% to 116.7 cps. Adjusting for the FY24 buyback it was a little higher at 117.6 cps.

Statutory results are on slides 27 and 28. Statutory NPAT was $352.6m, down 21%. This was largely attributable to the impairment related to the US Mortgage Services disposal of $129m.

In addition, amortization of acquisition related intangible assets of $70m, acquisition related expenses of almost $90m – largely the cost of the CCT integration - and $47m associated with our cost out programs also impacted the statutory result.

We also had to revalue the contingent consideration expected from the KCC disposal following a worsening of its performance outlook – that negatively impacted the statutory result by $20.5m.

Slide 11 bridges the almost 9% improvement in EPS from FY23 to FY24.

The sale of KCC cost us 1.3 cps in earnings but was more than offset by improvement in both core fees and event and transactional revenue – almost 10cps between them.

MI added almost 9.7 cents but the costs of running the business and delivering the higher revenue was up 5.0 cents whilst interest and tax expenses were also up by 4.7 cents.

After including 1 cent in benefit from the buyback, overall EPS was 117.6 cents for the full year.

We break out the cost bridge on slide 12.

Proforma BAU opex – that's ex. KCC & US MS - is up 5.6%. This is the balance of the benefits from our cost out programs of $28.7m, offset by cost growth to support higher revenues – and inflation across our personnel and third-party expense lines of $102.7m.

Overall, however, opex was up just over 8%. This reflects an additional $32m of costs which were unusual or less BAU in nature.

Around $7m was an investment in establishing a new captive back-office operation in India. These costs will be better absorbed in FY25 as the operation there gets up to full capacity. Around $15m – were the operating costs of the Solium Capital business we acquired in the UK.

The remaining $10m was stranded costs associated with the KCC disposal. As Stuart has mentioned, we have launched a new Stage 5 cost-out initiative to tackle both the KCC stranded costs and those arising from the disposal of US Mortgage Services. This program is targeting $45-60m of cost savings which will be delivered over the next three years with a cost to deliver of around $50m.

Slide 46 provides an update on our cost out programs. We have also incorporated the CCT synergy project on this slide, so all savings initiatives are in one place.

I'll now talk a little about Margin Income, starting on Slide 8.

In FY24 we delivered $837m in MI (at FY24 rates) on average balances of $29.2bn – that's a yield of 2.87%.

And we expect around $745m of margin income in FY25 – a yield of around 2.6% on average balances of $28.5bn.

This excludes MMF.

The lower yield reflects an assumption of four US rate cuts in September, November, December and January.

This is based on curves as at 22nd July. I appreciate that markets have seen some substantial volatility over the course of the last week or so, meaning that the rate outlook is a little lower today compared to then.

If we cut the curves and our forecast today, rates would be around 30 bps lower on average over the course of the year and FY25 MI in isolation would be around $20m lower at $725m.

But to be clear – I say in isolation because this doesn't include any counter-balancing benefits.

So, for example:

- If rates are lower, our natural hedge in terms of lower interest expense kicks in.
- When it comes to non-exposed or interest sharing arrangements – in a lower rate environment, we'd look to manage pay-out rates to clients.
- And we'd also expect balances and other activity to increase further, as we saw in CCT in the second half.

So, as we think about the risk of lower rates, it's important we retain a sense of context. We have options and levers available to us to mitigate any risk of lower rates in general.

But getting back to our FY25 outlook.

Altogether the impact of rate cuts in FY25 is $136m whilst the sale of US Mortgage Services reduces MI by a further $56m.

These negatives are offset by growth in balances and an improved balance mix.

When we adjust for the sale of US Mortgage Services and its balances of $1.5bn, we expect growth in average client balances of around $800m in FY25 – that's an extra $500m in Corporate Trust and $300m in Issuer Services.

These higher balances are in line with our June exit balances and what we have seen through July.

Higher balances add $33m in MI in FY25, whilst we also expect a slight change in mix away from non-exposed. This adds a further $29m in MI.

As a result, we expect a decline in the exposed non-hedged yield of 45 bps to 4.37% and a reduction in the non-exposed yield of 13 bps to just over 1%.

We also expect to increase the hedge book by $700m, as we look to get similar protections into our foreign currency balances as we currently have in USD. This will help improve the average hedged yield to around 3.1% - in FY24 it was 2.93%, whilst the exit yield is marginally over 3%.

We provide some further colour on balances and the hedge book on slide 7.

You can see here; total balances were up 9.2% over the 2H in FY24:

- MMF balances were 13% higher.
- CCT was 7.8% higher.
- Legacy Computershare was down 2.7% but this reflected the sale of the US Mortgage Services balances.
- Excluding US Mortgage Services, legacy balances were flat to the 1H and aggregate client cash balances – including CCT - were up around 4% v. 1H.

We had approximately 50% of our average exposed balances hedged as at the end of FY24. This is around $9.3bn and will deliver $1.5bn in MI over its life; $273m guaranteed in FY25 and $1.1bn over the next five years.

And, as I said earlier, we are in the process of adding approximately $700m in additional hedging. This will add a further $39m in hedged yield in FY25, driving hedged MI to $312m and the hedge book to 57% of our exposed balances – we'll continue to be fairly conservative in our hedging so expect us to remain in this 50-60% range.

There's more detail about balances and MI on slides 48 to 53, including some increased disclosure on how the hedge book unwinds over its life.

I'll now wrap up my comments with a look at our balance sheet and cash flow on slide 13.

In the period, we generated $612.3m of free cash flow, that's an EBITDA to cash conversion rate of around 60% at actual rates.

We spent $43m on capex whilst net spend on MSRs was $76m. These were sold as part of the US Mortgage Services disposal and obviously we will no longer see this drain on our cashflow.

The US Mortgage Services disposal delivered $577.8m in cash, with the difference to gross sale proceeds being the transaction expenses and the cash included in the Tangible Assets of the entity being sold. We spent $27m on other acquisitions – largely the Solium UK deal – the dividend was $312m and the share buyback cost us $211m. Net cash flow was $640.1m and as I said earlier, we ended the year with net debt of $461.4m, an improvement of $568.5m v. the pcp.

Net leverage was 0.36x.

Looking forward, we will fund the acquisition of the BNYM Corporate Trust business in Canada and complete the buyback in this next financial year. Taking both these into account, as well as the higher dividend, I'd expect net leverage to be similar at this time next year.

I'll now hand back to Stuart.

Stuart Irving, Chief Executive Officer and President

Thanks Nick.

So, let's wrap up before questions:

We are well placed to deliver growth.

Our focus in Issuer Services is to continue to broaden the service offering integrating entity management, company secretarial and Registry services, as we see that resonating in the markets where we have tested it. We will also continue to roll out our technology innovations to drive efficiencies and enhance service.

In Employee Share Plans, we will continue to roll out our EquatePlus product in the US and Canada and continue to invest in the products and features of this offering. We will also integrate our recent acquisition and move these clients onto our platform.

Corporate Trust should see some recovery, we will also invest in technology solutions to drive market share in some products and focus on the synergy deliveries. I continue to believe we have roll up opportunities in this space.

At a group level, we will focus on cost out programs to reduce some of the stranded costs from the disposals we talked about and we have well developed plans to achieve this.

With business growth, investment in tech, lower interest costs and our cost outs, along with our Hedging policy to give us some protection when rates start decreasing, we are well placed to deliver growth in FY25.

That's it for the presentation elements. We will now move to questions.